Fiscal Year 2019

Second Quarter

Results Presentation

GMO INTERNET

STOCK CODE: 9449

August 6, 2019

1. Overview

2. Financial Results

3. Segment Report

i) Group Overview

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Overview | Executive Summary: Q2 FY2019 (Apr-Jun)

Net sales were up and profits were down compared to the same period last year due to the absence of stock sale by VC

(JPY billions)	Q2'18 (Apr-Jun)	**Q2'19 (Apr-Jun)**	YoY Change	Change	
Net Sales	47.5	**49.1**	**+1.60**	**+3.4%**	**Record high**
Operating Profit	6.51	**5.95**	**-0.55**	**-8.6%**	
Ordinary Profit	6.45	**5.76**	**-0.63**	**-10.0%**	
Net Profit	2.14	**2.01**	**-0.13**	**-6.2%**	

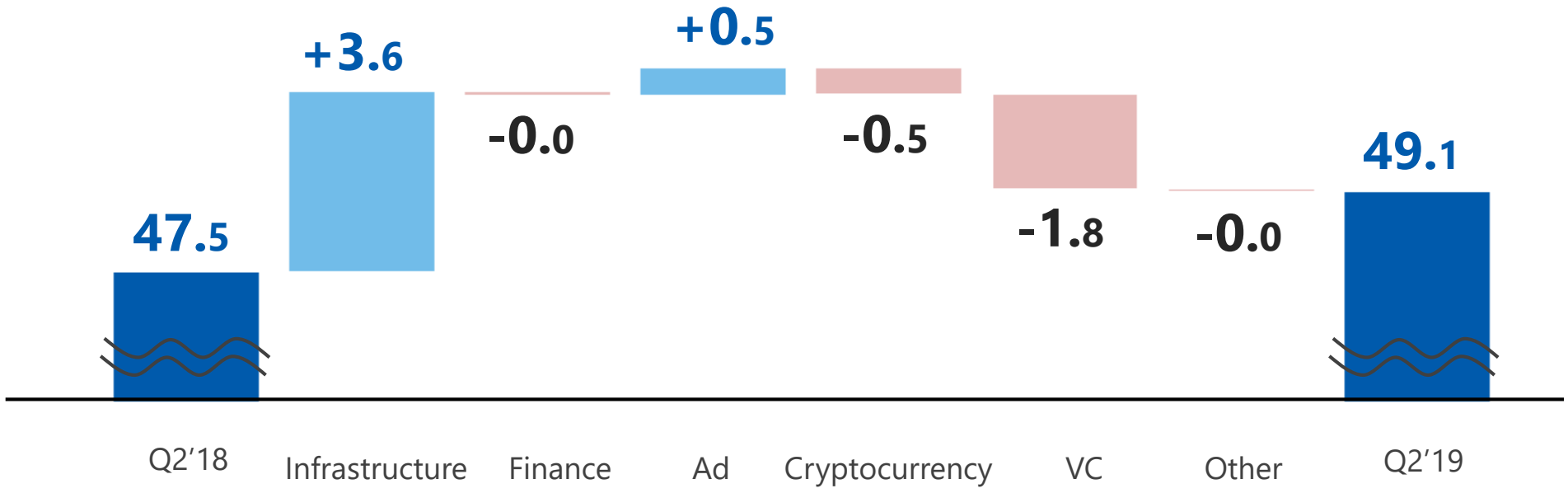
Overview | Highlights: Q2 FY2019 (Apr-Jun)

- Infrastructure: payment and provider performed favorably
- Finance: FX trading volume's growth was sluggish but Finance recovered as profitability reached a record high
- Cryptocurrency exchange business performed favorably as the cryptocurrency market recovered
- Cryptocurrency mining business achieved positive figures in Q2 but the delay of restructuring had an opportunity cost

Overview | Executive Summary: Q2 FY2019 (YoY) (Apr-Jun)

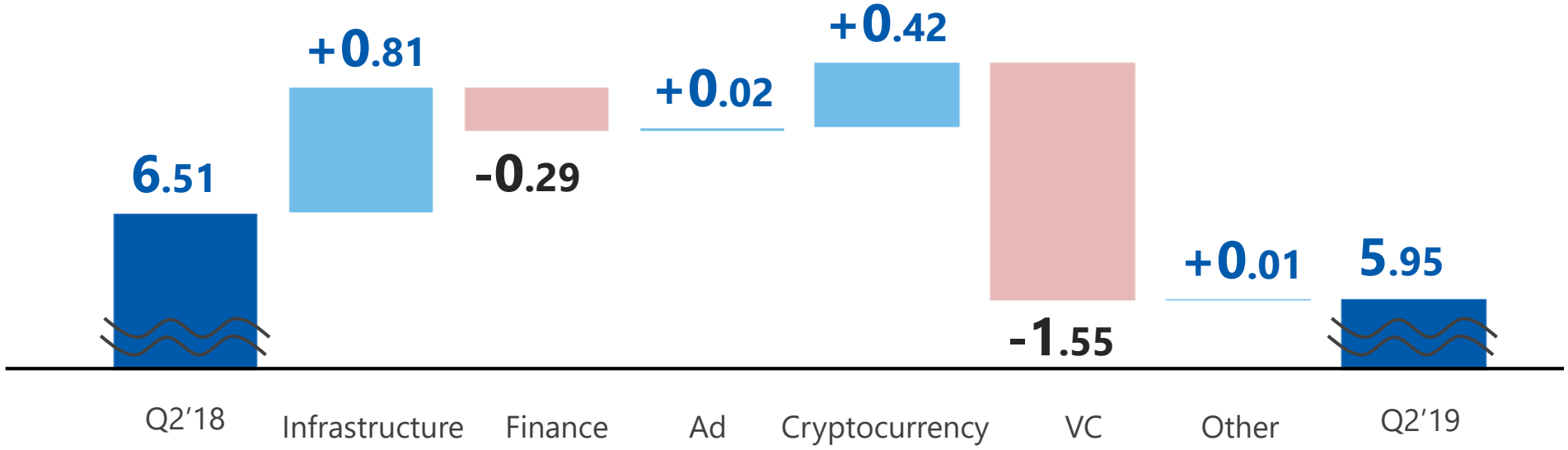
Net sales

(JPY billions)



OP

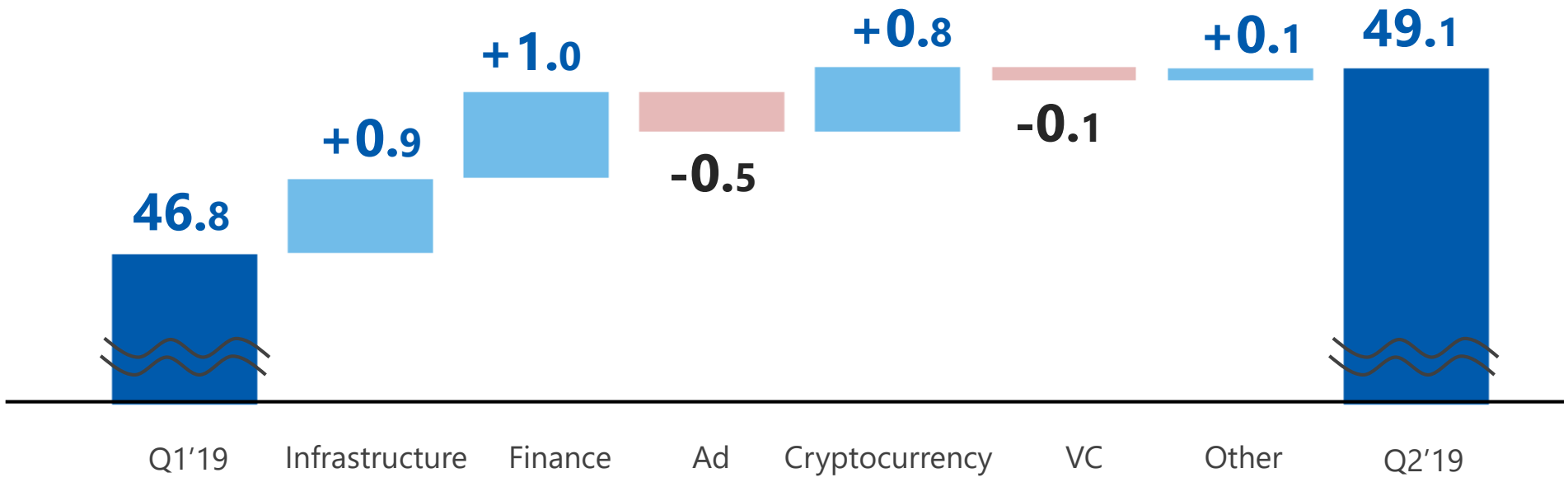
(JPY billions)



Overview | Executive Summary: Q2 FY2019 (QoQ) (Apr-Jun)

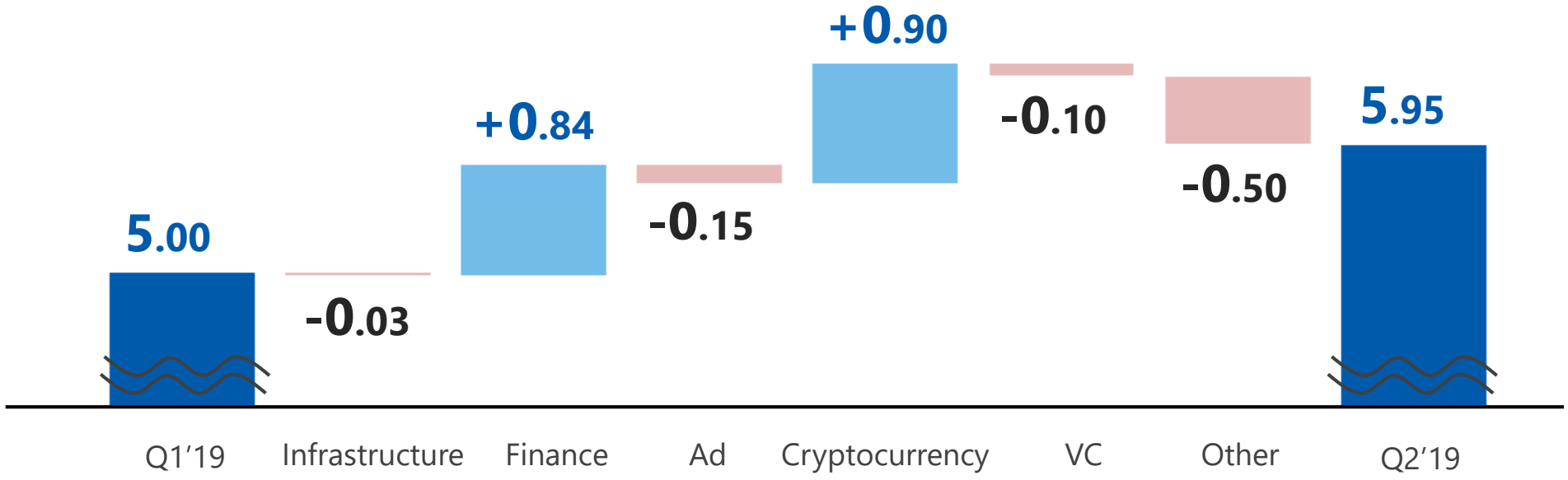
Net sales

(JPY billions)



OP

(JPY billions)



Overview | Segment Summary: Q2 FY2019 (Apr-Jun)

Internet Infrastructure	Net sales	JPY **28.43B**	(Up **14.5%** YoY)	**Record high**
	OP	JPY **3.58B**	(Up **29.5%** YoY)	
	Profit was up significantly due to the growth in payment and provider, and marketing cost fluctuations			
Online Ad & Media	Net sales	JPY **11.57B**	(Up **5.1%** YoY)	
	OP	JPY **0.09B**	(Up **45.0%** YoY)	
	We are struggling due to our weak in-house ad tech products and media, but advertising agency recovered			
Internet Finance	Net sales	JPY **7.47B**	(Down **1.1%** YoY)	
	OP	JPY **2.31B**	(Down **11.2%** YoY)	
	FX trading volume's growth was sluggish but Finance recovered as profitability reached a record high			
Cryptocurrency	Net sales	JPY **2.10B**	(Down **20.7%** YoY)	
	OP	JPY **0.67B**	(Up **165.6%** YoY)	**Record high**
	Cryptocurrency mining business achieved positive figures due to cost reduction, though revenue decreased. As for cryptocurrency exchange business, transaction increased.			

