Annual Report 2015

Year ended March 31, 2015

Contents

Important Considerations Regarding This Annual Report

1. This annual report contains forward-looking statements. A number of important factors could cause actual results to differ materially from those predicted.
2. For a detailed account of the factors that could affect performance, please see the Risk Factors section in this report, beginning on page 108.
3. Unauthorized use or reproduction of this document is prohibited.
4. Yahoo Japan Corporation adopted International Financial Reporting Standards (IFRSs) from the fiscal year ended March 31, 2015. The date of transition to IFRSs was April 1, 2013.

Profile

Yahoo Japan Corporation and its consolidated subsidiaries and affiliates (the Yahoo Japan Group) have been a key driving force behind the rapid growth of the Japanese Internet market. Offering Internet users an ever-expanding range of useful, cutting-edge services, from search and information listing to community and e-commerce, the Yahoo! JAPAN portal site is the undisputed market leader in terms of user numbers and page views.

While maintaining our core revenue-generating business strengths in Internet advertising, e-commerce, and membership services, and collaborating with companies offering complementary capabilities, we are keenly focused on harnessing the explosive growth of the mobile-based Internet in line with our Smart Devices First policy. In all of our business activities, we are committed to building upon Yahoo! JAPAN's position as the No. 1 problem-solving engine in the Japanese Internet market.

History

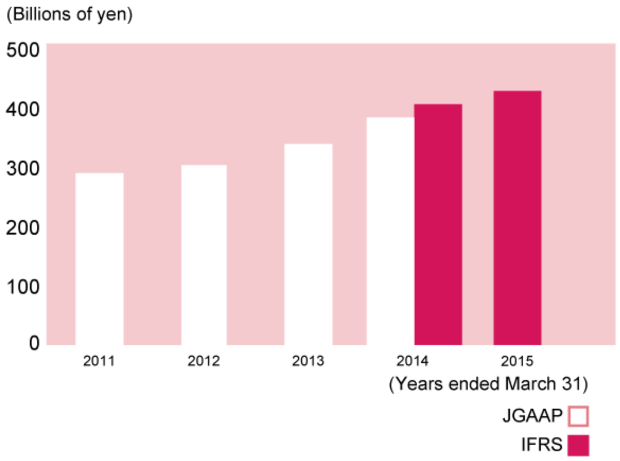
1996 January	・ Establishment of Yahoo Japan Corporation
1996 April－1997 March	・ Started Yahoo! JAPAN services
1997 April－1998 March	・ Listed on the JASDAQ market
1999 April－2000 March	・ Started online shopping service Yahoo! Shopping and online auction service Yahoo! Auctions (currently YAHUOKU!)
2001 April－2002 March	・ Introduced Yahoo! Auctions personal identification system (currently Yahoo! Premium membership) ・ Started comprehensive broadband service Yahoo! BB
2002 April－2003 March	・ Introduced listing and transaction fees for Yahoo! Auctions ・ Made Netrust, Ltd, a subsidiary ・ Started a paid search advertising service
2003 April－2004 March	・ Listed on the First Section of the Tokyo Stock Exchange
2004 April－2005 March	・ Made FirstServer, Inc., a subsidiary
2005 April－2006 March	・ Established business alliance with SoftBank Corp. (currently SoftBank Group Corp.) for mobile communications business
2006 April－2007 March	・ Invested in SoftBank's mobile communications business and started Yahoo! Keitai mobile Internet services for SoftBank mobile subscribers ・ Made a dual listing of the Company's shares on Jasdaq Securities Exchange (currently Tokyo Stock Exchange, Inc. (JASDAQ))
2007 April－2008 March	・ Made Overture K.K. a subsidiary
2008 April－2009 March	・ Started Interest Match® interest-based advertising service (currently Yahoo! Display Ad Network (YDN)) ・ Made SOFTBANK IDC Solutions Corp. and SOFTBANK IDC Corp. (currently IDC Frontier Inc.) subsidiaries
2009 April－2010 March	・ Made GyaO CORPORATION (currently GYAO Corporation) a subsidiary ・ Merged with Overture K.K.
2010 April－2011 March	・ Expanded games business by launching Sengoku IXA in collaboration with SQUARE ENIX CO., LTD., and Yahoo! Mobage in collaboration with DeNA Co., Ltd.
2011 April－2012 March	・ In an alliance with Twitter, Inc., made public Twitter postings accessible via the real-time search feature on Yahoo! Search
2012 April－2013 March	・ Established business and capital alliance with ASKUL Corporation ・ Made CyberAgent FX, Inc. (currently YJFX, Inc.), and Carview Corporation subsidiaries
2013 April－2014 March	・ As a result of the operational merger of the Tokyo Stock Exchange and Osaka Securities Exchange, the Company's shares are listed only on the First Section of the Tokyo Stock Exchange ・ Unveiled new e-commerce strategy
2014 April－2015 March	・ Made Synergy Marketing, Inc., a subsidiary ・ Made YJ Card Corporation a subsidiary

Financial Highlights

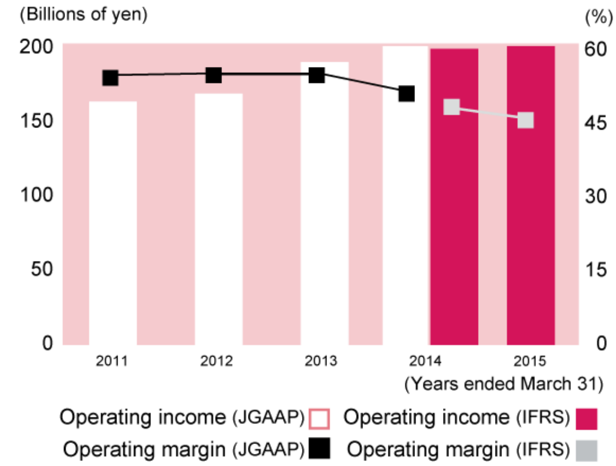
	Millions of Yen				Thousands of U.S. Dollars
	IFRS		JGAAP		IFRS
Years ended March 31	**2015**	2014	2014	2013	**2015**
For the fiscal year:					
Revenue	**¥428,488**	¥408,515	¥386,284	¥342,990	**$3,565,682**
Operating income	**197,212**	196,438	197,416	186,352	**1,641,108**
Profit for the year attributable to owners of the parent (IFRS), Net income (JGAAP)	**133,052**	128,605	125,116	115,036	**1,107,198**
Earnings per share attributable to owners of the parent (IFRS), Net income per share (JGAAP) (Yen and U.S. dollars)	**23.37**	22.43	21.82	19.84	**0.19**
EBITDA	**211,153**	207,258	211,406	197,829	**1,757,119**
At fiscal year-end:					
Total assets	**1,007,603**	849,988	842,749	743,311	**8,384,813**
Total equity	**740,554**	627,719	626,561	551,264	**6,162,553**
Number of employees	**7,034**	6,291	6,291	5,780	
Dividends per share (Yen and U.S. dollars)	**8.86**	4.43	4.43	4.01	**0.07**
Cash flows	**21,600**	72,749	72,748	150,929	**179,745**
Cash flows from operating activities	**126,240**	132,793	132,829	139,396	**1,050,512**
Cash flows from investing activities	**(67,865)**	(7,275)	(7,311)	51,404	**(564,742)**
Cash flows from financing activities	**(37,167)**	(53,129)	(53,129)	(40,184)	**(309,287)**
Ratios:					
Operating margin (%)	**46.0**	48.1	51.1	54.3	
Ratio of profit for the year attributable to owners of the parent to revenue (IFRS), Ratio of net income to revenue (JGAAP) (%)	**31.1**	31.5	32.4	33.5	
ROA (%)	**22.4**	26.1	15.8	17.6	
ROE (%)	**19.8**	22.2	21.5	22.8	
Total equity / Total assets ratio (%)	**72.1**	72.9	73.3	73.1	

Notes:
- Yen amounts for the year ended March 31, 2015, have been translated into U.S. dollar amounts, solely for the convenience of readers, at the rate of ¥120.17 = U.S.$1, the effective rate of exchange at March 31, 2015.
- Per-share figures have been restated to reflect a hundred-for-one stock split made on October 1, 2013.
- The Company adopted International Financial Reporting Standards (IFRSs) from the fiscal year ended March 31, 2015. The date of transition to IFRSs was April 1, 2013.

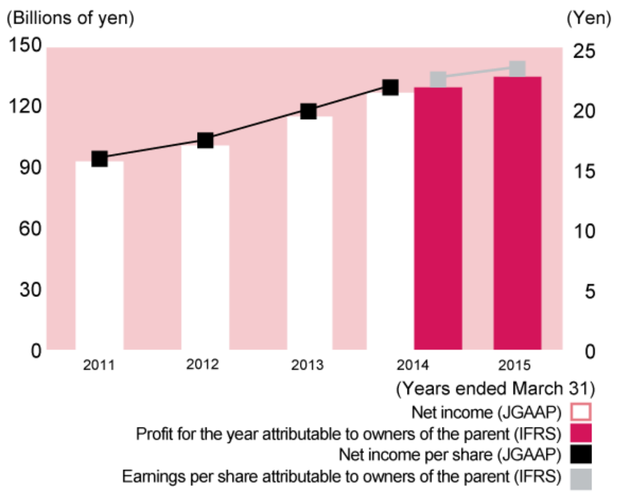
Revenue



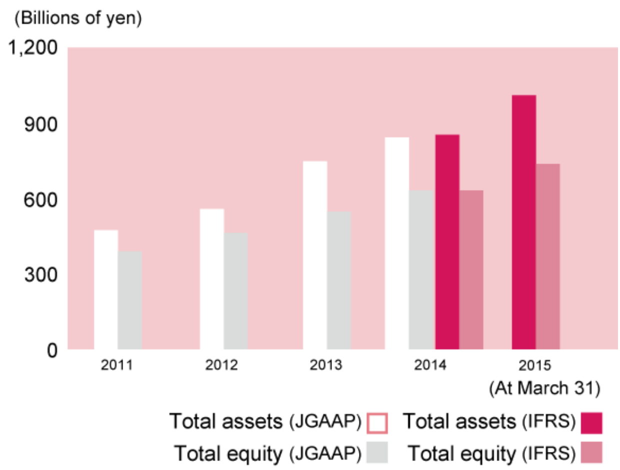
Operating Income and Operating Margin



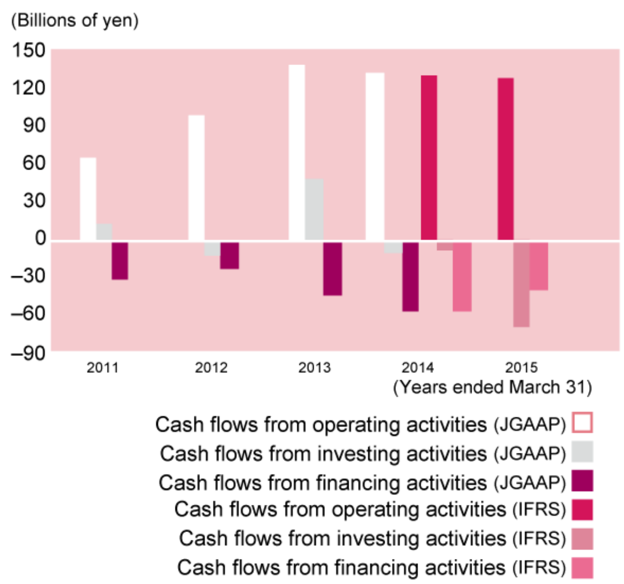
Profit for the Year Attributable to Owners of the Parent
Earnings per Share Attributable to Owners of the Parent



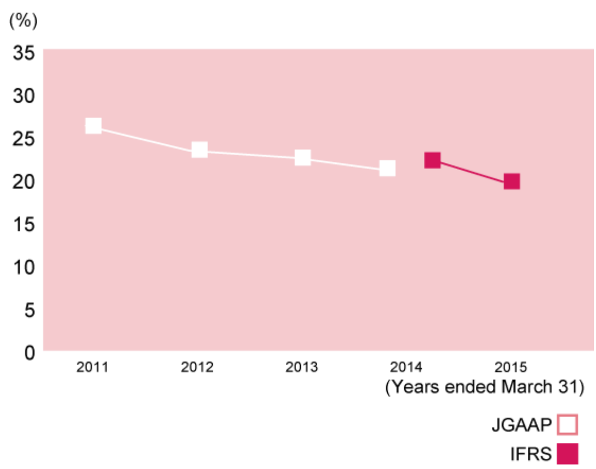
Total Assets and Total Equity



Cash Flows



Return on Equity



To Our Shareholders

MANABU MIYASAKA

President and CEO

Yahoo Japan Corporation

Launched in April 1996 as the first commercial Web site to offer Japanese-language Internet search services, Yahoo! JAPAN has for nearly two decades propelled the Japanese Internet industry forward with an ever-expanding array of innovative, convenience-enhancing services. Far and away the most popular portal site in Japan with a devoted user base numbering in the tens of millions, Yahoo! JAPAN occupies a long-established position of undisputed leadership in the Japanese Internet market.

Recent years have seen sharp increases in Internet user numbers, access frequency, and usage times, reflecting the fast-paced proliferation of smartphones and other mobile smart devices in Japan. With the Internet now an indispensable and ubiquitous aspect of daily life, Yahoo! JAPAN plays an increasingly significant role in the lives of individual users and in the society at large. Accordingly, Yahoo Japan Corporation (the Company) and its consolidated subsidiaries and affiliates (the Yahoo Japan Group) are more committed than ever to ensuring that Yahoo! JAPAN remains a vital problem-solving engine in the Japanese Internet market. By drawing on the power of information technology to help forge solutions to contemporary problems, and by continuing to provide services that enhance daily life, the Yahoo Japan Group is ideally positioned for a future of sustainable corporate growth.

Review of Fiscal 2014 Results

Fiscal 2014, the year ended March 31, 2015, marked the Yahoo Japan Group's 18th consecutive year of record-high revenue and profit since the commencement of operations. Consolidated revenue increased 4.9% year on year, to ¥428.5 billion; consolidated operating income ticked up 0.4%, to ¥197.2 billion; consolidated profit before tax was stable, at ¥208.3 billion; and consolidated profit for the year attributable to owners of the parent rose 3.5%, to ¥133.1 billion.

Higher advertising-related revenue centering on growth in smartphone-based advertising, as well as the consolidation of YJ Card Corporation and Synergy Marketing, Inc., fueled the upturn in consolidated revenue. Thanks to favorable growth in core businesses, we also achieved increases in operating income, profit before tax, and profit for the year attributable to owners of the parent, despite making substantial forward-looking investments in the shopping-related business and in infrastructure technology development.

New strategies implemented during the second half of fiscal 2013 with the goal of rejuvenating our e-commerce related business led to year-on-year growth in transaction value in both the auction and shopping-related businesses in fiscal 2014. Moreover, the number of Yahoo! Premium members increased 9.1% during the year, to 10.77 million as of March 31, 2015, largely owing to an ongoing initiative to acquire new members at SoftBank Mobile and Y! Mobile retail stores.

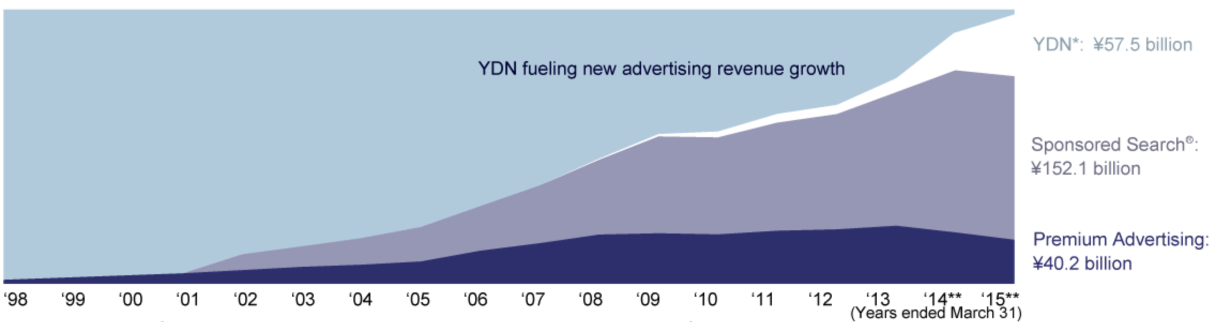
Overview of the Advertising-related Business

Fiscal 2014 advertising-related revenue was up 7.4%, to ¥249.8 billion, accounting for approximately 59% of the Yahoo Japan Group's consolidated revenue.

The advertising-related business is currently witnessing two major transformations. The first is a structural change in the usage environment, as users increasingly shift away from personal computers (PCs) in favor of mobile smart devices. The second is a transition in revenue-driving advertising products, primarily reflecting diversification of advertising technologies.

Against this backdrop, the Yahoo Japan Group remains focused on developing a broad array of high-value-added advertising products optimized for both PCs and mobile smart devices, bearing in mind the diverse requirements of a range of advertisers, from large corporations and governmental entities to small business owners and individuals. At the same time, we are making efforts to strengthen and diversify our advertising sales channels.

Advertising Revenue Growth Trends and Fiscal 2014 Revenue Breakdown



*Includes revenue from YDN behavior-targeted advertising and Yahoo! Premium DSP advertising
**Calculated according to International Financial Reporting Standards (IFRSs)

The Yahoo Japan Group's advertising products are broadly organized into two categories: paid search advertising and display advertising. Revenue from Sponsored Search® paid search advertising, which accounted for roughly 61% of total advertising-related revenue during the period, increased just 0.8% in fiscal 2014.

Introduced in fiscal 2002, paid search advertising, which is displayed on search results pages, is a core product that has fueled our revenue growth for well over a decade. The shift away from PCs in favor of mobile smart devices in recent years, however, has sharply curtailed paid search advertising's future growth potential. Today, a growing number of users conduct online searches via mobile smart devices, particularly smartphones. Smartphone-based paid search advertising generates lower revenue per search than its PC-based equivalent owing to the nature of smartphone-based search behavior. Specifically, smartphones tend to be used for spur-of-the-moment, instant-gratification searches, such as a search made while watching a TV program to confirm the name of an actor making a cameo appearance, or a search made to confirm the closing time of a neighborhood restaurant before setting out with friends for a late-night dinner. The results pages for such search queries tend to display either no advertising or advertising links with mediocre click-through rates. As PC-based Internet usage continues to decline, paid search advertising revenue growth is likely to remain sluggish for some time. Nevertheless, we intend to make further improvements to our paid search advertising services in an effort to spur new demand for this core product, which in any case is expected to support revenue for years to come.

Display advertising comprises two advertising product types: (1) YDN and others, which primarily includes Yahoo! Display Ad Network (YDN) behavior-targeted advertising and Yahoo! Premium DSP services; and (2) Premium Advertising impression-guaranteed advertising. Revenue from display advertising, including both YDN and others and Premium Advertising, increased 19.6% in fiscal 2014.

In recent years, YDN advertising has replaced paid search advertising as a main driver of revenue growth for the Yahoo Japan Group. After receiving a one-time boost in the wake of our placement of graphic-based YDN advertising in Prime Display spaces in fiscal 2013, YDN-generated revenue growth remained strong, reflecting ongoing improvements in algorithms and feature enhancements. As a result, revenue from YDN and others, including both YDN and Yahoo! Premium DSP products, climbed approximately 66% in fiscal 2014. Because YDN advertising distribution is based on an analysis of user behavior derived from user-specific browsing histories and other data, we are currently focused on boosting YDN's revenue-generating capacity by improving matching accuracy, refining advertising placement, and enhancing marketing strategies.

Launched as a full-fledged service in January 2014, Yahoo! Premium DSP is a new core product expected to spur strong demand owing to more precise, real-time targeting and distribution capabilities. By fully leveraging our accumulated trove of big data, we are formulating smarter marketing strategies with an eye to maximizing interest among potential advertisers.

Premium Advertising, used primarily for corporate image enhancement and product branding, recorded a revenue decline of 14.4% in fiscal 2014, reflecting sluggish demand for all Premium Advertising products with the exception of Brand Panel advertising displayed on the Yahoo! JAPAN top page. While Premium Advertising, comprising primarily video and graphic-based products, can be effectively displayed on large PC screens, it is a far greater challenge to achieve a strong visual impact when displaying such products on the small screens of mobile smart devices. Mirroring the decline in PC usage in recent years, Premium Advertising revenue inevitably has dropped. To offset the decline in revenue from PC-based Premium Advertising, we are currently developing and launching new smartphone-based advertising formats with the high-impact qualities necessary for effective product branding and corporate image enhancement.

Thanks to accelerating proliferation of smartphones, faster data transmission, and growing popularity of scrolling timeline services, smartphone-based viewing of videos and large-format graphics is gradually becoming more common. From summer of 2014, the Yahoo Japan Group began testing and eventually transitioned to a scrolling timeline design on the top page of the Yahoo! JAPAN smartphone version, and in May 2015 we rolled out the updated top page of the Yahoo! JAPAN smartphone version. While it remains unclear as to whether or not this new design will have a measurable impact on revenues, we believe the scrolling timeline format for content and advertising, in sync with user interests and needs, will bolster user engagement by offering more reasons to access and spend time on our Web site, resulting ultimately in higher advertising revenue.

Overview of the e-Commerce Related Business

From October 2013, the Yahoo Japan Group implemented a new e-commerce related business strategy designed to entice a growing number of sellers and buyers to use our Yahoo! Shopping and YAHUOKU! auction services with the goal of boosting transaction values. As a result, total e-commerce related transaction value in fiscal 2014 rose 7.6%, to ¥1,190.8 billion.

Transaction value in the shopping-related business was up 5.4% in fiscal 2014, to ¥372.7 billion. Our decision to eliminate monthly store tenant fees and transaction-based system-use fees was a resounding strategic coup, resulting in phenomenal growth in the number of Yahoo! Shopping store IDs—from 78,307 IDs at March 31, 2014, to approximately 280 thousand IDs at March 31, 2015—as well as in the number of item listings, which stood at around 160 million at March 31, 2015. In fiscal 2015, we intend to focus on increasing buyer numbers and improving the ratio of repeat buyers by periodically carrying out attractive loyalty-promotion reward campaigns. In addition, we will strive to boost the number of item listings. After attracting a significant number of new users to Yahoo! Shopping and further expanding transaction value, we intend to proceed with our plan to monetize the Yahoo! Shopping site with advertising.

In our YAHUOKU! auction business, transaction value in fiscal 2014 increased 8.6%, to ¥818.1 billion, with year-on-year growth recorded in all four quarters. This result attests to the success of our strategic decision to eliminate monthly store tenant fees and waive the requirement that YAHUOKU! participants placing bids in excess of ¥5,000 be registered as fee-paying Yahoo! Premium members. Moreover, auction business revenue began to expand in line with transaction value growth from October 2014, by which time the revenue-restraining impact of our e-commerce strategy had largely dissipated. Looking ahead, we will make improvements to the YAHUOKU! app, strategically market our services to new users, and invigorate and expand the reuse market through partnerships with BOOKOFF CORPORATION LIMITED and Carview Corporation.

Overview of Financial and Payment-related Services

During fiscal 2014, the Yahoo Japan Group launched new initiatives in financial and payment-related services, its third business pillar after advertising and e-commerce. In April 2014, the Company increased its stake in The Japan Net Bank, Limited, with the intention of making a full-fledged entry into banking operations. In January 2015, the Company acquired YJ Card Corporation (formerly KC Co., Ltd.) and entered the credit card business. With these acquisitions, the Yahoo Japan Group is positioned to exploit revenue-generating opportunities inherent in our e-commerce related business, with its annual transaction value of nearly ¥1.2 trillion. Transactions on our shopping- and auction-related platforms paid for with YJ cards, for example, will generate additional revenue in the form of payment-related fees. Looking forward, we are forging mutually beneficial linkages between our e-commerce related and payment-related businesses. At the same time, we plan to elicit strong user engagement with our services by, for example, implementing a loyalty reward points system.

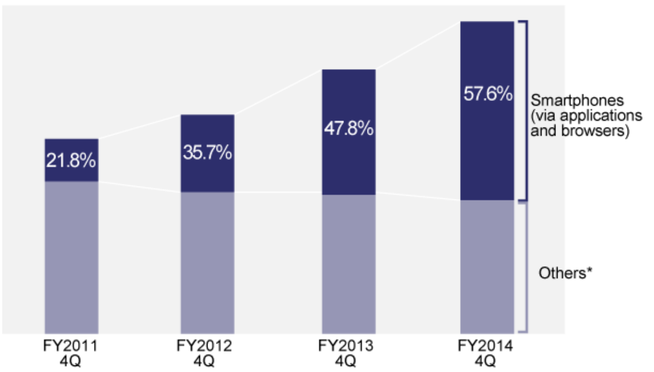
Three Years On, and Three to Come

When I assumed my present post some three years ago, a large majority of users still accessed Yahoo! JAPAN via PCs. The advent of the widespread proliferation of mobile smart devices was a source of concern among stakeholders, some of whom wondered how Yahoo! JAPAN would be positioned within a new mobile-based market. Today, three years on, nearly half of all persons living in Japan own at least one mobile smart device, and 74%* of mobile smart device users access Yahoo! JAPAN. Bearing in mind the preceding, we can confidently state that Company initiatives undertaken against the tumultuous backdrop of the past three years were quite prescient.

In the coming three years, the shift from Web browsers to apps for mobile smart devices will present a great challenge. Yahoo! JAPAN access via smartphones has steadily expanded over the past three years, from 21.8% in the fourth quarter of fiscal 2011 to 57.6% in the fourth quarter of fiscal 2014. The bulk of this mobile-based access is via Web browsers, with only limited access via apps. In the coming three years, while continuing to provide a range of convenient Web-based services we also plan to invest more in app development for mobile smart devices with the aim of establishing a dominant market presence in mobile apps.

*Source: Video Research Interactive, *Smart Device Contents Report*, February 2015. *(The unauthorized use of the information or the data in this document is not permitted.)*

Breakdown of 4Q Average Daily Unique Browsers, by Device



*Includes PCs, tablets, and feature phones

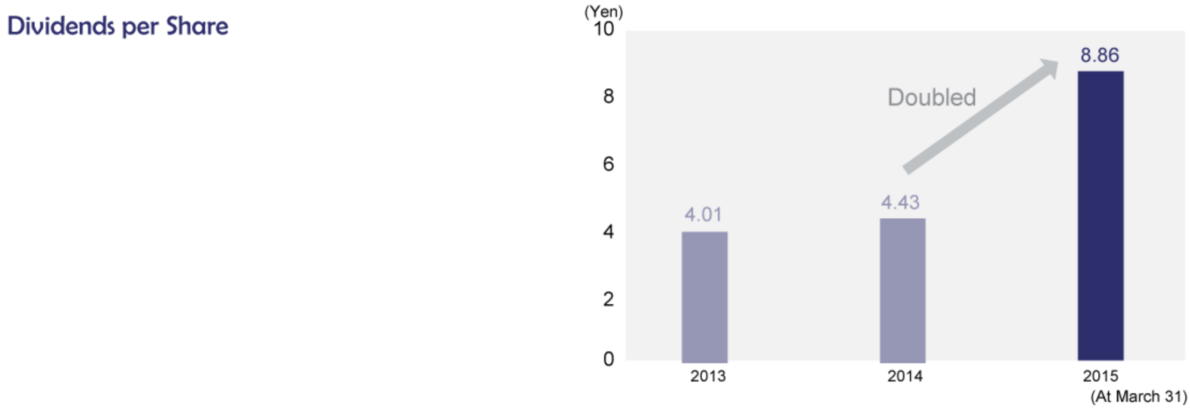
Focused on improving services and expanding revenue, the Yahoo Japan Group is redoubling its efforts to more effectively utilize big data collected by the more than 100 services accessible via the Yahoo! JAPAN site. Proliferation of mobile smart devices, particularly smartphones, has facilitated an explosive surge in Internet access and service usage, with corresponding growth in the quantity of data flying around the Internet. In such an environment, the Yahoo Japan Group is obligated to relentlessly upgrade and expand its systems network infrastructure. In order to minimize future expenditures on new facilities, we will continue to invest in upgrading core systems and in enhancing technological capabilities. In fiscal 2015, the Yahoo Japan Group plans to invest a total of ¥40 billion, an increase of more than 30% from the ¥30 billion in capital investments made in fiscal 2014.

Moreover, we intend to take proactive measures aimed at achieving revenue expansion in our credit card and shopping-related businesses. In our credit card business, we have budgeted approximately ¥4 billion for marketing efforts in fiscal 2015 with the goal of enrolling 800 thousand to one million new cardholders. In our shopping-related business, having already achieved strong growth in the number of stores and item listings as a result of our new e-commerce strategy, we will begin to implement various strategies aimed at increasing buyer numbers.

Shareholder Returns and Growth-oriented Measures

In order to achieve sustained improvement in corporate value over the long term, the Yahoo Japan Group will continue to aggressively pursue M&A deals, forge capital alliances, and invest in facilities with an eye to future growth. At the same time, Yahoo Japan Corporation acknowledges its responsibility as a publicly listed company to return profits to shareholders on an ongoing basis.

After determining that the Company is capable of returning to shareholders a greater share of profits while still maintaining a level of investment required for future growth, management resolved to pay an annual cash dividend of ¥8.86 per share for fiscal 2014—double the amount paid for fiscal 2013. Going forward, we intend to maintain per-share dividends at the same level.



The Yahoo Japan Group remains keenly focused on providing innovative services and creative solutions that inspire and empower Internet users to tackle the pressing problems of modern life. Leveraging our dominant position in the Internet market, we are confident of securing sustainable corporate growth moving forward. Once again, we respectfully request your continued understanding and support.

