

**Outline of Q&A Session at Investors Meeting on
Results for the FY2019 1Q Business Results (Held on August 2, 2019)**

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Q. 1Q has started off with a YoY decline in income. Unless you gain profits in and after 2Q, there is a risk that you will fall short of your full-year guidance. Meanwhile, since there are new services that will be launched in 2H, we expect that there will be an increase in expenditures in 2H. How do you intend to control costs? Should we be concerned of an acceleration in up-front investments in the next fiscal year and onwards?

A. Since FY2018-2H, we have continued making investments in production and procurement of video contents in the media business, thus the income margin has been low. However, this is expected to level off on a full-year basis in FY2019. Although income declined in 1Q, we intend to recover the drop over the second half of the fiscal year. Due to the adoption of IFRS 16, approximately JPY 4 billion of rental expense was reclassified as depreciation and amortization. Without this impact, the depreciation and amortization is expected to increase 10% YoY. Expense for sales promotional activities was around JPY 80 billion last fiscal year, and we intend to control this again at JPY 80 billion level this fiscal year. We expect a YoY increase of around 5% in personnel expense in FY2019, and this increase will be controlled by balancing the costs with advertising revenue. We are still holding internal discussions for the next fiscal year onwards, but our direction remains the same in that we will aim to achieve an increase in both revenue and income.

Q. I would like to know the details of PayPay Mall.

A. First, retailers that can deliver advantages to the users will participate in this mall. More specifically, their delivery and cancellation methods must be easy, and must have sufficient inventory. Also, we will only have good retailers who satisfy our standards (e.g. large sales volume) participate in this mall. We are promoting the acquisition of such retailers as merchants of PayPay Mall.

Q. What are the standards for being able to open a store in PayPay Mall? Will they be

selected from Yahoo! Shopping?

A. Retailers can open stores solely in PayPay Mall, and they will not necessarily be selected from Yahoo! Shopping. There are retailers who will not open stores in Yahoo! Shopping but will do so in PayPay Mall because it is a premium mall.

Q. What are the reasons why merchants will open stores in PayPay Mall?

A. It will be a platform in which there will be active transactions, because we can expect an influx of around 9.5 million PayPay users who are registered now.

Q. Won't there be an overlap between Yahoo! Shopping and PayPay Mall? Do you expect confusion among the users?

A. We will inform our users explicitly to gain their understanding. We regard this as a business model that is like the relationship between Ikyu and Yahoo! Travel in that Ikyu is like PayPay Mall and Yahoo! Travel is like Yahoo! Shopping. If we take an example from other countries, TaoBao and T-mall is also similar. We will learn from experiences and from other companies so that we can segregate PayPay Mall from Yahoo! Shopping and monetize in both platforms.

Q. Why will you have two services and apps: PayPay Mall and PayPay Flea Market? If you think about the users' hassle, wouldn't it be better to have one sales place?

A. The purposes of PayPay Mall and PayPay Flea Market are different. We expect PayPay Flea Market to be used by people who want to sell their goods and who want to buy second-hand goods; and PayPay Mall to be used by users who want to buy new goods. We want to incentivize users to download the apps as they use PayPay.

Q. Please explain the difference between YAHUOKU! and PayPay Flea Market, and the characteristics of PayPay Flea Market.

A. YAHUOKU! is an auction so it takes time to finalize the bid but there is fun in bidding. Users who understand the items' true value will buy them as bargain. Meanwhile, we are launching PayPay Flea Market to satisfy the users' request to sell easily and without hassle. We will dig into new demand through PayPay Flea Market.

Q. The operating income of the commerce business has improved in 1Q compared to the same quarter last year. Is this due to restraining of expenditures or because the results of Yahoo! Travel and Ikyu were favorable? How do you foresee 2Q and onwards?

A. The operating income of the commerce business grew from the combined effect of various reasons, but the main reason was that we were able to increase the revenue. The growth in the transaction value of Yahoo! Shopping also contributed. In addition, we were able to restrain the costs through effective use of sales promotion cost. In 2Q and after, we will have positive seasonal factors such as Good Shopping Day and others, so we will improve the profitability of the commerce business for the full year.

Q. Is the profitability of Yahoo! JAPAN Card improving?

A. Yes. The number of credit cards issued and the transaction value have both increased. Out of the use, a certain proportion of users is selecting to pay by using the revolving payment, thus we have a structure in place in which it is easy to generate profit. This business was already profitable last fiscal year, but the business structure is improving even further. Acquisition of new card holders is also steady via PayPay. We can acquire card holders via PayPay at a lower cost than through advertising in external sites.

Q. Will e-commerce be affected by the increase in consumption tax?

A. We expect last-minute demand to increase the transaction value of Yahoo! Shopping in 2Q. We continue to expect a positive YoY growth rate of over 20% for the transaction value. Thereafter, the government will conduct a point-reward measure for cashless payment, so this will be a positive factor for e-commerce in 3Q as well. We expect a double-digit YoY growth for the transaction value of sales of goods as a whole.

Q. You explained that you have excluded the transaction value of automobile-related offline trade from the transaction value of YAHUOKU!; in which KPI will this figure be included?

A. This figure itself is excluded from all data. The transaction value of YAHUOKU! indicated in the KPI Trends has been retroactively adjusted.

Q. Yahoo! JAPAN Card and PayPay Bonus easily impact Yahoo! Shopping and YAHUOKU!, but their growth seem to be modest compared to the last quarter. Please give your view on how users circulate among PayPay, Yahoo! JAPAN Card, YAHUOKU! and Yahoo! Shopping.

A. We are planning to have a structure in place so that the 9.5 million registered users acquired by PayPay will be referred to PayPay Mall and PayPay Flea Market. We will inform you the details of the strategy around fall.

