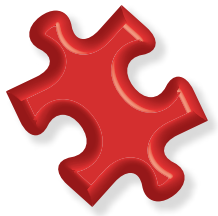

YAHOO! JAPAN

Annual Report 2009

Year ended March 31, 2009

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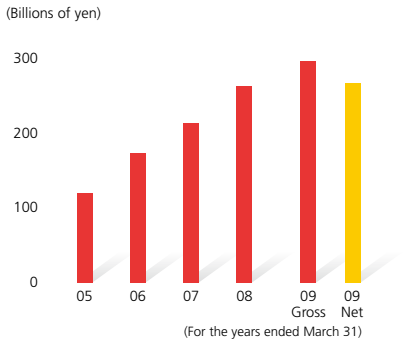
Financial Highlights

	Millions of Yen				Thousands of U.S. Dollars
	2009 (Net)	2009 (Gross)	2008 (Gross)	2007 (Gross)	**2009** (Net)
For the years ended March 31					
Net sales	**¥ 265,754**	¥ 295,946	¥ 262,027	¥ 212,553	**$ 2,705,428**
Operating income	**134,618**	134,618	124,808	106,233	**1,370,440**
Net income	**74,715**	74,715	62,618	57,963	**760,614**
Net income per share (Yen and U.S. dollars)	**1,256**	1,256	1,035	959	**12.78**
EBITDA	**146,214**	146,214	136,028	115,743	**1,488,488**
At fiscal year-end:					
Total assets	**311,552**	311,552	369,660	318,428	**3,171,653**
Total equity	**236,470**	236,470	250,672	192,385	**2,407,308**
Number of employees	**4,599**	4,599	3,759	3,059	**-**
Dividends per share (Yen and U.S. dollars)	**130**	130	104	96	**1.32**
Cash flows	**(76,065)**	(76,065)	38,320	(22,659)	**(774,359)**
Cash flows from operating activities	**87,805**	87,805	81,494	72,710	**893,872**
Cash flows from investing activities	**(53,947)**	(53,947)	(16,982)	(160,402)	**(549,190)**
Cash flows from financing activities	**(109,923)**	(109,923)	(26,192)	65,033	**(1,119,041)**
Ratios:					
Operating margin (%)	**50.7**	45.5	47.6	50.0	
Net income to net sales ratio (%)	**28.1**	25.2	23.9	27.3	
ROA (%)	**21.9**	21.9	18.2	22.8	
ROE (%)	**31.0**	31.0	28.5	34.8	
Total equity / Total assets ratio (%)	**75.2**	75.2	67.1	59.9	

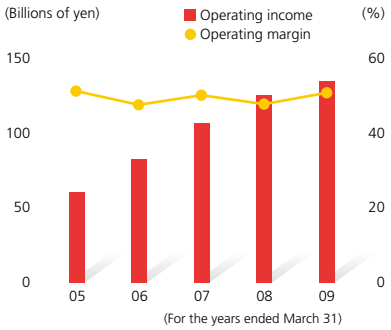
Notes:

- Yen amounts for the year ended March 31, 2009 have been translated into U.S. dollar amounts, solely for the convenience of readers, at the rate of ¥98.23 = U.S.$1, the effective rate of exchange at March 31, 2009.
- Net income per share and dividends per share have been retroactively adjusted to reflect stock splits.
- Beginning with the year ended March 31, 2009, net sales has been presented on a net-basis, rather than a gross-basis. The change of accounting is discussed in Note 3 of the Notes to Consolidated Financial Statements.

Net Sales

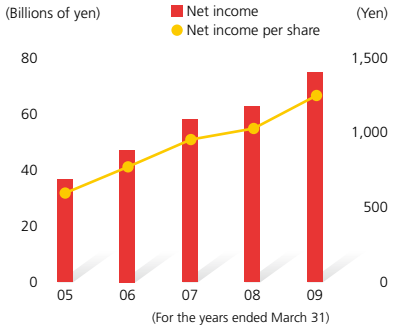


Operating Income / Operating Margin

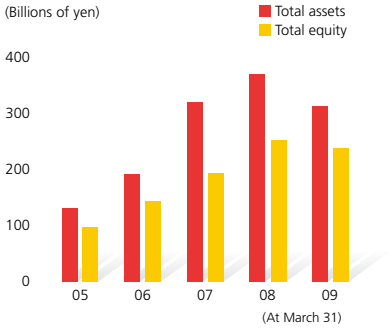


Note: Operating margin for the year ended March 31, 2009, is presented on a net-basis.

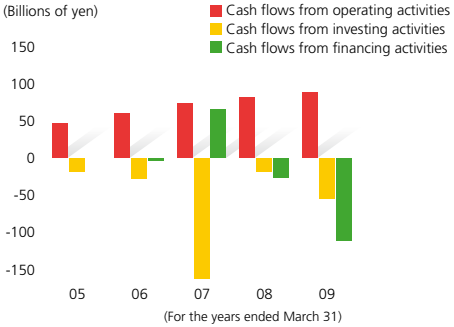
Net Income / Net Income per Share



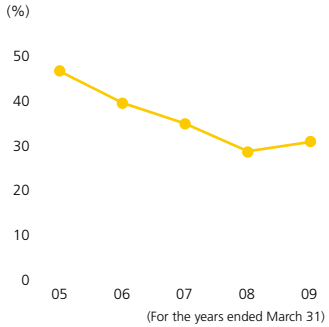
Total Assets / Total Equity



Cash Flows



ROE



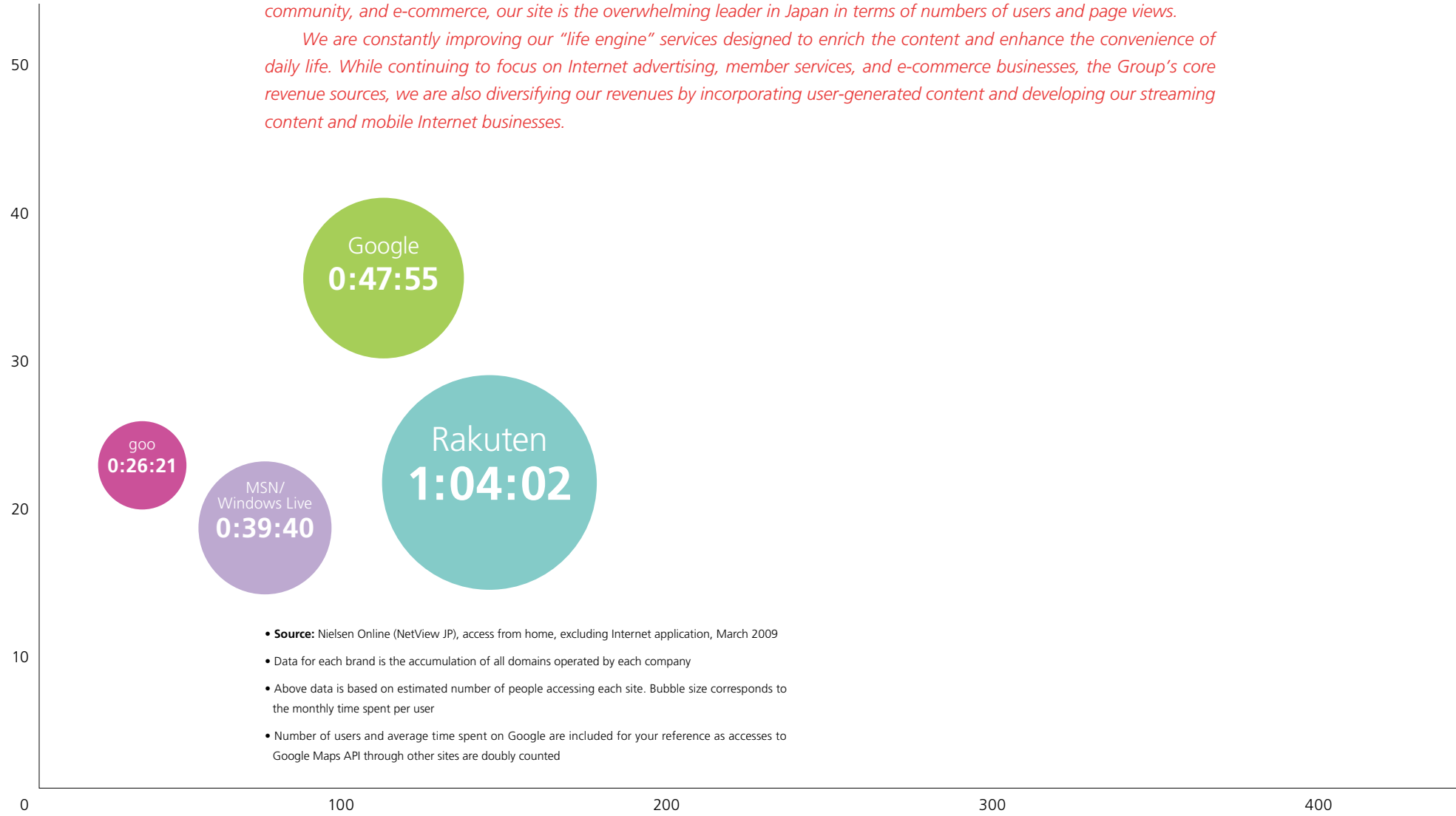
Important Considerations Regarding This Annual Report

1. This annual report contains forward-looking statements. A number of important factors could cause actual results to differ materially from those predicted.
2. For a detailed account of the factors that could affect performance, please see the section entitled Risk Factors. Performance-affecting factors include, but are not limited to, those mentioned in the Risk Factors section.
3. The unauthorized use of the information or the data in this document is not permitted.

Profile and History

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

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



- **Source:** Nielsen Online (NetView JP), access from home, excluding Internet application, March 2009
- Data for each brand is the accumulation of all domains operated by each company
- Above data is based on estimated number of people accessing each site. Bubble size corresponds to the monthly time spent per user
- Number of users and average time spent on Google are included for your reference as accesses to Google Maps API through other sites are doubly counted

1996

1/1996
- Establishment of Yahoo Japan Corporation

1997

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

1998

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

1999

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

2000

2001

4/2001–3/2002
- Introduced Yahoo! Auctions personal identification system (currently Yahoo! Premium membership)
- Started comprehensive broadband service Yahoo! BB

2002

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

2003

4/2003–3/2004
- Listed on the First Section of the Tokyo Stock Exchange

Yahoo! JAPAN

3:54:30

Monthly time spent per user

Usage of Yahoo! JAPAN

(Access from home and office)

Number of users: 47.12 million

Access rate from home & office: 83.6%

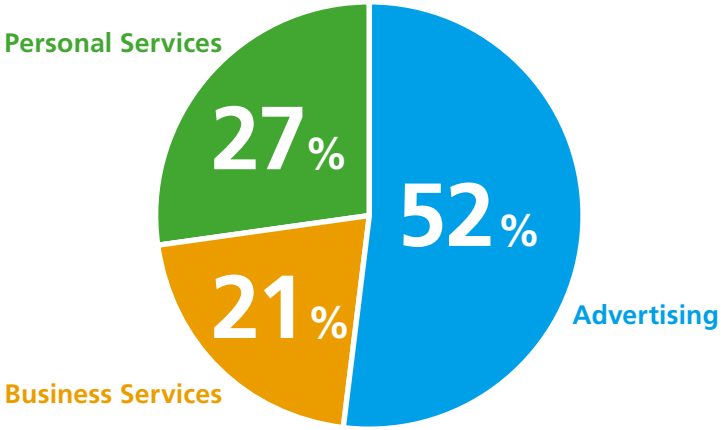
Source: *Nielsen Online (NetView JP) brand level data, access from home and office, excluding Internet application, March 2009*

Monthly page views per user

500 600

Share of Net Sales, by Business Segment

(For the year ended March 31, 2009)



The Advertising segment comprises Internet-based advertising-related services. Main sources of revenue for this segment include sales of paid search advertising and display advertising.

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

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

2004

4/2004–3/2005
- Started Yahoo! Rikunabi
- Made Firstserver, Inc. a subsidiary
- Took over ALPS MAPPING K.K. business

2005

4/2005–3/2006
- Established business alliance with SOFTBANK CORP. for mobile communications business

2006

4/2006–3/2007
- Invested in SOFTBANK's mobile communications business and started Yahoo! Keitai mobile Internet services for SOFTBANK mobile subscribers
- Made a dual listing of the Company's shares on Jasdaq Securities Exchange

2007

4/2007–3/2008
- Made Overture K.K. a subsidiary
- Made Brainer.jp. a subsidiary

2008

4/2008–3/2009
- Started Interest Match®, interest-based advertising
- Made SOFTBANK IDC Solutions Corp. and SOFTBANK IDC Corp. (currently IDC Frontier Inc.) subsidiaries

2009

Navigating a growth curve

Advertising has been the primary source of revenue supporting the Group's explosive growth in the Japanese Internet market to date. Although our sources of revenue today are far more broadly diversified than when we commenced operations some 13 years ago, advertising still remains the core of our overall business, accounting for approximately 52% of total Group revenues in fiscal 2008.

Starting out with just a handful of display advertising products, the Group has steadily expanded its advertising portfolio to meet the changing needs of each and every advertiser in the market. During the year under review, we unveiled our newest offering, Interest Match®. Developed using proprietary technology and accumulated know-how, Interest Match® is expected to be one of the Group's major sources of advertising revenue in coming years.

Two basic types of Internet advertising

To date, the Group has built its advertising business principally around two basic types of Internet advertising: graphic display advertising and pay per performance text advertising.

After Yahoo! JAPAN's market debut in 1996, display advertising quickly established itself as the Group's first major revenue source and has grown steadily ever since, in absolute yen terms. Display advertising appears either on the Yahoo! JAPAN top page or on various other pages of our site except for search results pages. Advertiser fees are calculated on a per-impression basis. The high-impact graphic qualities of display advertising make it popular with major corporate advertisers whose objective is to build corporate or product brand image. Brand Panel, for example, our flagship display advertising product that appears in a banner format on Yahoo! JAPAN's top page, enjoys particularly strong demand from large corporations hoping to build brand recognition among Yahoo! JAPAN's user base, which represents over 80% of all Internet users in Japan. Our other display advertising products, such as Prime Display, appear on pages other than the Yahoo! JAPAN top page and search results pages. Because they incorporate various targeting functions, such products can be distributed selectively to specific user groups.

In 2002, the Group began offering pay per performance text advertising. Since then, this type of advertising has enjoyed steadily growing demand and currently accounts for approximately two-thirds of the Group's total advertising revenue. Paid search advertising, which is distributed to search results pages according to user-generated search keywords, generates the bulk of total pay per performance advertising revenue. In addition to paid search advertising, the Group has offered content-linked advertising, which is distributed to pages other than search results pages according to keywords generated by a page-content analysis function. Content-linked advertising, which has contributed only marginally to total advertising revenue, is currently being phased out in line with our aggressive promotion of Interest Match®. Both paid search and content-linked are text-based advertising, with advertising rates determined by bid-based keyword auction price, and total advertiser fees calculated on a per-click basis. Paid search and content-linked advertising are used principally for sales promotion purposes by a wide range of advertisers, from major corporations to small and medium-sized businesses.

Advertising Type		Format	Fee Calculation	Rate	Main Advertiser Base	Main Purpose	Placement Pages
Display Advertising		Banner, text, e-mail, video clip	Per impression (page views, not clicks)	Contractual	• Major corporations	Enhance brand image	• Top page • Service pages other than search results pages • Partner sites
Pay per Performance Advertising	Paid Search Advertising: Sponsored Search®	Text	Per click	Keyword auction bid price	• Major corporations • Small and medium-sized businesses	Sales promotion	• Search results pages • Partner sites
	Interest-based Advertising: Interest Match®	Text	Per click	Keyword auction bid price	• Major corporations • Small and medium-sized businesses	Sales promotion	• Service pages other than search results pages • Partner sites

Following the signs
leading to user satisfaction today

Interest Match®: A new approach to advertising distribution based on inferred user interests

Launched in September 2008, Interest Match® is an innovative text-based advertising product based primarily on the content-linked advertising model, with advertising rates determined by bid-based keyword auction price, and total advertiser fees calculated on a per-click basis. Interest Match® incorporates the following distribution-related functions:

Page-content analysis function

Similar to content-linked advertising, Interest Match® incorporates a page-content analysis function that produces keywords related to the content of the Web page being viewed. Based on these keywords, relevant advertising is distributed to the page in question. Compared with our content-linked advertising, Interest Match® incorporates an upgraded page-content analysis function for enhanced distribution accuracy.

Referrer function

By analyzing the route taken by a user to arrive at the Web page being viewed, Interest Match® infers the user's interests and distributes suitable advertising. The combination of the referrer function and the page-content analysis function results in a more precise distribution capability.

Behavioral history analysis function

In addition, Interest Match® sharpens distribution accuracy by analyzing behavioral histories and grouping users accordingly. Data is collected with regard to three main aspects of users' behavioral histories: (1) Yahoo! JAPAN services viewed, (2) keywords employed in Yahoo! JAPAN searches, and (3) display advertising clicked on within the Yahoo! JAPAN site. Based on these data, users are classified into groups and advertising is distributed accordingly. Data are used only for the purpose of grouping users on the basis of similar interests, as inferred from their behavioral histories; under no circumstances are data used for analyzing the interests of individual users. This function enables advertisers to target latent demand commonly associated with groups demonstrating certain interests.

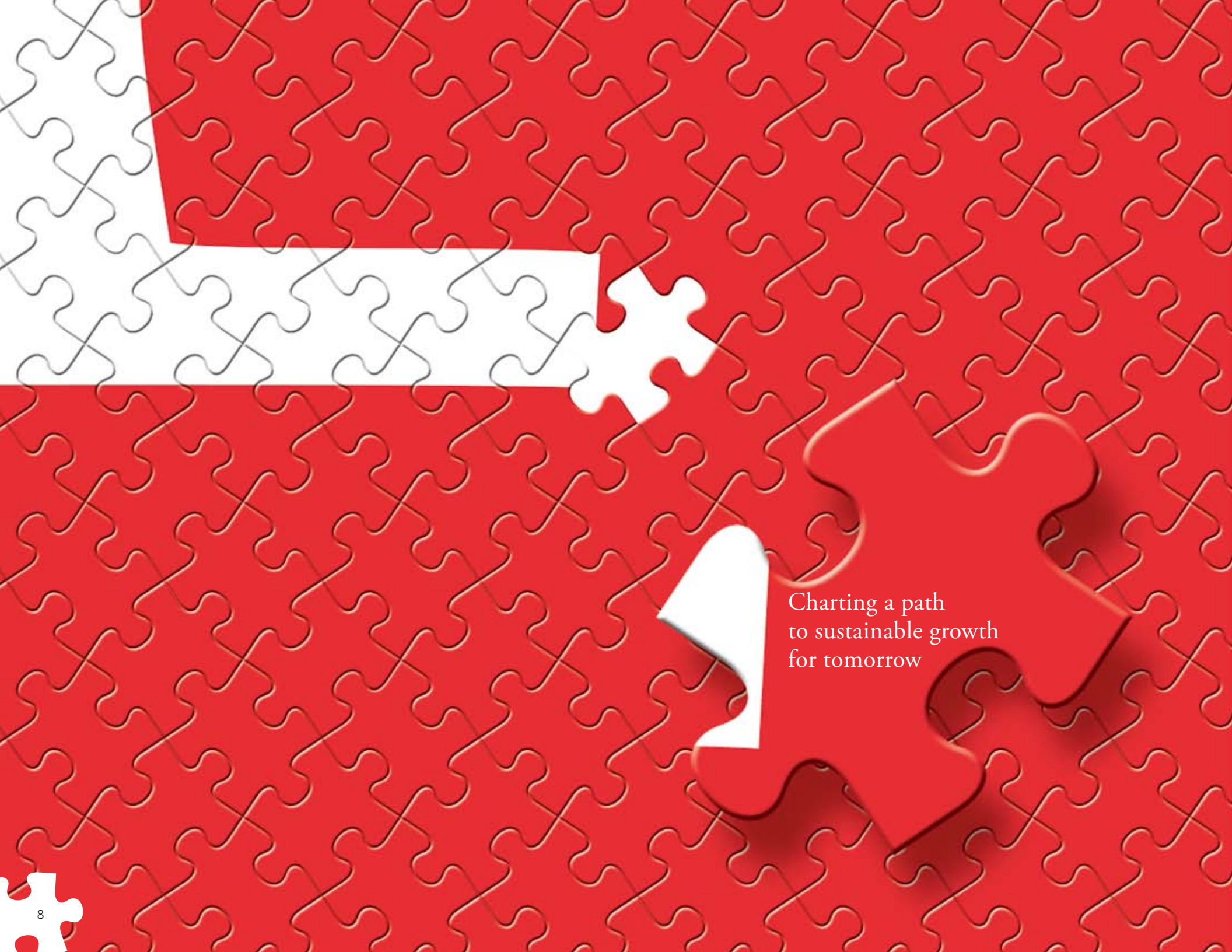
Other targeting functions

Interest Match® also incorporates other targeting functions. By grouping users according to region, gender, age, and mobile phone carrier, Interest Match® can effectively distribute advertising to targeted user groups. In addition, distribution can be pinpointed according to such parameters as day of the week and timeframe.

Initial marketing of Interest Match® was conducted only by selected advertising agencies focusing exclusively on major corporate advertisers. Distribution, meanwhile, was confined solely to PC-based users accessing the Yahoo! JAPAN site. After making various refinements to the distribution system, we expanded the distribution scope in January 2009 to users accessing our mobile site. In February, we began to accept online orders directly from advertisers, thereby enabling small and medium-sized businesses with relatively limited advertising budgets to use Interest Match®. Then, in April 2009 we further expanded the distribution scope to users accessing partner sites, thereby kicking off full-fledged market development.

Creation of new earnings opportunities

Interest Match® has opened up a vast new field of earnings opportunities for the Group. Whereas paid search advertising is distributed only to search results pages, which account for just a fraction of total page views on the Yahoo! JAPAN site, Interest Match® is distributed to the huge volume of Web pages other than search results pages. Examples of pages covered by Interest Match® distribution include Yahoo! Auctions item listings and pages featuring

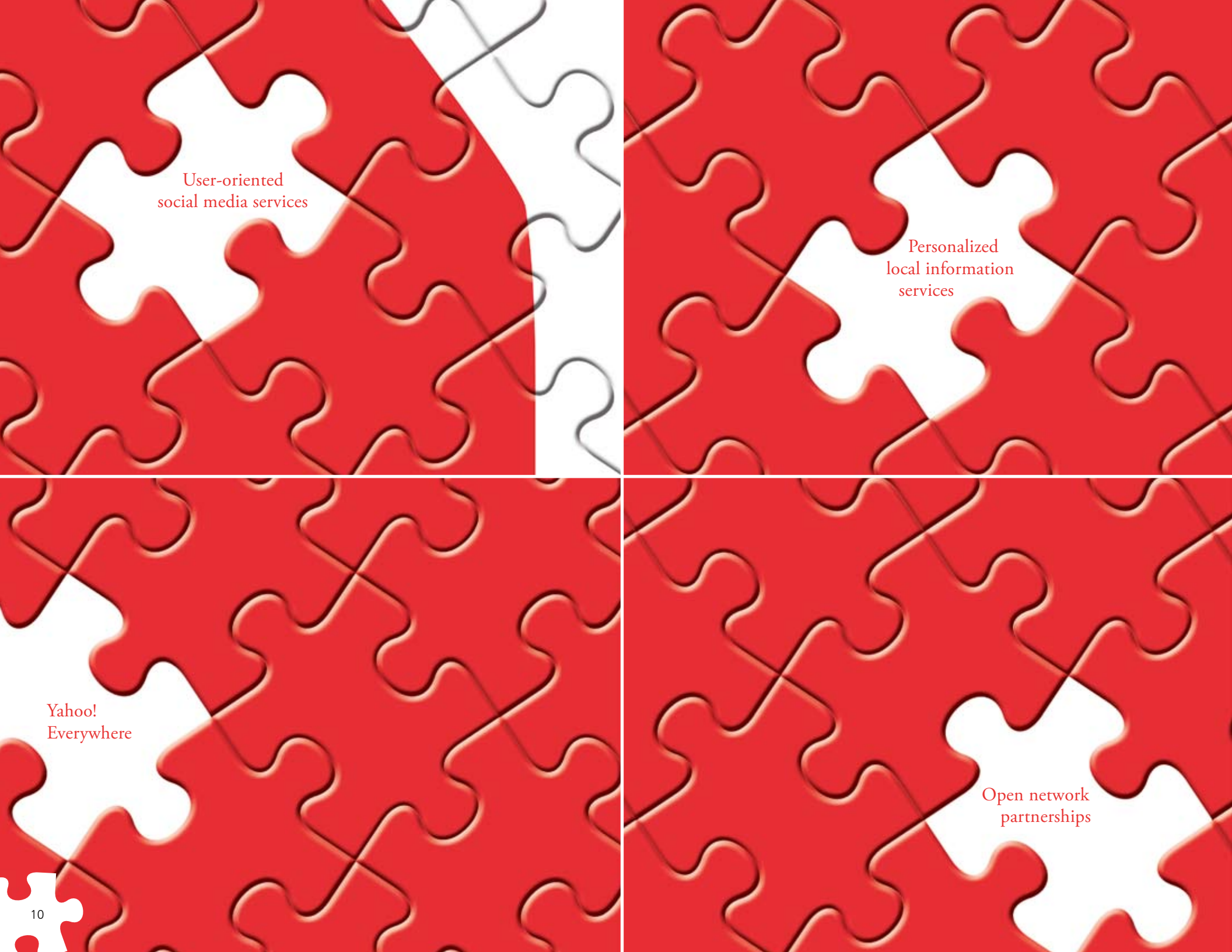

Charting a path
to sustainable growth
for tomorrow

user-generated tail content such as those found on our Yahoo! Blogs service. Before the recent introduction of Interest Match®, such pages had been extremely difficult to market to advertisers owing to problems with defining user interests and specifying page content. By effectively solving those problems, Interest Match® is poised to monetize large swaths of our site that had previously lain dormant. Furthermore, by broadening the distribution scope of Interest Match® to all of our partner sites, including pages consisting of tail content, we are set to expand income-sharing possibilities and strengthen win-win partnerships.

Future development

As of March 31, 2009, Interest Match® had logged just over six months of sales, so its contribution to advertising revenues for the period was not particularly noteworthy. Nevertheless, we have reasons for being optimistic. Whereas paid search advertising is distributed according to users' interests at a given point in time as precisely determined by user-generated keywords employed in searches, Interest Match® is distributed according to users' interests at a given point in time as inferred from users' behavioral histories and the contents of the page being viewed at the time. Accordingly, Interest Match® offers a less precise distribution than paid search advertising, with the result that its current pricing structure is lower. On the other hand, because paid search advertising is distributed only to search results pages while Interest Match® is distributed to a much larger volume of pages other than search results pages, Interest Match® click-through numbers are likely to exceed those for paid search. As a result, we believe that Interest Match® has the potential to equal paid search advertising in terms of revenue generation.

Looking forward, we expect to achieve steady growth in advertising-related revenues in line with our tireless development of the Internet advertising market in Japan.


User-oriented
social media services
Personalized
local information
services
Yahoo!
Everywhere
Open network
partnerships

Since commencing business operations in April 1996, Yahoo Japan Corporation and its consolidated subsidiaries and affiliates (the Group) has been the undisputed leader in the Japanese Internet market. Intent on remaining a vital "life engine" for Internet users in Japan, the Group will continue to offer a growing range of convenient, useful services and content that brighten and enrich daily life.

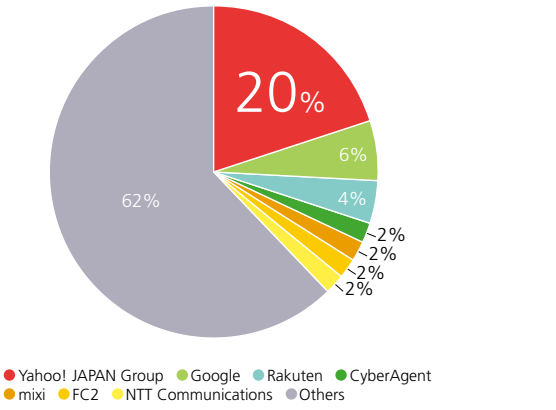
By steadily expanding the variety and enhancing the quality of services and content offered on the Yahoo! JAPAN portal site, the Group has achieved explosive growth in user numbers and usage times. In this way, we have created a strong earnings base. According to a recent survey conducted by Nielsen Online, the number of persons in Japan accessing the Internet via personal computer totaled 52.80 million in March 2009, confirming the Internet's mass media status. Within the Internet-viewing population, the Yahoo! JAPAN portal site boasted extremely high viewing rates of 83.6% from home and office, with a total viewer base of 47.12 million. The same survey also showed that the average Internet user spent three hours and fifty-four minutes on the Yahoo! JAPAN site during March 2009. In terms both of viewer numbers and of viewer usage times, Yahoo! JAPAN remains unrivaled as the premier portal site in the Japanese market.

