



Yahoo Japan Corporation
FY2018-3Q Business Results

February 4, 2019

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Statements made at the meeting or included in the documents that are not historical facts are forward-looking statements about the future performance of Yahoo Japan Corporation (Company, Yahoo! JAPAN) and its consolidated subsidiaries and affiliates. 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 Nine Months Ended December 31, 2018.”

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FY2018-3Q

Financial Results

FY2018-3Q Investor Meeting - Topics

1 Three consecutive quarters of double-digit YoY growth in paid search advertising revenue

2 In 4 months since start of service, cumulative no. of registered PayPay users exceeded 4 million (Fastest in our history)

Executive Summary for FY2018 (1Q-3Q)

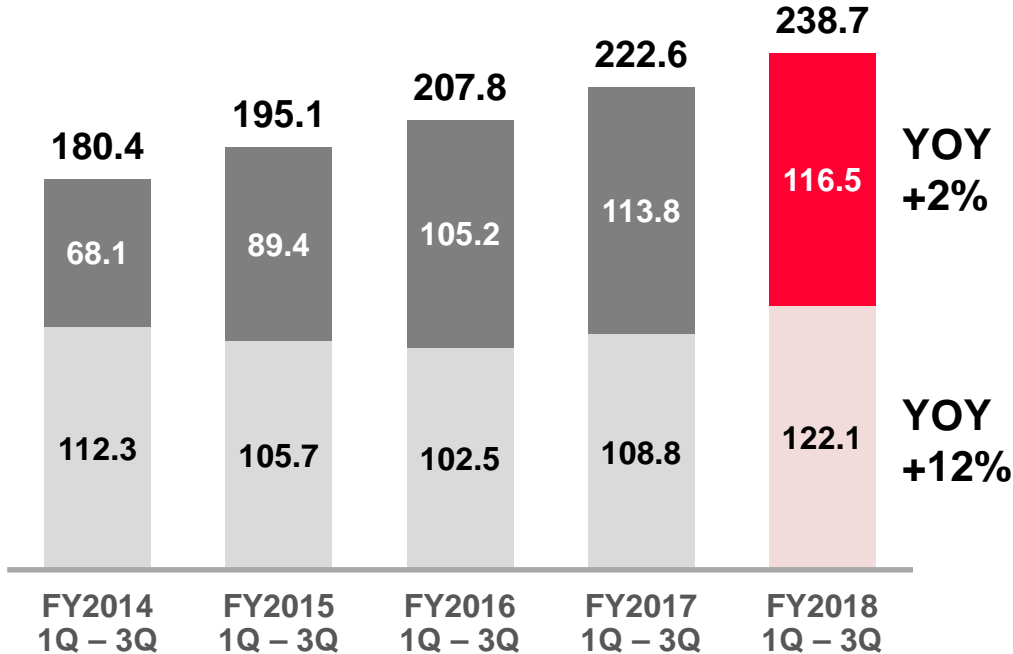
	FY2017 1Q - 3Q	FY2018 1Q - 3Q	YoY
Revenue	658.7 (¥B)	707.5 (¥B)	+7.4%
Revenue excluding impact from change in accounting policy*	658.7 (¥B)	722.4 (¥B)	+9.7%
Operating income	147.8 (¥B)	119.6 (¥B)	-19.0%
EBITDA	179.5 (¥B)	158.4 (¥B)	-11.7%
Profit for the period	105.7 (¥B)	70.0 (¥B)	-33.7%
Profit for the period attributable to owners of the parent	103.1 (¥B)	70.1 (¥B)	-32.0%
Diluted EPS	¥18.1	¥12.9	-28.5%

6 * Starting from FY2018, part of payment fees is deducted from revenue to adapt to changes in accounting policy for revenue recognition

Advertising-Related Revenue (1Q-3Q)

(¥ Billion)

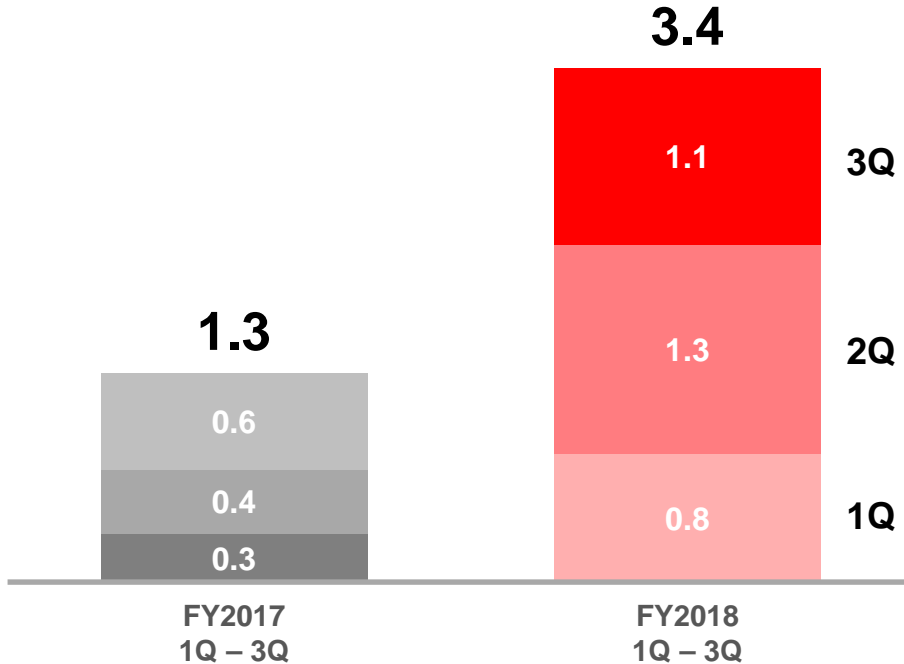
- Display
- Paid search



YoY
+7%

Advertising Revenue - Smartphone Videos (1Q-3Q)

(¥ Billion)

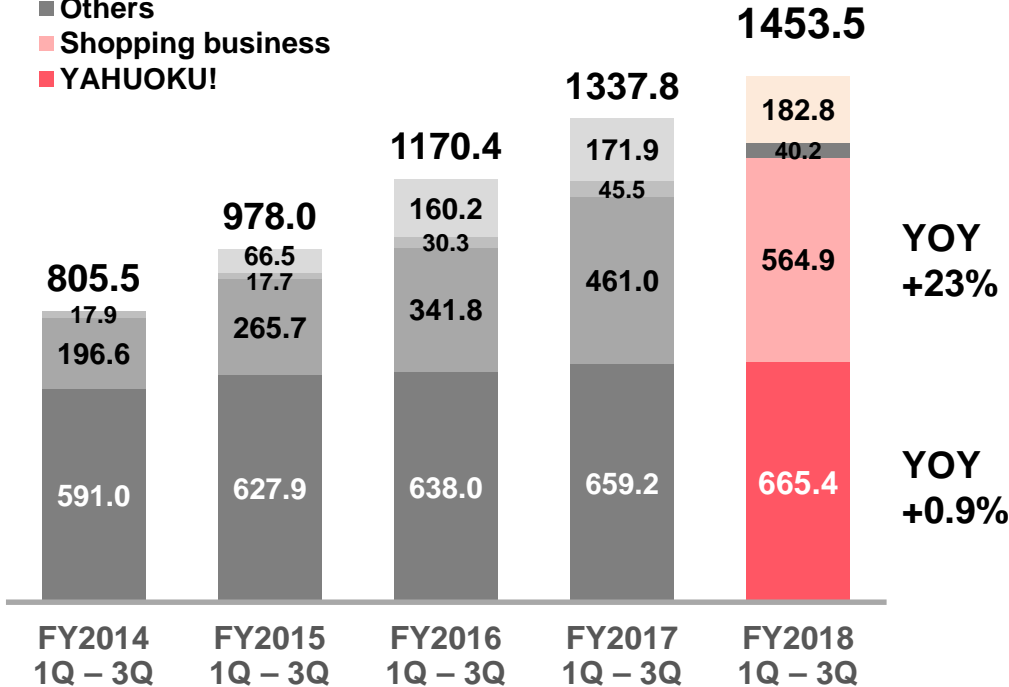


YoY
Approx. 2.5X

EC Transaction Value (Sale of Goods) (1Q-3Q)

(¥ Billion)

- ASKUL BtoB business
- Others
- Shopping business
- YAHUOKU!



YoY
+9%

9 Note: Includes transaction value of YAHUOKU! (including Yahoo! Government Auctions), shopping transaction value, other sale of goods transaction value and ASKUL's BtoB-related revenue via Internet (closing date: 20th of every month) from 2Q of FY2015 (one month in 2Q).

