YAHOO! JAPAN

Internet-Use Paradigm Shift Points to Explosive Growth Opportunities

Annual Report 2012
Year ended March 31, 2012

Yahoo! JAPAN Soars High above the Other Major Portal Site Operators in Japan

The predominant portal site operator in the Japanese PC-based Internet market, Yahoo! JAPAN is intent on maintaining its No.1 spot also in the mobile-based Internet market.

Source: Nielsen audience measurement of home and workplace PC-based Internet usage, brand level data, excluding Internet application use, March 2012
For each operator, estimates are used to determine the number of unique users.
Data for each operator reflect all of the operator's services and domains.
The balloon size of each operator corresponds to average monthly usage time per user.

Yahoo! JAPAN
4:01:50
Monthly usage time per user
Number of unique users: 51.10 million
Access rate: 83.9%
400
600
Monthly page views per user

Contents

3 Profile

4 History

6 Financial Highlights

8 To Our Shareholders

14 Special Feature

26 Business Segment Review

34 Corporate Social Responsibility and Corporate Governance

45 Financial Section

80 Risk Factors

95 Investor Information

96 Corporate Information

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 further expanding our games business and user-generated content offerings, we are keenly focused on harnessing the explosive growth of the mobile-based Internet in line with our Smartphone First initiative. In all of our business activities, we are committed to retaining Yahoo! JAPAN's position as the No. 1 solutions-providing engine in the Japanese Internet market.

History

1/1996	• Establishment of Yahoo Japan Corporation
4/1996 | 3/1997	• Started Yahoo! JAPAN services
4/1997 | 3/1998	• Listed on the JASDAQ market
4/1999 | 3/2000	• Started online shopping service Yahoo! Shopping and online auction service Yahoo! Auctions
4/2001 | 3/2002	• Introduced Yahoo! Auctions personal identification system (currently Yahoo! Premium membership) • Started comprehensive broadband service Yahoo! BB
4/2002 | 3/2003	• Introduced listing and transaction fees for Yahoo! Auctions • Made Netrust, Ltd, a subsidiary • Started a paid search advertising service

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

4/2004 – 3/2005
- Started Yahoo! Rikunabi
- Made Firstserver, Inc., a subsidiary

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

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

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

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

4/2009 – 3/2010
- Made GyaO CORPORATION a subsidiary
- Merged with Overture K.K.

4/2010 – 3/2011
- Expanded games business by launching Sengoku IXA in collaboration with SQUARE ENIX CO., LTD., and Yahoo! Mobage in collaboration with DeNA Co., Ltd.

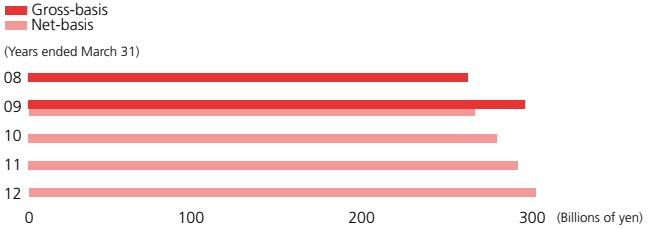
4/2011 – 3/2012
- Integrated Yahoo! Maps, Yahoo! Transit, Yahoo! Gourmet, and other location-oriented services to launch Yahoo! Local, the Japanese Internet's most comprehensive local information service
- In an alliance with Twitter, Inc., inaugurated Real Time Search, a Twitter-accessing keyword-based information search service located on Yahoo! Search

Financial Highlights

Years ended March 31	Millions of Yen 2012	2011	2010	Thousands of U.S. Dollars 2012
For the fiscal year:				
Net sales	¥302,089	¥292,424	¥279,857	$3,675,496
Operating income	165,005	159,604	143,826	2,007,604
Net income	100,559	92,175	83,523	1,223,494
Net income per share (Yen and U.S. dollars)	1,734	1,590	1,438	21.10
EBITDA	174,675	168,178	153,702	2,125,259
At fiscal year-end:				
Total assets	562,022	471,746	418,262	6,838,082
Total equity	468,301	385,106	312,273	5,697,786
Number of employees	5,124	4,748	4,882	
Dividends per share (Yen and U.S. dollars)	347	318	288	4.22
Cash flows	68,581	50,287	101,357	834,420
Cash flows from operating activities	99,737	67,581	140,095	1,213,493
Cash flows from investing activities	(12,309)	11,631	(7,357)	(149,763)
Cash flows from financing activities	(18,847)	(28,925)	(31,381)	(229,310)
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	

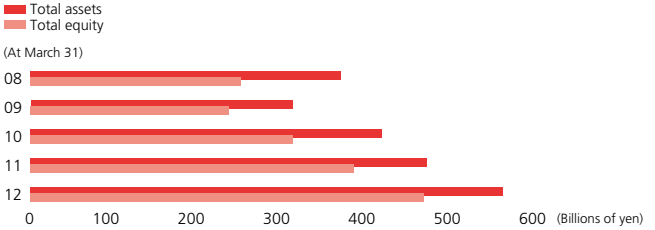
Note: Yen amounts for the year ended March 31, 2012, have been translated into U.S. dollar amounts, solely for the convenience of readers, at the rate of ¥82.19 = U.S.$1, the effective rate of exchange at March 31, 2012.

Net Sales

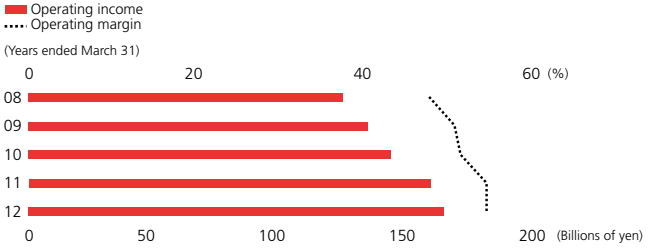


Note: Net sales are presented on a net-basis beginning with the year ended March 31, 2009. Gross-basis net sales for years prior to and including the year ended March 31, 2009, are provided solely for the convenience of readers.

Total Assets and Total Equity

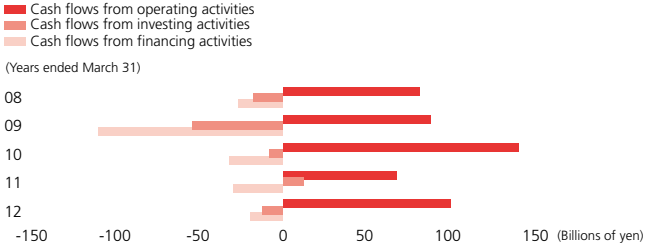


Operating Income and Operating Margin

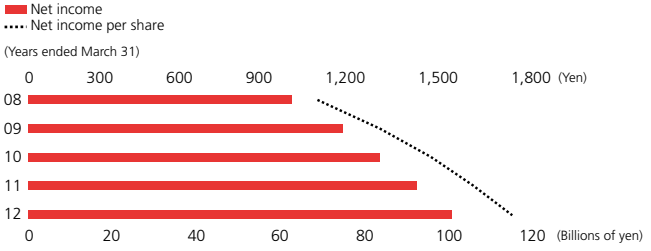


Note: The operating margin is presented on a net-basis beginning with the year ended March 31, 2009.

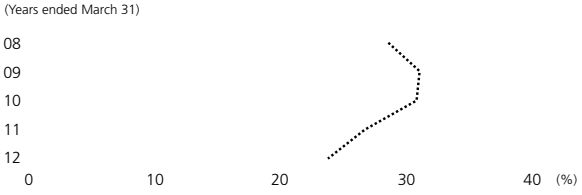
Cash Flows



Net Income and Net Income per Share



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 section entitled Risk Factors, beginning on page 80.
3. Unauthorized use or reproduction of this document is prohibited.

To Our Shareholders

Since joining Yahoo Japan Corporation in 1997, I have been immersed in the day-to-day developments of the dynamic Japanese Internet industry, growing and developing together with the universally acknowledged market leader. In this sense, I have been fortunate and am truly grateful. Now, as the newly appointed president and CEO of Yahoo Japan Corporation, it is my honor and sincere pleasure to address shareholders for the first time in this annual report.

With the April 1996 launch of Yahoo! JAPAN, the Internet's first Japanese-language information search service, Yahoo Japan Corporation (the Company) quickly attained prominence in the Japanese Internet market. Since then, the Company and its consolidated subsidiaries and affiliates (the Yahoo Japan Group) have achieved continuous and sustainable growth by offering an ever-expanding array of useful, cutting-edge services and content that enhance everyday convenience and brighten daily life. As a result, the Yahoo! JAPAN portal site remains the undisputed leader in the PC-based Japanese Internet market still today.

The traditional Internet-access-via-PC paradigm is currently undergoing a mobile shift. In recent years, Internet access via handheld mobile devices, particularly smartphones and smart pads, has expanded sharply in Japan, supporting explosive growth in Internet user numbers and usage times. By strengthening our position in this burgeoning mobile-based market, we expect to secure a solid new source of sustainable growth moving forward.

Manabu Miyasaka

President and CEO
Yahoo Japan Corporation

Overview of Fiscal 2011

Fiscal 2011, the year ended March 31, 2012, marks the Yahoo Japan Group's 15th consecutive year of record-high sales and profits since the commencement of operations. Consolidated net sales increased 3.3% over the previous period's result, to ¥302.1 billion. Consolidated operating income, meanwhile, rose 3.4%, to ¥165.0 billion, and consolidated net income surged 9.1%, to ¥100.6 billion.

The macroeconomic environment in Japan during the period under review was generally challenging, reflecting uncertainty in the wake of the March 2011 Great East Japan Earthquake, the deepening European debt crisis, and the persistently strong yen. Despite earthquake-related weakness at the beginning of the period, fiscal 2011 net sales were up year on year primarily owing to strong contributions from advertising-related services, e-commerce businesses such as Yahoo! Shopping and game-related services, and information listing services.

Regarding expenses, sales promotion costs in fiscal 2011 increased owing to aggressive promotional activities undertaken primarily in search services and in Yahoo! Shopping. On the other hand, enhanced operational efficiency stemming from our fiscal 2008 acquisition of a data center resulted in a drop in communications charges, which more than offset the rise in sales promotion costs.

Overview of Core Businesses

Advertising-related revenues account for more than half 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 2011 decreased 2.3%, largely owing to the dampening effects of the Great East Japan Earthquake. This marked the fourth consecutive year-on-year decline, strongly suggesting a generally downward long-term trend in Japanese advertising expenditures. Internet-related advertising expenditures, on the other hand, were up 4.1% in 2011. Although less robust than the 9.6% year-on-year increase recorded the previous year, growth in Internet-related advertising expenditures in 2011 remained on an upward trend.

Against this backdrop, the Yahoo Japan Group's advertising-related revenues in fiscal 2011 grew around 5%, to approximately ¥165.7 billion.

Listing advertising sales, which account for around 70% of total advertising-related revenues, expanded steadily in fiscal 2011. Despite weakened demand for Internet information service-related advertising, particularly from joint purchase-type coupon sites, sales of Sponsored Search® paid search advertising, which generates the bulk of our listing advertising sales, increased owing primarily to solid growth in advertising placement demand from regional advertising agencies with strong ties to local communities. In November 2011, we successfully completed the transition of our paid search advertising distribution system from Yahoo! Inc. to Google Inc. In view of the magnitude of the task, including painstaking precautions taken to protect advertisers' copy and other sensitive data, we suspended marketing activities targeting new advertisers throughout the transition period. After the transition, which went smoothly and without critical incident, a brief "learning period" was required for system optimization vis-à-vis the Yahoo! JAPAN user and advertiser base. As a result, sales growth both during and immediately after the transition was muted. In fiscal 2012 and beyond, we expect rapidly increasing growth in sales of our paid search advertising service.

Sales of display advertising, which make up about 30% of total advertising revenues, were also up in fiscal 2011. Comprising mass-market branding tools such as banners used primarily by major corporations, display advertising tends to be relatively sensitive to macroeconomic trends. Reduced demand for display advertising from automotive-related sectors persisted throughout the year under review, reflecting the residual effects of the Great East Japan Earthquake. In addition, sales to the Internet information services sector, focusing mainly on joint purchase-type coupon sites and feature-phone game-related advertisers, were down during the period. On the other hand, demand for display advertising from cosmetics/toiletries-related, real estate-related, food product-related, and other companies was notably robust. As a result, display advertising sales recorded a year-on-year increase in fiscal 2011.

Advertising-related sales in the mobile phone market in fiscal 2011 mirrored mobile phone users' rapid shift away from conventional feature phones in favor of smartphones. Accordingly, feature-phone advertising sales contracted sharply while smartphone advertising sales surged strongly. The net effect was a substantial increase in our total mobile-based advertising-related sales compared with the previous fiscal year.

Smartphones offer Internet access capabilities and viewing convenience on a par with PCs. In addition to providing access to smartphone-optimized services and applications, smartphones incorporate a screen-enlargement function that enables

users to quickly locate desired information even when viewing Internet pages prepared for PCs. Boasting high compatibility with information search services, smartphones represent a highly effective means of monetizing paid search advertising, as demonstrated by the dramatic expansion of smartphone-based listing advertising revenues during the period under review. On the other hand, our efforts to effectively monetize display advertising content via smartphones, focusing on display frequencies and advertising specifications, remain largely at the exploratory stage. One exception is our Brand Panel advertising placed on the smartphone-optimized Yahoo! JAPAN top page, which has earned an excellent reputation among advertisers.

Overview of Other Businesses

Although many e-commerce businesses experienced earthquake-related sluggishness during the initial weeks of fiscal 2011, both Yahoo! Shopping and Yahoo! Auctions recorded year-on-year increases in transaction value. Meanwhile, paid content sales surged on the back of a strong performance from the games business. As a result, total revenues from e-commerce businesses registered year-on-year growth.

Revenues from information listing services were also up in fiscal 2011, owing primarily to stronger contributions from Yahoo! Rikunabi and Yahoo! Real Estate.

For further details, please refer to the Business Segment Review in this annual report.

Maximizing Shareholder Value

Firmly dedicated to driving the ongoing expansion of the Japanese Internet market, the Yahoo Japan Group aims to achieve further business growth in the medium to long term by responding effectively to the challenges and opportunities of an ever-changing business environment. While emphasizing the accumulation of the retained earnings necessary to strengthen our financial structure and fund future business development, we will continue to place a high priority on returning profits to shareholders.

For the fiscal year ended March 31, 2012, management maintained a payout ratio of 20% of consolidated net income. Accordingly, we paid an annual cash dividend of ¥347 per share for fiscal 2011, a 9.1% increase compared with the previous fiscal year's dividend of ¥318. In the years ahead, we will continue to retain a level of financial reserves considered essential to our ongoing expansion. While striving to further boost overall performance, we will maintain a flexible and balanced approach toward the return of profits to shareholders, guided by an overarching commitment to the maximization of shareholder value.

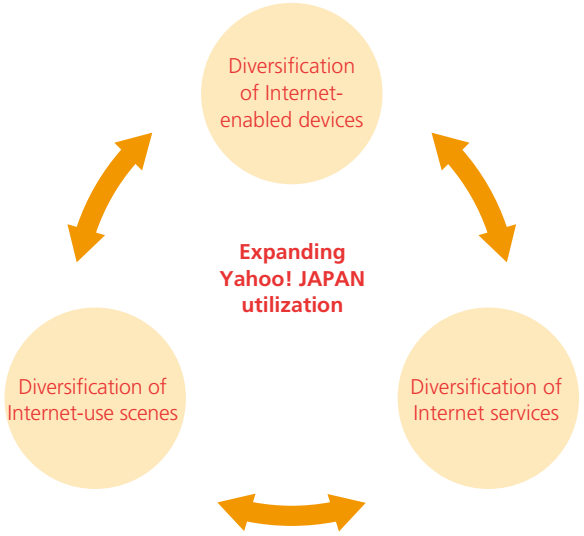
Toward a Second Foundation

At its online debut in April 1996, Yahoo! JAPAN consisted solely and entirely of a Japanese-language search engine function designed to assist Internet users in gathering and collating information. Today, Yahoo! JAPAN is the premier portal site in the Japanese Internet market, offering a comprehensive, ever-expanding range of Internet services. Building on Yahoo! JAPAN's search engine core, the Yahoo Japan Group has worked tirelessly to leverage cutting-edge information technologies with the goal of infusing Yahoo! JAPAN with a "solutions-providing engine" function capable of enriching and brightening the daily lives of users. Guided by our Users First philosophy, we have throughout our 16-year history consistently positioned Internet users' thoughts, needs, and expectations at the forefront and center of our service development and delivery activities. As a result, Yahoo! JAPAN remains unrivalled in its ability to attract PC-based Internet users. According to a Nielsen audience measurement of home and workplace Internet usage, excluding Internet application use, of the 57.26 million people in Japan accessing the Internet via PCs in March 2012, 84% viewed the Yahoo! JAPAN site.

Recent years have witnessed a dizzying proliferation of Internet-enabled mobile devices on the back of technological advances in high-speed, large-capacity wireless communication networks. Beginning with the iPhone's Japanese market debut in July 2008, the traditional, desk-bound PC-based Internet access paradigm has been joined by a more dynamic, free-spirited mobile-based Internet access paradigm, enabling Internet access by anyone, anytime, and anywhere. In line with the rapid proliferation both of smartphones, including iPhones and a range of Android-based terminals, and of iPads and other smart pads, the volume of interaction among far-flung Internet-use "scenes" is soaring and the demand for basic Internet services is expanding apace. With a growing number of mobile-based users accessing the Internet more frequently and for longer periods of time, today's mobile-based Internet market represents explosive growth potential.

Against this backdrop, the Yahoo Japan Group remains wholly committed to the task of optimizing a growing number of services and developing wide-ranging applications according to the specifications of each type of Internet-enabled device available in the

Expanding Yahoo! JAPAN Utilization in an Era of Internet-related Diversification

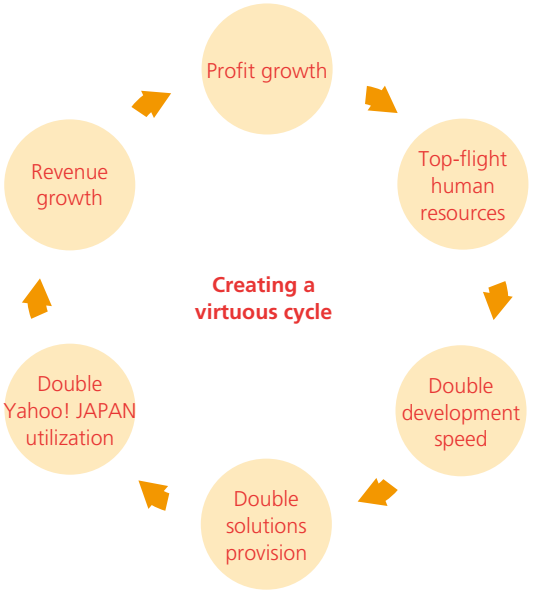


market. Every effort is being made to meet the diversifying needs of an increasingly broad range of users. To take full advantage of the rapid expansion in smartphone markets with the goal of ensuring continuing growth moving forward, we have initiated sweeping measures that, in retrospect, are certain to mark this undertaking as a major milestone in our corporate history. At the start of fiscal 2012, we began to overhaul and update our operating and executive systems. As part of this effort, we have rejuvenated our ten-member operating officer team with a substantial infusion of youth.

Our immediate priority is to reinvigorate revenue and profit growth. To this end, we have designated Smartphone First as the primary guiding principle for all of our operations and activities. While recognizing that no single approach to service development can guarantee success in a market that is both growing at a gravity-defying pace and in a constant state of transitory flux, we also realize that certain aspects of traditional service development such as thorough, time-consuming research and detailed preparation prior to new service introduction are ill-suited to the realities of the smartphone and other Internet-enabled device markets. Today, markets dictate speedy service introduction, maximum flexibility, and prompt service improvements that faithfully reflect user feedback, not to mention the timely creation of cutting-edge services that successfully address, or uncannily anticipate, emerging market trends. With this in mind, we have newly established the position of Chief Mobile Officer (CMO) as an integral component of our new operating officer structure. The CMO will spearhead our development of smartphone-optimized and -dedicated services. For details of our smartphone strategy, please refer to the Special Feature in this annual report.

In tandem with the overhaul of our top management structure, we are reconfiguring our internal organizational structures and service development systems with an eye to accelerating the pace of business execution. To focus our efforts on this aspect of corporate culture renewal, we have adopted Ultimate Speed as a conceptual guidepost. Our intention is to firmly entrench the Ultimate Speed concept not in the conference room but rather on the frontlines of day-to-day business execution. Ultimate Speed entails a cycle of situation assessment, decision-making, and execution, powered by an unwavering focus on speed. With Ultimate Speed in mind, we have consolidated our existing cross-sectional operating process into approximately 30 planning, development,

Solutions-providing Engine: Creating a Virtuous Cycle, from Top-flight Human Resources to Sustainable Revenue and Profit Growth



and maintenance units, with each unit newly granted a level of authority previously reserved for cross-sectional departments. Here, our goal is to significantly speed up the decision-making process and accelerate the introduction of new services to Internet users.