The rapid proliferation of broadband-based connectivity and the surging popularity of Internet usage in Japan have supported the emergence of a wide variety of sites offering new services and content. Enthusiastically embracing this expansion of options, Internet viewers have become multi-site users. Although the average Internet user spends nearly four hours each month on the Yahoo! JAPAN site, far more than on any other single site, this figure represents just 20% of the average user's total monthly Internet usage time. In other words, while most Internet users spend a significant amount of viewing time on the Yahoo! JAPAN site, they spend 80% of their total online viewing time on other sites.

Masahiro Inoue

President and CEO
Yahoo Japan Corporation

Monthly Time Spent on Internet Sites of Major Groups



Source: Nielsen Online (NetView JP), access from home and works, excluding Internet application, March 2009
The time spent on each Group is the accumulation of all services and the domains operated by each company and its affiliates.

Growth Strategies

In 2007, the 12th year of operations of the Yahoo! JAPAN portal site, the Group began to implement four new growth strategies: (1) converting to user-oriented social media services, (2) making services available everywhere by increasing Internet access opportunities, (3) expanding and enhancing personalized local information services, and (4) partnering with other sites to form an extended open network. Since then, the Group has operated and developed its services and businesses in line with these strategies.

User-oriented Social Media Services

To enhance user satisfaction and boost usage times of Yahoo! JAPAN services, we offer a range of social media services and are steadily adding social media service functions to traditional content services. Recent years have seen explosive growth in the amount of information generated and supplied by individual users, known as tail content, supplementing information generated and supplied by official content providers, known as head content. In line with this trend, we offer a range of social media services, including Yahoo! Blogs and social networking services Yahoo! Days and Yahoo! Profile. In addition, we have enabled users to generate and supply tail content to the more than 130 head content services offered by the Group. For example, Yahoo! News now includes comment posting and social bookmark functions. By supplementing our trusted head content with tail content supplied by individual users, we are steadily approaching our goal of becoming the most popular social media provider in Japan.

Yahoo! Everywhere

Our Yahoo! Everywhere initiative focuses on increasing Internet access opportunities, with the ultimate goal of boosting usage times of Yahoo! JAPAN services. More than half of all persons living in Japan already access the Internet via personal computer. Our goal is to foster an environment in which users, unrestricted by either time or place, can easily access the Internet via a range of Internet-enabled devices other than personal computers, including mobile phones, video-game consoles, television sets, and car navigation systems. As a result, Internet usage times, including time spent on the Yahoo! JAPAN site, are bound to rise dramatically.

In April 2006, the Company took a large step toward its goal of expanding Internet access by investing in the mobile phone business of SOFTBANK CORP. This provided an opportunity to expand our mobile services and further enhance user convenience, which in turn served our ultimate goal of developing a fully integrated mobile Internet environment incorporating the mobile services of other carriers. Looking forward, we anticipate the emergence of a mobile Internet market on a par with the current PC Internet market.

At the same time, we are promoting expanded usage of Yahoo! JAPAN services via television. Currently, we offer a TV version of Yahoo! JAPAN accessible via any Internet-enabled television set. Also, in collaboration with Sharp Corporation we have developed a Yahoo! JAPAN portal site accessible exclusively via the AQUOS flat-panel LCD TV series.

Personalized Local Information Services

To boost usage times of our services by each and every Internet user, we are supplementing our existing nationwide information services with personalized information suited to a range of individual user lifestyles. To this end, we have added more map-based data to our regional information services, in addition to including social media service functions. Moreover, we now provide region-specific Internet platforms for local businesses and stores.

Open Network Partnerships

Our open network initiative aims to maximize Group revenues by leveraging an extended network of selected partner sites. As we expand the scale of this network of partnerships, we expect that the total usage time, number of page views, and number of unique browsers will increase across the entire network, which will boost the network's advertising media value. By distributing advertising over the network and offering partner sites access to such business infrastructure tools as our Yahoo! JAPAN ID verification application program interface, our Yahoo! Wallet online fee-collection system, and our Yahoo! Points service, we intend to improve the monetization of traffic on partner sites. In building an open, extended network of partnerships, therefore, we aim not only to enhance the benefits to users but also to build win-win relationships with all partner sites.

Growth in an Economic Downturn

During the period under review, the full impact of the international financial crisis arising from the sub-prime loan problem in the United States began to be felt in the real economy. Japan was not spared the full brunt of the global economic downturn, with corporate profits declining, the employment situation worsening, and consumer sentiment plunging.

Persevering in the face of these challenging conditions, the Group continued to develop and expand its Internet-based businesses. Our advertising and business services segments, particularly employment information services, struggled in the difficult economic environment. Nevertheless, by leveraging the Group's huge user base and media power, as well as by customizing products and services to suit users' diversifying needs, we achieved steady growth in revenues.

As a result, in fiscal 2008, the year ended March 31, 2009, the Group posted its 12th consecutive year of record-high sales and profits. Consolidated net sales were ¥265.8 billion on a net basis and ¥295.9 billion on a gross basis, up 12.9% year on year*. Consolidated operating income increased 7.9%, to ¥134.6 billion, while consolidated net income climbed 19.3%, to ¥74.7 billion.

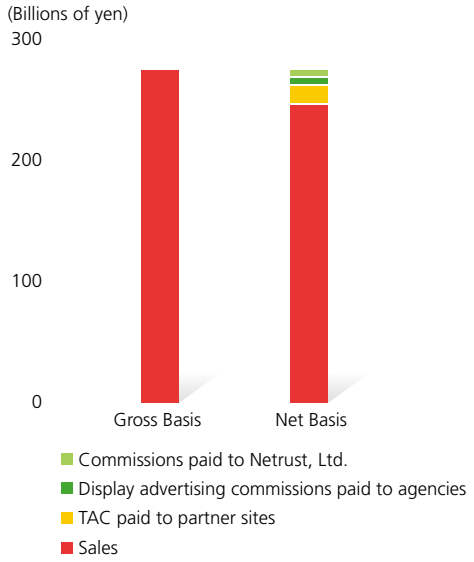
* Prior to April 1, 2008, traffic acquisition costs paid to business partners such as companies that operate Web sites were recognized as cost of sales, whereas commissions paid to sales agencies were recognized as selling expenses. In conjunction with its open network partnership strategy aimed at diversifying revenue sources by expanding business opportunities via business partners' Web sites, the Company reviewed positions and risks among the involved parties, namely, the Company, business partners, and sales agencies. As a result, the Company decided to change the accounting treatment for such payments from costs and expenses to deductions from sales. The Company believes that the new accounting treatment more reasonably reflects the structure of its business and relationships among the involved parties.

Advertising Segment

According to a DENTSU INC. press release, in Japan total advertising placement expenditures in the four traditional media markets of TV, newspapers, magazines, and radio declined 7.6% in calendar 2008. By contrast, advertising placement expenditures in the Internet market increased 17.0%. These statistics testify to the ongoing shift of advertising expenditures from traditional media markets to the Internet market, as companies increasingly focus their dwindling advertising budgets on highly effective Internet-based advertising products.

Display advertising, including banners and panels, is a mass-market advertising product used primarily by major corporations. Demand for

Reconciliation of Accounting Differences in Recording FY2008 Net Sales on a Gross and Net Basis



display advertising typically drops as corporate advertising budgets shrink. Paid search advertising, which employs a keyword-based distribution system that links text advertising to search results, is a popular, cost-effective means of sales promotion. Advertisers using this product range broadly, from major corporations to small and medium-sized businesses. Unlike display advertising revenues, which tend to stagnate when the economy slumps, paid search advertising revenues tend to show persistent growth thanks to steady demand from small and medium-sized businesses.

For fiscal 2008, the Group's advertising-related revenues surged 25.0%. The major components supporting this result were higher sales of Brand Panel, which appears on Yahoo! JAPAN's top page, and increased revenues from behavioral and demographic targeting advertising, which grew in popularity despite price hikes for certain products during the period under review. Revenues from targeting advertising more than doubled. Paid search advertising revenues also rose but at a reduced pace owing to lower demand from major corporations in such industries as recruiting and financial services. The continued growth is attributable to greater synergies with Overture K.K., which became a consolidated subsidiary in September 2007; an increase in the number of business alliances formed with partner sites; strong demand from small and medium-sized businesses; and enhanced advertising benefits achieved by continually improving matching accuracy as well as optimizing the layout and display of advertisements.

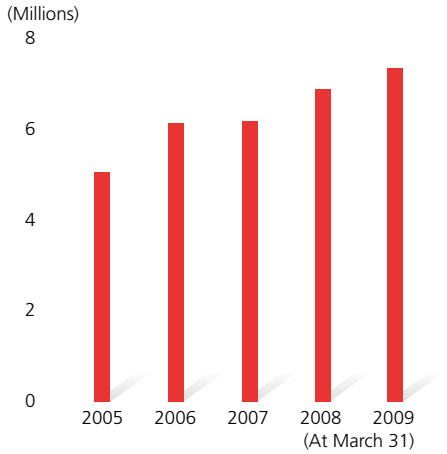
In September 2008, we introduced Interest Match®. Utilizing technology developed by the Group, Interest Match® infers the preferences and interests of individual users from their Internet usage histories, and then distributes appropriate advertisements to pages as they are viewed by individual users. Although not yet a significant contributor to earnings, Interest Match® is expected to become a major advertising revenue source in coming years.

Other Core Businesses

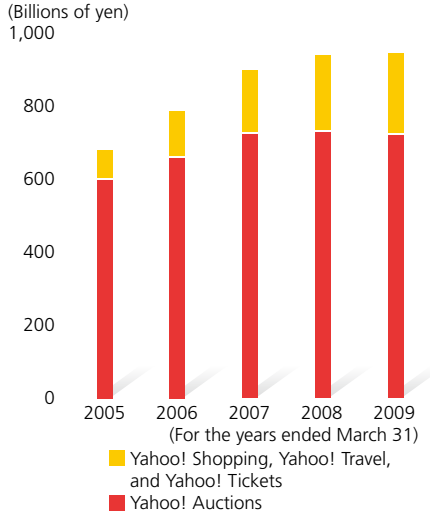
The number of Yahoo! Premium member IDs at March 31, 2009, stood at 7.36 million, up 6.4% from the figure a year earlier. Yahoo! Premium members are allowed to list and bid on items for sale on Yahoo! Auctions without restriction. In addition, they are granted access to exclusive content and can take advantage of discounts offered by partner sites. Since our introduction in 2001 of a monthly user verification fee of ¥280, excluding tax, applicable only to Yahoo! Auctions users actively listing or bidding on items, the number of Yahoo! Premium members has shown generally steady growth. A temporary decline in the pace of membership growth was seen, however, after our announcement in October 2008 of an increase in the user verification fee to ¥330 effective from December 2008. Quickly resuming a healthy growth rate, Yahoo! Premium member IDs steadily increased through the end of the period under review. Generally, the e-commerce market is flourishing in the recessionary environment as cost-conscious users increasingly search the Internet for bargains. Reflecting this trend, transaction volume on Yahoo! Shopping expanded favorably during the year under review.

While many of our businesses have not been significantly affected by the economic downswing, others have been severely hampered, including our Yahoo! Rikunabi employment information service. With hiring sentiment plummeting sharply in line with the deterioration of corporate performances throughout the economy, revenues from our employment information business nearly halved during the period. In the absence of any clear signs of economic recovery, it is difficult to predict the timing of a revenue recovery in our Yahoo! Rikunabi service.

Yahoo! Premium Member IDs



Group e-Commerce Transaction Volume



Total transaction volume on Yahoo! Auctions in fiscal 2008 remained largely unchanged from the previous year. The number of successfully completed auctions increased in line with growth in the total number of listings during the period, as more users attempted to raise cash against the backdrop of the economic slump. On the other hand, the average closing-bid price declined owing to sluggish consumer sentiment across the board. As a result, total transaction volume was flat. In an effort to stem a drop in transaction volume, we implemented various measures during the period, including the introduction of a best-offer option enabling buyers to negotiate discounts on fixed-price listings. Despite such measures, however, a rapid resumption of strong growth in our auction business is unlikely.

Taking into account the Group's diverse range of businesses, some flourishing and others suffering in this challenging economic environment, we are working to expand total revenues by minimizing sales declines in our weaker businesses while maximizing sales growth in stronger businesses.

Reducing SG&A Expenses

While we fully intend to pursue further revenue expansion moving forward, the current downturn and uncertain outlook for the Japanese economy necessitate that the entire Group also adopt a proactive stance with regard to reducing costs.

To reduce fixed costs, we consolidated all of our former offices, including those in Roppongi Hills, into a single location—the Tokyo Midtown complex. This move, completed in January 2009, will reduce the Group's office leasing costs by approximately ¥1.0 billion annually beginning from the fiscal year ending March 31, 2010.

To reduce expenses related to data center operations, we acquired SOFTBANK IDC Solutions Corp., discussed below. By bringing our data center operations in-house, we expect to achieve optimum economies of scale for improving efficiency.

Among other efforts to reduce costs, we are reviewing our resource allocations for developing and operating the Group's various services with an eye to bringing development and operational activities in-house to the extent possible, thereby minimizing our outsourcing costs. In addition, bearing in mind that employee compensation accounts for nearly one-fourth of our SG&A costs, we are focusing on reducing overtime and holiday work. More generally, we are constricting SG&A expenses by encouraging employees to print or photocopy documents only as necessary, to limit the use of color printing and photocopying, and to use air-conditioning only during business hours.

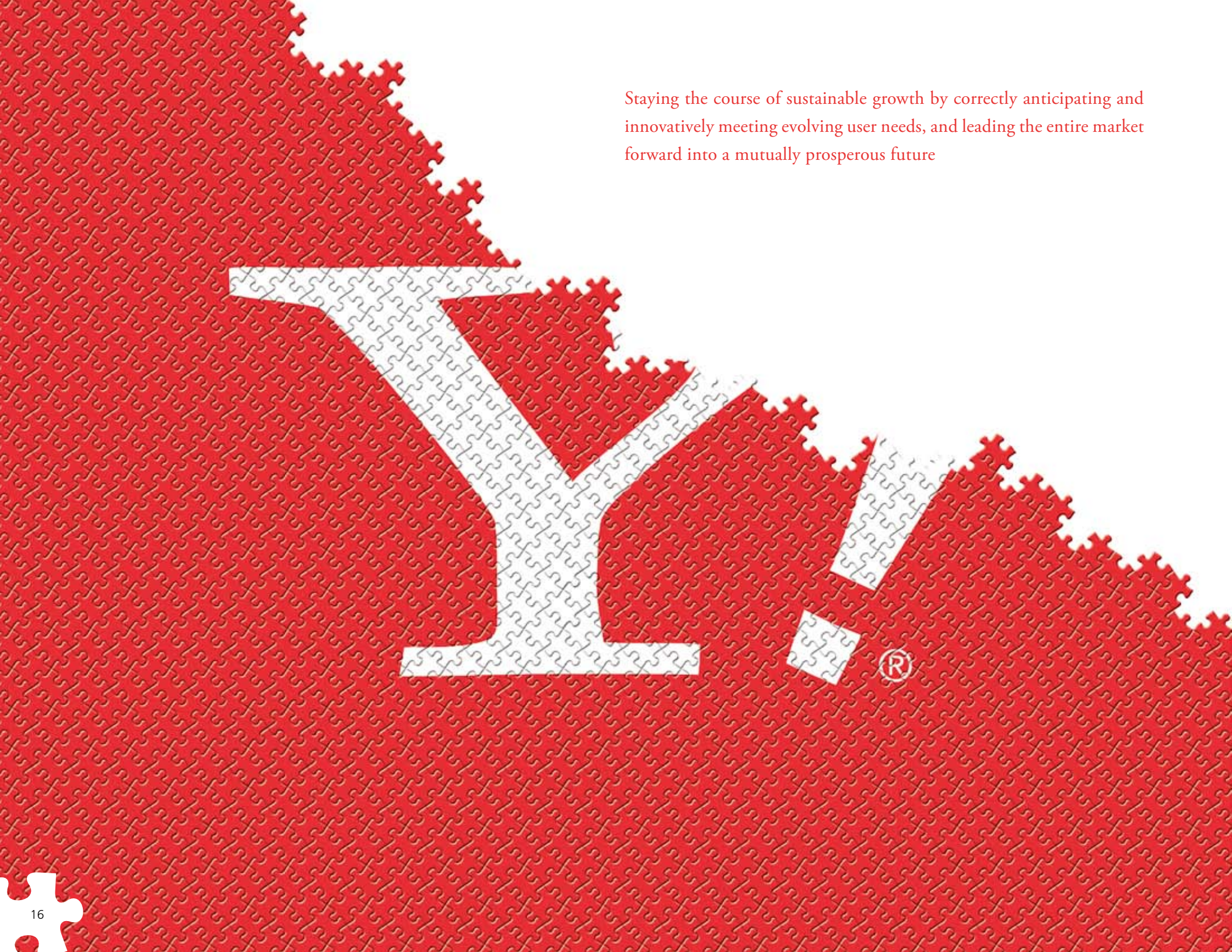
In the process of implementing the aforementioned measures, we expect to raise cost-consciousness among employees throughout the Group.

Acquisition of SOFTBANK IDC Solutions Corp.

In February 2009, we announced the acquisition of SOFTBANK IDC Solutions Corp., a company involved primarily in the operation of data centers. With this purchase, we have set the stage for creating an optimal structure for the achievement of economies of scale in our data center operations. Moreover, by applying our proprietary operating management technology for large-capacity servers, we expect to achieve greater efficiency throughout our operations and substantially reduce expenses as a result.

Data Center of SOFTBANK IDC Solutions Corp.

Staying the course of sustainable growth by correctly anticipating and innovatively meeting evolving user needs, and leading the entire market forward into a mutually prosperous future



Revolutionary technological innovations in the Internet field in recent years have engendered heightened demand for information security and access environment stability. At the same time, data transmission volumes have risen sharply owing to the expanding availability of video-based content and the growing popularity of user-generated content and community-type services. Against this backdrop, the Group is strategically building a base in data center operations with a view to pursuing business activities in such promising areas as cloud computing and open platforms.

SOFTBANK IDC Solutions has expanded its business scope from the provision of facilities to the development of platforms. Already, the company is well positioned in the important new software-as-a-service (SaaS) field. The domestic market for SaaS and other services in the cloud computing domain is expected to reach hundreds of billions of yen annually in coming years. With the acquisition of SOFTBANK IDC Solutions, the Group is positioned to move forward with the integrated development of cloud computing, including platforms, services, and sales.

Maximizing Shareholder Value

Firmly committed to driving the continuing expansion of the Japanese Internet-based market, the Group aims to achieve further business growth in the medium to long term by responding effectively to the challenges and opportunities of an ever-changing business environment. While emphasizing the accumulation of retained earnings necessary to strengthen our financial structure and to fund future business development, we will continue to place a high priority on returning profits to shareholders. Reflecting our payout ratio target of approximately 10% of consolidated net income, we declared cash dividends of ¥130 per share for fiscal 2008, an increase of 25.0% from the previous period.

For the first time since the Company's share listing in 1997, we executed a series of share buybacks during the fiscal year under review. In June and July 2008, we repurchased 1.21 million shares, equivalent to two percent of total shares outstanding, at a cost of ¥51.6 billion. Then, in March 2009 we repurchased a further 1.19 million shares, again equivalent to two percent of total shares outstanding, at a cost of ¥30.0 billion. All repurchased shares were subsequently retired.

In Conclusion

In carrying out the Group's primary mission of providing useful, cutting-edge Internet services and content accessible by anyone, anytime and anywhere, we aim to earn the trust of all stakeholders, including Internet users, affiliated business partners, suppliers, and shareholders. Based on that trust, we can be certain of achieving sustained growth in future years. Moving steadfastly forward, we humbly request your continuing understanding and support.

Masahiro Inoue
President and CEO
Yahoo Japan Corporation
June 23, 2009

While emphasizing the accumulation of retained earnings necessary to strengthen our financial structure and to fund future business development, we will continue to place a high priority on returning profits to shareholders.

Cash Dividends

Reflecting our payout ratio target of approximately 10% of consolidated net income

Fiscal 2008
¥130 per share (+25% year on year)

Share Buybacks

June and July 2008
¥51.6 billion (1.21 million shares)

March 2009
¥30.0 billion (1.19 million shares)

Business Segment Review

Advertising *20*

–The Advertising segment comprises Internet-based advertising-related services. Main sources of revenue for this segment include sales of paid search advertising and display advertising.

Business Services *23*

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

Personal Services *24*

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

Business Unit Review

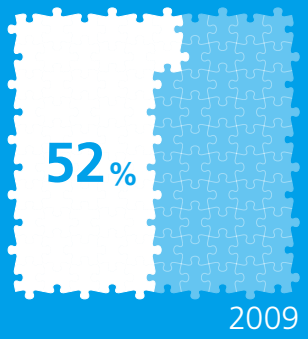
..... *26*

–Search Business, Auction Business, Members Services Business, Media Business, Lifestyle Business, Regional Services Business, Shopping Business, Social Net Business, Mobile Business, New Business Office, Service Supervising Division

Advertising

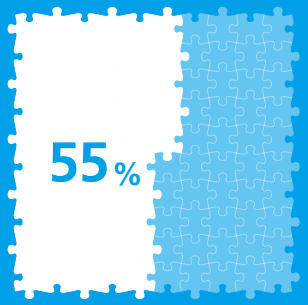
The Advertising segment comprises Internet-based advertising-related services. Main sources of revenue for this segment include sales of paid search advertising and display advertising.

Share of Net Sales



2009

Share of Operating Income



2009

(For the year ended March 31)

Advertising segment sales for fiscal 2008 amounted to ¥138.9 billion on a net basis and ¥163.8 billion on a gross basis, up 25.0%. Operating income increased 13.5%, to ¥73.5 billion.

The impact of the international financial crisis was keenly felt in the Japanese economy during the period under review, with corporate profits declining, the employment situation deteriorating, and consumer sentiment weakening. Against this backdrop, total advertising expenditures in Japan for calendar 2008 retreated 4.7%, with each of the four traditional mass-media markets posting substantial year-on-year declines. In stark contrast, advertising placement expenditures in the Internet market advanced 17.0%, offering further evidence of the ongoing shift in Japanese advertising expenditures from the traditional mass-media markets to the Internet market.

(Source: *2008 Advertising Expenditure in Japan,* DENTSU INC.)

Display advertising accounted for approximately one-third of the Group's total advertising revenues for fiscal 2008. Especially popular during the year were display advertising products featuring high-impact graphics. Brand Panel, displayed on Yahoo! JAPAN's top page and used mainly as a branding tool by major corporate advertisers, performed extremely well, registering record-high sales in the fourth quarter. By contrast, other mass media including TV suffered substantial declines during the year. Advertising products incorporating targeting functionality, an efficiency-enhancing capability unique to Internet advertising, also did well during the year, with sales of both behavioral targeting and demographic targeting products surging. Behavioral targeting advertising is distributed according to users' Internet usage histories, while demographic targeting advertising is distributed according to users' demographic profiles. With behavioral targeting advertising enjoying notably high demand despite a price increase during the year, its contribution to total display advertising sales for fiscal 2008 rose to approximately 20%.

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

Industry Category	2004	2005	2006	2007	2008
Foodstuffs	1.7%	2.4%	3.3%	3.2%	3.3%
Cosmetics/Toiletries	3.9%	6.7%	7.0%	7.5%	9.1%
Transportation/Leisure	4.9%	4.9%	7.3%	8.2%	9.2%
Beverages/Cigarettes	3.4%	5.3%	4.3%	3.9%	3.7%
Information/Communications	18.3%	13.3%	15.1%	15.3%	12.3%
Finance/Insurance	21.4%	21.6%	20.4%	17.5%	18.1%
Distribution/Retailing	0.6%	1.3%	0.9%	0.9%	0.5%
Automobiles/Related Products	7.1%	10.1%	9.0%	10.9%	11.5%
Pharmaceuticals/Medical Supplies	1.5%	1.1%	1.5%	1.2%	1.5%
Hobbies/Sporting Goods	2.8%	3.1%	2.9%	3.2%	3.5%
Real Estate/Housing Facilities	7.0%	8.4%	9.5%	10.1%	11.5%
Food Services/Other Services	17.0%	11.8%	9.6%	8.3%	6.7%
Fashion/Accessories	1.3%	1.4%	2.2%	2.9%	3.4%
Publications	1.4%	1.3%	1.0%	0.7%	0.5%
Others	7.7%	7.3%	6.0%	6.2%	5.2%

(Calendar years)

Source:
2008 Advertising Expenditure in Japan,
DENTSU INC.

Breakdown of Total Advertising Expenditures in the Four Traditional Media, by Industry Category

2008
9.1%
8.9%
8.2%
7.5%
7.3%
6.4%
6.4%
5.8%
5.6%
5.1%
4.5%
4.4%
3.5%
3.5%
13.8%

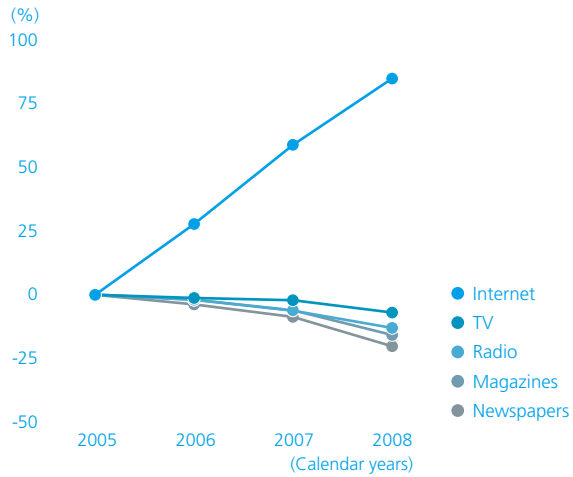
Paid search advertising revenues soared nearly 40% over the previous period's result, generating approximately two-thirds of the Group's total advertising revenues for fiscal 2008. This substantial growth is attributable to greater synergies with Overture K.K., which became a consolidated subsidiary in September 2007; an increase in the number of business alliances formed with partner sites; strong demand from small and medium-sized businesses; and enhanced advertising benefits achieved by continually improving matching accuracy as well as optimizing the layout and display of advertisements.

Paid search advertising employs a keyword-based distribution system that links text advertising to relevant search results, with advertiser fees calculated on a per-click basis. Because advertising that leads directly to sales can be accounted for as a sales promotion expense, paid search advertising is generally believed to be relatively resilient to fluctuations in the macroeconomic environment. During the period under review, however, distinct signs of weakness in our paid search operations appeared as the economic recession deepened. Paid search advertising revenues languished owing to lower average keyword bid prices in certain paid search advertising auctions, reflecting advertising budget cuts by major advertisers that had already placed large volumes of advertising through advertising agencies, such as recruitment-related companies. On the other hand, steady increases were seen both in the number of accounts and in advertisements placed by small to medium-sized companies that order advertising directly online. Although small and medium-sized advertisers accounted for approximately 80% of the total number of advertising accounts at March 31, 2009, they generated only about 40% of total paid search advertising revenues. Accordingly, we remain optimistic about the prospects for future growth in this market.

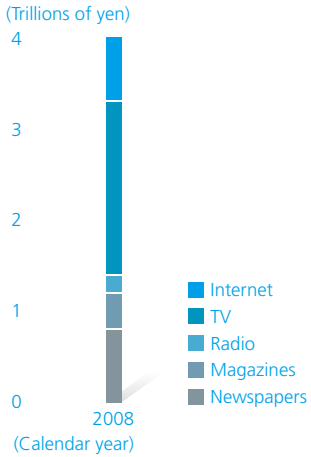
In September 2008 we introduced Interest Match®, the Group's newest advertising product. Based primarily on a content-linked advertising model, Interest Match® distributes text advertising to a user's current viewing page according to analyses of three primary factors: (1) the content of the current viewing page, (2) the route of page views taken to arrive at the current viewing page, and (3) the user's behavioral history with regard to Yahoo! JAPAN services. (For more details, please see the Special Feature, beginning on page 5.)

