

OASIS

Oasis's Response to GMO Internet Board's Dissenting Opinions on our Shareholder Proposals for Annual General Meeting

(Stock Code: 9449 JT)

** Oasis has carefully reviewed dissenting opinions of the Board of Directors of GMO Internet and found that none of the opinions were sufficient or persuasive*

** Oasis calls on all minority shareholders to vote FOR Oasis' shareholder proposals*

More information available at www.GMOCorpGov.com

March 9, 2018, Hong Kong – Oasis Management Company Ltd. (“Oasis”) is the manager to the Oasis Investments II Master Fund Ltd. (“Oasis Fund”), which owns 7.22% of the issued shares of GMO Internet Inc. (9449 JT) (“GMO Internet” or the “Company”), making the Oasis Fund one of the Company’s largest minority shareholders. Oasis has adopted the Japanese FSA’s “Principles for Responsible Institutional Investors” (a/k/a Japan Stewardship Code) and in line with those principles, Oasis monitors and engages with our investee companies.

On March 5, 2018, GMO Internet disclosed the convocation notice for its general shareholders meeting to be held on March 21, 2018 (“2018 AGM”). In the notice, GMO Internet’s Board of Directors objected to all of the shareholder proposals made by Oasis (Proposals Nos. 5-10).

Oasis has carefully reviewed the dissenting opinions of the GMO Internet Board of Directors, and found that NONE of their opinions were sufficient or convincing.

Oasis reiterates that ALL minority shareholders should vote FOR Oasis’s shareholder proposals in order to send a strong message to GMO Internet from its shareholders that it must implement governance restructuring changes at the Company. The results of the 2018 AGM will determine GMO Internet’s future direction. Your vote matters!

Proposal No. 5: Abolition of Policy for Large-scale Purchase of the Company’s Shares (Takeover Defense Measures) and Proposal No. 6: Partial Amendment to the Articles of Incorporation (Introduction Method for Takeover Defense Measures)

Dissenting opinion of the GMO Internet Board of Directors:

- The Board of Directors believes that the final decision on whether to accept or reject a large-scale purchase by a large-scale purchaser should be made by the shareholders.

- The Board of Directors believes that in order to contribute to the common interests of the shareholders, it is extremely important that the Board of Directors, who has sufficient understanding of the Company's business characteristics, etc., appropriately provides its assessment and opinions regarding the large-scale purchase to the shareholders.
- The Board of Directors believes that any arbitrary triggering of countermeasures under the Takeover Defense Measures will be avoided as the Company has appointed three External Directors who are independent Directors and established the Special Committee.

Oasis's response and opinion:

- Although the Board of Directors explains that the final decision on whether to accept or reject a large-scale purchase by a large-scale purchaser should be made by the shareholders, they did not obtain shareholders' approval when introducing Takeover Defense Measures in 2006. Moreover, their Takeover Defense Measures do not require shareholders' approval to be put into effect. The structure of their Takeover Defense Measures contradicts from Board of Directors' statement.
- As Oasis pointed out in our press release on January 19, 2018, according to Mr. Kumagai's past interviews to multiple media outlets, he declined, at his sole discretion, several offers to acquire GMO Internet in 2007, which would have been beneficial to minority shareholders. (Other suspicious related party transactions which Mr. Kumagai engaged for his personal interest are as follows – under the next bullet.) In such cases, the conflict of interest between Mr. Kumagai, the largest shareholder, Representative Director, Chairman and President, and minority shareholders is self-explanatory. Oasis remains concerned that the Board of Directors may make decisions which barely give consideration to minority shareholders' interest, as Mr. Kumagai exerts excessive influence over Board of Directors.
 - According to the “Notes to Consolidated and Individual Financial Statements for Fiscal Year Ending December 2017” disclosed by GMO Internet on March 5, 2018, the Company has paid JPY91 million to Mr. Kumagai's asset management company (Kumagai Masatoshi Office Inc.) in the form of the expense related to the usage of aircraft, which has not been seen in the past. Oasis suspects that this is related to helicopter flying, which is Mr. Kumagai's hobby, and in particular, to the expense related to Agusta AQ109SP, the helicopter (registration number is JA70MK and moored at Tokyo Heliport), which he purchased on October 5, 2016, and introduced in his website www.kumagai.com.
 - Even before the fiscal year ending December 2017, there were multiple transactions between GMO Internet and Mr. Kumagai, and his privately held company named Wine-ya-san Co., Ltd. Wine-ya-san, which is managed by Mr. Kumagai's personal sommelier, Mr. Yamanaka, used to be owned by Mr. Kumagai, but consolidated as a subsidiary of GMO Internet in the fiscal year ending December 2015. Mr. Kumagai is publicly known as a dedicated wine collector, which he also admits in his website www.kumagai.com. According to GMO Internet's annual reports, the Company has paid JPY35 million in fiscal year ending December 2014 and JPY91 million in fiscal year ending December 2015 to Wine-ya-san in the form of the expense related to the purchase of alcoholic liquor. GMO Internet also lent

JPY250 million to Wine-ya-san. in fiscal year ending December 2015. Lastly, Mr. Kumagai and his asset management company (Kumagai Masatoshi Office Inc.) purchased alcoholic liquor from GMO Internet for JPY51 million in fiscal year ending December 2016. It is obvious that these transactions had nothing to do with the core business of GMO Internet, but only the self-interest of Mr. Kumagai.

