YAHOO! JAPAN

Annual Report 2014

Year ended March 31, 2014

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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 Risk Factors section in this report, beginning on page 89.

3. Unauthorized use or reproduction of this document is prohibited.

Profile

Yahoo Japan Corporation and its consolidated subsidiaries and affiliates (the Yahoo Japan Group) have been a key driving force behind the rapid growth of the Japanese Internet market. Offering Internet users an ever-expanding range of useful, cutting-edge services, from search and information listing to community and e-commerce, the Yahoo! JAPAN portal site is the undisputed market leader in terms of user numbers and page views.

While maintaining our core revenue-generating business strengths in Internet advertising, e-commerce, and membership services, and collaborating with companies offering complementary capabilities, we are keenly focused on harnessing the explosive growth of the mobile-based Internet in line with our Smart Devices First policy. In all of our business activities, we are committed to retaining Yahoo! JAPAN's position as the No. 1 problem-solving engine in the Japanese Internet market.

History

1996 January	・Establishment of Yahoo Japan Corporation
1996 April－1997 March	・Started Yahoo! JAPAN services
1997 April－1998 March	・Listed on the JASDAQ market
1999 April－2000 March	・Started online shopping service Yahoo! Shopping and online auction service Yahoo! Auctions (currently YAHUOKU!)
2001 April－2002 March	・Introduced Yahoo! Auctions personal identification system (currently Yahoo! Premium membership) ・Started comprehensive broadband service Yahoo! BB
2002 April－2003 March	・Introduced listing and transaction fees for Yahoo! Auctions ・Made Netrust, Ltd, a subsidiary ・Started a paid search advertising service
2003 April－2004 March	・Listed on the First Section of the Tokyo Stock Exchange
2004 April－2005 March	・Started Yahoo! Rikunabi ・Made Firstserver, Inc., a subsidiary
2005 April－2006 March	・Established business alliance with SoftBank Corp. for mobile communications business
2006 April－2007 March	・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 (currently Tokyo Stock Exchange, Inc. (JASDAQ))
2007 April－2008 March	・Made Overture K.K. a subsidiary
2008 April－2009 March	・Started Interest Match® interest-based advertising service (currently Yahoo! Display Ad Network (YDN)) ・Made SOFTBANK IDC Solutions Corp. and SOFTBANK IDC Corp. (currently IDC Frontier Inc.) subsidiaries
2009 April－2010 March	・Made GyaO CORPORATION a subsidiary ・Merged with Overture K.K.
2010 April－2011 March	・Expanded games business by launching Sengoku IXA in collaboration with SQUARE ENIX CO., LTD., and Yahoo! Mobage in collaboration with DeNA Co., Ltd.
2011 April－2012 March	・In an alliance with Twitter, Inc., made public Twitter postings accessible via the real-time search feature on Yahoo! Search
2012 April－2013 March	・Established business and capital alliance with ASKUL Corporation ・Made CyberAgent FX, Inc. (currently YJFX, Inc.), and Carview Corporation subsidiaries
2013 April－2014 March	・As a result of the operational merger of the Tokyo Stock Exchange and Osaka Securities Exchange, the Company's shares are listed only on the First Section of the Tokyo Stock Exchange ・Unveiled new e-commerce strategy

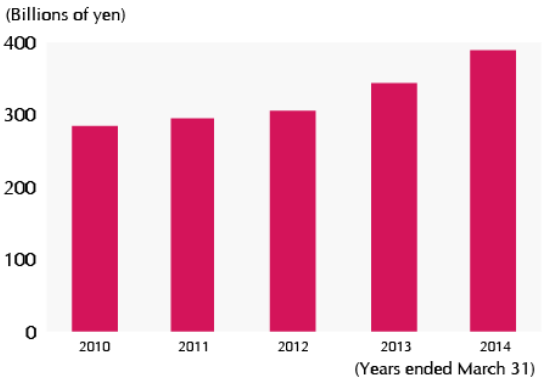
Financial Highlights

	Millions of Yen			Thousands of U.S. Dollars
Years ended March 31	**2014**	2013	2012	**2014**
For the fiscal year:				
Net sales	**¥386,284**	¥342,990	¥302,089	**$3,753,245**
Operating income	**197,416**	186,352	165,005	**1,918,150**
Net income	**125,116**	115,036	100,559	**1,215,663**
Net income per share (Yen and U.S. dollars)	**21.82**	19.84	17.34	**0.21**
EBITDA	**211,406**	197,829	174,675	**2,054,081**
At fiscal year-end:				
Total assets	**842,749**	743,311	562,022	**8,188,389**
Total equity	**626,561**	551,264	468,301	**6,087,845**
Number of employees	**6,291**	5,780	5,124	
Dividends per share (Yen and U.S. dollars)	**4.43**	4.01	3.47	**0.04**
Cash flows	**72,748**	150,929	68,581	**706,840**
Cash flows from operating activities	**132,829**	139,396	99,737	**1,290,604**
Cash flows from investing activities	**(7,311)**	51,404	(12,309)	**(71,036)**
Cash flows from financing activities	**(53,129)**	(40,184)	(18,847)	**(516,216)**
Ratios:				
Operating margin (%)	**51.1**	54.3	54.6	
Net income to net sales ratio (%)	**32.4**	33.5	33.3	
ROA (%)	**15.8**	17.6	19.5	
ROE (%)	**21.5**	22.8	23.7	
Total equity / Total assets ratio (%)	**73.3**	73.1	82.8	

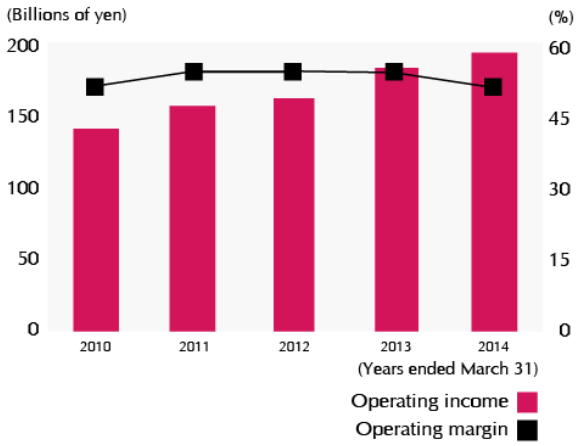
Notes:

- Yen amounts for the year ended March 31, 2014, have been translated into U.S. dollar amounts, solely for the convenience of readers, at the rate of ¥102.92 = U.S.$1, the effective rate of exchange at March 31, 2014.
- Per-share figures have been restated to reflect a hundred-for-one stock split made on October 1, 2013.

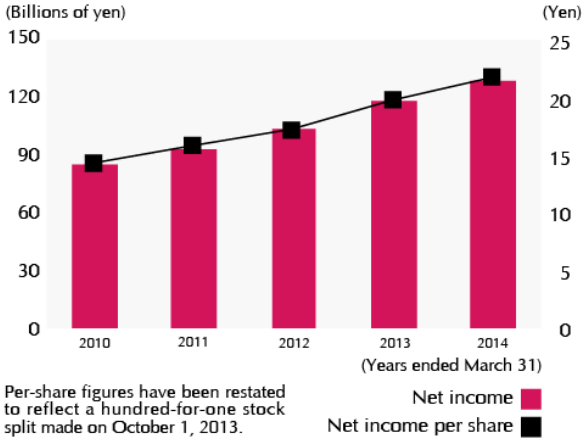
Net Sales



Operating Income and Operating Margin

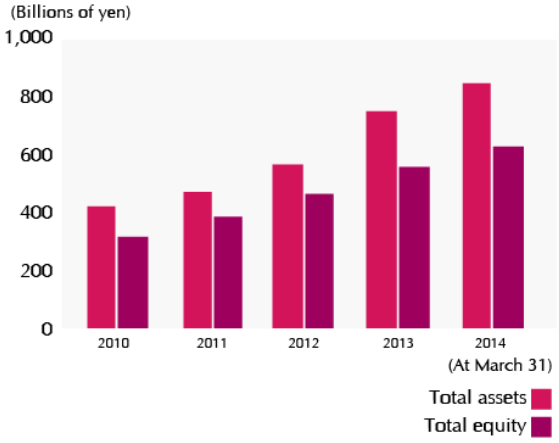


Net Income and Net Income per Share

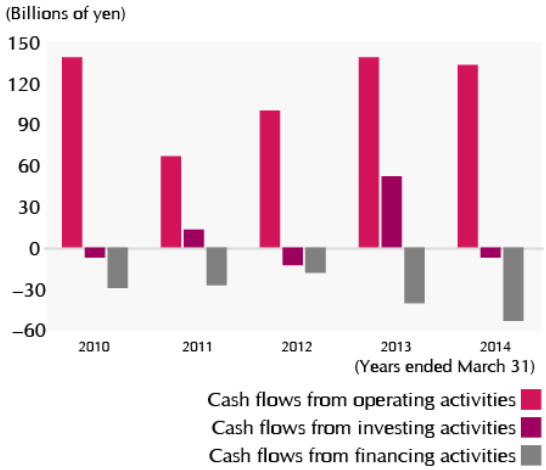


Per-share figures have been restated to reflect a hundred-for-one stock split made on October 1, 2013.

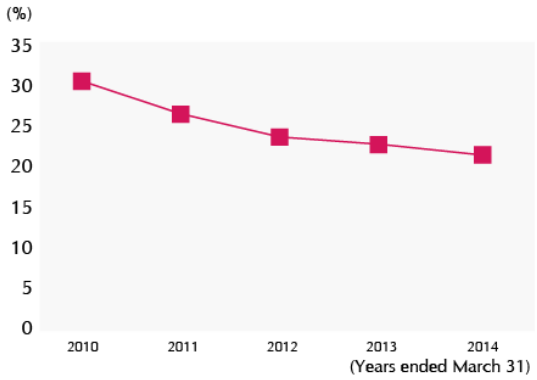
Total Assets and Total Equity



Cash Flows



Return on Equity

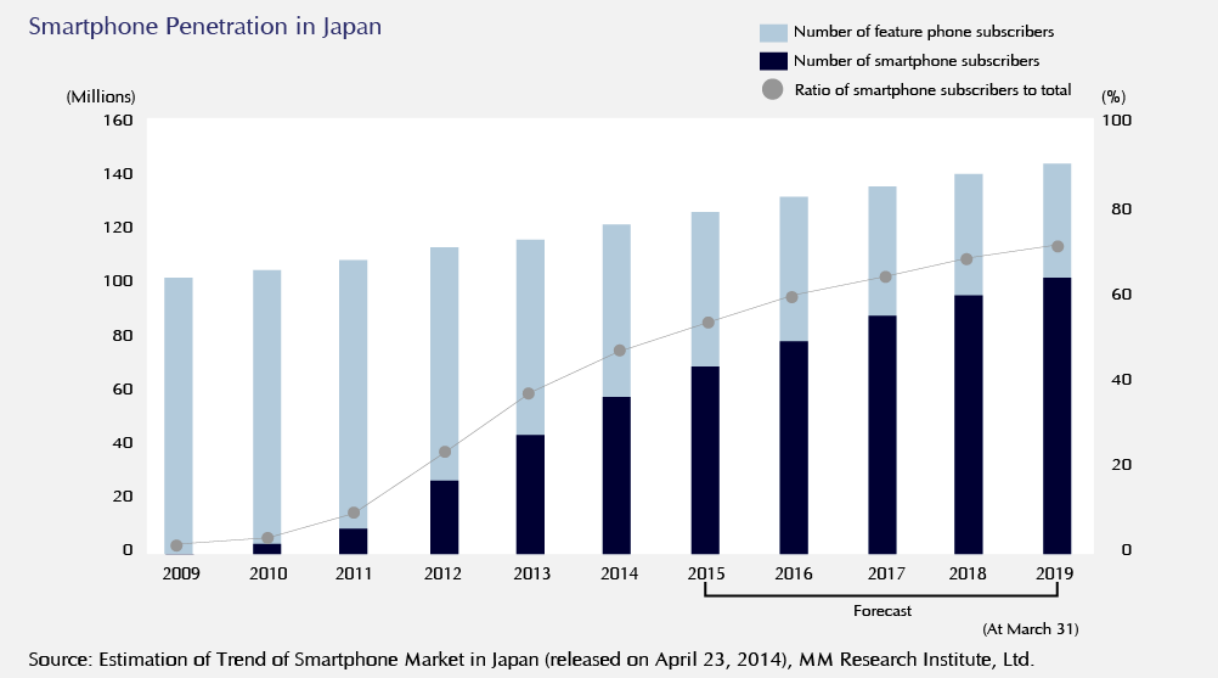


To Our Shareholders

MANABU MIYASAKA

President and CEO
Yahoo Japan Corporation

In fiscal 2013, the year ended March 31, 2014, accelerating proliferation of handheld smart devices drove a dizzying array of changes in the ever-expanding Internet market in Japan. Smartphones sharply increased their share of the total mobile phone market—MM Research Institute, Ltd., estimates that smartphone users accounted for 47.0% of the total mobile phone user base in Japan as of the end of fiscal 2013, up from 37.2% just one year earlier—as users continued to upgrade from feature phones to smartphones. The iPhone user base, in particular, surged following the Japanese market release of the iPhone 5s in September 2013 and NTT DOCOMO, INC.'s inauguration of iPhone sales the same month. Tablets, on the other hand, have yet to fully penetrate the Japanese market, with a proliferation rate of less than 5% as of March 31, 2014. Growth potential in the tablet market therefore remains strong.



Source: Estimation of Trend of Smartphone Market in Japan (released on April 23, 2014), MM Research Institute, Ltd.

Internet user numbers and usage times have both increased substantially in recent years, reflecting the fast-paced proliferation of mobile smart devices offering users Internet access anytime and anywhere. With the Internet now an indispensable and ubiquitous aspect of daily life, users of all ages habitually surf the Net whenever and wherever, and for any reason whatsoever. By swiftly capitalizing on new earnings opportunities abounding in an Internet market rocked by explosive growth in mobile-based access, Yahoo Japan Corporation (the Company) and its consolidated subsidiaries and affiliates (the Yahoo Japan Group) aim to achieve continuously accelerating growth.

Laying Foundations for Future Growth

After transitioning to a new management structure in April 2012 and putting in place a new management team, we set an ambitious goal of doubling fiscal 2011's consolidated operating income of ¥165.0 billion by no later than fiscal 2018. The attainment of this goal entails consecutive years of double-digit compound annual growth rates. In fiscal 2012, the year ended March 31, 2013, we made a strong start, with consolidated net sales rising 13.5% year on year and consolidated operating income up 12.9%, primarily reflecting strength in our mainstay advertising-related business. In contrast, our e-commerce related business flagged. While the overall Japanese e-commerce market enjoyed double-digit growth in fiscal 2012, the Yahoo Japan Group's shopping-related and auction businesses saw only flat year-on-year growth in transaction value, implying a decrease in Yahoo! JAPAN's share of the important e-commerce market.

In fiscal 2013, the year under review, we therefore redoubled our focus on the e-commerce related and advertising-related businesses, both key engines of growth for the Yahoo Japan Group. With the overarching goal of boosting transaction value and revenue, and realizing that users' e-commerce data can be usefully applied to the creation of improved advertising products, we undertook drastic revisions to our e-commerce business model. At the same time, we implemented new initiatives in our advertising-related business.

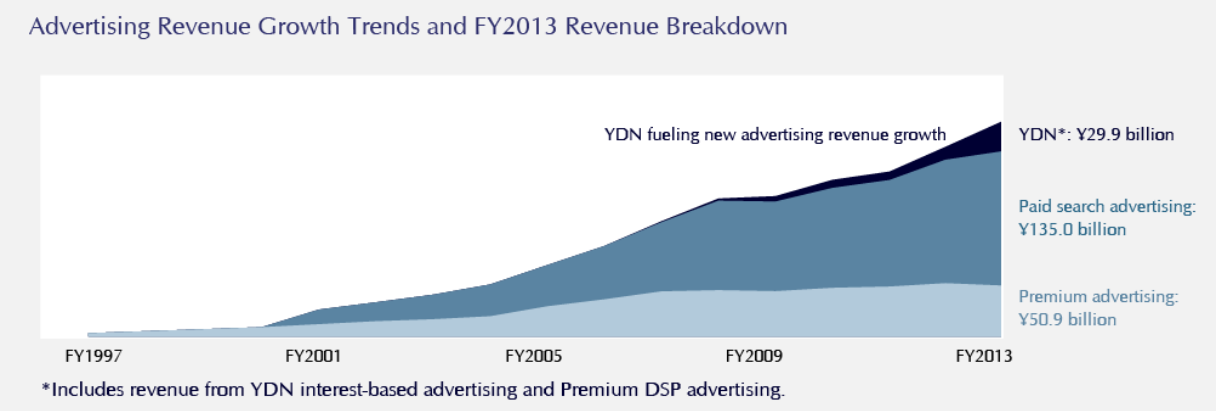
In addition to maximizing growth prospects of existing businesses, we are committed to generating new sources of revenue by nimbly developing innovative services that consistently and continually excite and enthuse.

Overview of Fiscal 2013

Fiscal 2013 marked the Yahoo Japan Group's 17th consecutive year of growth in both sales and profits since the commencement of operations. Consolidated net sales climbed 12.6% year on year, to ¥386.3 billion; consolidated operating income rose 5.9%, to ¥197.4 billion; and consolidated net income increased 8.8%, to ¥125.1 billion.

Despite the effective reduction of approximately ¥6.0 billion in revenue as a consequence of our strategic elimination in October 2013 of monthly store tenant fees and other charges in the shopping-related and auction businesses, fiscal 2013 consolidated net sales registered double-digit growth. In the advertising-related business, revenue from Yahoo! Display Ad Network (YDN) interest-based advertising (formerly Interest Match®) rose sharply, as did smartphone-generated revenue from Sponsored Search® paid search advertising. Our Brand Panel lineup also showed strong growth, chiefly owing to increased placements of high-impact Rich Ad branding products. Elsewhere, revenues from Yahoo! Premium membership services, game-related services, and data center related services continued to expand. Contributions from ValueCommerce Co., Ltd., Carview Corporation, and YJFX, Inc. (formerly CyberAgent FX, Inc.), newly consolidated in the second half of fiscal 2012, also supported year-on-year revenue growth for fiscal 2013.

Consolidated operating income grew at a relatively modest pace, mostly reflecting higher expenses for the year. Sales promotion costs, in particular, rose steeply, reflecting vigorous promotional activities as part of new e-commerce related business strategies. Personnel expenses and business commissions also expanded.



Overview of the Advertising-related Business

For fiscal 2013, advertising-related revenue totaled ¥215.8 billion, accounting for approximately 56% of the Yahoo Japan Group's consolidated net sales.

According to industry data published by DENTSU INC., the overall advertising market in Japan expanded 1.4% year on year in calendar 2013, the second consecutive year of growth. Internet-related advertising placement expenditures, up a relatively strong 8.7% year on year, continued to grow at a faster pace than the overall advertising market. Against this supportive backdrop, the Yahoo Japan Group's fiscal 2013 advertising-related revenue climbed 13.3% compared with the previous fiscal year's result.

The Yahoo Japan Group's advertising products fall under two categories: paid search advertising and display advertising.

Sponsored Search® paid search advertising, which generated approximately 63% of the Yahoo Japan Group's total advertising-related revenue in fiscal 2013, continued to perform respectably. Although growth was down from fiscal 2012, when paid search advertising revenue surged 15.8% in the wake of the November 2011 transition to a new paid search advertising distribution system and the implementation of subsequent revenue-enhancing measures, fiscal 2013 revenue from paid search advertising expanded a solid 8.6% year on year.

Jointly categorized as display advertising, our YDN interest-based advertising and premium advertising feature banner-format products placed in Prime Display ad spaces on such service sites as Yahoo! News and Yahoo! Sports. We are currently focused on increasing sales of display advertising.

Fiscal 2013 revenue from YDN interest-based advertising increased 2.3 times year on year. Factors behind this strong result include our ongoing efforts to improve distribution accuracy by strengthening the match between advertising content and inferred user interests, the placement of YDN ads in Prime Display spaces, and the launch of Premium DSP (demand side platform) services. Boasting enhanced creativity and high-impact user appeal, Brand Panel ads placed on the Yahoo! JAPAN top page also generated higher revenue. To offset weaker revenue from premium

advertising products placed on interior pages of our various service sites, we expanded placements of YDN and Premium DSP ads on interior pages in an effort to fully monetize unsold ad space inventory.

Overview of the e-Commerce Related Business

In response to flat year-on-year growth in transaction values in the shopping-related and auction businesses, we implemented new strategies in October 2013 designed to rejuvenate our e-commerce related business.

In Yahoo! Shopping, we eliminated monthly store tenant fees and transaction-based system-use fees in an effort to entice more stores to sell more products on the Yahoo! Shopping site. As a result, we expect to see an expanding number of buyers and higher transaction values and, in the longer term, steadily rising advertising-related revenue.

In our YAHUOKU! auction business, in addition to eliminating monthly store tenant fees we waived the requirement that YAHUOKU! participants placing bids in excess of ¥5,000 be registered as fee-paying Yahoo! Premium members. These measures are intended to encourage the participation of a growing number of sellers and bidders, which in turn will invigorate our YAHUOKU! auction business.

We significantly reduced the fees associated with our credit card settlement services.

Following the October 2013 implementation of the aforementioned measures, overall transaction value quickly rebounded, with year-on-year growth of 7.7% in the third quarter and 14.2% in the fourth quarter, a major improvement over the 0.5% year-on-year decline in transaction value for all of fiscal 2012. Implemented at the start of the second half, these measures effectively reduced fiscal 2013 consolidated net sales by approximately ¥6.0 billion. Moreover, ramped-up spending on sales promotions effectively reduced fiscal 2013 consolidated operating income by approximately ¥10.0 billion.

Looking forward, we expect short-term reductions in revenues and profits in our e-commerce related business to be more than offset by (1) higher system-use fees accompanying growth in auction-related transaction value and (2) rising advertising-related revenue that will eventually be generated via our Yahoo! Shopping service once substantial growth in shopping-related transaction value is achieved.

Overview of the Membership Services Business

A joint initiative launched in fiscal 2012 with SoftBank Mobile Corp. to acquire new members at SoftBank Mobile retail stores continued to support growth in Yahoo! Premium memberships in fiscal 2013. The uptrend persisted even after our October 2013 waiving of the requirement that YAHUOKU! participants placing bids in excess of ¥5,000 be fee-paying Yahoo! Premium members, which resulted in only a limited number of membership cancellations. Accordingly, the number of Yahoo! Premium members as of March 31, 2014, expanded 7.4% year on year, to 9.87 million.

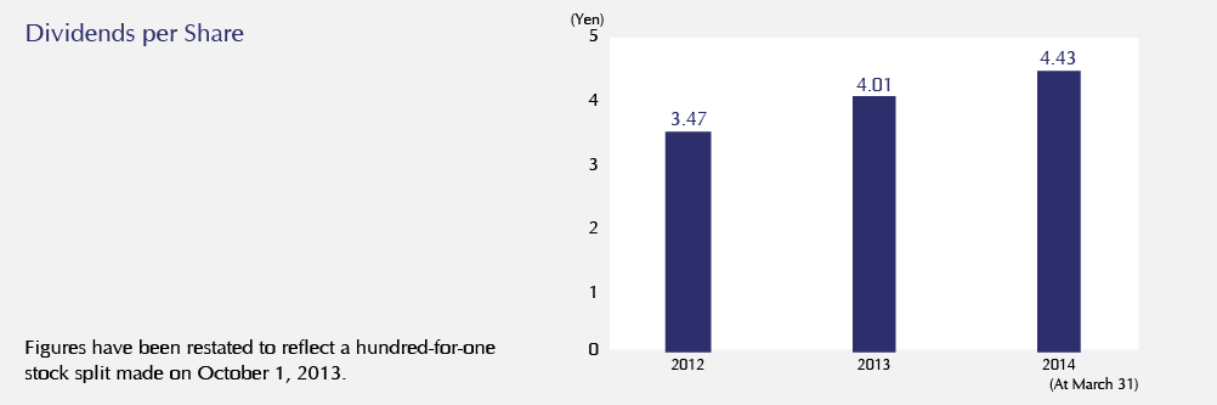
A Smart Policy for Smartphones

In view of the ongoing surge in smartphone-based Internet usage, the Yahoo Japan Group's Smart Devices First policy, initiated in fiscal 2012, has proven to be prescient. By prioritizing the optimization of existing services with an eye to supporting fast and convenient access, and tirelessly developing new services that fully exploit smartphone capabilities, we have gained the advantage in a rapidly expanding mobile-based Internet market.

In fiscal 2013, smartphone-based services were the main drivers of growth in all of our operations, including advertising-related and e-commerce related businesses. Smartphone-based page views of our services accounted for 36.4% of the total in the fourth quarter of fiscal 2013, up from 23.2% in the same quarter of fiscal 2012. Of total advertising-related revenue, 25.4% was attributable to smartphones in the fourth quarter of fiscal 2013, up from 16.0% in the same quarter of the previous year. Furthermore, smartphones generated 31.4% of total e-commerce related transaction value in the fourth quarter of fiscal 2013, up from 23.3% in the fourth quarter of fiscal 2012. Looking forward, the Yahoo Japan Group intends to further expand mobile-based services and reap rising revenues as a result.

Growth-oriented Investments and Shareholder Returns

Aiming to achieve continuous growth in line with the expansion of the Japanese Internet market, the Yahoo Japan Group will continue to invest in businesses displaying strong potential for synergistic growth with existing operations. At the same time, recognizing the importance of returning profits to shareholders on an ongoing basis we will also continue to make dividend payments and conduct share buybacks. During the period from October 2013 through January 2014, management bought back and retired a total of ¥30.0 billion worth of the Company's shares. In addition, for fiscal 2013 we paid an annual cash dividend of ¥4.43 per share, 10.5% higher than the previous year's dividend.



Committed to remaining the unrivaled leader in the Japanese Internet market, the Yahoo Japan Group will continue to pursue operational expansion with strategic vision and inspired innovation. In this way, we intend to secure sustainable corporate growth while retaining the trust and confidence of all stakeholders.

Once again, we respectfully request your continued understanding and support.

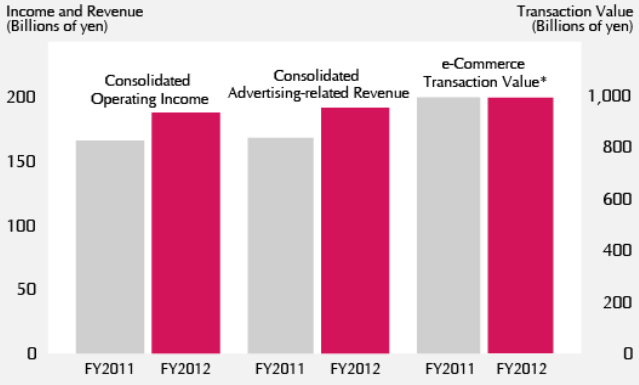
Manabu Miyasaka
President and CEO
Yahoo Japan Corporation
June 19, 2014

Special Feature: New e-Commerce Strategy

After taking over as President and CEO of Yahoo Japan Corporation (the Company) in April 2012, Manabu Miyasaka spearheaded the transition to a new management structure and assembled a rejuvenated management team. The new team quickly set an ambitious goal of doubling fiscal 2011's consolidated operating income of ¥165.0 billion by no later than fiscal 2018, the year ending March 31, 2019.

For the fiscal year ended March 31, 2013, the first year under the new management team, consolidated operating income increased 12.9% year on year. Advertising-related revenue, meanwhile, surged 15.0%, recording double-digit growth for the first time in six years. In contrast, the total transaction value of our shopping-related and auction businesses declined 0.5%. In view of these results, we resolved to rethink and fundamentally revise our e-commerce strategy.

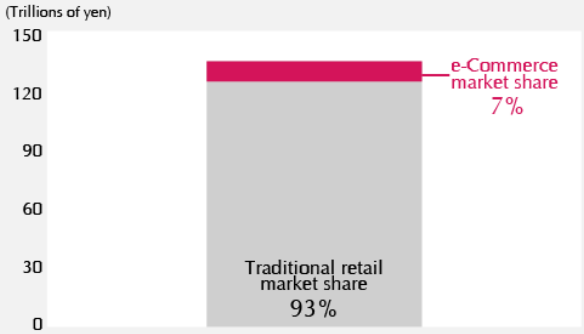
FY2012 Consolidated Operating Income and Advertising-related Revenue Up, e-Commerce Transaction Value* Flat



*YAHUOKU! and shopping-related businesses

The Yahoo Japan Group's new e-commerce strategy, unveiled in October 2013, focuses on enticing growing numbers of sellers and buyers to use our Yahoo! Shopping and YAHUOKU! auction services. By attaining the top market position in terms of transaction value in the high-growth-potential Japanese e-commerce market, which currently accounts for only about 7% of the entire retail market, the Yahoo Japan Group will secure steady, long-term growth in both revenue and profit.

FY2012 e-Commerce Market Share of Entire Retail Market in Japan



Note: Market share figures calculated based on data in Nomura Research Institute, Ltd.'s "IT Navigator 2014" (BtoC e-commerce market size) and METI Retail Sales Market Survey (retail market size).

New e-Commerce Strategy for Yahoo! Shopping

Yahoo! Shopping has trailed behind rival shopping sites for many years. Success in the online shopping business depends on several factors, including customer drawing power, payment-related services, logistics capabilities, and product lineup. Yahoo! JAPAN excels at drawing in potential customers, with the popular Yahoo! JAPAN top page efficiently guiding users to our full range of service offerings, including Yahoo! Shopping. We offer highly convenient payment-related services based on the Yahoo! JAPAN ID system and Yahoo! Wallet for payment by credit card or bank transfer. In July 2013, we integrated Yahoo! Points with T-Points, Japan's No. 1 rewards point system for offline transactions, thereby further improving users' payment-related convenience. To bolster our logistics capabilities, in May 2012 the Company entered into a business and capital alliance with ASKUL Corporation, a direct-order office supply company with excellent logistics capabilities. Since commencing our new e-commerce strategy for Yahoo! Shopping, we have focused on providing more attractive services to both sellers and buyers while at the same time greatly expanding our product lineup of sales items.

Yahoo! Shopping Success Factors in the Online Shopping Business

Prior to the October 2013 debut of our new e-commerce strategy, Yahoo! Shopping's primary revenue sources were monthly store tenant fees and transaction-based system-use fees. Dispensing with this fee-based revenue structure, our new strategy envisions Yahoo! Shopping as an expanding media platform capable of generating steady growth in advertising-related revenue looking forward.

To initiate our new e-commerce strategy, we eliminated monthly store tenant fees and transaction-based system-use fees across the board with the goal of enticing more stores to offer more sales items on the Yahoo! Shopping site. At the same time, whereas only companies were permitted to operate stores in the past, we extended store ownership rights to private individuals, as well, resulting in a widening variety of merchandise. In addition, we reduced the fees for our credit card settlement services to the lowest level in the industry.

