

## CEO Message

# We will play a central role in creating the future in the Reiwa Era.

When I assumed the role of President and Representative Director of the Company in June 2018, I declared my intention to turn Yahoo! JAPAN into “a company that can create the future.” At the time, when I saw the service lineup that the Yahoo Japan Group had built, its technological capabilities, human resources, financial foundation, and its latent capabilities, I truly believed that our ability to draw out the potential of the Internet was endless. After one year in my position, this belief has been further reinforced in me. In the Reiwa era,\* the potential of information technologies, including the Internet, will grow further, thereby continuing to create new value for society. Overseas, innovative and extremely convenient services that utilize the Internet are already being launched one after another, including cashless payment, IoT, and big data, and are becoming new standards in our life. To date, we have leveraged cutting-edge information technologies to create a vast number of services. Going forward, I want the Group to grow sustainably by being the first to provide new solutions to the problems facing our users. In the Reiwa era, we intend to position ourselves right at the center of the telecommunications revolution in our continued effort to create the future, and we have spent the past year making preparations to do just that.

\* Reiwa is the current era under the Japanese calendar.

## Direction of Our Growth Strategies

**We aim to become a company that takes the lead over the competition in creating a new future.**

“Yahoo! JAPAN aims to create a future that can only be shaped by us.” In our growth strategies announced in fiscal 2019, we specified our vision for a future that only we can shape and defined our vision as “making the lifestyles of our users astonishingly convenient in both the online and offline domains.” The keys to realizing this vision are the merger of the online and offline worlds and the cross-sectional utilization of multi-big data.



## Kentaro Kawabe

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

- 1995 Established Dennonai 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)

At the moment, the boundaries between the online and offline worlds are rapidly disappearing due to the development of information technologies. This, in turn, has brought about an era in which the potential of the Internet is dramatically increasing through the linkage of the online and offline domains, and new business models and lifestyles are being created that were unimaginable in the past.

Based on an awareness of the current situation, we aim to create services that offer remarkable levels of convenience, even in the offline domain, by leveraging our long-cultivated business foundation and know-how. Through such services, we will resolve the issues facing users in all kinds of daily life settings. The first step in this process is PayPay, a mobile payment service launched in fiscal 2018. Building on PayPay, we will take steps to create other services that will dramatically improve the convenience of users' day-to-day activities, including shopping, dining out, and traveling. In these ways, we will strive to revamp people's lifestyles and society as a whole.

At the same time, the merger of the online and offline worlds has vastly expanded the value of big data. Therefore, the cross-sectional utilization of multi-big data plays a central role in our efforts to offer the ultimate user experience and create the future. We positioned the period starting from fiscal 2018 as the time of our third founding, and have been carrying out proactive growth investment with the aim of transforming into a data-driven company that rolls out new business models leveraging multi-big data. As we find ourselves in the midst of the fourth industrial revolution, the latent potential of data is enormous, as it is believed that data will replace oil as the force that drives society. Just as the Japanese government has declared in “Society 5.0,” there is now a major need for companies that can create services and businesses using data to balance economic advancement with the resolution of social problems. The abundance of data we possess, as well as our diverse lineup of data assets, makes us one of the largest data holders in Japan, and we will aspire to be a corporate group that can draw out the potential of this data to the greatest extent possible and enhance the value of Japanese society as a whole.

These reforms will not bear fruit overnight, and we therefore need to carry out upfront investments from a medium- to long-term perspective. With an awareness of this necessity, we have positioned the period up to fiscal 2023 as a time for implementing structural changes. Over the coming years, we will actively pursue upfront investments with such goals as expanding our user base

and e-commerce transactions, and launching new businesses. At the same time, we will focus our efforts on increasing revenue so that we can reach even higher levels of profit from fiscal 2023 and beyond.

