



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

Questions were asked by institutional investors and analysts in attendance at the GMO Internet, Fiscal Year 2015 Results Presentation on February 8, 2016. Responses were given by Group CEO and Founder, Masatoshi Kumagai, and CFO and Vice President, Masashi Yasuda.

Q Can you tell us about the thinking behind your guidance for 2016 in each segment?

A I know that I say this each year, but our approach to this year is a conservative one.

Firstly, let me talk about infrastructure. In 2015 we focused on building minne, this year I think that we could see an increase in as much as JPY1 billion to profit. Overall I expect that you will see growth along the same line as recent years. New domain, .shop is not reflected in this forecast.

In online advertising & media, we recruited a total of 100 new staff in sales, engineering and creative, and focused on building new products. In 2016, with improved sales strength, and a higher proportion of in-house developed products driving improved gross profit margins, and with new products being well received I'm looking forward to seeing a V-shaped recovery in this segment.

Internet Securities to some extent depends on market conditions, and our outlook is conservative. However expect to see improved profit margins as a result of the new platform implementation. Lastly, in mobile entertainment, we are still struggling, but I would like to see the segment breakeven and produce a hit title.

Q Can you give us some more detail about your 50% total shareholder returns ratio?

A This will be calculated each year based on net profit. We will payout at least 33% in dividends first, and the remainder of the 50% (net profit x 50% - total dividend payout) will be used for share buybacks in the following year.

Q You talked about global sales (ex. Japan) in your presentation today. How about profit/loss ?

A In 2015, Z.com was approximately JPY300 million in the red. In 2016 we expect to invest approximately another JPY500 million. In 2015 investment was focused in Japan, in 2016 it will be more focused outside of Japan. Z.com infrastructure products generate recurring revenue so we are not concerned about turning profitable, but as to the timing of that we would need to take into consideration local marketing efforts and other factors. However we will keep investors updated.

Q Can you give us an update on the alliance with Aozora?

A We are meeting with Aozora twice a week. I am participating in the meetings myself, and we are beginning to put some details together.

Q I think .shop represents an opportunity, but I think that cross selling will be critical. How do you plan to make GMO products successful outside of Japan?

A Firstly, Z.com is our direct sales channel and we will of course be able to cross-sell through Z.com. I think we would have to be careful about attempting to impose cross-selling on registrars as they may decide not to support .shop at all. I think there will definitely be cross-selling opportunities, but we are still exploring what they may be.

=