

Q4 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 February 13, 2023. The questions are answered by Founder & Group CEO Masatoshi Kumagai, CFO Masashi Yasuda, Tomitaka Ishimura.

●Consolidated Financial Results

[Q1] How do you evaluate Q4 results? You seem to have invested aggressively in each segment.

[A1] We used our savings in the first half of 2022 to invest in Internet Infrastructure and Online Advertising & Media businesses. While the existing business performed well, the securities business in Thailand recorded the provision of allowance for doubtful accounts, which was unexpected.

●Internet Infrastructure

[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. Although net sales were about 800 million yen in Q4, it pushed down the consolidated operating profit by more than 400 million yen, including the amortization of goodwill of 200 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. Through the development of SaaS products, we will strive to create synergies over the medium term.

[Q3] Please tell us about the costs associated with sales expansion, the return, and when the customers will have to start paying for the service.

[A3] We have not yet decided when the customers will have to start paying for the service and will make a decision based on various KPIs.

We would like to extend the online diagnosis service to all 13 million existing customers and new customers. Online diagnosis service and GMO Sign, which have similar marketing strategies, are indispensable, and these are services that are unique to the company in the sense that we can cross-sell them to our existing customer base. If the customers pay for the service, it will impact business performance significantly.

[Q4] Regarding adjustment costs to maintain your services, how much will the cost increase and how will it be resolved in the future?

[A4] In 2022, there was an impact of several hundred million yen, mainly due to an increase in the purchase cost of domains. In light of future increases in electricity bills and procurement costs of servers, we have decided to introduce an adjustment cost to maintain our services. As a result, not only net sales but also costs are expected to increase, so we believe that the impact on profits will be insignificant.

●Internet Finance

[Q5] Is there a possibility that the securities business in Thailand will record an additional provision of allowance for doubtful accounts? Please comment on the scale and accuracy.

[A5] We have already accepted securities as collateral for the customers' borrowing on margin transactions of approximately 7.9 billion yen at the end of the fiscal year and recorded the provision of allowance for doubtful accounts of 3.5 billion yen. There is also the possibility that the provision of allowance for doubtful accounts will increase if the value of the securities accepted as collateral plummets. We are striving to recover customers' borrowing on margin transactions, taking legal measures.

GMO INTERNET GROUP

- Other

[Q6] Please tell us about the progress towards the air transportation revolution. There was also a press release a few days ago about a trip to the stratosphere by a balloon-shaped spacecraft. Is this related to the air transportation revolution?

[A6] We believe that we can put "flying cars" into practical use after the Expo 2025, Osaka, Kansai, Japan, and our group will contribute to the safety of the sky through SSL security. Although we are considering commercializing a balloon-shaped spacecraft, our first objective is to experience it.

[Q7] What kind of internal discussions did you have about the change in the accounting period?

[A7] At most listed companies, the fiscal period ends in March, and we have started discussions based on the disadvantages of having companies with different accounting periods within the group. After that, we revised our plan to change the accounting period in order to appropriately respond to changes in the funding environment due to rapid changes in the interest rate environment.