

Q2 FYE 12/021 Results Presentation - Q&A

The following is a summary of questions asked by attendees at the earnings presentation to investors held on August 10, 2021. The questions are answered by Founder & Group CEO Masatoshi Kumagai and CFO Masashi Yasuda.

●Consolidated Financial Results

[Q1] The business performance in H1 has been favorable, and we believe that this fiscal year will have considerable investment capacity. Please tell us your thoughts on investment and which areas you will make strategic investments in.

[A1] First, the Group's principle of investment is to invest in the second half of a given year based on the business results in the first half of the year. Since we have achieved significant results in H1, we plan to invest in H2 as initially planned, and we do not plan to accelerate investment. Areas of high priority are growing products such as e-contract service GMO Sign and GMO Coin.

●Internet Infrastructure

[Q2] Infrastructure sales growth is in the low single digits, and we believe this is due to the slowdown in the provider business. What is your outlook for the future?

[A2] The weak growth of the mobile WiMAX is due to the impact of carrier price revisions. On the other hand, optical Internet service docomo Hikari has been performing well, leading to the steady growth of the total number of lines for both products. Although WiMAX has larger sales per line, costs are reported, so there is almost no difference between the two products in terms of profit per line. We expect that the impact of the change in sales mix will continue, and we will further strengthen optical Internet service in the future.

[Q3] How much of the decrease in other sales is linked to the provider business?

[A3] Most of the decrease in other sales is due to a decline in sales support grants for the provider business.

[Q4] How will GMO GlobalSign HD's earnings expand?

[A4] We expect GMO GlobalSign HD to maintain a high growth rate through two major products: an indispensable SSL server certificate and GMO Sign. For SSL server certificates, changes in industry regulations have had a negative impact but we expect that the sales will continue to increase as SSL has favorable conditions. We hope that GMO Sign will be one of the long-lived products of the Group. We believe that it will be available for use by individuals not only in Japan but also overseas at a low price (several hundred yen a month or a year) and will be installed on all smartphones in the future. If it achieves No. 1 market share and becomes profitable, it will expand significantly.

●Online Advertising & Media

[Q5] We understand that the following three factors have led to the V-shaped recovery: (1) an increase in the ratio of in-house products in the sales composition; (2) development of advertisers who are not easily affected by COVID-19; and (3) vitalization of the online advertising market as a whole. Is our understanding correct?

[A5] That is partly correct. However, we believe the real reasons are the improvements in (1) the condition of the organization and (2) motivation. More than 1,000 partners are in this segment,

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and we appreciate that they have taken measures against COVID-19 internally, which have led to the above three phenomena.

[Q6] You have said that you will make a strategic investment in H2. What are your views on future business trends?

[A6] The advertising and media businesses are easily affected by seasonal factors due to their business characteristics. We do not believe that the businesses will recover quickly but we expect that the general upward trend will continue.

●Internet Finance

[Q7] The financial business in H1 was weak compared to the same period last year. What are your thoughts on the outlook for H2?

[A7] The hurdles were high in H1 because of the volatile market due to the COVID-19. However, we believe that the hurdles will not be so high in H2 this year due to the influence of the markets and also due to the absence of competition in terms of spreads.

●Cryptoassets

[Q8] We have the impression that GMO Coin has been actively marketing in H1. What are your thoughts on H2?

[A8] Regarding GMO Coin, we are considering continuous marketing investment to improve its visibility. However, we believe the marketing investment in Q3 will be less than in Q2.

[Q9] Please tell us your views and outlook on the power composition from the perspective of ESG in the cryptoassets mining business.

[A9] We are procuring surplus electricity in a certain area of North America. The power sources in that area include natural gas-fired power, wind power, coal-fired power, nuclear power, and solar power, and the composition is uncontrollable. Natural gas-fired power is currently less than 50%, and the ratio of renewable energy such as wind power and solar power is increasing year by year. We have heard that the ratio will continue to increase in the future.

●Others

[Q10] Please tell us more details about the strengths of OMAKASE. How long will it take for this service to produce good results?

[A10] OMAKASE provides a function to solve problems so that restaurants, which are difficult to make reservations at, can concentrate more on cooking. As a result, it has built a strong relationship with the restaurants and is in charge of handling reservations for them. It is the No. 1 service that is differentiated from the so-called restaurant reservation site. We believe there can be synergies among the OMAKASE and GMO Internet Group's infrastructure and financial businesses, so the project has been launched. We hope that in a few years, OMAKASE will be on a different playing field from other companies.

[Q11] Please tell us about the factors that cause fluctuation in labor costs and other costs.

[A11] Labor costs in the cryptoassets exchange and financial businesses were linked to business performance due to the volatile market in Q1 and decreased QoQ. As for the increase in other costs, procurement costs increased mainly due to an increase in sales of stera terminals in the infrastructure business.

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[Q12] Are there any risk factors or concerns for H2?

[A12] Although the Group has taken all possible measures against COVID-19, we are concerned about the economic impact of the spread of SARS-CoV-2 variants and the lack of visibility of containment efforts. In terms of the economy, we are concerned about the tapering and the new wave of COVID-19 from a macro perspective over a span of two to three years. In addition, teleworking has led to a lack of communication within the company, and we are managing our business while controlling such negative impacts.

[Q13] Schedule to resume acquisition of treasury stock

[A13] We will definitely resume the acquisition of treasury stock, considering the insider information we have and market information.