

# Corporate Governance Report

Last Update: December 22, 2016

Yahoo Japan Corporation

President and Representative Director: Manabu Miyasaka

Securities Code: 4689

<http://www.yahoo.co.jp/>

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views

#### Promises to our Users (Charter of Corporate Behavior)

The Yahoo! JAPAN Group, comprised of Yahoo! JAPAN and Yahoo! JAPAN group companies, conducts business activities in a competitive marketplace in accordance with rules such as the law, fair business practices and social ethics.

We believe that there is value in winning only when you play by the rules, and not by cheating. We promise all stakeholders including our users, shareholders, investors, business partners, communities and employees to be trustworthy, and aim to create a safe and sustainable Internet community by being in tune with the society. We will practice business with the spirit of fair play, and strive to enhance our corporate value by fulfilling the company's social responsibilities.

For this, the directors and employees fully understand our expected and required roles, will maintain sound corporate governance and will practice efficient corporate activities in order to obtain trust and empathy from everyone.

Moreover, the top management acknowledges that it is our role to fulfill the social responsibilities by honoring the spirit of this Charter on each of the following items: achievement of customer satisfaction and trust; securement of fair and free competition; maintenance of sound relations with legislation and administration; timely and appropriate disclosure of management information; respect for employees; establishment of positive work environment, contribution to global environment conservation, implementation of social contribution activities as "good citizens"; separation from antisocial forces; harmony with communities and cultures; compliance with international rules; strict control of personal information; guarantee of information security; respect for intellectual property rights. With this in mind, we will respect the spirit of this Charter and commit ourselves to its implementation.

#### [Disclosure Based on the Principles of the Corporate Governance Code]

[Principle 1-4: Policy regarding cross-shareholding]

Yahoo Japan Corporation does not hold shares of other listed companies as cross-shareholding.

[Principle 1-7: Framework for appropriate procedures in proportion to the importance and characteristics of the transaction with related parties]

·When doing business with our directors or a company in which our director serves as a representative director, such that there is a risk of a conflict of interest arising, Yahoo Japan Corporation requires prior approval from the Board of Directors in accordance with the Companies Act and the Regulations of the Board of Directors Meetings. Furthermore, the

current statuses of these transactions are to be reported to the Board of Directors once every three months.

·When a business transaction is carried out with one of Yahoo Japan's principal stock holders and the transaction is judged to be of high importance to the company from a qualitative or quantitative standpoint, prior approval from the Board of Directors is required in accordance with the Regulations of the Board of Directors Meetings.

[Principle 3-1-1: Company objectives (e.g., business principles), business strategies and business plans]

#### (1) Fundamental Business Management Policies

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

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

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

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

#### (2) Management Performance Indicators Used for Goals

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

#### (3) Medium- to Long-Term Business Strategies

Looking at the environment for Internet usage in recent years, there has been a sharp increase in the use of smart devices, including smartphones and tablets. On the other hand, there has been a steady decline in occasions to use personal computers for that purpose. Based on those conditions, the Yahoo Japan Group is promoting the expansion of Internet usage time and usage opportunities in smart devices.

The Yahoo Japan Group has taken measures to steadily expand the usage of its group services through smart devices. The Group has adapted Yahoo! JAPAN's top page, as well as news, weather, email, and other services, which could be considered a daily life activity infrastructure, to provide them in optimal form for smart devices. In addition to browsers, the Group has

provided a wide array of services that take advantage of the unique capabilities of smart devices, such as maps and car navigation services in the form of smartphone applications. As a result, over half of the Yahoo Japan Group's total DUBs and total PVs now comes from smartphones. These figures indicate that the shift to smartphones in the use of the Group's services is progressing steadily. From now on, the Group will strengthen its provision of services through smartphone applications, while also aiming to further expand earning opportunities.

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

[Principle 3-1-2: Basic views and guidelines on corporate governance]

Please refer to [1. Basic Views] of [I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information] in this report.

[Principle 3-1-3: Board policies and procedures in determining the remuneration of the senior management and directors]

The Remuneration Committee of Yahoo Japan Corporation consists of the President and Representative Director; a non-executive director who is not an independent outside director; and an independent outside director, based on the Regulation of Remunerations for Directors, as determined by the Board of Directors. The amounts of the bonus and remunerations of the directors and senior management (senior management is comprised of Chief Executive Officer (CEO), Chief Operating Officer (COO) and Chief Financial Officer (CFO)) are determined after careful deliberation, based on the business performance in each quarter, the individual director's contributions to the business performance, and other factors.

[Principle 3-1-4: Board policies and procedures in the appointment of the senior management and the nomination of directors candidates]

The nomination of director candidates and election of the senior management is performed by the Board of Directors based on the Regulations of the Board of Directors Meetings for suitable personnel for election or candidacy. The criteria which are taken into consideration include performance, experience, knowledge, popularity, etc. in Yahoo Japan Corporation or in other companies. Furthermore, in order to preserve diversity within the Board of Directors, and to prevent membership from gravitating towards all members having similar characteristics, the Board of Directors will solicit opinions from the independent outside directors before making its final decision.

[Principle 3-1-5: Explanations with respect to the individual appointments and nominations based on "Principle 3-1-4"]

Upon the nomination of director candidates and election of the senior management, Yahoo Japan Corporation provides timely disclosure of the reasons for the election of that individual. In addition, for directorial candidates, the reasons for each election are also disclosed in the reference material for the General Meeting of the Shareholders included in the notice of the General Meeting of the Shareholders.

·Manabu Miyasaka has been focusing on service deployment for smart devices and leading of the Yahoo Japan Group with his strong leadership since his assumption of office as President and Representative Director of the company in 2012. He has been selected as a director of the company for reappointment because of such performance.

·Masayoshi Son has a great deal of experience and extensive knowledge as an executive manager. He has been selected as a director of the company for reappointment so that his

suggestions and advice as a pioneer can be utilized for the management of the Group.

· Ken Miyauchi is the Chief Executive Officer of SoftBank Corp., which is closely involved in the business operations of the company, and has a wealth of management experience in the mobile phone business. He has been selected as a director of the company for reappointment because of his helpful advice about the business operation of the Group since assuming the office of a director of the company.

· Jonathan Bullock has global knowledge, deep insight into the Internet business, as well as a wealth of experience in building and expanding businesses. The company has decided that having him as a director would maximize the corporate value of the company as an Internet firm and has elected him as a director of the company.

· Kenneth Goldman is the CFO of Yahoo! Inc., the licensor of the significant license affecting the basis of the business of the company. He has been selected as an outside director of the company for reappointment on the assumption that he will be able to give helpful advice based on his knowledge about the circumstances in the United States and others.

· Ronald S. Bell has held prominent positions in Yahoo! Inc. and has a great deal of knowledge and experience in the fields of global law and compliance. He has been selected as an outside director of the company for reappointment on the assumption that he will be able to give helpful advice based on such knowledge and experience.

· Shingo Yoshii has extensive knowledge and experience in corporate management and possesses incredible insight regarding corporate governance. Ever since he assumed office as the auditor of this company in June 2008, as independent outside auditor (full-time), he has contributed to the strengthening of corporate governance and to the enhancement of the audit system. For these reasons, he was elected as independent outside director (Audit and Supervisory Committee member) last year.

· Hiromi Onitsuka-Baur has served as a Vice President, Chief Marketing Executive at Toshiba Medical Systems Corporation where she gained a tremendous amount of experience and a wide breadth of knowledge. Ever since she assumed office as the auditor of this company in June 2012, as independent outside auditor (full-time), she has contributed to the strengthening of corporate governance and to the enhancement of the audit system. For these reasons, she was elected as independent outside director (Audit and Supervisory Committee member) last year.