The initial marketing of Interest Match® was conducted only by selected advertising agencies focusing exclusively on major corporate advertisers. Distribution, meanwhile, was confined solely to PC-based users accessing the Yahoo! JAPAN site. After making various refinements to the distribution system, we expanded the distribution scope in January 2009 to users accessing our mobile site. In February, we began to accept online orders directly from advertisers. Then, in April 2009 we further expanded the distribution scope to all partner sites, thereby kicking off full-fledged development of the market. As a means of monetizing a huge volume of pages other than search results pages on both the Yahoo! JAPAN and partner sites, Interest Match® represents a potential source of explosive new revenue growth.

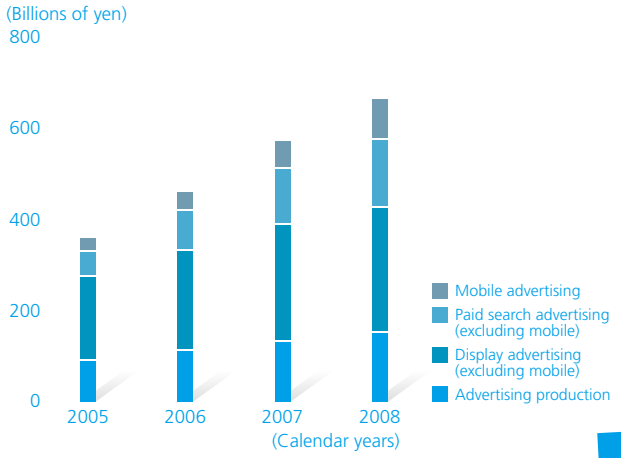
Annual Change in Japanese Advertising Expenditures, by Media (Base Year CY2005)



Breakdown of Japanese Advertising Expenditures, by Media (CY2008)



Breakdown of Japanese Internet Advertising Expenditures



Source: *2008 Advertising Expenditure in Japan*, DENTSU INC.

Considering the state of the current mobile Internet environment in Japan, with only a handful of specific services used by a delimited group of users, the first step toward building a mobile Internet advertising market is to facilitate and promote broader mobile Internet access and usage. Only when users of mobile devices begin to access the Internet on a daily basis, much as PC users do currently, can mobile advertising begin to generate real income. To that end, we are optimizing for mobile devices a steadily growing number of services available on the PC version of Yahoo! JAPAN. At the same time, we are focusing on improving mobile search functions, particularly by increasing the relevance of search results to search keywords. As a result of such efforts, in fiscal 2008 we logged approximately 50% more mobile page views and a nearly 170% increase in mobile-based paid search advertising revenues compared with the previous year.

Strategies

With no signs of economic recovery in sight, a near-term resurgence of sales growth is unlikely. For the time being, the Group is diligently sowing the seeds for what we expect to be a bumper crop of sales expansion once the economy begins to pick up.

To boost display advertising sales, we intend to develop and promote high-value-added products rigorously aligned with advertisers' needs, devise more effective methods of collaboration with advertising agencies, and take full advantage of our open network partnerships by monetizing partner-site traffic. In line with our plan to vigorously expand sales of Interest Match®, we will cultivate advertisers who purchase paid search and Interest Match® advertising online. Also, we will continue to expand the number of our open network partner sites.

In other areas, with the April 2009 conversion of GyaO CORPORATION into a fully consolidated subsidiary, we are preparing to accelerate the development of optimum video advertising.

In general, we will target continuing growth in advertising-related revenues by steadily introducing innovative products and services incorporating the unique capabilities of Internet advertising, essentially offering to the market highly effective advertising with easy-to-understand cost/benefit structures.

Business Services

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

Share of Net Sales

2009

Share of Operating Income

2009

(For the year ended March 31)

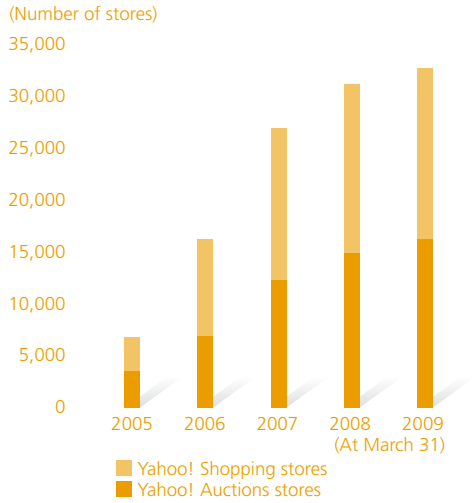
Fiscal 2008 sales of the Business Services segment were ¥54.6 billion on a net basis and ¥56.0 billion on a gross basis, down 3.6%. Operating income slid 11.8%, to ¥20.8 billion.

The decline in segment sales for the year resulted primarily from (1) significantly lower information listing revenues from Yahoo! Rikunabi and (2) a steep drop in customer acquisition incentive fees related to Yahoo! BB's ADSL broadband services. The steadily weakening economy occasioned further deterioration in the employment situation, resulting in plummeting revenues from Yahoo! Rikunabi, the Group's employment information service. New subscribers to Yahoo! BB's broadband services, meanwhile, remained elusive owing to high existing rates of market penetration for broadband Internet services, in addition to the rising popularity of optical-fiber Internet connections. The declines in these two services more than offset growth elsewhere in the Business Services segment.

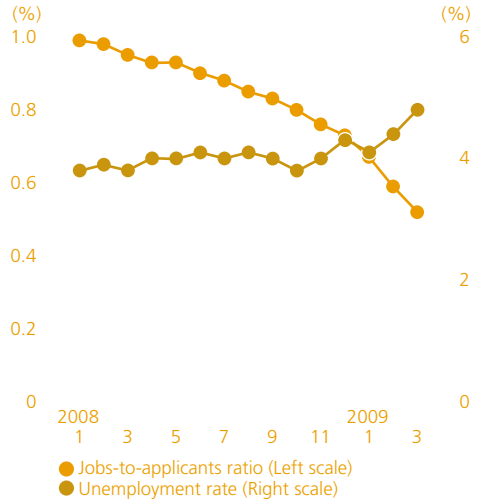
On the positive side, e-commerce-related revenues in the Business Services segment grew robustly. Yahoo! Auctions' December 2008 implementation of an increase in BtoC final-value fees, from 3% to 5%, was the primary source of a nearly 20% year-on-year rise in Yahoo! Auctions-related revenues, which in turn contributed strongly to growth in total e-commerce revenues. Yahoo! Shopping transaction volume was up on the year, surging notably in the second half. The apparent anomaly of e-commerce revenue growth achieved on the back of a rapidly decelerating economy can perhaps be best understood in light of online shopping's inherent attractions, of which (1) shopping at home without the hassles of going out and (2) buying at the lowest possible prices are but two examples. As of March 31, 2009, the number of merchant stores registered on the Yahoo! Auctions and Yahoo! Shopping sites totaled 32,843, a 5.0% increase over the figure one year earlier.

Among other services in this segment, Yahoo! Real Estate, Yahoo! Autos, and Yahoo! Travel also recorded steady sales growth.

Yahoo! Auctions and Yahoo! Shopping Stores



Jobs-to-Applicants Ratio and Unemployment Rate

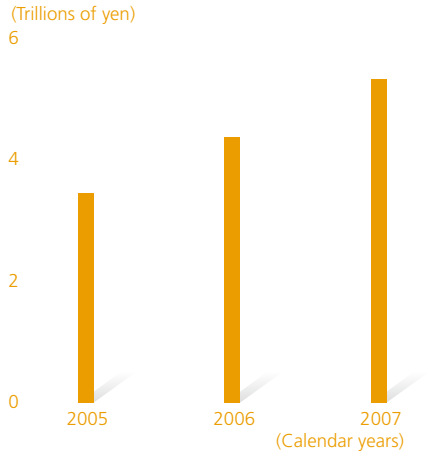


Source: Ministry of Health, Labour and Welfare

Strategies

Although many of our businesses in this segment show signs of vulnerability to downward macroeconomic fluctuations, we intend to persist in our efforts to expand sales by making timely introductions of services that consistently satisfy the needs of all user groups. As one step in that direction, we undertook a major reorganization in April 2009, concentrating all of our business services into the Business Services Division. As a result, we expect to reap several benefits. By integrating all of the Group's business services, from development to sales, under a single roof we have enhanced our ability to offer services more finely attuned to user needs. At the same time, we are now able to accelerate introductions of newly integrated services. For example, we are currently developing proposals of service packages to small and medium-sized businesses. By satisfying the requirements of small and medium-sized businesses seeking to enter the online business market, we ultimately aim to boost the Group's future growth prospects. All the while, we will intently focus on improving user convenience in the e-commerce market, in addition to harnessing expanding traffic from partner sites to growth in the Group's e-commerce transaction volume.

Japanese BtoC e-Commerce Market

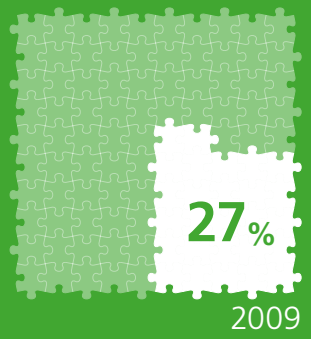


Source: Ministry of Economy, Trade and Industry

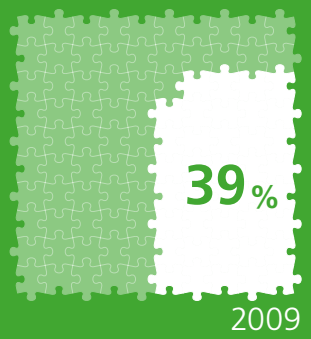
Personal Services

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

Share of Net Sales



Share of Operating Income



(For the year ended March 31)

Sales of the Personal Services segment for fiscal 2008 amounted to ¥72.7 billion on a net basis and ¥76.5 billion on a gross basis, an increase of 4.7%. Operating income climbed 8.3%, to ¥52.7 billion.

Total transaction volume on Yahoo! Auctions in fiscal 2008 remained largely unchanged from the previous year. The number of successfully completed auctions increased in line with growth in the total number of listings during the period, as more users attempted to raise cash and buyers increasingly sought out auction bargains against the backdrop of the economic slump. On the other hand, the average closing-bid price declined owing to sluggish consumer sentiment across the board. Moreover, a higher proportion of BtoC auctions during the year resulted in lower revenues from CtoC system-use fees.

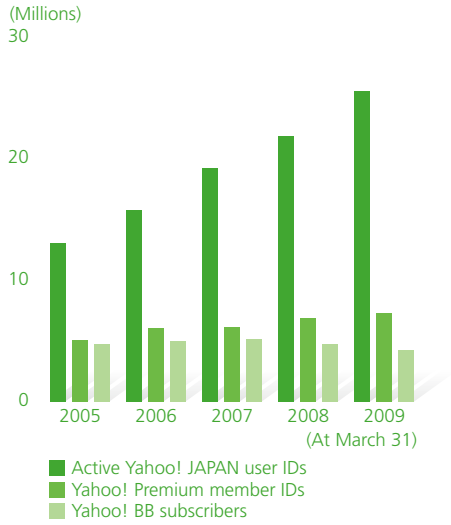
Revenues from Yahoo! Premium membership fees advanced firmly. Yahoo! Premium members are entitled to list and bid on items for sale on Yahoo! Auctions without restriction. As well, they are granted access to exclusive content and can take advantage of discounts offered by partner sites. While the uptick in Yahoo! Auctions activity was one factor supporting growth in new Yahoo! Premium memberships during the year, another factor was our ongoing efforts to increase the value of Yahoo! Premium memberships through such measures as cooperative campaigns with companies outside the Group providing various special benefits or fee discounts. Following our successful collaboration with Daiichikosho Co., Ltd., in the first quarter of fiscal 2008 offering discounts on karaoke room rental fees, we added a wide range of other special member benefits, both online and off. Thanks in part to these measures, the number of Yahoo! Premium member IDs at March 31, 2009, stood at 7.36 million, up 6.4% from the figure a year earlier despite an increase in the monthly membership fee, from ¥280 to ¥330, that took effect from December 2008.

Among our paid-content services, Yahoo! Partner and Yahoo! Marriage matchmaking services posted large sales gains, while such entertainment services as Yahoo! Comics and Yahoo! Games also recorded solid growth.

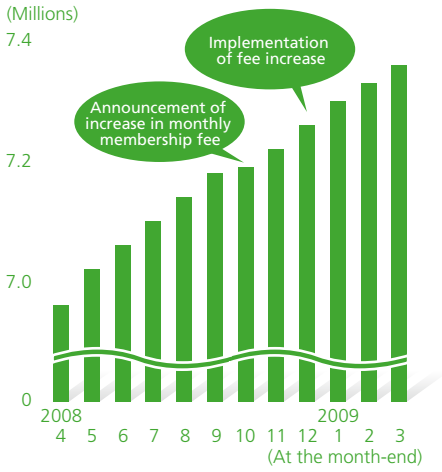
Strategies

Pinning the segment's short-term growth prospects on continuing strength in our Yahoo! Premium member services, we will concentrate on raising the number of Yahoo! Premium members, the Group's royal customers. By enhancing the value of Yahoo! Premium memberships, we aim to entice more members to use more Group services more frequently. In addition, we will conduct various campaigns both to acquire new users and to encourage expanding use by existing users of our Yahoo! Auctions services. Through these and other measures designed to stimulate the market, we expect to achieve further gains in transaction volume. At the same time, we will place renewed emphasis on developing content that matches user needs with the goal of expanding paid-content revenues.

Yahoo! JAPAN Users



Yahoo! Premium Member IDs



Search Business

Main services:

- Yahoo! Search
- Yahoo! Blog Search
- Yahoo! Product Search
- Yahoo! Image Search
- Yahoo! Search Ranking
- Yahoo! Dictionary
- Yahoo! Encyclopedia
- Yahoo! Translation
- Yahoo! Answers
- Yahoo! Category
- Yahoo! Bookmark

Major activities in fiscal 2008:

To improve the functionality and quality of the Yahoo! Search service, we strengthened search function integration with various other Yahoo! JAPAN services with the goal of enhancing convenience. For example, keyword-based search results on Yahoo! Search now display related product images from Yahoo! Shopping and Q&A sets from Yahoo! Answers. Also, we newly included a keyword input assistance function that predictively generates suggested keywords after the first few letters of a keyword are entered into the search box. In addition, we optimized the display of our Yahoo! Search service to the iPhone display screen.

In partnership with All About, Inc., we launched Yahoo! Answers — All About Profile Expert Answers, a new feature within Yahoo! Answers that provides answers by experts.

In other developments during fiscal 2008, we launched a new free service, Yahoo! Encyclopedia, in collaboration with Shogakukan Inc., the publisher of *Encyclopedia Nipponica*.

Principal revenue source:

Paid search advertising

Auction Business

Main services:

- Yahoo! Auctions
- Yahoo! Delivery
- Yahoo! Classified

Major activities in fiscal 2008:

To revitalize our auction business, we focused on enhancing user convenience by, for example, streamlining the listing process and upgrading search functions. In addition, we introduced a best-offer option enabling buyers to negotiate discounts on fixed-price listings. We also ran special promotions waiving auction listing fees.

Measures aimed at improving Yahoo! Auctions site security included beta testing of an anti-phishing browser developed jointly with the quasi-governmental National Institute of Advanced Industrial Science and Technology. Also, we continued to provide information pages related to anti-fraud protection and other safety-related issues, in addition to extending our fraud victim compensation program to cover all cases, regardless of amount.

In conjunction with the MOTTAINAI campaign run principally by ITOCHU Corporation, we held a Yahoo! Auctions MOTTAINAI Month campaign during which we encouraged users to auction unwanted items rather than increasing the environmental burden by throwing them away.

Principal revenue sources:

CtoC auction system-use fees, merchant store system-use fees, display advertising

Members Services Business

Main services:

- Yahoo! Premium
- Yahoo! BB
- Yahoo! Insurance
- Yahoo! Trading
- Yahoo! Forex
- Yahoo! Partner
- Yahoo! Marriages
- Yahoo! Delivers
- Yahoo! Keitai Shop

Major activities in fiscal 2008:

We focused on adding value to Yahoo! Premium and Yahoo! BB memberships by offering exclusive discounts on paid content, special prize campaigns, and a stream of new incentives through partnerships with companies outside the Group. As a result, the number of Yahoo! Premium memberships surpassed 7 million for the first time during fiscal 2008. Despite an increase in the monthly Yahoo! Premium membership fee effective from December 2008, subscriber growth steadily continued throughout the year.

In our Yahoo! Partner and Yahoo! Marriages services, we launched new promotional features, including romantic compatibility tests, to attract more visitors to our site.

Principal revenue sources:

Yahoo! Premium membership fees, Yahoo! BB subscriber ISP fees

Media Business

Main services:

- Yahoo! News
- Yahoo! Topics
- Yahoo! Finance
- Yahoo! Sports
- Yahoo! Weather
- Yahoo! TV
- Yahoo! Streaming
- Yahoo! Disaster Information
- Yahoo! Politics
- Yahoo! Guess
- Yahoo! Logoole
- Yahoo! Carbon Offset

Major activities in fiscal 2008:

During the year we focused on planning and developing

new content and services able to appeal to both advertisers and users. We continued to cultivate alliances with outside companies, including partnerships with television stations whereby we generate online content related to popular TV drama series and documentary programming. In addition, USEN Corp.'s video distribution site, VideoComplex, was featured on Yahoo! Streaming. After acquiring 51% of the shares of GyaO CORPORATION from USEN in April 2009, we made GyaO a consolidated subsidiary. By autumn of 2009, we intend to fully integrate GyaO with our Yahoo! Streaming service, thereby creating one of the largest official video distribution platforms in Japan.

Yahoo! Sports offered a variety of sports-related special content, including the Beijing Olympics. Our coverage of the World Baseball Classic drew the highest number of page views of all our Yahoo! JAPAN services in March 2009, and the number of playbacks of game highlights set a record for Yahoo! Streaming's on-demand news flash video clips.

Our Yahoo! Carbon Offset service, launched during the year, enables individuals to make online purchases of greenhouse-gas emission rights.

Principal revenue sources:

Display advertising, paid content and services

Lifestyle Business

Main services:

- Yahoo! Rikunabi
- Yahoo! Autos
- Yahoo! Drive
- Yahoo! Music
- Yahoo! Movies
- Yahoo! Rental DVD
- Yahoo! Tickets
- Yahoo! Variety
- Yahoo! Fan Club
- Yahoo! Fashion
- Yahoo! Beauty
- Yahoo! Wedding
- Yahoo! Baby
- Yahoo! Books
- Yahoo! Comics
- Yahoo! Games
- Yahoo! Fortune Telling
- Yahoo! Ringtone
- Yahoo! Pet
- Yahoo! Retirement

Major activities in fiscal 2008:

As in our other businesses, we strategically forged links with companies outside the Group, including an alliance with Cara Carina, a women's lifestyle site operated by So-net Entertainment Corp., and the launch of the Yahoo! Variety humor site in collaboration with YOSHIMOTO KOGYO CO., LTD. In addition, we made progress in developing new media concepts through cross-media partnerships. New initiatives during the year included the launch of X BRAND presented by Yahoo! JAPAN, which offers edited content from 20 high-quality magazines in such categories as fashion, cuisine, travel, and beauty.

In our Yahoo! Beauty service, we introduced a search function enabling users to find beauty salons and first-hand reports on hair and beauty salons throughout Japan. Yahoo! Drive, launched in May 2008, provides comprehensive information about scenic routes and destinations, in addition to driving-related commentaries by users. In a partnership beginning in August, we integrated Honda Motor Co., Ltd.'s INTERNAVI car navigation service with the Yahoo! Drive site. Yahoo! Baby is a site for women to exchange information and advice about pregnancy, child-birth, and child-rearing.

Also during the year, we revamped our Yahoo! Books and Yahoo! Wedding services, newly including interactive functions enabling users to post book reviews on Yahoo! Books and comments about wedding-related facilities on Yahoo! Wedding.

Principal revenue sources:

Display advertising, information listings, paid content and services

Regional Services Business

Main services:

- Yahoo! Real Estate
- Yahoo! Maps
- Yahoo! Get Local
- Yahoo! Transit
- Yahoo! Traffic Information
- Yahoo! Phone Book
- Yahoo! Gourmet
- Yahoo! Coupons
- Yahoo! Flyer Information
- Yahoo! StepUp
- Yahoo! Internet Certification
- Yahoo! Everybody's Certification
- Yahoo! Healthcare
- Yahoo! Business Express

Major activities in fiscal 2008:

To enhance the convenience of using Yahoo! Maps, we improved the site's functionality and interface design, adding such features as a periphery search function for pinpointing stores and amenities within a localized area. We also introduced specialized new maps and a wide range of regional and lifestyle information, including Underground City Map, which features detailed layouts of underground shopping arcades in 49 cities throughout Japan.

For mobile-based users, we introduced a mobile version of our Wai Wai Maps service, as well as Yahoo! Maps Appli and Yahoo! Transit Appli for iPhone™ 3G and iPod® touch.

Also during the year, we revamped the design of our Yahoo! Gourmet site and expanded coverage by adding more detailed restaurant menus, a page for user-generated comments, and a map-based search function for restaurants and bars.

Principal revenue sources:

Information listings, Business Express, display advertising

Shopping Business

Main services:

- Yahoo! Shopping
- Yahoo! Prize Competition

Major activities in fiscal 2008:

In our Yahoo! Shopping service, we worked to achieve higher transaction volume by improving functionality and convenience as well as by offering seasonal promotions. In addition to rationalizing the shopping cart function and streamlining buying procedures generally, we added a user-generated product review capability and introduced a My Page function enabling users to compile and save lists of favorite stores and products for future reference. To attract increased user traffic, we included the Yahoo! Shopping site in the shopping pages of the Nico Nico Douga video-sharing site as part of an alliance with Niwango, Inc., in addition to strengthening measures promoting cross-site usage among Yahoo! Auctions users. We also launched a Yahoo! Shopping Web application programming interface (API) service enabling users to develop applications utilizing the product database and functionality of Yahoo! Shopping, which can then be embedded in home pages and blogs and monetized via the Yahoo! Shopping Affiliate Program. In addition, we launched a Yahoo! Shopping product sales ranking service on our portal site accessible exclusively via Sharp Corporation's AQUOS flat-panel LCD-TV series.

Principal revenue sources:

Store sales commissions, store tenant fees, advertising sales from stores

Social Net Business

Main services:

- Yahoo! Mail
- Yahoo! Calendar
- Yahoo! Photo
- Yahoo! Groups
- Yahoo! Messenger
- Yahoo! Avatar
- Yahoo! Profile
- Yahoo! Blogs
- Yahoo! Days
- Yahoo! GeoCities
- Yahoo! Message Boards
- Yahoo! Polls

Major activities in fiscal 2008:

With the full-fledged introduction of our next-generation Yahoo! Mail service in November 2008, we began efforts to increase the Yahoo! Mail user base by promoting such services as Yahoo! Mail Academic Edition, a free Web mail service for educational institutions. As of April 2009, Yahoo! Mail Academic Edition was in use at 37 schools throughout Japan.

In our Yahoo! Blogs service, we introduced our AD Partner program whereby blog owners earn payments based on the number of click-throughs on advertising placed on their sites. In partnership with Yahoo! Profile, Yahoo! Blogs also newly featured functions enabling friend registration and message transmission. In addition, to Yahoo! Profile we added a notification function pertaining to recent postings to users' personal pages and friends' pages.

Also during the year we launched Yahoo! Messenger 9.0. Elsewhere, in our Yahoo! News service we enhanced the Topics column by adding a supplementary news-related information section compiled and posted by editors chosen by Yahoo! JAPAN.

Principal revenue sources:

Display advertising, paid content and services

Mobile Business

Main services:

- Yahoo! JAPAN Mobile Version
- Yahoo! Content Store
- Yahoo! Posting Appli
- Yahoo! MachiMoba
- Yahoo! Decoration

Major activities in fiscal 2008:

In an overhaul of each mobile carrier's top page, we upgraded personalized functionality so that services of interest to individual users are automatically displayed. We also took measures to enhance the display of and otherwise streamline popular services. Moreover, we enhanced convenience by making our Yahoo! oneSearch service, which ranks results according to user requirements, compatible with the i-mode and EZweb formats, in addition to the Softbank Mobile format. We also launched a mobile Yahoo! Search service for the official site of PHS service provider WILLCOM, Inc.

In a venture with East Japan Railway Company, we launched Y! Suica, a specialized site aimed at boosting mobile Suica subscriber numbers and increasing mobile Suica service usage. Among other efforts made during the year to encourage greater usage of mobile services, we upgraded mobile Yahoo! Streaming (beta version), a video content streaming service for Yahoo! Keitai; launched Kira Kira ☆ Street, which offers a range of games and avatars; and inaugurated Yahoo! Decoration, a service enabling users to upload or download decorative e-mail-use graphics.

To date, we have provided more than 100 services in dedicated formats for Apple's iPhone™ 3G and iPod® touch platforms.

Principal revenue sources:

Paid search advertising, display advertising, paid content and services

New Business Office

Main services:

- Yahoo! ezPay
- Yahoo! NetBanking
- Yahoo! Points
- Yahoo! Card
- Yahoo! Public Utility Payment
- Yahoo! toto
- Yahoo! Travel

- Yahoo! Business Travel
- Yahoo! Research
- Yahoo! WebHosting
- Yahoo! On Business

Major activities in fiscal 2008:

Settlement: In Yahoo! Auctions, we introduced a payment management service and an e-money service developed by the Japan Net Bank, Ltd. For Yahoo! JAPAN Suica Card holders, we newly enabled the exchange of accumulated Yahoo! Points into Yahoo! JAPAN Suica Card e-money. At the same time, we similarly enabled the mutual exchange of Yahoo! Points and Suica Points. In addition, we boosted Yahoo! JAPAN Suica Card member numbers and enhanced membership value by offering exclusive sales promotions in partnership with Yahoo! Shopping.

We continued to promote points exchange services with points programs operated by companies outside of the Group. In collaboration with ValueCommerce Co., Ltd., for example, we launched the Yahoo! PointUp Mall service. Targeted at Yahoo! JAPAN Card holders and Yahoo! Premium members, this service awards Yahoo! Points when affiliated non-Group Web sites are used. In our Yahoo! toto service, Yahoo! NetBanking users and Yahoo! JAPAN Card holders can now purchase BIG soccer-related lottery tickets on the Yahoo! JAPAN site.

Travel: During fiscal 2008, we added more social media service functions to our Yahoo! Travel site, including candid user-generated commentaries and hotel rankings. Also during the year, we upgraded Tabi Josen, a site feature that focuses exclusively on luxury hotels and traditional Japanese inns. In addition, we added new functions designed to simplify searches for package tours suited to individual user specifications. To encourage increased usage of our travel-related services, we extended our Yahoo! Points program to our Yahoo! Travel and Yahoo! Business Travel services, in addition to offering special seasonal promotions throughout the year.

Research: In combination with Yahoo Japan Value Insight Corporation, we began supplying our marketing research services under a single integrated brand, Yahoo! Research. During the year, we launched Search Insight, a service that compiles user search history data. In addition, we further expanded the number of our registered research monitors, with a particular emphasis on achieving demographic diversity among monitors. As of March 31, 2009, our registered research monitors numbered some 1.90 million on a PC-count basis, forming one of the largest research-oriented networks of its kind in Japan.

Digital home electronics business: Following upon our May 2008 launch of a Yahoo! JAPAN portal site accessible exclusively via Sharp Corporation's AQUOS high-definition LCD TV model, we enhanced convenience by enabling Yahoo! JAPAN ID log-in for some services. In April 2009, we introduced Yahoo! JAPAN services for Internet-compatible TV models produced by all major Japanese manufacturers. In addition, following our May 2008 launch of Yahoo! Drive, we formed a partnership with Honda Motor in August to integrate the automaker's INTERNAVI car navigation service.

Others: Yahoo! On Business, a portal site providing total business solutions support to small-business owners, attracted registrations from more than 24,000 businesses during the year, owing largely to improvements to service content such as video-streaming and to mobile versions. In an alliance with YOSHIMOTO KOGYO, we inaugurated myzo (beta version), a free video service offering original videos produced by YOSHIMOTO KOGYO.

Principal revenue sources:

Research-related services, Web-hosting services, settlement-related services, travel-related services

Service Supervising Division

Main services:

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

Major activities in fiscal 2008:

As an official partner of the Japanese Olympic Committee, the Japanese Sports Association for the Disabled, and the Japan Paralympic Committee, we created a special site, "Let's Give a Cheer for Japan's Beijing Olympics Team," for the Japanese teams participating in the Beijing Olympics. In another effort during the year to promote a more vibrant sports culture in Japan, we sponsored the Sports Support Project 2008.

