Results for the Fiscal Year and the Three Months Ended March 31, 2015 [IFRSs]

May 1, 2015

Company Name:	Yahoo Japan Corporation	Share Listings:	1st section of TSE
Code No.:	4689	URL:	http://www.yahoo.co.jp
Representative:	Manabu Miyasaka, President and CEO	Tel:	03-6440-6000
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Scheduled Ordinary Shareholder's Meeting Date: June 18, 2015
Scheduled Dividend Payment Date: June 4, 2015
Scheduled Securities Report Submission Date: June 17, 2015
Fiscal Results Supplementary Briefing Materials to Be Created: Yes
Fiscal Results Investors Meeting to Be Held: Yes (for Financial Analysts)

(Amounts less than one million yen are omitted)

1. Consolidated Results for FY2014 (April 1, 2014 - March 31, 2015)

(1) Consolidated Business Performance (April 1, 2014 - March 31, 2015) (Figures in parenthesis are % change YoY)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent		Total comprehensive income	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
FY2014	428,487	(4.9)	197,212	(0.4)	208,298	(0.0)	133,933	(3.3)	133,051	(3.5)	135,877	(0.6)
FY2013	408,514	—	196,437	—	208,224	—	129,667	—	128,605	—	135,131	—

	Basic earnings per share	Diluted earnings per share	Profit ratio to equity attributable to owners of the parent	Profit before tax ratio to total assets	Operating margin
	Yen	Yen	%	%	%
FY2014	23.37	23.37	19.8	22.4	46.0
FY2013	22.43	22.43	22.2	26.1	48.1

(For reference) Equity in earnings (losses) of associates: FY2014 ¥1,672 million FY2013 -¥94 million

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
FY2014	1,007,602	740,554	726,002	72.1	127.54
FY2013	849,987	627,718	619,682	72.9	108.83

(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
FY2014	126,239	-67,864	-37,166	503,937
FY2013	132,793	-7,274	-53,129	482,336

2. Cash Dividends

	Dividends per share					Total amount (Full year)	Payout ratio (Consolidated)	Dividend ratio to equity attributable to owners of the parent (Consolidated)
(Record date)	1Q	2Q	3Q	Year end	Full year	Millions of yen	%	%
	Yen	Yen	Yen	Yen	Yen			
FY2013	–	0.00	–	4.43	4.43	25,223	19.8	4.4
FY2014	–	0.00	–	8.86	8.86	50,432	37.9	7.5
FY2015 (Estimates)	–	0.00	–	8.86	8.86		–	

3. Consolidated Performance Estimates for FY2015 (April 1, 2015 – March 31, 2016)

In the fiscal year ending March 31, 2016, expenditures will increase because of upfront investments being made in Internet shopping and credit card businesses, and technology and system facilities to improve the productivity. Nevertheless, excluding the earnings of the FX business, which is strongly affected by market conditions, the consolidated revenue and operating income for the fiscal year ending March 31, 2016 is expected to grow year on year over the fiscal year ended March 31, 2015. For details, please refer to 3) Outlook for Fiscal 2015 in (1) Analysis of Business Results of 1. Analysis of Business Results and Financial Position on page 5 of the Results for the Fiscal Year and the Three Months (Attachments).

4. Others

(1) Changes in significant subsidiaries during the period (changes in significant subsidiaries causing changes in scope of consolidation): Yes

New consolidated subsidiary: 1 (YJ2 Investment Partnership)

(2) Changes in the accounting principles, procedures and presentation methods

1) Changes due to IFRSs: None

2) Changes other than 1): None

3) Changes in accounting estimate: None

(3) Number of stocks issued (common stock)

1) Number of stocks issued at the year end (including treasury stocks)	FY2014	5,694,945,000	FY2013	5,694,900,600
2) Number of treasury stocks at the year end	FY2014	2,800,000	FY2013	1,016,800
3) Average number of stocks	FY2014	5,692,890,529	FY2013	5,732,878,167

* Disclosure Regarding Implementation of Audit

These Results for the Fiscal Year and the Three Months are not subject to the audit procedures stipulated in the Financial Instruments and Exchange Act. Moreover, at the point of disclosure of these Results for the Fiscal Year and the Three Months, the financial statement audit procedures based on the Financial Instruments and Exchange Act had not been completed.

* Explanation of the proper use of performance estimates, and other special notes

・ The Company adopted IFRSs for its consolidated statements as of the first quarter of the fiscal year ended March 31, 2015. For a reconciliation of the differences between IFRSs and accounting principles generally accepted in Japan (JGAAP) for financial performance indicators, please refer to 8. First-time adoption of IFRSs of (7) Notes to Consolidated Financial Statements of 4. Consolidated Financial Statements on page 39 of the Results for the Fiscal Year and the Three Months (Attachments).

・ The performance estimates, etc., and other forward-looking statements contained in this document are based on the information currently available to the Company and premised on assumptions that have been deemed reasonable by management. For a variety of reasons, actual performance estimates, etc., could differ significantly.

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1. Analysis of Business Results and Financial Position

■ Adoption of International Financial Reporting Standards (IFRSs)

Yahoo Japan Corporation switched from the previously used accounting principles generally accepted in Japan (JGAAP) and adopted IFRSs beginning with the first quarter of the fiscal year ended March 31, 2015. All of the Company's financial figures are presented on an IFRS basis and the comparative figures in the previous consolidated fiscal year have also been prepared in accordance with IFRSs.

Regarding a reconciliation of the differences of financial figures between IFRSs and accounting principles generally accepted in Japan, please refer to 8. First-time adoption of IFRSs of (7) Notes to Consolidated Financial Statements of 4. Consolidated Financial Statements on page 39.

■ Consolidated Performance Highlights for the Fiscal Year (April 1, 2014 - March 31, 2015)

Although the elimination of monthly store tenant and other fees in the Consumer Business reduced revenue, the continued growth in advertising revenue from Yahoo! Display Ad Network (YDN) and others resulted in growth in overall revenue and profits for the 18th consecutive year since Yahoo Japan Corporation began services.

In display advertising, revenue from YDN and other display advertising rose about 1.7 times from the previous fiscal year because of such factors as increased advertising opportunities and improved matching accuracy. Moreover, paid search advertising revenue from smartphones expanded sharply, contributing to overall growth in revenue year on year. Furthermore, the consolidation of YJ Card Corporation and Synergy Marketing, Inc., during the fiscal year also contributed to earnings growth. Combining auction- and shopping-related transaction values, total domestic e-commerce transaction value amounted to approximately ¥1.2 trillion, increasing from a year earlier. At March 31, 2015, the number of Yahoo! Premium members reached 10.77 million IDs because of the increase in the number of members joining through SoftBank stores and Y! mobile stores.

In terms of profitability, despite expenditures for upfront investments to strengthen the Yahoo Japan Group's business base, such as investments in Yahoo! Shopping and in data processing technology and infrastructure, continued growth in the revenues of core businesses supported overall profits. Operating income, income before income taxes, and net income attributable to owners of the parent all increased compared with a year earlier.

As a result, the Yahoo Japan Group's performance for the consolidated fiscal year under review grew year on year. Consolidated revenue amounted to ¥428.4 billion, up 4.9% from the previous fiscal year, while operating income rose 0.4% year on year, to ¥197.2 billion. Income before income taxes was ¥208.2 billion, an increase of 0.04% from a year earlier, and net income attributable to owners of the parent expanded 3.5% year on year, to ¥133.0 billion.

(1) Analysis of Business Results

1) Business Results Summary (April 1, 2014 to March 31, 2015)

	FY2013	FY2014	Year-on-Year Change (Amount)	Year-on-Year Change (%)
Revenue	¥408.5 billion	¥428.4 billion	+¥19.9 billion	+4.9%
Operating Income	¥196.4 billion	¥197.2 billion	+¥0.7 billion	+0.4%
Income before income taxes	¥208.2 billion	¥208.2 billion	+¥0.0 billion	+0.04%
Net Income attributable to owners of the parent	¥128.6 billion	¥133.0 billion	+¥4.4 billion	+3.5%

2) Segment Business Results Summary (April 1, 2014 – March 31, 2015)

Revenue and Operating Income by Segment

	FY2013	FY2014	Year-on-Year Change (Amount)	Year-on-Year Change (%)
Marketing Solutions Business				
Revenue	¥283.0 billion	¥304.2 billion	+¥21.2 billion	+7.5%
Operating income	¥152.2 billion	¥161.6 billion	+¥9.3 billion	+6.2%
Consumer Business				
Revenue	¥104.8 billion	¥102.0 billion	-¥2.8 billion	-2.7%
Operating income	¥63.6 billion	¥58.6 billion	-¥5.0 billion	-8.0%
Others				
Revenue	¥28.5 billion	¥32.3 billion	+¥3.8 billion	+13.4%
Operating income	¥11.2 billion	¥11.5 billion	+¥0.3 billion	+2.8%
Adjustments				
Revenue	-¥7.9 billion	-¥10.1 billion	–	–
Operating income	-¥30.7 billion	-¥34.6 billion	–	–
Total				
Revenue	¥408.5 billion	¥428.4 billion	+¥19.9 billion	+4.9%
Operating income	¥196.4 billion	¥197.2 billion	+¥0.7 billion	+0.4%

Notes: 1. The main revenue included in the Others segment is that for settlement- and finance-related services among business activities not included in reporting segments.

2. Adjustments figures represent inter-segment transactions and general corporate expenses not belonging to any reporting segment.

Reporting Segment	Major Revenues
Marketing Solutions Business	・ Paid search, display and other advertising-related services ・ Data center-related and other corporate services ・ Yahoo! Real Estate and other information listing services ・ Game-related services
Consumer Business	・ YAHUOKU!, Yahoo! Shopping, and other e-commerce-related services ・ Yahoo! Premium, Yahoo! BB, and other membership services

■ Marketing Solutions Business

Revenue of Yahoo! Display Ad Network (YDN) and others increased approximately 1.7 times from the previous consolidated fiscal year. Contributors to revenue growth included such factors as an increase in advertising opportunities and improved matching accuracy, and Yahoo! Premium DSP, revenue of which expanded substantially. Paid search advertising revenue rose year on year because of the sharp increase in revenue from smartphones. In addition, greater revenues from video advertising and the second-quarter consolidation of Synergy Marketing, Inc., also contributed to overall revenue growth.

As a result, revenue of the Marketing Solutions Business amounted to ¥304.2 billion, rising 7.5% from the prior year, and accounted for 71.0% of total revenue. Operating income increased 6.2% year on year, to ¥161.6 billion.

・ In display advertising, revenue from YDN and others increased approximately 1.7 times year on year because of, among other factors, an increase in advertising opportunities due to the expansion of its usage throughout the Yahoo! JAPAN site and improved matching accuracy. In addition, the revenue from Yahoo! Premium DSP increased substantially. Moreover, in premium advertising, revenues from Top Impact and other advertising products employing advertising technology that provides highly effective branding (Rich Ad) also continued to grow. In addition, video advertising revenue also rose sharply.
・ In paid search advertising, smartphone-related revenue was up year on year because of the significant growth in the use of search services on smartphones. Consequently, overall paid search advertising revenue also rose compared with the previous fiscal year.
・ Data center-related services revenue increased from last year because of expanded use of cloud computing services due to a strengthening of sales activities and other factors.
・ The consolidation of Synergy Marketing, Inc., in the second quarter of the fiscal year also contributed to increased revenue.

* Advertisement product categories

Paid search advertising	Product name: Sponsored Search A per-click, performance-based advertising. Text advertising is listed on the search results pages. The product targets major companies and small and medium-sized business enterprises.
Display advertising	Product name: Yahoo! Display Ad Network (YDN) A per-click, performance-based advertising. Text or banner advertising is listed on top or content pages. The product targets major companies and small and medium-sized business enterprises.
	Product name: Yahoo! Premium DSP A per-impression, performance-based advertising. Banner advertising is listed on top or content pages. The product targets major companies.
	Product name: Premium advertising A per-impression, guarantee-based advertising. Advertising using richly expressive banners and videos is listed on top or content pages. The product targets major companies.

・ Performance-based advertising: Advertising that is programmatically or manually managed on a real-time basis to optimize advertising placement.
・ Guarantee-based advertising: Advertising where specific placement is reserved in advance.