· Kazuhiko Fujihara is the Executive Vice President & CFO of SoftBank Corp., a subsidiary of our parent company, SoftBank Group Corp. He has extensive work experience in the finance division and has considerable knowledge on finance and accounting, and is therefore selected as director (Audit and Supervisory Committee member).

[Supplementary Principle 4-1-1: Scope of the delegation of tasks to the management staff]

The Board of Directors of Yahoo Japan Corporation determines company group business management strategies and planning, and makes all final decisions regarding important business matters. Specifically, items such as mergers and acquisitions, or the acquisition or liquidation of high value assets are within the purview of items to be resolved during Board of Directors meetings. However, decisions regarding other individual business matters are, as a rule, to be handled by the management staff in accordance with the Regulations of the Board of Directors Meetings.

[Supplementary Principle 4-8: The number of independent outside directors]

With the selection of Shingo Yoshii and Hiromi Onitsuka-Baur as independent outside directors, the proportion of independent outside directors on the Board is 22%.

[Supplementary Principle 4-9: Independence standards for independent outside directors]

The basis of Yahoo Japan Corporation's decision to have independent Board members is the same as the independence standards of the Japan Exchange Group, Inc.

[Supplementary Principle 4-11-1: View on the appropriate balance between knowledge, experience and skills of the Board as a whole]

Yahoo Japan Corporation takes the following into consideration regarding the composition and scale of its Board of Directors:

- In order to divide the roles of management and supervision, a majority of the Board is held by non-executive members.
- To ensure diversity among company directors, Yahoo Japan Corporation appoints not only directors with deep knowledge and diverse experience in the field of Internet service business, but also individuals with experience of management from other industries and those with extensive, specialized knowledge in fields such as accounting and law.

(Non-executive directors: Eight total, two with experience of management from industries outside of Internet service, one seasoned specialist in accounting law, three with foreign nationalities, and one woman.)

[Supplementary Principle 4-11-2: Directors who hold concurrent posts in other listed companies]

Major titles in other companies

- Manabu Miyasaka: SoftBank Group Corp., Director
- Masayoshi Son: SoftBank Group Corp., Chairman & CEO; Sprint Corporation, Chairman of the Board
- Ken Miyauchi: SoftBank Group Corp., Representative Director, President & COO
- Kenneth Goldman: Yahoo! Inc., CFO
- Ronald S. Bell: Yahoo! Inc., Vice President, General Counsel, Secretary

[Supplementary Principle 4-11-3: Analysis and evaluation of the effectiveness of the Board of Directors as a whole]

The evaluation of the effectiveness of the Board of Directors by the outside directors and the Audit and Supervisory Committee was referred to the Board of Directors. As a result, it was confirmed that although effectiveness of the Board is generally secured, there are issues such as clarification of the principal discussion points in Board materials, etc. We would like to leverage this result in the future operation of the Board.

[Supplementary Principle 4-14-2: Training policy for directors]

Yahoo Japan Corporation prepares and offers a training program for directors so they can acquire the necessary knowledge for the position and understand their roles and responsibilities. All expenses for this training are provided by Yahoo Japan Corporation.

[Supplementary Principle 5-1: Policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders]

To promote good investor relations (IR), Yahoo Japan Corporation abides by the Financial Instruments and Exchange Law and the general guidelines set forth by the Japan Exchange Group, Inc. through timely, accurate, and fair disclosure of information. We have adopted the following policies in order to engage in constructive dialogue with our shareholders:

(1) Appointment of managers or directors to oversee the dialogue with shareholders

The President and Representative Director supervises the dialogue with shareholders and investors, and the Chief Financial Officer (CFO) is placed in charge of the disclosure of information.

(2) Measures to ensure positive cooperation between internal divisions such as investor relations, corporate planning, general affairs, corporate finance, accounting and legal affairs with the aim of supporting dialogue

An internal IR division, which specializes in supporting dialogue, is established. In the course of completing its tasks, the IR division coordinates not only with the financial affairs, accounting, and legal affairs divisions, but also with divisions that develop business, to create documents suitable for release and help realize constructive dialogue with shareholders and investors.

(3) Measures to promote opportunities for dialogue aside from individual meetings (e.g., general investor meetings and other IR activities)

At its Ordinary General Meeting of the Shareholders, Yahoo Japan Corporation provides detailed explanations using slides and other means, on recent operation conditions and financial information, as well as mid- to long-term strategies for growth, with the goal of helping individual investors deepen their understanding of the company's operations. Furthermore, for individual investors who are not able to attend these meetings in person, the presentations are streamed live and even archived as video files for viewing at a later date. In addition, Yahoo Japan Corporation holds individual investor meetings in order to deepen the understanding of the company.

For analysts and institutional investors, Yahoo Japan Corporation also holds Investors Meetings at the end of each quarter, in which details of financial statements and business activities are explained. These presentations, are also streamed live and are available as on-demand videos starting on the day of the meeting itself, in order to proactively share information about our business with even more people. Finally, individual interviews and teleconferences are held approximately 500 times per year for analysts and fund managers, in which the President and Representative Director or other management staff speak proactively about the strategies for growth and share operational information about the Yahoo Japan Group.

For IR targeting foreign investors, in addition to creating the majority of the above disclosure publications in English as well, Yahoo Japan Corporation also publishes yearly, an annual report in English. In addition, we visit our overseas investors where they live, hosting "Overseas Roadshows", primarily in North America, the UK, and Asia, in which we gain the opportunity to directly engage in dialogues with our foreign investors.

In regards to IR publications, from immediately after our initial public offering in 1997, we have continued to publish a quarterly financial report to ensure timely disclosure and provide a detailed overview of our financial and business operations. In addition, along with these quarterly reports, we summarize and disclose information on potential risks to the company. Current publications, as well as an archive of all past ones, are published on the company website.

(4) Measures to appropriately and effectively relay shareholder views and concerns learned through dialogue to the senior management and the Board

Opinions and proposals from shareholders and investors are summarized in each quarterly report and submitted to the management staff and related internal divisions, or, in urgent cases, are communicated to the related parties immediately.

(5) Measures to control insider information when engaging in dialogue

In keeping with the company's "Insider Trading Prevention Regulations", material facts which have not yet been official announced are to be thoroughly controlled and appropriately protected. In order to prevent leaks in information and preserve impartiality, we have instated a quiet period regarding account statement information. During this period, company representatives will refrain from answering any questions or providing any comments related to the relevant accounts.

## 2. Capital Structure

Foreign Shareholding Ratio	More than 30%
----------------------------	---------------

### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
SoftBank Group Corp.	2,071,926,400	36.4%
YAHOO INC.	2,025,923,000	35.6%
SBBM Corp.	373,560,900	6.6%
Japan Trustee Services Bank, Ltd.	169,118,800	3.0%
STATE STREET BANK AND TRUST COMPANY	61,043,789	1.1%
JP MORGAN CHASE BANK 385632	59,460,198	1.0%
JPMC OPPENHEIMER JASDEC LENDING ACCOUNT	47,696,400	0.8%
The Master Trust Bank of Japan, Ltd.	40,833,700	0.7%
JP MORGAN CHASE BANK 380634	26,433,244	0.5%
Trust & Custody Services Bank, Ltd.	22,448,200	0.4%

Controlling Shareholder (except for Parent Company)	-
Parent Company	SoftBank Group Corp. (TSE Securities Code: 9984)

Supplementary Explanation	-
---------------------------	---

## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Information & Communication
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

## 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

The parent company of the Yahoo Japan Group is the SoftBank Group Corp. Yahoo Japan Corporation has enacted “Regulations for Appropriate Business Transactions and Practices by Yahoo Japan Corporation, its Parent Company, Subsidiaries, and Affiliates”. In accordance with
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

these regulations, Yahoo Japan Corporation strives to maintain its commitment to fair and proper transactions by expressly forbidding clearly advantageous or disadvantageous transactions, or the performing of transactions for the purpose of shifting profits, losses, or risks, which are judged by comparing transactions with its parent company, etc. to those of a third party or other similar such transactions.

