GMO Internet Group, Inc.

FY24Q2 Earnings Announcement

August 8, 2024

Event Summary

[Company Name]	GMO Internet Group, Inc.
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[Venue Size]	
[Participants]	
[Number of Speakers]	2

Masashi Yasuda	Director, Executive Vice President and Group CFO, Deputy to Group CEO
Noriko Inagaki	Group Executive Officer, General Manager of Group Financial Department

Presentation

Moderator: Hello everyone. Thank you very much for taking time out of your busy schedules today to attend GMO Internet Group, Inc. FY2024 Q2 Earnings Announcement.

We are pleased to announce the speakers for today's briefing. Masashi Yasuda, Executive Vice President and Group CFO, will speak in the first half, and Noriko Inagaki, Group Executive Officer, General Manager of Financial Department, will speak in the second half.

Today, the earnings briefing will be followed by a Q&A session. Presentation materials regarding earnings are available on the Company's website. After the event, a link to the survey will be displayed, and we would appreciate it if you could answer the questions. Thank you very much for your cooperation. Now, Mr. Yasuda, Executive Vice President, will give an explanation.

1．Overview
2．Group Management Strategy
3．Group Overview
4．Segment Report
   i) Internet Infrastructure
   ii) Online Advertising & Media
   iii) Internet Finance
   iv) Cryptoassets

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Yasuda: My name is Yasuda, GMO Internet Group CFO. Thank you for attending today's earnings announcement. Our company's fiscal year ends in December, so I will explain our financial results for the period from April to June. Thank you very much for your cooperation.

First of all, today's agenda is as you see it. I will explain the conclusion and summary and the Group management strategy, and thereafter, Ms. Inagaki, Group Executive Officer and General Manager of Financial Department, will explain the rest. Thank you for your cooperation.

Overview | Executive Summary: Q2 FY2024

Despite a strong performance in the infrastructure segment, overall results were flat year-on-year due to the sluggish Thai stock market.

(JPY billions)	Q2'23 (Apr-Jun)	**Q2'24 (Apr-Jun)**	YoY Change	Change
Net Sales	64.4	**67.6**	+3.1	+4.9%
Operating Profit	9.6	**9.5**	-0	-0.6%
Ordinary Profit	10.6	**9.7**	-0.8	-8.2%
Net Profit	2.4	**2.2**	-0.2	-8.7%

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Now, I would like to start my presentation. The first is an executive summary.

As you can see, the figures show an increase in sales and a decrease in profit. Although the Internet infrastructure businesses performed very well, profits remained at the same level as in the previous year due to allowance for doubtful accounts incurred by a securities business in Thailand, which pushed down profits.

Overview | Executive Summary: Q2 FY2024

Segment				Comments	Evaluation Q2	Evaluation Q1
Internet Infrastructure	Net sales	JPY**45.6B**	(Up **7.3%** YoY)	• Overwhelmingly No.1 services, both settlement and non-settlement well performed. ◎ • Generated quarterly profit of ¥9 billion for three consecutive quarters. ◎	➡ ◎	◎
	OP	JPY **9.4B**	(Up **57.3%** YoY)			
Online Ad & Media	Net sales	JPY **8.2B**	(Down **2.2%** YoY)	• Although the Advertising Agency business was weak, the Affiliate and Media business compensated for it.	△	△
	OP	JPY **0.5B**	(Up **57.3%** YoY)			
Internet Finance	Net sales	JPY **10.8B**	(Down **11.5%** YoY)	• FX : Significant decrease from the previous year, which had been strong. △ • CFD : Both transactions and revenues remained strong. ○ • Overseas : Recorded ¥4.5 billion allowance for doubtful accounts at Thai securities business, and the service will be terminated. ×	➡ ×	○
	OP	JPY **-0.6B**	(Down **4.5B**)			
Cryptoassets	Net sales	JPY **1.7B**	(Up **86.1%** YoY)	• Exchange business was good, and keeps profit for three consecutive quarters	○	○
	OP	JPY **0.3B**	(Up **0.8B** in Q2'23)			

Next is a summary for each segment. A qualitative evaluation by management is included on the far right, along with the previous quarters.

First, the Internet infrastructure segment is rated as ◎. Net sales hit a record quarterly high due to the accumulation of solid recurring revenues.

Quarterly operating profit exceeded JPY9 billion for the third consecutive quarter. In addition to the numbers piled up in the Internet infrastructure business units, this quarter also saw contributions from the brand security business. We have realized how rock-solid the solid recurring revenues are, which are brought about by the congregation of the overwhelming number one services.

Next is the online ad and media segment, which is rated as △. Both sales and profit decreased. Net sales were negative due to weakness in the advertising agency business, which accounts for a large proportion, but on the other hand, the strong performance of GMO TECH and GMO Media services, as well as streamlining of the sales structure, contributed to an increase in profit.

And the Internet finance is rated as ✘. In addition to the decrease in sales, the segment recorded a loss due to JPY4.5 billion of allowance for doubtful accounts in a securities business in Thailand, as mentioned at the beginning of this presentation.

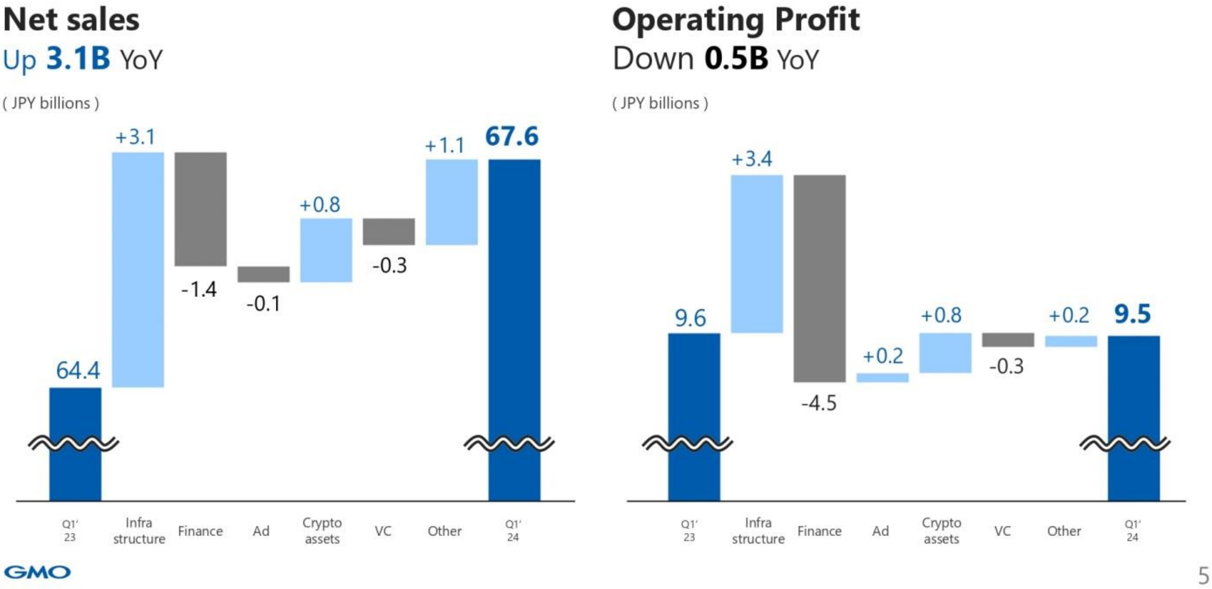
When you look at each product, FX is rated as △ with a decrease compared to the previous year, when it was strong. CFD is rated as ◯, as both trading volume and revenues were favorable.

The allowance in Thailand incurred again is, of course, rated as ✘, and has had an extremely large impact on the segment during this quarter, and we understand that they have no choice but to rate the segment as ✘. The Company has decided to terminate the margin trading service for this securities business in Thailand at the end of this year. We will continue to do our utmost to collect the debt, including responding to lawsuits.

Next is crypto assets, and this one is rated as ◯. The increase in sales and return to profitability resulted in the third consecutive quarterly profit. The booming crypto asset market led to an increase in trading volume and revenues from the exchange business GMO Coin developed.

The crypto asset market is an area of potential, and we have not changed our stance to date of building a system that is fully prepared to generate profits when the time is right.

Overview | Executive Summary: Q2 FY2024



Next is an analysis of YoY changes in sales and profit by segment. The left side shows net sales and the right side shows operating profit.

Despite the increase in the Internet infrastructure business performance and the return to profitability of crypto assets, the recording of allowance in a securities business in Thailand in the Internet finance segment I mentioned earlier resulted in an increase of JPY3.1 billion in sales and a decrease of JPY0.5 billion in profit on a consolidated basis.

As you can see, the Internet infrastructure business is performing very well, and if we eliminated the allowance in the Thailand securities business, though this is hypothetical, the operating profit level would have been close to JPY14 billion.

Overview | Executive Summary: H1 FY2024

(JPY billions)	Q2'23 (Jan-Jun)	Q2'24 (Jan-Jun)	YoY Change	Change
Net Sales	130.0	136.4	+64	+4.9%
Operating Profit	20.6	24.0	+33	+16.4%
Ordinary Profit	22.5	25.2	+27	+12.0%
Net Profit	6.3	7.7	+13	+21.7%

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Next, here are the figures for the cumulative period from January to June. The figures show an increase in both sales and profit, as shown here. Although one-time costs increased compared to the previous year, the main reason for the increase was a further increase in the profit level of the Internet infrastructure.

Overview | Shareholder Returns (Policy)

Total Shareholder Returns Ratio
50%
=
Dividend Payout Ratio
Over 33%
Quarterly dividend
+
Share Buyback
17%
Net profit at end of fiscal year to form basis of buyback in **following year**

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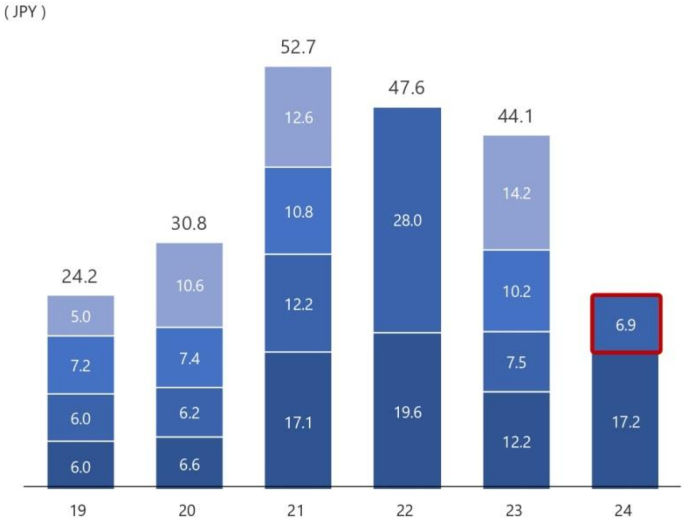
Next, I would like to discuss shareholder returns. Our basic policy is a total shareholder return ratio of 50%. Of this amount, 33% or more is allocated to dividends, and the remaining 17% is allocated to share buybacks.

Overview | Shareholder Returns (Dividend per share)



Based on our policy, **dividend payout ratio is at least over 33%**

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Here is the dividend per share. Since the Internet financial business and the crypto assets business are affected by market conditions and therefore difficult to forecast earnings in these businesses, earnings and dividend forecasts are still undisclosed for the current fiscal year. Accordingly, dividends are also announced quarterly, and the dividend for Q2 will be JPY690 million.

Overview | Shareholder Returns (repurchasing treasury stock) Expansion of acquisition quota

Total cost of share acquisition	**Up to JPY 5.0B(max.)** (JPY2.59B increase from last time)
Total number of shares to be acquired	**Up to 2.9M shares (max.)** (they will be retired, +1.8M shares compared to last time) **2.73**% of total issued shares as of June 30, 2024
Acquisition period	February 14, 2024 - February 7, 2025

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Finally, I would like to discuss the expansion of the treasury share acquisition quota. In order to improve capital efficiency, expand corporate value, and quickly implement the long-term goal of share buybacks in accordance with the basic policy, the Company has decided to increase the maximum acquisition cost to JPY5 billion, an increase of JPY2.59 billion from the initial plan.

This is an announcement that the Company will now repurchase an additional JPY2.59 billion of treasury shares, in addition to the repurchase of JPY2.41 billion of treasury shares, which was equivalent to 17% of the total shareholder return ratio, already announced at the year-end earnings announcement in February of this year.

As a result, shareholder returns will exceed the 50% total shareholder return ratio. We will continue to steadily return profits to shareholders while maintaining a balance with shareholders' equity.

Next, I would like to talk about the Group's management strategy based on the concept of GMO-ism, which we value very much, and which we have not really presented to investors at financial results briefings such as this.

First of all, we would like to share some important values with you. Since our founding, we have been committed to sharing and thoroughly adhering to GMO-ism, which is the collective term for GMO Internet Group's corporate principle and corporate motto.

