

# Corporate Social Responsibility and Corporate Governance

*As one of the main engines of growth in the Japanese Internet market, Yahoo Japan Corporation (the Company) is fully committed to realizing a safe, secure Internet environment in harmony with the expectations and needs of society. By conducting our business activities in accordance with sound corporate policies and in a spirit of socially responsible fair-play and mutual benefit, we strive to gain the ever-deepening trust of society. On the strength of that trust, we are confident of achieving sustained corporate growth and steadily increasing corporate value moving forward.*

## Major CSR Activities

### Promoting sound Internet market

#### development and enhancing user security

- To further promote the sound, robust development of the Internet market, we established Yahoo! JAPAN Research in April 2007. This new research institution is working in collaboration with divisions of the Company and the research institute of Yahoo! Inc. as well as with various academic, Internet industry, and public-sector institutions.
- We have been a member of the Internet Hotline Center's Guideline Formulation Committee since the establishment of the Center, the operation of which is entrusted by governmental agencies and Internet industry groups to the Internet Association Japan.
- We continually implement various measures designed to strengthen user security and to improve our customer support. Among recently implemented measures are a log-in seal service and a Tool Bar warning function to combat phishing fraud, round-the-clock patrol of such sites as Yahoo! Auctions and Yahoo! Message Boards, and information security measures and user support provided through help pages and e-mail services.
- Our Yahoo! Kids site provides a safe Internet environment for children. We also offer Yahoo! Safety Net, a filtering service that prevents children from viewing Web sites intended for mature users.

### Reinforcing security on Yahoo! Auctions

- In December 2007, we introduced an obligatory post-delivery settlement service for selected item categories, following upon the July 2007 inauguration of anonymous settlement and delivery service options for all item categories.
- In November 2006, we introduced stricter identification procedures for persons listing items for the first time on Yahoo! Auctions. New users are now required to provide a driver's license or similar official identification prior to listing items, in addition to complying with the pre-existing postal address verification procedure.
- Our auction system incorporates a fraud-detection model based on the behavioral patterns of known abusers of online auction services.
- We maintain a compensation system for innocent victims of fraud. As a result of our various fraud-prevention measures, the total amount of compensation paid to victims of fraud on the Yahoo! Auctions site in fiscal 2007 was approximately 80% lower than in the previous year.

### Protecting information assets

- The Information Security Committee, comprising members of the Information Security Office and representatives from each business unit, works with the Information Security Promotion Section within each business unit to implement measures designed to boost information

security over the medium and long term.

In April 2007, within each Information Security Promotion Section we newly established security promotion teams responsible for individual projects, thereby ensuring enhanced information security on a per-project basis.

- To protect privacy, we request of users only the minimum amount of personal information necessary to provide them with services. Users' personal information is physically separated from other data and constantly monitored, with only the required minimum number of persons authorized to access the personal information database.
- In November 2007, the Group developed iTres, a monitoring system for detecting information leaks in the Group's databases. The system was the first database monitoring system certified for the public domain in Japan to acquire ISO15408 certification.
- Group companies are focused on acquiring Information Security Management System (ISMS) certification. As of March 31, 2008, Yahoo Japan Corporation and nine subsidiaries were ISMS-certified. Group companies also strive to regularly upgrade certification standards. As of April 2007, certification is to ISO/IEC 27001:2005, the international standard, and to JIS Q27001:2006, the Japanese standard.

### **Fulfilling our mission as an information lifeline**

- To ensure our capacity to function as a vital information lifeline in times of emergency, we maintain independently operating data centers in disparate locations, each designed to withstand disasters and blackouts.
- We provide a news flash service that prominently displays disaster-related information in the spaces normally used for advertising banners on the pages of our services, including the mobile version of Yahoo! JAPAN. We also maintain the Yahoo! Disaster Information site as a regular service.

### **Leveraging our media influence to the betterment of society**

- We established the Yahoo! Charity Fund with the dual goal of promoting the sound development of Internet-based society and providing aid to victims of natural disasters. The Fund regularly provides financial assistance to nonprofit organizations (NPOs) engaged in such activities as patrolling the Internet for illegal sites, offering instructional courses on Internet usage safety for children and the elderly, and disseminating information on phishing fraud.
- Through Internet charity contributions, we have provided aid to victims of natural disasters since 2004, including to the victims of the Niigata Chuetsu earthquake

in Japan, the central Java earthquake in Indonesia, the Noto Peninsula earthquake in Japan, and a major flood in Kumamoto Prefecture, Japan. As of June 2007, users are able to encash accumulated Yahoo! Points to make Internet charity contributions. As of March 31, 2008, cumulative donations collected via Internet charity contributions stood at more than ¥100 million.

