

**Outline of Q&A Session at Investors Meeting on Results for the Three Months
Ended September 30, 2015 (Held on October 30, 2015)**

Please note that the content has been supplemented, edited, and reordered for greater clarity and ease of understanding.

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Q. On the sales promotional activity: you mentioned that you will be adding JPY 20 billion to the JPY 10 billion investment that was already planned, thus making sales promotional activity for a total of JPY 30 billion. In what proportion will the budget be allocated? How much sales promotional expenditures were made in 2Q?

A. The additional JPY 20 billion is planned to be allocated to: over JPY 10 billion to the shopping business, approximately JPY 5 billion to the promotions of smartphone applications, approximately JPY 2 billion each to auction and credit card businesses. In 2Q, we reinforced sales promotions and made additional investments of JPY 5 billion and the breakdown was about the same. KPIs of each division are as we have explained in the presentation material, but the transaction value for the shopping business grew largely and the growth in the number of new members for credit card and advertising revenue were both steady.

Q. Will active upfront investments continue in the next fiscal year? If so, what will be the income level for the next fiscal year?

A. We think that this large scale investment will take effect in the revenue growth in and after FY2016. We aim for higher revenue in FY2016 compared to FY2015. Shopping business and credit card business are both in stages of upfront investment, so the investments will continue but not in this scale. We will monitor the effects in the second half of this fiscal year and decide on the level of investments for the next fiscal year.

When we announced the business results for FY2014, we said that "FY2015 will be an important year for the shopping business, etc. so we will make upfront investments for future growth." We are not investing because we had a one-time gain from the consolidation of ASKUL Corporation. We made unprecedented level of investments in 1Q and 2Q and saw improvements in KPIs, thus have decided that it is possible to make additional spending. We

plan to continue large scale investments in big data-related activities which will be the backbone of all businesses.

Q. In the shopping business, sales promotion is done by providing points to Yahoo! Premium members and cross use with other services is increasing. Out of the four groups of users in P.48 of the presentation material, namely media, e-commerce, Premium membership and financial and payment, in which group of users do you want to see increased usage? Won't there be investments to users who only use the media services?

A. We have a good response in e-commerce, Premium membership and financial and payment because they go well together. There are many Yahoo! Premium members who use YAHUOKU! but not Yahoo! Shopping, so we would like to promote cross use. We think that the challenge lies in promoting cross use in users who only use media services. There are few media companies in the world that are successful in e-commerce as well. Unless there are new ideas, users who only use media services will not use other services. Our strength lies in the media business so we would like to strengthen cross sales.

Q. How will you evaluate the effect of the additional JPY 20 billion investments? An additional JPY 5 billion investment was made in 2Q, but the increase in the acquisition of credit card members was 400,000 members compared to the previous quarter. This increase was at the same level as the one from 4Q of the previous fiscal year to 1Q of this fiscal year. The growth in the transaction value in the shopping business grew from 21% to 27% year on year, but this seems insufficient taking into account that the sales promotion costs have doubled. I also want to know the background to your decision of setting the total investment amount at JPY 30 billion. I have the impression that this level will be beyond the effects. How can I understand this?

A. In 2Q, intensive promotional measures for Yahoo! Premium members were taken in the shopping business and we plan to further enhance this measure in the second half of this fiscal year. The purchase conversion rate is finally beginning to go up, so we will conduct measures to bring in new users. The additional JPY 20 billion spending also includes mass advertising. We aim to achieve more than 30% year on year increase in transaction value. There are new measures underway so we would like to examine the effects and proceed with them.

Q. Do you feel any qualitative improvements as a result of the JPY 5 billion additional investments of 2Q?

A. Overall, we are beginning to see improvements in all of the KPIs. The transaction value is increasing parallel to the amount of investment. Sometimes, take rate (proportion of revenue to transaction value) decreases when the transaction value gets larger, but we haven't seen a decrease in the take rate. We are seeing improvements where: increase in sales promotion costs is resulting in increased transaction value but the take rate is not falling.

Q. You were saying that you will be investing at the beginning of FY2015. What triggered you to increase the investment amount from the initial plan?

A. We think that timing is important in promotions. The products/services need to be matured enough to grow through promotions and monetization must be within reach. We will be investing in media, e-commerce, etc. this time, but in each case, products/services are refined and the prospect for monetization is clear. In-feed Advertising in media business has already been monetized and advertising in the shopping business has come to the stage where monetization can be expected. Also, usage rate of credit cards is increasing so we decided that we have reached the stage to intensify the promotions.

Q. At the beginning of this fiscal year, did you have in mind, the possibility of increasing the investment amount?

A. Last year this time, the revenue growth of paid search advertising was sluggish and we were not sure if e-commerce will begin to grow. So we conducted cost control activities and streamlined costs. e-Commerce has just begun and we consider that it is a market that can be developed, so we had in mind to make investments at the right timing. As a result of the products/services refinement, sales promotions in 1Q and 2Q led to KPI growth in media, e-commerce and credit card businesses. Thus we judged that if we make additional investment at this timing, KPIs will further improve.

Q. I had the impression that the company was profit-conscious from the days of the previous management team, but this seems to be changing recently. With which indicators can we judge the management results in the future?

