

Growth Strategies

External Environment

Changes in the competitive environment

Recently, major overseas Internet companies have been enhancing their presence through the use of cutting-edge technologies such as AI, IoT, and big data. In addition to these overseas companies, the Yahoo Japan Group is in competition with domestic venture companies in each category of its services, and this competition is expected to intensify going forward.

Accelerated advancement of information technologies

The accelerated advancement of information technologies in recent years has led to the successive creation of services that leverage cutting-edge technologies. Accordingly, the Company needs to constantly be aware of the latest technological trends and take the lead over other companies in creating services that offer new user experiences.

Changes in people's lifestyles due to the integration of online and offline domains

Internet services have brought about dramatic changes in people's lifestyles. Going forward, the creation of services that change people's behavior is expected in a wide range of fields, including cashless payment and sharing economy.

Diversification of social issues

Often referred to as a front-runner in solving social challenges, Japan is faced with social issues such as the declining birth rate and aging population, and efforts to address such issues are being promoted through collaboration between public and private sectors. Accordingly, there is a greater need for solving problems using state-of-the-art technologies.

Management Resources

High-quality multi-big data

The personalization of services is advancing in the Internet market, and the precision of this personalization has a direct impact on the satisfaction levels of user experiences. The big data possessed by the Yahoo Japan Group allows for a deep understanding of its users and is important in setting the Group apart from other companies in terms of realizing service optimization.

Business foundation in the Japanese market

Since its foundation, the Yahoo Japan Group has continued to offer new problem-solving methods in accordance with the changing times. By doing so, the Group has cultivated a business foundation that allows it to provide services in all types of Internet domains. As a result, the Group has established a solid position as a service provider that boasts one of the largest number of users in the Japanese Internet market.

Abundant human capital and robust relationships with business partners

The Yahoo Japan Group has a pool of over 12,000 diverse employees, including approximately 3,000 engineers, who are involved in the creation, development, and operation of optimal services offered in the Japanese market. Furthermore, as a leading corporate group in this market, the Group has formed robust relationships with its business partners.

Ability to generate stable cash flows

In fiscal 2017, not only did the Yahoo Japan Group achieve revenue increases for the 21st consecutive year, it also maintained a stable financial base as well as the ability to generate a high level of cash flows, with cash and deposits exceeding ¥860.0 billion. While fully leveraging its abundance of capital and preserving its sound financial position, we will promptly capitalize on growth opportunities by conducting quick and proactive growth investments in key areas.

Overview of Growth Strategies

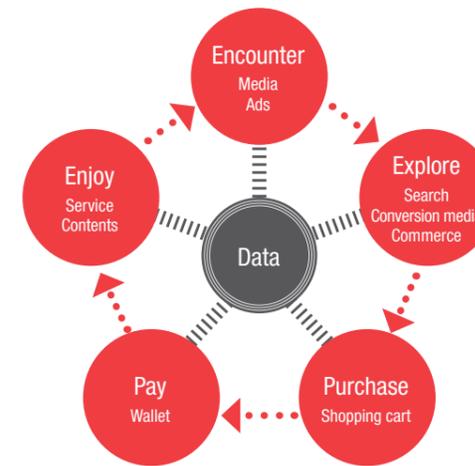
Becoming a Company That Creates the Future through User Actions

To realize sustainable growth through its long-cultivated business foundation and competitive edge, the Yahoo Japan Group has revised its service growth and investment policies with a shared set of guidelines for creating better-integrated user experiences and maximizing the user actions that stem from such experiences. By fully drawing on our extensive service lineup, which is one of the largest in Japan, and the data collected through our services, we will create services that are difficult for competitors to imitate with the aim of becoming a company that creates the future by stimulating new user actions.

Our Growth Driver

Maximizing User Actions

By forming links between the diverse range of Group services and providing them in a comprehensive manner, we aim to create high-quality user experiences and maximize user actions. At the same time, we will promote the use of multiple services by encouraging user traffic between them, thereby realizing mutual service growth. Additionally, we have established e-commerce (sale of goods), Internet ads, and mobile payment as three key areas in which we will maximize user actions. We will accelerate growth through bold investment of management resources in these areas over the medium to long term.



Our Value Driver

Unleashing the Power of Data

Through recent investments in such areas as enhancing our facilities, revamping our technological foundation, and strengthening our human resources, we have steadily proceeded with the establishment of a foundation that will allow us to transform ourselves into a data-driven company. By making full use of the big data we possess and our know-how on data utilization in an effort to understand users better than any other company, not only will we improve the quality of our services, but we will also accelerate initiatives for creating services that offer new experiences to users.

Values Created by the Group

High-quality user experiences through comprehensive services

For the wide array of user actions on the Internet, from "encounter" to "enjoy," the Group will provide comprehensive services that will be closely linked to each other. In this way, the Group will offer high-quality user experiences that also include the integration of online and offline domains.

Deep understanding of user needs and provision of optimal services using data

While there are innumerable Internet companies around the world, the Group strives to remain the corporate enterprise with the best understanding of Japanese Internet users. Through the use of data, the Group will continue to enhance its understanding of user needs, thereby realizing optimal services.

