



# **Yahoo Japan Corporation FY 2008-1Q Business Results**

**(April-June 2008)**

**July 25, 2008**

**Statements made at the meeting or included in the documents that are not historical facts are forward-looking statements about the future performance of Yahoo Japan Corporation and its consolidated subsidiaries and affiliates.**

**The Company cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include, but are not limited to, the items mentioned in the Risk Factors in “Results for the Fiscal Year and Three Months ended June 30, 2008.”**

**Commencing with the 1st quarter of fiscal 2008, we started indicating revenue on a net rather than gross basis, by eliminating certain items in cost of sales and SG&A. In some parts of this document, however, we indicate revenue during the period under review on a gross basis, just for the reference of readers. Readers are cautioned to be careful when comparing these figures with prior performances.**

**【The following items are eliminated from Revenue, Cost of Sales, and SG&A, when indicated on a net basis】**

- Display advertising agency commissions**
- Traffic Acquisition Cost (TAC) of partners on display advertising network**
- TAC of partners for paid search advertising (Overture K.K.)**
- Payment commissions for settlement-related business (Netrust, Ltd.)**

**The unauthorized use of the information or the data in this document is not permitted.**



# FY2008 1Q Highlights (1)

(April 2008 – June 2008)

- In the first quarter, the revenue amounted to ¥65.5 billion.\* Operating income was ¥32.8 billion, increasing 10.9% from a year earlier. Ordinary income totaled ¥32.4 billion, rising 13.6% over the same period last year. Net income climbed to ¥19.1 billion, advancing 18.2% year on year.

(\* ) Commencing with the first quarter, the Company changed its method of accounting for the traffic acquisition cost (TAC) paid to other partner sites and recorded in the cost of sales and the commissions paid to sales agencies and others, and recorded in SG&A expenses to a net of sales method (presentation and booking on net basis). Calculated using the previous gross basis method, revenue for the first quarter would have been ¥72.5 billion.

Hereinafter, calculations of revenue are on a net basis (presentation and booking on net basis) or the previous gross basis as indicated below.

¥100 million	Revenue (Net basis)	Changes YOY	Revenue (Gross basis)	Changes YOY
Advertising	336	37.4%	393	60.6%
Business Services	140	-0.5%	143	1.9%
Personal Services	178	-1.2%	188	3.9%
Total	655	15.6%	725	27.9%



# FY2008 1Q Highlights (2)

(April 2008 – June 2008)

- **In the advertising business, sales of behavioral targeting advertising that targets users according to their past history of Internet usage surged year on year. Sales of the business's core product, Prime Display, also increased. Paid search advertising sales also rose substantially from a year earlier due to the consolidation of Overture K.K. and greater use of its services by non-Group companies due to the Group's open partnership policy. Sales of mobile advertising also made a strong showing on the strength of growth in paid search advertising.**
- **In business services other than advertising, sales of Yahoo! Real Estate increased favorable from the 1st quarter last year, reflecting growth in the number of listings. On the other hand, sales of Yahoo! Rikunabi declined because of the drop-off in hiring sentiment in reaction to the perception of an overall slowdown in the economy. Yahoo! Shopping and Yahoo! Auctions continued their efforts to increase the number of merchant stores during the quarter. As a result, at the end of June, the number of merchant stores registered on Yahoo! Shopping and Yahoo! Auctions totaled 32,061, expanding by 3,693 stores, or 13.0% year on year. In addition, tenant and commission fees for Yahoo! Shopping and Yahoo! Auctions expanded favorably. Notably, the volume of mobile commercial transactions grew sharply during the quarter.**



# FY2008 1Q Highlights (3)

(April 2008 – June 2008)

- In the personal service business, Yahoo! Auctions' revenues from system-use fees declined slightly despite the implementation of various measures to increase the number of auction items listed and higher levels of use by mobile phone users. Efforts by the Yahoo! Premium membership IDs breaking through the 7 million IDs mark during the quarter. In addition, Yahoo! Premium commenced member-exclusive prize campaigns as a new approach in collaboration with non-Group business partners for services including non-Internet services. Sales of pay content services soared due mainly to growth in sales of Yahoo! Partner and Yahoo! Comics.
- The Group will start full-scale operations of Interest Match™ advertising services beginning in the fall. The service offers superior functions compared with existing content-linked advertising.
- As part of its environmental protection activities, the Group commenced carbon neutral activities during the quarter. For Yahoo! JAPAN users, the Group introduced Yahoo! Carbon Offset services.

# FY2008-1Q Financial Results (Consolidated)

## •Consolidated subsidiaries at the end of FY2008-1Q

- ◆ Firstserver, Inc.
- ◆ Netrust, Ltd.
- ◆ Overture K.K.
- ◆ Yahoo Japan Value Insight Corporation
- ◆ Y's Agencies Inc.
- ◆ Y's Sports Inc.
- ◆ Indival, Inc.
- ◆ NewsWatch, Inc.
- ◆ Tricle Inc.
- ◆ Y's Insurance Inc.

## •Affiliated companies (equity method) at the end of FY2008-1Q

- ◆ All About, Inc.
- ◆ CLASSIFIED Corporation.
- ◆ Fashion Walker, Inc.
- ◆ Oricon DD, Inc.
- ◆ Tavigator, Inc.
- ◆ TV Bank Corporation
- ◆ YUME NO MACHI SOUZOUINKAI CO., LTD.
- ◆ 4travel, Inc.
- ◆ BestReserve Co. Ltd.
- ◆ CREO CO., LTD.
- ◆ JWord Inc.
- ◆ Seven and Y Corp.
- ◆ TELEWAVE, INC.
- ◆ ValueCommerce Co., Ltd.



# FY2008-1Q Statements of Income

	08/4-6 (Net basis)	08/4-6 (Gross basis)①	07/4-6 (Gross basis)	Changes (Gross Comparison)
Revenue (¥100M)	655	725	566	28 %
Cost of Sales (¥100M)	69	107	24	346 %
Gross Profit (¥100M)	586	617	542	14 %
Operating Income (¥100M)	328	328	296	11 %
Ordinary Income (¥100M)	324	324	285	14 %
Quarterly Net Income (¥100M)	191	191	162	18 %
EPS (¥)	317.50	317.50	267.95	18 %
Number of Shares Outstanding (Million) (Average of period)②	60.34	60.34	60.47	-0 %
Fully Diluted EPS (¥)	317.09	317.09	267.57	19 %
Number of Shares Assuming Full Dilution (Million) ②	60.42	60.42	60.56	-0 %

