Annual Report 2016

Year ended March 31, 2016

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 109.
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 Japanese Internet market's problem-solving engine.

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 system-use fees for Yahoo! Auctions ・Started a paid search advertising service
2003 April－2004 March	・Listed on the First Section of the Tokyo Stock Exchange
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
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	・Concluded comprehensive business alliance agreement with Culture Convenience Club Co., Ltd., including the Yahoo! Shopping T-Point program
2011 April－2012 March	・In 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	・Unveiled new e-commerce strategy
2014 April－2015 March	・Made Synergy Marketing, Inc., a subsidiary ・Made KC Co., Ltd. (currently YJ Card Corporation), a subsidiary
2015 April－2016 March	・Made ASKUL Corporation a subsidiary ・Made Ikyu Corporation a subsidiary

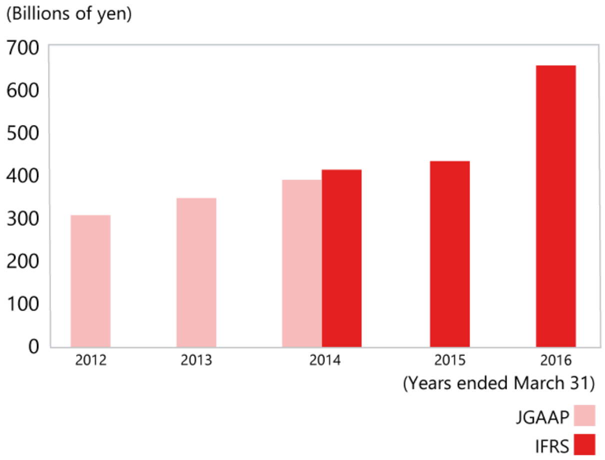
Financial Highlights

	Millions of Yen						Thousands of U.S. Dollars
	IFRS			JGAAP			IFRS
Years ended March 31	**2016**	2015	2014	2014	2013	2012	**2016**
For the fiscal year:							
Revenue	**¥652,327**	¥428,488	¥408,515	¥386,284	¥342,990	¥302,089	**$5,789,200**
Operating income	**224,998**	197,212	196,438	197,416	186,352	165,005	**1,996,787**
Profit for the year attributable to owners of the parent (IFRS), Net income (JGAAP)	**171,617**	133,052	128,605	125,116	115,036	100,559	**1,523,048**
Earnings per share attributable to owners of the parent (IFRS), Net income per share (JGAAP):							
Basic (Yen and U.S. dollars)	**30.15**	23.37	22.43	21.82	19.84	17.34	**0.27**
Diluted (Yen and U.S. dollars)	**30.14**	23.37	22.43	21.82	19.84	17.34	**0.27**
EBITDA	**255,696**	214,148	209,890	214,127	199,808	176,277	**2,269,223**
At fiscal year-end:							
Total assets	**1,342,800**	1,007,603	849,988	842,749	743,311	562,022	**11,916,933**
Total equity	**912,764**	740,554	627,719	626,561	551,264	468,301	**8,100,497**
Number of employees	**9,177**	7,034	6,291	6,291	5,780	5,124	
Dividends per share (Yen and U.S. dollars)	**8.86**	8.86	4.43	4.43	4.01	3.47	**0.08**
Cash flows	**(54,772)**	21,600	72,749	72,748	150,929	68,581	**(486,084)**
Cash flows from operating activities	**105,409**	126,240	132,793	132,829	139,396	99,737	**935,472**
Cash flows from investing activities	**(110,538)**	(67,865)	(7,275)	(7,311)	51,404	(12,309)	**(980,990)**
Cash flows from financing activities	**(49,358)**	(37,167)	(53,129)	(53,129)	(40,184)	(18,847)	**(438,037)**
Ratios:							
Operating margin (%)	**34.5**	46.0	48.1	51.1	54.3	54.6	
Ratio of profit for the year attributable to owners of the parent to revenue (IFRS), Ratio of net income to revenue (JGAAP) (%)	**26.3**	31.1	31.5	32.4	33.5	33.3	
ROA (%)	**19.3**	22.4	26.1	15.8	17.6	19.5	
ROE (%)	**21.9**	19.8	22.2	21.5	22.8	23.7	
Total equity / Total assets ratio (%)	**62.9**	72.1	72.9	73.3	73.1	82.8	

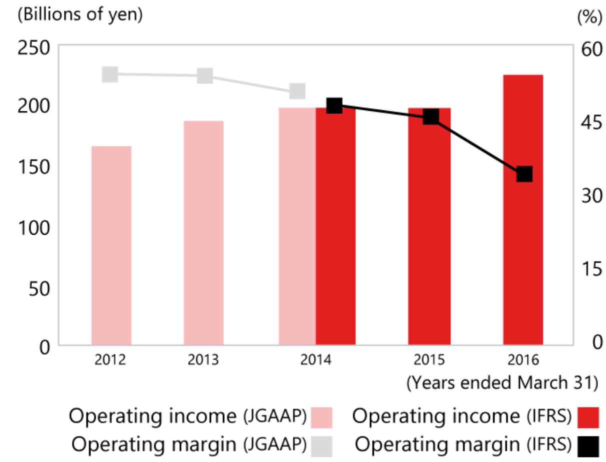
Notes:

- Yen amounts for the year ended March 31, 2016, have been translated into U.S. dollar amounts, solely for the convenience of readers, at the rate of ¥112.68 = U.S.$1, the effective rate of exchange at March 31, 2016.
- 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 year ended March 31, 2015. The date of transition to IFRSs was April 1, 2013.
- EBITDA = operating income (loss) + depreciation and amortization.

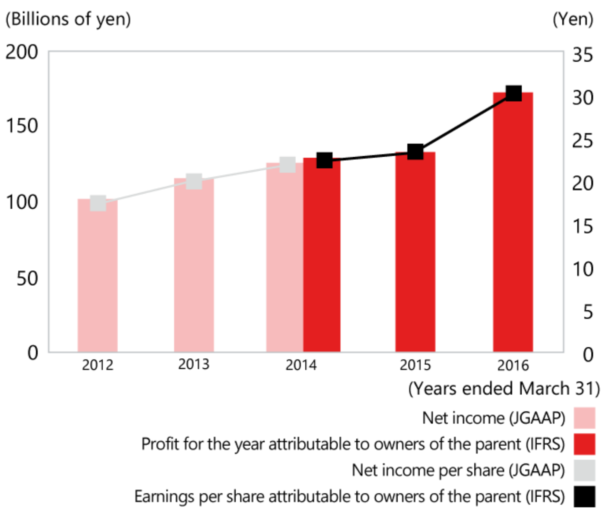
Revenue



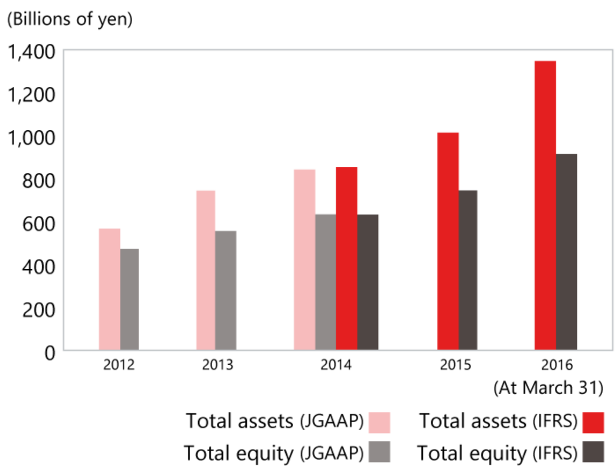
Operating Income and Operating Margin



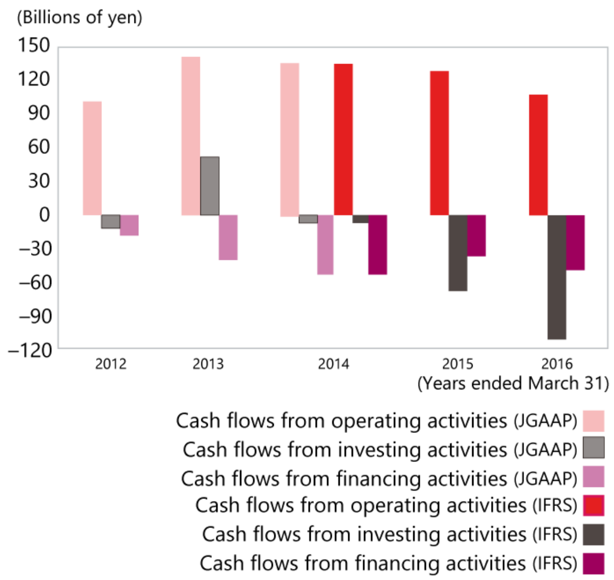
Profit for the Year Attributable to Owners of the Parent
Earnings per Share Attributable to Owners of the Parent



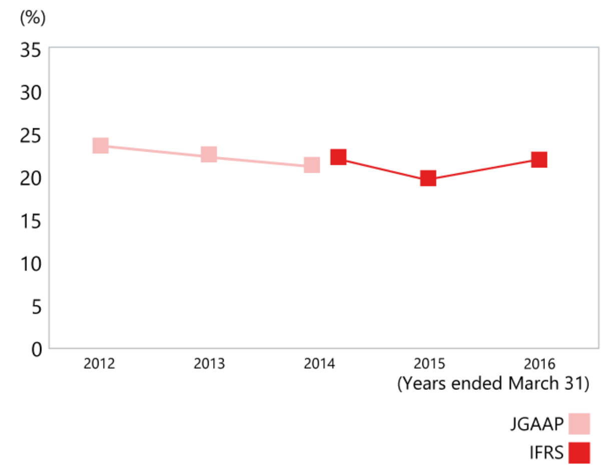
Total Assets and Total Equity



Cash Flows



Return on Equity



To Our Shareholders

Launched in 1996 as the first commercial Web site to offer Japanese-language Internet search services, Yahoo! JAPAN celebrated its 20th anniversary in April 2016. At this important juncture, we would like to express our sincere thanks and deepest appreciation to all of our stakeholders for their support to date.

Over the past two decades, Yahoo Japan Corporation (the Company) and its consolidated subsidiaries and affiliates (the Yahoo Japan Group) have tirelessly provided new Internet services tailored to the changing needs of society and, as a result, contributed to the enrichment of users' daily lives. As an example, in response to the recent proliferation of smartphones and concomitant surge in Internet access the Yahoo Japan Group deftly optimized its services for smartphones, thereby boosting Yahoo! JAPAN user numbers, usage times, and access frequency.

In observance of Yahoo! JAPAN's 20-year operational milestone, the entire Yahoo Japan Group hereby reaffirms its commitment to ensuring that Yahoo! JAPAN remain the Japanese Internet market's problem-solving engine. Leveraging information technology to solve the problems facing Japanese society has facilitated the creation of new services, which in turn have helped to fuel the Yahoo Japan Group's business growth to date. We believe that our success over the past 20 years is largely the result of unceasing innovation. Over the next 20 years, we will strive not only to solve contemporary problems but also to inspire hope for a better Japanese society moving forward. With that in mind, we have formulated UPDATE JAPAN as our new guiding vision.

While pursuing continuous innovation in our core businesses, which function as current revenue pillars, we will carry out forward-looking investments in our shopping and credit card businesses, which we view as core revenue drivers. In addition, we will collect and analyze the vast amounts of data gleaned during the course of providing Yahoo! JAPAN services with the expectation that in doing so we will be able to provide improved services to users and further expand revenue. Committed to ensuring Yahoo! JAPAN's future evolution, the Yahoo Japan Group looks to the next 20 years with confident determination and hope in a better future for all.

Review of Fiscal 2015 Results

Fiscal 2015, the year ended March 31, 2016, marked the Yahoo Japan Group's 19th consecutive year of record-high revenue and profit since the commencement of operations. Consolidated revenue jumped 52.2% year on year, to ¥652.3 billion; consolidated operating income climbed 14.1%, to ¥225.0 billion; consolidated profit before tax was up 8.8%, to ¥226.6 billion; and consolidated profit for the year attributable to owners of the parent rose 29.0%, to ¥171.6 billion.

The robust year-on-year growth in consolidated revenue primarily reflected the consolidation of ASKUL Corporation in August 2015 and a strong performance by our advertising-related business. The gain from remeasurement relating to business combinations stemming from the consolidation of ASKUL, moreover, was largely responsible for the upturn in consolidated profits, despite significant expenditures on applications usage promotion, aggressive sales promotion activities aimed at accelerating growth of the shopping and credit card businesses, and investments in infrastructure technology development.

Successful campaigns targeting Yahoo! Premium members supported rapidly accelerating growth in Yahoo! Shopping's transaction value, which in turn contributed to higher total domestic e-commerce related transaction value in fiscal 2015. The number of valid credit card holders and the transaction value of consolidated subsidiary YJ Card Corporation recorded explosive growth, owing largely to the launch of Yahoo! JAPAN Card at the start of the period. The total number of monthly paid membership IDs, including those of Yahoo! Premium members, Yahoo! BB subscribers, and others, stood at 16.73 million at March 31, 2016, up from 15.46 million at the previous fiscal year-end.

Overview of the Advertising-related Business

Fiscal 2015 advertising-related revenue was up 6.8%, to ¥266.9 billion.

Our May 2015 introduction of a new scrolling timeline design on the top page of the Yahoo! JAPAN smartphone version proved to be the period's most significant development in the advertising-related business. In addition to offering greater convenience in viewing contents on small-screen smartphones, the scrolling timeline design facilitates distribution not only of personalized contents matched to the interests of specific users but also of new in-feed type advertising such as Yahoo! Display Ad Network (YDN). With YDN driving advertising revenue growth during the period, we believe that we are closing in on a potential solution to the long-standing problem of monetizing display advertising on small-screen smartphones. Fiscal 2015 smartphone-based advertising revenue was strong, accounting for more than 40% of total advertising revenue for the period. Because the bulk of smartphone-based advertising revenue is still generated by traffic on browser-based services, we are now focused on encouraging a usage

MANABU MIYASAKA
President and CEO
Yahoo Japan Corporation

shift to applications, particularly as applications-based services tend to engage and retain users for longer time periods than do browser-based services. Of the more than 100 applications currently offered by the Yahoo Japan Group, we are planning to eliminate those which no longer meet the needs of current user lifestyles and consolidate the others into several flagship applications, each capable of attracting a critical mass of users. The leading portal site on the Japanese-language Internet, Yahoo! JAPAN aims to be No. 1 in applications, as well.

Overview of the e-Commerce Related Business

The Yahoo Japan Group's total domestic e-commerce related transaction value in fiscal 2015 rose 26.5% year on year, to ¥1.5 trillion.

Ever since eliminating monthly store tenant fees and transaction-based system-use fees in October 2013, Yahoo! Shopping has attracted a steadily rising number of sellers offering an ever-expanding range of item listings as well as improved service quality. Today, Yahoo! Shopping is Japan's No. 1 site in terms of the number of items listed for sale[1]. Recent sales promotion campaigns have succeeded in boosting the conversion rate from site views. As a result, the transaction value, which includes Yahoo! Shopping and ASKUL-operated LOHACO transaction values, in the fourth quarter of fiscal 2015 increased 61.8% year on year, to ¥112.8 billion, far outpacing the overall market growth rate. Shopping-related advertising revenue in the fourth quarter of 2015, meanwhile, increased 2.3 times year on year, to ¥2.6 billion. By continuing to focus on highly cost-effective sales promotion activities, we expect to achieve further gains in shopping-related transaction value in fiscal 2016.

In our YAHUOKU! auction business, we waived the fee previously paid by buyers making auction payments via Yahoo! ezPay in an effort to stimulate buying activity. To compensate for the lost revenue resulting from this move, we implemented an upward revision to the system-use fee paid by individual sellers on YAHUOKU! In addition, we debuted Yahuneko! Pack, an economical shipping service offered in collaboration with Yamato Transport Co., Ltd.

The Japanese market for used goods is currently about ¥1.5 trillion[2] annually, and the combined market for non-brokered real estate sold directly by owners, used cars, and potential used goods is estimated to be ¥11 trillion[3] annually. Leveraging its unassailable dominance of the e-commerce related market in Japan, Yahoo! JAPAN is intent on exploiting this vast potential market for used goods as Japan increasingly moves toward becoming a recycling-oriented society in which a growing number of persons choose to independently buy and sell on the Internet. (For more on our e-commerce strategy and progress, please see the Special Feature beginning on page 9 of this report.)

1. As of March 31, 2016; study conducted by Yahoo Japan Corporation
2. *Second-Hand Business Data Book 2015* (Reuse Business Journal)
3. *FY2009 Survey on the State of Distribution & Disposal of Electric, Electronic and Other Equipment* (Ministry of the Environment, March 2010); Scale estimated by Yahoo Japan Corporation with reference to *New Growth Strategy* (National Policy Unit, Cabinet Secretariat, June 18, 2010)

Overview of Financial and Payment-related Services

Significant forward-looking investments made in fiscal 2014 in banking and credit card businesses, including a stake increase in The Japan Net Bank, Limited, and the consolidation of YJ Card Corporation, have prepared the ground for strong growth in financial and payment-related services, the Yahoo Japan Group's third business pillar after advertising and domestic e-commerce. Currently, the usage ratio of Yahoo! Wallet, our safe and secure payment platform for Yahoo! JAPAN ID holders, is approximately 50% of the Yahoo Japan Group's total domestic e-commerce transaction value, implying further growth moving forward. By continuing to offer generous loyalty reward point systems and other attractive incentives, we intend to generate user interest in an increasing range of Yahoo Japan Group services.

UPDATE JAPAN: The Next 20 Years

In the space of just two decades, advances in information and communications technology and the rapid proliferation of Internet access have profoundly transformed people's lives. The sheer convenience and relative ease of daily life today is such that many people in Japan prefer to envision their lives 20 years into the future as being essentially unchanged from today. In a very real sense, envisioning a future that differs little from the present is tantamount to foreswearing all hope for progressive change and a brighter future for all. For our part, we prefer to envision a Japanese society that enthusiastically embraces the transformative potential of information technology and remains ever hopeful of better things to come. In that spirit, we have formulated UPDATE JAPAN as our guiding vision for taking on the next 20 years.

Currently, the Yahoo Japan Group is developing advertising-related services, e-commerce related services, and financial and payment-related services as its three business pillars. While striving to achieve continuous innovation in existing businesses, we also recognize the importance of broadening our corporate perspective. In order to leverage the power of the Internet and make a meaningful contribution to Japanese society in the coming years, the Yahoo Japan Group itself must first evolve. Today, 20 years after its inaugural launch, Yahoo! JAPAN retains its overwhelmingly dominant position in the Japanese Internet market and continues to achieve record-breaking business results. We must not, however, rest on our laurels and slip into complacency. Instead, each and every Yahoo Japan Group corporate officer and employee must consciously commit to rising to the challenge of creating new value and eschew resigned acceptance of the status quo. For management's part, we will strive to unleash the specific talents and passions of each and every employee and guide their individual efforts toward the realization of worthwhile collective goals.

In order to make further progress in technologically advanced fields and realize ever-higher levels of innovation, it is essential that we possess outstanding technological capabilities suited to the challenges ahead. To that end, the Yahoo Japan Group opened a new technology development facility in California's Silicon Valley in March 2016. Yahoo! JAPAN's massive volume of user traffic is one of its major assets. Having provided over the past 20 years an expansive array of services, including search, news, e-commerce, and many others, Yahoo! JAPAN has accumulated an enormous amount of information. By leveraging newly refined technologies, the Yahoo Japan Group intends to exploit the potential value of its huge data trove in an effort to update Japanese society with a renewed sense of hope for a brighter future.

Corporate Governance

A principled, proactive management stance that prioritizes good corporate governance is essential to enhancing the Company's corporate value over the medium to long term.

Japan's new corporate governance code, which took effect on June 1, 2015, establishes fundamental principles of good corporate governance, including transparent, fair, timely, and decisive decision-making as well as proactive management. Given that timely and decisive decision-making is a key governance principle among companies in the Internet industry, management believes that the Yahoo Japan Group's basic stance on corporate governance is in broad alignment with that outlined in the new corporate governance code. Bearing in mind the intent of the new code, we concluded that an organizational structure based on an audit and supervisory committee was most appropriate for the Company, and on June 18, 2015, we formally adopted said organizational structure. In further compliance with the new corporate governance code, we also appointed two outside directors in order to ensure independent perspectives and to enhance transparent and fair decision-making. In addition, we have clearly separated the monitoring function of the Board of Directors from the business execution function of corporate officers, in addition to granting the Board of Directors an additional role as a discussion forum for the Company's medium- to long-term business trajectory. Moreover, by delegating broad authority to corporate officers we have reinforced the Company's proactive management stance. The Board of Directors comprises eight members, three of whom are concurrently members of the Audit and Supervisory Committee.

Shareholder Returns

In a further effort to sustainably enhance corporate value over the medium to long term, the Company will maintain significant forward-looking investments in services, facilities, and capital alliances, all with an eye to future growth. As a publicly listed company, Yahoo Japan Corporation also intends to fulfill its obligation to return profits to shareholders on an ongoing basis. Accordingly, management has resolved to pay a fiscal 2015 year-end cash dividend of ¥8.86 per share, unchanged from the previous period, resulting in a total cash dividend payout of ¥50.4 billion for fiscal 2015. The fiscal 2016 year-end cash dividend per share is in turn also expected to remain unchanged from fiscal 2015.

Yahoo! JAPAN's first two decades reveal a history of transformation and continuous striving to create something new. With UPDATE JAPAN as our guiding vision, we will build upon our history of transformation and creation as we work to achieve another 20 years of continuous growth for the Yahoo Japan Group. Once again, we respectfully request your continued understanding and support.

宮坂学

Manabu Miyasaka
President and CEO
Yahoo Japan Corporation
June 22, 2016

Special Feature

In October 2013, Yahoo Japan Corporation (the Company) initiated a new e-commerce strategy aimed at rejuvenating Yahoo! Shopping. Dispensing with Yahoo! Shopping's traditional e-commerce business model centered on a fee-based revenue structure, our new strategy is transforming the site into an expanding media platform with a revenue structure based on advertising sales to Yahoo! Shopping store operators.

New e-Commerce Strategy for Yahoo! Shopping

Thanks to the implementation of a new e-commerce strategy in October 2013, Yahoo! Shopping's transaction value is growing more rapidly than that of the overall domestic e-commerce market.

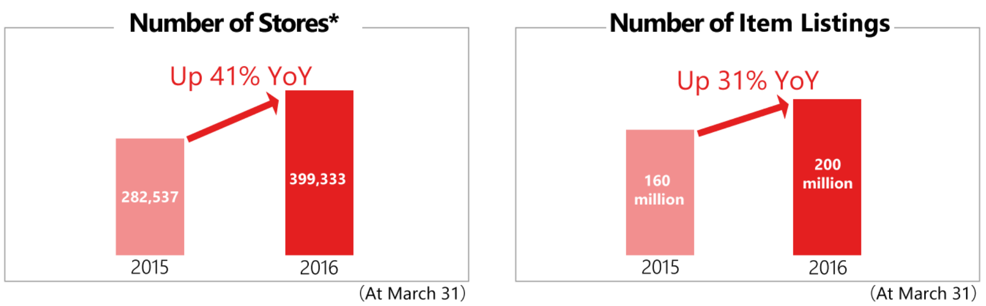
Prior to the October 2013 debut of our new e-commerce strategy, Yahoo! Shopping had consistently lagged behind rival shopping sites in terms of transaction value growth rates owing to a relatively small seller base and limited number of item listings. To remedy this situation, the initial phase of our new strategy targeted an expansion of both store numbers and item listings on Yahoo! Shopping. From the outset, we envisioned a scenario wherein an increase in store numbers and item listings would foster greater competition among sellers, thereby boosting the level of service offered to buyers. Then, as Yahoo! Shopping became an increasingly appealing marketplace for buyers, visitor numbers would naturally rise and the conversion rate improve, leading to an increase in transaction value. Finally, as transaction value growth rates accelerated Yahoo! Shopping store operators would begin to place advertisements on the site in an effort to gain increased exposure and attract more buyers.

To set our strategy in motion, we eliminated monthly store tenant fees and transaction-based system-use fees across the board, thereby encouraging more stores to list more items. At the same time, we began granting store ownership rights to private individuals in addition to corporations, resulting in a widening range of item listings. Furthermore, we reduced our credit card payment fees to the lowest level in the industry.

As a result, the number of Yahoo! Shopping store IDs surged dramatically—from around 20 thousand before implementation of our new strategy to approximately 400 thousand as of March 31, 2016—and the number of item listings soared to more than 200 million, making Yahoo! Shopping Japan's No. 1 site in terms of the number of items listed for sale[1].

