

Results for the Three Months Ended June 30, 2013 (FY2013-1Q)

July 25, 2013

Company Name: Yahoo Japan Corporation Share Listings: 1st section of TSE
 Code No.: 4689 URL: <http://www.yahoo.co.jp>
 Representative: Manabu Miyasaka, President and CEO Tel: 03-6440-6000
 Contact: Toshiki Oya, CFO

Scheduled Securities Report Submission Date: August 9, 2013

Scheduled Dividend Payment Date: -

Quarterly Results Supplementary Briefing Materials to Be Created: Yes

Quarterly Results Investors Meeting to Be Held: Yes (for Financial Analysts)

(Amounts less than one million yen are omitted)

1. Consolidated Results for FY2013-1Q (April 1, 2013 - June 30, 2013)

(1) Consolidated Financial Results

(Figures in parenthesis are % change YoY)

	Revenue		Operating income		Ordinary income		Net income	
	Millions of yen (%)		Millions of yen (%)		Millions of yen (%)		Millions of yen (%)	
FY2013-1Q	92,331	(19.0)	48,642	(15.4)	49,034	(14.6)	32,284	(28.7)
FY2012-1Q	77,596	(8.0)	42,158	(8.6)	42,771	(8.8)	25,094	(7.6)

Note: Comprehensive income: FY2013-1Q ¥30,994 million (23.2%) FY2012-1Q ¥25,160 million (8.8%)

	Net income per share-primary	Net income per share-diluted
	Yen	Yen
FY2013-1Q	561.44	560.56
FY2012-1Q	432.56	432.54

(2) Consolidated Financial Position

	Total assets	Net assets	Ratio of equity capital
	Millions of yen	Millions of yen	%
FY2013-1Q	730,631	559,230	75.5
FY2012	743,311	551,264	73.1

(For reference) Equity capital: FY2013-1Q ¥551,434 million FY2012 ¥543,459 million

2. Cash Dividends

(Record date)	Dividends per share				
	1Q	2Q	3Q	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
FY2012	-	0.00	-	401.00	401.00
FY2013	-	-	-	-	-
FY2013 (Estimates)	-	0.00	-	-	-

Note: Revision in dividends scheduled for the quarter: No

Estimated payment of dividends for FY2013 is not determined at this time.

3. Consolidated Business Outlook for FY2013 (April 1, 2013 – March 31, 2014)

(Figures in parenthesis are % change YoY)

	Revenue		Operating income		Ordinary income		Net income		Net income per share-primary
	Millions of yen (%)		Millions of yen (%)		Millions of yen (%)		Millions of yen (%)		Yen
FY2013 1st half	185,800	(18.8)	95,600	(11.9)	95,900	(10.6)	61,200	(17.2)	1,064.29
Full year	-	-	-	-	-	-	-	-	-

Note: Revisions in consolidated performance forecasts: Yes

In the business outlook for the fiscal year 2013, the Yahoo Japan Group has only disclosed forecasts for its first half performance.

4. Others

(1) Changes in significant subsidiaries during the period (changes in significant subsidiaries causing changes in scope of consolidation): None

(2) Changes in the accounting principles, procedures and presentation methods

1) Changes due to accounting standards revisions: None

2) Changes other than 1): None

3) Changes in accounting estimate: None

4) Restatement: None

(3) Number of stocks issued (common stock)

1) Number of stocks issued at the quarter end (including treasury stocks)

2) Number of treasury stocks at the quarter end

3) Average number of stocks

FY2013-1Q	57,515,740	FY2012	57,510,554
FY2013-1Q	10,168	FY2012	10,168
FY2013-1Q	57,502,888	FY2012-1Q	58,013,355

5. Business Results

(1) Business Performance Analysis

■ Performance Highlights for the First Quarter (April 1, 2013 - June 30, 2013)

	2012 1Q	2013 1Q	Year-on-Year Change (Amount)	Year-on-Year Change (%)
Revenue	¥77.5 billion	¥92.3 billion	+¥14.7 billion	+ 19.0%
Operating Income	¥42.1 billion	¥48.6 billion	+¥6.4 billion	+ 15.4%
Ordinary Income	¥42.7 billion	¥49.0 billion	+¥6.2 billion	+ 14.6%
Quarterly Net Income	¥25.0 billion	¥32.2 billion	+¥7.1 billion	+ 28.7%

The Yahoo Japan Group recorded double-digit growth in both revenue and profits for the third consecutive quarter.