■ Consumer Business

Such factors as the elimination of store tenant and other fees on Yahoo! Shopping and YAHUOKU! resulted in revenue of the Consumer Business decreasing year on year. However, there were signs of a recovery in revenue in the second half of the fiscal year because the impact of those factors tapered off and, among others, YAHUOKU! revenue increased. Profits also showed improvement. In addition to the increase in revenue in the second half, there were signs of improvement in expenses based on carrying out sales promotion activities more effectively and other measures. Combining auction- and shopping-related transaction values, total domestic e-commerce transaction value amounted to approximately ¥1.2 trillion, increasing from a year earlier.

As a result, revenue of the Consumer Business amounted to ¥102.0 billion, decreasing 2.7% year on year and accounting for 23.8% of total revenue. Operating income declined 8.0% compared with last year, to ¥58.6 billion.

・ In auction-related operations, transaction value expanded year on year to reach a record high. The number of people newly listing items and making bids rose from a year earlier because of the removal of the requirement to register as a Yahoo! Premium member for making bids of ¥5,000 or over and the emphasis on sales promotional activities, such as television commercials.
・ The number of stores* on Yahoo! Shopping continued to increase. As of March 31, 2015, the number of stores exceeded 280 thousand IDs, up in excess of 200 thousand IDs from the end of the previous fiscal year. In addition, the number of items handled expanded to approximately 160 million. Furthermore, transaction value increased compared with the last year based on a strengthening of efficient sales promotional activities.
・ The number of Yahoo! Premium members on March 31, 2015 climbed to 10.77 million IDs because of the large growth in membership through the SoftBank stores and Y! mobile stores.

* Number of stores is based on individual and corporate accounts issued. It includes accounts that are still preparing to launch store sites after passing the screening process.

3) Outlook for Fiscal 2015 (April 1, 2015 – March 31, 2016)

Continued year-on-year, double-digit growth is expected in revenue of Yahoo! Display Ad Network (YDN) including Yahoo! Premium DSP. On the other hand, there is an ongoing shift of Internet-enabled devices in Japan from personal computers to smart devices. Due to this shift, the Yahoo Japan Group is experiencing a decline in the use of its personal computer-based services and a rapid increase in the use of its smart device-based services. Based on the impact of this shift to smart devices, the Group is anticipating that paid search advertising revenue in fiscal 2015 will follow the trend of the second half of fiscal 2014 and either remain flat or decline slightly compared with the previous fiscal year. As a result, total advertising-related revenue in the fiscal year ending March 31, 2016 is expected to post high single-digit growth year on year.

The total domestic e-commerce transaction value, including YAHUOKU! and Yahoo! Shopping, is forecast to continue its year-on-year expansion. With YAHUOKU!, both transaction value and revenue are expected to increase compared with the previous fiscal year. Yahoo! Shopping operations, however, will place the main emphasis on expanding transaction value in the fiscal year ending March 2016 while refining advertising products in preparation for the shopping-related advertising revenue growth phase that is scheduled to start in the fiscal year ending March 2017.

In addition, Yahoo Japan Corporation made a full-scale entrance into the credit card business through the January 2015 purchase of YJ Card Corporation (formerly KC Co., Ltd.). The next several years, including the current fiscal year, have been positioned as an “Upfront Investment for Future Growth Period.” During this period, the operations plan to aggressively expand their card subscriber base.

(2) Analysis of Financial Position

Assets, Liabilities and Equity

1) Assets

Total assets at March 31, 2015, the end of fiscal 2014, amounted to ¥1,007,602 million, increasing ¥157,614 million, or 18.5%, from the same period in the previous fiscal year. The main components of change were the following:

- Trade and other receivables increased from the end of fiscal 2013 mainly because of an increase in the number of consolidated subsidiaries and an increase in balances of foreign exchange dealings cash-deposits with trust banks.
- Goodwill expanded compared with the end of the previous fiscal year because of the addition of consolidated subsidiaries.
- Intangible assets rose from the end of fiscal 2013 primarily because of an increase in computer software.
- Investments accounted for using the equity method expanded from the end of fiscal 2013 principally because of the conversion of The Japan Net Bank, Limited's non-voting shares for common shares.
- Other financial assets did grow compared with the end of fiscal 2013 despite the decrease resulting from the reclassification and transfer of the shares of The Japan Net Bank, Limited from other financial assets to investments accounted for using the equity method as a result of the conversion of The Japan Net Bank, Limited's non-voting shares for common shares. Contributing to the overall growth in other financial assets were the purchase of investment securities and an increase in the fair value of securities and advanced payments of lease deposits for new office space.

2) Liabilities

Total liabilities at the end of fiscal 2014 were ¥267,048 million, increasing ¥44,779 million, or 20.1%, from the end of fiscal 2013. The major components of change were the following:

- Trade and other payables increased from the end of fiscal 2013 principally because of an increase in balances of foreign exchange dealings cash-deposits from customers.
- Income taxes payable declined from the end of fiscal 2013 chiefly because of the abolishment of the special corporate tax for reconstruction and because of the decrease of taxable income, etc.
- Provisions expanded from the end of fiscal 2013 primarily because of the consolidation of YJ Card Corporation.
- Other current liabilities rose from the end of fiscal 2013 mainly because of an increase in accrued consumption tax arising from a hike in the consumption tax rate.

3) Equity

Total equity at the end of fiscal 2014 amounted to ¥740,554 million, increasing ¥112,835 million, or 18.0%, from the end of fiscal 2013. The primary reasons for change in equity were as follows:

- Capital surplus decreased from the end of fiscal 2013 mainly because when additional purchases of shares of subsidiaries were made, the amount of equity attributable to the parent declined as a result of the investment amount exceeding the consolidated book value of the non-controlling interest equity portion.
- Despite the decrease due to dividends paid, retained earnings increased from the end of fiscal 2013 because of growth in net income attributable to owners of the parent.

Cash Flows

At the end of fiscal 2014, cash and cash equivalents amounted to ¥503,937 million, up ¥21,600 million from the end of fiscal 2013.

The following are the movements in the main components of cash flow and the factors contributing to those changes for the period under review:

Cash flows from operating activities amounted to a cash inflow of ¥126,239 million despite the payment of income taxes mainly because of an increase in net income.

Cash flows from investing activities amounted to a cash outflow of ¥67,864 million, primarily due to expenditures for the purchase of subsidiaries and investment securities.

Cash flows from financing activities amounted to a cash outflow of ¥37,166 million, attributed mainly to dividends paid.

Reference: Transition of Cash Flow-Related Indexes

	FY ended March 31, 2014	FY ended March 31, 2015
Ratio of equity attributable to owners of the parent	72.9%	72.1%
Market price-based ratio of equity attributable to owners of the parent	339.0%	280.2%
Interest-bearing debt to cash flow ratio	0.0%	1.1%
Interest coverage ratio (times)	154,728.6	15,694.8

Ratio of equity attributable to owners of the parent: Equity attributable to owners of the parent/Total assets

Market price-based ratio of equity attributable to owners of the parent: Market capitalization/Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt/cash flow

Interest coverage ratio: Cash flow/interest on debt

* All figures calculated on a consolidated basis
* Market capitalization calculated on the basis of the number of shares issued not including treasury stocks
* The above cash flow is an operating cash flow
* Interest-bearing debt includes all debts booked on consolidated statements of financial position for which interest is paid.

(3) Basic Policy regarding Profit Distribution and Dividend Payments for Fiscal 2014 and 2015

The Yahoo Japan Group aims to achieve sustained growth in corporate value over the medium to long term. For that purpose, the Group recognizes the importance of actively pursuing M&A, capital and business alliances, and capital expenditures for future growth. At the same time, Yahoo Japan Corporation recognizes its responsibility as a listed company to recompense shareholders by returning profits to them.

Guided by the above policy, for the fiscal year ended March 2015, the Company intends to declare a year-end cash dividend of ¥8.86 per share, double the amount paid last year and equivalent to a total dividend payout of ¥50.4 billion. For the fiscal year ending March 2016 and beyond, the Company plans to pay the same amount of cash dividend per share.

Going forward, while continuing to invest for business growth, the Yahoo Japan Group will aim to build corporate value by providing an appropriate return of profits to shareholders.

(for reference) Transition of Dividends per share (after adjustments for stock split)

Fiscal year	2010	2011	2012	2013	2014
Dividends per share (yen)	3.18	3.47	4.01	4.43	8.86 (Estimates)

Note: Effective October 1, 2013, the Company conducted a 100-for-1 stock split of its common shares.

(4) Risk Factors

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

1. Impact of Internet Markets and Competition

1) Macroeconomic Trends, Internet Markets, and Users

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

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

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

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

The Internet-based advertising industry in Japan is generally thought to have begun with the Company's start of operations in 1996. Since then, the Internet advertising market has grown significantly, accounting for 17.1% of the total domestic advertising market in calendar year 2014, according to a DENTSU INC. report.

The Yahoo Japan Group engages in a range of activities aimed at enhancing its advertising media value. In the area of premium advertising, for example, we endeavor to expand and stabilize our client base of corporate advertisers and advertising agencies through various means, including periodic seminars aimed at promoting a greater understanding and appreciation of Internet advertising within the advertising industry. In the area of promotion advertising, meanwhile, we are working to improve the match between advertisements and the interests of each user, thereby becoming a more valuable media both for users and for advertisers.

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

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

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

Recruiting, real estate, and other information listing services, in particular, are influenced by macroeconomic trends. Furthermore, because our cost structure includes a high proportion of fixed costs, such as personnel, lease, and utilities expenses, expenditures cannot be adjusted easily according to revenues, contributing to underlying volatility in our earnings stream.

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

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

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

Recently, advertising via smart devices and through Internet-enabled terminals is growing. The Yahoo Japan Group is giving priority to providing smart device services ahead of PC services under the slogan of smart devices first. However if mobile Internet use expands even further and we fail to acquire the share of user numbers or usage times that we command in the PC market, an overall reduction in market share might ensue. As a result, advertising revenue growth could taper off, with negative consequences for earnings.

f. Markets for our information listing and e-commerce services might not expand as anticipated.

To expand the market for our recruiting, real estate, and other information listing services, we are leveraging the convenience and dominant brand strength of the Yahoo! JAPAN site to attract new customers. Using an enhanced marketing infrastructure, we are working to expand revenues from YAHUOKU! (formerly Yahoo! Auctions) and Yahoo! Shopping. Despite these efforts, markets might not expand for any of various reasons. The shift of information listing services to the Internet from traditional media, particularly printed media such as newspapers, magazines, and flyer inserts, might not proceed as expected. Users of our auction and shopping services might not increase as anticipated, and associated transaction values might be less than expected. Any of these factors could negatively affect our business performance.

g. Technological change in the broadband market could affect our income.
Yahoo! BB, a comprehensive broadband service operated jointly by the Company and SoftBank Mobile Corp. (SBM), mainly provides inexpensive, high-speed DSL services. Owing to rapid progress in telecommunications technology, the broadband market is shifting from DSL service to fiber-to-the-home (FTTH) service, which uses optical fiber to achieve faster data transmission. To acquire new subscribers in this environment, SBM has introduced Yahoo! BB hikari with FLET'S*, a comprehensive broadband FTTH service. Even so, projected levels of new subscribers or sales might be impossible to achieve, or existing customers might shift to competing services. Moreover, unanticipated expenses might arise. Any of these factors could negatively affect our income.
*FLET'S is a trademark of NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION (NTT EAST) and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (NTT WEST).

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

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

2) Competition
With competitors in each of our service areas, we might have difficulties maintaining our dominant position in the Japanese Internet market.
Our flagship Yahoo! JAPAN portal site offers a diverse range of services over the Internet, including search services; various types of information services such as news; Internet tool services such as e-mail; shopping and other e-commerce services; and payment settlement services. We have multiple competitors in each of these service areas.

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

Moreover, within our industry, there have been cases of new services by fledgling companies gaining popularity with users and spreading rapidly throughout the market. We fully intend to continue gauging user opinions and usage patterns with an eye to offering services that users want. Nevertheless, it is possible that services offered by a start-up company could pose a competitive challenge to our existing services. It is possible also that we will be obligated to make significant investments in developing new services to maintain our competitive advantage. Either eventuality could have a negative impact on our business performance.

3) Reliance on Other Companies' Products and Services
In providing services, the Yahoo Japan Group relies on other companies' products and services, including electricity, servers, Internet connection lines, information devices, and software.
Many of the products and services necessary for the provision of our services, including electricity, servers, Internet connection lines, information devices, and software, are provided by other companies. The smooth, uninterrupted provision of such products and services is a prerequisite to the successful provision of our services.

