



Yahoo Japan Corporation

FY2019-1Q

Business Results

August 2, 2019

Security code: 4689

Disclaimer

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The Company cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements.

Such factors include, but are not limited to, the items mentioned in “Risk Factors” in “Results for the Fiscal Year Ended March 31, 2019.” Unauthorized use of the information or the data in this document is not permitted.

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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

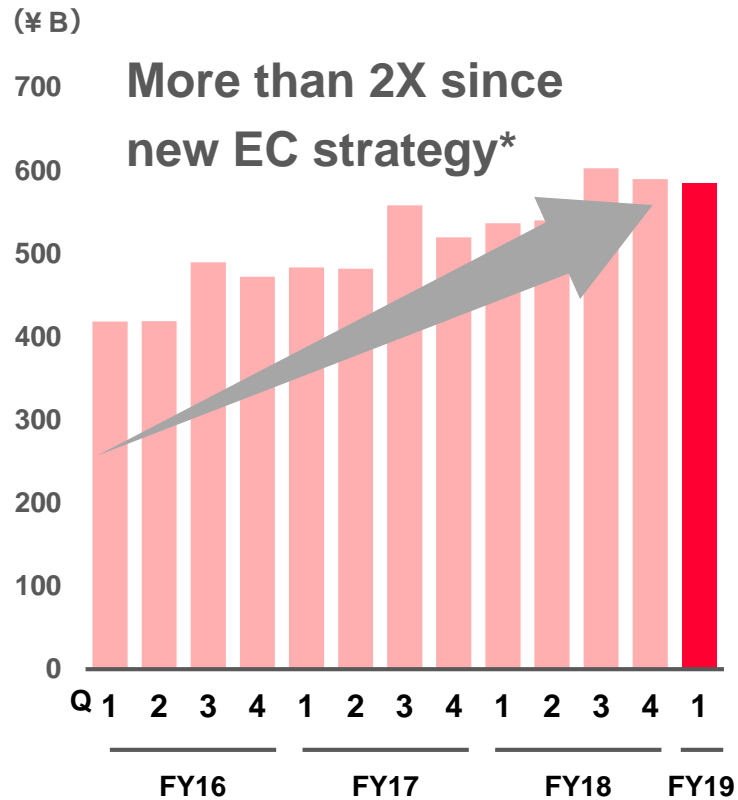
Decrease in income for 1Q is as expected due to one-time gain recorded in FY2018-1Q

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	

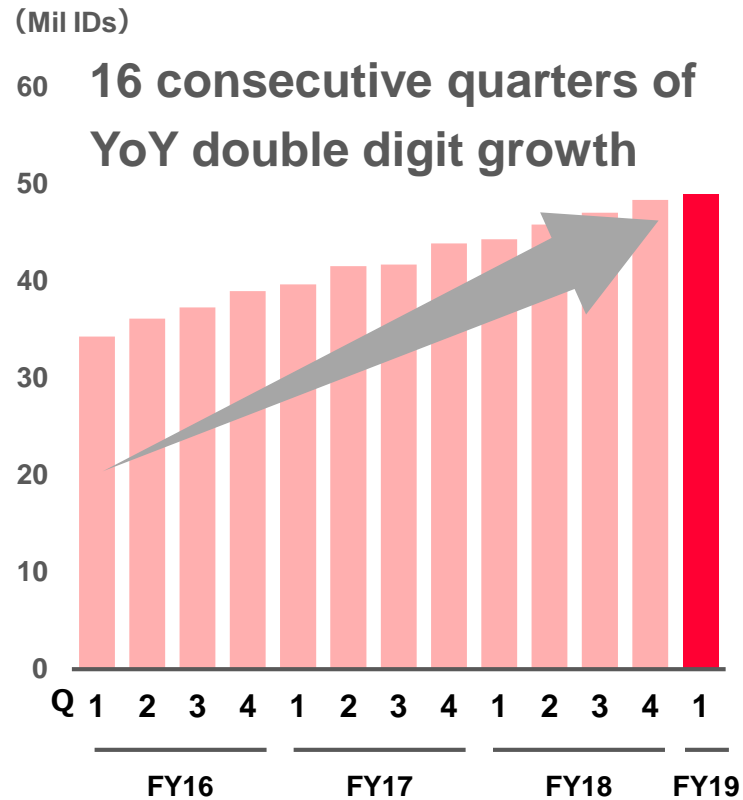
Business Base

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

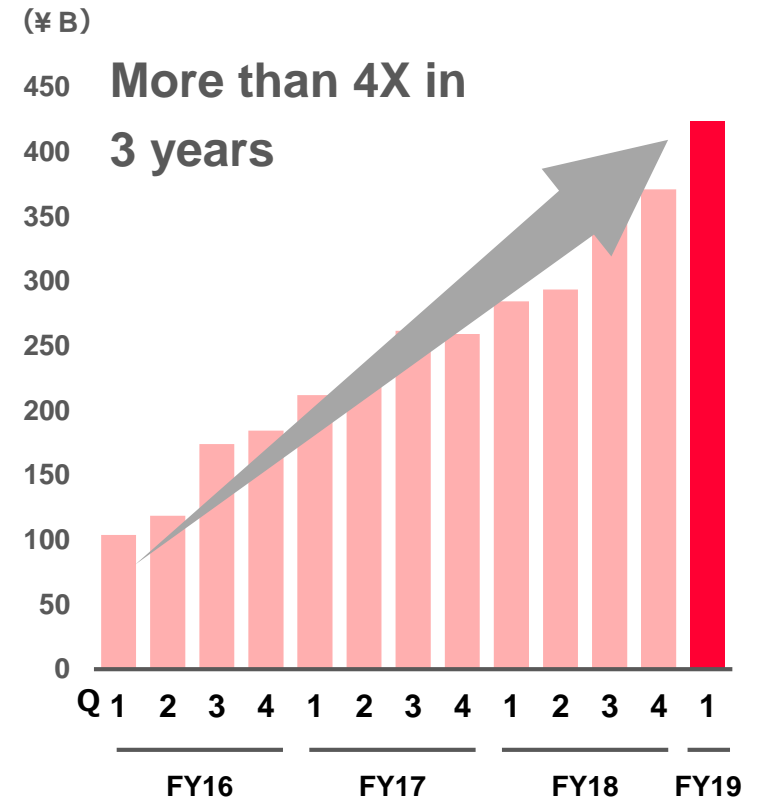
EC transaction value



No. of monthly logged-in user IDs



Credit card transaction value



*Began in October 2013

FY2019 Full Year Guidance (Consolidated Basis)

