

# **Fiscal Year 2016 Second Quarter Results Presentation**



STOCK CODE : 9449

## **Supplementary Materials**

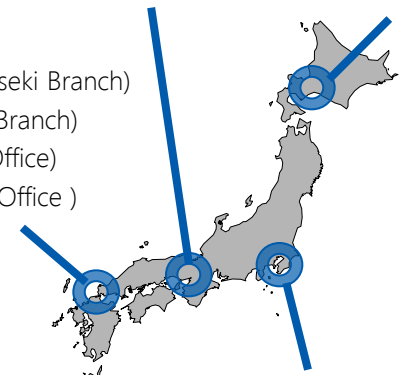
August 1 2016



114 Group Companies (89 consolidated, 17 non-consolidated, 4 equity method affiliates, 4 non-equity method affiliates)

GMO Payment Gateway, Inc.  
(Western Japan Sales Office)  
GMO Solution Partner, Inc.  
(Osaka Sales Office)  
GMO DigiRock, Inc.

GMO DIGITAL Lab, Inc.

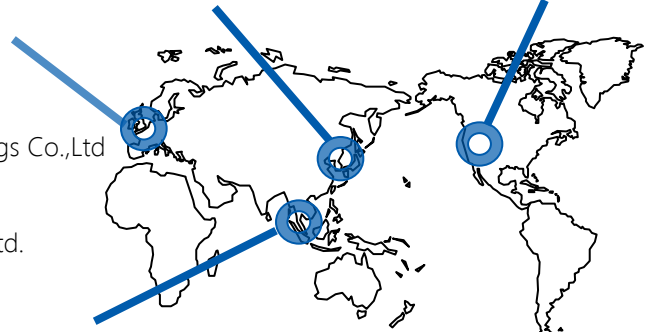


GMO CLOUD, Inc. (Shimonoseki Branch)  
GMO Pepabo, Inc. (Fukuoka Branch)  
GMO NIKKO, Inc. (Miyazaki Office)  
GMO Internet, Inc. (Miyazaki Office )

(UK)  
GMO-Z.com Trade UK LTD.  
GMO GlobalSign Ltd.  
(Belgium)  
GlobalSign NV (CA)  
(Finland)  
GMO GlobalSign Oy

(China)  
GlobalSign China  
(Hong Kong)  
GMO-Z.com Forex HK Limited  
(Korea)  
GMO GameCenter Korea, Inc.

(US)  
GMO GlobalSign, Inc.  
GMO Game Center USA, Inc.



(Myanmar)  
GMO-Z.com ACE Co. Ltd.  
(Thailand)  
GMO-Z.com Net Design Holdings Co.,Ltd  
(Vietnam)  
GMO RunSystem JSC  
GMO Vietnam Lab Center Co. Ltd.  
(Philippines)  
GMO GlobalSign Inc.  
(Singapore)  
GMO-Z.com Pte. Ltd.  
GMO GlobalSign Pte. Ltd.  
GMO PAYMENT GATEWAY Pte. Ltd.

**Internet Infrastructure**

- ★ GMO Internet, Inc. (TSE:9449)
- ★ GMO Payment Gateway, Inc. (TSE:3769)
- ★ GMO CLOUD, Inc. (TSE:3788)
- ★ GMO Pepabo Inc. (JASDAQ: 3633)
- GlobalSign K.K.
- GMO Fast Translation, Inc.
- GMO MAKESHOP Co. Ltd.
- GMO Commerce, Inc.
- GMO Epsilon, Inc.
- GMO Payment Services, Inc.
- GMO Registry, Inc.
- GMO System Consulting, Inc.
- GMO Creators Network, Inc.
- GMO Pepabo OC
- GMO Brights Consulting, Inc.(and other companies)

**Online Advertising & Media**

- ★ GMO AD Partners, Inc. (JASDAQ:4784)
- GMO NIKKO, Inc.
- GMO AD Marketing
- JWord, Inc.
- ★ GMO Research, Inc. (MOTHERS: 3695)
- ★ GMO Media, Inc. (MOTHERS: 6180)
- GMO Solution Partner, Inc.
- ★ GMO TECH, Inc. (MOTHERS: 6026)
- GMO INNOVATORS, Inc.
- GMO Kumapon, Inc.
- (and other companies)

**Internet Securities**

- ★ GMO CLICK Holdings , Inc. (JASDAQ:7177)
- GMO CLICK Securities, Inc.
- FX PRIME by GMO Corporation

**Incubation**

- GMO Venture Partners, Inc.

**Mobile Entertainment**

- GMO Game Center, Inc.
- GMO GamePot, Inc.
- (and other companies)

★ Listed Company  
(total 9 companies)







(as of June 2016 )

Japan's Leading All-in Provider of Internet Services **GMO**



- 4/25 **GMO** AD MARKETING "GMO SSP" is first SSP in Japan to support open source "AMP" recommended by Google.
- 4/27 **GMO** PAYMENT GATEWAY GMO-PG invests in MobiKwik, one of two major Indian mobile wallet companies.
- 4/28 **GMO** PAYMENT GATEWAY GMO-PG service was chosen by Oita prefecture for credit card payments of automobile taxes.
- 5/10 **GMO** PEPABO inc. Biggest CtoC handmade market in Japan "minne" partners with Yamato Transport Group on delivery services, "Delivery compact system" and "NekoPos" to send products from FamilyMart nationwide.
- 5/24 **GMO** MEDIA "Point mail for Movie" launched. Movie ads included in Point site "Point Town" email.



- |      |   |   |
|------|---|---|
| 5/24 |  <b>GMO</b> REGISTRY                                   | GMO Registry announced the launch of global ecommerce domain ".shop" priority registration available to trademark holders beginning July 2. |
| 5/25 |  <b>GlobalSign.</b><br><small>GMOINTERNETGROUP</small> | GlobalSign was accredited by minister of Internal Affairs and Communications to offer "Online Verification Service" using My Number system. |
| 5/30 |  <b>GMO</b> TECH                                       | Ad distribution service for smartphone, "GMO SmaAD" adopts Anti-fraud option for online ads.  |
| 6/27 |  <b>GMO</b> AD MARKETING                               | "TAXEL byGMO" recommendation widget for maximizing ad profit and preventing user exit has reached 100 web media within first 5 months.      |
| 7/4  |  <b>GMO PEPABO inc.</b>                               | "Pepabo Laboratory" was established to realize "Namerakana System" using life style support function Internet service.                      |
| 7/5  |  <b>GMO</b> INTERNET                                 | Long distance track and field athlete Tadashi Isshiki is appointed to GMO athletes.   |



# GMO PAYMENT GATEWAY

(JPY millions)

| Stock Code       | TSE 1st Section 3769              |                                 |                                  |                                   |
|------------------|-----------------------------------|---------------------------------|----------------------------------|-----------------------------------|
|                  | Internet Infrastructure (Payment) |                                 |                                  |                                   |
|                  | Q3 FYE 9/2015<br>(3mths to Jun)   | Q3 FYE 9/2016<br>(3mths to Jun) | Q3 FYE 9/2016<br>(9 mths to Jun) | FYE 9/2016<br>Forecast (Progress) |
| Net Sales        | 2,264                             | 3,089                           | 8,820                            | 11,413<br>(+77.3%)                |
| Operating Profit | 812                               | 1,074                           | 2,953                            | 3,741<br>(+78.9%)                 |
| Ordinary Profit  | 787                               | 1,022                           | 2,941                            | 3,750<br>(+78.4%)                 |
| Net Profit       | 517                               | 657                             | 1,809                            | 2,335<br>(+77.5%)                 |

\*Compiled from each companies' quarterly P/L statements





(JPY millions)

|                  |                                  |                                  |                                  |                        |
|------------------|----------------------------------|----------------------------------|----------------------------------|------------------------|
| Stock Code       | JASDAQ Standard 7177             |                                  |                                  |                        |
|                  | Internet Securities              |                                  |                                  |                        |
|                  | Q1 FYE 3/2016<br>(3 mths to Jun) | Q1 FYE 3/2017<br>(3 mths to Jun) | Q1 FYE 3/2017<br>(3 mths to Jun) | FYE 3/2017<br>Forecast |
| Net Sales        | 7,838                            | 7,808                            | 7,808                            | —                      |
| Operating Profit | 3,085                            | 3,371                            | 3,371                            | —                      |
| Ordinary Profit  | 3,094                            | 3,329                            | 3,329                            | —                      |
| Net Profit       | 1,821                            | 2,272                            | 2,272                            | —                      |

\*Compiled from each companies' quarterly P/L statements



# GMO CLOUD

(JPY millions)

| Stock Code       | TSE 1st Section 3788                                |                                   |                                   |                                    |
|------------------|---|-----------------------------------|-----------------------------------|------------------------------------|
|                  | Internet Infrastructure (Hosting & Cloud, Security) |                                   |                                   |                                    |
|                  | Q2 FYE 12/2015<br>(3 mths to Jun)                   | Q2 FYE 12/2016<br>(3 mths to Jun) | Q2 FYE 12/2016<br>(6 mths to Jun) | FYE 12/2016<br>Forecast (Progress) |
| Net Sales        | 2,836   | 2,851                             | 5,680                             | 12,100<br>(+46.9%)                 |
| Operating Profit | 90  | 170                               | 338                               | 660<br>(+51.2%)                    |
| Ordinary Profit  | 125   | 133                               | 253                               | 550<br>(+46.1%)                    |
| Net Profit       | 232   | 101                               | 121                               | 327<br>(+37.3%)                    |

\*Compiled from each companies' quarterly P/L statements



# GMOADPARTNERS

(JPY millions)

| Stock Code       | JASDAQ Standard 4784              |                                   |                                   |                                    |
|------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------------------------------|
|                  | Online Advertising & Media        |                                   |                                   |                                    |
|                  | Q2 FYE 12/2015<br>(3 mths to Jun) | Q2 FYE 12/2016<br>(3 mths to Jun) | Q2 FYE 12/2016<br>(6 mths to Jun) | FYE 12/2016<br>Forecast (Progress) |
| Net Sales        | 6,225                             | 7,091                             | 14,954                            | 31,000<br>(+48.2%)                 |
| Operating Profit | 42                                | 83                                | 248                               | 745<br>(+33.4%)                    |
| Ordinary Profit  | 68                                | 83                                | 261                               | 780<br>(+33.5%)                    |
| Net Profit       | ▲42                               | 15                                | 91                                | 330<br>(+27.7%)                    |

