

June 28, 2019

To whom it may concern

Yahoo Japan Corporation
Kentaro Kawabe
President and CEO
Stock Code: 4689

**Notification of Business Succession to PayPay Corporation
Through Company Split (Simplified Absorption-Type Company Split)**

Yahoo Japan Corporation (hereinafter the “Company”) hereby announces that it has decided to succeed the businesses offered by the Company, under the names “Yahoo! Money Light” and “Yahoo! Money Plus”, and a business provided to the users under the name “Yokin Barai” , an account transfer-related business with financial institutions in which users hold accounts (hereinafter collectively “Money Businesses”) to PayPay Corporation (hereinafter “PayPay”) under the simplified absorption-type company split method (hereinafter “Absorption-type Company Split”) effective September 30, 2019 (planned). Details are as follows.

1. Purpose of the Absorption-type Company Split

The Company began offering “Yahoo! Money” in May 2016 as Yahoo! JAPAN’s first electronic money business.

Under the objective of proliferating cashless payment, PayPay was established as a joint venture between the Company and SoftBank Corp. (hereinafter “SoftBank”) In October 2018, PayPay began providing a new smartphone payment service “PayPay” which enables payment using bar codes and QR codes. PayPay leverages the strengths of each company: (i) the user base and other business base of the Company to expand users and business partners, (ii) sales know-how of SoftBank to acquire merchants, and (iii) technologies of Paytm, a portfolio company of SoftBank Vision Fund and the largest payment operator in India to develop a highly convenient service. It aims to develop a service that has the largest number of users and merchants in smartphone payment. Please note that SoftBank is the parent company of the Company. Thus, the Company conducts measures to ensure fairness and appropriateness in this Absorption-type Company Split as stated in “3.(4) Measures to ensure fairness”

By aggregating the Company’s electronic money business to PayPay, a common payment method can be provided in online and offline merchants. This will increase user convenience and contribute to PayPay’s growth. Through collaborations between various services provided by the Company and PayPay, the corporate values of both companies will also be enhanced. Considering these factors, the Company has

decided to conduct this Absorption-type Company Split. The businesses that will be succeeded in this Absorption-type Company Split will not be subject to Agreement Regarding Absorption-type Company Split as stated in “Establishment of Split Preparation Companies, Execution of an Agreement Regarding Absorption-type Company Split, and Amendment to the Articles of Incorporation (Change in Trade Name) pursuant to Transition to a Holding Company Structure through a Company Split” announced by the Company on April 25, 2019.

2. Summary of the Absorption-type Company Split

(1) Schedule of the Absorption-type Company Split

Date of resolution on the conclusion of absorption-type company split agreement (PayPay)

June 25, 2019

Date of resolution on the conclusion of absorption-type company split agreement (the Company)

June 28, 2019

Conclusion date of the absorption-type company split agreement

June 28, 2019

Effective date of the Absorption-type Company Split

September 30, 2019
(planned)

*For the Company, the Absorption-type Company Split is a simplified absorption-type company split as prescribed in Paragraph 2 of Article 784, and for PayPay, a simplified absorption-type company split as prescribed in Paragraph 2 of Article 796 of the Companies Act. Therefore, shareholder meeting to approve the absorption-type company split agreement will not be held in both companies.

(2) Method of the Absorption-type Company Split

An absorption-type company split in which the Company will be the splitting company and PayPay will be the succeeding company.

(3) Details of the allotment regarding the Absorption-type Company Split

As consideration for succeeding the Money Businesses in this Absorption-type Company Split, the Company is scheduled to receive JPY 496,672,730 from PayPay.

(4) Treatment of new share subscription rights and new share subscription bonds in relation to the Absorption-type Company Split

There are no changes in matters related to the new share subscription rights. The Company has not issued any new share subscription bonds, thus is not applicable.

(5) Increase/decrease in capital due to the Absorption-type Company Split

The Absorption-type Company Split will not result in an increase/decrease in

capital.

(6) Rights and Obligations to be succeeded by the succeeding company

Assets, liabilities and related rights and obligations in relation to the Company's Money Businesses that are stipulated in the absorption-type company split agreement as of the effective date, will be succeeded.

(7) Performance of debt obligations

The Company has determined that PayPay will have no problems in performing the debt obligations that arise after the effective date of the Absorption-type Company Split.