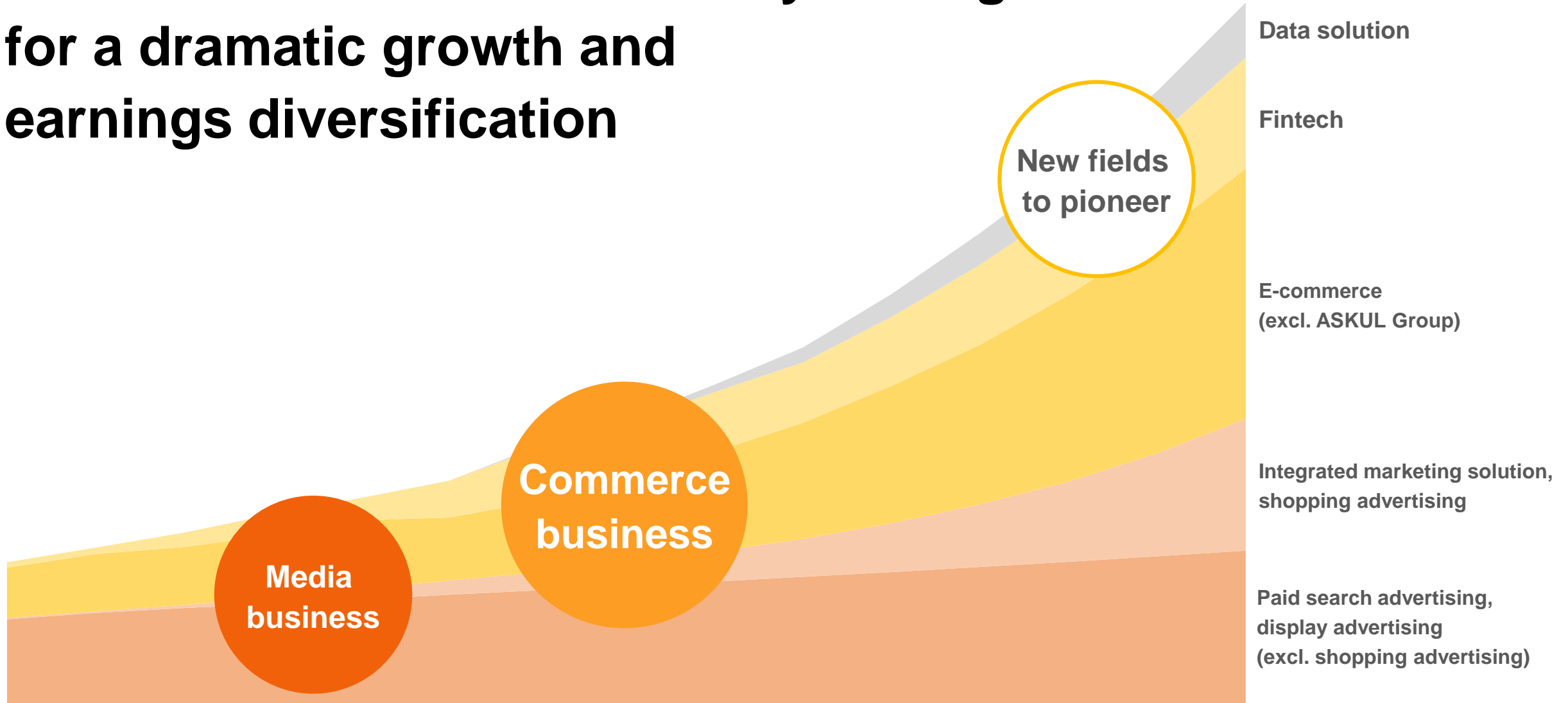
Steady progress - no change in guidance

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

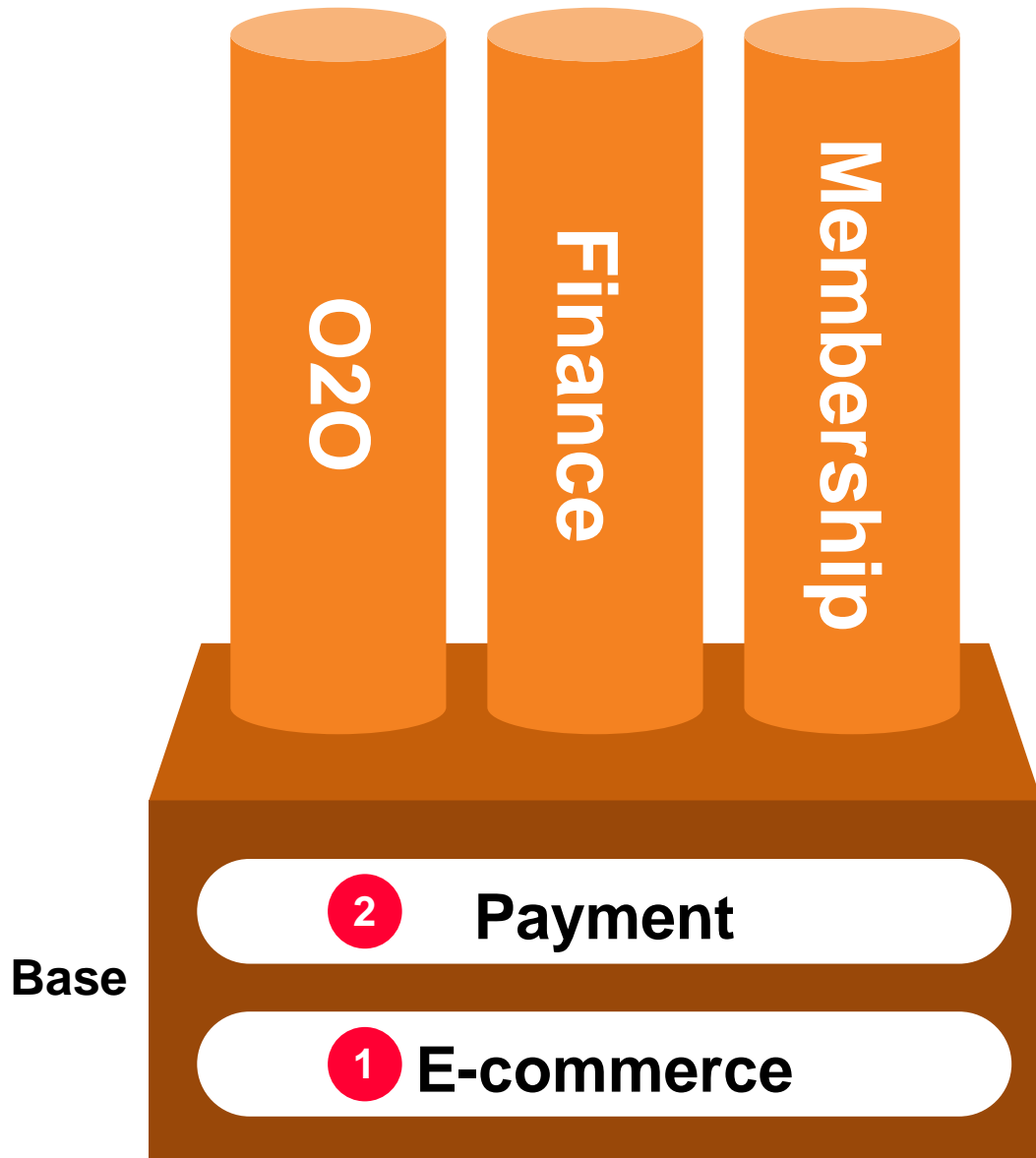
Revenue Growth Image by Segments

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



Commerce Business

FY2019-1Q Commerce Business – Uses



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.

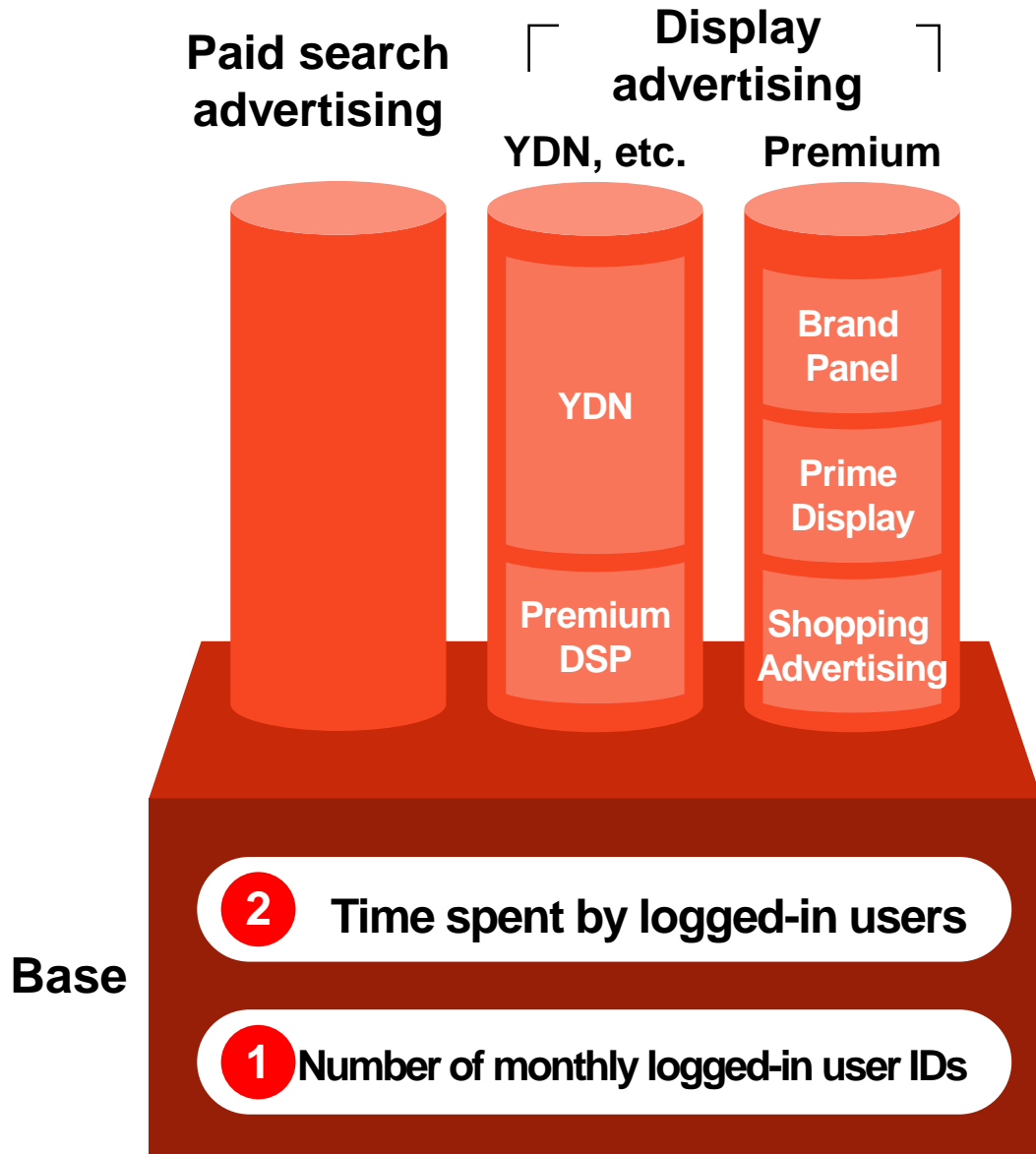
FY2019 Full Year Commerce Business – Targets