Creation of new services by unleashing the power of data

The Group views technology as a means to providing users with new experiences. In addition to drawing on information technology and data to their full extent, the Group will pursue collaborations that transcend corporate frameworks in order to create unprecedented services.

Solving of social issues using information technologies

As a problem-solving engine, the Group's mission is to solve the various issues facing society through the use of information technologies. In Japan, a country known as a front-runner in solving social challenges, the Group will take on the challenge of leading the way in providing solutions to a wide range of social issues using cutting-edge information technology.

Further Evolution of Our Business Model

Reinforcement of customer base and enhancement of presence in the Japanese market

In addition to expanding from online to offline domain, the Yahoo Japan Group will remain committed to the provision of high-quality user experiences by forming links between services and utilizing data. Through this effort, we will further enhance its position as a provider of highly convenient, easily accessible services.

Improvement in profitability

The Yahoo Japan Group will optimize its services through the use of data in order to enhance the quality of user experiences and maximize user actions. At the same time, this service optimization will help the Group improve a large number of key performance indicators, such as the view-through rate, click-through rate, and conversion rate, which in turn will maximize the effects of advertisements and help play a role in improving profitability.

Creation of new profit models

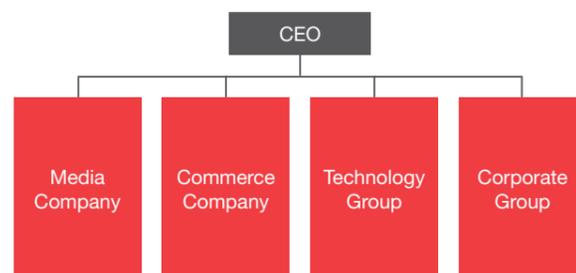
By utilizing the Group's big data and expertise on data utilization to the greatest extent possible, we will promote medium- to long-term initiatives aimed at establishing data solution services as a pillar for future profits.

Transition in profit structure

In fiscal 2017, the media business accounted for nearly 70% of the Group's operating income. For the future, we will raise the percentage of income from the commerce business to the same level as that of the media business while working to establish new profit pillars through the creation of new businesses. In these ways, we will aim to transition to a more stable profit structure.

Change in Organizational Structure

From fiscal 2018, the Yahoo Japan Group has adopted a new organizational structure in order to accelerate the pace of decision-making and enhance the flexibility of its personnel allocation. Specifically, in addition to integrating the position of COO within the position of CEO, we have transitioned to a two-company, two-group structure. In the Internet industry, where changes occur rapidly, the Group will establish a structure for swift and appropriate decision-making and flexible allocation of personnel into key areas, and will aim to promptly acquire new growth opportunities.



Overview of Expenses for New Challenges

Transitioning to an investment policy that focuses less on the short term and more on the medium to long term, we are actively carrying out investments in areas where we forecast significant growth. In fiscal 2017, we conducted growth investments of nearly ¥35.0 billion into maximizing e-commerce transaction value and promoting the shift toward becoming a data-driven company. In addition, we were able to achieve business growth in line with our management targets. For fiscal 2018, we will invest resources into enhancing video content and launching the mobile payment business with a view toward medium- to long-term growth, and will push forward with efforts to establish new profit pillars.

Expenses for New Challenges for Fiscal 2018 (Planned)

Estimate (Billions of yen)	
Media-related	10.0
<ul style="list-style-type: none"> Video content enhancement Original content production Content promotion 	
Commerce-related	20.0
<ul style="list-style-type: none"> Costs to launch the mobile payment business, etc. 	

Our Growth Driver

Maximizing User Actions

Making Groupwide Efforts to Improve the Quality of User Experiences

The Yahoo Japan Group has thus far operated its business under a basic growth policy of maximizing profit growth within the budgets of each business. However, in light of recent changes in the competitive environment, we have reorganized the position of each service based on user actions and implemented revisions to our growth policy in order to fully leverage the Group's business foundation. Going forward, amid efforts to achieve Companywide optimization, we will adopt and manage different KGIs for each service while making Groupwide efforts to improve the quality of user experiences and maximizing user actions. In these ways, we will realize sustainable profit growth.

Newly Establishing Three Key Areas and Capitalizing on Growth Opportunities over the Medium to Long Term

Taking into account the changing market environment and the Group's long-cultivated business foundation, we have newly established three key areas for which we anticipate significant growth. Specifically, these areas are "e-commerce transaction value (sale of goods)," "Internet ad revenue," and "mobile payment transaction value." By heavily concentrating management resources in these areas from a medium- to long-term perspective, we will accelerate initiatives aimed at achieving the top position in each area.