1. As of March 31, 2016; study conducted by Yahoo Japan Corporation

Growth in Numbers of Stores and Item Listings

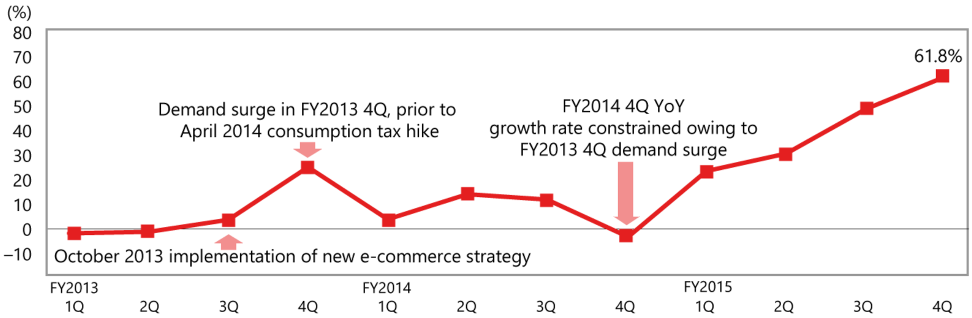


*Total of corporate and individual store IDs issued, including stores that have completed the screening process but have not yet opened

Thanks to the successful implementation of complementary strategic initiatives, including improvements to the Yahoo! Shopping search engine and enhancements to customer relationship management (CRM), Yahoo! Shopping's conversion rate improved. In fiscal 2015, we therefore shifted our focus toward boosting Yahoo! Shopping buyer numbers, emphasizing promotional campaigns targeting the membership base of Yahoo! Premium, our preferential monthly paid-membership service.

Yahoo! Premium membership is a prerequisite to selling items on YAHUOKU!, and many users therefore become Yahoo! Premium members as a result of their interest in Yahoo! JAPAN's auction services. With regard to shopping services, however, many of those Yahoo! Premium members have tended to patronize shopping sites other than Yahoo! Shopping. Aiming to induce more Yahoo! Premium members, who tend to be relatively savvy users of e-commerce services, to use our shopping services, we focused on enhancing Yahoo! Shopping's appeal to such users. For example, in March 2015 we kicked off a promotional campaign offering Yahoo! Premium members a rewards-point rate of 5% for purchases made on Yahoo! Shopping, four percentage points higher than the usual rewards-point rate. At the same time, Yahoo! Premium members received a special rewards-point bonus, with the condition that the bonus points be redeemed by purchasing goods or services offered on Yahoo! JAPAN within two weeks of receipt. Then, we used push-based information delivery to remind users to redeem their points before they expired. This campaign had a high retention effect, resulting in a strong year-on-year increase in following-month repurchase rates.

Shopping Transaction Value*, Quarterly YoY Growth Rate



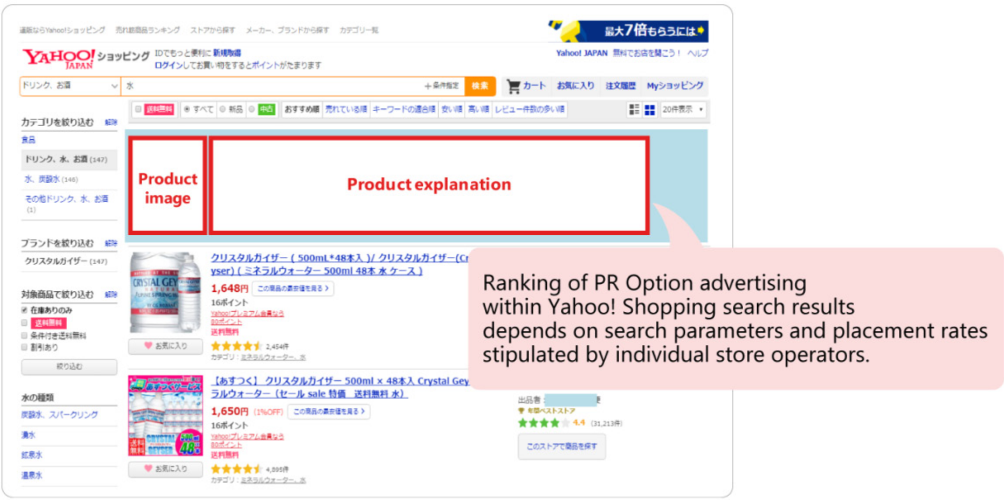
*Includes transaction values of Yahoo! Shopping and LOHACO. LOHACO's transaction value is the revenue (closing date: 20th of every month) of the LOHACO business, operated jointly with ASKUL.

In preparation for the 2015 year-end sales season, Yahoo! Shopping conducted a major week-long sale, with the final day of the sale, November 11, designated as Good Shopping Day. This strategy hit the mark, with the Yahoo! Shopping transaction value recorded on Good Shopping Day some seven times higher than that on the same day one year earlier. By repeating this and other successful promotional strategies in subsequent years, we aim to secure steady growth in Yahoo! Shopping transaction value.

In the wake of solid growth in Yahoo! Shopping transaction value, shopping-related advertising revenue has begun to expand. One particularly promising advertising product has already achieved impressive results: PR Option, displayed on the upper portion of Yahoo! Shopping search results pages and on various other Yahoo! JAPAN pages. With PR Option, store operators are required to pay for advertising placements only if and when an item sells. And because store operators are able to freely stipulate advertising placement rates and placement time periods for specific items, PR Option offers a highly appealing degree of flexibility.

Aiming to introduce PR Option to a larger number of potential advertisers, we stepped up promotional activities beginning in the third quarter of fiscal 2015. As a result, average quarterly shopping-related advertising revenue in the second half of fiscal 2015 increased 2.3 times year on year, to approximately ¥3.0 billion. This result clearly indicates that our new e-commerce strategy initiatives are increasingly bearing fruit, in terms both of higher transaction value and of expanding shopping-related advertising revenue. Indeed, on an annualized basis the fourth-quarter shopping-related advertising revenue result approaches the ¥12.0 billion in total monthly store tenant fees and transaction-based system-use fees recorded for the period prior to the October 2013 implementation of our new e-commerce strategy.

PR Option



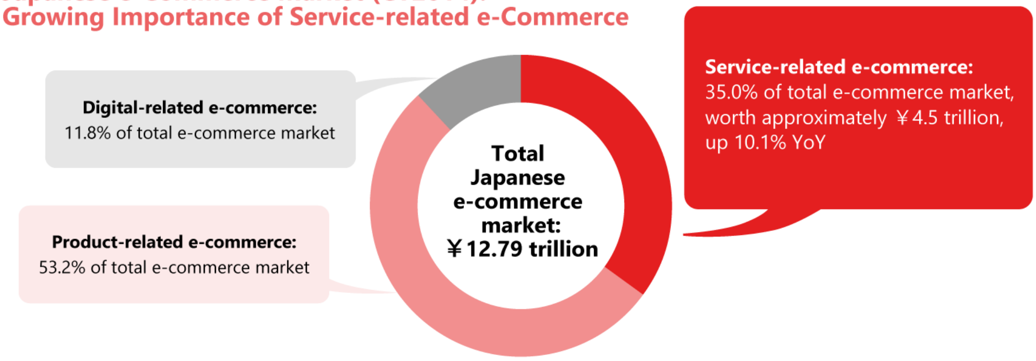
Shopping-related advertising revenue as a share of Yahoo! Shopping's transaction value in the second half of fiscal 2015 was approximately 2.5%. While assuming continuous expansion in transaction value in coming years, we aim to achieve a shopping-related advertising revenue share rate of 4–5% on the back of expanded promotional activities.

In order to achieve continuous growth in e-commerce transaction value moving forward, we intend to leverage the Yahoo! Premium membership base. Although less than 20% of the entire Yahoo! Premium membership base currently use Yahoo! Shopping, they accounted for approximately 60% of Yahoo! Shopping's total transaction value in the fourth quarter of fiscal 2015. Accordingly, in fiscal 2016 we will remain keenly focused on encouraging more Yahoo! Premium members to use Yahoo! Shopping.

In addition to increasing utilization rates among existing Yahoo! Premium members, we also aim to recruit new Yahoo! Premium members. Until recently, YAHUOKU! users accounted for the bulk of new Yahoo! Premium members. Currently, however, a growing number of users are opting to become Yahoo! Premium members in order to take advantage of generous rewards-point campaigns on Yahoo! Shopping. Similarly, Premium GYAO!, our monthly paid-membership video service launched in February 2016, is currently extending exclusive benefits such as special discounts to Yahoo! Premium members, which is enticing a growing number of users to seek Yahoo! Premium membership. By continually expanding and upgrading benefits offered exclusively to Yahoo! Premium members, we expect to see further growth in Yahoo! Premium memberships and higher utilization of Yahoo! JAPAN services moving forward.

While continuing to focus on expanding Yahoo! Shopping's transaction value, the Yahoo Japan Group is also strengthening its position in the service-related e-commerce market, including travel- and dining-related services.

Japanese e-Commerce Market (CY2014):
Growing Importance of Service-related e-Commerce



Source: *FY2014 Infrastructure Development Related to Japan's Socioeconomic Computerization and Shift to Service Industry/E-Commerce Market Survey* (Ministry of Economy, Trade and Industry)

The Japanese e-commerce market currently has a transaction value of approximately ¥13 trillion annually, of which service-related transactions account for roughly ¥4.5 trillion, or some 35% of the total. According to a Ministry of Economy, Trade and Industry survey[2], in calendar 2014 the service-related e-commerce market expanded approximately 10% year on year. Against that background, the Yahoo Japan Group anticipates significant further growth in this market in coming years. Of the various services offered via e-commerce, travel- and dining-related services account for more than 60% of the total service-related market. Although accommodation-related online reservation systems are relatively advanced in Japan, only 57% of hotel rooms and 30% of rooms in traditional Japanese-style *ryokan* can be reserved via online systems, according to a 2014 survey[3], implying plenty of scope for online market expansion in the years ahead. Meanwhile, dining reservations are still made almost exclusively via telephone, with just 1–2% of reservations made online, according to Company estimates based on another 2014 survey[4]. Accordingly, we believe that rapidly capturing a large share of the dining-related online reservation market is almost certain to yield strong growth over the medium to long term.

2. *FY2014 Infrastructure Development Related to Japan's Socioeconomic Computerization and Shift to Service Industry/E-Commerce Market Survey* (Ministry of Economy, Trade and Industry)
3. *Statistical Survey on Business Conditions* (Japan *Ryokan* & Hotel Association)
4. Yahoo Japan Corporation estimate from *FY2014 Infrastructure Development Related to Japan's Socioeconomic Computerization and Shift to Service Industry/E-Commerce Market Survey* (Ministry of Economy, Trade and Industry) and *Estimates of Food Service Industry Market Scale 2014* (Japan Foodservice Association)

Having for some time provided Yahoo! Travel, Yahoo! Restaurant Reservation, and other service-related e-commerce offerings, the Yahoo Japan Group intends to raise its market profile in the short term by shoring up areas of weakness while at the same time leveraging strengths via bold business model innovations and an aggressive approach to mergers and acquisitions.

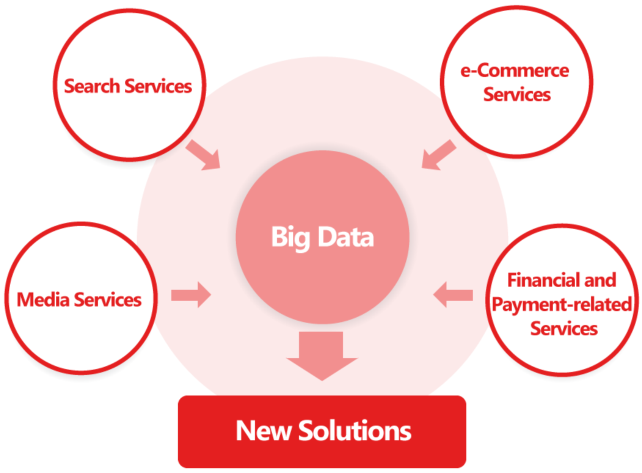
Resembling Yahoo! Shopping prior to implementing our new e-commerce strategy, Yahoo! Travel until recently faced shortages of accommodation facilities and plan options. To remedy this situation, Yahoo! Travel began listing accommodation-related information provided by accommodation reservation operators, and then in 2014 introduced measures enabling accommodation facilities to bypass accommodation reservation operators and directly list accommodation-related information on Yahoo! Travel. In July 2015, the Company made Dynatech inc., an accommodation facility reservation system provider and manager, a wholly owned subsidiary. In February 2016, we began offering various services to accommodation facilities that had introduced Dynatech's reservation system, including automatic posting on Yahoo! Travel of selected information from accommodation facilities' own Web sites. Looking forward, we expect our collaboration with Dynatech to result in a steady increase in accommodation facilities and plan options.

In February 2016, the Company consolidated Ikyu Corporation. Leveraging high brand power, Ikyu maintains strong relationships with high-end facilities and establishments in the accommodation and restaurant reservation businesses. Ikyu's specialized service offerings in high-end accommodations to Yahoo! JAPAN users are expected to strengthen our overall accommodation reservation business. Regarding restaurant reservations, Ikyu's introduction of a world of fine dining options, previously not on offer among the casual-dining options of Yahoo! Restaurant Reservations, will spur growth moving forward.

In addition, the Company consolidated YJ Card Corporation in January 2015, thereby marking its entry into the credit card business. Our credit card and other payment-related businesses are poised to grow in tandem with burgeoning e-commerce activity and resultant growth in transaction value.

The types of synergies that exist between our e-commerce and financial and payment-related services are present among our other services, as well. Synergies exist between our media and e-commerce services, for example, as users' behavioral history information gathered by media services can be gainfully leveraged by our e-commerce services. Similarly, users' behavioral history information retrieved during the course of e-commerce transactions can be used to fine-tune targeted advertising delivery systems. Moreover, information gleaned from financial and payment-related services can be leveraged in providing advertising and e-commerce services, and vice versa. Continuously exploring and maximizing the synergies that exist among its various services, the Yahoo Japan Group is dedicated to establishing a business model based on ceaseless innovation, the likes of which the world has never seen.

Synergizing Big Data to Arrive at New Solutions



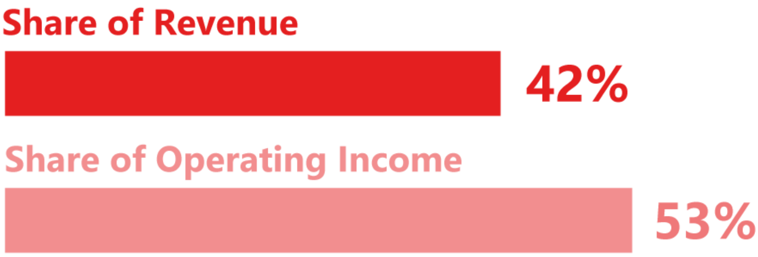
Simultaneously pursuing continuous growth in e-commerce related services while positioning the shopping and credit card businesses as new revenue pillars looking forward, the Yahoo Japan Group aims to establish a powerful new business model based on synergized service integration.

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. The allocation of services and consolidated subsidiaries among the Yahoo Japan Group's three business segments for fiscal 2015 differs from the allocation for fiscal 2014. To facilitate year-on-year comparisons of business segment results, retroactive adjustments have been made as required.

Marketing Solutions Business

The Marketing Solutions Business segment chiefly comprises advertising-related services such as paid search and display advertising.



Marketing Solutions Business segment revenue for fiscal 2015, the year ended March 31, 2016, increased 6.5% year on year, to ¥277.3 billion, while operating income ticked up 0.6%, to ¥144.5 billion. The segment accounted for approximately 42% of consolidated revenue on an unadjusted basis.

Groupwide advertising-related revenue, earned mainly by the Marketing Solutions Business segment, expanded 6.8% year on year, to ¥266.9 billion, contributing to stable overall revenue as one of the Yahoo Japan Group's core businesses. Mobile smart devices accounted for 41.4% of advertising-related revenue in fiscal 2015, up 8.0 percentage points from the previous fiscal year, largely reflecting progress made during the period in implementing 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 2015 rose 0.3% year on year, to ¥6,171 billion, the fourth consecutive year of growth in total advertising expenditures. While total advertising expenditures in the four traditional media markets of television, newspapers, magazines, and radio decreased 2.4% in calendar 2015, Internet-related advertising placement expenditures were up 11.5%. Relatively robust growth in Internet-related advertising spending in recent years primarily reflects ongoing smartphone market expansion, increasing usage of video advertising, and the proliferation of new advertising distribution technologies. In its *IT Navigator 2015*, Nomura Research Institute, Ltd., forecasts that smartphone contracts will account for nearly 70% of total mobile phone contracts in Japan by March 31, 2019, up from just over 50% as of March 31, 2015.

Reflecting the ongoing shift away from personal computers (PCs) in favor of mobile-based Internet access, mobile smart devices accounted for 60.9% of Yahoo! JAPAN's total daily unique browsers (DUBs) in fiscal 2015, up from 54.6% in fiscal 2014. Smartphones alone accounted for total DUBs in fiscal 2015 of 51.43 million, an increase of 25.6% year on year. Given that many of the Yahoo Japan Group's high-revenue advertising products are PC-based, the trend toward decreasing PC-based Internet access poses a growing challenge. Meeting this challenge head-on, the Yahoo Japan Group is reinvigorating revenue growth and boosting earnings by developing innovative advertising products that profitably exploit the shift toward mobile-based Internet access, particularly via smartphones.

Yahoo Japan Group Advertising Products Overview

Advertising Products			Main Format	Fee Calculation	Placement Pages	Main Advertiser Base
Paid search advertising	Sponsored Search®		Text	Per-click rate (Performance-based[2])	Search results pages	Major corporations Small and medium-sized companies
Display advertising	YDN and others	Yahoo! Display Ad Network (YDN[1])	Text Banner		Top page[1] Interior pages of service sites[1]	
		Yahoo! Premium DSP	Banner	Per-impression page view rate (Performance-based[2])		Major corporations
	Premium Advertising	Brand Panel Prime Display Others	Rich ads (including video) Banner	Per-impression page view rate (Guarantee-based[3])		
		Banner ads Text ads Others	Text Banner	Per-guaranteed period rate (Guarantee-based[3])	Yahoo! Shopping	Yahoo! Shopping stores
		PR Option		Conversion-based		

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

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

Sponsored Search® paid search advertising is distributed to search results pages according to matching algorithms based on search queries, with advertiser fees calculated on a per-click basis. Fiscal 2015 Sponsored Search® revenue decreased 7.7% year on year, to ¥140.4 billion, accounting for approximately 53% of total advertising-related revenue. This decline partially reflected the termination in the second half of fiscal 2015 of agreements related to the distribution of smartphone-based paid search advertising to partner Web sites. On the other hand, the increase in smartphone-based search queries more than offset the decline in PC-based searches, resulting in a year-on-year increase in the overall number of searches on Yahoo! JAPAN services. Smartphone-based paid search advertising, however, generates lower revenue per search than its PC-based equivalent owing to the lower number of advertising links that can be displayed on the smaller screens of smartphones, which results in lower click-through rates. In addition, the highly specific, personalized nature of smartphone-based search queries tends to yield search results pages with no advertising.

As PC-based Internet usage continues to decline, paid search advertising revenue growth is likely to remain mostly sluggish for some time. To generate new demand for this core revenue-generating product moving forward, we will implement system improvements as appropriate while working to attract a growing number of advertisers in outlying regions of Japan.

Fiscal 2015 revenue from display advertising increased 29.4% year on year, to ¥126.4 billion, accounting for approximately 47% of total advertising-related revenue. 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.

YDN behavior-targeted advertising is distributed to the top page of the Yahoo! JAPAN smartphone version, interior pages of such Yahoo! JAPAN services as Yahoo! News and YAHUOKU!, and Web sites of third-party partner publishers. Based on an analysis of user behavior derived from user-specific browsing histories and other data, and incorporating advanced attribute targeting and re-targeting functions, YDN offers optimal user-specific advertising placement. Yahoo! Premium DSP enables advertisers to 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 specific advertisers, Yahoo! Premium DSP offers more precise user targeting not only of an existing customer base but also of potential new customers in real time. In fiscal 2015, revenue from YDN advertising and others, including Yahoo! Premium DSP, expanded 53.6% year on year, to ¥88.3 billion. Recording increasingly significant revenue growth, YDN has effectively replaced paid search advertising as the main driver of advertising-related revenue growth.

In May 2015, we began displaying YDN on the new scrolling timeline on the top page of the Yahoo! JAPAN smartphone version. As a result, the number of advertising clicks on the new top page more than doubled compared with those on the previous top page, attesting to the success of this feature. By providing optimal advertising solutions, YDN advertising and others are expected to achieve strong growth again in fiscal 2016.

Premium Advertising, used primarily for corporate image enhancement and product branding, is displayed prominently for strong visual impact on the Yahoo! JAPAN top page and interior pages of service sites. Premium Advertising products include Brand Panel displayed on the Yahoo! JAPAN top page as well as Prime Display and video advertising displayed on Yahoo! JAPAN pages other than top pages and on partner Web site pages. Another Premium Advertising product, PR Option, is displayed on the upper portion of Yahoo! Shopping search results pages as well as on various other Yahoo! JAPAN pages including the checkout page of Yahoo! Shopping. Premium Advertising revenue declined 5.1% year on year, to ¥38.2 billion, primarily owing to lower PC-based Internet usage. More positively, we began displaying Brand Panel on the top page of the Yahoo! JAPAN smartphone version in December 2015. Although revenue remains small, this is a promising growth field.

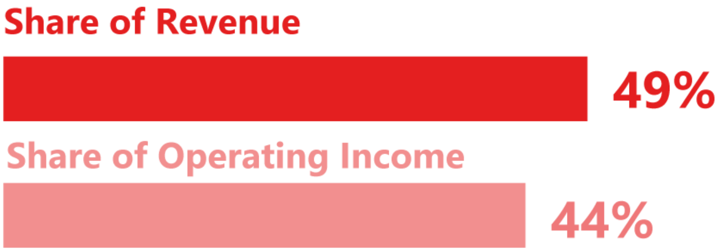
Smartphone-view Brand Panel advertisement

Furthermore, the growing popularity of Yahoo! Shopping's PR Option supported average quarterly shopping-related advertising revenue in the second half of fiscal 2015 of approximately ¥3 billion, largely reflecting higher advertising placements during our Good Shopping Day campaign carried out in November 2015. Revenue from Yahoo! Shopping's Premium Advertising products, including PR Option, is recorded in the Consumer Business segment.

The business environment for Internet-based advertising is in a continuous state of flux, as more and more users access the Internet via mobile smart devices and as evolving technologies support an increasingly diverse advertising product lineup. In this challenging environment, the Yahoo Japan Group is 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 order to assist data-driven marketing. 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.

Consumer Business

The Consumer Business segment primarily includes e-commerce related services (YAHUOKU!, Yahoo! Shopping, and others), membership services (Yahoo! Premium, Yahoo! BB, and others), information listing services (Yahoo! Real Estate and others), and LOHACO (operated jointly with ASKUL Corporation).

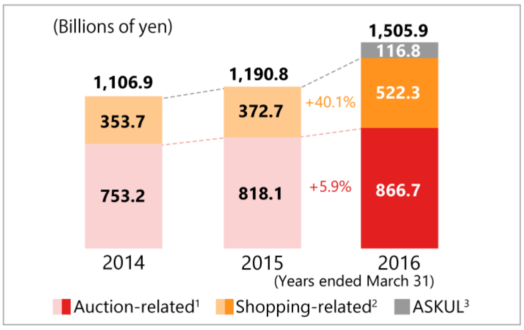


In fiscal 2015, Consumer Business segment revenue increased 153.7% year on year, to ¥326.4 billion, and operating income rose 73.7%, to ¥119.6 billion. The segment's share of consolidated revenue was approximately 49% on an unadjusted basis.

From October 2013, we initiated a new e-commerce 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 becoming No. 1 in total transaction value in the expanding Japanese e-commerce market. As a result of this major strategic reorientation, the Yahoo Japan Group's total domestic e-commerce related transaction value in fiscal 2015 increased 26.5% year on year, to ¥1,505.9 billion.

