

Results for the Fiscal Year and Three Months Ended March 31, 2009

2009.4.28

Company Name: Yahoo Japan Corporation Share Listings: 1st section of TSE and JASDAQ
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 Scheduled Ordinary Shareholder's Meeting Date: June 23, 2009
 Scheduled Dividend Payment Date: June 9, 2009
 Scheduled Securities Report Submission Date: June 23, 2009

(Amounts less than one million yen are omitted)

1. Consolidated Results for FY2008 (April 1, 2008-March 31, 2009)

(1) Consolidated Financial Results (April 1, 2008 – March 31, 2009) (Figures in parenthesis are % change YoY)

	Revenue		Operating income		Ordinary income		Net income	
	Millions of yen (%)							
FY2008	265,754	(1.4)	134,618	(7.9)	132,912	(9.4)	74,715	(19.3)
FY2007	262,027	(23.3)	124,807	(17.5)	121,511	(18.2)	62,617	(8.0)

	Net income per share-primary	Net income per share-diluted	ROE	Ratio of ordinary income to total assets	Operating margin
	Yen	Yen	%	%	%
FY2008	1,255.52	1,254.18	31.0	39.0	50.7
FY2007	1,035.27	1,033.79	28.5	35.3	47.6

(For reference) Equity in earnings of affiliated companies: FY2008 ¥-1,064 million FY2007 ¥-3,059 million

(2) Consolidated Financial Position

	Total assets	Net assets	Ratio of equity capital	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2008	311,551	236,469	75.2	4,029.47
FY2007	369,660	250,672	67.1	4,100.94

(For reference) Equity capital: FY2008 ¥234,144 million FY2007 ¥248,107 million

(3) Consolidated Cash Flows Status

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash & cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2008	87,805	-53,946	-109,923	36,996
FY2007	81,493	-16,981	-26,192	113,027

2. Cash Dividends

(Record date)	Dividends per share					Total amount (Full year)	Payout ratio (Consolidated)	Dividend on net assets ratio (Consolidated)
	1Q	2Q	3Q	Year end	Full year			
FY2007	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2007	-	-	-	104.00	104.00	6,292	10.0	2.9
FY2008	-	-	-	130.00	130.00	7,554	10.4	3.2
FY2009 (Estimates)	-	-	-	-	-		-	

Note: Payment of dividends for FY2009 is not yet determined at this time.

3. Consolidated Business Outlook for FY2009 – First Quarter (April 1, 2009 – June 30, 2009)

(Figures in parenthesis are % change Yon Y)

	Revenue		Operating income		Ordinary income		Net income		Net income per share-primary
FY2009-1Q	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)	Yen
	66,100–	(0.8-	32,400–	(-1.5-	32,100–	(-1.0-	19,000–	(-0.8-	319.28–337.76
	69,100	5.4)	34,100	3.7)	33,800	4.3)	20,100	4.9)	

* Performance estimates have been made based on the information available to Yahoo Japan Corporation (the “Company”), and the Company and its consolidated subsidiaries and affiliates (the “Group”) at the current point in time. Readers are cautioned, however, that these performance estimates contain elements of risk and uncertainty.

4. Others

(1) Reclassification of significant subsidiaries during the period (Reclassification due to change in scope of consolidation): No
 (2) Changes in the accounting principles and procedures for producing financial statements and in method of presentation for the period

- 1) Revisions in accounting standards: Yes
- 2) Other changes: Yes

For further details, refer to (4) Change in Revenue Accounting Methods on page 12.

(3) Issued stocks (common stock)

- 1) Issued stocks at end of quarter (including treasury stocks)

FY2008 58,107,980 stocks FY2007 60,502,022 stocks

- 2) Treasury stocks at end of quarter

FY2008 - stock FY2007 1,932 stocks

(Reference)

1. Non-consolidated Results for FY2008 (April 1, 2008 – March 31, 2009)

(1) Non-consolidated financial results

(Figures in parenthesis are % change Yon Y)

	Revenue		Operating income		Ordinary income		Net income	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
FY2008	224,588	(1.7)	123,689	(1.4)	127,278	(4.7)	68,363	(6.0)
FY2007	220,750	(11.9)	121,961	(16.0)	121,584	(15.3)	64,486	(4.7)

	Net income per share-primary	Net income per share-diluted
	Yen	Yen
FY2008	1,148.78	1,147.56
FY2007	1,066.16	1,064.64

(2) Non-consolidated financial position

	Total assets	Net assets	Ratio of equity capital	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2008	293,808	236,031	80.2	4,057.49
FY2007	356,152	257,167	72.2	4,248.77

(For reference) Equity capital: FY2008 ¥235,772 million FY2007 ¥257,051 million

5. Business Results

(1) Performance Highlights

- In the fiscal year ended March 31, 2009, Yahoo Japan Corporation and its consolidated subsidiaries and affiliates recorded growth in sales and profit for the 12th consecutive year since the start of its services. The revenue amounted to ¥265.7 billion(*). Operating income was ¥134.6 billion, increasing 7.9% from a year earlier. Ordinary income totaled ¥132.9 billion, rising 9.4% over the same period last year. Net income climbed to ¥74.7 billion, advancing 19.3% year on year.

(*)Commencing with the first quarter, the Company changed its method of accounting for the traffic acquisition cost (TAC) paid to other partner sites and recorded in the cost of sales, as well as the commissions paid to sales agencies, etc. and recorded in SG&A expenses, to a net of sales method (presentation and booking on net basis). Hereinafter, calculations of revenue are on a net basis (presentation and booking on net basis) or the previous gross basis as indicated below. Consolidated revenue for the period under review as calculated by the previously used gross basis amounted to ¥295.9 billion.

A comparison of revenues on a net and gross basis is shown in the table below.

Revenue for the year (April 1, 2008-March 31, 2009)

	Revenue (Net basis)	Revenue (Gross basis)	Year on Year Change (Gross basis)
Advertising Business	¥138.8 billion	¥163.8 billion	+25.0%
Business Services Business	¥54.5 billion	¥55.9 billion	-3.6%
Personal Services Business	¥72.6 billion	¥76.5 billion	+4.7%
Total	¥265.7 billion	¥295.9 billion	+12.9%

- In the advertising business, the market's evaluation of behavioral targeting, demographics, and other products heightened further, resulting in revenue expanding by 100% or more year on year. Looking at advertising products, revenue of Prime Display, popular for its large size and visual impact, rose approximately 150% from the previous fiscal year. Revenue of Brand Panel advertising increased 20% or more. Continuing to build on the synergies captured from the consolidation of Overture K.K., paid search advertising revenue climbed approximately 40% year on year based on such factors as increased use of the product in media other than those of the Group. However, advertising revenue were affected by the difficult conditions faced by the overall advertising market as a result of the sharp deterioration in the economy in the latter half of the fiscal year. Display advertising revenue dropped in the fourth quarter, while paid search advertising also declined severely in certain segments. Nevertheless, revenue of the interest-linked advertising Interest Match™ grew continuously following its introduction in September 2008 and mobile paid search advertising also increased approximately 170% year on year.
- In business services other than advertising, Yahoo! Rikunabi's revenue plummeted under the decline in hiring sentiment by companies due to the deterioration in the economy, falling approximately by half compared with the previous fiscal year. In addition, Yahoo! BB's customer acquisition incentive fees declined. In contrast, transaction volume on Yahoo! Shopping rose due to the development of sales promotional plans aligned with the seasons and efforts to increase customer convenience, such as simplification of shopping procedures and the addition of shopping item review functions. At the end of March 2009, the number of merchant stores registered on Yahoo! Shopping and Yahoo! Auctions totaled 32,843, expanding by 1,554 stores, or 5.0% year on year, thus resulting in the growth in the tenant fees for Yahoo! Shopping and Yahoo! Auctions. In addition to the increase in transaction volume of BtoC auctions on Yahoo! Auctions, commission fees also greatly increased, helped by the upward revision in its store royalties that began in December. Revenue of Yahoo! Real Estate rose as well. Nevertheless, the impact of the drop in Yahoo! Rikunabi revenue and decline in Yahoo! BB customer acquisition incentive fees was significant, resulting in an overall decrease in business services revenues.
- In the personal service business, Yahoo! Premium made efforts to expand and improve exclusive services for members and to strengthen collaboration with non-Group partners to provide special benefits for members. Accordingly, the number of Yahoo! Premium membership IDs as of March 31, 2009, hit a record high and rose to 7.36 million IDs or up 6.4% year on year despite the increase in membership fee implemented in December 2008. Yahoo! Premium revenues also expanded approximately 20%. The number of listed items on Yahoo! Auctions rose thanks to various measures to increase usage, and mobile-related transaction volume grew substantially. Nevertheless, the closing prices on auctions declined under falling consumption sentiment resulting from the bad economy and there was a slump in such categories as fashion. Under this impact, overall transaction volume slipped year on year. Revenue of pay content services expanded substantially primarily due to growth in revenue of Yahoo! Partner and Yahoo! Comics.

- During the fiscal year under review, the Group continued to take steps to strengthen its mobile services to promote greater use of the mobile Internet. The Group renewed the top pages of its Yahoo! Keitai for SOFTBANK mobile phones and its mobile versions of Yahoo! JAPAN for i-mode and EZweb formats and expanded and improved search functions that take advantage of the special features of mobile services. As a result, page views of mobile services soared about 1.5 times, mobile commerce transaction volume expanded about 30%, and mobile paid search advertising revenues jumped approximately 170%.
- In the fourth quarter, the Group completed an absorption merger of SOFTBANK IDC Solutions Corp. Going forward, the Group is targeting a large reduction in data center-related costs and the establishment of a strategy foundation for next-generation Internet business based on the merger.
- As a part of its measures to return profits to shareholders, the Yahoo Japan Corporation conducted share buy backs on the market twice during the fiscal year, purchasing and canceling a total of 2,395,000 of its own stocks (total purchase cost of ¥81.6 billion and a ratio of 4.0% to total number of issued stocks). Consequently, ROE increased by 4.5 percentage points compared with what the figure would have been if the shares had not been purchased and cancelled.

(2) Consolidated Financial Results for the Fourth Quarter and Full Year

(i). Consolidated Balance Sheets for the Fourth Quarter

(Millions of yen)

	As of	As of	Increase/ decrease		As of
	Mar. 31, 2008	Mar. 31, 2009	Amount	Change (%)	Dec. 31, 2008
	Amount	Amount	Amount	Change (%)	Amount
Assets					
Current assets					
Cash and cash equivalents (*1)	113,027	36,996	-76,031	-67.3	74,891
Notes and accounts receivable-trade (*2)	36,831	34,825	-2,006	-5.4	33,907
Inventory assets	240	257	17	7.4	194
Deferred tax assets	4,305	3,600	-704	-16.4	2,918
Other current assets (*3)	12,000	17,169	5,168	43.1	17,119
Allowance for doubtful accounts (*4)	-2,095	-1,458	636	-30.4	-1,493
Total current assets	164,310	91,390	-72,919	-44.4	127,537
Fixed assets					
Tangible fixed assets					
Buildings and structures	3,175	6,217	3,041	95.8	3,000
Machinery and equipment	—	4,734	4,734	—	—
Tools, furniture and fixtures	13,394	11,101	-2,293	-17.1	12,314
Land	—	5,001	5,001	—	—
Other tangible fixed assets	53	2,129	2,076	—	19
Total tangible fixed assets (*5)	16,623	29,184	12,561	75.6	15,333
Intangible fixed assets					
Software	11,247	12,200	953	8.5	12,052
Goodwill (*6)	2,525	6,423	3,897	154.3	2,458
Other intangible fixed assets	30	56	26	86.1	56
Total intangible fixed assets	13,803	18,680	4,877	35.3	14,567
Investments and other assets					
Investment securities (*7)	163,922	157,891	-6,030	-3.7	161,160
Deferred tax assets (*8)	3,898	7,248	3,350	85.9	5,377
Others	7,120	7,269	148	2.1	6,456
Allowance for doubtful accounts	-18	-114	-95	510.9	-57
Total investments and other assets	174,922	172,295	-2,627	-1.5	172,936
Total fixed assets	205,349	220,160	14,810	7.2	202,838
Total assets	369,660	311,551	-58,108	-15.7	330,375

(Millions of yen)

