

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

**GMO**INTERNET

STOCK CODE : 9449

**November 7, 2016**

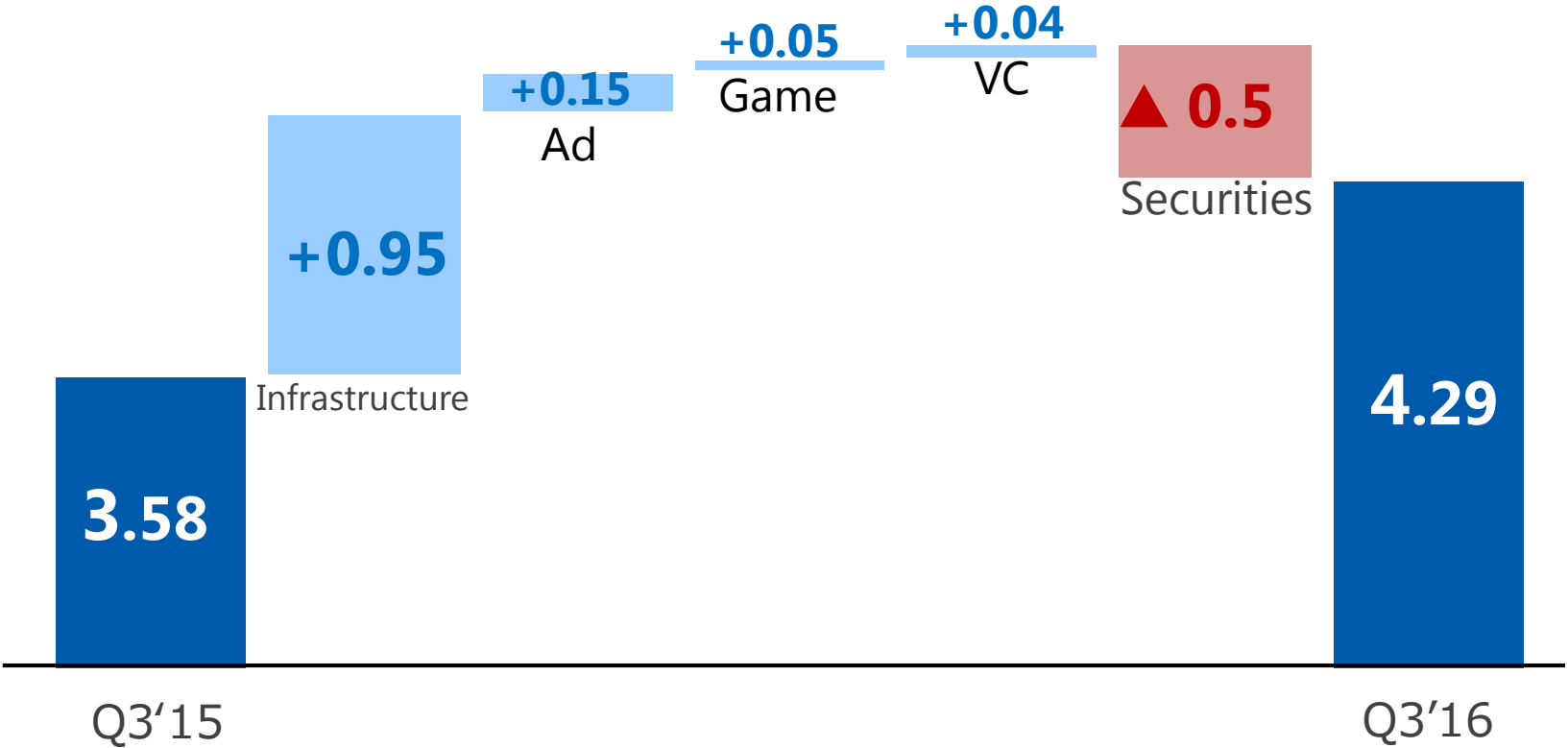
1. Overview
2. Third Quarter Financial Results
3. Segment Report
  - i) Group Overview
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  - iii) Internet Securities
  - iv) Online Advertising & Media
  - v) Mobile Entertainment
4. Group Strategy
5. Shareholder Returns

Overall Performance

Net sales JPY**33.1B**(Up **6.1%** YoY), OP JPY**4.29B**(up **19.7%** YoY)

Infrastructure is growing,Securities is faring well in its respective market

(JPY billions)



Segment Report

Internet Infrastructure

Net sales JPY**16.5B** (up **16.9%** YoY)  
OP JPY **1.96B** (up **95.1%** YoY)  
Record high, Strong performance in .shop, SSL

Internet Securities

Net sales JPY**6.0B** (Down **21.4%** YoY)  
OP JPY **1.97B** (Down **20.3%** YoY)  
Maintain Q1 profit level despite lower trading volume

Online Ad & Media

Net sales JPY**11.1B** (up **16.5%** YoY)  
OP JPY **0.41B** (up **56.2%** YoY)  
Investment in FY15 contributed to improved profitability

Mobile Entertainment

Net sales JPY **0.4B** (Down **51.9%** YoY)  
OL JPY **70M** (reduction in loss)  
New titles underway for launch in FY2017

## 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

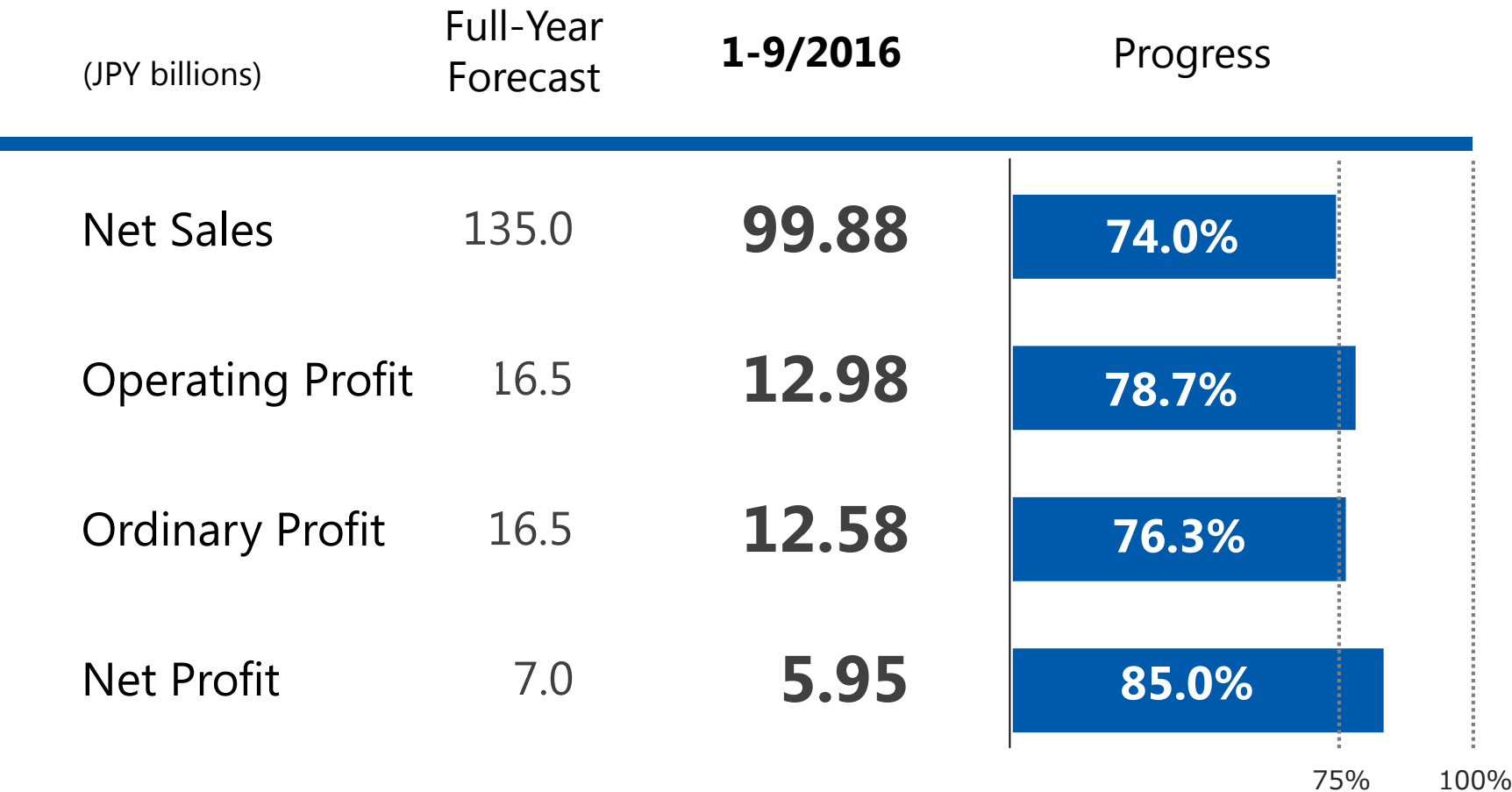
#### Introducing No. 1 Products

Leveraging expertise with aim to produce hit title.

(JPY billions)	1-9/2015	1-9/2016	YoY Change
Net Sales	94.83	99.88	+ 5.3%
Operating Profit	12.07	12.98	+ 7.5%
Ordinary Profit	11.95	12.58	+ 5.2%
Net Profit	8.55	5.95	-30.4%

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

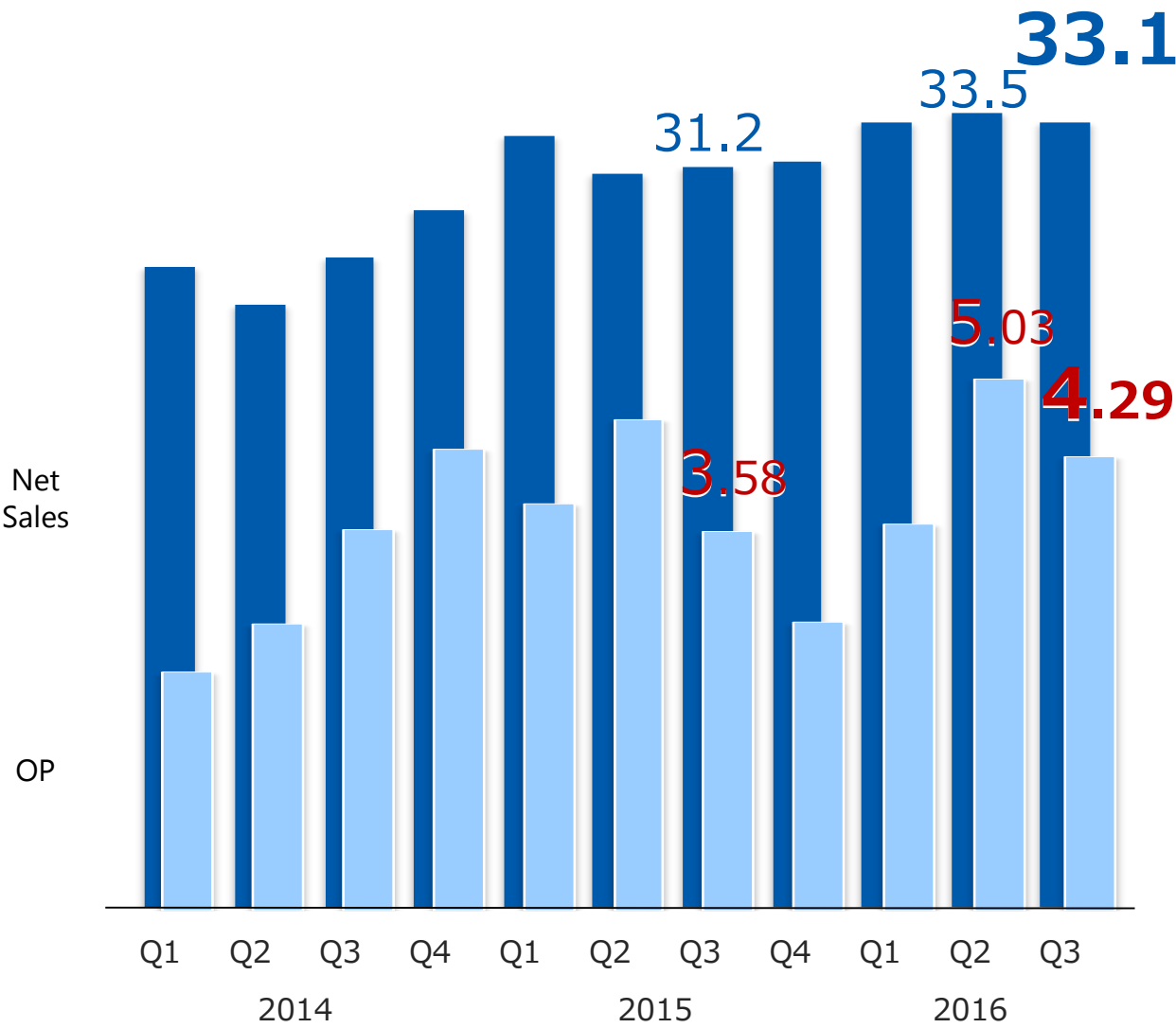
Good progress (over 75%) to achieve forecasts for the 7th consecutive FY16



