Blogs

Games

Rikunabi

Music

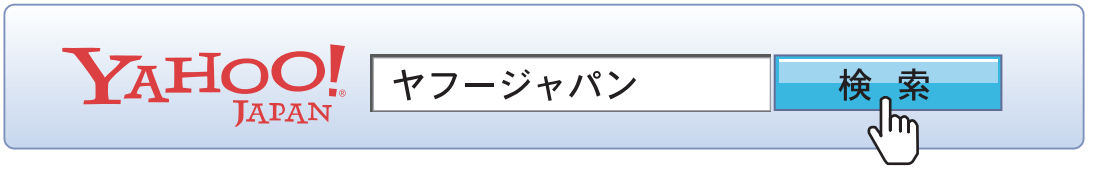
Beauty

Gourmet

Get Local

Maps

Finance



Autos

Message Boards

Annual Report 2008

Year ended March 31, 2008

Weather

Auction

Shopping

Real Estate

TV

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Important Considerations Regarding This Annual Report

1. Beginning with the fiscal year ended March 31, 2004 (fiscal 2003), Yahoo Japan Corporation (the Company) altered its method of booking sales. Figures in this annual report for fiscal years preceding fiscal 2003 have been revised to reflect this change in accounting method.
2. This annual report contains forward-looking statements. Readers are cautioned that a number of important factors could cause actual results to differ materially from those predicted.
3. For a detailed account of the factors that could affect performance, please see the section entitled Risk Factors. Readers should be aware that performance-affecting factors include, but are not limited to, those mentioned in the Risk Factors section.
4. The unauthorized use of the information or the data in this document is not permitted.

Financial Highlights

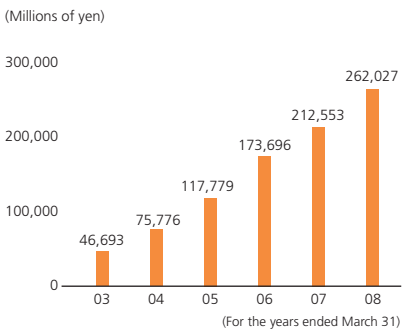
Yahoo Japan Corporation and Consolidated Subsidiaries
Years Ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	2008
For the fiscal year:				
Net sales	**¥ 262,027**	¥ 212,553	¥ 173,696	**$ 2,615,304**
Operating income	**124,808**	106,233	82,133	**1,245,710**
Net income	**62,618**	57,963	47,091	**624,992**
Net income per share (Yen and U.S. dollars)	**1,035**	959	777	**10.33**
Dividends (Yen and U.S. dollars)	**104**	96	78	**1.04**
EBITDA	**136,028**	115,743	89,787	**1,357,705**
At fiscal year-end:				
Total assets	**369,660**	318,428	190,975	**3,689,591**
Total equity	**250,672**	192,385	142,455	**2,501,970**
Number of employees	**3,739**	3,042	2,534	**–**
Cash flows	**38,320**	(22,659)	29,043	**382,472**
Cash flows from operating activities	**81,494**	72,710	59,604	**813,394**
Cash flows from investing activities	**(16,982)**	(160,402)	(27,533)	**(169,494)**
Cash flows from financing activities	**(26,192)**	65,033	(3,028)	**(261,428)**
Ratios:				
Operating margin (%)	**47.6**	50.0	47.3	
Net income to net sales ratio (%)	**23.9**	27.3	27.1	
ROA (%)	**18.2**	22.8	29.3	
ROE (%)	**28.5**	34.8	39.5	
Total equity / Total assets ratio (%)	**67.1**	59.9	74.6	

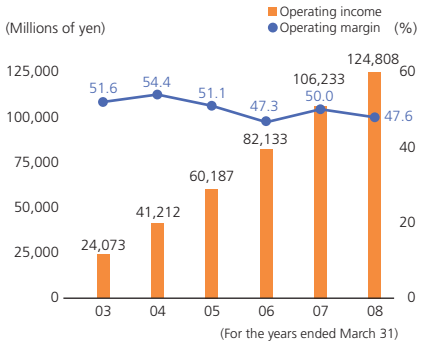
Notes:

- Yen amounts for the year ended March 31, 2008 have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥100.19=U.S.$1, the effective rate of exchange at March 31, 2008.
- Net income per share and dividends for the years preceding the year ended March 31, 2007 have been retroactively adjusted to reflect stock splits.
- Equity as of March 31, 2007 and thereafter is presented in accordance with the new accounting standard for presentation of equity, while the previous accounting standard has been applied for prior years. The change of accounting standard for presentation of equity is discussed in Note 2.o of the Notes to Consolidated Financial Statements.

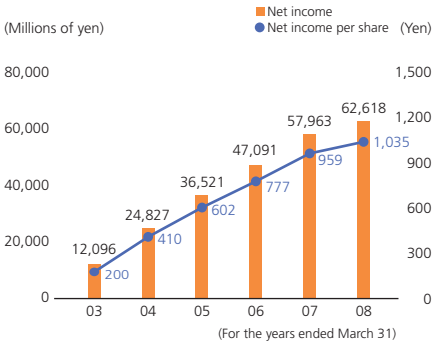
Net Sales



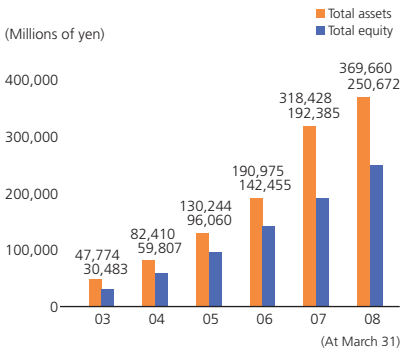
Operating Income / Operating Margin



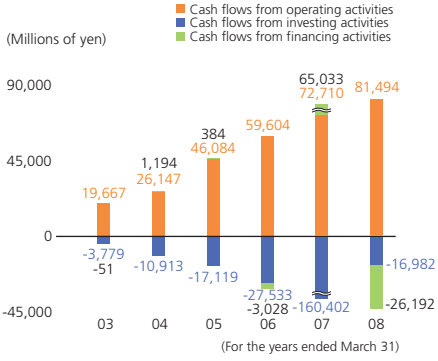
Net Income / Net Income per Share



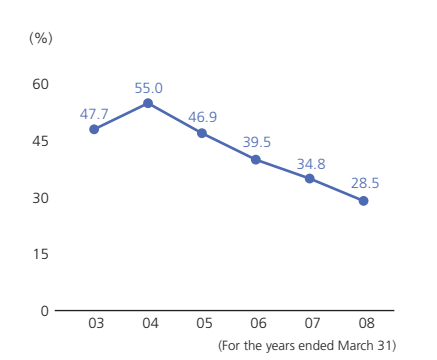
Total Assets / Total Equity



Cash Flows



ROE



Profile and History

Yahoo Japan Corporation and its consolidated subsidiaries and affiliates (the Group) have been a key driving force behind the rapid growth of Japan's Internet market. Offering Internet users a wide range of services, including search, information listing, community, and e-commerce, our site is the overwhelming leader in Japan in the number of users and page views.

We are constantly improving our "life engine" services designed to enrich the content and enhance the convenience of daily life. While continuing to focus on Internet advertising, members services, and e-commerce businesses, the Group's core revenue sources, we are also diversifying our earnings by incorporating user-generated content and developing our streaming content and mobile Internet businesses.

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

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

The Business Services segment includes non-advertising-related services for corporations. This segment derives revenue from fees and commissions for various information listing services, tenant fees and sales commissions from stores listed on the Yahoo! Auctions and Yahoo! Shopping sites, revenue from on-line research business, and fees for other information services.

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

4/2002–3/2003
- Introduced listing and transaction fees for Yahoo! Auctions
- Made Netrust, Ltd. a subsidiary
- Started a paid search advertising service

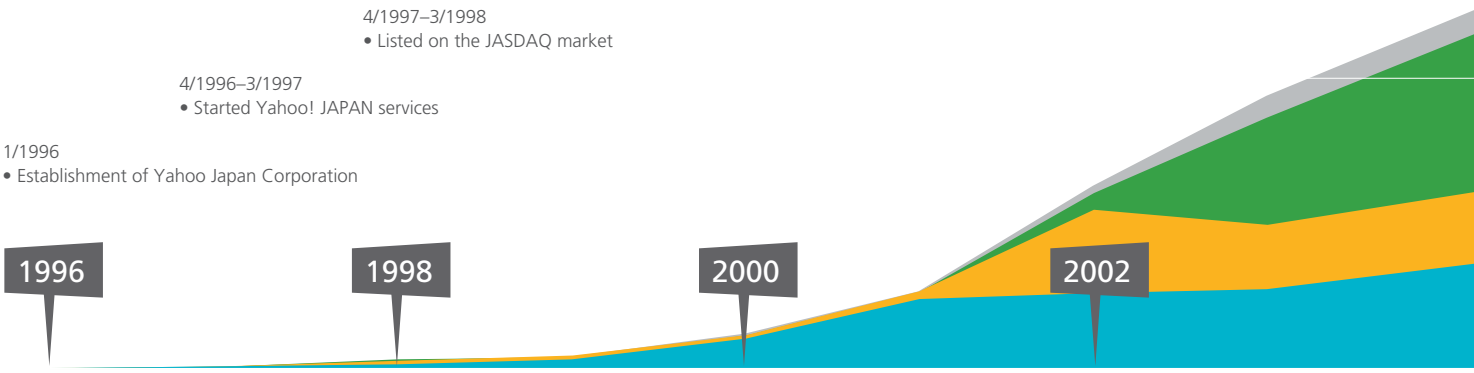
4/2001–3/2002
- Introduced Yahoo! Auctions personal identification system (currently Yahoo! Premium membership)
- Started comprehensive broadband service Yahoo! BB
- Made e-Shopping! Books CORP. (currently Seven and Y Corp.) a subsidiary

4/1999–3/2000
- Started online shopping service Yahoo! Shopping and online auction service Yahoo! Auctions

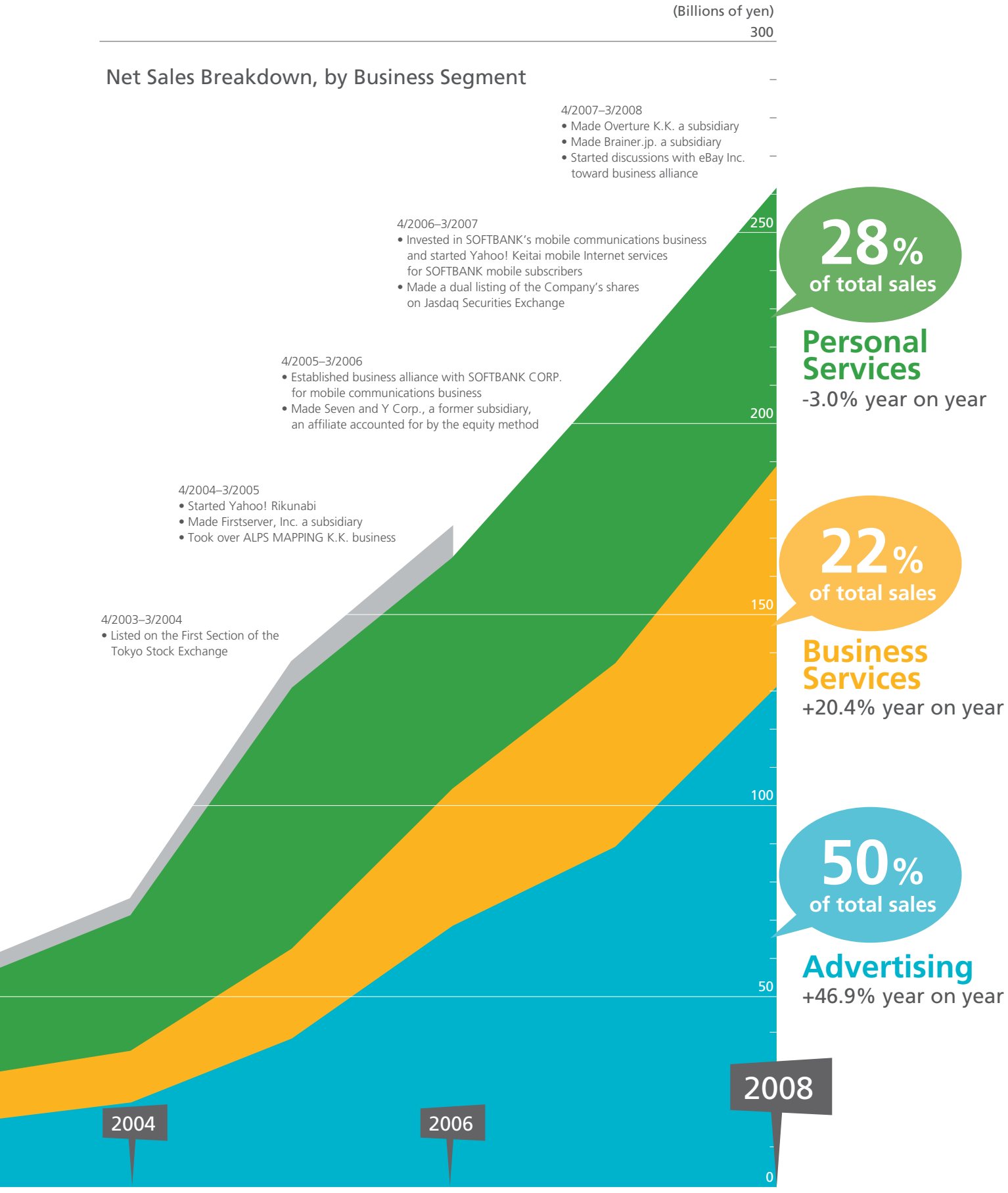
4/1997–3/1998
- Listed on the JASDAQ market

4/1996–3/1997
- Started Yahoo! JAPAN services

1/1996
- Establishment of Yahoo Japan Corporation



Net Sales Breakdown, by Business Segment



(For the years ended March 31)

Note:
The Other segment (gray portion of graph) consists chiefly of the revenues of former consolidated subsidiary Seven and Y Corp., which became an affiliate accounted for by the equity method in February 2006.

Growth

ストア数の増加に伴いビジネスサービス事業の売上に計上される B to C オークションの割合が高まったことに加えて、特定のカテゴリーの不振および不正利用防止策のさらなる強化などにより取扱高が伸び悩み、システム利用料収入は横ばいとなりました。Yahoo! プレミアム会員 ID 数は、Yahoo! JAPAN ID のみで入札が可能となるキャンペーンの実施等「Yahoo! オークション」利用活性化策の影響で 2006 年 10 月より減少傾向にありました。2007 年 8 月の利用条件変更に伴い、入札経験者を対象にした新規入会キャンペーンなどを実施し会員獲得に努めた結果、2007 年 5 月を底に増加傾向に転じ、2008 年 3 月末時点の会員 ID 数は 692 万人（11.7%増）となりました。一方で「Yahoo! BB」の ISP 料金収入はソフトバンク BB(株) との業務提携契約の見直しの影響により、前年度と比べ大きく減少しました。以上の結果、当期のパーソナルサービス事業の売上高は、前期比 3.0%減の 731 億円となり、営業利益は同 1.5%増の 487 億円となりました。<2007 年より開始した 4 つの成長戦略の進ちょく状況>1. 「ソーシャルメディア化」当グループが有する、100 種類を超えるヘッドコンテンツに対して利用者がテールコンテンツを発信・共有する場を提供することにより、利用者の満足度の向上と利用時間の拡大を図っています。当期においては、動画投稿サービス「Yahoo! ビデオキャスト」正式版の提供を開始したほか、利用者参加型エンターテインメント系新ニュースサイト「ネタりか」（ベータ版）、利用者参加型ニュースサービス「みんなのトピックス」（ベータ版）、利用者が検定を作る「みんなの検定」（ベータ版）等を公開しました。また、「Yahoo! 地域情報」（ベータ版）におけるクチコミ投稿機能の追加、「Yahoo! グルメ」における「食べ歩き帳」や飲食店ランキング機能の追加等、既存のサービスへのソーシャル機能の追加も行いました。2007 年 8 月には、「旅行のクチコミサイト フォートラベル」を運営するフォートラベル（株）と資本・業務提携を行いました。フォートラベル（株）が有する、旅行に関する国内最大規模の投稿情報を活用し、「Yahoo! トラベル」のソーシャルメディア化を推進しています。2. 「Everywhere 化」当グループのサービスへの接触機会を増やし、サービスの利用度を高めていく施策として、パソコンのみならずモバイルやゲーム機、テレビ、カーナビ等さまざまなデバイスからのインターネット利用を促進する「Everywhere 化」を推進しています。当期においては、ソフトバンクモバイル（株）向けをはじめ携帯電話各キャリアの利用者に向けたサービスの拡大、質の向上を進めました。新たなサービスとして、地図や画像などの検索結果を直接画面上に表示する「ダイレクト・ディスプレイ」機能や、携帯メールで検索キーワードを送信し検索結果を受信する「Yahoo! モバメル探」、選択エリアの周辺情報をまとめて調べる「Yahoo! マチモバ」、1 日 1 回まとめて携帯電話に配信された最新ニュースをインターネットにアクセスせずに閲覧することができるサービス「Yahoo! ヘッドラインニュース」等のサービスの提供を開始しました。また、ソニー（株）の大画面液晶テレビ「Bravia」において「Yahoo! オークション」等の提供を開始したり、シャープ（株）の液晶大型テレビ「AQUOS」向け専用インターネットポータルページの共同開発を発表（2008 年 5 月にサービスを開始）するなど、それぞれのデバイスに最適なサービスやインターフェースを追求し、順次提供を開始しています。3. 「地域・生活圏情報の充実」当グループは、インターネット利用者ひとりひとりの利用度を高めていくために、人々の生活により密着した生活圏情報の提供を目指しています。そのためには、地域の事業主や店舗に対しインターネット利用のプラットフォームを提供することが重要だと考えています。このため、地方の中小事業者や店舗に対して出店誘致や IT 化を推進すると同時に広告商品や販売促進ツールを拡販するため、2007 年 6 月に（株）テレウェイヴ、11 月に（株）サイネックス、12 月に GMO インターネット（株）と、資本・業務提携を締結しました。また、インターネット上で折込チラシを検索・閲覧することができる「Yahoo! チラシ情報」や、店舗の予約専用番号への入電数に応じた課金を行う「Yahoo! グルメ」コール課金を開始するなど、地域に密着した情報提供の拡大に努めました。当グループは連結子会社である（株）アルプス社が提供する大規模な地図情報データベースを元に、各種地図の企画制作、インターネット向けの地図データや地域情報の提供等の事業を行ってきました。2008 年 4 月には同社を吸収合併し、地図情報のさらなる強化・拡大を図ります。4. 「オープン化」当グループはパートナーサイトに対しディスプレイ広告や検索連動広告、コンテンツ連動広告等を提供することにより、双方の収益を拡大することを目指しています。ディスプレイ広告においては、2007 年より他社サイトへの広告配信を開始し、広告の配信先であるパートナーサイトを順次拡大しています。検索連動広告においては、2007 年 9 月にオーバーチュア（株）を子会社化しました。オーバーチュア（株）は、米国 Yahoo! Inc. の子会社として、Yahoo! JAPAN を含む日本国内の主要提携パートナーサイトにサービスを提供し、高い実績を挙げてきました。子会社化により、サービス開発や営業活動においてより緊密に協力し、提供するサービスの価値をさらに向上させることが可能となりました。広告主に対し、より効果的で簡便な広告出稿手段を提供することにより、検索連動広告市場の成長と Yahoo! JAPAN グループのさらなるシェア拡大を目指します。コンテンツ連動広告においては、2007 年 8 月に連結子会社化した（株）ブレイナーの技術を当グループが有する技術と融合させ、積極的に市場を開拓していく予定です（当社は（株）ブレイナーを 2008 年 4 月付けで吸収合併しました）。2007 年 12 月には、米国のインターネットオークション運営会社 eBay Inc. と、相互の市場進出と誘導の強化のための業務提携の検討を開始しました。すでに第 1 フェーズとしてネットプライスドットコムの子会社であるショップエアラインに運営を委託し、購買代行サイト「セカイモン」を日本国内にオープンしています。第 2 フェーズ・第 3 フェーズとしては、双方のオークションサイト上にて同購買代行サービスを展開し、相互の国の商品閲覧・入札・落札を可能にする予定です。その他にも、Yahoo! JAPAN ＩＤ認証ＡＰＩや、オンライン課金システム「Yahoo! ウォレット」、「Yahoo! ポイント」制度の提供を一部パートナーサイトに対して開始しました。今後も「オープン化」戦略を推進することで、利用者の利便性・満足度を向上させると共に、パートナーサイトと Win-Win の関係を構築し、双方の収益拡大を目指していきたいと考えています。<利益還元>Yahoo! JAPAN グループは、インターネット市場を取り巻くさまざまな環境変化に対応しつつ、市場の拡大に合わせた中長期的な業績成長を遂げていきたいと考えています。そのために必要な企業体質の強化と将来の事業展開のための内部留保を中心に据えつつも、株主の皆様への利益還元を重要課題と考えています。毎期確実な利益を生み出すよう努めながら、連結当期純利益の 10%程度を配当性向のめどとすることにより、業績に応じた利益配当を実施しています。当期の利益配当については、上記の方針のもと、1 株あたり 104 円とさせていただきました。２００７年度アニュレポ&IR サイト向けトップメッセージ　　<ごあいさつ>Yahoo! JAPAN グループは、1996 年にサービスを開始して以来、「利用者数」「ブランド力」「技術力」という３つの資産を育ててまいりました。現在はこの資産をベースに、インターネットを通じて、いつでも、どこでもお客さまの役に立つサービスを提供し続けるとのミッションのもと、１００種類以上のサービスを提供し、家庭からは 88.0%、職場からは 88.9% という高い視聴率を誇っています（2008 年 3 月 Nielsen Online『NetView AMS JP』）。一方で、インターネット利用人口の拡大に伴い利用者のニーズはますます多様化しています。当グループはこの多様化されたニーズに自ら対応すると同時に、さまざまなインターネットサービスを提供する企業とパートナーシップを組みトラフィックを増加させることにより、双方の収益機会を拡大します。今後大きな成長余力を持つ日本のインターネット産業の中で、「ソーシャルメディア化」「Everywhere 化」「地域・生活圏情報の充実」「オープン化」の４つの戦略を推進することにより、更なる成長を目指します。<2008 年 3 月期の業績>当期の連結売上高は 2,620 億円（前期比 23.3%増）、連結営業利益は 1,248 億円（同 17.5%増）、連結当期純利益は 626 億円（同 8.0%増）となりました。いずれも過去最高であり、サービス開始以来 11 期連続の増収増益を達成することができました。<当期の事業環境>当期においては、米国における景気の減速や急激な円高・ドル安、原材料価格の高騰などにより、日本の景気や企業業績の先行きに不透明感が広がりました。そのような環境下においても、インターネットを事業基盤とする当グループは、順調に事業を展開してまいりました。日本におけるインターネットおよびブロードバンドの普及率は引き続き上昇し、インターネットの利用人口は一段と増加しています。また、特定の情報提供者が公開する情報（＝ヘッドコンテンツ）に加え、一般の利用者がほかの利用者に発信・共有する情報（＝テールコンテンツ）が急速に拡大し、利用時間も拡大しています。さらに、携帯電話や情報家電の多機能化とネットワーク化に伴い、インターネットの利用方法も多様化しています。今後もこの傾向が続き、インターネットはますます人々の生活に密着したメディアとなっていくと思われます。<各事業の概況>■広告事業……マスコミ 4 媒体への広告出稿が 3 年連続で減少する中、インターネット広告は高成長を維持（株）電通の発表によると、広告費全体は 2004 年以来 4 年連続で増加し、2007 年には 7 兆 191 億円に達しました（暦年ベース）。しかしながら 2007 年は、2006 年に引き続き企業が広告宣伝費の支出を抑える傾向にあったこと等により、総広告費の伸び率は前年比 1.1%増にとどまり、マスコミ 4 媒体についてはいずれも前年実績を下回るという厳しい状況でした。このような中で、インターネット広告媒体費の伸び率は前年比 26.5%増の 4,591 億円と、引き続き高い伸びを示し、広告市場全体をけん引しました。このように全体としては停滞感のある市場環境において、当グループはトップページの広告商品「ブランドパネル」のリニューアルや下層ページにおける新バナー商品「プライムディスプレイ」の導入など、利用者における認知度や好感度が高い商品づくりに注力しました。また、利用者の属性や行動履歴をもとに配信対象を絞り込むことで、広告主にとってより効率的な広告宣伝活動が可能となるターゲティング広告商品の販売をさらに促進しました。検索連動広告関連収益も、検索クエリ数や広告主数の拡大に加え、2007 年 7 月に品質インデックスと入札単価を考慮した広告掲載を開始したことなどにより、好調に推移しました。また、検索連動広告配信システムを提供しているオーバーチュア（株）を 2007 年 9 月より連結子会社化し、検索連動広告関連売上高をさらに拡大しました。以上の結果、当期の広告事業の売上高は前期比 46.9%増の 1,310 億円、営業利益は同 28.7%増の 648 億円となりました。■ビジネスサービス事業……情報掲載料収入と e コマース関連収入が大幅に増加ビジネスサービス事業については、「Yahoo! 不動産」などを中心に雑誌・新聞などからインターネットへと情報掲載媒体の移行がさらに進んだことを背景に、情報掲載料収入が順調に増加しました。「Yahoo! オークション」や「Yahoo! ショッピング」においては、引き続き新規ストアの獲得に注力した結果、2008 年 3 月末のオークションストアとショッピングストアの合計は、前期末比 4,245 店舗（15.7%）増の 31,289 店舗となり、これに伴いストアからのテナント料収入やロイヤルティ収入も増加しました。モバイル関連の取り組みについても強化し、「Yahoo! ショッピング」のモバイル経由の取扱高は大幅に増加しました。季節ごとの販促活動も積極的に展開した結果、「Yahoo! オークション」、「Yahoo! ショッピング」、「Yahoo! トラベル」、「Yahoo! チケット」を合計した e コマース取扱高総額は、前期比 4.5%増の 9,400 億円と好調に推移しました。以上の結果、当期のビジネスサービス事業の売上高は、前期比 20.4%増の 581 億円となり、営業利益は同 22.1%増の 236 億円となりました。■パーソナルサービス事業……オークション利用活性化策とともに Yahoo! プレミアム会員の付加価値増大に注力「Yahoo! オークション」においては、ストア数の増加に伴いビジネスサービス事業の売上に計上される B to C オークションの割合が高まったことに加えて、特定のカテゴリーの不振および不正利用防止策のさらなる強化などにより取扱高が伸び悩み、システム利用料収入は横ばいとなりました。Yahoo! プレミアム会員 ID 数は、Yahoo! JAPAN ID のみで入札が可能となるキャンペーンの実施等「Yahoo! オークション」利用活性化策の影響で 2006 年 10 月より減少傾向にありました。2007 年 8 月の利用条件変更に伴い、入札経験者を対象にした新規入会キャンペーンなどを実施し会員獲得に努めた結果、2007 年 5 月を底に増加傾向に転じ、2008 年 3 月末時点の会員 ID 数は 692 万人（11.7%増）となりました。一方で「Yahoo! BB」の ISP 料金収入はソフトバンク BB(株) との業務提携契約の見直しの影響により、前年度と比べ大きく減少しました。以上の結果、当期のパーソナルサービス事業の売上高は、前期比 3.0%減の 731 億円となり、営業利益は同 1.5%増の 487 億円となりました。<2007 年より開始した 4 つの成長戦略の進ちょく状況>1. 「ソーシャルメディア化」当グループが有する、100 種類を超えるヘッドコンテンツに対して利用者がテールコンテンツを発信・共有する場を提供することにより、利用者の満足度の向上と利用時間の拡大を図っています。当期においては、動画投稿サービス「Yahoo! ビデオキャスト」正式版の提供を開始したほか、利用者参加型エンターテインメント系新ニュースサイト「ネタりか」（ベータ版）、利用者参加型ニュースサービス「みんなのトピックス」（ベータ版）、利用者が検定を作る「みんなの検定」（ベータ版）等を公開しました。また、「Yahoo! 地域情報」（ベータ版）におけるクチコミ投稿機能の追加、「Yahoo! グルメ」における「食べ歩き帳」や飲食店ランキング機能の追加等、既存のサービスへのソーシャル機能の追加も行いました。2007 年 8 月には、「旅行のクチコミサイト フォートラベル」を運営するフォートラベル（株）と資本・業務提携を行いました。フォートラベル（株）が有する、旅行に関する国内最大規模の投稿情報を活用し、「Yahoo! トラベル」のソーシャルメディア化を推進しています。2. 「Everywhere 化」当グループのサービスへの接触機会を増やし、サービスの利用度を高めていく施策として、パソコンのみならずモバイルやゲーム機、テレビ、カーナビ等さまざまなデバイスからのインターネット利用を促進する「Everywhere 化」を推進しています。当期においては、ソフトバンクモバイル（株）向けをはじめ携帯電話各キャリアの利用者に向けたサービスの拡大、質の向上を進めました。新たなサービスとして、地図や画像などの検索結果を直接画面上に表示する「ダイレクト・ディスプレイ」機能や、携帯メールで検索キーワードを送信し検索結果を受信する「Yahoo! モバメル探」、選択エリアの周辺情報をまとめて調べる「Yahoo! マチモバ」、1 日 1 回まとめて携帯電話に配信された最新ニュースをインターネットにアクセスせずに閲覧することができるサービス「Yahoo! ヘッドラインニュース」等のサービスの提供を開始しました。また、ソニー（株）の大画面液晶テレビ「Bravia」において「Yahoo! オークション」等の提供を開始したり、シャープ（株）の液晶大型テレビ「AQUOS」向け専用インターネットポータルページの共同開発を発表（2008 年 5 月にサービスを開始）するなど、それぞれのデバイスに最適なサービスやインターフェースを追求し、順次提供を開始しています。3. 「地域・生活圏情報の充実」当グループは、インターネット利用者ひとりひとりの利用度を高めていくために、人々の生活により密着した生活圏情報の提供を目指しています。そのためには、地域の事業主や店舗に対しインターネット利用のプラットフォームを提供することが重要だと考えています。このため、地方の中小事業者や店舗に対して出店誘致や IT 化を推進すると同時に広告商品や販売促進ツールを拡販するため、2007 年 6 月に（株）テレウェイヴ、11 月に（株）サイネックス、12 月に GMO インターネット（株）と、資本・業務提携を締結しました。また、インターネット上で折込チラシを検索・閲覧することができる「Yahoo! チラシ情報」や、店舗の予約専用番号への入電数に応じた課金を行う「Yahoo! グルメ」コール課金を開始するなど、地域に密着した情報提供の拡大に努めました。当グループは連結子会社である（株）アルプス社が提供する大規模な地図情報データベースを元に、各種地図の企画制作、インターネット向けの地図データや地域情報の提供等の事業を行ってきました。2008 年 4 月には同社を吸収合併し、地図情報のさらなる強化・拡大を図ります。4. 「オープン化」当グループはパートナーサイトに対しディスプレイ広告や検索連動広告、コンテンツ連動広告等を提供することにより、双方の収益を拡大することを目指しています。ディスプレイ広告においては、2007 年より他社サイトへの広告配信を開始し、広告の配信先であるパートナーサイトを順次拡大しています。検索連動広告においては、2007 年 9 月にオーバーチュア（株）を子会社化しました。オーバーチュア（株）は、米国 Yahoo! Inc. の子会社として、Yahoo! JAPAN を含む日本国内の主要提携パートナーサイトにサービスを提供し、高い実績を挙げてきました。子会社化により、サービス開発や営業活動