		As of	As of	Increase/ decrease		As of
		Mar. 31, 2008	Mar. 31, 2009	Amount	Change (%)	Dec. 31, 2008
		Amount	Amount	Amount	Change (%)	Amount
Liabilities						
Current liabilities						
Accounts payable-trade	(*9)	6,620	5,329	-1,291	-19.5	5,062
Short-term bank loans		20,000	20,000	—	—	20,020
Accounts payable-other		13,744	13,718	-26	-0.2	11,237
Income taxes payable	(*10)	29,154	3,286	-25,867	- 88.7	13,648
Provision for Yahoo! Points		2,292	2,767	475	20.7	2,531
Other current liabilities	(*11)	17,164	19,612	2,447	14.3	21,030
Total current liabilities		88,976	64,713	-24,263	- 27.3	73,529
Long-term liabilities						
Long-term debt	(*12)	30,000	10,000	-20,000	-66.7	10,000
Other long-term liabilities		10	367	356	—	143
Total long-term liabilities		30,010	10,367	-19,643	- 65.5	10,143
Total liabilities		118,987	75,081	-43,906	- 36.9	83,673
Net assets						
Shareholders' equity						
Common stock	(*13)	7,366	7,444	78	1.1	7,428
Capital surplus		2,447	2,525	78	3.2	2,509
Retained earnings	(*14)	236,605	223,955	-12,650	- 5.3	234,378
Treasury stock		-28	—	28	-100.0	-0
Total shareholders' equity		246,390	233,925	-12,465	-5.1	244,315
Unrealized gain on available-for-sale securities	(*15)	1,716	219	-1,497	-87.2	236
Stock acquisition rights		116	259	143	123.2	216
Minority interests		2,449	2,066	-383	-15.6	1,933
Total net assets		250,672	236,469	-14,202	-5.7	246,702
Total liabilities and net assets		369,660	311,551	-58,108	-15.7	330,375

Main Points Regarding Consolidated Balance Sheets for the Fourth Quarter

Assets

- *1 While there was a ¥127.2 billion outflow due to the purchase of the Company's own stocks and of investment securities, cash and cash equivalents only decreased ¥76.0 billion compared with the same quarter in the previous fiscal year primarily because of the increase in cash flow from operating activities.
- *2 The drop in notes and accounts receivables-trade year on year can be primarily attributed to the decline in business services revenue.
- *3 The growth in other current assets from the same period a year earlier was mainly due to the increase in debt related to Yahoo! JAPAN card and Yahoo! ezPay operations.
- *4 The decline in the allowance for doubtful accounts from a year earlier can principally be attributed to an improvement in the debt collection ratio for individuals.
- *5 The growth in tangible fixed assets from the same quarter last year is principally due to the inclusion of fixed assets related to merger.
- *6 The increase in goodwill compared with last year's fourth quarter is chiefly due to the purchase of subsidiary shares.
- *7 Although additional purchases of investment securities were made during the quarter, the balance decreased year on year because of declines in market prices.
- *8 The growth in deferred tax assets compared with last year's fourth quarter is primarily due the assumption of deferred tax assets from merger.

Liabilities

- *9 The decrease in accounts payable-trade year on year resulted principally from a decline in the accounts payable-trade of Overture K.K.

- *10 The decrease in income taxes payable resulted from a decline in income taxes for the period under review under the impact of merger.
- *11 The increase in other current liabilities from a year earlier was mainly due to increases in deposits received by Yahoo! ezPay and prepayments received for paid search advertising.
- *12 The decline in long-term debts from the same period in the previous fiscal year resulted from repayments.

Net Assets

- *13 The rise in common stock compared with the same period in the previous fiscal year was due to the exercise of stock options.
- *14 Although there was an increase in retained earnings from the fourth quarter a year earlier due to net income growth, it declined due to the purchase and cancellation of the Company's own stocks.
- *15 The decrease in unrealized gain on available-for-sale securities year on year resulted mainly from evaluation losses on other securities due to declines in market values.

(ii) Consolidated Statements of Income for the Full Year (April 1, 2008 – March 31, 2009)

(Millions of yen)

	Fiscal year ended Mar. 31, 2008	Fiscal year ended Mar. 31, 2009	Increase/Decrease	
	Amount	Amount	Amount	Change (%)
Revenue	262,027	265,754	3,726	1.4
Cost of sales	28,260	27,807	-453	-1.6
Gross profit	233,766	237,946	4,180	1.8
Selling, general & administrative expenses	108,959	103,328	-5,630	-5.2
Personnel expenses	22,631	26,060	3,429	15.2
Business commissions	16,003	15,555	-448	-2.8
Depreciation expenses	9,615	10,922	1,306	13.6
Communication charges	8,386	9,480	1,093	13.0
Royalties	7,511	7,865	353	4.7
Content provider fees	5,269	6,207	937	17.8
Lease and utility expenses	6,423	7,083	660	10.3
Sales promotion costs	4,515	5,163	647	14.3
Sales commissions	11,407	4,302	-7,105	-62.3
Administrative and maintenance expenses	2,077	2,239	162	7.8
Payment commissions	5,129	910	-4,219	-82.2
Advertising expenses	1,297	1,159	-138	-10.7
Allowance for doubtful accounts	1,792	795	-997	-55.6
Taxes and public dues	1,169	1,027	-141	-12.1
Amortization of goodwill	1,605	673	-931	-58.0
Others	4,122	3,883	-239	-5.8
Operating income	124,807	134,618	9,810	7.9
Non-operating income	841	527	-314	-37.3
Non-operating expenses	4,137	2,232	-1,904	-46.0
Ordinary income	121,511	132,912	11,401	9.4
Extraordinary gains	4	1,604	1,599	—
Extraordinary losses	7,526	8,142	615	8.2
Income before income taxes	113,989	126,375	12,385	10.9
Income taxes, inhabitants' taxes and enterprise taxes	51,592	29,237	-22,354	-43.3
Adjustment to income taxes	-901	21,822	22,724	—
Minority interests in gains of consolidated subsidiaries	681	599	-81	-11.9
Net income for the period	62,617	74,715	12,097	19.3

(iii) Consolidated Statements for Income for the Fourth Quarter (January 1, 2009 – March 31, 2009)

(Millions of yen)

	Three months ended Mar. 31, 2008	Three months ended Mar. 31, 2009	Increase/ decrease	
	Amount	Amount	Amount	Change (%)
Revenue	74,224	67,139	-7,084	-9.5
Cost of sales	11,087	6,677	-4,409	-39.8
Gross profit	63,137	60,461	-2,675	-4.2
Selling, general & administrative expenses	29,375	24,901	-4,473	-15.2
Personnel expenses (*1)	6,230	6,539	308	5.0
Business commissions (*2)	4,160	3,240	-919	-22.1
Depreciation expenses	2,807	3,031	223	8.0
Communication charges	2,189	2,483	293	13.4
Royalties	2,169	1,976	-192	-8.9
Content provider fees (*3)	1,343	1,684	340	25.4
Lease and utility expenses	1,845	1,641	-204	-11.1
Sales promotion costs	1,278	1,252	-25	-2.0
Sales commissions (*4)	3,075	1,080	-1,995	-64.9
Administrative and maintenance Expenses	506	486	-19	-3.9
Payment commissions (*4)	1,442	240	-1,202	-83.3
Advertising expenses (*5)	347	220	-126	-36.5
Allowance for doubtful accounts (*6)	343	146	-196	-57.3
Tax and public dues (*7)	324	130	-193	-59.6
Amortization of goodwill (*8)	360	108	-251	-69.8
Others (*9)	949	637	-312	-32.9
Operating income	33,761	35,560	1,798	5.3
Non-operating income	327	103	-223	-68.4
Non-operating expenses	1,238	599	-639	-51.6
Ordinary income	32,850	35,064	2,214	6.7
Extraordinary gains	-2	460	462	—
Extraordinary losses	2,988	6,435	3,446	115.3
Quarterly income before income taxes	29,859	29,090	-769	-2.6
Income taxes, inhabitants' taxes and enterprise taxes	15,131	-10,624	-25,756	—
Adjustment to income taxes	-1,634	20,939	22,574	—
Minority interests in gains of consolidated subsidiaries	188	87	-100	-53.5
Net income for the period	16,174	18,687	2,513	15.5

Change in Accounting Methods

* Commencing with the first quarter, the Company changed its method of accounting for the traffic acquisition cost (TAC) paid to other partner sites and recorded in the cost of sales, as well as the commissions paid to sales agencies, etc. and recorded in SG&A expenses, to a net of sales method (presentation and booking on net basis).

Main Points Regarding Consolidated Statements of Income for the Fourth Quarter and Full Year

Revenue

Revenue for the fourth quarter decreased ¥7.0 billion due to the change to presentation on a net basis. Using the previous calculation method (gross presentation), revenue was ¥75.1 billion, increasing 1.2% from a year earlier.

Cost of Sales

Cost of sales for the fourth quarter contracted ¥4.4 billion due to the change to presentation on a net basis. Using the previous calculation method (gross presentation), cost of sales was ¥11.3 billion, increasing 2.7% from the third quarter last year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the fourth quarter decreased ¥4.4 billion year on year. Of that amount, ¥3.2 billion was accounted for by declines in commissions paid to sales agencies and others due to the presentation of revenue on a net basis. Excluding that impact, SG&A expenses fell 4% from the fourth quarter last year. This decline can be attributed to the Group's efforts as a whole to implement cost reduction measures, such as bringing operations in-house, integrating offices, increasing business efficiency, and others.

*1 Personnel expenses

At the end of the quarter, after eliminating overlap, the total number of directors and employees of the Group amounted to 4,647 up 847, or 22.3%, from the end of the same quarter in the previous fiscal year.

*2 Business commissions

The decrease in business commissions year on year in the fourth quarter occurred because of a contraction in business commissioned outside the Group resulting from the promotion of bringing development and other operations in-house.

*3 Content provider fees

The year-on-year rise in quarterly content provider fees can mainly be attributed to increased variety content.

*4 Sales and payment commissions

The year-on-year decline in quarterly sales and payment commissions was mainly due to the change to the deduction method where agency and settlement-related commissions are deducted from revenue.

*5 Advertising expenses

The decline in advertising expenses from the same period in the previous fiscal year is principally the result of a revision of advertising activities.

*6 Allowance for doubtful accounts

The primary reason for the year-on-year decline in the allowance for doubtful accounts for the quarter was an improvement in the debt collection ratio for individuals.

*7 Taxes and public dues

The year-on-year decline in quarterly taxes and public dues was mainly due to a decrease in corporate taxes based on the application of pro forma standard taxation resulting from the impact of the absorption of the losses carried forward of other company because of merger.

*8 Amortization of goodwill

The main reason that the amortization amount fell compared with a year earlier was the decrease in goodwill balance due to an impairment loss.

*9 Others

The major expenses in others during the fourth quarter were compensation, fixtures and fittings expenses, packaging and delivery.

Non-Operating Income (Expenses)

The main components of non-operating income for the fourth quarter were interest and dividends received. The main components of non-operating expense for the fourth quarter were equity in losses under the equity method and interest expenses for borrowings.

Extraordinary Gains (Losses)

The major extraordinary gain for the fourth quarter was gain on sale of investment securities, while the major extraordinary losses were evaluation losses on investment securities and office moving expenses.

Income Taxes, etc.

Because of the impact of merger, the effective income tax (including income tax adjustments) burden ratio for the fourth quarter was 35.5%. For the fiscal year, the burden ratio was 40.4%.

Minority Interests in Gains of Consolidated Subsidiaries

Minority interest in gains reflects the interest of shareholders other than the Company in the profit and losses of the consolidated subsidiaries.

Quarterly Net Income

Net income per share amounted to ¥316.17 for the quarter and ¥1,255.52 for the fiscal year.

