

**Outline of Q&A Session at Investors Meeting on Results for the Three Months Ended
September 30, 2016 (Held on November 1, 2016)**

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

Unless otherwise specified, English-language documents are prepared solely for the convenience of readers outside Japan. If there is any inconsistency between the English-language documents and the Japanese-language documents, the Japanese-language documents will prevail.

The information on this website contains forward-looking statements in addition to historical or current facts. These forward-looking statements are no more than estimates or conjectures made based on the information available at the time and are exposed to a variety of risks and uncertainties. As a result, actual business or financial performance could differ substantially.

Q. You announced that the growth rate of the revenue of paid search advertising for 2Q of FY2016 is -3.4% compared to the same quarter last year. If there are any changes to the forecast for 3Q onward compared with that announced at the Investors Meeting for 1Q, please let us know.

A. The major factors that contributed to the large improvement in the negative growth rate of revenue are: changing the display method of advertising in the search result pages so that users' search experience is more natural; narrowing the functional difference with the search engine of Google Inc., the provider of our search engine; and streamlining the sales force and fortifying the proposal capabilities. These positive factors are sustainable, thus we expect the YoY rate of decreased revenue to improve until a full year has passed since the adoption of the changes. Meanwhile, there was also a one-time factor that affected the revenue decrease. In September 2015, we terminated the ad distribution to partner websites in smartphones. The effect of this remained partially in FY2016 2Q and gave a negative effect of 1 percentage point on the YoY growth rate of revenue.

The revenue of paid search advertising via PCs continues to decrease, thus we forecast that the negative growth rate of revenue to be in the low single digits for the time being. In the long run, we will endeavor to aim for a further improvement.

Q. The negative YoY growth rate of revenue from paid search advertising is largely improving. What is the outlook of advertising-related revenue in and after 3Q? Please also inform us about the status of the implementation of video advertising.

A. The advertising-related revenue for 2Q has increased 5.7% year on year. We forecast that this trend will continue from 3Q onwards and the YoY growth rate to be in the

mid-single digits.

In regards to video advertising, we aim to introduce products for testing within this fiscal year, but we expect the impact on the results of this fiscal year to be minimal. We need to conduct the tests carefully. However, because the page views and ad distribution slots is increasing mainly in the timeline pages, depending on the results of the tests, we plan to begin a full-scale provision of video advertising from the next fiscal year onwards and to develop it further.

Q. In terms of paid search advertising, you have previously explained to us that new products and services are planned to be introduced after the fall. How is this progressing? Also, the decrease rate in revenue of paid search advertising has greatly improved year on year in 2Q. If there are any new plans for continuing this trend, please let us know.

A. In order to develop paid search advertising, we need to focus on three aspects, namely: increasing the number of searches; streamlining of sales force; and product improvement.

First, in terms of increasing the number of searches, the majority of the search traffic in Yahoo! JAPAN is generated from the top page of Yahoo! JAPAN. This is true in all aspects; for PCs, smartphones, browsers and apps. Therefore, the most important strategy for increasing the number of searches is increasing the number of users of Yahoo! JAPAN top page especially through apps and in a logged-in state. We are promoting a strategy called flagship app strategy in which we will create stronger apps by consolidating our service apps that have close affinity with each other. If this strategy bears fruit, we expect that this will contribute to increasing the number of searches.

In terms of sales force, we are receiving advices on various aspects and are considering how to streamline an effective sales force for the advertisers and advertising agencies in Japan, and this is beginning to produce results. These improvements are not just one-time but are sustainable.

In terms of product improvement, in 2H, we do not expect to have functional improvement whereby a single change may lead to a large increase in revenue nor do we expect to introduce new products. Instead, we plan to make several small improvements to narrow the functional difference with the search engine of Google Inc. Paid search advertising is a product that has nearly 20 years of history, thus drastic changes to the product are hard to achieve. Rather, accumulation of small improvements produce effective results. Recently, a tool that made submission of paid search

advertising easier and faster for the advertisers and advertising agencies was awarded in our internal award system for the technology division. Currently, we are solidly conducting these kinds of small improvements and we believe that such accumulation will lead to improvements for the future.

Q. How much did the revenue of In-feed Advertising increase? Also, please inform us about the outlook of In-feed Advertising in 2H.

A. The YoY growth rate of In-feed Advertising is decreasing because more than a year has passed since its introduction in May 2015. Moving on, we will increase the pages in which In-feed Advertising can be distributed. Yahoo! JAPAN has various services other than its top page, where In-feed Advertising can be distributed. In the future, we are considering making a network of media so that we will be able to distribute In-feed Advertising to media other than Yahoo! JAPAN.

In terms of ongoing functional improvements, it is very important to increase the CTR (click through rate) and CVR (conversion rate) of advertising by utilizing multi big data. We believe that we will be able to bring about big changes by continuing to make step by step improvements.

