

Fiscal Year 2016 Second Quarter Results Presentation

GMOINTERNET

STOCK CODE : 9449

August 1, 2016

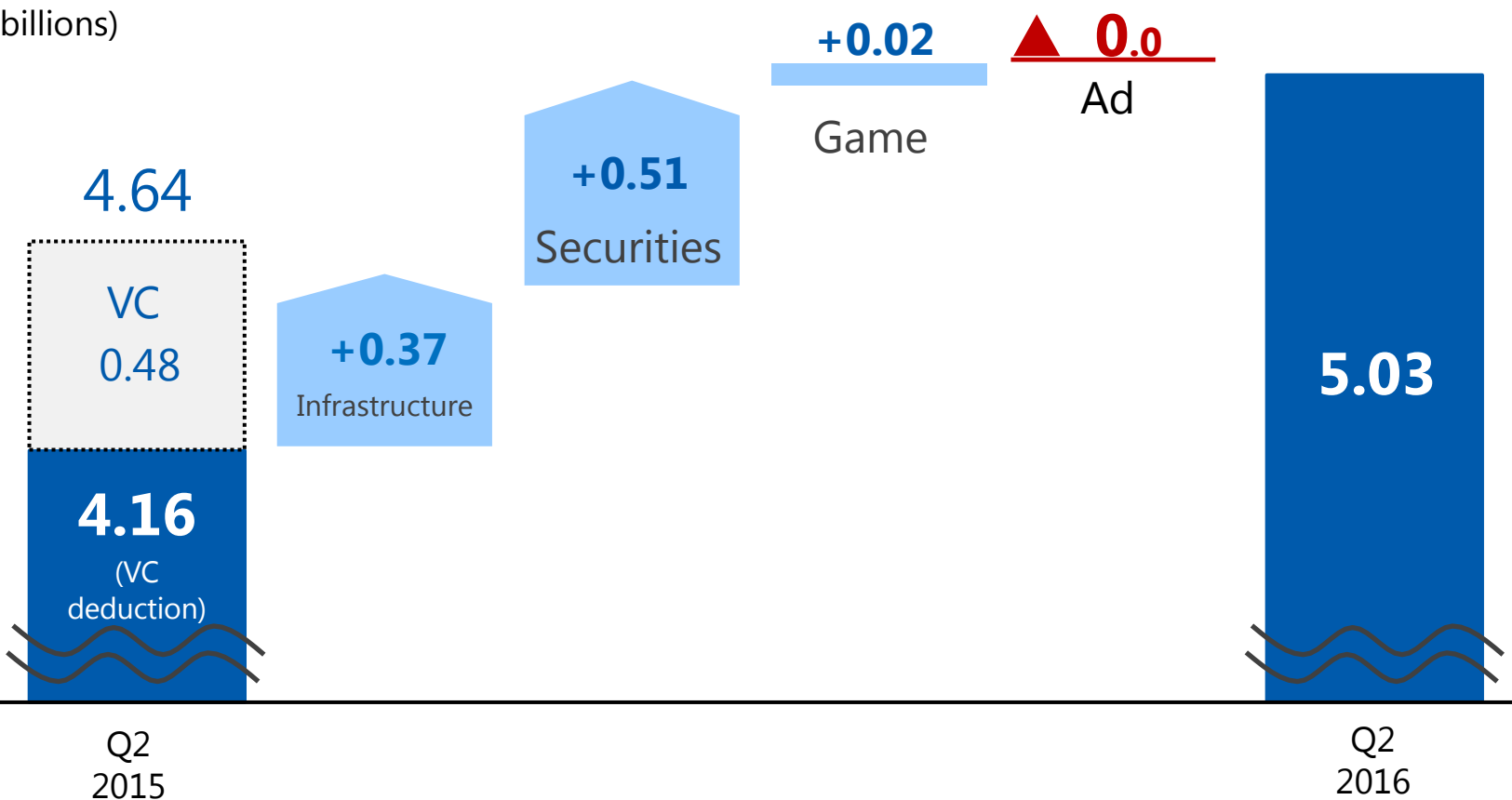
1. Overview
2. Second Quarter Financial Results
3. Segment Report
 - i) Group Overview
 - ii) Internet Infrastructure
 - iii) Internet Securities
 - iv) Online Advertising & Media
 - v) Mobile Entertainment
4. Group Strategy
5. Shareholder Returns

Overall Performance

Net sales JPY**33.5B**(Up **8.2%** YoY), OP JPY**5.03B**(up **8.4%** YoY)

Strong performance in Infrastructure/Securities, record high

(JPY billions)



Segment Report

Internet Infrastructure	<p>Net sales JPY15.8B (up 19.1% YoY)</p> <p>OP JPY 1.59B (up 31.2% YoY)</p> <p>Strong performance in Payment, marked record-high profit even with investment in minne</p>
Internet Securities	<p>Net sales JPY7.8B (Down 0.4% YoY)</p> <p>OP JPY 3.31B (up 18.4% YoY)</p> <p>Record high</p>
Online Ad & Media	<p>Net sales JPY10.3B (up 14.2% YoY)</p> <p>OP JPY 0.21B (Down 1.0% YoY)</p> <p>Continued shift toward ad technology, profit to be recovered after 2H of FY2016</p>
Mobile Entertainment	<p>Net sales JPY 0.5B (Down 45.9% YoY)</p> <p>OL JPY 60M (reduction in loss)</p> <p>Aim to create hit titles while reducing loss</p>

Strengthening strengths and Enhancing Weakness with No.1 Products

Internet Infrastructure

Strengthening Strengths

In Japan: Brand Reinforcement

Globally: Expansion into global markets

Internet Securities

Strengthening Strengths

Expanding market share with technology-edge and cost leadership strategy

Online Ad & Media

Introducing No. 1 Products

Focus on technology, proprietary product development

Mobile Entertainment

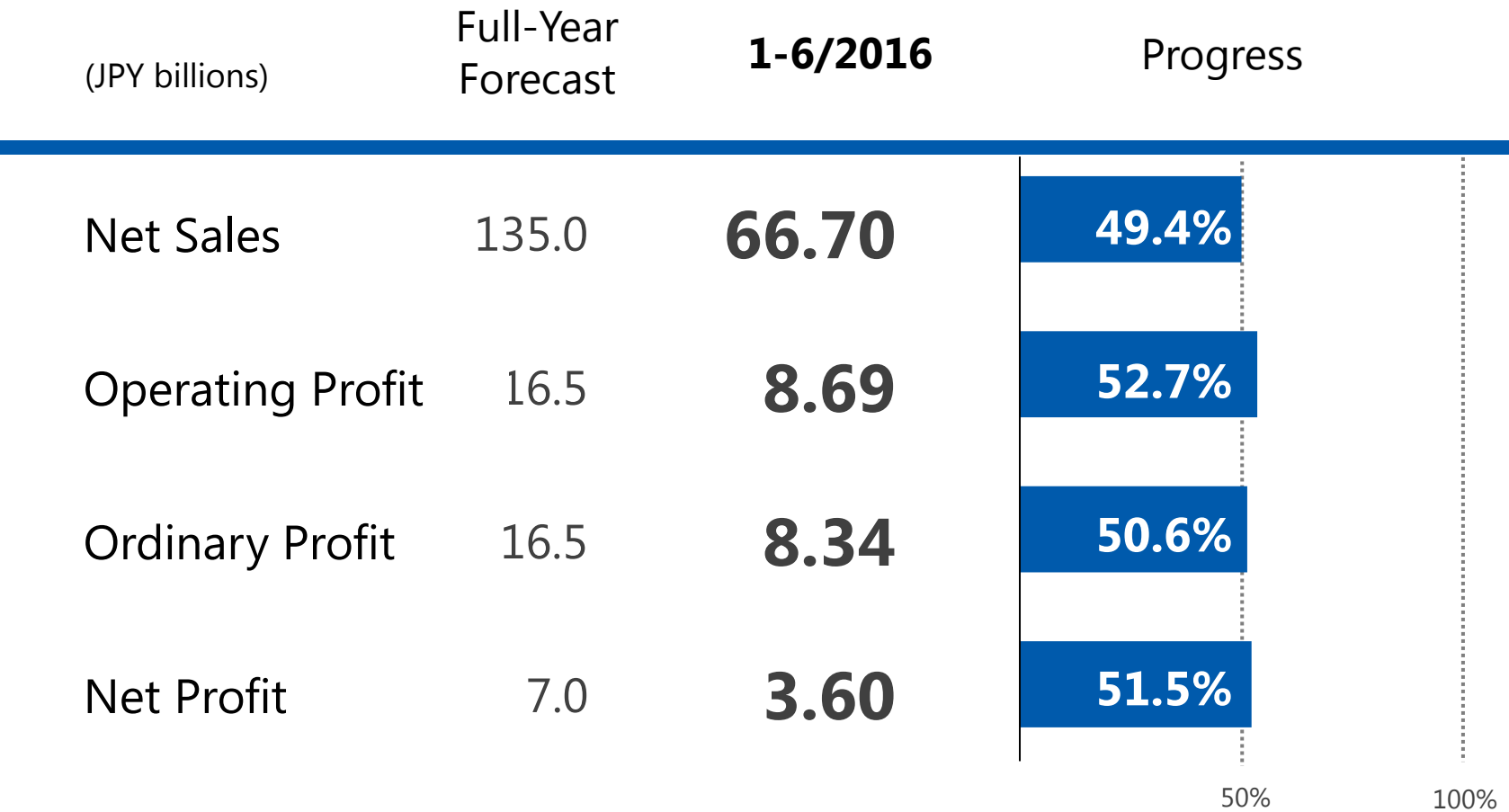
Introducing No. 1 Products

Leveraging expertise with aim to produce hit title.

(JPY billions)	1-6/2015	1-6/2016	YoY Change
Net Sales	63.57	66.70	+ 4.9%
Operating Profit	8.49	8.69	+ 2.3%
Ordinary Profit	8.37	8.34	-0.3%
Net Profit	7.09	3.60	-49.2%