Guidance for Full Year Operating Income

Previous
announcement

¥133 – 143 billion

Current
guidance

¥140 – 143 billion

Factors
for
revision

Expenses for new challenges expected to be around ¥18 billion (announced ¥30 billion in the beginning of fiscal year)

Recognition of valuation loss for a subsidiary related to market downturn

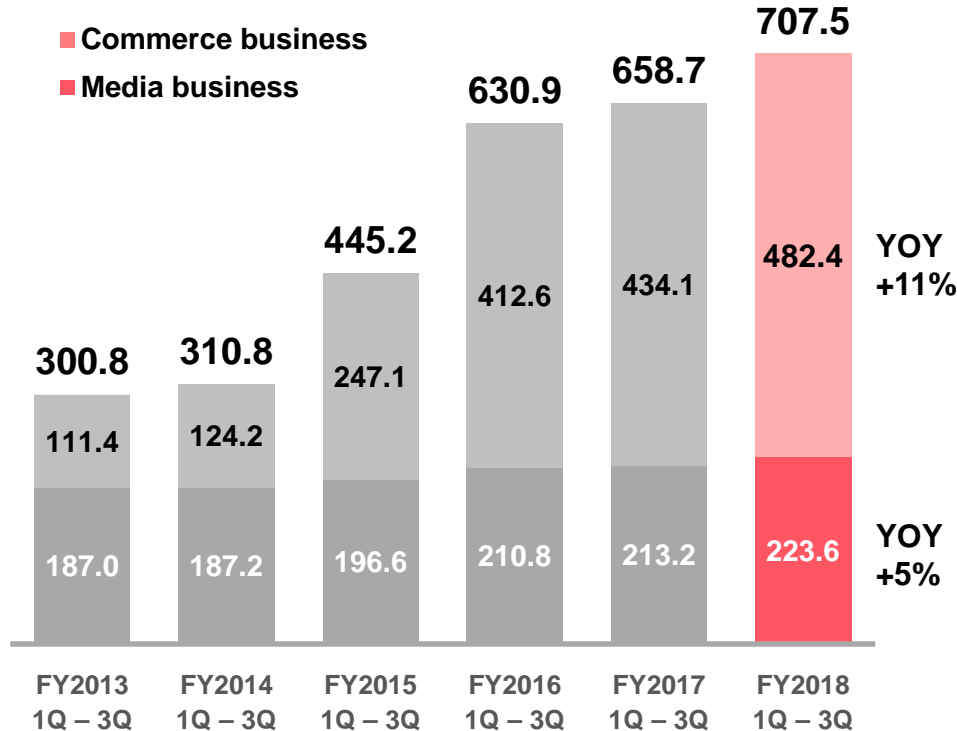
Advertising-related revenue slightly exceeded plan

Expenses for new challenges	Estimates at beginning of FY	Expected results
Media-related	Approx. ¥10 B →	Approx. ¥6 B
Commerce-related	Approx. ¥20 B →	Approx. ¥12 B

Results by Segments

Revenue by Segments (1Q-3Q)

(¥ Billion)

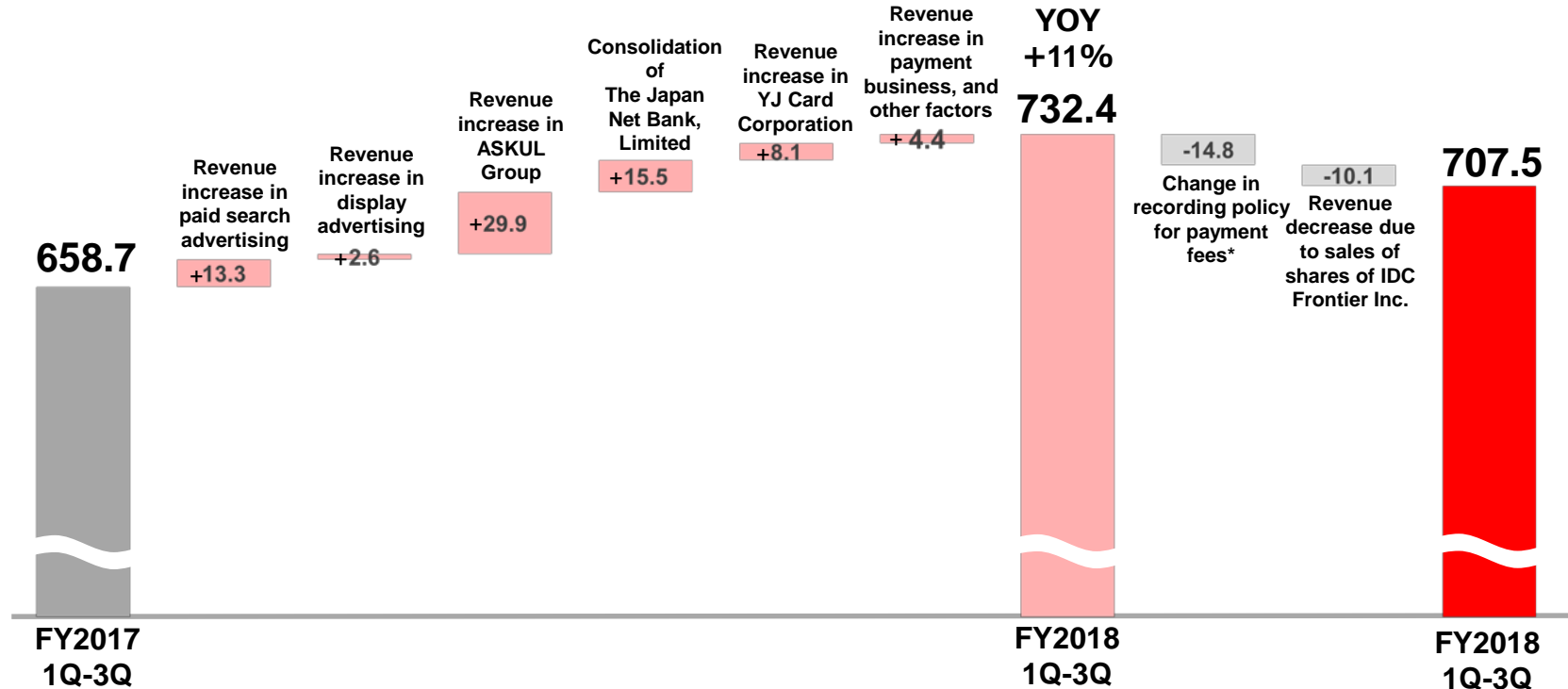


	Major events
FY13	<ul style="list-style-type: none"> Implemented new e-commerce strategy (3Q, Oct.)
FY15	<ul style="list-style-type: none"> Began terminating distribution of paid search advertising to partner sites (smartphone) (1Q) Launched In-feed advertising (1Q, May) Consolidated ASKUL Corporation (2Q, Aug.)
FY16	<ul style="list-style-type: none"> Revenue of paid search advertising regained positive growth (3Q)
FY17	<ul style="list-style-type: none"> Revenue increase in paid search advertising Began collaborative measures with SoftBank subscribers (1Q, June)
FY18	<ul style="list-style-type: none"> Revenue growth rate of paid search advertising exceeded 10% (1Q-3Q) Revenue decrease in YDN, etc. due to countermeasures for ad fraud (1Q-3Q)

Note: Excludes other business and adjustments. In cases where major services have been transferred between segments, prior business results and comparative figures have been retroactively adjusted to the current segments for FY2017. Figures for FY2016 and before are estimates based on the current segments.

