



Yahoo Japan Corporation

FY2019-1Q

Business Results

August 2, 2019

Security code: 4689

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FY2019-1Q Financial Results - Topics

1

Yahoo! Shopping transaction value

Approx. **+20% YoY** growth

2

No. of monthly logged-in user IDs

16 consecutive quarters (4 years) of **double digit YoY** growth

3

Credit card transaction value

+49% YoY growth due to PayPay linkage

PayPay

4

Cumulative registered users **exceeded 9.5 million** in August; growing steadily

No. of payments per month **over 15 million times (June)** (Ref: LINE Pay 13.7 mil times*)

*Source: "Monthly Transactions 13.7M times" LINE CONFERENCE 2019

5

Operating income

Decreased as expected due to one-time gain recorded in FY2018-1Q.

Annual guidance progressing as scheduled (**24 - 26%**)

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FY2019-1Q

Financial Results

FY2019-1Q Consolidated Income Statement

Item	FY2018-1Q	FY2019-1Q	YoY
Revenue	231.8 (¥B)	238.6 (¥B)	+2.9 %
Operating income	47.5 (¥B)	36.1 (¥B)	-24.0 %
EBITDA ^{*1}	60.0 (¥B)	54.0 (¥B)	-10.0 %
Other non-operating income and expenses ^{*2}	0.6 (¥B)	11.0 (¥B)	+1,510.8 %
Equity in earnings of associates and joint venture ^{*3}	0.2 (¥B)	-5.9 (¥B)	-2,930.5 %
Net income	32.6 (¥B)	27.8 (¥B)	-14.7 %
Net income attributable to owners of the parent	32.6 (¥B)	27.3 (¥B)	-16.2 %
Diluted EPS	¥ 5.74	¥ 5.40	-5.9 %

*1 Change in EBITDA is mainly due to application of IFRS 16, Leases

*2 Gain on change in equity interest in PayPay Corporation (¥10.8 B) is recorded in other non-operating income and expenses

*3 Mainly due to PayPay Corporation

FY2019-1Q Factors of Change in Consolidated Operating Income

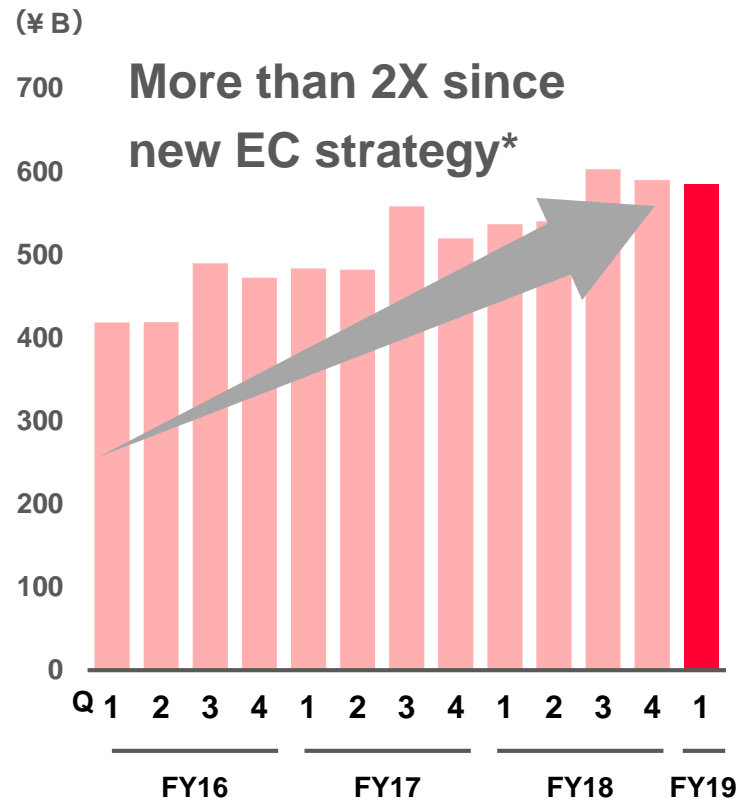
Decrease in income for 1Q is as expected due to one-time gain recorded in FY2018-1Q

Item		Amount (¥B)	Major factors (¥B)
FY2018-1Q Result		47.5	
YoY difference	Revenue	+6.7	ASKUL + 2.1; Advertising revenue + 1.8
	Cost of sales	-0.8	
	SG&A (major items only.)	-9.3	
	Depreciation and amortization	-5.6	Increase in depreciation expense of right-of-use assets due to application of IFRS 16 (rental expense decreased instead) Increase in software, servers, etc.
	Sales promotion cost	-2.8	Promotional cost for Yahoo! JAPAN app, point rewards for Commerce Business, point rewards for acquiring credit card membership
	Personnel expenses	-1.0	Hired approx. 450 new recruits (70% engineers)
	Content provider fees	-0.8	
	Business commissions	-0.6	
	Advertising and promotional expenses	-0.5	
Other revenue & expenses	-7.9	One-time gain: Gain in sale of IDC Frontier 7.9 (FY2018-1Q)	
FY2019-1Q Result		36.1	

