



Yahoo Japan Corporation
FY2018 Full Year & 4Q
Business Results

April 25, 2019

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FY2018 Full Year Financial Results

FY2018 Consolidated Income Statement

	FY2017	FY2018	YoY
Revenue	897.1 (¥B)	954.7 (¥B)	+6.4%
Revenue excluding impact from change in accounting policy*	897.1 (¥B)	974.7 (¥B)	+8.6%
Operating income	185.8 (¥B)	140.5 (¥B)	-24.4%
EBITDA	228.0 (¥B)	199.6 (¥B)	-12.4%
Net income	134.4 (¥B)	77.8 (¥B)	-42.1%
Net income attributable to owners of the parent	131.1 (¥B)	78.6 (¥B)	-40.0%
Diluted EPS	¥23.0	¥14.7	-36.0%

5 * Starting from FY2018, part of payment fees is deducted from revenue to adapt to changes in accounting policy for revenue recognition.

FY2018 Factors of Change in Consolidated Operating Income

Item			Amount (¥ B)	Major factors (¥ B)	Expense for new challenges (¥ B)	Media	Com- merce
FY2017 Result			185.8		Plan	10	20
YoY	Revenue		+57.5	ASKUL +34.4, Advertising revenue +20.4	Result	5.6	12
	Cost of sales		-26.4		Sales promotion cost	0.3	9.3
	SG&A (major items only.)		-67.0		Depreciation and amortization		0.5
	Sales promotion cost		-17.3	Point rewards for commerce and credit card holder acquisition	Personnel expenses		0.4
	Depreciation and amortization		-12.1	Becoming data driven	Business commissions	1.5	0.2
	Personnel expenses		-9.0		Content provider fees	2.4	
	Business commissions		-6.6	• Expense related to credit card holder acquisition • Expense for new challenges (media: production of video contents)	Advertising & promotional expenses	1.0	
	Content provider fees		-3.5		License fees	0.1	0.2
	Other revenue & expenses		-9.3	(One-time) • ASKUL Logistic Center fire incident: -10.2 (Result of FY17) • IDC Frontier Gain in sales: 7.9 • ASKUL (AVC Hidaka) Impairment loss: -3.6 (JGAAP TBD) • Synergy Marketing Impairment loss: -2.3	SG&A Others	0	1.2
FY2018 Result			140.5	Guidance: 140 - 143	Major use of expense for new challenges • Media → Expansion of video contents • Commerce → Acquisition of valid credit card holders to promote PayPay strategy		

FY2018 Consolidated Statement of Financial Position

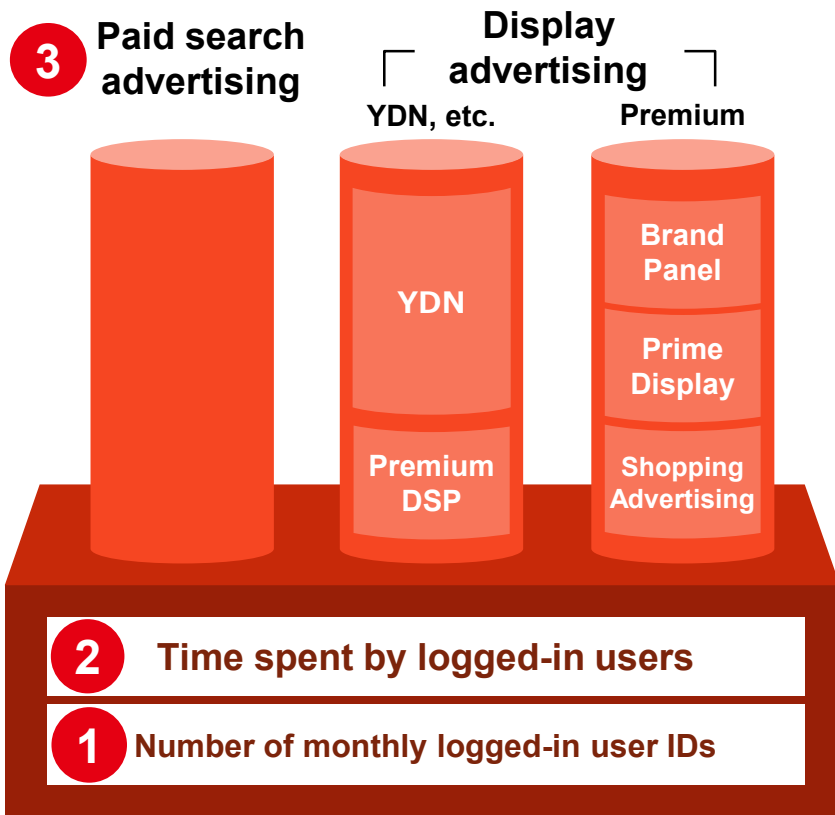
(¥ B)	FY2017	FY2018	YoY	Major factors
Assets	2,516.6	2,429.6	-87.0	
Cash and cash equivalents	868.3	546.7	-321.5	Acquisition of treasury stocks (221.0)
Trade and other receivables	297.0	328.2	+31.2	
Property and equipment, intangible assets, goodwill	453.0	474.4	+21.3	
Investment accounted for using the equity method	10.8	24.5	+13.6	PayPay
Others	887.3	1,055.5	+168.2	Investment securities for banking business
Liabilities	1,394.7	1,519.0	+124.3	
Trade and other payables	348.3	394.5	+46.1	
Deposit for banking business	708.0	768.6	+60.5	
Interest-bearing liabilities	190.5	215.2	+24.6	Issuance of bonds
Others	147.7	140.7	-7.0	
Equity	1,121.8	910.5	-211.3	Acquisition of treasury stocks (221.0)
Consolidated net cash (cash and cash equivalents – interest bearing liabilities)	677.7	331.5	-346.1	
Consolidated net cash excluding banking business*	379.0	82.0	-297.0	

* Using a simplified method, adjusted account items related to banking business.

Summary of Business Segments

Media Business

FY2018 Media Business – Highlights



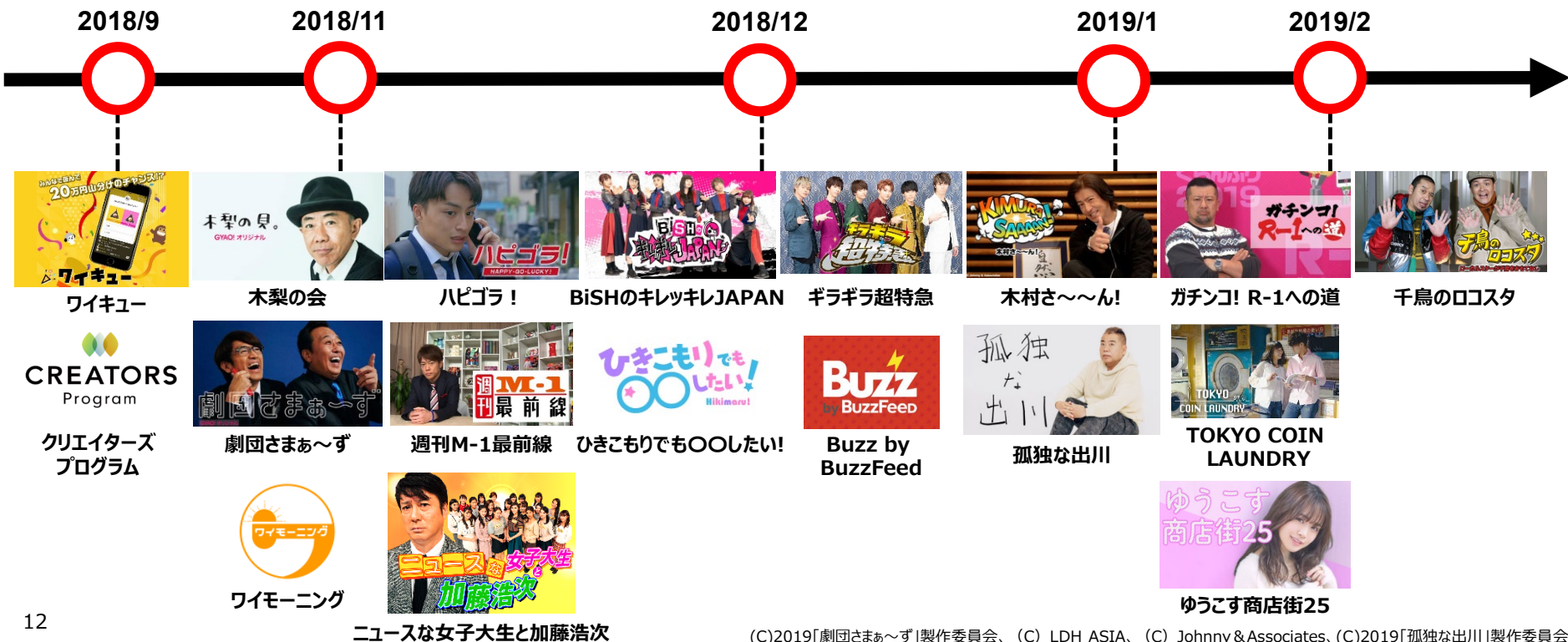
Item	Details
1 Number of monthly logged-in user IDs	YoY +10.2% 4 consecutive years of double digit growth
2 Time spent by logged-in users via smartphones	Achieved YoY +21.8% growth
3 Revenue of paid search advertising	Double digit growth (first in 5 years) due to improvement in UI, etc.
Video advertising revenue via smartphones	YoY 2x Premium advertising Released smartphone app video ads
Video viewing time via smartphones	YoY +85.3% Strengthened content procurement

