

# GMO INTERNET GROUP

## Q1 FYE 12/23 Results Presentation - Q&A

The following is a summary of questions received from participants at the earnings presentation held on May 11, 2023, and answered by GMO Internet Group CFO Yasuda, Group Executive Officer Inagaki, and GMO Ad Partners Representative Director Hashiguchi. Some of the answers have been supplemented by the IR department.

### ●Consolidated Financial Results

【Q1】 What do you think about the market's skepticism about the possibility of achieving 15 fiscal years of sales and profit growth this year, given the one-time factors in the previous fiscal year?

【A1】  
(Yasuda) The management team is also strongly determined to achieve profit growth for the 15th consecutive year, and we believe that 1Q results also exceeded the previous year's level, excluding the impact of the provision for Thai securities. We aim to increase both sales and income mainly by building up solid recurring revenues and improving the profitability of the financial business.

【Q2】 In addition to the occurrence of delinquent receivables in GMO Pepabo's FREENANCE business and the provision of allowance for doubtful accounts in the securities business in Thailand, the cryptoassets exchange business continues to be sluggish. Is there any change in the Group's overall stance toward the financial business?

【A2】  
(Yasuda) Our basic stance will remain unchanged: we will continue to strengthen our risk management systems for the FREENANCE business and the securities business in Thailand, as appropriate for each of these businesses. In the cryptoassets exchange business, we have not changed our view that the crypto asset market is an area with potential. We will continue to build a system that will enable us to generate profits when the time is right.

### ●Internet Infrastructure

【Q3】 Infrastructure sales growth was strong with a 21% increase, what are your thoughts on sustainability?

【A3】  
(Yasuda) The infrastructure revenue model is a sustainable revenue model, partly because it is a solid recurring revenues model.

In 1Q, in addition to these revenues, there was a temporary impact from a large deal at GMO Financial Gate, the consolidation effect of Ierae, and a period of demand, resulting in stronger numbers.

【Q4】 What are the PL impacts of IERAE?

【A4】  
(Inagaki) IERAE's 1Q was a period of demand, and the company returned to profitability with sales of 1.5 billion yen and operating income of 300 million yen. Amortization of goodwill and other items amounted to 200 million yen, pushing up segment profit by 100 million yen.

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- 【Q5】 What are the numbers of accounts, inquiries, etc. for the new SaaS-type product?
- 【A5】 Since it has only been a short time since the launch, we are not at a stage where we can give specific figures, but we are getting a good response from the numbers reported daily from the field. We will report to investors at the appropriate stage.  
(Yasuda)
- 【Q6】 Why do you state that despite the price revision, the impact on earnings is negligible?
- 【A6】 The short-term impact on performance is assumed to be minor since it will be prorated over the period. The impact will be phased in as the period progresses.  
(Yasuda)
- 【Q7】 The price revision in the MakeShop has been added in this document, but will there be price revisions announced for other products in the future?
- 【A7】 Our basic policy is to compensate for cost increases related to the weak yen and the shortage of semiconductors through corporate efforts. However, if the cost increase cannot be compensated by corporate efforts, unfortunately, we will have no choice but to pass the cost increase on to the customer in the form of a price increase.

Under the current situation, we do not think it is necessary to revise prices, but if the yen depreciates further, it may be necessary to take action.

## ●Internet Finance

- 【Q8】 The financial business would have had the best performance if the impact of the Thai securities business were excluded. What factors contributed to the growth in earnings?
- 【A8】 The impact of measures to improve profitability in FX, which we have been working on since the fourth quarter of the previous year, has been significant. CFDs also continued to perform well, reflecting increased volatility.  
(Yasuda)

## ●Online Advertising & Media

- 【Q9】 Sales are increasing, but profits are falling. Is this due to increased costs or lower margins?
- 【A9】 There has been no decline in margins. There was a continuous increase in costs, including personnel expenses and development investments. However, one-time factors such as recruiting and advertising distribution costs had a greater impact.  
(Hashiguchi)
- 【Q10】 Some in the stock market are concerned about future advertising market conditions. How does management see it?
- 【A10】 There is certainly a cautious trend in some industries, partly due to the state of economic activity. However, the digital shift in the advertising market is rather accelerating now that Corona has dawned. There is a growing trend to utilize online advertising as an alternative to existing mass advertising. Expectations outweigh the sense of uncertainty.  
(Hashiguchi)

## ●cryptoassets

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【Q11】 What is the status of hash rates in the cryptoassets mining business?

【A11】 As for hash rates, the 1Q average remained in the low 300PH/s range. On the other  
(Hashiguchi) hand, the utilization rate has temporarily declined and is now in the 200PH/s range.

●Other

【Q12】 What are the positive and negative impacts of ChatGPT that you are considering internally?

【A12】 There is no negative impact on the business side at this time. Rather, we see this as an  
(Yasuda) opportunity, and the group as a whole is working to improve operational efficiency, introduce this into our services, and develop products.

【Q13】 Regarding investment in human resources, you have also started the "New Graduate 7.1 Million Annual Income Program," but I would like to know what you envision the mid- to long-term personnel cost transition to be.

【A13】 Our basic approach to payroll is to return the results of profit growth to our partners  
(Yasuda) (employees) through business expansion and productivity improvement, and we intend to accelerate this approach in the future through the use of AI.

【Q14】 What is the reason for the decrease in labor costs versus the previous quarter?

【A14】 This was due to the higher level of personnel expenses in 22Q4 because of the  
(Inagaki) recording of performance-linked bonuses.

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