



Second 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, Second Quarter Fiscal Year 2015 Results Presentation on July 30, 2015. Responses were given by Group CEO and Founder, Masatoshi Kumagai.

Q1. In regard to the strategic investment in minne, you spent JPY300 million on promotions in Q1 and in Q2, what level of costs can we expect in the second half of the year?

A1. (Kumagai) After investing in the promotion of minne over Q1 and Q2, I am even more confident in the potential of the handmade market space. GMO Pepabo (operator of minne) earnings forecasts show fairly flat growth this year, but I think we should continue to actively invest within this range.

Q2. Do you have any plans to sell any further shares in GMO CLICK Holdings in the second half of the year?

A2. (Kumagai) There has been absolutely no decision made as to our direction in the second half of the year, in that regard.

Q3. In regard to shareholder returns and your announcement of plans to buy back 38 million shares, can we expect that any future extraordinary gains will go toward buy backs rather than dividends?

A3. (Kumagai) The total shareholder return ratio is 50% and will encompass both dividend payouts and share buy backs. However, we also need to take into consideration corporate growth, and I think management will need to make a decision based on circumstances at the time.

Q4. You had a strong first half this year, if the second half is strong too, are we likely to see any sort of new investment or deal?

A4. (Kumagai) Right now, we consider performance to be within expectations and there are no particular plans for any major spending. Given performance to date, profits may come in over expectations, but as always we take a conservative approach when issuing guidance.

Q5. You used the word agile when talking about shareholder returns, is this with reference to timing or does it suggest that a share buy back may exceed 17%?

A5. (Kumagai) It is both. We would want to execute any buy back at an appropriate time in the year, and we would want to take into account business conditions at the time.

Q6. Given that the Securities segment is strong, what do you think about increasing strategic investment, above the planned levels?

A6. (Kumagai) We are always thinking about enhancing strategic investment. However I also believe it is important to honor the guidance we give. We will always try to strike a balance between the two and to make careful decisions. But our finance business is subject to volatility, and if we were to increase strategic investment then the timing would probably be towards the end of the third quarter or during the fourth quarter.

Q7. Can you talk about timeline for investment and returns in ad tech within the online ad business?

A7. (Kumagai) In terms of market share in the online advertising market, the Group is currently in around the fourth or fifth position. This year we made the decision to invest seriously in a technology shift in this segment, and our current goal is to become number 2 in the market within three years. That is our current direction in this segment.

Q8. In online advertising and media you mainly have GMO AD Partners and GMO TECH. Why are these two companies separate? Isn't there a conflict of interest in growing both businesses? How do you plan to strengthen your ad business and structure?

A8. (Kumagai) The two companies cooperate and work within a structure that enhances each of their strengths. We will be using the synergies between the two companies to become number two in the industry.

Q9. Can you talk about the Group's plans in finance?

A9. (Kumagai) Everything is in the planning stages, but the vision is to make the net bank the center of the group and to naturally link it to all Group transactions. The net bank would be a hub for everything in the Group. We have been involved in many kinds of businesses, but I think that this net banking partnership with Aozora bank will be our biggest business opportunity to date.

Q10. In regard to possible changes in your business model, over the next three to five years do you think we will reach a point where you can offer low-cost or free ecommerce and hosting services and recover earnings through your finance business?

A10. (Kumagai) We would need to investigate whether there was customer demand for such a service, so I can't easily answer that question, but it is a combination that differs from our competitors and it is something I would like to consider.