Reflecting our keen focus on human resources, and with the goal of unleashing the talent and passion of all our employees, we plan to conduct a comprehensive review of our personnel evaluation system with a view to better motivating employees in the conduct of their duties. With an eye to securing a future of sustainable growth, we are also placing considerable emphasis on recruiting activities. In addition to the hiring of new graduates, we intend to recruit seasoned professionals who are in the top 10% of their respective fields. With Focus x Fast x Fun as our cue, we will search out new employees capable not only of focusing on their specific fields of expertise but also of executing their duties with Ultimate Speed, enjoying themselves all the while.

Indeed, we believe that top-flight human resources are essential to putting in place a solutions-providing engine capable of supporting a virtuous cycle of sustainable revenue growth and increasing profitability. By reinvigorating revenue and profit growth, we will be better placed to return profits to shareholders and to retain our position as the No. 1 solutions-providing engine in the Japanese market. This will in turn enable us to further carry out our primary mission of providing useful, cutting-edge Internet services and content accessible by anyone, anytime, and anywhere. Moving forward, we are resolved to work diligently to secure sustainable corporate growth while retaining the trust and confidence of all stakeholders. In taking up the challenges of a second foundation, we humbly request your continued understanding and support.

Manabu Miyasaka
President and CEO
Yahoo Japan Corporation
June 21, 2012

Special Feature

Mobile Internet Access for Active Lives Today: Yahoo! JAPAN Leads the Way

An e-mail invitation
to dinner with
a friend: A good
start to a great day.

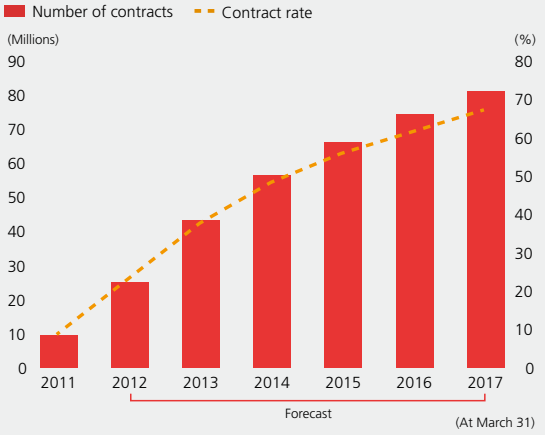
Internet-Use Paradigm Shift Points to Explosive Growth Opportunities

In the Yahoo Japan Group business model, growth derives ultimately from the Group's ability to entice an ever-expanding user base to access the Yahoo! JAPAN site with increasing frequency and for progressively longer periods of time. Steady expansion of PC-based Internet usage in Japan supported Yahoo! JAPAN's initial rise to market predominance and fueled consecutive years of phenomenal revenue and profit growth. In recent years, however, growth rates have slowed. Firmly resolved to reaccelerate growth, the Yahoo Japan Group is leveraging the recent and ongoing Internet-use paradigm shift toward mobile-based access, with a particular focus on exploiting growth opportunities arising from soaring smartphone proliferation. At the same time, in recognition of the growing trend for individual users to access the Internet via multiple devices each day, we have adopted a new index that more accurately measures Yahoo! JAPAN utilization rates—the daily unique browser (DUB) index. Using the DUB index, we aim to fully exploit the revenue and profit growth potential of Yahoo! JAPAN user traffic.

The Smartphone Surge

While the Internet traditionally has been accessed via cable-networked desktop PCs, recent years have seen a strong proliferation of mobile-based Internet access supported by technological advances in high-speed, large-capacity wireless communication networks. Surging smartphone popularity, in particular, is fueling explosive growth in Internet user numbers and concomitant increases in the frequency and duration of Internet usage, in addition to broad diversification with regard to user access terminals, services, and scenes. According to Japan's Ministry of Internal Affairs and Communications, mobile phone users in Japan numbered some 112 million as of March 31, 2012, a market penetration rate of 88%. Although mobile phone usage in Japan historically has centered on feature phones, recent years have seen a significant rise in the use of smartphones, contracts for which stood at more than 25 million as of March 31, 2012, accounting for around 22.5% of the total mobile phone user base. By the end of March 2017, smartphone users are projected to exceed 81 million, or more than 67% of the projected user base, according to MM Research Institute, Ltd.

Smartphone Contracts, and Contract Rate, in Japan (Forecast)

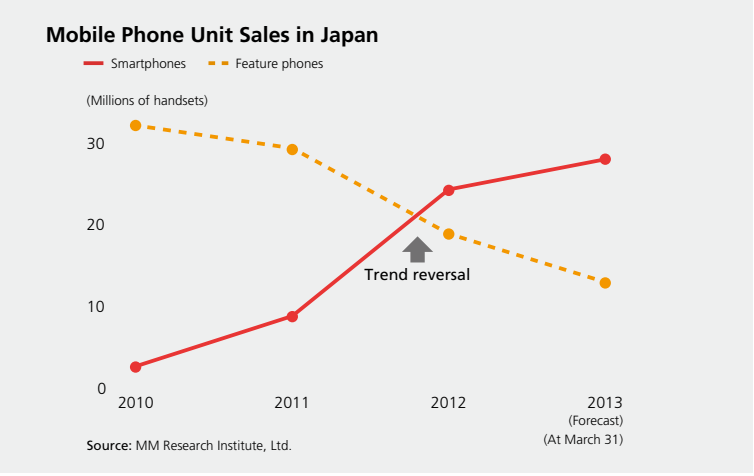


Source: *Estimation of Trend of Smartphone Market Size in Japan* (released on March 13, 2012), MM Research Institute, Ltd.

Prior to the smartphone surge, which dates to the iPhone's July 2008 Japanese market introduction, mobile-based Internet access was carried out primarily via feature phones. In addition to standard voice communications functionality, feature phones offer access to a few Internet services such as e-mail, games, and social networking services but are generally unsuitable for accessing more sophisticated services such as information search or commercial sites and personal home pages typically linked to PC applications. While portal sites offering services similar to those provided by the Yahoo Japan Group and optimized for feature phone use do exist, only a handful of the vast number of commercial and personal sites accessible via the PC-based Internet have been optimized for feature phone use. When accessed via feature phones, such sites deteriorate in quality to the point of becoming illegible. As a result, use of many services, in particular information search, via feature phones remains relatively low.

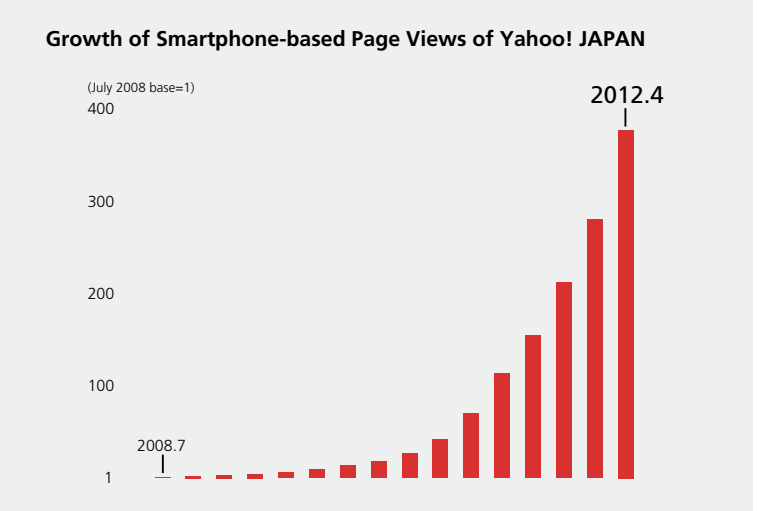
For smooth commutes to work, news delivery via smart pad.

Smartphones, by comparison, offer far superior Internet access capabilities and viewing convenience. In addition to providing access to smartphone-optimized services and applications, smartphones incorporate a screen-enlargement function that enables users to quickly locate desired information even when viewing pages prepared for PC use. As a result, the speed and quality of smartphone-based information search is essentially equal to that of PC-based search. Given the innate Internet compatibility and round-the-clock hand-held convenience of smartphones, the potential access opportunities are limitless. For example, smartphone users can perform a real-time search for a product newly discovered while watching television, or quickly ascertain the most direct route for getting from point A to point Z, or even do a real-time search for recipes incorporating the daily bargain items at the local supermarket. These and myriad other practical real-time functionalities are expected to drive smartphone-based Internet usage substantially higher as we move forward.



Focusing on Smartphone Services

In planning and developing new services for mobile devices, we are prioritizing services for which demand from smartphone users is likely to be highest. In addition, we are focusing on maximizing user convenience by carefully optimizing popular PC-based Yahoo! JAPAN services for smartphone use, while also providing applications for each service. As a result, smartphone-based access of Yahoo! JAPAN services has soared, with smartphone-based page views of Yahoo! JAPAN services in March 2012 some 160 times higher than in September 2008.



Mobile-based advertising sales in fiscal 2011 mirrored mobile phone users' rapid shift away from conventional feature phones in favor of smartphones, with feature-phone-based sales contracting sharply and smartphone-based sales surging strongly. The net result was a significant year-on-year gain in mobile-based advertising sales. For the final quarter of the period, mobile-based advertising sales accounted for around 10% of total advertising sales, compared with 7% in the corresponding period of the previous year.

Mobile-based e-commerce transaction value, meanwhile, is also growing robustly, as an expanding number of users break with the established trend of making online purchases via home-use desktop PC and instead are making online purchases via smartphone. Furthermore, online shoppers are increasingly

With a smartphone close at hand,
lunch break becomes
a shopping spree.

employing both mobile and PC terminals, browsing for and selecting items on PCs in the comfort of their homes and then actually placing orders on their mobile devices when out and about, and vice versa, as the case may be. Paralleling trends in mobile-based advertising sales, e-commerce transactions via feature phones declined while smartphone-based transactions rose sharply, resulting in strong net growth in mobile-based e-commerce transaction value in fiscal 2011. Mobile-based transactions continued to drive e-commerce growth, with the Yahoo Japan Group's mobile-based e-commerce transaction value accounting for approximately 25% of the total in fiscal 2011, up from around 20% in the previous fiscal year.

DUB: A New Growth Index

Leveraging the current shift in the Internet-use environment as a positive opportunity for growth, we recognize the importance of basing our management decisions on an accurate performance indicator. At the same time, it is crucial that our business model effectively derive revenue and profit from Yahoo! JAPAN user-traffic and service usage. To date, Yahoo! JAPAN's service usage frequency has been measured with the page view (PV) index, defined as the aggregate total number of times Yahoo! JAPAN has been accessed. Taking into consideration that the PV index is also a measure of display advertising inventory, as well as the fact that the level of display advertising income as a ratio of total earnings was 90% in 2000, the PV index was at that time considered a direct indicator of future revenue growth. Owing to subsequent developments in Internet technology and ongoing diversification of Internet services, the PV index is no longer an accurate indicator of the earnings potential of traffic trends. For example, usage of Yahoo! JAPAN's video-imaging service, which oftentimes entails hours of actual viewing, is recorded as just a single PV. Moreover, while the display of a timeline is now a common feature of SNSs, twitter, and other real-time information services, use of such services is typically recorded as just one PV, reflecting limited page transition. In these examples and many others, the PV index fails to accurately measure the earnings potential of traffic trends.

Bearing in mind the preceding, management has decided to supplement its use of the PV index with the DUB index, which measures the cumulative total number of browsers accessing Yahoo! JAPAN during a 24-hour period, adjusted for intraweek daily variations*. As the number of users accessing Yahoo! JAPAN via multiple terminals increases, DUB will similarly increase. By increasing users' Yahoo! JAPAN usage frequency from several times a month to every single day, DUB will climb even further. Currently, around 60% of total Yahoo Japan Group revenues, including listing advertising and e-commerce-related revenues, are derived directly from Yahoo! JAPAN utilization rates. In March 2012, Yahoo! JAPAN's monthly unique browser (MUB) index stood at about 289 million, compared with a DUB index of approximately 54 million, implying relatively low rates both of daily access and of multiple-device access. Moving forward, we have set the goal of ensuring that all users access Yahoo! JAPAN on a daily basis via multiple devices. Otherwise put, we are targeting parity between MUB and DUB. As we move closer to achieving this objective, revenue and profit will expand as a matter of course.

*Yahoo! JAPAN access via smartphone application is recorded separately from access via smartphone browser, resulting in a higher DUB index.

Increasing Yahoo! JAPAN's DUB Index: Prioritizing Smartphones

Aiming both to increase Yahoo! JAPAN's DUB index and to reinvigorate revenue and profit growth, management is prioritizing the optimization and expansion of Yahoo! JAPAN services for mobile devices, with a particular emphasis on smartphones, as well as promoting service usage at any time and in any place. Accordingly, we have adopted Smartphone First as the guiding principle for all of our operations and activities. Previously, management resources were allotted equally to the smartphone and PC areas. Now, however, management recognizes the need to prioritize smartphone-related services even at the expense of PC-related services. Only in this way can the Yahoo Japan Group hope to secure a position in the mobile-based Internet market that approximates its current dominant position in the PC-based market.

In line with our focus on bolstering smartphone-related operations, we have newly established the position of Chief Mobile Officer (CMO) within our

A quick
transit-route search
ensures a punctual arrival at an afternoon appointment.

new operating officer structure. The CMO has been charged with the immediate and primary task of establishing a mobile-based workplace environment. This bold initiative implicitly acknowledges that the Company's current workplace configuration, with planning and design staff working from desktop PCs, is not especially conducive to the creation of mobile-based services. At the same time, it assumes that by actually using mobile terminals during the trial-and-error process of developing mobile-based services we will be better positioned to more precisely ascertain what information is required, how that information should be displayed, and what type of interface will be most suitable for smartphone users. As we shift toward a mobile-based workplace, with greater freedom to perform some work activities outside the office, we expect that our capacity to create intelligent, market-making smartphone services will increase exponentially.

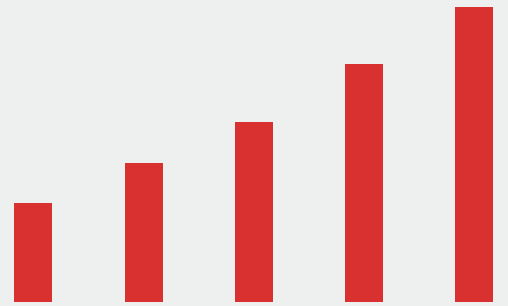
The creation of high-quality smartphone-optimized versions and applications for the more than 100 existing PC-based Yahoo! JAPAN services implies a massive investment of management resources. Rather than adopt a broad, catch-all approach that spreads resources thinly across all services, we intend to select and focus on about 20 of the most frequently used PC-based Yahoo! JAPAN services. Then, we will set to the task of developing smartphone-based services and applications of the highest quality possible, bearing in mind that each user's search objectives tend to differ according to the type of terminal used to perform the search. For example, when searching for restaurant information via PC while at home, a user might extend the search over a wide geographic area and take the time to obtain detailed information. When searching for restaurant information via smartphone while out on the town with a group of hungry friends, on the other hand, a user is more likely to limit the search to restaurants located within a 300-meter radius and open at that particular time. With regard to developing convenient interfaces optimally suited to the use requirements of specific types of terminals, we expect to gain practical benefits from our new mobile-based workplace environment.

In establishing a business strategy capable of securing for the Yahoo Japan Group an overwhelming competitive advantage over rival companies going forward, we fully recognize that it is not enough simply to optimize existing PC-based services for smartphone access. In addition to optimization, we intend also to develop and provide new services expressly for smartphone users that take advantage of the smartphone's characteristic features. Leveraging smartphones' voice communications functionality and high Internet compatibility, we already provide services incorporating voice-recognition technology, including Voice Search for the iPhone series and Voice Assist for Android terminals. In addition, we offer the Yahoo! Headline application, which lists popular content such as Yahoo! News, Yahoo! Topics, and Yahoo! Knowledge Search in areas where reception is poor. The CMO is also charged with spearheading the Yahoo Japan Group's efforts to develop and provide services uniquely for smartphone users.

Increasing Yahoo! JAPAN's DUB Index: Incorporating Social Media Functionality

As a second component in our management initiative aimed at increasing Yahoo! JAPAN's DUB index, we aim to incorporate social media functionality into more and more Yahoo! JAPAN services. Yahoo! JAPAN offers a wide range of services, some of which tend to be used on a daily basis and others only occasionally on an ad

Growth of Yahoo! JAPAN's Smartphone-based DUB Index, Quarterly Average



After dinner,
it's time to search
for that new must-have accessory
spotted on TV.

hoc basis. For example, such services as Yahoo! Real Estate, Yahoo! Employment, and Yahoo! Travel are generally used on an ad hoc basis, whereas such services as Yahoo! Mail, Yahoo! News, and Yahoo! Blogs tend to be accessed by many users each and every day. Yahoo! JAPAN's daily-use services, which incorporate social media functions that facilitate information exchange and interaction among friends and acquaintances, show a general trend toward increased usage frequency.

Although our SNS foray failed to captivate users' interest and regrettably fell well below our expectations, this in no way reflects a lack of interest on our part in incorporating user-oriented social media functions in Yahoo! JAPAN services. In this field, we supplement traditional head content generated by official content providers with a wide variety of user-generated tail content. This enables us to secure a volume of quality information. Two of our more popular social media services based largely on user-generated tail content are Yahoo! Blogs and Yahoo! Knowledge Search, a knowledge-sharing service. At the same time, we offer traditional head content services, including Yahoo! News, Yahoo! Gourmet, and Yahoo! Movies, incorporating functions enabling our huge user base to easily append tail content as desired, resulting in a seamless fusion of head and tail content.

As part of our ongoing incorporation of user-oriented social media functions, we have begun to actively pursue alliances with external SNS sites. For a start, we teamed up with Twitter in June 2011 to jointly launch a keyword-based real-time search service of comments posted on Twitter. With this service, users enjoy almost instantaneous access to the most up-to-date opinions and views on information and events related to specific search keywords.

In addition, certain keywords that are exhibiting a sudden surge can be extracted in a matter of minutes. For example, an incident in a remote location can be instantly picked up and related information accessed forthwith.

By putting in place a mechanism where this information can be streamed to the Yahoo! JAPAN top page as well as to search and news services, we are taking steps to promote real-time user-oriented social media services. Moving forward, we plan to extend these service functions to smartphone users.

Looking further ahead, we intend to form additional alliances with other promising SNS sites with the eventual goal of providing a search function on Yahoo! JAPAN capable of searching comments posted on various SNS sites.

In areas other than the real-time search function field, we have created application programming interface (API) links with such sites as Facebook, mixi, Hatena, and Twitter to more than 30 Yahoo! JAPAN services, including Yahoo! News, Gyao!, Yahoo! Auctions, and Yahoo! Shopping. By clicking on the "share" button linked to each SNS site located on a Yahoo! JAPAN news article or product information page, users can share network information with friends and family members. Recipients of the information can then follow the path of transmission to the Yahoo! JAPAN site. Benefits deriving from these links include higher Yahoo! JAPAN access frequency and increased interactions, which in turn have the potential to further boost access to Yahoo! JAPAN and SNS sites. By collaborating with external SNSs, the Yahoo Japan Group is not only promoting the shift to user-oriented social media services but also preparing the ground for future services enabling Yahoo! JAPAN users to further expand their interactions across the Internet.

Against a backdrop of significant shifts in the Internet-use environment, the Yahoo Japan Group is dedicated to swiftly optimizing existing and developing new services for smartphones and other user terminals. By continuing to promote user-oriented social media services, we aim to boost usage frequency of Yahoo! JAPAN with the ultimate goal of substantially increasing Yahoo! JAPAN's DUB index. As a result of these and other measures, we fully expect to reignite accelerated growth in revenues and earnings.

Business Segment Review

Share of Net Sales, by Business Segment
(For the year ended March 31, 2012)

Media Business 36%

The Media Business segment primarily handles advertising-related services for major corporations making placements via advertising agencies. Main sources of revenue include sales of listing advertising placed via advertising agencies and sales of display advertising.

Business-services Business 28%

The Business-services Business segment chiefly focuses on services for small and medium-sized companies. Main sources of revenue include sales of listing advertising placed via online orders or regional advertising agencies, data center business services fees, and sales of information listing services.

Consumer Business 36%

The Consumer Business segment mainly provides services for individual Internet users. Main sources of revenue include e-commerce related services fees, Yahoo! Premium and other membership services fees, Yahoo! BB ISP fees, and sales of paid content.

As part of a major structural reorganization undertaken in April 2009, the Yahoo Japan Group realigned its three core business groups with the service requirements of three main customer groups: (1) the Media Business group, which primarily handles advertising-related services for major corporations making placements via advertising agencies; (2) the Business-services Business group, which focuses on services mainly for small and medium-sized companies; and (3) the Consumer Business group, which provides services for individual Internet users. Adopting a new management approach based on these three core business groups beginning from fiscal 2010, the Yahoo Japan Group renamed its three reporting segments as the Media Business segment, the Business-services Business segment, and the Consumer Business segment.