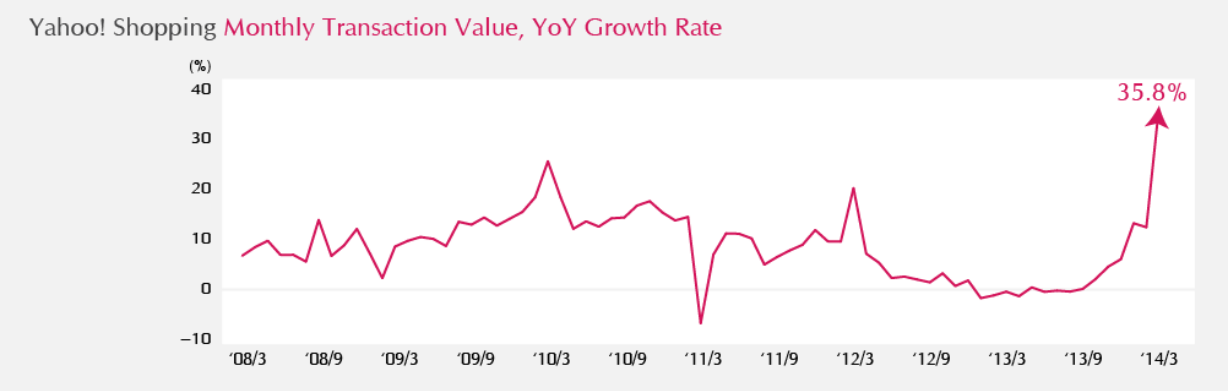
Yahoo! Shopping New Strategy for Boosting Seller Numbers

	Old strategy	New strategy
Store ownership rights	Companies only	Companies & individuals*
Monthly tenant fee	¥25,000	Free of charge
System-use fee**	1.7–6.0% of transaction value	Free of charge
Credit card settlement fee	Included in system-use fee	Lowest in the industry

*Yahoo! Premium members only
**Pre-tax

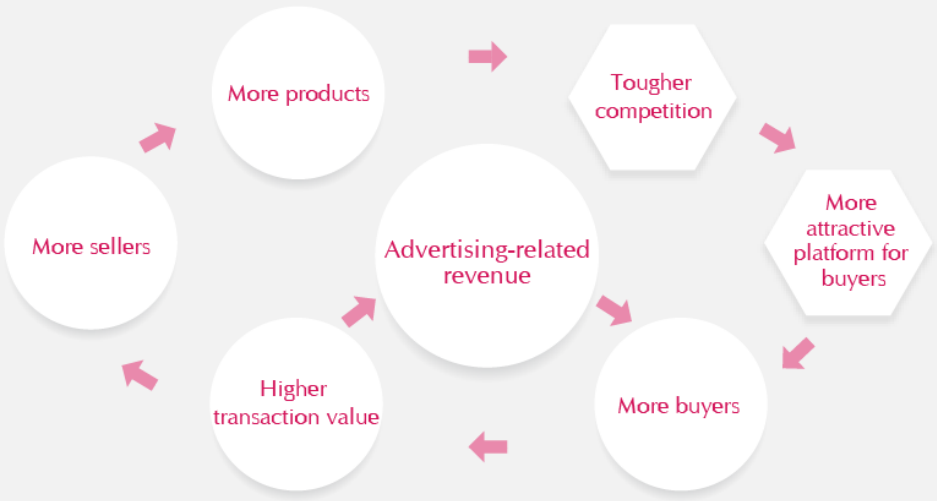
As a result of these changes, the number of stores listed on the Yahoo! Shopping site nearly quadrupled in fiscal 2013, surging to 78,307 at March 31, 2014, from around 20,000, where store numbers had languished for several years. The number of sales items also increased, up approximately 40% on the year.

In addition to fueling rapid growth in store numbers and sales items, our new strategy has prompted an increasing number of stores to offer free shipping and more loyalty reward points, effectively sharing with buyers some of the gains arising from the elimination of monthly tenant fees and system-use fees. Already, the positive impact of these and other improvements to Yahoo! Shopping is readily apparent and has exceeded our initial expectations. In the third quarter of fiscal 2013, shopping-related transaction value reversed its persistent downward trend with solid year-on-year growth, thanks in part to vigorous holiday-related sales promotions in December. Moreover, in the fourth quarter year-on-year growth accelerated, pushing transaction value to a new quarterly high, partially reflecting a surge in demand prior to the April 2014 consumption tax hike.



As Yahoo! Shopping's buyer appeal grows and transaction value increases, we anticipate that store operators will begin to place advertisements on the Yahoo! Shopping site. Accordingly, within a few years we expect Yahoo! Shopping to generate steadily rising advertising-related revenue.

Yahoo! Shopping Higher Transaction Value Expected to Lead to Future Growth in Advertising-related Revenue



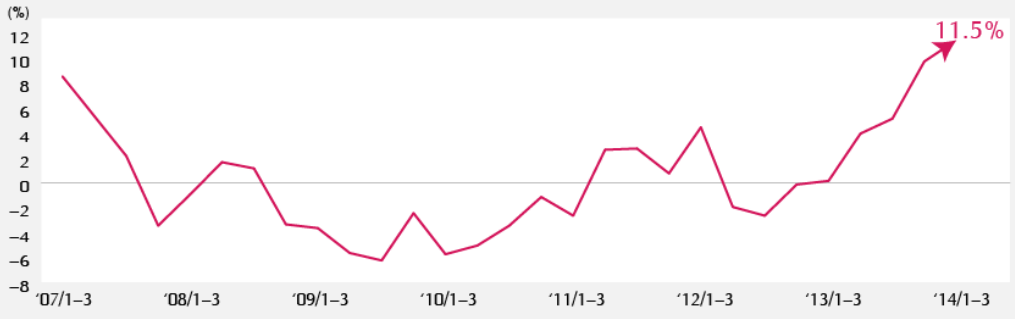
New e-Commerce Strategy for YAHUOKU!

Maintaining the YAHUOKU! auction service's fee-based revenue structure, our new e-commerce strategy focuses on boosting the number of buyers and expanding transaction value with the goal of achieving growth in transaction-based system-use fees. At the same time, we are working to expand the auction seller base in an effort to secure revenue growth from Yahoo! Premium membership fees.

Although YAHUOKU! maintains an overwhelmingly dominant position in the Japanese online auction market, transaction value growth was flat in both fiscal 2011 and fiscal 2012. At this juncture, further growth in our auction business can be achieved only by expanding the entire domestic online auction market.

As a key element of our new YAHUOKU! strategy, we waived the requirement that YAHUOKU! participants placing bids in excess of ¥5,000 be registered as fee-paying Yahoo! Premium members. As a result, the number of new bidders rose substantially in the second half of fiscal 2013. Meanwhile, the average closing-bid price in fiscal 2013 increased more than 10% year on year, which in turn supported transaction value growth of 11.5% year on year in the fourth quarter.

YAHUOKU! (Auction) Quarterly Transaction Value, YoY Growth Rate



Echoing our Yahoo! Shopping strategy, we eliminated YAHUOKU! monthly store tenant fees and auction listing fees in an effort to expand the seller base and increase the number of auction listings. At the same time, we lifted restrictions on the number of auction listings per store. As a result, the number of stores recorded a year-on-year increase for the first time in two years in October 2013. Moreover, the number of YAHUOKU! stores at March 31, 2014, stood at 17,955, up 11.4% from the figure one year earlier, with particularly strong growth in stores offering more than 3,000 auction listings. In the fourth quarter of fiscal 2013, auction listings, including the CtoC market, were up approximately 10% year on year.

YAHUOKU! (Auction) New Strategy for Boosting Buyer and Seller Numbers

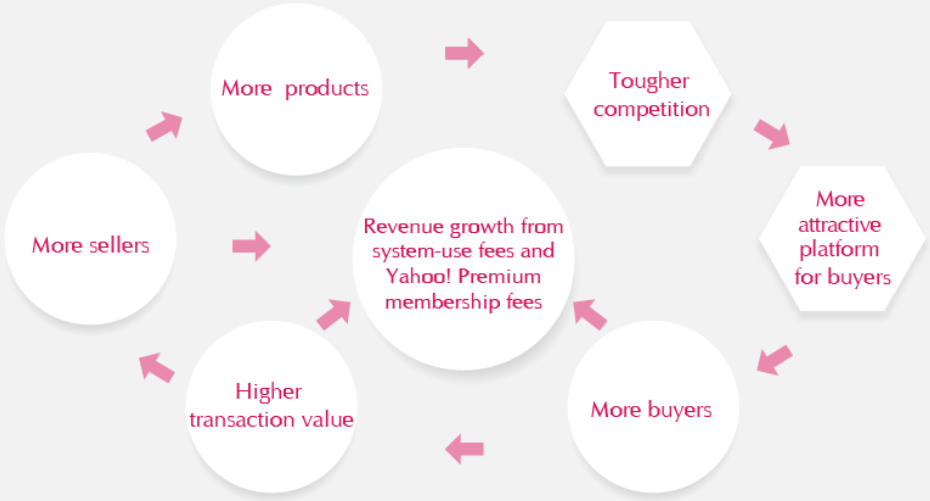
		Old strategy	New strategy
For buyers	Bids over ¥5,000	Yahoo! Premium members only	Yahoo! JAPAN ID holders
For sellers	BtoC monthly tenant fee*	¥18,000	Free of charge
	BtoC limit on number of listings	Limited	Unlimited
	CtoC listing fee*	¥10 per listing**	Free of charge**
	System-use fee*	5% of transaction value**	5% of transaction value**

*Pre-tax
**Not applicable to listings in special categories

In April 2014, the Company announced a business and capital alliance with BOOKOFF CORPORATION LIMITED, a Japan-based operator primarily of brick-and-mortar stores selling a wide variety of secondhand goods. Having newly acquired a 15.02% capital stake in BOOKOFF, the Company has agreed to list secondhand books and mobile phones from BOOKOFF's nationwide network of nearly 1,000 stores for auction on YAHUOKU! As a result of this agreement, we expect to accumulate inventories of up to 10 million books and one million mobile phones, a portion of which will be stored in our planned Reuse Center, which is also slated to be used in the development of future BtoB reuse activities.

Having worked diligently to boost buyer numbers during the initial implementation phase of our new YAHUOKU! strategy, we will maintain our focus on introducing growing numbers of both buyers and sellers to YAHUOKU! in an effort to achieve ever-higher transaction value, which in turn will support steady revenue growth from transaction-based system-use fees and Yahoo! Premium membership fees.

YAHUOKU! (Auction) Higher Transaction Value Supports Revenue Growth from Transaction-based System-use Fees and Yahoo! Premium Membership Fees

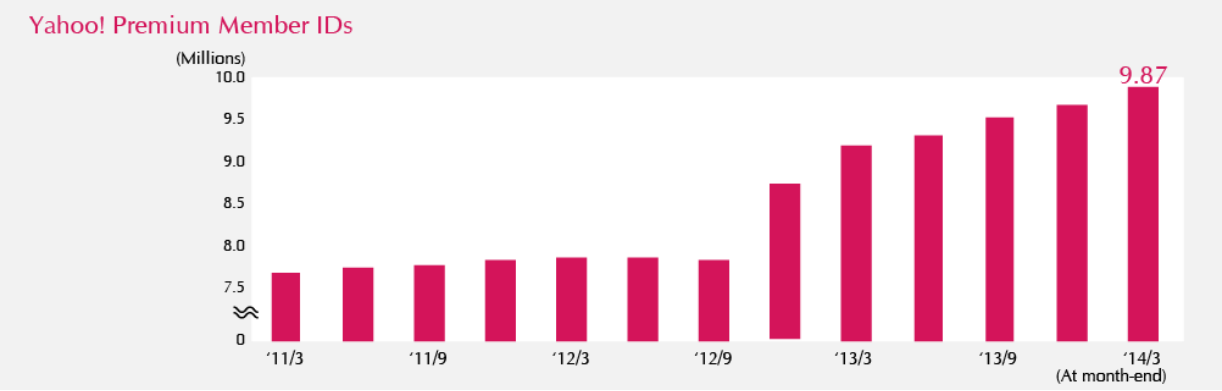


Allaying Security-related Concerns

Our strategic decision allowing private individuals to operate stores on Yahoo! Shopping and permitting all bidders to participate fully in auctions regardless of Yahoo! Premium member status potentially raises security-related concerns about fraudulent activity in our e-commerce related businesses. To allay buyers' security-related concerns, we have stipulated that all payments made to Yahoo! Shopping stores operated by private individuals are to be held in escrow until after item delivery is confirmed by buyers. Furthermore, we have strengthened our surveillance activities of Yahoo! Shopping and YAHUOKU! To date, we have detected no increase in fraudulent activity.

Supporting Yahoo! Premium Membership Growth

Our strategic decision to waive the requirement that YAHUOKU! participants placing bids in excess of ¥5,000 be fee-paying Yahoo! Premium members raised concerns about a potential drop-off in the number of fee-paying Yahoo! Premium members. Despite such concerns, however, member numbers have continued to rise in the wake of the October 2013 implementation of our new e-commerce strategy, thanks largely to a joint initiative launched in fiscal 2012 with SoftBank Mobile Corp. to acquire new members at SoftBank Mobile retail stores. In the current member-acquisition drive, launched in February 2014, SoftBank Mobile smartphone users are offered a tempting array of services and benefits including the full range of Yahoo! Premium member benefits in addition to support services in the case of handset loss or theft, and other exclusive benefits such as participation rights in super sales on LOHACO, our online sales service offered in collaboration with ASKUL. Moving forward, we aim to ensure further growth in Yahoo! Premium memberships by offering increasingly attractive member benefits.



Short-term Impact on Revenue and Profit

Our new e-commerce strategy's elimination of various fees from the revenue structures of Yahoo! Shopping and YAHUOKU! resulted in an effective reduction of approximately ¥6.0 billion, or about 3%, in consolidated net sales for the second half of fiscal 2013, a relatively minor impact. Accelerated spending on sales promotion, meanwhile, effectively reduced fiscal 2013's second-half consolidated operating income by approximately ¥10.0 billion. Management views these revenue and profit reductions as a sensible investment necessary to achieving our goal of doubling fiscal 2011's consolidated operating income in our e-commerce related business by no later than fiscal 2018, thereby placing it on a par with our advertising-related business.

Having implemented the initial phase of our new e-commerce strategy according to plan, we are gratified by the stronger-than-expected transaction value growth achieved in the second half of fiscal 2013. As we implement subsequent phases of our new e-commerce strategy, we will remain focused on our goal of attaining the leading position in terms of transaction value in the Japanese e-commerce market by no later than fiscal 2019.

Business Segment Review

Yahoo Japan Corporation (the Company) and its consolidated subsidiaries and affiliates (the Yahoo Japan Group) is organized into three business segments: the Marketing Solutions Business segment, the Consumer Business segment, and the Other Business segment.

Marketing Solutions Business

The Marketing Solutions Business segment chiefly comprises planning and sales of Internet-based advertising-related services, information listing services, and other corporate services.

Share of Net Sales

69%

Share of Operating Income

66%

Marketing Solutions Business segment net sales for fiscal 2013, the year ended March 31, 2014, increased 15.8% year on year, to ¥272.6 billion, and operating income rose 13.6%, to ¥147.0 billion.

According to industry data published by DENTSU INC., total expenditures in the Japanese advertising market in calendar 2013 rose 1.4%, to ¥5,976.2 billion. This marked the second consecutive year of growth in total advertising expenditures, supported by an upturn in the general economy and a surge in demand prior to the national consumption tax hike on April 1, 2014.

Total advertising expenditures in the four traditional media markets of television, newspapers, magazines, and radio nudged up 0.1% year on year in calendar 2013. Broken down by market, advertising expenditures increased 0.9% for television, decreased 1.2% for newspapers, declined 2.0% for magazines, and edged down 0.2% for radio.

By comparison, Internet-related advertising placement expenditures in calendar 2013 recorded strong growth, up 8.7% year on year, reflecting ongoing diversification and technological advances in Internet-enabled devices. Although spending on traditional banner advertising was basically flat on the year, demand for performance-based advertising, which continues to fuel Internet-related advertising growth, remained strong.

In our mainstay advertising business, in the first quarter of fiscal 2013 we reorganized our advertising product lineup into two new categories: paid search advertising and display advertising.

Sponsored Search® paid search advertising, used mainly for sales promotion, is distributed to search results pages according to matching algorithms based on search keywords, with advertiser fees calculated on a per-click basis. Because Sponsored Search® advertising entails no significant upfront investment, it enjoys widespread popularity among a wide range of advertisers, from major corporations to enterprising individuals.

Display advertising comprises two advertising product types: premium advertising and Yahoo! Display Ad Network (YDN) interest-based advertising.

Leveraging considerable visual impact to leave a lasting impression on viewers, premium advertising is used primarily for corporate image enhancement and product branding. Banner-format ads displayed prominently on the Yahoo! JAPAN top page as well as on the opening page of each service site have been our core premium advertising product from the outset. Premium advertising is sold primarily to major corporate advertisers on the basis of a guaranteed number of impressions over a specified duration of time.

After achieving improved distribution accuracy by strengthening the match between ad content and inferred user interests, in January 2013 we changed the name of our interest-based advertising product from Interest Match® to

YDN. Whereas paid search advertising is distributed to search results pages, YDN interest-based advertising is distributed to the interior pages of service sites based on an analysis of user interests derived from user-specific browsing histories and other data. Similar to paid search advertising, YDN advertiser fees are calculated on a per-click basis. Accordingly, starting a YDN ad program entails no significant upfront investment, making this type of advertising popular with a wide range of advertisers, from major corporations to enterprising individuals.

Fiscal 2013 sales of Sponsored Search® paid search advertising rose 8.6% year on year, to ¥135.0 billion.

After the transition of our paid search advertising distribution system from Yahoo! Inc. to Google Inc. in November 2011, we made major strides in distribution accuracy by strengthening the match between ad content and search keywords. As a result, we achieved better click-through rates, higher revenue per search query, and strong growth in paid search advertising sales in fiscal 2012. Although the boost from the transition to Google's distribution system faded in fiscal 2013, sales for the year remained on an upward trajectory chiefly owing to further minor system enhancements. In addition, we refined region-targeting capabilities from the prefectural and metropolitan-area levels to the municipality level and then successfully marketed this new feature to advertisers in outlying regions of Japan.

Looking forward, we aim to achieve continuing growth in paid search advertising sales by encouraging a higher volume of keyword searches and further improving distribution accuracy.

Fiscal 2013 sales of premium advertising declined 4.3% year on year, to ¥50.9 billion.

Premium advertising comprises three categories: Brand Panel ads displayed on the Yahoo! JAPAN top page, Prime Display ads placed on interior pages of our various service sites, and other ads including small banners.

In the Brand Panel category, sales of our high-impact Rich Ads were robust, accounting for approximately 40% of Brand Panel sales in March 2014. After introducing Rich Ads in a limited range of formats in fiscal 2012, we quickly developed and debuted several new formats of this popular series in fiscal 2013.

Sales of Prime Display and other premium ad products, on the other hand, were weak, reflecting our decision to distribute YDN advertising to spaces previously occupied only by Prime Display ads in an effort to maximize overall advertising-related revenue.

Sales of YDN interest-based advertising for fiscal 2013 surged 129.7% over the previous year's result, to ¥29.9 billion. In December 2012, we introduced graphic-based YDN ads, sparking sharp growth in sales. Then, in August 2013 we began placing YDN ads on interior pages of our various service sites, previously used only for displaying premium ad products and, during periods of insufficient advertiser demand, ads for Yahoo Japan Group services. By placing graphic-based YDN ads in previously underperforming Prime Display spaces, we aim to simultaneously maximize ad-related revenue and expand the growth potential for YDN ads.

Yahoo Japan Group Advertising Products Overview

<table>
<tr><th colspan="3">Advertising Products (Main Purpose)</th><th>Main Format</th><th>Fee Calculation</th><th>Placement Pages</th><th>Main Advertiser Base</th></tr>
<tr><td colspan="3">Paid Search Advertising: Sponsored Search® (sales promotion)</td><td>Text</td><td rowspan="2">Performance-based: Per-click rate determined by keyword auction bid price</td><td>Search results pages</td><td rowspan="2">Major corporations

Small and medium-sized companies

Enterprising individuals</td></tr>
<tr><td rowspan="3">Display Advertising</td><td rowspan="2">YDN</td><td>Interest-based Advertising: Yahoo! Display Ad Network (YDN) (sales promotion)</td><td>Text

Banner</td><td rowspan="3">Top page

Interior pages of service sites</td></tr>
<tr><td>Premium DSP (sales promotion)</td><td>Banner</td><td>Performance-based: Per-impression page view rate determined by auction bid price</td><td rowspan="2">Major corporations</td></tr>
<tr><td colspan="2">Premium Advertising (branding and image enhancement)</td><td>Banner

Video</td><td>Impression guarantee-based: Per-impression page view rate determined by contract</td></tr>
</table>

Sales were favorable also for re-targeting advertising, provided in collaboration with France's Criteo SA. Boasting relatively high advertising efficacy, re-targeting advertising entails the redistribution of ads for products or services viewed previously by users to encourage repeat viewings.

Display advertising results in recent years indicate that structural changes are under way, with premium advertising weakening and YDN growing strongly. Looking forward, we intend to maximize total display advertising revenue by promoting higher sales of both YDN and premium advertising. With specific regard to YDN, in addition to further improving distribution accuracy we will remain abreast of the ongoing demand shift toward mobile-based advertising, including developments in the explosive tablet field.

In addition to the aforementioned products, in fiscal 2013 the Yahoo Japan Group continued to develop new advertising products with strong growth potential. Premium DSP (demand side platform), for example, not only offers higher precision than our previous targeted premium ad products but also boasts faster targeting and distribution, with single-impression unit pricing. In addition, we are developing video-format ads for display immediately before featured video content, as well as video-format ads embedded in interior pages of service sites such as Yahoo! News. We have already provided Premium DSP to a few dozen major advertisers, all of whom have responded with overwhelmingly positive feedback. While sales of both Premium DSP and video-format ads are still modest, we believe these products possess considerable growth potential.

Fiscal 2013 sales of business services, included in the Marketing Solutions Business segment, increased 18.5% year on year, to ¥43.8 billion.

Subsidiary IDC Frontier Inc.'s data center business recorded robust growth. In addition, the ad affiliate marketing service of subsidiary ValueCommerce Co., Ltd., newly consolidated in October 2012, and the online used-vehicle assessment business of subsidiary Carview Corporation, newly consolidated in December 2012, both made their first full year of sales contributions in fiscal 2013.

In recruiting services, while maintaining our success-based fee model whereby we receive a fee for each successful employment contract, we introduced a new model that does away with fees previously charged for job listings and job placements. In real estate services, we replaced our former content provider model with a new direct-listing model whereby real estate companies throughout Japan can directly submit property listing information not only for newly constructed properties but also for existing properties.

Similar to our e-commerce related services, both the recruiting and real estate services have begun transitioning to an advertising business model, raising expectations for accelerating growth going forward.

Personal services sales for fiscal 2013 surged 54.5%, to ¥12.5 billion, owing primarily to firm demand for games and other paid digital content.

Consumer Business

The Consumer Business segment primarily includes e-commerce related services and membership services.

Share of Net Sales

25%

Share of Operating Income

30%

Consumer Business segment net sales for fiscal 2013 edged up 0.8%, to ¥101.8 billion, while operating income decreased 10.7%, to ¥66.9 billion.

In October 2013 we began to implement a new e-commerce strategy for YAHUOKU! and Yahoo! Shopping with the primary goal of boosting growth in transaction value. For more details of this strategy, please refer to the Special Feature section of this report, beginning on page 10.

In our YAHUOKU! auction business, transaction value rose 7.7% year on year, to ¥732.2 billion.

To kick off our new strategy for YAHUOKU!, we waived the requirement that YAHUOKU! participants placing bids in excess of ¥5,000 be registered as fee-paying Yahoo! Premium members. At the same time, we eliminated monthly store tenant fees. As a result, YAHUOKU! became a more attractive venue both to buyers and to sellers, as demonstrated by the year-on-year increases in the numbers both of participating bidders and of successful bidders in the fourth quarter of fiscal 2013, as well as the year-on-year growth in the number of listed items in the third and fourth quarters of the year. In addition, the average closing-bid price for fiscal 2013 was up from the previous year. Transaction value, moreover, which after remaining sluggish for four years had been trending slightly upward since the fourth quarter of fiscal 2012, rallied strongly in the fourth quarter of fiscal 2013 with an 11.5% year-on-year gain.

In April 2014, the Company announced a business and capital alliance with BOOKOFF CORPORATION LIMITED. Although YAHUOKU! enjoys an overwhelmingly dominant position in the domestic Internet auction market, we will work to expand our business further by using BOOKOFF locations to promote YAHUOKU! services to potential new users.

Fiscal 2013 transaction value in the shopping-related business rose 5.2% year on year, to ¥322.8 billion.

As part of our new e-commerce strategy for Yahoo! Shopping, we eliminated monthly store tenant fees and system-use fees based on transaction value. In addition, whereas only companies were permitted to open stores on Yahoo! Shopping in the past, we newly extended store ownership rights to private individuals, with the provision that they be fee-paying Yahoo! Premium members. Moreover, we offered new tools to assist persons unfamiliar with e-commerce to quickly and easily launch a store. In these and other ways, we made it much easier than before to establish a presence on Yahoo! Shopping. As a result, the number of store IDs surged nearly 60,000 during the year, to 78,307 at March 31, 2014.

Regarding efforts to develop the service, already we have implemented more than 100 improvements geared to making Yahoo! Shopping a more compelling sales platform. In particular, for the first time in seven years we undertook a major overhaul of the PC version of the Yahoo! Shopping top page. These and other efforts were most likely contributing factors to Yahoo! Shopping's attainment of record-high transaction value in the fourth quarter of fiscal 2013.

Although consolidated net sales and operating income endured downward pressure during the year under review as a consequence of implementing our new strategy for e-commerce, this short-term sacrifice will eventually pay off in the form of steadily expanding advertising-related revenue moving forward.

Elsewhere in the Consumer Business segment, the membership services business registered a year-on-year revenue increase, reflecting growth in the number of fee-paying Yahoo! Premium members.

Despite concerns that our strategic decision to waive the requirement that YAHUOKU! participants placing bids in excess of ¥5,000 be fee-paying Yahoo! Premium members would result in a drop-off in Yahoo! Premium memberships, the number of Yahoo! Premium members expanded in fiscal 2013. One factor behind this rise is the Company's joint initiative launched in October 2012 with SoftBank Mobile Corp. to acquire new members at SoftBank Mobile retail stores. In the current member-acquisition drive, launched in February 2014, for a monthly fee of just ¥500 SoftBank Mobile smartphone users are offered a tempting array of services and benefits including the full range of Yahoo! Premium member benefits as well as support services in the case of smartphone loss or theft, in addition to other benefits enabling users to fully leverage their smartphones. As a result, Yahoo! Premium members increased some 680,000 year on year, to approximately 9.87 million at March 31, 2014.

Looking forward, we intend to achieve continuing growth in Yahoo! Premium memberships by offering increasingly attractive member benefits.

Other Business

The Other Business segment encompasses settlement- and finance-related services as well as other services not included in either of the other two business segments.

Share of Net Sales

6%

Share of Operating Income

4%

In the Other Business segment, fiscal 2013 net sales surged 56.4% year on year, to ¥22.6 billion, and operating income soared 111.3%, to ¥8.1 billion.

In settlement- and finance-related services, the Company announced a strengthened tie-up with Japan Net Bank, Ltd. After receiving approval from Japan's Financial Services Agency to become a primary shareholder in a bank, the Company increased its holdings of Japan Net Bank common stock from 12.18% to 41.16% of shares outstanding, thereby making Japan Net Bank an equity method affiliate. Leveraging its increased stake in Japan Net Bank, the Company plans to provide safer, more convenient, and more sophisticated settlement- and finance-related services in conjunction with Yahoo! JAPAN IDs.

Having entered into a strategic capital tie-up with Culture Convenience Club Co., Ltd., in June 2012, the Company deepened the partnership by converting all outstanding Yahoo! Points into T-Points in July 2013. As a result, T-Points can now be redeemed for purchases at roughly 70,000 retail outlets nationwide of affiliated businesses, including major video-rental shop chain TSUTAYA and convenience-store chain FamilyMart, as well as for purchases on Yahoo! JAPAN, including Yahoo! Shopping, Yahoo! Travel, and Yahoo! Games. Bridging the online and brick-and-mortar retail worlds, T-Points is one of the largest shared rewards point systems in Japan.

Corporate Social Responsibility

As a main engine of growth in the Japanese Internet market, Yahoo Japan Corporation (the Company) and its consolidated subsidiaries and affiliates (the Yahoo Japan Group) are 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.

For Children

Ensuring a Safe Internet Environment

- Our Yahoo! Kids site provides a safe Internet environment specifically for children.
- Yahoo! Safety Net, our free filtering service that prevents children from viewing Web sites intended for mature users, also can be used to flexibly control children's Internet viewing times.
- Postings that allude to or encourage suicide, contain sexually explicit content, or display cruel and inhumane images are strictly prohibited under our Terms of Service. To shield young people from such postings, we have implemented effective countermeasures on all Yahoo! JAPAN services.
- By playing a central administrative role in the Internet Content Safety Association, which identifies and monitors a list of potentially problematic Web sites, the Company exerts industry leadership in blocking Internet-based distribution of child pornography.

Enhancing Understanding of the Internet

- Selected Company employees periodically make general presentations at elementary, junior high, and high schools about the Internet and its usage. Since 2007, we have led 194 groups of elementary, junior high, and high school students on educational tours of the Company's head office.
- In April 2008, jointly with NetSTAR Inc. we inaugurated the Study Group on Internet Usage by Children, which is currently preparing a comprehensive Internet-use safety guide in collaboration with educational institutions, independent researchers, and representatives of parents and other legal guardians. Since April 2013, the Study Group has promoted an Internet safety program in Akita Prefecture by providing educational materials and organizing Internet-usage classes for adults in the region.

For Customers

Raising Service Safety and Security

- Yahoo! Mail offers users myriad benefits, including a function that automatically sorts out unsolicited spam e-mails and another that rejects spoofed e-mails.
- We provide a range of advanced security settings, including a log-in alert that sends log-in confirmations to users via e-mail, disclosures of log-in records, a log-in seal that enables users to quickly detect an impostor Web site posing as the official Yahoo! JAPAN site, Secret ID for exclusive use as a log-in ID, and One Time Password for enhanced security.
- Yahoo! Toolbar displays an on-screen warning message when users unwittingly visit an impostor Web site posing as an authentic official company Web site. Our Yahoo! Browser is also available as an app with enhanced security for Android devices. The Company has in place a system for reporting to law enforcement authorities.
- The Company actively participates in Internet-related public forums, sharing information about specific incidents and general issues of concern with regard to Internet usage, as appropriate.

Enhancing Customer Satisfaction

- Dedicated to detecting fraud and other abuses, we conduct round-the-clock 365-days-a-year patrols of such sites as YAHUOKU!, textream, and Yahoo! Knowledge Search.
- Most of our services include related help pages that enable customers to quickly and independently find answers to frequently asked questions.
- In July 2008, we established a subsidiary company dedicated to providing high-quality customer support services. To this end, we routinely reply to customer inquiries within 24 hours of receipt, and we frequently update and

improve services by incorporating customer opinions and requests.

- By regularly distributing Company-related news updates via official corporate accounts on major social media services such as Facebook and Twitter, we strengthen bonds with fans and followers.
- We monitor all advertising placed on Yahoo! JAPAN to ensure compliance with our high standards for content and presentation format. Based on the results of online surveys of users' advertising-related opinions, we continually strive to enhance the quality and relevance of advertising. We periodically conduct audits of partner sites to which advertising is distributed to ensure that the content of those sites meets our high standards.
- To consistently maintain the high quality of all Yahoo! JAPAN services, we follow proprietary guidelines for verifying that services are fully operational and for evaluating the ease of service usage, as well as for improving services as necessary.
- In the case of earthquake or other natural disaster, users can quickly obtain up-to-date disaster-related information via a disaster information display function provided on each Yahoo! JAPAN service and accessible by most Internet-enabled devices, including smartphones.
- We have entered into disaster-prevention agreements with local governments stipulating that various disaster-related information be collated and displayed on Yahoo! JAPAN, including evacuation advisories and evacuation orders as well as evacuation center status updates during disasters. We also have agreed to help local governments maintain Web site accessibility even during traffic surges accompanying emergencies. Moreover, to support local governments in their efforts to organize speedy evacuations and quickly assemble appropriate relief networks, for example, we have agreed to widely disseminate via Yahoo! JAPAN information issued by local governments including evacuation advisories, evacuation orders, public safety directives, water and other utility lifelines, volunteer coordination, material supply requests, and damage estimates.

