



**GMO Internet Group, Inc.**

Q3 Financial Results Briefing for the Fiscal Year Ending December 2022

November 14, 2022

## Event Summary

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[Company Name]	GMO Internet Group, Inc.	
[Company ID]	9449-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q3 Financial Results Briefing for the Fiscal Year Ending December 2022	
[Fiscal Period]	FY2022 Q3	
[Date]	November 14, 2022	
[Number of Pages]	41	
[Time]	15:30 – 16:03 (Total: 33 minutes, Presentation: 33 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Masashi Yasuda	Director, Executive Vice President and Group CFO, Deputy to Group CEO
	Noriko Inagaki	Group Executive Officer, General Manager of Group Financial Department

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# Presentation

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**Moderator:** Hello, everyone. Thank you very much for participating in GMO Internet Group, Inc.'s Q3 financial results presentation today.

I will introduce you to the attendees of today's presentation. Group Vice President and CFO, Masashi Yasuda; and Group Executive Officer and General Manager of Group Financial Department, Noriko Inagaki, will be present at this quarterly presentation.

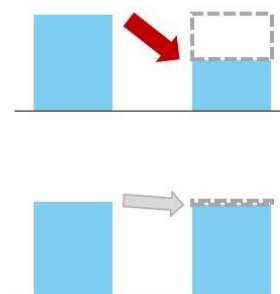
Today, I will provide an overview of the financial results, followed by a question-and-answer session.

## Changes in rules to record the revenues\* | Impact

Net sales based on new rules (concept diagram)

### Net sales

- **Online Advertising & Media**  
Net amount processing of ad spot purchase amount in advertising agency leads to an **apparent drop**
- **Infrastructure**  
**Limited impact** is observed despite change from one time processing at the time of concluding contract to proration in accordance with the term of contract and the net amount processing in Ecommerce Solutions
- **Finance, Cryptoassets, and Incubation:** no material impact



### Operating profit: limited impact

\* "Accounting standards related to revenue recognition" (accounting standard No. 29)



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Before the presentation, I will explain the changes to the recording rules.

The accounting standard for revenue recognition has been applied from the current fiscal year, resulting in a change in rules for recording net sales.

In this material, figures before the rule change are shown as the old standard, whereas those after the implementation as the new standard. Our approach to net sales and operating income is described here.

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## Changes in rules to record the revenues\* | Comparison with the same period last year

### Affected divisions (consolidated, Infrastructure, Online Advertising & Media)

► Compared to the same period last year (old v.s. old) to show the actual conditions of the business

( Compared to the same period last year (old v.s. new) included in Appendix)

### Non-affected divisions (Finance, Cryptoassets)

► Compared to the same period last year (old v.s. new)

\* "Accounting standards related to revenue recognition" (accounting standard No. 29)

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Now, to accurately convey the situation of the business on a YoY comparison basis, we will use the old standard as the same yardstick and compare the affected segments, namely consolidated, infrastructure, and online advertising & media.

A comparison of the old and new standards can be found in the appendix. In addition, comparative calculations are made in old and new standards for segments that were minimally affected.

Our CFO, Yasuda, will now explain the situation.

**Yasuda:** My name is Yasuda, and I'm the CFO of GMO Internet Group. Thank you for participating in the presentation of our financial results for Q3 of the fiscal year ending December 31, 2022. I am happy to meet you all.

Since our fiscal year ends in December, I will explain our financial results for the period from July to September. Today's agenda is as shown.

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## Overview | Executive Summary: Q3 FY2022 (Jul-Sep)

	Old	New	Old	Compared to the same period last year (old v.s. old)	
(JPY billions)	Q3'21 (Jul-Sep)	Q3'22 (Jul-Sep)	Q3'22 (Jul-Sep)	YoY Change	Change
Net Sales	56.4	<b>57.5</b>	<b>65.2</b>	<b>+8.8</b>	<b>+15.6%</b>
Operating Profit	8.0	<b>7.0</b>	<b>6.8</b>	<b>-1.1</b>	<b>-14.0%</b>
Ordinary Profit	8.6	<b>8.9</b>	<b>8.7</b>	<b>+0.1</b>	<b>+2.1%</b>
Net Profit	3.5	<b>-1.6</b>	<b>-1.8</b>	<b>-5.4</b>	<b>-</b>

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First, here is the summary of the financial results.

The figures based on the old standard, highlighted in blue in the center, indicate sales of JPY65.2 billion, operating income of JPY6.8 billion, and ordinary income of JPY8.7 billion. As for final profit, there was a net loss of JPY1.8 billion due to an extraordinary loss on GMO Aozora Net Bank shares.

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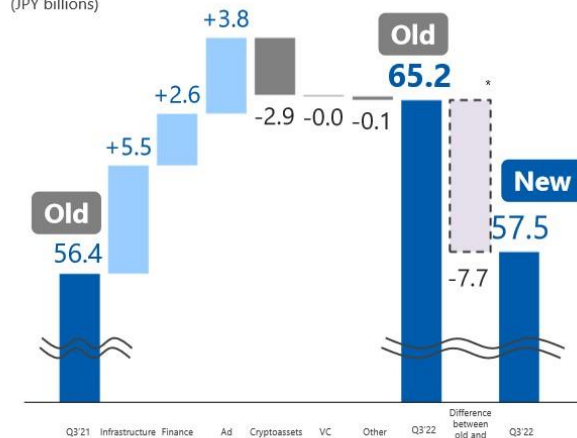
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## Overview | Executive Summary: Q3 FY2022 (Jul-Sep)

### Net sales Up 8.8B YoY

(JPY billions)

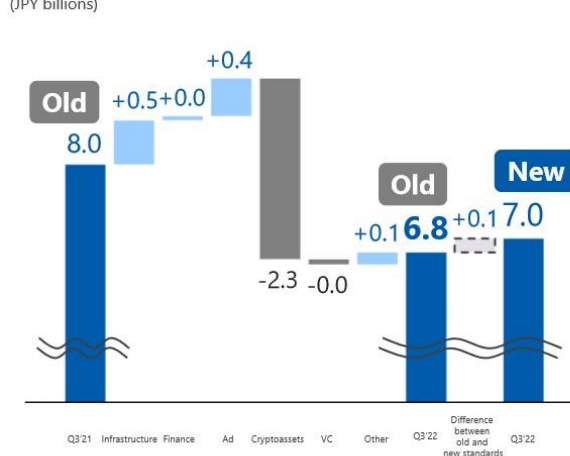


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\*Breakdown of difference between old and new standards:  
Infrastructure -1.7B; Ad -7.0B; inter-segment adjustment +1.0B, etc.

### OP Down 1.1B YoY

(JPY billions)



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Now, I will describe the analysis of changes in sales profit for each segment.

Sales are shown on the left, and operating income is on the right. The effects of the change in standards are also included.

First, sales were JPY65.2 billion, an increase of JPY8.8 billion under the old standard, with positive performance in infrastructure, finance, and online advertising & media, while we experienced a reactionary decline in cryptoassets. From here, there was a negative effect due to the change in standards, resulting in JPY57.5 billion under the new standard.

Next, with regard to operating income, infrastructure, along with online advertising & media, saw profit growth with an increased revenue. On the other hand, the finance sector remained on par due to decreased profitability in the FX business. In addition, there was a reactionary decline in cryptoassets, resulting in JPY6.8 billion, a JPY1.1 billion decrease under the old standard. It remained almost at the same level under the new standard.

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## Overview | Executive Summary: Q3 FY2022 (Jul-Sep)

Compared to the same period last year (old v.s. old)				Evaluation	
				Q3	Q2
Internet Infrastructure	Net sales	JPY <b>39.8B</b> (Up <b>16.0%</b> YoY)	Services each hold top share in their respective markets in Japan → ● Double-digit increase in profits despite amortization of goodwill and strategic investments → ●	➡ ● ●	
	OP	JPY <b>4.5B</b> (Up <b>14.0%</b> YoY)			
Online Ad & Media	Net sales	JPY <b>15.9B</b> (Up <b>32.0%</b> YoY)	Continue to recover our trend → ● Record high revenue → ●	➡ ● ●	
	OP	JPY <b>0.7B</b> (Up <b>189%</b> YoY)			
Internet Finance	Net sales	JPY <b>10.0B</b> (Up <b>35.4%</b> YoY)	FX: profitability was "x" due to weak yen CFD: favorable trading volume and revenue trends → ● Gaika ex byGMO joined the Group, which led to an increase in revenue and profit → ●	➡ ○ ○	
	OP	JPY <b>2.6B</b> (Up <b>2.1%</b> YoY)			
Cryptoassets	Net sales	JPY <b>0.7B</b> (Down <b>78.9%</b> YoY)	Customer accounts and market share → ● Market environment continues to be "x"	➡ △ △	
	OP	JPY <b>-0.8B</b> (Q3 FY2021: <b>1.4B</b> )			

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I will now provide a summary of each segment.

The far right shows the qualitative evaluation according to management. Our assessment of each business is generally unchanged from Q2.

First, infrastructure received a double circle. Its performance continues to grow, thanks to its strength in its overwhelming number one service aggregation and rock-solid stock revenue business model. Sales have once again returned to high double-digit growth, due in part to the growth of the security business and the recovery of the access business, and both sales and income increased as a result of handling the burden of goodwill amortization and strategic investments.

