

GMO INTERNET GROUP

Q3 FYE 12/24 Results Presentation - Q&A

The following is a summary of questions received from participants at the earnings presentation held on 12 November 2024. The questions were answered by GMO Internet Group CFO Masashi Yasuda, Group Executive vice president Ito, Group Executive Officer Inagaki and President COO from GMO-FH Ishimura.

●Internet Infrastructure

【Q1】 On page 15, which companies other than GMO-PG had the largest contribution to the profit-and-loss impact of the infrastructure companies?

【A1】 In the infrastructure segment, the largest contribution came from the domain, hosting, and provider businesses operated by GMO Internet Group itself (to be taken over by GMO Ad Partners, Inc. on January 1, 2025). Also, the cybersecurity business made a relatively large contribution, and the accumulation of these companies has led to a profit generation trend.

GMO Pepabo's profit increase appears large, but this is mainly due to the difference from last year's one-time expenses of approximately 1.2 billion yen.

【Q2】 While the increase in profits from the infrastructure segment has been strong, which products of the GMO Internet Group have contributed particularly to profits?

【A2】 There are no major fluctuations at the quarterly level, as each of the businesses is basically composed of a recurring revenue that has built up a solid recurring model. This is the result of the accumulation of strong performance in each of the domains, cloud hosting, and provider businesses. We expect that they will continue to contribute to growth as the stock products.

【Q3】 What can you tell us about GMO GPU Cloud service when to be released and the length of the main contract?

【A3】 We plan to provide the service for many customers, as a trial in November for the launch. And we have received many applications almost on schedule. In our current discussions with customers, many of them are ensuring a contract for around one year. However, because the AI industry changes quickly, we would like to disclose more detailed information after the status of customer contracts is finalized.

【Q4】 What is the profit impact of the brand security business compared to the same period last year?

【A4】 GMO Brand Security reported a decrease of slightly more than JPY 500 million from the same period of the previous year. This was due to a sales boost from a huge transaction last year.

●Group strategy

【Q5】 Is there any possibility that you, as the parent company, will control the investments of individual companies to achieve the 15% growth target for the group as a whole?

【A5】 We recognize the need for company-wide growth of at least 15%, and we are taking actions internally to achieve our goals. However, currently we are not restricting strategic budgeting to companies that are meeting their profit targets.

【Q6】 Regarding growth in investments in the fourth quarter, please tell us what strategic plans are being implemented in the main businesses.

【A6】 We do not plan to make large investments of double-digit billion yen. Each company in our group is committed to sustained growth of at least 15% in profits each fiscal year. Under such a situation, there is a possibility that some of the group companies with budgetary capacity may make strategic investments in the tens to hundreds of millions

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of yen range, which may slightly affect in profit growth.

- Transition to holding company structure

【Q7】 With the transfer of the business to GMO Ad Partners, GMO Internet Group may be transitioning from business holding company to an investment company. If this is the case, will there be any change in your approach to shareholder returns?

【A7】 We have no plans to change our shareholder return policy currently. We intend to stay within the framework of our current shareholder return policy. The positioning of the Company as an investment company seems unfit to us and is not what we want.

【Q8】 The sale of shares of the new GMO Internet Inc. to maintain its prime listing will be a capital transaction not through a PL. How do you think this relates to the existing shareholder return policy framework?

【A8】 The group shareholder return policy is to return a percentage of profits to shareholders, and so-called gains from the sale of subsidiary shares are not included in this policy because they are capital transactions. However, although there is no specific policy at this time, there have been cases in the past where dividends were paid out of the increased surplus amount equivalent to the gain on the sale of shares in subsidiaries.

【Q9】 What will be the future focus areas of GMO Internet Group as it transitions to a holding company?

【A9】 We specialize in group management functions; this position will serve as the foundation for optimizing the business portfolio and creating group synergies. The most important mission is to play a close and supportive role in the growing group companies.

- Thai securities business

【Q10】 Are there any possibilities that making extraordinary losses such as withdrawal-related expenses or loss on finalizing the Thai business?

【A10】 We are in the process of reimbursing our customers for the service to be terminated in December 2024. In case with the absence of repayment, we might incur a loss on the sale of the asset in the market or otherwise. The loss associated with the termination of the business is not extraordinary losses, but losses as the business and will likely be charged to expenses, which are expected to affect in operating profit.

【Q11】 Regarding the loss of JPY 2.2 billion in the third quarter, what is the status of recovery and qualitative assessment of the reserves in the last three months? Also, what will happen if the customer does not sell or repay the loan after the service ends in December?

【A11】 Repayments are increasing as we get closer to the service termination deadline, and after December, we basically expect to collect through sales, with smaller, more liquid loans being sold on the market, and if less liquid, larger amounts being switched to installment repayment agreements. The accounting treatment for the case where the year is extended is currently under discussion with the auditing firm.

- Other

【Q12】 What disclosures does the new GMO Internet Inc. plan to make at its next fourth-quarter earnings presentation?

【A12】 We plan to disclose our full-year forecast for FY2025 and our growth strategy by

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(Ito) product and category at the time of this earnings announcement in February 2025. We are currently in the process of classifying and preparing for the integration of the holding and business functions.