Factors of Change in Revenue (1Q-3Q)

(¥ Billion)



(excl. special factors)

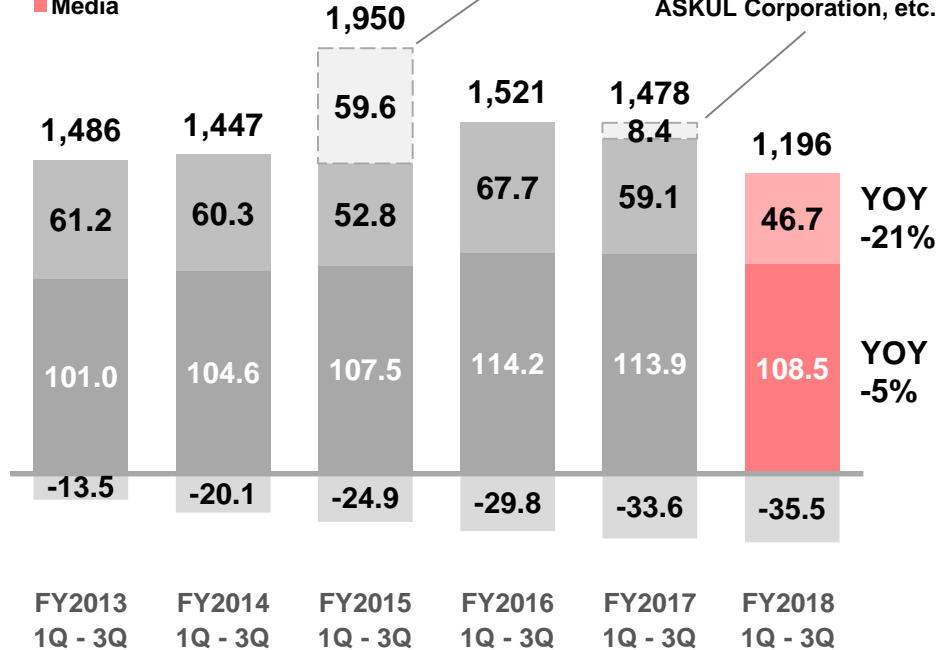
Operating Income by Segments (1Q-3Q)

(¥ Billion)

- Other business and adjustments
- One-time factor
- Commerce
- Media

Gain from remeasurement relating to business combination with ASKUL Corporation

Insurance proceeds for fire in Logistics Center of ASKUL Corporation, etc.

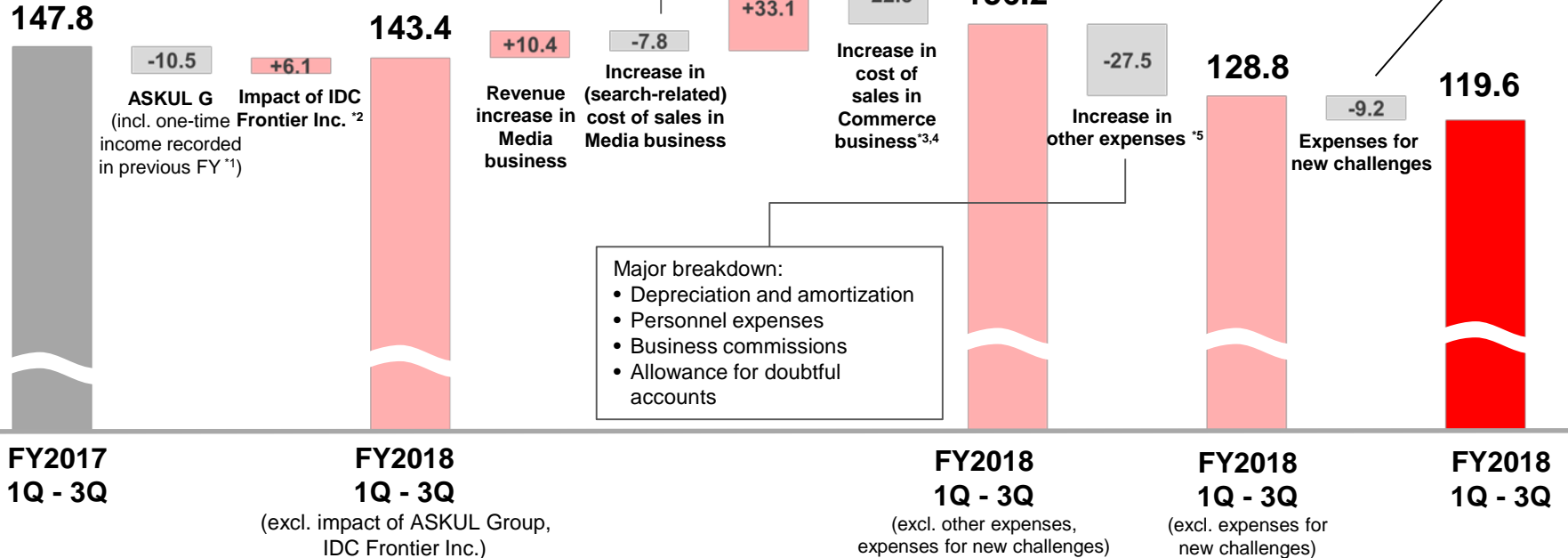


	Major events
FY13	<ul style="list-style-type: none"> Implemented new e-commerce strategy (3Q, Oct.)
FY15	<ul style="list-style-type: none"> Strengthened sales promotional activities Revised personal system-use fees of YAHUOKU! 5%→7% (4Q, Feb.)
FY16	<ul style="list-style-type: none"> Sales promotional activities made more efficient Revised store owner T Point contributions in Yahoo! Shopping (1Q, April) Revised store system-use fees of YAHUOKU! 5%→7% (1Q, April)
FY17	<ul style="list-style-type: none"> Investments to maximize EC transaction value and to become a data-driven company Agreement on paid search advertising with former Yahoo! Inc. terminated (1Q, June) Receipt of insurance proceeds, etc. of ¥4.9 billion related to fire incident in Logistics Center of ASKUL Corporation (1Q) Gain on ASKUL Corporation's sales of property and equipment of ¥3.5 billion (3Q)
FY18	<ul style="list-style-type: none"> Investments for new challenges Recognition of gain in sales of IDC Frontier Inc. of ¥7.9 billion (1Q)

Factors of YoY Change in Operating Income (1Q - 3Q)

(¥ Billion)

- Agreement with former Yahoo! Inc. terminated (June 2017)
- Change in rate of agreement with Google
- Higher than expected increase in revenue of paid search advertising



- Major breakdown:
- Depreciation and amortization
 - Personnel expenses
 - Business commissions
 - Allowance for doubtful accounts

Media: ¥2.5 B
Commerce, etc.: ¥6.7B

*1 Includes insurance proceeds, etc., related to the fire incident at the Logistics Center of ASKUL Corporation of ¥4.9 billion and ASKUL Corporation's gain on sales of property and equipment of ¥3.5 billion
 *2 Includes gain on sales of shares of IDC Frontier Inc. of ¥7.9 billion
 *3 Part of payment fees is deducted from revenue to adapt to changes in accounting policy for revenue recognition
 *4 Sales promotion cost of Commerce business recognized in cost of sales instead of SG&A
 *5 Excludes expenses related to ASKUL Group and IDC Frontier Inc.

Mobile Payment

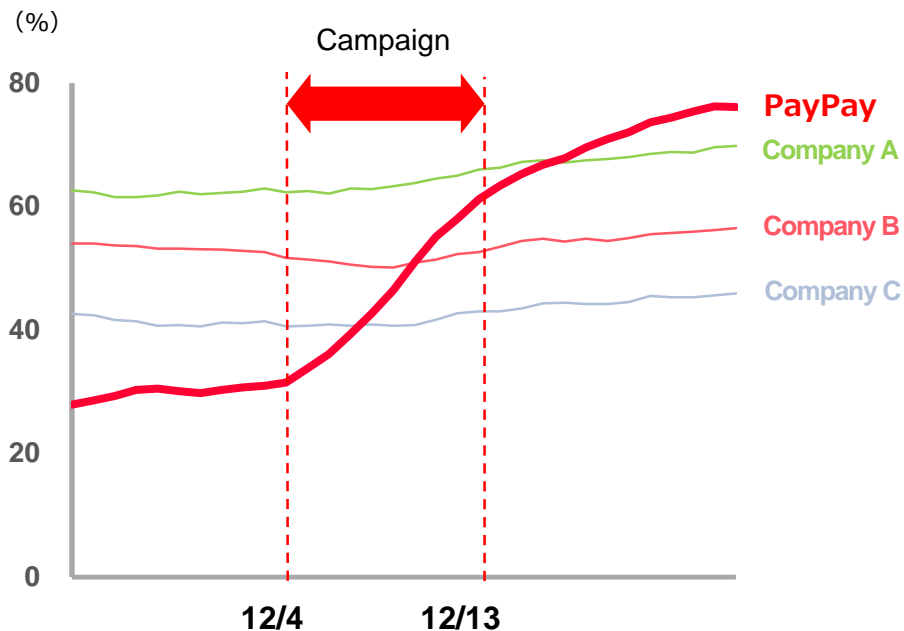
10 Billion Yen Giveaway Campaign - Outline