\*Compiled from each companies' quarterly P/L statements



# GMO PEPABO inc.

(JPY millions)

| Stock Code       | JASDAQ Standard 3633   |                                   |                                   |                                    |
|------------------|--|-----------------------------------|-----------------------------------|------------------------------------|
|                  | Internet Infrastructure (Domain, Hosting & Cloud, Ecommerce Solutions) |                                   |                                   |                                    |
|                  | Q2 FYE 12/2015<br>(3 mths to Jun)                                      | Q2 FYE 12/2016<br>(3 mths to Jun) | Q2 FYE 12/2016<br>(6 mths to Jun) | FYE 12/2016<br>Forecast (Progress) |
| Net Sales        | 1,379  | 1,773                             | 3,424                             | 6,850<br>(+50.0%)                  |
| Operating Profit | ▲63  | 55                                | ▲119                              | 0<br>(-)                           |
| Ordinary Profit  | ▲50  | 55                                | ▲101                              | 0<br>(-)                           |
| Net Profit       | ▲99  | 49                                | ▲54                               | 0<br>(-)                           |

\*Compiled from each companies' quarterly P/L statements



# GMO RESEARCH

(JPY millions)

| Stock Code       | TSE MOTHERS 3695                  |                                   |                                   |                                    |
|------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------------------------------|
|                  | Online Advertising & Media        |                                   |                                   |                                    |
|                  | Q2 FYE 12/2015<br>(3 mths to Jun) | Q2 FYE 12/2016<br>(3 mths to Jun) | Q2 FYE 12/2016<br>(6 mths to Jun) | FYE 12/2016<br>Forecast (Progress) |
| Net Sales        | 609                               | 734                               | 1,546                             | 3,156<br>(+49.0%)                  |
| Operating Profit | ▲7                                | 47                                | 135                               | 220<br>(+61.5%)                    |
| Ordinary Profit  | ▲6                                | 29                                | 108                               | 206<br>(+52.5%)                    |
| Net Profit       | ▲8                                | 13                                | 61                                | 124<br>(+49.2%)                    |

\*Compiled from each companies' quarterly P/L statements



# GMO TECH

(JPY millions)

| Stock Code       | TSE MOTHERS 6026                  |                                   |                                   |                                    |
|------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------------------------------|
|                  | Online Advertising & Media        |                                   |                                   |                                    |
|                  | Q2 FYE 12/2015<br>(3 mths to Jun) | Q2 FYE 12/2016<br>(3 mths to Jun) | Q2 FYE 12/2016<br>(6 mths to Jun) | FYE 12/2016<br>Forecast (Progress) |
| Net Sales        | 777                               | 640                               | 1,495                             | 2,600<br>(+57.5%)                  |
| Operating Profit | 92                                | ▲33                               | ▲38                               | ▲60<br>(-)                         |
| Ordinary Profit  | 92                                | ▲36                               | ▲41                               | ▲60<br>(-)                         |
| Net Profit       | 56                                | ▲37                               | ▲47                               | ▲64<br>(-)                         |

\*Compiled from each companies' quarterly P/L statements



# GMO MEDIA

(JPY millions)

| Stock Code       | TSE MOTHERS 6180                  |                                   |                                   |                                       |
|------------------|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------------|
|                  | Online Advertising & Media        |                                   |                                   |                                       |
|                  | Q2 FYE 12/2015<br>(3 mths to Jun) | Q2 FYE 12/2016<br>(3 mths to Jun) | Q2 FYE 12/2016<br>(6 mths to Jun) | Q2 FYE 12/2016<br>Forecast (Progress) |
| Net Sales        | —                                 | 1,274                             | 2,668                             | 4,151<br>(+64.3%)                     |
| Operating Profit | —                                 | 95                                | 296                               | 435<br>(+68.1%)                       |
| Ordinary Profit  | —                                 | 94                                | 295                               | 431<br>(+68.6%)                       |
| Net Profit       | —                                 | 60                                | 193                               | 254<br>(+76.0%)                       |

\*Compiled from each companies' quarterly P/L statements

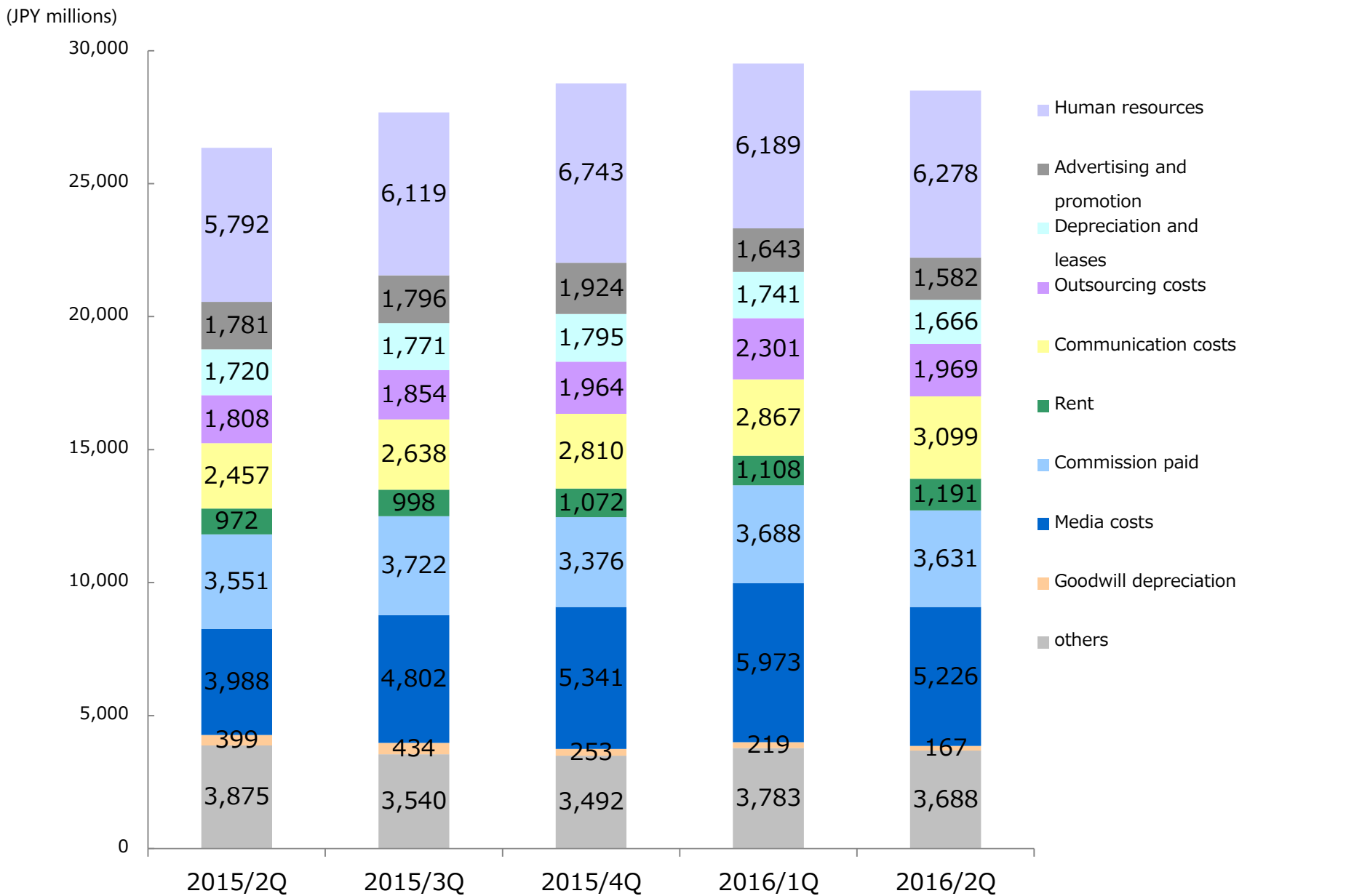


## Revenue Breakdown by Segment

(JPY millions)