Growth Factors, Past and Future

Since commencing business operations in April 1996, Yahoo Japan Corporation and its consolidated subsidiaries and affiliates (the Group) have been the undisputed leader in the Japanese Internet market and the primary driving force behind the market's dramatic expansion to date. Leveraging our predominant position in the market, we currently are implementing new growth initiatives geared to meeting the challenge of a rapidly changing and expanding Japanese Internet market. Keenly intent on remaining a vital "life engine" for Internet users, the Group will continue to supply a growing range of convenient, useful services and content integral to people's daily lives.

Foundations of Growth

The Group has built its overwhelmingly dominant position in the Japanese Internet market on a triple foundation of brand power, technological prowess, and an ever-expanding user base.

General public awareness in Japan of the Internet was virtually nonexistent when we started out in 1996, with Internet access limited to a small group consisting mainly of academics and computer engineers using dial-up services, and just a small handful of Japanese-language Internet sites. In such an environment, the Group was the first to offer Web search services, via the Yahoo! JAPAN portal site, thereby establishing the Yahoo! JAPAN brand name as synonymous with the Internet in the Japanese market.

Meanwhile, Yahoo! Inc., one of the Company's founding partners, had been operating for some time in the U.S. Internet market, where competition was fierce from the start due to the existence of AOL, MSN, and other Internet operators. By leveraging key technologies made available to the Group via the licensing agreement with Yahoo! Inc., and by adopting only those business models and strategies that had proven successful in the highly competitive U.S. market, we were able to achieve stable, continuous growth from the start. This was the core of our "time-machine" strategy that initially propelled the Group forward. At the same time, by steadily increasing the number of and enhancing the quality of services offered, Yahoo! JAPAN quickly attracted a large, loyal, and ever-expanding user base. And through continuous efforts to support steadily expanding user access with an eye to remaining ahead of the competition in acquiring new users, we have accumulated a rich store of technological know-how, which bodes well for the Group's future development.

The Yahoo! JAPAN Top Page at the time of our Web launch in April 1996.

Today, some 90% of Japan's Internet-viewing population regularly access the Yahoo! JAPAN portal site. The three assets that formed the foundation of our initial growth—brand power, technological strength, and our user base—remain the bedrock of the Group's market-leading position today.

Top Page renewal incorporating our four growth initiatives

Search window
Expanded search-related space

Advertisement box
Expanded advertisement size to increase branding impact

Personal box
Area for favorite tools and posting of customized information

Personalize function
Now possible to customize display items

Yahoo! Everywhere
Mobile phone functions and information distribution

Social media functions
Distribution of user-generated information

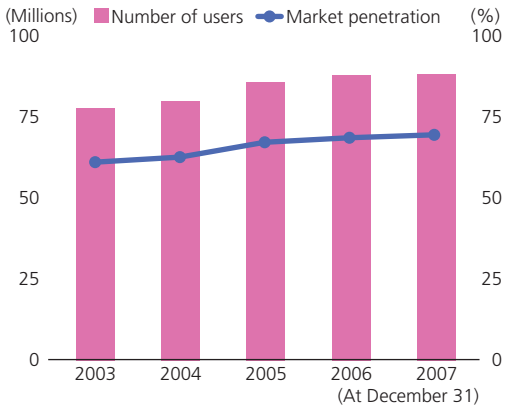
Local information
Distribution of personalized local information services for all lifestyles

Open network policy
Enable traffic acquisition by partner sites

Revenue diversification

Against the backdrop of rapidly expanding Internet usage and surging popularity of the Yahoo! JAPAN portal site during the late 1990s, the Group's revenue structure remained overwhelmingly advertising based, with more than 90% of total revenues consistently deriving from banner-type display advertising. Although advertising revenues were steadily expanding, the cyclical nature of the advertising business caused an inherent instability in the Group's total revenue growth. After assessing this revenue situation, the Group set out on a course of revenue diversification with the goal of achieving both revenue expansion and enhanced revenue stability. With Version 1 as the name of our initial business model based on a single core revenue source (display advertising), we began to gradually shift to Version 2, the Group's new business model incorporating multiple revenue sources to supplement display advertising.

Internet usage in Japan



Source: Ministry of Internal Affairs and Communication

Yahoo! BB

An important element of our Version 2 initiative was the launching of the Yahoo! BB business, which offered a high-speed Internet connection service to individual users via residential telephone lines. Prior to the inauguration of our Yahoo! BB business, Internet access was limited almost completely to dial-up or ISDN lines, with fees based on usage times. Fixed-charge broadband services were extremely expensive and not in general use. As a result, after the Group announced its launch of Japan's first reasonably priced fixed-charge continuous-connection Internet access service in June 2001, we were overwhelmed by subscriber applications from all regions of Japan. We developed the Yahoo! BB business in collaboration with our parent company, SOFTBANK CORP., which provided infrastructure and technological support while the Group solicited new subscriptions and created an online fee-collection platform. By March 31, 2003, the number of Yahoo! BB service subscribers stood at 2.36 million, and by the same date one year later this figure had risen to 4.00 million, with concomitant growth in revenues from subscriber acquisition incentive fees and ISP fees.

In addition to contributing significantly to the diversification of Group revenues, the Yahoo! BB business laid the cornerstone for the subsequent development of the Japanese broadband Internet market and provided the stimulus for creating a fee-collection platform. Although this platform was created for collecting fees from Yahoo! BB subscribers, once in place it could be used also for collecting a variety of other fees and charges from users of other Group services.

Broadband service subscriptions in Japan

Source: Ministry of Internal Affairs and Communication

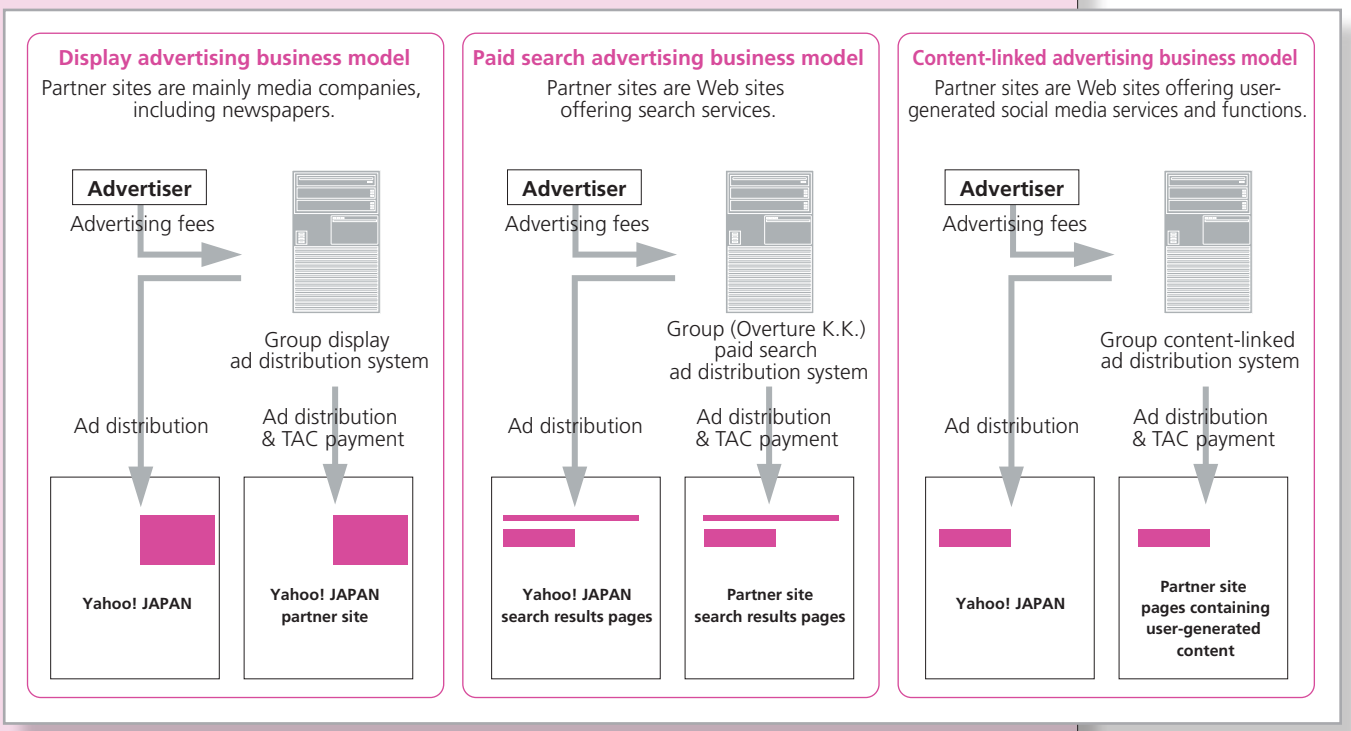
Revenue diversification

Yahoo! Shopping and Yahoo! Auctions

As an initial step toward establishing revenue sources other than display advertising, the Group in 1999 launched the Yahoo! Shopping service, which quickly began generating new revenue streams in the form of tenant fees and sales commissions. Also in 1999, we introduced Yahoo! Auctions services. In order to quickly attract sellers and bidders, Yahoo! Auctions services were initially offered entirely free of charge. After establishing a market-dominating auction user base, we introduced in 2001 a monthly personal identification fee (currently Yahoo! Premium membership fee) payable by both buyers and sellers. Then, in 2002 we introduced system-use fees, including variable listing fees and final-value fees based on a fixed percentage of auction closing prices. For the fiscal year ended March 31, 2008, Yahoo! Auctions transaction volume exceeded ¥700 billion, with auction-related revenues accounting for a significant portion of total Group revenues.

Paid search advertising

To complement our mainstay display advertising service, the Group in 2002 introduced paid search advertising, a keyword-based distribution system that links advertisements to search results. Initially, we established partnerships with the two main providers of paid search advertising distribution systems in Japan at the time, Overture and Google. In exchange for using those two companies' distribution systems, the Group received fees based on a traffic acquisition cost (TAC). Deciding to partner exclusively with Overture beginning in 2004, the Group then in September 2007 made Overture a consolidated subsidiary with the goal of collaboratively developing the paid search advertising market and maximizing Group revenues deriving therefrom. Today, display advertising and paid search advertising are approximately equal contributors to the Group's total advertising-related revenues.



Initiatives for future growth

According to the results of a survey conducted in March 2008 by Nielson Online, the Yahoo! JAPAN portal site attracted viewing rates of 88.0% from the home and 88.9% from the office, with a total user base of approximately 49.8 million, confirming that Yahoo! JAPAN remains the premier portal site in the Japanese market. Data from the same survey also showed that the average user spent three hours and 14 minutes each month on the Yahoo! JAPAN site. Although this figure was by far the highest among all sites surveyed, it represents only about 16% of the average user's total monthly Internet usage time of 20 hours and 20 minutes. In other words, while most users frequently visit the Yahoo! JAPAN site, they spend about 84% of total online time on other sites.

Against this backdrop, the Group launched four new growth initiatives in fiscal 2007 with the ultimate goal of expanding revenues. Three of those initiatives are geared to boosting user numbers and usage times by (1) converting to user-oriented social media services, (2) making services available everywhere by increasing Internet access opportunities, and (3) expanding and enhancing personalized local information services. In our open network initiative, we are partnering with other sites with the goal of achieving mutually beneficial business growth and revenue expansion.

Social media services

With the dual aim of enhancing user satisfaction and boosting usage times of Yahoo! JAPAN services, we are introducing new social media services and adding social media service functions to existing services.

In recent years, the Internet has seen explosive growth in the amount of information generated and supplied by users, known as tail content, supplementing information generated and supplied by official information providers, known as head content. In response to this trend, we have steadily introduced a range of social media services, including Yahoo! Blogs, social networking service Yahoo! Days, and video-posting service Yahoo! Videocast. In addition, we have introduced social media service functions to all existing services, thereby enabling users to generate and supply tail content to the more than 100 head content services offered by the Group. By supplementing our trusted head content with tail content distributed to individual users based on friendship networks established among users of our social networking services, including Yahoo! Days and Yahoo! Profile, we are making strides toward our goal of becoming the most popular social media provider in Japan.

Yahoo! Everywhere

Our Yahoo! Everywhere initiative, focusing on the expansion of Internet access opportunities, is another key element in our strategy to boost usage times of Yahoo! JAPAN services. Through this initiative, we are promoting the use of a growing range of Internet-enabled devices in addition to PCs, including mobile phones, video-game consoles, television sets, and car navigation systems.

Initiatives for future growth

More than half of all persons living in Japan already access the Internet via PCs. Looking forward, we aim to foster an environment in which users, unrestricted by either time or place, can easily access Yahoo! JAPAN Internet services via a widening range of non-PC devices. As a result, usage times of Yahoo! JAPAN services are bound to increase dramatically.

Our efforts to expand mobile-based usage of the Group's services began with SOFTBANK's investment in the mobile communications business in March 2006. By expanding our mobile services and further enhancing user convenience, we have created a fully integrated mobile Internet environment incorporating the mobile services of all the major carriers. We believe that this will form the basis for the creation of a mobile Internet market on a par with the current PC Internet market.

Personalized local information services for all lifestyles

To increase usage times of our Internet services by each and every user, we are focusing on supplementing our established national information services with valuable personalized local information services catering to a wide range of user lifestyles. To that end, we are drawing upon the map information database of consolidated subsidiary ALPS MAPPING K.K.* to expand and enhance map-based regional information services, complete with tail-content functions. In a related move also aimed at boosting personalized local information services, we are creating a region-specific Internet platform for local businesses and stores. Looking further ahead, we are planning to use the global positioning systems (GPS's) embedded in mobile handsets to distribute personalized local information calibrated to the real-time location of each mobile phone user.

*The Company absorbed ALPS MAPPING through a merger, effective April 1, 2008.

Toward a more open network

Our open network initiative aims to maximize Group revenues by leveraging an extended network formed through partnerships with selected sites.

We are in the process of linking the Yahoo! JAPAN site to selected partner sites with the goal of building an extended network. As we expand the scale of the network, we expect to achieve concomitant increases in total usage time, number of page views, and number of unique browsers across the network. As a result, the network's advertising media value will also grow. By distributing advertising over the network and offering partner sites access to such business infrastructure tools as our Yahoo! JAPAN ID verification application program interface (API), our Yahoo! Wallet online fee-collection system, and our Yahoo! Points service, we intend to improve the monetization of traffic on partner sites. In building an open, extended network, therefore, we aim not only to enhance the benefits to users but also to build win-win relationships with all partner sites.

To Our Shareholders

Since commencing business operations in 1996, Yahoo Japan Corporation and its consolidated subsidiaries and affiliates (the Group) have established an overwhelmingly dominant position in the Japanese Internet market on a triple foundation of brand power, technological prowess, and an ever-expanding user base. Guided by its mission of supplying all the services that users want, anytime and anywhere, the Group currently provides more than 100 services in the Japanese Internet market. According to a NetView AMS JP survey conducted in March 2008 by Nielsen Online, the Yahoo! JAPAN portal site boasts viewing rates of 88.0% from the home and 88.9% from the office.

In line with the ongoing expansion of the Internet-viewing population in Japan, user needs are continuously growing and diversifying. Confident that the Japanese Internet market has tremendous capacity for further growth, the Group is preparing to fully benefit by implementing four key strategies: (1) converting to user-oriented social media services, (2) making services available everywhere by increasing Internet access opportunities, (3) expanding and enhancing personalized local information services, and (4) partnering with other sites to form an extended network with the goal of enhancing earnings opportunities arising from greatly expanded traffic over the entire network.

Fiscal 2007 performance

In fiscal 2007, the year ended March 31, 2008, the Group registered its 11th consecutive year of record-high sales and profits. On a consolidated basis, net sales climbed 23.3% year on year, to ¥262.0 billion, and operating income advanced 17.5%, to ¥124.8 billion. Net income rose 8.0%, to ¥62.6 billion.

Business environment

During the year under review, the near-term prospects for improved corporate performance and a more robust general economy in Japan were clouded by the U.S. economic slowdown, yen appreciation vis-a-vis the U.S. dollar, and skyrocketing commodities prices. Against this increasingly challenging economic backdrop, the Group made favorable progress in business expansion.

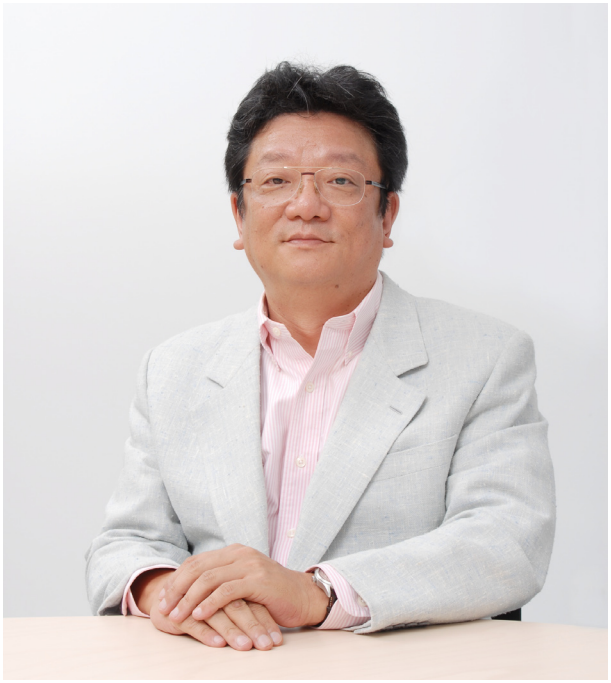
Reflecting the recent proliferation in Japan of broadband-based Internet connectivity, enjoyed by 54.7% of all Japanese households at the end of calendar year 2007, the Internet-viewing population has grown phenomenally. Supplementing the head content information generated and supplied by official information providers, tail content generated and supplied by individual users also has seen explosive growth, effectively boosting Internet usage times across a wide range of user groups. At the same time, the means of accessing the Internet have diversified in line with the expansion of mobile phone networks and new applications of information technology (IT) to consumer electronics and the formation of related networks. We believe that these trends will persist into the future as the Internet plays an increasingly central media role in people's daily lives.

Performance, by business segment

Advertising: Internet advertising market maintains robust growth while four traditional media markets languish

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

According to research by DENTSU INC., total advertising expenditure in Japan has expanded for four consecutive years, reaching ¥7,019.1 billion in calendar 2007. The pace of growth remained restrained, however, with major corporations curtailing advertising and sales promotion expenses, as in the previous year. As a result, total advertising spending for 2007 edged forward just 1.1%, with each of the four traditional media actually recording declines in advertising revenue. In bold contrast, the Internet advertising placement market remained strong and effectively drove the overall market forward, soaring 26.5% year on year, to ¥459.1 billion.



Masahiro Inoue
President and CEO
Yahoo Japan Corporation

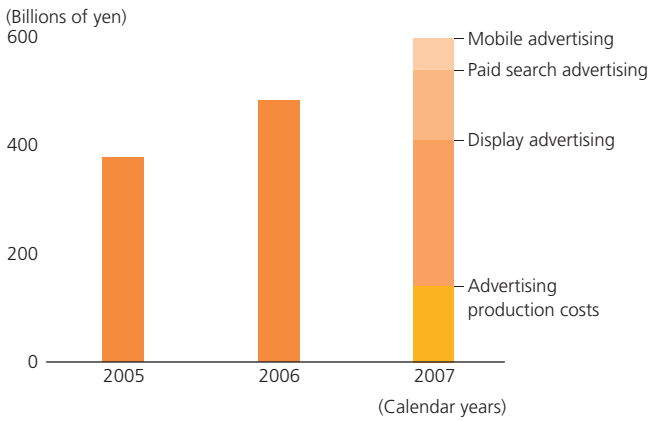
During the year, the Group focused on creating eye-catching advertising products able to spark user interest. Among our high-impact branding products, we renewed our Top Page Brand Panel and introduced Prime Display, a new banner product appearing on the lower section of pages. We also redoubled our sales promotion efforts for behavioral targeting advertisements, which are selectively distributed according to user attributes and Internet-usage histories. Because these types of targeted products improve the efficiency of advertising and sales promotion activities, they were particularly welcomed by advertisers during the year. Paid search advertising also expanded during the fiscal year, supported by growth in the number of search queries and advertisers as well as by the July 2007 launch of a search marketing system that ranks advertisements by quality and keyword bid price. We made Overture K.K., our paid search advertising supplier, into a consolidated subsidiary in September 2007. Formerly a consolidated subsidiary of Yahoo! Inc., Overture has provided its paid search advertising services to Yahoo! JAPAN and other major tie-up partner sites in Japan since 2002, building a strong record in the market for the quality of its services. Based on this action, we are pursuing further expansion of our paid search advertising related sales.

Business Services: *Revenues from information listing and e-commerce-related services show solid growth*

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

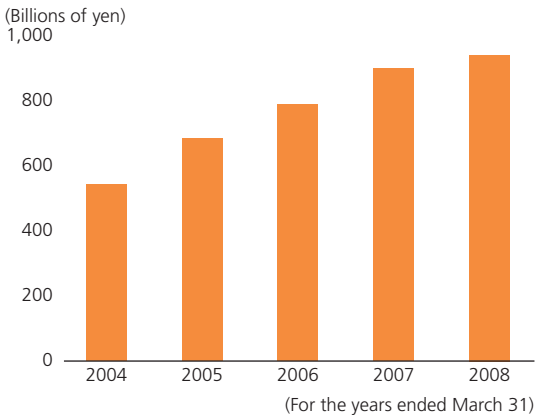
Reflecting the ongoing shift of information listing services from print media to the Internet, information listing revenues grew steadily, especially from Yahoo! Real Estate. Yahoo! Shopping and Yahoo! Auctions continued to focus on expanding

Breakdown of Japanese Internet Advertising Expenditures



Source: 2007 Advertising Expenditure in Japan, DENTSU INC.

Group e-Commerce Transaction Volume



numbers of merchant stores. As a result, at March 31, 2008, the combined number of merchant stores registered on Yahoo! Shopping and Yahoo! Auctions totaled 31,289, up 4,245 stores, or 15.7%, from the figure one year earlier. Tenant fees and sales commissions increased in line with the growth in store numbers. Of particular note, mobile-based transaction volume on Yahoo! Shopping soared during the fiscal year. Boosted by active seasonal and other sales promotions, e-commerce transaction volume, which is the combined transaction volume of Yahoo! Auctions, Yahoo! Shopping, Yahoo! Travel, and Yahoo! Tickets, also rose, up 4.5%, to ¥940.0 billion.

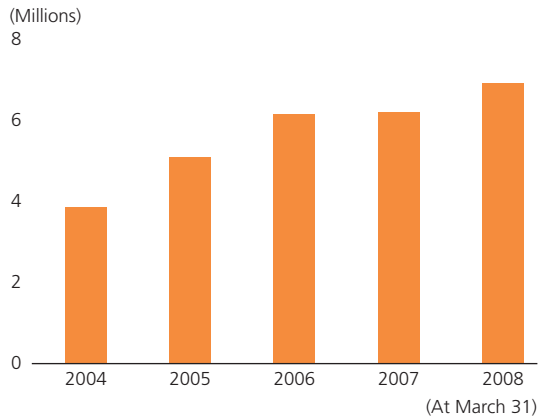
Personal Services: *Yahoo! Premium membership base registers impressive growth*

Net sales of the Personal Services segment slipped 3.0% from the previous year's result, to ¥73.1 billion. Operating income, meanwhile, advanced 1.5%, to ¥48.7 billion.

