

Results for the Three Months Ended June 30, 2005 (FY2005-1Q) (Consolidated Basis)

2005.7.20

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

Contact persons: President and CEO Masahiro Inoue
Director and CFO Akira Kajikawa Tel: (03) 6440-6000

1. Significant Matters Concerning the Preparation of Quarterly Financial Information

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

2. Results for FY2005-1Q (April 1, 2005 - June 30, 2005)

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

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen (%)			
FY2005-1Q	38,876 (58.7)	18,407 (36.6)	17,818 (31.8)	10,310 (24.1)
FY2004-1Q	24,495 (57.4)	13,470 (59.7)	13,516 (63.7)	8,311 (83.1)
(For reference) FY2004	117,779	60,187	60,295	36,521

	Net income per share-primary	Net income per share-diluted
	Yen	Yen
FY2005-1Q	682.76	680.92
FY2004-1Q	2,203.30	2,195.22
(For reference) FY2004	4,766.03	4,750.62

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

FY2005-1Q: 15,100,701 shares FY2004-1Q: 3,772,171 shares
 FY 2004: 7,629,257 shares

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

For detailed information regarding consolidated management performance, please see Pages 4~5 and 11~12 of the Attached Materials.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
FY2005-1Q	129,847	103,731	79.9	6,869.19
FY2004-1Q	86,333	69,013	79.9	18,294.60
FY2004(for reference)	130,244	96,059	73.8	12,702.14

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

FY2005-1Q: 15,101,016 shares

FY2004-1Q: 3,772,361 shares

FY 2004: 7,549,883 shares

For detailed information regarding changes in financial status, please see Pages 8~10 and 14~15 of the Attached Materials.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the quarter
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2005-1Q	3,250	-15,316	-3,560	53,365
FY2004-1Q	2,387	-1,245	65	40,851
(For reference) FY2004	46,083	-17,119	384	68,992

3. Business Outlook for FY2005-2Q (July 1, 2005 – September 30, 2005)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
FY2005-2Q	39,500~42,500	17,150~19,650	10,150~11,750

Estimated consolidated net income per share for the quarter: ¥ 672.15 ~ ¥ 778.11

(For reference) Non-Consolidated Business Outlook for FY2005-2Q (July 1, 2005 -September 30, 2005)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
FY2005-2Q	34,550 ~ 37,250	17,550 ~ 20,000	10,650 ~ 12,200

Estimated non-consolidated net income per share for the quarter: ¥ 705.27 ~ ¥ 807.91

Forward-Looking Information Used in Performance Estimates

Performance estimates have been made based on the information available to the Company and the Group at the current point in time. Consequently, changes in the underlying factors could cause actual results to differ significantly.

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

The average number of outstanding shares used in the calculation of estimated net income per share shown above is the average for the three months ended June 30, 2005.

[For reference] Non-Consolidated Results for FY2005-1Q (April 1, 2005 – June 30, 2005)

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

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen (%)			
FY2005-1Q	34,161 (49.8)	18,495 (37.7)	18,630 (38.0)	11,254 (34.2)
FY2004-1Q	22,807 (58.3)	13,429 (58.5)	13,495 (62.4)	8,384 (82.6)
(For reference) FY2004	107,407	60,318	60,922	37,157

	Net income per share-primary	Net income per share-diluted
	Yen	Yen
FY2005-1Q	745.27	743.25
FY2004-1Q	2,222.78	2,214.64
(For reference) FY2004	4,849.47	4,833.79

Notes: 1. Average outstanding shares during the periods

FY2005-1Q: 15,100,701 shares FY2004-1Q: 3,772,171 shares
 FY2004: 7,629,257 shares

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

(2) Non-Consolidated Financial Position

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
FY2005-1Q	126,430	105,445	83.4	6,982.66
FY2004-1Q	84,584	69,221	81.8	18,349.63
FY2004(for reference)	126,210	96,830	76.7	12,804.29

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

FY2005-1Q: 15,101,016 shares FY2004-1Q: 3,772,361 shares
 FY2004: 7,549,883 shares

Attached Materials

First Quarter Highlights for the Fiscal Year Ending March 31, 2006

- Yahoo Japan Corporation and its consolidated subsidiaries and affiliates continued to record strong gains during the first quarter. Supporting this performance were favorable advertising and personal service sales in Corporate Common Business, advertising sales in the Media Business, and personal service sales in the Auction Business. Net sales increased 8.5% from the previous quarter and 58.7% year on year, to ¥38,876 million. Although original forecasts were for a decline in profits, some SG&A expenses such as business commissions were lower than expected, and we decided to amortize the goodwill of ValueCommerce Co., Ltd. (newly accounted for by the equity method) over 5 years, resulting in ordinary income of ¥17,818 million, up 1.9% from the previous quarter and 31.8% year on year.
- Recognition of the value of Internet advertising continues to rise in the advertising market, especially among National Clients. Along with the increased portion of advertising budgets being allocated to Internet advertising, the Group aggressively marketed such core products as Brand Panel for top pages and Super Banner. Growth in advertising sales to the highly branding-conscious beverage and entertainment related software industries continued during the first quarter. Despite April to June being a traditionally slow period for advertising sales, branding advertising sales growth exceeded that of the previous quarter, substantially pushing up advertising sales to ¥14,081 million, a gain of 12.8% from the previous quarter and 87.3% year on year.
- In business services other than advertising, sales of the Shopping Business increased along with the growth in the number of merchant stores. However, the Business Solutions(BS) Business's Yahoo! Research contract with INTAGE Interactive Inc. was changed to represent the actual conditions of the transaction and accounting method was changed accordingly to book the sales which the BS business actually receives from INTAGE. Before this change, sales price had been booked as sales and the part of sales price taken by INTAGE had been booked as cost of sales. This change resulted in business services sales edging down to ¥7,610 million, declining 0.2% compared with the previous quarter, but increasing 58.0% year on year.
- In the Group's personal services, growth in Yahoo! Premium sales and the system use fees of Yahoo! Auctions helped personal services sales rise to ¥14,321 million, increasing 7.9% from the previous quarter and 31.1% year on year.
- During the quarter, in addition to working to further increase its number of merchant stores, the Shopping Business established a sales organization to follow up on requests for information, strengthened its sales agency training programs, and improved its help desk services. As a result, the total number of stores rose to 4,265 at the end of June

2005, a gain of 967 stores, or 29.3% from the end of previous quarter in March. Transaction volume for the first quarter amounted to ¥24,655 million, up 10.4% from the prior quarter.

- The Yahoo! BB Business held negotiations with SOFTBANK BB Corporation on the role of the Business in acquiring subscribers, based on the allocation of earnings from subscribers and the length of subscriber retention periods. As a result of the discussions, it was decided that the proportion of the cost of acquiring new subscribers (sales promotion cost) for each of the companies would be revised starting with the current fiscal year. In future, Yahoo Japan Corporation will continue to receive monthly ¥200 per line as an ISP fee from all subscribers, but at the same time, will pay SOFTBANK BB ¥2,400 per line for acquiring new subscribers. As a result of these changes, sales promotion costs for the Business increased compared with the previous quarter and the Business's operating income declined to ¥1,885 million, down 29.3% from the previous quarter and 18.8% year on year.

Performance Outlook

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

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

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

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

Consolidated Performance Estimates for the Second Quarter of the Fiscal Year Ending March 2006 (FY2005-2Q):

Net sales	¥ 39,500 million ~ ¥ 42,500 million
Ordinary income	¥ 17,150 million ~ ¥ 19,650 million
Net income	¥ 10,150 million ~ ¥ 11,750 million

Non-Consolidated Performance Estimates for the Second Quarter of the Fiscal Year Ending March 2006 (FY2005-2Q):

Net sales	¥ 34,550 million ~ ¥ 37,250 million
Ordinary income	¥ 17,550 million ~ ¥ 20,000 million
Net income	¥ 10,650 million ~ ¥ 12,200 million

1. Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2005	As of March 31, 2005	Comparison with the previous quarter		As of June 30, 2004
	Amount	Amount	Increase/ decrease	Change	Amount
Assets					
Current assets					
Cash and cash equivalents (*1)	53,365	68,992	-15,627	-22.7%	40,251
Accounts receivable trade (*2)	18,884	18,293	590	3.2%	14,127
Inventory	167	180	-12	-7.0%	44
Accounts receivable other	717	616	101	16.5%	188
Short-term loans (*3)	3,375	2,263	1,112	49.1%	101
Deferred tax assets	1,669	2,233	-564	-25.3%	1,151
Other current assets (*4)	1,849	1,195	653	54.6%	1,742
Allowance for doubtful accounts	-1,378	-1,364	-13	1.0%	-811
Total current assets	78,651	92,410	-13,759	-14.9%	56,796
Fixed assets					
Tangible fixed assets					
Buildings and structures	1,624	1,597	26	1.7%	1,333
Machinery and equipment	10,730	10,095	635	6.3%	7,569
Other tangible fixed assets	51	182	-130	-71.7%	0
Total tangible fixed assets (*5)	12,406	11,875	530	4.5%	8,903
Intangible fixed assets					
Goodwill	1,765	1,807	-42	-2.4%	428
Other intangible fixed assets (*6)	4,157	3,756	401	10.7%	1,774
Total intangible fixed assets	5,922	5,563	358	6.4%	2,203
Investments and others					
Investment securities (*7)	26,922	13,946	12,976	93.0%	10,689
Long-term loans (*3)	2,514	3,656	-1,142	-31.2%	5,889
Others (*8)	3,439	2,841	598	21.1%	1,935
Allowance for doubtful accounts	-9	-50	41	-80.8%	-83
Total investments and others	32,867	20,393	12,473	61.2%	18,430
Total fixed assets	51,196	37,833	13,362	35.3%	29,537
Total assets	129,847	130,244	-396	-0.3%	86,333

(Millions of yen)