- Charity auctions hosted by the Yahoo! Auctions site raised approximately ¥135 million for various charities during fiscal 2007.
- Our Yahoo! Volunteer service provides information about volunteer organizations to assist persons wishing to participate in volunteer activities. In addition, volunteer organizations can use this service to describe their activities and advertise for volunteers.
- The Yahoo! Politics service is dedicated to enhancing public awareness and understanding of policy issues as well as to encouraging greater voter participation in Japanese elections.
- We support the Pink Ribbon campaign, which promotes the early detection and treatment of breast cancer.
- We also support the Red Ribbon campaign, which disseminates accurate information about HIV transmission and AIDS, in addition to activities to prevent the spread of other infectious diseases.
- As an official partner of the Japanese

Olympic Committee (JOC) and the Japan Paralympic Committee (JPC), we support various efforts to promote sports in Japan.

### **Providing a supportive work environment for employees**

- Respecting the diverse abilities and personalities of individual employees, we use an objective, results-based personnel evaluation system that prioritizes self-motivation and the achievement of targeted goals.
- On a quarterly basis, we recognize employees who have made outstanding contributions to, for example, enhanced user satisfaction by awarding them with a “Yahoo! JAPAN Super Star” citation.
- Reflecting our commitment to expanding employment opportunities for disabled persons, certified personnel in our Human Resources Office are charged with recruiting disabled persons and providing special work-life advisory services to disabled employees.

### **Strengthening relationships with business partners**

- In line with our goal of achieving sustained business development, we carefully review the financial and corporate information of potential business partners to ensure that it meets our established guidelines on business partner suitability.
- Based on the results of periodic surveys of our business partners designed to

identify particular points of satisfaction or dissatisfaction as well as future expectations, we take concrete steps to maintain positive, mutually satisfying relationships with all of our business partners.

#### Enhancing information disclosure and corporate value

- In line with our policy of providing comprehensive, timely disclosure, we post not only legally required disclosure materials but also monthly disclosure materials and supplementary materials from our business results information meetings on the Company Information page in the Investor Relations section of the Yahoo! JAPAN site.
- Through the annual general meeting of shareholders and periodic notifications, we aim to provide individual shareholders with a deeper understanding of the Company. For institutional shareholders, we hold live-broadcast information meetings on a quarterly basis where we provide detailed explanations of our financial performance and business operations. In addition, each quarter we hold individual or small-group meetings with analysts from some 170 Japanese and overseas investment-related firms to explain the Company's growth strategies and other aspects of our business.
- Our disclosure activities for non-Japanese investors include producing an annual

report and various other English-language documents in addition to making overseas information presentations.

- In September 2007, the Company was selected for inclusion in the FTSE4Good Japan Index. One of the world's major socially responsible investment indexes, the FTSE4Good Japan Index includes Japanese companies that meet a set of internationally supported standards of corporate social responsibility pertaining to environmental sustainability, stakeholder relationships, and universal human rights. The Company was again selected for inclusion in the index in March 2008.
- To minimize the Company's future exposure to risk, we have systematically compiled a database of our risk management efforts to date, in accordance with our Risk Management Rules. Upon identifying a situation or incident with the potential to disrupt our service provision, the identifying staff member immediately files a report in the database followed by subsequent update reports detailing responses and countermeasures. In this way, the information is made available to all relevant personnel and a similar situation or incident can be prevented from recurring.

#### Minding the global environment

- We continue to participate in the Japanese government's Global Warming Prevention Headquarters' national project, Team Minus 6%. In addition to setting air-conditioning

thermostats in our offices a little higher during the summer months, we maintain a Team Minus 6% site providing information about the global warming prevention drive.

- Waste generated in our offices is separated into 14 different categories. For documents containing sensitive information, we use an environment-friendly recycling system that safeguards information confidentiality. The amount of recycled paper produced by this system in fiscal 2007 was the equivalent of 936 trees.
- To promote paperless business operations at our offices, we perform administrative tasks online and use overhead projectors during meeting presentations. In line with our in-house green procurement standards, we purchase and use environment-friendly products to the extent possible.
- In July 2008 we commenced carbon-neutral activities. To the extent possible, the Company uses green electricity, the production of which does not generate CO<sub>2</sub>. For the green portion of our entire electricity consumption, we acquired a green electricity certificate. Because the supply of green electricity is limited, we also use non-green electricity for certain operations. Accordingly, we decided to purchase a CO<sub>2</sub> emission quota (carbon credit) in an estimated amount of ¥200 million to offset the Company's non-green energy consumption during fiscal 2007. At the same time, we introduced a carbon offset related service whereby

individual Yahoo! JAPAN users can offset their personal production of CO<sub>2</sub> emissions by purchasing a CO<sub>2</sub> emission quota using either accumulated Yahoo! Points or Yahoo! Wallet.