<p>No.1 in E-commerce (Sale of Goods) Transaction Value</p> 	<p>No.1 in Internet Ad Revenue</p> 	<p>No.1 in Mobile Payment Transaction Value</p> 
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No. 1 in E-commerce (Sale of Goods) Transaction Value

Aiming to Establish Ecosystems through Multifaceted Service Expansion

The maximization of e-commerce transaction value will have a positive impact on the Group's numerous profit models and will help us enhance and expand our data and thus, we will give top priority to promoting efforts in this area. While we have already been working to maximize e-commerce transaction value through such means as our new e-commerce strategy launched in fiscal 2013, we will place even greater emphasis on initiatives aimed at becoming the No. 1 company in terms of e-commerce transaction value (sale of goods). We have been expanding services pertaining to consumption, such as our e-commerce-related services and financial and payment-related services, in a multifaceted manner with the aim of establishing an ecosystem that promotes mutual growth between these services. During fiscal 2018, we will increase user numbers and expand sales per customer by encouraging user traffic between these services, including media services, and pursuing collaboration with the SoftBank Group. Additionally, we will leverage data to improve the accuracy of our recommendations to users. Furthermore, we will continue our efforts toward improving user interfaces and user experiences in order to remain a provider of user-friendly services.



No. 1 in Internet Ad Revenue

Working to Maximize Media Power and Monetization Power

In the Japanese market, where the population is expected to decrease, we already boast a 90% reach of Internet users. However, there is still ample room for us to grow in relation to users' visit frequency and time spent. To this end, we will aim to improve the quality of our content through measures that include leveraging the Group's data in order to simultaneously boost our media power and monetization power. By doing so, we will aim to realize sustainable growth and become No. 1 in terms of revenue in the Internet advertising field. For video content, in particular, we anticipate that we will be able to lengthen user time spent and increase ad reach. Accordingly, we position video content as a growth driver and will focus on making investments toward its enhancement as well as revamping our advertising platforms.



No. 1 in Mobile Payment Transaction Value

Extending Our Services to the Offline Domains

Recently, there has been an emerging global trend toward cashless payments. The Japanese government has adopted a policy of raising the cashless payment ratio to 40% by 2025, with a long-term goal of 80%, the highest level globally.*1 To promote the widespread use of cashless payments in Japan and to realize even more convenient services for both users and participating merchants, Yahoo! JAPAN established PayPay Corporation*2 in June 2018 as a joint venture with SoftBank Corp. PayPay Corporation plans on launching PayPay, a new smartphone cashless payment service that utilizes barcodes and QR codes. In launching this service, we are teaming up with India's largest digital payment company Paytm, a SoftBank Vision Fund portfolio company. Yahoo! JAPAN, PayPay Corporation, SoftBank Corp., and Paytm will expand the number of users by including the customer base of SoftBank Corp., and "Yahoo! Wallet," which exceeds 40 million accounts. We will also leverage SoftBank's sales know-how to acquire new participating merchants, in addition to using Paytm's technologies to develop highly convenient services. By doing so, we will aim to become No.1 in mobile payment transaction value.

*1 Source: *Cashless Vision*, Ministry of Economy, Trade and Industry

*2 Renamed in July 2018 from Pay Corporation, which was the name of the company at the time of its establishment

Our Value Driver

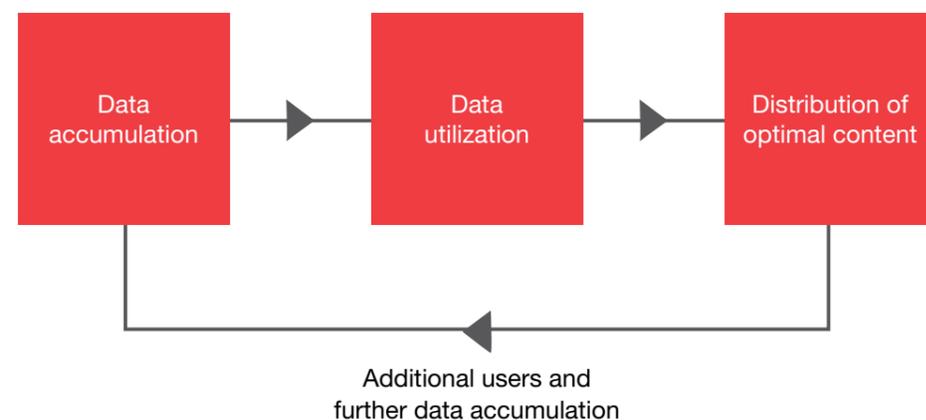
Unleashing the Power of Data

Transforming into a Data-driven Company That Can Bring Out the Potential of Data to Its Full Extent

We possess big data that is exceptional from the perspectives of both quality and quantity, and this big data will be a crucial element in setting us apart from other companies in terms of creating new and unique user experiences. In order to consistently maintain a foundation of cutting-edge technologies that will help us transform into a data-driven company, we are carrying out investments in such areas as enhancing our facilities, revamping our technological foundation, and strengthening our human resources. Moving forward, we will commence full-scale efforts to leverage data by making use of our long-cultivated business foundation and work to draw out the potential of data to its full extent. Through these means, we will create new value that only we can offer.

Aiming to Realize a Growth Ecosystem through Seamless Data Utilization

We have amassed a tremendous amount of big data through a broad range of services. This big data is a crucial element in acquiring a deep understanding of Internet users in Japan. By seamlessly making use of this big data from our services in a cross-sectional manner, we will provide easy-to-use services that are optimized for each user. Furthermore, optimizing our services through the accumulation and utilization of data will help us improve user satisfaction levels and create a virtuous cycle that enables the maximization of user actions and the further accumulation of data. Accordingly, we aim to realize this "growth ecosystem."



