

May 11, 2006

To whom it may concern

Yahoo Japan Corporation  
Masahiro Inoue, President & CEO  
Stock code: 4689

### **Notification Regarding Compensation, etc. for Stock Options for Directors**

Yahoo Japan Corporation (“the Company”) announced that the Board of Directors decided in a meeting held today to place a proposed resolution on Compensation, etc. for Stock Options for Directors on the agenda of the 11<sup>th</sup> Ordinary Shareholders’ Meeting scheduled to be held on June 22, 2006. Details are as follows.

#### 1. Reason for Resolution

With a view to aligning the interests of directors with those of our shareholders, we would like to grant our directors stock options to link the long-term building of shareholder value with their compensation and to contribute to the growth of the corporate value of the entire Group by securing superior management personnel.

Before the enforcement of the Corporation Law (2005 Law No. 86), the Company had to request approval to provide for new share subscription rights under preferential conditions to people other than shareholders through a special resolution at a ordinary general meeting of shareholders. Following the enforcement of the Corporation Law, however, new share subscription rights granted as stock options for the Company’s Board of Directors are considered a part of their compensation, etc. Therefore, in this year’s ordinary general meeting of shareholders, we are asking for approval for compensation, etc., to provide for stock options to directors as a regular resolution on the agenda of the general meeting of shareholders.

For the 12<sup>th</sup> business term of the Company, we will be asking shareholders to approve compensation, etc., for directors for the provision of

stock options under the conditions listed below during the current fiscal year in the form of new share subscription rights totaling up to ¥356 million in the fiscal year.

The value of the compensation, etc., will be determined with reference to the amount calculated by taking the fair value of a subscription right calculated by the Black-Sholes method using the Company's stock price on May 2, 2006 and multiplying said fair value by the total number of subscription rights allocated.

The proposed resolution for compensation, etc., for directors being placed before shareholders for approval is separate from the resolution for director's compensation (within ¥200 million per fiscal year) approved in the 4<sup>th</sup> ordinary general meeting of shareholders held on June 17, 1999. A part of salary as an employee of an employee also serving as a director is not included in the proposed compensation, etc. Presently, the Company has five directors.

## 2. Details of Subscription Rights

### (1) Number of shares covered by subscription rights

During the current fiscal year, the maximum number of common shares of the Company covered by the subscription rights shall be 10,000 common shares.

Should the Company conduct a stock split (including a free distribution of shares) or a reverse stock split, or for some other reason it is appropriate to change the number of maximum shares allowed, the Company will carry out the necessary adjustments.

### (2) Total number of subscription rights

The upper limit on subscription rights granted shall be 10,000 units. Each subscription right shall be exchangeable for 1 common share. Should the maximum shares be adjusted as stipulated in (1) above, the same process shall be carried out for the number of common shares exchangeable for each subscription right. In addition, even if the number of subscription rights to be granted for a fiscal year do not exceed the maximum of 10,000 units, there will be no allotment of subscription rights in said fiscal year if their total value

equals the ceiling on compensation, etc., of ¥356 million per fiscal year.

### (3) Cost of exercising subscription rights

Payment made on exercise of subscription rights shall be in the form of cash. The cost of exercising 1 subscription right shall be the amount given by multiplying the value of 1 common share as determined by the method given below by the number of common shares exchangeable for 1 subscription right as stipulated in (2) above.

The value of 1 common share shall be the average value of the closing stock prices for ordinary transactions of the Company's common stock at the Tokyo Stock Exchange every day (excluding days when there is no trading) during the month immediately before the month in which the date of the provision of subscription rights falls, with the fractions below ¥1 to be rounded up; provided, however, that if the said price is below the closing price of common stock in the ordinary transactions of the Company's common stock at the Tokyo Stock Exchange on the date when the subscription rights are provided (if there is no trading on that day, the closing price available on the date immediately prior to the said date), the latter price shall be the issue price.

Should the Company conduct a stock split (including a free distribution of shares) or a reverse stock split, or for some other reason it is appropriate to change the value of 1 common share following the day the provision is made, the Company will carry out the necessary adjustments.

### (4) Exercise period for subscription rights

The exercise period shall be determined in the Board of Directors meeting where the items regarding the granting of subscription rights are decided, and shall fall within a 10 year period starting the day after said Board of Directors meeting.

### (5) Conditions for exercising subscription rights

---Persons who received subscription rights must also be directors, employees, or an equivalent position at the Company or its subsidiaries when

they exercise their subscription rights. However, this does not apply to a person who received subscription rights if the person retired from his/her position due to the natural end of his/her employment period (not terminated) or if the Board of Director recognizes the reason as appropriate.

---Other conditions in connection with the exercise of the subscription rights shall be subject to the agreement for the provision of subscription rights to be entered between the Company and the person entitled to the subscription rights.

(6) Other details regarding subscription rights

Other details regarding subscription rights shall be stipulated as other items regarding the granting of subscription rights at a Board of Directors meeting to be held later to decide the items regarding the granting of subscription rights.