Overview | Executive Summary: Q2 FY2019

(JPY billions)	Q2'18 (Jan-Jun)	**Q2'19 (Jan-Jun)**	YoY Change	Change
Net Sales	91.2	**96.0**	**+4.76**	**+5.2%** Record high
Operating Profit	11.78	**10.95**	**-0.82**	**-7.0%**
Ordinary Profit	11.33	**10.65**	**-0.68**	**-6.0%**
Net Profit	4.23	**4.03**	**-0.19**	**-4.6%**

Overview | Shareholder Returns (Policy)

Policy

Total Shareholder Returns Ratio

50%

=

Dividend Payout Ratio

Over 33%

Quarterly dividend

+

Share Buyback

17%

Net profit at end of fiscal year to form basis of buyback in **following year**

Overview | Shareholder Returns (Actual)

Dividend per share

(JPY)	Q1	Q2	Q3	Q4	Annual
FY2018	6.00	6.20	5.50	11.80	29.50
FY2019	**6.00**	**6.00**	-	-	-

Acquisition of treasury stock

Total Value	**JPY 3.11B**
No. of Shares Acquired	**1.85M**

Cancellation

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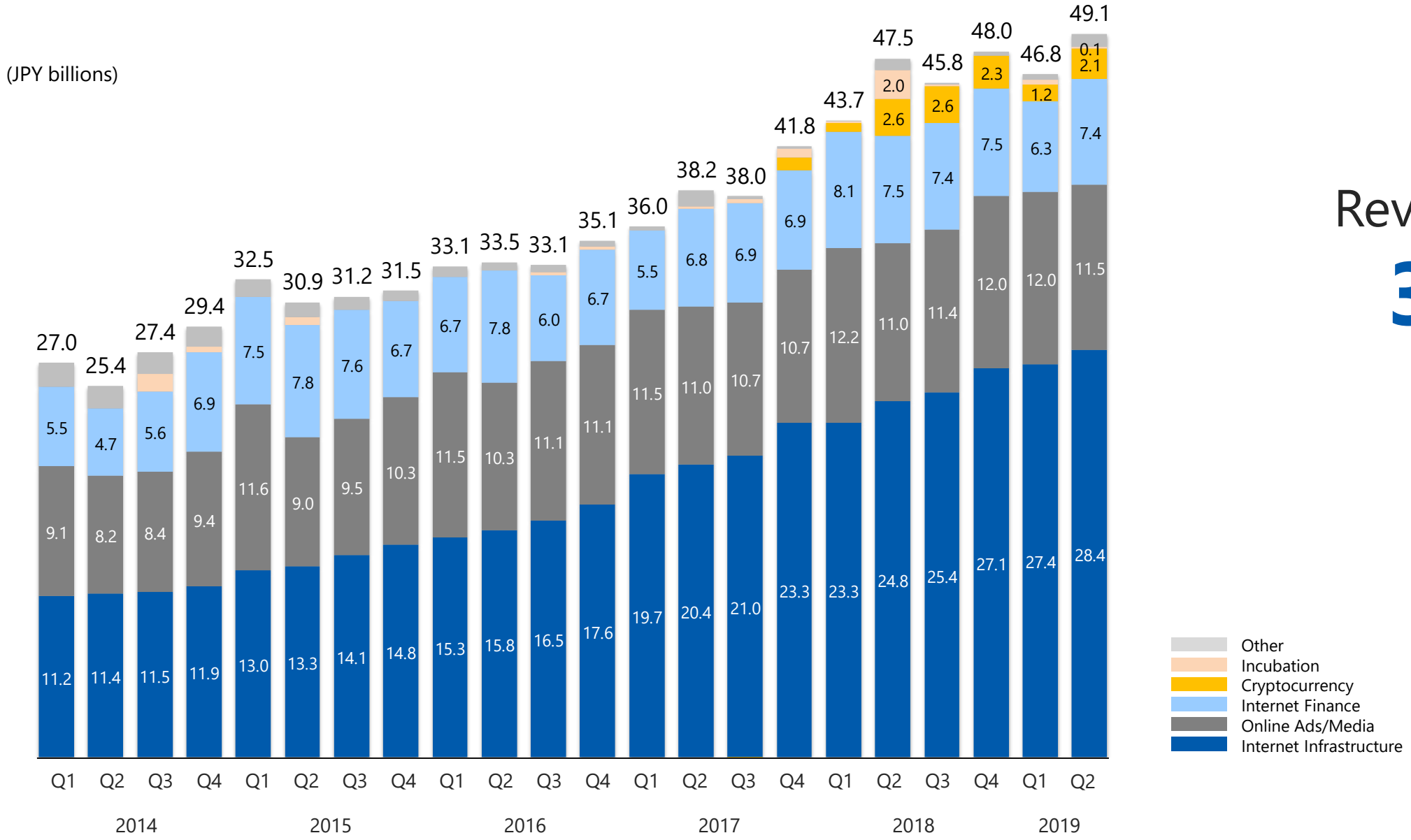
Financial Results | Net Sales by Segment



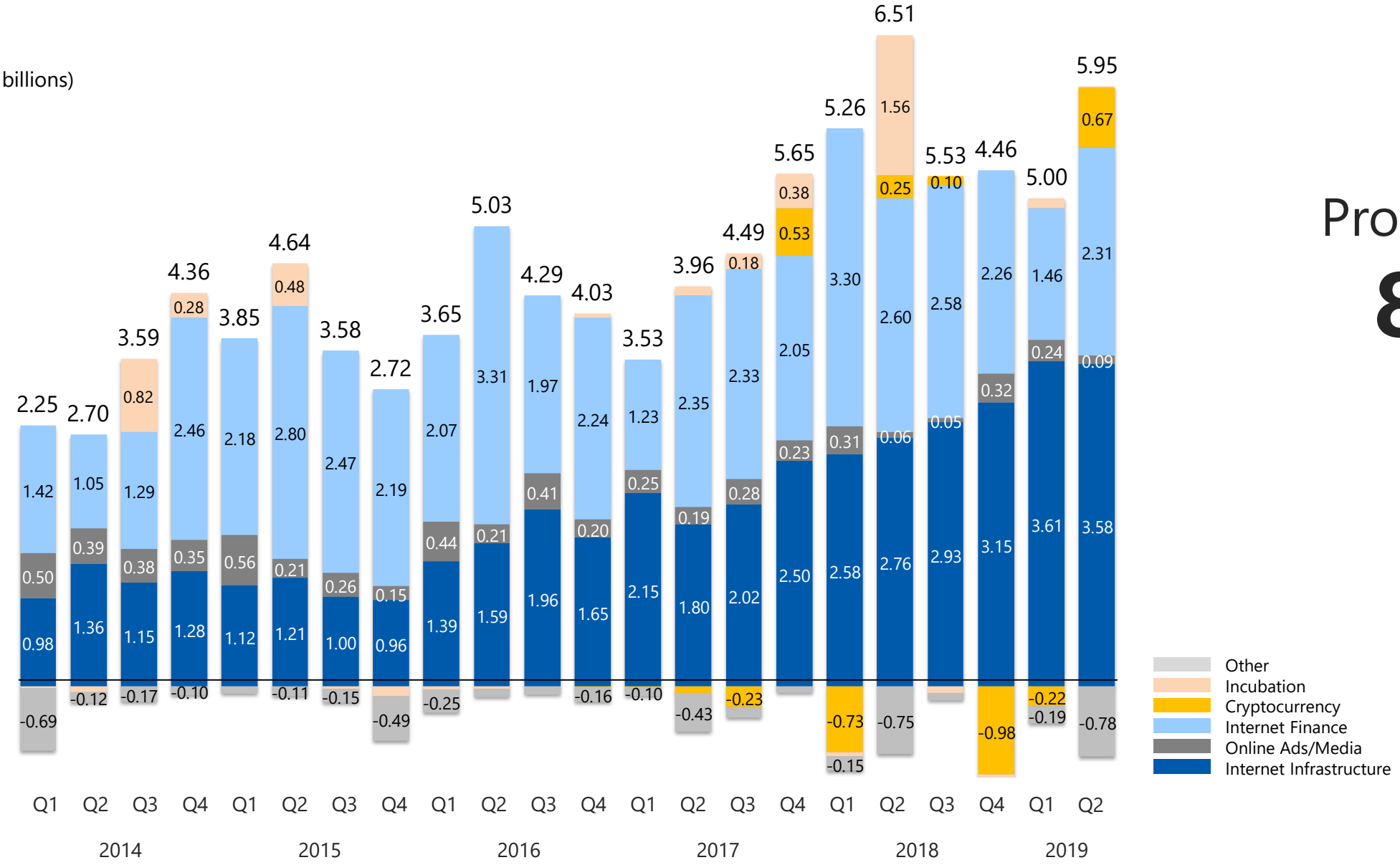
Revenue up

3.4%

YoY

Financial Results | Profit by Segment

(JPY billions)



Profit down

8.6%

YoY

Financial Results | Consolidated Profit and Loss

(JPY millions)	Q2'18 (1-6/2018)	**Q2'19 (1-6/2019)**	Change
Net Sales	91,270	**96,038**	5.2%
Gross Profit on Sales	45,664	**45,950**	0.6%
Operating Profit	11,783	**10,957**	-7.0%
（OP Margin）	12.9%	**11.4%**	-1.5pt
Non Operating Profit and Loss	-446	**-304**	-
Ordinary Profit	11,337	**10,653**	-6.0%
Extraordinary Profit or loss	676	**465**	-31.2%
Profit before Tax	12,014	**11,118**	-7.5%
Corporate Taxes etc.	4,343	**3,738**	-13.9%
non-controlling interests	3,438	**3,345**	-2.7%
Profit attributable to Owners of the Parent	4,231	**4,035**	-4.6%

supplementary information

Loss on equity method investment: -433M

Gain on reversal of loss related to the cryptocurrency mining business restructuring: +870M

Financial Results | Consolidated Balance Sheet

(JPY millions)	End of 12/2018	**End of 6/2019**	Change	GMO Financial HD (End of 6/2019)	Change
Current Assets	710,532	**725,868**	15,336	559,379	42,711
Cash & Deposits	144,096	**136,627**	-7,468	60,844	21,202
Fixed Assets	41,922	**48,448**	6,525	8,055	-10
Goodwill	1,843	**1,633**	-209	529	-81
Software	5,818	**6,409**	590	1,537	-13
Investment Securities	7,617	**8,168**	551	2,893	-39
Total Assets	752,454	**774,316**	21,861	567,434	42,701
Liabilities	656,033	**677,443**	21,410	531,505	42,685
Interest-bearing debts	111,175	**114,639**	3,464	74,292	7,780
Net Assets	96,421	**96,873**	451	35,929	16
Non-controlling Minority Equity	43,920	**46,209**	2,288	1,035	72
Shareholders' Equity	52,422	**50,577**	-1,844	34,893	-56
Earned Surplus	14,678	**16,664**	1,986	32,469	1,446
(Shareholders' Equity Ratio)	7.0%	**6.5%**	-0.4pt	6.1%	-0.5pt
Liabilities/Net Assets Total	752,454	**774,316**	21,861	567,434	42,701

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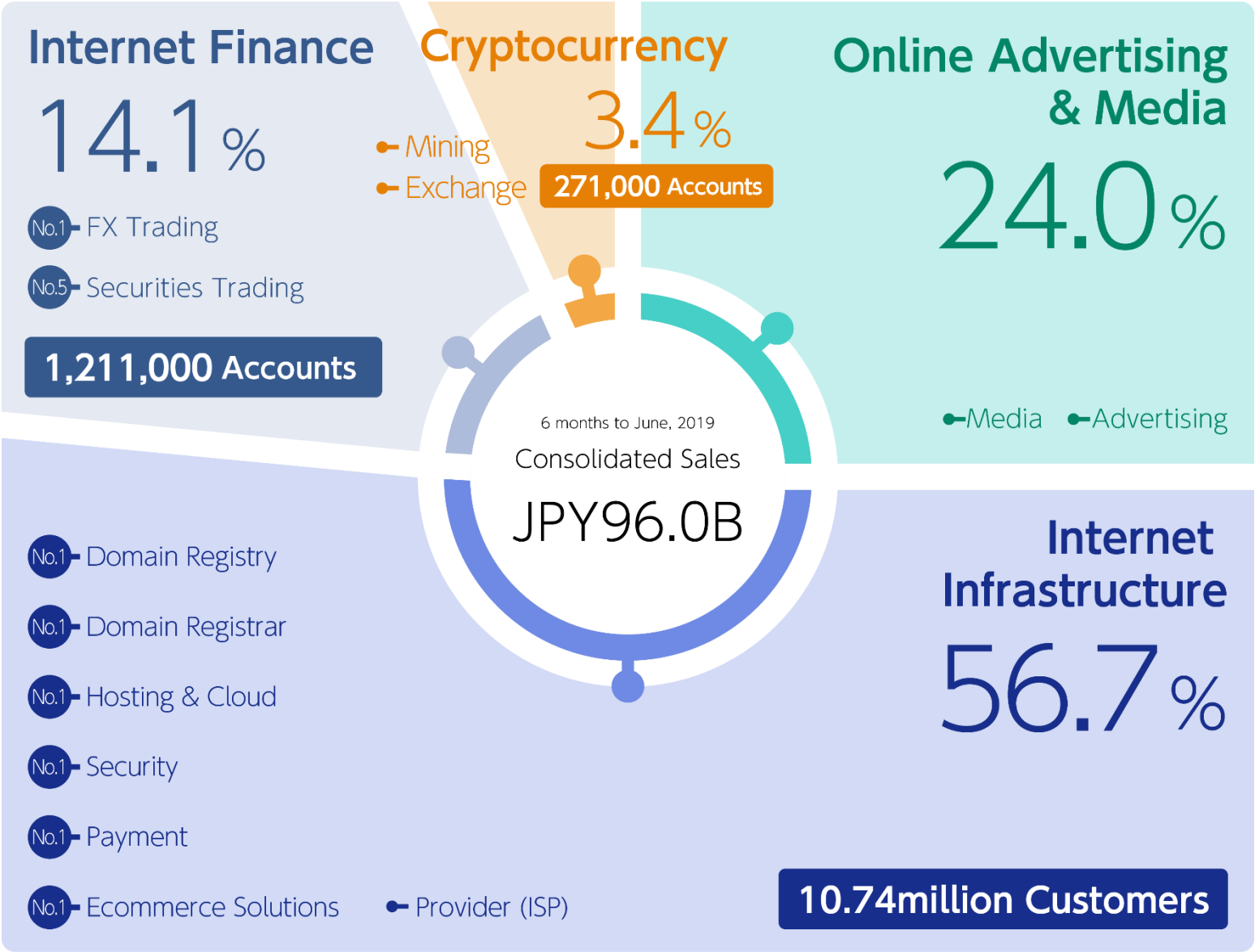
Group Overview | Listed Group Companies: Equity Share