	As of June 30, 2005	As of March 31, 2005	Comparison with the previous quarter		As of June 30, 2004
	Amount	Amount	Increase/ decrease	Change	Amount
Liabilities					
Current liabilities					
Accounts payable—trade	1,299	1,228	70	5.8%	604
Short-term loans	349	319	30	9.4%	436
Accounts payable—other (*9)	7,916	7,618	297	3.9%	5,236
Accrued income taxes (*10)	7,284	16,676	-9,391	-56.3%	4,948
Reserve for point system (*11)	703	477	225	47.3%	-
Other current liabilities (*12)	5,414	5,243	170	3.3%	2,296
Total current liabilities	22,967	31,564	-8,597	-27.2%	13,523
Long-term liabilities					
Long-term deferred taxes (*13)	2,482	1,946	535	27.5%	3,173
Reserve for retirement allowances	14	13	0	3.5%	12
Other long-term liabilities	196	198	-1	-0.6%	300
Total long-term liabilities	2,693	2,158	534	24.8%	3,486
Total liabilities	25,660	33,723	-8,062	-23.9%	17,009
Minority interests in consolidated subsidiaries					
Minority interests in consolidated subsidiaries	454	461	-6	-1.4%	310
Shareholders' equity					
Common stock (*14)	6,724	6,692	32	0.5%	6,438
Additional paid-in capital	1,805	1,773	32	1.8%	1,519
Retained earnings (*15)	89,957	83,461	6,496	7.8%	55,250
Other securities evaluation adjustment (*16)	5,272	4,161	1,111	26.7%	5,827
Treasury stock	-27	-27	-	-	-22
Total shareholders' equity	103,731	96,059	7,672	8.0%	69,013
Total liabilities, minority interests in consolidated subsidiaries and shareholders' equity	129,847	130,244	-396	-0.3%	86,333

Main Points Regarding Consolidated Balance Sheets

Assets

- *1 The decrease in cash and cash equivalents compared with the previous quarter was principally due to payment of income and other taxes.
- *2 The increase in accounts receivable—trade compared with the previous quarter and year on year is chiefly due to greater levels of receivables from individuals.
- *3 The increase in short-term loans and the decline in long-term loans compared with the previous quarter and year on year were chiefly due to the transfer of loans made based on a finance scheme for Yahoo! BB business from the long-term loans account to the current assets account because payment is expected within one year.

- *4 The increase in other current assets compared with the previous quarter and year on year is mainly due to pre-payments for the naming rights for the Fukuoka Yahoo! JAPAN Dome.
- *5 The increase in tangible fixed assets compared with the previous quarter and year on year was mainly due to additional installations, such as servers, etc.
- *6 The expansion in other intangible fixed assets compared with the previous quarter and year on year was primarily due to growth in software.
- *7 The increase in investment securities compared with the previous quarter and year on year was principally due to the acquisition of stocks of affiliates and the mark-to-market of investment securities.
- *8 The increase in others in investments and others compared with the previous quarter and year on year is primarily due to an increase in guarantee deposits for additional office space and long-term prepaid expenses for the credit card business.

Liabilities

- *9 The growth in accounts payable—other from previous quarter and year on year resulted primarily from the increase in operating expenses.
- *10 The decrease in accrued income taxes compared with the previous quarter can be attributed the payment of income taxes for the previous fiscal year.
- *11 Reserve for point system is the amount of points expected to be used of the points granted under the Yahoo! Points system.
- *12 Among other current liabilities, accrued consumption taxes, etc. declined due to the payment of consumption taxes, etc. However, the increased deposits related to the Yahoo! ezPay service and withholding taxes payable related to dividends caused other current assets to increase compared with the previous quarter and year on year.
- *13 Deferred taxes chiefly arise due to the mark-to-market of investment securities.

Shareholders' Equity

- *14 The increase in common stock compared with the previous quarter and year on year was due to the exercise of stock options.
- *15 The growth in retained earnings compared with the previous quarter and year on year can be attributed to the increase in net income.

*16 Although the Company sold a portion of its securities available for sale, other securities evaluation adjustment increased compared with the previous quarter due to mark to market.

2. Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2005		Three months ended March 31, 2005	Comparison with the previous quarter		Three months ended June 30, 2004
	Amount	% share	Amount	Increase/ decrease	Change	Amount
Net sales	38,876	100.0%	35,841	3,034	8.5%	24,495
Cost of sales	3,487	9.0%	3,256	231	7.1%	1,556
Gross profit	35,388	91.0%	32,585	2,803	8.6%	22,938
SG&A expenses	16,981	43.7%	15,046	1,934	12.9%	9,468
Personnel expenses (*1)	3,341	8.6%	2,850	490	17.2%	2,070
Business commissions (*2)	2,278	5.9%	1,894	383	20.2%	1,269
Sales commissions (*3)	1,807	4.6%	1,500	307	20.5%	953
Communication charges (*4)	1,376	3.5%	1,166	210	18.0%	840
Depreciation expenses (*5)	1,358	3.5%	1,386	-27	-2.0%	820
Sales promotion costs (*6)	1,353	3.5%	606	746	123.0%	436
Royalties	1,034	2.7%	960	74	7.7%	638
Lease and utility expenses	860	2.2%	802	57	7.2%	480
Content provider fees	666	1.7%	615	51	8.4%	526
Payment commissions	557	1.4%	521	35	6.9%	245
Advertising costs	355	0.9%	361	-6	-1.7%	162
Packing and transport expenses	251	0.6%	197	53	27.1%	129
Administrative and maintenance expenses	238	0.6%	208	30	14.5%	155
Allowance for doubtful accounts	219	0.6%	255	-36	-14.3%	104
Amortization of goodwill	191	0.5%	173	17	10.2%	51
Compensation payment (*7)	173	0.4%	324	-151	-46.6%	123
Others (*8)	915	2.5%	1,218	-303	-24.9%	459
Operating income	18,407	47.3%	17,539	868	5.0%	13,470
Non-operating expenses (income)	-588	-1.5%	-53	-534	-	46
Ordinary income	17,818	45.8%	17,485	333	1.9%	13,516
Extraordinary losses (gains)	-36	-0.1%	20	-56	-	270
Quarterly income before income taxes	17,782	45.7%	17,505	276	1.6%	13,786
Income taxes, inhabitants' taxes and enterprise taxes	7,122	18.3%	8,195	-1,073	-13.1%	4,789
Adjustment to income taxes	321	0.8%	-1,010	1,332	-	687
Minority interests in gain (loss) of consolidated subsidiaries	27	0.1%	4	23	575.1%	-1
Quarterly net income	10,310	26.5%	10,316	-6	-0.1%	8,311

Main Points Regarding Statements of Income

Net Sales

The increase in net sales from the previous quarter and year on year was primarily due to growth in the advertising and personal service sales of Corporate Common Business, advertising sales in the Media Business, and personal service sales in the Auction Business. Sales of consolidated subsidiaries, on a gross total basis, were ¥5,114 million for the first quarter.

Cost of Sales

The increase in cost of sales from the previous quarter and year on year was primarily the result of an increase in the transaction volume of Seven and Y Corp.

Selling, General and Administrative Expenses

***1 Personnel expenses**

At the end of the first quarter, after eliminating overlap, the total number of directors and employees of the Group amounted to 2,069, up 906, or 77.9%, from the end of the same quarter in the previous fiscal year.

***2 Business commissions**

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

The increase in business commissions compared with the previous quarter could mainly be attributed to expenses related to temporary and contracted employees and securities transfer agent commission fees.

***3 Sales commissions**

The increase in sales commissions in the first quarter compared with the previous quarter and year on year was mainly due to growth in advertising sales.

***4 Communication charges**

Communications charges for the first quarter rose compared with the previous quarter and year on year primarily because of setup expenses for new data center and operating expenses for the data center.

***5 Depreciation expenses**

Although depreciation expenses for some assets increased due to a change in their useful life standard, total depreciation expenses for the first quarter declined compared with the previous quarter due to a reevaluation of assets as the beginning of the fiscal year.

*6 Sales promotion costs

Sales promotion costs increased compared with the previous quarter and year on year because of payment of subscriber acquisition costs of Yahoo! BB.

*7 Compensation payment

The decrease in compensation payment in the first quarter compared with the previous quarter was in reaction to the temporary rise in payments in the fourth quarter of last fiscal year to the start of booking of estimated amounts when compensation claims were filed during the quarter in addition to the previously used method of booking actual amounts when paid.

*8 Others

The major components of others were purchase of fixtures and fittings, taxes, and personnel hiring expenses.

Non-Operating Income (Expenses)

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

Extraordinary Gains (Losses)

The major extraordinary gains posted during the first quarter were reversal from allowance for doubtful accounts and a gain on sale of investment securities. The major extraordinary loss booked during the quarter was an amortization expense recorded to goodwill due to the application of impairment accounting to investment in a subsidiary.

Income Taxes, etc.

The effective income tax rate for the first quarter was 41.9%.

Minority Interests in Gain (Loss) of Consolidated Subsidiaries

Minority interest gain for the quarter reflects the interest of shareholders other than the Company in the profits and losses of subsidiaries.

Quarterly Net Income

Net income per share for the first quarter amounted to ¥682.76.

3. Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2005	Three months ended March 31, 2005	Three months ended June 30, 2004
Cash flows from operating activities:			
Income before income taxes	17,782	17,505	13,786
Depreciation and amortization	1,399	1,425	833
Amortization of goodwill	262	173	51
Decrease/increase in allowance for doubtful accounts	-27	131	107
Additions to reserve for point system	225	197	-
Increase in reserve for retirement allowances	0	0	0
Loss on disposal of fixed assets	42	69	94
Loss on sale of fixed assets	21	-	-
Loss on evaluation of investment securities	-	-	0
Gain/ loss on sale of investment securities	-37	-20	-270
Exchange gains/ losses	-	-0	-0
Equity in loss/gain under the equity method	705	360	-3
Loss/gain on change in affiliate holding ratio	-	1	-
Proceeds from interest and dividends	-181	-172	-182
Interest expense	1	1	2
Decrease/increase in inventory	12	-80	4
Increase/decrease in accounts receivable trade	-504	121	-1,208
Increase/decrease in accounts payable trade	70	-87	-42
Increase/decrease in accounts receivable other (*1)	-1,022	-313	631
Increase in accounts payable other	1,246	1,142	681
Decrease/increase in consumption tax payable	-547	312	-452
Other cash flows	54	128	-45
Payment of income taxes and other taxes (*2)	-16,254	-0	-11,602
Cash flows from operating activities	3,250	20,896	2,387
Cash flows from investing activities:			
Expenditures on tangible fixed assets (*3)	-1,979	-1,944	-1,514
Expenditures on intangible fixed assets (*4)	-1,023	-704	-270
Expenditures on investment securities (*5)	-11,833	-3,027	-
Proceeds from sale of investment securities	37	23	351
Expenditures on equity funds	-60	-35	-12
Expenditures from acquisition of stocks of subsidiaries	-376	-	-
Proceeds from acquisition of stocks of subsidiaries	-	56	12
Proceeds from recovery of lending	30	25	24
Expenditures on increase in guarantee deposit assets	-279	-903	-9
Proceeds from decrease in guarantee deposit assets	1	8	24
Expenditures on transfer of business	-	-308	-
Proceeds from interest and dividend (*6)	167	139	148
Other cash flows	-0	2	0
Cash flows from investing activities	-15,316	-6,668	-1,245

(Millions of yen)

	Three months ended June 30, 2005	Three months ended Mar. 31, 2005	Three months ended June 30, 2004
Cash flows from financing activities:			
Proceeds from short-term loan (*7)	240	200	400
Redemption of short-term loan (*7)	-200	-100	-400
Proceeds from issuance of shares (*8)	64	109	76
Expenditures on treasury shares	-	-0	-0
Dividend paid	-3,654	-	-
Interest expenses	-1	-1	-2
Other cash flows	-9	-10	-7
Cash flows from financing activities	-3,560	197	65
Effect of exchange rate changes on cash and cash equivalents	-	0	0
Net change in cash and cash equivalents	-15,627	14,426	1,207
Cash and cash equivalents at the beginning of term	68,992	54,565	39,643
Cash and cash equivalents at the end of term	53,365	68,992	40,851

Main Points Regarding Statements of Cash Flows

Cash Flows from Operating Activities

- *1 Accounts receivable other
Primarily due to an increase in prepaid expenses.
- *2 Payment of income taxes and other taxes
Primarily due to payments of income taxes for the previous fiscal year.

Cash Flows from Investing Activities

- *3 Expenditures on tangible fixed assets
Expenditures were a result of purchase of servers and other equipment and fixtures purchase due to office space expansion.
- *4 Expenditures on intangible fixed assets
Expenditures were chiefly for the purchase of software.
- *5 Expenditures on investment securities
Expenditures during the quarter were mainly for the purchase of stock of affiliates.
- *6 Proceeds from interest and dividends
Proceeds mainly comprise interest earned from loans based on finance scheme for Yahoo! BB business

Cash Flows from Financing Activities

- *7 Proceeds and Redemption of short-term loan
Proceeds and expenditures resulted from the borrowing and redemption of short-term loans of subsidiaries.

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

4. Segment Information

FY2005-1Q (April 1, 2005 – June 30, 2005)

(Millions of yen)

	Listing	Auction	Yahoo! BB	Shopping	Media	BS	Corporate Common Business	Total	Elimination or Corporate	Consolidated
Net sales	10,109	8,335	4,620	4,226	3,916	877	6,824	38,911	-34	38,876
(Contribution)	(26.0%)	(21.4%)	(11.9%)	(10.9%)	(10.1%)	(2.3%)	(17.6%)	–	(-0.2%)	(100.0%)
Operating expenses	2,402	3,132	2,735	3,854	2,255	1,001	2,347	17,730	2,738	20,469
Operating income	7,706	5,202	1,885	372	1,661	-124	4,477	21,181	-2,773	18,407
(Contribution)	(41.9%)	(28.3%)	(10.2%)	(2.0%)	(9.0%)	(-0.7%)	(24.3%)	–	(-15.0%)	(100.0%)

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

(Millions of yen)

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

FY2004-1Q (April 1, 2004 – June 30, 2004)

(Millions of yen)

	Listing	Auction	Yahoo! BB	Shopping	Media	BS	Corporate Common Business	Total	Elimination or Corporate	Consolidated
Net sales	5,637	6,085	3,809	1,994	2,053	351	4,590	24,521	-26	24,495
(Contribution)	(23.0%)	(24.8%)	(15.6%)	(8.2%)	(8.4%)	(1.4%)	(18.7%)	–	(-0.1%)	(100.0%)
Operating expenses	1,332	1,852	1,488	1,716	1,450	374	1,244	9,461	1,563	11,025
Operating income	4,304	4,232	2,320	277	602	-23	3,346	15,060	-1,590	13,470
(Contribution)	(32.0%)	(31.4%)	(17.2%)	(2.1%)	(4.5%)	(-0.2%)	(24.8%)	–	(-11.8%)	(100.0%)

Outline of Businesses

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

5. Operating Review by Business

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

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

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

Net Sales by Business (First Quarter)

(Millions of yen)

	Advertising	Business service	Personal service	Other	Total
Listing	6,795	3,208	105	-	10,109
Auction	504	1,005	6,825	-	8,335
Yahoo! BB	441	1,567	2,611	-	4,620
Shopping	522	842	-	2,862	4,226
Media	3,426	132	358	-	3,916
Business Solutions (BS)	83	787	6	-	877
Corporate Common Business	2,308	102	4,413	-	6,824
Elimination or Corporate	-	-34	-	-	-34
Total	14,081	7,610	14,321	2,862	38,876

(1) Listing Business

1) Major Business

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

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

2) Activities in the First Quarter

In the first quarter we continued to expand services, targeting further growth in our user base. We made several improvements in our search services. In Yahoo! Dictionary, we strengthened our dictionary service functions by adding a thesaurus that provides synonyms for 50,000 words and linking it to the current Japanese dictionary. We also beefed up our search capabilities by unifying our site, multi-media, and product search services, launching a new specialized search function Yahoo! SEARCH (beta version). Partially because we began limiting our commercial-purpose site referrals to our Business Express service as of April 2005, ending our free referral service, orders for our Business Express service increased by 2,271 orders, or 25.9%, to 11,048 orders for the quarter. In our listing services, we improved the convenience of our recruiting information. Whereas we used to just list recruiting information as a category on our top page, we have now added more specific information by listing the categories of changing careers, part-time work, temporary staffing, career advisory, graduating students, and independent business. In regional information services, we upgraded our content by adding a recipe service on Yahoo! Gourmet that people can access for free with their mobile phones and began a take-out food delivery service that has more than 3,000 outlets registered with it.

Major New Services and Service Upgrades

Date	New services and service upgrades
May 12	<ul style="list-style-type: none">• Launched the mobile version of Yahoo! Gourmet Recipe Information, one of Japan's largest recipe information services on which people can access more than 5,000 meal menus for free using their mobile phones.
June 20	<ul style="list-style-type: none">• Introduced a new service Yahoo! SEARCH (beta version) that lets people search by purpose. In addition to search sites registered on Yahoo! JAPAN, people can use multimedia searches for images, sound, and video and animation, and use a product search that compares prices and information on products being sold on the Internet.
June 30	<ul style="list-style-type: none">• Commenced a Yahoo! Gourmet Take-Out Delivery Service on the Yahoo! Gourmet site that allows users to search for take-out delivery services and immediately make their orders online.

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

Monthly page views in June	4,050.19 million page views (3.5 %)	15.3 % of total page views
Daily average page views in June	135.00 million page views (6.9 %)	

Note: Includes the page views of ALPS MAPPING K.K. and BridalNet, Inc.

Business Express Orders

April 2005	May 2005	June 2005
3,415 contracts	3,440 contracts	4,193 contracts

3) Income Statements for the First Quarter

(Millions of yen)

	First quarter	Comparison with the previous quarter		Comments
		Increase/decrease	Change	
Net sales				
Advertising	6,795	358	5.6%	<ul style="list-style-type: none"> Main components of business service sales are Business Express and information listing fees for Yahoo! Rikunabi, Yahoo! Autos, and Yahoo! Real Estate. The main component of personal service sales is the sales of BridalNet, Inc. The main component of cost of sales was the expenses for producing the maps of ALPS MAPPING K.K. Main items in SG&A are personnel, content provider fees, royalty, and sales commissions expenses.
Business service	3,208	-3	-0.1%	
Personal service	105	36	52.7%	
Other	-	-	-	
Total	10,109	390	4.0%	
Cost of sales	222	-15	-6.4%	
Gross profit	9,886	406	4.3%	
SG&A expenses	2,179	32	1.5%	
Operating income	7,706	373	5.1%	
Operating margin	76.2%	-	-	

(2) Auction Business

1) Major Business

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

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

2) Activities in the First Quarter

During the first quarter, we implemented a variety of attention-getting campaigns to expand service use. We held sales campaigns to coincide with seasonal events, such as a special feature on summer fashions that listed up a range of summer fashion items. We also hosted a fashion coordination auction in conjunction with Mode Gakuen, a fashion school, and an auction linked to the TBS television program Sekai Baribari Value. We expanded our public property Internet auctions for the first time outside of Tokyo, holding auctions in cooperation with the governments of Kagawa and Hiroshima prefectures and Kitakata city. Working with other Internet auction operators, we created an Internet Auction Self-Regulatory Guideline for removing items in violation of intellectual property rights from Internet auctions. Among other steps taken to strengthen our efforts to prevent Internet auctions from being used fraudulently were requiring public authorities to decide on a method of measuring the effectiveness of various measures and to provide information on occurrences of violation of intellectual property rights in certain production areas or during customs clearance.