In Yahoo! Kids, we provided Internet-based services that can be enjoyed by children and families, including special sites with seasonal themes and Web sites inspired by popular anime.

In partnership with NetSTAR Inc., we convened a panel of experts to research Internet use by children and commenced free distribution of teaching materials related to online risks faced by teenagers and how to deal with them.

Principal revenue source:

Advertising on Yahoo! JAPAN Top Page

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

CSR Activities

As a Sustainable Company, We Are...

Preparing for emergencies and other risks

- We reduce overall risk by adhering to a set of Risk Management Regulations that systematically consolidate and structure our ad hoc approaches to risk management adopted to date.
- Upon identifying a situation or incident with the potential to disrupt our service provision, a report is filed in our information system within an hour. The details are immediately shared with all relevant divisions and the event recorded in the database according to category of seriousness. In this way, progress with measures taken for each and every incident is managed, which contributes to prevention of recurrences.
- To ensure that Yahoo! JAPAN continues to function as a vital information lifeline in times of emergency, we maintain independently operating data centers in multiple locations, each designed to withstand disasters and blackouts. In addition, we have prepared emergency business contingency plans for use in the event of a large-scale disaster such as an earthquake or fire.
- To confirm employee safety in the event of an emergency, we have designed a safety-confirmation system utilizing the e-mail function of mobile phones.

Protecting information assets

- The Information Security Committee, comprising members of the Information Security Office and representatives from each business division, works with the Information Security Promotion section within each business division to implement measures designed to boost information security over the medium and long term. In April 2007, within each Information Security Promotion section we newly established security promotion teams responsible for individual projects, thereby ensuring enhanced information security on a per-project basis.
- To protect privacy, we request of users only the minimum amount of personal information necessary to provide them with services. Users' personal information is systematically and physically separated from other data and constantly monitored, with only the required minimum number of persons authorized to access the personal information database.
- In November 2007, the Group developed iTres, a monitoring system for detecting information leaks in the Group's databases. iTres was the first database monitoring system certified for the public domain in Japan to acquire ISO15408 certification.
- In August 2004, the Company and its principal subsidiaries acquired Information Security Management System (ISMS) certification from the British Standards Institution. Reflecting our policy of regularly upgrading to the most recent certification standards, as of April 2007 the Company and its principal subsidiaries had obtained ISO/IEC 27001:2005 certification, the international standard, and JIS Q27001:2006 certification, the Japanese standard. An independent third-party expert regularly performs inspections to confirm the ongoing validity of certification standards every six months, in addition to conducting overall review inspections every three years.
- In November 2008, the Group obtained Payment Card Industry Data Security Standard (PCI DSS) certification for its Yahoo! Wallet credit card settlement service. PCI DSS is the international standard for settlement processing, including the handling and storage of credit cardholder and transaction information. The Group obtained level-1 PCI DSS certification by satisfying the most stringent conditions, including the successful completion of at least 6 million settlement transactions annually.

Complying with the rules

- Reflecting the importance accorded to thorough compliance in our business activities, we have established a compliance system, including the appointment of a Chief Compliance Officer (CCO) and the establishment of a Compliance Hotline enabling internal whistle-blowing disclosure of compliance violations.
- New employees, whether recent graduates or mid-career hires, are required to take compliance-related training

courses. Retention of course materials is reinforced through e-learning courses offered on a quarterly basis.

Heightening transparency

- In line with our policy of providing comprehensive, timely disclosure, we post not only legally required disclosure materials but also monthly disclosure materials and supplementary materials from our quarterly information meetings on the Company Information page in the Investor Relations section of the Yahoo! JAPAN site. Graphs of financial data and live broadcasts of information meetings are also made available on our site.
- Through the annual general meeting of shareholders and periodic notifications, we aim to provide individual shareholders with a deeper understanding of the Company. For institutional investors, we conduct quarterly live-broadcast information meetings providing detailed explanations of our financial performance and business operations. In addition, each quarter we hold one-on-one or small-group meetings with analysts from some 150 Japanese and overseas investment-related firms to explain the Company's growth strategies and other aspects of our business.
- Our disclosure activities for non-Japanese investors include the publication of English-language versions both of the annual report and of various other communications materials, in addition to holding English-language telephone discussions with institutional investors, as requested.
- In September 2007, the Company was selected for inclusion in the FTSE4Good Japan Index, one of the world's major socially responsible investment indexes based on an internationally recognized set of corporate social responsibility standards. Having earned a sterling reputation as a sustainable growth company, we have been selected continually for inclusion in the index since late 2007.
- The Group recognizes that timely, comprehensive disclosure and the return of profits to shareholders are both key to enhancing corporate value. Accordingly, we grant the highest priority to these issues.

Providing a supportive work environment for employees

- Respecting the diverse abilities and personalities of individual employees, we use an objective, results-based personnel evaluation system that prioritizes self-motivation and the achievement of targeted goals.
- On a quarterly basis, we recognize employees who have made outstanding contributions to, for example, enhancing user satisfaction by awarding them with a "Yahoo! JAPAN Super Star" citation.
- As a fair employer, we make hiring decisions based on applicants' abilities and motivation regardless of physical disability. Certified personnel in our Human Resources Office are charged with recruiting disabled persons and providing them with special work-life advisory services.
- We nurture our employees with an eye to encouraging independence and positive focus. In addition to basic training programs conducted in groups based on job grade, we conduct a range of training courses and convene study groups on the latest Internet services and related technologies, with individual employees bearing primary responsibility for getting the training necessary for successful job performance.
- Concerned with the emotional and physical well-being of all employees, we maintain an in-house staff of health-care professionals. In addition to offering annual general health checks free of charge, we encourage older employees to undergo various diagnostic tests and follow-up health-care consultations with in-house health-care staff.
- Our emergency preparation efforts include placing automated external defibrillator units in the workplace and offering fire prevention and emergency medical care training. Since November 2007, we have offered a regularly scheduled emergency training program comprising a series of fire prevention seminars and general emergency medical care training courses. As of March 31, 2009, 1,033 employees had completed this emergency training program, totaling 2.5 hours of course time, and received emergency medical care skills certificates from the Tokyo Fire Department.

Building trust

- In line with our goal of achieving sustained business development, we carefully review the financial and corporate information of potential business partners to ensure that it meets our established guidelines on business partner suitability.
- Based on the results of periodic surveys of our business partners designed to identify particular points of satisfaction or dissatisfaction as well as future expectations, we take concrete steps to maintain positive, mutually satisfying relationships with all of our business partners.

Enhancing environmental awareness

- We continue to participate in the Japanese government's Global Warming Prevention Headquarters' national project,

Team Minus 6%. We also set up a Yahoo! JAPAN Earth Project site actively promoting the control of greenhouse gas emissions.

- Waste generated in our offices is separated into 14 different categories. For documents containing sensitive information, we use an environment-friendly recycling system that safeguards information confidentiality. The amount of recycled paper produced by this system in fiscal 2008 was the equivalent of 1,700 trees.
- To promote paperless business operations at our offices, we perform administrative tasks online and use screen projectors during meeting presentations. In line with our in-house green procurement standards, we purchase and use environment-friendly products to the extent possible.
- In fiscal 2008, we purchased a carbon credit equivalent to 32,800 tons of greenhouse gas emissions to offset the non-green portion of our total electricity consumption during the previous fiscal year of approximately 110 million kWh, equivalent to about 41,405 tons of greenhouse gas emissions.

Looking Out for Users by...

Providing a safe and enjoyable Internet experience

- Our Yahoo! Kids site, available in both PC and mobile versions, provides a safe Internet environment for children. We also offer Yahoo! Safety Net, a free filtering service that prevents children from viewing Web sites intended for mature users.
- We have been a member of the Internet Hotline Center's Guideline Formulation Committee since the establishment of the Center, the operation of which is entrusted by governmental agencies and Internet industry groups to the Internet Association Japan.
- In April 2008, jointly with NetSTAR Inc. we inaugurated the Study Group on Internet Usage by Children, which is currently preparing a comprehensive safety guide in collaboration with educational institutions, independent researchers, and parent and legal guardian representatives.
- Devoted to reducing fraud and the abuse of Internet services, we fully cooperate with investigative bodies. During the year under review, some of our expert staff presented lectures on the theme of Internet-related crime prevention to the relevant sections of selected prefectural police headquarters in Japan.
- Together with intellectual property rights owners and related advocacy groups and relevant governmental authorities, we established the Council for Intellectual Property Protection on Internet (CIPP) in 2005. CIPP has published guidelines dealing with Internet-based distribution of items in violation of intellectual property rights. Based on these guidelines, intellectual property rights owners and the Internet industry are cooperatively engaged in combating this problem.

Creating a secure Internet environment

- We continually implement various measures designed to strengthen user security and to improve our customer support. For example, we provide a log-in alert service that sends log-in confirmations to users via e-mail, a log-in seal service to prevent phishing fraud, a Tool Bar warning function to minimize phishing fraud, disclosure of log-in records, and user support provided through help pages and e-mail services.
- Our auction system constantly monitors for fraud using a fraud-detection model based on the behavioral patterns of known abusers of online auction services.
- In November 2006, we introduced stricter identification procedures for persons listing items for the first time on Yahoo! Auctions. New users are now required to provide a driver's license or similar official identification prior to listing items, in addition to complying with the pre-existing postal address verification procedure.
- We maintain a compensation system for innocent victims of fraud. As a result of our various fraud-prevention measures, the total amount of compensation paid to victims of fraud on the Yahoo! Auctions site in fiscal 2007 was approximately 80% lower than in the previous year, and the amount paid in fiscal 2008 dropped even further.

Enhancing user satisfaction

- In July 2008, Yahoo Japan Customer Relations Corporation started its operation with the goal of improving our customer support services. In forming this dedicated subsidiary, we expect to offer continuous high-quality support services and boost customer satisfaction as a result. Our customer support operations are physically located in Kochi Prefecture and Oita Prefecture.
- Dedicated to detecting fraud and other abuses, we conduct round-the-clock patrols of such sites as Yahoo! Auctions and Yahoo! Message Boards.
- Our research departments periodically conduct user satisfaction surveys. Survey data, which we publish on the Company's intranet, form the basis of our service improvements.
- In addition to incorporating Plan–Do–Check–Action (PDCA) quality-control cycles in our daily operations, we analyze results on a quarterly basis with an eye to

improving service quality.

- To maintain the high quality of our services and to enhance their user-friendliness, we have assembled a dedicated in-house team to carry out strict quality-assurance checks and editing based on internal guidelines.

Contributing to Society by...

Promoting sound, socially engaged development of the Internet

- In 2006, we established the Yahoo! Charity Fund with the dual goal of promoting the sound development of Internet-based society and providing aid to victims of natural disasters. During the fiscal year under review, the Fund provided financial assistance to nonprofit organizations (NPOs) and other groups offering Internet consulting services or instructional courses in Internet usage safety for children and elderly persons. We also provided emergency relief funds for victims of the Iwate-Miyagi earthquake in June 2008 and the torrential rains in Aichi Prefecture in August 2008.
- Through Internet charity contributions, we have provided aid to victims of natural disasters since 2004, including to the victims of the Niigata Chuetsu earthquake in Japan, the central Java earthquake in Indonesia, the Noto Peninsula earthquake in Japan, and a major flood in Kumamoto Prefecture, Japan. Since June 2007, users have been able to encash accumulated Yahoo! Points to make Internet charity contributions. As of March 31, 2009, Yahoo! JAPAN's cumulative Internet charity contributions exceeded ¥190 million.
- In another effort to support charities, in October 2008 we started offering Click Contribution on our Yahoo! Volunteer site, a painless contribute-per-click service conducted by United People Corporation wherein users trigger a small contribution to charity each time a button is clicked in reply to a trivia quiz, with the actual monetary contribution made by a sponsor company.
- Charity auctions hosted by the Yahoo! Auctions site raised nearly ¥112 million during fiscal 2008.
- In conjunction with the MOTTAINAI campaign run principally by ITOCHU Corporation, we held a Yahoo! Auctions MOTTAINAI Month campaign during February 2009. The campaign included a charity auction featuring celebrity participation.
- In an effort to revitalize regional economies, we launched in June 2008 the Yahoo! Auctions Japan Roadside Station Specialty Goods Tour, a special page within the Yahoo! Auctions site promoting items related to roadside stations throughout Japan.
- In March 2008, we commenced a Charity Shopping service with the goal of raising funds to support volunteer groups. This service is carried out through our Yahoo! JAPAN affiliates program whereby individual owners of blogs or sites receive a commission based on sales generated by advertising placed on their blogs or sites.
- Our Yahoo! Volunteer service provides information about volunteer organizations to assist persons wishing to participate in volunteer activities. Volunteer organizations also can use this service to describe their activities and recruit volunteers. In addition, we permanently set up a volunteer corner on Yahoo! Kids.
- We support the Pink Ribbon campaign, which promotes the early detection and treatment of breast cancer. We also support the Red Ribbon campaign, which disseminates accurate information about HIV transmission and AIDS, with an emphasis on preventing the spread of HIV.
- As an official partner of the Japanese Olympic Committee and the Japan Paralympic Committee, we support various efforts to promote sports in Japan.
- In conjunction with our Yahoo! JAPAN Sports Support Project, we presented a Yahoo! JAPAN Life Engine Award, which included a training demonstration given by a professional athlete before a gathering of the group that received the award.
- We provide a disaster information space at the top of all service pages of Yahoo! JAPAN, including the mobile version, where real-time flash reports of disaster-related information are prominently displayed. In addition, we offer Yahoo! Disaster Information as a regular service.

Preparing for the future of the Internet

- In line with our general goal of further promoting the sound and robust development of the Internet market, we established Yahoo! JAPAN Research in April 2007 to study the relationship between the Internet and society, particularly the potential impact of technological advances on the Internet's development. Yahoo! JAPAN Research's current focus is on the theme of user needs and technological seeds.
- We also proactively collaborate with universities and research institutes through formal discussions, data-sharing agreements, and joint research activities.

Corporate Governance

Yahoo Japan Corporation (the Company) considers good corporate governance to be essential to enhancing corporate value over the medium to long term. By clarifying the roles and responsibilities of directors, corporate auditors, and employees within our corporate governance system, and by consistently raising general awareness of laws and regulations as well as of social and ethical norms, the Company aims to ensure the conduct of appropriate and effective business operations. To this end, the Company has adopted the corporate auditor system centered on a Board of Auditors. By continually implementing measures to strengthen corporate governance throughout the Company and its consolidated subsidiaries and affiliates (the Group), management strives to ensure the financial and ethical soundness of the entire Group's business operations.

I. Business execution, auditing, and supervisory systems

1. Board of Directors

The Company's Board of Directors, comprising five members, including one outside director, determines management policy and strategies, draws up business plans, decides on the acquisition and disposal of high-value assets, and makes all other materially significant decisions relating to the Company's organization and its personnel. The Board also acts as a supervisory body with respect to the execution of administrative directives throughout the Group.

In January 2002, the Company introduced a business division system designed to promote swift, strategic business management with the goal of maintaining and improving competitiveness. This system clearly separates the decision-making and supervisory functions of the Board of Directors from the business execution functions of the divisional managers. With the introduction of the business division system, the Company created a Management Committee composed of the Company's full-time directors, divisional managers, and corporate auditors. Reflecting an organizational change carried out in April 2009, an Executive Council and a Senior Managers Council were newly established. The Executive Council, composed of the Company's full-time directors, corporate auditors, and executive officers, supplants the former Management Committee and has as its principal role the deliberation of management issues prior to their consideration by the Board of Directors.

2. Board of Auditors

The Board of Auditors is composed of four outside corporate auditors, one of whom serves on a full-time basis. Based on an audit plan formulated by the Board of Auditors, each corporate auditor conducts audits of the Company's entire business operations. Specifically, each corporate auditor audits overall business execution, including assessments of the appropriateness of policy, planning, and procedures, the effectiveness of business activities, and the status of legal and regulatory compliance. In addition, each corporate auditor attends meetings of the Board of Directors and of the Executive Council, reviews important documentation, and conducts surveys of Group companies. On the basis of these activities, each corporate auditor submits an independent report for collective review by the entire Board of Auditors. Furthermore, the Board of Auditors receives reports both from independent accounting auditors on the methodology and results of the accounting audit and from the Business Audit Office, the Internal Control Office, and the Legal Office on the methodology and results of internal audits. On the basis of these audits, meetings, and reports, the Board of Auditors regularly reports on the results of its auditing to the Company's full-time directors. The Board of Auditors also produces an Audit Report in accordance with the law, and submits reports of audit results to the annual general meeting of shareholders.

3. Internal Control Office

The Internal Control Office was established in April 2006 to develop internal control systems and ensure their operation throughout the Group. The Office promotes and provides guidance in the careful documentation of all procedures of essential business operations throughout the Company. In addition, the Office assesses the appropriateness and effectiveness of business operations throughout the Group. On the basis of those assessments, the Office provides guidance in making improvements. As the entity with primary responsibility for internal control, the Internal Control Office focuses on assessing and improving the Group's internal control as a whole, including financial reporting control, information technology control, and business process control. The Office also works to establish self-monitoring systems for the aforementioned controls.

4. Administrative Auditing Office

Established under the direct supervision of the President in April 2002, the Administrative Auditing Office is charged with ensuring the effective functioning of the Company's internal auditing system, with particular responsibility for conducting internal audits of the Company's risk management system. Working in cooperation with the various business divisions of the Company, the Administrative Auditing Office conducts efficient internal audits. On the basis of those audits, the Office

provides specific advice and recommendations for improving business operations.

5. Accounting Auditor and legal counsel

The Company has signed a contractual agreement with the accounting auditor firm Tohmatsu, a member of Deloitte Touche Tohmatsu, whereby Tohmatsu audits not only the Company's financial statements as stipulated in the Companies Act and the Financial Instruments and Exchange Law but also the Company's internal control system. In addition, the Company retains three law firms in the capacity of legal counsel to the Legal Office to address legal issues arising on a day-to-day basis, thereby ensuring legal compliance and management transparency.

6. Advisory Board

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

II. Objectives and status of internal control system

In establishing an internal control system, the Company's objectives are to maintain and ensure appropriate corporate governance, efficient business activities, accurate financial reporting, and full legal and ethical compliance. Working toward these goals, we continually enhance the functions of our internal control system.

1. Creation and operation of internal control system, and internal control confirmation system

Established under the direct supervision of the directors, several special units dedicated to internal control are charged with ensuring that all employees perform all duties in conformity with all relevant laws and the Company's articles of incorporation.

These special units make regulations and prepare guidance manuals for internal control and carry out their duties in accordance with said regulations and manuals. One regulation, for example, states that all important documents must be checked by more than one department in order to eliminate mistakes.

These special units also periodically carry out internal audits to confirm that current internal control systems remain suitable and relevant. In addition to such internal audits, outside accounting auditors independently assess the suitability and legality of the Company's internal control system.

2. Operation of compliance system

The Company has drawn up regulations stipulating the creation and operation of a comprehensive compliance system and a risk management system, as well as regulations applying to all directors and employees of the Company to ensure that all business activities are conducted in conformity with the law and the Company's articles of incorporation. To promote familiarity with and adherence to these regulations, they are clearly displayed on the Company's intranet. In addition, compliance-related training courses are conducted at regular intervals.

i. A Business Practices Charter and a Compliance Program have been drawn up and a Chief Compliance Officer (CCO) appointed.
ii. The Legal Office and corporate auditors work together to search out and identify not only problems within the compliance system itself but also all other compliance-related concerns.
iii. To enable whistle-blowing disclosure of systemic fraudulence or irregularities and isolated instances of malfeasance by a director or employee, the Company has created an internal Compliance Hotline connected directly to Company directors, corporate auditors, or external legal counsel.
iv. The CCO reports violations of the law or of the Company's articles of incorporation to the Committee for Rewards and Penalties, which then recommends appropriate punitive actions. In the case of violations of the law or of the articles of incorporation committed by a director of the Company, the Board of Directors determines appropriate punitive actions.
v. The Compliance Committee, composed of the Company's directors and corporate auditors as well as representatives of the Legal Office, meets on a quarterly basis.

3. Operation of risk management system

To date, information concerning potential risks to the Group has been disclosed in conjunction with quarterly announcements of financial results. In addition, regulations have been established stipulating protocols to be followed in the event of the actual materialization of a risk.

In the case of an accident or other unforeseeable event occurring during the course of business operations at the Company, response protocols clearly stipulated in emergency countermeasure manuals are to be followed. Specific steps to be taken include early detection, reporting to directors and

divisional managers and all relevant divisions or units, mitigation of the damage and recovery of services, and investigation of the cause of the accident to prevent recurrence. All of these steps are to be monitored and assessed via dedicated intranet channels. In the case of an accident occurring at a Group company, the company in question is to report to the Company's directors and divisional managers via the Company division directly responsible for said company, with subsequent steps to be taken as indicated above in the case of an accident occurring at the Company. The Company has prepared emergency business contingency plans for use in the event of a large-scale disaster.

In addition to the above, the Company has formulated Risk Management Regulations in an effort to systematically consolidate the various ad hoc approaches to risk management adopted by the Company to date.

4. Information management system

From the commencement of business operations, the Company has viewed information management primarily as a question of preserving confidentiality. In 2001, a Chief Security Officer was appointed to lead the Company's expanding efforts to ensure information security. In 2003, we issued Information Security Regulations that laid out a set of criteria for classifying information assets according to their security requirements. In the same year, as part of our efforts to adequately familiarize employees with issues related to information security we began offering information security training courses. The Information Management Office, established in 2004, was renamed the Information Security Office in 2005, reflecting the Company's growing focus on information security. Under the Office's leadership, the Information Security Committee regularly convenes weekly meetings during which progress made in managing information security is evaluated, measures to improve the information management system are discussed, and reports on the progress of remedial measures previously taken are analyzed. The Office has also proactively implemented measures designed to protect the integrity of the Company's computer systems in the event of attacks by external hackers, in addition to preparing contingency measures in the event of damage suffered from such attacks. In addition, we regularly employ the services of an independent third-party expert to objectively test the effectiveness of the Company's information security system.

Reflecting our strong focus on information security, in August 2004 the Company acquired Information Security Management System (ISMS) certification from the British Standards Institution. This certification extends also to the Company's principal subsidiaries. Inspections to reconfirm the ongoing validity of the certification are held every six months. Accordingly, we employ an independent third-party expert to perform regular checks of our information security system to ensure the maintenance of our ISMS certification.

5. Auditing of financial reporting and internal control system by independent auditors

As a result of regular audits of the Group's financial reporting carried out by independent auditors, we have implemented a number of suggestions regarding the use of a computerized internal control system for overall business execution. Beginning from the fiscal period ended March 31, 2009, audits of internal control on financial reporting are mandatory. We have requested an independent auditor to audit the assessment by the Company's management of the various internal control areas relating to the scope and effectiveness of internal control, internal control on financial reporting, internal control of overall business execution, and computer-based internal control systems as a whole.

Audits and related recommendations made by independent auditors are reported on a quarterly basis to the Company's directors, corporate auditors, and the responsible senior staff of the Accounting Department. In addition, the Internal Control Office and the Administrative Auditing Office exchange information as appropriate and implement remedial measures across the entire Group in response to suggestions made by independent auditors.

6. Creation of a system to ensure the legality of intra-Group transactions

The Company has drafted regulations regarding legally sanctioned conduct in its transactions with the parent company, SOFTBANK CORP., and all Group companies (collectively, associated companies). Based on the principle that the management of each of the associated companies is to be responsible for independent corporate development even while all associated companies are to liaise and collaborate as required for the achievement of mutual prosperity, the Company has established the Associated Companies Management Regulations. To confirm that these regulations are observed, the Administrative Auditing Office conducts regular and ad hoc internal audits as stipulated in the Company's Internal Control Regulations.

III. Measures to enhance stakeholder satisfaction

1. The Company has taken various measures to improve shareholders' attendance at the annual general meeting of shareholders, deepen shareholders' understanding of the Company's business position, and encourage shareholders to exercise their voting rights. For example, we hold the annual general meeting of shareholders on a day when other major companies are not holding meetings. Moreover, we allow shareholders to exercise their voting rights via the Internet. We also provide a dedicated voting platform via the Internet for institutional investors.

2. Measures taken to improve investor relations include the establishment of a disclosure policy; improvements to the Company's IR Web site; meetings to explain quarterly financial results to analysts and investors, plus live broadcasts and on-demand video of such meetings; updates to the Company's business position provided at general meetings of shareholders, plus on-demand video of such updates; the monthly disclosure of business data; the posting of letters to shareholders; and the publication of an English-language version of the annual report as well as other communications materials.

3. Out of respect for all of our stakeholders, the Company is dedicated to the ideals of corporate social responsibility. One example of this dedication is our annual *Sustainability Report* describing activities related to the Company's corporate sustainability.

Key Financial Data

For the years ended March 31	Millions of Yen							Thousands of U.S. Dollars
	2009 (Net)	2009 (Gross)	2008 (Gross)	2007 (Gross)	2006 (Gross)	2005 (Gross)	2004 (Gross)	2009 (Net)
Net sales	**¥ 265,754**	**¥ 295,946**	¥ 262,027	¥ 212,553	¥ 173,696	¥ 117,779	¥ 75,776	**$2,705,428**
Advertising	**138,888**	**163,820**	131,044	89,202	–	–	–	**1,413,909**
Business services	**54,555**	**55,977**	58,069	48,215	–	–	–	**555,379**
Personal services	**72,671**	**76,510**	73,054	75,283	–	–	–	**739,807**
Eliminations/corporate	**(360)**	**(361)**	(140)	(147)	–	–	–	**(3,667)**
Cost of sales	**27,807**	**44,858**	28,260	8,487	12,843	8,932	5,292	**283,083**
Advertising	**19,751**	**36,801**	19,547	533	–	–	–	**201,066**
Business services	**7,203**	**7,203**	7,752	6,483	–	–	–	**73,326**
Personal services	**877**	**877**	976	1,529	–	–	–	**8,929**
Eliminations/corporate	**(24)**	**(23)**	(15)	(58)	–	–	–	**(238)**
SG&A expenses	**103,329**	**116,470**	108,959	97,833	78,720	48,660	29,272	**1,051,905**
Advertising	**45,674**	**53,556**	46,747	38,364	–	–	–	**464,977**
Business services	**26,576**	**27,998**	26,754	22,429	–	–	–	**270,547**
Personal services	**19,069**	**22,908**	23,395	25,780	–	–	–	**194,128**
Eliminations/corporate	**12,010**	**12,008**	12,063	11,260	–	–	–	**122,253**
Operating income	**134,618**	**134,618**	124,808	106,233	82,133	60,187	41,212	**1,370,440**
Advertising	**73,463**	**73,463**	64,750	50,305	–	–	–	**747,866**
Business services	**20,776**	**20,776**	23,563	19,303	–	–	–	**211,506**
Personal services	**52,725**	**52,725**	48,683	47,974	–	–	–	**536,750**
Eliminations/corporate	**(12,346)**	**(12,346)**	(12,188)	(11,349)	–	–	–	**(125,682)**
Net income	**74,715**	**74,715**	62,618	57,963	47,091	36,521	24,827	**760,614**
Net income per share (Yen and U.S. dollars)	**1,255.52**	**1,255.52**	1,035.27	958.66	776.62	602.29	409.51	**12.78**
EBITDA	**146,214**	**146,214**	136,028	115,743	89,787	64,980	44,329	**1,488,488**
At fiscal year-end:								
Total assets	**311,552**	**311,552**	369,660	318,428	190,975	130,244	82,410	**3,171,653**
Total equity	**236,470**	**236,470**	250,672	192,385	142,455	96,060	59,807	**2,407,308**
Number of employees	**4,599**	**4,599**	3,759	3,059	2,561	1,721	994	**–**
Dividends per share (Yen and U.S. dollars)	**130**	**130**	104	96	78	61	–	**1.32**
Cash flows	**(76,065)**	**(76,065)**	38,320	(22,659)	29,043	29,349	16,428	**(774,359)**
Cash flows from operating activities	**87,805**	**87,805**	81,494	72,710	59,604	46,084	26,147	**893,872**
Cash flows from investing activities	**(53,947)**	**(53,947)**	(16,982)	(160,402)	(27,533)	(17,119)	(10,913)	**(549,190)**
Cash flows from financing activities	**(109,923)**	**(109,923)**	(26,192)	65,033	(3,028)	384	1,194	**(1,119,041)**
Ratios:								
Operating margin (%)	**50.7**	**45.5**	47.6	50.0	47.3	51.1	54.4	
Net income to net sales ratio (%)	**28.1**	**25.2**	23.9	27.3	27.1	31.0	32.8	
ROA (%)	**21.9**	**21.9**	18.2	22.8	29.3	34.3	38.1	
ROE (%)	**31.0**	**31.0**	28.5	34.8	39.5	46.9	55.0	
Total equity / Total assets ratio (%)	**75.2**	**75.2**	67.1	59.9	74.6	73.8	72.6	

Notes:

- Yen amounts for the year ended March 31, 2009 have been translated into U.S. dollar amounts, solely for the convenience of readers, at the rate of ¥98.23 = U.S.$1, the effective rate of exchange at March 31, 2009.
- Net income per share and dividends per share have been retroactively adjusted to reflect stock splits.
- Beginning with the year ended March 31, 2009, net sales has been presented on a net-basis, rather than a gross-basis. The change of accounting is discussed in Note 3 of the Notes to Consolidated Financial Statements.
- Effective April 1, 2006, the Group's former business segments were reorganized into three business segments, namely, Advertising, Business Services, and Personal Services.
- Equity as of and before March 31, 2006 is presented in accordance with the previous accounting standard for presentation of equity. Under the previous accounting standard, certain equity items are presented as liabilities or other separate components. Such items include stock acquisition rights, minority interests, and others.