Yahoo! Auctions' system-use fees showed flat growth year on year, a result chiefly of an increase in the number of merchant stores. This increase boosted the value of BtoC transactions, which are accounted for in the Business Services segment, with a resultant negative impact on Personal Services segment revenue. In addition, total Yahoo! Auctions transaction volume struggled owing to a slump in such categories as automobiles and vehicle bodies as well as name-brand items due to the strict implementation of our policy to delete fakes. Strengthened measures designed to prevent system abuse also had a negative impact on overall auction transaction volume.

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

Yahoo! Premium Member IDs



Growth initiatives launched in fiscal 2007

Social media services

By enabling users to generate and append tail content to more than 100 head content services offered by the Group, we aim to boost not only user satisfaction but also usage times of Yahoo! JAPAN services.

Social media services newly introduced during the year included a gold version of Yahoo! Videocast, a video posting service; a beta version of Netarika, an interactive entertainment news site; a beta version of Everybody's Topics, an interactive news service; and Yahoo! Everybody's Certification, a knowledge tests service. Among initiatives undertaken to add social media functions to existing services were the inclusions of a word-of-mouth posting function on Yahoo! Get Local and a "Restaurants I've Been to Guide" and restaurant-ranking function on Yahoo! Gourmet.

In August 2007, we entered into a capital and business alliance with 4travel, Inc., the operator of 4travel, one of Japan's most popular word-of-mouth travel sites. Drawing upon 4travel's extensive base of user-generated travel information, we are currently transforming Yahoo! Travel into a social media services site.

Yahoo! Everywhere

Our Yahoo! Everywhere initiative focuses on the expansion of Internet access opportunities with the goal of boosting usage times of Yahoo! JAPAN services. Specifically, we are promoting the use of a growing range of Internet-enabled devices in addition to PCs, including mobile phones, video-game consoles, television sets, and car navigation systems.

During the year, we expanded the range and enhanced the quality of our services offered through SOFTBANK MOBILE Corp. and other mobile phone carriers. Among new services launched was a direct display function that enables the display of search results for maps or images on the call-waiting screen of mobile handsets. We also introduced Yahoo! Mobamail Search, which utilizes mobile phone email software both to send a search keyword and to receive the search results, as well as Yahoo! MachiMoba, a service offering such information as shop and restaurant locations within a selected area. Elsewhere, we introduced Yahoo! Headline news, a service offering direct daily delivery of top news stories to users' mobile phones, which can be read without accessing the Internet. Also during the fiscal year, we began offering Yahoo! Auctions and other services accessible exclusively via Sony Corporation's BRAVIA large-screen LCD television model. Finally, we announced the joint development with Sharp Corporation of a Yahoo! JAPAN portal page accessible exclusively via the AQUOS large-screen LCD television model, actual service provision of which began in May 2008.

Personalized local information services for all lifestyles

To increase usage of our Internet services by each and every user, we aim to provide valuable personalized information catering to a wide

range of user lifestyles. To this end, we are in the process of creating a region-specific Internet platform for local businesses and stores.

To create this platform, we are encouraging local small and medium-sized businesses to open stores on Yahoo! JAPAN and to implement IT systems. At the same time, we are preparing to market advertising products and sales promotional tools to these businesses. As part of this process, we formed capital and business alliances with TELEWAVE, INC., in June 2007; with SCINEX CORPORATION in November 2007; and with GMO Internet, Inc., in December 2007. In our efforts to provide localized information services, we launched Yahoo! Flyer Information, which enables users to search for and view flyers. We also introduced a pay-per-call listing service on Yahoo! Gourmet whereby fees for information listings on stores are calculated based on the number of inquiry calls made to a dedicated reservations-request telephone number.

Drawing upon the extensive map information database of consolidated subsidiary ALPS MAPPING K.K., we are planning and creating a host of map-based data and related regional information. In April 2008, the Company absorbed ALPS MAPPING via a merger with the goal of further strengthening and expanding the Group's map-based information services.

Toward a more open network

The Group has begun to supply display, paid search, content-linked, and other advertising services to partner sites with the goal of expanding mutual opportunities for earnings enhancement.

During the fiscal year under review, we made progress throughout our operations in implementing our open network initiative. In our display advertising operations, we began distributing advertising to a steadily expanding number of partner sites. In our paid search advertising business, with Overture now a consolidated subsidiary we are closely collaborating in service development and sales activities and, as a result, improving the value of our services. Elsewhere, we are offering advertisers simpler, more effective advertising methods, targeting growth both in the search-linked advertising market and in our share of that market. In content-linked advertising, we are in the process of fusing the technologies of Brainer.jp. with those of the Group in an effort to proactively develop the market. We made Brainer.jp. a consolidated subsidiary in August 2007 and then fully absorbed it through an April 2008 merger.

As part of our initiative to expand Internet access opportunities, we offer a Yahoo! JAPAN portal page accessible via Sharp Corporation's AQUOS large-screen LCD television model.

In December 2007, we began discussions with U.S.-based Internet auction site operator eBay Inc. related to providing mutual support for our respective entrances in the Japanese and U.S. markets and boosting customer acquisition capabilities. Already in Phase 1 of the agreement, we jointly launched Sekaimon, a proxy buyer site for eBay in Japan, entrusting the site's operation to Shop Airlines, a subsidiary of netprice.com Ltd. In Phase 2 and Phase 3, Yahoo! JAPAN and eBay plan to set up proxy buying services within their respective auction sites, thereby facilitating viewing of and bidding on items on both sites, no matter the location or language of the bidder.

Among other efforts to achieve greater openness, we now offer our Yahoo! JAPAN ID verification application program interface (API), our Yahoo! Wallet online fee collection system, and our Yahoo! Points service on selected partner sites. Looking forward, our open network initiative will focus on enhancing our services' user benefits and on boosting user satisfaction, in addition to building win-win relationships with partner sites.

In conclusion

By swiftly and effectively responding to new challenges and opportunities, the Group aims to achieve sales and earnings growth on a par with the actual expansion in the Japanese Internet market over the medium and long term. To this end, we will accumulate retained earnings for funding future business development and strengthening our corporate structure. At the same time, management will continue to place a high priority on returning profits to shareholders, targeting a payout ratio of 10% of consolidated net income. Accordingly, for fiscal 2007 we declared cash dividends of ¥104 per share. In an effort to further enhance shareholder value, the Company resolved in May 2008 to execute a share buyback of up to two percent of all shares outstanding, excluding treasury stock. The maximum number of shares to be repurchased is therefore 1.21 million shares, and the maximum purchase amount, ¥60 billion. All repurchased shares are to be retired.

In faithfully carrying out the Group's primary mission of providing useful and valuable Internet services and content accessible by anyone, anytime, and anywhere, we hope to earn the trust of all stakeholders, including our users, affiliated business partners, suppliers, and shareholders. On the strength of that trust, we can be certain of achieving sustained growth in the years to come. Moving confidently ahead, we look forward to your continuing understanding and support.

Masahiro Inoue
President and CEO
Yahoo Japan Corporation
June 24, 2008

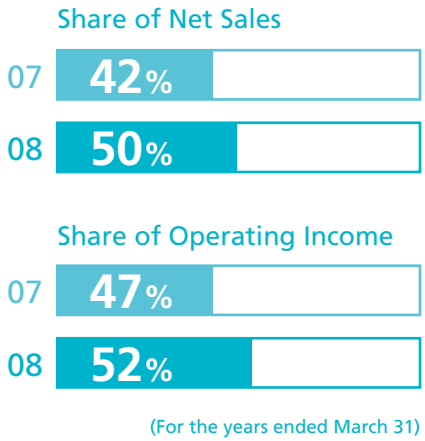
Business

アニュアルレポート 2008　トップメッセージ　<ごあいさつ>Yahoo! JAPAN グループは、1996 年にサービスを開始して以来、「利用者数」「ブランド力」「技術力」という 3 つの資産を育ててまいりました。現在はこの資産をベースに、インターネットを通じて、いつでも、どこでもお客さまの役に立つサービスを提供し続けるとのミッションのもと、１００種類以上のサービスを提供し、家庭からは 88.0%、職場からは 88.9% という高い視聴率を誇っています（2008 年 3 月 Nielsen Online「NetView AMS JP」）。一方で、インターネット利用人口の拡大に伴い利用者のニーズはますます多様化しています。当グループはこの多様化されたニーズに自ら対応すると同時に、さまざまなインターネットサービスを提供する企業とパートナーシップを組みトラフィックを増加させることにより、双方の収益機会を拡大します。今後大きな成長余力を持つ日本のインターネット産業の中で、「ソーシャルメディア化」「Everywhere 化」「地域・生活圏情報の充実」「オープン化」の 4 つの戦略を推進することにより、更なる成長を目指します。<2008 年 3 月期の業績>当期の連結売上高は 2,620 億円（前期比 23.3%増）、連結営業利益は 1,248 億円（同 17.5%増）、連結当期純利益は 626 億円（同 8.0%増）となりました。いずれも過去最高であり、サービス開始以来 11 期連続の増収増益を達成することができました。<当期の事業環境>当期においては、米国における景気の減速や急激な円高・ドル安、原材料価格の高騰などにより、日本の景気や企業業績の先行きに不透明感が広がりました。そのような環境下においても、インターネットを事業基盤とする当グループは、順調に事業を展開してまいりました。日本におけるインターネットおよびブロードバンドの普及率は引き続き上昇し、インターネットの利用人口は一段と増加しています。また、特定の情報提供者が公開する情報（=ヘッドコンテンツ）に加え、一般の利用者がほかの利用者に発信・共有する情報（=テールコンテンツ）が急速に拡大し、利用時間も拡大しています。さらに、携帯電話や情報家電の多機能化とネットワーク化に伴い、インターネットの利用方法も多様化しています。今後もこの傾向が続き、インターネットはますます人々の生活に密着したメディアとなっていくと思われます。<各事業の概況>■広告事業……マスコミ 4 媒体への広告出稿が 3 年連続で減少する中、インターネット広告は高成長を維持（株）電通の発表によると、広告費全体は 2004 年以来 4 年連続で増加し、2007 年には 7 兆 191 億円に達しました（暦年ベース）。しかしながら 2007 年は、2006 年に引き続き企業が広告宣伝費の支出を抑える傾向にあったこと等により、総広告費の伸び率は前年比 1.1%増にとどまり、マスコミ 4 媒体についてはいずれも前年実績を下回るという厳しい状況でした。このような中で、インターネット広告媒体費の伸び率は前年比 26.5%増の 4,591 億円と、引き続き高い伸びを示し、広告市場全体をけん引しました。このように全体としては停滞感のある市場環境において、当グループはトップページの広告商品「ブランドパネル」のリニューアルや下層ページにおける新バナー商品「プライムディスプレイ」の導入など、利用者における認知度や好感度が高い商品づくりに注力しました。また、利用者の属性や行動履歴をもとに配信対象を絞り込むことで、広告主にとってより効率的な広告宣伝活動が可能となるターゲティング広告商品の販売をさらに促進しました。検索連動広告関連収益も、検索クエリ数や広告主数の拡大に加え、2007 年 7 月に品質インデックスと入札単価を考慮した広告掲載を開始したことなどにより、好調に推移しました。また、検索連動広告配信システムを提供しているオーバーチュア（株）を 2007 年 9 月より連結子会社化し、検索連動広告関連売上高をさらに拡大しました。以上の結果、当期の広告事業の売上高は前期比 46.9%増の 1,310 億円、営業利益は同 28.7%増の 648 億円となりました。■ビジネスサービス事業……情報掲載料収入と e コマース関連収入が大幅に増加ビジネスサービス事業については、「Yahoo! 不動産」などを中心に雑誌・新聞などからインターネットへと情報掲載媒体の移行がさらに進んだことを背景に、情報掲載料収入が順調に増加しました。「Yahoo! オークション」や「Yahoo! ショッピング」においては、引き続き新規ストアの獲得に注力した結果、2008 年 3 月末のオークションストアとショッピングストアの合計は、前期末比 4,245 店舗（15.7%）増の 31,289 店舗となり、これに伴いストアからのテナント料収入やロイヤルティ収入も増加しました。モバイル関連の取り組みについても強化し、「Yahoo! ショッピング」のモバイル経由の取扱高は大幅に増加しました。季節ごとの販促活動も積極的に展開した結果、「Yahoo! オークション」、「Yahoo! ショッピング」、「Yahoo! トラベル」、「Yahoo! チケット」を合計した e コマース取扱高総額は、前期比 4.5%増の 9,400 億円と好調に推移しました。以上の結果、当期のビジネスサービス事業の売上高は、前期比 20.4%増の 581 億円となり、営業利益は同 22.1%増の 236 億円となりました。■パーソナルサービス事業……オークション利用活性化策とともに Yahoo! プレミアム会員の付加価値増大に注力「Yahoo! オークション」においては、ストア数の増加に伴いビジネスサービス事業の売上に計上される B to C オークションの割合が高まったことに加えて、特定のカテゴリーの不振および不正利用防止策のさらなる強化などにより取扱高が伸び悩み、システム利用料収入は横ばいとなりました。Yahoo! プレミアム会員 ID 数は、Yahoo! JAPAN ID のみで入札が可能となるキャンペーンの実施等「Yahoo! オークション」利用活性化策の影響で 2006 年 10 月より減少傾向にありました。2007 年 8 月の利用条件変更に伴い、入札経験者を対象にした新規入会キャンペーンなどを実施し会員獲得に努めた結果、2007 年 5 月を底に増加傾向に転じ、2008 年 3 月末時点の会員 ID 数は 692 万人（11.7%増）となりました。一方で「Yahoo! BB」の ISP 料金収入はソフトバンク BB(株) との業務提携契約の見直しの影響により、前年度と比べ大きく減少しました。以上の結果、当期のパーソナルサービス事業の売上高は、前期比 3.0%減の 731 億円となり、営業利益は同 1.5%増の 487 億円となりました。<2007 年より開始した 4 つの成長戦略の進ちょく状況>1. 「ソーシャルメディア化」当グループが有する、100 種類を超えるヘッドコンテンツに対して利用者がテールコンテンツを発信・共有する場を提供することにより、利用者の満足度の向上と利用時間の拡大を図っています。当期においては、動画投稿サービス「Yahoo! ビデオキャスト」正式版の提供を開始したほか、利用者参加型エンターテインメント系新ニュースサイト「ネタりか」（ベータ版）、利用者参加型ニュースサービス「みんなのトピックス」（ベータ版）、利用者が検定を作る「みんなの検定」（ベータ版）等を公開しました。また、「Yahoo! 地域情報」（ベータ版）におけるクチコミ投稿機能の追加、「Yahoo! グルメ」における「食べ歩き帳」や飲食店ランキング機能の追加等、既存のサービスへのソーシャル機能の追加も行いました。2007 年 8 月には、「旅行のクチコミサイト フォートラベル」を運営するフォートラベル（株）と資本・業務提携を行いました。フォートラベル（株）が有する、旅行に関する国内最大規模の投稿情報を活用し、「Yahoo! トラベル」のソーシャルメディア化を推進しています。2. 「Everywhere 化」当グループのサービスへの接触機会を増やし、サービスの利用度を高めていく施策として、パソコンのみならずモバイルやゲーム機、テレビ、カーナビ等さまざまなデバイスからのインターネット利用を促進する「Everywhere 化」を推進しています。当期においては、ソフトバンクモバイル（株）向けをはじめ携帯電話ユーザーの利用者に向けたサービスの[illegible]質の向上を進めました。新たなサービスとして、地図や画像などの検索結果を直接画面上に表示する「ダイレクト・ディスプレイ」機能や、携帯メールで検索キーワードを送信[illegible]結果を受信する「Yahoo! モバイル検索」、エリアの[illegible]情報をまとめて調べる「Yahoo! マチモバ」、1 日 1 回まとめて携帯電話に配信された最新ニュースをインターネットにアクセスせずに閲覧[illegible]「Yahoo! [illegible]」向けに[illegible]大画面液晶テレビ「Bravia」において「Yahoo! オークション」等の提供を開始したり、シャープ（株）の液晶[illegible]テレビ[illegible]向け[illegible]開始）するなど、それぞれのデバイスに最適なサービスやインターフェースを追求し、順次提供を開始し[illegible]くために、人々の生活により密着した生活圏情報の提供を目指しています。そのためには、地域の事業主や店舗に対しインターネット利用のプラットフォームを提供することが重要だと考えています。このため地方の中[illegible]小事業者や店舗に対して出店誘致や IT 化を推進すると同時に広告商品や販売促進ツールを拡販するため、2007 年 6 月に（株）テレウェイヴ、11 月に（株）サイネックス、12 月に GMO インターネット[illegible]と、資本・業務提携を締結しました。また、インターネット上で折込チラシを検索・閲覧することができる「Yahoo! チラシ情報」や、店舗の予約専用番号への入電数に応じた課金を行う「Yahoo! グルメ」コール[illegible]するなど、地域に密着した情報提供の拡大に努めました。当グループは連結子会社である（株）アルプス社が提供する大規模な地図情報データベースを元に、各種地図の企画制作、インターネット向けの地図データ[illegible]情報の提供等の事業を行ってきました。2008 年 4 月には同社を吸収合併し、地図情報のさらなる強化・拡大を図ります。4. 「オープン化」当グループはパートナーサイトに対しディスプレイ広告や検索連動広告、コンテンツ連動広告等を提供することにより、双方の収益を拡大することを目指しています。ディスプレイ広告においては、2007 年より他社サイトへの広告配信を開始し、広告の配信先であるパートナーサイトを順次拡大しています。検索連動広告においては、2007 年 9 月にオーバーチュア（株）を子会社化しました。オーバーチュア（株）は、米国 Yahoo! Inc. の子会社として、Yahoo! JAPAN を含む日本国内の主要提携パートナーサイトにサービスを提供し、高い実績を挙げてきました。子会社化により、サービス開発や営業活動においてより緊密に協力し、提供するサービスの価値をさらに向上させることが可能となりました。広告主に対し、より効果的で簡便な広告出稿手段を提供することにより、検索連動広告市場の成長と Yahoo! JAPAN グループのさらなるシェア拡大を目指します。コンテンツ連動広告においては、2007 年 8 月に連結子会社化した（株）ブレイナーの技術を当グループが有する技術と融合させ、積極的に市場を開拓していく予定です（当社は（株）ブレイナーを 2008 年 4 月付けで吸収合併しました）。2007 年 12 月には、米国のインターネットオークション運営会社 eBay Inc. と、相互の市場進出と誘導の強化のための業務提携の検討を開始しました。すでに第 1 フェーズとしてネットプライスドットコムの子会社であるショップエアラインに運営を委託し、購買代行サイト「セカイモン」を日本国内にオープンしています。第 2 フェーズ・第 3 フェーズとしては、双方のオークションサイト上にて同購買代行サービスを展開し、相互の国の商品閲覧・入札・落札を可能にする予定です。その他にも、Yahoo! JAPAN ＩＤ認証ＡＰＩや、オンライン課金システム「Yahoo! ウォレット」、「Yahoo! ポイント」制度の提供を一部パートナーサイトに対して開始しました。今後も「オープン化」戦略を推進することで、利用者の利便性・満足度を向上させると共に、パートナーサイトと Win-Win の関係を構築し、双方の収益拡大を目指していきたいと考えています。<利益還元>Yahoo! JAPAN グループは、インターネット市場を取り巻くさまざまな環境変化に対応しつつ、市場の拡大に合わせた中長期的な業績成長を遂げていきたいと考えています。そのために必要な企業体質の強化と将来の事業展開のための内部留保を中心に据えつつも、株主の皆様への利益還元を重要課題と考えています。毎期確実な利益を生み出すよう努めながら、連結当期純利益の 10%程度を配当性向のめどとすることにより、業績に応じた利益配当を実施しています。当期の利益配当については、上記の方針のもと、1 株あたり 104 円とさせていただきました。２００７年度アニュアルレポート&IR サイト向けトップメッセージ　<ごあいさつ>Yahoo! JAPAN グループは、1996 年にサービスを開始して以来、「利用者数」「ブランド力」「技術力」という 3 つの資産を育ててまいりました。現在はこの資産をベースに、インターネットを通じて、いつでも、どこでもお客さまの役に立つサービスを提供し続けるとのミッションのもと、１００種類以上のサービスを提供し、家庭からは 88.0%、職場からは 88.9% という高い視聴率を誇っています（2008 年 3 月 Nielsen Online「NetView AMS JP」）。一方で、インターネット利用人口の拡大に伴い利用者のニーズはますます多様化しています。当グループはこの多様化されたニーズに自ら対応すると同時に、さまざまなインターネットサービスを提供する企業とパートナーシップを組みトラフィックを増加させることにより、双方の収益機会を拡大します。今後大きな成長余力を持つ日本のインターネット産業の中で、「ソーシャルメディア化」「Everywhere 化」「地域・生活圏情報の充実」「オープン化」の 4 つの戦略を推進することにより、更なる成長を目指します。<2008 年 3 月期の業績>当期の連結売上高は 2,620 億円（前期比 23.3%増）、連結営業利益は 1,248 億円（同 17.5%増）、連結当期純利益は 626 億円（同 8.0%増）となりました。いずれも過去最高であり、サービス開始以来 11 期連続の増収増益を達成することができました。<当期の事業環境>当期においては、米国における景気の減速や急激な円高・ドル安、原材料価格の高騰などにより、日本の景気や企業業績の先行きに不透明感が広がりました。そのような環境下においても、インターネットを事業基盤とする当グループは、順調に事業を展開してまいりました。日本におけるインターネットおよびブロードバンドの普及率は引き続き上昇し、インターネットの利用人口は一段と増加しています。また、特定の情報提供者が公開する情報（=ヘッドコンテンツ）に加え、一般の利用者がほかの利用者に発信・共有する情報（=テールコンテンツ）が急速に拡大し、利用時間も拡大しています。さらに、携帯電話や情報家電の多機能化とネットワーク化に伴い、インターネットの利用方法も多様化しています。今後もこの傾向が続き、インターネットはますます人々の生活に密着したメディアとなっていくと思われます。<各事業の概況>■広告事業……マスコミ 4 媒体への広告出稿が 3 年連続で減少する中、インターネット広告は高成長を維持（株）電通の発表によると、広告費全体は 2004 年以来 4 年連続で増加し、2007 年には 7 兆 191 億円に達しました（暦年ベース）。しかしながら 2007 年は、2006 年に引き続き企業が広告宣伝費の支出を抑える傾向にあったこと等により、総広告費の伸び率は前年比 1.1%増にとどまり、マスコミ 4 媒体についてはいずれも前年実績を下回るという厳しい状況でした。このような中で、インターネット広告媒体費の伸び率は前年比 26.5%増の 4,591 億円と、引き続き高い伸びを示し、広告市場全体をけん引しました。このように全体としては停滞感のある市場環境において、当グループはトップページの広告商品「ブランドパネル」のリニューアルや下層ページにおける新バナー商品「プライムディスプレイ」の導入など、利用者における認知度や好感度が高い商品づくりに注力しました。また、利用者の属性や行動履歴をもとに配信対象を絞り込むことで、広告主にとってより効率的な広告宣伝活動が可能となるターゲティング広告商品の販売をさらに促進しました。検索連動広告関連収益も、検索クエリ数や広告主数の拡大に加え、2007 年 7 月に品質インデックスと入札単価を考慮した広告掲載を開始したことなどにより、好調に推移しました。また、検索連動広告配信システムを提供しているオーバーチュア（株）を 2007 年 9 月より連結子会社化し、検索連動広告関連売上高をさらに拡大しました。以上の結果、当期の広告事業の売上高は前期比 46.9%増の 1,310 億円、営業利益は同 28.7%増の 648 億円となりました。■ビジネスサービス事業……情報掲載料収入と e コマース関連収入が大幅に増加ビジネスサービス事業については、「Yahoo! 不動産」などを中心に雑誌・新聞など