Yahoo Japan Group's Total Domestic e-Commerce Related Transaction Value

Transaction value of more than ¥1.5 trillion achieved for the first time thanks to successful e-commerce strategies



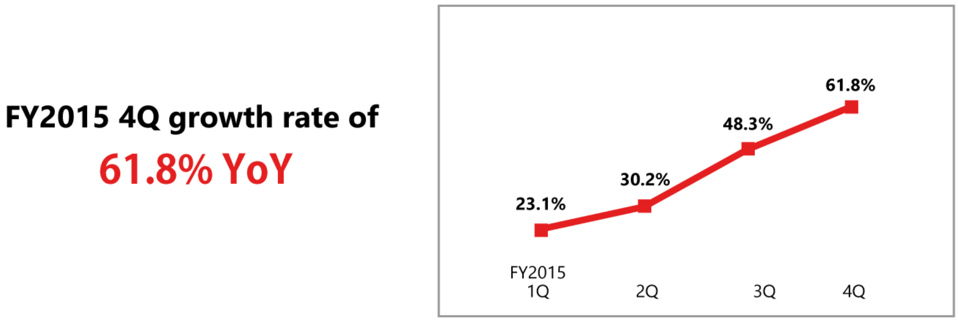
1. Includes transaction values of YAHUOKU!, tradecarview (http://www.tradecarview.com/), BOOKOFF Online (http://www.bookoffonline.co.jp/), and Yahoo! Tickets from April 2015. Prior data and comparative figures have been retroactively adjusted.
2. Includes transaction values of Yahoo! Shopping, Yahoo! Travel, paid digital contents, LOHACO, Yahoo! Restaurant Reservation, and two months of Ikyu's transaction value. Prior data and comparative figures have been retroactively adjusted. LOHACO's transaction value is the revenue (closing date: 20th of every month) of the LOHACO business, operated jointly with ASKUL.
3. Seven months of ASKUL's non-consolidated BtoB-related revenue (transaction value; closing date: 20th of every month) via Internet.

While both Yahoo! Shopping and YAHUOKU! recorded year-on-year gains in transaction value, the primary factor behind the Consumer Business segment's explosive growth in fiscal 2015 was the August 2015 conversion of ASKUL from an equity-method affiliate to a consolidated subsidiary.

Shopping-related transaction value in fiscal 2015 rose a substantial 40.1% year on year, to ¥522.3 billion.

In line with our new e-commerce business strategy, Yahoo! Shopping has replaced its traditional e-commerce business model centered on a fee-based revenue structure with a media-platform business model centered on an advertising-based revenue structure. Kicking off our new strategy by waiving monthly store tenant fees and transaction-based system-use fees, we set in motion a three-phase growth strategy to (1) boost the number of Yahoo! Shopping store IDs and increase the number of item listings, (2) expand the number of buyers and raise transaction value, and (3) monetize Yahoo! Shopping pages with advertising. As a result, the number of Yahoo! Shopping store IDs as of March 31, 2016, totaled approximately 400 thousand (based on issued accounts for both corporations and private individuals, including newly screened stores not yet opened). Furthermore, the number of item listings on Yahoo! Shopping as of March 31, 2016, topped 200 million, the largest item selection of any domestic online shopping site. (For more details, please see the Special Feature beginning on page 9 of this report.)

Shopping Transaction Value*, Quarterly YoY Growth Rate



*Includes transaction values of Yahoo! Shopping and LOHACO. LOHACO`s transaction value is the revenue (closing date: 20th of every month) of the LOHACO business, operated jointly with ASKUL.

Auction-related transaction value in fiscal 2015 rose 5.9% year on year, to ¥866.7 billion.

Leaving YAHUOKU!'s fee-based revenue structure intact, our e-commerce business strategy has focused on boosting buyer numbers 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 toward our goal of fee-based revenue growth.

As a key element of our strategy to boost YAHUOKU! buyer numbers, we waived the requirement that YAHUOKU! participants placing bids in excess of ¥5,000 be fee-paying Yahoo! Premium members. Aiming to further stimulate buying activity and raise transaction value, in January 2016 we waived the fee previously paid by buyers making auction payments via Yahoo! ezPay. As a result, the Yahoo! ezPay usage rate rose to more than 50% of all YAHUOKU! payments made in March 2016. Yahoo! ezPay service results are recorded in the Other Business segment.

To offset the lost revenue resulting from our Yahoo! ezPay move, from February 2016 we increased the system-use fee paid by private individual sellers on YAHUOKU! from 5% to 8% of closing-bid prices, exclusive of tax. Then, from April 2016 we raised the system-use fee paid by corporate stores from 5% to 7% of closing-bid prices, exclusive of tax.

Looking ahead, we expect our e-commerce services to generate steady gains in revenue and profits on the back of continuous growth in transaction value.

In our membership services business, the total number of monthly paid membership IDs reached 16.73 million as of March 31, 2016, up from 15.46 million as of the previous fiscal year-end. Much of this growth is attributable to an ongoing initiative to acquire new Yahoo! Premium members at SoftBank Mobile and Y! Mobile retail stores. Yahoo! Premium members, who tend to be relatively savvy users of e-commerce services as well as loyal Yahoo! JAPAN customers, enjoy a range of exclusive member benefits, including listing on YAHUOKU! and Yahoo! Shopping as well as bonus T-Point rewards.

In February 2016, we launched Premium GYAO!, a monthly paid membership video-on-demand service. With the addition of Premium GYAO! to our free GYAO! and pay-per-view GYAO! Store services, we now offer a comprehensive video service lineup with wide-ranging user appeal.

By continually expanding and upgrading benefits offered exclusively to Yahoo! Premium members, we expect to see further growth in Yahoo! Premium memberships and higher utilization of Yahoo! JAPAN services moving forward.

Other Business

The Other Business segment encompasses financial and payment-related services, corporate services including data center related operations, and other services not included in either of the other two business segments.

Share of Revenue

9%

Share of Operating Income

3%

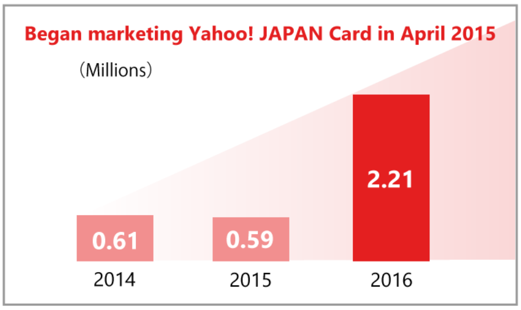
The Other Business segment encompasses financial and payment-related services, corporate services including data center related operations, and other services not included in either of the other two business segments, including the operations of consolidated subsidiaries YJFX, Inc., and YJ Card Corporation.

Other Business segment revenue increased 24.9% year on year, to ¥60.2 billion, while operating income fell 58.4%, to ¥6.6 billion. The segment's share of consolidated revenue was approximately 9% on an unadjusted basis.

In financial and payment-related services, the Yahoo Japan Group's third business pillar after advertising and e-commerce, we began marketing the Yahoo! JAPAN Card jointly with YJ Card Corporation in April 2015 with the goal of increasing the total number of valid cardholders to approximately 1.6 million by the end of March 2016. Owing to highly efficient online promotional campaigns, we far exceeded our initial growth target and attained a total of 2.21 million valid cardholders as of March 31, 2016. In line with our recent strategy of making forward-looking investments in future growth, we plan to carry on with efforts to gain additional cardholders and achieve higher credit card transaction value. Treating this as a core initiative, we intend to focus in particular on loyalty reward point campaigns. By raising the Yahoo! JAPAN Card basic reward point rate to 1% from the standard 0.5% rate, for example, and by offering triple reward points for items purchased with a Yahoo! JAPAN Card on Yahoo! Shopping, we expect to spur higher usage of Yahoo! JAPAN services.

Number of Valid Credit Card Holders*

YoY growth of 3.7 times achieved largely owing to April 2015 marketing debut of Yahoo! JAPAN Card

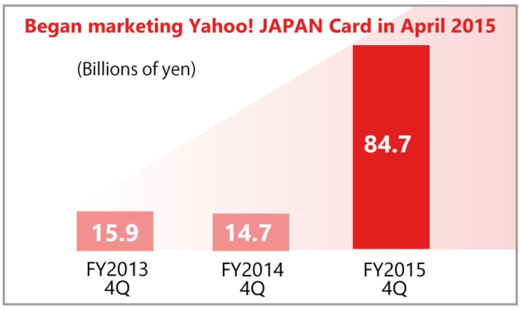


(Years ended March 31)

*At fiscal year-end, including holders of Yahoo! JAPAN Card, SoftBank Card (Omakase Charge), and KC Card

4Q Credit Card Transaction Value*

YoY growth of 5.7 times in 4Q FY2015



*Value of transactions by holders of Yahoo! JAPAN Card, SoftBank Card (Omakase Charge), and KC Card, excluding cash advance service transactions

The Yahoo Japan Group's 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 approximately ¥1.5 trillion. Moreover, we expect to leverage synergies with our advertising business by developing improved targeted advertising distribution capabilities based on analyses of user-specific consumption behavior and online and offline payment data.

We are focusing particularly on 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, 2016, the number of registered Yahoo! Wallet IDs exceeded 33 million.

Yahoo! Wallet now features an expanded range of payment options, including bank-account debit payments and Yahoo! Money, Yahoo! JAPAN's inaugural e-money offering. Moreover, we have introduced Yahoo! Wallet applications for bill sharing and money transfer capabilities, available in both iOS and Android versions. Initially introduced via YAHUOKU!, Yahoo! Shopping, and ASKUL's LOHACO daily-use goods shopping service, debit payments and Yahoo! Money are slated for subsequent introduction via other Yahoo! JAPAN services such as GYAO! and Yahoo! Games, while preparations are under way to participate in the first payment services for Yahoo! Wallet at actual brick-and-mortar stores.

Corporate Social Responsibility

Leveraging expertise in information technology, Yahoo Japan Corporation (the Company) and its consolidated subsidiaries and affiliates (the Yahoo Japan Group) function as an engine continuously generating solutions to the myriad problems of modern life. In recognition of the 20^{th} anniversary of the Company's founding in 1996, we have renewed our commitment to creating a more progressive, inclusive Japanese society for the next generation. To this end, we have formulated UPDATE JAPAN as our new guiding vision. As a leader in the Japanese Internet market and responsible for ensuring a safe and secure online environment, the Yahoo Japan Group is keenly focused on maintaining information security, including the protection of users' personal information. As a responsible corporate citizen, we engage in a wide range of social contribution activities promoting a better society even as we ceaselessly develop new services in step with the ever-changing needs of individual users.

◆ For Investors

- Keenly focused on providing timely, accurate, and fair 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 provide a live-streaming service of our quarterly information meetings, including detailed explanations of our financial performance and business operations as well as finance-related trends. Afterwards, we provide on-demand video services of these information meetings. In addition, we hold one-on-one or small-group meetings and one-on-one telephone calls with analysts in Japan and overseas 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 hold information meetings for potential new individual investors.

◆ For a Safe and Secure Internet Environment

Information Security

- The Yahoo Japan Group has implemented measures to ensure that users' personal information entrusted to the Group is not leaked by either executives or employees.
- Providing services around the clock, we have also implemented measures to 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.
- The Yahoo Japan Group has adopted a defense-in-depth strategy based on multiple security measures 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. iTres has been incorporated into the management of the Group's massive database of users' personal and other information as part of an effort to strengthen the Group's oversight and monitoring capabilities.
- 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 card holder and transaction information.

Service Safety

- We help to prevent unauthorized usage of Yahoo! JAPAN IDs by providing a range of advanced security settings, including a log-in alert, log-in theme, 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.
- Yahoo! Browser is also available as an app with enhanced security for iPhone and 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.
- Working in collaboration with intellectual property rights advocacy groups, we strive to enlighten users about the importance of protecting intellectual property rights.

Sound Internet Development

- As a leading Internet company, we actively participate in government-sponsored meetings to deliberate on Internet-related issues. At the same time, we make every effort to accurately convey our views on the status of Internet conditions while putting forward various proposals.
- 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 evaluate and monitor all advertisements placed on Yahoo! JAPAN to ensure compliance with our strict standards with respect to content and visual presentation.
- Yahoo! Kids is a safe and fun Internet site 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.
- On Hack Day, the Company’s developer event, employees are encouraged to freely express their creativity.
- 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.

User Protection and 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 enhance user protection 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 and indemnity systems.
- Each of our services incorporates a feature enabling users to post opinions and comments, and we have newly introduced a mechanism by which such user feedback is shared in real time throughout the Company.
- We also provide high-quality user support via our online real-time chat services.

◆ Disaster Preparedness and Reconstruction Assistance

Disaster Preparedness

- In order to provide users with a continuous flow of essential information in the case of a major earthquake or other emergency situation affecting our offices in Tokyo, in April 2014 we established a back-up editorial office in Kita-Kyushu City, Fukuoka Prefecture, where the probability of a natural disaster is low. We undertake reviews of business continuity plans as and when required, as well as implementing measures for ensuring the operational capacity of all essential service sites, including the creation of back-up versions. Generally, we strive to provide services that form an integrated social information platform capable of uninterruptedly relaying essential information to users in times of disasters and other emergencies.

- We have formulated an emergency disaster policy that incorporates advanced measures with the goal of ensuring business continuity in the event of a natural disaster or other emergency.
- 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.

Reconstruction Assistance

- 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.
- We sponsor the annual Tour de Tohoku bicycling event, which attracts crowds and commercial activity to the Tohoku region.
- We are soliciting online donations as part of emergency fund-raising initiatives in support of disaster-stricken areas following the Kumamoto Earthquake in April 2016. Donations collected as of June 30, 2016, stood at approximately ¥500 million.
- In another effort to support disaster-stricken areas in the wake of the Kumamoto Earthquake, LOHACO, an online BtoC seller of daily-use necessities operated jointly with consolidated subsidiary ASKUL Corporation, has initiated a delivery service to 10 evacuation areas in Kumamoto Prefecture of gift packs purchased with Internet user donations.

Public-Interest Activities

- Financed by Company contributions and user donations, Yahoo! Fund supports initiatives for creating a safe and sound Internet-based society in addition to providing assistance to victims of natural disasters and other emergencies.
- Yahoo! Net Donation has to date enabled users to donate approximately ¥2.5 billion to various nonprofit organizations (NPOs) and charitable organizations.
- Yahoo! Volunteer 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 2015, such auctions raised more than ¥100 million.
- To support the activities of NPOs working to advance the common good, we launched Links for Good, a Company initiative that provides NPOs with free use of our Yahoo! Display Ad Network (YDN) service. By listing notices on special advertising spaces on the Yahoo! JAPAN site, NPOs are able to effectively disseminate information about volunteer activities and charity events.
- In collaboration with Cyber University, we have developed educational programs on such topics as Internet-based marketing of goods and services for use by vocational schools nationwide.
- 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, their parents or other legal guardians, and teachers.
- 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 or other legal guardians conducts in-depth research on the impact of the Internet on children.
- Together with various Japanese universities, we co-host a student version of Hack Day, known as Hack U. To date, more than 500 students have participated in Hack U events.
- As of March 31, 2016, we have hosted company tours for 307 elementary, junior high, and senior high schools nationwide as part of our career education initiative.

◆ For the Environment

- At Asian Frontier, our environment-friendly next-generation data center located in Kita-Kyushu City, Fukuoka Prefecture, the adoption of an air-conditioning system that uses external fresh air resulted in a nearly 40% reduction in electricity consumption. Leveraging our expertise in fresh-air air-conditioning systems gained at Asian Frontier, and applying building and air-conditioner design modifications, we subsequently achieved more than a 90% reduction in air-conditioning system electricity consumption at our data center located in Shin-Shirakawa City, Fukushima Prefecture. By applying state-of-the-art technologies, the Yahoo Japan Group has significantly reduced its production of greenhouse-gas emissions.
- Our Reuse! Japan Project, hosted on YAHUOKU!, aims to promote a recycling-oriented society that fosters sustainable lifestyles.
- 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 2015 this system produced an amount of recycled paper equivalent to 726 trees, and in calendar 2015 contributed to a reduction in greenhouse gas emissions of approximately 53.4 metric tons.

◆ For 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 Company 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.
- With the goal of maximizing our organizational strength, and in keeping with our commitment to creating an inclusive workplace environment in which each employee can reach his or her full potential regardless of previous work experience, cultural background, stage of life, or demographic profile, we support various employee-based initiatives addressing such issues as women as both workers and caretakers, LGBT equality, opportunities for the differently abled, and the socioeconomic implications of globalization. Each initiative is headed by an executive officer, indicative of top management’s active promotion of diversity.
- The number of female Company managers as of March 31, 2016, was 177, up from 150 as of March 31, 2013. 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 ability.
- 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.
- 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

(As of June 22, 2016)

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, the Company aims to conduct appropriate and effective business operations. By maintaining appropriate corporate governance and conducting effective corporate activities, the Company intends to retain the trust and understanding of all stakeholders.

1. Corporate Governance System

Japan's new corporate governance code, which took effect on June 1, 2015, establishes fundamental principles of good corporate governance, including transparent, fair, timely, and decisive decision-making as well as proactive management.

Given that timely and decisive decision-making is a key governance principle among companies in the Internet industry, management believes that the Yahoo Japan Group's basic stance on corporate governance is in broad alignment with that outlined in the new corporate governance code. Bearing in mind the intent of the new code, the Company converted to a company with an audit and supervisory committee as its corporate governance structure after approval at the general shareholders meeting on June 18, 2015. In further compliance with the new corporate governance code, we also appointed two independent outside directors in order to ensure independent perspectives and to enhance transparent and fair decision-making. In addition, we have clearly separated the monitoring function of the Board of Directors from the business execution function of corporate officers, in addition to granting the Board of Directors an additional role as a discussion forum for the Company's medium- to long-term business trajectory. Moreover, by delegating broad authority to corporate officers we have reinforced the Company's proactive management stance. As of June 22, 2016, the Board of Directors comprises eight members, three of whom are concurrently members of the Audit and Supervisory Committee.

The thinking behind the composition and regulations of the Company's Board of Directors is as follows:

- To separate management from supervision, a majority of Board of Directors members are non-executive directors.
- To ensure diversity, in addition to individuals with extensive knowledge of and experience in the Internet field, the Company shall appoint as directors individuals with management experience in other industries, as well as individuals with expertise in accounting, law, and other fields.
  (Non-executive directors: seven; individuals with expertise in accounting: one; foreign nationals: two; women: one)

2. Audit and Supervisory Committee

With regard to the propriety of policy, planning, and procedures of all business operations as well as the effectiveness and legal and regulatory compliance of business operations, the Audit and Supervisory Committee conducts audits and supervises by, for example, reviewing important documentation and conducting surveys of subsidiaries. Besides reports on audit methods and their results from the independent auditor, the Audit and Supervisory Committee receives reports on the internal audit methods and their results from the Internal Audit Office. Based on those reports, the opinions of the Audit and Supervisory Committee will be regularly shared with full-time directors who are not also Audit and Supervisory Committee members. In fiscal 2015, the Board of Auditors met twice (under the Company's former governance structure based on a Board of Auditors prior to June 18, 2015) and the Audit and Supervisory Committee met six times.

3. Management team (corporate officers) remit

In addition to formulating business strategies and management plans, the Company's Board of Directors shall make decisions on important business execution matters. Specifically, M&A and the acquisition or disposal of large amounts of assets shall be deemed matters to be resolved by a decision of the Board of Directors, but in the case of other business execution matters responsibility for decisions will in principle rest with the management team, in accordance with Board of Directors' rules and regulations.

4. Nomination of candidates for director and appointment of senior management (CEO, COO, and CFO)

When nominating candidates for director or appointing senior management members, such factors as performance at the Company or other companies, experience, knowledge, and popularity shall be taken into consideration, and appropriate personnel appointed at a meeting of the Board of Directors on the basis of Board of Directors' rules and regulations. When nominating candidates for director, the Company shall give consideration to personnel diversity from the perspective of maintaining diversity on its Board of Directors so that no bias is shown toward personal characteristics, and listen to the opinions of independent outside directors prior to a decision being taken at a meeting of its Board of Directors.

5. Director and senior management remuneration

Based on the director remuneration rules and regulations formulated by the Board of Directors, the Company decides on the remuneration and bonuses of its directors and senior management following deliberations by the Remuneration Committee, which comprises three persons, namely, the president, a non-executive director who is not also an independent outside director, and an independent outside director, based on each fiscal period's business performance and each director's contribution to business performance.

6. Independence from associated companies

The Company's parent company is SoftBank Group Corp., from which come three of the Company's directors. 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. 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 and endeavors to maintain fair and appropriate transactions. Utilizing a raft of such measures, the Company is judged to be maintaining its independence from the business operations of its parent company to a sufficient degree.

7. Measures concerning shareholders and other stakeholders

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.

8. Investor relations activities

The Company's disclosure policy defines investor relations (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 compliance with every applicable law and regulation." The Company is committed to providing fair and in-depth disclosure. The Company's Chief Financial Officer (CFO) is in charge of information disclosure, and the Stakeholder Relations Division is in charge of IR activities. The Company's 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.

Concerning the handling of insider information, the management of important facts that have not yet been published is thoroughly controlled and responded to appropriately on the basis of the *Regulations Preventing Insider Trading*. With regard to financial results information, a quiet period is instated to prevent any leaks of information and ensure fairness. During the quiet period, the Company refrains from replying to inquiries or commenting about its financial results.

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-streaming services 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.

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, members of senior management, including the Company president, proactively discuss current growth strategies and business status updates.

The opinions, concerns, and suggestions gleaned from engaging in dialog with shareholders and investors are compiled in a report every quarter and fed back to directors, management personnel, and relevant departments within the Company to assist in management and business promotion. In the event of an emergency, feedback is passed on immediately.

9. 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.

Financial Section

Key Financial Data

	Millions of Yen						Thousands of U.S. Dollars
	IFRS			JGAAP			IFRS
Years ended March 31	**2016**	2015	2014	2014	2013	2012	**2016**
Revenue	**¥652,327**	¥428,488	¥408,515	¥386,284	¥342,990	¥302,089	**$5,789,200**
Marketing Solutions Business	**277,329**	260,399		272,569	235,437	196,858	**2,461,209**
Consumer Business	**326,356**	128,639		101,803	101,043	100,221	**2,896,308**
Other Business	**60,227**	48,229		22,598	14,453	11,118	**534,496**
Reconciliation	**(11,585)**	(8,779)		(10,686)	(7,943)	(6,108)	**(102,813)**
Cost of sales	**247,372**	85,502	75,861	49,048	36,394	28,035	**2,195,350**
Marketing Solutions Business	**61,805**	54,182		52,537	40,081	29,899	**548,501**
Consumer Business	**162,960**	12,037		1,983	1,071	663	**1,446,219**
Other Business	**22,782**	19,377		3,219	1,880	981	**202,183**
Reconciliation	**(175)**	(94)		(8,691)	(6,638)	(3,508)	**(1,553)**
SG&A expenses	**239,653**	145,774	136,216	139,820	120,244	109,049	**2,126,846**
Marketing Solutions Business	**70,990**	62,502		73,073	66,022	56,735	**630,014**
Consumer Business	**103,502**	47,765		32,930	25,080	28,386	**918,548**
Other Business	**30,887**	13,092		11,257	8,729	6,872	**274,113**
Reconciliation	**34,274**	22,415		22,560	20,413	17,056	**304,171**
Operating income	**224,998**	197,212	196,438	197,416	186,352	165,005	**1,996,787**
Marketing Solutions Business	**144,534**	143,715		146,959	129,334	110,224	**1,282,694**
Consumer Business	**119,590**	68,837		66,890	74,892	71,171	**1,061,324**
Other Business	**6,558**	15,760		8,122	3,844	3,265	**58,200**
Reconciliation	**(45,684)**	(31,100)		(24,555)	(21,718)	(19,655)	**(405,431)**
Profit for the year attributable to owners of the parent (IFRS), Net income (JGAAP)	**171,617**	133,052	128,605	125,116	115,036	100,559	**1,523,048**
Earnings per share attributable to owners of the parent (IFRS), Net income per share (JGAAP):							
Basic (Yen and U.S. dollars)	**30.15**	23.37	22.43	21.82	19.84	17.34	**0.27**
Diluted (Yen and U.S. dollars)	**30.14**	23.37	22.43	21.82	19.84	17.34	**0.27**
EBITDA	**255,696**	214,148	209,890	214,127	199,808	176,277	**2,269,223**
At fiscal year-end:							
Total assets	**1,342,800**	1,007,603	849,988	842,749	743,311	562,022	**11,916,933**
Total equity	**912,764**	740,554	627,719	626,561	551,264	468,301	**8,100,497**
Number of employees	**9,177**	7,034	6,291	6,291	5,780	5,124	
Dividends per share (Yen and U.S. dollars)	**8.86**	8.86	4.43	4.43	4.01	3.47	**0.08**
Cash flows	**(54,772)**	21,600	72,749	72,748	150,929	68,581	**(486,084)**
Cash flows from operating activities	**105,409**	126,240	132,793	132,829	139,396	99,737	**935,472**
Cash flows from investing activities	**(110,538)**	(67,865)	(7,275)	(7,311)	51,404	(12,309)	**(980,990)**
Cash flows from financing activities	**(49,358)**	(37,167)	(53,129)	(53,129)	(40,184)	(18,847)	**(438,037)**
Ratios:							
Operating margin (%)	**34.5**	46.0	48.1	51.1	54.3	54.6	
Ratio of profit for the year attributable to owners of the parent to revenue (IFRS), Ratio of net income to revenue (JGAAP) (%)	**26.3**	31.1	31.5	32.4	33.5	33.3	
ROA (%)	**19.3**	22.4	26.1	15.8	17.6	19.5	
ROE (%)	**21.9**	19.8	22.2	21.5	22.8	23.7	
Total equity / Total assets ratio (%)	**62.9**	72.1	72.9	73.3	73.1	82.8	

Notes:

・Yen amounts for the year ended March 31, 2016, have been translated into U.S. dollar amounts, solely for the convenience of readers, at the rate of ¥112.68 = U.S.$1, the effective rate of exchange at March 31, 2016.