Stock Code	Stock Name	Exchange	Market Cap*1 (JPY billions)	% Ownership*2	Equity Share (JPY billions)
9449	GMO Internet	TSE 1	192.7		
3769	GMO Payment Gateway	TSE1	578.0	42.4%	245.0
7177	GMO Financial Holdings	TSE JQS	67.2	63.1%	42.4
3788	GMO CLOUD	TSE1	35.4	51.8%	18.3
3633	GMO Pepabo	TSE JQS	15.0	65.0%	9.7
4784	GMO AD Partners	TSE JQS	6.7	56.1%	3.7
3695	GMO Research	TSE MOTHERS	3.1	54.9%	1.7
6180	GMO Media	TSE MOTHERS	3.0	65.3%	1.9
6026	GMO TECH	TSE MOTHERS	2.2	54.1%	1.1
	Group Total		903.5*3		324.2

*1 Market value as of 8/5/2019 *2 Includes indirect holdings *3 Calculated as the sum of the listed market cap values

Group Overview | Business Segments (Composition)



Solid revenue base

12.22M customers

(Infrastructure and Finance)

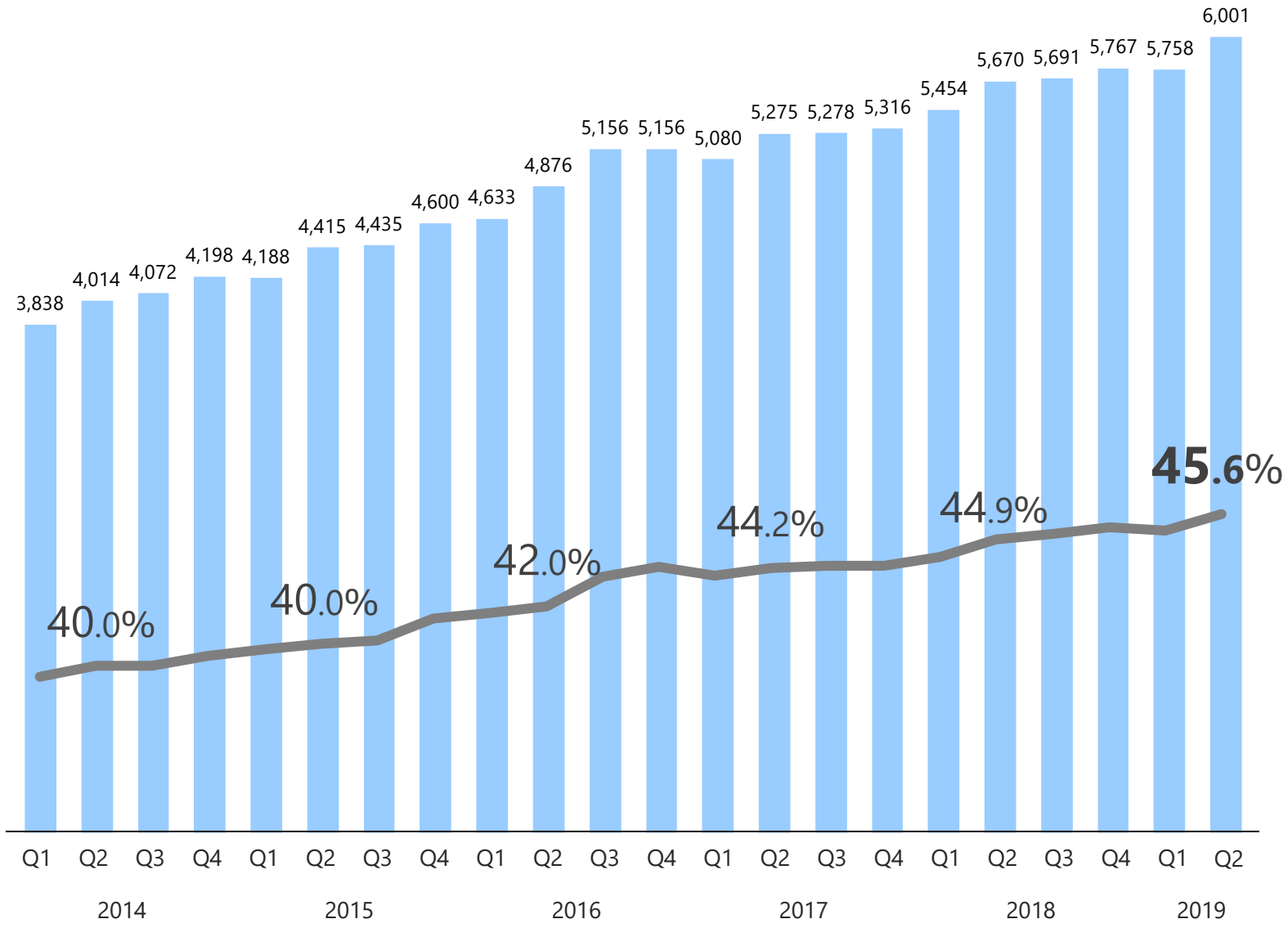
Up

1.70M

YoY

*Net sales ratio is calculated based on the numbers before cancelling inter-segment transactions. *12.22M is an aggregate number of customers (the actual number) in Infrastructure, Finance, and Cryptocurrency segments.
*Regarding Internet Finance, the number of accounts does not include GMO Aozora Net Bank's acccounts.

Group Overview | Strengths: Technology



Goal: Workforce of over **50%** engineers

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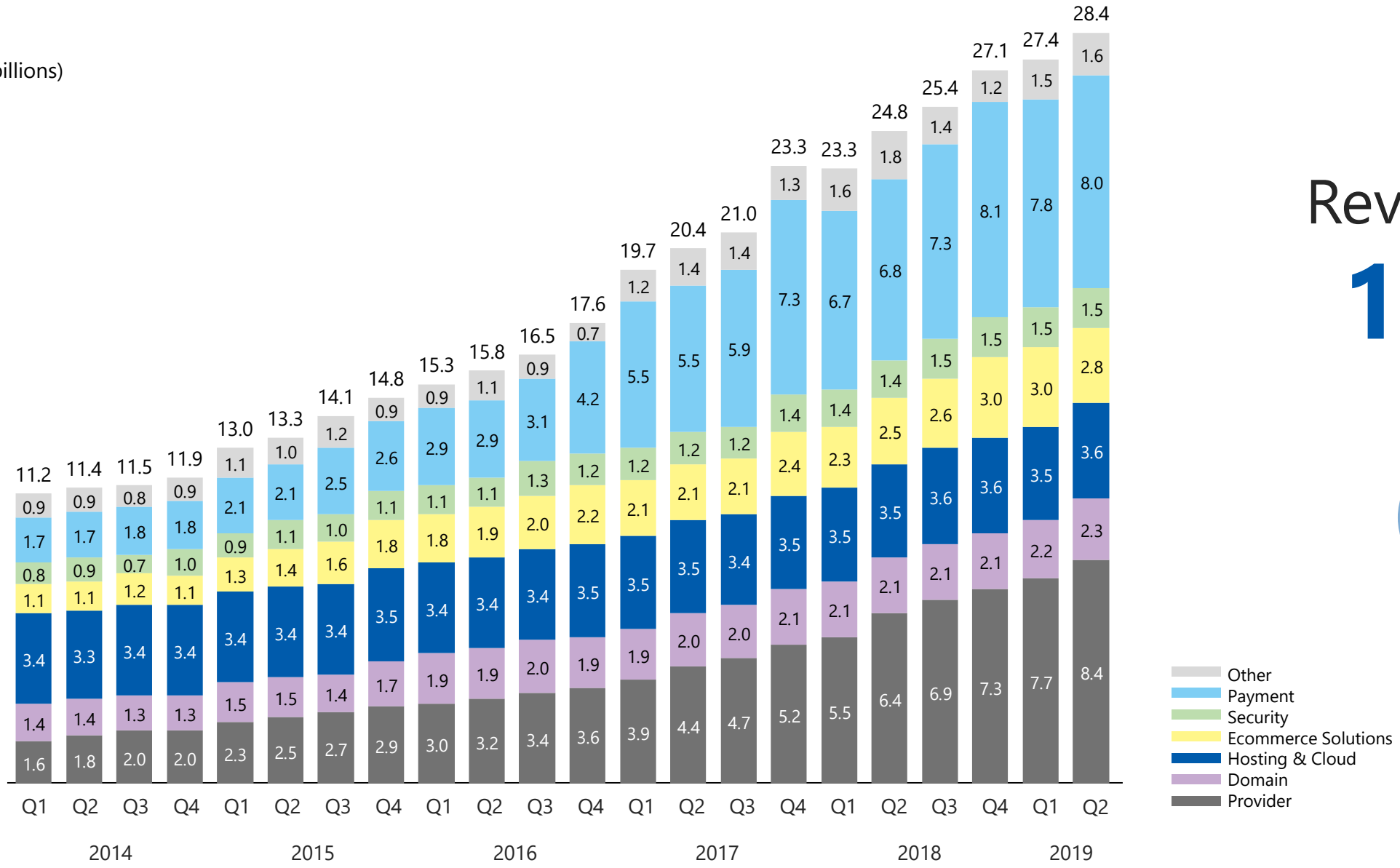
Internet Infrastructure | Segment Composition

Strong No. 1	Domain Registry	GMO REGISTRY, GMO BrightsConsulting	Domestic market share at 87.4%*1
Strong No. 1	Domain Registrar	お名前.com, MuuMuu Domain, Value-domain by GMO	Domestic market share at 87.1%*2
No. 1	Hosting & Cloud	お名前.com レンタルサーバー by GMO, LOLIPOP!, GMOクラウド, GMOアプリクラウド, ConoHa by GMO, Value-server by GMO	Domestic market share at 55.7%*3
No. 1	Ecommerce	COLOR ME by GMOペパボ, MakeShop by GMO	71,000 paid stores
No. 1	Security	GlobalSign	Domestic market share at 50.2%*4
No. 1	Payment	GMO PAYMENT GATEWAY, GMO EPSILON	184,000 merchants
No. 1	Provider (ISP)	とくとくBB おとくなプロバイダー by GMO	Optic Internet service domestic market share (2018) at 55.0%*5

*1 Based on our own data *2 Based on ICANN data *3 Based on Webhosting.info data *4 Country code *5 Market share = Our net increase / total net increase in Japan. Source: "Announcement of Quarterly Data on the Number of Telecommunications Service Subscriptions and Market Share (FY2018 Q3 (End of December))" by Ministry of Internal Affairs and Communications

Internet Infrastructure | Net Sales by Sub-Segment

(JPY billions)