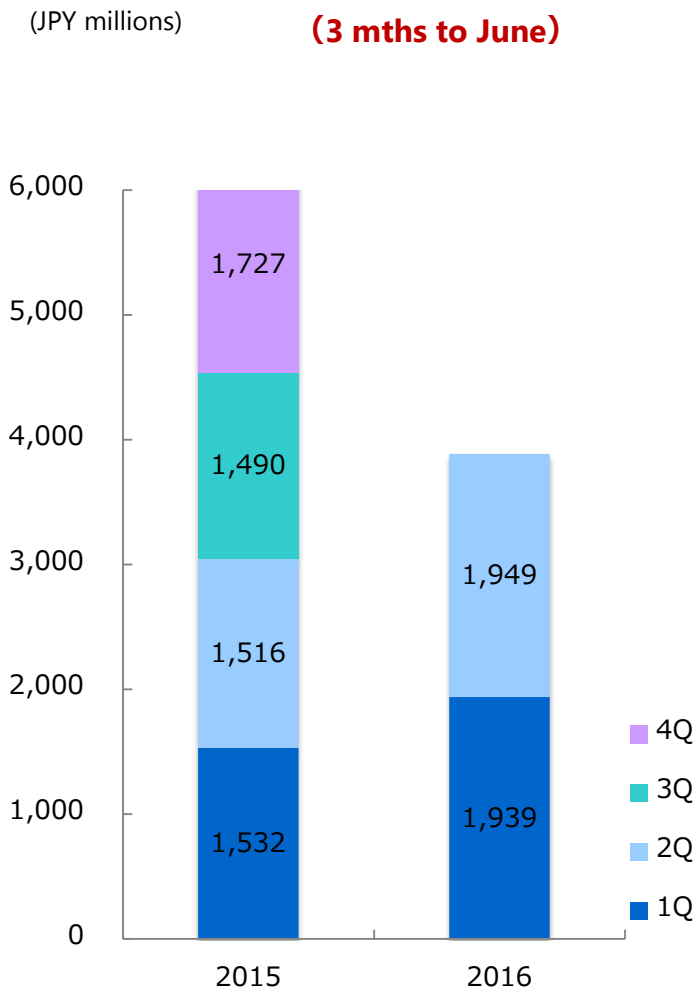
|                                  | Q2 2015 | Q3 2015 | Q4 2015 | Q1 2016 | Q2 2016 |
|----------------------------------|---------|---------|---------|---------|---------|
| ◆Internet Infrastructure         |         |         |         |         |         |
| Internet provider                | 2,584   | 2,751   | 2,941   | 3,057   | 3,272   |
| Domain                           | 1,516   | 1,490   | 1,727   | 1,939   | 1,949   |
| Cloud & hosting                  | 3,436   | 3,465   | 3,539   | 3,430   | 3,445   |
| Ecommerce solutions              | 1,442   | 1,635   | 1,887   | 1,883   | 1,973   |
| Security                         | 1,137   | 1,031   | 1,174   | 1,140   | 1,127   |
| Payment                          | 2,174   | 2,521   | 2,649   | 2,908   | 2,983   |
| Other                            | 1,039   | 1,246   | 979     | 962     | 1,131   |
| Segment total                    | 13,330  | 14,141  | 14,899  | 15,323  | 15,882  |
| ◆Online Advertising & Media      |         |         |         |         |         |
| Internet media                   | 3,300   | 3,263   | 3,427   | 3,883   | 3,540   |
| Online advertising               | 5,246   | 5,587   | 6,237   | 6,865   | 6,112   |
| Internet research, other         | 529     | 705     | 669     | 754     | 711     |
| Segment total                    | 9,076   | 9,556   | 10,333  | 11,504  | 10,363  |
| ◆Internet Securities             |         |         |         |         |         |
| Internet Securities              | 7,838   | 7,681   | 6,762   | 6,734   | 7,808   |
| Segment total                    | 7,838   | 7,681   | 6,762   | 6,734   | 7,808   |
| ◆Mobile Entertainment            |         |         |         |         |         |
| Mobile Entertainment             | 1,056   | 981     | 780     | 690     | 572     |
| Segment total                    | 1,056   | 981     | 780     | 690     | 572     |
| ◆Incubation                      |         |         |         |         |         |
| Incubation                       | 672     | 8       | 12      | 5       | 27      |
| Segment total                    | 672     | 8       | 12      | 5       | 27      |
| ◆Other Businesses                |         |         |         |         |         |
| Other Businesses                 | 2       | 2       | 1       | 39      | 44      |
| Segment total                    | 2       | 2       | 1       | 39      | 44      |
| Internal Transactions Adjustment | (989)   | (1,109) | (1,288) | (1,122) | (1,165) |
| Consolidated Net Sales           | 30,988  | 31,263  | 31,502  | 33,173  | 33,533  |



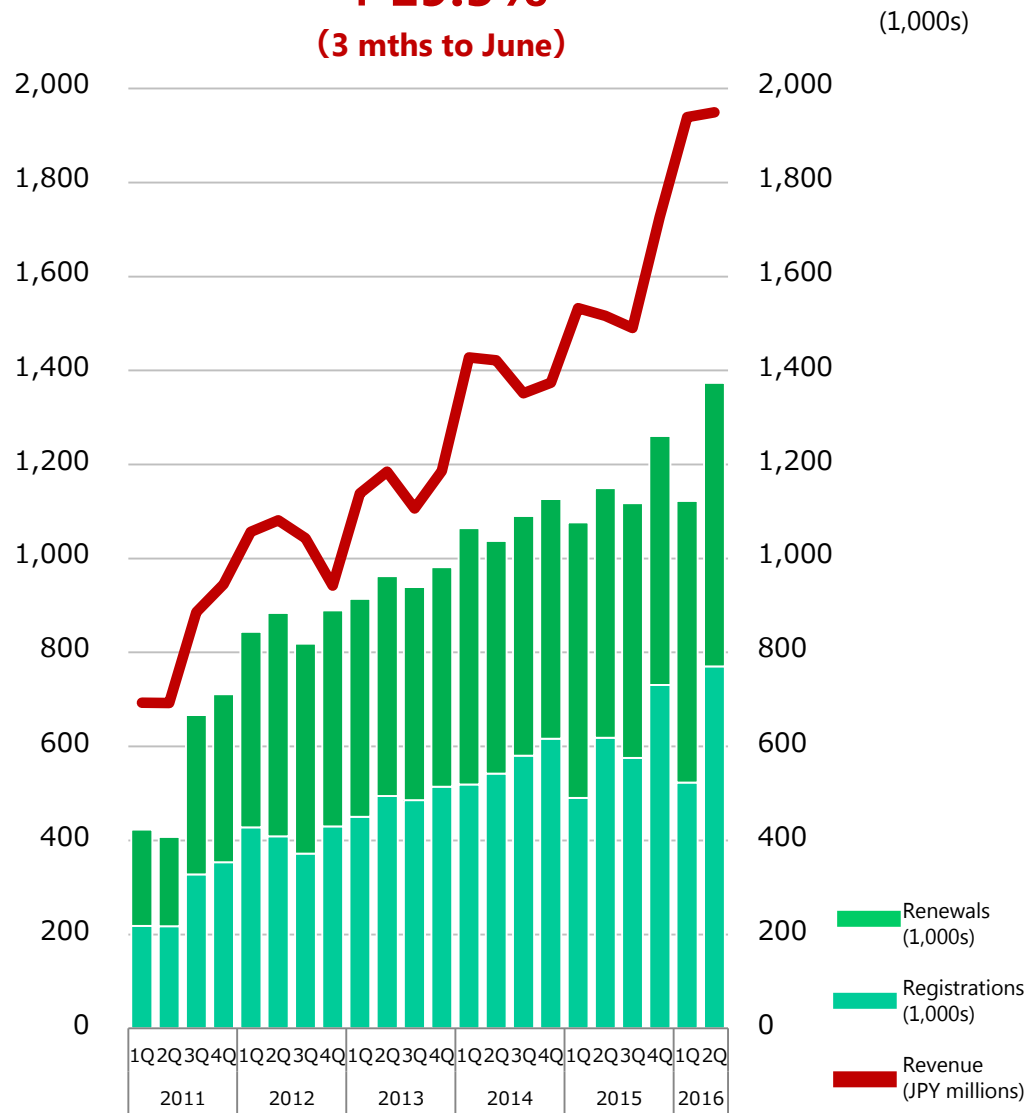




Revenue  
**+ 28.6%**  
(3 mths to June)



Registrations  
**+ 19.5%**  
(3 mths to June)



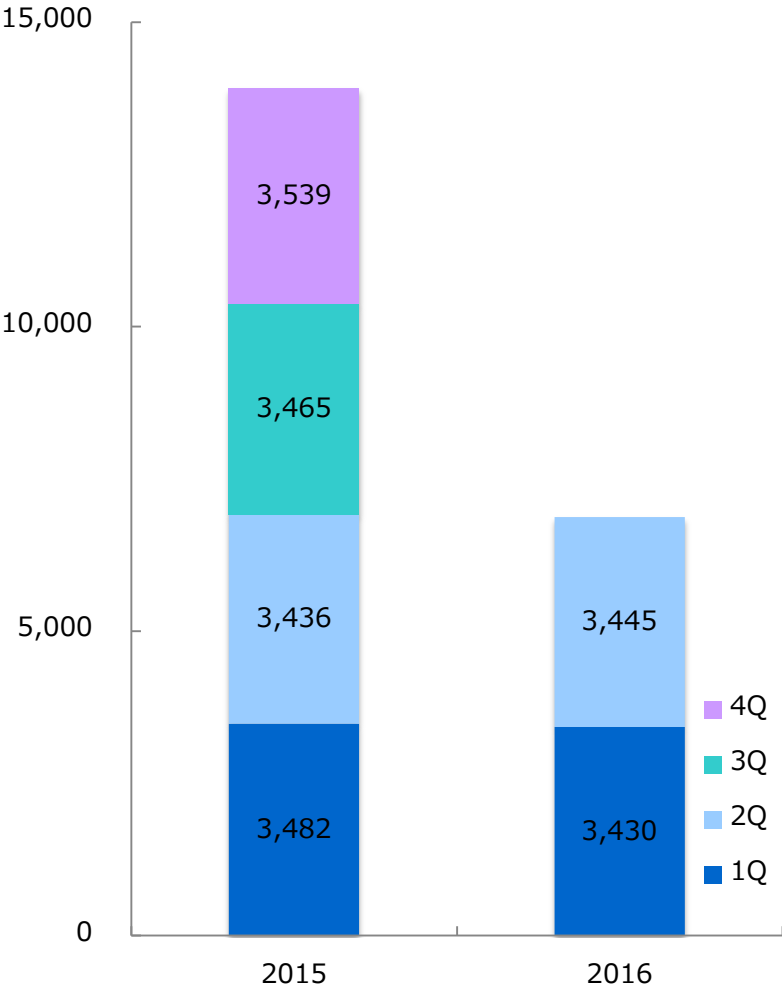


Revenue

+0.3%

(3 mths to June)