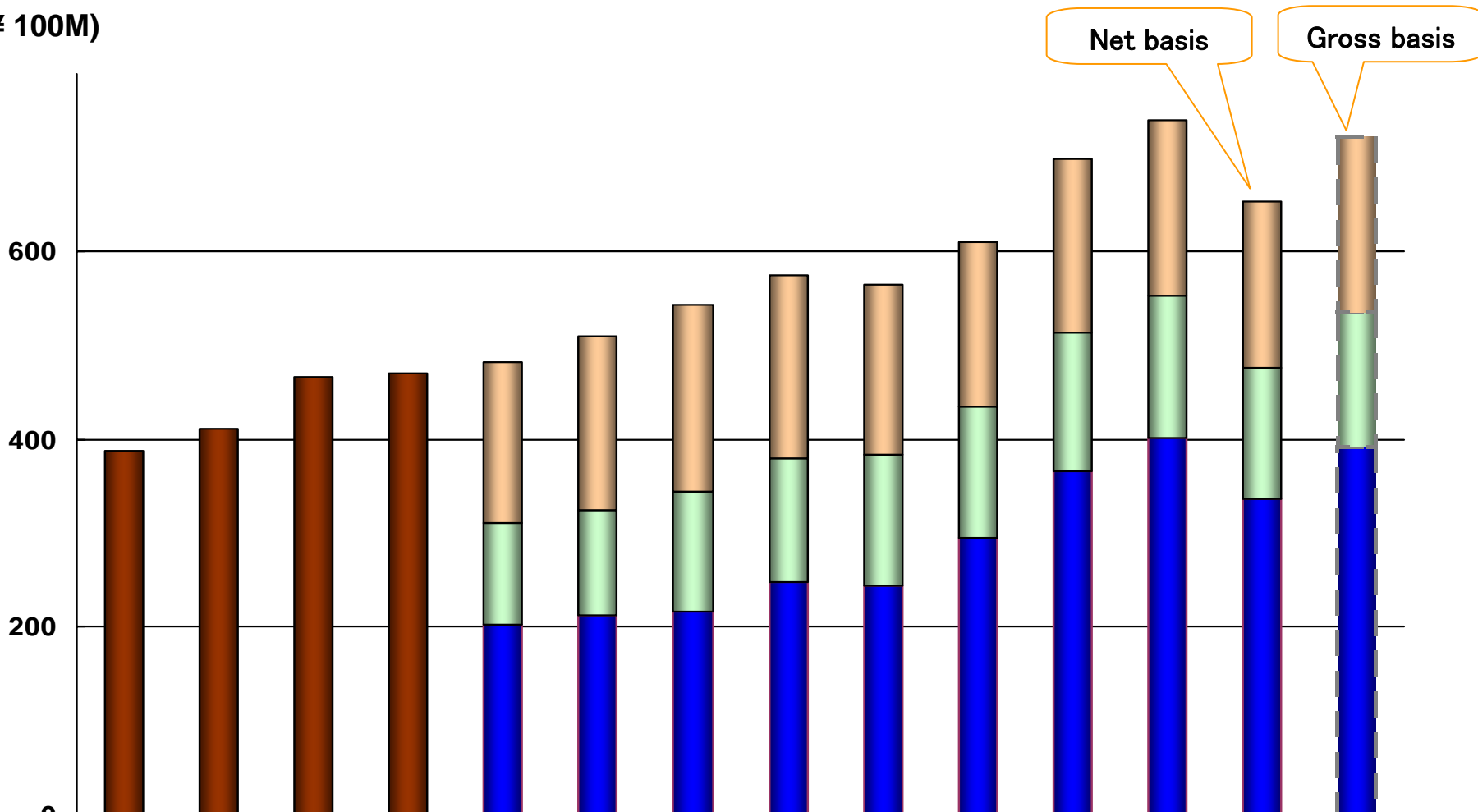
**Notes:**

- ① Figures on gross basis for 08/1Q are for your reference.
- ② Number of Shares Outstanding and Number of Shares Assuming Full Dilution are excluding treasury stocks.



# Quarterly Revenue

(¥ 100M)



	05/4-6	7-9	10-12	06/1-3	4-6	7-9	10-12	07/1-3	4-6	7-9	10-12	08/1-3	4-6	
													Net	Gross
Revenue	388	411	466	470	492	512	545	575	566	610	700	742	655	725

• Figures on gross basis for 08/1Q are for your reference.

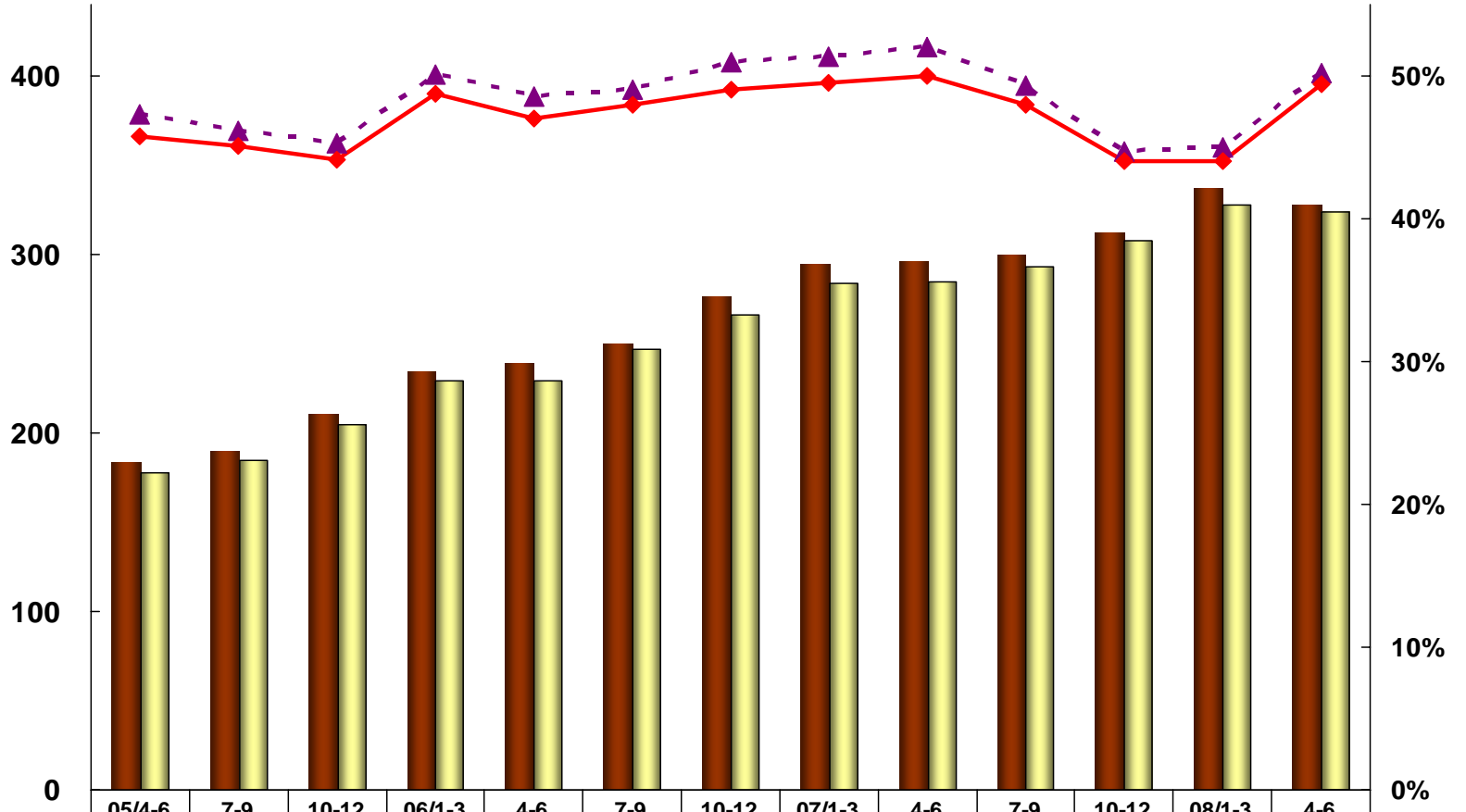






# Quarterly Profits

(¥ 100M)



	05/4-6	7-9	10-12	06/1-3	4-6	7-9	10-12	07/1-3	4-6	7-9	10-12	08/1-3	4-6
Operating Income	184	190	211	235	239	250	276	295	296	300	312	337	328
Ordinary Income	178	185	205	229	229	247	266	284	285	293	308	328	324
Operating Margin	47%	46%	45%	50%	49%	49%	51%	51%	52%	49%	45%	45%	50%
Ordinary Margin	46%	45%	44%	49%	47%	48%	49%	49%	50%	48%	44%	44%	49%

\*Margins for 08/4-6 are affected by the change in the presentation basis for revenue from gross basis to net basis.





# FY2008-1Q Revenue Breakdown by Business (Net basis)

(¥ 100M)

	Revenue	Sales Breakdown by Business Unit		Gross Profit	SG&A	Operating Income	Operating Margin
Advertising	336	Search Business & Overture K.K.	64%	287	109	177	52.8%
		Media Business	11%				
		Service Supervising Division	9%				
		Social Net Business	3%				
		Auction Business	3%				
Business Services	140	New Businesses Office	24%	122	66	55	39.7%
		Auction Business	17%				
		Lifestyle Business	16%				
		Regional Services Business	15%				
		Shopping Business	14%				
Personal Services	178	Auction Business	46%	177	49	127	71.5%
		Member Services Business	45%				
		New Businesses Office	4%				

\*Since Yahoo! Rikunabi has been transferred from the Regional Services Business to the Lifestyle Business, there was a significant change in the sales breakdown by business unit of the Business Services segment.



# SG&A Breakdown

(¥ 100M)

	08/1Q (Net)	%	07/4Q (Gross)	QoQ Change	07/1Q (Gross)	YoY Change
Personnel expenses	61	23.9%	62	-1.5%	50	21.2%
Business commissions	42	16.7%	41	3.0%	37	14.7%
Depreciation expenses	23	9.2%	28	-15.8%	20	14.7%
Communication charges	22	8.6%	21	1.4%	20	7.4%
Royalties	19	7.6%	21	-9.7%	16	21.6%
Lease and utility expense	17	6.8%	18	-4.9%	9	91.1%
Sales promotion costs	14	5.6%	12	12.4%	10	36.8%
Content provider fees	13	5.2%	13	-0.1%	12	7.6%
Sales commissions	10	4.0%	30	-66.7%	26	-61.6%
Administrative and maintenance expenses	5	2.2%	5	10.0%	6	-7.8%
Advertising costs	3	1.2%	3	-8.1%	2	25.1%
Tax and public dues	2	1.1%	3	-10.6%	2	12.7%
Payment commissions	2	0.8%	14	-85.0%	11	-80.4%
Amortization of goodwill	2	0.8%	3	-44.2%	3	-46.1%
Allowance for doubtful accounts	1	0.7%	3	-44.5%	5	-65.1%
Others	14	5.5%	9	48.5%	10	35.4%
<b>SG&amp;A Total</b>	<b>257</b>	<b>100.0%</b>	<b>293</b>	<b>-12.5%</b>	<b>246</b>	<b>4.5%</b>

## Major factors for YoY changes

Increase in personnel (4,164 at the end of 08/1Q: 745 increase from 07/1Q)

Expenses for temporary and contracted employees, expenses for charging fees from individuals, etc.