The following, online advertising & media, received a double circle. The V-shaped recovery trend continues. In addition to the strong performance of our own media, online advertising also performed well as economic activities resumed, increasing both sales and profits. For sales, in particular, the January to March period is usually the busiest season. Since then, sales have reached new quarterly highs for two consecutive quarters.

Also, finance received a circle. FX continues to experience difficult conditions. Although transaction volume reached a new record high following Q2, the US dollar to yen exchange rate changed with the yen's depreciation, making profitability an issue, hence the X mark. On the other hand, CFDs performed well due to the brisk activities of commodities and stock indices, resulting in a circle. Both sales and profits increased, due in part to Gaika ex byGMO joining our group.

As for cryptoassets, this received a triangle. Sales and profits declined, with a complete turnaround from the previous year when the business was brisk. The number of accounts and shares of transactions in the exchange business by GMO Coin has remained steady. On the other hand, the market environment was difficult and transaction volume remained sluggish in the whole industry.

The mining business also continued to experience a decline in operating rates. Although conditions remain challenging, we haven't changed our view that the cryptoasset market still has an area of potential. We will definitely build a system so that we can achieve profit when the time is right.

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## Overview | Executive Summary: Q3 FY2022

	Old	New	Old	Compared to the same period last year (old v.s. old)		
(JPY billions)	Q3'21 (Jan-Sep)	Q3'22 (Jan-Sep)	Q3'22 (Jan-Sep)	YoY Change	Change	
Net Sales	176.9	<b>183.1</b>	<b>206.7</b>	<b>+29.7</b>	<b>+16.8%</b>	Record high
Operating Profit	30.6	<b>38.0</b>	<b>37.8</b>	<b>+7.2</b>	<b>+23.6%</b>	Record high
Ordinary Profit	32.2	<b>42.4</b>	<b>42.2</b>	<b>+10.0</b>	<b>+31.3%</b>	Record high
Net Profit	13.3	<b>13.8</b>	<b>13.7</b>	<b>+0.4</b>	<b>+3.1%</b>	Record high

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These figures indicate the cumulative total from January through September.

The performance in the incubation business for Q2 also contributed to the Company's highest performance from sales to final profit.

## Overview | Shareholder Returns (Policy)



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Next, I will discuss shareholder returns.

The basic policy indicates a total return ratio of 50%. Of this amount, at least 33% is to be allocated for dividends and the remaining 17% for share repurchases.

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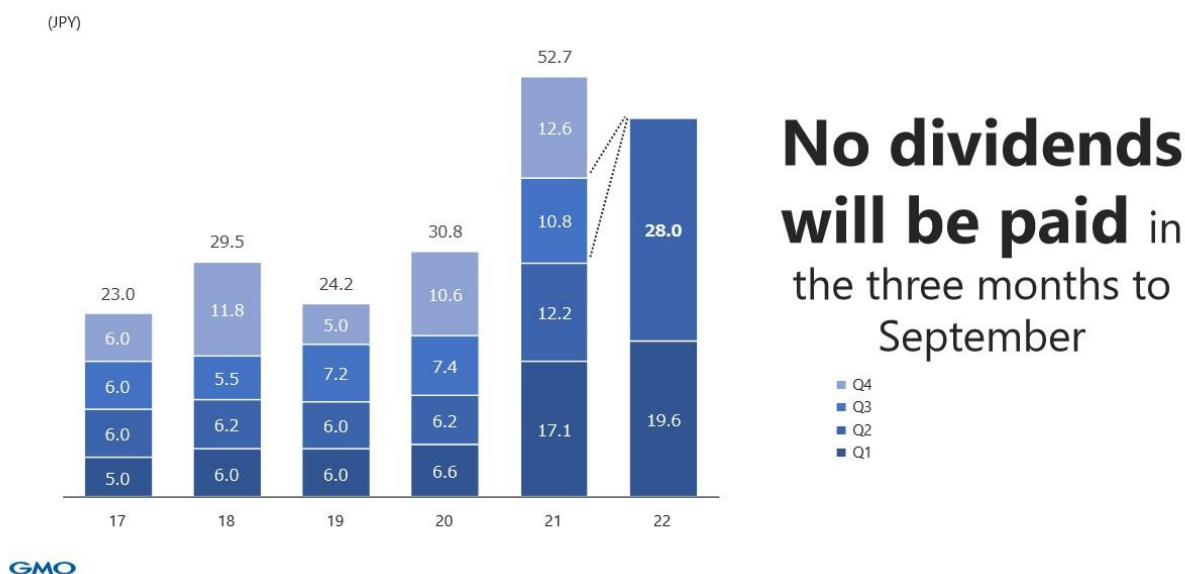
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Since we have adopted a quarterly dividend system, the amount of dividends paid quarterly will be offered if the Company is in the red. But we have established a rule where we pay a dividend of at least 33% of the full-year profits and repurchase at least 17% of the Company's shares.

If we are unable to fully repurchase our shares in a given fiscal year, we have a policy to carry over the repurchase into the following fiscal year.

## Overview | Shareholder Returns (dividend per share)



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And this shows the trend of dividends per share.

Since we will not disclose earnings forecasts for the current fiscal year as well, dividends will also be announced quarterly.

We regret to inform you that we will not be paying a dividend for Q3 of the current fiscal year due to the net loss for that quarter. Since the cumulative total for the period from January to September exceeded that of the previous year, we will continue our efforts in Q4 to increase the dividend for the full year.

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# Strengths

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Before I go into the details of our quarterly results, I would like to reiterate our group's strengths.

There are two major ones.

## Strengths (1)

# Operations and development of our own technology

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The first of our strengths is our commitment to in-house development and operation.

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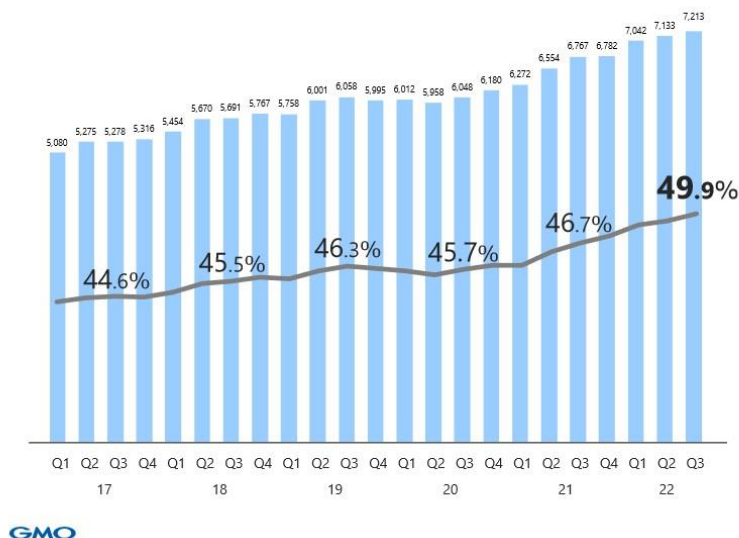
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## Strengths (1) | Operations and development of our own technology



Goal: Workforce of  
over **50%**  
engineers

\* Not including partners of GMO Internet Group affiliates accounted for by the equity method (such as GMO Aozora Net Bank), which was 228 as of the end of September 2022.

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We believe that to survive in the fast-changing internet market, we must offer the best services by becoming a creative company that creates and operates its own products and services. Therefore, engineers and creators, or creators with technical skills are important to us.

We refer to our employees and staff as partners. And at the end of September, we had 7213 partners. Among these, the percentage of creators is 49.9%.

It was in 2011 when our group representative, Kumagai, first set a goal of achieving 50% of creators in the Company. When we first presented this ratio to investors in February 2014, the figures at that time were 37.1%. It has been 10 years, and we are now very close to reaching our goal of 50%.

We will continue to grow as a creative company.

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Strengths (2)

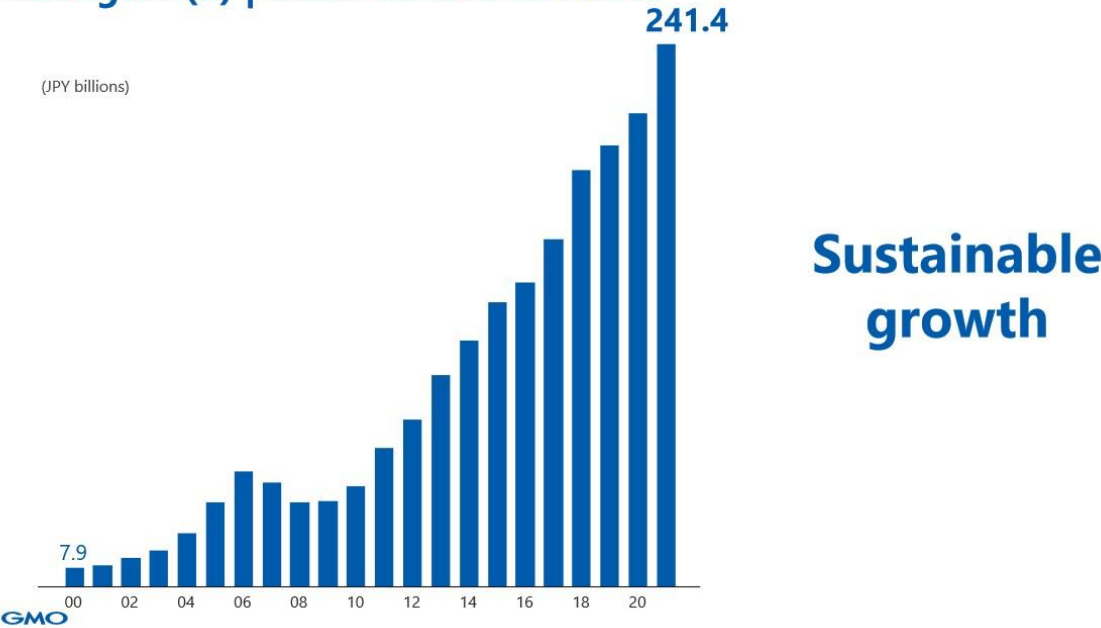
# Solid recurring revenues

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Now, I will explain our second strength.  
It is the revenue model called the rock-solid stock revenue, which was discussed in the last presentation.