・Effective April 1, 2015, the Group changed its basis of segmentation by transferring its services and consolidated subsidiaries among segments. Segment information for the year ended March 31, 2015, is restated in accordance with the new basis of segmentation.

・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 year ended March 31, 2015. The date of transition to IFRSs was April 1, 2013.

・EBITDA = operating income (loss) + depreciation and amortization.

Management’s Discussion and Analysis

In fiscal 2015, the year ended March 31, 2016, Yahoo Japan Corporation (the Company) and its consolidated subsidiaries (the Group) recorded revenue growth of 52.2% compared with the previous year’s result. This was mainly due to higher display advertising revenue and the consolidation of ASKUL Corporation in August 2015.

Despite substantial forward-looking investments made in fiscal 2015 to strengthen the Group’s operating base, operating income, profit before tax, and profit for the year attributable to owners of the parent all recorded year-on-year growth owing chiefly to a gain from remeasurement relating to business combinations resulting mainly from the aforementioned consolidation of ASKUL.

RESULTS OF OPERATIONS

Revenue
Revenue for fiscal 2015 surged ¥223,839 million, or 52.2%, to ¥652,327 million, primarily owing to higher advertising revenue and the consolidation of ASKUL. By business segment, Marketing Solutions Business revenue improved 6.5%, to ¥277,329 million; Consumer Business revenue surged 153.7%, to ¥326,356 million; and Other Business revenue climbed 24.9%, to ¥60,227 million. Reconciliation was ¥11,585 million.

Cost of Sales
Cost of sales for fiscal 2015 climbed ¥161,870 million, or 189.3%, to ¥247,372 million, primarily owing to the consolidation of ASKUL and to changes in accounting line items in connection with amendments to the terms of agreements related to search system usage.

Selling, General and Administrative Expenses
Selling, general and administrative (SG&A) expenses for fiscal 2015 increased ¥93,879 million, or 64.4%, to ¥239,653 million. The major components of SG&A expenses were as follows:

Personnel expenses increased ¥15,853 million, or 32.6%, to ¥64,473 million. The total number of Group employees as of March 31, 2016, stood at 9,177, an increase of 2,143, or 30.5%, from the figure one year earlier, primarily owing to the consolidation of ASKUL.

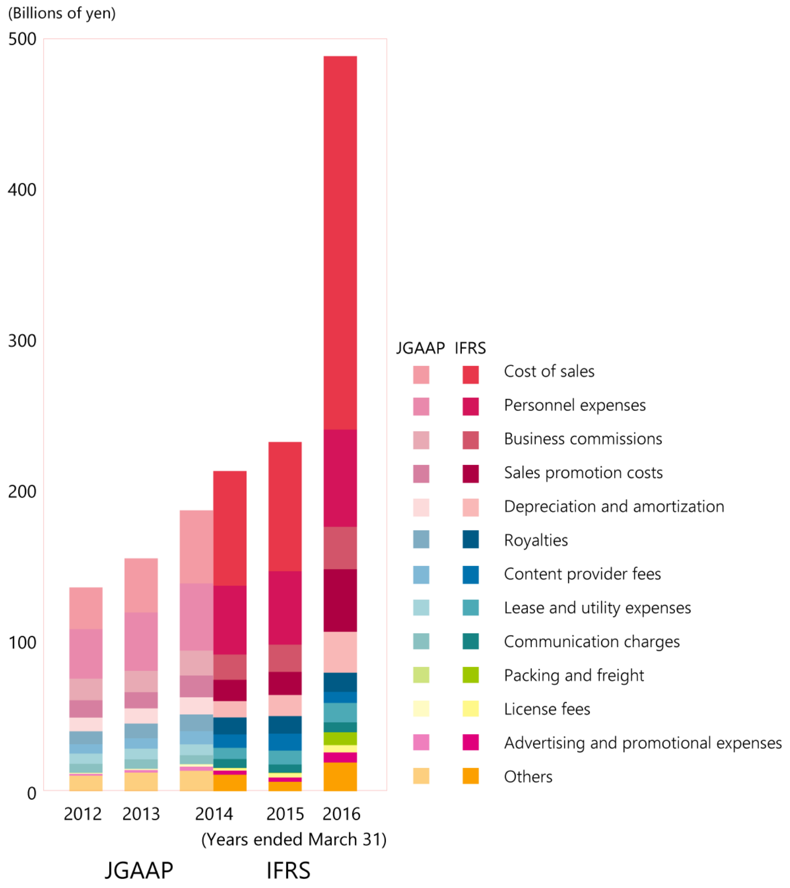
Sales promotion costs surged ¥26,217 million, or 171.7%, to ¥41,484 million. This increase is attributable mainly to higher T-Point expenses and greater outlays for promoting applications usage.

Business commissions rose ¥9,899 million, or 54.6%, to ¥28,025 million, chiefly owing to the consolidation of ASKUL.

Depreciation and amortization increased ¥13,241 million, or 95.0%, to ¥27,182 million, primarily owing to the consolidation of ASKUL as well as to higher property and equipment due to the acquisition of servers and network-related equipment.

Significant other expenses included (1) lease and utility expenses, which increased ¥3,713 million, or 40.6%, to ¥12,852 million; (2) packing and freight, which climbed ¥8,375 million, to ¥8,479 million; (3) content provider fees, which declined ¥3,947 million, or 34.9%, to ¥7,366 million; and (4) advertising and promotional expenses, which grew ¥3,865 million, or 138.0%, to ¥6,665 million.

Cost of Sales and SG&A Expenses Breakdown



(Millions of yen)

	JGAAP			IFRS		
Years ended March 31	2012	2013	2014	2014	2015	2016
Cost of sales	28,035	36,394	49,048	75,861	85,502	247,372
SG&A expenses:						
Personnel expenses	33,261	39,257	45,247	45,689	48,620	64,473
Business commissions	14,589	14,349	16,723	16,723	18,126	28,025
Sales promotion costs	11,634	10,850	14,686	14,115	15,267	41,484
Depreciation and amortization	9,207	10,209	11,492	10,820	13,941	27,182
Royalties	8,723	9,946	11,227	11,227	11,606	12,652
Content provider fees	6,328	6,928	8,918	8,918	11,313	7,366
Lease and utility expenses	6,826	7,240	7,348	7,348	9,139	12,852
Communication charges	5,999	6,332	5,986	5,986	5,607	6,561
Packing and freight	227	123	76	76	104	8,479
License fees	548	731	1,576	1,576	3,014	4,917
Advertising and promotional expenses	1,286	1,672	2,755	2,795	2,800	6,665
Others	10,421	12,607	13,786	10,943	6,237	18,997
Total SG&A expenses	109,049	120,244	139,820	136,216	145,774	239,653
Total	137,084	156,638	188,868	212,077	231,276	487,025

Notes:

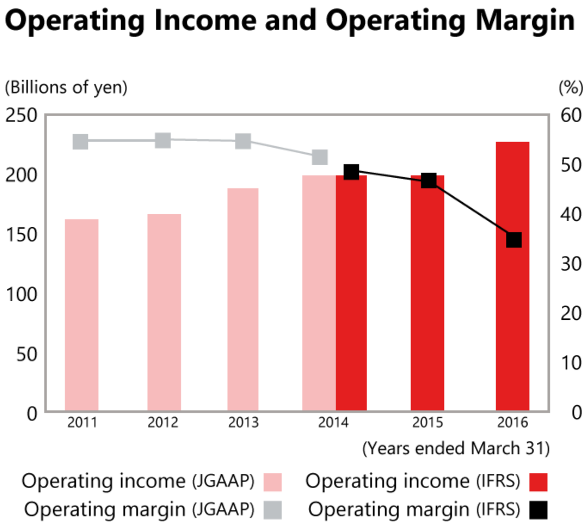
・Personnel expenses include health and welfare program costs, pension costs, and others.

・Cost of sales for the year ended March 31, 2014 increased largely owing to the inclusion of expenses accounted for on a gross basis under IFRSs beginning from the same fiscal year.

・Cost of sales and SG&A expenses for the year ended March 31, 2016 increased largely owing to the consolidation of ASKUL in August 2015.

Operating Income

Operating income for fiscal 2015 improved ¥27,786 million, or 14.1%, to ¥224,998 million. By business segment, Marketing Solutions Business operating income edged up 0.6%, to ¥144,534 million; Consumer Business operating income soared 73.7%, to ¥119,590 million; and Other Business operating income decreased 58.4%, to ¥6,558 million. Reconciliation was ¥45,684 million. In addition, the Group recorded gain from remeasurement relating to business combinations of ¥59,696 million, mainly reflecting the consolidation of ASKUL.



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

Accounting for other non-operating income, other non-operating expenses, and equity in earnings of associates and a joint venture, the Group recorded net other income for fiscal 2015 of ¥1,588 million, down ¥9,499 million, or 85.7%. Principal components were gain on sale of investment securities of ¥1,532 million, up ¥879 million, or 134.7%; and (2) loss on sale of investment securities of ¥2,016 million, up ¥941 million, or 87.5%.

Profit before Tax

Profit before tax came to ¥226,585 million, up ¥18,286 million, or 8.8%, from the figure for fiscal 2014.

Income Tax Expense

Total income tax expense for fiscal 2015 amounted to ¥54,093 million, representing an effective income tax rate of 23.9%. The difference between the effective income tax rate and the normal statutory tax rate of 33.1% for fiscal 2015 was due mainly to the gain from remeasurement relating to business combinations.

Profit for the Year

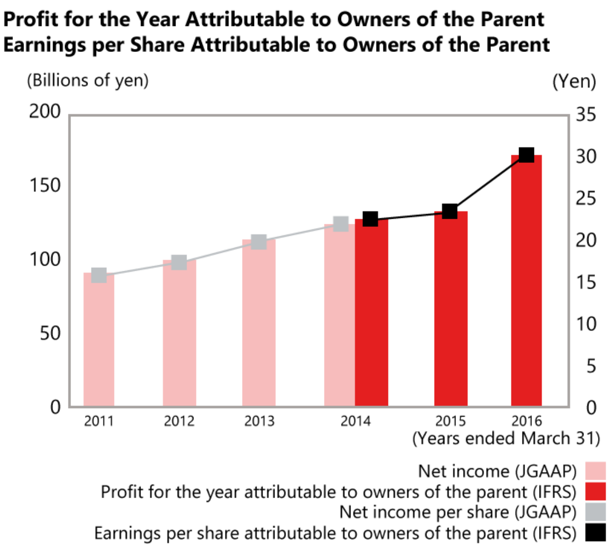
Profit for the year for fiscal 2015 was ¥172,492 million, up ¥38,559 million, or 28.8%.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent for fiscal 2015 came to ¥171,617 million, up ¥38,565 million, or 29.0%. Basic earnings per share attributable to owners of the parent was ¥30.15, up 29.0% year on year. Diluted earnings per share attributable to owners of the parent was ¥30.14, also up 29.0%.

Profit for the Year Attributable to Non-controlling Interests

Profit for the year attributable to non-controlling interests for fiscal 2015 amounted to ¥875 million, down ¥6 million, or 0.7%, from the figure for fiscal 2014.



FINANCIAL POSITION

Assets

Total assets stood at ¥1,342,800 million as of March 31, 2016, up ¥335,197 million, or 33.3%, compared with the balance as of the end of fiscal 2014.

Total current assets amounted to ¥806,381 million, an increase of ¥64,553 million, or 8.7%.

Cash and cash equivalents stood at ¥449,165 million, down ¥54,772 million, or 10.9%. This decrease was due mainly to acquisition of stocks of subsidiaries as well as to payments of income taxes and dividends.

Trade and other receivables were ¥305,759 million, an upswing of ¥88,023 million, or 40.4%, largely reflecting the consolidation of ASKUL and higher transaction value in the credit card business.

Inventories as of March 31, 2016, stood at ¥14,902 million, compared with just ¥419 million one year earlier, owing mainly to the consolidation of ASKUL.

Other financial assets (current) were ¥30,118 million, up ¥14,216 million, or 89.4%, largely reflecting the reclassification of payments for guarantee deposits from other financial assets (non-current) in connection with the relocation of the Company's headquarters as well as higher derivative financial assets associated with foreign exchange margin trading.

Total non-current assets stood at ¥536,419 million as of March 31, 2016, up ¥270,644 million, or 101.8%, from the figure as of the previous fiscal year-end.

Property and equipment amounted to ¥121,134 million, an increase of ¥53,668 million, or 79.5%, chiefly reflecting the consolidation of ASKUL and acquisition of servers and network-related equipment.

Goodwill was ¥156,362 million, up ¥128,689 million, or 465.0%, primarily reflecting the consolidation of ASKUL as well as that of Ikyu Corporation in February 2016.

Intangible assets stood at ¥128,712 million, an increase of ¥96,330 million, or 297.5%, mainly owing to the consolidation both of ASKUL and of Ikyu.

Investments accounted for using the equity method were ¥34,257 million, down ¥27,414 million, or 44.5%, chiefly owing to the consolidation of ASKUL.

Other financial assets (non-current) were ¥70,322 million, up ¥12,218 million, or 21.0%, primarily owing to the purchase of investment securities and the increase in fair value.

Liabilities

Total liabilities as of March 31, 2016, stood at ¥430,036 million, an increase of ¥162,987 million, or 61.0%, compared with the figure as of the previous fiscal year-end.

Total current liabilities came to ¥366,023 million, up ¥126,250 million, or 52.7%.

Trade and other payables were ¥270,767 million, an increase of ¥111,788 million, or 70.3%, chiefly reflecting the consolidation of ASKUL.

Other financial liabilities (current) stood at ¥18,288 million, up ¥8,617 million, or 89.1%, primarily owing to higher loans payable resulting from the consolidation of ASKUL.

Total non-current liabilities were ¥64,013 million, up ¥36,737 million, or 134.7%.

Other financial liabilities (non-current), at ¥10,563 million, were up ¥9,643 million from ¥920 million as of the previous fiscal year-end, chiefly owing to increases in loans payable and in lease obligations stemming from the consolidation of ASKUL.

Deferred tax liabilities were ¥27,516 million, up ¥27,487 million from ¥29 million one year earlier, primarily owing to the tax effect that was recognized on the temporary difference related to intangible assets following the consolidation both of ASKUL and of Ikyu.

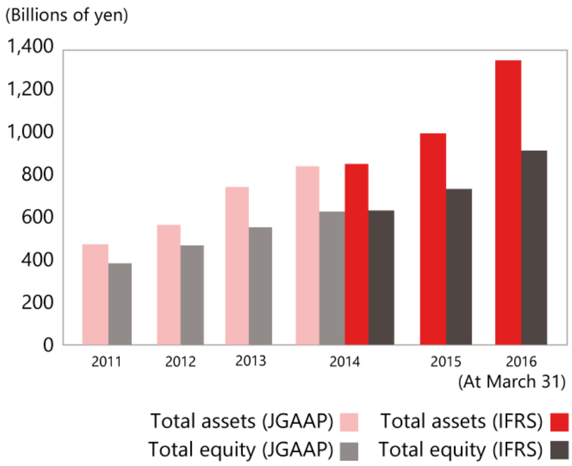
Total Equity

As of March 31, 2016, total equity stood at ¥912,764 million, up ¥172,210 million, or 23.3%, from the figure as of the previous fiscal year-end.

Retained earnings were ¥827,024 million, up ¥121,184 million, or 17.2%. Despite higher payment of dividends for fiscal 2015, retained earnings increased owing to growth in profit for the year attributable to owners of the parent.

Non-controlling interests stood at ¥68,598 million, an increase of ¥54,046 million, or 371.4%, primarily owing to the consolidation of ASKUL.

Total Assets and Total Equity



CASH FLOWS

Cash Flows from Operating Activities

Net cash generated by operating activities in fiscal 2015 amounted to ¥105,409 million, a decrease of ¥20,831 million from the ¥126,240 million generated in the previous fiscal year. Principal components of operating cash flows were profit before tax of ¥226,585 million; depreciation and amortization of ¥30,698 million; gain from remeasurement relating to business combinations of ¥59,696 million, a non-cash item resulting chiefly from the consolidation of ASKUL; and income taxes—paid of ¥66,362 million.

Cash Flows from Investing Activities

Net cash used in investing activities in fiscal 2015 came to ¥110,538 million, an increase of ¥42,673 million compared with the ¥67,865 million used in the previous fiscal year. Major cash outflows from investing activities were purchase of property and equipment of ¥29,255 million, purchase of other investments of ¥17,344 million, and net cash outflow on obtaining control of subsidiaries of ¥92,832 million.

Cash Flows from Financing Activities

Net cash used in financing activities in fiscal 2015 was ¥49,358 million, up ¥12,191 million from the ¥37,167 million used in the previous fiscal year. The principal cash outflow from financing activities was dividends paid of ¥50,399 million.

Accounting for each of the aforementioned activities, the net decrease in cash and cash equivalents was ¥54,772 million. As a result, cash and cash equivalents at the end of the year stood at ¥449,165 million, a decrease of 10.9% compared with the figure one year earlier.

Consolidated Financial Statements and

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Yahoo Japan Corporation and Subsidiaries

Consolidated Statement of Financial Position

	Millions of Yen		Thousands of U.S. Dollars (Note 2(3))
	As of March 31		As of March 31,
	2016	2015	2016
ASSETS:			
Current assets:			
Cash and cash equivalents (Note 7)	¥ 449,165	¥ 503,937	$ 3,986,200
Trade and other receivables (Notes 8 and 25)	305,759	217,736	2,713,516
Inventories	14,902	419	132,251
Other financial assets (Notes 9 and 25)	30,118	15,902	267,288
Other current assets (Note 10)	6,437	3,834	57,126
Total current assets	806,381	741,828	7,156,381
Non-current assets:			
Property and equipment (Note 11)	121,134	67,466	1,075,027
Goodwill (Note 12)	156,362	27,673	1,387,664
Intangible assets (Note 12)	128,712	32,382	1,142,279
Investments accounted for using the equity method (Note 13)	34,257	61,671	304,020
Other financial assets (Notes 9 and 25)	70,322	58,104	624,086
Deferred tax assets (Note 14)	23,331	15,105	207,055
Other non-current assets (Note 10)	2,301	3,374	20,421
Total non-current assets	536,419	265,775	4,760,552
TOTAL ASSETS	¥ 1,342,800	¥ 1,007,603	$ 11,916,933

Yahoo Japan Corporation and Subsidiaries

Consolidated Statement of Financial Position

	Millions of Yen		Thousands of U.S. Dollars (Note 2(3))
	As of March 31		As of March 31,
	2016	2015	2016
LIABILITIES AND EQUITY:			
Liabilities:			
Current liabilities:			
Trade and other payables (Notes 15 and 25)	¥ 270,767	¥ 158,979	$ 2,402,973
Other financial liabilities (Notes 16 and 25)	18,288	9,671	162,300
Income taxes payable (Note 14)	30,782	33,072	273,181
Provisions (Note 17)	12,547	6,399	111,351
Other current liabilities (Note 19)	33,639	31,652	298,536
Total current liabilities	366,023	239,773	3,248,341
Non-current liabilities:			
Other financial liabilities (Notes 16 and 25)	10,563	920	93,743
Provisions (Note 17)	20,089	22,842	178,284
Deferred tax liabilities (Note 14)	27,516	29	244,196
Other non-current liabilities (Note 19)	5,845	3,485	51,872
Total non-current liabilities	64,013	27,276	568,095
Total liabilities	430,036	267,049	3,816,436
Equity:			
Equity attributable to owners of the parent:			
Common stock (Note 22)	8,359	8,281	74,184
Capital surplus (Notes 22 and 24)	(3,081)	1,235	(27,343)
Retained earnings (Note 22)	827,024	705,840	7,339,581
Treasury stock (Note 22)	(1,316)	(1,316)	(11,679)
Accumulated other comprehensive income	13,180	11,962	116,968
Total equity attributable to owners of the parent	844,166	726,002	7,491,711
Non-controlling interests	68,598	14,552	608,786
Total equity	912,764	740,554	8,100,497
TOTAL LIABILITIES AND EQUITY	¥ 1,342,800	¥ 1,007,603	$ 11,916,933

See notes to consolidated financial statements.

Yahoo Japan Corporation and 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,
	2016	2015	2016
REVENUE (Note 28)	¥ 652,327	¥ 428,488	$ 5,789,200
COST OF SALES (Note 29)	247,372	85,502	2,195,350
Gross profit	404,955	342,986	3,593,850
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 29)	239,653	145,774	2,126,846
GAIN FROM REMEASUREMENT RELATING TO BUSINESS COMBINATIONS (Note 5)	59,696		529,783
Operating income	224,998	197,212	1,996,787
OTHER NON-OPERATING INCOME (Note 30)	3,016	10,638	26,766
OTHER NON-OPERATING EXPENSES	2,746	1,224	24,370
EQUITY IN EARNINGS OF ASSOCIATES AND A JOINT VENTURE (Note 13)	1,317	1,673	11,688
PROFIT BEFORE TAX	226,585	208,299	2,010,871
INCOME TAX EXPENSE (Note 14)	54,093	74,366	480,058
PROFIT FOR THE YEAR	¥ 172,492	¥ 133,933	$ 1,530,813
ATTRIBUTABLE TO:			
Owners of the parent	¥ 171,617	¥ 133,052	$ 1,523,048
Non-controlling interests	875	881	7,765
PROFIT FOR THE YEAR	¥ 172,492	¥ 133,933	$ 1,530,813
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT:			
Basic (yen and U.S. dollars) (Note 32)	¥ 30.15	¥ 23.37	$ 0.27
Diluted (yen and U.S. dollars) (Note 32)	30.14	23.37	0.27

See notes to consolidated financial statements.

Yahoo Japan Corporation and 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,
	2016	2015	2016
PROFIT FOR THE YEAR	¥ 172,492	¥ 133,933	$ 1,530,813
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets (Notes 26 and 31)	2,059	41	18,273
Exchange differences on translating foreign operations (Notes 26 and 31)	(810)	928	(7,189)
Share of other comprehensive income of associates (Note 31)	(237)	976	(2,103)
Other comprehensive income, net of tax	1,012	1,945	8,981
TOTAL COMPREHENSIVE INCOME	¥ 173,504	¥ 135,878	$ 1,539,794
ATTRIBUTABLE TO:			
Owners of the parent	¥ 172,835	¥ 134,981	$ 1,533,857
Non-controlling interests	669	897	5,937
TOTAL COMPREHENSIVE INCOME	¥ 173,504	¥ 135,878	$ 1,539,794

See notes to consolidated financial statements.

Yahoo Japan Corporation and Subsidiaries

Consolidated Statement of Changes in Equity

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total	Non-controlling Interests	Total
	Millions of Yen							
	Equity Attributable to Owners of the Parent							
BALANCE AT APRIL 1, 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 obtaining or losing control of 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
Profit for the year			171,617			171,617	875	172,492
Other comprehensive income, net of tax					1,218	1,218	(206)	1,012
Total comprehensive income for the year			171,617		1,218	172,835	669	173,504
Issue of common stock (Note 22)	78	78				156		156
Payment of dividends (Note 23)			(50,433)			(50,433)	(757)	(51,190)
Changes attributable to obtaining or losing control of subsidiaries							55,562	55,562
Changes in ownership interests in subsidiaries without losing control		(4,305)				(4,305)	(1,429)	(5,734)
Others		(89)				(89)	1	(88)
Total	78	(4,316)	(50,433)			(54,671)	53,377	(1,294)
BALANCE AT MARCH 31, 2016	¥ 8,359	¥ (3,081)	¥ 827,024	¥ (1,316)	¥ 13,180	¥ 844,166	¥ 68,598	¥ 912,764

Yahoo Japan Corporation and Subsidiaries

Consolidated Statement of Changes in Equity

	Thousands of U.S. Dollars (Note 2(3))							
	Equity 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, 2015	$ 73,492	$ 10,960	$ 6,264,111	$ (11,679)	$ 106,159	$ 6,443,043	$ 129,144	$ 6,572,187
Profit for the year			1,523,048			1,523,048	7,765	1,530,813
Other comprehensive income, net of tax					10,809	10,809	(1,828)	8,981
Total comprehensive income for the year			1,523,048		10,809	1,533,857	5,937	1,539,794
Issue of common stock (Note 22)	692	692				1,384		1,384
Payment of dividends (Note 23)			(447,578)			(447,578)	(6,717)	(454,295)
Changes attributable to obtaining or losing control of subsidiaries							493,095	493,095
Changes in ownership interests in subsidiaries without losing control		(38,205)				(38,205)	(12,682)	(50,887)
Others		(790)				(790)	9	(781)
Total	692	(38,303)	(447,578)			(485,189)	473,705	(11,484)
BALANCE AT MARCH 31, 2016	$ 74,184	$ (27,343)	$ 7,339,581	$ (11,679)	$ 116,968	$ 7,491,711	$ 608,786	$ 8,100,497

See notes to consolidated financial statements.