Management's Discussion and Analysis

RESULTS OF OPERATIONS

In fiscal 2008, the year ended March 31, 2009, the deepening international financial crisis arising from the sub-prime loan problem in the United States triggered a sudden global economic downturn during the second half. In Japan, the economy plunged into a severe recession characterized by worsening corporate earnings and rising unemployment. Against this challenging backdrop, Yahoo Japan Corporation and its consolidated subsidiaries and affiliates (the Group) focused on buttressing its technological base of hardware and software and on upgrading and expanding its service offerings. In addition, the Group built further on its extended network of partner sites and undertook a thorough revision of its cost structure. As a result of these and other efforts, in fiscal 2008 the Group posted its 12th consecutive year of record-high sales and profits.

Note: Prior to April 1, 2008, traffic acquisition costs paid to business partners such as companies that operate Web sites were recognized as cost of sales, whereas commissions paid to sales agencies were recognized as selling expenses (hereinafter, "gross-basis"). In conjunction with its open network partnership strategy aimed at diversifying revenue sources by expanding business opportunities via business partners' Web sites, the Company reviewed positions and risks among the involved parties, namely, the Company, business partners, and sales agencies. As a result, the Company decided to change the accounting treatment for such payments from costs and expenses to deductions from sales (hereinafter, "net-basis"). The Company believes that the new accounting treatment more reasonably reflects the structure of its business and relationships among the involved parties.

Net Sales

Consolidated net sales for fiscal 2008 rose ¥3,727 million, or 1.4%, to ¥265,754 million. This increase, achieved despite the decreasing effect of adopting the new accounting treatment that offsets net sales against costs and expenses as discussed above, is largely attributable to higher advertising-related revenues during the year. If calculated on a gross-basis, consolidated net sales would have amounted to ¥295,946 million, a year-on-year increase of 12.9%. By business segment, on a gross-basis Advertising net sales jumped 25.0%, to ¥163,820 million; Business Services net sales declined 3.6%, to ¥55,977 million; and Personal Services net sales rose 4.7%, to ¥76,510 million, with eliminations of ¥361 million for intersegment sales.

Cost of Sales

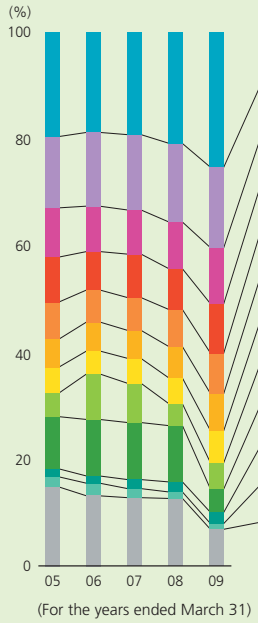
Consolidated cost of sales decreased ¥453 million, or 1.6%, to ¥27,807 million, principally owing to adopting the new accounting method. If calculated on a gross-basis, cost of sales would have amounted to ¥44,858 million, a year-on-year increase of 58.7%, owing mainly to an increase in traffic acquisition costs paid to partner sites.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses decreased ¥5,630 million, or 5.2%, to ¥103,329 million. The major components of SG&A expenses showed the following results:

Personnel expenses increased ¥3,429 million, or 15.2%, to ¥26,060 million. At March 31, 2009, the number of Group directors and employees, excluding

SG&A Expenses Breakdown



(Millions of yen)

For the years ended March 31	2005		2006		2007		2008		2009	
Personnel expenses	9,537	(19.6%)	14,730	(18.7%)	18,780	(19.2%)	22,631	(20.8%)	**26,060**	**(25.2%)**
Business commissions	6,482	(13.3%)	10,905	(13.9%)	13,804	(14.1%)	16,003	(14.7%)	**15,555**	**(15.1%)**
Depreciation and amortization expenses	4,462	(9.2%)	6,663	(8.5%)	8,126	(8.3%)	9,615	(8.8%)	**10,922**	**(10.6%)**
Communications charges	4,138	(8.5%)	5,675	(7.2%)	7,920	(8.1%)	8,387	(7.7%)	**9,480**	**(9.2%)**
Royalty charge	3,379	(6.9%)	4,709	(6.0%)	6,024	(6.2%)	7,511	(6.9%)	**7,865**	**(7.6%)**
Lease and utility expenses	2,561	(5.3%)	4,252	(5.4%)	5,124	(5.2%)	6,423	(5.9%)	**7,083**	**(6.9%)**
Content provider fees	2,358	(4.8%)	3,346	(4.3%)	4,598	(4.7%)	5,270	(4.8%)	**6,207**	**(6.0%)**
Sales promotion costs	2,135	(4.4%)	6,722	(8.5%)	7,120	(7.3%)	4,516	(4.1%)	**5,164**	**(5.0%)**
Sales commissions	4,778	(9.8%)	8,377	(10.6%)	10,339	(10.6%)	11,408	(10.5%)	**4,303**	**(4.2%)**
Administrative and maintenance expenses	696	(1.4%)	1,089	(1.4%)	1,778	(1.8%)	2,077	(1.9%)	**2,239**	**(2.2%)**
Advertising expenses	989	(2.0%)	1,766	(2.2%)	1,711	(1.7%)	1,298	(1.2%)	**1,159**	**(1.1%)**
Others	7,145	(14.8%)	10,486	(13.3%)	12,509	(12.8%)	13,820	(12.7%)	**7,292**	**(6.9%)**
Total	48,660	(100.0%)	78,720	(100.0%)	97,833	(100.0%)	108,959	(100.0%)	**103,329**	**(100.0%)**

Note: Personnel expenses include health and welfare program costs, pension costs, and others.
Figures for the year ended March 31, 2009 are presented on a net-basis.

overlapping positions, was 4,599, an increase of 840, or 22.3%, over the figure one year earlier.

Business commissions declined ¥448 million, or 2.8%, to ¥15,555 million, primarily as a result of outsourcing cost reductions achieved by conducting a higher proportion of development work in-house.

Depreciation and amortization expenses increased ¥1,307 million, or 13.6%, to ¥10,922 million, chiefly owing to purchases of software and network equipment such as servers.

Communications charges were up ¥1,093 million, or 13.0%, to ¥9,480 million, reflecting higher charges for the Group's content distribution services and increased usage of data-center facilities.

Royalty charge rose ¥354 million, or 4.7%, to ¥7,865 million, mirroring the increase in net sales.

Lease and utility expenses were up ¥660 million, or 10.3%, to ¥7,083 million, mainly as a result of an increase in rented office space.

Sales and payment commissions decreased ¥7,105 million, or 62.3%, and ¥4,219 million, or 82.2%, to ¥4,303 million and ¥911 million, respectively. These declines are attributable to the new accounting method adopted during the year. Commissions paid to agencies and those related to settlement were recorded on the net-basis for the period under review, compared with the gross-basis.

Significant other expenses included (1) content provider fees, which increased ¥937 million, or 17.8%, to ¥6,207 million; (2) sales promotion costs, which rose ¥648 million, or 14.3%, to ¥5,164 million; and (3) administrative and maintenance expenses, which expanded ¥162 million, or 7.8%, to ¥2,239 million.

If calculated on a gross-basis, SG&A expenses would have posted a year-on-year increase of 6.9%, to ¥116,470 million.

Operating Income

Consolidated operating income for fiscal 2008 increased ¥9,810 million, or 7.9%, to ¥134,618 million. By business segment, Advertising operating income was up 13.5%, to ¥73,463 million; Business Services operating income decreased 11.8%, to ¥20,776 million; Personal Services operating income rose 8.3%, to ¥52,725 million; and Eliminations/corporate registered an operating loss of ¥12,346 million.

Other Income and Expenses

For fiscal 2008, the Group recorded net other expenses of ¥8,243 million, compared with net other expenses of ¥10,818 million the previous year. This decline in net other expenses derived primarily from an increase of ¥3,284 million in loss on write-down of investment securities, to ¥3,738 million; an increase of ¥929 million in relocation expenses, to ¥1,623 million; and a decrease of ¥5,156 million in equity in losses of associated companies, to ¥1,594 million.

Income before Income Taxes and Minority Interests

As a result of the aforementioned increase in operating income and decrease in net other expenses, income before income taxes and minority interests rose ¥12,385 million, or 10.9%, to ¥126,375 million.

Income Taxes

Income taxes for fiscal 2008 totaled ¥51,060 million, representing an effective income tax rate of 40.4%, slightly lower than the statutory income tax rate.

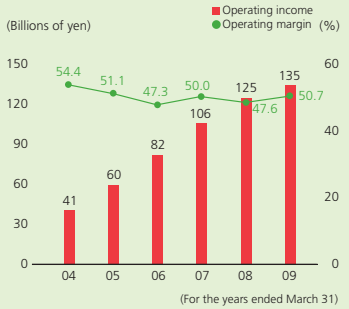
Minority Interests in Net Income

Minority interests in net income amounted to ¥600 million, down ¥81 million, or 11.9%, from the previous year's figure.

Net Income

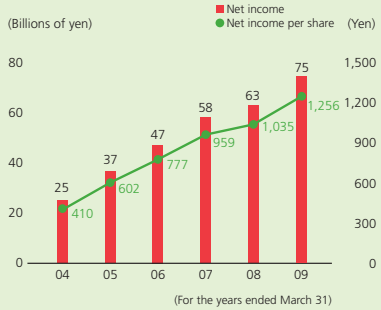
Consolidated net income for fiscal 2008 was ¥74,715 million, a year-on-year increase of ¥12,097 million, or 19.3%. Basic net income per share rose 21.3%, to ¥1,255.52, owing to the increase in net income and the retirement of treasury stocks. Diluted net income per share also rose 21.3%, to ¥1,254.18.

Operating Income / Operating Margin



Note: Operating margin for the year ended March 31, 2009, is presented on a net-basis.

Net Income / Net Income per Share



FINANCIAL POSITION

Assets

On a consolidated basis, total assets stood at ¥311,552 million as of March 31, 2009, down ¥58,108 million, or 15.7%, from the previous fiscal year-end.

Current assets amounted to ¥91,391 million, a decline of ¥72,919 million, or 44.4%.

Cash and cash equivalents were ¥36,996 million, down ¥76,031 million, or 67.3%. This decline is attributable mainly to expenditures for purchase of treasury stocks and for purchase of investment securities.

Trade accounts receivable dropped ¥2,006 million, or 5.4%, to ¥34,825 million, chiefly as a result of decreased revenues from the Business Services segment.

Other current assets rose ¥7,742 million, or 103.4%, to ¥15,232 million, primarily owing to an increase in receivables related to settlements of the Yahoo! JAPAN Card and Yahoo! ezPay.

Net property and equipment increased ¥12,561 million, or 75.6%, to ¥29,185 million, mainly as a result of mergers.

Total investments and other assets edged up ¥2,250 million, or 1.2%, to ¥190,976 million.

Investment securities declined ¥1,225 million, or 1.0%, to ¥150,593 million, mainly as a result of depressed market prices.

Goodwill amounted to ¥6,423 million at March 31, 2009, an increase of ¥3,897 million, or 154.3%, over the figure one year earlier. Principal factors included the acquisition of all outstanding shares of SOFTBANK IDC Solutions Corp.

Deferred tax assets at the fiscal year-end were up ¥3,350 million, or 85.9%, to ¥7,249 million, largely as a result of mergers.

Liabilities

Total liabilities amounted to ¥75,082 million, down ¥43,906 million, or 36.9%.

Total current liabilities stood at ¥64,714 million, a decrease of ¥24,263 million, or 27.3%, due principally to a decline of ¥25,868 million, or 88.7%, in income taxes payable, to ¥3,286 million, as a result of mergers.

Total long-term liabilities amounted to ¥10,368 million, a decrease of ¥19,643 million, or 65.5%, due mainly to a partial repayment of a syndicated loan related to the Company's April 2006 investment in BB Mobile Corp.

Equity

Total equity at March 31, 2009, stood at ¥236,470 million, down ¥14,202 million, or 5.7%, from the figure one year earlier. This decline is attributable chiefly to a ¥12,651 million, or 5.3%, drop in retained earnings resulting from the purchase of treasury stocks during the period.

CASH FLOWS

Cash Flows from Operating Activities

Net cash provided by operating activities in fiscal 2008 amounted to ¥87,805 million, an increase of ¥6,311 million over the ¥81,494 million provided in the previous year. Principal components of operating cash flows were income before income taxes and minority interests of ¥126,375 million, an adjustment for depreciation and amortization of ¥11,517 million, and an adjustment for income taxes paid for the year of ¥55,371 million.

Cash Flows from Investing Activities

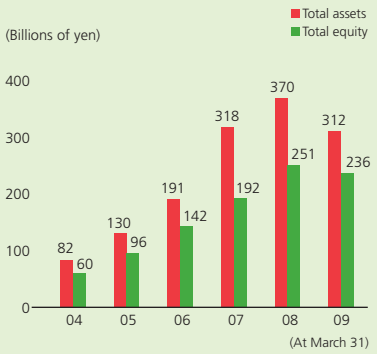
Net cash used in investing activities in fiscal 2008 totaled ¥53,947 million, a rise of ¥36,965 million over the ¥16,982 million used in the previous year. Main factors behind this increase in investment cash outflows were a payment for purchase of newly consolidated subsidiaries' stocks in the amount of ¥43,110 million, primarily related to SOFTBANK IDC Solutions; expenditure of ¥6,799 million for the purchase of property and equipment such as servers and other equipment; and expenditure of ¥4,864 million for the purchase of other assets such as software and other intangible assets.

Cash Flows from Financing Activities

Net cash used in financing activities in fiscal 2008 amounted to ¥109,923 million, up ¥83,731 million over the ¥26,192 million used in the previous year. Chief factors behind this increase in financing cash outflows were expenditures of ¥82,001 million for the purchase of treasury stocks and of ¥20,000 million for the repayment of long-term debt.

The net decrease in cash and cash equivalents for fiscal 2008 was ¥76,065 million. Compared with the net increase in cash and cash equivalents of ¥38,320 million for the previous year, this represents a ¥114,385 million deterioration in net cash flow. Cash and cash equivalents at the year-end stood at ¥36,996 million, down ¥76,031 million, or 67.3%, from the figure one year earlier.

Total Assets / Total Equity



Consolidated Balance Sheets

Yahoo Japan Corporation and Consolidated Subsidiaries
March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2009	2008	2009
CURRENT ASSETS:			
Cash and cash equivalents	¥ 36,996	¥113,027	$ 376,630
Receivables:			
Trade accounts	34,825	36,831	354,526
Other	1,938	4,511	19,726
Allowance for doubtful accounts	(1,459)	(2,095)	(14,851)
Inventories (Note 4)	258	240	2,626
Deferred tax assets (Note 9)	3,601	4,306	36,656
Other current assets	15,232	7,490	155,063
Total current assets	91,391	164,310	930,376
PROPERTY AND EQUIPMENT:			
Land	5,002		50,917
Buildings and structures	9,247	4,514	94,135
Machinery and equipment	7,296		74,274
Furniture and fixtures	39,589	37,698	403,024
Construction in progress	2,129	54	21,677
Total	63,263	42,266	644,027
Accumulated depreciation	(34,078)	(25,642)	(346,918)
Net property and equipment	29,185	16,624	297,109
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 5)	150,593	151,818	1,533,067
Investments in unconsolidated subsidiaries and associated companies	7,298	12,179	74,294
Goodwill	6,423	2,526	65,390
Deferred tax assets (Note 9)	7,249	3,899	73,795
Other assets	19,527	18,323	198,784
Allowance for doubtful accounts	(114)	(19)	(1,162)
Total investments and other assets	190,976	188,726	1,944,168
TOTAL ASSETS	¥311,552	¥369,660	$3,171,653

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	2009	2008	2009
CURRENT LIABILITIES:			
Current portion of long-term debt (Note 6)	¥ 20,000	¥ 20,000	$ 203,604
Payables:			
Trade accounts	5,329	6,621	54,250
Other	13,718	13,744	139,656
Income taxes payable (Note 9)	3,286	29,154	33,453
Provision for Yahoo! Points (Note 2.j)	2,768	2,293	28,178
Other current liabilities (Note 10)	19,613	17,165	199,659
Total current liabilities	64,714	88,977	658,800
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	10,000	30,000	101,802
Other (Note 10)	368	11	3,743
Total long-term liabilities	10,368	30,011	105,545
COMMITMENTS (Notes 10, 11 and 14)			
EQUITY (Notes 7 and 15):			
Common stock—241,600,000 shares authorized; 58,107,980 shares issued in 2009 and 60,502,022 shares issued in 2008	7,444	7,366	75,786
Capital surplus	2,525	2,447	25,709
Stock acquisition rights	260	116	2,640
Retained earnings	223,955	236,606	2,279,906
Net unrealized gain on available-for-sale securities	220	1,717	2,234
Treasury stock—at cost, 1,932 shares in 2008		(29)	
Total	234,404	248,223	2,386,275
Minority interests	2,066	2,449	21,033
Total equity	236,470	250,672	2,407,308
TOTAL LIABILITIES AND EQUITY	¥311,552	¥369,660	$3,171,653

See notes to consolidated financial statements.

Consolidated Statements of Income

Yahoo Japan Corporation and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
NET SALES (Note 3)	¥265,754	¥262,027	$2,705,428
COST OF SALES (Note 3)	27,807	28,260	283,083
Gross profit	237,947	233,767	2,422,345
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 3)	103,329	108,959	1,051,905
Operating income	134,618	124,808	1,370,440
OTHER INCOME (EXPENSES):			
Interest and dividend income	311	359	3,161
Interest expense	(462)	(625)	(4,705)
Gain on exchange—net	143	276	1,451
Loss on disposal of property and equipment	(1,152)	(291)	(11,725)
Loss on write-down of investment securities	(3,738)	(454)	(38,056)
Equity in losses of associated companies (Note 2.a)	(1,594)	(6,750)	(16,222)
Lump-sum amortization of goodwill (Note 2.h)	(479)	(1,827)	(4,881)
Relocation expenses	(1,623)	(694)	(16,519)
Other—net	351	(812)	3,582
Other expenses—net	(8,243)	(10,818)	(83,914)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	126,375	113,990	1,286,526
INCOME TAXES (Note 9):			
Current	29,238	51,593	297,647
Deferred	21,822	(902)	222,159
Total income taxes	51,060	50,691	519,806
MINORITY INTERESTS IN NET INCOME	600	681	6,106
NET INCOME	¥ 74,715	¥ 62,618	$ 760,614

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.r and 13):			
Basic net income	¥1,255.52	¥1,035.27	$12.78
Diluted net income	1,254.18	1,033.79	12.77
Cash dividends applicable to the year	130.00	104.00	1.32

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Yahoo Japan Corporation and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 126,375	¥113,990	$ 1,286,526
Adjustments for:			
Income taxes—paid	(55,371)	(51,139)	(563,689)
Depreciation and amortization	11,517	10,180	117,245
Amortization of goodwill	1,153	3,432	11,739
Loss on disposal of property and equipment	1,152	291	11,725
Loss on write-down of investment securities	3,738	454	38,056
Equity in losses of associated companies	1,594	6,750	16,222
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	5,348	(3,894)	54,444
Increase in other current assets	(4,187)	(4,193)	(42,625)
(Decrease) increase in trade payables	(1,292)	5,584	(13,157)
Decrease in other current liabilities	(1,198)	(2,447)	(12,199)
(Decrease) increase in consumption tax payables	(735)	2,228	(7,481)
Other—net	(289)	258	(2,934)
Total adjustments	(38,570)	(32,496)	(392,654)
Net cash provided by operating activities	87,805	81,494	893,872
INVESTING ACTIVITIES:			
Payment into time deposits		(20,000)	
Decrease in time deposits		20,000	
Purchase of property and equipment	(6,799)	(7,513)	(69,219)
Purchase of other assets	(4,864)	(4,181)	(49,521)
Purchase of investment securities	(2,116)	(8,836)	(21,539)
Proceeds from sales of investment securities	1,036	30	10,552
Proceeds from sales of investments in associated companies	1,300	204	13,237
Payment for purchase of newly consolidated subsidiaries' stocks	(43,110)	(356)	(438,867)
Proceeds from purchase of newly consolidated subsidiaries' stocks		2,355	
Other—net	606	1,315	6,167
Net cash used in investing activities	(53,947)	(16,982)	(549,190)
FINANCING ACTIVITIES:			
Proceeds from short-term bank loan	20,020		203,807
Repayment of short-term bank loan	(20,020)	(120)	(203,807)
Repayment of long-term debt	(20,000)	(20,000)	(203,604)
Dividends paid	(6,256)	(5,805)	(63,688)
Purchase of treasury stocks	(82,001)		(834,789)
Other—net	(1,666)	(267)	(16,960)
Net cash used in financing activities	(109,923)	(26,192)	(1,119,041)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	¥ (76,065)	¥ 38,320	$ (774,359)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	113,027	75,212	1,150,641
INCREASE IN CASH AND CASH EQUIVALENTS DUE TO ADDITION OF CONSOLIDATED SUBSIDIARIES	34		348
DECREASE IN CASH AND CASH EQUIVALENTS DUE TO DECONSOLIDATION OF SUBSIDIARIES		(505)	
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 36,996	¥113,027	$ 376,630
ADDITIONAL CASH FLOW INFORMATION:			
Current assets		¥(6,905)	
Non-current assets		(1,173)	
Goodwill		(1,448)	
Current liabilities		7,293	
Acquisition costs		(2,233)	
Cash and cash equivalents acquired		4,588	
Proceeds from purchase of newly consolidated subsidiaries' stocks		¥ 2,355	
Current assets	¥ (40,753)	¥ (154)	$ (414,875)
Non-current assets	(17,450)	(2)	(177,638)
Goodwill	(4,073)	(436)	(41,465)
Current liabilities	5,485	24	55,836
Non-current liabilities	234		2,383
Minority interests	57	77	578
Acquisition costs	(56,500)	(491)	(575,181)
Cash and cash equivalents acquired	13,390	135	136,314
Payment for purchase of newly consolidated subsidiaries' stocks	¥ (43,110)	¥ (356)	$ (438,867)

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Yahoo Japan Corporation and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2008

	Thousands		
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus
BALANCE, MARCH 31, 2007	60,477	¥7,187	¥2,268
Exercise of stock options	25	179	179
Net income			
Cash dividends (¥96 per share)			
Changes in the scope of applying the equity method			
Deconsolidation of subsidiaries			
Purchase of treasury stocks			
Net change in the year			
BALANCE, MARCH 31, 2008	60,502	7,366	2,447
Exercise of stock options	**9**	**78**	**78**
Net income			
Cash dividends (¥104 per share)			
Changes in the scope of applying the equity method			
Deconsolidation of subsidiaries			
Purchase of treasury stocks (Note 7)			
Retirement of treasury stocks (Note 7)	**(2,403)**		
Net change in the year			
BALANCE, MARCH 31, 2009	**58,108**	**¥7,444**	**¥2,525**

	Common Stock	Capital Surplus
BALANCE, MARCH 31, 2008	$74,988	$24,911
Exercise of stock options	**798**	**798**
Net income		
Cash dividends ($1.06 per share)		
Changes in the scope of applying the equity method		
Deconsolidation of subsidiaries		
Purchase of treasury stocks (Note 7)		
Retirement of treasury stocks (Note 7)		
Net change in the year		
BALANCE, MARCH 31, 2009	**$75,786**	**$25,709**

See notes to consolidated financial statements.

Millions of Yen

Stock Acquisition Rights	Retained Earnings	Net Unrealized Gain on Available-for-sale Securities	Treasury Stock	Total	Minority Interests	Total Equity
¥ 30	¥179,897	¥ 1,369	¥ (28)	¥190,723	¥1,662	¥192,385
				358		358
	62,618			62,618		62,618
	(5,805)			(5,805)		(5,805)
	(89)			(89)		(89)
	(15)			(15)		(15)
			(1)	(1)		(1)
86		348		434	787	1,221
116	236,606	1,717	(29)	248,223	2,449	250,672
				156		**156**
	74,715			**74,715**		**74,715**
	(6,292)			**(6,292)**		**(6,292)**
	917			**917**		**917**
	39			**39**		**39**
			(82,001)	**(82,001)**		**(82,001)**
	(82,030)		**82,030**			
144		**(1,497)**		**(1,353)**	**(383)**	**(1,736)**
¥260	**¥223,955**	**¥ 220**		**¥234,404**	**¥2,066**	**¥236,470**

Thousands of U.S. Dollars (Note 1)

Stock Acquisition Rights	Retained Earnings	Net Unrealized Gain on Available-for-sale Securities	Treasury Stock	Total	Minority Interests	Total Equity
$1,182	$2,408,689	$ 17,478	$ (290)	$2,526,958	$24,934	$2,551,892
				1,596		**1,596**
	760,614			**760,614**		**760,614**
	(64,054)			**(64,054)**		**(64,054)**
	9,340			**9,340**		**9,340**
	396			**396**		**396**
			(834,789)	**(834,789)**		**(834,789)**
	(835,079)		**835,079**			
1,458		**(15,244)**		**(13,786)**	**(3,901)**	**(17,687)**
$2,640	**$2,279,906**	**$ 2,234**		**$2,386,275**	**$21,033**	**$2,407,308**

Yahoo Japan Corporation and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2008

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

Yahoo Japan Corporation (the "Company") was incorporated in Japan in 1996. The overwhelming leader in the Internet market in Japan, the Company classifies its services into three segments: (1) advertising, (2) business services and (3) personal services, as discussed in Note 16.

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers. In addition, certain reclassifications have been made to the 2008 consolidated financial statements to conform to the classifications used in 2009.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers and have been made at the rate of ¥98.23 to $1, the approximate rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The accompanying consolidated financial statements as of March 31, 2009 include the accounts of the Company and its 13 (12 in 2008) significant subsidiaries. Under the control or influence concept, those companies in which the Company is able to directly or indirectly exercise control over operations are fully consolidated, and those companies over which the Company and consolidated subsidiaries (collectively, the "Group") have the ability to exercise significant influence are accounted for by the equity method.

Investments in 18 (20 in 2008) associated companies are accounted for by the equity method. Investments in the remaining eight (eight in 2008) unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not have been material.

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

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

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

Since the fiscal year ended March 31, 2009, Yahoo Japan Customer Relations Corporation has been included in the scope of consolidation because of its growing significance to the consolidated financial statements of the Company.

During the fiscal year ended March 31, 2009, the Company acquired majority shareholdings of SOFTBANK IDC Corp. ("SIC"), BBIX Inc., and SOFTBANK IDC SOLUTIONS Corp. ("SISC").

During the fiscal year ended March 31, 2009, the Company absorbed ALPS MAPPING K.K., Brainer, and SISC through mergers.

Equity in losses of associated companies includes devaluation losses of equity interests due to decline in market value of ValueCommerce Co., Ltd., a listed associated company. For the years ended March 31, 2009 and 2008, such devaluation losses included in the equity in losses of associated companies were ¥529 million ($5,389 thousand) and ¥3,690 million, respectively.

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

c. Inventories—Merchandise, work in process and supplies are stated at cost determined principally by the specific identification method, whereas the first-in, first-out method is applied to finished goods. If acquisition cost of an inventory exceeds its net selling value, the carrying amount of such inventory would be written down to its net selling value and

the difference would be charged to income.