Strengths (2) | Consolidated net sales



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Here are the consolidated sales trends.  
As you can see, we have achieved sustainable growth since our establishment. At the end of the previous year, sales had increased for 13 consecutive fiscal years.

## Strengths (2) | Solid recurring revenue

# Indispensable products that will not disappear and recurring revenue business model

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Why have we managed to achieve sustainable growth?

We believe this is because we have accumulated rock-solid stock revenues since our establishment. Rock-solid stock revenue is a GMO term. So, how is it different from a simple stock-based revenue model or a subscription, which has been a trending term?

It's the stock revenue gained from products that will not disappear and will remain a necessity as long as the internet exists while recurring billing. It is also the business structure that Kumagai has been striving for since our company's establishment.

Many investors may consider GMO an infrastructure-building company. And I believe so. So, why are we, the GMO Internet Group, in the infrastructure business?

There was initially a question as to what products will not disappear and will remain a necessity while recurring billing. And the answer to that question is that several infrastructure products and their revenue originate from rock-solid stock revenue.

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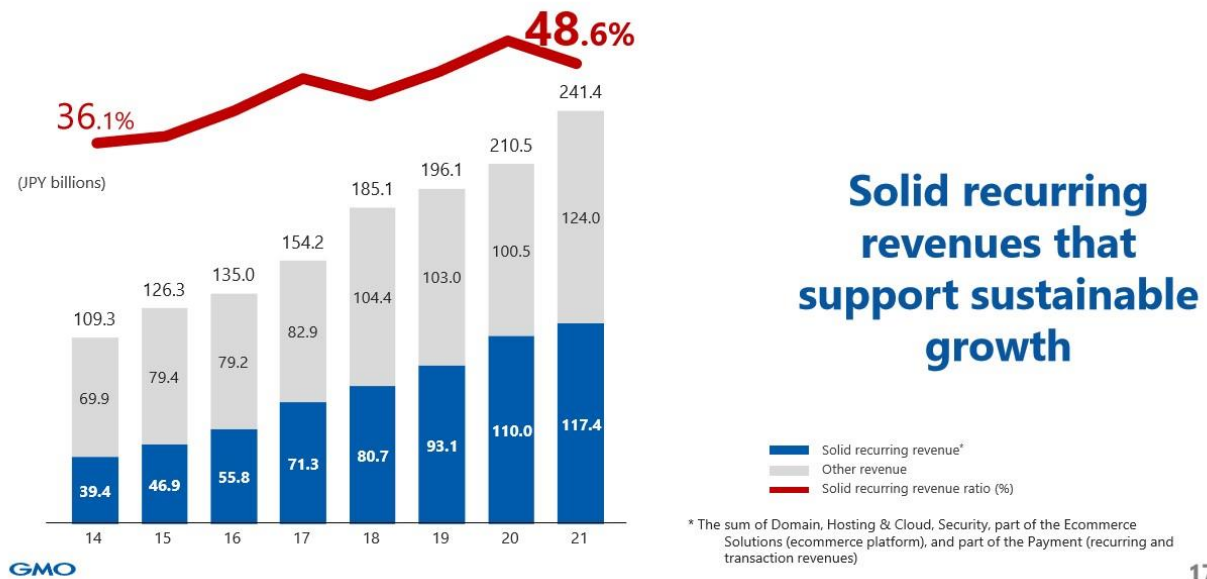
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## Strengths (2) | Analysis of consolidated net sales



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Here is a breakdown of sales for rock-solid stock revenue and others.

The red line graph represents rock-solid stock revenues in terms of percentage of sales.

Rock-solid stock revenues include both recurring billable revenues in the infrastructure business and transactional revenues with a rock-solid revenue base similar to recurring billing.

As you can see, rock-solid stock revenues are what support our sustained growth.

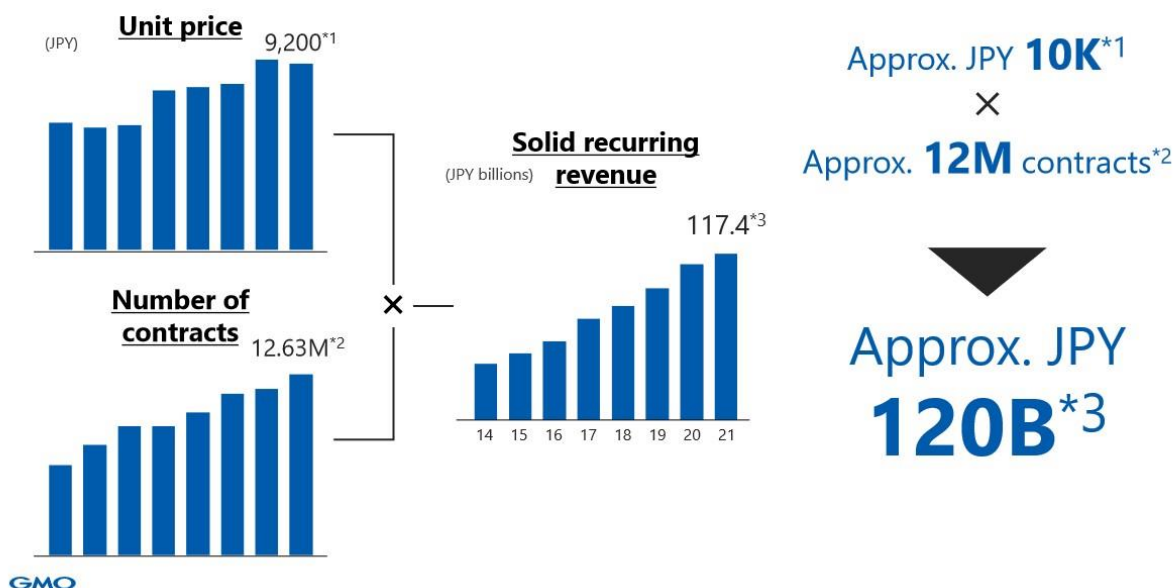
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## Strengths (2) | Analysis of solid recurring revenues



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And here is the rock-solid stock revenue broken down into unit price and number of subscriptions.

Both the unit price and the number of subscriptions are on an upward trend, and the current rock-solid stock revenue of JPY117.4 billion is generated from the number of contracts of approximately 12 million multiplied by an annual unit price of approximately JPY10,000.

The number of contracts is still generating 10,000 new applications every day. As there are some cancellations, the net increase base will be much smaller. But we expect that it will continue growing, as the volume of information and transactions on the internet expands.

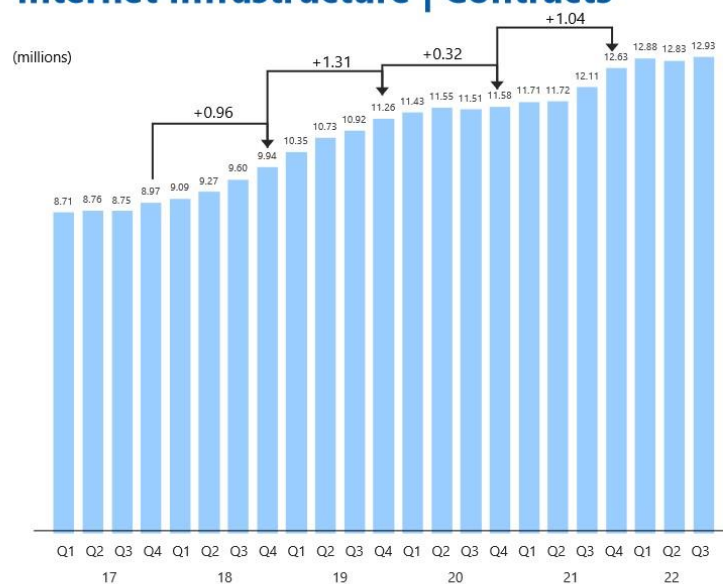
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## Internet Infrastructure | Contracts



Solid revenue base  
**12.93M**  
 customers

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Here is the status showing the number of infrastructure contracts.

It can be rephrased to a rock-solid revenue base that supports rock-solid stock earnings. And at the end of September, the total number of subscriptions was 12.93 million.

The number of subscriptions has increased by approximately 1 million per year, if you can see the figures for the past fiscal years. By multiplying this with the unit price of JPY10,000 mentioned earlier, it will calculate to an accumulated sales of JPY10 billion per year.

