

## **Q3 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 November 11, 2021. The questions are answered by Founder & Group CEO Masatoshi Kumagai.

### ●Consolidated Financial Results

- [Q1] I believe you plan to make strategic investments in Q4 following Q3. What are your thoughts on the priorities, expectations, and harvest time of electronic contracts, cryptoassets, NFTs, etc.?
- [A1] Strategic investment projects include GMO Sign, GMO Coin, NFT, and giving technology related to the Air Transportation Revolution, all of which have high priority. Among them, we believe the NFT marketplace has the most potential for growth. Major companies may enter the market next year, so we plan to enjoy the "first-come-first-served" merits before that. GMO Sign also has high potential, so we are developing it as a group-wide project. GMO Coin's advertising expenses have a large impact on profit and loss but it is nearing the harvest time. As for NFTs and giving technology related to the Air Transportation Revolution, harvest time is still ahead. Regarding the Air Transportation Revolution, although we invested in a venture capital fund targeting drone startups, the impact on profit and loss is insignificant because we give an existing technology.
- [Q2] Although you have explained that the overall business environment is good, the cryptoasset business with high volatility seems to support the overall business performance. Which business can continue to grow if the earnings of the cryptoasset business decline in the future?
- [A2] Since founding, we have been growing the Infrastructure segment, which generates ongoing recurring revenue, and the Finance segment. The Infrastructure segment has grown into a solid revenue base with over 13 million customers, constituting half of our revenue. Although the Finance segment is affected by volatility, we are entering a new field of finance, and we believe that there is no major concern because of its high profitability.

### ●Internet Infrastructure

- [Q3] Sales in the provider business continue to decline due to changes in the sales mix. How will this affect profits?
- [A3] Sales are expected to be affected by changes in the sales mix until mid-2023. On the other hand, the difference in profit per line is insignificant, so changes in the sales mix will have only a minimal effect. The number of lines continues to grow, and profits are increasing.
- [Q4] When will GMO Sign achieve positive figures?
- [A4] Regarding GMO Sign, we are aiming for a world where the GMO Sign app can be installed on everyone's smartphones. It is a subscription-type business model which generates revenue of several hundred yen per person semi-permanently. We have many subscription-type business models but we believe GMO Sign has the most potential for growth among them, so the whole group is working on it. It is worth using for all companies and government agencies as is evidenced by the case of Yokosuka City. Our top priority now is not to rush to achieve positive figures but to have many people use and experience GMO Sign, and we believe that positive figures can come later.

### ●Cryptoassets

- [Q5] You have started issuing Japanese yen-pegged stablecoins. How can you apply this to Japanese business?
- [A5] Stablecoin cannot be offered in Japan due to the regulations of Financial Services Agency, so our stablecoin will not be offered in Japan. We are running a business in the United States with a proper license acquired, and going to increase revenue overseas.

# GMO INTERNET

- [Q6] In some countries and regions, people increasingly say that regulations on stablecoin should be tightened. Under what assumptions will you develop GYEN and ZUSD businesses?
- [A6] Just as money has evolved in the past, the era of digital money should come, and it will become cryptoassets or stablecoins that can be traded on smartphones. At this stage, how stablecoin will be used is unknown. We will decide the future policy after analyzing how it is used. If regulations are established in a given country, we will comply with them.
- Others
- [Q7] Please explain the revenue model of Adam byGMO.
- [A7] It is a marketplace, so we charge our customers a fee as a percentage of GMV.
- [Q8] I understand that the development of legal market rules cannot catch up with the growth of the NFT. How do you verify identity?
- [A8] For Adam byGMO, we want to create a clean market by verifying the identity of both sellers and buyers as properly as possible. We will utilize the know-how in the cryptoassets exchange business.
- [Q9] How will fixed costs, such as labor costs and office rents, change in the future?
- [A9] We have discovered by working from home during the pandemic that we do not need to increase the floor area of the office until the number of partners increases by 40%. Regarding personnel expenses, if the consolidated operating profit margin exceeds 18%, the excess amount will be used for personnel expenses, making GMO Internet a company with the highest salary in the IT industry. By making full use of RPA, AI, and robots, we will increase productivity per employee to create a group that pays high remuneration and is highly profitable.