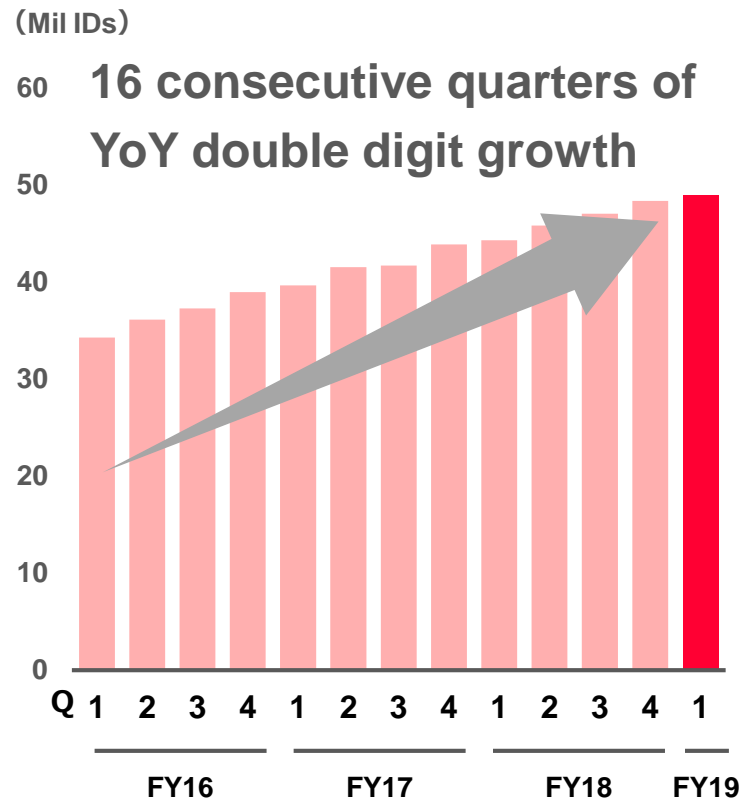
Business Base

Each business base (commerce, media, financial & payment) expanding steadily

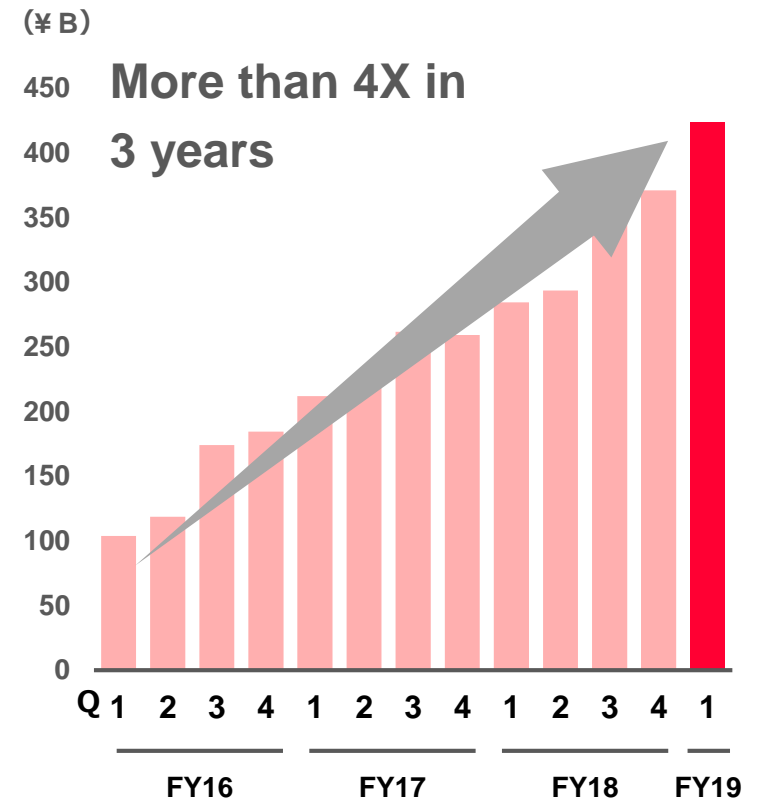
EC transaction value



No. of monthly logged-in user IDs



Credit card transaction value



*Began in October 2013

FY2019 Full Year Guidance (Consolidated Basis)

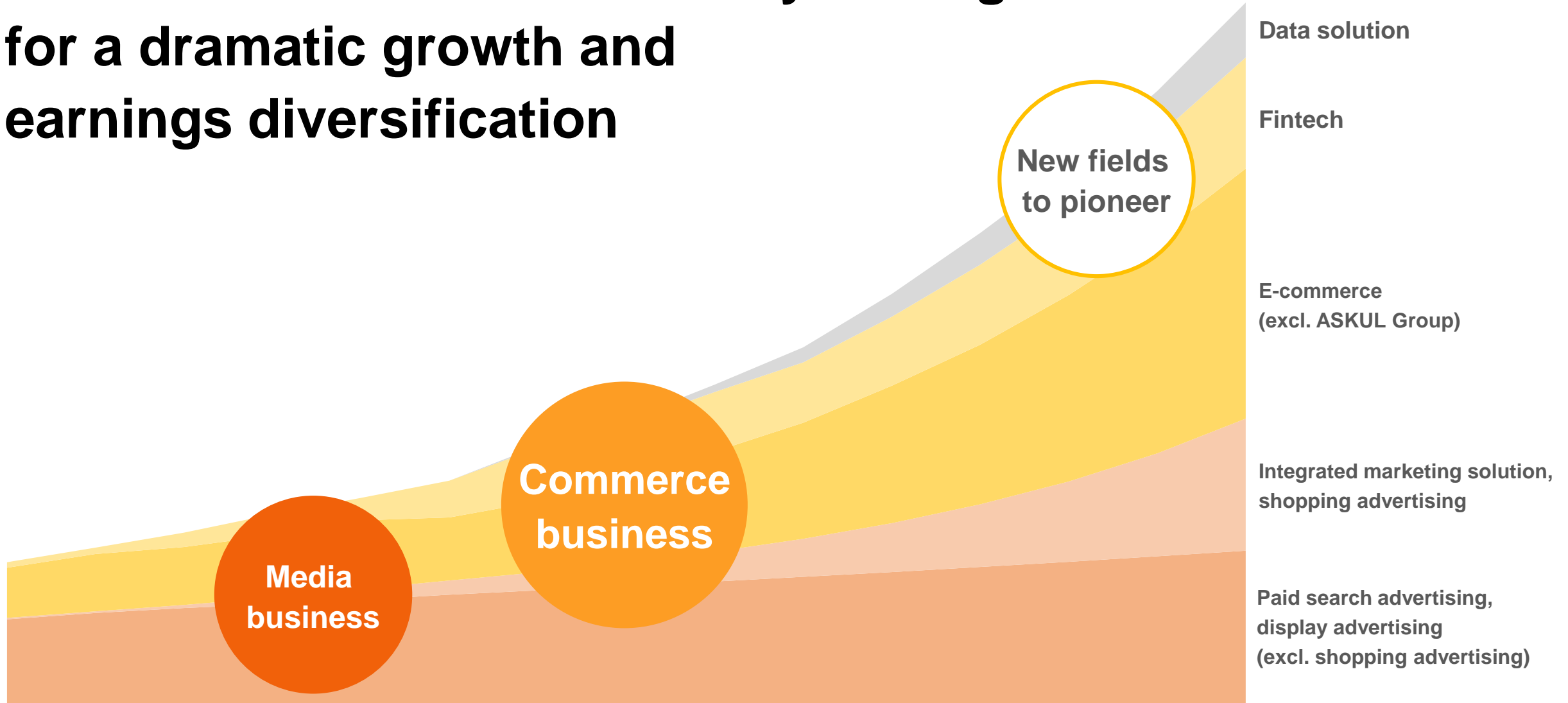
Steady progress - no change in guidance

Item	FY2019 (estimate)	YoY	Progress
Revenue	Over ¥1 T	+ 5 to 7 %	24 %
Operating income	¥ 140.6 to 150.0 B	±0 to +7 %	24 to 26 %
Net income attributable to owners of the parent	¥ 79.0 to 85.0 B	±0 to +8 %	33 to 35 %
Diluted EPS	¥ 14.8 to 15.9	±0 to +8 %	34 to 36 %
Dividend per share	¥ 8.86	Same	n.a.

