

Q3 FYE 12/2020 Results Presentation – Q&A

The following is a summary of questions asked by attendees at the earnings presentation to investors held on November 11, 2020. The questions are answered by Founder & Group CEO Masatoshi Kumagai.

●Infrastructure

- [Q1] Please explain in detail why Infrastructure contracts have decreased QoQ. What is the future outlook?
- [A1] Infrastructure contracts have decreased QoQ as the number of domestic domain contracts has decreased by about 270,000 QoQ. A core update to Google's search algorithm in May is affecting customers who use domains for affiliate ads. On the other hand, the contracts for services with a high unit price for customers - such as Payment, Ecommerce Solutions, and Hosting & Cloud - are steadily growing, so we are not so worried about the profit.
- [Q2] You mentioned that increased online consumption due to stay-at-home orders is not one-off demand/consumption. What is your current situation?
- [A2] Looking at the transaction volume of Ecommerce Solutions and Payment since the second quarter, it seems that increased online consumption due to stay-at-home orders is unlikely to return to the pre-COVID-19 level. We feel that this is due to the change in awareness of online sales channels for both consumers and businesses.

●Infrastructure> Agree

- [Q3] Both the number of accounts and the number of contracts are increasing rapidly due to the influence of the price cut campaign. Please tell us your thoughts on profit contribution in the future.
- [A3] We expect that customers who pay fees will increase from the middle of next year. However, despite the current price cut, we believe the revised price is still high, considering the spread of subscription type services among 6 million businesses and individuals. The Group has its own Certificate Authority and has a cost advantage, so we will maintain price competitiveness and are considering further price reductions.
- [Q4] We have heard that Agree's customers are mainly small and medium-sized enterprises (SMEs), not large enterprises. What is the actual composition of accounts?
- [A4] That many of Agree's customers are SMEs may be a misconception. The actual composition of accounts is the same as the Japanese industrial distribution. In other words, Agree is widely used by governments, large enterprises, SMEs, and the self-employed.
- [Q5] The Japanese government is promoting digital governance, and discouraging the use of seal impression is one of the hot topics. Please tell us your thoughts on GMO's potential to become a major business provider for the central government offices. If so, will this have a positive effect on Agree's brand image?
- [A5] We will certainly support the government if requested but we do not intend to act as a political merchant. We believe that resolving the inefficiencies of Japanese society will require tens of years, triggered by the movement to discourage the use of seal impression. We believe that the Group's services will help promote the DX of Japanese companies.
- [Q6] Regarding electronic contracts, law amendments can have both positive and negative effects. Please tell us your thoughts on this.
- [A6] The publication of "Q&A on electronic signatures" by the Ministry of Internal Affairs and Communications, the Ministry of Justice, and the Ministry of Economy, Trade and Industry (<https://www.meti.go.jp/covid-19/ouin.html>) has had more positive effect than law amendments. We believe this has led to more inquiries and built a foundation for the legal departments of Japanese companies to use e-contracts. We believe that such movements will lead to further growth of GMO's e-contract service Agree.

GMO INTERNET

【Q7】 You have mentioned that "owning our own Certificate Authority is a strength." Does this lead to the provision of services that are attractive to the legal department of large companies? Will you be able to maintain this advantage?

【A7】 As you have pointed out, we believe that the technology of the Certificate Authority is essential to ensure reliability, leading to overwhelming differentiation. We are proud that this price revision has made Agree the overwhelming No. 1 service in terms of both functionality and price. We will aim to achieve the No. 1 market share by making our customers happy.

● Online Advertising & Media

【Q8】 Although you have mentioned that the online advertising market is recovering its trend, the outlook for the future is Δ . Why is this?

【A8】 Although the online advertising market as a whole is recovering from the impact of COVID-19, we have comprehensively assessed the circumstances, such as the ad placement in Q4, which remains uncertain, and the launch of new media, in determining the outlook for the future. We hope that the outlook will change from Δ to \circ next fiscal year.

● Internet Finance

【Q9】 For FX, thin spreads are impacting business performance. What is the outlook for the future?

【A9】 Thin spread campaign of our competitor - the second largest company in the industry - has ended on October 1 but has restarted on October 12. We have run a campaign offering spreads as thin as the above starting on the same day. Our competitor's campaign is scheduled to end in mid-December, so we plan to continue our campaign until then.

*Supplemental Information (Source: Q&A summary of Results Presentation of GMO Financial HD for Q3 of FY2020)

Our tactic is basically to increase the market share in a well-balanced manner while looking at the current profits. However, now that the industry's second-largest player is offering thin spreads, we believe we need to offer thin spreads as well to remain No. 1. We are currently sacrificing our current profits in order to maintain the No. 1 market share, which will lead to future growth.

● Cryptoassets mining

【Q10】 What caused a fluctuation in the company's hash rate in Q2? Please tell us about your future outlook and your thoughts on additional capital investment.

【A10】 The power supply has been interrupted due to a problem with the equipment. The launch has taken a longer time than initially expected but the operation is now stable. The mining facilities are currently operating on 110 megawatts of electricity and have a reserve capacity of 40 megawatts, out of which 17 megawatts are in preparation. We plan to spend about 30 million yen to purchase additional auxiliary equipment. Regarding the macro environment, both the Bitcoin price and the global hash rate are in our favor, and we anticipate an improvement in profitability.

● Other

【Q11】 The market capitalization of GMO Payment Gateway is 1 trillion yen, exceeding that of the parent company GMO Internet. Please tell us your thoughts on this.

【A11】 First of all, we think it is very positive that GMO Payment Gateway is highly evaluated by the market. On the other hand, we believe we have not been able to fully inform the market about

GMO INTERNET

the value and social significance of the GMO Internet. We believe doing so will help close the conglomerate discount, as with Softbank (currently, Softbank Group) and Yahoo.