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

Today, users can choose from several types of browser software and from a range of information devices including PCs, smart devices, TVs, video-game consoles, and car navigation systems for accessing the Internet. However, in certain cases, some information devices and software are incompatible with Yahoo! JAPAN's services, most of which result from sub-optimal usage conditions or setting errors. Furthermore, browser software or information devices subject to specification changes, rate adjustments, or insufficient market supply have the potential to disrupt user access to our services, thereby negatively affecting our revenues.

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

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

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

2. Legal and Institutional Changes

1) Legal Restrictions

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

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

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

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

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

c. Amendments to the Telecommunications Business Act could restrict our business.

Within our business of operating Internet-based information communication services, there are areas where we are required to comply with the Telecommunications Business Act and related ordinances enforced by relevant government divisions. Amendments to this law or to related ordinances could restrict our business.

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

Since its establishment, the Yahoo Japan Group has undertaken a variety of measures to contribute to the sound development of the Internet and has taken steps to protect minors from potentially harmful information, such as the operation of Yahoo! Kids and the introduction of Yahoo! Safety Net. In April 2009, the government enforced the Act on Development of an Environment that Provides Safe and Secure Internet Use for Young People. Based on the content of the act and the nature of the Yahoo Japan Group’s business, the effect on the group’s business should be minor. Nevertheless, the law raises many issues, such as restrictions on freedom of expression or inhibition of filtering development, which could impinge upon the development of the Internet industry in Japan and, consequently, affect our performance.

e. Legislation relating to e-Commerce Business could affect our earnings.

Reports have been made of illegal items being listed on YAHUOKU!, and cases of fraud have been identified. When sellers subject to the Act on Specified Commercial Transactions list branded products for auction, we instruct them to properly identify themselves and will revoke their IDs if they do not comply. In collaboration with Internet auction operators DeNA Co., Ltd. and Rakuten, Inc., we have formulated and implemented Internet Auction Services Guidelines. In addition, as the chair of the Conference on Anti-distribution of Pirated Intellectual Property on the Internet, the Company is actively working to devise measures to prevent violations. For example, to help educate sellers and buyers of items on Internet auctions, we have published on our Web site "Intellectual Property Rights Protection Guide," which defines and explains copyrights, image rights, and trademarks.

With the number of shops participating on Yahoo! Shopping increasing, it is possible that, similar to YAHUOKU!, the number of shops violating our guidelines and use restrictions could increase on Yahoo! Shopping, resulting in many complaints from purchasers. We are striving to prevent such damages by utilizing the know how and operation methods for preventing unfair actions on YAHUOKU!.

If these measures fail to bring about the expected results and reports of illegal or fraudulent merchandise continue, legislation could be enacted restricting commercial activity carried out via the Internet. Depending on the degree of restriction entailed by such legislation, it could negatively affect our earnings.

f. Legislation relating to social media services could affect our provision of such services.

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

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

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

In the area of financial services, the Yahoo Japan Group offers the Yahoo! Card service.

In its Yahoo! Card service, the Group independently issues the “Yahoo! JAPAN Card Suica” credit card. Its consolidated subsidiary, YJ Card Corporation also issues a credit card and a loan card.

Because of their lending and other loan related functions, both of these services fall under the Money Lending Business Act and the Interest Limitation Law. Under the former, the Company is registered as a money lender with the Kanto Local Finance Bureau while YJ Card Corporation is registered with the Fukuoka Local Finance Branch Bureau. Because authorities revised the Money Lending Business Act so as to lower the interest rate ceiling on loans to match the interest rate ceiling specified in the Interest Limitation Law, customers might claim that interest paid in excess of the rate permitted under the Interest Limitation Law represents unfair profits, and demand repayment. YJ Card Corporation is especially exposed to the risk of its business being impacted by unfair profit claims.

Strengthening or revising the compliance system or trading system in response to a tightening of those regulations might entail increased costs and could therefore negatively impact our earnings.

h. Since the Yahoo Japan Group has an obligation to comply with Japan’s Travel Agency Act, its travel agency business could be affected by future trends in legal revisions

For some of the activities of the Yahoo! Travel business operated by the Yahoo Japan Group, it bears a responsibility to comply with the Travel Agency Act and related ordinances, etc. Amendments to this act or to related ordinances could restrict our business.

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

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

* In February 2009, the Company converted SOFTBANK IDC Solutions Corp. (IDC) into a consolidated subsidiary, and subsequently absorbed it via merger the following March. In June 2010, the Company received notification from the Tokyo Regional Taxation Bureau of a revision to its tax payment related to those transactions. Refuting the taxation bureau’s revision, the Company submitted a request for reconsideration to the National Tax Tribunal, after which it filed to revoke said decision in April 2011. The appeal for the legal action was dismissed by the Tokyo High Court on November 5, 2014, but the case is under final appeal.

2) Litigation

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

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

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

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

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

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

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

Through such internal regulation, we prohibit illegal and slanderous content on our sites and protect user privacy. In addition, we publish a disclaimer stating clearly that users bear full responsibility for Web browsing and information posting, and that we accept no responsibility for damages incurred by users as a result of Web browsing or use of Yahoo Japan Group sites. However, there is no guarantee that such measures will suffice to stave off litigation. We could be subject to claims, reprimands, or damage suits brought by users, related parties, or governmental agencies with regard to the content of advertisements, Web sites accessible through links on our sites, contributions to community message boards, and/or trading on our auctions site. The resulting decline in user confidence could lead to a drop in hits or time spent on our sites, or to a suspension of certain of our services.

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

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

d. We could be subject to damages that are in fact the responsibility of a third party.
To prevent misunderstanding or confusion about the scope of services provided by third parties through agreements with the Yahoo Japan Group and those provided by the Group itself, measures are taken to ensure the understanding and agreement of users through user rules or clauses posted on relevant Yahoo! JAPAN sites. Even so, it is possible that these measures will fail and that users will demand compensation for damages from the Yahoo Japan Group that are in fact the responsibility of a third party. As a result, we could incur substantial expenses or suffer a loss of brand image, which could negatively affect our business performance.

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

e. We could be subject to damage claims by third parties for infringement of intellectual property rights, such as patents or copyrights owned by third parties.
Considering intellectual property to be an important management asset, the Yahoo Japan Group has established an in-house section devoted exclusively to activities related to patent rights, including investigation, filing and internal awareness campaigns.

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

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

f. Advertisers could claim reimbursement of excessive fees resulting from click fraud or other methods of artificially increasing advertising costs.
In promotion advertising, including paid search and interest-based advertising, a problem known as click fraud might arise. Fees for listing advertising are determined by the number of times an advertising link is clicked by users. Click fraud is used to artificially inflate the number of clicks, thereby increasing listing advertising fees charged to advertisers. In the United States, major advertisers victimized by this type of fraud have brought class-action lawsuits against companies offering listing advertising products. The Yahoo Japan Group systematically and in some cases manually monitors and determines whether click fraud is occurring and, in cases where click fraud is detected, removes fraudulent clicks from the count for billing. Nonetheless, a similar lawsuit might be brought against the Yahoo Japan Group, resulting in damage to the brand image of the Yahoo Japan Group and negatively impacting business performance.

3) Other Legal Regulations
a. Because we routinely consign business to outside contractors, the possibility exists for violations of the Worker Dispatch and Subcontract laws, resulting in diminished public confidence in the Yahoo Japan Group.
We periodically offer training courses related to the Worker Dispatch and Subcontract laws to all Yahoo Japan Group employees newly joining the Yahoo Japan Group and at regular intervals thereafter to ensure compliance with these laws in business transactions. Despite such efforts, violations of the Worker Dispatch and Subcontract laws might occur, which could damage our credibility and performance.

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

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

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

2) Emergency Situations

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

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

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

4. Business Management

1) Management Policy and Business Strategies

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

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

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

2) Technological Development and Improvement

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

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

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

b. Failure to effectively implement a program aimed at continuously improving our services could eventually render them obsolete.

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

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

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

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

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

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

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

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

In recent years, the range of Internet-enabled terminals has grown to include smart devices, video-game consoles, TVs, and car navigation systems, resulting in a vastly expanded Internet-connection infrastructure for information terminals other than PCs. In response to this trend, we are promoting Internet usage via a wide range of information devices, with the goal of increasing accessibility to and boosting usage times of Yahoo! JAPAN services. In promoting this strategy, the following risks are implied:

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

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

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

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

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

In addition, we have developed and sold various advertising products incorporating innovative advertising distribution methods, including targeting advertising, which distributes advertising based on users' Yahoo! JAPAN usage histories, keyword search histories, demographic factors, and physical location; Interest Match®, which distributes advertising based on the said usage histories and the content of Web pages viewed at the time of ad distribution; and AD Network, which distributes advertising over a network of partner sites and thus achieves greater reach than single-site-distribution products. If we fail to properly incorporate innovative advertising methods, our advertising revenues could decrease even as the cost of developing new products and forming new partnerships with companies possessing expertise in innovative advertising methods grows. As a result, our performance could be negatively affected.

3) New Businesses

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

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

Moreover, new businesses are unlikely to begin contributing stable revenues immediately. Consequently, our profitability could decline temporarily.

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

4) Services Provided

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

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

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

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

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

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

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

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

5) Compliance

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

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

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

6) Management and Operation Systems

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

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

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

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

b. The resignation of key personnel could temporarily hinder our continuous business development.

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

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

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

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

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

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

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

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

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

5. Relationship with Major Stakeholders

1) Major Shareholders

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

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

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

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

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

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

The Yahoo Japan Group works with SOFTBANK CORP. on mobile communications, Yahoo! BB, and other businesses. If SOFTBANK CORP. should invest in or tie up with a company offering services similar to those offered by the Yahoo Japan Group, competition within the SOFTBANK Group could arise in the future. Although we intend to proactively deal with such an eventuality by collaborating, any resultant competition within the SOFTBANK Group could affect our performance in some manner.

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

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

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

Main details	1) Licensing rights granted by Yahoo! Inc. to the Company: • Non-exclusive rights granted to the Company for reproduction and use of Yahoo! Inc.'s Internet search and other services customized and localized for the Japanese market (hereinafter referred to as the Japanese version of the Yahoo! search services) • Non-exclusive rights granted to the Company for use in Japan of the Yahoo! trademark • Exclusive rights granted to the Company for publishing of the Yahoo! trademark in Japan • Exclusive rights granted to the Company worldwide for development, commercial use, and promotion of the Japanese version of the Yahoo! search services 2) Non-exclusive rights granted (gratis) to Yahoo! Inc. worldwide for use of Japanese content added by the Company 3) Royalties to be paid by the Company to Yahoo! Inc. (see Note, below) Note: Initially, royalties were calculated as 3% of gross profit less sales commissions. Effective January 2005, the calculation method for determining royalties was revised, as follows: Royalty calculation method {(Consolidated net sales) - (Advertising sales commissions on a consolidated basis) - (Cost of sales of consolidated subsidiaries with a different gross margin structure and others)} x 3%

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

We consider the establishment and proliferation of the Yahoo! JAPAN brand to be important, both for attracting users and advertisers and for expanding our business. The importance of brand recognition is increasing rapidly with the growth in the number of Internet services and low barriers to entry in the Internet business. Especially given the intensifying competition among Internet companies, expenditures for establishing the Yahoo! JAPAN brand and boosting brand recognition could increase substantially.

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

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

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

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

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

	Corporation, Yahoo! Netherlands B.V. will cooperate with the Company regarding the transfer of customer data.

f. Any modifications to the business contract with Google Asia Pacific Pte Ltd. could affect our earnings.
To enable the Yahoo Japan Group to provide search engine (technology), paid search advertising distribution system (technology), and other services, the Company has an ongoing business alliance contract with Google Asia Pacific Pte Ltd. based on the following content. Since search and paid search advertising distribution technologies are key income sources for the Group, any modifications to the contract could affect our earnings.

Contract name	GOOGLE SERVICES AGREEMENT
Contract date	October 21, 2014
Contract term end	March 31, 2019
Counterparty	Google Asia Pacific Pte Ltd.
Main details	1) Non-exclusive provision of search and paid search advertising distribution technologies by counterparty The counterparty shall provide its search and paid search advertising distribution technologies to the Yahoo Japan Group on a non-exclusive basis, which will be used by the Group to offer its own brand of services. 2) Differentiation of search services Both parties are entitled to freely develop and use additional functions for the search results in order to differentiate their search results. The Company may decide on its own whether to display the other party's search results. 3) Payment for counterparty's services Payment for the counterparty's services shall be the sum of 1) an amount calculated using a method determined on an annual basis based on the revenue of the Company Web site and 2) an amount calculated using the standard for excess amounts on any revenue of the Company Web site in excess of a specific amount during the specified period. The payment for the counterparty's services provided by the Company to partners shall be an amount calculated using a determined method based on the revenue received from each partner's Web site.