**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**

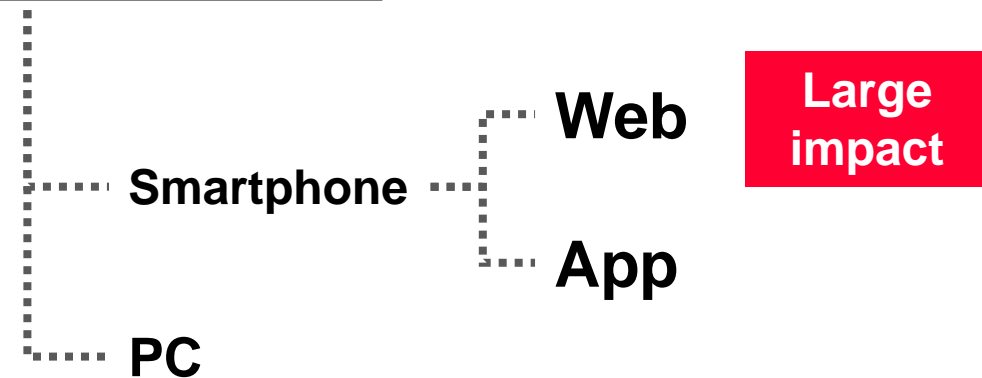
Lower unit price of smartphone web ads

Impact on our total advertising revenue

FY2018 Total advertising revenue
Approx. ¥325 billion

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

YDN, etc. → **Approx. ¥110 B**

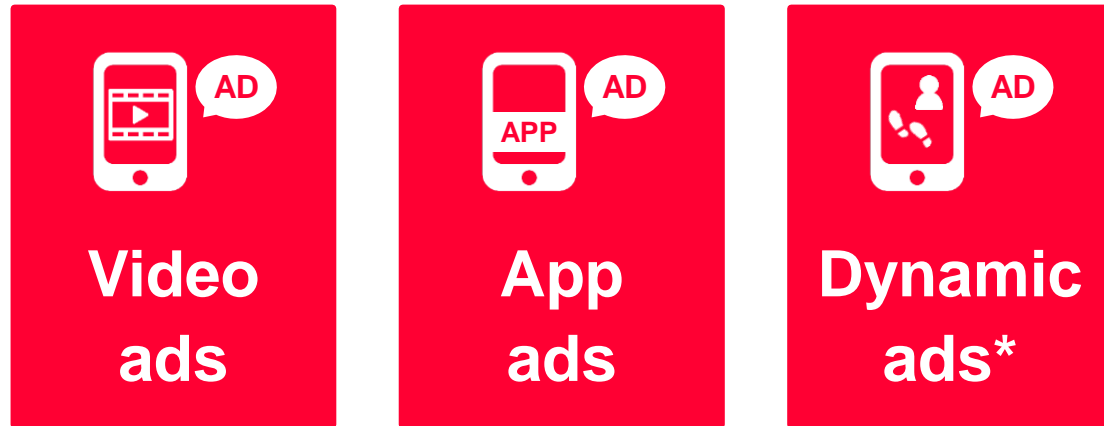


Premium Advertising → **Approx. ¥50 B**

Short-Term Measures to Increase Advertising Revenue

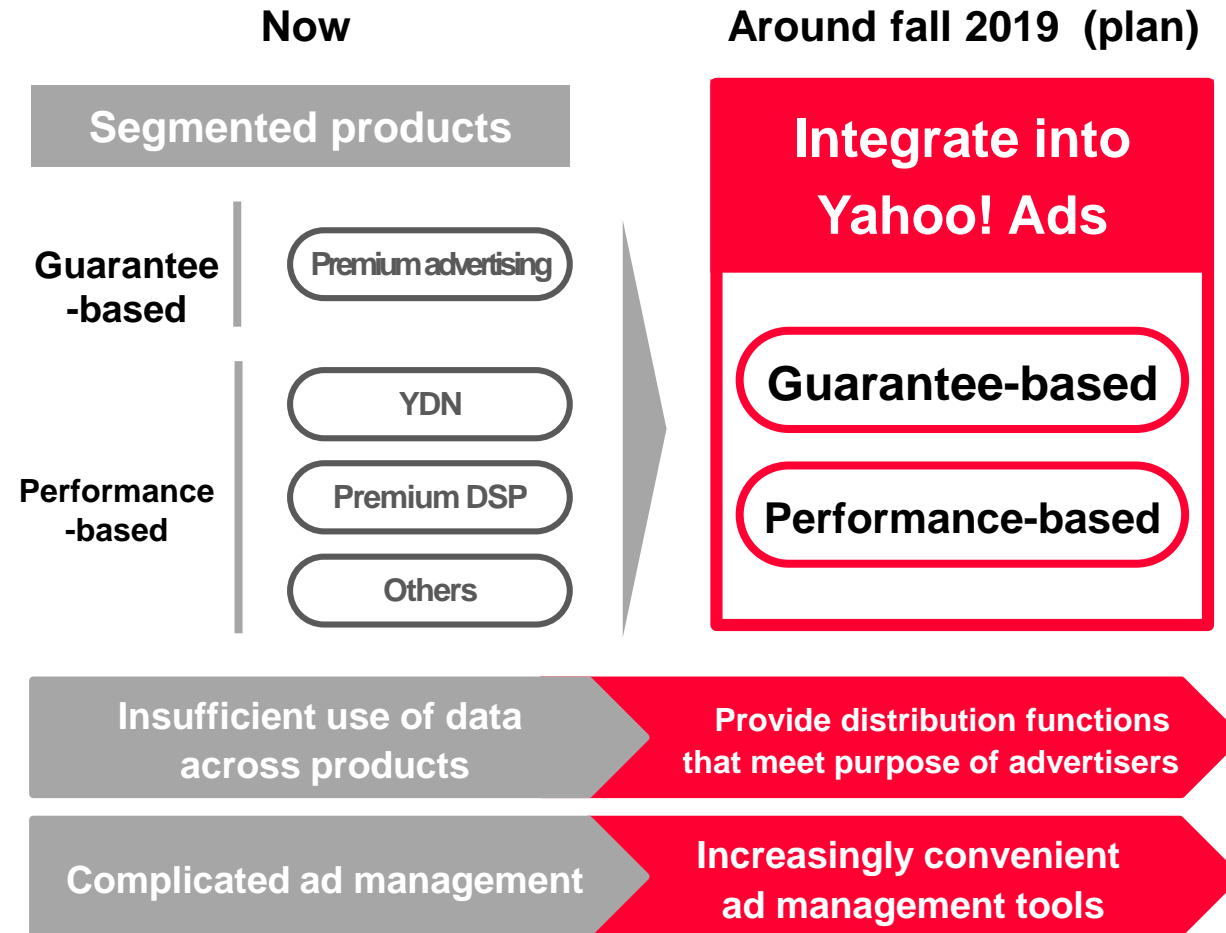
1 Raise log-in ratio and promote targeting based on Yahoo! ID

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

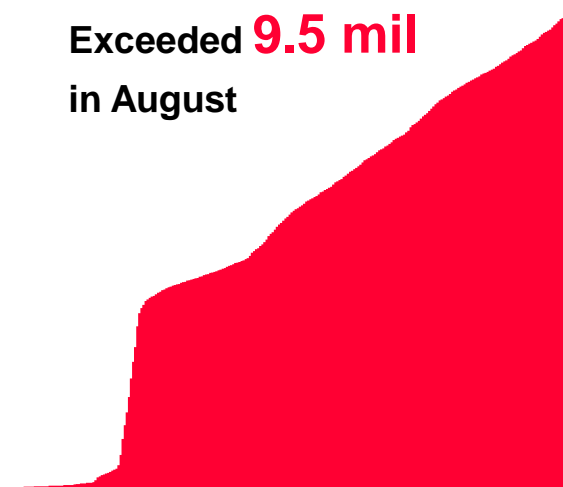
Item	Target (YoY)
Total advertising revenue	+Mid-single digit to double digit %
Paid search advertising	+High-single digit %
Display advertising	+Mid-single digit to high-single digit %

Strategic Measures

PayPay

Business base for smartphone payment –steadily growing

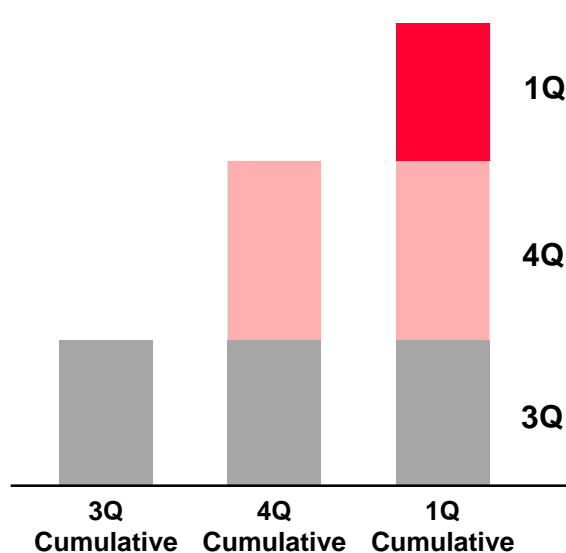
No. of registered users



As of end of June
(cumulative)

8.44 mil

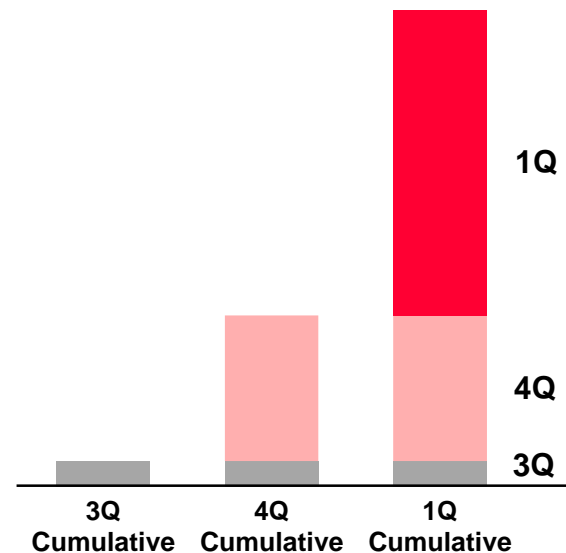
No. of merchants



As of end of June
(cumulative)

0.7 mil

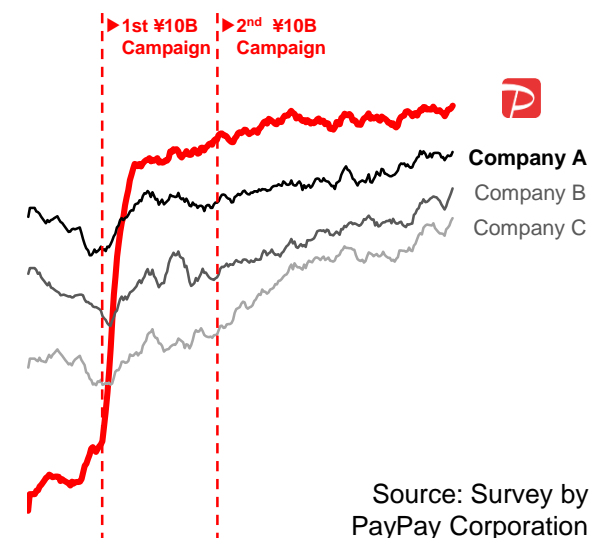
No. of payments



As of end of June
(cumulative)

