

GMO INTERNET

Q2 FYE 12/2019 Results Presentation – Q&A

The following is a summary of questions asked by attendees at the earnings presentation to investors held on August 6, 2019. The questions are answered by Founder & Group CEO Masatoshi Kumagai.

●Cryptocurrency mining

【Q1】 Regarding the delay of the relocation of the data centers, you mentioned in the previous financial results presentation that the relocation will finish in Q4 FY2019 and you plan to invest up to JPY 1 billion to achieve the total hash rate of 1,200 PH/s. Is this still the plan or has there been any changes?

【A1】 We have finished relocating the data centers. Although we have been able to secure inexpensive power supply, construction - such as power source installation work to secure a huge amount of electric power capacity - are taking more time than we have expected, so we have not been able to operate all the mining machines. We admit that our alliance partner and we have underestimated the amount of time required for the relocation. We do not have an answer to the question about the outlook of the cryptocurrency mining business right now.

●Online Advertising & Media

【Q2】 Online Advertising & Media segment's recovery is weak. This has continued for many quarters. How is AkaNe progressing?

【A2】 Online Advertising business itself will not disappear. Although this segment hires about 1,000 partners, the earnings have not recovered, which is an important management issue. The problem is that Google, Amazon, Facebook, and Apple (GAFA) have the bargaining power, and our countermeasure is to expand our business by enhancing in-house products, such as ad network advertisement AkaNe.

AkaNe is gradually recovering its trend by optimizing ad placement standards, and we aim to restore online advertising and increase net sales. Customer acquisition is progressing in the ad agency, and we encourage the customers to use our in-house ad technology products.

●Internet Infrastructure

【Q3】 Why is the provider business continuously growing?

【A3】 The main products of the provider business are WiMAX and docomo Hikari, and the latter is driving the growth. Customers value fast Internet connection and our products have competitive price advantages, and we sell these No. 1 products both online and offline.

●overseas business

【Q4】 You mentioned that the overseas business achieved positive figures.

【A4】 In overseas sales, the Internet Infrastructure business in Asia (non-English speaking region), which offers services under the Z.com brand, is expected to achieve positive figures on a monthly basis. However, this is partly due to one-off factor, so the overseas business has not been able to continuously achieve positive figures. We are, however, confident that recurring revenue will see an upward trend in the future.