Acquisition of software and servers

Temporal decrease in lease expenses for 07/1Q due to office relocation

Increase in expenses for granting Yahoo! Points, promotional expenses spent on SEM

Business commissions for ad agencies are excluded due to change in the presentation method.

Payment commissions of Netrust, Ltd. are excluded due to change in the presentation method.

Higher debt collection rate for individual customers



# FY2008-1Q Balance Sheets

Major Items	2008/6/30	2007/6/30	Increase/ Decrease	Major Factors for Increase/Decrease	(¥ 100M)
<b>&lt; Assets &gt;</b>					
<b>Current Assets</b>	1,148	934	214		
Cash and Cash Equivalents	666	553	113	Payment due to acquisition of own stocks 33.3 billion yen.	
Notes and Accounts Receivable -Trade	341	283	58		
<b>Fixed Assets</b>	2,036	2,059	-23	Increase in earnings from advertising business	
Tangible Fixed Assets	163	162	1		
Intangible Fixed Assets	146	145	0		
Investment Securities	1,616	1,658	-41	Impairment loss on the stock of ValueCommerce Co., Ltd	
<b>Total Assets</b>	<b>3,185</b>	<b>2,994</b>	<b>190</b>		
<b>&lt; Liabilities &gt;</b>					
<b>Current Liabilities</b>	738	567	170		
Short-term Borrowings	200	201	-1	Acquisition of own stocks	
Accounts Payable-Other	169	108	60		
Accrued Income Taxes	123	114	8		
<b>Long-term Liabilities</b>	200	400	-199	Repayment of borrowings	
<b>Total Liabilities</b>	<b>938</b>	<b>967</b>	<b>-29</b>		
<b>&lt; Net Assets &gt;</b>					
<b>Shareholders' Equity</b>	2,211	1,997	213		
Common Stock	73	72	1		
Capital Surplus	24	22	1	Increase in net income	
Retained Earnings	2,494	1,902	591		
Treasury Stocks	-381	-0	-381	Acquisition of own stocks	
Unrealized Gains on Available for Sales Securities	8	10	-2		
Minority Interests in Consolidated Subsidiaries	25	17	7		
<b>Total Net Assets</b>	<b>2,246</b>	<b>2,026</b>	<b>219</b>		
<b>Total Liabilities and Net Assets</b>	<b>3,185</b>	<b>2,994</b>	<b>190</b>		



# FY2008-1Q Cash Flow Statements

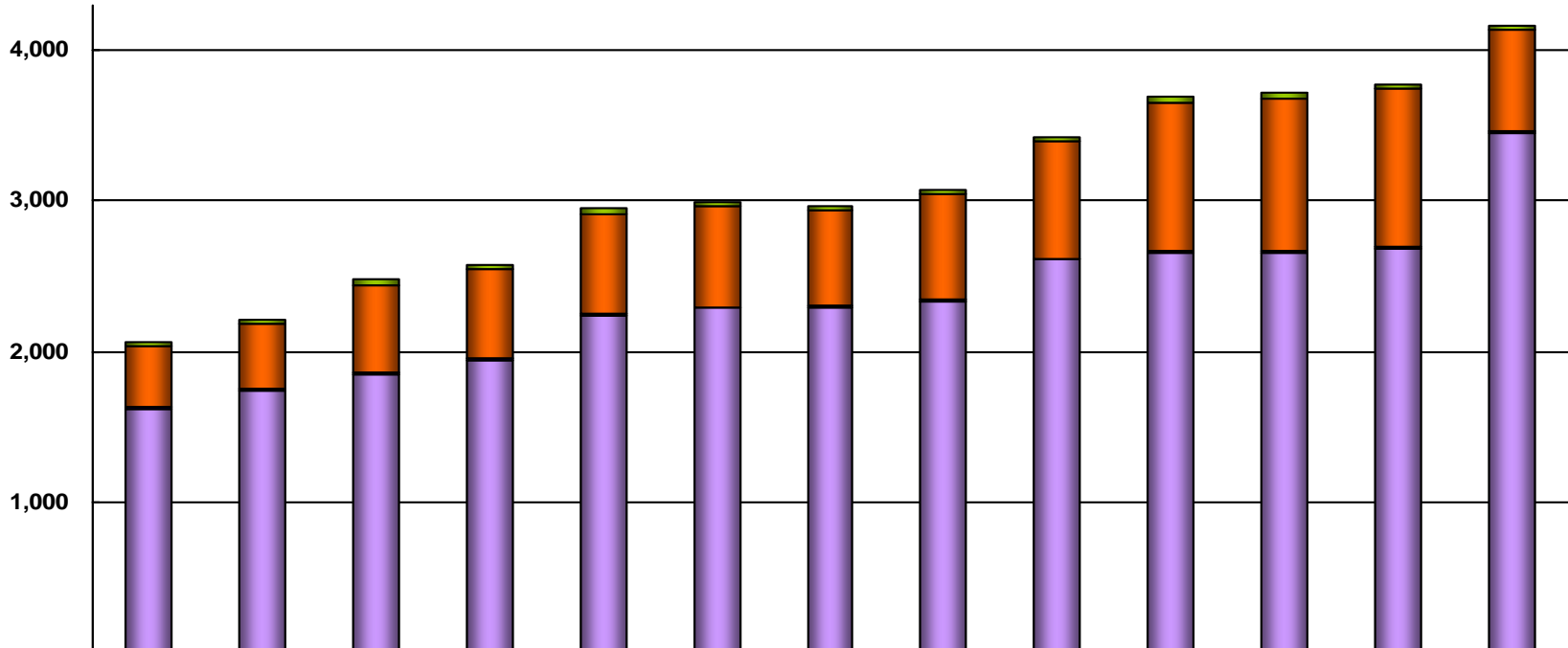
<b>Major Items</b>	<b>FY2008-1Q (Apr.-June 2008)</b>	<b>Major Factors for Changes</b>	<b>(¥ 100M)</b>
<b><u>Operating Activities</u></b>	<b><u>54</u></b>		
Net Income before Income Taxes	331	Increase in quarterly net income before income taxes	
Depreciation Expenses	25		
Decrease in Accounts Receivable/Payable-Trade	10		
Payment of Income Taxes and Other Taxes	-290		
<b><u>Investing Activities</u></b>	<b><u>-18</u></b>		
Purchase of Tangible Fixed Assets	-23	Acquisition of servers and software	
Purchase of Intangible Fixed Assets	-8		
Acquisition/Sales of Investment Securities	9		
<b><u>Financing Activities</u></b>	<b><u>-498</u></b>		
Redemption of Long-Term Borrowings	-100		
Acquisition of Own Shares	-333		
Payment of Dividends	-63		
<b><u>Net Change in Cash Flows</u></b>	<b><u>-463</u></b>		



# Number of Directors and Employees

(Number of People)

(at the End of Quarter)



	05/6	9	12	06/3	6	9	12	07/3	6	9	12	08/3	6
Directors and Auditors of Subsidiaries	27	27	33	33	31	31	25	27	27	33	31	32	26
Employees of Subsidiaries	417	438	583	594	669	670	634	711	773	990	1,015	1,053	680
Directors and Auditors of Yahoo! JAPAN	9	9	9	9	9	9	9	9	9	9	9	9	9
Employees of Yahoo! JAPAN	1,616	1,740	1,849	1,940	2,239	2,289	2,293	2,331	2,610	2,658	2,662	2,686	3,449
<b>Total</b>	<b>2,069</b>	<b>2,214</b>	<b>2,474</b>	<b>2,576</b>	<b>2,948</b>	<b>2,999</b>	<b>2,961</b>	<b>3,078</b>	<b>3,419</b>	<b>3,690</b>	<b>3,717</b>	<b>3,780</b>	<b>4,164</b>

■ The above figure does not include those who hold posts both at Yahoo! JAPAN and subsidiaries or have been dispatched from Yahoo! JAPAN.