Paid search advertising revenues increased due to aggressive sales activities and continued strengthening of various functions to improve advertising effectiveness. Advertising activities of Yahoo! JAPAN Display Ad Network (YDN) also continued to grow at a high rate. As a result, overall promotion advertising revenue increased sharply year on year. Among premium advertising products, revenue of Brand Panel rose sharply compared with the first quarter last year because of the introduction of Rich Ad with its highly effective branding impact. In addition, Yahoo! Premium revenue expanded year on year because of an upward revision in membership fees and an increase in the number of members. Revenues from game-related services and data center-related services also continued to grow. Furthermore, the consolidation of ValueCommerce Co., Ltd., Carview Corporation and CyberAgent FX, Inc. in the previous fiscal year contributed to the growth in overall revenue.

In terms of profits, the large increase in revenue offset the growth in cost of sales, personnel expenses, and other expenses, resulting in a substantial rise in operating income from a year earlier. Net income also increased compared with the same period last year because of the booking of extraordinary gain on the sale of investment securities and other revenue.

Revenue and Operating Income by Segment (April 1, 2013 – June 30, 2013)

	2012 1Q	2013 1Q	Year-on-Year Change (Amount)	Year-on-Year Change (%)
Marketing Solutions Business				
Revenue	¥52.6 billion	¥63.2 billion	+¥10.5 billion	+20.1%
Operating income	¥28.5 billion	¥33.3 billion	+¥4.8 billion	+16.8%
Consumer Business				
Revenue	¥23.8 billion	¥25.9 billion	+¥2.1 billion	+8.8%
Operating income	¥17.5 billion	¥19.1 billion	+¥1.6 billion	+9.3%
Others				
Revenue	¥2.5 billion	¥5.3 billion	+¥2.8 billion	+110.1%
Operating income	¥0.6 billion	¥1.6 billion	+¥1.0 billion	+149.1%
Adjustments				
Revenue	-¥1.3 billion	-¥2.1 billion	-	-
Operating income	-¥4.6 billion	-¥5.6 billion	-	-
Total				
Revenue	¥77.5 billion	¥92.3 billion	+¥14.7 billion	+19.0%
Operating income	¥42.1 billion	¥48.6 billion	+¥6.4 billion	+15.4%

Notes: 1. The main revenue included in the Others segment is that for settlement- and finance-related services among business activities not included in reporting segments.

2. Adjustments figures represent inter-segment transactions and general corporate expenses not belonging to any reporting segment.

3. Commencing with the quarter under review, certain services have been transferred between segments, including transfer of game-related and travel-related services from the Consumer Business segment to the Marketing Solutions Business segment. Segment information for the same quarter in the previous fiscal year has been adjusted to reflect the new classification method.

Reporting Segment	Major Revenues
Marketing Solutions Business	<ul style="list-style-type: none"> • Promotion advertising, premium advertising, and other advertising-related services • Data center-related and other corporate services • Yahoo! Real Estate and other information listing services • Game-related services
Consumer Business	<ul style="list-style-type: none"> • YAFUOKU!, Yahoo! Shopping, and other e-commerce-related services • Yahoo! Premium, Yahoo! BB, and other membership services

■ Marketing Solutions Business

In addition to the continued growth in promotion advertising revenue, game-related, data center-related, and other revenues also increased year on year. Furthermore, the revenues of ValueCommerce Co., Ltd. and Carview Corporation, which were consolidated in the previous fiscal year, also contributed to the growth in overall revenue.