Major New Services and Service Upgrades

Date	New services and service upgrades
April 6 ~ May 22	<ul style="list-style-type: none"> • Held 3rd charity auction of the popular fashion doll Blythe.
April 8 ~ April 15	<ul style="list-style-type: none"> • Held charity auction featuring such items as the uniform of Sadaharu Oh, the manager of the professional baseball team Fukuoka Softbank Hawks.
May 27 ~ July 4	<ul style="list-style-type: none"> • Held charity auction features items related to Roberto Carlos, soccer player for Real Madrid CF in Spain's Premier League.
May 30	<ul style="list-style-type: none"> • Took steps to prevent violations of intellectual property rights by thorough compliance with disclosure obligations of people auctioning brand items under the Specified Commercial Transactions Law and by setting up a Web page to promote understanding among users of trade mark rights.
June 14	<ul style="list-style-type: none"> • Sold by auction luxury package tickets including My Memory in Marine Stadium seats for home game of the Chiba Lotte Marines professional baseball team.
June 14	<ul style="list-style-type: none"> • Created self-regulatory rules for auction operators to remove items in violation of intellectual property rights, and began discussions with DeNA Co., Ltd., on strengthening measures, in accordance with the "Plan 2005 to Promote Intellectual Property Right Strategy" introduced by the Japanese government.
June 22 ~ June 29	<ul style="list-style-type: none"> • In cooperation with Mode Gakuen, a fashion school, we held a fashion coordination auction in which students of the school submitted their attempts at the ultimate fashion coordination.
June 15 ~ July 13	<ul style="list-style-type: none"> • In commemoration of the Manchester United Asia Tour 2005, we held a charity auction featuring items related to England's Premier League soccer club Manchester United.
June 30	<ul style="list-style-type: none"> • Held public property Internet auctions for Metropolitan Tokyo, Kagawa and Hiroshima prefectures, and Kitakata city.

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

Monthly page views in June	6,606.72 million page views (-6.5 %)	24.9% of total page views
Daily average page views in June	220.22 million page views (-3.4 %)	

Yahoo! Auctions Number of Total Listed Items and Successful Auction Ratio, etc.

	April 2005	May 2005	June 2005
Number of auction unique browsers	19.00 million browsers	21.04 million browsers	20.74 million browsers
Number of total listed items (Monthly average)	7.67 million items	8.11 million items	8.34 million items
Monthly total number of new listings	19.26 million items	21.22 million items	20.24 million items
Daily average number of new listings	642 thousand items	684 thousand items	674 thousand items
Monthly volume of transactions	Approx. ¥ 52.2 billion	Approx. ¥ 53.0 billion	Approx. ¥ 52.3 billion
Daily average transaction volume	Approx. ¥ 1,742 million	Approx. ¥ 1,712 million	Approx. ¥ 1,744 million
Average closing price per item	¥ 5,700	¥ 5,407	¥ 5,526
The average ratio of successful auctions per day	38 %	37 %	36 %
Number of stores (As of the end of each month)	3,730 stores	3,624 stores	3,832 stores

Notes: 1. Monthly volume of transactions figures and Daily average transaction volume do not include cancellations or adjustments.

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

3) Income Statements for the First Quarter

(Millions of yen)

	First quarter	Comparison with the previous quarter		Comments
		Increase/decrease	Change	
Net sales				<ul style="list-style-type: none"> Main components of business service sales are sales commissions, tenant fees, and registration fees of stores (merchant stores). Sales included in personal service are system-use fees of Yahoo! Auctions and others. Main items in SG&A are communication, business commissions, payment commissions, and personnel expenses.
Advertising	504	119	31.0%	
Business service	1,005	92	10.1%	
Personal service	6,825	467	7.3%	
Other	-	-	-	
Total	8,335	678	8.9%	
Cost of sales	9	-1	-10.7%	
Gross profit	8,326	679	8.9%	
SG&A expenses	3,123	221	7.6%	
Operating income	5,202	458	9.7%	
Operating margin	62.4%	-	-	

(3) Yahoo! BB Business

1) Major Business

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

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

2) Activities in the First Quarter

During the quarter under review, we continued to focus on acquiring new subscribers over the Web. We also strengthened our cooperation as the business partner with regard to acquiring subscribers through other sales channels and worked to increase the total number of Yahoo! BB subscribers and expand our services for all members. To acquire new members, we ran a Hikari-ni-shiyo! Campaign to promote the switch from our Yahoo! BB to our Yahoo! BB Hikari service as well as a Super Box Tickets Campaign for a regular season game of the Softbank Hawks at Yahoo! JAPAN Dome. As part of efforts to improve our services for members, we co-sponsored a secret live show by Ken Hirai commemorating his tenth anniversary in the music business, broadcasting his live event to our Yahoo! BB subscribers. We also sold by lottery advance tickets to Shogo Hamada's national tour. Moreover, we leveraged the strengths of Yahoo! JAPAN to enhance the value of Yahoo! BB membership, holding a bargain sale exclusively for members in cooperation with Yahoo! Shopping and a joint campaign with Yahoo! Auctions.

Major New Services and Service Upgrades

Date	New services and service upgrades
April 22 ~ June 15	• Ran a Hikari-ni-shiyo! Campaign exclusively offering Yahoo! BB subscribers 3,000 Yahoo! Points if they switched from our Yahoo! BB ADSL service to our Yahoo! BB Hikari TV package service.
May 9 ~ June 15	• Co-sponsored the Ken Hirai 10th Anniversary Tour Special Opening Stage, broadcasting his live event in real time and live digest video for a limited period of time.

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

Monthly page views in June	3,101.35 million page views (-1.2 %)	11.7 % of total page views
Daily average page views in June	103.37 million page views (2.1 %)	

Total Subscriber Lines for Yahoo! BB Services

End of April 2005	Approximately 4,803 thousand lines (including approximately 1,175 thousand lines marketed by Yahoo! JAPAN)
End of May 2005	Approximately 4,847 thousand lines (including approximately 1,178 thousand lines marketed by Yahoo! JAPAN)

End of June 2005	Approximately 4,889 thousand lines (including approximately 1,181 thousand lines marketed by Yahoo! JAPAN)
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Note: Jumper installation completed, excluding service cancellations and "Yahoo! BB Hikari".

3) Income Statements for the First Quarter

(Millions of yen)

	First quarter	Comparison with the previous quarter		Comments
		Increase/decrease	Change	
Net sales				
Advertising	441	-11	-2.5%	• Main component of business service sales is the customer acquisition incentive fees of Yahoo! BB.
Business service	1,567	28	1.9%	
Personal service	2,611	67	2.6%	• Main component of personal service sales is the ISP fees for Yahoo! BB.
Other	-	-	-	
Total	4,620	84	1.9%	• Main items in SG&A expenses are sales promotion, business commissions, depreciation, and personnel expenses.
Cost of sales	269	35	15.1%	
Gross profit	4,350	49	1.1%	
SG&A expenses	2,465	832	50.9%	
Operating income	1,885	-782	-29.3%	
Operating margin	40.8%	-	-	

(4) Shopping Business

1) Major Business

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

Main Services: Yahoo! Shopping, Yahoo! Books, Yahoo! Computer, Yahoo! Tickets, Yahoo! Beauty, Yahoo! Travel, Yahoo! Business Travel, SevenAndY

2) Activities in the First Quarter

During the period under review, to further increase the number of registered stores, we developed a sales organization to follow up on requests for information, strengthened our sales agency training programs, and improved our help desk services. As a result, the total number of stores rose to 4,265 at the end of June 2005, a gain of 967 stores, or 29.3% from the end of March. For existing stores, we worked to increase their level of satisfaction with our services by strengthening our store support, actively offering consulting services and proposing efficient store structures. During the quarter, to boost the number of shoppers, we ran seasonal sales promotions, such as special features on gifts for Mother's Day and

Father's Day and the Summer Bonus 2005 special feature. We also ran an Ochugen Summer Present special feature with an array of appropriate gifts, such as beer or suits, to give as summer presents. And we held sales promotion campaigns using the Yahoo! Points system. Furthermore, we added a search function that makes finding items easier by increasing the precision of item search and allowing search results to be refined using categories. Making our Yahoo! Tickets service even more convenient, we launched a service that enables users to pick up the ticket they purchased online at the approximately 6,100 outlets of the FamilyMart convenience store chain nationwide. Seven and Y Corp. recorded sales growth in the first quarter, especially for CDs and DVDs.

Major New Services and Service Upgrades

Date	New services and service upgrades
June 28	<ul style="list-style-type: none"> In conjunction with FamilyMart Co., Ltd., and Pia Corporation, we launched a service for Yahoo! Tickets that enables users to pick up the tickets at the approximately 6,100 outlets of the nationwide FamilyMart convenience store chain in which the multimedia terminal Fami Port is installed.

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

Monthly page views in June	568.00 million page views (5.3 %)	2.1 % of total page views
Daily average page views in June	18.93 million page views (8.8 %)	

Note: Includes the page views of Seven and Y Corp. and CURIOCITY CORP.

Shopping Business Transaction Volume

April 2005	May 2005	June 2005
¥ 8,248 million	¥ 7,640 million	¥ 8,766 million

Note: The figures represent the total transaction volume of Yahoo! Shopping, Yahoo! Travel, Yahoo! Tickets and Seven and Y Corp.

3) Income Statements for the First Quarter

(Millions of yen)

	First quarter	Comparison with the previous quarter		Comments
		Increase/decrease	Change	
Net sales				<ul style="list-style-type: none"> Main components of business service sales are tenant fees and sales commissions of Yahoo! Shopping and sales commissions of Tavigator, Inc. Other sales is sales of Seven and Y Corp. Main item in cost of sales is purchasing costs of Seven and Y Corp.
Advertising	522	131	33.6%	
Business service	842	121	16.9%	
Personal service	-	-	-	
Other	2,862	405	16.5%	
Total	4,226	658	18.5%	
Cost of sales	2,380	389	19.6%	
Gross profit	1,846	269	17.1%	

SG&A expenses	1,473	-33	-2.3%	<ul style="list-style-type: none"> Main items in SG&A are personnel, packing and transport, business commissions, and lease and utility expenses.
Operating income	372	303	435.2%	
Operating margin	8.8%	-	-	

(5) Media Business

1) Major Business

Our Media business provides users with a variety of desired content and services, thereby stimulating page views and increasing advertising sales. The business also provides fee-based content and services. Services provided include information providing services, such as Yahoo! News and Yahoo! Finance; entertainment services, such as Yahoo! Movies, Yahoo! Music, and Yahoo! Streaming; community services, such as Yahoo! Message Boards and Yahoo! Avatar.

