

## Results for the Three Months Ended June 30, 2019 (FY2019-1Q) [IFRSs]

August 2, 2019

Company Name: Yahoo Japan Corporation Share Listings: 1<sup>st</sup> section of TSE  
 Code No.: 4689 URL: <https://www.yahoo.co.jp/>  
 Representative: Kentaro Kawabe, President and Representative Director Tel: 03-6898-8200  
 Contact: Ryosuke Sakaue, Managing Corporate Officer, CFO

Scheduled Securities Report Submission Date: August 9, 2019

Scheduled Dividend Payment Date: -

Fiscal Results Supplementary Briefing Materials to Be Created: Yes

Fiscal Results Investors Meeting to Be Held: Yes (for Financial Analysts)

(Amounts less than one million yen are omitted)

### 1. Consolidated Results for FY2019-1Q (April 1, 2019 - June 30, 2019)

(1) Consolidated Business Performance (April 1, 2019 - June 30, 2019) (Figures in parenthesis are % change YoY)

	Revenue	Operating income	Income before income taxes	Net income	Net income attributable to owners of the parent	Total comprehensive income
	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)
FY2019-1Q	238,634 (2.9)	36,164 (-24.0)	41,360 (-14.7)	27,837 (-14.7)	27,379 (-16.2)	27,005 (-26.7)
FY2018-1Q	231,855 (9.0)	47,584 (-8.9)	48,481 (-14.1)	32,647 (-12.9)	32,673 (-9.0)	36,854 (-7.2)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2019-1Q	5.40	5.40
FY2018-1Q	5.74	5.74

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%
FY2019-1Q	2,586,450	815,476	725,276	28.0
FY2018	2,429,601	910,523	818,291	33.7

### 2. Dividends

(Record date)	Dividends per share				
	1Q	2Q	3Q	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
FY2018	—	0.00	—	8.86	8.86
FY2019	—				
FY2019 (Estimates)		0.00	—	8.86	8.86

Revision in dividends previously announced: None

### 3. Consolidated Performance Estimates for FY2019 (April 1, 2019 – March 31, 2020)

	Revenue		Operating income		Net income attributable to owners of the parent		Basic earnings per share	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)	Yen	(%)
FY2019	1,000,000 - 1,020,000	4.7 - 6.8	140,600 - 150,000	0.1 - 6.7	79,000 - 85,000	0.4 - 7.6	14.80 - 15.92	0.4 - 7.6

Revision in performance estimates previously announced: None

For details, please refer to 3. Outlook for Fiscal 2019 (April 1, 2019 – March 31, 2020) in (1) Qualitative Information regarding the Consolidated Business Performance of 1 Qualitative Information regarding the Consolidated Operating Results on page 4 of the Results for the Three Months (Attachments).

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in significant subsidiaries causing changes in scope of consolidation): None

(2) Changes in the accounting principles, procedures and presentation methods

1) Changes due to IFRSs: Yes

2) Changes other than 1): None

3) Changes in accounting estimate: None

Note: For details, please refer to 2. Significant accounting policies in (6) Notes to Interim Condensed Consolidated Financial Statements of 2 Interim Condensed Consolidated Financial Statements and Significant Notes on page 15 of the Results for the Three Months Ended June 30, 2019 (Attachments).

(3) Number of stocks issued (common stock)

1) Number of stocks issued at year end (including treasury stocks)

2) Number of treasury stocks at year end

3) Average number of stocks

FY2019-1Q	6,663,148,165	FY2018	5,151,629,615
FY2019-1Q	1,902,273,100	FY2018	67,879,000
FY2019-1Q	5,069,552,864	FY2018-1Q	5,694,072,955

\* The Results for the Three Months are not subject to the quarterly review by certified public accountants or audit corporations.

\* Explanation of the proper use of performance estimates, and other special notes

• The performance estimates, etc., and other forward-looking statements contained in this document are based on the information currently available to the Company and premised on assumptions that have been deemed reasonable by management. For a variety of reasons, actual performance estimates, etc., could differ significantly.