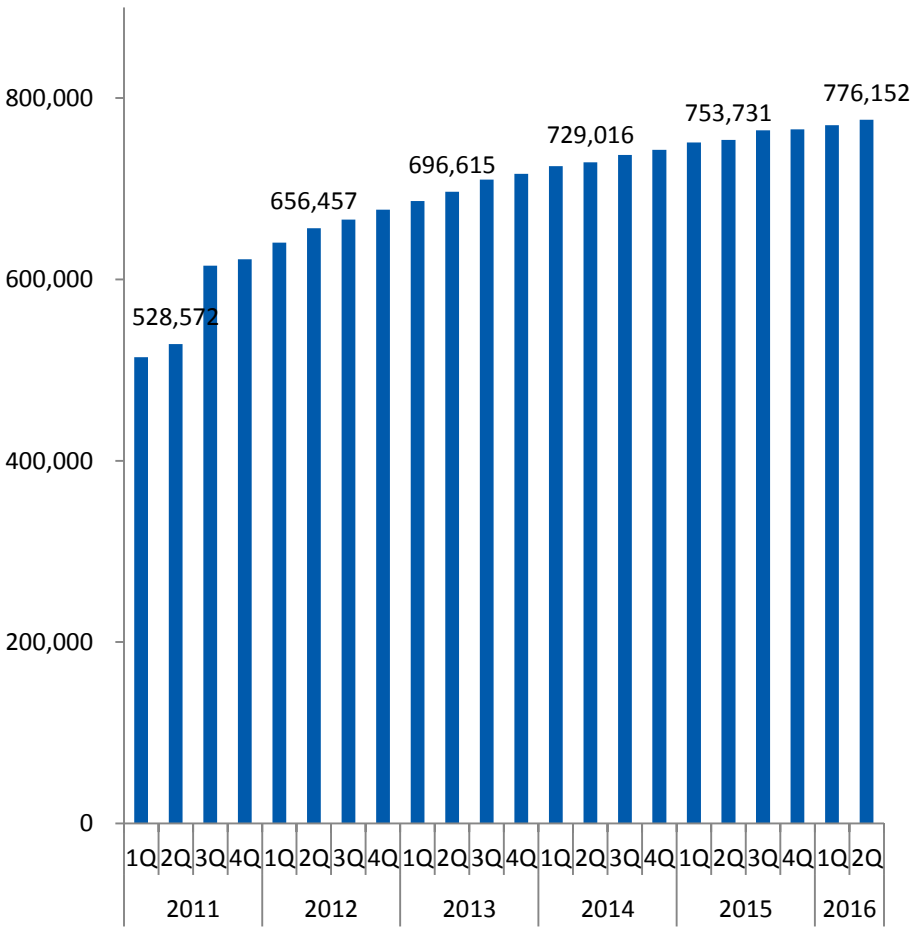
(JPY millions)



Contracts

+3.0%

(3 mths to June)



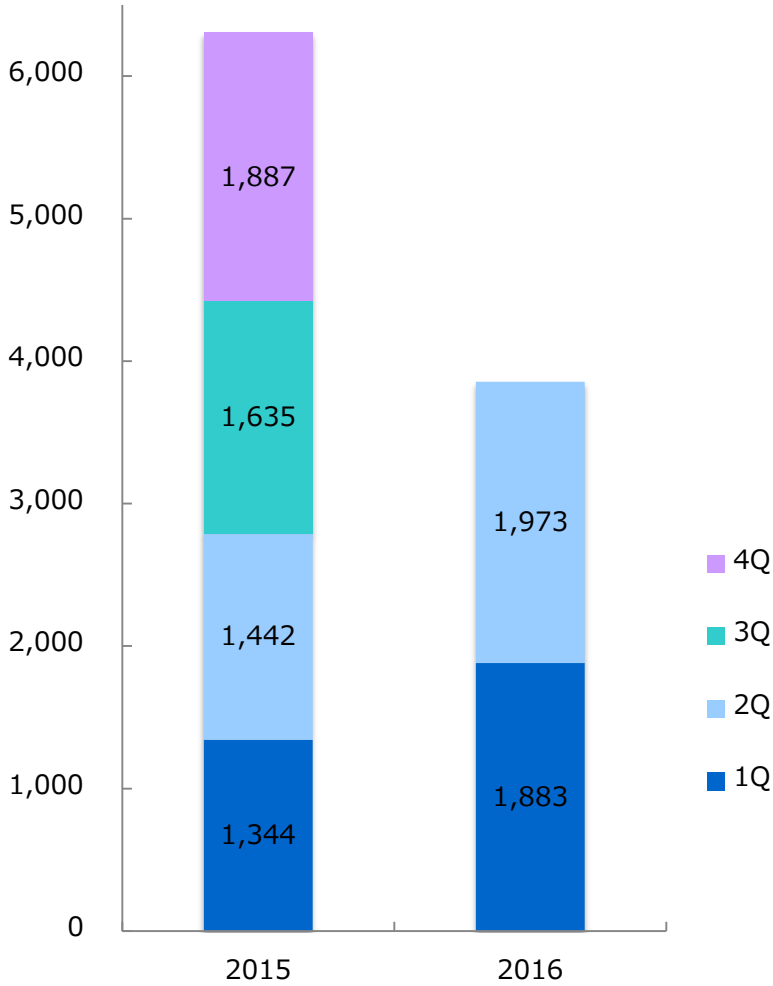


Revenue

+ 36.9%

(3 mths to June)

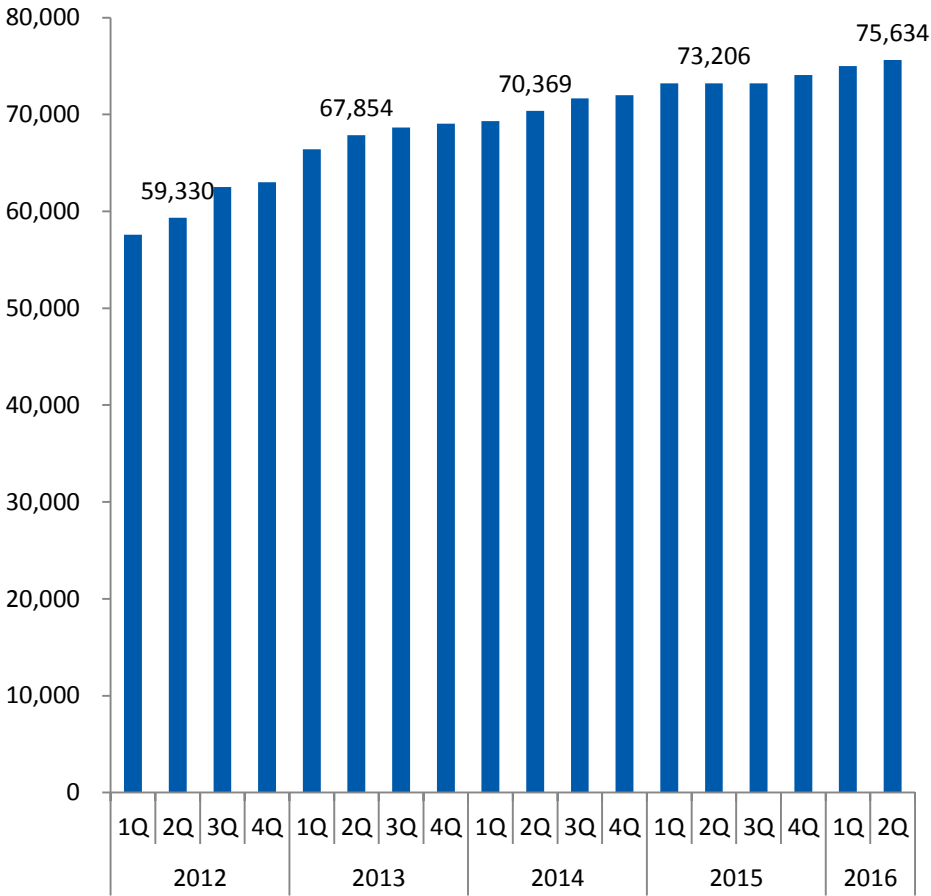
(JPY millions)





Contracts

+ 3.3%

(3 mths to June)





|  |  |  | Total    |
|--|---|--|----------|
| <b>Stores</b><br>(Paid)                  | 59,000  | 16,000   | 75,000   |
| <b>Transaction Volume</b><br>(Quarterly) | JPY28.1B  | JPY37.2B   | JPY65.4B |

(As of June 2016)



|                         | minne                          | tetote   | Creema                          | iichi                       |
|-------------------------|--------------------------------|--|---------------------------------|-----------------------------|
| Sellers                 | 250,000                        | 40,000   | 60,000                          | 20,000                      |
| Products                | 3.27M                          | 1,06M  | 2.68M                           | 430,000                     |
| DL                      | 6.02M                          | —  | 2.1M<br>(forecast as of 2/2016) | 40,000 DL<br>(as of 2/2016) |
| Operator                | GMO Pepabo                     | GMO Pepabo OC                                    | Creema                          | Pinkoi Japan                |
| Item Limit              | none                           | none   | none                            | 500                         |
| Monthly Fee             | free                           | free   | free                            | free                        |
| Commission<br>(ex. Tax) | 10%                            | 12%  | 8%-14%                          | 20%                         |
| Buyer Costs             | none                           | Processing fee for<br>payments under<br>JPY1,500 | none                            | none                        |
| Launched                | 1/2012                         | 6/2011   | 6/2010                          | 7/2011                      |
| App                     | iOS 10/2012<br>Android 11/2013 | —  | iOS 11/2014<br>Android 1/2015   | iOS 5/2015                  |

\*Compiled by GMO Pepabo (as of 6/2016)

