

Q3 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 November 14, 2022. The questions are answered by CFO Masashi Yasuda, Noriko Inagaki, Tadashi Ito, Tomitaka Ishimura, Makoto Hashiguchi.

●Internet Infrastructure

[Q1] I understand that Infrastructure as a whole has performed well. I would like to hear your comments on the performance of each subsegment compared to internal plans.

[A1] I The Infrastructure business is basically a recurring revenue model, and each subsegment is almost in line with internal plans.

[Q2] What is the impact on profit and loss of Ierae's joining the Group?

[A2] Ierae started to have an impact on profit and loss in Q2. In regards to the consolidated net sales, Ierae contributed more than 800 million yen, partly due to the rise in the percentage of white hat hackers operating. Although Ierae's profit and loss improved QoQ, it pushed down the consolidated operating profit by about 300 million yen, including the amortization of goodwill of 240 million yen, as investment costs preceded profits. Please note that this figure is within the expectations at the time of Ierae's joining the Group.

●Online Advertising & Media

[Q3] Regarding the Online Advertising & Media business, which product or industry is performing well? Please explain the reason for the strong performance. Also, is this sustainable after Q4?

[A3] During the COVID-19 pandemic, we have expanded our business by developing products and expanding into industries that can grow even with restrictions on movement. Trading volume has recovered due to economic recovery. Combining our affiliate advertising, which we are developing as our own service, with programmatic advertising, we are now able to respond to a wide range of marketing issues for our customers. Regarding in-house media, we have been able to acquire new users despite restrictions on movement, and we are still able to continue to grow. We expect this favorable trend to continue through the end of the year and into the peak season from January to March next year. At the same time, each company is making investments.

●Cryptoassets

[Q4] There have been reports of the bankruptcy of the cryptoasset exchange FTX. Is there any impact?

[A4] There is no direct impact as there are no transactions with FTX affiliates.

[Q5] The operating loss has expanded. What is the summary of each segment?

[A5] As we have disclosed in the IR of GMO Financial HD, the loss of about 600 million yen is due to the large impact of the decrease in revenue because of the decrease in the trading volume of the cryptoassets exchange business. As we are still investing in the cryptoassets payment business, the loss is about 200 million yen. The mining business has also posted a loss.

[Q6] Regarding the mining business, what is the scale of the hash rate (HR)? The percentage of computers operating also seems to continue to decline.

[A6] The scale of HR is about 300 PH/s, which is not much different from the end of the previous quarter. The percentage of computers operating is about 60%.

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- [Q7] There have been reports of FTX bankruptcy. Are there any moves to withdraw the assets in custody?
- [A7] We don't see any major movement. While some people are conservatively transferring funds to their own wallets, others seem to be withdrawing funds from overseas.
- [Q8] Cryptoasset price's growth was sluggish. Has there been any change in your enthusiasm for the Cryptoassets business?
- [A8] We have not changed the basic views that crypto-assets are an innovative service and a giant wave of the Internet. Various things can happen within the wave, and the case of FTX is one of them. We recorded a loss in the current quarter. The management system was built to generate profit at an appropriate time. We will focus on things we need to do.

●GMO Aozora Net Bank

- [Q9] Regarding GMO Aozora Net Bank, the acquisition unit price has been halved. Is it correct that you have simply written down 50%? What did you misread?
- [A9] As you pointed out, since GMO Aozora Net Bank is unlisted, the stock value is calculated based on the business plan. We made a conservative valuation due to the delay in the business plan. The main reasons for the delay in the business plan were as follows: (1) the lowest fees to transfer money in the industry had a negative impact on sales; and (2) stagnation in large-scale corporate use of debit cards due to market factors.
- Going forward, as an Internet-only bank, we would like to accumulate solid recurring revenues by thoroughly optimizing our Internet marketing and operations.

●Shareholder Returns

- [Q10] Although you have not paid a dividend in the third quarter, I have the impression that you are confident about paying a dividend in the fourth quarter. In this regard, in the fiscal year ended December 31, 2019, you acquired treasury shares worth 15 billion yen ahead of schedule. Please tell me the progress.
- [A10] We posted a net loss in Q3. This was due to a valuation loss on our shares, not a deterioration in the business conditions of the entire group.
- We have been able to acquire treasury shares worth billions of yen ahead of schedule, considering the profit over the past few years. We will continue to carry out the acquisition of treasury stock, as already disclosed in the press release published this fiscal year.

●Other

- [Q11] NTT DOCOMO has announced that it will invest 600 billion yen in Web3. Is such a large company's entry into the market an opportunity or a threat to GMO Internet Group?
- [A11] We believe it will activate the Web3 area, and there will naturally be more opportunities to provide various functions that the group has.