2) Consolidated Group Management

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

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

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

(i) Regulations, etc., could negatively affect our performance and financial condition.
On January 31, 2013, Yahoo Japan Corporation converted the FX trading company, YJFX, Inc., into a wholly owned subsidiary. YJFX, Inc. is a Financial Instruments Business Operator registered under Japan's Financial Instruments and Exchange Act (FIEA) and carries out its operations in compliance with the FIEA, related regulations, and Cabinet Office Ordinances, etc.

Nevertheless, should an infringement of any of these regulations occur, the Group could have its operations suspended, be deregistered or receive some other administrative disciplinary action. Moreover, if any of these regulations were made stricter in future, the Group could incur additional expenses in strengthening its compliance organization or trading system or in implementing other reorganization or adjustments. Any of these actions could negatively affect our business performance and financial condition.

(ii) Customer FX transactions could negatively impact our performance and financial condition.
Under the Yahoo Japan Group's FX trading system, customers may make transactions after making margin deposits in amounts specified by the Group based on customers' chosen level of leverage. Under this system, customers may conduct transactions in excess of their actual cash deposits. Consequently, they can earn high returns on their investments or suffer great losses. In accordance with the transaction agreement, the Group is able to take action to protect customers from further loss when their trading accounts fall below a 20% margin level by forcing customers to close out their entire position with a reversing transaction using a method specified by the Group. However, should customers suffer losses in excess of their deposits and be unable to cover all of their losses, it is possible that the Group would have to assume a write-off loss for all or a portion of the outstanding liability of its customers. If such a situation did occur, it could negatively affect our business performance and financial condition.

(iii) Transactions with counterparties could negatively impact our performance and financial condition.
Although the FX trading handled by the Yahoo Japan Group is transacted between the Group and its customers, to minimize the risk arising from those transactions, the Group places covering transactions with various reputable banks, securities companies, and other financial institutions. However, should any of these financial institutions become unable to provide covering transactions because of worsening performances, financial conditions or other circumstances, it is possible that the Group may not be able to

hedge their customers' positions. In addition, the Group might not be able to recover its collateral deposits with such a financial institution if the institution was to go bankrupt or fail. Such cases could negatively impact our performance and financial condition.

(iv) Segregated asset custody requirements could adversely affect our performance, financial condition, and business development.

Financial Instruments Business Operators are required to segregate their customers' assets from their own and manage them separately in order to properly preserve them. Accordingly, the Yahoo Japan Group has established a system to protect customer assets by depositing assets received from customers with major financial institutions, thereby separating them from its proprietary assets and managing them as trust assets. Nevertheless, should a system failure or other circumstance result in the loss of the ability to properly calculate assets or unforeseen circumstances make it impossible to manage the assets on a segregated basis, the Group could have its operations suspended, be deregistered or receive some other administrative disciplinary action. Any of these actions could negatively affect our performance, financial condition, and business development.

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

The Yahoo Japan Group endeavors to achieve stable system operations and continually strengthen its system for FX trading. However, should there be a system failure or unapproved access for some reason, customers could suffer losses for which the Group is not covered by the liability exclusion clauses in their contracts, leading to customers' opportunity losses, fallen credibility of the Group, or any burden of liability for damages, etc. If that did happen, it could negatively affect our performance and financial condition.

Furthermore, among the software used by the Yahoo Japan Group to operate its FX trading system is software for which the Group does not hold the copyright. The Group has built and maintains a framework to prevent this situation from obstructing operations by obtaining licenses to use such software. However, if at the point of expiry of one of such license contracts the Group should become unable to continue to use the software because of the failure of the company holding the copyright, it could negatively affect our performance, financial condition, and business development.

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

Foreign currency exchange rate fluctuations can greatly affect the trading losses or gains of customers using the Yahoo Japan Group's FX trading services. Accordingly, it is possible that the transaction value of our business could decline when customers' investment sentiment deteriorates because of higher losses resulting from unfavorable movements in currency market rates. Since the Group's earnings from the business are based on transaction value, if such a situation ensued for a prolonged period, it could adversely impact our performance and financial condition. Moreover, it is possible that if currency rates move sharply, the Group may not be able to implement covering transactions for its customers' positions with counterparties. If such an unanticipated situation occurred, it also could adversely impact our performance and financial condition.

(vii) The Group could be penalized for violating Principle of suitability or transaction opening standards.

Under the FIEA, Financial Instruments Business Operators are obligated to ensure that transactions are appropriate for customers' circumstances. Accordingly, the Group carries out appropriate checks before transactions are initiated in its FX trading operations. However, should a transaction that is inappropriate to a customer's circumstances be conducted because of insufficient checking or some other oversight, the authorities may impose some disciplinary action, etc., or the customer might take legal action.

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

The Act on Prevention of Transfer of Criminal Proceeds was enforced effective March 1, 2008. The Act requires that financial institutions carry out and keep records of identification procedures and transactions for customers, a process that was previously done independently. The Act provides for the storage of information for tracing terrorist funds or profits and for preventing the flow of money to terrorists and money laundering, etc., by encouraging the establishment of a customer management system.

In accordance with said Act, the Yahoo Japan Group collects the specified documentation, etc., from customers in its FX trading operations, conducts customer identification procedures, and keeps records of identification and transactions. Nevertheless, should a situation occur where the Group's operational management is not in accordance with the said Act, or a new regulatory framework is imposed, it could negatively affect our performance and business development.

3) Other Major Business Partners

a. Any modifications to the business alliance contract with SoftBank Mobile Corp. could affect our earnings.

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

Contract name	Business alliance contract
Contract date	March 31, 2007 (original contract signed on June 20, 2001)
Contract term	June 20, 2001~ (indefinite term)
Counterparty	SoftBank Mobile Corp.
Main details	1) The Company and SBM will jointly provide Internet access services using FTTH and DSL technology. 2) The Company's main roles: ・Promoting Yahoo! BB services ・Acquiring subscribers for Yahoo! BB services ・Operating the Yahoo! BB portal site ・Providing mail and Web site services ・Providing Yahoo! Premium services (for the Yahoo! BB Premium Plan)

	・Providing a fee-collection platform for Yahoo! BB services 3) SBM's main roles: ・Providing ADSL and FTTH services between subscribers and phone offices, installing network infrastructure between phone-office buildings, and providing connections to Internet networks ・Handling subscriber inquiries and providing technical support 4) The Company will receive the following amounts included in Yahoo! BB charges, for services provided by the Company: - Yahoo! BB ADSL etc. subscribers acquired: ¥100 per subscriber per month - Yahoo! BB hikari with FLET'S/Yahoo! BB hikari FLET'S course subscribers acquired: ¥60 per subscriber per month - Yahoo! BB for Mobile subscribers acquired: ¥50 per subscriber per month - Subscribers to Yahoo! BB basic services: ¥55 per subscriber per month - Subscribers to Yahoo! BB Premium Plan: In addition to the ¥50 to ¥100 per subscriber per month as above, ¥180 per subscriber per month 5) The Company will pay SBM ¥250 per new subscriber acquired under the Yahoo! BB Premium Plan

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

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

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

6. Finances, Loans, and Investments

1) Funds Procurement and Interest Rate Changes

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

Yahoo! ezPay is a payment service provided by the Company, whereby upon request of the seller and buyer of an item listed on YAHUOKU!, Yahoo Japan Corporation acts as the intermediate in the settlement of the transaction.

Because the Company reimburses the seller of an item one to three business days after the buyer has made settlement by credit card or Internet banking, the subsidiary must carry the credit-card receivables for the period up to the fixed settlement date of the bank used by the credit-card company. If the pace of growth of this service should substantially exceed expectations, then we might not be able to raise the required funds at a reasonable cost. Moreover, the amount of the reimbursement funds could increase to a level where, if interest rates rose higher, interest payments to banks or other financial institutions could have a negative impact on our business performance.

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

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

2) Investments

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

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

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

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

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

7. Relationship with Competitors and Partners

1) Business Alliances and Contracts

a. Our emphasis on building partnerships entails certain risks.

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

In the advertising business, the Yahoo Japan Group is expanding its AD Network advertising networks by partnering with new sites and incorporating their advertising space in a network-wide advertising distribution system, thereby enabling partner sites with limited viewer reach to increase their advertising media value. Advertisers, meanwhile, can achieve wider exposure by targeting advertisements at the entire network's user base. In the search business, by jointly providing advertisers with the paid search advertising service, the Yahoo Japan Group and its partners are achieving superior performance in the Internet search market in Japan. In addition, we are offering other services, such as our online settlement service, Yahoo! Wallet, on partner sites. By establishing an extended network, we are helping to enhance the convenience, security, efficiency, user appeal, and profitability of all partner sites on the network. At the same time, by working together with partner sites we aim to provide the full range of Internet services that users demand.

In pursuing these actions, we face the following risks:

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

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

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

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

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

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

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

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

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

2) Collection of Sales Credit Claims

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

In sales of advertising and other products, we follow a set of internal rules in carefully examining the credit standing of clients. We also exercise sufficient precautions so that the collection of receivables will not be delayed, such as setting upper limits for transaction amounts, adopting advanced payments, making sales through advertising agencies, or using credit card settlements.

Nevertheless, economic fluctuations and deterioration of client businesses could increase delays in collection and the occurrence of defaults.

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

3) Relationship with Third Parties
a. Each of the Yahoo Japan Group's businesses depends to some extent on specific customers or sales agents.
Each of our businesses depends to some extent either on sales to specific customers or on sales by specific sales agents other than the related parties described above.

In advertising, we depend on specific advertising agencies and media representatives because of the marketing activities provided by advertising agencies. In our other businesses, as well, we have major business transactions with specific customers, which transactions account for a growing percentage of our total sales.

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

b. Relationships with third-party joint venture partners could deteriorate.
Several companies in the Yahoo Japan Group have been established as and operate joint ventures with third parties. These joint ventures depend substantially on the non-Group partners. Currently, cooperative relationships between joint-venture partners are excellent and contribute to the performances of the Yahoo Japan Group companies involved. However, if for some reason cooperative relationships between joint-venture partners deteriorated, the performance of each company could be damaged and, in certain cases, its operations discontinued.

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

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

8. Information Security
1) Efforts to Promote Information Security
Information leaks, network invasions, or computer virus attacks could erode public confidence in the Yahoo Japan Group, leading to loss of users and customers.
Due to the rapid growth of the Internet, we have become a society where a variety of information spreads quite easily. While the development of Internet technology has broadened the horizons of Internet users and boosted convenience, it has also turned the security of personal and other information into a major social issue. As providers of a range of services over the Internet, the Yahoo Japan Group is obligated to address this issue extremely carefully.

Based on this understanding, we have proactively taken steps to deal with information security. Currently, we are working to protect customers' personal information and other sensitive management information by quickly and effectively implementing necessary measures throughout the Yahoo Japan Group. To facilitate this process, we have appointed a Chief Information Security Officer (CISO) empowered with wide-ranging authority. Moreover, we have established Information Security Basic Regulations and other in-house rules that clarify our procedure for handling customers' personal information and other important information. At the same time, to promote adherence to our in-house rules on information management, we have established an information management system that is being run by our information security specialist team and employees in charge of information security appointed in individual business sections. Moreover, employee training programs on information security are offered to all employees newly joining the Yahoo Japan Group and at regular intervals thereafter. As part of our information security measures, the addresses and other information of our customers are obtained using encryption and access to stored data is tightly restricted. In August 2004, we acquired Information Security Management Systems (ISMS) certification. In November 2007, we became the first in Japan to receive ISO 15408 certification for our development of a monitoring system to prevent information leakage from our databases. In November 2008, we obtained Payment Card Industry Data Security Standard (PCI DSS) certification for our Yahoo! Wallet credit card settlement service. We have used these third-party certification systems to implement objective, global-standard checks of our operations with the goal of further strengthening our information security measures and fulfilling our social responsibility regarding this issue.

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

2) Personal Information

a. Leaks of personal information required for user identification could damage our credibility and lead to legal disputes.
The Yahoo Japan Group is obligated to hold personal information for each Yahoo! JAPAN user in order to effectively provide services, including e-commerce.