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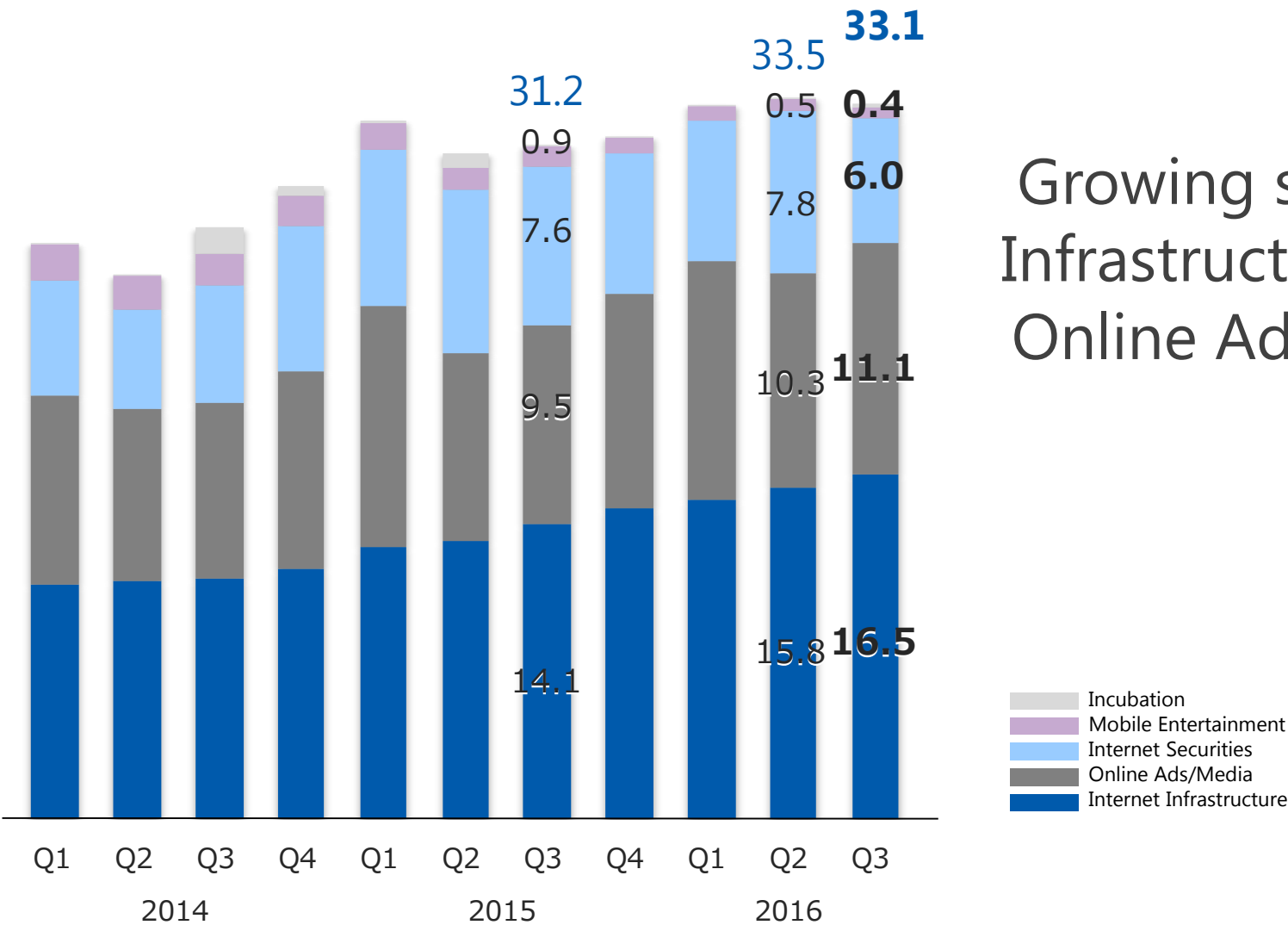


(JPY billions)



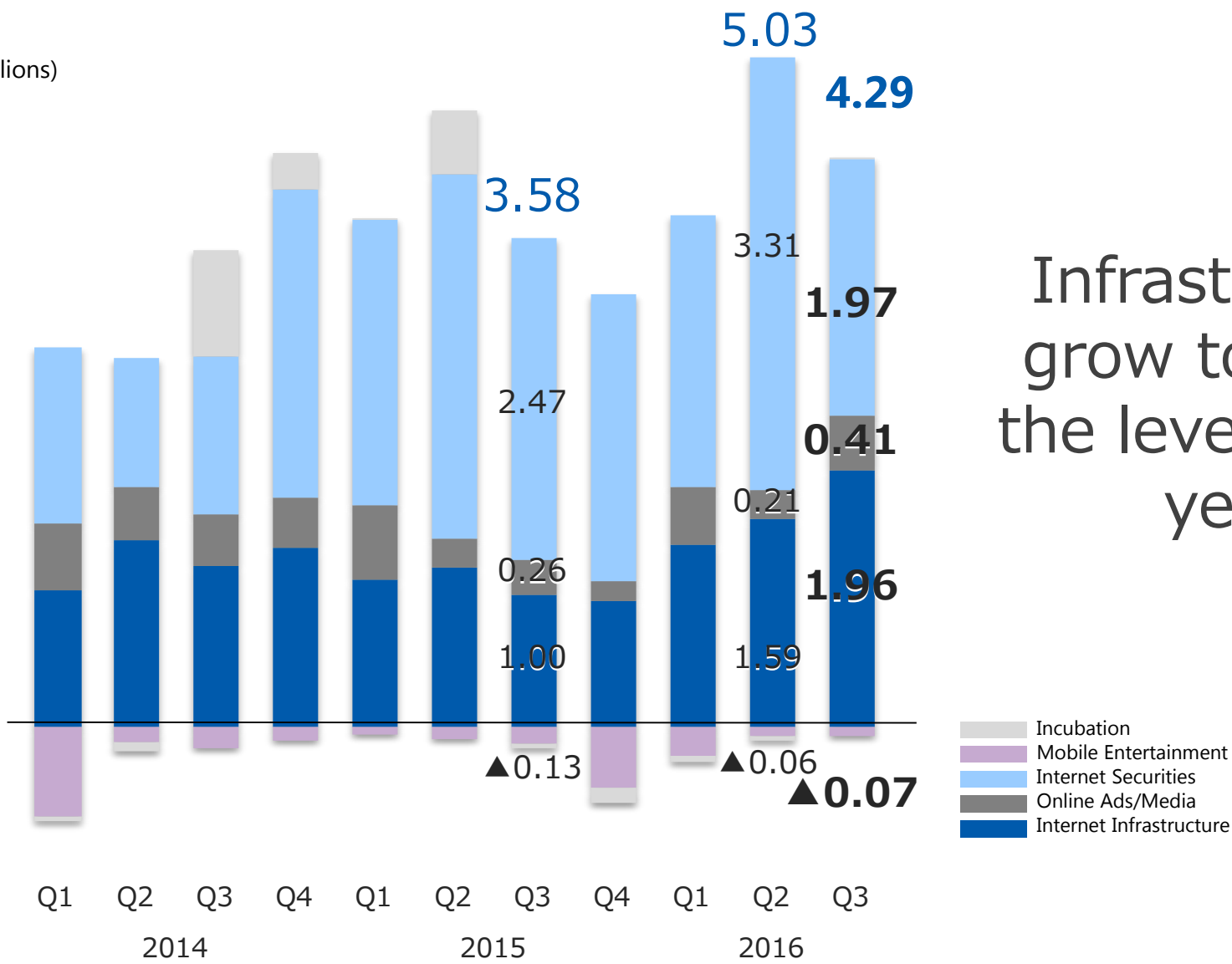
Revenue up  
**6.1%**  
Profit up  
**19.7%**  
YoY

(JPY billions)



Growing steadily  
Infrastructure and  
Online Ads·Media

(JPY billions)



Infrastructure grow to twice the level of last year

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

## Consolidated Profit and Loss

(JPY millions)	Q3'15 (1-9/2015)	Q3'16 (1-9/2016)	Change	supplementary information
Net Sales	94,835	99,884	5.3%	
Gross Profit on Sales	50,334	50,651	0.6%	
Operating Profit	12,075	12,981	7.5%	
(OP Margin)	12.7%	13.0%	+0.3pt	
Non Operating Profit and Loss	-119	-399	-	(FY2016) Currency exchange loss JPY <b>342M</b>
Ordinary Profit	11,955	12,581	5.2%	
Extraordinary Profit or loss	4,374	525	-88.0%	(FY2015) Gain on sale of CLICK HD shares JPY <b>4.78B</b>
Profit before Tax	16,330	13,107	-19.7%	
Profit attributable to Owners of the Parent	8,553	5,950	-30.4%	

## Consolidated Balance Sheet

(JPY millions)	End of 12/2015	End of 9/2016	Change	GMO CLICK HD (End of 9/2016)	Change
Current Assets	531,347	<b>521,657</b>	-1.8%	439,097	-1.8%
Cash & Deposits	75,979	<b>94,641</b>	24.6%	51,297	151.8%
Fixed Assets	23,278	<b>33,475</b>	43.8%	4,668	30.4%
Goodwill	2,224	<b>3,672</b>	65.1%	-	-
Software	4,657	<b>4,931</b>	5.9%	1,332	-8.6%
Investment Securities	4,329	<b>7,282</b>	68.2%	1,404	405.5%
Total Assets	554,626	<b>555,133</b>	0.1%	443,765	-1.6%
Liabilities	492,469	<b>491,154</b>	-0.3%	417,263	-2.3%
Interest-bearing debts	39,827	<b>85,386</b>	114.4%	72,660	93.4%
Net Assets	62,156	<b>63,979</b>	2.9%	26,502	11.6%
Non-controlling Minority Equity	22,465	<b>25,684</b>	14.3%	-	-
Shareholders' Equity	39,641	<b>38,220</b>	-3.6%	26,502	11.6%
Earned Surplus	30,189	<b>32,737</b>	8.4%	23,347	13.8%
(Shareholders' Equity Ratio)	7.1%	<b>6.9%</b>	-0.2pt	6.0%	+0.7pt
Liabilities/Net Assets Total	554,626	<b>555,133</b>	0.1%	443,765	-1.6%

# **Market Cap / Equity Share in Listed Group Companies**

Stock Code	Stock Name	Exchange	Market Cap <sup>*1</sup> (JPY 100millions)	% Ownership <sup>*2</sup>	Equity Share (JPY 100millions)
9449	GMO Internet	TSE 1	1,528		
3769	GMO Payment Gateway	TSE1	1,692	51.6%	873
7177	GMO CLICK Holdings	TSE JQS	881	82.0%	722
3788	GMO CLOUD	TSE1	119	51.0%	60
3633	GMO Pepabo	TSE JQS	92	63.1%	58
4784	GMO AD Partners	TSE JQS	85	54.8%	46
6180	GMO Media	TSE MOTHERS	57	65.5%	37
3695	GMO Research	TSE MOTHERS	28	54.0%	15
6026	GMO TECH	TSE MOTHERS	22	54.1%	11
Group Total			4,504 <sup>*3</sup>		1,822

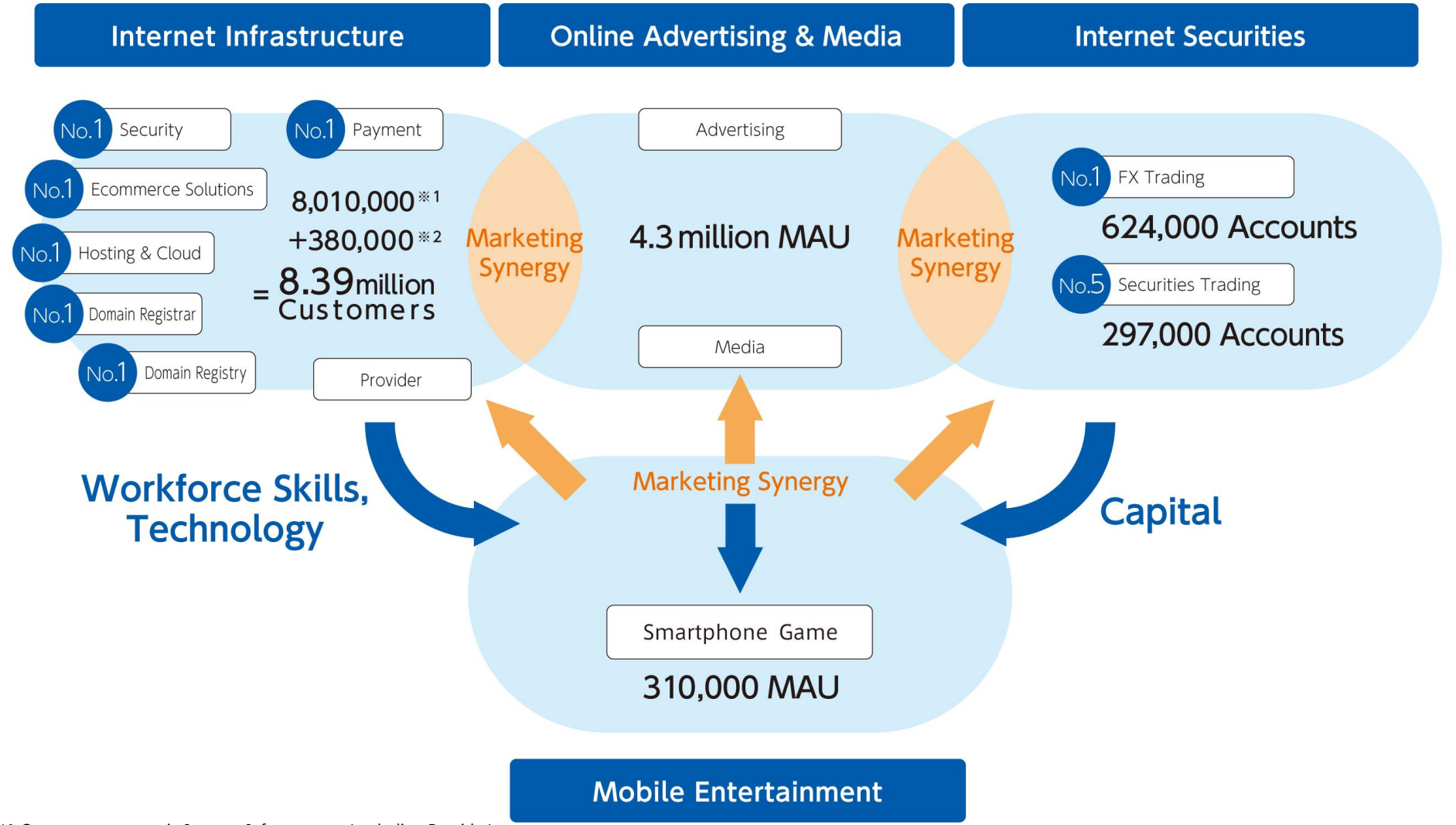
\*1 Market value as of 4/11/2016  
\*2 Includes indirect holdings  
\*3 Calculated as the sum of the listed market cap values

