

GMO INTERNET GROUP

Q1 FYE 12/24 Results Presentation - Q&A

The following is a summary of questions received from participants at the earnings presentation held on May 10, 2024. The questions are answered by GMO Internet Group CFO Masashi Yasuda, Group Executive Officer Inagaki, Head of GPU Cloud Services Tone and President and COO of GMO Financial Holdings Ishimura. Some of the answers have been supplemented by the IR department.

●Consolidated Financial Results

- 【Q1】 Are there any one-time factors that boosted operating income in Q1?
- 【A1】 The crypto asset exchange business is performing well, partly due to market factors, but we don't think there were significant one-time factors.
(Yasuda)
- 【Q2】 The increase in operating income was larger than the increase in sales. Can you explain the factors?
- 【A2】 There are three main reasons. First, there was an expansion in the performance of each of the infrastructure businesses. Second, the performance of the crypto asset business, which has a high marginal profit margin, significantly contributed to returning to profitability. Lastly, one-time costs that were recorded in the securities business in Thailand during the same period last year were not incurred this fiscal year.
(Yasuda)
- 【Q3】 Profit progress in Q1 appears to be strong. If excess profits are generated, are there any business areas in which you would like to accelerate investment for growth with a view to medium-term growth?
- 【A3】 Currently, we do not have any specific areas planned. In the past, we have made strategic investments using profits from the first half of the year as a source of funds, so this will be a decision to be made on a case-by-case basis.
(Yasuda)

●Internet Infrastructure

- 【Q4】 What is the reason for the significant decrease in the revenue growth rate of the infrastructure business compared to the same period last year?
- 【A4】 There were two main factors. The first is the high level of the previous year's figures, and the second is technical factors. First, in the same period of the previous year, there was the effect of the new consolidation of IERAE and the impact of the large GMO-FG project, as well as a change in accounting treatment in the EC support business from the fourth quarter of 2023, with the net amount accounting applied, which had an impact of approximately 400 to 500 million yen. None of the above is a one-time event and has not caused any change in business conditions.
(Yasuda)
- 【Q5】 Please explain the contribution of non-listed subsidiaries to the operating income growth of the infrastructure business.
- 【A5】 Excluding the listed group companies, the non-listed parts of the GMO Internet Group saw an increase of about 300 million yen in its core operations. No other division reported an increase exceeding 100 million yen, and the overall 30% profit increase was achieved through their individual contributions.
(Inagaki)
- 【Q6】 The operating margin for the infrastructure business has exceeded 20%; can it be maintained toward the end of this fiscal year?
- 【A6】 There were no special factors affecting this quarter's operating income, and we

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(Yasuda) consider it to be fundamentally sustainable. However, please note that Q1 is a seasonally strong quarter, which may skew the figures. Additionally, if business progress is strong in each division, investments may be made in the latter half of the fiscal year.

●Internet Finance

【Q7】 What is the outlook for reserves for the Thai securities business?

【A7】 We have been working to reduce margin trading balances, and have reduced them by over 10 billion yen in just over a year, but the balance still exceeds 30 billion yen. We have not eliminated the risk of additional reserves being required for this margin balance. We believe that separate measures are needed to collect receivables and further reduce the margin balances. We will continue to assess and implement effective measures.

(Ishimura)

●GPU cloud service

【Q8】 Please tell us about your GPU cloud service, how it differs from other companies, and what makes your company unique.

【A8】 We believe our advantage lies in providing the fastest access to NVIDIA's latest GPU, the H200, and offering a cloud environment that maximizes GPU performance for multi-GPU setups, as recommended and certified by NVIDIA, at a competitive price.

(Tone)

【Q9】 Am I correct in understanding that the net investment in GPU cloud services is about 5 billion yen, reflecting the initial 7.1 billion yen investment plan minus 1.9 billion yen in subsidies?

【A9】 Your understanding of the cash flows is correct. We will inform you how it is represented in the profit and loss statement, including the treatment of subsidies, as soon as the details are finalized.

(Yasuda)

【Q10】 How do you see the profitability of GPU cloud services? Also, what is the depreciation period?

【A10】 We will update you on profitability as we progress with customer coordination. Since we plan to start operations in December, the impact on earnings for the current fiscal year will be minimal. The depreciation period is planned to be 5 years.

(Tone)