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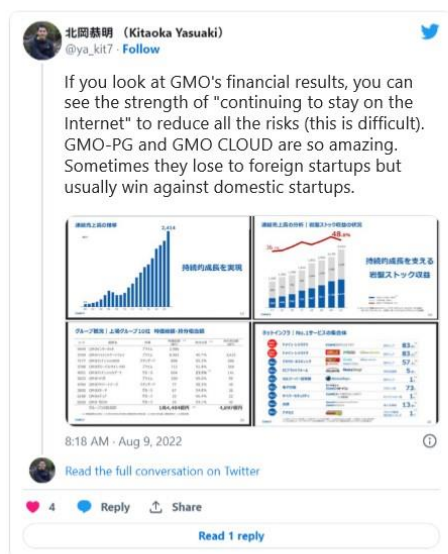
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## Social reactions



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Now, at the end of my presentation, I would also like to share some responses through social media regarding the previous disclosure of rock-solid stock earnings.

As you can see here, everything is self-explanatory here.

The next part, or the Group overview, will be presented by Inagaki, the Group Executive Officer and General Manager of Group Financial Department.

**Inagaki:** My name is Inagaki, Group Executive Officer and General Manager of Group Financial Department of GMO Internet Group. It's a pleasure to meet you all.

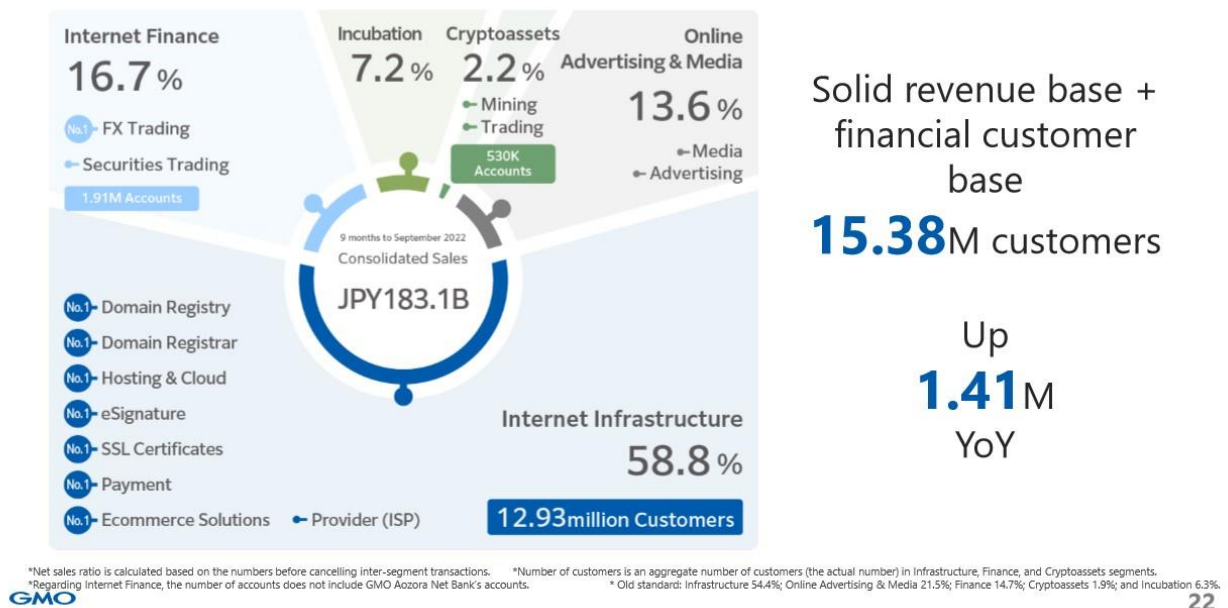
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## Group Overview | Business Segments (Composition)



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The diagram below provides an overall view of our business areas.

The size of each area indicates the sales composition.

The number of infrastructure contracts as the rock-solid revenue base, along with FX, securities, and cryptoassets accounts altogether total a customer base of 15.38 million.

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## Group Overview | Listed Group Companies: Equity Share

Stock Code	Stock Name	Exchange	Market Cap <sup>*1</sup> (JPY billions)	% Ownership <sup>*2</sup>	Equity Share (JPY billions)
9449	GMO Internet Group	Prime	290.9		
3769	GMO Payment Gateway	Prime	904.9	40.7%	368.4
7177	GMO Financial Holdings	Standard	66.6	65.3%	43.4
3788	GMO GlobalSign HD	Prime	54.8	51.8%	28.4
4051	GMO Financial Gate	Growth	59.1	23.5% <sup>*3</sup>	13.8
3633	GMO Pepabo	Prime	11.5	59.5%	6.8
4784	GMO AD Partners	Standard	7.4	57.6%	4.2
3695	GMO Research	Growth	6.2	54.8%	3.4
6180	GMO Media	Growth	3.1	66.4%	2.0
6026	GMO TECH	Growth	1.8	54.1%	0.9
Group Total			<b>1,406.7<sup>*4</sup></b>		<b>471.9</b>

\*1 Market value as of November 11, 2022

\*2 Includes indirect holdings (as of the end of September)

\*3 GMO Internet Group owns 23.5% of GMO-FG indirectly through GMO-PG \*4 Calculated as the sum of the listed market cap values



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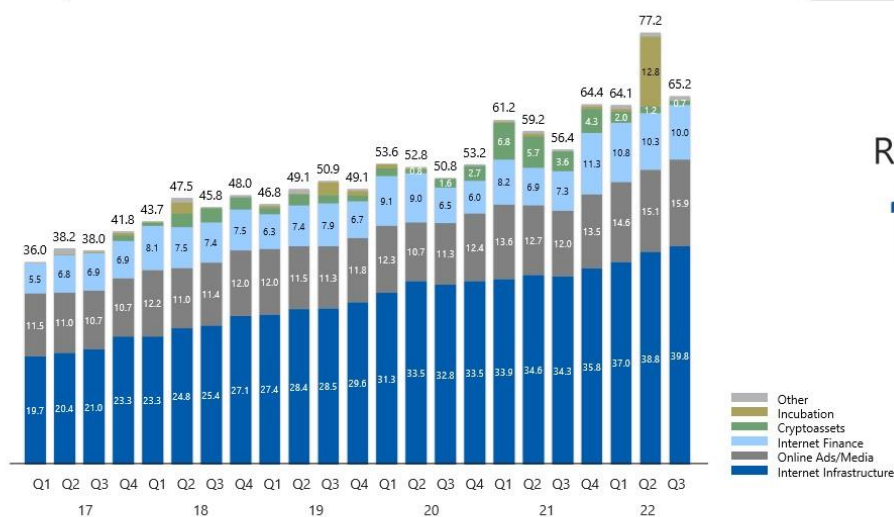
This is the market capitalization of the 10 listed companies in the Group and our equity equivalent.

The total group market capitalization is approximately JPY1.4 trillion, and our equity equivalent is nearing JPY500 billion.

## Group Overview | Net Sales by Segment

(JPY billions)

Compared to the same period last year (old v.s. old)



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This shows the quarterly net sales trend by segment.

As Yasuda mentioned earlier, we continue to see a growth trend centered on infrastructure, as shown in dark blue at the bottom.

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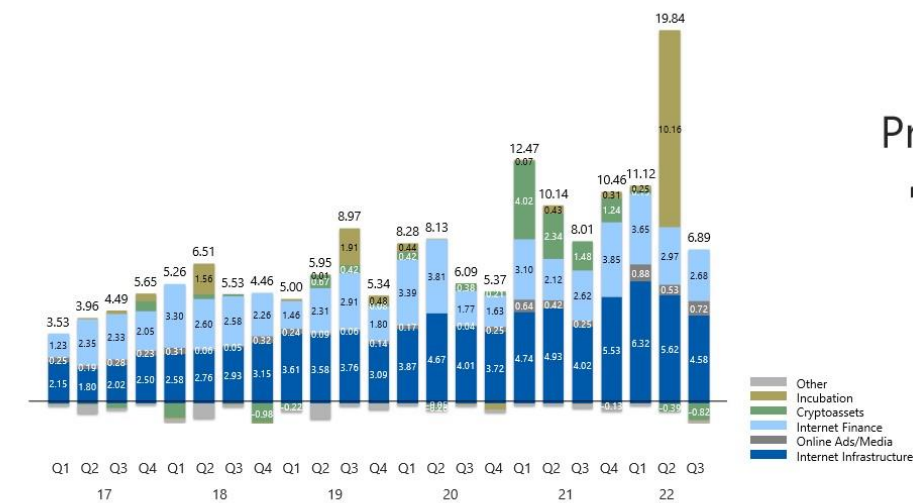
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## Group Overview | Profit by Segment

(JPY billions)

Compared to the same period last year (old v.s. old)



Profit down

**14.0%**

YoY

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This shows the quarterly operating income trend by segment.

In the short term, our view of sustainable growth based on rock-solid stock revenues for infrastructure has not changed at all, despite the reactionary decline in cryptoassets and other factors.

