

**Outline of Q&A Session at Investors Meeting on Results for the Three Months Ended
June 30, 2016 (Held on July 28, 2016)**

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

Unless otherwise specified, English-language documents are prepared solely for the convenience of readers outside Japan. If there is any inconsistency between the English-language documents and the Japanese-language documents, the Japanese-language documents will prevail.

The information on this website contains forward-looking statements in addition to historical or current facts. These forward-looking statements are no more than estimates or conjectures made based on the information available at the time and are exposed to a variety of risks and uncertainties. As a result, actual business or financial performance could differ substantially.

Q. In the announcement of the business results for 4Q of FY2015, the growth rate of advertising-related revenue was forecast to improve in 2H of FY2016 compared to the same period in the previous year. Having seen the results for 1Q, does the forecast remain unchanged? About how much was the revenue from In-feed Advertising (part of display advertising) for 1Q?

A. We regard that the advertising-related revenue for 1Q was somewhat below expectation. Revenues for smartphone advertising and shopping-related advertising was favorable, however, the revenue from Premium Advertising in PCs was weak. Revenue from In-feed Advertising amounted to approximately JPY 8 billion.

We aim to have a mid-single digit year on year growth in advertising-related revenue for FY2016. We expect that the revenue of paid search advertising to decline by high single digit to 10% year on year. In addition to the gradually declining effect from the termination of distribution of advertising to partner sites in smartphones, which we conducted in FY 2015, we expect to be able to improve by reviewing the structure of our sales force for the major advertisers and through functional improvements to our search engine. Meanwhile, we expect revenue of display advertising to grow by mid-10% level year on year. A year has passed since the launch of In-feed Advertising. However, we expect advertising distribution slots to increase due to the increase in our app users and that shopping-related advertising will be our growth driver. We also plan to release video advertising within FY2016.

Q. In the announcement of business results for 4Q of FY2015, it was explained that it would be necessary to raise the average unit price of display advertising and to increase the advertising distribution slots. How is this proceeding?

A. In terms of advertising distribution slots, we have been able to increase this mainly in smartphones. For example, in 1Q, traffic increased as a result of the introduction of timeline-view to the 2nd tier pages and onwards in Yahoo! News. We expect to expand the advertising distribution slots further by introducing timeline-view to other services such as Yahoo! Knowledge Search (Chiebukuro). We would like to increase the traffic of apps in the future and not be satisfied solely with the increase in the number of users via smartphones.

In regards to the average unit price, we aim to expand the breadth of expression in the advertising formats by introducing video advertising and by expanding the distribution slots for image advertising, etc. Moreover, we think that it is important to improve the targeting accuracy through a better understanding of our users, leveraging multi big data.

Q. The trend of advertising is moving from guarantee-based to performance-based advertising. Meanwhile, the revenue of Premium Advertising is declining. Are measures, such as changing the format of the advertising in the startup page of PCs from guarantee-based to performance-based being contemplated?

A. We regard the decline in revenue of Premium Advertising to be a challenge. However, we would first like to improve the expressiveness and to provide video advertising, instead of switching to performance-based advertising. All possibilities are being considered but we have no plans of switching the advertising in the startup page of PCs to a performance-based format at the moment.

Q. Please inform us about the progress of the strategy on consolidating apps (flagship app strategy) and the specifics of the strategy.

A. The development is steadily underway; however we cannot disclose the specific launch date at the moment since we will have to conduct tests thoroughly.

As a strategy, we will nurture the focused fields based on the 100 or more apps that we currently have. In this environment in which the smartphone market is reaching maturity and is becoming increasingly commoditized, we think that we will be able to achieve growth by leveraging the safe and secure brand image of Yahoo! JAPAN, as well as our colossal user base, and by creating organic links among services and apps.

Q. The competitors are increasing their users in news-related services. Does this affect Yahoo! News?

A. According to third party data, Yahoo! News has maintained its No. 1 position since February in terms of the number of monthly app users. Before, we were No. 1 in the sum of users of browsers and apps. However, Yahoo! News is now No. 1 in the ranking of apps alone.

Q. The year on year growth rate of transaction value of the Shopping business was 38%. I think that if more sales promotion cost was used, transaction value would have increased more. What is your opinion on this?

A. We have tried out various sales promotional measures in FY2015. In FY2016, we are focusing on cost effective measures capitalizing on the expertise earned in the previous fiscal year. A target of 40% growth compared to the same quarter last year is indeed an ambitious target, and we think that it was good that we were able to improve our business in tandem with the improvement in KPI. We aim for a sustainable growth, however there is a possibility that we may strengthen our sales promotion depending on the competitive environment of the market.

Q. I would like to know the outlook of sales promotion cost. The expected figure was around JPY 40 billion for the full year of FY2016, but the figure for 1Q was JPY 5 billion, down significantly compared to 2H of last fiscal year. Do you have plans to increase the sales promotion cost again from 2Q onwards? If yes, what would trigger you to increase this cost?

A. Sales promotion cost for 2Q is expected to increase compared to 1Q. We will be flexible about the amount, depending on major KPIs and the market conditions.