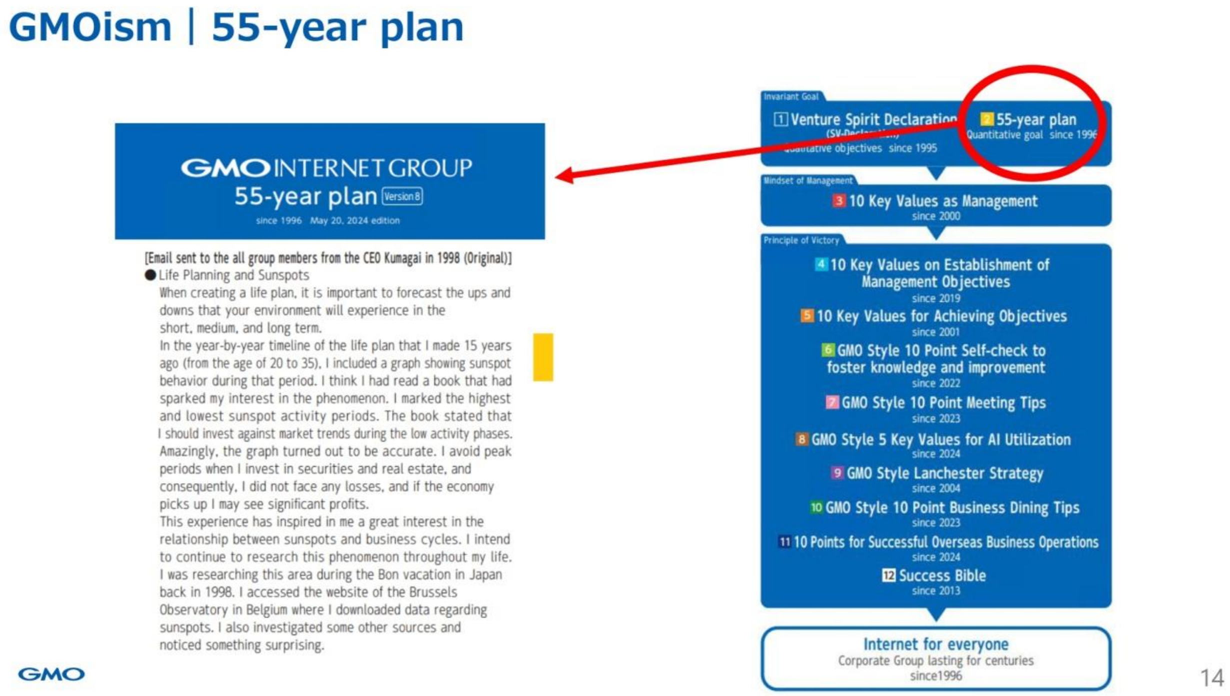
In addition to the universal goals, as you can see in this GMO-ism summary sheet, it is composed of various management know-hows.

We have been advocating and practicing this GMO-ism since 1995 when we started our Internet business. And now, as you can see in the pictures, 7,800 partners from Japan and abroad gather regularly to chant our GMO-ism.

By sharing the values of GMO-ism, we have been able to continue to grow by all running in the same direction and doing our best, even though we are a congregation of many group companies.

Many companies may think of their corporate principle and motto as something stiffly framed, but we have been updating our GMO-ism year after year.

We believe that the reason we have been able to survive in the Internet industry is because we continue to improve and read out this GMO-ism and share and thoroughly implement it with all of our group partners. Our Venture Spirit Declaration, which is a part of this GMO-ism, is also available on our website, so please take a look at it.



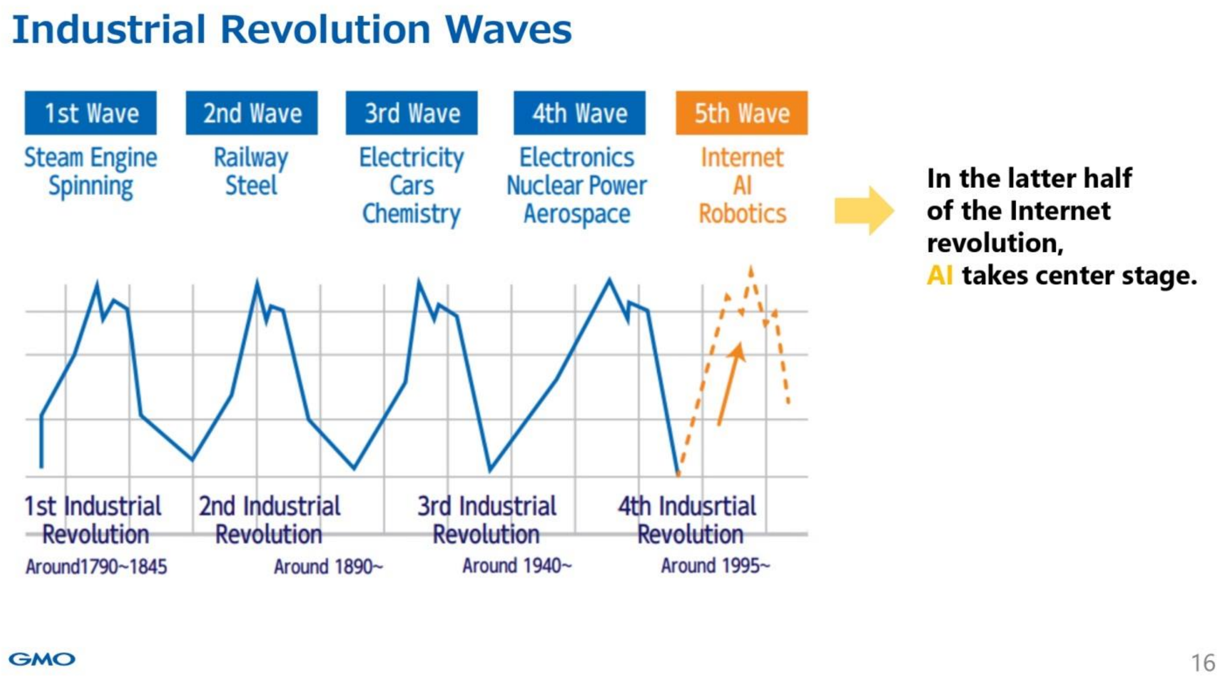
Now, I would like to talk about a 55-year plan, which is a very important, super long-term quantitative goal in GMO-ism.

This one was set up in 1998 by Mr. Kumagai, the founding manager, and is a plan to become a corporate group with sales of JPY10 trillion and ordinary profit of JPY1 trillion by 2051.

This is not a general medium-term management plan or business plan that we promise to investors at IR meetings like this, but rather a commitment goal the entire group shares to achieve high growth as a group. This one started with an e-mail sent by Mr. Kumagai to all partners at that time in 1998 and was shared with all Group partners.

And here is a slide showing a graph of this 55-year plan. The Venture Spirit Declaration also includes a sentence stating that all quantitative goals in GMO Internet Group are planned based on a 55-year plan, which has become a common language for the Group's partners; for example, it is now a premise for the formulation of internal annual goals.

We are just at the midpoint of this 55-year plan in 2023, and we are in the second half of the Internet revolution that we are aiming for. And to accomplish this 55-year plan, if we work backward from this, we will need to grow profits by at least 15% every fiscal year. We will continue aiming to accomplish this 55-year plan [inaudible] through sustained growth.

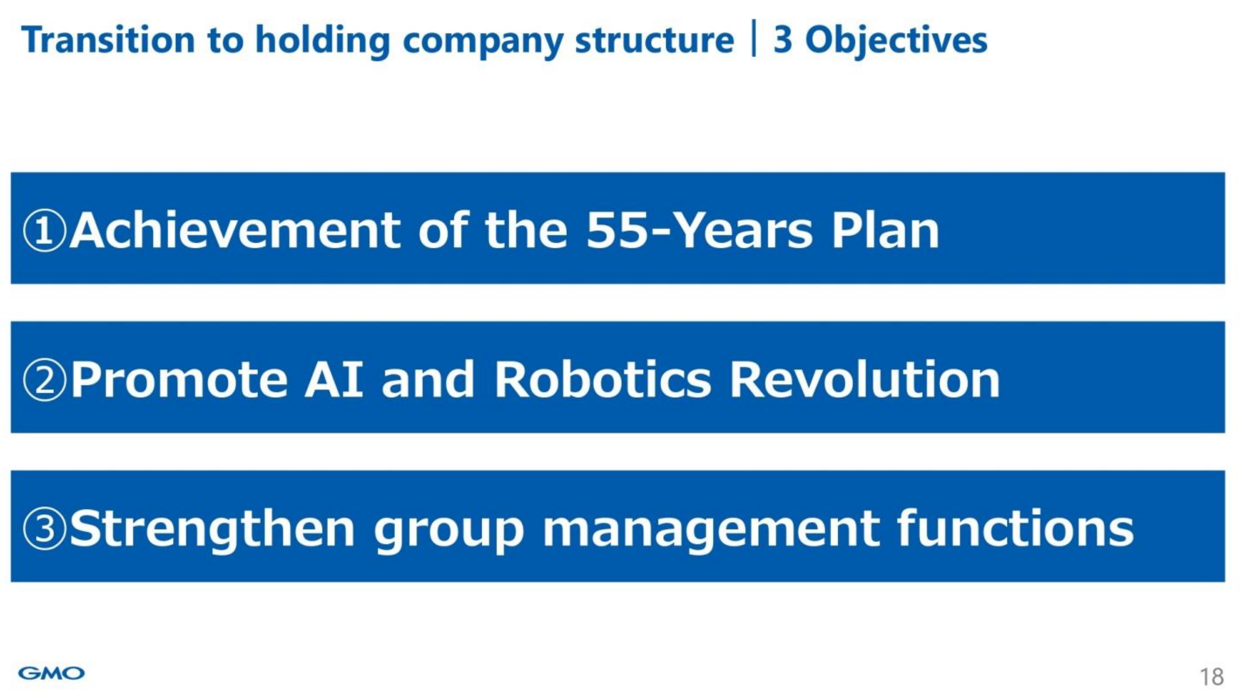


Now, here is a graph showing the cycles of past industrial revolutions. This shows that the global economy repeats business cycles in cycles of about 50 years. Aligned with the bottom of this graph are the technological innovations that triggered each industrial revolution.

It is said that we are now in the fourth industrial revolution, and 29 years on from the Internet revolution, if Windows 95 was the starting point of it, AI will play a leading role for the remaining 26 years from now on, which is past the halfway point.

Mr. Kumagai's expectation that the Internet would expand in this first half of this industrial revolution, was right. And I am also convinced that in this second half of the Internet industry, AI will play a leading role in making the world more convenient.

In June of this year, we announced the transition to a holding company structure in preparation for the second half of the Internet revolution. I would like to talk about that goal again.



There are three objectives of this transition to a holding company structure. The first objective is to accomplish the 55-year plan that I have just explained. The second is to promote the AI and robotics revolution. And the third is to strengthen the Group management functions. I will discuss each of these in more detail.

The first is the achievement of the 55-year plan, a super long-term goal.

As I mentioned earlier, we, GMO Internet Group, are a group gathered to accomplish our 55-year plan, which is an unchanging goal. The transition to a holding company structure will ensure an aggressive management structure, accelerate the pace of growth, and achieve the 55-year plan.

The second is the promotion of the AI and robotics revolution.

The AI and robotics revolution is said to be a technological revolution that will bring dramatic changes to all aspects of society, the economy, and our lives by combining AI and robotics to enable robots to learn and perform complex tasks independently.

With an eye on the progress of the AI and robotics revolution, we established GMO AI & Robotics Corporation, also known as GMO AIR, in June.

