

Company Name: GMO Internet, Inc.
 (TSE First Section, Code: 9449)
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Recording Extraordinary Loss Related to The Cryptocurrency Mining Business Restructuring

GMO Internet, Inc. resolved at the meeting of the Board of Directors held today to post an extraordinary loss in the cryptocurrency mining business for the fourth quarter (October 1, 2018, to December 31, 2018) of the fiscal year ending December 2018. These numbers are approximate values and may fluctuate, affected by the exchange rate.

1. Details

(Consolidated)

(1) In-house mining	Impairment loss, etc.	Approximately JPY 11.5 billion
(2) Development, manufacture, and sales of mining machines	Losses from the transfer of receivables, etc.	Approximately JPY 24.0 billion
Total		Approximately JPY 35.5 billion

(Non-consolidated)

(1) In-house mining	Loss on sales of stocks of subsidiaries, etc.	Approximately JPY 14.0 billion
(2) Development, manufacture, and sales of mining machines	Losses from the transfer of receivables, etc.	Approximately JPY 24.0 billion
Total		Approximately JPY 38.0 billion

2. Background

(1) In-house mining

We launched in-house mining business in December 2017, with our wholly-owned subsidiaries – two foreign corporations under the regional headquarter GMO-Z.com Switzerland AG (Swiss office) – operating a mining

center, and our hash rates continued to rise.

However, the profitability of the in-house mining business of GMO Internet Group decreased as the cryptocurrency price declined and our mining share did not increase as expected due to the rise of the global hash rate, which went beyond our initial assumption.

After taking into consideration changes in the current business environment, the Company expects that it is difficult to recover the carrying amounts of the in-house-mining-related business assets, and therefore, it has been decided to record an extraordinary loss. Regarding the business assets held by the two foreign corporations, based on the computation of the present value of estimated future cash flows and the result, it has been decided to record an impairment loss, etc. of approximately JPY 11.5 billion on the consolidated accounts. We will record a loss on sales of stocks of subsidiaries, etc. related to the withdrawal of the Swiss office of approximately JPY 14.0 billion on the individual accounts.

(2) Development, manufacture, and sales of mining machines

As announced in the press release "Notice of Launching a New Business (Bitcoin Mining Business)" published on September 7, 2017, GMO Internet launched the development, manufacture, and sales of mining machines. Regarding our mining machines, we have been engaging in the design, manufacture, and assembly of the mining chips.

However, regarding the current mining machine markets, the environment is increasingly competitive because of the decreased demand mainly due to the decline in the cryptocurrency price, which in turn leads to the decline in the sales price.

After taking into consideration changes in the current business environment, the Company expects that it is difficult to recover the cryptocurrency-mining-business-related assets through selling mining machines, so the Company has decided to stop the development, manufacture, and sales of mining machines, thereby recording an extraordinary loss. GMO Internet will record losses from the transfer of receivables of approximately JPY 17.5 billion and allowance for doubtful accounts of approximately JPY 3.5 billion, recording an extraordinary loss of approximately JPY 24.0 billion in total on the consolidated accounts and the individual accounts. We paid for the costs required to manufacture the mining machines and purchased the mining machines from the development company. This was processed as an advance payment on the financial statements. The advance payment comprises the majority of the losses from the transfer of receivables. Regarding the transfer of receivables, it has been decided that GMO Internet will transfer assets related to manufacture and development of mining machines held by the Company to MP18 LLC, a special purpose company (SPC) held by Tani Electronics Corporation. GMO Internet will not disclose the transfer value due to confidentiality requirements.

i. Summary of the transferee of the receivables

(1) Name	MP18 LLC	
(2) Location	3-10-3 Miyoshi, Koto-ku, Tokyo, JAPAN	
(3) Name and title of representative	Shigeru Tani, Representative	
(4) Business description	Acquisition, holding, and disposal of the real estate	
(5) Capital stock	JPY 100,000	
(6) Date established	February 6, 2015	
(7) Net assets	JPY 31,000	
(8) Total assets	JPY 100,000	
(9) Major shareholders and ownership ratios	Tani Electronics Corporation (ownership ratios: 100.0%)	
(10) Relations between the transferee and the listed companies	Capital relations	Not applicable
	Human relations	Not applicable
	Business relations	Not applicable

ii. Schedule

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|---|-------------------------------|
| (1) Resolution at the board of director meeting | December 25, 2018 |
| (2) Receivable transfer contract execution | December 25, 2018 |
| (3) Transfer of receivables | December 28, 2018 (tentative) |

3. Outlook

(1) In-house mining

Depreciation cost of mining machines and electricity cost comprise the majority of operating expenses. In this regard, we expect the depreciation cost to decrease as the book value of depreciable assets will be written down significantly due to recording an impairment loss. Also, the depreciation cost (three-month total) in Q3 FY2018 is equivalent to JPY 880 million. Regarding the total value of impact on the consolidated business performance, we shall immediately announce the details once it is determined. In terms of the electricity cost, we will relocate the mining center to a region that will allow us to secure cleaner and less expensive power supply.

GMO Internet will review the revenue structure of its in-house mining business, and continue running mining operations with the GMO Internet as a headquarter.