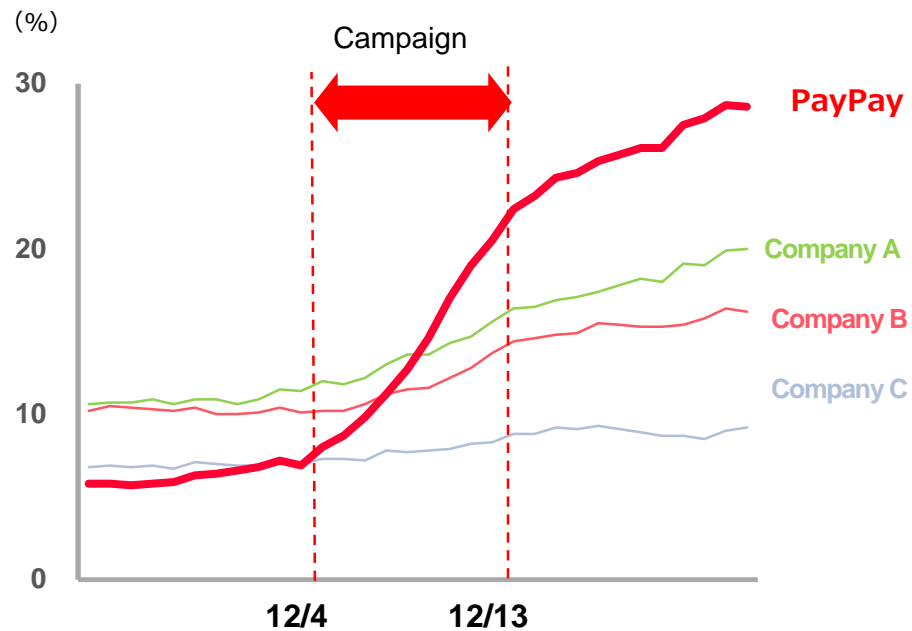
Results of campaign	
Period	Dec. 4, 2018 – March 31, 2019 ※Terminated on Dec. 13 due to consumption of budget
PayPay bonus provided	Approx. ¥11.5 billion ※Total amount given by PayPay Corporation, Yahoo Japan Corporation and SoftBank Corp. Includes ¥1 billion given in campaigns of Yahoo Japan Corporation and SoftBank Corp.
Pending PayPay bonus	Approx. ¥0.2 billion ※As of Jan. 31

Effect of Campaign – Enhanced Awareness -

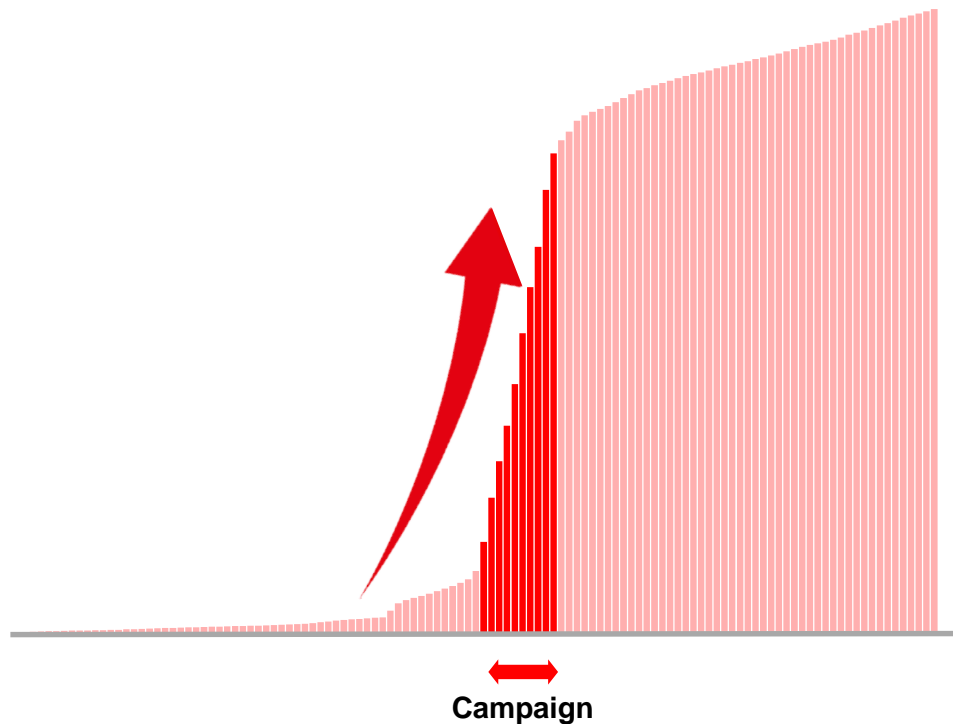
No.1 Name awareness



No.1 Understanding of service



Effect of Campaign – Surge in No. of Registered Users



In four months since start of service, cumulative no. of registered users

exceeded 4 million
(fastest in our history)

Post Campaign Reflections - Security Measures -

Security reinforced to ensure service safety

Anti-fraud measures			Implementation
1	At credit card registration	Restricted no. of times security code* ¹ can be entered	Implemented
2		Implemented identity verification measure (3D Secure* ²)	Implemented
3	At payment	Restricted amount of payment via credit card	Implemented

2nd Campaign On the Way




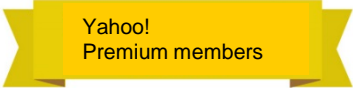



第2弾 **100億円**
キャンペーン

2019年2月12日（火）9:00から開始
—— ただいま準備中 ——

最大20%※1戻ってくる!

※1 PayPay残高の付与上限は、お一人様につき「1回の支払いにおける付与上限」は1,000円相当、「キャンペーン期間中の付与上限」は50,000円相当です。

2nd Campaign – Outline

	For every shopping	Lottery for every shopping
 PayPay balance (linked with bank account)	20% cashback	<div style="text-align: center;"> <p>More</p>  <p>Yahoo! Premium members</p> </div> <div style="text-align: center;">  <p>1 in 5 chance of full cashback</p> </div>
 Yahoo! JAPAN Card	19% cashback	
 Other credit cards	10% cashback	
Maximum cashback	Equivalent to ¥1,000/shopping Equivalent to ¥50,000/period	Equivalent to ¥1,000/shopping Equivalent to ¥20,000/period

Reinforce Security Notices When Implementing 2nd Campaign

Users will be carefully notified of the following:



