

**Outline of Q&A Session at Investors Meeting on  
Results for the FY2019 Full Year and 4Q Business Results (Held on April 25, 2019)**

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■ Overall business result/Company-wide strategy

Q. Please explain the balance between the revenue and operating income in fiscal 2019. The plan seems to be that the revenue will increase by approximately JPY 50 – 70 billion year on year, and operating income at maximum by JPY 10 billion year on year. In which field do you expect expenditures to concentrate?

A. We are not expecting any specific factors. As with fiscal 2018, we will make efficient investments to expand video contents in the media business. In the commerce business, sales promotional expenditure tends to increase in tandem with the transaction value, but we hope to enhance efficiency as much as possible. We are also continuing to make improvements in data-related environment, thus we expect depreciation and amortization expense to increase at a certain rate.

Q. Please explain the background to why there is a range in the guidance for operating income of fiscal 2019. The outlook of advertising revenue for fiscal 2019 also has a range, so can we understand the range in operating income to be due to the change in the advertising-related marginal profit? Or are there any increase/decrease in expenditure that you foresee?

A. It is highly likely that we will achieve the guidance for the consolidated business result. However, a double-digit year on year growth in advertising revenue is still an aggressive target figure. If we record a double-digit year on year growth in advertising revenue, it is possible that the consolidated business result will be better than expected. But, we have set a range taking risks, etc. into consideration.

Q. In regards to the expense for sales promotional activities excluding ASKUL and Ikyu (sales

promotion costs, advertising and promotional expenses, point-reward expense), I would like to know the result for fiscal 2018 and outlook for fiscal 2019.

- A. The sales promotion costs for fiscal 2018 is approximately JPY 71 billion. Including advertising and promotional expenses, this will be around JPY 80 billion. For fiscal 2019, we aim to have over +20% growth in shopping transaction value, but would like to restrain the growth of sales promotional expenditure compared to the growth of transaction value by spending sales promotional expenditure efficiently (e.g. through targeted sales promotions).

#### ■ Media/advertising business

Q. What scenario do you have for the double-digit year on year growth of advertising revenue?

- A. We have begun a new measure for paid search advertising from April this year. The effect from the change in design conducted last fiscal year will go through one cycle. However, we still see a room for growth of around high single digit. Out of display advertising, we expect a growth rate of a little over 10% for Premium Advertising. We are also strengthening the sales force by reconsidering our relationship with our clients and by introducing more proposal-type sales. The effect of data usage is beginning to show in YDN, etc. and we expect a low single digit year on year growth.

Q. What are the factors behind the year on year increase in revenue and decrease in income for the media business in fiscal 2018? What do you expect operating income to be if you achieve a double-digit year on year growth in fiscal 2019?

- A. In fiscal 2018, income did not grow at the same rate as the revenue because cost of sales increased for paid search advertising due to the change in rate in the agreement with Google. In addition, we were spending upfront to procure video contents. In fiscal 2019, the cost of sales for paid search advertising is not going to change largely from the previous year. Thus, we expect that this will contribute to income at the same profit ratio as fiscal 2018 if revenue increases.

Q. I would like to know the revenue of video advertising for fiscal 2018. What is the outlook for fiscal 2019?

- A. In fiscal 2018, the revenue of video advertising was approximately JPY 11 billion, out of which the revenue via smartphones was JPY 5.3 billion. We are not satisfied with this result and expect that we can grow this further. Monthly active users for GYAO! is

increasing, thus we would like to grow video advertising even more including instream ads.

Q. Premium Video Advertising for apps was released in July 2018. How is this progressing and what strategies do you have in place to expand this even further?

A. Video advertising and Premium Advertising grew steadily in 4Q. Positive effects due to the price revision for Premium Advertising and product change in fiscal 2018 are likely to continue in FY2019-1Q. For video advertising, we are beginning to have successful cases in both In-feed Video Advertising and Premium Video Advertising. We would like to utilize the know-how gained here to grow revenue. Meanwhile, the revenue growth of instream advertising for apps is modest compared to the market. In fiscal 2019, we would like to take on the challenge so that we can further expand this field.

#### ■ Commerce business

Q. Please explain the recent status of collaborations with SoftBank Corp.

A. The collaborations are going extremely well. More specifically, we see positive results mainly in the following three areas: 1) Acquisition of approximately 500,000 PayPay merchants in seven months since the start of service. This could not have been achieved without the sales power of SoftBank. 2) Acquisition of Yahoo! JAPAN Card members at SoftBank stores. This is contributing to the expansion of EC transaction value. 3) Growth in Yahoo! Premium membership. We are continuing to maintain a high growth here, thanks to the collaboration with SoftBank. We will continue to further our collaborations moving on.