74.09 mil

Name awareness



Maintaining
No.1
after start of campaign

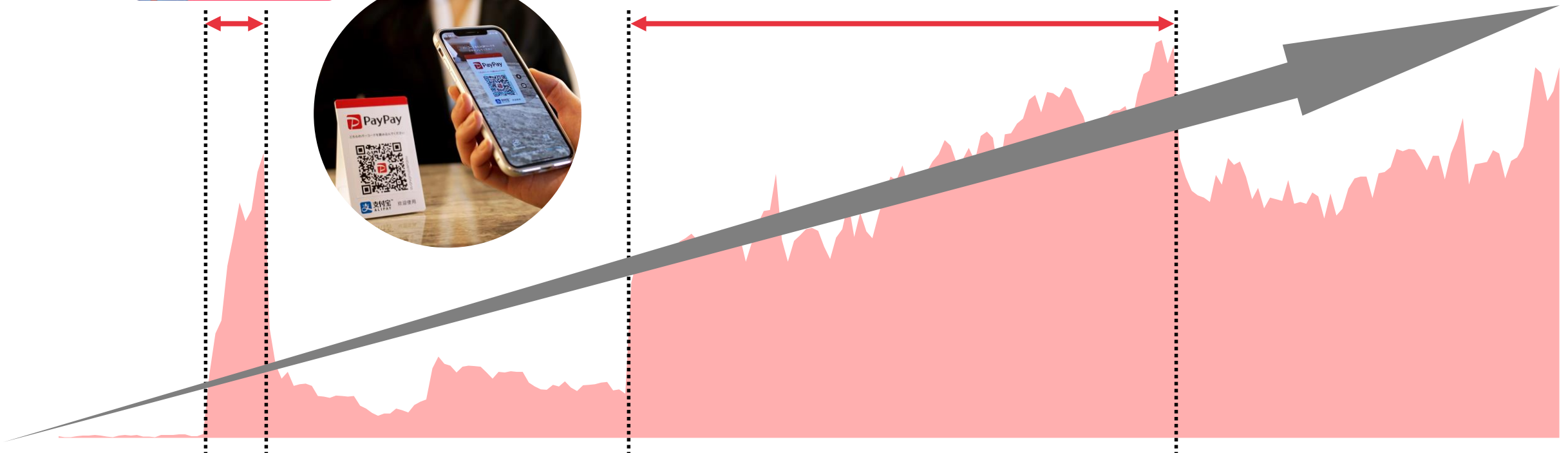
PayPay – Recap of Second Campaign

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

1st ¥10 B campaign

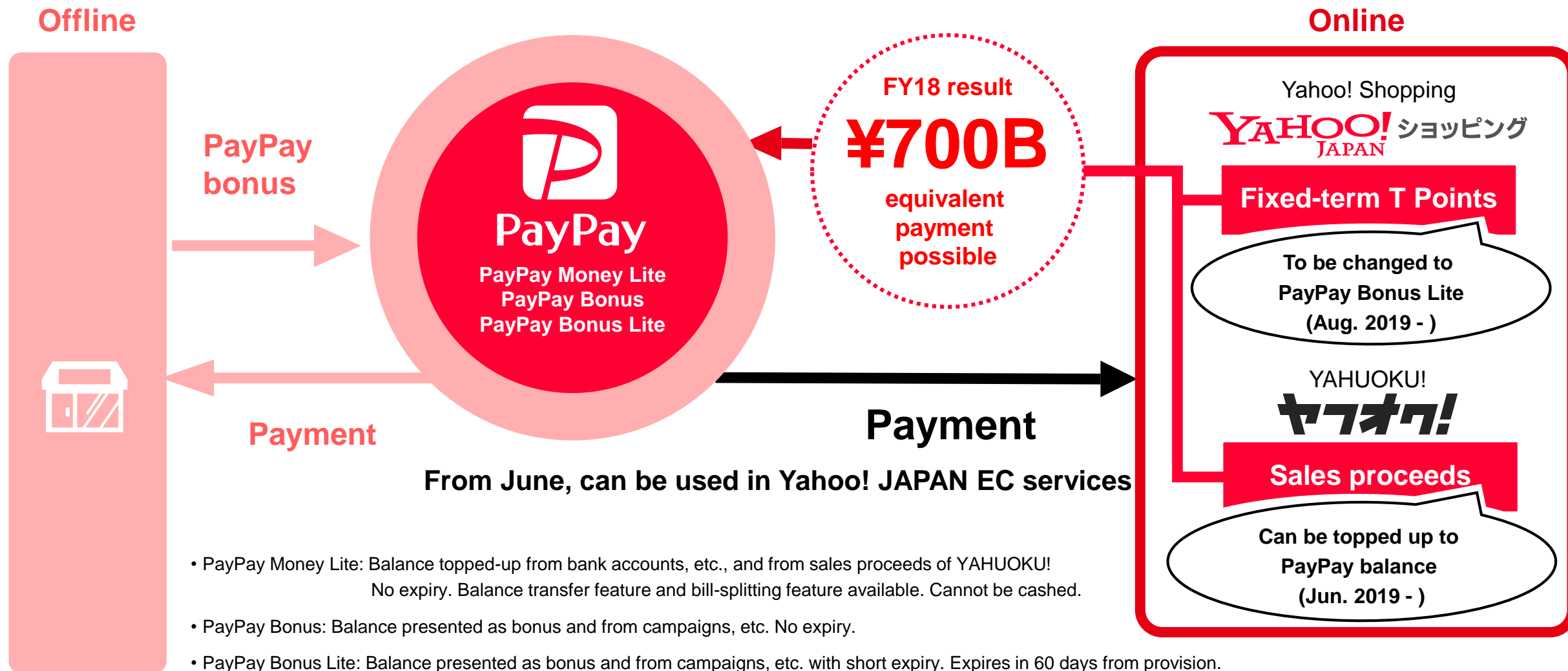


2nd ¥10 B campaign






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

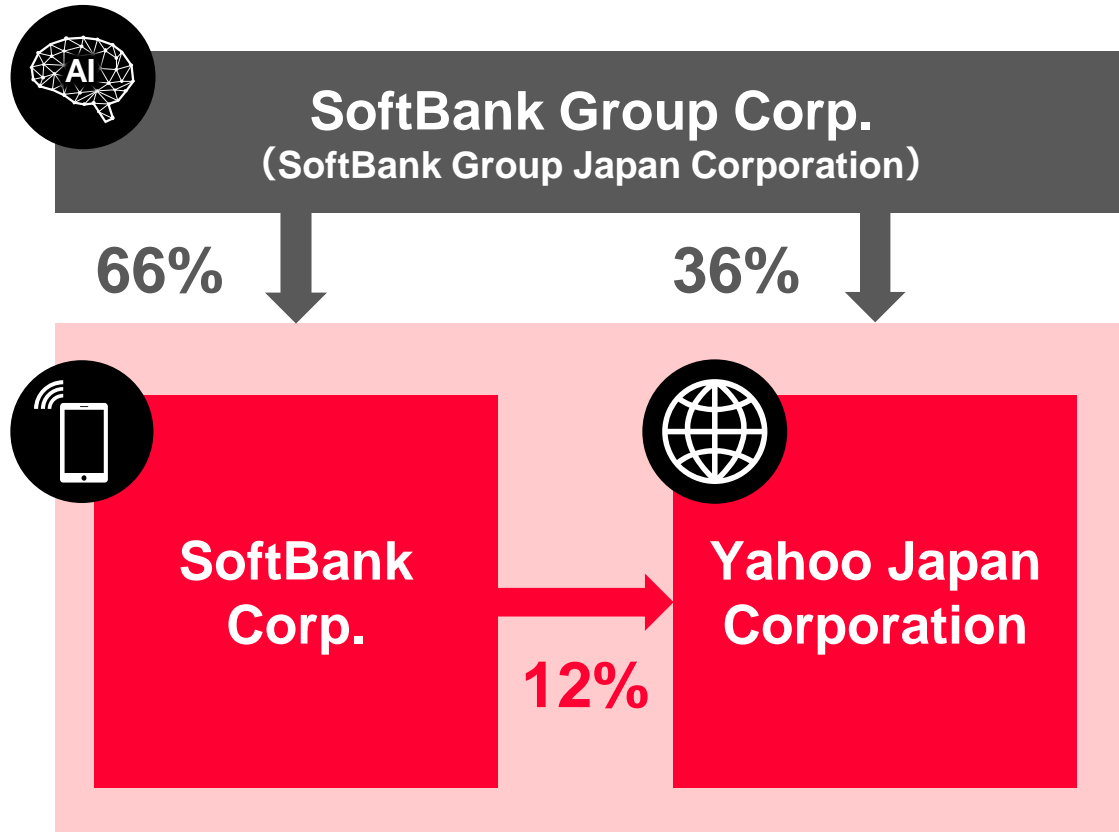
	 Short term	 Mid-long term
Merchants	<ul style="list-style-type: none"> • Payment commission *Free until end of Sep. 2021 for user scan payment • Can retrieve sales proceeds quickly 	<ul style="list-style-type: none"> • Marketing • Use of data • Financial advice from PayPay
Users	Receive PayPay Bonus	<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

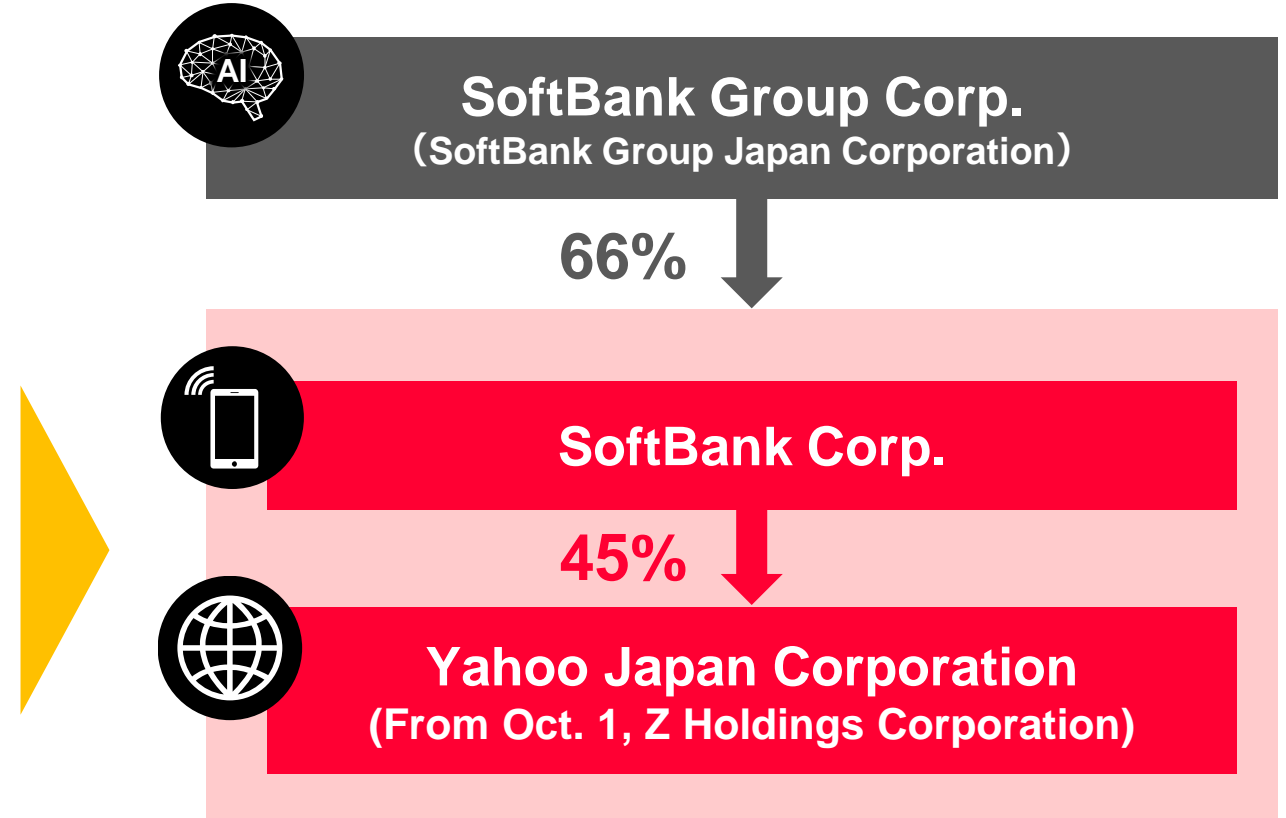
Consolidation by SoftBank Corp.