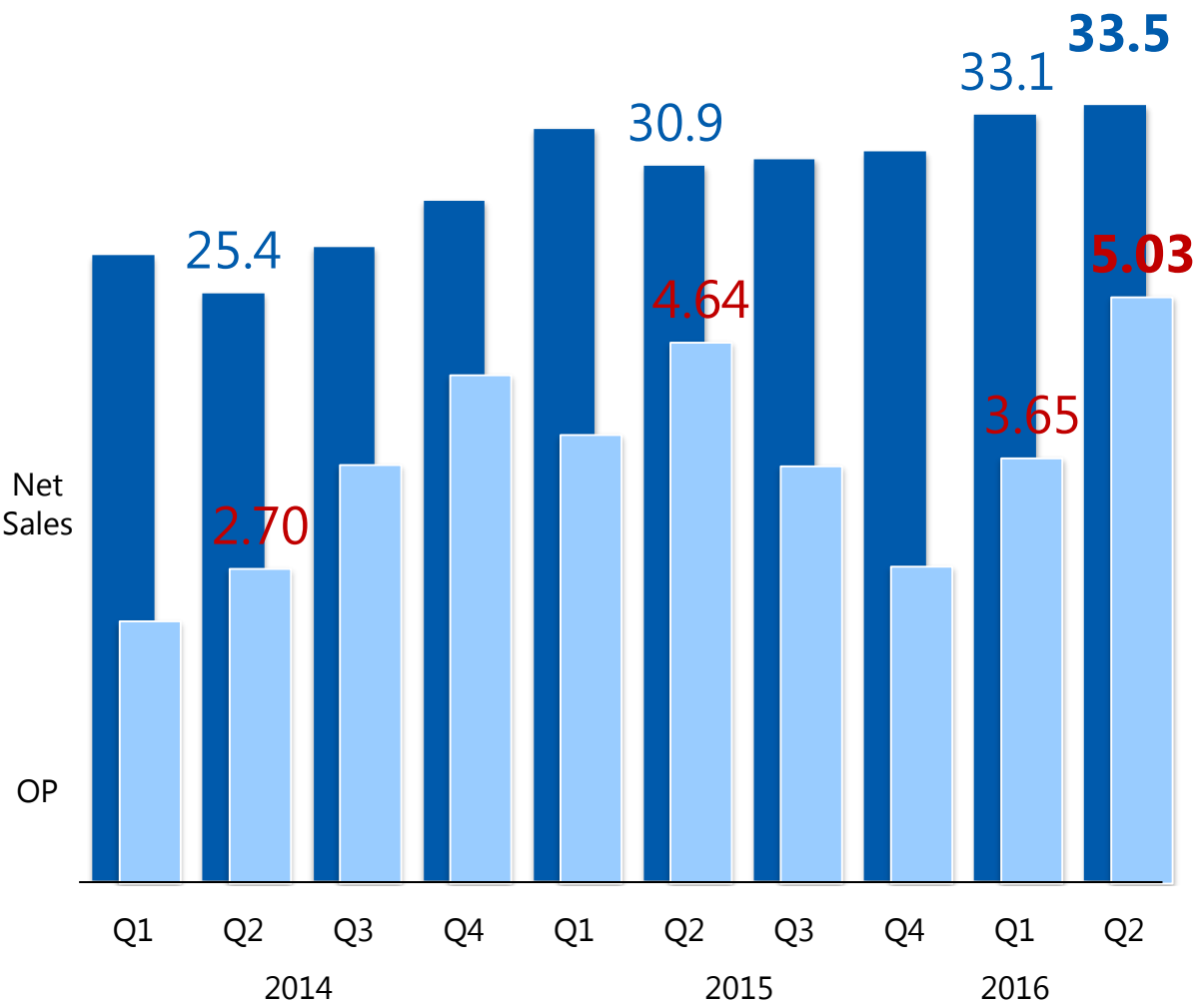
└ Including JPY**4.78B** of gain on sale of CLICK HD shares

Good progress (over 50%) to achieve forecasts for the seventh consecutive fiscal year



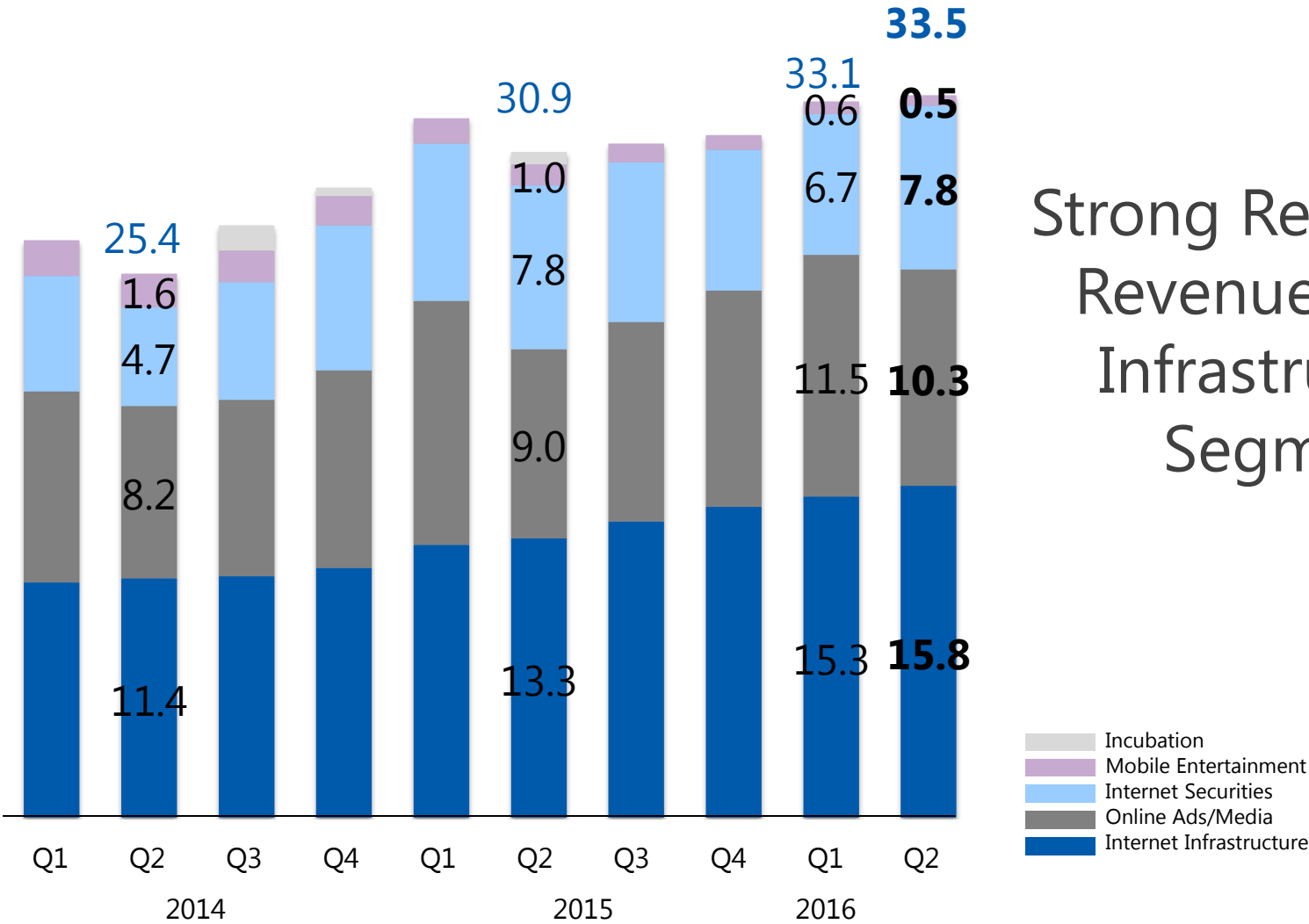
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(JPY billions)



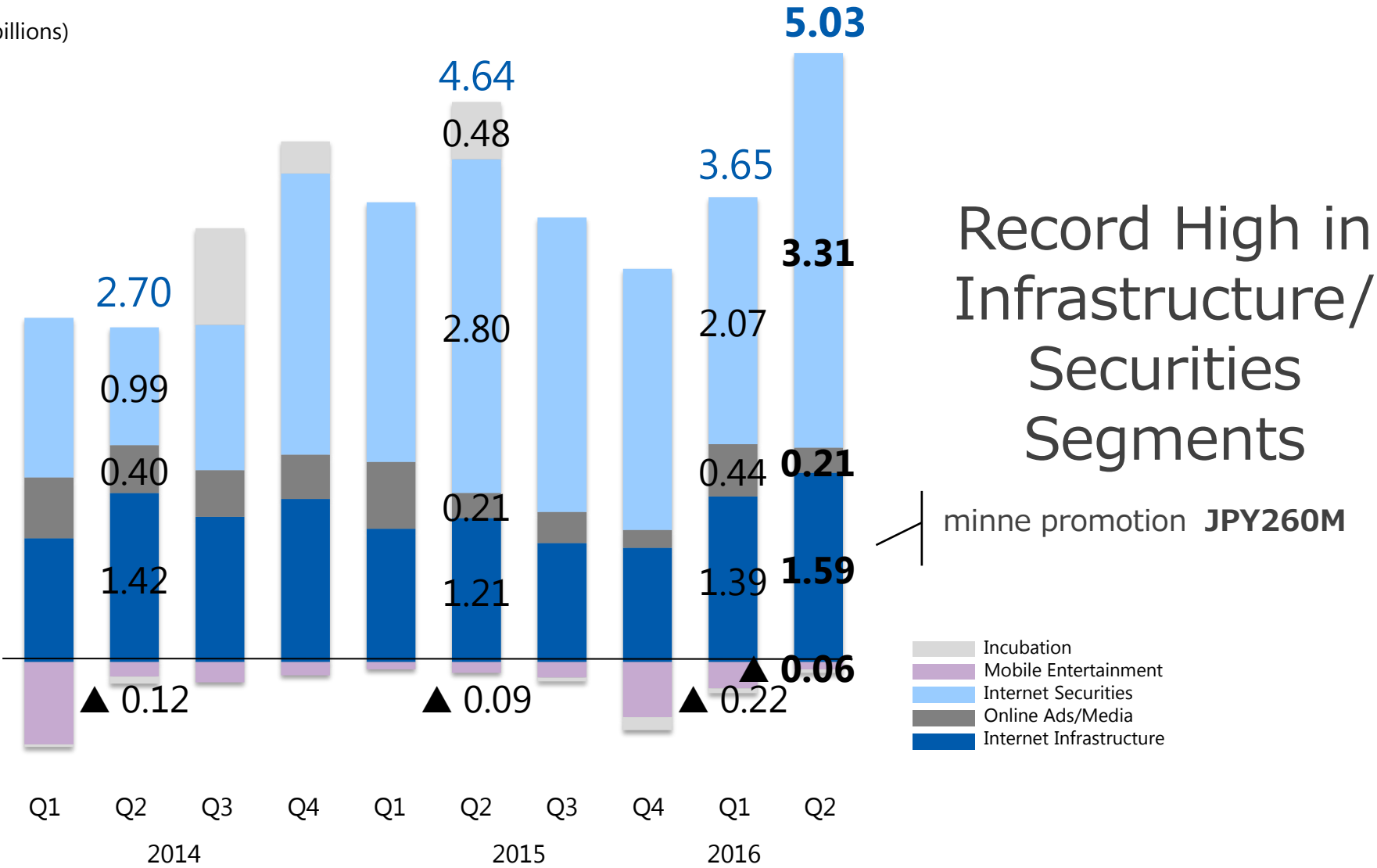
Record High
Net Sales
with OP
Reaching
JPY **5.0B**

(JPY billions)



Strong Recurring
Revenue based
Infrastructure
Segment

(JPY billions)



*Distribution of shared costs revised as of Q1. New standards applied retroactively to 2014 in this chart.