Notify users to be careful of phishing sites when linking to bank accounts

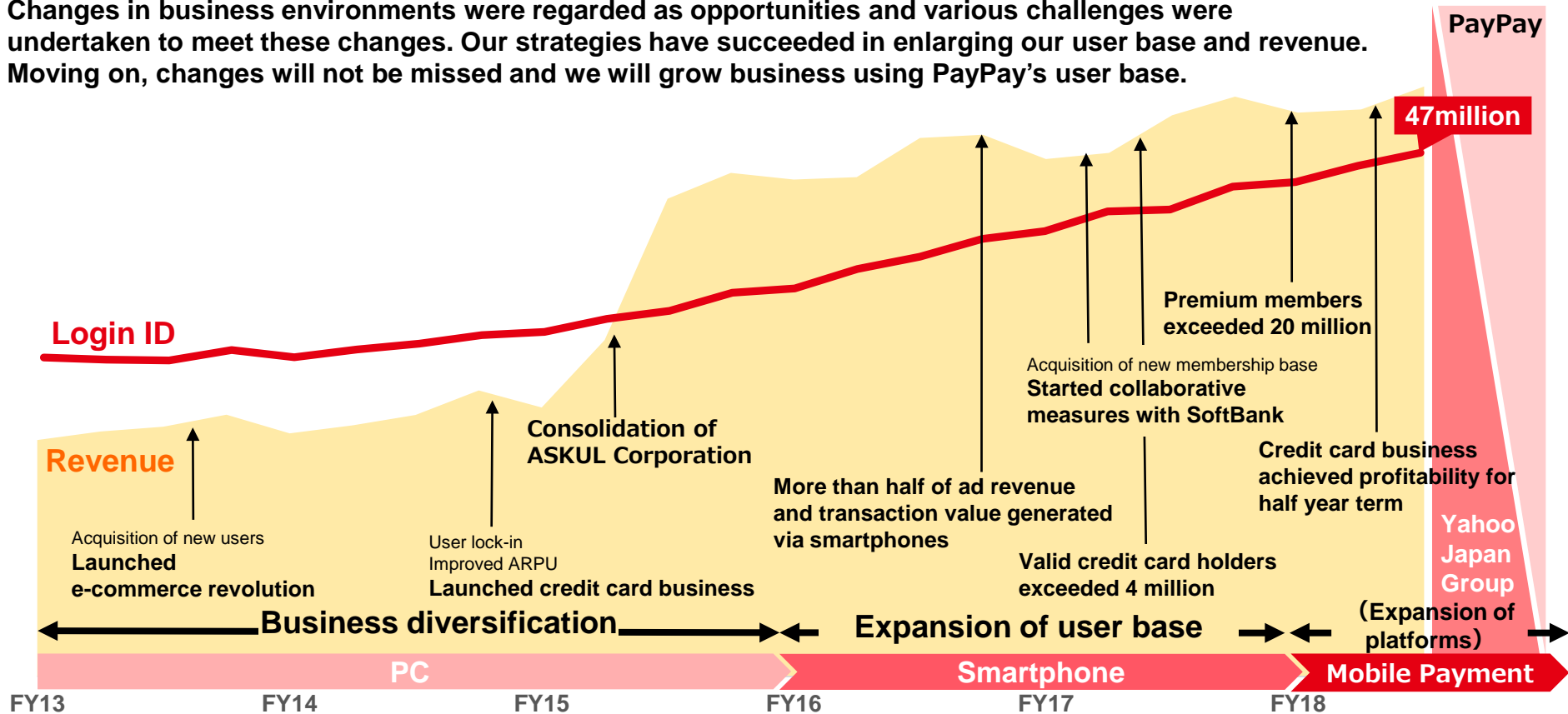


Notify users to carefully handle credit card information

Pursuing Future Growth

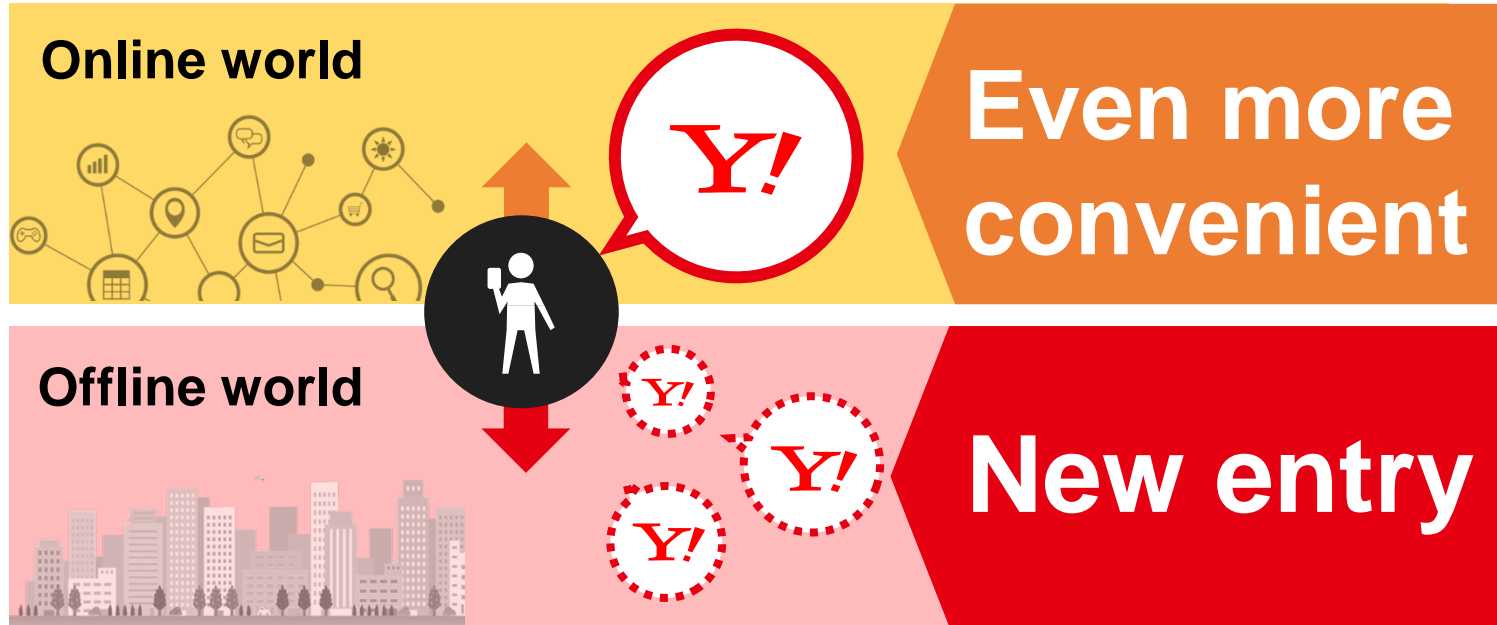
Past 5 Years in Retrospect and the Future

Changes in business environments were regarded as opportunities and various challenges were undertaken to meet these changes. Our strategies have succeeded in enlarging our user base and revenue. Moving on, changes will not be missed and we will grow business using PayPay's user base.



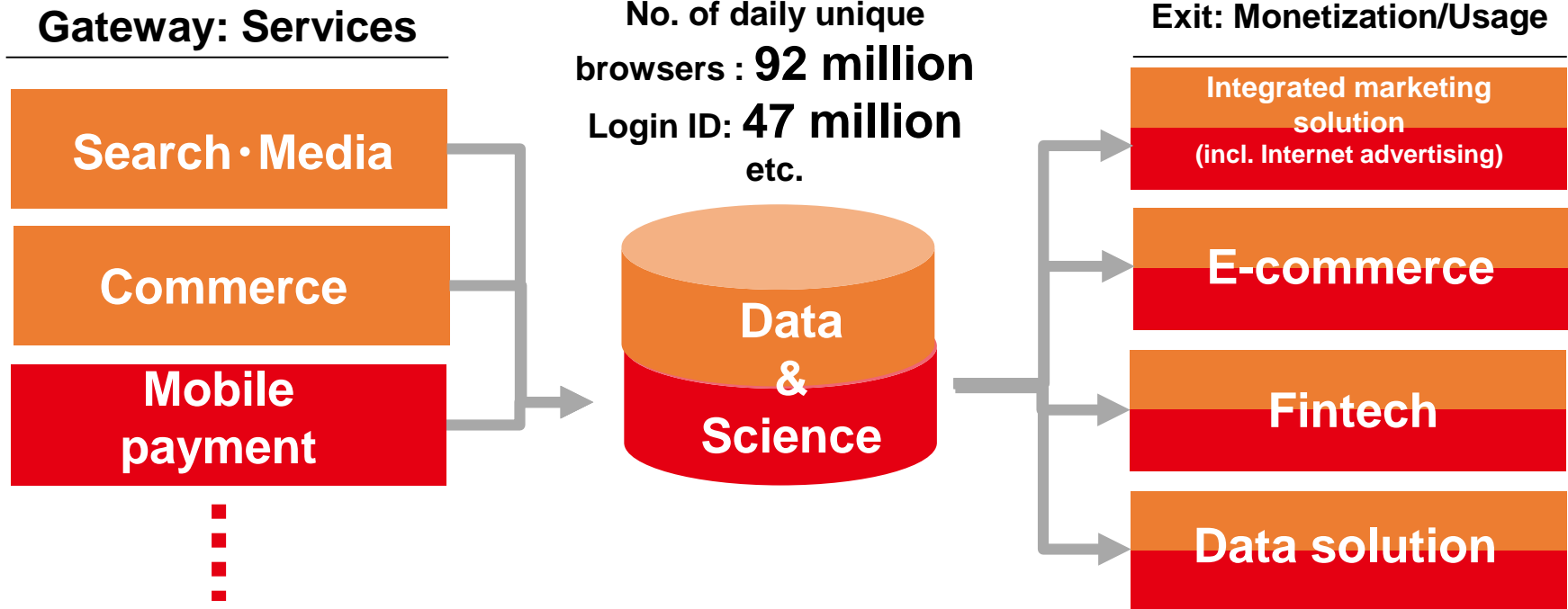
Yahoo Japan Corporation aspires to:

