

Outline of Q&A Session at Investors Meeting on Results for the Full Year and the Three Months Ended March 31, 2016 (Held on April 28, 2016)

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

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Q. In 4Q, the year on year growth rate of advertising-related revenue was 3.5%. Compared to before, the figure is declining. What is the estimate of advertising-related revenue for FY2016? Please inform us the figures by advertising products.

A. In 4Q, the revenue of paid search advertising decreased by approximately 12% year on year. The rate of decrease was in the double digits because the result for 4Q in the previous fiscal year was strong, and because we were affected by the termination of its distribution to partner sites in smartphones. We are seeing favorable results as expected in YDN and others, mainly in In-feed Advertising. In Premium Advertising, revenues from Brand Panel in smartphones and PR Option in Yahoo! Shopping, etc. increased. On the other hand, revenue of Premium Advertising via PCs decreased by slightly more than 10% compared to the same quarter in the previous year.

In FY2016, we expect that the growth of advertising-related revenue will be at a mid-to-high single digit rate year on year. The distribution of paid search advertising in partner sites in smartphones has been terminated from 1Q in FY2015, thus the effect of this termination compared to the same quarter last year will gradually decrease from 1Q onwards. The trend of decrease in revenue will continue, but the rate of decrease is expected to be from high-single digit to around 10%. YDN and others will continue to be the growth driver. In May, a year will have passed since the introduction of In-feed Advertising, and the revenue of YDN and others itself is becoming large in scale. Considering these points, we expect this revenue to increase by double digits. We think that we will see revenue increase of around 30% in 1Q and that this figure will gradually decline. Since the revenue from PR Option, etc. is strong, we assume that revenue from Premium Advertising will increase by mid-single digit. We hope to begin providing video advertising in FY2016. However, the launch date is undecided at the moment and we expect that its contribution to revenue will be limited in FY2016.

Q. In-feed Advertising was launched in May 2015. A year will pass since its launch in May, so will the growth rate of the revenue from In-feed Advertising decrease in the future? This is currently being distributed in the startup page, etc. of smartphones. Are there plans of increasing the pages in which this will be displayed? What kind of changes do you foresee if you will be able to provide video advertising as In-feed Advertising?

A. We have plans to introduce In-feed Advertising in other service pages as well and hope to increase the revenue from In-feed Advertising by several tens of percentages in FY2016. On the other hand, the unit price of advertising tends to fall when the advertising inventory is increased. Therefore, we would like to proceed with an eye on the balance between the two. In terms of a measure to expand the advertising inventory, we have high hopes on the flagship applications that we have previously explained in our presentation. Even when the same information is browsed, the KPI is better when users use applications than when users use browsers. We would like to encourage users to log-in when using applications. In addition, we hope to begin to distribute video advertising in the In-feed Advertising slots in FY2016 and we have high hopes in its growth potential through this measure.

Q. What is the outlook of growth rate in shopping-related transaction value for FY2016?

A. In FY2015, the growth rate of shopping-related transaction value was over 40% compared to the same period in the previous year. The transaction value expanded sharply in 2H of FY2015, therefore maintaining the high year on year growth rate in 2H of FY2016 will be a challenging target. However, we hope to aim for a growth rate of around 40% also in FY2016.

Q. The revenue from shopping-related advertising was JPY 2.6 billion in 4Q. How do you intend to increase the proportion of advertising revenue to the transaction value in the future? Please tell us what kind of measures you are considering.

A. Among the shopping-related advertising products, PR Option, a product we have newly started to provide is selling very well. The sales of stores increase in parallel with the increase in transaction value, thus we view that the appetite for the stores to place advertising will increase and we will be able to increase advertising revenue in this field.

The proportion of shopping-related advertising revenue to the transaction value of Yahoo! Shopping is currently at around mid-2%. A year ago, this figure was at a 1% level, so we have steadily expanded. Even compared to 3Q, which was a holiday selling season, we have maintained this percentage in 4Q. We hope to gradually increase this also in FY2016.