(iv). Consolidated Statements of Cash Flows for the Fourth Quarter and Full Year

(Millions of yen)

	Three months ended Mar. 31, 2008	Three months ended Mar. 31, 2009	Fiscal year ended Mar. 31, 2009
	Amount	Amount	Amount
Cash flows from operating activities:			
Income before income taxes for the periods	29,859	29,090	126,375
Depreciation and amortization	2,952	3,182	11,516
Increase/decrease in accounts receivable-trade	-2,354	1,454	5,348
Increase/decrease in accounts payable-trade	312	266	-1,292
Payment of income taxes and other taxes	-154	-140	-55,371
Other cash flows	4,647	2,864	1,228
Cash flows from operating activities	35,263	36,717	87,805
Cash flows from investing activities:			
Expenditures on tangible fixed assets	-2,195	-1,126	-6,799
Expenditures on intangible fixed assets	-738	-864	-4,320
Expenditures on investment securities	-826	-858	-2,115
Proceeds from sale of investment securities	204	1,300	2,336
Expenditures on acquisition of newly consolidated subsidiaries' stocks	-675	-43,109	-43,109
Other cash flows	116	90	61
Cash flows from investing activities	-4,114	-44,568	-53,946
Cash flows from financing activities:			
Redemption of long-term debt	—	—	-20,000
Expenditures on purchase of treasury stock	—	-30,027	-82,001
Other cash flows	-29	-15	-7,922
Cash flows from financing activities	-29	-30,043	-109,923
Net change in cash and cash equivalents	31,119	-37,894	-76,065
Cash and cash equivalents at the beginning of the periods	81,907	74,891	113,027
Increase in cash and cash equivalents from the consolidation of subsidiaries	—	—	34
Cash and cash equivalents at the end of the periods	113,027	36,996	36,996

Main Points Regarding Consolidated Statement of Cash Flows for the Fourth Quarter and Full Year

Cash Flows from Operating Activities

Fourth-quarter cash flows provided by operating activities amounted to ¥36.7 billion due to growth in net income.

Cash Flows from Investing Activities

Cash flows used in investing activities for fourth quarter amounted to ¥44.5 billion, primarily due to the purchase of subsidiary stock.

Cash Flows from Financing Activities

Cash flows used in financing activities for the fourth quarter amounted to ¥30.0 billion, mainly due to expenditures on purchase of the Company's own stock. During the period under review, in addition to the purchase of the Company's own stock, there was an expense for redemption of long-term debt totaling ¥109.9 billion.

(3) Performance Outlook

The business climate surrounding the Group can fluctuate widely over a short interval. Consequently, it is extremely difficult to make performance forecasts for the next fiscal year with a high degree of reliability.

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

Therefore, changes in conditions could result in the possibility of actual performance varying significantly from announced estimates. In such cases, we are committed to quickly announcing revisions in our estimates.

Consolidated Performance Estimates for the First Quarter of the Fiscal Year Ending March 31, 2010 (FY2009-1Q) (April 1, 2009 to June 30, 2009)

Revenue	¥ 66,100 million ~ ¥ 69,100 million
Operating income	¥ 32,400 million ~ ¥ 34,100 million
Ordinary income	¥ 32,100 million ~ ¥ 33,800 million
Net income	¥ 19,000 million ~ ¥ 20,100 million

(4) Change in Revenue Accounting Methods

Commencing with the first quarter, the Company changed its method of accounting for the traffic acquisition cost (TAC) paid to other partner sites and recorded in the cost of sales, as well as the commissions paid to sales agencies, etc. and recorded in SG&A expenses, to a net of sales method (presentation and booking on net basis). Under the situation where the Company has deployed the open strategy that expands business opportunities through partner sites for revenue diversification, the Company decided that it would be more rational to present revenue on a net basis as a result of a reconsideration of the allocations of roles and risk between the Company and its sales agencies and business partners. A comparison of the two methods of presenting revenue shows that under the new method, consolidated revenue for the cumulative period was ¥30,191 million less, cost of sales ¥17,050 million less, and SG&A expenses ¥13,141 million less than the old method of presentation. As a result, gross profit was ¥13,141 million less under the new method. The new method has no impact on operating income, ordinary income, and income before income taxes.

The affect of this change in accounting method on segment information is indicated appropriately in that section.

(5) Analysis of Business Results

1) Overview of Fiscal Year Results

During the fiscal year in review, the world economy worsened rapidly during the second half of the period due to such factors as the turmoil in financial markets. In Japan as well, the economic recession reached a critical stage as corporate profits deteriorated and other indicators worsened. The impact of these trends could also be seen in the advertising market. According to a survey conducted by DENTSU INC., advertising expenditures declined 4.7% year on year in 2008. By type of media, advertising expenditures for newspapers, magazine, and radio declined for the fourth consecutive year. In contrast, Internet advertising during the same period amounted to ¥698.3 billion, rising 16.3% year on year. Although the Internet advertising market was being affected by the economic recession, it continued to grow along with the expansion and advancement of its advertising methods. According to a report by the Ministry of Internal Affairs and Communications on Internet usage in Japan, the Internet penetration rate among the population of Japan has reached 75.3%. The report estimates that there are 90.91 million Internet users in Japan, and that 73.4% of Internet-using households have broadband services. Internet access also has spread greatly along with such factors as an increase in the number of people accessing the Internet with mobile phones and other mobile devices. The development of Internet usage and access environments has had a great impact on consumption behavior. The process of “searches” to gather information and evaluate options has been added to the traditional consumption process involving such a behavior as buying based on recognition. Moreover, the process of “sharing evaluations” has emerged because of the Internet. Searches and sharing take advantage of the unique special features of the Internet, further expanding its influence on people’s lives.

Against this backdrop, as one of Japan’s leading Internet service companies, the Yahoo! JAPAN Group endeavored to provide a “life engine”, which can be applied to every facet of our lives. Our strategies to achieve this goals included “Social Media” to expand and improve information sharing functions for all our services, “Yahoo! Everywhere” to enhance our services for mobile and Internet-enabled devices, “Enrichment of Local Information” to provide more lifestyle-oriented services, and “Open” strategy to expand business opportunities through partners by providing our advertising distribution and payment collection services to companies outside the Group. In addition, the Group worked during the fiscal

year to thoroughly review its cost structure and reduce inefficient expenditures. Determined to strengthen its operating structure in anticipation of the medium-to-long term, Group also strove to increase the efficiency of its business operations and optimize the allocation of business resources.

As a result, consolidated revenue of the Group for the fiscal year period amounted to ¥265.7 billion (*). Operating income amounted to ¥134.6 billion, increasing 7.9% from a year earlier. Ordinary income totaled ¥132.9 billion, rising 9.4% from the same period last year. The current net income increased to ¥74.7 billion, up 19.3% year on year.

*Commencing with the first quarter, the Company changed its method of accounting for the traffic acquisition cost (TAC) paid to other partner sites and recorded in the cost of sales, as well as the commissions paid to sales agencies, etc. and recorded in SG&A expenses, to a net of sales method (presentation and booking on net basis). Under the previously used gross method, revenue amounted to ¥295.9 billion, increasing 12.9% year on year.

2) Business Segment Information

Type of Business	Major Services
Advertising	Internet advertising and related revenues. <ul style="list-style-type: none"> • Display advertising (revenues of banner, text, e-mail, and video advertising) and revenue for planning and production of advertising. • Pay per performance advertising (paid search advertising, interest-linked advertising, content-linked advertising, and affiliate advertising), etc.
Business Services	Revenue to corporations other than advertising. <ul style="list-style-type: none"> • Information listing fees for Yahoo! Rikunabi, Yahoo! Real Estate, Yahoo! Autos, and others. • Tenant fees and sales commissions for BtoC auctions at Yahoo! Auctions and Yahoo! Shopping. • Yahoo! BB customer acquisition and continual incentive fees. • Yahoo! Research, Yahoo! Business Express, Yahoo! WebHosting, and other revenues.
Personal Services	Revenues from services for individuals. <ul style="list-style-type: none"> • System use fees for Yahoo! Auctions. • Yahoo! Premium revenues. • Yahoo! BB ISP fees, content fees and others.

3) Fiscal Year Results by Segment

Results for FY2008 (April 1, 2008-March 31, 2009)

(Millions of yen)

	Advertising Business	Business Services Business	Personal Services Business	Total	Elimination or Corporate	Consolidated
Revenue	138,888	54,554	72,671	266,114	-360	265,754
Operating expenses	65,425	33,778	19,946	119,150	11,985	131,135
Operating income	73,462	20,776	52,724	146,963	-12,345	134,618

Results for FY2007 (April 1, 2007-March 31, 2008)

(Millions of yen)

	Advertising Business	Business Services Business	Personal Services Business	Total	Elimination or Corporate	Consolidated
Revenue	131,044	58,069	73,053	262,167	-140	262,027
Operating expenses	66,294	34,506	24,370	125,171	12,048	137,219
Operating income	64,749	23,563	48,682	136,996	-12,188	124,807

Advertising Business

During the fiscal year under review, the economic slowdown had a severe impact on the overall advertising market, with the sudden deterioration in the economy in the second half causing particularly difficult business conditions for the overall advertising market. Under these circumstances, we endeavored to win advertising by further strengthening our collaboration with advertising companies and making sales proposals that match client needs and took advantage of the special features of Internet advertising.

In display advertising, the reputation of targeting advertising continued to rise, with revenue of behavioral targeting advertising which targets users according to their past history of usage, and of demographic targeting advertising which targets users according to their attribute information both jumping 100% or more. Revenue of area targeting advertising which targets restricted areas also expanded, growing about 30%. By industry, revenue of behavioral targeting advertising rose substantially in real estate/construction, finance/insurance/securities, and automobile-related industries. Revenue of demographic targeting advertising continued to make headway particularly in industries that target women, such as the cosmetics/toiletries and beauty-related industries, and to the pharmaceuticals and healthcare products and foodstuff-related industries. Revenue of area targeting advertising increased to the transportation-/leisure-related industries. Moreover, revenue of the core advertising product Prime Display, popular for its large size and visual impact, rose approximately 150% due to growth in the volume of behavioral targeting advertising and expanded the scope of its applicable services. Revenue of Brand Panel advertising also surged ahead, increasing 20% or more supported by the full contribution of the benefits of expanded size and other factors resulting from the renewal of Yahoo! JAPAN's top page. The expansion of the number of partner sites based on the promotion of the ad network progressed, also contributing to revenue growth.

Continuing to build on the synergies captured from the consolidation of Overture K.K., paid search advertising revenue climbed approximately 40% year on year based on such factors as further promotion and increased use of the product in media other than those of the Group and the greater impact of advertising listing through continued improvement of the search function. Furthermore, commencing in September 2008, we introduced Interest Match™, which distributes advertising based on users' preferences and interests. Advertisers steadily began to understand and accept the type of advertising during the fiscal year and revenue grew. Revenue of mobile paid search advertising also grew approximately 170%.

Among the special features that drew attention during the fiscal year, the Beijing Olympics Special Feature—offered during the Olympic period—recorded more than 26 million unique browsers and approximately 1 billion page views. For World Baseball Classic-related special features, access of the coverage of the championship game on March 24, 2009, by Yahoo! Sports, including Sports Navi, totaled about 360 million page views, while on-demand news flash video clips were viewed about 700 thousand times. On the same day, total access of Yahoo! JAPAN reached approximately 2 billion page views and the same figure for Yahoo! Mobile was about 200 million page views. All of these figures represented extremely high access that rewrote daily record highs, further increasing the value of our advertising.

Consequently, fiscal advertising business revenue amounted to ¥138.8 billion, accounting for 52.3% of total revenue.

Business Services Business

During the fiscal year under review, Yahoo! Rikunabi's revenue plummeted under the decline in hiring sentiment by companies due to the deterioration in the economy, falling approximately by half compared with the previous fiscal year. In addition, Yahoo! BB's customer acquisition incentive fees declined. Yahoo! Shopping and Yahoo! Auctions worked to further increase the degree of convenience for users and to expand transaction volume. These efforts included implementing bonus point campaigns on Yahoo! Points, the development of sales promotional plans aligned with the seasons, the simplification of shopping procedures and the introduction of product review functions on Yahoo! Shopping, and the addition of a discount negotiation and other functions on Yahoo! Auctions. Yahoo! Shopping and Yahoo! Auctions also concentrated on promoting the appeal of registering stores through such measures as giving a "Best Store of the Year" award for stores with excellent performances and maintained their efforts to acquire more stores. As a result, the number of merchant stores registered on Yahoo! Shopping and Yahoo! Auctions at the end of March 2009 totaled 32,843, expanding by 1,554 stores, or 5.0% year on year, thus resulting in the growth in the tenant fees for Yahoo! Shopping and Yahoo! Auctions. In addition to the increase in transaction volume of BtoC auctions on Yahoo! Auctions, commission fees also greatly increased, helped by the upward revision in its store royalties that began in December 2008. Total commercial transaction volume of Yahoo! Auctions, Yahoo! Shopping, Yahoo! Travel, and Yahoo! Ticket for the fiscal year amounted to ¥946.7 billion, increasing 0.7% year on year. Mobile commerce transaction volume also climbed sharply, rising about 30%. Among research-related revenues, revenue of Yahoo! Japan Value Insight Corporation rose compared with the previous fiscal year. Revenue of such services as Yahoo! Real Estate and Yahoo! Autos also grew year on year, but revenue of Yahoo! Rikunabi and the Yahoo! BB customer acquisition incentive fees decreased. Due to the large impact of these declines, overall business sales contracted from a year earlier.