Q. You said that you will aim for a 40% year on year growth in the transaction value of the Shopping business for FY 2016. However, this will be increasingly difficult to achieve from 3Q onwards because the level of the transaction value of the previous fiscal year was high. How will you achieve this target while controlling the sales promotion cost?

A. Through our continued efforts in improving the marketplace, the conversion rate has improved and the number of users who purchase again in the next year is also

increasing. Moving on, we shall pursue measures so that the users of approximately 100 million DUB who use the various services of Yahoo! JAPAN would purchase in the more attractive Yahoo! Shopping. For example, we are considering measures to efficiently refer users from other Yahoo! JAPAN services to Yahoo! Shopping.

Moreover, how to increase Premium members who use Yahoo! Shopping will also be a key factor. Yahoo! Shopping is becoming a marketplace with extremely good deals for the Premium members, and the next month repeat conversion rate and average yearly purchase amount of Premium members are increasing at a considerably higher rate than the growth rate of the Japanese e-commerce market. Meanwhile the usage ratio of Yahoo! Shopping among the Premium members and the average yearly purchase amount of existing users remain low. Thus we think that there is room for growth. By providing benefits mainly towards Premium members in the future, we hope to increase the number of Premium members and the usage ratio of Yahoo! Shopping among the Premium members.

Q. In terms of T-Points which are granted to the users who shopped in Yahoo! Shopping, the proportion of T-Points shouldered by the stores has been revised in April 2016. Through this revision, how much of the sales promotion cost borne by Yahoo Japan Corporation was reduced?

A. It was alleviated by a little over JPY 1 billion.

Q. Please inform us about how e-commerce is used among the Premium members.

A. About a little more than 20% of the Premium members are using Yahoo! Shopping and this figure is steadily increasing.

Q. Is the take rate of shopping-related advertising growing steadily?

A. The figure was mid-2% in the previous quarter, but this has risen to around 3%. The appetite to place advertising will increase as the transaction values of stores increase. Thus, the figure is rising in tandem with the transaction value.

Q. Aren't the hikes in the system use fee of YAHUOKU! and the membership fee for Premium members discouraging users to stay with Yahoo! JAPAN?

A. There were some cancellations in the Premium members when the fee was raised, but new subscribers are increasing via Yahoo! Shopping, etc. As a result, the quarter on quarter growth rate of Premium members was flat as expected. For YAHUOKU!, transaction value is increasing because the number of winning bidders is increasing while the average winning bids remain flat.

Q. There was an announcement that Yahoo! JAPAN will be withdrawing from YAHUOKU! for feature phone in December 2016. Why are you withdrawing?

A. The maintenance of all access routes is not cost effective compared to the amount of development cost it requires. In terms of the use of feature phones, we understand that they are used mainly for voice calls and not many users use them for Internet. Thus, we decided to withdraw but at the same time give due consideration not to cause inconvenience as much as possible.

Q. How is the earning status of the Credit Card business? Is the mid-term prospect that it will start earning profits remain unchanged?

A. Revenue is increasing in tandem with the transaction value, and is increasing by having some of the card holders use revolving payment and cash advance service. However, acquisition cost for new card holders remain high. Thus, although the amount of deficit has been cut back compared to the last fiscal year, 1Q still resulted in a deficit of several billion yen. We will steadily accumulate the number of card holders and things are going as planned, thus our forecast that the business will start earning profit in FY2018 or FY2019 remains unchanged.

Q. The growth rate of the transaction value is exceeding that of the number of card holders in the Credit Card business, and the amount of use per card holder is increasing at a higher rate than expected. What kinds of measures were successful? Didn't the use in services within the Yahoo Japan Group increase more than the use outside of the Group?

A. We talked about fortifying the use across several services. The growth is led by the fact that the average yearly purchase amount of users who are Premium members and Yahoo! Shopping users as well as users who use Yahoo! JAPAN Card is extremely high. The use out of the Yahoo Japan Group is also increasing.

Q. Please inform us of the outlook of capital expenditure for FY2016. Out of the big data-related investments, which specific fields will you be investing in?

A. We expect the capital expenditure for FY2016 to be around JPY 50 billion. There are two types of fields: one in which the result of investment is directly visible; and the other in which the results are not so clear but seems like a good idea to invest at this point in time. Currently, we are making investments in the former. We are discussing internally about how much of the data that may be usable in the future we should accumulate.

Q. Please inform us of the business outlook for 2Q and the full-year of FY2016.

A. For 2Q, the revenue will increase significantly year on year due to the impact of the consolidation of ASKUL Corporation. Even excluding this impact of the consolidation of ASKUL Corporation, we expect a double digit growth. Operating income will fluctuate depending on the level of the sales promotion cost, but we expect it to be in the latter half of JPY 40 billion.

For the full year, we aim to exceed the operating income of the last fiscal year of JPY 198 billion, which is the operating income excluding various impacts such as: the sales promotion cost which we regard as an upfront investment (JPY28.2 billion); one-time expenditure such as office relocation cost, etc. (JPY4.4 billion); and gain from re-measurement related to the consolidation of ASKUL Corporation (JPY 59.6 billion). However, the level of increase in income will vary depending on the amount of sales promotion cost.