For Society

Adopting an Uncompromising Stance toward Impropriety

- In addition to strengthening our YAHUOKU! management and monitoring systems, we offer extensive safety-related information and advice to YAHUOKU! users, including guidelines and specific techniques for guarding against fraud and other impropriety. At the same time, we maintain a compensation system for innocent victims of auction-related fraud.
- Together with intellectual property rights owners and related advocacy groups as well as relevant governmental authorities, we established the Council for Intellectual Property Protection on Internet (CIPP) in 2005. CIPP has published guidelines dealing with Internet-based violations of intellectual property rights. Based on these guidelines, intellectual property rights owners and the Internet industry are cooperatively engaged in combating this problem.
- The Company collaboratively exchanges information with law enforcement agencies in an effort to reduce fraudulent usage of Internet services and to mitigate the damaging effects of such usage. We also cooperate in criminal investigations by, for example, assisting in the identification of criminal suspects.
- The Safer Internet Association, established by the Company, operates the Safe Line service utilized by Internet users in Japan to report problematic Internet-based information. After receiving reports from users, data managers either delete the information in question or retain it as supporting evidence for use in police reports.

Developing Innovative Technologies

- 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. Research is being undertaken in next-generation Internet technologies that will enable anyone, anywhere to simply, safely, and reliably obtain the information they need.
- We have disclosed specifications of Yahoo! JAPAN's various technology platforms to external Internet-related engineers free of charge to encourage widespread development of services and software utilizing Yahoo! JAPAN's database. We have released Web application programming interfaces (APIs) for many of our services, including disaster-related information, maps, text analysis, auction, shopping, storage, news, and knowledge search, among others. As of March 2014, our Web APIs handled a total of 1.3 billion requests per day.
- On Hack Day, the Company's developer event, employees are encouraged to express themselves freely in the interest of sparking creativity, sharpening technical skills, and stimulating conversations about development.
- Open Hack Day is our annual developer event open both to Company employees and to developers and creators from outside the Company. Offering an opportunity for intra-industry competition, this event has consistently

attracted more than 300 participants in recent years.
- At universities throughout Japan, the Company holds Hack U events, the student version of Hack Day. In fiscal 2013, more than 500 students participated in Hack U events held at 10 universities in the Tohoku, Kanto, and Kinki regions.

Public-Awareness and Educational Activities
- To support the activities of nonprofit organizations (NPOs) working to advance the common good, in June 2013 the Company launched Links for Good: Click to Change the World. As part of this initiative, NPOs will be allowed to use our Yahoo! Display Ad Network (YDN) service free of charge.
- In collaboration with Life is Tech, Inc., we provide special camp programming classes to junior high and high school students in the hope of identifying and nurturing future creators. At our head office, selected employees offer instruction to students on a range of topics, including app development and game development, thereby affording students a valuable opportunity to learn about various IT-related fields from actual IT professionals.
- We periodically update the Yahoo! JAPAN Big Data Report, a Company initiative that aims to solve global problems by using analyses of big data. By analyzing big data related to such phenomena as influenza outbreaks, we achieve greater understanding and make progress toward finding solutions.
- The Company has announced a new conceptual model for apprehending information called Touch Search, which represents an evolutionary advance over conventional Internet-use modalities of reading and listening to textual and audio information. Using Touch Search, spoken keywords are identified via voice-recognition technology and then output from 3D printers as actual physical objects. In conjunction with the Touch Search project, we have donated a Touch Search machine to the University of Tsukuba's School of Special Support for the Blind, which will offer a course on this theme.
- After the lifting in summer 2013 of restrictions on online electioneering, we joined forces with seven other Internet-related companies on a project to support online electioneering activities. By providing a wide array of accurate candidate-specific information to a broad spectrum of voters of all ages, the project aims to contribute to the formation of a better informed electorate.

Charity and Volunteer Support Activities
- Our Yahoo! Net Donation service enables users to easily donate money to NPOs and charitable organizations by either credit card or accumulated T-Points. As of March 31, 2014, a total of ¥1.9 billion had been donated via this service.
- In 2006, we established the Yahoo! Charity Fund with the dual goal of promoting a more responsible Internet-based society and providing aid to victims of natural disasters. During fiscal 2013, the Fund provided financial assistance to organizations offering Internet consulting services and instructional courses in Internet usage for children and elderly persons. In addition, emergency relief funds were provided to areas damaged by the November 2013 typhoon in the Philippines.
- Our Yahoo! Volunteer service provides information about NPOs and volunteer organizations to assist persons wishing to participate in volunteer activities.
- Online charity auctions hosted on YAHUOKU! raised nearly ¥149 million in fiscal 2013.
- Online public auctions, including public property auctions, hosted on YAHUOKU! in fiscal 2013 recorded a total hammer-price value of ¥4,713 million.
- We sponsored the Tour de Tohoku 2013, a bicycling event held in Miyagi Prefecture to support the reconstruction of regions affected by the March 2011 Great East Japan Earthquake.

Environmental Activities
- Waste generated in our offices is separated into 14 different categories. For documents containing sensitive information, we use a dedicated environment-friendly recycling system that safeguards information confidentiality. In fiscal 2013, this system produced an amount of recycled paper equivalent to 679 trees and in calendar 2013 contributed to a reduction in greenhouse gas emissions of approximately 52.6 metric tons.
- At Yahoo Japan Group company IDC Frontier Inc. (IDCF), Buildings No. 1 to No. 5 of Asian Frontier, an environment-friendly next-generation data center complex located in Kita-Kyushu City, Fukuoka Prefecture, were operational as of May 2014. Leveraging its expertise in external-air air-conditioning systems accumulated during the construction and operation of Asian Frontier, IDCF installed an improved system in its data center in Shirakawa City, Fukushima Prefecture, thereby achieving more than a 90% reduction in electricity consumption.

For Shareholders and Other Stakeholders

- Keenly focused on providing accurate and timely information disclosure, we post all legally required disclosure materials on the Company Information page in the Investor Relations section of the Yahoo! JAPAN site. On the same page we also post supplementary materials from our quarterly information meetings, including graphs of financial data and live broadcasts of information meetings providing detailed explanations of our financial performance and business operations. Live broadcasts are also made available for on-demand viewing. In addition, we hold one-on-one or small-group meetings with analysts in Japan and from abroad to explain the Company's growth strategies and other aspects of our business.
- For investors who do not read Japanese, the Company produces and distributes an English-language annual report as well as English-language translations of most of the aforementioned disclosure materials. Moreover, since 2004 we have undertaken periodic overseas road shows in order to meet and communicate directly with investors in North America, Europe, and Asia.
- Since 2007, the Company has been selected as a component stock of the FTSE4Good Japan Index, a part of the FTSE4Good Index Series, for meeting an internationally recognized set of corporate social responsibility standards related to environmental preservation, stakeholder relations, and global human rights.

For Employees

- We strive to create a workplace environment in which each employee feels empowered not only to play a leading role in any number of problem-solving quests but also to realize his or her full potential in line with our professional-development philosophy of honing skills and stoking passions. We have implemented a system whereby employees who fulfill certain conditions can, once every six months, request a change of position and career path within the Company. In encouraging employees to take the initiative in targeting new opportunities and challenges, we foster a more dynamic, highly productive workplace environment.
- We have formulated a set of Yahoo! Values intended to inspire and guide the day-to-day professional behavior of all Yahoo Japan Group employees. To determine basic salary levels, we carry out a semiannual Value Assessment that measures the extent to which each employee's work ethic embodies and embraces our Yahoo! Values. Employee bonuses, meanwhile, are based on the results of a semiannual Profit Assessment that evaluates each employee's success in achieving specific, self-defined professional goals.
- We recognize employees who make outstanding contributions to enhancing customer satisfaction, for example, with the presentation of a Yahoo! JAPAN Super Star citation. Moreover, employees who perform outstandingly in positions requiring a high level of specialized expertise in designated technological fields are presented with a Black Belt citation.
- As a fair employer, we make hiring decisions based on each applicant's talents and motivations regardless of physical disability.
- The Company's child-care leave system exceeds legally mandated requirements in terms of leave days allotted to employees after the birth of a child or when caring for a sick or injured child as well as work-time reductions granted to employees with child-care obligations. Both men and women have increasingly used these benefits.
- We have introduced an Office Anywhere system that allows employees to work at any location, liberating them from mandatory attendance at a fixed location.
- The Company has established innovative paid-holiday and leave-of-absence systems. For example, our Academic Leave system relieves eligible employees of their regular duties in order to undertake up to two years of advanced study of subjects, including foreign languages, of personal interest. Our Sabbatical system, meanwhile, allows employees to take up to three months of time off in order to reassess work experiences and chart future careers. And our Problem-Solving Break system affords employees an annual three-day opportunity to engage in various volunteer activities.
- BASE6, the Company's employee dining hall, and CAMP10 and CAMP15, our in-house cafeterias, are designed to promote direct communication among employees.
- The annual Yahoo Family Day event offers families of employees a chance to visit our head office and learn about the Company's day-to-day operations.
- Our emergency preparation efforts include placing automated external defibrillator (AED) units in the workplace and offering fire prevention and emergency medical care training.

- Internal audits are carried out from an independent third-party perspective. The Administrative Auditing Office has been established to objectively evaluate the appropriateness of business operations and management systems. The Internal Control Office oversees the development and operation of internal control systems throughout the Yahoo Japan Group with the goal of ensuring that business operations are executed effectively and efficiently. A basic plan for the development and evaluation of internal control systems regarding the reliability of financial disclosure was drafted in December 2006 and is updated annually.
- Having established workflow processes with the goal of improving the effectiveness and efficiency of business operations, we continuously promote operational systematization, automation, and integration in support of further improvements. Our Zero Accident team, for example, established within the Internal Control Office, inputs accident-related data into a database in order both to facilitate rapid information-sharing in the case of an accident and to limit accident recurrence.

Risk Management

- We adhere to a set of Risk Management Regulations that systematically consolidate and structure our ad hoc approaches to risk management adopted to date.
- Within one hour of identifying a situation or incident with the potential to disrupt service provision, a report is filed in our information system. 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 helps to reduce recurrence.
- 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 the safety of all employees and continuously provide services in the event of an emergency, we have designed a safety-confirmation system based on email exchange via mobile phones.
- To counter the growing threat of cyber-terrorism, we have implemented a variety of measures, including network fortification, server decentralization, attack simulations carried out by external specialists, and automated vulnerability scanning.

Compliance

- Responsible specifically for collecting and collating compliance-related information and data, the Compliance Office oversees compliance and identifies compliance-related issues throughout the Yahoo Japan Group.
- New employees, whether recent graduates or mid-career hires, are required to take compliance-related training courses. Comprehension and retention of course materials are reinforced through compliance questionnaires and online learning tests offered on a quarterly basis.
- As part of our efforts to develop and maintain a robust compliance structure, including a capacity to accurately ascertain relevant information, we have established a Compliance Hotline encouraging internal whistle-blowing disclosure of compliance violations.

Information Security

- To protect privacy, we request of users only the minimum amount of personal information necessary to provide them with services. Users' personal information is physically and systematically separated from other data and constantly monitored.
- Eight employees responsible for information security develop and enforce information security related rules and regulations. This team is responsible also for implementing wide-ranging management measures regarding such issues as enhancing security awareness, initiating systems based on access authority management in line with the classification of information, physically controlling access to and from information storage areas, and overseeing the management of information asset ledgers. In addition, this team carries out measures aimed at strengthening service security and information security self-inspections.
- To ensure that information security related issues are resolved when and where they arise, each of the Company's autonomous business groups designates one employee as its information security officer. This Information Security Team works to identify information security risks specific to each autonomous business group and implements appropriate measures to resolve issues as they arise.
- Comprehensive information security guidelines are designed to reduce the potential for information leakage. In view of increasing usage throughout the Yahoo Japan Group's operations of such devices as iPhones and iPads,

which are capable of directly accessing the Internet without passing through internal networks, we have implemented information security countermeasures, as required.

- In August 2004, the Company and its principal subsidiaries acquired Information Security Management System (ISMS) certification. In addition, 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. A third-party organization conducts ongoing checks of the information security management structure of the Yahoo Japan Group and suggests improvements.
- In November 2007, the Yahoo Japan Group developed iTres, a monitoring system for detecting information leaks in the Group's databases. iTres was the first database monitoring system certified for usage in the public domain in Japan to acquire ISO15408 certification.
- In November 2008, the Yahoo Japan 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 requirements.

Supporting Reconstruction of the Tohoku Region

- In an effort to provide on-site communications support for reconstruction of the Tohoku region after the Great East Japan Earthquake on March 11, 2011, we established the Ishinomaki Reconstruction Base in Ishinomaki City, Miyagi Prefecture, in July 2012.
- Our online Reconstruction Department Store is harnessing the growing power of e-commerce to the revitalization of the Tohoku region's agricultural, fisheries, and other industries.
- We sponsor the annual Tour de Tohoku bicycling event, which attracts crowds and commercial activity to the Tohoku region.
- The Company also engages in various other activities geared to supporting reconstruction, including fund-raising events and PR campaigns. With many challenges still facing the disaster-stricken Tohoku region even after more than three years have passed since the earthquake, we remain as committed as ever to fulfilling our corporate social responsibility by providing ongoing support looking forward.

－Yahoo! JAPAN top page

On March 11, 2014, the third anniversary of the Great East Japan Earthquake, we posted on the Yahoo! JAPAN top page prominent links to featured content about the Tohoku region, including concrete information about how to support ongoing reconstruction efforts.

－Yahoo! Search

Also on March 11, 2014, we held Search for 3.11, a commemorative charity event incorporating our Yahoo! Search service, with the aim of raising money for reconstruction activities in the wake of the Great East Japan Earthquake. During the event, 2,568,325 users searched for "3.11" on Yahoo! Search, generating total donations of ¥25,683,250.

Corporate Governance

Yahoo Japan Corporation (the Company) considers good corporate governance to be essential to enhancing corporate value over the medium to long term. In clarifying the roles and responsibilities of directors, Audit and Supervisory Board members, corporate officers, and employees within the 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 conduct appropriate and effective business operations. The ongoing implementation of measures to enhance corporate governance throughout the Company and its consolidated subsidiaries and affiliates (the Yahoo Japan Group) further strengthens the financial and ethical soundness of the entire Yahoo Japan Group's business operations.

I. Supervision and Auditing of Business Execution

The Company's Audit and Supervisory Board is composed of four members, all appointed from outside the Company to ensure independence from the business execution function. Moreover, to ensure impartial, effective management oversight and expeditious decision-making by the Board of Directors, its decision-making and supervisory functions are clearly separated from the business execution functions of corporate officers and autonomous business groups.

1. Board of Directors

The Company's Board of Directors determines management policy and strategy, 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 implementation of administrative directives throughout the Yahoo Japan Group.

The Company's corporate governance structure, which clearly separates the decision-making and supervisory functions of the Board of Directors from the business execution functions of corporate officers and autonomous business groups, is designed to promote swift, strategic business execution with the goal of enhancing competitiveness. Important matters to be decided upon by the Board of Directors are reviewed and discussed in advance at meetings of the Executive Council. In addition, important matters not addressed at Executive Council meetings are occasionally reviewed and discussed at various supplementary meetings. Major deliberations concerning the Company and the Yahoo Japan Group are undertaken during Executive Council meetings in accordance with the rules governing Executive Council meetings.

2. Audit and Supervisory Board

Of the four members of the Audit and Supervisory Board, two are full-time members and two are part-time members. Based on an audit plan formulated by the Audit and Supervisory Board, each member conducts audits of the Company's entire business operations. Specifically, each Audit and Supervisory Board member 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 Audit and Supervisory Board member attends meetings of the Board of Directors and of the Executive Council, reviews important documentation, and conducts surveys of Yahoo Japan Group companies. On the basis of these activities, each Audit and Supervisory Board member prepares an independent report for collective review by the entire Audit and Supervisory Board. Furthermore, in addition to reviewing reports on the methodology and results of accounting audits prepared by an independent accounting auditor, the Audit and Supervisory Board reviews reports on the methodology and results of internal audits prepared by the Internal Audit Office. On the basis of these reports, the Audit and Supervisory Board regularly expresses its opinions to the Company's full-time director. A Corporate Auditors Office has been established to support Audit and Supervisory Board members in the conduct of their duties in accordance with regulations concerning the establishment of an audit structure and system based on the Audit and Supervisory Board model.

3. 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 carries out an accounting audit as stipulated in the Companies Act and the Financial Instruments and Exchange Law. Furthermore, in addition to maintaining an in-house Legal Division the Company retains three law firms in the capacity of external legal counsel to provide advice and guidance on legal issues arising on a day-to-day basis, thereby ensuring legal compliance and management transparency.

4. Internal Audit Office

The Internal Audit Office, established to bolster the Company's internal audit structure and systems, continuously implements internal audits covering all operations generally. At the same time, the Office offers specific advice and recommendations aimed at improving operations. Moreover, the Office takes the lead in ensuring that comprehensive internal audit systems are established throughout the Yahoo Japan Group and in verifying that the operations of these systems are conducted in an appropriate manner. In addition to promoting the documentation of internal controls, the Internal Audit Office provides instruction with respect to Groupwide evaluations and improvements concerning the appropriateness and efficiency of business execution. Working in broad cooperation with the various autonomous business groups of the Company, the Office focuses on putting in place a framework that facilitates the execution of its activities. The Office periodically submits activity reports to the Audit and Supervisory Board and liaises with the accounting auditor as required.

5. 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 outside experts from the academic and business 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 Systems

1. Compliance

(i) As stipulated in the Company's Business Practices Charter and Compliance Program, strict adherence to all relevant laws and regulations is the basic principle underlying the Yahoo Japan Group's business activities.
(ii) The Compliance Office, under the control of the CEO Office, is responsible for ensuring compliance throughout the Yahoo Japan Group. Upon discovery of important compliance-related issues, corrective measures are immediately implemented. The status of compliance throughout the Group is reported periodically to the Board of Directors and Audit and Supervisory Board.
(iii) In an effort to obtain important compliance-related information, the Company has established an internal Compliance Hotline that enables employees to report instances of systemic fraudulence or irregularities and isolated instances of malfeasance by a director or employee directly to Company directors or Audit and Supervisory Board members, or anonymously to external legal counsel. In the event of such a report being made, the Compliance Office investigates the details of the claim. Corrective measures are discussed with the relevant autonomous business group, and judgments are then made. Agreed-upon corrective measures, if any, are then implemented throughout the entire Yahoo Japan Group. Compliance issues involving individual directors or Audit and Supervisory Board members are reported to directors and Audit and Supervisory Board members. After consideration by the Board of Directors, judgments are made.
(iv) The Compliance Office, Internal Audit Division, and Audit and Supervisory Board members coordinate their activities on a daily basis, working to search out and identify compliance-related issues, particularly with respect to the Yahoo Japan Group's compliance system and implementation practices. In addition, the Compliance Office and Internal Audit Division undertake internal compliance-related educational activities, including employee seminars.
(v) The head of the CEO Office reports employee 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 matter is reported to the directors and Audit and Supervisory Board members, with the head of the CEO Office recommending appropriate punitive actions to the Board of Directors.
(vi) The Yahoo Japan Group maintains a firmly resolute stance against any and all antisocial individuals or organizations jeopardizing the order and security of society, and every effort is therefore made to refrain from business dealings with such individuals or organizations.

2. Retaining and managing information in connection with the performance of duties by directors

(i) In order to facilitate easy access by directors and Audit and Supervisory Board members, the Company's Document Retention and Maintenance Rules and Regulations outline the retention methods, time period, and location for archived documents, including such important decision-making records as minutes of general meetings of shareholders and of Board of Directors meetings; records of matters requiring management determination; and documents relating to business execution, including accounting records, financial statements, and vouchers.
(ii) A set of rules and regulations regarding work assignments, job descriptions, and delegated positional authority clearly assign decision-making authority with respect to any and all matters. Proper methods of recording decisions

and/or settlements are clearly stipulated, as are the proper methods of requesting management determination in the case of sensitive matters. Such requests must be made according to a prescribed format, providing sufficient information to enable informed management determination by directors.

3. Risk management

(i) The Company's Risk Management Regulations systematically consolidate and structure the ad hoc approaches to risk management adopted by the Company to date. In addition, the status of risk identification as well as risk assessment is periodically disclosed in Risk Factors.
(ii) The Company has prepared emergency business contingency plans for use in the event of a large-scale disaster.
(iii) A Zero Accident team has been established to operate and manage an accident information system in the event that risks materialize and an accident occurs. In this manner, the Company has taken steps to ensure early detection and communication, a swift response, and the implementation of preventive measures.
(iv) The Information Security Team spearheads the Company's efforts to ensure information security. As part of these efforts, the Company has appointed a Chief Security Officer. The Information Security Team has formulated a set of Information Security Regulations and is responsible for implementing handling criteria for information assets as well as for ensuring that the criteria are both known and understood by all members of the Yahoo Japan Group. Reflecting a strong focus on information security, the Company and its principal subsidiaries in August 2004 acquired Information Security Management System (ISMS) certification.

4. Effective and efficient business execution

(i) The Company has clarified the scope of duties, authority, and responsibility essential to the conduct of business in accordance with its administrative authority and decision-making rules, which are in turn based on a set of rules and regulations that clarify individual work assignments, job descriptions, and delegated authority. The Company has also established rules and regulations regarding such decision-making bodies as the Board of Directors, including proper methods of requesting management determination, and clearly stipulating settlement authority and procedures.
(ii) The Company has adopted a corporate officer system with the goal of achieving flexible and efficient business execution.
(iii) The Executive Council, comprising the Company's directors, corporate officers, and Audit and Supervisory Board members, is convened to review and discuss important matters with the goal of promoting effective decision-making, in accordance with Executive Council meeting rules and regulations. In addition, important matters not addressed at Executive Council meetings are occasionally reviewed and discussed at various supplementary meetings attended by directors and corporate officers.
(iv) The Company monitors and manages business operations in accordance with business plans and budgets that clearly state objectives both for autonomous business groups and for the Yahoo Japan Group as a whole.
(v) A performance evaluation system is employed to (1) ensure that established objectives for the Yahoo Japan Group are understood and shared by directors and employees, (2) formulate specific targets for each employee in order to achieve established objectives, and (3) measure target achievement levels.
(vi) The Internal Audit Division continuously carries out evaluation and improvement activities to promote enhanced task execution throughout the Yahoo Japan Group.

5. Intra-Group transactions

(i) In an effort to foster a common understanding and awareness of compliance issues among directors and employees throughout the Yahoo Japan Group, the Company has prepared a Business Practices Charter applicable to all Group companies.
(ii) Company regulations regarding legally sanctioned transactions with the parent company, SoftBank Corp., and all Yahoo Japan Group companies (collectively, associated companies) reflect the principle that the management of each of the associated companies is to be responsible for independent corporate development.
(iii) Compliance-related education and training is provided to all Yahoo Japan Group directors and employees.
(iv) As stipulated in the Associated Companies Management Regulations, Yahoo Japan Group companies are obligated to report to and obtain the consent of the Company division responsible for the management of Group companies with regard to certain matters prior to resolution by the Board of Directors. In addition, screening and assessment by the Company's Compliance Office is required for matters of significant importance.
(v) Various measures have been implemented to audit internal control functions and systems throughout the Yahoo Japan Group, including the dispatch of Audit and Supervisory Board members to individual Group companies.
(vi) The Company's internal control system is being replicated at each Yahoo Japan Group company, with the Company division responsible for the management of Group companies providing guidance as required to ensure the development of sound internal control environments.

(vii) The aforementioned Compliance Hotline, which provides direct anonymous access to external legal counsel, can be used by all Yahoo Japan Group directors and employees.

6. Regulations regarding support staff of Audit and Supervisory Board members

In accordance with regulations drafted to establish a Corporate Auditors Office, employees have been appointed to support Audit and Supervisory Board members with their assigned tasks and duties. In addition, both the individual members of the Audit and Supervisory Board as well as the collective Audit and Supervisory Board can, upon request, directly employ support personnel. Audit and Supervisory Board members are responsible for the instruction and supervision of support personnel. The Company, with the consent of Audit and Supervisory Board members, is responsible for the evaluation and transfer of, as well as disciplinary action taken with respect to, support personnel.

7. Submission of reports to Audit and Supervisory Board members

Directors and employees are obligated to submit reports to Audit and Supervisory Board members with respect to the following:

(i) Matters of importance to the Yahoo Japan Group

(ii) Status of the establishment and operation of internal control systems

(iii) Matters with the potential to negatively impact the Company

(iv) Violations of statutory and regulatory requirements or of the Company's Articles of Incorporation

(v) Status of compliance systems operation and management, and status of notifications made via the Compliance Hotline

(vi) The Internal Audit Division audit results

(vii) Matters other than items noted in (i) to (vi) above that are considered essential to Audit and Supervisory Board members in the conduct of their duties

8. Facilitating the auditing function

Hearings involving directors and employees shall be convened when deemed necessary by either the Audit and Supervisory Board or a full-time member thereof. In addition to regular meetings with the independent accounting auditor and the internal audit divisions of principal subsidiary companies, Audit and Supervisory Board members attend meetings of the Executive Council, in accordance with Executive Council meeting rules and regulations. Moreover, upon request Audit and Supervisory Board members are permitted to attend all meetings that they deem to be of importance.

III. Outside Directors and Audit and Supervisory Board Members

1. Independence and function of outside directors

As of June 19, 2014, three of the Company's seven directors were outside directors. No policy or criteria are currently in place regarding outside directors' independence from the Company. Persons from outside the Company are appointed to the Board of Directors in order to reinforce its decision-making and supervisory functions.

2. Independence and function of Audit and Supervisory Board members

All four members of the Company's Audit and Supervisory Board are appointed from outside the Company. In order to ensure the independence of Audit and Supervisory Board members from the Company's Board of Directors, the Company has since its inauguration followed an unofficial policy of appointing all Audit and Supervisory Board members from outside the Company. Specifically, the Company has barred from appointment to the Audit and Supervisory Board any person who currently holds or has in the past held the position of director, accounting advisor, corporate officer, or manager of the Company, or who currently works or has in the past worked as an employee of the Company or any of its subsidiaries. In addition, and while no official policy or criteria are currently in place regarding the Audit and Supervisory Board members' independence from the Company, the Company complies with the criteria for independent Audit and Supervisory Board members stipulated by the Tokyo Stock Exchange, Inc. Audit and Supervisory Board members undertake audits in accordance with an audit plan formulated by the Audit and Supervisory Board. At the same time, a Corporate Auditors Office has been established to support Audit and Supervisory Board members in the conduct of their duties in accordance with regulations concerning the establishment of an audit structure and system based on the Audit and Supervisory Board model.

IV. Measures Concerning Shareholders and Other Stakeholders

1. The Company makes various efforts to vitalize shareholders meetings and facilitate shareholders' exercise of voting

rights. For example, we hold our annual general meeting of shareholders on a day when other major companies are not holding meetings, as well as distribute to all shareholders illustrated, full-color notices of shareholders meetings. Shareholders are also allowed to exercise their voting rights via the Internet. For institutional investors, we provide a dedicated Internet voting platform.

2. Measures taken with regard to investor relations activities include the establishment of a disclosure policy; improvements to the Company's IR Web site; investors meetings held to explain quarterly financial results, with supplementary live broadcasts and an on-demand video service; updates to the Company's business position provided at general meetings of shareholders, with supplementary live broadcasts and an on-demand video service; the publication of an English-language version of the annual report as well as other communications materials; individual interviews with analysts and fund managers; and overseas roadshows for the benefit of investors outside Japan.

3. Out of respect for all of our stakeholders, the Company carries out a variety of initiatives that contribute to the creation of a better society. Many of these initiatives are detailed in Yahoo! JAPAN CHALLENGE, our online report of Company activities related to corporate social responsibility.

V. Other Corporate Governance Matters

1. Anti-takeover measures

A small group of major shareholders account for a significant portion of the Company's ownership. Because the risk of a hostile takeover bid is considered to be low, the Company has not formulated takeover-related measures. Recognizing this matter as a potentially significant management issue, however, the Company intends to consider the necessity for and content of effective measures.

2. Independence from associated companies

Three of the Company's directors are from the parent company, SoftBank Corp. Although one of the roles of the Board of Directors is to oversee business execution with a view to further enhancing corporate value, with respect to determining important matters and business execution the Company acts independently based on specific determinations made by corporate officers and the business heads of each of the autonomous business groups within the Company. The Company is not overly dependent on either the parent company or any of the other associated companies with respect to sales and marketing transactions. The vast majority of the Company's business transactions are conducted with individual consumers and companies having no capital-based relationship with the Company. Moreover, the Company's Associated Companies Management Regulations prohibit transactions with the parent company and/or other associated companies that give rise to either an unfair advantage or disadvantage with respect to similar transactions with other third parties, as well as transactions that seek to transfer profits, losses, or risk. Based on these and other initiatives, the Company maintains ample business and operational independence from associated companies.

VI. Director and Audit and Supervisory Board Member Compensation

According to Company policy, director compensation is based on a formal assessment, carried out in accordance with contribution assessment rules, of each director's contribution to the Company's performance for the period, together with the basic salary corresponding to each director's position. The assessment is carried out by the representative director under discretionary authority approved by a resolution of the Board of Directors. Audit and Supervisory Board member compensation is determined entirely at the discretion of the Audit and Supervisory Board.

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Key Financial Data

New Business Segments	Millions of Yen			Thousands of U.S. Dollars
Years ended March 31	**2014**	2013	2012	**2014**
Net sales	**¥386,284**	¥342,990	¥302,089	**$3,753,245**
Marketing Solutions Business	**272,569**	235,437	196,858	**2,648,358**
Consumer Business	**101,803**	101,043	100,221	**989,147**
Other Business	**22,598**	14,453	11,118	**219,568**
Reconciliation	**(10,686)**	(7,943)	(6,108)	**(103,828)**
Cost of sales	**49,048**	36,394	28,035	**476,564**
Marketing Solutions Business	**52,537**	40,081	29,899	**510,464**
Consumer Business	**1,983**	1,071	663	**19,267**
Other Business	**3,219**	1,880	981	**31,277**
Reconciliation	**(8,691)**	(6,638)	(3,508)	**(84,444)**
SG&A expenses	**139,820**	120,244	109,049	**1,358,531**
Marketing Solutions Business	**73,073**	66,022	56,735	**709,999**
Consumer Business	**32,930**	25,080	28,386	**319,958**
Other Business	**11,257**	8,729	6,872	**109,375**
Reconciliation	**22,560**	20,413	17,056	**219,199**
Operating income	**197,416**	186,352	165,005	**1,918,150**
Marketing Solutions Business	**146,959**	129,334	110,224	**1,427,895**
Consumer Business	**66,890**	74,892	71,171	**649,922**
Other Business	**8,122**	3,844	3,265	**78,916**
Reconciliation	**(24,555)**	(21,718)	(19,655)	**(238,583)**
Segment income	**197,416**	186,352	165,005	**1,918,150**
Marketing Solutions Business	**147,003**	129,662	110,594	**1,428,323**
Consumer Business	**66,773**	75,815	71,210	**648,785**
Other Business	**7,553**	3,795	3,165	**73,387**
Reconciliation	**(23,913)**	(22,920)	(19,964)	**(232,345)**
Net income	**125,116**	115,036	100,559	**1,215,663**
Net income per share (Yen and U.S. dollars)	**21.82**	19.84	17.34	**0.21**
EBITDA	**211,406**	197,829	174,675	**2,054,081**
At fiscal year-end:				
Total assets	**842,749**	743,311	562,022	**8,188,389**
Total equity	**626,561**	551,264	468,301	**6,087,845**
Number of employees	**6,291**	5,780	5,124	
Dividends per share (Yen and U.S. dollars)	**4.43**	4.01	3.47	**0.04**
Cash flows	**72,748**	150,929	68,581	**706,840**
Cash flows from operating activities	**132,829**	139,396	99,737	**1,290,604**
Cash flows from investing activities	**(7,311)**	51,404	(12,309)	**(71,036)**
Cash flows from financing activities	**(53,129)**	(40,184)	(18,847)	**(516,216)**
Ratios:				
Operating margin (%)	**51.1**	54.3	54.6	
Net income to net sales ratio (%)	**32.4**	33.5	33.3	
ROA (%)	**15.8**	17.6	19.5	
ROE (%)	**21.5**	22.8	23.7	
Total equity / Total assets ratio (%)	**73.3**	73.1	82.8	

Old Business Segments	Millions of Yen	
Years ended March 31	2012	2011
Net sales	¥302,089	¥292,424
Media Business	110,292	110,236
Business-services Business	83,436	76,739
Consumer Business	107,963	104,915
Reconciliation	398	534
Cost of sales	28,035	29,294
Media Business	10,331	11,689
Business-services Business	15,821	15,441
Consumer Business	1,879	1,862
Reconciliation	4	302
SG&A expenses	109,049	103,526
Media Business	39,456	39,468
Business-services Business	25,240	22,740
Consumer Business	37,689	34,842
Reconciliation	6,664	6,476
Operating income	165,005	159,604
Media Business	60,505	59,079
Business-services Business	42,375	38,558
Consumer Business	68,395	68,211
Reconciliation	(6,270)	(6,244)
Segment income	165,005	159,604
Media Business	60,699	59,419
Business-services Business	42,649	38,790
Consumer Business	68,365	68,062
Reconciliation	(6,708)	(6,667)
Net income	100,559	92,175
Net income per share (Yen)	17.34	15.90
EBITDA	174,675	168,178
At fiscal year-end:		
Total assets	562,022	471,746
Total equity	468,301	385,106
Number of employees	5,124	4,748
Dividends per share (Yen)	3.47	3.18
Cash flows	68,581	50,287
Cash flows from operating activities	99,737	67,581
Cash flows from investing activities	(12,309)	11,631
Cash flows from financing activities	(18,847)	(28,925)
Ratios:		
Operating margin (%)	54.6	54.6
Net income to net sales ratio (%)	33.3	31.5
ROA (%)	19.5	20.7
ROE (%)	23.7	26.6
Total equity / Total assets ratio (%)	82.8	81.1

Notes:

- Yen amounts for the year ended March 31, 2014, have been translated into U.S. dollar amounts, solely for the convenience of readers, at the rate of ¥102.92 = U.S.$1, the effective rate of exchange at March 31, 2014.
- Beginning from the year ended March 31, 2013, the Group's business segments have been changed. Figures for the year ended March 31, 2012, in the New Business Segments table on page 34 have been retroactively adjusted to conform to the current business segment presentation.
- Beginning from the year ended March 31, 2014, certain services previously included in the Consumer Business segment were reclassified to the Marketing Solutions Business segment. Figures for the year ended March 31, 2013, have been retroactively adjusted to conform to this business segment service reclassification.
- Segment income is determined by adding recurring non-operating income and expenses to the operating income of each segment. Such income and expenses include interest income and expenses and other items.
- Per-share figures have been restated to reflect a hundred-for-one stock split made on October 1, 2013.