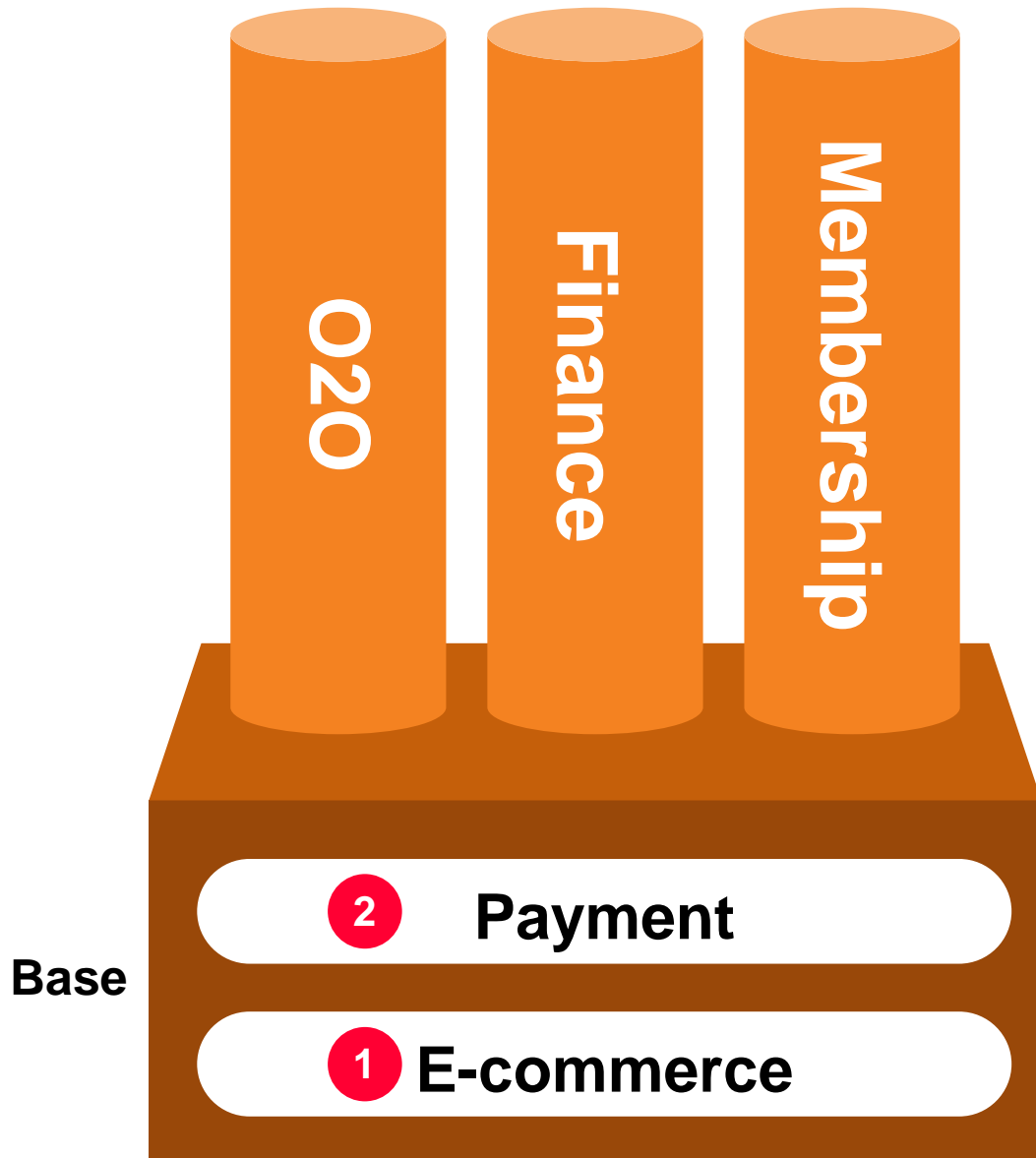
Summary of Business Segments

Revenue Growth Image by Segments

Commerce Business is the key strategic driver for a dramatic growth and earnings diversification



Commerce Business



Commerce Business base growing steadily

Item	Details
2 Payment	Credit card transaction value exceeded ¥400 B, +49% YoY
1 E-commerce	Shopping transaction value maintained high YoY growth of +17%

FY2019-1Q Commerce Business – KPI

Item	Actual result	YoY	Measures / Factors of change
EC transaction value	584.0 (¥B)	+ 8.8 %	
EC transaction value (Sale of goods)	475.6 (¥B)	+ 5.4 %	
Shopping transaction value	204.0 (¥B)	+ 16.5 %	Yahoo! Shopping grew approx. +20% Negative 6% growth in LOHACO (including LOHACO store in Yahoo! Shopping)
YAHUOKU! transaction value	200.4 (¥B)	+ 0.7 %	
EC transaction value (Non-sale of goods)	108.4 (¥B)	+ 27.0 %	Travel (O2O) grew over +30% Dining reservation also grew over +20%
Credit card transaction value	423.5 (¥B)	+ 48.8 %	Grew due to linkage with PayPay, sales promotional activities

New Service: PayPay Mall



 PayPay Mall



↑
Items of PayPay
Mall will be
displayed in both
websites
↓

* Illustrative purpose only
Photo: Aflo

 Shopping

To be launched in Fall 2019

Premium shopping mall

Features

1. Only for stores that meet our criteria
2. UI/UX that is optimized for each product category
3. Return/exchange allowed
(Within 14 days from receiving product)
4. Inventory linked with brick and mortar stores
5. Also linked to Yahoo! Shopping

PayPay Mall
listing fee

3%

Note: "PayPay" is a registered trademark of Yahoo Japan Corporation.

New Service: PayPay Flea Market



To be launched in Fall 2019

**Smartphone app that
focuses on
simple buy and sell**

Features

- 1. Specializes in flea market**
- 2. Linked with YAHUOKU!**

Sales
commission
TBA

Note: "PayPay" is a registered trademark of Yahoo Japan Corporation.