Business Segment Highlights
(For the year ended March 31, 2012)

(Millions of yen)

Segment	Net Sales	Cost of Sales	SG&A Expenses	Operating Income	Operating Margin	Net Sales Breakdown, by Revenue Source		
Media Business	¥110,292	¥10,331	¥39,456	¥60,505	54.9%	Advertising	¥107,442	Listing advertising (via advertising agencies) / Display advertising (banner, text, e-mail, and video clip)
						Others	2,850	Miscellaneous services
Business-services Business	83,436	15,821	25,240	42,375	50.8%	Advertising	54,581	Listing advertising (via online order or regional advertising agencies)
						Corporate Services	18,049	Data center business services fees / Yahoo! WebHosting / Yahoo! Business Express
						Information Listing Services	10,806	Yahoo! Real Estate and Yahoo! Rikunabi
Consumer Business	107,963	1,879	37,689	68,395	63.4%	e-Commerce Related	62,151	Yahoo! Auctions and Yahoo! Shopping tenant and system-use fees / Paid content fees / Settlement services fees
						Membership Services	37,364	Yahoo! Premium membership fees / Yahoo! BB ISP fees / Yahoo! Partners and other membership services fees
						Advertising	3,645	Display advertising
						Others	4,803	Yahoo! BB incentive fees

Media Business

The Media Business segment primarily handles advertising-related services for major corporations making placements via advertising agencies. Main sources of revenue include sales of listing advertising placed via advertising agencies and sales of display advertising.

Share of Net Sales 36%

Share of Operating Income 35%

The Media Business segment maintains Yahoo! JAPAN sites with an eye to appealing both to users and to advertisers. To this end, the segment collaborates with advertisers, information providers, and advertising agencies in planning, developing, and selling advertising services and products.

Media Business segment net sales for fiscal 2011 edged up 0.1%, to ¥110.3 billion, and operating income increased 2.4%, to ¥60.5 billion.

Approximately 97% of Media Business segment revenues for the period were derived from sales of listing advertising placed by major corporations via advertising agencies and from sales of display advertising. Conditions in the Japanese advertising industry remained sluggish during the period under review, reflecting uncertainty in the wake of the Great East Japan Earthquake, the deepening European debt crisis, and the persistently strong yen. According to industry data compiled by DENTSU INC., total expenditures in the Japanese advertising market in calendar 2011 contracted 2.3%, to ¥5,709.6 billion, largely owing to the March 2011 earthquake's dampening effects on corporate-sector advertising expenditure in the first half. While advertising expenditures fell across the board in the four traditional media markets of television, newspapers, magazines, and radio, Internet-related advertising expenditures, including production costs, rose 4.1% year on year, to ¥806.2 billion, consolidating the Internet's No. 2 media market position behind television.

Against this backdrop, the Media Business segment steadily focused on enhancing the advertising value of Yahoo! JAPAN's various service sites by improving the quality of existing advertising products as well as by developing and marketing new products. At the same time, promotional activities were carried out in conjunction with advertising agencies with the aim of convincing a growing number of companies to place advertisements on Yahoo! JAPAN sites. Despite the dampening effects of the Great East Japan Earthquake at the start of the period, aggressive sales and marketing activities resulted in year-on-year growth in both listing and display advertising sales.

Revenues from listing advertising, including Sponsored Search® paid search advertising and Interest Match® interest-based advertising placed by major corporations via advertising agencies, are recorded in the Media Business segment. Lower demand for paid search advertising placements from certain Internet information service-related advertisers, particularly joint purchase-type coupon sites, was more than offset by growth in placement demand from companies in the fashion/accessories-related, recruitment-related, and mail order-related sectors. As a result, listing advertising sales via advertising agencies in fiscal 2011 were up slightly.

In November 2011, we successfully completed the transition of our paid search advertising distribution system from Yahoo! Inc. to Google Inc. In view of the significant time and effort required to protect advertisers' copy and other sensitive data, throughout the transition period we suspended marketing activities targeting new advertisers. Upon completing the transition, we briefly focused on system optimization vis-à-vis the Yahoo! JAPAN user and advertiser base. As a result, paid search advertising sales growth both during and immediately after the transition was muted. From fiscal 2012, therefore, we expect a strong acceleration in paid search advertising sales growth.

Demand for display advertising from automotive-related sectors foundered owing to residual effects of the Great East Japan Earthquake. Moreover, Internet information service-related demand, particularly from joint purchase-type coupon sites and feature-phone game-related advertisers, also declined.

More positively, demand for display advertising from cosmetics/toiletries-related, real estate-related, and food product-related companies was notably robust. As a result, fiscal 2011 display advertising sales recorded a year-on-year increase.

Among display advertising products, Brand Panel performed admirably. Placed on Yahoo! JAPAN's top page, Brand Panel has enjoyed high rates of growth since its introduction in January 2008 and is now a strong contributor to sales. In particular, Brand Panel Triple Size, boasting high visual impact and priced accordingly, achieved significant sales gains. Although the constraining effects of the March 2011 earthquake persisted into the beginning of the period under review, demand for Brand Panel products resurged as the year progressed, resulting in record-high Brand Panel sales in fiscal 2011.

Targeting advertising, which is distributed only to users whose profiles match specific criteria designated by individual advertisers, continues to elicit increasingly positive efficacy appraisals. Sales growth in fiscal 2011 remained strong for most targeting advertising products, including (1) behavioral targeting advertising, our most popular targeting product; (2) demographic targeting advertising, which leverages Yahoo! JAPAN's broad user base; (3) area targeting advertising, which is distributed only to users living in advertiser-designated regions; and (4) time-specific targeting advertising, which is distributed only at advertiser-designated times of the day. We expect advertisers to increasingly focus on advertising efficacy in coming years, pointing to further expansion of targeting advertising sales.

In the area of video-streaming services, our GyaO! operations achieved year-on-year revenue gains owing mainly to growth in advertising tie-up arrangements. Moving forward, we will continue to actively promote these and other initiatives with the goal of broadening revenue-generating opportunities.

Advertising-related sales in the mobile phone market in fiscal 2011 mirrored mobile phone users' rapid shift away from conventional feature phones in favor of smartphones. Accordingly, feature-phone-based advertising sales contracted while smartphone-based advertising sales surged, with the net effect of these countervailing trends being a sizable increase in total mobile-based advertising-related sales in fiscal 2011. In the fourth quarter of fiscal 2011, mobile-based advertising-related revenues accounted for 10% of the Yahoo Japan Group's total advertising-related revenues, up from 7% in the corresponding period of the previous fiscal year.

Paralleling our PC-based operations, we distribute listing and display advertising products on the smartphone platform. Superior to feature phones with regard to Internet access and viewing capabilities, smartphones enable easy access to information search services and are therefore a highly effective means of monetizing paid search advertising, as demonstrated by the dramatic expansion of smartphone-based listing advertising revenues in fiscal 2011. As for display advertising, sales of Brand Panel advertising for placement on the smartphone-based Yahoo! JAPAN top page commenced only recently, in the third quarter of fiscal 2011, and we therefore are still in the process of convincing potential advertisers of this product's effectiveness. As a result, smartphone-based display advertising sales

Yahoo Japan Group Advertising Services

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

remain relatively insignificant. Moving forward, we intend to full-fledgedly focus our energies on promoting smartphone-based display advertising products to advertisers.

Bearing in mind the current rapid pace of smartphone proliferation, we expect the overall mobile phone market to eventually rival the combined PC and tablet markets in terms both of scale and of revenue-generating potential.

Strategies Going Forward

Despite the temporary dip in advertising placements following the March 2011 Great East Japan Earthquake, overall conditions in the Japanese Internet advertising market appear to be trending positively. Advertising revenue from such sectors as cosmetics/toiletries and food products, for example, is showing substantial year-on-year growth, reflecting increasing market recognition of the Internet as a highly effective advertising media for branding purposes. Meanwhile, listing advertising products are increasingly used as sales promotion tools by an expanding range of businesses. Moving forward, the Media Business segment will focus keenly on boosting placements by major corporate advertisers, developing new products attuned to advertisers' needs, strengthening collaborative ties with advertising agencies, and expanding the Yahoo Japan Group's network of partner sites to pursue various strategic initiatives designed to maximize earnings opportunities.

Business-services Business

The Business-services Business segment chiefly focuses on services for small and medium-sized companies. Main sources of revenue include sales of listing advertising placed via online orders or regional advertising agencies, data center business services fees, and sales of information listing services.

Share of Net Sales 28%

Share of Operating Income 25%

The Business-services Business segment aims to enhance and enrich user lifestyles by providing a wealth of community- and region-specific information. This segment provides various business support services that enable companies to distribute information, expand and enhance services, and leverage the Internet's robust advertising power.

Business-services Business segment net sales for fiscal 2011 were up 8.7%, to ¥83.4 billion, and operating income climbed 9.9%, to ¥42.4 billion.

Online sales of listing advertising, mainly to small and medium-sized companies and sole proprietorships placing advertisements via regional advertising agencies with strong ties to local communities or via online self-placement, generated approximately 65% of the Business-services Business segment's total revenues in fiscal 2011. One of the benefits of listing advertising is that placement costs can be accounted for as sales promotion expenses instead of advertising costs. (Of a given number of users who click on an advertisement, one can expect a certain number of sales conversions, defined as either a price-quote request or a direct order placement.) In contrast to display advertising, which is generally used for branding purposes, listing advertising requires only a minimal upfront investment,

making it highly compatible with the business models of small and medium-sized companies. Since the Yahoo Japan Group's introduction of listing advertising services in fiscal 2002, both revenues and the number of advertisers have increased steadily. Efforts during the period to further bolster sales through regional advertising agencies with strong ties to local communities contributed to higher placements mainly from small and medium-sized companies. In addition, smartphone-based paid search advertising sales expanded solidly, reflecting a sharp year-on-year increase in smartphone use. As a result, sales of both paid search and interest-based advertising were up in fiscal 2011.

Revenues generated by the data center business, operated jointly with subsidiary IDC Frontier Inc., are posted as corporate services revenues. During the year under review, IDC Frontier's cloud computing services enjoyed high demand from social application providers, leading to a year-on-year increase in cloud computing service revenues, which in turn contributed to an improvement in overall data center business revenues in fiscal 2011. In an effort to meet surging demand in the wake of the Great East Japan Earthquake, IDC Frontier continued to expand capacity at its Asian Frontier data center complex in Kita-Kyushu City, Fukuoka Prefecture, commencing operations at Building No. 3 in September 2011 and at Building No. 4 in April 2012. In March 2012, construction began on Building No. 5. Moreover, plans for a new data center in Fukushima Prefecture were set into motion with the March 2012 start of construction on a building slated to house the new center's administrative facility. Looking ahead, by further upgrading and expanding our nationwide data center network we expect to strengthen our provision of high-value-added services with the goal of building the data center business into a pillar of stable earnings growth over the medium to long term.

Revenues from information listing services increased substantially on the back of strong contributions from employment information service Yahoo! Rikunabi and Yahoo! Real Estate. This result confirms strong improvements in corporate sentiment toward new hiring and in real estate purchases, which appear to have bottomed out in fiscal 2009, in the wake of the financial crisis of autumn 2008 and subsequent global recession.

In June 2011, the Yahoo Japan Group launched Yahoo! Local, the Japanese Internet's largest and most comprehensive geo-location information service. By consolidating a wide variety of local information ranging from privately owned shops, restaurants, and other businesses to public-sector services and facilities, and appending supplementary geo-based information services including detailed access maps and transit service routes and schedules, and then adding on coupon-related information services, our Yahoo! Local initiative greatly enhances user convenience. As we further broaden Yahoo! Local's community-based information offerings moving forward, we expect revenues to expand accordingly. During fiscal 2011, the "keep" button on the Yahoo! Local site, which when clicked enables users to bookmark and register to receive supplementary information from specific Web pages such as restaurants or shops, was clicked a cumulative total of more than two million times. In related moves, we formed business alliances with JCB Co., Ltd., and Credit Saison Co., Ltd., in October 2011 and November 2011, respectively. In addition to actively soliciting new site registrations on Yahoo! Local, we are promoting online-to-offline activities with the goal of increasing usage of Yahoo! Local. Looking ahead, we intend to pursue new business alliances with external partners while carrying out campaigns aimed at further stimulating use of Yahoo! Local.

Strategies Going Forward

The Yahoo Japan Group will continue to pursue activities and offer services aimed at helping businesses of all sizes and types to

Asian Frontier, a commercial-use data center complex located in Kita-Kyushu City, is the first such facility in Japan to employ an external-air air-conditioning system for cooling down servers.

effectively utilize the Internet by exploiting its many revenue-generating opportunities. To encourage a growing number of small and medium-sized businesses to use our listing advertising services, we will continue to hold seminars and conferences in locations throughout Japan as well as aggressively expand sales and marketing activities via regional advertising agencies with strong ties to local communities and businesses. At the same time, we will redouble our efforts to continuously improve the matching accuracy of advertising content distributed to individual users, thereby further enhancing advertising efficacy. In our data center business, we will focus on maintaining and promoting the stability of our data storage facilities as we work to expand revenues from highly profitable cloud computing services. In our information listing services business, after carefully considering recent and ongoing changes in both the Japanese Internet and employment markets we have decided to terminate our Yahoo! Rikunabi alliance with Recruit Co., Ltd., effective December 31, 2012. Having provided the Yahoo! Rikunabi employment information service in cooperation with Recruit since April 2004, we believe at this juncture both Recruit and the Yahoo Japan Group will benefit by adopting new proprietary business models and independently pursuing business development. Dedicated to independently providing optimal employment information services from 2013, we are presently studying possible employment information related business models. In our Yahoo! Real Estate and Yahoo! Local services, we intend to further upgrade and expand information content while undertaking activities aimed at promoting increased usage.

Consumer Business

The Consumer Business segment mainly provides services for individual Internet users. Main sources of revenue include e-commerce related services fees, Yahoo! Premium and other membership services fees, Yahoo! BB ISP fees, and sales of paid content.

Share of Net Sales 36%

Share of Operating Income 40%

The Consumer Business segment engages in the distribution and promotion of e-commerce related services including Yahoo! Auctions, Yahoo! Shopping, paid content services, and settlement services, as well as membership services including Yahoo! Premium.

Consumer Business segment net sales for fiscal 2011 increased 2.9%, to ¥108.0 billion, and operating income edged up 0.3%, to ¥68.4 billion.

e-Commerce related revenues, comprising the revenues of Yahoo! Auctions, Yahoo! Shopping, and paid content and other services, accounted for approximately 58% of total revenues in the Consumer Business segment in fiscal 2011. The combined transaction value of Yahoo! Auctions and Yahoo! Shopping was approximately ¥1 trillion.

After declining 5% in fiscal 2009 and a further 3% in fiscal 2010 on weak consumer sentiment and declining average closing-bid prices, Yahoo! Auctions transaction value registered a hesitant recovery in the period under review, up 2.7% year on year, with the automobile and motorcycle categories showing particularly strong improvement.

Yahoo! Shopping transaction value reached a record high in fiscal 2011, buoyed by robust year-on-year growth in smartphone-based transaction value resulting largely from

aggressive sales promotions and bonus-point campaigns exclusively targeting smartphone users.

In our Yahoo! Premium membership service, we continued to focus on attracting new members. As of March 31, 2012, the number of Yahoo! Premium member IDs stood at 7.84 million, approximately 150,000 higher than the figure one year earlier, thanks largely to a new-member incentive campaign including two free months of membership as well as various other promotional measures. Revenues from Yahoo! Premium membership fees showed concomitant growth.

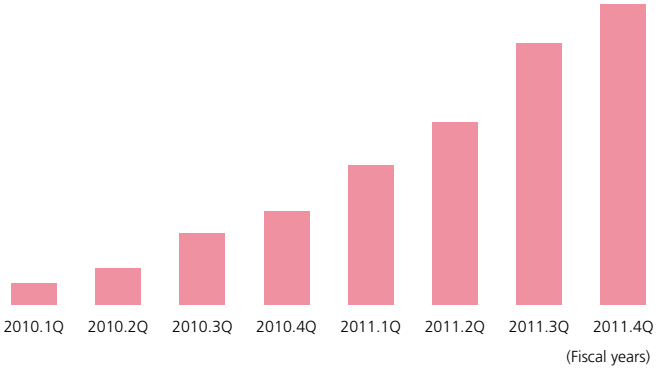
In paid content services, we followed up the August 2010 launch of Sengoku IXA in partnership with SQUARE ENIX CO., LTD., with the December 2011 release of MONSTER x DRAGON. Both of these PC-based browser games are attracting a steadily growing number of users. Meanwhile, Yahoo! Mobage, released in October 2010 in collaboration with DeNA Co., Ltd., now boasts some seven million users and more than 220 game titles. By further upgrading and expanding paid content services while carrying out various campaigns and promotions, we intend to enhance user satisfaction and achieve steady growth in user numbers.

Strategies Going Forward

e-Commerce transactions accounted for an estimated 2.5% of Japan's total consumption in calendar 2010. Expecting the e-commerce market to expand in future years in line with growing smartphone proliferation, we will continue to revamp the Yahoo! Auctions and Yahoo! Shopping sites with an eye to enhancing user-friendliness and encouraging greater usage. Regarding our business alliance with ASKUL Corporation, announced in April 2012, ASKUL expects to expand its BtoC business by incorporating the Yahoo Japan Group's settlement services and gaining access to Yahoo! JAPAN's user base, while we expect to benefit from ASKUL's broad product appeal and customer-service acumen. Moreover, drawing on ASKUL's logistics network and delivery expertise we expect to improve the quality of Yahoo! Shopping's logistics services. By combining ASKUL's strengths and capabilities with those of the Yahoo Japan Group, we are committed to creating an e-commerce site that stands apart from all others in terms of price, quality, and delivery, which will in turn provide additional impetus for e-commerce transaction value growth moving forward.

In our Yahoo! Premium activities we will continue to focus on stimulating greater usage of the Yahoo! Auctions service. At the same time, to maximize membership value we will offer additional privileges and benefits in areas other than auction-related services. To increase revenues from paid content services, we will work diligently to upgrade and expand our online social game and e-book offerings while introducing new value-added services.

Growth Trend of Yahoo! JAPAN's Smartphone-based e-Commerce Transaction Value



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

Promoting the Creation of a Safe Environment

- Our Yahoo! Kids site provides a safe Internet environment specifically for children, accessible through PCs, smartphones and other mobile phones, and iPhone applications. 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 smartphone and iPad applications.
- We have been a member of the Internet Hotline Center's Guideline Formulation Committee since the establishment of the Center, the operation of which is entrusted by governmental agencies and Internet industry groups to the Internet Association Japan.

Enhancing Understanding of the Internet

- At the request of numerous elementary, junior, and senior high schools throughout Japan, we have since 2007 accommodated educational tours of the Company's office in Tokyo. Conversely, we 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.

Enhancing Customer Satisfaction

- Dedicated to detecting fraud and other abuses, we conduct round-the-clock patrols of such sites as Yahoo! Auctions, Yahoo! Message Boards, and Yahoo! Knowledge Search.
- In July 2008, Yahoo Japan Customer Relations Corporation began operations with the goal of improving our customer support services. To this end, some 130 employees of Yahoo Japan Customer Relations Corporation monitor sites and respond to user inquiries regarding all Yahoo! JAPAN services on a round-the-clock 365-days-a-year basis. By continuously providing high-quality support, every effort is made to enhance customer satisfaction.
- We remain focused on 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 by

accessing a disaster information display function provided on each Yahoo! JAPAN service and accessible by most Internet-enabled devices, including smartphones.

- Our research departments periodically conduct user satisfaction surveys. Survey results data, published on the Company's intranet, form the basis of our ongoing service improvements.
- In response to the market's rapidly expanding usage of Internet-based advertising, we have established high screening standards for advertising-related content and presentation. 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 management and monitoring systems, we make every effort to provide users of Yahoo! Auctions with information and suggestions on how to guard against fraud and other impropriety.
- We maintain a compensation system for innocent victims of 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 forward, 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.
- Beginning from 2005, we have disclosed specifications of Yahoo! JAPAN's various technology platforms to external Internet-related engineers to encourage widespread development of services and software utilizing Yahoo! JAPAN's database.

Educational Activities

- We support the Pink Ribbon campaign, which promotes the early detection, diagnosis, and treatment of breast cancer. We also support the Red Ribbon campaign, which disseminates accurate information about HIV transmission and AIDS, with an emphasis on preventing the spread of HIV.

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 Niigata Chuetsu earthquake, the Noto Peninsula earthquake, and a major flood in Kumamoto Prefecture. Since June 2007, users have been able to encash accumulated Yahoo! Points to make Internet charity contributions. As of March 31, 2012, Yahoo! JAPAN's cumulative Internet charity contributions exceeded ¥1,759 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 nonprofit organizations (NPOs)

and other groups offering Internet consulting services or instructional courses in Internet usage safety for children or elderly persons. We also provided emergency relief funds for victims of the March 2011 Great East Japan Earthquake, the torrential rains in Niigata and Fukushima prefectures in July 2011, and the tornado in Ibaraki Prefecture in May 2012.