# Review of FY2008 1Q Business Outlook

- With economic conditions more sluggish than forecast, sales of businesses such as display advertising, paid search advertising, recruiting were slow in FY 2008-1Q.
- In addition to variable costs being lower than projected, we curtailed communication expenses and expenses of subsidiaries. We also made efforts to improve the debt collection ratio for individuals and lowered the Allowance for Doubtful Accounts.

(¥ 100M)

Consolidated	Net basis	
	Actual	Forecast (As of April 25)
Revenue	655	653~683
Operating Income	328	315~338
Ordinary Income	324	310.5~333.5
Quarterly Net Income	191	180~194



# FY2008-2Q Business Outlook

## (Consolidated)

Tough business conditions may continue for a while. Although the display advertising and recruiting businesses are facing challenging conditions for cyclical reasons, we will try to offset them with growth in paid-search advertising and Yahoo! Premium membership. We forecast 2Q revenues will be the same level as in the 1Q. SG&A expenses are expected to increase by approx. ¥1 billion compared with the previous quarter.

\* Comparisons are on a net basis.

(¥ 100M)

	07/2Q (Actual) Gross	08/2Q (Forecast) Gross	08/1Q (Actual) Net	08/2Q (Forecast) Net
Revenue	610	723~759	655	653~686
Operating Income	300	319~338	328	319~338
Ordinary Income	293	315.5~334.5	324	315.5~334.5
Quarterly Net Income	130	184~195.5	191	184~195.5

- Since the business environment of the Group can fluctuate substantially in the short term, it is extremely difficult to forecast performance for the full fiscal year with a high degree of confidence. Therefore, the Group announces its financial results on a quarterly basis together with the business outlook only for the following quarter.
- Figures on gross basis for 08/2Q are for your reference.

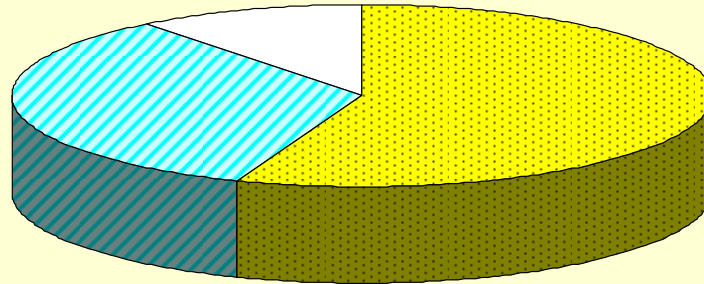




# Starting Interest Match™ Service ①

## Web search query market shares in Japan

Yahoo! JAPAN has the largest share



■ Yahoo! JAPAN    ■ Google    □ Other web search sites

Source: Video Research Interactive, access from home, Web Report. May 2008

※Websites analyzed :Yahoo!/Google/MSN/goo/Biglobe/ocn/nifty/excite/infoseek/au one/so-net/livedoor/askjeeves/odn/fresheye/ aol/hi-ho: 17 sites in total.

※The shares were calculated based on the data of search result pages of the above 17 sites.

Paid search advertising income system market share:

**Yahoo! JAPAN vs. Google = approx. 3 : 1**

(excluding content-linked advertising / Yahoo Japan Corporation estimates)

# Starting Interest Match™ Service ②

## ■ Content-Linked Advertising Market in Japan

- Still immature at this point, but anticipated to grow into a market of similar scale to the paid-search advertising market.

## ■ The Group plans to begin offering Interest Match™, a content-linked advertising product with superior functions compared with traditional products.

### <Special Features>

- Interest Match™ analyzes the viewing history and search history of the user and delivers the optimum advertisement.
  - Interest Match™ can also deliver advertising based on demographic targeting (gender, age, and other details), area targeting, and time targeting.
- ◆ Full-scale use scheduled to start in fall 2008. The Group will aim to expand sales using the customer network and sales know how of Overture K.K.



# Commenced Spot & Search Service on a Trial Basis

We launched a test version of our new ad product “Spot & Search” (Offered to certain advertisers on a trial basis)

## ■ Special features of Spot & Search service

- When keywords shown in TV commercials are searched for on Yahoo! JAPAN, a video streaming advertisement or others for the product is delivered to the page. The service aims to achieve a higher advertising impact by using two different media.

TVCM screen



Yahoo! JAPAN search result page



Hewlett-Packard Japan, Ltd



# Measuring the Effect of Internet Advertising

## ■ Survey announced in April 2008

- In collaboration with Video Research Interactive Inc., NTT Resonant Inc., and Microsoft Corporation, the Group conducted a survey on branding impact in Internet advertising (Survey period: March to December 2007).

## ■ Survey Result Highlights

### Measurement of Internet advertising branding impact:

29.1% of people seeing the advertisement remember the advertisement.

30.4% of people remembering the advertisement want to buy or use the product.

### Measurement of Internet advertising impact by frequency:

Each time people see the advertisement up to 12 times, they have better recognition of the ad, with improved positive feelings.

Seeing the ad more than 13 times improves understanding of the message and increases interest in buying or using the product.

### Measurement of Internet advertising impression:

Out of 10 million distributions of the advertisement, 1.3 million people remember the advertisement. Also, 570 thousand people are interested in the product, and 380 thousand people want to buy or use the product.

# Y! “Yahoo! Everywhere” Strategy

Further expand services to mobile phones, TV sets, and other devices.



Began Internet service for Sharp Corp.'s AQUOS



Renewed Yahoo! Keitai top page for Softbank mobile services



Started services for iPhones



# Carbon Neutral Activities

As part of the Group's environmental protection activities, began carbon neutral activities.

## **Offset for the Company's energy consumption:**

- With its electric power consumption for fiscal 2007 as a target, the Company plans to acquire Green Electric Power Certification and to purchase a carbon quota (a carbon credit) during fiscal 2008. The Company is planning about ¥200 million purchase in fiscal 2008, and is expecting to continue this program from fiscal 2009 onward.

## **Offer a carbon offset services to users:**

- Beginning a carbon offset service for individuals through Yahoo! Points and Yahoo! Wallet that enables individuals to purchase a carbon quota (a carbon credit) to offset their carbon emissions.



# Activities to improve customer support system

## ■ Establish a subsidiary specializing in customer support services

- Revise the previous outsourcing system for customer support and establish an outsourcing system and an internal operations system that diversifies risk and makes highly effective use of expenses.
- Based on the cooperation of regional municipal bodies, plan to establish support centers in Kochi and Oita prefectures.

## ■ Purpose

- Offer a higher quality of customer support services by establishing an operations system based on a subsidiary.
- Save expenses but improve efficiency.
- Create employment opportunities in regional markets.

# Review of Operations





# Businesses of Yahoo! JAPAN

## Advertising Business

### Internet advertising

- Display advertising such as banners
- Paid listing service offered by Overture K.K., a newly consolidated subsidiary on Sept. 2007, etc.

## Business Services Business

### Business services other than advertising

- Information listing fees for Yahoo! Rikunabi, Yahoo! Real Estate, Yahoo! Autos, and others
- Tenant fees and sales commissions from merchant stores of Yahoo! Auctions and Yahoo! Shopping
- Yahoo! BB customer acquisition incentive revenue and continuing incentive revenue
- Yahoo Japan Value Insight Corporation, Firstserver, Inc., etc.

## Personal Services Business

### Personal services

- System-use fees for Yahoo! Auctions
- Yahoo! Premium membership revenues
- Yahoo! BB ISP fees
- Netrust, Ltd.
- Pay content, etc.



# Advertising Business

## Display advertising (Banner advertising, etc.)

- Sales of behavioral targeting advertising, which targets users according to their past history of usage, rose sharply, especially to real estate and construction; finance, insurance, and securities; transportation and leisure; automobile-related; cosmetics and toiletries; and foodstuffs companies.
- Sales of high-visibility and -expressiveness network products, such as Prime Display, and our Brand Panel Internet CM Plus product, grew firmly, primarily to National Clients seeking high branding impact.

## Sales of paid-search advertising (Search Business and Overture K.K.)

- Advanced significantly due to the conversion of Overture K.K. to a consolidated subsidiary and the increase in the number of partner sites use of paid-search advertising services.

## SG&A expenses

Main items were personnel expenses, content provider fees, and communication charges.