Improving the Quality of Our Services through Data Utilization

Steadily Seeing Results from Data Use That Transcends Domains

Through an additional investment made in fiscal 2017, we have been taking steps to establish a system that enables us to efficiently and in real time accumulate the multi-big data generated from over 100 services offered by the Group. In addition, we are working to put in place a foundation for data utilization through such means as start of operations of "kukai,"* a supercomputer that specializes in deep learning. We are steadily seeing the results of such efforts in various ways, including improvement in service quality through the use of data for such services as Yahoo! Knowledge Search and an increase in the conversion rate for the Yahoo! Shopping service. In addition, through our mobile payment services that will begin in fiscal 2018, we will be able to secure new offline payment data, which we will leverage to the greatest extent possible in addition to our online data to create highly unique services.

Improving Visit Frequency and Time Spent	Optimizing and Maximizing Ad Reach	Strengthening Recommendations
Introduction of language processing technologies for the generation of headlines in the Yahoo! Knowledge Search service	Introduction of the Company's patented technologies in certain categories of Yahoo Display Network (YDN)	Introduction of machine learning for recommended products in the Yahoo! Shopping service
Increase in response rate:	Improvement in ad reach:	Improvement in click-through rate:
2.4 times	148 %	4.5 times

* "kukai" has been developed through collaboration with ExaScaler Inc. and HPC SYSTEMS Inc.

Promoting New Ways to Use Data That Transcend Corporate Frameworks

Aiming to Solve the Various Problems Facing Corporations Based on the DATA FOREST Initiative

In February 2018, we announced the DATA FOREST Initiative, which supports the corporate activities of our clients by combining the data they possess with the big data and AI technologies of the Company. We also commenced proof-of-concept trials geared toward the creation of businesses based on this initiative. In addition to the extensive big data we own related to Internet searches, media, e-commerce transactions, payment, and other matters, these trials utilize highly sophisticated calculation technologies such as AI technologies and supercomputers to analyze the data possessed by our client companies. By doing so, we aim to provide solutions to the various problems facing companies in their corporate activities, including enhancing product planning based on a deep understanding of consumers and optimizing production and logistics based on demand forecasts.

Through the proof-of-concept trials, we will accumulate know-how on big data-related collaboration between companies and aim to commercialize this initiative in fiscal 2019. Going forward, we aim to realize a new world in which the wide range of issues facing Japan are resolved by promoting the mutual utilization of big data between multiple companies.

Roadmap toward Commercialization

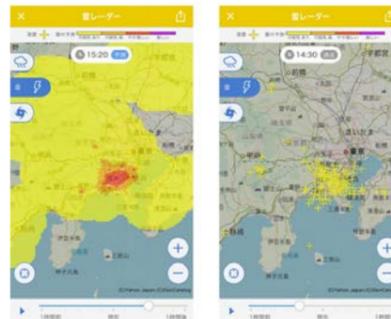


Photo: Aflo

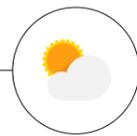
Enabling People to Check the Weather Anytime, Anywhere and Adjust Their Plans Accordingly

Addition of Lightning Radar Feature to Rain Cloud Radar of Yahoo! Weather Service

Rain cloud radar of the Yahoo! Weather service is an extremely popular feature that receives roughly nine million daily unique browsers (DUBs) on days when the weather is unfavorable. With Yahoo! Weather, users can easily confirm weather conditions in real time in their surrounding area via their smartphones, even when on the go. The service also conveniently provides users with information that helps them decide on such matters as taking shelter from the rain or taking an umbrella with them when they go out. Furthermore, in August 2017, we started offering a lightning radar feature for this service, which allows users to check the possibility of lightning strikes in surrounding areas as well as its severity. Through this feature, we hope to prevent injuries as a result of lightning strikes during leisurely activities and outdoor sports, as well as in everyday life, in our aim to realize a safer society.



Lightning radar display screen



Special Feature

Creating the Future through New User Experiences

The Yahoo Japan Group has taken the lead over other companies in creating new user experiences through its various services. These include not only the Internet portal site Yahoo! JAPAN, which was the first of its kind in Japan, but also Yahoo! NEWS, which has a comment section for users to exchange opinions on news topics, and YAHUOKU!, which allows users to sell and purchase items among themselves online. Through its years of providing new experiences, the Group has brought about change in the daily actions of users. Today, the Group continues to leverage information technologies to solve daily lifestyle issues and create new services that spur new user actions.