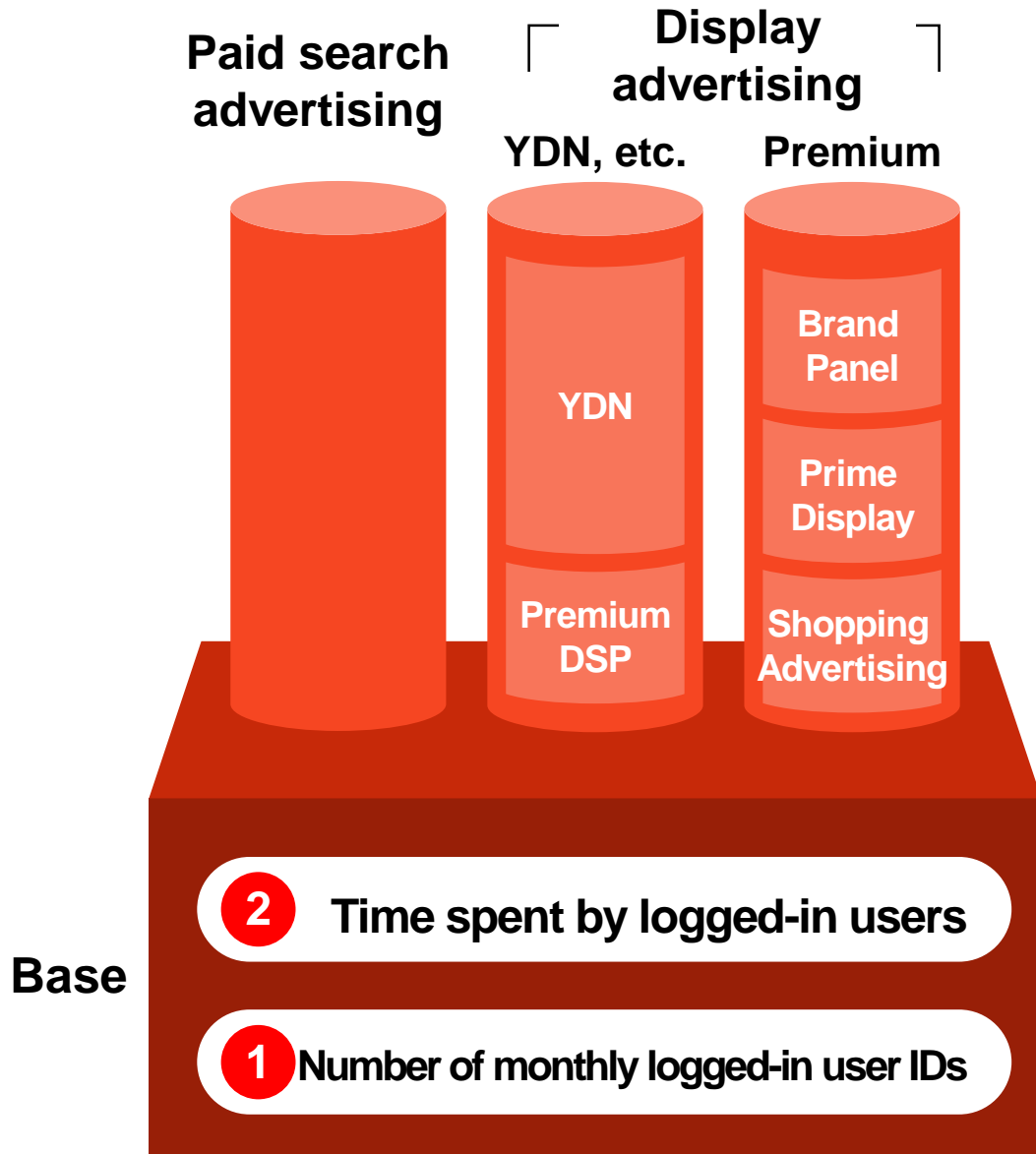
FY2019 Full Year Commerce Business – Targets

**Aim for double-digit growth for EC transaction value (sale of goods)
leveraging new services: PayPay Mall, PayPay Flea Market, etc.**

Item	Target (YoY)
EC transaction value (sale of goods)	+Double-digit %
Shopping transaction value	+ 20 %
YAHUOKU! transaction value	+Mid-single digit %

Media Business

FY2019-1Q Media Business – Uses



Media's user base steadily growing mainly in smartphones

Item	Details
<p>2</p> <p>Time spent by logged-in users via smartphones</p>	<p>+19% YoY growth</p>
<p>1</p> <p>Number of monthly logged-in user IDs</p>	<p>+11% YoY growth</p> <p>16 consecutive quarters of double digit growth</p>

FY2019-1Q Total Advertising Revenue - Results

Item	Actual result	YoY	Measures / Factors of change
Total advertising revenue	78.2 (¥B)	+2.4 %	
Paid search advertising	40.1 (¥B)	+1.6 %	<p>While CTR improved with a new measure (change in QuickLink Option displays), low-single digit revenue growth because:</p> <ul style="list-style-type: none"> • Effect of last year's UI measures wore out • PC and tablets decreased more than expected • One-time opportunity loss (no monetization for some queries), etc.
Display advertising	38.0 (¥B)	+3.1 %	
YDN, etc.	24.8 (¥B)	-6.1 %	<p>Negative YoY growth (¥1.4 B decrease) impacted by:</p> <ul style="list-style-type: none"> • Decrease in non-YJ* revenue due to measures against ad frauds • Decrease in unit price of smartphone web ads as a result of anti-tracking
Premium advertising (incl. shopping ads)	13.1 (¥B)	+26.9 %	Growth in shopping ads, etc.

* Non-Yahoo Japan Corporation ad distribution partners

Impact of Anti-Tracking

Background



Anti-tracking intensifying due to rise in awareness towards privacy protection

- ▶ **Decrease in retargeting ads**
- ▶ **Difficult to measure ad effects correctly**

