YAHOO! JAPAN

Annual Report 2013

Year ended March 31, 2013

Three Business Strategies for Reinvigorating Growth

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 member 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 Smartphone 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.

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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 YAFUOKU!)

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_2007 April – 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 Osaka Securities Exchange (JASDAQ))

2007_2008 April – March

+ Made Overture K.K. a subsidiary

2008_2009 April – March

+ Started Interest Match® interest-based advertising service (currently Yahoo! JAPAN Display Ad Network (YDN))
+ Made SOFTBANK IDC Solutions Corp. and SOFTBANK IDC Corp. (currently IDC Frontier Inc.) subsidiaries

2009_2010 April – March

+ Made GyaO CORPORATION a subsidiary
+ Merged with Overture K.K.

2010_2011 April – 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_2012 April – March

+ Integrated Yahoo! Maps, Yahoo! Transit, Yahoo! Gourmet, and other location-oriented services to launch Yahoo! Local, the Japanese Internet's most comprehensive local information service
+ In an alliance with Twitter, Inc., made public Twitter postings accessible via the real-time search feature on Yahoo! Search

2012_2013 April – March

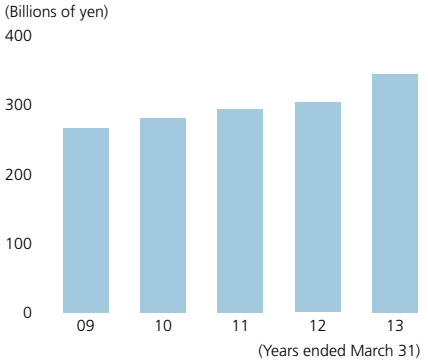
+ Established business and capital alliance with ASKUL Corporation
+ Made CyberAgent FX, Inc., and Carview Corporation subsidiaries

Financial Highlights

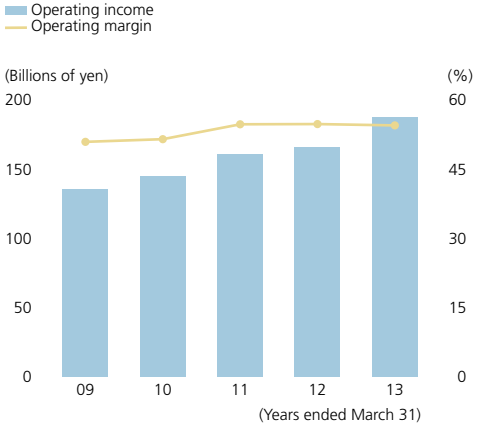
Years ended March 31	Millions of Yen 2013	2012	2011	Thousands of U.S. Dollars 2013
For the fiscal year:				
Net sales	¥342,990	¥302,089	¥292,424	$3,646,890
Operating income	186,352	165,005	159,604	1,981,414
Net income	115,036	100,559	92,175	1,223,137
Net income per share (Yen and U.S. dollars)	1,984	1,734	1,590	21.10
EBITDA	197,829	174,675	168,178	2,103,445
At fiscal year-end:				
Total assets	743,311	562,022	471,746	7,903,360
Total equity	551,264	468,301	385,106	5,861,393
Number of employees	5,780	5,124	4,748	
Dividends per share (Yen and U.S. dollars)	401	347	318	4.26
Cash flows	150,929	68,581	50,287	1,604,774
Cash flows from operating activities	139,396	99,737	67,581	1,482,148
Cash flows from investing activities	51,404	(12,309)	11,631	546,560
Cash flows from financing activities	(40,184)	(18,847)	(28,925)	(427,262)
Ratios:				
Operating margin (%)	54.3	54.6	54.6	
Net income to net sales ratio (%)	33.5	33.3	31.5	
ROA (%)	17.6	19.5	20.7	
ROE (%)	22.8	23.7	26.6	
Total equity / Total assets ratio (%)	73.1	82.8	81.1	

Note: Yen amounts for the year ended March 31, 2013, have been translated into U.S. dollar amounts, solely for the convenience of readers, at the rate of ¥94.05 = U.S.$1, the effective rate of exchange at March 31, 2013.

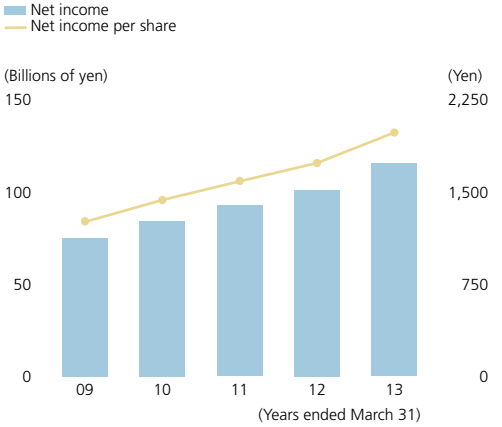
Net Sales



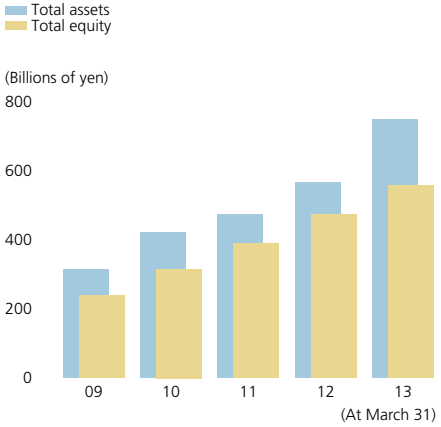
Operating Income and Operating Margin



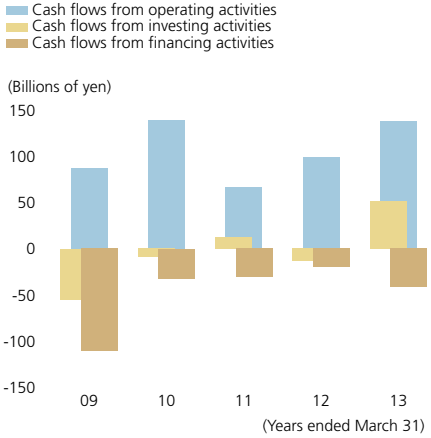
Net Income and Net Income per Share



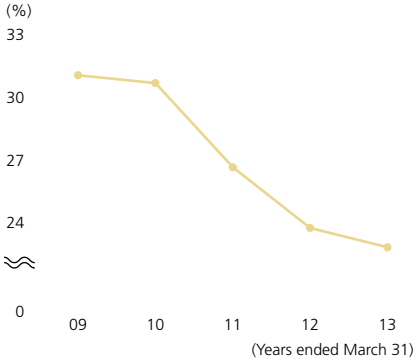
Total Assets and Total Equity



Cash Flows



Return on Equity



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 76.
3. Unauthorized use or reproduction of this document is prohibited.

To Our Shareholders

More than a year has passed since I took over as president and CEO of Yahoo Japan Corporation (the Company) and began spearheading the transition to a **new management structure** capable of reaping a windfall of **new growth opportunities** in the burgeoning mobile-based Internet market in Japan. The proliferation of handheld smart devices in Japan continues to accelerate at a dizzying pace. MM Research Institute, Ltd., estimates that smartphone users accounted for approximately 37.2% of the total mobile phone user base in Japan as of March 31, 2013. This figure is expected to exceed 50% by the end of March 2015 and 73% by the end of March 2018. Our Smartphone First policy is designed to leverage this **phenomenal growth**. At the same time, tablet usage has entered an explosive take-off phase. Determined to capture the tremendous **growth potential** of today's mobile-based Internet market, the Company and its consolidated subsidiaries (the Yahoo Japan Group) intend to increase revenues by enhancing user convenience as well as providing exciting new services in tune with the new era of mobile-based Internet usage.

Manabu Miyasaka

President and CEO
Yahoo Japan Corporation

Overview of Fiscal 2012

Fiscal 2012, the year ended March 31, 2013, marked the Yahoo Japan Group's 16th consecutive year of record-high sales and profits since the commencement of operations. Consolidated net sales climbed 13.5% year on year, to ¥343.0 billion; consolidated operating income expanded 12.9%, to ¥186.4 billion; and consolidated net income rose 14.4%, to ¥115.0 billion.

While persistent yen strength and further deterioration in eurozone economies dampened sentiment in Japan during the first half of the period, the introduction during the second half of stimulative economic policies by the newly elected Japanese government heightened expectations for recovery and fueled a significant correction in the yen's value and a surging stock market in the fourth quarter. Against this backdrop, our successful efforts to optimize promotion advertising* systems and solid growth in revenues from premium advertising* contributed strongly to sales growth for the year, as did the increase in the monthly Yahoo! Premium membership fee implemented during the period. Notably strong second-half results supported double-digit growth in net sales, operating income, and net income for the full year, providing a strong endorsement of our new management structure.

Turning to costs, personnel expenses expanded in line with growth in total employee numbers resulting from an increase in the number of consolidated subsidiaries. Higher performance-based bonuses reflecting the year's profit growth also pushed up personnel expenses. Depreciation increased as a result of higher investments in servers and other network-related equipment associated with the increase in consolidated subsidiaries. Meanwhile, sales promotion costs for e-commerce services such as YAFUOKU! (formerly Yahoo! Auctions) and Yahoo! Shopping declined. Business commissions also decreased thanks to ongoing efforts to increasingly internalize production and improve overall business efficiency.

*In January 2013, the Yahoo Japan Group's two advertising product categories were renamed as promotion advertising (formerly referred to as listing advertising) and premium advertising (formerly referred to as display advertising).

Overview of the Advertising-Related Business

In fiscal 2012, advertising-related revenues totaled ¥190.5 billion, representing approximately 56% of the Yahoo Japan Group's consolidated net sales.

According to industry data compiled by DENTSU INC., total advertising expenditures in the Japanese market in calendar 2012 grew 3.2%, the first year-on-year increase in five years. Internet-related advertising expenditures, meanwhile, continued to grow strongly, up 7.7%. Against the backdrop of relatively strong Internet-related growth, the Yahoo Japan Group recorded a 15.0% surge in advertising-related sales in fiscal 2012.

Advertising products appearing on the Yahoo! JAPAN site fall under two categories: (1) promotion advertising based on a cost-per-click model, including Sponsored Search® paid search advertising and Yahoo! JAPAN Display Ad Network (YDN) interest-based advertising (formerly referred to as Interest Match®); and (2) premium advertising

Top Impact

based on a cost-per-impression model, including Brand Panel and Prime Display.

Paid search advertising generated 65% of the Yahoo Japan Group's total advertising revenues in fiscal 2012. Since the transition of our paid search advertising distribution system from Yahoo! Inc. to Google Inc. in November 2011, we have made numerous refinements aimed at enhancing the system's distribution accuracy. As a result, advertising distributed to individual users of Yahoo! JAPAN search services is more relevant, leading to an increase in revenues per search query. Explosive growth in smartphone-based search queries in recent years has also boosted revenues. Moreover, interest-based advertising revenues are also expanding considerably, owing to a major overhaul to our platform resulting in greater distribution accuracy. The interest-based advertising platform now distributes graphic banner ads in addition to text-based ads, thereby enhancing advertising efficacy. Sales of interest-based advertising, though accounting for just 7% of total advertising revenues in fiscal 2012, continue to show robust growth. Accordingly, we expect interest-based advertising to become a major revenue source in future years.

As a result of the aforementioned factors, sales of promotion advertising in fiscal 2012 surged 18.6% year on year.

In premium advertising, we focused on improving core products, including Brand Panel and Prime Display, with an eye to eliciting strong emotions and leaving a lasting impression on viewers. To our Brand Panel lineup we added Top Impact and Brand Panel Expand Screen, two new high-impact products appearing on the Yahoo! JAPAN top page. Our national clients have responded quite favorably to these new products. In our Prime Display lineup, we began offering Prime Display Double Size, which leverages larger size to achieve greater advertising efficacy.

As a result of these and other efforts, fiscal 2012 sales of premium advertising grew 6.7%.

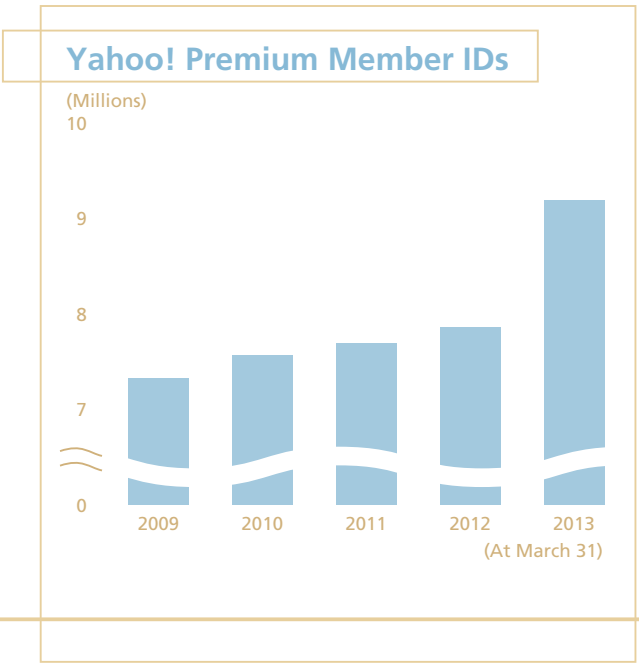
Overview of Other Businesses

In e-commerce service-related businesses, YAFUOKU! and Yahoo! Shopping recorded flat year-on-year growth in transaction values and revenues. Sales of paid digital content, on the other hand, grew firmly thanks to our tie-up with GREE, Inc., in the smartphone-based game business. The release of new game titles in partnerships with other game production companies also yielded positive benefits during the period. As a result, total e-commerce service-related business sales were up year on year.

Revenues from Yahoo! Premium membership services also advanced, reflecting an increase in the monthly membership fee, from ¥330 to ¥380 (before tax), as well as growth in member numbers resulting from an initiative undertaken with SoftBank Mobile Corp. to acquire new members at SoftBank Mobile retail stores.

Maximizing Shareholder Value

While the Yahoo Japan Group prioritizes the accumulation of retained earnings to further strengthen our financial structure and to fund investments required to expand operations going forward, we also understand the importance of returning profits to shareholders on an ongoing basis. Management



takes a flexible approach to enhancing shareholder value, employing both share buybacks and dividend payments.

During fiscal 2012, we enhanced shareholder value on both fronts. In February 2013, management bought back and retired ¥20.0 billion worth of the Company's shares. In addition, we paid an annual cash dividend of ¥401 per share, a 15.6% increase compared with the previous fiscal year's dividend of ¥347 per share.

Our Ambitions for Yahoo! JAPAN

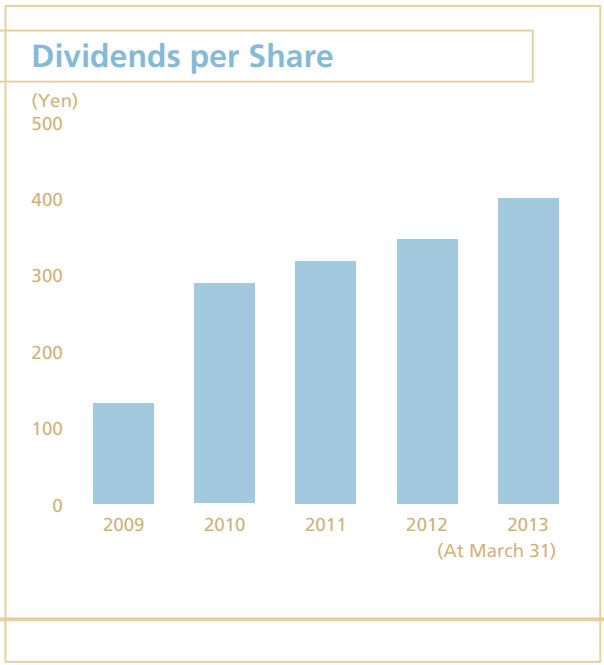
Since its online debut in April 1996, the Yahoo! JAPAN site has pioneered and fueled the advancement of the Internet industry in Japan by providing a comprehensive, ever-expanding array of innovative services to millions of users. Guided by our Users First philosophy, we have consistently offered secure, easy to use services that ensure a worry-free user experience. As a result of our success and corporate growth over the years, the development of new services has become an increasingly cumbersome and time-consuming process involving more layers of decision-making and approval. This is a major issue that we have been addressing. At the same time, taking into consideration the ongoing evolution of current Internet market trends we are dedicated to continually creating amazing new services capable of eliciting a "Wow!" of delighted astonishment from users. In order both to accelerate the pace of new service development and to ensure that all of our new services possess "Wow!" power, our new operating team has formulated a visionary management strategy that lays out a set of guiding Yahoo! Values for all Yahoo Japan Group employees. (For details of our management strategy, please refer to the Special Feature in this report.) The four Yahoo! Values, namely, Problem Solving, Ultimate Speed, Focus, and Freeform, are discussed below.

Problem Solving

The world is awash with problems in need of solutions, from trivial questions such as what to have for dinner tonight to far-reaching social issues such as how to cope with Japan's declining birth rate and quickly graying population. Leveraging the power of the Internet and related technologies, the Yahoo Japan Group aims to be a problem-solving engine by offering the means and the services that enable individual Internet users and society as a whole to solve a wide range of problems. Among our four Yahoo! Values, Problem Solving is positioned as the core value. While viewing specific tasks and projects from a Users First perspective, all of our employees are in addition enjoined to bear uppermost in mind the central importance of Problem Solving to all aspects of their work.

Ultimate Speed

The Internet industry's operating environment is in a constant state of flux, and the capacity to adapt quickly to change is a basic requirement for ongoing business success. To counteract the inevitable slowdown in business execution accompanying our rapid corporate growth in past years, the entire Yahoo Japan Group has been tasked with accelerating processes in order to regain the sense of urgency typically found in a newly formed venture company. In addition to



newly authorizing individual service units to unilaterally make decisions, we have shortened the approval process for releasing new services to just two stages, from around eight under the previous management team. We are confident that these and other changes made to our organizational structure and business systems will facilitate Ultimate Speed in overall business execution. Of our four Yahoo! Values, Ultimate Speed truly animates employees, even to the extent that the phrase forms repeatedly on their lips, mantra-like, as if inciting them to execute tasks swiftly and with broad-stroked abandon as opposed to methodically and with chiseled details, lest a business opportunity be allowed to slip away in the meantime.

Focus

Maintaining a keen Focus is essential to business success. If we attempt to provide every possible service, the overall quality of our service offerings will suffer, as relatively insignificant services divert limited human resources, equipment, and funds away from more important services. Under its Smartphone First policy, the Yahoo Japan Group has prioritized the optimization and development of new services for smartphones. More generally, we are focusing our resources on services that users like the most and that contribute most significantly to consolidated earnings. As for underperforming services, we are discontinuing them, consolidating them with other Yahoo! JAPAN services, or replacing them with other companies' services. Mirroring management's business approach, individual employees must accurately gauge their potential contribution to solving specific problems and prioritize and selectively focus on those tasks that will contribute most significantly to achieving solutions.

Freeform

In order to create services possessing genuine "Wow!" power, we must maintain a corporate culture that encourages a Freeform approach to innovation while at the same time accepting setbacks and failures as inevitable features of the creative process. As the Internet industry continues to evolve in ways unimagined and at breakneck speed, we must meet unprecedented challenges in radically new and untried ways. If in tackling new challenges we initially fail, by repeating this process over and over again we cannot but eventually succeed. Boldly irreverent and defiant of convention in our Freeform approach to new service creation, each and every employee will remain true to the tradition of our eponymous Yahoo forebears of Swiftian literary fame.

By cultivating these Yahoo! Values throughout the Yahoo Japan Group, we aim to empower all employees to make decisions and take action within their respective business sections, thereby accelerating the pace at which we develop new services that facilitate more effective problem solving. To ensure widespread adoption of our Yahoo! Values, we have incorporated them into our personnel evaluation system and are using them also as important benchmarks in setting salaries.

Freshly motivated to accelerate our development of wildly innovative new services boasting "Wow!" power, the Yahoo Japan Group is more committed than ever to remaining the No. 1 problem-solving engine in the Japanese Internet market. In our diligent efforts to secure sustainable corporate growth while retaining the trust and confidence of all stakeholders, we humbly request your continued understanding and support.

Manabu Miyasaka
President and CEO
Yahoo Japan Corporation
June 20, 2013

Special Feature

Only 1 Strategy
The Most Powerful Tag Teams
Unexplored Frontier

After taking over as CEO of Yahoo Japan Corporation (the Company) in April 2012, Manabu Miyasaka quickly moved to rejuvenate the Yahoo Japan Group's operating team with a significant infusion of youth. The new team has 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. To reach this target, management has formulated three business strategies—Only 1 Strategy, The Most Powerful Tag Teams, and Unexplored Frontier—designed to accelerate the pace of growth in conjunction with the Smartphone First policy already implemented throughout our business operations.