Helping to Prevent the High Stress of Crowded Trains

Release of Forecast for Abnormally Crowded Train Times via the Yahoo! Transit Navigation Service

In February 2018, we began offering a new feature for the Yahoo! Transit Navigation service, which provides forecasts of abnormal crowdedness on trains and at train stations. This feature leverages big data taken from the nearly 40 million users of Yahoo! Transit Navigation and utilizes AI to provide a five-day forecast of times when trains and train stations may be abnormally crowded. These forecasts allow users to identify beforehand any trains that may be more crowded than usual and make plans to avoid times of peak crowdedness by adjusting their schedule for going out or choosing an alternate route. By doing so, the forecasts help eliminate stress and enable smooth travel for users. The release of the forecast feature for abnormally crowded train times was covered by 38 media outlets. In addition, the thesis on the technology for these forecasts written by Yahoo! Japan Research ranked in the top three of 2,733 documents submitted at prestigious conferences in terms of attracting attention. In these ways, this feature is garnering significant attention.

Going forward, we will continue to improve and expand the features of Yahoo! Transit Navigation with the aim of establishing this service as a navigation tool for not just daily commutes to school or work but also business trips and travel, thereby solving the various problems users face when on the go.



Enabling Solutions for Specific Concerns and Questions of Users on the Internet

Project to Mitigate Low-quality Posts on Yahoo! Knowledge Search

Yahoo! Knowledge Search is a service where users share knowledge and information among themselves to address questions posted on online forums. This service receives over 100,000 posts a day as it allows users to find solutions or answers to problems or questions that relate closely to them but to which they cannot find solutions or answers by using search functions. However, as these posts are done anonymously, the quality of certain posts has become an issue. To address this issue, we leveraged the supercomputer kukai to develop a model for determining post quality based on information gathered through the past monitoring activities that were performed manually by our CS Division. As a result of this model's introduction, the efficiency of low-quality post elimination via the CS Division has improved by roughly 22%. Furthermore, the model has almost completely eliminated low-quality posts that appear on the Yahoo! Knowledge Search's top page and in its Q&A rankings. As Japan's largest online service for sharing knowledge, Yahoo! Knowledge Search will continue to provide information that is useful in the daily lives of users.



Realizing a Cashless Society through Payment Services That Can Be Used Anywhere

PayPay—New Smartphone Payment Service That Utilizes Barcodes

To promote the widespread use of cashless payments in Japan, we established PayPay Corporation in June 2018 as a joint venture with SoftBank Corp. By leveraging the technologies of Paytm, India's largest digital payment company, we will provide PayPay, a new smartphone payment service that utilizes barcodes. Users can utilize this service to read QR codes presented by merchants to make payments or can also make payments by displaying a barcode (one-dimensional barcode or QR code) on their app and presenting it at the merchant's payment terminals and registers. Amid the rapid proliferation of cashless lifestyles around the world, we will leverage PayPay to provide convenient shopping experiences in Japan that utilize cashless payments and that seamlessly integrate online and offline domains.



Providing New Smartphone App Service to Attract New Customers to Stores

Launch of Yahoo! Check-in Point

In April 2018, we added a new check-in function to Yahoo! MAP and commenced the Yahoo! Check-in Point service, a smartphone app for attracting new customers to stores. As of February 2018, Yahoo! Check-in Point had been introduced at roughly 600 stores in the Shibuya and Shinjuku wards of Tokyo, including at Matsuya and Jiyu Kukan stores. Going forward, we will gradually expand the area promoting this service nationwide with the aim of increasing the number of participating stores to 10,000 by spring 2019.

Using Yahoo! Check-in Point, stores can expect to acquire new customers and increase the frequency of repeat customer visits via a new method that leverages T-points, campaign information, and coupons. Furthermore, Yahoo! MAP users can receive benefits simply by visiting stores. Through Yahoo! Check-in Point, we will help stores attract new customers. At the same time, we will aim to expand the coverage area and usage environment for this service so that our users can enjoy new and exciting experiences that offer good value when going out.



Image of check-in screen



Technological Strategy

Number of engineers

Approx. **3,000**

Amount of capital investment
(Non-consolidated basis)

Approx. ¥ **40.0** billion

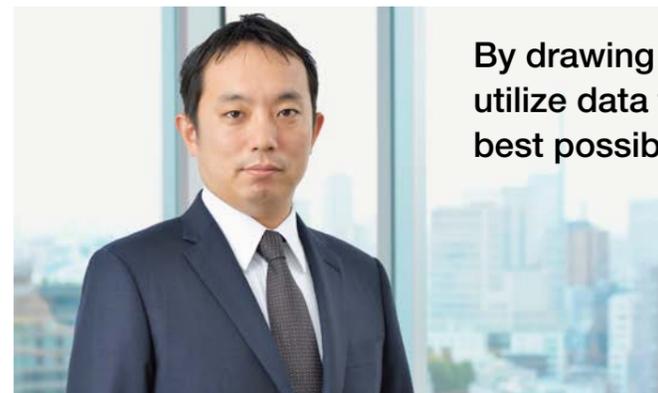
Number of theses presented at
conferences in Japan and overseas

55

Basic Approach

Every month, Yahoo! JAPAN boasts over 72.5 billion page views, handling a tremendous amount of traffic, which at its largest can be up to 600GB per second. In addition, with its lineup of over 100 services, Yahoo! JAPAN is one of the few companies in the world that is able to accumulate a diverse range of user data, and this represents the Company's greatest strength. Utilizing this data, Yahoo! JAPAN is pursuing various research activities while making proactive efforts to communicate the results of these activities to the

outside world. In fiscal 2017, the Company was able to present a total of 55 theses at conferences both in Japan and overseas. Particularly overseas, the Company has a strong track record of making presentations at prestigious conferences. Going forward, Yahoo! JAPAN will aim for further growth by leveraging these successes in its services. To support this aim, the Company continues to focus its efforts on establishing facilities, enhancing development environments, and strengthening human resources.