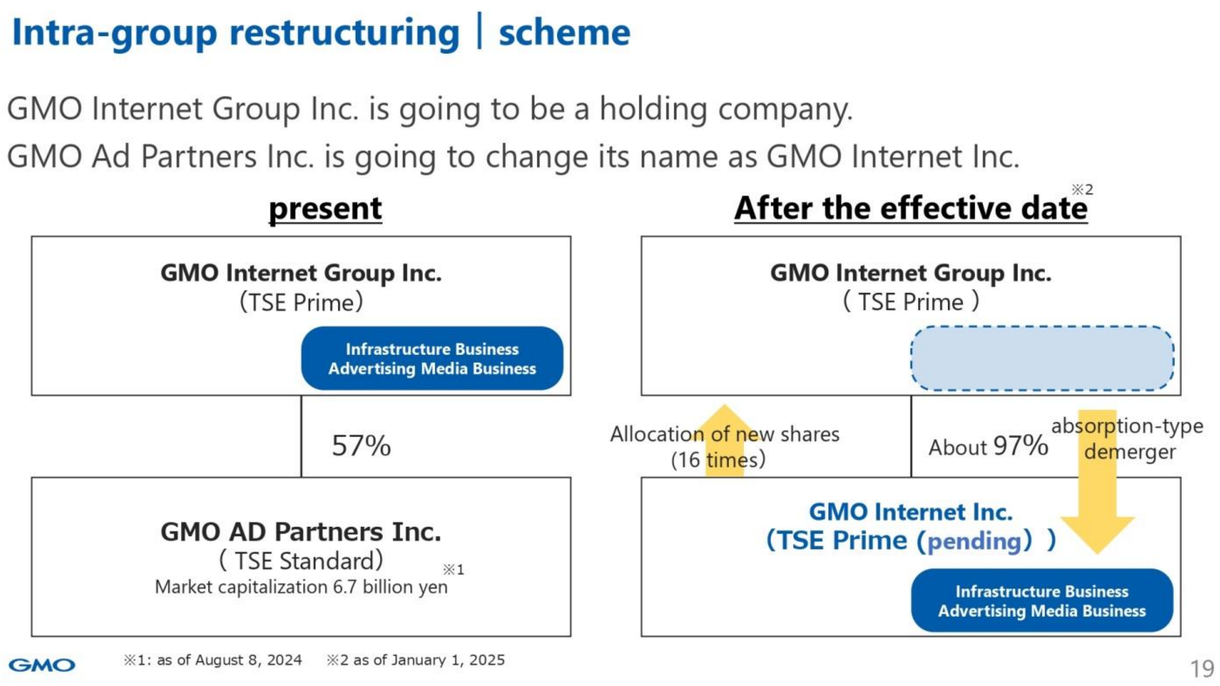
The transition to a holding company structure will eliminate conflicts among the Group's businesses, thereby organizing the business flow and enabling the more smooth creation of synergies. In other words, we are ready to run through the AI robotics revolution as fast as possible.

And the third is to strengthen the Group management functions.

As GMO Internet Group has grown in size, the Group management and Group administrative functions have been challenged under the business holding company structure.

For example, in this year's case, non-performing loans were incurred by a securities business in Thailand. We are currently discussing within the Company if the Group has an adequate governance function in this matter.

By shifting to a holding company structure, GMO Internet Group will focus on group management functions, thereby further strengthening the structure to achieve sustainable growth for the Group as a whole.

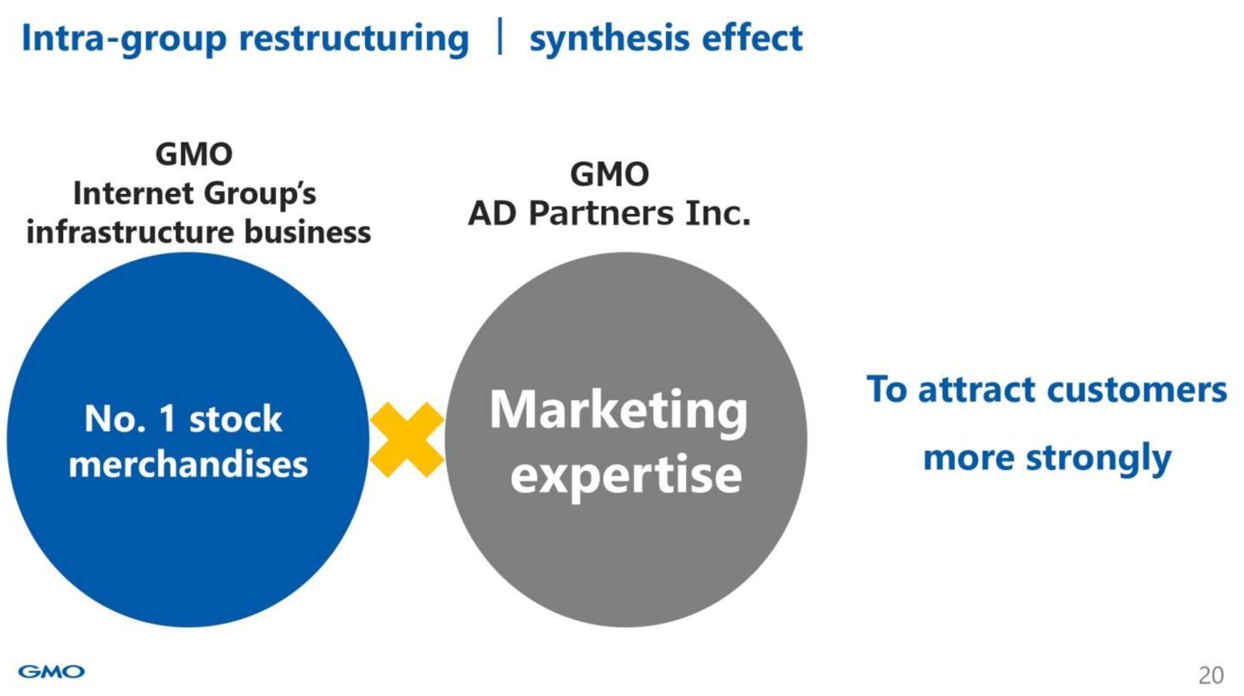


Now, let me continue with a brief explanation of the restructuring scheme within the Group. On January 1 of next year, the effective date, the businesses of GMO Internet Group Inc. will be integrated with GMO AD Partners, Inc. through an absorption-type split.

GMO Internet Group will then be allotted newly issued shares by GMO AD Partners as consideration for integrating its businesses.

The allotment of 16 times the current number of outstanding shares of GMO AD Partners will increase our equity stake in GMO AD Partners from the current 57% to 97%. In addition, the market capitalization of GMO AD Partners will also increase as a result of this business integration due to the increase in the total number of outstanding shares of GMO AD Partners.

GMO AD Partners' market capitalization based on yesterday's closing price was JPY6.7 billion, so a simple calculation shows that the Company's market capitalization is 17 times this figure, equivalent to JPY115 billion.



Here is a brief summary of the effects of this integration. We anticipate very strong synergies in customer acquisition from this integration. The Internet infrastructure business of GMO Internet Group, which is to be integrated, has the number one stock merchandise – domains, hosting, and access – with the web being the main channel for attracting the customers.

By combining the marketing know-how of GMO AD Partners, a professional web marketing group, with GMO Internet Group's businesses, we expect to attract more web customers and accelerate the speed of growth.

②Promote AI and Robotics Revolution

GMO

AI&ロボティクス商事

Become a

general trading company

of AI and robots

GMO 21

②Promote AI and Robotics Revolution | GMO AIR

GMO AIR

AI and Robotics for Everyone

AI GMO ROBOTs

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Next, I would like to share with you about GMO AI & Robotics Corporation, or GMO AIR, which I introduced earlier.

Some have projected that Japan will face a shortage of 11 million workers by 2040. GMO AIR was established with the aim of encouraging the wide use of AI, robots, and industrial drones in Japan in order to break through the foreseeable near-future situation and promote the growth of the Japanese economy.

We will collect information on AI and robots from all over the world, coupled with the Group's technological synergy, and disseminate it in Japan, aiming to become a general trading company of AI and robots, as our company name suggests. Since the announcement of the establishment in June, we have received many inquiries.

We are in the process of determining the direction of the project through interviews with AI and robot manufacturers and customers. As for monetization, we expect to start in the next fiscal year or later, so we would be happy to follow up with you and provide updates as needed.

Become a group that will continue to win over the next century

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With this action, we will further strengthen the foundation of our corporate group, which will continue to win in 100-year increments, accelerate our growth, and achieve the 55-year plan, our super long-term goal. Thank you again for your cooperation.

Strengths

GMO

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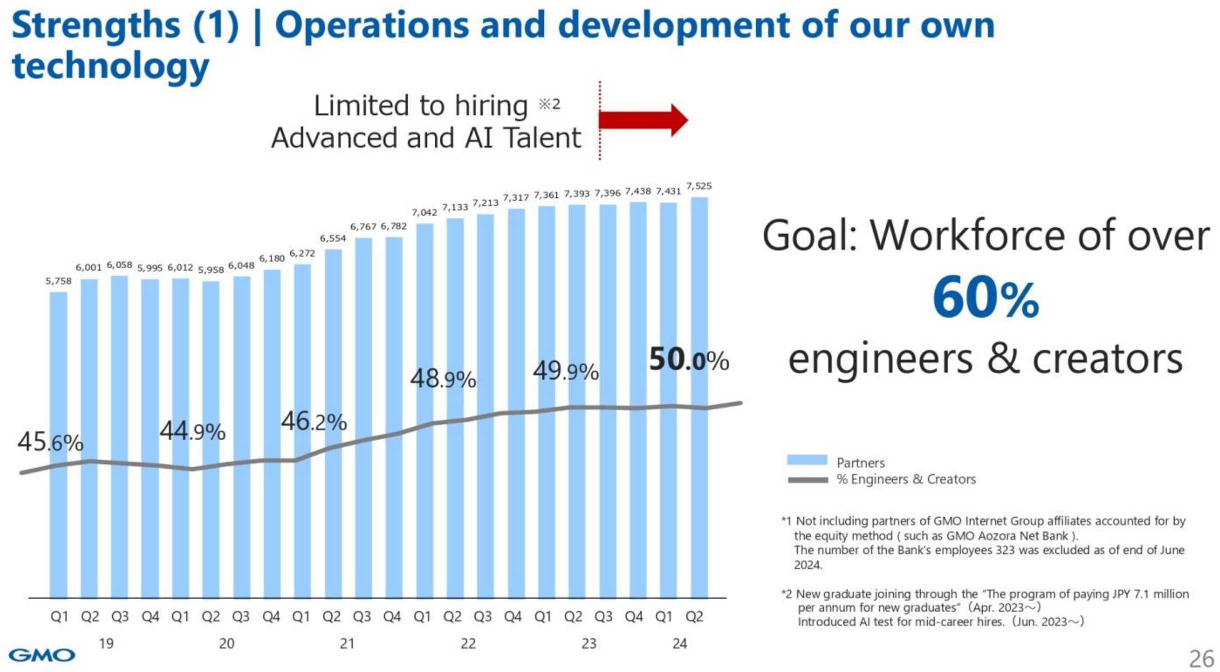
Now, from the next part, Strengths, Ms. Inagaki, Group Executive Officer and General Manager of Financial Department, will give an explanation.

Inagaki: My name is Inagaki, GMO Internet Group Executive Officer. Thank you for your attention. Before going into the details of our business performance, I would like to reiterate the strengths of us, GMO Internet Group. We have added another strength since the previous quarter, and there are three major strengths.



The first is our commitment to the operations and development of our own technology. In order to continue to win in the fast-changing Internet industry, we consider our commitment to number one services to be an important issue to be addressed.

We, therefore, believe that we must be a manufacturing company that creates and operates on our own. What will be important are the people involved in making things, such as engineers, creators, and directors.

The number of partners – we call our employees partners – at the end of June is about 7,500, of which 50% are people who make things.

The proportion increased QoQ due in part to new group joins. In addition, more than 40 new graduate partners joined us in April. Some of you may feel that this is not enough, but this is because we have changed our policy since last year in order to recruit people with the highest potential through our JPY7.1 million annual salary program for new graduates and the number one recruitment program in the region.

Together with these new colleagues, we will continue to underpin the Internet in Japan. In addition, we started a policy of limiting mid-career hiring to AI personnel in Q2 of last year. There is some natural attrition, of course, but you can see that the increase in headcount has been controlled in the end.

Strengths (2) | Solid recurring revenue

Indispensable products that will not disappear
and
recurring revenue business model

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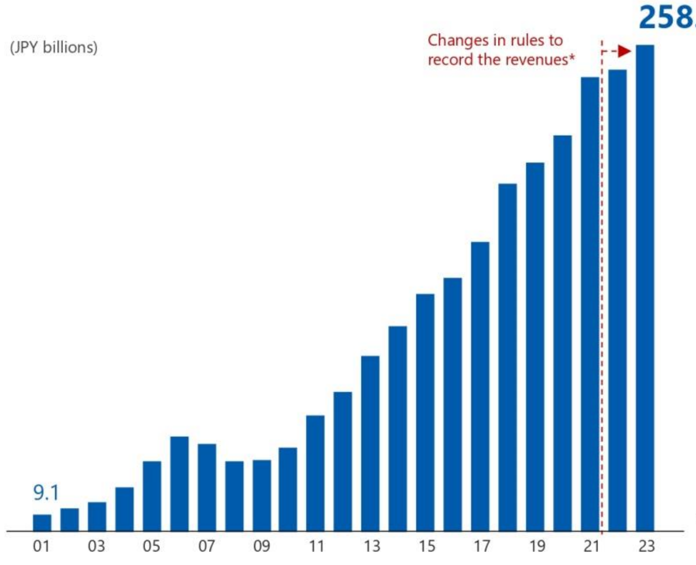
The second of our strengths is our revenue model of solid recurring revenues, which is a GMO term. We believe that we have been able to achieve sustainable growth since our founding because we have accumulated this solid recurring revenues. They are recurring revenues that will not disappear as long as the Internet lasts, are indispensable, and are brought about by our recurring billing merchandise.