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

2) Activities in the First Quarter

During the quarter under review, we continued to develop appealing content for viewers and advertisers and to expand sales by planning special features. Strengthening our efforts to work together with other media, we established a special site for the NHK TV drama series Fight. In Cooperation with Toho Co., Ltd., we also set an official site for its movie Touch, which is opening in movie theaters in September. Our special feature for Star Wars Episode III: Revenge of the Sith attracted a great deal of attention as, over a period of seven days, approximately 140 thousand people applied for the tickets being given away to the premiere showing of the movie in Japan. By newly placing service descriptions on our top page that directly lead users to Yahoo! Insurance and Yahoo! Comics, we recorded a substantial increase in page views for these services. We also took steps to expand our pay content services, adding many new items on Yahoo! Fortune Telling and on Yahoo! Avatar.

Major New Services and Service Upgrades

Service	Date	New services and service upgrades
Yahoo! Movies	May 30 ~ July 29	<ul style="list-style-type: none"> Launched a special feature on Star Wars Episode III: Revenge of the Sith, introducing the story and what to look for in the movie.
	June 17	<ul style="list-style-type: none"> In cooperating Toho Co., Ltd., set up an official site for its movie Touch.
Yahoo! Comics	June 23	<ul style="list-style-type: none"> In a business tie-up with Shogakukan Inc., began offering the popular comic series Judy online.

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

Monthly page views in June	7,784.80 million page views (5.2 %)	29.3 % of total page views
Daily average page views in June	259.49 million page views (8.7 %)	

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

3) Income Statements for the First Quarter

(Millions of yen)

	First quarter	Comparison with the previous quarter		Comments
		Increase/decrease	Change	
Net sales				
Advertising	3,426	470	15.9%	• Main component of business service sales is car insurance package estimate request service sales.
Business service	132	-13	-9.5%	
Personal service	358	53	17.4%	
Other	-	-	-	• Main component of personal service is sales of fee-based content.
Total	3,916	510	15.0%	
Cost of sales	110	12	13.3%	• Main items in SG&A are sales commissions, personnel, content provider fees, and business commissions expenses.
Gross profit	3,806	497	15.0%	
SG&A expenses	2,145	305	16.6%	
Operating income	1,661	192	13.1%	
Operating margin	42.4%	-	-	

(6) Business Solutions (BS) Business

1) Major Business

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

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

2) Activities in the First Quarter

In our domain hosting service, we focused on building a cooperative organization with Firstserver, Inc., during the quarter, starting a new general-purpose JP domain service and developing a service that aims to be low-cost and highly reliable. In our Yahoo! Research business, we continued to strengthen our sales capabilities mainly centered on Yahoo! Research Compact and Yahoo! Research Self. To be able to respond to demand for large scale monitoring, we began accepting monitors for the new Research Monitor Lite. At June

30, we had a total of 620 thousand registered monitors, including research, mobile, and research lite monitors. This represents an increase of approximately 200 thousand monitors from March 31, 2005. In our portal site construction and support services, we received orders from several new corporate customers during the quarter and continued our aggressive sales proposals in order to acquire new customers.

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

Monthly page views in June	5.20 million page views (99.7 %)	0.02 % of total page views
Daily average page views in June	173 thousand page views (106.3 %)	

Note: Includes the page views of Firstserver, Inc.

3) Income Statements for the First Quarter

(Millions of yen)

	First quarter	Comparison with the previous quarter		Comments
		Increase/decrease	Change	
Net sales				<ul style="list-style-type: none"> Main components of business service sales are sales of Firstserver, Inc., Yahoo! Research, and Yahoo! WebHosting. Yahoo! Research contract was changed to represent the actual conditions of the transaction and accounting method was changed accordingly to book the sales which the BS business actually receives from INTAGE Interactive Inc. Before this change, sales price had been booked as sales and the portion of sales price taken by INTAGE Interactive Inc. had been booked as cost of sales. As a result, business service sales decreased. Main components of cost of sales are costs for Firstserver, Inc. Main items in SG&A are personnel, amortization of goodwill, advertising, and business commissions expenses.
Advertising	83	-22	-21.6%	
Business service	787	-211	-21.2%	
Personal service	6	1	22.1%	
Other	-	-	-	
Total	877	-233	-21.0%	
Cost of sales	349	-245	-41.3%	
Gross profit	528	11	2.2%	
SG&A expenses	652	28	4.5%	
Operating income	-124	-16	-	
Operating margin	-14.2%	-	-	

(7) Corporate Common Business— Elimination or Corporate

Revenues and expenses related advertisements on the top page of Yahoo! JAPAN and sales on Yahoo! Premium relating to other services for the Company are not allocated to the sales or expenses of each business, but considered sales and expenses of Corporate Common

Business that develop our corporate brand. Sales and expenses from Headquarters are added up to Corporate Common Business.

Main services: Top Page, Yahoo! Kids, My Yahoo!, Yahoo! Calendar, Yahoo! Notepad, Yahoo! Address Book, Yahoo! Photo, Yahoo! Briefcase, Yahoo! Polls, Yahoo! Alert, Yahoo! Toolbar, Yahoo! Newsletter, Yahoo! Mobile, Yahoo! Volunteer, Yahoo! Bookmark, Yahoo! JAPAN Help Center, Yahoo! Internet Certification, Yahoo! Wallet, Yahoo! Premium, Yahoo! Points, Yahoo! Blogs

Activities in the First Quarter

In the first quarter, we took several measures to increase the number of Yahoo! Premium members and expand our services. We ran a campaign for new Yahoo! Premium members awarding Yahoo! Points equivalent to ¥10,000 and other luxurious prizes by lottery. In addition, Yahoo! Premium members had their storage space increased for Yahoo! Photo and Yahoo! Briefcase ahead of regular users.

Number of Premium Member IDs

April 2005	May 2005	June 2005
5.15 million IDs	5.25 million IDs	5.33 million IDs

Income Statements for the First Quarter

(Millions of yen)

	First quarter	Comparison with the previous quarter		Comments
		Increase/decrease	Change	
Net sales				(Net Sales) <ul style="list-style-type: none"> Main components of Corporate Common Business sales are advertising sales on top pages, etc. and Yahoo! Premium fees. Consolidation elimination figures are removed as sales of headquarters. (SG&A Expenses) <ul style="list-style-type: none"> Main components of Corporate Common Business SG&A are personnel, sales commissions, and business commissions expenses. Main items in Headquarters SG&A are personnel, depreciation, and business commission expenses.
Advertising	2,308	550	31.3%	
Business service	67	-24	-26.4%	
Personal service	4,413	419	10.5%	
Other	-	-	-	
Total	6,789	945	16.2%	
Cost of sales	145	55	61.4%	
Gross profit	6,643	889	15.5%	
SG&A expenses	4,940	548	12.5%	
Operating income	1,703	341	25.0%	
Operating margin	25.1%	-	-	

Advertising

(Advertising Related Sales)

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

Activities in the First Quarter

The positive mood of the past quarter continued in the advertising market in the first quarter. In particular, the interest in Internet advertising continued to heighten, especially among National Clients. The trend among many advertisers was to increase the proportion of their advertising budget allocated to Internet advertising. As a result, the amount spent on Internet advertising in each sales promotion campaign increased. To take advantage of this situation, the Group strengthened its cooperative sales organization with advertising agencies. Actively making proposal based on the concept of making effective use of Internet advertising, we worked to develop new demand and win large-scale advertising. Amid a notable trend among advertisers to using Internet advertising in combination with TV advertising, there was growth in advertising with broad reach and high impact, such as Brand Panels for top pages, Super Banners for Yahoo! News-Topics, and Billboard Super Banners, exposure of which is determined based on reach. With the continued spread of broadband, use of large volume distribution V Banner and banners utilizing advanced Flash technology increased, and the movement toward video advertising accelerated. Many large-scale advertising campaigns used the Internet as a branding media during the quarter, resulting in further growth in advertising sales to the highly branding-conscious beverage, entertainment software, cosmetics, and automobile industries. Advertising using our Run Of Center Text and News Top Text products, which are aimed at advertisers that give priority to a high degree of traffic, expanded during the quarter. Our e-mail advertising product Yahoo! Delivers also achieved sales growth, continuing to have a broad base of support throughout industry. Mobile advertising made further headway during the quarter, with our Yahoo! Mobile service beginning to establish itself as an advertising media.

Based on our sales efforts, quarterly advertising sales rose to ¥14.0 billion, registering another record high.

(First Quarter)

(Millions of yen)

	Amount	Comparison with the previous quarter		Comparison with the same quarter in previous fiscal year	
		Increase/decrease	Change	Increase/decrease	Change
Advertising related sales	14,081	1,596	12.8 %	6,565	87.3 %

Advertising Products

During the first quarter, sales of high impact products continued to be strong. Sales of Brand Panel for top pages reached a record high, and sales of Super Banners and other large-sized products also exceeded those of the previous quarter. In particular, sales of the Large Square product, which was newly set up for Yahoo! Movies, Yahoo! News, Yahoo! Beauty, and other sites were firm. During the quarter, there were various sales campaigns run for new movie promotions or cosmetics using animated advertising messages featured in large advertising spaces of Large Square. The genuine documentary program “Japan’s Challenge, the Dawn of the Internet,” which was distributed free of charge on a special site by Suntory Limited, Mazda Motor Corp., and other companies, attracted a great deal of interest as video advertising using the same content as television advertising.