ストア数の増加に伴いビジネスサービス事業の売上に計上される B to C オークションの割合が高まったことに加えて、特定のカテゴリーの不振および不正利用防止策のさらなる強化などにより取扱高が伸び悩み、システム利用料収入は横ばいとなりました。Yahoo! プレミアム会員 ID 数は、Yahoo! JAPAN ID のみで入札が可能となるキャンペーンの実施等「Yahoo! オークション」利用活性化策の影響で 2006 年 10 月より減少傾向にありました。2007 年 8 月の利用条件変更に伴い、入札経験者を対象にした新規入会キャンペーンなどを実施し会員獲得に努めた結果、2007 年 5 月を底に増加傾向に転じ、2008 年 3 月末時点の会員 ID 数は 692 万人（11.7%増）となりました。一方で「Yahoo! BB」の ISP 料金収入はソフトバンク BB(株) との業務提携契約の見直しの影響により、前年度と比べ大きく減少しました。以上の結果、当期のパーソナルサービス事業の売上高は、前期比 3.0%減の 731 億円となり、営業利益は同 1.5%増の 487 億円となりました。<2007 年より開始した 4 つの成長戦略の進ちょく状況>1. 「ソーシャルメディア化」当グループが有する、100 種類を超えるヘッドコンテンツに対して利用者がテールコンテンツを発信・共有する場を提供することにより、利用者の満足度の向上と利用時間の拡大を図っています。当期においては、動画投稿サービス「Yahoo! ビデオキャスト」正式版の提供を開始したほか、利用者参加型エンターテインメント系新ニュースサイト「ネタりか」（ベータ版）、利用者参加型ニュースサービス「みんなのトピックス」（ベータ版）、利用者が検定を作る「みんなの検定」（ベータ版）等を公開しました。また、「Yahoo! 地域情報」（ベータ版）におけるクチコミ投稿機能の追加、「Yahoo! グルメ」における「食べ歩き帳」や飲食店ランキング機能の追加等、既存のサービスへのソーシャル機能の追加も行いました。2007 年 8 月には、「旅行のクチコミサイト フォートラベル」を運営するフォートラベル（株）と資本・業務提携を行いました。フォートラベル（株）が有する、旅行に関する国内最大規模の投稿情報を活用し、「Yahoo! トラベル」のソーシャルメディア化を推進しています。2. 「Everywhere 化」当グループのサービスへの接触機会を増やし、サービスの利用度を高めていく施策として、パソコンのみならずモバイルやゲーム機、テレビ、カーナビ等さまざまなデバイスからのインターネット利用を促進する「Everywhere 化」を推進しています。当期においては、ソフトバンクモバイル（株）向けをはじめ携帯電話各キャリアの利用者に向けたサービスの拡大、質の向上を進めました。新たなサービスとして、地図や画像などの検索結果を直接画面上に表示する「ダイレクト・ディスプレイ」機能や、携帯メールで検索キーワードを送信し検索結果を受信する「Yahoo! モバメル探」、選択エリアの周辺情報をまとめて調べる「Yahoo! マチモバ」、1 日 1 回まとめて携帯電話に配信された最新ニュースをインターネットにアクセスせずに閲覧することができるサービス「Yahoo! ヘッドラインニュース」等のサービスの提供を開始しました。また、ソニー（株）の大画面液晶テレビ「Bravia」において「Yahoo! オークション」等の提供を開始したり、シャープ（株）の液晶大型テレビ「AQUOS」向け専用インターネットポータルページの共同開発を発表（2008 年 5 月にサービスを開始）するなど、それぞれのデバイスに最適なサービスやインターフェースを追求し、順次提供を開始しています。3. 「地域・生活圏情報の充実」当グループは、インターネット利用者ひとりひとりの利用度を高めていくために、人々の生活により密着した生活圏情報の提供を目指しています。そのためには、地域の事業主や店舗に対しインターネット利用のプラットフォームを提供することが重要だと考えています。このため、地方の中小事業者や店舗に対して出店誘致や IT 化を推進すると同時に広告商品や販売促進ツールを拡販するため、2007 年 6 月に（株）テレウェイヴ、11 月に（株）サイネックス、12 月に GMO インターネット（株）と、資本・業務提携を締結しました。また、インターネット上で折込チラシを検索・閲覧することができる「Yahoo! チラシ情報」や、店舗の予約専用番号への入電数に応じた課金を行う「Yahoo! グルメ」コール課金を開始するなど、地域に密着した情報提供の拡大に努めました。当グループは連結子会社である（株）アルプス社が提供する大規模な地図情報データベースを元に、各種地図の企画制作、インターネット向けの地図データや地域情報の提供等の事業を行ってきました。2008 年 4 月には同社を吸収合併し、地図情報のさらなる強化・拡大を図ります。4. 「オープン化」当グループはパートナーサイトに対しディスプレイ広告や検索連動広告、コンテンツ連動広告等を提供することにより、双方の収益を拡大することを目指しています。ディスプレイ広告においては、2007 年より他社サイトへの広告配信を開始し、広告の配信先であるパートナーサイトを順次拡大しています。検索連動広告においては、2007 年 9 月にオーバーチュア（株）を子会社化しました。オーバーチュア（株）は、米国 Yahoo! Inc. の子会社として、Yahoo! JAPAN を含む日本国内の主要提携パートナーサイトにサービスを提供し、高い実績を挙げてきました。子会社化により、サービス開発や営業活動においてより緊密に協力し、提供するサービスの価値をさらに向上させることが可能となりました。広告主に対し、より効果的で簡便な広告出稿手段を提供することにより、検索連動広告市場の成長と Yahoo! JAPAN グループのさらなるシェア拡大を目指します。コンテンツ連動広告においては、2007 年 8 月に連結子会社化した（株）ブレイナーの技術を当グループが有する技術と融合させ、積極的に市場を開拓していく予定です（当社は（株）ブレイナーを 2008 年 4 月付けで吸収合併しました）。2007 年 12 月には、米国のインターネットオークション運営会社 eBay Inc. と、相互の市場進出と誘導の強化のための業務提携の検討を開始しました。すでに第 1 フェーズとしてネットプライスドットコムの子会社であるショップエアラインに運営を委託し、購買代行サイト「セカイモン」を日本国内にオープンしています。第 2 フェーズ・第 3 フェーズとしては、双方のオークションサイト上にて同購買代行サービスを展開し、相互の国の商品閲覧・入札・落札を可能にする予定です。その他にも、Yahoo! JAPAN ＩＤ認証ＡＰＩや、オンライン課金システム「Yahoo! ウォレット」、「Yahoo! ポイント」制度の提供を一部パートナーサイトに対して開始しました。今後も「オープン化」戦略を推進することで、利用者の利便性・満足度を向上させると共に、パートナーサイトと Win-Win の関係を構築し、双方の収益拡大を目指していきたいと考えています。<利益還元>Yahoo! JAPAN グループは、インターネット市場を取り巻くさまざまな環境変化に対応しつつ、市場の拡大に合わせた中長期的な業績成長を遂げていきたいと考えています。そのために必要な企業体質の強化と将来の事業展開のための内部留保を中心に据えつつも、株主の皆様への利益還元を重要課題と考えています。毎期確実な利益を生み出すよう努めながら、連結当期純利益の 10%程度を配当性向のめどとすることにより、業績に応じた利益配当を実施しています。当期の利益配当については、上記の方針のもと、1 株あたり 104 円とさせていただきました。２００７年度アニュレポ&IR サイト向けトップメッセージ　　<ごあいさつ>Yahoo! JAPAN グループは、1996 年にサービスを開始して以来、「利用者数」「ブランド力」「技術力」という３つの資産を育ててまいりました。現在はこの資産をベースに、インターネットを通じて、いつでも、どこでもお客さまの役に立つサービスを提供し続けるとのミッションのもと、１００種類以上のサービスを提供し、家庭からは 88.0%、職場からは 88.9% という高い視聴率を誇っています（2008 年 3 月 Nielsen Online「NetView AMS JP」）。一方で、インターネット利用人口の拡大に伴い利用者のニーズはますます多様化しています。当グループはこの多様化されたニーズに自ら対応すると同時に、さまざまなインターネットサービスを提供する企業とパートナーシップを組みトラフィックを増加させることにより、双方の収益機会を拡大します。今後大きな成長余力を持つ日本のインターネット産業の中で、「ソーシャルメディア化」「Everywhere 化」「地域・生活圏情報の充実」「オープン化」の４つの戦略を推進することにより、更なる成長を目指します。<2008 年 3 月期の業績>当期の連結売上高は 2,620 億円（前期比 23.3%増）、連結営業利益は 1,248 億円（同 17.5%増）、連結当期純利益は 626 億円（同 8.0%増）となりました。いずれも過去最高であり、サービス開始以来 11 期連続の増収増益を達成することができました。<当期の事業環境>当期においては、米国における景気の減速や急激な円高・ドル安、原材料価格の高騰などにより、日本の景気や企業業績の先行きに不透明感が広がりました。そのような環境下においても、インターネットを事業基盤とする当グループは、順調に事業を展開してまいりました。日本におけるインターネットおよびブロードバンドの普及率は引き続き上昇し、インターネットの利用人口は一段と増加しています。また、特定の情報提供者が公開する情報（＝ヘッドコンテンツ）に加え、一般の利用者がほかの利用者に発信・共有する情報（＝テールコンテンツ）が急速に拡大し、利用時間も拡大しています。さらに、携帯電話や情報家電の多機能化とネットワーク化に伴い、インターネットの利用方法も多様化しています。今後もこの傾向が続き、インターネットはますます人々の生活に密着したメディアとなっていくと思われます。<各事業の概況>■広告事業……マスコミ 4 媒体への広告出稿が 3 年連続で減少する中、インターネット広告は高成長を維持（株）電通の発表によると、広告費全体は 2004 年以来 4 年連続で増加し、2007 年には 7 兆 191 億円に達しました（暦年ベース）。しかしながら 2007 年は、2006 年に引き続き企業が広告宣伝費の支出を抑える傾向にあったこと等により、総広告費の伸び率は前年比 1.1%増にとどまり、マスコミ 4 媒体についてはいずれも前年実績を下回るという厳しい状況でした。このような中で、インターネット広告媒体費の伸び率は前年比 26.5%増の 4,591 億円と、引き続き高い伸びを示し、広告市場全体をけん引しました。このように全体としては停滞感のある市場環境において、当グループはトップページの広告商品「ブランドパネル」のリニューアルや下層ページにおける新バナー商品「プライムディスプレイ」の導入など、利用者における認知度や好感度が高い商品づくりに注力しました。また、利用者の属性や行動履歴をもとに配信対象を絞り込むことで、広告主にとってより効率的な広告宣伝活動が可能となるターゲティング広告商品の販売をさらに促進しました。検索連動広告関連収益も、検索クエリ数や広告主数の拡大に加え、2007 年 7 月に品質インデックスと入札単価を考慮した広告掲載を開始したことなどにより、好調に推移しました。また、検索連動広告配信システムを提供しているオーバーチュア（株）を 2007 年 9 月より連結子会社化し、検索連動広告関連売上高をさらに拡大しました。以上の結果、当期の広告事業の売上高は前期比 46.9%増の 1,310 億円、営業利益は同 28.7%増の 648 億円となりました。■ビジネスサービス事業……情報掲載料収入と e コマース関連収入が大幅に増加ビジネスサービス事業については、「Yahoo! 不動産」などを中心に雑誌・新聞などからインターネットへと情報掲載媒体の移行がさらに進んだことを背景に、情報掲載料収入が順調に増加しました。「Yahoo! オークション」や「Yahoo! ショッピング」においては、引き続き新規ストアの獲得に注力した結果、2008 年 3 月末のオークションストアとショッピングストアの合計は、前期末比 4,245 店舗（15.7%）増の 31,289 店舗となり、これに伴いストアからのテナント料収入やロイヤルティ収入も増加しました。モバイル関連の取り組みについても強化し、「Yahoo! ショッピング」のモバイル経由の取扱高は大幅に増加しました。季節ごとの販促活動も積極的に展開した結果、「Yahoo! オークション」、「Yahoo! ショッピング」、「Yahoo! トラベル」、「Yahoo! チケット」を合計した e コマース取扱高総額は、前期比 4.5%増の 9,400 億円と好調に推移しました。以上の結果、当期のビジネスサービス事業の売上高は、前期比 20.4%増の 581 億円となり、営業利益は同 22.1%増の 236 億円となりました。■パーソナルサービス事業……オークション利用活性化策とともに Yahoo! プレミアム会員の付加価値増大に注力「Yahoo! オークション」においては、ストア数の増加に伴いビジネスサービス事業の売上に計上される B to C オークションの割合が高まったことに加えて、特定のカテゴリーの不振および不正利用防止策のさらなる強化などにより取扱高が伸び悩み、システム利用料収入は横ばいとなりました。Yahoo! プレミアム会員 ID 数は、Yahoo! JAPAN ID のみで入札が可能となるキャンペーンの実施等「Yahoo! オークション」利用活性化策の影響で 2006 年 10 月より減少傾向にありました。2007 年 8 月の利用条件変更に伴い、入札経験者を対象にした新規入会キャンペーンなどを実施し会員獲得に努めた結果、2007 年 5 月を底に増加傾向に転じ、2008 年 3 月末時点の会員 ID 数は 692 万人（11.7%増）となりました。一方で「Yahoo! BB」の ISP 料金収入はソフトバンク BB(株) との業務提携契約の見直しの影響により、前年度と比べ大きく減少しました。以上の結果、当期のパーソナルサービス事業の売上高は、前期比 3.0%減の 731 億円となり、営業利益は同 1.5%増の 487 億円となりました。<2007 年より開始した 4 つの成長戦略の進ちょく状況>1. 「ソーシャルメディア化」当グループが有する、100 種類を超えるヘッドコンテンツに対して利用者がテールコンテンツを発信・共有する場を提供することにより、利用者の満足度の向上と利用時間の拡大を図っています。当期においては、動画投稿サービス「Yahoo! ビデオキャスト」正式版の提供を開始したほか、利用者参加型エンターテインメント系新ニュースサイト「ネタりか」（ベータ版）、利用者参加型ニュースサービス「みんなのトピックス」（ベータ版）、利用者が検定を作る「みんなの検定」（ベータ版）等を公開しました。また、「Yahoo! 地域情報」（ベータ版）におけるクチコミ投稿機能の追加、「Yahoo! グルメ」における「食べ歩き帳」や飲食店ランキング機能の追加等、既存のサービスへのソーシャル機能の追加も行いました。2007 年 8 月には、「旅行のクチコミサイト フォートラベル」を運営するフォートラベル（株）と資本・業務提携を行いました。フォートラベル（株）が有する、旅行に関する国内最大規模の投稿情報を活用し、「Yahoo! トラベル」のソーシャルメディア化を推進しています。2. 「Everywhere 化」当グループのサービスへの接触機会を増やし、サービスの利用度を高めていく施策として、パソコンのみならずモバイルやゲーム機、テレビ、カーナビ等さまざまなデバイスからのインターネット利用を促進する「Everywhere 化」を推進しています。当期においては、ソフトバンクモバイル（株）向けをはじめ携帯電話各キャリアの利用者に向けたサービスの拡大、質の向上を進めました。新たなサービスとして、地図や画像などの検索結果を直接画面上に表示する「ダイレクト・ディスプレイ」機能や、携帯メールで検索キーワードを送信し検索結果を受信する「Yahoo! モバメル探」、選択エリアの周辺情報をまとめて調べる「Yahoo! マチモバ」、1 日 1 回まとめて携帯電話に配信された最新ニュースをインターネットにアクセスせずに閲覧することができるサービス「Yahoo! ヘッドラインニュース」等のサービスの提供を開始しました。また、ソニー（株）の大画面液晶テレビ「Bravia」において「Yahoo! オークション」等の提供を開始したり、シャープ（株）の液晶大型テレビ「AQUOS」向け専用インターネットポータルページの共同開発を発表（2008 年 5 月にサービスを開始）するなど、それぞれのデバイスに最適なサービスやインターフェースを追求し、順次提供を開始しています。3. 「地域・生活圏情報の充実」当グループは、インターネット利用者ひとりひとりの利用度を高めていくために、人々の生活により密着した生活圏情報の提供を目指しています。そのためには、地域の事業主や店舗に対しインターネット利用のプラットフォームを提供することが重要だと考えています。このため、地方の中小事業者や店舗に対して出店誘致や IT 化を推進すると同時に広告商品や販売促進ツールを拡販するため、2007 年 6 月に（株）テレウェイヴ、11 月に（株）サイネックス、12 月に GMO インターネット（株）と、資本・業務提携を締結しました。また、インターネット上で折込チラシを検索・閲覧すること

Advertising

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



(For the years ended March 31)

Fiscal 2007 segment overview

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

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

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

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

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

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

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

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

(Calendar years)

Business outlook and strategy

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

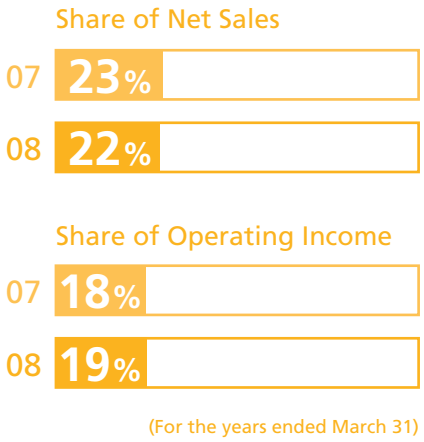
To boost display advertising related sales, we are implementing more effective methods of collaboration with advertising agencies. To enhance the value and appeal of our Internet advertising products, we are leveraging online advertising's unique targeting capabilities and incorporating higher levels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

With our April 2008 absorption of Brainer.jp., we have prepared the ground for developing the content-linked advertising market in Japan. Similar to paid search advertising, content-linked advertising employs a system of ad quality and keyword bid price to selectively distribute advertisements to Web pages containing relevant text content, with fees determined on a pay-per-click basis. Unlike paid search advertising, however, which distributes advertisements to search results pages, content-linked advertising distributes advertisements to Web pages containing user-generated tail content. Fusing Group technologies with Brainer.jp.'s advanced technologies in content-linked advertising, we intend to introduce innovative content-linked advertising products geared to generating new earnings from Web pages that to date have been difficult to monetize. Accordingly, the Group maintains high expectations for this new product to become a major new source of revenues.

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

Business Services

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



(For the years ended March 31)

Fiscal 2007 segment overview

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

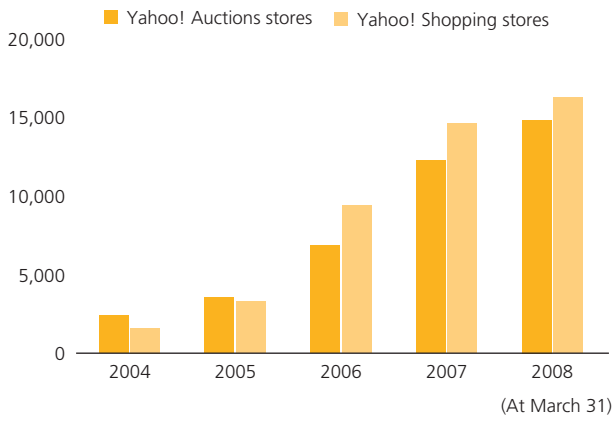
Information listing revenues grew steadily during the year, with Yahoo! Real Estate showing sharply higher revenues in line with the ongoing shift of information listings from print media to the Internet. Employment information service Yahoo! Rikunabi, on the other hand, faced an environment of reduced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

E-commerce was another area of strong growth during the year. Yahoo! Shopping and Yahoo! Auctions continued to focus on attracting new stores, with the combined number of merchant stores registered on the two sites at March 31, 2008, standing at 31,289, up 4,245 stores, or 15.7%, from the figure one year earlier. Boosted by various seasonal and other sales promotions, total e-commerce transaction volume of Yahoo! Auctions, Yahoo! Shopping, Yahoo! Travel, and Yahoo! Tickets for fiscal 2007 amounted to ¥940.0 billion, up 4.5%. Of this total, the proportion of mobile-based e-commerce transaction volume expanded significantly compared with the previous year's results, with Yahoo! Shopping's mobile-based transaction volume notably strong.

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

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

Yahoo! Auctions and Yahoo! Shopping Stores



(At March 31)

Business outlook and strategy

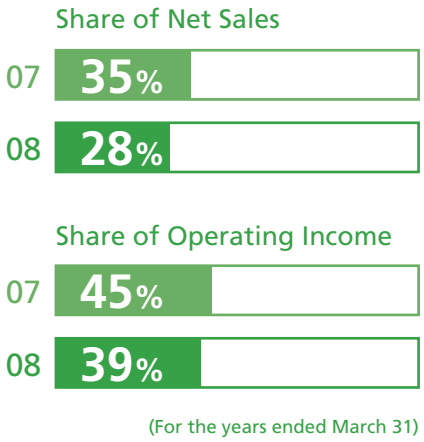
In line with our ongoing efforts to boost Internet usage times across all user groups, the Group aims to provide valuable personalized information catering to a wide range of user lifestyles. To this end, we are in the process of creating a region-specific Internet platform for local businesses and stores.

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

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

Personal Services

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



(For the years ended March 31)

Fiscal 2007 segment overview

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

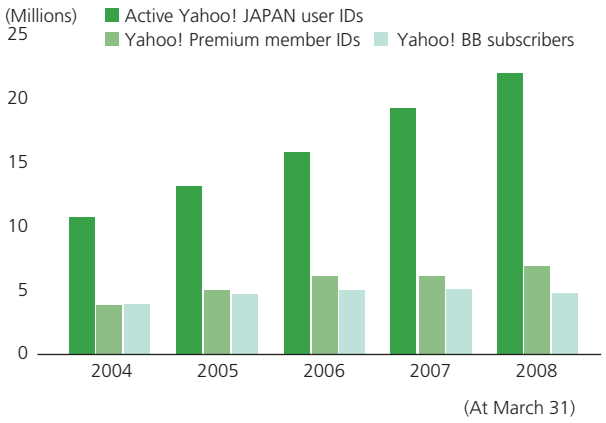
Yahoo! Auctions system-use fees declined slightly owing to lower CtoC transaction volume. A higher number of merchant stores on Yahoo! Auctions boosted BtoC transactions, which are accounted for in the Business Services segment, with a resultant decline in CtoC transactions. In addition, a slump in such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

More positively, the Company began discussions in December 2007 with U.S.-based Internet auction site operator eBay Inc. related to providing mutual support for respective entrances in the Japanese and U.S. markets and boosting customer acquisition capabilities. In accordance with Phase 1 of the agreement, we have already launched Sekaimon, a proxy buyer services site for eBay in Japan, entrusting the site's operation to Shop Airlines, a subsidiary of netprice.com Ltd.

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

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

Yahoo! JAPAN Users



Business outlook and strategy

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

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

Search Business

Main services: •Yahoo! Search •Yahoo! Category •Yahoo! Blog Search •Yahoo! Product Search •Yahoo! Dictionary •Yahoo! Translation •Yahoo! Answers •Yahoo! Bookmark

Major activities in fiscal 2007: As part of our continuous efforts to improve the Group's search engine functionality, we began offering a search marketing system that ranks advertisements by quality and keyword bid price. In our mobile search services, we added an image search function and a direct display function that enables the display of search results for maps or images on the call-waiting screen of mobile handsets. As part of our Yahoo! Everywhere initiative to expand Internet access opportunities, we released keyboard software for Nintendo's Wii® console and search results screen software for the Sony PSP® console.

Overture K.K., which supplies the Group's paid search advertising service, became a consolidated subsidiary of the Company effective September 1, 2007. With the consolidation of Overture, the Group worked to maximize synergies in paid search advertising related sales, service, and technology.

Principal revenue source: Paid search advertising service

Auction Business

Main services: •Yahoo! Auctions •Yahoo! Delivery •Yahoo! Classified

Major activities in fiscal 2007: In line with our continuous efforts to enhance Yahoo! Auctions site security, in December 2007 we introduced an obligatory post-delivery settlement system for certain item categories, following upon our July 2007 introduction of anonymous settlement and delivery system options for all item categories. After the August 2007 end of campaigns waiving Yahoo! Premium membership as a requirement for auction participation, we continued to allow users with only a Yahoo! JAPAN ID to participate in auctions, but only with bids of less than ¥5,000.

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

During the fiscal year under review, the total value of government auctions hosted on the Yahoo! Auctions site amounted to ¥4.6 billion.

Principal revenue sources: CtoC auction system-use fees, merchant store system-use fees, display advertising

Members Services Business

Main services: •Yahoo! Premium •Yahoo! BB •Yahoo! Insurance •Yahoo! Trading •Yahoo! Forex •Yahoo! Tickets •Yahoo! LiveTalk •Yahoo! Fan Club •Yahoo! Partner •Yahoo! Marriages •Yahoo! Delivers •Yahoo! Keitai Shop •Yahoo! What's New

Major activities in fiscal 2007: We concentrated on increasing the value-added content of Yahoo! Premium and Yahoo! BB memberships by offering exclusive discounts on paid content and various special prize campaigns. Following a steady decline in Yahoo! Premium member IDs beginning in October 2006 resulting from Yahoo! Auctions campaigns waiving Yahoo! Premium membership as a requirement for auction participation, the number of Yahoo! Premium members turned up from June 2007 thanks to Yahoo! Premium new-member campaigns targeting the auction user base as well as to subsequent revisions to the user participation requirements for Yahoo! Auctions implemented in August 2007.

Principal revenue sources: Yahoo! Premium membership fees, Yahoo! BB subscriber ISP fees

Regional Services Business

Main services: •Yahoo! Rikunabi •Yahoo! Real Estate •Yahoo! Maps •Yahoo! Get Local •Yahoo! Transit •Yahoo! Traffic Information •Yahoo! Phone Book •Yahoo! Gourmet •Yahoo! Coupons •Yahoo! StepUp •Yahoo! Internet Certification •Yahoo! Healthcare

Major activities in fiscal 2007: After carrying out a full review of Yahoo! Get Local, which provides localized information by region, we enhanced the site's social media aspect by adding a word-of-mouth posting function for popular spots and topical events as well as a periphery search function for locating restaurants and shops within a specified area. In our Yahoo! Maps service, we expanded scrollable map and aerial map functions to the world map section. At the same time, we began providing Wai Wai Maps (beta version) data to Nissan Motor Co., Ltd.'s CARWINGS® vehicle navigation system. In other areas, Yahoo! Rikunabi expanded its offerings by newly listing information from TRAVAILLE, a women's career change and recruiting site, and by making Shotworks, an employment information listing service for short-term and part-time jobs, nationwide in scope. Yahoo! Gourmet, meanwhile, introduced a pay-per-call listing service whereby fees for information listings are calculated based on the number of inquiry calls made to a dedicated reservations-request telephone number. In our mobile services, we revamped the Yahoo! Traffic Information site and added destination guidance and S!Appli Map functions to Yahoo! Get Local.

Principal revenue sources: Information listings, display advertising

Media Business

Main services: •Yahoo! News •Yahoo! Finance •Yahoo! Sports •Yahoo! Weather •Yahoo! TV •Yahoo! Streaming •Yahoo! Disaster Information •Yahoo! Politics •Yahoo! Everybody's Topics •Yahoo! Trend Word •Yahoo! Logoole •Yahoo! Guess

Major activities in fiscal 2007: On the Yahoo! News site we newly established two regular columns, one featuring overseas photo news and the other offering partner-site special features. We also strengthened the site's personalization function with the introduction of a news display service that automatically selects news articles for display based on subscribers' Internet-usage histories. Also during the year, we upgraded the Yahoo! Streaming site with the addition of a new video streaming player. We also launched services incorporating social media functions, including Yahoo! Guess (beta version), a service that lets users enjoy predicting the outcome of sporting and other events, as well as Netarika (beta version), an interactive entertainment news service. Elsewhere, we further expanded mobile services by introducing a Yahoo! Keitai content streaming service and mobile versions of Yahoo! Streaming and Yahoo! Politics.

Principal revenue sources: Display advertising, information listings

Shopping Business

Main services: •Yahoo! Shopping •Yahoo! Prize Competition

Major activities in fiscal 2007: To stimulate usage of our Yahoo! Shopping service, we conducted seasonal sales and special promotions, including a Point 8 Times campaign commemorating the eighth anniversary of the launch of the Yahoo! Shopping site. In November 2007, we carried out a full-scale review of the site with an eye to improving convenience both for users and for stores. We expanded the settlement services offered by Yahoo! Shopping stores, which now include Mobile Suica Net Settlement, Convenience Stores Settlement, Yahoo! ezPay, and Y! Wallet. Y! Wallet is offered by stores as a settlement tool for shoppers using either PCs or mobile phones.

Principal revenue sources: Store tenant fees, store sales commissions, advertising sales from stores

Social Net Business

Main services: •Yahoo! Mail •Yahoo! Calendar •Yahoo! Briefcase •Yahoo! Photo •Yahoo! Groups •Yahoo! Messenger •Yahoo! Avatar •Yahoo! Profile •Yahoo! Blogs •Yahoo! Days •Yahoo! GeoCities •Yahoo! Message Boards •Yahoo! Polls •Yahoo! Podcast

Major activities in fiscal 2007: Among various measures undertaken during the year to improve and expand our Yahoo! Mail service, we launched a next-generation beta version of Yahoo! Mail, which incorporates many non-Web e-mail software features. Focusing on enhancing the functionality and user-friendliness of Yahoo! Mail, we added a function enabling users to refuse spoof mail delivered from fake addresses as well as introduced an anti-spam Safety Address service. Moreover, we inaugurated Yahoo! Mail Academic Edition, a free Yahoo! Mail service for educational institutions nationwide that assigns domain names as chosen by each school using the service. Also during the year, we introduced new social media services, including Yahoo! Profile, which enables users with Yahoo! JAPAN IDs to create personalized profile pages, complete with a setting to limit public viewer access. Elsewhere, we launched Yahoo! Videocast, a service enabling users to upload and share video clips. To all of our services, we steadily added social media functions enabling users to post comments and opinions.

Principal revenue sources: Display advertising, paid content and services

Lifestyle Business

Main services: •Yahoo! Autos •Yahoo! Music •Yahoo! Movies •Yahoo! Rental DVD •Yahoo! Fashion •Yahoo! Beauty •Yahoo! Wedding •Yahoo! Consumer Electronics Navigator •Yahoo! Flyer Information •Yahoo! Books •Yahoo! Comics •Yahoo! Games •Yahoo! Fortune Telling •Yahoo! Ringtone •Yahoo! Pet •Yahoo! Retirement

Major activities in fiscal 2007: We completely overhauled the Yahoo! Beauty site and launched LUAU, a monthly Web magazine featuring beauty-related content. In addition, we strengthened the social media aspect of our Diet Diary service by adding a function enabling the exchange of personal advice among users with registered diet diaries, including a setting for limiting public viewer access. Also during the year, we inaugurated several services geared toward specific user interests, including Yahoo! Pet, which enables pet owners to post photos of pets and to exchange pet-related information; Yahoo! Consumer Electronics Navigator, one of Japan's most comprehensive consumer electronics information sites; Yahoo! Fashion, which offers three free Web magazines produced in collaboration with Fashion Walker, Inc.; and Music Download on iTunes, a service provided through a tie-up with Japan's iTunes store. Elsewhere, in a business alliance with TOPPAN PRINTING CO., LTD., we launched Yahoo! Flyer Information, a service enabling users to search for and view advertising flyers.