Overall, business service sales for the fiscal year amounted to ¥54.5 billion, and accounted for 20.5% of total revenue.

Personal Services Business

During the fiscal year, Yahoo! Premium made efforts to expand and improve exclusive services for members and to strengthen collaboration with non-Group partners to provide special benefits for members as well as continuing to work on raising the value

of membership and acquiring new members. Accordingly, the number of Yahoo! Premium membership IDs at March 31, 2009, hit a record high of 7.36 million, up 6.4% year on year, despite the increase in membership fee implemented in December 2008. Yahoo! Premium revenues also expanded approximately 20%. Among specific measures, Yahoo! Premium added a Free All Volumes Reading Feast for different series weekly on Yahoo! Comics and an on-demand playback function on Yahoo! Music Sound Station to its services for members. It also strengthened its special gift collaborations with companies outside the Group, such as offering free viewing of “Yoshimoto Special Selection Collection” presented by YOSHIMOTO KOGYO CO., LTD., and Big Eco karaoke room rental fees discounts from DAIICHIKOSHO CO., LTD. In other areas, Yahoo! Auctions took steps to improve the convenience of its site, including conducting a renewal of its auction item detail web page. It also targeted expansion of transaction opportunities and increased listing items steadily by running a variety of free item listing campaigns and introducing Auction Item Listing Master, a promotion system that awards special gifts to users listing items according to a ranking system determined by users meeting specific requirements. Thanks to efforts to expand usage of the mobile version of Yahoo! Auctions, such as free item listing campaigns, mobile transaction volume on Yahoo! Auctions rose substantially. Nevertheless, the closing prices on auctions declined under falling consumption sentiment resulting from the bad economy and there was a slump in such categories as fashion. Under the impact of these declines, the overall transaction volume of Yahoo! Auctions slipped year on year. Among pay content services, Yahoo! Partner and Yahoo! Comics posted substantial growth, while Yahoo! Marriage also record a sales increase.

Overall, personal service revenue for the fiscal year amounted to ¥72.6 billion, accounting for 27.3% of total revenue.

4) Quarterly Results by Segment (Consolidated)

Revenue for the quarter (January 1, 2009-March 31, 2009)

	Revenue (Net basis)	Revenue (Gross basis)	Year on Year Change (Gross basis)
Advertising Business	¥35.1 billion	¥41.7 billion	+3.7%
Business Services Business	¥13.3 billion	¥13.7 billion	-9.1%
Personal Services Business	¥18.8 billion	¥19.8 billion	+5.2%
Total	¥67.1 billion	¥75.1 billion	+1.2%

Advertising Business

During the fourth quarter, with the deterioration in the economy continuing to have a severe impact on the overall advertising market, we endeavored to win advertising by further strengthening our collaboration with advertising companies and making sales proposals that match client needs and took advantage of the special features of Internet advertising.

Revenue of targeting advertising, which takes advantage of the special features of the Internet, rose approximately 50% from the fourth quarter in the previous year. By industries, the demand for demographic targeting advertising heightened particularly in industries that target women, such as the cosmetics/toiletries and beauty-related industries, and advertising from food stuff-related, beverages/cigarettes, finance/insurance/securities-related companies also expanded significantly. In addition to real estate/construction-related industries, revenue of area targeting advertising increased to various educational services and to universities. Revenue of behavioral targeting advertising climbed in real estate/construction, finance/insurance/securities, and automobile-related industries as well as the transportation/leisure-related industries. By advertising product, revenue of Brand Panel, which is placed on the top page of Yahoo! JAPAN, reached a record high. Especially, we received many advertisements that were aiming to run concentrated campaigns during a short period. The expansion of the number of partner sites based on the promotion of the ad network progressed. Picture advertising on mobile devices rose because of the introduction of increase in the sizes of advertising following the renewal of the top pages of Mobile Version of Yahoo! JAPAN for i-mode and EZweb services and the introduction of mobile behavioral targeting advertising. In addition, the use of demographic targeting advertising, which is popular for targeting women, expanded.

Revenue of paid search advertising increased due to greater use of the product in media other than those of the Group based on promotion of our “open” strategy. Revenue of Interest Match™, which distributes advertising based on users’ preferences and interests, also grew along with the start of its use on our mobile services and the start of taking online orders for this advertising service.

Our World Baseball Classic-related services contributed to advertising growth. Access to the championship game on March 24, 2009 on Yahoo! Sports, including Sports Navi, hit a record high of approximately 360 million page views, while on-demand news flash video clips were viewed about 700 thousand times. On the same day, total access of Yahoo! JAPAN reached approximately 2 billion page views and the same figure for Yahoo! Mobile was about 200 million page views. All of these figures represented extremely high access that rewrote daily record highs, further increasing the value of our advertising, helping the Group receive advertising from many advertisers.

Consequently, advertising business revenue in the fourth quarter amounted to ¥35.1 billion.

Business Services Business

During the fourth quarter, Yahoo! Rikunabi's revenue fell dramatically under the decline in hiring sentiment by companies due to the deterioration in the economy. In addition, Yahoo! BB's customer acquisition incentive fees declined.

Yahoo! Shopping and Yahoo! Auctions actively conducted seasonal sales promotions, such as Valentine's Day and its counterpart in Japan—White Day—and the new lives that Japanese get started every new fiscal year. Furthermore, Yahoo! Shopping and Yahoo! Auctions sought to collaborate more in mutually soliciting new users, working to increase the synergies between them. The number of stores on Yahoo! Shopping and Yahoo! Auctions increased along with their efforts to promote the appeal of registering stores through such measures as giving a "Best Store of the Year" award for stores with excellent performances. Tenant fees and commission fees also increased. Although revenue of such services as Yahoo! Autos and Yahoo! Gourmet grew year on year, research-related revenue declined from the fourth quarter last year.

Overall, business service revenue for the four quarter amounted to ¥13.3 billion.

e-Commerce Related Performance Figures

Yahoo! Shopping Number of Stores, etc.

	March 2008	March 2009
Number of shopping domain unique browsers	13.38 million browsers	
Number of shopping store unique browsers	17.84 million browsers	
Number of unique browsers		25.80 million browsers
Number of stores (As of the end of each month)	16,361 stores	16,575 stores

Note: Number of shopping unique browsers means the number of unique browsers which accessed the entire Yahoo! Shopping services as of June 2008.

Shopping Related Transaction Volume

	January 2008 - March 2008	January 2009 - March 2009
Daily average transaction volume	¥ 559 million	¥ 594 million

Note: Transaction volume represents the combined sales transaction volumes of Yahoo! Shopping, Yahoo! Travel, and Yahoo! Ticket. Transactions from fraudulent orders and cancellations have been removed from the above amounts.

Yahoo! Auctions Number of Total Listed Items, etc.

	March 2008	March 2009
Number of auction unique browsers	33.43 million browsers	31.53 million browsers
Number of total listed items (Monthly average)	15.81 million items	18.82 million items
Number of stores (As of the end of each month)	14,928 stores	16,268 stores

Yahoo! Auctions Transaction Volume etc.

	January 2008 - March 2008	January 2009 - March 2009
Daily average number of new listings	920 thousand items	1,039 thousand items
Daily average transaction volume	¥2,057 million	¥2,005 million
Average closing price per item	¥5,277	¥4,995
The average ratio of successful auctions per day	22%	19%

Note: Daily average transaction volume is before cancellations or adjustments.

Personal Services Business

During the fourth quarter, Yahoo! Premium made efforts to expand and improve exclusive services for members and to strengthen collaboration with non-Group partners to provide special benefits for members as well as continuing to work on raising the value of membership and acquiring new members. Accordingly, the number of Yahoo! Premium membership IDs at March 31, 2009, amounted to 7.36 million, advancing by 440 thousand IDs or 6.4% from the fourth quarter a year earlier. Looking at specific measures, Yahoo! Premium added an on-demand playback function on Yahoo! Music Sound Station as

services for members. It strengthened its special gift collaborations with companies outside the Group, such as free viewing of certain products on “Club iT Arena” offered by Broadmedia Corporation.

Yahoo! Auctions took steps to upgrade the convenience of its services with such actions as strengthening the product search function. In addition, it increased the number of item listings by endeavoring to expand the opportunities to use its services through such measures as adding a function that makes affiliated links for introducing Yahoo! Auctions items on other blogs and homepages. Due to efforts to expand usage of the mobile version of Yahoo! Auctions, such as free item listing campaigns, mobile transaction volume on Yahoo! Auctions increased. Nevertheless, the closing prices on auctions declined under falling consumption sentiment resulting from the failing economy and there was a slump in such categories as fashion. Under this impact, the overall transaction volume of Yahoo! Auctions decreased compared with the fourth quarter last year. Among pay content services, revenue of Yahoo! Comics achieved substantial growth, while Yahoo! Partner also recorded a higher revenue.

Overall, personal service revenue for the fourth quarter amounted to ¥18.8 billion.

6. Operating Review

(1) Search Business

Main Services

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

In the fourth quarter, we continued our efforts to make further progress with adding social media functions to our search services and with making our search services available “everywhere.” We also worked to further upgrade the functions and convenience of our search result displays. We endeavored to improve the services of Yahoo! Search during the quarter, adding a function that displays questions and answers from Yahoo! Answers that is highly relevant to the search keyword. We also introduced an input assistance function for searches that automatically displays related keywords as soon as a portion of the keyword is input in the search window. Also for Yahoo! Answers, we worked to enhance services in accordance with users needs through such measures as making the groupings on each category page easier to use. Moreover, we took further steps forward in making our services available “everywhere,” adding information on newly registered mobile sites on Yahoo! Category and by launching a mobile version of Yahoo! Search Ranking, a service that introduces to users not only the information newly registered mobile sites on Yahoo! Category, but also certain keywords that cause a sudden jump in the number of searches on the mobile version of Yahoo! Search.

(2) Auction Business

Main Services

Yahoo! Auctions, Yahoo! Delivery, Yahoo! Classified

During the fourth quarter, we worked to improve the degree of convenience of our site, strengthening the product search function and adding a discount negotiation function that allows bidders to negotiate with those selling items for the amount they want to pay in particular auctions. We also endeavored to expand transaction opportunities through such activities as running free auction-item listing campaigns, expanding the scope of auction store products eligible for Yahoo! Points, and adding a function that makes affiliated links for introducing Yahoo! Auctions items on other blogs and homepages. To create an environment where users can more confidently enjoy our auctions, we took steps to prevent the listing of fraudulent items or auction trouble with such measures as revising our item listing rules related to mobile phones, used car navigation systems, and entertainment tickets. With ITOCHU Corporation, we co-sponsored Yahoo! Auctions MOTTAINAI Month and promoted the practice of conducting environmental activities through auctions.

(3) Member Service Business

Main Services

Yahoo! Premium, Yahoo! BB, Yahoo! Insurance, Yahoo! Trading, Yahoo! Forex, Yahoo! Partner, Yahoo! Marriages, Yahoo! Deliver, Yahoo! Keitai Shop

In the fourth quarter, we worked to expand the number of members of Yahoo! Premium and other membership services of Yahoo! JAPAN as well as to enhance the degree of satisfaction of existing members. In our Yahoo! Premium services, we sought to increase the value of membership by substantially expanding and improving our special benefits for members through such measures as beginning to offer an on-demand playback function on Yahoo! Music Sound Station enabling users to select

and playback the songs they want to hear and strengthening our special gifts for members collaborations with companies outside the Group. We also took various actions to increase usage during the quarter. These actions included starting to take applications on Yahoo! BB for Yahoo! BB with Flets services, running a SOFTBANK 2009 Spring Model Special Feature, and conducting an iPhone for everybody campaign on Yahoo! Keitai Shop. Among efforts to expand and improve services, we added FX PRIME Corporation, to the list of FX companies introduced on Yahoo! Forex.