Manabu Miyasaka
President and CEO
Yahoo Japan Corporation
June 18, 2015

Business Segment Review

Yahoo Japan Corporation (the Company) and its consolidated subsidiaries and affiliates (the Yahoo Japan Group) are organized into three business segments: the Marketing Solutions Business segment, the Consumer Business segment, and the Other Business segment.

Marketing Solutions Business

The Marketing Solutions Business segment chiefly comprises advertising-related services (paid search and display advertising), corporate services (data center related business and others), information listing services (Yahoo! Real Estate and others), and paid digital content services (including games).

Share of Revenue

69%

Share of Operating Income

70%

Marketing Solutions Business segment revenue for fiscal 2014, the year ended March 31, 2015, increased 7.5% year on year, to ¥304.3 billion, while operating income rose 6.2%, to ¥161.7 billion. The segment accounted for approximately 69% of consolidated revenue on an unadjusted basis.

Groupwide advertising-related revenue, earned mainly by the Marketing Solutions Business segment, expanded 7.4% year on year, to ¥249.8 billion, contributing strongly to overall revenue growth as the Yahoo Japan Group's mainstay revenue source. Mobile smart devices accounted for 33.4% of advertising-related revenue in fiscal 2014, up 11.6 percentage points from the previous year, largely reflecting a greater focus on product development and marketing initiatives for such devices.

According to industry data published by DENTSU INC., total expenditures in the Japanese advertising market in calendar 2014 rose 2.9%, to ¥6,152.2 billion. This marked the third consecutive year of growth in total advertising expenditures. Total advertising expenditures in the four traditional media markets of television, newspapers, magazines, and radio increased 1.6% in calendar 2014, while Internet-related advertising placement expenditures were up 14.5% during the same period. Relatively robust growth in Internet-related advertising spending in recent years primarily reflects ongoing smartphone proliferation, expanding usage of video advertising, and advances in advertising distribution technology. Nomura Research Institute, Ltd., forecasts that smartphone contracts will account for 70% of total mobile phone contracts in Japan by March 2019, up from just over 50% as of March 2015.

Testifying to the continued shift away from personal computers (PCs) in favor of smartphone-based Internet access, mobile smart devices accounted for 54.6% of Yahoo! JAPAN's average number of daily unique browsers (DUBs) in fiscal 2014, overtaking PCs for the first time. Rising to the challenge posed by declining PC-based Internet usage, the Yahoo Japan Group is reinvigorating revenue growth by focusing on innovative advertising products that deftly exploit the shift toward mobile smart devices.

Yahoo Japan Group Advertising Products Overview

<table>
<tr><th colspan="3">Advertising Products</th><th>Main Format</th><th>Fee Calculation</th><th>Placement Pages</th><th>Main Advertiser Base</th></tr>
<tr><td>Paid search advertising</td><td colspan="2">Sponsored Search®</td><td>Text</td><td rowspan="2">Per-click rate (Performance-based[1])</td><td>Search results pages</td><td rowspan="2">Major corporations
Small and medium-sized companies</td></tr>
<tr><td rowspan="3">Display advertising</td><td rowspan="2">YDN and others</td><td>Yahoo! Display Ad Network (YDN)</td><td>Text
Banner</td><td rowspan="3">Top page[3]
Interior pages of service sites[3]</td></tr>
<tr><td>Yahoo! Premium DSP</td><td>Banner</td><td>Per-impression page view rate (Performance-based[1])</td><td rowspan="2">Major corporations</td></tr>
<tr><td colspan="2">Premium Advertising</td><td>Rich ad (Including video)
Banner</td><td>Per-impression page view rate (Guarantee-based[2])</td></tr>
</table>

1. Advertising that is programmatically or manually managed on a real-time basis to optimize advertising effects
2. Advertising for which specific placement is reserved in advance
3. Including placement of in-feed advertising on timeline-view pages

The Yahoo Japan Group's advertising product lineup is broadly organized into two categories: paid search advertising and display advertising.

Sponsored Search®, our paid search product, is distributed to search results pages according to matching algorithms based on search queries, with advertiser fees calculated on a per-click basis. Fiscal 2014 Sponsored Search® revenue increased 0.8% year on year, to ¥152.1 billion, accounting for approximately 61% of total advertising-related revenue. Total search volume increased year on year, as an increase in smartphone-based search queries more than offset a decline in PC-based searches. Smartphone-based paid search advertising, however, generates lower revenue per search than its PC-based equivalent owing to the highly specific, personalized nature of smartphone-based search queries, which tend to yield search results pages with no advertising. When advertising links do appear, they are fewer in number owing to the limited display capacity of smaller screens, with the result that click-through rates tend to be mediocre.

As PC-based Internet usage continues to decline, paid search advertising revenue growth is likely to remain mostly sluggish for some time. Intent on spurring new demand for this core revenue-generating product moving forward, we will continue to refine the geo-targeting functionality of smartphone-based paid search advertising with an eye to attracting a growing number of advertisers in outlying regions of Japan.

Display advertising comprises two product types: (1) YDN and others, which primarily includes Yahoo! Display Ad Network (YDN) behavior-targeted advertising and Yahoo! Premium DSP services; and (2) Premium Advertising impression-guaranteed advertising. Fiscal 2014 revenue from display advertising, including both YDN and others and Premium Advertising, increased 19.6% year on year, to ¥97.7 billion, accounting for approximately 39% of total advertising-related revenue.

YDN behavior-targeted advertising is distributed to interior pages of such Yahoo! JAPAN services as Yahoo! News and YAHUOKU!, the top page of the Yahoo! JAPAN smartphone version, and Web sites of third-party partner publishers based on an analysis of user behavior derived from user-specific browsing histories and other data. With advanced distribution functions such as attribute targeting and re-targeting, YDN provides finely calibrated user-specific advertising placement. Yahoo! Premium DSP, fully launched in January 2014, is the only DSP enabled to place advertising on Yahoo! JAPAN. Using Yahoo! Premium DSP, advertisers can reach a wide cross-section of Yahoo! JAPAN's user base, far and away the largest of any portal site in Japan. A high-end service that leverages a trove of big data accumulated by Yahoo! JAPAN services and individual advertisers, Yahoo! Premium DSP can reach not only an existing customer base but also potential new customers in real time. In fiscal 2014, revenue from YDN advertising and others, including Yahoo! Premium DSP, increased 65.8% year on year, to ¥57.5 billion. This notably strong performance mainly reflects the full launch in January 2014 of Yahoo! Premium DSP as well as continuous improvements to YDN targeting functions.

Recording increasingly significant revenue growth, YDN has effectively replaced paid search advertising as a main driver of growth in advertising-related revenue. Looking ahead to fiscal 2015, we anticipate a continuation of high revenue growth from YDN advertising, including Yahoo! Premium DSP.

Prominently displayed for visual impact on the Yahoo! JAPAN top page and on the top and interior pages of our various service sites, Premium Advertising is used primarily for corporate image enhancement and product branding. Premium Advertising products include Brand Panel advertising displayed on the Yahoo! JAPAN top page, Prime Display advertising displayed on interior pages of both Yahoo! JAPAN service sites and partner Web sites, and video advertising. In fiscal 2014, Premium Advertising revenue decreased 14.4% year on year, to ¥40.2 billion, reflecting lower PC-based Internet usage and the limited appeal of smartphone-based Premium Advertising due to the device’s intrinsic screen-size constraints. More positively, advertiser demand remains high for appealing advertising with greater reach. Video advertising, while not yet a significant revenue generator, is a potential source of future Premium Advertising revenue growth.

The online advertising-related business environment is undergoing fundamental changes, as more users access the Internet via mobile smart devices rather than via PCs, and as evolving technologies support an increasingly diverse advertising product lineup. In this challenging environment, the Yahoo Japan Group is intent on developing advertising products that meet the ever-changing demands of the market. One promising approach entails leveraging our accumulated trove of big data with the aim of developing a user-specific data-driven system for distributing advertising to the targeted user segments and in a timely manner. In the area of data-oriented marketing, we developed Yahoo! DMP, a private data management platform (DMP) that effectively combines and manages both big data held by the Yahoo Japan Group and data owned by individual advertisers. In September 2014, we made Synergy Marketing, Inc., a Japanese company with significant customer relationship management (CRM) expertise, into a consolidated subsidiary. By mining multiple sources of big data, we are focused on helping our advertisers improve the efficiency and effectiveness of their marketing activities.

We are also focusing on developing video and interactive advertising with high-impact branding capabilities and extraordinary user appeal. Prime Window, developed by consolidated subsidiary Rich Lab Co., Ltd., established in September 2014, is one example. Prime Window produces full-screen displays when advertising is clicked, making effective use of smartphone scrolling functions.

New high-impact branding product Prime Window produces full-screen displays when advertising is clicked.

Regarding specific initiatives for mobile smart devices, we introduced a scrolling timeline design on the top page of the Yahoo! JAPAN smartphone version in May 2015. This new design facilitates the distribution of personalized contents that reflect user-specific page views and browsing histories, in addition to new in-feed type advertising such as YDN as well as advertising products that encourage application installations. As a result of providing each user with optimal contents and advertising distribution, we expect to see increases in Yahoo! JAPAN access frequency and usage times, as well as expanding usage scenes, all of which ultimately translate into higher advertising revenue. In other initiatives, the Yahoo Japan Group is developing video advertising for mobile smart devices. Video advertising includes in-stream advertising appearing on GYAO! and other services as well as in-scroll advertising appearing on Yahoo! JAPAN content services that automatically plays when the video advertising display space occupies more than one-half of the entire screen. These and other initiatives are expected to generate higher advertising-related revenue in line with expanding usage of mobile smart devices going forward.

Timeline-view page
featuring in-feed advertising

Fiscal 2014 revenue from business services increased 9.9% year on year, to ¥42.7 billion. Business services in the Marketing Solutions Business segment include data center related corporate services and information listing services such as Yahoo! Real Estate. Among our consolidated subsidiaries, IDC Frontier Inc.'s data center business, ValueCommerce Co., Ltd.'s advertising affiliate marketing service, and Synergy Marketing's CRM-based cloud computing business made solid contributions to revenue growth during the year.

Personal services revenue in fiscal 2014 rose 1.2% year on year, to ¥15.1 billion. Personal services in the Marketing Solutions Business segment mainly comprise games, paid digital content services, and Yahoo! Partner. Consolidated subsidiary GYAO Corporation improved its revenue contribution by focusing on brand upgrading and marketing.

Consumer Business

The Consumer Business segment primarily includes e-commerce related services (YAHUOKU!, Yahoo! Shopping, and others) and membership services (Yahoo! Premium, Yahoo! BB, and others).

Share of Revenue

23%

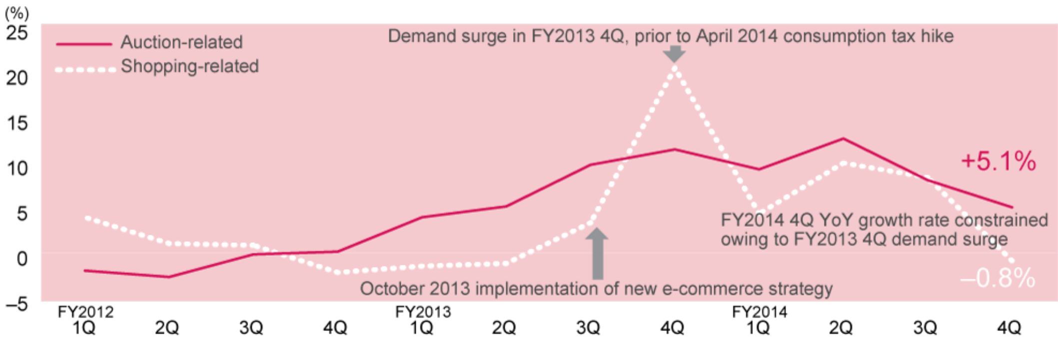
Share of Operating Income

25%

Revenue for the Consumer Business segment, which includes shopping- and auction-related services as well as membership services, decreased 2.7% year on year, to ¥102.0 billion. Operating income fell 8.0%, to ¥58.6 billion. The segment's share of consolidated revenue was approximately 23% on an unadjusted basis.

Beginning in October 2013, we implemented a new e-commerce strategy with the initial goal of becoming No. 1 in total transaction value in the Japanese e-commerce market. As a result of this major strategic reorientation, Yahoo! JAPAN's total e-commerce related transaction value in fiscal 2014 increased 7.6% year on year, to ¥1,190.8 billion.

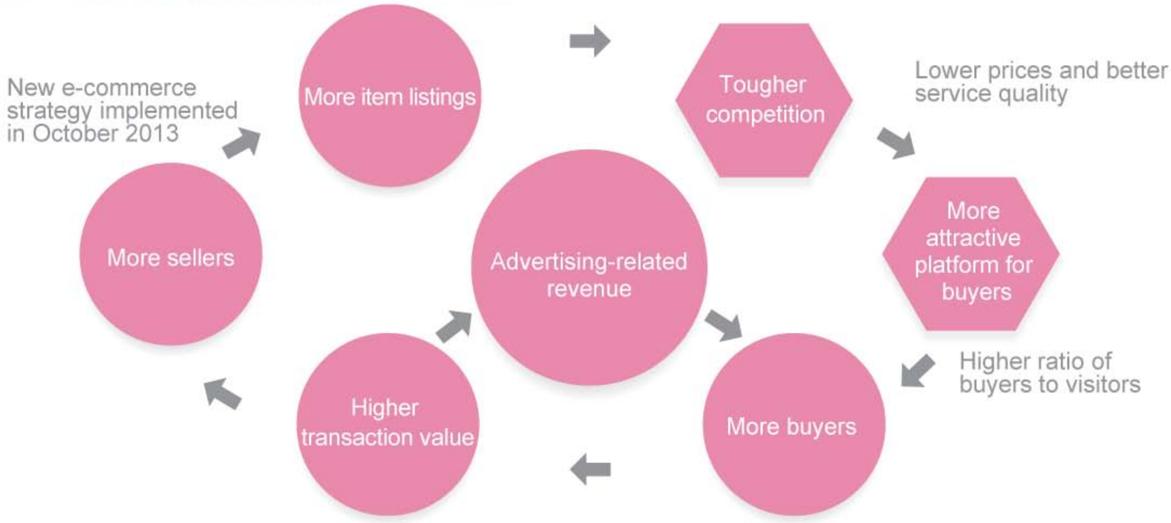
Yahoo! JAPAN's Total e-Commerce Related Transaction Value, Quarterly YoY Growth Rate



Shopping-related transaction value in fiscal 2014 rose 5.4% year on year, to ¥372.7 billion.

Despite the impact of the national consumption tax hike in Japan in April 2014, e-commerce related transaction value has steadily increased since the start of our new e-commerce strategy in October 2013. In line with our new strategy, Yahoo! Shopping has shifted away from a business model based primarily on earnings from monthly store tenant fees and transaction-based system-use fees. Looking ahead, our strategy envisions Yahoo! Shopping as an expanding media platform capable of generating steady growth in advertising-related revenue. By waiving store tenant fees and system-use fees, we set in motion a three-phase growth strategy: (1) boost the number of sellers, or stores, and increase the number of item listings; (2) boost the number of buyers and raise transaction value; and (3) monetize advertising. By implementing this new strategy, we managed to boost the number of sellers by approximately 3.6 times during the year under review, with store IDs totaling approximately 280 thousand (based on issued accounts for both businesses and individuals, including pre-opened stores in the process of listing) as of March 31, 2015. Furthermore, the number of item listings on Yahoo! Shopping as of March 31, 2015, increased 68% from the previous year-end, to more than 160 million. Higher numbers of sellers and item listings appear to have boosted competition, resulting in lower prices, improved delivery services, and greater point rewards. Moreover, the enhanced appeal of our shopping services has led to a double-digit year-on-year rise, on an average annual basis, in the buyer rate (ratio of actual buyers to total Yahoo! Shopping visitors). Phase 1 of our new e-commerce strategy, focusing on numbers of sellers and item listings, has been an unqualified success.

Yahoo! Shopping
New e-Commerce Strategy: Boosting Buyer Numbers



Moving on to Phase 2 of our new strategy with the goal of boosting buyer numbers, in March 2015 we kicked off a promotional campaign in which Yahoo! Premium members were given bonus reward points for purchases made on Yahoo! Shopping. This campaign was a success, boosting the value of monthly purchases among target users by around 20% month on month. Then in May 2015 we launched a subsequent campaign in which members were again given bonus reward points, this time for purchases made via new Yahoo! Shopping apps for smartphones.

Looking forward, we intend to implement additional buyer-focused initiatives with the goal of raising shopping-related transaction value, and then proceed with carrying out our plan to monetize the Yahoo! Shopping site with advertising.

Our new e-commerce strategy for Yahoo! Shopping is proceeding according to plan. By boosting seller numbers, we have set in motion a virtuous circle leading to our goal of steadily increasing advertising-related revenue.

Transaction value in our YAHUOKU! auction business in fiscal 2014 was up 8.6% year on year, to a record-high ¥818.1 billion.

Maintaining YAHUOKU!'s fee-based revenue structure, our new e-commerce strategy has focused on boosting the number of buyers and expanding transaction value with the goal of achieving growth in transaction-based system-use fees. At the same time, we have worked to expand the auction seller base in an effort to secure revenue growth from Yahoo! Premium membership fees. Starting out by boosting buyer numbers, this strategy has set in motion a virtuous circle leading to our goal of fee-based revenue growth.

As a key element of our new YAHUOKU! strategy intended to boost buyer numbers, we waived the requirement that YAHUOKU! participants placing bids in excess of ¥5,000 be fee-paying Yahoo! Premium members. As a result, the number of YAHUOKU! participants has increased, supporting fiscal 2014 year-on-year gains in overall bidders, winning bidders, and average winning-bid prices. Moreover, by eliminating monthly store tenant fees and auction listing fees we have enhanced YAHUOKU!'s appeal to sellers. The result is year-on-year growth in fiscal 2014 in both store numbers and regularly listed items, which stood at approximately 20 thousand and 38 million, respectively, as of March 31, 2015.

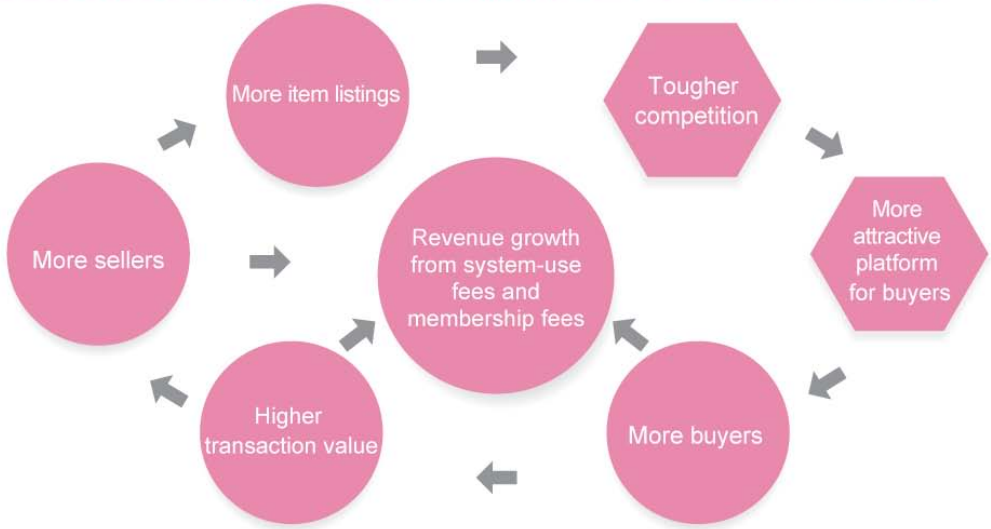
While YAHUOKU! boasts an overwhelmingly dominant share of the domestic online auction market, further growth in our auction business can be achieved only by expanding the entire domestic online auction market. With this in mind, in April 2014 we concluded a business and capital alliance with BOOKOFF CORPORATION LIMITED, Japan's largest used-books retail chain. As part of this alliance, we are offering on YAHUOKU! a range of items from BOOKOFF's nationwide network of nearly 1,000 stores. In December 2014, we made Carview Corporation, operator of carview! and other automobile information Web sites, a subsidiary. With the used automobile market in Japan worth an estimated ¥2.5 trillion annually, this is an area of significant potential future interest.

With the aim of further promoting business growth, YAHUOKU! is targeting potential new YAHUOKU! bidders by carrying out a traditional TV commercial campaign. And to offer smartphone users a more comprehensive, easier-to-use YAHUOKU! service, we upgraded our YAHUOKU! smartphone app in May 2015.

In our membership services business, Yahoo! Premium memberships exceeded 10 million for the first time, increasing some 900 thousand year on year, to 10.77 million as of March 31, 2015. This growth is largely attributable to an ongoing initiative to acquire new members at SoftBank Mobile and Y! Mobile retail stores. Fee-paying Yahoo! Premium members are loyal Yahoo! JAPAN customers. Accordingly, we offer several membership perks, including listing on YAHUOKU! and Yahoo! Shopping, free viewing of selected GYAO! paid video content, and bonus T-Point rewards. Looking ahead, we aim to achieve continuous growth in the number of Yahoo! Premium members by further enhancing membership perks and creating synergies with an expanding number of Yahoo! JAPAN services.

YAHUOKU! (Auction)

Increasing Transaction Value and Expanding Revenue from System-use Fees and Membership Fees



Other Business

The Other Business segment encompasses financial and payment-related services as well as other services not included in either of the other two business segments.

Share of Revenue

8%

Share of Operating Income

5%

Encompassing financial and payment-related services as well as other services not included in either of the other two business segments, the Other Business segment also includes the operations of consolidated subsidiaries YJFX, Inc., and YJ Card Corporation. Other Business segment revenue increased 13.4% year on year, to ¥32.3 billion, and operating income rose 2.8%, to ¥11.6 billion. The segment's share of consolidated revenue was approximately 8% on an unadjusted basis.

During the year under review, we undertook new initiatives in financial and payment-related services, the Yahoo Japan Group's third business pillar after advertising and e-commerce. In April 2014, we raised our stake in The Japan Net Bank, Limited, with the intention of making a full-fledged entry into banking operations. In January 2015, we acquired YJ Card Corporation (formerly KC Co., Ltd.) and entered the credit card business. In addition, in April 2015 we commenced aggressive marketing efforts jointly with YJ Card Corporation with the aim of attaining a total of 1.4 to 1.6 million cardholders. We consider this fiscal 2015 marketing effort to be a forward-looking investment in future growth. Moreover, by offering attractive incentives to cardholders, including generous point rewards, we expect to see increased usage of other Yahoo! JAPAN services. Our financial and payment-related services are positioned to exploit revenue-generating opportunities afforded by our e-commerce related business, with its annual transaction value of nearly ¥1.2 trillion. We also expect to leverage synergies with our advertising-related business mainly via targeted advertising distribution based on user-specific payment-related behavior, both online and offline.

In addition, we will continue to offer Yahoo! Wallet, our online payment system. By obviating the need to transmit sensitive user data such as credit card numbers each time an online purchase is made, Yahoo! Wallet simplifies e-commerce transactions on Yahoo! Shopping and YAHUOKU!, for example, in addition to facilitating purchases of paid digital content. As of March 31, 2015, the number of registered Yahoo! Wallet IDs exceeded 30 million.

Yahoo! JAPAN Card

Corporate Social Responsibility

The world today is awash with problems that, if left unaddressed, are likely to have dire social consequences in coming years. Yahoo Japan Corporation (the Company) and its consolidated subsidiaries and affiliates (the Yahoo Japan Group) are using the power of information technology as an engine for generating solutions to the most pressing social issues of our time. In so doing, we remain true to our mission of helping to create a better society for future generations. Well established in the IT field and responsible for ensuring a user-friendly Internet environment, the Yahoo Japan Group works tirelessly to safeguard users' personal information and to maintain online security. Moving forward, we will continue to heed the voices of individuals and echo the expectations of society as we develop solutions-oriented services and engage in activities promoting a better society.

Internal Control

- Of the three members making up the Audit and Supervisory Committee, two are appointed from outside the Company to ensure independent perspectives and to enhance transparent and fair decision-making.
- To strengthen competitiveness, the Company has adopted a corporate governance structure that clearly separates management decision-making and monitoring functions from business execution functions.
- The Audit and Supervisory Committee conducts audits to assess not only the appropriateness of all management activities, including policy, planning, and procedures, but also the effectiveness as well as legal and regulatory compliance of all business operations. In addition, the Committee reviews important documentation and conducts surveys of Yahoo Japan Group companies.
- Reporting directly to the president, the Internal Audit Office takes the lead in ensuring that comprehensive internal audit systems are established throughout the Yahoo Japan Group and in verifying that the operations of these systems are conducted in an appropriate manner. In addition to promoting the documentation of internal controls, the Internal Audit Office provides instruction with respect to Groupwide evaluations and improvements concerning the appropriateness and efficiency of business execution.
- In the event that serious issues necessitating broad-based deliberation arise relating to the start of a new service or other aspect of business management, when deemed necessary the Company convenes an Advisory Board composed of outside experts. In this way, the Company incorporates a range of external views and opinions into important management decisions.

For Shareholders and Other Stakeholders

- Keenly focused on providing accurate and timely information disclosure, we post all legally required disclosure materials on the Company Information section of our Investor Relations Web page. On the same page we also post supplementary materials from our quarterly information meetings, including graphs of financial data and live broadcasts of information meetings providing detailed explanations of our financial performance and business operations. Afterwards, recordings of live broadcasts are also made available for on-demand viewing. In addition, we hold one-on-one or small-group meetings with analysts in Japan and from abroad to explain the Company's growth strategies and other aspects of our business.
- The annual general meeting of shareholders typically includes a video presentation on the state of Company operations followed by prepared remarks by the president on the Company's growth strategies and activities related to corporate social responsibility.
- In addition, we regularly hold information meetings for potential individual investors.

Internet Safety and Security

Information Security

- The Yahoo Japan Group has implemented measures to ensure that users' personal information and other confidential information entrusted to the Group is not leaked by either executives or employees.
- Providing services around the clock, we have instituted measures to fully ensure that information and contents received from users is not falsified or otherwise altered.
- Appointed by the president, the Chief Information Security Officer (CISO) has broad-ranging authority and is responsible for maintaining information security throughout the Yahoo Japan Group. Centered on the CISO, our information security system provides comprehensive guidelines and oversight mechanisms for ensuring a high

level of information security.

- We have implemented a highly effective combination of systematic measures that restrict access to confidential user information to authorized supervisors only, as well as physical barriers to prohibit access to unsecured areas.
- The Yahoo Japan Group has adopted a “deep defense” policy based on multiple barriers designed to thwart external cyber attacks.
- Having established a set of rules and regulations relating to information security, the Yahoo Japan Group continuously works to enhance information security awareness among executives and employees. To ensure thorough compliance with the Group’s information security rules, executives and employees are required to take training courses, followed by self-administered online reviews on a quarterly basis.
- The Company and its principal subsidiaries initially acquired Information Security Management System (ISMS) certification in August 2004. Currently, the Company and its principal subsidiaries hold ISO/IEC 27001:2013 certification, the international standard, and JIS Q27001:2014 certification, the Japanese standard.
- In November 2007, the Yahoo Japan Group introduced iTres, a proprietary monitoring system for detecting information leaks in the Group’s databases, and subsequently acquired ISO 15408 certification.
- In November 2008, the Yahoo Japan Group obtained Payment Card Industry Data Security Standard (PCI DSS) certification for its Yahoo! Wallet credit card online payment service. PCI DSS is the international standard for payment processing, including the handling and storage of credit cardholder and transaction information.

Sound Internet Society

- As the operator of Japan’s largest portal site, the Company actively participates in Internet-related public forums, providing information about specific incidents and general issues of concern with regard to Internet usage, as appropriate.
- The Company collaboratively exchanges information with law enforcement agencies in an effort to reduce fraudulent usage of Internet services and to mitigate the damaging effects of such usage. We also cooperate in criminal investigations by, for example, assisting in the identification of criminal suspects.
- The Safer Internet Association, established by the Company, operates the Safe Line service utilized by Internet users in Japan to report problematic Internet-based information. After receiving reports from users, data managers either delete the information in question or retain it as supporting evidence for use in police reports.
- Postings that contain sexually explicit content, allude to or encourage suicide, or display cruel and inhumane images are strictly prohibited under our Terms of Service. To shield young people from such postings, we have implemented effective countermeasures on all Yahoo! JAPAN services.
- We monitor all advertising placed on Yahoo! JAPAN to ensure compliance with our high standards for content and presentation format.
- Our Yahoo! Kids site provides a safe and fun Internet environment specifically for children.
- Yahoo! Safety Net is a free filtering service for smartphones and tablets that prevents children from viewing Web sites intended for mature users.

User Support

- Dedicated to maintaining high-quality, easy-to-use services, the Company has established internal departments to verify that services are fully operational, ensure the accuracy of listed information, and check product quality.
- In our Yahoo! Shopping service we have eliminated monthly store tenant fees and transaction-based system-use fees, and we have also eliminated monthly store tenant fees in our YAHUOKU! service, Japan’s largest online auction site. To ensure user safety in our Yahoo! Shopping, YAHUOKU!, and other e-commerce services, we pre-screen stores and continuously monitor for unauthorized item listings, in addition to strengthening various security measures.
- With the aim of continuously improving the quality of all Yahoo! JAPAN services, we strive to quickly identify new user needs and update our services accordingly. To this end, the customer-contact center business operations of subsidiary Yahoo Japan Customer Relations Corporation were transferred to the Company’s head office in August 2014. Working closely with our customer-contact center operations, we are able to more quickly update our services to reflect constantly evolving user needs.
- We also provide high-quality customer support via our online real-time chat services.