To achieve further growth and improve corporate value

Until June 26, 2019



From June 27, 2019

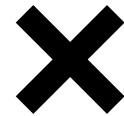
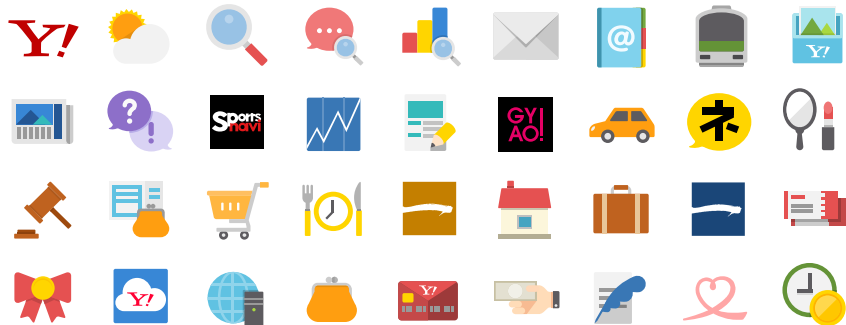


Under the New Structure, We Aspire to Be:

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

YAHOO!
JAPAN

Wide array of Internet services

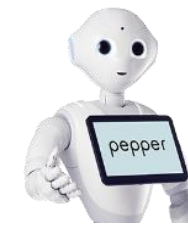


SoftBank

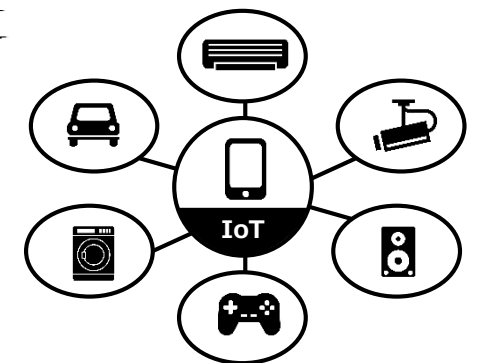
Communication (5G)

/Smartphone/Robot/IoT, etc.

SoftBank 5G



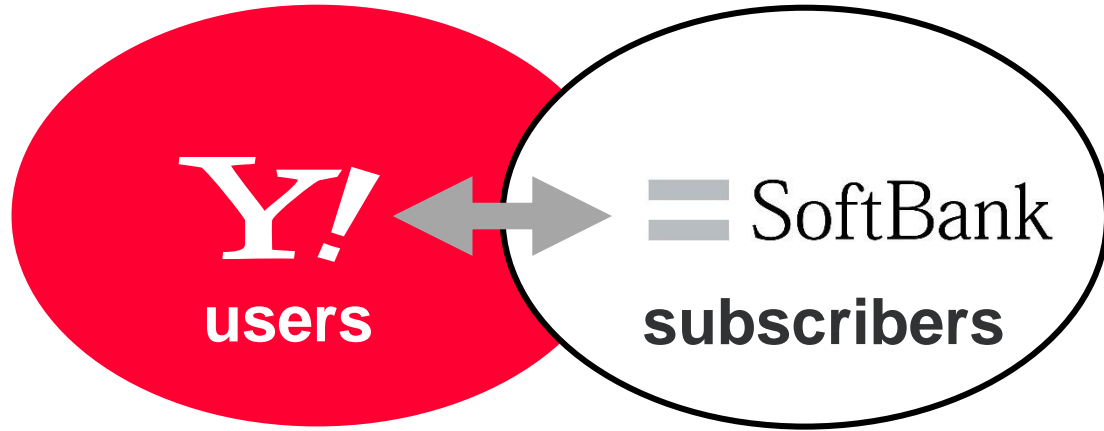
© SoftBank Robotics



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:

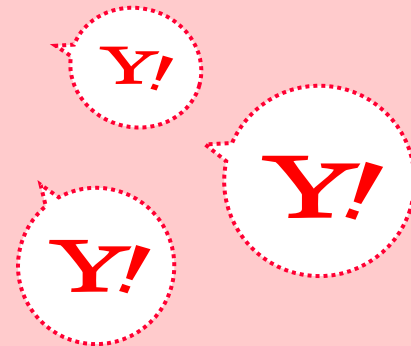
Make our users' lives convenient to a surprising (!) extent through Yahoo! JAPAN services

Online world



Even more convenient

Offline world



New entry

Appendix

FY2019-1Q Statement of Financial Position

Consolidated (IFRS)

(¥ B)	FY2018 4Q	FY2019 1Q	Difference
Assets	2,429.6	2,586.4	156.8
Cash and cash equivalents	546.7	565.1	18.3
Trade and other receivables	328.2	323.9	-4.3
Loans for credit card business	253.3	271.1	17.8
Investment securities for banking business	419.5	418.4	-1.0
Property and equipment	133.8	124.6	-9.2
Intangible assets	165.2	172.9	7.6
Liabilities	1,519.0	1,770.9	251.8
Trade and other payables	394.5	396.9	2.3
Deposit for banking business	768.6	802.2	33.6
Interest-bearing liabilities	215.2	454.5	239.3
Equity	910.5	815.4	-95.0

The Japan Net Bank, Limited (JGAAP)

(¥ B)	FY2018 4Q	FY2019 1Q	Difference
Assets	878.7	892.5	13.8
Cash and cash equivalents	249.5	227.0	-22.4
Trade and other receivables	22.6	25.6	2.9
Loans for credit card business	-	-	-
Investment securities for banking business	419.5	418.4	-1.0
Property and equipment	0.5	0.6	0.1
Intangible assets	6.1	6.0	-0.0
Liabilities	823.4	836.9	13.5
Trade and other payables	15.3	17.4	2.1
Deposit for banking business	803.8	815.0	11.1
Interest-bearing liabilities	-	-	-
Equity	55.2	55.5	0.3

Note: Figures before internal transactions within the Group are eliminated.

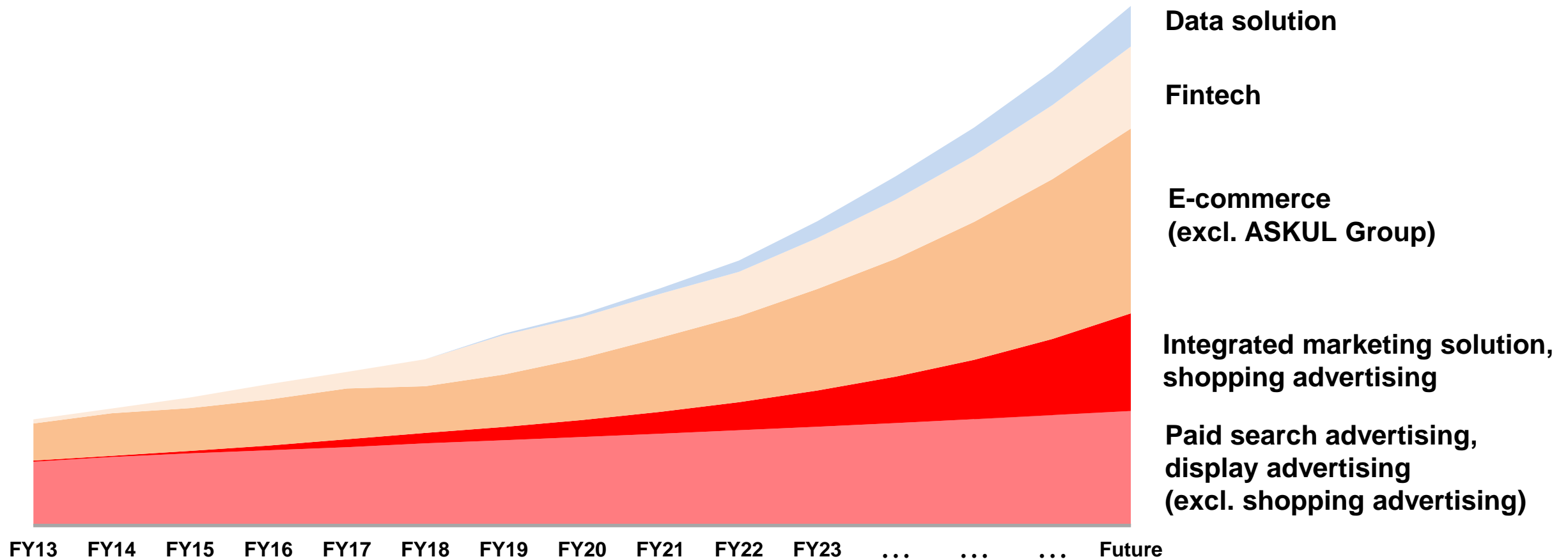
YJ Card Corporation (JGAAP)

(¥ B)	FY2018 4Q	FY2019 1Q	Difference
Assets	353.0	487.0	134.0
Cash and cash equivalents	30.0	124.6	94.5
Trade and other receivables	12.6	26.6	14.1
Loans for credit card business	252.5	269.6	17.0
Investment securities for banking business	-	-	-
Property and equipment	5.7	5.4	-0.2
Intangible assets	20.4	24.9	4.5
Liabilities	326.0	459.4	133.3
Trade and other payables	166.6	195.2	28.5
Deposit for banking business	-	-	-
Interest-bearing liabilities	144.8	250.8	105.9
Equity	26.9	27.6	0.7

Note: Figures before internal transactions within the Group are eliminated.