FY2018 Advertising Revenue - Results

Item	Amount (¥ B)	YoY	Measures / Factors of change
Total advertising revenue	323.8	+6.7%	
Paid search advertising	164.2	+11.1%	Double digit growth (first in 5 years) due to improvement in UI, etc.
Display advertising	159.5	+2.6%	
YDN, etc.	106.3	-0.7%	<ul style="list-style-type: none"> •Excluding effects from ad fraud countermeasures, +1.2% YoY •Adjusted infeed ad intervals, changed UI for PC •Improved ad display logic •Introduced new machine learning model in CTR estimation
Premium advertising (incl. shopping ads)	53.2	+9.9%	<ul style="list-style-type: none"> •Growth in shopping ads •Sales measures also contributed to positive result (revision of products, cross-device sales)

Progress in Videos

Procured video contents, captured younger audience with our original videos



Speed in Growth of Smartphone Videos



Video viewing time of
smartphone top page grew

2.4x YoY

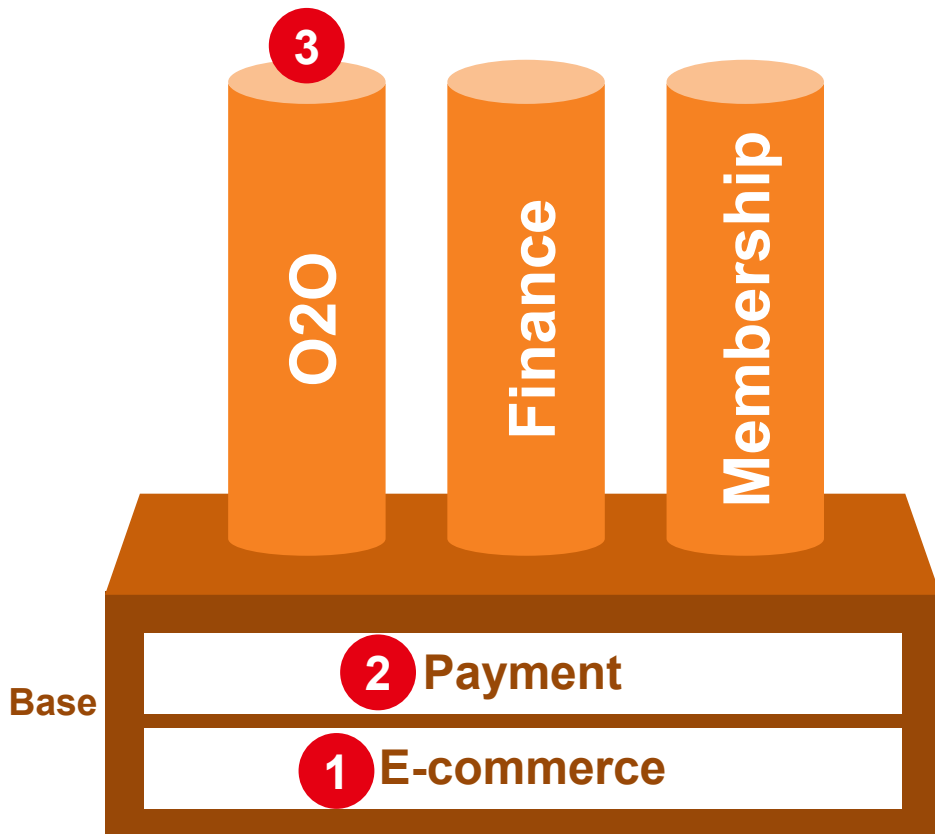
Revenue of video ads via
smartphones grew

2x YoY

FY2018 ¥ 5.3 B

Commerce Business

FY2018 Commerce Business – Highlights



Item	Details
1 E-commerce	Transaction value of shopping business increased due to point-reward measures with SoftBank Achieved 4 consecutive years of +20% growth
2 Payment	• Successful rocket start of PayPay • No. of valid credit card holders surpassed 6 mil in 5 years since start of service
3 O2O	Growth in EC transaction value (other) including Yahoo! Travel and Ikyu.com contributed to O2O revenue

FY2018 Commerce Business – KPI

Item	Actual result	YoY	Measures / Factors of change
EC transaction value	2,344.2 (¥B)	+11.3%	
EC transaction value (sale of goods)	1,951.7 (¥B)	+8.7%	
Shopping transaction value	769.2 (¥B)	+22.6%	Increased use due to collaboration with SoftBank subscribers
YAHUOKU! transaction value	889.9 (¥B)	+1.4%	Point incentive measures (e.g. Sunday lottery, Days ending with 5)
EC transaction value (other)	392.5 (¥B)	+26.6%	Yahoo! Travel, lkyu.com grew due to point incentive measures for different memberships
Number of valid credit card holders	6.33 (Million)	+1.65 (Million)	Increased due to synergy with PayPay, sales promotional activities
Number of Yahoo! Premium member IDs	21.63 (Million)	+1.84 (Million)	Increased due to new acquisitions in SoftBank stores

Growth Strategies

Yahoo Japan Corporation Aspires to:

Make our users' lives convenient to a surprising (!) extent through Yahoo! JAPAN services

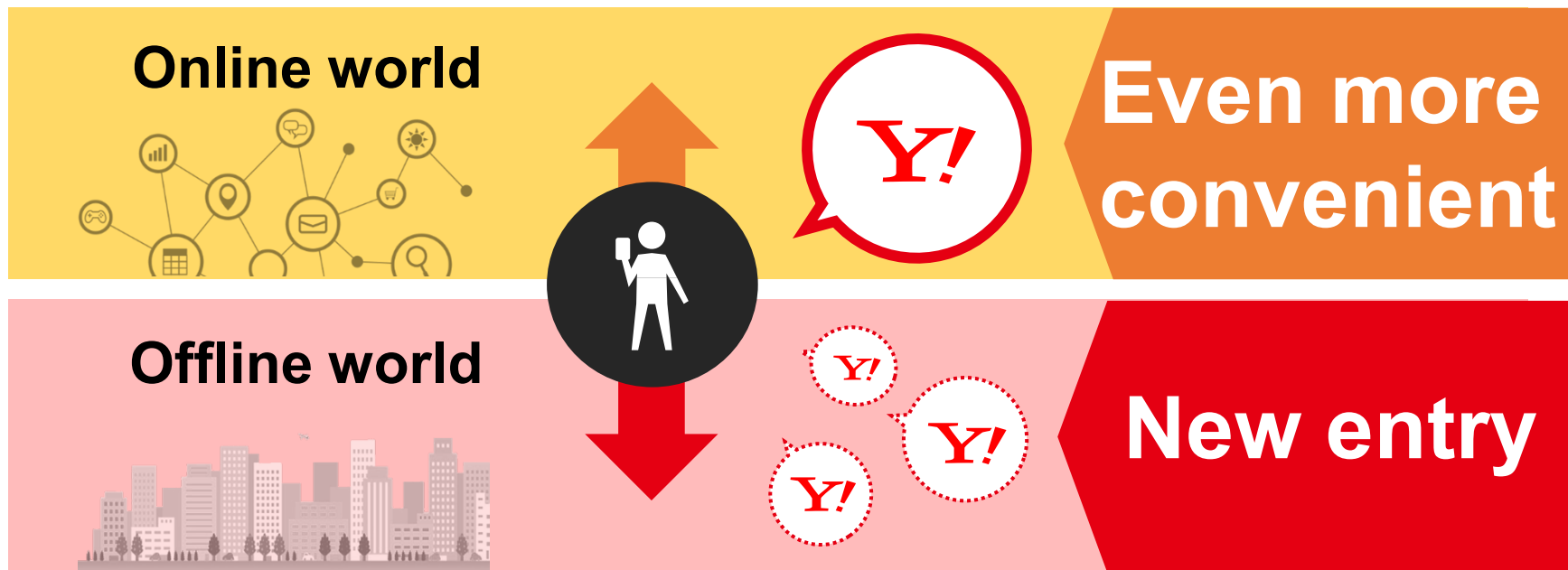
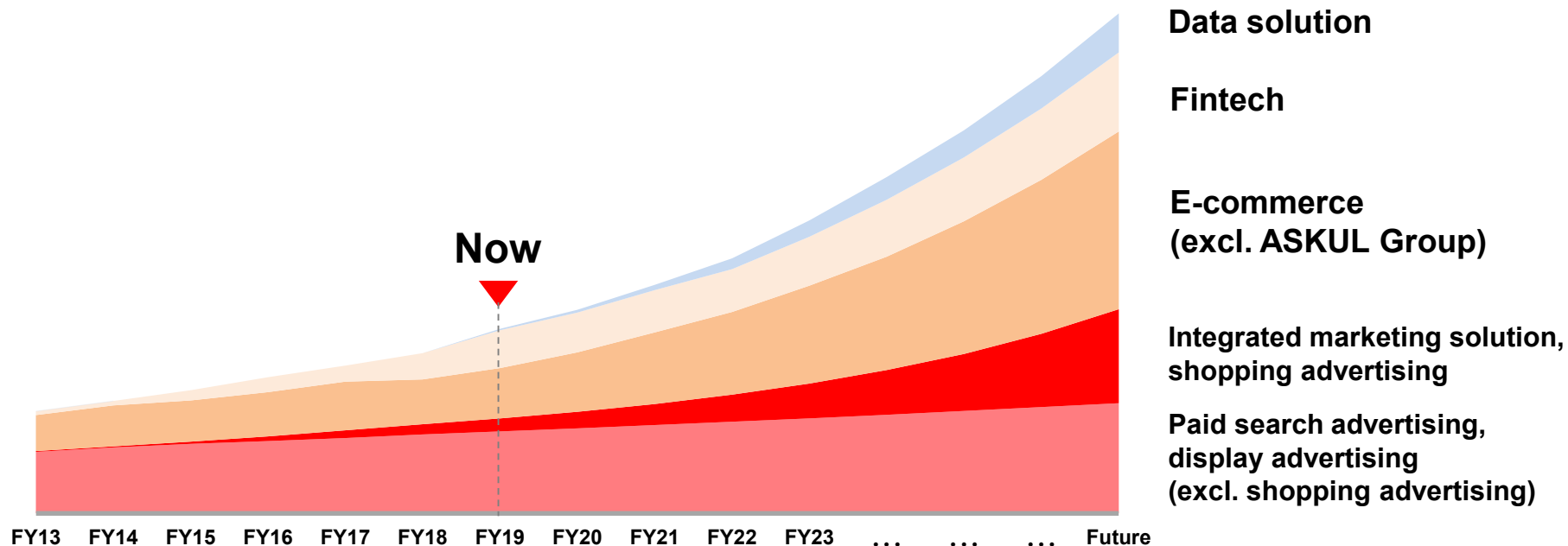