Service Safety

- We help to prevent unauthorized usage of IDs by providing a range of advanced security settings, including a log-in alert, a log-in seal, One Time Password, and Secret ID.
- Yahoo! Mail offers users myriad benefits, including a function that automatically sorts out unsolicited spam e-mails and another that rejects spoof e-mails.

- Our Yahoo! Browser is also available as an app with enhanced security for Android devices that alerts users when they unknowingly access an impostor Web site.
- In addition to strengthening our YAHUOKU! management and monitoring systems, we offer extensive safety-related information and advice to YAHUOKU! users, including guidelines and specific techniques for guarding against fraud and other impropriety. At the same time, we maintain a compensation system for innocent victims of auction-related fraud.

Disaster Preparedness and Reconstruction Assistance

- In line with our emergency business contingency plan, we are enhancing and expanding systems and facilities with the goal of maintaining service provision and appropriate information transmission to users during emergencies. For example, to ensure our ability to provide users with an uninterrupted flow of vital emergency-related information in the case of a major earthquake or other natural disaster affecting Tokyo, in April 2014 we established an emergency data center in Kita-Kyushu City, Fukuoka Prefecture, where the probability of a natural disaster is low.
- In the case of an earthquake or other natural disaster, users can quickly obtain up-to-date disaster-related information via a disaster information display function provided on each Yahoo! JAPAN service and accessible by most Internet-enabled devices, including smartphones. Yahoo! Disaster Prevention Reports is a push notification service that provides information on earthquakes, tsunamis, and torrential rainstorms for up to three geographical locations in addition to the user’s location.
- We have entered into disaster-prevention agreements with local governments stipulating that local residents receive timely and detailed disaster-related information via Yahoo! JAPAN.
- Using the power of the Internet to bring people together, we continue to address the many challenges still facing the disaster-stricken Tohoku region in the wake of the Great East Japan Earthquake of March 11, 2011. Our online Reconstruction Department Store is harnessing the growing power of e-commerce to the revitalization of the Tohoku region’s agricultural, fisheries, and other industries. And we sponsor the annual Tour de Tohoku bicycling event, which attracts crowds and commercial activity to the Tohoku region.

Contributing to Society through Our Business

- Our Yahoo! Net Donation service has enabled users to donate more than ¥2 billion to various nonprofit organizations (NPOs) and charitable organizations.
- Our Yahoo! Volunteer service provides information about NPOs and volunteer organizations to assist persons wishing to participate in volunteer activities.
- We have conducted online charity auctions hosted on YAHUOKU! since 1999. In fiscal 2014, such auctions raised more than ¥100 million.
- Online public auctions, including public property auctions, hosted on YAHUOKU! help to reduce tax payment delinquency and significantly increase tax revenues.
- Since 2005, we have disclosed specifications of Yahoo! JAPAN’s various technology platforms to external Internet-related engineers free of charge to encourage widespread development of services and software utilizing Yahoo! JAPAN’s database.
- To support the activities of NPOs working to advance the common good, we launched our Links for Good initiative, which allows NPOs to use our Yahoo! Display Ad Network (YDN) service free of charge. By listing notices on special advertising spaces on the Yahoo! JAPAN site, NPOs are now able to effectively disseminate information about volunteer activities and charity events.
- In line with our general goal of further promoting the sound and robust development of the Internet market, we established Yahoo! JAPAN Research in April 2007 to study the relationship between the Internet and society, particularly the potential impact of technological advances on the Internet’s development. We conduct research from the two perspectives of user needs and technological seeds. User needs research, which focuses on issues facing Internet users, can be carried out in tandem with our provision of Yahoo! JAPAN services.
- We periodically disclose the Yahoo! JAPAN Big Data Report, a Company initiative that aims to solve global problems by using analyses of big data.
- Selected Company personnel periodically make general presentations at elementary, junior high, and high schools about the Internet and its usage, offering a valuable learning opportunity on proper information usage via the Internet.
- Selected personnel from our Yahoo! Kids and Yahoo! Safety Net services visit schools and hold workshops for children and their legal guardians.

- In April 2008, jointly with NetSTAR Inc. we inaugurated the Study Group on Internet Usage by Children, which in collaboration with educational institutions, independent researchers, and representatives of parents and other legal guardians conducts in-depth research on the impact of the Internet on children.
- On Hack Day, the Company's developer event, employees are encouraged to freely express their creativity.
- As of March 31, 2015, we have hosted company tours for 247 elementary, junior high, and senior high schools nationwide as part of our career education initiative.

Environmental Initiatives

- Waste generated in our offices is separated into 14 different categories. For documents containing sensitive information, we use a dedicated environment-friendly recycling system that not only safeguards information confidentiality but also helps protect forests. In fiscal 2014 this system produced an amount of recycled paper equivalent to 496 trees, and in calendar 2014 contributed to a reduction in greenhouse gas emissions of approximately 52.2 metric tons.
- We promote paperless business operations in our offices through Internet-based internal communications and the use of projectors at meetings.
- At Yahoo Japan Group company IDC Frontier Inc. (IDCF), Buildings No. 1 to No. 5 of Asian Frontier, an environment-friendly next-generation data center complex located in Kita-Kyushu City, Fukuoka Prefecture, were operational as of May 2014. Leveraging its expertise in external-air air-conditioning systems accumulated during the construction and operation of Asian Frontier, IDCF installed an improved system in its data center in Shirakawa City, Fukushima Prefecture, in 2012, thereby achieving more than a 90% reduction in electricity consumption.
- Our Reuse! Japan Project, hosted on YAHUOKU!, aims to promote a recycling-oriented society that fosters sustainable lifestyles.

With Our Employees

- We strive to create a workplace environment in which each employee feels empowered not only to play a leading role in any number of problem-solving quests but also to realize his or her full potential in line with our professional-development philosophy of honing skills and stoking passions. We have implemented a system whereby employees who fulfill certain conditions can, once every six months, request a change of position and career path within the Company. In encouraging employees to take the initiative in targeting new opportunities and challenges, we foster a more dynamic, highly productive workplace environment.
- We have formulated a set of Yahoo! Values intended to inspire and guide the day-to-day professional behavior of all Yahoo Japan Group employees. To determine basic salary levels, we carry out a semiannual Value Assessment that measures the extent to which each employee's work ethic embodies and embraces our Yahoo! Values. Employee bonuses, meanwhile, are based on the results of a semiannual Profit Assessment that evaluates each employee's success in achieving specific, self-defined professional goals.
- At regularly scheduled events designed to foster dialog between management and employees, members of the management team are able to directly express their ideas and views and solicit the same from employees, creating opportunities for employees and management to reach a common ground of understanding.
- We recognize employees who make outstanding contributions to enhancing customer satisfaction, for example, with the presentation of a Yahoo! JAPAN Super Star citation. Moreover, employees who perform outstandingly in positions requiring a high level of specialized expertise in designated technological fields are presented with a Black Belt citation.
- The number of Company female managers as of March 31, 2015, was 176, up sharply from 74 as of March 31, 2012. To expand opportunities for all Company employees to advance their careers, we offer various career training courses and invite outside experts to give lectures and workshops.
- We convene discussion meetings twice a year for employees newly returning to work after maternity or child-care leave. Employees currently on child-care leave and their children are also invited to participate in these discussion meetings.
- As a fair employer, we make hiring decisions based on each applicant's talent and motivation regardless of physical disability.
- The Company's maternity and child-care leave system exceeds legally mandated requirements in terms of leave days allotted to employees after the birth of a child or when caring for a sick or injured child as well as work-time reductions granted to employees with child-care obligations. This system is increasingly popular with both the fathers and the mothers in the Company.
- We have introduced an Office Anywhere system that allows employees to work at home or any other location,

liberating them from mandatory attendance at the office.

- The Company’s innovative paid-holiday and leave-of-absence systems include our Academic Leave system, which relieves eligible employees of their regular duties in order to undertake up to two years of advanced study of subjects, including foreign languages, of personal interest. Our Sabbatical system, meanwhile, allows employees to take up to three months of time off in order to reassess work experiences and chart future careers. And our Problem-Solving Break system affords employees an annual three-day opportunity to engage in various volunteer activities.
- We periodically update our emergency response contingency plans, which include provisions for establishing health and safety committees as well as carrying out workplace-focused activities such as installing automated external defibrillator (AED) units, conducting disaster-response drills, and providing online disaster-preparedness courses.
- Initially established to serve as an internal communications tool for employees, our Company intranet is now used primarily to disseminate announcements from top management and other breaking in-house news. In addition, we have installed our internal chat tool, Modern Yahoo Messenger, to maintain an environment in which managers and employees in different divisions can freely communicate with each other.
- Our annual Yahoo Family Day event offers families of employees a chance to visit our head office and learn about the Company’s day-to-day operations.
- BASE6, the Company’s employee dining hall, and CAMP10 and CAMP15, our in-house cafeterias, are designed to promote direct communication among employees.

Corporate Governance

Yahoo Japan Corporation (the Company) considers good corporate governance to be essential to enhancing corporate value over the medium to long term. In clarifying the roles and responsibilities of directors, corporate officers, and employees within the corporate governance system, and by consistently raising general awareness of laws and regulations as well as of social and ethical norms, the Company aims to conduct appropriate and effective business operations. The ongoing implementation of measures to enhance corporate governance throughout the Company and its consolidated subsidiaries and affiliates (the Yahoo Japan Group) further strengthens the financial and ethical soundness of the entire Yahoo Japan Group's business operations.

1. Corporate Governance System

Japan's new corporate governance code, effective June 1, 2015, has established fundamental principles of corporate governance, including transparent, fair, timely, and decisive decision-making as well as proactive management.

Because timely and decisive decision-making is a governance principle also for companies in the Internet industry, the Company believes that the orientation of the new corporate governance code is in broad alignment with that of the Yahoo Japan Group. Accordingly, with respect for the intent of the new corporate governance code the Company converted to a company with an audit and supervisory committee as its corporate governance structure after approval by the general shareholders meeting on June 18, 2015.

In accordance with the new corporate governance code, the Company has appointed two outside directors in order to ensure independent perspectives and to enhance transparent and fair decision-making. At the same time, we have clearly separated the monitoring function of the Board of Directors from the business execution function of corporate officers, and given the Board of Directors a role as a discussion forum for the Company's medium- to long-term business direction. Moreover, by delegating broad authority to corporate officers we have reinforced the Company's proactive management. The Board of Directors comprises nine members, three of whom are concurrently members of the Audit and Supervisory Committee.

Further details about the basic framework and current status of the Company's corporate governance system and internal control system under the new corporate governance code are not provided in this annual report, as the process of corporate governance system conversion is still under way.

2. Measures Concerning Shareholders and Other Stakeholders

1) Vitalizing shareholders meetings and facilitating shareholders' exercise of voting rights

The Company makes various efforts to vitalize shareholders meetings and to facilitate shareholders' exercise of voting rights. For example, Yahoo Japan Corporation has since its founding held its annual general meeting of shareholders on a day when other major companies are not holding meetings. In addition, we promptly post notices of our annual general meeting of shareholders on the Company's Investor Relations Web page in both Japanese and English before mailing out notices to all shareholders. Appealingly designed and printed in full color, the notices in addition contain supplementary nonfinancial information to broaden shareholders' knowledge of our business operations. Moreover, to ensure that a maximum number of shareholders are able to exercise their voting rights, we permit individual investors to vote online and also offer a dedicated Internet voting platform for institutional investors.

2) Investor relations activities

The Company's investor relations (IR) activities aim to provide timely, accurate, and fair information disclosure in accordance with rules prescribed by the Financial Instruments and Exchange Law and the Tokyo Stock Exchange, Inc. The Company's Chief Financial Officer (CFO) is in charge of information disclosure, and the Investor Relations Division is in charge of IR activities.

For individual investors, we provide updates on the Company's business status at general meetings of shareholders. Using various visual presentation tools, we explain medium- to long-term strategies and provide updates on the Company's business status, financial results, and other relevant information in order to deepen investors' understanding of the Company. Furthermore, for individual investors unable to attend general meetings of shareholders we provide live broadcasts and on-demand video services for viewing at a later date. In addition, we strive to deepen investors' understanding of the Company by holding individual investor briefings and by posting Quarterly Earnings Reports on the Investor Relations Web page.

For analysts and institutional investors, we provide detailed explanations of the Company's financial results and business status at quarterly results briefings. We also provide a publicly accessible live-streaming service of these briefings. Moreover, in order to promote greater understanding of the Company among a growing number of people, we also carry out proactive disclosure activities, including the provision of on-demand video services later on the same day of the earnings announcement. At many of the approximately 500 separate meetings conducted each year with analysts and institutional investors either in person or by telephone conference, members of senior management, including the Company president, proactively discuss current growth strategies and business status updates.

For overseas institutional investors, we prepare English-language versions of nearly all disclosure materials, in addition to publishing an English-language annual report. We also directly interact with overseas investors during periodic overseas roadshows, mainly in North America, the United Kingdom, and Asia.

Since the Company's IPO in 1997, we have provided timely disclosure in the form of quarterly reports detailing the Company's financial and performance conditions. With regard to risk-related information, we have disclosed each matter considered to be a potential risk factor together with quarterly financial reports. A complete historical record of these disclosure materials is publicly accessible via the Investor Relations Web page.

3) Respecting stakeholders

The Company's code of conduct is clearly stated in its Business Practices Charter. By respectfully fulfilling its corporate social responsibility (CSR) to all stakeholders, the Company aims to enhance corporate value.

Based on this idea, the Company undertakes a wide range of social contribution activities in order to contribute to the sound development of the Japanese Internet. To document our specific efforts in this area, we periodically publish online CSR reports.

The Company's disclosure policy defines IR as "a strategic management responsibility of effective two-way communication between the Company and the market that is fair and appropriate and integrates finance, communications, and marketing, and compliance with every applicable law and regulation." The Company is committed to providing fair and in-depth disclosure.

3. Other Corporate Governance Matters

1) Anti-takeover measures

A small group of major shareholders account for a significant portion of the Company's ownership. Because the risk of a hostile takeover bid is considered to be low, the Company has not formulated takeover-related measures. Recognizing this matter as a potentially significant management issue, however, the Company intends to consider the necessity for and content of effective measures.

2) Independence from associated companies

Four of the Company's directors are from the parent company, SoftBank Corp. Although one of the roles of the Board of Directors is to oversee business execution with a view to further enhancing corporate value, with respect to determining important matters and business execution the Company acts independently based on specific determinations made by corporate officers and the business heads of each of the autonomous business groups within the Company. The Company is not overly dependent on either the parent company or any of the other associated companies with respect to sales and marketing transactions. The vast majority of the Company's business transactions are conducted with individual consumers and companies having no capital-based relationship with the Company. Moreover, the Company's Associated Companies Management Regulations prohibit transactions with the parent company and/or other associated companies that give rise to either an unfair advantage or disadvantage with respect to similar transactions with other third parties, as well as transactions that seek to transfer profits, losses, or risk. Based on these and other initiatives, the Company maintains ample business and operational independence from associated companies.

4. Director Compensation

According to Company policy, director compensation is based on a formal assessment, carried out in accordance with contribution assessment rules, of each director's contribution to the Company's performance for the period, together with the basic salary corresponding to each director's position. The assessment is carried out by the representative director under discretionary authority approved by a resolution of the Board of Directors.

5. Number of Directors

The Company's articles of incorporation stipulate that there be no more than nine directors.

6. Requirements for Resolutions for the Appointment of Directors

The Company stipulates in its articles of incorporation that resolutions for the appointment of directors require the attendance of shareholders holding at least one-third of the voting rights of shareholders who are entitled to vote at the general meeting of shareholders, and that the director be appointed by a resolution of a majority of those voting rights, and not the cumulative number of votes.

7. Decision-making Body for Dividends of Surplus

In order to flexibly pay dividends of surplus, at the general meeting of shareholders held on June 21, 2007, the Company changed its articles of incorporation to enable it to pay dividends of surplus by Board of Directors resolutions, as stipulated in Article 459-1 of the Companies Act.

8. Decision-making Body for Purchase of Treasury Stock

In order to flexibly execute capital policies, the Company stipulates in its articles of incorporation that it may purchase treasury stock by a resolution of the Board of Directors based on Article 165-2 of the Companies Act. In addition, at the general meeting of shareholders held on June 21, 2007, the Company changed its articles of incorporation to enable Board of Directors resolutions concerning Article 459-1 of the Companies Act, thus making it possible to purchase treasury stock.

9. Requirements for Special Resolutions of the General Meeting of Shareholders

To ensure that the general meeting of shareholders runs smoothly, the Company stipulates in its articles of incorporation that special resolutions of the general meeting of shareholders pursuant to Article 309-2 of the Companies Act be passed by a majority of at least two-thirds of the voting rights of shareholders who hold at least one-third of the voting rights of shareholders who are entitled to vote and are present at the meeting.

10. Basic Stance against Antisocial Forces

The Company maintains a firmly resolute stance against any and all antisocial individuals or organizations jeopardizing the social order and security of society, and every effort is therefore made to refrain from business dealings with such individuals or organizations.

Based on this policy, in addition to isolation from antisocial forces stated in our Business Practices Charter we have instituted a compliance program that clearly establishes our refusal either to enter into any relations whatsoever with antisocial individuals or organizations or to facilitate in any way the activities of such individuals or organizations. In addition to preparing informational manuals addressing the issue and conducting educational and training activities, we have cooperated with such governmental agencies as the police and are currently a member of the Special Anti-Violence Countermeasures Federation of the Metropolitan Police Department. Furthermore, we have undertaken research into how best to deal with unreasonable demands of antisocial individuals or organizations, and strengthened our system as a precaution for dealing with this issue.

Financial Section

Key Financial Data

	Millions of Yen				Thousands of U.S. Dollars
	IFRS		JGAAP		IFRS
Years ended March 31	**2015**	2014	2014	2013	**2015**
Revenue	**¥428,488**	¥408,515	¥386,284	¥342,990	**$3,565,682**
Marketing Solutions Business	**304,293**	283,088	272,569	235,437	**2,532,188**
Consumer Business	**102,030**	104,838	101,803	101,043	**849,047**
Other Business	**32,342**	28,531	22,598	14,453	**269,135**
Reconciliation	**(10,177)**	(7,942)	(10,686)	(7,943)	**(84,688)**
Cost of sales	**85,502**	75,861	49,048	36,394	**711,509**
Marketing Solutions Business	**73,279**	64,757	52,537	40,081	**609,795**
Consumer Business	**2,863**	2,578	1,983	1,071	**23,824**
Other Business	**10,349**	9,485	3,219	1,880	**86,119**
Reconciliation	**(989)**	(959)	(8,691)	(6,638)	**(8,229)**
SG&A expenses	**145,774**	136,216	139,820	120,244	**1,213,065**
Marketing Solutions Business	**69,341**	66,041	73,073	66,022	**577,024**
Consumer Business	**40,567**	38,567	32,930	25,080	**337,580**
Other Business	**10,441**	7,813	11,257	8,729	**86,886**
Reconciliation	**25,425**	23,795	22,560	20,413	**211,575**
Operating income	**197,212**	196,438	197,416	186,352	**1,641,108**
Marketing Solutions Business	**161,673**	152,290	146,959	129,334	**1,345,369**
Consumer Business	**58,600**	63,693	66,890	74,892	**487,643**
Other Business	**11,552**	11,233	8,122	3,844	**96,130**
Reconciliation	**(34,613)**	(30,778)	(24,555)	(21,718)	**(288,034)**
Profit for the year attributable to owners of the parent (IFRS), Net income (JGAAP)	**133,052**	128,605	125,116	115,036	**1,107,198**
Earnings per share attributable to owners of the parent (IFRS), Net income per share (JGAAP) (Yen and U.S. dollars)	**23.37**	22.43	21.82	19.84	**0.19**
EBITDA	**211,153**	207,258	211,406	197,829	**1,757,119**
At fiscal year-end:					
Total assets	**1,007,603**	849,988	842,749	743,311	**8,384,813**
Total equity	**740,554**	627,719	626,561	551,264	**6,162,553**
Number of employees	**7,034**	6,291	6,291	5,780	
Dividends per share (Yen and U.S. dollars)	**8.86**	4.43	4.43	4.01	**0.07**
Cash flows	**21,600**	72,749	72,748	150,929	**179,745**
Cash flows from operating activities	**126,240**	132,793	132,829	139,396	**1,050,512**
Cash flows from investing activities	**(67,865)**	(7,275)	(7,311)	51,404	**(564,742)**
Cash flows from financing activities	**(37,167)**	(53,129)	(53,129)	(40,184)	**(309,287)**
Ratios:					
Operating margin (%)	**46.0**	48.1	51.1	54.3	
Ratio of profit for the year attributable to owners of the parent to revenue (IFRS), Ratio of net income to revenue (JGAAP) (%)	**31.1**	31.5	32.4	33.5	
ROA (%)	**22.4**	26.1	15.8	17.6	
ROE (%)	**19.8**	22.2	21.5	22.8	
Total equity / Total assets ratio (%)	**72.1**	72.9	73.3	73.1	

Notes:

・Yen amounts for the year ended March 31, 2015, have been translated into U.S. dollar amounts, solely for the convenience of readers, at the rate of ¥120.17 = U.S.$1, the effective rate of exchange at March 31, 2015.

・Per-share figures have been restated to reflect a hundred-for-one stock split made on October 1, 2013.

・The Company adopted International Financial Reporting Standards (IFRSs) from the fiscal year ended March 31, 2015. The date of transition to IFRSs was April 1, 2013.

Management's Discussion and Analysis

In fiscal 2014, the year ended March 31, 2015, Yahoo Japan Corporation (the Company) and its consolidated subsidiaries (the Group) achieved record-high revenue and profits for the 18th consecutive year since commencing operations. Although the introduction in fiscal 2013 of new e-commerce business strategies that included the elimination of monthly store tenant and other fees caused a decline in Consumer Business segment revenue, this was more than offset by robust advertising revenue growth primarily from Yahoo! Display Ad Network (YDN).

In display advertising, revenue from YDN and Yahoo! Premium DSP products rose about 66% compared with the previous year's result owing to such factors as improving matching accuracy and refining advertising placement. In paid search advertising, smartphone-based Sponsored Search® revenue expanded sharply, contributing to year-on-year revenue growth for fiscal 2014. Elsewhere, the consolidation of YJ Card Corporation and Synergy Marketing, Inc., during fiscal 2014 also contributed to revenue growth. Total e-commerce related transaction value, including the YAHUOKU! auction and Yahoo! Shopping businesses, was up on the year, reaching nearly ¥1.2 trillion. The number of Yahoo! Premium members also increased, reaching 10.77 million as of March 31, 2015, largely owing to an ongoing initiative to acquire new members at SoftBank Mobile and Y! Mobile retail stores.

Despite significant forward-looking investments in the shopping-related business and in system network and infrastructure, the aforementioned growth in revenue from core businesses supported year-on-year profit gains. Operating income, profit before tax, and profit for the year attributable to owners of the parent all recorded year-on-year increases.

RESULTS OF OPERATIONS

Revenue

Revenue for fiscal 2014 climbed ¥19,973 million, or 4.9%, to ¥428,488 million, largely owing to higher advertising revenue. By business segment, Marketing Solutions Business revenue improved 7.5%, to ¥304,293 million; Consumer Business revenue declined 2.7%, to ¥102,030 million; and Other Business revenue increased 13.4%, to ¥32,342 million. Reconciliation was ¥10,177 million.

Cost of Sales

Cost of sales for fiscal 2014 increased ¥9,641 million, or 12.7%, to ¥85,502 million, mainly owing to higher advertising sales.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses for fiscal 2014 grew ¥9,558 million, or 7.0%, to ¥145,774 million. The principal components of SG&A expenses were as follows:

Personnel expenses rose ¥2,931 million, or 6.4%, to ¥48,620 million. As of March 31, 2015, Group employees numbered 7,034, up 743, or 11.8%, from the figure one year earlier.

Business commissions climbed ¥1,403 million, or 8.4%, to ¥18,126 million, primarily as a result of higher maintenance and operations commission fees for the Group's services.

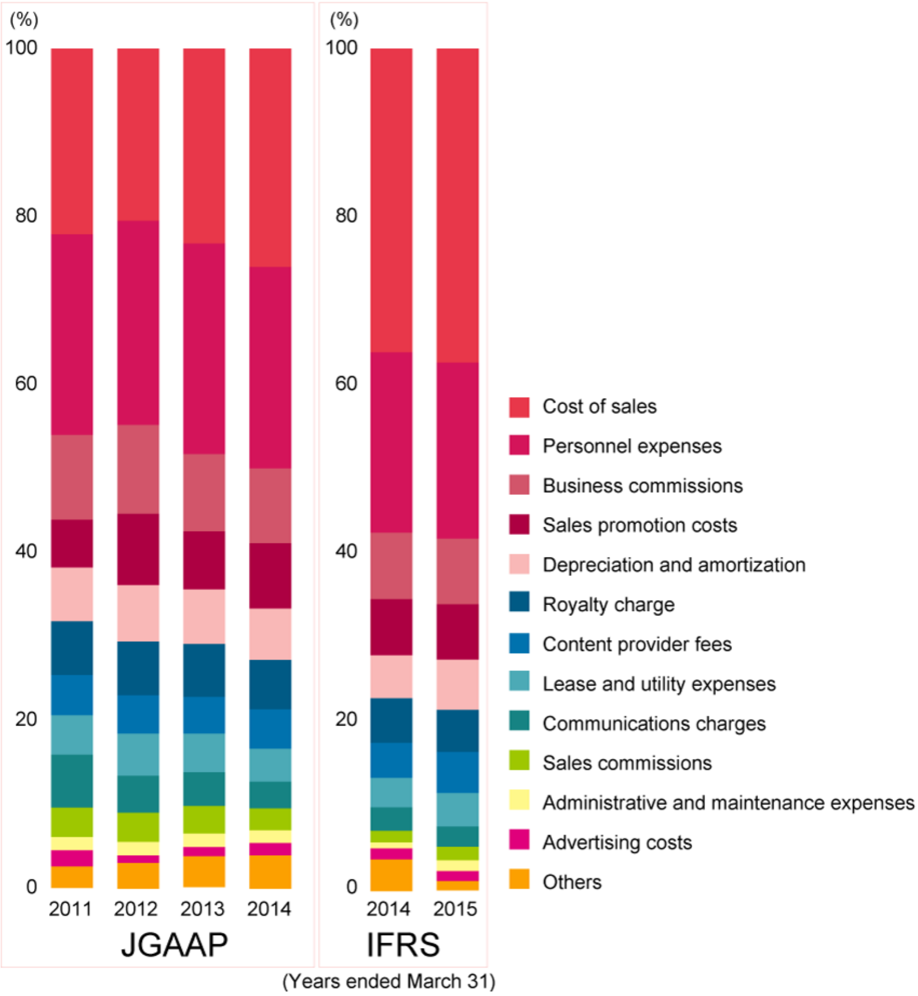
Sales promotion costs were up ¥1,152 million, or 8.2%, to ¥15,267 million, mainly owing to increased expenses related to e-commerce business promotion.

Depreciation and amortization grew ¥3,121 million, or 28.8%, to ¥13,941 million, largely reflecting higher tangible fixed assets from the acquisition of server- and network-related equipment.

Royalty charge rose ¥379 million, or 3.4%, to ¥11,606 million, owing mainly to higher revenue.

Significant other expenses included (1) content provider fees, which climbed ¥2,395 million, or 26.9%, to ¥11,313 million; and (2) lease and utility expenses, which increased ¥1,791 million, or 24.4%, to ¥9,139 million.

Cost of Sales and SG&A Expenses Breakdown



(Millions of yen)

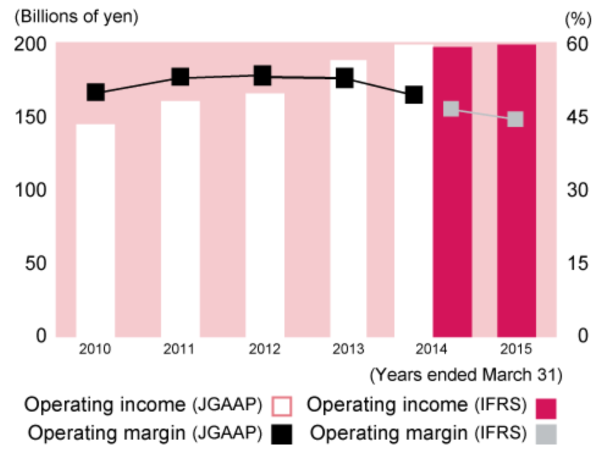
	JGAAP								IFRS			
Years ended March 31	2011		2012		2013		2014		2014		2015	
Cost of sales	29,294	(22.1%)	28,035	(20.5%)	36,394	(23.2%)	49,048	(26.0%)	75,861	(35.8%)	85,502	(37.0%)
Personnel expenses	31,809	(23.9%)	33,261	(24.3%)	39,257	(25.1%)	45,247	(24.0%)	45,689	(21.5%)	48,620	(21.0%)
Business commissions	13,440	(10.1%)	14,589	(10.6%)	14,349	(9.2%)	16,723	(8.9%)	16,723	(7.9%)	18,126	(7.8%)
Sales promotion costs	7,538	(5.7%)	11,634	(8.5%)	10,850	(6.9%)	14,686	(7.8%)	14,115	(6.7%)	15,267	(6.6%)
Depreciation and amortization	8,544	(6.4%)	9,207	(6.7%)	10,209	(6.5%)	11,492	(6.1%)	10,820	(5.1%)	13,941	(6.0%)
Royalty charge	8,461	(6.4%)	8,723	(6.4%)	9,946	(6.3%)	11,227	(5.9%)	11,227	(5.3%)	11,606	(5.0%)
Content provider fees	6,394	(4.8%)	6,328	(4.6%)	6,928	(4.4%)	8,918	(4.7%)	8,918	(4.2%)	11,313	(4.9%)
Lease and utility expenses	6,246	(4.7%)	6,826	(5.0%)	7,240	(4.6%)	7,348	(3.9%)	7,348	(3.5%)	9,139	(4.0%)
Communications charges	8,356	(6.3%)	5,999	(4.4%)	6,332	(4.0%)	5,986	(3.2%)	5,986	(2.8%)	5,607	(2.4%)
Sales commissions	4,653	(3.5%)	4,750	(3.5%)	5,102	(3.3%)	4,929	(2.6%)	2,870	(1.4%)	3,686	(1.6%)
Administrative and maintenance expenses	2,061	(1.6%)	2,222	(1.6%)	2,508	(1.6%)	2,870	(1.5%)	1,576	(0.7%)	3,014	(1.3%)
Advertising costs	2,523	(1.9%)	1,286	(0.9%)	1,672	(1.1%)	2,755	(1.5%)	2,795	(1.3%)	2,800	(1.2%)
Others	3,501	(2.6%)	4,224	(3.0%)	5,851	(3.8%)	7,639	(3.9%)	8,149	(3.8%)	2,655	(1.2%)
Total SG&A expenses	103,526	(77.9%)	109,049	(79.5%)	120,244	(76.8%)	139,820	(74.0%)	136,216	(64.2%)	145,774	(63.0%)
Total	132,820	(100.0%)	137,084	(100.0%)	156,638	(100.0%)	188,868	(100.0%)	212,077	(100.0%)	231,276	(100.0%)

Note: Personnel expenses include health and welfare program costs, pension costs, and others.