Yahoo Japan Corporation and 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,
	2016	2015	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax	¥ 226,585	¥ 208,299	$ 2,010,871
Depreciation and amortization	30,698	16,936	272,435
Gain on remeasurement of investments in associates acquired in stages (Note 30)		(6,249)	
Gain from remeasurement relating to business combinations (Note 5)	(59,696)		(529,783)
Increase in trade and other receivables	(39,866)	(22,536)	(353,798)
Increase in trade and other payables	40,523	15,800	359,629
Increase (decrease) in consumption taxes payable (Note 2(4))	(9,384)	8,425	(83,280)
Increase in other financial assets (Note 2(4))	(4,878)	(3,574)	(43,291)
Increase (decrease) in other financial liabilities (Note 2(4))	(5,323)	3,962	(47,240)
Others	(6,888)	(11,633)	(61,129)
Subtotal	171,771	209,430	1,524,414
Income taxes—paid	(66,362)	(83,190)	(588,942)
Net cash generated by operating activities	105,409	126,240	935,472
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(29,255)	(17,096)	(259,629)
Purchase of intangible assets	(9,089)	(7,284)	(80,662)
Purchase of other investments	(17,344)	(20,977)	(153,923)
Net cash outflow on obtaining control of subsidiaries (Notes 5 and 33)	(92,832)	(21,762)	(823,855)
Net cash inflow on obtaining control of subsidiaries (Notes 2(4) and 5)	31,323	60	277,982
Others	6,659	(806)	59,097
Net cash used in investing activities	(110,538)	(67,865)	(980,990)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of long-term bank loans	(1,441)	(5,450)	(12,788)
Payment for acquisition of interests in a subsidiary from non-controlling interests	(196)	(5,187)	(1,739)
Purchase of treasury stock		(795)	
Dividends paid	(50,399)	(25,205)	(447,275)
Others	2,678	(530)	23,765
Net cash used in financing activities	(49,358)	(37,167)	(438,037)
FORWARD	¥ (54,487)	¥ 21,208	$ (483,555)

Yahoo Japan Corporation and 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,
	2016	2015	2016
FORWARD	¥ (54,487)	¥ 21,208	$ (483,555)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(285)	392	(2,529)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(54,772)	21,600	(486,084)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Note 7)	503,937	482,337	4,472,284
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 7)	¥ 449,165	¥ 503,937	$ 3,986,200

See notes to consolidated financial statements.

Yahoo Japan Corporation and Subsidiaries

Notes to Consolidated Financial Statements

1. REPORTING ENTITY

Yahoo Japan Corporation (the "Company") is a corporation incorporated and domiciled in Japan. The parent company of the Company is SoftBank Group Corp. SoftBank Group Corp. is also the ultimate parent company of the Company and its subsidiaries (collectively, the "Group"). The registered address of the Company's head office is Midtown Tower, 9-7-1, Akasaka, Minato-ku, Tokyo, Japan. 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*

The accompanying consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("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 ¥112.68 to U.S.$1, the approximate rate of exchange at March 31, 2016. 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) *Changes in Presentation*

Increase (decrease) in consumption taxes payable, increase in other financial assets, and increase (decrease) in other financial liabilities, which were included in "others" in the cash flows from operating activities in the prior-year consolidated statement of cash flows, have been reclassified and presented separately in the current-year consolidated statement of cash flows due to increased materiality.

As a result, the total of the three items of ¥8,813 million, which was included in "others" in cash flows from operating activities in the prior-year consolidated statement of cash flows, has been reclassified into "increase (decrease) in consumption taxes payable" of ¥8,425 million, "increase in other financial assets" of ¥(3,574) million, and "increase (decrease) in other financial liabilities" of ¥3,962 million.

Net cash inflow on obtaining control of subsidiaries, which was included in "others" in cash flows from investing activities in the prior-year consolidated statement of cash flows, has been reclassified and presented separately in the current-year consolidated statement of cash flows due to increased materiality.

As a result, the prior-year amount of ¥60 million, which was included in "others" in cash flows from investing activities in the prior-year consolidated statement of cash flows, has been reclassified and presented as "net cash inflow on obtaining control of subsidiaries" of ¥60 million.

(5) ***New or 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 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.

1) *Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"*

(a) Mandatory adoption (for annual periods beginning on or after)

January 1, 2016

(b) Scheduled date of initial application

April 1, 2016

(c) Outline of the new or revised standards and interpretations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 "Business Combinations." Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

2) *Amendments to International Accounting Standard ("IAS") 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"*

(a) Mandatory adoption (for annual periods beginning on or after)

January 1, 2016

(b) Scheduled date of initial application

April 1, 2016

(c) Outline of the new or revised standards and interpretations

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances: (i) when the intangible asset is expressed as a measure of revenue; or (ii) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

3) *Amendments to IAS 7 "Statement of Cash Flows"*

(a) Mandatory adoption (for annual periods beginning on or after)

January 1, 2017

(b) Scheduled date of initial application

April 1, 2017

(c) Outline of the new or revised standards and interpretations

The amendments to IAS 7 require entities to disclose the following changes in liabilities arising from financing activities (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

4) *IFRS 9 "Financial Instruments"*

(a) Mandatory adoption (for annual periods beginning on or after)

January 1, 2018

(b) Scheduled date of initial application

April 1, 2018

(c) Outline of the new or revised standards and interpretations

IFRS 9 replaces a part of the previous IAS 39. Main revisions are:

(i) to revise classification into measurement categories of financial instruments (amortized costs and fair values) and measurement;

(ii) to revise the treatment of changes in fair values of financial liabilities measured at fair values;

(iii) to revise the eligibility requirement of hedged items and hedging instruments, and requirements related to the effectiveness of the hedge; and

(iv) to revise the measurement approach for impairment by introducing an impairment model based on the expected credit loss.

5) *IFRS 15 "Revenue from Contracts with Customers"*

(a) Mandatory adoption (for annual periods beginning on or after)

January 1, 2018

(b) Scheduled date of initial application

April 1, 2018

(c) Outline of the new or revised standards and interpretations

The core principle of IFRS 15, which replaces a part of the previous IAS 11 "Construction Contracts" and IAS 18 "Revenue," is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

6) *IFRS 16 "Leases"*

(a) Mandatory adoption (for annual periods beginning on or after)

January 1, 2019

(b) Scheduled date of initial application

April 1, 2019

(c) Outline of the new or revised standards and interpretations

Under IFRS 16, which replaces IAS 17 "Leases", a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently to all periods presented in these consolidated financial statements, 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 ("subsidiaries"). 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 parent 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 parent. 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.

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 respective company's 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.

(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

Non-derivative 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 calculated based on the effective interest method 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 difference between the carrying amount of a financial asset derecognized and the consideration received is recognized in profit or loss. 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 financial assets 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) ***Inventories***

Inventories are measured at the lower of cost and net realizable value. Costs of inventories are determined primarily by using the moving-average method. Net realizable value represents the estimated selling price for inventories in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale. Inventories of the Group mainly comprise merchandise.

(6) *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.

(7) *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 indefinite 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.

Expenditures for research activities are 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 expenditures 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. Certain trademarks that have been assessed as having indefinite useful lives are not amortized because the Group expects to continue to benefit from the trademarks as long as the related businesses continue to operate.

(8) *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 a 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.

(9) *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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested annually for impairment or whenever there is an indication that the asset may be impaired.

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.

(10) *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 and 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 customer point reward programs*

In anticipation of the future use of points granted to customers as sales promotion under its point reward programs, 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.

(11) *Share-Based Payments*

The Company has an equity-settled share option plan 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 share 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 share options that are expected to vest, and revises them when necessary.

(12) *Revenue*

Revenue of the Group mainly consists of providing services and sale of goods. Revenue from providing services comprises paid search advertising, display advertising, commission fees related to e-commerce such as YAHUOKU!, and membership fees such as Yahoo! Premium. Revenue from the sale of goods mainly consists of sale of office-related goods by the Company's subsidiaries such as ASKUL Corporation ("ASKUL").

Revenue from providing services is recognized based on the stage of completion of transactions at the end of each reporting period. Revenue from paid search advertising 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. Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied: (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) it is probable that the economic benefits associated with the transaction will flow to the Group; and (4) the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(13) *Retirement Benefits*

The Group primarily participates in defined contribution 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.

(14) *Income Tax*

Income tax expense comprises 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.

(15) *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.

(16) *Earnings per Share*

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

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

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 estimating uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current and next financial year:

- Estimates regarding impairment of property and equipment, goodwill and intangible assets ("Note 3. Significant accounting policies (1) and (9)" and "Note 12. Goodwill and intangible assets")

- Estimates 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")
- Estimates of useful life and residual value of property and equipment and intangible assets ("Note 3. Significant accounting policies (6) and (7)")
- Judgments and estimates regarding recognition and measurement of provisions ("Note 3. Significant accounting policies (10)" and "Note 17. Provisions")
- Fair value of share options ("Note 3. Significant accounting policies (11)" and "Note 24. Share-based payment")
- Recoverability of deferred tax assets ("Note 3. Significant accounting policies (14)" and "Note 14. Income taxes")

5. BUSINESS COMBINATIONS

For the Year Ended March 31, 2016

Significant business combinations occurring in the year ended March 31, 2016 are as follows:

ASKUL Corporation

(1) *Outline of business combination*

ASKUL, previously an associate of the Company whose principal activity is mail order services for stationeries, became a subsidiary of the Company on August 27, 2015 (the acquisition date) as a result of the repurchase of its own shares (treasury shares) following the resolution made at the meeting of ASKUL's board of directors held on May 19, 2015. The percentage of the Company's voting rights of ASKUL increased from 41.7% as of May 20, 2015 to 44.4% after the repurchase of the treasury shares. The Company did not and does not have a majority of the voting rights before and following this transaction; however, the Company determined that it now has the practical ability to direct the relevant activities unilaterally and therefore has control over ASKUL and accounts for ASKUL as a subsidiary after considering all facts and circumstances including the widely dispersed holdings of voting rights among shareholders and the voting patterns at previous ASKUL shareholders meetings.

As a result of remeasurement of the Company's previously held equity interests in ASKUL at fair value as of the acquisition date, the Company recognized ¥59,696 million ($529,783 thousand) of a gain from remeasurement relating to the business combination acquired in stages. This gain is presented as "Gain from remeasurement relating to business combinations" in the consolidated statement of profit or loss.

(2) *Outline of acquiree*

Company name:	ASKUL Corporation
Businesses:	Mail order services for stationery and other products

(3) *Acquisition date*

August 27, 2015

(4) *Fair value of the Company's previously held interests, acquired assets and assumed liabilities, and non-controlling interests and goodwill, as of the acquisition date*

	Millions of Yen	Thousands of U.S. Dollars
Fair value of the Company's previously held interests	¥ 93,611	$ 830,769
Fair value of acquired assets and assumed liabilities:		
Current assets:		
Cash and cash equivalents	¥ 31,292	$ 277,707
Trade and other receivables	45,365	402,600
Others	13,459	119,445
Non-current assets:		
Property and equipment	32,315	286,786
Intangible assets	69,124	613,454
Others	8,394	74,494
Current liabilities:		
Trade and other payables	(56,772)	(503,834)
Others	(14,723)	(130,662)
Non-current liabilities	(34,586)	(306,940)
Equity	93,868	833,050
Non-controlling interests (Note 1)	(54,036)	(479,553)
Goodwill (Note 2)	53,779	477,272
Total	¥ 93,611	$ 830,769

Notes:

1. Non-controlling interests

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

2. Goodwill

   Goodwill reflects excess earning power expected from the future business development and the synergies generated between the Group and the acquiree.

(5) *Revenue and profit of the acquiree on and after the acquisition date*

The amounts of ASKUL's revenue and profit on and after the acquisition date, which are recorded in the consolidated statement of profit and loss for the year ended March 31, 2016, are ¥189,014 million ($1,677,441 thousand) and ¥2,971 million ($26,367 thousand), respectively. In addition, the above profit includes amortization expenses, which are related to intangible assets recognized at the acquisition date, and others.

Ikyu Corporation

(1) *Outline of business combination*

The Company resolved at its board of directors meeting held on December 15, 2015 to acquire common stock of Ikyu Corporation ("Ikyu") through a tender offer. The tender offer period ended on February 3, 2016 and the Company acquired 27,480,682 shares (representing 94.3% of voting rights) of Ikyu at a cost of ¥94,341 million ($837,247 thousand) in cash. As a result, Ikyu became a subsidiary of the Company.

(2) *Outline of acquiree*

Company name:	Ikyu Corporation
Businesses:	Operation of various websites that provide reservation services for hotels and restaurants and others

(3) *Acquisition date*

February 3, 2016

(4) *Fair value of acquired assets and assumed liabilities, and non-controlling interests and goodwill, as of the acquisition date*

	Millions of Yen	Thousands of U.S. Dollars
Fair value of consideration—Cash	¥ 94,341	$ 837,247
Fair value of acquired assets and assumed liabilities:		
Current assets	¥ 8,934	$ 79,286
Non-current assets (Note 1)	27,314	242,403
Current liabilities	(4,270)	(37,895)
Non-current liabilities	(8,178)	(72,576)
Equity	23,800	211,218
Non-controlling interests (Note 2)	(1,503)	(13,339)
Goodwill (Note 3)	72,044	639,368
Total	¥ 94,341	$ 837,247

Notes:

1. Details of acquired assets

   Non-current assets include ¥26,183 million ($232,366 thousand) of intangible assets.

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 synergies generated between the Group and the acquiree.

(5) *Revenue and profit of the acquiree on and after the acquisition date*

Information about operating results on and after the acquisition date is not presented because the impact on the consolidated financial statements is not significant.

Pro forma Information (Unaudited)

Pro forma information of consolidated performance of the Company, assuming that the business combinations above were completed and control was obtained as of April 1, 2014, is not presented because the impact on the consolidated financial statements is not significant. Pro forma consolidated sales and pro forma profit for the year ended March 31, 2016, assuming that the business combinations were completed and control was obtained as of April 1, 2015, are ¥776,974 million ($6,895,403 thousand) and ¥173,291 million ($1,537,904 thousand), respectively. Amortization expenses of intangible assets newly recognized on the acquisition date and others have been reflected in the pro forma information above.

For the Year Ended March 31, 2015

A significant business combination which occurred in the year ended March 31, 2015 was as follows:

YJ Card Corporation

(1) *Outline of business combination*

The Company acquired 65.0% 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 consolidated YJ Card Corporation 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 acquisition was also undertaken 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, and non-controlling interests and goodwill, as of the acquisition date*

	Millions of Yen
Fair value of consideration—Cash	¥ 23,228
Fair value of acquired assets and assumed liabilities:	
Current assets (Note 1)	¥ 42,841
Non-current assets	16,709
Current liabilities (Note 1)	(7,306)
Non-current liabilities (Note 1)	(29,439)
Equity	22,805
Non-controlling interests (Note 2)	(7,982)
Goodwill (Note 3)	8,405
Total	¥ 23,228

Notes:

1. Acquired assets and assumed liabilities

   Current assets include ¥32,849 million of trade loans receivable. Current and non-current liabilities include ¥24,081 million 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 synergies generated between the Group and the acquiree.

(5) *Revenue and profit of the acquiree on and after the acquisition date (unaudited)*

Information about operating results on and after the acquisition date is not presented because the impact on the consolidated financial statements was not significant.

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 three operating segments: shopping, YAHUOKU! and personal. These operating segments share similar business characteristics as they operate (1) sales of products and (2) planning and sales of services, both provided via the Internet, for small to medium-sized businesses and individual customers. In addition, considering the transaction volume and other economic indices, the Company determined that these operating segments also share similar economic characteristics. Therefore, these three segments are aggregated into the reportable segment.

Because the Company consolidated ASKUL beginning with the three-month period ended September 30, 2015, operating results of ASKUL on and after the acquisition date and ¥59,696 million ($529,783 thousand) of gain from remeasurement relating to business combinations are included in the consumer business segment. (Please refer to "Note 5. Business combinations.") Other business consists of operating segments that are not included in the reportable segments and includes settlement- and finance-related services and cloud-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 corporate expenses not allocable to a reportable segment. Corporate expenses consist primarily of general and administrative expenses that are not attributable to reportable segments. Intersegment sales are based on prevailing market prices.

Effective April 1, 2015, the Group changed its basis of segmentation by transferring its services and subsidiaries among segments in order to provide services more effectively and to respond to the changing market more rapidly. Specifically, 1) game-related and real estate-related services, which were included in the marketing solutions business, were transferred into the consumer business, and 2) cloud-related services including IDC Frontier Inc. and FirstServer, Inc., both subsidiaries of the Company, were transferred from the marketing solutions business to other business.

Effective October 1, 2015, ValueCommerce Co., Ltd., a subsidiary, was transferred from the marketing solutions business to the consumer business.

Consequently, segment information for the year ended March 31, 2015, is restated in accordance with the new basis of segmentation.

Segment information of the Group as of and for the year ended March 31, 2016, is as follows:

	Millions of Yen					
	Reportable Segments					
	Marketing Solutions Business	Consumer Business	Total	Other Business	Reconciliation	Consolidated
Revenue:						
Sales to customers	¥ 274,953	¥ 320,892	¥ 595,845	¥ 56,482		¥ 652,327
Intersegment sales	2,376	5,464	7,840	3,745	¥ (11,585)	
Total sales	¥ 277,329	¥ 326,356	¥ 603,685	¥ 60,227	¥ (11,585)	¥ 652,327
Segment income	¥ 144,534	¥ 119,590	¥ 264,124	¥ 6,558	¥ (45,684)	¥ 224,998
Other non-operating income						3,016
Other non-operating expenses						(2,746)
Equity in earnings of associates and a joint venture						1,317
Profit before tax						¥ 226,585
Others—Depreciation and amortization	¥ 3,614	¥ 8,252	¥ 11,866	¥ 6,937	¥ 11,895	¥ 30,698

	Thousands of U.S. Dollars					
	Reportable Segments					
	Marketing Solutions Business	Consumer Business	Total	Other Business	Reconciliation	Consolidated
Revenue:						
Sales to customers	$ 2,440,122	$ 2,847,817	$ 5,287,939	$ 501,261		$ 5,789,200
Intersegment sales	21,087	48,491	69,578	33,235	$ (102,813)	
Total sales	$ 2,461,209	$ 2,896,308	$ 5,357,517	$ 534,496	$ (102,813)	$ 5,789,200
Segment income	$ 1,282,694	$ 1,061,324	$ 2,344,018	$ 58,200	$ (405,431)	$ 1,996,787
Other non-operating income						26,766
Other non-operating expenses						(24,370)
Equity in earnings of associates and a joint venture						11,688
Profit before tax						$ 2,010,871
Others—Depreciation and amortization	$ 32,073	$ 73,234	$ 105,307	$ 61,564	$ 105,564	$ 272,435

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	¥ 260,273	¥ 123,255	¥ 383,528	¥ 44,960		¥ 428,488
Intersegment sales	126	5,384	5,510	3,269	¥ (8,779)	
Total sales	¥ 260,399	¥ 128,639	¥ 389,038	¥ 48,229	¥ (8,779)	¥ 428,488
Segment income	¥ 143,715	¥ 68,837	¥ 212,552	¥ 15,760	¥ (31,100)	¥ 197,212
Other non-operating income						10,638
Other non-operating expenses						(1,224)
Equity in earnings of associates and a joint venture						1,673
Profit before tax						¥ 208,299
Others—Depreciation and amortization	¥ 2,819	¥ 2,134	¥ 4,953	¥ 5,106	¥ 6,877	¥ 16,936

(2) ***Sales to Customers, by Services and Major Goods***

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2016	2015	2016
Advertising	¥ 266,911	¥ 249,829	$ 2,368,752
Business	251,530	70,107	2,232,251
Personal	133,886	108,552	1,188,197
Total	¥ 652,327	¥ 428,488	$ 5,789,200

	Main Services and Goods
Advertising	• Paid search, display and other advertising-related services
Business	• Data center-related and other corporate services • Yahoo! Real Estate and other information listing services • Sale of goods such as ASKUL
Personal	• YAHUOKU!, Yahoo! Shopping, and other e-commerce related services • Yahoo! Premium, Yahoo! BB, and other membership services • Sale of goods such as LOHACO

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		As of March 31,
	2016	2015	2016
Cash and demand deposits	¥ 214,382	¥ 156,755	$ 1,902,574
Time deposits (maturities of three months or less)	230,784	347,182	2,048,136
Others	3,999		35,490
Total	¥ 449,165	¥ 503,937	$ 3,986,200

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		As of March 31,
	2016	2015	2016
Trade receivables	¥ 123,442	¥ 67,261	$ 1,095,509
Credit card receivables	69,863	35,163	620,012
Foreign exchange dealings cash—deposits with trust banks	78,561	90,402	697,204
Others	33,893	24,910	300,791
Total	¥ 305,759	¥ 217,736	$ 2,713,516

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		As of March 31,
	2016	2015	2016
Equity securities	¥ 43,119	¥ 30,554	$ 382,668
Derivative financial assets	21,072	17,031	187,007
Deposits paid	16,682	12,604	148,048
Debt securities	9,348	9,360	82,961
Others	10,219	4,457	90,690
Total	¥ 100,440	¥ 74,006	$ 891,374
Current assets	¥ 30,118	¥ 15,902	$ 267,288
Non-current assets	70,322	58,104	624,086

10. OTHER ASSETS

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

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2016	2015	2016
Prepaid expenses	¥ 7,396	¥ 5,287	$ 65,637
Investment property		1,489	
Others	1,342	432	11,910
Total	¥ 8,738	¥ 7,208	$ 77,547
Current assets	¥ 6,437	¥ 3,834	$ 57,126
Non-current assets	2,301	3,374	20,421

11. PROPERTY AND EQUIPMENT

Changes in carrying amounts of property and equipment, acquisition 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	Others	Total
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
Business combinations	520	620		1,729	322		3,191
Disposals	(84)	(311)	(36)				(431)
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
Purchase	3,956	21,815	2,268	297	6,962	¥ 1,131	36,429
Business combinations	13,718	1,174	5,917	9,436	2,256		32,501
Disposals	(57)	(867)	(82)			(50)	(1,056)
Depreciation	(4,766)	(10,054)	(2,173)			(129)	(17,122)
Transfer of accounts	2,064	1,536	1,238		(4,838)		
Others	3,373	(238)	(64)		(155)		2,916
As of March 31, 2016	¥ 35,236	¥ 44,035	¥ 19,118	¥ 16,888	¥ 4,905	¥ 952	¥ 121,134

	Thousands of U.S. Dollars						
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Others	Total
As of March 31, 2015	$ 150,408	$ 272,178	$ 106,621	$ 63,498	$ 6,035		$ 598,740
Purchase	35,108	193,601	20,128	2,636	61,786	$ 10,037	323,296
Business combinations	121,743	10,419	52,511	83,742	20,021		288,436
Disposals	(506)	(7,694)	(728)			(444)	(9,372)
Depreciation	(42,297)	(89,226)	(19,285)			(1,144)	(151,952)
Transfer of accounts	18,317	13,632	10,987		(42,936)		
Others	29,936	(2,113)	(568)		(1,376)		25,879
As of March 31, 2016	$ 312,709	$ 390,797	$ 169,666	$ 149,876	$ 43,530	$ 8,449	$ 1,075,027

Acquisition Costs

	Millions of Yen						
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Others	Total
As of April 1, 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
As of March 31, 2016	51,852	79,056	31,443	16,888	4,905	¥1,078	185,222

	Thousands of U.S. Dollars						
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Others	Total
As of March 31, 2016	$ 460,170	$ 701,597	$ 279,047	$ 149,876	$ 43,530	$ 9,568	$ 1,643,788

Accumulated Depreciation and Impairment Losses

	Millions of Yen						
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Others	Total
As of April 1, 2014	¥ (10,262)	¥ (28,134)	¥ (9,181)				¥ (47,577)
As of March 31, 2015	(11,888)	(29,894)	(10,496)				(52,278)
As of March 31, 2016	(16,616)	(35,021)	(12,325)			¥ (126)	(64,088)

	Thousands of U.S. Dollars						
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Others	Total
As of March 31, 2016	$ (147,462)	$ (310,800)	$ (109,381)			$ (1,118)	$ (568,761)

12. GOODWILL AND INTANGIBLE ASSETS

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

Carrying Amounts

	Millions of Yen					
		Assets Having Indefinite Useful Lives	Assets Having Definite Useful Lives			
	Goodwill	Trademarks	Software	Customer Relationships	Others	Total
As of April 1, 2014	¥ 15,809		¥ 13,655	¥ 3,729	¥ 476	¥ 33,669
Purchase			5,359		2,010	7,369
Internal development			7,429			7,429
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
Purchase			3,908		2,749	6,657
Internal development			9,147			9,147
Business combinations	128,689	¥ 30,250	8,245	56,680	150	224,014
Disposals			(1,506)			(1,506)
Amortization			(9,500)	(3,414)	(444)	(13,358)
Others			67		(2)	65
As of March 31, 2016	¥ 156,362	¥ 30,250	¥ 32,830	¥ 60,756	¥ 4,876	¥ 285,074

	Thousands of U.S. Dollars					
		Assets Having Indefinite Useful Lives	Assets Having Definite Useful Lives			
	Goodwill	Trademarks	Software	Customer Relationships	Others	Total
As of March 31, 2015	$ 245,589		$ 199,405	$ 66,472	$ 21,503	$ 532,969
Purchase			34,682		24,397	59,079
Internal development			81,177			81,177
Business combinations	1,142,075	$ 268,459	73,172	503,017	1,331	1,988,054
Disposals			(13,365)			(13,365)
Amortization			(84,310)	(30,298)	(3,940)	(118,548)
Others			595		(18)	577
As of March 31, 2016	$ 1,387,664	$ 268,459	$ 291,356	$ 539,191	$ 43,273	$ 2,529,943

Acquisition Costs

	Millions of Yen					
		Assets Having Indefinite Useful Lives	Assets Having Definite Useful Lives			
	Goodwill	Trademarks	Software	Customer Relationships	Others	Total
As of April 1, 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
As of March 31, 2016	156,362	¥ 30,250	70,191	66,040	5,799	328,642

	Thousands of U.S. Dollars					
		Assets Having Indefinite Useful Lives	Assets Having Definite Useful Lives			
	Goodwill	Trademarks	Software	Customer Relationships	Others	Total
As of March 31, 2016	$ 1,387,664	$ 268,459	$ 622,923	$ 586,084	$ 51,466	$ 2,916,596

Accumulated Amortization and Impairment Losses

	Millions of Yen					
		Assets Having Indefinite Useful Lives	Assets Having Definite Useful Lives			
	Goodwill	Trademarks	Software	Customer Relationships	Others	Total
As of April 1, 2014			¥ (24,120)	¥ (981)	¥ (504)	¥ (25,605)
As of March 31, 2015			(28,509)	(1,870)	(607)	(30,986)
As of March 31, 2016			(37,361)	(5,284)	(923)	(43,568)

	Thousands of U.S. Dollars					
		Assets Having Indefinite Useful Lives	Assets Having Definite Useful Lives			
	Goodwill	Trademarks	Software	Customer Relationships	Others	Total
As of March 31, 2016			$ (331,567)	$ (46,894)	$ (8,191)	$ (386,652)

Certain trademarks that have been assessed as having indefinite useful lives are not amortized because the Group expects to continue to benefit from the trademarks as long as the related businesses continue to operate.

