



Fiscal Year 2013 Third Quarter Results Presentation: Summary of Q&A Session

Questions were asked by institutional investors and analysts in attendance at the GMO Internet, Fiscal Year 2013, Third Quarter Results Presentation on October 30, 2013. Except where otherwise indicated answers were given by Group CEO and Founder, Masatoshi Kumagai.

Q1.

Why are you taking a conservative approach to fourth quarter outlook?

A1.

There are two reasons. One is the revised binary options product that will be introduced in November in the Internet Securities segment. It is a new product so we are forecasting conservatively. The other is simply that the company always forecasts conservatively to avoid inflating expectations.

Q2.

How is G-Gee performing? It looks like you have sold off Acrodea stock to invest in GamePot (announced October 21, 2013), what is behind that strategy?

A2.

G-Gee is continuing to improve and is headed toward being profitable on a quarterly basis. Selling our holdings in Acrodea was simply a shift in investment portfolio. GamePot has ten years of experience in online games for PC and employs over 100 game specialists. We are very happy to be welcoming them into the Group. While we are no longer investors in Acrodea, there has been no change at all in our business partnership with regard to G-Gee.

Q3.

In regard to the change in ecommerce strategy at Yahoo!, I know you have various strategic partnerships with Yahoo!, how do you view the impact of the change on GMO?

A3.

We don't know what Yahoo!'s future plans are, so honestly speaking we don't know how they will impact us. We already provide consulting and support services for Yahoo! stores through group company, GMO Commerce. Also, Yahoo! opening up its platform to allow links to external sites could be expected to generate increased demand for setting up independent web stores. So there are potential benefits for us, but at the same time the ecommerce industry evolves at a very rapid pace and I would have to say that in regard to impact on earnings, our current view is neutral.

Q4.

You have said previously that we could expect profits from G-Gee to be in the billions in the next fiscal year. Is there any change to that outlook?

A4.

I remain bullish on my view of the mobile entertainment space. There is absolutely no change to our objective of achieving a profit level in the (JPY) billions, or in our goal of making this business the fourth pillar of the Group's earnings. Three years ago we held an event attended by thousands of people, where we said that smartphone would become the biggest gaming platform in history. I still believe that, and I see it becoming a reality today.

Q5.

You mentioned .tokyo would launch next Spring. Can you talk about positioning, business strategy and projected registrations?

A5.

In the first stage registration will be open only to trademark holders in order to protect trademark rights. In the second stage we plan to offer high demand premium names either by auction or at fixed prices. The third stage will be open registration where we will offer low-priced domains bundled with web hosting and other ecommerce products. We know from past experience that when new domains come onto the market, that demand increases, so when new Geo domains launch we expect that to fuel new growth in Internet activity. It's difficult to project registration volume but we are planning large-scale promotions.

Q6.

In the Internet Infrastructure segment, the sales data you have collected is a highly valuable asset. What synergies do you think can be generated going forward, from the perspective of "big data".

A6.

We are the largest Internet infrastructure provider in Japan, and as you say, we do hold important customer data. With almost 5 million infrastructure customers, including 80,000 ecommerce stores, there are probably very few companies in the world that have the same volume of "big data". We are now discussing internally how to generate synergies over the long term. We are not yet at the stage where I can give you specific details but we will report more on this as plans develop.

Q7.

Momentum in the advertising segment appears to be weak. Is this due to external factors or is it an issue with your own strategy?

A7. (Response by GMO AD Partners CEO, Shintaro Takahashi)

Smartphone ad network products related business is performing extremely well. However, there is a transition in display advertising toward network distribution and as a result distribution channels have changed. In addition, growth in smartphone advertising has not kept pace with the decrease in demand for feature phone advertising. One of our major clients has also temporarily halted advertising. So it is both external factors and seasonal factors. We are working to improve earnings by improving quality of in-house developed display ad network products.
