

**Outline of Q&A Session at Investors Meeting on Results for the Three Months Ended  
December 31, 2016 (Held on February 3, 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 the outlook of the business results for FY2017.

A. We are currently in the process of preparing the budget so we cannot disclose the specific business outlook for the next fiscal year.

Q. What are the factors for the 5.9% year on year revenue increase in paid search advertising? Moving on, do you think that you can continue the increase in this revenue?

A. Increase in the revenue of paid search advertising can be attributed to factors such as: improvement in the advertising products, strengthening of sales structure towards major advertisers, and continuous system improvements. These are sustainable measures, thus we consider that we can continue to make improvements in the future.

As a side note, the revenue of paid search advertising in PCs continues to decline. However, the rate of decline is gradually decreasing. In addition, revenue per search is higher in PCs than in smartphones. Before, there was approximately a 40% difference between PCs and smartphones, but now, the difference is shrinking to about 20%. We regard that this is because, as a product, paid search advertising for smartphones has improved.

Q. Is the number of queries in smartphones increasing? Aren't the competitors taking the market share?

A. The number of queries in smartphones continues to increase. We do not have the precise figure for how much the competitors are increasing their queries, but we do not think that there is a big change in the market share. Most of the queries are generated from the top page of Yahoo! JAPAN. Therefore, our focus is to increase the queries in smartphones through the growth of Yahoo! JAPAN top page app.

Q. The year on year growth rate of revenue from YDN and others is gradually becoming

moderate. Please tell us the status and the outlook of measures to improve the targeting accuracy through the use of data.

A. In terms of YDN and others, we consider that there is still room for growth through measures such as: increase in ad inventory, introduction of video ads, and increase in the revenue per impression through the use of data. In 3Q, we have made continuous expansion in ad inventory. We have begun the test distribution of video advertising in January this year, and hope for a full-scale deployment in and after the next fiscal year.

In terms of data usage, we continue to conduct various measures and think that the potential impact is large. However, it is a measure that takes considerable amount of time so we would like to proceed without rushing. Whereas the impact of improvements such as format renewal diminishes in a year, improvements in data have impact as such improvements are accumulated. In the future, we regard that utilizing data derived from e-commerce on advertising is one of the most important research areas.

Q. You mentioned that test distribution of video advertising in Yahoo! JAPAN top page app has begun. How did you resolve the problem that for some users, the volume of traffic communication becomes a burden?

A. We have made developments so that the users can configure whether the video ads will be automatically played or not. The users can switch the mode depending on whether the video ads are accessed via Wi-Fi or not.

Q. Please tell us your view and measures towards the problem of tickets being resold at high prices.

A. Up till now, we have handled the reselling of tickets in YAHUOKU! and have offered ticket buyers with the value that tickets are available even just before an event. However there were problems such as profit not returning to the promoters, and tickets not being delivered to those that the promoters want to deliver to. We are therefore trying to build a new secondary distribution system of tickets so that we can offer value to both the buyers and the promoters. As one measure, we have made an experiment on "ticket matching", a promoter authorized secondary distribution system at the end of 2016. The result has been favorable from both the promoters and the buyers so we hope to sequentially expand this measure in the future.

Q. Please give us a summary for 3Q and the outlook for this fiscal year regarding the growth rate of transaction value in the shopping business.

A. In FY2015 3Q, sales promotional measures were conducted at a large scale and this

contributed to the large increase in transaction value. Therefore, the hurdle of surpassing the results of the same quarter last year was high. Despite such background, we were able to achieve a year on year growth rate of 23.4% for 3Q, higher than the market growth rate again.

For the outlook for FY2016, the 20-30% year on year growth rate remains unchanged. In 4Q, along with the benefits provided to Yahoo! Premium members, campaigns to SoftBank and Y!mobile users will begin. The hurdle of surpassing the results of the same quarter last year continues to be high; however, we hope to increase the transaction value effectively through these measures.

Q. Please give us the outlook of the transaction value of shopping business for the next fiscal year. Also, how do you regard the balance between the growth in transaction value and profitability?

A. In terms of the outlook of the transaction value for the next fiscal year, we will refrain from making a detailed comment since we are in the process of making our business plan. However, we hope to continue to achieve a growth rate that exceeds the market growth rate.

We are in a situation whereby achieving profitability on a single month basis is possible if we restrain our sales promotion cost. However, we regard that we are currently in the stage of putting priority in the expansion of transaction value so we are reinvesting our profit for the growth of the transaction value. Moving on, we will formulate our plans with an eye on market situations.

Q. In the shopping business, you are conducting a large scale point campaign mainly towards Yahoo! Premium members. In order to improve profitability, will you be increasing the take rate, or will you be decreasing the rate of point refund from the current level?