Q. What kind of effects does PR Option have on the users?

A. In Yahoo! Shopping, the purchase conversion rate from the product search result is increasing, so we think that it does not have any negative effects. If the advertising aspect appears too strong, it will become difficult for users to find the products they want and the purchase conversion rate will decrease. Therefore, we are especially attentive about the purchase conversion rate.

Q. The number of products in Yahoo! Shopping has exceeded 200 million. What do you think is the appropriate number of products? Wouldn't risks arise as a result of the increased number of products, such as malicious merchants opening stores, or difficulty in finding products because there are too many products, etc.?

A. It is difficult to define the appropriate number of products. However, we would like to make it easier to find products leveraging the product search technology.

Q. We presume that you plan to spend about JPY 40 billion in sales promotion cost for FY2016. In which areas do you think that cost reduction is possible compared to FY2015?

A. In FY2015, we have made attempts in various measures, such as promotions on the Internet, TV commercials, point provisions, etc. From these measures, we would like to focus on the cost effective measures in FY2016.

Q. What do you expect the operating income will be in FY2016?

A. Operating income for FY2015 was JPY 224.9 billion. However, excluding the sales promotion cost (JPY 28.2 billion) which is acknowledge as an upfront investment; one-time cost related to the relocation of the head office, etc. (JPY 4.4 billion); and gain from remeasurement relating to business combination with ASKUL (JPY 59.6 billion), we believe that the operating income for FY2015 was JPY 198 billion. As for the operating income for FY2016, we wish to see an increase based on this figure. Although we are planning to reduce the sales promotion cost compared to FY2015, we would like to respond to situations in a flexible manner, therefore we will announce our outlook for the operating income for FY2016 taking the progress in the businesses into account.

Q. JPY 28.2 billion was spent for sales promotional activities as an upfront investment cost in FY2015. What is the breakdown of that investment for each quarter?

A. We define the increase in sales promotion cost compared to FY2014 as upfront investment cost. Compared to the previous year, there was not much difference in 1Q, however there was an increase of approximately JPY 5 billion in 2Q; approximately JPY 9 billion in 3Q; and approximately JPY 14 billion in 4Q.

Q. JPY 4.4 billion is recorded as costs related to the relocation of the head office. Have these costs been recorded in 4Q?

A. Although most of the costs related to the relocation of the head office are recorded in 4Q, some of these costs have also arisen through 1Q to 3Q. Costs which were mainly recorded were provision for the restoration of the office to its original state, and purchase of fixtures and fittings, etc. In FY2016, we assume that the costs related to the relocation to be approximately JPY 2-3 billion.

Q. In 4Q, the Other Businesses segment incurred a slight loss. What is the reason for this? What do you assume the operating income will be in the future? Also, there was an increase in SG&A in Adjustments. What was the reason for this?

A. Business segments such as Financial & Payment Services Company, Data & Science Solutions Group and System Management Group, etc. are included in the Other Businesses segment, thus capital expenditure, etc. are included here. The main reasons for the increase in SG&A are increase in acquisition cost for the active acquisition of credit card members, and increase in operational cost due to the increase in credit card members. SG&A in Adjustments increased due to bonus for employees, increase in allowance due to increased number of consolidated subsidiaries, and costs related to the relocation of the head office, etc. All of these are one-time factors thus the increase in costs is not due to a structural change.

Q. While other companies are strengthening their video platforms, what do you acknowledge as GYAO!'s strengths and future challenges?

A. In the market of paid service model in smartphones, we believe video is a field that has a growth potential next to games. The initial business model of GYAO! was providing free video contents to users. In addition to the launch of Premium GYAO! in which SVOD (Subscription

Video on Demand) service is offered, TVOD (Transaction Video on Demand) service is also offered in the GYAO! Store. By offering 3 business models, we believe that we can fully utilize the synergies across these business models in areas such as customer attraction and content procurement, etc.