As a result, revenue of the Marketing Solutions Business amounted to ¥63.2 billion, up 20.1% from a year earlier, and accounted for 68.5% of total revenue. Operating income increased 16.8% year on year, to ¥33.3 billion while ordinary income grew 16.8%, to ¥33.5 billion.

- In promotion advertising, paid search advertising revenue rose sharply from a year earlier, with particularly strong growth of the one via smartphones. Revenue from YDN also rose substantially year on year through additional contribution by the increase in retargeting advertising, which offers greater advertising effectiveness by listing advertising with high relevance to users.
- In premium advertising, overall revenue declined from the first quarter last year because of a drop in Prime Display advertising revenue. However, Brand Panel advertising revenue rose year on year. In particular, there was greater use of new advertising products employing advertising technology that provides highly effective branding, such as Top Impact, by advertisers wanting to achieve branding impact.
- Game-related revenue rose substantially from the same period last year. Besides the additional revenue from the business alliance formed with GREE, Inc. in November 2012, the growth in revenue can be attributed to increased revenue by Yahoo! Mobage, SD Gundam Operations and other services.
- Revenue of data center-related services also grew compared with the first quarter last year, supported by expanded use of cloud computing services.
- In addition, the revenues of ValueCommerce Co., Ltd. and Carview Corporation, which were consolidated in the previous fiscal year, contributed to the growth in overall revenue.

■ Consumer Business

Revenue of Yahoo! Premium rose year on year because of an upward revision in membership fees and an increase in the number of members. In addition, the smartphone transaction value of YAFUOKU! climbed substantially from a year earlier.

As a result, revenue of the Consumer Business amounted to ¥25.9 billion, rising 8.8% year on year, accounting for 28.1% of total revenue. Operating income rose 9.3% compared with last year, to ¥19.1 billion, while ordinary income gained 9.4%, to ¥19.2 billion.

- The overall transaction value of YAFUOKU! expanded year on year because of such factors as greater demand for high unit price items prompted by the recovery in the Japanese economy and the upgrading of the smartphone application. The upgraded version of the smartphone application especially aimed to improve the simplicity of listing items and operability of the application, resulting in smartphone transaction value climbing substantially from a year earlier.
- Although the overall transaction value of Yahoo! Shopping declined slightly compared to the first quarter last year, its smartphone transaction value rose year on year.
- Yahoo! Premium revenue increased from the same period in the previous fiscal year. The higher revenue came from an upward revision in membership fees and an increase in the number of Yahoo! Premium members registering through Softbank shops. The number of Yahoo! Premium membership IDs at the end of June 2013 jumped by 1.45 million IDs year on year, to 9.31 million IDs.
- On July 1, 2013, based on the switchover from Yahoo! Points to T-POINT and the integration of T-ID into Yahoo! JAPAN ID, the Group began offering a shared point service across online and offline sales platforms.
- Effective July 1, 2013, the Consumer Business Company was split into two internal companies with the aim of re-accelerating its growth. It was separated into the YAFUOKU! Company and the Shopping Company, both of which will specialize in their own areas.