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

Nevertheless, we cannot completely eliminate the possibility that users' personal information will be leaked outside the Yahoo Japan Group, either deliberately or through negligence, by our personnel, by companies with which business alliances have been concluded, or by companies to which we outsource work, or as a result of computer viruses introduced via defective or malicious software. There have been multiple incidents of personal information stored on virus-infected PCs being unknowingly leaked onto networks, the source of the virus being file-sharing software. Also, the possibility always exists for third parties to fraudulently obtain passwords, for example, to gain unauthorized access to systems, or employ such methods as spoofing or phishing (see Note 1, below) whereby personal user information is illicitly obtained, with unsuspecting users suffering the consequences. To guard against phishing attacks, we introduced a log-in theme system (see Note 2, below) in May 2014. In December 2007, we added to Yahoo! Mail a function enabling users to refuse spoofed mail (see Note 3, below). In June 2008, we conducted open testing of an anti-phishing browser (see Note 4, below) that provides basic protection against phishing and is currently offering a phishing warning function on the Yahoo! Toolbar. In May 2012, we introduced Secret ID, an ID specialized for logging in (see Note 5, below). In August 2012, we introduced a One Time Password service (see Note 6, below).

Moreover, in January 2008, we began issuing OpenIDs (see Note 7, below) and widely offering a general authentication function to eliminate the storage and management of IDs, passwords, etc. on other sites and improve information security. Although we continue to implement such measures with the goal of minimizing the damage caused by ill-intentioned users, there is no guarantee that these measures will be sufficient. If problems occur despite our efforts to thwart them, our services could be adversely affected and our brand image tarnished. Furthermore, we could become the target of lawsuits.

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

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

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

Note 2: Log-in theme
A log-in theme consists of a customized background for the Yahoo! JAPAN log-in screen that has been altered so that only the user will recognize it as his/her correct log-in screen. The customization functions as protection against false log-in screens and any damages that might result from phishing.

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

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

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

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

Note 7: OpenID
OpenID is a shared-identity authorization system that allows Internet users to log in to multiple sites using a single ID, eliminating the need for a different user name and password for each site. The OpenID specifications have been publicly released by the

OpenID Foundation (http://www.openid.or.jp/). 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 themes and log-in histories.

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

b. Leaks of personal information by stores registered on Yahoo! Shopping or YAHUOKU!, or by business alliance partners, could damage our credibility and lead to legal disputes.

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

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

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

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

3) Communication Privacy

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

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

Despite these measures, it is possible that this information will be leaked outside the Yahoo Japan Group, either deliberately or through negligence, or used for malicious purposes by Group personnel, by companies with which business alliances have been concluded, or by companies to which the Group outsources work, or as a result of defective software, computer viruses, or physical intrusion into the Group's communications facilities. In such cases, we could be drawn into legal disputes and our brand image could be tarnished, with a resultant negative impact on business performance.

4) Network Security

Attacks on or invasions of our networks could disrupt services, resulting in damage to our credibility and a negative financial impact such as increased costs for security measures.

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

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

5) Fraudulent Use

Fraudulent use could result in damage to our customers and the Yahoo Japan Group, leading to loss of users and customers.

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

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

6) Behavioral History Information

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

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

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

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

7) Genetic Analysis Service

In this service, the Yahoo Japan Group analyzes samples provided by subscribers to the service and keeps on file the individual genetic information provided by that analysis. The Group holds this information under extremely tight security, however, should by some chance an information leak or some other problem occur, it could reduce customers confidence in the Group or lead to legal disputes involving compensation damages, etc.

9. Corporate Governance

Corporate Governance System

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

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

2. Management Policy

(1) Fundamental Business Management Policies

Since its founding, the Yahoo Japan Group’s main emphasis in managing its businesses has been to provide enjoyable and convenient Internet services to its users. Currently, in addition to personal computers, an increasingly diversified range of Internet-enabled smart devices are becoming popular with users, making it possible to access the Internet anytime and anywhere. As a result, the number of users, frequency of use, and duration of usage are expanding substantially. Under these circumstances, the importance of the Yahoo Japan Group’s social role as an Internet services provider company has risen sharply.

Guided by its basic corporate philosophy of continuing to be a problem-solving engine that solves individual or social problems through the power of information technology, the Group is committed to continue to provide services that users want taking into consideration the convenience, public nature, social contribution, and future potential of the Internet.

The Yahoo Japan Group aims to achieve sustained growth in corporate value over the medium to long term. For that purpose, the Group recognizes the importance of actively pursuing M&A, capital and business alliances, and capital expenditures for future growth. At the same time, Yahoo Japan Corporation recognizes its responsibility as a listed company to recompense shareholders by returning profits to them.

Going forward, while continuing to invest for business growth, the Yahoo Japan Group will aim to build corporate value by providing an appropriate return of profits to shareholders.

(2) Management Performance Indicators Used for Goals

As its core management performance indicators, the Yahoo Japan Group gives priority to the revenue, operating income and their growth rate for the overall Group and for individual businesses, and net income per share and its growth rate. In addition, indicators of the usage of the Group's services are important components for the development of businesses. Specifically, the Group gives special priority to the number of daily unique browsers (DUBs), which indicates the number of users viewing its website and individual services. Among other indicators, the Group pays attention to movement in the number of page views (PVs), the number of monthly active user IDs, which indicates the number of Yahoo! JAPAN IDs logged in each month, and duration of usage. The number of Yahoo! Premium members and the total domestic e-commerce transaction value of YAHUOKU! and Yahoo! Shopping are also important indicators of business conditions.

(3) Medium- to Long-Term Business Strategies

Looking at the environment for Internet usage in recent years, there has been a sharp increase in the use of smart devices, including smartphones and tablets. On the other hand, there has been a steady decline in occasions to use personal computers for that purpose. Based on those conditions, the Yahoo Japan Group made "Smartphone Growth Initiatives" its slogan in 2012. Under that slogan, the Group has proceeded with expanding Internet usage time and usage opportunities for smart devices.

Since then, the Yahoo Japan Group has taken measures to steadily expand the usage of its group services through smart devices. The Group has adapted Yahoo! JAPAN’s top page, as well as news, weather, email, and other services, which could be considered a daily life activity infrastructure, to provide them in optimal form for smart devices. Among other measures to expand usage by smart devices, the Group has added new services that take advantage of the unique capabilities of smart devices, such as car navigation services, and offered convenient applications. As a result, in the fourth quarter of fiscal 2014, 57% of the Yahoo Japan Group’s total DUBs and 47% of total PVs came from smart devices. These figures indicate that the shift to smartphones in the use of the Group’s services is progressing steadily. From now on, the group will strengthen its provision of services through smartphone applications, while also aiming to further expand revenue earning opportunities.

In providing services, the Yahoo Japan Group has especially considered that when providing services for devices like smartphones that have limited display space, optimizing the content of the services for the various needs of users is the way to achieve services that are the easiest to use. With that in mind, the Group endeavors to improve services by collecting, storing and analyzing data on usage of the Group's services in strict accordance with its privacy policy regarding users. The results are utilized to provide and distribute information, advertising, and other services that fit users’ needs.

(4) Major Business Issues

The Yahoo Japan Group seeks to operate in harmony with society while achieving sustainable growth. To that end, the Group believes that it is necessary to maintain a competitive advantage in the market by providing content and services that meet the needs of its users and to develop new markets and customers and expand earnings. Currently, the Internet industry is entering a period of major transformation based on the expanded use of smartphones, tablets, and other devices. As a result, new user needs, competition factors, and competitors are emerging in succession. Under these circumstances, in addition to the business base and competitive advantages that the Group has built up to this point, it is essential to continuously formulate and implement new measures with the concept of “users first” constantly in mind.

Since the Internet is an indispensable infrastructure for people’s daily lives and for businesses, the Group’s public responsibility is also increasing. Consequently, the Group must always be considering thorough risk management measures in pursuing its activities in terms of both facilities and operations to address unexpected incidents, natural disasters, and other events. In addition, the Group gives top priority to reinforcing security with protecting the personal information of users at the top of the list. Going forward, the Group will continue to take measures to ensure that users can feel safe and confident in using its services.

Implementing those measures requires strengthening organizational capabilities and developing human resources. The Yahoo Japan Group aims to be the best human resource development company in Japan and is steadily strengthening its efforts to unleash the talents and enthusiasm of its employees. Furthermore, the Group will further step up its efforts to fulfill its corporate social responsibility and establish an internal control system to address corporate management risks.

Going forward, the entire Yahoo Japan Group—officers and employees—are committed to following the Group values of “Problem Solutions,” “Ultimate Speed,” “Focus,” and “Wild” in aiming for further growth. Moreover, as a problem-solving engine that solves individual or social problems through the power of information technology, the Group will seek to contribute to the further progress of society.

3. Basic Stance on Selecting Accounting Standards

The Yahoo Japan Group switched from the previously used accounting principles generally accepted in Japan (JGAAP) and adopted IFRSs beginning with the first quarter of the fiscal year ended March 31, 2015.

4. Consolidated Financial Statements

(1) Consolidated Statements of Financial Position

(Millions of yen)

	As of Mar. 31, 2014	As of Mar. 31, 2015	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Assets				
Current assets				
Cash and cash equivalents	482,336	503,937	21,600	4.5
Trade and other receivables	160,396	217,736	57,340	35.7
Other financial assets	12,313	15,901	3,588	29.1
Other current assets	3,659	4,251	592	16.2
Total current assets	658,706	741,827	83,121	12.6
Non-current assets				
Property and equipment	60,145	67,465	7,320	12.2
Goodwill	15,808	27,673	11,864	75.1
Intangible assets	17,860	32,382	14,522	81.3
Investments accounted for using the equity method	34,364	61,671	27,307	79.5
Other financial assets	49,532	58,104	8,572	17.3
Deferred tax assets	12,468	15,105	2,636	21.1
Other non-current assets	1,101	3,372	2,270	206.0
Total non-current assets	191,281	265,774	74,493	38.9
Total assets	849,987	1,007,602	157,614	18.5

(Millions of yen)

	As of Mar. 31, 2014	As of Mar. 31, 2015	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	142,562	158,979	16,416	11.5
Other financial liabilities	5,108	9,671	4,562	89.3
Income taxes payable	45,655	33,071	-12,583	-27.6
Provisions	2,951	6,398	3,447	116.8
Other current liabilities	22,057	31,651	9,593	43.5
Total current liabilities	218,335	239,772	21,437	9.8
Non-current liabilities				
Other financial liabilities	128	920	792	617.9
Provisions	2,655	22,841	20,186	760.2
Deferred tax liabilities	37	28	-8	-23.4
Other non-current liabilities	1,112	3,485	2,372	213.3
Total non-current liabilities	3,933	27,276	23,342	593.4
Total liabilities	222,269	267,048	44,779	20.1
Equity				
Equity attributable to owners of the parent				
Common stock	8,271	8,281	9	0.1
Capital surplus	3,892	1,235	-2,657	-68.3
Retained earnings	598,012	705,839	107,827	18.0
Treasury stock	-526	-1,316	-789	150.0
Accumulated other comprehensive income	10,032	11,962	1,929	19.2
Total equity attributable to owners of the parent	619,682	726,002	106,319	17.2
Non-controlling interests	8,036	14,551	6,515	81.1
Total equity	627,718	740,554	112,835	18.0
Total liabilities and equity	849,987	1,007,602	157,614	18.5

(2) Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended Mar. 31, 2014	Fiscal year ended Mar. 31, 2015	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Revenue	408,514	428,487	19,973	4.9
Cost of sales	75,860	85,501	9,640	12.7
Gross profit	332,653	342,986	10,332	3.1
Selling, general and administrative expenses	136,215	145,774	9,558	7.0
Operating income	196,437	197,212	774	0.4
Other non-operating income	13,194	10,637	-2,556	-19.4
Other non-operating expenses	1,313	1,224	-89	-6.8
Equity in earnings (losses) of associates	-94	1,672	1,766	—
Income before income taxes	208,224	208,298	74	0.0
Income taxes	78,556	74,365	-4,191	-5.3
Net income	129,667	133,933	4,265	3.3
Net income attributable to:				
Owners of parent	128,605	133,051	4,446	3.5
Non-controlling interests	1,062	881	-181	-17.0
Net income	129,667	133,933	4,265	3.3
Net income per share attributable to owners of the parent				
Basic earnings per share (yen)	22.43	23.37	0.94	4.2
Diluted earnings per share (yen)	22.43	23.37	0.94	4.2

