

The following is a summary of questions asked by attendees at the earnings presentation to investors held on February 12, 2020. The questions are answered by Founder & Group CEO Masatoshi Kumagai.

### ●Internet Infrastructure

[Q1] Regarding the profit in Q4 FY2019, you explained the payment subsegment but the growth in other subsegments appears to be slowing down as well. What are the reasons?

[A1] This is mainly due to the impact of continuous investment in (1) FREENANCE, a factoring service for freelancers offered by GMO Pepabo's subsidiary GMO Creators Network, and (2) IoT-related business under GMO CLOUD.

### ●Internet Finance

[Q2] What are the factors that may have a negative effect on the consolidated results of FY2020?

[A2] We do not expect to see any factors having a negative effect but the performance of Internet Finance depends largely on market volatility. The two factors that may have a positive effect are as follows. One is that we have expertise cultivated through an analysis of big-data using the AI. The other is that overseas investment is producing good results. Internet Securities in Thailand is growing steadily, and we expect the figures to turn positive in FY2020.

### ●Cryptocurrency mining

[Q3] Bitcoin halving is scheduled in May 2020, which means the amount of mined Bitcoin will halve, so some people expect that the profitability will decrease. How will GMO Internet generate profit?

[A3] We consider Bitcoin halving is an opportunity because we have secured an inexpensive, stable power supply in the mid-term and are using fully depreciated mining machines, so we believe we have a cost advantage.

[Q4] Regarding the electricity cost at the new location, does GMO Internet have an advantage? Mr. Kumagai appears to be taking a bullish approach to his cryptocurrency mining business. Has the future investment policy changed?

[A4] Kumagai is not taking a bullish approach. We have been and will continue to put effort into our cryptocurrency mining business. In 2018, we have learned the global standard through the roadshow to sell the mining machines, hearing how the cryptocurrency mining businesses around the world are securing the power supply. By relocating our mining centers to the new location, we have been able to reduce the electricity cost by more than 50%, so we believe we have a cost advantage. If our competitors's profitability decreases and they shut down their mining centers in the future, our mining share and therefore our profitability will increase. If the price of mining machines decreases dramatically, we may increase capital expenditure (if it is reasonable) as we have explained in the past.

# GMO INTERNET

## ●Incubation business

【Q5】 Incubation business contributed significantly to the consolidated results in the past two years. What is the current pipeline?

【Q5】 We reaped the harvest in the past two years, so please do not have high expectations. We have and will continue to invest in and support our investees, and some of them may go public in the future but we do not have any specific information to share at the moment.

## ●Shareholder returns

【Q6】 Is it correct that GMO Internet will not execute share buyback (17% of profit attributable to owners of a parent each quarter is allocated to share buyback according to the Total Shareholder Returns Policy) in FY2021 and beyond, and will retire your shares repurchased?

【A6】 Correct. After we retire our shares repurchased (equivalent to JPY 15 billion), we intend to resume share buyback in accordance with the Total Shareholder Returns Policy (the company aims to return 50% of profits to shareholders).

## ●Oteher

【Q7】 What is the impact of the new service TownWiFi byGMO and Local 5G on the consolidated results of FY2020?

【A7】 The impact of TownWiFi byGMO and Local 5G on the consolidated results of FY2020 will be negligible. We will offer value-added services by combining location information, which is associated with TownWiFi byGMO, and ad tech products, which will have a positive effect on the provider business. We believe ".gmo" will be a strong product. It will be a cheap domain for the management of IoT devices. It is a service combining the products of three of the group companies: (1) GMO Domain Registry that sells domains to registrars; (2) GMO Internet's Onamae.com that operates and sells domains to customers; and (3) GMO GlobalSign, a Certificate Authority. It will be used to manage IoT devices around the world for five to ten years, which is why we believe it may have a high potential for growth in the mid-term. It will exist as long as the Internet exists and will grow into a product that generates recurring revenue.