Only 1 Strategy

Launched in April 1996 as the Internet's first Japanese-language information search service, Yahoo! JAPAN has from its start been an indispensable resource for Internet users. Aiming to provide an ever-expanding range of useful information, we have continually added new services in collaboration with other companies and information providers. Today, the Yahoo! JAPAN top page is the No. 1 startup page choice among users accessing the Japanese-language Internet via personal computer.

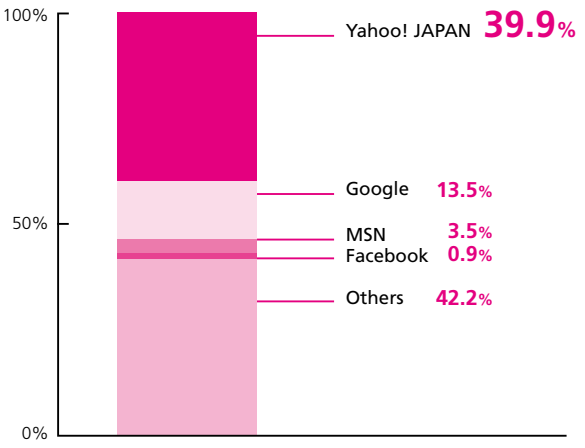
The number and variety of Japanese-language Internet services have surged in response to diversifying user needs, evolving Internet usage patterns, and an expanding range of Internet-enabled devices. Although currently providing more than 100 services, Yahoo! JAPAN alone cannot possibly satisfy the full spectrum of Internet users' information needs. Bearing this in mind, management devised the Only 1 Strategy, which reconfigures the Yahoo! JAPAN top page as a compilation of links to the most popular Japanese-language services on the Internet, including prominent services provided by sites other than Yahoo! JAPAN, accessible via PC, smartphone, or tablet.

In executing our Only 1 Strategy, we rank all Yahoo! JAPAN services based on analyses of monthly user traffic, revenue data, and other factors. The five top-performing services are ranked as Y!1 services, followed by a second tier of services ranked as Y!2 services, a third tier ranked as Y!3 services, and a fourth tier ranked as Y!4 services. Newly introduced services are initially designated as Y!C services, short for Y! Challenge. Y!1- and Y!2-ranked services are designated as Yahoo! JAPAN Only 1 services and allocated additional resources to support further service enhancements.

Depending on trends in monthly user traffic, revenue data, and other factors, our Y!3- and Y!4-ranked services may be discontinued, consolidated with other Yahoo! JAPAN services, or replaced with other companies' services.

Yahoo! JAPAN—PC Users' No. 1 Startup Page Choice

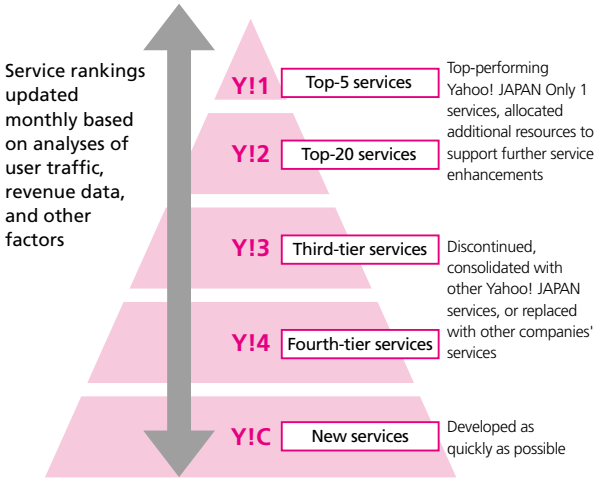
Breakdown of total PC browser startup pages, by service provider, March 2013



Source:

Yahoo Japan Corporation analysis of browser-viewing data for March 2013 collected by the Nielsen Company. We analyzed all viewing sessions for each unique browser, counting the first page viewed in each session as the startup page for that session. For each unique browser, the startup page with the highest number of session counts was defined as that browser's startup page. Unique browsers having more than one defined startup page are not included.

Only 1 Strategy—Prioritizing Top-performing Services



By updating all service rankings on a monthly basis, we facilitate efficiency, flexibility, and transparency in the allocation of resources. Moreover, employees responsible for individual services will naturally compete against each other to increase user traffic and revenues generated by their respective services, leading to improved service quality overall.

By transforming the Yahoo! JAPAN top page into a user-friendly starting point for conveniently accessing the most popular Japanese-language Internet services via PC, smartphone, or tablet, our Only 1 Strategy is expected to entice a significantly higher number of users to select the Yahoo! JAPAN top page as their go-to startup page each time they access the Internet.

During fiscal 2012, the Yahoo Japan Group added new features to and otherwise enhanced the quality of several existing services, as highlighted below.

Advertising Products

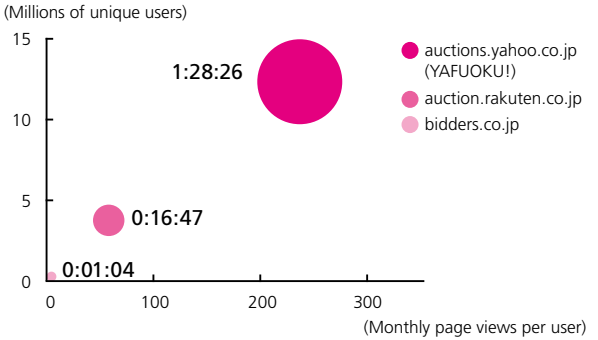
The Yahoo Japan Group undertook measures to increase the quality and convenience of promotion advertising (formerly referred to as listing advertising) and premium advertising (formerly referred to as display advertising). For details, please see the Marketing Solutions Business section of the Business Segment Review in this report.

Auction Business

The Yahoo Japan Group's auction service, launched in September 1999 as Yahoo! Auctions, has for more than a decade been the undisputed leader of the Japanese online auction market. In fiscal 2012, we took various steps to enhance service convenience and stimulate user participation. For example, our introduction of a new online-based identity confirmation process means that first-time sellers are no longer required to complete the obligatory identity confirmation process via time-consuming postal mail service. As a result, we expect a surge of growth in the number of users listing items for sale via auction. Also during the period we changed the name of our auction service from Yahoo! Auctions to YAFUOKU!, a truncated colloquial form that had gained widespread usage among auction users in recent years. With the goal of raising the general population's familiarity with the YAFUOKU! service name, Fukuoka Yahoo! JAPAN Dome was renamed Fukuoka YAFUOKU! Dome. Finally, in a partnership with other companies to promote goods recycling we launched Yahoo! Purchase, a service whereby users' unwanted used goods are purchased by affiliated agents and then resold on YAFUOKU! or Yahoo! Shopping.

YAFUOKU!—Japan's No. 1 Internet Auction Service

Usage of Japan's major Internet auction services, April 2013



- Bubble size corresponds to average monthly time spent per user.
- Estimates used to determine the number of unique users accessing each site.
- Source: Video Research Interactive, Web Report, PC-based access from home, April 2013

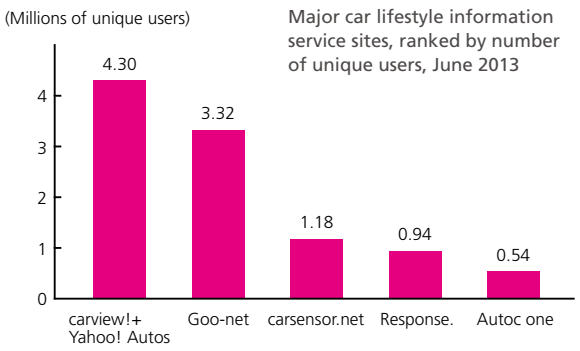
Automobile-related Information Business

Determined to establish a dominant presence in car lifestyle information services, we converted Carview Corporation into a consolidated subsidiary in December 2012. By integrating our Yahoo! Autos service with Carview's used-vehicle assessment and brokerage services as well as social networking service, we aim to provide the most comprehensive car lifestyle information service in the Japanese market.

Our Only 1 Strategy reconfigures the Yahoo! JAPAN top page as a compilation of links to the most popular Japanese-language services on the Internet, including prominent services provided by sites other than Yahoo! JAPAN.

carview!—Japan's No. 1 Car Lifestyle Information Service

- Japan's largest comprehensive automobile service site
- Direct link on Yahoo! JAPAN top page



Source:
Nielsen (NetView JP), access from home and office using PCs (excluding Internet application), June 2013. Data on carview! and Yahoo! Autos are based on each one's sub-domain level, while other data are based on brand level.

Financial Instruments Intermediary Business

After converting CyberAgent FX, Inc., into a wholly owned consolidated subsidiary in January 2013, we commenced operations in the foreign exchange trading business. This marks the Yahoo Japan Group's most serious financial business foray to date. By leveraging Yahoo! JAPAN user traffic and maximizing synergies with existing businesses, we are committed to growing this business into a strong earnings contributor moving forward.

Major new partnerships with other companies' services are highlighted below.

Alliances with Cookpad and Tabelog

In line with our Only 1 Strategy, the Yahoo! JAPAN top page now provides links to Cookpad, the market-leading recipe information site operated by Cookpad, Inc.; and to Tabelog, the market-leading restaurant information site operated by Kakaku.com, Inc. Each of these alliances is a win-win situation: Cookpad and Tabelog benefit from increased visibility, while the Yahoo Japan Group achieves monetization via advertising placements on the Cookpad and Tabelog sites. In a related move, we discontinued Yahoo! Recipe and Yahoo! Gourmet, our former recipe and restaurant information sites, thereby freeing up internal resources for other purposes.

Partnership with Facebook

As the result of a partnership established with Facebook, Inc., during the period, public Facebook postings are now accessible via the real-time search feature on Yahoo! Search. Thanks to a similar partnership formed with Twitter, Inc., in fiscal 2011, Yahoo! Search's real-time search feature now displays both Twitter and Facebook public postings as a single search result. No other Japanese-language Internet search service boasts this capability.

Game-related Business Tie-ups

The Yahoo Japan Group maintains business tie-ups with DeNA Co., Ltd., and SQUARE ENIX CO., LTD., to jointly provide PC-based browser games. As part of a new tie-up with GREE, Inc., announced in November 2012, the smartphone version of the Yahoo! JAPAN top page now contains a link to the GREE social gaming site. Also in November we announced a strengthening of our tie-up with DeNA in the operation of Yahoo! Mobage, as well as renewed our commitment to forming a smartphone-based tie-up with DeNA.

The Most Powerful Tag Teams

In addition to strengthening its Internet-based services, the Yahoo Japan Group views online-to-offline (O2O) business linking users' online activity to offline consumption as a promising new growth opportunity. In our second strategy targeting accelerated earnings growth, we are tag-teaming with leading companies that provide offline services in mutually complementary businesses with the aim of achieving mutually beneficial growth.

Alliances with SOFTBANK Group Companies

In an alliance with SoftBank Telecom Corp., we have combined forces in an effort to turn online users into buying customers at brick-and-mortar stores. By placing banner advertising featuring promotional coupon schemes on Yahoo! JAPAN, companies selling beverages, foods, and daily sundries are enticing online users into their brick-and-mortar stores. Equipment installed in these retail facilities by SoftBank Telecom is able to read coupons won by online users and transform them into tickets that can be exchanged for actual products or redeemed against item price discounts. Employing these and other O2O promotional efforts, we aim to lure more and more Yahoo! JAPAN users into brick-and-mortar stores.

The Yahoo Japan Group also undertook an initiative with SoftBank Mobile Corp. to acquire new Yahoo! Premium members at SoftBank Mobile retail stores. For details, please see the Consumer Business section of the Business Segment Review in this report.

Tie-ups in the e-Commerce Service-related Business

With the aim of strengthening e-commerce service-related business operations, the Company entered into a business

Online-to-offline business linking Yahoo! JAPAN users' online activity to offline consumption at brick-and-mortar stores represents a promising new growth opportunity.

and capital tie-up with ASKUL Corporation. In addition, the Company formed an alliance with convenience store operator Lawson, Inc., with which it established the joint venture Smart Kitchen, Inc. For more details, please see the Consumer Business section of the Business Segment Review in this report.

Partnership with Culture Convenience Club Co., Ltd.

In a continuing partnership with Culture Convenience Club Co., Ltd., Japan's No. 1 offline rewards point system operator, in May 2013 we provided specialized equipment for installing a T-Point card reader in the brick-and-mortar retail facilities of various small and medium-sized businesses. Then, on July 1 all Yahoo! Points were transferred to T-Points, and the T-ID system was integrated with the Yahoo! JAPAN ID system.

Unexplored Frontier

As the pioneer and protagonist of the Japanese Internet market, the Yahoo Japan Group remains committed to maintaining its undisputed leadership position not only by expanding existing services but also by boldly creating businesses and services unlike any others seen in the market to date. In line with our third growth strategy, Unexplored Frontier, we engaged in the following activities in fiscal 2012.

Project Dejima

Dejima, an artificial island constructed in Nagasaki Bay in 1634, was Japan's sole window onto overseas cultures throughout most of the Edo Period (1603–1868), when Japan's *sakoku* policy of self-imposed isolation was in effect. Similar to Edo-Period Dejima, the Yahoo Japan Group aims to be contemporary Japan's window onto an ever-changing array of Internet-based services and businesses developed by companies all around the globe. Through our office in New York, we seek out innovative companies developing cutting-edge services and business models, which we introduce to the Japanese market via business partnerships.

YJ Capital Inc.

We established YJ Capital Inc., a Japan-based investment fund for startup online companies incorporated in Japan. YJ Capital aims to make equity investments in promising new companies likely either to yield capital gains or to generate business synergies through tie-ups with existing Yahoo! JAPAN services.

Fukko (Reconstruction) Department

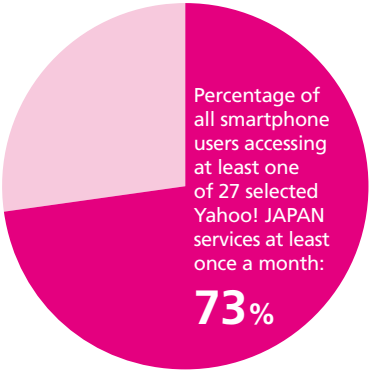
As a means of providing ongoing support to the economic revitalization of the Tohoku region in the wake of the Great East Japan Earthquake of March 11, 2011, we launched Fukko Department, an online department store site on Yahoo! JAPAN that directly connects consumers throughout Japan to Tohoku-based businesses selling a wide variety of regional food items and manufactured products. In addition, we set up the Reconstruction Support Office with the aim of publicizing and facilitating reconstruction activities in the Tohoku region. In a related initiative, we established the Ishinomaki Reconstruction Base in Ishinomaki City, Miyagi Prefecture, with the specific goal of fostering reconstruction support businesses.

Smartphone First Policy

In addition to carrying out the three growth strategies outlined above, the Yahoo Japan Group continues to aggressively implement its Smartphone First policy in all business areas.

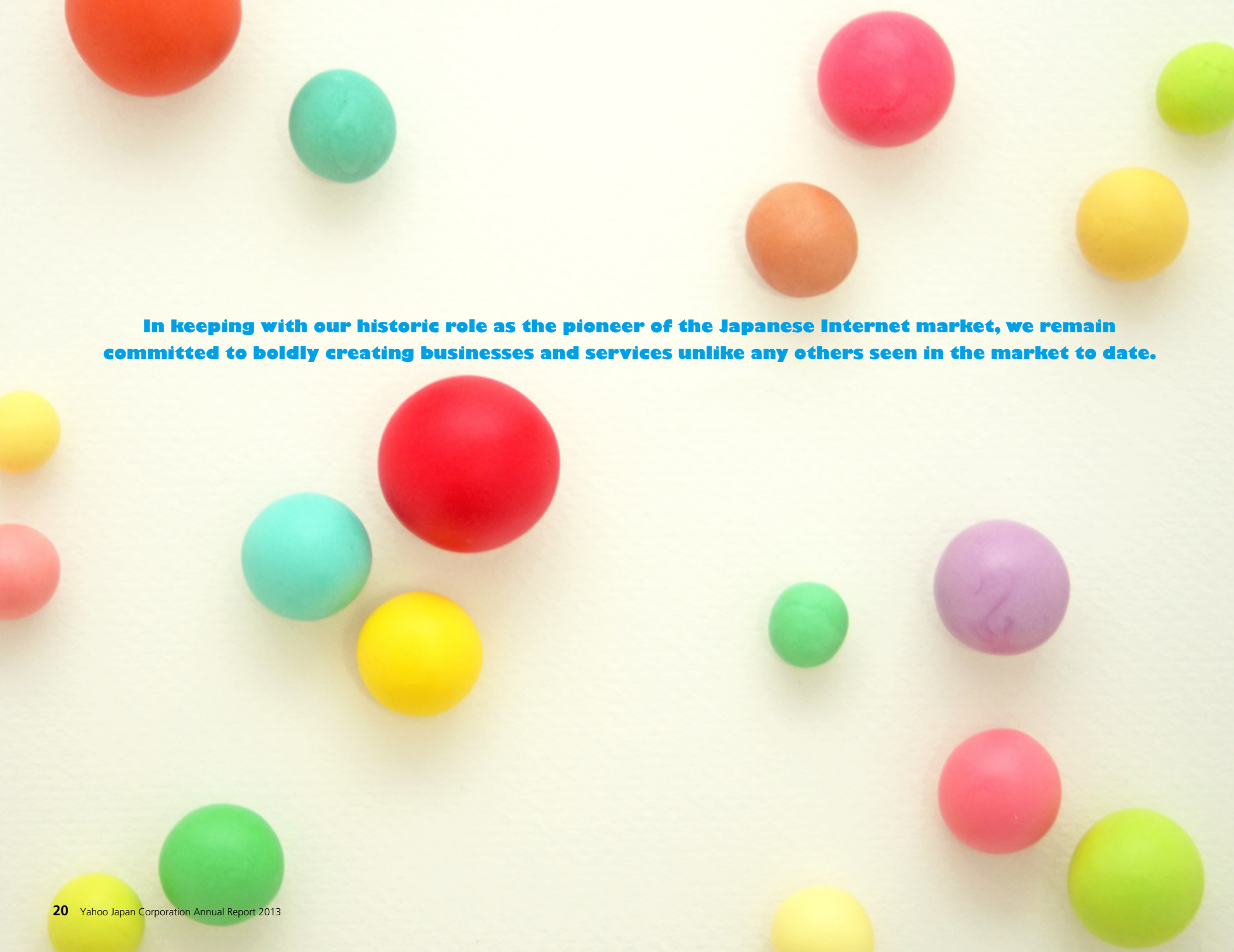
Following the July 2008 Japanese market debut of the iPhone and subsequent market entry of a growing range of Internet-enabled handheld smart devices, a new mode of mobile-based Internet access quickly emerged. Explosive proliferation in recent years of a range of mobile smart devices has supported dramatic growth in Internet user numbers as well as in Internet access frequency rates and usage times per user. This growth in turn has fueled demand for new types of Internet services.

Yahoo! JAPAN Services Appeal Broadly to Smartphone Users in Japan



Source:

Video Research Interactive, SmartPhoneContents Report, February 2013.
In a survey of smartphone users, 73% (non-overlapping total) indicated that they used at least one of the following 27 Yahoo! JAPAN services at least once during the month of February 2013: Yahoo! JAPAN, Yahoo! Search, Voice Search (Yahoo! JAPAN), Yahoo! Market, Yahoo! Topics/Headlines/News, R25, sportsnavi.com, Yahoo! Sports, Yahoo! Weather Information, Yahoo! Local Map, Yahoo! Transit (including Yahoo! Local Transit), Yahoo! Disaster Information, Yahoo! TV, Yahoo! Bookstore, GyaO!, Yahoo! Movie, Yahoo! Local Gourmet, Yahoo! BEAUTY, Yahoo! Finance, Yahoo! Knowledge Search, Yahoo! Messenger, Yahoo! Mail, Yahoo! Box, Yahoo! Dictionary, Yahoo! Shopping, Yahoo! Auctions (YAFUOKU!), Yahoo! Travel



In keeping with our historic role as the pioneer of the Japanese Internet market, we remain committed to boldly creating businesses and services unlike any others seen in the market to date.

With the goal of increasing user traffic and earnings in the explosive mobile-based Internet market, the Yahoo Japan Group's Smartphone First policy prioritizes above all else the development and optimization of services for smart devices. In a February 2013 survey of usage rates of 27 selected smartphone-based Yahoo! JAPAN services, 73% of respondents (non-overlapping total) reported using at least one service at least once a month.* While targeting further growth in the number of users of Yahoo! JAPAN services, we are also focusing on boosting access frequency rates and usage times per user. To this end, we are flexibly optimizing services to support accelerated smartphone-based access. And bearing in mind the valuable feedback received from users, we are keenly focused on rapidly introducing new mobile-based services in line with evolving user needs, either through in-house development or through capital and business tie-ups, as appropriate.

*Based on data from Video Research Interactive, SmartPhoneContents Report, February 2013.