A. In terms of the profitability of the shopping business, we manage by comparing the take rate with the ratio of sales promotional cost to the transaction value, etc. In the last fiscal year, the latter had significantly exceeded the take rate. This fiscal year, the take rate has increased while efficiency in the use of sales promotion cost has been promoted, thus the two figures are almost level. Therefore, currently, we are not in a state in which increase in the transaction value will lead to more losses.

Moving on, we think that there is more room for growth in the take rate. In addition, the rate of points to be provided can be improved through effective management with an eye on cost effectiveness. Moreover, the increase in the transaction value in the shopping

business will improve the earnings of the financial and payment business. We regard the two businesses as one when we consider the improvement in profitability through the increase in the transaction value.

Q. Take rate of shopping-related advertising has increased to more than 4% in 3Q. What is your outlook?

A. Take rate of shopping advertising has increased to above 4% in 3Q. Although the figure is more or less boosted by the year-end shopping season, we believe that the figure would have also been around 4% even without this boost. Considering the burden on the sellers, it is reasonable to think that the take rate will trend within the 4-5% range for the time being.

Q. Will the policy for sales promotional measures for e-commerce change in the future? I have an impression that compared to this fiscal year in which measures towards Yahoo! Premium members were emphasized, you will focus on measures to acquire new buyers in the next fiscal year.

A. We have gained confidence that focusing point provision measures towards a specific customer base is extremely effective in securing customers and in improving the annual spending per customer. We are considering continuing similar sales promotional measures moving forward.

Q. Collaborative campaigns with SoftBank and Y!mobile have started from February. What is the cost breakdown among the parties?

A. Costs are appropriately divided among Yahoo Japan Corporation and the two companies.

Q. Please explain why the revenue of "Others" segment was favorable, and the factors that contributed to the reduction of costs. Are they constant or temporary factors?

A. "Others" segment includes figures of: payment-related services, YJ Card, IDC Frontier, YJFX, etc. The revenue growth is mainly due to the growth of revenues of payment-related services and YJ Card. We consider that the reduction of costs was possible due to factors such as the capitalization of sales promotion costs, which is directly related to the acquisition of new YJ Card members. There are no major temporary factors for both the revenue growth and reduction of costs.

Q. In 3Q, the growth rate of the number of page views has become moderate compared to the same quarter last year. Is this due to environmental changes such as the appearance

of new competing services, or due to seasonal factors?

A. In 2Q of FY2016, factors such as the Olympics and typhoons surged the number of page views year on year. Therefore, the year on year growth rate of page views for 3Q appears to be moderate compared to 2Q. KPIs such as the number of daily unique browsers are steadily increasing, so we are not so concerned.

Meanwhile, smartphone penetration rate has increased in Japan; thus traffic increase is expected to gradually become moderate. In the future, it will become important to conduct measures on both quantitative and qualitative aspects of traffic. In terms of the quantity of traffic, we will promote the transition from browsers to apps. Even for the same users, we already know that app users tend to have more traffic than browser users. In terms of the quality of traffic, we are conducting measures to increase logged-in users. The value of traffic differs by whether it is logged-in or not. In this respect, we are currently focusing to increase the number of logged-in app users, and have particularly succeeded in increasing the logged-in traffic in the past year.

Q. Are there any M&A planned for creating new forms of media or for strengthening media function in the future?

A. All possible M&As are constantly considered and this is not limited to media. However, we think that we should not give up on creating and growing our own services. Therefore, we will continue to endeavor to create hits with our own media, while constantly considering possible M&As.

Q. It seems that the proportion of Internet advertising out of the overall advertising budget is low in Japan compared to other developed countries. Do you think you can increase the proportion of Internet advertising in the future?

A. We consider that the proportion of Internet advertising in Japan is low compared to other countries. Up till now, the Internet advertising market has grown as advertising placed in media other than TV gradually shifted to the Internet. In Japan, the population continues to age, so TV remains as a powerful advertising media.

Meanwhile, considering that the total advertising budget in Japan against GDP remains unchanged for a long time, we consider that the overall advertising market will not grow rapidly in the near future. Therefore, how much of the branding advertising conducted through video can be incorporated into the field of Internet advertising will become vital moving forward.

In such a situation, ASKUL, our consolidated subsidiary will become an important asset. ASKUL has clients that are major companies placing advertisements in Japan, and has a

very powerful channel. ASKUL is steadily advancing in the e-commerce market, and by effectively utilizing this movement, we think we may be able to increase clients who would be interested in conducting branding efforts through Internet advertising from ASKUL's client base.

Also, sales promotional activities such as flyers, coupons and provision of sample products have been hardly conducted over the Internet up till now. We believe that there is a possibility for us to take in such methods in Internet advertising in the future.