## 5. Other Special Circumstances which may have Material Impact on Corporate Governance

**Ensuring independence from the parent company**  
 While five members of the Yahoo Japan Corporation Board of Directors were originally employees of our group companies such as our parent company, the directors are responsible for supervising the execution of business in order to increase the corporate value of Yahoo Japan Corporation itself, and the specific decisions about business operations are made independently by corporate officers using their own, independent decision-making process. Also, Yahoo Japan Corporation relies very little on its parent company or other members of its company group for its business transactions. Most of its partners in its transactions are consumers or corporations with no investment relationship to Yahoo Japan Corporation. Furthermore, Yahoo Japan Corporation has enacted “Regulations for Appropriate Business Transactions and Practices by Yahoo Japan Corporation, its Parent Company, Subsidiaries, and Affiliates”. In these regulations, Yahoo Japan Corporation has intentionally and expressly stipulated the prohibition of: transactions with the parent company, etc. which are clearly advantageous or disadvantageous compared to transactions with third parties or to comparable transactions; and transactions for the purpose of shifting profits, losses, or risks.  
 Using all of these policies, Yahoo Japan Corporation has determined that it is sufficiently independent in its business operations from its parent company and other group members.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-Making, Execution and Supervision of Business

### 1. Organizational Composition and Operation

Organization Form	Company with an Audit and Supervisory Committee
-------------------	-------------------------------------------------

#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	9
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	9
Election of Outside Directors	Elected
Number of Outside Directors	4
Number of Independent Directors	2

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	I	j	k	
Kenneth Goldman	From another company												

Ronald S. Bell	From another company												
Shingo Yoshii	From another company												
Hiromi Onitsuka-Baur	From another company												

\* Categories for "Relationship with the Company"

\* " " when the director presently falls or has recently fallen under the category;

" " when the director fell under the category in the past

\* " " when a close relative of the director presently falls or has recently fallen under the category;

" "when a close relative of the director fell under the category in the past

- a. Executive of Yahoo Japan Corporation or its subsidiaries
- b. Non-executive director or executive of a parent company of Yahoo Japan Corporation
- c. Executive of a fellow subsidiary company of Yahoo Japan Corporation
- d. A party whose major client or supplier is Yahoo Japan Corporation or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from Yahoo Japan Corporation besides compensation as a director/Audit and Supervisory Committee member
- g. Major shareholder of Yahoo Japan Corporation (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of Yahoo Japan Corporation (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, with which Yahoo Japan Corporation mutually appoints outside directors/Audit and Supervisory Committee member (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from Yahoo Japan Corporation (the director himself/herself only)
- k. Others

#### Outside Directors' Relationship with the Company (2)

Name	Audit and Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Kenneth Goldman			-	Kenneth Goldman is the CFO of Yahoo! Inc., a critical provider of the licenses which form the backbone of our business. As an outside director, he will surely provide us with valuable advice which takes into account global factors such as the market situation in the United States.
Ronald S. Bell			-	Ronald S. Bell has held numerous important positions at Yahoo! Inc. and possesses an extensive knowledge as well as experience in the fields of global law and compliance. As an outside director, he will surely provide us with valuable advice based on such knowledge and experience.
Shingo Yoshii			-	Shingo Yoshii has extensive knowledge of and experience in corporate management and possesses incredible insight regarding corporate governance. As an independent outside director

				(full-time Audit and Supervisory Committee member) he will surely contribute to the strengthening of our corporate governance and enhancement of the audit system.
Hiromi Onitsuka-Baur			-	Hiromi Onitsuka-Baur has served as a Vice President, Chief Marketing Executive at Toshiba Medical Systems Corporation where she gained a tremendous amount of experience and a wide breadth of knowledge. As an independent outside director (full-time Audit and Supervisory Committee member) she will surely contribute to the strengthening of our corporate governance and enhancement of the audit system

### [Audit and Supervisory Committee]

#### Committee's Composition and Attributes of Chairperson

	Total No. of Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	3	2	1	2	Outside Director

Appointment of Directors and/or Employees to Support the Audit and Supervisory Committee	Appointed
------------------------------------------------------------------------------------------	-----------

#### Matters Related to the Independence of Such Directors and/or Employees from Executive Directors

In accordance with the "Regulations for Securing an Audit System for the Audit and Supervisory Committee Members", Yahoo Japan Corporation has established an Audit and Supervisory Committee Office and has appointed employees whose sole task is to assist with the duties of the Audit and Supervisory Committee members. In addition, the system allows the Audit and Supervisory Committee members and the Audit and Supervisory Committee to independently hire additional employee to support the duties of the Audit and Supervisory Committee members if the Audit and Supervisory Committee members wish to do so. The instructions and orders to the employee who supports the duties of the Audit and Supervisory Committee member is performed by the members of the Audit and Supervisory Committee, and all personnel changes, evaluation, and disciplinary measures targeting the employee must be carried out with the consent of the full-time members of the Audit and Supervisory Committee.

#### Cooperation among Audit and Supervisory Committee, Accounting Auditors and Division in Charge of Internal Audit

The Audit and Supervisory Committee members and accounting auditors hold regular meetings (and additional meetings as necessary) and collaborate to ensure that both parties are properly

performing their auditing duties.

In addition, the Audit and Supervisory Committee members and the Internal Audit Office, which is the division in charge of internal audit, hold regular meetings (and additional meetings as necessary) and collaborate to report on their respective auditing systems, audit planning, audit execution statuses, and audit results.

### [Voluntary Committees]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
---------------------------------------------------------------------------------------------------------	-------------

### Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	-	Remuneration Committee
Total No. of Committee Members	-	3
Full-time Members	-	2
Inside Directors	-	2
Outside Directors	-	1
Outside Experts	-	0
Other	-	0
Chairperson	-	Inside Director

### Supplementary Explanation

The Remuneration Committee of Yahoo Japan Corporation consists of the President and Representative Director; a non-executive director who is not an independent outside director; and an independent outside director, based on the Regulation of Remunerations for Directors, as determined by the Board of Directors. The amounts of the bonus and remunerations of the directors and senior management are determined after careful deliberation, based on the business performance in each quarter, the contributions to the business performance, and other factors.

### [Independent Directors]

Number of Independent Directors	2
---------------------------------	---

### Matters relating to Independent Directors

Outside directors who qualify as independent directors are all appointed as independent directors.

### [Incentives]

Incentive Policies for Directors	Stock Options
----------------------------------	---------------

Supplementary Explanation

Yahoo Japan Corporation grants stock options to the executive directors, directors of subsidiaries, and our employees, as a means of raising their awareness in management participation and enhancing corporate value.