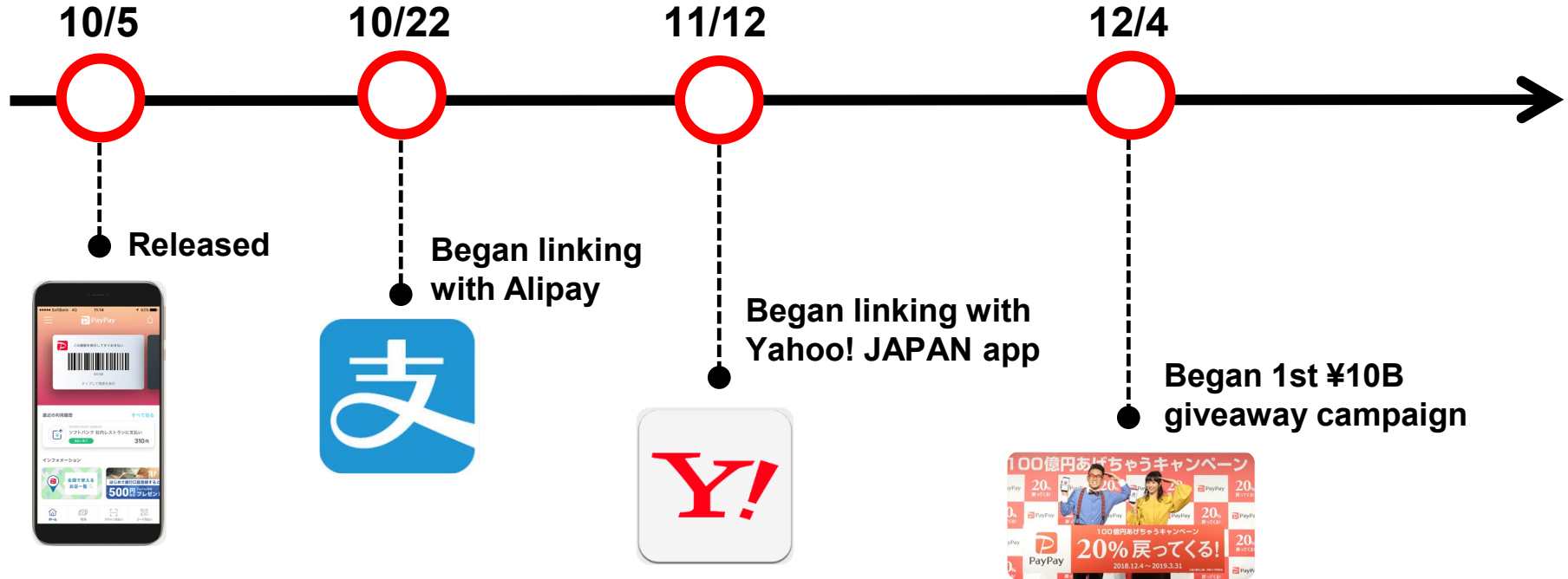
Image of Our Long-Term Revenue Composition

We will continue to grow while drastically changing our revenue composition to meet the changes in the business environment



PayPay

PayPay - Milestones



Security Measures

Service safety ensured by security measures sequentially introduced since January

Anti-fraud measures		
1	At credit card registration	Restricted no. of times security code ^{*1} can be entered
2		Implemented identity verification measure (3D Secure ^{*2})
3	At payment	Restricted amount of payment via credit card

22 *1 Security code: 3 or 4 digit number at the back of a credit card.

*2 3D Secure: Measure to prevent fraudulent use or spoofing by verifying card holder with passwords, etc. preregistered to the credit card company.

2nd Campaign: 10 Billion Yen Giveaway Campaign from Feb. 12

Aim: have more users use PayPay on a daily basis



第2弾 100億円
キャンペーン

【開催期間】
2019年2月12日9:00～2019年5月31日23:59

最大20%※1 戻ってくる！

※1 PayPay残高の付与上限は、お一人様につき「1回の支払いにおける付与上限」は1,000円相当。「キャンペーン期間中の付与合計上限」は50,000円相当です。

お支払い方法でPayPay残高の付与条件が変わります。

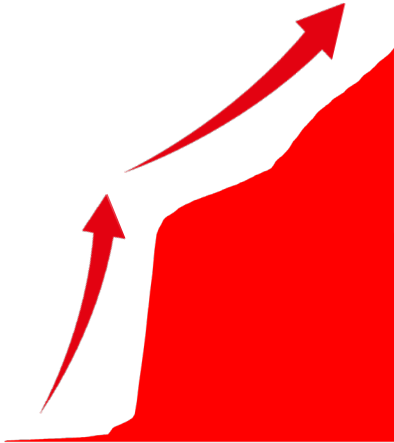
お支払い方法	還元率	条件
• PayPay残高 • Yahoo!マネー	20%※2	最大20%付与 銀行口座を登録する
Yahoo! JAPANカード	19%※2	Yahoo! JAPANカードを 新規で申し込む
その他のクレジットカード	10%※2	ご利用上限金額が あります

PayPay's Successful Rocket Start

Expanded business foundation through successive campaigns

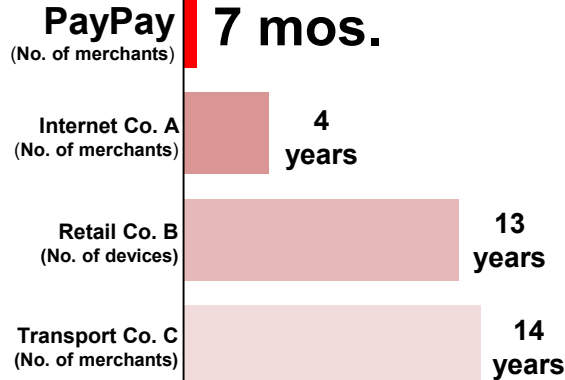
Cumulative
registered users

6 mos. since start of service:
Approx. **6 million**



No. of merchants

7 mos. since start of sales:
exceeded **500,000**

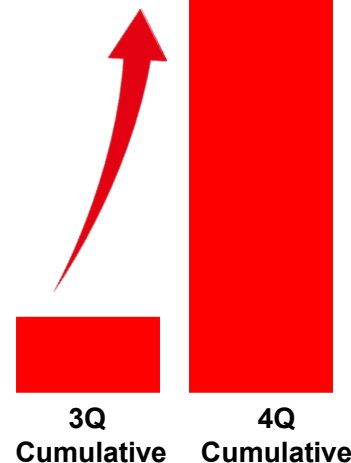


Time required to exceed 500,000 merchants
from start of service

Source: Survey by Yahoo Japan Corporation

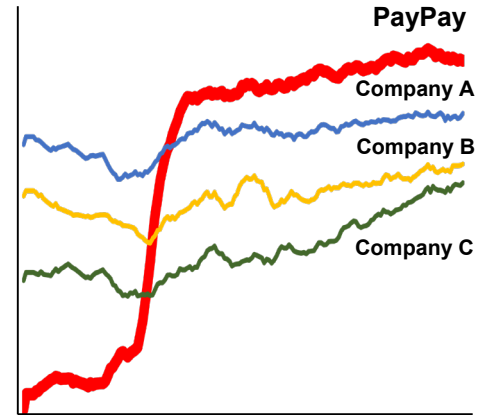
No. of payments

6 mos. since start of service:
exceeded **25 mil**
(cumulative)