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, 2016 and 2015 were ¥290 million ($2,574 thousand) and ¥275 million, respectively.

The carrying amounts of internally generated intangible assets related to software as of March 31, 2016 and 2015 are ¥16,117 million ($143,033 thousand) and ¥14,763 million, respectively.

Significant goodwill and intangible assets having indefinite useful lives of the Group are allocated to the following groups of cash-generating units:

Goodwill

	Cash-Generating Unit	Millions of Yen As of March 31 2016	Millions of Yen As of March 31 2015	Thousands of U.S. Dollars As of March 31, 2016
Reportable segment:				
Marketing solutions business	Marketing solutions	¥ 10,905	¥ 10,906	$ 96,778
Consumer business	Shopping	56,724	125	503,408
	Ikyu	72,044		639,368
	Others	251	251	2,228
Other business	Settlement- and finance-related	16,438	16,391	145,882
Total		¥ 156,362	¥ 27,673	$ 1,387,664

Intangible Assets Having Indefinite Useful Lives

	Cash-Generating Unit	Millions of Yen As of March 31 2016	Millions of Yen As of March 31 2015	Thousands of U.S. Dollars As of March 31, 2016
Reportable segment:				
Consumer business	Shopping	¥ 20,130		$ 178,647
	Ikyu	10,120		89,812
Total		¥ 30,250		$ 268,459

In testing goodwill and intangible assets having indefinite useful lives for impairment, 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 generally do not exceed five years. The perpetual growth rate is determined considering the long-term average growth rate of the market or country to which the cash-generating unit belongs. The perpetual growth rates used for the years ended March 31, 2016 and 2015 were 1.7% and 1.9%, respectively. The pretax discount rates used in measurement of value in use for the years ended March 31, 2016 and 2015 were 8.1%–13.8% and 8.3%–11.8%, 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 such as the discount rate and the perpetual growth rate 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, 2016 and 2015 are as follows:

Name of Subsidiary	Location	Ownership Percentage of Voting Rights (%) As of March 31 2016	2015
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	66.7
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	100.0
YJFX, Inc.	Tokyo	100.0	100.0
Synergy Marketing, Inc.	Osaka	100.0	100.0
YJ2 Investment Partnership	Tokyo		
YJ Card Corporation	Fukuoka	65.0	65.0
ASKUL Corporation (Note 1)	Tokyo	44.4	41.8
ecohai Co., Ltd.	Tokyo	68.5 (68.5)	
Ikyu Corporation (Note 2)	Tokyo	100.0	

Notes:

1. ASKUL, previously an associate of the Company whose principal activity is mail order services for stationeries, became a subsidiary of the Company on August 27, 2015 (the acquisition date) as a result of the repurchase of its own shares (treasury shares) following the resolution made at the meeting of ASKUL's board of directors held on May 19, 2015. The percentage of the Company's voting rights of ASKUL increased from 41.7% as of May 20, 2015 to 44.4% after the repurchase of the treasury shares. The Company did not and does not have a majority of the voting rights before and following this transaction; however, the Company determined that it now has the practical ability to direct the relevant activities unilaterally and therefore has control over ASKUL and accounts for ASKUL as a subsidiary after considering all facts and circumstances including the widely dispersed holdings of voting rights among shareholders and the voting patterns at previous ASKUL shareholders meetings. (Please refer to "Note 5. Business combinations.")

2. On February 3, 2016, the Company acquired common stock of Ikyu and as a result Ikyu became a subsidiary of the Company. (Please refer to "Note 5. Business combinations.") Subsequently, Ikyu became a wholly-owned subsidiary of the Company, which was completed by March 31, 2016.

3. Figures in parentheses represent indirect ownership percentages of voting rights.

(2) ***Summarized Consolidated Financial Information and Other Information on Subsidiaries with Significant Non-controlling Interests***

1) ASKUL (ASKUL and its group companies)

(a) General information

	Millions of Yen	Thousands of U.S. Dollars
	As of March 31, 2016	As of March 31, 2016
Proportion of ownership interests held by the non-controlling interests (%)	55.6	
Accumulated non-controlling interests of ASKUL	¥ 55,250	$ 490,327

	Millions of Yen	Thousands of U.S. Dollars
	Year Ended March 31, 2016	Year Ended March 31, 2016
Profit allocated to the non-controlling interests of ASKUL	¥ 1,567	$ 13,907

(b) Summarized consolidated financial information

	Millions of Yen	Thousands of U.S. Dollars
	As of March 31, 2016	As of March 31, 2016
Current assets	¥ 100,356	$ 890,628
Non-current assets	117,438	1,042,226
Current liabilities	86,350	766,330
Non-current liabilities	32,835	291,400
Equity	98,609	875,124

Non-current assets above do not include ¥53,779 million ($477,272 thousand) of goodwill arising from the business combination.

	Millions of Yen	Thousands of U.S. Dollars
	Year Ended March 31, 2016	Year Ended March 31, 2016
Revenue	¥ 189,014	$ 1,677,441
Profit for the year	2,971	26,367
Total comprehensive income	2,643	23,456

The figures in the above table are revenue, profit for the year and total comprehensive income earned on and after August 27, 2015, the acquisition date.

Dividends paid by ASKUL to the non-controlling interests were ¥433 million ($3,843 thousand) on and after the acquisition date.

	Millions of Yen	Thousands of U.S. Dollars
	Year Ended March 31, 2016	Year Ended March 31, 2016
Net cash inflow from operating activities	¥ 8,710	$ 77,299
Net cash outflow from investing activities	(8,251)	(73,225)
Net cash outflow from financing activities	(5,629)	(49,956)
Effects of exchange rate changes on cash and cash equivalents	(2)	(18)
Net decrease in cash and cash equivalents	¥ (5,172)	$ (45,900)

The figures in the above table are cash flows of ASKUL on and after the acquisition date.

(3) ***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		As of March 31,
	2016	2015	2016
Carrying amount	¥ 34,257	¥ 61,671	$ 304,020

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,
	2016	2015	2016
Profit for the year attributable to the Group	¥ 1,317	¥ 1,673	$ 11,688
Other comprehensive income (loss), net of tax, attributable to the Group	(237)	976	(2,103)
Comprehensive income attributable to the Group	1,081	2,649	9,594

(4) ***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		As of March 31,
	2016	2015	2016
Other financial assets (non-current)	¥ 5,990	¥ 3,535	$ 53,159

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:

For the year ended March 31, 2016

	Millions of Yen				
	As of March 31, 2015	Recognized in Profit for the Year	Recognized in Other Comprehensive Income	Others (Note 1)	As of March 31, 2016
Deferred tax assets:					
Enterprise tax payable	¥ 2,370	¥ (496)		¥ 89	¥ 1,963
Property and equipment and intangible assets	5,622	2,805		450	8,877
Net operating loss carryforwards	162	3,362		1,226	4,750
Liabilities related to employee benefits (Note 2)	3,427	623		242	4,292
Available-for-sale financial assets	1,005	662			1,667
Provision for interest repayment claims	8,198	(1,230)			6,968
Others	4,364	766		1,246	6,376
Total deferred tax assets before offset	25,148	6,492		3,253	34,893
Offset of deferred tax assets and liabilities	(10,043)				(11,562)
Total deferred tax assets, net	¥ 15,105				¥ 23,331
Deferred tax liabilities:					
Property and equipment and intangible assets	¥ 2,601	¥ (2,840)		¥ 30,769	¥ 30,530
Available-for-sale financial assets	4,529	180	¥ 604	145	5,458
Others	2,942	148			3,090
Total deferred tax liabilities before offset	10,072	(2,512)	604	30,914	39,078
Offset of deferred tax assets and liabilities	(10,043)				(11,562)
Total deferred tax liabilities, net	¥ 29				¥ 27,516

	Thousands of U.S. Dollars				
	As of March 31, 2015	Recognized in Profit for the Year	Recognized in Other Comprehensive Income	Others (Note 1)	As of March 31, 2016
Deferred tax assets:					
Enterprise tax payable	$ 21,033	$ (4,402)		$ 790	$ 17,421
Property and equipment and intangible assets	49,893	24,894		3,994	78,781
Net operating loss carryforwards	1,438	29,837		10,880	42,155
Liabilities related to employee benefits (Note 2)	30,414	5,528		2,148	38,090
Available-for-sale financial assets	8,919	5,875			14,794
Provision for interest repayment claims	72,755	(10,916)			61,839
Others	38,729	6,798		11,057	56,584
Total deferred tax assets before offset	223,181	57,614		28,869	309,664
Offset of deferred tax assets and liabilities	(89,129)				(102,609)
Total deferred tax assets, net	$ 134,052				$ 207,055
Deferred tax liabilities:					
Property and equipment and intangible assets	$ 23,083	$ (25,204)		$ 273,065	$ 270,944
Available-for-sale financial assets	40,194	1,597	$ 5,360	1,287	48,438
Others	26,109	1,314			27,423
Total deferred tax liabilities before offset	89,386	(22,293)	5,360	274,352	346,805
Offset of deferred tax assets and liabilities	(89,129)				(102,609)
Total deferred tax liabilities, net	$ 257				$ 244,196

Notes:

1. The items included in "others" are mainly attributable to the conversion of ASKUL and Ikyu into subsidiaries.

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

For the year ended March 31, 2015

	Millions of Yen				
	As of March 31, 2014	Recognized in Profit for the Year	Recognized in Other Comprehensive Income	Others (Note 1)	As of March 31, 2015
Deferred tax assets:					
Enterprise tax payable	¥ 3,039	¥ (677)		¥ 8	¥ 2,370
Property and equipment and intangible assets	3,930	1,657		35	5,622
Net operating loss carryforwards	173	(11)			162
Liabilities related to employee benefits (Note 2)	3,674	(253)		6	3,427
Available-for-sale financial assets	5,463	(4,461)		3	1,005
Provision for interest repayment claims		(687)		8,885	8,198
Others	2,878	(636)		2,122	4,364
Total deferred tax assets before offset	19,157	(5,068)		11,059	25,148
Offset of deferred tax assets and liabilities	(6,688)				(10,043)
Total deferred tax assets, net	¥ 12,469				¥ 15,105
Deferred tax liabilities:					
Property and equipment and intangible assets	¥ 1,534	¥ (481)		¥ 1,548	¥ 2,601
Available-for-sale financial assets	5,192		¥ (722)	59	4,529
Others		(697)		3,639	2,942
Total deferred tax liabilities before offset	6,726	(1,178)	(722)	5,246	10,072
Offset of deferred tax assets and liabilities	(6,688)				(10,043)
Total deferred tax liabilities, net	¥ 38				¥ 29

Notes:

1. The items included in "others" are mainly attributable to the conversion of YJ Card Corporation into a subsidiary.

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

Deferred tax assets which belong to individual entities that recorded losses as of March 31, 2016 and 2015 are ¥8,961 million ($79,526 thousand) and ¥6,674 million, respectively. 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 (after multiplying by the tax rate) for which no deferred tax assets have been recognized are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2016	2015	2016
Deductible temporary differences	¥ 1,592	¥ 644	$ 14,129
Net operating loss carryforwards which expire:			
Within one year			
In one year to five years	¥ 655		$ 5,813
After five years	1,564	¥ 355	13,880
Total	¥ 2,219	¥ 355	$ 19,693

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, 2016 and 2015 are ¥27,689 million ($245,731 thousand) and ¥22,704 million, respectively.

(2) ***Tax Expenses***

The components of income tax expense are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2016	2015	2016
Current tax expense	¥ 63,097	¥ 70,476	$ 559,966
Deferred tax expense	(9,004)	3,890	(79,908)
Total	¥ 54,093	¥ 74,366	$ 480,058

For the year ended March 31, 2016

On March 31, 2016, the Act on the Partial Revision of the Income Tax Act (Article 15, 2016) and the Act on the Partial Revision of the Local Tax Act (Article 13, 2016) were passed by the Diet in Japan. In accordance with these changes, deferred tax assets and liabilities are determined by using the new statutory tax rates. The effective tax rate used to determine deferred tax assets and liabilities for which the timing of the recovery or settlement of the related temporary difference is expected during the fiscal years ending March 31, 2017 and 2018 has been changed from 33.26% to 30.86%, respectively, and to 30.62% for those whose timing is expected on April 1, 2018 and thereafter. The effect of this change was not significant.

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 passed by the Diet in Japan. In accordance with these changes, deferred tax assets and liabilities are determined by using the new statutory tax rates. The effective tax rate used to determine deferred tax assets and liabilities for which the timing of the recovery or settlement of the related temporary difference is expected during the fiscal year ended March 31, 2016 was changed from 35.64% to 33.26%, respectively, and to 32.35% for those whose timing is expected on April 1, 2016 and thereafter. The effect of this change was to increase income tax expense by ¥2,140 million.

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	
	2016	2015
Statutory effective tax rate (%)	33.06	35.64
Effect of the change in statutory tax rate (%)	0.11	1.06
Gain on remeasurement of investments in associates acquired in stages (%)		(1.07)
Gain from remeasurement relating to business combinations (%)	(8.71)	
Negative goodwill arising from reclassification of investments (%)		(0.56)
Others (%)	(0.59)	0.63
Actual tax rate (%)	23.87	35.70

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		As of March 31,
	2016	2015	2016
Accounts payable—trade	¥ 69,819	¥ 14,821	$ 619,622
Foreign exchange dealings deposits from customers	95,285	97,178	845,625
Accounts payable—other	74,589	35,790	661,954
Others	31,074	11,190	275,772
Total	¥ 270,767	¥ 158,979	$ 2,402,973

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		As of March 31,
	2016	2015	2016
Bank loans (Note)	¥ 20,151	¥ 700	$ 178,834
Derivative financial liabilities	3,753	9,070	33,307
Others	4,947	821	43,902
Total	¥ 28,851	¥ 10,591	$ 256,043
Current liabilities	¥ 18,288	¥ 9,671	$ 162,300
Non-current liabilities	10,563	920	93,743

Note: Current portion of bank loans as of March 31, 2016 and 2015 was ¥14,539 million ($129,029 thousand) and ¥600 million, respectively.

17. PROVISIONS

The components of provisions are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2016	2015	2016
Provision for interest repayment claims (Notes 1 and 2)	¥ 20,281	¥ 23,357	$ 179,988
Asset retirement obligations (Note 1)	7,374	2,738	65,442
Others (Notes 1 and 3)	4,981	3,146	44,205
Total	¥ 32,636	¥ 29,241	$ 289,635
Provisions (current)	¥ 12,547	¥ 6,399	$ 111,351
Provisions (non-current)	20,089	22,842	178,284

Notes:

1. Additional information on the nature of the provisions included in the table above is provided in "Note 3. Significant accounting policies (10) 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 customer point reward programs.

Changes in provisions are as follows:

	Millions of Yen			
	Provision for Interest Repayment Claims	Asset Retirement Obligations	Others	Total
As of April 1, 2015	¥ 23,357	¥ 2,738	¥ 3,146	¥ 29,241
Recognition of provisions		3,548	4,817	8,365
Business combinations		1,101	451	1,552
Increase due to passage of time		73		73
Used	(3,077)	(70)	(504)	(3,651)
Others		(16)	(2,928)	(2,944)
As of March 31, 2016	¥ 20,280	¥ 7,374	¥ 4,982	¥ 32,636

	Thousands of U.S. Dollars			
	Provision for Interest Repayment Claims	Asset Retirement Obligations	Others	Total
As of April 1, 2015	$ 207,286	$ 24,299	$ 27,920	$ 259,505
Recognition of provisions		31,487	42,750	74,237
Business combinations		9,771	4,002	13,773
Increase due to passage of time		648		648
Used	(27,307)	(621)	(4,473)	(32,401)
Others		(142)	(25,985)	(26,127)
As of March 31, 2016	$ 179,979	$ 65,442	$ 44,214	$ 289,635

18. PURCHASE COMMITMENTS

Commitments to purchase goods and services as of March 31, 2016 and 2015 are ¥19,576 million ($173,731 thousand) and ¥12,234 million, respectively. The commitments are mainly attributable to executory contracts of purchase of assets to be used in data centers and new offices.

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		As of March 31,
	2016	2015	2016
Advance received	¥ 10,914	¥ 9,296	$ 96,858
Accrued bonuses	6,372	5,215	56,550
Accrued paid absences	5,908	4,037	52,432
Consumption taxes payable	2,909	11,064	25,816
Others	13,381	5,525	118,752
Total	¥ 39,484	¥ 35,137	$ 350,408
Other current liabilities	¥ 33,639	¥ 31,652	$ 298,536
Other non-current liabilities	5,845	3,485	51,872

20. RETIREMENT BENEFITS

The Company and certain subsidiaries participate primarily in defined contribution pension plans.

Retirement benefit costs of defined contribution pension plans are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2016	2015	2016
Contributions to defined contribution pension plans	¥ 860	¥ 498	$ 7,632

On April 1, 2015, the Company and certain subsidiaries withdrew from The Kanto IT Software Pension Fund, a multi-employer contributory defined benefit welfare pension plan. The effect of the withdrawal was not material.

21. LEASES

(1) *Finance Leases*

As lessee

The Group leases machinery and equipment, software and system-related equipment, and other items through financing lease contracts. There are no contingent rents payable, purchase options, escalation clauses, or restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.

The carrying amounts of leased assets, net of accumulated depreciation and accumulated impairment losses, as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2016	2015	2016
Software	¥ 336	¥ 439	$ 2,982
Machinery and equipment	3,968		35,215
Furniture and fixtures	424	377	3,763
Total	¥ 4,728	¥ 816	$ 41,960

The components of the total of future minimum lease payments and their present value under finance leases are as follows:

	Millions of Yen			
	Total of Future Minimum Lease Payments		Present Value of the Total of Future Minimum Lease Payments	
	As of March 31		As of March 31	
	2016	2015	2016	2015
Not later than one year	¥ 979	¥ 221	¥ 896	¥ 202
Later than one year and not later than five years	2,633	550	2,433	529
Later than five years	1,777		1,709	
Total	5,389	771	¥ 5,038	¥ 731
Less: Future finance costs	(351)	(40)		
Present value of the total of future minimum lease payments	¥ 5,038	¥ 731		

	Thousands of U.S. Dollars	
	Total of Future Minimum Lease Payments	Present Value of the Total of Future Minimum Lease Payments
	As of March 31, 2016	As of March 31, 2016
Not later than one year	$ 8,688	$ 7,952
Later than one year and not later than five years	23,367	21,592
Later than five years	15,771	15,167
Total	47,826	$ 44,711
Less: Future finance costs	(3,115)	
Present value of the total of future minimum lease payments	$ 44,711	

(2) ***Operating Leases***

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 rents 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, 2016 and 2015, were ¥11,733 million ($104,127 thousand) and ¥9,864 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,
	2016	2015	2016
Not later than one year	¥ 11,302	¥ 8,206	$ 100,302
Later than one year and not later than five years	37,465	5,724	332,490
Later than five years	15,742	586	139,705
Total	¥ 64,509	¥ 14,516	$ 572,497

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,
	2016	2015	2016
Not later than one year	¥ 2,383	¥ 2,243	$ 21,149
Later than one year and not later than five years	675	736	5,990
Total	¥ 3,058	¥ 2,979	$ 27,139

22. EQUITY

(1) *Common Stock and Treasury Stock*

Numbers of authorized shares and issued shares are as follows:

	Year Ended March 31	
	2016	2015
Authorized shares—Common stock	24,160,000,000	24,160,000,000
Issued shares:		
Balance at the beginning of the year	5,694,945,000	5,694,900,600
Increase (Note)	346,400	44,400
Decrease		
Balance at the end of the year	5,695,291,400	5,694,945,000

Note: This item represents the exercise of share subscription rights.

Numbers of treasury stock included in issued shares as of March 31, 2016 and 2015 were 2,800,000 shares and 2,800,000 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:

	Millions of Yen	Thousands of U.S. Dollars	Yen	U.S. Dollars		
Resolution	Total Dividends	Total Dividends	Dividends per Share	Dividends per Share	Record Date	Effective Date
Year Ended March 31, 2016						
Board of directors meeting held on May 21, 2015	¥ 50,433	$ 447,577	¥8.86	$0.08	March 31, 2015	June 4, 2015
Year Ended March 31, 2015						
Board of directors meeting held on May 16, 2014	¥ 25,224		¥4.43		March 31, 2014	June 5, 2014

Dividends to become effective during the year ending March 31, 2017 are as follows:

	Millions of Yen	Thousands of U.S. Dollars	Yen	U.S. Dollars		
Resolution	Total Dividends	Total Dividends	Dividends per Share	Dividends per Share	Record Date	Effective Date
Board of directors meeting held on May 18, 2016	¥ 50,435	$ 447,595	¥8.86	$0.08	March 31, 2016	June 7, 2016

24. SHARE-BASED PAYMENT

The Company and certain subsidiaries have 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, 2016 and 2015 were ¥10 million ($89 thousand) and ¥31 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, 2016 and 2015 are as follows. The details of the subsidiaries' share option plans are not presented because they are not significant.

The Company grants share options to its directors and employees. The Company shares will be issued upon exercise of such share options.

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)	From May 16, 2012	From May 2, 2022
2nd (Note 2)	to March 1, 2013	to February 28, 2023
2013		
1st (Note 3)	From May 17, 2013	From May 16, 2023
2nd (Note 4)	to November 19, 2013	to November 18, 2023
2014		
1st (Note 4)	May 26, 2014	May 25, 2024

Notes:

1. Vesting condition

   Share options mainly vest in stages beginning 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 the holder of vested share options retires, those vested share options are forfeited.