Consolidated Profit and Loss

(JPY millions)	Q2 2015 (1-6/2015)	Q2 2016 (1-6/2016)	Change	supplementary information
Net Sales	63,571	66,707	4.9%	
Gross Profit on Sales	33,702	34,192	1.5%	
Operating Profit	8,491	8,690	2.3%	
(OP Margin)	13.4%	13.0%	-0.3pt	
Non Operating Profit and Loss	-120	-340	-	(FY2016) Currency exchange loss JPY 320M
Ordinary Profit	8,370	8,349	-0.3%	
Extraordinary Profit or loss	4,560	-151	-103.3%	(FY2015) Gain on sale of CLICK HD shares JPY 4.78B
Profit before Tax	12,931	8,197	-36.6%	
Profit attributable to Owners of the Parent	7,096.0	3,607	-49.2%	

Consolidated Balance Sheet

(JPY millions)	End of 12/2015	End of 6/2016	Change	GMO CLICK HD (End of 3/2016)	Change
Current Assets	531,347	492,541	-7.3%	408,758	-8.6%
Cash & Deposits	75,979	76,436	0.6%	27,129	33.2%
Fixed Assets	23,278	29,804	28.0%	4,157	16.1%
Goodwill	2,224	2,198	-1.2%	-	-
Software	4,657	4,718	1.3%	1,360	-6.7%
Investment Securities	4,329	5,746	32.7%	787	183.4%
Total Assets	554,626	522,346	-5.8%	412,916	-8.4%
Liabilities	492,469	460,976	-6.4%	386,695	-9.5%
Interest-bearing debts	39,827	68,576	72.2%	55,200	46.9%
Net Assets	62,156	61,370	-1.3%	26,220	10.4%
Non-controlling Minority Equity	22,465	24,008	6.9%	-	-
Shareholders' Equity	39,641	37,295	-5.9%	26,220	10.4%
Earned Surplus	30,189	30,860	2.2%	23,043	12.3%
(Shareholders' Equity Ratio)	7.1%	7.1%	-0.0pt	6.4%	+1.1pt
Liabilities/Net Assets Total	554,626	522,346	-5.8%	412,916	-8.4%

Market Cap / Equity Share in Listed Group Companies

Group Listed Companies: Equity Share

Stock Code	Stock Name	Exchange	Market Cap ^{*1} (JPY 100millions)	% Ownership ^{*2}	Equity Share (JPY 100millions)
9449	GMO Internet	TSE 1	1,555		
3769	GMO Payment Gateway	TSE1	2,191	51.6%	1,130
7177	GMO CLICK Holdings	TSE JQS	831	82.1%	682
3788	GMO CLOUD	TSE1	117	51.0%	59
3633	GMO Pepabo	TSE JQS	104	63.1%	65
4784	GMO AD Partners	TSE JQS	81	54.8%	44
6180	GMO Media	TSE MOTHERS	54	65.5%	35
6026	GMO TECH	TSE MOTHERS	26	52.2%	13
3695	GMO Research	TSE MOTHERS	24	53.0%	12
Group Total			4,983 ^{*3}		2,042

*1 Market value as of 29/7/2016

*2 Includes indirect holdings

*3 Calculated as the sum of the listed market cap values

(JPY Billions)	Q2 FY2015 (1-6/2015)	Q2 FY2016 (1-6/2016)	Significant Factors	GMO CLICK HD
Operating Cash Flow	5.88	▲15.04	Increase in customer assets in Securities Corporate tax: JPY 7.7B	▲10.46
Investing Cash Flow	7.48	▲7.81	.shop rights: JPY 4.9B	0.04
Financing Cash Flow	1.04	24.95	Increase in interest-bearing debt: 28.7B (Due to increase in customer assets in Securities)	18.34
Change in Cash and Equivalents	14.38	1.35		7.65
Balance of Cash and Equivalents	79.64	76.28		27.12

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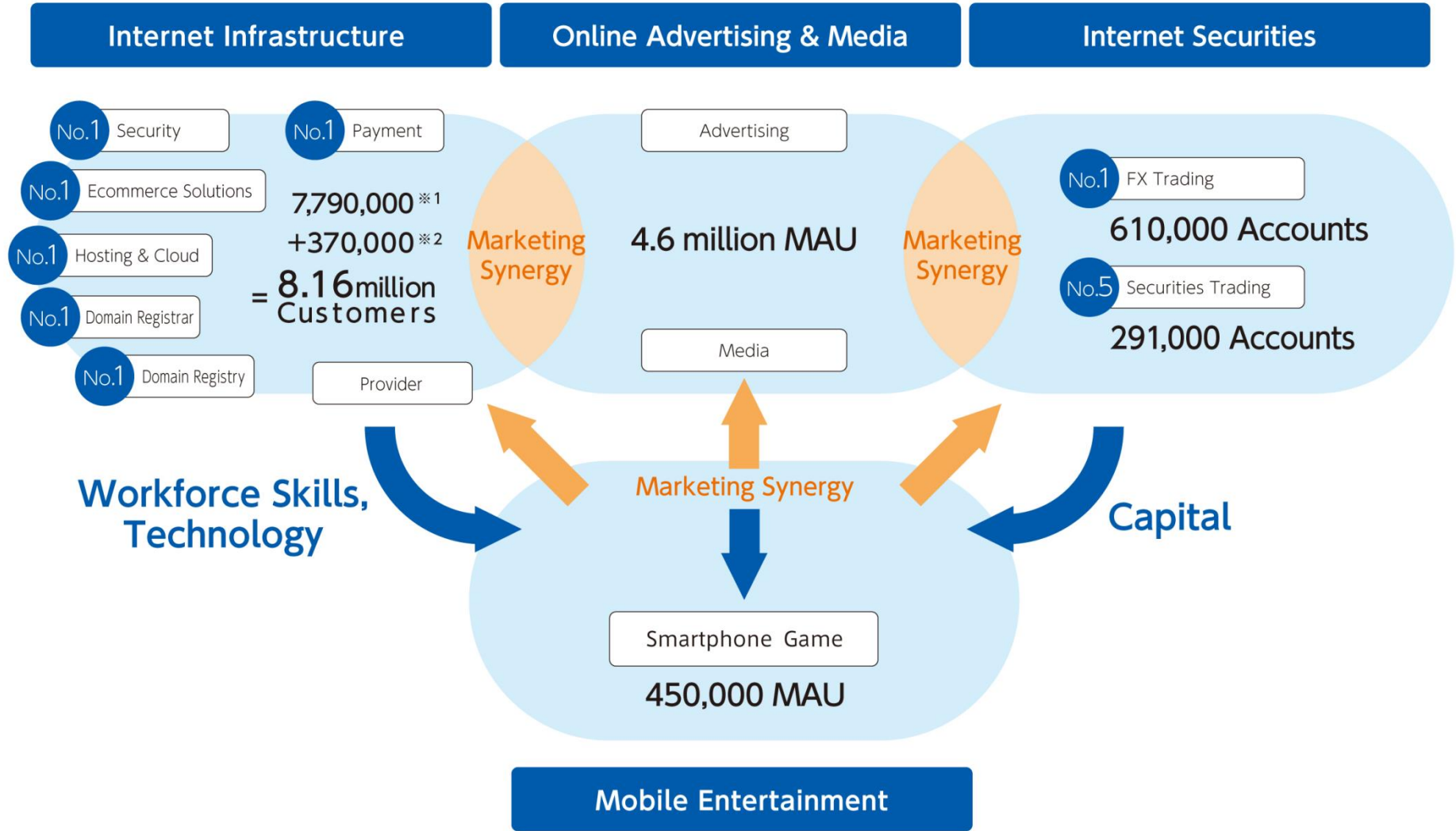
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4. Group Strategy

5. Shareholder Returns

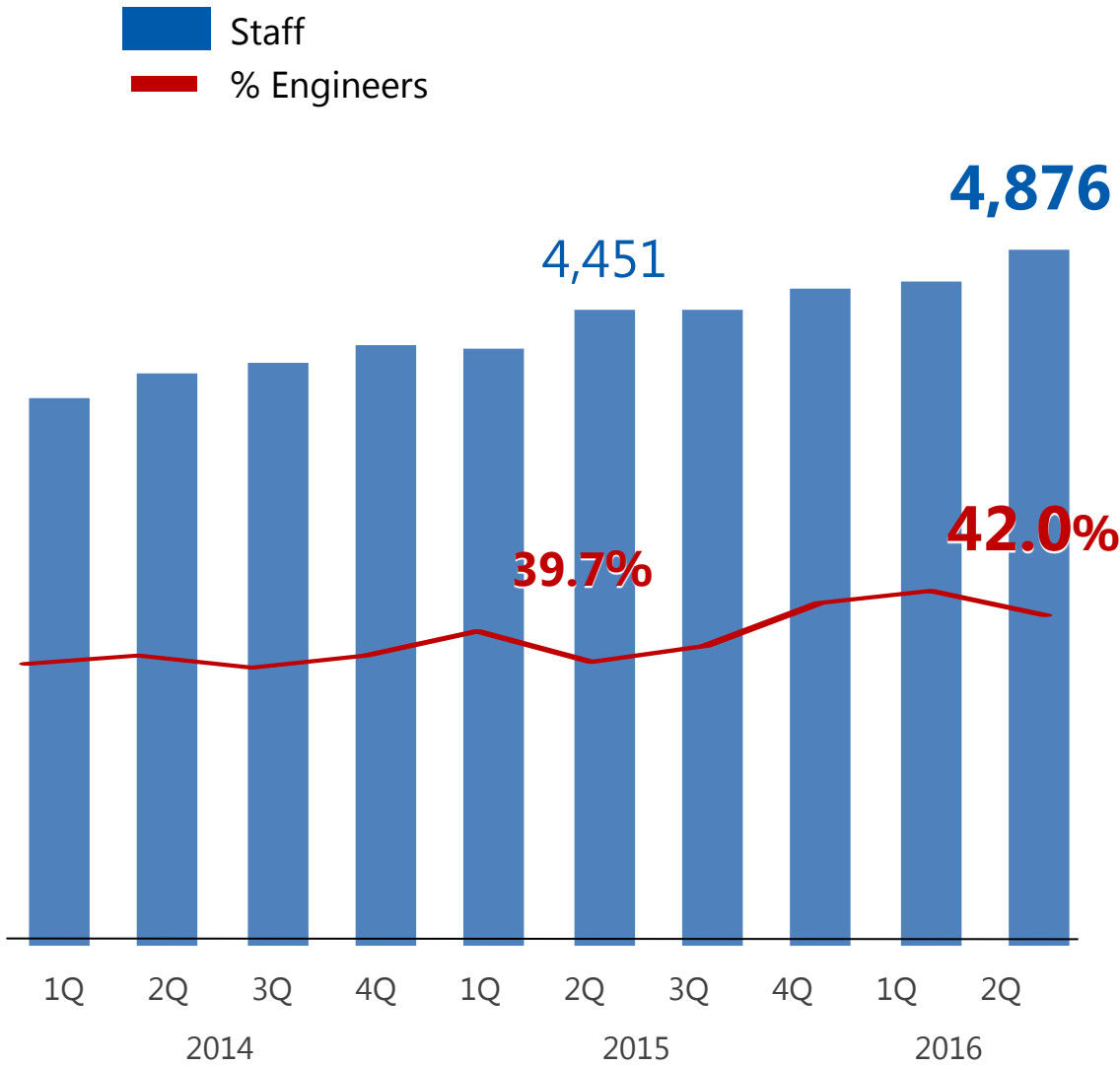
Market share growth accelerating across all segments



*1 Customer contracts in Internet Infrastructure (excluding Provider)

*2 Customer contracts in Provider sub-segment

Goal: Workforce of over 50% engineers



All products developed, sold and supported in-house



No.1 in Customer Satisfaction

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Number one across all infrastructure products