For the quarter, rates for high-volume branding-type banner ads ranged from ¥0.15 to ¥0.60 per page view, rates for targeting-type banner ads varied from ¥0.30 to ¥12.00 per page view, and rates for the large-sized Super Banners varied from ¥0.30 to ¥4.00 per page view. Rates for the group-specific e-mail advertising Yahoo! Delivers were ¥4.00 to ¥10.00 per mailing. Rates for Yahoo! Billboard for National Clients varied from ¥5.40 million to ¥7.20 million, depending on the number of browsers targeted to be reached and the length of the advertising period.

(Reference)

Sustainability Report Published

In June 2005, we published our Yahoo! JAPAN Sustainability Report, which reports on our Group's corporate social responsibility (CSR) activities.

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

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

Our Group's social contribution activities during the first quarter were as follows.

1. Disaster Information Service

• June 28

We strengthened our Disaster Information Service, adding information on tsunamis as well as earthquakes.

2. Volunteer Activities

• June 27

We set up an Internet charity contributions site where people can make contributions at any time by buying digital wallpaper.

3. Charity Activities

• April to June

As part of our social contribution efforts, we regularly host charity auctions through Yahoo! Auctions and donate all the funds raised. Among the many charity auctions of goods donated by celebrities held in the first quarter, we auctioned a personally signed baseball uniform worn by Sadaharu Oh, manager of the Fukuoka Softbank Hawks, during the season opening game and a guitar personally signed by Tomoyasu Hotei. In total, we held 345 charity auctions during the quarter, raising a total of approximately ¥35.11 million. The funds raised for such charities are being donated to the following charities (not listed in any special order).

- Make a Wish of Japan, a volunteer organization that makes the dreams of children with serious illnesses come true.
- Green Cross Japan, the Japan chapter of the global environmental protection body Green Cross International.
- The Japanese Paralympic Committee (JPC), which was established under the umbrella of the Japan Sports Association for the Disabled (JSAD), is a member of international sports organizations and develops and sends athletes to international competitions.
- The Community Chest of Japan, which through its Disaster Relief System (Red Feather Charity, disaster volunteer and community support systems) provides funding support for NPOs, volunteer groups, and private-sector disaster volunteer

centers for support and emergency relief activities for victims in disaster struck regions.

- Japan Platform, an international emergency assistance organization that supplies a system to provide emergency relief in national disasters and refugee situation more effectively and quickly using an equal partnership of NGOs and business and government with each constituent making full use of its resources and characteristics.

4. Environmental Protection Activities

- June 1

We participated in the Japanese government's Global Warming Prevention Headquarters' national project Team Minus 6%. As part of its social contribution activities, Yahoo! JAPAN used the power of Internet media to establish special sites to enlighten viewers about the global warming prevention drive using a variety of Internet functions.

Risk Factors

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

1. Influence of Internet Markets and Competition

1) Influence of Internet Markets and Infrastructure

a. Dependence on the Growth of Internet Usage

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

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

b. Dependence on the Infrastructure for Internet Connections

As nearly the entire catalog of Group services is dependent on the Internet, business operations require a stable infrastructure for Internet connection, which includes operations of the Group's own servers and equipment as well as telecommunications equipment owned and operated by third parties. If for any reason the connecting infrastructure should deteriorate and prevent users from easily using the Internet, usage could decline, reducing site traffic and negatively impacting Group performance.

2) Internet Advertising Market

a. Potentials of the Internet Advertising Market

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

In Japan the Internet-based advertising industry is generally thought to have begun with the Group's start of operations here. According to Dentsu Inc., Internet advertising accounted for about 3% of Japan's total advertising market in 2004, moving ahead of radio advertising for the first time. But this market is still far smaller than those for advertising via leading media like television, newspaper and magazines. In the future, market growth could slow or fall short of our expectations, and the Group will then have less income than anticipated, which could affect its performance.

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

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

b. Characteristics of Internet Advertising

The advertising business is highly susceptible to trends in the overall economy. During downward cycles, advertising expenditures are among the first expenses that companies reduce. Moreover, Internet advertising has a short history, and changes in

more developed markets, such as the United States, could affect the Japanese market.

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

c. Greater Variation in Advertising Products

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

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

d. Trends among Competitors

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

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

Operators of these sites include those affiliated with US companies that offer competitive Internet-based services and therefore compete with Yahoo! Inc., which is the primary shareholder of the Company. In this competitive environment, it is uncertain whether the Group can exercise superiority and maintain its dominant position in the industry. Competition could cause price-competition and lower unit prices for the Group's advertising products. In addition to content provider fees and sales commissions paid to advertising agencies and information providers, the Group may have to increase advertising expenses to compete and attract advertisers. That could impact Group performance.

3) Personal Services

a. Market Shifts Due to Increasing Individual Internet Use

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

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

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

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

b. Trends among Competitors

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

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

content and compete with the Group.

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

4) Business Services

a. Trends in Corporate Internet Use and Market Change

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

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

b. Influence of Changes in the Broadband Market

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

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

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

service, mainly its ADSL service, holds the top customer share in the domestic market.

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

c. Trends among Competitors

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

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

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

5) Revision of Business Forecasts

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

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

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

2. Influence of Legal and Institutional Changes

1) Potential Legal Restrictions

a. Legal Restrictions Related to the Internet

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

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

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

b. Potential Legal Restrictions on Auction Business

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

Since September 1, 2003, a revision of legislation concerning the sale of used goods to prevent criminal abuse of Internet auctions is in force. In addition to imposing a registration system on Internet auction operators, the revised law requires operators to make effort to confirm the identities of participants and maintain records of auctions. The law also requires that when an investigative body orders an operator to remove an item from auction based on suspicion of fraud, the operator must do so. However, the scope of the revised law is limited to areas where the Group is already compliant. Further, since no regulations have been placed directly on auction participants, the Group does not expect that the revised law will have significant impact on its auction business.

On June 10, 2005 the Japanese government introduced its "Plan 2005 to Promote Intellectual Property Right Strategy" to carry forward extensive measures to fight the infringement of intellectual property via the Internet. To help prevent damage to consumers and the owners of intellectual property, the plan includes such measures as compliance with the obligation to indicate the business operators subject

to the Specified Commercial Transactions Law, instituting of voluntary rules requiring compliance by auction houses, and closer linkage among the concerned government divisions and auctioneers. When sellers subject to the law list branded products for auction, the Group instructs them to identify themselves that way and will delete their IDs if they do not comply. In partnership with Internet auction houses DeNA Co., Ltd. and Rakuten, Inc., the Group has begun discussion toward making and enforcing voluntary restrictions, and will gradually seek cooperation from related government divisions. To help educate users, it has published on the Web its "Intellectual Property Protection Guide," which defines and explains copyrights, image rights and trademarks, informing potential buyers as well as those who list products for sale.

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

c. Potential Legal Restriction on Other Business

In April 2005 the Group began Yahoo! JAPAN Card service for financial settlements, and plans to start offering securities brokerage service in the near future.

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

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

2) Potential Litigation

a. Illegal Acts by Auction Participants

The Group has taken multiple measures to improve the security of its systems to build a stronger and safer auction environment. In September 2000 the Group opened a new escrow service (see note below) for online auctions. In May 2001 the Group introduced a fee-based personal identification system. In July 2004 the Group initiated a system that verifies by mail the postal addresses of users posting items on the auction site. In addition, the Group has set up a patrol team to eliminate illegal items from auctions and cooperate with law enforcement agencies and copyright-related groups. Despite these measures taken by the Group, it cannot say for certain that illegal actions will not occur in the future. Therefore, the Group cannot rule out the possibility of legal action being taken against the Group, whether or not it is responsible for such actions. In fact, in March 2005 a group of 572 users filed suit for damage compensation against the Company. Depending on how the suit progresses, the image and/or performance of the Group could be harmed. Moreover, developing a system to prevent criminal activity and upgrading the Group's capabilities to allow proper management could lead to increased costs and subsequent negative impact on earnings.

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

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

b. Solicitation of Securities Transactions

As the Company enters into securities brokerage service, the Company opens customer accounts for customers and attracts them to securities transactions in accordance with its own policies and guidelines for solicitation, under the supervision of an affiliated securities house (see Note). Before soliciting customers into transactions, the Company makes consults with the securities house, but the solicitation could mislead customers into losses. In such cases Group could be subject to demands for damage compensation from the securities house, which temporarily pays damages to customers, depending on the situation.

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

c. Information Distribution via the Internet

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

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

Through such internal regulations the Group prohibits illegal and slanderous content on its sites and protects the privacy of users. In addition, the Group publishes a disclaimer stating clearly that the user takes full responsibility for Web-browsing and that the Group accepts no responsibility for damage caused to users during Web-browsing. To protect minors from harmful content, the Group is implementing such programs as Yahoo! Kids. However, no guarantee can be provided that these measures will be sufficient to prevent litigation. The Group could be subject to claims, reprimands or damage suits from users, related parties or government agencies with regard to the content of advertisements, Websites accessed through links on its sites, contributions to community message boards and/or transactions related to its auction business. Resulting decline in user confidence could lead to a drop in hits or a suspension of services.

d. Third-Party Responsibility

To prevent customers from misunderstanding or being confused about the scope of services provided by third parties through agreements with the Group and those provided by the Group itself, the Group takes measures to help clarify their understanding and agreement through user rules and clauses posted on Group sites. Despite these efforts, there remains the possibility that these measures will fail and

customers will demand compensation from the Group for damage that is actually the responsibility of a third party. This could result in additional costs to the Group or harm its brand image, impacting negatively on performance.

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

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

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

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

The Group has implemented internal regulations and training programs to prevent infringement on the intellectual assets, such as copyrights or other rights, of third parties in the services the Group offers or the software used in its businesses. In the final analysis, however, it is impossible to say that such problems could not occur.

In such cases, the Group may be sued for compensation, required to pay substantial royalty fees or have to cease providing certain services.