# Display Advertising Sales by Industry

## Industries with large year on year increase

- Real Estate/Construction
- Autos (Transport Equipment)
- Transportation/Leisure

## Industries with high year on year growth rate

- Entertainment Related Software
- Transportation/Leisure
- Real Estate/Construction

	07/1Q	2Q	3Q	4Q	08/1Q
Finance/Insurance/Securities	17.8%	17.8%	15.8%	18.9%	18.1%
Autos (Transport Equipment)	10.2%	12.0%	10.8%	11.8%	12.3%
Real Estate/Construction	9.8%	10.0%	9.2%	11.4%	12.1%
Cosmetics/Toiletries	7.7%	8.5%	7.7%	6.3%	9.2%
Transportation/Leisure	6.2%	6.4%	7.3%	9.1%	7.9%
Beverages/Cigarettes	4.8%	5.0%	2.9%	2.4%	5.0%
Fashion/Accessories	3.1%	2.7%	3.2%	2.4%	3.7%
Recruitment Services	5.1%	4.0%	4.0%	4.6%	3.6%
Foodstuffs	3.3%	3.4%	2.6%	2.7%	3.5%
Entertainment Related Software	2.6%	2.3%	3.5%	2.7%	3.4%
Mobile Communications Service	6.1%	4.7%	8.5%	3.9%	3.3%
Computers/Office Equipment	4.2%	3.2%	3.8%	6.8%	3.2%
Others	19.1%	20.0%	20.7%	17.0%	14.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\* The above figures do not include revenues from paid listing advertising.



# Business Services Business

## **E-commerce-related revenues (Auction Business, Shopping Business, etc.)**

- At the end of June 2008, the number of merchant stores registered on Yahoo! Shopping and Yahoo! Auctions totaled 32,061 increasing by 3,693 stores, or 13.0% year on year. Commerce-related revenues also expanded along with this growth, with mobile transaction volume in particular increasing substantially.

## **Information listing revenues (Lifestyle Business, Regional Services Business, etc.)**

- Sales of Yahoo! Real Estate continued to increase favorably, reflecting growth in the number of listings.
- Sales of Yahoo! Rikunabi declined because of the drop off in hiring sentiment of companies in reaction to the perception of an overall slowdown in the economy.

## **SG&A expenses**

Main items were personnel expenses, business commissions, and sales promotion costs.



# Personal Services Business

## **Yahoo! Auctions system-use revenues (Auction Business)**

- Although there were signs of a slight recovery in the special items category, total commercial transaction volume of Yahoo! Auctions in the first quarter was approximately flat, at ¥184.6 billion. The Yahoo! Auctions system-use revenues recorded in the Personal Services Business declined marginally.

## **Yahoo! Premium membership revenues (Member Services Business)**

- The Member Services Business implemented various measures to enhance the value of membership, such as free 2-month Yahoo! Premium membership for subscribing to Yahoo! BB and starting to collaborate with non-Group business partners in providing member-exclusive perk services. At the end of June 2008, the number of Yahoo! Premium member IDs rose to 7.06 million and sales increased favorably.

## **Pay content services revenues**

- Sales of pay content services were favorable on the strength of growth in sales of Yahoo! Partner and Yahoo! Comics, etc.

## **SG&A expenses**

Main items were business commissions, depreciation expenses, and personnel expenses.

# **Review of Operations by Business Unit**



## FY2008-1Q Review of Operations by Business Unit (1)

### Search Business

- **Yahoo! Answers:** Renewed detailed particulars of questions page, adding category types, topic keywords, and at-a-glance lists of questions being answered. Improved the interface of the mobile version of Yahoo! Answers.
- **Yahoo! Search:** Video clip content of the video clip community site “nico nico douga (SP1)” started to correspond to our search function through a business tie-up with niwango, inc.
- Began offering Website Explorer service for web administrators.
- **Site Search:** At the end of June 2008, a total of 150 groups, including private sector companies and municipal bodies, had decided to use the Site Search function on their websites.
- Launched iPhone version of Yahoo! Search.

### Auction Business

- Conducted various events to increase listing of auction items, including the Item Listing Experience Try-Try-Try Campaign that offers free item listing up to 10 times a month and the List Tons of Items from Your Mobile Phone Campaign.
- As a measure to strengthen prevention of fraud in auction service, began public testing of a phishing prevention browser in cooperation with the National Institute of Advanced Industrial Science and Technology.
- Through a business alliance with ITOCHU-SHOKUHIN Co., Ltd., launched Yahoo! Auctions Japan Roadside Station Specialty Goods Tour, a special site promoting goods of roadside stations nationwide.
- Launched iPhone version of Yahoo! Auctions.



## FY2008-1Q Review of Operations by Business Unit (2)

### Member Services Business

- Ran various campaigns to acquire new subscribers, including free 2-month Yahoo! Premium membership for subscribing to Yahoo! BB, a ¥1,575 monthly discount for 22 months on the Yahoo! BB ADSL 8M service, and a promotion for White Call 24, a service providing free calls between BB Phone and SOFTBANK MOBILE phones.
- Collaborated with other business divisions and external companies in implementing measures to enhance the value of Yahoo! Premium memberships. Began offering special-prize-attached services exclusive for Yahoo! Premium members in collaboration with external companies and ran campaigns offering Yahoo! Points for searches and discounts for pay content services.
- Yahoo! Keitai Shop: Conducted various promotions to strengthen sales, including a Simple Reservation of Summer Models service, limited time sale service, and a White Call 24 promotion.
- Yahoo! Forex: Ran a FX Challenge Campaign offering Yahoo! Points for opening an account. Also, we started a educational service “FX Investment Guidebook”.

### Media Business

- Yahoo! Streaming: Formed business alliance with USEN CORPORATION’s video streaming site Video Complex. Began offering special discounts on Yahoo! Premium membership fees for users that make settlements with Yahoo! Wallet. Added a video streaming plug-in to Yahoo! Messenger version 9.0 (beta version).
- Yahoo! Finance: renewed top page of site as well as top pages of “Stocks and Investment” and “Money.”
- Launched iPhone versions of Yahoo Topics, Yahoo! Finance, Yahoo! Weather, and Yahoo! Streaming.
- Yahoo! Sports: Renewed top page of site. Added a One Pitch News Flash on MAJOR.JP and a customizing function. Also commenced offering information on the sports lottery toto BIG.





## FY2008-1Q Review of Operations by Business Unit (3)

### Lifestyle Business

- Through a tie-up with TUGBOAT, started offering X Brand, an information service that combines and edits information from 20 high-quality magazines in the categories of fashion, gourmet, travel, beauty, and other lifestyle areas.
- Launched Yahoo! Drive, a service offering a collection of information on driving routes and driving spots and a “word of mouth” information posting function.
- Yahoo! Fortune Telling: Renewed top page and Zodiac Horoscope and Zodiac Horoscope Compatibility web pages. Began offering a Fortune Telling Chart service for Yahoo! Profile. Launched iPhone version.
- Yahoo! Gourmet: Commenced a Recipe Note service that allows users to record their favorite recipes and post and manage their own original recipes.

### Shopping Business

- Introduced Yahoo! Shopping bestseller ranking for Sharp Corporation’s full high vision LCD television AQUOS.
- Focused seasonal sales campaigns on Mother’s Day and Father’s Day.
- Formed business tie-up with niwango, inc. for their video clip community site “nico nico douga (SP1)” enabling use of Yahoo! Shopping through the “nico nico douga” service.



## FY2008-1Q Review of Operations by Business Unit (4)

### Regional Services Business

- **Yahoo! Maps:** Improved a peripheral search function and interface design, to get timely-updated maps and regional information easier and quicker.
- **Yahoo! Gourmet:** Added web pages for details of “word of mouth” postings and renewed the overall design of the web site. Started a pizza delivery service in collaboration with the TBS television show “Rookies” and PIZZA-LA for the duration of the campaign period.
- **Introduced the official version of the CGM-based certification service, Yahoo! Everybody’s Certification.** Added a social networking function by linking the service to Yahoo! Profile.
- **Launched iPhone versions of Yahoo! Transit and Yahoo! Maps.**

### Social Net Business

- **Yahoo! Blogs:** Commenced link up with Yahoo! Answers and Yahoo! Profile.
- **Yahoo! Messenger:** Introduced Yahoo! Messenger version 9.0 (beta version), with new functions such as enabling video streaming and pictures to be directly displayed in the message window and voice messages to be listened to online.
- **Launched iPhone version of Yahoo! Mail.**

### Mobile Business

- **Launched iPhone versions of Yahoo! Search, Yahoo! Weather, Yahoo! Sports, Yahoo! Fortune Telling, Yahoo! Finance, Yahoo! Auctions, Yahoo! Mail, Yahoo! Message Boards, Yahoo! Streaming, Yahoo! Transit, Yahoo! Gourmet, and Yahoo! Topics.**
- **Renewed top page of SOFTBANK MOBILE’s portal site Yahoo! Keitai.**
- **Through a business tie-up with HI CORPORATION, launched service for the mobile phone game site “KIRAKIRA STREET.”**