Strong No. 1 Domain Registry



Brand TLDs / Geo TLDs
81.7% of gTLD market in Japan *1

Strong No. 1 Domain Registrar



Domestic gTLD market share at 90.1%*2

Strong No. 1 Hosting & Cloud



Domestic market share at 54.2% *3

No. 1 Ecommerce



75,000 paid stores

No.1 Security



141.3% YoY increase in certificate issues

No. 1 Payment

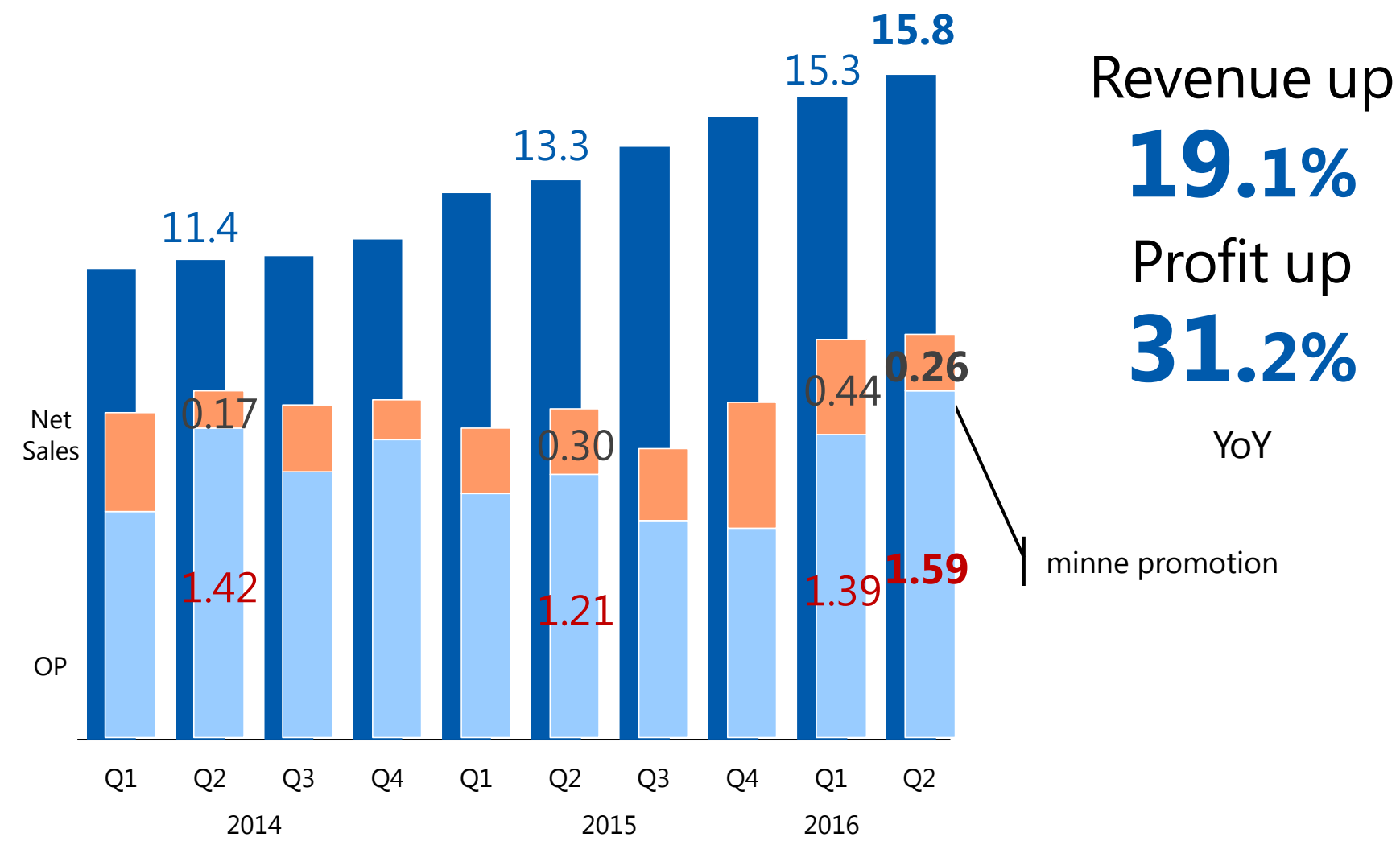


72,000 merchants

*1 Based on our own data
*2 Based on ICANN data
*3 Based on Webhosting.info data

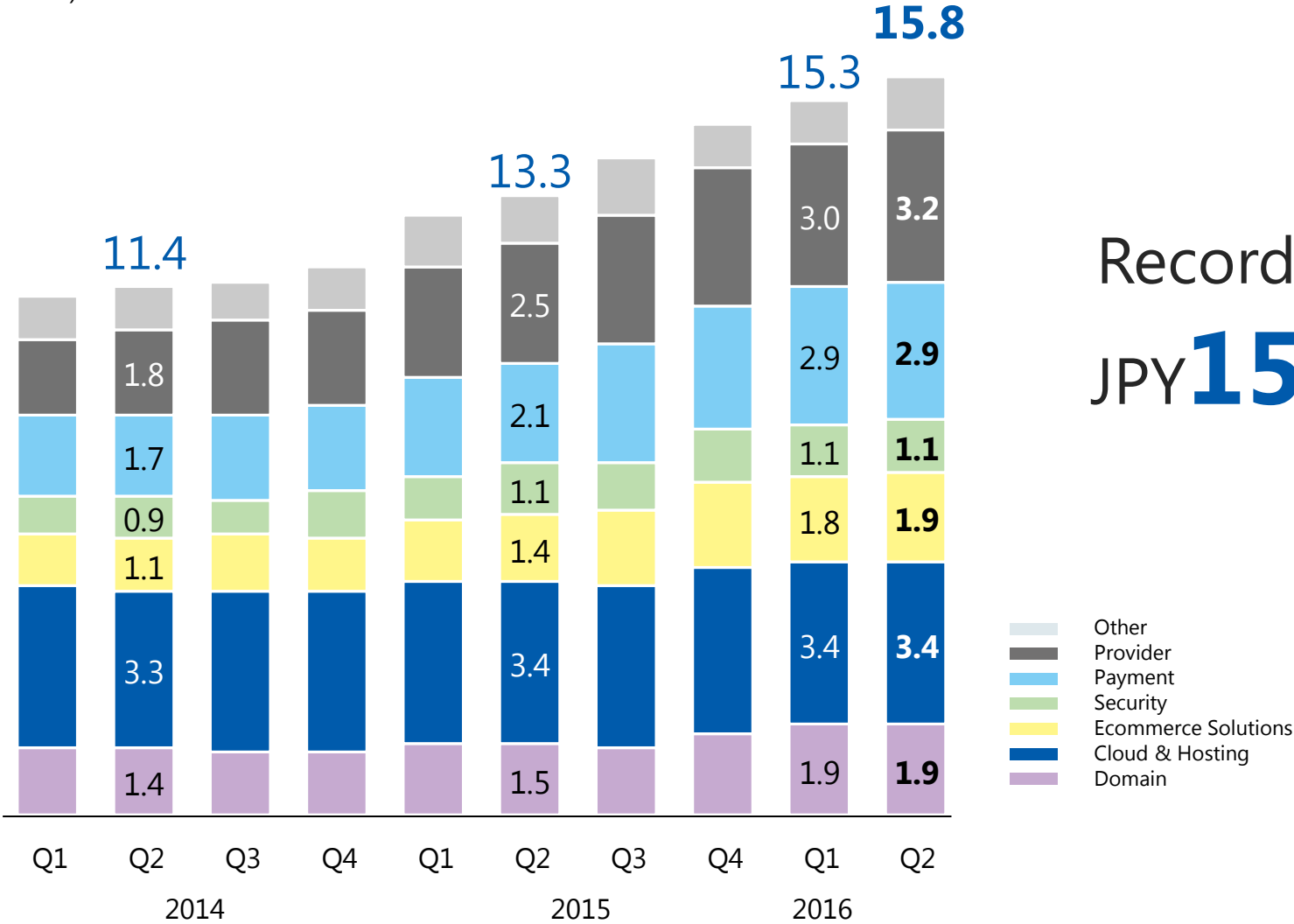
Historical Performance by Quarter

(JPY billions)

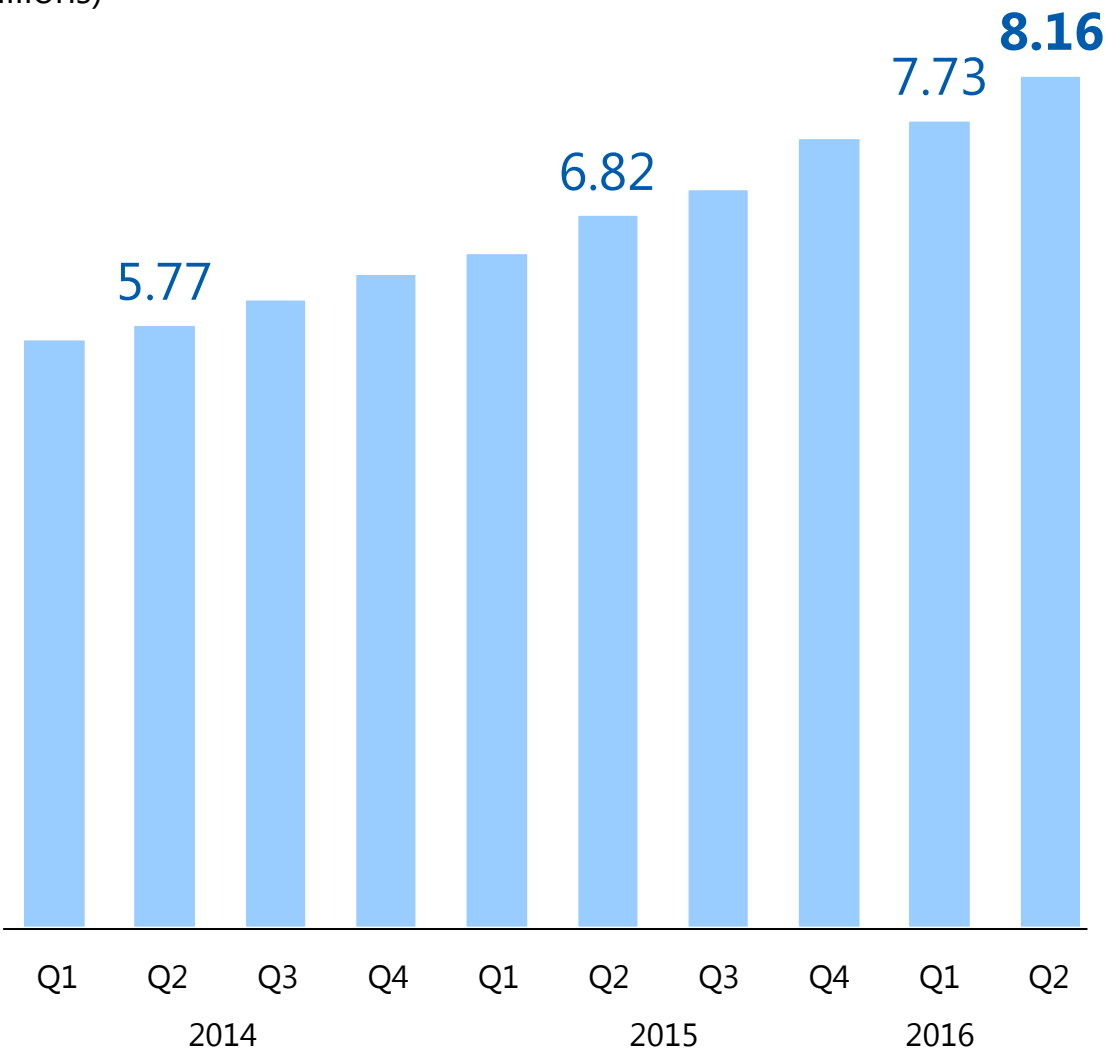


Net Sales by Sub-Segment

(JPY billions)



(millions)