Management's Discussion and Analysis

Yahoo Japan Corporation and its consolidated subsidiaries (the Group) registered double-digit sales growth for fiscal 2013, the year ended March 31, 2014. The Group achieved this result despite the October 2013 introduction of new e-commerce business strategies that included the elimination of store tenant and other monthly fees.

In display advertising, revenue from Yahoo! Display Ad Network (YDN) interest-based advertising rose sharply. Revenue from our Brand Panel lineup also increased, chiefly owing to the growing popularity of high-impact Rich Ad products. Sponsored Search® paid search advertising revenue also expanded year on year, with smartphone-related growth especially strong. Elsewhere, revenues from Yahoo! Premium membership services, game-related services, and data center related services remained robust. Contributions from ValueCommerce Co., Ltd., Carview Corporation, and YJFX, Inc. (formerly CyberAgent FX, Inc.), newly consolidated in fiscal 2012, also supported year-on-year revenue growth for fiscal 2013.

Turning to expenses, sales promotion costs in particular were up, reflecting vigorous promotional activities as part of new e-commerce business strategies. Personnel expenses and business commissions also expanded. Despite higher expenses for fiscal 2013, the Group once again achieved profit growth on the back of robust sales gains.

RESULTS OF OPERATIONS

Net Sales

Net sales for fiscal 2013 climbed ¥43,294 million, or 12.6%, to ¥386,284 million, largely owing to higher advertising sales. By business segment, Marketing Solutions Business net sales improved 15.8%, to ¥272,569 million; Consumer Business net sales edged up 0.8%, to ¥101,803 million; and Other Business net sales surged 56.4%, to ¥22,598 million. Intersegment sales eliminated in consolidation were ¥10,686 million.

Cost of Sales

Cost of sales for fiscal 2013 increased ¥12,654 million, or 34.8%, to ¥49,048 million, mainly owing to higher sales from advertising and associated services.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses for fiscal 2013 grew ¥19,576 million, or 16.3%, to ¥139,820 million. The principal components of SG&A expenses were as follows:

Personnel expenses rose ¥5,990 million, or 15.3%, to ¥45,247 million. As of March 31, 2014, Group employees numbered 6,291, up 511, or 8.8%, from the figure one year earlier.

Business commissions climbed ¥2,374 million, or 16.5%, to ¥16,723 million, primarily as a result of higher operations commission fees for the Group's services.

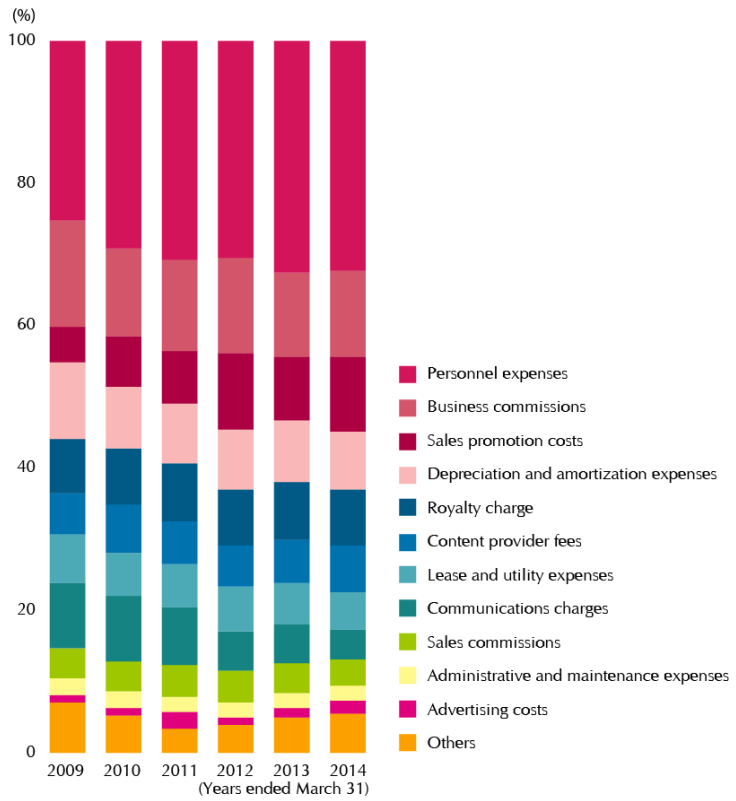
Sales promotion costs were up ¥3,836 million, or 35.4%, to ¥14,686 million, mainly owing to increased expenses related to e-commerce business promotion and to T-Points.

Depreciation and amortization expenses grew ¥1,283 million, or 12.6%, to ¥11,492 million, largely reflecting higher intangible assets arising from acquisition of shares of consolidated subsidiaries as well as the operational start-up of a new data center facility.

Royalty charge rose ¥1,281 million, or 12.9%, to ¥11,227 million, owing mainly to higher net sales.

Significant other expenses included (1) content provider fees, which climbed ¥1,990 million, or 28.7%, to ¥8,918 million; (2) lease and utility expenses, which increased ¥108 million, or 1.5%, to ¥7,348 million; and (3) communications charges, which decreased ¥346 million, or 5.5%, to ¥5,986 million.

SG&A Expenses Breakdown



(Millions of yen)

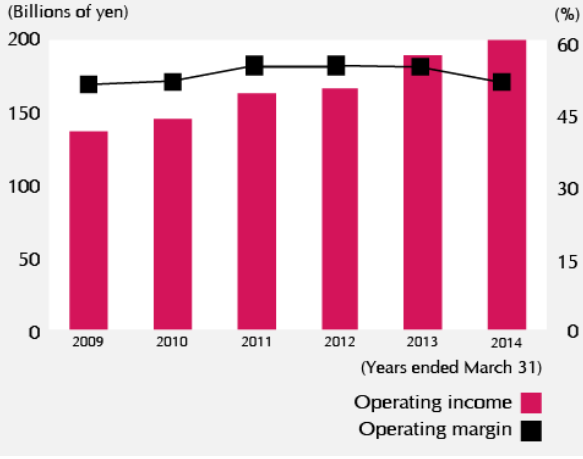
Years ended March 31	2009		2010		2011		2012		2013		**2014**	
Personnel expenses	26,060	(25.2%)	30,348	(29.4%)	31,809	(30.7%)	33,261	(30.5%)	39,257	(32.6%)	**45,247**	**(32.4%)**
Business commissions	15,555	(15.1%)	12,793	(12.4%)	13,440	(13.0%)	14,589	(13.4%)	14,349	(11.9%)	**16,723**	**(12.0%)**
Sales promotion costs	5,164	(5.0%)	7,253	(7.0%)	7,538	(7.3%)	11,634	(10.7%)	10,850	(9.0%)	**14,686**	**(10.5%)**
Depreciation and amortization expenses	10,922	(10.6%)	8,950	(8.7%)	8,544	(8.3%)	9,207	(8.4%)	10,209	(8.5%)	**11,492**	**(8.2%)**
Royalty charge	7,865	(7.6%)	8,060	(7.8%)	8,461	(8.2%)	8,723	(8.0%)	9,946	(8.3%)	**11,227**	**(8.0%)**
Content provider fees	6,207	(6.0%)	6,778	(6.6%)	6,394	(6.2%)	6,328	(5.8%)	6,928	(5.8%)	**8,918**	**(6.4%)**
Lease and utility expenses	7,083	(6.9%)	6,164	(6.0%)	6,246	(6.0%)	6,826	(6.3%)	7,240	(6.0%)	**7,348**	**(5.3%)**
Communications charges	9,480	(9.2%)	9,400	(9.1%)	8,356	(8.1%)	5,999	(5.5%)	6,332	(5.3%)	**5,986**	**(4.3%)**
Sales commissions	4,303	(4.2%)	4,309	(4.2%)	4,653	(4.5%)	4,750	(4.4%)	5,102	(4.2%)	**4,929**	**(3.5%)**
Administrative and maintenance expenses	2,239	(2.2%)	2,327	(2.3%)	2,061	(2.0%)	2,222	(2.0%)	2,508	(2.1%)	**2,870**	**(2.1%)**
Advertising costs	1,159	(1.1%)	1,165	(1.1%)	2,523	(2.4%)	1,286	(1.2%)	1,672	(1.4%)	**2,755**	**(2.0%)**
Others	7,292	(6.9%)	5,838	(5.4%)	3,501	(3.3%)	4,224	(3.8%)	5,851	(4.9%)	**7,639**	**(5.3%)**
Total	103,329	(100.0%)	103,385	(100.0%)	103,526	(100.0%)	109,049	(100.0%)	120,244	(100.0%)	**139,820**	**(100.0%)**

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

Operating Income

Operating income for fiscal 2013 rose ¥11,064 million, or 5.9%, to ¥197,416 million. By business segment, Marketing Solutions Business operating income increased 13.6%, to ¥146,959 million; Consumer Business operating income decreased 10.7%, to ¥66,890 million; and Other Business operating income jumped 111.3%, to ¥8,122 million. The ¥24,555 million reconciliation between total segment operating income and consolidated operating income primarily reflected corporate expenses not allocable to a specific segment.

Operating Income and Operating Margin



Other Income and Expenses

For fiscal 2013, the Group recorded net other income of ¥7,191 million, up ¥6,104 million compared with the previous fiscal year's result. Principal sources of other income and expenses were (1) net gain on sale of

investment securities of ¥11,765 million, a turnaround of ¥11,795 million; (2) impairment loss on fixed assets of ¥2,714 million, down ¥1,859 million; and (3) loss on write-down of the unamortized balance of goodwill of ¥829 million, an increase of ¥829 million, in relation to the goodwill of consolidated subsidiary Community Factory Inc.

Income before Income Taxes and Minority Interests

Income before income taxes and minority interests came to ¥204,607 million, up ¥17,168 million, or 9.2%, from the figure for fiscal 2012. This increase was largely attributable to the upswing in operating income.

Income Taxes

Total income taxes for fiscal 2013 amounted to ¥78,428 million, representing an effective income tax rate of 38.3%, slightly higher than the normal statutory tax rate of 38.0%.

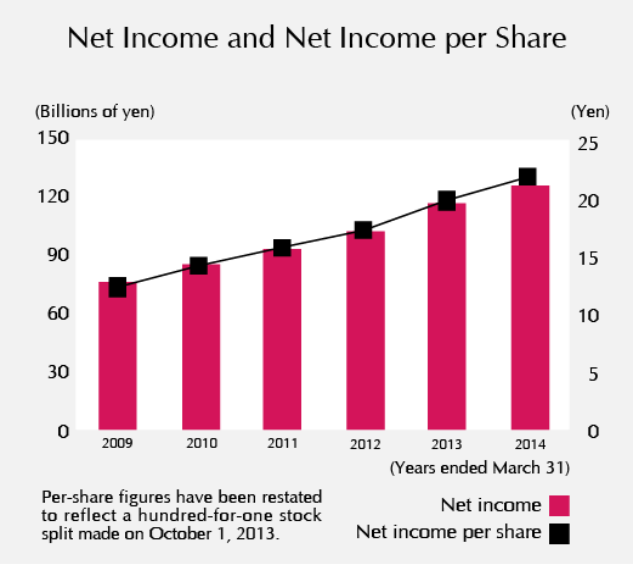
Minority Interests in Net Income

Minority interests in net income totaled ¥1,063 million, up ¥448 million, or 72.8%, from the figure for fiscal 2012.

Net Income

Net income for fiscal 2013 was ¥125,116 million, an increase of ¥10,080 million, or 8.8%. Both basic net income per share and diluted net income per share (see Note, below) climbed 10.0%, to ¥21.82.

Note: Per-share figures have been restated to reflect a hundred-for-one stock split made on October 1, 2013.



FINANCIAL POSITION

Assets

Total assets stood at ¥842,749 million as of March 31, 2014, up ¥99,438 million, or 13.4%, compared with the figure as of March 31, 2013.

Total current assets amounted to ¥665,258 million, an increase of ¥89,156 million, or 15.5%.

Cash and cash equivalents stood at ¥482,629 million, up ¥72,742 million, or 17.7%. This increase was largely attributable to net cash provided by operating activities.

Trade accounts receivable were ¥61,154 million, an upswing of ¥5,214 million, or 9.3%, owing mainly to higher advertising sales.

Foreign exchange dealings cash—deposits with trust banks stood at ¥75,171 million, an increase of ¥6,719 million, or 9.8%, reflecting growth in the transaction value of foreign exchange margin transactions.

Other current assets came to ¥43,614 million, up ¥2,585 million, or 6.3%, primarily owing to an increase in the transaction value of settlement-related businesses.

Net property and equipment amounted to ¥53,697 million, an increase of ¥8,517 million, or 18.9%. This change was largely due to additional construction work on a data center.

Total investments and other assets were ¥123,794 million, up ¥1,765 million, or 1.4%, compared with the figure as of March 31, 2013.

Liabilities

Total liabilities stood at ¥216,188 million as of March 31, 2014, an increase of ¥24,141 million, or 12.6%, compared with the figure as of the previous fiscal year-end.

Total current liabilities were ¥213,121 million, up ¥24,032 million, or 12.7%.

Trade accounts payable stood at ¥12,363 million, an upswing of ¥1,392 million, or 12.7%, owing primarily to higher expenses related to the search system.

Income taxes payable stood at ¥45,785 million, up ¥3,530 million, or 8.4%, mainly reflecting higher taxable income.

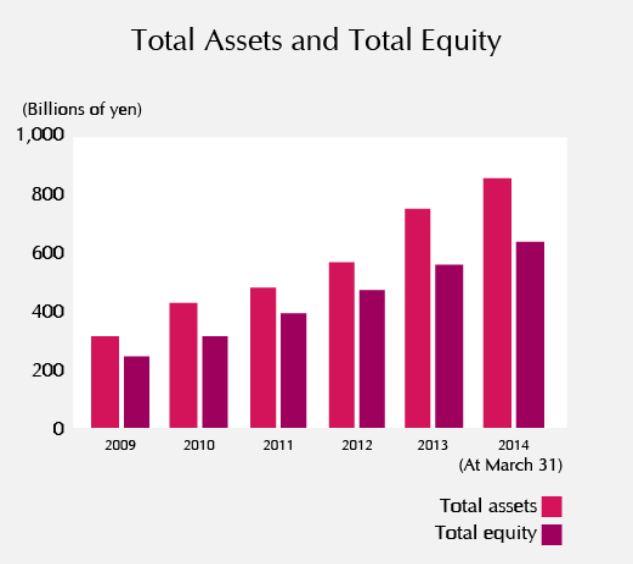
Foreign exchange dealings deposits from customers totaled ¥81,595 million, an increase of ¥9,110 million, or 12.6%, mainly owing to growth in the transaction value of foreign exchange margin transactions.

Other current liabilities were ¥48,311 million, an upswing of ¥6,589 million, or 15.8%. This change was largely due to an increase in the transaction value of settlement-related businesses as well as to higher accrued bonuses reflecting a change in the calculation period for bonuses.

Long-term liabilities stood at ¥3,067 million, up ¥109 million, or 3.7%.

Total Equity

As of March 31, 2014, total equity was ¥626,561 million, up ¥75,297 million, or 13.7%. This increase primarily reflected growth in retained earnings of ¥72,375 million, or 13.7%, on the back of higher net income for the year.



CASH FLOWS

Cash Flows from Operating Activities

Net cash provided by operating activities in fiscal 2013 amounted to ¥132,829 million, a decrease of ¥6,567 million from the ¥139,396 million provided in the previous fiscal year. Principal components of operating cash flows were income before income taxes and minority interests of ¥204,607 million, depreciation and amortization of ¥14,214 million, and income taxes paid of ¥76,526 million.

Cash Flows from Investing Activities

Net cash used in investing activities in fiscal 2013 totaled ¥7,311 million, a turnaround of ¥58,715 million compared with net cash provided by investing activities of ¥51,404 million in the previous fiscal year. The major cash outflow from investing activities was payment into time deposits of ¥50,000 million.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥53,129 million, up ¥12,945 million from the ¥40,184 million used in the previous fiscal year. Principal cash outflows from financing activities were purchase of treasury stock amounting to ¥30,000 million and dividends paid of ¥23,035 million.

Accounting for the aforementioned activities, the net increase in cash and cash equivalents was ¥72,748 million. As a result, cash and cash equivalents as of the fiscal year-end stood at ¥482,629 million, an increase of 17.7% compared with the figure as of March 31, 2013.

Yahoo Japan Corporation and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2014

ASSETS	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
CURRENT ASSETS:			
Cash and cash equivalents (Note 3)	¥ 482,629	¥ 409,887	$ 4,689,361
Receivables:			
Trade accounts (Note 3)	61,154	55,940	594,190
Other (Note 3)	4,041	2,357	39,264
Foreign exchange dealings cash—deposits with trust banks (Note 3)	75,171	68,452	730,383
Other current assets (Notes 3 and 7)	43,614	41,029	423,765
Allowance for doubtful accounts	(1,351)	(1,563)	(13,127)
Total current assets	665,258	576,102	6,463,836
PROPERTY AND EQUIPMENT:			
Land	5,426	5,426	52,721
Buildings and structures	23,869	17,413	231,918
Machinery and equipment	19,635	16,975	190,779
Furniture and fixtures	52,662	45,448	511,679
Construction in progress	54	4,896	524
Total	101,646	90,158	987,621
Accumulated depreciation	(47,949)	(44,978)	(465,886)
Net property and equipment	53,697	45,180	521,735
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 4)	46,753	39,180	454,265
Investments in unconsolidated subsidiaries and associated companies (Note 3)	35,725	41,733	347,114
Goodwill	10,218	11,914	99,281
Software	13,642	12,003	132,550
Deferred tax assets (Note 7)	3,155	2,782	30,655
Other assets	14,320	14,460	139,138
Allowance for doubtful accounts	(19)	(43)	(185)
Total investments and other assets	123,794	122,029	1,202,818
TOTAL ASSETS	¥ 842,749	¥ 743,311	$ 8,188,389

LIABILITIES AND EQUITY	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
CURRENT LIABILITIES:			
Payables:			
Trade accounts (Note 3)	¥ 12,363	¥ 10,971	$ 120,122
Other (Note 3)	25,067	21,656	243,558
Income taxes payable (Note 3)	45,785	42,255	444,860
Foreign exchange dealings deposits from customers (Note 3)	81,595	72,485	792,800
Other current liabilities (Note 7)	48,311	41,722	469,404
Total current liabilities	213,121	189,089	2,070,744
LONG-TERM LIABILITIES (Note 7)	3,067	2,958	29,800
COMMITMENTS (Note 12)			
EQUITY (Notes 5 and 14):			
Common stock*—24,160,000,000 shares authorized in 2014 and 2013; 5,694,900,600 shares issued in 2014 and 5,751,055,400 shares issued in 2013	8,271	8,037	80,363
Capital surplus	3,352	3,118	32,569
Stock acquisition rights	701	571	6,811
Retained earnings	600,457	528,082	5,834,211
Treasury stock*—at cost, 1,016,800 shares in 2014 and 2013	(526)	(372)	(5,111)
Accumulated other comprehensive income (loss):			
Net unrealized gain on available-for-sale securities	5,882	4,248	57,151
Deferred loss on derivatives under hedge accounting		(2)	
Foreign currency translation adjustments	525	348	5,102
Total	618,662	544,030	6,011,096
Minority interests	7,899	7,234	76,749
Total equity	626,561	551,264	6,087,845
TOTAL LIABILITIES AND EQUITY	¥ 842,749	¥ 743,311	$ 8,188,389

* Number of shares has been restated to reflect a hundred-for-one stock split made on October 1, 2013 (see Note 5).

See notes to consolidated financial statements.

Yahoo Japan Corporation and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET SALES	¥ 386,284	¥ 342,990	$ 3,753,245
COST OF SALES	49,048	36,394	476,564
Gross profit	337,236	306,596	3,276,681
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	139,820	120,244	1,358,531
Operating income	197,416	186,352	1,918,150
OTHER INCOME (EXPENSES):			
Interest and dividend income	739	1,604	7,180
Interest expense	(1)	(4)	(10)
Gain on foreign exchange—net	251	161	2,439
Equity in (losses) earnings of associated companies	(701)	729	(6,811)
Gain (loss) on sale of investment securities—net (Note 2.w)	11,765	(30)	114,312
Loss on write-down of the unamortized balance of goodwill (Note 2.c)	(829)		(8,055)
Loss on a system accident		(1,220)	
Other—net	(4,033)	(153)	(39,185)
Other income—net	7,191	1,087	69,870
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	204,607	187,439	1,988,020
INCOME TAXES (Note 7):			
Current	79,870	74,372	776,040
Deferred	(1,442)	(2,584)	(14,011)
Total income taxes	78,428	71,788	762,029
NET INCOME BEFORE MINORITY INTERESTS	126,179	115,651	1,225,991
MINORITY INTERESTS IN NET INCOME	1,063	615	10,328
NET INCOME	¥ 125,116	¥ 115,036	$ 1,215,663

Yahoo Japan Corporation and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2014

	Yen		U.S. Dollars (Note 1)
	2014	2013	2014
PER SHARE OF COMMON STOCK* (Notes 2.u, 5 and 11):			
Basic net income	¥ 21.82	¥ 19.84	$ 0.21
Diluted net income	21.82	19.84	0.21
Cash dividends applicable to the year	4.43	4.01	0.04

* Per share figures have been restated to reflect a hundred-for-one stock split made on October 1, 2013 (see Note 5).

See notes to consolidated financial statements.

Yahoo Japan Corporation and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET INCOME BEFORE MINORITY INTERESTS	¥ 126,179	¥ 115,651	$ 1,225,991
OTHER COMPREHENSIVE INCOME (Note 8):			
Net unrealized gain on available-for-sale securities	1,452	2,716	14,108
Deferred gain (loss) on derivatives under hedge accounting	2	(2)	19
Foreign currency translation adjustments	175	306	1,701
Share of other comprehensive income in associated companies accounted for by the equity method	191	41	1,856
Total other comprehensive income	1,820	3,061	17,684
COMPREHENSIVE INCOME	¥ 127,999	¥ 118,712	$ 1,243,675
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of Yahoo Japan Corporation	¥ 126,930	¥ 118,097	$ 1,233,288
Minority interests	1,069	615	10,387

See notes to consolidated financial statements.

Yahoo Japan Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2014

	Thousands	Millions of Yen										
							Accumulated Other Comprehensive Income					
	Number of Shares of Common Stock Outstanding*	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2012	5,800,364	¥ 7,959	¥ 3,040	¥ 750	¥ 458,285	¥ (5,609)	¥ 1,534			¥ 465,959	¥ 2,342	¥ 468,301
Exercise of stock options	1,312	78	79							157		157
Net income					115,036					115,036		115,036
Cash dividends (¥3.47 per share*)					(20,127)					(20,127)		(20,127)
Changes in the scope of consolidation					139					139		139
Changes in the scope of applying the equity method					(15)					(15)		(15)
Purchase of treasury stock (Note 5)	(51,638)					(20,000)				(20,000)		(20,000)
Retirement of treasury stock (Note 5)			(1)		(25,236)	25,237						
Net change in the year				(179)			2,714	¥ (2)	¥ 348	2,881	4,892	7,773
BALANCE, MARCH 31, 2013	5,750,038	8,037	3,118	571	528,082	(372)	4,248	(2)	348	544,030	7,234	551,264
Exercise of stock options	1,086	234	234							468		468
Net income					125,116					125,116		125,116
Cash dividends (¥4.01 per share*)					(23,058)					(23,058)		(23,058)
Changes in the scope of consolidation					117					117		117
Changes in the scope of applying the equity method					46					46		46
Purchase of treasury stock (Note 5)	(57,240)					(30,000)				(30,000)		(30,000)
Retirement of treasury stock (Note 5)					(29,846)	29,846						
Net change in the year				130			1,634	2	177	1,943	665	2,608
BALANCE, MARCH 31, 2014	5,693,884	¥ 8,271	¥ 3,352	¥ 701	¥ 600,457	¥ (526)	¥ 5,882		¥ 525	¥ 618,662	¥ 7,899	¥ 626,561

* Number of shares and per share figures have been restated to reflect a hundred-for-one stock split made on October 1, 2013 (see Note 5).

Yahoo Japan Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2014

	Thousands of U.S. Dollars (Note 1)										
						Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2013	$ 78,089	$ 30,295	$ 5,548	$ 5,130,994	$ (3,614)	$ 41,275	$ (19)	$ 3,382	$ 5,285,950	$ 70,288	$ 5,356,238
Exercise of stock options	2,274	2,274							4,548		4,548
Net income				1,215,663					1,215,663		1,215,663
Cash dividends ($0.04 per share*)				(224,038)					(224,038)		(224,038)
Changes in the scope of consolidation				1,137					1,137		1,137
Changes in the scope of applying the equity method				447					447		447
Purchase of treasury stock (Note 5)					(291,489)				(291,489)		(291,489)
Retirement of treasury stock (Note 5)				(289,992)	289,992						
Net change in the year			1,263			15,876	19	1,720	18,878	6,461	25,339
BALANCE, MARCH 31, 2014	$ 80,363	$ 32,569	$ 6,811	$ 5,834,211	$ (5,111)	$ 57,151		$ 5,102	$ 6,011,096	$ 76,749	$ 6,087,845

* Per share figures have been restated to reflect a hundred-for-one stock split made on October 1, 2013 (see Note 5).

See notes to consolidated financial statements.

Yahoo Japan Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 204,607	¥ 187,439	$ 1,988,020
Adjustments for:			
Income taxes—paid	(76,526)	(67,551)	(743,548)
Depreciation and amortization	14,214	12,188	138,107
Amortization of goodwill (Note 2.c)	3,258	1,200	31,656
Equity in losses (earnings) of associated companies	701	(729)	6,811
(Gain) loss on sale of investment securities—net (Note 2.w)	(11,765)	30	(114,312)
Changes in assets and liabilities:			
Increase in trade receivables	(4,579)	(8,100)	(44,491)
(Increase) decrease in other current assets	(3,740)	10,498	(36,339)
Increase in trade payables	1,388	3,221	13,486
Increase in other current liabilities	11,875	1,941	115,381
Other—net (Note 2.w)	(6,604)	(741)	(64,167)
Total adjustments	(71,778)	(48,043)	(697,416)
Net cash provided by operating activities	132,829	139,396	1,290,604
INVESTING ACTIVITIES:			
Payment into time deposits	(50,000)	(600)	(485,814)
Withdrawal of time deposits	54,200		526,623
Purchase of property and equipment	(19,748)	(15,901)	(191,877)
Purchase of other assets	(2,974)	(2,387)	(28,896)
Purchase of investment securities	(7,032)	(38,514)	(68,325)
Proceeds from sales of investment securities	18,606	121,517	180,781
Payment for purchase of newly consolidated subsidiaries' stocks (Note 2.a)	(2,036)	(18,552)	(19,782)
Interest and dividends received	1,742	4,038	16,926
Other—net	(69)	1,803	(672)
Net cash (used in) provided by investing activities	(7,311)	51,404	(71,036)
FINANCING ACTIVITIES:			
Dividends paid	(23,035)	(20,102)	(223,815)
Purchase of treasury stock	(30,000)	(20,108)	(291,489)
Other—net	(94)	26	(912)
Net cash used in financing activities	(53,129)	(40,184)	(516,216)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	359	313	3,488
NET INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥ 72,748	¥ 150,929	$ 706,840

Yahoo Japan Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥ 72,748	¥ 150,929	$ 706,840
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	409,887	255,268	3,982,579
INCREASE IN CASH AND CASH EQUIVALENTS DUE TO ADDITION OF CONSOLIDATED SUBSIDIARIES		3,711	
DECREASE IN CASH AND CASH EQUIVALENTS DUE TO DECONSOLIDATION OF SUBSIDIARIES	(6)	(21)	(58)
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 482,629	¥ 409,887	$ 4,689,361

See notes to consolidated financial statements.

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION OF 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 has two reportable segments: (1) marketing solutions business and (2) consumer business, as discussed in Note 13.

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 accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), as described in Note 2, 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 consolidated financial statements for the year ended March 31, 2013, to conform to the classifications used in 2014.

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 ¥102.92 to $1, the approximate rate of exchange at March 31, 2014. 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, 2014, include the accounts of the Company and its 21 (20 in 2013) significant subsidiaries. Under the control and influence concepts, 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 its consolidated subsidiaries (collectively, the "Group") have the ability to exercise significant influence are accounted for by the equity method.

Investments in 14 (13 in 2013) associated companies are accounted for by the equity method. Investments in the remaining 15 (13 in 2013) unconsolidated subsidiaries and 7 (7 in 2013) associated companies 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 also eliminated.

For a consolidated subsidiary whose closing date is different from that of the Company, certain adjustments necessary for consolidation have been made.

During the year ended March 31, 2013, the Company acquired the majority interest in Crocos Inc., Community Factory Inc., Carview Corporation ("Carview"), and CyberAgent FX, Inc. (subsequently renamed YJFX, Inc. "YJFX"). As a result, they became consolidated subsidiaries of the Company. Payment for purchase of newly consolidated subsidiaries' stocks is as follows:

	Millions of Yen
	2013
Additional cash flow information:	
Current assets	¥ 77,084
Non-current assets	5,768
Goodwill	10,434
Current liabilities	(67,958)
Non-current liabilities	(2,094)
Acquisition costs	23,234
Cash and cash equivalents acquired	(4,682)
Payment for purchase of newly consolidated subsidiaries' stocks	¥ 18,552

During the year ended March 31, 2013, the Company established YJ Capital Inc. and YJ1 Investment Partnership.

During the year ended March 31, 2013, the Company acquired a majority of the total voting rights shares of ValueCommerce Co., Ltd. ("VC"), an associated company accounted for by the equity method. As a result, VC became a consolidated subsidiary of the Company.

During the year ended March 31, 2014, the Company acquired a subsidiary and established two subsidiaries.

b. ***Business Combinations***—The accounting standard for business combinations requires companies to account for business combinations in accordance with the following policies: (1) Business combinations should be accounted for by the purchase method except combinations of entities under common control and joint ventures. (2) In-process research and development costs (IPR&D) acquired in a business combination should be capitalized as an intangible asset. (3) The acquirer should recognize a bargain purchase gain in profit immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation.