Specific initiatives carried out under the Smartphone First policy are highlighted below.

KAKAO TALK

After acquiring a 50% stake in KAKAO JAPAN Corporation, a subsidiary of South Korea's KAKAO Corporation, provider of the KAKAO TALK smartphone-based communication service, we began joint development of the KAKAO TALK service for the Japanese market. As of April 2013, the KAKAO TALK app had been downloaded some 10 million times by users in Japan. By improving the KAKAO TALK service's ease and frequency of usage, we anticipate higher Yahoo! JAPAN service access rates among smartphone-based users of the KAKAO TALK service.

Community Factory Inc.

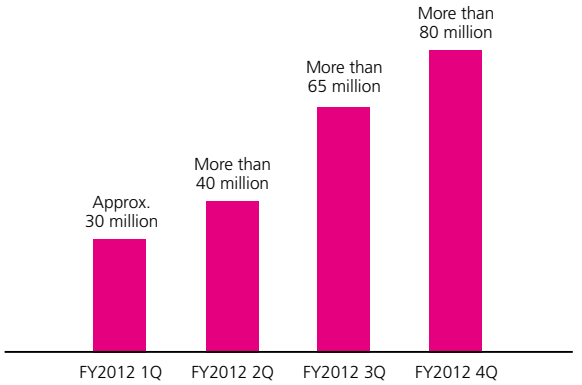
We acquired a 100% ownership stake in Community Factory Inc., creator of the DECOPIC app that enables users to decoratively enhance and share photos taken with smartphones. By making Community Factory a consolidated subsidiary, we expect that many users of Community Factory services will become users also of Yahoo! JAPAN services for smartphones. Moreover, by leveraging Community Factory's expertise in apps development targeting the female demographic we expect to further strengthen our ability to create popular new apps for smart devices moving forward.

Expanding Usage of Yahoo! JAPAN Service Apps

Downloads of Yahoo! JAPAN service apps have steadily increased, reflecting our efforts to optimize more apps for an expanding range of smart devices as well as our business and capital tie-ups with developers of popular apps. In February 2013, we released new versions of Yahoo! JAPAN apps developed on the basis of five years of service history and incorporating the results of a detailed survey and analysis of smartphone user needs. As a result of these and other measures, a cumulative total of more than 80 million apps for Yahoo! JAPAN services had been downloaded as of March 31, 2013.

Growth of Yahoo! JAPAN Service App Downloads

Cumulative total downloads (iOS + Android)



Distribution of Smart Devices to Employees

On the assumption that a mobile-based workplace environment is more conducive than a PC-based environment to the efficient creation of high-quality mobile-based services, the Company provides each employee with an iPhone and iPad. We are confident that this shift to a workplace environment where employees actually use the very devices for which they are developing services and apps will boost creative efficiency and service quality.

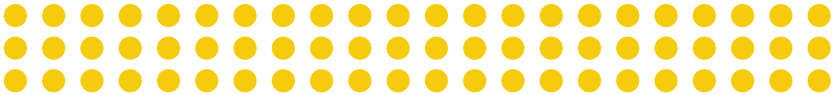
The ongoing evolution of Internet access and usage patterns implies continuous demand for new online services going forward. By enthusiastically developing wildly innovative services centered on the three growth strategies and Smartphone First policy outlined in the preceding pages, the Yahoo Japan Group will stride confidently toward its goal of doubling fiscal 2011's consolidated operating income by no later than fiscal 2018, the year ending March 31, 2019.

Business Segment Review

Share of Net Sales, by Business Segment
(For the year ended March 31, 2013)

Marketing Solutions Business 66%

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



Consumer Business 30%

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

Other Business 4%

The Other Business segment mainly comprises settlement- and finance-related services.

In April 2012, the Company undertook a major structural reorganization with the aim of responding more quickly to market changes and providing services more effectively. As part of this effort, we reorganized our three former business segments into two new reporting business segments: Marketing Solutions Business and Consumer Business. The Marketing Solutions Business segment chiefly comprises advertising-related services, corporate services, and information listing services. The Consumer Business segment primarily includes e-commerce related services and membership services. In addition to the two new reporting business segments, we also formed the Other Business segment mainly to account for settlement- and finance-related services.

Business Segment Highlights
(For the year ended March 31, 2013)

(Millions of yen)

Segment	Net Sales	Cost of Sales	SG&A Expenses	Operating Income	Operating Margin	Net Sales Breakdown, by Main Revenue Source		
Marketing Solutions Business	¥231,590	¥38,962	¥66,440	¥126,188	54.5%	Advertising-related services	¥186,700	Promotion advertising (paid search advertising and interest-based advertising) Premium advertising (banner, text, e-mail, and video)
						Corporate services	30,097	Data center related service fees, Affiliate-related service fees, Automobile-related service fees, and Yahoo! WebHosting
						Information listing services	12,605	Yahoo! Real Estate and Indival
						e-Commerce related services	2,188	Paid digital content fees
Consumer Business	106,084	1,118	26,745	78,221	73.7%	e-Commerce related services	55,850	YAFUOKU! and Yahoo! Shopping tenant and system-use fees, and Paid digital content fees
						Membership services	40,040	Yahoo! Premium membership fees, Yahoo! BB ISP fees, and Yahoo! Partner membership fees
						Advertising-related services	4,184	Premium advertising
						Other	6,010	Yahoo! BB incentive fees and Yahoo! Travel
Other Business	15,235	1,648	8,833	4,754	31.2%	Settlement- and finance-related services	10,431	FX-related service fees, Credit card related service fees, and Settlement-related service fees
						Other	4,804	Paid digital content fees

Marketing Solutions Business

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

Share of Net Sales

66%

Share of Operating Income

60%

Marketing Solutions Business segment net sales for fiscal 2012, the year ended March 31, 2013, surged 17.6% year on year, to ¥231.6 billion, and operating income increased 14.5%, to ¥126.2 billion.

According to industry data compiled by DENTSU INC., total expenditures in the Japanese advertising market in calendar 2012 rose 3.2%, to ¥5,891.3 billion. This was the first year-on-year increase in five years, following on four successive years of decreasing advertising expenditure amid economic uncertainty triggered by the U.S. financial crisis of 2008 and the Great East Japan Earthquake of 2011. Despite the dampening effects in Japan of persistent yen strength and economic stagnation in Europe, Japanese advertising expenditures for the full year were up, mirroring the gradual recovery in the Japanese economy accompanying post-earthquake reconstruction demand from the second half of calendar 2011.

While total advertising expenditures in the four traditional media markets of television, newspapers, magazines, and radio were up 2.9% in calendar 2012, Internet-related advertising expenditures recorded a relatively robust 7.7% rise.

In January 2013, we renamed our two advertising product categories as promotion advertising (formerly referred to as listing advertising) and premium advertising (formerly referred to as display advertising).

Our promotion advertising products include Sponsored Search® paid search advertising and Yahoo! JAPAN Display Ad Network (YDN) interest-based advertising (formerly referred to as Interest Match®). Typically used for the purpose of sales promotion, promotion advertising products are designed to elicit direct user interaction in the form of click-throughs. Sales of promotion advertising in fiscal 2012 surged 18.6%, to ¥137.1 billion, supported by impressive smartphone-based sales growth and further buttressed by revisions to sales incentives offered to advertising agencies during the period.

Sponsored Search® paid search advertising is distributed to search results pages according to a matching function based on search keywords, with advertiser fees calculated on a per-click basis. Since the transition of our paid search advertising distribution system from Yahoo! Inc. to Google Inc. in November 2011, we have made numerous refinements aimed at leveraging the Google system's strengths in distribution accuracy. As a result, we have achieved higher click-through rates, increased revenues per search query, and healthy growth in paid search advertising sales.

Whereas paid search advertising is distributed to search results pages on both Yahoo! JAPAN and on network partner sites based on search keywords, interest-based advertising is distributed to pages other than search results pages on both Yahoo! JAPAN and on network partner sites based on the contents of viewed pages and user interests as inferred from user-specific behavioral histories. After improving distribution accuracy by strengthening the match between advertising content and inferred user interests, in May 2012 we changed the name of our interest-based advertising product from Interest Match® to YDN. Then, in August 2012 we began distributing graphic banner YDN products, thereby further boosting advertising efficacy. As a result, sales began to soar in the second half of the period, resulting in a 53.2% increase in YDN sales in fiscal 2012, to ¥12.9 billion.

During fiscal 2012, we also began offering re-targeting advertising in collaboration with France's Criteo SA. Re-targeting advertising entails the redistribution of advertisements for products or services viewed previously by users to encourage repeat viewings. Re-targeting

advertising boasts relatively high advertising efficacy.

Moving forward, we will continue to enhance the value of our promotion advertising services by further improving distribution accuracy and introducing advertising formats with greater appeal and efficacy. In marketing activities, we will tighten our collaboration with advertising agencies, especially regional agencies with strong ties to local communities in an effort to expand the number of advertisers based outside major metropolitan areas.

Our premium advertising products, including Brand Panel and Prime Display, leverage high visual impact to elicit strong emotions and leave a lasting impression on viewers, making them particularly well suited to the image-enhancement and product-branding requirements of major corporations. Premium advertising sales in fiscal 2012 increased 6.7%, to ¥53.4 billion.

While continuing to strengthen our marketing capabilities, we introduced new premium advertising products featuring expanded display space and innovative display configurations. These high-impact products, designated as Rich Ads, facilitate greater creativity for enhanced advertising appeal. Top Impact and Brand Panel Expand Screen are two examples of Rich Ads newly added to our Brand Panel lineup during the year, both for placement on the Yahoo! JAPAN top page. Top Impact boasts a four-position display configuration, while Brand Panel Expand Screen automatically enlarges in response to the movements of a hovering cursor. The per-impression cost of these new products is approximately 40% higher than previously marketed Brand Panel products.

Moving forward, we will maintain our focus on developing and marketing new high-impact premium advertising products. At the same time, we will further expand sales by working in closer collaboration with advertising agencies.

Brand Panel Expand Screen Rich Ad: Cutting-edge Premium Advertising on the Yahoo! JAPAN Top Page

Smartphone-based advertising accounted for 12.8% of overall advertising sales in fiscal 2012, a sharp increase from its 4.5% share in fiscal 2011. In recognition of the ongoing rapid proliferation of smartphones and tablets in the Japanese market, we continue to prioritize activities that position the Yahoo Japan Group to reap maximum benefits from a rapidly expanding smartphone-based advertising market.

Growth in our smartphone-based advertising business is related to growth in the number of Internet sites optimized for smartphone usage. With this in mind, we introduced Smartphone Site Builder, a service that utilizes the technologies of U.S.-based Duda Mobile Inc. to convert PC-based sites to smartphone-compatible sites.

In a collaboration with U.S.-based BrightTag, we began offering Yahoo! Tag Manager, a service that supports the post-placement management of advertisements across a range of smart devices. Meanwhile, in a collaboration with User Local, Inc., a Japanese company with particular strengths in smartphone-based advertising analysis, we

Yahoo Japan Group Advertising Products Overview

Advertising Type		Main Format	Pricing	Placement Pages	Main Advertiser Base
Promotion Advertising (primarily for sales promotion)	Paid Search Advertising: Sponsored Search®	• Text	Per click (per-click rate determined by keyword auction bid price)	• Search results pages	• Major corporations • Small and medium-sized companies
	Interest-based Advertising: Yahoo! JAPAN Display Ad Network (YDN)	• Text • Banner		• Top page • Contents pages	
Premium Advertising (primarily for branding and image enhancement)		• Banner	Per impression (page view) (per-impression rate determined by contract)	• Top page • Contents pages	• Major corporations

released Yahoo! Access Analytics, a service that analyzes advertising efficacy.

Sales of corporate services amounted to ¥30.1 billion in fiscal 2012, up 41.3%. Largely responsible for this substantial gain was the data center related business of consolidated subsidiary IDC Frontier Inc. (IDCF), which recorded solid sales growth on the year.

ValueCommerce Co., Ltd., was converted into a consolidated subsidiary after carrying out a repurchase of its own shares, which gave the Company a majority holding of the total voting-right shares of ValueCommerce stock. ValueCommerce, which cooperatively operates an ad affiliate program with the Company, had previously been an associated company accounted for by the equity method. The Company intends to strengthen its collaboration with ValueCommerce in coming years.

Determined to establish a dominant presence in car lifestyle information services, we converted Carview Corporation into a consolidated subsidiary in December 2012. By integrating our Yahoo! Autos service with Carview's used-vehicle assessment and brokerage services as well as social networking service, we aim to provide the most comprehensive car lifestyle information service in the Japanese market.

Information listing services, including Yahoo! Real Estate, recorded sales of ¥12.6 billion, an increase of 15.9%.

Following the December 2012 termination of Yahoo! Rikunabi, our employment-related information service jointly operated with Recruit Holdings Co., Ltd., we inaugurated the new Qlear career support service. Operated by consolidated subsidiary Indival, Inc., Qlear provides a two-way communication platform that enables job seekers to directly ask questions to and receive responses from prospective employers. Incorporating a results-based fee system, this service offers an innovative, efficient method for companies seeking to hire new employees. Because the Qlear service was in its initial launch stage, employment-related information service sales suffered a temporary decrease in the fourth quarter. Looking forward, we will make every effort to cultivate this service.

Consumer Business

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

Share of Net Sales

30%

Share of Operating Income

38%

Consumer Business segment net sales for fiscal 2012 increased 5.9%, to ¥106.1 billion, and operating income expanded 9.9%, to ¥78.2 billion.

The transaction value of the Yahoo Japan Group's auction business in fiscal 2012 dipped 1.1% on the year, to ¥679.6 billion. According to Company estimates, our auction business currently accounts for up to 80% of the entire domestic online auction market. To further expand our auction business, therefore, in fiscal 2012 we focused on boosting the number of auction participants in an effort to broaden the size of the overall auction market. In our Reuse initiative, for example, we encouraged consumers in Japan to occasionally buy and sell used items via online auctions rather than always buying brand-new items and then throwing them away when no longer needed. To cultivate a more user-friendly image, we changed the name of our auction service from Yahoo! Auctions to YAFUOKU!, a truncated colloquial form that had gained widespread usage among auction users in recent years. At the same time, Fukuoka Yahoo! JAPAN Dome was renamed

Fukuoka YAFUOKU! Dome. In a related move, for residents of Fukuoka Prefecture we decided to waive all listing fees normally incurred when selling items on YAFUOKU!, effectively allowing them to sell free of charge. Also during the period, in an effort to promote goods recycling we partnered with selected companies in launching Yahoo! Purchase, a service whereby users' unwanted used goods are purchased by affiliated agents and then resold on YAFUOKU! or Yahoo! Shopping. We also introduced a smartphone app that automates the listing process for users selling manufactured items with visible bar codes. In addition, we newly enabled users selling items on YAFUOKU! for the first time to complete the identity confirmation process quickly and easily via smartphone or feature phone. As a result of these and other initiatives, we anticipate strong growth in the number of users listing items for sale on YAFUOKU! in future years.

The transaction value of the Yahoo Japan Group's shopping-related business in fiscal 2012 edged up 0.9%, to ¥306.7 billion. Moving forward, we are focused on strengthening each of the BtoC e-commerce pillars of our shopping-related business, including (1) Yahoo! Shopping, which offers a highly visible sales platform on Yahoo! JAPAN to more than 20,000 retail stores; (2) LOHACO, a collaboration with ASKUL Corporation; and (3) Smart Kitchen, operated via a joint venture with convenience store operator Lawson, Inc.

Keenly focused on efficiently achieving a quick reduction in Yahoo! Shopping sales promotion costs during the period under review, we simply declared a few days each month to be Yahoo! Shopping Explosive Buying Day. This straightforward, low-cost approach succeeded in unleashing users' latent desire to shop.

In May 2012, the Company invested ¥33.0 billion to acquire 42.6% of the total number of issued shares of ASKUL's common stock. Then, in October we launched LOHACO, an online BtoC sales service primarily of daily-use necessities traditionally sold in supermarkets and discount stores. Leveraging the logistics acumen of ASKUL to provide same-day or next-day delivery, LOHACO has already achieved high levels of user satisfaction as well as a ratio of repeat orders within 60 days of approximately 30%, a remarkably high figure for a BtoC e-commerce business. Based on a business model of bulk purchases directly from manufacturers and direct online sales to individual customers, and leveraging ASKUL's high-speed logistics capabilities, LOHACO represents a high-potential business undertaking. In coming years, we intend to steadily boost LOHACO's transaction value by

YAFUOKU! Initiatives: Smartphone App, Yahoo! Purchase, and Fukuoka YAFUOKU! Dome

Smartphone App for listing items on YAFUOKU!

Items with bar codes are easy to list.

Yahoo! Purchase

Users sell unwanted used goods to purchasing agents for resale on YAFUOKU! or Yahoo! Shopping.

Fukuoka YAFUOKU! Dome

Fukuoka Yahoo! JAPAN Dome was renamed Fukuoka YAFUOKU! Dome.

Shopping-related Business Services: Yahoo! Shopping, LOHACO, and Smart Kitchen

Yahoo! Shopping

Online shopping-mall platform for retail stores

Online sales of daily-use necessities, with same-day or next-day delivery

Smart Kitchen

Regular home-delivery service of frozen or chilled prepared-food products

increasing the number of items deliverable on the same or the next day and by offering more competitive pricing.

In another initiative that also leverages ASKUL's logistics capabilities, we are currently drawing up a plan for a high-speed order-fulfillment service to be offered to stores listed on Yahoo! Shopping. This plan entails placing stocks of each store's hot-selling products in ASKUL warehouses so that they will be available for delivery immediately upon receipt of an order, thereby facilitating same-day or next-day order fulfillment.

Smart Kitchen provides regular home-delivery service of frozen or chilled prepared-food products catering especially to buyers with busy lifestyles, including complete ingredient packs for dishes that take just 10 minutes to prepare.

By strategically leveraging the unique characteristics of the three shopping-related services described above, we will make every effort to raise total transaction value.

Resolutely determined to strengthen our e-commerce related businesses in fiscal 2013, we plan to separate our auction and shopping-related businesses, currently operated as a single business unit, into two independent business units in July 2013. By allowing each business to independently develop its particular area of expertise, we expect to boost overall e-commerce related sales.

While the e-commerce market in Japan currently represents less than 6%[1] of the entire retail market, it continues to expand at a precipitous pace. Recent data indicate that the entire retail market in Japan has remained mostly flat, having increased just 1%[2] over the six-year period up to and including fiscal 2011. In contrast, over the same time period the e-commerce market nearly doubled in size. Leveraging Yahoo! JAPAN's unparalleled user base, and riding the tailwind provided by rapid e-commerce market growth, we confidently expect to achieve steady gains in total e-commerce related business transaction value moving forward.

[1] Nomura Research Institute, Ltd.'s *IT Navigator*, calculated on the basis of BtoC e-commerce market scale

[2] Ministry of Economy, Trade and Industry's Commerce Statistical Survey, calculated on the basis of retail sales

Membership service business revenues, consisting chiefly of monthly Yahoo! Premium membership fees, increased 7.2% year on year, to ¥40.0 billion. After enhancing our smartphone-based Yahoo! Premium service member benefits in October 2012, we raised the monthly membership fee from ¥330 to ¥380 (before tax). With the subsequent churn rate remaining within the expected range, revenues rose as a result of the membership fee hike.

In a collaborative initiative with SoftBank Mobile Corp. aimed at acquiring new Yahoo! Premium members, we started accepting Yahoo! Premium membership registrations at SoftBank Mobile retail stores. As a result, the number of Yahoo! Premium member IDs surged to 9.19 million as of March 31, 2013, an increase of approximately 1.35 million compared with the figure one year earlier. Going forward, we will target further membership gains primarily by expanding member benefits.

In paid content services, games-related revenue expanded significantly year on year.

As part of a collaboration since November 2012 with GREE, Inc., our first partner in the field of smartphone-based games, the smartphone version of the Yahoo! JAPAN top page now contains a link to GREE's social gaming site. With the stated goal of offering users untold and unimagined value in Internet-based entertainment, we founded GxYz, Inc., together with GREE in March 2013 as a jointly financed mission to develop and operate smartphone-based social games.

Yahoo! Mobage, our PC-based social game service developed in collaboration with DeNA Co., Ltd., surpassed the 10-million-user mark, making Yahoo! Mobage the undisputed leader in the Japanese PC-based social games market. We are currently engaged in discussions with DeNA about extending our collaborative efforts into the field of smartphone-based games.

Sengoku IXA Chiyorozunohasha, the smartphone version of the popular Sengoku IXA PC browser game, is one example of our many game offerings developed to date with SQUARE ENIX CO., LTD., a collaborative partner since 2010.

Elsewhere, we also began offering new PC browser games, including SD Gundam Operations, in collaboration with NAMCO BANDAI Online Inc.

Moving forward, we intend to further expand our list of game titles and reap steadily mounting revenues as a result.