8.16M
contracts
19.7%
YoY growth

*Excluding minne KPI

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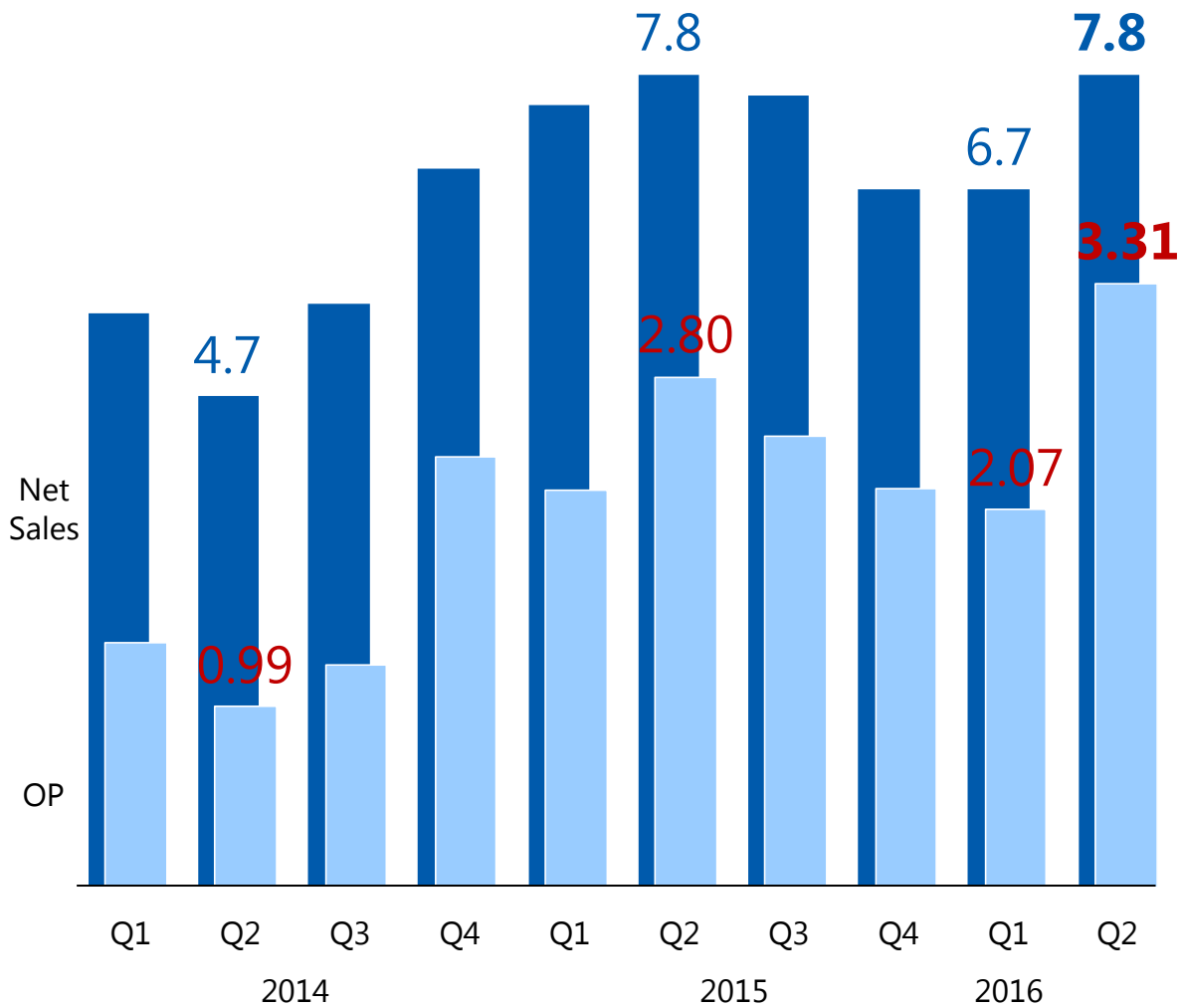
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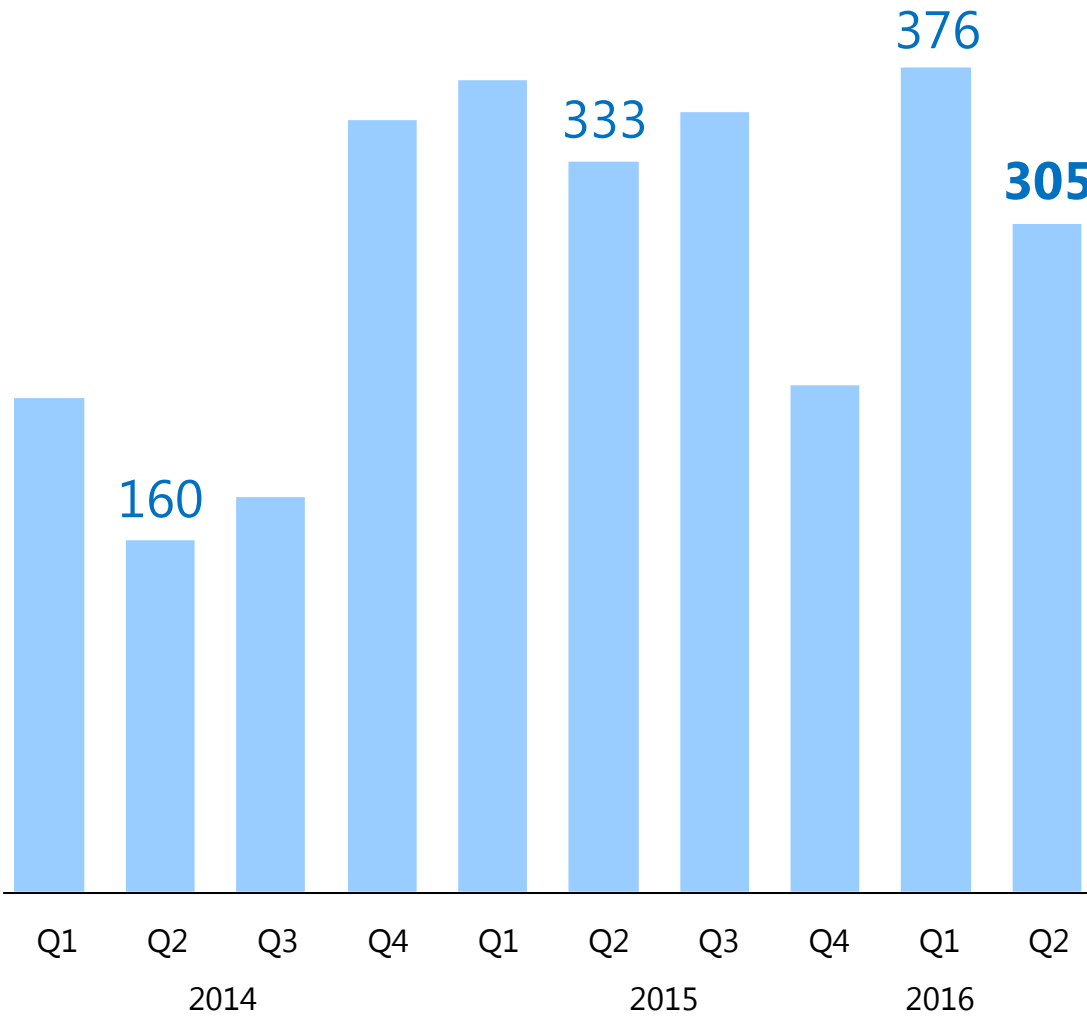
Historical Performance by Quarter

(JPY billions)



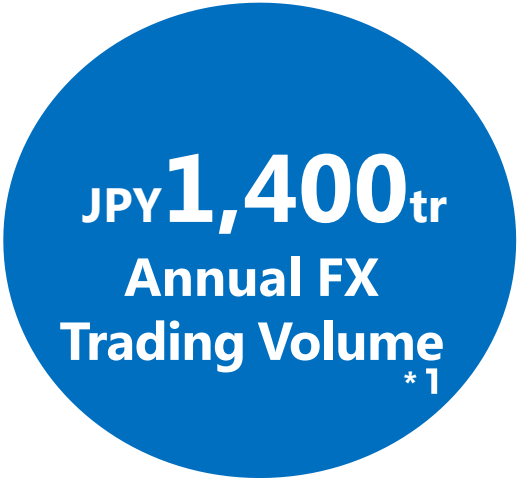
Revenue down
0.4%
Profit up
18.4%
YoY

(JPY trillions)



Profitability
Improving with
Accumulated
Expertise Despite
Low Transaction
Volume

Spurred by Brexit



Global No.1

No. 5 in Japan

*1 GMO CLICK HD FYE3/2016 data
*2 End of 3/2016
*3 Share of total trading volume in the worlds top 10 largest players in 2015

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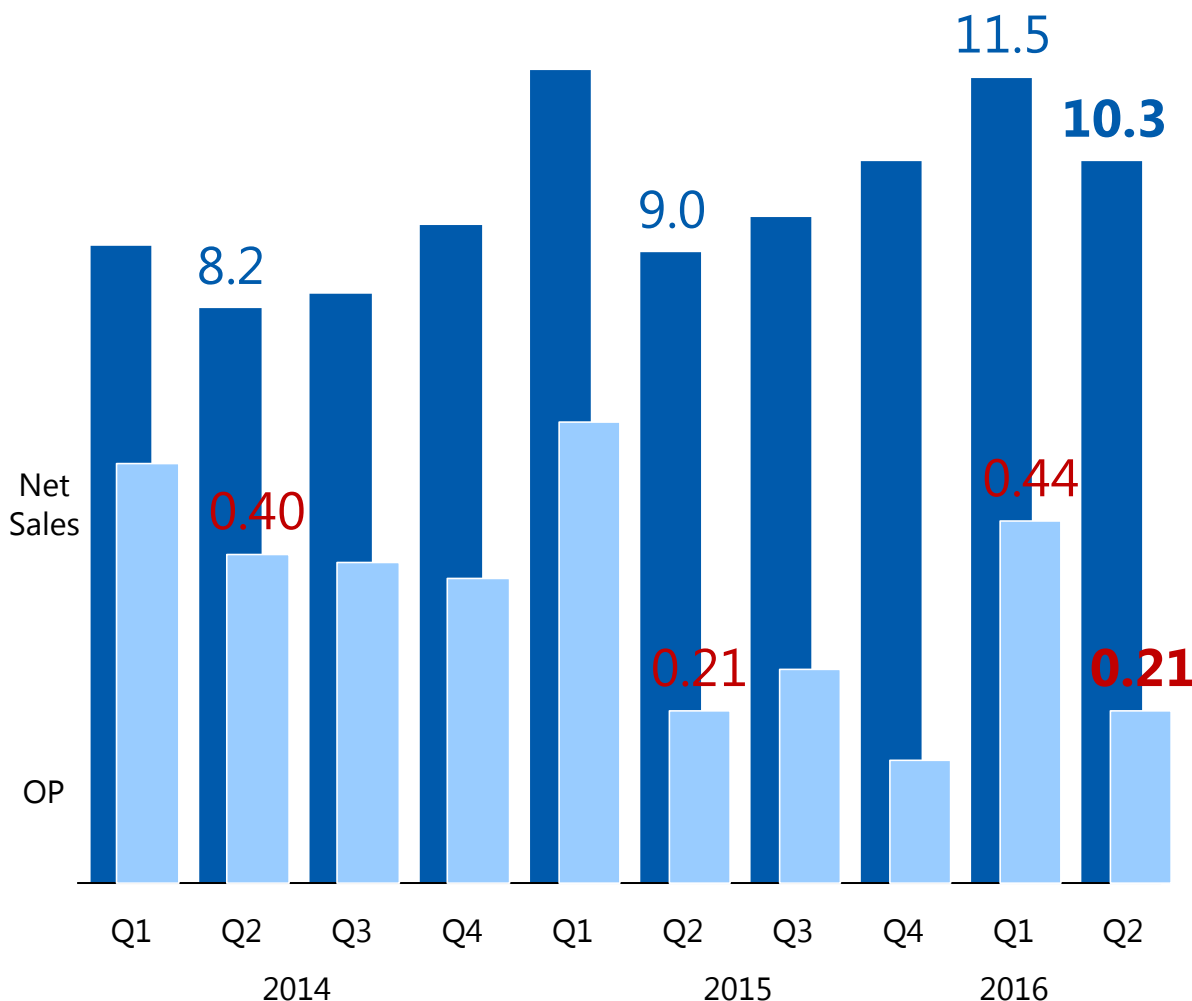
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Historical Performance by Quarter