Operating Income

Operating income for fiscal 2014 edged up ¥774 million, or 0.4%, to ¥197,212 million. By business segment, Marketing Solutions Business income increased 6.2%, to ¥161,673 million; Consumer Business income decreased 8.0%, to ¥58,600 million; and Other Business income grew 2.8%, to ¥11,552 million. The ¥34,613 million reconciliation between total segment income and consolidated operating income primarily reflected corporate expenses not allocable to a specific segment.

Operating Income and Operating Margin



Other Non-operating Income, Other Non-operating Expenses and Equity in Earnings (Losses) of Associates and a Joint Venture

Accounting for other non-operating income, other non-operating expenses and equity in earnings (losses) of associates and a joint venture, the Group recorded net other income of ¥11,087 million, down ¥700 million, or 5.9%, for fiscal 2014. Principal components were (1) gain on remeasurement of investments in an associate acquired in stages of ¥6,249 million, up ¥6,249 million; and (2) negative goodwill arising from reclassification of investments of ¥2,481 million, an increase of ¥2,481 million.

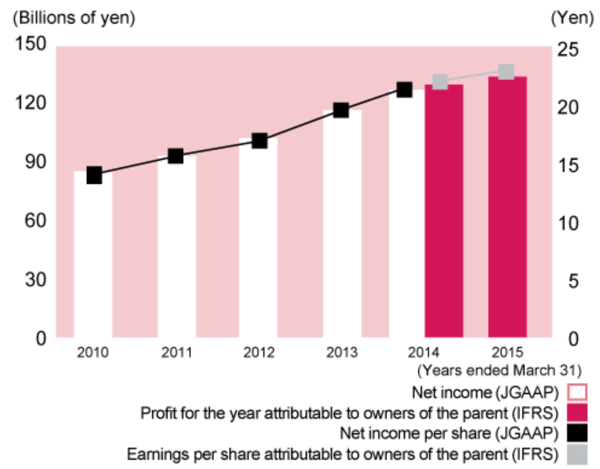
Profit before Tax

Profit before tax came to ¥208,299 million, up ¥74 million, or 0.04%, from the figure for fiscal 2013.

Income Tax Expense

Total income tax expense for fiscal 2014 amounted to ¥74,366 million, representing an effective income tax rate of 35.7%. There was a slight difference between the effective income tax rate and the normal statutory tax rate for the fiscal year.

Profit for the Year Attributable to Owners of the Parent
Earnings per Share Attributable to Owners of the Parent



Profit for the Year

Profit for the year for fiscal 2014 was ¥133,933 million, an increase of ¥4,265 million, or 3.3%.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for fiscal 2014 came to ¥133,052 million, up ¥4,447 million, or 3.5%. Both basic earnings and diluted earnings per share attributable to owners of the parent increased 4.2% year on year, to ¥23.37.

FINANCIAL POSITION

Assets

Total assets stood at ¥1,007,603 million as of March 31, 2015, up ¥157,615 million, or 18.5%, compared with the figure as of March 31, 2014.

Total current assets amounted to ¥741,828 million, an increase of ¥83,122 million, or 12.6%.

Cash and cash equivalents stood at ¥503,937 million, up ¥21,600 million, or 4.5%. This increase was largely attributable to net cash generated by operating activities.

Trade and other receivables were ¥217,736 million, an upswing of ¥57,340 million, or 35.7%, owing mainly to an increase in consolidated subsidiaries and a higher balance of foreign exchange dealings cash—deposits with trust banks.

Total non-current assets came to ¥265,775 million, an increase of ¥74,493 million, or 38.9%.

Property and equipment amounted to ¥67,466 million, up ¥7,320 million, or 12.2%.

Goodwill was ¥27,673 million, up ¥11,864 million, or 75.1%. This increase was largely due to the addition of consolidated subsidiaries.

Intangible assets were ¥32,382 million, an upswing of ¥14,522 million, or 81.3%, owing mainly to the purchase of computer software.

Investments accounted for using the equity method totaled ¥61,671 million, up ¥27,307 million, or 79.5%, principally because of the conversion of The Japan Net Bank, Limited’s non-voting shares to common stock.

Other financial assets (non-current) were ¥58,104 million, an increase of ¥8,572 million, or 17.3%. Despite a decrease due to the reclassification and transfer of the shares of The Japan Net Bank, Limited, from other financial assets to investment accounted for using the equity method as a result of the conversion of non-voting shares to common stock, other financial assets increased on the year largely owing to the purchase of investment securities, an upswing in the fair value of securities, and advanced payments of lease deposits for new office space.

Liabilities

Total liabilities stood at ¥267,049 million as of March 31, 2015, an increase of ¥44,780 million, or 20.1%, compared with the figure as of the previous fiscal year-end.

Total current liabilities came to ¥239,773 million, up ¥21,438 million, or 9.8%.

Trade and other payables totaled ¥158,979 million, an upswing of ¥16,417 million, or 11.5%, owing primarily to an increase in the balance of foreign exchange dealings deposits from customers.

Income taxes payable stood at ¥33,072 million, down ¥12,584 million, or 27.6%, mainly reflecting the abolishment of the special corporate tax for reconstruction and the decrease in taxable income.

Other current liabilities were ¥31,652 million, an upswing of ¥9,594 million, or 43.5%. This change was largely due to an increase in consumption taxes payable arising from the hike in the consumption tax rate.

Total non-current liabilities stood at ¥27,276 million, up ¥23,342 million, or 593.4%.

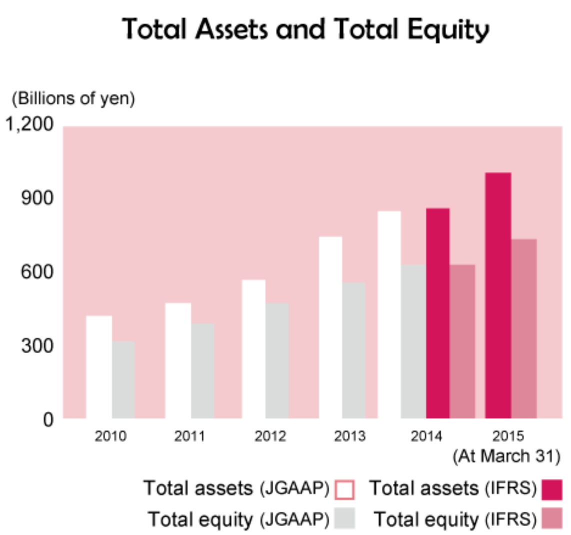
Provisions were ¥22,842 million, an increase of ¥20,187 million, or 760.2%, primarily because of the inclusion of YJ Card Corporation in the scope of consolidation.

Total Equity

As of March 31, 2015, total equity amounted to ¥740,554 million, up ¥112,835 million, or 18.0%.

Capital surplus was ¥1,235 million, a decrease of ¥2,658 million, or 68.3%. This was largely attributable to the decline in equity attributable to owners of the parent at the time additional shares of subsidiaries were purchased and reflected the amount by which the investment exceeded the consolidated book value of the non-controlling interests equity portion.

Retained earnings stood at ¥705,840 million, an increase of ¥107,828 million, or 18.0%. Despite a decrease attributable to the payment of cash dividends, this increase was mainly due to growth in profit for the year attributable to owners of the parent.



CASH FLOWS

Cash Flows from Operating Activities

Net cash generated by operating activities in fiscal 2014 amounted to ¥126,240 million, a decrease of ¥6,553 million from the ¥132,793 million generated in the previous fiscal year. Principal components of operating cash flows were profit before tax of ¥208,299 million, depreciation and amortization of ¥16,936 million, and income taxes—paid of ¥83,190 million.

Cash Flows from Investing Activities

Net cash used in investing activities in fiscal 2014 was ¥67,865 million, an increase of ¥60,590 million compared with the ¥7,275 million used in the previous fiscal year. The major cash outflows from investing activities were purchase of property and equipment of ¥17,096 million, purchase of other investments of ¥20,977 million, and acquisition of shares of subsidiaries of ¥21,762 million.

Cash Flows from Financing Activities

Net cash used in financing activities in fiscal 2014 came to ¥37,167 million, down ¥15,962 million from the ¥53,129 million used in the previous fiscal year. The principal cash outflow from financing activities was dividends paid of ¥25,205 million.

Accounting for each of the aforementioned activities, the net increase in cash and cash equivalents was ¥21,600 million. As a result, cash and cash equivalents at the end of the year stood at ¥503,937 million, an increase of 4.5% compared with the figure one year earlier.

Yahoo Japan Corporation and Consolidated Subsidiaries

Consolidated Statement of Financial Position

	Millions of Yen			Thousands of U.S. Dollars (Note 2(3))
	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013 (Date of Transition to IFRSs)	As of March 31, 2015
ASSETS:				
Current assets:				
Cash and cash equivalents (Note 7)	¥ 503,937	¥ 482,337	¥ 409,588	$ 4,193,534
Trade and other receivables (Notes 8 and 25)	217,736	160,396	143,874	1,811,900
Other financial assets (Notes 9 and 25)	15,902	12,313	13,556	132,329
Other current assets (Note 10)	4,253	3,660	2,900	35,392
Total current assets	741,828	658,706	569,918	6,173,155
Non-current assets:				
Property and equipment (Note 11)	67,466	60,146	51,067	561,421
Goodwill (Note 12)	27,673	15,809	14,395	230,282
Intangible assets (Note 12)	32,382	17,860	16,929	269,468
Investments accounted for using the equity method (Note 13)	61,671	34,364	40,281	513,198
Other financial assets (Notes 9 and 25)	58,104	49,532	35,700	483,515
Deferred tax assets (Note 14)	15,105	12,469	14,104	125,697
Other non-current assets (Note 10)	3,374	1,102	875	28,077
Total non-current assets	265,775	191,282	173,351	2,211,658
TOTAL ASSETS	¥ 1,007,603	¥ 849,988	¥ 743,269	$ 8,384,813

Yahoo Japan Corporation and Consolidated Subsidiaries

Consolidated Statement of Financial Position

	Millions of Yen			Thousands of U.S. Dollars (Note 2(3))
	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013 (Date of Transition to IFRSs)	As of March 31, 2015
LIABILITIES AND EQUITY:				
Liabilities:				
Current liabilities:				
Trade and other payables (Notes 15 and 25)	¥ 158,979	¥ 142,562	¥ 121,608	$ 1,322,951
Other financial liabilities (Notes 16 and 25)	9,671	5,108	5,648	80,478
Income taxes payable (Note 14)	33,072	45,656	42,127	275,210
Provisions (Note 17)	6,399	2,951	4,299	53,250
Other current liabilities (Note 19)	31,652	22,058	20,261	263,393
Total current liabilities	239,773	218,335	193,943	1,995,282
Non-current liabilities:				
Other financial liabilities (Notes 16 and 25)	920	128	147	7,656
Provisions (Note 17)	22,842	2,655	2,460	190,081
Deferred tax liabilities (Note 14)	29	38	31	241
Other non-current liabilities (Note 19)	3,485	1,113	1,070	29,000
Total non-current liabilities	27,276	3,934	3,708	226,978
Total liabilities	267,049	222,269	197,651	2,222,260
Equity:				
Equity attributable to owners of the parent:				
Common stock (Note 22)	8,281	8,271	8,037	68,911
Capital surplus (Notes 22 and 24)	1,235	3,893	3,694	10,277
Retained earnings (Note 22)	705,840	598,012	522,311	5,873,679
Treasury stock (Note 22)	(1,316)	(526)	(372)	(10,951)
Accumulated other comprehensive income	11,962	10,033	4,576	99,542
Total equity attributable to owners of the parent	726,002	619,683	538,246	6,041,458
Non-controlling interests	14,552	8,036	7,372	121,095
Total equity	740,554	627,719	545,618	6,162,553
TOTAL LIABILITIES AND EQUITY	¥ 1,007,603	¥ 849,988	¥ 743,269	$ 8,384,813

See notes to consolidated financial statements.

Yahoo Japan Corporation and Consolidated Subsidiaries

Consolidated Statement of Profit or Loss

	Millions of Yen		Thousands of U.S. Dollars (Note 2(3))
	Year Ended March 31		Year Ended March 31,
	2015	2014	2015
REVENUE	¥ 428,488	¥ 408,515	$ 3,565,682
COST OF SALES (Note 27)	85,502	75,861	711,509
Gross profit	342,986	332,654	2,854,173
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 27)	145,774	136,216	1,213,065
Operating income	197,212	196,438	1,641,108
OTHER NON-OPERATING INCOME (Note 28)	10,638	13,194	88,525
OTHER NON-OPERATING EXPENSES	1,224	1,313	10,186
EQUITY IN EARNINGS (LOSSES) OF ASSOCIATES AND A JOINT VENTURE (Note 13)	1,673	(94)	13,922
PROFIT BEFORE TAX	208,299	208,225	1,733,369
INCOME TAX EXPENSE (Note 14)	74,366	78,557	618,840
PROFIT FOR THE YEAR	¥ 133,933	¥ 129,668	$ 1,114,529
ATTRIBUTABLE TO:			
Owners of the parent	¥ 133,052	¥ 128,605	$ 1,107,198
Non-controlling interests	881	1,063	7,331
PROFIT FOR THE YEAR	¥ 133,933	¥ 129,668	$ 1,114,529
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT:			
Basic (yen and U.S. dollars) (Note 30)	¥ 23.37	¥ 22.43	$ 0.19
Diluted (yen and U.S. dollars) (Note 30)	23.37	22.43	0.19

See notes to consolidated financial statements.

Yahoo Japan Corporation and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

	Millions of Yen		Thousands of U.S. Dollars (Note 2(3))
	Year Ended March 31		Year Ended March 31,
	2015	2014	2015
PROFIT FOR THE YEAR	¥ 133,933	¥ 129,668	$ 1,114,529
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets (Notes 26 and 29)	41	5,098	341
Exchange differences on translating foreign operations (Notes 26 and 29)	928	175	7,722
Share of other comprehensive income of associates (Note 29)	976	191	8,123
Other comprehensive income, net of tax	1,945	5,464	16,186
TOTAL COMPREHENSIVE INCOME	¥ 135,878	¥ 135,132	$ 1,130,715
ATTRIBUTABLE TO:			
Owners of the parent	¥ 134,981	¥ 134,062	$ 1,123,250
Non-controlling interests	897	1,070	7,465
TOTAL COMPREHENSIVE INCOME	¥ 135,878	¥ 135,132	$ 1,130,715

See notes to consolidated financial statements.

Yahoo Japan Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity

	Millions of Yen							
	Interests Attributable to Owners of the Parent							
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total	Non-controlling Interests	Total
BALANCE AT APRIL 1, 2013	¥ 8,037	¥ 3,694	¥ 522,311	¥ (372)	¥ 4,576	¥ 538,246	¥ 7,372	¥ 545,618
Profit for the year			128,605			128,605	1,063	129,668
Other comprehensive income, net of tax					5,457	5,457	7	5,464
Total comprehensive income for the year			128,605		5,457	134,062	1,070	135,132
Issue of common stock (Note 22)	234	234				468		468
Payment of dividends (Note 23)			(23,058)			(23,058)	(201)	(23,259)
Purchase and disposal of treasury stock				(30,000)		(30,000)		(30,000)
Changes attributable to acquisition or loss of control over subsidiaries							98	98
Changes in ownership interests in subsidiaries without losing control		(165)				(165)	(303)	(468)
Cancellation of treasury stock			(29,846)	29,846				
Others		130				130		130
Total	234	199	(52,904)	(154)		(52,625)	(406)	(53,031)
BALANCE AT MARCH 31, 2014	8,271	3,893	598,012	(526)	10,033	619,683	8,036	627,719
Profit for the year			133,052			133,052	881	133,933
Other comprehensive income, net of tax					1,929	1,929	16	1,945
Total comprehensive income for the year			133,052		1,929	134,981	897	135,878
Issue of common stock (Note 22)	10	10				20		20
Payment of dividends (Note 23)			(25,224)			(25,224)	(223)	(25,447)
Purchase and disposal of treasury stock		2		(790)		(788)		(788)
Changes attributable to acquisition or loss of control over subsidiaries							8,315	8,315
Changes in ownership interests in subsidiaries without losing control		(2,716)				(2,716)	(2,473)	(5,189)
Others		46				46		46
Total	10	(2,658)	(25,224)	(790)		(28,662)	5,619	(23,043)
BALANCE AT MARCH 31, 2015	¥ 8,281	¥ 1,235	¥ 705,840	¥ (1,316)	¥ 11,962	¥ 726,002	¥ 14,552	¥ 740,554

Yahoo Japan Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity

	Thousands of U.S. Dollars (Note 2(3))							
	Interests Attributable to Owners of the Parent							
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total	Non-controlling Interests	Total
BALANCE AT MARCH 31, 2014	$ 68,828	$ 32,396	$ 4,976,384	$ (4,377)	$ 83,490	$ 5,156,721	$ 66,871	$ 5,223,592
Profit for the year			1,107,198			1,107,198	7,331	1,114,529
Other comprehensive income, net of tax					16,052	16,052	134	16,186
Total comprehensive income for the year			1,107,198		16,052	1,123,250	7,465	1,130,715
Issue of common stock (Note 22)	83	83				166		166
Payment of dividends (Note 23)			(209,903)			(209,903)	(1,856)	(211,759)
Purchase and disposal of treasury stock		17		(6,574)		(6,557)		(6,557)
Changes attributable to acquisition or loss of control over subsidiaries							69,194	69,194
Changes in ownership interests in subsidiaries without losing control		(22,601)				(22,601)	(20,579)	(43,180)
Others		382				382		382
Total	83	(22,119)	(209,903)	(6,574)		(238,513)	46,759	(191,754)
BALANCE AT MARCH 31, 2015	$ 68,911	$ 10,277	$ 5,873,679	$ (10,951)	$ 99,542	$ 6,041,458	$ 121,095	$ 6,162,553

See notes to consolidated financial statements.

Yahoo Japan Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

	Millions of Yen		Thousands of U.S. Dollars (Note 2(3))
	Year Ended March 31		Year Ended March 31,
	2015	2014	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax	¥ 208,299	¥ 208,225	$ 1,733,369
Depreciation and amortization	16,936	13,452	140,934
Gain on remeasurement of investments in associates acquired in stages (Note 28)	(6,249)		(52,001)
Increase in trade and other receivables	(22,536)	(16,326)	(187,534)
Increase in trade and other payables	15,800	21,207	131,480
Gain on sale of available-for-sale financial assets	(511)	(11,742)	(4,252)
Others	(2,309)	(5,497)	(19,215)
Subtotal	209,430	209,319	1,742,781
Income taxes—paid	(83,190)	(76,526)	(692,269)
Net cash generated by operating activities	126,240	132,793	1,050,512
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment into time deposits		(50,000)	
Withdrawal of time deposits	30	54,200	250
Purchase of property and equipment	(17,096)	(19,748)	(142,265)
Purchase of intangible assets	(7,284)	(2,974)	(60,614)
Purchase of other investments	(20,977)	(7,032)	(174,561)
Acquisition of shares of subsidiaries (Note 31)	(21,762)	(2,036)	(181,093)
Proceeds from sale of available-for-sale financial assets	2,161	18,606	17,983
Others	(2,937)	1,709	(24,442)
Net cash used in investing activities	(67,865)	(7,275)	(564,742)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of long-term bank loans	(5,450)		(45,352)
Purchase of treasury stock	(795)	(30,000)	(6,616)
Dividends paid	(25,205)	(23,035)	(209,745)
Payment for acquisition of interests in a subsidiary from non-controlling interests	(5,187)		(43,164)
Others	(530)	(94)	(4,410)
Net cash used in financing activities	(37,167)	(53,129)	(309,287)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	392	360	3,262
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,600	72,749	179,745
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Note 7)	482,337	409,588	4,013,789
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 7)	¥ 503,937	¥ 482,337	$ 4,193,534

See notes to consolidated financial statements.

Yahoo Japan Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

1. REPORTING ENTITY

Yahoo Japan Corporation (the "Company") is a corporation incorporated and domiciled in Japan. The ultimate parent company of the Yahoo Japan group is SoftBank Corp. The registered address of the Company's head office is disclosed on its website (http://www.yahoo.co.jp/). The nature of the Company's principal businesses is described in "Note 6. Segment information."

2. BASIS OF PREPARATION

(1) *Compliance with International Financial Reporting Standards and First-Time Adoption*

The accompanying consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") pursuant to Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (the "Ordinance"), as the Company meets the criteria of a "Specified Company" defined under Article 1-2 of the Ordinance. These consolidated financial statements are the Company's first consolidated financial statements prepared under IFRSs. The date of transition to IFRSs is April 1, 2013. The Company applied IFRS 1 "First-Time Adoption of International Financial Reporting Standards" for the transition to IFRSs. The effect of the transition to IFRSs on the Company's financial position, results of operations, and cash flows is provided in "Note 34. First-time adoption of IFRSs."

(2) *Basis of Measurement*

These consolidated financial statements have been prepared on the historical cost basis, except for certain items, such as financial instruments, that are measured at fair value at the end of each reporting period, as explained in the accounting policies provided in "Note 3. Significant accounting policies."

(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 to the nearest million yen as applicable.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers and have been made at the rate of ¥120.17 to U.S.$1, the approximate rate of exchange at March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

(4) *New and Revised Standards and Interpretations Issued but Not Yet Effective*

New or revised standards and interpretations that have been issued on or before the approval date of the accompanying consolidated financial statements are summarized in the table below. The Company has not adopted these new or revised standards and interpretations. The Company is currently evaluating potential impacts from the application of these new or revised standards and interpretations, but they are not estimable at the time of this report.

IFRSs		Mandatory Adoption (For Annual Periods Beginning on or After)	Scheduled Date of Initial Application	Purpose of the New or Revised Standards and Interpretations
IFRS 11	Joint Arrangements	January 1, 2016	Not determined	To clarify the accounting treatment of acquisition of joint operations
International Accounting Standard ("IAS") 16	Property, Plant and Equipment	January 1, 2016	Not determined	To clarify acceptable depreciation methods
IAS 38	Intangible Assets	January 1, 2016	Not determined	To clarify acceptable amortization methods
IFRS 15	Revenue from Contracts with Customers	January 1, 2017	Not determined	To revise the accounting treatment and disclosure requirements for revenue recognition
IFRS 9	Financial Instruments	January 1, 2018	Not determined	To revise the accounting treatment and disclosure requirements regarding classification and measurement of financial instruments, impairment and hedge accounting

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently to all periods presented in these consolidated financial statements, including the consolidated statement of financial position as of the date of transition to IFRSs, unless otherwise specified.

(1) *Basis of Consolidation*

1) *Basic policy of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (collectively, the "Group"). Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. The Company considers all relevant facts and circumstances in assessing whether the Company controls the investee, including the size of its holding of voting rights or similar rights or contractual arrangements with the investee.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup balances and transactions and unrealized gain or loss relating to transactions between members of the Group are eliminated in full on consolidation.

2) *Changes in the Company's ownership interests in existing subsidiaries*

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company. When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Any amounts previously recognized in accumulated other comprehensive income in relation to that subsidiary are reclassified to profit or loss.

3) *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

(a) deferred tax assets and liabilities, and assets and liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits," respectively;

(b) liabilities or equity instruments related to "share-based payment arrangements of the acquiree" or "share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree" are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date; and

(c) assets or disposal groups that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill arising upon a business acquisition is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. The excess, if negative, is recognized immediately in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value, or, when applicable, on the basis specified in another standard.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

In transitioning to IFRSs, the Company has applied the exemption in IFRS 1. Please see "Note 34. First-time adoption of IFRSs."

4) *Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Each cash-generating unit to which the goodwill is allocated is determined based on the unit at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment before aggregation.

Goodwill is not amortized and is allocated to a cash-generating unit or groups of cash-generating units. A cash-generating unit to which goodwill is allocated is tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the cash-generating unit pro rata based on the carrying amount of each asset in the cash-generating unit. Any impairment loss for goodwill is recognized directly in profit or loss and is not reversed in subsequent periods.

The Group's policy for goodwill arising on acquisition of an associate is described below in "5) Investments in associates."

5) *Investments in associates*

An associate is an entity (a) over which the Group holds 20% or more of the voting power and has significant influence in the financial and operating policy decisions, unless it can be clearly demonstrated that this is not the case; or (b) over which the Group can exercise significant influence even if it holds less than 20% of the voting power.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method from the date when the investee ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39 "Financial Instruments: Recognition and Measurement." The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets."

(2) *Foreign Currency Translation*

1) *Transactions denominated in foreign currencies*

The financial statements of each company in the Group are prepared in the functional currency. Transactions in currencies other than each company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from translation are recognized in profit or loss in the period in which they arise, except those arising from "2) Foreign operations."

2) *Foreign operations*

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations (including adjustments for goodwill and fair value arising from acquisitions) are translated into Japanese yen using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for each quarter. Exchange differences arising from translating the financial statements of foreign operations are recognized in other comprehensive income and cumulative differences are included in exchange differences on translating foreign operations in accumulated other comprehensive income.

These cumulative differences are reclassified from equity to profit or loss when the Company fully or partially disposes of its interest in the foreign operation. In transitioning to IFRSs, the Company has applied the exemption related to IAS 21 in IFRS 1. Please see "Note 34. First-time adoption of IFRSs."

(3) ***Financial Instruments***

1) *Recognition*

Financial assets and financial liabilities are recognized when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities other than financial assets at fair value through profit or loss ("financial assets at FVTPL") and financial liabilities at fair value through profit or loss ("financial liabilities at FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL and financial liabilities at FVTPL are recognized immediately in profit or loss.

2) *Classification*

(a) Non-derivative financial assets

Financial assets are classified as "financial assets at FVTPL," "held-to-maturity investments," "loans and receivables," and "available-for-sale financial assets." The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

i) Financial assets at FVTPL

Financial assets held for trading purposes are initially measured at fair value, with any net gains or losses arising on remeasurement recognized in profit or loss. Transaction costs are recognized in profit or loss when incurred. Interest and dividend income earned on the financial assets are recognized in profit or loss.

ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intention and ability to hold to maturity are classified as "held-to-maturity investments." Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment. Interest income based on the effective interest rate is recognized in profit or loss.

iii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables." Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income calculated based on the effective interest method is recognized in profit or loss.

iv) Available-for-sale financial assets

Non-derivative financial assets are classified as "available-for-sale financial assets," if:

(A) the assets are designated as "available-for-sale financial assets" at initial recognition; or

(B) the assets are not classified as "financial assets at FVTPL," "held-to-maturity investments," or "loans and receivables."

Subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value and gains or losses arising from changes in fair value are recognized in other comprehensive income. When there is objective evidence that an available-for-sale financial asset is impaired, previously recognized accumulated other comprehensive income is reclassified to profit or loss.

Foreign exchange gains and losses arising on monetary financial assets classified as available-for-sale financial assets, interest income calculated using the effective interest method and dividends received are recognized in profit or loss. When an available-for-sale financial asset is derecognized, the accumulated profit or loss recorded in other comprehensive income is reclassified to profit or loss.

(b) Non-derivative financial liabilities

The Group's non-derivative financial liabilities consist of trade and other payables. These financial liabilities are measured at amortized cost using the effective interest method, subsequent to initial recognition.

(c) Derivative financial assets and financial liabilities

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. Derivative financial assets and financial liabilities are classified as "financial assets at FVTPL" and "financial liabilities at FVTPL," respectively.

3) *Derecognition of financial assets and financial liabilities*

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another party. The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or they expire. The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

4) *Offsetting financial assets and financial liabilities*

Financial assets and financial liabilities are offset, and the net amounts are presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts, and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

5) *Impairment of financial assets*

The Group assesses financial assets for any objective evidence of impairment at the end of each quarter. Financial assets, other than those at FVTPL, are considered to be impaired when there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the financial assets, and these events have an adverse effect on the estimated future cash flows of the financial assets that can be reliably estimated. For available-for-sale equity instruments, a significant or prolonged decline in the fair value below cost is considered to be objective evidence of impairment.

In recognizing an impairment loss on held-to-maturity investments or loans and receivables, the Group reduces the carrying amount of the asset directly. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. Interest income after impairment recognition is thereafter recognized through reversal of discount due to passage of time.