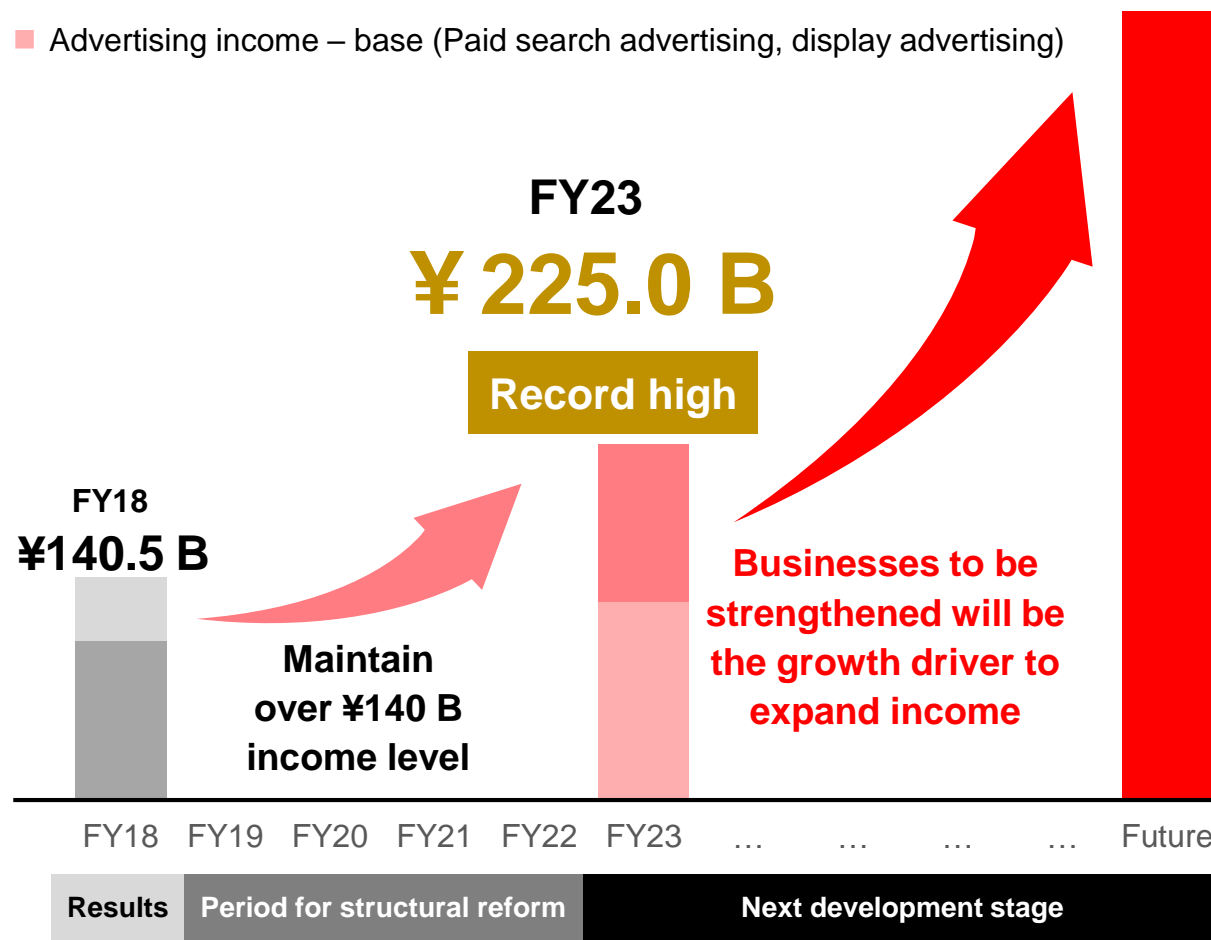
Image of Our Long-Term Revenue Composition

We will continue to grow while drastically changing our revenue composition to meet the changes in the business environment



Operating Income – Long-Term Outlook

- Businesses to be strengthened (Shopping advertising, Integrated marketing solution, Financial & Payment, Membership, YAHUOKU!)
- Advertising income – base (Paid search advertising, display advertising)



Note: Other business and adjustments are prorated to businesses to be strengthened and advertising income – base, according to their composition ratio.

FY19 – FY22

By investing in measures to expand users and EC transaction value and startup of new businesses, etc., achieve

▶ **Double-digit revenue growth**

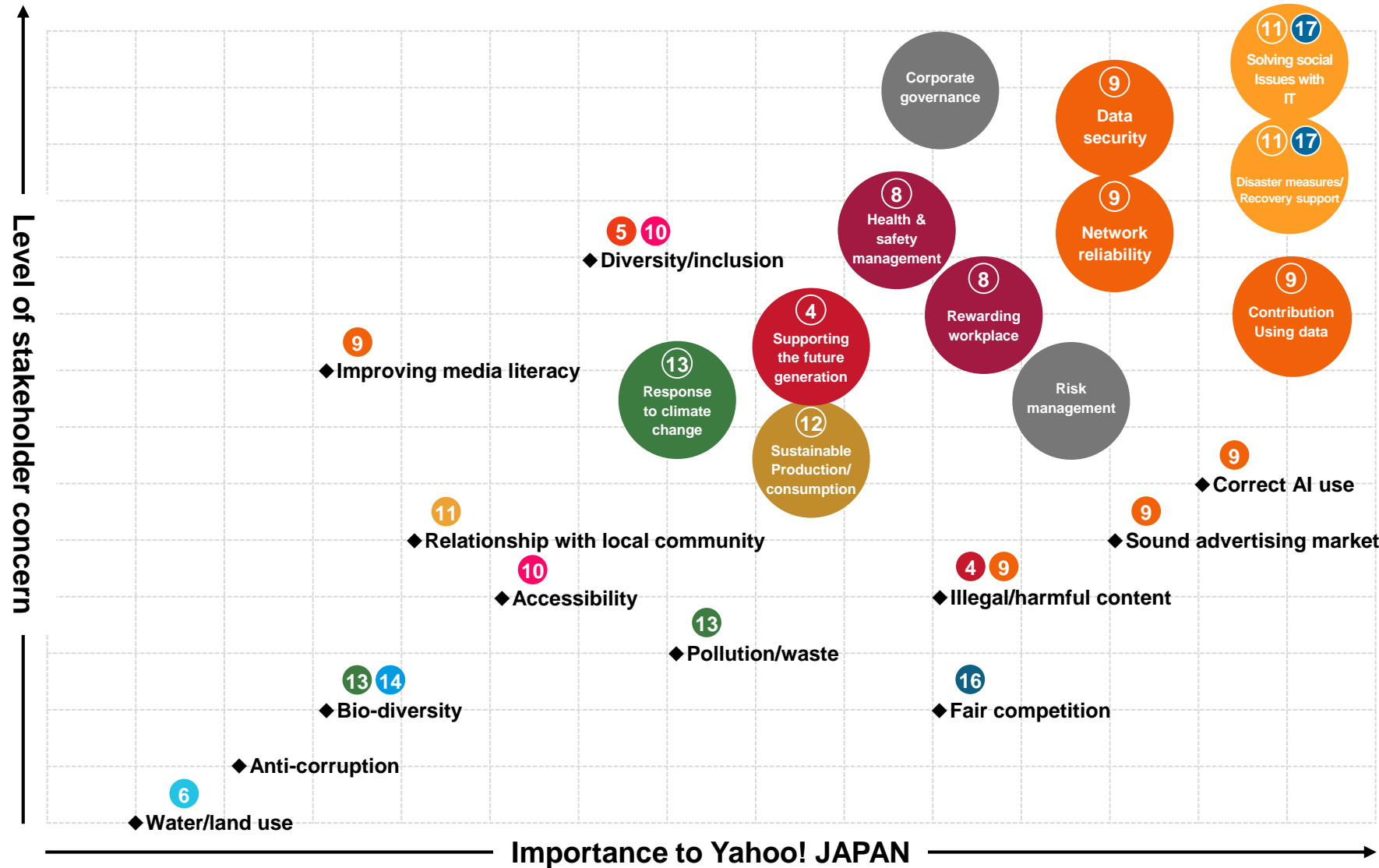


FY23 – Future

By monetizing users' active economic actions

▶ **Bring income to an expansionary phase**

Materiality Matrix for Yahoo Japan Corporation



The numbers and colors in the matrix coincide with the SDG icons.

- 4 Quality Education
- 5 Gender Equality
- 6 Clean Water and Sanitation
- 8 Decent Work and Economic Growth
- 9 Industry, Innovation and Infrastructure
- 10 Reduced Inequalities
- 11 Sustainable Cities and Communities
- 12 Responsible Production and Consumption
- 13 Climate Action
- 14 Life Below Water
- 16 Peace, Justice and Strong Institutions
- 17 Partnerships for the Goals

* Big circles are especially important to the stakeholders and Yahoo Japan Corporation, and need to be dealt with focus.