Name awareness

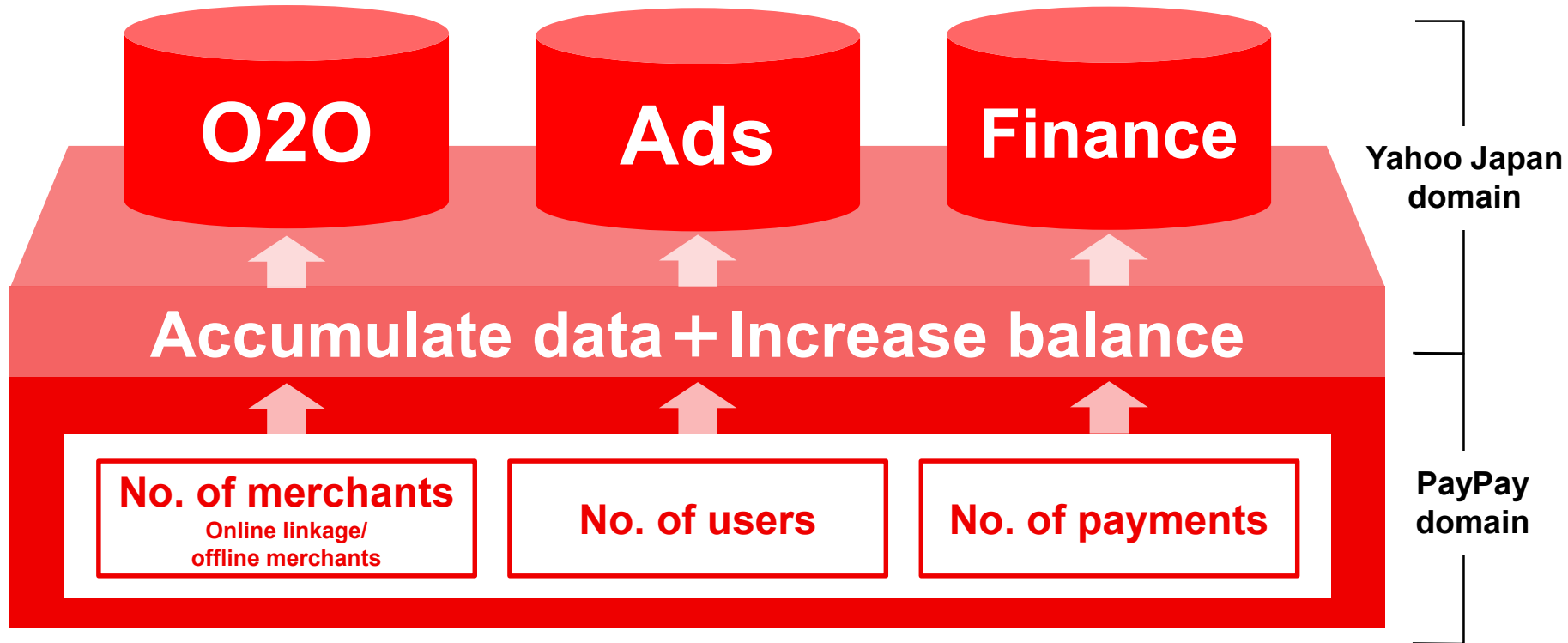
Maintaining **No.1**
from 3 mos. after start of service



Source: Survey by PayPay Corporation

PayPay – Business Model

Maximize the base and develop various business pillars



To Expand Merchants

2018-3Q

2018-4Q

2019-1Q

Convenience stores



Other retailers

墨田区商店街連合会



Dining



always expanding

Electronic retailers



To Increase Users and Payments ①

Even after 2nd ¥10B giveaway campaign, value deals with PayPay

Bonus hiked 6x 5/8~

For every use

0.5% → **3%** cashback

Payment method	Bonus rate
PayPay balance Yahoo! JAPAN Card Yahoo! Money	3%
Other credit cards	0.5%
Maximum	¥30,000 equivalent/month ¥15,000 equivalent/payment

PayPay Chance 6/1~

1 in 20 chance

Max. **¥1,000** equivalent cashback

Payment method	PayPay Chance
PayPay balance Yahoo! JAPAN Card Yahoo! Money	Lottery (1 in 20 chance to win)
Other credit cards	N.A.
Maximum	¥30,000 equivalent/month ¥1,000 equivalent/payment

To Increase Users and Payments ②

Value campaigns at different areas or merchants every month

Always, somewhere
WAKUWAKU PAYPAY

1st in series (June)

**PayPay merchants
(drugstores only)**

Target	Always	Lottery
SoftBank/Y!mobile smartphone users, Yahoo! Premium members	Max. 20%^{*1} cashback (Max. ¥2,000 equivalent/payment)	1 in 10 chance Max. ¥1,000 equivalent cashback
PayPay users	Max. 10%^{*2} cashback (Max. ¥1,000 equivalent/payment)	1 in 20 chance Max. ¥1,000 equivalent cashback

*1 If payment method is PayPay balance or Yahoo! Money: 20%; Yahoo! JAPAN Card: Max. 19%; other credit cards: Max. 0.5%

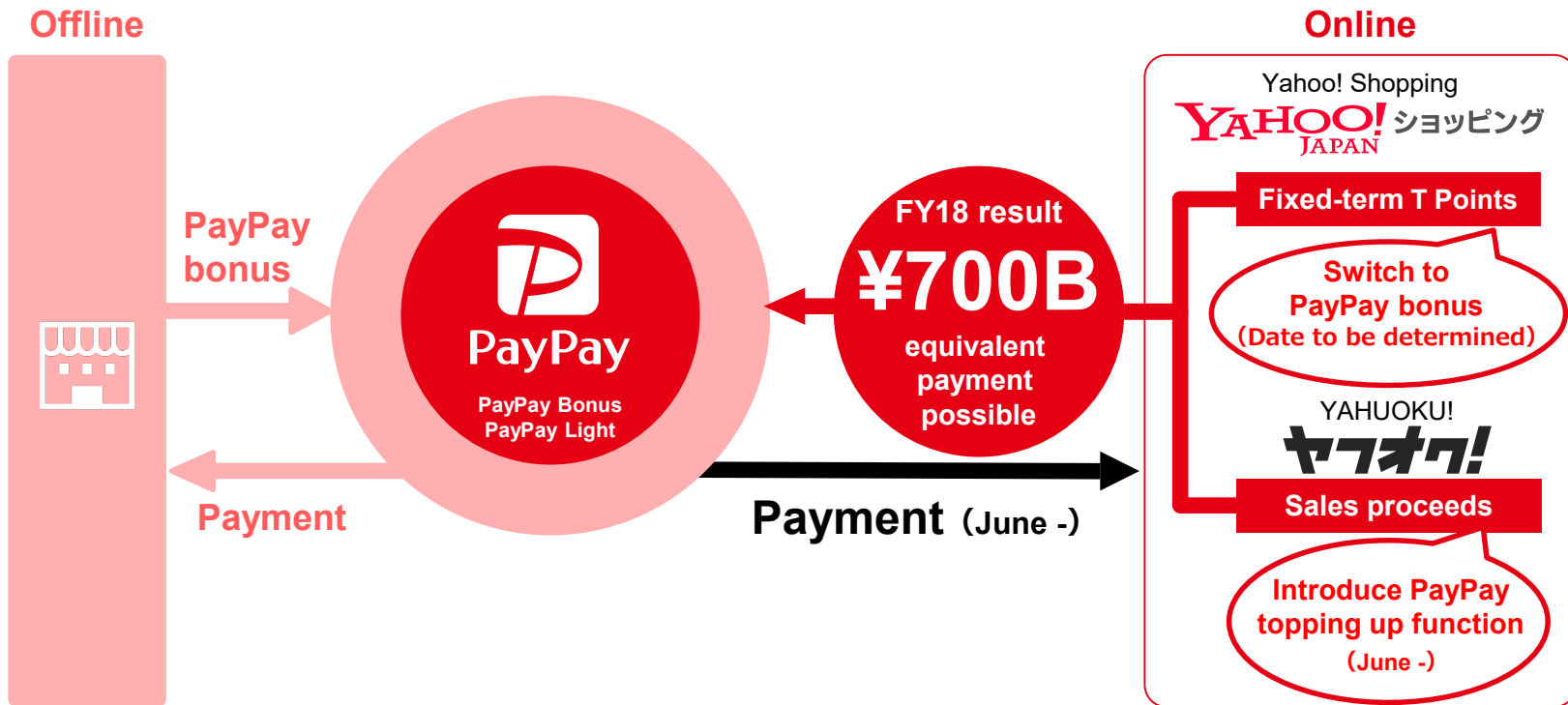
*2 If payment method is PayPay balance or Yahoo! Money: 10%; Yahoo! JAPAN Card: Max. 10%; other credit cards: Max. 0.5%

Note: Max. ¥30,000 for each measure within the campaign period.

Note: The best bonus rate will apply if other campaigns are conducted at the same time.

