

Aiming to Realize Sustainable Growth as a Company That Creates the Future



Kentaro Kawabe

President and Representative Director,
President Corporate Officer,
and Chief Executive Officer (CEO)

- 1995 Established Dennotai Corporation
- 1999 Established PIM Corporation
- 2000 Joined Yahoo Japan Corporation
Producer, Yahoo! Mobile
- 2007 Producer, Yahoo! News
- 2009 Representative Director, GYAO Corporation
- 2012 Senior Executive Vice President,
Chief Operating Officer (COO)
- 2018 President and Representative Director,
Chief Executive Officer (CEO)

As the newly appointed President and Representative Director of the Company, I would like to take this opportunity to introduce myself to our shareholders, investors, and all other stakeholders.

I was a student when Windows95 was released in November 1995. On the day of its release, I was in Akihabara, Tokyo and witnessed people's wild enthusiasm and excitement. It was at that moment that I was strongly moved and became confident that the Internet would change the world and create a brand new future. Driven by the desire to realize an even better society through the use of Internet-related technologies, I joined the Company after starting up several venture companies of my own. Since then, I have been involved in such services as Yahoo! Mobile and Yahoo! News. In the 23 years since starting my first venture company, I have grown together with the Internet and have been enamored with the idea of how the Internet can change the fabric of society. As a person who has unlimited love for the Internet, I am thrilled to now be the head of management for the Yahoo Japan Group. Under this new role, I will put forth the utmost effort in fully leveraging the potential of the Internet to make our world an even better place.

From the time the Internet became widespread to today, there has been a constant creation of services that has completely changed people's lifestyles. Based on our mission as a problem-solving engine, we have offered a diverse lineup of services that have helped create the future by bringing about change to user behavior, and this is a fact we take great pride in. However, in recent years, we have fallen behind our competitors in several business domains due to the dramatic speed with which information technologies have evolved. The possibility of a future created through information technologies such as big data, AI, and Fintech continues to grow day by day. We will therefore make diligent efforts to provide our users with new experiences faster than any other company as we take steps to build a future that only we can create.

The Business Environment and Our Current Growth Stage

Bold initiatives are needed to realize sustainable growth within an increasingly competitive business environment.

While the Internet tech giants are enhancing their presence around the world, there is a steady stream of venture companies in Japan. Within the increasingly competitive Internet market, dramatic changes are expected to continue well into the future. To realize sustainable and significant growth for the Group under these conditions, we need to take a bolder approach to our business development with a greater sense of urgency. The Yahoo Japan Group has continued to steadily tackle the challenges that have appeared before its eyes, including promoting the transition from PCs to smartphones and strengthening its e-commerce business, thereby further reinforcing its business foundation. I can say with confidence that, as a result, we have sufficiently secured the assets we need to take the next leap forward. These assets include the diverse lineup of Internet-related services we offer in various domains and our predominantly solid domestic user base, as well as the high-quality multi-big data we have obtained through our services and user base. I would now like to explain the direction of our Group strategies aimed at fully leveraging these assets to create user experiences that only we can offer.

Direction of Our Growth Strategies

Positioning our new management structure as our third founding, we will take on the challenge of transforming ourselves anew.

For our existing businesses, we are drastically reviewing the way we approach growth, giving consideration to all aspects of our policies such as those for service growth, investments, and profit. To provide a specific example, when it comes to policies for service growth, the Group has traditionally upheld the general rule of having each service generate a profit on an individual basis. However, due to changes in the market environment, the measures that a service can take on its own are becoming extremely limited. Accordingly, to realize sustainable growth, we need to put in place a framework that allows us to more easily leverage our competitive edge on a Groupwide basis. To this end, we reorganized the position of each service within our Companywide business model from the perspective of user action and in light of the current situation (see pages 17–18).



As a shared set of guidelines for maximizing user actions, we will clarify and thoroughly manage key goal indicators (KGIs) for each service from the standpoint of Companywide optimization. At the same time, we will aim to create comprehensive user experiences by enhancing the links between our diverse range of services. In terms of investment, we will move away from our conventional policy of emphasizing returns in the short term and adopt a more medium- to long-term perspective. Through the heavy concentration of

management resources in areas for which we anticipate significant growth, we will actively capitalize on growth opportunities going forward.

Furthermore, the multi-big data that we acquire from our over 100 diverse services will be our biggest competitive advantage in creating unique user experiences. We therefore position the next several years as the period of our third founding in which we will accelerate efforts aimed at transforming ourselves into a data-driven company, in addition to being a smartphone company. To be a problem solver in the information-oriented society of the future, the active incorporation of data will undoubtedly help set us apart from other companies in terms of productivity and creativity. Accordingly, when creating services, rather than overly relying on the experience and intuition of our employees, we need to adopt a data-driven approach and transition to a framework that allows us to realize results in accordance with such an approach. To that end, we will seamlessly utilize the data the Group possesses to provide optimal services to our users while also pursuing external collaboration and new business creation.