Strengths (2) | Consolidated net sales



Sustainable growth

* "Accounting standards related to revenue recognition" (accounting standard No. 29)

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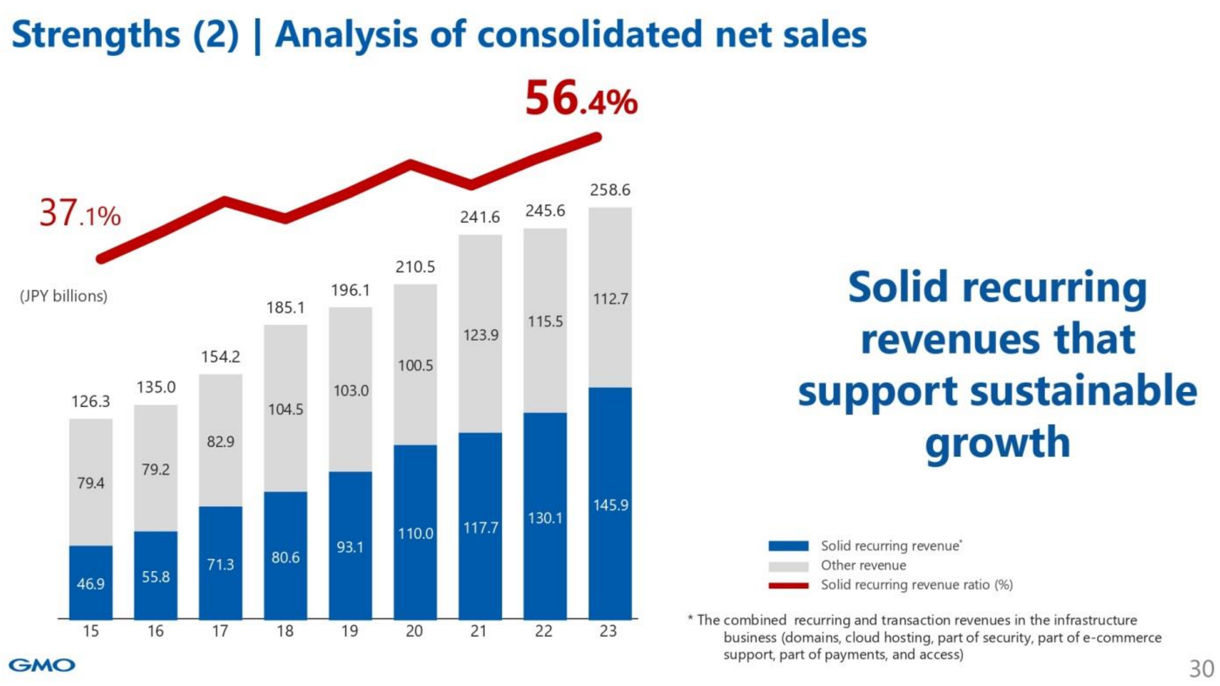
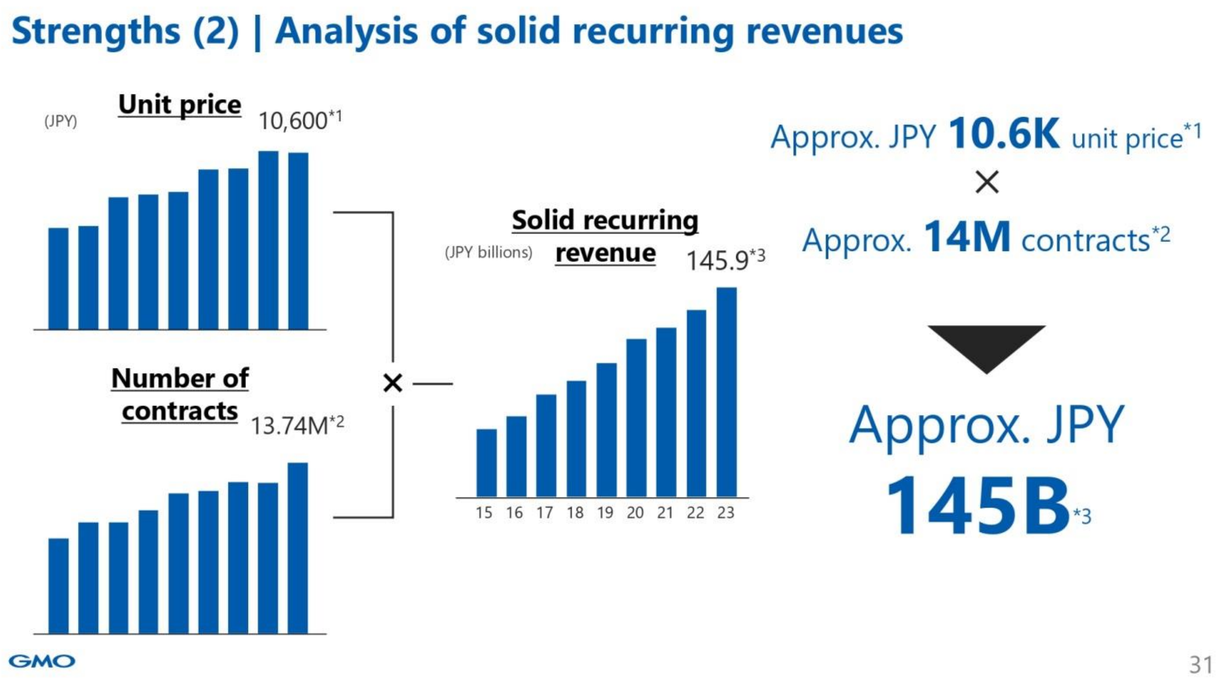
Here are over-time changes in consolidated net sales. As you can see, we have achieved sustained growth since our establishment.



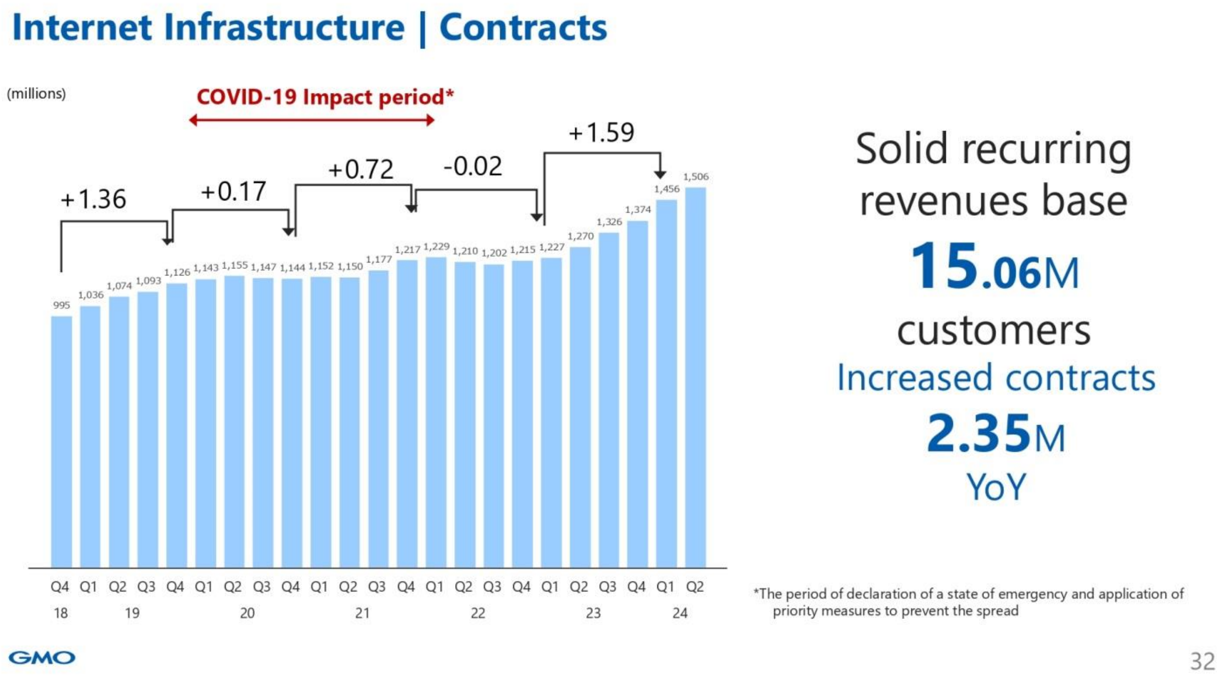
Here is a breakdown of net sales into solid recurring revenues and the others. The red line represents solid recurring revenues as a percentage of consolidated net sales.

Solid recurring revenues include recurring billing-type revenues and transaction-type revenues similar to recurring billing in the Internet infrastructure business. As you can see, solid recurring revenues are what support our sustained growth.



This shows solid recurring revenues divided back into unit price and number of contracts. Both the unit price and the number of contracts are continuing to expand. The current solid recurring revenue of JPY145.9 billion is generated from an annual unit price of approximately JPY10,600 multiplied by approximately 14 million contracts.

The number of contracts has been reflecting this number since the previous quarter as a result of a careful examination of the overall number of contracts. There is no change in revenue.



Here is the status of the number of Internet infrastructure contracts. It can be paraphrased as a solid recurring revenue base that supports solid recurring revenues. Currently, the number of domain customers is 15.06 million, an increase of 2.35 million from the previous year, due in part to the expansion of domain customers. Please stay tuned for more information.

Strengths (3) | Risk diversification and independent management

Management that achieves risk diversification by not relying on specific products, clients, or partners

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Finally, the third of our strengths is risk diversification and independent management. GMO Internet Group's basic marketing strategy is to select areas in which each group company excels and to focus management resources on those areas to become the number one.

Strengths (3) | Risk diversification and independent management

93 products※1

15.06M customers※2

Approx. **7,800** partner※3

*1 Source: https://www.gmo.jp/service/list/
*2 Number of contracts for infrastructure products
*3 Including partners of GMO Internet Group affiliates accounted for by the equity method.

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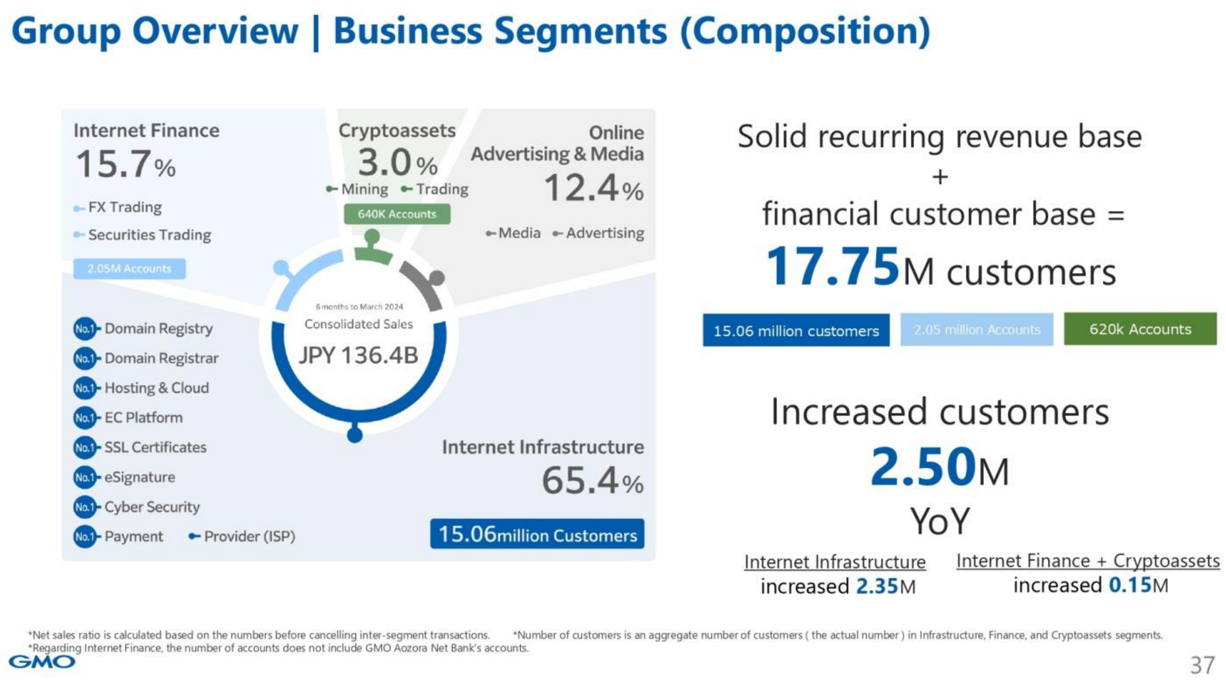
In addition, the businesses of the Group companies are also not dependent on specific products, suppliers, employees, or partners, and as a result, risks are diversified. The number of products, clients, and partners is as shown here.