Q. Out of the Yahoo! Premium members, I think that usage amount of Yahoo! Shopping by SoftBank members was relatively low before. How is it now?

A. We are continuing to put efforts in this aspect because the difference in usage amount has not narrowed so much. Also, the basic trend that there are quite a lot of Yahoo! Premium members who have not yet used Yahoo! Shopping has not changed greatly.

Q. Please explain your strategy to refuel growth in YAHUOKU!

A. There are things that we cannot explain due to our competitors. However, we can say that we will first make this service easier to use. We will also make a slight change in the user base. The user base of YAHUOKU! is male and the age group is slightly old. We need to approach female and the younger age group. For this, we would like to make our services

easier to use. In addition, we had a large restriction in this service because it is an auction service. Therefore, we would like to change our mindset. If there is anything we can announce within fiscal 2019, we will do so.

#### ■ PayPay

Q. Number of accounts of The Japan Net Bank and number of valid Yahoo! JAPAN Card holders have increased in 4Q. Are these increases impacted by PayPay's second campaign? Also, I would like to know if you saw any ripple effects such as increase in transaction value of Yahoo! Shopping, etc. due to the increase in number of valid Yahoo! JAPAN Card holders.

A. Number of valid Yahoo! JAPAN Card holders increased 1.6 million year on year and it is true that among them a certain amount of acquisitions were made due to PayPay's campaign. Moreover, we see ripple effects associated with the increase in valid Yahoo! JAPAN Card holders. As a results of the collaborations with SoftBank and initiatives with PayPay, user acquisition cost and costs to generate ripple effects in other services are decreasing.

Q. You mentioned that you aim to achieve increase also in net income in fiscal 2019. I would like to ask how you think of the costs related to PayPay and non-operating profit and loss in fiscal 2019.

A. We will withhold disclosing actual figures but we plan to achieve results within the range that we have disclosed. I think PayPay's deficit will not significantly change from the trend in fiscal 2018. We will make adjustments so that our net income will amount to JPY 85 billion including other affiliate companies and subsidiaries, etc.

Q. O2O (Online to Offline) and advertising have always been Yahoo Japan's forte, but I think there are missing pieces in order to develop the monetization of financial services. How are you going to strengthen your financial services?

A. We will focus on effectively using our existing assets rather than trying to fill in the missing pieces. The finance intermediate holding company is indeed a structure for this. In fact, the numbers of Yahoo! JAPAN Card holders and The Japan Net Bank accounts are steadily growing because of PayPay. Taking advantage of this situation, there are many things we can do such as loans, mutual funds and insurances, etc.

Q. I would like to ask about your outlook on the growth of PayPay users. Moving forward, is your strategy to gradually grow users through campaigns or to grow them instantly through

collaborations with SoftBank? Also, is it safe to say that most of the existing users are active users?

A. We plan to switch the fixed-term T points given in Yahoo! Shopping to PayPay bonus. As a result, PayPay bonus will be provided to Yahoo! Shopping users. With this initiative, we foresee that we will be able to acquire more people who are given PayPay bonus without additional cost. Acquired PayPay users can use the bonus that is initially given to them without topping up their PayPay balance. Therefore, they will likely be active users. Moreover, we believe that the attribution of these users have no strong relations with the existing 6 million users that we have acquired up to date and that the user demographic does not overlap so much.

Q. Comparing PayPay's first and second campaigns, I thought that the first campaign was more effective in the aspects of registered users and name awareness. What is your assessment on this?

A. The key is what is to be achieved in a campaign. The first campaign was conducted with an intent to encourage people to use the service at least once. In the second campaign, we wanted to acquire users that had a wait-and-see attitude during the first campaign. For a mobile payment business, it is important that users use the service in many occasions on a daily basis. Moving forward, even if we were to conduct flashy campaigns, we wish to design the campaigns so that it will expand daily uses.

Q. You said that PayPay's data will be used in the integrated marketing solution. How will the data be used? And are there any issues?

A. The main product will probably be offline commerce advertising. We are currently preparing to interview merchants, etc. and plan to commercialize it in 2H. We are still in a stage in which we will materialize ripple effects to online services such as effect on existing advertising leveraging PayPay's data.

There are two types of businesses: one in which we will utilize data acquired through PayPay and the other which can be realized just because we have PayPay. The latter is faster to materialize. A specific example of the latter is a business in which coupons will apply when users pay by PayPay. There had been businesses in the past where coupons were only displayed. However, by linking it with a payment function, use of a coupon will be visualized. Therefore, it can become an incentive-base business based on the use results of the coupons. We would like to start this measure within this fiscal year.

Q. Currently, it seems that acquisition of purchase data is not possible through PayPay. How

do you plan to acquire such data in the future?

A. Basically, we intend to share POS data with retailers. Data such as “how much was spent where” is not enough. We are making various efforts to obtain data.