Yahoo! JAPAN Service Map

Media

TOP page

Weather/Disaster

News

Finance

Knowledge search

Sports navi
(Sports news site)

GYAO!
(Video streaming)

Retty (Restaurant information)

kurashiru (Recipe video service)

Local Information

Transit information

Map

Car navigation

Search

Search

Real-time search

Vocal assistant

Commerce

Shopping

Auction

ASKUL
(B to B EC)

LOHACO
(B to C EC)

Digital Contents

Fortune telling

Game

ebookjapan
(Digital books)

O2O

Real estate

Travel booking

Restaurant reservation

OYO LIFE

Ikyu.com

Ikyu.com
(Restaurant)

Finance/Payment/Fintech

Credit card

Online wallet

PayPay
(Smartphone payment)

TaoTao
(Cryptocurrency trading)

YJFX
(FX)

Japan Net Bank
(Internet banking)

Blockchain

Yahoo! JAPAN Customer Base

No. of monthly logged-in user IDs: 49.01mil

Yahoo! Premium member IDs: 21.90mil

B to B

Marketing Solutions

Sponsored search

Yahoo! Display Ad Network

Premium

Research

Crowdsourcing

Data/AI

DATA FOREST

(Data solution)

Scoring service

PIM

e-Mail

Calendar

CSR

Kids

Internet fund raising

Business Segment Breakdown

Media Business	Advertising	Paid search advertising “Sponsored Search”, Display advertising (“Yahoo! Display Ad Network (YDN)”, “Premium Advertising”)
	Business Services	Media-related services, CRM-related services and others
	Personal Services	Video-related services and others
Commerce Business	Advertising	Display advertising (“Premium Advertising”)
	Business Services	ASKUL, Affiliate-related services, Reservation-related services, Corporate system-use fees of YAHUOKU!, Payment-related services, Banking-related services, Credit card-related services and others, Yahoo! Real Estate, Real estate-related services
	Personal Services	LOHACO, Yahoo! Premium, Personal system-use fees of YAHUOKU!, Credit card-related services, Pet supplies-related services, Telecommunications carrier-related services, Banking-related services, E-book-related services, FX-related service and others, Payment-related services
	Others	Banking-related services
Others	Advertising	Display advertising (“Premium Advertising”)
	Business Services	Utilities payment-related service and others
	Personal Services	Yahoo! Mail, Yahoo! Address Book, Utilities payment-related service and others

Note: The contracts of business services are concluded with corporations; the contracts of personal services are concluded with individual users. The same product may be classified in different segments depending on the contractor.

Advertising Products

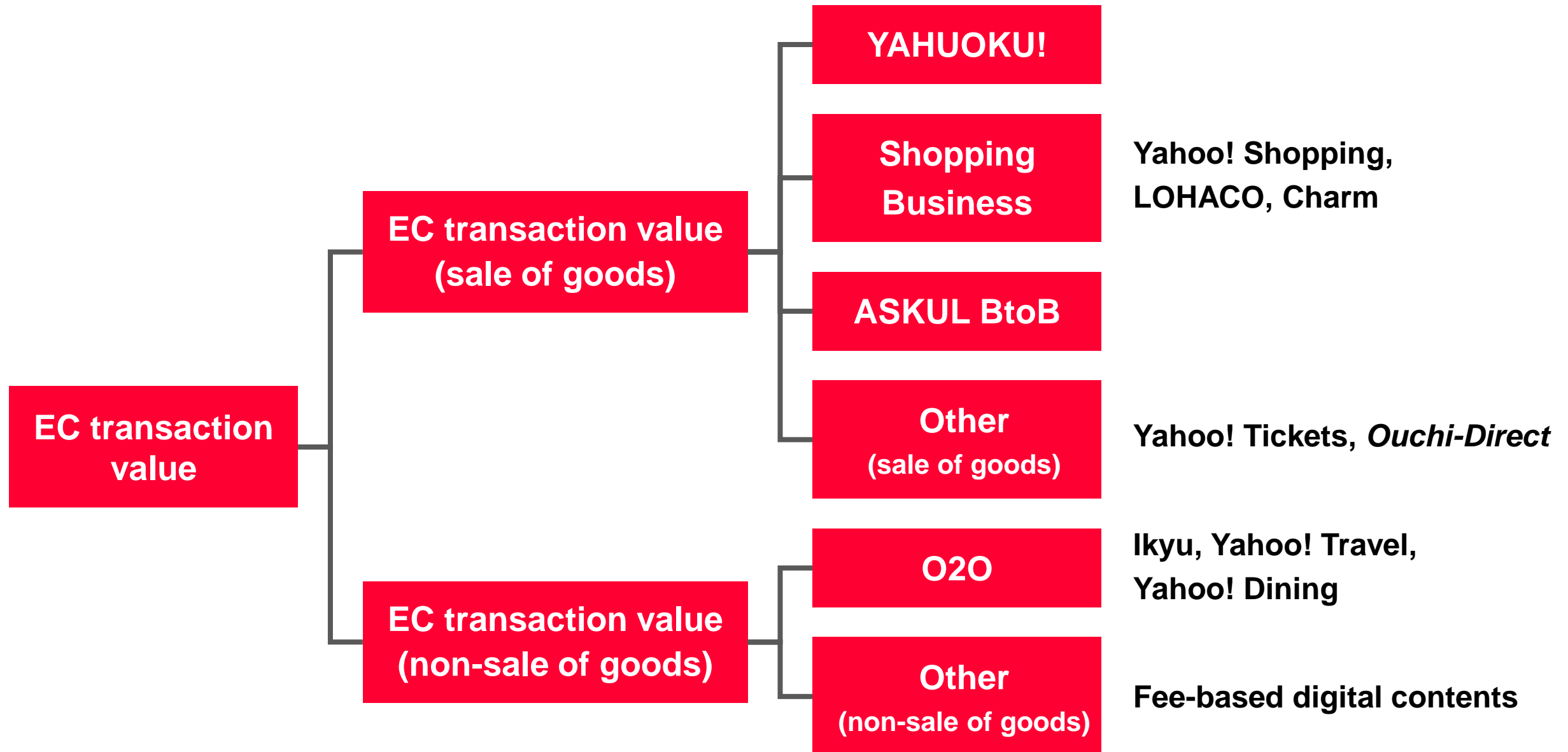
Advertising Products		Main Format	Fee Calculation	Placement Pages	Main Advertiser Base
Paid search advertising	Sponsored Search®		Text	Search results pages	Major corporations Small and medium-sized companies
Display advertising	YDN and others	Yahoo! Display Ad Network (YDN) *1	Text Banner	Top page *1	
			Video		
		Yahoo! Premium DSP	Banner	Interior pages of service sites *1	
	Premium Advertising	Brand Panel Prime Display Others	Rich ads (including video) Banner	Per-impression page view rate (Guarantee-based) *3	Major corporations
		Banner ads Text ads Others	Text Banner	Per-guaranteed period rate, etc. (Guarantee-based) *3	
		PR Option		Conversion-based	Yahoo! Shopping

*1 Includes In-feed advertising on timeline view pages.

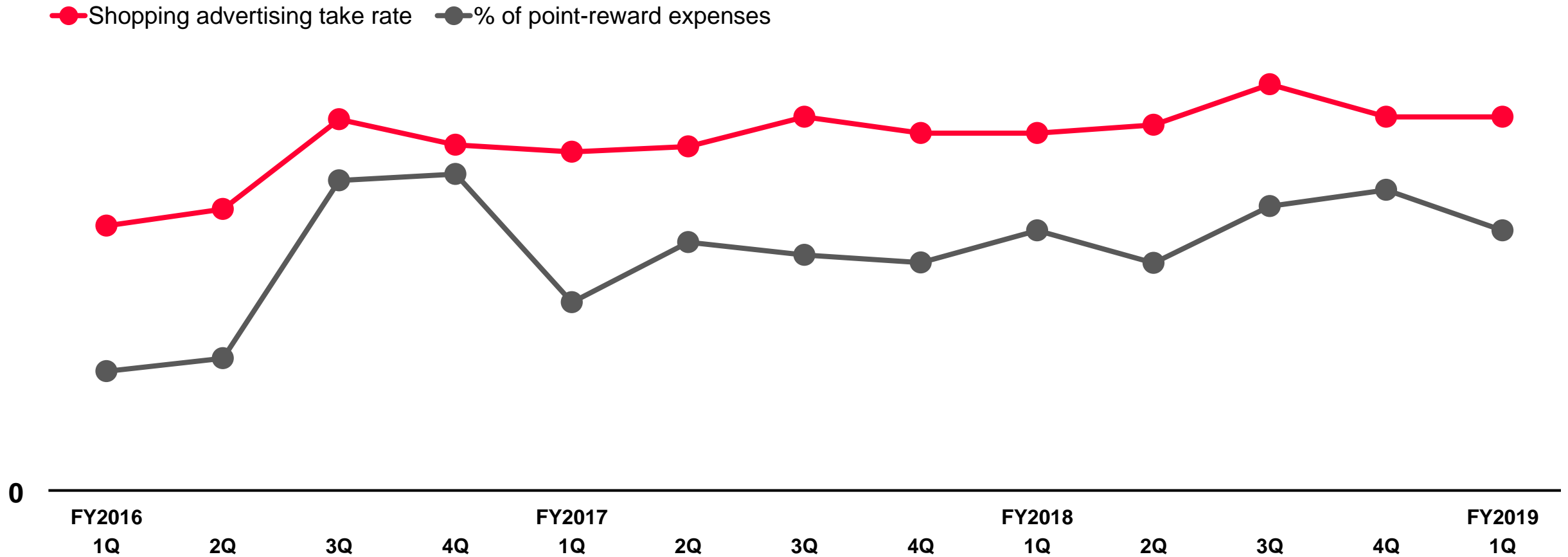
*2 Advertising that is programmatically or manually managed on a real-time basis to optimize advertising effects