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# 1 Qualitative Information regarding the Consolidated Operating Results

## (1) Qualitative Information regarding the Consolidated Business Performance

### 1. Business Results Summary (April 1, 2019 to June 30, 2019)

	FY2018 1Q	FY2019 1Q	Year-on-Year Change (Amount)	Year-on-Year Change (%)
Revenue	¥231.8 billion	¥238.6 billion	+¥6.7 billion	+2.9%
Operating Income	¥47.5 billion	¥36.1 billion	-¥11.4 billion	-24.0%
Income before income taxes	¥48.4 billion	¥41.3 billion	-¥7.1 billion	-14.7%
Net Income attributable to owners of the parent	¥32.6 billion	¥27.3 billion	-¥5.2 billion	-16.2%

The revenue for the consolidated first quarter of the fiscal year ending March 31, 2020 amounted to ¥238.6 billion, an increase of ¥6.7 billion (+2.9%) compared with the same period last year. This was due to the revenue increase mainly in advertising revenue and the ASKUL Group as well as Ikyu Corporation.

Despite the increase in revenue, operating income decreased year on year. The decrease was due to increase in depreciation and amortization, sales promotion costs and personnel expenses, etc., as well as gain on sales of IDC Frontier Inc. in the same quarter last year as a one-time factor.

Despite recognition of gain on change in equity interest of PayPay Corporation of ¥10.8 billion, income before income taxes and net income attributable to owners of the parent decreased year on year, mainly because of decrease in operating income as well as recognition of loss on equity method investments of ¥5.7 billion as a result of active investment in PayPay launched in the previous fiscal year.

### 2. Segment Business Results Summary (April 1, 2019 – June 30, 2019)

#### Revenue and Operating Income by Segment

	FY2018 1Q	FY2019 1Q	Year-on-Year Change (Amount)	Year-on-Year Change (%)
Commerce Business				
Revenue	¥158.4 billion	¥165.8 billion	+¥7.3 billion	+4.6%
Operating income	¥15.4 billion	¥16.8 billion	+¥1.4 billion	+9.5%
Media Business				
Revenue	¥72.1 billion	¥72.2 billion	+¥0.7 billion	+0.1%
Operating income	¥36.7 billion	¥34.9 billion	-¥1.8 billion	-4.9%
Others				
Revenue	¥3.1 billion	¥2.1 billion	-¥0.9 billion	-30.8%
Operating income	¥8.9 billion	¥0.2 billion	-¥8.7 billion	-97.7%
Adjustments				
Revenue	-¥1.9 billion	-¥1.6 billion	—	—
Operating income	-¥13.5 billion	-¥15.8 billion	—	—
Total				
Revenue	¥231.8 billion	¥238.6 billion	+¥6.7 billion	+2.9%
Operating income	¥47.5 billion	¥36.1 billion	-¥11.4 billion	-24.0%

Notes: Adjustments figures represent inter-segment transactions and general corporate expenses not belonging to any reporting segment.

Reporting Segment

	Main business areas
Commerce Business	<ul style="list-style-type: none"> <li>• YAHUOKU!, Yahoo! Shopping, ASKUL Corporation, and other commerce-related services</li> <li>• Yahoo! Premium, and other membership services</li> <li>• Credit card and other financial and payment-related services</li> </ul>
Media Business	<ul style="list-style-type: none"> <li>• Paid search, Display and other advertising-related services</li> </ul>

Main types of advertising

Advertising products		Main Format	Fee Calculation	Placement Pages	Main Advertiser Base	
Paid Search Advertising	Sponsored Search®		Text	Search results pages	Major corporations Small and medium-sized companies	
Display Advertising	YDN and others	Yahoo! Display Ad Network (YDN) *1	Text Banner	Per-click rate (Performance-based) *2		Top page *1
			Video	Per-view rate (Performance-based) *2		
		Yahoo! Premium DSP	Banner	Per-impression page view rate (Performance-based) *2	Interior pages of service sites *1	Major corporations
	Premium Advertising	Brand Panel, Prime Display, etc.		Rich ad (Including video) Banner	Per-impression page view rate (Guarantee-based) *3	Yahoo! Shopping
		Banner Text ads Others	Text Banner	Per-guaranteed period rate, etc. (Guarantee-based) *3		
		PR Option		Conversion-based		

(\*1) Includes In-feed Advertising on timeline view pages

(\*2) Advertising that is programmatically or manually managed on a real-time basis to optimize advertising effects

(\*3) Advertising for which specific placement is reserved in advance

### **1) Commerce Business in the First Quarter**

Revenue of the Commerce Business rose from the same period last year, due to increase in revenues of the ASKUL Group and Ikyu Corporation and the advertising revenue from Yahoo! Shopping (\*1). In addition, EC transaction value (sale of goods) (\*2) amounted to ¥475.6 billion, increasing 5.4% year on year.