- 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 describe their activities and recruit volunteers.
- Charity auctions hosted by Yahoo! Auctions raised nearly ¥505 million in fiscal 2011.
- 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 sponsor and implement support activities for the Japan Olympic Committee, the Japan Paralympic Committee, and the Special Olympics Nippon Foundation.

Environmental Activities

- As part of our efforts to enhance awareness of the necessity for energy conservation in Japan both now and in the future, we began posting an Electricity Consumption meter in March 2011, and in April 2011 we introduced an Electricity Consumption Forecast (beta version) meter. Both meters are accessible via the Yahoo! JAPAN top page.
- 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. This system produced an amount of recycled paper equivalent to 641 trees in fiscal 2011 and contributed to a reduction in greenhouse gas emissions of approximately 60.7 metric tons in calendar 2011.
- Working to achieve paperless business operations at our offices, we perform administrative tasks online and use screen projectors during meeting presentations. In line with our in-house green procurement standards, we purchase and use environment-friendly products to the extent possible.
- At Yahoo Japan Group company IDC Frontier, Buildings No. 1 to No. 4 of Asian Frontier, an environment-friendly next-generation data center complex located in Kita-Kyushu City, Fukuoka Prefecture, were operational as of May 2012. Meanwhile, construction of Building No. 5 has already begun. Leveraging the expertise accumulated during the construction and operation of Asian Frontier, we will promote the use of external-air air-conditioning systems, which are now operable in Asian Frontier buildings on around 90% of the days throughout the year, thereby substantially reducing 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. Graphs of financial data and live broadcasts of information meetings are also made available on our site.
- Through the annual general meeting of shareholders and periodic notifications, we aim to provide individual shareholders with a deeper understanding of the Company. For institutional investors, we conduct quarterly live-broadcast information meetings providing detailed explanations of our financial performance and business operations. In addition, 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 of 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

- Respecting the diverse abilities and personalities of individual employees, we use an objective, results-based personnel evaluation system that prioritizes self-motivation and the

achievement of targeted goals.

- On a quarterly basis, we recognize employees who have made outstanding contributions to, for example, enhancing user satisfaction by awarding them with a "Yahoo! JAPAN Super Star" citation.
- As a fair employer, we make hiring decisions based on applicants' abilities and motivations regardless of physical disability. Certified personnel in our Human Resources Office are charged with recruiting disabled persons and providing them with special work-life advisory services.
- 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 checks 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 February 29, 2012, 1,336 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.

Together with Partners

- During the period under review, we inaugurated a toll-free telephone support service to handle questions and concerns from advertisers using our Yahoo! Listing Advertising service. Through this initiative, we offer wide-ranging support and pertinent advice, covering everything from receipt and payment methods to guidance on choosing effective advertising keywords.

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 Business Reform Promotion Section, 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.

Compliance

- The Compliance Committee, comprising three directors, the two full-time corporate auditors, the general manager of the Human Resources Division, and the Chief Compliance Officer (CCO), is responsible for collecting and collating compliance-related information and data. Under the leadership of the CCO, the Compliance Committee oversees compliance throughout the Yahoo Japan Group while identifying compliance-related issues.
- 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, with only the required minimum number of persons authorized to access the personal information database.
- Within the Risk Management Division, 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 information security awareness, upgrading information security systems, and physically controlling access to and from information storage areas. In addition, the team oversees information security self-monitoring systems throughout the Yahoo Japan Group and maintains the Group's information assets ledger.
- 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. This information security team, comprising approximately 150 members throughout the Yahoo Japan Group, 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

- Reconstruction Now is a designated site that collates the various blogs and activity report pages of reconstruction-related volunteer associations engaged in online activities, in addition to featuring volunteer-related and other pertinent information.
- Since March 11, 2011, more than 900 thousand individuals have made disaster-relief donations totaling over ¥1.4 billion

to our Internet Donation service to support victims of the Great East Japan Earthquake.

- 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 are planning also to open an office in Ishinomaki City, Miyagi Prefecture, in the summer of 2012.

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, executive 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 executive 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 autonomous business group structure, which clearly separates the decision-making and supervisory functions of the Board of Directors from the business execution functions of executive 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.

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 Chief Compliance Officer (CCO) oversees the Compliance Office, located within the Legal Division and 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 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, and engage in internal compliance-related educational activities, including employee seminars.

(v) The CCO 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 CCO 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 the section entitled "Risk Factors," beginning on page 80 of this annual report.)

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

(iii) The Information Security Promotion Section spearheads the Company's efforts to ensure information security. Also as part of these efforts, the Company has appointed a Chief Security Officer. The Information Security Promotion Section 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 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 executive officer system with the goal of achieving flexible and efficient business execution.

(iii) The Executive Council, comprising the Company's full-time director, executive 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 executive 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 Company's Internal Control Office 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. Transfers, evaluations, and disciplinary actions with respect to support personnel are effected solely at the discretion of the corporate auditors.

7. Submission of reports to corporate auditors

Directors and employees are obligated to report to corporate auditors with respect to the following:

(i) Matters of importance to the Yahoo Japan Group

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

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

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

(v) Administrative Auditing Office audit results

(vi) Matters other than items noted in (i) to (v) 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. 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 complemented by live broadcasts and on-demand meeting videos; updates to the Company's business position provided at general meetings of shareholders together with on-demand update videos; issuance of letters to shareholders; 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 our annual Yahoo! JAPAN LIFE ENGINE (CSR) Report.

IV. 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 17th Annual General Meeting of Shareholders, held on June 21, 2012, 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 executive officers and managers responsible for the various 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.

V. 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 agreed upon by the directors, of each director's contribution to the Company's performance for the period, together with the basic salary corresponding to each director's position. Corporate auditor compensation is determined entirely at the discretion of the Board of Auditors.

Financial Section

46 Key Financial Data

47 Management's Discussion and Analysis

50 Consolidated Balance Sheet

52 Consolidated Statement of Income

53 Consolidated Statement of Comprehensive Income

54 Consolidated Statement of Changes in Equity

55 Consolidated Statement of Cash Flows

56 Notes to Consolidated Financial Statements

79 Independent Auditor's Report

Key Financial Data

New Business Segments	Millions of Yen			Thousands of U.S. Dollars
Years ended March 31	2012 (Net)	2011 (Net)	2010 (Net)	2012 (Net)
Net sales	¥302,089	¥292,424	¥279,857	$3,675,496
Media Business	110,292	110,236	102,271	1,341,915
Business-services Business	83,436	76,739	71,414	1,015,160
Consumer Business	107,963	104,915	105,374	1,313,578
Reconciliation	398	534	798	4,843
Cost of sales	28,035	29,294	32,646	341,100
Media Business	10,331	11,689	14,557	125,697
Business-services Business	15,821	15,441	15,320	192,493
Consumer Business	1,879	1,862	2,212	22,861
Reconciliation	4	302	557	49
SG&A expenses	109,049	103,526	103,385	1,326,792
Media Business	39,456	39,468	38,154	480,058
Business-services Business	25,240	22,740	23,771	307,093
Consumer Business	37,689	34,842	33,095	458,560
Reconciliation	6,664	6,476	8,365	81,081
Operating income	165,005	159,604	143,826	2,007,604
Media Business	60,505	59,079	49,560	736,160
Business-services Business	42,375	38,558	32,323	515,574
Consumer Business	68,395	68,211	70,067	832,157
Reconciliation	(6,270)	(6,244)	(8,124)	(76,287)
Segment income (*)	165,005	159,604	143,826	2,007,604
Media Business	60,699	59,419	49,590	738,521
Business-services Business	42,649	38,790	32,016	518,907
Consumer Business	68,365	68,062	69,996	831,792
Reconciliation	(6,708)	(6,667)	(7,776)	(81,616)
Net income	100,559	92,175	83,523	1,223,494
Net income per share (Yen and U.S. dollars)	1,733.81	1,589.53	1,438.23	21.10
EBITDA	174,675	168,178	153,702	2,125,259
At fiscal year-end:				
Total assets	562,022	471,746	418,262	6,838,082
Total equity	468,301	385,106	312,273	5,697,786
Number of employees	5,124	4,748	4,882	—
Dividends per share (Yen and U.S. dollars)	347	318	288	4.22
Cash flows	68,581	50,287	101,357	834,420
Cash flows from operating activities	99,737	67,581	140,095	1,213,493
Cash flows from investing activities	(12,309)	11,631	(7,357)	(149,763)
Cash flows from financing activities	(18,847)	(28,925)	(31,381)	(229,310)
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	—

Old Business Segments	Millions of Yen				
Years ended March 31	2010 (Net)	2009 (Net)	2009 (Gross)	2008 (Gross)	2007 (Gross)
Net sales	¥279,857	¥265,754	¥ 295,946	¥ 262,027	¥ 212,553
Advertising	141,355	138,888	163,820	131,044	89,202
Business Services	64,275	54,555	55,977	58,069	48,215
Personal Services	75,332	72,671	76,510	73,054	75,283
Eliminations/corporate	(1,105)	(360)	(361)	(140)	(147)
Cost of sales	32,646	27,807	44,858	28,260	8,487
Advertising	18,884	19,751	36,801	19,547	533
Business Services	12,525	7,203	7,203	7,752	6,483
Personal Services	1,362	877	877	976	1,529
Eliminations/corporate	(125)	(24)	(23)	(15)	(58)
SG&A expenses	103,385	103,329	116,470	108,959	97,833
Advertising	40,860	45,674	53,556	46,747	38,364
Business Services	29,737	26,576	27,998	26,754	22,429
Personal Services	21,064	19,069	22,908	23,395	25,780
Eliminations/corporate	11,724	12,010	12,008	12,063	11,260
Operating income	143,826	134,618	134,618	124,808	106,233
Advertising	81,611	73,463	73,463	64,750	50,305
Business Services	22,013	20,776	20,776	23,563	19,303
Personal Services	52,906	52,725	52,725	48,683	47,974
Eliminations/corporate	(12,704)	(12,346)	(12,346)	(12,188)	(11,349)
Segment income (*)					
Advertising					
Business Services					
Personal Services					
Eliminations/corporate					
Net income	83,523	74,715	74,715	62,618	57,963
Net income per share (Yen and U.S. dollars)	1,438.23	1,255.52	1,255.52	1,035.27	958.66
EBITDA	153,702	146,214	146,214	136,028	115,743
At fiscal year-end:					
Total assets	418,262	311,552	311,552	369,660	318,428
Total equity	312,273	236,470	236,470	250,672	192,385
Number of employees	4,882	4,599	4,599	3,759	3,059
Dividends per share (Yen and U.S. dollars)	288	130	130	104	96
Cash flows	101,357	(76,065)	(76,065)	38,320	(22,659)
Cash flows from operating activities	140,095	87,805	87,805	81,494	72,710
Cash flows from investing activities	(7,357)	(53,947)	(53,947)	(16,982)	(160,402)
Cash flows from financing activities	(31,381)	(109,923)	(109,923)	(26,192)	65,033
Ratios:					
Operating margin (%)	51.4	50.7	45.5	47.6	50.0
Net income to net sales ratio (%)	29.8	28.1	25.2	23.9	27.3
ROA (%)	22.9	21.9	21.9	18.2	22.8
ROE (%)	30.7	31.0	31.0	28.5	34.8
Total equity / Total assets ratio (%)	74.0	75.2	75.2	67.1	59.9

Notes:
- Yen amounts for the year ended March 31, 2012, have been translated into U.S. dollar amounts, solely for the convenience of readers, at the rate of ¥82.19 = U.S.$1, the effective rate of exchange at March 31, 2012.
- Beginning with the year ended March 31, 2009, sales are presented on a net rather than gross basis. The change of accounting is discussed in the Note to Management's Discussion and Analysis on page 47.
- Effective April 1, 2010, the Group's former business segments of Advertising, Business Services, and Personal Services were reorganized into the business segments of Media Business, Business-services Business, and Consumer Business.

* 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

RESULTS OF OPERATIONS

In the face of such challenging headwinds as the Great East Japan Earthquake and its aftereffects, the deepening European debt crisis, and persistent yen strength, the Japanese economy struggled to regain forward momentum in fiscal 2011, the year ended March 31, 2012. Despite earthquake-related weakness at the start of the period, Yahoo Japan Corporation and its consolidated subsidiaries (the Group) recorded year-on-year gains both in listing and in display advertising sales, with gains in listing largely reflecting successful marketing activities targeting mainly small and medium-sized businesses. Game-related service revenues climbed sharply, and revenues from employment and real estate information listing services recorded steady growth on the year. Moreover, Yahoo! Shopping revenues rose robustly, buoyed by notably strong growth in smartphone-based transactions. Turning to expenses, aggressive promotional activities focusing on search services, as well as increased expenses to promote Yahoo! Shopping, resulted in higher sales promotion costs. On the other hand, operating system efficiency improvements at our proprietary data centers led to a substantial decline in communications charges. As a result of these and other factors, the Group achieved record-high sales and profits for the 15th consecutive year in fiscal 2011.

Net Sales

Consolidated net sales for fiscal 2011 rose ¥9,665 million, or 3.3%, to ¥302,089 million, owing largely to improved sales of advertising and game-related services. By business segment, Media Business net sales edged up 0.1%, to ¥110,292 million; Business-services Business net sales improved 8.7%, to ¥83,436 million; and Consumer Business net sales increased 2.9%, to ¥107,963 million. A reconciliation of ¥398 million was recorded for intersegment sales.

Cost of Sales

Consolidated cost of sales decreased ¥1,259 million, or 4.3%, to ¥28,035 million. This mainly reflected the sale in fiscal 2010 of a portion of the business of consolidated subsidiary VIPS Corporation (formerly Yahoo Japan Value Insight Corporation) to an associated company accounted for by the equity method.

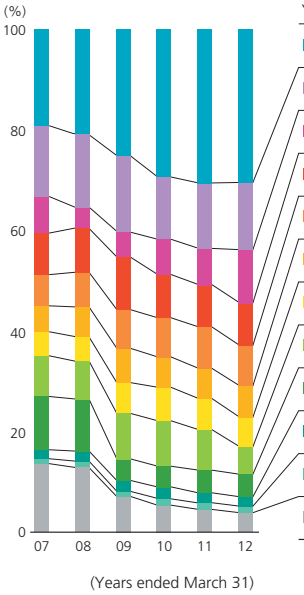
Selling, General and Administrative Expenses

Consolidated selling, general and administrative (SG&A) expenses increased ¥5,523 million, or 5.3%, to ¥109,049 million. The principal components of SG&A expenses in fiscal 2011 were as follows:

Personnel expenses rose ¥1,452 million, or 4.6%, to ¥33,261 million. As of March 31, 2012, Group employees numbered 5,124, up 376, or 7.9%, from the figure one year earlier.

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	2007		2008		2009		2010		2011		2012	
Personnel expenses	18,780	(19.2%)	22,631	(20.8%)	26,060	(25.2%)	30,348	(29.4%)	31,809	(30.7%)	**33,261**	**(30.5%)**
Business commissions	13,804	(14.1%)	16,003	(14.7%)	15,555	(15.1%)	12,793	(12.4%)	13,440	(13.0%)	**14,589**	**(13.4%)**
Sales promotion costs	7,120	(7.3%)	4,516	(4.1%)	5,164	(5.0%)	7,253	(7.0%)	7,538	(7.3%)	**11,634**	**(10.7%)**
Depreciation and amortization expenses	8,126	(8.3%)	9,615	(8.8%)	10,922	(10.6%)	8,950	(8.7%)	8,544	(8.3%)	**9,207**	**(8.4%)**
Royalty charge	6,024	(6.2%)	7,511	(6.9%)	7,865	(7.6%)	8,060	(7.8%)	8,461	(8.2%)	**8,723**	**(8.0%)**
Lease and utility expenses	5,124	(5.2%)	6,423	(5.9%)	7,083	(6.9%)	6,164	(6.0%)	6,246	(6.0%)	**6,826**	**(6.3%)**
Content provider fees	4,598	(4.7%)	5,270	(4.8%)	6,207	(6.0%)	6,778	(6.6%)	6,394	(6.2%)	**6,328**	**(5.8%)**
Communications charges	7,920	(8.1%)	8,387	(7.7%)	9,480	(9.2%)	9,400	(9.1%)	8,356	(8.1%)	**5,999**	**(5.5%)**
Sales commissions	10,339	(10.6%)	11,408	(10.5%)	4,303	(4.2%)	4,309	(4.2%)	4,653	(4.5%)	**4,750**	**(4.4%)**
Administrative and maintenance expenses	1,778	(1.8%)	2,077	(1.9%)	2,239	(2.2%)	2,327	(2.3%)	2,061	(2.0%)	**2,222**	**(2.0%)**
Taxes and public dues	961	(1.0%)	1,169	(1.1%)	1,028	(1.0%)	1,483	(1.4%)	1,353	(1.3%)	**1,417**	**(1.3%)**
Others	13,259	(13.5%)	13,949	(12.8%)	7,423	(7.0%)	5,520	(5.1%)	4,671	(4.4%)	**4,093**	**(3.7%)**
Total	97,833	(100.0%)	108,959	(100.0%)	103,329	(100.0%)	103,385	(100.0%)	103,526	(100.0%)	**109,049**	**(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.

Business commissions increased ¥1,149 million, or 8.5%, to ¥14,589 million, primarily as a result of higher maintenance and management expenses.

Sales promotion costs were up ¥4,096 million, or 54.3%, to ¥11,634 million, largely reflecting stepped-up promotions of search services and higher expenses to promote Yahoo! Shopping.

Depreciation and amortization expenses climbed ¥663 million, or 7.8%, to ¥9,207 million. The primary cause of this increase was the purchase of servers and network-related devices during the period.

Royalty charge rose ¥262 million, or 3.1%, to ¥8,723 million. This was largely attributable to higher net sales.

Significant other expenses included (1) lease and utility expenses, which increased ¥580 million, or 9.3%, to ¥6,826 million; (2) content provider fees, which decreased ¥66 million, or 1.0%, to ¥6,328 million; and (3) communications charges, which fell ¥2,357 million, or 28.2%, to ¥5,999 million.

Operating Income

Consolidated operating income for fiscal 2011 rose ¥5,401 million, or 3.4%, to ¥165,005 million. By business segment, Media Business operating income increased 2.4%, to ¥60,505 million; Business-services Business operating income rose 9.9%, to ¥42,375 million; and Consumer Business operating income edged up 0.3%, to ¥68,395 million.

Other Income and Expenses

For fiscal 2011, the Group recorded consolidated net other income of ¥4,936 million, a turnaround of ¥7,107 million compared with net other expenses of ¥2,171 million for the previous year. Principal sources of other income were (1) interest and dividend income of ¥1,790 million, an increase of ¥1,376 million year on year; and (2) equity in earnings of associated companies of ¥553 million, ¥171 million higher than for fiscal 2010.

Income before Income Taxes and Minority Interests

As a result of the aforementioned increases in operating income and net other income, consolidated income before income taxes and minority interests climbed ¥12,508 million, or 7.9%, to ¥169,941 million.

Income Taxes

Consolidated total income taxes for fiscal 2011 amounted to ¥68,951 million, representing an effective income tax rate of 40.6%, slightly lower than the normal effective statutory tax rate.

Minority Interests in Net Income

Consolidated minority interests in net income totaled ¥431 million, down ¥86 million, or 16.6%, from the figure for fiscal 2010.

Net Income

Consolidated net income for fiscal 2011 was ¥100,559 million, an increase of ¥8,384 million, or 9.1%. Basic net income per share climbed 9.1%, to ¥1,733.81. Diluted net income per share also rose 9.1%, to ¥1,733.50.

FINANCIAL POSITION

Assets

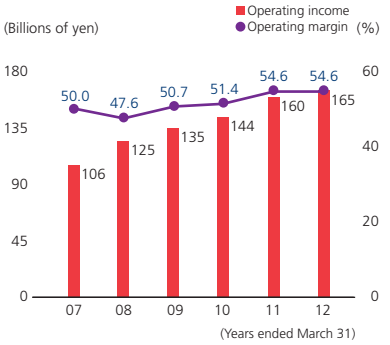
Consolidated total assets stood at ¥562,022 million as of March 31, 2012, up ¥90,276 million, or 19.1%, compared with the figure as of March 31, 2011.

Total current assets amounted to ¥457,005 million, an increase of ¥204,454 million, or 81.0%.

Cash and cash equivalents stood at ¥255,268 million, up ¥68,581 million, or 36.7%, mainly reflecting higher cash inflows from operating activities.