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



Develop Monetization Points

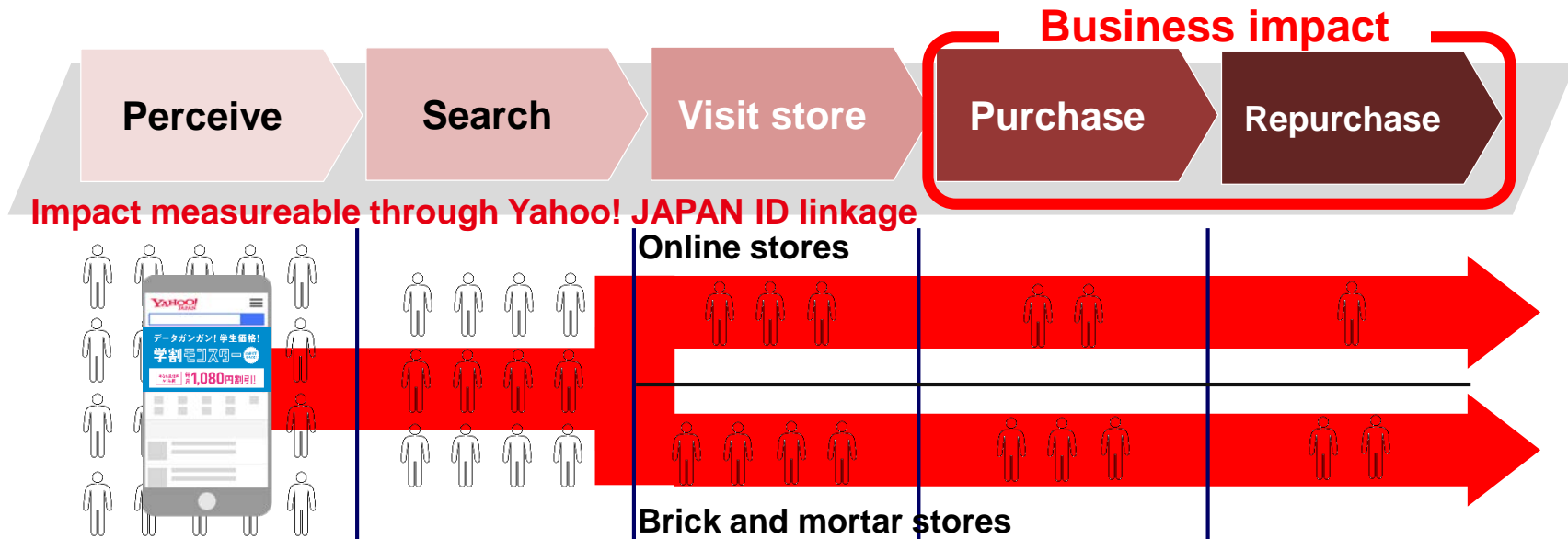
Monetization through “Media & Commerce” combined with “online & offline” and creating value for users



Integrated Marketing Solution

What is Integrated Marketing Solution?

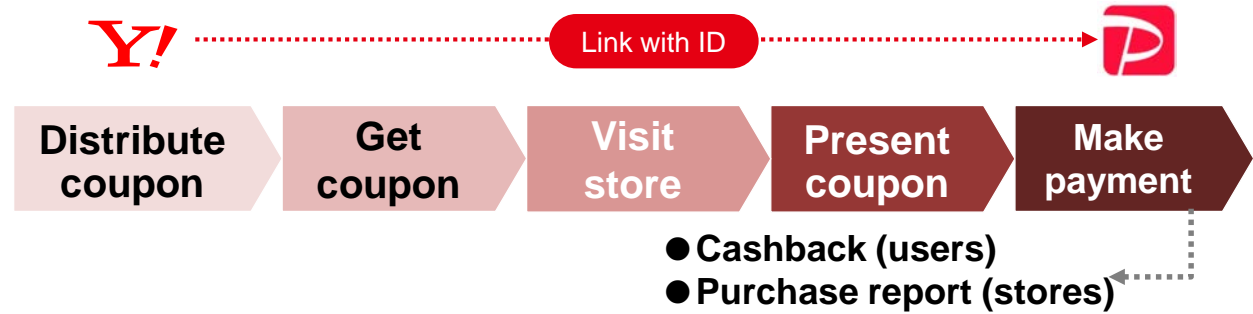
Solution which visualizes and maximizes business impact by connecting consumption behavior from the gateway to exit – both online & offline.



Developing New Products That Generate Business Impact

Offline purchases

- Coupons for restaurants/retail stores, etc.



Online purchases

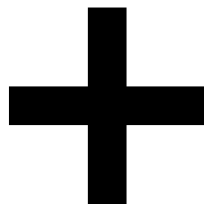
- Product-related paid search advertising
- Header-displayed advertising, etc.



Tap into Sales Promotion Market in Addition to Advertising Market



Provision of online ads
Expansion of video ads



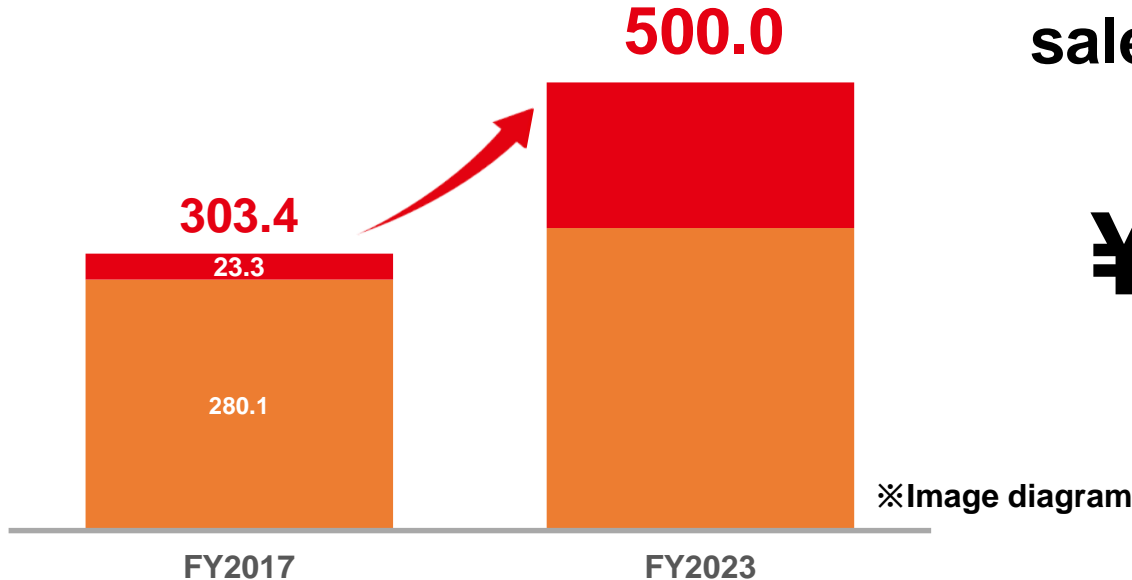
Provision of integrated marketing
solution which generates high business
impact, both online and offline

Revenue Outlook

(¥ Billion)

- Integrated marketing solution, shopping advertising
- Paid search advertising, display advertising (excl. shopping advertising)

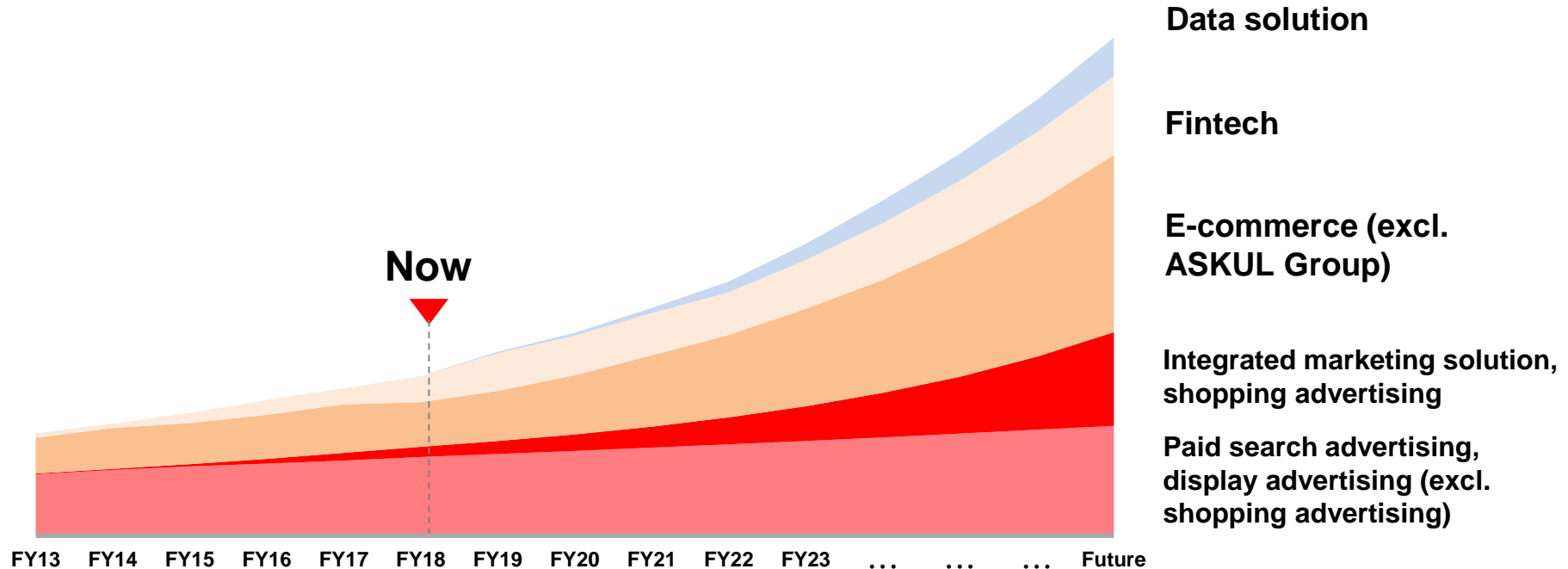
Tap into the ¥15 trillion sales promotion market, and aim for **¥500 billion** in FY2023



