



First Quarter, Fiscal Year 2015 Results Presentation: Summary of Q&A Session

Questions were asked by institutional investors and analysts in attendance at the GMO Internet, First Quarter Fiscal Year 2015 Results Presentation on April 30, 2015. Responses were given by Group CEO and Founder, Masatoshi Kumagai. Supplementary information is provided by the Group IR/PR Department.

Q1. It looks like you have gotten off to a strong start in Q1. Do you expect to be able to maintain the same momentum in revenue growth for Q2?

A1. (Kumagai) In the Infrastructure segment we have maintained momentum. As a recurring revenue based business, we expect to continue growing revenue and profits going forward.

March is always a month of strong demand for advertising, so it is less clear whether we will be able to maintain the same momentum here.

Internet Securities is always the segment most subject to volatility, and we are always closely monitoring the foreign exchange conditions. However, I think the reason our Securities segment is performing so strongly is due more to growth in market share and customer base than to current market conditions. Our advanced technology makes us cost competitive, and I think even if market activity levels dropped right down, we would not see a sharp negative impact on earnings.

Q2. Can you talk about pricing pressure in the Internet Infrastructure segment?

A2. (Kumagai) Causing pricing pressure is how we have grown market share. It can probably be said that there is some pricing pressure in the market now, but not to the extent that it is a concern. For example in the domain business, purchasing costs have risen due to the weak yen, but this has not particularly impacted registration volume.

Q3. Earnings have improved considerably since Q1 of last year. What are your expectations regarding profit in the second quarter?

A3. (Kumagai) In Q2, we plan to continue investing in minne, and you will also see goodwill from the Ubisecure acquisition, that we didn't have last year, but you won't see costs pushed forward from the previous quarter or anything like that.

Q4. GMO Internet owns 98.4% of GMLO CLICK HD, can you talk about keeping liquidity so low?

A4. (Kumagai) While we are still under evaluation by the FSA, we won't be considering any changes to current status.

*(IR/PR Dept.) GMO CLICK HD is currently under evaluation required by the Tokyo Stock Exchange "New Listing Evaluation Standards".

Q5. What are your plans for promoting minne going forward?

A5. (Kumagai) We are now thinking about promotion strategy for Q3. In the Internet industry it is important to continuously evaluate the current environment and make decisions on the move rather than setting goals too far in advance.

Q6. You mentioned that the advertising & media segment benefitted from seasonal factors in Q1, but it looks like this GMO TECH, GMO Media and other growth areas in this segment are less susceptible to seasonal demand. How should we think about trends in this segment going forward?

A6. (Kumagai) In the advertising & media segment we are stepping up efforts to recruit engineers while focusing on developing ad network products. I think the timing of when we start to see real improvement in earnings will be next year rather than this year. As we progress the technology shift in this segment, we are seeing morale boosted among our development teams and better results in our engineer recruitments efforts. I think you will definitely see this reflected in business results.

Q7. In the Securities segment, trading volume was very high in January through to March. How is it now?

A7. (Kumagai) April has been not too bad either. However, as I said earlier, results in this segment depend not only on market conditions but on continued organizational improvements and growth in customer base.

Q8. In regard to Infrastructure profit, even if we exclude the investment in minne and other temporary costs, it looks as though profits are not in line with revenue? Does this mean one of the businesses in this segment is weakening?

A8. (Kumagai) In the domain business, purchasing costs are being driven up by the exchange rate, but by revising renewal fees we expect to see improvement from Q2 onward. In the previous first quarter, a one-time development fee was reported may be skewing year on year comparisons. In answer to your question, this isn't an indication that any of our infrastructure businesses are weakening.

*Comments added by the PR/IR Dept.

Q9. In the advertising & media segment, profit is not growing despite high growth in revenue. Is this a result of recruitment costs?

A9. (Kumagai) In Q1, this was more a reflection of sales mix than any increase in costs. Low margin products like listing advertising grew faster than other products, and as a result profit growth was limited.

*Comments added by the PR/IR Dept.

Q10. In regard to minne, would you consider M&A as part of growth strategy in Japan?

A10. (Kumagai) We would definitely consider any opportunity that would allow us to grow market share.