For available-for-sale financial assets, an impairment loss is measured as the difference between the asset's carrying amount and its fair value and is recognized in profit or loss.

For held-to-maturity investments or loans and receivables, if, in a subsequent period, an event that decreases the amount of the impairment loss occurs, the amount of decrease is reversed through profit or loss to the extent that it does not exceed the amortized cost of the asset.

For equity instruments classified as available-for-sale financial assets, impairment losses are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. For debt instruments classified as available-for-sale financial assets, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(4) *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash, demand deposits and short-term investments with maturities of three months or less from the date of acquisition that are readily convertible to cash and subject to insignificant risk of change in value.

(5) *Property and Equipment*

Property and equipment are measured on a historical cost basis under the cost model, less accumulated depreciation and accumulated impairment losses. Historical cost includes costs directly attributable to the acquisition of the asset and the initial estimated costs related to dismantling, removing and site restoration.

Property and equipment, other than land and construction in progress, are depreciated using the straight-line method over the estimated useful life of each asset.

The estimated useful lives of major property and equipment are as follows:

Buildings and structures:	4–62 years
Furniture and fixtures:	2–20 years
Machinery and equipment:	8–17 years

The depreciation methods, useful lives, and residual values of assets are reviewed at the end of each year, and any changes are applied prospectively as a change in an accounting estimate.

Assets held under finance leases are depreciated over their estimated useful lives when there is reasonable certainty that ownership will be obtained by the end of the lease term. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term or their estimated useful lives.

(6) *Intangible Assets*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses under the cost model. Intangible assets with infinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Expenditure on research activities is recognized as an expense in the period in which it is incurred. The amount initially recognized for internally generated intangible assets during the development phase is the sum of the expenditure incurred from the date when the intangible asset first meets all of the capitalization criteria to the date the development is completed. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets with finite lives are amortized using the straight-line method over the estimated useful lives. The estimated useful lives of major components of intangible assets are as follows:

Software:	2–5 years
Customer relationships:	6–24 years

Amortization methods, useful lives, and residual values of assets are reviewed at the end of each fiscal year and any changes are applied prospectively as a change in an accounting estimate.

(7) *Leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of assets to the lessee. All other leases are classified as operating leases. The assessment of whether an arrangement is a lease or contains a lease is made on a basis of all of the facts and circumstances at the inception of the arrangement.

1) *Finance leases (the Group as lessee)*

At the inception of lease, the Group initially recognizes finance leases as assets and the lease obligation at the amount equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Subsequent to initial recognition, the accounting policy for assets held under finance leases is consistent with that of assets that are owned. Lease payments are apportioned between finance cost (other non-operating expenses) and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

2) *Operating leases (the Group as lessee)*

Gross operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(**8**) ***Impairment of Property and Equipment and Intangible Assets Other Than Goodwill***

At the end of each quarter, the Group reviews the carrying amounts of its property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

(**9**) ***Provisions***

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, provisions are measured using the estimated future cash flows, discounted using a pre-tax rate reflecting the time value of money and the specific risks of the liability. Reversal of discount due to passage of time is recognized in profit or loss.

Major provisions of the Group are as follows:

1) *Provision for interest repayment claims*

To cover interest repayment claims for the interest rates charged in excess of the maximum rate imposed by the Interest Rate Restriction Act, the Group provides for the estimated future repayment. The amount of future interest repayment is subject to changes in business environment.

2) *Asset retirement obligations*

The Group recognizes asset retirement obligations for obligations to restore leased offices to their original conditions upon termination of the lease contract. The amount and timing of future cash flows are based on the present business plans and assumptions and subject to changes depending on revised future business plans and assumptions.

3) *Provision for Yahoo! Points*

In anticipation of the future use of points granted to customers as sales promotion under its points program, the Group recognizes a provision at the amount estimated to be used by customers in the future based on historical activity. There is an uncertainty regarding the extent of usage of such points.

(10) *Share-Based Payments*

The Company has an equity-settled share option scheme as an incentive plan for directors and employees. Share options are measured at the fair value of the equity instruments at the grant date. The fair value of share options is computed by using the Black-Scholes model, Monte Carlo simulation and other methods considering the terms and conditions of each option. The fair value of share options determined at the grant date is expensed over the vesting period with a corresponding increase in equity.

At the end of each reporting period, the Company reviews estimates of the number of options that are expected to vest, and revises them when necessary.

The Company has applied the exemption in IFRS 1 (Please refer to "Note 34. First-time adoption of IFRSs").

(11) *Revenue*

Revenue of the Group mainly consists of services which are recognized based on the stage of completion of transactions at the end of each reporting period. Revenue is comprised of paid search advertising, display advertising, commission fees related to e-commerce such as YAHUOKU!, and membership fees such as Yahoo! Premium.

Paid search advertising revenue is recognized when a visitor of the website clicks the advertisement. Display advertising comprises premium advertising, Yahoo! Display Ad Network ("YDN") and others. Revenue from premium advertising is recognized over a period in which the related advertisement is displayed. Revenue from YDN is recognized when a visitor of the website clicks the advertisement on the page with the related content. Revenue from e-commerce related commission fees is recognized when a transaction occurs. Revenue from membership fees is recognized over an effective period of the membership.

(12) *Retirement Benefits*

The Group primarily participates in defined contribution pension plans. In addition, the Group has adopted contributory welfare pension plans as defined benefit pension plans.

Defined contribution plans are post-employment benefit plans under which an employer pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions. Contributions to the defined contribution plans are recognized as expenses when the related services are rendered by employees, and contributions payable are recognized as liabilities.

The Group participates in multi-employer contributory defined benefit welfare pension plans. Contributions to the multi-employer contributory defined benefit welfare pension plans are recognized as expenses when the related services are rendered by employees, and contributions payable are recognized as liabilities.

(13) *Income Tax*

Income tax expense is comprised of current and deferred taxes, and recognized in profit or loss, except for taxes related to business combinations and taxes related to items that are recognized in other comprehensive income or directly in equity.

1) *Current tax*

Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

2) *Deferred tax*

Deferred tax assets are recognized for deductible temporary differences, unused tax losses, and unused tax credits to the extent that it is probable that taxable profits will be available. Recoverability of deferred tax assets is reviewed at the end of each quarter. Deferred tax liabilities are generally recognized for taxable temporary differences.

Deferred tax assets and liabilities are not recognized for:

(A) temporary differences arising from the initial recognition, other than in a business combination, of assets and liabilities in a transaction that affects neither the accounting profit nor the taxable profit;

(B) taxable temporary differences arising from initial recognition of goodwill;

(C) deductible temporary differences associated with investments in subsidiaries and associates, where it is not probable that the temporary difference will reverse in the foreseeable future or where it is not probable that there will be sufficient taxable profits against which the temporary differences can be utilized; and

(D) taxable temporary differences associated with investments in subsidiaries and associates, where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

(14) *Treasury Stock*

When the Company acquires its own equity share capital ("treasury stock"), the consideration paid, including any directly attributable increments costs (net of tax), is deducted from equity. No gain or loss is recognized on the purchase, sale, or cancellation of the treasury stock. The difference between the carrying amount and the consideration on sale is recognized as capital surplus.

(15) *Earnings per Share*

Basic earnings per share are calculated by dividing profit for the year attributable to owners of the Company by the weighted-average number of common stocks (after adjusting for treasury stocks) outstanding for the period.

Diluted earnings per share assumes full conversion of the issued potential shares having a dilutive effect, with an adjustment for profit for the year attributable to owners of the Company and the weighted-average number of common stocks (after adjusting for treasury stocks) outstanding for the period.

On October 1, 2013, the Company made a share split at a rate of 100 shares for each outstanding share. Basic earnings per share and diluted earnings per share are calculated as if the share split became effective on April 1, 2013.

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.

The following is the critical judgment that has been made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognized in the consolidated financial statements:

- Determination of scope of subsidiaries and associates ("Note 3. Significant accounting policies (1)")

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk on the amounts recognized in the consolidated statements of causing a material adjustment within the current and next financial year:

- Determination regarding impairment of property and equipment, goodwill and intangible assets ("Note 3. Significant accounting policies (1) and (8)" and "Note 12. Goodwill and intangible assets")

- Determination regarding impairment of investments in associates ("Note 3. Significant accounting policies (1)")

- Fair value measurement of financial assets and liabilities ("Note 3. Significant accounting policies (3)" and "Note 26. Fair value of financial instruments")

- Determination of useful life and residual value of property and equipment and intangible assets ("Note 3. Significant accounting policies (5) and (6)")

- Assessment and determination regarding recognition and measurement of provisions ("Note 3. Significant accounting policies (9)" and "Note 17. Provisions")

- Fair value measurement of share options ("Note 3. Significant accounting policies (10)" and "Note 24. Share-based payment")

- Assessment of recoverability of deferred tax assets ("Note 3. Significant accounting policies (13)" and "Note 14. Income taxes")

5. BUSINESS COMBINATIONS

For the Year Ended March 31, 2015

Significant business combinations occurring in the year ended March 31, 2015 are as follows:

(1) *Outline of business combination*

The Company acquired 65% of the voting rights of YJ Card Corporation (renamed from KC Co., Ltd. on January 5, 2015), a company that principally operates a credit card business, from J Trust Co., Ltd. and has included it in the scope of consolidation since the fourth quarter of the year ended March 31, 2015, in order to develop the Company's settlement finance domain, an area that promises to offer various synergies with the Company's assets and know-how, into its next core business. This step is also being taken to improve the convenience of the Company's e-commerce services and to further accelerate growth in transaction values.

(2) *Outline of acquiree*

Company name: YJ Card Corporation
Businesses: Credit card business, card loan business, credit guarantee business and others

(3) *Acquisition date*

January 5, 2015

(4) *Fair value of consideration, acquired assets and assumed liabilities as of the acquisition date*

	Millions of Yen	Thousands of U.S. Dollars
Fair value of consideration—Cash	¥ 23,228	$ 193,293
Total	¥ 23,228	$ 193,293
Fair value of acquired assets and assumed liabilities:		
Current assets (Note 1)	¥ 42,841	$ 356,503
Non-current assets	16,709	139,045
Current liabilities (Note 1)	(7,306)	(60,797)
Non-current liabilities (Note 1)	(29,439)	(244,978)
Net assets	22,805	189,773
Non-controlling interests (Note 2)	(7,982)	(66,423)
Goodwill (Note 3)	8,405	69,943
Total	¥ 23,228	$ 193,293

Notes:

1. Acquired assets and assumed liabilities

   Current assets include ¥32,849 million ($273,354 thousand) of trade loans receivable. Current and non-current liabilities include ¥24,081 million ($200,391 thousand) of provision for interest repayment claims.

2. Non-controlling interests

   Non-controlling interests are measured at the proportionate interests in the identifiable net assets of the acquiree.

3. Goodwill

   Goodwill reflects excess earning power expected from the future business development and the synergy of the Group and the acquiree.

(5) *Impact on the operating results of the Group*

Information about operating results after the acquisition date and pro forma information about operating results as if the business combination had occurred as of the beginning of the reporting period are not disclosed because the impacts on the consolidated financial statements are not material.

For the Year Ended March 31, 2014

There were no significant business combinations for the year ended March 31, 2014.

6. SEGMENT INFORMATION

(1) *Reportable Segments*

The Group's reportable segments are components of the Group for which discrete financial information is available, and whose operating results are regularly reviewed by the Company's board of directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group has two reportable segments, namely, (1) marketing solutions business and (2) consumer business.

The marketing solutions business segment comprises (1) planning and sales of Internet-based advertising-related services, (2) information listing services, and (3) other corporate services. The consumer business segment comprises e-commerce related services and membership services. Other business consists of operating segments that are not included in a reportable segment and includes settlement- and finance-related services.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in "Note 3. Significant accounting policies." Segment income is computed based on operating income with certain adjustments for intersegment transactions and corporate expenses. Corporate expenses consist primarily of general and administrative expenses that are not allocable to segments. Intersegment sales are based on prevailing market prices.

Segment information of the Group as of and for the year ended March 31, 2015, is as follows:

	Millions of Yen					
	Reportable Segments					
	Marketing Solutions Business	Consumer Business	Total	Other Business	Reconciliation	Consolidated
Revenue:						
Sales to customers	¥ 303,296	¥ 96,286	¥ 399,582	¥ 28,906		¥ 428,488
Intersegment sales	997	5,744	6,741	3,436	¥ (10,177)	
Total sales	¥ 304,293	¥ 102,030	¥ 406,323	¥ 32,342	¥ (10,177)	¥ 428,488
Segment income	¥ 161,673	¥ 58,600	¥ 220,273	¥ 11,552	¥ (34,613)	¥ 197,212
Other non-operating income						10,638
Other non-operating expenses						(1,224)
Equity in earnings of associates						1,673
Profit before tax						¥ 208,299
Others—Depreciation and amortization	¥ 5,510	¥ 1,752	¥ 7,262	¥ 2,669	¥ 7,005	¥ 16,936

	Thousands of U.S. Dollars					
	Reportable Segments					
	Marketing Solutions Business	Consumer Business	Total	Other Business	Reconciliation	Consolidated
Revenue:						
Sales to customers	$ 2,523,891	$ 801,248	$ 3,325,139	$ 240,543		$ 3,565,682
Intersegment sales	8,297	47,799	56,096	28,592	$ (84,688)	
Total sales	$ 2,532,188	$ 849,047	$ 3,381,235	$ 269,135	$ (84,688)	$ 3,565,682
Segment income	$ 1,345,369	$ 487,643	$ 1,833,012	$ 96,130	$ (288,034)	$ 1,641,108
Other non-operating income						88,525
Other non-operating expenses						(10,186)
Equity in earnings of associates						13,922
Profit before tax						$ 1,733,369
Others—Depreciation and amortization	$ 45,852	$ 14,579	$ 60,431	$ 22,210	$ 58,293	$ 140,934

Segment information of the Group as of and for the year ended March 31, 2014, is as follows:

	Millions of Yen					
	Reportable Segments					
	Marketing Solutions Business	Consumer Business	Total	Other Business	Reconciliation	Consolidated
Revenue:						
Sales to customers	¥ 282,137	¥ 100,867	¥ 383,004	¥ 25,511		¥ 408,515
Intersegment sales	951	3,971	4,922	3,020	¥ (7,942)	
Total sales	¥ 283,088	¥ 104,838	¥ 387,926	¥ 28,531	¥ (7,942)	¥ 408,515
Segment income	¥ 152,290	¥ 63,693	¥ 215,983	¥ 11,233	¥ (30,778)	¥ 196,438
Other non-operating income						13,194
Other non-operating expenses						(1,313)
Equity in losses of associates						(94)
Profit before tax						¥ 208,225
Others—Depreciation and amortization	¥ 4,798	¥ 1,672	¥ 6,470	¥ 2,302	¥ 4,680	¥ 13,452

(**2**) ***Sales to Customers, by Services***

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2015	2014	2015
Advertisement	¥ 249,829	¥ 232,530	$ 2,078,963
Businesses	70,107	72,398	583,399
Personal	108,552	103,587	903,320
Total	¥ 428,488	¥ 408,515	$ 3,565,682

Note: Revenue of the Group consists almost entirely of rendering of services.

	Main Services
Advertisement	• Paid search, display and other advertising-related services
Businesses	• Data center-related and other corporate services • Yahoo! Real Estate and other information listing services
Personal	• YAHUOKU!, Yahoo! Shopping, and other e-commerce related services • Yahoo! Premium, Yahoo! BB, and other membership services

7. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013	As of March 31, 2015
Cash and demand deposits	¥ 156,755	¥ 105,410	¥ 90,085	$ 1,304,444
Time deposits (maturities of three months or less)	347,182	376,927	319,503	2,889,090
Total	¥ 503,937	¥ 482,337	¥ 409,588	$ 4,193,534

8. TRADE AND OTHER RECEIVABLES

The components of trade and other receivables are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013	As of March 31, 2015
Foreign exchange dealings cash—deposits with trust banks	¥ 90,402	¥ 75,171	¥ 68,452	$ 752,284
Trade receivables	67,261	60,571	55,395	559,715
Credit card receivables	35,163	7,067	8,367	292,610
Others	24,910	17,587	11,660	207,291
Total	¥ 217,736	¥ 160,396	¥ 143,874	$ 1,811,900

9. OTHER FINANCIAL ASSETS

The components of other financial assets are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013	As of March 31, 2015
Equity securities	¥ 30,554	¥ 38,059	¥ 27,847	$ 254,256
Derivative financial assets	17,031	13,033	9,356	141,724
Deposits paid	12,604	6,610	6,354	104,885
Others	13,817	4,143	5,699	114,979
Total	¥ 74,006	¥ 61,845	¥ 49,256	$ 615,844
Current assets	¥ 15,902	¥ 12,313	¥ 13,556	$ 132,329
Non-current assets	58,104	49,532	35,700	483,515

10. OTHER ASSETS

The components of other assets are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013	As of March 31, 2015
Prepaid expenses	¥ 3,582	¥ 3,169	¥ 2,576	$ 29,808
Long-term prepaid expenses	1,705	1,055	769	14,188
Investment property	1,489			12,391
Others	851	538	430	7,082
Total	¥ 7,627	¥ 4,762	¥ 3,775	$ 63,469
Current assets	¥ 4,253	¥ 3,660	¥ 2,900	$ 35,392
Non-current assets	3,374	1,102	875	28,077

11. PROPERTY AND EQUIPMENT

Changes in carrying amounts of property and equipment, costs, and accumulated depreciation and impairment losses are as follows:

Carrying Amounts

	Millions of Yen					
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Total
As of April 1, 2013	¥ 11,707	¥ 18,284	¥ 10,748	¥ 5,426	¥ 4,902	¥ 51,067
Purchase	2,104	12,682	607		3,495	18,888
Disposals	(322)	(465)	(154)			(941)
Depreciation	(1,057)	(5,847)	(1,495)			(8,399)
Transfer of accounts	5,177	456	2,705		(8,338)	
Others	(236)	(67)	(166)			(469)
As of March 31, 2014	17,373	25,043	12,245	5,426	59	60,146
Purchase	893	12,427	1,107		1,233	15,660
Disposals	(84)	(311)	(36)			(431)
Business combinations	520	620		1,729	322	3,191
Depreciation	(1,699)	(7,525)	(1,626)			(10,850)
Transfer of accounts		545	385		(930)	
Others	(55)	(130)	(61)		(4)	(250)
As of March 31, 2015	¥ 16,948	¥ 30,669	¥ 12,014	¥ 7,155	¥ 680	¥ 67,466

	Thousands of U.S. Dollars					
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Total
As of March 31, 2014	$ 144,570	$ 208,397	$ 101,897	$ 45,153	$ 491	$ 500,508
Purchase	7,431	103,412	9,212		10,260	130,315
Disposals	(699)	(2,588)	(300)			(3,587)
Business combinations	4,327	5,159		14,388	2,680	26,554
Depreciation	(14,138)	(62,620)	(13,531)			(90,289)
Transfer of accounts		4,535	3,204		(7,739)	
Others	(458)	(1,082)	(507)		(33)	(2,080)
As of March 31, 2015	$ 141,033	$ 255,213	$ 99,975	$ 59,541	$ 5,659	$ 561,421

Acquisition Costs

	Millions of Yen					
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Total
As of April 1, 2013	¥ 21,055	¥ 45,724	¥ 18,781	¥ 5,426	¥ 4,917	¥ 95,903
As of March 31, 2014	27,635	53,177	21,426	5,426	59	107,723
As of March 31, 2015	28,836	60,563	22,510	7,155	680	119,744

	Thousands of U.S. Dollars					
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Total
As of March 31, 2015	$ 239,960	$ 503,977	$ 187,318	$ 59,541	$ 5,659	$ 996,455

Accumulated Depreciation and Impairment Losses

	Millions of Yen					
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Total
As of April 1, 2013	¥ (9,348)	¥ (27,440)	¥ (8,033)		¥ (15)	¥ (44,836)
As of March 31, 2014	(10,262)	(28,134)	(9,181)			(47,577)
As of March 31, 2015	(11,888)	(29,894)	(10,496)			(52,278)

	Thousands of U.S. Dollars					
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Total
As of March 31, 2015	$ (98,927)	$ (248,764)	$ (87,343)			$ (435,034)

12. GOODWILL AND INTANGIBLE ASSETS

Changes in carrying amounts of goodwill and intangible assets, costs, and accumulated amortization and impairment losses are as follows:

Carrying Amounts

	Millions of Yen				
	Goodwill	Software	Customer Relationships	Others	Total
As of April 1, 2013	¥ 14,395	¥ 12,020	¥ 4,514	¥ 395	¥ 31,324
Internal development		3,941			3,941
Purchase		3,541		11	3,552
Business combinations	1,737	12		475	2,224
Disposals		(1,765)		(281)	(2,046)
Amortization		(4,089)	(785)	(126)	(5,000)
Others	(323)	(5)		2	(326)
As of March 31, 2014	15,809	13,655	3,729	476	33,669
Internal development		7,429			7,429
Purchase		5,359		2,010	7,369
Business combinations	11,864	2,616	4,650	41	19,171
Disposals		(1,616)			(1,616)
Amortization		(4,939)	(889)	(104)	(5,932)
Others		(35)			(35)
As of March 31, 2015	¥ 27,673	¥ 22,469	¥ 7,490	¥ 2,423	¥ 60,055

	Thousands of U.S. Dollars				
	Goodwill	Software	Customer Relationships	Others	Total
As of March 31, 2014	$ 131,555	$ 113,631	$ 31,031	$ 3,961	$ 280,178
Internal development		61,821			61,821
Purchase		44,595		16,726	61,321
Business combinations	98,727	21,769	38,695	341	159,532
Disposals		(13,448)			(13,448)
Amortization		(41,100)	(7,398)	(865)	(49,363)
Others		(291)			(291)
As of March 31, 2015	$ 230,282	$ 186,977	$ 62,328	$ 20,163	$ 499,750

Acquisition Costs

	Millions of Yen				
	Goodwill	Software	Customer Relationships	Others	Total
As of April 1, 2013	¥ 14,395	¥ 33,680	¥ 4,710	¥ 492	¥ 53,277
As of March 31, 2014	15,809	37,775	4,710	980	59,274
As of March 31, 2015	27,673	50,978	9,360	3,030	91,041

	Thousands of U.S. Dollars				
	Goodwill	Software	Customer Relationships	Others	Total
As of March 31, 2015	$ 230,282	$ 424,216	$ 77,890	$ 25,214	$ 757,602

Accumulated Amortization and Impairment Losses

	Millions of Yen				
	Goodwill	Software	Customer Relationships	Others	Total
As of April 1, 2013		¥ (21,660)	¥ (196)	¥ (97)	¥ (21,953)
As of March 31, 2014		(24,120)	(981)	(504)	(25,605)
As of March 31, 2015		(28,509)	(1,870)	(607)	(30,986)

	Thousands of U.S. Dollars				
	Goodwill	Software	Customer Relationships	Others	Total
As of March 31, 2015		$ (237,239)	$ (15,561)	$ (5,051)	$ (257,851)

Customer relationships represent probable expected future economic benefits attributable to the existing customers of the acquiree at the time of business combination.

Amortization expenses are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

Research and development costs charged to income for the years ended March 31, 2015 and 2014 were ¥275 million ($2,288 thousand) and ¥233 million, respectively.

The carrying amounts of internally generated intangible assets related to software as of March 31, 2015 and 2014 and April 1, 2013 are ¥14,763 million ($122,851 thousand), ¥8,758 million and ¥6,238 million, respectively.

Significant goodwill of the Group is allocated to the following groups of cash generating units, which represent operating segments:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2015	2014	2015
Settlement- and finance-related	¥ 16,392	¥ 8,037	$ 136,407
Marketing solutions business	10,906	7,421	90,755

In testing impairment for goodwill, the recoverable amount is determined based on its value in use.

Value in use is determined by discounting the estimated future cash flows to their present value based on the business plan and growth rate approved by the management.

Business plans are prepared based on external and internal information, which reflect the management's assessment of future trends in the industry and past data, and basically do not exceed five years. Growth rate is determined considering the long-term average growth rate of the market or country to which the cash-generating unit belongs. The growth rates used for the years ended March 31, 2015 and 2014 were 1.9% and 1.9%, respectively. The pretax discount rates used in measurement of value in use for the years ended March 31, 2015 and 2014 were 8.3%–11.8% and 9.1%–12.4%, respectively.

As value in use sufficiently exceeds the carrying values of cash-generating units, the Company determined that the recoverable amount is unlikely to decrease below the carrying value, even if major assumptions used in the impairment test change to a reasonably foreseeable extent.

13. DISCLOSURE OF INTERESTS IN OTHER ENTITIES

(1) *Subsidiaries*

The Company's major subsidiaries as of March 31, 2015 and 2014 are as follows:

		Ownership Percentage of Voting Rights (%)	
		As of March 31	
Name of Subsidiary	Location	2015	2014
Y's Sports Inc.	Tokyo	100.0 %	100.0 %
Netrust, Ltd	Tokyo	75.0	75.0
Y's Insurance Inc.	Tokyo	60.0	60.0
FirstServer, Inc.	Osaka	100.0	100.0
IDC Frontier Inc.	Tokyo	100.0	100.0
GYAO Corporation	Tokyo	66.7	58.0
YJ Capital Inc.	Tokyo	100.0	100.0
YJ1 Investment Partnership	Tokyo		
ValueCommerce Co., Ltd.	Tokyo	50.5	50.5
Carview Corporation	Tokyo	100.0	53.8
YJFX, Inc.	Tokyo	100.0	100.0
Synergy Marketing, Inc.	Osaka	100.0	
YJ2 Investment Partnership	Tokyo		
YJ Card Corporation	Fukuoka	65.0	

(2) *Investments Accounted for Using the Equity Method*

Aggregated amount of investments accounted for using the equity method that are not individually material is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013	As of March 31, 2015
Carrying amount	¥ 61,671	¥ 34,364	¥ 40,281	$ 513,198

Other financial information of investments accounted for using the equity method that are not individually material is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2015	2014	2015
Profit for the year attributable to the Group	¥ 1,673	¥ (94)	$ 13,922
Other comprehensive income, net of tax, attributable to the Group	976	191	8,123
Comprehensive income attributable to the Group	2,649	97	22,045

(3) *Structured Entities*

The Group invests inside and outside Japan by utilizing investment partnerships. Such partnerships provide their investees with cash raised from members of the partnerships mainly in the form of investments, and have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

The Group invests in unconsolidated structured entities such as investment funds and trusts over which the Group does not have control with regard to operating policies such as those related to selecting investees.

The Company does not have any contractual obligations to provide any financial support to the unconsolidated structured entities. Therefore, the potential maximum loss exposure incurred from the involvement with such structured entities is limited to the total of the carrying amount of the Company's investment, which is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013	As of March 31, 2015
Other financial assets (non-current)	¥ 3,535	¥ 1,844	¥ 736	$ 29,417

The Company's maximum loss exposure represents the potential maximum loss amount, and does not indicate the probability of occurrence.

14. INCOME TAXES

(1) *Deferred Taxes*

The components of deferred tax assets and deferred tax liabilities are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013	As of March 31, 2015
Deferred tax assets:				
Enterprise tax payable	¥ 2,370	¥ 3,039	¥ 3,263	$ 19,722
Property and equipment and intangible assets	5,622	3,930	3,443	46,784
Liabilities related to employee benefits	3,427	3,674	2,767	28,518
Available-for-sale financial assets	1,005	5,463	5,366	8,363
Provision for interest repayment claims	8,198			68,220
Others	4,526	3,051	3,301	37,663
Total deferred tax assets	25,148	19,157	18,140	209,270
Deferred tax liabilities:				
Property and equipment and intangible assets	2,601	1,534	1,701	21,644
Available-for-sale financial assets	4,529	5,192	2,366	37,688
Others	2,942			24,482
Total deferred tax liabilities	10,072	6,726	4,067	83,814
Deferred tax assets, net	¥ 15,076	¥ 12,431	¥ 14,073	$ 125,456

Note: Liabilities related to employee benefits include liabilities attributable to accrued bonuses and paid absences.

Changes in deferred tax assets and liabilities are as follows:

	Millions of Yen Year Ended March 31		Thousands of U.S. Dollars Year Ended March 31,
	2015	2014	2015
Deferred tax assets (liabilities), net, beginning of year	¥ 12,431	¥ 14,073	$ 103,445
Deferred tax	(3,890)	1,313	(32,371)
Income taxes on other comprehensive income (Note 1)	722	(2,819)	6,008
Others (Note 2)	5,813	(136)	48,374
Deferred tax assets (liabilities), net, end of year	¥ 15,076	¥ 12,431	$ 125,456

Notes:

1. This represents an increase in future taxable differences related to available-for-sale financial assets.

2. This item mainly consists of temporary differences arising from business combinations of ¥6,000 million ($49,929 thousand) and ¥(148) million for the years ended March 31, 2015 and 2014, respectively. The business combinations for the year ended March 31, 2015 include ¥8,886 million ($73,945 thousand) of provision for interest repayment claims and ¥(3,639) million ($(30,282) thousand) of other deferred tax liabilities in relation to the conversion of YJ Card Corporation into a consolidated subsidiary.

Deferred tax assets and liabilities in the consolidated statement of financial position are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013	As of March 31, 2015
Deferred tax assets	¥ 15,105	¥ 12,469	¥ 14,104	$ 125,697
Deferred tax liabilities	29	38	31	241
Net	¥ 15,076	¥ 12,431	¥ 14,073	$ 125,456

At March 31, 2015, the Group has ¥6,674 million ($55,538 thousand) of deferred tax assets which belong to entities that recorded losses. The Group recognizes deferred tax assets to the extent that it is probable that future taxable profit will be available.