Prior to April 1, 2008, inventories had been stated at cost, determined principally by the cost method. On July 5, 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses.

The Company adopted the new accounting standard for measurement of inventories as of April 1, 2008. The effect of adopting this accounting standard did not have any effect on the accompanying consolidated financial statements.

d. Property and Equipment—Property and equipment are stated at cost. Depreciation is computed by using the declining-balance method whereas the straight-line method is applied to fixed assets related to the data center assumed from SISC through the merger.

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

As a result of reviewing the Group's long-lived assets for impairment, the Group recognized no impairment loss for the years ended March 31, 2009 and 2008.

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

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

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

h. Goodwill—Goodwill represents the excess of the costs of acquiring a company over the fair value of the acquired company's net assets. If there is excess fair value over the cost, such differences are stated as negative goodwill. Goodwill and negative goodwill are amortized on a straight-line basis over an estimated period. When such period cannot be estimated reliably, goodwill or negative goodwill is amortized over five years. Immaterial goodwill is immediately charged to income as incurred.

Lump-sum amortization of goodwill in other expenses is recognized in accordance with Article 32 in statement No. 7, "Guideline for Consolidation Procedures," issued by the Accounting Standards Committee. The Company recognized ¥479 million ($4,881 thousand) and ¥1,827 million as lump-sum amortization of goodwill for the years ended March 31, 2009 and 2008, respectively, that were related to the goodwill of two subsidiaries, namely, NewsWatch Inc. ("NewsWatch") for 2009 and Yahoo Japan Value Insight Corporation ("Value Insight") for 2008.

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

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

k. Employees' Retirement Benefits—The Company and certain subsidiaries primarily participate in defined contribution pension plans, since the transfer of the previous defined benefit pension plans in July 2000, following the enactment of the Act for Defined Contribution Pension. In addition, the Company and its domestic consolidated subsidiaries participate in two (one in 2008) multi-employer contributory defined benefit welfare pension plans (the "welfare pension plans") covering substantially all of their employees.

Contributions made by the Company and its domestic consolidated subsidiaries to the welfare pension plans are expensed when paid because the plan assets attributable to each participant cannot be reasonably determined. The participation ratio of the Company and relevant subsidiaries was 3.4% for the welfare pension plan in which the Company and three subsidiaries participate ("Plan A") and 0.2% for the welfare pension plan in which one subsidiary participates ("Plan B"), based on the number of employees.

The fair value of the welfare pension plans' entire assets and actuarial pension liabilities as of March 31, 2009 were as follows:

Plan A

	Millions of Yen	Thousands of U.S. Dollars
Fair value of the entire assets	¥ 145,958	$ 1,485,881
Actuarial pension liabilities	(140,968)	(1,435,082)
Difference	¥ 4,990	$ 50,799

Plan B

	Millions of Yen	Thousands of U.S. Dollars
Fair value of the entire assets	¥ 194,287	$ 1,977,878
Actuarial pension liabilities	(226,156)	(2,302,307)
Difference	¥ (31,869)	$ (324,429)

The major components of the differences between the entire assets and liabilities as of March 31, 2009 were as follows:

Plan A

	Millions of Yen	Thousands of U.S. Dollars
Other reserve	¥ 12,896	$ 131,287
Adjustment for valuation of assets	(13,767)	(140,150)
Retained earnings	5,861	59,662
Total	¥ 4,990	$ 50,799

Plan B

	Millions of Yen	Thousands of U.S. Dollars
Accumulated unfunded portion	¥ (8,603)	$ (87,583)
Unamortized obligations	(23,266)	(236,846)
Total	¥(31,869)	$(324,429)

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

The total contributions to the defined contribution pension plans and the welfare pension plans recognized as net periodic benefit cost for the years ended March 31, 2009 and 2008 were ¥822 million ($8,367 thousand) and ¥627 million, respectively.

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

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

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

Under the previous accounting standard, finance leases that deemed to transfer ownership of the leased property to the lessee were to be capitalized; however, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company adopted this revised accounting standard as of April 1, 2008, applying the permission discussed above to

leases which existed at the transition date and do not transfer ownership of the leased property to the lessee. This accounting change did not have a material effect on the accompanying consolidated statements of income.

The Group leases certain computer equipment, software, office equipment and vehicles. Lease assets for which the leasing period is initiated on or after April 1, 2008 are included in property and equipment or other assets in the consolidated balance sheets. Depreciation of lease assets is computed by the straight-line method over the leasing period with no residual value.

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

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

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

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

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

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

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

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

s. ***New Accounting Pronouncements***

Business Combinations—On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows:

(1) The existing accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires accounting for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) Under the existing accounting standard, research and development costs are charged to income as incurred. Under the revised standard, in-process research and development acquired in the business combination is capitalized as an intangible asset.

(3) Under the existing accounting standard, a bargain purchase gain (negative goodwill) is systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if it is reasonably estimable. If the asset retirement obligation cannot be reasonably estimated in the period that the asset retirement obligation is incurred, such obligation should be recognized as a liability in the period when it is reasonably estimated. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset at amount of the liability. The asset retirement cost is subsequently expensed through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value in each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3. ACCOUNTING CHANGE

Prior to April 1, 2008, traffic acquisition costs paid to business partners such as companies who operate websites were recognized as cost of sales, whereas commissions paid to sales agents were recognized as selling expenses. In conjunction with its Open Strategy aimed at diversifying revenue sources by expanding business opportunities via business partners' websites, the Company reviewed positions and risks among the involved parties, namely, the Company, business partners and sales agents. As a result, the Company decided to change the accounting treatment for such payments from costs and expenses to deductions from sales. The Company believes that the new accounting treatment more reasonably reflects the structure of its business and relationships among involved parties.

The effect of changing the accounting treatment was to decrease net sales by ¥30,192 million ($307,358 thousand), cost of sales by ¥17,051 million ($173,579 thousand), selling, general and administrative expenses by ¥13,141 million ($133,779 thousand), and gross profit by ¥13,141 million ($133,779 thousand) for the year ended March 31, 2009. The change did not have any effect on operating income or income before income taxes and minority interests.

The consolidated statement of income for the year ended March 31, 2008 is presented in accordance with the previous accounting treatment since such accounting change does not require a retroactive adjustment to the prior-year financial statements under Japanese GAAP.

4. INVENTORIES

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Finished goods	¥ 30	¥ 30	$ 306
Merchandise		1	
Work in process	32	28	322
Supplies	196	181	1,998
Total	¥258	¥240	$2,626

5. INVESTMENT SECURITIES

Investment securities as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Non-current:			
Marketable equity securities	¥ 3,741	¥ 5,218	$ 38,085
Non-marketable equity securities	146,845	146,566	1,494,913
Investments in limited partnerships and similar investments	7	34	69
Total	¥150,593	¥151,818	$1,533,067

The carrying amounts and aggregate fair value of investment securities at March 31, 2009 and 2008 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2009				
Securities classified as available-for-sale—Equity securities	**¥3,357**	**¥410**	**¥26**	**¥3,741**
March 31, 2008				
Securities classified as available-for-sale—Equity securities	2,296	2,932	10	5,218

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2009				
Securities classified as available-for-sale—Equity securities	**$34,171**	**$4,178**	**$264**	**$38,085**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 and 2008 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Available-for-sale:			
Equity securities—preferred stocks	**¥120,000**	¥120,000	**$1,221,623**
Equity securities—common stocks	**26,845**	26,566	**273,290**
Investments in limited partnerships and others	**7**	34	**69**
Total	**¥146,852**	¥146,600	**$1,494,982**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2009 and 2008 were ¥1,036 million ($10,552 thousand) and ¥30 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥716 million ($7,293 thousand), whereas no losses were recognized for the year ended March 31, 2009. Gross realized gains and losses for the year ended March 31, 2008 were immaterial (less than ¥1 million).

6. LONG-TERM DEBT

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Unsecured syndicated loan from banks and other financial institutions, due serially to 2011 with variable interest rate	**¥ 30,000**	¥ 50,000	**$ 305,406**
Less current portion	**(20,000)**	(20,000)	**(203,604)**
Long-term debt, less current portion	**¥ 10,000**	¥ 30,000	**$ 101,802**

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

7. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

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

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

The Companies Act requires that an amount equal to 10% of dividends be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the

Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

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

During the fiscal year ended March 31, 2009, the Company acquired 2,401,572.64 shares of its treasury stock via market by a trust and subsequently retired all of the treasury stock.

8. STOCK OPTION

Stock options outstanding as of March 31, 2009 are as follows:

The Company

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2000 Stock Option (1)	20 employees	57,344 shares	2000.1.31	¥51,270 ($521.9)	From January 22, 2002 to January 21, 2010
2000 Stock Option (2)	7 employees	11,264 shares	2000.6.27	¥38,086 ($387.7)	From June 17, 2002 to June 16, 2010
2000 Stock Option (3)	3 directors 84 employees	148,992 shares	2000.12.18	¥19,416 ($197.7)	From December 9, 2002 to December 8, 2010
2001 Stock Option (1)	3 directors 72 employees	108,544 shares	2001.6.29	¥9,559 ($97.3)	From June 21, 2003 to June 20, 2011
2001 Stock Option (2)	3 directors 72 employees	112,640 shares	2001.12.18	¥8,497 ($86.5)	From December 8, 2003 to December 7, 2011
2002 Stock Option (1)	2 directors 65 employees	47,616 shares	2002.7.29	¥10,196 ($103.8)	From June 21, 2004 to June 20, 2012
2002 Stock Option (2)	19 employees	5,888 shares	2002.11.20	¥11,375 ($115.8)	From November 21, 2004 to June 20, 2012
2003 Stock Option (1)	5 directors 83 employees	19,840 shares	2003.7.25	¥33,438 ($340.4)	From June 21, 2005 to June 20, 2013
2003 Stock Option (2)	43 employees	2,464 shares	2003.11.4	¥51,478 ($524.1)	From November 5, 2005 to June 20, 2013
2003 Stock Option (3)	38 employees	2,400 shares	2004.1.29	¥47,813 ($486.7)	From January 30, 2006 to June 20, 2013
2003 Stock Option (4)	41 employees	1,168 shares	2004.5.13	¥78,512 ($799.3)	From May 14, 2006 to June 20, 2013

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2004 Stock Option (1)	5 directors 131 employees	9,856 shares	2004.7.29	¥65,290 ($664.7)	From June 18, 2006 to June 17, 2014
2004 Stock Option (2)	46 employees	712 shares	2004.11.1	¥62,488 ($636.1)	From November 2, 2006 to June 17, 2014
2004 Stock Option (3)	29 employees	344 shares	2005.1.28	¥65,375 ($665.5)	From January 29, 2007 to June 17, 2014
2004 Stock Option (4)	42 employees	276 shares	2005.5.12	¥60,563 ($616.5)	From May 13, 2007 to June 17, 2014
2005 Stock Option (1)	5 directors 180 employees	5,716 shares	2005.7.28	¥58,500 ($595.5)	From June 18, 2007 to June 17, 2015
2005 Stock Option (2)	31 employees	234 shares	2005.11.1	¥62,000 ($631.2)	From November 2, 2007 to June 17, 2015
2005 Stock Option (3)	65 employees	316 shares	2006.1.31	¥79,500 ($809.3)	From February 1, 2008 to June 17, 2015
2005 Stock Option (4)	49 employees	112 shares	2006.5.2	¥67,940 ($691.6)	From May 3, 2008 to June 17, 2015
2006 Stock Option (1)	5 directors 157 employees	8,569 shares	2006.9.6	¥47,198 ($480.5)	From August 24, 2008 to August 23, 2016
2006 Stock Option (2)	49 employees	313 shares	2006.11.6	¥44,774 ($455.8)	From October 24, 2008 to October 23, 2016
2006 Stock Option (3)	62 employees	360 shares	2007.2.7	¥47,495 ($483.5)	From January 25, 2009 to January 24, 2017
2007 Stock Option (1)	66 employees	651 shares	2007.5.8	¥45,500 ($463.2)	From April 25, 2009 to April 24, 2017
2007 Stock Option (2)	5 directors 225 employees	10,000 shares	2007.8.7	¥40,320 ($410.5)	From July 25, 2009 to July 24, 2017
2007 Stock Option (3)	119 employees	766 shares	2007.11.7	¥51,162 ($520.8)	From October 25, 2009 to October 24, 2017
2007 Stock Option (4)	124 employees	817 shares	2008.2.13	¥47,500 ($483.6)	From January 31, 2010 to January 30, 2018
2008 Stock Option (1)	246 employees	2,059 shares	2008.5.9	¥51,781 ($527.1)	From April 26, 2010 to April 25, 2018
2008 Stock Option (2)	5 directors 336 employees	11,750 shares	2008.8.8	¥40,505 ($412.3)	From July 26, 2010 to July 25, 2018
2008 Stock Option (3)	128 employees	407 shares	2008.11.7	¥34,000 ($346.1)	From October 25, 2010 to October 24, 2018
2008 Stock Option (4)	128 employees	350 shares	2009.2.10	¥32,341 ($329.2)	From January 28, 2011 to January 27, 2019

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

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

Consolidated Subsidiaries

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
Value Insight					
2000 Stock Option (1)	3 directors	300 shares	2000.3.30	¥50,000 ($509.0)	From April 1, 2002 to March 29, 2010
2000 Stock Option (2)	2 directors 18 employees	300 shares	2000.9.20	¥150,000 ($1,527.0)	From October 1, 2002 to September 14, 2010
2001 Stock Option	19 employees	190 shares	2001.4.2	¥400,000 ($4,072.1)	From April 1, 2003 to March 29, 2011
2002 Stock Option	32 employees	92 shares	2002.3.31	¥450,000 ($4,581.1)	From April 1, 2004 to March 21, 2012
2003 Stock Option	3 directors 30 employees	182 shares	2003.3.31	¥450,000 ($4,581.1)	From April 1, 2005 to March 27, 2013
NewsWatch					
2004 Stock Option	3 directors 33 employees	3,035 shares	2004.11.26	¥50,000 ($509.0)	From November 27, 2006 to November 26, 2014
2005 Stock Option	6 employees	200 shares	2005.11.18	¥50,000 ($509.0)	From November 27, 2006 to November 26, 2014

Note: The stock options of NewsWatch in the table above will vest in three phases according to the respective vesting conditions and vesting periods. For each stock option, the initiation date of the exercise period, defined as the day after the first vesting date, indicates the first day on which the first part of the option becomes exercisable.

The stock option activity for the year ended March 31, 2009 is as follows:

The Company

	2000 Stock Option (1)	2000 Stock Option (2)	2000 Stock Option (3)	2001 Stock Option (1)	2001 Stock Option (2)
			(Shares)		
For the Year Ended March 31, 2009					
Non-vested:					
March 31, 2008—outstanding					
Granted					
Canceled					
Vested					
March 31, 2009—outstanding					
Vested:					
March 31, 2008—outstanding	18,432	2,048	40,744	16,835	21,732
Vested					
Exercised			(5,810)	(377)	(652)
Canceled					
March 31, 2009—outstanding	18,432	2,048	34,934	16,458	21,080
Exercise price	¥51,270	¥38,086	¥19,416	¥9,559	¥8,497
	($521.9)	($387.7)	($197.7)	($97.3)	($86.5)
Average stock price at exercise			¥30,562	¥30,150	¥30,119
			($311.1)	($306.9)	($306.6)

	2002 Stock Option (1)	2002 Stock Option (2)	2003 Stock Option (1)	2003 Stock Option (2)	2003 Stock Option (3)
			(Shares)		
For the Year Ended March 31, 2009					
Non-vested:					
March 31, 2008—outstanding					
Granted					
Canceled					
Vested					
March 31, 2009—outstanding					
Vested:					
March 31, 2008—outstanding	19,968	1,280	16,256	1,440	1,216
Vested					
Exercised	(1,792)	(512)	(320)		
Canceled	(256)			(32)	(160)
March 31, 2009—outstanding	17,920	768	15,936	1,408	1,056
Exercise price	¥10,196	¥11,375	¥33,438	¥51,478	¥47,813
	($103.8)	($115.8)	($340.4)	($524.1)	($486.7)
Average stock price at exercise	¥27,340	¥46,875	¥44,900		
	($278.3)	($477.2)	($457.1)		

	2003 Stock Option (4)	2004 Stock Option (1)	2004 Stock Option (2)	2004 Stock Option (3)	2004 Stock Option (4)
			(Shares)		
For the Year Ended March 31, 2009					
Non-vested:					
March 31, 2008—outstanding	416	3,392	272	168	160
Granted					
Canceled	(16)		(32)	(16)	(12)
Vested	(400)	(3,392)	(240)	(152)	(12)
March 31, 2009—outstanding					136
Vested:					
March 31, 2008—outstanding	224	5,744	208	88	68
Vested	400	3,392	240	152	12
Exercised					
Canceled	(64)	(32)	(64)	(8)	(4)
March 31, 2009—outstanding	560	9,104	384	232	76
Exercise price	¥78,512	¥65,290	¥62,488	¥65,375	¥60,563
	($799.3)	($664.7)	($636.1)	($665.5)	($616.5)
Average stock price at exercise					

	2005 Stock Option (1)	2005 Stock Option (2)	2005 Stock Option (3)	2005 Stock Option (4)	2006 Stock Option (1)
			(Shares)		
For the Year Ended March 31, 2009					
Non-vested:					
March 31, 2008—outstanding	2,672	86	148	85	8,268
Granted					
Canceled	(60)	(4)	(2)	(2)	(371)
Vested	(1,064)	(20)	(28)	(36)	(3,941)
March 31, 2009—outstanding	1,548	62	118	47	3,956
Vested:					
March 31, 2008—outstanding	2,636	70	114		
Vested	1,064	20	28	36	3,941
Exercised					
Canceled	(88)	(2)			(41)
March 31, 2009—outstanding	3,612	88	142	36	3,900
Exercise price	¥58,500	¥62,000	¥79,500	¥67,940	¥47,198
	($595.5)	($631.2)	($809.3)	($691.6)	($480.5)
Average stock price at exercise					

	2006 Stock Option (2)	2006 Stock Option (3)	2007 Stock Option (1)	2007 Stock Option (2)	2007 Stock Option (3)
			(Shares)		
For the Year Ended March 31, 2009					
Non-vested:					
March 31, 2008—outstanding	282	330	616	9,881	743
Granted					
Canceled	(5)		(8)	(416)	(7)
Vested	(124)	(147)			
March 31, 2009—outstanding	153	183	608	9,465	736
Vested:					
March 31, 2008—outstanding					
Vested	124	147			
Exercised					
Canceled					
March 31, 2009—outstanding	124	147			
Exercise price	¥44,774 ($455.8)	¥47,495 ($483.5)	¥45,500 ($463.2)	¥40,320 ($410.5)	¥51,162 ($520.8)
Average stock price at exercise					

	2007 Stock Option (4)	2008 Stock Option (1)	2008 Stock Option (2)	2008 Stock Option (3)	2008 Stock Option (4)
			(Shares)		
For the Year Ended March 31, 2009					
Non-vested:					
March 31, 2008—outstanding	816				
Granted		2,059	11,750	407	350
Canceled	(15)	(219)	(104)		
Vested					
March 31, 2009—outstanding	801	1,840	11,646	407	350
Vested:					
March 31, 2008—outstanding					
Vested					
Exercised					
Canceled					
March 31, 2009—outstanding					
Exercise price	¥47,500 ($483.6)	¥51,781 ($527.1)	¥40,505 ($412.3)	¥34,000 ($346.1)	¥32,341 ($329.2)
Average stock price at exercise					

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

	2005 Stock Option (4)	2006 Stock Option (1)	2006 Stock Option (2)	2006 Stock Option (3)
Fair value price at grant date:				
a.	¥30,958	¥24,564	¥23,832	¥20,435
	($315.2)	($250.1)	($242.6)	($208.0)
b.	¥35,782	¥26,803	¥25,311	¥23,448
	($364.3)	($272.9)	($257.7)	($238.7)
c.	¥39,196	¥28,156	¥26,766	¥25,578
	($399.0)	($286.6)	($272.5)	($260.4)

	2007 Stock Option (1)	2007 Stock Option (2)	2007 Stock Option (3)	2007 Stock Option (4)
Fair value price at grant date:				
a.	¥22,586	¥17,061	¥20,900	¥20,289
	($229.9)	($173.7)	($212.8)	($206.5)
b.	¥25,697	¥18,121	¥23,651	¥23,128
	($261.6)	($184.5)	($240.8)	($235.4)
c.	¥27,206	¥20,659	¥26,853	¥24,691
	($277.0)	($210.3)	($273.4)	($251.4)

	2008 Stock Option (1)	2008 Stock Option (2)	2008 Stock Option (3)	2008 Stock Option (4)
Fair value price at grant date:				
a.	¥16,538	¥14,918	¥14,554	¥10,204
	($168.4)	($151.9)	($148.2)	($103.9)
b.	¥18,525	¥15,716	¥15,075	¥10,715
	($188.6)	($160.0)	($153.5)	($109.1)
c.	¥21,037	¥17,980	¥16,395	¥11,262
	($214.2)	($183.0)	($166.9)	($114.6)

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

The assumptions used to measure fair value of stock options granted during the year ended March 31, 2009 are as follows:

Estimate method: Black-Scholes option pricing model

	2008 Stock Option (1)	2008 Stock Option (2)	2008 Stock Option (3)	2008 Stock Option (4)
Volatility of stock price:				
a.	44.6%	44.0%	45.8%	45.3%
b.	47.8%	44.6%	45.7%	45.5%
c.	52.4%	49.8%	48.5%	45.9%
Estimated remaining outstanding period:				
a.	5.96 years	5.96 years	5.96 years	5.96 years
b.	6.46 years	6.46 years	6.46 years	6.46 years
c.	6.96 years	6.96 years	6.96 years	6.96 years
Estimated dividend (dividend yield)	0.24%	0.28%	0.31%	0.38%
Risk-free interest rate:				
a.	1.18%	1.06%	1.01%	0.84%
b.	1.20%	1.08%	1.06%	0.89%
c.	1.24%	1.11%	1.13%	0.95%

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

2. Periods for computation using actual stock price:

2008 Stock Option (1):	a. From May 20, 2002 to May 9, 2008
	b. From November 19, 2001 to May 9, 2008
	c. From May 21, 2001 to May 9, 2008
2008 Stock Option (2):	a. From August 19, 2002 to August 8, 2008
	b. From February 18, 2002 to August 8, 2008
	c. From August 20, 2001 to August 8, 2008
2008 Stock Option (3):	a. From November 18, 2002 to November 7, 2008
	b. From May 20, 2002 to November 7, 2008
	c. From November 19, 2001 to November 7, 2008
2008 Stock Option (4):	a. From February 17, 2003 to February 6, 2009
	b. From August 19, 2002 to February 6, 2009
	c. From February 18, 2002 to February 6, 2009

3. Estimated remaining outstanding period is determined based on the assumption that all the options are exercised by the middle date of the exercise period.
4. Estimated dividend is determined based on the actual dividend applicable to the year ended March 31, 2008.
5. For the risk-free interest rate, the Company uses the yield of Japanese treasury bond applicable to the estimated remaining outstanding period of options.
6. Estimated number of options vested is determined based on the actual termination ratio of employees.

Consolidated Subsidiaries

Value Insight

	2000 Stock Option (1)	2000 Stock Option (2)	2001 Stock Option	2002 Stock Option	2003 Stock Option
			(Shares)		
For the Year Ended March 31, 2009					
Non-vested:					
March 31, 2008—outstanding	100	180	80	23	57
Granted					
Canceled		(5)	(30)	(9)	(19)
Vested					
March 31, 2009—outstanding	100	175	50	14	38
Vested:					
March 31, 2008—outstanding					
Vested					
Exercised					
Canceled					
March 31, 2009—outstanding					
Exercise price	¥50,000 ($509.0)	¥150,000 ($1,527.0)	¥400,000 ($4,072.1)	¥450,000 ($4,581.1)	¥450,000 ($4,581.1)
Average stock price at exercise					

NewsWatch

	2004 Stock Option	2005 Stock Option
	(Shares)	
For the Year Ended March 31, 2009		
Non-vested:		
March 31, 2008—outstanding	1,960	160
Granted		
Canceled		
Vested		
March 31, 2009—outstanding	1,960	160
Vested:		
March 31, 2008—outstanding		
Vested		
Exercised		
Canceled		
March 31, 2009—outstanding		
Exercise price	¥50,000 ($509.0)	¥50,000 ($509.0)
Average stock price at exercise		

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2009 and 2008.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deferred tax assets:			
Enterprise tax payable	¥ 284	¥2,175	$ 2,892
Allowance for doubtful accounts	181	736	1,845
Depreciation and amortization	5,792	3,777	58,968
Provision for Yahoo! Points	1,108	888	11,279
Revaluation on assets	4,584		46,666
Other	2,980	2,082	30,333
Less valuation allowance	(3,923)	(289)	(39,939)
Total	11,006	9,369	112,044
Deferred tax liabilities—Unrealized gain on available-for-sale securities	156	1,164	1,593
Net deferred tax assets	¥10,850	¥8,205	$110,451

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2009 is not presented because the difference between the two tax rates was not material.

Reconciliation for the year ended March 31, 2008 is as follows:

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

10. LEASE

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

Total rental expenses including lease payments under finance leases for the years ended March 31, 2009 and 2008 were ¥6,536 million ($66,540 thousand) and ¥5,877 million, respectively.

Lease liabilities included in the consolidated balance sheet at March 31, 2009 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Other current liabilities	¥ 99	$1,008
Other (long-term)	355	3,611
Total	¥454	$4,619

Annual repayment schedule as of March 31, 2009 was as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥101	$1,032
2012	101	1,025
2013	98	997
2014	55	557
Total	¥355	$3,611

The following information summarizes finance lease contracts that do not transfer ownership of the leased property to the lessee and that were entered into prior to April 1, 2008.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense on an "as if capitalized" basis for the years ended March 31, 2009 and 2008 is as follows:

	Millions of Yen				
	2009				
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	¥13	¥ 18	¥ 661	¥ 33	¥ 725
Accumulated depreciation	(5)	(11)	(402)	(14)	(432)
Net leased property	¥ 8	¥ 7	¥ 259	¥ 19	¥ 293

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

	Thousands of U.S. Dollars				
	2009				
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	$135	$ 185	$ 6,727	$ 333	$ 7,380
Accumulated depreciation	(54)	(114)	(4,089)	(137)	(4,394)
Net leased property	$ 81	$ 71	$ 2,638	$ 196	$ 2,986

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due within one year	¥150	¥ 34	$1,527
Due after one year	157	91	1,603
Total	¥307	¥125	$3,130

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Depreciation expense	¥35	¥40	$356
Interest expense	4	5	45
Total	¥39	¥45	$401

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

The minimum rental commitments under noncancelable operating leases at March 31, 2009 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 6,435	$ 65,510
Due after one year	11,008	112,061
Total	¥17,443	$177,571

11. DERIVATIVES

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

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

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

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

Since all of the Company's derivative transactions qualify for hedge accounting and meet specific matching criteria for the years ended March 31, 2009 and 2008, assets and liabilities denominated in foreign currencies are translated at the contract rates and no gains or losses on derivative transactions are recognized. Therefore, market value information of derivatives is not presented.

12. RELATED PARTY TRANSACTIONS

Transactions of the Group with the related parties for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Transaction of the Company with SOFTBANK CORP.—Purchase of stock	¥45,000		$458,109
Transaction of the Company with SISC—Purchase of stock	11,500		117,072
Transaction of a consolidated subsidiary with Yahoo! Sarl—Payment of service fees	12,889		131,210
Transaction of a consolidated subsidiary with Overture Search Services (Ireland) Limited—Payment of service fees	7,461	¥12,990	75,955
Transaction with individuals—directors—Exercise of stock options	22	57	228

On February 20, 2009, the Company acquired all shares of SIC from SISC, and subsequently on February 24, 2009, the Company also acquired all shares of SISC from SOFTBANK CORP., the parent company of the Company. After the acquisition, the Company absorbed SISC through merger on March 30, 2009. The acquisition prices of these transactions were determined based on negotiations considering the fair value of the respective company's net assets, potential value of deferred tax assets, future cash flows, operating synergy with the Company, appraisal value, and other factors.