As a result, revenue of the Commerce Business of the consolidated first quarter amounted to ¥165.8 billion, increasing 4.6% year on year and accounting for 69.5% of total revenue. Operating income increased 9.5% year on year, to ¥16.8 billion.

\*1 Total of the Company's Shopping-related advertising revenue; advertising revenue of "StoreMatch", an advertising product in Yahoo! Shopping sold by ValueCommerce Co., Ltd. to stores in Yahoo! Shopping, etc.; and revenues of paid search advertising and YDN, etc., placed by stores in Yahoo! Shopping. Revenues of paid search advertising and YDN, etc., placed by stores in Yahoo! Shopping are recorded in the advertising revenue of the Media Business segment.

\*2 Includes transaction value of YAHUOKU! including Yahoo! Government Auctions, shopping transaction value, other sales of goods transaction value and ASKUL's BtoB-related revenue via the Internet (closing date: 20<sup>th</sup> of every month) from 2Q of FY2015 (one month in 2Q).

### **2) Media Business in the First Quarter**

As Premium Advertising revenue increased year on year chiefly due to the effect of sales measures, total advertising revenue grew year on year. By contrast, operating income decreased compared to the same period last year primarily due to increase in promotion costs for smartphone applications.

As a result, revenue of the Media Business of the consolidated first quarter amounted to ¥72.2 billion, rising 0.1% year on year, and accounted for 30.3% of total revenue. Operating income decreased 4.9% year on year, to ¥34.9 billion.

### **3. Outlook for Fiscal 2019 (April 1, 2019 – March 31, 2020)**

Year-on-year growth is expected in revenues of Commerce Business and Media Business. Thus, the Group expects a year-on-year increase in its revenue for fiscal 2019.

## (2) Qualitative Information regarding the Consolidated Financial Position

### 1. Assets, Liabilities and Equity

#### 1) Assets

Total assets at the end of this first quarter amounted to ¥2,586,450 million, increasing ¥156,849 million, or 6.5% from the end of fiscal 2018. The main components of change were the following:

- The principal reasons for the change in cash and cash equivalents are noted in “Cash Flows” below.
- Loans for credit card business increased from the end of fiscal 2018, mainly due to the increase in the transaction value of the Credit Card business.
- Other financial assets increased from the end of fiscal 2018, attributed primarily to increase in deposits in the central clearing house.
- Right-of-use assets were newly recognized due to the adoption of IFRS 16, Leases.

#### 2) Liabilities

Total liabilities at the end of this first quarter were ¥1,770,973 million, increasing ¥251,895 million, or 16.6%, from the end of fiscal 2018. The major components of change were the following:

- Deposits for banking business increased from the end of fiscal 2018 due to the increase of deposits from customers.
- Interest-bearing debt increased from the end of fiscal 2018 chiefly due to the increase in borrowings and the adoption of IFRS 16, Leases.
- Income taxes payable decreased from the end of fiscal 2018, mainly because of payment of income taxes.

#### 3) Equity

Total equity at the end of this first quarter amounted to ¥815,476 million, decreasing ¥95,046 million, or 10.4%, from the end of fiscal 2018. The primary reasons for change in equity were as follows:

- Common stock and capital surplus increased from the end of fiscal 2018 because of issuance of new shares.
- Retained earnings decreased from the end of fiscal 2018 because of payment of dividends despite the recognition of profit for the period attributable to owners of the parent.
- Treasury stock increased from the end of fiscal 2018 due to purchase of treasury stock.

### 2. Cash Flows

At the end of this first quarter, cash and cash equivalents amounted to ¥565,127 million, up ¥18,342 million from the end of fiscal 2018, out of which deposit with the Bank of Japan for banking business was ¥214,280 million.

The following are the movements in the main components of cash flow and the factors contributing to the changes for the period under review:

Cash flows from operating activities amounted to a cash outflow of ¥2,848 million mainly because of the payment of income taxes despite the recognition of profit before tax.

