

**Outline of Q&A Session at Investors Meeting on Results for the Full Year  
and the Three Months Ended March 31, 2017 (Held on April 26, 2017)**

Please note that the content has been supplemented, edited, and reordered for greater clarity and ease of understanding.

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Q. Please inform us of the outlook of the advertising revenue for FY2017.

A. In terms of advertising revenue, we expect a year on year growth rate of mid-single digits for FY2017. In 4Q of FY2016, the revenue of paid search advertising grew by 7% compared to the same quarter last year as a result of sustainable factors. Therefore, we expect the same level of growth rate for the first half of FY2017. A year would have passed since the implementation of improvement measures in the second half of FY2017; thus, we expect the growth rate to become moderate. However, we will continue to aim for a revenue growth through continued product improvements.

Revenue of display advertising for 4Q of FY2016 was solid due to favorable growth in the revenue of shopping-related advertising and increased demand towards the end of the fiscal year. In FY2017, we expect a year on year revenue growth rate of low-to-mid single digits for display advertising. Market expectation towards In-feed Video Advertising is high, but since it is in its early period, we have included this in the outlook of advertising revenue only to a limited extent.

Q. To what extent did In-feed Video Advertising contribute in 4Q of FY2016?

A. In-feed Video Advertising was introduced in the middle of March, 2017, and did not contribute much to the advertising revenue of FY2016 4Q.

Q. You explained that in FY2017, you will promote large-scale sales promotional activities in the e-commerce field. Please inform us of the future policies in detail.

A. From FY2017 onwards, we will focus on revitalizing the ecosystem of e-commerce business as a whole. We will accelerate the growth of e-commerce transaction value leveraging our strong membership base, namely Premium members, Yahoo! JAPAN Card holders, as well as SoftBank members. In line with the growth in the transaction

value, we aim to increase revenue of payment and financial business by promoting the uses of in-house payments and Yahoo! JAPAN Card outside of Yahoo! JAPAN services. In this manner, we plan to increase transaction value and diversify revenue sources of the eco-system of e-commerce business as a whole.

Although we had previously made upfront investments mainly in the shopping business and credit card business, moving on, we will also make investments in fields that are necessary for the strengthening of the eco-system, such as auction-related business and membership service business. For example, in YAHUOKU!, we will conduct a campaign in which the system usage fee charged to sellers will be refunded if they receive the winning bid in Yahoo! Money. By having Yahoo! Money acquired through YAHUOKU! used in Yahoo! Shopping, we hope to increase the overlap in the users of YAHUOKU! and Yahoo! Shopping. In the membership service business, we aim to strengthen the membership base by enhancing the privileges provided to the Yahoo! Premium members.

Q. In the sales promotional activities in FY2017, do you plan a large-scale provision of points?

A. In the past, we have tried out measures in which points will be provided to a wide range of users. Currently, we have been able to efficiently increase the transaction value by focusing the provision of points to specific user base. We will continue with this policy and endeavor to improve efficiency.

Q. You explained that in order to expand the transaction value of e-commerce, you plan to make approximately JPY 25 billion of additional investments in FY 2017. However, for FY2017, the outlook of sales promotion cost is a year on year increase of approximately JPY 16 billion. What is included in this difference of approximately JPY 9 billion?

A. In the promotions that we will be conducting as additional investments, there is some expenditure that will be accounted for by deducting them from revenue. These expenses will not be included in the sales promotion cost; therefore, there is a difference between the amounts of additional investment and sales promotion cost.

We expect that the breakdown of the additional investments will be such that the proportion spent on YAHUOKU! will be larger than that on the shopping business. Furthermore, we plan to make a lot of additional investments in the membership service business rather than in the payment and financial business. Investments towards auction-related business and membership service business will be new measures; thus, we have a range in the outlook of the amount of additional investments. Therefore, the

outlook of operating income for FY2017 has also been set within a range of JPY 175 billion to 185 billion.

