GMO INTERNET

Q2 FYE 12/2018 Results Presentation – Q&A

The following is a summary of questions asked by attendees at the earnings presentation to investors held on August 9, 2018. The questions are answered by Founder & Group CEO Masatoshi Kumagai, CFO Masashi Yasuda.

●Cryptocurrency Mining Business

【Q1】 GMO Internet Group has changed the order of priority for in-house mining, cloud mining, and sales of mining machines. How had you planned to allocate the ratio of your resource initially?

【A1】 Initially, our target was 3,000PH/s for in-house mining and cloud mining (Its breakdown is undisclosed) the rest of hash power is supposed to be allocated for external sales.
Currently, we expect 90% is external sales. If there is unsold mining, we allocate it to in-house mining and cloud mining.

【Q2】 Do you mean you allocate has power more than initially you had expected?

【A2】 What we understood after we started selling our mining machines was that (1) the demand went beyond our assumption, and (2) the business was likely to achieve positive figures at an early stage. Basically, in-house mining is expected to be relatively profitable in mid-term but the payback period is relatively long. If there is a high demand, it means there are people around the world thinking that the business will be profitable in mid-term. Investment return in external sales can be expected earlier than other mining.

【Q3】 Your external environment becomes harder and harder, will you go well with mining machine sales?

【A3】 We cannot tell whether it will go well or not. As a matter of fact we already received the provisional orders. We received thousands of inquiries from miners 80 countries worldwide.
Bitmain is planning to be listed abroad, which is the same as our business model. Canaan has been already listed and their report is published. Considering this, we have opportunities to make revenue. Even if there is unsold mining, we will utilize it to in-house mining.

【Q4】 You can begin machine sales from Q4, but Q2 is in red. Could you tell us the timing that will turn around in black?

【A4】 It will allocate in Q4 as of machine delivery starts,
(We were unable to answer the question during the session. The IR team hereby answers the question. For timing to turn around in black, we are not sure whether we will stay in red by Q3 or not. Figures can be positive or negative depending on the external environment. We will keep updating our monthly disclosure properly.)

●Finance Business

【Q5】 GMO Coin is planning to establish the exchange. Could you please tell us the background of it?

【A5】 As many competitors entered in this cryptocurrencies business, we cannot get a permission by Financial Services Agency soon and many of business organizations are discussing issues. In August, we have got a permission to establish the exchange. I was reported by the person in charge that we can disclose this fact.