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## Internet Infrastructure | Collection of No. 1 services

<b>Strong No. 1</b>	<b>Domain Registry</b>	GMO REGISTRY	Domestic market share at <b>83.0%</b> <sup>*1</sup>
<b>Strong No. 1</b>	<b>Domain Registrar</b>	お名前.com MuuMuu Domain value-domain	Domestic market share at <b>82.4%</b> <sup>*2</sup>
<b>No. 1</b>	<b>Hosting &amp; Cloud</b>	お名前.com LOLIPOP! Ceneja GMO CLOUD value-server	Domestic market share at <b>56.7%</b> <sup>*3</sup>
<b>No. 1</b>	<b>ASP Cart</b>	COLOR ME MakeShop®	<b>59k</b> paid stores
<b>No. 1</b>	<b>Security</b>	GlobalSign	Domestic market share at <b>No. 1</b> <sup>*4</sup>
<b>No. 1</b>	<b>eSignature</b>	電子印鑑なら GMOサイン	<b>914k</b> accounts
<b>No. 1</b>	<b>Cybersecurity</b>	GMO CYBER SECURITY IERAE	Number of white hat hackers <b>No. 1</b> <sup>*5</sup>
<b>No. 1</b>	<b>Payment</b>	GMO PAYMENT GATEWAY GMO EPSILON	<b>142,396</b> merchants <sup>*6</sup>
<b>No. 1</b>	<b>Provider (ISP)</b>	KKBB	<b>No. 1</b> <sup>*7</sup> provider in terms of customer satisfaction

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\*1 Based on our own data \*2 Based on ICANN data in July \*3 Based on domaintools.com data \*4 Country code based on Netcraft data  
 \*5 Based on the Fermi estimate \*6 Figure excludes the number of stores related to major delivery services  
 \*7 In 2020, Oricon announced that GMO TokuToku BB became the top-ranked provider in terms of customer satisfaction

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Now, I will explain the infrastructure business.

Here is the business description for the infrastructure business.

It is an aggregation of number one services: domain, cloud hosting, e-commerce platform, SSL server certification, digital seal, cyber security, payment, and access.

All of these services are a necessity and will not disappear from the internet society.

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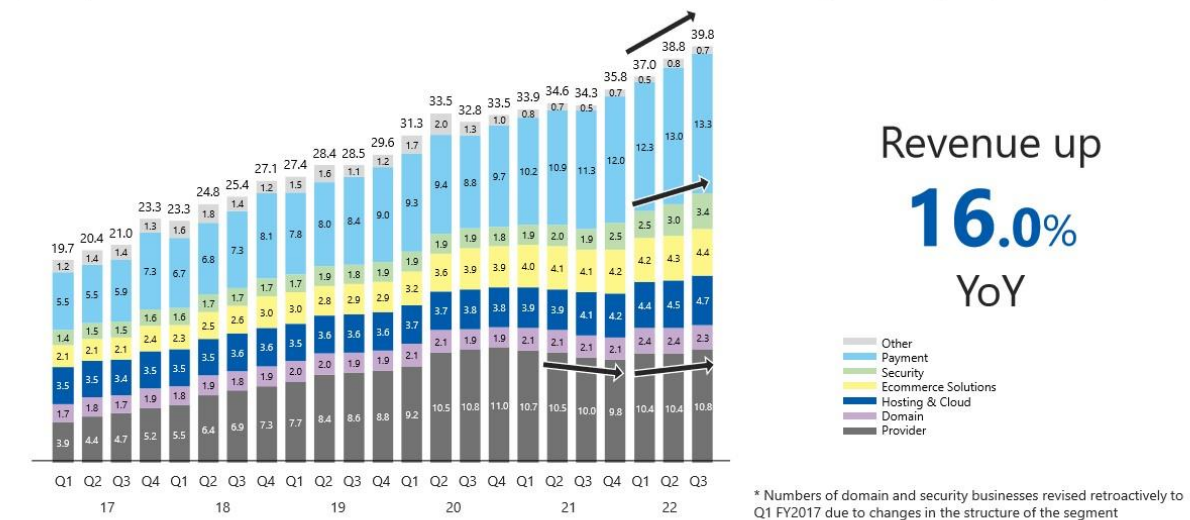
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## Internet Infrastructure | Net Sales by Sub-Segment

(JPY billions)

Compared to the same period last year (old v.s. old)



GMO

28

Here is the quarterly net sales trend and its breakdown based on the old standard.

The overall segment revenue growth rate is 16% and is accelerating again.

The payment business hasn't changed and remains strong, indicated in light blue. The business environment is favorable, with the cashless ratio and e-commerce ratio still growing.

The security business is contributing with its number one growth rate, indicated in green. The effects of the change in the SSL security expiration date have made a turnaround, and we are back to high growth again.

GMO Cyber Security by Ierae, which joined the Group in the previous quarter, also saw an increase in revenue due to rising utilization rates.

Access, which accounts for the largest share of sales, shown at the bottom in gray, also turned positive YoY. There are two factors for this. Landlines are steadily building up as telework and remote classes have established themselves as trends. And although mobile lines have performed poorly due to the rise of low-priced plans by major carriers, a revision of products has begun to show its effects.

We hope you look forward to our performance as we continue to accumulate revenues with our strength in rock-solid stock revenues.

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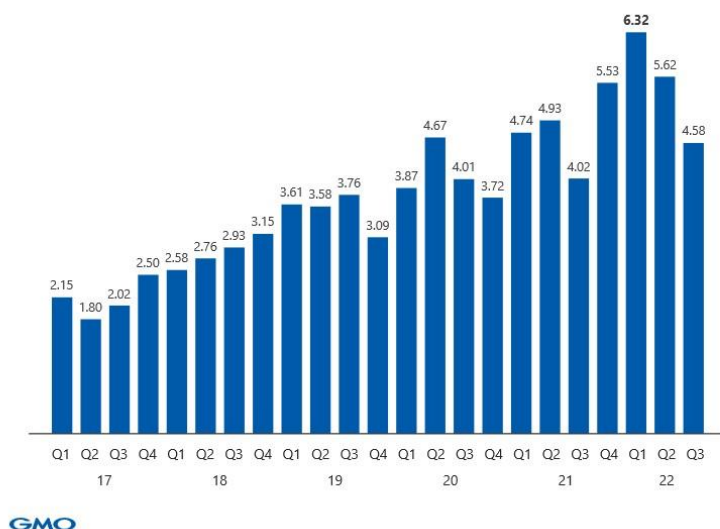
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## Internet Infrastructure | Operating Profit

(JPY billions)

Compared to the same period last  
year (old v.s. old)



Profit up  
**14.0%**  
YoY

GMO

29

Here is the trend in the quarterly operating income.

Each business has entered the profit expansion phase, as businesses under investment development are becoming profitable. Double-digit profit growth was achieved as a result of handling the burden of goodwill amortization with the start of the consolidation of Ierae and strategic investment in GMO Sign.

This Q3 is also the main accounting period for GMO Payment Gateway. Due to the recording of performance-linked bonuses, income decreased compared to Q2. Looking at the cumulative total, profits have been strong, and we plan to make certain investments in Q4.

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電子印鑑なら  
**GMOサイン**

Number of e-contract accounts: **No. 1**

Number of contracts: **No. 1**

GMO

30

I am pleased to report that we have made progress in the cryptographic security and GMO Sign businesses, which are being developed as strategic businesses by the entire group.

We have been number one in the number of subscribers, and now, we are also number one in terms of the number of transmissions.

---

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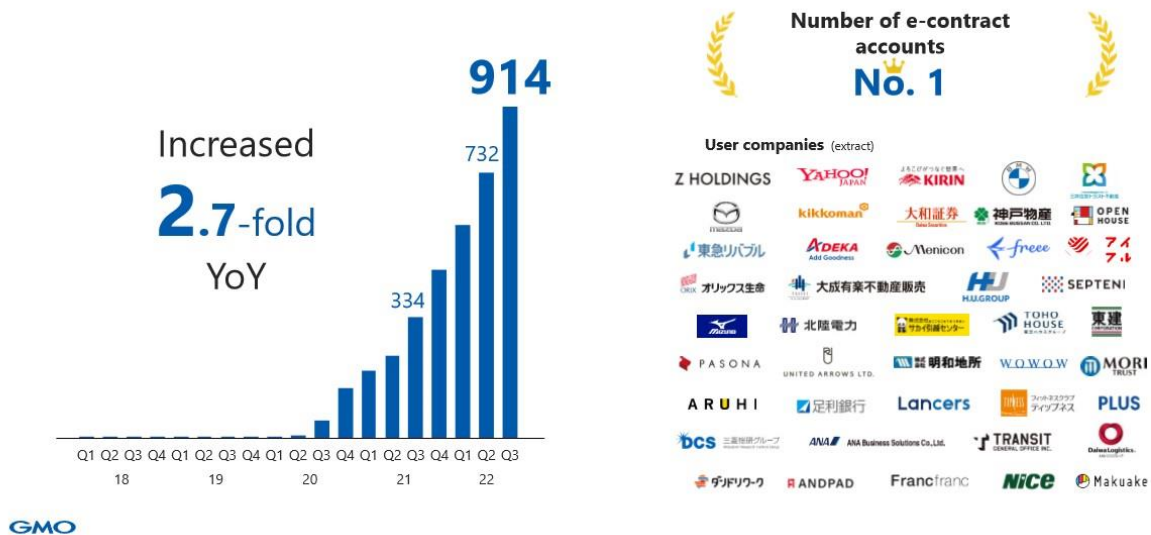




## Internet Infrastructure | Number of e-contract accounts

電子印鑑なら  
**GMOサイン**

(thousands)



31

First, I will explain the status concerning the number of subscribers.

Since the group-wide Sayonara Inkan campaign efforts were initiated in June 2020 during the COVID-19 pandemic, the customer base has continued to expand due to the so-called network effect and the synergistic effects of the Group. By the end of September, the customer base had grown 2.7 times YoY to 910,000.