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

The Company recognized ¥829 million ($8,055 thousand) as a loss on write-down of the unamortized balance of goodwill for the year ended March 31, 2014, in relation to the goodwill of Community Factory Inc.

d. ***Cash Equivalents***—Cash equivalents are short-term investments that are readily convertible into cash and 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.

e. ***Property and Equipment***—Property and equipment are stated at cost. Depreciation is primarily computed by using the declining-balance method. The straight-line method is applied to fixed assets related to the data center.

f. ***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, no material impairment losses were recorded for the years ended March 31, 2014 and 2013.

g. ***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, for which there is a 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.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. If values of available-for-sale securities substantially decline, such securities are reduced to net realizable value and charged to income. Further details regarding the recognition of losses on write-downs of investment securities are discussed in Note 4.

h. ***Investments in Limited Partnerships***—Investments in limited partnerships consist primarily of the Group's contributed capital in investment partnerships. The Group recognizes the investment at cost on initial recognition, and adjusts the carrying amount after the date of investment for the Group's share of the earnings or losses, or the unrealized gains or losses on available-for-sale securities, if any, of the investee, which are reported in the Group's income or other comprehensive income, respectively.

i. ***Software***—Software for internal use is amortized by the straight-line method over a period of no more than five years, the estimated useful life of the software.

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

k. ***Employees' Retirement Benefits***—The Company and certain subsidiaries participate primarily in defined contribution pension plans. In addition, the Company and certain consolidated subsidiaries participate in two multi-employer contributory defined benefit welfare pension plans (the "welfare pension plans") covering their employees. The two welfare pension plans consist of: (1) the welfare pension plan in which the Company and certain subsidiaries participate ("Plan A") and (2) the welfare pension plan in which another subsidiary participates ("Plan B").

Contributions made by the Company and its consolidated subsidiaries to the welfare pension plans are expensed when paid because the plan assets attributable to each participant cannot be reasonably determined.

Because the welfare pension plans provide their information only once a year, the latest information available at the time of preparing these consolidated financial statements is that of one year earlier.

The participation ratios in the welfare pension plans based on the latest information available as of March 31, 2014 and 2013, were as follows:

As of March 31, 2014	
Plan A, based on the information as of March 31, 2013	5.8 %
Plan B, based on the information as of March 31, 2013	0.3 %
As of March 31, 2013	
Plan A, based on the information as of March 31, 2012	5.1 %
Plan B, based on the information as of March 31, 2012	0.3 %

The fair values of the welfare pension plans' entire assets and actuarial pension liabilities as of March 31, 2014 and 2013, were as follows:

	Millions of Yen 2014	Thousands of U.S. Dollars 2014
Plan A, Based on the Fair Value Information as of March 31, 2013		
Fair value of all plan assets	¥ 222,957	$ 2,166,314
Actuarial pension liabilities	(206,136)	(2,002,876)
Difference	¥ 16,821	$ 163,438
Plan B, Based on the Fair Value Information as of March 31, 2013		
Fair value of all plan assets	¥ 213,152	$ 2,071,045
Actuarial pension liabilities	(246,041)	(2,390,604)
Difference	¥ (32,889)	$ (319,559)

	Millions of Yen 2013
Plan A, Based on the Fair Value Information as of March 31, 2012	
Fair value of all plan assets	¥ 186,190
Actuarial pension liabilities	(186,649)
Difference	¥ (459)
Plan B, Based on the Fair Value Information as of March 31, 2012	
Fair value of all plan assets	¥ 191,384
Actuarial pension liabilities	(230,273)
Difference	¥ (38,889)

The major components of the differences between the aggregate plan assets and liabilities in the tables above were as follows:

	Millions of Yen 2014	Thousands of U.S. Dollars 2014
Plan A, Based on the Fair Value Information as of March 31, 2013		
Funded reserve	¥ 26,904	$ 261,407
Accumulated unfunded portion	(10,083)	(97,969)
Total	¥ 16,821	$ 163,438
Plan B, Based on the Fair Value Information as of March 31, 2013		
Funded reserve	¥ 235	$ 2,283
Unamortized obligations	(33,124)	(321,842)
Total	¥ (32,889)	$ (319,559)

	Millions of Yen 2013
Plan A, Based on the Fair Value Information as of March 31, 2012	
Other reserve	¥ 3,330
Adjustment for valuation of assets	9,623
Accumulated deficit	(13,412)
Total	¥ (459)
Plan B, Based on the Fair Value Information as of March 31, 2012	
Accumulated deficit	¥ (3,360)
Unamortized obligations	(35,529)
Total	¥ (38,889)

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

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, 2014 and 2013, were ¥1,258 million ($12,223 thousand) and ¥1,044 million, respectively.

l. ***Bonuses to Directors and Audit & Supervisory Board Members***—Bonuses to directors and Audit & Supervisory Board members are accrued at the end of the year to which such bonuses are attributable.

m. ***Asset Retirement Obligations***—Under Japanese GAAP, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and 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 becomes reasonably estimable. 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 by the 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 adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

n. ***Stock Options***—The accounting standard for stock options requires companies to measure the cost of employee stock options based on the fair value at the grant date and recognize compensation expense 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, stock options are presented as stock acquisition rights until exercised. The standard allows unlisted companies to measure options at their intrinsic value if fair value cannot be estimated reliably.

o. ***Research and Development Costs***—Research and development costs are charged to income as incurred. Research and development costs charged to income for the years ended March 31, 2014 and 2013, were ¥233 million ($2,264 thousand) and ¥208 million, respectively.

p. ***Leases***—The accounting standard for lease transactions requires that all finance lease transactions be capitalized recognizing lease assets and lease obligations in the balance sheet.

The Group leases certain computers, servers, data center-related equipment, and software. Leased assets are included in property and equipment or other assets in the consolidated balance sheet. Depreciation of leased assets is computed by the straight-line method over the leasing period without any residual value.

q. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statement 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 rates to the temporary differences.

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

s. ***Foreign Currency Financial Statements***—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income (loss) as a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

t. ***Derivative Financial Instruments***—The Group uses derivative financial instruments as a means of hedging exposure to foreign exchange risks. The Group does not hold or issue derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) 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 statement of income; and (2) 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.

The Group holds foreign currency forward contracts for hedging purposes. Under Japanese GAAP, if such foreign currency forward 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.

u. ***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 exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement 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.

On October 1, 2013, the Company made a stock split by way of a free share distribution at a rate of 100 shares for each outstanding share, in accordance with the resolution of the Board of Directors' meeting held on May 17, 2013, and of the general shareholders' meeting held on June 20, 2013. All prior year share and per share figures have been restated to reflect the impact of the stock split, and to provide data on a basis comparable to the year ended March 31, 2014. Such restatements include calculations regarding the Company's weighted-average number of common shares, basic net income per share, diluted net income per share, and cash dividends per share. Details of the stock split are discussed in Note 5.

v. ***Accounting Changes and Error Corrections***—Accounting treatments of accounting changes and error corrections under Japanese GAAP are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

w. ***Changes in Presentation***—Items presented separately in the prior-year consolidated financial statements, which are aggregated and reclassified as "other" in the current-year consolidated financial statements due to decreased materiality, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Consolidated statement of cash flows:			
Operating activities—Gain on changes in value of stocks under phased acquisitions		¥ (1,349)	
Operating activities—Interest and dividend income	¥ (739)	(1,604)	$ (7,180)
Operating activities—(Decrease) increase in consumption taxes payable	(1,368)	1,249	(13,292)

Items presented separately in the current-year consolidated financial statements, but aggregated and classified as other in the prior-year consolidated financial statements due to increased materiality, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Consolidated statement of income:			
Gain (loss) on sale of investment securities—net	¥ 11,765	¥ (30)	$ 114,312
Consolidated statement of cash flows:			
Operating activities—(Gain) loss on sale of investment securities	(11,765)	30	(114,312)

3. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group's use of its funds is limited to high-liquidity and low-risk investments which mature within a year. The Group finances its fund raising requirements with bank loans for which repayment periods are decided after considering the market environment and long-term and short-term balances. Derivatives are used only for the purpose of hedging exposure to foreign exchange risks. YJFX, a consolidated subsidiary of the Company, engages in a foreign exchange margin trading business in which YJFX brokers foreign exchange derivative transactions. YJFX conducts not only foreign exchange margin transactions with customers but also covering transactions with counterparties in order to hedge risks arising from the transactions.

(**2**) ***Nature, Risks Arising from Financial Instruments, and Risk Management***

Accounts and other receivables are subject to credit risks of customers. The Group controls these risks by reviewing outstanding balances and due dates of each customer in accordance with internal rules for controlling receivables. Certain receivables denominated in foreign currencies are subject to foreign exchange risks. The Group uses foreign currency forward contracts to hedge these risks.

Foreign exchange dealings cash—deposits with trust banks are established for the purpose of segregating customer deposits for foreign exchange margin trading. YJFX has entered into separately-controlled customer money trust agreements with third-party trust banks; however, the deposits are exposed to the credit risks arising from non-fulfillment of the contracts by such trust banks.

Most investment securities are related to capital and/or operating alliances with business partners, and are subject to market value volatility risks and foreign exchange risks. In order to control these risks, fair value (including foreign exchange fluctuations) and financial condition of the investee are periodically reviewed and reported to the Board of Directors in accordance with internal rules for using funds.

Accounts payable, other payables, and accruals are payable within a year. Certain payables denominated in foreign currencies are subject to foreign exchange risks. The Group uses foreign currency forward contracts to hedge these risks.

Foreign exchange dealings deposits from customers are deposits received from customers for the purpose of trading in foreign exchange derivatives. Foreign exchange dealings deposits from customers are exposed to (a) the credit risks of customers that include possible uncollectible receivables arising from losses that exceed the customer's funds, (b) the credit risks of customers in relation to non-fulfillment of settlement of transactions, and (c) the credit risks of financial institutions as counterparties of the transactions. Because they include assets and liabilities denominated in foreign currencies, they are also exposed to foreign exchange risks and liquidity risks. In order to reduce the credit risks of customers in the foreign exchange margin trading, automatic stop-loss rules and systems are implemented. Also, in conducting covering transactions, positions, gains and losses of the transactions are checked in accordance with internal management regulations. In order to hedge foreign exchange risks, the Company utilizes covering transactions denominated in foreign currency with counterparties. As to liquidity risks, the Company maintains appropriate amounts of ready liquidity by using guarantee letters from a financial institution under an acceptance and guarantee agreement as a substitute for deposits required for covering transactions with counterparties.

(**3**) ***Fair Values of Financial Instruments***

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Such valuation techniques include certain assumptions. Results may differ if different assumptions are used in the valuation.

As of March 31, 2014

Financial instruments whose fair values are readily determinable as of March 31, 2014, are as follows:

	Millions of Yen		
	2014		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Assets:			
(1) Cash and cash equivalents	¥ 482,629	¥ 482,629	
(2) Trade accounts receivable	60,391	60,391	
(3) Other receivables	4,038	4,038	
(4) Foreign exchange dealings cash—deposits with trust banks	75,171	75,171	
(5) Investments in unconsolidated subsidiaries and associated companies	32,759	74,843	¥ 42,084
(6) Investment securities	11,344	11,344	
Total	¥ 666,332	¥ 708,416	¥ 42,084
Liabilities:			
(7) Trade accounts payable	¥ 12,363	¥ 12,363	
(8) Other payables	25,067	25,067	
(9) Income taxes payable	45,785	45,785	
(10) Foreign exchange dealings deposits from customers	81,595	81,595	
Total	¥ 164,810	¥ 164,810	

	Thousands of U.S. Dollars		
	2014		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Assets:			
(1) Cash and cash equivalents	$ 4,689,361	$ 4,689,361	
(2) Trade accounts receivable	586,776	586,776	
(3) Other receivables	39,234	39,234	
(4) Foreign exchange dealings cash—deposits with trust banks	730,383	730,383	
(5) Investments in unconsolidated subsidiaries and associated companies	318,296	727,196	$ 408,900
(6) Investment securities	110,222	110,222	
Total	$ 6,474,272	$ 6,883,172	$ 408,900
Liabilities:			
(7) Trade accounts payable	$ 120,122	$ 120,122	
(8) Other payables	243,558	243,558	
(9) Income taxes payable	444,860	444,860	
(10) Foreign exchange dealings deposits from customers	792,800	792,800	
Total	$ 1,601,340	$ 1,601,340	

Notes: (1), (2), (3), (4), (7), (8), (9), and (10)—As these items are settled within one year and have fair values approximately equal to their carrying amounts, they are stated at their carrying amounts. Accounts receivable and other receivables are stated after deducting an allowance for doubtful accounts.

(5) and (6)—Fair value of these investments is based on market price. Fair value information of investment securities categorized by holding purpose is discussed in Note 4.

Financial instruments which do not have quoted market prices and whose fair values are not reliably determinable are not included in the table above. The carrying amounts of such financial instruments as of March 31, 2014, are as follows:

	Carrying Amount	
March 31, 2014	Millions of Yen	Thousands of U.S. Dollars
Investment securities—unlisted securities	¥ 33,238	$ 322,949
Investment securities—convertible bonds	2,171	21,094
Investments in unconsolidated subsidiaries and associated companies	2,966	28,818
Total	¥ 38,375	$ 372,861

Detailed information about investment securities is discussed in Note 4.

Maturity analysis for financial assets as of March 31, 2014, is as follows:

	Millions of Yen	
March 31, 2014	Due in 1 Year or Less	Due after 5 Years through 10 Years
Cash and cash equivalents	¥ 482,629	
Trade accounts receivable	61,154	
Other receivables	4,041	
Convertible bonds		¥ 2,171
Foreign exchange dealings cash—deposits with trust banks	75,171	
Total	¥ 622,995	¥ 2,171

	Thousands of U.S. Dollars	
March 31, 2014	Due in 1 Year or Less	Due after 5 Years through 10 Years
Cash and cash equivalents	$ 4,689,361	
Trade accounts receivable	594,190	
Other receivables	39,264	
Convertible bonds		$ 21,094
Foreign exchange dealings cash—deposits with trust banks	730,383	
Total	$ 6,053,198	$ 21,094

Note: Trade accounts receivable and other receivables are stated at amounts before deducting an allowance for doubtful accounts of ¥763 million ($7,414 thousand) and ¥3 million ($30 thousand), respectively.

As of March 31, 2013

Financial instruments whose fair values are readily determinable as of March 31, 2013, are as follows:

	Millions of Yen		
	2013		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Assets:			
(1) Cash and cash equivalents	¥ 409,887	¥ 409,887	
(2) Time deposits (included in other current assets)	4,200	4,200	
(3) Trade accounts receivable	55,215	55,215	
(4) Other receivables	2,354	2,354	
(5) Foreign exchange dealings cash—deposits with trust banks	68,452	68,452	
(6) Investments in unconsolidated subsidiaries and associated companies	38,250	41,095	¥ 2,845
(7) Investment securities	9,553	9,553	
Total	¥ 587,911	¥ 590,756	¥ 2,845
Liabilities:			
(8) Trade accounts payable	¥ 10,971	¥ 10,971	
(9) Other payables	21,656	21,656	
(10) Income taxes payable	42,255	42,255	
(11) Foreign exchange dealings deposits from customers	72,485	72,485	
Total	¥ 147,367	¥ 147,367	

Notes: (1), (2), (3), (4), (5), (8), (9), (10), and (11)—As these items are settled within one year and have fair values approximately equal to their carrying amounts, they are stated at their carrying amounts. Accounts receivable and other receivables are stated after deducting an allowance for doubtful accounts.

(6) and (7)—Fair value of these investments is based on market price. Fair value information of investment securities categorized by holding purpose is discussed in Note 4.

Financial instruments which do not have quoted market prices and whose fair values are not reliably determinable are not included in the table above. The carrying amounts of such financial instruments as of March 31, 2013, are as follows:

March 31, 2013	Carrying Amount Millions of Yen
Investment securities	¥ 29,627
Investments in unconsolidated subsidiaries and associated companies	3,483
Total	¥ 33,110

Detailed information about investment securities is discussed in Note 4.

4. INVESTMENT SECURITIES

Investment securities as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Non-current:			
Marketable equity securities	¥ 11,344	¥ 9,553	$ 110,222
Nonmarketable equity securities	31,405	28,901	305,139
Convertible bonds	2,171		21,094
Investments in limited partnerships	1,833	726	17,810
Total	¥ 46,753	¥ 39,180	$ 454,265

The carrying amounts and aggregate fair value of investment securities at March 31, 2014 and 2013, were as follows:

	Millions of Yen			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—equity securities	¥ 2,598	¥ 8,746		¥ 11,344
March 31, 2013				
Securities classified as available-for-sale—equity securities	¥ 3,128	¥ 6,455	¥ 30	¥9,553

	Thousands of U.S. Dollars			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—equity securities	$ 25,243	$ 84,979		$ 110,222

Available-for-sale securities whose fair values are not readily determinable as of March 31, 2014 and 2013, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Available-for-sale:			
Equity securities—unlisted common stocks	¥ 31,405	¥ 28,901	$ 305,139
Convertible bonds	2,171		21,094
Investments in limited investment partnerships and others	1,833	726	17,810
Total	¥ 35,409	¥ 29,627	$ 344,043

Proceeds from sales of available-for-sale securities and related gains and losses for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Proceeds from sales	¥ 6,208	¥ 115	$ 60,319
Realized gains	4,705	3	45,715
Realized losses	27	26	262

If the market value declines to 50% or less of the carrying amount, the carrying amount of the investment security is written down to the market value unless it is considered clearly recoverable. If the market value declines to the range from 50% to 70% of the carrying amount, the carrying amount of the investment security is written down to the amount considered to be appropriate based on its materiality and recoverability. No such loss was recorded for the years ended March 31, 2014 and 2013.

For unlisted equity securities held for one year or more, the Group periodically compares carrying value per share to the investee's net assets per share. If the net assets per share declines to 50% or less of acquisition cost per share, the Group recognizes a loss on write-down of investment securities after considering future recoverability. Loss on write-down of such investment securities for the years ended March 31, 2014 and 2013, was ¥794 million ($7,715 thousand) and ¥410 million, respectively.

5. EQUITY

Japanese companies are 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 year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) having the normal term of service of the directors prescribed as one year rather than two years by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the 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 (noncash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The 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 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 a 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 year ended March 31, 2013, the Company purchased 51,637,600 shares of its treasury stock and subsequently retired 68,680,900 shares of the treasury stock. (Number of shares has been restated to reflect the stock split below.)

On October 1, 2013, the Company effected a stock split by way of a free share distribution at a rate of 100 shares for each outstanding share, in order to facilitate greater convenience and liquidity for its shares on the stock market on which its shares are listed. The number of shares of common stock issued upon the stock split was 5,694,321,303 shares.

During the year ended March 31, 2014, the Company purchased 57,240,300 shares of its treasury stock and subsequently retired them.

6. STOCK OPTIONS

Stock options outstanding as of and for the year ended March 31, 2014, including the options which expired during the period, after reflecting the hundred-for-one stock split as discussed in Note 5, are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2003 Stock Option (1)	5 directors 83 employees	1,984,000 shares	2003.7.25	¥335 ($3.3)	From June 21, 2005 to June 20, 2013
2003 Stock Option (2)	43 employees	246,400 shares	2003.11.4	¥515 ($5.0)	From November 5, 2005 to June 20, 2013
2003 Stock Option (3)	38 employees	240,000 shares	2004.1.29	¥479 ($4.7)	From January 30, 2006 to June 20, 2013
2003 Stock Option (4)	41 employees	116,800 shares	2004.5.13	¥786 ($7.6)	From May 14, 2006 to June 20, 2013

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2004 Stock Option (1)	5 directors 131 employees	985,600 shares	2004.7.29	¥653 ($6.3)	From June 18, 2006 to June 17, 2014
2004 Stock Option (2)	46 employees	71,200 shares	2004.11.1	¥625 ($6.1)	From November 2, 2006 to June 17, 2014
2004 Stock Option (3)	29 employees	34,400 shares	2005.1.28	¥654 ($6.4)	From January 29, 2007 to June 17, 2014
2004 Stock Option (4)	42 employees	27,600 shares	2005.5.12	¥606 ($5.9)	From May 13, 2007 to June 17, 2014
2005 Stock Option (1)	5 directors 180 employees	571,600 shares	2005.7.28	¥585 ($5.7)	From June 18, 2007 to June 17, 2015
2005 Stock Option (2)	31 employees	23,400 shares	2005.11.1	¥620 ($6.0)	From November 2, 2007 to June 17, 2015
2005 Stock Option (3)	65 employees	31,600 shares	2006.1.31	¥795 ($7.7)	From February 1, 2008 to June 17, 2015
2005 Stock Option (4)	49 employees	11,200 shares	2006.5.2	¥680 ($6.6)	From May 3, 2008 to June 17, 2015
2006 Stock Option (1)	5 directors 157 employees	856,900 shares	2006.9.6	¥472 ($4.6)	From August 24, 2008 to August 23, 2016
2006 Stock Option (2)	49 employees	31,300 shares	2006.11.6	¥448 ($4.4)	From October 24, 2008 to October 23, 2016
2006 Stock Option (3)	62 employees	36,000 shares	2007.2.7	¥475 ($4.6)	From January 25, 2009 to January 24, 2017
2007 Stock Option (1)	66 employees	65,100 shares	2007.5.8	¥455 ($4.4)	From April 25, 2009 to April 24, 2017
2007 Stock Option (2)	5 directors 225 employees	1,000,000 shares	2007.8.7	¥404 ($3.9)	From July 25, 2009 to July 24, 2017
2007 Stock Option (3)	119 employees	76,600 shares	2007.11.7	¥512 ($5.0)	From October 25, 2009 to October 24, 2017
2007 Stock Option (4)	124 employees	81,700 shares	2008.2.13	¥475 ($4.6)	From January 31, 2010 to January 30, 2018
2008 Stock Option (1)	246 employees	205,900 shares	2008.5.9	¥518 ($5.0)	From April 26, 2010 to April 25, 2018
2008 Stock Option (2)	5 directors 336 employees	1,175,000 shares	2008.8.8	¥406 ($3.9)	From July 26, 2010 to July 25, 2018
2008 Stock Option (3)	128 employees	40,700 shares	2008.11.7	¥340 ($3.3)	From October 25, 2010 to October 24, 2018

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2008 Stock Option (4)	128 employees	35,000 shares	2009.2.10	¥324 ($3.1)	From January 28, 2011 to January 27, 2019
2009 Stock Option (1)	100 employees	89,000 shares	2009.5.12	¥269 ($2.6)	From April 29, 2011 to April 28, 2019
2009 Stock Option (2)	5 directors 454 employees	1,284,800 shares	2009.8.11	¥307 ($3.0)	From July 29, 2011 to July 28, 2019
2009 Stock Option (3)	61 employees	27,700 shares	2009.11.10	¥288 ($2.8)	From October 28, 2011 to October 27, 2019
2009 Stock Option (4)	101 employees	57,100 shares	2010.2.10	¥321 ($3.1)	From January 28, 2012 to January 27, 2020
2010 Stock Option (1)	155 employees	70,000 shares	2010.5.11	¥359 ($3.5)	From April 28, 2012 to April 27, 2020
2010 Stock Option (2)	5 directors 268 employees	1,193,600 shares	2010.8.10	¥347 ($3.4)	From July 28, 2012 to July 27, 2020
2010 Stock Option (3)	106 employees	31,600 shares	2010.11.5	¥289 ($2.8)	From October 23, 2012 to October 22, 2020
2010 Stock Option (4)	104 employees	54,100 shares	2011.2.8	¥312 ($3.0)	From January 26, 2013 to January 25, 2021
2011 Stock Option (1)	169 employees	58,900 shares	2011.6.3	¥280 ($2.7)	From May 21, 2013 to May 20, 2021
2011 Stock Option (2)	5 directors 251 employees	1,226,500 shares	2011.8.5	¥277 ($2.7)	From July 23, 2013 to July 22, 2021
2011 Stock Option (3)	281 employees	93,200 shares	2011.11.16	¥253 ($2.5)	From November 3, 2013 to November 2, 2021
2011 Stock Option (4)	114 employees	68,400 shares	2012.2.17	¥249 ($2.4)	From February 4, 2014 to February 3, 2022
2012 Stock Option (1)	45 employees	182,200 shares	2012.5.16	¥254 ($2.5)	From May 3, 2014 to May 2, 2022
2012 Stock Option (2)	1 director 54 employees 3 directors of subsidiaries	25,910,000 shares	2013.3.1	¥324 ($3.1)	See Note 3
2013 Stock Option (1)	1,983 employees	10,046,000 shares	2013.5.17	¥493 ($4.8)	See Note 4
2013 Stock Option (2)	1 director 96 employees 2 directors of subsidiaries	25,630,000 shares	2013.11.19	¥514 ($5.0)	See Note 5

Notes:

1. Each stock option in the table above, except 2012 Stock Option (2), 2013 Stock Option (1), and 2013 Stock Option (2), vests 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 are forfeited upon termination of employment even if they are vested.

3. Vesting conditions of 2012 Stock Option (2) are subject to future operating results of the Company. If operating income for any of the six consecutive years ending March 31, 2019, exceeds amounts in the table below, the right holders may exercise a certain portion of the stock option rights from the first day of the month following submission of the Japanese securities report for such year to February 28, 2023.

   (a) If operating income exceeds ¥250,000 million ($2,429,071 thousand):

For the year ending March 31, 2016:	20% exercisable
For the year ending March 31, 2017:	14% exercisable
For the year ending March 31, 2018:	8% exercisable
For the year ending March 31, 2019:	2% exercisable

   (b) If operating income exceeds ¥330,000 million ($3,206,374 thousand):

For the year ending March 31, 2016:	80% exercisable
For the year ending March 31, 2017:	56% exercisable
For the year ending March 31, 2018:	32% exercisable
For the year ending March 31, 2019:	8% exercisable

   If the Company recorded operating income less than ¥175,000 million ($1,700,350 thousand) for any of six consecutive years ending March 31, 2019, before meeting the conditions (a) or (b) above, the stock options will not be exercisable from that day onward.

4. Vesting conditions of 2013 Stock Option (1) are subject to future operating results of the Company. If operating income for any of the six consecutive years ending March 31, 2019, exceeds amounts in the table below, the right-holders may exercise a certain portion of the stock option rights from the first day of the month following submission of the Japanese securities report for such year to May 16, 2023.

   If operating income exceeds:

¥250,000 million ($2,429,071 thousand):	20% exercisable
¥330,000 million ($3,206,374 thousand):	80% exercisable

5. Vesting conditions of 2013 Stock Option (2) are subject to future operating results of the Company. If operating income for any of the five consecutive years ending March 31, 2019, exceeds ¥330,000 million ($3,206,374 thousand), the right-holders may exercise all of the stock option rights from the first day of the month following submission of the Japanese securities report for such year to November 18, 2023.

Stock option activity is as follows:

	2003 Stock Option (1)	2003 Stock Option (2)	2003 Stock Option (3)	2003 Stock Option (4)
	(Shares)			
Year Ended March 31, 2013				
Non-vested				
March 31, 2012—Outstanding				
Granted				
Canceled				
Vested				
March 31, 2013—Outstanding				
Vested				
March 31, 2012—Outstanding	1,472,000	121,600	105,600	44,800
Vested				
Exercised	(57,600)			
Canceled	(1,049,600)	(25,600)	(6,400)	
March 31, 2013—Outstanding	364,800	96,000	99,200	44,800
Year Ended March 31, 2014				
Non-vested				
March 31, 2013—Outstanding				
Granted				
Canceled				
Vested				
March 31, 2014—Outstanding				
Vested				
March 31, 2013—Outstanding	364,800	96,000	99,200	44,800
Vested				
Exercised	(307,200)		(25,600)	
Canceled	(57,600)	(96,000)	(73,600)	(44,800)
March 31, 2014—Outstanding				
Exercise price	¥335 ($3.3)	¥515 ($5.0)	¥479 ($4.7)	¥786 ($7.6)
Average stock price at exercise	¥477 ($4.6)		¥465 ($4.5)	

	2004 Stock Option (1)	2004 Stock Option (2)	2004 Stock Option (3)	2004 Stock Option (4)
	(Shares)			
Year Ended March 31, 2013				
Non-vested				
March 31, 2012—Outstanding				
Granted				
Canceled				
Vested				
March 31, 2013—Outstanding				
Vested				
March 31, 2012—Outstanding	838,400	36,000	20,800	16,000
Vested				
Exercised				
Canceled	(531,200)	(2,400)		(1,200)
March 31, 2013—Outstanding	307,200	33,600	20,800	14,800
Year Ended March 31, 2014				
Non-vested				
March 31, 2013—Outstanding				
Granted				
Canceled				
Vested				
March 31, 2014—Outstanding				
Vested				
March 31, 2013—Outstanding	307,200	33,600	20,800	14,800
Vested				
Exercised				
Canceled	(11,200)			(2,400)
March 31, 2014—Outstanding	296,000	33,600	20,800	12,400
Exercise price	¥653 ($6.3)	¥625 ($6.1)	¥654 ($6.4)	¥606 ($5.9)
Average stock price at exercise				

	2005 Stock Option (1)	2005 Stock Option (2)	2005 Stock Option (3)	2005 Stock Option (4)
	(Shares)			
Year Ended March 31, 2013				
Non-vested				
March 31, 2012—Outstanding				
Granted				
Canceled				
Vested				
March 31, 2013—Outstanding				
Vested				
March 31, 2012—Outstanding	460,800	12,200	22,000	7,500
Vested				
Exercised				
Canceled	(277,200)	(3,400)	(5,600)	(1,400)
March 31, 2013—Outstanding	183,600	8,800	16,400	6,100
Year Ended March 31, 2014				
Non-vested				
March 31, 2013—Outstanding				
Granted				
Canceled				
Vested				
March 31, 2014—Outstanding				
Vested				
March 31, 2013—Outstanding	183,600	8,800	16,400	6,100
Vested				
Exercised				
Canceled	(10,800)	(400)		
March 31, 2014—Outstanding	172,800	8,400	16,400	6,100
Exercise price	¥585 ($5.7)	¥620 ($6.0)	¥795 ($7.7)	¥680 ($6.6)
Average stock price at exercise				

	2006 Stock Option (1)	2006 Stock Option (2)	2006 Stock Option (3)
		(Shares)	
Year Ended March 31, 2013			
Non-vested			
March 31, 2012—Outstanding			
Granted			
Canceled			
Vested			
March 31, 2013—Outstanding			
Vested			
March 31, 2012—Outstanding	693,300	26,500	24,500
Vested			
Exercised			
Canceled	(336,000)	(2,500)	
March 31, 2013—Outstanding	357,300	24,000	24,500
Year Ended March 31, 2014			
Non-vested			
March 31, 2013—Outstanding			
Granted			
Canceled			
Vested			
March 31, 2014—Outstanding			
Vested			
March 31, 2013—Outstanding	357,300	24,000	24,500
Vested			
Exercised	(9,200)	(1,400)	(1,900)
Canceled	(2,000)	(3,600)	
March 31, 2014—Outstanding	346,100	19,000	22,600
Exercise price	¥472 ($4.6)	¥448 ($4.4)	¥475 ($4.6)
Average stock price at exercise	¥496 ($4.8)	¥602 ($5.8)	¥569 ($5.5)

	2007 Stock Option (1)	2007 Stock Option (2)	2007 Stock Option (3)	2007 Stock Option (4)
	(Shares)			
Year Ended March 31, 2013				
Non-vested				
March 31, 2012—Outstanding				
Granted				
Canceled				
Vested				
March 31, 2013—Outstanding				
Vested				
March 31, 2012—Outstanding	47,800	824,000	68,900	77,000
Vested				
Exercised				
Canceled	(1,000)	(341,900)	(1,700)	(7,600)
March 31, 2013—Outstanding	46,800	482,100	67,200	69,400
Year Ended March 31, 2014				
Non-vested				
March 31, 2013—Outstanding				
Granted				
Canceled				
Vested				
March 31, 2014—Outstanding				
Vested				
March 31, 2013—Outstanding	46,800	482,100	67,200	69,400
Vested				
Exercised	(1,500)	(95,700)	(900)	(2,000)
Canceled		6,000	(800)	(6,000)
March 31, 2014—Outstanding	45,300	392,400	65,500	61,400
Exercise price	¥455 ($4.4)	¥404 ($3.9)	¥512 ($5.0)	¥475 ($4.6)
Average stock price at exercise	¥534 ($5.2)	¥528 ($5.1)	¥603 ($5.9)	¥487 ($4.7)