Cash flows from investing activities amounted to a cash outflow of ¥24,256 million, chiefly due to the acquisitions of property and equipment and intangible assets.

Cash flows from financing activities amounted to a cash inflow of ¥45,845 million, attributed mainly to the short-term borrowing and the issuance of new shares despite the expenditures on purchase of treasury stock and the payment of dividends.

(3) Significant Contracts

The following are the significant contracts for the Yahoo Japan Group.

1) License agreement with Oath Holdings Inc.

Contract name	YAHOO JAPAN LICENSE AGREEMENT
Contract date	April 1, 1996
Contract term	From April 1, 1996; termination date unspecified Note: The license agreement may be terminated under the following conditions: (i) mutual decision by the companies to terminate the agreement; (ii) cancellation of the agreement following bankruptcy or loan default by one of the companies; (iii) purchase of one-third or more of the outstanding shares of Yahoo Japan Corporation by a competitor of Oath Holdings Inc.; or (iv) merger or acquisition of Yahoo Japan Corporation rendering shareholders of Yahoo Japan Corporation before such merger or acquisition incapable of maintaining over 50% of shareholder voting rights of Yahoo Japan Corporation (may be waived by agreement of Oath Holdings Inc.).
Counterparty	Oath Holdings Inc.
Main details	<p>1) Licensing rights granted by Oath Holdings Inc. to Yahoo Japan Corporation:</p> <ul style="list-style-type: none"><li>• Non-exclusive rights granted to Yahoo Japan Corporation for reproduction and use of Oath Holdings Inc.'s Internet search and other services customized and localized for the Japanese market (hereinafter referred to as the Japanese version of the Yahoo! search services)</li><li>• Non-exclusive rights granted to Yahoo Japan Corporation for use in Japan of the trademark, etc., of Oath Holdings Inc.</li><li>• Exclusive rights granted to Yahoo Japan Corporation for publishing of the trademark, etc., of Oath Holdings Inc. in Japan</li><li>• Exclusive rights granted to Yahoo Japan Corporation worldwide for development, commercial use, and promotion of the Japanese version of the Yahoo! search services</li></ul> <p>2) Non-exclusive rights granted (gratis) to Oath Holdings Inc. worldwide for use of Japanese content added by Yahoo Japan Corporation</p> <p>3) Royalties to be paid by Yahoo Japan Corporation to Oath Holdings Inc. (see Note, below) Note: Initially, royalties were calculated as 3% of gross profit less sales commissions. Effective January 2005, the calculation method for determining royalties was revised, as follows:</p> <p>Royalty calculation method {(Revenue) - (Advertising sales commissions on a consolidated basis) - (Cost of sales of consolidated subsidiaries with a different gross margin structure and others)} x 3%</p>

2) Business alliance contract with Google Asia Pacific Pte Ltd.

Contract name	GOOGLE SERVICES AGREEMENT
Contract date	October 21, 2014
Contract term end	March 31, 2021
Counterparty	Google Asia Pacific Pte Ltd.
Main details	<p>1) Non-exclusive provision of search and paid search advertising distribution technologies by counterparty  The counterparty shall provide its search and paid search advertising distribution technologies to Yahoo Japan Corporation on a non-exclusive basis, which will be used by Yahoo Japan Corporation to offer its own brand of services.</p> <p>2) Differentiation of search services  Both parties are entitled to freely develop and use additional functions for the search results in order to differentiate their search results. Yahoo Japan Corporation may decide on its own whether to display the search results provided by the counterparty.</p> <p>3) Payment for counterparty's services  The consideration for the counterparty's services shall be the sum of (1) an amount calculated using a method determined on an annual basis based on the revenue of the website of Yahoo Japan Corporation and (2) an amount calculated using the standard for excess amounts on any revenue of the website of Yahoo Japan Corporation in excess of a specific amount during the specified period.  The consideration for the services used by Yahoo Japan Corporation on a partner site shall be the amount calculated by multiplying the revenue derived from the partner site by a rate determined on an annual basis.</p>