Principal revenue sources: Display advertising, paid content and services, information listings

Mobile Business

Main services: •Yahoo! JAPAN Mobile Version •Yahoo! Content Store •Yahoo! Posting Appli •Yahoo! MachiMoba

Major activities in fiscal 2007: We concentrated on promoting mobile Internet usage by increasing the number of Yahoo! JAPAN services offered to mobile phone users. During the year, we launched such services as Yahoo! MachiMoba, a mobile service for locating restaurants and shops within a selected area, and Yahoo! Streaming, a video content service for Yahoo! Keitai. In addition, we took steps to improve the convenience of existing mobile services, such as adding new search functions to Yahoo! Search and upgrading Yahoo! Mail with expanded functions and strengthened anti-spam measures. Moreover, we began offering paid search advertising on Yahoo! Keitai.

Principal revenue sources: Display advertising, paid search advertising, paid content and services

New Business Office

Main services: •Yahoo! ezPay •Yahoo! NetBanking •Yahoo! Points •Yahoo! Card •Yahoo! Public Utility Payment •Yahoo! Travel •Yahoo! Business Travel •Yahoo! Research •Business Express •Yahoo! On Business •Yahoo! WebHosting,

Major activities in fiscal 2007: Settlement We implemented various measures designed to increase the convenience, reliability, and safety of making Yahoo! Auctions settlements. In addition to introducing an obligatory post-delivery settlement system for certain item categories, we inaugurated anonymous settlement and delivery system options for all item categories. Furthermore, auction users can now send and receive items at 7-Eleven convenience store chain outlets throughout Japan. We also launched an escrow service enabling buyers to make payment after item delivery. As part of our comprehensive business alliance with East Japan Railway Company, we began accepting applications for the Yahoo! JAPAN Suica Card. Also during the year, we introduced Yahoo! Public Utility Payment, a service for conveniently paying utility bills and municipal and national taxes as well as for making charitable donations. In addition, we established a system for using accumulated Yahoo! Points on partner sites. Travel We improved and expanded our travel-related services through a range of business tie-ups with established travel specialists, including Ikkyu.com, an accommodation reservation site specializing in luxury hotels and traditional Japanese inns; 4travel, Inc., the operator of one of Japan's most popular word-of-mouth travel sites; and BestReserve Co., Ltd., the operator of a general accommodation reservation site. We also launched Travel Memo, a social network service that enables users to record and share their travel memoirs. Research The merger of our consolidated research subsidiaries INFO PLANT CO., LTD., and Interscope Inc. resulted in the formation of Yahoo Japan Value Insight Corporation. Working together with the new company, we focused on expanding business scope and increasing efficiency. As of March 31, 2008, the total number of our registered research monitors was approximately 1.70 million, the largest network of its kind in Japan. Digital home electronics business As part of our initiative to increase usage times of our services by expanding Internet access opportunities, we began offering selected services via Internet-enabled television sets. Specifically, we launched Yahoo! Auctions, Yahoo! Topics, and Yahoo! Image Search services via Sony Corporation's BRAVIA large-screen LCD television model. In addition, we announced the joint development with Sharp Corporation of a Yahoo! JAPAN portal page accessible exclusively via the AQUOS large-screen LCD television model, with actual service provision beginning in May 2008. Others Our Business Express service posted steady gains thanks to the introduction during the year of review and approval services for mobile sites applying for registration on Yahoo! JAPAN's category list. Meanwhile, our newly launched Yahoo! On Business, a portal site providing total business solutions support to small-business owners, attracted registrations from more than 11,000 businesses by the fiscal year-end.

Principal revenue sources: Settlement-related services, research-related services, Web-hosting services, Business Express, travel-related services

Service Supervising Division

Main services: •Yahoo! JAPAN Top Page •Yahoo! Toolbar •My Yahoo! •Yahoo! Widgets •Yahoo! Volunteer •Yahoo! Kids •Yahoo! Safety Net •Yahoo! Developer Network •Yahoo! Newsletter •Yahoo! eMail Magazine •Yahoo! JAPAN Help Center •Yahoo! Download Center

Major activities in fiscal 2007: A fully revamped Yahoo! JAPAN Top Page debuted on January 1, 2008. With the goal of enhancing overall site convenience, we made our most frequently used services the default settings while still allowing users to fully customize the menus. Moreover, we established new display areas for designated regional information and social network service links such as Yahoo! Blogs and Yahoo! Answers, thereby enabling users to access the information they want directly from the Top Page. Also, in line with our open network initiative we created new special feature areas and links to partner sites.

Elsewhere, we inaugurated a mobile version of Yahoo! Kids via Japan's three major mobile phone carriers, in addition to launching Yahoo! Kids Pokemon, a service for kids based thematically on the popular animation character Pokemon. Also during the year we posted various special features, such as the Sports Support Project designed to promote a more vibrant sports culture in Japan. In our capacity as an official site partner for the 2008 Beijing Olympics, we also posted "Special Olympics Special Feature 2007: Give a Cheer for the Shanghai Championships," and "Let's Give a Cheer for Japan's Beijing Olympics Team."

Principal revenue source: Advertising on Yahoo! JAPAN Top Page

Corporate Social Responsibility and Corporate Governance

As one of the main engines of growth in the Japanese Internet market, Yahoo Japan Corporation (the Company) is fully committed to realizing a safe, secure Internet environment in harmony with the expectations and needs of society. By conducting our business activities in accordance with sound corporate policies and in a spirit of socially responsible fair-play and mutual benefit, we strive to gain the ever-deepening trust of society. On the strength of that trust, we are confident of achieving sustained corporate growth and steadily increasing corporate value moving forward.

Major CSR Activities

Promoting sound Internet market development and enhancing user security

- To further promote the sound, robust development of the Internet market, we established Yahoo! JAPAN Research in April 2007. This new research institution is working in collaboration with divisions of the Company and the research institute of Yahoo! Inc. as well as with various academic, Internet industry, and public-sector institutions.
- We have been a member of the Internet Hotline Center's Guideline Formulation Committee since the establishment of the Center, the operation of which is entrusted by governmental agencies and Internet industry groups to the Internet Association Japan.
- We continually implement various measures designed to strengthen user security and to improve our customer support. Among recently implemented measures are a log-in seal service and a Tool Bar warning function to combat phishing fraud, round-the-clock patrol of such sites as Yahoo! Auctions and Yahoo! Message Boards, and information security measures and user support provided through help pages and e-mail services.
- Our Yahoo! Kids site provides a safe Internet environment for children. We also offer Yahoo! Safety Net, a filtering service that prevents children from viewing Web sites intended for mature users.

Reinforcing security on Yahoo! Auctions

- In December 2007, we introduced an obligatory post-delivery settlement service for selected item categories, following upon the July 2007 inauguration of anonymous settlement and delivery service options for all item categories.
- In November 2006, we introduced stricter identification procedures for persons listing items for the first time on Yahoo! Auctions. New users are now required to provide a driver's license or similar official identification prior to listing items, in addition to complying with the pre-existing postal address verification procedure.
- Our auction system incorporates a fraud-detection model based on the behavioral patterns of known abusers of online auction services.
- We maintain a compensation system for innocent victims of fraud. As a result of our various fraud-prevention measures, the total amount of compensation paid to victims of fraud on the Yahoo! Auctions site in fiscal 2007 was approximately 80% lower than in the previous year.

Protecting information assets

- The Information Security Committee, comprising members of the Information Security Office and representatives from each business unit, works with the Information Security Promotion Section within each business unit to implement measures designed to boost information security over the medium and long term. In April 2007, within each Information Security Promotion Section we newly established security promotion teams responsible for individual projects, thereby ensuring enhanced information security on a per-project basis.
- To protect privacy, we request of users only the minimum amount of personal information necessary to provide them with services. Users' personal information is physically separated from other data and constantly monitored, with only the required minimum number of persons authorized to access the personal information database.
- In November 2007, the Group developed iTres, a monitoring system for detecting information leaks in the Group's databases. The system was the first database monitoring system certified for the public domain in Japan to acquire ISO15408 certification.
- Group companies are focused on acquiring Information Security Management System (ISMS) certification. As of March 31, 2008, Yahoo Japan Corporation and nine subsidiaries were ISMS-certified. Group companies also strive to regularly upgrade certification standards. As of April 2007, certification is to ISO/IEC 27001:2005, the international standard, and to JIS Q27001:2006, the Japanese standard.

Fulfilling our mission as an information lifeline

- To ensure our capacity to function as a vital information lifeline in times of emergency, we maintain independently operating data centers in disparate locations, each designed to withstand disasters and blackouts.
- We provide a news flash service that prominently displays disaster-related information in the spaces normally used for advertising banners on the pages of our services, including the mobile version of Yahoo! JAPAN. We also maintain the Yahoo! Disaster Information site as a regular service.

Leveraging our media influence to the betterment of society

- We established the Yahoo! Charity Fund with the dual goal of promoting the sound development of Internet-based society and providing aid to victims of natural disasters. The Fund regularly provides financial assistance to nonprofit organizations (NPOs) engaged in such activities as patrolling the Internet for illegal sites, offering instructional courses on Internet usage safety for children and the elderly, and disseminating information on phishing fraud.
- Through Internet charity contributions, we have provided aid to victims of natural disasters since 2004, including to the victims of the Niigata Chuetsu earthquake in Japan, the central Java earthquake in Indonesia, the Noto Peninsula earthquake in Japan, and a major flood in Kumamoto Prefecture, Japan. As of June 2007, users are able to encash accumulated Yahoo! Points to make Internet charity contributions. As of March 31, 2008, cumulative donations collected via Internet charity contributions stood at more than ¥100 million.
- Charity auctions hosted by the Yahoo! Auctions site raised approximately ¥135 million for various charities during fiscal 2007.
- Our Yahoo! Volunteer service provides information about volunteer organizations to assist persons wishing to participate in volunteer activities. In addition, volunteer organizations can use this service to describe their activities and advertise for volunteers.
- The Yahoo! Politics service is dedicated to enhancing public awareness and understanding of policy issues as well as to encouraging greater voter participation in Japanese elections.
- We support the Pink Ribbon campaign, which promotes the early detection and treatment of breast cancer.
- We also support the Red Ribbon campaign, which disseminates accurate information about HIV transmission and AIDS, in addition to activities to prevent the spread of other infectious diseases.
- As an official partner of the Japanese Olympic Committee (JOC) and the Japan Paralympic Committee (JPC), we support various efforts to promote sports in Japan.

Providing a supportive work environment for employees

- Respecting the diverse abilities and personalities of individual employees, we use an objective, results-based personnel evaluation system that prioritizes self-motivation and the achievement of targeted goals.
- On a quarterly basis, we recognize employees who have made outstanding contributions to, for example, enhanced user satisfaction by awarding them with a "Yahoo! JAPAN Super Star" citation.
- Reflecting our commitment to expanding employment opportunities for disabled persons, certified personnel in our Human Resources Office are charged with recruiting disabled persons and providing special work-life advisory services to disabled employees.

Strengthening relationships with business partners

- In line with our goal of achieving sustained business development, we carefully review the financial and corporate information of potential business partners to ensure that it meets our established guidelines on business partner suitability.
- Based on the results of periodic surveys of our business partners designed to

identify particular points of satisfaction or dissatisfaction as well as future expectations, we take concrete steps to maintain positive, mutually satisfying relationships with all of our business partners.

Enhancing information disclosure and corporate value

- In line with our policy of providing comprehensive, timely disclosure, we post not only legally required disclosure materials but also monthly disclosure materials and supplementary materials from our business results information meetings on the Company Information page in the Investor Relations section of the Yahoo! JAPAN site.
- Through the annual general meeting of shareholders and periodic notifications, we aim to provide individual shareholders with a deeper understanding of the Company. For institutional shareholders, we hold live-broadcast information meetings on a quarterly basis where we provide detailed explanations of our financial performance and business operations. In addition, each quarter we hold individual or small-group meetings with analysts from some 170 Japanese and overseas investment-related firms to explain the Company's growth strategies and other aspects of our business.
- Our disclosure activities for non-Japanese investors include producing an annual report and various other English-language documents in addition to making overseas information presentations.
- In September 2007, the Company was selected for inclusion in the FTSE4Good Japan Index. One of the world's major socially responsible investment indexes, the FTSE4Good Japan Index includes Japanese companies that meet a set of internationally supported standards of corporate social responsibility pertaining to environmental sustainability, stakeholder relationships, and universal human rights. The Company was again selected for inclusion in the index in March 2008.
- To minimize the Company's future exposure to risk, we have systematically compiled a database of our risk management efforts to date, in accordance with our Risk Management Rules. Upon identifying a situation or incident with the potential to disrupt our service provision, the identifying staff member immediately files a report in the database followed by subsequent update reports detailing responses and countermeasures. In this way, the information is made available to all relevant personnel and a similar situation or incident can be prevented from recurring.

Minding the global environment

- We continue to participate in the Japanese government's Global Warming Prevention Headquarters' national project, Team Minus 6%. In addition to setting air-conditioning thermostats in our offices a little higher during the summer months, we maintain a Team Minus 6% site providing information about the global warming prevention drive.
- Waste generated in our offices is separated into 14 different categories. For documents containing sensitive information, we use an environment-friendly recycling system that safeguards information confidentiality. The amount of recycled paper produced by this system in fiscal 2007 was the equivalent of 936 trees.
- To promote paperless business operations at our offices, we perform administrative tasks online and use overhead projectors during meeting presentations. In line with our in-house green procurement standards, we purchase and use environment- friendly products to the extent possible.
- In July 2008 we commenced carbon-neutral activities. To the extent possible, the Company uses green electricity, the production of which does not generate CO_2. For the green portion of our entire electricity consumption, we acquired a green electricity certificate. Because the supply of green electricity is limited, we also use non-green electricity for certain operations. Accordingly, we decided to purchase a CO_2 emission quota (carbon credit) in an estimated amount of ¥200 million to offset the Company's non-green energy consumption during fiscal 2007. At the same time, we introduced a carbon offset related service whereby

individual Yahoo! JAPAN users can offset their personal production of CO_2 emissions by purchasing a CO_2 emission quota using either accumulated Yahoo! Points or Yahoo! Wallet.

Improving customer support and incorporating user feedback

- We remain focused on expanding the range and improving the quality of our customer support services offered via the Yahoo! JAPAN Help Center and help pages.
- To supplement the user feedback garnered via our customer support services, our research departments and independent organizations periodically conduct user satisfaction surveys. To quickly incorporate user opinions and requests throughout all of our services, we have established a system to efficiently transmit user feedback to the relevant business sections.

Corporate Governance

The Company considers good corporate governance to be essential to achieving higher corporate value over the medium to long term. By clarifying the roles and responsibilities of directors, corporate auditors, and employees within the corporate governance system and by consistently raising awareness of laws and regulations as well as of social and ethical norms, the Company aims to conduct appropriate and effective business operations.

In January 2002, the Company introduced a business division system designed to promote swift, strategic business management with the goal of maintaining and improving competitiveness. This system clearly separates the business execution responsibilities of divisional managers from the decision-making role and executive oversight function of the Board of Directors. Currently, the Board of Directors comprises five members, including one outside director. The Board of Directors establishes and oversees basic internal control policies with an eye to ensuring that they are strictly observed, as required by the Company's rules and regulations in accordance with the law, and reports on the Company's handling of this issue at the annual general shareholders' meeting.

The Board of Auditors is composed of four outside corporate auditors, who execute their rights as determined by law. Based on an audit plan formulated by the Board of Auditors, each corporate auditor conducts audits of the Company's entire business operations. Specifically, each corporate auditor audits overall business execution, including assessments of the appropriateness of policy, planning, and procedures, the effectiveness of business activities, and the status of legal and regulatory compliance. In addition, each corporate auditor attends meetings of the Board of Directors and of the Management Committee, reviews important documentation, and conducts surveys of subsidiaries. Based on these activities, each corporate auditor submits an independent report for collective review by the entire Board of Auditors. Furthermore, the Board of Auditors receives reports from the independent accounting auditors on the methodology and results of the financial accounting audit and from the Business Audit Office on the methodology and results of internal audits. Based on this information, the Board of Auditors regularly conveys its opinions to the directors who are also operating officers. The Board of Auditors also produces an Audit Report in accordance with law, and submits reports of audit results to the ordinary general meeting of shareholders.

Since April 2002, the Business Audit Office, which is under the direct supervision of the President, has carried out internal audits of all business operations, with particular responsibility for internal audits of the risk-

prevention and other internal control systems. Based on its audits of the overall business, the Business Audit Office gives specific advice and makes recommendations for improving business operations.

In the event that serious issues necessitating broad-based deliberation arise relating to the start of a new service or other aspect of business management, when deemed necessary the Company convenes an Advisory Board composed of lawyers, university professors, and other outside experts from the legal, academic, and financial communities. In this way, we incorporate a wide range of external views and opinions into important management decisions.

In May 2006, the Company clearly defined its code of conduct in a publicly released Business Practices Charter. To implement the Charter, it is essential that the Company have in place systems for maintaining appropriate corporate governance and for ensuring effective and efficient business activities, accurate financial reporting, and full legal compliance. To this end, the Internal Control Office was established in April 2006 to spearhead the development of and oversee internal control systems throughout the operations of the Company and its subsidiaries. In addition to assessing the appropriateness and effectiveness of business execution companywide, the Internal Control Office is charged with evaluating, documenting, and continuously improving all newly introduced internal controls. In line with this role, the Internal Control Office in December 2006 formulated a basic plan for the creation of internal controls relating to financial reporting. With regard to information systems, this plan identifies the critical elements for ensuring appropriate financial reporting and sets out various related measures for systems development, operation, and management aimed at establishing and enhancing systems.

Our Business Practices Charter serves also to guide the Company's compliance-related activities, which are carried out through a Compliance Program designed to ensure that all business practices and operations of the Company and its subsidiaries are premised on legal compliance. With the appointment of a Chief Compliance Officer, the Company has put in place a comprehensive system for quickly implementing corrective measures should a compliance problem happen to arise at some point in the future.

By further reinforcing internal control systems aimed at ensuring good corporate governance, the Company demonstrates a strong commitment to fulfilling its corporate social responsibility both now and in the future.

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Key Financial Data

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

Notes:

- Yen amounts for the year ended March 31, 2008 have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥100.19 = U.S.$1, the effective rate of exchange at March 31, 2008.
- Net income per share and dividends for the years preceding the year ended March 31, 2007 have been retroactively adjusted to reflect stock splits.
- Beginning with the year ended March 31, 2004, the Company altered its method of booking sales. Figures in this annual report for the years preceding the year ended March 31, 2004 have been revised to reflect this change in accounting method.
- Effective April 1, 2006, the Group's former seven business segments were reorganized into the business segments of Advertising, Business Services, and Personal Services.
- Equity as of March 31, 2007 and thereafter is presented in accordance with the new accounting standard for presentation of equity, while the previous accounting standard has been applied for prior years. The change of accounting standard for presentation of equity is discussed in Note 2.o of the Notes to Consolidated Financial Statements.

Results of Operations

In fiscal 2007, the year ended March 31, 2008, the near-term prospects for improved corporate performance and a more robust general economy in Japan were clouded by the U.S. economic slowdown, yen appreciation vis-a-vis the U.S. dollar, and skyrocketing commodities prices. Against this increasingly challenging economic backdrop, Yahoo Japan Corporation and its consolidated subsidiaries and affiliates (the Group) recorded a strong performance.

Net Sales

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

Cost of Sales

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

Selling, General and Administrative Expenses

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

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

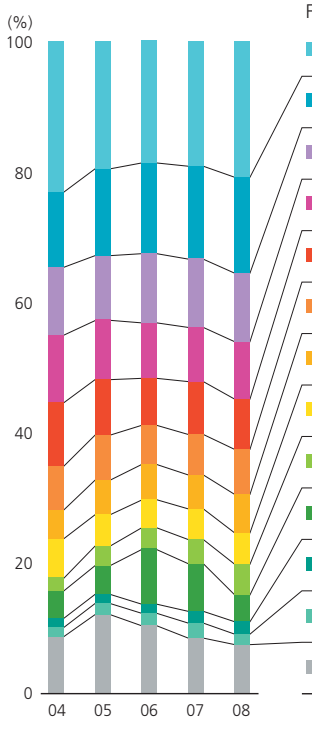
Business commissions advanced ¥2,199 million, or 15.9%, to ¥16,003 million, primarily as a result of higher expenses for temporary and contract employees and operations commission fees in the credit card business.

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

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

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

SG&A Expenses Breakdown



(For the years ended March 31)

(Millions of yen)

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

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

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

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

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

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

Operating Income

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

Other Income and Expenses

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

Income before Income Taxes and Minority Interests

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

Income Taxes and Related Adjustments

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

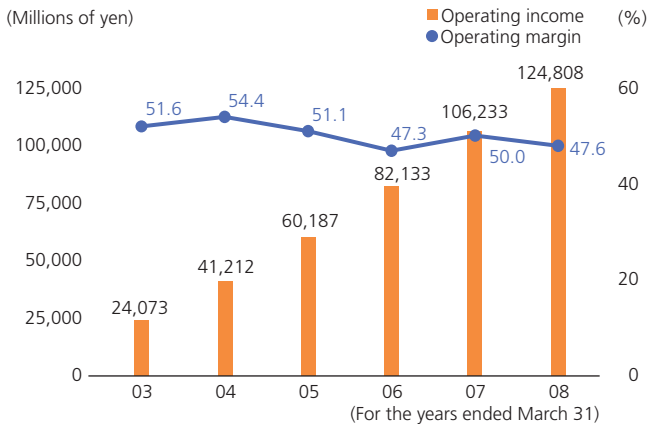
Minority Interests in Net Income

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

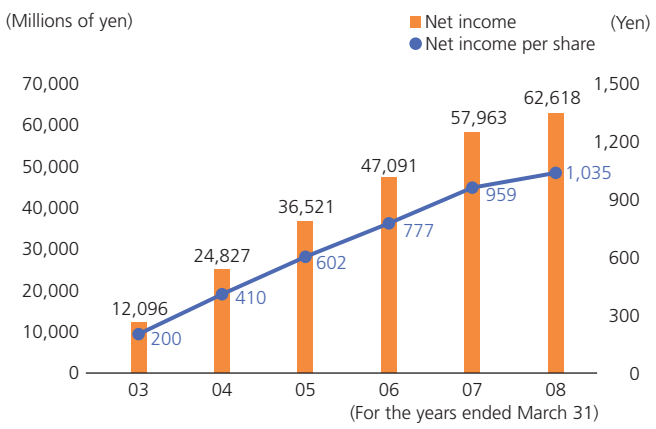
Net Income

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

Operating Income / Operating Margin



Net Income / Net Income per Share



Financial Position

Assets

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

Liabilities

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

Equity

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

Cash Flows

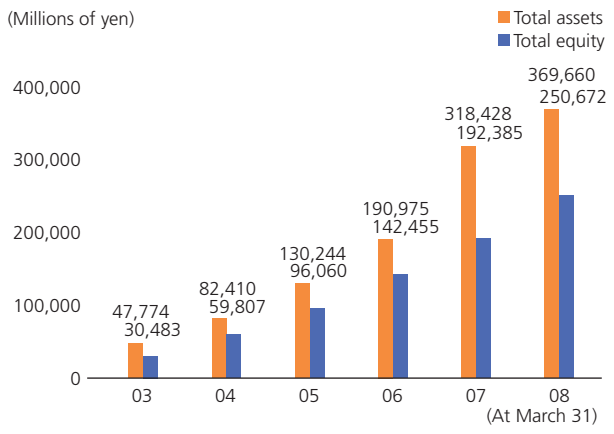
Net cash provided by operating activities in fiscal 2007 totaled ¥81,494 million, up ¥8,784 million compared with the ¥72,710 million in the previous year. Main factors affecting operating cash flows were a ¥12,222 million increase in income before income taxes and minority interests, to ¥113,990 million,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

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

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

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

Total Assets / Total Equity



Consolidated Balance Sheets

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

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

See notes to consolidated financial statements.

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

Consolidated Statements of Income

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

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

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

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

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

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

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

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

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

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

See notes to consolidated financial statements.

Millions of Yen						
Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
¥126,738	¥ 6,597	¥ 1	¥(28)	¥142,455		¥142,455
					¥1,367	1,367
				308		308
57,963				57,963		57,963
(4,715)				(4,715)		(4,715)
(168)				(168)		(168)
79				79		79
	(5,228)	(1)		(5,199)	295	(4,904)
179,897	1,369		(28)	190,723	1,662	192,385
				358		**358**
62,618				**62,618**		**62,618**
(5,805)				**(5,805)**		**(5,805)**
(89)				**(89)**		**(89)**
(15)				**(15)**		**(15)**
			(1)	**(1)**		**(1)**
	348			**434**	**787**	**1,221**
¥236,606	**¥ 1,717**		**¥(29)**	**¥248,223**	**¥2,449**	**¥250,672**

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

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

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

Yahoo Japan Corporation (the "Company") was incorporated in Japan in 1996. The overwhelming leader in the Internet market in Japan, the Company classifies its services into three segments: (1) advertising, (2) business services and (3) personal services, as discussed in Note 14.

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the 2007 consolidated financial statements to conform to the classifications used in 2008.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers and have been made at the rate of ¥100.19 to $1, the approximate rate of exchange at March 31, 2008. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The accompanying consolidated financial statements as of March 31, 2008 include the accounts of the Company and its 12 (13 in 2007) significant subsidiaries. Under the control or influence concept, those companies in which the Company is able to directly or indirectly exercise control over operations are fully consolidated, and those companies over which the Company and consolidated subsidiaries (collectively, the "Group") have the ability to exercise significant influence are accounted for by the equity method.

Investments in 20 (17 in 2007) associated companies are accounted for by the equity method. Investments in the remaining eight (six in 2007) unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not have been material.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

k. ***Provision for Yahoo! Points*—**The Yahoo! Points system was established as a sales promotion whereby shopping points are awarded to the users of Yahoo! JAPAN redeemable against purchases made via Yahoo! Shopping. The Company provides for future exercise of these points based on the number of unredeemed points held by users as of the balance sheet date.

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

Contributions made by the Company and its domestic consolidated subsidiaries to the welfare pension plan are expensed when paid because the plan assets attributable to each participant cannot be reasonably determined. The participation ratio of the Company and relevant subsidiaries was 3.1% based on the number of employees.

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

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

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

The total contributions to the defined contribution pension plans and the welfare pension plan recognized as net periodic benefit cost for the years ended March 31, 2008 and 2007 were ¥627 million ($6,257 thousand) and ¥544 million, respectively.

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

***n. Stock Options*—**The Accounting Standards Board of Japan (the "ASBJ") Statement No. 8, "Accounting Standard for Stock Options," and related guidance are applicable to stock options granted on or after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the grant date and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. Included in the balance sheet as a separate component of equity, the stock option is presented as a stock acquisition right until exercised. The standard allows unlisted companies to measure options at their intrinsic value if fair value cannot be estimated reliably. The Company has applied this standard to stock options granted on or after May 1, 2006.

***o. Presentation of Equity*—**On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is applied to fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statements of changes in equity.

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

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

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

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

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

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

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

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

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

u. New Accounting Pronouncements

Lease Accounting—On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized. However, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized recognizing lease assets and lease obligations in the balance sheet.