Recipients of Stock Options

Inside Directors / Employees / Subsidiaries' Directors

Supplementary Explanation

Yahoo Japan Corporation grants stock options to the executive directors, directors of subsidiaries, and our employees, as a means of raising their awareness in management participation and enhancing corporate value.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration

Individual disclosure for part of the directors

Supplementary Explanation

The executive remunerations for fiscal year 2015 for Yahoo Japan Corporation directors and auditors are as follows. Currently, there is no system of retirement bonuses to the directors.

a) Remunerations by titles (JPY million)

Directors (excluding Audit and Supervisory Committee) –

Total: 144, base remuneration: 64, stock option: 0, bonus: 80, number of eligible directors:9  
(Of which for outside directors):

Total (-), base remuneration (-), stock option (-), bonus (-), number of eligible directors (4)

Directors (Audit and Supervisory Committee members) –

Total: 45, base remuneration: 35, stock option: -, bonus: 10, number of eligible directors: 3  
(Of which for outside directors):

Total (45), base remuneration (35), stock option (-), bonus (10), number of eligible directors (2)

Auditors –

Total: 13, base remuneration: 13, stock option: -, bonus: -, number of eligible directors: 4  
(Of which for outside auditors):

Total (13), base remuneration (13), stock option (-), bonus (-), number of eligible directors (4)

Total –

Total: 204, base remuneration: 113, stock option: 0, bonus: 90, number of eligible directors: 16

Total (59), base remuneration (49), stock option (-), bonus (10), number of eligible directors (10)

\*As of the Ordinary General Meeting of the Shareholders held on June 18, 2015, Yahoo Japan Corporation has changed its corporate governance structure on the same day from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee. Therefore, the information for before and after the change are both presented here.

b) Remunerations by directors, etc. (JPY million)

Manabu Miyasaka (director) Total 130, base remuneration 50, stock option 0, bonus 80

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Remuneration Committee of Yahoo Japan Corporation consists of the President and Representative Director; a non-executive director who is not an independent outside director; and an independent outside director, based on the Regulation of Remunerations for Directors, as determined by the Board of Directors. The amounts of the bonus and remunerations of the directors and senior management are determined in this committee after careful deliberation, based on the business performance in each quarter, the contributions to the business performance, and other factors.

#### [Supporting System for Outside Directors]

The Policy Planning Division, which serves as the Board of Directors' secretariat office, prepares Japanese/English bilingual documents and provides timely and necessary support for outside directors.

## 2. Matters on Functions of Business Execution, Auditing, Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

### Corporate Governance System

#### (1) Board of Directors

The Board of Directors is responsible for corporate management policies, management strategy, business planning, the acquisition and liquidation of important assets, decision making regarding important organization or personnel matters, and the supervision of the execution of business of Yahoo Japan Corporation and its subsidiary companies.

By having eight non-executive directors out of the nine directors, Yahoo Japan Corporation aims to clearly divide the role of the decision-making process regarding management and supervision of business execution (the role of the Board of Directors) from the actual business execution (the role of corporate officers).

Important items that require decisions to be made by the Board of Directors are reviewed in advance at the President's Committee and at all other meetings. Important items related to the Yahoo Japan Corporation and to group companies are reviewed in the President's Committee based on internal company regulations. In fiscal year 2015, the Board of Directors convened 10 times.

#### (2) Audit and Supervisory Committee

The Audit and Supervisory Committee is composed of three members. Two members, the Committee chairperson Shingo Yoshii, and Hiromi Onitsuka-Baur are independent outside directors and are full-time members. Also, Kazuhiko Fujihara is the Executive Vice President and Chief Financial Officer of SoftBank Corp., a subsidiary of SoftBank Group Corp. and is knowledgeable in finance and accounting.

The Audit and Supervisory Committee is responsible for auditing and supervising the entirety of the company's business activities, including the appropriateness of policy, planning, and procedures; effective business implementation; and compliance to laws and regulations through the perusal of important documents, the inspection of subsidiary companies, and so on. Furthermore, the Audit and Supervisory Committee receives reports on the auditing methods and results of the account auditors as well as the Internal Audit Office. Based on these activities, the Audit and Supervisory Committee will, regularly present their opinions as an Audit and Supervisory Committee to the full-time directors who are not Audit and Supervisory Committee members.

In the fiscal year 2015, the Board of Auditors convened 2 times and the Audit and Supervisory Committee convened 6 times.

### 3. Reasons for Adoption of Current Corporate Governance System

Yahoo Japan Corporation regards corporate governance as a vital function in order to “enhance medium- to long-term corporate value” and conducts appropriate and effective corporate management.

Meanwhile, Yahoo Japan Corporation has converted to a company with an Audit and Supervisory Committee from June 2015, in order to establish both: a structure that encourages “aggressive governance” so that timely business decisions can be made in the Internet industry; and a structure that promotes the aim of the corporate governance code, namely “transparent, fair, timely, and decisive decision making”. Yahoo Japan Corporation judges the current system to be the best whereby: two out of the three Audit and Supervisory Committee members are independent outside directors; and the speedy decision-making and monitoring of management is secured by dividing the roles of supervision of the management decision-making and execution of business (Board of Directors) and execution of business (corporate officers).

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize the General Meeting of the Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Scheduling General Meeting of the Shareholders Avoiding the Peak Day	Since its foundation, Yahoo Japan Corporation has consistently avoided scheduling its General Meeting of the Shareholders on the days on which those of other companies are frequently held, in order to facilitate the attendance of shareholders.
Allowing Electronic Exercise of Voting Rights	In order to allow more shareholders to exercise the right to vote, votes may be cast over the Internet.
Participation in Electronic Voting Platform and Other Measures to Improve the Environment for Exercising the Voting Rights by Institutional Investors	For increased convenience for institutional investors, we participate in Electronic Voting Platform for institutional investors.
Providing Convocation Notice (Summary) in English	Summarized convocation notices and shareholder meeting reference materials are provided in English as well as Japanese, and published on the Yahoo Japan Corporation website in order to provide materials to foreign investors.
Other	<ul style="list-style-type: none"> <li>·For shareholders who are unable to attend or who live far away, the proceedings of the Ordinary General Meeting of the Shareholders are broadcast live over the Internet and the video is archived for viewing on a later date.</li> <li>·If so desired and the proper arrangements are made, institutional investors holding shares in the name of a trust bank, etc. are able to observe the General Meetings of the Shareholders.</li> </ul>

### 2. IR Activities

	Supplementary Explanations	Explanation by Representative
Regular Investor Briefings for Individual Investors	Investor explanation meetings are held on a regular basis. In addition to explanations of	None

	general information regarding Yahoo Japan Corporation such as the composition of its finances, business model, primary services, etc., the mid- to long-term growth strategies are also discussed to improve understanding of the company.	
Regular Investor Briefings for Analysts and Institutional Investors	At quarterly Investors Meetings, financial results and details of business activities are explained. The proceedings are proactively distributed to as many people as possible. As such, they may be viewed live by anyone with Internet access, and are uploaded as on-demand videos on the day of the conference. Furthermore, approximately 500 individual interviews and teleconferences are provided every year for analysts and fund managers in which the President and Representative Director or other management staff speak proactively about the strategies for growth and share managerial information about Yahoo Japan Corporation.	Yes
Regular Investor Briefings for Overseas Investors	“Overseas roadshows” are held, primarily in North America, the UK, and Asia, in which we gain the opportunity to directly engage in dialogue with our foreign investors.	Yes
Posting of IR Materials on Website	Since immediately after our initial public offering in 1997, we have published a quarterly financial report to ensure timely disclosure and provide a detailed overview of our financial and business operations. In addition, along with these quarterly reports, we provide a summary of information that could become potential risks to the company. Current publications, as well as an archive of all past ones, are published on the company website.	
Establishment of Department and/or Manager in Charge of IR	Yahoo Japan Corporation has appointed a CFO responsible for the disclosure of information, has established an IR Office as a dedicated department for meetings with analysts and institutional investors, and has established a Shares Planning Office dedicated to General Meeting of the Shareholders, regular investor briefings for individual investors, and the timely disclosure of IR information.	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Regulations for Respecting the Position of Stakeholders	Yahoo Japan Corporation stipulates a clear code of conduct within its “Charter of Corporate Behavior”. We hope to respect the positions of our stakeholders, fulfill our corporate responsibilities to society, and improve corporate value.
Implementation of Environmental Activities, CSR Activities etc.	As an Internet service company, to contribute to the healthy growth of an Internet-connected society, we are proactively engaged in a variety of social action programs. Specifics regarding