By drawing on our technological strengths to utilize data to its full extent, we will create the best possible experiences for our users.

Chiaki Fujimon

Managing Corporate Officer
EVP, Chief Technology Officer (CTO)
President of Technology Group

Yahoo! JAPAN's history can also be defined as a history of solving problems that people face through technology. We have a lineup of over 100 services, including Yahoo! Search, Yahoo! News, and Yahoo! Shopping, which are loved by our users and relate closely to their daily lives. In addition, as a corporation that has been driving the Internet industry, we have adopted a mission of delivering a safe and secure environment to our users. Guided by this mission, we have been independently overseeing the majority of the process related to the provision of services, including not only the development and operation of various services but also the management of our data centers, which handle the data we collect on our users. In these ways, we have been fortunate to establish an environment in which we offer a diverse range of services and collect an abundance of data. Under such an environment, we will leverage our technological strengths to unlock the limitless potential of data.

Over the course of the Internet's history, there have been a great number of cases where data has been utilized. However, the major-

ity of these cases have simply been leveraging data acquired through a single service. At Yahoo! JAPAN, we leverage data in a manner that transverses all our services so that we can go beyond simply identifying apparent user needs to drawing out latent needs, thereby enabling us to make accurate proposals at the most appropriate times. By doing so, we are able to offer our users the best possible experiences, different from anything they have experienced before. Furthermore, we have adopted the DATA FOREST Initiative in which we solve the various problems facing Japan by combining the data we possess with the data of external organizations. Under this initiative, we have commenced proof-of-concept trials based on collaboration between industry, government, and academia.

Through these means, we are drawing on our technological strengths to utilize data to its full extent with the aim of becoming a company that knows Japanese Internet users better than anyone else. As such a company, we will offer the best possible experiences to our users in a way that only Yahoo! JAPAN can.

To leverage our data to the greatest extent possible, in fiscal 2017 we actively carried out investment in facilities, development environments, and human resources. Going forward, we will continue to strengthen these areas while pursuing further business growth centered on data.

Investment in Facilities

As the amount of data from our services continues to increase, capital investments aimed at accumulating and leveraging that data efficiently and in real time are essential. To that end, in fiscal 2017 we increased our number of servers and expanded Hadoop, an open source distributed processing framework that can handle a tremendous amount of data. In these ways, we were able to triple the amount of data accumulated over the previous fiscal year. In addition, we introduced a super computer that specializes in deep learning, which earned second place in the global energy-efficiency ranking GREEN500. "kukai", which achieved calculation processing speeds of roughly 200 times that of normal speeds, is expected to make a significant impact on data utilization going forward.

Investment in Development Environments and Reinforcement of Development Structure

Development environments in the Internet industry evolve on a daily basis. With the aim of further enhancing our development efficiency and realizing an environment where data can be easily utilized, we began efforts to upgrade and maintain our development environments. Without interrupting the operation of our services, which receive 72.5 billion monthly page views, we are boldly taking on the challenge of transitioning to new development environments, a medium- to long-term effort that we view as highly difficult. In fiscal 2017, we were able to transition a certain number of our services into the latest development environments of Communication as a Service (CaaS) and Platform as a Service (PaaS) which has already produced results such as reduction in operations workload.

Investment in Human Resources

Being a technology company, we place the utmost importance on the human resources who support our technologies. To secure outstanding engineers, we actively conduct employment activities at our domestic locations and on a global basis. In addition, with the aim of improving the engineering capabilities and scientific knowledge of our employees, we have been working to enhance our in-house training and other programs and are providing support for obtaining PhDs through such means as covering full tuition for employees. In fiscal 2017, 55 of our employee theses were adopted at prestigious conferences in Japan and overseas, and there have been over 200 cases of applied research being conducted based on these theses. Furthermore, ideas introduced in these theses are already being adopted in certain services. For example, as a result of employee efforts to leverage deep learning technologies in the Yahoo! JAPAN app, we were able to improve the click-through rate of listed articles by 12.3% and extend user time spent by 6.7%. In these ways, we position our employees as the most important asset for enhancing our technological capabilities in a comprehensive manner that covers everything from research to application and development. We will therefore continue efforts to strengthen our human resources going forward.



Financial Strategy

EBITDA*1

¥ **230.2** billion

ROIC*2

10%

Total equity/Total assets ratio

40%

*1 EBITDA = operating income + depreciation and amortization in cash flows from operating activities

*2 ROIC (Return on invested capital) = operating income after taxes ÷ (total equity + interest-bearing liabilities)

Basic Approach

The environment surrounding the Internet industry is undergoing dramatic change. Within this industry, the Yahoo Japan Group has established a robust financial foundation that enables it to capitalize on growth opportunities and promptly respond to its funding needs. This foundation has been established on the premise that the capital expenditures necessary for service development and operation and dividends to our shareholders will be covered by the cash flows from operating activities for the corresponding fiscal period.