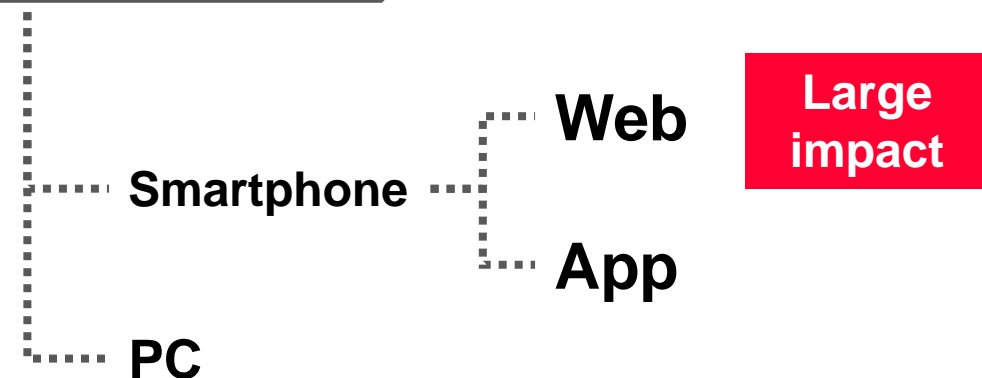
Lower unit price of smartphone web ads

Impact on our total advertising revenue

FY2018 Total advertising revenue
Approx. ¥325 billion

Paid search advertising → **Approx. ¥165 B**

YDN, etc. → **Approx. ¥110 B**

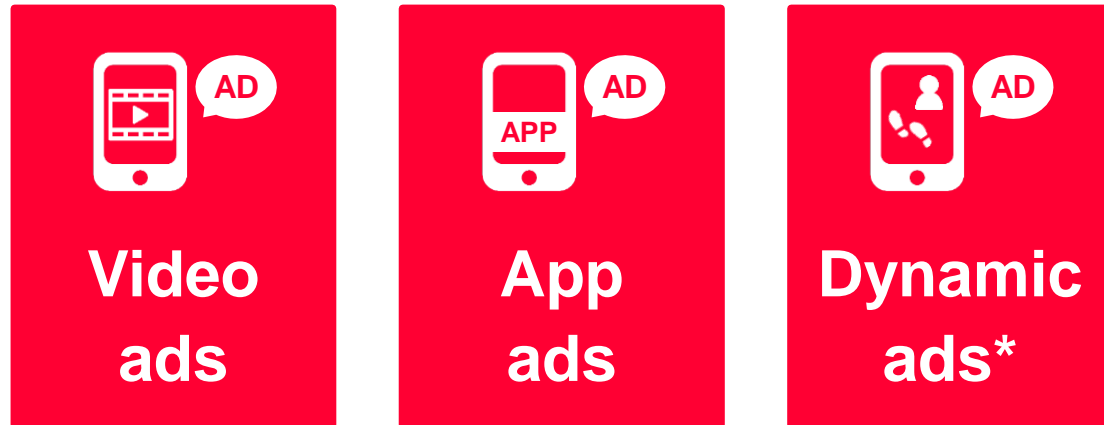


Premium Advertising → **Approx. ¥50 B**

Short-Term Measures to Increase Advertising Revenue

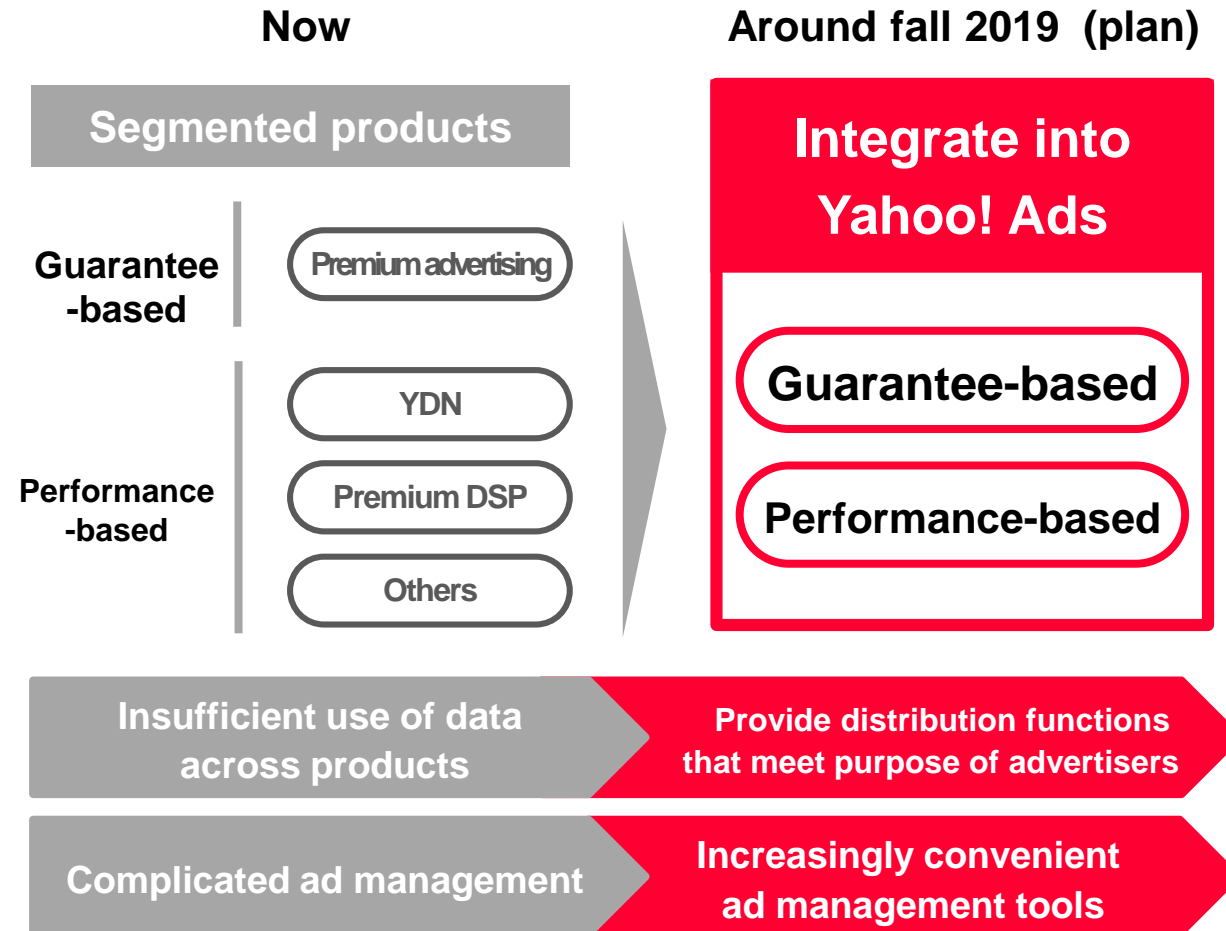
1 Raise log-in ratio and promote targeting based on Yahoo! ID

2 Focus in three areas that have room for growth



• Products such as “dynamic display ad” that can automatically personalize ad creatives according to user behavior history

3 Integrate ad platform to maximize ad effect



Mid- to Long-Term Measures to Increase Marketing Revenue

Create new monetizing models & multiple earnings bases



Integrated Marketing Solution



O2O

..... Online commerce ads

**Test marketing
underway**



**Focus:
Increase transaction value**

..... Offline commerce ads

**Release
β ver. in fall**

**Planned:
PayPay coupon &
sampling solution with
major drug stores and
convenience stores**



**Focus:
Expand product sales**



**Focus:
Reservation &
traffic referral, etc.**

**Comprehensive service that uses
PayPay to encompass
user attraction, payment and CRM
Monetization planned to being in
FY2019-4Q**

FY2019 Full Year Media Business – Targets

Current full year outlook: low-single digit YoY growth
New measures will be added to achieve initial target

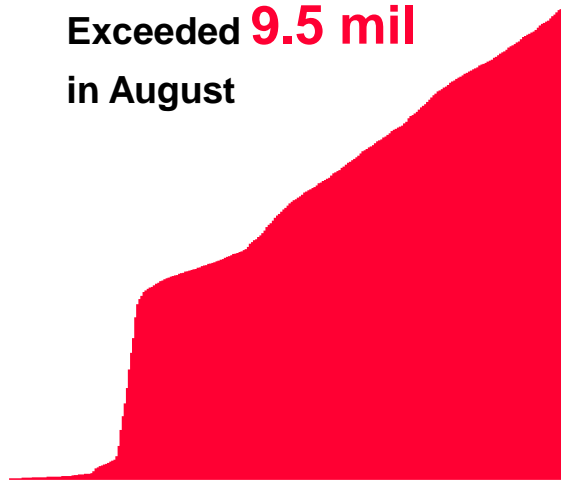
Item	Target (YoY)
Total advertising revenue	+Mid-single digit to double digit %
Paid search advertising	+High-single digit %
Display advertising	+Mid-single digit to high-single digit %