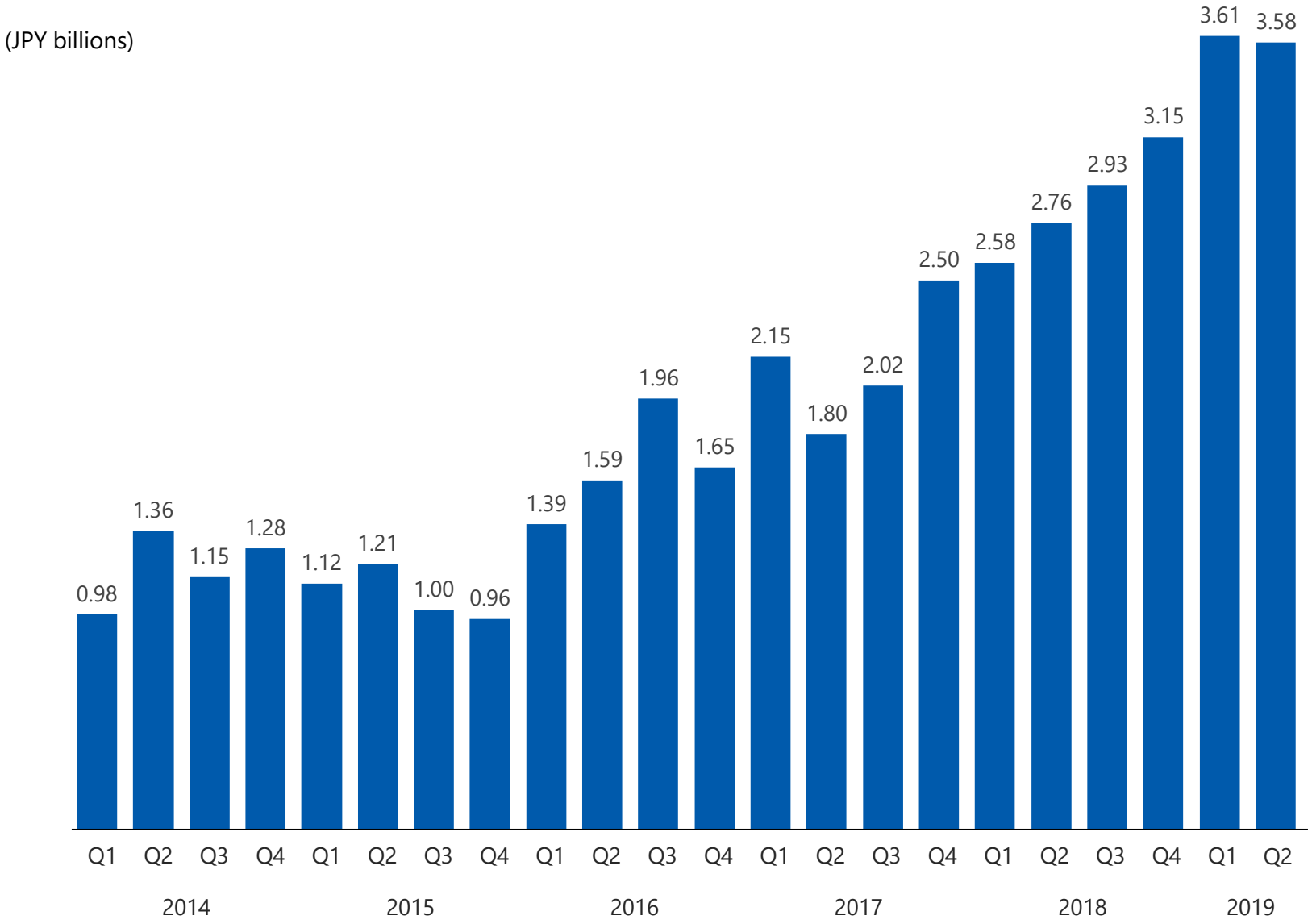


Revenue up

14.5%

YoY

Internet Infrastructure | Operating Profit



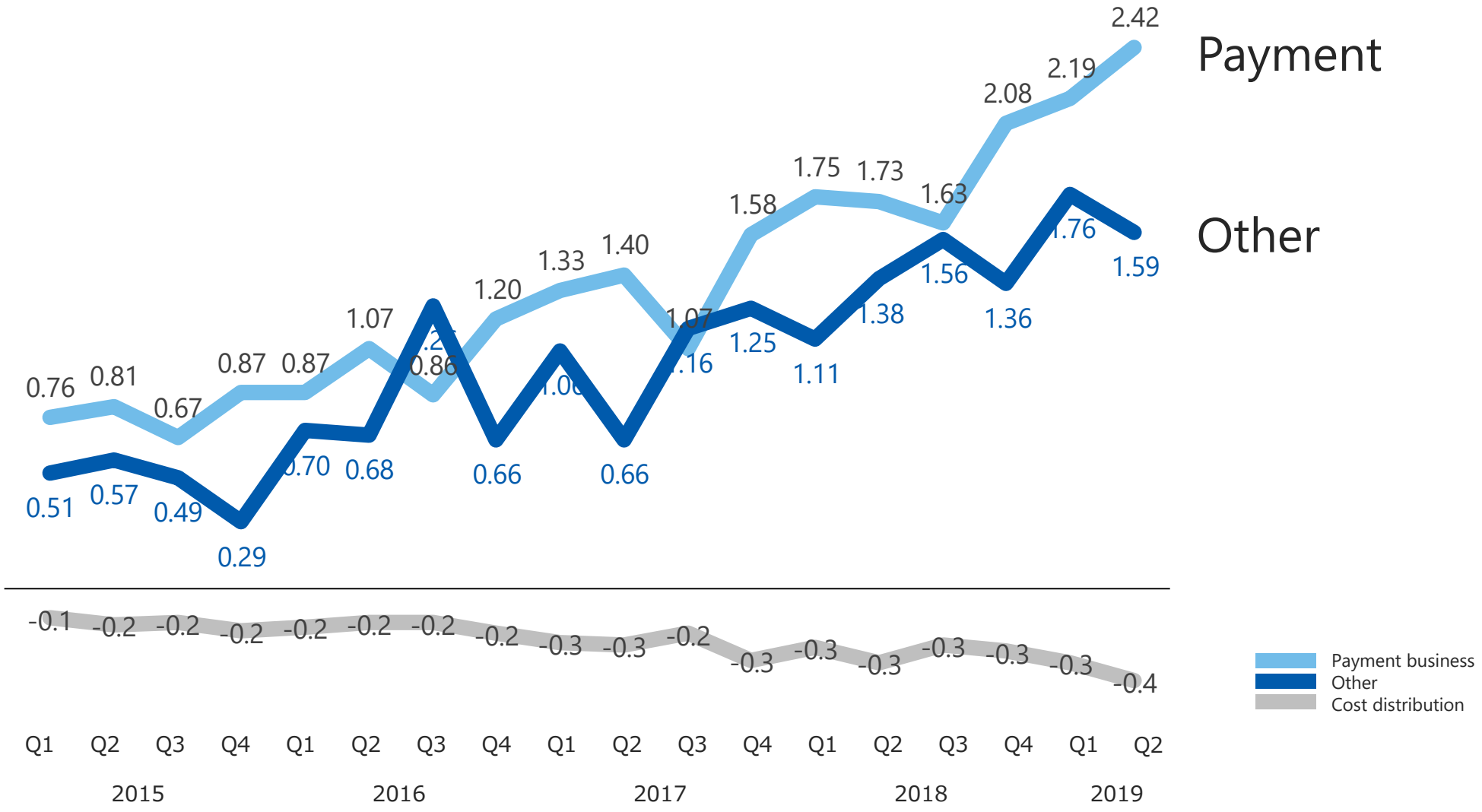
Profit up

29.5%

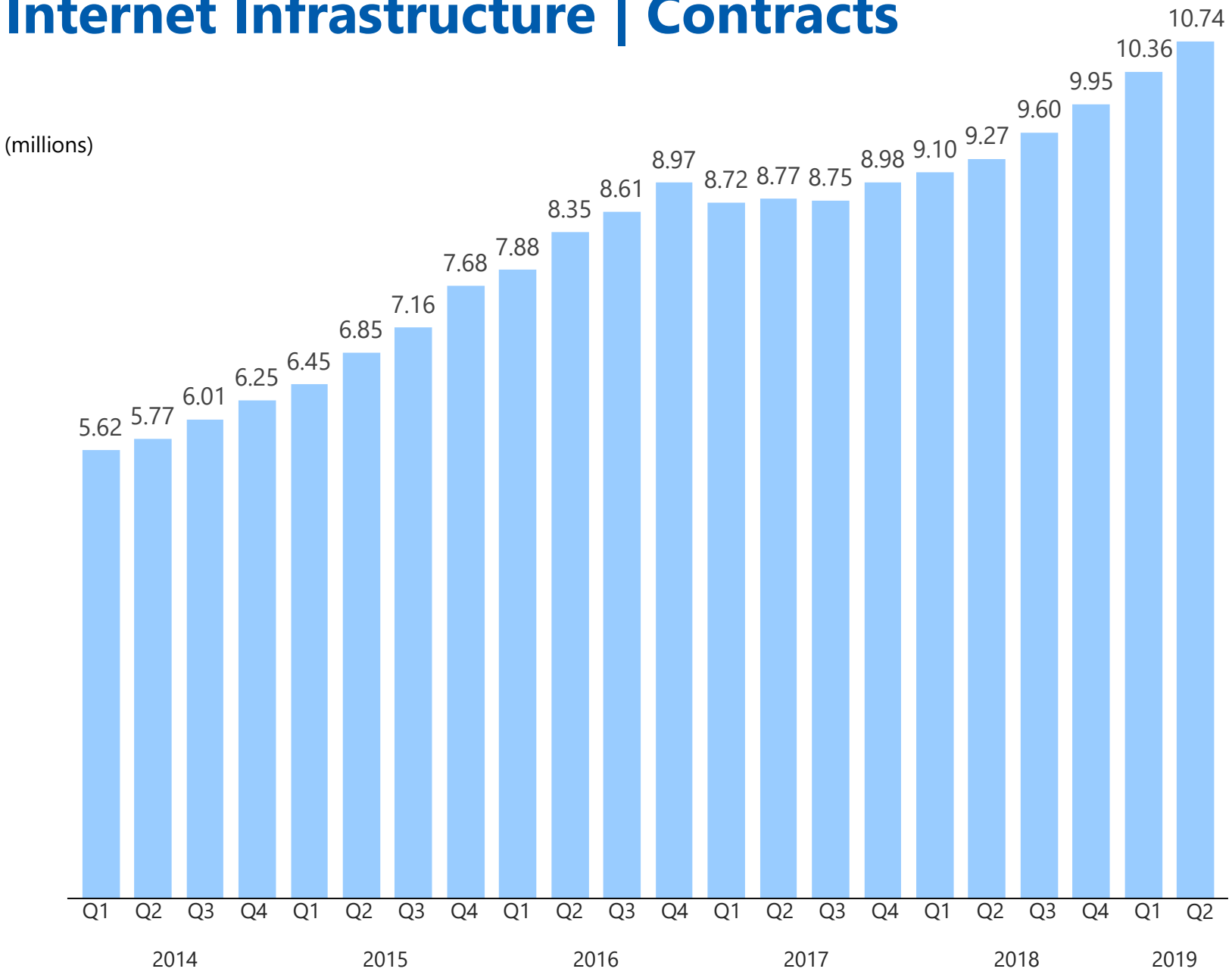
YoY

Internet Infrastructure | Breakdown of Operating Profit

(JPY billions)



Internet Infrastructure | Contracts



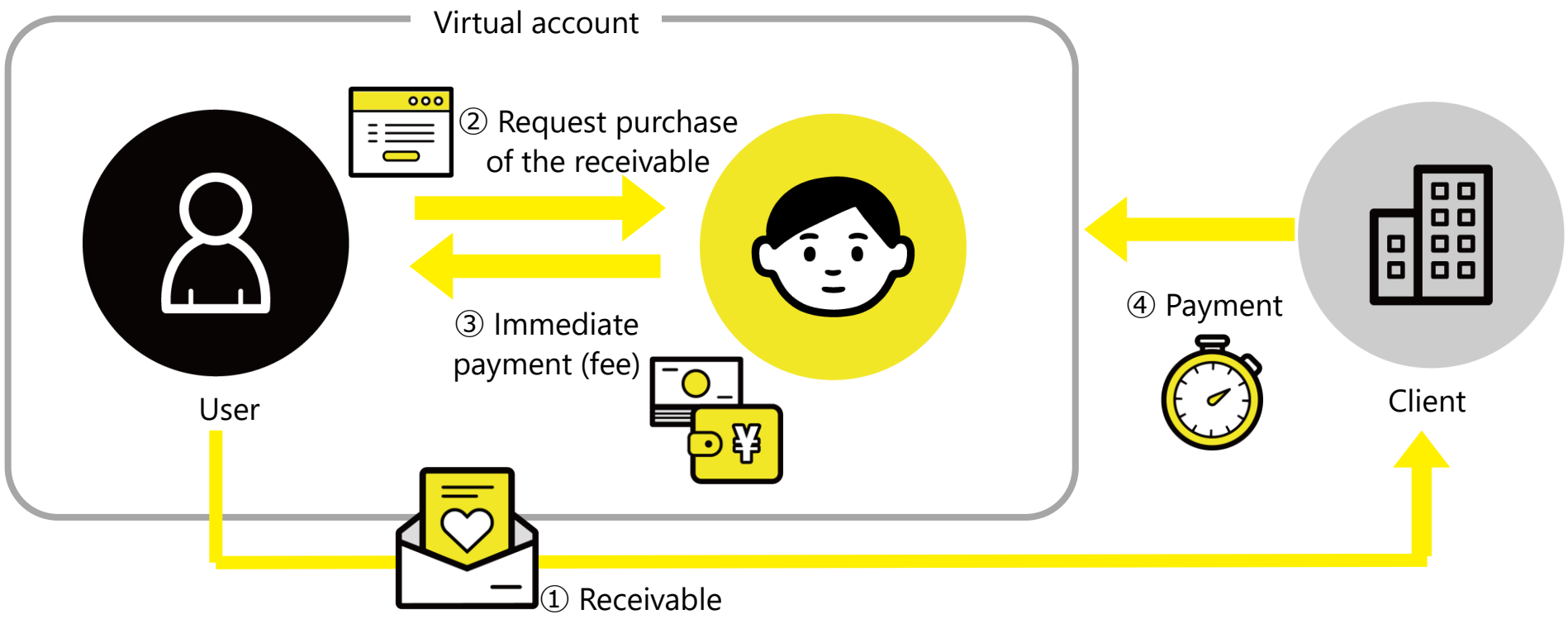
Solid revenue base

10.74M

customers

Internet Infrastructure | Infrastructure and Finance: FREENANCE

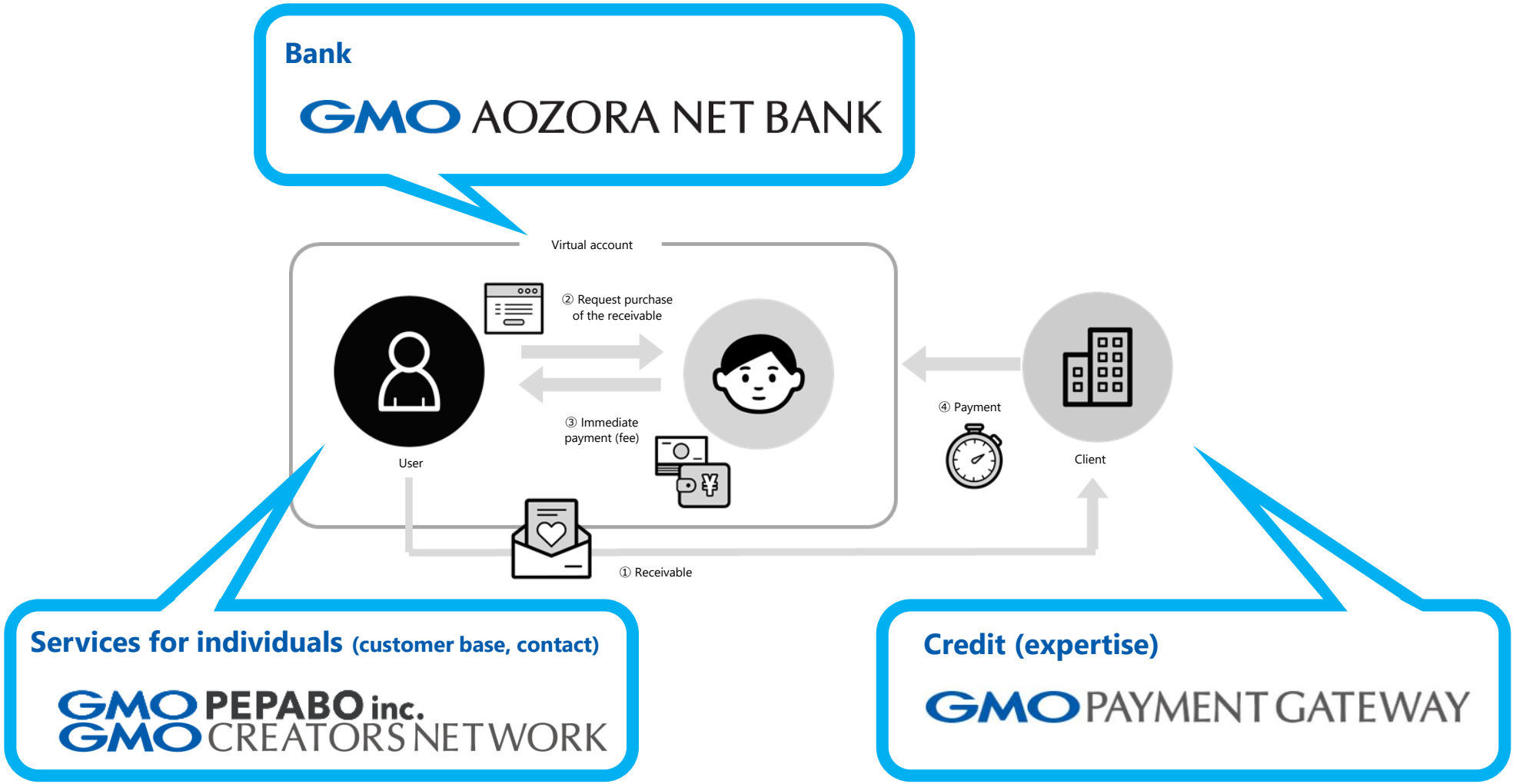
- Financial support to freelancers
- Cash flow improvement for users by purchasing their receivables



