



Q2 FYE12/2016 Results Presentation – Q&A

The following is a summary of questions asked by attendees at the earnings presentation to investors held on August 1st, 2016. The questions are answered by Group CEO & Founder, Masatoshi Kumagai.

[Q1] In regard to minne, what level of promotional spending can we expect to see in the second half?

[A1] GMO Pepabo, the company that operates minne, said in its full-year guidance that it projected operation profit of “0”. Right now we would expect to see OP in the hundreds of millions of yen from GMO Pepabo, so you could think about that as the room they have to expand promotions.

[Q2] If .shop will expand sales globally, relationships with registrars around the world will be very important. Can you tell us what the current status of these relationships?

[A2] Our registrar network already encompasses 90% of the global market, and we know that many are actively promoting .shop.

[Q3] What is the difference between .shop and .store?

[A3] .shop gives meaning to an online address that is recognized right around the world. We have conducted surveys that have confirmed without question the demand for .shop.

[Q4] Can you talk about revenue projections for .shop?

[A4] Revenue will depend very heavily on the results of the auction period so at this point I honestly don't know. Auctions will start in some cases at around 10 million yen and reduce over time. Sunrise application fees are somewhere around 100,000 yen (for example at onamae.com the Sunrise fee is 128,000 yen), and the renewal fee is a few thousand yen. In regard to P/L impact, depreciation costs are 20 million per month, but gross profit is at around 90%, and revenue is recurring so I think we should expect to see .shop operating in the black right from the beginning of the Sunrise period and that that this can probably be sustained.

【Q5】 You mentioned that the reward advertising business is struggling. Are there any group-wide measures being considered?

【A5】 In the Internet business, consumer targeted services always have a more limited life span and it is normal that a service does not continue to be used over a sustained period of time. Our advertising business is linked to this kind of service, and this is something that we understood going in. As a comprehensive Internet services group we are able to diversify investment and minimize risk. Further, we don't outsource, we always operate our own services, so that when we fail we are able to quickly restructure and at the same time we benefit from the lessons of that experience.