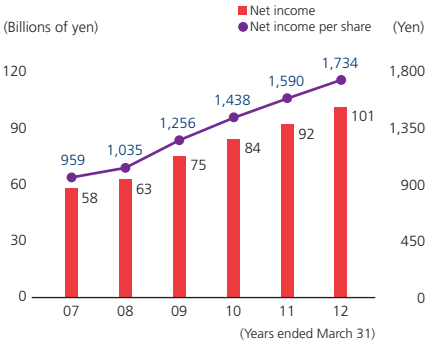
Trade accounts receivable were ¥45,223 million, a rise of ¥8,277 million, or 22.4%, attributable largely to higher receivables stemming from a change in payment conditions for company settlements, as well as to higher advertising revenues.

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



Other receivables amounted to ¥124,626 million, an increase of ¥122,471 million over the ¥2,155 million figure as of March 31, 2011. This largely reflected the transfer, from long-term other receivables, of receivables related to the sale of shares of BB Mobile Corp. Payment is due by the end of March 2013.

Other current assets stood at ¥33,499 million, up ¥5,166 million, or 18.2%, owing primarily to an increase in assets related to the settlement services for Yahoo! Shopping and the Yahoo! JAPAN card.

Net property and equipment amounted to ¥34,513 million as of March 31, 2012, up ¥5,654 million, or 19.6%, compared with the figure as of the previous fiscal year-end. This largely reflected the start-up of additional data center operations and the purchase of servers and network-related equipment.

Total investments and other assets were ¥70,504 million, down ¥119,832 million, or 63.0%.

Software totaled ¥11,096 million, an increase of ¥1,685 million, or 17.9%, compared with the figure as of the previous fiscal year-end. Although partially offset by normal amortization charges, this increase is mainly attributable to the addition of new software internally developed during fiscal 2011.

Goodwill amounted to ¥591 million, down ¥759 million, or 56.2%. Additions to goodwill resulting from new acquisitions were more than offset by normal amortization charges and by write-off of impairment losses on a subsidiary's shares.

Other assets totaled ¥10,678 million, down ¥119,350 million, or 91.8%, owing mainly to the transfer of receivables related to the sale of shares of BB Mobile Corp. to other receivables in current assets.

Liabilities

Total liabilities stood at ¥93,721 million as of March 31, 2012, an increase of ¥7,081 million, or 8.2%, compared with the figure as of the previous fiscal year-end.

Total current liabilities were ¥90,985 million, up ¥6,988 million, or 8.3%.

Income taxes payable stood at ¥34,766 million as of March 31, 2012, up ¥1,358 million, or 4.1%, largely the result of higher taxable income.

Other current liabilities were ¥32,664 million, up ¥4,786 million, or 17.2%, owing mainly to an upswing in liabilities related to Yahoo! Shopping's settlement services as well as to higher advances received for listing advertising.

Long-term liabilities stood at ¥2,736 million, ¥93 million, or 3.5%, higher than the figure as of March 31, 2011.

Total Equity

As of March 31, 2012, consolidated total equity stood at ¥468,301 million, up ¥83,195 million, or 21.6%. This increase primarily reflected growth in retained earnings, which rose ¥82,435 million, or 21.9%, on the back of higher net income for the period.

CASH FLOWS

Cash Flows from Operating Activities

Net cash provided by operating activities in fiscal 2011 came to ¥99,737 million, an increase of ¥32,156 million from the ¥67,581 million provided in the previous fiscal year. Principal components of operating cash flows were income before income taxes and minority interests of ¥169,941 million, depreciation and amortization of ¥10,809 million, and income taxes paid of ¥64,991 million.

Cash Flows from Investing Activities

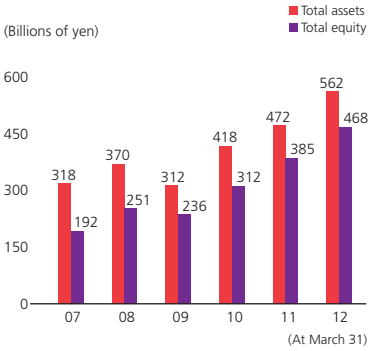
Net cash used in investing activities totaled ¥12,309 million, a turnaround of ¥23,940 million compared with net cash provided by investing activities of ¥11,631 million in fiscal 2010. The major investing cash outflow was purchase of property and equipment amounting to ¥12,186 million.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥18,847 million, down ¥10,078 million from the ¥28,925 million used in the previous fiscal year. The principal financing cash outflow was dividends paid totaling ¥18,410 million.

Accounting for each of the aforementioned activities, the net increase in cash and cash equivalents was ¥68,581 million. As a result, cash and cash equivalents as of the fiscal year-end stood at ¥255,268 million, an increase of ¥68,581 million, or 36.7%, compared with the figure as of March 31, 2011.

Total Assets and Total Equity



Consolidated Balance Sheet

Yahoo Japan Corporation and Consolidated Subsidiaries
March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2012	2011	2012
CURRENT ASSETS:			
Cash and cash equivalents (Note 3)	¥255,268	¥186,687	$3,105,828
Receivables:			
Trade accounts (Note 3)	45,223	36,946	550,225
Other (Notes 2.v, 3, and 11)	124,626	2,155	1,516,316
Other current assets (Notes 3 and 7)	33,499	28,333	407,580
Allowance for doubtful accounts	(1,611)	(1,570)	(19,601)
Total current assets	457,005	252,551	5,560,348
PROPERTY AND EQUIPMENT:			
Land	5,426	5,426	66,018
Buildings and structures	13,788	11,589	167,758
Machinery and equipment	12,580	10,106	153,060
Furniture and fixtures	43,176	41,337	525,319
Construction in progress	809	467	9,843
Total	75,779	68,925	921,998
Accumulated depreciation	(41,266)	(40,066)	(502,081)
Net property and equipment	34,513	28,859	419,917
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 4)	32,720	31,398	398,102
Investments in unconsolidated subsidiaries and associated companies (Note 3)	10,034	11,638	122,083
Goodwill	591	1,350	7,191
Software (Note 2.v)	11,096	9,411	135,004
Deferred tax assets (Note 7)	5,408	6,667	65,799
Other assets (Notes 2.v, 3, and 11)	10,678	130,028	129,918
Allowance for doubtful accounts	(23)	(156)	(280)
Total investments and other assets	70,504	190,336	857,817
TOTAL ASSETS	¥562,022	¥471,746	$6,838,082

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	2012	2011	2012
CURRENT LIABILITIES:			
Payables:			
Trade accounts (Note 3)	¥ 6,640	¥ 7,125	$ 80,788
Other (Note 3)	16,915	15,586	205,804
Income taxes payable (Note 3)	34,766	33,408	422,995
Other current liabilities (Notes 2.v and 7)	32,664	27,878	397,420
Total current liabilities	90,985	83,997	1,107,007
LONG-TERM LIABILITIES (Note 7)	2,736	2,643	33,289
COMMITMENTS (Notes 10 and 13)			
EQUITY (Notes 5 and 15):			
Common stock—241,600,000 shares authorized; 58,184,240 shares issued in 2012 and 58,177,294 shares issued in 2011	7,959	7,926	96,837
Capital surplus	3,040	3,007	36,987
Stock acquisition rights	750	563	9,125
Retained earnings	458,285	375,850	5,575,922
Treasury stock—at cost, 180,601 shares in 2012 and 180,433 shares in 2011, respectively	(5,609)	(5,604)	(68,244)
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	1,534	1,208	18,664
Deferred loss on derivatives under hedge accounting (Notes 3 and 10)		(3)	
Total	465,959	382,947	5,669,291
Minority interests	2,342	2,159	28,495
Total equity	468,301	385,106	5,697,786
TOTAL LIABILITIES AND EQUITY	¥562,022	¥471,746	$6,838,082

See notes to consolidated financial statements.

Consolidated Statement of Income

Yahoo Japan Corporation and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET SALES	¥302,089	¥292,424	$3,675,496
COST OF SALES	28,035	29,294	341,100
Gross profit	274,054	263,130	3,334,396
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	109,049	103,526	1,326,792
Operating income	165,005	159,604	2,007,604
OTHER INCOME (EXPENSES):			
Interest and dividend income	1,790	414	21,779
Interest expense	(5)	(21)	(61)
Gain on foreign exchange—net	178	211	2,166
Equity in earnings of associated companies	553	382	6,728
Settlement for restructuring of service agreements		(1,849)	
Loss on write-down of unamortized balance of goodwill (Note 2.h)	(324)		(3,942)
Effect of adopting Accounting Standard for Asset Retirement Obligations (Note 2.m)		(1,145)	
Other—net (Notes 2.a and 2.v)	2,744	(163)	33,386
Other income (expenses)—net	4,936	(2,171)	60,056
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	169,941	157,433	2,067,660
INCOME TAXES (Note 7):			
Current	66,296	60,430	806,619
Assessment on prior year taxes		27,392	
Adjustment of income taxes to reflect adjustment of the purchase price on acquisition		(24,792)	
Deferred	2,655	1,711	32,303
Total income taxes	68,951	64,741	838,922
NET INCOME BEFORE MINORITY INTERESTS	100,990	92,692	1,228,738
MINORITY INTERESTS IN NET INCOME	431	517	5,244
NET INCOME	¥100,559	¥ 92,175	$1,223,494

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.t and 12):			
Basic net income	¥1,733.81	¥1,589.53	$21.10
Diluted net income	1,733.50	1,588.43	21.09
Cash dividends applicable to the year	347.00	318.00	4.22

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Yahoo Japan Corporation and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET INCOME BEFORE MINORITY INTERESTS	¥100,990	¥92,692	$1,228,738
OTHER COMPREHENSIVE INCOME (LOSS) (Note 8):			
Net unrealized gain (loss) on available-for-sale securities	339	(777)	4,124
Deferred gain (loss) on derivatives under hedge accounting	3	(29)	37
Share of other comprehensive (loss) income in associated companies accounted for by the equity method	(14)	7	(170)
Total other comprehensive income (loss)	328	(799)	3,991
COMPREHENSIVE INCOME	¥101,318	¥91,893	$1,232,729
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥100,887	¥91,376	$1,227,485
Minority interests	431	517	5,244

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Yahoo Japan Corporation and Consolidated Subsidiaries
Year Ended March 31, 2012

	Thousands	Millions of Yen									
							Accumulated Other Comprehensive Income				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2010	58,015	¥7,521	¥2,602	¥450	¥300,496	¥(3,068)	¥1,978	¥ 26	¥310,005	¥2,268	¥312,273
Exercise of stock options	58	405	404						809		809
Net income					92,175				92,175		92,175
Cash dividends (¥288 per share)					(16,708)				(16,708)		(16,708)
Changes in the scope of applying the equity method					(499)				(499)		(499)
Changes in the scope of consolidation					386				386		386
Purchase of treasury stock	(76)					(2,541)			(2,541)		(2,541)
Disposal of treasury stock			1			5			6		6
Net change in the year				113			(770)	(29)	(686)	(109)	(795)
BALANCE, MARCH 31, 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

	Thousands of U.S. Dollars (Note 1)									
						Accumulated Other Comprehensive Income				
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Net Unrealized Gain on Available-for-sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2011	$96,435	$36,585	$6,850	$4,572,942	$(68,183)	$14,698	$ (37)	$4,659,290	$26,268	$4,685,558
Exercise of stock options	402	402						804		804
Net income				1,223,494				1,223,494		1,223,494
Cash dividends ($3.87 per share)				(224,395)				(224,395)		(224,395)
Decrease in the number of associated companies accounted for under the equity method due to sales of investments in such companies				3,881				3,881		3,881
Purchase of treasury stock					(61)			(61)		(61)
Net change in the year			2,275			3,966	37	6,278	2,227	8,505
BALANCE, MARCH 31, 2012	$96,837	$36,987	$9,125	$5,575,922	$(68,244)	$18,664		$5,669,291	$28,495	$5,697,786

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Yahoo Japan Corporation and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥169,941	¥ 157,433	$2,067,660
Adjustments for:			
Income taxes—paid	(64,991)	(101,276)	(790,741)
Depreciation and amortization	10,809	9,844	131,512
Amortization and adjustment of goodwill (Notes 2.b and 2.h)	719	(39)	8,748
Equity in earnings of associated companies	(553)	(382)	(6,728)
Gain on fair value adjustments in investments due to change in ownership ratio (Note 2.a)		(799)	
Effect of adopting Accounting Standard for Asset Retirement Obligations		1,145	
Interest and dividends income (Note 2.v)	(1,790)	(414)	(21,779)
Changes in assets and liabilities:			
(Increase) decrease in trade receivables	(7,749)	131	(94,282)
Increase in other current assets	(8,280)	(949)	(100,742)
(Decrease) increase in trade payables	(485)	71	(5,901)
Increase in other current liabilities	3,117	3,534	37,924
Other—net (Note 2.v)	(1,001)	(718)	(12,178)
Total adjustments	(70,204)	(89,852)	(854,167)
Net cash provided by operating activities	99,737	67,581	1,213,493
INVESTING ACTIVITIES:			
Payment into time deposits	(2,000)	(1,000)	(24,334)
Withdrawal of time deposits	2,000		24,334
Purchase of property and equipment	(12,186)	(7,902)	(148,266)
Purchase of other assets	(2,186)	(2,679)	(26,597)
Purchase of investment securities	(663)	(2,032)	(8,067)
Proceeds from sales of investment securities (Note 2.v)	1,372	469	16,693
Adjustment of acquisition cost of a consolidated subsidiary		25,731	
Interest and dividends received (Note 2.v)	1,095	421	13,323
Other—net (Note 2.v)	259	(1,377)	3,151
Net cash (used in) provided by investing activities	(12,309)	11,631	(149,763)
FINANCING ACTIVITIES:			
Dividends paid	(18,410)	(16,672)	(223,993)
Purchase of treasury stock		(2,541)	
Other—net	(437)	(9,712)	(5,317)
Net cash used in financing activities	(18,847)	(28,925)	(229,310)
NET INCREASE IN CASH AND CASH EQUIVALENTS	¥ 68,581	¥ 50,287	$ 834,420
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	186,687	138,238	2,271,408
DECREASE IN CASH AND CASH EQUIVALENTS DUE TO SALE OF BUSINESS BY A CONSOLIDATED SUBSIDIARY (Note 2.a)		(1,838)	
CASH AND CASH EQUIVALENTS, END OF YEAR	¥255,268	¥ 186,687	$3,105,828

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Yahoo Japan Corporation and Consolidated Subsidiaries
Year Ended March 31, 2012

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 classifies its services into three segments: (1) media business, (2) business-services business, and (3) consumer business, as discussed in Note 14.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), as described in Note 2, which are different in certain respects from International Financial Reporting Standards as to the 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 in the 2011 consolidated financial statements to conform to the classifications used in 2012.

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 ¥82.19 to $1, the approximate rate of exchange at March 31, 2012. 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, 2012, include the accounts of the Company and its 10 (11 in 2011) significant subsidiaries. Under the control or influence concept, those companies in which the Company is able to directly or indirectly exercise control over operations are fully consolidated, and those companies over which the Company and consolidated subsidiaries (collectively, the "Group") have the ability to exercise significant influence are accounted for by the equity method.

Investments in 8 (10 in 2011) associated companies are accounted for by the equity method. Investments in the remaining 7 (8 in 2011) unconsolidated subsidiaries and 6 (6 in 2011) 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.

During the fiscal year ended March 31, 2011, the Company acquired the majority interest in Cirius Technologies, Inc. ("Cirius"). As a result, Cirius became a consolidated subsidiary of the Company.

During the fiscal year ended March 31, 2011, the Company sold all of its shares in NewsWatch Inc. and part of its shares in BBIX Inc. As a result, these companies were excluded from the scope of consolidation.

During the fiscal year ended March 31, 2011, the Company entered into a basic agreement for the reorganization of Yahoo Japan Value Insight Corporation ("YVI"), a consolidated subsidiary. YVI had two businesses, namely, (1) research service business and (2) customer related service business. Under the agreement, YVI's research service business was sold to MACROMILL, INC. ("MM") with MM's newly issued shares received as consideration. As a result of revaluating the research service business on the sale of the business, the Company's equity interest in the research service business was adjusted based on the fair value which exceeded its carrying value. The revaluation gain of ¥407 million was included in other—net of other expenses in the consolidated statement of income for the year ended March 31, 2011. In addition, Web Solution Corporation ("WS") was newly established through the corporate split of YVI to operate the customer related service business. After the corporate split, YVI became a holding company with only MM and WS stocks as assets and was renamed VIPS Corporation.

During the fiscal year ended March 31, 2012, WS was absorbed into Yahoo Japan Customer Relations Corporation, a consolidated subsidiary.

***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 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.

Amortization and adjustment of goodwill in the consolidated statements of cash flows include adjustment of amortization of goodwill due to subsequent adjustments to the purchase price of an acquisition. (See Note 7.)

***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 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 impairment losses were recorded for the years ended March 31, 2012 and 2011.

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

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. If values of available-for-sale securities substantially decline, such securities are reduced to net realizable value and charged to income. Further details regarding recognition of loss on write-down of investment securities is 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 a loss on write-down of unamortized balance of goodwill related to Cirius totaling ¥324 million ($3,942 thousand) for the year ended March 31, 2012, due to the worsening of business performance.

As discussed in Note 2.b, the Company adopted a 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 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 Act for Defined Contribution Pension. 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, 2012 and 2011, was as follows:

	2012	2011
The welfare pension plan in which the Company and certain subsidiaries participate ("Plan A")	4.8%	4.7%
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, 2012 and 2011, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Plan A, Based on the Fair Value Information as of March 31, 2011		
Fair value of all plan assets	¥ 171,945	$ 2,092,043
Actuarial pension liabilities	(172,109)	(2,094,038)
Difference	¥ (164)	$ (1,995)
Plan B, Based on the Fair Value Information as of March 31, 2011		
Fair value of all plan assets	¥ 186,324	$ 2,266,991
Actuarial pension liabilities	(220,188)	(2,679,012)
Difference	¥ (33,864)	$ (412,021)

	Millions of Yen
	2011
Plan A, Based on the Fair Value Information as of March 31, 2010	
Fair value of all plan assets	¥ 161,055
Actuarial pension liabilities	(159,999)
Difference	¥ 1,056
Plan B, Based on the Fair Value Information as of March 31, 2010	
Fair value of all plan assets	¥ 185,995
Actuarial pension liabilities	(218,220)
Difference	¥ (32,225)

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
	2012	2012
Plan A, Based on the Fair Value Information as of March 31, 2011		
Other reserve	¥ 14,983	$ 182,297
Adjustment for valuation of assets	(3,494)	(42,511)
Accumulated deficit	(11,653)	(141,781)
Total	¥ (164)	$ (1,995)
Plan B, Based on the Fair Value Information as of March 31, 2011		
Accumulated unfunded portion	¥(16,598)	$(201,947)
Unamortized obligations	(17,266)	(210,074)
Total	¥(33,864)	$(412,021)

	Millions of Yen
	2011
Plan A, Based on the Fair Value Information as of March 31, 2010	
Funded reserve	¥ 23,340
Adjustment for valuation of assets	(13,927)
Accumulated unfunded portion	(8,357)
Total	¥ 1,056
Plan B, Based on the Fair Value Information as of March 31, 2010	
Accumulated unfunded portion	¥(13,927)
Unamortized obligations	(18,298)
Total	¥(32,225)

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

The total contributions to the defined contribution pension plans and the welfare pension plans recognized as net periodic benefit cost for the years ended March 31, 2012 and 2011, were ¥950 million ($11,559 thousand) and ¥899 million, respectively.

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

***m. 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 increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

The Company adopted this accounting standard effective from April 1, 2010. The effect of adopting this accounting standard was to decrease operating income and income before income taxes and minority interests by ¥184 million and ¥1,329 million, respectively, for the year ended March 31, 2011. Asset retirement obligations as of March 31, 2012 and 2011, are included in long-term liabilities in the consolidated balance sheets.

***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 recognize compensation expense for employee stock options based on the fair value at the grant date and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. Included in the balance sheet as a separate component of equity, the stock option is presented as a stock acquisition right until exercised. The standard allows unlisted companies to measure options at their intrinsic value if fair value cannot be estimated reliably.

***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, 2012 and 2011, were ¥268 million ($3,261 thousand) and ¥183 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. In addition, this accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions. In adopting this accounting standard, the Company applied the permission to leases which existed at the transition date and do not transfer ownership of the leased property to the lessee.