The management style that GMO Internet Group aims for is, for example, if we had JPY100 million in net sales, we would have received JPY10,000 each from 10,000 people, rather than JPY100 million from one specific company.

In other words, it is a strong management with diversified risks, which means that the Group will not suddenly lose or tilt its performance. We will continue to develop our business only in areas where we can aim to be the number one, and we will build a corporate group that will last for 100 years through sustained growth.



Next, I will explain the Group overview. The diagram is a bird's-eye view of our business segments. Each area represents the proportion of net sales. The customer base, which is the sum of the number of FX, securities, and crypto asset accounts and the number of Internet infrastructure contracts as the solid recurring revenue base, is 17.75 million customers.

Group Overview | Listed Group Companies: Equity Share

Stock Code	Company Name	Exchange	Market Cap[*1] (JPY billions)	% Ownership[*2]	Equity Share (JPY billions)
9449	GMO Internet Group	Prime	276.7		
3769	GMO Payment Gateway	Prime	612.1	40.7%	249.2
7177	GMO Financial Holdings	Standard	93.1	65.8%	61.2
4051	GMO Financial Gate	Growth	65.9	23.2%[*3]	15.3
3788	GMO GlobalSign HD	Prime	31.4	51.8%	16.2
3633	GMO Pepabo	Standard	7.5	59.5%	4.4
6026	GMO TECH	Growth	7.3	54.1%	3.9
6180	GMO Media	Growth	5.9	65.1%	3.8
4784	GMO AD Partners	Standard	5.6	57.0%	3.2
3695	GMO Research & AI	Growth	4.7	54.8%	2.5
	Group Total		**1,518**[*4]		**352.6**

*1 Market value as of August 7, 2024
*2 Includes indirect holdings (as of the end of June)
*3 Indirect holdings through GMO Payment Gateway.
*4 Calculated as the sum of the listed market cap values

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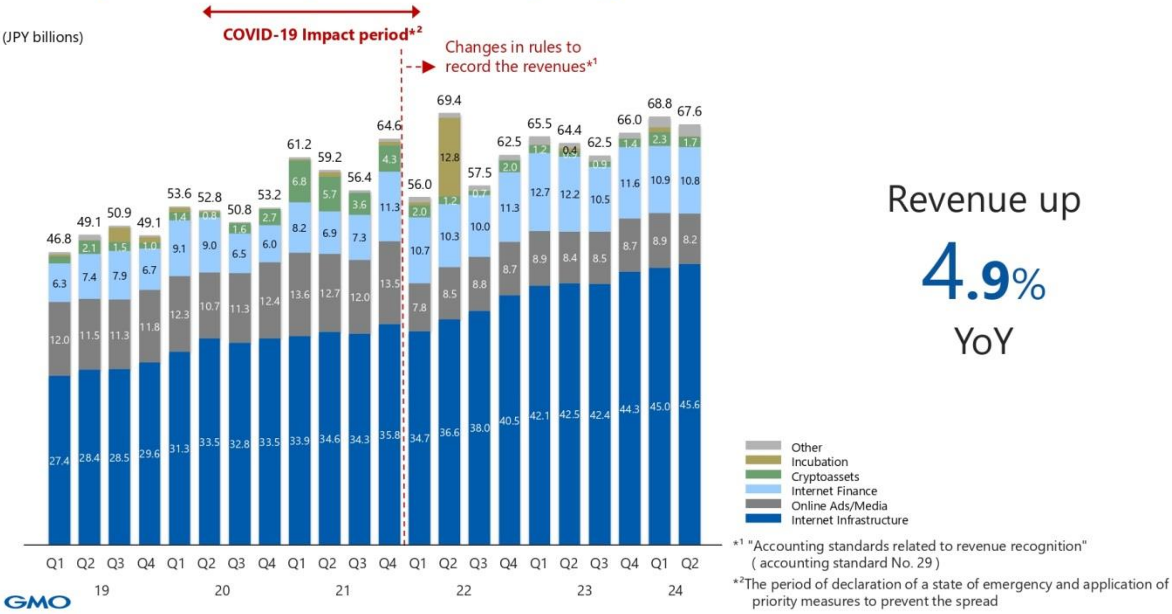
This shows the market capitalization of the 10 listed group companies and the Company's equity share in them. As you can see, the total market capitalization of the Group companies is JPY1 trillion, and our equity share is JPY350 billion.

Group Overview | Net Sales by Segment



Revenue up
4.9%
YoY

*1 "Accounting standards related to revenue recognition" (accounting standard No. 29)
*2 The period of declaration of a state of emergency and application of priority measures to prevent the spread

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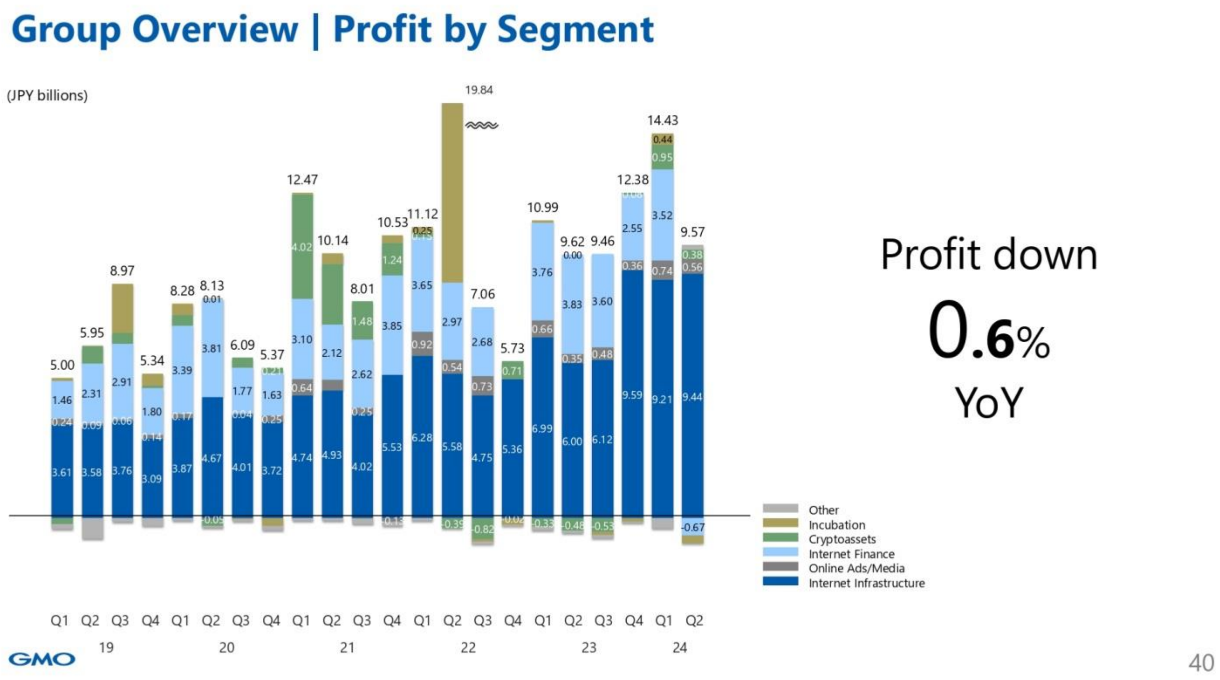
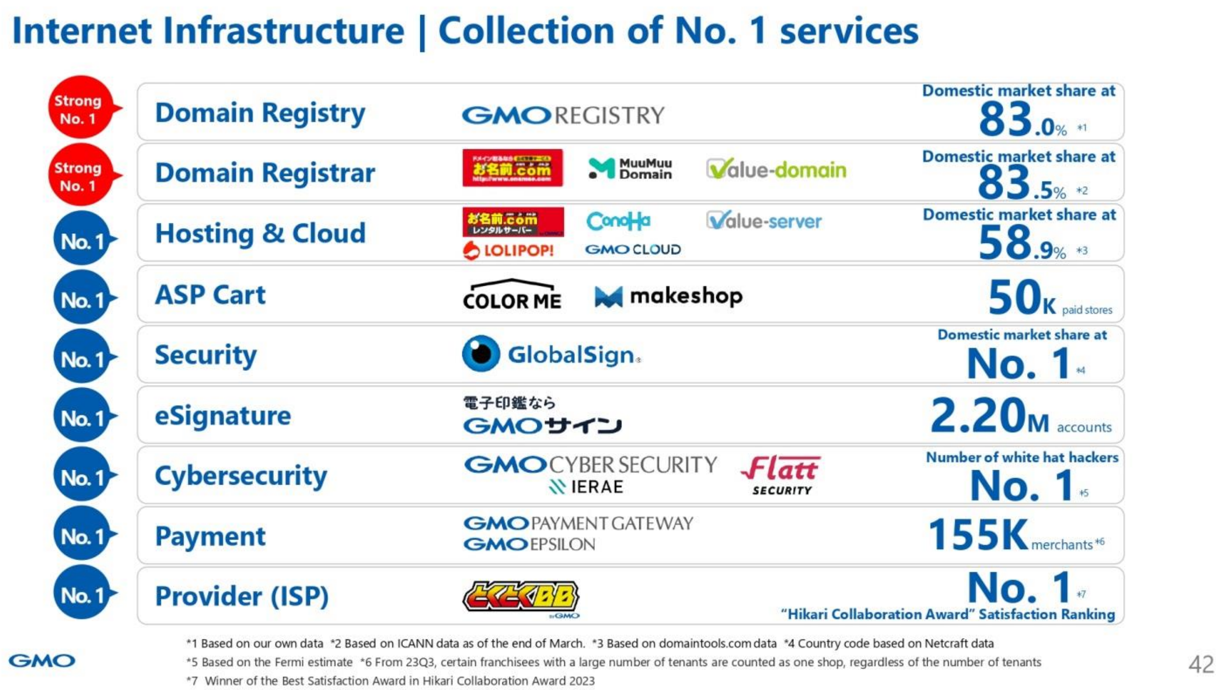
Here are the quarterly net sales by segment.

The bottom, dark blue Internet infrastructure consists mostly of solid recurring revenues, which are highly sustainable and predictable. The growth trend based on this solid recurring revenue is continuing.



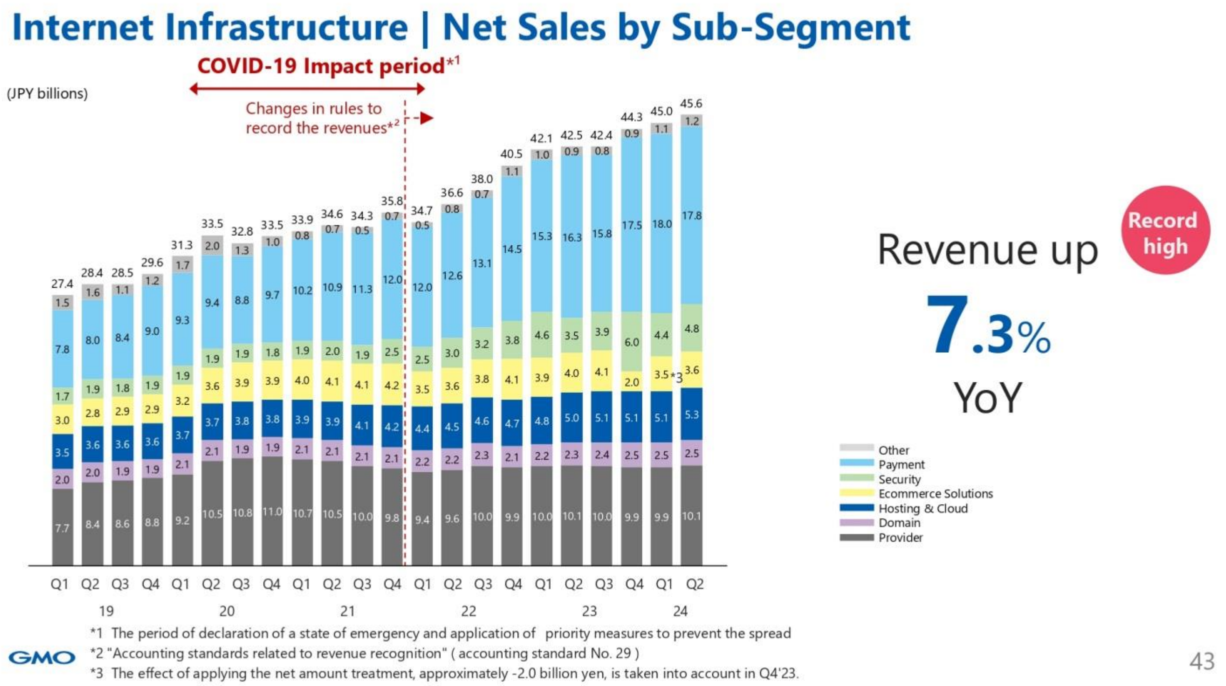
Next is the quarterly operating profit by segment.