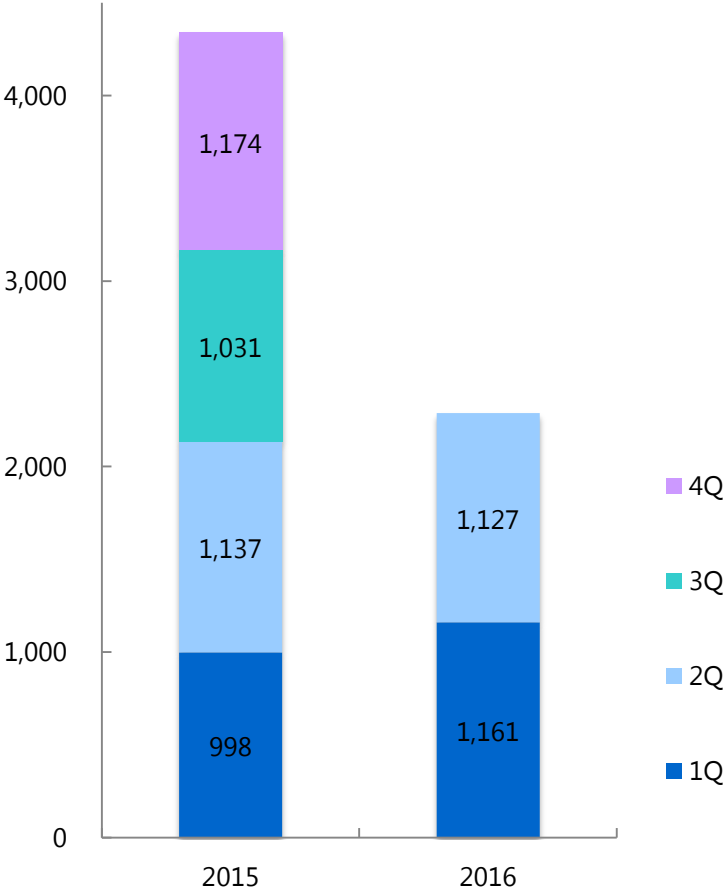


Revenue

-0.9%

(3 mths to June)

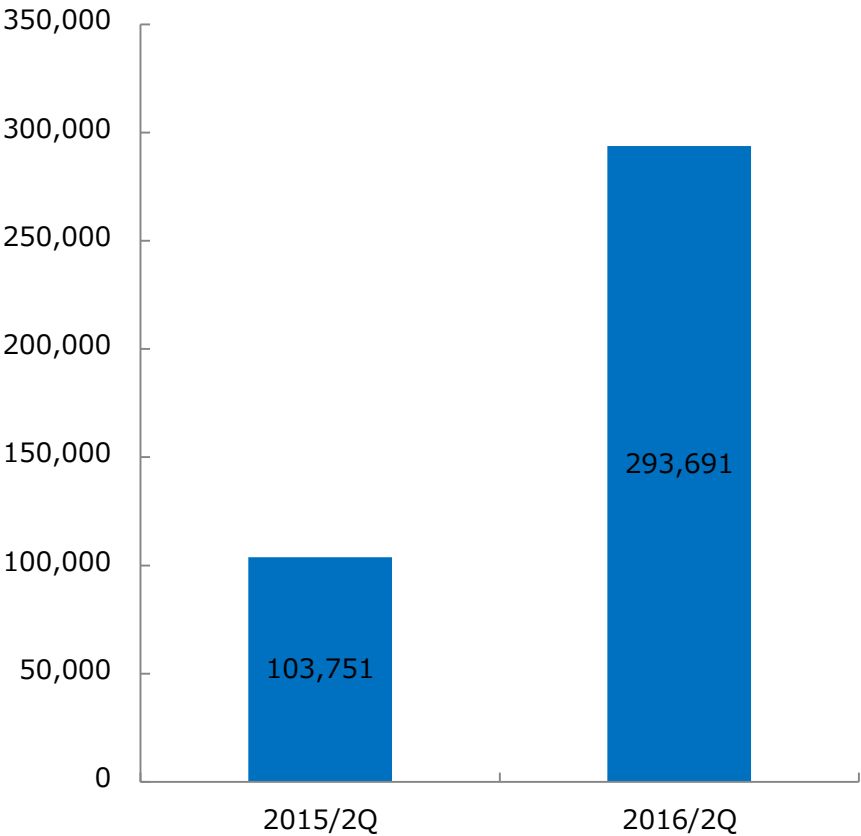
(JPY millions)



Certificates Issued

+183.1%

(3 mths to June)

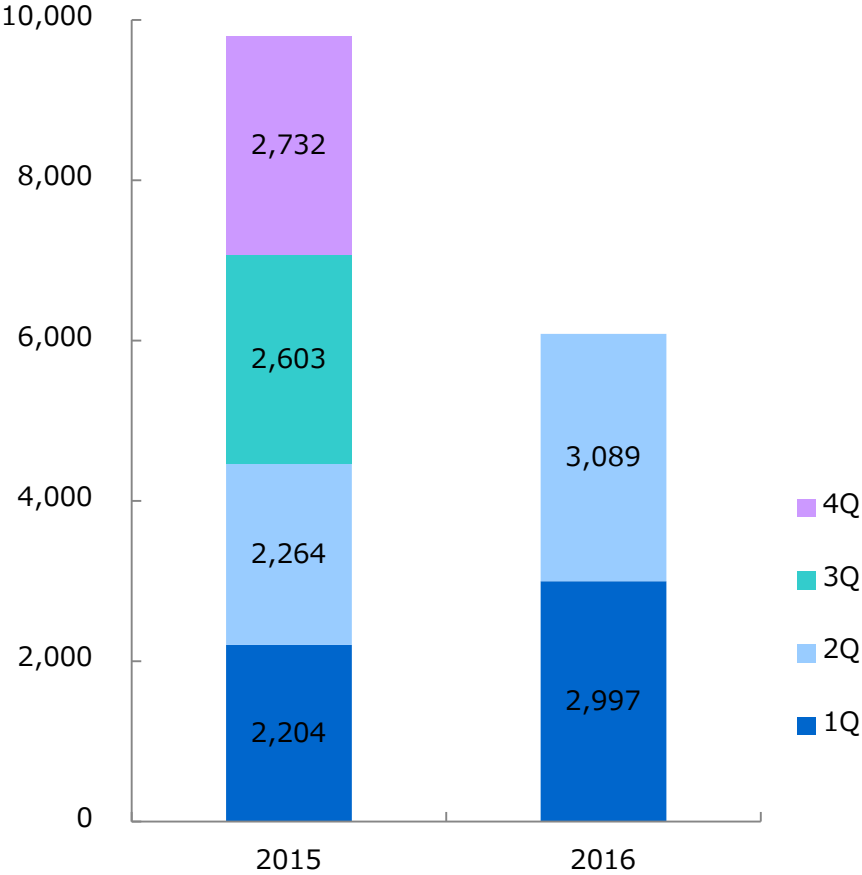




Revenue

+ 36.4%  
(3 mths to June)

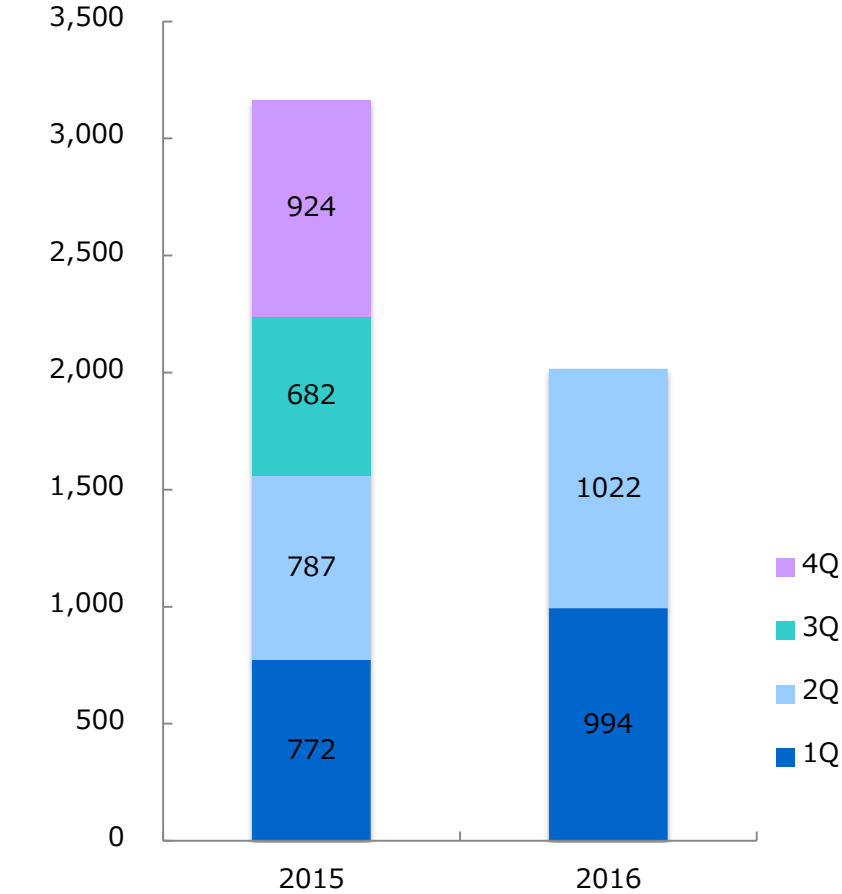
(JPY millions)



Ordinary Profit

+ 29.8%  
(3 mths to June)

(JPY millions)