3. INVENTORIES

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

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

4. INVESTMENT SECURITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

Annual maturities of long-term debt at March 31, 2008 were as follows:

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

6. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

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

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

7. STOCK OPTION

Stock options outstanding as of March 31, 2008 are as follows:

The Company

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2000 Stock Option (1)	20 employees	57,344 shares	2000.1.31	¥51,270 ($511.7)	From January 22, 2002 to January 21, 2010
2000 Stock Option (2)	7 employees	11,264 shares	2000.6.27	¥38,086 ($380.1)	From June 17, 2002 to June 16, 2010
2000 Stock Option (3)	3 directors 84 employees	148,992 shares	2000.12.18	¥19,416 ($193.8)	From December 9, 2002 to December 8, 2010
2001 Stock Option (1)	3 directors 72 employees	108,544 shares	2001.6.29	¥9,559 ($95.4)	From June 21, 2003 to June 20, 2011
2001 Stock Option (2)	3 directors 72 employees	112,640 shares	2001.12.18	¥8,497 ($84.8)	From December 8, 2003 to December 7, 2011
2002 Stock Option (1)	2 directors 65 employees	47,616 shares	2002.7.29	¥10,196 ($101.8)	From June 21, 2004 to June 20, 2012
2002 Stock Option (2)	19 employees	5,888 shares	2002.11.20	¥11,375 ($113.5)	From November 21, 2004 to June 20, 2012
2003 Stock Option (1)	5 directors 83 employees	19,840 shares	2003.7.25	¥33,438 ($333.7)	From June 21, 2005 to June 20, 2013
2003 Stock Option (2)	43 employees	2,464 shares	2003.11.4	¥51,478 ($513.8)	From November 5, 2005 to June 20, 2013
2003 Stock Option (3)	38 employees	2,400 shares	2004.1.29	¥47,813 ($477.2)	From January 30, 2006 to June 20, 2013
2003 Stock Option (4)	41 employees	1,168 shares	2004.5.13	¥78,512 ($783.6)	From May 14, 2006 to June 20, 2013

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

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

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

Consolidated Subsidiaries

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

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

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

The stock option activity for the year ended March 31, 2008 is as follows:

The Company

	2000 Stock Option (1)	2000 Stock Option (2)	2000 Stock Option (3)	2001 Stock Option (1)	2001 Stock Option (2)
			(Shares)		
For the Year Ended March 31, 2008					
Non-vested:					
March 31, 2007—outstanding					
Granted					
Canceled					
Vested					
March 31, 2008—outstanding					
Vested:					
March 31, 2007—outstanding	18,432	2,048	50,448	19,777	26,478
Vested					
Exercised			(9,704)	(2,942)	(4,746)
Canceled					
March 31, 2008—outstanding	18,432	2,048	40,744	16,835	21,732
Exercise price	¥51,270	¥38,086	¥19,416	¥9,559	¥8,497
	($511.7)	($380.1)	($193.8)	($95.4)	($84.8)
Average stock price at exercise			¥47,579	¥45,751	¥45,975
			($474.9)	($456.6)	($458.9)

	2002 Stock Option (1)	2002 Stock Option (2)	2003 Stock Option (1)	2003 Stock Option (2)	2003 Stock Option (3)
			(Shares)		
For the Year Ended March 31, 2008					
Non-vested:					
March 31, 2007—outstanding			7,296	1,312	928
Granted					
Canceled				(192)	(160)
Vested			(7,296)	(1,120)	(768)
March 31, 2008—outstanding					
Vested:					
March 31, 2007—outstanding	25,600	2,304	9,920	416	512
Vested			7,296	1,120	768
Exercised	(5,632)	(1,024)	(960)		
Canceled				(96)	(64)
March 31, 2008—outstanding	19,968	1,280	16,256	1,440	1,216
Exercise price	¥10,196	¥11,375	¥33,438	¥51,478	¥47,813
	($101.8)	($113.5)	($333.7)	($513.8)	($477.2)
Average stock price at exercise	¥48,855	¥50,975	¥45,593		
	($487.6)	($508.8)	($455.1)		

	2003 Stock Option (4)	2004 Stock Option (1)	2004 Stock Option (2)	2004 Stock Option (3)	2004 Stock Option (4)
			(Shares)		
For the Year Ended March 31, 2008					
Non-vested:					
March 31, 2007—outstanding	496	5,280	352	200	232
Granted					
Canceled	(32)	(112)	(32)	(8)	(4)
Vested	(48)	(1,776)	(48)	(24)	(68)
March 31, 2008—outstanding	416	3,392	272	168	160
Vested:					
March 31, 2007—outstanding	176	3,968	184	64	
Vested	48	1,776	48	24	68
Exercised					
Canceled			(24)		
March 31, 2008—outstanding	224	5,744	208	88	68
Exercise price	¥78,512	¥65,290	¥62,488	¥65,375	¥60,563
	($783.6)	($651.7)	($623.7)	($652.5)	($604.5)
Average stock price at exercise					

	2005 Stock Option (1)	2005 Stock Option (2)	2005 Stock Option (3)	2005 Stock Option (4)	2006 Stock Option (1)
			(Shares)		
For the Year Ended March 31, 2008					
Non-vested:					
March 31, 2007—outstanding	5,472	186	282	98	8,518
Granted					
Canceled	(96)	(28)	(20)	(13)	(250)
Vested	(2,704)	(72)	(114)		
March 31, 2008—outstanding	2,672	86	148	85	8,268
Vested:					
March 31, 2007—outstanding					
Vested	2,704	72	114		
Exercised					
Canceled	(68)	(2)			
March 31, 2008—outstanding	2,636	70	114		
Exercise price	¥58,500	¥62,000	¥79,500	¥67,940	¥47,198
	($583.9)	($618.8)	($793.5)	($678.1)	($471.1)
Average stock price at exercise					

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

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

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

	2005 Stock Option (4)	2006 Stock Option (1)	2006 Stock Option (2)	2006 Stock Option (3)
Fair value price at grant date:				
a.	¥30,958	¥24,564	¥23,832	¥20,435
	($309.0)	($245.2)	($237.9)	($204.0)
b.	¥35,782	¥26,803	¥25,311	¥23,448
	($357.1)	($267.5)	($252.6)	($234.0)
c.	¥39,196	¥28,156	¥26,766	¥25,578
	($391.2)	($281.0)	($267.2)	($255.3)

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

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

The assumptions used to measure fair value of stock options granted during the year ended March 31, 2008 are as follows:

Estimate method: Black-Scholes option pricing model

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

Notes: 1. The a, b and c denoted in the table above correspond to those in the fair value information.

2. Periods for computation using actual stock price:

2007 Stock Option (1):
a. From May 14, 2001 to May 4, 2007
b. From November 13, 2000 to May 4, 2007
c. From May 15, 2000 to May 4, 2007

2007 Stock Option (2):
a. From August 13, 2001 to August 3, 2007
b. From February 12, 2001 to August 3, 2007
c. From August 14, 2000 to August 3, 2007

2007 Stock Option (3):
a. From November 12, 2001 to November 2, 2007
b. From May 14, 2001 to November 2, 2007
c. From November 13, 2000 to November 2, 2007

2007 Stock Option (4):
a. From February 18, 2002 to February 8, 2008
b. From August 20, 2001 to February 8, 2008
c. From February 19, 2001 to February 8, 2008

3. Estimated remaining outstanding period is determined based on the assumption that all the options are exercised by the middle date of the exercise period.
4. Estimated dividend is determined based on the actual dividend applicable to the year ended March 31, 2007.
5. For the interest rate with risk free, the Company uses the yield of Japanese treasury bond applicable to the estimated remaining outstanding period of options.
6. Estimated number of options vested is determined based on the actual termination ratio of employees.

Consolidated Subsidiaries

Value Insight

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

NewsWatch

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

Brainer

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

8. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2008 and 2007.

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

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

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

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

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

9. LEASE

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

Total rental expenses including lease payments under finance leases for the years ended March 31, 2008 and 2007 were ¥5,877 million ($58,657 thousand) and ¥4,624 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2008 and 2007 is as follows:

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

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

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

Obligations under finance leases:

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

Depreciation expense and interest expense under finance leases:

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

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

The minimum rental commitments under noncancelable operating leases at March 31, 2008 were as follows:

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

10. DERIVATIVES

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

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

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

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

Since all of the Company's derivative transactions qualify for hedge accounting and meet specific matching criteria for the years ended March 31, 2008 and 2007, assets and liabilities denominated in foreign currencies are translated at the contract rates and no gains or losses on derivative transactions are recognized. Therefore, market value information of derivatives is not presented.

11. RELATED PARTY TRANSACTIONS

Transactions of the Group with the parent company, sister company, unconsolidated subsidiaries and associated companies (the "related companies") for the years ended March 31, 2008 and 2007 are as follows:

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

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

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

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

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

12. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") after the retroactive restatement of stock splits for the years ended March 31, 2008 and 2007 is as follows:

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

13. SUBSEQUENT EVENTS

a. Appropriation of Retained Earnings

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

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

b. Acquisition of Treasury Shares

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

14. SEGMENT INFORMATION

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

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

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

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

Information about business segments, geographical segments and sales to foreign customers of the Group as of and for the years ended March 31, 2008 and 2007 is as follows:

(1) Business Segments

a. Sales and Operating Income

Millions of Yen

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

b. Assets, Depreciation and Amortization, and Capital Expenditures

Millions of Yen

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

a. Sales and Operating Income

Thousands of U.S. Dollars

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

b. Assets, Depreciation and Amortization, and Capital Expenditures

Thousands of U.S. Dollars

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

a. Sales and Operating Income

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

b. Assets, Depreciation and Amortization, and Capital Expenditures

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

(2) Geographical Segments

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

(3) Sales to Foreign Customers

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

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Yahoo Japan Corporation (the "Company") and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yahoo Japan Corporation and consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

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

Deloitte Touche Tohmatsu

June 24, 2008

Major risk factors with regard to the businesses of Yahoo Japan Corporation and its consolidated subsidiaries and affiliates (the Group) as of the publication date of this document are discussed below. The Group proactively discloses those risk factors it deems necessary that potential 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 these risks from materializing and will respond rapidly should problems arise. Management recommends that shareholders and potential investors consider the issues below before assessing the position of the Group and its future performance. Please note that the risk factors 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. Impact 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 Internet's emergence as a recognizable force in 1995, with particularly notable growth due to 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 Internet-based communications and commercial activity as well as a stable and secure infrastructure for Internet users.

A number of factors contribute to uncertainty in the outlook for Internet usage, including the availability of necessary infrastructure such as reliable backbones and high-speed modem capacity; the need for the development and application of technological standards and new protocols in response 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 Connection

As almost the entire catalog of Group services is dependent on the Internet, business operations rely on 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 connection infrastructure should deteriorate and prevent easy use of the Internet, usage could decline, reducing site traffic and negatively impacting Group performance.

c. Service Provision via non-PC Internet-Enabled Devices

Recent years have seen an increase in the range of Internet-enabled devices other than PCs, including mobile phones, video game consoles, TV sets, car navigation systems, and personal digital assistants (PDAs), resulting in a significant expansion of the non-PC connection infrastructure. In response, the Group is implementing its Yahoo! Everywhere initiative to promote Internet access via Internet-enabled devices other than PCs with the goal of increasing usage times of Yahoo! JAPAN services. Implied in the initiative are the following risks:

- To provide Yahoo! JAPAN services via Internet-enabled devices other than PCs, the Group must first adopt the various information transmission standards of such devices in cooperation with manufacturers. If the Group is unable to adopt the standards for a given device, then it will not be able to provide Yahoo! JAPAN services via that device.

- Enabling smooth Internet connectivity via non-PC devices is important to the Group's competitiveness. In the case of certain SOFTBANK mobile phones, a "Y!" function key facilitates quick and convenient connection to the Yahoo! JAPAN site. The Group intends to work closely with manufacturers of Internet-enabled devices other than mobile phones to ensure similarly smooth connectivity. If, however, the Group fails to ensure smooth connectivity via such devices, then its overall competitiveness could be undermined. Furthermore, if the Group is obligated to make higher-than-expected investments to ensure smooth connectivity, then its performance could be negatively affected.

- Each Internet-enabled device has unique features, ranging from variations in screen size to different input systems. In line with the Yahoo! Everywhere initiative, the Group intends to optimize its service provision with respect to the unique features of each and every device. Service provision optimization might take longer than expected and, once achieved, the Group's service provision might be inferior to that of other companies also offering optimized service provision for unique devices, resulting in an erosion of competitiveness. Higher-than-expected optimization costs also could adversely affect the Group's performance.

2) Forming Partnerships for an Extended Network

By actively forming partnerships with both corporate and personal Web sites, the Group is building an extended network that is expected to result in increased usage of the Group's services by users of partner sites as well as by Yahoo! JAPAN users.

In the advertising business, the Group is expanding its AD Network and AD Partner advertising networks by partnering with new sites and incorporating their advertising space in a network-wide advertising distribution system, thereby enabling partner sites with limited viewer reach to increase their advertising media value. Advertisers, meanwhile, can achieve wider exposure by targeting advertisements at the entire network's user base. In the search business, by jointly providing advertisers with the paid search service offered by Overture K.K., the Group and its partners now hold a dominant share of the search market. In the auction business, the Company has reached an agreement with eBay Inc. to mutually support and guide the two companies' respective entries into the U.S. and Japanese markets. In addition, the Group has begun offering other services, such as its online settlement service Yahoo! Wallet, on partner sites. By establishing an extended network, the Group is helping to enhance the convenience, security, efficiency, user appeal, and profitability of all partner sites on the network. At the same time, by working together with partner sites the Group aims to provide the full range of Internet services that users demand.

In pursuing these actions, the Group faces the following risks:

- Although partnerships (business tie-ups) are established with an eye to ensuring mutual benefits, some partners might fail to achieve sales or traffic goals. Furthermore, competition with other companies might result in delays in or increase the costs of setting up partnerships. In addition, partners might suddenly cancel agreements. Any of these eventualities could adversely affect the Group's performance.

- The Group provides services to partners via proprietary systems and via systems owned by affiliated and business tie-up companies. If partners were to suffer service disruptions or other damages as a result of these systems, then the Group's brand image could be tarnished or the Group could be sued for damage compensation, either of which could negatively affect the Group's performance.

- Because the quality and reputation of our partners' services reflect on the reputation and credibility of the Group, any problems with our partners' services could tarnish the Group's brand image.

- AD Partner is a distribution service for display advertising and content-linked advertising mainly to personal homepages and blogs. This service aims to boost the brand image and advertising effects for advertisers as well as to reward sites that meet our selection standards by distributing advertising only to such sites. Should advertisers not get their expected advertising effects or personal site owners not get their expected rewards, however, it might become impossible to place ads or extend the network as expected, which could have a negative impact on the Group's performance.

3) The Social Media Services Market

Until recently, the Internet had adopted primarily a mass-media usage paradigm whereby specified information providers published information (head content) for user viewing and listening. Now, however, more and more users are interactively utilizing the Internet to generate and publish a variety of information (tail content) and to communicate with each other. In response, the Group has begun to offer user-generated social media services, including Yahoo! Blogs, Yahoo! Days social networking service, and Yahoo! Videocast, which enables users to upload and share video clips. In addition to providing new social media services, the Group is working to boost user satisfaction with and usage times of Yahoo! JAPAN services by adding social media functions, including spaces for publishing tail content, to its more than 100 head content services.

In the social media sector, a type of virtuous circle known as network externality is emerging wherein services with relatively high user numbers tend to attract new users at a faster rate than do services with relatively low user numbers. The Group's ability to introduce new social media services that are able to successfully compete with popular existing services is therefore uncertain. Moreover, the successful introduction of such services might necessitate greater-than-expected development and advertising expenditures.

4) Markets, by Business Segment

a. Advertising

i. Potential of the Internet Advertising Market

Since beginning operations in 1996, the Group has offered search engine and information-related services via its portal site, with advertising as its main source of revenue. It has grown to become the leading Internet service operator in Japan, with overwhelmingly dominant viewer rates.

The Internet-based advertising industry in Japan is generally thought to have begun with the Group's start of operations. Since that time, the Internet advertising market has grown significantly, accounting for 8.6% of the total advertising market in calendar year 2007,

according to a recent DENTSU INC. report. During the same year, the Internet advertising market became the third-largest advertising market, after the television and newspaper advertising markets. Nevertheless, future growth in Internet advertising expenditures could slow and fall short of our expectations, resulting in lower-than-anticipated revenues, which could negatively affect Group performance.

Although the Internet advertising market is attracting increasing expenditures from companies in various industries, the Internet's value as an advertising medium has not been adequately established among advertisers, advertising agencies, and consumers. Corporate use of Internet advertising, which has a relatively short history, is often carried out on a test basis with limited budgets. To promote greater understanding and appreciation of Internet advertising in the advertising industry, including both advertisers and advertising agencies, the Group regularly hosts seminars and other informational events. In addition, the Group is enhancing its advertising sales system and strengthening ties with advertising agencies with the goal of expanding and stabilizing the advertiser base. It is uncertain, however, whether or not the Internet will prove to be a profitable advertising medium capable of competing with traditional media. There is no guarantee that National Clients, or leading companies that conduct nationwide sales campaigns on relatively large budgets, will decide to use Internet advertising on a continual, large-volume basis, similar to their use of advertising in traditional media. If they do not, then the Group's ability to achieve stable advertising revenue could be compromised.

Based on projections that advertising via Internet-enabled terminals such as mobile phones will grow at a quickening pace, the Group is working to enable the provision of its services via such terminals in addition to PCs. If the bulk of Internet access shifts from PCs to mobile phones, however, the Group may see a fall in viewer rates and a corresponding reduction in its market share, which could slow down growth in advertising revenue and negatively impact earnings.

ii. 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 from advertisers for advertising space 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 lease and utility expenses, expenditures cannot easily be adjusted according to revenues, contributing to underlying volatility in the Group's earnings stream.

iii. Greater Variation in Advertising Products

Many new advertising products incorporating a variety of advertising methods have emerged in the Internet advertising market. The Group develops and sells a variety of advertising products suited to advertisers' specific needs, including products with guaranteed exposure periods and numbers of impressions. The Group also offers paid search advertising, operated jointly with Overture, and an affiliate ad program (pay-per-performance advertising), operated in cooperation with ValueCommerce Co., Ltd.

Recently, the Group has developed and launched various advertising products incorporating innovative advertising methods, including behavioral targeting products (see Note, below), which distribute advertising to targeted users based on Internet-usage histories; customized behavioral targeting products, which distribute advertising to targeted users based on search and browsing histories, demographic profile, and residential information; AD Network, which distributes advertising over a network of partner sites, giving it greater reach than single-site-distribution products; and content-linked advertising products, which distribute advertising to targeted pages based on page-content analysis. If the Group fails to properly incorporate innovative advertising methods, however, its advertising revenue could decrease even as the cost of developing new products and forming new partnerships with companies possessing expertise in innovative advertising methods grows. As a result, Group performance could be negatively affected.

Note: Behavioral targeting advertising employs Internet-usage histories only for grouping users (browsers) with common interests or concerns but not for analyzing the interests and concerns of individual users. All information obtained is operated in accordance with the Group's privacy policy.

b. Business Services

i. Trends in Corporate Internet Use and Market Change

In the Business Services segment, Group revenue is derived mainly from information listing services, such as Yahoo! Rikunabi, Yahoo! Real Estate, and Yahoo! Autos, as well as from tenant fees and sales commissions from e-commerce services, such as Yahoo! Auctions and Yahoo! Shopping.

To expand the market for information listing services, particularly Yahoo! Rikunabi, an employment information site jointly operated with RECRUIT Co., Ltd., the Group is leveraging the convenience of its Web sites and its dominant brand strength to attract new customers. Using

an enhanced sales infrastructure, the Group also continually works to attract stores to the Yahoo! Auctions and Yahoo! Shopping sites with the aim of expanding e-commerce revenue. Despite these efforts, the market might not expand for various reasons. Commercial use of the Internet by corporations might not expand as anticipated. The shift of information listing services to the Internet from traditional media, particularly printed media such as newspapers, magazines, and flyer inserts, might not advance further. The number of users of the Group's auction and shopping sites might not increase as anticipated. Transaction volumes of those sites might be less than expected, or the number of registered stores might be insufficient. The Group's performance could be influenced by one or more of these factors.

ii. Influence of Changes in the Broadband Market

Incentive fees received from SOFTBANK BB Corp. (SBB; see Note, below) for each new Yahoo! BB account signed on via the Yahoo! JAPAN site constitute a portion of the Group's business services revenue.

The entire Group promotes Yahoo! BB, a comprehensive broadband service provided jointly by the Company and SBB.

The commencement of the Group's Yahoo! BB service was a major stride for broadband communications in Japan. According to the 2007 White Paper on Telecommunication (Ministry of Internal Affairs and Communications), the broadband environment in Japan provides the fastest and most economical services in the world. The Group's Yahoo! BB service, chiefly the ADSL service, holds the top customer share in the domestic market.

Owing to rapid progress in telecommunications technology, the market is shifting from ADSL service to fiber-to-the-home (FTTH) service, which uses optical fiber to achieve faster data transmission. In line with this shift, the Group has introduced Yahoo! BB Hikari, a new comprehensive broadband service that employs FTTH technology. By undertaking sales promotions and various other campaigns as well as leveraging brand dominance and price-competitiveness, the Group is working to attract new subscribers. Despite these efforts, it is possible that the Group will attract fewer new accounts than expected or lose customers to competing services, resulting in a failure to achieve sales goals. At the same time, the Group might incur heavier costs than projected. As a result, Group performance could be negatively affected.

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 Gaisha as a modem rental specialist. (BB Modem Rental was subsequently sold to Yugen Gaisha Gemini BB.) On December 1, 2005, SBB further split up its operations, spinning off its ADSL operations into BB TECHNOLOGY Corp. (BBT) while retaining its FTTH, retail, and other non-ADSL businesses. On March 31, 2007, these businesses were recombined when SBB merged with BBT, with BBT remaining as the surviving company. Following the merger, BBT changed its name to SOFTBANK BB Corp.

c. Personal Services

The Group's primary revenue sources in the Personal Services segment include Yahoo! Auctions system-use fees; Yahoo! Premium membership fees covering a package of Yahoo! JAPAN services including Yahoo! Auctions; Yahoo! BB service Internet service provider fees; and sales of paid content.

With the spread of broadband communications, the number of Internet users has increased drastically. Accordingly, the market for personal services is likely to continue expanding. Sooner or later, broadband proliferation in Japan will reach a saturation point and growth in the number of users will plateau. To prepare for that time, the Group is implementing various measures to boost customer satisfaction and promote greater usage of the full range of its services. Growth in the numbers of Yahoo! Auctions participants, Yahoo! Premium members, and Yahoo! BB subscribers, however, might lose its early momentum, which could have a significantly negative influence on Group revenues.

Yahoo! Auctions transaction volume has expanded in line with increases in the number of participants. With that growth, however, have come reports of incidents that were not considered at the time the service was created, including fraud and illegal listings. To create a safe auction site, the Group will continue implementing measures to comply with legal restrictions and social norms. If these measures fail to have the intended effects and instead discourage participation in online auctions, then the market could shrink and Group revenues from Yahoo! Auctions system-use fees and the number of Yahoo! Premium members decrease, significantly influencing Group performance.

The spread of broadband communications has enabled the Group to deliver a variety of content to meet changing user needs, including high-volume services such as video and music. Demand for such content via the Internet is likely to expand as the number of Internet users increases. If such content fails to become a regular part of the lives of users, or if access to content via devices other than PCs becomes the

norm, and if the Group fails to break into the non-PC market, the achievement of expected earnings could be difficult.

5) Competitors

The Group's services are centered on the flagship Yahoo! JAPAN portal site, which offers a diverse range of services over the Internet. These include directory and other search engine services; various types of information services, such as news; Internet tool services, such as e-mail; shopping and other e-commerce services; and payment settlement services. Although the Group has multiple competitors in each of these service areas, it recently has formed partnerships with many of those same competitors as a result of implementing the Yahoo! Everywhere initiative, forming partnerships for an extended network, and introducing new social media services.

Accordingly, the Group believes that its main competitor in the current market environment is Google (Google Inc.), which holds large shares of the U.S. and European search markets.

A degree of uncertainty exists as to whether or not the Group will be able to maintain its dominant position in the Japanese market. Income deterioration could result from price competition or increased customer acquisition costs. Also, the Group might be obligated to pay higher advertising commissions and content provider fees to advertising agencies and content providers, which could adversely affect performance.

The sudden emergence of a start-up company offering an innovative service that gains popularity with users and spreads rapidly through the market is always a possibility in the Internet market. The Group fully intends to continue to gauge user opinions and usage with an eye to offering services that users want. However, it is possible that a start-up company, or a specific service of such a company, could pose a competitive challenge to existing Group services. It is possible also that the Group will be obligated to make significant investments in developing new services to maintain its competitive advantage. Either eventuality could have a negative impact on the Group's business performance.

6) Revision of Business Forecasts

The Group's operations are concentrated in the Internet sector, the technologies and markets of which tend to change rapidly. Moreover, the advertising business, Internet-based and otherwise, is highly susceptible to overall economic trends.

The Group bases its forecasts for sales and costs largely on assumptions regarding usage rates for each of its services. If these assumptions prove to be inaccurate owing to unforeseen drastic changes in the Group's business environment, then actual business results could differ considerably from announced forecasts.

When the likelihood of considerable differences between forecast and actual results is recognized, the Group will announce revisions to its forecasts in a timely manner.

2. Legal and Institutional Changes

1) Potential Legal Restrictions

a. Legal Restrictions Related to the Internet

Distribution of information over the Internet and electronic commerce are under review by the Japanese government. Although no regulations governing the advertising operations of the Group exist, a number of countries are now 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 intermediates in distributing information via the Internet. Nevertheless, the passage of a new law could lead to a social consensus in support of requiring greater responsibility of information distribution intermediates. The Group's business could be restricted owing to the introduction of new laws or the implementation of rules on self-regulation.

As the operator of Yahoo! BB, the Group is required to observe the Telecommunication Business Law and related ordinances enforced by relevant government divisions. Changes to this law or related ordinances could influence the Group's business.

b. Potential Legal Restrictions on Yahoo! Auctions

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

Effective September 1, 2003, a revision of legislation concerning the sale of used goods was promulgated in order to prevent criminal misuse of Internet auctions. In addition to imposing a registration system on Internet auction operators, the revised law requires operators to make efforts to confirm the identities of participants and maintain records of auctions. The law also stipulates that when an operator is ordered by an investigative body to remove an auction listing based on suspicion of fraud, the operator must comply. The scope of the revised law, however, is limited to areas where the Group is already compliant. Furthermore, because no regulations have been placed directly on auction participants the Group does not expect that the revised law will have a significant impact on its auction business.

On June 8, 2006, the Japanese government introduced its "Plan 2006 to Promote Intellectual Property Rights Strategy" to carry forward extensive measures to fight the infringement of intellectual property rights 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 and enhanced efforts by intellectual property owners and auction operators through the Conference on Anti-distribution of Pirated Intellectual Property on the Internet. Such measures have been further intensified under the "Plan 2007 to Promote Intellectual Property Rights Strategy." When sellers subject to the law list branded products for auction, the Group instructs them to identify themselves properly and will revoke their IDs if they do not comply. In collaboration with Internet auction operators DeNA and Rakuten, the Group has formulated and implemented Internet Auction Services Guidelines. In addition, as the chair of the Conference on Anti-distribution of Pirated Intellectual Property on the Internet, the Group is actively working to devise measures against violations. To help educate persons who list items for sale on Internet auctions as well as the potential buyers of those items, the Group has published on its Web site "Intellectual Property Rights Protection Guide," which defines and explains copyrights, image rights, and trademarks.