## FY2008-1Q Review of Operations by Business Unit (5)

### New Businesses Office

- **Settlement Services:** Continued to aggressively acquire users of the Yahoo! JAPAN Card Suica. During the quarter, added ability to use Yahoo! Points for Suica charges and to mutually convert Yahoo Points and Suica Points. Increased the number of municipal bodies using Yahoo! Public Utility Payment services up to 14. Introduced the Agency Payment Management Service for Yahoo ezPay, enabling users to settle their auction bill after the purchase item has arrived.
- **Travel Services:** Completely renewed international tours reservation page and the Yahoo! Travel top page. Ran various promotions, such as special features on Hokkaido, Okinawa, and summer holidays.
- **Research Services:** Carried out aggressive sales activities with the collaboration of Yahoo Japan Value Insight Corporation, implementing measures to increase the number of monitors. At the end of June 2008, the number of registered PC monitors amounted to approx. 1.77 million.
- **Digital Home Services:** Commenced an Internet service Yahoo! JAPAN for AQUOS for Sharp Corporation's full high vision LCD television AQUOS. Also launched a One-Segment Widget service on Yahoo! Widget that allows users to use a variety of Yahoo! JAPAN's services when watching TV through a One-Segment tuner. Made it possible to search for information related to a program being watched on a PC or chat with others.

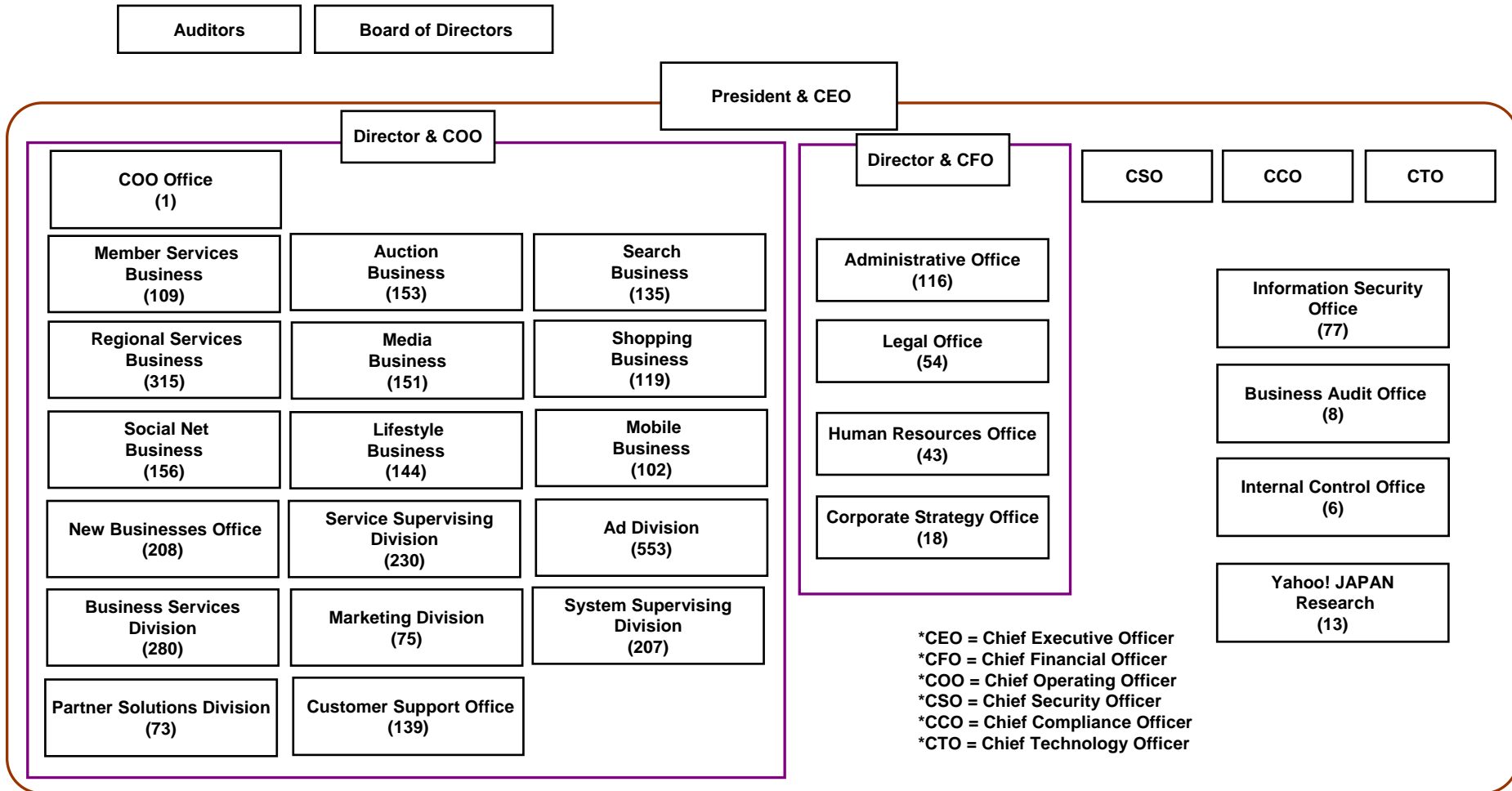
### Service Supervising Division

- Launched special feature "Let's Give a Cheer for Japan's Beijing Olympic Team."  
As an official partner of the Japanese Olympic Committee provided support for the Japanese Olympic Team.
- **Yahoo! Widget:** Introduced a One-Segment Widget service on Yahoo! Widget that allows users to use a variety of Yahoo! JAPAN's services when watching TV through a One-Segment tuner. Made it possible to search for information related to a program being watched on a PC or chat with others.
- Launched iPhone version of top page of Yahoo! JAPAN.
- In cooperation with NetStar Inc., started a study group comprised mainly of prominent people to examine use of the Internet by children.

# Appendix



# Organization



\*CEO = Chief Executive Officer  
 \*CFO = Chief Financial Officer  
 \*COO = Chief Operating Officer  
 \*CSO = Chief Security Officer  
 \*CCO = Chief Compliance Officer  
 \*CTO = Chief Technology Officer