## 2 Interim Condensed Consolidated Financial Statements and Significant Notes

## (1) Interim Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of Mar. 31, 2019	As of June 30, 2019	Increase/decrease	
	Amount	Amount	Amount	Change (%)
<b>Assets</b>				
Cash and cash equivalents	546,784	565,127	18,342	3.4
Call loans for banking business	20,000	15,000	-5,000	-25.0
Trade and other receivables	328,281	323,918	-4,362	-1.3
Inventories	18,306	16,309	-1,996	-10.9
Loans for credit card business	253,340	271,162	17,821	7.0
Investment securities for banking business	419,551	418,492	-1,058	-0.3
Loans for banking business	80,942	81,865	922	1.1
Other financial assets	191,260	236,653	45,393	23.7
Property and equipment	133,867	124,624	-9,242	-6.9
Right-of-use assets	—	76,946	76,946	—
Goodwill	175,301	177,868	2,566	1.5
Intangible assets	165,293	172,987	7,693	4.7
Investments accounted for using the equity method	24,510	27,794	3,283	13.4
Deferred tax assets	34,551	34,079	-472	-1.4
Other assets	37,609	43,621	6,012	16.0
<b>Total assets</b>	<b>2,429,601</b>	<b>2,586,450</b>	<b>156,849</b>	<b>6.5</b>

(Millions of yen)

	As of Mar. 31, 2019	As of June 30, 2019	Increase/decrease	
	Amount	Amount	Amount	Change (%)
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Trade and other payables	394,545	396,931	2,385	0.6
Deposits for banking business	768,613	802,246	33,632	4.4
Interest-bearing liabilities	215,212	454,587	239,375	111.2
Other financial liabilities	8,683	8,114	-569	-6.6
Income taxes payable	24,138	12,851	-11,286	-46.8
Provisions	30,360	29,733	-627	-2.1
Deferred tax liabilities	20,403	18,228	-2,174	-10.7
Other liabilities	57,118	48,279	-8,838	-15.5
<b>Total liabilities</b>	<b>1,519,077</b>	<b>1,770,973</b>	<b>251,895</b>	<b>16.6</b>
<b>Equity</b>				
Equity attributable to owners of the parent				
Common stock	8,939	237,179	228,240	—
Capital surplus	-12,545	214,071	226,617	—
Retained earnings	832,147	812,033	-20,113	-2.4
Treasury stock	-24,440	-551,066	-526,625	—
Accumulated other comprehensive income	14,190	13,057	-1,133	-8.0
Total equity attributable to owners of the parent	818,291	725,276	-93,015	-11.4
Non-controlling interests	92,231	90,200	-2,031	-2.2
<b>Total equity</b>	<b>910,523</b>	<b>815,476</b>	<b>-95,046</b>	<b>-10.4</b>
<b>Total liabilities and equity</b>	<b>2,429,601</b>	<b>2,586,450</b>	<b>156,849</b>	<b>6.5</b>

## (2) Interim Condensed Consolidated Statement of Profit or Loss

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Increase/decrease	
	Amount	Amount	Amount	Change (%)
Revenue	231,855	238,634	6,779	2.9
Cost of sales	101,250	102,078	828	0.8
Selling, general and administrative expenses	90,998	100,391	9,393	10.3
Gain on sales of subsidiary's stocks	7,977	—	-7,977	—
Operating income	47,584	36,164	-11,420	-24.0
Other non-operating income	785	11,451	10,666	—
Other non-operating expenses	96	355	258	269.3
Equity in earnings of associates and joint venture	208	-5,900	-6,109	—
Profit before tax	48,481	41,360	-7,121	-14.7
Income tax expense	15,834	13,522	-2,311	-14.6
Profit for the period	32,647	27,837	-4,809	-14.7
Attributable to:				
Owners of the parent	32,673	27,379	-5,294	-16.2
Non-controlling interests	-26	458	484	—
Profit for the period	32,647	27,837	-4,809	-14.7
Earnings per share attributable to owners of the parent				
Basic (yen)	5.74	5.40	-0.34	-5.9
Diluted (yen)	5.74	5.40	-0.34	-5.9

## (3) Interim Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit for the period	32,647	27,837
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity financial assets measured at FVTOCI	3,120	-811
Subtotal	3,120	-811
Items that may be reclassified subsequently to profit or loss		
Debt financial assets measured at FVTOCI	211	764
Exchange differences on translating foreign operations	878	-785
Share of other comprehensive income of associates	-3	0
Subtotal	1,086	-20
Other comprehensive income, net of tax	4,206	-832
Total comprehensive income	36,854	27,005
Total comprehensive income attributable to:		
Owners of the parent	36,841	26,260
Non-controlling interests	12	744
Total comprehensive income	36,854	27,005

