

Risk Management

The Yahoo Japan Group has established an Enterprise Risk Management (ERM) framework throughout the entire Group as a part of its efforts to achieve an accurate awareness of all risks associated with its business activities as well as to minimize their impact on management and the frequency of incidents.

Basic Policy

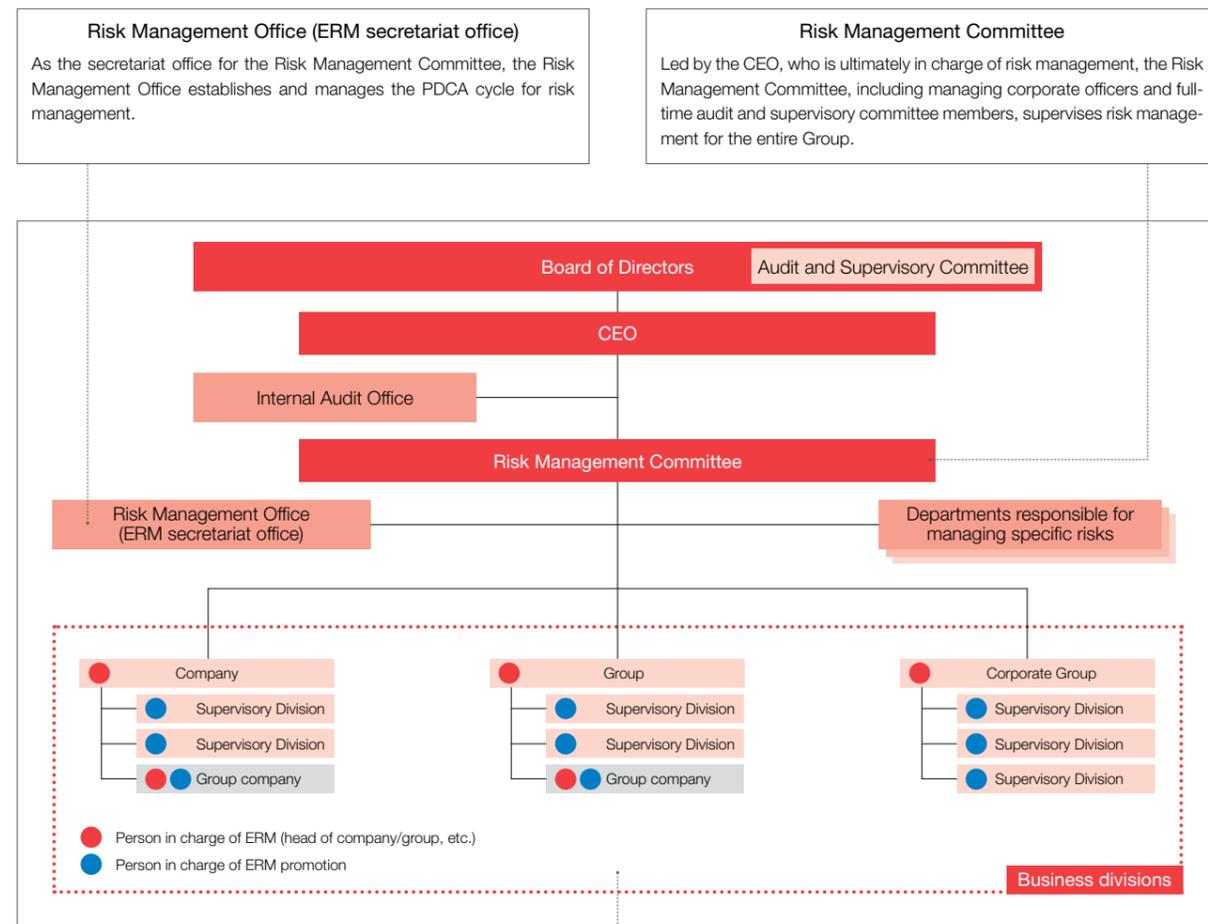
The Internet industry, which is constantly advancing at dizzying speeds, is experiencing remarkable shifts in the number of risks and opportunities. Through the establishment of an ERM framework, the Group has ensured the effectiveness and transparency of its risk management in order to address various risks in a timely and appropriate manner.