**Total : 3,486 people (as of July 1, 2008)**



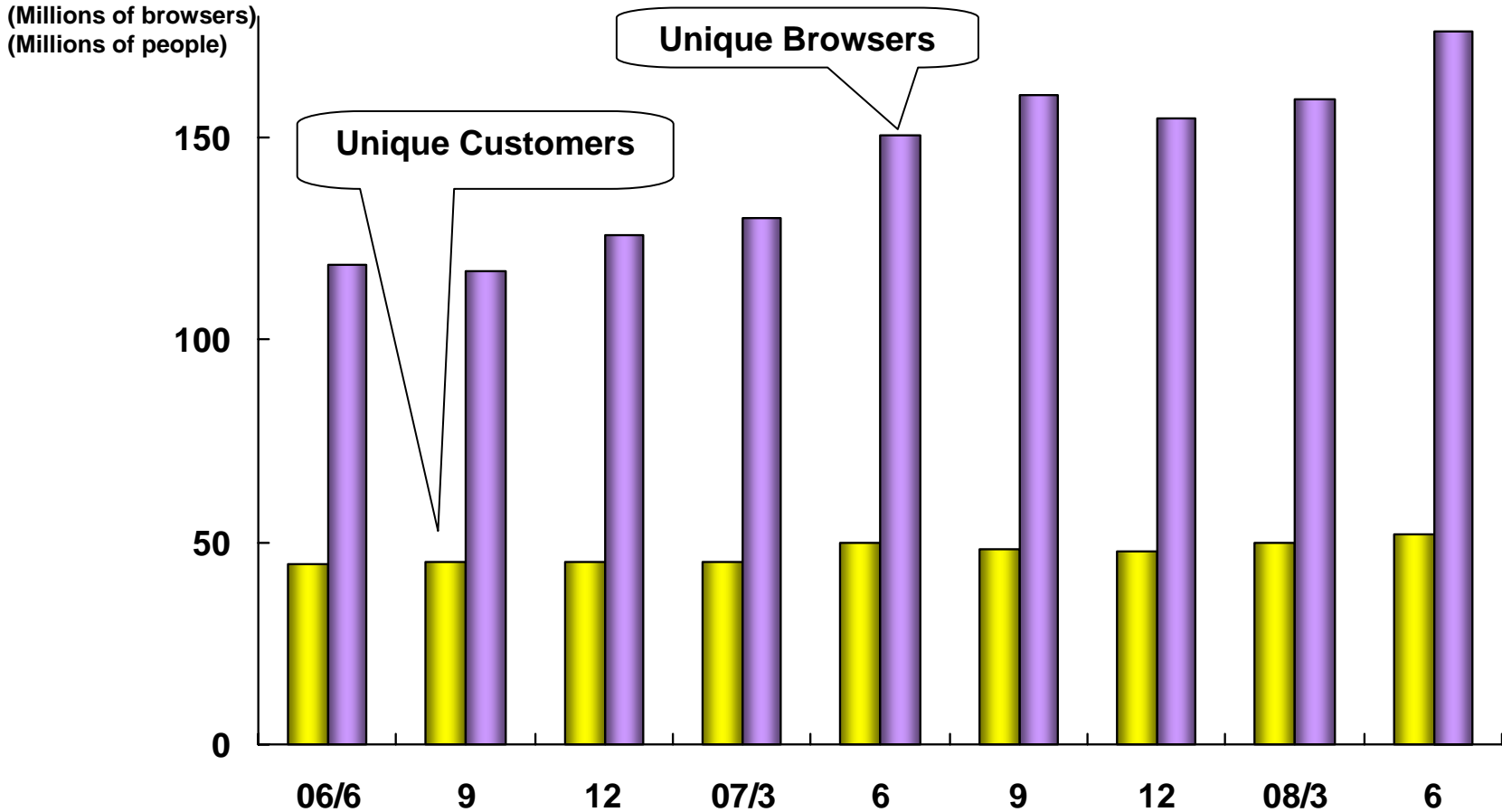
## Additional Business Data: 2008-1Q

<b>• Average Daily Transaction Volume</b>	<b><u>Apr.-Jun. 2007</u></b>	<b><u>Apr.-Jun. 2008</u></b>
Commerce (¥ 100M)	25.3	26.1
☆ Auction (¥ 100M)	19.9	20.2
☆ Shopping* (¥ 100M)	5.4	5.8
Yahoo! Mobile e-commerce (¥ 100M)	2.6	3.6
<b>• Subscriber Lines for Yahoo! BB Services</b>	<b><u>End of Jun. 2007</u></b>	<b><u>End of Jun. 2008</u></b>
Total (thousand lines)	5,134	4,653
Number of lines marketed by Yahoo! JAPAN (thousand lines)	1,094	941
<b>• Other Data of Auction Business</b>	<b><u>Apr.-Jun. 2007</u></b>	<b><u>Apr.-Jun. 2008</u></b>
Average Closing Price (¥)	5,433	5,099
Average Successful Auction Ratio (%)	24	22
<b>• Number of Business Express Contracts (contract) (monthly average)</b>	<b><u>Apr.-Jun. 2007</u></b>	<b><u>Apr.-Jun. 2008</u></b>
	3,445	3,323

\* The transaction volume of Yahoo! Shopping, Yahoo! Tickets and Yahoo! Travel, excluding fraudulent orders for both periods



# Number of Yahoo! JAPAN Users



(Source: Nielsen Online/The Group)

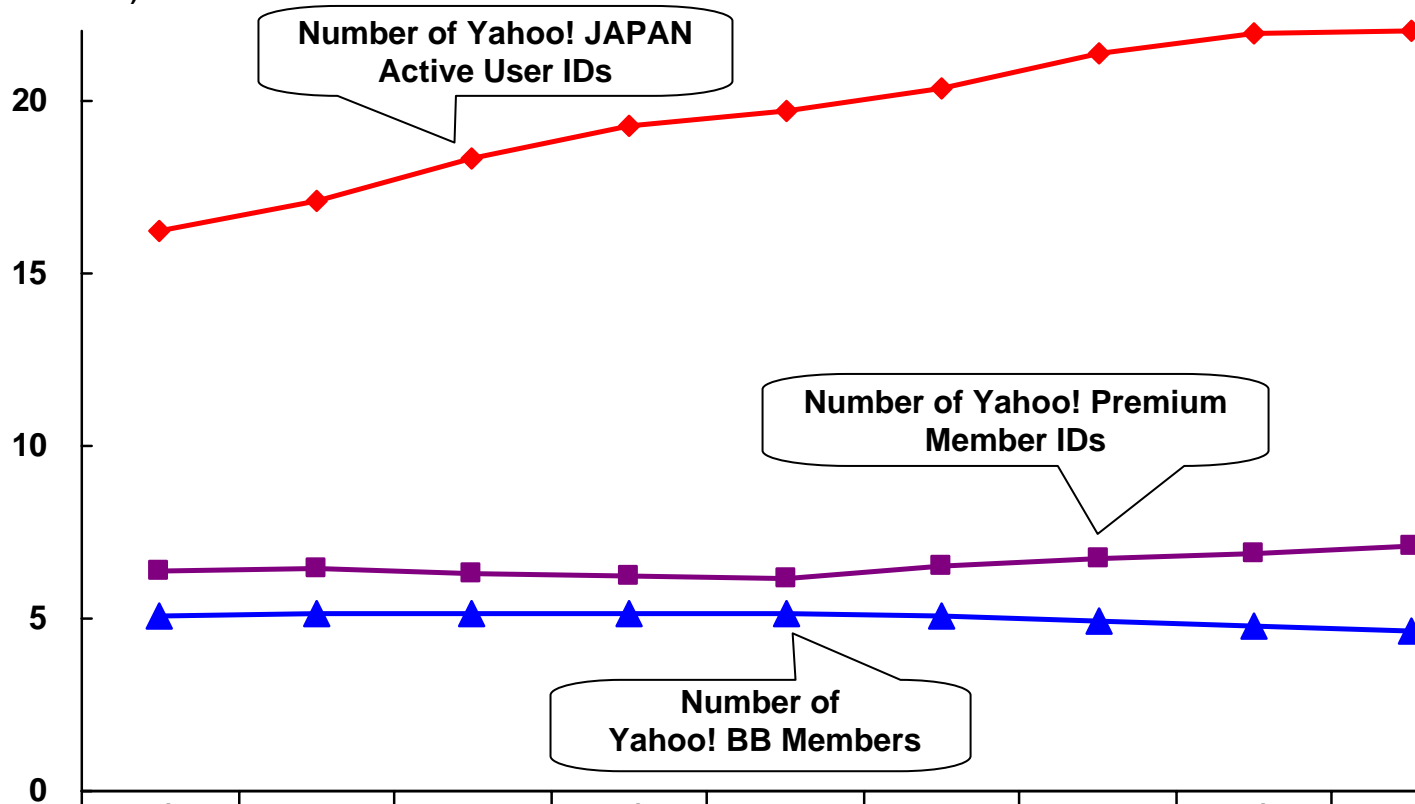
- The Number of Yahoo! JAPAN Unique Browsers is the total number of unique browsers accessing our services. It can fluctuate significantly monthly due to malicious or inappropriate large volume access by bots or other external tools trying to acquire Yahoo! JAPAN IDs or other registrations or information.
- The Number of Unique Customers is compiled using the duplication rate of access by people from home and work from the Internet Survey of Nielsen Online based on the data of Nielsen Online(NetView AMS JP) regarding access by individuals from home and work.





# Number of Yahoo! JAPAN IDs and Members

(Millions of IDs and lines)



	06/6	9	12	07/3	6	9	12	08/3	6
◆ Active User IDs	16.24	17.05	18.28	19.23	19.67	20.31	21.36	21.92	22.02
■ Premium Member IDs	6.35	6.43	6.30	6.19	6.16	6.49	6.74	6.91	7.06
▲ Yahoo! BB Members	5.09	5.15	5.16	5.16	5.13	5.04	4.94	4.81	4.65