Our view of sustainable growth through a highly profitable Internet financial business based on the solid recurring revenues in the Internet infrastructure has not changed at all. Although the impact of the allowance posted by the Thailand securities business led to a decrease during this quarter, we will work to achieve a V-shaped recovery based on sustained growth in the Internet infrastructure.



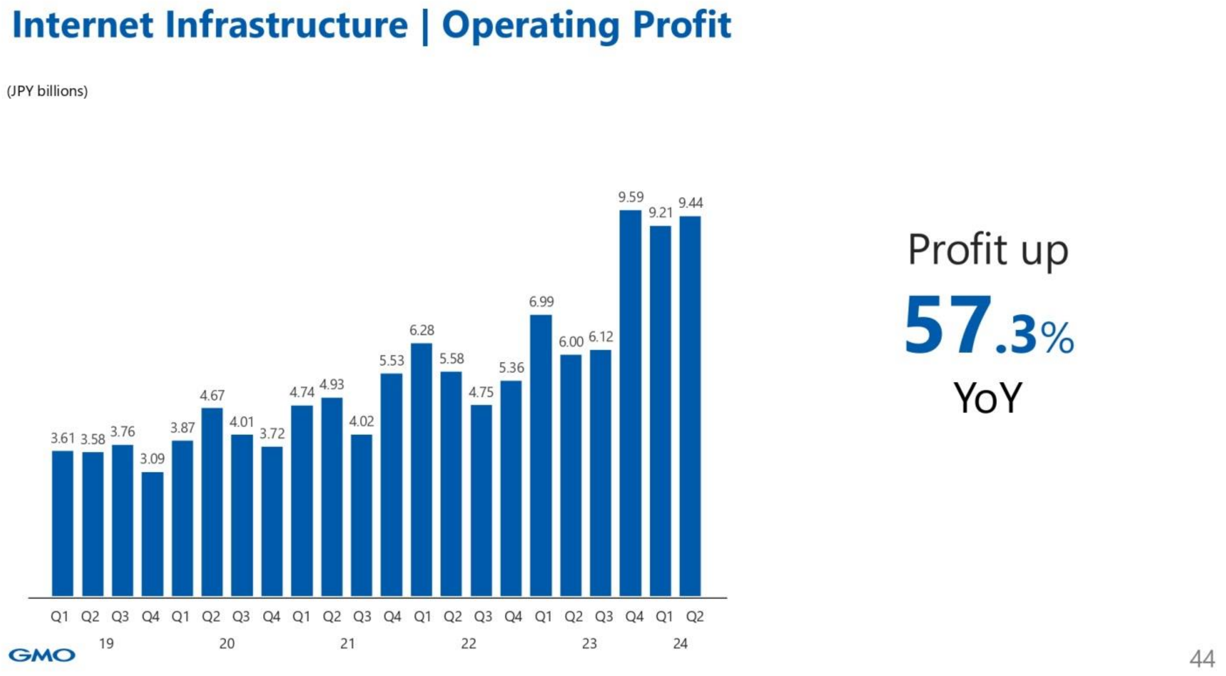
Next, the Internet infrastructure. This is the Internet infrastructure business details.

Domains, hosting and cloud, e-commerce platforms, SSL server certificates, eSignature, cyber security, payments, and access are all congregations of number one services that will not disappear and are indispensable to the Internet society.



Here are over-time changes in quarterly net sales and their breakdown. Taking advantage of the strength of the unrivaled congregation of number one services, each business has grown in a well-balanced manner and posted a new quarterly high.

Though the rate of increase in sales appears weak compared to the same period of the previous year, this is due to the high level of net sales in the previous year and a technical factor – changes in accounting procedures – and there are no problems with the business conditions themselves.



Here is quarterly operating profit. Profits are trending upward as solid recurring revenues continue to pile up. As you can see, we were able to show strong growth at the levels above JPY9 billion for three consecutive quarters.

In addition, the rate of increase in sales and profit exceeded 50%. This was due to a one-time cost recorded in the same period of the previous year in the FREENANCE business and the contribution of GMO Brand Security Inc. in this quarter.

Security | Slogan

Safe and Secure Internet for Everyone

GMO 45

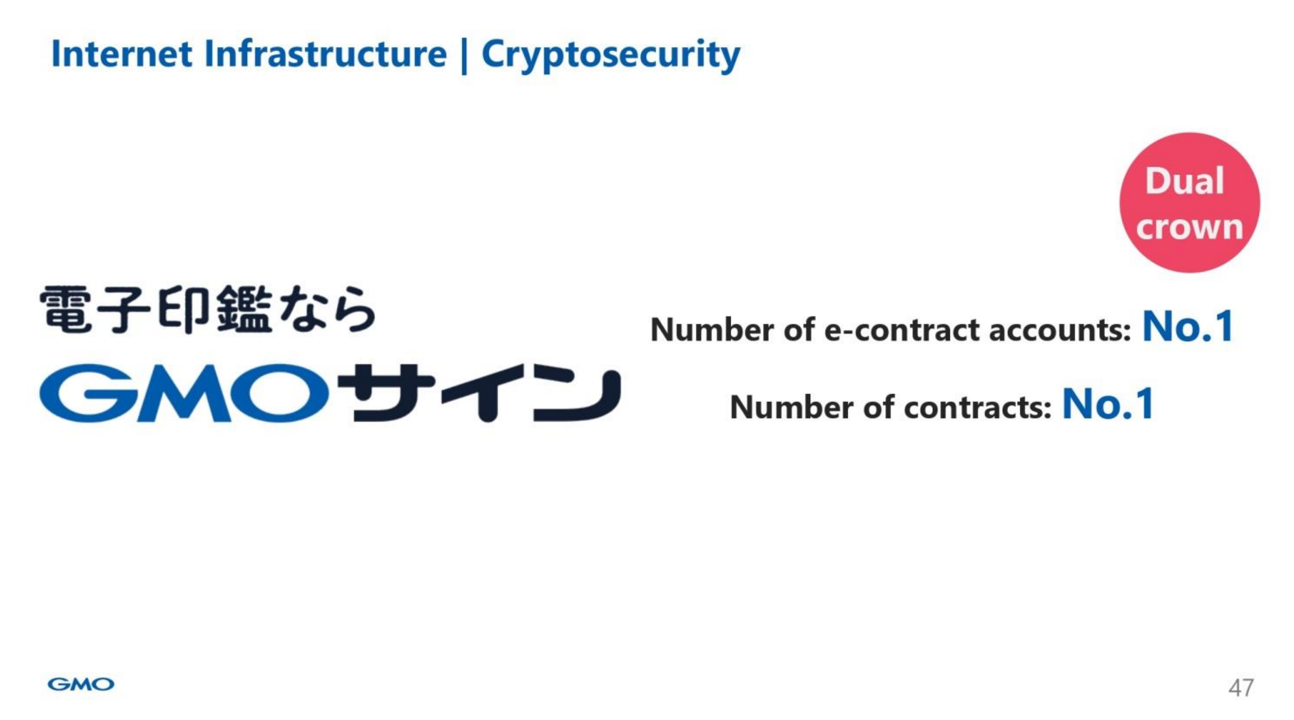
I would now like to explain the progress of the security business, which we are currently strengthening group-wide. In order to meet the ever-accelerating need for security, our security business has adopted the slogan "Safe and Secure Internet for Everyone".

Security | Three areas

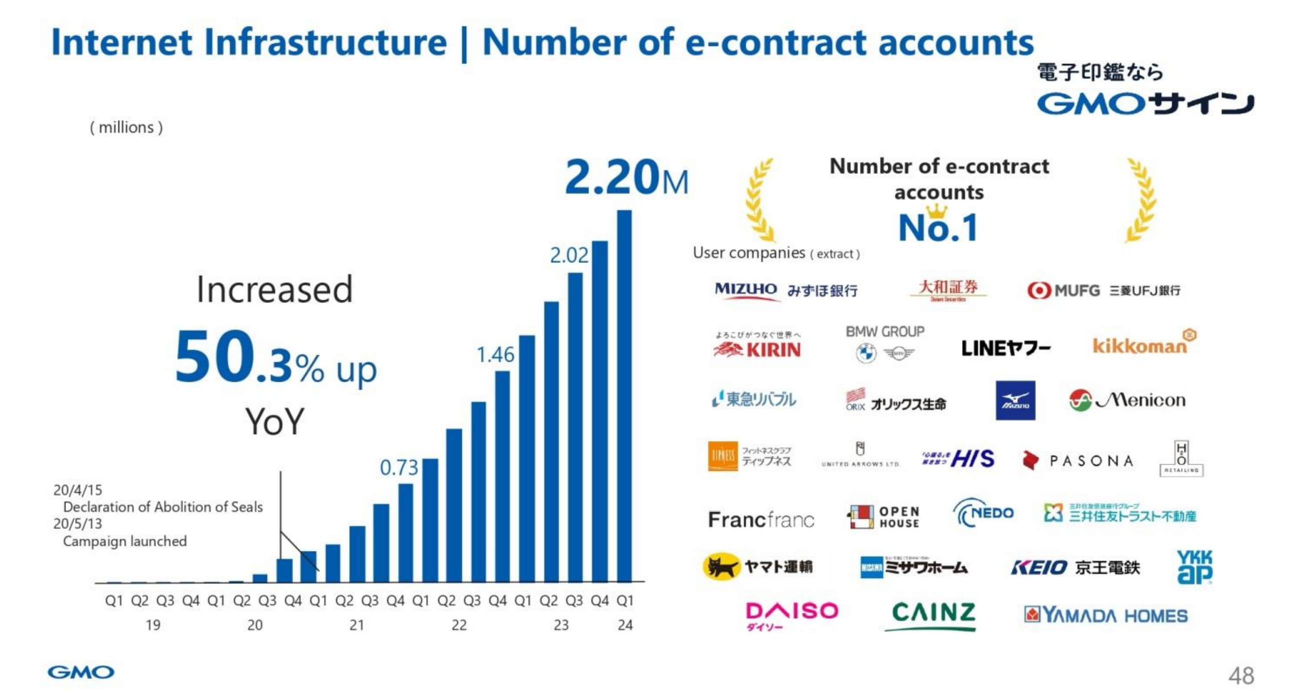
1. **Encryption** security — GlobalSign by GMO
2. **Cyber** security — GMO CYBER SECURITY IERAE; Flatt SECURITY a GMO company
3. **Brand** security — GMO BRAND SECURITY

GMO 46

The security business consists of three areas: encryption security such as SSL using authentication technology, cyber security by the world's most powerful group of white hat hackers and brand security by domain and trademark professionals.

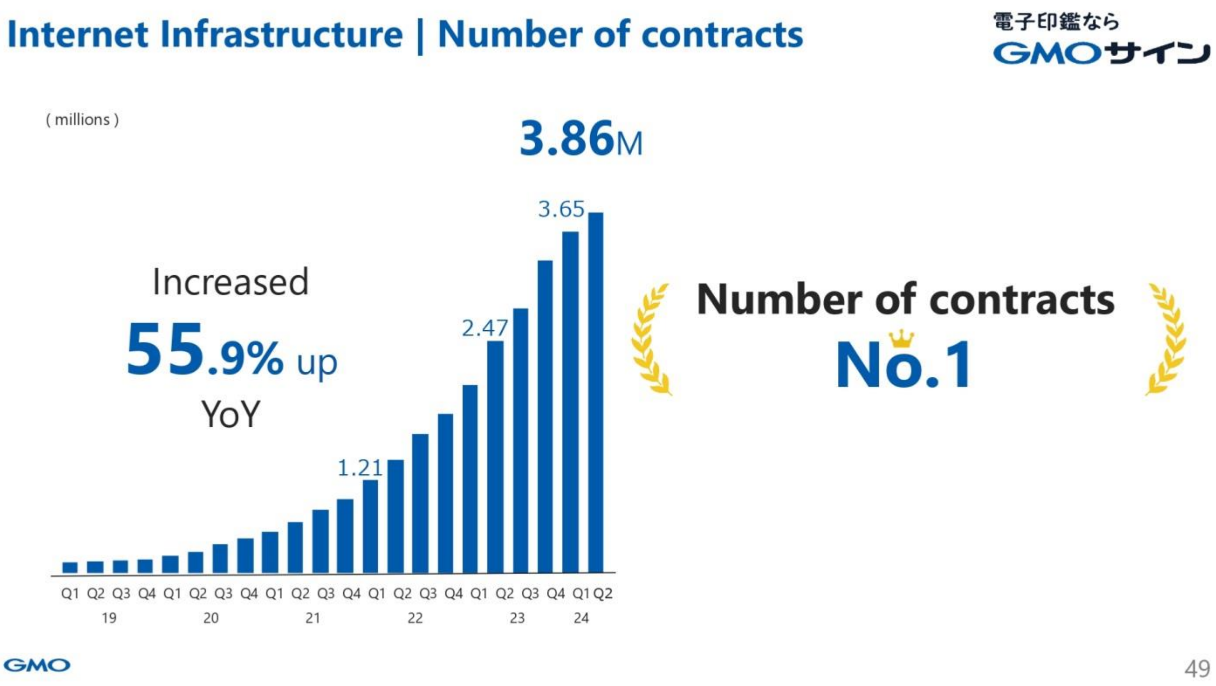


I will talk about cryptosecurity GMO Sign. As we have announced, we are the number one in Japan not only in the number of e-contract accounts but also in the number of contracts.