The Group leases certain computers, servers, data center-related equipment, and software. Leased assets for which the initiation date of lease is on or after April 1, 2008, are included in property and equipment or other assets in the consolidated balance sheets. Depreciation of leased assets is computed by the straight-line method over the leasing period with no 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. Derivative Financial Instruments*—**The Company uses a variety of 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 and foreign currency transactions 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.

t. 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.

u. 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 with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentations—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. This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

The Company adopted this accounting standard as of April 1, 2011.

v. Changes in Presentation

Items presented separately in the prior-year consolidated financial statements, which are aggregated and reclassified as other in the current year consolidated financial statements due to decreased materiality, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Consolidated balance sheets:			
Items aggregated and reclassified as other current assets:			
Inventories	¥ 136	¥ 158	$ 1,655
Deferred tax assets (current)	4,640	5,522	56,455
Items aggregated and reclassified as other assets (investments and other assets)—long-term other receivables	2,944	122,647	35,819
Items aggregated and reclassified as other current liabilities—provision for Yahoo! Points	4,103	3,592	49,921
Consolidated statements of income:			
Gain on fair value adjustments in investments due to change in ownership ratio (other income)	7	799	85
Loss on write-down of investment securities (other expense)	(96)	(189)	(1,168)
Consolidated statements of cash flows:			
Operating activities:			
Increase (decrease) in provision for Yahoo! Points	511	(328)	6,217
Loss on write-down of investment securities	96	189	1,168
Investing activities—payment for purchase of newly consolidated subsidiaries' stocks	(53)	(702)	(645)
Financing activities—repayment of long-term debt	(2)	(10,000)	(24)

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
	2012	2011	2012
Consolidated balance sheets—Software	¥11,096	¥9,411	$135,004
Consolidated statements of cash flows:			
Operating activities—interest and dividends income	(1,790)	(414)	(21,779)
Investing activities:			
Proceeds from sales of investments securities	1,372	469	16,693
Interest and dividends received	1,095	421	13,323

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. The Group does not hold or issue derivatives for trading or speculative purposes.

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

Accounts and other receivables are subject to the 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.

Most investment securities are related to capital and/or operating alliances with business partners, and are subject to market value volatility risks. In order to control these risks, fair value 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.

Bank loans and lease obligations are used for working capital and capital investment purposes, and are subject to liquidity risks of default. To control these risks, the Group's Administrative Department prepares and updates cash-flow plans and maintains appropriate amounts of ready liquidity.

Regarding derivative instruments which are subject to foreign exchange risks, the Company uses foreign currency forward contracts to hedge the risks. Derivative transactions entered into by the Group are made and controlled in accordance with internal rules for controlling market risks, and are periodically reported to the Board of Directors. The hedging activity of the Group is based on internal policies which regulate the authorization and credit limit amount. Effectiveness of hedging transactions is measured mainly by ratio analysis before entering into contracts and in subsequent review.

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.

The contract amounts for derivatives listed in Note 10 do not represent volume of underlying market risks of the derivative transactions.

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 deposit (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) Investment 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	

	Thousands of U.S. Dollars		
	2012		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Assets:			
(1) Cash and cash equivalents	$3,105,828	$3,105,828	
(2) Time deposit (included in other current assets)	24,334	24,334	
(3) Trade accounts receivable	542,828	542,828	
(4) Other receivables	1,515,233	1,515,233	
(5) Investment in unconsolidated subsidiaries and associated companies	106,509	115,598	$9,089
(6) Investment securities	67,076	67,076	
Total	$5,361,808	$5,370,897	$9,089
Liabilities:			
(7) Trade accounts payable	$ 80,788	$ 80,788	
(8) Other payables	205,804	205,804	
(9) Income taxes payable	422,995	422,995	
Total	$ 709,587	$ 709,587	

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 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	Thousands of U.S. Dollars
Investment securities	¥27,207	$331,026
Investments in unconsolidated subsidiaries and associated companies	1,280	15,574
Total	¥28,487	$346,600

Detailed information about investment securities is discussed in Note 4.

Maturity analysis for financial assets as of March 31, 2012, is as follows:

	Due in One Year or Less	
March 31, 2012	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥255,268	$3,105,828
Time deposit	2,000	24,334
Trade accounts receivable	45,223	550,225
Other receivables	124,626	1,516,316
Total	¥427,117	$5,196,703

Note: Trade accounts receivable and other receivables are stated before deducting allowance for doubtful accounts of ¥608 million ($7,397 thousand) and ¥89 million ($1,083 thousand), respectively.

As of March 31, 2011

Financial instruments whose fair values are readily determinable as of March 31, 2011, are as follows:

	Millions of Yen		
	2011		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Assets:			
(1) Cash and cash equivalents	¥186,687	¥186,687	
(2) Time deposit (included in other current assets)	2,000	2,000	
(3) Trade accounts receivable	36,294	36,294	
(4) Other receivables	2,151	2,151	
(5) Investment in unconsolidated subsidiaries and associated companies	10,112	13,228	¥3,116
(6) Investment securities	4,520	4,520	
Total	¥241,764	¥244,880	¥3,116
Liabilities:			
(7) Trade accounts payable	¥ 7,125	¥ 7,125	
(8) Other payables	15,586	15,586	
(9) Income taxes payable	33,408	33,408	
Total	¥ 56,119	¥ 56,119	
(10) Derivative instruments under hedge accounting	¥ (6)	¥ (6)	

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 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 investment securities is discussed in Note 4.

(10)—Receivables and payables arising from derivative transactions are stated at net amount. Detailed information about derivatives is discussed in Note 10.

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, 2011, are as follows:

	Carrying Amount
March 31, 2011	Millions of Yen
Investment securities	¥26,878
Investments in unconsolidated subsidiaries and associated companies	1,526
Total	¥28,404

Detailed information about investment securities is discussed in Note 4.

Maturity analysis for financial assets as of March 31, 2011, is as follows:

	Millions of Yen
March 31, 2011	Due in One Year or Less
Cash and cash equivalents	¥186,687
Time deposit	2,000
Trade accounts receivable	36,946
Other receivables	2,155
Total	¥227,788

4. INVESTMENT SECURITIES

Investment securities as of March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Non-current:			
Marketable equity securities	¥ 5,513	¥ 4,520	$ 67,076
Non-marketable equity securities	27,205	26,875	331,002
Investments in limited partnerships	2	3	24
Total	¥32,720	¥31,398	$398,102

The carrying amounts and aggregate fair value of investment securities at March 31, 2012 and 2011, were as follows:

	Millions of Yen			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—Equity securities	¥3,101	¥2,473	¥61	¥5,513
March 31, 2011				
Securities classified as available-for-sale—Equity securities	¥2,474	¥2,094	¥48	¥4,520

	Thousands of U.S. Dollars			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—Equity securities	$37,730	$30,088	$742	$67,076

Available-for-sale securities whose fair values are not readily determinable as of March 31, 2012 and 2011, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Available-for-sale:			
Equity securities—unlisted common stocks	¥27,205	¥26,875	$331,002
Investments in limited investment partnerships and others	2	3	24
Total	¥27,207	¥26,878	$331,026

On January 25, 2011, the Company sold unlisted preferred shares of B.B. Mobile Corp. ("BBM") with a carrying value of ¥120,000 million to SOFTBANK CORP., which had 42.2% ownership of the Company as of March 31, 2011 (see Note 11). No gain or loss was recognized for this transaction.

Proceeds from sales of available-for-sale securities (unlisted common stocks) and related gains and losses for the years ended March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Proceeds from sales	¥224	¥242	$2,725
Realized gains	73	28	888
Realized losses		14	

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. Loss from write-down of available-for-sale securities for the year ended March 31, 2011, was ¥189 million, whereas no such loss was recorded for the year ended March 31, 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 year ended March 31, 2012, was ¥96 million ($1,168 thousand), whereas no such loss was recorded for the year ended March 31, 2011.

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 a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria. The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. 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 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.

6. STOCK OPTION

Stock options outstanding as of March 31, 2012, are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2001 Stock Option (1)	3 directors 72 employees	108,544 shares	2001.6.29	¥9,559 ($116.3)	From June 21, 2003 to June 20, 2011
2001 Stock Option (2)	3 directors 72 employees	112,640 shares	2001.12.18	¥8,497 ($103.4)	From December 8, 2003 to December 7, 2011
2002 Stock Option (1)	2 directors 65 employees	47,616 shares	2002.7.29	¥10,196 ($124.1)	From June 21, 2004 to June 20, 2012
2002 Stock Option (2)	19 employees	5,888 shares	2002.11.20	¥11,375 ($138.4)	From November 21, 2004 to June 20, 2012
2003 Stock Option (1)	5 directors 83 employees	19,840 shares	2003.7.25	¥33,438 ($406.8)	From June 21, 2005 to June 20, 2013
2003 Stock Option (2)	43 employees	2,464 shares	2003.11.4	¥51,478 ($626.3)	From November 5, 2005 to June 20, 2013
2003 Stock Option (3)	38 employees	2,400 shares	2004.1.29	¥47,813 ($581.7)	From January 30, 2006 to June 20, 2013
2003 Stock Option (4)	41 employees	1,168 shares	2004.5.13	¥78,512 ($955.3)	From May 14, 2006 to June 20, 2013
2004 Stock Option (1)	5 directors 131 employees	9,856 shares	2004.7.29	¥65,290 ($794.4)	From June 18, 2006 to June 17, 2014
2004 Stock Option (2)	46 employees	712 shares	2004.11.1	¥62,488 ($760.3)	From November 2, 2006 to June 17, 2014
2004 Stock Option (3)	29 employees	344 shares	2005.1.28	¥65,375 ($795.4)	From January 29, 2007 to June 17, 2014
2004 Stock Option (4)	42 employees	276 shares	2005.5.12	¥60,563 ($736.9)	From May 13, 2007 to June 17, 2014
2005 Stock Option (1)	5 directors 180 employees	5,716 shares	2005.7.28	¥58,500 ($711.8)	From June 18, 2007 to June 17, 2015
2005 Stock Option (2)	31 employees	234 shares	2005.11.1	¥62,000 ($754.3)	From November 2, 2007 to June 17, 2015
2005 Stock Option (3)	65 employees	316 shares	2006.1.31	¥79,500 ($967.3)	From February 1, 2008 to June 17, 2015
2005 Stock Option (4)	49 employees	112 shares	2006.5.2	¥67,940 ($826.6)	From May 3, 2008 to June 17, 2015
2006 Stock Option (1)	5 directors 157 employees	8,569 shares	2006.9.6	¥47,198 ($574.3)	From August 24, 2008 to August 23, 2016
2006 Stock Option (2)	49 employees	313 shares	2006.11.6	¥44,774 ($544.8)	From October 24, 2008 to October 23, 2016
2006 Stock Option (3)	62 employees	360 shares	2007.2.7	¥47,495 ($577.9)	From January 25, 2009 to January 24, 2017

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2007 Stock Option (1)	66 employees	651 shares	2007.5.8	¥45,500 ($553.6)	From April 25, 2009 to April 24, 2017
2007 Stock Option (2)	5 directors 225 employees	10,000 shares	2007.8.7	¥40,320 ($490.6)	From July 25, 2009 to July 24, 2017
2007 Stock Option (3)	119 employees	766 shares	2007.11.7	¥51,162 ($622.5)	From October 25, 2009 to October 24, 2017
2007 Stock Option (4)	124 employees	817 shares	2008.2.13	¥47,500 ($577.9)	From January 31, 2010 to January 30, 2018
2008 Stock Option (1)	246 employees	2,059 shares	2008.5.9	¥51,781 ($630.0)	From April 26, 2010 to April 25, 2018
2008 Stock Option (2)	5 directors 336 employees	11,750 shares	2008.8.8	¥40,505 ($492.8)	From July 26, 2010 to July 25, 2018
2008 Stock Option (3)	128 employees	407 shares	2008.11.7	¥34,000 ($413.7)	From October 25, 2010 to October 24, 2018
2008 Stock Option (4)	128 employees	350 shares	2009.2.10	¥32,341 ($393.5)	From January 28, 2011 to January 27, 2019
2009 Stock Option (1)	100 employees	890 shares	2009.5.12	¥26,879 ($327.0)	From April 29, 2011 to April 28, 2019
2009 Stock Option (2)	5 directors 454 employees	12,848 shares	2009.8.11	¥30,700 ($373.5)	From July 29, 2011 to July 28, 2019
2009 Stock Option (3)	61 employees	277 shares	2009.11.10	¥28,737 ($349.6)	From October 28, 2011 to October 27, 2019
2009 Stock Option (4)	101 employees	571 shares	2010.2.10	¥32,050 ($390.0)	From January 28, 2012 to January 27, 2020
2010 Stock Option (1)	155 employees	700 shares	2010.5.11	¥35,834 ($436.0)	From April 28, 2012 to April 27, 2020
2010 Stock Option (2)	5 directors 268 employees	11,936 shares	2010.8.10	¥34,617 ($421.2)	From July 28, 2012 to July 27, 2020
2010 Stock Option (3)	106 employees	316 shares	2010.11.5	¥28,857 ($351.1)	From October 23, 2012 to October 22, 2020
2010 Stock Option (4)	104 employees	541 shares	2011.2.8	¥31,193 ($379.5)	From January 26, 2013 to January 25, 2021
2011 Stock Option (1)	169 employees	589 shares	2011.6.3	¥27,917 ($339.7)	From May 21, 2013 to May 20, 2021
2011 Stock Option (2)	5 directors 251 employees	12,265 shares	2011.8.5	¥27,669 ($336.6)	From July 22, 2013 to July 22, 2021
2011 Stock Option (3)	281 employees	932 shares	2011.11.16	¥25,263 ($307.4)	From November 3, 2013 to November 2, 2021
2011 Stock Option (4)	114 employees	684 shares	2012.2.17	¥24,900 ($303.0)	From February 4, 2014 to February 3, 2022

Notes: 1. Each stock option in the table above 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.

The stock option activity is as follows:

	2001 Stock Option (1)	2001 Stock Option (2)	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)
Year Ended March 31, 2011							(Shares)					
Non-vested:												
March 31, 2010—Outstanding												
Granted												
Canceled												
Vested												
March 31, 2011—Outstanding												
Vested:												
March 31, 2010—Outstanding	15,946	17,437	16,384	768	15,872	1,344	1,056	496	8,960	384	224	208
Vested												
Exercised	(14,394)	(15,371)	(1,536)									
Canceled					(448)	(96)		(16)	(160)	(16)	(16)	(16)
March 31, 2011—Outstanding	1,552	2,066	14,848	768	15,424	1,248	1,056	480	8,800	368	208	192
Year Ended March 31, 2012												
Non-vested:												
March 31, 2011—Outstanding												
Granted												
Canceled												
Vested												
March 31, 2012—Outstanding												
Vested:												
March 31, 2011—Outstanding	1,552	2,066	14,848	768	15,424	1,248	1,056	480	8,800	368	208	192
Vested												
Exercised	(1,552)	(2,066)	(3,072)	(256)								
Canceled					(704)	(32)		(32)	(416)	(8)		(32)
March 31, 2012—Outstanding			11,776	512	14,720	1,216	1,056	448	8,384	360	208	160
Exercise price	¥ 9,559	¥ 8,497	¥10,196	¥11,375	¥33,438	¥51,478	¥47,813	¥78,512	¥65,290	¥62,488	¥65,375	¥60,563
	($116.3)	($103.4)	($124.1)	($138.4)	($406.8)	($626.3)	($581.7)	($955.3)	($794.4)	($760.3)	($795.4)	($736.9)
Average stock price at exercise	¥26,659	¥24,454	¥25,686	¥27,120								
	($324.4)	($297.5)	($312.5)	($330.0)								

Year Ended March 31, 2011	2005 Stock Option (1)	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)	2008 Stock Option (2)
							(Shares)						
Non-vested:													
March 31, 2010—Outstanding				42	1,960	85	93	297	4,652	390	421	1,647	11,319
Granted													
Canceled				(1)	(75)	(1)	(5)	(5)	(219)	(13)	(8)	(92)	(330)
Vested				(41)	(1,885)	(84)	(88)	(132)	(2,227)	(153)	(167)	(722)	(5,524)
March 31, 2011—Outstanding								160	2,206	224	246	833	5,465
Vested:													
March 31, 2010—Outstanding	5,064	150	248	41	5,742	184	174	270	4,553	327	365		
Vested				41	1,885	84	88	132	2,227	153	167	722	5,524
Exercised													
Canceled	(208)	(26)	(20)	(7)	(465)	(3)	(12)	(8)	(367)	(14)	(5)	(28)	(162)
March 31, 2011—Outstanding	4,856	124	228	75	7,162	265	250	394	6,413	466	527	694	5,362
Year Ended March 31, 2012													
Non-vested:													
March 31, 2011—Outstanding								160	2,206	224	246	833	5,465
Granted													
Canceled									(34)		(1)	(41)	(131)
Vested								(160)	(2,172)	(224)	(245)	(341)	(2,634)
March 31, 2012—Outstanding												451	2,700
Vested:													
March 31, 2011—Outstanding	4,856	124	228	75	7,162	265	250	394	6,413	466	527	694	5,362
Vested								160	2,172	224	245	341	2,634
Exercised													
Canceled	(248)	(2)	(8)		(229)		(5)	(76)	(345)	(1)	(2)	(102)	(323)
March 31, 2012—Outstanding	4,608	122	220	75	6,933	265	245	478	8,240	689	770	933	7,673
Exercise price	¥58,500	¥62,000	¥79,500	¥67,940	¥47,198	¥44,774	¥47,495	¥45,500	¥40,320	¥51,162	¥47,500	¥51,781	¥40,505
	($711.8)	($754.3)	($967.3)	($826.6)	($574.3)	($544.8)	($577.9)	($553.6)	($490.6)	($622.5)	($577.9)	($630.0)	($492.8)
Average stock price at exercise													

Year Ended March 31, 2011	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)	2011 Stock Option (1)	2011 Stock Option (2)	2011 Stock Option (3)	2011 Stock Option (4)
							(Shares)							
Non-vested:														
March 31, 2010—Outstanding	401	336	878	12,663	277	571								
Granted							700	11,936	316	541				
Canceled	(36)	(9)	(110)	(593)	(52)	(66)	(33)	(213)	(2)					
Vested	(162)	(137)												
March 31, 2011—Outstanding	203	190	768	12,070	225	505	667	11,723	314	541				
Vested:														
March 31, 2010—Outstanding														
Vested	162	137												
Exercised														
Canceled	(1)													
March 31, 2011—Outstanding	161	137												
Year Ended March 31, 2012														
Non-vested:														
March 31, 2011—Outstanding	203	190	768	12,070	225	505	667	11,723	314	541				
Granted											589	12,265	932	684
Canceled	(20)	(3)	(7)	(242)	(13)	(26)	(29)	(382)	(30)	(2)	(47)	(216)	(51)	
Vested	(44)	(45)	(351)	(5,877)	(94)	(223)								
March 31, 2012—Outstanding	139	142	410	5,951	118	256	638	11,341	284	539	542	12,049	881	684
Vested:														
March 31, 2011—Outstanding	161	137												
Vested	44	45	351	5,877	94	223								
Exercised														
Canceled	(19)	3	(2)	(162)		(5)								
March 31, 2012—Outstanding	186	179	349	5,715	94	218								
Exercise price	¥34,000	¥32,341	¥26,879	¥30,700	¥28,737	¥32,050	¥35,834	¥34,617	¥28,857	¥31,193	¥27,917	¥27,669	¥25,263	¥24,900
	($413.7)	($393.5)	($327.0)	($373.5)	($349.6)	($390.0)	($436.0)	($421.2)	($351.1)	($379.5)	($339.7)	($336.6)	($307.4)	($303.0)
Average stock price at exercise														

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

Note: 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 below is presented to show fair values of the stock options applicable to each of the three phases.

	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
	($376.7)	($298.9)	($290.0)	($248.6)	($274.8)	($207.6)	($254.3)	($246.9)
b.	¥35,782	¥26,803	¥25,311	¥23,448	¥25,697	¥18,121	¥23,651	¥23,128
	($435.4)	($326.1)	($308.0)	($285.3)	($312.7)	($220.5)	($287.8)	($281.4)
c.	¥39,196	¥28,156	¥26,766	¥25,578	¥27,206	¥20,659	¥26,853	¥24,691
	($476.9)	($342.6)	($325.7)	($311.2)	($331.0)	($251.4)	($326.7)	($300.4)

	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
	($201.2)	($181.5)	($177.1)	($124.2)	($115.6)	($149.2)	($116.8)	($147.9)
b.	¥18,525	¥15,716	¥15,075	¥10,715	¥10,338	¥13,247	¥10,271	¥12,987
	($225.4)	($191.2)	($183.4)	($130.4)	($125.8)	($161.2)	($125.0)	($158.0)
c.	¥21,037	¥17,980	¥16,395	¥11,262	¥10,701	¥13,747	¥11,193	¥13,992
	($256.0)	($218.8)	($199.5)	($137.0)	($130.2)	($167.3)	($136.2)	($170.2)

	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
	($141.5)	($122.6)	($113.0)	($127.9)	($108.3)	($92.9)	($84.7)	($95.7)
b.	¥12,389	¥10,734	¥ 9,518	¥10,641	¥8,987	¥7,711	¥7,158	¥8,278
	($150.7)	($130.6)	($115.8)	($129.5)	($109.3)	($93.8)	($87.1)	($100.7)
c.	¥13,174	¥11,507	¥10,109	¥11,264	¥9,168	¥7,780	¥7,235	¥8,343
	($160.3)	($140.0)	($123.0)	($137.0)	($111.5)	($94.7)	($88.0)	($101.5)

The assumptions used to measure fair value of stock options granted during the years ended March 31, 2012 and 2011, are as follows:

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 Japanese treasury bond applicable to the estimated remaining outstanding period of options.
6. Estimated number of options vested is determined based on the actual termination ratio of employees.