Other Business

The Other Business segment mainly comprises settlement- and finance-related services.

Share of Net Sales

4%

Share of Operating Income

2%

After converting CyberAgent FX, Inc., into a wholly owned consolidated subsidiary in January 2013, we commenced full-fledged operations in the foreign exchange trading business. This marks the Yahoo Japan Group's most serious financial business foray to date. After undertaking promotional campaigns aimed at the Yahoo! Premium membership, we rode a tailwind of foreign exchange trading activity in the Japanese market during the fourth quarter of the period. As a result, our foreign exchange trading business transaction value not only was 2.5 times higher than in the corresponding quarter of the previous year but also ranked No. 3 internationally among online foreign exchange trading services.* By leveraging the Yahoo! JAPAN user base and maximizing synergies with existing businesses, we are committed to growing this business into a strong revenue contributor moving forward.

*ForexMagnates.com Research Report

Corporate Social Responsibility and Corporate Governance

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, with selected content offered in smartphone and tablet versions. We also offer Yahoo! Safety Net, a free filtering service that prevents children from viewing Web sites intended for mature users, accessible through PCs as well as such mobile devices as iPhones and iPads.
- Dedicated to the sound and wholesome development of the Internet, we have been a member of the Internet Hotline Center's Guideline Formulation Committee since the establishment of the Center.

Enhancing Understanding of the Internet

- At the request of numerous elementary, junior, and senior high schools throughout Japan, we have since 2007 accommodated a total of 98 educational tours of the Company's office in Tokyo. In addition, we regularly visit schools with the goal of enhancing students' understanding of the Internet and its usage.
- In April 2008, jointly with NetSTAR Inc. we inaugurated the Study Group on Internet Usage by Children, which is currently preparing a comprehensive safety guide in collaboration with educational institutions, independent researchers, and representatives of parents and other legal guardians. In addition, in April 2010 we established a study group on the issue of parenting and Internet filtering.

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 continually implement the latest technologies designed to strengthen user security. For example, we provide a log-in alert service that sends log-in confirmations to users via e-mail, disclosures of log-in records, a log-in seal service to prevent phishing fraud, and a Tool Bar warning function to minimize phishing fraud.
- Our supplementary guide for enhanced safety, posted on Yahoo! JAPAN, offers users advice on how to protect their Yahoo! JAPAN IDs, as well as instructions on how to respond to Yahoo! JAPAN ID and password theft.
- We actively participate 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 YAFUOKU!, textream, and Yahoo! Knowledge Search.
- We are committed to expanding the range and improving the quality of our customer support services offered via the Yahoo! JAPAN Help Center and help pages.
- 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.
- In July 2008, Yahoo Japan Customer Relations Corporation began operations with the goal of improving our customer support services. As a matter of course, we make every effort to reply to customer inquiries in a timely, easy-to-understand manner. In the case of inquiries received by mail, we reply within 24 hours. For our promotion advertising customers we provide free support services via telephone and mail. By unfailingly providing high-quality support services, we greatly enhance customer satisfaction.
- We periodically conduct user satisfaction surveys. Survey results data, published on the Company's intranet, form the basis of our ongoing service improvements.
- To boost the credibility of Internet-based advertising, we have established stringent screening standards for advertising-related content and presentation format. In addition, the contents of all Yahoo Japan Group partner sites are subject to review based on internal guidelines.
- To maintain the high quality and enhance the user-friendliness of our services, we have assembled a dedicated in-house team to carry out strict quality-assurance checks and editing based on internal guidelines.

For Society

Adopting an Uncompromising Stance toward Impropriety

- In addition to strengthening our YAFUOKU! management and monitoring systems, we offer extensive safety-related information and advice to YAFUOKU! 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 distribution of items in violation of intellectual property rights. Based on these guidelines, intellectual property rights owners and the Internet industry are cooperatively engaged in combating this problem.
- Committed to reducing fraud and other abuses of Internet services, we fully cooperate with investigative bodies. During the fiscal year under review, some of our expert staff presented lectures on the theme of Internet-related crime prevention to the relevant sections of selected prefectural police headquarters in Japan.
- Postings that allude to or encourage suicide, or that display cruel and inhumane images, are strictly prohibited. Countermeasures against such postings on any and all Yahoo! JAPAN services have been implemented to protect the safety of young people. Looking ahead, proposals have been put forward for establishing a system whereby the Internet Content Safety Association identifies and monitors a list of potentially problematic sites.

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. Currently, Yahoo! JAPAN Research is exploring the theme "user needs and technological seeds." Preliminary research results are posted on Yahoo! Labs in order to solicit user feedback, an integral step in the successful development of new services.

- Since 2005, 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.

Public-Awareness and Educational Activities

- To promote intelligent usage of social media in times of disaster-type emergencies and to offer instruction on established rules and etiquette for using social media, we teamed up with Twitter Japan, J-WAVE radio station, and the Mori Building Company in conducting Japan's first public emergency drill based on social media.
- We participate as an official partner in efforts to secure the Summer Olympic Games and Summer Paralympic Games for Tokyo in 2020.

Charity and Volunteer Support Activities

- Through our Internet Donation service, we have provided aid to victims of natural disasters in Japan since 2004, including victims of the March 2011 Great East Japan Earthquake. Since June 2007, users have been able to encash accumulated Yahoo! Points to make Internet charity contributions. As of March 31, 2013, Yahoo! JAPAN's cumulative Internet charity contributions exceeded ¥1,834 million.
- In 2006, we established the Yahoo! Charity Fund with the dual goal of promoting the sound development of Internet-based society and providing aid to victims of natural disasters. During the fiscal year under review, the Fund provided financial assistance to Internet consulting services and instructional courses in Internet usage for children and elderly persons. Emergency relief funds were also provided to victims of the May 2012 tornado in Ibaraki Prefecture and the torrential rain disaster in Kyushu in July.
- Our Yahoo! Volunteer service provides information about NPOs and volunteer organizations to assist persons wishing to participate in volunteer activities. Volunteer organizations also can use this service to post activity reports, publicize events, and recruit volunteers.
- Charity auctions hosted by YAFUOKU! raised nearly ¥200 million in fiscal 2012.
- We inaugurated the Charity Shopping service in March 2008 as an adjunct to our Yahoo! JAPAN affiliates program with the goal of raising funds to support volunteer groups.
- We are an active supporter of the Special Olympics Nippon Foundation.

Environmental Activities

- As part of our efforts to enhance general awareness of the necessity for energy conservation in Japan both now and in the future, we provide a public-interest page on Yahoo! JAPAN featuring graphic illustrations of actual rates of electricity consumption in Japan, broken down by regional utility company. A related page illustrating Japanese electricity consumption forecasts reinforces the need for energy conservation in coming years.
- 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 2012, this system produced an amount of recycled paper equivalent to 686 trees, and in calendar 2012 contributed to a reduction in greenhouse gas emissions of approximately 68.24 metric tons.
- Working to achieve paperless business operations at our offices, we perform administrative tasks online and use screen projectors during meeting presentations.
- 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 2013. 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

- In line with our policy of providing comprehensive, timely disclosure, we post not only legally required disclosure materials but also supplementary materials from our

quarterly information meetings on the Company Information page in the Investor Relations section of the Yahoo! JAPAN site, 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.

- Our disclosure activities for non-Japanese investors include publishing English-language versions of the annual report and various other communications materials, holding English-language telephone conversations with institutional investors as requested, and undertaking informational overseas road shows.
- Since September 2007, the Company has been continually selected for inclusion in the FTSE4Good Japan Index, one of the world's major socially responsible investment indexes based on an internationally recognized set of corporate social responsibility standards, attesting to the strength of our reputation as a sustainable growth company.

Together with 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 an annual 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 biannual Profit Assessment that evaluates each employee's success in achieving specific, self-defined professional goals.
- We recognize employees who make outstanding contributions to enhancing user 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.
- In support of employees' efforts to create more individualized work styles, we have instituted a system of flexible working hours.
- Concerned with the emotional and physical well-being of all employees, we maintain an in-house staff of health-care professionals. In addition to offering annual general health checkups free of charge, we encourage older employees to undergo various diagnostic tests and follow-up health-care consultations with in-house staff.
- Our emergency preparation efforts include placing automated external defibrillator (AED) units in the workplace and offering fire prevention and emergency medical care training. Since November 2007, we have offered a regularly scheduled emergency training program comprising a series of fire prevention seminars and general emergency medical care training courses. As of March 31, 2013, 1,404 employees had completed this emergency training program, totaling 2.5 hours of course time, and received emergency medical care skills certificates from the Tokyo Fire Department.

Internal Control

- 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. Within the Internal Control Office, we established the Zero Accident Administrative Bureau to oversee efforts aimed at eliminating workplace accidents. In the case of an accident occurring, detailed reports are swiftly submitted, as required, and countermeasures subsequently implemented to help prevent accident recurrence.

Risk Management

- We reduce overall risk by adhering to a set of Risk Management Regulations that systematically consolidate and structure our ad hoc approaches to risk management adopted to date.
- 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 employee safety in the event of an emergency, we have designed a safety-confirmation system utilizing the e-mail function of 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.
- Within the Chief Security Officer's Office, the Information Security Team has overall responsibility for information security and develops and enforces information security related rules and regulations. This team also implements 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, the 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 business division designates several staff members as information security officers, while each business group designates one staff member as information security promotion leader. Comprising approximately 140 members throughout the Yahoo Japan Group, the Information Security Team works to identify information security risks specific to each business division and to implement 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. To confirm ongoing compliance with certification standards, an independent third-party association periodically conducts audits of the overall information security structure and systems of the Company and its principal subsidiaries.

- 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 Great East Japan Earthquake Reconstruction

- Our designated online department store site, Reconstruction Department, introduces and promotes fresh produce and other products from the Tohoku region. By incorporating social media functions in this site, we are facilitating interactive communication that helps break down barriers of distance and time.
- The Reconstruction Support Office was established on April 1, 2012, as part of our efforts to support reconstruction activities. To facilitate on-site communications with the goal of efficiently resolving local issues, we also opened the Ishinomaki Reconstruction Base in Ishinomaki City, Miyagi Prefecture, in July 2012.
- On March 11, 2013, the second anniversary of the Great East Japan Earthquake, we posted on the Yahoo! JAPAN top page the faces of many of the people who continue to engage in a wide variety of reconstruction efforts. The Company's accompanying message was posted on the top page Brand Panel advertising banner, marking the first usage of this highly visible space for the purpose of communicating a noncommercial corporate message.
- The Sanriku Fishermen's Project was launched as part of an effort to create a new fishery industry in which the entire Tohoku region can take pride. The rebranding of Tohoku fishery products is one of many reconstruction support business activities currently under way.
- In July 2012 we commenced sales to Company employees of a reconstruction-themed series of bento lunch boxes containing food products from disaster-stricken areas. Subsequently, we expanded the sales channels for these lunch boxes to interchange rest areas along expressways, selected Japan Railway station terminals, and Haneda Airport.

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, corporate auditors, operating 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 corporate governance structure incorporates a corporate auditor system centered on a Board of Auditors, which carries out its role independently of the Board of Directors. 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 operating officers and autonomous business groups.

1. Board of Directors

The Company's Board of Directors, comprising five members of which three are outside 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 operating 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. Board of Auditors

The Board of Auditors is composed of two full-time and two part-time corporate auditors, all appointed from outside the Company. Based on an audit plan formulated by the Board of Auditors, each corporate auditor conducts audits of the Company's entire business operations. Specifically, each corporate auditor audits overall business execution, including assessments of the appropriateness of policy, planning, and procedures; the effectiveness of business activities; and the status of legal and regulatory compliance. In addition, each corporate auditor attends meetings of the Board of Directors and of the Executive Council, reviews important documentation, and conducts surveys of Yahoo Japan Group companies. On the basis of these activities, each corporate auditor prepares an independent report for collective review by the entire Board of Auditors. Furthermore, in addition to reviewing reports on the methodology and results of accounting audits prepared by an independent accounting auditor, the Board of Auditors reviews reports on the methodology and results of internal audits prepared by the Internal Audit Office. On the basis of these reports, the Board of Auditors regularly expresses its opinions to the Company's one full-time director. An Auditor Office has been established to support corporate auditors in the conduct of their duties in accordance with regulations concerning efforts to secure a corporate auditor audit structure and system.

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 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 Board of Auditors 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 head of the President's Office oversees the Compliance Office located within the President's Office. The Compliance 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 Board of Auditors.

(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 corporate auditors, 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 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 corporate auditors are reported to directors and auditors. After consideration by the Board of Directors, judgments are made.

(iv) The Compliance Office, Internal Audit Division, and corporate auditors 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 President's 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 corporate auditors and directors, with the President's 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 corporate auditors, 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. (Please refer to Risk Factors, beginning on page 76 of this report.)

(ii) The Company has prepared emergency business contingency plans for use in the event of a large-scale disaster.

(iii) A Zero Accident Administrative Bureau 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 an operating officer system with the goal of achieving flexible and efficient business execution.

(iii) The Executive Council, comprising the Company's directors, operating officers, and corporate auditors, 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 operating officers.

(iv) The Company monitors and manages business operations in accordance with business plans and budgets that clearly state objectives both for individual 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 corporate auditors 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 corporate auditors

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

7. Submission of reports to corporate auditors

Directors and employees are obligated to submit reports to corporate auditors 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 corporate auditors 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 Board of Auditors or the full-time corporate auditors. In addition to regular meetings with the independent accounting auditor and the internal audit divisions of principal subsidiary companies, corporate auditors attend meetings of the Executive Council, in accordance with Executive Council meeting rules and regulations. Moreover, upon request corporate auditors are permitted to attend all meetings that they deem to be of importance.

III. Outside Directors and Corporate Auditors

1. Independence and function of outside directors

As of June 20, 2013, three of the Company's five directors were outside directors: Ken Miyauchi, Yasuyuki Imai, and Kenneth Goldman. 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 corporate auditors

The Company's Board of Auditors is composed of four corporate auditors, all appointed from outside the Company. In order to ensure corporate auditors' independence from the Company's Board of Directors, the Company has since its inauguration adopted the view that all corporate auditors be appointed from outside the Company. Specifically, the Company has barred from appointment as corporate auditor

any person who currently holds or has in the past held the position of director, accounting advisor, operating 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 corporate auditors' independence from the Company, the Company complies with the criteria for independent corporate auditors stipulated by the Tokyo Stock Exchange, Inc., and the Osaka Securities Exchange Co., Ltd. Each corporate auditor undertakes audits in accordance with an audit plan formulated by the Board of Auditors. At the same time, an Auditor Office has been established to support corporate auditors in the conduct of their duties in accordance with regulations concerning efforts to secure a corporate auditor audit structure and system.

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 broadcast and on-demand video service; updates to the Company's business position provided at general meetings of shareholders, with supplementary live broadcast and on-demand video service; and publication of an English-language version of the annual report as well as other communications materials.

3. Out of respect for all of our stakeholders, the Company 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

Of the Company's five directors appointed at the 18th Annual General Meeting of Shareholders, held on June 20, 2013, three are from the parent company, SOFTBANK CORP. Although one of the Board of Directors' roles 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 the chief executive officer, chief operating officer, and chief financial officer together with operating officers and the heads of each of the Company's autonomous business groups. 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 Corporate Auditor 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. Corporate auditor compensation is determined entirely at the discretion of the Board of Auditors.

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Key Financial Data

New Business Segments	Millions of Yen		Thousands of U.S. Dollars
Years ended March 31	2013	2012	2013
Net sales	¥342,990	¥302,089	$3,646,890
Marketing Solutions Business	231,590	196,858	2,462,414
Consumer Business	106,084	100,221	1,127,953
Others	15,235	11,118	161,988
Adjustments	(9,919)	(6,108)	(105,465)
Cost of sales	36,394	28,035	386,964
Marketing Solutions Business	38,962	29,899	414,269
Consumer Business	1,118	663	11,887
Others	1,648	981	17,523
Adjustments	(5,334)	(3,508)	(56,715)
SG&A expenses	120,244	109,049	1,278,512
Marketing Solutions Business	66,440	56,735	706,433
Consumer Business	26,745	28,386	284,370
Others	8,833	6,872	93,918
Adjustments	18,226	17,056	193,791
Operating income	186,352	165,005	1,981,414
Marketing Solutions Business	126,188	110,224	1,341,712
Consumer Business	78,221	71,171	831,696
Others	4,754	3,265	50,547
Adjustments	(22,811)	(19,655)	(242,541)
Segment income	186,352	165,005	1,981,414
Marketing Solutions Business	126,621	110,594	1,346,316
Consumer Business	79,038	71,210	840,383
Others	4,727	3,165	50,260
Adjustments	(24,034)	(19,964)	(255,545)
Net income	115,036	100,559	1,223,137
Net income per share (Yen and U.S. dollars)	1,984.31	1,733.81	21.10
EBITDA	197,829	174,675	2,103,445
At fiscal year-end:			
Total assets	743,311	562,022	7,903,360
Total equity	551,264	468,301	5,861,393
Number of employees	5,780	5,124	—
Dividends per share (Yen and U.S. dollars)	401	347	4.26
Cash flows	150,929	68,581	1,604,774
Cash flows from operating activities	139,396	99,737	1,482,148
Cash flows from investing activities	51,404	(12,309)	546,560
Cash flows from financing activities	(40,184)	(18,847)	(427,262)
Ratios:			
Operating margin (%)	54.3	54.6	—
Net income to net sales ratio (%)	33.5	33.3	—
ROA (%)	17.6	19.5	—
ROE (%)	22.8	23.7	—
Total equity / Total assets ratio (%)	73.1	82.8	—

Old Business Segments	Millions of Yen		
Years ended March 31	2012	2011	2010
Net sales	¥302,089	¥292,424	¥279,857
Media Business	110,292	110,236	102,271
Business-services Business	83,436	76,739	71,414
Consumer Business	107,963	104,915	105,374
Reconciliation	398	534	798
Cost of sales	28,035	29,294	32,646
Media Business	10,331	11,689	14,557
Business-services Business	15,821	15,441	15,320
Consumer Business	1,879	1,862	2,212
Reconciliation	4	302	557
SG&A expenses	109,049	103,526	103,385
Media Business	39,456	39,468	38,154
Business-services Business	25,240	22,740	23,771
Consumer Business	37,689	34,842	33,095
Reconciliation	6,664	6,476	8,365
Operating income	165,005	159,604	143,826
Media Business	60,505	59,079	49,560
Business-services Business	42,375	38,558	32,323
Consumer Business	68,395	68,211	70,067
Reconciliation	(6,270)	(6,244)	(8,124)
Segment income	165,005	159,604	143,826
Media Business	60,699	59,419	49,590
Business-services Business	42,649	38,790	32,016
Consumer Business	68,365	68,062	69,996
Reconciliation	(6,708)	(6,667)	(7,776)
Net income	100,559	92,175	83,523
Net income per share (Yen and U.S. dollars)	1,733.81	1,589.53	1,438.23
EBITDA	174,675	168,178	153,702
At fiscal year-end:			
Total assets	562,022	471,746	418,262
Total equity	468,301	385,106	312,273
Number of employees	5,124	4,748	4,882
Dividends per share (Yen and U.S. dollars)	347	318	288
Cash flows	68,581	50,287	101,357
Cash flows from operating activities	99,737	67,581	140,095
Cash flows from investing activities	(12,309)	11,631	(7,357)
Cash flows from financing activities	(18,847)	(28,925)	(31,381)
Ratios:			
Operating margin (%)	54.6	54.6	51.4
Net income to net sales ratio (%)	33.3	31.5	29.8
ROA (%)	19.5	20.7	22.9
ROE (%)	23.7	26.6	30.7
Total equity / Total assets ratio (%)	82.8	81.1	74.0

Notes:
- Yen amounts for the year ended March 31, 2013, have been translated into U.S. dollar amounts, solely for the convenience of readers, at the rate of ¥94.05 = U.S.$1, the effective rate of exchange at March 31, 2013.
- Beginning from the year ended March 31, 2013, the Group's business segments have been changed. Figures for the year ended March 31, 2012, have been retroactively adjusted to conform to the current business segment presentation.
- 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.

Management's Discussion and Analysis

In fiscal 2012, the year ended March 31, 2013, persistent yen strength and continued weakness in overseas demand, particularly from euro-zone economies, weighed heavily on the Japanese economy during the first half. During the second half of the period, however, the introduction of stimulative economic policies by the new Japanese government heightened expectations for recovery, which in turn supported a significant correction in the yen's value and a surging stock market in the fourth quarter.