The Company created the above diagram based on GMO Pepabo's "Fiscal Year 2019 2nd Quarter Results Presentation" published on August 1, 2019.

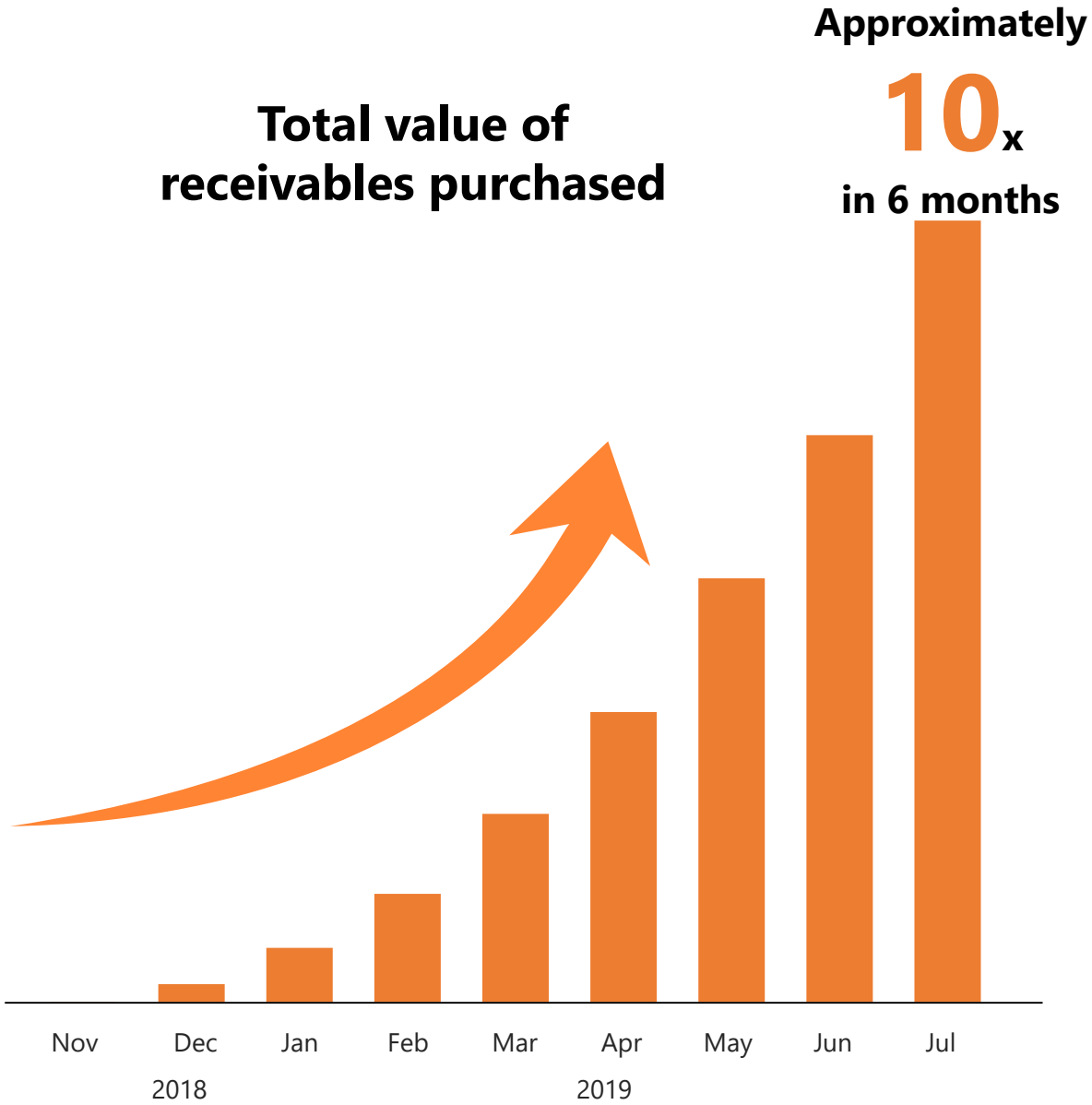
Internet Infrastructure | Infrastructure and Finance: FREENANCE

Providing new financial services and values through the combination of Infrastructure and Finance



The Company created the above diagram based on GMO Pepabo's "Fiscal Year 2019 2nd Quarter Results Presentation" published on August 1, 2019.

Internet Infrastructure | Infrastructure and Finance: FREENANCE



Further expansion

of the total value of receivables purchased through the growth in the number of users

The Company created the above diagram based on GMO Pepabo's "Fiscal Year 2019 2nd Quarter Results Presentation" published on August 1, 2019.

Internet Infrastructure | Summary

Short-term prospects	Maintain high growth rate by further enhancing No. 1 products and pursuing synergies between all products
Mid- to long-term strategies	Accelerate growth through the combination of the solid revenue base of Internet Infrastructure and Internet Finance segments

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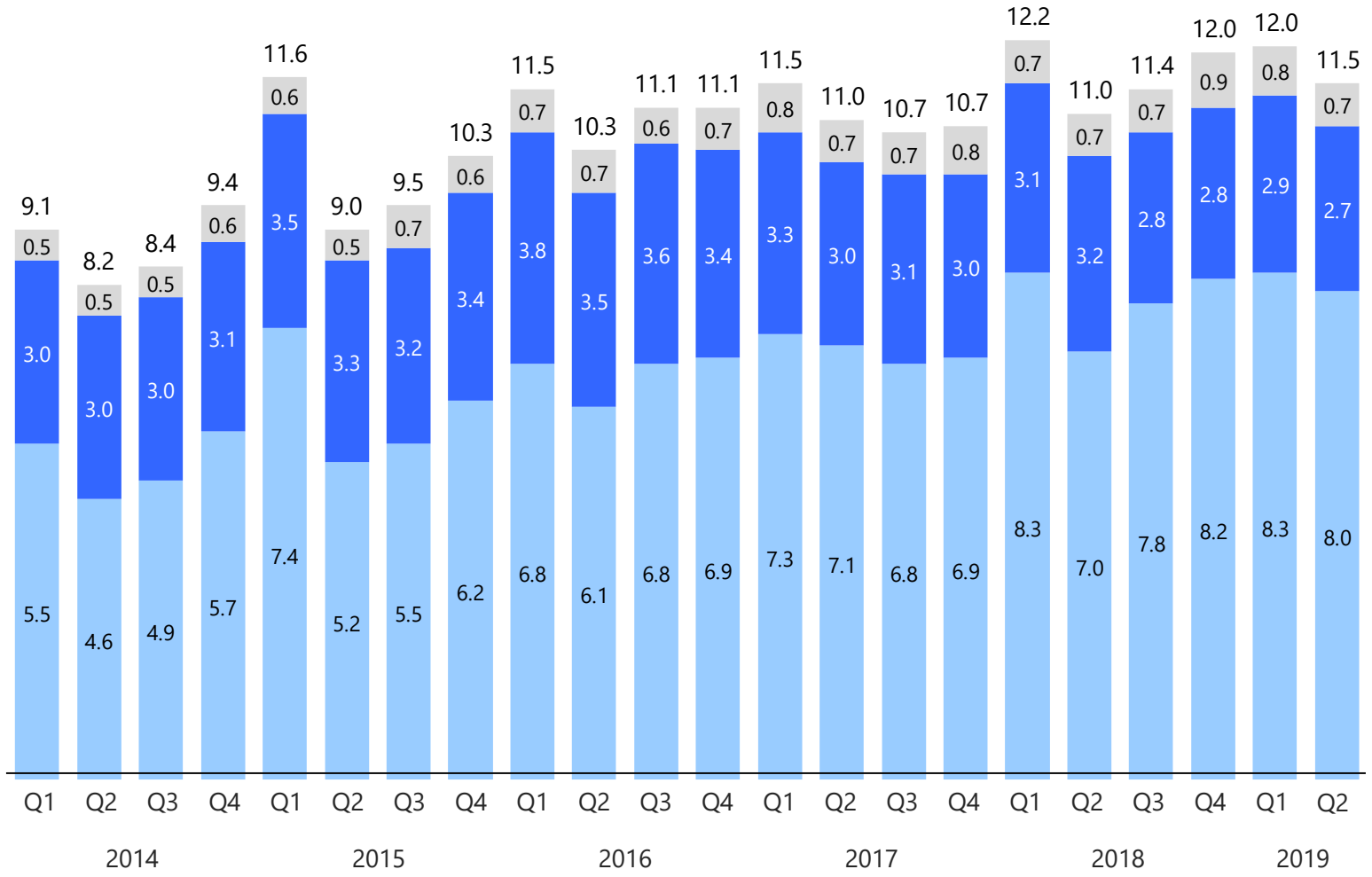
Online Advertising & Media | Net Sales

(JPY billions)



Revenue up

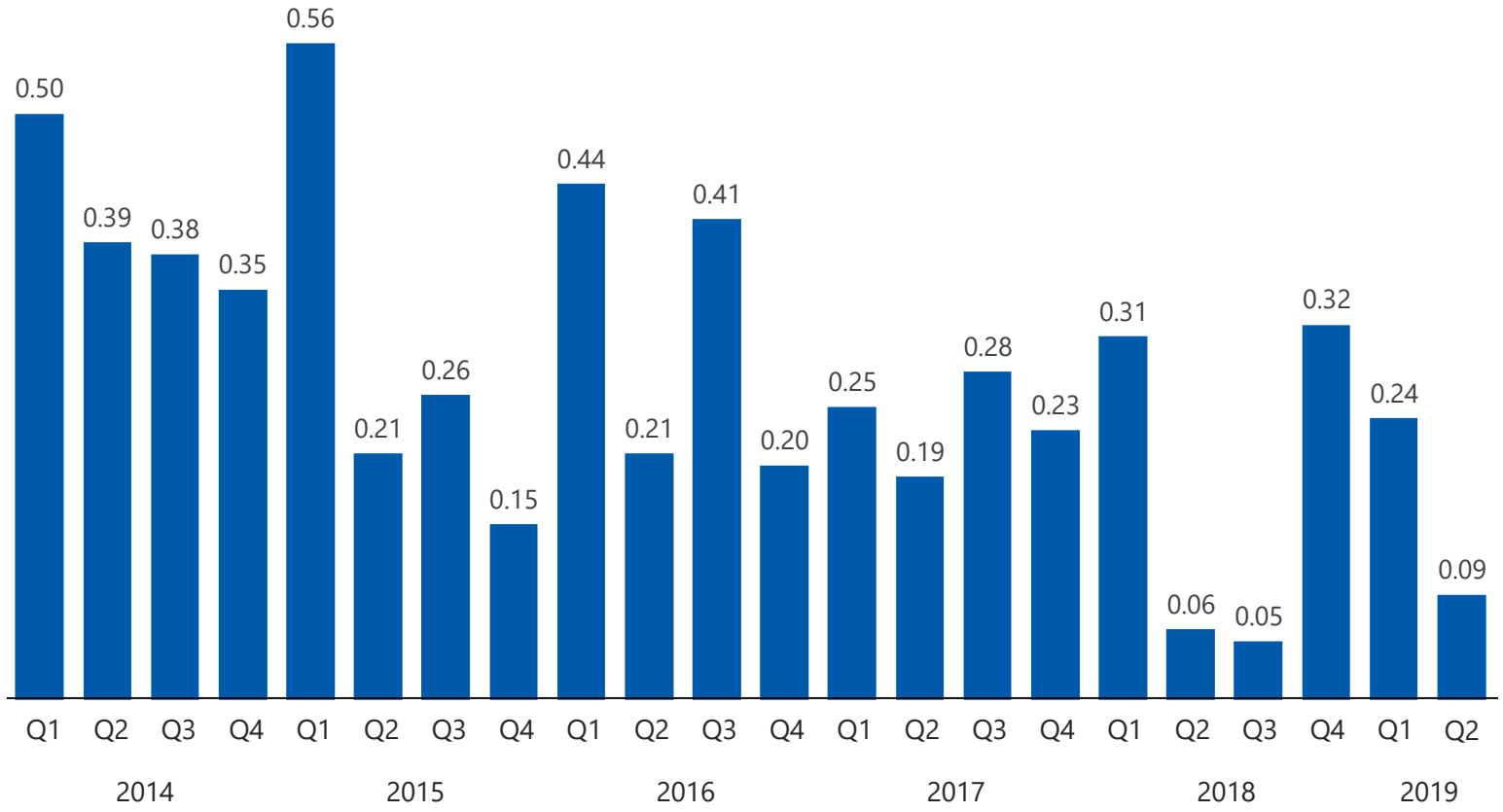
5.1%

YoY

Internet Research/Other
Internet Media
Online Advertising

Online Advertising & Media | Operating Profit

(JPY billions)