Deductible temporary differences and net operating loss carryforwards for which no deferred tax assets have been recognized are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013	As of March 31, 2015
Deductible temporary differences	¥ 644	¥ 572	¥ 891	$ 5,359
Net operating loss carryforwards which expire:				
Within one year				
In one year to five years		¥ 233	¥ 158	
After five years	¥ 355	710	1,118	$ 2,954
Total	¥ 355	¥ 943	¥ 1,276	$ 2,954

Total taxable temporary differences (before multiplying by the tax rate) for which no deferred tax liabilities related to the investments in subsidiaries have been recognized as of March 31, 2015 and 2014 and April 1, 2013 are ¥22,704 million ($188,932 thousand), ¥17,205 million and ¥8,914 million, respectively.

(2) *Tax Expenses*

The components of income tax expenses are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2015	2014	2015
Current tax expenses	¥ 70,476	¥ 79,870	$ 586,469
Deferred tax expenses	3,890	(1,313)	32,371
Total	¥ 74,366	¥ 78,557	$ 618,840

For the year ended March 31, 2015

On March 31, 2015, the Act on the Partial Revision of the Income Tax Act (Article 9, 2015) and the Act on the Partial Revision of the Local Tax Act (Article 2, 2015) were promulgated in Japan. On April 1, 2015, the Ordinance on the Metropolitan Tax and the Ordinance on the Partial Revision of the Metropolitan Tax (Ordinance 93, 2015) was also promulgated in Tokyo. In accordance with these changes, deferred tax assets and liabilities are determined by using the new statutory tax rate. The effect of this change was to increase income taxes—current by ¥2,140 million ($17,808 thousand).

For the year ended March 31, 2014

In Japan, the Act on the Partial Revision of the Income Tax Act (Article 10, 2014) was issued on March 31, 2014, and the special corporation tax for reconstruction was not imposed from the fiscal year started April 1, 2014. The statutory effective tax rate was changed in the year ended March 31, 2014 in relation to this revision of law. The impact of this change was not material.

The reconciliation of the statutory effective tax rate and actual tax rate is as follows, with the actual tax rate representing the ratio of income tax expenses to profit before tax:

	Year Ended March 31	
	2015	2014
Statutory effective tax rate (%)	35.64	38.01
Effect of the change in statutory tax rate (%)	1.06	0.36
Gain on remeasurement of investments in associates acquired in stages (%)	(1.07)	
Negative goodwill arising from reclassification of investments (%)	(0.56)	
Others (%)	0.63	(0.64)
Actual tax rate (%)	35.70	37.73

15. TRADE AND OTHER PAYABLES

The components of trade and other payables are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013	As of March 31, 2015
Foreign exchange dealings deposits from customers	¥ 97,178	¥ 81,595	¥ 72,485	$ 808,671
Accounts payable—other	35,790	24,334	20,852	297,828
Accounts payable—trade	14,821	12,507	11,114	123,334
Others	11,190	24,126	17,157	93,118
Total	¥ 158,979	¥ 142,562	¥ 121,608	$ 1,322,951

16. OTHER FINANCIAL LIABILITIES

The components of other financial liabilities are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013	As of March 31, 2015
Derivative financial liabilities	¥ 9,070	¥ 5,108	¥ 5,648	$ 75,476
Others	1,521	128	147	12,658
Total	¥ 10,591	¥ 5,236	¥ 5,795	$ 88,134
Current liabilities	¥ 9,671	¥ 5,108	¥ 5,648	$ 80,478
Non-current liabilities	920	128	147	7,656

17. PROVISIONS

The components of provisions are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013	As of March 31, 2015
Provision for interest repayment claims (Notes 1 and 2)	¥ 23,357			$ 194,366
Asset retirement obligations (Note 1)	2,738	¥ 2,655	¥ 2,460	22,784
Others (Notes 1 and 3)	3,146	2,951	4,299	26,181
Total	¥ 29,241	¥ 5,606	¥ 6,759	$ 243,331
Provisions (current)	¥ 6,399	¥ 2,951	¥ 4,299	$ 53,250
Provisions (non-current)	22,842	2,655	2,460	190,081

Notes:

1. Additional information on the nature of the provisions included in the table above is provided in "Note 3. Significant accounting policies (9) Provisions."

2. Provision for interest repayment claims is calculated by estimating the future repayment amount based on the historical experience of repayments and expirations due to the statute of limitations.

3. This item mainly consists of provision for Yahoo! Points.

Changes in provisions are as follows:

	Millions of Yen			
	Provision for Interest Repayment Claims	Asset Retirement Obligations	Others	Total
As of April 1, 2014		¥ 2,655	¥ 2,951	¥ 5,606
Recognition of provisions		114	2,976	3,090
Business combinations	¥ 24,081	33	234	24,348
Increase due to passage of time		73		73
Used	(724)	(152)	(61)	(937)
Reversal		(11)	(26)	(37)
Others		26	(2,928)	(2,902)
As of March 31, 2015	¥ 23,357	¥ 2,738	¥ 3,146	¥ 29,241

	Thousands of U.S. Dollars			
	Provision for Interest Repayment Claims	Asset Retirement Obligations	Others	Total
As of April 1, 2014		$ 22,094	$ 24,557	$ 46,651
Recognition of provisions		949	24,765	25,714
Business combinations	$ 200,391	275	1,947	202,613
Increase due to passage of time		607		607
Used	(6,025)	(1,265)	(507)	(7,797)
Reversal		(92)	(216)	(308)
Others		216	(24,365)	(24,149)
As of March 31, 2015	$ 194,366	$ 22,784	$ 26,181	$ 243,331

18. PURCHASE COMMITMENTS

Commitments to purchase goods and services as of March 31, 2015 and 2014 are ¥12,234 million ($101,806 thousand) and ¥12,749 million, respectively. The commitments are mainly attributable to executory contracts of usage fees of data-center communication equipment and purchase of assets.

19. OTHER LIABILITIES

The components of other current liabilities and other non-current liabilities are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013	As of March 31, 2015
Consumption taxes payable	¥ 11,064	¥ 2,811	¥ 3,999	$ 92,070
Advance received	9,296	8,018	7,419	77,357
Accrued bonuses	5,215	5,612	3,661	43,397
Accrued paid absences	4,037	3,665	3,223	33,594
Others	5,525	3,065	3,029	45,975
Total	¥ 35,137	¥ 23,171	¥ 21,331	$ 292,393
Other current liabilities	¥ 31,652	¥ 22,058	¥ 20,261	$ 263,393
Other non-current liabilities	3,485	1,113	1,070	29,000

20. RETIREMENT BENEFITS

Outline of Retirement Benefit Plans

The Company and certain subsidiaries participate primarily in defined contribution pension plans, as well as a multi-employer contributory defined benefit welfare pension plan. On April 1, 2015, the Company and certain subsidiaries withdrew from The Kanto IT Software Pension Fund ("Kanto IT"), a multi-employer contributory defined benefit welfare pension plan. The effect of the withdrawal was not material.

(1) *Defined contribution pension plans*

Retirement benefit costs of defined contribution plans, including multi-employer welfare pension plan for which the accounting treatment is the same as that of defined contribution plans, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2015	2014	2015
Contributions to multi-employer pension plans	¥ 933	¥ 813	$ 7,764
Contributions to defined contribution pension plans	498	445	4,144
Total	¥ 1,431	¥ 1,258	$ 11,908

(2) *Multi-employer contributory defined benefit welfare pension plans*

Contributions made by the Company and its consolidated subsidiaries to the multi-employer pension plans are expensed when paid because the plan assets attributable to each participant cannot be reasonably determined. Contributions are calculated by multiplying average salary of the participant by a certain rate. When an employer withdraws from the plans, the employer may be required to contribute its unfunded portion as a special contribution at withdrawal. In the event the plan is dissolved and liquidated, the deficit will be collected or the remainder will be distributed in accordance with the minimum funding requirement set by applicable laws. Details of the multi-employer contributory defined benefit welfare pension plans for which contributions are expensed as retirement benefit expenses are as follows:

The fair values of the welfare pension plans' entire assets and actuarial pension liabilities as of March 31, 2015 and 2014 and April 1, 2013, are as follows:

(Kanto IT)

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013	As of March 31, 2015
Based on the fair value information as of:	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2014
Fair value of all plan assets	¥ 252,294	¥ 222,957	¥ 186,190	$ 2,099,476
Total of actuarial pension liabilities and plan's minimum reserve	227,331	206,136	186,649	1,891,745
Difference	¥ 24,963	¥ 16,821	¥ (459)	$ 207,731

(The Pension Fund of Japan Electronics Information Technology Industry ("JEIT"))

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013	As of March 31, 2015
Based on the fair value information as of:	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2014
Fair value of all plan assets	¥ 231,951	¥ 213,152	¥ 191,384	$ 1,930,190
Total of actuarial pension liabilities and plan's minimum reserve	262,247	246,041	230,273	2,182,300
Difference	¥ (30,296)	¥ (32,889)	¥ (38,889)	$ (252,110)

Note: Because the welfare pension plans provide their information only once a year, the latest information available at the time of preparing these consolidated financial statements is that of one year earlier.

The participation ratios in the welfare pension plans based on the latest information available as of March 31, 2015 and 2014 and April 1, 2013 were as follows:

	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013
Based on the fair value information as of:	March 31, 2014	March 31, 2013	March 31, 2012
Kanto IT	6.7%	5.8%	5.1%
JEIT	0.4%	0.3%	0.3%

Under the welfare pension plans, prior service cost is amortized over 20 years by using the straight-line method.

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

(Kanto IT)

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013	As of March 31, 2015
Based on the fair value information as of:	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2014
Other reserve	¥ 19,333		¥ 3,330	$ 160,881
Funded reserve	5,630	¥ 26,904	(13,412)	46,850
Accumulated unfunded portion		(10,083)		
Adjustment for remeasurement of assets			9,623	
Total	¥ 24,963	¥ 16,821	¥ (459)	$ 207,731

(JEIT)

	Millions of Yen			Thousands of U.S. Dollars
	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013	As of March 31, 2015
Based on the fair value information as of:	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2014
Other reserve	¥ 1,241	¥ 235		$ 10,327
Accumulated deficit			¥ (3,360)	
Unamortized obligations	(31,537)	(33,124)	(35,529)	(262,437)
Total	¥ (30,296)	¥ (32,889)	¥ (38,889)	$ (252,110)

21. OPERATING LEASES

(1) *As Lessee*

The Group leases buildings to utilize as offices and data centers through operating lease contracts. Certain operating lease contracts have an automatic renewal option. There are no contingent rent payable, purchase options, escalation clauses, or restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing. Total rental expenses under operating lease contracts for the fiscal years ended March 31, 2015 and 2014, were ¥9,864 million ($82,084 thousand) and ¥9,267 million, respectively.

Non-cancelable operating leases

The components of the future minimum lease payments under non-cancelable operating leases are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2015	2014	2015
Not later than one year	¥ 8,206	¥ 8,003	$ 68,287
Later than one year and not later than five years	5,724	11,725	47,633
Later than five years	586	646	4,876
Total	¥ 14,516	¥ 20,374	$ 120,796

(2) *As Lessor*

Non-cancelable operating leases

The Group leases data-center services-related equipment (e.g., servers) as lessor through operating lease contracts. The components of the future minimum payments under non-cancelable operating leases are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2015	2014	2015
Not later than one year	¥ 2,243	¥ 2,461	$ 18,665
Later than one year and not later than five years	736	447	6,125
Total	¥ 2,979	¥ 2,908	$ 24,790

22. EQUITY

(1) *Common Stock and Treasury Stock*

Numbers of authorized shares and issued shares are as follows:

	Year Ended March 31	
	2015	2014
Authorized shares—Common stock	24,160,000,000	24,160,000,000
Issued shares:		
Balance at the beginning of the year	5,694,900,600	57,510,554
Increase	44,400 (Note 2)	5,694,630,346 (Note 1)
Decrease		(57,240,300) (Note 3)
Balance at the end of the year	5,694,945,000	5,694,900,600

Notes:

1. This item consists of 5,694,321,303 shares resulting from a hundred-for-one share split that became effective on October 1, 2013 and 309,043 shares from the exercise of share subscription rights.

2. This item represents the exercise of share subscription rights.

3. This item represents the retirement of treasury stock.

Numbers of treasury stock included in issued shares as of March 31, 2015 and 2014 and April 1, 2013 were 2,800,000 shares, 1,016,800 shares and 10,168 shares, respectively.

(2) *Surplus*

1) *Capital surplus*

Capital surplus of the Company includes additional paid-in capital. Under the Companies Act of Japan ("the Companies Act"), at least 50% of the proceeds upon issuance of equity instruments shall be credited to common stock. The remainder of the proceeds shall be credited to additional paid-in capital. The Companies Act permits, upon approval at the general meeting of shareholders, the transfer of amounts from additional paid-in capital to common stock.

2) *Retained earnings*

Retained earnings of the Company include the reserve legally required as legal retained earnings. The Companies Act provides that 10% of the dividends from retained earnings shall be appropriated as legal capital surplus or as legal retained earnings until their aggregate amount equals 25% of common stock. The legal retained earnings may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the general meeting of shareholders.

23. DIVIDENDS

Total amount of dividends was as follows:

Resolution	Millions of Yen Total Dividends	Thousands of U.S. Dollars Total Dividends	Yen Dividends per Share	U.S. Dollars Dividends per Share	Record Date	Effective Date
Year Ended March 31, 2015						
Board of directors meeting held on May 16, 2014	¥ 25,224	$ 209,903	¥4.43	$0.04	March 31, 2014	June 5, 2014
Year Ended March 31, 2014						
Board of directors meeting held on May 17, 2013	¥ 23,058		¥401		March 31, 2013	June 6, 2013

Note: The effect of the hundred-for-one share split effected on October 1, 2013 has not been reflected in the dividends per share for the year ended March 31, 2014 above.

Dividends to become effective during the year ending March 31, 2016 are as follows:

Resolution	Millions of Yen Total Dividends	Thousands of U.S. Dollars Total Dividends	Yen Dividends per Share	U.S. Dollars Dividends per Share	Record Date	Effective Date
Board of directors meeting held on May 21, 2015	¥ 50,432	$ 419,672	¥8.86	$0.07	March 31, 2015	June 4, 2015

24. SHARE-BASED PAYMENT

The Company has share option plans as share-based payment awards. Share options are granted to the Company's directors and employees based on the terms approved by the Company's shareholders and the board of directors.

Share-based payments are accounted for as equity-settled share based payments. Expenses related to equity-settled share-based payments for the years ended March 31, 2015 and 2014 were ¥31 million ($258 thousand) and ¥57 million, respectively.

(1) *Share Option Plans*

1) *Details of share option plans*

The details of the Company's share option plans for the years ended March 31, 2015 and 2014 are as follows:

The Company grants share options to its directors and employees. Shares issued upon the exercise of such share options are those shares issued by the Company.

On October 1, 2013, the Company made a share split by way of a free share distribution at a rate of 100 shares for each outstanding share. The record date of the share split was September 30, 2013. The effect of the hundred-for-one share split has been reflected in the options and share information in the tables below:

Options Series	Grant Date	Exercise Period
2005 (Note 1)	May 2, 2006	June 17, 2015
2006 (Note 1)	From September 6, 2006 to February 7, 2007	From August 23, 2016 to January 24, 2017
2007 (Note 1)	From May 8, 2007 to February 13, 2008	From April 24, 2017 to January 30, 2018
2008 (Note 1)	From May 9, 2008 to February 10, 2009	From April 25, 2018 to January 27, 2019
2009 (Note 1)	From May 12, 2009 to February 10, 2010	From April 28, 2019 to January 27, 2020
2010 (Note 1)	From May 11, 2010 to February 8, 2011	From April 27, 2020 to January 25, 2021
2011 (Note 1)	From June 3, 2011 to February 17, 2012	From May 20, 2021 to February 3, 2022
2012		
1st (Note 1) 2nd (Note 2)	From May 16, 2012 to March 1, 2013	From May 2, 2022 to February 28, 2023
2013		
1st (Note 3) 2nd (Note 4)	From May 17, 2013 to November 19, 2013	From May 16, 2023 to November 18, 2023
2014		
1st (Note 4)	May 26, 2014	May 25, 2024

Notes:

1. Vesting condition

   Rights mainly vest in stages after two years from the grant date. One half of the total granted vests after two years from the grant date, and one-fourth vests per year in the subsequent two years. Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

2. Vesting condition

   Rights vest according to the amount of operating income achieved as specified in (i) and (ii) below in any year from the fiscal year ended March 2014 to fiscal year ending March 2019.

   (i) If the operating income exceeds ¥250 billion

   Period of achievement: By fiscal year March 2016; Exercisable ratio: 20%
   Period of achievement: By fiscal year March 2017; Exercisable ratio: 14%
   Period of achievement: By fiscal year March 2018; Exercisable ratio: 8%
   Period of achievement: By fiscal year March 2019; Exercisable ratio: 2%

   (ii) If the operating income exceeds ¥330 billion

   Period of achievement: By fiscal year March 2016; Exercisable ratio: 80%
   Period of achievement: By fiscal year March 2017; Exercisable ratio: 56%
   Period of achievement: By fiscal year March 2018; Exercisable ratio: 32%
   Period of achievement: By fiscal year March 2019; Exercisable ratio: 8%

   Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

3. Vesting condition

   Rights vest according to the amount of operating income achieved as specified in (i) and (ii) below in any year from the fiscal year ended March 2014 to fiscal year ending March 2019.

   (i) If the operating income exceeds ¥250 billion; Exercisable ratio: 20%
   (ii) If the operating income exceeds ¥330 billion; Exercisable ratio: 80%

   Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

4. Vesting condition

   Rights vest once the operating income for the fiscal year exceeds ¥330 billion in any year from the fiscal year ended March 2015 to fiscal year ending March 2019. Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

(2) *Fair Value of Share Options Granted during the Period*

Weighted average fair values and information on how fair value is measured at the measurement date of the share options granted during the period are as follows:

Weighted average fair values at the measurement date of the share options granted during the period for the years ended March 31, 2015 and 2014 are ¥195 ($1.62) and ¥209, respectively.

Information on fair value measurement of share options is as follows:

	For the Year Ended March 31, 2015
Options series	2014—1st
Valuation method used	Monte Carlo simulation
Key inputs and assumptions:	
Weighted average stock price (yen) (U.S. dollars)	¥492 ($4.09)
Exercise price (yen) (U.S. dollars)	¥492 ($4.09)
Volatility of stock price (Note)	36.90%
Period until maturity	10 years
Estimated dividend	Dividend yield 0.90%
Risk-free interest rate	0.612%

	For the Year Ended March 31, 2014	
Options series	2013—1st	2013—2nd
Valuation method used	Monte Carlo simulation	Monte Carlo simulation
Key inputs and assumptions:		
Weighted average stock price (yen)	¥492	¥514
Exercise price (yen)	¥493	¥514
Volatility of stock price (Note)	38.27%	37.15%
Period until maturity	10 years	10 years
Estimated dividend	Dividend yield 0.70%	Dividend yield 0.78%
Risk-free interest rate	0.585%	0.605%

Note: Calculated based on the latest actual stock price in the retrospective period that corresponds with the period until maturity.

(3) *Changes in Share Options during the Period and the Condition of Share Options at the Period End*

Changes in share options (expressed in the number of shares issued upon exercise) during the period and the condition of share options at the period end are as follows:

	For the Year Ended March 31			
	2015		2014	
	Number of Shares	Weighted Average Exercise Price (Yen) (U.S. Dollars)	Number of Shares	Weighted Average Exercise Price (Yen)
Beginning balance—				
Unexercised	64,012,500	¥427 ($3.55)	30,850,500	¥ 329
Granted	1,950,000	¥492 ($4.09)	35,676,000	¥ 508
Forfeited	(331,400)	¥475 ($3.95)	(1,761,300)	¥ 370
Exercised	(44,400)	¥325 ($2.70)	(752,700)	¥ 339
Ending balance—				
Unexercised	65,586,700	¥429 ($3.57)	64,012,500	¥ 427
Ending balance—				
Exercisable	3,583,700	¥366 ($3.05)	3,130,100	¥ 377

The unexercised share options as of March 31, 2015, are as follows:

Range of Exercise Price (Yen)	Number of Shares	Weighted Average Exercise Price (Yen) (U.S. Dollars)	Weighted Average Remaining Contract Period (Years)
201–300	1,081,100	¥271 ($2.26)	6.4
301–400	26,027,400	¥324 ($2.70)	7.8
401–500	12,797,900	¥486 ($4.04)	7.7
501–600	25,674,200	¥514 ($4.28)	8.6
601–700	6,100	¥680 ($5.66)	0.2
Total	65,586,700	¥429 ($3.57)	8.1

(**4**) ***Share Options Exercised during the Period***

Weighted average stock prices at exercise for share options exercised during the period are as follows:

For the Year Ended March 31					
2015			2014		
Options Series	Number of Shares Issued	Weighted Average Stock Price at Exercise (Yen) (U.S. Dollars)	Options Series	Number of Shares Issued	Weighted Average Stock Price at Exercise (Yen)
2006	200	¥436 ($3.63)	2006	12,500	¥ 519
2007	7,600	¥465 ($3.87)	2007	100,100	¥ 528
2008	3,000	¥458 ($3.81)	2008	130,400	¥ 516
2009	15,500	¥455 ($3.79)	2009	283,400	¥ 515
2010	8,200	¥441 ($3.67)	2010	113,200	¥ 506
2011	9,400	¥448 ($3.73)	2011	113,100	¥ 533
2012	500	¥446 ($3.71)			

25. FINANCIAL INSTRUMENTS

(**1**) ***Capital Management***

The Company's policy is to realize and maintain optimum capital composition to continue mid- and long-term sustainable growth and maximize corporate value. Certain subsidiaries are subject to regulatory capital requirements under the Financial Instruments and Exchange Act and related laws and regulations. Such subsidiaries are required to maintain capital adequacy ratios, net assets and other indicators at certain levels.

Significant capital requirements attributable to domestic subsidiaries in the Group are as follows:

1) *YJFX, Inc.*

YJFX, Inc. is subject to the Financial Instruments and Exchange Act and related laws and regulations and required to maintain a ratio, which is calculated by dividing its unappropriated capital by the total amount of the following three risk equivalent amounts, of at least 120%. The three risk equivalent amounts are:

(a) market risk (risk arising from fluctuations in stock price, interest rate and exchange rate that affect holding assets) equivalent amount,
(b) counterparty risk (risk assumed to be attributable to counterparties of financial instrument transactions) equivalent amount, and
(c) fundamental risk (risk attributable to processing daily operations such as errors in paperwork) equivalent amount.

2) *YJ Card Corporation*

YJ Card Corporation is subject to the Money Lending Business Act, Installment Sales Act and related laws and regulations and required to maintain its equity (net assets) at a certain level. The minimum amount of net assets required to be maintained is the greater of the following two items:

(a) ¥50 million
(b) 90% of share capital or capital contribution

No revision was made to applicable laws that have a significant impact on the capital requirements for the years ended March 31, 2015 and 2014.

(**2**) ***Financial Risk Management***

The Group faces a variety of financial risks (currency risk, price risk, interest rate risk, credit risk, and liquidity risk) in its operations. The Company manages risks based on its established policies to prevent and reduce these financial risks. Derivative transactions entered into by the Group are limited to the extent of actual demands. The Group does not enter into derivative contracts for speculative or trading purposes.

1) *Market risk*

(a) Currency Risk

The Group conducts foreign currency exchange transactions and is subject to currency risk from changes in currency rates mainly of U.S. dollars. To avoid this risk, the Company utilizes forward foreign exchange contracts. In addition, to avoid currency risk arising from foreign exchange dealings, the Company utilizes covering transactions with counterparties to cover its positions arising from transactions with customers.

Foreign exchange sensitivity analysis

The following table presents the effect of a 1% appreciation of the Japanese yen against the U.S. dollar on profit before tax and other comprehensive income (before net of tax effect) for the financial instruments with the above foreign currency risk exposure, assuming that all other factors are constant. The analysis does not include the effect of translating assets and liabilities of foreign operations into the presentation currency.

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2015	2014	2015
Decrease in profit before tax	¥ 4	¥ 11	$ 33
Decrease in other comprehensive income before tax effect	75	43	624

(b) Price Risk

As a part of its business strategy, the Company holds equity securities traded in active markets and is exposed to market price fluctuation risk. To manage this risk, the Company continuously monitors the financial condition of the security issuers and stock market fluctuations.

Price sensitivity analysis

The table below presents the effect of a 10% decrease in market price in the securities traded in active markets on other comprehensive income before tax effect in the consolidated statement of comprehensive income, assuming that all other factors are constant.

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2015	2014	2015
Decrease in other comprehensive income before tax effect	¥ 1,438	¥ 1,837	$ 11,966

(c) Interest Rate Risk

Interest rate sensitivity analysis

The Group's use of funds for investing activities is exposed to interest rate risk.

The table below presents the effect of a 1% increase in interest rates in the Group's financial instruments that are exposed to changes in interest rates on other comprehensive income before tax effect in the consolidated statement of comprehensive income, assuming that all other factors, such as foreign currency fluctuation, are constant.

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2015	2014	2015
Decrease in other comprehensive income before tax effect	¥ 724	¥ 1,109	$ 6,025

2) *Credit risk*

In the course of the Company's business, trade and other receivables, and other financial assets (including equity securities and derivatives) are exposed to credit risk of its counterparties. In order to prevent and reduce the risk, the Company does not expose itself to significant concentrations of credit risk. To manage the credit risk, the Company secures collateral and obtains guarantees that correspond to each customer's credit status after performing credit research and setting a line of credit in accordance with internal customer credit management rules. In addition, the Company performs due date controls and balance controls for each customer and periodically monitors their credit status.

The Group conducts foreign exchange margin transactions with customers and covering transactions with counterparties in order to avoid risks arising from the transactions.

The Group is exposed to the credit risks of customers that include possible uncollectible receivables arising from losses that exceed the customer's funds, and the credit risks of financial institutions as counterparties of the transactions. Because automatic stop-loss rules and systems are implemented, the exposure to the credit risks of customers is limited. As to the credit risks of counterparties, the Group believes that the possibility of default is remote because the Group conducts covering transactions only with creditworthy financial institutions. Also, in conducting covering transactions, positions, gains and losses of the transactions are checked in accordance with internal management policy.

The Group recognizes impairment losses after evaluating collectability of trade and other receivables based on the debtor's credit status. The Group does not have any experience of material impairment losses. For trade and other receivables that are neither past due nor impaired, there is no indication that any debtor would be unable to meet their obligations at the time of this report.

The carrying amount of financial instruments, net of impairment, which is presented in the statement of financial position, as well as the amount of lending commitments, represents the Company's maximum exposure to credit risk on financial assets. The value of collateral held and other credit enhancements are not included. The details of lending commitments are described in "Note 33. Contingencies."

Trade and other receivables include security deposits received as credit enhancements. Such deposits as of March 31, 2015 and 2014 and April 1, 2013 were ¥919 million ($7,647 thousand), ¥708 million and ¥700 million, respectively.

Foreign exchange dealings deposits from customers include security deposits received from customers. Such deposits as of March 31, 2015 and 2014 and April 1, 2013 were ¥97,178 million ($808,671 thousand), ¥81,595 million and ¥72,485 million, respectively.

3) *Liquidity risk*

The Group is exposed to liquidity risk in funding, use and repayment of cash in relation to operating transactions and investing activities. In order to prevent and reduce the liquidity risk, the Group's use of its funds is limited to high-liquidity and low-risk investments which mature within a year. The Group finances its funds with bank loans for which repayment periods are decided after considering the market environment and long-term and short-term balances.

(3) *Categories of Financial Instruments*

Components of financial instruments (excluding cash and cash equivalents) by category are as follows:

As of March 31, 2015

Financial Assets	Millions of Yen Financial Assets at FVTPL	Available-for-Sale Financial Assets	Loans and Receivables	Total
Current assets:				
Trade and other receivables			¥ 217,736	¥ 217,736
Other financial assets	¥ 15,887		15	15,902
Non-current assets—				
Other financial assets	1,144	¥ 43,511	13,449	58,104
Total	¥ 17,031	¥ 43,511	¥ 231,200	¥ 291,742

Financial Liabilities	Millions of Yen Financial Liabilities at FVTPL	Financial Liabilities at Amortized Cost	Total
Current liabilities:			
Trade and other payables		¥ 158,979	¥ 158,979
Other financial liabilities	¥ 9,070	601	9,671
Non-current liabilities—			
Other financial liabilities		920	920
Total	¥ 9,070	¥ 160,500	¥ 169,570

Financial Assets	Thousands of U.S. Dollars Financial Assets at FVTPL	Available-for-Sale Financial Assets	Loans and Receivables	Total
Current assets:				
Trade and other receivables			$ 1,811,900	$ 1,811,900
Other financial assets	$ 132,204		125	132,329
Non-current assets—				
Other financial assets	9,520	$ 362,079	111,916	483,515
Total	$ 141,724	$ 362,079	$ 1,923,941	$ 2,427,744

Financial Liabilities	Thousands of U.S. Dollars Financial Liabilities at FVTPL	Financial Liabilities at Amortized Cost	Total
Current liabilities:			
Trade and other payables		$ 1,322,951	$ 1,322,951
Other financial liabilities	$ 75,476	5,002	80,478
Non-current liabilities—			
Other financial liabilities		7,656	7,656
Total	$ 75,476	$ 1,335,609	$ 1,411,085

As of March 31, 2014

Financial Assets	Financial Assets at FVTPL	Available-for-Sale Financial Assets	Loans and Receivables	Total
	Millions of Yen			
Current assets:				
Trade and other receivables			¥ 160,396	¥ 160,396
Other financial assets	¥ 12,313			12,313
Non-current assets—				
Other financial assets	719	¥ 41,440	7,373	49,532
Total	¥ 13,032	¥ 41,440	¥ 167,769	¥ 222,241

Financial Liabilities	Financial Liabilities at FVTPL	Financial Liabilities at Amortized Cost	Total
	Millions of Yen		
Current liabilities:			
Trade and other payables		¥ 142,562	¥ 142,562
Other financial liabilities	¥ 5,108		5,108
Non-current liabilities—			
Other financial liabilities		128	128
Total	¥ 5,108	¥ 142,690	¥ 147,798

As of April 1, 2013

Financial Assets	Financial Assets at FVTPL	Available-for-Sale Financial Assets	Loans and Receivables	Total
	Millions of Yen			
Current assets:				
Trade and other receivables			¥ 143,874	¥ 143,874
Other financial assets	¥ 9,356		4,200	13,556
Non-current assets—				
Other financial assets		¥ 28,596	7,104	35,700
Total	¥ 9,356	¥ 28,596	¥ 155,178	¥ 193,130

Financial Liabilities	Financial Liabilities at FVTPL	Financial Liabilities at Amortized Cost	Total
	Millions of Yen		
Current liabilities:			
Trade and other payables		¥ 121,608	¥ 121,608
Other financial liabilities	¥ 5,648		5,648
Non-current liabilities—			
Other financial liabilities		147	147
Total	¥ 5,648	¥ 121,755	¥ 127,403

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

(1) *Categorization by Level within the Fair Value Hierarchy*

Financial instruments that are measured at fair value on a recurring basis after initial recognition are classified into three levels of the fair value hierarchy based on the observability and significance of inputs used for the measurement.