3. Basis of allotment related to Absorption-type Company Split, etc.

(1) Basis and reason of allotment

As noted in "3. (4) Measures to ensure fairness" below, in order to ensure the fairness and validity of the allocation related to the Absorption-type Company Split, the Company has appointed Hibiya Audit Corporation, which is independent from and with which the Company, the parent companies of the Company: namely, SoftBank Group Corp., SoftBank Group Japan Corporation, SoftBank (the three companies collectively, the "Parent Companies"), and PayPay have no material conflict of interest, as a third-party valuation firm, and has acquired a valuation report on the Absorption-type Company Split from this audit corporation dated June 10, 2019. In addition, as its legal adviser, the Company appointed T & K Partners, an independent entity from the Company, the Parent Companies and PayPay, and has obtained legal advice. Also, from the Company's outside directors Shingo Yoshii and Hiromi Onitsuka-Baur who have no conflict of interest with the Company, the Parent Companies and PayPay, and who are registered as independent directors in the Tokyo Stock Exchange, the Company obtained opinion on June 27, 2019 that the Company's decision related to the Absorption-type Company Split is not disadvantageous to the Company's minority shareholders. Please note that the Company has also registered Yoshio Usumi, who was elected as an outside director in the 24th Ordinary General Meeting of the Shareholders held on June 18, 2019, as an independent director to the Tokyo Stock Exchange. The abovementioned opinion was acquired from Shingo Yoshii and Hiromi Onitsuka-Baur who had served as independent directors during the deliberation on this matter, but not from Yoshio Usumi. This is because this Absorption-type Company Split had been considered since December last year and the actual deliberations had been carried out before Yoshio Usumi assumed office. Also, there were only nine days from Yoshio Usumi's assumption of office to this disclosure. Thus, there was not enough time for deliberations in acquiring Yoshio Usumi's opinion. However, by obtaining the opinion from Shingo Yoshii and Hiromi Onitsuka-Baur necessary measures to ensure that this Absorption-type Company Split is not disadvantageous to the Company's minority shareholders have been put in place.

Moreover, the Company has separately informed Yoshio Usumi on this matter.

Upon careful discussions and deliberations based on these documents and advice, the Company determined that the details stated in the abovementioned “2. (3) Details of the allotment regarding the Absorption-type Company Split” is valid, decided to perform the Absorption-type Company Split and concluded an absorption-type company split agreement.

(2) Calculation

① Name of valuation firm and relationship with the listed company and counterparty company

As stated in “3. (1) Basis and reason of allotment”, in order to secure fairness and validity in the Absorption-type Company Split, the Company has appointed Hibiya Audit Corporation which is independent from the Company, the Parent Companies and PayPay, as a third-party valuation firm, and has acquired a valuation report dated June 10, 2019 from this firm regarding the Absorption-type Company Split. The firm does not fall under a related party of the Company, the Parent Companies and PayPay, and does not have material conflict of interest with the Company, the Parent Companies and PayPay.

② Outline of calculation

In regards to the Money Businesses, Hibiya Audit Corporation used the discounted cash flow method (“DCF Method”) in order to reflect future business activities in its valuation.

The scope of consideration for the Money Businesses calculated under the aforementioned method is as follows.

Share valuation

JPY 493 – 503 million

Under the DCF method used this time, the business value of the Money Businesses is analyzed by discounting the free cash flow expected to be generated by the Money Businesses in and after April 2019 to the present value using a certain discount rate based on the future business plan of the Money Business acquired from the Company. The valuation was also based on future financial forecast calculated by taking various factors such as recent business results and publicly available information into account. The base date for the valuation is March 31, 2019 and the discount rate used is 8.74% to 10.74%. The financial forecast, which was used as premise of the valuation, estimates that the cash flow from the Money Businesses in and after April 2024 will be negative due to increased competitive services and resulting deterioration in business environment. Therefore, in calculating the business value, the cash flow for the five years until the abovementioned fiscal year was discounted to present value.

In this calculation Hibiya Audit Corporation says that it has acquired the business plan related to the Money Businesses and other information acquired from the

Company, publicly available information such as market data, etc., and financial, economic and market indices, etc. and has analyzed these materials. The calculation is based on the premise that there are no undisclosed information that may have a material impact on the calculation.

(3) Prospects of and reasons for delisting

Not applicable

(4) Measures to ensure fairness

SBG, the Company's controlling shareholder, is the parent company of PayPay. Therefore, the Absorption-type Company Split falls under a transaction, etc. with a controlling shareholder. In order to ensure fairness in this Absorption-type Company Split, the Company conducts the following measures and measures to avoid conflict of interest as written in "3. (5) Steps taken to avoid conflict of interest".