Profit up

45.0%

YoY

Online Advertising & Media | Summary

Short-term prospects	• Advertising: in-house ad technology products are gradually recovering their trend by optimizing ad placement standards. Customer acquisition is progressing in the ad agency. • Media: enhancing in-house media
Mid- to long-term strategies	• Enhancing the development of in-house products and new products generating recurring revenue • Recovery by establishing the revenue base that is not affected by other companies

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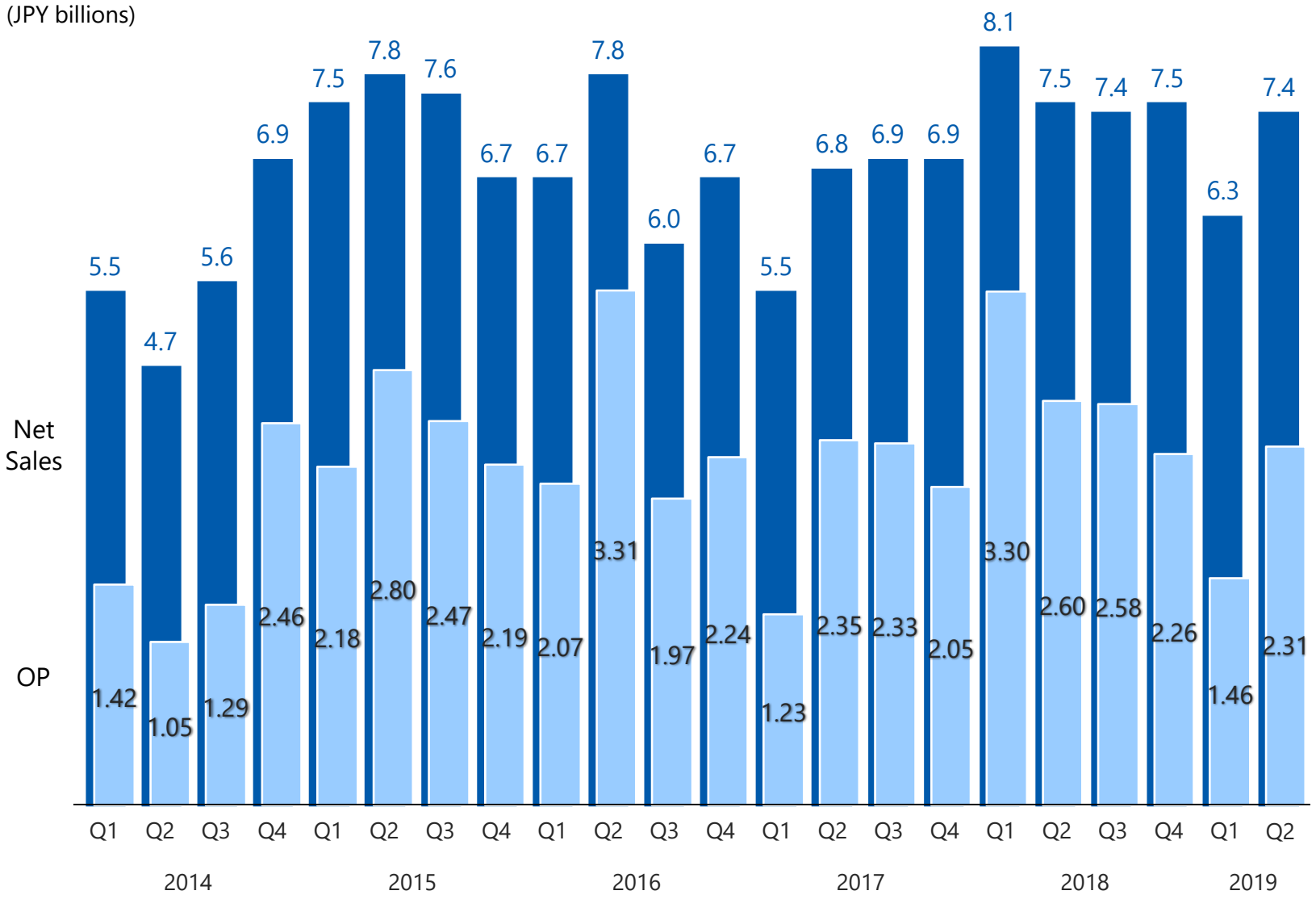
Internet Finance | Historical Performance by Quarter



Revenue down

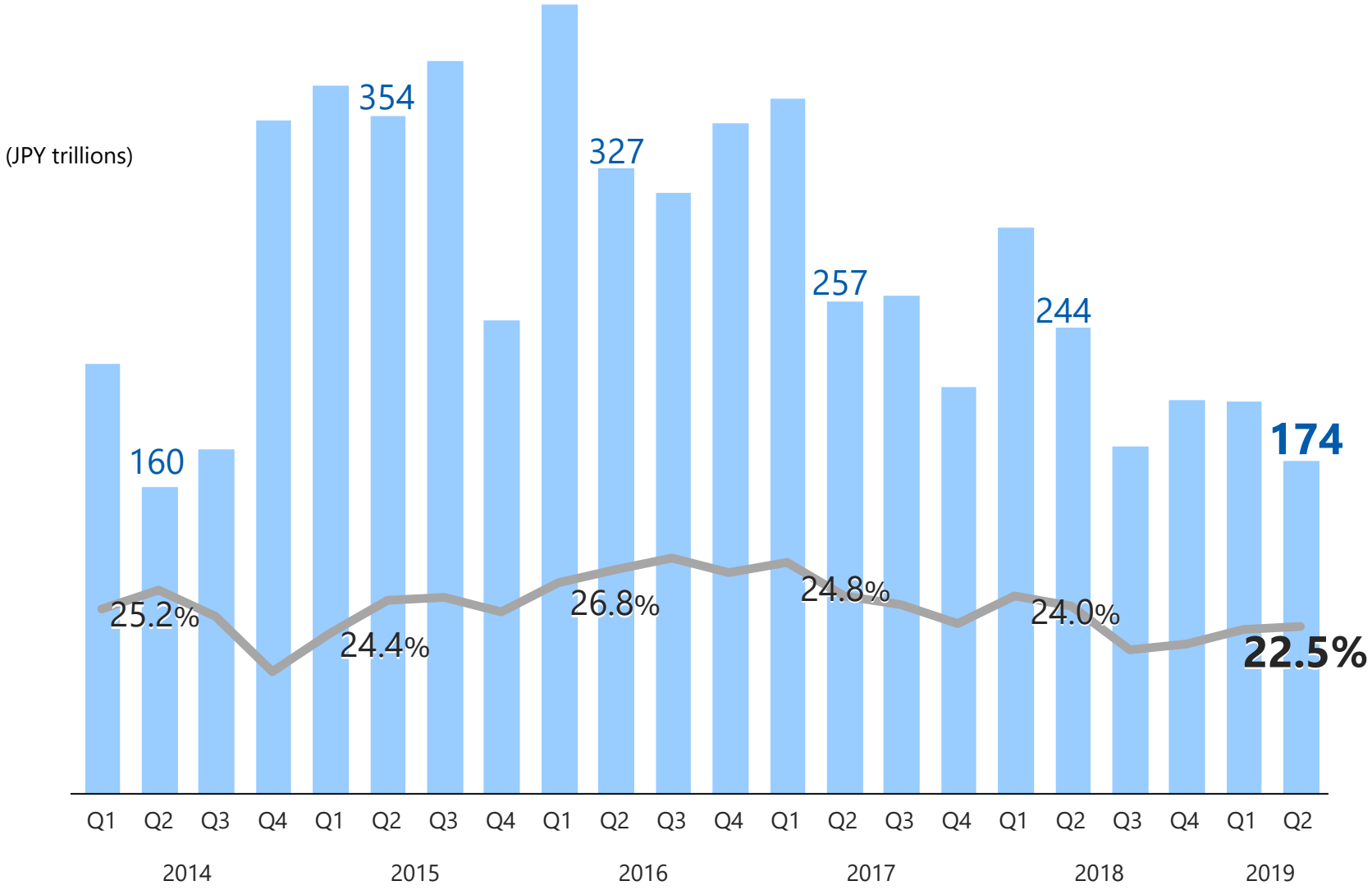
1.1%

Profit down

11.2%

YoY

Internet Finance | FX Trading Volume



No.1 annual FX trading volume worldwide for **7th** consecutive year

Prepared based on Results Presentation of GMO Financial HD for Q2 of FY2019 and "Monthly Statistical Bulletin on Over-The Counter Retail FX Margin Trading" published by the Financial Futures Association of Japan (FFAJ)

Internet Finance | Summary

Short-term prospects	• FX: continue to put effort into improving profitability through advancement of position management and optimization of cover transactions • Non-FX: enhance CFD, which will grow to become a new pillar of profit
Mid- to long-term strategies	• FX: launched long-term project to significantly improve our FX profitability, using open market to hedge risk in a new way • Non-FX: respond more flexibly to market by expanding our product base

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Finance, Payment, and Cryptocurrency

Cryptocurrency

Mining — bitcoin, BitcoinCash

Exchange — GMOCoin

Payment — GYEN

Securities/FX

GMO FINANCIAL HD

大和証券グループ本社 (Daiwa Securities Group Inc.,)

Share acquisition: JPY9.7B (9.37%)

GMO INTERNET GROUP

Payment

SMBC GMO PAYMENT

JV established

三井住友銀行 (Sumitomo Mitsui Banking Corporation)

GMO PAYMENT GATEWAY

Investment: JPY3.86B (3.36%)

Net Bank

Launched on July 17, 2018

GMOあおぞらネット銀行

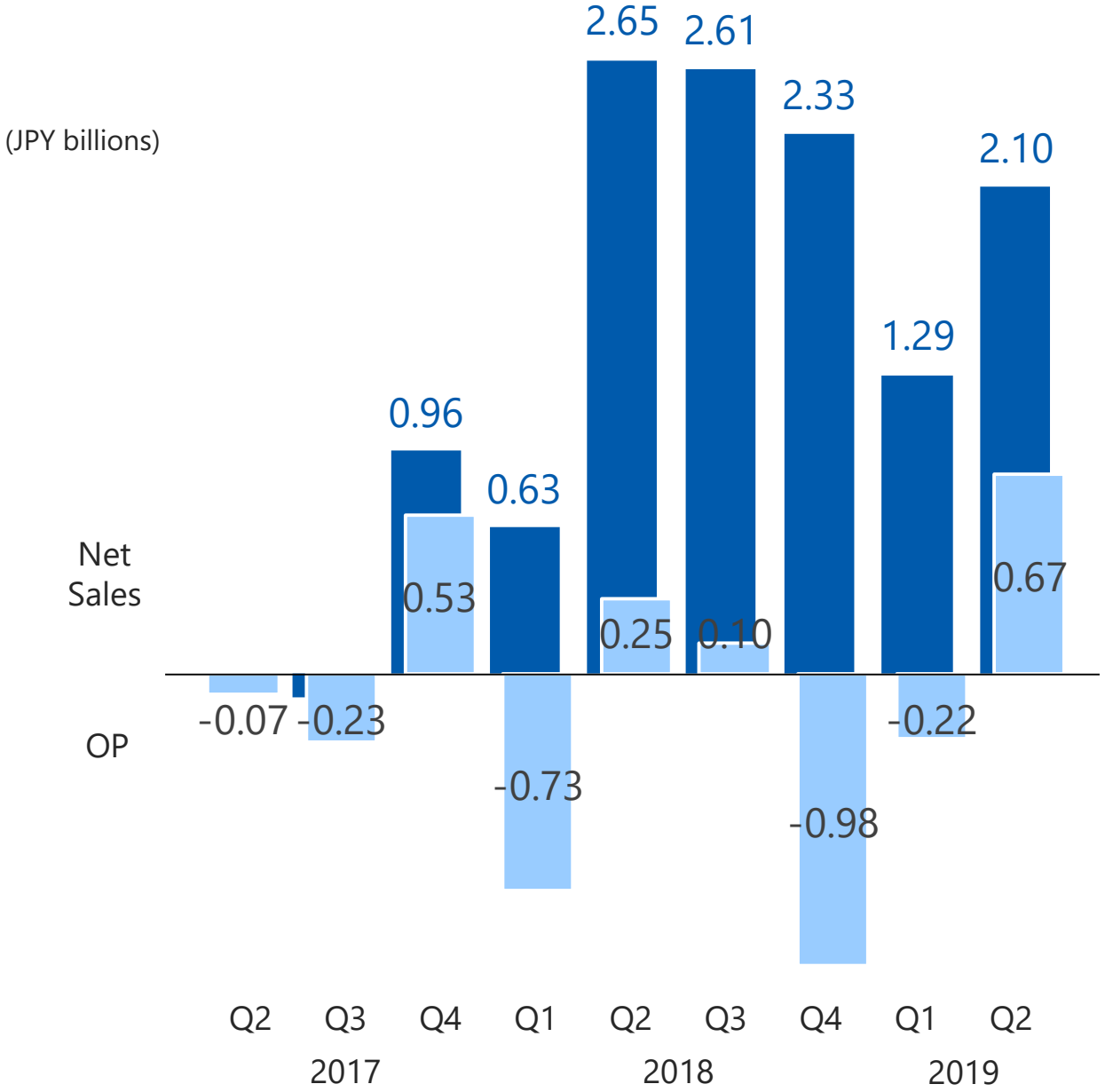
GMO Aozora Net Bank

あおぞら銀行 (Aozora Bank) **(85.1%)**

GMO INTERNET GROUP **(14.9%*)**

* Upon obtaining necessary authorization from the relevant authority to become a major shareholder of GMO Aozora Net Bank, the GMO group companies may increase the ratio of voting rights to 50%.