Long-Term Revenue/ Operating Income Outlook

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

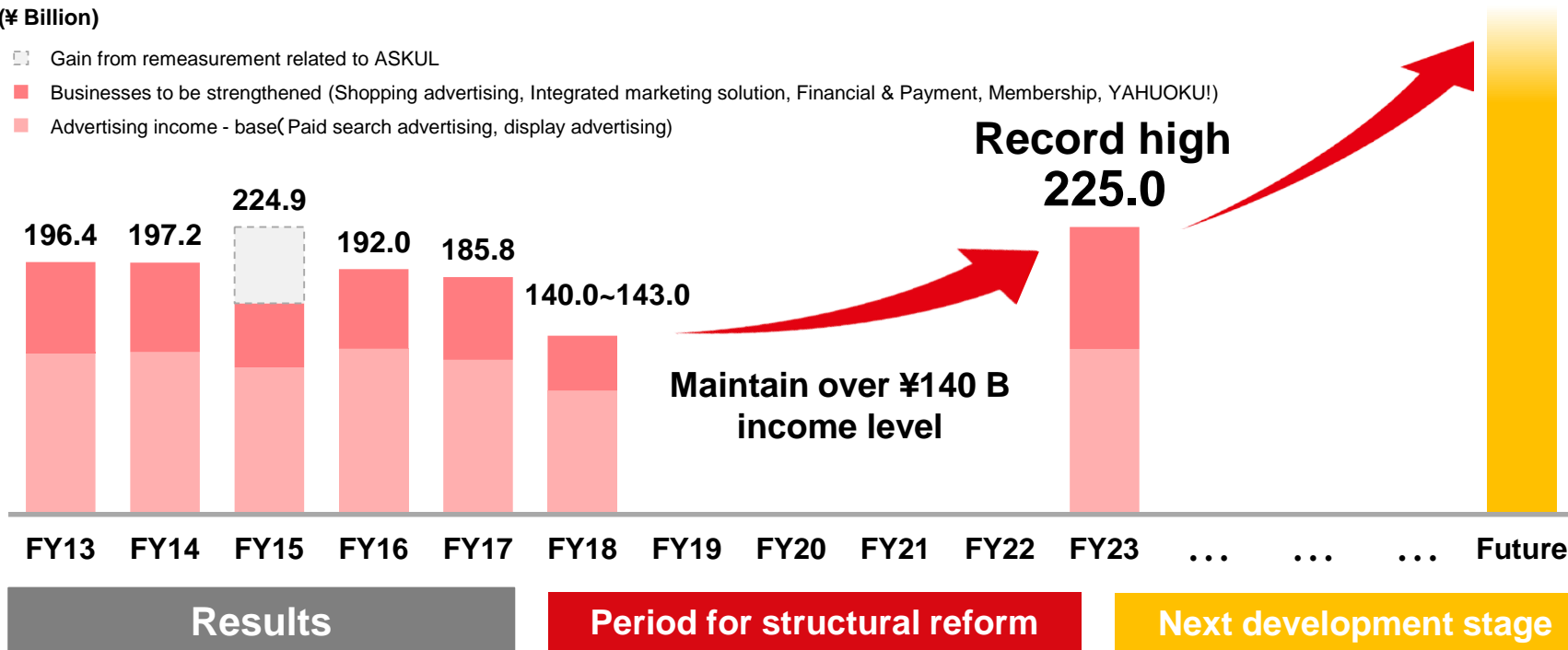


Operating Income – Long-Term Outlook

Change income composition to meet changes in business environment and aim for the next development stage

(¥ Billion)

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



Yahoo! JAPAN
will create a future that
can only be shaped by us

Notice

Media announcement on DATA FOREST Initiative

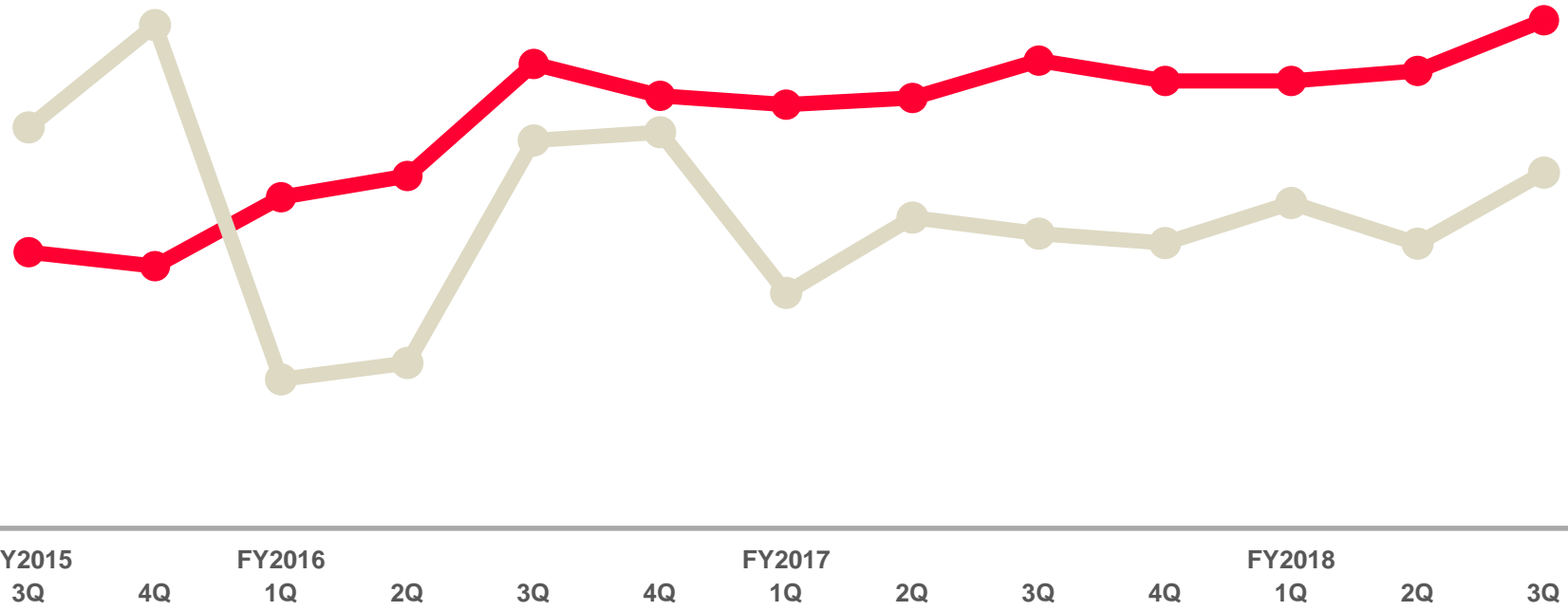
scheduled on February 13 (Wed.)

