

GMO INTERNET GROUP

Q3 FYE 12/23 Results Presentation - Q&A

The following is a summary of questions received from participants at the earnings presentation held on November 14, 2023, and answered by GMO Internet Group CFO Yasuda, Vice President Ito, Group Executive Officer Inagaki, President and COO of GMO Financial Holdings Ishimura, and GMO Ad Partners Representative Director Hashiguchi. Some of the answers have been supplemented by the IR department.

●Consolidated Financial Results

【Q1】 There was talk about a negative impact of approximately 20 billion yen due to special factors in Q2. How about Q3? Also, could you provide the future outlook?

【A1】 In Q3, progress was made in the recovery of non-performing loans, resulting in a return gain of approximately 600 million yen combined from the FREENANCE business and the securities business in Thailand.
(Yasuda)

Regarding the FREENANCE business, as a result of implementing a restructuring of the business strategy, it is anticipated that no additional provisions will be recorded.

As for the securities business in Thailand, efforts are underway to advance the recovery through regular repayments from customers and the sale of collateral. Additionally, in order to minimize risks, measures such as the compression of outstanding credit balances are being implemented, especially in light of recent events.

【Q2】 Could you provide the total evaluation of the consolidated results of this Quarter?

【A2】 Despite some challenges in the advertising and media business, excluding special factors, the consolidated performance is generally progressing smoothly
(Yasuda)

【Q3】 We would like to hear your current thoughts on achieving 15 consecutive years of revenue and profit growth.

【A3】 Given the substantial profit of over 10 billion yen recorded in the incubation business last year, we are currently working towards achieving 15 consecutive years of increased profit in a situation where the bar is not set low.
(Yasuda)

While there was a return gain from the reversal of bad debt allowance in Q3, we will continue to focus on accumulating solid recurring profits and improving the profitability of our financial business to achieve further growth and increased profit.

●Internet Infrastructure

【Q4】 What are the PL impacts of IERAE?

【A4】 In the Q3, IERAE reported sales of approx.700 million yen and loss of around 100 million yen. Additionally, in the consolidated figures, there was an additional depreciation of 200 million yen for goodwill.
(Inagaki)

However, there is no change in the initial outlook for achieving profitability on a standalone basis for the fiscal year.

【Q5】 BASE, which is considered as the competitor in the Ecommerce Solutions business, has announced a plan change, how do you deal with it?

【A5】 With BASE enhancing both functionality and pricing, we believe that there may be some merchants withdraw. On the other hand, our group adopts a multi-brand
(Ito)

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strategy with Makeshop and ColorMe shops, and we believe we have a competitive advantage in terms of functionality and plan variations.

Ultimately, we consider functionality and cost-effectiveness to be crucial factors, and we will respond by steadily enhancing functionality.

●Online Advertising & Media

【Q6】 You can see a deceleration in performance in the Advertising and Media business. Could you please provide the background and your outlook for the Q4 and beyond?

【A6】 This fiscal year, our in-house AD network advertising has been showing a soft trend in anticipation of cookie regulations. We have been compensating for this through Advertising and Media segment. However, with the recent changes in advertising demand in the latter half of the year, the negative impact of advertising agency services has temporarily increased.

(Hashiguchi)

While there is no significant disruption to our internal structure, we have not yet observed a substantial bottoming out in the Q4.

We aim for a revival through increased deals with new customers acquired in the latter half and group-wide restructuring

●Internet Finance

【Q7】 Since Q4 last year, you have continued to emphasize profitability in your operations. What is your outlook for Q4 and beyond, including your approach to campaign measures?

【A7】 As you noted, since Q4 last year, we have implemented measures to stabilize profitability in our FX and CFD operations with positive outcomes. Considering the market environment and potential events that could increase volatility, such as interest rate trends, we anticipate the risk of a downturn in performance to be low.

(Ishimura)

Regarding campaigns, given the current dynamism in the FX market, we are looking to move forward with initiatives aimed at acquiring new customers and re-engaging inactive ones, depending on our financial performance.

●Cryptoassets

【Q8】 The deficit has been gradually increasing every quarter since the beginning of this fiscal year, and we would like an outlook for the period after the fourth quarter.

【A8】 As for the Cryptoassets exchange business, the market environment has been improving in October and November. We have established a system to ensure earnings as transaction volume increases. Therefore, we encourage you to review the monthly disclosure of transaction volumes

(Ishimura)

【Q9】 Mining sales declined in QoQ, what is the situation in HR? What is the outlook for the future?

【A9】 Due to operational issues at the local mining center, the utilization rate has been sluggish, and the hash rate has declined to around 100 PH/s. However, fixed costs keep low, and with cost containment efforts, the deficit remains at a level similar to the Q2. Although a low utilization situation is expected to continue in the future, we anticipate that the impact on performance will be minor.

(Ito)

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- Other

【Q10】

You increased the ownership shares of GMO Aozora Net Bank of Equity method. Could you provide insights into the impact on consolidated performance and your approach toward achieving profitability?

【A10】

(Yasuda)

We increased in equity participation resulted from the additional acquisition of Class shares. With additional investments from our group company GMO-FH, approximately 41% will be incorporated as 'equity method affiliate investment gains and losses' at the ordinary income stage starting from Q3.

Aiming for a shift to profitability in March FY2025, we are actively supporting the steady execution of the new mid-term management plan, which involves fundamentally strengthening our core business to enhance overall profitability. Currently, we have dispatched executives from GMO-IG and are focusing on strengthening web marketing initiatives.

【Q11】

Your company is advancing the initiatives in AI-related activities, I would like to hear your current thoughts on the performance contribution and monetization timing of the AI-related business.

【A11】

(Yasuda)

We are so much passionate about engaging in initiatives related to AI across in the whole company. However, to be honest, there is currently limited visibility into specifics such as the timing of monetization.