2. Vesting condition

   Share options 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 31, 2014 to fiscal year ending March 31, 2019.

   (i) If the operating income exceeds ¥250 billion

   Period of achievement: By fiscal year ending March 31, 2016;
   Exercisable ratio: 20%
   Period of achievement: By fiscal year ending March 31, 2017;
   Exercisable ratio: 14%
   Period of achievement: By fiscal year ending March 31, 2018;
   Exercisable ratio: 8%
   Period of achievement: By fiscal year ending March 31, 2019;
   Exercisable ratio: 2%

   (ii) If the operating income exceeds ¥330 billion

   Period of achievement: By fiscal year ending March 31, 2016;
   Exercisable ratio: 80%
   Period of achievement: By fiscal year ending March 31, 2017;
   Exercisable ratio: 56%
   Period of achievement: By fiscal year ending March 31, 2018;
   Exercisable ratio: 32%
   Period of achievement: By fiscal year ending March 31, 2019;
   Exercisable ratio: 8%

   Vesting requires continuous service from the grant date to the vesting date. When the holder of vested share options retires, those vested share options are forfeited.

3. Vesting condition

   Share options 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 31, 2014 to the fiscal year ending March 31, 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 the holder of vested share options retires, those vested share options are forfeited.

4. Vesting condition

Share options vest once the operating income for the fiscal year exceeds ¥330 billion in any year from the fiscal year ended March 31, 2015 to the fiscal year ending March 31, 2019. Vesting requires continuous service from the grant date to the vesting date. When the holder of vested share options retires, those vested share options are forfeited.

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

Not applicable.

(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:

	Year Ended March 31			
	2016		2015	
	Number of Shares	Weighted Average Exercise Price (Yen) (U.S. Dollars)	Number of Shares	Weighted Average Exercise Price (Yen)
Beginning balance—				
Unexercised	65,586,700	¥429 ($3.81)	64,012,500	¥ 427
Granted			1,950,000	¥ 492
Forfeited	(1,260,700)	¥450 ($3.99)	(331,400)	¥ 475
Exercised	(346,400)	¥331 ($2.94)	(44,400)	¥ 325
Matured	(6,100)	¥680 ($6.03)		
Ending balance—				
Unexercised	63,973,500	¥429 ($3.81)	65,586,700	¥ 429
Ending balance—				
Exercisable	3,522,500	¥360 ($3.19)	3,583,700	¥ 366

The unexercised share options as of March 31, 2016, 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	943,400	¥270 ($2.40)	5.4
301–400	25,537,700	¥324 ($2.88)	6.8
401–500	12,256,300	¥486 ($4.31)	6.7
501–600	25,236,100	¥514 ($4.56)	7.6
Total	63,973,500	¥429 ($3.81)	7.1

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

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

Year Ended March 31					
2016			2015		
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	9,900	¥550 ($4.88)	2006	200	¥ 436
2007	34,400	¥530 ($4.70)	2007	7,600	¥ 465
2008	49,900	¥523 ($4.64)	2008	3,000	¥ 458
2009	46,000	¥505 ($4.48)	2009	15,500	¥ 455
2010	80,500	¥508 ($4.51)	2010	8,200	¥ 441
2011	116,500	¥504 ($4.47)	2011	9,400	¥ 448
2012	9,200	¥500 ($4.44)	2012	500	¥ 446

25. FINANCIAL INSTRUMENTS

(1) ***Capital Management***

The Company's capital management 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, 2016 and 2015.

(2) *Financial Risk Management*

The Group is exposed to 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,
	2016	2015	2016
Increase (decrease) in profit before tax	¥ 3	¥ (4)	$ 27
Decrease in other comprehensive income before tax effect	(91)	(75)	(808)

(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,
	2016	2015	2016
Decrease in other comprehensive income before tax effect	¥ 1,966	¥ 1,438	$ 17,448

(c) Interest Rate Risk

The Group's use of funds for investing activities is exposed to interest rate risk. To prevent or reduce interest rate risk, the Company maintains an appropriate mix between fixed and floating interest rate debts and constantly monitors the interest rate fluctuations of the floating interest rate debts.

Interest rate sensitivity analysis

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 are constant.

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2016	2015	2016
Decrease in profit before tax	¥ 52	¥ 3	$ 461
Decrease in other comprehensive income before tax effect	533	724	4,730

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 customers' 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 consolidated 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 35. Contingencies."

Trade and other receivables include security deposits received as credit enhancements. Such deposits as of March 31, 2016 and 2015 were ¥1,234 million ($10,951 thousand) and ¥919 million, respectively.

Foreign exchange dealings deposits from customers include security deposits received from customers. Such deposits as of March 31, 2016 and 2015 were ¥95,285 million ($845,625 thousand) and ¥97,178 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 limits its use of funds 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, 2016

	Millions of Yen			
Financial Assets	Financial Assets at FVTPL	Available-for-Sale Financial Assets	Loans and Receivables	Total
Current assets:				
Trade and other receivables			¥ 305,759	¥ 305,759
Other financial assets	¥ 20,765	¥ 1,761	7,592	30,118
Non-current assets—				
Other financial assets	307	57,599	12,416	70,322
Total	¥ 21,072	¥ 59,360	¥ 325,767	¥ 406,199

Financial Liabilities	Millions of Yen: Financial Liabilities at FVTPL	Financial Liabilities at Amortized Cost	Total
Current liabilities:			
Trade and other payables		¥ 270,767	¥ 270,767
Other financial liabilities	¥ 3,747	14,541	18,288
Non-current liabilities—			
Other financial liabilities	6	10,557	10,563
Total	¥ 3,753	¥ 295,865	¥ 299,618

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			$ 2,713,516	$ 2,713,516
Other financial assets	$ 184,283	$ 15,628	67,377	267,288
Non-current assets—				
Other financial assets	2,724	511,174	110,188	624,086
Total	$ 187,007	$ 526,802	$ 2,891,081	$ 3,604,890

Financial Liabilities	Thousands of U.S. Dollars: Financial Liabilities at FVTPL	Financial Liabilities at Amortized Cost	Total
Current liabilities:			
Trade and other payables		$ 2,402,973	$ 2,402,973
Other financial liabilities	$ 33,253	129,047	162,300
Non-current liabilities—			
Other financial liabilities	53	93,690	93,743
Total	$ 33,306	$ 2,625,710	$ 2,659,016

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

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, 2016 and 2015.

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

As of March 31, 2016

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Derivatives used in foreign exchange dealings		¥ 20,766		¥ 20,766
Others			¥ 307	307
Available-for-sale financial assets:				
Equity securities	¥ 19,922		23,197	43,119
Debt securities		8,020	1,328	9,348
Others		90	6,802	6,892
Total	¥ 19,922	¥ 28,876	¥ 31,634	¥ 80,432
Financial liabilities at FVTPL:				
Derivatives used in foreign exchange dealings		¥ 3,747		¥ 3,747
Others		6		6
Total		¥ 3,753		¥ 3,753

	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Derivatives used in foreign exchange dealings		$ 184,292		$ 184,292
Others			$ 2,725	2,725
Available-for-sale financial assets:				
Equity securities	$ 176,802		205,866	382,668
Debt securities		71,175	11,786	82,961
Others		799	60,365	61,164
Total	$ 176,802	$ 256,266	$ 280,742	$ 713,810
Financial liabilities at FVTPL:				
Derivatives used in foreign exchange dealings		$ 33,253		$ 33,253
Others		54		54
Total		$ 33,307		$ 33,307

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

(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 measured 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 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	
			As of March 31	
	Valuation Techniques	Unobservable Inputs	2016	2015
Available-for-sale financial assets (equity securities)	Discounted cash flow	Capital cost	12.4%	12.6%
		Perpetual growth rate	1.2%	2.0%
Financial assets at FVTPL (other)	Monte Carlo simulation	Expected normal distribution of operating profit	¥(150) million ($(1,331) thousand)	¥1,500 million

Perpetual growth rate has 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. Other than those above, certain financial assets are measured by using the Guideline Transaction Method.

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, 2016

	Millions of Yen			
	Financial Assets at FVTPL	Available-for-Sale Financial Assets		
	Other	Equity Securities	Debt Securities	Other
As of April 1, 2015	¥ 1,144	¥ 15,985	¥ 1,806	¥ 3,535
Gains or losses:				
Profit for the year (Note 1)	(52)	(1,362)	(1,038)	(147)
Other comprehensive income (Note 2)		(1,750)	(2)	(199)
Business combinations (Note 3)		1,167	1,660	11
Purchases	1	7,170	1,072	3,628
Transfers from level 3 to level 1 (Note 4)		(300)		
Reclassification (Note 5)	(786)	2,701	(1,771)	
Others		(414)	(399)	(26)
As of March 31, 2016	¥ 307	¥ 23,197	¥ 1,328	¥ 6,802

	Thousands of U.S. Dollars			
	Financial Assets at FVTPL	Available-for-Sale Financial Assets		
	Other	Equity Securities	Debt Securities	Other
As of April 1, 2015	$ 10,153	$ 141,862	$ 16,028	$ 31,372
Gains or losses:				
Profit for the year (Note 1)	(461)	(12,087)	(9,212)	(1,305)
Other comprehensive income (Note 2)		(15,531)	(18)	(1,766)
Business combinations (Note 3)		10,357	14,732	98
Purchases	9	63,632	9,514	32,197
Transfers from level 3 to level 1 (Note 4)		(2,662)		
Reclassification (Note 5)	(6,976)	23,971	(15,717)	
Others		(3,676)	(3,541)	(231)
As of March 31, 2016	$ 2,725	$ 205,866	$ 11,786	$ 60,365

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 mainly to ASKUL, a new subsidiary

4. Due to newly listed investees

5. Due to conversion of convertible bonds with share subscription rights of Signal Digital, Inc. into shares in February 2016.

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

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 of, and the unrealized revaluation gain of ¥6,249 million 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 30. Other non-operating income.")

4. Due to newly listed investees

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, including the valuation by the external specialists, is reviewed by managers of the investment management department and approved by the Chief Financial Officer (Vice President and Executive Director).

27. TRANSFERS OF FINANCIAL ASSETS

The Company enters into securitization transactions involving trade and other receivables. Certain securitized receivables have recourse that makes the Group obliged to pay in the case of the debtor's default. Such receivables are not derecognized because they do not meet the criteria for derecognition of financial assets.

The Group recorded ¥7,497 million ($66,534 thousand) of such transferred assets in trade and other receivables as of March 31, 2016. In addition, the Group recorded ¥7,500 million ($66,560 thousand) of other financial liabilities for the cash received at the time of transfer of the securitized assets. This liability will be settled when the payment for the transferred assets is executed; however, the Group is unable to utilize the transferred assets until then.

28. REVENUE

The components of revenue are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2016	2015	2016
Services	¥ 470,847	¥ 428,488	$ 4,178,621
Sale of goods (Note)	181,480		1,610,579
Total	¥ 652,327	¥ 428,488	$ 5,789,200

Note: Sale of goods includes ASKUL's operating results on and after the acquisition date. For details, please refer to "Note 5. Business combinations."

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

The components of cost of sales and selling, general and administrative expenses presented by nature of the expenses are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2016	2015	2016
Cost of goods sold	¥ 143,695		$ 1,275,248
Personnel expenses	66,031	¥ 48,875	586,005
Business commissions	57,037	52,747	506,186
Sales promotion costs	41,484	15,267	368,158
Sales commissions	37,372	35,158	331,665
Depreciation and amortization	30,698	16,936	272,435
Information services	30,686	17,697	272,329
Others	80,022	44,596	710,170
Total	¥ 487,025	¥ 231,276	$ 4,322,196

30. 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,
	2016	2015	2016
Gain on remeasurement of investments in an associate acquired in stages (Note 1)		¥ 6,249	
Negative goodwill arising from reclassification of investments (Note 2)		2,481	
Gain on sale of investment securities	¥ 1,532	653	$ 13,596
Others	1,484	1,255	13,170
Total	¥ 3,016	¥ 10,638	$ 26,766

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 of, and the unrealized revaluation gain of ¥6,249 million 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.

31. 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, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2016	2015	2016
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
Amount arising during the year	¥ 4,171	¥ 5,641	$ 37,016
Reclassification adjustments	(1,508)	(6,322)	(13,383)
Before tax effect	2,663	(681)	23,633
Income tax effect	(604)	722	(5,360)
Available-for-sale financial assets, after tax effect	2,059	41	18,273
Exchange differences on translating foreign operations:			
Amount arising during the year	(810)	928	(7,189)
Reclassification adjustments			
Before tax effect	(810)	928	(7,189)
Income tax effect			
Exchange differences on translating foreign operations, after tax effect	(810)	928	(7,189)
Share of other comprehensive income of associates:			
Amount arising during the year	(237)	976	(2,103)
Income tax effect			
Share of other comprehensive income of associates, after tax effect	(237)	976	(2,103)
Other comprehensive income, net of tax	¥ 1,012	¥ 1,945	$ 8,981

32. EARNINGS PER SHARE

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

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2016	2015	2016
Basic earnings per share (yen and U.S. dollars)	¥30.15	¥23.37	$0.27
Profit for the year attributable to owners of the parent	¥171,617	¥133,052	$ 1,523,048
Profit for the year not attributable to owners of the parent			
Profit for the year used in the calculation of basic earnings per share	¥171,617	¥133,052	$ 1,523,048
Weighted-average number of common stock (thousands of shares)	5,692,340	5,692,891	
Diluted earnings per share (yen and U.S. dollars)	¥30.14	¥23.37	$0.27
Adjustments on profit for the year			
Increase in the number of common stock (thousands of shares)	1,031	812	
Potential common stock that are anti-dilutive and therefore excluded from the calculation of diluted earnings per share	Options series: 2007—3rd, 2008—1st, 2012—2nd, 2013—1st and 2nd; 2014—1st (Please refer to "Note 24. Share-based payment.")	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.")	

33. SUPPLEMENTAL INFORMATION TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(1) Significant Non-cash Transactions

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

For the Year Ended March 31, 2016

During the year, ASKUL became a subsidiary of the Company as a result of the repurchase of its treasury shares. For fair value of the acquired assets and assumed liabilities, and non-controlling interests and goodwill, please refer to "Note 5. Business combinations."

For the Year Ended March 31, 2015

Investments in 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. The carrying amount of the investments at the time of conversion was ¥23,167 million, calculated by reflecting the Group's proportionate interests in the net fair value of JNB's identifiable assets and liabilities.

(2) ***Net Cash Outflow on Obtaining Control 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
	Year Ended March 31		Year Ended March 31,
	2016	2015	2016
Assets acquired	¥ 38,409	¥ 67,129	$ 340,868
Liabilities assumed	(13,492)	(38,225)	(119,737)
Net assets of new subsidiaries (before deducting cash assumed at the time of acquisition)	24,917	28,904	221,131
Goodwill	74,821	11,559	664,013
Non-controlling interests	(1,687)	(8,315)	(14,972)
Fair value of consideration paid	98,051	32,148	870,172
Cash assumed at the time of acquisition	(5,219)	(10,386)	(46,317)
Net cash outflow on obtaining control of subsidiaries	¥ 92,832	¥ 21,762	$ 823,855

34. RELATED PARTY TRANSACTIONS

The Company's ultimate parent company is SoftBank Group 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, 2016

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)	¥ 12,652	¥ 3,350
A company in which a majority of its voting rights is held by a close family member of the Company's director	MOVIDA JAPAN Inc. (Note 2)	Commission for fostering and promoting start-up companies (Note 1)	21	
A company in which a majority of its voting rights is held by a close family member of the Company's director	Creative Link Corporation (Note 2)	Commission for providing news content (Note 1)	58	10
		Commission for advertisement insertion on partner sites (Note 1)	16	2
		Commission for news content guiding services (Note 1)	19	2

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)	$ 112,283	$ 29,730
A company in which a majority of its voting rights is held by a close family member of the Company's director	MOVIDA JAPAN Inc. (Note 2)	Commission for fostering and promoting start-up companies (Note 1)	186	
A company in which a majority of its voting rights is held by a close family member of the Company's director	Creative Link Corporation (Note 2)	Commission for providing news content (Note 1)	515	89
		Commission for advertisement insertion on partner sites (Note 1)	142	18
		Commission for news content guiding services (Note 1)	169	18

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 director, Mr. Masayoshi Son, holds a majority of the voting rights.

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

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, 2015

Nature of Relationship	Name of Company or Individual	Nature of Transaction	Millions of Yen	
			Amount of Transaction	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 family member of the Company's Chairman	MOVIDA 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 family member of the Company's Chairman	Creative Link Corporation (Note 2)	Commission for providing news content (Note 1)	56	11

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 does not include consumption taxes, whereas outstanding balance at year-end includes consumption taxes.

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.

(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,
	2016	2015	2016
Short-term benefits	¥ 406	¥ 283	$ 3,603
Retirement benefits	1	1	9
Share-based payments		2	
Total	¥ 407	¥ 286	$ 3,612

Note: Remuneration for major executives represents remuneration for the Company's directors (including external directors) and other executive officers.

35. 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,
	2016	2015	2016
Total amount of committed lines of cash advances	¥ 194,620	¥ 259,736	$ 1,727,192
Outstanding balance	(6,638)	(8,689)	(58,910)
Remaining balance	¥ 187,982	¥ 251,047	$ 1,668,282

(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,
	2016	2015	2016
Total amount of credit guarantees	¥ 13,822	¥ 13,447	$ 122,666
Balance of credit guarantees	10,418	10,427	92,457

36. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been authorized for issue by Mr. Manabu Miyasaka, President and Representative Director, President Corporate Officer and Chief Executive Officer, and Mr. Toshiki Oya, Senior Executive Vice President Corporate Officer and Chief Financial Officer, on June 7, 2016.

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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 (the "Company") and its subsidiaries as of March 31, 2016, 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 subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

As discussed in Note 5 to the consolidated financial statements, ASKUL Corporation became a subsidiary of the Company on August 27, 2015. Our opinion is not modified in respect of this matter.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in 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 7, 2016

Risk Factors

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

1. Impact of Internet Markets and Competition

1) Macroeconomic Trends, Internet Markets, and Users

a. The Yahoo Japan Group's ongoing business expansion is contingent upon steadily increasing Internet usage and Internet-based market growth, the outlook for which is uncertain.

Internet usage in terms of both 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 and the proliferation of technologically advanced smart devices. Because the Yahoo Japan Group is dependent on the Internet both indirectly and directly, ongoing business expansion is contingent upon continuous growth in Internet-based communications and commercial activities in line with steadily increasing Internet usage, as well as a stable and secure Internet access environment for users.

The outlook for continuous growth of Internet-based markets is uncertain owing to several eventualities, including (1) Internet user numbers and usage times might begin to decline, (2) new Internet regulations or fees might discourage Internet usage, and (3) misguided development and faulty implementation of new protocols and technologies in response to growing user numbers and increasingly advanced applications might disrupt 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 18.8% of the total domestic advertising market in calendar year 2015, according to a DENTSU INC. report.

The Yahoo Japan Group engages in a range of activities aimed at enhancing its advertising media value. For example, in an ongoing effort to consolidate and expand our client base of corporate advertisers and advertising agencies we conduct periodic seminars aimed at enhancing awareness within the overall advertising industry of Internet advertising's unique capabilities. In the area of Promotional Advertising, meanwhile, we are working to improve the match between advertisements and user interests and preferences, thereby becoming a more valuable advertising media both for users and for advertisers.

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

c. Cyclical macroeconomic trends and related shifts in user behavior could exacerbate underlying volatility in our advertising business.

Advertising expenditures are among the first that companies reduce during economic downturns, making the advertising business highly susceptible to cyclical macroeconomic trends and related shifts in user behavior. This could exacerbate underlying volatility in our advertising business stemming both from relatively short advertising contract durations and from brief fluctuations in Internet usage throughout the year.

Demand for recruiting, real estate, and other information listing services is also strongly influenced by cyclical macroeconomic trends.

On the other hand, because our cost structure includes a high proportion of fixed costs such as personnel and lease expenses, expenditures cannot be quickly adjusted downward during periods of declining revenue, thereby exacerbating underlying volatility in our advertising 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. If, however, the usage of smart devices expands 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. A decline in the number 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. Recognizing that the number of Internet users in Japan is likely to eventually peak, we regularly implement innovative measures to enhance users' satisfaction with and promote broader usage of various services. Despite these efforts, the eventual decline in the number of users of such fee-based member services as Yahoo! Premium, our premier member service offering a variety of members-only benefits, could negatively impact our overall revenues.

g. The popularity of various fee-based contents services, including those provided by the Yahoo Japan Group, might decrease.
The Yahoo Japan Group delivers a variety of fee-based contents services, including videos and games, to meet changing user needs. Although we expect the popularity of such fee-based contents services to grow in line with increasing Internet user numbers, these services might fail to become a regular part of many users' lives.

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 Internet-based services, 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. In each of these service areas, we vie against multiple competitors for market share.

In such a competitive environment, a degree of uncertainty exists as to whether or not we will be able to maintain our dominant market position. 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. Furthermore, we could 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 a stable supply of 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 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.

To access the Internet 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. Some types of browser software and certain information devices, however, are incompatible with Yahoo! JAPAN services. In addition, sub-optimal usage conditions and faulty settings of software and information devices could prevent some users from accessing Yahoo! JAPAN. Furthermore, specification changes, rate adjustments, or insufficient market supply with regard to software and information devices could similarly block user access to our services, resulting in lower usage times and a reduction in revenues.

4) Technological Change

Failure to quickly and appropriately implement new technologies could reduce the competitiveness of Yahoo! JAPAN services.

The Japanese Internet industry, a competitive market constantly teeming with new entrants, is particularly noted for rapid technological innovation and short service lifecycles. To maintain Yahoo! JAPAN's competitive edge in the industry, we continuously enhance our services by quickly implementing new technologies as appropriate. If, however, despite our best efforts we fail to quickly implement new technologies emerging in the market and our services become obsolete, we could suffer a decline in competitiveness.

2. Legal and Institutional Changes

1) Legal Restrictions

a. New laws or amendments could negatively impact our provision of services.

Reports of incidents in Japan related to the viewing or posting of sensitive information or to dubious business transactions on the Internet have fueled a trend toward applying 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 could result in increased compliance-related expenses or otherwise negatively impact our provision of services, as well as adversely affect the development of the Japanese 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) merely clarifies the scope of liability for illegal behavior 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, amendments to existing laws, or the implementation by industry associations 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 other Internet auction operators, 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 activity 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 rights. We prohibit postings that violate these rights. Regarding postings containing copyright-protected content, we 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, Yahoo Japan Corporation has offered the Yahoo! Card service, wherein we have independently issued 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 Yahoo Japan Corporation and YJ Card Corporation fall under the Money Lending Business Act and the Interest Limitation Law. Under the former, Yahoo Japan Corporation 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. Although adequate reserves, estimated conservatively, have been set aside, YJ Card Corporation’s business is especially exposed to the risk of 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.

j. Restrictions on the collection and analysis of users’ behavioral history information could affect such advertising services as Yahoo! Display Ad Network (YDN).

Based on an analysis of users’ Internet usage histories, such advertising services as Yahoo! Display Ad Network (YDN) 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 efficacy 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. Advertising services such as YDN analyze three aspects of users' behavioral history: (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, 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 such advertising services as YDN, which could have a detrimental impact on our business performance.

2) Litigation

a. We could be subject to damage claims by related parties who wish to have personal information removed from Yahoo! JAPAN search results.

With regard to information displayed in search results, we established a Panel of Experts on Internet Search Results and Privacy with the goal of examining the issue of freedom of expression and access to information versus the protection of user privacy. Reflecting the panel's conclusions, we announced in March 2015 our policy regarding individual requests to have personal information removed from Yahoo! JAPAN search results. By responding appropriately and consistently to such requests on the basis of our new policy, we aim to both improve our service and reduce risks.

If, however, our efforts in this regard fail to have the expected effect, related parties could demand compensation from the Yahoo Japan Group. In such cases, we could incur substantial expenses or suffer a loss of brand image, which could negatively affect our business performance.

b. Victims of auction fraud might again take legal action against the Company.

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. Moreover, through the establishment of a patrol team that searches out and eliminates auction listings of illegal items, and in cooperation with law enforcement agencies and copyright-related groups, the Yahoo Japan Group aims to provide crime-related information, improve service quality, and reduce risks.

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 the appeal by said users, effectively upholding an initial judgment that the Company was not liable for damages because it had forewarned YAHUOKU! users of the potential for auction fraud by citing actual examples of fraud.

Despite this ruling in our favor, the 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 illegal activity, as well as the improvement of management systems, could entail increased costs and, as a result, negatively affect 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.

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

To avoid conflict with Japanese legal restrictions, we established an Advertisement Review Standard that internally regulates the content of advertisements and of Web sites accessible through advertisement links. As 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.

d. We could be subject to compensation demands from interested parties with regard to content procured from companies outside the Yahoo Japan Group.