## (4) Interim Condensed Consolidated Statement of Changes in Equity

Three months ended June 30, 2018

(Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total		
Balance at April 1, 2018	8,737	-4,602	993,894	-1,316	16,655	1,013,368	108,518	1,121,887
Accumulated impact by the application of new accounting standards (*)			-205		167	-38	-20	-59
Balance at April 1, 2018 (corrected)	8,737	-4,602	993,688	-1,316	16,822	1,013,330	108,497	1,121,827
Profit for the period			32,673			32,673	-26	32,647
Other comprehensive income, net of tax					4,168	4,168	38	4,206
Total comprehensive income for the period	—	—	32,673	—	4,168	36,841	12	36,854
Transactions with owners and other transactions								
Issue of common stock	12	12				24		24
Payment of dividends			-50,449			-50,449	-415	-50,865
Transfer from accumulated other comprehensive income to retained earnings			884		-884	—		—
Changes in ownership interests in subsidiaries without losing control		-8,165				-8,165	-13,698	-21,864
Others		-6				-6	2	-3
Total	12	-8,159	-49,564	—	-884	-58,596	-14,111	-72,708
Balance at June 30, 2018	8,749	-12,762	976,797	-1,316	20,106	991,575	94,398	1,085,973

(\*) Accompanying adoption of IFRS 9, Financial Instruments, accumulated impact of retroactive correction is recognized by correcting the beginning balance of retained earnings and accumulated other comprehensive income.

Three months ended June 30, 2019

(Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total		
Balance at April 1, 2019	8,939	-12,545	832,147	-24,440	14,190	818,291	92,231	910,523
Accumulated impact by the application of new accounting standards (*)			-2,466			-2,466	-2,997	-5,463
Balance at April 1, 2019 (corrected)	8,939	-12,545	829,681	-24,440	14,190	815,825	89,234	905,060
Profit for the period			27,379			27,379	458	27,837
Other comprehensive income, net of tax					-1,118	-1,118	286	-832
Total comprehensive income for the period	—	—	27,379	—	-1,118	26,260	744	27,005
Transactions with owners and other transactions								
Issue of common stock	228,240	226,846				455,087		455,087
Payment of dividends			-45,042			-45,042	-307	-45,349
Transfer from accumulated other comprehensive income to retained earnings			15		-15	—		—
Buyback of treasury stock				-526,625		-526,625		-526,625
Changes attributable to obtaining or losing control of subsidiaries						—	630	630
Changes in ownership interests in subsidiaries without losing control		-68				-68	-118	-187
Others		-161				-161	16	-144
Total	228,240	226,617	-45,026	-526,625	-15	-116,809	221	-116,588
Balance at June 30, 2019	237,179	214,071	812,033	-551,066	13,057	725,276	90,200	815,476

(\*) Accompanying adoption of IFRS 16, Leases, accumulated impact of retroactive correction is recognized by correcting the beginning balance of retained earnings.

## (5) Interim Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
	Amount	Amount
<b>Cash flows from operating activities:</b>		
Profit before tax	48,481	41,360
Depreciation and amortization	12,491	17,879
Equity in earnings of associates and joint venture	-208	5,900
Decrease in call loans for banking business	15,000	5,000
Decrease (increase) in trade and other receivables	-8,536	6,115
Decrease (increase) in trade and other payables	6,675	-5,474
Increase in loans for credit card business	-11,521	-17,821
Increase in loans for banking business	-1,417	-970
Increase in deposits for banking business	18,174	33,632
Others	-20,801	-64,661
Subtotal	58,337	20,960
Income taxes—paid	-28,168	-23,808
Net cash used in (generated by) operating activities	30,168	-2,848
<b>Cash flows from investing activities:</b>		
Purchase of investment securities for banking business	-68,187	-60,458
Proceeds from sales of investment securities for banking business	42,647	60,601
Purchase of property and equipment	-15,148	-10,261
Purchase of intangible assets	-12,489	-11,844
Others	-696	-2,294
Net cash used in investing activities	-53,875	-24,256
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in short-term borrowings	-1,999	166,000
Proceeds from issuance of shares	18	456,477
Purchase of treasury stock	—	-526,625
Dividends paid	-50,482	-45,067
Repayment of lease liabilities	—	-5,319
Others	-12,858	380
Net cash generated by (used in) financing activities	-65,323	45,845
Effects of exchange rate changes on cash and cash equivalents	396	-397
Effects on cash and cash equivalents arising from transfer to assets classified as held for sale	3,484	—
Net increase (decrease) in cash and cash equivalents	-85,149	18,342
Cash and cash equivalents at the beginning of the periods	868,325	546,784
Cash and cash equivalents at the end of the periods	783,176	565,127

(6) Notes to Interim Condensed Consolidated Financial Statements

1. Going Concern Assumption

Not applicable.