Q. LOHACO's growth rate for the first quarter is negative 6% YoY. How do you incorporate ASKUL Corporation's business result in the guidance of Yahoo Japan Corporation?

A. The guidance that ASKUL Corporation has announced for fiscal year ending May 2020 is incorporated as is.

Q. Out of the 9.5 million PayPay registered users, around how many are active users? Fixed-term T Points in Yahoo! Shopping will be changed to PayPay Bonus Lite, thus I suppose you can expect PayPay users to be referred to Yahoo! Shopping. Are these users new users? Or are they overlapped with existing Yahoo! Shopping users?

A. I would like to refrain from disclosing the percentage of active users. However, PayPay is steadily being used for daily use. We would like to gradually improve the percentage of active users moving on. In addition, PayPay users are young, thus we expect that we will be able to have a new user base that is different from the existing user base.

Q. Number of payments using PayPay is increasing. Have there been changes in the demographics of PayPay users such as gender and age as well as the payment amount?

A. User attribute is very much like the demographics of the Japanese population. In terms of total amount of payments, use in convenience stores and drug stores are on top of the list, thus, the average unit price of payment is around that used for daily use. Recently, there have not been big changes to this.

Q. Paid search advertising was lower than expected. To what extent is the one-time factor making an impact, and what about other factors? How do you expect this to recover in 2Q?

A. There was a one-time loss in opportunity in some queries because we couldn't monetize on them due to system-related implementation mistakes. This was a one-time factor that affects 1Q only. We are not disclosing the size of this impact. We expect the revenue of paid search advertising for 2Q to be about the same as the same quarter last year.

Q. When do you expect video advertising, app advertising, dynamic advertising and integration of advertising platform to contribute to revenue? Please also explain the size of this impact.

A. Video advertising was around JPY 2.5 billion for 2Q, and the YoY growth rate was over 30%. The revenue via PC is decreasing while the revenue via smartphone is increasing – this trend is continuing. App advertising is a product that promotes the installation of apps. The revenue from this product is still small and we will not disclose the figure for this, but we will grow this product further. Dynamic advertising is also a product we have already offered and we are not disclosing the revenue size, but the size is currently bigger than that of app advertising. Before, we had various advertising platforms, which we will integrate into one so

that the advertisers will not have to take time considering to which product they should allocate their budget. The advertisement will be automatically distributed through the most appropriate advertising product and the cost effectiveness will be enhanced for the advertisers. By having our advertisers feel the advertising effectiveness, we would like to promote advertisers to further allocate their budget to our service.

Q. Premium advertising performed well in 1Q. Do you expect the same trend in 2Q?

A. The sales measures for 1Q was favorable, thus the result largely exceeded the forecast. The sales measures will be continued, but there will be ups and downs and the effects do not necessarily continue. Thus, we expect the forecast for 2Q to be a little less than 20% YoY increase for 2Q.

Q. YDN, etc. underperformed in 1Q due to a one-time factor. What do you expect for 2Q?

A. In 1Q, there was a negative impact of around JPY 1 billion due to measures against ad fraud. This impact will also remain in 2Q. In addition, impact from anti-tracking will continue. Therefore, we foresee a low-single digit negative growth year on year for YDN, etc. in total.

Q. Regarding the new earning pillars, namely integrated marketing solution and O2O advertising, I would like to know the timing of their contribution to the company's earnings and the business scale in their initial stages.

A. Although we are still in the midst of trials, we aim to grow our earnings in the sales promotion market with these initiatives. Earnings from these businesses are not included in the outlook for this fiscal year's advertising revenue (+low-single digit YoY growth). Thus, any earnings recorded will be an add-on factor to the figures in our outlook. We hope that contribution will be made to our revenue to some extent in 4Q.

Q. In the business results announcement held in April, it was announced that the target for advertising revenue for fiscal 2019 will be +mid-single digit to +double digit year on year growth. What was the basis for this outlook in April?

A. The miscalculation is due to the decline in revenues of paid search advertising and YDN, etc. Accordingly, we are controlling our expenditures in order to achieve our guidance on operating income. As a result, we saw steady progress and recorded 25% against the guidance for operating income. Revenue in April alone was strong, thus we expected a smooth sail ahead. However, the situation drastically changed after the long Golden Week holiday. In May, we encountered an incident in which we could not monetize some queries

for paid search advertising, and YDN, etc. was affected by anti-tracking measures.

Q. In the business results reported in April, it was indicated that integrated marketing solution is scheduled to be launched in 2H. However, no indication is made on the timing this time. Also, it says that provision of O2O advertising will begin in 4Q. Are both services behind in schedule?

A. Integrated marketing solution will be launched in 2H as scheduled. Currently, they are not behind schedule.

Q. You mentioned that synergies will be created through Softbank Corp. serving as sales agent of Yahoo Japan's services because SoftBank Corp. has a strong corporate sales power. However, handling advertising products require specialized knowledge and skills. Does the corporate sales force of SoftBank Corp. have enough expertise to start work immediately as Yahoo Japan's agent, or can you expect contribution to your earnings after you have spent time in developing their expertise in advertising products?

A. Sales for advertising require specialized skills. We are currently considering actual training methods within the company. SoftBank Corp. has strong ties with major corporations and we would like to leverage this to create synergies.

Q. SoftBank Corp. acting as a sales agent for Yahoo Japan Corporation is beneficial in the eyes of Yahoo Japan, but what does SoftBank Corp. gain from being your agent? Also, will Yahoo Japan pay agency commission to SoftBank Corp.?

A. Details are still being discussed, but it is likely that we will be paying agency commission. We will put a structure in place so that our revenue will increase and we will have income left in our pockets even when we pay agency commission.