We have established a structure based on our three lines of defense (business divisions, departments responsible for

managing specific risks/risk management division, and audit divisions) as a necessary element for instilling risk management throughout the entire Group and fulfilling the duties of each division and department.

Moreover, we have formulated Regulations on Risk Management in order to minimize any losses in case risks materialize.

ERM Promotion Framework



Business Divisions
Each business division appoints a person to be in charge of ERM (division head) and an ERM promoting manager and conducts risk assessments (identifies, analyzes, and evaluates risks) based on the Companywide Risk Management Policies determined through interviews with the top management. Each business division also formulates response measures, implements plans, and undergoes evaluations. The results of risk assessments conducted at each business division are reported to the Risk Management Committee upon analysis and evaluation by the Risk Management Office, and are used to undergo continuous revisions to risk response policies.

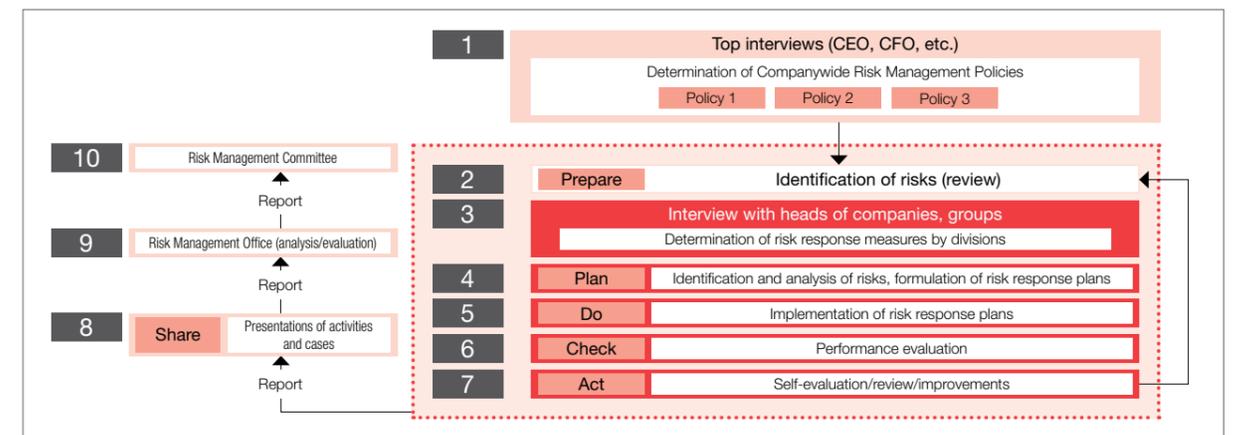


Initiatives to Ensure Appropriate ERM

We implement a wide variety of initiatives to ensure appropriate ERM. These initiatives are aimed at instilling an understanding of the decisions made by the top management among all our employees, responding to Companywide risks, and optimizing our overall risk management activities.

Formulation of Companywide Risk Management Policies	In each fiscal year, we conduct an interview with the Company's top management, including the CEO and CFO, to formulate key policies for the respective year. Through efforts to enhance the awareness of and rigorously enforce these policies, we work to ensure an understanding of the decisions made by the top management as well as consistency between these decisions and the risk management initiatives in each division throughout the Group.
Standardization of risk assessment methods	We aim to establish a risk management system that flexibly responds to organizational restructuring and personnel rearrangements in accordance with changes in the business environment.
Enhancement of educational programs	For personnel in charge of risk management, we hold explanatory meetings, risk management training seminars, BCP response training, and various other educational programs.
Presentation of ERM activities and successful examples	Two times a year, we provide opportunities for personnel in charge of risk management in all divisions of the Group to confirm the progress and share examples of ERM activities carried out in their respective division and at each Group company.