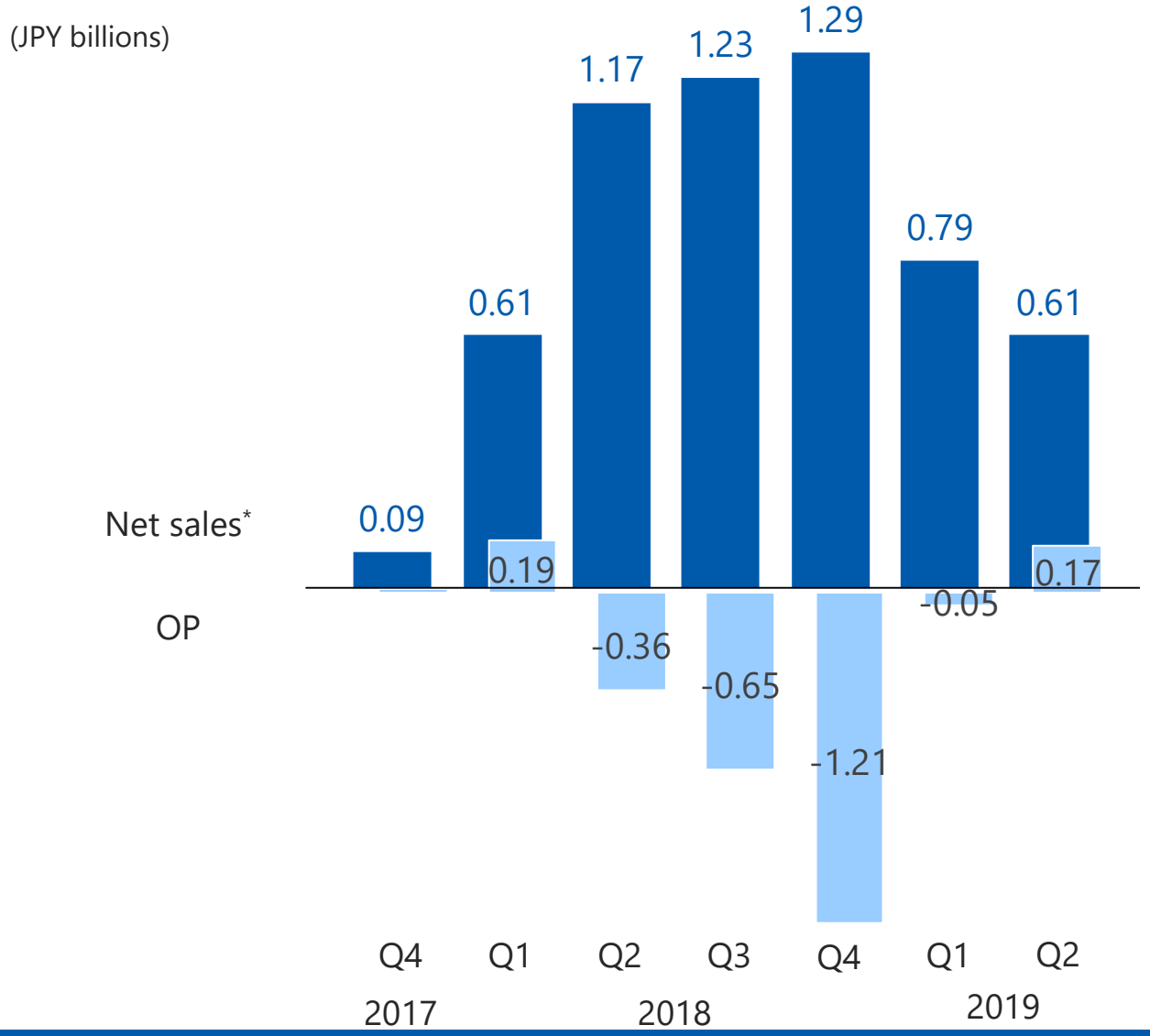
Cryptocurrency business | Historical performance by quarter



Revenue was up QoQ

Figures turned positive

Cryptocurrency mining business | Historical performance by quarter



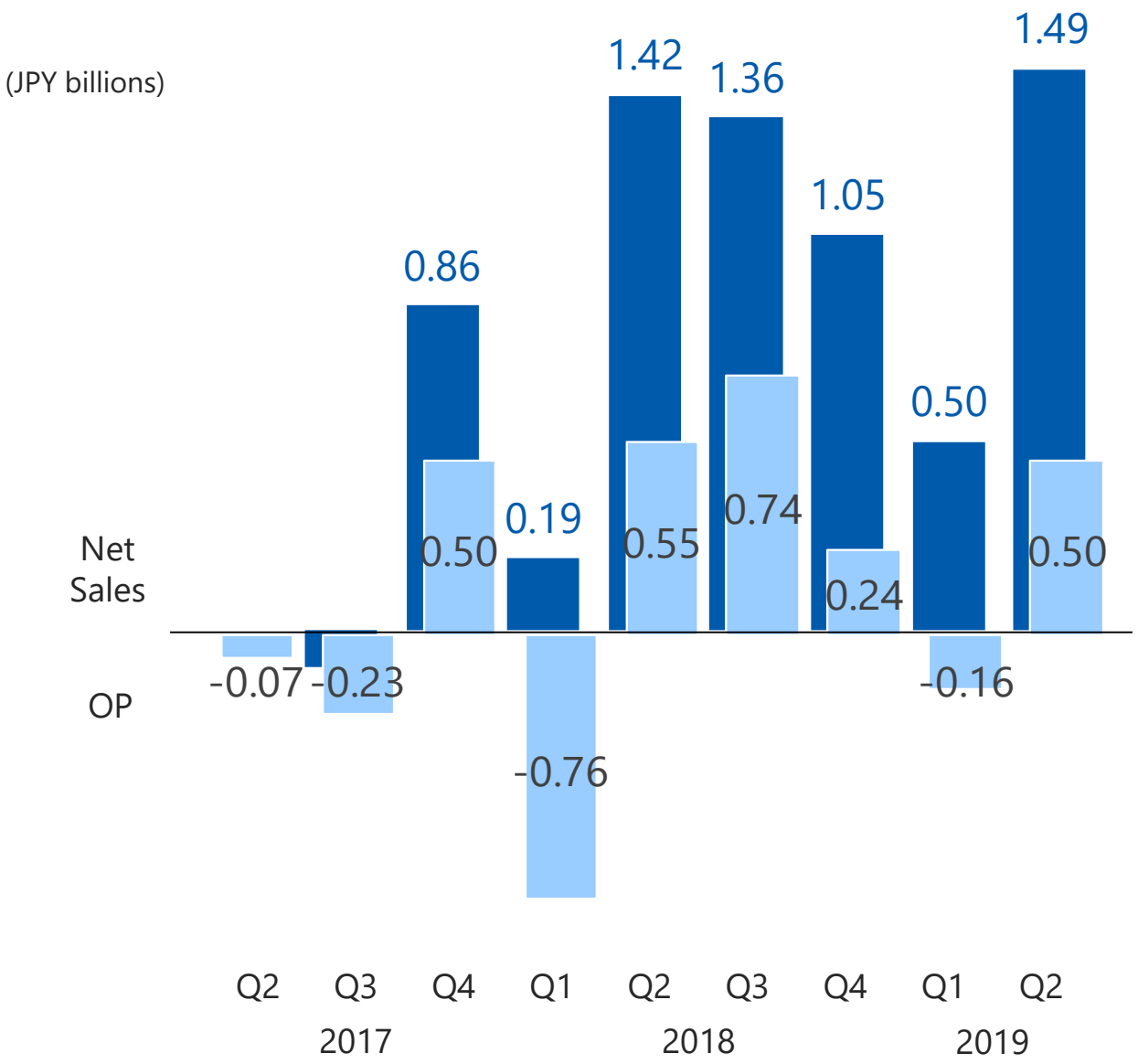
Decrease in the amount of mined Bitcoin due to declining hash rate despite rising Bitcoin price

Revenue dropped QoQ

Figures turned positive

*Gross figure including revaluation gain (loss) of cryptocurrency, which was -0.16B in Q1 FY2018, +0.06B in Q2 FY2018, +0.01B in Q3 FY2018, -0.01B in Q4 FY2018, -0.00B in Q1 FY2019, and -0.00B in Q2 FY2019.

Cryptocurrency Exchange business | Historical performance by quarter



GMOCoin

Cryptocurrency market recovered

Revenue was up QoQ

Figures turned positive

Cryptocurrency | Summary

Short-term prospects	• Mining: continue to put effort despite the delay of the relocation of the data centers • Exchange: expand the domestic market share by offering thin spreads. Reduced the leverage from 5x to 4x on July 31.
Mid- to long-term strategies	• Mining: profit contribution through low-cost strategies • Exchange: apply our knowledge of FX to expand the domestic market share • Payment: launch a Japanese yen-pegged currency "stablecoin"