Number of Yahoo! Premium Member IDs

March 2008	March 2009
6.91 million IDs	7.36 million IDs

(4) Media Business

Main Services

Yahoo! News, Yahoo! Topics, Yahoo! Finance, Yahoo! Sports, Yahoo! Weather, Yahoo! TV, Yahoo! Streaming, Yahoo! Disaster Information, Yahoo! Politics, Yahoo! Guess

During the quarter under review, the Media Business continued to emphasize planning and development of content and services that would be supported by users and advertisers. We promoted the conversion of our services to social media through such measures as strengthening the comment function on Yahoo! News and beginning to offer the posting function “Let’s all report live! Today’s Weather” on Yahoo! Weather. During the quarter, our coverage of the World Baseball Classic games drew a great deal of attention. The number of playbacks of Yahoo! Streaming’s highlights of the World Baseball Classic (WBC) games hit a record high for on-demand news flash video clips. On Yahoo! Sports, we also made efforts to expand and improve related special features on all the WBC games played by Japan through listings on Scoreboard and Baseball News Flash. As a result, the number of daily page views reached a record high.

(5) Regional Service Business

Main Services

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

During the fourth quarter, the Regional Services Business focused on improving information coverage related to regional activities, providing enriched services based on submitted information, enhancing information linked to user behavior, and expanding and improving mobile versions of services. We endeavored to expand and improve the functions of Yahoo! Maps by launching Underground City Map, a service providing the underground layouts of 49 major stations in Japan, and by introducing a mobile version of Wai Wai Map. We also endeavored to promote the conversion of Yahoo! Maps services to social media and to make them available “everywhere.” Among efforts to increase the degree of convenience of our services, Yahoo! Real Estate began a Rental Accommodations Search by School Name service, Yahoo! Traffic Information added a new function that offers traffic information by email, and Yahoo! Healthcare added a function that enables users to search for a hospital by train or subway line or station.

(6) Shopping Business

Main Services

Yahoo! Shopping, Yahoo! Prize Competition

During the fourth quarter, we actively conducted seasonal sales promotions, such as Valentine’s Day and its counterpart in Japan—White Day—and the new lives that Japanese get started every new fiscal year. With the goal of expanding transaction volume, we also promoted greater use of our services and their conversion to social media through such measures as adding the functions of My Page, where logged-on users can register their favorite products and stores, and of Friends’ and Favorite Posters’ Latest Purchase Review, a service that notifies users of purchase reviews by people within their circle. Furthermore, we proactively made the API information for Yahoo! Shopping public and targeted expansion of the number of our partner companies, striving for the “open” strategy.

(7) Lifestyle Business

Main Services

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

In our Lifestyle Business, we continued our efforts to provide social media services in lifestyle-related fields that require a high degree of expertise or interest. During the quarter, Yahoo! Rikunabi endeavored to increase usage of its services through such measures as launching Hataraiiku, a service that matches people wanting to work regionally with local middle-sized companies and small-and-midsized businesses based on the idea of enabling people to choose work not just on job type or pay, but also on workers' own values. Yahoo! Beauty also sought to increase usage of its services through such actions as adding a club function on Diet Diary that allows dieters with the same goals and interests to share information. In other areas, we worked to expand and improve our content in various ways, including launching general comedy site Yahoo! Variety, a comedy service in collaboration with YOSHIMOTO KOGYO CO., LTD., that allows users not only to watch streaming video programs, but also to participate by voting on acts.

(8) Social Net Business

Main Services

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

Acting as the driver of the development of social media on Yahoo! Japan, the Social Net Business continued to work to increase the value-added content of related services and to link up with various services of Yahoo! JAPAN. On Yahoo! Messenger during the quarter, we began offering the official version of Yahoo! Messenger 9.0. We also added a streaming and image sharing function for conference calls, a voice mail function for emails, and a checking function for the latest information on content posted by persons within a user's circle. Among measures to expand usage of our services, Yahoo! Mail launched Yahoo! Mail Collaboration, with the first step being a Hawks Fan Mail service, and added 15 more universities and academic institutions to the service list of Yahoo! Mail Academic Edition, a web email service for academic institutions.

(9) Mobile Business

Main Services

Yahoo! Mobile, Yahoo! Content Store, Yahoo! Posting Appli, Yahoo! MachiMoba, Yahoo! Decoration

During the fourth quarter, we continued our efforts to increase the degree of customer satisfaction with our Yahoo! Keitai service for SOFTBANK mobile phones and our mobile version of Yahoo! JAPAN for i-mode and EZweb formats. Among our efforts to increase convenience of our services, we renewed the top pages of our i-mode and EZweb services and strengthened our capability for providing information that matches users' situations, such as providing services related to their preferences and interests and enabling weather information for the area around their home to be displayed automatically. Among other measures to promote further usage, we launched Y! Suica, a dedicated mobile site that provides mobile content, including regional information, for users of East Japan Railway Company's Suica service. As a result of the popularity of our World Baseball Classic coverage, the average daily page views for Yahoo! Mobile hit a record high during the month of March.

Number of Page Views

	March 2008	March 2009
Yahoo! Mobile page views	3,672 million page views	5,839 million page views
Daily Average Yahoo! Mobile page views	118 million page views	188 million page views

(10) New Business Office

Main Services

Yahoo! ezPay, Yahoo! NetBanking, Yahoo! Points, Yahoo! Card, Yahoo! Public Utility Payment, Yahoo! toto, Yahoo! Travel, Yahoo! Business Travel, Yahoo! Research, Yahoo! WebHosting, Yahoo! On Business

(Settlement Business)

During the quarter, for Yahoo! Card, we promoted greater use of our services by conducting special revenue exclusive for

cardholders, such as a Special Consumer Electronics and PC Sale, in collaboration with Yahoo! Shopping. Yahoo! Points emphasized promoting an “open” network through such actions as launching Yahoo! PointUp Mall, a service in collaboration with ValueCommerce Co., Ltd., that awards Yahoo! Points for use of non-Group affiliated sites.

(Travel Business)

In the fourth quarter, Yahoo! Travel initiated several measures to upgrade the convenience of its services. In addition to commencing a service awarding Yahoo! Points for reserving and using specified accommodation packages using a Yahoo! JAPAN ID, Yahoo! Travel strove to expand and improve its business-related services by strengthening its cooperation with BestReserve Co., Ltd. Among our efforts to further enhance our travel information, we launched various seasonal special features, such as Kyoto in Spring Travel Guide or Golden Week holidays special features.

(Research Business)

During the quarter, Yahoo! Research strengthened its collaboration with Yahoo Japan Value Insight Corporation and continued to expand the number of research panels and diversify the groups. At the end of March 2009, the total number of people on research panels amounted to 1.90 million, remaining the largest research-dedicated survey panel organization in Japan.

(Others)

As a result of efforts to expand and improve information listing content and special features on Yahoo! On Business and to promote its services to companies, the number of companies registered with the service exceeded 24,000 in the fourth quarter. In April 2009, to advance our “everywhere” strategy, we began offering a TV version of Yahoo! JAPAN for Internet-enabled TV models of major domestic manufacturers, including Sharp Corporation (AQUOS), Sony Corporation (BRAVIA), TOSHIBA CORPORATION (REGZA), and Hitachi, Ltd. (Wooo).

(11) Service Supervising Division

Main Services

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

During the fourth quarter, we launched a range of special features in accordance with user needs. Among them, we ran Special Olympics Special Feature 2009, which supported worldwide Special Olympics activities participated in by over 180 countries, approximately 2.5 million intellectually-disabled athletes, and about 700 thousand volunteers. We also introduced seasonal special features, such as Cherry Blossom Viewing Special Feature 2009—Creating Cherry Blossom Information Together, and such other special features as Strategies for Increasing Your Income with Recession-Resistant Certifications! and New Fiscal Year—New Life Special Feature 2009. In other areas, on Yahoo! Kids, we endeavored to provide services that children and family could use to enjoy the Internet. Among other activities, we launched an official TV program site for Piramekino, a new TV program created by TV TOKYO Corporation, putting up video messages from the TV program’s actors and setting up a posting corner where children can send messages.

(Reference)

Yahoo! JAPAN Page Views etc.

	March 2008	March 2009
Total Monthly Page Views	43,145 million page views	46,187 million page views
Daily Average Total Monthly Page Views	1,391 million page views	1,489 million page views
Number of Yahoo! JAPAN Unique Browsers	159.74 million browsers	205.26 million browsers
Number of Active User IDs on Yahoo! JAPAN	21.92 million IDs	25.57 million IDs

Notes:

- RSS distribution feeds are eliminated from the calculation of Total Monthly Pages Views.
- Number of Yahoo! JAPAN unique browsers is the browsers which accessed Yahoo! JAPAN services each month.
- Number of active user IDs on Yahoo! JAPAN is the IDs which logged in each month.

Main Services Launched and Enhanced during the Quarter

Date	New services and service upgrades
January 28	• Launched Suica-dedicated mobile site Y! Suica (Yahoo-Suica) service.
February 16	• Launched Yahoo! PointUp Mall, a service in collaboration with ValueCommerce Co., Ltd., where users can win Yahoo! Points for use of non-Group affiliated sites.
February 18	• Added a discount negotiation function to Yahoo! Auctions.
February 25	• Began offering official version of Yahoo! Messenger 9.0, which boasts a SNS function.
February 26	• Launched Underground City Map, a service covering 49 major stations in Japan, on Yahoo! Maps.
March 2	• Began offering an on-demand playback function on Yahoo! Music Sound Station allowing users to playback the sounds they want to hear anytime.
March 30	• Commenced offering Internet Explorer 8 for Yahoo! JAPAN.
March 31	• Launched Yahoo! Variety in collaboration with YOSHIMOTO KOGYO CO., LTD.

Yahoo! JAPAN CSR Activities

As an Internet service company group, our Group carries out a variety of activities to contribute to the healthy development of the emerging Internet society. A report on our views and record regarding corporate social responsibility (CSR) activities can be viewed at <http://forgood.yahoo.co.jp/>

The “Yahoo! JAPAN Sustainability Report 2008” (<http://csr.yahoo.co.jp/>, Japanese language only) posted on the previously mentioned site introduces our various CSR activities from three points of view—carrying out appropriate corporate activities, a good relationship with our customers, and making a social contribution.

Our Group’s major social contribution activities during the quarter were as follows:

<Volunteer Activities>

- Through Internet Charity Contributions, we collect and donate charity funds using the two methods of Yahoo! Wallet (purchase of wallpaper) and Yahoo! Points. The following are the new solicitations for contributions on our Internet Charity Contributions site during the quarter (no particular order).

— Charity Platform’s “Let Create a Culture of Giving in Japan, Establishing a Society where NPOs Can Be Increasingly Active” program and the Fixed Cash Handout Fund “Protect Animals” project.

— Ecology Online’s Satoyama Donguri Charity Fund.

Charity Activities

As part of our social contribution efforts, we regularly host charity auctions through Yahoo! Auctions and donate all the funds raised. During the fourth quarter, we again held many charity auctions featuring athletes and famous people. Among them, we auctioned such items as celebrity Mari Yaguchi’s favorite digital camera and a picture of her. In total, we held 748 charity auctions during the quarter, raising a total of ¥18,476,353. The funds raised by such auctions are being donated to the following charities (not listed in any special order).

- First Aid—The First Link, an organization that raises awareness of umbilical cord blood therapy through sports and music and provides support for victims of difficult blood diseases.

- Green Cross Japan, the Japan chapter of the global environmental protection body Green Cross International.
- HAWKS JUNIOR ACADEMY, a program that contributes to society through activities supporting the development and popularization of baseball in Japan, principally in Kyushu.
- Sasakawa Memorial Health Foundation, which provides support for leprosy victims and conducts activities to eliminate discrimination.
- Japan Paralympic Support Council, which supports disabled sports players and their teams.

Others

- Posted scenes of the winning classes and the teacher-for-a-day athletes from the One-day Homeroom Teacher Athlete program of the Yahoo! JAPAN Sports Project 2008, the purpose of which was to promote sports culture in Japan and contribute to its development. (From January 23, 2009)
- Launched Security Special Feature 2009 Spring, which lists measures to prevent information leakage, to protect children from Internet crime, and other security-related information. (January 30, 2009 to March 31, 2009)
- Announced two winners of the 4th Yahoo! JAPAN Literary Awards from among 2,021 submitted works. (March 6, 2009)
- Launched Kids Planets, a web site that teaches users about environmental issues using games and quizzes. (March 31, 2009)

7. Risk Factors

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

1. Impact of Internet Markets and Competition

1) Influence of Economy, Internet Markets and Users

a. The development of the Group's business depends on the growth of Internet –related markets.

