

Q4 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 February 10, 2022. The questions are answered by Founder & Group CEO Masatoshi Kumagai.

●Consolidated Financial Results

- [Q1] Please tell us about the scale and priority of strategic investment in 2022 (compared to the previous year).
- [A1] In 2021, we made large-scale investments such as Gaika ex byGMO and OMAKASE, and GMO Cybersecurity by Ierae, Inc. joined the group at the beginning of 2022. In terms of real estate investment, we also acquired 55% of the "GMO Internet Tower". In 2022, we do not plan to make such a large-scale investment of tens of billions of yen at this moment. We will make every effort to create synergies between the new and existing group companies and improve the brand value of the GMO Internet Group by utilizing real estate.

●GMO Cybersecurity by Ierae

- [Q2] Regarding "GMO Cybersecurity by Ierae", please tell us about how the company intends to create synergies, net sales targets, and a plan to list the company.
- [A2] We have incorporated the catchphrase "No. 1 Service with Security" into the group-wide plan for 2022, and are holding discussions mainly on how to create synergies with services in the Infrastructure business. "GMO Cybersecurity by Ierae" currently has many labor-intensive services but in the future, by developing SaaS-type products, which combine advanced technology and knowledge, and combining them with the group's solid base, we will differentiate ourselves from the competitors.
We will not disclose the net sales target. Although we cannot comment on the plan to list the company, we believe that the team has the ability required for the company to be listed on the stock exchange.
- [Q3] When will the SaaS-type products developed by "GMO Cybersecurity by Ierae" contribute to overall performance? What should we expect in the medium term?
- [A3] If we consider the Internet Infrastructure that we have grown over the past 26 years as "a large piece of art composed of jigsaw puzzles," we describe the cybersecurity business as "the last piece." In other words, we believe that with the best company in the cybersecurity industry joining the group, our Infrastructure business will be unmatched by any other company.
First of all, in 2022, we will concentrate on the development of SaaS-type products. We are planning to launch them in 2023 but since we are planning to develop a freemium model, they are expected to contribute to overall performance in 2024. We sincerely welcome our new partners and are committed to creating synergies to meet their expectations, and Kumagai is also participating in the discussion. Please look forward to GMO Cybersecurity by Ierae.

●Shareholder Returns

- [Q4] Regarding the acquisition of treasury stock, the company has disclosed that the costs are 15 billion yen in FY2019, 5.6 billion in FY2020, and 5 billion in FY2021. How are these related?
- [A4] In line with the long-term goal disclosed in 2015, which is to acquire and retire 38.35 million shares over the medium to long term, we are fulfilling our promises to our shareholders every year. The cost of acquisition is not the same every year. It is decided based on the market environment, the amount of cash on hand, the planned strategic investment amount, etc. We will simply retire treasury stock worth 17% of the final profit for each term.
The 5.6 billion yen in 2020 is the remaining amount of 15 billion in 2019 that could not be used to purchase the treasury stock. The 5 billion yen this time consists of the remaining 1 billion that could not be used to purchase the treasury stock out of 5.6 billion in 2020 and the 4 billion for 2021. In total over the three years, we will acquire treasury stock worth 19 billion yen (=15 billion + 4 billion).

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●Others

- [Q5] Please tell us how the company will utilize Setagaya Business Square, 55% of the trust beneficiary rights for which the company has acquired in November 2021.
- [A5] First of all, the secondary name of "Setagaya Business Square" will be "GMO Internet Tower" instead of "GMO TOWER" as previously mentioned. We are considering two aspects: profitable property and brand value improvement.
The company will use the top two floors (two-floor atrium) of the "GMO Internet Tower", setting up the "GMO Cybersecurity Center" on the top floor, and using the remaining part of the same floor for an advanced studio for 3DCG. The rent obtained from the tenant will be recorded in the profit and loss account, recovering the investment.
From the perspective of improving brand value, we plan to change the secondary names of the facility and Yoga Station to "GMO Internet Tower" and "Yoga Station in front of GMO Internet Tower", respectively. We also plan to put the GMO logo on the outer wall of the building. Since there are no other skyscrapers in the neighborhood, it is highly visible and is expected to have a high branding effect.
- [Q6] ESG initiatives such as the introduction of a group executive officer system seem to be progressing rapidly. Please tell us the background.
- [A6] In addition to equity investors, we had more opportunities to hear opinions from debt investors through bond issuance in 2021, and one of the main topics of discussions with the investors was ESG initiatives. In order to become a business group that is loved by people for many years and grows forever, we take the opinions of various stakeholders, including investors, seriously and are working on ESG.