As you can see, the introduction to major companies is progressing steadily.

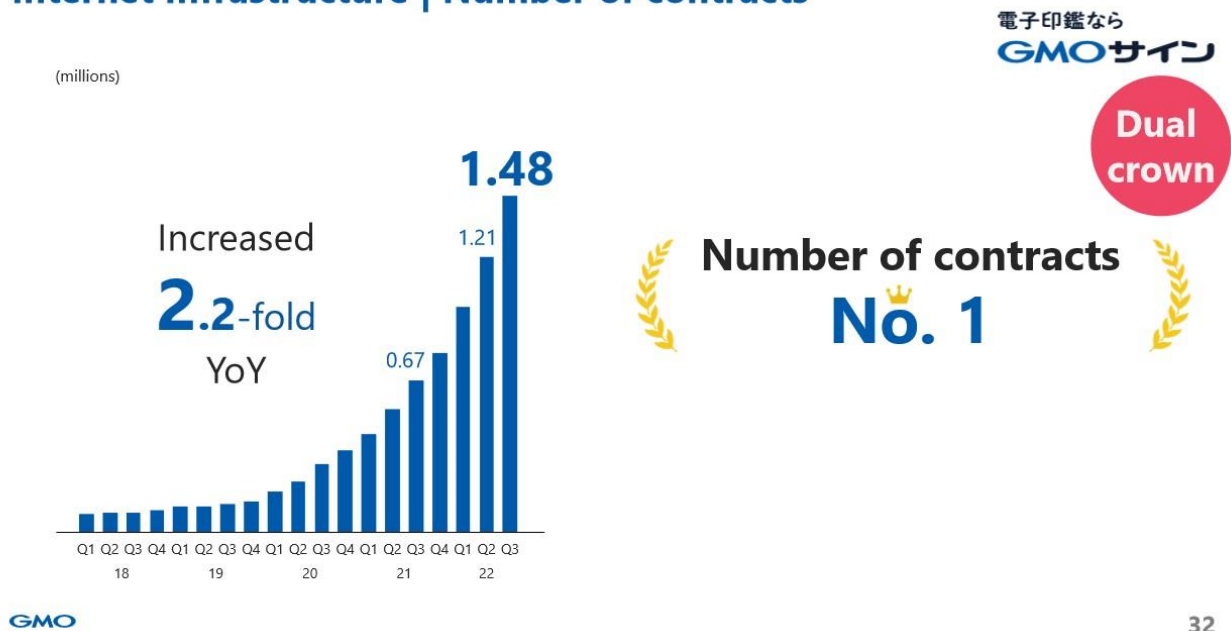
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## Internet Infrastructure | Number of contracts



Next is the number of transmissions.

We view the number of transmissions as the most important KPI that indicates the intensity of customer activities.

As you can see, we are also number one in Japan, and if you combine that with the number of subscribers, we achieved number one for both.

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## Internet Infrastructure | Digital government

電子印鑑なら  
**GMOサイン**



Adoption by **24** local governments was determined

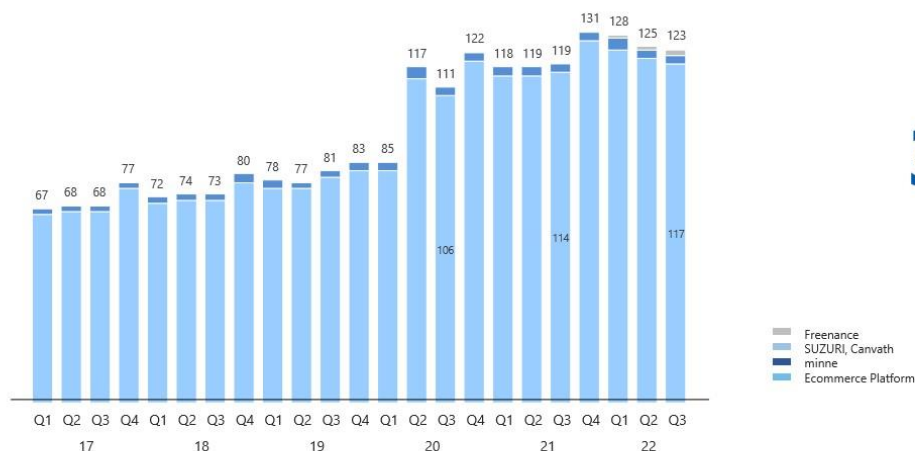
GMO

33

As for GMO Sign, we are also strengthening our efforts in digital government. Fukuoka City has decided to introduce the system in November. We will actively promote the introduction to municipalities and continue to grow further.

## Internet Infrastructure | Ecommerce Solutions: transaction volume

(JPY billion)



Up  
**3.9%**  
YoY

GMO

34

And last, the overall circulation amount of the e-commerce support business.

It consists of e-commerce platforms deployed through Color Me Shop! and MakeShop and services, such as minne, SUZURI, and Freenance.

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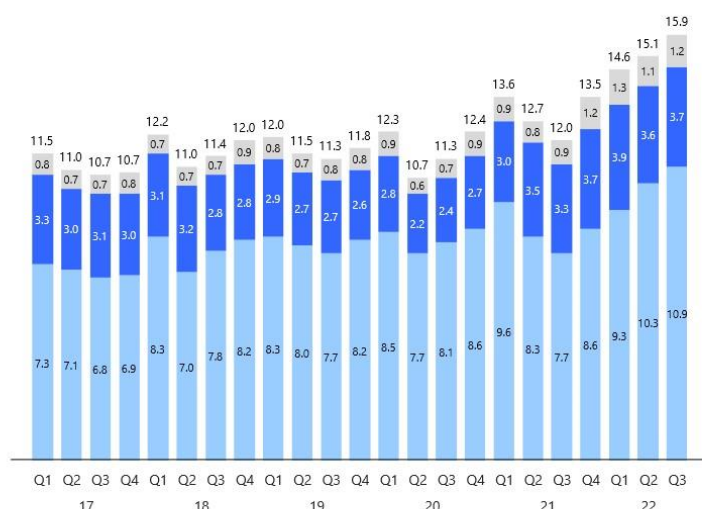
In the merchandise e-commerce sector, although the industry as a whole saw a reactionary decline in consumption while staying home, our group's business remained strong, especially in the high-priced MakeShop segment.

Approximately 40% of the circulation amount is accounted for the use of GMO Payment Gateway's payment service. Most of the amounts circulated via credit card, and other payment processing services are through our group's services, and we believe that this value indicates the strong synergy between the e-commerce platform and the payment processing business.

## Online Advertising & Media | Net Sales

(JPY billions)

Compared to the same period last year (old v.s. old)



Revenue up  
**32.0%**  
YoY

■ Internet Research/Other  
■ Internet Media  
■ Online Advertising

GMO

36

I will explain the advertising media business.

The following shows the trend and breakdown of quarterly net sales based on the old standard.

The January-March period is usually the busiest season, and this quarter also marked a quarterly high. With the resumption of economic activities, advertising agencies remained strong and affiliate business continued to trend favorably.

For media, the number of page views of our media remained strong.

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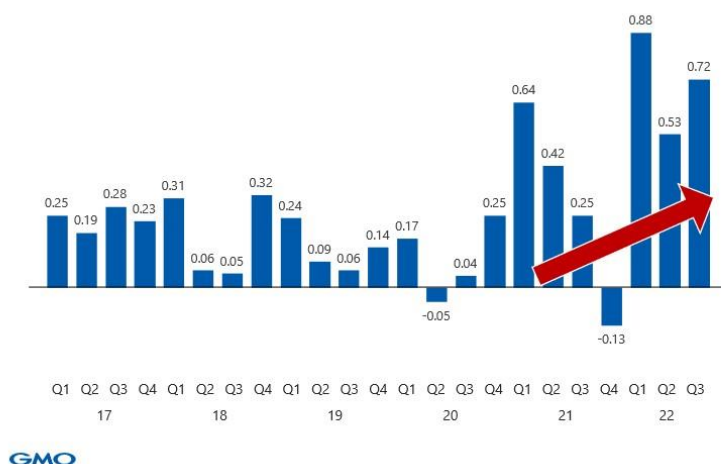
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## Online Advertising & Media | Operating Profit

(JPY billions)

Compared to the same period last year (old v.s. old)



Profit up  
**189%**  
YoY

GMO

37

Here are the quarterly operating income figures.

As you can see, the recovery trend continues after bottoming out the year before last year. The trend of expanding our high-margin products, such as our media and research platforms, continues.

As each of the listed group companies has revised its performance upward, the results have been favorable, exceeding the initial plan. In Q4, each company will invest in strengthening its products and media.