Against this backdrop, Yahoo Japan Corporation and its consolidated subsidiaries (the Group) focused first and foremost on reaccelerating revenue and profit growth. To this end, the Group reconfigured its service development and business execution systems with an eye to boosting speed and encouraging an enthusiastic approach to innovation throughout all of its operations. In promotion advertising, aggressive sales strategies and a sharpened focus on improving advertising effectiveness resulted in record-high revenues, with growth especially strong in smartphone-based promotion advertising. Premium advertising, meanwhile, generated robust revenue growth in line with higher demand for Brand Panel and Prime Display, core premium advertising products. The Group's Yahoo! Premium membership service, game-related services, and data center related services also recorded revenue gains. Turning to expenses, reductions were recorded in sales promotion costs and business commissions. As a result, the Group achieved record-high sales and profits for the 16th consecutive year, as well as double-digit growth in both sales and profits for the first time in six years.

RESULTS OF OPERATIONS

Net Sales

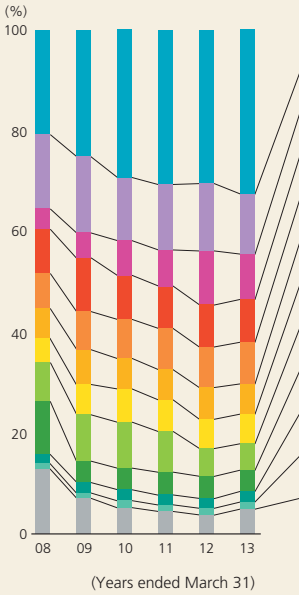
Net sales for fiscal 2012 climbed ¥40,901 million, or 13.5%, to ¥342,990 million. This was largely attributable to higher advertising revenue and the inclusion of ValueCommerce Co., Ltd., in the scope of consolidation as a subsidiary company. By business segment, Marketing Solutions Business net sales improved 17.6%, to ¥231,590 million; Consumer Business net sales rose 5.9%, to ¥106,084 million; and Other Business net sales surged 37.0%, to ¥15,235 million. Intersegment sales eliminated in consolidation were ¥9,919 million.

Cost of Sales

Cost of sales for fiscal 2012 increased ¥8,359 million, or 29.8%, to ¥36,394 million, primarily owing to higher advertising revenue and the inclusion of ValueCommerce in the scope of consolidation.

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

SG&A Expenses Breakdown



(Millions of yen)

Years ended March 31	2008		2009		2010		2011		2012		2013	
Personnel expenses	22,631	(20.8%)	26,060	(25.2%)	30,348	(29.4%)	31,809	(30.7%)	33,261	(30.5%)	39,257	(32.6%)
Business commissions	16,003	(14.7%)	15,555	(15.1%)	12,793	(12.4%)	13,440	(13.0%)	14,589	(13.4%)	14,349	(11.9%)
Sales promotion costs	4,516	(4.1%)	5,164	(5.0%)	7,253	(7.0%)	7,538	(7.3%)	11,634	(10.7%)	10,850	(9.0%)
Depreciation and amortization expenses	9,615	(8.8%)	10,922	(10.6%)	8,950	(8.7%)	8,544	(8.3%)	9,207	(8.4%)	10,209	(8.5%)
Royalty charge	7,511	(6.9%)	7,865	(7.6%)	8,060	(7.8%)	8,461	(8.2%)	8,723	(8.0%)	9,946	(8.3%)
Lease and utility expenses	6,423	(5.9%)	7,083	(6.9%)	6,164	(6.0%)	6,246	(6.0%)	6,826	(6.3%)	7,240	(6.0%)
Content provider fees	5,270	(4.8%)	6,207	(6.0%)	6,778	(6.6%)	6,394	(6.2%)	6,328	(5.8%)	6,928	(5.8%)
Communications charges	8,387	(7.7%)	9,480	(9.2%)	9,400	(9.1%)	8,356	(8.1%)	5,999	(5.5%)	6,332	(5.3%)
Sales commissions	11,408	(10.5%)	4,303	(4.2%)	4,309	(4.2%)	4,653	(4.5%)	4,750	(4.4%)	5,102	(4.2%)
Administrative and maintenance expenses	2,077	(1.9%)	2,239	(2.2%)	2,327	(2.3%)	2,061	(2.0%)	2,222	(2.0%)	2,508	(2.1%)
Taxes and public dues	1,169	(1.1%)	1,028	(1.0%)	1,483	(1.4%)	1,353	(1.3%)	1,417	(1.3%)	1,799	(1.5%)
Others	13,949	(12.8%)	7,423	(7.0%)	5,520	(5.1%)	4,671	(4.4%)	4,093	(3.7%)	5,724	(4.8%)
Total	108,959	(100.0%)	103,329	(100.0%)	103,385	(100.0%)	103,526	(100.0%)	109,049	(100.0%)	120,244	(100.0%)

Notes: 1. Personnel expenses include health and welfare program costs, pension costs, and others.
2. Figures for the year ended March 31, 2009 onward are presented on a net-basis.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses for the fiscal year under review grew ¥11,195 million, or 10.3%, to ¥120,244 million. The principal components of SG&A expenses were as follows:

Personnel expenses rose ¥5,996 million, or 18.0%, to ¥39,257 million. As of March 31, 2013, Group employees numbered 5,780, up 656, or 12.8%, from the figure one year earlier.

Business commissions edged down ¥240 million, or 1.6%, to ¥14,349 million, primarily as a result of efficiency gains achieved at contact center operations.

Sales promotion costs declined ¥784 million, or 6.7%, to ¥10,850 million, mainly owing to lower expenses related to Yahoo! Points.

Depreciation and amortization expenses increased ¥1,002 million, or 10.9%, to ¥10,209 million, largely reflecting the start of operations at a newly constructed data center.

Royalty charge rose ¥1,223 million, or 14.0%, to ¥9,946 million, owing mainly to higher net sales.

Significant other expenses included (1) lease and utility expenses, which increased ¥414 million, or 6.1%, to ¥7,240 million; (2) content provider fees, which climbed ¥600 million, or 9.5%, to ¥6,928 million; and (3) communications charges, which grew ¥333 million, or 5.6%, to ¥6,332 million.

Operating Income

Operating income for fiscal 2012 rose ¥21,347 million, or 12.9%, to ¥186,352 million. By business segment, Marketing Solutions Business operating income increased 14.5%, to ¥126,188 million; Consumer Business operating income improved 9.9%, to ¥78,221 million; and Other Business operating income jumped 45.6%, to ¥4,754 million. The ¥22,811 million reconciliation between total segment operating income and consolidated operating income primarily reflected corporate expenses not allocable to a specific segment.

Other Income and Expenses

For fiscal 2012, the Group recorded net other income of ¥1,087 million, down ¥3,849 million compared with the previous fiscal year's result. Principal sources of other income were (1) interest and dividend income of ¥1,604 million, a decrease of ¥186 million; (2) loss on a system accident of ¥1,220 million, an increase of ¥1,220 million; and (3) equity in earnings of associated companies of ¥729 million, a rise of ¥176 million.

Income before Income Taxes and Minority Interests

As a result of the aforementioned changes in operating income and net other income, income before income taxes and minority interests climbed ¥17,498 million, or 10.3%, to ¥187,439 million.

Income Taxes

Total income taxes for fiscal 2012 amounted to ¥71,788 million, representing an effective income tax rate of 38.3%, slightly higher than the normal effective statutory tax rate of 38.0%.

Minority Interests in Net Income

Minority interests in net income totaled ¥615 million, up ¥184 million, or 42.7%, from the figure for fiscal 2011.

Net Income

Net income for fiscal 2012 was ¥115,036 million, an increase of ¥14,477 million, or 14.4%. Basic net income per share climbed 14.4%, to ¥1,984.31, while diluted net income per share rose 14.5%, to ¥1,984.12.

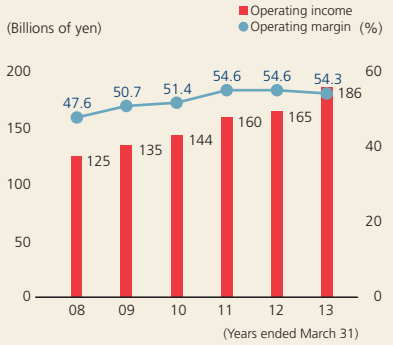
FINANCIAL POSITION

Assets

Total assets stood at ¥743,311 million as of March 31, 2013, up ¥181,289 million, or 32.3%, compared with the figure as of March 31, 2012.

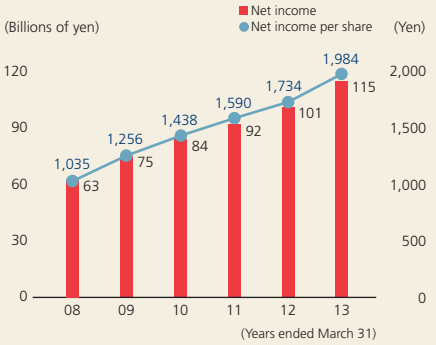
Total current assets amounted to ¥576,102 million, an increase of ¥119,097 million, or 26.1%.

Operating Income and Operating Margin



Note: The operating margin is presented on a net-basis beginning with the year ended March 31, 2009.

Net Income and Net Income per Share



Cash and cash equivalents stood at ¥409,887 million, up ¥154,619 million, or 60.6%. This was largely attributable to higher net cash provided by operating activities and the collection of receivables from the sale of BB Mobile Corp. shares.

Trade accounts receivable were ¥55,940 million, an upswing of ¥10,717 million, or 23.7%, owing mainly to higher advertising revenue.

Foreign exchange dealings cash segregated as deposits for customers stood at ¥68,452 million, reflecting the inclusion of newly consolidated subsidiary CyberAgent FX, Inc.

Other current assets came to ¥41,029 million, up ¥7,530 million, or 22.5%, owing primarily to the collection of receivables from the sale of BB Mobile shares.

Net property and equipment amounted to ¥45,180 million, an increase of ¥10,667 million, or 30.9%. This was largely attributable to the construction of additional data centers.

Total investments and other assets were ¥122,029 million, up ¥51,525 million, or 73.1%, compared with the figure as of March 31, 2012.

Goodwill amounted to ¥11,914 million, up ¥11,323 million, or 1,915.9%, mainly reflecting an increase in the number of consolidated subsidiaries in fiscal 2012.

Liabilities

Total liabilities stood at ¥192,047 million as of March 31, 2013, an increase of ¥98,326 million, or 104.9%, compared with the figure as of the previous fiscal year-end.

Total current liabilities were ¥189,089 million, up ¥98,104 million, or 107.8%.

Trade accounts payable stood at ¥10,971 million, an upswing of ¥4,331 million, or 65.2%, owing primarily to higher revenue from promotion advertising and newly consolidated subsidiaries.

Income taxes payable stood at ¥42,255 million, up ¥7,489 million, or 21.5%, primarily reflecting higher taxable income.

Foreign exchange dealings deposits from customers totaled ¥72,485 million, reflecting the inclusion of newly consolidated subsidiary CyberAgent FX.

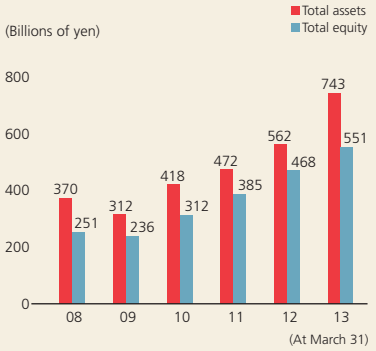
Other current liabilities were ¥41,722 million, an upswing of ¥9,058 million, or 27.7%, mainly owing to the inclusion of newly consolidated subsidiaries.

Long-term liabilities stood at ¥2,958 million, up ¥222 million, or 8.1%.

Total Equity

As of March 31, 2013, total equity was ¥551,264 million, up ¥82,963 million, or 17.7%. This increase primarily reflected growth in retained earnings of ¥69,797 million, or 15.2%, on the back of higher net income for the period.

Total Assets and Total Equity



CASH FLOWS

Cash Flows from Operating Activities

Net cash provided by operating activities in fiscal 2012 amounted to ¥139,396 million, an increase of ¥39,659 million from the ¥99,737 million provided in the previous fiscal year. Principal components of operating cash flows were income before income taxes and minority interests of ¥187,439 million, depreciation and amortization of ¥12,188 million, and income taxes paid of ¥67,551 million.

Cash Flows from Investing Activities

Net cash provided by investing activities totaled ¥51,404 million, a turnaround of ¥63,713 million from the net cash used in investing activities of ¥12,309 million in fiscal 2011. The major cash inflow from investing activities was proceeds from sales of investment securities of ¥121,517 million.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥40,184 million, up ¥21,337 million from the ¥18,847 million used in the previous fiscal year. The principal cash outflows from financing activities were purchase of treasury stock of ¥20,108 million and dividends paid of ¥20,102 million.

Accounting for the aforementioned activities, the net increase in cash and cash equivalents was ¥150,929 million. As a result, cash and cash equivalents as of the fiscal year-end stood at ¥409,887 million, an increase of 60.6% compared with the figure as of March 31, 2012.

Consolidated Balance Sheet

Yahoo Japan Corporation and Consolidated Subsidiaries
March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2013	2012	2013
CURRENT ASSETS:			
Cash and cash equivalents (Note 3)	¥409,887	¥255,268	$4,358,182
Receivables:			
Trade accounts (Note 3)	55,940	45,223	594,790
Other (Notes 3 and 10)	2,357	124,626	25,061
Foreign exchange dealings cash segregated as deposits for customers (Note 3)	68,452		727,826
Other current assets (Notes 3, 7, 10 and 12)	41,029	33,499	436,246
Allowance for doubtful accounts	(1,563)	(1,611)	(16,619)
Total current assets	576,102	457,005	6,125,486
PROPERTY AND EQUIPMENT:			
Land	5,426	5,426	57,693
Buildings and structures	17,413	13,788	185,146
Machinery and equipment	16,975	12,580	180,489
Furniture and fixtures	45,448	43,176	483,232
Construction in progress	4,896	809	52,057
Total	90,158	75,779	958,617
Accumulated depreciation	(44,978)	(41,266)	(478,234)
Net property and equipment	45,180	34,513	480,383
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 4)	39,180	32,720	416,587
Investments in unconsolidated subsidiaries and associated companies (Note 3)	41,733	10,034	443,732
Goodwill	11,914	591	126,677
Software	12,003	11,096	127,624
Deferred tax assets (Note 7)	2,782	5,408	29,580
Other assets (Notes 3 and 10)	14,460	10,678	153,748
Allowance for doubtful accounts	(43)	(23)	(457)
Total investments and other assets	122,029	70,504	1,297,491
TOTAL ASSETS	¥743,311	¥562,022	$7,903,360

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	2013	2012	2013
CURRENT LIABILITIES:			
Payables:			
Trade accounts (Note 3)	¥ 10,971	¥ 6,640	$ 116,651
Other (Note 3)	21,656	16,915	230,260
Income taxes payable (Note 3)	42,255	34,766	449,282
Foreign exchange dealings deposits from customers (Note 3)	72,485		770,707
Other current liabilities (Note 7)	41,722	32,664	443,616
Total current liabilities	189,089	90,985	2,010,516
LONG-TERM LIABILITIES (Note 7)	2,958	2,736	31,451
COMMITMENTS (Note 12)			
EQUITY (Notes 5 and 14):			
Common stock—241,600,000 shares authorized; 57,510,554 shares issued in 2013 and 58,184,240 shares issued in 2012	8,037	7,959	85,455
Capital surplus	3,118	3,040	33,153
Stock acquisition rights	571	750	6,071
Retained earnings	528,082	458,285	5,614,907
Treasury stock—at cost, 10,168 shares in 2013 and 180,601 shares in 2012, respectively	(372)	(5,609)	(3,955)
Accumulated other comprehensive income (loss):			
Net unrealized gain on available-for-sale securities	4,248	1,534	45,167
Deferred loss on derivatives under hedge accounting	(2)		(21)
Foreign currency translation adjustments	348		3,699
Total	544,030	465,959	5,784,476
Minority interests	7,234	2,342	76,917
Total equity	551,264	468,301	5,861,393
TOTAL LIABILITIES AND EQUITY	¥743,311	¥562,022	$7,903,360

See notes to consolidated financial statements.

Consolidated Statement of Income

Yahoo Japan Corporation and Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET SALES	¥342,990	¥302,089	$3,646,890
COST OF SALES	36,394	28,035	386,964
Gross profit	306,596	274,054	3,259,926
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	120,244	109,049	1,278,512
Operating income	186,352	165,005	1,981,414
OTHER INCOME (EXPENSES):			
Interest and dividend income	1,604	1,790	17,055
Interest expense	(4)	(5)	(43)
Gain on foreign exchange—net	161	178	1,712
Equity in earnings of associated companies	729	553	7,751
Loss on write-down of the unamortized balance of goodwill (Note 2.h)		(324)	
Loss on a system accident	(1,220)		(12,972)
Other—net	(183)	2,744	(1,945)
Other income—net	1,087	4,936	11,558
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	187,439	169,941	1,992,972
INCOME TAXES (Note 7):			
Current	74,372	66,296	790,771
Deferred	(2,584)	2,655	(27,475)
Total income taxes	71,788	68,951	763,296
NET INCOME BEFORE MINORITY INTERESTS	115,651	100,990	1,229,676
MINORITY INTERESTS IN NET INCOME	615	431	6,539
NET INCOME	¥115,036	¥100,559	$1,223,137

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.u and 11):			
Basic net income	¥1,984.31	¥1,733.81	$21.10
Diluted net income	1,984.12	1,733.50	21.10
Cash dividends applicable to the year	401.00	347.00	4.26

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Yahoo Japan Corporation and Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET INCOME BEFORE MINORITY INTERESTS	¥115,651	¥100,990	$1,229,676
OTHER COMPREHENSIVE INCOME (Note 8):			
Net unrealized gain on available-for-sale securities	2,716	339	28,878
Deferred (loss) gain on derivatives under hedge accounting	(2)	3	(21)
Foreign currency translation adjustments	306		3,253
Share of other comprehensive income (loss) in associated companies accounted for by the equity method	41	(14)	436
Total other comprehensive income	3,061	328	32,546
COMPREHENSIVE INCOME	¥118,712	¥101,318	$1,262,222
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of Yahoo Japan Corporation	¥118,097	¥100,887	$1,255,683
Minority interests	615	431	6,539

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Yahoo Japan Corporation and Consolidated Subsidiaries
Year Ended March 31, 2013

	Thousands	Millions of Yen										
							Accumulated Other Comprehensive Income (Loss)					
	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 Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2011	57,997	¥7,926	¥3,007	¥563	¥375,850	¥ (5,604)	¥1,208	¥(3)		¥382,947	¥2,159	¥385,106
Exercise of stock options	7	33	33							66		66
Net income					100,559					100,559		100,559
Cash dividends (¥318 per share)					(18,443)					(18,443)		(18,443)
Decrease in the number of associated companies accounted for under the equity method due to sales of investments in such companies					319					319		319
Purchase of treasury stock						(5)				(5)		(5)
Net change in the year				187			326	3		516	183	699
BALANCE, MARCH 31, 2012	58,004	7,959	3,040	750	458,285	(5,609)	1,534			465,959	2,342	468,301
Exercise of stock options	13	78	79							157		157
Net income					115,036					115,036		115,036
Cash dividends (¥347 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)	(517)					(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	57,500	¥8,037	¥3,118	¥571	¥528,082	¥ (372)	¥4,248	¥(2)	¥348	¥544,030	¥7,234	¥551,264

	Thousands of U.S. Dollars (Note 1)										
						Accumulated Other Comprehensive Income (Loss)					
	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, 2012	$84,626	$32,324	$ 7,974	$4,872,779	$ (59,638)	$16,310			$4,954,375	$24,902	$4,979,277
Exercise of stock options	829	840							1,669		1,669
Net income				1,223,137					1,223,137		1,223,137
Cash dividends ($3.69 per share)				(214,003)					(214,003)		(214,003)
Changes in the scope of consolidation				1,478					1,478		1,478
Changes in the scope of applying the equity method				(159)					(159)		(159)
Purchase of treasury stock (Note 5)					(212,653)				(212,653)		(212,653)
Retirement of treasury stock (Note 5)		(11)		(268,325)	268,336						
Net change in the year			(1,903)			28,857	$(21)	$3,699	30,632	52,015	82,647
BALANCE, MARCH 31, 2013	$85,455	$33,153	$ 6,071	$5,614,907	$ (3,955)	$45,167	$(21)	$3,699	$5,784,476	$76,917	$5,861,393

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Yahoo Japan Corporation and Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥187,439	¥169,941	$1,992,972
Adjustments for:			
Income taxes—paid	(67,551)	(64,991)	(718,246)
Depreciation and amortization	12,188	10,809	129,591
Amortization of goodwill (Note 2.h)	1,200	719	12,759
Equity in earnings of associated companies	(729)	(553)	(7,751)
Gain on changes in value of stocks under phased acquisitions	(1,349)		(14,343)
Interest and dividend income	(1,604)	(1,790)	(17,055)
Changes in assets and liabilities:			
Increase in trade receivables	(8,100)	(7,749)	(86,124)
Decrease (increase) in other current assets	10,498	(8,280)	111,621
Increase (decrease) in trade payables	3,221	(485)	34,248
Increase in consumption taxes payable (Note 2.w)	1,249	552	13,280
Increase in other current liabilities	1,941	3,117	20,638
Other—net (Note 2.w)	993	(1,553)	10,558
Total adjustments	(48,043)	(70,204)	(510,824)
Net cash provided by operating activities	139,396	99,737	1,482,148
INVESTING ACTIVITIES:			
Payment into time deposits	(600)	(2,000)	(6,380)
Withdrawal of time deposits		2,000	
Purchase of property and equipment	(15,901)	(12,186)	(169,070)
Purchase of other assets	(2,387)	(2,186)	(25,380)
Purchase of investment securities	(38,514)	(663)	(409,506)
Proceeds from sales of investment securities	121,517	1,372	1,292,047
Payment for purchase of newly consolidated subsidiaries' stocks (Note 2.w)	(18,552)	(53)	(197,257)
Interest and dividends received	4,038	1,095	42,935
Other—net (Note 2.w)	1,803	312	19,171
Net cash provided by (used in) investing activities	51,404	(12,309)	546,560
FINANCING ACTIVITIES:			
Dividends paid	(20,102)	(18,410)	(213,737)
Purchase of treasury stock	(20,108)		(213,801)
Other—net	26	(437)	276
Net cash used in financing activities	(40,184)	(18,847)	(427,262)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	313		3,328
NET INCREASE IN CASH AND CASH EQUIVALENTS	¥150,929	¥ 68,581	$1,604,774
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	255,268	186,687	2,714,173
INCREASE IN CASH AND CASH EQUIVALENTS DUE TO ADDITION OF CONSOLIDATED SUBSIDIARIES	3,711		39,458
DECREASE IN CASH AND CASH EQUIVALENTS DUE TO DECONSOLIDATION OF SUBSIDIARIES	(21)		(223)
CASH AND CASH EQUIVALENTS, END OF YEAR	¥409,887	¥255,268	$4,358,182

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Yahoo Japan Corporation and Consolidated Subsidiaries
Year Ended March 31, 2013

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, 2012, to conform them to the classifications used in 2013.