If these measures fail to bring about the expected results and reports of illegal listings and fraud continue, new legislation could restrict commercial activities carried out via the Internet. Depending on the degree of restriction entailed by such legislation, it could have a significant impact on the Group's auction services.

c. Potential Legal Restrictions on Social Media Services Content

Social media services provide a space for users to communicate with each other via postings of opinion and content. In the context of such services, the potential exists for defamation, invasion of privacy, and infringement of intellectual property rights and other legally protected ownership rights. The Group prohibits postings containing copyright-protected content and makes concerted efforts to prevent and eliminate such infringements, such as operating a patrol system for detecting illegal content, soliciting user reports of illegal content, and responding swiftly to requests by legitimate rights holders to remove illegal content.

If these measures fail to bring about the expected results and reports of illegal postings continue and become an object of public concern, new legislation might be enacted that could restrict comment posting services on the Internet. Depending on the degree of restriction entailed, such legislation could have a significant impact on the Group's social media services.

d. Potential Legal Restrictions on Other Services

The Group offers the Yahoo! JAPAN Card service for financial settlements and Yahoo! Trading (financial instruments intermediary services).

In its Yahoo! JAPAN Card service, the Group independently issues credit cards and offers loans, including cash advances, which activities bring it under the Money-Lending Business Control and Regulation Law and Interest Rate Restriction (IRR) Law. Under the former, the Company is registered as a money lender with the Kanto Local Finance Bureau. Because authorities have decided to revise the Money-Lending Business Control and Regulation Law so as to lower the interest rate ceiling on loans to match the interest rate ceiling specified in the IRR Law, customers might claim that interest paid in excess of the rate permitted under the IRR Law represents unfair profits, and demand repayment. The Group has prepared for possible interest repayment claims by conservatively booking the full amount that could possibly be claimed. In addition, the Group intends to lower its interest rates before the revised law is enforced. Based on these actions, the Group believes that the revised law's impact on its business will be minor.

In its Yahoo! Trading (financial instruments intermediary services), the Company is under the supervision of the Financial Services Agency and is subject to the Financial Instruments and Exchange Law and rules set by the Japan Securities Dealers Association. Under the Financial Instruments and Exchange Law, the Company registers as a financial instruments intermediary business 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 efforts, it should be found guilty of violating any of those laws and rules. Strengthening or revising the compliance system to prepare for a tightening of those regulations might entail increased costs and could therefore negatively impact the Group's earnings.

e. Administrative Guidance and Requirements

In addition to the application of the aforementioned legal restrictions, self-regulatory systems of companies in the industry with regard to information communication or business under the administrative guidance and requirements of the national government, governmental ministries, and local governments could adversely impact the Group's service provision and performance.

2) Potential Litigation

a. Illegal Acts by Auction Participants

The Group has taken various measures to improve the security of its systems to build a safer and more stable auction environment. In September 2000, the Group commenced an escrow service (see Note 1, 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 listing items on the auction site. To further reinforce security, the Group introduced an Internet auction fraud-detection model in November 2005. In July 2007, the Group began offering "do now, pay later" services, including anonymous payment and delivery services (see Note 2, below). In addition, the Group has set up a patrol team to eliminate illegal items from auctions in cooperation with law enforcement agencies and copyright-related groups. Despite these measures taken by the Group, it is uncertain that illegal acts will not occur in the future. Therefore, the possibility of legal action being taken against the Group cannot be ruled out, whether or not the Group is responsible. In fact, groups of users have already filed a suit for damage compensation against the Group. 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 ensure proper management could lead to increased costs and therefore negatively impact earnings.

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

Note 1: The escrow service consists of a company acting as an intermediate between the sell and buy sides of a transaction to ensure the smooth transfer of the item and payment. Provided by third parties, not by the Group, this service varies according to the escrow company used. In general, however, the escrow company receives payment from the buyer and transfers it to the seller upon confirming the buyer's receipt of the correct item in good condition. This service eliminates concerns that the item will not be delivered or payment not made.

Note 2: The anonymous payment service enables auction sellers to receive payments without disclosing personal information to winning bidders. This service is made possible by use of a general payment account at the Japan Net Bank, Ltd., settled for each auction transaction.

The anonymous delivery service enables both the seller and buyer of an item to send and receive the item without disclosing personal information. All required personal information is managed by the Group and the transport company contracted to provide the anonymous delivery service. The Group expects that this service will reduce the incidence of sellers not sending items to winning bidders on Yahoo! Auctions.

b. Solicitation of Financial Instruments Transactions

In providing its Yahoo! Trading (financial instruments intermediary services), the Group complies with its own solicitation policies and guidelines under the supervision of its affiliated financial instruments firms (see Note, below) in setting up trading accounts and handling transactions. Before soliciting customers into transactions, the Group consults with its affiliated financial instruments firms, but the solicitation could mislead customers into losses. In such cases, the Group could be subject to demands for damage compensation from its affiliated financial instruments firms, which temporarily pay damages to customers, depending on the situation.

Note: "Affiliated financial instruments firms" refers to firms that have signed a consignment agreement with the Group for financial instruments intermediary services.

c. Information Distribution via the Internet

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

To avoid conflict with Japanese legal restrictions, the Group established an Advertisement Review Standard that internally regulates advertising content and the content of Web sites accessed through advertising links. As expressed in a written contract with the advertiser, the advertiser takes full responsibility for the content of its advertisement. The Group also maintains the right to list Web sites and remove Web sites listed on its Internet directory search services at any time. In addition, the Group fully discloses its legal obligations in written contracts with the creators of those Web sites with clauses indicating the full responsibility of the creators for the content of their sites. For such services as message 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 users. The Group maintains the right to remove content and will do so upon discovering 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 user privacy. In addition, the Group publishes a disclaimer stating clearly that users bear full responsibility for Web browsing and information posting, and that the Group accepts no responsibility for damages caused to users during Web browsing or information posting. To protect minors from harmful content, the Group has implemented such programs as Yahoo! Kids and Yahoo! Safety Net. However, no guarantee can be provided that such measures will be sufficient to avoid litigation. The Group could be

subject to claims, reprimands, or damage suits from users, related parties, or governmental agencies with regard to the content of advertisements, Web sites accessed through links on Group sites, contributions to community message boards, and/or trading on its auction site. The resulting decline in user confidence could lead to a drop in hits or a suspension of services.

d. Third-Party Responsibility

To prevent misunderstanding or confusion about the scope of services provided by third parties through agreements with the Group and those provided by the Group itself, measures are taken to ensure the understanding and agreement of customers through user rules or clauses posted on the Group's sites. Despite these efforts, it is possible that these measures will fail and that customers will demand compensation for damages from the Group that actually are the responsibility of a third party. This could result in additional costs to the Group or damage to its brand image, impacting negatively on performance.

The Group assigns all responsibility to the user and accepts no responsibility regarding Yahoo! Auctions, making no guarantees as to the selection, display, or bidding process for goods or services offered or the formation or honoring of contracts agreed to while using this service. Similarly, the Group publishes a disclaimer on its Yahoo! Shopping site stating that the Group assumes no responsibility for the activities, products, services, or Web site 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 delay in the delivery of said goods. However, it remains possible that users of these services or other related parties will 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 will 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 filing 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 not only technology but also business models. Considering intellectual property to be an important management asset, the Group has established an in-house team devoted exclusively to activities related to intellectual property, including investigation and filing.

However, the extent to which patent rights can be applied remains unclear. To avoid potential conflicts, the Group might be forced to substantially increase expenditures related to patent management, which could impact on its earnings. The geographic boundaries for the application of patent rights also remain unclear. Consequently, the Group cannot rule out the possibility of patent issues arising overseas, in addition to in Japan.

In addition, internal regulations and training programs have been set up with the goal of ensuring that the Group's services or business-use software do not infringe on copyrights owned by third parties. Despite these efforts, infringements still might occur. If so, then the Group could be sued for compensation, required to pay substantial royalty fees, or be forced to cease providing certain services.

4) Changes in Accounting Standards

Against the backdrop of the recent trend to establish international accounting standards, the Group has made quick and appropriate changes to its accounting standards for severance and retirement benefits, financial instruments, and other categories. Even so, a significant change in accounting methods could have a material impact on the Group's profits or losses.

3. Information Security Management

1) Group Efforts to Promote Information Security

Due to the rapid growth of the Internet, we have become a society where a variety of information spreads quite easily. While the development of Internet technology has broadened the horizons of Internet users and boosted convenience, it has also turned the security of personal and other information into a major social issue. As providers of a range of services over the Internet, the Group is obligated to address this issue extremely carefully.

Based on this understanding, the Group has proactively taken steps to deal with information security. Currently, we are working to protect customers' personal information and other sensitive management information by quickly and effectively implementing necessary measures groupwide. To facilitate this process, we have appointed a Chief Security Officer (CSO) and established an Information Security Office, giving them wide-ranging authority to carry out their mission. The President of the Company himself announced our "Information Security Declaration" (see Note 1, below), setting out the Group's overall information security efforts. Based on this declaration, we have established Information Security Basic Regulations and other in-house rules that clarify our procedure for handling customers' personal information

and other important information. At the same time, to promote adherence to our in-house rules on information management we established the Information Security Council, comprising information security members from each of our divisions. 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 August 2004, the Group acquired Information Security Management Systems (ISMS) certification (see Note 2, below). The Group has been certified under the BS 7799-2:2002 international standard and the Japanese domestic standard ISMS Certification Standards Version 2.0. In November 2007, the Group was the first in Japan to receive ISO 15408 certification (see Note 3, below) for its development of a monitoring system to prevent information leakage from its databases. The Group has used these third-party certification systems to implement a third-party check of its operations using a global standard in order to continue to strengthen its information security measures 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, they not only might impact negatively on performance but also could result in a weakening of the public's confidence in the Group.

Note 1: Information Security Declaration

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

Customer and other types of information held by the Group are our most important assets. Protecting this information is extremely important not only to us but also to our customers, vendors, and business partners.

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 of 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.

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

Taking into consideration both technical security methods and overall organization management, these certification systems focus 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 continuously repeated with the goal of improving information security levels. At March 31, 2008, a total of 10 Group companies, including the Company and 9 subsidiaries, were certified.

Note 3: ISO 15408

ISO 15408 is an international standard that evaluates whether a product or system related to information technology has been properly designed and the design correctly implemented from the point of view of the security of information technology. The official name of the standard is ISO/IEC 15408 Information Technology Security Standard.

2) Personal Information

a. Group Efforts to Protect Personal Information

The Group is obligated to hold personal information for each Yahoo! JAPAN user in order to effectively provide services, including e-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. The Yahoo! Security Center on the Yahoo! JAPAN site works to heighten users' awareness of potential risks by, for example, posting descriptive examples of fraudulent behavior and common methods employed to illicitly obtain personal information, along with suggested security measures to help users protect themselves. In addition, the Group observes strict guidelines regarding internal access to users' personal information, granting access rights only to a very limited number of personnel.

Nevertheless, the Group cannot completely eliminate the possibility that users' personal information will be leaked outside the Group, either deliberately or through negligence, by Group personnel, by companies with which business alliances have been concluded, or by companies to which the Group outsources work, or as a result of computer viruses introduced via defective or malicious software. There have been multiple incidents of personal information stored on virus-infected PCs being unknowingly leaked onto networks, the source of the virus being file-sharing software, such as Winny. Also, the possibility always exists for third parties to fraudulently obtain passwords, for example, to gain unauthorized access to systems, or employ such methods as spoofing or phishing (see Note 1, below) whereby personal user information is illicitly obtained, with unsuspecting users suffering the consequences. To guard against phishing attacks the Group introduced a log-in seal system (see Note 2, below) In March 2007. In December 2007, the

Group added to Yahoo! Mail a function enabling users to refuse spoofed mail (see Note 3, below). As of January 2008, the Group began issuing OpenIDs (see Note 4, below), in addition to offering an authentication bureau service to improve information security by eliminating the storage and management of IDs on other sites. Although the Group continues to implement such measures with the goal of minimizing the damage caused by ill-intentioned users, there is no guarantee that these measures will be sufficient. If problems occur despite our efforts to thwart them, the Group's services could be adversely affected and its brand image tarnished. Furthermore, the Group could become a target of lawsuits.

Regardless of questions of legal responsibility, the Group's policy is to propose measures aimed at strengthening the management and monitoring of the security systems of companies with which it has business alliances. Representatives from the Group currently participate on phishing e-mail countermeasures committees of the Ministry of Economy, Trade and Industry and the Ministry of Internal Affairs and Communications, as well as on a similar committee of the National Police Agency. By sharing information with relevant ministries, agencies, and Internet-related associations, the Group is seeking to establish effective measures against this type of fraud.

With the April 2005 promulgation of the Personal Information Protection Act, relevant ministries and agencies issued guidelines for observing the law to businesses under their respective jurisdictions. The Group's handling of personal information is in accordance with the provisions of this law and with each of the guidelines related to its businesses.

Note 1: Phishing fraud

Phishing fraud involves obtaining personal information by sending e-mails purportedly from a financial institution or other company that trick the recipients into accessing a fraudulent Web site, where they are asked to input such personal information as credit card numbers, log-in IDs, passwords, or other sensitive information. Damages from money theft resulting from phishing are mounting in Europe and the United States, and such cases have become common in Japan recently, as well. The National Police Agency has posted warnings about phishing fraud on its Web site.

Note 2: Log-in seal

A log-in seal consists of an image or a text message appearing on a Yahoo! JAPAN log-in screen. After registering a favorite image or secret message as a log-in seal, a user can place the seal on a personalized log-in screen suited to a designated browser. Users who habitually confirm that the log-in seal appears on the log-in screen when signing in are quickly alerted to the possibility that they are on a fake log-in screen (phishing) when the log-in seal does not appear.

Note 3: Refusing spoofed e-mails

Spoofed e-mails, purportedly sent from one source but in fact sent from another, can be filtered out, or refused, by users armed with domain validation technology, such as DomainKeys and Sender Policy Framework (SPF). Since July 2005, Yahoo! Mail has featured a DomainKeys function, and in December 2006 we introduced an SPF function in a concerted effort to prevent phishing and other malicious mails from landing in Yahoo! Mail service inboxes. Now, with our introduction of SPF technology to the receiving server, users can filter out mail purporting to be from "yahoo.co.jp" or from other providers that utilize DomainKeys or SPF technology. SPF technology is widely used by the major Internet providers and mobile phone carriers in Japan.

Note 4: OpenID

OpenID is a shared-identity authorization system that allows Internet users to log in to multiple sites using a single ID, eliminating the need for a different user name and password for each site. The OpenID specifications have been publicly released by the OpenID Foundation (http://openid.net/). Anyone is free to issue an OpenID or develop and provide services that support the system. Yahoo! JAPAN is compliant with OpenID 2.0, the most recent version.

Yahoo! JAPAN users can access a variety of services on OpenID-enabled Web sites simply by using their Yahoo! JAPAN ID. There's no need to create a new account, with separate ID and password, each time a new site is visited. In addition, users can continue to take advantage of Yahoo! JAPAN's existing security functions, such as log-in seals and log-in histories.

Simply by supporting OpenID on their Web sites, developers are freed of the obligation to have their own authentication systems and can offer their services to Yahoo! JAPAN users without requiring them to create a new account.

b. 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, as outlined 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 offered by the Group.

The Group has projected certain risks of fraudulent use, including card copying and theft, of its 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. Furthermore,

in order to guard against such fraudulent action, it may be necessary to implement expensive security measures, such as biometric validation systems, which 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 alliance partners and of stores registered on Yahoo! Shopping and Yahoo! Auctions sites have a significant influence on the Group's efforts.

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

For Yahoo! Trading (financial instruments intermediary services), personal information necessary for opening accounts and accumulated information about transactions will be obtained and held by our financial instruments firm partners. A portion of this information will be transferred to the Group in a way that complies with the Personal Information Protection Act. The Group has been extremely careful about the transfer and management of this information. If personal information is leaked from the Group or affiliated financial instruments firm partners, the Group could be liable for damage compensation.

The anonymous delivery service offered by Yahoo! Auctions involves the anonymous processing of item deliveries by the transport company commissioned to handle this service. However, if the commissioned transport company should fail to handle the anonymous service properly and the names of the sender and receiver of an item be divulged, the Group could face a legal suit for compensation or suffer damage to its brand image, which could adversely affect its business performance.

Previously, it was possible for stores on the Yahoo! Shopping and Yahoo! Auctions sites that had independent contracts with a credit card company to access customers' credit card information related to credit card settlements on those sites. However, we now intend to prevent personal information leaks by these stores. This is being achieved by eliminating the necessity for stores to handle credit card numbers by offering services that omit the cumbersome process of stores independently validating cards with credit card companies, strengthening the log-in procedure for using store management tools, restricting downloading of order information including customer information, and broadening information security awareness. Nevertheless, it is possible that information leaks may occur despite the implementation of these measures, resulting in a loss of Group credibility, regardless of whether or not the Group was responsible.

3) Communications Privacy

The Group acts as a telecommunications provider in offering e-mail, instant messaging, and other services to users. Because of these services, the Group handles information related to communications privacy, such as the content of communications and the storage of communications, in addition to personal information, discussed above. In handling this type of information, the Group takes appropriate measures to meet the requirements of the Telecommunications Business Law using the aforementioned information security system.

Despite these measures, the Group cannot rule out the possibility that this information will be leaked outside the Group, either deliberately or through negligence, or used for malicious purposes by Group personnel, by companies with which business alliances have been concluded, or by companies to which the Group outsources work, or as a result of defective software, computer viruses, or physical intrusion into the Group's communications facilities. In such cases, the Group's brand image could be tarnished and the Group drawn into legal disputes, with a resultant negative impact on business performance.

4) Behavioral History Information

Behavioral targeting advertising, which targets users according to Internet-usage histories, is designed to distribute advertisements for products or services only to users whose Internet-usage histories indicate a preference for or interest in the advertised products or services. With this product, advertisers achieve enhanced advertising distribution efficiency, Internet sites realize more efficient site monetization, and users receive banner ads that are relevant and of personal interest. Recently, highly detailed targeting has become possible by including users' click histories, visits to major advertisers' sites, grouping (age and gender), and area information in addition to behavioral histories.

With regard to the collection and use of behavioral history information, the Group is very careful to respect the privacy of individual users. Behavioral history information used for behavioral targeting advertising includes the Yahoo! JAPAN services viewed by users, or, more specifically, users' browsers, in addition to keywords employed when using Yahoo! Search. This information is used only for the purpose of grouping users, or users' browsers, on the basis of similar preferences and interests. No analysis is made of the preferences and

interests of individual users. Moreover, the Group does not regularly collect behavioral history information from any of its business partner sites. Should the Group want to collect such information from a business partner site, in consideration of the privacy of the partner site's users a Web Beacon is posted on the site announcing the collection and use of the behavioral history information of users of the site. Site users who do not want their behavioral history information to be used can prevent its usage by changing a setting on the Yahoo! JAPAN site.

Although the Group believes it is taking adequate precautions to respect users' privacy, it is possible that some users who object to the use of their behavioral history information could cause damage to the Group's brand image. Moreover, if for the same reason, sales of behavioral targeting advertising become impossible, this could have a detrimental impact on the Group's business results.

5) Network Security

Although the Group has established appropriate security systems to ensure the integrity of its external and internal computer networks, possible damage from computer viruses or hackers cannot be completely ruled out. The Group does not hold sufficient insurance to compensate for potential losses arising from such damage. Recently, there have been several incidents of specific Web sites or networks being targeted by huge volumes of data sent simultaneously from multiple terminals over brief periods of time with the intention of paralyzing the targeted Web site or network. Although the Group has implemented effective security programs and strengthened its monitoring systems in preparation for such an attack, there is no guarantee that such an attack can be averted. Such obstructive actions could seriously damage the Group's business, operating results, and financial condition.

4. International Conflicts, Terrorist Attacks, and Natural Disasters

In the event of outbreaks of international conflicts, terrorist attacks, or large-scale natural disasters such as earthquakes and tidal waves, the Group expects that its businesses would also be substantially affected.

Specifically, under the impact of such an event the Group's revenues could decline or the Group could incur extraordinary costs. This might occur because of a temporary limitation in the operation of the Group's site, causing a disruption in planned advertising business. Or, for their own reasons advertising agencies might stop, reduce, or postpone advertising. Furthermore, the access infrastructure for Yahoo! BB might be interrupted or some other circumstances arise whereby users would no longer be able to use the Group's paid 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 businesses, such as Yahoo! Inc. and SOFTBANK CORP. and their related companies 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. The Group's network infrastructure is concentrated in Tokyo, which is susceptible to earthquakes and other natural disasters. To cope with accidents and surges in Internet access, the Group intends to continue improving the infrastructure by duplicating and dispersing its systems and data centers.

The Group has taken steps to ensure that it can respond quickly and appropriately groupwide in the event that such incidents occur. However, an incident might occur for unforeseen reasons, making it difficult to carry on normal operations or to 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

Our parent company, SOFTBANK CORP., has a variety of companies operating under its umbrella that are active in a range of fields and areas. The Group plays a central role in the Internet Culture segment and is also involved in the Broadband Infrastructure segment through its collaboration with SOFTBANK BB Corp. in providing the comprehensive broadband service Yahoo! BB. In the Other segment, Yahoo Japan Corporation and SOFTBANK CORP. have jointly established TV Bank Corporation, which provides the streaming content service Yahoo! Streaming.

b. Business Alliance Contract and Incentive Agreement with SOFTBANK BB Corp.

The Company has signed the following business alliance contract and incentive agreement concerning Yahoo! BB with SOFTBANK BB Corp. (SBB), which is a subsidiary of SOFTBANK CORP.:

Contract name: Business alliance contract
Contract date: March 31, 2007 (original contract signed on June 20, 2001)
Contract term: June 20, 2001 ~ (indefinite term)
Contracted party: SOFTBANK BB Corp.

1) The Company and SBB will jointly provide Internet access services using FTTH and DSL technology.
2) The Company's main roles
   * Promoting Yahoo! BB services
   * Recruiting subscribers for Yahoo! BB services
   * Operating the Yahoo! BB portal site
   * Providing mail and Web site services
   * Providing a fee-collection platform
3) SBB's main roles
   * Providing ADSL and FTTH services between subscribers and phone offices, installing network infrastructure between phone-office buildings, and providing connections to Internet networks
   * Handling subscriber inquiries and providing technical support
   * From the ISP charge, the Company takes the following in exchange for services rendered:
   — Subscribers acquired by March 31, 2005: ¥100 per line per month
   — Subscribers acquired during the period from April 1, 2005, until March 31, 2007: ¥200 per line per month until the 36th month from the month of application. From the 37th month, ¥100 per line per month.
   — Subscribers acquired after April 1, 2007: ¥100 per line per month

Contract name: Incentive agreement
Contract date: October 7, 2005
Contract term: One year, beginning October 1, 2004 (automatically renewed each year)
Contracted party: SOFTBANK BB Corp. • Customer acquisition incentive fees Yahoo! BB basic service: Approx. ¥15,000 per subscription Yahoo! BB + wireless LAN package: Approx. ¥20,000 per subscription • Long-term customer incentive fees Yahoo! BB basic service: Approx. ¥200 per month per continuing subscriber Yahoo! BB + wireless LAN package: Approx. ¥250 per month per continuing subscriber

* The original counterparties to the above business alliance contract and incentive agreement were SBB and BB TECHNOLOGY Corp. (BBT). A merger was carried out on March 31, 2007, in which SBB was absorbed by BBT, which then changed its name to that of the absorbed entity, SOFTBANK BB Corp. (SBB).
* SBB and the Company revised the above business alliance contract on March 31, 2007, to reflect a change in the value of the role taken by each company. Accordingly, the original cost-sharing provision with regard to Yahoo! BB subscriber acquisition that previously obligated the Company to pay ¥2,400 per line to SBB was cancelled.

c. Dependence on SOFTBANK BB Corp.

The portion of Yahoo! BB business handled by SBB could indirectly but significantly influence Group performance. If SBB 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. Failure to build infrastructure and problems with service quality could cause subscribers to cancel services quickly, thereby negatively impacting Group earnings.

d. Joint Venture for Streaming Content

As mentioned above, the Company has established and commenced operations of TV Bank Corporation (TV Bank) jointly with SOFTBANK CORP. to strengthen its streaming content business. The two partners have concentrated the necessary human resources and know-how into TV Bank and are proceeding with the procurement of streaming content, the development and operation of systems for transmitting or searching streaming content, and the creation and operation of streaming services. With the cooperation of content providers and advertising agencies, the Company intends to develop Yahoo! Streaming and other streaming content services into a core business in the years ahead.

Should TV Bank be unable to procure content as expected or the cost of content be greater than expected, or should the set-up of streaming content delivery and other systems take more time than anticipated, the Group's performance could be negatively impacted.

e. Investment in Mobile Phone Business

On April 27, 2006, SOFTBANK CORP. acquired Vodafone K.K. (now SOFTBANK MOBILE Corp.) through BB Mobile Corp., a subsidiary of SOFTBANK CORP. subsidiary Mobiletech Corp. Also on April 27, 2006, the Company made a ¥120 billion investment in BB Mobile Corp. comprising preferred shares with share acquisition rights. The investment was made with a full understanding of the risks involved based on adequate pre-investment investigations and due internal process.

The Group has expanded its mobile Internet services provided to SOFTBANK MOBILE in its capacity as the provider of the portal site for SOFTBANK subscribers, while also providing its services to carriers other than SOFTBANK MOBILE. The Group is providing SOFTBANK subscribers with an environment that facilitates the use of a variety of Internet services via mobile phone. In the future, the Group aims to achieve integrated mobile Internet services fully accessible by subscribers of all mobile carriers.

Should SOFTBANK MOBILE fail to achieve the level of profits originally projected, or, in the worst case, should the Company be unable to recover its investment in the business, the Group's business performance and financial condition could be negatively impacted.

f. Possibility of Competition within the SOFTBANK Group

As stated above, the Group is working with SOFTBANK CORP. in strategically developing the Yahoo! BB, streaming content, mobile phone,

and other businesses. If SOFTBANK should invest in or tie up with a company offering services similar to those offered by the Group, competition within the SOFTBANK Group could arise in the future. Although the Group intends to proactively deal with such an eventuality by collaborating, any resultant competition within the SOFTBANK Group could affect the performance of the Group in some manner.

g. Joint Directorships

As of March 31, 2008, two of the five directors of the Company also held directorships on the board of the parent company, SOFTBANK CORP., as follows:

* Yahoo Japan Corporation president and CEO Masahiro Inoue (SOFTBANK part-time director)
* Yahoo Japan Corporation chairman Masayoshi Son (SOFTBANK president and CEO)

Yahoo Japan Corporation president and CEO Masahiro Inoue has been a part-time director of SOFTBANK 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.

Yahoo Japan Corporation 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.

h. Joint Auditors

Mitsuo Sano, who became a corporate auditor of Yahoo Japan Corporation in December 1996, is also a standing corporate auditor of SOFTBANK CORP. Mr. Sano was brought on board by the Company to strengthen its corporate auditing function.

2) Business Relationship with the Yahoo! Inc. Group

a. License Agreement with Yahoo! Inc.

The Group's operations are based on a license agreement with Yahoo! Inc., one of the founding partners of the Company. 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 through a license obtained for the use of the trademark. As such, the agreement with Yahoo! Inc. is critical to the Group's core operations.