	the contents of these programs are reported on the Yahoo Japan Corporation website (Yahoo Japan Corporation CSR <a href="http://csr.yahoo.co.jp/">http://csr.yahoo.co.jp/</a> ).
Development of Policies on Information Provision to Stakeholders	Yahoo Japan Corporation has its own disclosure policy, and defines that: “conducting IR activities is a strategic managerial obligation whereby finance, communication, and compliance with applicable laws and regulations are integrated and whereby effective bilateral communication between the company and the market is enabled in a fair and proper manner. Moreover, IR activities fill the gap that exists between the market recognition and understanding on the disclosed corporate information, and the business status of the company. Consequently, the activities enable the corporate shares to receive fair evaluation”. The company strives to disclose information in an impartial and detailed manner.

#### IV. Matters Related to the Internal Control System

##### 1. Basic Views on Internal Control System and the Progress of System Development

<Systems to ensure proper business conduct>

The Board of Directors of Yahoo Japan Corporation has established the Basic Policy for Internal Control as follows. Based on this basic policy, Yahoo Japan Corporation ensures proper business conduct, and will continuously make improvements so that a more effective system of internal control will be created.

1. Items regarding the directors and employees who assist the duties of Audit and Supervisory Committee; the independence of said directors and employees from the other directors (excluding those who are members of the Audit and Supervisory Committee); and the ensuring of effectiveness regarding instructions given by the Audit and Supervisory Committee to said directors and employees

In accordance with the “Regulations for Securing an Audit System for the Audit and Supervisory Committee Members”, Yahoo Japan Corporation has established an Audit and Supervisory Committee Office and has appointed employees whose sole task is to assist with the duties of the Audit and Supervisory Committee members and the duties of the Audit and Supervisory Committee. In addition, the system allows the Audit and Supervisory Committee members or the Audit and Supervisory Committee to independently hire additional support employee to support the duties of the Audit and Supervisory Committee members, if the Audit and Supervisory Committee members wishes to do so. The instructions and orders to the employee, who supports the duties of the Audit and Supervisory Committee and the Audit and Supervisory Committee members, will be performed by the members of the Audit and Supervisory Committee, and all personnel changes, evaluation, and disciplinary measures targeting the staff must be carried out with the consent of the chairperson of the Audit and Supervisory Committee.

2. Systems related to reports provided to our Audit and Supervisory Committee by: the directors (excluding Audit and Supervisory Committee members) and employees of Yahoo Japan Corporation; directors, auditors, and employees of subsidiary companies; or individuals who receive reports from those in the positions listed above; and system for other reports to the Audit and Supervisory Committee
  - (1) The directors (excluding Audit and Supervisory Committee members) and employees of Yahoo Japan Corporation; directors, auditors, and the employees of subsidiary companies; or individuals, who receive reports from those in the positions listed above, shall report the items listed below to the Audit and Supervisory Committee.
    - (a) Important items related to Yahoo Japan Group
    - (b) Status of the structure and operation of the system for internal control
    - (c) Items that may considerably affect or damage Yahoo Japan Corporation or its subsidiary companies
    - (d) Violations of applicable laws and regulations, or the Articles of Incorporation
    - (e) Audit results from the division in charge of internal audit
    - (f) Other items which the Audit and Supervisory Committee members deem necessary to have reported for the execution of their duties
  - (2) The full-time members of the Audit and Supervisory Committee also serve as auditors, etc. of major subsidiary companies ensuring the system of receiving the aforementioned items from the directors, auditors, and employees of the subsidiary companies, or individuals who receive reports from those in the positions listed above.
  - (3) The CFO and the corporate officer in charge of the legal and risk management divisions hold periodic meetings with the full-time Audit and Supervisory Committee members for information sharing, and important business-related matters are reported.
  - (4) In accordance with Yahoo Japan Corporation's "Regulations on Risk Management", Audit and Supervisory Committee members serve as members of "Risk Management Committee" which supervises our risk management, and receive reports on the analysis and evaluation of critical risks to the company. Furthermore, in accordance with the same regulations, full-time Audit and Supervisory Committee members also serve as members of the "Compliance Committee" which is in charge of our compliance-related issues, and receive reports regarding the operation of the compliance system of Yahoo Japan Corporation and its subsidiary companies, and reports on the status of whistleblowing to the compliance hotline, etc.
  - (5) In accordance with the "Investment and Loan Regulations" which determine the procedures for investments and loans, full-time Audit and Supervisory Committee members attend meetings of the "Investment and Loan Committee", which serves as

a preliminary advisory body when a large scale investment or loan is under consideration, and are briefed in advance regarding important investments and loan matters. Even in the case of investments or loans other than those mentioned above, the responsible division provides a prior report to the full-time members of the Audit and Supervisory Committee.

(6) Full-time Audit and Supervisory Committee members share information on each of the reports listed above with part-time Audit and Supervisory Committee members at the Audit and Supervisory Committee.

(7) The division in charge of internal audit makes reports as needed or makes reports to the Audit and Supervisory Committee on the status of incidents, etc. which occur within Yahoo Japan Corporation and its subsidiary companies, and plans and results of the internal audit on the company and its subsidiary companies. In addition, the details of the incidents, etc. which occurs within Yahoo Japan Corporation and its subsidiary companies are reported by the divisions in charge of risk management and information security to the Audit and Supervisory Committee.

3. Systems for ensuring that the reporters of the items in the preceding paragraph do not receive a disadvantageous treatment due to the reports

(1) In accordance with the “Guidelines of Audit in the Audit and Supervisory Committee” set forth by the Audit and Supervisory Committee, Audit and Supervisory Committee members must take necessary precautions to protect the confidentiality of information obtained in the course of business.

(2) The “Compliance Program” and the “Regulations for the Compliance Hotline (Regulations on Whistleblowing)” stipulate that no disadvantageous treatment will result from the report, whistleblowing or consultation using the compliance hotline.

4. Policy items related to the advance payment or repayment of expenses incurred in the course of the execution of the duties of the Audit and Supervisory Committee members (limited to the duties of the Audit and Supervisory Committee), and the processing of other expenses and debts incurred in the course of the execution of their duties

(1) If Audit and Supervisory Committee members make requests to Yahoo Japan Corporation on the prepayment, etc. of expenses with respect to the execution of their duties in accordance with Article 399-2, Paragraph 4 of the Companies Act, upon confirmation with the division in charge, Yahoo Japan Corporation shall promptly process such expense or debt, except in cases where it proves that expense or debt relating to said request is not necessary for the execution of the duties of said Audit and Supervisory Committee members (limited to the requests related to the execution of duties of the Audit and Supervisory Committee).

