



Q1 FYE 12/2017 Results Presentation – Q&A

The following is a summary of questions asked by attendees at the earnings presentation to investors held on May 15th, 2017. The questions are answered by Founder & Group CEO Masatoshi Kumagai, CFO Masashi Yasuda, and GMO AD Partners CEO Makoto Hashiguchi.

【Q1】 Profit in the Internet Infrastructure segment is continuing to grow, but what's the cause?

【A1】 If you compare the current figures to this time last year, there's been an increase in profit totaling 760 million yen - the main sources being GMO Payment Gateway at 380 million yen, GMO Pepabo at 270 million yen (based on a 210 million yen decrease in advertising costs), GMO CLOUD at 100 million yen, and an increase of 110 million yen in the Provider subsegment. (Yasuda)

【Q2】 In Online Advertising, there was irregularity in the reporting of net sales, leading to an investigation by a third party, but what is your internal organization like?

【A2】 Our group as a whole holds a meeting once each quarter, and our next one is set for June. We will be discussing how to prevent the reoccurrence of such problems. (Kumagai)

GMO AD Partners has been working with its Independent Investigation Committee to decide on new preventative measures, which are now being implemented. The three main strategies are based on improving 1) the structure of the company in general, 2) internal management of the company, and 3) the company's compliance policy. We have always had very strict rules, but lacked in fully operating them correctly, which is why a third party has now come in. However, we will do whatever it takes to prevent a reoccurrence. (Hashiguchi)

【Q3】 Regarding ".shop," I would like to know the details of the alliance with ASP shopping cart business.

【A3】 Ecommerce can be categorized as shopping mall or unique domain (ASP shopping cart). ASP shopping cart is mainstream in overseas. GMO Internet also provides domestic ASP shopping cart (Color me shop! and MakeShop).

We are considering an alliance with overseas ASP shopping cart businesses. The details of alliance are as follows. We will provide ".shop" domain for free in the first year targeting ecommerce businesses who are the customers of overseas ASP shopping cart businesses. We are currently forming an alliance with overseas domain registrar. Consumer base is expected to grow further. (Kumagai)

【Q4】 How will virtual currency conversion and transaction business impact business performance of this term?

【A4】 Profitability of virtual currency conversion and transaction business is expected to be high. In the second half of the fiscal year, its advertisement costs (approximately JPY 300 million) and other costs are expected to precede profits. Investment in this business is incorporated into the forecasts announced on February 6th, 2017. (Kumagai)

【Q5】 "Overseas sales ratio of 50%" was mentioned in the presentation. I would like to know the time frame.

【A5】 Regarding overseas business, we are currently confirming the parameters. After the KPIs are confirmed, we will set a target that is slightly beyond an achievable level, and will disclose it. (Kumagai)

【Q6】 Is it correct that all the incidents, such as unauthorized access of GMO Payment Gateway, irregularity in the reporting of GMO AD Partners, and administrative order of GMO TokuToku BB, have been solved in the first quarter?

【A6】 Measures have already been implemented. Problems that impact sales have not occurred, so we do not expect to see any impact on the forecasts of this term. (Kumagai)

【Q7】 Is GMO Payment Gateway's Payment expected to drive the profit of the second quarter and beyond?

【A7】 GMO Payment Gateway's Payment is certainly growing. However, we would like to emphasize that the Domain, ASP shopping cart, and Payment are connected organically, so the strong Infrastructure segment as a whole is the foundation of GMO Internet Group. (Kumagai)

【Q8】 What is the difference between your Internet banking and other banks?

【A8】 We must differentiate ourselves from other banks as we are the last one to enter the market.

There are two differences. One is that we can form a natural alliance with services provided by the Group companies. The other is that our Internet banking is systemized by API disclosure, which does not require manual labor. GMO Internet operates the platform. We would like to provide financial services with the same mindset. (Kumagai)

