

GMO INTERNET GROUP

Q4 FYE 12/23 Results Presentation - Q&A

The following is a summary of questions received from participants at the earnings presentation held on February 13, 2024. The questions are answered by Founder & Group CEO Masatoshi Kumagai, CFO Masashi Yasuda, and GMO Ad Partners Representative Director Hashiguchi. Some of the answers have been supplemented by the IR department.

●Consolidated Financial Results

【Q1】 Regarding the outlook for consolidated operating income for FY December 2024, in addition to the increase in income from the core businesses, are there any businesses expected to provide additional benefits, or are there negative factors that could lead to a reactionary decline?

【A1】
(Kumagai) For the 2024 fiscal year, we expect our infrastructure, which is mainly driven by solid recurring revenues, to continue its growth trajectory. The investment in GPU servers will undergo proportional amortization, minimizing its impact on our financial performance. In the financial sector, despite the effects of provisions for our Thai securities business over the last two years, we anticipate a reduced impact in the current fiscal period.

To summarize, although 2021 and 2022 were marked by some discontinuous factors, 2023 is expected to be characterized by fewer such factors, and it would be beneficial to adhere to the current trend line.

【Q2】 In the financial business, there was an increase in the balance of non-performing loans related to the Thai securities business. Also, in the cryptoassets business, hash rates in the mining business remained sluggish, etc. We would like to hear the president's assessment.

【A2】
(Kumagai) As for the financial business, FX, our mainstay product, posted record-high performance. In addition to profitability improvement measures, streamlining of the organization and system improvements were successful. In the Thai securities business, additional provisions were incurred due to fluctuations in the stock prices of securities underwritten as collateral. Since there is little room for further decline in the stock price level, we believe the downside is limited. We are also restructuring the business model itself and working to reduce the balance of receivables.

In the cryptoassets business, we believe that the boom in the crypto asset market will be a tailwind for the exchange business. On the other hand, we do not plan to actively develop our mining business in the future.

●Internet Infrastructure

【Q3】 I believe the Q4 2023 financial results were notably strengthened by the infrastructure business. It seems that divisions other than the GMO Payment Gateway are particularly contributing to this performance. Could you explain the factors behind this?

【A3】
(Yasuda) As observed, Q4 2023 demonstrated significant strength in both payment and non-payment service sectors. Specifically, the segment overall achieved an increase of 4.2 billion yen, with notable contributions including 1.4 billion yen from GMO Brand Security, 0.7 billion yen from GMO-PG, 0.6 billion yen from GMO-IG, and 0.3 billion yen from GMO Cybersecurity by IERAE.

GMO INTERNET GROUP

【Q4】 The contribution of GMO Brand Security is prominent as a driver of profit growth in Q4 2023, but what should we think about sustainability?

【A4】
(Kumagai) We do not anticipate that the scale seen this quarter will continue indefinitely. However, this is not merely a one-off opportunity; there is some degree of sustainability to it. Given the steady demand, we are currently exploring ways to develop a sustainable revenue model for the future.

【Q5】 Could you provide more detailed information on investing in GPU servers? I am particularly interested in the relationship between the investment amount and any available subsidies, the amortization period for this investment, and the target customer base we expect to serve.

【A5】
(Kumagai) We are planning an additional investment of 10 billion yen, contingent upon the successful approval of our grant application. While the approval process is currently under meticulous review, We are hopeful that all necessary requirements will be met. The investment is expected to be depreciated over a period of 5 years. As for the business model, it will focus on providing cloud hosting services specifically designed for AI developers.

●Online Advertising & Media

【Q6】 In the financial results following Q3 2023, it was mentioned that the demand was reasonably good, yet this doesn't seem to reflect in the P&L statement. Could you elaborate on your perspective regarding the business environment and how you are addressing it?

【A6】
(Hashiguchi) As noted, the performance in the first half of 2023 maintained the strong level of the previous year. However, with the full-scale reopening of the economy in the latter half of 2023, we've observed a trend where clients are exercising increased caution in budget allocation, influenced by the segmentation and diversification of marketing strategies. This trend has presented challenges for our advertising agency operations. Additionally, our in-house developed ad network advertising has faced further challenges due to more stringent advertising standards and the adverse effects of cookie regulations. To address these issues, we are focusing on our proprietary products by integrating our advertising agency and ad tech entities within the group, aiming for a V-shaped recovery.