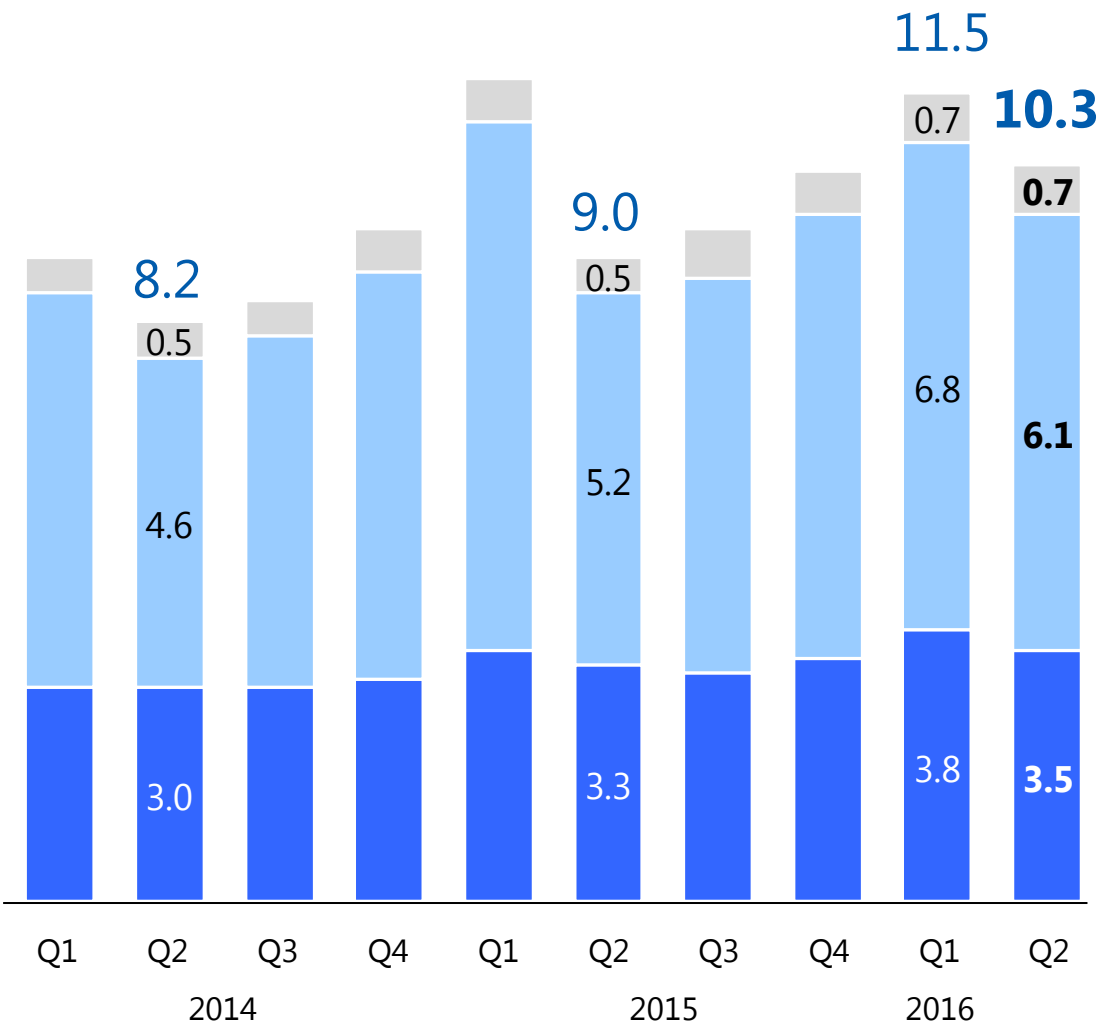
(JPY billions)



Revenue up
14.2%
Profit down
1.0%
YoY

Net Sales by Sub-Segment

(JPY billions)



Strong
Performance in
Online
Advertisement
Segment
up **16.5%**

- Internet Research/Other
- Online Advertising
- Internet Media

GMOADPARTNERS

Net sales JPY**7.09B** (up **14%**) OP JPY**80M** (up **99%**)

Strong performance from proprietary products such as in-feed ad "Akane"

1H of FY2016 grew YoY with 50 additional sales personnel

GMO TECH

Net sales JPY**0.64B** (Down **18%**), OL JPY**30M**

Decline in affiliate ads for smartphones

Growth scenario based on self-developed expertise remains unchanged

GMO RESEARCH

Net sales JPY**0.73B** (up **20%**) OP JPY**40M** (back in the black)

Solid performance in Research as well as Advertisement

GMO MEDIA

Net sales JPY**1.27B** (up **53%**) OP JPY**90M** (up **16%**)

Strong performance by Ecommerce media "Point Town"

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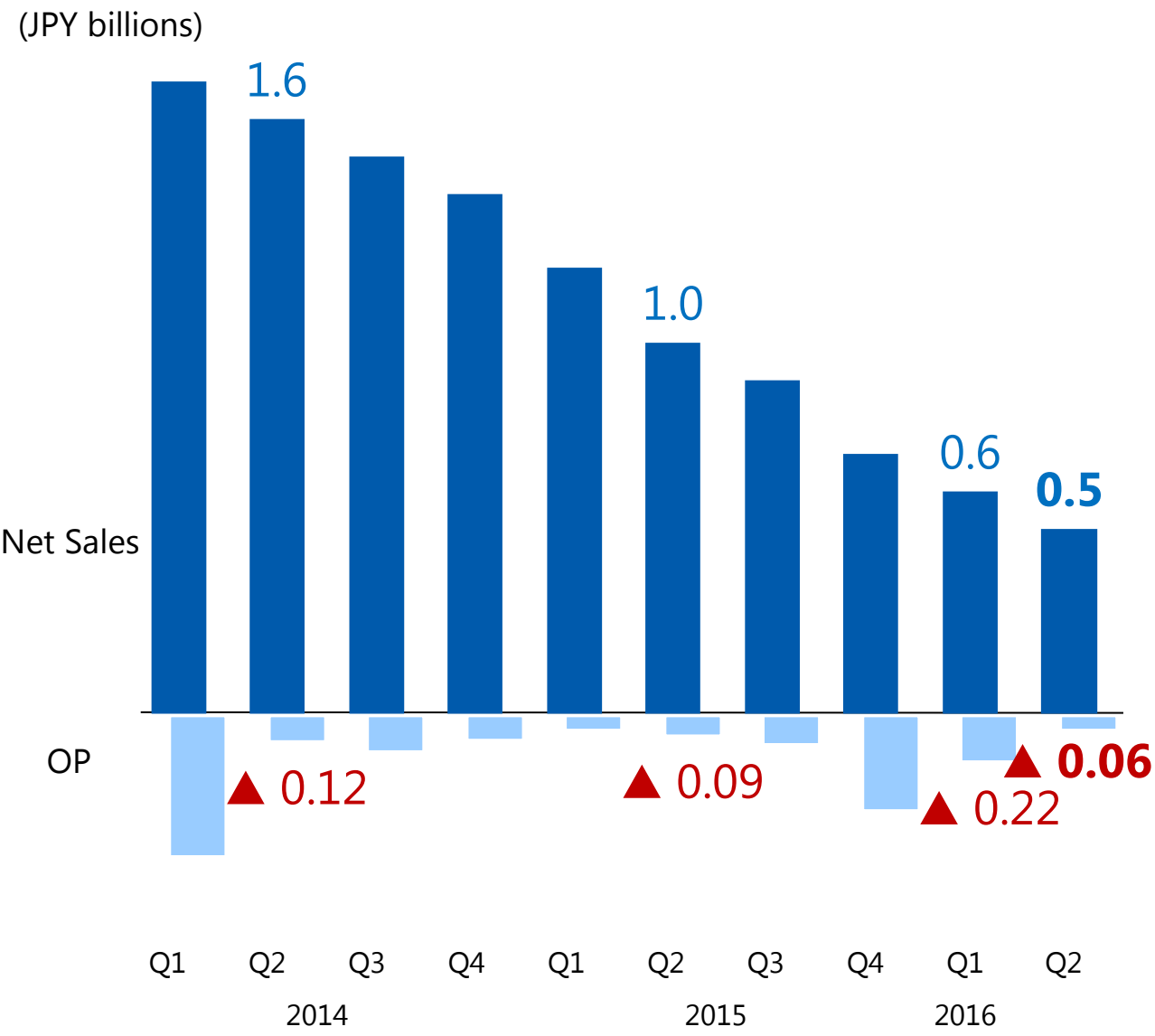
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Historical Performance by Quarter



Loss
Decreasing

Four New Titles
to be Launched
Next Period

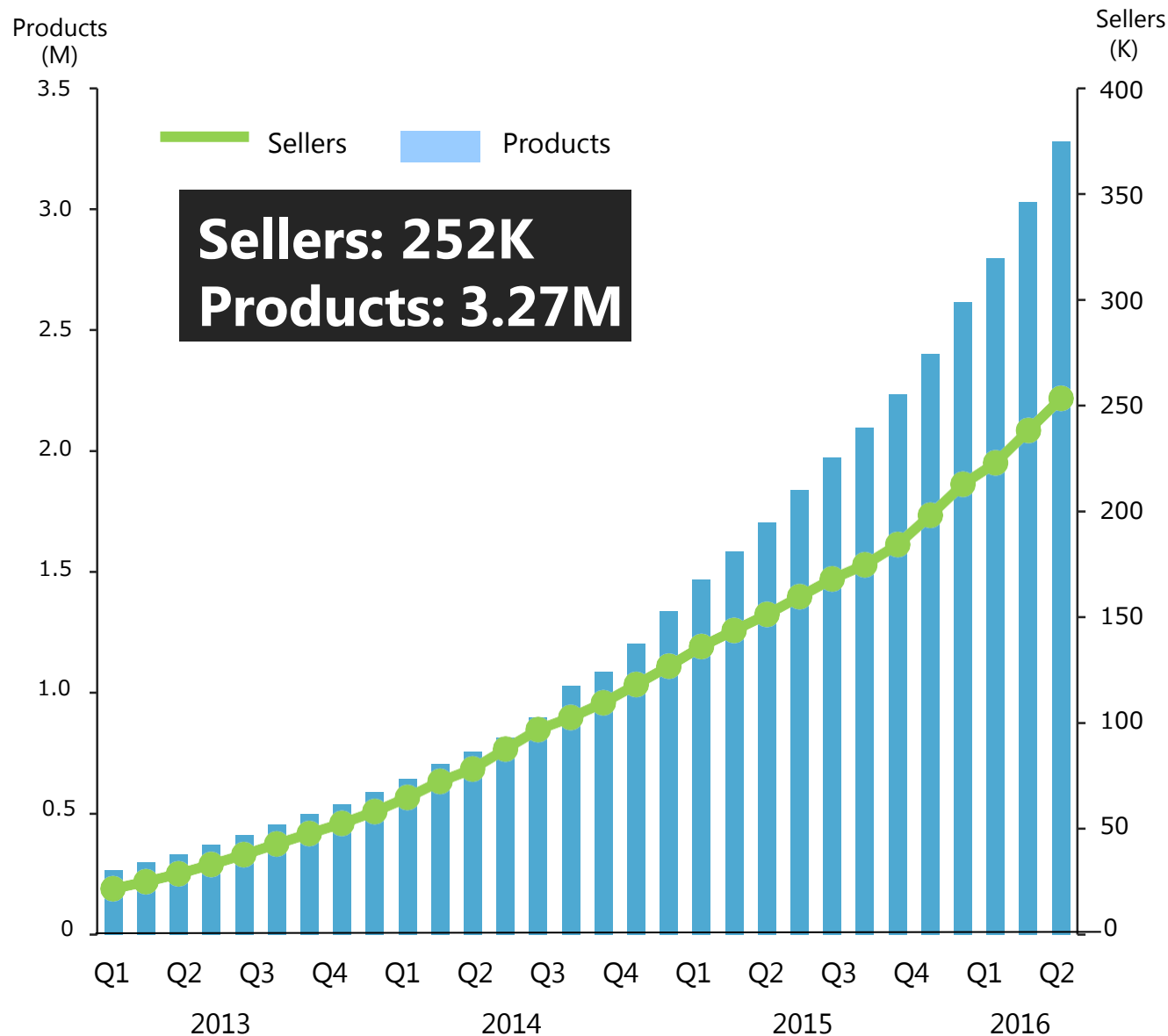
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Strengthening Strengths

