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To whom it may concern

Yahoo Japan Corporation
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Stock code: 4689

Regarding the Correction and Ruling Notice Received Concerning the Merger with SOFTBANK IDC Solutions Corp.

Yahoo Japan Corporation converted SOFTBANK IDC Solutions Corp. (IDC) to a subsidiary in February 2009 and absorbed the subsidiary through a merger the following March. Last autumn, the Company went through a regular tax audit in which questions were raised concerning the tax treatment of the merger, etc., to which the Company replied to the effect that it believed the tax treatment was appropriate. However, today, the Company received a notice from the Tokyo Regional Taxation Bureau requesting a correction in the tax return. The Company finds it impossible to accept the claims made by the Tokyo Regional Taxation Bureau and intends to make an appropriate response.

1. Points made by the Tokyo Regional Taxation Bureau and the Company's View

The following are the points made by the Tokyo Regional Taxation Bureau in the Correction and Ruling Notice and the Company's point of view regarding those claims.

(1) The Tokyo Regional Taxation Bureau indicates that it does not accept that the Company pushed forward with the merger, etc. for reasons of business necessity.

However, in its February 19, 2009 press release "Notification of Acquisition of Shares in SOFTBANK IDC Solutions Corp. (Conversion to Subsidiary)," the Company stated that the reason for the merger, etc. with IDC was to create a strategic base for its data center business with a view to full-scale entry into cloud computing and open platforms and to possess its own data center in order to enable large cost reductions, efficient procurement, speedy service introduction, and systematic business execution. In fact, post-merger businesses developed by the Company and IDC, such as the NOAH Platform Service, are now in operation and showing results. Moreover, US Internet companies are aggressively acquiring data center to strengthen their efforts in the cloud computing business, and it is only natural that the Company moved into this business domain.

In addition, the Tokyo Regional Taxation Bureau indicates that the chain of events concerning this acquisition was orchestrated from the very beginning. However, each of the events were debated and decided on in terms of business necessity by the Board of Directors of SOFTBANK Corp. and the Company. Furthermore, as public companies, both SOFTBANK Corp. and the Company announced the business necessity of each event in press releases.

(2) The Tokyo Regional Taxation Bureau also indicates that the estimation of the purchase price for IDC was inappropriately raised based on materials such as unlikely earnings forecasts and other factors. However, it is general practice to include the future sales of bases scheduled for construction in a business plan in the determination of corporate value. Furthermore, the rate of sales growth in the business plan used to calculate the corporate value of IDC was reasonable in comparison with the rate of growth of the industry announced by a research survey company at the time.

(3) The Tokyo Regional Taxation Bureau indicates that the appointment of the Company's president, Mr. Masahiro Inoue, as a director and vice president of IDC in December 2008 was no more than “window dressing” to fulfill the conditions required for the Company to acquire the loss carried forward of IDC. However, on July 19, 2007, one year and nine months before the merger, IDC and Yahoo Japan Corporation signed on a memorandum of understanding on IDC's provision of Internet data services to the Company, aiming at the mutual expansion of their businesses, based on which IDC went ahead with the construction of its new data center. Clearly, considering the process through which this decision was made, Mr. Inoue's appointment as a director and vice president of IDC was not merely “window dressing.”

(4) The Tokyo Regional Taxation Bureau indicates that the merger, etc. was a chain of orchestrated events right from the start aimed at using the loss carried forward of IDC that was acquired by the Company to reduce its taxes and to increase the purchase price of IDC with the purpose of meeting the capital needs of SOFTBANK Corp. and represents unnatural and irregular tax avoidance behavior. However, as stated in (1) to (3) above, in the Company's view the actions taken regarding this acquisition were extremely common, not unnatural or irregular.

2. Company's Response

The merger, etc. was an organizational decision made by the Company's Board of Directors based on its judgment that the merger, etc. was necessary for future business execution. The indications made by the Tokyo Regional Taxation Bureau deny that the business reason for the merger, etc. was valid, that the calculation of corporate value was appropriate, and that Mr. Masahiro Inoue's appointment as a director and vice president of IDC was necessary from a business perspective. The Company finds it impossible to accept these claims.

Although, its rules do give the bureau the ultimate authority to deny that the actions taken were in accordance with the corporate reorganization tax laws of Japan and levy taxes, the decision to do so should be done with great care. In that sense, we believe the bureau's claim was lacking in care because the decision was a one-sided and pre-judgmental and ignored the adequate explanations given by the Company during the tax audit. This type of application of the law runs contrary to the principles behind the law and represents an abuse of authority that notably harms the interests of taxpayers.

Therefore, the Company will submit a request for reconsideration to the national tax tribunal, and bring legal suit should the examination result in the appeal to the tribunal being turned down. Yahoo Japan Corporation intends to thoroughly argue its position on this matter.

3. Impact on Performance

The Company expects that the decision by the bureau will result in additional taxes of approximately ¥26.5 billion, comprises of national taxes, including taxes in arrears, and regional taxes, including overdue penalties. Nevertheless, based on the guarantee clause in the share transfer agreement between the Company and SOFTBANK Corp., the seller of the IDC shares, should the tax bureau not recognize the loss carried forward transfer that was the main basis of the calculation of the purchase price, until the final decision on the matter, that amount is covered in the agreement as a reduction in the purchase price, with SOFTBANK Corp. bearing the costs of the additional tax amount in terms of a reduction in purchase price. Therefore, although the amount of taxes paid will increase, the amount of adjustments to income taxes will decline, resulting in no impact on the Company's performance.