*3 Advertising for which specific placement is reserved in advance

Definition of EC Transaction Value



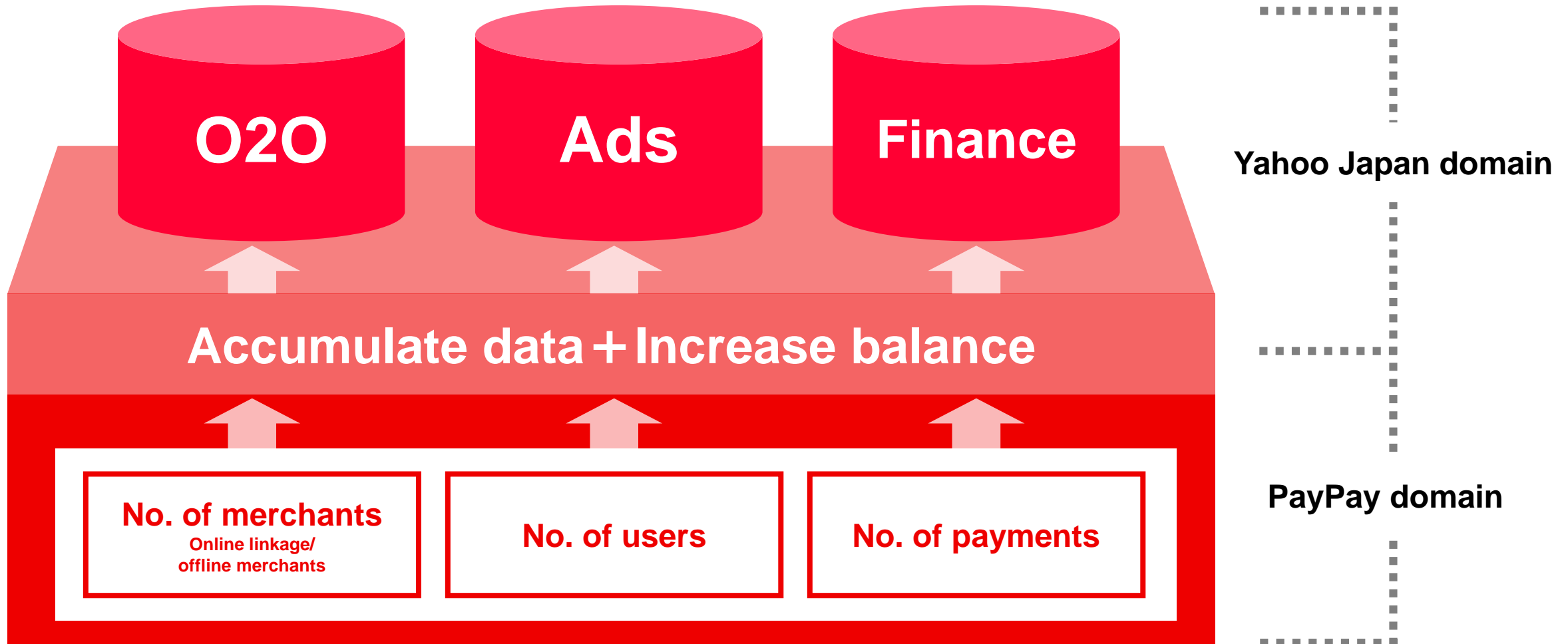
Shopping Advertising Take Rate*¹ and Percentage of Point-Reward Expenses*² in Yahoo! Shopping



*1 Shopping advertising take rate = Shopping-Related Advertising revenue / Yahoo! Shopping transaction value

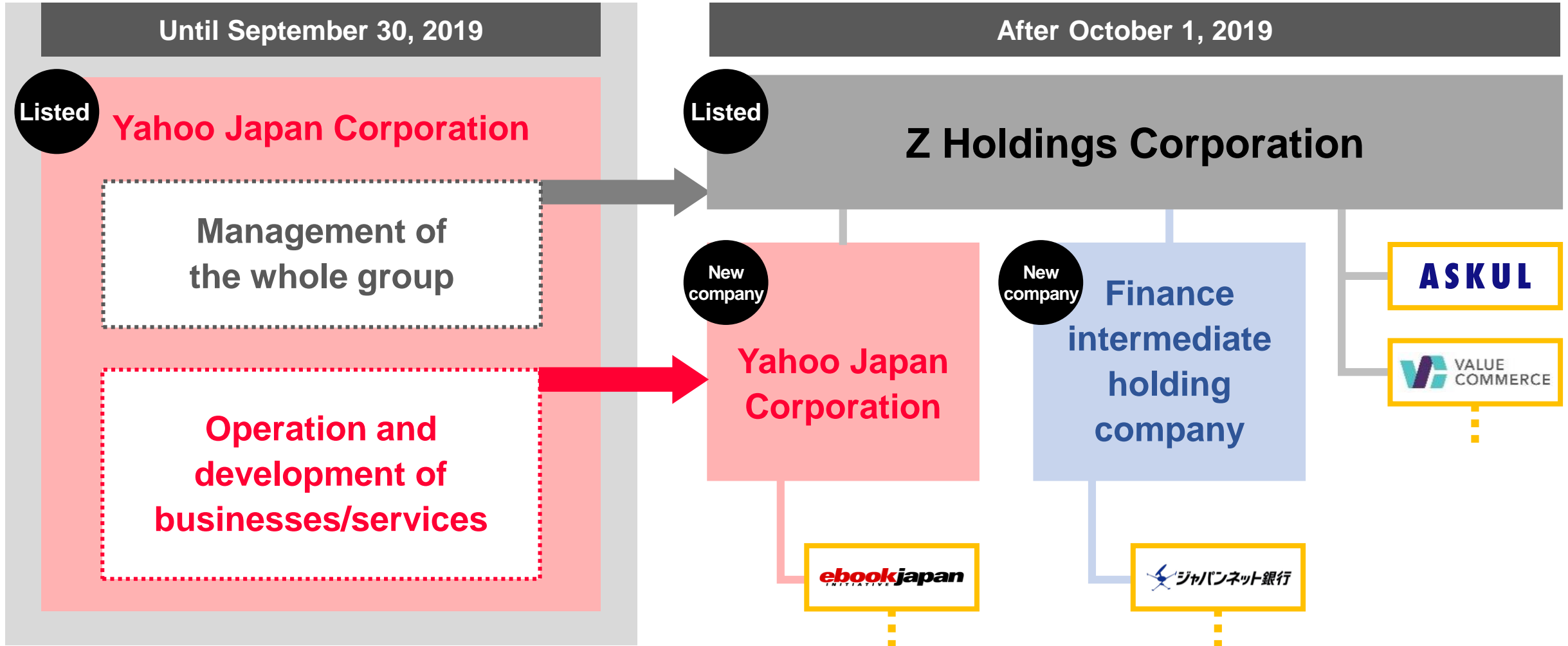
*2 Point-reward expenses related to Yahoo! Shopping / Yahoo! Shopping transaction value

Maximize the base and develop various earning pillars



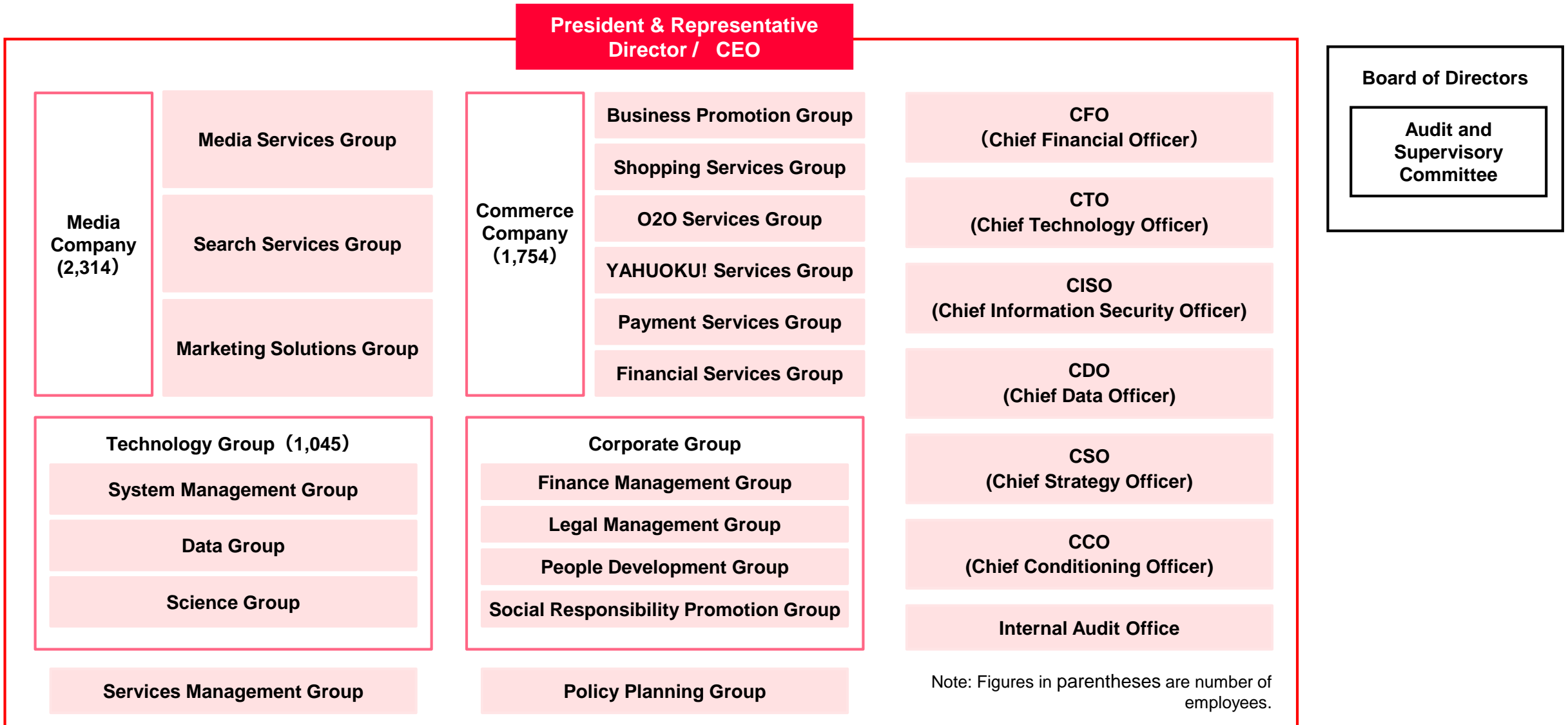
Transition to a Holding Company Structure through Company Split

Transition to a holding company structure for an expeditious promotion of business strategies



Organization Chart of Yahoo Japan Corporation

As of the end of June 2019



Consolidated Subsidiaries and Affiliates

As of the end of Jun. 2019

- Major consolidated subsidiaries

ASKUL Corporation

Carview Corporation

Dynatech inc.

GYAO Corporation

Passrevo Corporation

ValueCommerce Co., Ltd.

YJ Card Corporation

Y's Insurance Inc.

Z Corporation Incorporated

- Major affiliates

BuzzFeed Japan Corporation

OYO TECHNOLOGY&HOSPITALITY JAPAN KK

SRE Holdings Corporation (*former Sony Real Estate Corporation)

Astmax Asset Management, Inc.

CLASSIFIED Corporation

eBOOK Initiative Japan Co., Ltd.

Ikyu Corporation

The Japan Net Bank, Limited

YJ Capital Inc.

YJFX, Inc.

Y's Sports Inc.

CRITEO K. K.

PayPay Corporation

YAHOO!
JAPAN