Strategic Measures

PayPay

Business base for smartphone payment –steadily growing

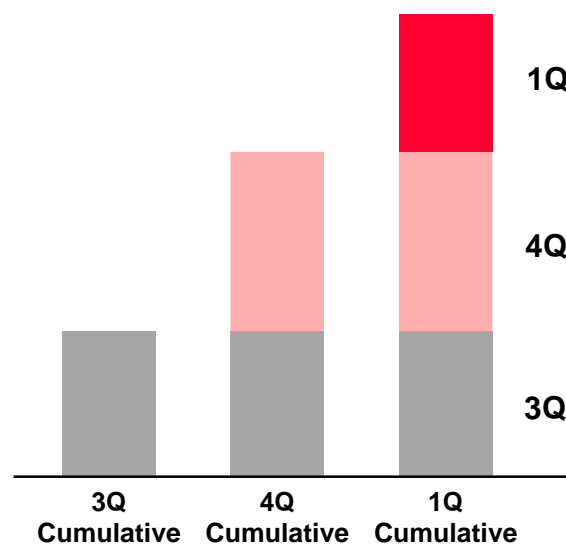
No. of registered users



As of end of June
(cumulative)

8.44 mil

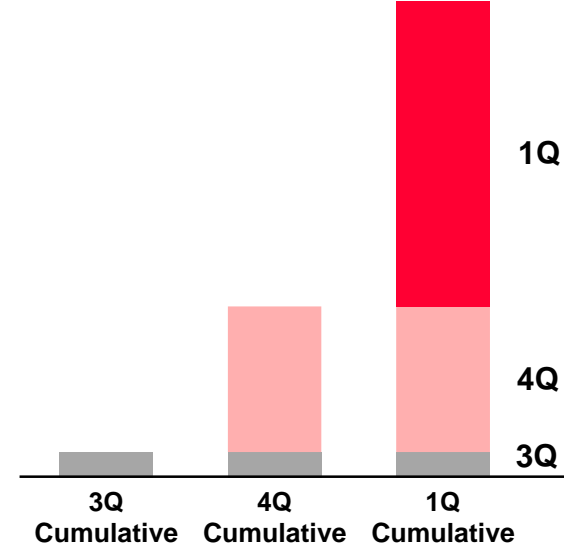
No. of merchants



As of end of June
(cumulative)

0.7 mil

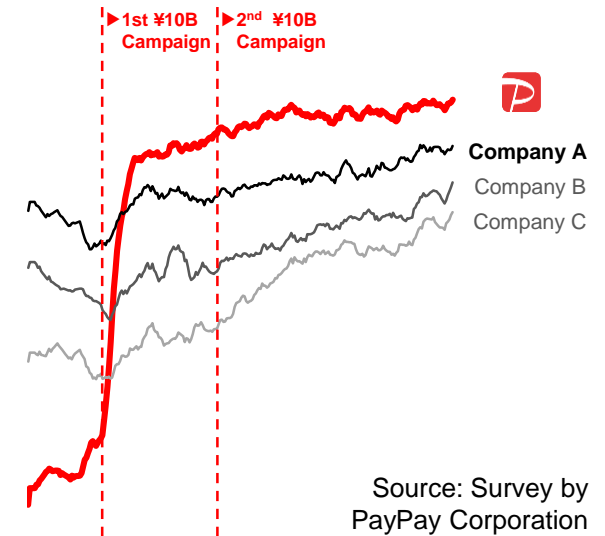
No. of payments



As of end of June
(cumulative)