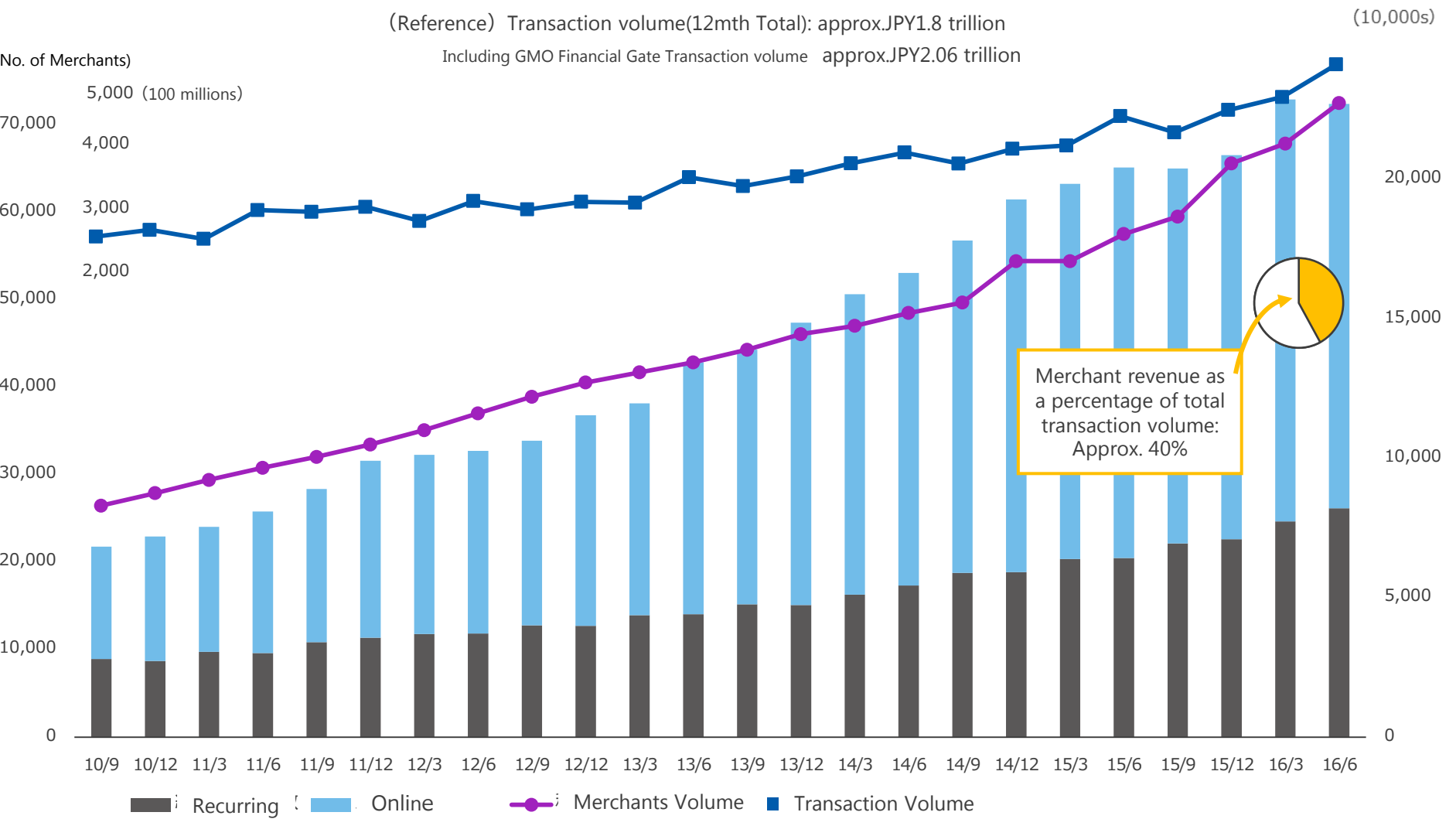


\*Based on GMO Payment Gateway, Inc. data



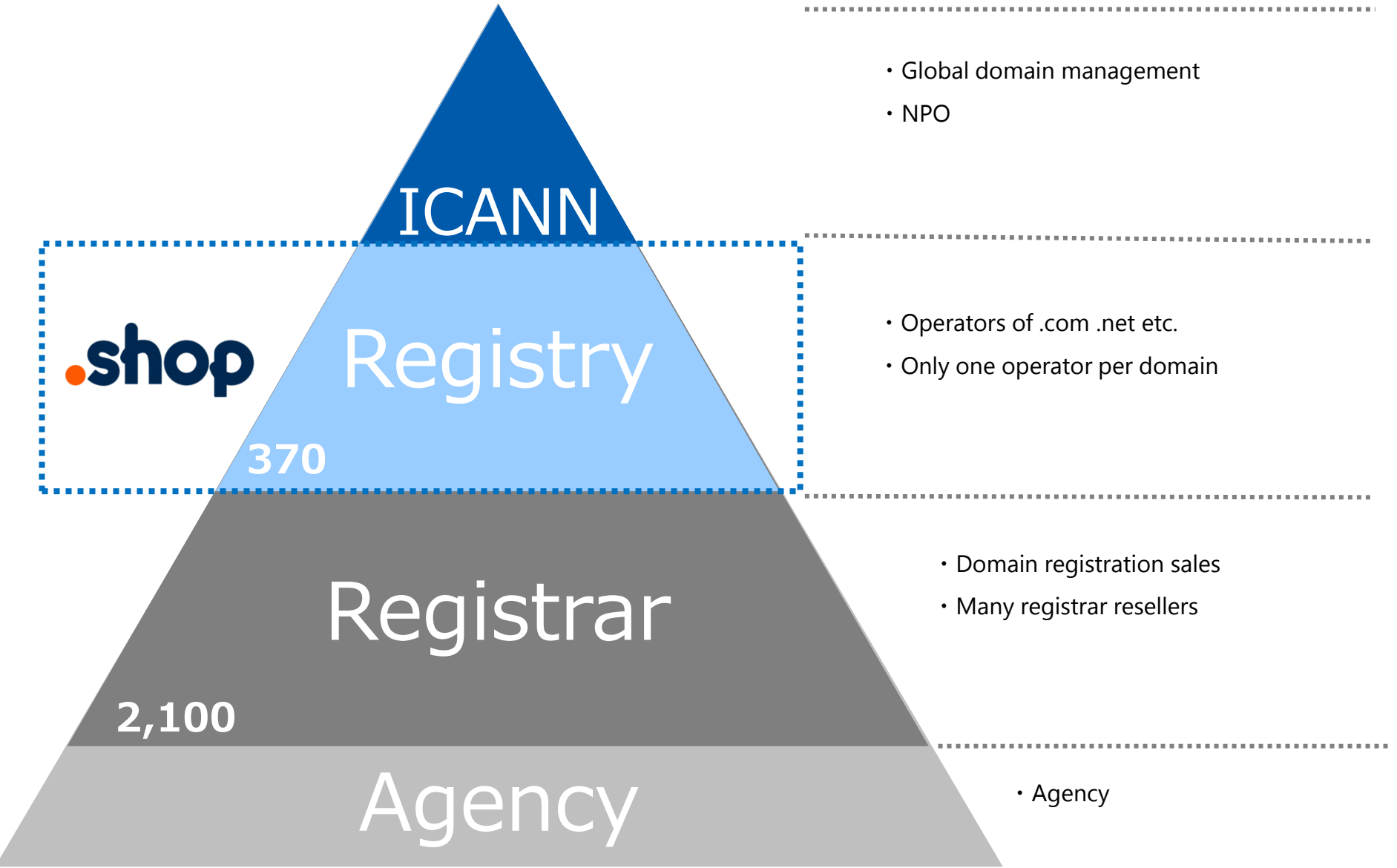
Transaction volume exceeds JPY2 trillion

Merchants : 72,569, Transaction volume: approx. JPY 540billion No. of Transactions: 227 million



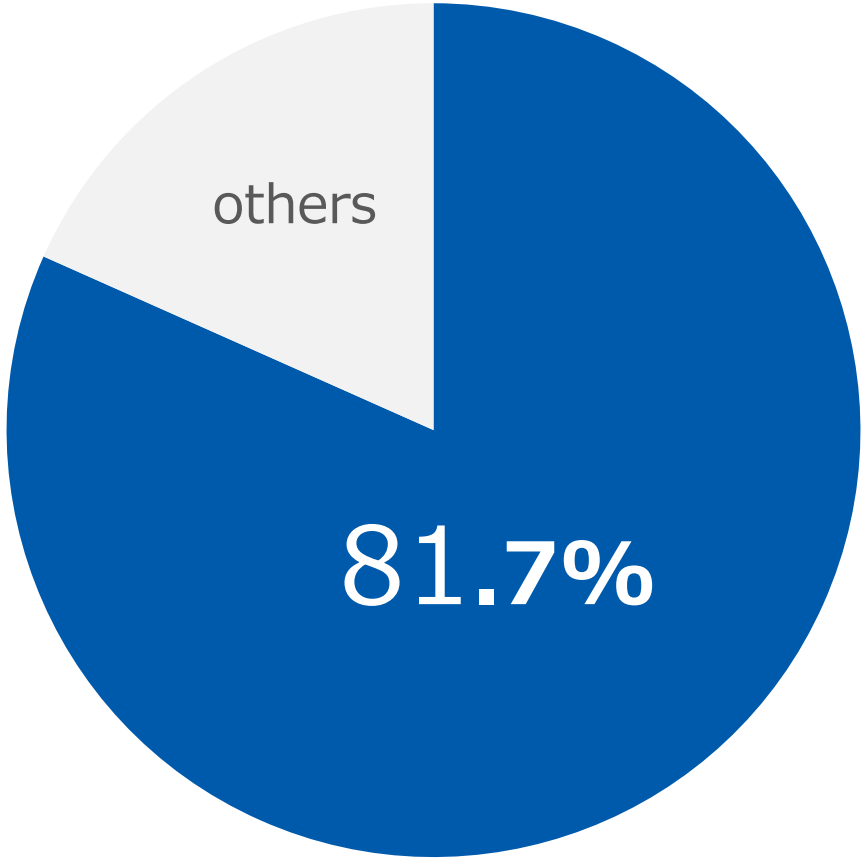
\*\*"Merchants" is number of merchants at the end of the quarter. "Online" and "Recurring" show quarterly results. Based on GMO-PG data.