	2008 Stock Option (1)	2008 Stock Option (2)	2008 Stock Option (3)	2008 Stock Option (4)
	(Shares)			
Year Ended March 31, 2013				
Non-vested				
March 31, 2012—Outstanding	45,100	270,000	13,900	14,200
Granted				
Canceled	(100)	(70,300)	(1,000)	(200)
Vested	(45,000)	(199,700)	(12,900)	(14,000)
March 31, 2013—Outstanding				
Vested				
March 31, 2012—Outstanding	93,300	767,300	18,600	17,900
Vested	45,000	199,700	12,900	14,000
Exercised			(200)	
Canceled	(7,400)	(291,000)	(1,900)	(200)
March 31, 2013—Outstanding	130,900	676,000	29,400	31,700
Year Ended March 31, 2014				
Non-vested				
March 31, 2013—Outstanding				
Granted				
Canceled				
Vested				
March 31, 2014—Outstanding				
Vested				
March 31, 2013—Outstanding	130,900	676,000	29,400	31,700
Vested				
Exercised	(2,200)	(117,200)	(4,700)	(6,300)
Canceled	(12,200)	(16,800)	(200)	(4,100)
March 31, 2014—Outstanding	116,500	542,000	24,500	21,300
Exercise price	¥518	¥406	¥340	¥324
	($5.0)	($3.9)	($3.3)	($3.1)
Average stock price at exercise	¥611	¥515	¥529	¥501
	($5.9)	($5.0)	($5.1)	($4.9)

	2009 Stock Option (1)	2009 Stock Option (2)	2009 Stock Option (3)	2009 Stock Option (4)
	(Shares)			
Year Ended March 31, 2013				
Non-vested				
March 31, 2012—Outstanding	41,000	595,100	11,800	25,600
Granted				
Canceled	(1,700)	(168,300)	(600)	(700)
Vested	(17,700)	(212,900)	(3,800)	(8,900)
March 31, 2013—Outstanding	21,600	213,900	7,400	16,000
Vested				
March 31, 2012—Outstanding	34,900	571,500	9,400	21,800
Vested	17,700	212,900	3,800	8,900
Exercised	(4,200)	(12,600)		
Canceled	(4,000)	(209,500)	(1,300)	(800)
March 31, 2013—Outstanding	44,400	562,300	11,900	29,900
Year Ended March 31, 2014				
Non-vested				
March 31, 2013—Outstanding	21,600	213,900	7,400	16,000
Granted				
Canceled		(9,000)	(200)	(100)
Vested	(21,600)	(204,900)	(7,200)	(15,900)
March 31, 2014—Outstanding				
Vested				
March 31, 2013—Outstanding	44,400	562,300	11,900	29,900
Vested	21,600	204,900	7,200	15,900
Exercised	(27,600)	(238,200)	(9,100)	(8,500)
Canceled		(5,900)	(300)	
March 31, 2014—Outstanding	38,400	523,100	9,700	37,300
Exercise price	¥269	¥307	¥288	¥321
	($2.6)	($3.0)	($2.8)	($3.1)
Average stock price at exercise	¥527	¥513	¥533	¥540
	($5.1)	($5.0)	($5.2)	($5.2)

	2010 Stock Option (1)	2010 Stock Option (2)	2010 Stock Option (3)	2010 Stock Option (4)
	(Shares)			
Year Ended March 31, 2013				
Non-vested				
March 31, 2012—Outstanding	63,800	1,134,100	28,400	53,900
Granted				
Canceled	(3,200)	(334,600)	(2,200)	(3,300)
Vested	(28,500)	(417,600)	(9,900)	(22,300)
March 31, 2013—Outstanding	32,100	381,900	16,300	28,300
Vested				
March 31, 2012—Outstanding				
Vested	28,500	417,600	9,900	22,300
Exercised		(8,800)		(100)
Canceled	(1,900)	(42,700)		
March 31, 2013—Outstanding	26,600	366,100	9,900	22,200
Year Ended March 31, 2014				
Non-vested				
March 31, 2013—Outstanding	32,100	381,900	16,300	28,300
Granted				
Canceled	(1,500)	(18,700)	(200)	(500)
Vested	(10,500)	(173,500)	(4,300)	(10,500)
March 31, 2014—Outstanding	20,100	189,700	11,800	17,300
Vested				
March 31, 2013—Outstanding	26,600	366,100	9,900	22,200
Vested	10,500	173,500	4,300	10,500
Exercised	(4,900)	(104,800)	(1,300)	(2,200)
Canceled	(400)	(6,200)	(100)	
March 31, 2014—Outstanding	31,800	428,600	12,800	30,500
Exercise price	¥359	¥347	¥289	¥312
	($3.5)	($3.4)	($2.8)	($3.0)
Average stock price at exercise	¥511	¥505	¥504	¥550
	($5.0)	($4.9)	($4.9)	($5.3)

	2011 Stock Option (1)	2011 Stock Option (2)	2011 Stock Option (3)	2011 Stock Option (4)
	(Shares)			
Year Ended March 31, 2013				
Non-vested				
March 31, 2012—Outstanding	54,200	1,204,900	88,100	68,400
Granted				
Canceled	(6,900)	(378,600)	(4,000)	(500)
Vested				
March 31, 2013—Outstanding	47,300	826,300	84,100	67,900
Vested				
March 31, 2012—Outstanding				
Vested				
Exercised				
Canceled				
March 31, 2013—Outstanding				
Year Ended March 31, 2014				
Non-vested				
March 31, 2013—Outstanding	47,300	826,300	84,100	67,900
Granted				
Canceled	(400)	(36,900)	(1,700)	(21,400)
Vested	(18,200)	(393,800)	(36,400)	(20,000)
March 31, 2014—Outstanding	28,700	395,600	46,000	26,500
Vested				
March 31, 2013—Outstanding				
Vested	18,200	393,800	36,400	20,000
Exercised	(1,200)	(108,500)	(2,800)	(600)
Canceled			(100)	
March 31, 2014—Outstanding	17,000	285,300	33,500	19,400
Exercise price	¥280	¥277	¥253	¥249
	($2.7)	($2.7)	($2.5)	($2.4)
Average stock price at exercise	¥518	¥532	¥561	¥624
	($5.0)	($5.2)	($5.5)	($6.1)

	2012 Stock Option (1)	2012 Stock Option (2)	2013 Stock Option (1)	2013 Stock Option (2)
	(Shares)			
Year Ended March 31, 2013				
Non-vested				
March 31, 2012—Outstanding				
Granted	182,200	25,910,000		
Canceled	(3,500)			
Vested				
March 31, 2013—Outstanding	178,700	25,910,000		
Vested				
March 31, 2012—Outstanding				
Vested				
Exercised				
Canceled				
March 31, 2013—Outstanding				
Year Ended March 31, 2014				
Non-vested				
March 31, 2013—Outstanding				
Granted	178,700	25,910,000	10,046,000	25,630,000
Canceled		(1,170,000)	(318,000)	(130,000)
Vested				
March 31, 2014—Outstanding	178,700	24,740,000	9,728,000	25,500,000
Vested				
March 31, 2013—Outstanding				
Vested				
Exercised				
Canceled				
March 31, 2014—Outstanding				
Exercise price	¥254 ($2.5)	¥324 ($3.1)	¥493 ($4.8)	¥514 ($5.0)
Average stock price at exercise				

Fair value information of stock options granted on or after May 1, 2006, which is required to be disclosed 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.	¥309.58 ($3.0)	¥245.64 ($2.4)	¥238.32 ($2.3)	¥204.35 ($2.0)
b.	¥357.82 ($3.5)	¥268.03 ($2.6)	¥253.11 ($2.5)	¥234.48 ($2.3)
c.	¥391.96 ($3.8)	¥281.56 ($2.7)	¥267.66 ($2.6)	¥255.78 ($2.5)

	2007 Stock Option (1)	2007 Stock Option (2)	2007 Stock Option (3)	2007 Stock Option (4)
Fair value price at grant date:				
a.	¥225.86 ($2.2)	¥170.61 ($1.7)	¥209.00 ($2.0)	¥202.89 ($2.0)
b.	¥256.97 ($2.5)	¥181.21 ($1.8)	¥236.51 ($2.3)	¥231.28 ($2.2)
c.	¥272.06 ($2.6)	¥206.59 ($2.0)	¥268.53 ($2.6)	¥246.91 ($2.4)

	2008 Stock Option (1)	2008 Stock Option (2)	2008 Stock Option (3)	2008 Stock Option (4)
Fair value price at grant date:				
a.	¥165.38 ($1.6)	¥149.18 ($1.4)	¥145.54 ($1.4)	¥102.04 ($1.0)
b.	¥185.25 ($1.8)	¥157.16 ($1.5)	¥150.75 ($1.5)	¥107.15 ($1.0)
c.	¥210.37 ($2.0)	¥179.80 ($1.7)	¥163.95 ($1.6)	¥112.62 ($1.1)

	2009 Stock Option (1)	2009 Stock Option (2)	2009 Stock Option (3)	2009 Stock Option (4)
Fair value price at grant date:				
a.	¥94.99 ($0.9)	¥122.64 ($1.2)	¥96.01 ($0.9)	¥121.52 ($1.2)
b.	¥103.38 ($1.0)	¥132.47 ($1.3)	¥102.71 ($1.0)	¥129.87 ($1.3)
c.	¥107.01 ($1.0)	¥137.47 ($1.3)	¥111.93 ($1.1)	¥139.92 ($1.4)

	2010 Stock Option (1)	2010 Stock Option (2)	2010 Stock Option (3)	2010 Stock Option (4)
Fair value price at grant date:				
a.	¥116.31 ($1.1)	¥100.77 ($1.0)	¥92.84 ($0.9)	¥105.08 ($1.0)
b.	¥123.89 ($1.2)	¥107.34 ($1.0)	¥95.18 ($0.9)	¥106.41 ($1.0)
c.	¥131.74 ($1.3)	¥115.07 ($1.1)	¥101.09 ($1.0)	¥112.64 ($1.1)

	2011 Stock Option (1)	2011 Stock Option (2)	2011 Stock Option (3)	2011 Stock Option (4)
Fair value price at grant date:				
a.	¥88.99 ($0.9)	¥76.34 ($0.7)	¥69.63 ($0.7)	¥78.65 ($0.8)
b.	¥89.87 ($0.9)	¥77.11 ($0.7)	¥71.58 ($0.7)	¥82.78 ($0.8)
c.	¥91.68 ($0.9)	¥77.80 ($0.8)	¥72.35 ($0.7)	¥83.43 ($0.8)

	2012 Stock Option (1)	2012 Stock Option (2)	2013 Stock Option (1)	2013 Stock Option (2)
Fair value price at grant date:				
a.	¥66.17 ($0.6)	¥2.72 ($0.0)	¥5.54 ($0.1)	¥1.34 ($0.0)
b.	¥69.03 ($0.7)			
c.	¥70.98 ($0.7)			

Note: The stock options of the Company, except 2012 Stock Option (2), 2013 Stock Option (1), and 2013 Stock Option (2), vest in three phases as denoted in a, b, and c 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 years ended March 31, 2014 and 2013, are as follows:

Year Ended March 31, 2014

Estimation method: Monte Carlo Simulation

	2013 Stock Option (1)	2013 Stock Option (2)
Volatility of stock price	38.27%	37.15%
Remaining period	10 years	10 years
Estimated dividend (dividend yield)	0.70%	0.78%
Risk free interest rate	0.585%	0.605%

Notes:
1. Volatility of stock price is based on the actual stock prices that correspond to the 10-year remaining periods.
2. Subscription date:
   a. 2013 Stock Option (1): May 17, 2013
   b. 2014 Stock Option (2): November 19, 2013
3. Exercise period:
   a. 2013 Stock Option (1): From July 1, 2014 to May 16, 2023
   b. 2014 Stock Option (2): From July 1, 2015 to November 18, 2023

4. Estimated dividend is determined based on the actual dividend applicable to:

   a. 2013 Stock Option (1): Year ended March 31, 2012
   b. 2014 Stock Option (2): Year ended March 31, 2013

5. For the risk free interest rate, the Company uses yields of following Japanese government bonds that correspond to the remaining periods of the options:

   a. 2013 Stock Option (1): Japanese government bond 328 for which the maturity date is March 20, 2023
   b. 2014 Stock Option (2): Japanese government bond 330 for which the maturity date is September 20, 2023

Year Ended March 31, 2013

a. 2012 Stock Option (1)

Estimation method: Black-Scholes option pricing model

	2012 Stock Option (1)
Volatility of stock price:	
a.	37.8%
b.	38.0%
c.	37.8%
Estimated remaining outstanding period:	
a.	5.97 years
b.	6.47 years
c.	6.97 years
Estimated dividend (dividend yield)	1.48%
Risk free interest rate:	
a.	0.34%
b.	0.40%
c.	0.47%

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:

   2012 Stock Option (1):
   a. From May 29, 2006 to May 16, 2012
   b. From November 28, 2005 to May 16, 2012
   c. From May 30, 2005 to May 16, 2012

3. Estimated remaining outstanding period is determined based on the assumption that all the options are exercised by the median date of the exercise period.

4. Estimated dividend is determined based on the actual dividend applicable to the year ended March 31, 2012.

5. For the risk free interest rate, the Company uses the yield of the Japanese treasury bond applicable to the estimated remaining outstanding period of the options.

6. Estimated number of options vested is determined based on the actual termination ratio of employees.

b. 2012 Stock Option (2)

Estimation method: Monte Carlo Simulation

	2012 Stock Option (2)
Volatility of stock price	39.99%
Remaining period	10 years
Estimated dividend (dividend yield)	1.07%
Risk free interest rate	0.725%

Notes:
1. Volatility of stock price is based on the actual stock prices of the period from February 24, 2005 to March 1, 2013.

2. Subscription date was March 1, 2013.

3. Exercise period is from July 1, 2014 to February 28, 2023.

4. Estimated dividend is determined based on the actual dividend applicable to the year ended March 31, 2012.

5. For the risk free interest rate, the Company uses the yield of Japanese government bond 326, which corresponds to the remaining period of the options.

7. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a statutory tax rate of approximately 38.0% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets:			
Enterprise tax payable	¥ 3,041	¥ 3,263	$ 29,547
Tax loss carryforwards	1,116	1,390	10,843
Depreciation and amortization	5,575	4,975	54,168
Provision for Yahoo! Points	994	1,543	9,658
Accrued bonus	2,403	1,554	23,348
Write-down of investment securities	1,271	992	12,349
Other	2,454	2,665	23,845
Less valuation allowance	(1,515)	(2,167)	(14,720)
Total	15,339	14,215	149,038
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	3,145	2,365	30,558
Assets identified in a business combination	1,534	1,701	14,904
Total	4,679	4,066	45,462
Net deferred tax assets	¥ 10,660	¥ 10,149	$ 103,576

Balances of deferred tax assets and liabilities included in the consolidated balance sheet are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets—current (included in other current assets)	¥ 7,543	¥ 7,398	$ 73,291
Deferred tax assets—non-current	3,155	2,782	30,655
Deferred tax liabilities—current (included in other current liabilities)	(1)		(10)
Deferred tax liabilities—non-current (included in long-term liabilities)	(37)	(31)	(360)
Net deferred tax assets	¥ 10,660	¥ 10,149	$ 103,576

Differences between the statutory tax rates and the effective tax rates for the years ended March 31, 2014 and 2013, are not presented because the differences between the two tax rates were immaterial.

On March 31, 2014, new tax reform laws were promulgated in Japan, which changed the statutory tax rate from approximately 38.0% to 35.6% effective for the years beginning on or after April 1, 2014. In accordance with this change, deferred tax assets and liabilities are determined by using the new tax rate. The effect of this change was not material.

8. COMPREHENSIVE INCOME

Reclassification adjustments and tax effects on other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Net unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 6,930	¥ 4,198	$ 67,334
Reclassification adjustments to profit or loss	(4,678)	24	(45,453)
Amount before income tax effect	2,252	4,222	21,881
Income tax effect	(800)	(1,506)	(7,773)
Other comprehensive income—Net unrealized gain on available-for-sale securities	¥ 1,452	¥ 2,716	$ 14,108
Deferred gain (loss) on derivatives under hedge accounting:			
Losses (gains) arising during the year	¥ 4	¥ (4)	$ 38
Reclassification adjustments to profit or loss			
Amount before income tax effect	4	(4)	38
Income tax effect	(2)	2	(19)
Other comprehensive income—Deferred gain (loss) on derivatives under hedge accounting	¥ 2	¥ (2)	$ 19
Foreign currency translation adjustments:			
Gains arising during the year	¥ 175	¥ 306	$ 1,701
Reclassification adjustments to profit or loss			
Other comprehensive income—Foreign currency translation adjustments	¥ 175	¥ 306	$ 1,701
Share of other comprehensive income in associated companies accounted for by the equity method:			
Gains arising during the year	¥ 191	¥ 41	$ 1,856
Reclassification adjustments to profit or loss			
Other comprehensive income—Share of other comprehensive income in associated companies accounted for by the equity method	¥ 191	¥ 41	$ 1,856
Total other comprehensive income	¥ 1,820	¥ 3,061	$ 17,684

9. LEASES

Leased assets of the Group mainly comprise multifunction printers.

Total rental expenses under operating lease contracts included in the consolidated statement of income for the years ended March 31, 2014 and 2013, were ¥6,203 million ($60,270 thousand) and ¥6,344 million, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 6,806	$ 66,129
Due after one year	11,821	114,856
Total	¥ 18,627	$ 180,985

10. RELATED PARTY TRANSACTIONS

Transactions of the Group with related parties for the years ended March 31, 2014 and 2013, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Transaction of the Company with SOFTBANK CORP.—Interest income (Note 1)		¥ 1,190	
Transaction of the Company with MOVIDA JAPAN Inc.—Commission (Note 2)	¥ 27		$ 262
Transaction of the Company with Creative Link Corporation—Commission (Note 2)	54		525
Transaction with individuals (directors)—Exercise of stock options	11	115	107
Transaction with individuals (directors)—Grant of stock options (Note 3)	24		233

Notes:
1. On January 25, 2011, the Company sold its investment in BB Mobile Corp. ("BBM") to SOFTBANK CORP. ("SOFTBANK"). The selling price of this transaction was determined based on negotiations considering the financial condition of BBM, appraisal value, and other factors. The long-term other receivables arising from this transaction are interest-bearing with interest rates determined based on negotiation considering normal market rates. There was no gain or loss on the sale.

2. MOVIDA JAPAN Inc. and Creative Link Corporation are companies in which Mr. Taizo Son, a family member of the Company's Chairman, holds a majority of voting rights. Terms and conditions of the transactions are determined based on market prices and nature of the services to be rendered by those companies.

3. This represents consideration received from two directors for granting stock options to them. The amount of consideration was determined by a third-party appraiser by using a Monte Carlo simulation, a common price assessment model, based on the Company's stock price and other factors.

The balance due to or due from related parties listed in the above table at March 31, 2014, is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Accounts payable	¥ 9	$ 87

No balance remained at March 31, 2013.

11. NET INCOME PER SHARE

A reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2014 and 2013, after reflecting the hundred-for-one stock split as discussed in Note 5, is as follows:

	Millions of Yen	Thousands	Yen	U.S. Dollars
Year Ended March 31, 2014	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥ 125,116	5,732,878	¥ 21.82	$ 0.21
Effect of dilutive securities—Warrants		1,369		
Diluted EPS—Net income for computation	¥ 125,116	5,734,247	¥ 21.82	$ 0.21
Year Ended March 31, 2013				
Basic EPS—Net income available to common shareholders	¥ 115,036	5,797,257	¥ 19.84	
Effect of dilutive securities—Warrants		558		
Diluted EPS—Net income for computation	¥ 115,036	5,797,815	¥ 19.84	

12. COMMITMENTS

The Company provides cash advance services to customers in its credit card operations.

The total amount of the committed lines of cash advances granted and available for customers, outstanding balance, and remaining balance at March 31, 2014 and 2013, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Total amount of the committed lines of cash advances	¥ 7,767	¥ 12,781	$ 75,466
Outstanding balance	777	944	7,550
Remaining balance	¥ 6,990	¥ 11,837	$ 67,916

13. SEGMENT INFORMATION

The reportable segments are components of the Group for which separate financial information is available, and whose operating results are reviewed periodically by the Board of Directors to determine allocation of operating resources and evaluate their performance. Segment income is computed based on operating income with certain adjustments for non-operating income and expense such as interest income/expense, foreign exchange gain/loss, equity in earnings/losses of associated companies, and others. The reportable segment information is prepared under the same accounting policies as discussed in Note 2.

The Group has two reportable segments, namely, (1) marketing solutions business and (2) consumer business. Businesses other than the reportable segments are summarized as other business.

The marketing solutions business segment comprises (1) planning and sales of Internet-based advertising-related services, (2) information listing services, and (3) other corporate services.

The consumer business segment comprises e-commerce related services and membership services.

Effective April 1, 2013, the Group reclassified certain services by transferring them into another reportable segment in order to provide services more effectively and to respond to the changing market more rapidly. The reclassification mainly consists of a transfer of the game-related services from the consumer business to the marketing solutions business. Segment information as of and for the year ended March 31, 2013, is presented after reflecting this reclassification of services.

Segment information of the Group as of and for the year ended March 31, 2014, is as follows:

a. Sales, Income and Related Information, by Reportable Segments

	Millions of Yen					
	2014					
	Reportable Segments					
	Marketing Solutions Business	Consumer Business	Total	Other Business	Reconciliation	Consolidated
Sales to customers	¥ 268,371	¥ 98,314	¥ 366,685	¥ 19,599		¥ 386,284
Intersegment sales	4,198	3,489	7,687	2,999	¥ (10,686)	
Total sales	¥ 272,569	¥ 101,803	¥ 374,372	¥ 22,598	¥ (10,686)	¥ 386,284
Segment income	¥ 147,003	¥ 66,773	¥ 213,776	¥ 7,553	¥ (23,913)	¥ 197,416
Depreciation and amortization	¥ 4,987	¥ 937	¥ 5,924	¥ 2,795	¥ 5,495	¥ 14,214
Amortization of goodwill	1,010	72	1,082	1,415		2,497
Loss on write-down of the unamortized balance of goodwill	415	207	622	207		829
Remaining balance of goodwill	3,760		3,760	6,458		10,218
Impairment loss	895	1,226	2,121	325	268	2,714
Interest received—net	6		6	37	459	502
Equity in losses of associated companies accounted for by the equity method	(69)	(90)	(159)	(542)		(701)

b. Reconciliation between Segment Income and the Consolidated Financial Statements

	Millions of Yen
	2014
Total segment income for reportable segments	¥ 213,776
Segment income for other business	7,553
Corporate expenses (see Note below)	(23,695)
Interest and dividend income	739
Interest expense	(1)
Gain on foreign exchange—net	251
Equity in losses of associated companies	(701)
Other	(506)
Operating income as per the consolidated financial statements	¥ 197,416

c. Sales to Customers, by Services

	Millions of Yen			
	2014			
	Advertising	Business	Individual	Total
Sales to customers	¥ 215,780	¥ 70,358	¥ 100,146	¥ 386,284

Note: Corporate expenses consist primarily of general and administrative expenses that are not allocable to segments.

a. Sales, Income and Related Information, by Reportable Segments

	Thousands of U.S. Dollars					
	2014					
	Reportable Segments					
	Marketing Solutions Business	Consumer Business	Total	Other Business	Reconciliation	Consolidated
Sales to customers	$ 2,607,569	$ 955,247	$ 3,562,816	$ 190,429		$ 3,753,245
Intersegment sales	40,789	33,900	74,689	29,139	$ (103,828)	
Total sales	$ 2,648,358	$ 989,147	$ 3,637,505	$ 219,568	$ (103,828)	$ 3,753,245
Segment income	$ 1,428,323	$ 648,785	$ 2,077,108	$ 73,387	$ (232,345)	$ 1,918,150
Depreciation and amortization	$ 48,455	$ 9,104	$ 57,559	$ 27,157	$ 53,391	$ 138,107
Amortization of goodwill	9,813	700	10,513	13,749		24,262
Loss on write-down of the unamortized balance of goodwill	4,032	2,012	6,044	2,011		8,055
Remaining balance of goodwill	36,533		36,533	62,748		99,281
Impairment loss	8,696	11,912	20,608	3,158	2,604	26,370
Interest received—net	58		58	360	4,460	4,878
Equity in losses of associated companies accounted for by the equity method	(670)	(875)	(1,545)	(5,266)		(6,811)

b. Reconciliation between Segment Income and the Consolidated Financial Statements

	Thousands of U.S. Dollars 2014
Total segment income for reportable segments	$ 2,077,108
Segment income for other business	73,387
Corporate expenses (see Note below)	(230,227)
Interest and dividend income	7,180
Interest expense	(10)
Gain on foreign exchange—net	2,439
Equity in losses of associated companies	(6,811)
Other	(4,916)
Operating income as per the consolidated financial statements	$ 1,918,150

c. Sales to Customers, by Services

	Thousands of U.S. Dollars			
	2014			
	Advertising	Business	Individual	Total
Sales to customers	$ 2,096,580	$ 683,618	$ 973,047	$ 3,753,245

Note: Corporate expenses consist primarily of general and administrative expenses that are not allocable to segments.

Segment information of the Group as of and for the year ended March 31, 2013, is as follows:

a. Sales, Income and Related Information, by Reportable Segments

	Millions of Yen					
	2013					
	Reportable Segments					
	Marketing Solutions Business	Consumer Business	Total	Other Business	Reconciliation	Consolidated
Sales to customers	¥ 231,716	¥ 98,014	¥ 329,730	¥ 13,260		¥ 342,990
Intersegment sales	3,721	3,029	6,750	1,193	¥ (7,943)	
Total sales	¥ 235,437	¥ 101,043	¥ 336,480	¥ 14,453	¥ (7,943)	¥ 342,990
Segment income	¥ 129,662	¥ 75,815	¥ 205,477	¥ 3,795	¥ (22,920)	¥ 186,352
Depreciation and amortization	¥ 4,471	¥ 1,158	¥ 5,629	¥ 2,007	¥ 4,552	¥ 12,188
Amortization of goodwill	816	30	846	423		1,269
Remaining balance of goodwill	3,303	530	3,833	8,081		11,914
Interest received (paid)—net	2	(1)	1	10	1,433	1,444
Equity in earnings (losses) of associated companies accounted for by the equity method	291	930	1,221	(20)	(472)	729

b. Reconciliation between Segment Income and the Consolidated Financial Statements

	Millions of Yen
	2013
Total segment income for reportable segments	¥ 205,477
Segment income for other business	3,795
Corporate expenses (see Note below)	(20,626)
Interest and dividend income	1,604
Interest expense	(4)
Gain on foreign exchange—net	161
Equity in earnings of associated companies	729
Other	(4,784)
Operating income as per the consolidated financial statements	¥ 186,352

c. Sales to Customers, by Services

	Millions of Yen			
	2013			
	Advertising	Business	Individual	Total
Sales to customers	¥ 190,507	¥ 68,493	¥ 83,990	¥ 342,990

Note: Corporate expenses consist primarily of general and administrative expenses that are not allocable to segments.

14. SUBSEQUENT EVENTS

The following appropriation of retained earnings at March 31, 2014, was approved at the Company's Board of Directors' meeting held on May 16, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥4.43 ($0.04) per share	¥ 25,224	$ 245,084

Note: Per share figures are based on the number of shares after implementing the hundred-for-one stock split as discussed in Note 5.

15. CANCELLATION OF PURCHASE OF SHARES OF EACCESS LTD.

On March 27, 2014, the Board of Directors resolved that the Company would purchase shares of eAccess Ltd. ("eAccess") from SOFTBANK. On the same date, the Company and SOFTBANK entered into a sales and purchase agreement for this transaction.

After the resolution was approved on March 27, 2014, the Company and SOFTBANK held further in-depth discussions on the mutual use of networks, service design, etc. As a result of these discussions, the Company came to the conclusion that rather than converting eAccess to a consolidated subsidiary of the Company and building an infrastructure on its own, it would be better to develop the business by employing the strengths of each company, with the Company responsible for services and eAccess for infrastructure. Consequently, the Board of Directors of the Company decided in a meeting held on May 19, 2014, to terminate the purchase of eAccess shares and related fund-raising.

* * * * * *

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Yahoo Japan Corporation:

We have audited the accompanying consolidated balance sheet of Yahoo Japan Corporation and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 15 to the consolidated financial statements, the Board of Directors decided to terminate the purchase of shares of eAccess Ltd. in a meeting held on May 19, 2014. Our opinion is not qualified in respect of this matter.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

Tokyo, Japan
June 13, 2014

Risk Factors

Major risk factors with regard to the businesses of Yahoo Japan Corporation (the Company) and its consolidated subsidiaries and affiliates (the Yahoo Japan Group) as of the publication date of this document are discussed below. We proactively disclose risk factors deemed necessary for potential investors to consider in their investment decision-making, including external factors beyond our control and business risks with a low probability of materializing. Cognizant of potential risks, we make every effort to prevent them 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 Yahoo Japan Group and its future performance. Please note that the following is not an exhaustive discussion of all risk factors that should be considered before investing in the shares of the Company.

1. Impact of Internet Markets and Competition

1) Macroeconomic Trends, Internet Markets, and Users

a. The Yahoo Japan 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 spread of broadband communications as well as to advances in and proliferation of smart devices. Because the Yahoo Japan 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 Internet regulations or fees 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. Continuous growth in our advertising media value is uncertain.

The Internet-based advertising industry in Japan is generally thought to have begun with the Company's start of operations in 1996. Since then, the Internet advertising market has grown significantly, accounting for 15.7% of the total domestic advertising market in calendar year 2013, according to a DENTSU INC. report.

The Yahoo Japan Group engages in a range of activities aimed at enhancing its advertising media value. In the area of premium advertising, for example, we endeavor to expand and stabilize our 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 the area of promotion advertising, meanwhile, we are working to improve the match between advertisements and the interests of each user, thereby becoming a more valuable media both for users and for advertisers.

However, further progress in this regard could be hindered by such factors as extremely slow growth in the Internet advertising market or a premature tapering-off of growth in the market. As a result, we might not achieve anticipated levels of advertising revenues, which would negatively impact our business performance.

c. Cyclical macroeconomic trends could contribute to underlying volatility in our advertising-based revenue and earnings streams.

The advertising business is highly susceptible to trends in the overall economy. During downturns, advertising expenditures are among the first that companies reduce. 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 could contribute to underlying volatility in our advertising revenue stream.

Recruiting, real estate, and other information listing services, in particular, are influenced by macroeconomic trends. Furthermore, because our 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 our earnings stream.

d. Trends in advertising budget allocations could affect our advertising revenues.