(2) Consolidated Financial Results

(i). Analysis of Consolidated Statements of Income for the First Quarter

(Millions of yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Revenue	77,596	92,331	14,734	19.0
Cost of sales	7,285	11,691	4,406	60.5
Gross profit	70,311	80,639	10,328	14.7
Selling, general & administrative expenses	28,152	31,997	3,844	13.7
Personnel expenses *1	9,189	10,654	1,464	15.9
Business commissions	3,818	3,858	40	1.1
Sales promotion costs	2,704	2,799	94	3.5
Royalties *2	2,236	2,683	447	20.0
Depreciation expenses *3	2,224	2,577	353	15.9
Content provider fees	1,648	1,868	219	13.3
Lease and utility expenses	1,747	1,784	36	2.1
Communication charges	1,535	1,616	80	5.2
Sales commissions	1,301	1,110	-190	-14.7
Administrative and maintenance expenses	577	693	115	20.1
Amortization of goodwill *4	85	604	519	608.5
Advertising expenses *5	212	588	375	177.0
Taxes and public dues	385	429	44	11.6
License fees	129	298	168	129.6
Travel and transportation	97	202	104	107.3
Others *6	258	228	-29	-11.4
Operating income	42,158	48,642	6,483	15.4
Non-operating income	668	438	-229	-34.4
Non-operating expenses	54	45	-9	-16.8
Ordinary income	42,771	49,034	6,262	14.6
Extraordinary gains	10	5,386	5,376	
Extraordinary losses	1,339	1,480	140	10.5
Quarterly net income before income taxes	41,443	52,941	11,498	27.7
Income taxes, etc.	16,251	20,417	4,166	25.6
Income taxes, inhabitants' taxes and enterprise taxes	14,825	18,077	3,252	21.9
Adjustment to income taxes	1,426	2,340	914	64.1
Quarterly net income before minority interests	25,192	32,524	7,331	29.1
Minority interests in gains of consolidated subsidiaries	98	239	141	144.4
Quarterly net income	25,094	32,284	7,190	28.7

<Main Points Regarding Consolidated Statements of Income for the First Quarter>

Revenue

Revenue for the first quarter increased compared with the same period in the previous fiscal year mainly because of growth in advertising revenue and the conversion of ValueCommerce Co., Ltd. and CyberAgent FX, Inc. to consolidated subsidiaries.

Cost of Sales

The increase in the quarterly cost of sales compared with a year earlier can mainly be attributed to the conversion of ValueCommerce Co., Ltd. and CyberAgent FX, Inc. to consolidated subsidiaries and to growth in advertising revenue.

Selling, General and Administrative Expenses

*1 Personnel expenses

At the end of the quarter, the total number of employees of the Yahoo Japan Group amounted to 6,134, an increase of 610 employees, or 11.0%, from the same quarter in the previous fiscal year.

*2 Royalties

Royalties increased compared with the same quarter a year earlier because of the expansion in revenue.

*3 Depreciation expenses

The rise in depreciation expenses compared with the same period a year earlier is mainly the result of an increase in intangible fixed assets because of the purchase of shares of subsidiaries.

*4 Amortization of goodwill

The increase in the amount of amortization of goodwill year on year resulted from the purchase of shares of subsidiaries.

*5 Advertising expenses

The expansion in quarterly advertising expenses year on year can mainly be attributed to the conversion of CyberAgent FX, Inc. to a consolidated subsidiary.

*6 Others

The main components of others were education and training fees, compensation and payment commissions.

Non-Operating Income (Expenses)

The primary components of non-operating income for the first quarter were dividends received and interest received.

Extraordinary Gains (Losses)

The major extraordinary gain for the quarter was a gain on sale of investment securities. The principal extraordinary loss was amortization of goodwill due to loss on shares of subsidiaries.

Income Taxes, etc.

The effective income tax (including income tax adjustments) burden ratio for income before income tax was 38.6% for the first quarter.

Quarterly Net Income

Quarterly Net income per share amounted to ¥561.44 for the quarter.

(ii). Analysis of Consolidated Balance Sheets for the First Quarter

(Millions of yen)