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 ¥94.05 to $1, the approximate rate of exchange at March 31, 2013. 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, 2013, include the accounts of the Company and its 20 (10 in 2012) significant subsidiaries. Under the control or influence concept, those companies in which the Company is able to directly or indirectly exercise control over operations are fully consolidated, and those companies over which the Company and its consolidated subsidiaries (collectively, the "Group") have the ability to exercise significant influence are accounted for by the equity method.

Investments in 13 (8 in 2012) associated companies are accounted for by the equity method. Investments in the remaining 13 (7 in 2012) unconsolidated subsidiaries and 7 (6 in 2012) 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 fiscal year ended March 31, 2012, Web Solution Corporation, a consolidated subsidiary, was absorbed into Yahoo Japan Customer Relations Corporation, another consolidated subsidiary.

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

	Millions of Yen	Thousands of U.S. Dollars
	2013	2013
Additional cash flow information:		
Current assets	¥(77,084)	$(819,607)
Non-current assets	(5,768)	(61,329)
Goodwill	(10,434)	(110,941)
Current liabilities	67,958	722,573
Non-current liabilities	2,094	22,265
Acquisition costs	(23,234)	(247,039)
Cash and cash equivalents acquired	4,682	49,782
Payment for purchase of newly consolidated subsidiaries' stocks	¥(18,552)	$(197,257)

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

During the fiscal year ended March 31, 2013, the Company acquired a majority of the total voting right 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.

***b. Business Combinations*—**In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations", and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures". The accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting only when certain specific criteria were met such that the business combination was essentially regarded as a uniting-of-interests. For business combinations that did not meet the uniting-of-interests criteria, the business combination was considered to be an acquisition and the purchase method of accounting was required. This standard also prescribed the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations". Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in a business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss 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. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

The Company adopted this accounting standard effective from April 1, 2010.

***c. 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.

***d. 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.

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

As a result of reviewing the Group's long-lived assets for impairment, no material impairment losses were recorded for the years ended March 31, 2013 and 2012.

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

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.

g. *Investments in Limited Partnerships*—Investments in limited partnerships consist primarily of the Company's contributed capital in investment partnerships. The investments in these partnerships are accounted for by the equity method.

h. *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 ¥324 million as a loss on write-down of the unamortized balance of goodwill for the year ended March 31, 2012, in relation to the goodwill of Cirius Technologies, Inc.

As discussed in Note 2.b, the Company adopted the revised accounting standard for business combinations effective from April 1, 2010. Prior to the adoption of this revised accounting standard, the Company systematically amortized a bargain purchase gain (negative goodwill) over a period not exceeding 20 years. With the adoption of this revised accounting standard, the Company recognizes the bargain purchase gain in profit or loss 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.

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 following the transfer of the previous defined benefit pension plans in July 2000 and the enactment of the Defined Contribution Pension Act. 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.

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.

The participation ratio in the welfare pension plans based on the number of employees for the years ended March 31, 2013 and 2012, was as follows:

	2013	2012
The welfare pension plan in which the Company and certain subsidiaries participate ("Plan A")	5.1%	4.8%
The welfare pension plan in which a subsidiary participates ("Plan B")	0.3	0.3

Because the welfare pension plans provide their fair value information only once a year, the latest fair value information available at the time of preparing these consolidated financial statements is that of one year earlier. The fair value of the welfare pension plans' entire assets and actuarial pension liabilities as of March 31, 2013 and 2012, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2013	2013
Plan A, Based on the Fair Value Information as of March 31, 2012		
Fair value of all plan assets	¥ 186,190	$ 1,979,692
Actuarial pension liabilities	(186,649)	(1,984,572)
Difference	¥ (459)	$ (4,880)
Plan B, Based on the Fair Value Information as of March 31, 2012		
Fair value of all plan assets	¥ 191,384	$ 2,034,918
Actuarial pension liabilities	(230,273)	(2,448,411)
Difference	¥ (38,889)	$ (413,493)

	Millions of Yen
	2012
Plan A, Based on the Fair Value Information as of March 31, 2011	
Fair value of all plan assets	¥ 171,945
Actuarial pension liabilities	(172,109)
Difference	¥ (164)
Plan B, Based on the Fair Value Information as of March 31, 2011	
Fair value of all plan assets	¥ 186,324
Actuarial pension liabilities	(220,188)
Difference	¥ (33,864)

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

	Millions of Yen	Thousands of U.S. Dollars
	2013	2013
Plan A, Based on the Fair Value Information as of March 31, 2012		
Other reserve	¥ 3,330	$ 35,407
Adjustment for valuation of assets	9,623	102,318
Accumulated deficit	(13,412)	(142,605)
Total	¥ (459)	$ (4,880)
Plan B, Based on the Fair Value Information as of March 31, 2012		
Accumulated deficit	¥ (3,360)	$ (35,726)
Unamortized obligations	(35,529)	(377,767)
Total	¥(38,889)	$(413,493)

	Millions of Yen
	2012
Plan A, Based on the Fair Value Information as of March 31, 2011	
Other reserve	¥ 14,983
Adjustment for valuation of assets	(3,494)
Accumulated deficit	(11,653)
Total	¥ (164)
Plan B, Based on the Fair Value Information as of March 31, 2011	
Other reserve	¥(13,927)
Accumulated deficit	(2,671)
Unamortized obligations	(17,266)
Total	¥(33,864)

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, 2013 and 2012, were ¥1,044 million ($11,100 thousand) and ¥950 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*—**In March 2008, the ASBJ published ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and 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 estimated. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset 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*—**ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on or after May 1, 2006. This standard requires companies to 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, the stock option is presented as a stock acquisition right until exercised. The standard allows unlisted companies to measure options at their intrinsic value if fair value cannot be estimated reliably.

***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, 2013 and 2012, were ¥208 million ($2,212 thousand) and ¥268 million, respectively.

***p. Leases*—**ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which was effective for fiscal years beginning on or after April 1, 2008, 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 laws 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) in 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 Company uses derivative financial instruments, including foreign currency forward contracts, as a means of hedging exposure to foreign exchange risks. The Company does not hold or issue derivatives for trading or speculative purposes.

Derivative financial instruments 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.

If 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.

***v. Accounting Changes and Error Corrections*—**In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance 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 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
	2013	2012	2013
Consolidated statements of cash flows:			
Operating activities—Increase in consumption taxes payable	¥ 1,249	¥552	$ 13,280
Investing activities—Payment for purchase of newly consolidated subsidiaries' stocks	(18,522)	(53)	(197,257)

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. CAFX, a consolidated subsidiary of the Company, engages in a foreign exchange margin trading brokerage, in which CAFX conducts derivative transactions. CAFX 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 segregated as deposits for customers is established for the purpose of segregating customer funds in foreign exchange margin trading. CAFX has entered into separately-controlled customer money trust agreements; however, the deposits are exposed to the credit risks arising from non-fulfillment of the contracts.

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 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 in 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 loss-cut 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 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, 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 segregated as deposits for customers	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	

	Thousands of U.S. Dollars		
	2013		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Assets:			
(1) Cash and cash equivalents	$4,358,182	$4,358,182	
(2) Time deposits (included in other current assets)	44,657	44,657	
(3) Trade accounts receivable	587,080	587,080	
(4) Other receivables	25,029	25,029	
(5) Foreign exchange dealings cash segregated as deposits for customers	727,826	727,826	
(6) Investments in unconsolidated subsidiaries and associated companies	406,699	436,949	$30,250
(7) Investment securities	101,574	101,574	
Total	$6,251,047	$6,281,297	$30,250
Liabilities:			
(8) Trade accounts payable	$ 116,651	$ 116,651	
(9) Other payables	230,260	230,260	
(10) Income taxes payable	449,282	449,282	
(11) Foreign exchange dealings deposits from customers	770,707	770,707	
Total	$1,566,900	$1,566,900	

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 the carrying amounts, they are stated at the 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 categorized by holding purpose of holding investment securities 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. Such financial instruments as of March 31, 2013, are as follows:

	Carrying Amount	
March 31, 2013	Millions of Yen	Thousands of U.S. Dollars
Investment securities	¥29,627	$315,013
Investments in unconsolidated subsidiaries and associated companies	3,483	37,033
Total	¥33,110	$352,046

Detailed information about investment securities is discussed in Note 4.

Maturity analysis for financial assets as of March 31, 2013, is as follows:

	Due in One Year or Less	
March 31, 2013	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥409,887	$4,358,182
Time deposits	4,200	44,657
Trade accounts receivable	55,940	594,790
Other receivables	2,357	25,061
Foreign exchange dealings cash segregated as deposits for customers	68,452	727,826
Total	¥540,836	$5,750,516

Note: Trade accounts receivable and other receivables are stated at amounts before deducting an allowance for doubtful accounts of ¥725 million ($7,709 thousand) and ¥3 million ($32 thousand), respectively.

As of March 31, 2012

Financial instruments whose fair values are readily determinable as of March 31, 2012, are as follows:

	Millions of Yen		
	2012		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Assets:			
(1) Cash and cash equivalents	¥255,268	¥255,268	
(2) Time deposits (included in other current assets)	2,000	2,000	
(3) Trade accounts receivable	44,615	44,615	
(4) Other receivables	124,537	124,537	
(5) Investments in unconsolidated subsidiaries and associated companies	8,754	9,501	¥747
(6) Investment securities	5,513	5,513	
Total	¥440,687	¥441,434	¥747
Liabilities:			
(7) Trade accounts payable	¥ 6,640	¥ 6,640	
(8) Other payables	16,915	16,915	
(9) Income taxes payable	34,766	34,766	
Total	¥ 58,321	¥ 58,321	

Notes: (1), (2), (3), (4), (7), (8), and (9)—As these items are settled within one year and have fair values approximately equal to the carrying amounts, they are stated at the 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 categorized by holding purpose of holding investment securities 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. Such financial instruments as of March 31, 2012, are as follows:

	Carrying Amount
March 31, 2012	Millions of Yen
Investment securities	¥27,207
Investments in unconsolidated subsidiaries and associated companies	1,280
Total	¥28,487

Detailed information about investment securities is discussed in Note 4.

4. INVESTMENT SECURITIES

Investment securities as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Non-current:			
Marketable equity securities	¥ 9,553	¥ 5,513	$101,574
Non-marketable equity securities	28,901	27,205	307,294
Investments in limited partnerships	726	2	7,719
Total	¥39,180	¥32,720	$416,587

The carrying amounts and aggregate fair value of investment securities at March 31, 2013 and 2012, were as follows:

	Millions of Yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—equity securities	¥3,128	¥6,455	¥30	¥9,553
March 31, 2012				
Securities classified as available-for-sale—equity securities	¥3,101	¥2,473	¥61	¥5,513

	Thousands of U.S. Dollars			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—equity securities	$33,259	$68,634	$319	$101,574

Available-for-sale securities whose fair values are not readily determinable as of March 31, 2013 and 2012, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Available-for-sale:			
Equity securities—unlisted common stocks	¥28,901	¥27,205	$307,294
Investments in limited investment partnerships and others	726	2	7,719
Total	¥29,627	¥27,207	$315,013

Proceeds from sales of available-for-sale securities (unlisted common stocks) and related gains and losses for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Proceeds from sales	¥115	¥224	$1,223
Realized gains	3	73	32
Realized losses	26		276

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, 2013 and 2012.

For unlisted equity securities held for one year or more, the Group periodically compares carrying value per share to investee's net assets per share. If net assets per share decline 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, 2013 and 2012, was ¥410 million ($4,359 thousand) and ¥96 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 fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) having the normal term of service of the directors prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria. The Companies Act permits companies to distribute dividends-in-kind (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 fiscal year ended March 31, 2013, the Company purchased 516,376 shares of its treasury stock and subsequently retired 686,809 shares of the treasury stock.

6. STOCK OPTION

Stock options outstanding as of and for the year ended March 31, 2013, including the options expired during the period, are as follows:

(The Company)

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2002 Stock Option (1)	2 directors 65 employees	47,616 shares	2002.7.29	¥10,196 ($108.4)	From June 21, 2004 to June 20, 2012
2002 Stock Option (2)	19 employees	5,888 shares	2002.11.20	¥11,375 ($120.9)	From November 21, 2004 to June 20, 2012
2003 Stock Option (1)	5 directors 83 employees	19,840 shares	2003.7.25	¥33,438 ($355.5)	From June 21, 2005 to June 20, 2013
2003 Stock Option (2)	43 employees	2,464 shares	2003.11.4	¥51,478 ($547.3)	From November 5, 2005 to June 20, 2013
2003 Stock Option (3)	38 employees	2,400 shares	2004.1.29	¥47,813 ($508.4)	From January 30, 2006 to June 20, 2013
2003 Stock Option (4)	41 employees	1,168 shares	2004.5.13	¥78,512 ($834.8)	From May 14, 2006 to June 20, 2013
2004 Stock Option (1)	5 directors 131 employees	9,856 shares	2004.7.29	¥65,290 ($694.2)	From June 18, 2006 to June 17, 2014
2004 Stock Option (2)	46 employees	712 shares	2004.11.1	¥62,488 ($664.4)	From November 2, 2006 to June 17, 2014
2004 Stock Option (3)	29 employees	344 shares	2005.1.28	¥65,375 ($695.1)	From January 29, 2007 to June 17, 2014
2004 Stock Option (4)	42 employees	276 shares	2005.5.12	¥60,563 ($643.9)	From May 13, 2007 to June 17, 2014
2005 Stock Option (1)	5 directors 180 employees	5,716 shares	2005.7.28	¥58,500 ($622.0)	From June 18, 2007 to June 17, 2015
2005 Stock Option (2)	31 employees	234 shares	2005.11.1	¥62,000 ($659.2)	From November 2, 2007 to June 17, 2015
2005 Stock Option (3)	65 employees	316 shares	2006.1.31	¥79,500 ($845.3)	From February 1, 2008 to June 17, 2015
2005 Stock Option (4)	49 employees	112 shares	2006.5.2	¥67,940 ($722.4)	From May 3, 2008 to June 17, 2015

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2006 Stock Option (1)	5 directors 157 employees	8,569 shares	2006.9.6	¥47,198 ($501.8)	From August 24, 2008 to August 23, 2016
2006 Stock Option (2)	49 employees	313 shares	2006.11.6	¥44,774 ($476.1)	From October 24, 2008 to October 23, 2016
2006 Stock Option (3)	62 employees	360 shares	2007.2.7	¥47,495 ($505.0)	From January 25, 2009 to January 24, 2017
2007 Stock Option (1)	66 employees	651 shares	2007.5.8	¥45,500 ($483.8)	From April 25, 2009 to April 24, 2017
2007 Stock Option (2)	5 directors 225 employees	10,000 shares	2007.8.7	¥40,320 ($428.7)	From July 25, 2009 to July 24, 2017
2007 Stock Option (3)	119 employees	766 shares	2007.11.7	¥51,162 ($544.0)	From October 25, 2009 to October 24, 2017
2007 Stock Option (4)	124 employees	817 shares	2008.2.13	¥47,500 ($505.1)	From January 31, 2010 to January 30, 2018
2008 Stock Option (1)	246 employees	2,059 shares	2008.5.9	¥51,781 ($550.6)	From April 26, 2010 to April 25, 2018
2008 Stock Option (2)	5 directors 336 employees	11,750 shares	2008.8.8	¥40,505 ($430.7)	From July 26, 2010 to July 25, 2018
2008 Stock Option (3)	128 employees	407 shares	2008.11.7	¥34,000 ($361.5)	From October 25, 2010 to October 24, 2018
2008 Stock Option (4)	128 employees	350 shares	2009.2.10	¥32,341 ($343.9)	From January 28, 2011 to January 27, 2019
2009 Stock Option (1)	100 employees	890 shares	2009.5.12	¥26,879 ($285.8)	From April 29, 2011 to April 28, 2019
2009 Stock Option (2)	5 directors 454 employees	12,848 shares	2009.8.11	¥30,700 ($326.4)	From July 29, 2011 to July 28, 2019
2009 Stock Option (3)	61 employees	277 shares	2009.11.10	¥28,737 ($305.6)	From October 28, 2011 to October 27, 2019
2009 Stock Option (4)	101 employees	571 shares	2010.2.10	¥32,050 ($340.8)	From January 28, 2012 to January 27, 2020
2010 Stock Option (1)	155 employees	700 shares	2010.5.11	¥35,834 ($381.0)	From April 28, 2012 to April 27, 2020
2010 Stock Option (2)	5 directors 268 employees	11,936 shares	2010.8.10	¥34,617 ($368.1)	From July 28, 2012 to July 27, 2020
2010 Stock Option (3)	106 employees	316 shares	2010.11.5	¥28,857 ($306.8)	From October 23, 2012 to October 22, 2020
2010 Stock Option (4)	104 employees	541 shares	2011.2.8	¥31,193 ($331.7)	From January 26, 2013 to January 25, 2021
2011 Stock Option (1)	169 employees	589 shares	2011.6.3	¥27,917 ($296.8)	From May 21, 2013 to May 20, 2021
2011 Stock Option (2)	5 directors 251 employees	12,265 shares	2011.8.5	¥27,669 ($294.2)	From July 23, 2013 to July 22, 2021
2011 Stock Option (3)	281 employees	932 shares	2011.11.16	¥25,263 ($268.6)	From November 3, 2013 to November 2, 2021
2011 Stock Option (4)	114 employees	684 shares	2012.2.17	¥24,900 ($264.8)	From February 4, 2014 to February 3, 2022

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2012 Stock Option (1)	45 employees	1,822 shares	2012.5.16	¥25,308 ($269.1)	From May 3, 2014 to May 2, 2022
2012 Stock Option (2)	1 director 54 employees 3 directors of subsidiaries	259,100 shares	2013.3.1	¥32,400 ($344.5)	See Note 3

Notes: 1. Each stock option in the table above, except 2012 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 six consecutive fiscal 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 ($2,658,161 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 ($3,508,772 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 ($1,860,712 thousand) for any of six consecutive fiscal years ending March 31, 2019, before meeting the conditions (a) or (b) above, the stock options will not be exercisable from that day onward.