74.09 mil

Name awareness



Maintaining
No.1
after start of campaign

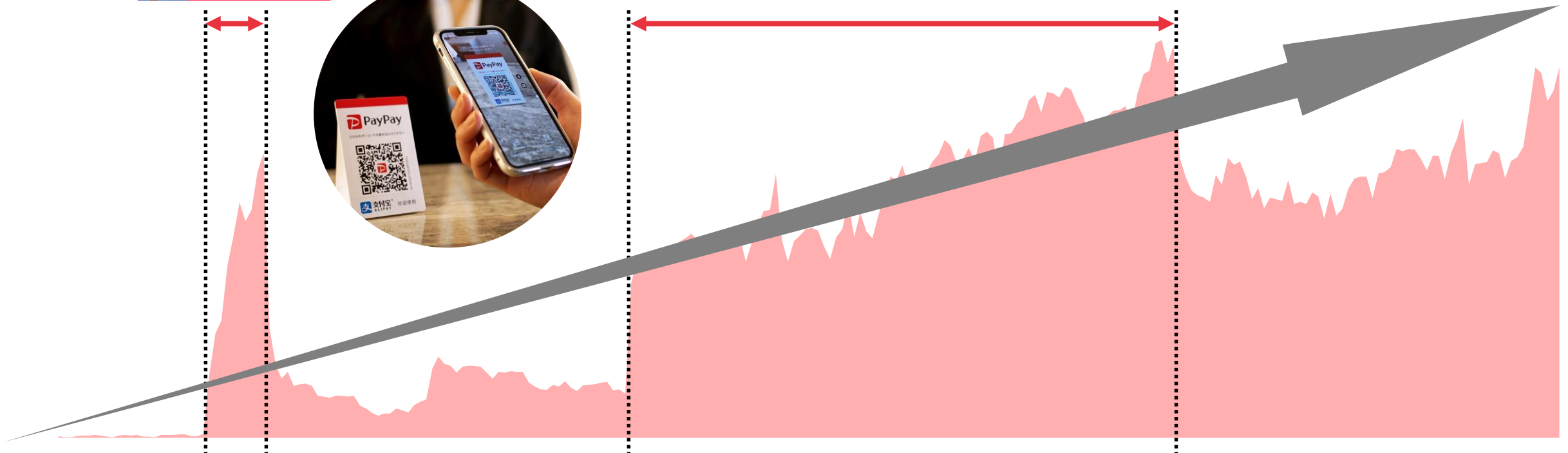
PayPay – Recap of Second Campaign

Campaign resulted in a large increase in the number of PayPay payments

1st ¥10 B campaign

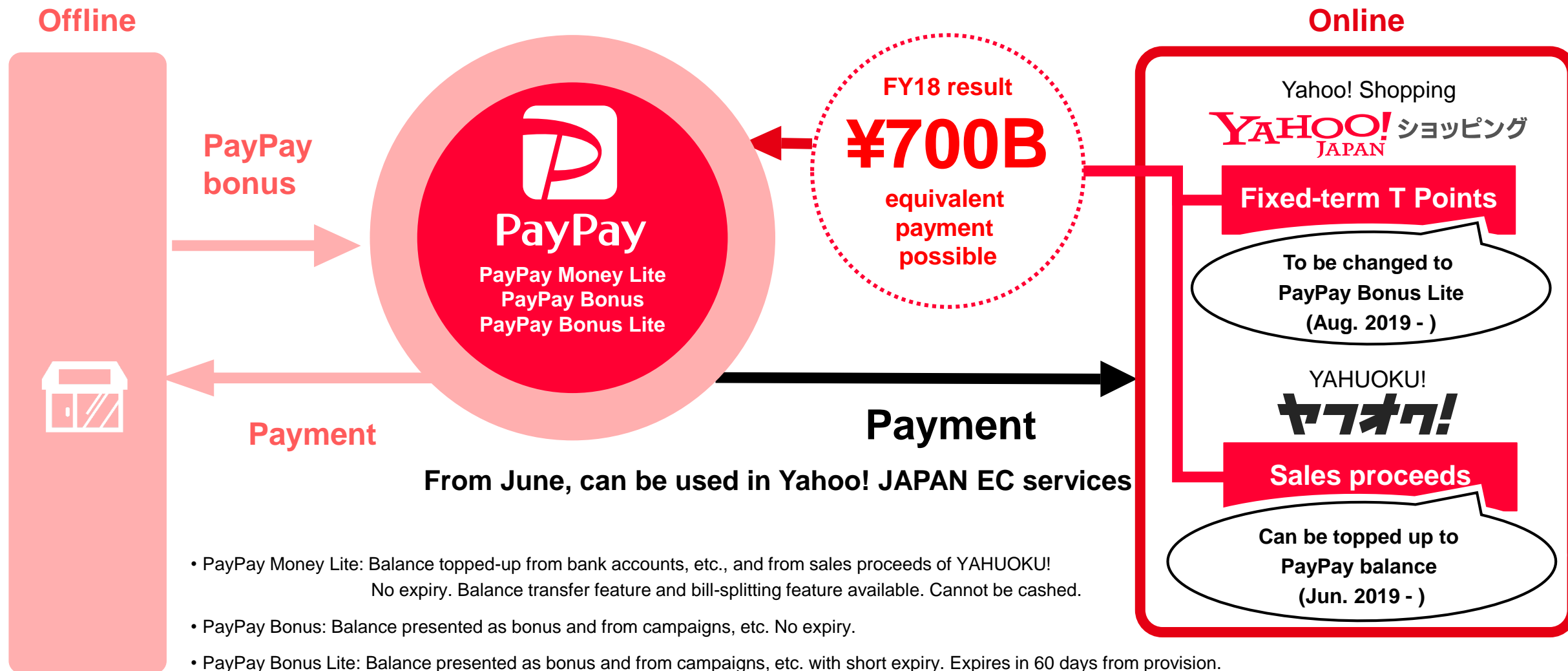


2nd ¥10 B campaign






PayPay - Measures

Payment and bonus provision in both offline and online worlds





PayPay's Potential

Comparison of cashless payments

	 Credit cards	 Transportation IC	 Smartphone payment
Merchants	<ul style="list-style-type: none"> • High payment commission • Store device necessary 	<ul style="list-style-type: none"> • High payment commission • Store device necessary 	<ul style="list-style-type: none"> • Cheap payment commission • Store device unnecessary <p>*For user scan payment</p>
Users	Can be used in few mom and pop stores	Can be used in few mom and pop stores	Will be available in many mom and pop stores

Advantages of PayPay

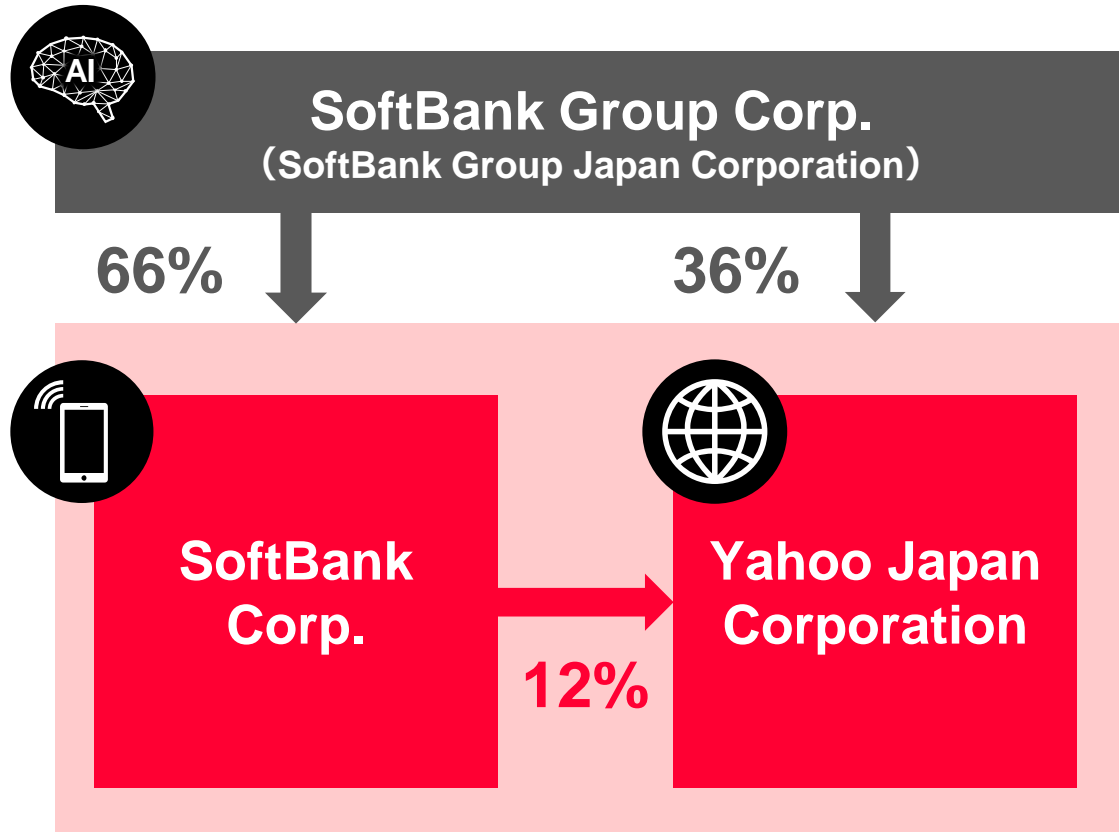
	 Short term	 Mid-long term
Merchants	<ul style="list-style-type: none"> • Payment commission *Free until end of Sep. 2021 for user scan payment • Can retrieve sales proceeds quickly 	<ul style="list-style-type: none"> • Marketing • Use of data • Financial advice from PayPay
Users	Receive PayPay Bonus	<ul style="list-style-type: none"> • Excellent user experience • Convenience of super app <p>*App that can make all sorts of payment-related actions in daily life convenient</p>