Prior to August 1, 2008, Overture K.K., a consolidated subsidiary of the Company, had paid service fees to Overture Search Services (Ireland) Limited ("OSSIL"), a consolidated subsidiary of Yahoo! Inc. The contract term in the service agreement was 10 years beginning August 31, 2007. For the year ended March 31, 2008, Overture K.K. paid ¥12,990 million of service fees to OSSIL for the seven months from August 31, 2007 to March 31, 2008. Effective August 1, 2008, the contractual rights and obligations of OSSIL were assumed by another Yahoo! Inc. consolidated subsidiary, Yahoo! Sarl. The total service fees paid by Overture K.K. were ¥20,350 million ($207,165 thousand) for the year ended March 31, 2009.

The balance due to or due from related parties listed in the above table at March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Other current liabilities	**¥1,554**	¥3,786	**$15,815**

13. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2009 and 2008 is as follows:

	Millions of Yen	Thousands	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
Year Ended March 31, 2009				
Basic EPS—Net income available to common shareholders	**¥74,715**	**59,509**	**¥1,255.52**	**$12.78**
Effect of dilutive securities—Warrants		**64**		
Diluted EPS—Net income for computation	**¥74,715**	**59,573**	**¥1,254.18**	**$12.77**
Year Ended March 31, 2008				
Basic EPS—Net income available to common shareholders	¥62,618	60,485	¥1,035.27	
Effect of dilutive securities—Warrants		86		
Diluted EPS—Net income for computation	¥62,618	60,571	¥1,033.79	

14. COMMITTED LINE OF CASH ADVANCE

Certain consolidated subsidiaries provide cash advance service to customers in its credit card operations.

The total amount of the committed line of cash advance granted and available for customers, outstanding balance, and remaining balance at March 31, 2009 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Total amount of the committed line of cash advance	¥18,060	$183,852
Outstanding balance	1,337	13,607
Remaining balance	¥16,723	$170,245

15. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2009 was approved at the Company's Board of Directors meeting held on May 21, 2009:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥130.00 ($1.32) per share	¥7,554	$76,902

16. SEGMENT INFORMATION

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

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

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

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

Information about business segments, geographical segments and sales to foreign customers of the Group as of and for the years ended March 31, 2009 and 2008 is as follows:

(1) Business Segments

a. Sales and Operating Income

	Millions of Yen				
	2009				
	Advertising	Business Services	Personal Services	Eliminations/ Corporate	Consolidated
Sales to customers	¥138,887	¥54,207	¥72,660		¥265,754
Intersegment sales	1	348	11	¥ (360)	
Total sales	138,888	54,555	72,671	(360)	265,754
Operating expenses	65,425	33,779	19,946	11,986	131,136
Operating income	¥ 73,463	¥20,776	¥52,725	¥(12,346)	¥134,618

b. Total Assets, Depreciation and Amortization, and Capital Expenditures

	Millions of Yen				
	2009				
	Advertising	Business Services	Personal Services	Eliminations/ Corporate	Consolidated
Total assets	¥37,005	¥44,567	¥19,872	¥210,108	¥311,552
Depreciation and amortization	5,098	2,964	2,824	631	11,517
Capital expenditures	12,842	6,378	6,862	1,441	27,523

a. Sales and Operating Income

	Thousands of U.S. Dollars				
	2009				
	Advertising	Business Services	Personal Services	Eliminations/ Corporate	Consolidated
Sales to customers	$1,413,901	$551,840	$739,687		$2,705,428
Intersegment sales	8	3,539	120	$ (3,667)	
Total sales	1,413,909	555,379	739,807	(3,667)	2,705,428
Operating expenses	666,043	343,873	203,057	122,015	1,334,988
Operating income	$ 747,866	$211,506	$536,750	$(125,682)	$1,370,440

b. Total Assets, Depreciation and Amortization, and Capital Expenditures

	Thousands of U.S. Dollars				
	2009				
	Advertising	Business Services	Personal Services	Eliminations/ Corporate	Consolidated
Total assets	$376,716	$453,705	$202,295	$2,138,937	$3,171,653
Depreciation and amortization	51,892	30,175	28,752	6,426	117,245
Capital expenditures	130,734	64,934	69,854	14,670	280,192

The effect of changing the accounting treatment as discussed in Note 3 was to decrease sales in the advertising segment by ¥24,931 million ($253,807 thousand), sales in the business services segment by ¥1,422 million ($14,473 thousand), and sales in the personal services segment by ¥3,839 million ($39,077 thousand), respectively.

a. Sales and Operating Income

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

b. Total Assets, Depreciation and Amortization, and Capital Expenditures

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

(2) Geographical Segments

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

(3) Sales to Foreign Customers

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

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Yahoo Japan Corporation (the "Company") and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yahoo Japan Corporation and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 3 to the consolidated financial statements, effective April 1, 2008, the Company changed its accounting treatment for traffic acquisition costs and commissions paid to sales agents from costs and expenses to deductions from sales.

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

Deloitte Touche Tohmatsu

June 8, 2009

Major risk factors with regard to the businesses of Yahoo Japan Corporation and its consolidated subsidiaries and affiliates (the Group) as of the publication date of this document are discussed below. The Group proactively discloses those risk factors it deems necessary that potential investors consider in their investment decisions, including external factors beyond the control of the Group and business risks with a low probability of materializing. Cognizant of the potential risks, the Group makes every effort to prevent these risks from materializing and will respond rapidly should problems arise. Management recommends that shareholders and potential investors consider the issues below before assessing the position of the Group and its future performance. Please note that the risk factors listed below do not represent complete coverage of risks that should be considered before investing in the shares of Yahoo Japan Corporation.

1. IMPACT OF INTERNET MARKETS AND COMPETITION

1) Macroeconomic Trends, Internet Markets, and Users

a. The Group's business development depends on the growth of Internet-based markets.

Internet usage in terms both of user numbers and usage times has grown steadily in Japan since the Internet's emergence as a recognizable force in 1995, with particularly notable growth due to the recent spread of broadband communications and the proliferation of mobile phones. Because the Group is dependent on the Internet both indirectly and directly, the most basic requirements for its business development are the continued expansion of Internet-based communications and commercial activities in line with increased Internet usage, as well as a stable and secure infrastructure for Internet users.

A number of factors contribute to uncertainty in the outlook for continued expansion of Internet-based markets: (1) user numbers might eventually peak or Internet usage times slump; (2) new regulations or charges relating to Internet use might constrict Internet usage; and (3) improper development and application of new protocols and technological standards in response to growing user numbers and increasingly advanced applications could result in reduced Internet usage.

b. The Internet's further expansion as a major advertising media is uncertain.

The Internet-based advertising industry in Japan is generally thought to have begun with the Group's start of operations in 1996. Since that time, the Internet advertising market has grown significantly, accounting for 10.4% of the total advertising market in calendar year 2008, according to a recent DENTSU INC. report, making it the third-largest advertising market, after the television and newspaper advertising markets.

The Group engages in a range of activities aimed at enhancing its advertising media value. In the area of display advertising, for example, the Group is endeavoring to expand and stabilize its client base of corporate advertisers and advertising agencies through various means, including periodic seminars aimed at promoting a greater understanding and appreciation of Internet advertising within the advertising industry. In pay per performance advertising, meanwhile, the Group is working to more precisely match the content of advertisements appearing on search results pages with the information that users request, thereby seeking to be a more valuable media for both users and advertisers.

Despite these efforts, it is unclear that the Internet will further expand as an established and commercially viable advertising media capable of competing with traditional media. Potentially disruptive factors include unexpectedly low market expansion, a tapering off of growth, or the Group's failure to achieve anticipated levels of advertising revenues. Any of these factors could negatively impact the Group's business performance.

c. Short-term economic trends could affect Internet advertising and information listing services.

The advertising business is highly susceptible to trends in the overall economy. During downward cycles, advertising expenditures are among the first that companies reduce. Internet advertising, in particular, has a short history, and changes in more developed markets, such as the United States, could affect the Japanese market. Contract periods for Internet advertising are relatively short. In addition, Internet usage and demand from advertisers for advertising space tend to be seasonal. These factors produce underlying short-term fluctuations in the Group's advertising revenue stream.

Similarly, Internet information listing services are directly influenced by macroeconomic trends. In recruitment-related services, especially, client companies tend to calibrate recruitment activities to anticipated trends in the labor market. Such macroeconomic trends, therefore, strongly influence revenues from recruitment information listing services.

Furthermore, because the Group's cost structure includes a high proportion of fixed costs, such as personnel, lease, and utilities expenses, expenditures cannot be adjusted easily according to revenues, contributing to underlying volatility in the Group's earnings stream.

d. Advertising budget allocations of advertisers and advertising agencies could affect the Internet advertising business.

Generally, major corporate advertisers outsource their advertising activities to advertising agencies. In addition to how the advertising budget is allocated among the various advertising media, for example, Internet, television, and newspapers, the amount of advertising the Group receives mainly depends on the inclinations of major advertisers and the amount of discretion allowed the advertising agency. While the Group has implemented various measures to boost Yahoo! JAPAN's appeal as an advertising media as well as to boost the effectiveness of its advertising products, trends in advertising allocations among the different media could influence the Group's advertising sales.

e. The Group might fail to attain the same market share in the mobile advertising market as it holds in the PC market.

Based on projections that advertising via Internet-enabled terminals such as mobile phones will grow at a quickening pace, the Group is working to enable the provision of its services via such terminals in addition to PCs. If mobile Internet use expands substantially, however, the Group might fail to acquire the user numbers or usage times that it commands in the PC market and thus may see a fall in viewer rates and a corresponding reduction in market share. As a result, advertising revenue growth could taper off, with negative consequences for earnings.

f. Commercial use of the Internet by corporations might not expand as anticipated.

To expand the market for information listing services, particularly Yahoo! Rikunabi, an employment information site jointly operated with RECRUIT Co., Ltd., the Group is leveraging the convenience of its Web sites and its dominant brand strength to attract new customers. Using an enhanced sales infrastructure, the Group also continually works to attract stores to the Yahoo! Auctions and Yahoo! Shopping sites with the aim of expanding e-commerce revenues. Despite these efforts, the market might not expand for any of various reasons. Commercial use of the Internet by corporations might not expand as anticipated. The shift of information listing services to the Internet from traditional media, particularly printed media such as newspapers, magazines, and flyer inserts, might not proceed as expected. The number of users of the Group's auction and shopping sites might not increase as anticipated. Transaction volumes of those sites might be less than expected, or the number of registered stores might be insufficient. One or more of these factors could negatively influence the Group's performance.

g. Technological change in the broadband market could affect the Group's income.

Yahoo! BB, the Group's comprehensive broadband service operated jointly by the Company and SOFTBANK BB Corp. (SBB), mainly provides inexpensive, high-speed DSL services. Owing to rapid progress in telecommunications technology, the broadband market is shifting from DSL service to fiber-to-the-home (FTTH) service, which uses optical fiber to achieve faster data transmission. To acquire new subscribers in this environment, SBB has introduced Yahoo! BB Hikari, a new comprehensive broadband service employing FTTH technology. Even so, the Group might not be able to achieve projected levels of new subscribers or sales, or existing customers might shift to competing services. Moreover, unanticipated expenses might arise. All of these factors could negatively affect the Group's income.

h. A slowdown in the growth rate of users of fee-based services could affect Group revenues.

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

i. The popularity of fee-based services and content via the Internet might decrease.

The spread of broadband communications has enabled the Group to deliver a variety of fee-based content to meet changing user needs, including high-volume services such as video and music. Demand for such content via the Internet is likely to expand as the number of Internet users increases. If, on the other hand, such content fails to become a regular part of the lives of users, or if access to fee-based content via devices other than PCs becomes the norm, and if the Group fails to successfully break into the non-PC market, the achievement of expected earnings could be difficult.

2) Competition

a. With competitors in each of its service areas, the Group might have difficulties maintaining its dominant position in the Japanese Internet market.

The Group's services are centered on the flagship Yahoo! JAPAN portal site, which offers a diverse range of services over the Internet. These include directory and other search engine services; various types of information services such as news; Internet tool services such as e-mail; shopping and other e-commerce services; and payment settlement services. The Group has multiple competitors in each of these service areas.

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

The Group fully intends to continue gauging user opinions and usage with an eye to offering services that users want. Nevertheless, it is possible that the services of a start-up company could gain popularity with users and spread rapidly through the market, thereby posing a competitive challenge to existing Group services. It is possible also that the Group will be obligated to make significant investments in developing new services to maintain its competitive advantage. Either eventuality could have a negative impact on the Group's business performance.

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

3) Other Companies' Products and Services

a. In providing its services, the Group relies on the products and services of other companies, including servers, Internet connection lines, information devices, and software.

Many of the products and services necessary for the provision of the Group's services, such as servers, Internet connection lines, information devices, and software, are offered by other companies. The smooth, uninterrupted provision of such products and services by other companies is a prerequisite to the successful provision of Group services.

Today, users can choose from several types of browser software for viewing Web sites and from a range of information devices including personal computers, mobile phones, TVs, and car navigation systems for accessing the Internet. Although the Group strives to make its services compatible with all types of browser software and information devices, some cases of incompatibility exist, most of which result from sub-optimal usage conditions or setting errors. Furthermore, browser software or information devices subject to specification changes, rate adjustments, or insufficient market supply have the potential to disrupt user access to Group services, thereby negatively affecting Group earnings.

4) Technological Change

a. Failure to respond quickly and appropriately to technological innovation could greatly affect the Group's business.

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

Responding to these conditions and sustaining a strong competitive position requires close cooperation with Yahoo! Inc., which operates nearly identical services in the U.S. market, the center of innovation in Internet technologies. With this, the Group is constantly developing new technology to improve its services. The failure of Yahoo! Inc. or the Group to keep up with technological advances could render their services obsolete and erode their competitiveness. Furthermore, the Group might also be forced to bear an increasing financial burden owing to original development in Japan, including higher expenditures for localizing work and preparation for the possibility that technological innovation in Japan will at some point surpass that in the United States, with new technologies being developed in Japan instead of in the United States.

2. LEGAL AND INSTITUTIONAL CHANGES

1) Legal Restrictions

a. New laws or amendments relating to the Group or to the Internet industry as a whole could negatively affect the Group's provision of services.

Reports in recent years of incidents in Japan related to the viewing or posting of sensitive information or to dubious business transactions on the Internet have resulted in the application of certain legal restrictions to Internet-based information and goods distribution. To ensure a safe, secure, and convenient Internet environment in Japan, the Group complies with all laws and regulations and carries out policies and awareness campaigns in cooperation with relevant organizations.

The introduction of new laws or amendments to existing laws relating to the Group or the Internet industry as a whole could result in increased compliance expenses or otherwise negatively influence the Group's provision of services, as well as affect the development of the Internet industry.

b. Changes to the Provider Liability Limitation Law could restrict the Group's business.

The Law Concerning the Limits of Liability for Damages of Specified Telecommunications Service Providers and the Right to Request Disclosure of Identification Information of the Senders (Provider Liability Limitation Law) has been in force since May 2002. This law merely clarifies the scope of liability for illegal behavior previously established by civil law and therefore does not increase the liability of businesses that act as intermediates in Internet-based information distribution. The passage of a new law, however, could lead to a social consensus in support of increased liability of information distribution intermediates. The Group's business could be restricted as a result of the introduction of new laws or the implementation of rules for self-regulation.

c. Amendments to the Telecommunications Business Law could restrict the Group's business.

In order to operate Internet-based information communication services, the Group is required to observe the Telecommunications Business Law and related ordinances enforced by relevant government divisions. Amendments to this law or to related ordinances could restrict the Group's business.

d. The recently established Law on the Improvement of the Environment for the Safe and Secure Use of the Internet by Children could impinge upon the development of the Internet industry in Japan.

Since its establishment, the Group has conducted a variety of measures to contribute to the sound development of the Internet and has taken steps to protect minors from potentially harmful information, such as the operation of Yahoo! Kids and the introduction of Yahoo! Safety Net. In June 2008, the government passed the Law on the Improvement of the Environment for the Safe and Secure Use of the Internet by Children. Judging from the provisions of that law, the Group expects that it will have only a minor impact upon its business. Nevertheless, the law raises many issues, such as restrictions on freedom of expression or inhibition of filtering development, which could impinge upon the development of the Internet industry in Japan and, consequently, affect the Group's performance.

e. Legislation relating to auction services could negatively affect the Group's earnings.

Reports have been made recently of illegal or fraudulent merchandise bought and sold via Yahoo! Auctions services. When sellers subject to the law list branded products for auction, the Group instructs them to properly identify themselves and will revoke their IDs if they do not comply. In collaboration with Internet auction operators DeNA and Rakuten, the Group has formulated and implemented Internet Auction Services Guidelines. In addition, as the chair of the Conference on Anti-distribution of Pirated Intellectual Property on the Internet, the Group is actively working to devise measures to prevent violations. For example, to help educate sellers and buyers of items on Internet auctions, the Group has published on its Web site "Intellectual Property Rights Protection Guide," which defines and explains copyrights, image rights, and trademarks.

If these measures fail to bring about the expected results and reports of illegal listings and fraud continue, legislation could be enacted restricting commercial activity carried out via the Internet. Depending on the degree of restriction entailed by such legislation, it could negatively affect the Group's earnings by, for example, discouraging participation in Yahoo! Auctions, which would result in reduced system-use fees. Legislation could also result in a contraction in the Yahoo! Premium subscriber base.

f. Legislation relating to social media services could affect the Group's provision of such services.

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

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

g. The amendment of laws concerning financial services could affect the Group.

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

In its Yahoo! JAPAN Card service, the Group independently issues credit cards and offers loans, including cash advances, which activities bring it under both the Act on Controls, etc. on Money Lending and the Interest Limitation Law. Under the former, the Company is registered as a money lender with the Kanto Local Finance Bureau. Because authorities revised the Act on Controls, etc. on Money Lending so as to lower the interest rate ceiling on loans to match the interest rate ceiling specified in the Interest Limitation Law, customers might claim that interest paid in excess of the rate permitted under the Interest Limitation Law represents unfair profits, and demand repayment. Based on these actions, the Group believes that the revised law's impact on its business will be minor. The Group had already lowered its interest rates in May 2008, before enforcement of the law.

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

h. In addition to legal restrictions, official administrative guidance and governmental requirements could affect the Group's service provision and performance.

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

2) Litigation

a. Victims of auction fraud might take legal action against the Group.

The Group has taken various measures to improve systems security to build a safer and more stable auction environment. In May 2001, the Group introduced a fee-based personal identification system. In July 2004, the Group initiated a system that verifies by mail the postal addresses of users listing items on the auction site. To further reinforce security, the Group introduced an Internet auction fraud-detection model in November 2005. In July 2007, the Group began offering a "do now, pay later" service (see Note, below). In addition, the Group has set up a patrol team to eliminate illegal items from auctions in cooperation with law enforcement agencies and copyright-related groups. Despite these measures taken by the Group, it is uncertain that illegal acts will not occur in the future. Therefore, the possibility of legal action being taken against the Group cannot be ruled out, whether or not the Group is responsible. In fact, groups of users have already filed a suit against the Group for damage compensation. Depending on how the suit progresses, the image and/or performance of the Group could be harmed. Moreover, developing a system to prevent criminal activity and upgrading the Group's capabilities to ensure proper management could lead to increased costs and, as a result, reduced earnings.

The Group has instituted a system of limited compensation for users who have suffered damages as a result of illegal activity. This system could raise expenditures for the Group.

Note: The "do now, pay later" service is an anti-fraud measure that allows the buyer to pay the seller after receiving and inspecting the purchased item, thereby precluding the problem of non-delivery of paid items.

b. Affiliated financial instruments firms could demand damage compensation from the Group.

In providing Yahoo! Trading (financial instruments intermediary services), the Group complies with internal solicitation policies and guidelines under the supervision of affiliated financial instruments firms (see Note, below) in setting up trading accounts and handling transactions. Before soliciting clients for transactions, the Group consults with affiliated financial instruments firms. Despite these precautions, the Group might make solicitations that inadvertently lead to misunderstanding on the

part of certain clients. If, as a result of such solicitations, clients enter into transactions that result in client losses, the Group could be subject to demands for damage compensation from affiliated financial instruments firms, which in certain cases pay provisional damages to clients.

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

c. The Group could be subject to claims, reprimands, or damage suits by users or governmental agencies with regard to the content of advertisements or of Web sites accessed through links on Group sites.

To avoid conflict with Japanese legal restrictions, the Group established an Advertisement Review Standard that internally regulates the content of advertisements and of Web sites accessed through advertisement links. As expressed in a written contract with each advertiser, the advertiser accepts full responsibility for the content of advertisements. The Group also maintains the right to remove at any time Web sites listed on its Internet directory search services. In addition, the Group fully discloses its legal obligations in written contracts with the creators of such Web sites with clauses stating that creators are fully responsible for the content of Web sites. For such services as message boards, blogs, and auctions, where users can exchange information freely, the Group indicates clearly in its contracts with users that illegal or harmful content is prohibited and that full responsibility lies with users. The Group maintains the right to remove Web content that is in violation of its contracts with users and will do so upon discovering such Web content.

Through such internal regulation, the Group prohibits illegal and slanderous content on its sites and protects user privacy. In addition, the Group publishes a disclaimer stating clearly that users bear full responsibility for Web browsing and information posting, and that the Group accepts no responsibility for damages caused to users during Web browsing or information posting. However, no guarantee can be provided that such measures will suffice to stave off litigation. The Group could be subject to claims, reprimands, or damage suits from users, related parties, or governmental agencies with regard to the content of advertisements, Web sites accessed through links on Group sites, contributions to community message boards, and/or trading on its auction site. The resulting decline in user confidence could lead to a drop in hits or time spent on Group sites, or to a suspension of services.

d. The Group could be subject to damages that are in fact the responsibility of a third party.

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

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

e. The Group could be subject to damage claims by third parties for infringement of intellectual property rights, such as patents or copyrights owned by third parties.

Considering intellectual property to be an important management asset, the Group has established an in-house team devoted exclusively to activities related to intellectual property, including investigation and filing.

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

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

f. Advertisers could claim reimbursement of excessive pay-per-click fees resulting from click fraud or other methods of artificially increasing advertising costs.

In pay-per-click advertising, including paid search and content-linked advertising, a problem known as click fraud has arisen. Fees for pay-per-click advertising are determined by the number of times an advertising link is clicked by users. Click fraud is used to artificially inflate the number of clicks, thereby increasing pay-per-click advertising fees charged to advertisers. In the United States, major advertisers victimized by this type of fraud have brought class-action lawsuits against companies offering pay-per-click advertising products. Yahoo! JAPAN systematically and in some cases manually monitors and determines whether click fraud is occurring and, in cases where click fraud is detected, removes fraudulent clicks from the count for billing. Nonetheless, it is possible that a class-action lawsuit might be brought against the Group that might damage the brand image of Yahoo! JAPAN and have a negative impact on performance.

3) Other Legal Regulations

a. Because the Group routinely consigns business to outside contractors, the possibility exists for violations of the Subcontract Law, which could diminish public confidence in the Group.

The Group periodically holds training courses related to the Subcontract Law for employees of the Group to ensure compliance with the law during business transactions. Despite such efforts, violations of the Subcontract Law might occur, which could damage the Group's credibility and performance.

b. Changes to accounting standards and tax codes could affect the Group's profits or losses.

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

3. NATURAL DISASTERS AND EMERGENCY SITUATIONS

1) Natural Disasters

a. Group operations could be suspended or discontinued as a result of natural disasters.

Group operations are vulnerable to natural disasters such as earthquakes and fires as well as the destruction of buildings, power outages, and network failures resulting therefrom. The Group's network infrastructure and human resources are concentrated in Tokyo. To cope with accidents and surges in Internet access, the Group intends to improve its network infrastructure by duplicating and dispersing its systems and data centers.

The Group has taken steps to ensure that it can respond quickly and appropriately Groupwide in the event that such incidents occur. However, an incident might occur for unforeseen reasons, making it difficult to carry on normal operations or to recover fully. Such an incident could impact negatively on the business performance and brand image of the Group.

2) Emergency Situations

a. The Group's operations could be suspended or discontinued as a result of international conflicts, terrorist attacks, or other emergency situations.

In the event of outbreaks of international conflicts or terrorist attacks, the Group expects that its businesses would also be substantially affected.

Specifically, under the impact of such an event the Group's revenues could decline or the Group could incur extraordinary costs. This might occur because of a temporary limitation in the operation of the Group's site, causing a disruption in planned advertising business. Or, for their own reasons advertising agencies might stop, reduce, or postpone advertising. Furthermore, the access infrastructure for Yahoo! BB might be interrupted or some other circumstances arise whereby users would no longer be able to use the Group's 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 businesses, such as Yahoo! Inc. and SOFTBANK CORP. and their related companies and other Internet service providers, were hit with the same conditions, it is possible that the Group could become unable to maintain some of its services.

4. BUSINESS MANAGEMENT

1) Management Policy and Business Strategies

a. Failure to quickly and properly modify strategies in response to changing market needs could compromise the Group's competitive advantage.

The Group is currently promoting four key strategies—user-oriented social media services, Yahoo! Everywhere, personalized local information services, and open network partnerships—with the specific management goal of increasing user numbers and per-user usage times. These strategies are modified quickly and flexibly according to changes in the market, changes in partners' needs, or technological or competitive trends.

If management fails to quickly and properly modify these strategies according to changing needs and technological or competitive trends, the Group's competitive advantage could be compromised.

2) Technological Development and Improvement

a. Although the Group's R&D efforts aim to meet user needs through the implementation of new strategies and the start-up of new businesses, such efforts might in fact fail to adequately address such needs properly or result in an R&D delay or failure.

To respond to the growth and diversification of Internet use and maintain a competitive advantage, the Group intends to develop new strategies and businesses for providing content and services that meet customer needs. To support that process, the Group established a new research institution, Yahoo! JAPAN Research, on April 1, 2007. The Group is projecting substantial R&D expenses related to future business development. Actual R&D expenditures could rise beyond those projections and, depending on the time period required for development, the Group's competitiveness could actually diminish despite its efforts.

The market is crowded with entrants and highly competitive, technological innovation is the norm, the pace of change is rapid, and service life cycles are short. For these reasons, the Group intends to improve operating efficiency not only by hiring specialists and technically skilled staff but also by undertaking business cooperation with other companies with proven records in the business. To respond quickly to changing market needs, the Group is also focusing on organizational enhancement for service planning and for system development. Even so, the Group might fail to achieve targeted sales and profit for reasons such as a delay or failure of R&D programs, excessive expenses, or lack of effectiveness due to a failure to satisfy customer needs. Focusing investment on the development of these services might negatively affect the development and operations of other services of the Group. In addition, technical and operating problems could result in subscriber demands for compensation.

b. Failure to effectively implement a program aimed at continuously improving services could eventually render the Group's services obsolete.

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

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

c. If a capital investment program is not planned and implemented properly, service quality could deteriorate or expenditures increase.

To support expected business expansion and continue providing quality services to fulfill customer needs, the Group maintains a continuous capital-investment program of comparatively large scale considering its current operations. To keep up with further growth of the Internet user base and the progressive spread of broadband and ubiquitous computing, the Group will have to add and improve network-related facilities one after the other to adequately cope with higher peaks in access volume and larger volumes of data transmission and reception over short time periods. With the acquisition of IDC Frontier Inc., the Group now has a large-scale data center. While this action has enabled stable and efficient operations of Group servers and resultant cost reductions, it is expected that new investment in facilities will be necessary.

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 prevent unnecessary cash outflows by closely considering costs and benefits and by focusing on keeping system-development and equipment expenses reasonable.

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

d. Failure to properly adopt the specific information transmission standards of the full range of Internet-enabled devices could adversely affect the Group's business development.

In recent years, the range of Internet-enabled terminals has grown to include mobile phones, video-game consoles, TVs, car navigation systems, and PDAs, resulting in a vastly improved Internet-connection infrastructure beyond PC terminals. Responding to this trend, the Group has adopted the Yahoo! Everywhere strategy promoting Internet usage via a wide range of devices in addition to PCs, including mobile phones, video-game consoles, TVs, and car navigation systems, with the goal of increasing accessibility to and boosting usage times of Yahoo! JAPAN services. In promoting this strategy, the following risks are implied:

To offer Yahoo! JAPAN services to users via various devices, the Group must adopt the information transmission standards of each device with the support of the company that developed it. If the Group fails to properly adopt the standards for a given device, then it will not be able to provide services for that device.

Enabling users to easily connect to Group sites from their various devices is an important element of the Group's competitiveness. For example, a Y! Button on SOFTBANK mobile phones provides easy and direct connection to Yahoo! JAPAN services. The Group also intends to work closely with the companies that develop devices other than mobile phones to ensure easy connectivity. If, however, the Group cannot ensure that these devices will be able to connect smoothly, it could undermine the Group's competitiveness. Furthermore, should the Group incur greater costs than expected in ensuring connectivity, it could impact negatively on the Group's performance.