Of course, it would be wonderful if video advertising, which we plan to begin distributing within this fiscal year, bears fruit. However, it is unclear whether the desired results can be attained until we actually begin the distribution. Moreover, positive effect of the distribution of video advertising on the YoY growth rate in revenue will eventually wear out in a year's time. Considering this, we believe that accumulation of steady improvements, such as improvement in CVR (conversion rate) through the use of multi big data and betterment of distribution accuracy through the increase in logged-in users, is vital for our long-term growth.

Q. What factors contributed to the improvement of the YoY growth rate of Premium Advertising revenue?

A. Advertisers' demand continues to shift from guarantee-based advertising to performance-based advertising. Therefore, the revenue of Prime Display and others continue to be weak. Meanwhile, the overall revenue from Premium Advertising steadily increased. This was due to: recovery of ad placements by some advertisers who suspended their placements after the Kumamoto earthquake; contribution of Brand Panel for smartphones, which was not sold last year, to the net increase in revenue; and

the growth of the revenue derived from shopping-related advertising.

For 3Q, we expect a high single-digit YoY growth considering the fact that high demand on shopping-related advertising is approaching due to the year-end sales. For the full year of FY2016, we expect a positive growth compared to the previous year.

Q. In the long run, is there a possibility that the advertising-related revenue will decrease?

A. We expect to be able to continue growing the advertising-related revenue in the future.

Q. Transaction value of shopping business was announced to be JPY 101.1 billion for 2Q. Excluding the transaction value of LOHACO, I presume that the transaction value of Yahoo! Shopping itself to be almost the same as the previous quarter. Did the Olympics have an impact on this?

A. Comparing the results of 1Q and 2Q, the YoY growth rate of shopping business transaction value has decreased by around 10 percentage points. However, this was partly because the transaction value of FY2015 1Q was low. We believe that there was a certain amount of effect from the Olympics but we recognize that the transaction value is growing steadily and continuously.

Q. While the transaction value of the shopping business is sluggish, revenue from shopping-related advertising increased to JPY 3.1 billion. Isn't the take rate increasing?

A. The take rate is around mid-3%. The take rate is steadily improving along with the growth in the transaction value. We aim to gradually expand the take rate from mid-3%, while maintaining the growth in transaction value.

Q. In the previous forecast, it was announced that there is a possibility that the shopping business would achieve profitability on a single month basis within FY2016, and that it would contribute to earnings by FY2017. Are there any changes to this forecast?

A. Let us explain about the results of 2Q and the outlook. In 2Q, we continued to focus on the traffic referral from our media services, linkage with Yahoo! Premium members, and cost effective sales promotional activities. Although measures such as traffic referral from our media services and linkage with Yahoo! Premium members are sustainable, they only produce effects gradually. Therefore, although we were able to maintain a high

level of YoY growth rate in the transaction value of shopping business while promoting the efficiency in our sales promotional activities, we were not able to achieve the YoY growth rate of 40%, a target that we have already noted to be high.

Moving on, we believe that we should focus on the growth of the transaction value. Therefore, for 2H, we believe that we should actively spend more on sales promotion than 1H. Having said this, we are not changing the outlook of the sales promotion cost for the full year, because we were able to maintain the sales promotion cost for 1H at a low level due to increased efficiency. However, for 2H, we are considering to increase the proportion of sales promotion cost used for the shopping business. In terms of profitability, we plan to put priority on growing the transaction value instead of hastily achieving profitability.

Q. You explained that in FY2016 2H, sales promotion cost will be allocated more to Yahoo! Shopping. I would like to know, more specifically, what kind of sales promotional measures will be conducted. I expect measures such as “Good Shopping Day” campaign, and privileges to long-term contractors of SoftBank to begin, but what kind of effects do you think will be produced from these measures? And do you expect to be able to achieve the 40% YoY growth target of transaction value for the full year?

A. As specific measures, we expect to conduct: sales promotions such as “Good Shopping Day” and year-end sales; collaboration with SoftBank; and campaigns with Y!mobile, etc. In terms of the outlook for the full-year transaction value, as explained before, we regard that achieving 40% YoY growth in transaction value to be an extremely high target. Moving into 2H, we would like to aim for a full-year YoY growth in transaction value of 20% to 30%, as a more realistic goal. We will continue to aim for a growth rate higher than the growth rate of the market, and maintain our position as an EC mall with a great momentum.

Q. How do you expect to take the market share from major competing rivals? Please explain Yahoo! JAPAN’s competitive advantages.

A. Moving on, we need to grow both Yahoo! Shopping and YAHUOKU!. Especially for Yahoo! Shopping, we hope to grow the business through the current strategy of providing privileges to specific customer base such as Yahoo! Premium members. Currently, this strategy is extremely successful, thus following Yahoo! Premium members, we hope to conduct the same strategy to Y!mobile subscribers.

Q. Please explain the reason why the SG&A for 2Q, excluding the sales promotion cost, has increased compared to the previous quarter.

A. In terms of SG&A, the depreciation cost has increased by around 30% compared to the same quarter last year due to the strengthening of capital expenditure that we have been conducting from before. As a one-time factor, the rents to both the old and new offices have arisen due to the relocation of the head office.