Levels 1 to 3 of the fair value hierarchy are defined as follows:

Level 1: Fair value is measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value is measured using inputs, other than those used in level 1, that are observable, either directly or indirectly.

Level 3: Fair value is measured using unobservable inputs.

If the fair value measurement uses different levels of inputs, the fair value is categorized based on the lowest level of input that is significant to the entire fair value measurement.

Transfers between levels of the fair value hierarchy are recognized as if they have occurred at the beginning of each quarter. There were no transfers between levels 1 and 2 during the fiscal years ended March 31, 2015 and 2014.

Financial instruments measured at fair value on a recurring basis by level within the fair value hierarchy are as follows:

As of March 31, 2015

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Derivatives used in foreign exchange dealings		¥ 15,887		¥ 15,887
Others			¥ 1,144	1,144
Available-for-sale financial assets:				
Equity securities	¥ 14,569		15,985	30,554
Debt securities		7,554	1,806	9,360
Others		62	3,535	3,597
Total	¥ 14,569	¥ 23,503	¥ 22,470	¥ 60,542
Financial liabilities at FVTPL:				
Derivatives used in foreign exchange dealings		¥ 9,070		¥ 9,070
Total		¥ 9,070		¥ 9,070

	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Derivatives used in foreign exchange dealings		$ 132,204		$ 132,204
Others			$ 9,520	9,520
Available-for-sale financial assets:				
Equity securities	$ 121,236		133,020	254,256
Debt securities		62,861	15,029	77,890
Others		516	29,417	29,933
Total	$ 121,236	$ 195,581	$ 186,986	$ 503,803
Financial liabilities at FVTPL:				
Derivatives used in foreign exchange dealings		$ 75,476		$ 75,476
Total		$ 75,476		$ 75,476

As of March 31, 2014

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Derivatives used in foreign exchange dealings		¥ 12,313		¥ 12,313
Others			¥ 719	719
Available-for-sale financial assets:				
Equity securities	¥ 11,344		26,715	38,059
Debt securities			1,476	1,476
Others		61	1,844	1,905
Total	¥ 11,344	¥ 12,374	¥ 30,754	¥ 54,472
Financial liabilities at FVTPL:				
Derivatives used in foreign exchange dealings		¥ 5,108		¥ 5,108
Total		¥ 5,108		¥ 5,108

As of April 1, 2013

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Derivatives used in foreign exchange dealings		¥ 9,356		¥ 9,356
Available-for-sale financial assets:				
Equity securities	¥ 9,553		¥ 18,294	27,847
Others		13	736	749
Total	¥ 9,553	¥ 9,369	¥ 19,030	¥ 37,952
Financial liabilities at FVTPL:				
Derivatives used in foreign exchange dealings		¥ 5,648		¥ 5,648
Total		¥ 5,648		¥ 5,648

(**2**) ***Valuation Techniques for Financial Instruments***

Financial assets and liabilities at FVTPL mainly consist of foreign exchange dealings and are categorized as level 2 as they are evaluated based on the quoted market price of similar transactions.

As to available-for-sale financial assets, fair values of listed equity securities are evaluated at quoted prices at the end of the year, whereas fair values of non-listed equity securities are measured using quoted prices of comparable companies and valuation techniques such as the discounted cash flow model. They are classified as level 2 if all significant inputs such as quoted prices and perpetual growth rates that are used for the measurement of future cash flows are observable, whereas if inputs include significant unobservable inputs, they are classified as level 3.

Fair values of debt securities are measured mainly by the discounted cash flow model using discount rates as inputs after taking into account risk-free interest rates and credit spreads. They are categorized as level 2 or level 3 depending on their observability and significance.

Because the fair values of financial assets on the consolidated statement of financial position are the same or reasonably approximate as their carrying values, the carrying values are deemed to be their fair values.

(**3**) ***Fair Value Measurements of Financial Instruments That Are Categorized as Level 3***

1) *Valuation techniques and inputs*

Valuation techniques and significant unobservable inputs used in the level 3 fair value measurements are as follows:

			Ranges of Unobservable Inputs		
	Valuation Techniques	Unobservable Inputs	As of March 31, 2015	As of March 31, 2014	As of April 1, 2013
Available-for-sale financial assets (equity securities)	Discounted cash flow	Capital cost	12.6%	7.9%	9.1%
		Perpetual growth rate	2.0%	1.2%	0.0%
	Quoted prices of comparable companies	PER multiple		19.9–21.0	14.3–18.3
Financial assets at FVTPL (other)	Monte Carlo simulation	Expected normal distribution of operating profit	¥1,500 million ($12,482 thousand)		

PER multiple and perpetual growth rate have a positive correlation with the fair value of available-for-sale equity securities, whereas capital cost has a negative correlation. Probability of operating result achievement has a positive correlation with the fair value of other of financial assets at FVTPL.

2) *Reconciliation of financial instruments categorized as level 3*

Reconciliation of financial instruments categorized as level 3 is as follows:

For the Year Ended March 31, 2015

	Millions of Yen			
	Financial Assets at FVTPL	Available-for-Sale Financial Assets		
	Other	Equity Securities	Debt Securities	Other
As of April 1, 2014	¥ 719	¥ 26,715	¥ 1,476	¥ 1,844
Gains or losses:				
Profit for the year (Notes 1 and 3)	119	5,409	75	202
Other comprehensive income (Notes 2 and 3)		(3,033)	255	342
Purchases	306	8,919		1,260
Transfers from level 3 to level 1 (Note 4)		(1,065)		
Others (Note 3)		(20,960)		(113)
As of March 31, 2015	¥ 1,144	¥ 15,985	¥ 1,806	¥ 3,535

	Thousands of U.S. Dollars			
	Financial Assets at FVTPL	Available-for-Sale Financial Assets		
	Other	Equity Securities	Debt Securities	Other
As of April 1, 2014	$ 5,983	$ 222,310	$ 12,283	$ 15,345
Gains or losses:				
Profit for the year (Notes 1 and 3)	990	45,011	624	1,681
Other comprehensive income (Notes 2 and 3)		(25,239)	2,122	2,846
Purchases	2,547	74,220		10,485
Transfers from level 3 to level 1 (Note 4)		(8,862)		
Others (Note 3)		(174,420)		(940)
As of March 31, 2015	$ 9,520	$ 133,020	$ 15,029	$ 29,417

Notes:

1. Gains or losses included in profit for the year are included in "Other non-operating income" and "Other non-operating expenses" in the consolidated statement of profit or loss.

2. Gains or losses included in other comprehensive income are included in "Available-for-sale financial assets" and "Exchange differences on translating foreign operations" in the consolidated statement of comprehensive income.

3. Investments in The Japan Net Bank, Limited ("JNB"), which had been categorized as available-for-sale financial assets, have been reclassified to investments in an associate due to conversion of its non-voting right shares to common stock. In relation to this reclassification, the Company's interests were remeasured at fair value as if they were disposed, and the unrealized revaluation gain of ¥6,249 million ($52,001 thousand) included in "Accumulated other comprehensive income" in the consolidated statement of financial position has been reclassified to "Other non-operating income" in the consolidated statement of profit or loss. (Please refer to "Note 28. Other non-operating income.")

4. Due to newly listed stocks of an investee

For the Year Ended March 31, 2014

	Millions of Yen			
	Financial Assets at FVTPL	Available-for-Sale Financial Assets		
	Other	Equity Securities	Debt Securities	Other
As of April 1, 2013		¥ 18,294		¥ 736
Gains or losses:				
Profit for the year (Note 1)	¥ 18	(787)	¥ 24	(110)
Other comprehensive income (Note 2)		5,661	37	174
Purchases	701	4,540	1,415	1,044
Transfers from level 3 to level 1 (Note 3)		(1,042)		
Others		49		
As of March 31, 2014	¥ 719	¥ 26,715	¥ 1,476	¥ 1,844

Notes:

1. Gains or losses included in profit for the year are included in "Other non-operating income" and "Other non-operating expenses" in the consolidated statement of profit or loss.

2. Gains or losses included in other comprehensive income are included in "Available-for-sale financial assets" and "Exchange differences on translating foreign operations" in the consolidated statement of comprehensive income.

3. Due to newly listed stocks of an investee

3) *Sensitivity Analysis*

For financial instruments classified as level 3, no significant changes in fair value are expected to occur as a result of changing unobservable inputs to other alternative assumptions that are considered reasonable.

4) *Valuation processes*

The fair value of level 3 financial instruments is measured by our personnel in the investment management department, taking into account external specialists' advice and using the most appropriate valuation techniques and inputs that reflect the nature, characteristics, and risks of the financial instruments subject to fair valuation.

The result of the fair value measurement conducted at the end of each year, including the valuation by the external specialists, is reviewed by managers of the investment management department and approved by the Chief Financial Officer (Senior executive director).

27. COST OF SALES AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The components of cost of sales and selling, general and administrative expenses are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2015	2014	2015
Business commissions	¥ 52,747	¥ 49,788	$ 438,937
Personnel expenses	48,875	45,945	406,715
Sales commissions	35,158	28,638	292,569
Information services	17,697	13,832	147,266
Depreciation and amortization	16,936	13,452	140,934
Sales promotion costs	15,267	14,116	127,045
Royalty charge	11,648	11,439	96,929
Others	32,948	34,867	274,179
Total	¥ 231,276	¥ 212,077	$ 1,924,574

28. OTHER NON-OPERATING INCOME

The components of other non-operating income are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2015	2014	2015
Gain on remeasurement of investments in an associate acquired in stages (Note 1)	¥ 6,249		$ 52,001
Negative goodwill arising from reclassification of investments (Note 2)	2,481		20,646
Gain on sale of investment securities	653	¥ 11,769	5,434
Others	1,255	1,425	10,444
Total	¥ 10,638	¥ 13,194	$ 88,525

Notes:

1. In relation to the reclassification of investments in JNB to investments in an associate, the Company's interests were remeasured at fair value as if they were disposed, and the unrealized revaluation gain of ¥6,249 million ($52,001 thousand) included in "Accumulated other comprehensive income" in the consolidated statement of financial position has been reclassified to "Gain on remeasurement of investments in an associate acquired in stages" in the consolidated statement of profit or loss. (Please refer to "Note 26. Fair value of financial instruments (3), 2).")

2. As a result of the fair value remeasurement of investments in JNB, the Group's proportionate interests in net fair value of JNB's identifiable assets and liabilities exceed the Group's cost of the investments. The Group recognized the excess as "Negative goodwill arising from reclassification of investments" in the consolidated statement of profit or loss.

29. OTHER COMPREHENSIVE INCOME

The amount arising during the year, reclassification adjustments and income tax effects on each item in other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2015	2014	2015
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
Amount arising during the year	¥ 5,641	¥ 12,595	$ 46,942
Reclassification adjustments	(6,322)	(4,678)	(52,609)
Before tax effect	(681)	7,917	(5,667)
Income tax effect	722	(2,819)	6,008
Available-for-sale financial assets, after tax effect	41	5,098	341
Exchange differences on translating foreign operations:			
Amount arising during the year	928	175	7,722
Reclassification adjustments			
Before tax effect	928	175	7,722
Income tax effect			
Exchange differences on translating foreign operations, after tax effect	928	175	7,722
Share of other comprehensive income of associates:			
Amount arising during the year	976	191	8,123
Income tax effect			
Share of other comprehensive income of associates, after tax effect	976	191	8,123
Other comprehensive income, net of tax	¥ 1,945	¥ 5,464	$ 16,186

30. EARNINGS PER SHARE

Basic and diluted earnings per share attributable to owners of the Company are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2015	2014	2015
Basic earnings per share (yen and U.S. dollars)	¥23.37	¥22.43	$0.19
Profit for the year attributable to owners of the Company	¥133,052	¥128,605	$ 1,107,198
Profit for the year not attributable to owners of the Company			
Profit for the year used in the calculation of basic earnings per share	¥133,052	¥128,605	$ 1,107,198
Weighted-average number of common stock (thousands of shares)	5,692,891	5,732,878	
Diluted earnings per share (yen and U.S. dollars)	¥23.37	¥22.43	$0.19
Adjustments on profit for the year			
Increase in the number of common stock (thousands of shares)	812	1,369	
Potential common stock that are anti-dilutive and therefore excluded from the calculation of diluted earnings per share	Options series: 2005—1st, 2nd, 3rd and 4th; 2006—1st, 2nd and 3rd; 2007—1st, 3rd and 4th; 2008—1st, 2012—2nd, 2013—1st and 2nd; 2014—1st (Please refer to "Note 24. Share-based payment")	Options series: 2003—3rd, 2004—1st, 2nd, 3rd and 4th; 2005—1st, 2nd, 3rd and 4th; 2007—3rd and 4th; 2008—1st, 2012—2nd, 2013—1st and 2nd (Please refer to "Note 24. Share-based payment")	

On October 1, 2013, the Company made a share split by way of a free share distribution at a rate of 100 shares for each outstanding share. Basic and diluted earnings per share have been determined based on the assumption that the share split occurred on April 1, 2013.

31. SUPPLEMENTAL INFORMATION TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(1) Significant Non-cash Transactions

Significant non-cash transactions (investing and financing transactions that do not require the use of cash or cash equivalents) are as follows:

For the Year Ended March 31, 2015
Investments in JNB, which had been categorized as available-for-sale financial assets, has been reclassified to investments in an associate due to conversion of its non-voting right shares to common stock. The carrying amount of the investments at the time of conversion was ¥23,167 million ($192,785 thousand), calculated by reflecting the Group's proportionate interests in the net fair value of JNB's identifiable assets and liabilities.

For the Year Ended March 31, 2014

No significant non-cash transactions occurred during the year.

(2) *Acquisition of Shares of Subsidiaries*

Assets and liabilities assumed of new subsidiaries at the time of acquiring control through purchase of shares and the relationship between consideration and payment for acquisition are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Assets acquired	¥ 67,129	$ 558,617
Liabilities assumed	(38,225)	(318,091)
Net assets of new subsidiaries (before deducting cash assumed at the time of acquisition)	28,904	240,526
Goodwill	11,559	96,189
Non-controlling interests	(8,315)	(69,194)
Fair value of consideration paid	32,148	267,521
Cash assumed at the time of acquisition	(10,386)	(86,428)
Acquisition of shares of subsidiaries (after deducting cash assumed at the time of acquisition)	¥ 21,762	$ 181,093

32. RELATED PARTY TRANSACTIONS

The Company's ultimate holding company is SoftBank Corp. (a Japanese company).

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed herein. Details of transactions between the Group and other related parties that are not members of the Group are disclosed below.

(1) ***Related Party Transactions and Outstanding Balances***

Year Ended March 31, 2015

Nature of Relationship	Name of Company or Individual	Nature of Transaction	Millions of Yen Amount of Transaction	Millions of Yen Outstanding Balance at Year-End
Other related party	Yahoo! Inc.	Payment of royalty (Note 1)	¥ 11,606	¥ 3,187
A company in which a majority of its voting rights is held by a close member of the Company's Chairman	MODIVA JAPAN Inc. (Note 2)	Commission for fostering and promoting start-up companies (Note 1)	36	3
A company in which a majority of its voting rights is held by a close member of the Company's Chairman	Creative Link Corporation (Note 2)	Commission for providing news content (Note 1)	56	11

Nature of Relationship	Name of Company or Individual	Nature of Transaction	Thousands of U.S. Dollars Amount of Transaction	Thousands of U.S. Dollars Outstanding Balance at Year-End
Other related party	Yahoo! Inc.	Payment of royalty (Note 1)	$ 96,580	$ 26,521
A company in which a majority of its voting rights is held by a close member of the Company's Chairman	MODIVA JAPAN Inc. (Note 2)	Commission for fostering and promoting start-up companies (Note 1)	300	25
A company in which a majority of its voting rights is held by a close member of the Company's Chairman	Creative Link Corporation (Note 2)	Commission for providing news content (Note 1)	466	92

Notes:

1. Terms and conditions of the transactions are negotiated and determined based on the nature of the services to be rendered.

2. Mr. Taizo Son, a family member of the Company's Chairman, Mr. Masayoshi Son, holds a majority of the voting rights.

3. Amount of transactions figures do not include consumption taxes, whereas outstanding balance at year-end figures do.

4. Outstanding balances at year-end are not secured by any collateral and are subsequently settled by cash. No guarantee is given or received for such balances.

Year Ended March 31, 2014

Nature of Relationship	Name of the Company or Individual	Nature of Transaction	Millions of Yen Amount of Transaction	Millions of Yen Outstanding Balance at Year-End
Other related party	Yahoo! Inc.	Payment of royalty (Note 1)	¥ 11,227	¥ 2,950
Representative Director and President of the Company	Manabu Miyasaka	Exercise of share options (Note 2)	11	
		Grant of share options, for consideration (Note 3)	13	13
Chief Operating Officer of the Company	Kentaro Kawabe	Grant of share options, for consideration (Note 3)	10	10
A company in which a majority of its voting rights is held by a close member of the Company's Chairman	MODIVA JAPAN Inc. (Note 4)	Commission for fostering and promoting start-up companies (Note 1)	27	
A company in which a majority of its voting rights is held by a close member of the Company's Chairman	Creative Link Corporation (Note 4)	Commission for providing news content (Note 1)	54	9

Notes:

1. Terms and conditions of the transactions are negotiated and determined based on the nature of the services to be rendered.

2. The amount is determined by multiplying the number of shares issued as a result of exercising share options by the amount paid.

3. This represents consideration received from directors for granting share options to them. The amount of consideration was determined by Plutus Consulting, a third-party appraiser, by using a Monte Carlo simulation, a common price assessment model, based on the Company's stock price and other factors.

4. Mr. Taizo Son, a family member of the Company's Chairman, Mr. Masayoshi Son, holds a majority of the voting rights.

5. Amount of transaction figures do not include consumption taxes, whereas outstanding balance at year-end figures do.

6. Outstanding balances at year-end are not secured by any collateral and are subsequently settled by cash. No guarantee is given or received for such balances.

(**2**) ***Remuneration for Major Executives***

Remuneration for major executives is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2015	2014	2015
Short-term benefits	¥ 283	¥ 311	$ 2,355
Retirement benefits	1	2	8
Share-based payments	2	2	17
Total	¥ 286	¥ 315	$ 2,380

Note: Remuneration for major executives represents remuneration for the Company's directors including external directors.

33. CONTINGENCIES

(**1**) ***Committed Line of Cash Advances***

The Group provides cash advance services to customers in its credit card business. The remaining balances at year-end are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2015	2014	2015
Total amount of committed lines of cash advances	¥ 259,736	¥ 7,767	$ 2,161,405
Outstanding balance	(8,689)	(777)	(72,306)
Remaining balance	¥ 251,047	¥ 6,990	$ 2,089,099

(2) ***Credit Guarantee***

In its credit guarantee business, the Group implemented debt guarantees against customers' loans from partnered financial institutions.

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2015	2014	2015
Total amount of credit guarantees	¥ 13,447		$ 111,900
Balance of credit guarantees	10,427		86,769

34. FIRST-TIME ADOPTION OF IFRSS

The Group prepared the first consolidated financial statements in accordance with IFRSs from the fiscal year ended March 31, 2014. The Group's latest financial statements prepared in accordance with accounting principles generally accepted in Japan ("JGAAP") are those for the year ended March 31, 2014. The date of transition to IFRSs is April 1, 2013.

The effects of transition to IFRSs from JGAAP on the Group's financial position, operating results, and cash flows are disclosed in the following tables and notes of reconciliation.

Exemptions for Retrospective Application

IFRS 1 requires first-time adopters to apply IFRSs effective at the end of its first IFRS reporting period retrospectively. IFRS 1, however, allows first-time adopters to voluntarily use exemptions for some requirements of IFRSs. The Group applied the following exemptions:

(1) *Share-based payments*

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

(2) *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.

(3) *Exchange differences on translating foreign operations*

The Group has elected not to apply IAS 21 "The Effects of Changes in Foreign Exchange Rates" retrospectively to cumulative translation differences 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 gain or loss on subsequent disposal of any foreign operation.

Reconciliation of Equity as of March 31, 2014

Presentation under JGAAP	JGAAP	Reclassification	Differences in Recognition and Measurement	IFRSs	Notes	Presentation under IFRSs
	Millions of Yen					
Assets:						ASSETS:
Current assets:						Current assets:
Cash and deposits	¥ 482,629		¥ (292)	¥ 482,337		Cash and cash equivalents
Accounts receivable—trade	61,154	¥ 98,951	291	160,396	2	Trade and other receivables
Foreign exchange dealings cash—deposits with trust banks	75,171	(75,171)				
		12,313		12,313	3	Other financial assets
Other current assets	47,655	(43,854)	(141)	3,660	4	Other current assets
Allowance for doubtful accounts	(1,351)	1,351				
Total current assets	665,258	(6,410)	(142)	658,706		Total current assets
Fixed assets:						Non-current assets:
Property and equipment	53,698		6,448	60,146	5	Property and equipment
Intangible assets:						
Goodwill	10,218		5,591	15,809	6	Goodwill
Other assets	17,845		15	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	(6,882)	49,532	9	Other financial assets
		10,698	1,771	12,469	10	Deferred tax assets
Other assets	13,271	(12,163)	(6)	1,102	11	Other non-current assets
Allowance for doubtful accounts	(19)	19				
Total fixed assets	177,491	7,544	6,247	191,282		Total non-current assets
Total assets	¥ 842,749	¥ 1,134	¥ 6,105	¥ 849,988		TOTAL ASSETS

Presentation under JGAAP	JGAAP	Reclassification	Differences in Recognition and Measurement	IFRSs	Notes	Presentation under IFRSs
	Millions of Yen					
Liabilities:						LIABILITIES AND EQUITY:
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	(637)	508	45,656	14	Income taxes payable
		2,951		2,951	15	Provisions
Foreign exchange dealings deposits from customers	81,595	(81,595)				
Other current liabilities	73,378	(54,912)	3,592	22,058	16	Other current liabilities
Total current liabilities	213,121	1,133	4,081	218,335		Total current liabilities
Long-term liabilities:						Non-current liabilities:
		135	(7)	128	17	Other financial liabilities
		2,655		2,655	18	Provisions
		38		38	19	Deferred tax liabilities
Other liabilities	3,067	(2,827)	873	1,113	20	Other non-current liabilities
Total long-term liabilities	3,067	1	866	3,934		Total non-current liabilities
Total liabilities	216,188	1,134	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	701	(159)	3,893	21	Capital surplus
Retained earnings	600,457		(2,445)	598,012	22	Retained earnings
Treasury stock	(526)			(526)		Treasury stock
Accumulated other comprehensive income	6,408		3,625	10,033	23	Accumulated other comprehensive income
Stock acquisition rights	701	(701)				
	618,662		1,021	619,683		Total equity attributable to owners of the parent
Minority interests	7,899		137	8,036		Non-controlling interests
Total equity	626,561		1,158	627,719		Total equity
Total liabilities and equity	¥ 842,749	¥ 1,134	¥ 6,105	¥ 849,988		TOTAL LIABILITIES AND EQUITY

Reconciliation of Equity as of April 1, 2013, the Date of Transition

Presentation under JGAAP	JGAAP	Reclassification	Differences in Recognition and Measurement	IFRSs	Notes	Presentation under IFRSs
	Millions of Yen					
Assets:						ASSETS:
Current assets:						Current assets:
Cash and deposits	¥ 414,087	¥ (4,200)	¥ (299)	¥ 409,588	1	Cash and cash equivalents
Accounts receivable—trade	55,940	87,643	291	143,874	2	Trade and other receivables
Foreign exchange dealings cash—deposits with trust banks	68,452	(68,452)				
		13,556		13,556	3	Other financial assets
Other current assets	39,186	(36,278)	(8)	2,900	4	Other current assets
Allowance for doubtful accounts	(1,563)	1,563				
Total current assets	576,102	(6,168)	(16)	569,918		Total current assets
Fixed assets:						Non-current assets:
Property and equipment	45,180		5,887	51,067	5	Property and equipment
Intangible assets:						
Goodwill	11,914		2,481	14,395	6	Goodwill
Other assets	16,911		18	16,929	7	Intangible assets
Investments and other assets—investment securities	80,913	(80,913)				
		41,241	(960)	40,281	8	Investments accounted for using the equity method:
		48,300	(12,600)	35,700	9	Other financial assets
		10,180	3,924	14,104	10	Deferred tax assets
Other assets	12,334	(11,453)	(6)	875	11	Other non-current assets
Allowance for doubtful accounts	(43)	43				
Total fixed assets	167,209	7,398	(1,256)	173,351		Total non-current assets
Total assets	¥ 743,311	¥ 1,230	¥ (1,272)	¥ 743,269		TOTAL ASSETS

Presentation under JGAAP	JGAAP	Reclassification	Differences in Recognition and Measurement	IFRSs	Notes	Presentation under IFRSs
	Millions of Yen					
Liabilities:						LIABILITIES AND EQUITY:
Current liabilities:						Current liabilities:
Accounts payable—trade	¥ 10,971	¥ 110,658	¥ (21)	¥ 121,608	12	Trade and other payables
		5,648		5,648	13	Other financial liabilities
Income taxes payable	42,255	(623)	495	42,127	14	Income taxes payable
		4,299		4,299	15	Provisions
Foreign exchange dealings deposits from customers	72,485	(72,485)				
Other current liabilities	63,378	(46,267)	3,150	20,261	16	Other current liabilities
Total current liabilities	189,089	1,230	3,624	193,943		Total current liabilities
Long-term liabilities:						Non-current liabilities:
		153	(6)	147	17	Other financial liabilities
		2,460		2,460	18	Provisions
Other liabilities		31		31	19	Deferred tax liabilities
	2,958	(2,644)	756	1,070	20	Other non-current liabilities
Total long-term liabilities	2,958		750	3,708		Total non-current liabilities
Total liabilities	192,047	1,230	4,374	197,651		Total liabilities
Equity:						Equity:
						Equity attributable to owners of the parent:
Common stock	8,037			8,037		Common stock
Capital surplus	3,117	571	6	3,694	21	Capital surplus
Retained earnings	528,082		(5,771)	522,311	22	Retained earnings
Treasury stock	(372)			(372)		Treasury stock
Accumulated other comprehensive income	4,595		(19)	4,576	23	Accumulated other comprehensive income
Stock acquisition rights	571	(571)				
	544,030		(5,784)	538,246		Total equity attributable to owners of the parent
Minority interests	7,234		138	7,372		Non-controlling interests
Total equity	551,264		(5,646)	545,618		Total equity
Total liabilities and equity	¥ 743,311	¥ 1,230	¥ (1,272)	¥ 743,269		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) under IFRSs.

   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 offsetting stipulated in IFRSs.

4. Other current assets

   (Presentation)

   All deferred tax assets and liabilities, which were included in other current assets 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 financial assets (current) under IFRSs.

5. Property and equipment

   (Presentation)

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

(Recognition and measurement)

As a result of reviewing depreciation methods and others at the adoption of IFRSs, the Company changed the depreciation method of property and equipment from the declining-balance method to the straight-line method, resulting in a change in the balance at the date of transition.

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 in the remaining amount of goodwill.

Under IFRSs, 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 in the amount of investments accounted for using the equity method.

9. Other financial assets (non-current)

(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 financial assets (non-current) under IFRSs.

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

(Recognition and measurement)

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

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

The Company has the right of 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, the total amount of the estimated future tax payments regarding this agreement was 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 will probably result in an outflow of economic benefits. As a result, the amount of other financial assets (non-current) 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 IFRS reconciliations 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)

Lease and guarantee deposits, which were included in other investments and other assets under JGAAP, are included in other financial assets (non-current) under IFRSs.

12. Trade and other payables

(Presentation)

Accounts payable—trade and foreign exchange dealings deposits from customers, which were separately presented 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 financial liabilities (current)

(Presentation)

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

Certain derivative liabilities, 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.

14. Income taxes payable

(Presentation)

A part of enterprise taxes is not calculated based on taxable profits. Payables of such enterprise taxes are required to be included in income taxes payable under JGAAP. Under IFRSs they are included in other current liabilities.