Change in Capital Structure

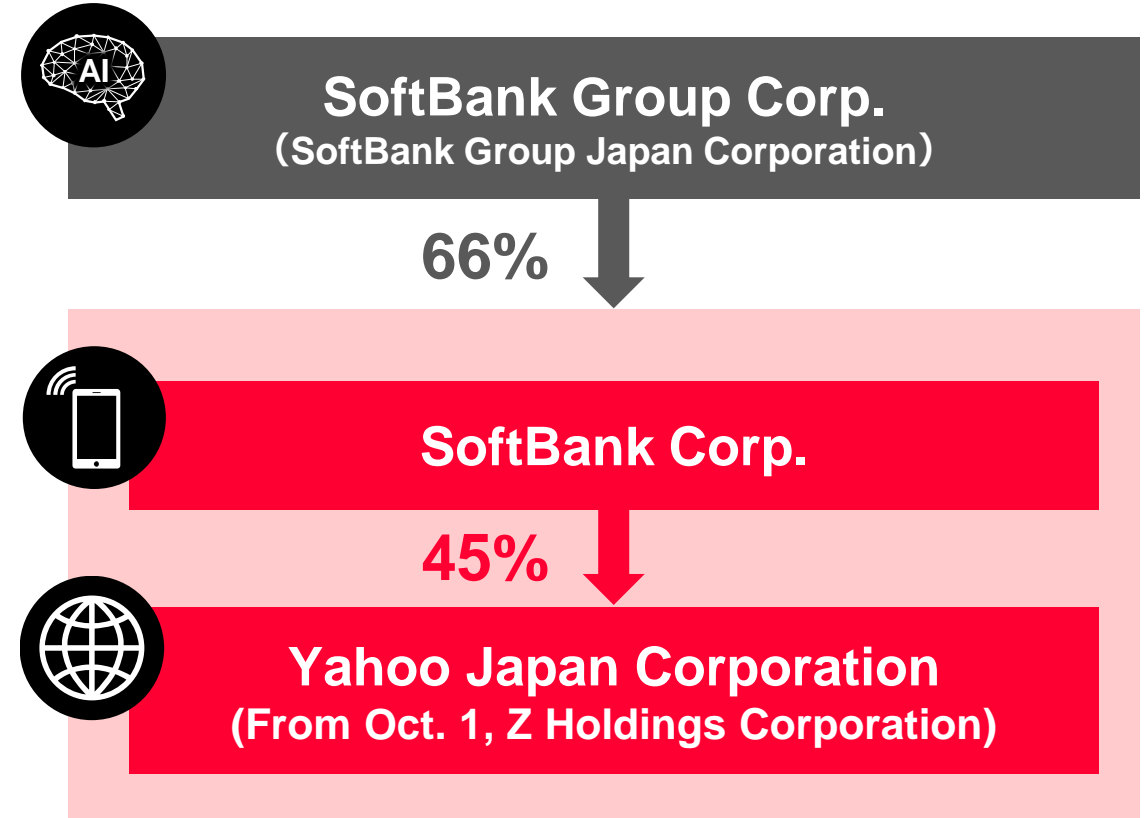
Consolidation by SoftBank Corp.

To achieve further growth and improve corporate value

Until June 26, 2019



From June 27, 2019

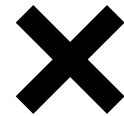


Under the New Structure, We Aspire to Be:

World's largest "information communications group" to create a future that can't be rivaled

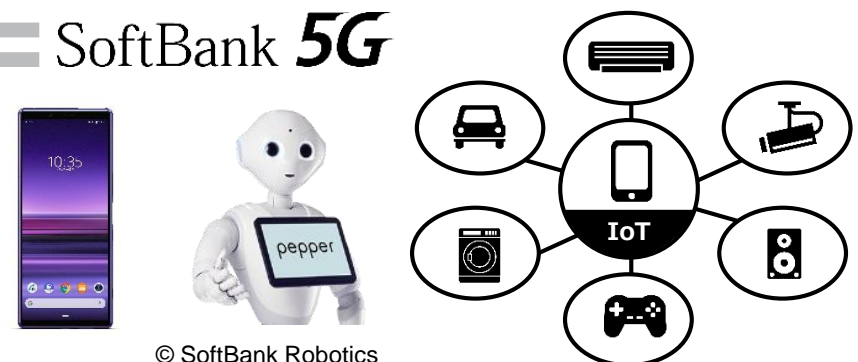
YAHOO!
JAPAN

Wide array of Internet services



SoftBank
Communication (5G)
/Smartphone/Robot/IoT, etc.

SoftBank 5G

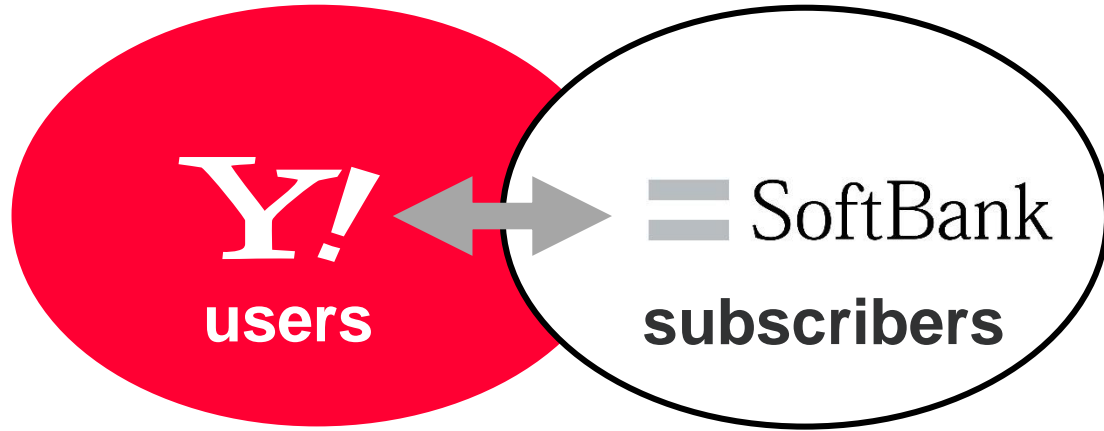


© SoftBank Robotics

A total of 100 million+ user base & big data

Synergies with SoftBank

Synergies created



Collaborative measures for
Premium members,
E-commerce benefits

EC transaction value



Future synergies



Collaborative measures
in digital marketing

Ad revenue



&

Yahoo Japan Corporation Aspires to:

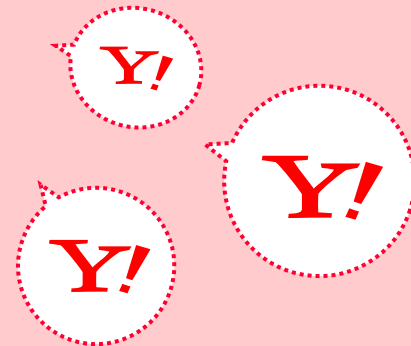
**Make our users' lives convenient to a surprising (!) extent
through Yahoo! JAPAN services**

Online world



**Even more
convenient**

Offline world



New entry

YAHOO!
JAPAN