		As of	As of	Increase/decrease	
		June 30, 2012	June 30, 2013	Amount	Change (%)
		Amount	Amount	Amount	Change (%)
Assets					
Current assets					
Cash and cash equivalents	*1	215,143	395,750	180,607	83.9
Notes and accounts receivable-trade	*2	42,313	51,948	9,634	22.8
Inventory assets		114	142	28	24.6
Notes and accounts receivable-other	*3	121,620	3,473	-118,146	-97.1
Foreign exchange dealings cash segregated as deposits for customers	*4	—	70,928	70,928	—
Deferred tax assets		3,224	4,723	1,499	46.5
Other current assets	*5	27,614	37,416	9,802	35.5
Allowance for doubtful accounts		-1,461	-1,317	143	-9.9
Total current assets		408,569	563,066	154,497	37.8
Fixed assets					
Tangible fixed assets					
Buildings and structures		8,627	13,421	4,794	55.6
Machinery and equipment		9,156	11,800	2,643	28.9
Tools, furniture and fixtures		12,784	14,250	1,466	11.5
Land		5,425	5,425	—	—
Other tangible fixed assets		923	702	-220	-23.9
Total tangible fixed assets	*6	36,918	45,601	8,683	23.5
Intangible fixed assets					
Software		10,926	12,522	1,596	14.6
Goodwill	*7	752	10,652	9,900	—
Other intangible fixed assets	*8	389	4,695	4,306	—
Total intangible fixed assets		12,068	27,870	15,802	130.9
Investments and other assets					
Investment securities		76,188	80,294	4,105	5.4
Deferred tax assets		5,510	4,304	-1,205	-21.9
Others		10,530	9,518	-1,012	-9.6
Allowance for doubtful accounts		-21	-24	-2	10.9
Total investments and other assets		92,207	94,093	1,885	2.0
Total fixed assets		141,194	167,565	26,371	18.7
Total assets		549,763	730,631	180,868	32.9

(Millions of yen)

		As of	As of	Increase/decrease	
		June 30, 2012	June 30, 2013	Amount	Change (%)
		Amount	Amount	Amount	Change (%)
Liabilities					
Current liabilities					
Accounts payable-trade	*9	7,901	13,884	5,982	75.7
Accounts payable-other		16,564	16,549	-15	-0.1
Income taxes payable		15,200	18,577	3,376	22.2
Provision for Yahoo! Points		4,040	4,108	67	1.7
Foreign exchange dealings deposits from customers	*10	—	80,991	80,991	—
Other current liabilities	*11	29,137	34,347	5,210	17.9
Total current liabilities		72,844	168,458	95,614	131.3
Long-term liabilities		3,401	2,942	-459	-13.5
Total liabilities		76,246	171,401	95,155	124.8
Net assets					
Shareholders' equity					
Common stock	*12	8,022	8,139	117	1.5
Capital surplus	*12	3,103	3,220	117	3.8
Retained earnings	*13	463,392	537,382	73,989	16.0
Treasury stocks	*14	-5,608	-372	5,236	-93.4
Total shareholders' equity		468,909	548,369	79,460	16.9
Accumulated other comprehensive income		1,501	3,065	1,563	104.1
Valuation difference on available-for-sale securities		1,501	2,640	1,138	75.8
Account of exchange adjustment		—	424	424	—
Stock acquisition rights		779	687	-91	-11.8
Minority interests		2,325	7,107	4,781	205.6
Total net assets		473,516	559,230	85,713	18.1
Total liabilities and net assets		549,763	730,631	180,868	32.9

<Comparison with the Previous Fiscal Year-End>

Consolidated total assets at the end of the first quarter decreased by ¥12.6 billion compared with the previous fiscal year-end, to ¥730.6 billion. The decrease can be attributed to a ¥18.3 billion decrease in cash and cash equivalents.

Total liabilities decreased by ¥20.6 billion, to ¥171.4 billion. The contraction in total liabilities was due to a ¥23.6 billion decline in income taxes payable.

Total net assets amounted to ¥559.2 billion, expanding by ¥7.9 billion. The growth in total net assets resulted from the ¥9.3 billion increase in retained earnings.

<Comparison with Same Quarter in the Previous Fiscal Year>

Assets

- *1 The principal cause of the increase in cash and cash equivalents compared with the same quarter in the previous fiscal year was an increase in cash flow from operating activities and the collection of receivables from the sale of shares of BB Mobile Corp.
- *2 Notes and accounts receivable-trade rose year on year primarily due to an increase in advertising revenue.
- *3 The reduction in notes and accounts receivable-other from the same quarter last year is primarily a result of the collection of the receivables from the sale of shares of BB Mobile Corp.
- *4 The increase in foreign exchange dealings cash segregated as deposits for customers is the result of the conversion of CyberAgent FX, Inc. into a consolidated subsidiary.
- *5 The rise in other current assets from a year earlier was the result of the conversion of CyberAgent FX, Inc. into a consolidated subsidiary.
- *6 The increase in tangible fixed assets compared with the same quarter a year earlier was mainly the result of the construction of the data center.
- *7 The expansion in goodwill year on year resulted from the increase in the number of consolidated subsidiaries.
- *8 Other intangible fixed assets increased from a year earlier principally because of the expansion in intangible assets arising from the purchase of shares of subsidiaries.