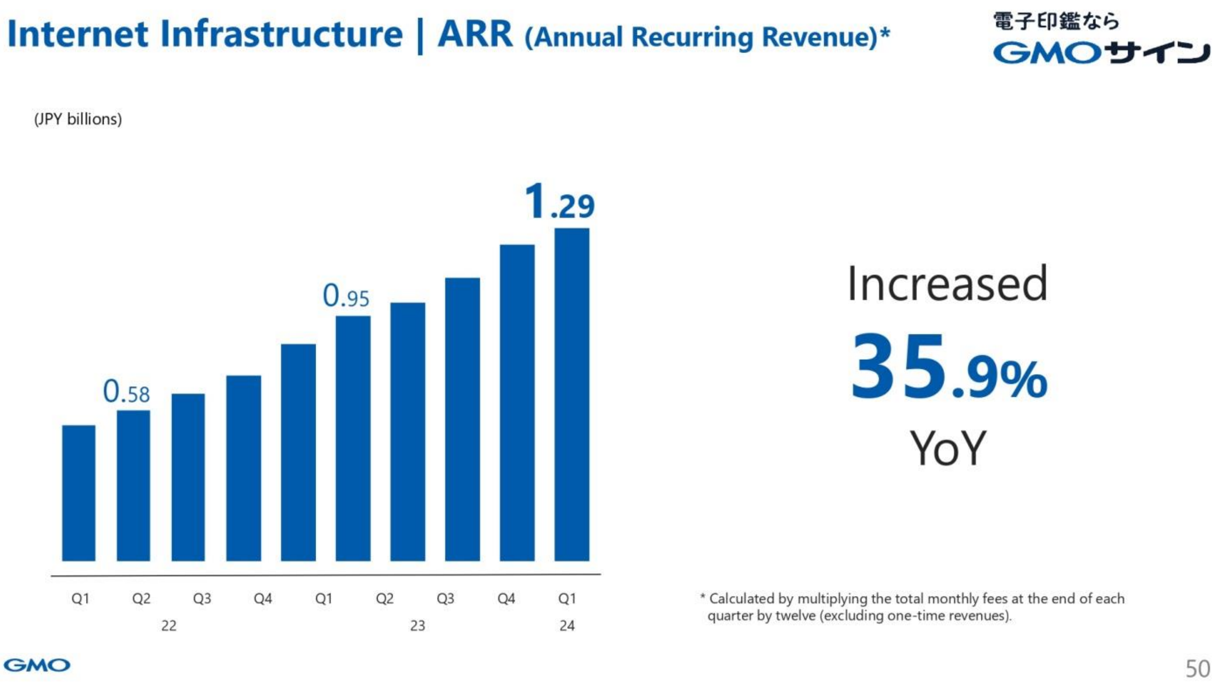


Here is the number of e-contract accounts. Since the group-wide goodbye seal campaign launched in May 2020 during the COVID pandemic, the so-called network effect and group synergies have still continued to expand the customer base.

We are still in the market expansion phase, with two major banks having introduced the systems, and the number of major companies introducing the systems increasing steadily, as you can see.

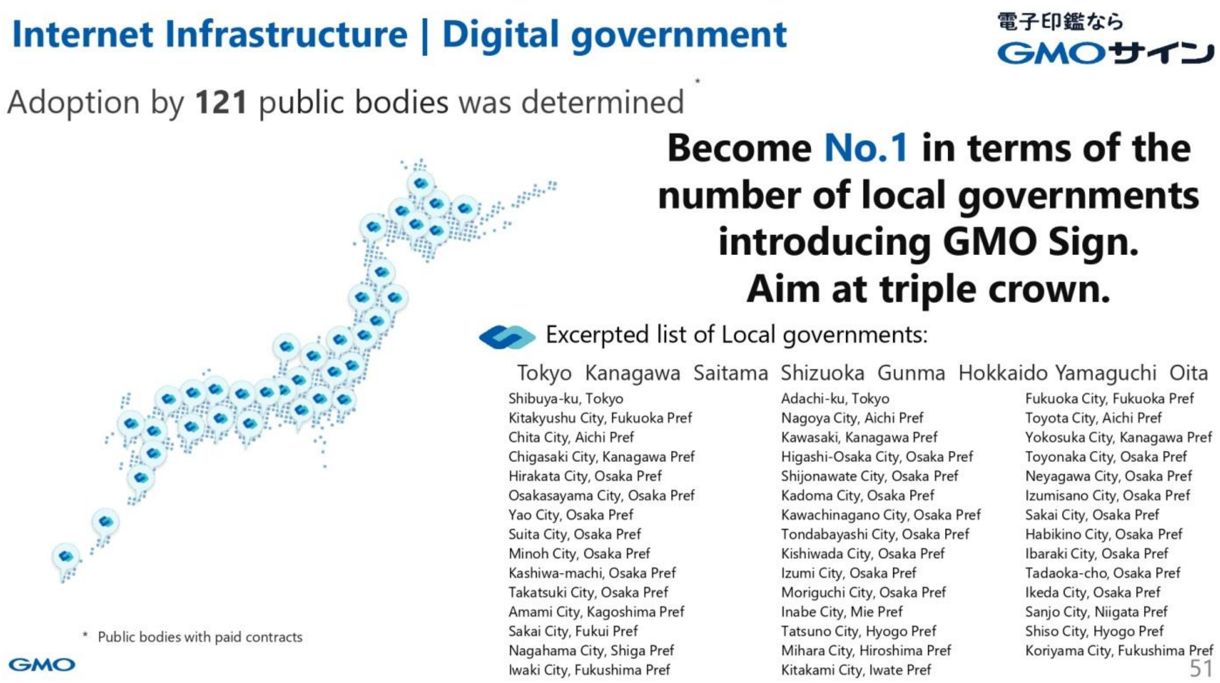


Next is the number of contracts. We view the number of contracts as the most important KPI that indicates how high the customer activity is. Utilization is steadily expanding, especially among high-activity customers, such as in the real estate industry.



Next is ARR. ARR stands for Annual Recurring Revenue and refers to revenue earned repeatedly during the year. It is an indicator of revenue that is still expected to be stable in the following year and is used to monitor business growth and business soundness, particularly for SaaS-type businesses.

At the same time, it is the very thing that constitutes solid recurring revenues, as we call it. GMO Sign's revenue model is stock and transaction. As indicated by the growth in the number of contracts I mentioned earlier, customer utilization has expanded, transaction revenue has become the driver, and ARR has grown to a level approaching JPY1.3 billion.



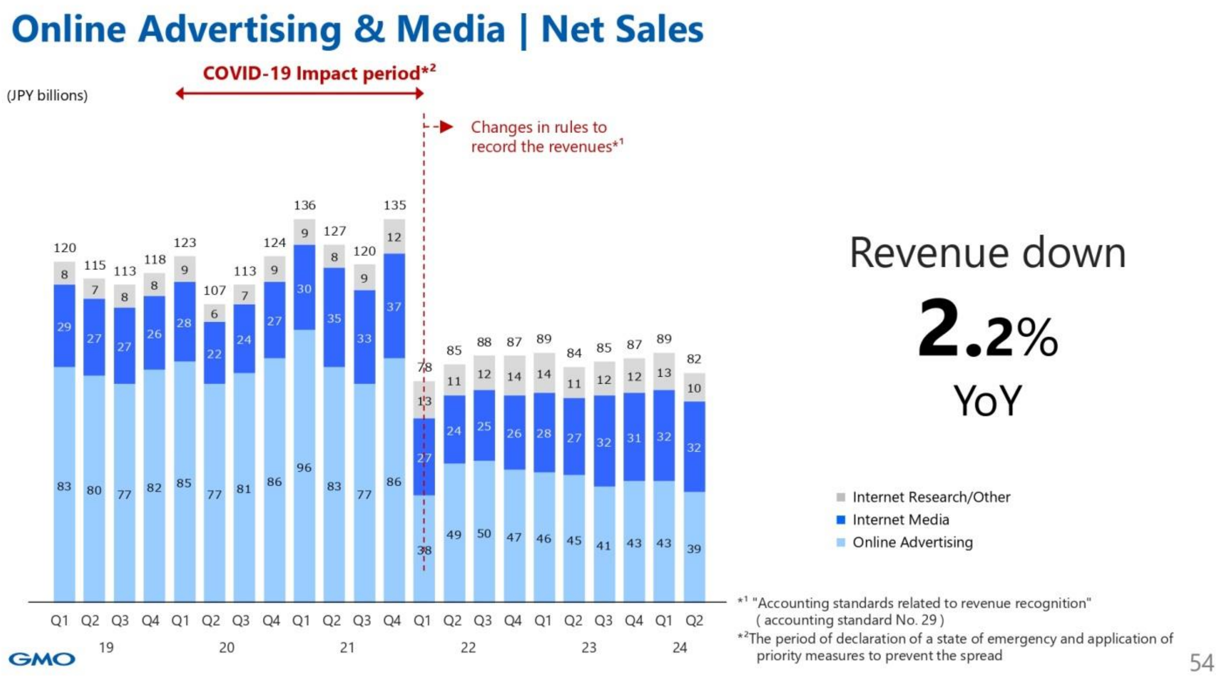
And here is our digital government initiative. We are introducing GMO Sign electronic official seals by taking advantage of our strength in possessing our own certification authority technology. We support our customers' DX promotion by converting notices that were previously delivered on paper into electronic form.

We are aiming to become the number one in the local government market, and have already been selected for installation in 121 public organizations. The figure for the previous quarter was 100, meaning we are making steady progress. We aim to achieve the triple crown, together with the number of e-contract accounts and the number of contracts, leading to further growth.

Next is strengthening our system in the area of cyber security.

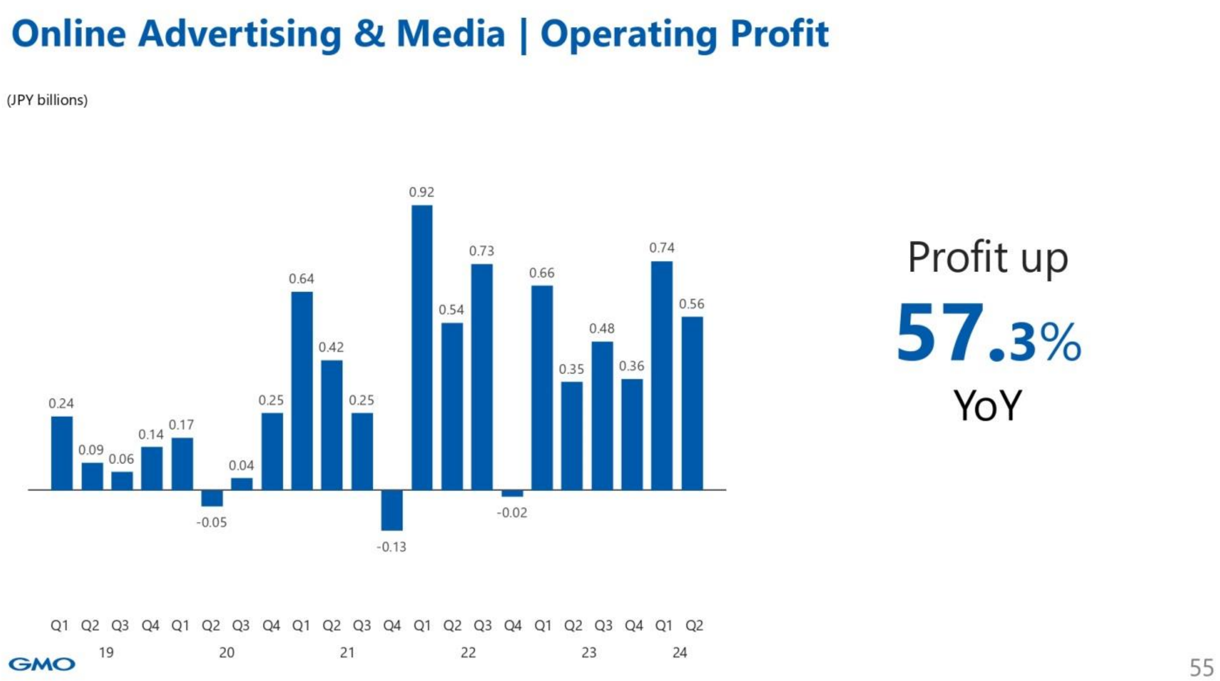
The H1 of the year was probably the quarter in which security issues were more deeply recognized as a social issue. We are pleased to welcome former Interpol criminal investigator Daiki Fukumori to GMO Cyber Security by Ierae.