(JPY Billions)	Q3 FY2015 (1-9/2015)	Q3 FY2016 (1-9/2016)	Significant Factors	GMO CLICK HD
Operating Cash Flow	-33.94	<b>-9.47</b>	Increase in customer assets in Securities Corporate tax: JPY 7.7B	-1.68
Investing Cash Flow	5.88	<b>-9.27</b>	.shop rights: JPY 4.9B	-0.74
Financing Cash Flow	28.66	<b>39.26</b>	Increase in interest-bearing debt: 45.4B (Due to increase in customer assets in Securities)	34.57
Change in Cash and Equivalents	0.49	<b>19.56</b>		31.82
Balance of Cash and Equivalents	65.84	<b>94.49</b>		51.29



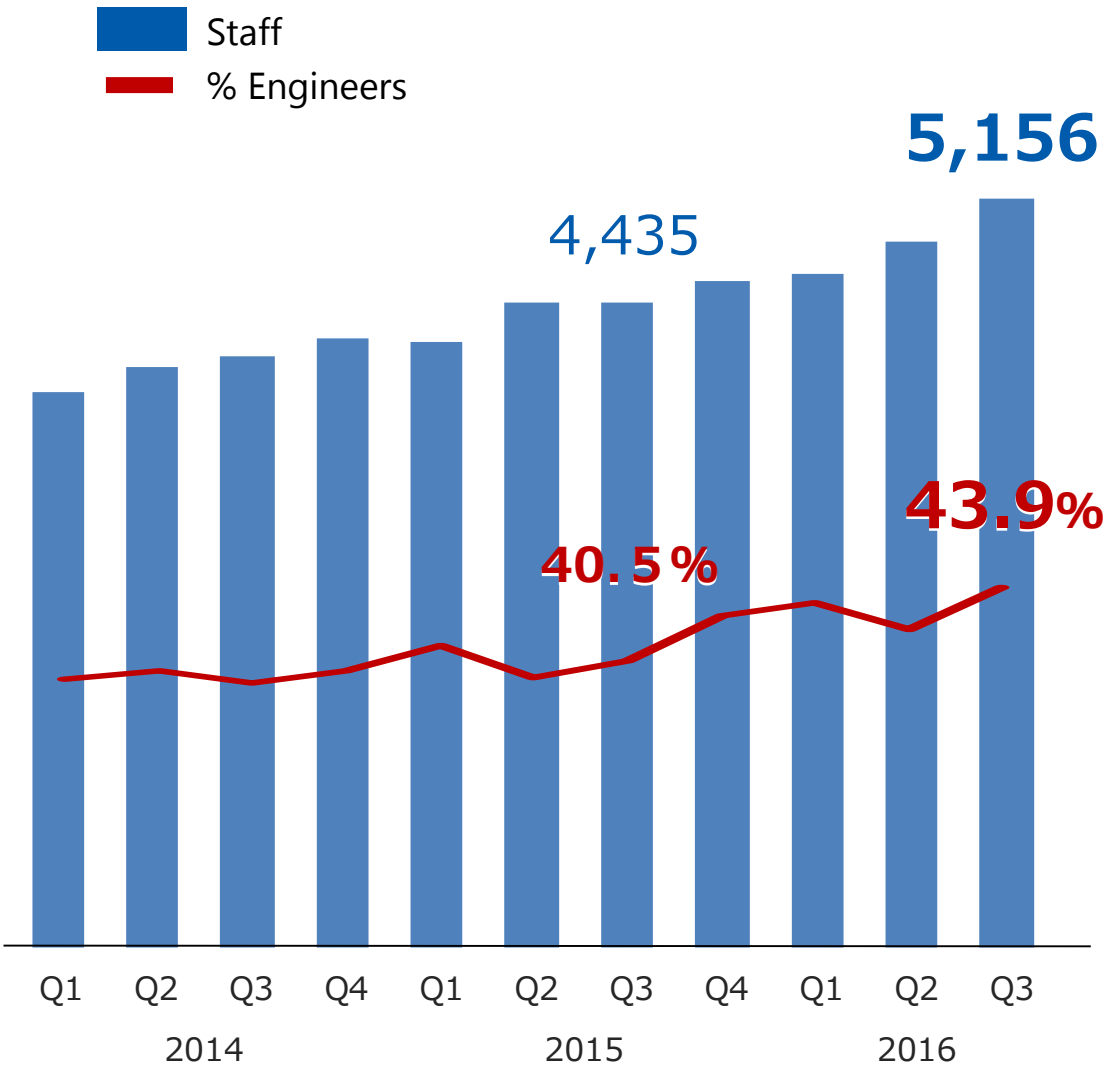
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Market share growth accelerating across all segments



\*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 90.3%\*2

Strong No. 1

Hosting & Cloud



Domestic market share at 54.2% \*3

No. 1

Ecommerce



75,000 paid stores

No.1

Security



182.9% YoY increase in certificate issues

No. 1

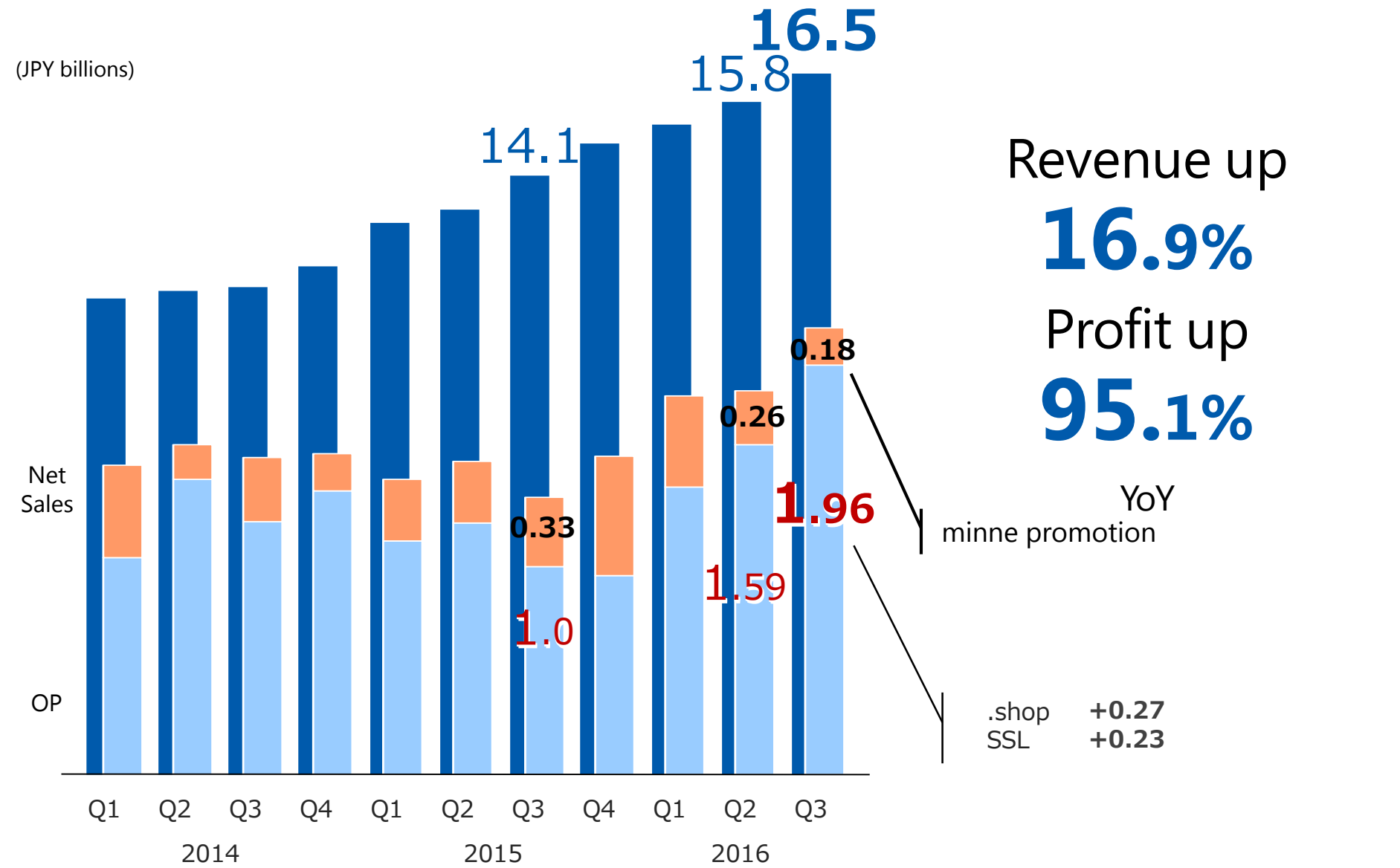
Payment



77,000 merchants

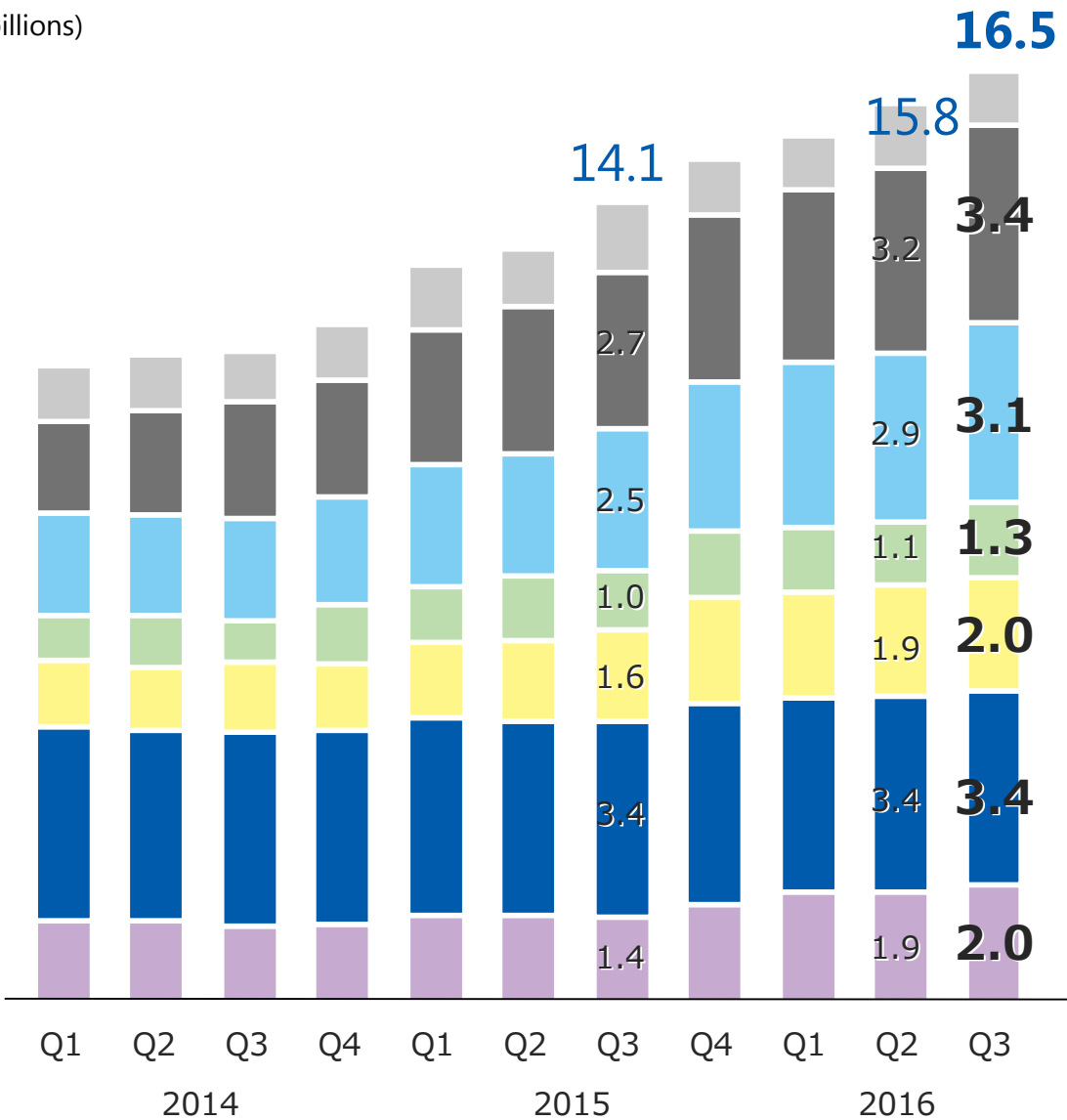
\*1 Based on our own data  
\*2 Based on ICANN data  
\*3 Based on Webhosting.info data