Contract 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, below) 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)} x 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 in force. 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 will acquire domain names that the Group might find necessary to its business or will 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. Other Joint Directorships

Yahoo Japan Corporation 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 above. For these reasons, it has been necessary to have him on the board to support the Company's startup and expansion.

3) SOFTBANK CORP. and Yahoo! Inc. Shareholder Agreement

SOFTBANK CORP. and Yahoo! Inc. concluded a shareholder agreement at the time of the Company's establishment, the main points of which are as follows:

* The election of directors and corporate auditors shall be done according to law and the Company's articles of incorporation. However, as long as both SOFTBANK and Yahoo! Inc. maintain shareholdings equaling 5% or more of the Company's stock, SOFTBANK and Yahoo! Inc. shall each nominate its own representative to be a director. In addition, the number of directors shall be five, which number cannot be changed without first obtaining the approval of both SOFTBANK and Yahoo! Inc.
* The Company shall conduct its business according to law and its articles of incorporation. However, should the Company wish to undertake a merger that would reduce the combined shareholdings of SOFTBANK and Yahoo! Inc. to less than 50%, or to sell major assets, it must first obtain the approval of Yahoo! Inc.
* The Company shall increase its capital, raise funds, and take other financial actions according to law and its articles of incorporation. SOFTBANK will not approve any resolution by the Company to issue new share subscription rights without Yahoo! Inc.'s consent. (except in the case of stock options for employees). Moreover, SOFTBANK and the Company will determine the range allowed for granting stock options to employees before this agreement becomes valid.
* The right of SOFTBANK and Yahoo! Inc. as shareholders to inspect the Company's books shall be in accordance with law and the Company's articles of incorporation.
* Other points of agreement
  - — Neither SOFTBANK nor Yahoo! Inc. will agree to any change to the Company's articles of incorporation that would be detrimental to the other party.
  - — When one party decides to sell shares of Yahoo Japan Corporation, it will inform the other party at least 20 days in advance of the intended selling date.
  - — When one party decides to purchase additional shares of Yahoo Japan Corporation on the market, it will first obtain the consent of the other party.
  - — When one party decides to sell shares of Yahoo Japan Corporation on the market, it must offer the shares to the other party first. Should the other party not wish to buy the shares, they will be sold to a third party. In that case, the other party will also participate as a seller in the transaction with the same third party also buying its shares, and may sell shares held in Yahoo Japan Corporation to the third party as well in accordance with the proportion of shares held by SOFTBANK and Yahoo! Inc.

The Company is not the central party in this shareholder agreement. The Company, by principle, carries out its business in accordance with the law and its articles of incorporation, and, moreover, the agreement does not significantly fetter the Company's operations or its pursuit of business. From this point of view, the Company believes that the agreement does not represent an invasion of the rights of other shareholders.

4) Relationships with Associated Business Partners of SOFTBANK and Yahoo! Inc.

With SOFTBANK CORP. as the parent company and Yahoo! Inc. as the owner of the Yahoo! brand name, it is to be expected that the Company has good business relationships with various associated business partners of SOFTBANK CORP. and Yahoo! Inc. Moving forward, the Company intends to maintain these relationships. It is possible, however, that the Group's services or business contracts could be affected, or relationships with associated business partners transformed, as a result either of changes in the business strategies of certain companies or of changes in important stakeholders, most notably the parent company and other major investors in the Company. Such changes could adversely affect the Group's businesses in various ways.

6. Dependence on Specific Customers and Third Parties

1) Dependence on Specific Customers

In each of its businesses, the Group has a degree of dependence either on sales to specific customers or on sales by specific agencies other

than the involved parties described above.

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

If there were a change in the Group's business relationships with or sales to or by these customers or agents, or deterioration in their business conditions, or a problem with their systems or other facilities, the viability of the Group's services and its performance could be negatively impacted.

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 for some other reason 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. These third parties are selected using standards based on suitable technical and operating capabilities judged by past performance. In addition, the relevant sections of the Group maintain close contact with the third parties to ensure that problems affecting their services do not arise. Nevertheless, it is possible that a system development delay could occur owing to a situation at a commissioned third party that the Group cannot manage, that some condition could arise where obstructed operation or some other event caused the stoppage of a third-party system to which the Group's service is linked. Such events could lead to a loss of sales opportunities and reduce the competitiveness of the Group system, negatively impacting the Group's performance or in the worst case resulting in the termination of the service. In addition, in some cases a third party has contact with the Group's customers in its item delivery-related services or services provided through convenience stores. If the third party mishandles these services, it could result in the deterioration of the Group's brand image.

The Group not only relies on the aforementioned Internet providers but also many of its services rely on third parties that the Group has consigned operations to or receives information or support from. It is possible that the operations of the Group could be hindered because of worsening business conditions for these third parties, resulting in a negative impact on performance.

3) Dependence on Third-party Plug-in Software for Display of Advertising

In providing its services, the Group relies on software extensions (plug ins) developed and distributed for free by third parties to enable a rich level of expression in advertising or video clips. Generally, such software extensions are already installed on computers and functional, or users are automatically prompted to install them. However, it is possible that users could erase such software extensions or change their settings so that the software extensions cannot be used or the developing company could begin to charge for the software extension or render it unusable. In such cases, the quality of expression could decline or functions could be limited. Moreover, depending on the service, it might become impossible to even offer the service.

In recent years, software extensions that block the display of advertising have emerged. It is possible that the use of this type of software extension could limit the display of screen advertising as well as advertising linked to search results or other operations.

Any of these situations could be extremely detrimental to the Group's advertising business and services.

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. The Group's 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 sustaining 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 developing new technology to improve its services. 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 might also bear an increasing financial burden owing to original development in Japan, including a rising level of expenditures for localizing work and preparation for the possibility that

technological innovation in Japan will at some point surpass that in the United States, with new technologies being 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 a competitive advantage, the Group intends to develop new strategies and businesses for providing content and services that meet customer needs. To support that process, the Group established a new research institution, Yahoo! JAPAN Research, on April 1, 2007. The Group is projecting substantial R&D expenses related to future business development. Actual R&D expenditures could rise beyond those projections and, depending on the time period required for development, the Group's competitiveness could actually diminish despite its 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 these reasons, the Group intends to improve operating efficiency not only by hiring specialists and technically skilled staff but also by undertaking business cooperation with other companies with proven records in the business. In order to respond quickly to changing market needs, the Group is also focusing on organizational enhancement for service planning and for system development. Even so, the Group might fail to achieve targeted sales and profit for reasons such as systems taking much longer to build or development costs rising much higher than anticipated. Focusing investment on the development of these services might 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 via mobile phones and other Internet-enabled terminals, which could result in larger expenditures for service development, thereby compressing Group profits.

8. Group Business Operations

1) Services Provided by Overture K.K.

a. Service Agreement with Overture K.K.

Contracting company	Yahoo Japan Corporation (the Company); OVERTURE K.K. (OVKK) (Consolidated subsidiary)
Contract counterparties	OVERTURE SEARCH SERVICES (IRELAND) LIMITED (OSSIL); Yahoo! Inc. (Yahoo)
Contract date	August 31, 2007
Contract term	From August 31, 2007, to August 30, 2017 (10 years)
Main details	ADVERTISER AND PUBLISHER SERVICES AGREEMENT 1. Basic roles of each party OSSIL will dedicate robust efforts to develop and enhance the contracted services and advance the competitiveness of the services. OVKK will dedicate robust marketing efforts to advance customer adoption of the contracted services to enhance the OVKK revenue generated under this agreement. OSSIL and OVKK, via a joint steering committee, will agree to roadmap of improvements and developments to carry out customization of contracted services for the Japanese market to optimize services for the market. 2. Exclusive provision of contracted services In Japan, OVKK, the Company, or subsidiaries for which the Company holds more than 50% of the voting rights will be the exclusive offeree of the contracted services. (The services include advertising platform related to paid search and content-linked advertising as of the contract date, and additional search- and advertising-related services adopted as contracted services through the procedure given in the original contract.) 3. Service fee payments to OSSIL by OVKK OVKK shall pay to OSSIL a service fee calculated as a rate prearranged for each year on OVKK revenues (gross revenues earned by OVKK or companies for which it owns 20% or more of the voting rights) associated with the use of the contracted services or OSSIL's technologies or systems. 4. OVKK's exclusive rights in Japan OVKK has the exclusive rights in Japan for provision of the search- and advertising-related services of OSSIL, the Company, or its subsidiaries. 5. Exclusivist obligation regarding contracted services OVKK, the Company, or subsidiaries for which the Company holds more than 50% of the voting rights are obligated not to provide versions of or similar services to the contracted services. If the performance issues arise based on the material breach for the service level stipulated in the arrangement, which may cause serious negative impact to the business of OVKK, the joint steering committee will find a solution for the issue. Paid search and content-linked advertising services that the Company possesses as of the contract date will not be subject to this contract.

b. Paid Listing Advertising Services

Based on the business tie-up with Overture K.K. (see Note, below), the Group's paid listing advertising sales have firmly expanded and become a larger proportion of overall advertising sales. The advertising delivery platform for paid listing advertising is developed, operated, and maintained by Yahoo! Inc. and its subsidiary OSSIL. Overture K.K. handles the marketing and sales in Japan of advertising products (paid search and content-linked advertising) that use the platform. Accordingly, should the Company's business relationship with Yahoo! Inc. change or some type of obstruction to the smooth operation of Yahoo! Inc. arise, 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 paid listing advertising has become a problem. Some fraudsters, taking advantage of the fact that the cost of paid search advertising is based on the number of clicks, have dishonestly increased the number of clicks and thereby excessively charged advertisers. In the United States, some advertisers victimized by this type of fraud have brought class-action lawsuits against companies offering this type of advertising product. The Group cannot rule out the possibility that such legal action will be taken against the Group and Overture, thereby damaging the Group's brand image and negatively impacting its performance.

Note: The aforementioned agreement was concluded on August 31, 2007, and Overture K.K. was made a consolidated subsidiary of the Company effective September 1, 2007.

c. Partnership in Paid Listing Advertising

Overture K.K. provides its paid listing advertising services not only to the Group but also to other domestic portal sites and other partners with which it has business agreements. Overture holds the largest share of the paid listing advertising market in Japan. The Group intends to continue to expand the number of Overture's partners and to create new services. However, should its business agreements with such partners be terminated, it could have a major impact on the profitability of the Group.

2) Maintenance and Control of Service Quality

a. Acquisition of Quality Information and Content

The Group offers and plans to continue offering Internet users quality, appealing information, such as up-to-the-minute news, weather, and stock quotes, as well as broadband content such as films and music. However, should the Group not be able to acquire information and content as expected or the costs of acquiring the information and content be higher than anticipated, use of the Group's services by Internet users might decline, possibly resulting in a failure of the Group to achieve its projected earnings.

b. Advertising Guarantee

As mentioned above, advertising contract periods and page views are guaranteed for many of our products, with advertising fees based on those two parameters. Failure to obtain the number of required page views due to problems with the Internet connection environment or to similar problems could force the Group to extend advertising contract periods or to devise some other type of compensation, which could negatively impact Group advertising revenues.

Moreover, the Group might fail to provide services that meet the needs of advertisers, which could result in lost sales opportunities as well as reduced demand from advertisers, which would negatively impact Group advertising revenues.

c. Continual Improvement of Services

The pace of change in technology and services is very dynamic in the Internet market, resulting in a constant stream of new services. In such an environment, the Group believes that continually improving the user experience is central to maintaining its competitive advantages. To this end, the Group focuses on (1) improving the visibility and design layout of the display screen with an eye to enhancing operational convenience; (2) tightening the correspondence between the results of search and other information distribution systems and actual user requirements; and (3) accelerating display speeds of the results of search and other information distribution systems.

To maintain and increase its competitive advantages, the Group must continue to invest in such service improvements. Should these capital investments not be appropriately made, the Group could experience a decline in its competitiveness or in its brand image. Moreover, the level of investments required for achieving service improvements could rise. Either of these eventualities could adversely affect the business performance of the Group. Moreover, although the Group conducts adequate surveys and tests to determine the likely effects of planned improvements to or renewal of services, the actual effects could result in a reduction of the number of users or page views, which would have a negative impact on the Group's business performance.

d. Equipment Investment for Quality Service

To support expected business expansion and continue providing quality services to fulfill customer needs, the Group maintains a capital-investment program of comparatively large scale considering its current operations. To keep up with 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 the other to adequately cope with higher peaks in access volume and larger volumes of data transmission and reception over short time 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 ensure that unnecessary cash outflows do not occur by closely considering costs and benefits and by 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.

e. Diversification into New Businesses

The Group plans to further diversify into new businesses to strengthen its operating base and provide a growing range of quality services. To this end, the Group might be obligated to incur additional expenses to employ new staff, expand and upgrade facilities, and conduct research and development.

Moreover, new businesses are unlikely to begin contributing stable revenues immediately. Consequently, the Group's profitability could decline temporarily.

In addition, new businesses might not develop in line with Group expectations. The Group might be unable to recover investment expenses, which could significantly affect its performance.

f. Group Intellectual Property Rights, Including Copyrights and Patents

The Group believes that its intellectual property rights are central to its ability to maintain certain competitive advantages in the market and that it is therefore essential to produce, acquire, and protect copyrights, patents, trademarks, designs, and domain names.

Most of the content accompanying the Group's services offered to users is subject to copyrights and other legal rights. Users are allowed to utilize that content within the scope of the user contract to which they have agreed.

Although rights pertaining to the content provided in Group services to users are legally protected, it is possible that certain content will be used in a manner other than that sanctioned in the user contract, which could damage the Group's brand image. In addition, increasing costs of minimizing the likelihood of such an eventuality could negatively affect the Group's business performance. At the same time, expenditures required to enable the Group to utilize those rights as competitive advantages could arise, making it difficult for the Group to gain sufficient benefit from the rights in view of the excessive expenditure entailed.

3) Internal Control System

a. Operations and Management

The Group has implemented stricter controls and operational standards for behavior to prevent or reduce the recurrence of problems related to improper employee conduct or human operational error. In April 2006, the Company established the Internal Control Office as an independent organization under the direct supervision of the President. The Internal Control Office will work to ensure effective and efficient business activities, accurate financial reporting, and full legal compliance, as well as maintain appropriate corporate governance. Despite these efforts, problems related to business management and control issues could occur in the future.

b. Human Resource Management as Business Expands

In addition to personnel and organizational enhancements geared toward higher advertising sales and strengthened technological development, the Group must increase staff in response to business diversification to support the large number of new Web sites 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 of and stores registered on the Yahoo! Shopping and Yahoo! Auctions sites, and affect operational efficiency.

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

c. Continued Support from Senior Management

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 technical expertise concerning the Group and its business. Consequently, if key personnel were to leave and the Group fail to replace them, this 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, these stock-option plans might not motivate plan participants but rather could reduce their motivation and cause them to leave the Group.

d. Doing Business with a Large Pool of Unspecified Customers

Along with the expansion of the Group's operations and the ramping-up of its e-commerce business, mainly through subsidiaries and affiliates, the proportion of Group revenues stemming directly from a large pool of unspecified individual customers is steadily increasing. The Group has formed a special team responsible for strengthening management of this pool of customers and for taking such steps as introducing a new system to improve business efficiency. Despite these measures, the Group might be exposed to new risks related to the settlement and collection of receivables due to increases in the amount of small sales receivables and uncollected receivables, credit card settlement problems, and the costs of receivables collection.

The nature and quantity of customer inquiries might broaden. Previously, most inquiries were related to service usage, but they might shift to inquiries about payment, the return or exchange of services and goods, and matters related to commissioned third parties, such as distribution or settlement. In order to properly respond to customer inquiries, the Group is in the process of increasing staff, strengthening and expanding its management organization, and improving efficiency by standardizing and computerizing businesses. The costs of these measures and improvements could negatively affect the Group's profits. In addition, these measures do not eliminate the possibility that customers will not be sufficiently satisfied despite these measures. Such a result could damage the Group's brand image and negatively impact Group performance.

e. Collection of Sales Credit Claims

In sales of advertising and other products, the Group follows a set of internal rules in carefully examining the credit standing of clients. It also exercises sufficient precautions so that the collection of receivables will not be delayed, such as making sales through advertising agencies or using credit card settlements. Nevertheless, economic fluctuations and deterioration of customer business could increase delays in collections and the occurrence 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. Even so, the Group might be unable to collect payments from cardholders owing to declines in cardholder creditworthiness.

4) Consolidated Group Operations

The Group has subsidiaries and affiliates of all sizes with varying degrees of in-house management. It is the Group's policy to acquire necessary additional staff and to strengthen its organization as businesses expand. If these measures are not implemented in a timely manner, however, the Group's performance could be negatively affected.

Tie-ups with the Company's services or network as well as personnel support are essential to the operations of all of the services of the Company's subsidiaries and affiliates. The relevant sections of the Company work closely with each subsidiary and affiliate to provide necessary support. However, it might become difficult to adequately provide such cooperative support owing to operational expansion of the businesses of the Company and of its subsidiaries and affiliates, which could negatively impact the Group's performance.

Several subsidiaries and affiliates have established and are operating joint ventures with third parties. These joint ventures depend substantially on the other partners, especially in the areas of sales, supplies, distribution, and systems. Currently, relationships with joint-venture partners are excellent and the cooperative relationships with these partners contribute strongly to the performance of these Group companies. However, if for some reason a situation occurred that created an obstruction to the business cooperation or the tie-up between the partners, the performance of each company could be damaged and, depending on the company, the continuation of operations could become impossible.

9. Funds Procurement and Changes in Interest Rates

1) Investment in Mobile Phone Business

As stated above, in tandem with SOFTBANK CORP.'s acquisition of Vodafone K.K. (now SOFTBANK MOBILE Corp.) the Company made a ¥120 billion investment in BB Mobile Corp. comprising preferred shares with share acquisition rights. To raise funds for this investment, the Company borrowed ¥80 billion in the form of a syndicated loan arranged by Mizuho Corporate Bank, Ltd.

During the process of raising these funds, the Company fully considered the appropriateness of the size of the loan and its ability to repay it using cash flow, as well as other loan conditions. Nevertheless, interest rates might rise, causing an increase in the repayment amount, which could adversely influence the Company's performance.

2) 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 buyer of an item listed on Yahoo! Auctions Netrust acts as the intermediate in the settlement of the transaction.

Because Netrust reimburses the seller of an item one to three business days after the buyer has made settlement by credit card or Internet banking, 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 amount 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, the Group might not be able to raise the required funds at a reasonable cost. Moreover, the amount of the reimbursement funds could increase to a level where, if interest rates rose higher, interest payments to banks or other financial institutions could have a significant negative impact on the Group's business and performance.

3) 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 merchants honoring the card. Because payments will be collected from cardholders once a month while reimbursements to merchants will be made about three times a month, it will be necessary to finance those reimbursements. Although the Group is considering diversifying its funding sources as the business expands, obtaining the necessary funding for reimbursements to merchants at a suitable cost could prove to be impossible.

10. Loans and Investments

The Group makes investments as a result of business ties or with an eye to forming business ties in the future. The Group cannot guarantee that these investments are recoverable.

Furthermore, although some companies in which the Group has invested have already publicly listed and produced an unrealized gain, this unrealized gain could decline or turn to an unrealized loss in the future.

The Group takes the utmost care to ensure that the performances of the companies in which it invests are reflected appropriately in its own performance by operating in line with in-house rules in accordance with general accounting standards and by applying asset-impairment accounting. Nevertheless, depending on the direction of the performance of the companies in which the Group has invested, they could have an increasingly adverse effect on the Group's profit or loss in the future.

To maximize business synergies or to expand the Group's business, the Company expects to further invest or loan funds for capital participation in third-party companies, fund joint ventures, engage in new investments by establishing companies, etc., or provide new loans to adequately provide for the capital needs of subsidiaries and affiliates. These investments or loans will be made based on a careful investigation of the risks of said investments or loans based on thorough analysis and compliance with in-house procedures. However, if these new investments or loans do not achieve the originally projected level of profit or, in the worst case, become irrecoverable, they could adversely affect the Group's future financial condition.

Investor Information

(As of March 31, 2008)

Share-Related Information

Fiscal year-end	March 31
General meeting of shareholders	June
Annual dividend	March 31
Interim dividend	September 30
Share listings	The First Section of the Tokyo Stock Exchange (listed on October 28, 2003) Jasdaq Securities Exchange (listed on February 28, 2007)
IPO date	November 4, 1997 (JASDAQ)
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation

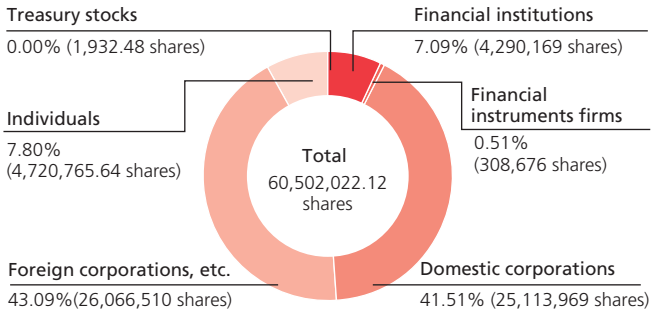
Major Shareholders

Name	Share holdings	Percent of total shares issued
SOFTBANK CORP.	24,296,204 shares	40.16%
Yahoo! Inc.	20,215,408 shares	33.41%
Japan Trustee Services Bank, Ltd.	1,323,074 shares	2.19%
The Master Trust Bank of Japan, Ltd.	1,261,025 shares	2.08%
The Bank of New York GCM Client Account JPRD AC ISG (FE-AC)	778,082 shares	1.29%
Chase Manhattan Bank GTS Clients Account Escrow	702,648 shares	1.16%

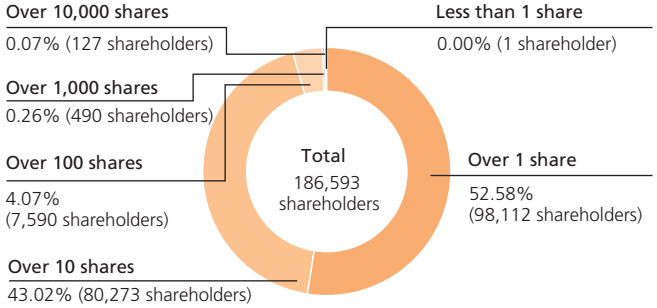
Historical Number of Shares Outstanding

Date	Action	Number of shares outstanding
1996/1/31	Establishment of the Company	4,000.00
1997/9/6	Rights offering: 1,800 shares	5,800.00
1997/11/4	Public offering: 975 shares	6,775.00
1999/3/6	Public offering at market price: 125 shares	6,900.00
1999/5/20	2-for-1 stock split	13,822.00
1999/11/19	2-for-1 stock split	27,826.00
2000/3/1	New stock issuance at merger: 1,100.15 shares	28,954.15
2000/5/19	2-for-1 stock split	57,940.30
2000/9/1	New stock issuance at merger: 110 shares	58,167.50
2000/11/20	2-for-1 stock split	116,917.00
2002/5/20	2-for-1 stock split	235,063.60
2002/11/20	2-for-1 stock split	471,059.04
2003/5/20	2-for-1 stock split	942,118.08
2003/11/20	2-for-1 stock split	1,884,923.16
2004/5/20	2-for-1 stock split	3,772,188.32
2004/11/19	2-for-1 stock split	7,546,426.64
2005/5/20	2-for-1 stock split	15,100,808.28
2005/11/18	2-for-1 stock split	30,209,708.56
2006/4/1	2-for-1 stock split	60,452,137.12
2008/3/31		60,502,022.12

Breakdown of Shares, by Shareholder Type



Breakdown of Shareholders, by Number of Shares Held



Corporate Information

Corporate Data
(As of March 31, 2008)

Company name	Yahoo Japan Corporation
Founded	January 31, 1996
Common stock	¥7,366 million
Businesses	Internet advertising business E-commerce business Members services business Other businesses
Number of employees	2,686 (Average age: 32.5) (As of March 31, 2008)
Headquarters	Roppongi Hills Mori Tower, 10-1, Roppongi 6-chome, Minato-ku, Tokyo, 106-6182, Japan
Home page	http://www.yahoo.co.jp/
English-language IR page	http://ir.yahoo.co.jp/en/

Directors and Corporate Auditors
(As of June 24, 2008)

Masahiro Inoue

President and CEO

Masayoshi Son

Chairman of the Board of Directors

Jerry Yang

Director

Akira Kajikawa

Director

Hiroaki Kitano

Director

Sumio Sue

Standing Corporate Auditor

Shingo Yoshii

Standing Corporate Auditor

Mitsuo Sano

Corporate Auditor

Shiho Konno

Corporate Auditor

Main Consolidated Subsidiaries

(As of March 31, 2008)

ALPS MAPPING K.K.
Business: Producing various types and kinds of maps, providing map data and regional information
Founded: Aug. 2000
Common Stock: ¥410 million
Yahoo! JAPAN's Ownership: 100.0%
URL: http://www.alpsmap.co.jp/
*The Company absorbed ALPS MAPPING K.K. through a merger, effective April 1, 2008.

Brainer.jp.
Business: Online advertising services
Founded: Sept. 2005
Common Stock: ¥85 million
Yahoo! JAPAN's Ownership: 41.7%
URL: http://brainer.jp/
*The Company absorbed Brainer.jp. through a merger, effective April 1, 2008.

Firstserver, Inc.
Business: Information processing business of rental server; registration of domain and other Internet services
Founded: Oct. 1996
Common Stock: ¥363 million
Yahoo! JAPAN's Ownership: 65.0%
URL: http://www.fsv.jp/

Indival, Inc.
Business: Web-based recruiting services; development and operation of support services for job and personnel searches; recruiting activities
Founded: Feb. 2004
Common Stock: ¥200 million
Yahoo! JAPAN's Ownership: 60.0%
URL: http://shotworks.yahoo.co.jp/

Netrust, Ltd.
Business: Online settlement services
Founded: Sept. 2000
Common Stock: ¥243 million
Yahoo! JAPAN's Ownership: 60.0%
URL: http://www.netrust.ne.jp/

NewsWatch, Inc.
Business: Information provision services based on language processing technology
Founded: Apr. 1996
Common Stock: ¥428 million
Yahoo! JAPAN's Ownership: 69.0%
URL: http://www.newswatch.co.jp/
http://www.fresheye.com/

Overture K.K.
Business: Communications services
Founded: Jan. 2002
Common Stock: ¥10 million
Yahoo! JAPAN's Ownership: 100.0%
URL: http://www.overture.co.jp/

Tricle Inc.
Business: Planning and development of mobile services
Founded: Jul. 2005
Common Stock: ¥130 million
Yahoo! JAPAN's Ownership: 60.0%

Yahoo Japan Value Insight Corporation
Business: Online marketing research services
Founded: Jul. 1996
Common Stock: ¥700 million
Yahoo! JAPAN's Ownership: 76.6%
URL: http://www.yahoo-vi.co.jp/

Y's Agencies Inc.
Business: Planning and sales of ad products
Founded: Aug. 2001
Common Stock: ¥10 million
Yahoo! JAPAN's Ownership: 100.0%

Y's Insurance Inc.
Business: Life/Non-life insurance agency business
Founded: Nov. 2003
Common Stock: ¥30 million
Yahoo! JAPAN's Ownership: 60.0%

Y's Sports Inc.
Business: Collecting sports information and producing articles and content
Founded: Dec. 1996
Common Stock: ¥100 million
Yahoo! JAPAN's Ownership: 100.0%
URL: http://sportsnavi.yahoo.co.jp/

http://www.yahoo.co.jp/

Yahoo Japan Corporation

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