Yahoo! JAPAN ERM Process Diagram



Departments Responsible for Managing Specific Risks

To support the ERM structure and enhance the effectiveness of risk management, we define the departments responsible for managing specific risks within our Regulations on Risk Management, thereby clarifying responsibilities and roles.

In response to risk diversification, the Group has determined 11 specific risks and clarified the departments responsible for the management of each risk.

These departments use their expert knowledge to provide support to other divisions. At the same time, these departments are responsible for managing risks that extend over multiple divisions and that cannot be addressed by one division alone. In addition, these departments are responsible for overseeing risk management throughout the entire Company and Group.

Examples of Specific Risks

Information security risk	Information security risk refers to the risk of damage to our information security structure in terms of such matters as integrity, confidentiality, and availability (managed by the CISO Office and other divisions).
Information system risk	Information system risk refers to risks that impact our overall information systems in terms of such matters as system management and disaster recovery (managed by System Management Group and other divisions).
Corporate risk	Corporate risk refers to the various kinds of corporate related risks, including human resources, legal, financial, purchasing, and others (managed by People Development Group, Legal Management Group, Finance Management Group, and other divisions).

Specific Efforts toward Important Risks

Disaster Response System (BCP)

We provide services that utilize multiple data centers and backbones so that we will not be simultaneously affected by natural disasters that ensue over a wide area. Such system is implemented so that we are able to continue to provide the necessary news and disaster information to our users without interruption, even in times of emergency, such as an earthquake centered on Tokyo or a Nankai Trough megathrust quake.

In order for the Osaka and Kitakyushu editing offices, which were established in a geographically distant area from

our Kioicho Office in Tokyo, to continue updating services alone, including the Yahoo! JAPAN top page and Yahoo! News, we conduct regular and thorough disaster preparations and simulations.

Moving forward, we will conduct periodic revisions to our business continuity plan (BCP). Specifically, we are implementing measures which include redundancy for the services that make up our social information infrastructure and creating systems capable of delivering appropriate information to our users.

Incident Reporting System

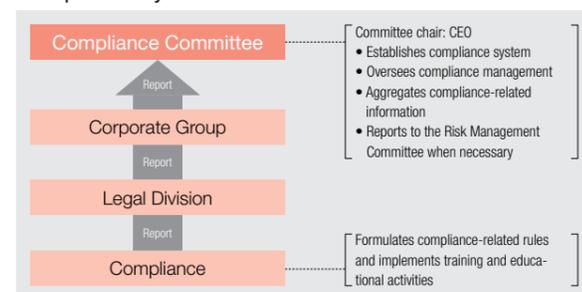
When an incident or a situation occurs in relation to our services or the various internal businesses, including those of Yahoo Japan Corporation and its subsidiaries, a report is filed in our incident reporting system within one hour of discovering such situation or incident. The details are shared immediately with all relevant departments and the incidents

are then classified into three severity levels to be recorded in the database. For each incident, the specific circumstances, responses, and causes are recorded and analyzed and the progress of fundamental response measures is managed with the goal of preventing recurrence of a similar incident in the future.

Compliance

We have formulated and publicly disclose the Charter of Corporate Behavior to ensure strict adherence to and compliance with all relevant laws and regulations, commercial practices, and social ethics. For Group employees, we have formulated and disseminated a compliance program that sets forth specific codes of conduct. In these ways, we have put into place a structure for instilling and improving awareness of compliance-related issues on a Groupwide basis.

Compliance system



Compliance Training

Through various methods, we implement necessary trainings to ensure compliance.

Training courses for new hires	This training targets all new employees, including both new graduates and mid-career hires. It acts as an important first step in instilling compliance awareness.
Quarterly online learning programs	These programs target all employees. Implemented under specific themes, such as the protection of personal information, appropriate information handling, the prevention of harassment, and the protection of intellectual properties, these programs work to ensure understanding and enhance awareness of compliance-related issues.
Permanent online learning and collective training courses	These programs and training focus on fundamental compliance-related matters, including harassment, insider trading, refusal of relationships with antisocial forces, and information management.
Training for newly appointed managers	This training helps newly appointed managers acquire the necessary compliance-related knowledge.
Division-specific training	This training provides highly specialized information in accordance with the characteristics of each division.
Position-specific training	This training provides information relevant to each position and focuses primarily on the prevention of harassment.