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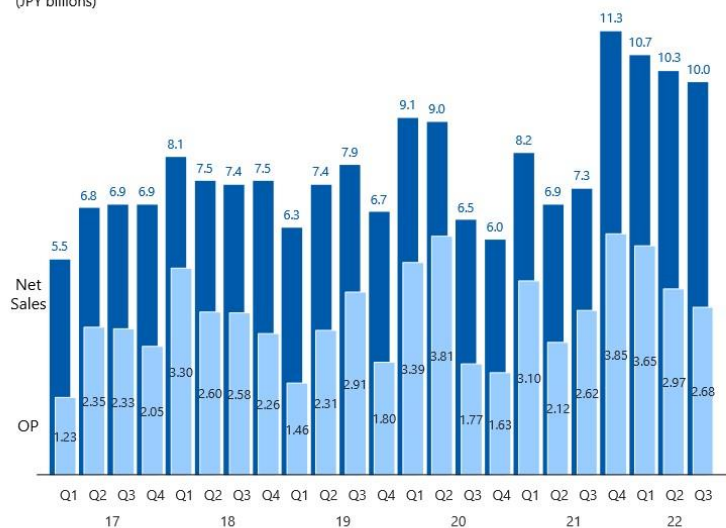
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## Internet Finance | Historical Performance by Quarter

(JPY billions)

Compared to the same period last  
year (old v.s. new)



GMO

39

Revenue up

**35.4%**

Profit up

**2.1%**

YoY

I will now explain the financial business.

Quarterly performance trends are as shown.

Although sales grew due to the consolidation effects of Gaika ex byGMO and strong performance of CFDs, operating profit increased only slightly due to a decline in the FX profit margin.

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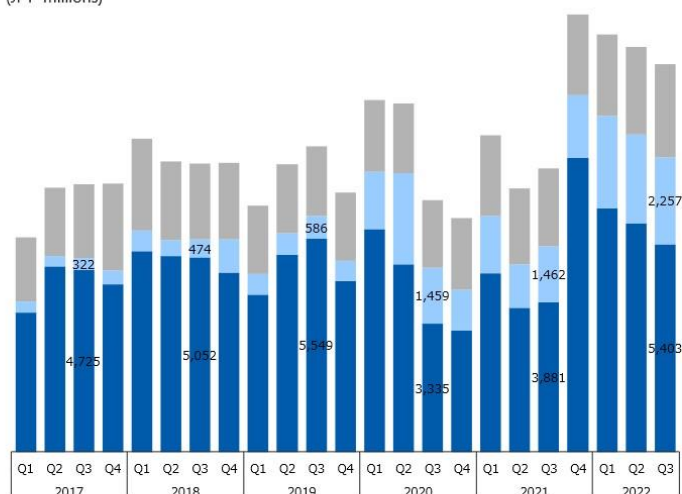
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## Internet Finance | Net sales by each product

(JPY millions)



**CFD remained strong though the FX struggled to increase profitability**

Securities and others  
CFDs / Stock Index Binary Options  
OTC-FX / Binary Options

GMO

40

Here are the net sales trends by product.

While trading volume increased for FX, which is indicated in dark blue, the profit margin declined and showed sluggishness on a YoY basis due to higher costs associated with cover transactions.

On the other hand, CFDs continued to perform well in H1, reflecting the brisk commodity markets and stock indices.

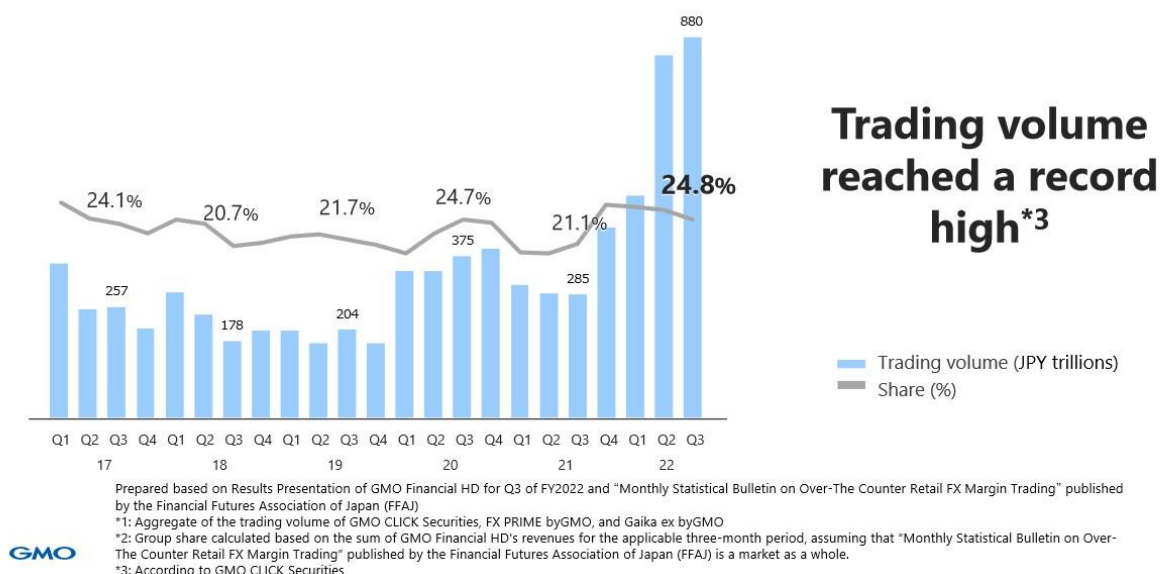
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## Internet Finance | FX Trading Volume



41

This is the domestic market share of FX trading volume.

Trading volume was brisk due to increased market volatility and reached a new record high.

On the other hand, the share of transactions has decreased. From a risk management perspective, we have set a maximum trading limit per customer, and many customers in this booming market have reached this limit.

While market share is of course important, we will continue to monitor trends in the foreign exchange market while aiming to improve internal initiatives and profitability.

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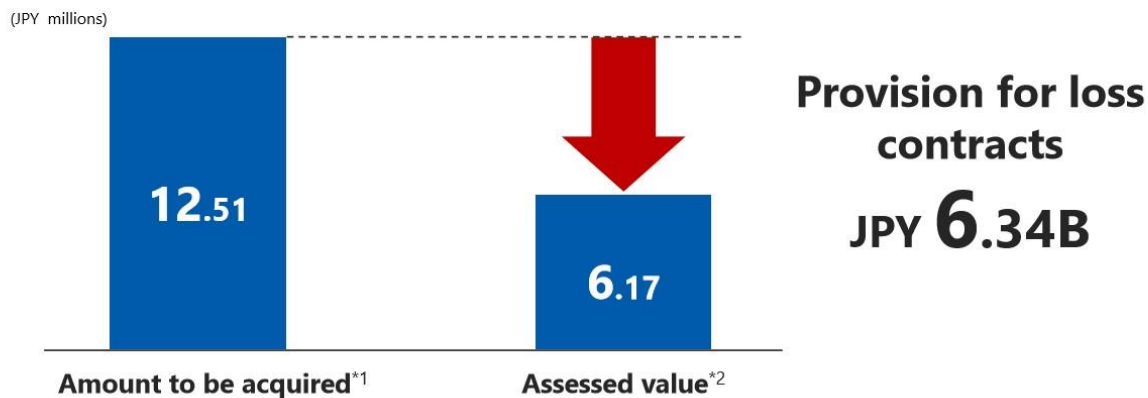
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## Net bank | Extraordinary loss

Reduction in the valuation of shares the Company will acquire in the future due to delays in achieving positive figures, recording the difference as an extraordinary loss



\*1: Amount of shares to be acquired from Aozora for increasing the ratio of voting rights from 14.9% to 50.0%, assuming that GMO group companies become the major shareholder.

\*2: Assessed value based on the calculation of the stock price.

GMO

43

Next, I will discuss GMO Aozora Net Bank.

First, let me explain the record for extraordinary loss.

GMO Aozora Net Bank has been developing its business with the aim of returning to profitability for the full fiscal year ending March 31, 2023. However, due to deviations from the business plan, GMO Aozora Net Bank has decided to increase capital and revise its business plan during the fiscal year.

Although the Group's share of GMO Aozora Net Bank is currently 14.9%, we plan to increase this to 50%. We have decided to reduce the valuation of the unit price of these shares to be acquired in the future by approximately half of the newly calculated share price due to the capital increase.

As a result, the difference due to the reduction in the stock price will be recorded as an extraordinary loss.

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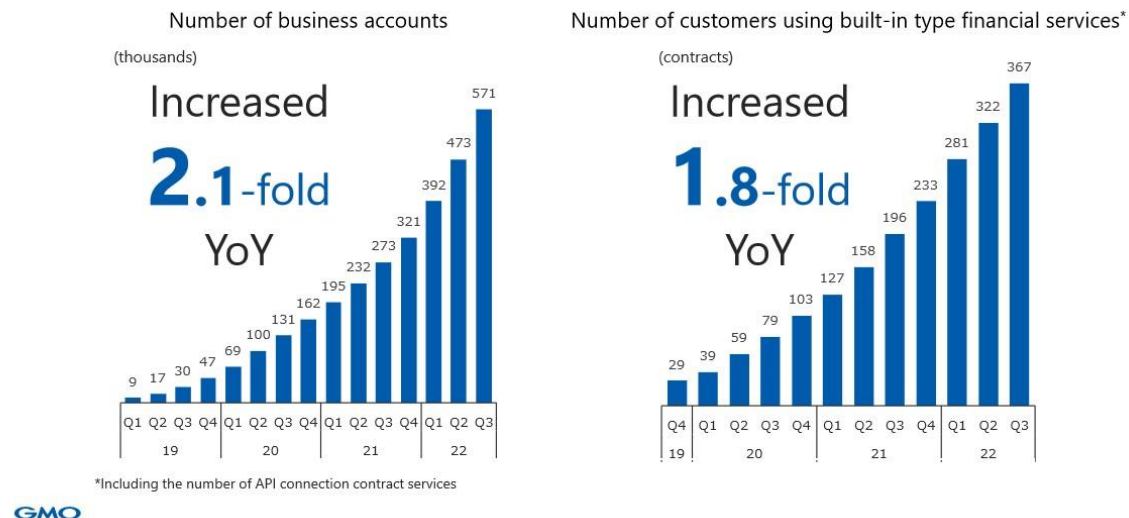
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## Net bank | KPI

Steadily growing



44

Although we are lagging behind in terms of performance, we continue to grow steadily in terms of business KPIs. As a result of service development focused on corporate clients, the number of corporate accounts has steadily expanded, as you can see. We hope that the next mega venture will be created by our customers.