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended Mar. 31, 2014	Fiscal year ended Mar. 31, 2015
Net income	129,667	133,933
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss		
Available-for-sale financial assets	5,097	41
Exchange differences on translating foreign operations	175	927
Share of other comprehensive income of associates	190	975
Total other comprehensive income, net of tax	5,463	1,944
Total comprehensive income	135,131	135,877
Total comprehensive income attributable to:		
Owners of parent	134,062	134,981
Non-controlling interests	1,069	896
Total comprehensive income	135,131	135,877

(4) Consolidated Statements of Changes in Equity

Fiscal year ended Mar. 31, 2014

(Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total		
As of April 1, 2013	8,037	3,694	522,310	-372	4,575	538,245	7,372	545,617
Net income			128,605			128,605	1,062	129,667
Other comprehensive income					5,457	5,457	6	5,463
Total comprehensive income	—	—	128,605	—	5,457	134,062	1,069	135,131
Transactions with owners and other transactions								
New issue of shares	233	233				467		467
Cash dividends			-23,057			-23,057	-201	-23,258
Net changes in treasury stock				-29,999		-29,999		-29,999
Changes in ownership interests resulting in acquisition or loss of control of subsidiaries						—	98	98
Change in interests in a subsidiary		-165				-165	-302	-467
Cancellation of own shares			-29,846	29,846		—		—
Others		130				130		130
Total transactions with owners and other transactions	233	198	-52,903	-153	—	-52,624	-405	-53,030
As of March 31, 2014	8,271	3,892	598,012	-526	10,032	619,682	8,036	627,718

Fiscal year ended Mar. 31, 2015

(Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total		
As of April 1, 2014	8,271	3,892	598,012	-526	10,032	619,682	8,036	627,718
Net income			133,051			133,051	881	133,933
Other comprehensive income					1,929	1,929	15	1,944
Total comprehensive income	—	—	133,051	—	1,929	134,981	896	135,877
Transactions with owners and other transactions								
New issue of shares	9	9				19		19
Cash dividends			-25,223			-25,223	-223	-25,447
Net changes in treasury stock		2		-789		-787		-787
Changes in ownership interests resulting in acquisition or loss of control of subsidiaries						—	8,314	8,314
Change in interests in a subsidiary		-2,715				-2,715	-2,473	-5,188
Others		45				45		45
Total transactions with owners and other transactions	9	-2,657	-25,223	-789	—	-28,661	5,618	-23,042
As of March 31, 2015	8,281	1,235	705,839	-1,316	11,962	726,002	14,551	740,554

(5) Consolidated Statements of Cash Flows

(Millions of Yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
	Amount	Amount
Cash flows from operating activities:		
Income before income taxes	208,224	208,298
Depreciation and amortization	13,452	16,935
Incremental realization of re-evaluation profits from associates	—	-6,249
Decrease (increase) in trade and other receivables	-16,325	-22,535
Increase (decrease) in trade and other payables	21,206	15,800
Other cash flows	-17,238	-2,819
Subtotal	209,319	209,430
Income taxes paid	-76,526	-83,190
Cash flows from operating activities	132,793	126,239
Cash flows from investing activities:		
Expenditures on property and equipment	-19,747	-17,096
Expenditures on intangible assets	-2,973	-7,284
Expenditures on investment securities	-7,031	-20,977
Net cash outflow on acquisition of subsidiaries	-2,035	-21,761
Other cash flows	24,514	-745
Cash flows from investing activities	-7,274	-67,864
Cash flows from financing activities:		
Expenditure on repayment of long-term debt	—	-5,450
Expenditure on acquisition of own shares	-29,999	-794
Cash dividends paid	-23,035	-25,204
Payments for purchase of subsidiaries' equity from non-controlling interests	—	-5,187
Other cash flows	-93	-530
Cash flows from financing activities	-53,129	-37,166
Effect of exchange rate changes on cash and cash equivalents	359	391
Net change in cash and cash equivalents	72,748	21,600
Cash and cash equivalents at the beginning of the periods	409,588	482,336
Cash and cash equivalents at the end of the periods	482,336	503,937

(6) Going Concern Assumption

Not applicable.

(7) Notes to Consolidated Financial Statements

1. Reporting entity

Yahoo Japan Corporation (the “Company”) is incorporated and domiciled in Japan, as a company with limited liability under Companies act of Japan. Its parent and ultimate holding company is SoftBank Corp. The address of its registered principal office is disclosed on its website (http://www.yahoo.co.jp/). The nature of the Company’s principal businesses is described in “5. Segment information.”

2. Basis of preparation

(1) Compliance with International Financial Reporting Standards and first-time adoption

The accompanying consolidated financial statements of the Yahoo Japan Group have been prepared in accordance with IFRS pursuant to Article 93 of the Regulation Concerning Terminology, Forms and Preparation Methods of Consolidated Financial Statements (“the Regulation,”) as the Company meets the criteria of a “Specified company” defined under Article 1-2, Paragraph 1, Item 1 of the Regulation.

These consolidated financial statements are the Group’s first annual condensed consolidated financial statements prepared under IFRSs. The date of transition to IFRSs was April 1, 2013. The Group applied IFRS 1 “First-Time Adoption of International Financial Reporting Standards” (“IFRS 1”) for the transition to IFRSs. The effects of the transition to IFRSs on the Company’s financial position, results of operations, and the cash flows are disclosed in “8. First-time adoption of IFRSs.”

(2) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and other assets that are measured at fair value.

(3) Presentation currency and unit of currency

These consolidated financial statements have been presented in Japanese yen, which is the currency of the primary economic environment of the Company (“functional currency”), and are rounded down to the nearest million yen.

(4) Unadopted Publicly Announced Financial Reporting and Accounting Standards and Interpretations

Up to the date of approval of the financial statements for the fiscal year under review, the issue of new or revised major financial reporting and accounting standards and interpretations were as follows. The Yahoo Japan Group has not adopted any of these on an early basis for the current fiscal year.

The Group is presently determining the impact of adopting these financial reporting standards or interpretations, but can make no estimates at this point.

IFRS		Required Adoption Date (From the following fiscal year)	Adoption Date	Outline
IFRS 11	Joint arrangements	Jan. 1, 2016	Undecided	Clarification of accounting procedures for the division of shares of joint operations
IAS 16	Property and equipment	Jan. 1, 2016	Undecided	Clarification of allowable methods of accounting for depreciation, etc.
IAS 38	Intangible assets	Jan. 1, 2016	Undecided	Clarification of allowable methods of accounting for amortization, etc.
IFRS 15	Revenue from contracts with customers	Jan. 1, 2017	Undecided	Accounting treatment and disclosure requirements for recognition of revenue from contracts with customers
IFRS 9	Financial instruments	Jan. 1, 2018	Undecided	Classification and measurement of financial instruments; Accounting treatment and disclosure requirements for impairment and hedge accounting

3. Significant accounting policies

Excluding the newly added accounting policy, the significant accounting policies applied by the Group in preparing the statements are the same as those applied to Interim Condensed Consolidated Financial Statements for the first quarter of the current fiscal year, covering the period from April 1, 2014 to June 30, 2014. The newly added accounting policy is as follows:

Provisions

Provision for loss on interest repayment

To prepare for future claims by debtors, etc., for repayment of interest paid in excess of the rate permitted under the Interest Limitation Law, the Company has booked an amount representing future expected claims.

4. Use of estimates and judgments

In preparing consolidated financial statements under IFRSs, management makes judgments, estimates, and assumptions that affect the application of accounting policies and carrying amounts of assets, liabilities, revenue, and expenses. Actual results in the future may differ from those estimates or assumptions. Estimates and underlying assumptions are continuously reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised as well as in the future periods.

Critical estimates and assumptions that most affect amounts on the Group's financial statements are the same as those for Interim Condensed Consolidated Financial Statements for the first quarter of the current fiscal year, covering the period from April 1, 2014 to June 30, 2014.

5. Segment information

The Yahoo Japan Group's reporting segments are business segments for which it is possible to obtain financial information separate from the overall compositional structure of the Group. The Board of Directors of Yahoo Japan Corporation regularly examines this information in order to decide on allocation of business resources and evaluation of business performance.

The Group's reporting segments comprise two business segments, the Marketing Solutions Business and the Consumer Business.

The Marketing Solutions Business mainly provides two types of services. It supplies planning, operation, and information listing services for each of the Group's services for the purpose of planning, sales, and placement of advertising products. It also provides other corporate services. The Consumer Business chiefly provides e-commerce-related and membership-related services. The Others segment contains business segments not covered in the reporting segments, including settlement- and finance-related services and other business activities.

The accounting policies adopted for each reporting segment are the same as the Yahoo Japan Group's accounting policies referred to in 3. Significant accounting policies. Segment profit is determined by adjusting the segment's consolidated operating income. The adjustments figure for segment profit includes inter-segment eliminations and general corporate expenses not belonging to each reporting segment. General corporate expenses principally comprise general and administrative expenses not belonging to each reporting segment. Inter-segment revenue is based on actual market prices.

The Yahoo Japan Group's segment information is as follows:

Prior Consolidated Fiscal Year (April 1, 2013 – March 31, 2014)

(Millions of yen)

	Reporting segment			Others	Adjustment figures	Consolidated figures
	Marketing solution business	Consumer business	Total			
Revenue						
Revenue from external customers	282,137	100,866	383,004	25,510	—	408,514
Inter-segment revenue	951	3,971	4,922	3,020	-7,942	—
Total	283,088	104,838	387,926	28,530	-7,942	408,514
Segment profit	152,289	63,692	215,982	11,233	-30,778	196,437
Other non-operating income						13,194
Other non-operating expenses						1,313
Equity in earnings (losses) of associates						-94
Income before income taxes						208,224
Others						
Depreciation and amortization	4,797	1,672	6,469	2,301	4,680	13,452

Current Consolidated Fiscal Year (April 1, 2014 – March 31, 2015)

(Millions of yen)

	Reporting segment			Others	Adjustment figures	Consolidated figures
	Marketing solution business	Consumer business	Total			
Revenue						
Revenue from external customers	303,295	96,286	399,582	28,905	—	428,487
Inter-segment revenue	997	5,744	6,741	3,436	-10,177	—
Total	304,293	102,030	406,323	32,341	-10,177	428,487
Segment profit	161,672	58,600	220,273	11,552	-34,612	197,212
Other non-operating income						10,637
Other non-operating expenses						1,224
Equity in earnings (losses) of associates						1,672
Income before income taxes						208,298
Others						
Depreciation and amortization	5,509	1,751	7,261	2,668	7,005	16,935

6. Per Share Information

Basic earnings per share attributable to owners of the parent and diluted earnings per share are calculated on the following basis:

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
	Amount	Amount
Basic earnings per share	22.43	23.37
Net income attributable to owners of the parent (million yen)	128,605	133,051
Income not attributable to the common shares of the parent company (million yen)	—	—
Income used in the calculation of basic earnings per share (million yen)	128,605	133,051
Average number of outstanding common shares during the period (1,000 shares)	5,732,878	5,692,890
Diluted earnings per share	22.43	23.37
Adjustments of net income (million yen)	—	—
Common shares increased (1,000 shares)	1,369	811
Issuable shares not included in the calculation of diluted earnings per share because they have no dilutive effect	Subscription rights granted: 3rd of 2003; 1st, 2nd, 3rd, 4th of 2004; 1st, 2nd, 3rd, 4th of 2005; 3rd, 4th of 2007; 1st of 2008; 2nd of 2012; 1st, 2nd of 2013	Subscription rights granted: 1st, 2nd, 3rd, 4th of 2005; 1st, 2nd, 3rd of 2006; 1st, 3rd, 4th of 2007; 1st of 2008; 2nd of 2012; 1st, 2nd of 2013; 1st of 2014

Note: Effective October 1, 2013, the Company implemented a 100 to 1 stock split for its common shares. For the purposes of calculating basic earnings per share and diluted earnings per share, the stock split was assumed to have occurred at the beginning of the previous fiscal year.

7. Significant Subsequent Events

Not applicable.

8. First-time adoption of IFRSs

The Group is applying IFRSs from this fiscal year. The most recent consolidated financial statements prepared based on accounting principles generally accepted in Japan (“JGAAP”) were for the consolidated fiscal year ended on March 31, 2014 and the transition date was April 1, 2013.

Effects of transition to IFRSs on the Group’s financial positions, operating results, and cash flows are disclosed in the following tables and notes of reconciliation.

Exemption provision for retrospective application

IFRS 1 requires first-time adopters to apply IFRSs retrospectively. IFRS 1, however, also grants first-time adopters to voluntarily elect to use exemptions from some requirements of IFRSs. The Group applied the following exemptions:

・Share-based payments

The Group has elected not to apply IFRS 2 “Share-based Payment” to stock options which were vested before the date of transition to IFRSs.