minne Progress Report

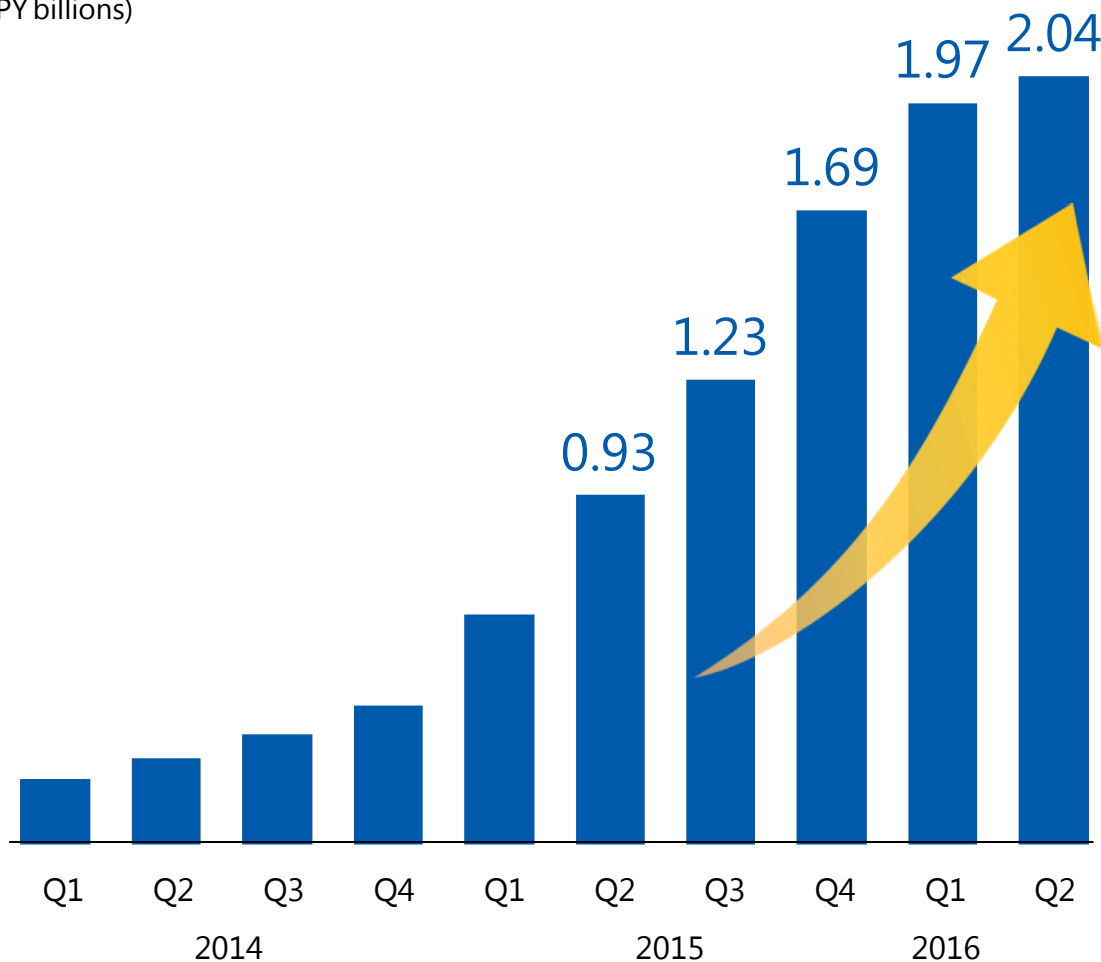


- Sales volume: **JPY2.04B/Q** Q/Q
+3.6%
- Sellers: **252K** Japan
No1
- Products: **3.27M** Japan
No1
- App downloads: **6.02M** Q/Q
+11%



Strong
No.1

(JPY billions)



Annual Sales
Volume Target
JPY10.0B

Steady DAU
Sales promotion in
2H of FY2016 with
KPI Improvement

Strengthening Strengths

Developments in Finance and Payment

Capital and Business Alliances



大和証券グループ本社
Daiva Securities Group Inc.

Share acquisition : JPY9.7B (9.6%)

GMOCLICK | **HD**
HOLDINGS



Internet Banking in Aozora Trust Bank,
investment ratio to be increased in the future



※GMO Internet/GMO CLICK HD may convert classified shares to common shares on obtaining approval of the relevant authorities and major shareholders of Aozora Trust Bank and other conditions.

Finance and Payment: Officers of Internet Bank

Title	Name	Professional Career
Representative Director and Chairman	Masaya Onagi	VP of Japan IBM, Director of GMO-PG (present)
Representative Director and President	Masaki Yamagata	Senior Managing Executive Officer of Aozora Bank
Director Manager of Risk Control Division	Tomoki Ohnishi	Manager of Group 1, Credit Review Division of Aozora Bank
Director Manager of Net Banking Preparatory Office	Shinji Murabe	Manager of Management Planning Division of GMO Click
Director (Part time)	Hideto Ohmi	Executive Officer of Aozora Bank (current)
Director (Part time)	Akio Sato	General Council of Sato Sogo Law Office (current), External Director of GMO-PG (current)
Director (Part time)	Masato Mano	Executive Officer of Aozora Bank (current)
Director (Part time)	Hideyuki Takashima	Director, Chairman and Representative Executive Officer of GMO Click Holdings, Inc. (current)
Corporate Auditor	Atsushi Tajima	Manager of Compliance Management Division of Aozora Bank
Corporate Auditor (Part time)	Hirokazu Takino	Audit & Supervisory Board Member of Aozora Securities Co., Ltd. (part time, current)
Corporate Auditor (Part time)	Masashi Yasuda	CFO and Vice President of GMO Internet, Inc. (current)
Corporate Auditor (Part time)	Tatsuki Yamamoto	Director and Managing Executive Officer of GMO Click Holdings, Inc. (current)

as of July 21

Be **No.1** Internet Bank !

- Synergy with Securities, Payment, and Ecommerce products
- Develop at lower cost, return to customers

Shift from branches and ATM cards to smartphones


- Most convenient bank for both retail and corporate customers

Strengthening Strengths

New gTLD .shop Progress Report



- Reinforce Ecommerce, with **the most popular** new domain
- Cannot be copied – **the only one**
- Target **Global market**, with extensive use of existing sales network
- Source of ongoing **recurring revenue**



Domain Name Wire

FEATURED DOMAINS

.VIP

Top Stories

01. **Breaking: .Web top level domain name auction ends for \$135 million**
POSTED UNDER Uncategorized

02. **Court denies Donuts' request to delay .web auction**
POSTED UNDER Policy & Law

03. **WTF: Heidi Powell files cybersquatting lawsuit against Heidi Powell over HeidiPowell.com**
POSTED UNDER Policy & Law

Breaking: .Web top level domain name auction ends for \$135 million

BY ANDREW ALLEMANN — JULY 28, 2016 UNCATEGORIZED 41 COMMENTS

.Web domain sets a record.

The auction to determine who gets to run the .web top level domain name has concluded with a \$135 million price.

This is by far the most paid to run a top level domain name. Prior to this auction, the highest public price for a new top level domain was \$41.5 million, which GMO Registry paid for .shop.

Afilias, Google, Nu Dot Co, Radix, Donuts, Schlund, and Web.com participated in the auction for .web. I don't know who won, but ICANN should publish details later today.

Winning Bid for
".web"
\$135M
(c. JPY**14.1B**)




**Proof for Potential of
New Domain**



▲
Current stage

※JST

Registration Ranking for Trademark Holders

	TLD	Registrations
		
1	.london	799
2	.clothing	676
3	.website	633
4	.luxury	523
5	.nyc	482
6	.international	479
7	.company	469
8	.tokyo	462
9	.video	452
10	.club	450



Expected^{*}
to Mark
Record
High


*At the 30 day mark of the 60 day Sunrise period 629 applications have been received.

*Source: IBM Monthly Invoice sep,2015.

<http://domainincite.com/19312-sunrise-accounts-for-under-1-of-new-gtld-regs>

(excluding .porn and .adult which are largely registered for brand protection.)

Sales will be recorded from Q3

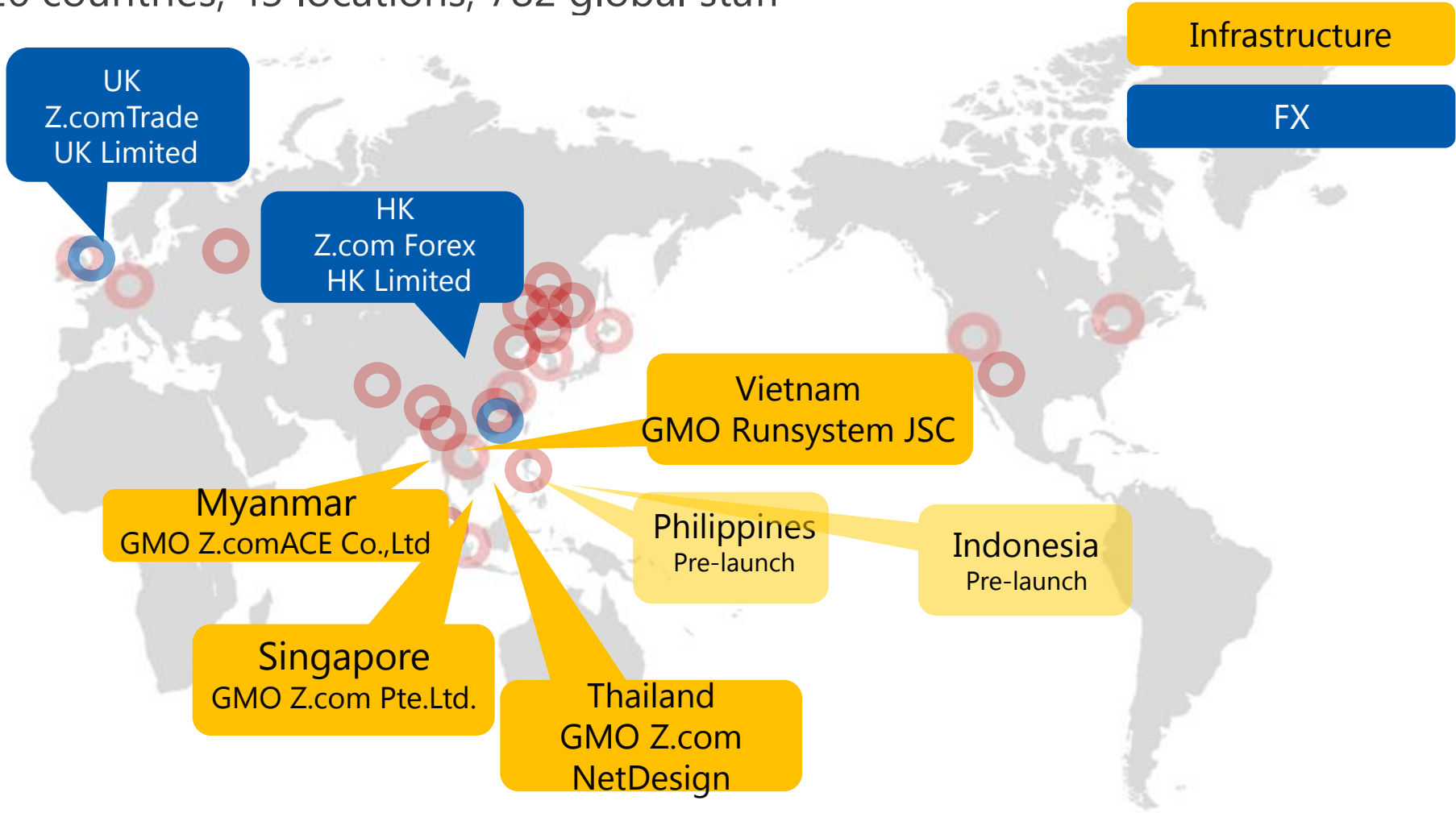
	Application fee	Registration and Renewal fees	Recorded from
Trademark Holders	Fixed price	General price [※]	Sep 1, 2016~
Auction	Premium price	General price or Premium price	Sep 1, 2016~
General Availability	—	General price	Sep 27, 2016~

※Domains containing premium character strings will be charged at a premium price.