# Historical Performance by Quarter



# Net Sales by Sub-Segment

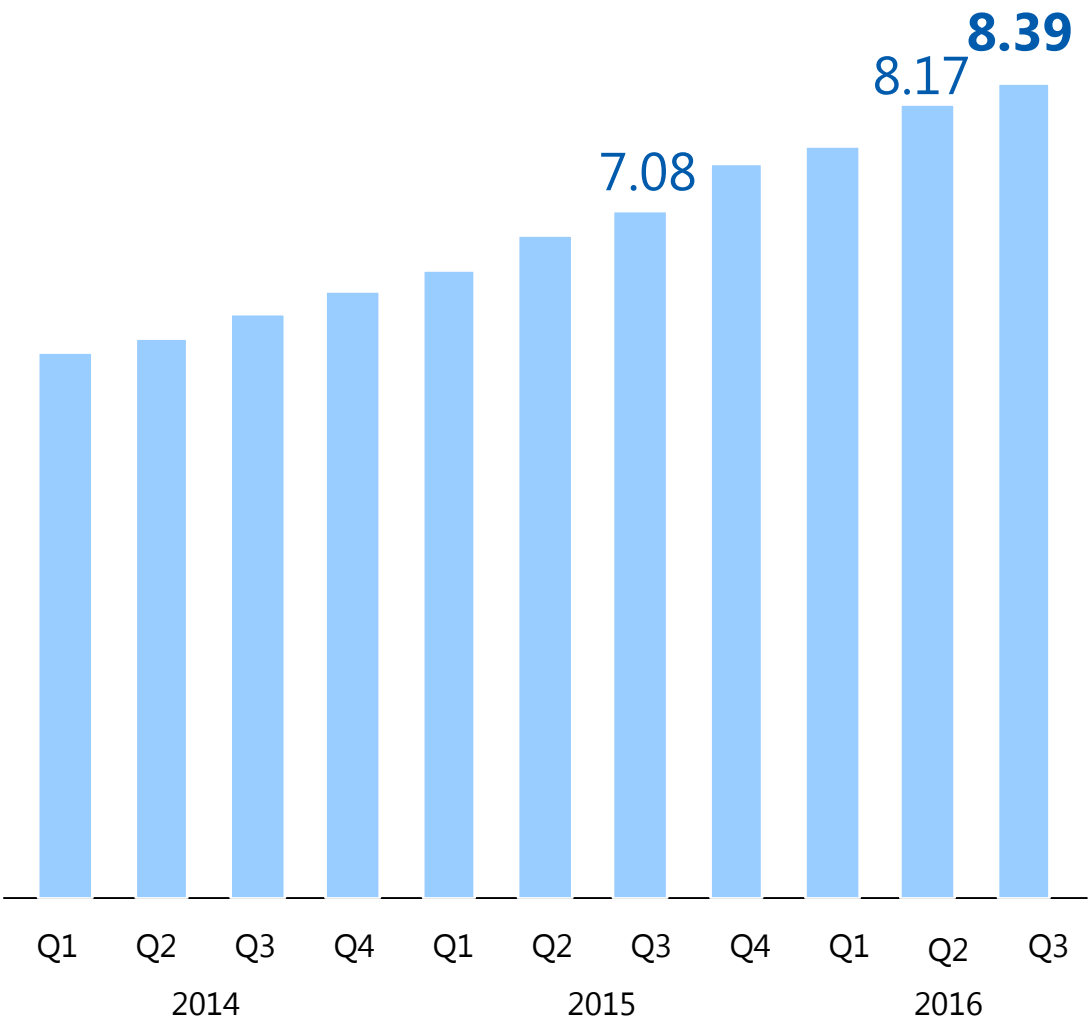
(JPY billions)



Record High  
JPY**16.5B**

- Other
- Provider
- Payment
- Security
- Ecommerce Solutions
- Cloud & Hosting
- Domain

(millions)



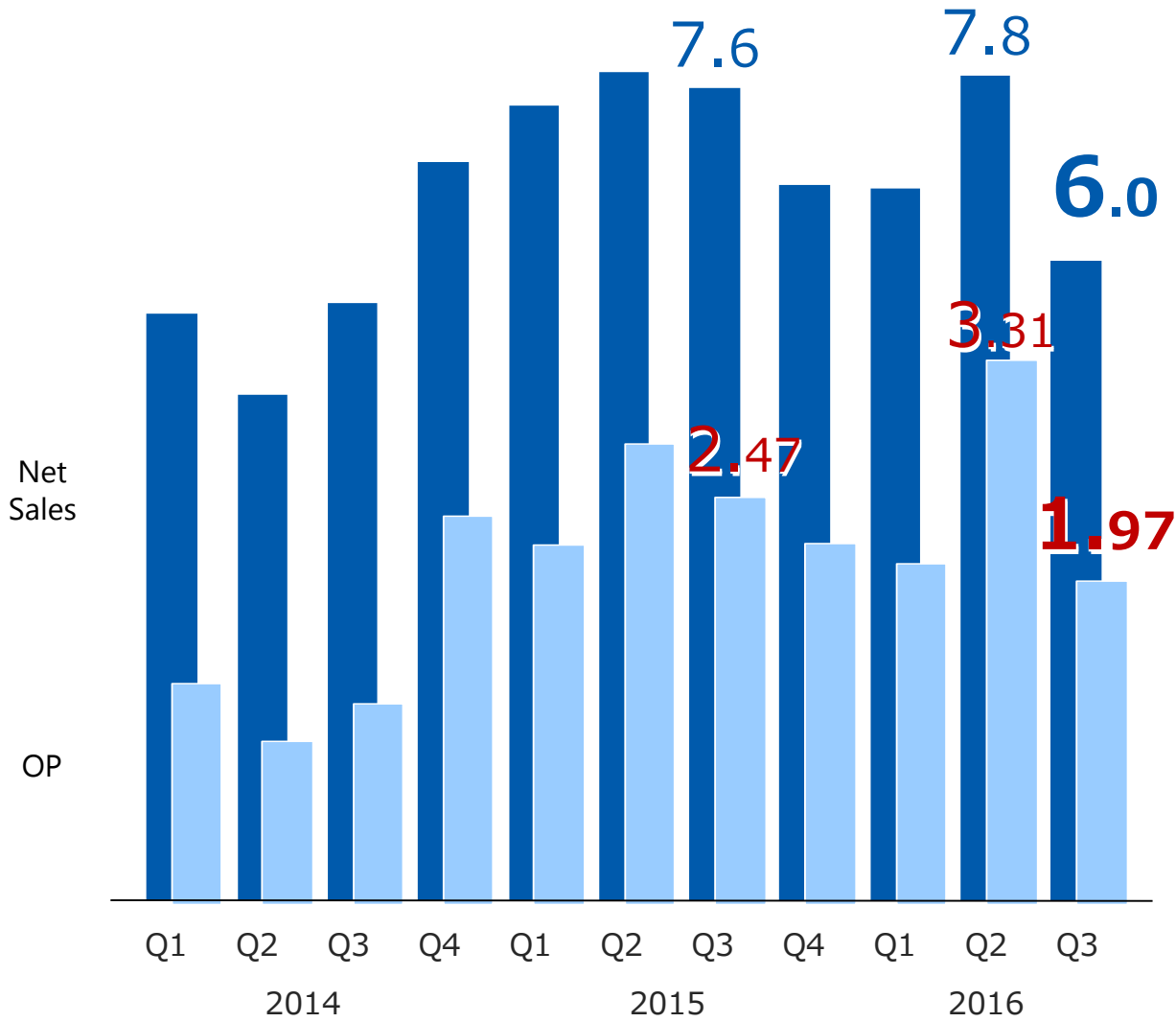
**8.39M<sup>\*</sup>**  
contracts  
**18.5%**  
YoY growth

\*Excluding minne KPI

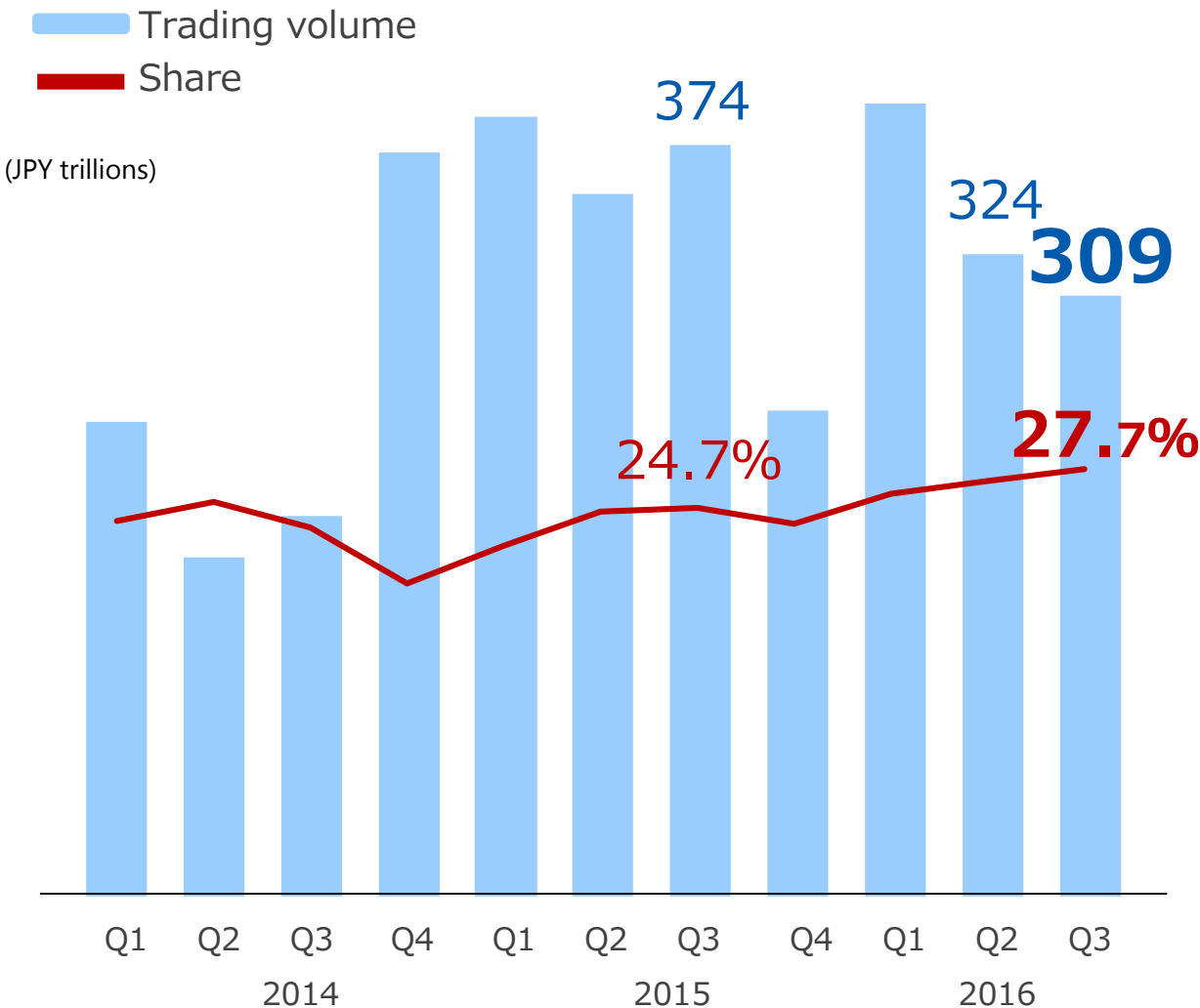


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(JPY billions)



Revenue down  
**21.4%**  
Profit down  
**20.3%**  
YoY



Market share  
expanding  
despite lower  
trading volume

Prepared based on Results Presentation of GMO CLICK HD for Q2 of FY2016 and “Monthly Statistical Bulletin on Over-The Counter Retail FX Margin Trading” published by the Financial Futures Association of Japan (FFAJ)

※1 OTC FX trading volume prior to February 2015 represents the figures of GMO CLICK Securities (non-consolidated), and after March 2015, represents the sum of GMO CLICK Securities and FX Prime by GMO

※2 The Group share is calculated using “Monthly Statistical Bulletin on Over-The Counter Retail FX Margin Trading” published by FFAJ as the entire market