Internet usage in Japan has continued to grow steadily in the number of users and time spent since the Internet's emergence as a recognizable force in 1995, with particularly notable growth due to the recent spread of broadband communications and the progress of mobile terminals. As the Group is dependent on the Internet both indirectly and directly, the most basic requirements for its business growth are the continued expansion of Internet-based communications and commercial activities including the number of Internet users or the time they spend on it, as well as a stable and secure infrastructure for Internet users.

However, a number of factors contribute to uncertainty in the continued expansion of the Internet-related markets: the number of Internet users could reach the saturation point or there could be a slump in Internet usage time; new regulations or charges could restrict the use of the Internet; and new protocols or the development and application of technological standards needed to deal with the growing number of Internet users and advanced level of usage may not be implemented properly, limiting usage.

b. It is uncertain whether the Internet can maintain and expand its position as major media.

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

To increase its value as a media, the Group is enhancing its service content. In addition, with display advertising in particular, the Group is endeavoring to expand and stabilize its client base of advertisers and advertising agencies through methods, such as holding seminars periodically, aimed at increasing the understanding and appreciation of Internet advertising in the advertising industry. With pay per performance advertising in particular, the Group works to increase its precision in matching the information required by users and the advertising content being listed, seeking to be a media that provides advantages for users and advertisers alike.

Despite these efforts, it is not clear that the Internet will become an established and commercially viable advertising media capable of competing with traditional media. Potentially disruptive factors include that the market might not grow as much as expected or the pace of growth may slow or the Group may not achieve its anticipated levels of advertising revenues. Any of these factors could negatively impact the Group's business performance.

c. Internet advertising and information listing services may be influenced by short-term economic trends.

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

The Internet information listing service also is easily affected by economic trends. In recruiting services especially, there is a trend among client companies to adjust the number of employees being sought in anticipation of economic trends, resulting in information listing income from recruiting services being strongly influenced by such economic trends.

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

earnings stream.

d. The Internet advertising business could be affected by the advertising budget allocations of advertisers and advertising agencies.

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

e. The Group may fail to acquire the same position in the mobile advertising field as it did in the PC field.

Based on projections that advertising via Internet-enabled terminals such as mobile phones will grow at a quickening pace, the Group is working to enable the provision of its services via such terminals in addition to PCs. If Internet use on mobile phones expands substantially, however, the Group may fail to acquire the same number of mobile Internet users or achieve the same Internet usage time as it did with PCs and thus may see a fall in viewer rates and a corresponding reduction in its market share, which could slow down growth in advertising revenue and negatively impact earnings.

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

To expand the market for information listing services, particularly Yahoo! Rikunabi, an employment information site jointly operated with RECRUIT Co., Ltd., the Group is leveraging the convenience of its Web sites and its dominant brand strength to attract new customers. Using an enhanced sales infrastructure, the Group also continually works to attract stores to the Yahoo! Auctions and Yahoo! Shopping sites with the aim of expanding e-commerce revenues.

Despite these efforts, the market might not expand for various reasons. Commercial use of the Internet by corporations might not expand as anticipated. The shift of information listing services to the Internet from traditional media, particularly printed media such as newspapers, magazines, and flyer inserts, might not advance as hoped. The number of users of the Group's auction and shopping sites might not increase as anticipated. Transaction volumes of those sites might be less than expected, or the number of registered stores might be insufficient. The Group's performance could be influenced by one or more of these factors.

g. The Group's income could be influenced by a change in the broadband market.

Broadband provider service Yahoo! BB is operated jointly by the Group and Softbank BB Corporation and mainly provides inexpensive and high-speed DSL services.

Due to progress in communication technology, however, the broadband market has recently shifted from DSL services to faster optical-fiber based FTTH services. To acquire new subscribers under these conditions, Softbank BB Corporation has taken such steps as adding to its existing services by providing Yahoo! BB Hikari, a broadband integrated service. However, these efforts could be ineffective in acquiring new subscribers or sales as anticipated or existing customers could shift to competitors' services. Moreover, the Group's income may be negatively affected by unexpected expenses.

h. The Group's earnings may be influenced by a change in the number of pay service users.

With the spread of broadband communications, the number of Internet users has increased drastically. Accordingly, the market for pay services is likely to continue expanding. Sooner or later, broadband and mobile terminal proliferation in Japan will reach a saturation point and growth in the number of users will plateau. To prepare for that time, the Group is implementing various measures to boost customer satisfaction and promote greater usage of the full range of its services. Growth in the numbers of Yahoo! Auctions participants and of Yahoo! Premium and Yahoo! BB subscribers, who enjoy various special benefits as paid members, however, might not continue to grow as in the past, which could have a significantly negative influence on the Group's development.

i. Purchasing pay content via Internet may not become an established practice.

The spread of broadband communications has enabled the Group to deliver a variety of pay content to meet changing user needs, including high-volume services such as video and music. Demand for such content via the Internet is likely to expand as the number of Internet users increases. If such content fails to become a regular part of the lives of users, or if access to pay

content via devices other than PCs becomes the norm, and if the Group fails to break into the non-PC market, the achievement of expected earnings could be difficult.

2) Impact of Competition

a. It is uncertain whether the Group will maintain its advantage in the industry because competitors for its services exist.

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

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

The sudden emergence of a start-up company offering an innovative service that gains popularity with users and spreads rapidly through the market is always a possibility in the Internet market. The Group fully intends to continue to gauge user opinions and usage with an eye to offering services that users want. However, it is possible that the services of a newly emerging company could pose a competitive challenge to existing services. It is possible also that the Group will be obligated to make significant investments in developing new services to maintain its competitive advantage. Either eventuality could have a negative impact on the Group's business performance.

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

3) Impact of Products and Services of Other Companies

a. The Group's services rely on the products and services of other companies, including equipment such as servers, Internet lines, the information terminals of users, and software.

Because the equipment, such as servers; Internet lines and connection providers; information terminals of users; and software necessary for the provision of the Group's services are products and services offered by other companies, their correct operation is a prerequisite for the proper provision of the Group's services.

There is a diverse range of browser software used to access websites and of information terminals, such as personal computers, mobile phones, televisions sets, car navigation units, used to connect to the Internet. The Group is working to be compatible with each of these different products. Nevertheless, there are cases where the Group's services are not compatible with some of these information terminals and software products. In addition, there are some cases where information terminals and software products cannot properly access the Group's services under certain usage conditions or settings. Specification changes, rate adjustments or insufficient supply of these devices, software products and services may cause users' inconvenience of not having proper access to or not frequently using the Group's services, or may affect the content or earnings of the Group's services.

4) Technological Changes

a. Technological innovation in the Internet industry is extremely quick. If a proper response to technological innovation is not made, the Group's business could be greatly affected.

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

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

2. Legal and Institutional Changes

1) Legal Restrictions

a. Legal restrictions or revisions relating to the Group or the Internet industry may affect both the Group and the industry

In recent years, there have been some incidents reported in Japan related to viewing or posting sensitive information on the Internet or to dubious business transactions. In response, the market has begun to see some legal restrictions being applied to Internet-based information and goods distribution. To implement a safe, secure and convenient Internet environment, the Group is compliant with laws and has conducted policies and awareness campaigns in cooperation with relevant organizations.

However, if the authorities newly established or amended laws with some impact on the Group or the Internet industry, the Group's services could be negatively influenced or more compliance expenses required or the development of the Internet industry could be affected.

b. The Group is required to observe the Provider Liability Limitation Law. Depending on any changes, the Group's business could be restricted.

Since May 2002, the Law Concerning the Limits of Liability for Damages of Specified Telecommunications Service Providers and the Right to Request Disclosure of Identification Information of the Senders (Provider Liability Limitation Law) has been in force. However, this law only clarifies the scope of liability for illegal behavior previously provided by civil law and does not increase the liability of businesses that act as intermediates in distributing information via the Internet. Nevertheless, the passage of a new law could lead to a social consensus in support of requiring greater responsibility of information distribution intermediates. The Group's business could be restricted owing to the introduction of new laws or the implementation of rules on self-regulation.

c. The Group is required to observe the Telecommunications Business Law. Depending on any changes, the Group's business could be restricted.

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

d. The established Law on the Improvement of the Environment for the Safe and Secure Use of the Internet by Children affect development of the Internet industry.

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

e. The Group's earnings could be influenced if some legal restrictions are applied to auction services.

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

If these measures fail to bring about the expected results and reports of illegal listings and fraud continue, new legislation could restrict commercial activities carried out via the Internet. Depending on the degree of restriction entailed by such legislation, it could have an impact on the Group's performance, such as reduction of system use fees due to lower numbers of participants in Yahoo! Auctions, or a contraction in the Yahoo! Premium subscriber base.

f. The Group's services could be influenced if some legal restrictions are applied to social media services.

Social media services provide a space for users to communicate with each other via postings of opinion and content. In the

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

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

g. The Group could be affected by amendment of laws concerning financial services.

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

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

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

h. In addition to legal restrictions, the Group's business could be influenced by administrative guidance and requirements of the national government, governmental ministries, and local governments.

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

2) Litigation

a. The victims of auction frauds could pursue legal action against the Group.

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

The Group has instituted a system for compensating users who have suffered damage owing to illegal activity to a limited extent. This could raise expenditures for the Group.

Note: The "Do now, pay later" service is provided as a fundamental fraud measure to eradicate problems with non-delivery of purchased items by allowing the buyer to pay the seller after receiving the product.

b. Affiliated financial instruments firms may lodge a claim against the Group.

In providing its Yahoo! Trading (financial instruments intermediary services), the Group complies with its own solicitation policies and guidelines under the supervision of its affiliated financial instruments firms (see Note, below) in setting up trading accounts and handling transactions. Before soliciting transactions from customers, the Group consults with its affiliated financial instruments firms, but such solicitation could mislead customers into making transactions that result in losses. In such cases, the Group could be subject to demands for damage compensation from its affiliated financial instruments firms, which temporarily pay damages to customers, depending on the situation.

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

c. The Group could be subject to claims, reprimands or damage suits from the people concerned or governmental agencies with regard to Internet advertisements or web sites accessed through links.

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

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

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

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

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

e. The Group could be subject to claims or damages from third parties on infringement of intellectual property rights such as patents or copyrights owned by third parties.

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

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

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

f. Advertising customers could claim reimbursement of excessive invoices for pay per performance fees resulting from click fraud or other methods that increase advertising costs.

In pay per performance advertising, such as paid search and content-linked advertising, fraudulent behavior in which click fraud is used to increase the number of clicks used to determine pay-per-click or pay-per-performance fees has become a problem. In the United States, there have been cases of major advertisers that have been victims of this type of fraud bringing class action lawsuits against companies that offer these types of advertising products. Yahoo! JAPAN systematically and in some cases manually monitors and determines whether click fraud is occurring and removes those clicks from the count for billing. However, it is possible that in the future such a class action lawsuit could be brought against the Group that might damage the brand image of Yahoo! JAPAN and have a negative impact on performance.

3) Other legal regulations

a. The Group often conducts business consignment or outsourcing for system development or content production. If some violation of the Subcontract Law occurs, public trust in the Group could be lost.

The Group periodically holds training courses for all employees on the Subcontract Law when and after they join the Group to ensure compliance with the law during business transactions. Despite of these efforts, the Group's creditability could be lost and its performance could be affected if violations of the Subcontract Law occur.

b. The Group's profits or losses could be influenced if accounting standards and tax systems are changed.

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

3. Natural Disasters and Emergency Situations

1) Natural disasters

a) Due to natural disasters, the Group's operations could be suspended or discontinued.

Group operations are vulnerable to natural disasters, such as earthquakes or fires and the accompanying building destruction, power outage, network failures and other phenomena. The Group's network infrastructure and human resources are concentrated in Tokyo. To cope with accidents and surges in Internet access, the Group intends to promote improving the infrastructure by duplicating and dispersing its systems and data centers.