Year Ended March 31, 2011

Estimation method: Black-Scholes option pricing model

	2010 Stock Option (1)	2010 Stock Option (2)	2010 Stock Option (3)	2010 Stock Option (4)
Volatility of stock price:				
a.	39.7%	39.1%	39.2%	39.1%
b.	40.7%	40.0%	38.8%	38.1%
c.	41.8%	41.3%	39.9%	39.0%
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)	0.84%	0.90%	1.02%	0.93%
Risk free interest rate:				
a.	0.62%	0.46%	0.39%	0.74%
b.	0.70%	0.51%	0.44%	0.82%
c.	0.79%	0.58%	0.50%	0.91%

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:

2010 Stock Option (1): a. From May 17, 2004 to May 7, 2010
b. From November 17, 2003 to May 7, 2010
c. From May 19, 2003 to May 7, 2010

2010 Stock Option (2): a. From August 16, 2004 to August 6, 2010
b. From February 16, 2004 to August 6, 2010
c. From August 18, 2003 to August 6, 2010

2010 Stock Option (3): a. From November 8, 2004 to November 5, 2010
b. From May 10, 2004 to November 5, 2010
c. From November 10, 2003 to November 5, 2010

2010 Stock Option (4): a. From February 14, 2005 to February 4, 2011
b. From August 16, 2004 to February 4, 2011
c. From February 16, 2004 to February 4, 2011

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, 2010.
5. For the risk free interest rate, the Company uses the yield of Japanese treasury bond applicable to the estimated remaining outstanding period of options.
6. Estimated number of options vested is determined based on the actual termination ratio of employees.

7. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.7% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets:			
Enterprise tax payable	¥ 2,425	¥ 2,483	$ 29,505
Depreciation and amortization	4,395	4,998	53,474
Provision for Yahoo! Points	1,485	1,392	18,068
Write-down of investment securities	754	1,357	9,174
Revaluation on assets	1,593	2,743	19,382
Other	2,658	3,053	32,340
Less valuation allowance	(2,409)	(3,009)	(29,311)
Total	10,901	13,017	132,632
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	860	833	10,464
Other		(2)	
Total	860	831	10,464
Net deferred tax assets	¥10,041	¥12,186	$122,168

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

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets—current (included in other current assets)	¥ 4,640	¥ 5,522	$ 56,455
Deferred tax assets—non-current	5,408	6,667	65,799
Deferred tax liabilities—current (included in other current liabilities)	(5)		(62)
Deferred tax liabilities—non-current (included in long-term liabilities)	(2)	(3)	(24)
Net deferred tax assets	¥10,041	¥12,186	$122,168

Reconciliation between the statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2012 and 2011, 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.

Assessment of Prior Year Taxes and Adjustment of Income Taxes to Reflect Adjustment of the Purchase Price on Acquisition

Assessment of prior year taxes and adjustment of income taxes to reflect adjustment of the purchase price of acquisition in the accompanying consolidated statement of income were recorded mainly for the following reason:

In February 2009, the Company acquired all issued and outstanding shares of SISC from SOFTBANK CORP. In March 2009, the Company merged SISC and assumed net operating loss carryforwards of SISC. Subsequently, the Company utilized the entire amount of the net operating loss carryforwards on its tax returns for the year ended March 31, 2009.

In June 2010, the Company received a notice from the Tokyo Regional Taxation Bureau indicating that the utilization of the net operating loss carryforwards had unreasonably reduced the Company's income taxes, which resulted in additional taxes.

These additional taxes have been treated as an adjustment to the purchase price of SISC shares based on an agreement with SOFTBANK CORP. that SOFTBANK CORP. would reimburse an amount equal to any additional taxes incurred due to tax positions associated with the SISC merger. Upon the adjustment of the purchase price, negative goodwill arose based on the agreement. The negative goodwill has been recorded as an adjustment of income taxes to reflect adjustment of the purchase price on acquisition because the negative goodwill arose due to the disapproval of future tax benefit of the deferred tax assets assumed from SISC.

The Company submitted a request for reconsideration to the national tax tribunal. In April 2011, the Company brought judicial proceedings and intends to thoroughly argue its position on this matter.

8. COMPREHENSIVE INCOME

Reclassification adjustments and tax effects on other comprehensive income for the year ended March 31, 2012, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Net unrealized gain on available-for-sale securities:		
Gains arising during the year	¥439	$5,341
Reclassification adjustments to profit or loss	(73)	(888)
Amount before income tax effect	366	4,453
Income tax effect	(27)	(329)
Other comprehensive income—Net unrealized gain on available-for-sale securities	¥339	$4,124
Deferred gain on derivatives under hedge accounting:		
Gains arising during the year	¥ 6	$ 73
Reclassification adjustments to profit or loss		
Amount before income tax effect	6	73
Income tax effect	(3)	(36)
Other comprehensive income—Deferred gain on derivatives under hedge accounting	¥ 3	$ 37
Share of other comprehensive loss in associated companies accounted for by the equity method:		
Losses arising during the year	¥ (14)	$ (170)
Reclassification adjustments to profit or loss		
Other comprehensive income—Share of other comprehensive loss in associated companies accounted for by the equity method	¥ (14)	$ (170)

The corresponding information for the year ended March 31, 2011, is not presented because such information for the years prior to the initial application of the accounting standard for presentation of comprehensive income is not required as an exemption under the standard.

9. LEASE

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

Total rental expenses including lease payments under operating lease contracts and finance lease contracts that do not transfer ownership of the leased property to the lessee and that were entered into prior to April 1, 2008, included in the consolidated statements of income for the years ended March 31, 2012 and 2011, were ¥6,114 million ($74,389 thousand) and ¥5,644 million, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2012, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 6,120	$ 74,462
Due after one year	21,856	265,920
Total	¥27,976	$340,382

10. DERIVATIVES

Derivative contracts accounted for under hedge accounting as of March 31, 2012 and 2011, are as follows:

(1) Contract amount and fair value of derivative instruments to hedge foreign exchange risk associated with certain future expenses denominated in foreign currencies, of which gains and losses are deferred under hedge accounting:

	Millions of Yen	
	2011	
	Contract Amount	Fair Value
Foreign currency forward contract:		
Receipt: U.S. dollar, payment: Japanese yen	¥ 206	¥(4)
Receipt: Euro, payment: Japanese yen	1,182	(2)
Total	¥1,388	¥(6)

No balances remained as of March 31, 2012.

Note: All derivative transactions are to be settled within a year. The fair value of derivative instruments is stated at an amount obtained from financial institutions.

(2) Contract amount of derivative instruments to hedge foreign exchange risk associated with certain accounts payable and other payables denominated in foreign currencies that are translated at contract rates:

	Millions of Yen
	2012
Foreign currency forward contract:	
Receipt: Japanese yen, payment: U.S. dollar	¥ 87
Receipt: U.S. dollar, payment: Japanese yen	148
Receipt: Euro, payment: Japanese yen	1,020
Total	¥1,255

	Thousands of U.S. Dollars
	2012
Foreign currency forward contract:	
Receipt: Japanese yen, payment: U.S. dollar	$ 1,059
Receipt: U.S. dollar, payment: Japanese yen	1,801
Receipt: Euro, payment: Japanese yen	12,409
Total	$15,269

No balances remained as of March 31, 2011.

Note: All derivative transactions are to be settled within a year. Because the derivative instruments are treated as a part of related payables, the fair value of derivative instruments is included in that of payables in the table shown in Note 3.

11. RELATED PARTY TRANSACTIONS

Transactions of the Group with related parties for the years ended March 31, 2012 and 2011, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Transaction of the Company with SOFTBANK CORP.—Sale of investment (Note A)		¥120,000	
Transaction of the Company with SOFTBANK CORP.—Interest income (Note A)	¥1,203	207	$14,637
Transaction of the Company with SOFTBANK CORP.—Adjustment on acquisition cost (Note B)		29,312	
Transaction of the Company with Yahoo! Sàrl—Payment of service fees		15,101	
Transaction with individuals (directors)—Exercise of stock options	10	513	122

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

B. During the course of the merger of SISC, the Company acquired shares of IDC Frontier Inc. ("IDCF"). Subsequently, the Company and IDCF received a notice from the Tokyo Regional Taxation Bureau indicating that additional taxes were levied to the tax treatment of the acquisition of IDCF shares. Based on the agreement with SOFTBANK CORP., the amount equivalent to the additional taxes was paid to the Company.

The balance due to or due from related parties listed in the above table at March 31, 2012 and 2011, is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Other receivables	¥120,000	¥ 934	$1,460,032
Other assets (current)	1,410		17,155
Other assets (non-current)		122,854	
Accounts payable		1,177	

12. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2012 and 2011, is as follows:

	Millions of Yen	Thousands	Yen	U.S. Dollars
Year Ended March 31, 2012	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥100,559	57,999	¥1,733.81	$21.10
Effect of dilutive securities—Warrants		11		
Diluted EPS—Net income for computation	¥100,559	58,010	¥1,733.50	$21.09
Year Ended March 31, 2011				
Basic EPS—Net income available to common shareholders	¥92,175	57,989	¥1,589.53	
Effect of dilutive securities—Warrants		40		
Diluted EPS—Net income for computation	¥92,175	58,029	¥1,588.43	

13. 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, 2012 and 2011, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Total amount of the committed line of cash advance	¥15,335	¥16,673	$186,580
Outstanding balance	1,066	1,228	12,970
Remaining balance	¥14,269	¥15,445	$173,610

14. 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 its 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 classifies its services into three reportable segments, namely, (1) media business, (2) business-services business, and (3) consumer business, as summarized below.

The media business segment comprises planning and sales of Internet-based advertising-related services.

The business-services business segment includes planning of living-area information listing services, online sales, and agency services for medium- and small-sized companies.

The consumer business segment mainly consists of services for individual Internet users. Main revenue sources for this segment include e-commerce related services, membership services, and paid content services. This segment also includes planning and sales of online settlement services.

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					
	Media Business	Business-services Business	Consumer Business	Total	Reconciliation	Consolidated
Sales to customers	¥110,292	¥83,435	¥107,963	¥301,690	¥ 399	¥302,089
Intersegment sales		1		1	(1)	
Total sales	¥110,292	¥83,436	¥107,963	¥301,691	¥ 398	¥302,089
Segment income	¥ 60,699	¥42,649	¥ 68,365	¥171,713	¥(6,708)	¥165,005
Depreciation and amortization	¥ 3,161	¥ 3,762	¥ 3,545	¥ 10,468	¥ 341	¥ 10,809
Amortization of goodwill (see Note 1 below)	464	236	58	758	30	788
Remaining balance of goodwill	467	22	102	591		591
Interest received (paid)—net	(2)	3	1	2	1,385	1,387
Equity earnings of associated companies accounted for by the equity method	170	167	20	357	196	553

b. Reconciliation between the Segment Income and the Consolidated Financial Statements

	Millions of Yen
	2012
Total income for reportable segments	¥171,713
Intersegment transactions	(6)
Corporate expenses (see Note 2 below)	(4,811)
Interest and dividend income	1,790
Interest expense	(5)
Gain on foreign exchange—net	178
Equity in earnings of associated companies	553
Other	(4,407)
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	Corporate Services	Other	Total
Sales to customers	¥165,668	¥62,151	¥37,364	¥18,049	¥18,857	¥302,089

a. Sales, Income and Related Information by Reportable Segments

	Thousands of U.S. Dollars					
	2012					
	Reportable Segments					
	Media Business	Business-services Business	Consumer Business	Total	Reconciliation	Consolidated
Sales to customers	$1,341,915	$1,015,148	$1,313,578	$3,670,641	$ 4,855	$3,675,496
Intersegment sales		12		12	(12)	
Total sales	$1,341,915	$1,015,160	$1,313,578	$3,670,653	$ 4,843	$3,675,496
Segment income	$ 738,521	$ 518,907	$ 831,792	$2,089,220	$(81,616)	$2,007,604
Depreciation and amortization	$ 38,460	$ 45,772	$ 43,131	$ 127,363	$ 4,149	$ 131,512
Amortization of goodwill (see Note 1 below)	5,646	2,871	706	9,223	365	9,588
Remaining balance of goodwill	5,682	268	1,241	7,191		7,191
Interest received (paid)—net	(24)	37	12	25	16,851	16,876
Equity earnings of associated companies accounted for by the equity method	2,068	2,032	243	4,343	2,385	6,728

b. Reconciliation between the Segment Income and the Consolidated Financial Statements

	Thousands of U.S. Dollars
	2012
Total income for reportable segments	$2,089,220
Intersegment transactions	(73)
Corporate expenses (see Note 2 below)	(58,535)
Interest and dividend income	21,779
Interest expense	(61)
Gain on foreign exchange—net	2,166
Equity in earnings of associated companies	6,728
Other	(53,620)
Operating income as per the consolidated financial statements	$2,007,604

c. Sales to Customers, by Services

	Thousands of U.S. Dollars					
	2012					
	Advertising	e-Commerce Related	Membership Services	Corporate Services	Other	Total
Sales to customers	$2,015,671	$756,187	$454,605	$219,601	$229,432	$3,675,496

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

Segment information of the Group as of and for the year ended March 31, 2011, is as follows:

a. Sales, Income and Related Information by Reportable Segments

	Millions of Yen					
	2011					
	Reportable Segments			Total	Reconciliation	Consolidated
	Media Business	Business-services Business	Consumer Business			
Sales to customers	¥110,234	¥76,739	¥104,914	¥291,887	¥ 537	¥292,424
Intersegment sales	2		1	3	(3)	
Total sales	¥110,236	¥76,739	¥104,915	¥291,890	¥ 534	¥292,424
Segment income	¥ 59,419	¥38,790	¥ 68,062	¥166,271	¥(6,667)	¥159,604
Depreciation and amortization	¥ 2,727	¥ 3,192	¥ 3,590	¥ 9,509	¥ 335	¥ 9,844
Amortization and adjustment of goodwill (see Note 1 below)	351	(379)	58	30		30
Remaining balance of goodwill	932	258	160	1,350		1,350
Interest received (paid)—net	(1)	5	2	6	321	327
Equity earnings (losses) of associated companies accounted for by the equity method	385	176	(139)	422	(40)	382

b. Reconciliation between the Segment Income and the Consolidated Financial Statements

	Millions of Yen
	2011
Total income for reportable segments	¥166,271
Intersegment transactions	(10)
Corporate expenses (see Note 2 below)	(6,355)
Interest and dividend income	(414)
Interest expense	21
Gain on foreign exchange—net	(211)
Equity in earnings of associated companies	(382)
Other	684
Operating income as per the consolidated financial statements	¥159,604

c. Sales to Customers, by Services

	Millions of Yen					
	2011					
	Advertising	**e-Commerce Related**	**Membership Services**	**Corporate Services**	**Other**	**Total**
Sales to customers	¥157,350	¥59,207	¥36,633	¥19,025	¥20,209	¥292,424

Notes: 1. Amortization and adjustment of goodwill in the tables above include adjustment of amortization of goodwill due to subsequent adjustments to the purchase price on acquisition.
2. Corporate expenses consist primarily of general and administrative expenses that are not allocable to reportable segments.

15. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2012, was approved at the Company's Board of Directors meeting held on May 20, 2012:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥347.00 ($4.22) per share	¥20,127	$244,884

New Segmentation

In April 2012, the Company reviewed its corporate structure and the functions of its business groups in order to respond more quickly to changes in the market through implementing a more effective system to provide its services. As a result, the Company reorganized its three reportable segments, namely, (1) media business, (2) business-services business, and (3) consumer business, into two reportable segments, namely, (1) marketing solution business and (2) consumer business. The Company united the media business and marketing solution business, which have a mutually complementary relationship, into the marketing solution business to reflect the nature of businesses more accurately. The new segmentation will be used for the year ended March 31, 2013, and thereafter.

The new reportable segments include the following businesses:

(1) *Marketing solution business*
- (a) Listing advertising (Paid-search advertising and interest-based advertising)
- (b) Display advertising (Banner, text, e-mail and video)
- (c) Information listing service (Yahoo! Real Estate, Yahoo! Rikunabi, Yahoo! Auto, and others)
- (d) Data-center related services
- (e) Other services including Yahoo! WebHosting, Yahoo! Travel and others

(2) *Consumer business*
- (a) Tenant, royalty, and system-use fees for Yahoo! Auctions
- (b) Tenant and royalty fees for Yahoo! Shopping
- (c) Revenue from Yahoo! Premium memberships
- (d) Content fees and Yahoo! BB ISP fees

Segment information for the year ended March 31, 2012, prepared under the new segmentation is not presented because the reorganization process for the Company's management structure is in progress.

Business and Capital Alliance with ASKUL Corporation

The Company entered into a business and capital alliance agreement with ASKUL Corporation ("ASKUL"), as well as a share issuance agreement under which the Company will subscribe for ASKUL's newly issued shares, in accordance with the resolution of the Board of Directors meeting held on April 27, 2012. The Company paid the consideration for the newly issued shares on May 18, 2012. ASKUL will be the Company's associated company accounted for by the equity method.

(1) *Purposes of the agreements*

The Company and ASKUL entered into the agreements for the purpose of expanding their electronic commerce businesses by utilizing the strengths of both groups. The Company's strengths include its brand name, customer attraction power, and settlement capabilities developed through its business-to-customers businesses of Yahoo! Shopping and Yahoo! Auctions. The Company plans to combine ASKUL's strengths such as distribution know-how, information system, merchandising and consumer service capabilities, which are accumulated through its business-to-business mail order business, with the Company's strengths. In order to maximize the corporate value of each company, the two companies will share their customer attraction power, customer lists, supply resources, settlement system, technologies regarding system and design for online services, and equipment and operation capability of logistics and distribution, as well as know-how and human resources of these items. While leveraging synergies from the alliance, the Company intends to develop a new electronic commerce business targeting online business-to-customers businesses. The goal of this alliance is to become an overwhelming leader in the new business field within two years from the date of agreement, which will be achieved through providing new value added services to customers in Japan and opportunities to strengthen their businesses.

(2) *Outline of ASKUL*
- (a) Main businesses of ASKUL—Mail-order sales of the following items and services: Stationery products, office supplies, office furniture, office interior goods, computer appliances, software, books, food products, daily necessities, soft drinks, apparel, household electronic devices, hygiene goods, medical goods, medical equipment, nursing care goods, printing and embossing service (business cards, envelopes, and business documents), and office layout service.
- (b) Date of incorporation—November 2, 1963
- (c) Head office—3-2-3, Toyosu, Koto-ku, Japan
- (d) Representative—Shoichiro Iwata, President and CEO
- (e) Paid-in capital—¥3,535 million (as of February 20, 2012)
- (f) Major shareholder—PLUS CORPORATION: 26.80% (as of November 20, 2011)

(3) *Outline of the issuance of ASKUL's new shares*

ASKUL issued 23,028,600 shares of its common stock at ¥1,433 ($17.44) per share. Due date of the payment for the shares was May 20, 2012. Number of ASKUL's issued shares before the latest issuance was 31,189,400 shares. The Company subscribed for all of the new shares for a consideration of ¥32,999 million ($401,497 thousand) in total. As a result, the total number of issued shares of ASKUL became 54,218,000 shares of which the Company holds 42.6% of the common stock. The Company did not have any shares of ASKUL before this transaction.

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 consolidated subsidiaries as of March 31, 2012, 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 conformity 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 misstatements, 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 conformity 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 consolidated subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 15 to the consolidated financial statements, Yahoo Japan Corporation entered into a business and capital alliance agreement with ASKUL Corporation for its electronic commerce-related businesses as well as a share issuance agreement under which Yahoo Japan Corporation will subscribe for ASKUL's newly issued shares, in accordance with the resolution of the Board of Directors meeting held on April 27, 2012. Yahoo Japan Corporation paid the consideration for the newly issued shares on May 18, 2012. Our opinion is not qualified in respect of this matter.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

Tokyo, Japan
June 6, 2012

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 Yahoo Japan Corporation.

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 recent spread of broadband communications as well as to advances in and proliferation of mobile phones. Because the Yahoo Japan Group is dependent on the Internet both indirectly and directly, the most basic requirements for its business development are the continued expansion of Internet-based communications and commercial activities in line with increased Internet usage, as well as a stable and secure infrastructure for Internet users.

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

b. Continuous growth in our advertising media value is uncertain.

The Internet-based advertising industry in Japan is generally thought to have begun with the Company's start of operations in 1996. Since then, the Internet advertising market has grown significantly, accounting for 14.1% of the total domestic advertising market in calendar year 2011, according to a recent DENTSU INC. report. Internet advertising is now 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 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 listing advertising, meanwhile, we are working to improve the match between advertisements and the interests of each user, thereby becoming a more valuable media both for users and for advertisers.

