

Q1 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 May 9, 2019. The questions are answered by Founder & Group CEO Masatoshi Kumagai and CFO Masashi Yasuda.

●Internet Infrastructure

【Q1】 Regarding the mid- to long-term strategy, you mentioned "existing infrastructure × finance."

【A1】 We want to accelerate growth by adding the function of finance to infrastructure services. GMO Payment Gateway provides finance related services, and GMO Pepabo has launched FREENANCE. We are planning to launch new products utilizing the characteristics of existing products. (Will the GMO Aozora Net Bank play an important role in creating synergies between existing Infrastructure business and Finance business?) Yes, that is why we have created an Internet bank.

●Online Advertising & Media

【Q2】 January to March is a strong period for advertisement. Why didn't the earnings grow QoQ?

【A2】 Revenue and profit grew in Q4 FY2018 due to the large demand for ad agency and online research. On the other hand, we finished selling existing in-house products for SMBs in Q1 FY2019, which had a negative impact on the profit.

【Q3】 The same situation has been continuing for many years. You mentioned "reinforcing weaker segments with No. 1 products." Which segment(s) is currently weak and what is each group company planning to do to become stronger?

【A3】 The business model of cryptocurrency exchange business and that of FX business under the Finance segment are similar, so we are able to utilize the expertise cultivated through the Finance segment, which has led to the growth in the cryptocurrency exchange business.

●Cryptocurrency mining

【Q4】 I want to know the current break-even point and the amount of investment in the future?

【A4】 The profitability is improving compared to Q1 due to the rise in BTC price. The cryptocurrency mining business is currently profitable but we do not disclose the actual figures. Regarding the amount of investment in the future, the electricity cost will decrease by 60% if we withdraw from Northern Europe, so we plan to invest while confirming the profitability of the mining operation using inexpensive mining machines. We expect to invest up to JPY 1 billion.

【Q5】 Are you planning to invest up to JPY 1 billion to mining machines? Is the depreciation period 2 years?.

【A5】 We will be able to achieve a hash rate of 700 PH/s by Q3 with the existing mining machines. We will buy new mining machines to achieve the remaining 500 PH/s. We will invest a total of JPY 1 billion in Q3 and Q4 this year. The depreciation period is 2 years.

GMO INTERNET

- Incubation

【Q6】 Did the incubation business sell its stakes in particular portfolio companies?

【A6】 Yes, it sold part of its stakes in Mercari.

- GMO Aozora Net Bank

【Q7】 The loss is increasing at GMO Aozora Net Bank. Will this trend continue in the future?

【A7】 GMO Internet Group holds 14.9% stake in GMO Aozora Net Bank. We launched the net bank in 2018, initially acquiring accounts and gradually increasing the financial income. The loss is still significant as we have just launched the business but it is expected to decrease assuming the absence of one-off, significant loss. (Q. Will you make an investment in FY2019? A. Yes.)

【Q8】 Regarding GMO Aozora Net Bank, you mentioned "Provide API + Develop SDK." What is the expected cost?

【A8】 We are employing a few new staffs (partners) but the cost is insignificant. It is for hiring engineers.