Generally in Japan, major corporations outsource the bulk of their advertising activities to advertising agencies. In addition to how the advertising budget is allocated among the various media, for example, Internet, television, and newspapers, our advertising revenues depend on the inclinations of major corporate advertisers and the amount of

discretion granted to advertising agencies. While we have implemented various measures to enhance Yahoo! JAPAN's appeal as an advertising media, including efforts to boost the effectiveness of advertising products, trends in advertising budget allocations among the various media could affect our advertising revenues.

e. We might fail to attain a share of the mobile advertising market comparable to our share of the PC market.
Based on projections that advertising via Internet-enabled terminals such as smart devices will grow at a quickening pace, the Yahoo Japan Group is prioritizing the provision of smart device services ahead of PC services under the slogan of Smart Devices First. However, if mobile Internet use expands substantially but we fail to acquire the share of user numbers or usage times that we command in the PC market, a drop in viewer rates and a corresponding reduction in market share might ensue. As a result, advertising revenue growth could taper off, with negative consequences for earnings.

f. Markets for our information listing and e-commerce services might not expand as anticipated.
To expand the market for our recruiting, real estate, and other information listing services, we are leveraging the convenience and dominant brand strength of the Yahoo! JAPAN site to attract new customers. Using an enhanced marketing infrastructure, we are working to expand revenues from YAHUOKU! (formerly Yahoo! Auctions) and Yahoo! Shopping. Despite these efforts, markets might not expand for any of various reasons. 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 our auction and shopping services might not increase as anticipated, and associated transaction values might be less than expected. Any of these factors could negatively affect our business performance.

g. Technological change in the broadband market could affect our income.
Yahoo! BB, a 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 with FLET'S*, a comprehensive broadband FTTH service. Even so, projected levels of new subscribers or sales might be impossible to achieve, or existing customers might shift to competing services. Moreover, unanticipated expenses might arise. Any of these factors could negatively affect our income.
*FLET'S is a trademark of NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION (NTT EAST) and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (NTT WEST).

h. A slowdown in the growth rate of users of member services and other fee-based services could affect our revenues.
With the spread of broadband and mobile communications in recent years, the number of Internet users has increased dramatically, fueling growth in the number of potential users of Yahoo! JAPAN member services and other fee-based services. (Our premier member service, Yahoo! Premium, grants to subscribers special members-only benefits and entitlements.) Eventually, however, broadband and mobile phone proliferation in Japan will reach a saturation point and growth in the number of Internet users will begin to slow. If, as a result, growth in the number of users of Yahoo! JAPAN member services and other fee-based services also slows, so too is growth in revenue derived from these services likely to decline. To offset the expected decline in revenue growth, we are implementing various measures to promote broader usage of Yahoo! JAPAN member services and other fee-based services. Despite these efforts, it is possible that growth in revenues derived from member services and other fee-based services could slow, which could negatively impact our overall revenues.

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

2) Competition
With competitors in each of our service areas, we might have difficulties maintaining our dominant position in the Japanese Internet market.
Our flagship Yahoo! JAPAN portal site offers a diverse range of services over the Internet, including 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. We have multiple competitors in each of these service areas.

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

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

3) Reliance on Other Companies' Products and Services

In providing services, the Yahoo Japan Group relies on other companies' products and services, including electricity, servers, Internet connection lines, information devices, and software.

Many of the products and services necessary for the provision of our services, including electricity, servers, Internet connection lines, information devices, and software, are provided by other companies. The smooth, uninterrupted provision of such products and services is a prerequisite to the successful provision of our services.

In providing Yahoo! JAPAN services, we depend in particular on electricity to run our servers and other equipment and facilities. Given the possibility of disruptions to the electric power supply arising from power blackouts, usage restrictions, or other eventualities, we are setting up duplicate data centers and independent power generation facilities. In the case of an electric power supply disruption actually occurring, we are prepared to respond quickly and appropriately throughout the Yahoo Japan Group. Despite these proactive efforts, if for some unanticipated reason we are unable either to continuously provide services or to quickly restore them following an electric power supply disruption, our revenues and brand image could be negatively affected. In addition, higher electricity charges could reduce our profitability.

Today, users can choose from several types of browser software for viewing Web sites and from a range of information devices including PCs, smart devices, TVs, video-game consoles, and car navigation systems for accessing the Internet. Some types of browser software and certain information devices, however, are incompatible with Yahoo! JAPAN services, in most cases owing to 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 our services, thereby negatively affecting our revenues.

4) Technological Change

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

The computer industry is well known for technological innovation. The Internet industry is continuously developing new multimedia protocols and technologies. Our 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.

To keep up with the market and maintain competitiveness, we plan to implement innovative technologies while continuously improving and expanding services. Nevertheless, if we are slow to implement new technologies emerging in the market and our services become obsolete as a result, we could suffer a decline in competitiveness.

2. Legal and Institutional Changes

1) Legal Restrictions

a. New laws or amendments relating to the Yahoo Japan Group or to the Internet industry as a whole could negatively affect our 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, we comply with all laws and regulations and carry out policies and awareness campaigns in cooperation with relevant organizations.

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

b. Changes to the Provider Liability Limitation Law could restrict our business.

The Act on the Limitation of Liability for Damages of Specified Telecommunications Service Providers and the Right to Demand 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 the Civil Code and therefore does not increase the liability of businesses that act as intermediates in Internet-based information distribution. Should a social consensus in support of increased liability of information distribution intermediates emerge, however, our 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 Act could restrict our business.

In order to operate Internet-based information communication services, we are required to comply with the Telecommunications Business Act and related ordinances enforced by relevant government divisions. Amendments to this law or to related ordinances could restrict our business.

d. The Act on Development of an Environment that Provides Safe and Secure Internet Use for Young People could impinge upon the development of the Internet industry in Japan.

Since its establishment, the Yahoo Japan Group has undertaken 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 April 2009, the government began enforcing the Act on Development of an Environment that Provides Safe and Secure Internet Use for Young People. Based on the content of the act and the nature of the Yahoo Japan Group’s business, we expect the effect on our business to be minor. 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 our performance.

e. Legislation relating to e-commerce business could negatively affect our earnings.

Listings of illegal items on YAHUOKU! have been reported and other cases of fraudulent activity identified. When sellers, who are subject to the Act on Specified Commercial Transactions, list branded products for auction, we instruct them to properly identify themselves and will revoke their IDs if they do not comply. In collaboration with Internet auction operators DeNA Co., Ltd., and Rakuten, Inc., we have 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 Company is actively working to devise measures to prevent violations. For example, to help educate participants in Internet auctions, we have published on our Web site "Intellectual Property Rights Protection Guide," which defines and explains copyrights, image rights, and trademarks.

Mirroring the evolution of YAHUOKU!, an increasing number of stores registered on Yahoo! Shopping could lead to a higher number of violations of our usage guidelines and restrictions, resulting in a growing number of buyer complaints. Proactively addressing this potential problem, we are applying the accumulated know-how and proven operational methods for reducing fraudulent activity on YAHUOKU! to our Yahoo! Shopping business.

If these measures fail to bring about the expected results and reports of illegal merchandise and other fraudulent activities persist, 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 our earnings.

f. Legislation relating to social media services could affect our 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. We prohibit postings containing copyright-protected content and make concerted efforts to prevent and eliminate such infringements, such as operating a patrol system for detecting illegal content, soliciting user reports of illegal content, and responding swiftly to requests by legitimate rights holders to remove illegal content.

If these measures fail to bring about the expected results and reports of illegal postings continue and become an object of public concern, new legislation might be enacted that could restrict comment posting services on the Internet. Depending on the degree of restriction entailed, such legislation could significantly affect our provision of services that incorporate social media functions.

g. The formulation of new laws or amendments to existing laws concerning financial services could affect the Yahoo Japan Group.

In the area of financial services, we offer the Yahoo! Card service. In this service, we independently issue credit cards and offer loans, including cash advances, which activities bring us under both the Money Lending Business Act and the Interest Limitation Law. Under the former, the Company is registered as a money lender with the Kanto Local Finance Bureau. As a result of a recent revision to the Money Lending Business Act lowering 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. Because we had already lowered our interest rates in May 2008, before enforcement of the revised law, we believe that the impact on our business will be insignificant.

Strengthening or revising our financial services compliance structure and computer systems in response to a tightening of relevant regulations might entail increased costs and could therefore negatively impact our earnings.

h. In addition to legal restrictions, official administrative guidance and governmental requirements could adversely affect our service provision and business performance.

In addition to the aforementioned legal restrictions, official administrative guidance and requirements by the national government, governmental ministries, or local governments applicable to self-regulatory systems of companies in the information communications industry could adversely affect our service provision and business performance.

*In February 2009, the Company converted SOFTBANK IDC Solutions Corp. (IDC) into a consolidated subsidiary and subsequently absorbed it via merger the following March. In June 2010, the Company received notification from the Tokyo Regional Taxation Bureau of a revision to its tax payment related to those transactions. Refuting the taxation bureau's revision, the Company submitted a request for reconsideration to the National Tax Tribunal, after which it filed for revocation in April 2011. Following the March 18, 2014, dismissal of that legal action, the case remains under appeal.

2) Litigation

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

We have implemented various measures to improve systems security for a safer and more stable auction environment. In May 2001, we introduced a fee-based personal identification system. In July 2004, we initiated a system that verifies by mail the postal addresses of users listing items on the auction site. To further reinforce security, we introduced an Internet auction fraud-detection model in November 2005. In addition, we have set up a patrol team to search out and eliminate auction listings of illegal items in cooperation with law enforcement agencies and copyright-related groups.

A lawsuit brought against the Company by certain users of YAHUOKU! seeking damage compensation relating to the non-receipt of paid auction items was ruled definitively in our favor in October 2009, when the Supreme Court dismissed an appeal by said users, effectively upholding an initial judgment that the Company was not liable for damages because it had not only forewarned YAHUOKU! users of the potential for auction fraud but also offered advice on how to detect and avoid it by citing actual examples of fraud.

Despite this ruling in our favor, the strong likelihood that auction fraud will to some extent continue to exist implies that certain YAHUOKU! users might again take legal action against the Company, regardless of responsibility. Moreover, the implementation of additional measures to further strengthen systems security in order to prevent criminal activity, including an expansion of patrol capabilities, could entail increased costs and, as a result, reduced earnings.

We have instituted a system guaranteeing limited compensation for users who have been victimized by auction fraud. This compensation system could lead to higher expenditures for the Yahoo Japan Group.

b. We could be subject to claims, reprimands, or damage suits brought by related parties or governmental agencies with regard to the content of advertisements or of Web sites accessed through links on Yahoo Japan Group sites.

To avoid conflict with Japanese legal restrictions, we established an Advertisement Review Standard that internally regulates the content of advertisements and of Web sites accessible through advertisement links. As stipulated in a written contract with each advertiser, the advertiser accepts full responsibility for the content of advertisements. For such services as message boards, blogs, and auctions, where users can exchange information freely, we indicate clearly in our contracts with users that illegal or slanderous content is prohibited and that full responsibility lies with users. We maintain the right to remove content that is in violation of our contracts with users and will do so immediately upon discovering such content.

Through such internal regulation, we prohibit illegal and slanderous content on our sites and protect user privacy. In addition, we publish a disclaimer stating clearly that users bear full responsibility for Web browsing and information posting, and that we accept no responsibility for damages incurred by users as a result of Web browsing or

use of Yahoo Japan Group sites. However, there is no guarantee that such measures will suffice to stave off litigation. We could be subject to claims, reprimands, or damage suits brought by users, related parties, or governmental agencies with regard to the content of advertisements, Web sites accessible through links on our sites, contributions to community message boards, and/or trading on our auction site. The resulting decline in user confidence could lead to a drop in hits or time spent on our sites, or to a suspension of certain of our services.

c. We could be subject to compensation demands from interested parties regarding content procured from companies outside the Yahoo Japan Group.

We procure content from outside companies and provide it to Yahoo! JAPAN users with regard to such information services as topical news, weather reports, and stock prices and for such entertainment services as videos and games. Content providers make contractual agreements to take responsibility for all content. In case interested parties make claims, both the Yahoo Japan Group and content providers are responsible for quickly investigating and dealing with them. Despite said contractual agreements and the implementation of those measures, interested parties could demand compensation from the Yahoo Japan Group even though responsibility is contractually assigned solely to content providers. As a result, we could incur substantial expenses or suffer a loss of brand image, which could negatively affect our business performance.

d. We 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 Yahoo Japan 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 relevant Yahoo! JAPAN sites. Even so, it is possible that these measures will fail and that users will demand compensation for damages from the Yahoo Japan Group that are in fact the responsibility of a third party. As a result, we could incur substantial expenses or suffer a loss of brand image, which could negatively affect our business performance.

We assign all responsibility to users and accept no responsibility regarding YAHUOKU!, 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, a disclaimer published on the Yahoo! Shopping site states that we assume no responsibility for the activities, products, services, or Web site content of the many retailers employing these services. Nor do we guarantee that users of these services will be able to purchase goods or services listed by these retailers. In addition, we do not accept responsibility for damage, loss, or delay in the delivery of such goods or services. It remains possible, however, that users of these services, or related parties, will take legal action against the Yahoo Japan Group for claims or compensation related to the content of its services. Such legal action could have a negative impact as a result of monetary obligations or damage to our brand image. Furthermore, it is possible that the treaty regarding the jurisdictions of international courts could result in future legal disputes with users of our services who reside outside of Japan.

e. We 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 Yahoo Japan Group has established an in-house section devoted exclusively to activities related to patent rights, including investigation, filing, and internal awareness campaigns.

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

Moreover, we have set up internal regulations and training programs with the goal of ensuring that our services or business-use software do not infringe on copyrights owned by third parties. Despite these efforts, infringements still might occur. If so, we 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 fees resulting from click fraud or other methods of artificially increasing advertising costs.

In promotion advertising, including paid search and interest-based advertising, a problem known as click fraud might arise. Fees for promotion 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 promotion 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 promotion advertising products. The Yahoo Japan Group 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, a similar lawsuit might be brought against the Yahoo Japan Group, resulting in damage to the Group's brand image and negatively impacting business performance.

3) Other Legal Regulations

a. Because we routinely consign business to outside contractors, the possibility exists for violations of the Subcontract Law, resulting in diminished public confidence in the Yahoo Japan Group.

We offer training courses related to the Subcontract Law to all employees at the time they enter the Yahoo Japan Group and at regular intervals thereafter to ensure compliance with the law in business transactions. Despite such efforts, violations of the Subcontract Law might occur, which could damage our credibility and performance.

b. Changes to accounting standards or tax codes could have a material impact on our profits or losses.

Against the backdrop of the recent trend in Japan to establish international accounting standards, we have made quick and appropriate changes to our accounting standards. Even so, significant future changes to accounting standards or tax codes could have a material impact on our profits or losses.

3. Disasters and Emergency Situations

1) Disasters

The Yahoo Japan Group's operations are potentially vulnerable to disasters.

Our operations, like those of many other corporations in Japan, are potentially vulnerable to disasters such as earthquakes, fires, and other large-scale catastrophes and to the resultant destruction of buildings, power outages, and network failures. Our network infrastructure and human resources are concentrated mainly in Tokyo. To cope with disasters and resultant surges in Internet access, we are committed to improving our network infrastructure by duplicating and dispersing server capacity and data centers.

Although we have taken steps to ensure a quick and appropriate response throughout the Yahoo Japan Group in the event of a disaster, the scale and nature of certain disasters might make it impossible to carry on normal operations or to recover fully. At the same time, advertisers might cancel or reduce advertising, and Yahoo! JAPAN's fee-based services might suffer a drop in user numbers, which would negatively affect our operations, business performance, and brand image.

2) Emergency Situations

Our operations could be affected by international conflicts, terrorist attacks, or other emergency situations.

In the event of outbreaks of international conflicts or terrorist attacks, we expect that our operations could be substantially affected.

Specifically, under the impact of such an event our revenues could decline or we could incur extraordinary costs. This might occur because of a temporary limitation in the operation of Yahoo! JAPAN, causing disruption to planned advertising business. Or, for their own reasons advertisers might cancel or reduce advertising. Furthermore, the access infrastructure for Yahoo! BB might be disrupted or some other circumstances arise whereby users would no longer be able to access our fee-based services. In addition, operations and earnings could be affected by damage to communications or transportation lines in the United States or other countries that would impede our links to business alliances in those countries. In the worst-case scenario, our offices could be physically disabled. If other companies closely related to our businesses, such as SoftBank Corp. and its related companies as well as other Internet service providers, were hit with the same conditions, it is possible that the Yahoo Japan Group could be rendered incapable of maintaining some of its services.

4. Business Management

1) Management Policy and Business Strategies

Failure to quickly and flexibly modify strategies in response to changing market conditions could compromise the Yahoo Japan Group's competitive advantage.

Focused on our overriding management goal of increasing user numbers and per-user usage times, we are pursuing key strategies with a primary focus on smart devices. These strategies are modified quickly and flexibly according to changes in user needs, partner requirements, or technological or competitive trends.

If management fails to modify these strategies as required, our competitive advantage could be compromised.

2) Technological Development and Improvement

a. Although our R&D efforts aim to meet user needs through the implementation of new strategies and the establishment of new businesses, such efforts might fail to adequately address user needs or result in R&D delays

or failures.

To respond to the growth and diversification of Internet use and maintain a competitive advantage, we focus on developing new strategies and businesses for providing content and services that meet user needs. To support that process, we established a new research institution, Yahoo! JAPAN Research, in April 2007. Although R&D expenses directly related to such efforts to date have been limited, future R&D expenditures could exceed projections, depending on the time period required for development, resulting in diminished competitiveness.

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, we intend to improve operating efficiency not only by hiring specialists and technically skilled staff but also by engaging cooperatively with other companies boasting proven records of accomplishment in their respective business fields. To respond quickly to changing market needs, we are also focusing on strengthening our service planning and systems development. Despite such efforts, we might fall short of achieving targeted sales and profits owing to delays or failures of R&D programs, excessive expenses, or a failure to adequately address user needs. Moreover, focusing R&D investment on developing new strategies and businesses might hinder the development and operation of our existing services. In addition, technical and operational issues could ultimately result in user demands for compensation from the Yahoo Japan Group.

b. Failure to effectively implement a program aimed at continuously improving our services could eventually render them 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, we believe that continuously improving the user experience is central to maintaining our competitive advantage. To this end, we focus broadly 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 requests; and (3) accelerating display speeds of the results of searches and other information services.

To maintain and increase our competitive advantage, we must continue to invest in such service improvements. Should these capital investments not be appropriately made, we could suffer a decline in competitiveness or damage to our brand image. Moreover, the level of investments required for achieving service improvements could rise. Either of these eventualities could adversely affect our business performance. Also, although we conduct adequate surveys and tests to determine the likely effects of planned improvements to or renewal of services, the actual effects could be a reduction in the number of users or of page views. As a result, advertising revenues could decline, negatively impacting our business performance.

c. Inadequate planning and implementation of capital investment programs could result in lower service quality and higher expenditures.

To support future business expansion and facilitate ongoing provision of quality services that meet user needs, we maintain a continuous capital-investment program of comparatively large scale relative to the size of current operations. Against a background of continuing growth in the Internet user base, increasing rates of broadband connectivity, and expanding Internet accessibility, we are obligated to add new and upgrade existing network-related facilities to adequately cope with higher peaks in access volume and larger volumes of data transmission and reception in short time periods. With the recent acquisition of a proprietary large-scale data center, the Yahoo Japan Group benefits not only from stable and efficient operations of its servers but also from cost reductions.

Consequently, we anticipate a growing need for ever larger capital investments made in a timely manner to build systems and networks for smoothly controlling large volumes of communications traffic, strengthening security systems to protect settlement services and users' personal information, and expanding systems to appropriately respond to the growth and diversification of user inquiries. Furthermore, in line with our expanding business scope we will be required to continuously acquire more office space and invest in the expansion and upgrading of our facilities.

In making these capital investments, we intend to minimize cash outflows by closely considering costs and benefits and by keeping a tight rein on system development and equipment-related expenditures.

Although we believe that business expansion will result in earnings growth sufficient to provide operating cash flows to cover increased costs and cash outflows, insufficient and/or delayed returns on capital investments could substantially impact future earnings and cash flows. Moreover, since the Internet industry is characterized by continuous technological innovation and rapidly changing user needs, the useful lives of new or upgraded facilities might be shorter than planned. Accordingly, depreciation timeframes might be shorter and depreciation costs higher compared with those of previous facilities. By corollary, the accelerated disposal of existing facilities might result in higher-than-expected losses.

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

In recent years, the range of Internet-enabled terminals has grown to include smart devices, video-game consoles, TVs, and car navigation systems, resulting in a vastly expanded Internet-connection infrastructure for information terminals other than PCs. In response to this trend, we are promoting Internet usage via a wide range of information devices, 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 information devices, we must adopt the information transmission standards of each information device with the support of the company that developed it. If we fail to properly adopt the standards for a given information device, then we will not be able to provide services via that information device.

Enabling users to easily connect to Yahoo! JAPAN via any Internet-enabled information device is a key element supporting our competitiveness. We intend to work closely with companies that have developed Internet-enabled information devices to ensure easy connectivity. Failure to achieve smooth Internet connectivity could undermine our competitiveness. Furthermore, should higher-than-expected costs be incurred in achieving connectivity, our performance could be negatively affected.

Each information device has unique features, such as screen size and input system. We are optimizing Yahoo! JAPAN sites for each information device. Achieving this goal might take longer than expected, or our services might be inferior to other companies' optimized services, resulting in an erosion of competitiveness. Moreover, higher-than-expected optimization-related expenditures could adversely affect our business performance.

e. Failure to properly incorporate innovative advertising methods could adversely affect our advertising revenues.

Many new advertising products incorporating a wide range of advertising methods have emerged in the Internet advertising market. The Yahoo Japan Group develops and sells a variety of advertising products suited to the specific needs of individual advertisers, including products with guaranteed exposure periods and page views. We also offer paid search advertising and an affiliate ad program, operated in cooperation with consolidated subsidiary ValueCommerce Co., Ltd.

In addition, we have developed and sold various advertising products incorporating innovative advertising distribution methods, including targeting advertising, which distributes advertising based on users' Yahoo! JAPAN usage histories, keyword search histories, demographic factors, and physical location; Interest Match®, which distributes advertising based on the said 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 we fail to properly incorporate innovative advertising methods, our advertising revenues 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, our performance could be negatively affected.

3) New Businesses

Our diversification into new businesses might yield lower-than-expected earnings contributions.

We plan to further diversify into new businesses to strengthen our operating base and provide a growing range of quality services. To this end, we 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, our profitability could decline temporarily.

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

4) Services Provided

a. Development, operation, and maintenance of the Yahoo Japan Group's search services are commissioned to Google and others.

Our paid search advertising revenues are expanding and account for a steadily increasing share of overall advertising revenues. Currently, we are using the search engine and paid search advertising distribution system of Google.

In the future, should the Company's business relationship with Google change or Google's smooth service operations be obstructed, the sustainability of certain of our services could be jeopardized and our performance negatively affected as a result.

b. For advertising products with guaranteed page views, failure to attain the required number of views could obligate the Yahoo Japan 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 guaranteed number of page views due to problems with the Internet connection environment or to similar problems could obligate the Yahoo Japan Group to extend advertising contract periods or to provide some other form of compensation, which could negatively impact advertising revenues.

Moreover, we might fail to provide services that meet the needs of certain advertisers, which could result in reduced demand from those advertisers and thereby negatively impact our advertising revenues.

c. Expenditures for additional Internet connections and capital investment in infrastructure could rise in line with expanding bandwidth requirements.

We provide streaming and other services, such as GyaO!, requiring relatively large bandwidth compared with services consisting only of text and images. Brand Panel and Prime Display, incorporating streaming and interactive features, also require relatively large bandwidth. Because usage of these types of services and advertising products is likely to grow steadily in the future, expenditures for additional Internet connections and capital investment in infrastructure, such as servers required to deliver such services and products, could increase as well.

5) Compliance

Despite our efforts to ensure compliance with laws and regulations, compliance-related risk exists.

The Yahoo Japan Group recognizes that legal and regulatory compliance is a prerequisite for enhancing corporate value. Consequently, we have established various compliance-related regulations and standards for all directors and employees with regard to relevant laws and our articles of incorporation. In an effort to promote thorough observation of those regulations and standards, we have posted them on our Intranet and conduct periodic in-house training.

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

6) Management and Operation Systems

a. Failure to adequately increase staff levels as required by business diversification could negatively affect our business development.

In addition to personnel and organizational enhancements geared toward higher advertising sales and strengthened technological development, we must increase staff in line with ongoing business diversification to support operational expansion and quality improvement of various services arising from the recent surge in Internet users, as well as to handle billing and provide customer support for fee-based services.

Failure on the part of management or staff to respond adequately to these expanding administrative duties could inconvenience users and owners of stores registered on the Yahoo! Shopping and YAHUOKU! sites, affect operational efficiency, and undermine competitiveness.

Although we aim to minimize the effects of increased staff levels on our 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 temporarily hinder our continuous business development.

The development of the Yahoo Japan Group's businesses depends on senior management and key technical personnel, including the president and directors of the Company as well as representatives of each department who possess specialized knowledge and technical expertise concerning the Yahoo Japan Group and its businesses. In the case of the departure of key personnel, management intends to replace them as quickly as possible with appropriate successors, either from within or from outside the Yahoo Japan Group. Even so, the replacement process could temporarily disrupt our continuous business development.

In addition, some directors and employees participate in the stock-option plan, one of our personnel incentive measures. Rather than motivate participants, however, the stock-option plan might actually be an inducement for certain directors and employees to leave the Yahoo Japan Group.

c. Efforts promoting the protection of our intellectual property rights with the goal of maintaining competitive advantage might not be cost-effective.

The Yahoo Japan 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 services offered to Yahoo! JAPAN users is subject to copyright protection and other legal rights. Users are allowed to utilize said content within the scope of user contracts to which they have agreed.

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

d. As the Yahoo Japan 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 the expansion of our business scope and strengthening of our promotion advertising, fee-based member services, and paid-content businesses, the proportion of our revenues derived from a diverse base of unspecified individual and corporate customers has been growing.

The Yahoo Japan Group has formed a special section 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, we might be exposed to expanded risks related to the settlement and collection of receivables owing to increasing amounts of small sales receivables and uncollected receivables, expanding credit card settlement problems, and growing costs of receivables collection.

Meanwhile, the array and quantity of customer inquiries continue to broaden, including questions related to service usage, payment issues, and the return or exchange of goods and services as well as matters relating to distribution or settlement services provided by our commissioned third-party vendors. To maintain an effective response capacity, we are in the process of increasing staff, strengthening and expanding our management organization, and improving efficiency by standardizing and computerizing businesses. Higher costs associated with these measures could negatively affect our profits. In addition, these measures do not guarantee that all customers will be sufficiently satisfied, implying potential damage to our brand image and a negative impact on our business performance.

5. Relationship with Major Stakeholders

1) Major Shareholders

a. Changes in parent company policies or in major shareholders could affect the Yahoo Japan 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 Yahoo Japan Group has good business relationships with the various associated business partners of SoftBank Corp. and Yahoo! Inc. Moving forward, we intend to maintain these relationships. It is possible, however, that our 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 our 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 Yahoo! Inc. 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 of Yahoo Japan Corporation it holds 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 shareholder agreement between SoftBank Corp. and Yahoo! Inc. shall, by principle, be executed in accordance with law and the Company's 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 Yahoo Japan Group works with SoftBank Corp. on mobile communications, 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 Yahoo Japan Group, competition within the SoftBank Group could arise in the future. Although we intend to proactively deal with such an eventuality by collaborating, any resultant competition within the SoftBank Group could affect our performance in some manner.

c. Modifications to the license agreement with Yahoo! Inc. could affect our business.

The Yahoo Japan 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 our Internet search services are the property of Yahoo! Inc. We conduct business operations through a license obtained for the use of the trademark. As such, the agreement with Yahoo! Inc. is crucial to our core operations, and any modifications to the agreement could affect our business performance.

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 Company (may be waived by agreement of Yahoo! Inc.).
Counterparty	Yahoo! Inc.
Main details	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 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: Initially, royalties were calculated as 3% of gross profit less sales commissions. Effective January 2005, the calculation method for determining royalties was revised, as follows: 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 Yahoo Japan Group's business.

We consider the establishment and proliferation of the Yahoo! brand to be important, both for attracting users and advertisers and for expanding our business. The importance of brand recognition is increasing rapidly with the growth in the number of Internet services 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, it is impossible to predict 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 Yahoo Japan Group in the form of weaker brand presence. In addition, some agreements with overseas Yahoo! Group companies contain exclusionary provisions. We are 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, the possibility exists that Yahoo! Inc. has not registered trademarks necessary to our business in Japan.

It is also possible that third parties will acquire domain names that we might find necessary to our business or will use domain names that resemble Yahoo! or the services we offer with the intention of carrying out unfair competition or harassment. Such actions could affect our brand strategy and damage our brand image.

e. Any modifications to the business alliance contract with Yahoo! Sarl and Yahoo! Inc. could affect our earnings.

The Company has signed the following business alliance contract with Yahoo! Sarl and Yahoo! Inc. to provide services such as paid search advertising, which is one of our key income sources. Therefore, any modifications to the contract could affect our earnings.

Contract name	ADVERTISER AND PUBLISHER SERVICES AGREEMENT
Contract date	July 27, 2010 (Original contract dated August 31, 2007)
Contract term	August 31, 2007, to August 30, 2017 (10 years)
Counterparties	Yahoo! Sarl and Yahoo! Inc.
Main details	1) Exclusive rights regarding Yahoo! Sarl services The Company and its subsidiaries for which it holds more than 50% of the voting rights will have exclusive rights in Japan for those advertising-related services of Yahoo! Sarl (with the exception of paid search advertising distribution technologies) adopted as contracted services through the procedure given in the contract. However, the Company makes no promise to exclusively use Yahoo! Sarl's paid search advertising distribution technologies and may freely choose and adopt other third-parties' paid search advertising distribution technologies. 2) Payment for Yahoo! Sarl's services The Company shall pay to Yahoo! Sarl a service fee multiplied by a rate prearranged for each year on the Company revenues (gross revenues earned by the Company and its subsidiaries for which it holds 20% or more of the voting rights) associated with the use of services contracted from Yahoo! Sarl (including use of other third-parties' paid search advertising distribution technologies). 3) The Company's option right Should the Company desire, the search and paid search advertising distribution technologies that Yahoo! Inc. has the right to provide may be offered to the Company on a non-exclusive basis. Provision of those services will be based on contracts separately formed with Yahoo! Inc. and Microsoft Corporation. 4) Cooperation regarding transfer of customer data When the Company decides to use technologies other than those of Yahoo! Inc. or Microsoft Corporation, Yahoo! Sarl will cooperate with the Company regarding the transfer of customer data.

f. Any modifications to the business contract with Google Asia Pacific Pte Ltd. could affect our earnings.

The Company has signed the following business alliance contract with Google Asia Pacific Pte Ltd. to provide services such as search and paid search advertising distribution technologies, key income sources for the Yahoo Japan Group. Therefore, any modifications to the contract could affect our earnings.

Contract name	GOOGLE SERVICES AGREEMENT
Contract date	July 27, 2010
Contract term	July 27, 2010, to October 31, 2014
Counterparty	Google Asia Pacific Pte Ltd.
Main details	1) Non-exclusive provision of search and paid search advertising distribution technologies by counterparty The counterparty shall provide its search and paid search advertising distribution technologies to the Yahoo Japan Group on a non-exclusive basis, which will be used by the Group to offer its own brand of services. 2) Differentiation of search services Both parties are entitled to freely develop and use additional functions for the search results in order to differentiate their search results. The Company may decide on its own whether to display the other party's search results. 3) Payment for counterparty's services Payment for the counterparty's services shall be the sum of a certain amount fixed for each year and an amount calculated using the standard for excess amounts on any revenue of the Company Web site in excess of a specific amount. The payment for the counterparty's services provided by the Company to partners shall be an amount calculated using a determined method on the annual revenues received from each partner's Web site.

2) Consolidated Group Management

a. Inadequate consolidated management coordination could impact our performance.

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

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

b. The Yahoo Japan Group faces risks related to its foreign exchange margin (FX) trading operations.

(i) Regulatory factors could negatively affect our performance and financial condition.

On January 31, 2013, the Company converted the FX trading company YJFX, Inc. (then CyberAgent FX, Inc.), into a wholly owned subsidiary. As a Financial Instruments Business Operator registered under Japan's Financial Instruments and Exchange Act (FIEA), YJFX carries out its operations in compliance with FIEA regulations and relevant governmental ordinances.

Infringement of any of these regulations or ordinances by YJFX could result in a suspension of operations, deregistration, or other administrative disciplinary action. Moreover, future changes in the regulatory environment could require the Yahoo Japan Group to incur additional expenses related to strengthening compliance, updating trading systems, or implementing other organizational adjustments, thereby negatively affecting our business performance and financial condition.

(ii) Excessive customer losses arising from FX margin trading could negatively impact our business performance and financial condition.