To Increase Users and Payments ③

“PayPay everywhere” – online use made available
Can be used in our EC services from June



FY2019

Policies and Outlook

FY2019 Policies

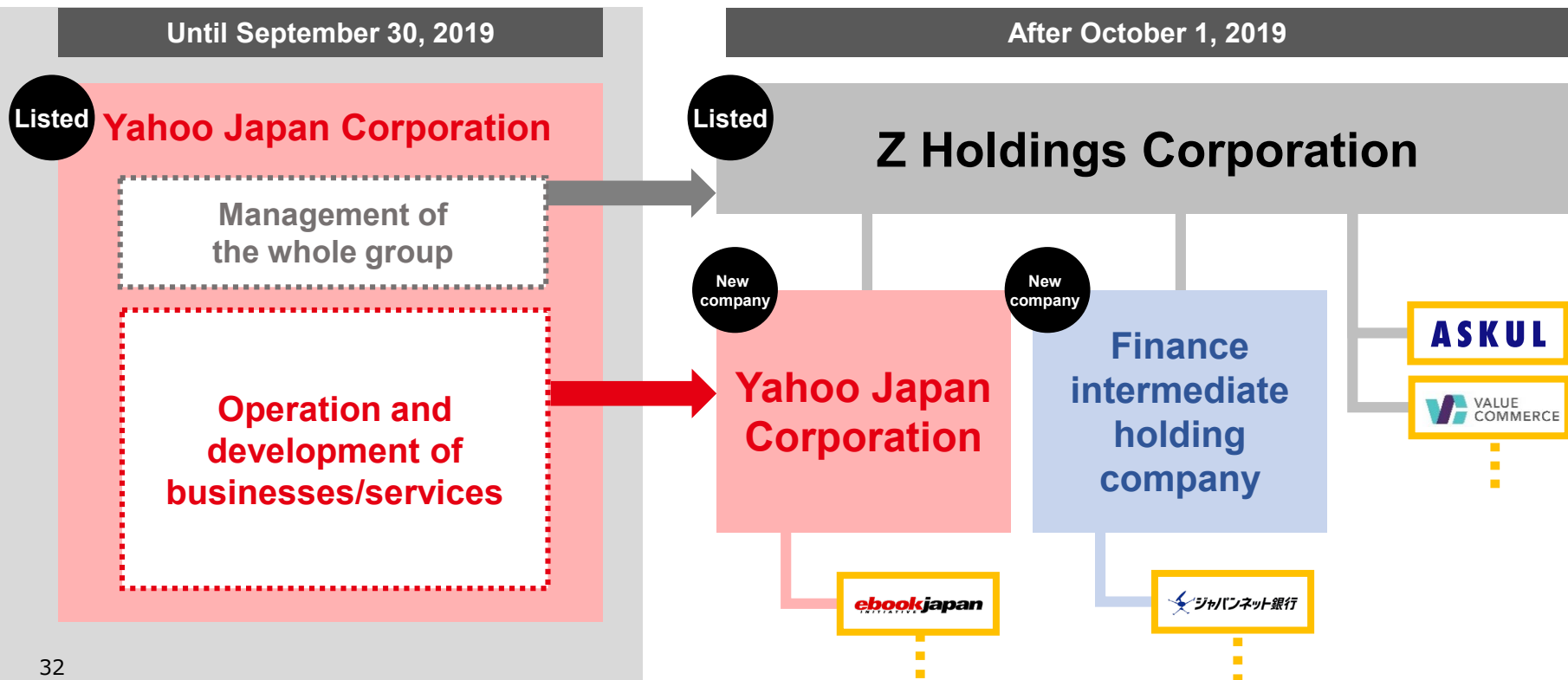
Our basic policies remain unchanged

- **As one, various services will maximize number of user actions**
- **Make users' lives convenient to a surprising level both in online and offline worlds**
- **Cross-use multi big data to promote service growth**

FY2019: scaling up our efforts to create the future

FY2019 New Organizational Plan

Transition to a holding company structure for an expeditious promotion of business strategies



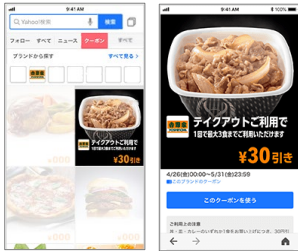
FY2019 Media Business – Internal Goal

Aim for double digit growth (first in 6 years)

Item	Internal goal (YoY)
Total advertising revenue	+ mid-single digit to double digit %
Paid search advertising	+ high-single digit %
Display advertising	+ mid to high-single digit %

FY2019 Media Business - Roadmap

Top page app Coupon tab (1Q -)



More timeline (1Q -)



Renewal of PC top page (2Q -)



Integrated marketing solution

- Online commerce ads
- Offline commerce ads (3-4Q)



1Q

2Q

3-4Q

FY2019 Commerce Business – Internal Goals

Aim for 5 consecutive years of **+20% growth** for shopping business

Item	Internal goal (YoY)
EC transaction value (sale of goods)	+ double-digit %
Shopping transaction value	+ 20%
YAHUOKU! transaction value	+ mid-single digit %

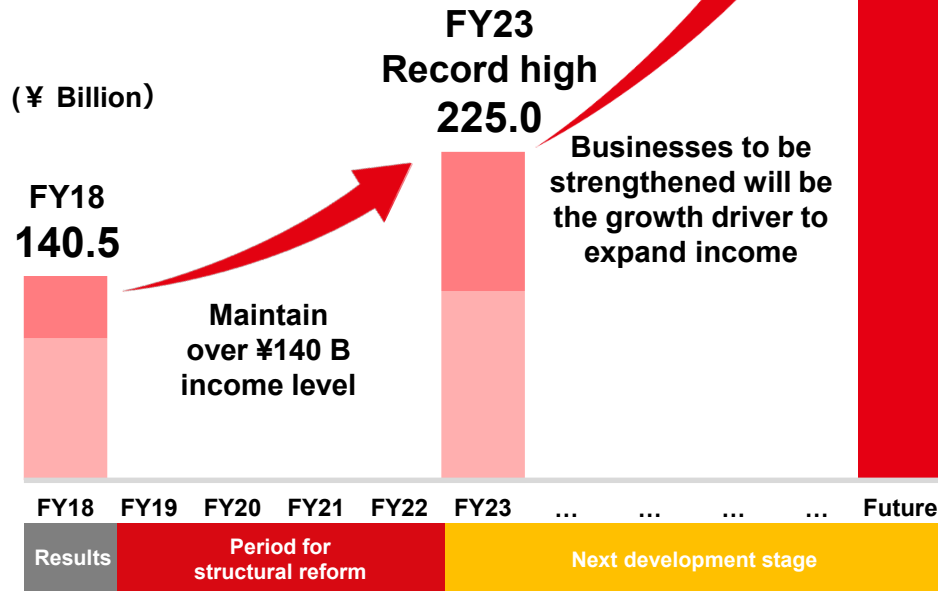
FY2019 Full Year Guidance (Consolidated Basis)

Return to **increase** in revenue and income

	FY2019	YoY
Revenue	Over ¥1 T	+5% to +7%
Operating income	¥140.6 to 150.0 B	0% to +7%
Net income attributable to owners of the parent	¥79.0 to 85.0 B	0% to +8%
Diluted EPS	¥14.8 to 15.9	0% to +8%
Dividend per share	¥8.86	Same

Operating Income – Long-Term Outlook

- Businesses to be strengthened (Shopping advertising, Integrated marketing solution, Financial & Payment, Membership, YAHUOKU!)
- Advertising income – base (Paid search advertising, display advertising)



FY18 – FY22

By investing in measures to expand users and EC transaction value and startup of new businesses, etc., achieve

