

**Outline of Q&A Session at Investors Meeting
on Results for the Three Months Ended June 30, 2017 (Held on July 28, 2017)**

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

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Q. The year on year growth rate of paid search advertising revenue in FY2017 1Q is at about the same level as that for FY2016 4Q. Please inform us of the factors behind this and the outlook for 2H.

A. Product improvement and strengthening of sales to major advertisers, etc., which we have conducted since FY2016 2Q, have led to higher revenue and this effect has continued in FY2017 1Q. The growth rate will become moderate in and after FY2017 2Q since a year will have passed since the introduction of these improvement measures. However, we would like to maintain a year on year growth in revenue by continuing with our product improvements in the future.

Q. Please explain the background to why the year on year revenue growth rate of YDN and others is slowing down and the future outlook.

A. From FY2017 1Q, in order to optimize the advertising display pages, we have terminated the distribution of YDN to some of our partner websites, and this has led to a one-time decrease in revenue. As a result, the year on year revenue growth rate of YDN and others has become moderate, but we regard this as a necessary measure to achieve a sustainable business growth. Structurally, elapse of time after the release of In-feed Advertising in May 2015 has affected the deceleration of growth rate. We will continue our focus on expanding revenue through increase in ad publishing slots, growth in video advertising, usage of data, etc. From 3Q onwards, we expect a gradual recovery in the revenue growth rate. Furthermore, we think that we should promote product renovation to achieve a sustainable growth in the next few years. Functions that were inexistent in product design a few years ago, such as distribution of different video advertising by users, automation of ad management, use of multi big data in ad distribution, are currently called for. In order to realize these functions, we are promoting measures to

renovate product design itself, and we regard that this fiscal year is a preparatory period for such renovation.

Q. What is the current situation of In-feed Video Advertising? How do you intend to increase its ad slots?

A. Currently, In-feed Video Advertising is only distributed in “Yahoo! JAPAN” top page app, and is distributed through autoplay, only in Wi-Fi environment. We are currently conducting tests so that it can be distributed through autoplay also in 3G/4G environments in the future. We would like to officially deploy this as soon as we can confirm that it will not impair the usability of our users. In addition, we would like to be more flexible in considering the number of distributions of In-feed Video Advertising and the size of its slots in the future.

Q. You explained that the total amount of investments for maximizing e-commerce transaction value and for becoming a data-driven company is approximately JPY 4.5 billion in FY2017 1Q. Compared to the plan of investing approximately JPY 40 billion in the full fiscal year, I received the impression that not many investments were made. Are the investments progressing as planned?

A. In 1Q, as investments to maximize e-commerce transaction value, we have conducted: campaign towards SoftBank members in Yahoo! Shopping, measures to acquire new members of Yahoo! JAPAN Card, campaign to (in effect) waive system usage fee in YAHUOKU!, etc. There were other measures planned, but we judged that thorough deliberations are required and some measures were forgone. We will consider transferring budget on measures with higher cost effectiveness, and at the same time, we will spend more from 2Q onwards with an aim to revitalize the e-commerce business as a whole.

The breakdown of investments to become a data-driven company is: expenditures related to human resources such as personnel cost, etc., and capital expenditure. The plan is to increase investment amount towards 2H when recruitment of workers and capital expenditure are scheduled to increase; thus, the whole plan is generally in line with our expectations.

Q. How do you evaluate the pace of growth of Premium members?

A. We think that the number of Premium members is growing at a steady pace. SoftBank members who have a smart log-in linkage with Yahoo! JAPAN ID can now receive the same privileges as Premium members; however, Premium members who are not

SoftBank members are also increasing steadily.

Q. Please inform us of how SoftBank members who have received Premium member privileges are using Yahoo! JAPAN services. Use of Yahoo! Shopping seems to be growing steadily, but are there cases in which the use of Premium member privileges by SoftBank members is increasing in other services as well?

A. SoftBank members who are making smart log-in linkage are increasing steadily. However, we are faced with the issue that there are many who are not aware that they are eligible for the privileges of Premium members. The percentage of smart log-in linked SoftBank members who have used Yahoo! Shopping is still limited to 10-20%. Considering the substantial contribution these 10-20% buyers have had in the increase in transaction value, we regard that the potential of expanding transaction value even further through the increase in SoftBank member buyers is big.