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

2) Emergency situations

b) In case of an emergency situation, the Group's operations could be suspended or discontinued.

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

Specifically, under the impact of such an event the Group's revenues could decline or the Group could incur extraordinary costs. This might occur because of a temporary limitation in the operation of the Group's site, causing a disruption in planned advertising business. Or, for their own reasons advertising agencies might stop, reduce, or postpone advertising. Furthermore, the access infrastructure for Yahoo! BB might be interrupted or some other circumstances arise whereby users would no longer be able to use the Group's pay services. In addition, there is the risk that operations and earnings could be

affected by damage to communications or transportation lines in the United States or other countries or regions that would impede the support structure that Yahoo! Inc. provides for the Group and its links to business alliances. In the worst-case scenario, Group offices could be physically disabled. If other companies closely related to Group businesses, such as Yahoo! Inc. and SOFTBANK CORP. and their related companies and other Internet service providers, were hit with the same conditions, it is possible that the Group could become unable to maintain some of its services.

4. Business Management

1) Management Policy and Business Strategies

a. If the Group's strategies cannot be formulated and promoted quickly and flexibly in response to changing market needs, its competitive advantage could deteriorate.

The Group has been promoting four major strategies: "Social Media," "Yahoo! Everywhere," "Personalized Local Information" and "Open Partnership Policy," with a specific management indicator goal of increasing users and service hours per user. These strategies are modified quickly and flexibly according to changes in market or partners' needs and technological or competitive trends.

Nevertheless, if these strategies cannot be modified quickly and properly according to changing needs and technological or competitive trends, the Group's competitive advantage could be compromised due to the delay in promoting these strategies.

2) Technology Development and Improvement

a. The Group's R&D efforts aim to meet customer needs through the implementation of new strategies and start up of new businesses. However, these efforts may fail to address such needs properly or result in an R&D delay or failure.

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

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

b. If continuous improvement of services is not adequately implemented, the Group's services could become obsolete.

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

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

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

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

Consequently, the Group anticipates a growing need for even larger capital investments than in the past in a timely manner to build systems and networks to smoothly control large volumes of communications traffic, strengthen security systems to protect settlement services and the personal information of customers, and expand systems to appropriately respond to the growth and diversification of user inquiries. Further, in response to growth in business scope, the Group assumes that it will have to continuously acquire more office space and invest in the expansion and upgrading of its facilities.

In making these capital investments, the Group will ensure that unnecessary cash outflows do not occur by closely considering costs and benefits and by focusing on keeping system-development and equipment expenses reasonable.

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

d. If the Group fails to properly provide its services to all types of Internet-enabled terminals, its business development could be affected.

In recent years, the variety of information terminals that can access the Internet has increased, such as mobile phones, video game consoles, TVs, car navigation systems, and PDAs. This has improved the connection infrastructure that allows users to access to Internet through terminals other than PCs. Responding to this trend, the Group has adopted its “Yahoo! Everywhere” strategy, which promotes Internet usage via various devices including PCs, mobile phones, video game consoles, TVs, and car navigation systems, as a means to increase opportunities for users to access Yahoo! JAPAN services and expand usage of the services. In promoting the initiative, the following risks could occur.

To offer Yahoo! JAPAN services to our users via various devices, the Group will have to adopt the information transmission standards of each device with the support of the company that developed it. If the Group cannot adopt those standards, it will not be able to provide services for that device.

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

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

e. If the Group fails to properly respond to the growing diversity in advertising products, its advertising sales could be affected.

Many new advertising products incorporating a variety of advertising methods have emerged in the Internet advertising market. The Group develops and sells a variety of advertising products suited to advertisers’ specific needs, including products with guaranteed exposure periods and numbers of impressions. The Group also offers Sponsor Site services (paid search advertising), operated jointly with Overture K.K., an affiliate ad program, operated in cooperation with ValueCommerce Co., Ltd, and content-linked advertising that analyzes the content of web pages on which advertising is to be listed and distributes advertising appropriate for that content.

Recently, the Group has developed and launched various advertising products incorporating innovative advertising methods, including behavioral targeting advertising that utilizes users' past history of Internet usage, search keywords, demographics, distribution regions, and other facts to distribute advertising; Interest Match™ that uses the previously mentioned users' past history of Internet usage and advertising timing as well as the content of web pages to distribute text advertising; and AD Network, which distributes advertising over a network of partner sites, giving it greater reach than single-site-distribution products. Nevertheless, if the Group fails to properly incorporate innovative advertising methods, its advertising revenue could decrease even as the cost of developing new products and forming new partnerships with companies possessing expertise in innovative advertising methods grows. As a result, Group performance could be negatively affected.

3) New Business and Services

a. The Group has promoted business and service diversification but its new businesses and services may not contribute to its earnings.

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

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

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

4) Services Provided

a. The Group's search services , behavioral targeting advertising, and other systems are developed, operated, and maintained by Yahoo! Inc. and others.

Based on the business tie-up with Overture K.K., the Group's paid search advertising sales have firmly expanded and become a larger proportion of overall advertising sales. However, the platform for search services, paid search advertising and behavioral targeting advertising is developed, operated, and maintained by Yahoo! Inc. and others. Moreover, Overture K.K. handles the marketing and sales in Japan of advertising products (paid search and content-linked advertising) that use the platform. Some of the Group's services other than these services also are developed, operated, and maintained by Yahoo! Inc., and others.

Accordingly, should the Company's business relationship with Yahoo! Inc. change or some type of obstruction to the smooth operation of Yahoo! Inc. arise, it could have a negative impact on the performance of the Group and the viability of the related services being offered.

b. Some of our advertising products guarantee page views. If the page views are not achieved, the Group will have 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 obtain the number of required page views due to problems with the Internet connection environment or to similar problems could force the Group to extend advertising contract periods or to devise some other type of compensation, which could negatively impact Group advertising revenues.

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

c. Expenses for Internet connections or capital investment in infrastructure could rise because of the increased use of streaming services or bulk advertising.

The Group provides streaming and other services, which use greater bandwidth than services consisting of only text and images. Advertising products of the Group called "Brand Panel" and "Prime Display," which allow streaming and interactive advertising, also using greater Internet bandwidth. Since use of these types of services are likely to grow steadily in future, expenses for Internet connections and capital investment in facilities, such as servers necessary for displaying such services, could increase as well.

5) Compliance

a. Since there is no guarantee that compliance measures will be effective, compliance problems could occur.

The Group recognizes that compliance is important for continuous enhancement of corporate value. Consequently, the Group

has established various compliance regulations standards for all directors, corporate auditors, and employees to ensure compliance with laws and articles of incorporation. Aiming to achieve thorough observation of those regulations and standards, the Group has posted these regulations and standards on the Intranet and conducts periodic in-house training.

However, despite these efforts, it is impossible to avoid compliance risks completely. If a violation occurs, the Group's brand image and performance could be affected.

6) Management and Operation Systems

a. If the Group fails to acquire necessary human resources in line with business expansion or acquires excessive human resources, its business development could be affected.

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

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

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

b. If the Group's key personnel resign, its business development could be affected.

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

In addition, some senior managers participate in one of the Group's personnel incentive measures, the stock-option plan. Depending on the fortunes of the stock market, these stock-option plans might not motivate plan participants but rather could reduce their motivation and cause them to leave the Group.

c. The Group has promoted the protection of its intellectual property rights to maintain its competitive advantage but its efforts may not be cost-efficient.

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

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

d. The Group has direct business transactions with many individual and corporate customers and thus the costs for settlement or dealing with inquiries may increase.

Along with the expansion of the Group's business scope and the strengthening of its paid search advertising, pay member services, and pay content, etc., businesses, the Group's opportunities to directly earn income from an unspecific and diverse client base of individuals and corporations have grown steadily.

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

The nature and quantity of customer inquiries might broaden. Previously, most inquiries were related to service

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

5. Relationship with Major Stakeholders

1) Major Shareholders

a. If the parent company's policies or major shareholders change, the Group's business could be affected.

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

The following shareholder agreement exists between major shareholders, SOFTBANK CORP. and Yahoo! Inc., that places certain restrictions on the sale or purchase of Yahoo Japan Corporation's stock.

The following are the important points of the shareholder agreement.

* 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 and Yahoo! Inc. maintain shareholdings equaling 5% or more of the Company's stock, SOFTBANK 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 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 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 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 and the Company will determine the range allowed for granting stock options to employees before this agreement becomes valid.

* The right of SOFTBANK 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 nor Yahoo! Inc. will agree to any change to the Company's articles of incorporation that would be detrimental to the other party.

--When one party decides to sell shares of Yahoo Japan Corporation, it will inform the other party at least 20 days in advance of the intended selling date.

--When one party decides to purchase additional shares of Yahoo Japan Corporation on the market, it will first obtain the consent of the other party.

--When one party decides to sell shares of Yahoo Japan Corporation on the market, it must offer the shares to the other party first. Should the other party not wish to buy the shares, they will be sold to a third party. In that case, the other party will also participate as a seller in the transaction with the same third party also buying its shares, and may sell shares held in Yahoo Japan Corporation to the third party as well in accordance with the proportion of shares held by SOFTBANK and Yahoo! Inc.

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

b. The Group's business might compete with those of companies within SOFTBANK Group.

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

c. The license agreement with Yahoo Inc. plays a significant role in the Group's business. Any modifications to the agreement may affect the Group's business.

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

Contract name: YAHOO! JAPAN LICENSE AGREEMENT
Contract date: April 1, 1996
Contract term: From April 1, 1996; termination date unspecified Note: The license agreement may be terminated under the following conditions: mutual decision by the companies to terminate the agreement; cancellation of the agreement following bankruptcy or loan default by one of the companies; purchase of one-third or more of the Company's outstanding shares by a competitor of Yahoo! Inc.; merger or acquisition rendering Yahoo! Inc. and SOFTBANK CORP. incapable of maintaining over 50% of shareholder voting rights of the ongoing company (may be waived by agreement of Yahoo! Inc.).
Contracted party: Yahoo! Inc.
1) Licensing rights granted by Yahoo! Inc. to the Company: <ul style="list-style-type: none"> * Non-exclusive rights granted to the Company for reproduction and use of Yahoo! Inc.'s Internet search and other services customized and localized for the Japanese market (hereinafter referred to as the Japanese version of the Yahoo! search services) * Non-exclusive rights granted to the Company for use in Japan of the Yahoo! trademark * Exclusive rights granted to the Company for publishing of the Yahoo! trademark in Japan * Exclusive rights granted to the Company worldwide for development, commercial use, and promotion of the Japanese version of the Yahoo! search services
2) Non-exclusive licensing rights granted (gratis) to Yahoo! Inc. worldwide for use of Japanese content added by the Company
3) Royalties to be paid by the Company to Yahoo! Inc. (see Note, below)
Note: Royalty calculation method $\{(\text{Consolidated net sales}) - (\text{Advertising sales commissions on a consolidated basis}) - (\text{Cost of sales of consolidated subsidiaries with a different gross margin structure and others})\} \times 3\%$

d. International development of the Yahoo! Brand may restrict the expansion of the Group's business.

The establishment and proliferation of the Yahoo! brand are considered important to the Group, both for attracting users and advertisers and for expanding its business. The importance of brand recognition is increasing rapidly with the explosive increase in Internet sites and low barriers to entry in the Internet business. Especially given the intensifying competition among Internet companies, expenditures for establishing the Yahoo! brand and boosting brand recognition could increase substantially.

Although efforts are under way to promote the Yahoo! brand with cooperation from Yahoo! Group companies overseas, the Group is unable to provide assurances as to the outcome of these efforts. Failure on the part of Group companies overseas to effectively establish and proliferate the Yahoo! brand could impact the Group in the form of weaker brand presence. In addition, some agreements with overseas Group companies contain exclusionary provisions. The Group is not able to place certain advertisements while these agreements are in force. Although Yahoo! Inc. is making efforts around the world to protect trademarks that are core to its brand rights through applications, registrations, and presence, there is the possibility that Yahoo! Inc. has not registered trademarks necessary to the Group's business in Japan.

It is also possible that third parties will acquire domain names that the Group might find necessary to its business or will use domain names that resemble Yahoo! or the services offered by the Group to carry out unfair competition with or harass

the Group. These actions could affect the Group's brand strategy and damage its brand image.

2) Consolidated Group

a. Improper management of the consolidated group could impact the Group's performance.

