

November 20, 2014

To whom it may concern

Yahoo Japan Corporation  
Manabu Miyasaka, President and CEO  
Stock code: 4689

**Notification of Merger with Consolidated Subsidiary Community Factory Inc.  
(shortened merger method)**

Yahoo Japan Corporation (hereinafter the Company) has concluded an agreement to undergo an absorption merger with its wholly owned subsidiary Community Factory Inc., with an effective date of January 5, 2015 (planned). Details are as follows.

Since the merger is with a wholly owned subsidiary, certain of the disclosure items and details are omitted.

**I. Purpose of the Merger**

To heighten its application development capabilities which will enable our services to be a starting point in smart devices. Yahoo Japan Corporation converted Community Factory Inc. into a wholly owned subsidiary in September 2012.

Now, the Company has decided to merge the two companies to take the next step toward further strengthening its development capabilities. The merger will transfer ownership of Community Factory Inc.'s know-how in application development and human resource to the Company, promoting application development to meet the needs of smart device users.

**II. Outline of the Merger**

**1. Merger Schedule**

Approval of merger:	November 20, 2014
Signing of merger agreement:	November 20, 2014
Effective date of merger:	January 5, 2015 (Planned)

Note: For the Company, the merger will be a simple merger in accordance with the provisions of Article 796, Paragraph 3 of the Corporation Law of Japan. For Community Factory Inc., the merger will be a shortened merger under the provisions of Article 784, Paragraph 1 of the Corporation Law. Therefore, neither company will hold a general meeting of

shareholders to approve the merger.

2. Merger method

Since the surviving company in the absorption merger will be Yahoo Japan Corporation, Community Factory Inc. will be liquidated.

3. Details of share, capital, or cash allocations related to the merger

Since the Company owns 100% of the shares of Community Factory Inc., there will be no new share issuance or capital increase related to the merger or any cash compensation.

4. Treatment of new share subscription rights or bonds with new share subscription rights of the non-surviving company

As the Company owns all of the new share subscription rights of Community Factory Inc., there will be no consideration paid in cash for the merger.

III. Outline of Merging Companies (at September 30, 2014)

	Surviving Company	Non-surviving Company
(1) Name	Yahoo Japan Corporation	Community Factory Inc.
(2) Head office	9-7-1 Akasaka, Minato-ku, Tokyo	9-7-1 Akasaka, Minato-ku, Tokyo
(3) Representative	Manabu Miyasaka, President and CEO	Ryosuke Matsumoto, President and CEO
(4) Main business	Internet Advertising business e-Commerce business Membership services business Other businesses	Planning, development, and operation of social applications
(5) Paid-in capital	¥8,278 million	¥220 million
(6) Establishment	January 31, 1996	February 8, 2006
(7) Share issuance	5,694,933,900 shares	26,100 shares
(8) Fiscal year end	March 31	March 31
(9) Major shareholder and shareholding ratio	SoftBank Corp. 36.4% Yahoo! Inc. 35.5%	Yahoo Japan Corporation 100.0%
(10) Performance and financial position in the immediately preceding fiscal year		
	Yahoo Japan Corporation (Consolidated) Fiscal year ended March 31, 2014	Community Factory Inc. (Non-consolidated) Fiscal year ended March 31, 2014
Net assets	¥626,560 million	¥99 million
Total assets	¥842,749 million	¥168 million

Net assets per share (yen)	¥108.53	¥3,829.16
Revenue	¥386,284 million	¥200 million
Operating income	¥197,416 million	¥1 million
Ordinary income	¥197,634 million	¥1 million
Net income	¥125,116 million	¥193 million
Net income per share (yen)	¥21.82	¥7,430.58

#### IV. Status following the Merger

There will be no change in the basic items regarding the Company, such as name, head office location, representative, main business, paid-in capital, and fiscal year end as a result of the merger.

#### V. Outlook

Since the absorption merger is with Community Factory Inc., a wholly owned subsidiary, the impact on the Company's consolidated and non-consolidated performances will be minor.

Reference: The Company's Third Quarter Cumulative Consolidated Performance Forecast for the Current Fiscal Year (Announced October 29, 2014) and Actual Third Quarter Cumulative Consolidated Performance in the Previous Fiscal Year

(Millions of yen)

	Revenue	Operating income
3Q cumulative performance forecast (Year ending March 31, 2015)	305,966 – 307,966	139,997 – 142,097
Actual 3Q cumulative performance (Year ended March 31, 2014)	284,911	147,124

\*International Financial Reporting Standards (IFRS) were adopted for the third quarter cumulative consolidated performance forecast of the current fiscal year. However, the actual third quarter cumulative consolidated performance figures for the prior fiscal year were prepared using generally accepted Japanese accounting principles.

The Company's Actual Consolidated Performance for the Full Year in FY 2013

(April 1, 2013 – March 31, 2014)

(Millions of yen)

	Revenue	Operating income	Ordinary income	Net income
Actual performance (Year ended March 31, 2014)	386,284	197,416	197,634	125,116

\*The actual performance figures for the full year in FY 2013 were prepared using generally accepted Japanese accounting principles.