Currently, the Group carries out investments with a focus on improving corporate value over the medium to long term. Because we focus on financial discipline, regardless of past results, effectiveness of investments are always verified when investment strategies are decided.

The Group has received an A ranking for its credit rating from Japan Credit Rating Agency, Ltd. and aims to maintain this rating going forward.



We will work to improve corporate value over the medium to long term with a focus on financial discipline.

Ryosuke Sakaue

Corporate Officer,
EVP, Chief Financial Officer (CFO),
President of Finance Management Group,
Corporate Group

The Group invests its management resources from a medium-term perspective. During fiscal 2017, we invested approximately ¥23 billion toward maximizing e-commerce transaction value and ¥12 billion toward transforming ourselves into a data-driven company. For the former, active sales promotional activities were conducted. Although measures for the auction business were revised because we did not realize the expected results, the shopping, membership, and credit card businesses grew in line with our expectations. Investments for transforming ourselves into a data-driven company were made mainly in three areas: enhancement of facilities, improvement of development environments, and development of human resources.

In fiscal 2018, we plan to invest in the two key domains of “media-related services” and “commerce-related services.” In the media-related domain, we will invest approximately ¥10 billion in such areas as enhancing video content to prepare ourselves for growth in the video advertising market. Furthermore, for the commerce-related domain, we expect to invest nearly ¥20 billion for all of our commerce businesses. These investments will mainly be focused on acquiring participating merchants to facilitate our entry into the mobile payment domain, which is expected to expand in the future. While profits may decline over the short term due to these efforts, we consider these investments to be essential in realizing growth over the medium to long term. Going forward, we will actively undertake initiatives aimed at realizing further growth in the future while adhering to financial discipline.

We carry out various investments in accordance with an investment policy that emphasizes financial discipline. While giving consideration to sustainable management in all of our business domains, we will actively pursue efforts aimed at realizing further growth in the future.

M&A Strategy and Capital and Business Alliances

We pursue M&A with the aim of achieving growth by strengthening existing businesses and creating new businesses. We carefully select companies that we anticipate will grow further through collaboration with our Group. Additionally, when deciding on an investment, we place priority on having our return on invested capital (ROIC) or internal rate of return (IRR) exceed our weighted average cost of capital (WACC). We also aim to establish a structure that allows us to play a leading role in the management of our investee companies by owning a majority of their issued shares.

Our subsidiary investment company, YJ Capital Inc., achieves high levels of return as a leader in corporate venture capital through its long-term investments in promising venture companies in Japan and Southeast Asia. Furthermore, we aim to create new businesses through collaboration with SoftBank Vision Fund, promoted by our parent company SoftBank Group Corp.

Capital Investment

Going forward, we expect the data volume handled by our Group to increase even further. We therefore need to carry out capital investments on a continuous basis. To this end, we make efforts to realize efficient capital investments that will allow us to respond to the larger volume of data we handle.

In addition, to become a company that can lead the competition in terms of technologies, it is crucial that we establish state-of-the-art development environments. Through the introduction of cutting-edge technologies, which evolve on a daily basis, we are working to put in place a structure that allows us to swiftly and actively take on challenges even under a rapidly changing environment.

Furthermore, to respond to the expanding e-commerce market, we will proactively examine ways to enhance our logistics centers, primarily through ASKUL Corporation, our consolidated subsidiary.

In fiscal 2017, we carried out capital investments of approximately ¥40 billion on a non-consolidated basis, and we intend to maintain annual capital investments at a level between ¥40 billion and ¥50 billion. With that said, we may carry out additional investments in the event of the construction of new data centers and logistic centers or other circumstances.

Shareholder Returns

We aim to return profits to our shareholders through sustainable improvements in corporate value over the medium to long term. To this end, we recognize the importance of actively pursuing upfront investments in our services, capital investments, and M&A toward future growth. At the same time, we understand our responsibility as a listed company to recompense our shareholders through sharing profits. In fiscal 2017, we issued a year-end cash dividend of ¥8.86 per share (total dividend amount of approximately ¥50 billion), the same amount paid in fiscal 2016. While continuing to invest in future growth, we will further improve our corporate value by providing an appropriate and steady return of profits to our valued shareholders.



Human Resources Strategy

Recruitment

Number of employees who joined in the past three years via the Potential Recruitment System

623

Development

Number of employees who changed positions via the Job Change System in the past three years

472 (total)

Work Environment

Percentage of employees who utilized Office Anywhere System in the past year

87%

Basic Approach

Recognizing the importance of both business growth and employee growth, the Yahoo Japan Group aims to become a “People Development Company.”

Amid the fierce changes occurring in the Internet industry, we are working to transform from an Internet company to a data-driven company that knows Japanese Internet users better than anyone else. To this end, we are making

strategic efforts to reinforce our human resources recruitment and development practices. Furthermore, we are actively promoting the creation of an employee-friendly environment. In these ways, we are working to secure outstanding human resources and establish an environment where they can play an active role.