#### **Improving customer support and incorporating user feedback**

- We remain focused on expanding the range and improving the quality of our customer support services offered via the Yahoo! JAPAN Help Center and help pages.
- To supplement the user feedback garnered via our customer support services, our research departments and independent organizations periodically conduct user satisfaction surveys. To quickly incorporate user opinions and requests throughout all of our services, we have established a system to efficiently transmit user feedback to the relevant business sections.

## **Corporate Governance**

The Company considers good corporate governance to be essential to achieving higher corporate value over the medium to long term. By clarifying the roles and responsibilities of directors, corporate auditors, and employees within the corporate governance system and by consistently raising awareness of laws and regulations as well as of social and ethical norms, the Company aims to conduct appropriate and effective business operations.

In January 2002, the Company introduced a business division system designed to promote swift, strategic business management with the goal of maintaining and improving competitiveness. This system clearly separates the business execution responsibilities of divisional managers from the decision-making role and executive oversight function of the Board of Directors. Currently, the Board of Directors comprises five members, including one outside director. The Board of Directors establishes and oversees basic internal control policies with an eye to ensuring that they are strictly observed, as required by the Company's rules and regulations in accordance with the law, and reports on the Company's handling of this issue at the annual general shareholders' meeting.

The Board of Auditors is composed of four outside corporate auditors, who execute their rights as determined by law. Based on an

audit plan formulated by the Board of Auditors, each corporate auditor conducts audits of the Company's entire business operations. Specifically, each corporate auditor audits overall business execution, including assessments of the appropriateness of policy, planning, and procedures, the effectiveness of business activities, and the status of legal and regulatory compliance. In addition, each corporate auditor attends meetings of the Board of Directors and of the Management Committee, reviews important documentation, and conducts surveys of subsidiaries. Based on these activities, each corporate auditor submits an independent report for collective review by the entire Board of Auditors. Furthermore, the Board of Auditors receives reports from the independent accounting auditors on the methodology and results of the financial accounting audit and from the Business Audit Office on the methodology and results of internal audits. Based on this information, the Board of Auditors regularly conveys its opinions to the directors who are also operating officers. The Board of Auditors also produces an Audit Report in accordance with law, and submits reports of audit results to the ordinary general meeting of shareholders.

Since April 2002, the Business Audit Office, which is under the direct supervision of the President, has carried out internal audits of all business operations, with particular responsibility for internal audits of the risk-

prevention and other internal control systems. Based on its audits of the overall business, the Business Audit Office gives specific advice and makes recommendations for improving business operations.

In the event that serious issues necessitating broad-based deliberation arise relating to the start of a new service or other aspect of business management, when deemed necessary the Company convenes an Advisory Board composed of lawyers, university professors, and other outside experts from the legal, academic, and financial communities. In this way, we incorporate a wide range of external views and opinions into important management decisions.

In May 2006, the Company clearly defined its code of conduct in a publicly released Business Practices Charter. To implement the Charter, it is essential that the Company have in place systems for maintaining appropriate corporate governance and for ensuring effective and efficient business activities, accurate financial reporting, and full legal compliance. To this end, the Internal Control Office was established in April 2006 to spearhead the development of and oversee internal control systems throughout the operations of the Company and its subsidiaries. In addition to assessing the appropriateness and effectiveness of business execution companywide, the Internal Control Office is charged with evaluating, documenting, and

continuously improving all newly introduced internal controls. In line with this role, the Internal Control Office in December 2006 formulated a basic plan for the creation of internal controls relating to financial reporting. With regard to information systems, this plan identifies the critical elements for ensuring appropriate financial reporting and sets out various related measures for systems development, operation, and management aimed at establishing and enhancing systems.

Our Business Practices Charter serves also to guide the Company's compliance-related activities, which are carried out through a Compliance Program designed to ensure that all business practices and operations of the Company and its subsidiaries are premised on legal compliance. With the appointment of a Chief Compliance Officer, the Company has put in place a comprehensive system for quickly implementing corrective measures should a compliance problem happen to arise at some point in the future.

By further reinforcing internal control systems aimed at ensuring good corporate governance, the Company demonstrates a strong commitment to fulfilling its corporate social responsibility both now and in the future.