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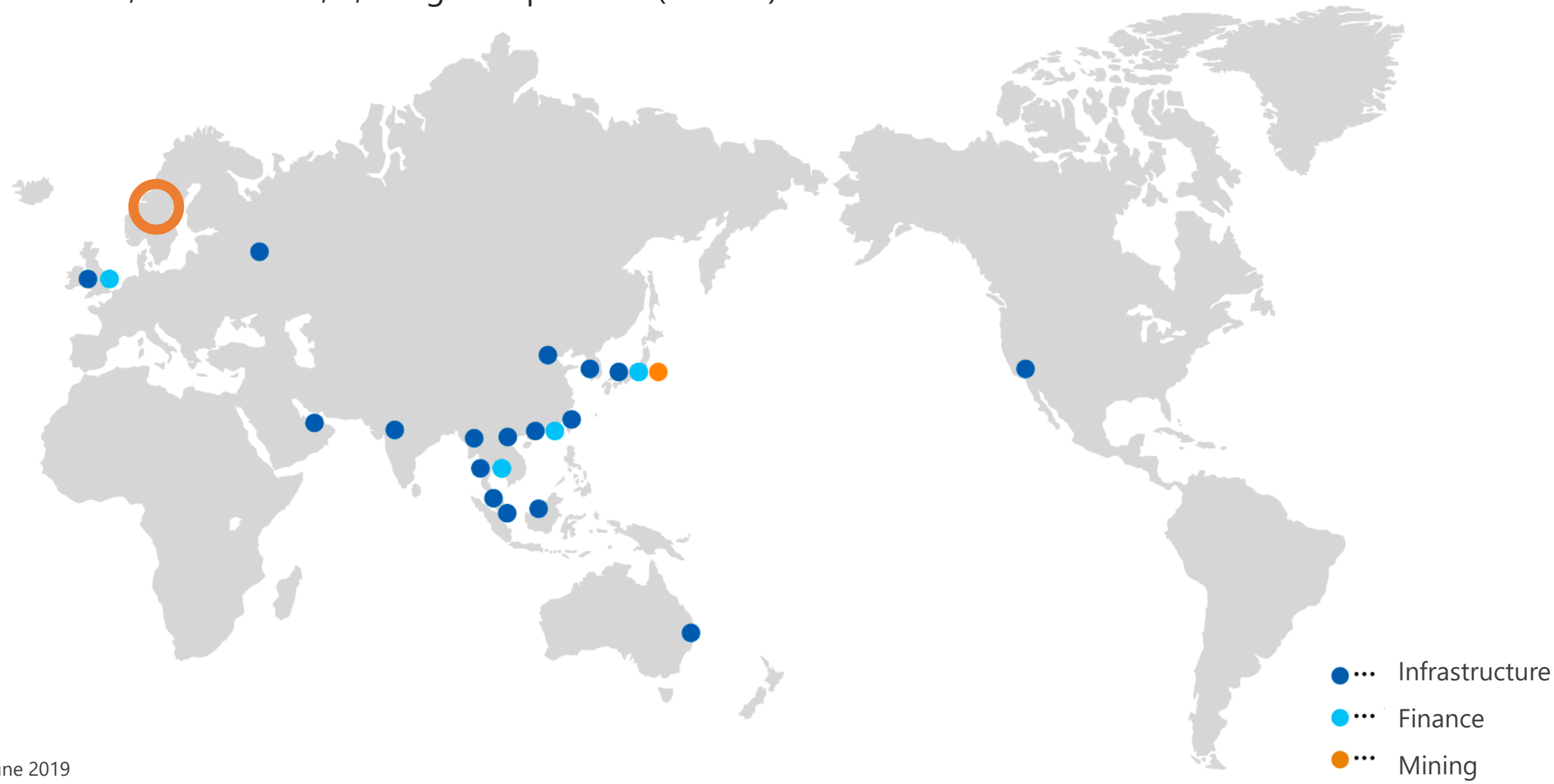
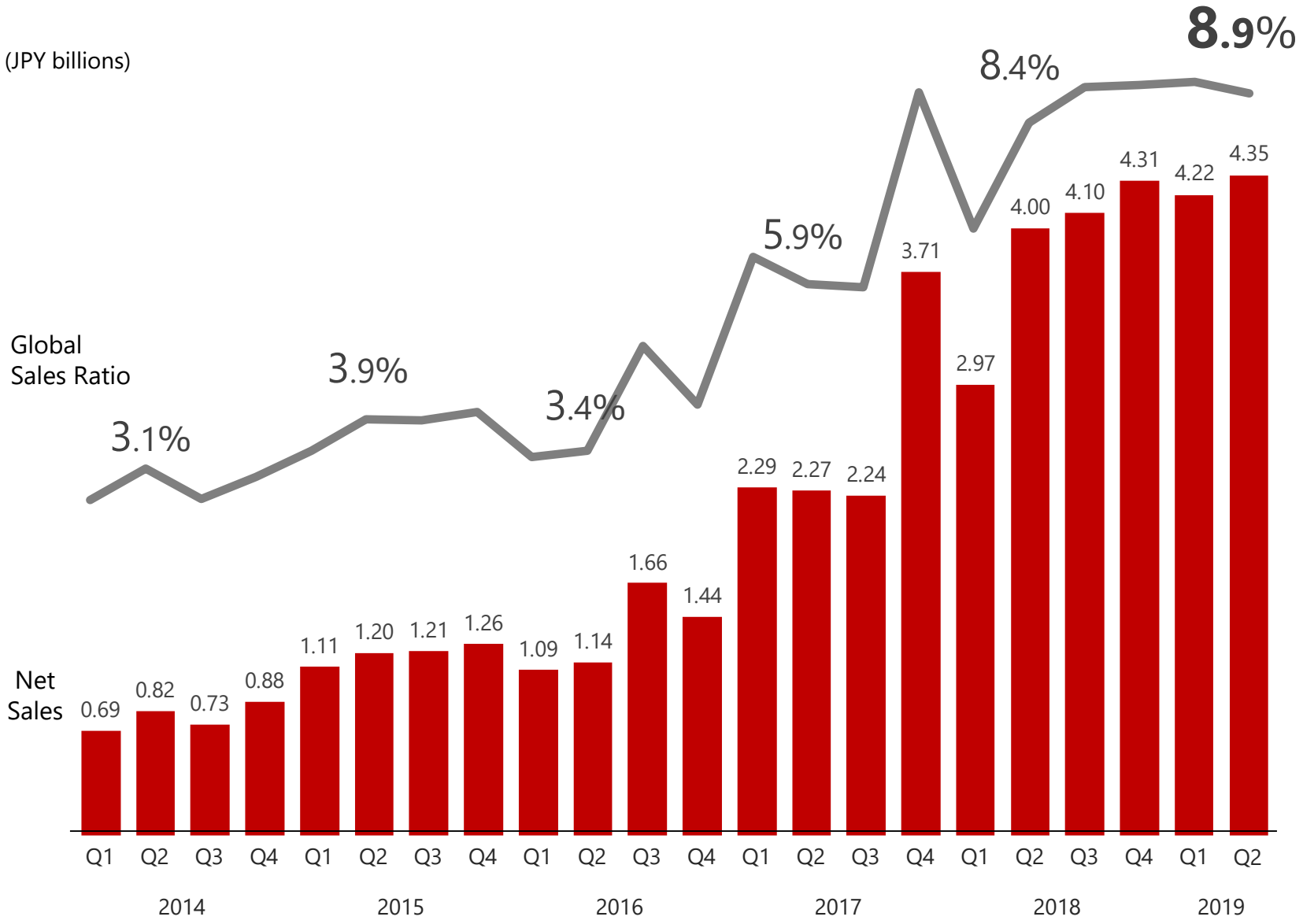
Global Operations | Locations

22 countries, 68 locations, 1,430 global partners (“staffs”)



*As of June 2019

Global Operations | Global Net Sales



8.9%

YoY growth

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Finance, Payment, and Cryptocurrency

Cryptocurrency

Mining — bitcoin, BitcoinCash

Exchange — GMOCoin

Payment — GYEN

Securities/FX

GMO FINANCIAL HD

大和証券グループ本社 (Daiwa Securities Group Inc.,)

Share acquisition: JPY9.7B (9.37%)

GMO INTERNET GROUP

Payment

SMBC GMO PAYMENT

JV established

三井住友銀行 (Sumitomo Mitsui Banking Corporation) — GMO PAYMENT GATEWAY

Investment: JPY3.86B (3.36%)

Net Bank

Launched on July 17, 2018

GMO あおぞらネット銀行

GMO Aozora Net Bank

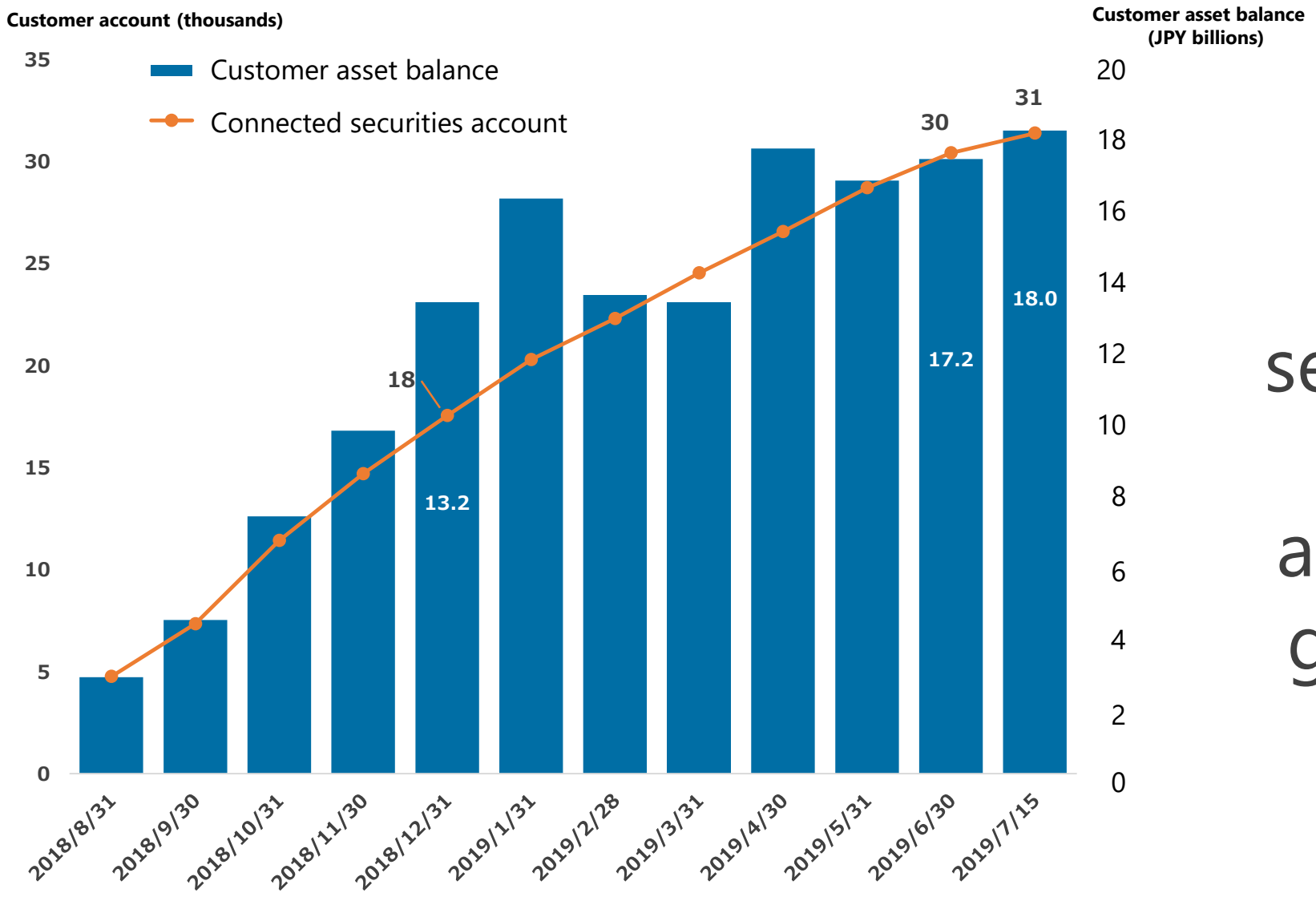
あおぞら銀行 (Aozora Bank) — GMO INTERNET GROUP

(85.1%) **(14.9%*)**

* Upon obtaining necessary authorization from the relevant authority to become a major shareholder of GMO Aozora Net Bank, the GMO group companies may increase the ratio of voting rights to 50%.

Net Bank | Connected securities account and customer asset balance

GMOCLICK SECURITIES × GMO AOZORA NET BANK



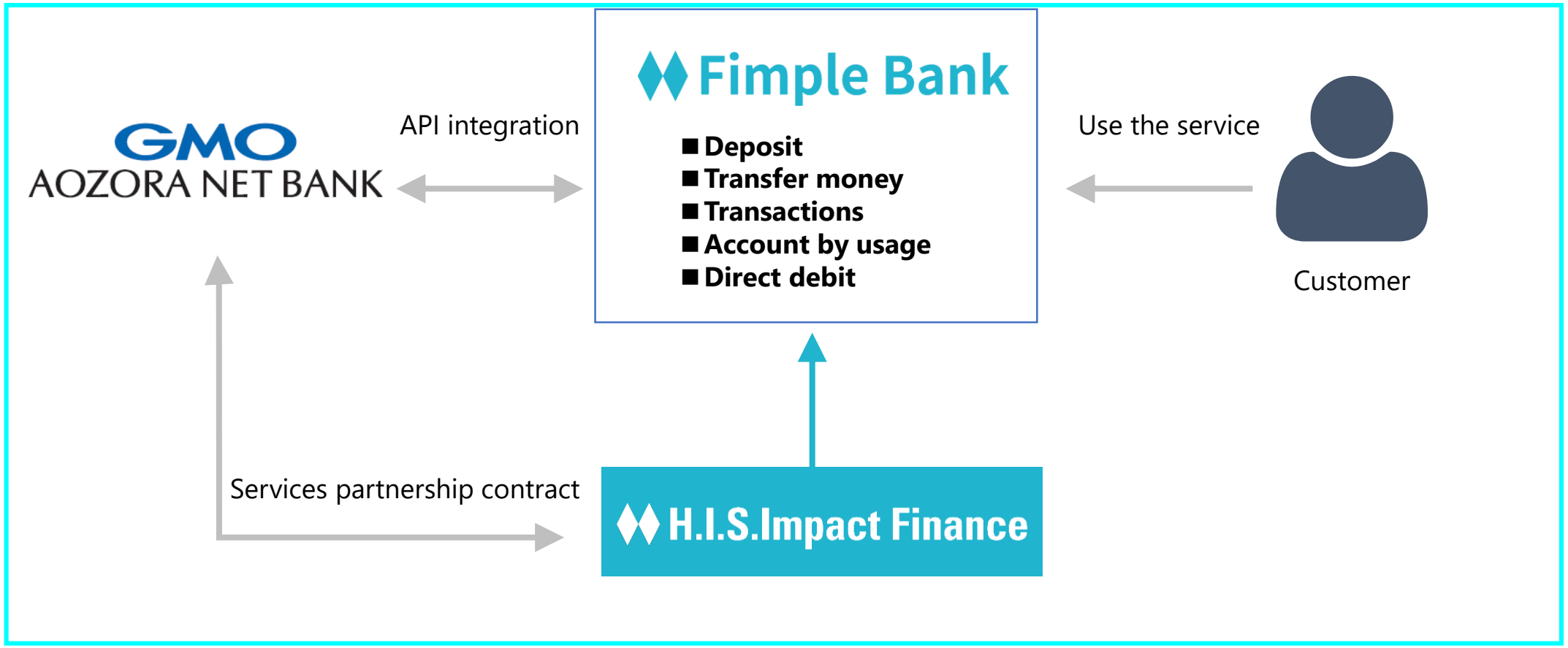
Connected securities account and customer asset balance are growing steadily

Net Bank | Provide API: platform bank (plan)

GMO AOZORA NET BANK

Publish bank API and SDK for free. Continue to develop API to suit the customers' needs.

Use case: H.I.S. Group (expansion plan)*



*GMO Aozora Net Bank formed capital and business alliance with H.I.S. The above diagram was prepared based on the materials used at the joint press conference held on May 14, 2019. Regarding the expansion plan envisioned by H.I.S. Impact Finance shown above, we are planning to obtain authorization if necessary.

Internet for Everyone

GMO

We are planning on making an earnings announcement for FY2019 Third Quarter after 3 pm on November 12, 2019.

This document includes projections based on expectations, premises and plans as of August 6, 2019. These projections may differ from actual results due to factors including changes in the global economy, competition, exchange rate fluctuations, market cap of cryptocurrency, natural disasters and other unforeseeable events. Some of the figures given, such as market share are based on our own calculations. These figures may differ from research agency figures.
Information contained in this document is provided for information purposes only and does not constitute solicitation of investors. Further, results forecasts and other forward-looking statements are based on premises that include risks and factors that are largely indeterminable. Please understand that actual results may differ significantly as a result of forces including economic conditions and market environment. No responsibility for any reason is accepted for damage sustained as a result of actions taken based on this information.

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