

**Outline of Q&A Session at Investors Meeting on
Results for the Three Months Ended September 30, 2018 (Held on October 31, 2018)**

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

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■ Mobile Payment Business

Q. Please explain the business structure of PayPay again. Especially, who will bear the expenses?

A. PayPay, the business operator, will basically bear the miscellaneous expenses such as personnel and promotions, etc. Meanwhile, we plan to have PayPay function in Yahoo! JAPAN app, so if we plan to promote and proliferate the use of PayPay to Yahoo! JAPAN users, there is a possibility that we will bear the cost for this purpose.

Q. Why isn't T Points used in PayPay?

A. We hope to have PayPay used everywhere including stores and business operators that do not handle T Points. Therefore, we do not regard that linking with T Point is necessarily the best solution. On the other hand, the collaboration between our e-commerce business such as Yahoo! Shopping and T Point is functioning extremely well. Thus, it does not mean that we will terminate this collaboration in the future.

Q. How is the merchant acquisition proceeding?

A. We are not disclosing the number of merchant acquisitions yet. Initially, we had a hard time because the sales force had to sell while the product was still being made. However, sales efficiency is steadily improving after our service launch in October. We would like to accelerate our efforts from here on in order to achieve our target number of merchants.

Q. You are conducting a 1% cash back campaign to the first 300,000 merchants until January 2019. Do you expect to acquire 300,000 merchants by then?

A. At this point in time, we cannot disclose the target number of merchants to be acquired and when this will be achieved. Having a large number of merchants is a prerequisite to

winning against our competitors and promoting cashless payment in Japan. Therefore, we would like to be persistent in maximizing our merchants. In addition to the PayPay sales force which is already substantial, there is also the corporate sales force of SoftBank Corp. We would like our sizable sales force for expanding merchants to be the largest characteristics of PayPay.

Q. If you successfully acquire a substantial number of merchants within this fiscal year, will the expense for merchant acquisition be reduced and sales promotional cost for user acquisition increased next fiscal year?

A. At the moment, we believe that conducting user promotions to acquire users will also promote the acquisition of merchants. Of course this depends on the extent of merchant acquisition from March next year, but we think that the expenditure for merchant acquisition will gradually decrease from next fiscal year onwards. In any case, these expenditures will be borne by PayPay.

Q. Will QR code payment really become popular? Do you have countermeasures in place if other forms of cashless payment become popular?

A. Our intention is not proliferating QR code payments. Rather, we would like to maximize the flow of money via Yahoo Japan. We are promoting QR code payment at the moment because it is cost effective and because we have seen successful cases in China. Regardless of which form of payment method becomes prevalent, if we can make a service which will be important for users and stores, and if we can create a situation in which money and data flow through Yahoo Japan, we will be able to expand this to our existing businesses, etc. We will first start off with QR codes, but we will evolve the service according to changes in time, user demand and technology.

Q. How much of the domestic consumption do you want to capture?

A. First of all, together with our competitors, we need to rapidly expand the ratio of cashless payment in Japan. And then, we will take on the challenge of acquiring the largest market share.

■ Advertising Business

Q. Please explain more about the ad fraud countermeasures.

A. We have continuously conducted ad fraud countermeasures and have refunded the advertisers when the frauds are malicious. This time, we have gone further and have blocked all ad distributions via SSP, etc. Media of good quality is included in this, but we

plan to check and resume them one by one. Therefore, the immediate impact is big but this measure is highly appreciated by some advertisers. We will diligently move forward to have high-quality media resume their distributions.

Q. How much impact will the ad fraud countermeasures have?

A. We assume that the impact is around JPY 1 billion per quarter. With this considered, we expect a mid-single digit year on year growth in advertising-related revenue for this fiscal year.

Q. What upside potential do ad fraud countermeasures have in the long term?

A. Through ad fraud countermeasures we will become a media with high credibility, which will lead to the expansion of advertisers. Even if the countermeasures have impact right now, our credibility will improve when we squarely face these kind of problems. We believe that such measures will lead to the expansion of revenue in the end.

Q. Would the results of YDN, etc. for 2Q have been better if you had not conducted the ad fraud countermeasures?

A. We had made a partial product change in FY2017 2Q for YDN, etc. and the year on year growth rate had been high last year for this reason. Thus, achieving a high growth rate was difficult this 2Q in the first place. On top of this, we also had the added effect of ad fraud countermeasures to result in the current figure.

Q. How is the initial growth of premium video advertising that was launched for smartphones? In addition, do you feel that this will be a factor to increase revenue in 2H and next fiscal year?

A. In 2Q, smartphone video advertising grew approximately 4 times compared to the same quarter last year. Meanwhile we have previously announced that advertising revenue via PCs is decreasing and this decrease is not covered by smartphones yet. We think that video advertising via smartphones will continue to grow favorably. However, our response to the revenue decline in PCs will be a key factor in the future. For this, we intend to revitalize Premium Advertising as a whole by developing products that are device agnostic, and changing our products so that the indices on brand lifting can be correctly measured, etc.

■ Commerce Business

Q. In the initial plan, you had explained that you will aim for 30% YoY increase in Shopping

transaction value for the full year. Considering the current growth rate, I felt that it would be difficult to achieve the 30% increase. Do you plan to have aggressive promotional activities in 2H? Or do you feel that there is need to revise the plan?

- A. Sales drive is something that we would like to implement at any time. However, we need to consider future profitability and the P/L of the whole company for this. Thus, we are constantly making adjustments. We are always verifying the effectiveness of various measures; thus nothing is definite but we do not plan to lower the target at this point in time. We will make announcements if it turns out that we need to make a revision.

■ Others

- Q. In regards to factors of change in operating income, when do you expect the increase in expenditure to become smaller than the increase in revenue and to have income growth again?

- A. Currently, in addition to the expenditures made to grow the existing businesses, we are making additional investments to create the future ahead and we see steady growth in various KPIs. We hope that you will have a long-term perspective since we are working under the scenario that, compared to making no investments, our income growth will be larger in the future.

Also, there are two reasons for the increase in SG&A in 2Q. First, we strengthened recruitment. Second, logistics and distribution cost in ASKUL increased compared to the same quarter last year. For the full year, we hope our results will be as we announced at the beginning of the fiscal year.

- Q. You explained that the JPY 3 billion upward revision of the full year operating income is due to existing businesses performing better than planned in 1H. How do you foresee the outlook for 2H?

- A. We have taken into account the risks, etc. in 2H when making the revision.

- Q. How will the capital policy change due to the changes in your shareholder composition?

- A. We believe that the changes have made us more flexible, but there is no change in the fact that we need to obtain the consensus of the members in the board of directors, etc.