# Japan gTLD Operation and Management Market Share



Japan  
**No1**

**81.7%**


GMO REGISTRY  
+  
GMO Brights Consulting


- .shop
  - .nagoya
  - .canon
- .tokyo
  - .yokohama
  - .hitachi





# Global top 10 registrars


- 1


- 2


- 3


- 4


- 5



- 6


- 7


- 8


- 9

HICHINA ZHICHENG  
TECHNOLOGY LTD
- 10



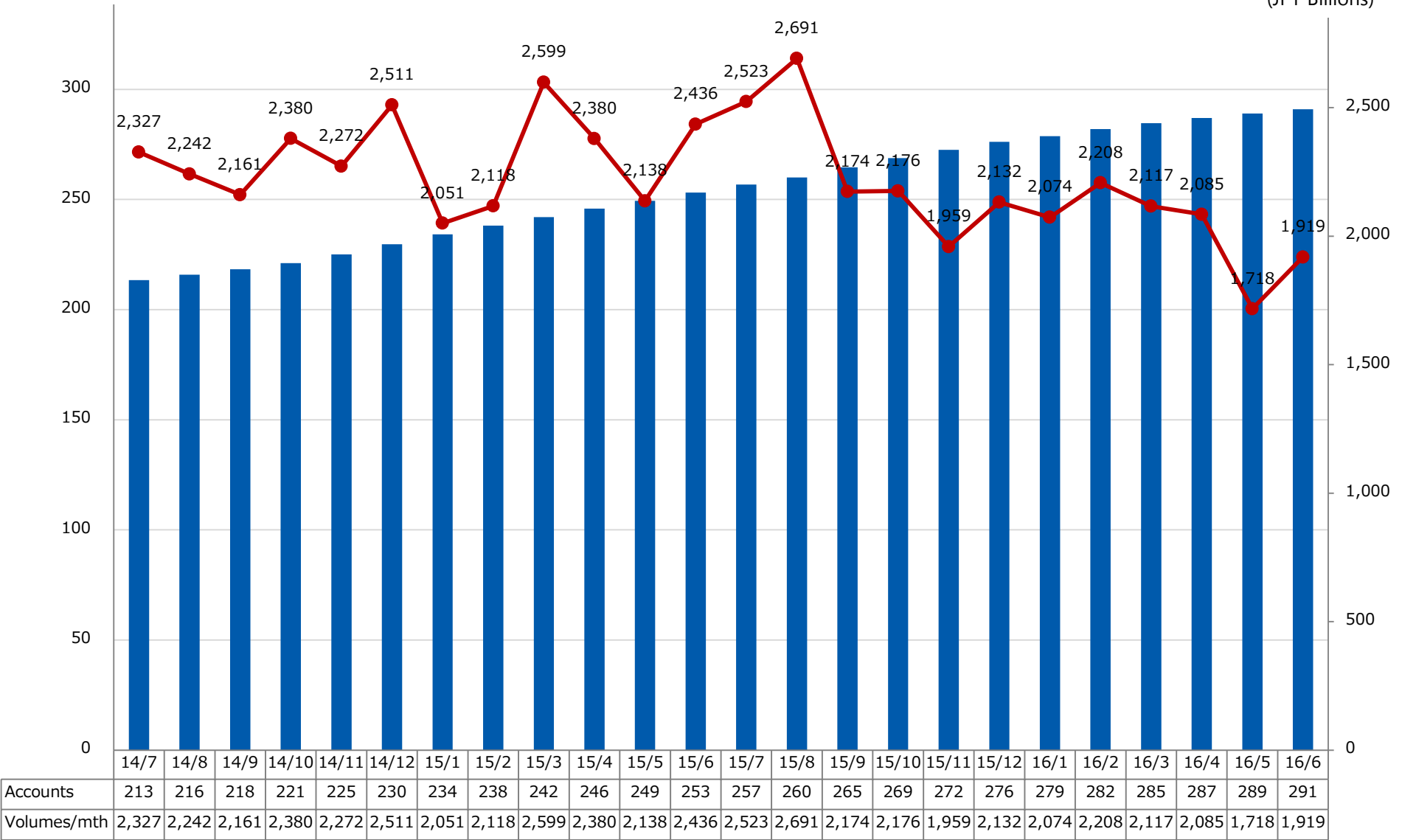
Source: <http://webhosting.info/domain-names/registrars> (as of 5/24)



Securities –Accounts & Trading Volume (GMO CLICK Securities)

No. of Accounts  
(1,000s)

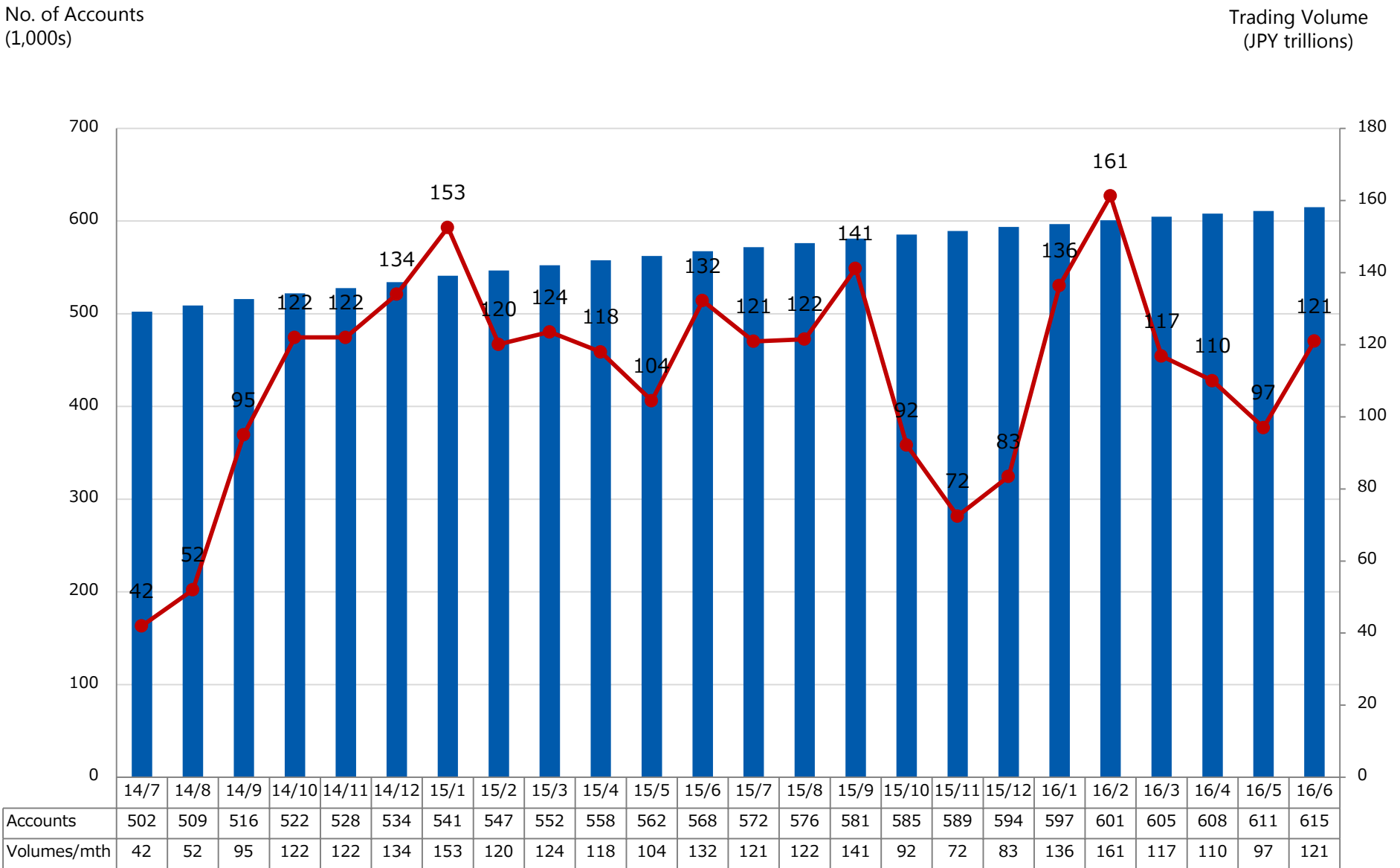
Trading Volume  
(JPY Billions)



\*Compiled based on GMO CLICK HD Data

Accounts (CLICK)      Volume (CLICK)