4) Changes in Accounting Standards

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

3. Information Security Management

1) Group Effort to Achieve Information Security

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

Based on this understanding, the Group has taken proactive steps to ensure information security. In 2001 the Group appointed a Chief Security Officer (CSO) and implemented groupwide information-security efforts based on this position. To protect personal information, the addresses and other information of our customers are encrypted with SSL (Security Sockets Layer) technology and access to stored data is tightly restricted. In April 2002 the Company obtained the right to use the TRUSTe mark (see Note 1) of the nonprofit privacy-protection licensing institution TRUSTe. In September 2003 the Group set out the information-security regulations to clarify the rules for handling personal information; established the Information Security Council to promote information-security management; and concurrently the President of the Company himself announced our Information Security Declaration (see Note 2), setting out the Group's overall information-security efforts. In February 2004, to reinforce our information-management organization, the Company established an Information Management Task Force, headed by the President. The Task Force has been given broad authority to rapidly and effectively initiate companywide measures to protect personal and other important business information. As part of a series of new security measures, in August 2004 the Group acquired Information Securities Management Systems (ISMS) certification, which was developed by the British Standards Institution. The Group has been certified under the BS 7799-2:2002

international standard and the Japanese domestic standard ISMS Certification Standards Version 2.0 (see Note 3). As of June 30, 2005 Yahoo Japan Corp. and eleven subsidiaries have acquired ISMS certifications. The Group has used these third-party certification systems to implement a third-party check on its operations using global standards to continue to strengthen its information-security regime and fulfill its social responsibility regarding this issue.

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

Notes:

1. TRUSTe Certification Institution and the TRUSTe mark

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

2. Information Security Declaration

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

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

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

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

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

Taking into consideration both technical security methods and overall organization management, this certification system focuses on establishing and maintaining an information security management

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

2) Personal Information

a. Group Effort to Protect Personal Information

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

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

Nevertheless, the Group cannot completely eliminate the possibility that this information will be leaked outside the Group, deliberately or through negligence, by persons related to the Group, to companies with which business alliances have been concluded, to companies to which the Group outsources work, etc. There is also a possibility that a third party may use passwords, etc., to fraudulently access the system, impersonate an authorized person, or use some other method such as Phishing fraud (see note below), whereby they illicitly obtain personal user information resulting in damage to those users. Under such circumstances, the Group's services could be adversely affected, its brand image could be tarnished, and the Group could be involved in legal disputes.

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

Starting in April 2005, the Personal Information Protection Act and guidelines issued by the Ministry of Internal Affairs and Communications regarding the protection

of personal information in the electronic communications industry came into force. However, the Group had already implemented systems to meet the regulations or requirements of the law and guidelines regarding methods for handling personal information. The Group, therefore, believes that the enforcement of the law and guidelines will have almost no impact on its operations.

Note: Phishing fraud

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

b. Risk of Fraudulent Use of Credit Cards

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

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

c. Business Partner Management of Personal Information

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, this may not be always possible where the Group's relationships with business partners in certain specialized fields dictate that management of personal information be subject to the business partner's

management system.

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

For securities brokerage services, which the Company will begin offering soon, personal information from application forms for opening accounts and accumulated information about transactions will be obtained and held by our securities-house partner. A portion of this information will be transferred to the Company as required by the Personal Information Protection Act. The Company has been extremely careful about transfers and management of this information. If personal information is leaked from the Company or the affiliated securities house, the Company could be liable for damage compensation.

3) Network Security

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

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

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

Specifically, under the impact of such an event the Group's advertising revenues could decline or the Group could incur extraordinary costs. This may occur because of temporary limitations on the operation of Group sites, causing disruption in planned advertising business. Or, for its own reasons, the advertising company might stop, reduce, or postpone advertising. Further, the access infrastructure for Yahoo! BB might also be interrupted or some other circumstance arise where users would no

longer be able to use the Group's pay services. In addition, there is the risk that operations and earnings could be affected by damage to communications or transportation lines in the United States or other countries or regions that would impede the support structure that Yahoo! Inc. provides for the Group and its links to business alliances. In the worst-case scenario, Group offices could be physically disabled. If other companies closely related to Group business, such as Yahoo! Inc. and related companies or SBB and other access service providers, were hit with the same conditions, it is possible that the Group could become unable to maintain operations.

In addition, Group operations are vulnerable to fire, power outage, damage to telephone networks and other phenomena. Its network infrastructure is concentrated in Tokyo, which is susceptible to earthquakes and other disasters. To cope with accidents and surges in Internet access, the Group intends to continue improving the infrastructure by making systems redundant and duplicating and dispersing its data center, but it does not presently have multiple site capacity outside Tokyo.

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

5. Business with Involved Parties

1) Relationship with the SOFTBANK Group

a. Positioning within the SOFTBANK Group

As of June 30, 2005, SOFTBANK CORP. was the parent company of the Company, holding 41.9% of Company shares. As a holding company, SOFTBANK CORP. has a variety of affiliated companies operating under its umbrella that are active in a range of fields and areas, concentrated mainly on Internet business. Their businesses include broadband infrastructure, Internet culture, fixed telecoms, e-commerce, e-finance, media and marketing, broadcasting media, and technology services and an overseas fund-investment service. The Group belongs to the Internet Culture segment and Broadband Infrastructure segment of the SOFTBANK Group.

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

The Company has signed the following contracts with SOFTBANK BB Corp. (SBB), subsidiary of SOFTBANK CORP., concerning Yahoo! BB business. Yahoo! BB business accounted for 11.9% of Group sales in the first quarter of the fiscal year ending March 2006. Therefore the following contracts are considered to be important

to the Group.

Contract name: Business alliance contract
Contract date: June 20, 2001
Contract term: Indefinite from June 20, 2001~(Perpetual contract)
Contracted party: SOFTBANK BB Corp.
1) The Company and SBB jointly provide Internet access services using DSL technology.
2) The Company's main responsibilities <ul style="list-style-type: none">* To promote Yahoo! BB services* To recruit subscribers of Yahoo! BB services* To operate the Yahoo! BB portal site* To provide mail and Website services* To provide a fee-collection platform
3) SBB's main responsibilities <ul style="list-style-type: none">* To provide ADSL service between subscribers and phone offices, install network infrastructure between phone-office buildings, and provide connections to Internet networks* To handle subscriber inquiries and provide technical support* Use charges are ¥990 per month for ADSL and ¥1,290 per month for ISP service. From the ISP charge, the Company takes ¥200 in exchange for service.

Contract name: Incentive agreement
Contract date: April 1, 2004 (original contract signed on April 1, 2002)
Contract term: One year from April 1, 2004 (Automatically renewed every one year)
Contracted party: SOFTBANK BB Corp.
Incentive fees <ul style="list-style-type: none">* Lump-sum incentive fees (100% upon verification of operational subscriber lines)<ul style="list-style-type: none">BB Phone services: approx. ¥7,000 per applicationYahoo! BB services: approx. ¥15,000 per applicationYahoo! BB services + LAN Pack: approx. ¥20,000 per application* Continuing incentive fees<ul style="list-style-type: none">BB Phone services: approx. ¥150 per month per continuing subscriberYahoo! BB services: approx. ¥200 per month per continuing subscriberYahoo! BB services + LAN Pack: approx. ¥250 per month per continuing subscriber

Notes:

1. The counterparty to the business alliance contract concluded on June 20, 2001 and the incentive agreement concluded on April 1, 2002 was in both cases BB Technologies Corporation (BBT). However, BBT became SOFTBANK BB Corp. with the January 7, 2003 merger of BBT with SOFTBANK EC HOLDINGS Corp., SOFTBANK Networks Inc., and SOFTBANK COMMERCE Corp. All the merged companies had the same parent company, SOFTBANK CORP.
2. The details of the incentive agreement were changed to those shown above as of April 1, 2004.
3. As of April 2005, the Company will pay ¥2,400 per line to SBB after the first subscription fee is charged, sharing the cost of Yahoo! BB subscriber acquisition.

c. Dependence on SOFTBANK BB Corp.

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. Failures in building infrastructure and problems with service quality could cause subscribers to cancel service quickly and impact Group earnings.

d. Joint Directorships

As of June 30, 2005, two of the five directors of the Company also held directorships on the board of the parent company, SOFTBANK CORP., as follow:

- * Yahoo Japan Corporation president and CEO Masahiro Inoue (SOFTBANK CORP. part-time Director)
- * Yahoo Japan Corporation chairman Masayoshi Son (SOFTBANK CORP. President)

Yahoo Japan Corp. President and CEO Masahiro Inoue has been a part-time Director of SOFTBANK CORP. since June 2001. In addition, he sits on the boards of three other companies 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.

2) Business Relationship with Yahoo! Inc.

a. Licensing Agreements with Yahoo! Inc.

Group operations are based on a licensing agreement with Yahoo! Inc., the founder of the Company and owner of 33.5% of voting shares as of June 30, 2005. The Yahoo! trademark, software and tools (hereinafter referred to as "the trademark") used in the operation of the Group's Internet directory search services are the property of Yahoo! Inc. The Group conducts business operations under a license obtained for the use of the trademark. As such, the agreement with Yahoo! Inc. is critical to the Group's core operations.