As for other services, we do not see any significant changes yet. Currently we are focusing on privileges rewarded to Premium members in Yahoo! Shopping. However, moving on, we would like to strengthen privileges in other services such as reservation and digital content.

Q. The year on year growth of shopping transaction value for FY2017 1Q is approximately 40%. You explained that measures towards SoftBank members contributed to this result, but the same measures were conducted also in FY2016 4Q. Why was there a greater result in FY2017 1Q?

A. There were some minor changes but the frameworks of the measures have not largely changed. Purchase ratio and repeat ratio of SoftBank members are high and this led to the success in the measures. Difference in the difficulty in achieving a year on year growth has affected the difference in the growth rate between FY2016 4Q and FY2017 1Q. In FY2015 4Q, we conducted a large scale sales promotional activities which resulted in a rapid increase in transaction value; thus, achieving a high level of year on year growth in FY2016 4Q was difficult. Meanwhile, in FY2016 1Q, we improved the efficiency in the sales promotional activities by providing privileges only to Premium members. Therefore, achieving a high level of year on year growth in FY2017 1Q was relatively easier. We regard that the measure towards SoftBank members itself is making steady progress.

Q. The target of year on year growth rate of shopping transaction value for the full year was previously explained to be 30%. Is this progressing smoothly?

A. Achieving a high level of year on year growth becomes harder as we move on into 2H; therefore, we expect that the growth rate will become moderate compared to 1Q. However, we aim to achieve a year on year growth of 30% for the full year. The contributors to the growth in transaction value are not only the campaigns but are also the results of daily improvements. Improvements in the UI (user interface) of app and quality of search results have made the shopping platform more appealing, and this has contributed to the improvements in the purchase ratio and repeat ratio. Conducting campaigns on top of these collective improvements have accelerated the growth in transaction value. Especially in FY2017, we are conducting campaigns with a focus on SoftBank members. We have continued to conduct measures to raise the awareness of SoftBank members that they are eligible for the privileges, such as sales promotions at SoftBank shops. As a result, the momentum of using Yahoo! Shopping is rising.

Q. Why is the proportion of point-reward expenses to transaction value of Yahoo! Shopping decreasing when measures were conducted towards SoftBank members? Also, how do you foresee the trend in the proportion of point-reward expenses and take rate of shopping-related advertising in the future?

A. The measure towards SoftBank members is advantageous to SoftBank because it is a measure that differentiates SoftBank from other mobile carriers; therefore, the point-reward expense is borne by both Yahoo! JAPAN and SoftBank. We think that the take rate of shopping-related advertising can be raised further by 1-2%. We would also like to improve the proportion of point-reward expense so that it will be cost effective.

Q. How do you expect to increase the number of successful bidders in YAHUOKU!? Also, how is the flea market mode used?

A. In the flea market mode, we conducted promotions such as TV commercials targeting younger generations which led to the increase in the number of new sellers mainly in their 20s. As a result, the number of new sellers in YAHUOKU! as a whole also reached a record high. Meanwhile, the challenge is that this has not resulted in the increase in the number of successful bidders. Therefore, we are thinking of strengthening the privileges towards successful bidders in the future. We are conducting tests on several measures such as transferring some of the current privileges towards sellers to privileges towards successful bidders. We would like to implement some of these measures that are cost-effective.

Q. Are there any examples of positive results generated through data usage?

A. Although small in size, revenue is increasing as a result of data usage in YDN. We expect to see positive results gradually from 2Q onwards. In addition, in the flea market mode of YAHUOKU!, we are conducting measures so that recommendations are displayed to the appropriate users so that the exhibited items will sell immediately; and this is done through data usage. We expect that data usage will generate big results as a result of accumulation of small successes.

Q. What is the purpose of releasing Yahoo! Ad Exchange?

A. We would like to improve the results of ad management for the advertisers through data linkage with major ad agencies in PMP (Private Marketplace). We aim to strengthen relationship with ad agencies and to provide a higher quality advertising display pages to advertisers. We expect that this will gradually begin to show effect from FY2017 2H.

Q. Please inform us of the prospect of monetization of Yahoo! Game, Game Plus. Also, how do you regard the cost burdens for servers and for game development?

A. We have just started providing the service, so we think that we are not at the stage to discuss specific outlook. We do not expect the server cost to be so large. The plan is that the games will be developed by the game production companies while Yahoo! JAPAN will attract the players.