double digit revenue growth

FY23 – Future

By monetizing users' active economic actions

expand income

**Yahoo! JAPAN
will create a future that
can only be shaped by us**

Appendix

Contents

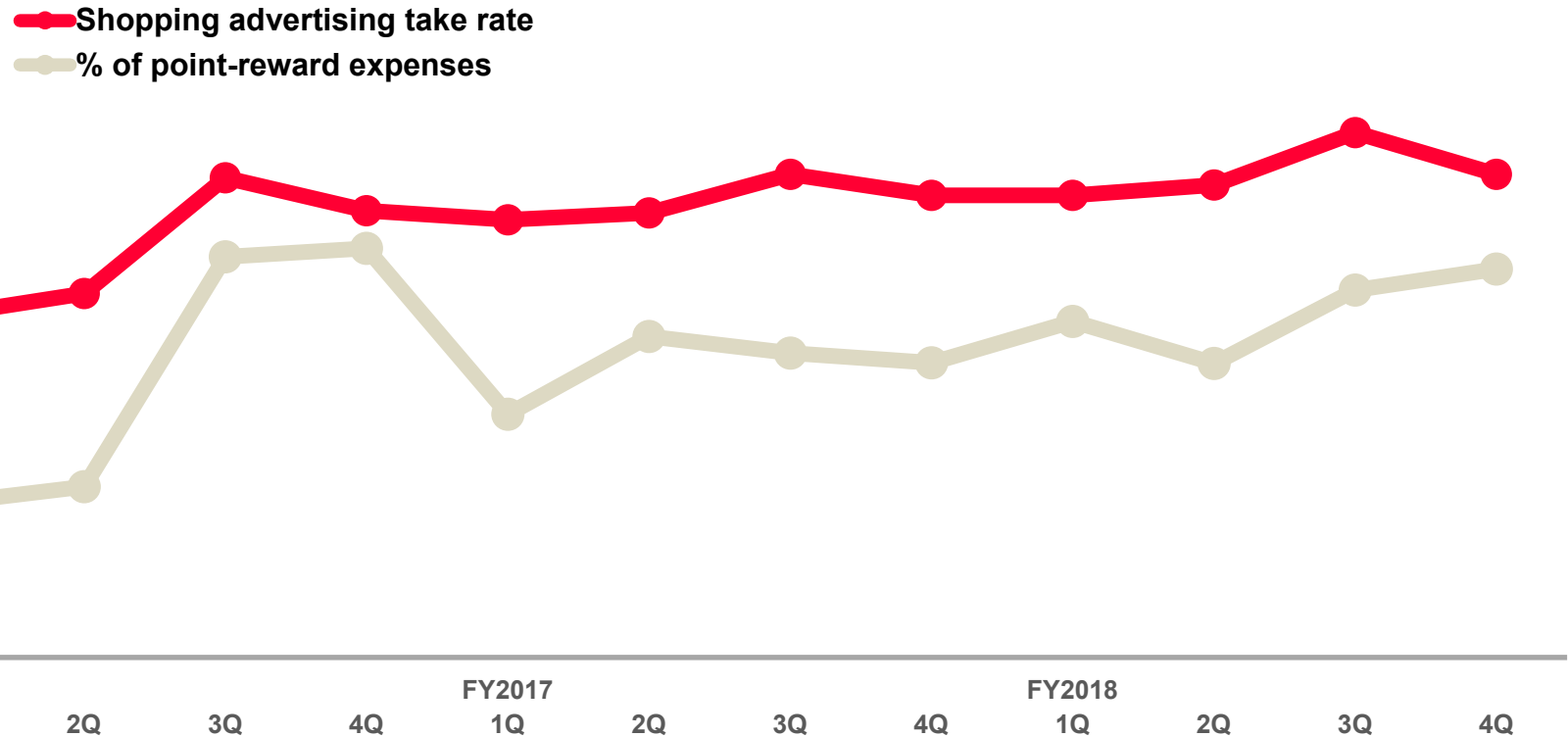
- **FY2018-4Q Consolidated Income Statement**
- **Shopping Advertising Take Rate and Percentage of Point-Reward Expenses in Yahoo! Shopping**
- **Image of Our Long-Term Revenue Composition**
- **Operating Income – Long-Term Outlook**
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FY2018-4Q Consolidated Income Statement

	FY2017 4Q	FY2018 4Q	YoY
Revenue	238.3 (¥B)	247.1 (¥B)	+3.7%
Revenue excluding impact from change in accounting policy*	238.3 (¥B)	252.3 (¥B)	+5.8%
Operating income	38.0 (¥B)	20.8 (¥B)	-45.1%
EBITDA	48.4 (¥B)	41.1 (¥B)	-15.0%
Profit for the period	28.6 (¥B)	7.7 (¥B)	-73.0%
Profit for the period attributable to owners of the parent	28.0 (¥B)	8.5 (¥B)	-69.6%
Diluted EPS	¥4.9	¥1.6	-66.0%

41 * Starting from FY2018, part of payment fees is deducted from revenue to adapt to changes in accounting policy for revenue recognition.

Shopping Advertising Take Rate*¹ and Percentage of Point-Reward Expenses*² in Yahoo! Shopping

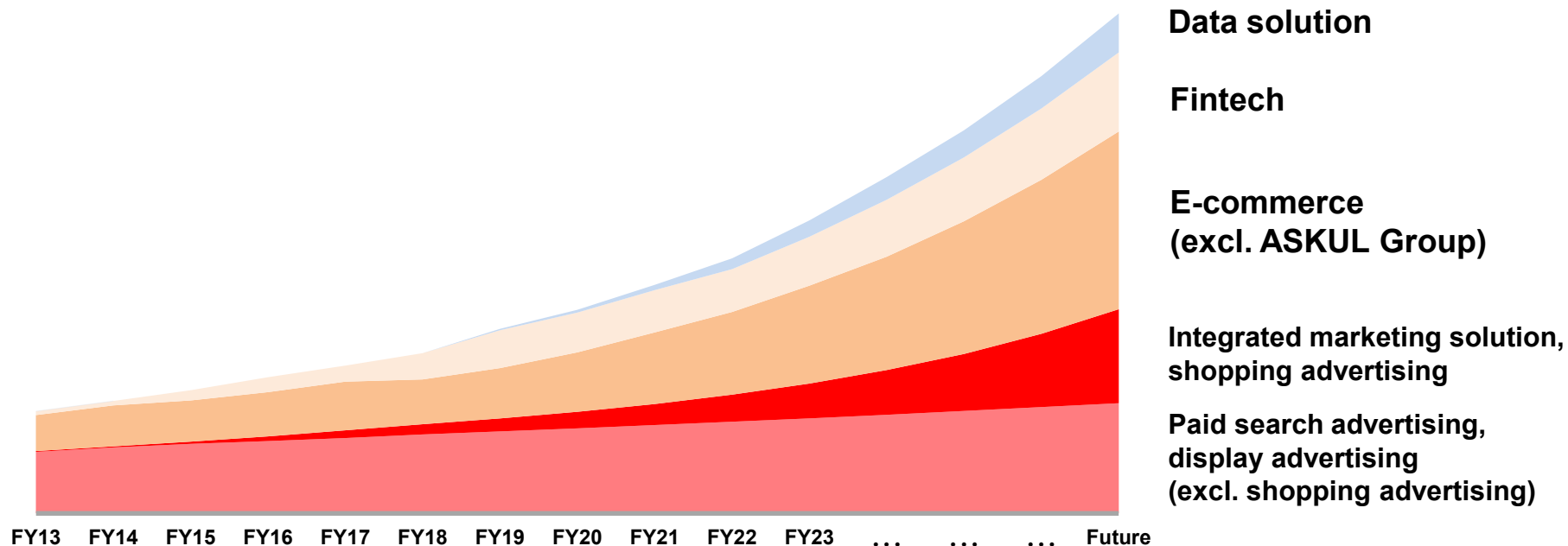


*1 Shopping advertising take rate = Shopping-Related Advertising revenue / Yahoo! Shopping transaction value

*2 Point-reward expenses related to Yahoo! Shopping / Yahoo! Shopping transaction value

Image of Our Long-Term Revenue Composition

We will continue to grow while drastically changing our revenue composition to meet the changes in the business environment



Operating Income – Long-Term Outlook

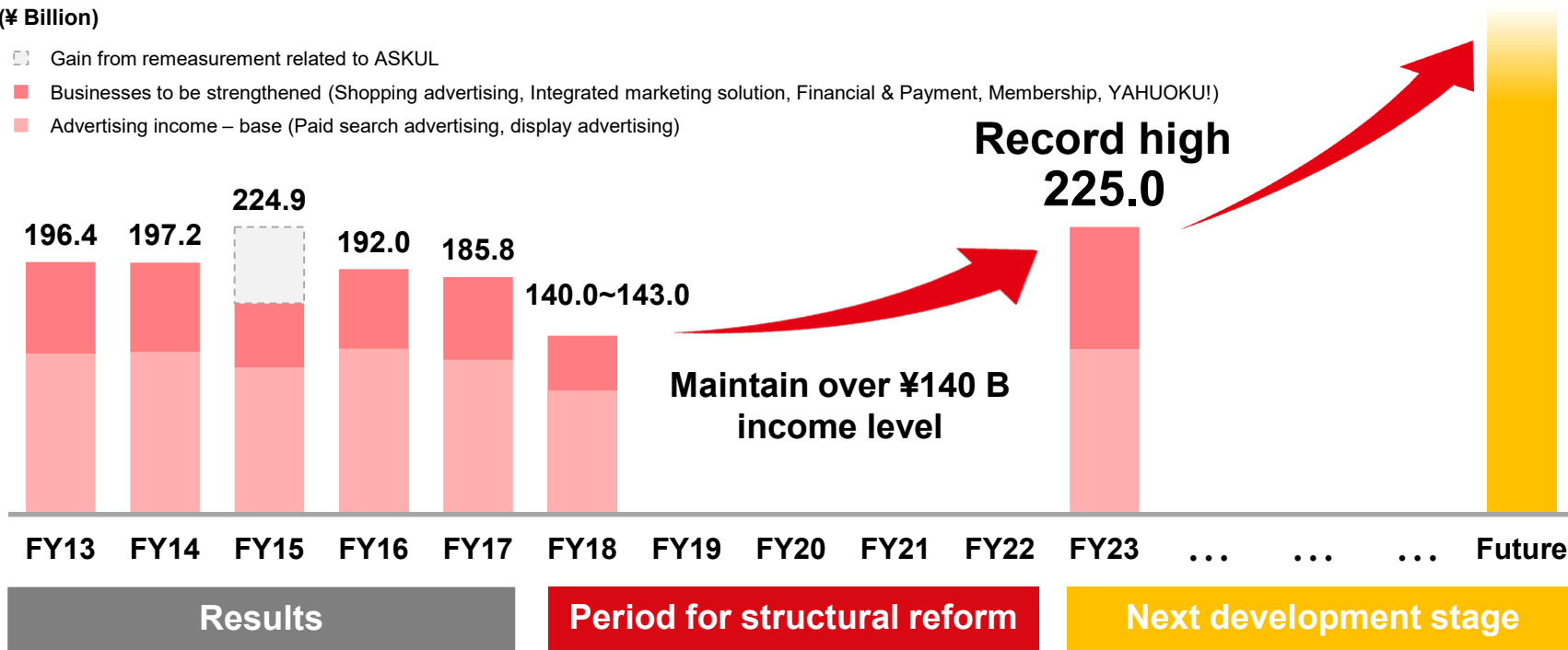
Change income composition to meet changes in business environment and aim for the next development stage