JPY **1,400**<sub>tr</sub>  
Annual FX  
Trading Volume  
\*1

JPY **133**<sub>B</sub>  
Customer Assets  
Balance  
\*2

**620,000**  
FX Accounts  
\*2

**21.3**%  
Share of Global FX  
Trading Volume  
\*3

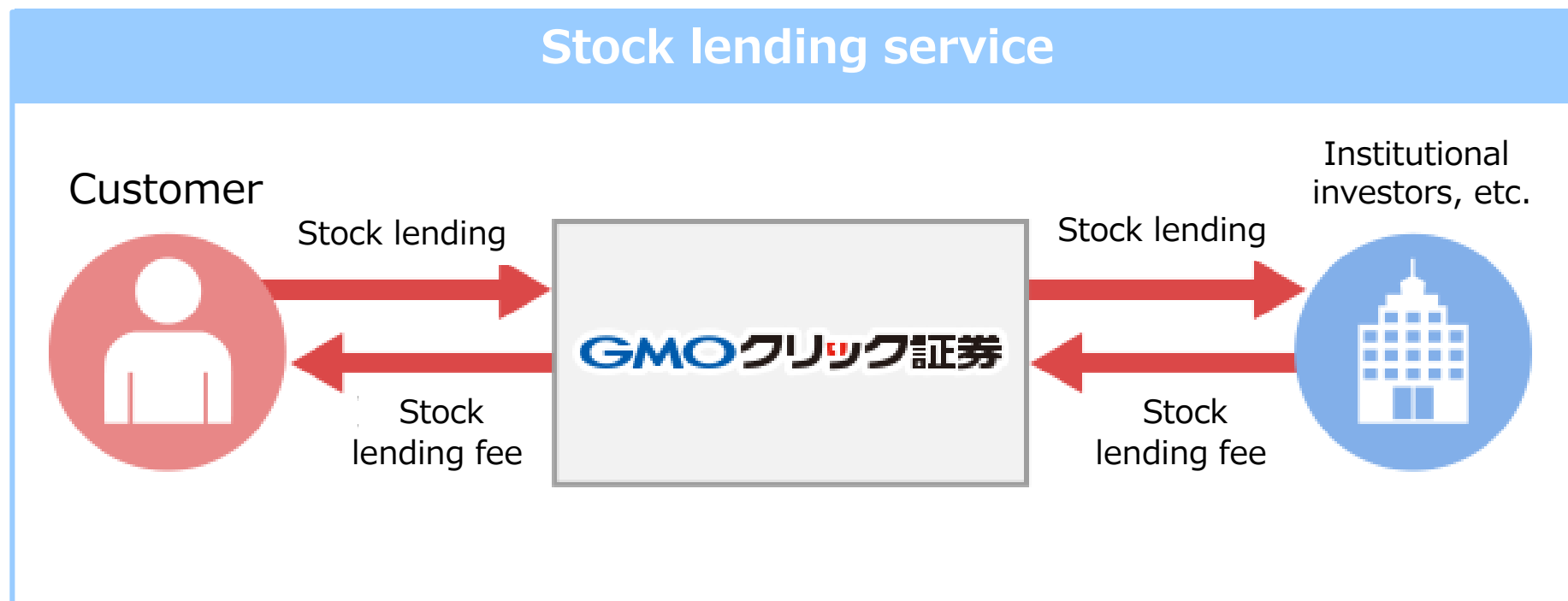
**9.9**%  
Brokerage  
Trading Share  
\*1

**Global No.1**

**No.5 in Japan**

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

## Commencement of stock lending service (10/17)



**Meet various needs and expand product range gradually**

Commencement of loan-based crowdfunding service (10/24)

maneo (loan-based crowdfunding)

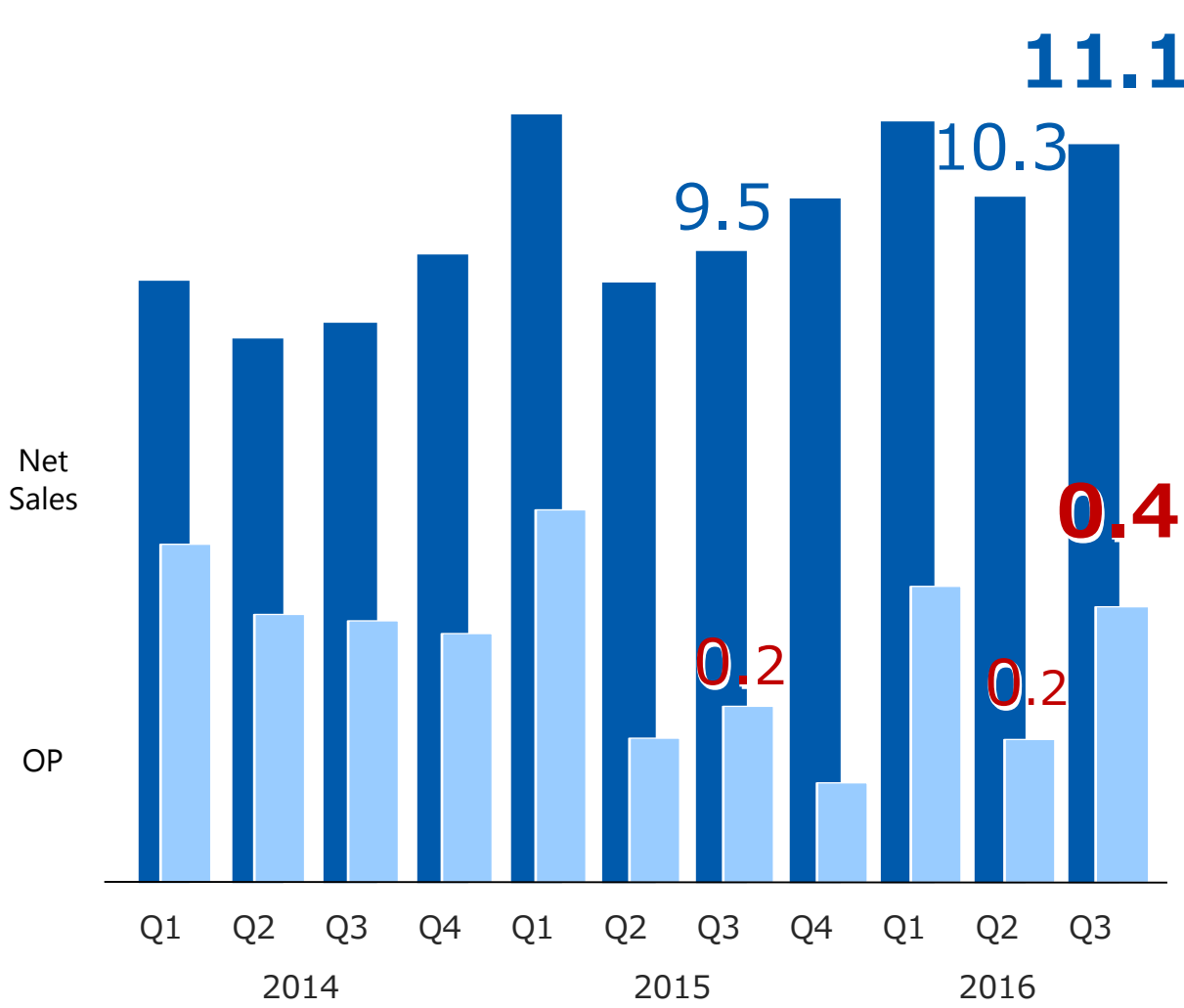


Develop new investment products as well as innovative retail products

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Historical Performance by Quarter

(JPY billions)

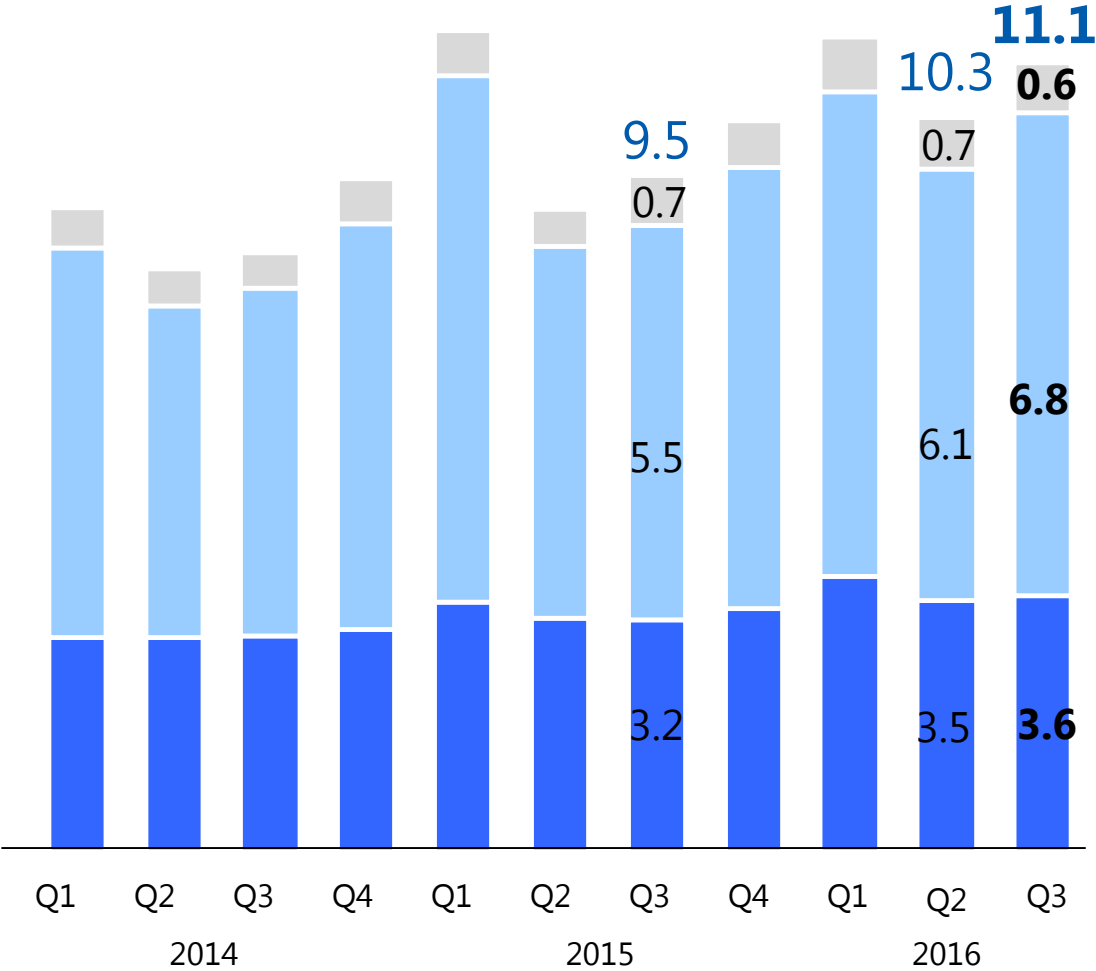


Revenue up  
**16.5%**  
Profit up  
**56.2%**  
YoY



Net Sales by Sub-Segment

(JPY billions)



Moderate Growth in Online Advertisement Segment

Up **21.8%**

- Internet Research/Other
- Online Advertising
- Internet Media

GMOADPARTNERS

Net sales JPY**7.82B** (up **20%**) OP JPY**0.1B** (up **272%**)

Strong performance in advertisement agency business with significant growth in proprietary product such as "Akane"

GMO TECH

Net sales JPY**0.73B** (up **3%**), OP JPY**30M**(down **13%**)

Returned to profitability YoY as structural reform progressed

Growth scenario based on development capability remains unchanged

GMO RESEARCH

Net sales JPY**0.72B** (up **9%**) OP JPY**70M**(up **186%**)

Solid performance in Research as well as Advertisement

GMO MEDIA

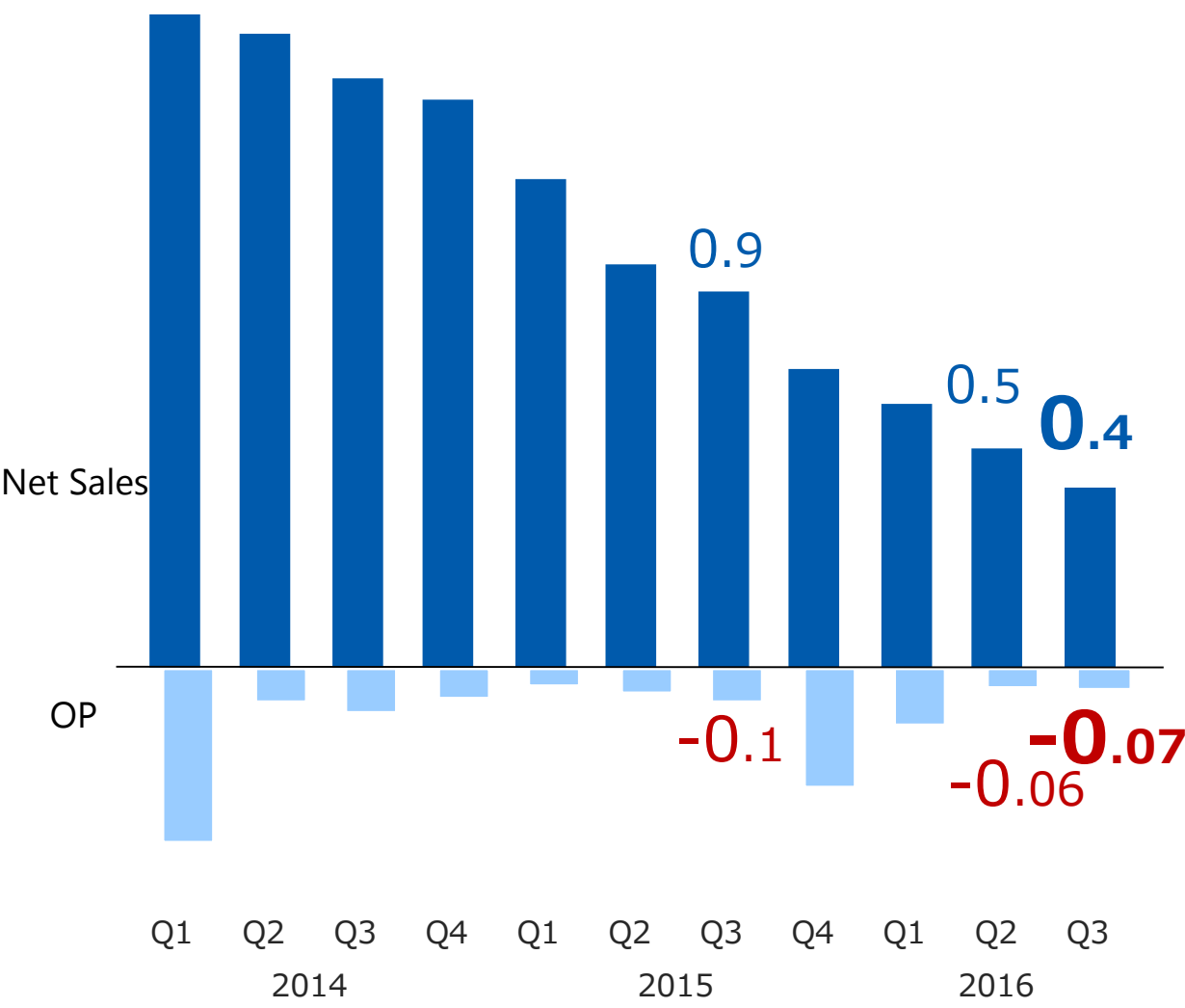
Net sales JPY**1.37B** (up **48%**) OP JPY**0.1B** (up **17%**)