Focusing our efforts on unleashing the talents and passion of our employees with the aim of becoming the No. 1 “People Development Company” in Japan.

Takayasu Yukawa

Corporate Officer,
EVP, President of People Development Group,
Corporate Group

The growth of “people” is an essential element in realizing the sustainable growth of Yahoo! JAPAN. Accordingly, we have positioned the aim of becoming a “People Development Company” as the core of our human resources strategy, and are therefore focusing our efforts on supporting the growth of our employees.

As the Company consists of a diverse pool of employees with different values and skill sets, there is no uniform way of realizing employee growth. In response to this, we offer our employees various kinds of support to ensure that they are able to grow on their own initiative and take the necessary actions to do so. This support includes establishing human resource systems and training curriculums as well as promoting efforts to encourage daily communication between employees and their supervisors.

In addition, we place emphasis on securing a diverse group of outstanding personnel who can create the future and realize growth together with the Company. As such, we provide our employees with the option to choose flexible working styles and promote the creation of a workplace that embraces and utilizes diverse points of view. We believe that such efforts will lead to improvements in the overall attractiveness of our working environment and provide us with significant leverage in securing and maintaining human resources.

As the Internet domain undergoes rapid changes, we will take steps to swiftly and flexibly respond to such changes. At the same time, by adhering to the aim of becoming a “People Development Company” through mid- to long-term efforts, we will provide high levels of value to society.

We promote the hiring of outstanding human resources through flexible recruitment programs and the introduction of new technologies. In addition, by establishing an environment that unleashes the talents and passion of our employees, we will encourage employees to achieve growth in their own initiative and realize sustainable growth for the Company.

Human Resources Recruitment

Providing Opportunities for Fair Employment Screening to a Diverse Pool of Human Resources

As part of our efforts to enhance our employees’ engineering capabilities, which contribute to our transformation into a data-driven company, we abolished the system for simultaneously recruiting new graduates in October 2016. To replace this system, we established the new Potential Recruitment System, which targets all people of 30 years of age and under, regardless of whether they are new graduates, previous graduates, or unemployed recent graduates with work experience. We also commenced year-round recruitment activities.

Within our previous new graduate recruiting system and mid-career recruiting system, the latter of which emphasized work experience, there were cases where we were not able to offer opportunities for fair employment screening to previous graduates or unemployed recent graduates. Furthermore, in recent years, the job-hunting season has been diversifying

due to such factors as an increase in overseas exchange students and people acquiring Ph.D. Amid such an environment, we believe our new Potential Recruitment System will help us provide opportunities for fair employment screening to a diverse pool of human resources, thereby enabling us to recruit outstanding talent.

Also, in our recruitment practices going forward, we will introduce an online coding test and make efforts to compile and analyze data on relevant information related to applicants. At the same time, we will free applicants from the restrictions of interview locations and times through introduction of online interviews and video recorded interviews. In these ways, we will strongly push forward with efforts to secure outstanding human resources.

Human Resources Development

Offering Opportunities for Employees to Examine Their Career Choices and Achieve Growth on Their Own Initiative

We aim to become the “People Development Company” that unleashes the talents and passion of each employee. To this end, we have prepared various types of training programs and provide opportunities for growth in an effort to support the skill development of our employees.

Job Change System

For employees who wish to gain new experience and take on new challenges, we offer the Job Change System, which allows them to report their desire to change positions via a personal statement. In this way, we offer all our employees the opportunity to pursue the challenges of their choice, which in turn will encourage them to consider their career path and achieve growth on their own initiative.

Yahoo! Academia

With the aim of creating and developing the leaders of the next generation, we established the Yahoo! Academia, an in-house university program. This program strives to enable participants to freely demonstrate leadership qualities so that they can take on a guiding role for both people and society in the future. This program targets all employees, including those at Group companies. One significant feature of Yahoo! Academia is that participants can receive earnest guidance from current corporate officers. Thus far, over 500 employees have participated in the program, which has helped them play an active role in various settings both inside and outside the Company.

Support for the Activities of Creators

With the aim of improving the technical capabilities of our creators, we have established the creator activity support system “My Polaris,” which combines nine support systems and initiatives in a package format, including offering a monthly allowance of ¥10,000 to creators so that they can pursue ways to improve their skills. Other technical capability support systems offered through “My Polaris” include the OSS Developer Certification Program, support for obtaining a PhD, Hack Day, support for attending top conferences, and interaction with global technology companies.

Work Environment

Establishing Diverse Working Styles That Improve Productivity and Spur Innovation

In April 2014, we established an Office Anywhere System that allows individual employees to work at home or at any other location. Recently, we increased the number of days employees can utilize this system from two to five per month. In doing so, we have made it easier for employees to flexibly choose their preferred work location.

In Japan, it is becoming increasingly important to implement

working styles that flexibly respond to the declines in working age population, in addition to meeting the needs of various life stages, including providing nursing care and raising children. While making efforts to promote work styles that boost productivity and communicating these efforts both inside and outside the Company, we will work to reform the work styles of Japan itself.