① Procurement of a valuation report

As stated in "3.(1) Basis and reason of allotment", in order to secure fairness and validity in the Absorption-type Company Split, the Company has appointed Hibiya Audit Corporation, which is independent from and with which the Company, the Parent Companies and PayPay have no material conflict of interest, as a third-party valuation firm, and has acquired a valuation report on the Absorption-type Company Split from this audit corporation dated June 10, 2019. The Company has not acquired a fairness opinion, an opinion on the financial validity of the details stated in "2.(3) Details of the allotment regarding the Absorption-type Company Split" for the Company's shareholders, from the abovementioned third-party valuation firm.

② Advice from independent law firm

On November 22, 2018 the Company appointed T & K Partners as its legal adviser on the Absorption-type Company Split, and obtains legal advice on the decision-making by the Company with respect to the Absorption-type Company Split. T & K Partners does not have any material interest in the Company, the Parent Companies and PayPay.

(5) Steps taken to avoid conflict of interest

As steps to avoid conflict of interest related to this Absorption-type Company Split, the Company consulted the Company's outside directors Shingo Yoshii and Hiromi Onitsuka-Baur who have no conflict of interest with the Company, the Parent Companies and PayPay, and who are registered as independent directors in the Tokyo Stock Exchange to deliberate whether the Company's decision regarding the Absorption-type Company Split is disadvantageous to the Company's minority shareholders.

As a result, the Company obtained opinion on June 27, 2019 from the

independent directors that (i) the purpose of the Absorption-type Company Split is legitimate; (ii) the procedures taken for the Absorption-type Company Split is legal and fair; (iii) the terms and conditions of the Absorption-type Company Split is valid; thus the Company's decision regarding the Absorption-type Company Split is not disadvantageous to the Company's minority shareholders.

4. Overview of split/successor companies in the Absorption-type Company Split
(As of March 31, 2019)

	Split company	Successor company
(1) Name	Yahoo Japan Corporation	PayPay Corporation
(2) Head office	1-3 Kioicho, Chiyoda-ku, Tokyo	1-3 Kioicho, Chiyoda-ku, Tokyo
(3) Name and title of representative	President and Representative Director Kentaro Kawabe	President & Representative Director, CEO, Corporate Officer Ichiro Nakayama
(4) Main business	Internet advertising business E-commerce business Membership services business, etc.	Development and provision of electronic payment services such as mobile payment, etc.
(5) Paid-in capital	JPY 8,930 million	JPY23,000 million
(6) Establishment	January 31, 1996	June 15, 2018
(7) No. of shares issued	5,151,584,115 shares	460,000 shares
(8) Fiscal year end	March 31	March 31
(9) No. of employees	6,522	1,245
(10) Major customers	General users, corporations, etc.	General users, corporations, etc.
(11) Main banks	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd. The Japan Net Bank, Limited Resona Bank, Limited	Mizuho Bank, Ltd. The Japan Net Bank, Limited

(12) Major shareholders and shareholding ratio	SoftBank Group Japan Corporation	35.6%	SoftBank Corp.	50.0%
	SoftBank Corp.	11.9%	Yahoo Japan Corporation	50.0%
(13) Relationship between the listed company and relevant company	Capital relationship	The Company holds 230,000 common shares (50.0%) of PayPay.		
	Personnel relationship	The Company dispatches 3 directors and 1 auditor, and seconds 1,079 employees to PayPay.		
	Transaction relationship	N.A.		
	Related party relationship	The Company and PayPay are related parties since both are owned by the same parent company.		

(14) Performance and financial position in the past 3 years				
Fiscal year (JPY million)	Yahoo Japan Corporation (Consolidated, IFRS)			PayPay Corporation (Non-consolidated, JGAAP) (Note 1)
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2019
Total equity (Net assets)	998,709	1,121,887	910,523	9,652
Total assets	1,534,212	2,516,633	2,429,601	40,775
Equity attributable to owners of the parent per share (Net assets per share) (Yen)	163.51	177.97	160.96	20,984.00
Revenue (Operating revenue)	853,730	897,185	965,714	595
Operating income	192,049	185,810	140,528	−36,121
Income before income taxes (Ordinary income)	193,475	193,177	123,370	−36,270
Net income attributable to owners of the parent (Net income before income taxes)	136,589	131,153	78,677	−36,313
Basic earnings per share (Net income per share) (Yen)	23.99	23.04	14.74	−126,436.22

(Note1) PayPay was established in June, 2018. Therefore, only the business performance for the most recent fiscal year is noted here.