2. Significant accounting policies

The significant accounting policies applied by the Yahoo Japan Group in preparing the statements are the same as those applied to Consolidated Financial Statements for the previous fiscal year, except for the following:

(Changes in the significant accounting policies)

From the consolidated first quarter of fiscal 2019, the Yahoo Japan Group applies the following standards and interpretations:

Standard books	Standard names	Summary of new/amended provisions
IFRS 16	Leases	Accounting treatment regarding leases and disclosure requirement

1) Adoption of IFRS 16, Leases

The Yahoo Japan Group observes the transitional measures for IFRS 16, Leases (hereinafter referred to as IFRS 16) and has made retroactive correction by means of applying them on the adoption start date (April 1, 2019) and recognizing accumulated impact of such application by correcting the beginning balance of retained earnings on the adoption start date. For this reason, the Interim Condensed Consolidated Financial Statements for the previous cumulative consolidated first quarter and the Interim Condensed Consolidated Statement of Financial Position at the end of the previous consolidated fiscal year as comparative information are not restated.

IFRS 16 requires a lessee's lease not to be classified as either a finance lease or an operating lease, but requires a single lessee accounting model to be introduced. In general, it also requires a lessee to recognize, for all leases, a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. In addition, while a lease payment related to an operating lease is recognized as a rental expense in IAS 17, Leases (hereinafter referred to as IAS 17), it is recognized as depreciation of the right-of-use asset and interest on the lease liability in IFRS 16.

The Yahoo Japan Group has adopted a practical expedient in which it is not required to review whether an agreement is or includes a lease in adopting IFRS 16. Because of this, IFRS 16 is applied to agreements that have been identified as leases up to now, and is not applied to agreements that have not been identified as leases by means of applying IAS 17 and IFRIC 4, Determining Whether an Arrangement Contains a Lease. Consequently, identification of a lease based on IFRS 16 is only applied to any agreement entered into or revised on or after the adoption start date.

In addition to the above, the Group has adopted the following practical expedients among those in the transitional measures. Application of these practical expedients is determined for each lease:

- Allowing a lessee to rely on an appraisal to determine whether an agreement is onerous according to IAS 37, Provisions, Contingent Liabilities and Contingent Assets on the adoption start date, instead of performing an impairment review of the right-of-use asset
- Allowing a lessee to exclude initial direct costs from measurement of right-of-use assets as of the adoption start date
- Where an agreement includes an option to extend or terminate a lease, allowing a lessee to use after-the-fact determination when the lessee assesses a lease term

As a result of the transition to IFRS 16, as of the adoption start date, mainly right-of-use assets and lease liabilities included in interest-bearing debt, increased by ¥85,654 million and ¥89,588 million, respectively, and accrued expenses included in other liabilities decreased by ¥3,205 million. In addition, while the Group recognized right-of-use assets on the adoption start date with regard to part of the lease agreements, it booked impairment loss because recoverable amount fell below the carrying amount of the cash-generating unit including right-of-use assets and thus accumulated impairment loss and deferred tax asset increased by ¥7,735 million and ¥2,368 million, respectively.

As a result, retained earnings and non-controlling interests decreased by ¥2,466 million and ¥2,997 million, respectively.

Right-of-use assets are measured in one of the following methods:

- Measured amount of lease liabilities adjusted using prepaid and accrued lease payments
- Carrying amount calculated as if IFRS 16 had been adopted since the start of lease

Lease liabilities are measured as the present value for which lease payments unpaid as of the adoption start date are discounted using the lessee's incremental borrowing rate for the Group on that date. The weighted average of the lessee's incremental borrowing rate applied to the lease liabilities is 0.1%. The following table shows adjustments between the amount discounted using the lessee's incremental borrowing rate on the adoption start date with regard to the discount on future minimum lease payments under operating leases that we disclosed by adopting IAS 17 at the end of the previous fiscal year and the amount of lease liabilities recognized on the Consolidated Statement of Financial Position on the adoption start date.