Strengthening Strengths **Bringing Number 1 Products to the Global Market**

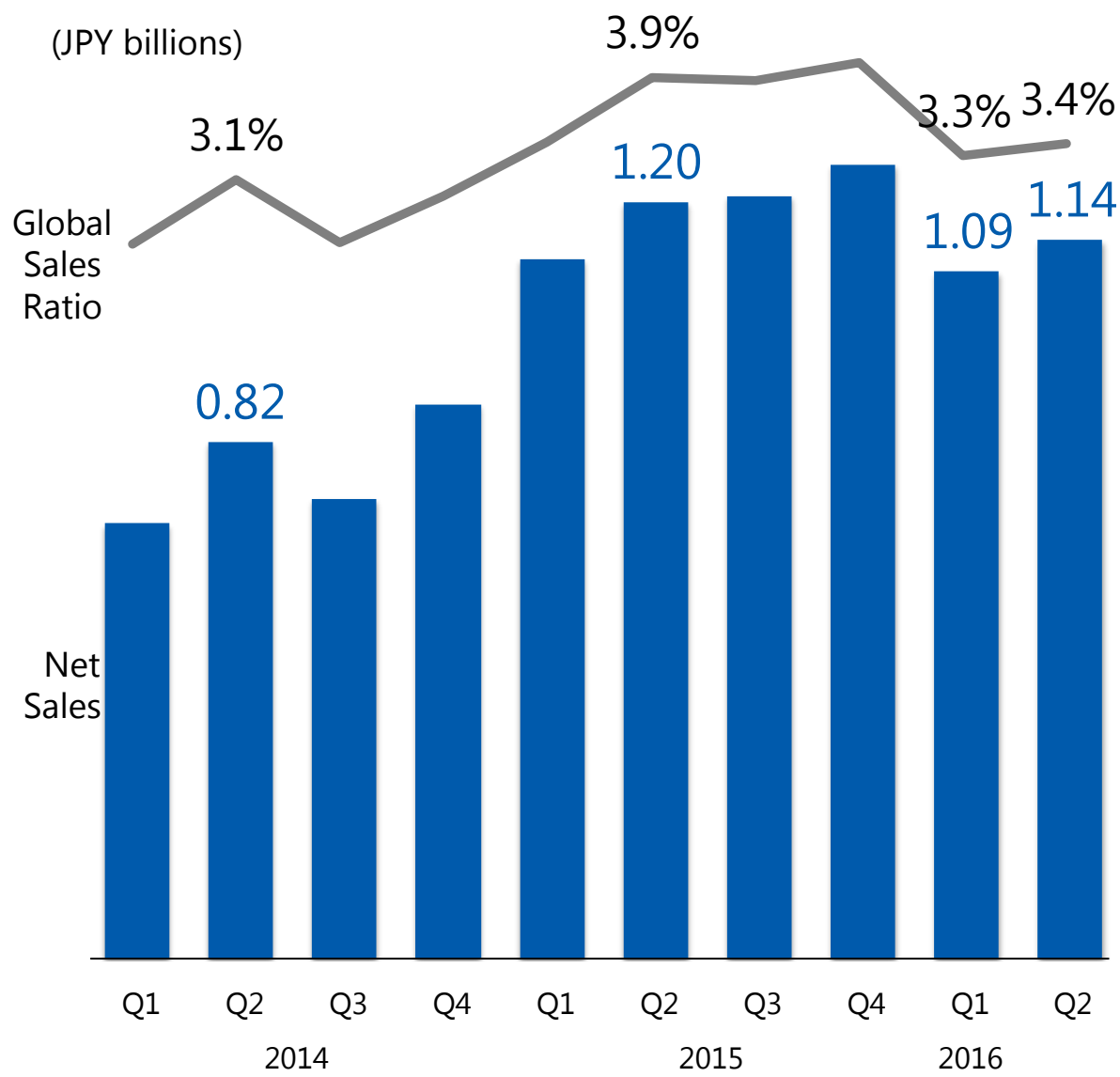
Global Growth: Locations

16 countries, 43 locations, 782 global staff



As of 6/2016

Global Growth: Global Net Sales



Down 5.4%
Due to Decline
in Overseas
Game

Expected to Rise
After Q3 with
Launch of “.shop”

Z.com

- **No.1 Service**
- **Short and Memorable Domain**

×

- **No.1 Sport in Asia = Football**
- **Partner with No.1 Football Player**

Reach up to 80% of all citizens of all regions and ages

※Survey results in Vietnam (conducted by GMO)

Shinji Kagawa, appointed as brand ambassador



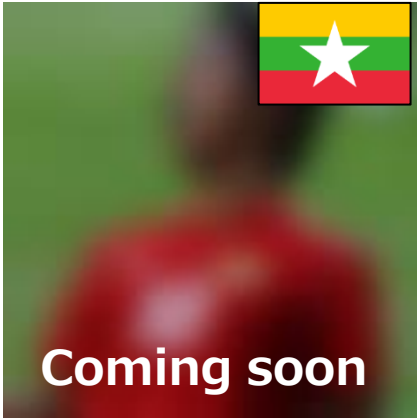
Vietnam National
Team Top Star Partner



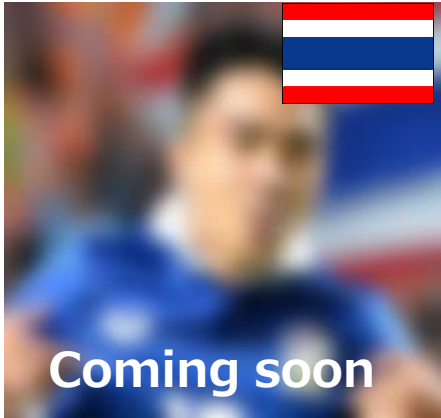
Vietnam



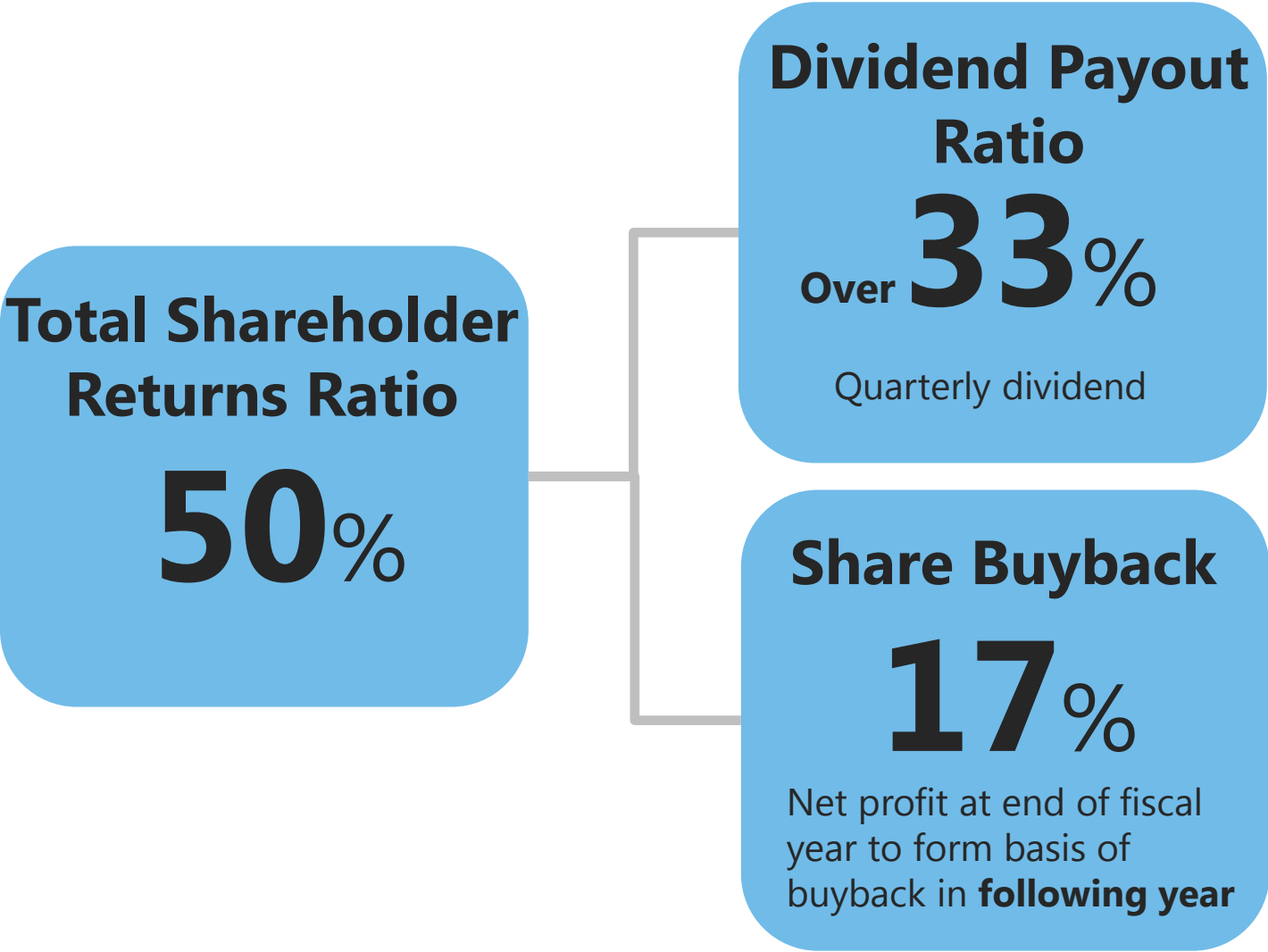
Myanmar



Thailand



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Finally

1 Continue investments in growing sectors while marking record high in Infrastructure/Securities segments

2 Strong confidence in “.shop”

3 Increasing potential in Fintech field

Internet for Everyone

GMO

GMO INTERNET

This document includes projections based on expectations, premises and plans as of August 1, 2016. These projections may differ from actual results due to factors including changes in the global economy, competition, exchange rate fluctuations, 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.