Under the Yahoo Japan Group's FX trading system, customers make margin cash deposits in specified amounts based on desired levels of leverage and then are allowed to conduct transactions in excess of their actual cash deposits. Consequently, customers stand to either enjoy high returns or suffer large losses on their investments. In accordance with customer transaction agreements, the Yahoo Japan Group is authorized to force customers whose trading accounts fall below a 20% margin level to close out all of their positions by means of a specified reversing transaction method. Nevertheless, if customers suffer losses in excess of their deposits and are unable to cover those losses, the Yahoo Japan Group could be obligated to assume a write-off loss for all or a portion of the outstanding liability of its customers, thereby negatively affecting our business performance and financial condition.

(iii) Issues related to cover deals with major financial institutions could negatively impact our business performance and financial condition.

To minimize the risk associated with FX margin trading carried out on behalf of customers, the Yahoo Japan Group enters into cover deals with major financial institutions. However, should any of these financial institutions become unable to honor their contractual obligations owing to a deterioration in their business performance or financial condition or to other circumstances, we might as a result be unable to cover our customers' trading positions. In addition, we might be unable to recover our collateral deposits placed with such financial institutions in the case of their bankruptcy or failure. As a result, our business performance and financial condition could be negatively affected.

(iv) Violations of asset segregation requirements could adversely affect our business performance, financial condition, and future business development.

In order to safeguard customer assets, Financial Instruments Business Operators are required to segregate customer assets from proprietary assets and manage them separately. Accordingly, the Yahoo Japan Group has established a system whereby customer assets are deposited with major financial institutions and managed as trust assets, separately from proprietary assets. Nevertheless, if a computer system failure or other unforeseen circumstance were to impair our ability to properly calculate customer assets, or if unforeseen circumstances were to make it impossible to manage customer assets on a segregated basis, our FX business operations could be suspended, deregistered, or subjected to other administrative disciplinary action. As a result, our business performance, financial condition, and future business development could be negatively affected.

(v) Computer system failure could negatively affect our business performance, financial condition, and future business development.

We make continuous efforts to maintain computer system stability with the goal of preserving the integrity of our FX trading system. Computer system failure or unauthorized system access could result in customer losses for which the Yahoo Japan Group is not covered by the liability exclusion clauses in contracts with customers. As a result, customers could endure opportunity losses and we could suffer a loss of credibility and increased damage liability, thereby negatively affecting our business performance and financial condition.

Furthermore, the Yahoo Japan Group does not hold the copyright to some of the software used in its FX trading system. Although we have obtained the legally required licenses to use such software, if after the expiration of a software licensing contract we become unable to continue using the software in question owing to the bankruptcy or failure of the company holding the copyright, our business performance, financial condition, and future business development could be negatively affected.

(vi) Foreign currency exchange rate fluctuations could adversely affect our business performance and financial condition.

Foreign currency exchange rate fluctuations directly affect the trading results of customers using our FX trading services. An increase in trading losses due to unfavorable movements in foreign currency exchange rates could dampen customers' investment sentiment, leading to a decrease in this business' transaction value. Because earnings from this business are based on transaction value, a prolonged period of depressed transaction value could adversely impact our business performance and financial condition. Moreover, if currency exchange rates fluctuate sharply, our hedging transactions with major financial institutions might be inadequate for covering customer positions. As a result, our business performance and financial condition could be negatively affected.

(vii) We could be penalized for violating FIEA regulations related to customer suitability.

Under FIEA regulations, Financial Instruments Business Operators are obligated to confirm the suitability of individual customers with regard to FX trading activities. Accordingly, we undertake appropriate background investigations before allowing customers to use our FX trading services. However, if as a result of inadequate investigations or other oversight on our part a customer is allowed to engage in inappropriate transactions, we could be subject to administrative disciplinary action or to legal action initiated by the customer in question.

(viii) The Act on Prevention of Transfer of Criminal Proceeds could negatively affect our business performance and future business development.

In effect since March 1, 2008, the Act on Prevention of Transfer of Criminal Proceeds requires that financial institutions conduct customer identification procedures and maintain customer transaction records, which activities previously were undertaken on a voluntary basis. In addition, the law mandates the establishment of customer management and information storage systems, which facilitate the tracing of funds to, and help to prevent the flow of funds to, terrorists, as well as discourage money laundering.

In accordance with the law, the Yahoo Japan Group collects required documentation from customers of its FX trading services, carries out customer identification procedures, and maintains customer identification and transaction history records. Nevertheless, if our operational management is found to not be in accordance with the law, or if a new regulatory framework is imposed, our business performance and future business development could be negatively affected.

3) Other Major Business Partners

a. Any modifications to the business alliance contract with SoftBank BB Corp. could affect our 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. Should any modifications be made to the business alliance contract with regard to the Yahoo! BB business, our earnings could be affected.

Contract name	Business alliance contract
Contract date	March 31, 2007 (original contract signed on June 20, 2001)
Contract term	June 20, 2001~ (indefinite term)
Counterparty	SoftBank BB Corp.
Main details	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 ・Acquiring 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 4) SBB will pay the Company the following amounts, included in ISP charges, for services provided by the Company: - Yahoo! BB ADSL subscribers acquired: ¥100 per subscriber per month - Yahoo! BB hikari with FLET'S/Yahoo! BB hikari FLET'S course subscribers acquired: ¥60 per subscriber per month - Yahoo! BB for Mobile subscribers acquired: ¥50 per subscriber per month

Contract name	Incentive agreement
Contract date	October 7, 2005
Contract term	One year, beginning October 1, 2004 (automatically renewed each year)
Counterparty	SoftBank BB Corp.
Main details	Incentive fees ・ New subscriber acquisition incentive fees Yahoo! BB ADSL: Approx. ¥15,000 per new subscriber Yahoo! BB ADSL＋wireless LAN package: Approx. ¥20,000 per new subscriber Yahoo! BB hikari: Approx. ¥5,000 per new subscriber Yahoo! BB hikari＋wireless LAN package: Approx. ¥10,000 per new subscriber ・ Continuing subscriber incentive fees Yahoo! BB ADSL: Approx. ¥200 per month per continuing subscriber Yahoo! BB ADSL＋wireless LAN package: Approx. ¥250 per month per continuing subscriber Yahoo! BB hikari: Approx. ¥50 per month per continuing subscriber Yahoo! BB hikari＋wireless LAN package: Approx. ¥100 per month per continuing subscriber Yahoo! BB for Mobile: Approx. ¥50 per month per continuing subscriber

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

The portion of Yahoo! BB business handled by SBB could indirectly influence our performance. If SBB fails to complete construction on time and services to subscribers are delayed, we 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 our earnings.

6. Finances, Loans, and Investments

1) Funds Procurement and Interest Rate Changes

a. In our Yahoo! ezPay service, we 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 upon request of the seller and buyer of an item listed on YAHUOKU! 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. If the pace of growth of this service should substantially exceed expectations, then we 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 our business performance.

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

The Yahoo! Card is a credit card issued by the Yahoo Japan Group and through which the Group provides credit to persons issued with the card. We reimburse 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 we are considering diversifying our funding sources as this business expands, obtaining the necessary funding for making reimbursements to merchants at a suitable cost could prove to be impossible.

2) Investments

The Yahoo Japan Group often makes investments in or loans to other companies. In some cases, appropriate returns might not be obtained on investments or loans, or the funds could become irrecoverable.

We make investments as a result of business tie-ups or with an eye to forming business tie-ups in the future. The recoverability of these investments is not guaranteed.

Some of the public companies in which we have invested have already produced evaluation profits or losses. In the future, evaluation profits could decline or become evaluation losses; moreover, evaluation losses could worsen.

We take the utmost care to ensure that the performances of the companies in which we invest are reflected appropriately in our own performance results by observing in-house rules in accordance with general accounting standards and by applying asset-impairment accounting. Nevertheless, depending on the direction of the stock market and the performances of the companies in which we have invested, they could have an increasingly adverse effect on our profit or loss in the future.

To maximize business synergies or to expand our business, we expect to further invest or loan funds for capital participation in third-party companies, fund joint ventures, engage in new investments by establishing companies, 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 the investments or loans based on thorough analysis in 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, our future financial condition could be adversely affected.

7. Relationship with Competitors and Partners

1) Business Alliances and Contracts

a. Our emphasis on building partnerships entails certain risks.

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

In the advertising business, the Yahoo Japan Group is expanding its AD Network 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, the Yahoo Japan Group and its partners now hold a dominant share of the Internet search market in Japan. In addition, we are offering other services, such as our online settlement service, Yahoo! Wallet, on partner sites. By establishing an extended network, we are 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 we aim to provide the full range of Internet services that users demand.

In pursuing these actions, we face 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 our performance.
- We provide 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 our brand image could be tarnished or we could be sued for damage compensation, either of which could negatively affect our performance.
- Because the quality and reputation of our partners' services reflect on our own reputation and credibility, any problems with partners' services could tarnish our brand image.

b. The termination of paid search advertising business agreements could affect our profitability.

With the largest share of the paid search advertising market in Japan, the Yahoo Japan Group provides its paid search advertising services not only to Yahoo Japan Group companies but also to other domestic portal sites and partners with which it has business agreements. We intend to continue to expand the number of our partners and to create new services. However, should business agreements with such partners be terminated, our profitability could be negatively impacted.

c. Our procurement of information and broadband content from third parties could be affected.

We offer and plan to continue offering Internet users high-quality, appealing information, such as up-to-the-minute news, weather, and stock quotes, as well as broadband content such as films and games. However, should we not be able to acquire information and content as expected, or should the costs of acquiring information and content be higher than anticipated, both the usage and profitability of our services might decline, implying difficulties in achieving our projected earnings.

d. As we pursue business alliances with other sites and corporations, unforeseen problems could make it impossible to achieve our objectives.

We are pursuing business alliances with other sites and corporations in an effort to expand usage of our services. Even if we offer our services via such business alliances based on our own guidelines, in some cases we might be unable to achieve our objectives owing to troubles caused by business alliance partners, including leaks of personal information due to deficient information management systems, service disruptions caused by inadequate systems, and lengthy delays in service development.

Conversely, certain business alliance partners might fail to provide agreed-upon services owing to problems that we caused, in which case those business alliance partners might demand some form of compensation.

Either situation could have a negative impact on user numbers and, as a result, on our business performance.

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, we follow a set of internal rules in carefully examining the credit standing of clients. We also exercise 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. We might be unable to collect payments from certain Yahoo! Card holders.

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

3) Relationship with Third Parties

a. Each of the Yahoo Japan Group's businesses depends to some extent on specific customers or sales agents.

Each of our businesses depends to some extent either on sales to specific customers or on sales by specific sales agents other than the related parties described above.

In our advertising business, we depend primarily on specific advertising agencies and media representatives offering outstanding marketing capabilities. In our other businesses, as well, we undertake major business transactions with specific customers, which transactions account for a growing percentage of our total sales.

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

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

Several companies in the Yahoo Japan Group are actually joint ventures established and operated with third parties. In all aspects of their businesses, these joint ventures depend substantially on the non-Group partners. Currently, our cooperative relationships with joint-venture partners are excellent and contribute positively to the performances of the Group's joint-venture companies. If, however, for some reason cooperative relationships with a particular joint-venture partner were to deteriorate, then the business performance of the joint-venture company in question could suffer and, in extreme cases, its business operations discontinued.

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

Among the services offered by the Yahoo Japan Group, there are several cases where system development and operations essential to the service are commissioned to specific third parties or where service operations are premised on linkage with a third party. These third parties are selected using stringent standards for technical and operating capabilities as demonstrated by past performance. In addition, relevant sections of the Yahoo Japan Group maintain close contact with the third parties to ensure that problems affecting service provision do not arise. Nevertheless, a system development delay could occur owing to a situation at a commissioned third party that we cannot manage, or a situation could arise whereby obstruction of operations or some other event causes the stoppage of third-party systems to which our services are linked. Such an event could hinder sales and reduce competitiveness, negatively impacting performance or, in the worst case, resulting in service termination. In addition, third-party mishandling of delivery-related services, including those provided through convenience stores, could damage our brand image.

d. Some services are dependent on external third parties.

In addition to our reliance on the aforementioned third parties, many of our services similarly rely on other third parties to whom we have consigned operations or from whom we receive information or support. Worsening business conditions at such third parties could hinder our operations and negatively impact our business results.

8. Information Security

1) Efforts to Promote Information Security

Information leaks, network invasions, or computer virus attacks could erode public confidence in the Yahoo Japan Group, leading to a reduction in numbers of users and business clients and a weakening of our business performance.

Due to the rapid growth of the Internet, we have become a society where vast amounts of information spread quickly and easily. While the ongoing development of Internet technology has broadened the horizons of Internet users and boosted convenience, it has also turned the security of personal and other confidential information into an issue of major societal concern. As a major provider of a range of services over the Internet, the Yahoo Japan Group has a responsibility to thoughtfully address this issue.

Reflecting this belief, we have proactively taken steps to deal with information security. Currently, we are working to protect users' personal information and other confidential information by quickly and effectively implementing necessary measures throughout the Yahoo Japan Group. To facilitate this process, we have appointed a Chief Security Officer (CSO) empowered with wide-ranging authority. Moreover, we have established Information Security Basic Regulations and other in-house rules that clarify our procedure for handling users' personal information and other confidential information. At the same time, to promote adherence to our in-house rules on information management we have established an information management system run by our information security specialist team and designated employees responsible for information security within individual business sections. Moreover, employee training programs on information security are offered to all employees newly joining the Yahoo Japan Group and at regular intervals thereafter. As part of our information security measures, the residential addresses and other

information of our users are obtained using SSL (Secure Sockets Layer) encryption and access to stored data is tightly restricted. In August 2004, we acquired Information Security Management Systems (ISMS) certification. In November 2007, we became the first company in Japan to receive ISO 15408 certification for our development of a monitoring system to prevent information leakage from our databases. In November 2008, we obtained Payment Card Industry Data Security Standard (PCI DSS) certification for our Yahoo! Wallet credit card settlement service. We have used these third-party certification systems to implement objective, global-standard checks of our operations with the goal of further strengthening our information security measures and fulfilling our social responsibility regarding this issue.

Nevertheless, these actions do not guarantee perfect maintenance of our information security systems. If, under some circumstance, a problem such as an information leak were to occur, it could erode public confidence in the Yahoo Japan Group, leading to a reduction in numbers of users and business clients, and a weakening of our business performance.

2) Personal Information

a. Leaks of personal information required for user identification could damage our credibility and lead to legal disputes.

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

We exercise the utmost care in protecting the privacy and personal information of each Yahoo! JAPAN user and take extraordinary measures to ensure the security of each of our services. 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, we observe strict guidelines regarding internal access to users' personal information, granting access rights only to a very limited number of personnel.

Nevertheless, we cannot completely eliminate the possibility that users' personal information will be leaked outside the Yahoo Japan Group, either deliberately or through negligence, by our personnel, by companies with which business alliances have been concluded, or by companies to which we outsource 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. 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, we introduced a log-in seal system (see Note 2, below) in March 2007. In December 2007, we added to Yahoo! Mail a function enabling users to refuse spoofed e-mails (see Note 3, below). In June 2008, we conducted open testing of an anti-phishing browser (see Note 4, below) for basic protection against phishing, including a phishing warning function on the Yahoo! Toolbar. In May 2012, we introduced Secret ID, a specialized log-in ID (see Note 5, below), and in August 2012 we introduced a One Time Password service (see Note 6, below). Moreover, in January 2008 we began supporting OpenID (see Note 7, below), a shared-identity authorization system that eliminates the need to maintain multiple IDs and passwords, thereby improving information security.

Although we continue 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, our services could be adversely affected and our brand image tarnished. Furthermore, we could become the target of lawsuits.

Regardless of questions of legal responsibility, our policy is to propose measures aimed at strengthening the management and monitoring of the security systems of companies with which we have business alliances. Yahoo Japan Group representatives 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, we seek 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 Yahoo Japan 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 the user's PC (or a designated browser). Users who habitually confirm that the log-in seal appears on the log-in screen when signing in are quickly alerted to the possibility that they are on a fake log-in screen (phishing) when the log-in seal does not appear.

Note 3: Refusing spoofed e-mails
Spoofed e-mails, purportedly sent from one source but in fact sent from another, can be filtered out or refused by users armed with domain validation technology, such as DomainKeys 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 e-mail from landing in Yahoo! Mail service inboxes. Moreover, receiving servers are also armed with these technologies, and users can filter out e-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
An anti-phishing browser is 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: Secret ID
Secret ID comprises a personalized character string that functions exclusively as a log-in ID. Most IDs and e-mail addresses are known by various third parties and therefore risk being misused. The Secret ID, on the other hand, is known only by the user who personally created it, thereby reducing the potential for misuse.

Note 6: One Time Password
One Time Password is a single-use, time-delimited disposable password. When a One Time Password is in effect, it must be used for identification after logging on with a Yahoo! JAPAN ID and password. Even if another person should learn a Yahoo! JAPAN ID and password, the One Time Password prevents them from fraudulently logging on to the account, thereby avoiding the theft of important information.

Note 7: 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 YAHUOKU!, or by business alliance partners, could damage our credibility and lead to legal disputes.
Personal information obtained through our services is held within the Yahoo Japan Group in principle, and we are committed to taking all possible information protection measures. However, in some cases the personal information management systems of business alliance partners or of stores registered on the Yahoo! Shopping or YAHUOKU! sites counteract our efforts.

We outsource the bulk of Yahoo! Card services with the intention of taking full advantage of available expertise in personal information management as well as promoting variable cost flexibility. Although we were extremely careful in choosing our business partner for this service, we could be sued for damages should this partner leak personal information.

In Yahoo! Shopping and YAHUOKU! BtoC transactions, personal information provided by buyers is sent

directly to stores where buyers have made purchases. Accordingly, individual stores are the main repositories of personal information and take responsibility for controlling it. Moreover, to ensure that buyers' personal information is not disclosed to other individuals or entities, stores are given clear instructions on proper methods of information control and are strictly prohibited from using personal information for purposes other than the delivery of items or sales promotions.

To clear credit card payments, individual stores decide either to use the settlement system of the Company's subsidiary Netrust, Ltd, or to deal directly with credit card companies. Stores opting to use the Netrust settlement system cannot maintain records of credit card numbers, as these are provided directly to credit card companies by Netrust. Stores opting to deal directly with credit card companies are provided with strict instructions to control buyers' credit card numbers in the same manner used to control other personal information. Despite such measures, information leaks might occur, resulting in damage to our credibility, regardless of whether or not we are in fact responsible.

3) Communications Privacy

Leaks of information related to communications privacy could tarnish our brand image and lead to legal disputes.

The Yahoo Japan Group acts as a telecommunications provider in offering e-mail and other services to users. In the course of offering these services, we handle information related to communications privacy, such as content and storage of communications. In handling this type of information, we take appropriate measures to meet the requirements of the Telecommunications Business Act using the information security system.

Despite these measures, it is possible that this information will be leaked outside the Yahoo Japan 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, we could be drawn into legal disputes and our brand image could be tarnished, with a resultant negative impact on business performance.

4) Network Security

Attacks on or invasions of our networks could disrupt services, damage our credibility, and negatively affect our business performance.

Although the Yahoo Japan 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. We do not hold sufficient insurance to compensate for potential losses arising from such damage. Moreover, 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 we have implemented effective security programs and strengthened our monitoring systems in preparation for such an attack, there is no guarantee that such an attack can be averted. Such obstructive attacks could disrupt our service provision and negatively affect our business performance.

Furthermore, if a greater number and more sophisticated attacks by specialized crime groups specifically targeting Yahoo! JAPAN increase, the costs of defending against these attacks may rise. Malware, account lists, or other attacks might result in the abuse of the IDs of individual users. Under such conditions, market growth could slow due to concern over the lack of security, negatively affecting our business performance.

5) Fraudulent Use

Fraudulent use could result in damage to our business clients and the Yahoo Japan Group, leading to a reduction in numbers of users and business clients.

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

The Yahoo Japan Group is strengthening information security by enlightening users about ID management and taking concrete 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 damage the brand image of Yahoo! JAPAN. Consequently, we could lose users and business clients.

6) Behavioral History Information

Restrictions on the collection and analysis of users' behavioral history information could effectively block our provision of behavioral targeting advertising and interest-based advertising.

Based on an analysis of users' Internet usage histories and other factors, behavioral targeting advertising and interest-based advertising are distributed to user groups showing a potential preference for or interest in a given product or service. These advertising products are designed to boost advertising efficacy for all concerned parties, namely, advertisers, users, and the Internet media itself.

The Yahoo Japan Group rigorously respects the privacy of individual users in its collection and analysis of behavioral history information. Behavioral targeting advertising and interest-based advertising 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 individual users.

Although we believe that we are taking adequate precautions to respect users' privacy, some users might object to the collection and analysis of their behavioral history information, or legal restrictions might be placed on these activities. Such objections or restrictions could effectively block our provision of behavioral targeting and interest-based advertising, which could negatively affect our business performance.

9. Corporate Governance

Corporate Governance System

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

The Yahoo Japan 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 Audit Office as an independent organization under the direct supervision of the President. The Internal Audit 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 Yahoo Japan Group's earnings.

Investor Information

(As of March 31, 2014)

Share-related Information

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

Historical Number of Shares Outstanding

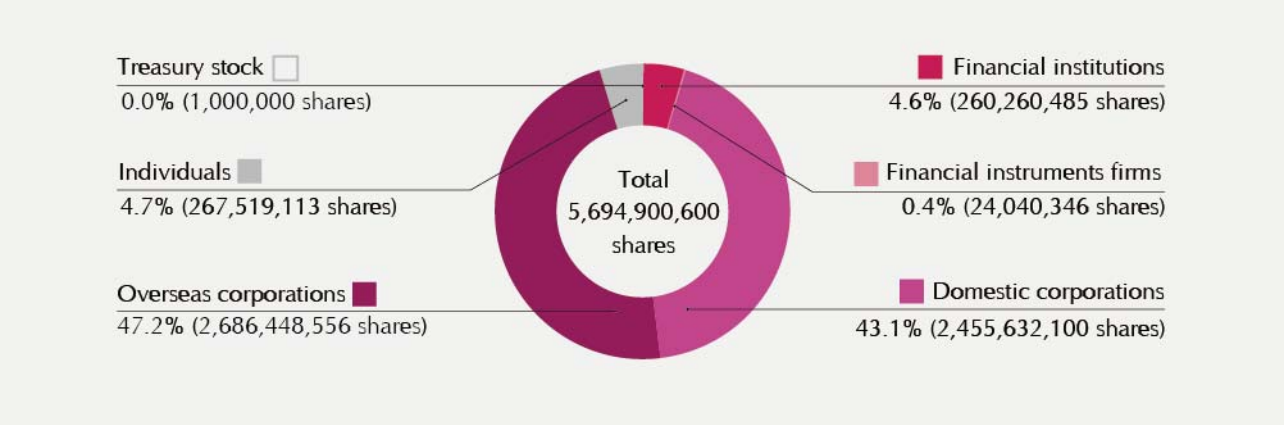
Date	Action	Number of shares outstanding*
1996/1/31	Establishment of the Company	4,000
1997/9/6	Rights offering: 1,800 shares	5,800
1997/11/4	Public offering: 975 shares	6,775
1999/3/6	Public offering at market price: 125 shares	6,900
1999/5/20	2-for-1 stock split	13,822
1999/11/19	2-for-1 stock split	27,826
2000/3/1	New stock issuance at merger: 1,100.15 shares	28,954
2000/5/19	2-for-1 stock split	57,940
2000/9/1	New stock issuance at merger: 110 shares	58,168
2000/11/20	2-for-1 stock split	116,917
2002/5/20	2-for-1 stock split	235,064
2002/11/20	2-for-1 stock split	471,059
2003/5/20	2-for-1 stock split	942,118
2003/11/20	2-for-1 stock split	1,884,923
2004/5/20	2-for-1 stock split	3,772,188
2004/11/19	2-for-1 stock split	7,546,427
2005/5/20	2-for-1 stock split	15,100,808
2005/11/18	2-for-1 stock split	30,209,709
2006/4/1	2-for-1 stock split	60,452,137
2008/8/8	Retirement of treasury stock	59,284,578
2008/12/30	Retirement of treasury stock	59,290,736
2009/3/31	Retirement of treasury stock	58,107,980
2010/3/31	Exercise of stock option	58,118,909
2011/3/31	Exercise of stock option	58,177,294
2012/3/31	Exercise of stock option	58,184,240
2013/3/31	Retirement of treasury stock	57,510,554
2013/10/1	100-for-1 stock split	5,751,839,700
2014/3/31	Retirement of treasury stock	5,694,900,600

*Partial-share amounts have been rounded off conventionally.

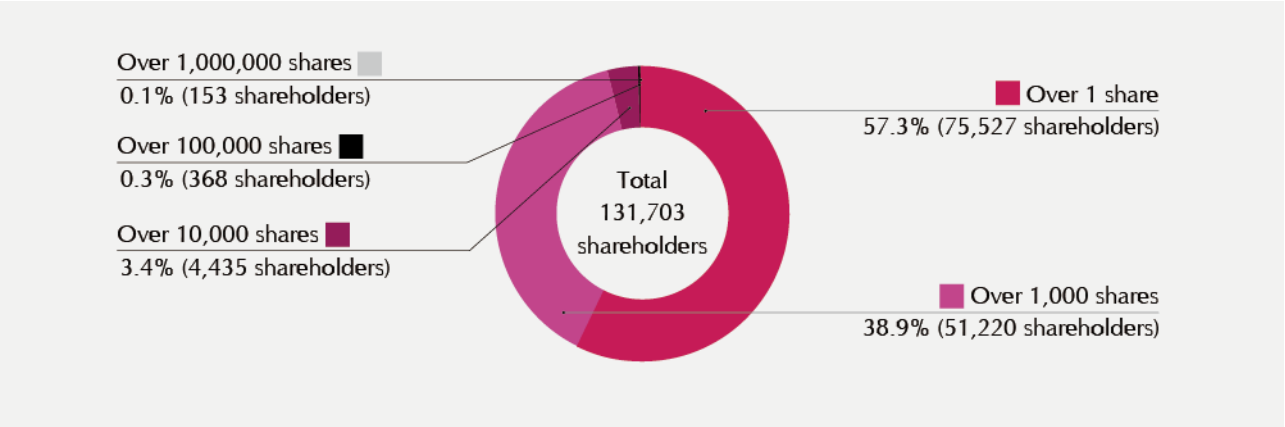
Major Shareholders

Name	Share holdings	Percent of total shares issued
SoftBank Corp.	2,071,926,400 shares	36.4%
Yahoo! Inc.	2,021,540,800 shares	35.5%
SBBM Corporation	373,560,900 shares	6.6%
The Master Trust Bank of Japan, Ltd.	65,667,900 shares	1.2%
Japan Trustee Services Bank, Ltd.	59,296,400 shares	1.0%
JPMC OPPENHEIMER JASDEC LENDING ACCOUNT	29,957,200 shares	0.5%

Breakdown of Shares Outstanding, by Shareholder Type



Breakdown of Shareholders, by Number of Shares Held



Corporate Information

Corporate Data

(As of March 31, 2014)

Company name	Yahoo Japan Corporation
Founded	January 31, 1996
Common stock	¥8,271 million
Businesses	Internet advertising business e-Commerce business Membership 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 Audit and Supervisory Board Members

(As of June 19, 2014)

Manabu Miyasaka
President and CEO

Masayoshi Son
Chairman of the Board of Directors

Kentaro Kawabe
Director

Toshiki Oya
Director

Ken Miyauchi
Director

Yasuyuki Imai
Director

Kenneth Goldman
Director

Shingo Yoshii
Chairman of Audit and Supervisory Board

Hiromi Onitsuka-Baur
Audit and Supervisory Board Member

Mitsuo Sano
Audit and Supervisory Board Member

Kyoko Uemura
Audit and Supervisory Board Member

Operating Team

(As of July 1, 2014)

Manabu Miyasaka
President and CEO

Kentaro Kawabe
Managing Corporate Officer
Senior Executive Vice President, Director, and Chief Operating Officer

Toshiki Oya
Managing Corporate Officer
Senior Executive Vice President, Director, and Chief Financial Officer

Masatsugu Shidachi
Corporate Officer
Executive Vice President, President of Media Services Company

Gen Miyazawa
Corporate Officer
Executive Vice President, President of Search Services Company

Osamu Aranami
Corporate Officer
Executive Vice President, President of Marketing Solutions Company

Takao Ozawa
Corporate Officer
Executive Vice President, President of Shopping Company

Yuji Umemura
Corporate Officer
Executive Vice President, President of YAHUOKU! Company

Tomoaki Tanida
Corporate Officer
Executive Vice President, President of Financial and Payment Services Company

Yusuke Tanaka
Corporate Officer
Executive Vice President, President of Personal Services Company

Hideyuki Nakahara
Corporate Officer
Executive Vice President, Head of System Management Group

Shin Murakami
Corporate Officer
Executive Vice President, Chief Mobile Officer

Naoya Bessho
Corporate Officer
Executive Vice President, Head of CEO Office

Kosuke Honma
Corporate Officer
Executive Vice President, Head of People Development Group

Main Consolidated Subsidiaries

(As of March 31, 2014)

Carview Corporation
Business: Online provision of used vehicle assessment, brokerage services, and related services, and advertising
Founded: September 1996
Common Stock: ¥1,572 million
Yahoo Japan Corporation's Ownership: 52.2%
URL: http://www.carview.co.jp/company/default.aspx

Community Factory Inc.
Business: Planning, development, and operation of social applications
Founded: February 2006
Common Stock: ¥220 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://communityfactory.com/

Crocos, Inc.
Business: Development and provision of online marketing services
Founded: February 2011
Common Stock: ¥750 thousand
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://crocos.co.jp/

Firstserver, Inc.
Business: Rental server information processing business, domain registration, and other Internet services
Founded: October 1996
Common Stock: ¥363 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://www.fsv.jp/

GyaO CORPORATION
Business: Internet distribution of video-streaming and electronic books; entertainment information provision; planning, production, and sale of Internet advertising
Founded: October 2008
Common Stock: ¥250 million
Yahoo Japan Corporation's Ownership: 58.0%
URL: http://www.gyao.co.jp/

IDC Frontier Inc.
Business: Data center business
Founded: February 2009
Common Stock: ¥100 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://www.idcf.jp/english/datacenter/

Indival, Inc.
Business: Internet-based recruiting services, and development and operation of support services for job and personnel searches
Founded: February 2004
Common Stock: ¥200 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://www.indival.co.jp/

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

Ocenyc Inc.
Business: Operation of price comparison sites and purchase support; Internet marketing and sales promotion
Founded: January 2001
Common Stock: ¥225 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://www.coneco.net/

Qubital Data Science Co., Ltd.
Business: Data analytics and consulting
Founded: January 2014
Common Stock: ¥100 million
Yahoo Japan Corporation's Ownership: 51.0%
URL: http://www.qubital.co.jp/

ValueCommerce Co., Ltd.
Business: Ad affiliate marketing service and StoreMatch online advertising distribution service
Founded: March 1996
Common Stock: ¥1,728 million
Yahoo Japan Corporation's Ownership: 43.4%
URL: http://www.valuecommerce.co.jp/

Yahoo Japan Customer Relations Corporation
Business: Customer support contact center
Common Stock: ¥100 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://www.yahoo-cr.co.jp/
Note: Effective August 1, 2014 (planned), Yahoo Japan Corporation will assume the rights and obligations of Yahoo Japan Customer Relations Corporation's business after it is split off (corporate split and merger).

YJ Capital Inc.
Business: Venture capital business
Founded: August 2012
Common Stock: ¥200 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://yj-capital.co.jp/

YJFX, Inc.
Business: Foreign exchange margin trading business
Founded: September 2003
Common Stock: ¥490 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://www.yjfx.jp/

Y's Insurance Inc.
Business: Life/Non-life insurance agency business
Founded: November 2003
Common Stock: ¥30 million
Yahoo Japan Corporation's Ownership: 60.0%
URL: http://www.ys-insurance.co.jp/

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 Corporation's Ownership: 100.0%
URL: http://sportsnavi.yahoo.co.jp/

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

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