(Note 2) PayPay uses JGAAP for accounting so the name in parenthesis is the name in JGAAP

Outline of Business Segment to Be Succeeded

(1) Details of Business to Be Succeeded

Money Businesses

(2) Business Results of the Segment to Be Succeeded (Fiscal year ended March 31, 2019)

Revenue JPY 1,708 million

Operating income JPY -242 million

(3) Assets and Liabilities to Be Split and Amount

	Book value (JPY million)		Book value (JPY million)
Assets	9,778	Current liabilities	9,168

5. Status following the Absorption-type Company Split

There will be no change in the name, head office location, name and title of representative, main business, paid-in capital, and fiscal year end of the Company, as a result of this Absorption-type Company Split.

6. Summary of accounting procedures

This Absorption-type Company Split constitutes a transaction under common control, but no goodwill will be recorded.

7. Future prospects

This Absorption-type Company Split is not expected to have a material impact on the consolidated and non-consolidated performance of the Company.

8. Items regarding transactions, etc., with controlling shareholders

(1) Applicability of transaction, etc. with controlling shareholder and compliance with minority shareholder protection policies

The Absorption-type Company Split constitutes a transaction, etc. with a controlling shareholder. The “Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder” stated in the Company's corporate governance report, disclosed on June 28, 2019 is as follows.

“The parent company of the Yahoo Japan Group is SoftBank Group Corp., SoftBank Group Japan Corporation and SoftBank Corp. Yahoo Japan Corporation has enacted “Regulations for Appropriate Business Transactions and Practices by Yahoo Japan Corporation, its Parent Company, Subsidiaries, and Affiliates”. In accordance with these regulations, Yahoo Japan Corporation strives to maintain its commitment to fair and proper transactions by expressly

forbidding clearly advantageous or disadvantageous transactions with its parent company, etc. which are judged by comparing transactions with a third party or with other similar transactions, and performing of transactions for the purpose of shifting profits, losses, or risks.”

As stated in “3.(4) Measures to ensure fairness” and “3.(5) Steps taken to avoid conflict of interest” the Company plans to conduct the Absorption-type Company Split after it ensures the fairness of the Absorption-type Company Split, conducts measures to avoid conflict of interests, and decides the consideration for the split. Therefore, the Company believes that the Absorption-type Company Split complies with the abovementioned “Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder”.

(2) Items related to steps taken to ensure transaction fairness and avoid conflict of interest

As stated in “8. (1) Applicability of transaction, etc. with controlling shareholder and compliance with minority shareholder protection policies”, this Absorption-type Company Split constitutes a transaction, etc. with the Company’s controlling shareholders. Therefore, the Company has determined that it is necessary to take measures to ensure fairness and to avoid conflict of interest. The Company carefully discussed and deliberated the terms related to the Absorption-type Company Split and made judgements upon ensuring fairness and avoiding conflict of interest by conducting measures written in “3. (4) Measures to ensure fairness” and “3. (5) Steps taken to avoid conflict of interest”.

(3) Outline of opinion that the transaction is not disadvantageous to minority shareholders obtained from persons without vested interest in controlling shareholder

As stated in “3. (5) Steps taken to avoid conflict of interest”, the Company consulted the Company’s outside directors Shingo Yoshii and Hiromi Onitsuka-Baur who have no conflict of interest with the Company, the Parent Companies and PayPay, and who are registered as independent directors in the Tokyo Stock Exchange to deliberate i) the legitimacy of the purpose of the Absorption-type Company Split (including the effect of the Absorption-type Company Split on improving the Company’s corporate value); (ii) legality and fairness of the procedures of the Absorption-type Company Split; (iii) the validity of the terms and conditions of the Absorption-type Company Split; and (iv) if the Company’s decision regarding the Absorption-type Company Split is disadvantageous to the Company’s minority shareholders.

As a result, the Company obtained opinion on June 27, 2019 from the independent directors that (i) the Absorption-type Company Split has a rightful purpose because the Absorption-type Company Split is necessary and reasonable for the management of the Company and because it is not unreasonable to judge that this will

improve the Company's corporate value; (ii) the procedures taken for the Absorption-type Company Split is legal and fair in light of the measures taken to ensure the fairness of the consideration during the process leading to the Absorption-type Company Split; (iii) the terms and conditions of the Absorption-type Company Split is rational because the methods and procedures used to calculate the value of the Money Businesses is not unreasonable; and (iv) thus the Company's decision regarding the Absorption-type Company Split is not disadvantageous to the Company's minority shareholders.

Reference: The Company's Actual Consolidated Performance for the Full Year in FY2018
(JPY million)

	Revenue	Operating income	Income before income taxes	Net income attributable to owners of the parent
Actual performance (Year ended March 31, 2019)	954,714	140,528	123,370	78,677

Disclaimer

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