Each device has its own unique features, such as screen size and input system. Under the Yahoo! Everywhere strategy the Group intends to optimize its sites for each of these features in providing information. However, it may take longer than expected to optimize the services, or the Group's services could be inferior to the services of other companies that customize their services for individual devices, resulting in an erosion of competitiveness. In addition, greater-than-expected expenses for this optimization could adversely affect the Group's performance.

e. Failure to properly incorporate innovative advertising methods could adversely affect the Group's advertising revenue.

Many new advertising products incorporating a wide range of advertising methods have emerged in the Internet advertising market. The Group develops and sells a variety of advertising products suited to the specific needs of each advertiser, including products with guaranteed exposure periods and page views. The Group also offers Sponsor Site services (paid search advertising), operated jointly with Overture K.K.; an affiliate ad program, operated in cooperation with ValueCommerce Co., Ltd.; and content-linked advertising, which analyzes Web page content and then distributes advertising suited to that content.

Recently, the Group has developed and launched various advertising products incorporating innovative advertising distribution methods, including targeting advertising, which distributes advertising based on users' Internet usage histories, keyword search histories, demographic factors, and physical location; Interest Match®, which distributes text advertising

based on users' Internet usage histories and the content of Web pages viewed at the time of ad distribution; and AD Network, which distributes advertising over a network of partner sites and thus achieves greater reach than single-site-distribution products. If the Group fails to properly incorporate innovative advertising methods, its advertising revenue could decrease even as the cost of developing new products and forming new partnerships with companies possessing expertise in innovative advertising methods grows. As a result, Group performance could be negatively affected.

3) New Businesses

a. The Group's diversification into new businesses might yield lower-than-expected earnings contributions.

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

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

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

4) Services Provided

a. The platform for the Group's search services and various advertising products is developed, operated, and maintained by Yahoo! Inc. and other companies.

Based on the business tie-up with Overture K.K., paid search advertising sales have firmly expanded as a proportion of the Group's total advertising sales. The platform for the Group's search services, paid search advertising, and behavioral targeting advertising, however, is developed, operated, and maintained by Yahoo! Inc. and other companies. Moreover, Overture handles the marketing and sales in Japan of advertising products (paid search and content-linked advertising) that use the platform. In addition to those services, certain other Group services also are developed, operated, and maintained by Yahoo! Inc.

Accordingly, should the Company's business relationship with Yahoo! Inc. change or some type of obstruction to the smooth operation of Yahoo! Inc. arise, the viability of certain Group services could be jeopardized and the Group's performance negatively affected.

b. For advertising products with guaranteed page views, failure to attain the required number of views could obligate the Group to provide some form of compensation.

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

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

c. Expenses for additional Internet connections or capital investment in infrastructure could rise in line with expanding use of streaming and other services requiring relatively large bandwidth.

The Group provides streaming and other services requiring relatively large bandwidth compared with services consisting only of text and images. Brand Panel and Prime Display, two of the Group's advertising products incorporating streaming and interactive features, also require greater Internet bandwidth. Because usage of these types of services and advertising products is likely to grow steadily in the future, expenses for Internet connections and capital investment in facilities, such as servers necessary for displaying such services, could increase as well.

5) Compliance

a. Despite the Group's efforts to ensure compliance with laws and regulations, compliance-related risk exists.

The Group recognizes that legal and regulatory compliance is a prerequisite for enhancing corporate value. Consequently, the Group has established various compliance regulations standards for all directors, corporate auditors, and employees to ensure compliance with laws and articles of incorporation. Aiming to achieve thorough observation of those regulations and standards, the Group has posted these regulations and standards on its Intranet and conducts periodic in-house training.

Despite these efforts, it is impossible to entirely eliminate compliance-related risk. If a violation occurs, the Group's brand image and performance could be affected.

6) Management and Operation Systems

a. Failure to accurately increase staff levels as required by business diversification could negatively affect the Group's business development.

In addition to personnel and organizational enhancements geared toward higher advertising sales and strengthened technological development, the Group must increase staff in response to business diversification to support the large number of new Web sites created by the recent surge in Internet use, to carry out the operation and management of its community and shopping services, and to handle billing and provide customer support for fee-based services.

Failure on the part of management or of staff to respond adequately to these expanded administrative duties could undermine competitiveness, create problems with users of and stores registered on the Yahoo! Shopping and Yahoo! Auctions sites, and affect operational efficiency.

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

b. The resignation of key personnel could hinder the Group's continuing business development.

The development of the Group's businesses depends on continued support from senior management and key technical personnel. These include the presidents, directors, and other representatives of each department serving on management committees who possess specialized knowledge and technical expertise concerning the Group and its business. Consequently, if key personnel were to leave and the Group failed to replace them, the continuation and development of the business could be hindered.

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, this stock-option plan might not motivate plan participants but rather could reduce their motivation and cause them to leave the Group.

c. Although the Group promotes protection of its intellectual property rights to maintain its competitive advantage, these efforts might not be cost-effective.

The Group believes that its intellectual property rights are central to its ability to maintain certain competitive advantages in the market and that it is therefore essential to produce, acquire, and protect copyrights, patents, trademarks, designs, and domain names. Most of the content accompanying the Group's services offered to users is subject to copyrights and other legal rights. Users are allowed to utilize that content within the scope of the user contract to which they have agreed.

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

d. As the Group conducts a growing proportion of business transactions with a base of unspecified individual and corporate customers, costs related to settlement/collection and customer service might increase.

In line with expansion of the Group's business scope and strengthening of its paid search advertising, fee-based member services, and paid-content businesses, the proportion of Group revenues derived from a diverse client base of unspecified individuals and corporations has grown steadily.

The Group has formed a special team responsible for strengthening the management of this pool of customers and for taking such steps as introducing a new system to improve business efficiency. Despite these measures, the Group might be exposed to expanded risks related to the settlement and collection of receivables due to increases in the amount of small sales receivables and uncollected receivables, credit card settlement problems, and the costs of receivables collection.

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

5. RELATIONSHIP WITH MAJOR STAKEHOLDERS

1) Major Shareholders

a. Changes to parent company policies or in major shareholders could affect the Group's business.

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

The shareholder agreement between SOFTBANK CORP. and Yahoo! Inc., the Company's major shareholders, places certain restrictions on the sale or purchase of Yahoo Japan Corporation's stock. The main points of the shareholder agreement are as follows:

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

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

b. Competition within the SOFTBANK Group could arise in the future.

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

c. Modifications to the license agreement with Yahoo Inc. could affect the Group's business.

The Group's operations are based on a license agreement with Yahoo! Inc., one of the founding partners of the Company. The Yahoo! trademark, software, and tools (hereinafter referred to as the trademark) used in the operation of the Group's Internet search services are the property of Yahoo! Inc. The Group conducts business operations through a license obtained for the use of the trademark. As such, the agreement with Yahoo! Inc. is critical to the Group's core operations. Any modifications to the agreement could affect the Group's business.

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

Contracted party: Yahoo! Inc.
1) Licensing rights granted by Yahoo! Inc. to the Company: * Non-exclusive rights granted to the Company for reproduction and use of Yahoo! Inc.'s Internet search and other services customized and localized for the Japanese market (hereinafter referred to as the Japanese version of the Yahoo! search services) * Non-exclusive rights granted to the Company for use in Japan of the Yahoo! trademark * Exclusive rights granted to the Company for publishing of the Yahoo! trademark in Japan * Exclusive rights granted to the Company worldwide for development, commercial use, and promotion of the Japanese version of the Yahoo! search services 2) Non-exclusive licensing rights granted (gratis) to Yahoo! Inc. worldwide for use of Japanese content added by the Company 3) Royalties to be paid by the Company to Yahoo! Inc. (see Note, below) Note: Royalty calculation method {(Consolidated net sales) — (Advertising sales commissions on a consolidated basis) — (Cost of sales of consolidated subsidiaries with a different gross margin structure and others)} x 3%

d. Issues related to the management of the Yahoo! brand overseas could restrict the expansion of the Group's business.

The establishment and proliferation of the Yahoo! brand are considered 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 Yahoo! 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 Yahoo! Group companies contain exclusionary provisions. The Group is not able to place certain advertisements while these agreements are in force. Although Yahoo! Inc. is making efforts around the world to protect trademarks that are core to its brand rights through applications, registrations, and presence, there is the possibility that Yahoo! Inc. has not registered trademarks necessary to the Group's business in Japan.

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

2) Consolidated Group Management

a. Inadequate consolidated management coordination could impact the Group's performance.

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

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

b. Any modifications to the business alliance contract with Overture K.K. could affect the Group's earnings.

The Company has signed the following business alliance contract with Overture K.K. to provide services such as paid search adverting, which is one of the Group's key income sources. Therefore, any modifications to the contract could affect the Group's earnings.

Contracting companies	Yahoo Japan Corporation (the Company); OVERTURE K.K. (OVKK) (Consolidated subsidiary)
Contract counterparties	Yahoo! Sarl; Yahoo! Inc. (Yahoo)
Contract date	August 31, 2007
Contract term	August 31, 2007, to August 30, 2017 (10 years)

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

Note: On August 31, 2007, the counterparties of this contract were OVERTURE SEARCH SERVICES (IRELAND) LIMITED (OSSIL) and Yahoo! Inc. On August 1, 2008, OSSIL transferred its position in the contract to Yahoo! Sarl.

3) Other Major Business Partners

a. Any modifications to the business alliance contract with SOFTBANK BB Corp. could affect the Group's earnings.

The Company has signed the following business alliance contract and incentive agreement concerning Yahoo! BB services with SOFTBANK BB Corp. (SBB), which is a subsidiary of SOFTBANK CORP. Because business related to Yahoo! BB is one of the Group's principal income sources, any modifications to this contract could affect the Group's earnings.

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

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

Contract name:	Incentive agreement
Contract date:	October 7, 2005
Contract term:	One year, beginning October 1, 2004 (automatically renewed each year)
Contracted party:	SOFTBANK BB Corp.

• Customer acquisition incentive fees
  Yahoo! BB basic service:
    Approx. ¥15,000 per subscription
  Yahoo! BB+wireless LAN package:
    Approx. ¥20,000 per subscription
• Long-term customer incentive fees
  Yahoo! BB basic service:
    Approx. ¥200 per month per continuing subscriber
  Yahoo! BB+wireless LAN package:
    Approx. ¥250 per month per continuing subscriber

b. Because the Yahoo! BB business is partially handled by SBB, the service quality of SBB could affect Group performance.

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

6. FINANCES, LOANS, AND INVESTMENTS

1) Funds Procurement and Interest Rate Changes

a. In its Yahoo! ezPay service, the Group might be required to borrow funds to bridge the collection of reimbursement funds from buyers.

Yahoo! ezPay is a payment service provided by the Company's subsidiary Netrust, Ltd., whereby on the request of the seller and buyer of an item listed on Yahoo! Auctions Netrust acts as the intermediate in the settlement of the transaction.

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

b. In its Yahoo! JAPAN Card service, the Group might be required to borrow funds to bridge the collection of reimbursement funds from cardholders.

The Yahoo! JAPAN Card is a credit card issued by the Group and through which the Group provides credit to persons issued with the card. The Group reimburses payments made by cardholders to merchants honoring the card. Because payments are collected from cardholders once a month while reimbursements to merchants are made about three times a month, it will be necessary to finance those reimbursements. Although the Group is considering diversifying its funding sources as the business expands, obtaining the necessary funding for making reimbursements to merchants at a suitable cost could prove to be impossible.

2) Investments

a. The Group often makes investments in or loans to other companies. However, appropriate returns might not be obtained on said investments or loans, or the funds could become irrecoverable.

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

Moreover, although some of the public companies in which the Group has invested have already produced an evaluation profit, this profit could decline or turn to an evaluation loss in the future.

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

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

b. The Company's investment in BB Mobile Corp. in support of SOFTBANK CORP.'s acquisition of Vodafone K.K. might yield returns that fall short of expectations.

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

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

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

7. RELATIONSHIP WITH COMPETITORS AND PARTNERS

1) Business Alliances and Contracts

a. The Group's emphasis on building partnerships entails certain risks.

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

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

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

- Although partnerships (business tie-ups) are established with an eye to ensuring mutual benefits, some partners might fail to achieve sales or traffic goals. Furthermore, competition with other companies might result in delays in or increase the costs of setting up partnerships. In addition, partners might suddenly cancel agreements. Any of these eventualities could adversely affect the Group's performance.
- The Group provides services to partners via proprietary systems and via systems owned by affiliated and business tie-up companies. If partners were to suffer service disruptions or other damages as a result of these systems, then the Group's brand image could be tarnished or the Group could be sued for damage compensation, either of which could negatively affect the Group's performance.
- Because the quality and reputation of our partners' services reflect on the reputation and credibility of the Group, any problems with our partners' services could tarnish the Group's brand image.

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

b. The termination of paid search advertising business agreements could affect the Group's profitability.

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

c. The Group's procurement of various content from third parties could be affected.

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

2) Collection of Sales Credit Claims

a. Economic and business deterioration might make the collection of receivables from certain clients more difficult or impossible.

In sales of advertising and other products, the Group follows a set of internal rules in carefully examining the credit standing of clients. It also exercises sufficient precautions so that the collection of receivables will not be delayed, such as setting upper limits for transaction amounts, adopting advanced payments, making sales through advertising agencies, or using credit card settlements. Nevertheless, economic fluctuations and deterioration of client businesses could increase delays in collection and the occurrence of defaults.

b. The Group might be unable to collect payments from certain Yahoo! JAPAN Card holders.

The Group plans to curtail unrecoverable debt by rigorously evaluating the creditworthiness of individual Yahoo! JAPAN Card holders and monitoring their card use. Even so, the Group might be unable to collect payments from certain cardholders owing to declines in cardholder creditworthiness.

3) Relationship with Third Parties

a. Each of the Group's businesses has a degree of dependence on specific customers or suppliers.

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

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

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

b. Relationships with third-party joint venture partners could deteriorate.

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

c. In some cases, system development and operations essential to services are commissioned to specific third parties.

Among the services offered by the Group there are several cases where system development and operations essential to

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

d. Some services are dependent on external third parties.

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

8. INFORMATION SECURITY

1) Group Efforts to Promote Information Security

a. Information leaks, network invasions, or computer virus attacks could erode public confidence in the Group.

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

Based on this understanding, the Group has proactively taken steps to deal with information security. Currently, we are working to protect customers' personal information and other sensitive management information by quickly and effectively implementing necessary measures groupwide. To facilitate this process, we have appointed a Chief Security Officer (CSO) and established an Information Security Office, giving them wide-ranging authority to carry out their mission. The President of the Company himself has announced our "Information Security Declaration," setting out the Group's overall information security efforts. Based on this declaration, we have established Information Security Basic Regulations and other in-house rules that clarify our procedure for handling customers' personal information and other important information. At the same time, to promote adherence to our in-house rules on information management we established the Information Security Council, comprising information security members from each of our divisions. As part of our information security measures, the addresses and other information of our customers are encrypted using SSL (Secure Sockets Layer) systems and access to stored data is tightly restricted. In August 2004, the Group acquired Information Security Management Systems (ISMS) certification. In November 2007, the Group was the first in Japan to receive ISO 15408 certification for its development of a monitoring system to prevent information leakage from its databases. In November 2008, the Group obtained Information Security Standard (PCI DSS) certification for its Yahoo! Wallet credit card settlement service. The Group has used these third-party certification systems to implement objective, global-standard checks of its operations with the goal of further strengthening its information security measures and fulfilling its social responsibility regarding this issue.

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

2) Personal Information

a. Leaks of personal information required for user identification could damage the Group's credibility and lead to legal disputes.

The Group is obligated to hold personal information for each Yahoo! JAPAN user in order to effectively provide services, including e-commerce.

The Group exercises the utmost care in protecting the privacy and personal information of each user and takes extraordinary measures to ensure the security of each service. The Yahoo! Security Center on the Yahoo! JAPAN site works to heighten users' awareness of potential risks by, for example,

posting descriptive examples of fraudulent behavior and common methods employed to illicitly obtain personal information, along with suggested security measures to help users protect themselves. In addition, the Group observes strict guidelines regarding internal access to users' personal information, granting access rights only to a very limited number of personnel.

Nevertheless, the Group cannot completely eliminate the possibility that users' personal information will be leaked outside the Group, either deliberately or through negligence, by Group personnel, by companies with which business alliances have been concluded, or by companies to which the Group outsources work, or as a result of computer viruses introduced via defective or malicious software. There have been multiple incidents of personal information stored on virus-infected PCs being unknowingly leaked onto networks, the source of the virus being file-sharing software, such as Winny. Also, the possibility always exists for third parties to fraudulently obtain passwords, for example, to gain unauthorized access to systems, or employ such methods as spoofing or phishing (see Note 1, below) whereby personal user information is illicitly obtained, with unsuspecting users suffering the consequences. To guard against phishing attacks the Group introduced a log-in seal system (see Note 2, below) in March 2007. In December 2007, the Group added to Yahoo! Mail a function enabling users to refuse spoofed mail (see Note 3, below). In June 2008, the Group started open testing of an anti-phishing browser (see Note 4, below) that provides basic blocking measures against phishing. As of January 2008, the Group began issuing OpenIDs (see Note 5, below), in addition to offering an authentication bureau service to improve information security by eliminating the storage and management of IDs on other sites. Although the Group continues to implement such measures with the goal of minimizing the damage caused by ill-intentioned users, there is no guarantee that these measures will be sufficient. If problems occur despite our efforts to thwart them, the Group's services could be adversely affected and its brand image tarnished. Furthermore, the Group could become a target of lawsuits.

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

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

Note 1: Phishing fraud
Phishing fraud involves obtaining personal information by sending e-mails purportedly from a financial institution or other company that trick the recipients into accessing a fraudulent Web site, where they are asked to input such personal information as credit card numbers, log-in IDs, passwords, or other sensitive information.

Note 2: Log-in seal
A log-in seal consists of an image or a text message appearing on a Yahoo! JAPAN log-in screen. After registering a favorite image or secret message as a log-in seal, a user can place the seal on a personalized log-in screen suited to a designated browser. Users who habitually confirm that the log-in seal appears on the log-in screen when signing in are quickly alerted to the possibility that they are on a fake log-in screen (phishing) when the log-in seal does not appear.

Note 3: Refusing spoofed emails
Spoofed emails, purportedly sent from one source but in fact sent from another, can be filtered out or refused by users armed with domain validation technology, such as DomainKeys or Sender Policy Framework (SPF). Since July 2005, Yahoo! Mail has featured a DomainKeys function, and in December 2006 we introduced an SPF function in a concerted effort to prevent phishing and other malicious mails from landing in Yahoo! Mail service inboxes. Now, with our introduction of SPF technology to the receiving server, users can filter out mail purporting to be from "yahoo.co.jp" or from other providers that utilize DomainKeys or SPF technology. SPF technology is widely used by the major Internet providers and mobile phone carriers in Japan.

Note 4: Anti-phishing browser
This is a browser equipped with a password entry column only for access authentication in its address bar field. An entered password is handled by the authentication server using a cryptographic protocol but is not sent directly to the server. Therefore, the password cannot be stolen even when carelessly entered on a fake site.

Note 5: OpenID

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

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

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

b. Leaks of personal information by stores registered on Yahoo! Shopping or Yahoo! Auctions, or by business alliance partners, could damage the Group's credibility and lead to legal disputes.

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. However, there are cases where the personal information management systems of business alliance partners and of stores registered on the Yahoo! Shopping and Yahoo! Auctions sites have a significant influence on the Group's efforts.

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

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

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

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

3) Communication Privacy

a. Leaks of information related to communications privacy could tarnish the Group's brand image and lead to legal disputes.

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

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

4) Network Security

a. **Attacks on or invasions of the Group's networks could disrupt Group services.**

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

5) Fraudulent Use

a. **Fraudulent use could result in damage claims.**

Malicious users might employ phishing or other methods to fraudulently obtain unsuspecting users' IDs, passwords, and credit card information, or use fraudulently obtained Yahoo! JAPAN Cards to make payments. As examples of fraud on Yahoo! Auctions, malicious users can use unsuspecting users' accounts to list fraudulent items or to make settlements via Yahoo! Wallet or Yahoo! ezPay. Similarly, on Yahoo! Mail malicious users can send email via unsuspecting users' accounts.

The Group is taking steps to strengthen its information security, enlighten users about ID management, and take certain measures against anticipated fraud. Nevertheless, it is possible that fraudulent use of such information by malicious users will prevent the collection of advances paid, that claims will be made for damage compensation by victims of fraudulent acts or that such compensation claims will be greater than expected or that the expenditures to prevent the recurrence of such fraudulent actions will be high, and that fraud will lower the brand image of Yahoo! JAPAN.

6) Behavioral History Information

a. **Restrictions on the collection and analysis of behavioral history information could affect the Group's behavioral targeting advertising and Interest Match®.**

Based on an analysis of users' Internet usage histories, behavioral targeting advertising and Interest Match® distribute advertisements for products or services to user groups whose Internet usage histories indicate a preference for or interest in those products or services. These advertising products are designed to boost advertising efficiency for all concerned parties, namely, advertisers, users, and the Internet media itself.

The Group rigorously respects the privacy of individual users in its collection and analysis of behavioral history information. Behavioral targeting advertising and Interest Match® analyze three aspects of users' behavioral history information: (1) the Yahoo! JAPAN services viewed by users, or more specifically, accessed via users' browsers; (2) the keywords employed by users in searches; and (3) the type of display advertising viewed, or clicked-on, by users. This information is used only for the purpose of grouping users, or more specifically, users' browsers, on the basis of similar preferences and interests; it is not used to analyze the preferences and interests of specific users.

Although the Group believes it is taking adequate precautions to respect users' privacy, it is possible that some users could object to the collection and analysis of their behavioral history information, or that legal restrictions could be placed on these activities. Such objections or restrictions could damage the Group's brand image or prevent the Group from selling behavioral targeting advertising and Interest Match® in the future, which could have a detrimental impact on the Group's business results.

9. CORPORATE GOVERNANCE

1) Corporate Governance System

a. **Inadequate internal controls could affect business operations or result in higher operating expenses.**

The Group has implemented stricter controls and operational standards to prevent or reduce the recurrence of problems related to improper employee conduct or human operational error. In April 2006, the Company established the Internal Control Office as an independent organization under the direct supervision of the President. The Internal Control Office works to ensure effective and efficient business activities, accurate financial reporting, and full legal compliance, as well as maintain appropriate corporate governance. Despite these efforts, problems related to business management and control issues could arise in the future. Moreover, increased costs stemming from efforts to improve internal control could negatively affect the Group's earnings.

Investor Information

(As of March 31, 2009)

SHARE-RELATED INFORMATION

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

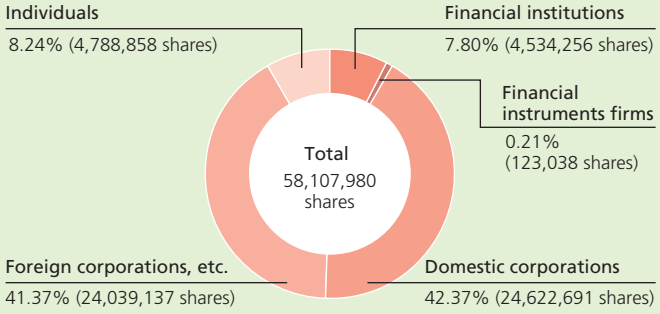
MAJOR SHAREHOLDERS

Name	Share holdings	Percent of total shares issued
SOFTBANK CORP.	23,796,204 shares	40.95%
Yahoo! Inc.	20,215,408 shares	34.79%
Japan Trustee Services Bank, Ltd. (4G)	1,457,497 shares	2.51%
Japan Trustee Services Bank, Ltd.	1,176,376 shares	2.02%
The Master Trust Bank of Japan, Ltd.	1,035,729 shares	1.78%
SBBM Corp.	564,669 shares	0.97%

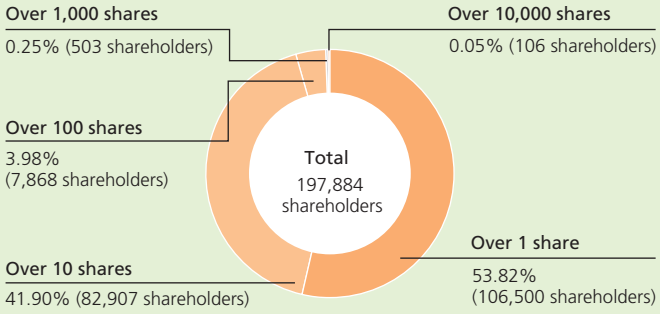
HISTORICAL NUMBER OF SHARES OUTSTANDING

Date	Action	Number of shares outstanding
1996/1/31	Establishment of the Company	4,000.00
1997/9/6	Rights offering: 1,800 shares	5,800.00
1997/11/4	Public offering: 975 shares	6,775.00
1999/3/6	Public offering at market price: 125 shares	6,900.00
1999/5/20	2-for-1 stock split	13,822.00
1999/11/19	2-for-1 stock split	27,826.00
2000/3/1	New stock issuance at merger: 1,100.15 shares	28,954.15
2000/5/19	2-for-1 stock split	57,940.30
2000/9/1	New stock issuance at merger: 110 shares	58,167.50
2000/11/20	2-for-1 stock split	116,917.00
2002/5/20	2-for-1 stock split	235,063.60
2002/11/20	2-for-1 stock split	471,059.04
2003/5/20	2-for-1 stock split	942,118.08
2003/11/20	2-for-1 stock split	1,884,923.16
2004/5/20	2-for-1 stock split	3,772,188.32
2004/11/19	2-for-1 stock split	7,546,426.64
2005/5/20	2-for-1 stock split	15,100,808.28
2005/11/18	2-for-1 stock split	30,209,708.56
2006/4/1	2-for-1 stock split	60,452,137.12
2008/8/8	Retirement of treasury stock	59,284,577.68
2008/12/30	Retirement of treasury stock	59,290,736.00
2009/3/31	Retirement of treasury stock	58,107,980.00

BREAKDOWN OF SHARES, BY SHAREHOLDER TYPE



BREAKDOWN OF SHAREHOLDERS, BY NUMBER OF SHARES HELD



Corporate Information

CORPORATE DATA

(As of March 31, 2009)

Company name	Yahoo Japan Corporation
Founded	January 31, 1996
Common stock	¥7,444 million
Businesses	Internet advertising business E-commerce business Members services business Other businesses
Headquarters	Midtown Tower, 7-1, Akasaka 9-chome, Minato-ku, Tokyo, 107-6211, Japan
Home page	http://www.yahoo.co.jp/
English-language IR page	http://ir.yahoo.co.jp/en/

DIRECTORS AND CORPORATE AUDITORS

(As of June 23, 2009)

Masahiro Inoue

President and CEO

Masayoshi Son

Chairman of the Board of Directors

Jerry Yang

Director

Akira Kajikawa

Director

Hiroaki Kitano

Director

Shingo Yoshii

Standing Corporate Auditor

Sumio Sue

Corporate Auditor

Mitsuo Sano

Corporate Auditor

Kyoko Uemura

Corporate Auditor

Main Consolidated Subsidiaries

(As of March 31, 2009)

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

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

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

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

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

SOFTBANK IDC Corp.*
Business: Data center business
Founded: February 2009
Common Stock: ¥100 million
Yahoo! JAPAN's Ownership: 100.0%
URL: http://www.idcf.jp/EN/index.html
* Effective April 1, 2009, SOFTBANK IDC Corp. became IDC Frontier Inc.

Yahoo Japan Customer Relations Corporation
Business: Customer support contact center
Common Stock: ¥10 million
Yahoo! JAPAN's Ownership: 100.0%
URL: http://www.yahoo-cr.co.jp/

Yahoo Japan Value Insight Corporation
Business: Internet-based marketing research, data analysis, market consulting
Founded: July 1996
Common Stock: ¥700 million
Yahoo! JAPAN's Ownership: 76.6%
URL: http://www.yahoo-vi.co.jp/

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

Y's Sports Inc.
Business: Collection of sports-related information and production of articles and content
Founded: December 1996
Common Stock: ¥100 million
Yahoo! JAPAN's Ownership: 100.0%
URL: http://sportsnavi.yahoo.co.jp/

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

Yahoo Japan Corporation

Midtown Tower, 7-1, Akasaka 9-chome, Minato-ku, Tokyo, 107-6211, Japan

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