(Carview)

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
Stock Option #4	3 directors 1 Audit & Supervisory Board member	80 shares	2006.9.29	¥63,500 ($675.2)	(1) 25% Exercisable: From October 1, 2008 to September 30, 2009 (2) 50% Exercisable: From October 1, 2009 to September 30, 2010 (3) 75% Exercisable: From October 1, 2010 to September 30, 2011 (4) 100% Exercisable: From October 1, 2011 to September 30, 2013
Stock Option #5	76 employees	526 shares	2006.9.29	¥63,500 ($675.2)	(1) 25% Exercisable: From October 1, 2008 to September 30, 2009 (2) 50% Exercisable: From October 1, 2009 to September 30, 2010 (3) 75% Exercisable: From October 1, 2010 to September 30, 2011 (4) 100% Exercisable: From October 1, 2011 to September 30, 2013

Stock option activity is as follows:

(The Company)

Year Ended March 31, 2012	2002 Stock Option (1)	2002 Stock Option (2)	2003 Stock Option (1)	2003 Stock Option (2)	2003 Stock Option (3)	2003 Stock Option (4)	2004 Stock Option (1)	2004 Stock Option (2)	2004 Stock Option (3)	2004 Stock Option (4)	2005 Stock Option (1)
						(Shares)					
Non-vested:											
March 31, 2011—Outstanding											
Granted											
Canceled											
Vested											
March 31, 2012—Outstanding											
Vested:											
March 31, 2011—Outstanding	14,848	768	15,424	1,248	1,056	480	8,800	368	208	192	4,856
Vested											
Exercised	(3,072)	(256)									
Canceled			(704)	(32)		(32)	(416)	(8)		(32)	(248)
March 31, 2012—Outstanding	11,776	512	14,720	1,216	1,056	448	8,384	360	208	160	4,608
Year Ended March 31, 2013											
Non-vested:											
March 31, 2012—Outstanding											
Granted											
Canceled											
Vested											
March 31, 2013—Outstanding											
Vested:											
March 31, 2012—Outstanding	11,776	512	14,720	1,216	1,056	448	8,384	360	208	160	4,608
Vested											
Exercised	(11,776)	(512)	(576)								
Canceled			(10,496)	(256)	(64)		(5,312)	(24)		(12)	(2,772)
March 31, 2013—Outstanding			3,648	960	992	448	3,072	336	208	148	1,836
Exercise price	¥10,196	¥11,375	¥33,438	¥51,478	¥47,813	¥78,512	¥65,290	¥62,488	¥65,375	¥60,563	¥58,500
	($108.4)	($120.9)	($355.5)	($547.3)	($508.4)	($834.8)	($694.2)	($664.4)	($695.1)	($643.9)	($622.0)
Average stock price at exercise	¥25,109	¥24,605	¥39,222								
	($267.0)	($261.6)	($417.0)								

(The Company)

Year Ended March 31, 2012	2005 Stock Option (2)	2005 Stock Option (3)	2005 Stock Option (4)	2006 Stock Option (1)	2006 Stock Option (2)	2006 Stock Option (3)	2007 Stock Option (1)	2007 Stock Option (2)	2007 Stock Option (3)	2007 Stock Option (4)	2008 Stock Option (1)
						(Shares)					
Non-vested:											
March 31, 2011—Outstanding							160	2,206	224	246	833
Granted											
Canceled								(34)		(1)	(41)
Vested							(160)	(2,172)	(224)	(245)	(341)
March 31, 2012—Outstanding											451
Vested:											
March 31, 2011—Outstanding	124	228	75	7,162	265	250	394	6,413	466	527	694
Vested							160	2,172	224	245	341
Exercised											
Canceled	(2)	(8)		(229)		(5)	(76)	(345)	(1)	(2)	(102)
March 31, 2012—Outstanding	122	220	75	6,933	265	245	478	8,240	689	770	933
Year Ended March 31, 2013											
Non-vested:											
March 31, 2012—Outstanding											451
Granted											
Canceled											(1)
Vested											(450)
March 31, 2013—Outstanding											
Vested:											
March 31, 2012—Outstanding	122	220	75	6,933	265	245	478	8,240	689	770	933
Vested											450
Exercised											
Canceled	(34)	(56)	(14)	(3,360)	(25)		(10)	(3,419)	(17)	(76)	(74)
March 31, 2013—Outstanding	88	164	61	3,573	240	245	468	4,821	672	694	1,309
Exercise price	¥62,000	¥79,500	¥67,940	¥47,198	¥44,774	¥47,495	¥45,500	¥40,320	¥51,162	¥47,500	¥51,781
	($659.2)	($845.3)	($722.4)	($501.8)	($476.1)	($505.0)	($483.8)	($428.7)	($544.0)	($505.1)	($550.6)
Average stock price at exercise											

(The Company)

Year Ended March 31, 2012	2008 Stock Option (2)	2008 Stock Option (3)	2008 Stock Option (4)	2009 Stock Option (1)	2009 Stock Option (2)	2009 Stock Option (3)	2009 Stock Option (4)	2010 Stock Option (1)	2010 Stock Option (2)	2010 Stock Option (3)	2010 Stock Option (4)
						(Shares)					
Non-vested:											
March 31, 2011—Outstanding	5,465	203	190	768	12,070	225	505	667	11,723	314	541
Granted											
Canceled	(131)	(20)	(3)	(7)	(242)	(13)	(26)	(29)	(382)	(30)	(2)
Vested	(2,634)	(44)	(45)	(351)	(5,877)	(94)	(223)				
March 31, 2012—Outstanding	2,700	139	142	410	5,951	118	256	638	11,341	284	539
Vested:											
March 31, 2011—Outstanding	5,362	161	137								
Vested	2,634	44	45	351	5,877	94	223				
Exercised											
Canceled	(323)	(19)	(3)	(2)	(162)		(5)				
March 31, 2012—Outstanding	7,673	186	179	349	5,715	94	218				

Year Ended March 31, 2013											
Non-vested:											
March 31, 2012—Outstanding	2,700	139	142	410	5,951	118	256	638	11,341	284	539
Granted											
Canceled	(703)	(10)	(2)	(17)	(1,683)	(6)	(7)	(32)	(3,346)	(22)	(33)
Vested	(1,997)	(129)	(140)	(177)	(2,129)	(38)	(89)	(285)	(4,176)	(99)	(223)
March 31, 2013—Outstanding				216	2,139	74	160	321	3,819	163	283
Vested:											
March 31, 2012—Outstanding	7,673	186	179	349	5,715	94	218				
Vested	1,997	129	140	177	2,129	38	89	285	4,176	99	223
Exercised		(2)		(42)	(126)				(88)		(1)
Canceled	(2,910)	(19)	(2)	(40)	(2,095)	(13)	(8)	(19)	(427)		
March 31, 2013—Outstanding	6,760	294	317	444	5,623	119	299	266	3,661	99	222
Exercise price	¥40,505	¥34,000	¥32,341	¥26,879	¥30,700	¥28,737	¥32,050	¥35,834	¥34,617	¥28,857	¥31,193
	($430.7)	($361.5)	($343.9)	($285.8)	($326.4)	($305.6)	($340.8)	($381.0)	($368.1)	($306.8)	($331.7)
Average stock price at exercise		¥39,450		¥39,392	¥39,625				¥39,702		¥39,050
		($419.5)		($418.8)	($421.3)				($422.1)		($415.2)

(The Company)

Year Ended March 31, 2012	2011 Stock Option (1)	2011 Stock Option (2)	2011 Stock Option (3)	2011 Stock Option (4)	2012 Stock Option (1)	2012 Stock Option (2)
	(Shares)					
Non-vested:						
March 31, 2011—Outstanding						
Granted	589	12,265	932	684		
Canceled	(47)	(216)	(51)			
Vested						
March 31, 2012—Outstanding	542	12,049	881	684		
Vested:						
March 31, 2011—Outstanding						
Vested						
Exercised						
Canceled						
March 31, 2012—Outstanding						
Year Ended March 31, 2013						
Non-vested:						
March 31, 2012—Outstanding	542	12,049	881	684		
Granted					1,822	259,100
Canceled	(69)	(3,786)	(40)	(5)	(35)	
Vested						
March 31, 2013—Outstanding	473	8,263	841	679	1,787	259,100
Vested:						
March 31, 2012—Outstanding						
Vested						
Exercised						
Canceled						
March 31, 2013—Outstanding						
Exercise price	¥27,917	¥27,669	¥25,263	¥24,900	¥25,308	¥32,400
	($296.8)	($294.2)	($268.6)	($264.8)	($269.1)	($344.5)
Average stock price at exercise						

(Carview)

Year Ended March 31, 2012	Stock Option #4	Stock Option #5
	(Shares)	
Non-vested:		
March 31, 2011—Outstanding		
Granted		
Canceled		
Vested		
March 31, 2012—Outstanding		
Vested:		
March 31, 2011—Outstanding		
Vested		
Exercised		
Canceled		
March 31, 2012—Outstanding		
Year Ended March 31, 2013		
Non-vested:		
March 31, 2012—Outstanding		
Granted		
Canceled		
Vested		
March 31, 2013—Outstanding		
Vested:		
March 31, 2012—Outstanding	60	194
Vested		
Exercised		
Canceled	(40)	(26)
March 31, 2013—Outstanding	20	168
Exercise price	¥63,500	¥63,500
	($675.2)	($675.2)
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)	2007 Stock Option (1)	2007 Stock Option (2)	2007 Stock Option (3)	2007 Stock Option (4)
Fair value price at grant date:								
a.	¥30,958	¥24,564	¥23,832	¥20,435	¥22,586	¥17,061	¥20,900	¥20,289
	($329.2)	($261.2)	($253.4)	($217.3)	($240.1)	($181.4)	($222.2)	($215.7)
b.	¥35,782	¥26,803	¥25,311	¥23,448	¥25,697	¥18,121	¥23,651	¥23,128
	($380.5)	($285.0)	($269.1)	($249.3)	($273.2)	($192.7)	($251.5)	($245.9)
c.	¥39,196	¥28,156	¥26,766	¥25,578	¥27,206	¥20,659	¥26,853	¥24,691
	($416.8)	($299.4)	($284.6)	($272.0)	($289.3)	($219.7)	($285.5)	($262.5)

	2008 Stock Option (1)	2008 Stock Option (2)	2008 Stock Option (3)	2008 Stock Option (4)	2009 Stock Option (1)	2009 Stock Option (2)	2009 Stock Option (3)	2009 Stock Option (4)
Fair value price at grant date:								
a.	¥16,538	¥14,918	¥14,554	¥10,204	¥ 9,499	¥12,264	¥ 9,601	¥12,152
	($175.8)	($158.6)	($154.7)	($108.5)	($101.0)	($130.4)	($102.1)	($129.2)
b.	¥18,525	¥15,716	¥15,075	¥10,715	¥10,338	¥13,247	¥10,271	¥12,987
	($197.0)	($167.1)	($160.3)	($113.9)	($109.9)	($140.9)	($109.2)	($138.1)
c.	¥21,037	¥17,980	¥16,395	¥11,262	¥10,701	¥13,747	¥11,193	¥13,992
	($223.7)	($191.2)	($174.3)	($119.7)	($113.8)	($146.2)	($119.0)	($148.8)

	2010 Stock Option (1)	2010 Stock Option (2)	2010 Stock Option (3)	2010 Stock Option (4)	2011 Stock Option (1)	2011 Stock Option (2)	2011 Stock Option (3)	2011 Stock Option (4)
Fair value price at grant date:								
a.	¥11,631	¥10,077	¥ 9,284	¥10,508	¥8,899	¥7,634	¥6,963	¥7,865
	($123.7)	($107.1)	($98.7)	($111.7)	($94.6)	($81.2)	($74.0)	($83.6)
b.	¥12,389	¥10,734	¥ 9,518	¥10,641	¥8,987	¥7,711	¥7,158	¥8,278
	($131.7)	($114.1)	($101.2)	($113.1)	($95.6)	($82.0)	($76.1)	($88.0)
c.	¥13,174	¥11,507	¥10,109	¥11,264	¥9,168	¥7,780	¥7,235	¥8,343
	($140.1)	($122.3)	($107.5)	($119.8)	($97.5)	($82.7)	($76.9)	($88.7)

	2012 Stock Option (1)	2012 Stock Option (2)
Fair value price at grant date:		
a.	¥6,617	¥272
	($70.4)	($2.9)
b.	¥6,903	
	($73.4)	
c.	¥7,098	
	($75.5)	

Notes: 1. The stock options of the Company 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.
2. Because fair values of stock options of Carview are not determinable, such information is not presented.

The assumptions used to measure fair value of stock options granted during the years ended March 31, 2013 and 2012, are as follows:

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 middle 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.

Year Ended March 31, 2012

Estimation method: Black-Scholes option pricing model

	2011 Stock Option (1)	2011 Stock Option (2)	2011 Stock Option (3)	2011 Stock Option (4)
Volatility of stock price:				
a.	39.2%	39.2%	38.7%	38.0%
b.	38.2%	38.2%	38.4%	38.7%
c.	37.7%	37.3%	37.6%	37.8%
Estimated remaining outstanding period:				
a.	5.97 years	5.97 years	5.97 years	5.97 years
b.	6.47 years	6.47 years	6.47 years	6.47 years
c.	6.97 years	6.97 years	6.97 years	6.97 years
Estimated dividend (dividend yield)	1.16%	1.26%	1.36%	1.28%
Risk free interest rate:				
a.	0.54%	0.45%	0.43%	0.41%
b.	0.61%	0.52%	0.48%	0.47%
c.	0.68%	0.58%	0.54%	0.54%

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:

2011 Stock Option (1): a. From June 13, 2005 to June 3, 2011
b. From December 13, 2004 to June 3, 2011
c. From June 14, 2004 to June 3, 2011

2011 Stock Option (2): a. From August 15, 2005 to August 5, 2011
b. From February 14, 2005 to August 5, 2011
c. From August 16, 2004 to August 5, 2011

2011 Stock Option (3): a. From November 28, 2005 to November 16, 2011
b. From May 30, 2005 to November 16, 2011
c. From November 29, 2004 to November 16, 2011

2011 Stock Option (4): a. From February 27, 2006 to February 17, 2012
b. From August 29, 2005 to February 17, 2012
c. From February 28, 2005 to February 17, 2012

3. Estimated remaining outstanding period is determined based on the assumption that all the options are exercised by the middle date of the exercise period.
4. Estimated dividend is determined based on the actual dividend applicable to the year ended March 31, 2011.
5. For the risk free interest rate, the Company uses the yield of the Japanese government 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.

7. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in statutory tax rates of approximately 38.0% and 40.7% for the years ended March 31, 2013 and 2012, respectively.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets:			
Enterprise tax payable	¥ 3,263	¥ 2,425	$ 34,694
Tax loss carryforwards	1,390	919	14,779
Depreciation and amortization	4,975	4,395	52,897
Provision for Yahoo! Points	1,543	1,485	16,406
Accrued bonus	1,554	97	16,523
Revaluation of assets	692	1,593	7,358
Other	2,965	2,396	31,527
Less valuation allowance	(2,167)	(2,409)	(23,041)
Total	14,215	10,901	151,143
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	2,365	860	25,146
Assets identified in a business combination	1,701		18,086
Total	4,066	860	43,232
Net deferred tax assets	¥10,149	¥10,041	$107,911

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets—current (included in other current assets)	¥ 7,398	¥ 4,640	$ 78,661
Deferred tax assets—non-current	2,782	5,408	29,580
Deferred tax liabilities—current (included in other current liabilities)		(5)	
Deferred tax liabilities—non-current (included in long-term liabilities)	(31)	(2)	(330)
Net deferred tax assets	¥10,149	¥10,041	$107,911

A reconciliation between the statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2013, with the corresponding figures for 2012 is not presented because the difference between the two tax rates was not material.

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the statutory tax rate from approximately 41% to 38% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 36% afterwards. 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, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Net unrealized gain on available-for-sale securities:			
Gains arising during the year	¥4,198	¥439	$ 44,636
Reclassification adjustments to profit or loss	24	(73)	255
Amount before income tax effect	4,222	366	44,891
Income tax effect	(1,506)	(27)	(16,013)
Other comprehensive income—Net unrealized gain on available-for-sale securities	¥2,716	¥339	$ 28,878
Deferred (loss) gain on derivatives under hedge accounting:			
(Gains) losses arising during the year	¥ (4)	¥ 6	$ (43)
Reclassification adjustments to profit or loss			
Amount before income tax effect	(4)	6	(43)
Income tax effect	2	(3)	22
Other comprehensive income—Deferred (loss) gain on derivatives under hedge accounting	¥ (2)	¥ 3	$ (21)
Foreign currency translation adjustments:			
Gains arising during the year	¥ 306		$ 3,253
Reclassification adjustments to profit or loss			
Other comprehensive income—Foreign currency translation adjustments	¥ 306		$ 3,253
Share of other comprehensive income (loss) in associated companies accounted for by the equity method:			
Gains (losses) arising during the year	¥ 41	¥ (14)	$ 436
Reclassification adjustments to profit or loss			
Other comprehensive income—Share of other comprehensive income (loss) in associated companies accounted for by the equity method	¥ 41	¥ (14)	$ 436

9. LEASE

The Group leases certain computers, servers, data center-related equipment, and software.

Total rental expenses under operating lease contracts included in the consolidated statement of income for the year ended March 31, 2013, with the corresponding figures for 2012 were ¥6,344 million ($67,453 thousand) and ¥6,114 million, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2013, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 5,858	$ 62,286
Due after one year	16,633	176,853
Total	¥22,491	$239,139

10. RELATED PARTY TRANSACTIONS

Transactions of the Group with related parties for the years ended March 31, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Transaction of the Company with SOFTBANK CORP.—Interest income (Note)	¥1,190	¥1,203	$12,653
Transaction with individuals (directors)—Exercise of stock options	115	10	1,223

Note: On January 25, 2011, the Company sold its investment in BB Mobile Corp. ("BBM") to SOFTBANK CORP. 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.

The balance due to or due from related parties listed in the above table at March 31, 2012, is as follows:

	Millions of Yen
	2012
Other receivables	¥120,000
Other current assets	1,410

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, 2013 and 2012, is as follows:

	Millions of Yen	Thousands	Yen	U.S. Dollars
Year Ended March 31, 2013	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥115,036	57,972	¥1,984.31	$21.10
Effect of dilutive securities—Warrants		6		
Diluted EPS—Net income for computation	¥115,036	57,978	¥1,984.12	$21.10
Year Ended March 31, 2012				
Basic EPS—Net income available to common shareholders	¥100,559	57,999	¥1,733.81	
Effect of dilutive securities—Warrants		11		
Diluted EPS—Net income for computation	¥100,559	58,010	¥1,733.50	

12. COMMITMENTS

Committed Line of Cash Advance

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

The total amount of the committed line of cash advance granted and available for customers, outstanding balance, and remaining balance at March 31, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Total amount of the committed line of cash advance	¥12,781	¥15,335	$135,896
Outstanding balance	944	1,066	10,037
Remaining balance	¥11,837	¥14,269	$125,859

Assets Pledged as Collateral

Assets pledged as collateral under an acceptance and guarantee agreement at March 31, 2013, are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Time deposits (included in other current assets)	¥2,200	$23,392

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, 2012, the Group reorganized three reportable segments, namely, (1) media business, (2) business-services business, and (3) consumer business into the two segments discussed above in order to provide services more effectively and to respond to the changing market more rapidly. The online settlement business, which was included in the consumer business in the former segmentation, was reclassified into other business in the new segmentation.

Segment information for the year ended March 31, 2012, is also disclosed using the new segmentation.