(2) If the Audit and Supervisory Committee requests an independent outside specialist (lawyer, certified public accountant, etc.) to be the adviser of the Audit and Supervisory Committee, Yahoo Japan Corporation shall bear its expense except in cases where it proves that such adviser is not necessary for the execution of the duties of the members of the Audit and Supervisory Committee (limited to the requests related to the execution of duties of the Audit and Supervisory Committee).

5. Other systems for ensuring effective audit by the Audit and Supervisory Committee

A system is in place so that if the Audit and Supervisory Committee or an Audit and Supervisory Committee member deems it necessary, the company provides opportunities to conduct hearings with directors and employees. Furthermore, periodic meetings are held with audit corporations and the internal audit divisions of major subsidiary companies, and full-time members of the Audit and Supervisory Committee attend the "President's Committee" attended by the directors and corporate officers, etc., in accordance with the "Regulations for the President's Committee". Members of the Audit and Supervisory Committee may attend all other meetings in the company if they so request.

6. Systems for the storage and management of information related to the execution of the duties of directors of Yahoo Japan Corporation

(1) "Regulations for the Storage and Management of Documents" are set forth and based on this, documents related to important corporate decision-making processes including Shareholder Meeting minutes, Board of Directors meeting minutes, "ringi" (request for managerial decision), etc.; and document records of business execution such as accounting books, financial statements, and expense sheets, etc., are stored with a set storage period and storage location in which they may be viewed by the directors at any time.

(2) A description of all business items and the job title of the person who is able to render decisions regarding them are clearly stated in the "Regulations on the Division of Duties and Authorities", as well as all manners of documented evidence which must be recorded for the decisions rendered. Rules regarding "ringi" (request for managerial decision) are explicitly stipulated in the "Regulations for Ringi (Request for Managerial Decision)", and the ringi format is designated in such a way that the directors can make appropriate decision based on sufficient information.

7. Regulations concerning the risk management of loss and other systems

(1) Yahoo Japan Corporation's "Regulations on Risk Management" determine a

systematic approach to recognizing, managing, and dealing with risks to our business. In addition, risk information is released periodically which discusses how well risks are understood and the evaluation on their severity.

- (2) To ensure business continuity during an outbreak of a large-scale environmental disaster, policies for extraordinary disaster control have been created.
- (3) In the event that a risk has emerged, the incident reporting system furnished by the Zero Incidents Secretariat is utilized to provide prompt reports of the situation, address the issue, and prevent future recurrences.
- (4) In order to ensure the effectiveness of information security management, Yahoo Japan Corporation has appointed a Chief Information Security Officer (CISO) and has established a supervisory organization of information security. In addition, a set of "Information Security Regulations" are established as well as the basic criteria for handling information assets, and dissemination and training of them are conducted. Furthermore, in regards to information security, a supervisory organization that handles information security incidents has been established and a system is in place so that early analysis and countermeasures of risks can be implemented. The system is such that the final decision making on the acceptance and responses to risks exceeding a certain level is made by CISO or the management team.

8. Systems for ensuring the efficient execution of the duties of the directors of Yahoo Japan Corporation

- (1) The scope of duties, authorities and responsibilities necessary for the execution of duties are clarified in the rules regarding authorities and the decision-making process which are based on "Regulations on the Division of Duties and Authorities". In addition, regulations for institutional decision making, such as the "Regulations for the Board of Directors Meetings", "Regulations for Ringi (Request for Managerial Decision)" are established, and decision making authorities and procedures are clarified.
- (2) A structure of corporate officers is adopted in pursuit of flexible and efficient execution of business operations.
- (3) "President's Committee" comprised of directors and corporate officers, etc. is held and a system is in place so that discussions and deliberations of important items followed by an appropriate decision making are conducted in accordance with the "Regulations for the President's Committee". Furthermore, various meetings comprised of directors and corporate officers, etc. are held also for matters not discussed in the President's Committee, to perform necessary discussion, consideration, and sharing of information.
- (4) Business plans and budgets are formulated, and goals of the entire company and

each business unit are established and management is conducted based on these.

- (5) Using a goal-based performance evaluation system, a company-wide goal shared by directors and employees is set and penetrated. In addition, specific goals for employees are set in order to achieve the company-wide goal, and the performances of employees are evaluated in terms of achievement of the goals.
- (6) Division in charge of internal audit is established for the continued evaluation of the entire company, and improvement activities are conducted in terms of the efficiency and effectiveness of the execution of business duties.

9. Systems to ensure that the execution of duties by directors and employees of Yahoo Japan Corporation comply with applicable laws and regulations, and Article of Incorporation

- (1) “Charter of Corporate Behavior” and the “Compliance Program” are established, and performance of corporate activities based on legal compliance is fully enforced.
- (2) A training program related to the duties and responsibilities of the directors is established and is provided as necessary for directors.
- (3) The division which supervises compliance issues (the Compliance Supervision Division) is under the responsibility of the corporate officer in charge of the legal division. The division works to establish a company-wide compliance system, to identify compliance issues within the company, and to enable corrective actions to be taken quickly should compliance issues be uncovered. Furthermore, the division provides periodic reports on the status of compliance to the directors.
- (4). “Regulations for the Compliance Hotline (Regulations on Whistleblowing)” is established and a system is in place so that the directors can acquire information through direct reports and whistleblowing, or so that anonymous reports and whistleblowing can be made to external lawyers. When such reports are received, the Compliance Supervision Division shall: investigate the details of the report; if noncompliance with applicable laws and regulations, and Article of Incorporation are found, instruct to improve the situation; discuss and decide preventive measures with the responsible divisions; and enact them on a company-wide level. In particular, important issues such as the noncompliance by the directors themselves are immediately reported to the directors and deliberated in the Board of Directors meeting. The operation of this system is periodically reported to the Board of Directors and is supervised by the Board of Directors.
- (5) The Compliance Supervision Division, division in charge of internal audit, and the Audit and Supervisory Committee collaborate on a regular basis to investigate the company-wide compliance system and the presence of compliance issues. Based on these activities, the Compliance Supervision Division and the division in charge of internal audit carry out seminars and other internal awareness activities.

- (6) Noncompliance with applicable laws and regulations, and Article of Incorporation on the part of employees shall be reported from the corporate officer in charge of the personnel division or the legal division to the Disciplinary Committee and punishment will be requested. Noncompliance with applicable laws and regulations, and Article of Incorporation on the part of directors shall be reported by the corporate officer in charge of the legal division to the Audit and Supervisory Committee, and specific disciplinary actions, etc. will be reported to the Board of Directors.
  - (7) Yahoo Japan Corporation is resolutely opposed to anti-social forces that menace the order and safety of civil society, and endeavors to prevent transactions with such forces.
10. Systems for ensuring proper business conduct of our corporate group consisting of Yahoo Japan Corporation, its parent companies, and its subsidiary companies
- (1) System for the reporting of items related to the execution of business duties by the directors of the subsidiary companies, etc. to Yahoo Japan Corporation  
Yahoo Japan Corporation establishes an appropriate reporting system according to the function and importance, etc. of the subsidiary company. For unlisted subsidiaries, in accordance with the “Regulations for the Management of Affiliated Companies”, an “Agreement regarding Corporate Management” is concluded by both parties and the subsidiary is requested to acquire approval from Yahoo Japan Corporation prior to the subsidiary’s decision making on financial results, mid- to long-term management plans, human resources, and management of surplus funds. It is also requested to periodically report its monthly business performance to Yahoo Japan Corporation.
  - (2) Regulations for risk management of losses by subsidiary companies and other systems
    - (a) “Regulations for Internal Audits” are established, and the division in charge of internal audit is to perform audits on Yahoo Japan Corporation as well as on the entire operations of the subsidiary companies. “Agreement regarding Corporate Management”, concluded between Yahoo Japan Corporation and the subsidiary companies, stipulates that the subsidiaries accept the audits performed by Yahoo Japan Corporation and cooperate as necessary to the audits.
    - (b) Division and employee responsible in Yahoo Japan Corporation for each subsidiary company is clarified, and based on the “Regulations for the Management of Affiliated Companies” the designated division is to provide instruction, assistance and advice on the recognition, evaluation, analysis and response to the risk factors of the relevant subsidiary company. Furthermore, the supervising division of group strategy in Yahoo Japan Corporation provides

cross-sectional support for these measures.