In addition, the simple embedded financial service is a service that provides banking functions in the form of parts for companies seeking to grow in the digital area. We have continued our efforts to promote its widespread use, and we are seeing a growing awareness and response, to the extent that GMO Aozora Net Bank is now considered to be the leading provider of embedded financial banking APIs.

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## Net bank | Mid- to long-term strategies

No changes to the three pillars

- 1 **No. 1 bank for small and start-up companies**
- 2 **No. 1 built-in type finance**
- 3 **No. 1 tech first bank**

GMO

45

As you can see, our KPIs are steadily increasing, and our revised business plan does not change our concept of three pillars: number one bank for small firms and start-ups; number one embedded finance; and number one technology first bank.

In the banking business, we will continue to work together as an entire group to develop its business with a focus on a rock-solid stock revenue model. We will keep you posted.

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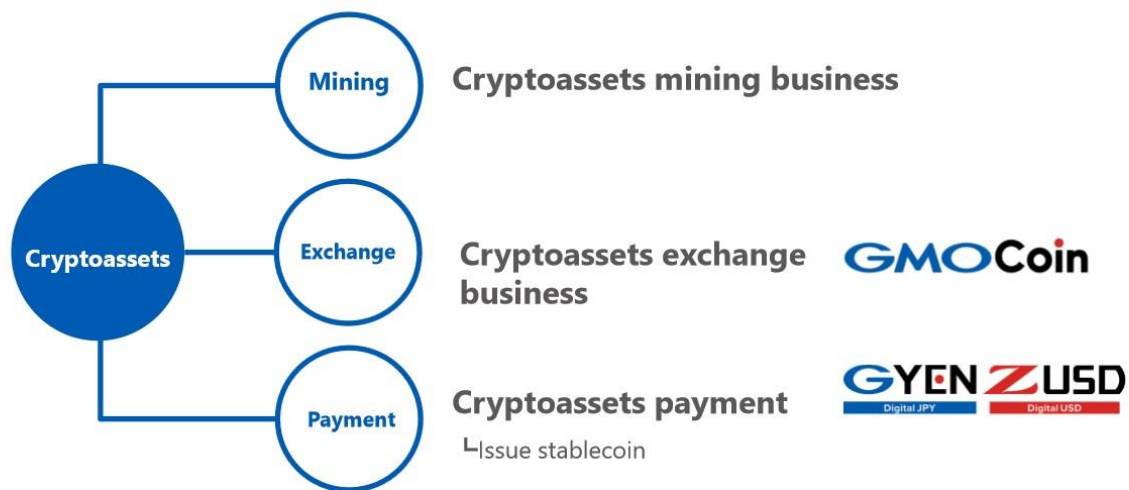
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## Cryptoassets business



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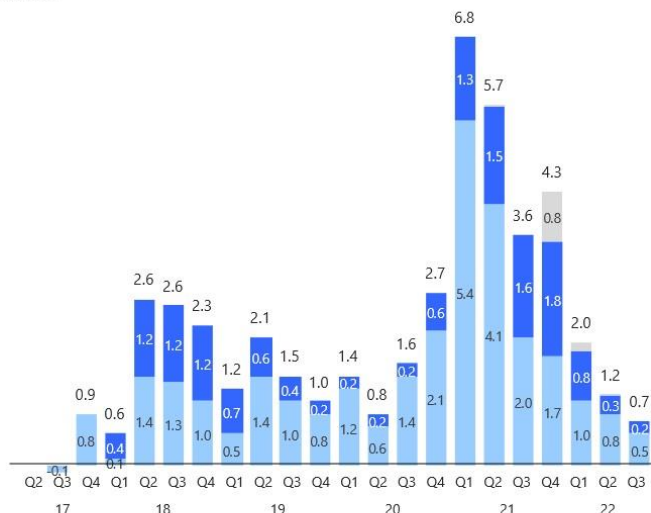
47

I will now explain the cryptoassets business.

The cryptoassets business has three businesses shown here. They are mining, exchange, and payment.

## Cryptoassets business | Net Sales

(JPY billions)



GMO

48

Compared to the same period last year (old v.s. new)

Revenue down  
**78.9%**  
YoY

■ payment  
■ mining  
■ exchange

The trend of quarterly net sales and their breakdown.

The exchange business experienced a decline in revenue due to a sharp drop in overall market volume since H1 of the previous year when the market was booming.

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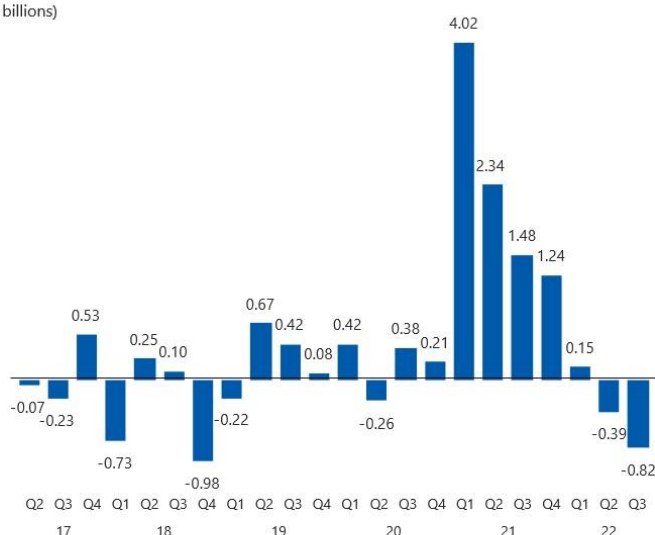
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The mining business also remained sluggish due to the impact of crypto asset prices and global hash rates, in addition to a drop in data center utilization rates.

## Cryptoassets business | Operating Profit

(JPY billions)

Compared to the same period last year (old v.s. new)



Operating loss  
JPY **0.82B**

GMO

49

Here are the trends for the quarterly operating income figures.

Losses were recorded in both the exchange and mining businesses.

In the GMO Coin exchange business, the number of accounts is growing steadily, but the decline in transaction volume has a significant impact.

In addition, the share of trading value has decreased slightly due to the participation of foreign companies. In consideration of this situation, we will continue to manage our marketing investments in a controlled manner.

This is the status of each business.

Finally, we will go into the topics. From here, CFO Yasuda will explain.

**Yasuda:** Hello again, everyone.

Now, let me explain the topics from here.

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## Japan's strongest white hat hacker organization

GMO

51

Finally, I would like to introduce the topic of GMO Cyber Security by Ierae, Japan's most powerful group of white hat hackers, which we announced as a group participant this January. We started offering our new service, site seal.

### New service | Site seal

GMO CYBER SECURITY  
IERAE

Site seal displayed on gmo.jp



GMO

### Site seal displayed on website after diagnosis



52

This image uses our website as an example. It's shown as this logo on the left.

This is the SSL certificate seal by GMO GlobalSign, which has already become widespread. The SSL certificate seal is used by more than 10,000 websites to demonstrate their security efforts to visitors and to show that the site is trustworthy.

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37

The new service will be a cyberdefense version of the site seal. Ierae's white hat hackers will conduct a diagnosis and post this seal on websites that are judged to have fulfilled a certain level of requirements.

## New service | Site seal



## Become the de facto symbol of cyber defense



Click



53

As you are well aware, news regarding cyberattacks has never ceased recently. We are now in a situation where cyberdefense is becoming more and more important, not only in terms of information leaks, as there has been an increase in cases that could undermine the continuity of business operations.

In response to this situation, services that rate a company's cyberdefense capabilities have appeared. We are now aiming to make this site seal the new de facto standard as a symbol of cyberdefense for our customers and business partners, so they feel secure in their relationships with us.

Currently, only sites that have been directly diagnosed by white hat hackers will be displayed with it. But in the future, we will also display it on websites that have adopted our SaaS product, which is currently under development, to create a safe and secure business environment and promote cyberdefense in Japan.

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## New service | In brief



II

**Technological capability** × **Solid recurring revenues**  
(Certificate Authority, white hat hacker)

II

## Products cannot be replicated

GMO

54

Finally, I would like to give a brief summary of this site seal.

At the beginning of my presentation today, I explained the strengths of our group. There are two of them. One is that we are devoting our technological capabilities to our development and operation. And the second is a revenue model called the rock-solid stock revenue model.

The site seal I explained this time is not just a seal, but truly a product that embodies our strengths. This is a product that cannot be imitated by any other company and can be realized by combining the technical strengths of globally operating certification authorities and excellent white hat hackers, who have technical strengths.

We believe that this new product, just like other infrastructure products, will lead to a portion of rock-solid stock revenues. We hope you look forward to the business synergy with Ierae.

This concludes today's financial results presentation. Thank you very much for your participation.

Internet for everyone.

[END]

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