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	¥227,113	¥103,008	¥330,121	¥12,869		¥342,990
Intersegment sales	4,477	3,076	7,553	2,366	¥ (9,919)	
Total sales	¥231,590	¥106,084	¥337,674	¥15,235	¥ (9,919)	¥342,990
Segment income	¥126,621	¥ 79,038	¥205,659	¥ 4,727	¥(24,034)	¥186,352
Depreciation and amortization	¥ 4,465	¥ 1,192	¥ 5,657	¥ 2,013	¥ 4,518	¥ 12,188
Amortization of goodwill	822	24	846	398	25	1,269
Remaining balance of goodwill	3,614	219	3,833	7,861	220	11,914
Interest received (paid)—net	2	(2)		11	1,433	1,444
Equity earnings of associated companies accounted for by the equity method	420	801	1,221		(492)	729

b. Reconciliation between Segment Income and the Consolidated Financial Statements

	Millions of Yen
	2013
Total segment income for reportable segments	¥205,659
Segment income for other business	4,727
Corporate expenses (see Note below)	(21,740)
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	e-Commerce Related	Membership Services	Other	Total
Sales to customers	¥190,507	¥58,038	¥39,954	¥54,491	¥342,990

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

	Thousands of U.S. Dollars					
	2013					
	Reportable Segments					
	Marketing Solutions Business	Consumer Business	Total	Other Business	Reconciliation	Consolidated
Sales to customers	$2,414,812	$1,095,247	$3,510,059	$136,831		$3,646,890
Intersegment sales	47,602	32,706	80,308	25,157	$(105,465)	
Total sales	$2,462,414	$1,127,953	$3,590,367	$161,988	$(105,465)	$3,646,890
Segment income	$1,346,316	$ 840,383	$2,186,699	$ 50,260	$(255,545)	$1,981,414
Depreciation and amortization	$ 47,475	$ 12,674	$ 60,149	$ 21,404	$ 48,038	$ 129,591
Amortization of goodwill	8,740	255	8,995	4,232	266	13,493
Remaining balance of goodwill	38,426	2,329	40,755	83,583	2,339	126,677
Interest received (paid)—net	21	(21)		117	15,237	15,354
Equity earnings of associated companies accounted for by the equity method	4,466	8,516	12,982		(5,231)	7,751

b. Reconciliation between Segment Income and the Consolidated Financial Statements

	Thousands of U.S. Dollars
	2013
Total segment income for reportable segments	$2,186,699
Segment income for other business	50,260
Corporate expenses (see Note below)	(231,154)
Interest and dividend income	17,055
Interest expense	(43)
Gain on foreign exchange—net	1,712
Equity in earnings of associated companies	7,751
Other	(50,866)
Operating income as per the consolidated financial statements	$1,981,414

c. Sales to Customers, by Services

	Thousands of U.S. Dollars				
	2013				
	Advertising	e-Commerce Related	Membership Services	Other	Total
Sales to customers	$2,025,593	$617,097	$424,817	$579,383	$3,646,890

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, 2012, is as follows:

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

	Millions of Yen					
	2012					
	Reportable Segments					
	Marketing Solutions Business	Consumer Business	Total	Other Business	Reconciliation	Consolidated
Sales to customers	¥194,104	¥ 98,987	¥293,091	¥ 8,998		¥302,089
Intersegment sales	2,754	1,234	3,988	2,120	¥ (6,108)	
Total sales	¥196,858	¥100,221	¥297,079	¥11,118	¥ (6,108)	¥302,089
Segment income	¥110,594	¥ 71,210	¥181,804	¥ 3,165	¥(19,964)	¥165,005
Depreciation and amortization	¥ 4,042	¥ 1,204	¥ 5,246	¥ 1,949	¥ 3,614	¥ 10,809
Amortization of goodwill (see Note 1 below)	700		700	88		788
Remaining balance of goodwill	489		489	102		591
Interest received (paid)—net	2		2		1,385	1,387
Equity earnings of associated companies accounted for by the equity method	281	75	356		197	553

b. Reconciliation between Segment Income and the Consolidated Financial Statements

	Millions of Yen
	2012
Total segment income for reportable segments	¥181,804
Segment income for other business	3,165
Intersegment transactions	6
Corporate expenses (see Note 2 below)	(17,673)
Interest and dividend income	1,790
Interest expense	(5)
Gain on foreign exchange—net	178
Equity in earnings of associated companies	553
Other	(4,813)
Operating income as per the consolidated financial statements	¥165,005

c. Sales to Customers, by Services

	Millions of Yen				
	2012				
	Advertising	**e-Commerce Related**	**Membership Services**	**Other**	**Total**
Sales to customers	¥165,668	¥56,886	¥37,364	¥42,171	¥302,089

Notes: 1. Amortization of goodwill in the table above includes the loss on write-down of the unamortized balance of goodwill recorded as other expenses in the consolidated statement of income.
2. Corporate expenses consist primarily of general and administrative expenses that are not allocable to segments.

14. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2013, was approved at the Company's Board of Directors' meeting held on May 17, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥401.00 ($4.26) per share	¥23,058	$245,167

Note: The stock split discussed below, which is planned to be effective on October 1, 2013, has not been reflected in the figures in the table above.

Stock Split, Adoption of the Tangen Share Unit System, and Partial Revision to the Articles of Incorporation

In the Board of Directors' meeting held on May 17, 2013, the Company resolved to implement a stock split and adopt the Tangen share unit system. The stock split and adoption of the Tangen share unit system are contingent on the approval of partial revisions to the Company's articles of incorporation at the shareholders' meeting scheduled to be held on June 20, 2013.

(1) Purpose

The Company has decided to contribute to the greater convenience and liquidity of the stock market on which its shares are listed by implementing a stock split (100 for 1 stock split) and adopting the Tangen share unit system. This decision is in accordance with the Action Plan for the Consolidation of Trading Units announced by Japanese stock exchanges in November 2007.

(2) Outline of the stock split

(a) Stock split method

Using September 30, 2013, as the record date, shareholders noted in the final shareholders record on that date shall be issued 99 additional shares for each share owned (100 for 1 stock split).

(b) Increase in shares due to stock split

Total issued shares will be the final number of total issued shares at the end of September 30, 2013, multiplied by 99. Using the total issued shares on April 30, 2013, as the record date for the calculation would produce the following results:

Total issued shares before stock split	57,512,068 shares
Increase in shares due to stock split	5,693,694,732 shares
Total issued shares after stock split	5,751,206,800 shares
Total shares authorized to be issued after stock split	24,160,000,000 shares

(c) Schedule

Record date announcement	September 13, 2013
Record date	September 30, 2013
Effective date	October 1, 2013

(3) Adoption of the Tangen share unit system

(a) Number of Tangen shares

Effective October 1, 2013, the effective date of the stock split, the Company will adopt the Tangen share unit system and fix the number of shares constituting a Tangen share unit as 100.

(b) Establishment date

Effective date: October 1, 2013

Note: Effective September 26, 2013, the trading unit for the Company's shares at Japan's stock markets will be changed to 100 shares.

(4) If the stock split was made at the beginning date of the prior fiscal year, per share information for the years ended March 31, 2013 and 2012, would be as follows:

	Yen		U.S. Dollars
	2013	2012	2013
Per share of common stock:			
Equity	¥94.51	¥80.20	$1.00
Basic net income	19.84	17.34	0.21
Diluted net income	19.84	17.33	0.21

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, 2013, 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, 2013, 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.

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 5, 2013

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 those 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 implementation 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 14.7% of the total domestic advertising market in calendar year 2012, according to a DENTSU INC. report. Internet advertising is currently the second largest advertising market in Japan, following the television advertising market.

The Yahoo Japan Group engages in a range of activities aimed at enhancing its advertising media value. In the area of premium advertising (formerly referred to as display 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 (formerly referred to as listing advertising), meanwhile, we are working to more accurately distribute advertisements based on individual user interests, thereby boosting our advertising media value both to users and to advertisers.

However, further progress in this regard could be hindered by such factors as extremely slow growth in the Internet advertising market or an earlier-than-expected 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. Recruiting, real estate, and other information listing services, in particular, are influenced by macroeconomic trends. During downturns, advertising expenditures are among the first that companies reduce. Contract periods for Internet advertising are relatively short. In addition, demand from advertisers for advertising space tends to be seasonal, reflecting Internet usage patterns. These factors could contribute to underlying volatility in our advertising revenue stream.

Furthermore, because our cost structure includes a high proportion of fixed costs, such as personnel, lease, and utilities expenses, expenditures cannot be adjusted easily in response to revenue fluctuations, contributing to underlying volatility in our advertising 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 advertising media value, including efforts to boost the effectiveness of advertising products, trends in advertising budget allocations among the various media markets 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 smart devices will grow at a quickening pace, the Yahoo Japan Group is giving priority to providing smart device services ahead of PC services under the slogan of Smartphone 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 YAFUOKU! (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. 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 communications and smart devices 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, offers special members-only benefits and entitlements, including unrestricted participation in YAFUOKU!) Eventually, however, broadband communications and smart device 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 revenues derived from member services and other fee-based services will begin to show slower growth, 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, respectively, 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 impact our provision of services, as well as 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, including concrete 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 enforced 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, the effect on our business should be minor. Nevertheless, the law raises many issues, such as restrictions on freedom of expression or on filtering development, which could impinge upon the development of the Internet industry in Japan and, consequently, affect our performance.

e. Legislation relating to auction services could affect our earnings.

Reports have been made of illegal items being listed on YAFUOKU!, and cases of fraud have been identified. When sellers 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 sellers and buyers of items on Internet auctions, we have published on our Web site "Intellectual Property Rights Protection Guide," which defines and explains copyrights, image rights, and trademarks.

If these measures fail to bring about the expected results and reports of illegal or fraudulent merchandise continue, legislation could be enacted restricting commercial activity carried out via the Internet. Depending on the degree of restriction entailed by such legislation, it could negatively affect 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 have a significant impact on all of our 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 our Yahoo! Card 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. Because authorities revised the Money Lending Business Act so as to lower the interest rate ceiling on loans to match the interest rate ceiling specified in the Interest Limitation Law, customers might claim that interest paid in excess of the rate permitted under the Interest Limitation Law represents unfair profits, and demand repayment. Despite these actions, we believe that the revised law's impact on our business will be minor, as we had already lowered our interest rates in May 2008, before enforcement of the law.

Strengthening or revising the compliance system or trading system in response to a tightening of those 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 affect our service provision and performance.

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

* In June 2010, the Company received notification from the Tokyo Regional Taxation Bureau of a revision to its tax payment related to the Company's conversion of SOFTBANK IDC Solutions Corp. (IDC) into a consolidated subsidiary in February 2009 and subsequent absorption via merger the following March. Refuting the taxation bureau's revision, and after going through the process of submitting a request for

reconsideration to the National Tax Tribunal and then filing to revoke said decision in April 2011, the Company is currently pursuing ongoing litigation in the Tokyo District Court.

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 YAFUOKU! 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 its initial judgment that the Company was not liable for damages because it had not only forewarned YAFUOKU! 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 YAFUOKU! users might again take legal action against the Yahoo Japan Group, 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 the 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 expressed 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 auctions 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 YAFUOKU!, 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. However, it remains possible 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 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 listing 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 listing 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 listing 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 brand image of the Yahoo Japan Group 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 new Yahoo Japan Group employees and also offer refresher courses 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 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 and 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 YAFUOKU! 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, in 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 Yahoo Japan Group has subsidiaries and affiliates of all sizes with varying degrees of in-house management. It is the Yahoo Japan Group'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 various risks related to its foreign exchange (FX) trading operations.

(i) Regulatory infringements or changes in the regulatory environment could negatively affect our business performance and financial condition.

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

Infringement of any of these regulations or ordinances by CyberAgent FX 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 excess 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 impairs our ability to properly calculate customer assets, or if unforeseen circumstances make it impossible to manage customer assets on a segregated basis, our FX service business operations could be suspended, deregistered, or submitted 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 carry out customer identification procedures as well as maintain records of customer identification and transaction histories, which activities were previously done voluntarily. 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 etc. 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 YAFUOKU! 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 and AD Partner advertising networks by partnering with new sites and incorporating their advertising space in a network-wide advertising distribution system, thereby enabling partner sites with limited viewer reach to increase their advertising media value. Advertisers, meanwhile, can achieve wider exposure by targeting advertisements at the entire network's user base. In the search business, by jointly providing advertisers with the paid search advertising service, 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.
- AD Partner is a distribution service for display advertising and content-linked text advertising mainly to personal homepages and blogs. This service aims to boost the brand image and advertising effects for advertisers as well as to reward sites that meet our selection standards by distributing advertising only to such sites. Should advertisers not get their expected advertising effects or personal site owners not get their expected rewards, however, it might become impossible to place ads or extend the network as expected, which could have a negative impact on our performance.

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

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 the costs of acquiring information and content be higher than anticipated, use of our services might decline, possibly resulting in a failure to achieve 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 advertising, we depend on specific advertising agencies and media representatives because of the marketing activities provided by advertising agencies. In our other businesses, as well, we have 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 performance could be negatively impacted.

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

Several companies in the Yahoo Japan Group have been established as and operate joint ventures with third parties. These joint ventures depend substantially on the non-Group partners. Currently, cooperative relationships between joint-venture partners are excellent and contribute to the performances of the Yahoo Japan Group companies involved. However, if for some reason cooperative relationships between joint-venture partners deteriorated, the performance of each company could be damaged and, in certain cases, its 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 standards based on suitable technical and operating capabilities judged by past performance. In addition, relevant sections of the Yahoo Japan Group maintain close contact with the third parties to ensure that problems affecting our services 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 events could lead to a loss of sales opportunities and reduce the competitiveness of our systems, negatively impacting our performance or, in the worst case, resulting in the termination of the services. In addition, third-party mishandling of delivery-related services or services provided through convenience stores could damage our brand image.

d. Some services are dependent on external third parties.

We not only rely on the aforementioned Internet providers but also many of our services rely on third parties to whom we have consigned operations to or from whom we receive information or support. Worsening business conditions at such third parties could hinder our operations and negatively impact our performance.

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.

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

Based on this understanding, we have proactively taken steps to deal with information security. Currently, we are working to protect customers' personal information and other sensitive management information by quickly and effectively implementing necessary measures 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 customers' personal information and other important information. At the same time, to promote adherence to our in-house rules on information management, we have established an information management system that is being run by our information security specialist team and employees in charge of information security appointed in 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 addresses and other information of our customers 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 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 and negatively impact 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 user and take extraordinary measures to ensure the security of each service. The Yahoo! Security Center on the Yahoo! JAPAN site works to heighten users' awareness of potential risks by, for example, posting descriptive examples of fraudulent behavior and common methods employed to illicitly obtain personal information, along with suggested security measures to help users protect themselves. In addition, 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 mail (see Note 3, below). In June 2008, we conducted open testing of an anti-phishing browser (see Note 4, below) that provides basic protection against phishing, and we currently offer a phishing warning function on the Yahoo! Toolbar. In May 2012, we introduced Secret ID, a specialized log-in ID (see Note 5, below). In August 2012, we introduced a One Time Password service (see Note 6, below). Moreover, in January 2008 we began supporting the OpenID system (see Note 7, below), which includes a shared-identity authentication function that eliminates the need to store and manage multiple IDs and passwords on other sites, 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
This is a browser equipped with a password entry column only for access authentication in its address bar field. An entered password is handled by the authentication server using a cryptographic protocol but is not sent directly to the server. Therefore, the password cannot be stolen even when carelessly entered on a fake site.

Note 5: Secret ID
This is a secret character string to be used only as a log-in ID. While IDs and email addresses are public information known to many third parties and therefore carry a risk of being misused, Secret ID is a character string known only to the user, thereby preventing misuse.

Note 6: One Time Password
One Time Password is a disposable password that is valid for identification purposes only once and for a limited time period. When a One Time Password is in effect, it must be used for identification after logging in 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 in to the account, thereby avoiding the theft of important information.

Note 7: OpenID
OpenID is a shared-identity authentication 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 YAFUOKU!, 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 and YAFUOKU! sites counteract our efforts.

We outsource the bulk of Yahoo! Card services in order to take full advantage of available expertise in personal information management as well as to promote 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.

Yahoo! Shopping or BtoC transactions in YAFUOKU! send personal information provided by buyers 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, stores may use the settlement system of the Company's subsidiary Netrust, Ltd., or 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) Communication 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, instant messaging, and other services to users. Because of these services, we handle information related to communications privacy, such as the content of communications and the 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.

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 actions could disrupt our business or services and in some cases impact on operating results.

5) Fraudulent Use

Fraudulent use could result in damage claims.

Malicious users might employ phishing or other methods to fraudulently obtain unsuspecting users' IDs, passwords, and credit card information, or use fraudulently obtained Yahoo! Cards to make payments. As examples of fraud on YAFUOKU!, 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 taking steps to strengthen its information security, enlighten users about ID management, and take certain measures against anticipated fraud. Nevertheless, it is possible that fraudulent use of such information by malicious users will prevent the collection of advances paid, that claims will be made for damage compensation by victims of fraudulent acts or that such compensation claims will be greater than expected or that the expenditures to prevent the recurrence of such fraudulent actions will be high, and that fraud will damage the brand image of Yahoo! JAPAN.

6) Behavioral History Information

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

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

The 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 users.

Although we believe that we are taking adequate precautions to respect users' privacy, it is possible that some users could object to the collection and analysis of their behavioral history information, or that legal restrictions could be placed on these activities. Such objections or restrictions could damage our brand image or prohibit sales of behavioral targeting advertising and interest-based advertising in the future, which could have a detrimental impact on our business results.

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, 2013)

SHARE-RELATED INFORMATION

Fiscal year-end	March 31
General meeting of shareholders	June
Share listings	The First Section of the Tokyo Stock Exchange (listed on October 28, 2003) Osaka Securities Exchange (JASDAQ)* (listed on February 28, 2007) *As a result of the operational merger of the Tokyo Stock Exchange and Osaka Securities Exchange in July 2013, from that date the shares of Yahoo Japan Corporation will be listed only on the First Section of the Tokyo Stock Exchange.
IPO date	November 4, 1997 (JASDAQ)
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation

HISTORICAL NUMBER OF SHARES OUTSTANDING

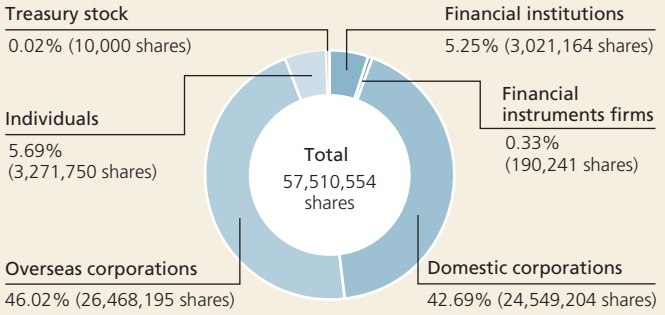
Date	Action	Number of shares outstanding*
1996/1/31	Establishment of the Company	4,000
1997/9/6	Rights offering: 1,800 shares	5,800
1997/11/4	Public offering: 975 shares	6,775
1999/3/6	Public offering at market price: 125 shares	6,900
1999/5/20	2-for-1 stock split	13,822
1999/11/19	2-for-1 stock split	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

*Partial-share amounts have been rounded off conventionally.

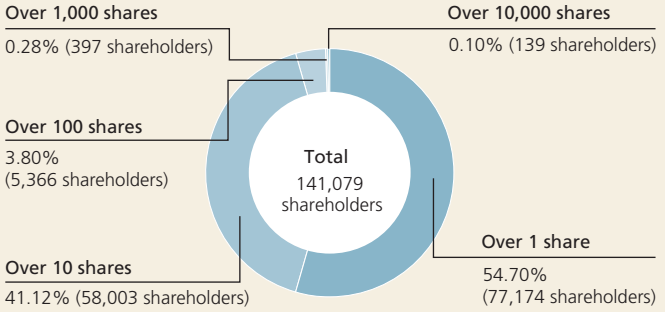
MAJOR SHAREHOLDERS

Name	Share holdings	Percent of total shares issued
SOFTBANK CORP.	20,625,264 shares	35.86%
Yahoo! Inc.	20,215,408 shares	35.15%
SBBM Corp.	3,735,609 shares	6.50%
Japan Trustee Services Bank, Ltd.	891,141 shares	1.55%
The Master Trust Bank of Japan, Ltd.	756,094 shares	1.31%
STATE STREET BANK AND TRUST COMPANY	501,639 shares	0.87%

BREAKDOWN OF SHARES OUTSTANDING, BY SHAREHOLDER TYPE



BREAKDOWN OF SHAREHOLDERS, BY NUMBER OF SHARES HELD



Corporate Information

CORPORATE DATA

(As of March 31, 2013)

Company name	Yahoo Japan Corporation
Founded	January 31, 1996
Common stock	¥8,037 million
Businesses	Internet advertising business e-Commerce business Member services business Other businesses
Headquarters	Midtown Tower, 7-1, Akasaka 9-chome, Minato-ku, Tokyo, 107-6211, Japan
Home page	http://www.yahoo.co.jp/
English-language IR page	http://ir.yahoo.co.jp/en/

DIRECTORS AND CORPORATE AUDITORS

(As of June 20, 2013)

Manabu Miyasaka
President and CEO

Masayoshi Son
Chairman of the Board of Directors

Ken Miyauchi
Director

Yasuyuki Imai
Director

Kenneth Goldman
Director

Shingo Yoshii
Full-time Corporate Auditor

Hiromi Onitsuka
Full-time Corporate Auditor

Mitsuo Sano
Corporate Auditor

Kyoko Uemura
Corporate Auditor

OPERATING TEAM

(As of July 1, 2013)

Manabu Miyasaka
President and CEO

Kentaro Kawabe
Executive Vice President
Chief Operating Officer

Toshiki Oya
Chief Financial Officer

Masatsugu Shidachi
Head of Media Services Company

Osamu Aranami
Head of Marketing Solutions Company

Takao Ozawa
Head of Shopping Company
Head of CFO Office

Koji Sakamoto
Head of YAFUOKU! Company

Tomoaki Tanida
Head of Central Services Company

Kazuto Ataka
Chief Strategy Officer
Head of Business Strategy Group

Tetsuya Nishimaki
Chief Security Officer
Head of System Management Group

Shin Murakami
Chief Mobile Officer

Naoya Bessho
Head of President's Office

Main Consolidated Subsidiaries

(As of March 31, 2013)

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/

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/

CyberAgent FX, Inc.
Business: Foreign exchange margin trading business
Founded: September 2003
Common Stock: ¥490 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://www.cyberagentfx.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 video-streaming provision, and sale and distribution of Internet advertising
Founded: October 2008
Common Stock: ¥250 million
Yahoo Japan Corporation's Ownership: 58.0%
URL: http://gyao.yahoo.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/

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/

YJ Capital Inc.
Business: Venture capital business
Founded: August 2012
Common Stock: ¥200 million
Yahoo Japan Corporation's Ownership: 100.0%

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/

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

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

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