## Overview of Fiscal 2018 and Progress of Growth Strategies

**We have established a business and organizational foundation for creating the future.**

Guided by the policies I have just explained, we focused our efforts in fiscal 2018 on building a robust foundation for creating the future. Due to the proactive growth investments we announced at the start of the fiscal year, operating income declined to ¥140.5 billion. However, revenue grew to ¥954.7 billion, and we have started to steadily see the results of our growth investments in such ways as improvements in the performance indicators for our business domains.

In the Media Business segment, one of our growth investment targets is the expansion of video content, and the amount of time users spend watching videos on their smartphones rose 85.3% year on year, which led to a two-fold increase in revenue from video advertising via smartphones. The speed of growth in video viewing time has been remarkable, and this has contributed to the acquisition of young adult users.

In the Commerce Business segment, we launched the PayPay mobile payment service in collaboration with SoftBank Corp. in October 2018. We succeeded in making a rocket start with this service, with the cumulative number of registered users exceeding six million in the mere six months since the launch of service. In this way, PayPay is playing a crucial role in driving the shift toward a cashless society in Japan.

Aside from the perspective of business expansion, we also made several strategic moves to help us prepare for future growth. Specifically, we revised the framework in which our business divisions tended to focus too much on creating value only within each division. Through this revision, we established an organizational structure that aims to improve added value on a Companywide level and maximize the number of user actions. This move also included appointing personnel from our finance and technology divisions as managing corporate officers. Meanwhile, we renewed our evaluation systems to enable our employees to better concentrate on and work toward creating the future of the Yahoo Japan Group.

Furthermore, the transition to a holding company structure and the change in our parent company were two significant changes that occurred since I became president. As we boldly enter new domains, we are concentrating the management functions of the Group into our new holding company Z Holdings Corporation in an effort to strengthen Groupwide collaboration, realize expeditious decision-making, and optimize the allocation of management resources. Also, we have thus far generated a broad range of synergies with SoftBank Corp., primarily in the Commerce Business, under a sister company relationship. This relationship has now changed with SoftBank Corp. becoming our parent company. Through this new relationship, we will create a corporate group that is one of a kind across the world through the integration of an Internet service provider and a telecommunications service provider, each with a base of tens of millions of users. By fully leveraging the competitive edge of both companies to further generate synergies, we will create optimal user experiences that cannot be imitated by our competitors.

#### Focus Areas in Fiscal 2019

**Positioning fiscal 2019 as a year for scaling up our efforts to create the future, we will accelerate the creation of new value.**

We have established fiscal 2019 as a year in which we will scale up our efforts to create the future. To that end, we have adopted the three core policies of “integrating services and maximizing the number of user actions,” “making the lifestyles of our users astonishingly convenient in both the online and offline domains,” and “promoting growth through the cross-sectional utilization of multi-big data.” By leveraging the solid foundation we established in fiscal 2018, we will endeavor to create new value and maximize the number of user actions.

For “integrating services and maximizing the number of user actions,” we will continue to promote the efforts we commenced in the previous fiscal year as we work to further strengthen collaboration across the Company.

In regard to “making the lifestyles of our users astonishingly convenient in both the online and offline domains,” we continue to position PayPay as an area of focus. Accordingly, we will take steps to maximize our performance indicators, such as number of payments, number of users, and number of merchants. At the same time, we will create a variety of added-value services that are derived from PayPay.

We have two goals for our policy of “promoting growth through the cross-sectional utilization of multi-big data.” First, in the integrated marketing solutions business, we will form connections between user actions on consumption from start to finish in both the online and offline domains through the cross-sectional utilization of multi-big data. By doing so, we aim to provide services that visualize and maximize the effects of marketing activities. As these types of services have never existed before in society, we will likely have to operate them through the process of trial and error directly after their launch. However, we have major expectations for these services as we believe that they can bring about a marketing revolution. Through these efforts, we will also target the sales promotion market, which is estimated to be of a scale that is nearly twice the size of the advertising market, thereby aiming to grow revenue in the integrated marketing solutions business to the ¥500 billion level in fiscal 2023. Furthermore, in the DATA FOREST Initiative, we aim to provide new value by offering the various insight we will gain from combining the data we possess with data owned by corporations and local government agencies. In October 2019, we intend to commence a new data solutions service that supports business activities using the insight we have acquired through data analysis. While we anticipate that it will take some time before this service monetizes, we believe that over the medium to long term it can become the fourth pillar for revenue, after e-commerce, Fintech, and integrated marketing solutions.