A. We think there will be more times when we will be making large investments in the future, but we want to pursue profit-conscious management. We don't want to be excessively conscious. We think that a balance is important. We can't overdo it, but we think that we are in a state to compete so we would like to invest as we maintain the balance.

Q. Is there a prospect of recouping the investments? Are there road maps, such as improved take rate in the shopping business by the next fiscal year, increased inventory for In-feed Advertising, increased use of cash advance and revolving repayment, etc.?

A. Advertising products for stores in Yahoo! Shopping have been refined so that it will increase in conjunction with the increase in transaction value. This revenue is still small, but the take rate is approximately 2%. In 2Q, we have results that show that we can maintain the take rate even if the transaction value increases. In the medium term, we think that we can make a structure in which the stores can place advertising as marketing cost, while they make profit. However, we are currently at the stage of increasing transaction value. In the credit card business, it is difficult to recoup investment with just transaction fees so we have the premise that a certain level of revolving repayment and cash advance will be used. Currently, the usage rate is higher than the planned level, so we think that the investment can be sufficiently recouped. Currently, in-feed advertising is distributed in the Yahoo! JAPAN startup page for smartphones and in the pages for news and sports. We can expect to extend this to other services within Yahoo! JAPAN and partner sites, while securing usability. Moreover, we can expect improved performance in the big data-related investments that we have been pursuing.

Q. I would like to know target figures of the Yahoo! Shopping take rate and the credit card business. When and how much do you think you can make improvements?

A. We are not disclosing the target figure for revolving repayment, but aim to increase the number of users of Yahoo! JAPAN Card and to encourage the card holders to use actively. So far we are focusing on increasing the number of card users. As for the shopping business, I think it is possible to hike the take rate to 3-5%.

We cannot tell you the time frame, but we think that the take rate will improve if the transaction value increases.

Q. Compared to the large investment planned for the second half of this fiscal year, the growth rate of shopping-related transaction value seems small and the number of new member

acquisitions for the credit card business seems little. Wouldn't you be able to have a bigger increase?

A. As we are planning to implement new measures, there are uncertain factors. Internally, we are working toward a higher target. We have never made an investment in this scale before, so we want to be careful in our public announcements. Our approach is not to use up all JPY 20 billion in new investments, but we will weigh the necessity as we go along.

Q. Are most of the investments in shopping, financial and payment, credit card businesses for point provisions?

A. We believe that there will be more point provisions in the shopping business. We plan to execute measures for Yahoo! Premium members and to promote smartphone application usage; and conduct advertising to acquire new users, etc. credit card business will also focus on point provisions.

Q. In the shopping business, I believe that there is a need to further increase the transaction value and largely improve the take rate in the future. However, will it not take longer to see returns in investment if you expand the coverage for point provisions?

A. We aim to maintain the take rate first, while expanding the growth rate of the transaction value by more than 30% year on year. We believe the take rate will improve after that. There are no more smartphone application-related promotions planned in the next fiscal year, as we are currently concentrating our promotions on smartphone application usage to take root among users. Cost efficiency for point provisions will gradually improve.

Q. Will the take rate improve in shopping business mainly by advertising? Are you thinking of charging the stores?

A. Basically, we think that this will be mainly through advertising revenue from the advertising posted by the stores. We would like to improve take rate mainly by advertising.

Q. Why is the operating income margin decreasing in the Marketing Solutions Business?

A. This is impacted by investments for smartphone applications.

Q. Please tell us the prospect of advertising revenue by product type in 3Q. Also, what is your prospect of the operating income for the whole company?

A. We think that the trend in the growth level of the advertising revenue will not change from 2Q. In 2Q, paid search advertising decreased about 5% compared to the same quarter last year, but the effect of terminating the distribution to partner sites in smartphones will become big so we think that the decrease in revenue for 3Q will be in high single digit percentage. We think that YDN, etc. will increase by about 50%, and Premium Advertising will decrease by 10-20%. In terms of operating income, we expect a decrease of over 20% year on year due to upfront investments, but this may vary by measures.

Q. When will video advertising delivered as In-feed Advertising, and video advertising delivered in the startup page of smartphones, begin?

A. We will only begin the video advertising in the startup page of smartphones when the quality is sufficiently good, so we cannot tell you when we will begin to provide this product at the moment.

Q. What are the challenges in increasing the revenue from In-feed Advertising? Do you expect the high rate of growth to continue?

A. Currently, In-feed Advertising is delivered in the startup page and in pages such as news and sports. But we see room for growth in smartphone applications. There are pages that are not in timeline-view, so we are in the process of evaluating if this can be accommodated according to the usage. We will examine the successful cases in Yahoo! Inc. and make further deliberations. We hear that timeline-view is also introduced in partner sites, so we do not have the impression that the growth will stagnate in the near future.

Q. What is the effect of ad blocking applications in iOS? Can we assume that there will not be such a big impact?

A. Currently, the number of users who are using ad blocking applications is limited so there is not such a big impact. But we cannot foresee what may happen in the world of the Internet, so we will closely monitor the development. However, we do not think that the advertising revenue will suddenly deteriorate.