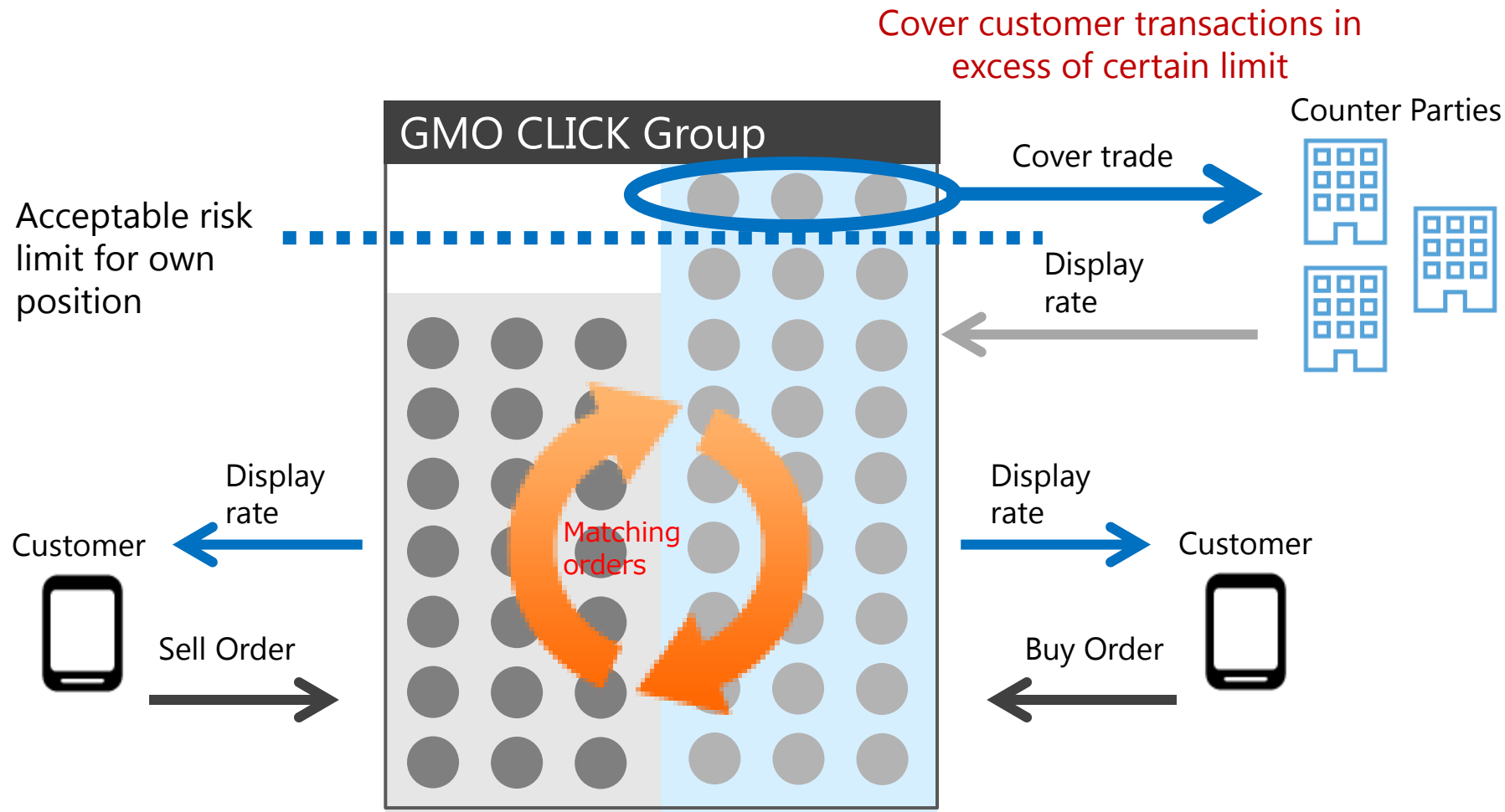




\*Compiled based on GMO CLICK HD Data

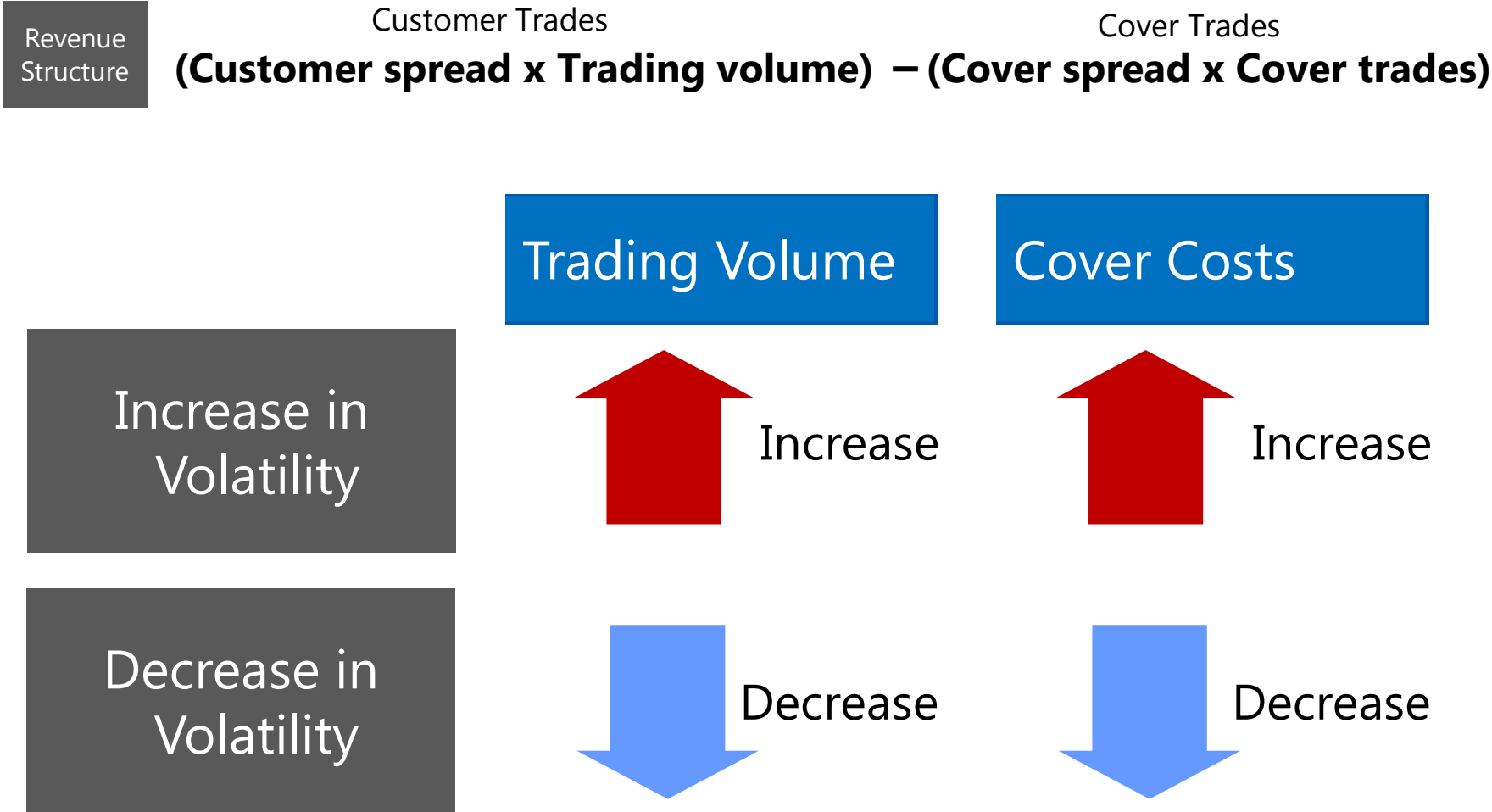


Risk Minimization. Cover transactions executed with counter parties as soon as customer orders exceed acceptable risk position



\*from GMO CLICK HD FYE3/2016 Financial Results Presentation





(Concept diagram)  
\*from GMO CLICK HD FYE3/2017 Financial Results Presentation



# Domain Terminology (1)

## 1. Domains

|                    |   |
|--------------------|---|
| Domain/Domain Name | A domain name is a string of letters that identifies a computer on the Internet in accordance with a set of rules. Although it is often referred to as an Internet "address", in fact only an IP address can enable access to a computer on the Internet. More accurately speaking a domain is a string of letters that enables addresses on the Internet to be easily located. Each domain name is associated with an IP address and this relationship is managed on the name server (DNS server). |
| Top Level Domain   | Domain names have a hierarchical structure. For example in the domain www.gmo-registry.com ".com" on the far right is the top-level domain, to the left of top level domain separated by a dot is the second level domain (SLD) next to that is the third level domain (3LD) Top level domains are managed by a registry, second level domains are managed by a registrar under contract with the registry.   |

## 2. Domain Structure

|             |   |
|-------------|---|
| IP Address  | An IP address is a numerical identification assigned to computers on the Internet in accordance with Internet Protocol. Eg. 123.456.12.3 All computers connected to the Internet have an IP address.  |
| DNS         | Domain Name System The network that handles domain names and IP addresses. When a user accesses a web site, their local name server queries DNS servers to determine the IP address of the domain name. DNS returns the IP address allowing the user to view the web server at that address.  |
| DNS Server  | A server that supports the operation of DNS, also known as a name server. DNS servers are used to translate a hostname or domain name to its corresponding IP address.  |
| Root Server | The root server is a DNS server that operates the DNS root zone at the top level of the DNS hierarchy. When a new domain is registered or a domain name server is changed it is first recognized as valid by the root server. There are currently 13 root server networks worldwide, including Japan, that balance server load and reduce risk. |

## 3. Types of Domains

|                |  |
|----------------|--|
| ccTLD          | Country code Top Level Domain Eg. .jp (Japan), .us (US), .uk (UK) Top level domains based on two letter ISO 3166-1 country codes. There are approximately 250 ccTLDs used to identify countries including .jp (Japan), .us (US) .cn (China), .uk (UK) and .be (Belgium). |
| gTLD           | generic Top Level Domain Eg. .com, .net, .org etc. Before the establishment of ICANN there were 8 gTLDs, today there are over 1,000.   |
| Premium Domain | Short, memorable, generic terms that have high value as marketing and branding tools and are traded around the world at premium prices.  |



## Domain Terminology (2)

### 4. Domain Industry Structure

|           |  |
|-----------|--|
| ICANN     | Internet Corporation for Assigned Names and Numbers is a US based not for profit organization responsible for managing the assignment of domain names and IP addresses. ICANN also holds the authority to designate official domain registrars. ICANN holds international conferences three times a year, in between it also hosts workshops and other events. |
| Registry  | An organization that maintains a central database of domain names data for a particular domain. Different domains are managed by different registries. Registries are required to maintain neutrality and guarantee equal access to the Shared Registry System (SRS) for all registrars. GMO Registry is the registry for .shop, .tokyo and other domains.     |
| Registrar | ICANN accredited registrars can directly register domain data into registry databases under contract with the relevant registry. While there is only one registry for each top-level domain, multiple registrars exist to promote competitive pricing and service. Onamae.com is one of 18 ICANN accredited registrars in Japan.                               |

### 5. New Domains

|           |  |
|-----------|--|
| New gTLD  | The new gTLD program was opened in 2012 to allow for the expansion of new Top Level Domains and to promote diversity and competition in the domain industry. Some of the TLDs introduced as a result of the new gTLD program include GeoTLDs .tokyo, .yokohama, brand TLDs such as .canon, .hitachi and generic TLDs such as .shop and .eco. |
| Brand TLD | A type of new gTLD. A brand name or corporate name TLD in which all the registrations belong to the brand. The TLD is closed to the general public. It is a branding tool that also promotes consumer trust.   |

### 6 TLD Launch Schedule

|                           |   |
|---------------------------|---|
| Sunrise Period            | An application period ahead of the official launch open exclusively to trademark holders.   |
| Early Access Period (EAP) | An advance registration phase open to all during which a one-time early access fee is charged at the time of registration. This fee reduces over the course of the EAP. |
| General Availability      | After the completion of the Sunrise period and any other launch periods (such as EAP), when registrations are open to all at the standard registration fee.             |

### 7. Other

|                          |   |
|--------------------------|---|
| Registration/Renewal Fee | Domain registration fee is charged at the time the domain name is created. Each year after, a renewal fee is charged. This fee varies between registrars and domains. |
|--------------------------|---|