<https://dataforest.yahoo.co.jp/> (Japanese only)

Supplemental Information

Percentages of Shopping-Related Advertising Revenue*¹ and Point-Reward Expenses*² to Yahoo! Shopping Transaction Value

● % of Shopping-related advertising revenue
● % of point-reward expenses



*1 Shopping-Related Advertising revenue / Yahoo! Shopping transaction value = "take rate"
 *2 Point-reward expenses related to Yahoo! Shopping / Yahoo! Shopping transaction value

Business Segment Breakdown

Media Business

- **Advertising:** Paid search advertising “Sponsored Search”, Display advertising (“Yahoo! Display Ad Network (YDN)”, “Premium Advertising”)
- **Business Services:** CRM-related services, Media-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

Advertising Products

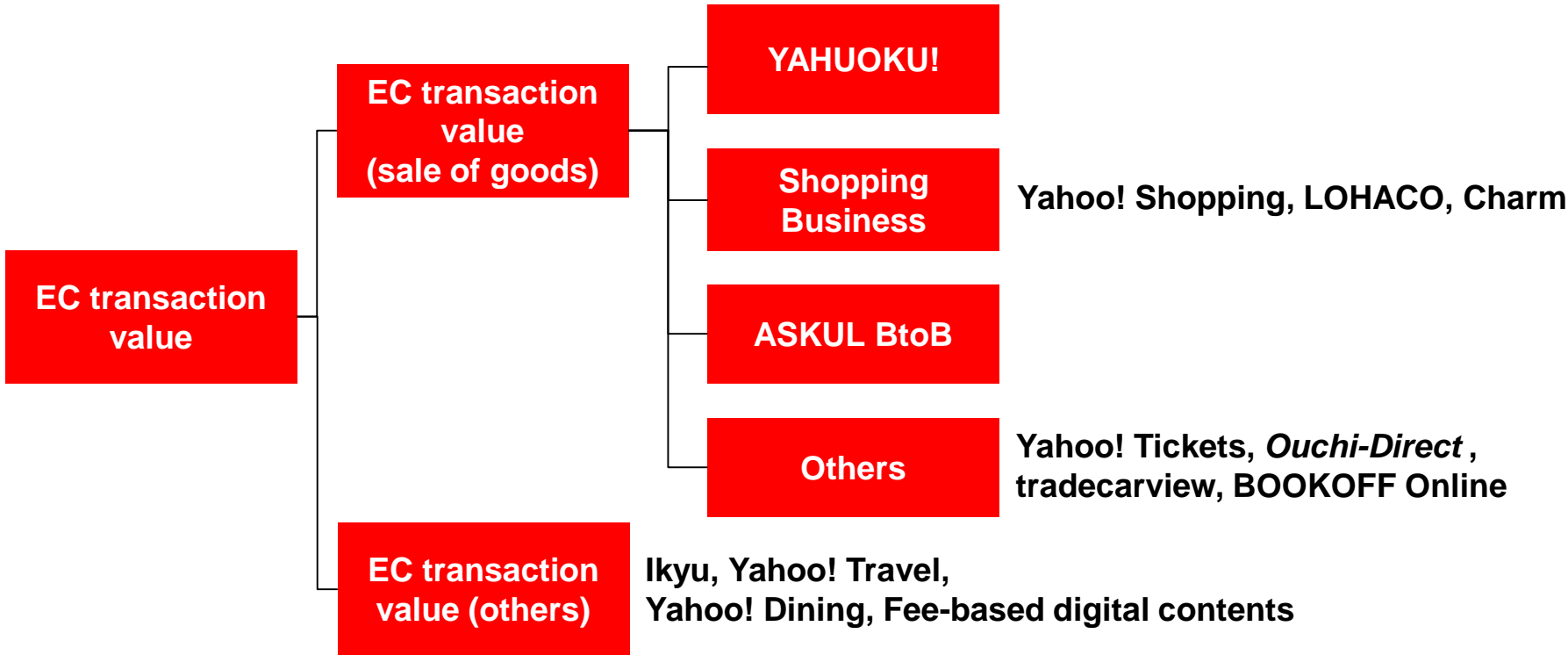
Advertising Products		Main Format	Fee Calculation	Placement Pages	Main Advertiser Base	
Paid search advertising	Sponsored Search®		Text	Search results pages	Major corporations	
Display advertising	YDN and others	Yahoo! Display Ad Network (YDN) *1	Text Banner	Top page *1	Small and medium-sized companies	
			Video			
		Yahoo! Premium DSP	Banner	Interior pages of service sites *1	Major corporations	
	Premium Advertising	Brand Panel Prime Display Others	Rich ads (including video) Banner	Per-impression page view rate (Performance-based) *2	Yahoo! Shopping	Yahoo! Shopping stores
		Banner ads Text ads Others	Text Banner	Per-impression page view rate (Guarantee-based) *3		
		PR Option		Per-guaranteed period rate, etc. (Guarantee-based) *3		
			Conversion-based			

*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

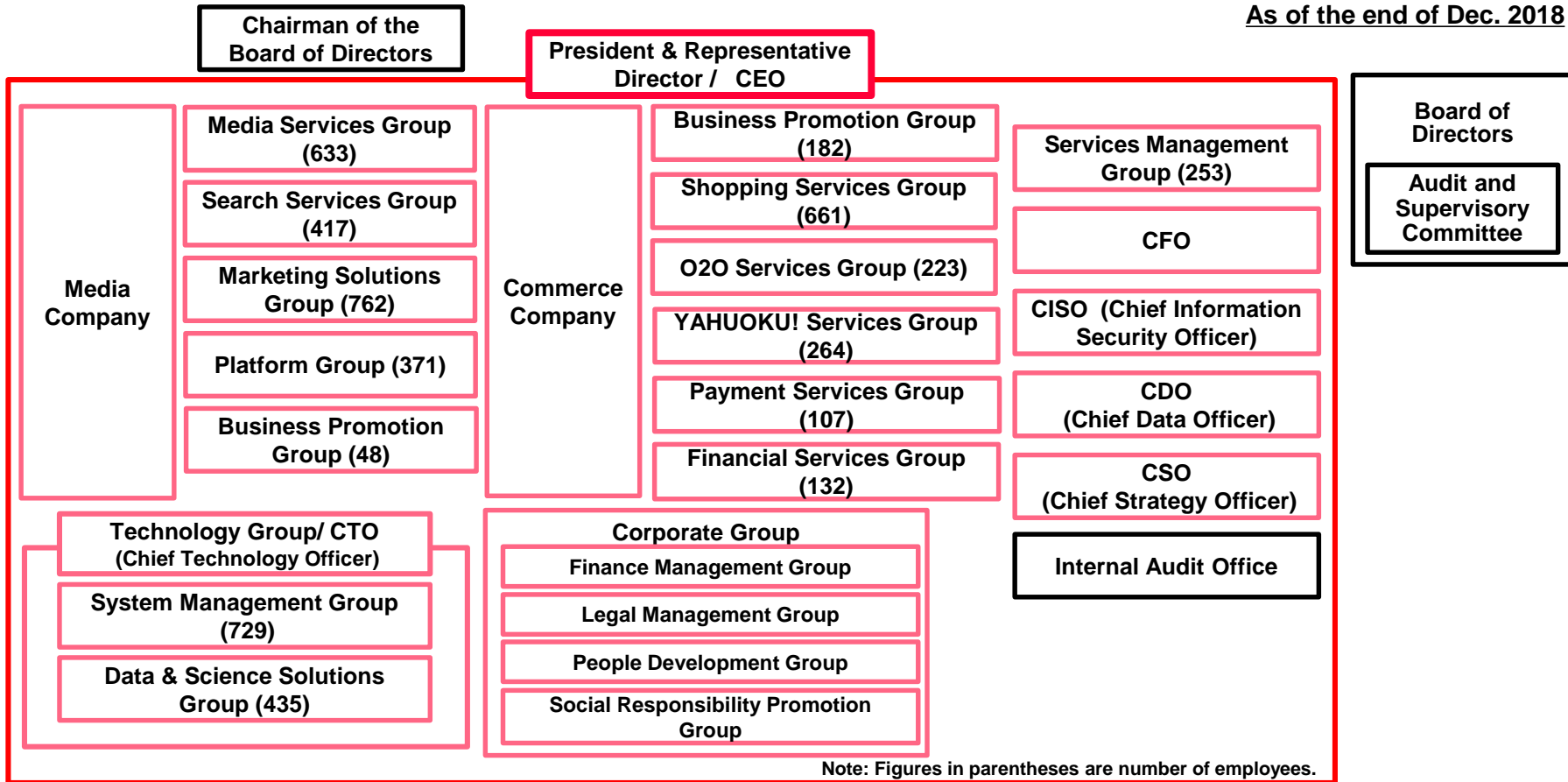
*3 Advertising for which specific placement is reserved in advance

Definition of EC Transaction Value from FY 2018



Organization Chart of Yahoo Japan Corporation

As of the end of Dec. 2018



Consolidated Subsidiaries and Affiliates

As of the end of Dec. 2018

● Major consolidated subsidiaries

ASKUL Corporation

CLASSIFIED Corporation

eBOOK Initiative Japan Co., Ltd.

GYAO Corporation

Netrust, Ltd

Synergy Marketing, Inc.

ValueCommerce Co., Ltd.

YJ Card Corporation

Y's Insurance Inc.

Z Corporation Incorporated

Carview Corporation

Dynatech inc.

ecohai Co., Ltd.

Ikyu Corporation

Passrevo Corporation

The Japan Net Bank, Limited

YJ Capital Inc.

YJFX, Inc.

Y's Sports Inc.

● Major affiliates

Astmax Asset Management, Inc.

CRITEO K. K.

Sony Real Estate Corporation

BuzzFeed Japan Corporation

PayPay Corporation

YAHOO!
JAPAN