Establishment of Compliance Hotline (Internal Reporting System)

We have established compliance hotlines both inside (two hotlines: one where employees file reports to corporate officers and one where employees file reports to the compliance consultation desk) and outside (law firm) the Company. These hotlines allow for the anonymous disclosure (consultation) of compliance-related issues, such as rule violations. We work to increase awareness of these hotlines among all

employees via the Company's intranet. These hotlines strictly respect the privacy of whistle-blowers and those seeking consultation, and as a company, we ensure that such individuals are protected not only legally in accordance with the Whistleblower Protection Act but also under our Regulations for the Compliance Hotline (Regulations on Whistleblowing).

TOPICS

Our Vision for BCP

Ensuring the Delivery of Necessary Information to Users Especially in Times of Crisis

The kind of BCP the Yahoo Japan Group has in place to respond to the occurrence of major earthquakes and other disasters is completely different to the BCP at an ordinary company. At an ordinary company, BCP is created from the perspective of restoring the rate of operation, which declines suddenly when disasters occur, to the lowest level required within a targeted recovery time. In contrast to this, for such services as Yahoo! Weather & Disaster and Yahoo! News, which act as social infrastructure, our BCP needs to consider how to maintain operations without the deterioration of communication functions so that we can deliver the necessary information to our users, who will be using these services at a much greater rate than normal. Additionally, our BCP needs to respond and adapt flexibly to the unanticipated levels of burden that will likely be placed on our services at times of emergency.

To this end, within our annual Group disaster response training, we aim to respond to the increased user demand at times of crisis by transferring operations, without fail, from locations affected by a disaster to specified geographically redundant locations, while giving first priority to securing the safety of employees in those disaster-stricken locations.

The theme of our disaster response training in fiscal 2017 was "learning the flow of the initial disaster response and understanding the current state of the equipment needed to continue operations." While keeping in mind the areas we wished to improve upon in the training implemented in fiscal 2016, we carried out this year's training under the assumption of greater severity than the year before, with a 7.3-magnitude earthquake occurring in the southern section of Tokyo Bay at 5:00 p.m. on November 17, with the 23 wards of Tokyo sustaining the largest impact. At the beginning of the training, we turned off all lighting at the Disaster Response Headquarters, with only a projector in operation that was connected to an uninterruptible power supply. We made the assumption that blackout conditions would

continue for five minutes until power was switched over to an emergency power supply. Simulated news streamed across the projector and simulated information was posted on social network services. Amid lighting conditions that were even darker than anticipated and under the leadership of Disaster Response Headquarters Chief Manabu Miyasaka (who was Company President at the time), employees responded diligently under a "blind training" format in which scenarios are not provided beforehand. Employees who received e-mails or gathered on their own judgment formed disaster response teams such as the communications team or external relations team and responded to various kinds of difficult situations that occurred one after the other.

Chief Miyasaka actively asked questions aimed at confirming various conditions, including "How many employees are unaccounted for?" and "How are the iOS and Android smartphone apps, smartphone browsers, tablet apps, and websites? How about our browsers on PCs and flip phones?"

When the Osaka and Kitakyushu offices, which served as geographically redundant locations for this training, were able to successfully take over operations and primary initial response information on our disaster-affected Kioicho Head Office was gathered, Chief Miyasaka determined priority items and declared a basic response policy. At the very end of the training, an overall evaluation and feedback were given by an external institution, which brought the training to a close after a total of two hours. Through this training, various issues were discovered, such as conflicting reports and having to wait in line to make reports. In light of these issues, we decided to revise our disaster response and management structure. Going forward, we will continue to make concerted Group-wide efforts so that we are able to immediately deliver information that helps ensure the safety and security of our users.



Fiscal 2017 disaster response training