(¥ Billion)

□ Gain from remeasurement related to ASKUL

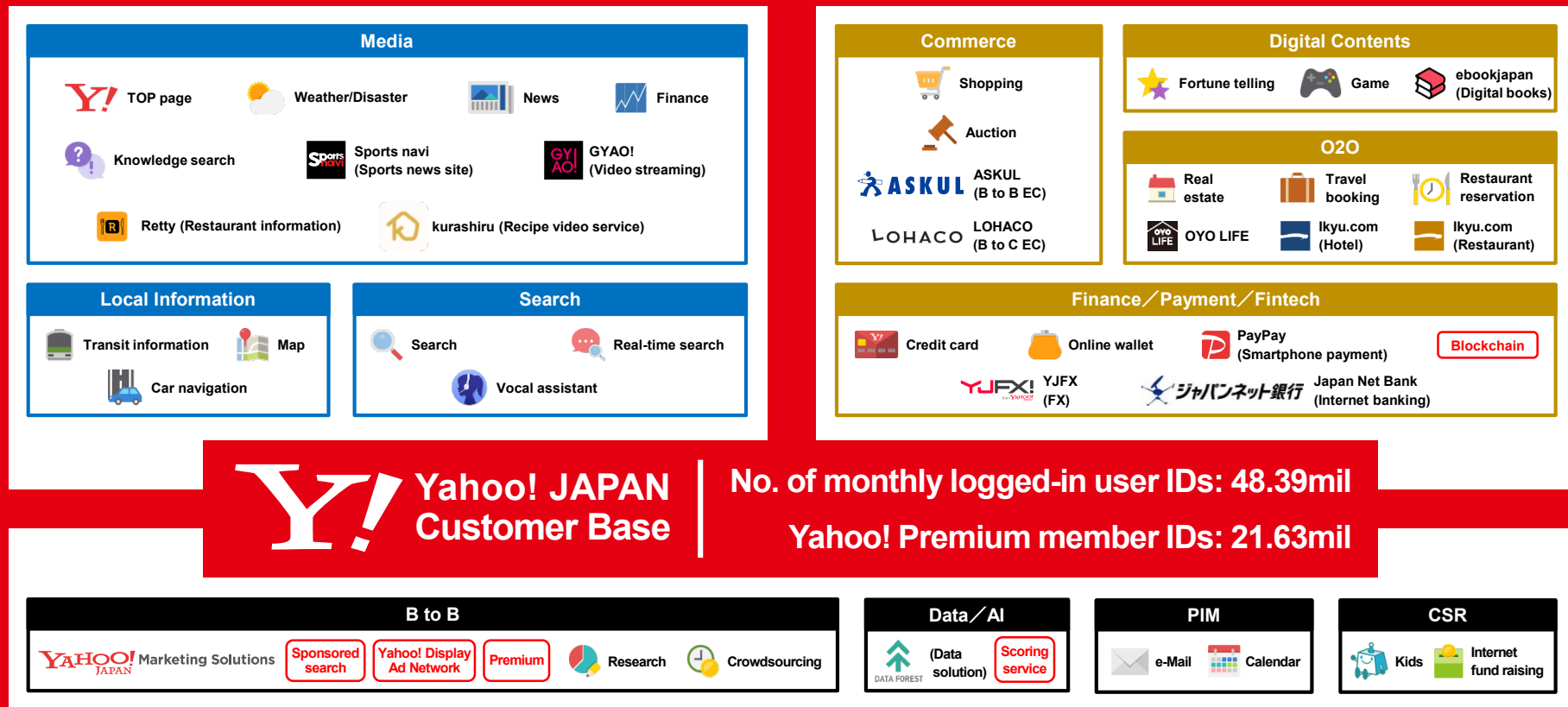
■ Businesses to be strengthened (Shopping advertising, Integrated marketing solution, Financial & Payment, Membership, YAHUOKU!)

■ Advertising income – base (Paid search advertising, display advertising)

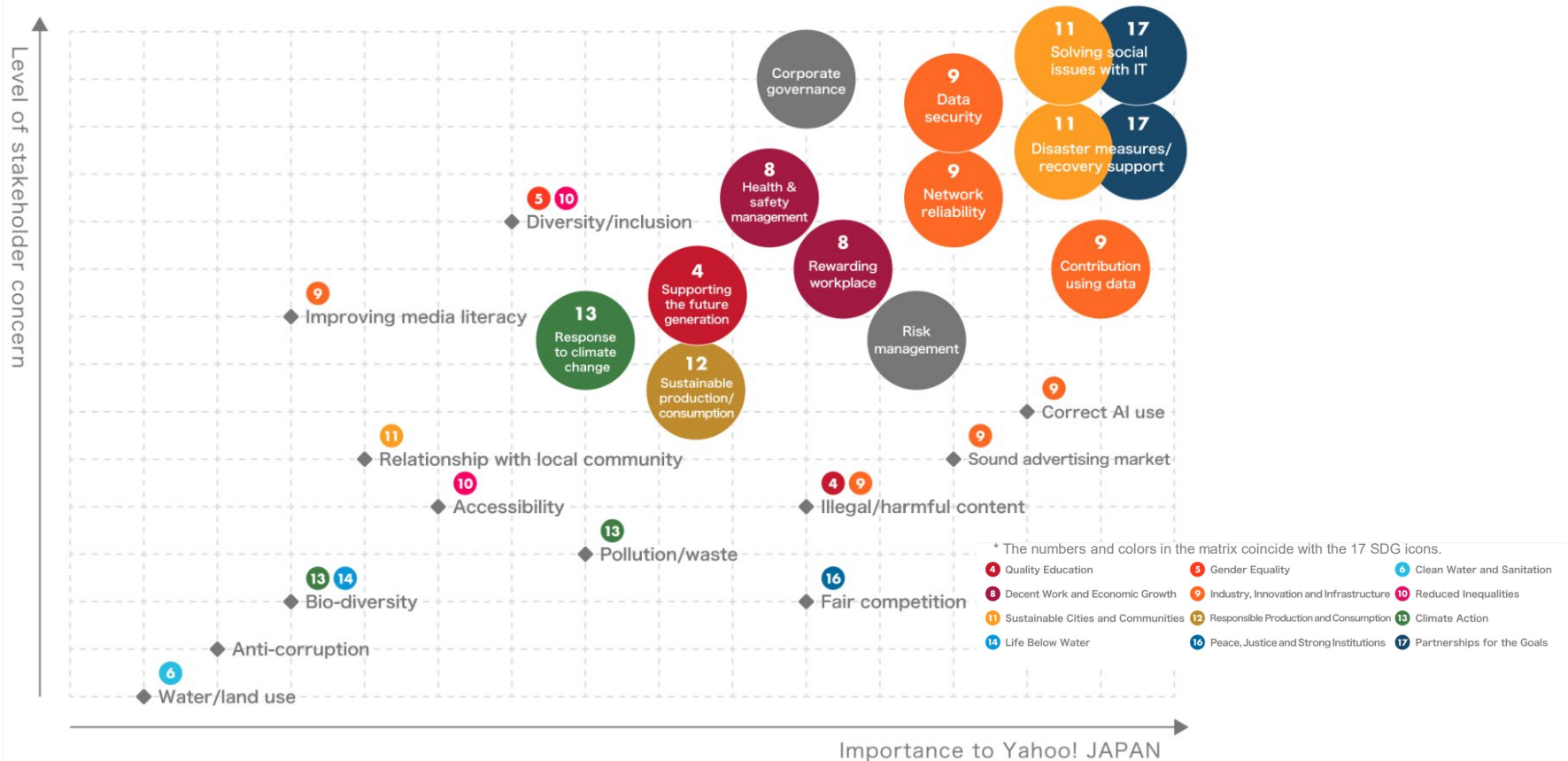


Note: Other business and adjustments are prorated to businesses to be strengthened and advertising income – base, according to their composition ratio. In cases where major services have been transferred between segments, prior business results and comparative figures have been retroactively adjusted to the current segments for FY2017. Figures for FY2016 and before are estimates based on the current segments.