Through the above initiatives, we will continue to place priority on expanding revenue in fiscal 2019 with the aim of achieving ¥1 trillion in revenue on a consolidated basis.

**Human Resources Strategy for Continuing to Be a Company That Creates the Future**  
**We are working to establish an environment that allows our employees to maximize their performance.**

To continue to be a company that takes the lead in creating a new future, it is imperative that we maximize the performance of our human resources, who form the source of our value creation. In light of this, we are moving forward with the establishment of frameworks and systems that

improve the awareness of our employees toward their jobs and raise the standard of work quality. Additionally, we believe that being in good physical and mental health is directly linked to optimal work performance. We therefore make continuous efforts to establish a work environment that allows our employees to engage in their work in the best possible physical and mental health. Going forward, we will aim to become a company that can sustainably grow together with its employees (please see page 39 for details).

#### Approach to Sustainability

**By realizing the goals of our mission, we will expand both economic and social value to the fullest extent possible.**

The Yahoo Japan Group’s mission is to act as a “problem-solving engine” that resolves problems in people’s daily lives and problems facing society by leveraging information technologies. Guided by this mission, we believe that the purpose of our existence as a corporate group is to make the world a more convenient place to live and to further enrich society.

As indicated by the Sustainable Development Goals (SDGs), in addition to fulfilling their social responsibilities, corporations are expected to demonstrate creativity and innovativeness in order to resolve social issues through their businesses. Meeting these kinds of social expectations and needs is the very example of the purpose of our existence as a corporate group.

In terms of CSR, we have categorized the material issues we must address in pursuit of sustainability as the Four UPDATES. By actively measuring and disclosing ESG-related information and maintaining our accountability, we aim to expand both economic and social value to the greatest extent possible (please see page 47 for details).

From the perspective of corporate governance, we have made concerted efforts to establish a structure to realize transparent, fair, timely, and decisive decision-making as well as proactive governance, as represented by our transition in fiscal 2015 to a company with an Audit and Supervisory Committee. In June 2019, we increased the number of outside directors to three while changing the composition of the Audit and Supervisory Committee so that all of its members are now independent outside directors. In these ways, we are working to further enhance our transparency and fairness. As the connection between corporations and society changes around the world, we need to constantly update our governance structure. Moving forward, to continue to be a company that can earn the trust of and make significant contributions to society, we will strive to put in place an optimal corporate governance structure (please see page 55 for details).

#### To Our Stakeholders

**We will continue to pursue the challenge of creating new value as a growth leader.**

Our vision of “making the lifestyles of our users astonishingly convenient in both the online and offline domains” is based on an awareness of a paradigm shift that will significantly upgrade the potential of the Internet. In other words, this vision reflects our understanding that we are facing a situation in which the value systems of society itself are undergoing dramatic changes. In the Heisei era,\* the Internet rapidly became ingrained in people’s lifestyles to the extent that it is now considered a part of the infrastructure of users’ lives. I strongly believe that we played a leading role in driving the evolution of the Internet by consistently creating highly convenient services that leveraged the potential of the Internet. In the Reiwa era, the Internet will continue to evolve at a faster rate, with the potential to transform into something more innovative than anyone could ever predict. Going forward, we will continue to be a company that unleashes the power of the Internet ahead of its competition to create the future. To that end, the management will remain committed to ensuring that we offer astonishingly convenient services and maximize the number of user actions. As we further accelerate change to become the company we aspire to be, I would like to ask our stakeholders to look forward to the accomplishments we will make as a company that creates a new future. I would also like to ask our stakeholders for their continued support of the Yahoo Japan Group going forward.

\* Heisei was the previous era under the Japanese calendar.