- In addition, for the following reasons, we doubt the independence of GMO Internet’s Special Committee, which is composed of two current External Directors and external experts, and we do not see its recommendation or as objective, but instead, we see it as biased to put importance on Mr. Kumagai’s interest:

- *External Directors:* It appears that two out of three External Directors are not truly independent:

1. *Mr. Ogura* – Since he has served as an outside executive of GMO Internet for 14 years (from 2004 to 2016 as an External Auditor; since 2016, as an External Director who has also been a member of Audit and Supervisory Committee of GMO Internet), it is strongly presumed that he has been influenced by and not gone against Mr. Kumagai. Oasis, therefore, believes that he is not truly independent from GMO Internet.
2. *Mr. Masuda* – Since he has served as an outside executive of GMO Internet and its subsidiaries for 10 years (from 2008 to 2014 as an External Auditor of GMO Pepabo, Inc.; and from 2014 to 2016 as an External Auditor of GMO Internet; and subsequently since 2016, as an External Director who has also been a member of Audit and Supervisory Committee of GMO Internet), it is strongly presumed that he has been influenced by and not gone against Mr. Kumagai. Oasis, therefore, believes that he is not truly independent from GMO Internet.

Oasis believes that both of these External Directors are not truly independent from GMO Internet considering that each of them were assigned as External Directors, but they also served as members of the Audit and Supervisory Committee when GMO Internet changed its corporate structure -- a typical “promotion” of External Auditors to make up the number of External Directors.

- *Special Committee:* three out of four members of the Special Committee appear that they are not truly independent:

1. The Special Committee is composed of aforementioned two External Directors, Mr. Ogura and Mr. Masuda, together with Mr. Kinoshita, a former External Auditor of GMO Internet, and Mr. Shishido, professor of Hitotsu-bashi University.
2. Members of the Special Committee have never been changed since the committee’s foundation in 2006.

3. In addition, as stated above, two External Directors (Mr. Ogura and Mr. Masuda) are not truly independent in our view, and thus, we believe that they are not eligible as members of the Special Committee.
4. Lastly, Mr. Kinoshita has served GMO Internet Group and Mr. Kumagai for 14 years, making him not truly independent in our view. Thus, we believe that he is not eligible as a member of the Special Committee.

Proposal No. 7: Partial Amendment to the Articles of Incorporation (Change to the System for Company with Nominating Committee, etc.)

Dissenting opinion of the Board of Directors:

- The Board of Directors believes that sufficient supervisory function has been maintained by adopting audit and supervisory committee system from 2016.
- The Board of Directors believes that nomination of the candidates for Directors is free from arbitrariness as those candidates, who offer their services as Director on a voluntary basis, will be decided based on a thorough review by Board of Directors fully utilizing “360 degree” executive evaluation obtained from all the officers under the Group.
- The Board of Directors believes that Directors’ compensation framework is appropriate and free from arbitrariness as compensation will be determined automatically by qualitative and quantitative targets of the Company with an adjustment depending on progress against the individual target for each Director, and all of the information is disclosed to all executives and employees of GMO Internet Group.
- Lastly, the Board of Directors believes that the Senior Advisors and Advisors of the Company cannot exert undue influence and is being compensated appropriately.

Oasis’s response and opinions:

- Oasis believes that the dissenting opinion of the Board of Directors is insufficient and inappropriate as it does not explain why the Board of Directors believes sufficient and effective supervision over the Board of Directors and the management, including Mr. Kumagai, is maintained at GMO Internet, where the largest shareholder serves as Representative Director, Chairman and President to the Company, holding excessive influence over the Board of Directors and the management.
- As stated above, Oasis believes that none of the External Directors, who compose the majority of the audit and supervisory committee, are truly independent; thus, we can’t be convinced by the Company stating that they maintain a sufficient supervisory function over the Board of Directors and the management by just simply adopting audit and supervisory committee system.

- Oasis believes that the current Director nomination process is neither free from arbitrariness nor appropriate from the following reasons:
 - The Board of Directors and the management may act in favor of Mr. Kumagai's self-interest instead of the common interest of the shareholders.
 - Nomination of the Directors primarily on a voluntary basis within GMO Internet Group would not suffice for Board of Directors' duty to appoint best appropriate talent as Directors' candidates.
- Oasis believes that the detail of Directors' compensation framework must be disclosed, not only within GMO Internet Group, but also to shareholders, who ultimately delegate management of the Company to Directors, and moreover, who evaluate and elect Directors, if it is truly appropriate and free from arbitrariness.
- In addition to Director compensation, Oasis strongly believes that the Company must disclose and explain what structural framework exists to avoid Senior Advisors' and Advisors' excessive influence, how the Company decides the appropriate level of compensation for Senior Advisors and Advisors, and why it is determined that those Senior Advisors and Advisors should be employed in the first place.