Favorable performance by Ecommerce media "Point Town"

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# Historical Performance by Quarter

(JPY billions)



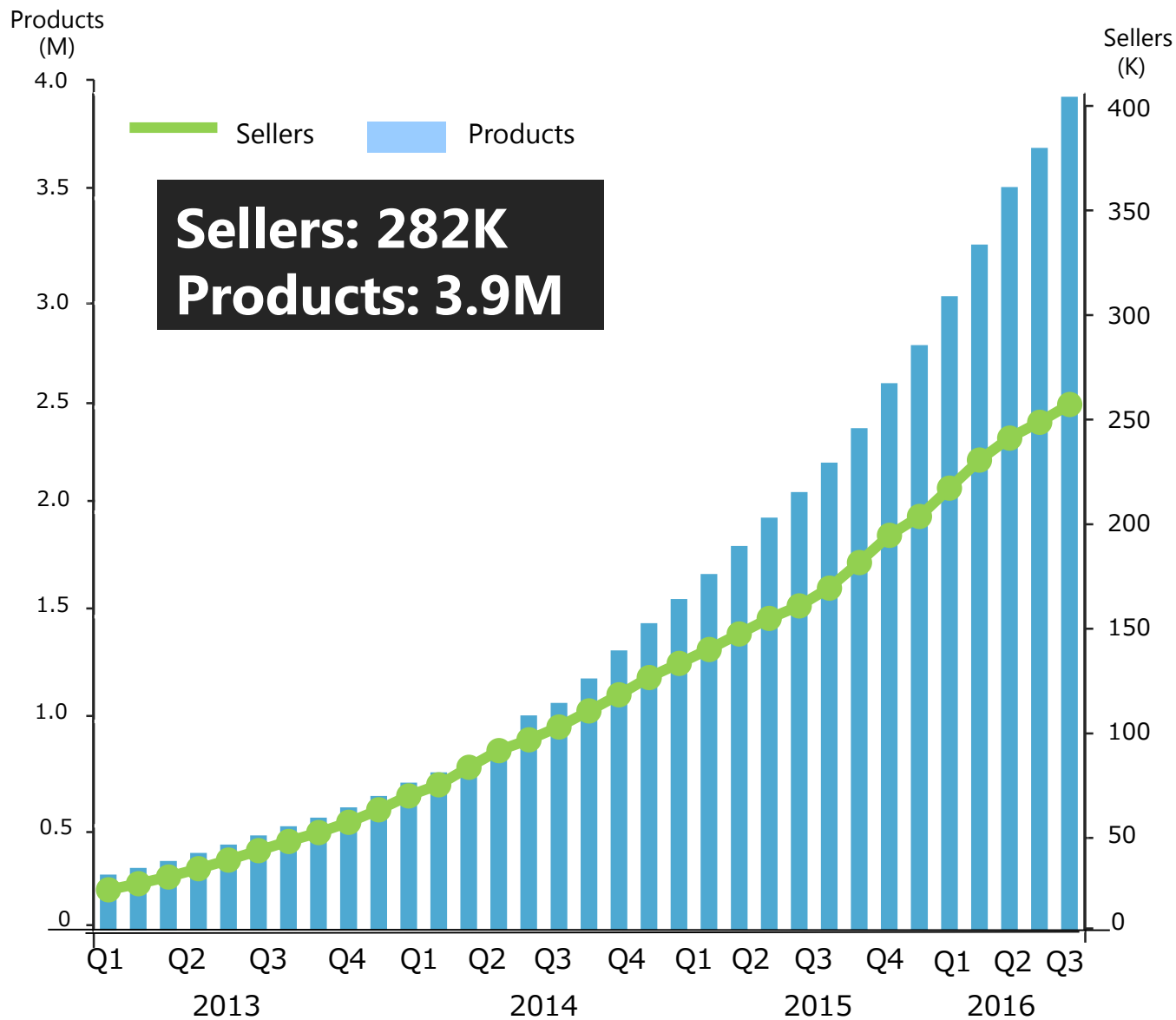
Loss  
Decreasing

New Titles  
Underway for  
Launch in Next  
Period

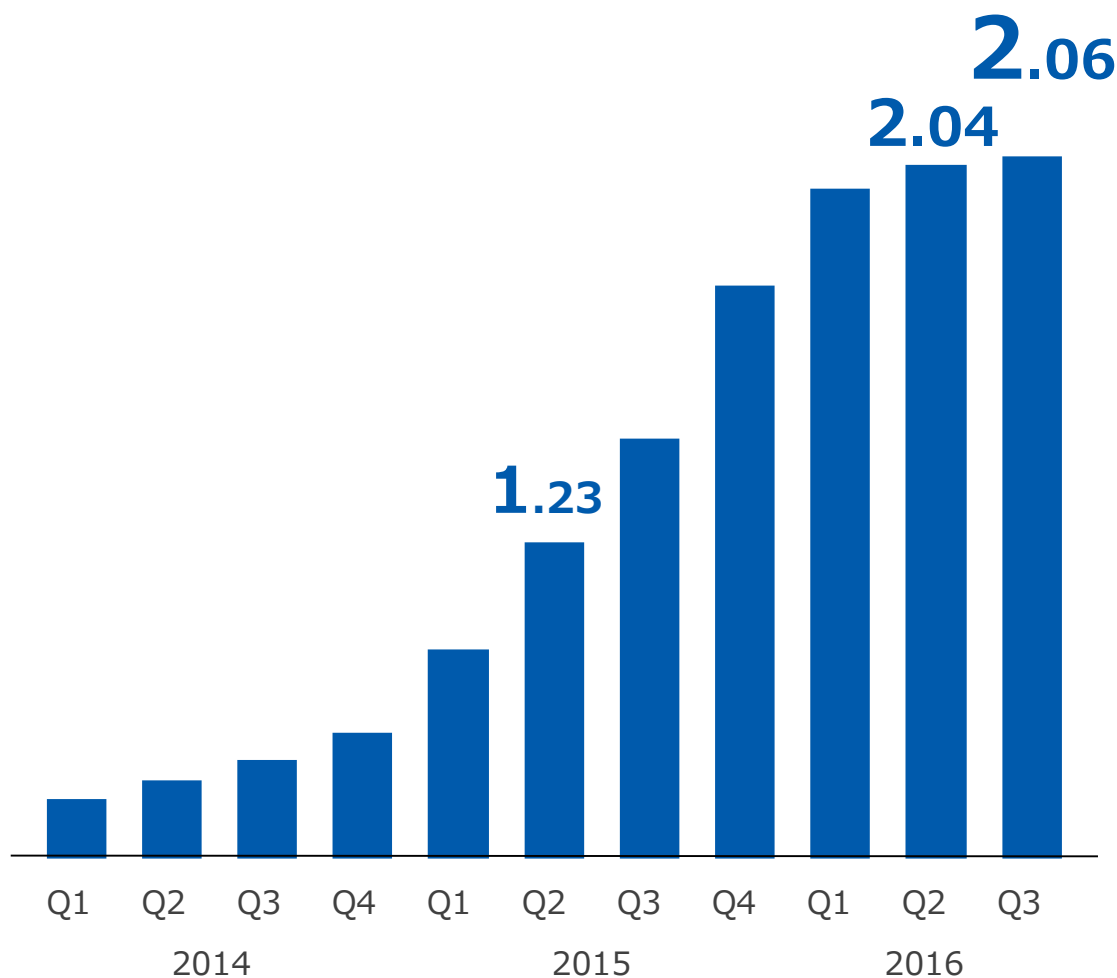
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Strengthening Strengths

# **minne Progress Report**



(JPY billions)