・Business combinations

The Group has elected not to apply IFRS 3 “Business Combinations,” retrospectively to business combinations that occurred before the date of transition to IFRSs.

・Translation differences for foreign operations

The Group has elected not to apply IAS 21 “The Effects of Changes in Foreign Exchange Rates” retrospectively to cumulative translation difference of investments in foreign consolidated subsidiaries and associates prior to the date of transition to IFRSs. The cumulative translation differences are deemed to be zero at the date of transition to IFRSs, and are excluded from the gain or loss on a subsequent disposal of any foreign operation.

Reconciliation of equity as of April 1, 2013 (transition date)

(Millions of yen)

Presentation under JGAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	IFRSs
Assets						Assets
Current assets						Current assets
Cash and deposits	414,086	-4,200	-298	409,588	1	Cash and cash equivalents
Accounts receivable-trade	55,939	87,643	290	143,873	2	Trade and other receivables
Foreign exchange dealings cash-deposits with trust banks	68,451	-68,451	—	—		
	—	13,556	—	13,556	3	Other financial assets
Other assets	39,187	-36,278	-9	2,899	4	Other current assets
Allowance for doubtful accounts	-1,563	1,563	—	—		
Total current assets	576,102	-6,168	-16	569,917		Total current assets
Fixed assets						Non-current assets
Property and equipment	45,179	—	5,887	51,067	5	Property and equipment
Intangible assets						
Goodwill	11,914	—	2,481	14,395	6	Goodwill
Other assets	16,910	—	18	16,928	7	Intangible assets
Investments and other assets						
Investment securities	80,913	-80,913	—	—		
	—	41,241	-960	40,280	8	Investments accounted for using the equity method
	—	48,300	-12,600	35,699	9	Other financial assets
	—	10,179	3,924	14,103	10	Deferred tax assets
Other assets	12,334	-11,453	-5	875	11	Other non-current assets
Allowance for doubtful accounts	-42	42	—	—		
Total fixed assets	167,209	7,397	-1,255	173,351		Total non-current assets
Total assets	743,311	1,229	-1,272	743,268		Total assets

(Millions of yen)

Presentation under JGAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	IFRSs
Liabilities						Liabilities and equity
						Liabilities
Current liabilities						Current liabilities
Accounts payable-trade	10,970	110,658	-20	121,608	12	Trade and other payables
	—	5,647	—	5,647	13	Other financial liabilities
Income taxes payable	42,255	-623	495	42,127	14	Income taxes payable
	—	4,298	—	4,298	15	Provisions
Foreign exchange dealings deposits from customers	72,485	-72,485	—	—		
Other current liabilities	63,377	-46,267	3,150	20,261	16	Other current liabilities
Total current liabilities	189,088	1,229	3,625	193,943		Total current liabilities
Long-term liabilities						Non-current liabilities
	—	153	-6	146	17	Other financial liabilities
	—	2,459	—	2,459	18	Provisions
	—	30	—	30	19	Deferred tax liabilities
Other liabilities	2,957	-2,643	756	1,070	20	Other non-current liabilities
Total long-term liabilities	2,957	—	749	3,707		Total non-current liabilities
Total liabilities	192,046	1,229	4,374	197,650		Total liabilities
Equity						Equity
						Equity attributable to owners of the parent
Common stock	8,037	—	—	8,037		Common stock
Capital surplus	3,117	570	5	3,694	21	Capital surplus
Retained earnings	528,081	—	-5,771	522,310	22	Retained earnings
Treasury stock	-372	—	—	-372		Treasury stock
Accumulated other comprehensive income	4,594	—	-19	4,575	23	Accumulated other comprehensive income
Stock acquisition rights	570	-570	—	—		
	544,029	—	-5,784	538,245		Total equity attributable to owners of the parent
Minority interests	7,234	—	137	7,372		Non-controlling interests
Total equity	551,264	—	-5,646	545,617		Total equity
Total liabilities and equity	743,311	1,229	-1,272	743,268		Total liabilities and equity

Reconciliation of equity as of March 31, 2014

(Millions of yen)

Presentation under JGAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	IFRSs
Assets						Assets
Current assets						Current assets
Cash and deposits	482,628	—	-292	482,336		Cash and cash equivalents
Accounts receivable-trade	61,154	98,950	290	160,396	2	Trade and other receivables
Foreign exchange dealings cash-deposits with trust banks	75,170	-75,170	—	—		
	—	12,313	—	12,313	3	Other financial assets
Other assets	47,654	-43,854	-140	3,659	4	Other current assets
Allowance for doubtful accounts	-1,351	1,351	—	—		
Total current assets	665,257	-6,409	-141	658,706		Total current assets
Fixed assets						Non-current assets
Property and equipment	53,697	—	6,448	60,145	5	Property and equipment
Intangible assets						
Goodwill	10,218	—	5,590	15,808	6	Goodwill
Other assets	17,845	—	14	17,860	7	Intangible assets
Investments and other assets						
Investment securities	82,478	-82,478	—	—		
	—	35,054	-690	34,364	8	Investments accounted for using the equity method
	—	56,414	-6,881	49,532	9	Other financial assets
	—	10,697	1,770	12,468	10	Deferred tax assets
Other assets	13,271	-12,163	-5	1,101	11	Other non-current assets
Allowance for doubtful accounts	-18	18	—	—		
Total fixed assets	177,491	7,543	6,246	191,281		Total non-current assets
Total assets	842,749	1,133	6,105	849,987		Total assets

(Millions of yen)

Presentation under JGAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	IFRSs
Liabilities						Liabilities and equity
						Liabilities
Current liabilities						Current liabilities
Accounts payable-trade	12,363	130,218	-19	142,562	12	Trade and other payables
	—	5,108	—	5,108	13	Other financial liabilities
Income taxes payable	45,785	-638	508	45,655	14	Income taxes payable
	—	2,951	—	2,951	15	Provisions
Foreign exchange dealings deposits from customers	81,594	-81,594	—	—		
Other current liabilities	73,377	-54,912	3,592	22,057	16	Other current liabilities
Total current liabilities	213,121	1,132	4,081	218,335		Total current liabilities
Long-term liabilities						Non-current liabilities
	—	134	-6	128	17	Other financial liabilities
	—	2,655	—	2,655	18	Provisions
	—	37	—	37	19	Deferred tax liabilities
Other liabilities	3,066	-2,827	872	1,112	20	Other non-current liabilities
Total long-term liabilities	3,066	1	865	3,933		Total non-current liabilities
Total liabilities	216,188	1,133	4,947	222,269		Total liabilities
Equity						Equity
						Equity attributable to owners of the parent
Common stock	8,271	—	—	8,271		Common stock
Capital surplus	3,351	700	-159	3,892	21	Capital surplus
Retained earnings	600,456	—	-2,444	598,012	22	Retained earnings
Treasury stock	-526	—	—	-526		Treasury stock
Accumulated other comprehensive income	6,408	—	3,624	10,032	23	Accumulated other comprehensive income
Stock acquisition rights	700	-700	—	—		
	618,662	—	1,020	619,682		Total equity attributable to owners of the parent
Minority interests	7,898	—	137	8,036		Non-controlling interests
Total equity	626,560	—	1,157	627,718		Total equity
Total liabilities and equity	842,749	1,133	6,105	849,987		Total liabilities and equity

Notes to the reconciliation of equity

1. Cash and cash equivalents

(Presentation)

Under JGAAP, time deposits with maturities of more than three months as well as those pledged as collateral were included in cash and deposits. Under IFRSs, they are included in other financial assets-current.

2. Trade and other receivables

(Presentation)

Under JGAAP, accounts receivable-trade, foreign exchange dealings cash-deposits with trust banks, and allowance for doubtful accounts were presented separately. Under IFRSs, they are all included in trade and other receivables.

Under JGAAP, other receivables were included in other current assets. Under IFRSs, they are included in trade and other receivables.

3. Other financial assets-current

(Presentation)

Under JGAAP, time deposits with maturities of more than three months as well as those pledged as collateral were included in cash and deposits. Under IFRSs, they are included in other financial assets-current.

Derivative instruments, which were included in other current assets under JGAAP, are included in other financial assets-current.

Certain derivative instruments, which were presented on a net basis under JGAAP, are presented on a gross basis under IFRSs because they do not meet the criteria for netting off stipulated in IFRSs.

4. Other current assets

(Presentation)

All deferred tax assets and liabilities, which were classified as current items under JGAAP, are classified as non-current items under IFRSs.

Other receivables, which were included in other current assets under JGAAP, are included in trade and other receivables under IFRSs.

Derivative instruments, which were included in other current assets under JGAAP, are included in other current financial assets under IFRSs.

5. Property and equipment

(Presentation)

Items of property and equipment, which were separately disclosed under JGAAP, are disclosed collectively as property and equipment under IFRSs.

(Recognition and measurement)

As a result of reviewing depreciation methods and others at the transition to IFRSs, amounts of property and equipment have changed.

6. Goodwill

(Recognition and measurement)

Under JGAAP, goodwill was amortized over the estimated periods in which economic benefits were reasonably expected to be realized. Under IFRSs, it is not amortized on or after the date of transition to IFRSs resulting in a change of the remaining amount of goodwill.

Under IFRS, changes in the parent’s ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Goodwill recognized in relation to such changes under JGAAP has been reclassified to capital surplus.

7. Intangible assets

(Presentation)

Other assets in the intangible assets section under JGAAP are collectively presented as intangible assets under IFRSs.

8. Investments accounted for using the equity method

(Presentation)

Investments in associates accounted for using the equity method, which were included in investment securities under JGAAP, are presented separately as investments accounted for using the equity method under IFRSs.

(Recognition and measurement)

Under JGAAP, goodwill related to investments accounted for using the equity method was amortized over the estimated periods in which economic benefits were reasonably expected to be realized. Under IFRSs, it is not amortized on or after the date of transition to IFRSs resulting in a change of the amount of investments accounted for using the equity method.

9. Other non-current financial assets

(Presentation)

Investments in associates accounted for using the equity method, which were included in investment securities under JGAAP, are presented separately as investments accounted for using the equity method under IFRSs. Investment securities other than the aforementioned investments under JGAAP are included in other non-current financial assets under IFRSs.

Allowance for doubtful accounts, and deposits that were included in other assets of investments and other assets under JGAAP are included in other non-current financial assets under IFRSs.

(Recognition and measurement)

Under JGAAP, unlisted equity instruments are measured based on their historical costs.

Under IFRSs, they are measured at their fair values resulting in a change of amount of other non-current financial assets.

The Company has the right to indemnity against Softbank Corp. for additional taxes which may be levied to income taxes of IDC Frontier Inc., a consolidated subsidiary of the Company. Under JGAAP, total amount of the estimated future tax payments regarding this agreement is recorded as long-term other receivables. Under IFRSs, it is treated as indemnification assets and should be adjusted to the amount equivalent to the estimated tax prepayment within a year as an uncertain tax position which probably results in an outflow of economic benefits. As a result, the amount of other non-current financial assets has changed.

10. Deferred tax assets

(Presentation)

Deferred tax assets, which were included in other current assets under JGAAP, are classified as non-current items under IFRSs.

(Recognition and measurement)

Because of temporary differences arising from reclassification and remeasurement of items on the consolidated statements of financial position such as unlisted equity instruments remeasured at their fair values, deferred tax assets increased.

11. Other non-current assets

(Presentation)

Deposits, which were included in other assets of investment and other assets under JGAAP, are included in other non-current financial assets under IFRSs.

12. Trade and other payables

(Presentation)

Accounts payable-trade and foreign exchange dealings deposits from customers, which were separately disclosed under JGAAP, are included in trade and other payables under IFRSs.

Other payables, which were included in other current liabilities under JGAAP, are included in trade and other payables under IFRSs.

13. Other current liabilities

(Presentation)

Derivative liabilities, which were included in other current liabilities under JGAAP, are included in other current financial liabilities under IFRSs.

Certain derivative financial liabilities, which were presented on a net basis under JGAAP, are presented on a gross basis under IFRSs because they don't meet the criteria for netting off stipulated in IFRSs.

14. Income taxes payable

(Presentation)

Enterprise taxes payable on a pro forma basis, which were included in income taxes payable under JGAAP, are included in other current liabilities under IFRSs.

