

Reply to Representative Questions Following the Announcement Regarding the Change in the Paid Search Ads platform

Yahoo Japan Corporation (Yahoo! JAPAN) received many enquiries regarding its July 27 announcement about the change in the ads platform (search-triggered ads distribution system) made to strengthen its paid search advertising service, Sponsored Search. The following are answers to questions representative of the many enquiries received. We hope that the answers will aid in gaining a correct understanding of the situation.

Q. Will your Sponsored Search service be integrated with Google's AdWords?

A. No, it will NOT be integrated.

After the change in the ads platform, Yahoo! JAPAN will continue to operate its advertising service Sponsored Search in the same way as before, competing with Google's AdWords as an independent service. The only change that will be made is the conversion in the ads platform that works underneath the Sponsored Search service, to a distribution system provided by Google Inc., of the United States, instead of the one provided by Yahoo! Inc., of the United States. Therefore, there will be no change in the advertising contract, which will continue to be between the customer and Yahoo! JAPAN, and in the listing standards. In addition, customer information held by Yahoo! JAPAN will not be disclosed to Google.

The distribution system is only one aspect of the advertising service. There are many other important aspects, including the relationships with various participants, such as advertisers and advertising companies/agencies and Internet users (search service users) and listing partners; the advertising listing guidelines; the advertising inspection system, and support services for advertisers. Going forward, Yahoo! JAPAN intends to maintain its emphasis on these important aspects while refining its independent service and making constant efforts to improve the quality of its products and services.

Furthermore, there will be absolutely no sharing of customer information (customer data, keywords, bid prices, click prices, click ratios, etc.) or marketing information. Obviously, Yahoo! JAPAN will also continue to independently maintain and build its listing partner network. Therefore, Yahoo! JAPAN will not sell AdWords services, nor will AdWords advertisements appear in Yahoo! JAPAN's search results. If you want to list your advertising on Yahoo! JAPAN or its tie-up partners network, please continue to use these Sponsored Search services.

Q. In future, will I be able to advertise through both services by just applying to AdWords?

A. No, the services are NOT connected. Yahoo! JAPAN's Sponsored Search services are completely separate from those of Google's AdWords. If you apply for the AdWords service, your advertising will not appear in Yahoo! JAPAN's search results. The reverse is also true. Therefore if you want to list your advertising on Yahoo! JAPAN or its tie-up partners network, please continue to use these Sponsored Search services.

Q. Are Yahoo! Japan and Google using the same advertising distribution platform?

A. Although the basic technology underlying the ads platform is the same, the two systems do not necessarily offer the same functions. Yahoo! JAPAN is an independent advertising service that enables its customers to select or add functions appropriate for them. Moreover, the advertising distribution networks (listing partner networks) are separate.

Q. Will Yahoo! Listing advertising disappear?

A. NO, We will continue to offer our Yahoo! Listing advertising services. Yahoo! JAPAN's Sponsored Search services and Google's AdWords services will remain completely

independent advertising services that do not share information or other materials. If you want to list your advertising on Yahoo! JAPAN or its listing partners network, please continue to use its Sponsored Search services. We also plan to emphasize Interest Match[®] even more than before as an exclusive advertising service of Yahoo! JAPAN.

Q. Now that Yahoo! JAPAN is using Google's ads platform, does that mean that Google will have a more than 90% share of the Japanese market and it will create competition problems?

A. NO, it is misunderstanding that as the result of this transaction Google will have more than 90% share, or it will create competition problems.

Search advertising is just one of the many online or offline advertising that advertisers can choose. It is misleading to discuss shares of each company in paid search advertising.

Furthermore, Yahoo! JAPAN's Sponsored Search services and Google's AdWords services are completely independent advertising services that do not share information or other materials.

This is the same idea as, for example, recognizing that two cars are different even though they share an engine manufactured by the same company if they have different bodies, transmissions, interiors, and company brand names. The different brands independently decide what type of design to use, functions to include, sales system or support system.

In other words, our Sponsored Search services utilize Yahoo! JAPAN's independent advertising distribution network (listing partners network) that is completely different from Google's AdWords services, which have their own customer support functions, advertising policies, and sales organizations. In addition, there is absolutely no sharing of customer information (customer data, keywords, bid prices, click prices, click ratios, etc.) or partner information (listing partner network).

Therefore, it is wrong idea that Google will gain a large share of the search advertising by providing the ad platform to Yahoo Japan. Our Sponsored Search services will continue to compete with Google's and other companies' services as before.

Q. Will Yahoo! JAPAN's overall ads platform, including display advertising, switch to the Google platform?

A. No, the only switch being made is in the paid search ads platform.

Display advertising and the interest-based advertising service Interest Match[®] will continue to use Yahoo! Japan's independent distribution system as before.

Q. What will happen to the interest-based advertising service Interest Match[®]?

A. The interest-based advertising service Interest Match[®] is not involved in any of the current changes. We plan to emphasize Interest Match[®] even more than before as an exclusive advertising service of Yahoo! JAPAN.