- (c) “Agreement regarding Corporate Management”, concluded between Yahoo Japan Corporation and the subsidiary companies, stipulates that the subsidiary company reports to the division in charge of the subsidiary in Yahoo Japan Corporation, if an incident or other event which may impede the business conducted by the subsidiary company occurs. Also, in the event that a risk actualizes and an incident, etc. occurs, the relevant subsidiary company or the division within Yahoo Japan Corporation that has received reports from the relevant subsidiary must promptly share said reports with all related divisions within the company using the incident reporting system.
- (3) Systems for ensuring the efficient execution of the duties of the directors, etc. of the subsidiary companies
- (a) The division within Yahoo Japan Corporation which is responsible for the subsidiary company provides instruction, assistance and advice regarding the formulation of its management policies and mid- to long-term management plans.
  - (b) Group CEO meeting is set up for the CEOs of the Yahoo Japan Group for exchanging information.
  - (c) An accounting management system, etc. common to the corporate group is introduced, which can be adapted for each subsidiary company’s scale and business category.
  - (d) Depending on the scale and business category of the subsidiary company, auxiliary services are offered (such as finance and accounting, personnel management, etc.)
  - (e) Employees of Yahoo Japan Corporation responsible for auxiliary services meet with the corresponding employees of subsidiary companies for brainstorming sessions, etc. when necessary.
  - (f) Instructions, assistance, and advice are provided by the supervising division of group strategy in Yahoo Japan Corporation regarding the raising and investment of funds by subsidiary companies.
- (4) Systems to ensure that the execution of duties by directors and employees of subsidiary companies comply with applicable laws and regulations, and Article of Incorporation
- (a) “Charter of Corporate Behavior” common to the Yahoo Japan Group is designated, and a uniform commitment to legal compliance is fostered among all group directors and employees.
  - (b) “Regulations for Appropriate Business Transactions and Practices by Yahoo Japan Corporation, its Parent Company, Subsidiaries, and Affiliates” is

established to ensure the independence of subsidiary companies, etc.

- (c) The “Compliance Program” is applicable to all directors and employees of the Yahoo Japan Group.
- (d) Group CCO meetings are held and attended by the compliance officers of all group companies.
- (e) Brainstorming sessions are conducted by personnel in the Compliance Supervision Division with persons in charge of compliance in the subsidiary companies when necessary.
- (f) Compliance training programs are held targeting the relevant Yahoo Japan Group directors and employees when necessary.
- (g) Audits of the internal control systems of the subsidiary companies are conducted by dispatching auditors to the Yahoo Japan Group companies.
- (h) The division in charge of internal audit instructs each subsidiary company to improve their internal control environment, modelling our internal control system.
- (i) Using a compliance hotline, Yahoo Japan Group directors and employees can also directly report issues to an outside lawyer.

<Outline of the operational status of the systems to ensure proper business conduct>

1. Operational status regarding the Audit and Supervisory Committee

- (1) Audit and Supervisory Committee convened seven times and information was shared between the full-time and part-time Audit and Supervisory Committee members. Before June 2015, Board of Auditors convened twice and information was shared between full-time and part-time auditors.
- (2) Full-time Audit and Supervisory Committee members receive reports, etc. on the following items related to the company.
  - Two meetings are held every month with the Chief Financial Officer (CFO) and the Head of the CEO Office, and full-time Audit and Supervisory Committee members receive reports on important business matters.
  - Full-time Audit and Supervisory Committee members attend the “Risk Management Committee” held twice a year, and receive reports on risk-related matters that have high importance.
  - Full-time Audit and Supervisory Committee members attend the “Compliance Committee” held once a year, and receive reports on compliance-related matters, such as cases that were informed through whistleblowing.
  - Full-time Audit and Supervisory Committee members attend the “President’s Committee” where important matters that are to be approved by the President are discussed, receive information on these important matters, and give opinions from the viewpoint of supervising business execution. In addition, they receive information on other important matters related to management through the minutes of the Management Meetings, and convey their opinions, etc. as needed.
- (3) Audit and Supervisory Committee members receive reports, etc. on the following items related to the company.
  - Through Audit and Supervisory Committees, etc., Audit and Supervisory Committee members receive periodic reports on incidents that have occurred in the company and subsidiary companies, etc. from the division in charge of internal audit.

- Six meetings are held with the audit corporations, and information is shared and views are exchanged in regards to the financial status of the company.
  - (4) The full-time Audit and Supervisory Committee members of Yahoo Japan Corporation concurrently serve as the auditor or the Audit and Supervisory Committee member of 11 major subsidiary companies, including those that joined the group during the fiscal year. A group auditors' meeting is held once a year with the auditors of the subsidiary companies and affiliates, and information is shared on matters related to audits.
  - (5) The Audit and Supervisory Committee employs an external lawyer as an adviser, at the company's expense, and receives legal advice on the business execution of the Audit and Supervisory Committee from this lawyer.
2. Operational status regarding the system on risk management
- (1) Based on "Regulations on Risk Management", the risks of the company is recognized, managed and disclosed quarterly in the financial statements, etc.
  - (2) Based on the experience in the Great East Japan Earthquake, "Guidelines on Emergency and Disaster Response Measures" have been revised to a more effective content and have been thoroughly informed to all employees in order to ensure business continuity during an outbreak of a large-scale environmental disaster.
  - (3) The President, Chief Operating Officer (COO) and CFO revise the policy on countermeasures to the risks of the group once a year, based on the results of risk assessment conducted by the secretariat of the Risk Management Committee.
  - (4) Accompanying the start of the Social Security and Tax Number System (My Number System), the "Information Security Regulations" have been revised to clearly stipulate the handling of "My Numbers", upon approval of the President and Representative Director and CISO (Chief Information Security Officer). The supervisory organization of information security plays a central role in notifying and educating these revised items to all employees; constructing a system in line with the revisions; inspecting the status of these revisions; and reporting the results to the President and CISO.
  - (5) A third party Information Security Management System (ISMS) conducts a review once a year and revises the certification on this management system.
  - (6) A management review is conducted once a year in order for the President to recognize the changes in the issues related to risks on information security in and out of the company; status of the residual risks; and the implementation status of the measures to mitigate risks; so that the company can make appropriate judgements on risks related to information security.
3. Status of measures to improve the effectiveness of business execution
- (1) "Regulations on the Division of Duties and Authorities" which set forth job authorities and decision-making rules, has been revised four times in response to the changes in the business environment. This way, systems to support appropriate decision-making in response to organizational changes and changes in business environment are maintained without delay, and authorities are proactively transferred to promote speedy decision-making.
  - (2) In order to conduct appropriate decision-making on important matters related to management, President's Committee has been held 14 times and in principle, a Management Meeting is held once a week so that discussions and deliberations can be made among the related corporate officers before the decisions are made.
  - (3) A company-wide income goal is set, and based on the goal, budgets for each divisions are made. The Board of Directors sets the company-wide budget, and a weekly review of the achievement is conducted in order to improve the business results.
  - (4) The division in charge of internal audit has held audits on each division in order to improve the company-wide evaluation on the efficiency and validity of business execution. In addition, it has held five company-wide audits by themes, such as management of networks and quality of the systems.