Yahoo! JAPAN Service Map



Materiality Matrix for Yahoo Japan Corporation



Business Segment Breakdown

Media Business

- **Advertising:** Paid search advertising “Sponsored Search”, Display advertising (“Yahoo! Display Ad Network (YDN)”, “Premium Advertising”)
- **Business Services:** CRM-related services, Media-related services and others
- **Personal Services:** Video-related services and others

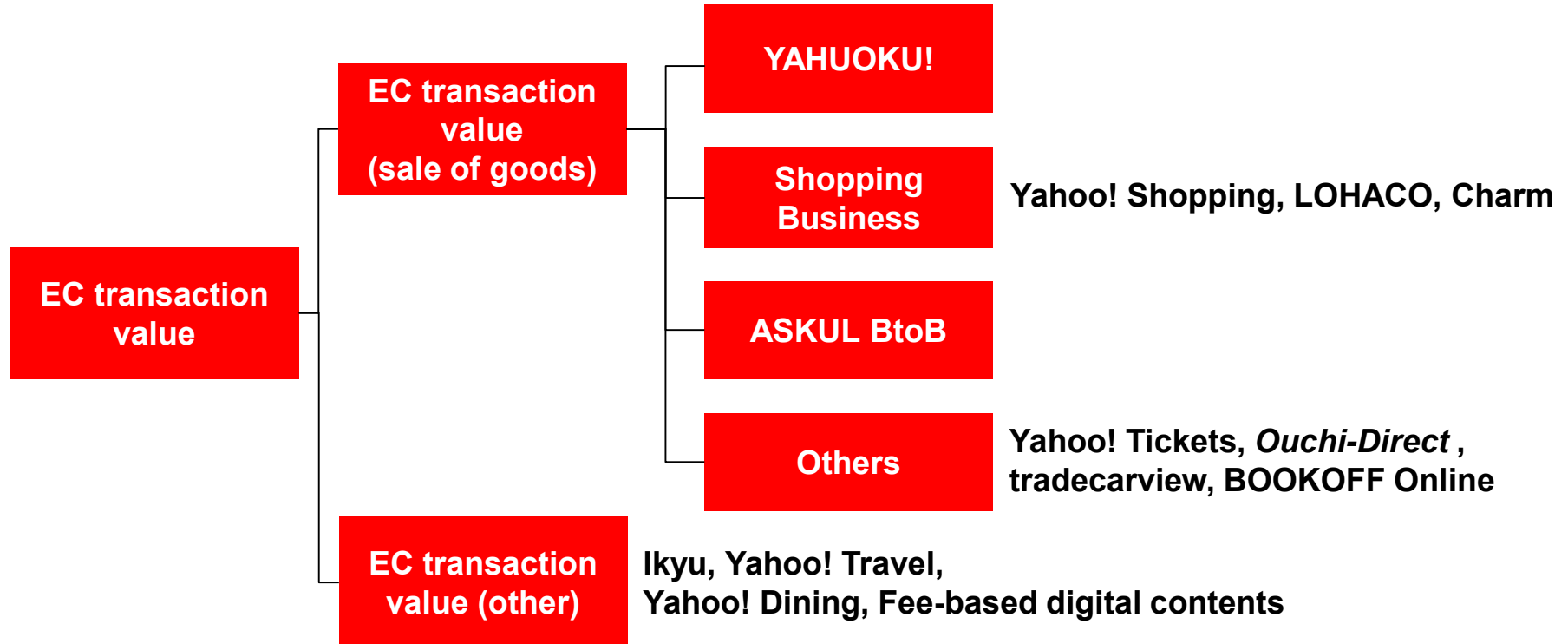
Commerce Business

- **Advertising:** Display advertising (“Premium Advertising”)
- **Business Services:** ASKUL, Affiliate-related services, Reservation-related services, Corporate system-use fees of YAHUOKU!, Payment-related services, Banking-related services, Credit card-related services and others, Yahoo! Real Estate, Real estate-related services
- **Personal Services:** LOHACO, Yahoo! Premium, Personal system-use fees of YAHUOKU!, Credit card-related services, Pet supplies-related services, Telecommunications carrier-related services, Banking-related services, E-book-related services, FX-related service and others, Payment-related services
- **Others:** Banking-related services

Others

- **Advertising:** Display advertising (“Premium Advertising”)
- **Business Services:** Utilities payment-related service and others
- **Personal Services:** Yahoo! Mail, Yahoo! Address Book, Utilities payment-related service and others

Definition of EC Transaction Value



Advertising Products

Advertising Products			Main Format	Fee Calculation	Placement Pages	Main Advertiser Base
Paid search advertising	Sponsored Search®		Text	Per-click rate (Performance-based) *2	Search results pages	Major corporations Small and medium-sized companies
Display advertising	YDN and others	Yahoo! Display Ad Network (YDN) *1	Text Banner		Per-view rate (Performance-based) *2	
			Video	Per-impression page view rate (Performance-based) *2		
		Yahoo! Premium DSP	Banner		Per-impression page view rate (Guarantee-based) *3	Major corporations
	Premium Advertising	Brand Panel Prime Display Others	Rich ads (including video) Banner	Per-guaranteed period rate, etc. (Guarantee-based) *3		
		Banner ads Text ads Others	Text Banner		Conversion-based	
		PR Option				

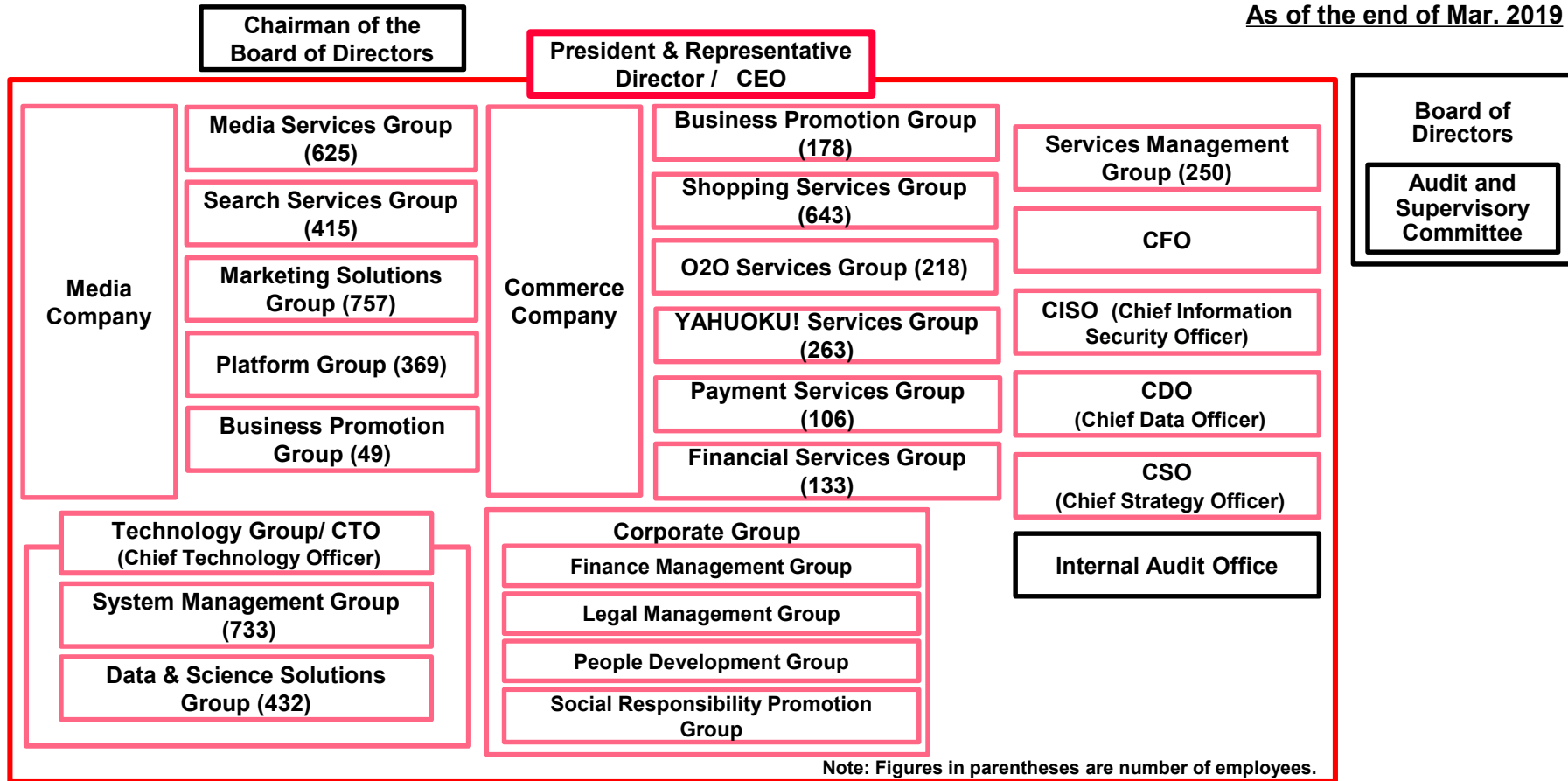
*1 Includes In-feed advertising on timeline view pages.

*2 Advertising that is programmatically or manually managed on a real-time basis to optimize advertisings effects

*3 Advertising for which specific placement is reserved in advance

Organization Chart of Yahoo Japan Corporation

As of the end of Mar. 2019



Consolidated Subsidiaries and Affiliates

As of the end of Mar. 2019

● Major consolidated subsidiaries

ASKUL Corporation
CLASSIFIED Corporation
eBOOK Initiative Japan Co., Ltd.
GYAO Corporation
Netrust, Ltd
Synergy Marketing, Inc.
ValueCommerce Co., Ltd.
YJ Card Corporation
Y's Insurance Inc.
Z Corporation Incorporated

Carview Corporation
Dynatech inc.
ecohai Co., Ltd.
Ikyu Corporation
Passrevo Corporation
The Japan Net Bank, Limited
YJ Capital Inc.
YJFX, Inc.
Y's Sports Inc.

● Major affiliates

Astmax Asset Management, Inc.
CRITEO K. K.
PayPay Corporation

BuzzFeed Japan Corporation
OYO TECHNOLOGY&HOSPITALITY JAPAN KK ^{NEW!}
Sony Real Estate Corporation

YAHOO!
JAPAN