To supplement our explanation on the return on investments, as a result of upfront investments to the shopping business and credit card business that we have previously conducted, the profitability of these businesses is improving. We expect the deficit of the shopping business alone to become smaller in FY2017. In addition, the credit card business is planned to be in the black in FY2018. For investments in other fields of the e-commerce business, we assume a recovery period of around three years. We will choose measures while we make assessments on the effects. In terms of investments related to transforming into a data-driven company, it is difficult to explain the individual return on investments. We would like to explain the results by including specific examples in the future.

Q. How do you foresee the specific use of sales promotion cost and increase/decrease in each of the factors?

A. In terms of shopping business, the measures will be centered on point campaigns towards Premium members and SoftBank members. In YAHUOKU!, we conduct a campaign in which the system usage fee charged to sellers is in effect waived if the seller receives the winning bid in Yahoo! Money. We also plan some mass marketing such as TV commercials. We will strive to acquire new members in the payment and financial business. In the membership service business, we will strengthen the privileges provided to the Yahoo! Premium members such as point refund campaign conducted to the users who purchase videos and e-books. In terms of the cost required for the point campaigns, we are making adjustments with an eye on the balance between the increases in transaction value and the respective increases in revenue and costs. For other promotions, we control the expenditures so that their proportion to transaction values is kept constant. In all of the measures we are improving efficiency, and are conscious of creating a structure in which revenue will increase in line with the increase in the transaction value.

Q. You explained that the target for the transaction value of the shopping business for FY2017 is a year on year increase of 30%. To what certainty do you expect this will be achieved?

A. The transaction value of shopping business is growing rapidly in the last few years; therefore, it is difficult to make a reliable prediction on the growth rate. Year on year increase of 30% is of course a high goal, but we hope to achieve this level of growth rate

in order to become No. 1 in the domestic e-commerce transaction value.

Q. Will you also aim for a year on year increase of 30% in shopping business transaction value from FY2018 onwards?

A. We hope to focus on the growth of transaction value and to continue the 30% year on year growth also from FY2018 onwards.

Q. In Yahoo! Shopping, do you have any ideas of measures to improve user usability?

A. The number of products is increasing; thus, we hope to make improvements so that users will be able to find their products more easily by providing them with high-quality search function leveraging data. In addition, we are also considering measures such as listing products of both Yahoo! Shopping and YAHUOKU! in the search result pages so that the users can enjoy a seamless shopping experience in both Yahoo! Shopping and YAHUOKU!

Q. Price hike in the shipping expense is much talked about these days. Will the effect of the price hike be borne by the individual tenants? What kind of measures do you have in mind?

A. We do not have a direct contract with logistic operators; thus, it will be difficult for us to intervene in the problem of price hike. We are currently in the stage of having a close look at the responses of our tenants.

Our consolidated subsidiary, ASKUL Corporation's own logistic system is very advanced, and its accuracy in delivering products on the designated times is improving. Moving on, we will also consider the use of logistic systems such as this.

Q. Will the investment in becoming a data-driven company continue to increase from FY2017 onwards?

A. In the investments in becoming a data-driven company, accumulation of data and computing ability will become the two important aspects. In terms of data accumulation, we are pursuing technological developments for an efficient accumulation of data so that we will not have a structure in which cost will increase in parallel with the increase in data volume.

In terms of computing ability, we are investing in technologies such as deep learning and super computers, in which large-scale computing can be conducted in small-scale hardware. If we can make steady progress in our R&D, then we believe that we will be able to restrain the investment amount in the long run. Therefore, although the

investment amount in becoming a data-driven company may increase together with the expansion of business in the medium term, we expect that it can be curbed in the long term.

Q. In order to become a “rich media”, you explained that you will be promoting content procurement. Will this be mainly on procurement from other companies? Or will you be focusing on original productions?

A. Nippon TV provides us with video news from April 2017. Moving on, if possible, we would like to expand the procurement of video news from TV stations in the future. In addition, we will promote videos in media other than news, but we believe that the investment amount for this will be within an amount that can be absorbed within the sustainable growth of the media business. On the other hand, we plan to make proactive investments in GYAO Corporation, our consolidated subsidiary.

Q. What are your views on the future collaborations and strategies with The Japan Net Bank, Limited?

A. For the time being, we would like to strengthen the current collaborations, such as acquisition of bank accounts and financing to the tenants of Yahoo! Shopping, etc.