Annual Sales  
Volume Target  
**JPY10.0B**

Reinforced Internal  
Measures toward  
Year-end Sales  
Season



## Strengthen sales promotion with coupon



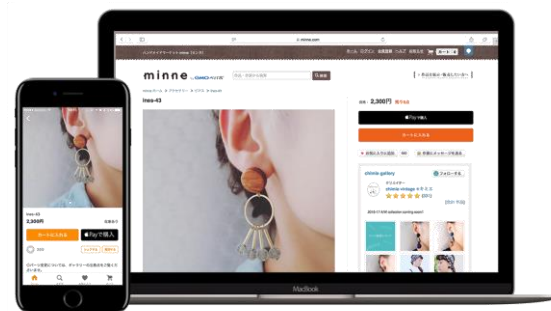
7/28 00:00-23:59

※送料・手数料・クーポン利用額は除く

## Expand payment options



**d** ケータイ払い<sup>プラス</sup>  
**au** かんたん決済



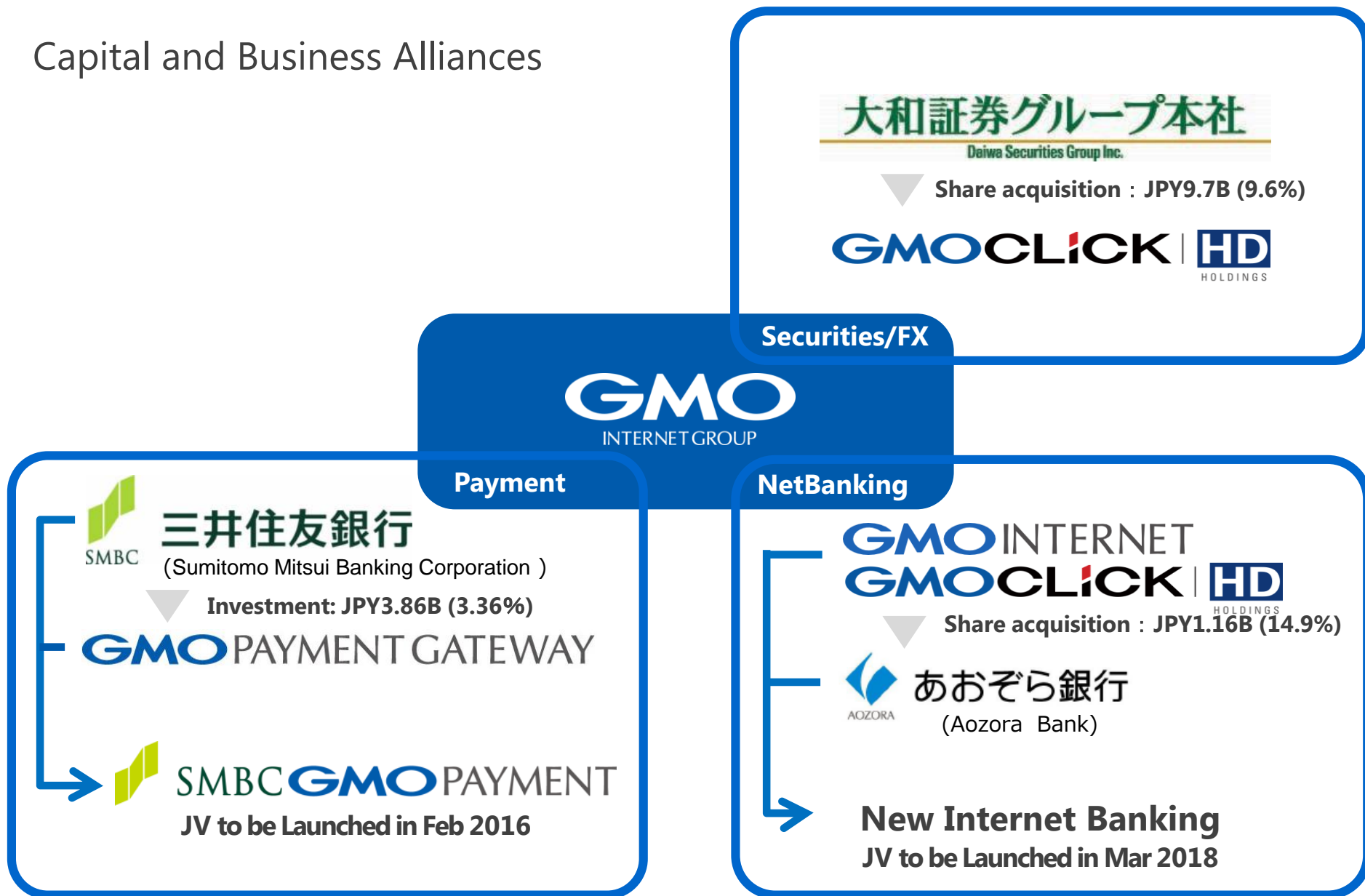
## Add guest purchase function



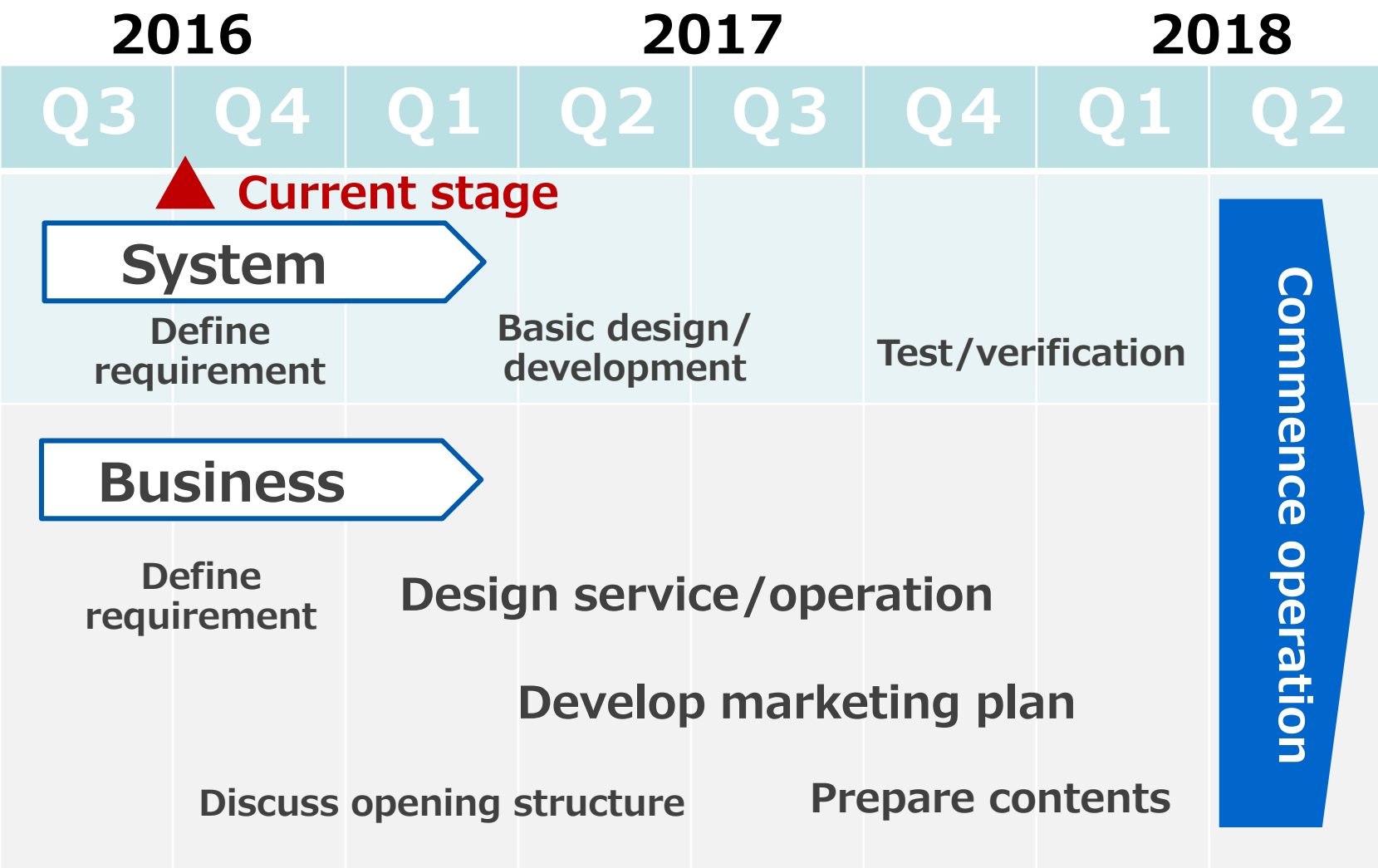
Strengthening Strengths

# **Developments in Finance and Payment**

## Capital and Business Alliances



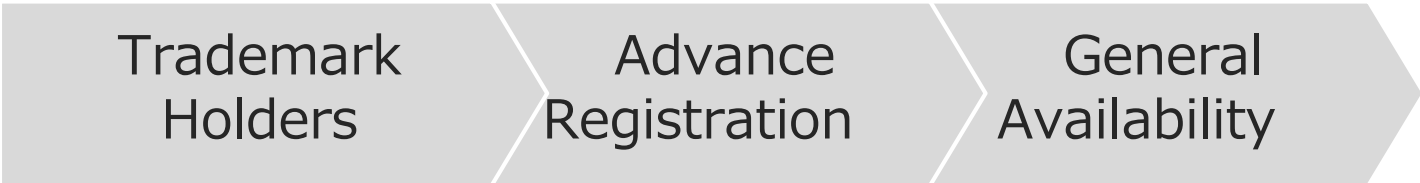
Preparation in progress







Strengthening Strengths

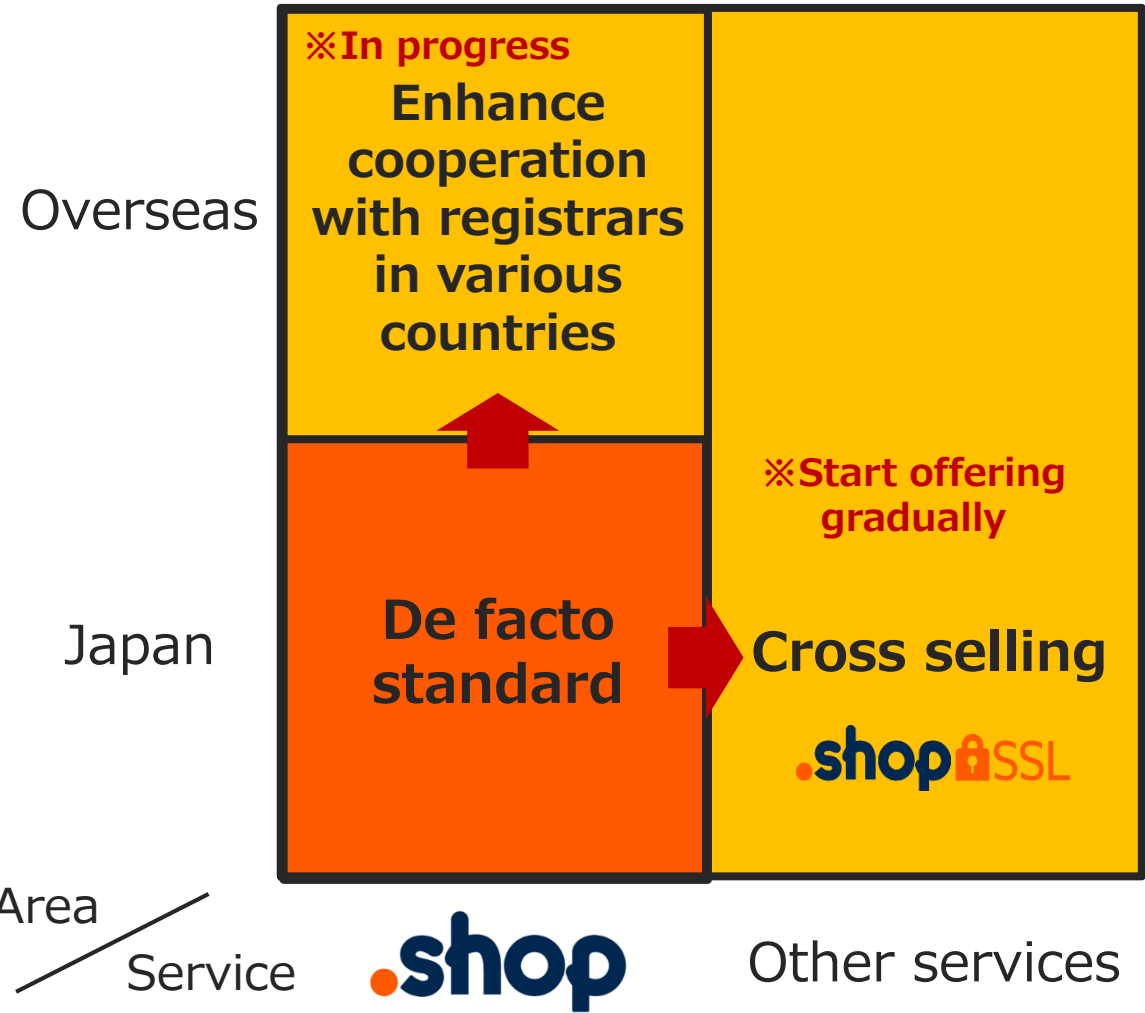
# New gTLD .shop Progress Report

Off to a strong start, demonstrating its No 1 popularity with all KPIs achieving record high



KPI	# of application	Application fee sales	# of registration (first 24 hours after launch)
	 <b>1,182</b>	 <b>¥150m</b>	 <b>56k</b>
Competitors	799 (.london)	¥60m (.tips)	38k (.online)

<u>Component</u>	<u>Calculation Method</u>	<u>Sales</u>
Trademark holders Advance registration	Initial	¥270m
Other	Pro-rata basis	¥30m
(3Q includes one month only)		



Take Advantage of Flexible Price with Marginal Profit Ratio of 90%

Aim to Maximize Group Revenue



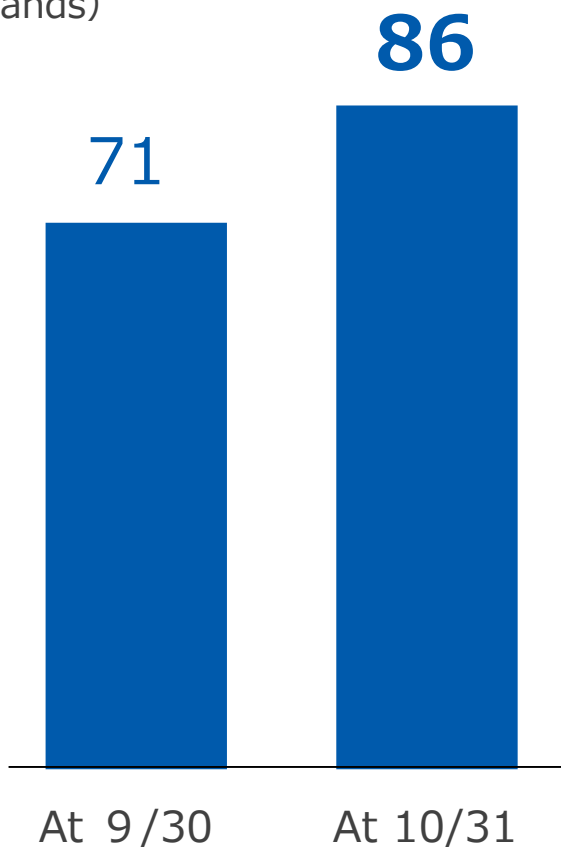


Enhance cooperation with registrars in various countries (11/1~)



Cumulative registrations

(in thousands)



Launch  
Campaign #1

With an aim to  
exceed **100k**  
by year-end



Cross selling (12/1~)