#### 4. Status of measures regarding compliance

- (1) E-learning based on “Charter of Corporate Behavior” and “Compliance Program” is held towards all employees four times, and awareness program towards compliance is in place.
- (2) Transactions with anti-social forces are prevented by including, in principle, a term mutually declaring that they are not anti-social forces when concluding agreements with new business counterparts,
- (3) On matters that were reported through the whistleblowing system, the Compliance Supervision Division makes investigations, and gives instructions on improvements as needed. In addition, matters related to employees are reported to the Compliance Committee which is constituted by the President and full-time members of the Audit and Supervisory Committee, and measures to prevent recurrence are conducted such as promotion of understanding among employees through e-learning.

#### 5. Status of measures to ensure proper business conduct of our corporate group

- (1) In accordance with the “Regulations for the Management of Affiliated Companies”, an “Agreement regarding Corporate Management” has been concluded with four unlisted companies that have newly become subsidiaries. The subsidiaries are requested to acquire approval from, or make reports to Yahoo Japan Corporation on important matters related to this subsidiary company.
- (2) The division in charge of internal audit of Yahoo Japan Corporation conducts audits on 11 of the subsidiary companies in order to manage the risk of losses in these companies.
- (3) Group CEO meetings have been held twice as an information sharing forum among company managers, in order to improve the efficiency of business execution by the directors of the subsidiary companies, and to strengthen the cooperation and synergies among the subsidiaries.
- (4) Group CCO meeting has been held once as an information sharing forum in regards to compliance issues in the subsidiary companies.
- (5) Group CISO meeting has been held once as an information sharing forum in regards to information security in the subsidiary companies and affiliates. The level of information security across the whole group is enhanced by introducing similar systems against malware in several subsidiary companies and by sending persons in charge from our supervisory organization on information security to the subsidiaries.
- (6) The e-learning content that is conducted to the employees of Yahoo Japan Corporation is conducted to the directors and employees of major subsidiaries of the group. This e-learning content is shared with other major subsidiaries and is implemented in the compliance training of these companies.

(Note) The Basic Policy on Internal Control stated above reflects the revisions made on August 2, 2016. Furthermore, outline of the operational status of the systems to ensure proper business conduct is as of June 27, 2016 (date of previous update).

## 2. Basic Views on Eliminating Anti-Social Forces

Yahoo Japan Corporation has a policy to eliminate any and all relationships the company might have with anti-social forces that menace the order and safety of civil society, and to resolutely oppose any unreasonable demands.

Based on this policy, the mandate for total separation from anti-social forces is clearly stated in our “Charter of Corporate Behavior”, and our “Compliance Program” also thoroughly rejects any relationship with anti-social forces, clearly indicating that even tangential relationships must be avoided and that absolutely nothing shall be done which could support the activities of such forces or groups. In addition, beyond the preparation of and comprehensive dissemination of manuals and circulars, as well as carrying out training programs regarding this policy, we also cooperate with external specialized organizations such as relevant police and government agencies and legal offices. Furthermore, we are a member of the “Special Violence Prevention Coalition (Tokubouren)”, which collects information about anti-social forces and the proper way

to handle unreasonable demands, thereby strengthening our system for dealing with such scenarios.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
------------------------------------	-------------

Supplementary Explanation

-

### 2. Other Matters Concerning Corporate Governance System

#### 1. Attitude regarding the timely disclosure of information

Yahoo Japan Corporation carries out the timely disclosure of important company information in accordance with the timely disclosure rules of the Tokyo Stock Exchange, the Financial Instruments and Exchange Law and other relevant laws and statutes as well as our own “disclosure policy”, which summarizes the company’s stance on the disclosure of information. According to this policy, we strive to provide accurate and impartial release of company information once it has been thoroughly investigated and managed. In addition, from immediately after our initial public offering in 1997, we have published a quarterly financial report to ensure timely disclosure and provide a detailed overview of our financial and business operations. Furthermore, Yahoo Japan Corporation proactively provides this information by publishing all current and past disclosed information and explanatory materials on the investor information page of the company website, along with English versions of these documents for easy perusal by anyone.

#### 2. Corporate system related to the timely disclosure of company information

Company-wide initiatives have been adopted to ensure the internal management of company information and its proper and timely disclosure. Multiple divisions dedicated to these tasks have been established under the oversight and instruction of the senior management. In order to increase the accuracy and depth of content of the disclosed information, the documents are checked by individuals in multiple divisions while internal auditors simultaneously and periodically check the competency of the internal control structure. Also, the eligibility and legality of accounting records are regularly reviewed by account auditors. In addition, timely and appropriate information is reported from the subsidiaries to the senior management and individuals in dedicated positions at Yahoo Japan Corporation. In accordance with the company’s disclosure policy, this information is disclosed depending on the importance of said information.

The system related to the disclosure of information in Yahoo Japan Corporation is as follows:

(1) President and Representative Director, personnel responsible for information disclosure  
Internal management of important corporate information, supervision of the timely and proper disclosure of such, and giving of instructions regarding close cooperation between companies.

(2) Policy Planning Division, Legal Division

Management of important company information, acting as the Board of Directors’ secretariat office; performance of legal checks; management of internal information (insider trade prevention), etc.

(3) Corporate Development Division

Supervision and information management of investment projects; understanding of management-related information of subsidiaries; and day-to-day management support and information sharing with the administrative business of subsidiary companies.

(4) Finance Division

Creation of financial statements and securities reports; understanding of financial information of subsidiaries; and cooperation with account auditors.

(5) Risk Management Office

Collection and compilation of information regarding new risks to Yahoo Japan Corporation's business in collaboration with all group companies, and publishing of the important information in summaries of financial statements or securities reports.

(6) Stakeholder Relations Division

As the office in charge of information disclosure, creation of information release materials (IR releases) for publication using TDnet, and disclosure of information to investors and shareholders.

3. Work processes related to the timely disclosure of corporate information

(1) Disclosure of facts related to decisions and incidents

Every internal department is to consult with the Legal Division, Finance Division and Stakeholder Relations Division regarding relevant information in advance. The Legal Division will judge each case from a legal standpoint in light of laws such as Financial Instruments and Exchange Act, the Finance Division will make judgment based on Cabinet Office Ordinance on Disclosure of Corporate Affairs, while the Stakeholder Relations Division will determine if the case is important or not based on the rules of timely disclosure of the securities exchange.

Afterwards, based on the contents of the case, the Stakeholder Relations Division will create disclosure documents for release after they have been discussed and approved by the Board of Directors or approved by the personnel responsible for the disclosure of information.

(2) Disclosure of financial information and risk information

The Finance Division and Stakeholder Relations Division collect financial information from internal departments and create materials, while information related to business risks is collected by the Risk Management Office. The information is released after it has been deliberated upon and approved in a financial meeting attended by the President and Representative Director and personnel responsible for the disclosure of information.