Leveraging Mr. Fukumori's knowledge, we will further strengthen our investigation department for cybercrime and other investigations, as well as promote research and development activities on cyber-attack detection.

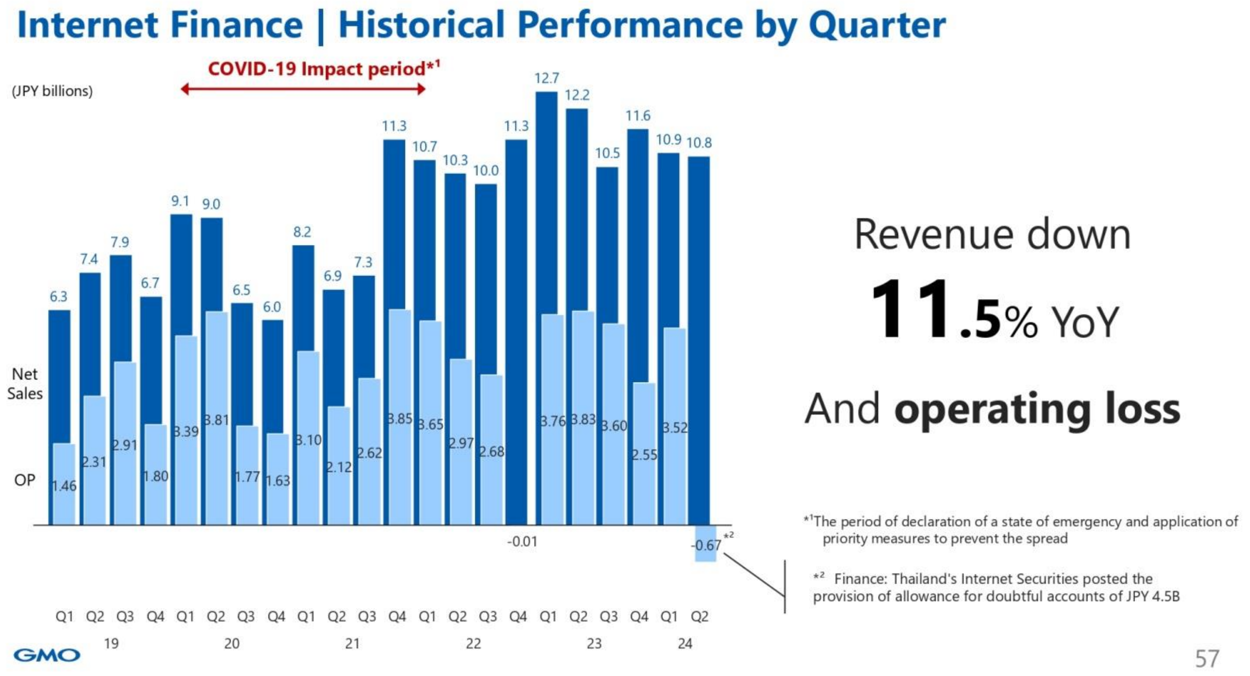


Next is online advertising and media.

Here are quarterly net sales and its breakdown. While in-house products developed by GMO TECH and GMO Media performed well, the advertising agency business weakened due to a decline in transaction volume as a result of shrinking advertising budgets in some industries, among other factors.

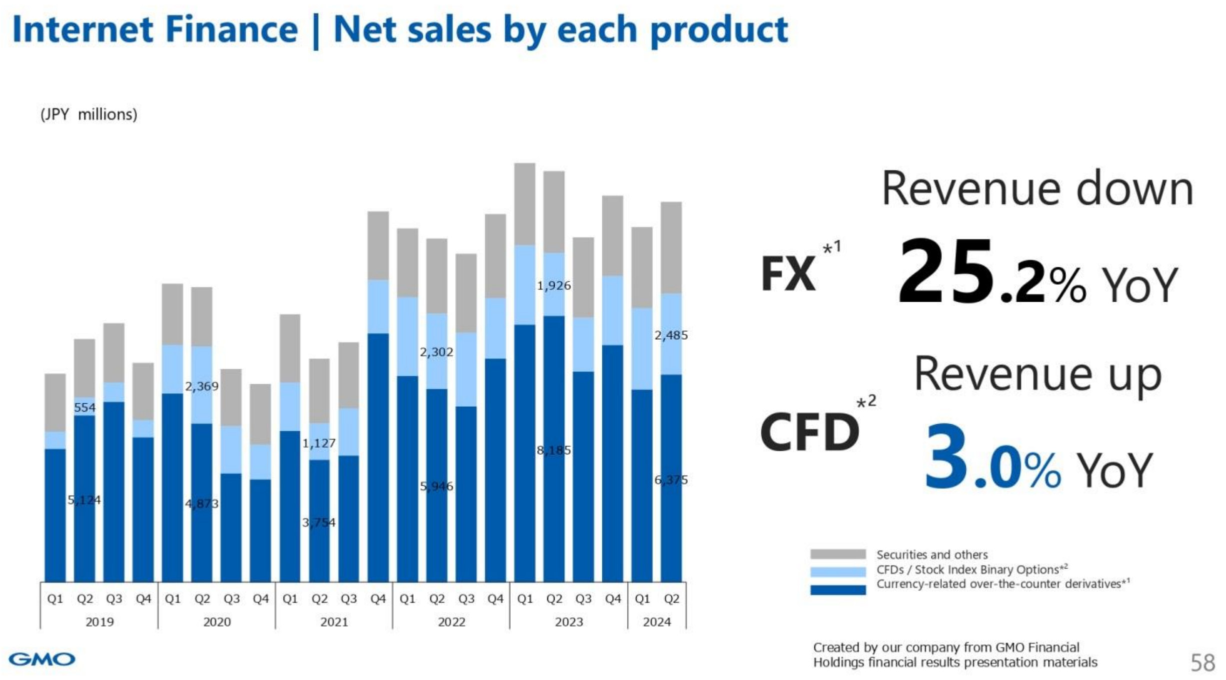


Here are over-time changes in quarterly operating profit. In addition to the growth of high-margin in-house products, profit increased due in part to the streamlining of the sales structure.

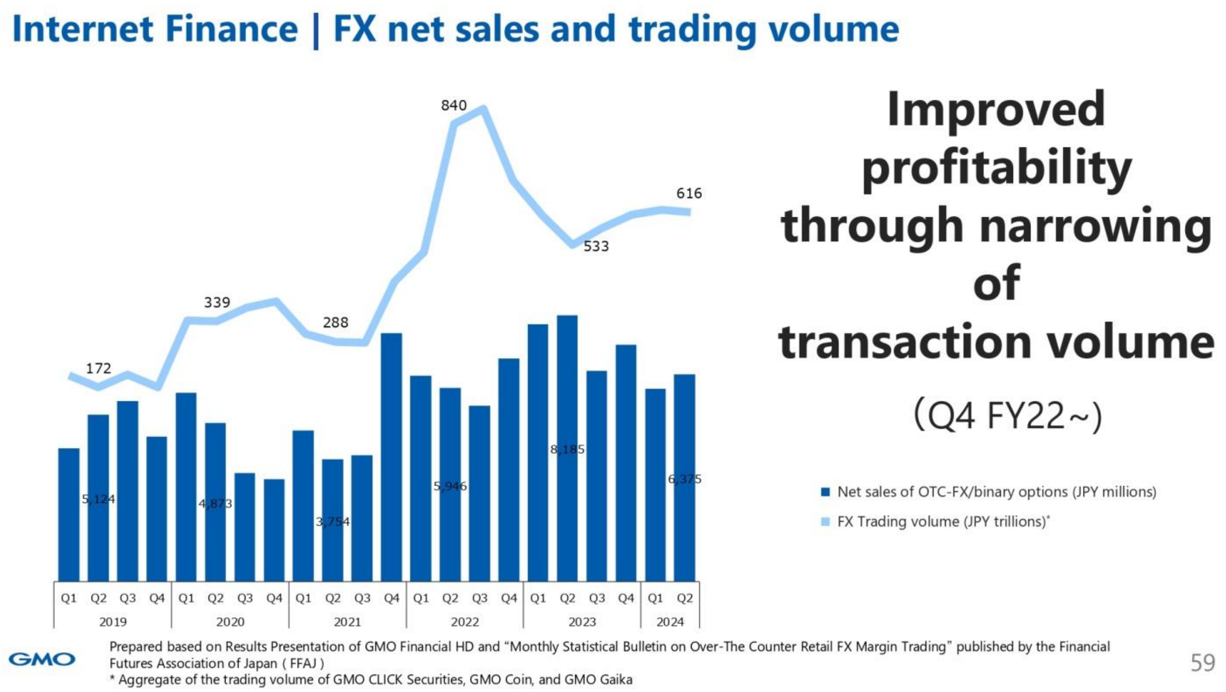


Next is Internet finance.

Over-time changes in quarterly performance are as shown here. In Q2, profitability deteriorated compared to the same period of the previous year, when FX, our core product, was brisk, and an allowance for doubtful accounts of approximately JPY4.5 billion was recorded in the Thailand securities business, resulting in a loss for the quarter.

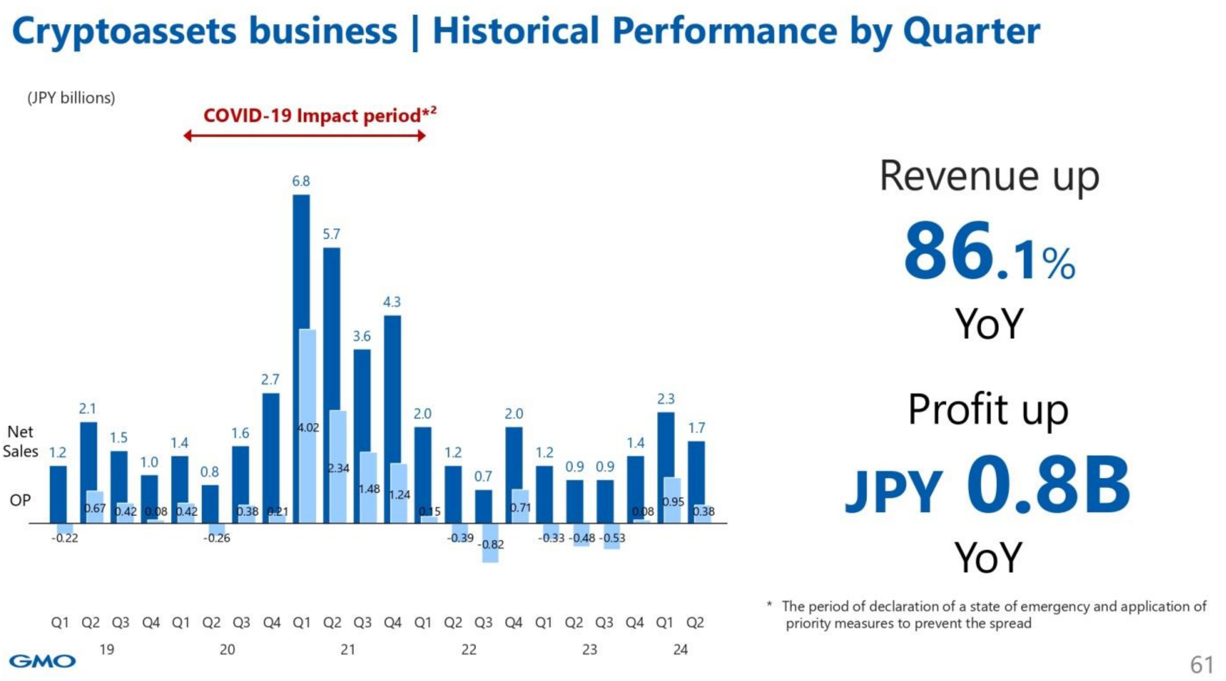


Here are the net sales by product. Dark blue FX declined significantly from the previous year when it was brisk due to lower market volatility. On the other hand, CFD in light blue performed well due to the impact of global stock market appreciation.



Here is a graph showing the net sales and trading volume in the FX business. Since Q4 of 2022, the Company has been operating business with a focus on profitability. Although transaction volume has been restrained by narrowing down the volume of transactions, profitability has improved.

On the other hand, despite trading volume expanding during this quarter, FX revenues declined due to the rapid depreciation of the yen, which reduced both volatility and profitability.



Next is crypto assets. Over-time changes in quarterly performance are as shown here. The market for the exchange business developed by GMO Coin has returned to a recovery trend since Q4 of last year, partly due to topics related to crypto assets.

Transactions remained brisk, posting a profit for the third consecutive quarter. In addition, the number of GMO Coin accounts is continuing to grow. We believe that our efforts to take actions without hesitation even when the market was sluggish are paying off.

Internet for Everyone

GMO

That concludes today's briefing. Thank you for watching. "Internet for Everyone".

[END]

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