Proposal No. 8: Partial Amendment to the Articles of Incorporation (Prohibition of Concurrent Posts of President and Chairperson of the Board of Directors)

Dissenting opinion of the Board of Directors:

- The Board of Directors believes that the Chairperson of the Board of Directors should best be served by the person who is most familiar with the business operations of the entire GMO Internet Group given its position to play the leading role in the decision-making for business execution.
- The Board of Directors believes that sufficient supervisory function has been maintained by adopting audit and supervisory committee system from 2016.
- The Board of Directors believes that it is unclear that supervisory function will be enhanced even prohibiting concurrent posts of President and Chairperson of the Board of Directors.

Oasis's response and opinions:

- Separation of the roles of Chairperson of the Board and President is considered corporate governance best practice.
- Again, as stated above, Oasis believes that GMO Internet's dissenting argument that a sufficient supervisory function has been maintained since GMO Internet adopted Audit and Supervisory

Committee system from 2016 cannot be effective and convincing, because the three External Directors who represent majority of the Audit and Supervisory Committee are not truly independent. (As to Mr. Ogura and Masuda, it is stated above, and as to Mr. Gunjikake, we can point out the same thing.)

- In addition, Oasis believes that enhancing the supervisory function over the Board of Directors and the management is indispensable at GMO Internet because there is a risk that these decision-making bodies may act in favor of the interest of Mr. Kumagai. Based on this concept, Oasis believes that the Company should follow the guideline presented in “Practical Guideline concerning the Corporate Governance System” published by the Ministry of Economy, Trade and Industry on March 31, 2017, which states that “it is desirable that a person other than another person executing the business of the company acts as chair of board of directors meetings from a view point of objective evaluation.”

Proposal No. 9: Partial Amendment to the Articles of Incorporation (Election of Directors by Cumulative Voting)

Dissenting opinion of the Board of Directors:

- The Board of Directors concerns that there may be a risk where Director or Directors may perform its role based on the interests of the specific shareholders who elected him or her if it adopted Cumulative Voting system.
- The Board of Directors concerns the fact that Cumulative Voting system has not been adopted by a majority of listed companies in Japan.

Oasis's response and opinions:

- Oasis believes that the opinion by the Board of Directors is self-contradicting. Oasis submitted Proposal No. 9 out of concern about the risk that GMO Internet Directors may perform their roles in favor of an interest of the specific shareholder, Mr. Kumagai, who likely elected those Directors, with his effective control over the Company's general shareholders meetings.
- In addition, despite the fact that it has not been adopted by a majority of the listed companies in Japan, Cumulative Voting is a common voting system widely adopted overseas, including in the U.S., and the statutory system stipulated under Japanese Companies Act, Article 342. Unless it is inactivated under the articles of incorporation, a Cumulative Voting system can, upon a request of shareholder(s) to the Company, be utilized at a shareholders meeting of the Company where Director-candidates are elected. At a company like GMO Internet, where there is a risk that Director(s) elected by a specific shareholder (i.e., Mr. Kumagai), by collecting many affirmative votes from the specific shareholder could give a better priority to the specific shareholder's interest than common interests of other shareholders, it is natural to appoint Directors who can work for other shareholders' interest.

Proposal No. 10: Setting Compensation Amount for Directors (Excluding Audit and Supervisory Committee Members) (Adoption of a Compensation Structure Linked with the Interests of Minority Shareholders) AND Proposal No. 4: Matters in Relation to Determining the Remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members)

Dissenting opinion of the Board of Directors:

- The Company proposes that the annual amount of remuneration for Directors (excluding Directors who are audit and supervisory committee members) shall be increased at JPY1.2 billion or less from JPY1.0 billion or less which was adopted for the previous fiscal year (Proposal No.4 by the Company); and objects to Oasis' proposal to reduce such remuneration to JPY0.5 billion or less (Proposal No. 10 by Oasis).
- As stated above, the Board of Directors believes that Directors' compensation framework is appropriate and free from arbitrariness as compensation will be determined automatically by qualitative and quantitative targets of the Company with an adjustment depending on progress against the individual target for each Director, and all of the information is disclosed to all executives and employees of GMO Internet Group.

Oasis's response and opinion:

- Oasis believes that it should reduce rather than increase the total amount of the Board of Directors' remuneration, considering that the Company has missed its financial guidance in fiscal year ending December 2017. We strongly urge minority shareholders to vote against Proposal No. 4 and vote for Proposal No. 10. The ultimate responsibility for the company's performance lies with the Board.
- As stated above, Oasis believes that the detail of Directors' compensation framework must be disclosed not only within GMO Internet Group but also to shareholders, who delegates management of the Company to Directors, and moreover, who evaluate and elect Directors, if it is truly appropriate and free from arbitrariness.

For all other inquiries, please contact Taylor Hall at thall@hk.oasiscm.com.

Oasis Management Company Ltd. manages private investment funds focused on opportunities in a wide array of asset classes across countries and sectors. Oasis was founded in 2002 by Seth H. Fischer, who leads the firm as its Chief Investment Officer. More information about Oasis is available at <https://oasiscm.com>.

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