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

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

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

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

Contracting company	Yahoo Japan Corporation (the Company); OVERTURE K.K.(OVKK)(Consolidated subsidiary)
Contract counterparties	Yahoo! Sarl; Yahoo! Inc. (Yahoo)
Contract date	August 31, 2007
Contract term	From August 31, 2007, to August 30, 2017 (10 years)
Main details	<p>ADVERTISER AND PUBLISHER SERVICES AGREEMENT</p> <p>1. Basic roles of each party Yahoo! Sarl will dedicate robust efforts to develop and enhance the contracted services and advance the competitiveness of the services. OVKK will dedicate robust marketing efforts to advance customer adoption of the contracted services to enhance the OVKK revenue generated under this agreement. Yahoo! Sarl and OVKK, via a joint steering committee, will agree to roadmap of improvements and developments to carry out customization of contracted services for the Japanese market to optimize services for the market.</p> <p>2. Exclusive provision of contracted services by Yahoo! Sarl In Japan, OVKK, the Company, or subsidiaries for which the Company holds more than 50% of the voting rights will be the exclusive offeree of the contracted services. (The services include advertising platform related to paid search and content matched advertising as of the contract date, and additional search- and advertising-related services adopted as contracted services through the procedure given in the original contract.)</p> <p>3. Service fee payments to Yahoo! Sarl by OVKK OVKK shall pay to Yahoo! Sarl a service fee calculated as a rate prearranged for each year on OVKK revenues (gross revenues earned by OVKK or companies for which it owns 20% or more of the voting rights) associated with the use of the contracted services or Yahoo! Sarl's technologies or systems.</p> <p>4. OVKK's exclusive rights in Japan OVKK has the exclusive rights in Japan for provision of the search- and advertising-related services of Yahoo! Sarl, Yahoo Inc., or its subsidiaries.</p> <p>5. Exclusivist obligation regarding contracted services OVKK, the Company, or subsidiaries for which the Company holds more than 50% of the voting rights are obligated not to provide versions of or similar services to the Yahoo! Sarl's contracted services. If the Yahoo! Sarl's performance issues</p>

	<p>arise based on the material breach for the service level stipulated in the arrangement, which may cause serious negative impact to the business of OVKK, the joint steering committee will find a solution for the issue. Paid search and content-linked advertising services that the Company possesses as of the contract date will not be subject to this contract.</p>
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(Note) The advertiser and publisher service agreement was made on August 31, 2008 between OVERTURE SEARCH SERVICES (IRELAND) LIMITED (OSSIL) and Yahoo! Inc. OSSIL transferred the position of this agreement to Yahoo! Sarl.

3) Other Major Business Partners

a. Any modifications to the business alliance contract with SOFTBANK CORP. could impact the Group's business.

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

Contract name: Business alliance contract
Contract date: March 31, 2007 (original contract signed on June 20, 2001)
Contract term: June 20, 2001 ~ (indefinite term)
Contracted party: SOFTBANK BB Corp.
<p>1) The Company and SBB will jointly provide Internet access services using FTTH and DSL technology.</p> <p>2) The Company's main roles</p> <ul style="list-style-type: none"> * Promoting Yahoo! BB services * Recruiting subscribers for Yahoo! BB services * Operating the Yahoo! BB portal site * Providing mail and Web site services * Providing a fee-collection platform <p>3) SBB's main roles</p> <ul style="list-style-type: none"> * Providing ADSL and FTTH services between subscribers and phone offices, installing network infrastructure between phone-office buildings, and providing connections to Internet networks * Handling subscriber inquiries and providing technical support * From the ISP charge, the Company takes the following in exchange for services rendered: <ul style="list-style-type: none"> - Subscribers acquired by March 31, 2005: ¥100 per line per month - Subscribers acquired during the period from April 1, 2005, until March 31, 2007: ¥200 per line per month until the 36th month from the month of application. From the 37th month, ¥100 per line per month. - Subscribers acquired after April 1, 2007: ¥100 per line per month

Contract name: Incentive agreement
Contract date: October 7, 2005
Contract term: One year, beginning October 1, 2004 (automatically renewed each year)
Contracted party: SOFTBANK BB Corp.
<ul style="list-style-type: none"> • Customer acquisition incentive fees <ul style="list-style-type: none"> Yahoo! BB basic service: <ul style="list-style-type: none"> Approx. ¥15,000 per subscription Yahoo! BB + wireless LAN package: <ul style="list-style-type: none"> Approx. ¥20,000 per subscription • Long-term customer incentive fees <ul style="list-style-type: none"> Yahoo! BB basic service: <ul style="list-style-type: none"> Approx. ¥200 per month per continuing subscriber Yahoo! BB + wireless LAN package: <ul style="list-style-type: none"> Approx. ¥250 per month per continuing subscriber

b. Since Yahoo! BB services are dependent on SOFTBANK BB Corp., the service quality of SOFTBANK BB Corp. could affect the Group.

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

6. Finances, Loans and Investments

1) Funds Procurement and Interest Rate Changes

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

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

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

b. In its Yahoo! JAPAN Cards service, the Group also borrows funds to bridge the collection of reimbursement funds from cardholders.

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

2) Investments

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

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

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

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

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

b. The Group made an investment in BB Mobile Corp. to assist SOFTBANK CORP.'s acquisition of Vodafone K.K. However, anticipated returns might not be obtained.

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

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

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

7. Relationship with Competitors and Partners

1) Business Alliances and Contracts

a. The Group promotes the building of partnerships but there are some risks in doing so.

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

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

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

- Although partnerships (business tie-ups) are established with an eye to ensuring mutual benefits, some partners might fail to achieve sales or traffic goals. Furthermore, competition with other companies might result in delays in or increase the costs of setting up partnerships. In addition, partners might suddenly cancel agreements. Any of these eventualities could adversely affect the Group's performance.
- The Group provides services to partners via proprietary systems and via systems owned by affiliated and business tie-up companies. If partners were to suffer service disruptions or other damages as a result of these systems, then the Group's brand image could be tarnished or the Group could be sued for damage compensation, either of which could negatively affect the Group's performance.
- Because the quality and reputation of our partners' services reflect on the reputation and credibility of the Group, any problems with our partners' services could tarnish the Group's brand image.
- AD Partner is a distribution service for display advertising and content-linked text advertising mainly to personal homepages and blogs. This service aims to boost the brand image and advertising effects for advertisers as well as to reward sites that meet our selection standards by distributing advertising only to such sites. Should advertisers not get their expected advertising effects or personal site owners not get their expected rewards, however, it might become impossible to place ads or extend the network as expected, which could have a negative impact on the Group's performance.

b. If a paid search advertising partner terminates the partnership with the Group, the Group's earnings could be influenced.

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

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

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

2) Collection of Sales Credit Claims

a. The Group examines the credit standing of clients. However, the collection of receivables could be affected.

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

b. The Group may not be able to collect payments from Yahoo! JAPAN Card cardholders.

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

3) Relationship with Third Parties

a. The Group's individual businesses may be dependent on specific customers or suppliers.

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

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

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

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

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

c. In some cases, the development and operations of services are dependent on specific third parties.

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

d. Some services are dependent on external third parties.

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

8. Information Security

1) Entire Information Security

a. The Group has implemented various efforts to achieve information security. However, should information be leaked or unauthorized invasions or computer virus attacks occur, public confidence in the Group could decline.

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

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

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

2) Personal Information

a. Personal information that is available for user identification could be leaked causing public confidence in the Group to drop or involving the Group in a legal dispute.

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

The Group exercises the utmost care in protecting the privacy and personal information of each user and takes extraordinary measures to ensure the security of each service. The Yahoo! Security Center on the Yahoo! JAPAN site works to heighten users' awareness of potential risks by, for example, posting descriptive examples of fraudulent behavior and common methods employed to illicitly obtain personal information, along with suggested security measures to help users protect themselves. In addition, the Group observes strict guidelines regarding internal access to users' personal information, granting access rights only to a very limited number of personnel.

Nevertheless, the Group cannot completely eliminate the possibility that users' personal information will be leaked outside the Group, either deliberately or through negligence, by Group personnel, by companies with which business alliances have been concluded, or by companies to which the Group outsources work, or as a result of computer viruses introduced via defective or malicious software. There have been multiple incidents of personal information stored on virus-infected PCs being unknowingly leaked onto networks, the source of the virus being file-sharing software, such as Winny. Also, the possibility always exists for third parties to fraudulently obtain passwords, for example, to gain unauthorized access to systems, or employ such methods as spoofing or phishing (see Note 1, below) whereby personal user information is illicitly obtained, with unsuspecting

users suffering the consequences. To guard against phishing attacks the Group introduced a log-in seal system (see Note 2, below) In March 2007. In December 2007, the Group added to Yahoo! Mail a function enabling users to refuse spoofed mail (see Note 3, below). In June 2008, the Group started open testing of an “anti-phishing browser” (Note 4) that provides basic blocking measures against phishing. As of January 2008, the Group began issuing OpenIDs (see Note 5, below), in addition to offering an authentication bureau service to improve information security by eliminating the storage and management of IDs on other sites. Although the Group continues to implement such measures with the goal of minimizing the damage caused by ill-intentioned users, there is no guarantee that these measures will be sufficient. If problems occur despite our efforts to thwart them, the Group’s services could be adversely affected and its brand image tarnished. Furthermore, the Group could become a target of lawsuits.

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

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

Note 1: Phishing fraud

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

Note 2: Log-in seal

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

Note 3: Refusing spoofed emails

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

Note 4: Anti-phishing browser

This is a browser equipped with a password entry column only for access authentication in its address bar field. An entered password is handled by the authentication server in a cryptographic protocol and is not sent directly to the server. Therefore, the password cannot be stolen even when entered at a false site carelessly.

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. If personal information was leaked by stores registered on Yahoo! Shopping or Yahoo! Auctions or by business alliance partners, it could result in damage to the Group's credibility or a legal battle.

Personal information obtained through Group's services is held within the Group in principle, and the Group is committed to taking all possible information protection measures. However, there are cases where the personal information management systems of business alliance partners and of stores registered on Yahoo! Shopping and Yahoo! Auctions sites have a significant influence on the Group's efforts.

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

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

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

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

3) Communication Privacy

a. Information related to communication privacy could be leaked, tarnishing the Group's brand image and drawing into legal disputes.

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

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

4) Network Security

a. Attacks on or unauthorized invasions of the Group's networks could occur, affecting the Group's services.

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

Such obstructive actions could affect the Group's business or services and in some cases impact on operating results.

5) Fraudulent Use

a. Fraudulent use may result in damages.

Malicious users may use phishing or other methods to fraudulently obtain the IDs, passwords, and credit card information or other information or use the Yahoo! JAPAN card to make fraudulent payments. As examples of fraud on Yahoo! Auctions, it is possible that a user can pretend to be another user to list fraudulent items or to use another person's account to make settlements with Yahoo! Wallet or Yahoo! ezPay. Similarly, on Yahoo! Mail, a user could send email pretending to be someone else.

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

6) Behavioral History Information

a. The Group's behavioral targeting advertising and Interest Match™ may be affected if restrictions are placed on the collection and analysis of behavioral history information.

Based on an analysis of users' Internet usage history, behavioral targeting advertising and Interest Match™ are designed to distribute advertisements for products or services to user groups whose Internet usage histories indicate a preference for or interest in the advertiser's products or services. This product aims to achieve efficient advertising for all involved, the advertisers, users, and the Internet media itself.

The Group is very careful to respect the privacy of individual users in its collection and analysis of behavioral history information. Behavioral industry information used for behavioral targeting advertising and Interest Match™ includes an analysis of Yahoo! Japan services viewed by users, or more specifically, users' browsers; the key words employed in searches; and whether or not displayed advertising is clicked on. This information is used only for the purpose of grouping users, or users browsers, on the basis of similar preferences and interests, not for analysis of preferences and interests of specific users.

Although the Group believes it is taking adequate precautions to respect users' privacy, it is possible that some users could object to the collection and analysis of their behavioral history information or some legal restrictions could be placed on these activities. Such conditions could cause damage to the Group's brand image, resulting in the Group becoming unable to sell behavioral targeting advertising and Interest Match™ any longer, which could have a detrimental impact on the Group's business results.

9. Corporate Governance

1) Corporate Governance System

a. The internal control system may not work effectively, affecting business operations or increasing operating expenses.

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