**.shop****Proprietary  
products****.shop**  **SSL**

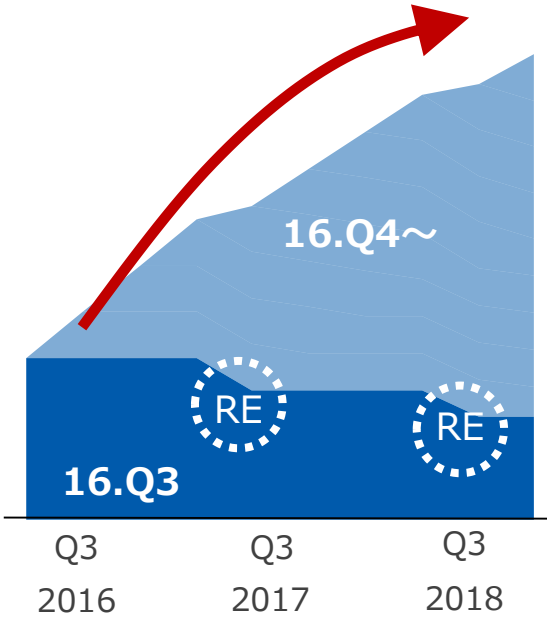


Registration Fee

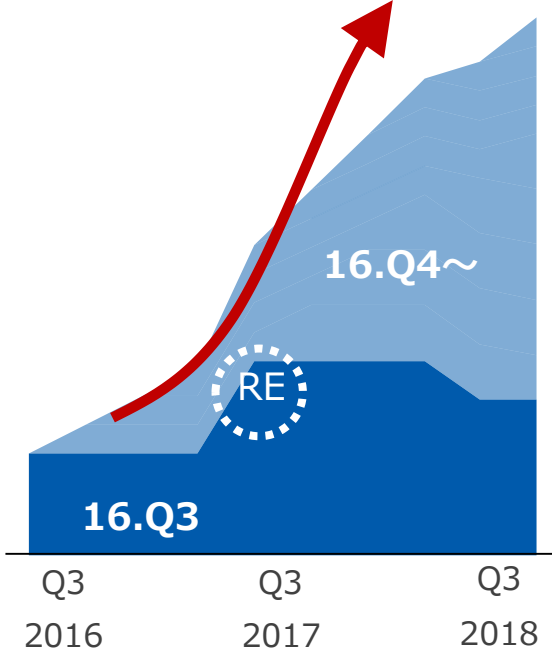
▶ Discounted Price

Renewal Fee

▶ Regular Price



Increasing awareness and renewal rates leads to more registrations



Increased ARPU & revenue depends on Renewals

※Based off the registration and renewal fees over the Q3 sales period



- 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**

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

## Global Growth: Locations

18 countries, 60 locations, 1,073 global staff

● Infrastructure

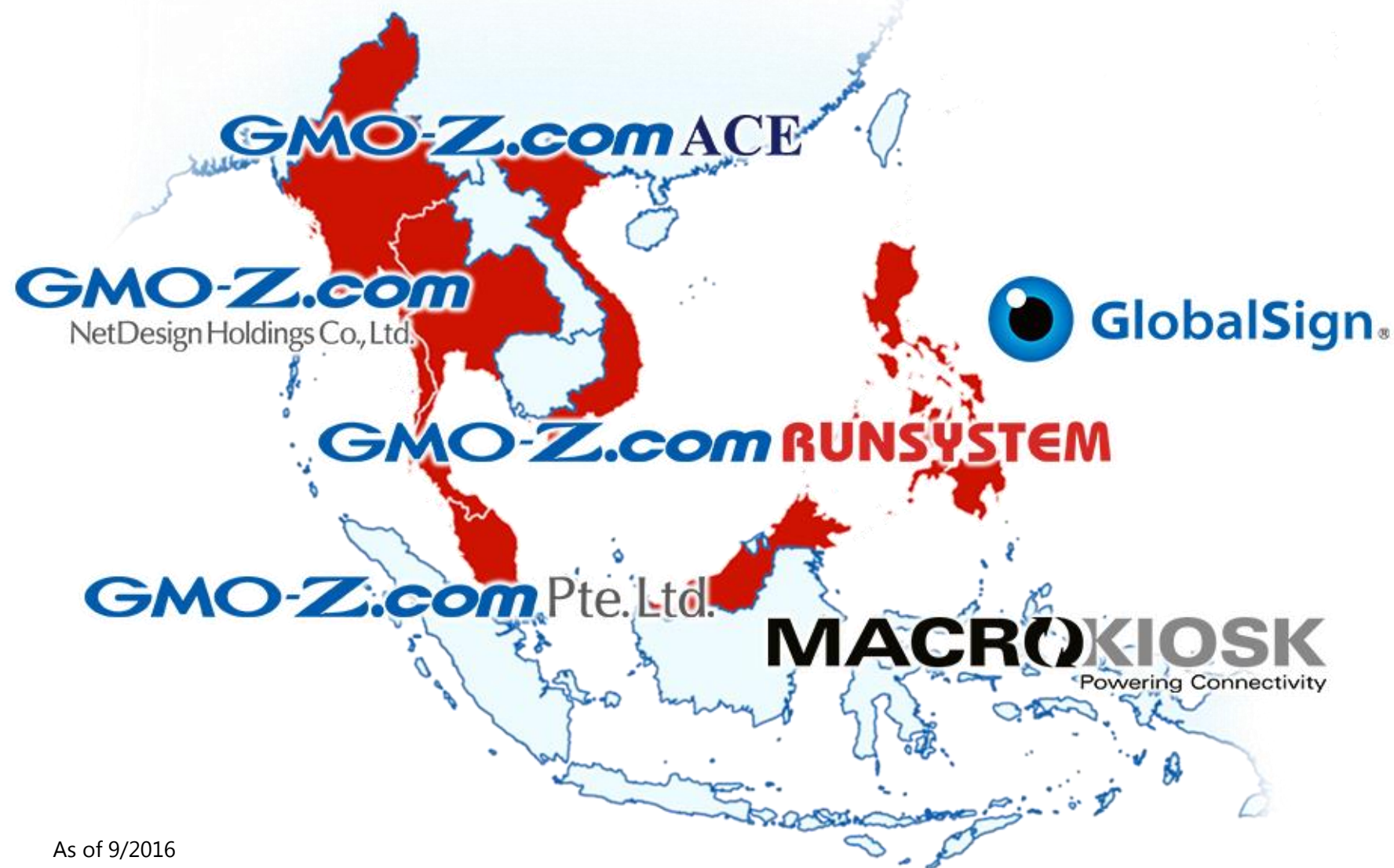
● FX



As of 9/2016

## Global Growth: Locations in SouthAsia

7 countries, 755 staff



As of 9/2016

Be a powerful sales channel for Z.com brand products



Investment of  
approx. **¥0.5 billion** (55%)

- Leading independent internet company in Thailand founded in 1999
- Leading group in sales share for domain, hosting, and cart
- Shift to sales expansion of Z.com products with .shop as a starting point



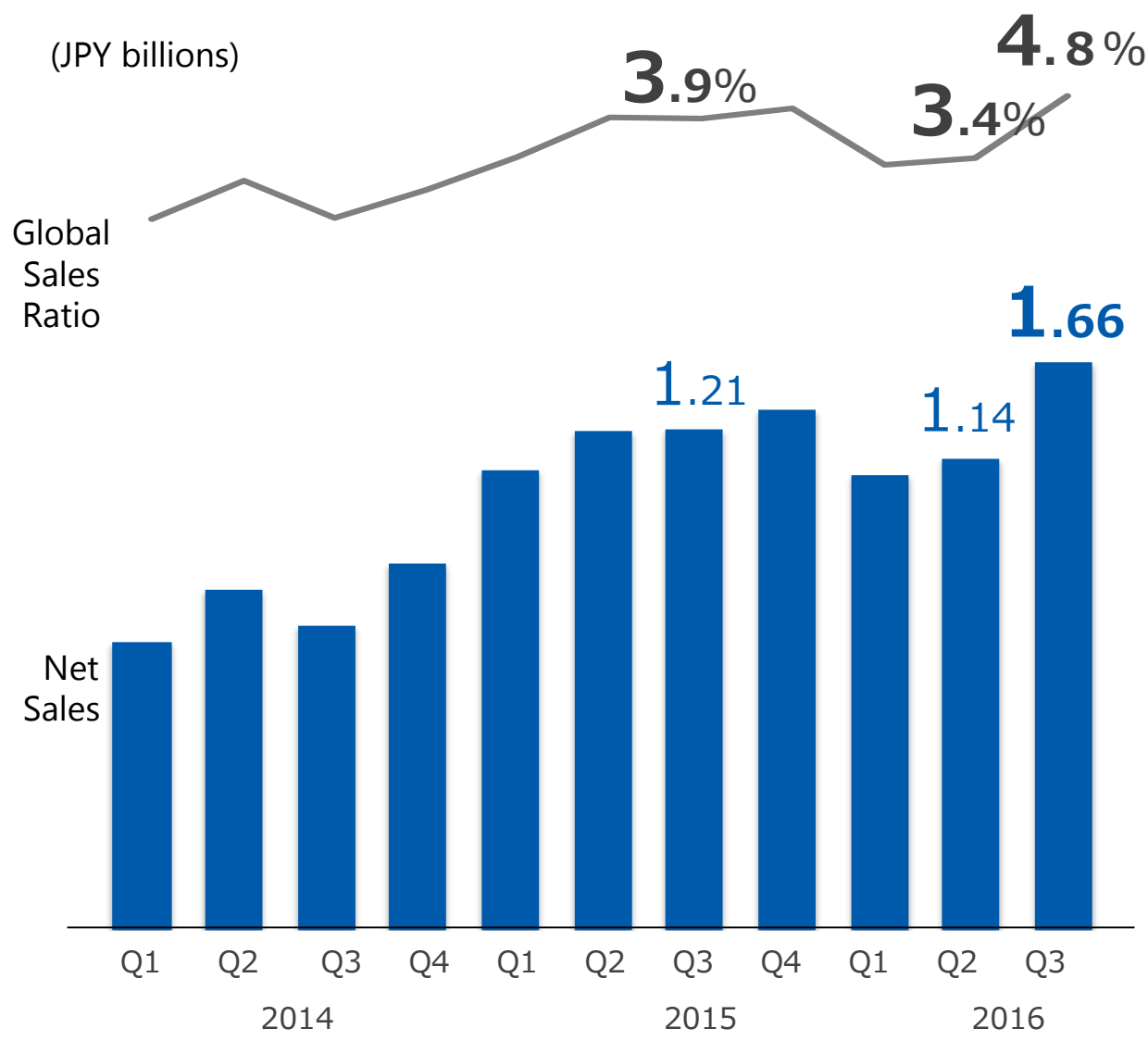
Accelerate transaction charges primarily in Asian major banks



Investment of  
approx. **¥1.1 billion** (70%)

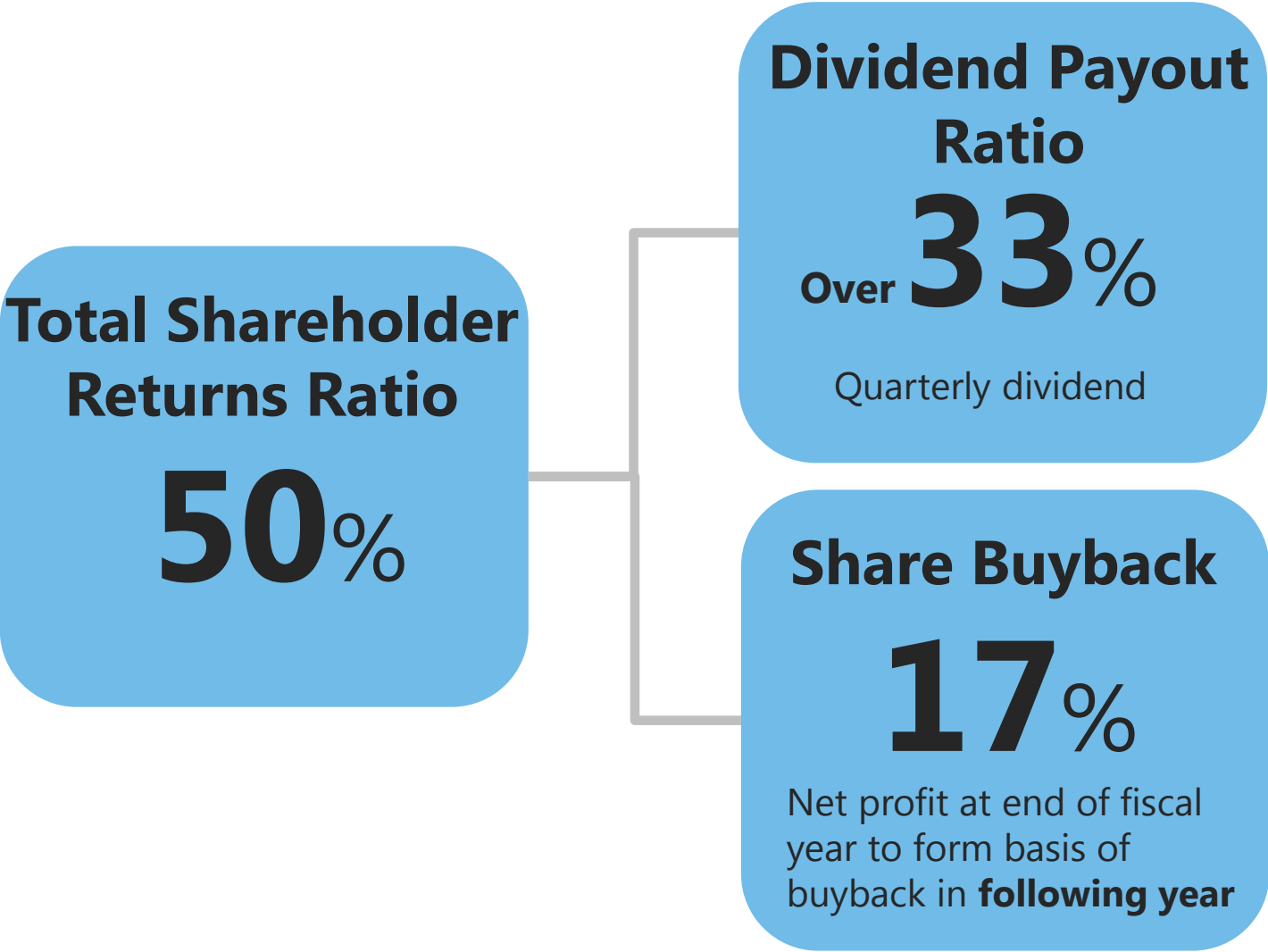
- The biggest SMS payment service company
- Offers a mobile banking system for banks  
→ **95%** of the Malaysian banks are customers
- Payment alliance with over 50 carriers in 10 Asian countries

# Global Growth: Global Net Sales



Launch of “.shop”  
**UP 37.1%**

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# Finally

**1** Achieved record high profit in Infrastructure  
Continue investments in growing sectors

**2** Strong start of “.shop”  
Prepare for data analysis/full-scale marketing

**3** Increasing potential in Fintech field

**Internet for Everyone**

**GMO**

# GMO INTERNET

This document includes projections based on expectations, premises and plans as of November 7, 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.

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