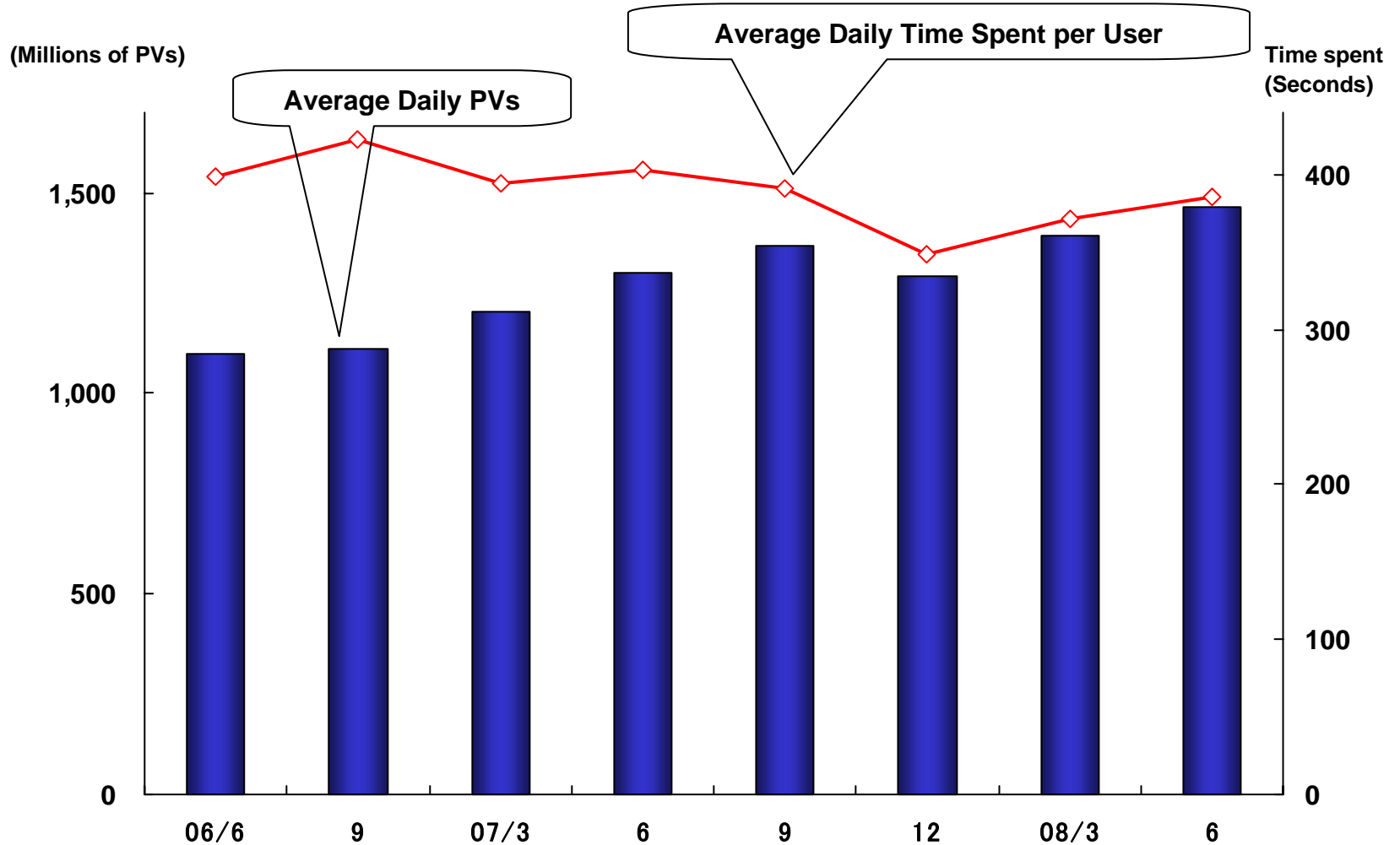
\* Number of Active User IDs= Number of Yahoo! JAPAN IDs which logged in each month.







# Number of Yahoo! JAPAN Page Views and Time Spent



(Source: Nielsen Online/The Group)

- Average Daily PVs are based on the Company's data
- Average Daily Time Spent per user is based on the data of Nielsen Online (NetView AMS JP) from June 2006 to June 2008, regarding access by individuals from home





# FY2008-1Q Major Advertisers

## ■ Finance/Insurance/Securities

Sumitomo Mitsui Banking Corporation  
The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
Orix Credit Corporation

## ■ Autos (Transport Equipment)

Honda Motor Co., Ltd.  
Nissan Motor Co., Ltd.  
TOYOTA MOTOR CORPORATION

## ■ Real Estate/Construction

Asahi Kasei Homes  
DAIKYO INCORPORATED  
Sumitomo Realty & Development Co., Ltd.

## ■ Cosmetics/Toiletries

Shiseido Co., Ltd.  
DHC Corporation  
ORBIS

## ■ Transportation/Leisure

All Nippon Airways Co., Ltd.  
Japan Airline Corporation  
Japan Racing Association

## ■ Beverages/Cigarettes

Kirin Brewery Company  
Suntory Limited  
Coca-Cola (Japan) Company, Limited

## ■ Fashion/Accessories

Cartier (Richemont Japan)  
NIKE

## ■ Recruitment Services

en-japan inc.  
Mainichi Communications Inc.

## ■ Food Services

AJINOMOTO CO., INC.  
Yazuya, Co., Ltd.

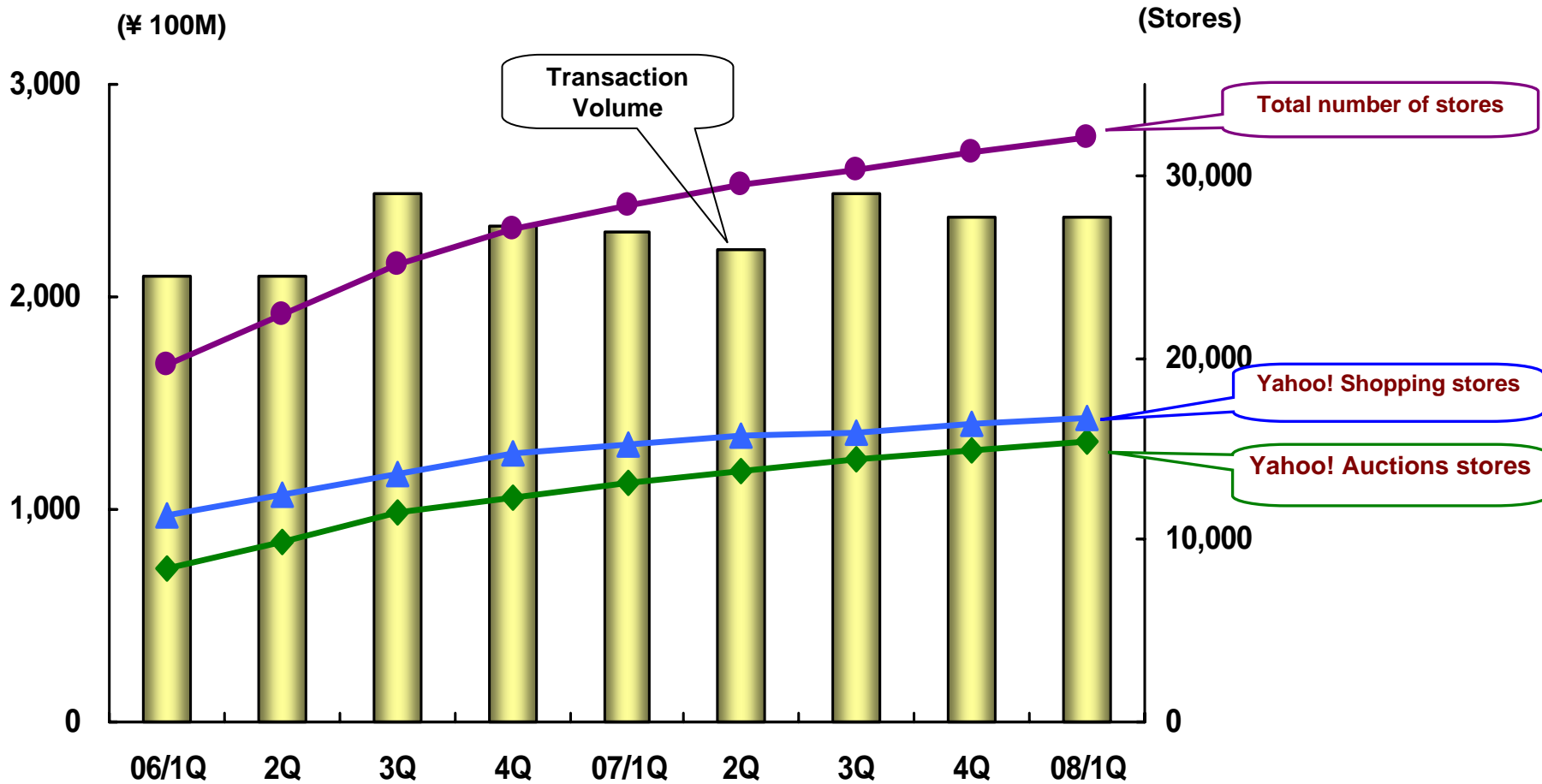
## ■ Entertainment Related Software

GameOn Co., Ltd.  
WARNER ENTERTAINMENT JAPAN INC.

- The above are the major clients of Yahoo! JAPAN's advertising sales excluding paid listing advertising.
- The above are classified by contents of advertising.



# e-Commerce Transaction Volume and Number of Stores



• Transaction volume excludes the amount of fraudulent orders.



**Yahoo Japan Corporation IR information is available at :**  
**<http://ir.yahoo.co.jp/en/>**