With regard to information services such as 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. Aiming to maintain the reliability and quality of this content, we request that content providers understand and observe the basic policies detailed in our Yahoo! JAPAN Media Statement, produced by the Yahoo Japan Group in February 2016. In addition, 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 other measures, interested parties could demand compensation from the Yahoo Japan Group even though responsibility is contractually assigned solely to content providers. As a result, we could incur substantial expenses or suffer a loss of brand image, which could negatively affect our business performance.

e. We could be subject to compensation demands from interested parties with regard to content produced entirely or in part by the Yahoo Japan Group.

With regard to certain of our information services, including news, the Yahoo Japan Group is involved in the production of content provided to Yahoo! JAPAN users. In all of our content production activities, we aim to produce high-quality, reliable information stated clearly to prevent misunderstanding, free of factual inaccuracies and demagoguery, and respectful of social norms and common decency. In case interested parties make claims, the Yahoo Japan Group is responsible for quickly dealing with them. Despite our adherence to high standards for content production, interested parties could demand compensation from the Yahoo Japan Group. As a result, we could incur substantial expenses or suffer a loss of brand image, which could negatively affect our business performance.

f. 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. It remains possible, however, 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.

g. 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.

h. Advertisers could claim reimbursement of excessive fees resulting from click fraud or other methods of artificially increasing Promotional Advertising costs.

Regarding certain Promotional Advertising products, including paid search and Yahoo! Display Ad Network (YDN), a problem known as click fraud might arise. Fees for Promotional 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 Promotional 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 Promotional 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 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 buttressing the reliability of our entire network infrastructure by building a redundancy system that effectively duplicates and disperses 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, or Yahoo! JAPAN's fee-based services might suffer a drop in user numbers, which could 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 that significantly disrupt global political and economic activity, 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 Internet access infrastructure might be disrupted or some other circumstance arise whereby users could no longer 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 could impede our links to business alliances in those countries. If our offices were physically disabled, or if other companies in closely related business fields, such as companies providing Internet connection or data-center services, were physically disabled, 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 by strategically developing 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 usage and maintain a competitive advantage, we focus on strategically developing new businesses capable of providing content and services that meet user needs. To support this 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 Japanese Internet industry is crowded with entrants and highly competitive, the pace of technological innovation is rapid, and service lifecycles are short. In such an environment, 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 revenues and earnings 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 strategically developing new 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.

Quick-paced technological innovation and short service lifecycles result in a steady stream of new Internet 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 continuously 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 our current business operations. Against a background of continuing growth in the Internet user base, increasing diversification of Internet-enabled devices, and expanding Internet accessibility, we are obligated to add new and upgrade existing network-related facilities to accommodate higher peaks in access volume and more quickly handle larger volumes of data transmission and reception. With the recent acquisition of a proprietary large-scale data center, the Yahoo Japan Group benefits not only from stable and efficient server operations 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, strengthen security systems to protect payment services and users' personal information, expand systems to appropriately respond to the growth and diversification of user inquiries, and utilize our big data. 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 with a mid- to long-term view 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 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 shortened, annual depreciation costs might exceed current levels, and the accelerated disposal of existing facilities might result in higher-than-expected one-time 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 line with 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.

Our commitment to enabling users to easily connect to Yahoo! JAPAN via any Internet-enabled information device is a key element of our competitiveness, and we intend to continue working 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.

In addition, 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; video advertising products with audio accompaniment; Rich Advertising products boasting such features as user-activated display-area expandability; Yahoo! Premium DSP products leveraging Yahoo! JAPAN's trove of big data; and Promotional Advertising products supporting effective advertisement distribution across major partner sites in addition to Yahoo! JAPAN.

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 real-time physical location; Interest Match®, which distributes advertising based on the aforementioned usage histories and the content of Web pages viewed at the time of ad distribution; and AD Network, which distributes advertising over a network of partner sites and thus achieves greater reach than single-site-distribution products.

If we fail to properly incorporate innovative advertising methods, our advertising revenues could decrease even as the cost of developing new products and forming new partnerships with companies possessing expertise in innovative advertising methods grows. As a result, our performance could be negatively affected.

3) New Businesses

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

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

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

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

4) Services Provided

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

Currently, we are using the search engine and Paid Search Advertising distribution system of Google Inc.

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

b. Any modifications to the business alliance 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 following 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 Yahoo Japan Corporation on a non-exclusive basis, which will be used by Yahoo Japan Corporation 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. Yahoo Japan Corporation may decide on its own whether to display the search results provided by the counterparty. 3) Payment for counterparty's services The consideration 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 Web site of Yahoo Japan Corporation and (2) an amount calculated using the standard for excess amounts on any revenue of the Web site of Yahoo Japan Corporation in excess of a specific amount during the specified period. The consideration for the services used by Yahoo Japan Corporation on a partner site shall be the amount calculated by multiplying the revenue derived from the partner site by a rate determined on an annual basis.

c. 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 some 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.

d. 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 corporate officers 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, notably, on key technical personnel, including the corporate officers 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 corporate officers 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 corporate officers and employees to leave the Yahoo Japan Group.

c. Efforts to protect our intellectual property rights with the goal of maintaining competitive advantages might not be effective.

The Yahoo Japan Group believes that its intellectual property rights, including copyrights, patents, trademarks, designs, and domain names, are valuable management resources central to its ability to maintain competitive advantages in the market and that it is therefore necessary to protect them. Applying for, registering, and maintaining patents, however, entail a great deal of time and expense, including expenditures required to secure appropriate human resources. Moreover, in some cases patent rights are not granted to applicants, or requests for the invalidation of patents are made but fail to result in the provision of sufficient protection. Even if the Yahoo Japan Group successfully protects its intellectual property rights, including patents, these rights do not immediately confer competitive advantages. Considering that the Yahoo Japan Group operates in an industry noted for rapid-fire technological innovation, efforts to protect intellectual property rights might not be especially effective and, moreover, could have a negative impact on our business performance.

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

In line with the expansion of our business scope and the strengthening of our Promotional Advertising, fee-based member services, and paid-content businesses, the proportion of our revenues derived from a diverse base of unspecified individual and corporate users has grown.

The Yahoo Japan Group has assembled a special team responsible for strengthening the management of this pool of users and for taking such steps as introducing a new system to improve business efficiency. Despite these measures, we might be exposed to increased 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 rising costs of receivables collection.

Meanwhile, the array and quantity of user 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 consigned 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 automating businesses. Higher costs associated with these measures could negatively affect our earnings. In addition, these measures do not guarantee that all users 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 Group Corp. as the parent company, the Yahoo Japan Group provides Internet portal services in Japan under the Yahoo! brand name provided by Yahoo! Inc. The business relationships between the Yahoo Japan Group and the various associated business partners such as SoftBank Group Corp. and Yahoo! Inc. are favorable. Moving forward, we intend to maintain these favorable 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 Group 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 Group Corp. on mobile communications, Yahoo! BB, and other businesses. If SoftBank Group 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 performance.

The Yahoo Japan Group's operations are based on a license agreement with Yahoo! Inc., one of the founding partners of the Company. Most of 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 outstanding shares of Yahoo Japan Corporation by a competitor of Yahoo! Inc.; merger or acquisition rendering Yahoo! Inc. and SoftBank Group Corp. incapable of maintaining over 50% of shareholder voting rights of Yahoo Japan Corporation (may be waived by agreement of Yahoo! Inc.).
Counterparty	Yahoo! Inc.
Main details	1) Licensing rights granted by Yahoo! Inc. to Yahoo Japan Corporation: • Non-exclusive rights granted to Yahoo Japan Corporation 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 Yahoo Japan Corporation for use in Japan of the Yahoo! trademark • Exclusive rights granted to Yahoo Japan Corporation for publishing of the Yahoo! trademark in Japan • Exclusive rights granted to Yahoo Japan Corporation 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 Yahoo Japan Corporation 3) Royalties to be paid by Yahoo Japan Corporation to Yahoo! Inc. (see Note, below) Note: Initially, royalties were calculated as 3% of gross profit less sales commissions. Effective January 2005, the calculation method for determining royalties was revised, as follows: Royalty calculation method {(Consolidated net sales) - (Advertising sales commissions on a consolidated basis) - (Cost of sales of consolidated subsidiaries with a different gross margin structure and others)} x 3%

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

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

Although efforts are under way to promote the Yahoo! brand with cooperation from Yahoo! Group companies overseas, it is impossible for the Yahoo Japan Group to guarantee 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. 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 Yahoo Japan Corporation and its subsidiaries for which Yahoo Japan Corporation 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, Yahoo Japan Corporation 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' search and Paid Search Advertising distribution technologies. 2) Payment for Yahoo! Netherlands B.V.'s services Yahoo Japan Corporation shall pay to Yahoo! Netherlands B.V. a service fee multiplied by a rate prearranged for each year on the gross revenues earned by Yahoo Japan Corporation and its subsidiaries for which Yahoo Japan Corporation holds 20% or more of the voting rights, for the use of services contracted from Yahoo! Netherlands B.V. (including use of other third-parties' search and Paid Search Advertising distribution technologies). 3) Yahoo Japan Corporation's option right Should Yahoo Japan Corporation desire, the search and Paid Search Advertising distribution technologies that Yahoo! Inc. has the right to provide may be offered to Yahoo Japan Corporation 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 Yahoo Japan Corporation decides to use technologies other than those of Yahoo! Inc. or Microsoft Corporation, Yahoo! Netherlands B.V. will cooperate with Yahoo Japan Corporation regarding the transfer of customer data.

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 depending on their size. 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 Yahoo Japan Corporation's businesses and those of its subsidiaries and affiliates, which could negatively impact the performance of each company.

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, Yahoo Japan Corporation 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 structures or trading systems 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 Corp. could affect our earnings.

Yahoo Japan Corporation has signed a business alliance contract concerning various kinds of communications-related services, including Yahoo! BB services, with SoftBank Corp., a subsidiary of SoftBank Group Corp. Should any modifications be made to the business alliance contract with regard to the Yahoo! BB business, our earnings could be affected.

b. Because various kinds of communications-related services, including the Yahoo! BB business, are partially handled by SoftBank Corp., the service quality of SoftBank Corp. could affect our performance.

The portion of such communications-related services handled by SoftBank Corp. could indirectly influence our performance. If SoftBank Corp. 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 Yahoo Japan Corporation whereby upon request of the seller and buyer of an item listed on YAHUOKU!, Yahoo Japan Corporation acts as the intermediate in the payment of the transaction.

Because Yahoo Japan Corporation 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 financial institutions 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, should the amount of the reimbursement funds increase to a substantial level, interest payments to financial institutions might increase owing to rising interest rates, which 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 and Yahoo! JAPAN Card Suica credit card are credit cards issued by the Yahoo Japan Group and through which the Group provides credit to persons issued with the cards. 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 Other Companies 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. By jointly providing advertisers with advertising services, the Yahoo Japan Group and its partners are achieving superior performance. 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 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 and Yahoo! JAPAN Card Suica credit 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.

Part of our advertising business depends 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 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 consigned to specific third parties.

Among the services offered by the Yahoo Japan Group, there are cases where system development and operations essential to the service are consigned to specific third parties or where service operations are premised on linkage with a third party. These third parties are selected by the Yahoo Japan Group, using standards based on suitable technical and operating capabilities judged by past performance. In addition, the Yahoo Japan Group maintains close contact with relevant sections to ensure that problems affecting our services do not arise. Nevertheless, a system development delay could occur owing to a situation at a consigned 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, in cases where third parties have direct contact with users, such as delivery-related services, mishandling of such services could damage our brand image.

d. Other services are also dependent on external third parties.
In addition to the aforementioned, the Yahoo Japan Group provides certain services by consigning operations to external third parties, in which cases we are reliant on the information and services provided by those third parties. Deterioration of business conditions and service quality at such third parties could hinder our service provision and negatively impact our performance.

8. Information Security

1) Efforts to Promote Information Security

a. Information leaks could erode public confidence in the Yahoo Japan Group and negatively affect our business performance.
The entire Yahoo Japan Group takes a mid- to long-term perspective on information security with the goal of providing safe and secure services to users.

Nevertheless, our efforts to promote information security could fall short. Information leaks, destruction or falsification of data, or termination of services could occur as a result of human operational error or intentional acts of sabotage, system failure due to natural disasters, cyber-attacks due to malware infections or targeted attacks, or vulnerability of systems and related equipment. Any of these eventualities could erode public confidence in the Yahoo Japan Group and negatively affect our business performance.

b. Information leaks at subsidiaries and affiliates could affect our business performance.
The Company provides information security support to its subsidiaries and affiliates. Specifically, support is provided with regard to the sharing and implementation of information security measures, sharing of security-related vulnerability information, and consulting about information security measures, as requested by specific subsidiaries and affiliates.

Moreover, we provide support to subsidiaries and affiliates with regard to the provision of regulations and the acquisition of third-party certifications in order to ensure that subsidiaries and affiliates implement security measures comparable to those of the Company.

Nevertheless, if threats such as cyber-attacks were to occur, additional costs could arise and affect our profit.

c. Increased sophistication or scale of such threats as cyber-attacks could negatively affect our business performance.
The Yahoo Japan Group makes adequate investments in forward-looking measures required to protect against such threats as cyber-attacks, which are becoming increasingly sophisticated and larger in scale.

Nevertheless, if such threats as cyber-attacks were to unexpectedly increase in sophistication or scale, we could be obligated to incur additional costs, which could affect our earnings.

2) Personal Information

a. Leaks of users' personal information could negatively affect our business performance.
The Yahoo Japan Group discloses its privacy policy to its users and fully complies with the policy in its usage of users' personal information obtained through the provision of services.

Users' personal information is protected by means of several measures, including storage in isolated systems to which only a very limited number of authorized persons are granted access.

Nevertheless, these efforts could fall short of preventing leaks of users' personal information. In such a case, termination or curtailment of services might occur, which could not only negatively affect our business performance but also damage our credibility.

Inquiries about, amendments to, and deletion of personal information can be carried out on the system only by individual users themselves. Measures have been implemented to prevent corporate officers and employees from browsing users' personal information except when absolutely necessary in order to answer user inquiries.

Moreover, when work related to users' personal information is consigned to outside contractors, we select only those companies that meet our strict criteria regarding information security. In addition, we offer supervision to and periodically undertake inspections of outside contractors throughout the consignment period.

Nevertheless, these efforts could fall short of preventing information leaks or the destruction or falsification of data, which could damage our credibiity and lead to legal disputes.

b. Leaks of users' bank account numbers and credit card numbers could damage our brand image and result in legal disputes.
The Yahoo Japan Group obtains and stores the bank account and credit card numbers of users in order to provide financial and payment-related services such as Yahoo! Wallet, as well as for identity verification purposes.

Based on the understanding that direct financial damages could be inflicted upon users if their personal information were to be exploited by a third party, we place such information under strict control in isolated systems.

Our Yahoo! Wallet credit card payment service has received the highest level of Payment Card Industry Data Security Standard (PCI DSS) certification, as have almost all affiliated stores using credit card payments in the Yahoo Japan Group. PCI DSS is a global security standard for handling credit card payment procedures.

Nevertheless, these measures 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 business performance.

c. Leaks of personal information by stores registered on Yahoo! Shopping or YAHUOKU!, or by business alliance partners, could negatively affect our business performance.

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 either use the payment system operated by the Yahoo Japan Group or deal directly with credit card companies. Stores opting to use our payment system do not store credit card numbers, as these are provided directly to credit card companies by the Yahoo Japan Group. 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.

Nevertheless, such measures could fall short of preventing the occurrence of information leaks, resulting in damage to our credibility and a decrease in user numbers, regardless of whether or not we are in fact responsible. In such cases, our business performance could be negatively affected.

3) Communications Privacy

a. Leaks of information related to communications privacy could negatively affect our business performance.

The Yahoo Japan Group handles information related to communications privacy in such services as Yahoo! Mail. In handling this type of information, we take appropriate measures with regard to information security to meet the requirements of the Telecommunications Business Act.

Despite these measures, if such information were leaked, either deliberately or through negligence, by persons related to the Yahoo Japan Group, by companies with which business alliances have been concluded, or by companies to which the Group consigns work, or as a result of defective software or malware, or of physical intrusion into the Group's communications facilities, we could be drawn into legal disputes and our brand image could be tarnished, with a resultant negative impact on business performance due to a decrease in user numbers, damage compensation associated with the termination or curtailment of services, or a decrease in revenue.

4) Fraudulent Use

Fraudulent use of Yahoo Japan Group services by malicious users could negatively affect our business performance.

Malicious users might employ phishing or other methods to fraudulently obtain unsuspecting users' Yahoo! JAPAN IDs, passwords, or credit card information, and then impersonate unsuspecting users in order to use Yahoo Japan Group or partner site services, or use fraudulently obtained credit 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, malicious users might send spoof e-mails via unsuspecting users' Yahoo! Mail accounts.

The Yahoo Japan Group has taken steps to protect Yahoo! JAPAN IDs and passwords, educate users of our services and other Internet users in Japan about safe ID management, and implement certain measures against anticipated fraud. Nevertheless, fraudulent use by malicious users could prevent the collection of advances paid, lead to large claims for damage compensation by victims of fraudulent use, and necessitate expenditures to prevent the recurrence of such fraudulent use, all of which could negatively affect our earnings in addition to damaging our brand image.

5) Internal Management Information

Leaks of internal management information (insider information) that could impact investment decisions could affect our business performance.

The Yahoo Japan Group separates internal management information such as patent information before application, undisclosed information regarding M&A and business alliances, personal information of business partners, shareholders, and employees, audit materials, and other sales materials from the behavioral histories and personal information of users, and manages this information under appropriate access controls.

Despite these measures, this type of information could be leaked or falsified, or become unusable. In such cases, it could directly affect interested parties such as shareholders, business partners, or employees, weaken our market position, lead to the termination of business operations in the case of legal violations, or damage our brand image.

6) Genetic Analysis Service

In this service, genetic samples provided by subscribers to the service are analyzed and the personal genetic information resulting from the analysis is 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, the credibility of the Yahoo Japan Group could deteriorate and legal disputes 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 further strengthen 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, 2016)

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

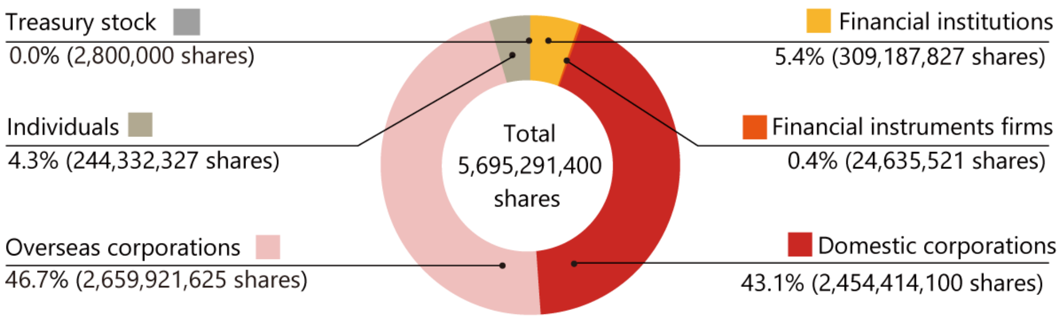
Date	Action	Number of shares outstanding*
1996/1/31	Establishment of the Company	4,000
1997/9/6	Rights offering: 1,800 shares	5,800
1997/11/4	Public offering: 975 shares	6,775
1999/3/6	Public offering at market price: 125 shares	6,900
1999/5/20	2-for-1 stock split	13,822
1999/11/19	2-for-1 stock split	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
2016/3/31	Exercise of stock option	5,695,291,400

*Partial-share amounts have been rounded off conventionally.

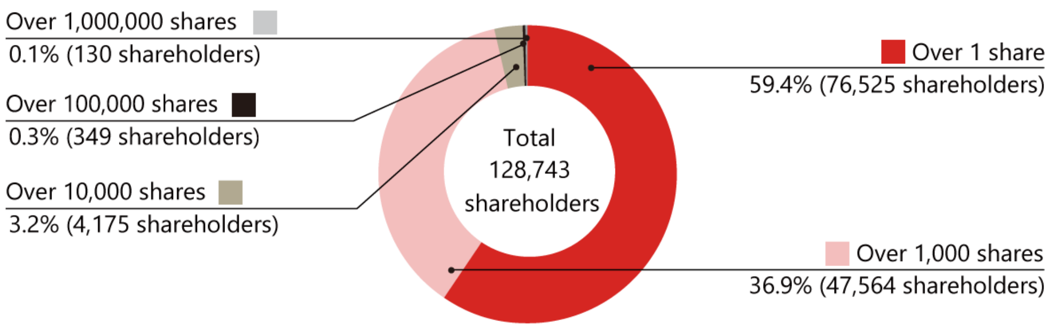
Major Shareholders

Name	Share holdings	Percent of total shares issued
SoftBank Group 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	70,446,461 shares	1.2%
Japan Trustee Services Bank, Ltd.	63,778,900 shares	1.1%
The Master Trust Bank of Japan, Ltd.	61,238,200 shares	1.1%

Breakdown of Shares Outstanding, by Shareholder Type



Breakdown of Shareholders, by Number of Shares Held



Corporate Information

Corporate Data

(As of March 31, 2016)

Company name	Yahoo Japan Corporation
Founded	January 31, 1996
Common stock	¥8,359 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 22, 2016)

Manabu Miyasaka
President and Representative Director

Masayoshi Son
Director

Ken Miyauchi
Director

Kenneth Goldman
Director

Ronald S. Bell
Director

Shingo Yoshii
Outside Director
Full Time Audit and Supervisory Committee Member

Hiromi Onitsuka-Baur
Outside Director
Full Time Audit and Supervisory Committee Member

Kazuhiko Fujihara
Director
Audit and Supervisory Committee Member

Operating Team

(As of July 22, 2016)

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
Executive Corporate Officer
Executive Vice President, President of Media & Marketing Solutions Group

Kosuke Honma
Executive Corporate Officer
Executive Vice President, President of Corporate Management Group

Hiroshi Kataoka
Corporate Officer
Executive Vice President, President of Media Company, Media & Marketing Solutions Group

Koichiro Tanabe
Corporate Officer
Executive Vice President, President of Marketing Solutions Company, Media & Marketing Solutions Group

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 & Payment Services Company

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

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

Shin Murakami
Corporate Officer
Executive Vice President, Chief Mobile Officer

Chiaki Fujimon
Corporate Officer
Executive Vice President, Chief Technology Officer

Naoya Bessho
Corporate Officer
Executive Vice President, Corporate Management Group, General Counsel, Public Relations

Toshiya Segoshi
Corporate Officer
Executive Vice President, Corporate Management Group, Finance

Main Consolidated Subsidiaries

(As of March 31, 2016)

ASKUL Corporation
Business: Mail-order service of office-related products and other delivery services
Founded: November 1963
Common Stock: ¥21,189 million
Yahoo Japan Corporation's Ownership: 44.4% (Voting rights)
URL: http://www.askul.co.jp/

Carview Corporation
Business: E-commerce, online media, and other related businesses for automobiles and total driving experience
Founded: September 1996
Common Stock: ¥100 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://www.carview.co.jp/company/default.aspx

Dynatech inc.
Business: Development and sales of information system for hotels and Japanese-style inns
Founded: August 1987
Common Stock: ¥30 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://www.dyn.co.jp/

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: https://www.idcf.jp/english/

Ikyu Corporation
Business: Operation of various Internet sites that provide reservation services for high-end hotels and restaurants
Founded: July 1998
Common Stock: ¥958 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://www.ikyu.co.jp/

Netrust, Ltd
Business: Online payment services
Founded: September 2000
Common Stock: ¥243 million
Yahoo Japan Corporation's Ownership: 60.0%

Qubital Data Science Co., Ltd.
Business: Data analytics and Consulting
Founded: January 2014
Common Stock: ¥100 million
Yahoo Japan Corporation's Ownership: 51.0%
URL: http://www.qubital.co.jp/

Synergy Marketing, Inc.
Business: Cloud service and agent service
Founded: June 2005
Common Stock: ¥100 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://www.synergy-marketing.co.jp/

Techbase VietNam Company Limited
Business: Development of Yahoo! JAPAN services and software development of systems used in Yahoo! JAPAN
Founded: May 2015
Common Stock: US$1.25 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://www.techbasevn.com/

TRILL, Inc.
Business: Comprehensive Internet media business mainly targeting women
Founded: August 2002
Common Stock: ¥50 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://trill-corp.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/

Wordleaf Corporation
Business: Internet media business
Founded: March 2013
Common Stock: ¥25 million
Yahoo Japan Corporation's Ownership: 100.0%

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/

Yahoo Japan Corporation
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http://www.yahoo.co.jp/

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