(2) Development, manufacture, and sales of mining machines

We will no longer develop, manufacture, and sell mining machines.

4. Financial Condition

Our financial condition for September 30, 2018 (the end of the consolidated accounting period for the 3rd quarter of the Fiscal Year 2018) and beyond are provided in the attached document. The Company ensures financial integrity even after recording an extraordinary loss through the sale of shares in subsidiaries (c.f. the press release "Notice on Sale of Shares in Consolidated Subsidiary" published on September 25, 2018, and "Notice on Sale of Shares in Consolidated Subsidiary" on December 17, 2018).

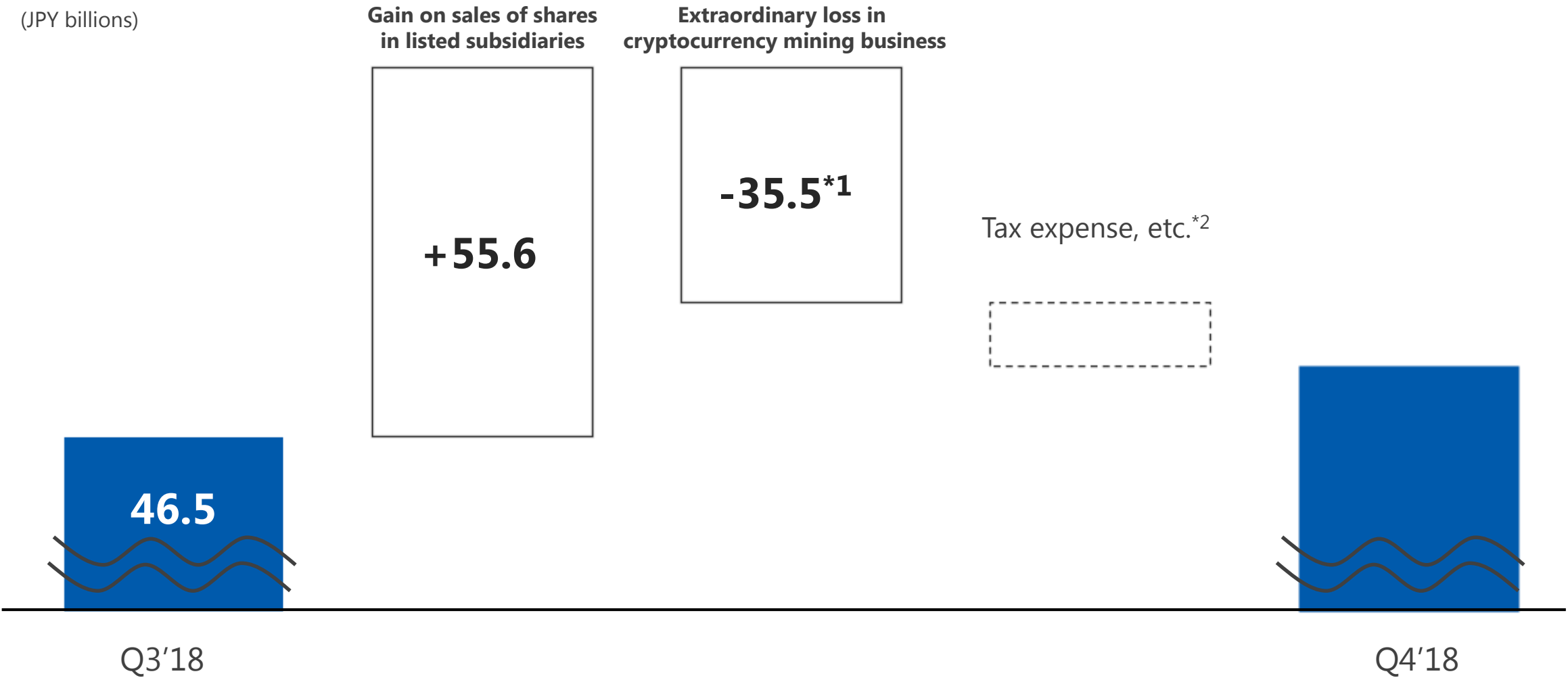
Attached document (1) Q4 FY2018 | Significant changes in B/S

- **Recording Extraordinary Loss Related to The Cryptocurrency Mining Business Restructuring (published on December 25, 2018)**
 - Expected to record an extraordinary loss of JPY 35.5 billion on consolidated accounts.
 - In-house mining business: impairment loss, etc. of JPY 11.5 billion
 - Development, manufacture, and sales of mining machines: losses from the transfer of receivables, etc. of JPY 24.0 billion due to the sales of relevant assets
 - GMO Internet will **review the revenue structure of its in-house mining business, and continue running mining operations.**
 - We will **no longer** develop, manufacture, and sell mining machines.
- **Sale of shares in listed subsidiaries: GMO Financial Holdings (September 25, 2018) and GMO Payment Gateway (December 17, 2018)**
 - Consolidated capital and cash increased significantly
 - Not reported as consolidated gain

Attached document (2) Impact on B/S | Outlook

- Net assets are expected to increase due to the sale of shares in subsidiaries despite recording the extraordinary profit in the cryptocurrency mining business.

(JPY billions)



*1 These numbers may fluctuate, affected by the exchange rate.

*2 Reviewing