(Recognition and measurement)

Additional taxes which may be levied to IDC Frontier Inc., a consolidated subsidiary of the Company, are not recognized under JGAAP because it has not been probable. Under IFRSs, however, they are treated as an uncertain tax position which probably results in an outflow of economic benefits and are recognized at the best estimated amount on an assumption that the Company is oblige to pay the additional taxes within a year. As a result, income taxes payable increased.

15. Provision

(Presentation)

Provision for Yahoo! Points/T-POINT, which was included in other current liabilities under JGAAP, is presented as provisions (current) under IFRSs.

16. Other current liabilities

(Presentation)

Enterprise taxes payable on a pro forma basis, which were included in income taxes payable under JGAAP, are included in other current liabilities under IFRSs.

Other payables, which were included in other current liabilities under JGAAP, are included in trade and other payables under IFRSs.

Derivative liabilities, which were included in other current liabilities under JGAAP, are included in other current financial liabilities under IFRSs.

(Recognition and measurement)

Unused paid absences, which are not recognized under JGAAP, are recognized as liabilities under IFRSs resulting in an increase of other current liabilities.

17. Other non-current financial liabilities

(Presentation)

Long-term deposits received, which were included in long-term liabilities under JGAAP, are included in other non-current financial liabilities under IFRSs.

18. Provision (non-current)

(Presentation)

Asset retirement obligations, which were included in non-current liabilities under JGAAP, are presented as provisions (non-current) under IFRSs.

19. Deferred tax liabilities

(Presentation)

Deferred tax liabilities, which were included in long-term liabilities under JGAAP, are separately disclosed under IFRSs.

20. Other non-current liabilities

(Presentation)

Long-term deposits received, which were included in long-term liabilities under JGAAP, are included in other non-current financial liabilities under IFRSs.

Asset retirement obligations, which were included in non-current liabilities under JGAAP, are presented as provisions (non-current) under IFRSs.

Deferred tax liabilities, which were included in long-term liabilities under JGAAP, are separately disclosed under IFRSs.

(Recognition and measurement)

Under JGAAP, revenue of installation for data center-related services is recognized when the relevant services are rendered. Under IFRSs, they are recognized over an estimated average contract period, resulting in a change of amount of other non-current liabilities.

21. Capital surplus

(Presentation)

Stock acquisition rights, which were separately disclosed under JGAAP, are included in capital surplus under IFRSs.

(Recognition and measurement)

Under IFRS, changes in the parent's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Goodwill recognized in relation to such changes under JGAAP has been reclassified to capital surplus.

22. Retained earnings

(Recognition and measurement)

The effects of transition to IFRSs on retained earnings are as follows:

(Millions of yen)

	As of April 1, 2013 (Date of transition to IFRSs)	As of March 31, 2014 (End of the previous year)
Depreciation and amortization	3,788	4,149
Unused paid absences	-1,998	-2,358
Goodwill	—	3,692
Fair value measurement of unlisted equity instruments	-7,471	-7,471
Other	-89	-455
Total	-5,771	-2,444

23. Accumulated other comprehensive income

(Recognition and measurement)

Under JGAAP, unlisted equity instruments are measured based on their historical costs.

Under IFRSs, they are measured at their fair values resulting in a change of amount of accumulated other comprehensive income.

Foreign currency translation adjustments, which were included in accumulated other comprehensive income under JGAAP, were reclassified to retained earnings at the transition to IFRSs.

Reconciliation of comprehensive income for the previous year (from April 1, 2013 to March 31, 2014)

(Millions of yen)

Presentation under JGAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	IFRSs
Net sales	386,284	22,278	-47	408,514	1	Revenue
Cost of sales	49,047	26,813	—	75,860	2	Cost of sales
Gross profit	337,236	-4,535	-47	332,653		Gross profit
Selling, general and administrative expenses	139,820	-362	-3,241	136,215	3	Selling, general and administrative expenses
Operating income	197,416	-4,172	3,194	196,437		Operating income
Non-operating income	1,280	-1,280	—	—		
Non-operating expenses	1,062	-1,062	—	—		
Extraordinary income	12,348	738	107	13,194	4	Other non-operating income
Extraordinary losses	5,375	-4,353	291	1,313	5	Other non-operating expenses
	—	-701	606	-94	6	Equity in earnings (losses) of associates
Income before income taxes and minority interests	204,606	—	3,617	208,224		Income before income taxes
Income taxes	78,427	—	128	78,556	7	Income taxes
Income (loss) before minority interests	126,178	—	3,488	129,667		Net income
Other comprehensive income						Other comprehensive income Items that may be reclassified subsequently to profit or loss
Net unrealized gain on available-for-sale securities	1,451	—	3,645	5,097		Available-for-sale financial assets
Deferred gains or losses on hedges	2	—	-2	—		
Foreign currency translation adjustments	175	—	—	175		Exchange differences on translating foreign operations
Share of other comprehensive income in associates accounted for by the equity method	191	—	0	190		Share of other comprehensive income of associates
Total other comprehensive income	1,820	—	3,643	5,463		Other comprehensive income, net of tax
Comprehensive income	127,999	—	7,132	135,131		Comprehensive income

Notes to the reconciliation of comprehensive income

Major components of reconciliation are as follows:

1. Revenue

(Presentation)

Under JGAAP, traffic acquisition costs and certain commissions for settlement paid in proportion to sales of paid search advertising are deducted from sales (net basis). Under IFRSs, they are presented on a gross basis, resulting in a change of amount of revenue.

(Recognition and measurement)

Under JGAAP, sales of installation for data center-related services are recognized when the relevant services are rendered. Under IFRSs, they are recognized over an estimated average contract period, resulting in a change of amount of revenue.

2. Cost of sales

(Presentation)

Under JGAAP, traffic acquisition costs and certain commissions for settlement paid in proportion to sales of paid search and other advertising products are deducted from sales (net basis). Under IFRSs, they are presented on a gross basis, resulting in a change of amount of cost of sales.

3. Selling, general and administrative expenses

(Presentation)

Under JGAAP, impairment losses and other losses are included in extraordinary losses. Under IFRSs, they are included in selling, general and administrative expenses.

(Recognition and measurement)

As a result of reviewing depreciation methods and others at the transition to IFRSs, amount of depreciation expenses changed.

Under JGAAP, goodwill was amortized over the estimated periods in which economic benefits were reasonably expected to be realized. Under IFRSs, it is not amortized on or after the date of transition to IFRSs, resulting in a change of amount of amortization of goodwill.

4. Other non-operating income

(Presentation)

Gain on sales of investment securities and other gains, which were included in extraordinary gains under JGAAP, are included in other non-operating income under IFRSs.

Interest income and other income, which were included in non-operating income under JGAAP, are included in other non-operating income under IFRSs.

(Recognition and measurement)

As a result of remeasuring gains and losses on sales of investments in associates at the transition to IFRSs, there were differences in gains and losses on sales between those under IFRSs and those under JGAAP, resulting in a change of the amount of other income from sales of investments.

5. Other non-operating expenses

(Presentation)

Loss on sales of investment securities and other losses, which were included in extraordinary losses under JGAAP, are included in other non-operating expenses under IFRSs.

Losses from investments and other losses, which were included in non-operating expenses under JGAAP, are included in other non-operating expenses.

6. Share of profit (loss) of associates accounted for using the equity method

(Presentation)

Share of profit (loss) of associates accounted for using the equity method, which were presented as non-operating income or expenses under JGAAP, is presented as a separate component under IFRSs.

(Recognition and measurement)

Under JGAAP, goodwill related to investments accounted for using the equity method was amortized over the estimated periods in which economic benefits were reasonably expected to be realized. Under IFRSs, it is not amortized on or after the date of transition to IFRSs resulting in a change of the amount of share of profit (loss) of associates accounted for using the equity method.

7. Income taxes

(Presentation)

As a result of reviewing depreciation methods and others and remeasuring deferred tax assets at the transition to IFRSs, amounts of income taxes increased.

Reconciliation of cash flows

There is no significant difference between the consolidated statements of cash flows prepared and disclosed in accordance with JGAAP, and those prepared and disclosed in accordance with IFRSs.

(Reference: Quarterly information)

Interim Condensed Consolidated Statements of Income

(Millions of yen)

	Three months ended Mar. 31, 2014	Three months ended Mar. 31, 2015	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Revenue	107,684	117,651	9,966	9.3
Cost of sales	20,596	23,407	2,810	13.6
Gross profit	87,088	94,243	7,155	8.2
Selling, general and administrative expenses	39,339	41,827	2,487	6.3
Operating income	47,748	52,416	4,668	9.8
Other non-operating income	6,851	354	-6,496	-94.8
Other non-operating expenses	961	999	38	4.0
Equity in earnings (losses) of associates	-13	784	798	—
Income before income taxes	53,624	52,556	-1,068	-2.0
Income taxes	21,416	19,530	-1,886	-8.8
Net income	32,207	33,026	818	2.5
Net income attributable to:				
Owners of parent	31,915	32,955	1,040	3.3
Non-controlling interests	292	70	-222	-75.9
Net income	32,207	33,026	818	2.5
Net income per share attributable to owners of the parent				
Basic earnings per share (yen)	5.60	5.79	0.19	3.3
Diluted earnings per share (yen)	5.60	5.79	0.19	3.4

Breakdown of Selling, General and Administrative Expenses

(Millions of yen)

	Three months ended Mar. 31, 2014	Three months ended Mar. 31, 2015	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Selling, general and administrative expenses				
Personnel expenses	12,705	14,132	1,426	11.2
Business commissions	4,572	4,541	-30	-0.7
Sales promotion costs	3,851	4,483	631	16.4
Depreciation and amortization	2,833	3,985	1,151	40.6
Royalties	2,950	3,189	238	8.1
Content provider fees	2,717	2,995	277	10.2
Lease and utility expenses	1,833	2,285	452	24.7
Communication charges	1,373	1,356	-16	-1.2
Impairment losses	2,015	1,234	-781	-38.8
Taxes and public dues	815	1,107	291	35.8
Administrative and maintenance expenses	757	1,018	261	34.5
License fees	466	899	432	92.7
Allowance for doubtful accounts	153	651	497	324.3
Advertising expenses	1,144	509	-634	-55.5
Payment commission	109	301	191	174.7
Others	1,038	-865	-1,904	—
Total selling, general and administrative expenses	39,339	41,827	2,487	6.3

Analysis of Business Results for the Fourth Quarter (January 1, 2015 to March 31, 2015)

1) Revenue

Revenue in the quarter under review amounted to ¥117,651 million, increasing ¥9,966 million, or 9.3%, from a year earlier. The increase can mainly be attributed to growth in advertising revenue.

2) Cost of sales and Selling, General and Administrative Expenses

Cost of sales in the quarter under review climbed ¥2,810 million, or 13.6%, year on year to ¥23,407 million, primarily because of growth in advertising revenue, etc. Selling, general and administrative expenses for the quarter were ¥41,827 million, rising ¥2,487 million, or 6.3%, from the same quarter last year.

The major components of selling, general and administrative expenses were as follows:

・ Personnel expenses amounted to ¥14,132 million, edging up ¥1,426 million, or 11.2%, year on year. The higher personnel expenses resulted from the total number of employees of the Yahoo Japan Group rising to 7,034, an increase of 743 employees, or 11.8%, from the same quarter in the previous fiscal year.

・ Sales promotion costs amounted to ¥4,483 million, increasing ¥631 million, or 16.4%, from the same quarter last year. The increase can mainly be attributed to an increase in T-POINT expenses related to the Yahoo Premium member campaign and to the consolidation of YJ Card Corporation.

・ Depreciation and amortization increased ¥1,151 million, or 40.6%, year on year to ¥3,985 million. The increase can primarily be attributed to an increase in property and equipment due to the purchase of servers and network-related equipment and to an increase in intangible assets due to greater in-house development of software.

3) Other Non-Operating Income (Expenses)

Other non-operating income for the quarter under review amounted to ¥354 million, decreasing ¥6,496 million, or 94.8%, from the same quarter in the previous fiscal year.

Other non-operating expenses for the quarter under review amounted to ¥999 million, increasing ¥38 million, or 4.0%, from the same quarter in the previous fiscal year.

The main component of the other non-operating expenses was ¥987 million of loss on sales of investment securities.

4) Income Taxes

Income taxes for the quarter under review amounted to ¥19,530 million. The effective income tax burden ratio for income before income taxes was 37.2% for the quarter.

5) Net Income

Net income amounted to ¥33,026 million, increasing ¥818 million, or 2.5%, from a year earlier. Basic earnings per share attributable to owners of the parent was ¥5.79 for the quarter.