License name: YAHOO! JAPAN LICENSE AGREEMENT
Contract date: April 1, 1996
Contract term: From April 1, 1996; termination date unspecified Note: The license agreement may be terminated under the following conditions: mutual decision by the companies to terminate the agreement; cancellation of the agreement following bankruptcy or loan default by one of the companies; purchase of one-third or more of the Company's outstanding shares by a competitor of Yahoo! Inc.; merger or acquisition rendering Yahoo! Inc. and SOFTBANK CORP. incapable of maintaining over 50% of shareholder voting rights of the ongoing company (may be waived by agreement of Yahoo! Inc.).
Contracted party: Yahoo! Inc.
1) Licensing rights granted by Yahoo! Inc. to the Company: <ul style="list-style-type: none">* Non-exclusive rights granted to the Company for reproduction and use of Yahoo! Inc.'s Internet directory search and other services customized and localized for the Japanese market (hereinafter referred to as "the Japanese version of the Yahoo! directory 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! directory search services
2) Non-exclusive licensing rights granted (gratis) to Yahoo! Inc. worldwide for use of Japanese content added by the Company
3) Royalties to be paid by the Company to Yahoo! Inc. (see Note)

Note:

Royalty calculation method

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

* When Yahoo Japan Corp. plans to enter into new business that has different gross margin structure than those of existing Yahoo Japan Corp. business, both parties will discuss the appropriate calculation method to be applied to such new business.

b. The Yahoo! Brand and Cooperation Overseas

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

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

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

c. Other Joint Directorships

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

3) Share Distribution

As of June 30, 2005 the major shareholders of Yahoo Japan Corp. held a very high stake in the Company, with over 75% of equity owned by SOFTBANK CORP. and Yahoo! Inc. The Company has requested the cooperation of these major shareholders in decreasing the proportion of fixed shares. However, if these efforts fail to make progress, it is possible in a worst-case scenario that the Company could violate the listing standards of the exchanges on which its shares are listed.

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

6. Dependence on Specific Customers and Third Parties

1) Sales Dependence on Specific Customers

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

In terms of advertising sales, Group revenue from sales agents, such as certain advertising companies and media reps, provides a high proportion of advertising sales. Moreover, advertising revenues from Sponsor Sites operated through a business alliance with Overture K.K. are growing steadily, and account for a significant proportion of total advertising sales.

In the other divisions, the Group has major business transactions with specific companies among its sales customers, and these transactions account for a growing percentage of the Group's sales.

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

2) Dependence on Third Parties

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

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

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

7. Technological Innovation and Research and Development

1) Keeping Up with Technology

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

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

2) Research and Development

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

The market is crowded with entrants and highly competitive; technological innovation is the norm; the pace of change is rapid; and service life cycles are short. For that reason, the Group intends to improve operating efficiency by hiring specialists and technically skilled staff and undertaking business cooperation with other companies with proven records in the business. In order to respond quickly to the changing market needs, organizational enhancement for service planning and for system development is also our focus. However, there is the possibility of failure in making the intended sales and profit for reasons such as systems taking much longer to build or development costs rising much higher than intended. Focusing investment on the development of these services may negatively affect the development and operations of other services of the Group. In addition, technical and operating problems could result in subscriber demands for compensation.

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

8. Group Business Operations

1) Maintenance and Control of Service Quality

a. Acquisition of Quality Information and Content

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

b. Advertising Guarantee

As already mentioned, advertising contract periods and page views ("hits") are guaranteed for many of our products, and advertising fees are based on them. However, failure to obtain the number of required hits during problems with the Internet connectivity environment and/or problems with the system could force the

Group to extend advertising contract periods or devise some other type of compensation that could negatively impact Group advertising revenues.

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

c. Equipment Investment for Quality Service

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

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

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

d. Diversification and New Business

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

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

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

2) Internal Control System

a. Operations and Management

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

b. Human Resource Management as Business Expands

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

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

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

c. Continued Support from Senior Management, etc.

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

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

plan and indeed may reduce their motivation and cause them to leave the Group.

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

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

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

e. Risk of Customer Creditworthiness

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

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

3) Operating a Consolidated Group

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

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

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

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

1) Funds Procurement for Yahoo! ezPay Service

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

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

reimbursement funds could increase to a level where, if interest rates rise higher, interest payments to banks or other financial institutions could have a significant negative impact on Group business and performance.

2) Funds Procurement for Yahoo! JAPAN Card Service

The Yahoo! JAPAN Card differs from the joint cards that the Group has offered in the past in that the Group is the credit-card issuer and will be providing credit to those who are issued the card. The Group will also be reimbursing payments made by cardholders to the merchants honoring the card. Since payments will be collected from cardholders monthly while reimbursements to merchants will be made about three times per month, it will be necessary to finance those reimbursements. The Group is considering diversification of its funding sources as the business expands, but the possibility remains that the Group will not be able to obtain the necessary funding for reimbursements to merchants at a suitable cost.

10. Risk Related to Loans and Investments

1) Loans and Investments

As of June 30, 2005, the companies or organizations in which the Group has invested pursuant to business ties or forming business ties in the future are as shown below. The Group cannot guarantee that these investments will be recovered.

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

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

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

2) Participation in the Finance Scheme for Yahoo! BB

In the July 17, 2003 meeting of the Board of Directors, based on the following finance scheme, the Group decided to provide a mezzanine loan to finance the Japan branch of a special-purpose company (SPC) being established to increase the liquidity of the assets of SOFTBANK BB Corp. (SBB). The SPC is BB Modem Rental Plc., and it is registered in the Cayman Islands. On July 31, 2003 the Group made a loan of ¥5.7 billion that will mature in 42 months.

Finance Scheme Summary

- * The SPC will raise a total of ¥19.14 billion from several lenders as loans and as investments in a Tokumei Kumiai (TK), an anonymous partnership. This amount is structured as senior and mezzanine loans and a TK investment.
- * The SPC will acquire modems and a modem-rental agreement from SBB, and will pay SBB for them using the funds raised.
- * The SPC will operate a modem-rental business and pay principal and interest to lenders and dividends to TK investors using cash flow generated from the underlying assets (rental fee revenues).
- * In cases where modem-rental fees are not paid using underlying assets, SBB will provide credit compensation under terms outlined in the guarantee agreement.

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

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

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

Main Companies Invested in by Yahoo Japan Corporation

(As of June 30, 2005)

	Investment targets	Listing	Date of acquisition (See Note 1)	Stake (%)	B/S accounting amount (¥ M) (See Note 2)	Line of business	Relationship with the Company	Directors on loan
Investment securities								
1	Internet Research Institute, Inc.	TSE Mothers	98/08/01	9.8	5,986	Internet technical-support service		
2	Vector Inc.	OSE Hercules	99/03/26	10.7	1,946	Sales of download licenses for personal computer software	Alliance for Yahoo! Computers	Yes
3	SOFTBANK Internet Technology Fund No. 1		00/02/21		1,109			
4	Aozora Trust Bank, Ltd.		05/04/28	14.9	875	Banking and trust services	Alliance for online banking operations	
5	Oricon Inc.	OSE Hercules	00/03/30	1.5	463	Construction and supply of music-related databases	Alliance for Yahoo! Music/Music shopping	
6	Weathernews Inc.	TSE 1st Section	99/06/01	3.8	340	Weather observation, data collection and analysis, weather forecast, and related information services		
7	E-net Japan Corporation	OSE Hercules	00/12/16	4.8	252	Sales of personal computers, audiovisual and home equipment on the Internet	Yahoo! Shopping/Auctions tenant	
8	CyberMap Japan Corp.		98/04/01	8.3	50	Internet-based map information service ("Mapion")	Alliance for Yahoo! Maps	Yes
9	Carview Corporation		99/10/05	6.5	38	Offering car-related information, quotes and dealer introductions	Alliance for Yahoo! Autos	
10	ITmedia Inc.		00/08/12	5.1	18	General IT information site	Alliance for news distribution service on Yahoo! Computers	
Shares in affiliated companies								
1	ValueCommerce Co., Ltd.		05/04/11	49.7	10,419	Affiliate program services, Internet advertising, etc.	Alliance for shopping business etc.	Yes
2	All About, Inc.		04/09/08	41.3	1,991	General information site based on expert guides, Internet advertising	Comprehensive alliance to solicit customers for both sites	Yes
3	CREO. CO., LTD.	Jasdaq	05/01/26	36.9	1,382	System development; planning, development and sale of software packages; and support services.	Business alliance for system development	Yes
4	JWord Inc.		05/01/28	33.4	870	Japanese keyword search service ("JWord")	Alliance for Yahoo! JAPAN directory search services	Yes
5	YUME NO MACHI SOUZOUINKAI CO., LTD.		04/10/20	29.9	365	Internet-based ordering of delivery services	Alliance for Yahoo! Gourmet	Yes
6	Tavigator, Inc.		00/03/07	30.0	144	Sales of travel gear on the Internet	Alliance for Yahoo! Travel and Yahoo! Shopping tenant	Yes
7	INTAGE Interactive Inc.		02/10/01	49.0	109	Internet-based marketing research services	Alliance for Yahoo! Research	Yes
Investments								
1	Other investments				82			

Notes:

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

Company	B/S accounting amount (¥M)	Line of business
Firstserver, Inc.	1,971	Server rental, domain registration, and other Internet-related information processing services
ALPS MAPPING K.K.	810	Planning and creating regional maps, and providing regional map data and regional information services and others
VACS Corporation	240	Development and sale of PC software
BridalNet, Inc.	229	Web-based marriage matchmaking service
NETGENE Co., Ltd.	168	Development of applications for mobile devices
Surfmonkey Asia Inc.	123	Internet browsing censorware for homes and schools
Netrust, Ltd.	120	On-line settlement services
Indival, Inc.	120	Web-based recruiting services
UniCept, Inc.	50	Consulting for Internet business and planning, development and operation of a range of services
Y's Insurance Inc.	30	Life/non-life insurance agency business
Seven and Y Corp.	18	Internet-based sale of publications, CDs, DVDs, etc. and related services
GeoCities Japan Corporation	10	Maintaining domain names (for maintaining services being offered by the Company)
broadcast.com japan k.k.	10	Maintaining domain names (for maintaining services being offered by the Company)
Y's Agencies Inc.	10	Planning and sale of ad products
Y's Sports Inc.	0	Collecting sports information and producing articles and content
BridalConcierge Corp.	0	Maintaining domain names (for maintaining services being offered by the Company)
CURIOCITY CORP.	0	Operation of shopping portal
egg-i.inc.	-	Wholly owned subsidiary of NETGENE Co., Ltd. Currently, not in actual operation.
eS!Books Research CORP.	-	Wholly owned subsidiary of Seven and Y Corp. Maintaining domain names.