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

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

The advertising business is highly susceptible to trends in the overall economy. During downturns, advertising expenditures are among the first that companies reduce. Contract periods for Internet advertising are relatively short. In addition, Internet usage and demand from advertisers for advertising space tend to be seasonal. These factors could contribute to underlying volatility in our advertising revenue stream.

Information listing services, in particular, are influenced by macroeconomic trends. In recruitment-related services, for example, client companies tend to base recruitment activities on labor market forecasts. Such macroeconomic trends, therefore, strongly influence revenues from recruitment-related information listing services.

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

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

Generally in Japan, major corporations outsource the bulk of their advertising activities to advertising agencies. In addition to how the advertising budget is allocated among the various media, for example, Internet, television, and newspapers, our advertising revenues depend on the inclinations of major corporate advertisers and the amount of discretion granted to advertising agencies. While we have implemented various measures to enhance Yahoo! JAPAN's appeal as an advertising media, including efforts to boost the effectiveness of advertising products, trends in advertising budget allocations among the various media could affect our advertising revenues.

e. We might fail to attain a share of the mobile advertising market comparable to our share of the PC market.

Based on projections that advertising via Internet-enabled terminals such as smartphones and tablets will grow at a quickening pace, we are

working to enable the provision of our services via such terminals in addition to PCs. 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 information listing services, such as Yahoo! Rikunabi, an employment information site jointly operated with RECRUIT Co., Ltd., 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 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 and mobile communications in recent years, the number of Internet users has increased dramatically, fueling growth in the number of potential users of Yahoo! JAPAN member services and other fee-based services. (Our premier member service, Yahoo! Premium, grants to subscribers special members-only benefits and entitlements, including unrestricted participation in Yahoo! Auctions.) Eventually, however, broadband and mobile phone proliferation in Japan will reach a saturation point and growth in the number of Internet users will begin to slow. If, as a result, growth in the number of users of Yahoo! JAPAN member services and other fee-based services also slows, so too is growth in revenue derived from these services likely to decline. To offset the expected decline in revenue growth, we are implementing various measures to promote broader usage of Yahoo! JAPAN member services and other fee-based services. Despite these efforts, it is possible that 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 music. Demand for such service content is likely to expand as the number of Internet users increases. If, on the other hand, fee-based service content fails to become a regular part of the lives of users, or if access to such service content via devices other than PCs becomes the norm but we fail to successfully break into the non-PC market, the achievement of expected earnings could be difficult.

2) Competition

With competitors in each of our service areas, we might have difficulties maintaining our dominant position in the Japanese Internet market.

Our flagship Yahoo! JAPAN portal site offers a diverse range of services over the Internet, including directory and other search engine services; various types of information services such as news; Internet tool services such as e-mail; shopping and other e-commerce services; and payment settlement services. We have multiple competitors in each of these service areas.

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

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

3) Reliance on Other Companies' Products and Services

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

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

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

Today, users can choose from several types of browser software for viewing Web sites and from a range of information devices including PCs, smartphones, tablets, TVs, video-game consoles, and car navigation systems for accessing the Internet. Although we strive to make

our services compatible with all types of browser software and information devices, some cases of incompatibility exist, most of which result from sub-optimal usage conditions or setting errors. Furthermore, browser software or information devices subject to specification changes, rate adjustments, or insufficient market supply have the potential to disrupt user access to 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 and has taken steps to protect minors from potentially harmful information, such as the operation of Yahoo! Kids and the introduction of Yahoo! Safety Net. In April 2009, the government enforced the Act on Development of an Environment that Provides Safe and Secure Internet Use for Young People. Judging from the provisions of that law, we currently expect that it will have only a minor impact upon our business. Nevertheless, the law raises many issues, such as restrictions on freedom of expression or inhibition of filtering development, which could impinge upon the development of the Internet industry in Japan and, consequently, affect our performance.

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

Reports have been made of illegal items being listed on Yahoo! Auctions, and cases of fraud have been identified. When sellers subject to the law 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! JAPAN Card service and Yahoo! Trading (financial instruments intermediary services).

In our Yahoo! JAPAN 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.

In its Yahoo! Trading (financial instruments intermediary services) operations, the Company is under the supervision of the Financial Services Agency and is subject to the Financial Instruments and Exchange Act and rules set by the Japan Securities Dealers Association. Under the Financial Instruments and Exchange Act, the Company registers with the Prime Minister as a financial instruments intermediary business. Although committed to compliance with these rules and regulations, the Yahoo Japan Group could be subject to penalties, such as a loss of registration, if, despite all efforts, it should be found guilty of violating any of those laws and rules. Strengthening or revising the compliance system or trading system to prepare for a tightening of those regulations might entail increased costs and could therefore negatively impact 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 July 2007, we began offering a "do now, pay later" service (see Note, below). 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 Yahoo Japan Group by certain users of Yahoo! Auctions seeking damage compensation relating to the nonreceipt 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 Yahoo Japan Group was not liable for damages because it had not only forewarned Yahoo! Auctions 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 Yahoo! Auctions 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.

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

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

In providing Yahoo! Trading (financial instruments intermediary services), we comply with internal solicitation policies and guidelines under the supervision of affiliated financial instruments firms (see Note, below) in setting up trading accounts and handling transactions. Before soliciting clients for transactions, we consult with affiliated financial instruments firms. Despite these precautions, we might make solicitations that inadvertently lead to misunderstanding on the part of certain clients. If, as a result of such solicitations, clients enter into transactions that result in client losses, we could be subject to demands for damage compensation from affiliated financial instruments firms, which in certain cases pay provisional damages to clients.

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

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

To avoid conflict with Japanese legal restrictions, we established an Advertisement Review Standard that internally regulates the content of advertisements and of Web sites accessible through advertisement links. As 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 Web content that is in violation of our contracts with users and will do so immediately upon discovering such Web 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.

d. 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 music. 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.

e. 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 Yahoo! Auctions, making no guarantees as to the selection, display, or bidding process for goods or services offered or the formation or honoring of contracts agreed to while using this service. Similarly, 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.

f. 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 intellectual property, including investigation and filing.

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.

g. Advertisers could claim reimbursement of excessive fees resulting from click fraud or other methods of artificially increasing advertising costs.

In listing advertising, including paid search and interest-linked 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. Yahoo! JAPAN systematically and in some cases manually monitors and determines whether click fraud is occurring and, in cases where click fraud is detected, removes fraudulent clicks from the count for billing. Nonetheless, a similar class-action lawsuit might be brought against the Yahoo Japan Group, resulting in damage to the brand image of Yahoo! JAPAN 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 periodically offer training courses related to the Subcontract Law to all Yahoo Japan Group employees 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, reduce, or postpone 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.

* If the impact of the Great East Japan Earthquake of March 2011 persists for a prolonged period, particularly with regard to the stability of the electric power supply, or if another disaster occurs in the meantime, our services could be adversely affected for an indeterminate period of time.

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, reduce, or postpone 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 smartphones. 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 over 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 smartphones, tablets, 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 have adopted the Yahoo! Everywhere strategy promoting Internet usage via a wide range of 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 devices, we must adopt the information transmission standards of each device with the support of the company that developed it. If we fail to properly adopt the standards for a given device, then we will not be able to provide services via that device.

Enabling users to easily connect to Yahoo! JAPAN via any Internet-enabled device is a key element supporting our competitiveness. For example, the *Y!* button on SOFTBANK mobile phones provides easy and direct connection to Yahoo! JAPAN services. We also intend to work closely with companies that have developed Internet-enabled devices other than mobile phones to ensure easy connectivity. Failure to achieve smooth Internet connectivity via such devices could undermine our competitiveness. Furthermore, should higher-than-expected costs be incurred in achieving connectivity, our performance could be negatively affected.

Each device has unique features, such as screen size and input system. Under the Yahoo! Everywhere strategy we are optimizing Yahoo! JAPAN sites for each of these features. 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 Sponsored Search® services (paid search advertising) and an affiliate ad program, operated in cooperation with 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 text advertising based on users' Yahoo! JAPAN 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 Yahoo! Auctions 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 continuing support from 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 senior managers 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 senior managers 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 listing 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 grown steadily.

The Yahoo Japan Group has formed a special section responsible for strengthening the management of this pool of customers and for taking such steps as introducing a new system to improve business efficiency. Despite these measures, we might be exposed to expanded risks related to the settlement and collection of receivables owing to increasing amounts of small sales receivables and uncollected receivables, expanding credit card settlement problems, and growing costs of receivables collection.

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

5. RELATIONSHIP WITH MAJOR STAKEHOLDERS

1) Major Shareholders

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

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

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

* The election of directors and corporate auditors shall be done according to law and the Company's articles of incorporation. However, as long as both SOFTBANK CORP. and Yahoo! Inc. maintain shareholdings equaling 5% or more of the Company's stock, SOFTBANK CORP. and Yahoo! Inc. shall each nominate its own representative to be a director. In addition, the number of directors shall be five, which number cannot be changed without first obtaining the approval of both SOFTBANK CORP. and Yahoo! Inc.
* The Company shall conduct its business according to law and its articles of incorporation. However, should the Company wish to undertake a merger that would reduce the combined shareholdings of SOFTBANK CORP. and Yahoo! Inc. to less than 50%, or to sell major assets, it must first obtain the approval of Yahoo! Inc.
* The Company shall increase its capital, raise funds, and take other financial actions according to law and its articles of

incorporation. SOFTBANK CORP. will not approve any resolution by the Company to issue new share subscription rights without Yahoo! Inc.'s consent (except in the case of stock options for employees). Moreover, SOFTBANK CORP. and Yahoo! Inc. will determine the range allowed for granting stock options to employees before this agreement becomes valid.

* The right of SOFTBANK CORP. and Yahoo! Inc. as shareholders to inspect the Company's books shall be in accordance with law and the Company's articles of incorporation.
* Other points of agreement:
  - — Neither SOFTBANK CORP. nor Yahoo! Inc. will agree to any change to the Company's articles of incorporation that would be detrimental to the other party.
  - — When one party decides to sell shares of Yahoo Japan Corporation, it will inform the other party at least 20 days in advance of the intended selling date.
  - — When one party decides to purchase additional shares of Yahoo Japan Corporation on the market, it will first obtain the consent of the other party.
  - — When one party decides to sell shares of Yahoo Japan Corporation on the market, it must offer the shares to the other party first. Should the other party not wish to buy the shares, they will be sold to a third party. In that case, the other party will also participate as a seller in the transaction with the same third party also buying its shares, and may sell shares of Yahoo Japan Corporation it holds to the third party as well in accordance with the proportion of shares held by SOFTBANK CORP. and Yahoo! Inc.

The Company is not the central party in this shareholder agreement. The shareholder agreement between SOFTBANK CORP. and Yahoo! Inc. shall, by principle, be executed in accordance with the 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 phone, Yahoo! BB, and other businesses. If SOFTBANK CORP. should invest in or tie up with a company offering services similar to those offered by the 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 licensing rights granted (gratis) to Yahoo! Inc. worldwide for use of Japanese content added by the Company 3) Royalties to be paid by the Company to Yahoo! Inc. (see Note, below) Note: 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).
Main details	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 SERVICE AGREEMENT
Contract date	July 27, 2010
Contract term	July 27, 2010, to October 31, 2012
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.
Main details	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

Inadequate consolidated management coordination could impact our performance.

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

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

3) Other Major Business Partners

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

The Company has signed the following business alliance contract and incentive agreement concerning Yahoo! BB services with SOFTBANK BB Corp. (SBB), which is a subsidiary of SOFTBANK CORP. Should any modifications be made to the business alliance contract with regard to the Yahoo! BB business, our earnings could be affected.

Contract name	Business alliance contract
Contract date	March 31, 2007 (original contract signed on June 20, 2001)
Contract term	June 20, 2001~ (indefinite term)
Counterparty	SOFTBANK BB Corp.
Main details	1) The Company and SBB will jointly provide Internet access services using FTTH and DSL technology. 2) The Company's main roles: • Promoting Yahoo! BB services • Acquiring subscribers for Yahoo! BB services • Operating the Yahoo! BB portal site • Providing mail and Web site services • Providing a fee-collection platform 3) SBB's main roles: • Providing ADSL and FTTH services between subscribers and phone offices, installing network infrastructure between phone-office buildings, and providing connections to Internet networks • Handling subscriber inquiries and providing technical support 4) SBB will pay the Company the following amounts, included in ISP charges, for services provided by the Company: • Yahoo! BB ADSL subscribers acquired: ¥100 per subscriber per month • Yahoo! BB hikari with FLET'S/Yahoo! BB hikari FLET'S course subscribers acquired: ¥60 per subscriber per month • Yahoo! BB for Mobile subscribers acquired: ¥50 per subscriber per month

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

Main details	Incentive fees • New subscriber acquisition incentive fees Yahoo! BB ADSL: Approx. ¥15,000 per new subscriber Yahoo! BB ADSL + wireless LAN package: Approx. ¥20,000 per new subscriber Yahoo! BB hikari: Approx. ¥5,000 per new subscriber Yahoo! BB hikari + wireless LAN package: Approx. ¥10,000 per new subscriber • Continuing subscriber incentive fees Yahoo! BB ADSL: Approx. ¥200 per month per continuing subscriber Yahoo! BB ADSL + wireless LAN package: Approx. ¥250 per month per continuing subscriberr 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 Yahoo! Auctions Netrust acts as the intermediate in the settlement of the transaction.

Because Netrust reimburses the seller of an item one to three business days after the buyer has made settlement by credit card or Internet banking, the subsidiary must carry the credit-card receivables for the period up to the fixed settlement date of the bank used by the credit-card company. 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! JAPAN Card service, we might be required to borrow funds to bridge the collection of reimbursement funds from cardholders.

The Yahoo! JAPAN Card is a credit card issued by the 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.

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

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

We offer and plan to continue offering Internet users high-quality, appealing information, such as up-to-the-minute news, weather, and stock quotes, as well as broadband content such as films and music. 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 pursing 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 companies, 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! JAPAN Card holders.

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

3) Relationship with Third Parties

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

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

In our advertising business, we derive a high proportion of total advertising sales from sales agents, such as specific advertising agencies and media reps. 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 established and operate joint ventures with third parties. These joint ventures depend substantially on the non-Group partners, especially in the areas of sales, supplies, distribution, and systems. 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 their 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 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) and a Chief Information Security Officer (CISO) 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 established the Information Security Council, comprising information security members from each of our divisions. 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 encrypted using SSL (Secure Sockets Layer) systems 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 is currently offering a phishing warning function on the Yahoo! Toolbar. As of January 2008, we began issuing OpenIDs (see Note 5, below), in addition to offering an authentication bureau service to improve information security by eliminating the storage and management of IDs on other sites. Although 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: OpenID
OpenID is a shared-identity authorization system that allows Internet users to log in to multiple sites using a single ID, eliminating the need for a different user name and password for each site. The OpenID specifications have been publicly released by the OpenID Foundation (http://openid.net/). Anyone is free to issue an OpenID or develop and provide services that support the system. Yahoo! JAPAN is compliant with OpenID 2.0, the most recent version.

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

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

b. Leaks of personal information by stores registered on Yahoo! Shopping or Yahoo! Auctions, or by business alliance partners, could damage 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 Yahoo! Auctions sites counteract our efforts.

We outsource the bulk of Yahoo! JAPAN Card services with the intention 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.

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

Regarding the anonymous delivery service offered by Yahoo! Auctions, if the transport company commissioned to handle this service should fail to handle the anonymous service properly and the names of the sender and receiver of an item were divulged, we could face lawsuits for compensation or suffer damage to our brand image, which could adversely affect our business performance.

Yahoo! Shopping sends 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! JAPAN Cards to make payments. As examples of fraud on Yahoo! Auctions, 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 Match®.

Based on an analysis of users' Internet usage histories, behavioral targeting advertising and Interest Match® distribute advertisements for products or services to user groups whose 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 Match® analyze three aspects of users' behavioral history information: (1) the Yahoo! JAPAN services viewed by users, or more specifically, accessed via users' browsers; (2) the keywords employed by users in searches; and (3) the type of display advertising viewed, or clicked-on, by users. This information is used only for the purpose of grouping users, or more specifically, users' browsers, on the basis of similar preferences and interests; it is not used to analyze the preferences and interests of specific users.

Although 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 Match® 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, 2012)

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)
IPO date	November 4, 1997 (JASDAQ)
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation

HISTORICAL NUMBER OF SHARES OUTSTANDING

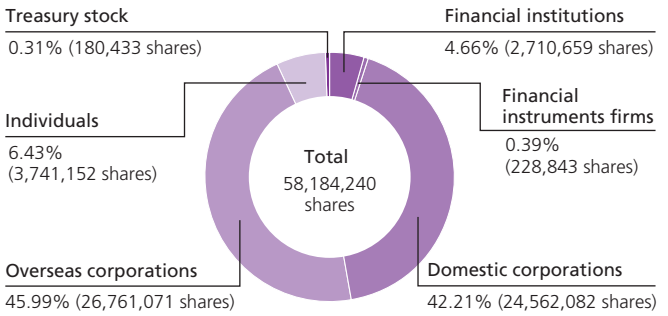
Date	Action	Number of shares outstanding*
1996/1/31	Establishment of the Company	4,000
1997/9/6	Rights offering: 1,800 shares	5,800
1997/11/4	Public offering: 975 shares	6,775
1999/3/6	Public offering at market price: 125 shares	6,900
1999/5/20	2-for-1 stock split	13,822
1999/11/19	2-for-1 stock split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

*Partial-share amounts have been rounded off conventionally.

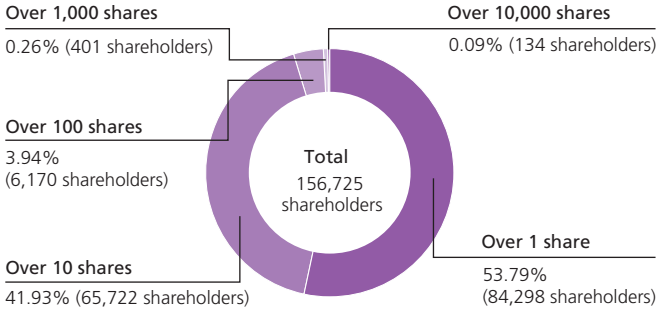
MAJOR SHAREHOLDERS

Name	Share holdings	Percent of total shares issued
SOFTBANK CORP.	20,625,264 shares	35.45%
Yahoo! Inc.	20,215,408 shares	34.74%
SBBM Corp.	3,735,609 shares	6.42%
Japan Trustee Services Bank, Ltd.	782,442 shares	1.34%
CBNY ORBIS FUNDS	636,363 shares	1.09%
The Master Trust Bank of Japan, Ltd.	558,874 shares	0.96%

BREAKDOWN OF SHARES OUTSTANDING, BY SHAREHOLDER TYPE



BREAKDOWN OF SHAREHOLDERS, BY NUMBER OF SHARES HELD



Corporate Information

CORPORATE DATA

(As of March 31, 2012)

Company name	Yahoo Japan Corporation
Founded	January 31, 1996
Common stock	¥7,959 million
Businesses	Internet advertising business e-Commerce business Members services business Other businesses
Headquarters	Midtown Tower, 7-1, Akasaka 9-chome, Minato-ku, Tokyo, 107-6211, Japan
Home page	http://www.yahoo.co.jp/
English-language IR page	http://ir.yahoo.co.jp/en/

DIRECTORS AND CORPORATE AUDITORS

(As of June 21, 2012)

Manabu Miyasaka
President and CEO

Masayoshi Son
Chairman of the Board of Directors

Ken Miyauchi
Director

Yasuyuki Imai
Director

Timothy Morse
Director

Shingo Yoshii
Full-time Corporate Auditor

Hiromi Onitsuka
Full-time Corporate Auditor

Mitsuo Sano
Corporate Auditor

Kyoko Uemura
Corporate Auditor

OPERATING OFFICERS

(As of July 1, 2012)

Kentaro Kawabe
Executive Vice President
Chief Operating Officer
Head of Media Services Company

Toshiki Oya
Chief Financial Officer

Masatsugu Shidachi
Head of Marketing Solutions Company

Koji Sakamoto
Head of Consumer Business Company

Kazuto Ataka
Chief Strategy Officer
Head of Business Strategy Group

Tetsuya Nishimaki
Chief Security Officer
Head of Operations Group

Tomoaki Tanida
Head of Central Services Group

Shin Murakami
Chief Mobile Officer

Naoya Bessho
Chief Compliance Officer

Main Consolidated Subsidiaries

(As of March 31, 2012)

Feedpath, Inc.
Business: Planning, development, and sales of application software licensing (B2B)
Founded: April 2005
Common Stock: ¥30 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://www.feedpath.co.jp/

Firstserver, Inc.
Business: Rental server information processing business, domain registration, and other Internet services
Founded: October 1996
Common Stock: ¥364 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: 60.0%
URL: http://www.indival.co.jp/
*Indival, Inc. became a wholly-owned subsidiary of Yahoo Japan Corporation as of June 29, 2012.

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/

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/

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
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