



Q2 FYE 12/22 Results Presentation - Q&A

The following is a summary of questions asked by attendees at the earnings presentation to investors held on August 8, 2022. The questions are answered by CFO Masashi Yasuda, Noriko Inagaki, Makoto Hashiguchi.

●Consolidated Financial Results

[Q1] We are aware that there is no particular concern in terms of profits, partly due to the recording of profits in the incubation business. What are your thoughts on strategic investment for listed companies and companies directly under GMO Internet for the next fiscal year and beyond?

[A1] First of all, we will consider strategic investment for each listed company by taking into consideration the profit and loss and investment capacity. The same applies to unlisted companies. There are no particular consolidated subsidiaries or areas we focus on that should be communicated to investors as a parent company.

[Q2] Regarding the Impregnable recurring revenue, you explained that the unit price is rising. GMO Pepabo is also revising the price. Please tell us your thoughts on the rise in unit prices.

[A2] The rise in unit prices as a breakdown of Impregnable recurring revenue is only the result. In addition, as a parent company, we do not control the prices of individual services of each group company. Our basic policy of providing the number one service at a low price remains unchanged.

●Internet Infrastructure

[Q3] How does Ierae's joining the Group affect the profit and loss?

[A3] Ierae has started to affect the profit and loss in Q2. Although it contributed more than 600 million yen to sales, investment costs preceded profits, pushing down profits by more than 400 million yen, including amortization of goodwill, etc. of 240 million yen. This number is within expectations. We will strive to create medium-term synergies through the development of SaaS products.

[Q4] Sales of the security business, including Ierae, are expanding. When is it expected to contribute to profits?

[A4] Regarding the creation of synergies with Ierae, we're also making short-term progress in Cybersecurity for Bank, which is cross-selling the existing services of Ierae to Infrastructure customers. We believe that the development of SaaS products will lead to full-scale synergies but it is still too early to say when this will materialize.

●Online Advertising & Media

[Q5] I have the impression that GMO Internet can now generate stable operating income but the external environment seems to be unstable. Please tell us about the outlook for the Online Advertising and Media business in the second half of this year.

[A5] In the first half of the year, the Online Advertising and Media business performed favorably, partly due to the effects of a resumption of economic activity. We expect to see the volatile online advertising market in the second half of this year as well. We have saved a certain amount of money in the first half of the year, so we would like to invest aggressively for the next fiscal year.

[Q6] Please tell us about the strengths and weaknesses of each industry in the area of online advertising.

GMO INTERNET

[A6] We have received a lot of inquiries from industries and areas that our marketing has not focused on during the pandemic, such as travel-related businesses. However, it has not yet returned to the pre-pandemic level.

●Cryptoassets

[Q7] The external environment of mining, such as a decrease in the global hash rate, seems to be favorable for GMO as it can easily generate profits. Please tell us your outlook for the external environment in the future.

[A7] The global hash rate is certainly declining but the price of crypto assets is also declining, and when considered together, we are aware that the external environment is not very good from the perspective of profitability. As for the internal environment, the operation system of the outsourced mining center is still unstable. We are aware of the issues and work diligently but this situation is highly likely to continue for the time being.

[Q8] Is the decline in the number of mining machines operating at the mining center due to power supply issues? The hash rate of the mining center seems to have dropped to about 60% of the previously disclosed 500 PH/s. What is the actual situation?

[A8] At the end of Q2, the hash rate of the mining center was about 300 PH/s. The decrease in the number of mining machines operating at the mining center is due to the unstable operation system of the outsourced mining center and does not mean that the equipment is wearing out.

●Incubation

[Q9] About 17 billion yen of extraordinary income was recorded in Q2. How is this related to the incubation business?

[A9] Extraordinary income is due to the sale of shares of 2C2P, an equity-method affiliate. Gain on sale of stocks in 2C2P is recorded as the sales and transactions are independent of the incubation business.

[Q10] You have said that the incubation business sold a part of the shares of investees. Please tell us the details.

[A10] Most of the revenue in Q2 came from the sale of a part of the shares in Coda Payments by the Global Payment Fund, a fund specializing in payments in Southeast Asia. This time, we sold 40% of our holdings. We will continue to hold the remaining 60% for the time being, though the fund may have matured.

●Incubation

[Q11] Which areas are expected to contribute to profits from a short-, medium-, and long-term perspective in Web3?

[A11] We believe that the business opportunities for Web3 exist in various areas. However, at this point, we are not at the stage of narrowing down to a specific area. We are aware of and intend to comprehensively assess the trends through dialogue with Web3 entrepreneurs.

[Q12] Please comment on changes in personnel, advertising, and outsourcing costs.

[A12] The main factors for changes in the personnel expenses were a temporary increase due to the expansion of the incubation business' performance, the recording of accrued bonuses linked to performance, and the consolidation of Ierae. Regarding advertising expenses, the provider business recorded advertising support grants, and GMO Pepabo's minne and SUZURI invested in advertising. Changes in the outsourcing costs are largely due to Ierae's joining the group, and other movements are normal.