(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 they have not been considered certain. Under IFRSs, however, they are treated as an uncertain tax position which will probably result in an outflow of economic benefits and are recognized at the best estimated amount on the assumption that the Company is obliged to pay the additional taxes within a year. As a result, income taxes payable increased.

15. Provisions (current)

(Presentation)

Provisions, such as provision for Yahoo! Points, which were included in other current liabilities under JGAAP, are presented as provisions (current) under IFRSs.

16. Other current liabilities

(Presentation)

A part of enterprise taxes is not calculated based on taxable profits. Payables of such enterprise taxes are required to be included in income taxes payable under JGAAP. Under IFRSs they are included in other current liabilities.

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)

Unsettled 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. Provisions (non-current)

(Presentation)

Asset retirement obligations, which were included in long-term 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 presented 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 long-term 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 presented under IFRSs.

(Recognition and measurement)

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

21. Capital surplus

(Presentation)

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

(Recognition and measurement)

Under IFRSs, 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 adoption of IFRSs on retained earnings are as follows:

	Millions of Yen	
	As of March 31, 2014 (End of the Previous Year)	As of April 1, 2013 (Date of Transition to IFRSs)
Depreciation and amortization	¥ 4,149	¥ 3,788
Unsettled paid absences	(2,359)	(1,998)
Goodwill	3,693	
Fair value measurement of unlisted equity instruments	(7,472)	(7,472)
Others	(456)	(89)
Total	¥ (2,445)	¥ (5,771)

23. Accumulated other comprehensive income

(Recognition and measurement)

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

Under IFRSs, they are measured at their fair values, resulting in a change in 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 upon 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	Presentation under IFRSs
Net sales	¥ 386,284	¥ 22,278	¥ (47)	¥ 408,515	1	REVENUE
Cost of sales	49,048	26,813		75,861	2	COST OF SALES
Gross profit	337,236	(4,535)	(47)	332,654		Gross profit
Selling, general and administrative expenses	139,820	(363)	(3,241)	136,216	3	SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
Operating income	197,416	(4,172)	3,194	196,438		Operating income
Non-operating income	1,280	(1,280)				
Non-operating expenses	1,062	(1,062)				
Extraordinary income	12,348	738	108	13,194	4	OTHER NON-OPERATING INCOME
Extraordinary losses	5,375	(4,353)	291	1,313	5	OTHER NON-OPERATING EXPENSES
		(701)	607	(94)	6	EQUITY IN EARNINGS (LOSSES) OF ASSOCIATES AND A JOINT VENTURE
Income before income taxes and minority interests	204,607		3,618	208,225		PROFIT BEFORE TAX
Income taxes	78,428		129	78,557	7	INCOME TAX EXPENSE
Income before minority interests	126,179		3,489	129,668		PROFIT FOR THE YEAR
Other comprehensive income:						OTHER COMPREHENSIVE INCOME: Items that may be reclassified subsequently to profit or loss:
Net unrealized gain on available-for-sale securities	1,452		3,646	5,098		Available-for-sale financial assets
Deferred gain on derivatives under hedge accounting	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			191		Share of other comprehensive income of associates
Total other comprehensive income	1,820		3,644	5,464		Other comprehensive income, net of tax
Comprehensive income	¥ 127,999		¥ 7,133	¥ 135,132		TOTAL COMPREHENSIVE INCOME

Notes to the reconciliation of comprehensive income

Major components of reconciliation are as follows:

1. Revenue

(Presentation)

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

(Recognition and measurement)

Under JGAAP, sales of installation for data center-related services are recognized at completion of rendering such services. Under IFRSs, they are recognized over an estimated average contract period, resulting in a change in the 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 advertising are deducted from sales (net basis). Under IFRSs, they are presented on a gross basis, resulting in a change in the 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 in the 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 accounted for using the equity method upon adoption of IFRSs, there were differences in gains and losses on sales between those under IFRSs and those under JGAAP, resulting in a change in the amount of other non-operating 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 other investments and other losses, which were included in non-operating expenses under JGAAP, are included in other non-operating expenses.

6. Equity in earnings (losses) of associates

(Presentation)

Equity in earnings (losses) of associates, which were presented as an item of 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 in 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 adoption of IFRSs, amounts of income taxes increased.

<u>Reconciliation of Cash Flows</u>

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

35. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been authorized for issue by Mr. Manabu Miyasaka, Representative Director and President, and Mr. Toshiki Oya, Managing Corporate Officer, Director and Chief Financial Officer, on June 3, 2015.

* * * * * *

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Yahoo Japan Corporation:

We have audited the accompanying consolidated statement of financial position of Yahoo Japan Corporation and its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yahoo Japan Corporation and its consolidated subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

Tokyo, Japan
June 3, 2015

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 March 31, 2015, are discussed below. We proactively disclose 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.

In line with recent growth in advertising via Internet-enabled terminals such as smart devices, the Yahoo Japan Group is prioritizing the provision of smart device services ahead of PC services under the slogan of Smart Devices First. However, if mobile Internet usage expands even further but we fail to acquire the share of user numbers and usage times that we command in the PC market, our overall market share might decrease. 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 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. Some types of browser software and certain information devices, however, are incompatible with Yahoo! JAPAN services, in most cases owing to sub-optimal usage conditions or setting errors. Furthermore, browser software or information devices subject to specification changes, rate adjustments, or insufficient market supply have the potential to disrupt user access to our services, thereby negatively affecting our revenues.

4) Technological Change

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

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

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

2. Legal and Institutional Changes

1) Legal Restrictions

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

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

The introduction of new laws or amendments to existing laws relating to the Yahoo Japan Group or the Internet industry as a whole could result in increased compliance-related expenses or otherwise negatively impact our provision of services, as well as adversely 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 our business is expected to 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 negatively affect our earnings.
Listings of illegal items on YAHUOKU! have been reported and other cases of fraudulent activity have been identified. When sellers, who are 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.

Mirroring the evolution of YAHUOKU!, an increasing number of stores registered on Yahoo! Shopping could lead to a higher number of violations of our usage guidelines and restrictions, resulting in a growing number of buyer complaints. Proactively addressing this potential problem, we are applying the accumulated know-how and proven operational methods for reducing fraudulent activity on YAHUOKU! to our Yahoo! Shopping business.

If these measures fail to bring about the expected results and reports of illegal merchandise and other fraudulent activities persist, 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 significantly affect our provision of 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, wherein we independently

issue the Yahoo! JAPAN Card Suica credit card. YJ Card Corporation, a consolidated subsidiary, also issues a credit card and a loan card. Owing to 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. As a result of a recent revision to the Money Lending Business Act lowering 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's business is especially exposed to the risk of being impacted by unfair profit claims.

Strengthening or revising financial services compliance structures or trading systems in response to a tightening of relevant regulations might entail increased costs and could therefore negatively impact our earnings.

h. Obligated to comply with Japan's Travel Agency Act, the Yahoo Japan Group's travel agency business could be restricted by future legal revisions.

Yahoo! Travel, the travel agency business operated by the Yahoo Japan Group, is obligated to comply with the Travel Agency Act and related ordinances. Revisions to this act or to related ordinances could therefore restrict Yahoo! Travel's business operations.

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

In addition to the aforementioned legal restrictions, official administrative guidance and requirements by the national government, governmental ministries, or local governments regarding the self-regulatory systems of companies in the information communications industry could adversely affect 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 for revocation in April 2011. Following the Tokyo High Court's November 5, 2014, dismissal of that legal action, the case is presently 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 postal mail the physical 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 an 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 implies that certain YAHUOKU! users might again take legal action against the Company, 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 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 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 stipulated in a written contract with each advertiser, the advertiser accepts full responsibility for the content of advertisements. For such services as message boards, blogs, and auctions, where users can exchange information freely, we indicate clearly in our contracts with users that illegal or slanderous content is prohibited and that full responsibility lies with users. We maintain the right to remove content that is in violation of our contracts with users and will do so immediately upon discovering such content.

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

With regard to information services such as topical news, weather reports, and stock prices, and for entertainment services such as videos and games, we procure content from outside companies and provide it to Yahoo! JAPAN users. 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 of 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 promotion 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 promotion 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 promotion 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, thereby damaging our brand image and negatively affecting 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 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 future 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 emphasis 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 payment 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 advertising program, operated in cooperation with consolidated subsidiary ValueCommerce Co., Ltd.

In addition, we have developed and sold various advertising products incorporating innovative advertising distribution methods, including targeting advertising, which distributes advertising based on users' Yahoo! JAPAN usage histories, keyword search histories, demographic factors, and physical location; Yahoo! Display Ad Network (YDN), which distributes advertising based on the said usage histories and the content of Web pages viewed at the time of advertising 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 a 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 guaranteed 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 these 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 payment/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 payment and collection of receivables owing to increasing amounts of small sales receivables and uncollected receivables, expanding credit card payment 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 payment 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.

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 revenue) - (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 revenue 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 and paid search advertising distribution technologies and other services, the Company has an ongoing business alliance contract with Google Asia Pacific Pte Ltd. Because search and paid search advertising distribution technologies are key revenue sources for the Yahoo Japan 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 Company has subsidiaries and affiliates of all sizes with varying degrees of in-house management. It is the Company's policy to acquire necessary additional staff and to strengthen the Yahoo Japan Group's organization as businesses expand. If these measures are not implemented in a timely manner, the Yahoo Japan Group's performance could be negatively affected.

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

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

(i) Regulatory infringements could negatively affect our performance and financial condition.

On January 31, 2013, the Company converted FX trading company YJFX, Inc., into a wholly owned subsidiary. As a Financial Instruments Business Operator registered under Japan's Financial Instruments and Exchange Act (FIEA), YJFX carries out its operations in compliance with the FIEA, related regulations, and Cabinet Office ordinances.

Nevertheless, should an infringement of any of these regulations or ordinances occur, YJFX could have its operations suspended, be deregistered, or receive some other administrative disciplinary action. Moreover, in the case of future tightening of regulations the Yahoo Japan Group could be obligated to incur additional expenses to strengthen its compliance structure or trading system or to implement other organizational adjustments. Any of these actions could negatively affect our performance and financial condition.

(ii) Customer FX margin transactions could negatively affect our performance and financial condition.

Under the Yahoo Japan Group's FX margin trading system, customers conduct transactions after making margin cash deposits in amounts specified by the Yahoo Japan Group based on customers' chosen levels of leverage. Because this system allows customers to conduct transactions in excess of their actual cash deposits, they can earn high returns on their investments or suffer great losses. In accordance with the transaction agreement with customers, the Yahoo Japan Group is able to take action to protect customers from further losses when their trading accounts fall below a 20% margin level by forcing customers to close out their positions using a reversing transaction method specified by the Yahoo Japan Group. However, should customers suffer losses in excess of their deposits and be unable to cover those losses, it is possible that the Yahoo Japan 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 occurs, it could negatively affect our performance and financial condition.

(iii) Covering transactions with counterparties could negatively affect our performance and financial condition.

To minimize the risk associated with FX margin trading carried out on behalf of its customers, the Yahoo Japan Group places covering transactions with various reputable banks, securities companies, and other financial institutions. However, should any of these financial institutions become unable to honor their contractual obligations owing to deterioration in business performance or financial condition or to other circumstances, we might as a result be unable to cover our customers' trading positions. In addition, the Yahoo Japan Group might be unable to recover its collateral deposits placed with such financial institutions in the case of their bankruptcy or failure. As a result, our performance and financial condition could be negatively affected.

(iv) Violations of asset segregation requirements could adversely affect our performance, financial condition, and business development.

In order to safeguard customer assets, Financial Instruments Business Operators are required to segregate customer assets from proprietary assets and manage them separately. Accordingly, the Yahoo Japan Group systematically deposits customer assets with major financial institutions, thereby segregating them from proprietary assets and managing them separately as trust assets. Nevertheless, if a computer system failure or other unforeseen circumstance were to impair our ability to properly calculate customer assets, or if unforeseen circumstances were to make it impossible to manage customer assets on a segregated basis, the Yahoo Japan Group's FX business operations could be suspended, deregistered, or subjected to 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 is dedicated to maintaining computer system stability as part of its ongoing efforts to strengthen its FX trading system. However, in the event of a computer system failure or unauthorized system access customers could suffer losses for which the Yahoo Japan Group is not covered by the liability exclusion clauses in customer contracts. As a result, customers could endure opportunity losses and the Yahoo Japan Group could suffer a loss of credibility and increased damage liability, thereby negatively affecting its performance and financial condition.

Furthermore, the Yahoo Japan Group does not hold the copyright to some of the software used in its FX trading system. Although we have obtained the legally required licenses to use such software, if after the expiration of a software licensing contract we become unable to continue using the software in question owing to the bankruptcy or failure of the company holding the copyright, our performance, financial condition, and business development could be negatively affected.

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

Foreign currency exchange rate fluctuations directly affect the trading losses or gains of customers using our FX trading services. An increase in trading losses due to unfavorable movements in foreign currency exchange rates could dampen customer sentiment, leading to a decrease in this business' transaction value. Because earnings from this business are based on transaction value, a prolonged period of depressed transaction value could adversely affect our performance and financial condition. Moreover, if currency exchange rates fluctuate sharply, our covering transactions with major financial institutions might be inadequate for covering customer positions. As a result, our performance and financial condition could be negatively affected.

(vii) The Yahoo Japan Group could be penalized for violating FIEA regulations related to customer suitability.

Under FIEA regulations, Financial Instruments Business Operators are obligated to confirm the suitability of individual customers with regard to FX trading activities. Accordingly, we undertake appropriate background investigations before allowing customers to use our FX trading services. However, if as a result of inadequate investigations or other oversight on our part a customer is allowed to engage in inappropriate transactions, we could be subjected to administrative disciplinary action or to legal action initiated by the customer in question.

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

Effective March 1, 2008, the Act on Prevention of Transfer of Criminal Proceeds requires that financial institutions conduct customer identification procedures as well as maintain customer identification and customer transaction records, activities previously undertaken on a voluntary basis. Furthermore, the Act mandates the establishment of customer management and information storage systems, which facilitate the tracing of funds to, and help to prevent the flow of funds to, terrorists, as well as discourage money laundering.

In accordance with said Act, the Yahoo Japan Group collects required documentation from customers of its FX trading services, conducts customer identification procedures, and maintains customer identification and customer transaction records. Nevertheless, if the Yahoo Japan Group's operational management is found to not be in accordance with said Act, or if a new regulatory framework is imposed, our performance and business development could be negatively affected.

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), 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) SBM will pay the Company the following amounts, included in Yahoo! BB charges, for services provided by the Company: - Yahoo! BB ADSL subscribers acquired: ¥100 per subscriber per month - Yahoo! BB hikari with FLET'S/Yahoo! BB hikari FLET'S course subscribers acquired: ¥60 per subscriber per month - Yahoo! BB for Mobile subscribers acquired: ¥50 per subscriber per month - Yahoo! BB basic service subscribers acquired: ¥55 per subscriber per month - Yahoo! BB Premium Plan subscribers acquired: ¥180 per subscriber per month, in addition to the ¥50 to ¥100 per subscriber per month as above 5) The Company will pay SBM ¥250 per new Yahoo! BB Premium Plan subscriber acquired.

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 might 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!, the Company acts as the intermediate in the payment of the transaction.

Because the Company reimburses the seller of an item one to three business days after the buyer has made payment by credit card or Internet banking, it must carry the credit-card receivables for the period up to the fixed payment 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 investments or loans 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 advertising network, known as AD Network, 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 payment 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 our 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 payments. 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 and are operated as joint ventures with third parties.

These joint ventures depend substantially on their 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 were to deteriorate, 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 payment 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 affect our 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 we currently offer a phishing warning function on the Yahoo! Toolbar. In May 2012, we introduced Secret ID, a dedicated log-in ID (see Note 5, below), and 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), a shared-identity authorization system that eliminates the need for multiple IDs and passwords, thereby improving information security.

Although we continue to implement such measures with the goal of minimizing the damage caused by ill-intentioned users, there is no guarantee that these measures will be sufficient. If problems occur despite our efforts to thwart them, our services could be adversely affected and our brand image tarnished. Furthermore, we could become the target of lawsuits.

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

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

Note 1: Phishing fraud

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

Note 2: Log-in 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 the authentic log-in screen. Customization effectively protects against fraudulent 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
Secret ID is a personalized character string that functions exclusively as a log-in ID. While IDs and e-mail addresses are public information known to many third parties and therefore risk being misused, the Secret ID is known only to the user who created it, 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 authorization 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 of taking 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.

In Yahoo! Shopping and YAHUOKU! BtoC transactions, personal information provided by buyers is sent 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 payment system of the Company's subsidiary Netrust, Ltd, or deal directly with credit card companies. Stores opting to use the Netrust payment 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 for controlling 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) Communications 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. In 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, damaging our credibility and negatively affecting our business performance.

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 service provision and negatively affect our business performance.

Furthermore, if the number and sophistication of attacks by specialized crime groups specifically targeting Yahoo! JAPAN increase, the costs of defending against these attacks might rise. Malware, account lists, or other attacks might result in the abuse of user IDs. Under such conditions, market growth could slow owing to rising security concerns among users, negatively affecting the Yahoo Japan Group’s business performance.

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 payments 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 use, that such compensation claims will be greater than expected, and that expenditures to prevent the recurrence of such fraudulent use will be high. Fraudulent use could also 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 behavior-targeted advertising and interest-based advertising.

Based on an analysis of users’ Internet usage histories, behavior-targeted advertising and interest-based advertising distribute advertisements for products or services only to user groups with a demonstrated preference for or interest in those specific 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. Behavior-targeted 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, some users might object to the collection and analysis of their behavioral history information, or legal restrictions might be placed on these activities. In addition to damaging our brand image, such objections or restrictions could lead to a prohibition on future sales of behavior-targeted advertising and interest-based advertising, which could have a detrimental impact on our business performance.

7) Genetic Analysis Service

In this service, genetic samples provided by subscribers to the service are analyzed and the genetic information resulting from the analysis stored within the Yahoo Japan Group under extremely tight security conditions. However, if for some reason an information leak or some other problem were to occur, confidence in the Yahoo Japan Group could drop and legal claims for damage compensation could arise.

9. Corporate Governance

Corporate Governance System

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

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

Investor Information

(As of March 31, 2015)

Share-related Information

Fiscal year-end	March 31
General meeting of shareholders	June
Share listing	The First Section of the Tokyo Stock Exchange (listed on October 28, 2003)
IPO date	November 4, 1997 (JASDAQ)
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation

Historical Number of Shares Outstanding

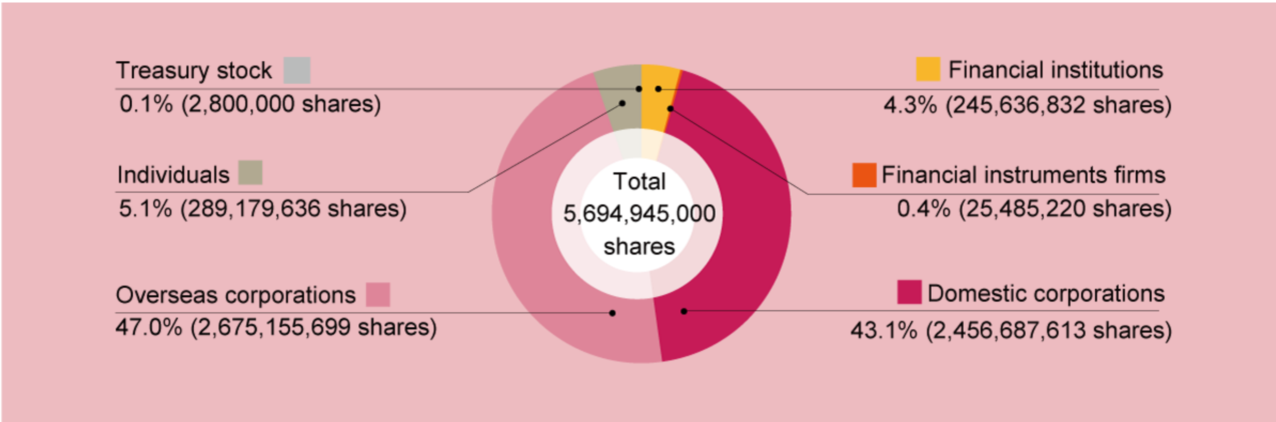
Date	Action	Number of shares outstanding*
1996/1/31	Establishment of the Company	4,000
1997/9/6	Rights offering: 1,800 shares	5,800
1997/11/4	Public offering: 975 shares	6,775
1999/3/6	Public offering at market price: 125 shares	6,900
1999/5/20	2-for-1 stock split	13,822
1999/11/19	2-for-1 stock split	27,826
2000/3/1	New stock issuance at merger: 1,100.15 shares	28,954
2000/5/19	2-for-1 stock split	57,940
2000/9/1	New stock issuance at merger: 110 shares	58,168
2000/11/20	2-for-1 stock split	116,917
2002/5/20	2-for-1 stock split	235,064
2002/11/20	2-for-1 stock split	471,059
2003/5/20	2-for-1 stock split	942,118
2003/11/20	2-for-1 stock split	1,884,923
2004/5/20	2-for-1 stock split	3,772,188
2004/11/19	2-for-1 stock split	7,546,427
2005/5/20	2-for-1 stock split	15,100,808
2005/11/18	2-for-1 stock split	30,209,709
2006/4/1	2-for-1 stock split	60,452,137
2008/8/8	Retirement of treasury stock	59,284,578
2008/12/30	Retirement of treasury stock	59,290,736
2009/3/31	Retirement of treasury stock	58,107,980
2010/3/31	Exercise of stock option	58,118,909
2011/3/31	Exercise of stock option	58,177,294
2012/3/31	Exercise of stock option	58,184,240
2013/3/31	Retirement of treasury stock	57,510,554
2013/10/1	100-for-1 stock split	5,751,839,700
2014/3/31	Retirement of treasury stock	5,694,900,600
2015/3/31	Exercise of stock option	5,694,945,000

*Partial-share amounts have been rounded off conventionally.

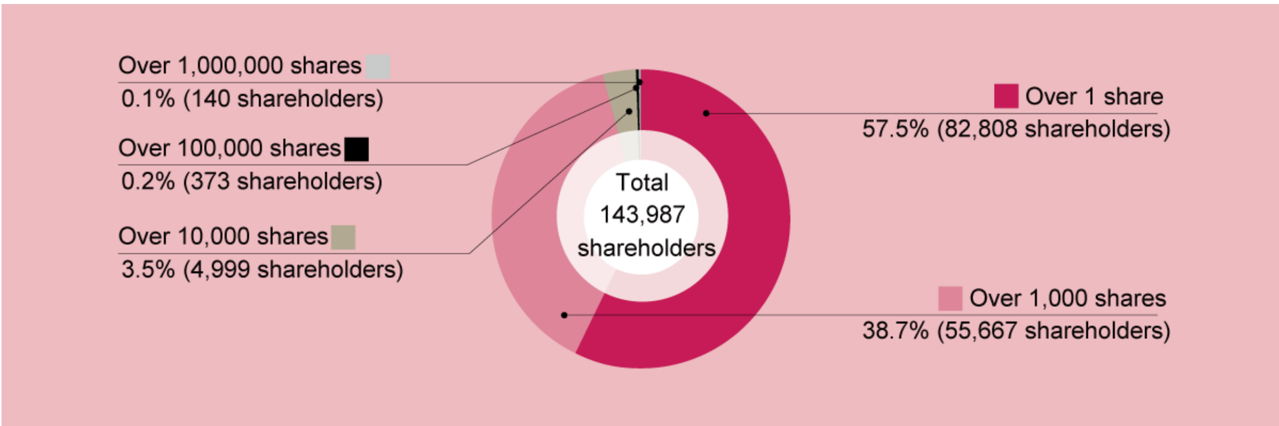
Major Shareholders

Name	Share holdings	Percent of total shares issued
SoftBank Corp.	2,071,926,400 shares	36.4%
Yahoo! Inc.	2,021,540,800 shares	35.5%
SBBM Corporation	373,560,900 shares	6.6%
STATE STREET BANK AND TRUST COMPANY	68,869,285 shares	1.2%
The Master Trust Bank of Japan, Ltd.	48,200,300 shares	0.8%
JPMC OPPENHEIMER JASDEC LENDING ACCOUNT	47,126,300 shares	0.8%

Breakdown of Shares Outstanding, by Shareholder Type



Breakdown of Shareholders, by Number of Shares Held



Corporate Information

Corporate Data

(As of March 31, 2015)

Company name	Yahoo Japan Corporation
Founded	January 31, 1996
Common stock	¥8,281 million
Businesses	Internet advertising business e-Commerce business Membership services business Other businesses
Headquarters	Midtown Tower, 7-1, Akasaka 9-chome, Minato-ku, Tokyo, 107-6211, Japan
Home page	http://www.yahoo.co.jp/
English-language IR page	http://ir.yahoo.co.jp/en/

Directors and Audit and Supervisory Committee Members

(As of June 18, 2015)

Manabu Miyasaka
President and Representative Director

Nikesh Arora
Chairman of the Board of Directors

Masayoshi Son
Director

Ken Miyauchi
Director

Kenneth Goldman
Director

Ronald S. Bell
Director

Shingo Yoshii
Audit and Supervisory Committee Member

Hiromi Onitsuka-Baur
Audit and Supervisory Committee Member

Kazuhiko Fujihara
Audit and Supervisory Committee Member

Operating Team

(As of July 1, 2015)

Manabu Miyasaka
President and Representative Director
President Corporate Officer
Chief Executive Officer

Kentaro Kawabe
Senior Executive Vice President Corporate Officer
Chief Operating Officer

Toshiki Oya
Senior Executive Vice President Corporate Officer
Chief Financial Officer

Gen Miyazawa
Corporate Officer
Executive Vice President, President of Media Company

Osamu Aranami
Corporate Officer
Executive Vice President, President of Marketing Solutions Company

Takao Ozawa
Corporate Officer
Executive Vice President, President of Shopping Company

Yuji Umemura
Corporate Officer
Executive Vice President, President of YAHUOKU! Company

Yusuke Tanaka
Corporate Officer
Executive Vice President, President of Personal Services Company

Tomoaki Tanida
Corporate Officer
Executive Vice President, President of Financial and Payment Services Company

Hideyuki Nakahara
Corporate Officer
Executive Vice President, Head of System Management Group

Masatsugu Shidachi
Corporate Officer
Executive Vice President, Head of Data & Science Solutions Group

Shin Murakami
Corporate Officer
Executive Vice President, Chief Mobile Officer

Naoya Bessho
Corporate Officer
Executive Vice President, Head of CEO Office

Kosuke Honma
Corporate Officer
Executive Vice President, Head of People Development Group

Toshiya Segoshi
Corporate Officer
Executive Vice President, Head of Finance Group

Main Consolidated Subsidiaries

(As of March 31, 2015)

Carview Corporation
Business: Online provision of used vehicle assessment, brokerage services, and related services, and advertising
Founded: September 1996
Common Stock: ¥1,577 million
Yahoo Japan Corporation's Ownership: 93.3%
URL: http://www.carview.co.jp/company/default.aspx

FirstServer, Inc.
Business: Rental server information processing business, domain registration, and other Internet services
Founded: October 1996
Common Stock: ¥363 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://www.firstserver.co.jp/

GYAO Corporation
Business: Internet distribution of video-streaming and electronic books; entertainment information provision; planning, production, and sale of Internet advertising
Founded: October 2008
Common Stock: ¥888 million
Yahoo Japan Corporation's Ownership: 66.7%
URL: http://www.gyao.co.jp/

IDC Frontier Inc.
Business: Data center business
Founded: February 2009
Common Stock: ¥100 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://www.idcf.jp/english/datacenter/

Indival, Inc.
Business: Internet-based recruiting services, and development and operation of support services for job and personnel searches
Founded: February 2004
Common Stock: ¥200 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://www.indival.co.jp/

Netrust, Ltd
Business: Online payment services
Founded: September 2000
Common Stock: ¥243 million
Yahoo Japan Corporation's Ownership: 60.0%
URL: http://www.netrust.ne.jp/

Synergy Marketing, Inc.
Business: Cloud service and agent service
Founded: June 2005
Common Stock: ¥1,199 million
Yahoo Japan Corporation's Ownership: 93.9%
URL: http://www.synergy-marketing.co.jp/

ValueCommerce Co., Ltd.
Business: Ad affiliate marketing service and StoreMatch online advertising distribution service
Founded: March 1996
Common Stock: ¥1,728 million
Yahoo Japan Corporation's Ownership: 48.7%
URL: http://www.valuecommerce.co.jp/

YJ Capital Inc.
Business: Venture capital business
Founded: August 2012
Common Stock: ¥200 million
Yahoo Japan Corporation’s Ownership: 100.0%
URL: http://yj-capital.co.jp/

YJ Card Corporation
Business: Credit card, card loan, and credit guarantee business
Founded: July 2014
Common Stock: ¥100 million
Yahoo Japan Corporation’s Ownership: 65.0%
URL: http://www.yjcard.co.jp/

YJFX, Inc.
Business: Foreign exchange margin trading business
Founded: September 2003
Common Stock: ¥490 million
Yahoo Japan Corporation’s Ownership: 100.0%
URL: http://www.yjfx.jp/

Y’s Insurance Inc.
Business: Life/Non-life insurance agency business
Founded: November 2003
Common Stock: ¥30 million
Yahoo Japan Corporation’s Ownership: 60.0%
URL: http://www.ys-insurance.co.jp/

Y’s Sports Inc.
Business: Collection of sports-related information and production of articles and content
Founded: December 1996
Common Stock: ¥100 million
Yahoo Japan Corporation’s Ownership: 100.0%
URL: http://sportsnavi.yahoo.co.jp/

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