Progress and Reflection on Our Growth Strategy

We are steadily advancing initiatives aimed at transforming ourselves into a data-driven company.

Fiscal 2017 was a year in which we focused on establishing a foundation to transform ourselves into a data-driven company with a view toward future growth. While revenue increased for the 21st consecutive year, to ¥897.1 billion, operating income declined to ¥185.8 billion, due to approximately ¥35.0 billion in investments aimed at maximizing e-commerce transaction value and advancing the shift toward becoming a data-driven company. For fiscal 2018, we expect our top line to continue to gradually expand. On the other hand, we forecast a decline in operating income as we expect additional costs of nearly ¥30.0 billion associated with such factors as the enhancement of video content and the launch of the mobile payment business, efforts that represent new challenges for the Company. As we enter into the period of our third founding, in which we will transform into a data-driven company, our new growth strategies are only just beginning. By making proactive efforts to capitalize on growth opportunities, I feel confident that we can realize significant profit growth over the medium to long term.

Direction of Initiatives in Fiscal 2018

We will enter into new domains and establish a foundation for further leaps in the future.

In fiscal 2018, in addition to further advancing our transformation into a data-driven company, we will focus our efforts on three newly established key areas.

For our transformation into a data-driven company, we have utilized the ¥11.6 billion in investments carried out in fiscal 2017 to accumulate data based on shared platforms and have made preparations for establishing a foundation that will allow us to leverage this data in a seamless manner. As for our actual operational activities in fiscal 2017, we started to see results in terms of optimizing/maximizing ad reach, increasing the frequency of user visits, and lengthening the user time spent. Going forward, we will pivot from the stage of establishing a foundation for data toward the stage of active data use, including the promotion of the DATA FOREST Initiative, which we announced in February 2018. In these ways, we will work toward achieving sustainable profit growth.

In conjunction with these efforts, we have established “e-commerce transaction value (sale of goods),” “Internet ad revenue,” and “mobile payment transaction value” as three key areas in which we will aim to become No. 1. These areas were determined from the perspective of future growth potential and maximization of user actions. Going forward, we will actively capture growth opportunities through the heavy concentration of management resources in these key areas from a medium- to long-term perspective.

Meanwhile, we will make proactive efforts to enhance video content and launch the mobile payment business so that we can transition to services that will be accepted by users from a shorter-term perspective.

When we consider the current business environment, where a broad range of Internet services are transitioning to video format, it is clear that video content is an area that cannot be ignored if we wish to maintain and enhance our position as a media service provider. Through the investments we will carry out in fiscal 2018, we will work to enhance our video content and extend the length of viewing time of such content. Additionally, we will work to revamp our advertising platform with an emphasis on monetization in an effort to accelerate growth in our advertising business.

Furthermore, the launch of the mobile payment business provides us with an opportunity to extend into the offline domain for the first time ever, as we have thus far developed and rolled out services solely via the Internet. We already boast a 90% reach of Internet users in Japan, and the entrance into the offline domain is a crucial step for realizing sustainable profit growth going forward. At the same time, pursuing this step will give us an important opportunity to create new user experiences by integrating online and offline domains. During fiscal 2018, the first year for undertaking such efforts, we will maximize the number of merchants participating in our payment service as we strive to boost our presence as a provider of convenient payment services that can be used anywhere.

In Closing

I firmly believe in the potential of the Internet in creating the future.

Under our new management structure, we are embarking on the path toward transforming into a data-driven company. Even as we change the methods for developing services and realizing growth, our mission of solving problems that relate closely to people’s daily lives remains unchanged. When trends undergo significant change, there is a tendency to lose sight of what is truly meaningful to the user. We will therefore reexamine the user-first approach, the essence of our operations, and work to ascertain major trends. In these ways, we will continue to provide services that are loved by users. To cultivate the human resources needed to pursue these goals, we will further enhance our in-house educational activities and move forward with the devolution of authority so that our employees can gain both successful and unsuccessful experiences at their own discretion.

I believe that the future is changing from something we forecast to something we create. All of the employees of the Yahoo Japan Group, including myself, have a sincere love for the Internet, and we will put forth the utmost effort to provide the best possible user experience. We will create the future through services that utilize cutting-edge information technologies. We will also aim to continue to be a company that takes the lead over other companies in providing new solutions to the problems facing our users. We must constantly UPDATE ourselves so that we are always able to provide people in Japan with ways to solve problems in their daily lives and with opportunities to encounter new information. Naturally, our employees are the ones who provide the core of these efforts to UPDATE ourselves. I would like to ask all stakeholders for their continued support of the Yahoo Japan Group going forward.