Liabilities

- *9 The increase in accounts payable-trade from the same quarter last year can be mainly attributed to greater promotion advertising revenue and the increase in the number of consolidated subsidiaries.
- *10 The increase in foreign exchange dealings deposits from customers is the result of the conversion of CyberAgent FX, Inc. into a consolidated subsidiary.
- *11 The increase in other current liabilities from a year earlier resulted mainly from the increase in the number of consolidated subsidiaries.

Net Assets

- *12 The rise in common stock and capital surplus compared with the same period in the previous fiscal year was due to the exercise of stock options.
- *13 Growth in net income supported an increase in retained earnings year on year despite the declines caused by the buyback and cancellation of own shares and by the payment of dividends.
- *14 Treasury stocks decreased from the same period from a year earlier because of the buyback and cancellation of own shares.

(iii). Analysis of Consolidated Statements of Cash Flows for the First Quarter

(Millions of Yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013
	Amount	Amount
Cash flows from operating activities:		
Income before income taxes for the periods	41,443	52,941
Depreciation and amortization	2,679	3,228
Increase/decrease in accounts receivable-trade	2,986	4,260
Increase/decrease in accounts payable-trade	1,261	2,913
Payment of income taxes and other taxes	-34,136	-41,407
Other cash flows	2,340	-12,949
Cash flows from operating activities	16,574	8,987
Cash flows from investing activities:		
Expenditures on tangible fixed assets	-3,644	-6,552
Expenditures on intangible fixed assets	-1,197	-840
Expenditures on investment securities	-33,518	-4,309
Proceeds from sale of investment securities	0	7,290
Other cash flows	-289	469
Cash flows from investing activities	-38,650	-3,942
Cash flows from financing activities:		
Dividends paid	-20,131	-23,063
Other cash flows	104	-447
Cash flows from financing activities	-20,027	-23,510
Effect of exchange rate changes on cash and cash equivalents	—	135
Net change in cash and cash equivalents	-42,103	-18,329
Cash and cash equivalents at the beginning of the periods	255,268	409,886
Decrease in cash and cash equivalents accompanying unconsolidation	-21	-6
Cash and cash equivalents at the end of the periods	213,143	391,550

At the end of the first quarter, cash and cash equivalents amounted to ¥391.5 billion, up ¥178.4 billion from the same period in the previous fiscal year.

The following are the movements in the main components of cash flow and the factors contributing to those changes for the quarter under review.

Cash flows from operating activities amounted to a cash inflow of ¥8.9 billion despite the payment of income taxes, etc., chiefly because of an increase in quarterly net income.

Cash flows from investing activities amounted to a cash outflow of ¥3.9 billion despite proceeds from the sale of investment securities, principally due to expenditures on tangible fixed assets and on investment securities.

Cash flows from financing activities amounted to a cash outflow of ¥23.5 billion, attributed mainly to dividends paid.

(3) Performance Outlook

The Yahoo Japan Group views the degree of usage of each of their services by customers as important management indicators in determining estimations of income and expenses. However, in the rapidly changing environment of the Internet, it is difficult to establish specific criteria on a rate of growth or change in these indicators. Accordingly, we limit our performance estimates announced with each quarter report to performance estimates for the corresponding half-year term.

Consolidated Performance Estimates for the First Half of the Fiscal Year Ending March 31, 2014 (April 1, 2013 to September 30, 2013)

Revenue	¥ 185,800 million
Operating income	¥ 95,600 million
Ordinary income	¥ 95,900 million
Net income	¥ 61,200 million