	(millions of yen)
Undiscounted future minimum lease payments under operating leases as of March 31, 2019	105,694
Discount on future minimum lease payments under operating leases described above	-3,056
Discounted future minimum lease payments under operating leases on April 1, 2019	102,637
Leases classified as finance leases	14,595
Adjustments due to the reassessment of lease terms	5,580
Adjustments related to agreements before start of leases	-27,875
Adjustments due to other factors	-5,350
Lease liabilities on April 1, 2019	89,588

## 2) Significant accounting policies that have changed by adopting new standards and interpretations

The Group determines at the start of an agreement whether it is a lease agreement or if it includes any lease. On the start date or revaluation date of an agreement that includes any lease, the consideration of an agreement is allocated to each lease component based on the proportion to the total uncontrolled price of lease components and non-lease components. In addition, the lease term is the combination of a non-cancellable period of the lease, the period subject to an extension option that is reasonably certain to be exercised and the period subject to a termination option that is reasonably certain not to be exercised.

(Lessee side)

### a. Lease transactions for intangible assets

The Group has not adopted IFRS 16 for lease transactions for intangible assets.

### b. Right-of-use assets

The Group recognizes right-of-use assets on the lease commencement date. The right-of-use assets are measured on a historical cost basis on the commencement date. The historical costs comprise the sum of initially measured amount of lease liabilities, lease payments made at or before the lease commencement date less lease incentives received, initial direct costs incurred by the lessee, and estimates of costs to be incurred by the lessee in dismantling and removing the underlying assets, restoring the site on which the underlying assets are located or restoring the underlying assets to the condition required by the terms and conditions of the agreement.

The Group adopts a cost model after the commencement date and the right-of-use assets are measured by deducting accumulated depreciation and accumulated impairment loss from the historical costs. The Group depreciates the right-of-use assets from the commencement date to the earlier of the end of the useful life of the underlying assets or the end of the lease term, unless it is reasonably certain that the ownership of the leased assets will be transferred to the Group at the end of the lease term. The useful life of the right-of-use assets is determined in the same manner as property and equipment.

### c. Lease liabilities

The Group recognizes lease liabilities on the lease commencement date. The lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The lease payments included in the measurement of the lease liabilities comprise mainly fixed lease payments, the lease payment for the extension period if the Group is reasonably certain to

exercise its extension option, and payments of penalties for terminating the lease unless it is reasonably certain that there will be no early termination.

After the commencement date, the Group measures the lease liabilities by increasing or decreasing the carrying amount to reflect interest on the lease liabilities and the lease payments made. The Group remeasures the lease liabilities and corrects the right-of-use assets to reflect any reassessment of the lease liabilities or lease modifications.

### 3. Significant subsequent events

#### Issuance of unsecured bonds

The Group has issued unsecured bonds based on the resolution by the Board of Directors at a meeting held on May 16, 2019. The table below shows the overview of the issuance:

Name of bonds	10th unsecured bonds (with inter-bond pari passu clause)	11th unsecured bonds (with inter-bond pari passu clause)	12th unsecured bonds (with inter-bond pari passu clause)	13th unsecured bonds (with inter-bond pari passu clause)
Total issuance amount	¥60,000 million	¥50,000 million	¥70,000 million	¥50,000 million
Issuance price	¥100 per face value of ¥100	¥100 per face value of ¥100	¥100 per face value of ¥100	¥100 per face value of ¥100
Interest rate	0.040% per annum	0.180% per annum	0.370% per annum	0.460% per annum
Redemption period	July 29, 2022	July 31, 2024	July 31, 2026	July 31, 2029
Redemption method	Bullet	Bullet	Bullet	Bullet
Due date of payment	July 31, 2019	July 31, 2019	July 31, 2019	July 31, 2019
Use of funds	Plan to appropriate them to redemption funds for already issued unsecured bonds, repayment funds for borrowings payable and working capital			

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

The English notations of the account items have been revised to coincide with the notations used for the Annual Report commencing with this fiscal year. Japanese notations remain the same.