

Fiscal Year 2016 Third Quarter Results Presentation



STOCK CODE : 9449

Supplementary Materials

November, 7 2016

132 Group Companies (105 consolidated, 19 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)

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 Financialgate, Inc.
- GMO Registry, Inc.
- GMO System Consulting, Inc.
- GMO Creators Network, Inc.
- GMO Pepabo OC
- GMO Brights Consulting, Inc.(and other companies)

(UK)

GMO-Z.com Trade UK LTD.

GMO GlobalSign Ltd.

(Belgium)

GlobalSign NV (CA)

(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.

(malaysia)

MACRO KIOSK BERHAD

(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.

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 September 2016)

- 7/20  Points accumulated on “Point Town” can be converted into “LINE points.”
- 7/21  GMO CLICK Holdings and Aozora Trust Bank execute a capital alliance for their joint venture internet bank.
- 7/27  “panocloud VR powered byGMO,” which enables the user to make 360 degree panorama VTR content easily and affordably, is launched.
- 7/28  GMO TECH launches the “VideoCraft byGMO” promotional video platform, which specializes in creating advertisements for smartphone apps.
- 8/3  The largest CtoC handmade market in Japan, “minne,” adds the new payment method “au easy payment.”
- 8/4  Business-focused cloud platform “Z.com Cloud” launched.
- 8/9  A preliminary survey shows that the new domain “.shop” is expected to achieve a record high in trademark holder registrations.
- 8/18  GMO GlobalSign and GMO CLICK Securities adopt the “My Number Online Identification Service.”

- 8/30 **GMO**REGISTRY A preliminary survey shows the number of registration applications for the new No.1 domain “.shop” by trademark holders reached a record high with 1,182 applications.
- 8/30 **GMO**PAYMENT GATEWAY GMO Payment Gateway adds MACROKIOSK, a leading mobile payment, authentication, and notification company based in Malaysia, as a group company.
- 9/7 **GMO**PAYMENT GATEWAY
GMOEPSILON GMO Payment Gateway partners with Money Forward to offer small and medium sized businesses a loan service based off of Money Forward users’ billing and accounting data.
- 9/8 **GMO**PEPABO inc. The largest CtoC handmade market in Japan, “minne,” begins using “Apple Pay” as one of its payment methods.
- 9/12 **GMO**PEPABO inc. Japan’s largest CtoC handmade market, “minne,” adds new payment method “d mobile payment plus.”
- 9/16 **GMO**REGISTRY A preliminary survey shows the new global domain “.shop” had almost 2,000 registrations and achieved over JPY 200 million in net sales!
- 9/27 **GMO**REGISTRY A preliminary survey shows the No.1 new domain worldwide, “.shop,” achieved over 60,000 registrations.

GMO PAYMENT GATEWAY

(JPY millions)

Stock Code	TSE 1st Section 3769			
	Internet Infrastructure (Payment)			
	Q4 FYE 9/2015 (3mths to Sep)	Q4 FYE 9/2016 (3mths to Sep)	Q4 FYE 9/2016 (12mths to Sep)	FYE 9/2017 Forecast
Net Sales	2,603	3,293	12,113	18,767
Operating Profit	677	866	3,819	5,013
Ordinary Profit	682	839	3,780	4,673
Net Profit	398	1,101	2,910	2,762

*Compiled from each companies' quarterly P/L statements



(JPY millions)

Stock Code	JASDAQ Standard 7177			
	Internet Securities			
	Q2 FYE 3/2016 (3 mths to Sep)	Q2 FYE 3/2017 (3 mths to Sep)	Q2 FYE 3/2017 (6 mths to Sep)	FYE 3/2017 Forecast
Net Sales	7,681	6,036	13,844	—
Operating Profit	2,727	2,031	5,403	—
Ordinary Profit	2,715	2,031	5,360	—
Net Profit	1,619	1,442	3,714	—

*Compiled from each companies' quarterly P/L statements

GMO CLOUD

(JPY millions)

Stock Code	TSE 1st Section 3788			
	Internet Infrastructure (Hosting & Cloud, Security)			
	Q3 FYE 12/2015 (3 mths to Sep)	Q3 FYE 12/2016 (3 mths to Sep)	Q3 FYE 12/2016 (9 mths to Sep)	FYE 12/2016 Forecast (Progress)
Net Sales	2,661	3,202	8,883	12,100 (+73.4%)
Operating Profit	23	317	655	770 (+85.2%)
Ordinary Profit	23	335	589	700 (+84.2%)
Net Profit	▲61	296	418	451 (+92.8%)

*Compiled from each companies' quarterly P/L statements

GMOADPARTNERS

(JPY millions)

Stock Code	JASDAQ Standard 4784			
	Online Advertising & Media			
	Q3 FYE 12/2015 (3 mths to Sep)	Q3 FYE 12/2016 (3 mths to Sep)	Q3 FYE 12/2016 (9 mths to Sep)	FYE 12/2016 Forecast (Progress)
Net Sales	6,538	7,829	22,783	31,000 (+73.5%)
Operating Profit	38	145	393	745 (+52.8%)
Ordinary Profit	39	144	406	780 (+52.1%)
Net Profit	▲46	44	135	330 (+41.2%)

*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)			
	Q3 FYE 12/2015 (3 mths to Sep)	Q3 FYE 12/2016 (3 mths to Sep)	Q3 FYE 12/2016 (9 mths to Sep)	FYE 12/2016 Forecast (Progress)
Net Sales	1,462	1,716	5,140	6,850 (+75.1 %)
Operating Profit	▲109	124	5	0 (-)
Ordinary Profit	▲105	134	33	0 (-)
Net Profit	▲77	108	54	0 (-)

*Compiled from each companies' quarterly P/L statements

GMO RESEARCH

(JPY millions)

Stock Code	TSE MOTHERS 3695			
	Online Advertising & Media			
	Q3 FYE 12/2015 (3 mths to Sep)	Q3 FYE 12/2016 (3 mths to Sep)	Q3 FYE 12/2016 (9 mths to Sep)	FYE 12/2016 Forecast (Progress)
Net Sales	667	725	2,271	3,156 (+72.0%)
Operating Profit	25	72	207	220 (+94.3%)
Ordinary Profit	23	68	177	206 (+86.0%)
Net Profit	15	40	101	124 (+82.0%)

*Compiled from each companies' quarterly P/L statements

GMO TECH

(JPY millions)

Stock Code	TSE MOTHERS 6026			
	Online Advertising & Media			
	Q3 FYE 12/2015 (3 mths to Sep)	Q3 FYE 12/2016 (3 mths to Sep)	Q3 FYE 12/2016 (9 mths to Sep)	FYE 12/2016 Forecast (Progress)
Net Sales	710	729	2,225	2,600 (+85.6%)
Operating Profit	36	32	▲6	▲60 (-)
Ordinary Profit	36	32	▲8	▲60 (-)
Net Profit	25	20	▲27	▲64 (-)

*Compiled from each companies' quarterly P/L statements

GMO MEDIA

(JPY millions)

Stock Code	TSE MOTHERS 6180			
	Online Advertising & Media			
	Q3 FYE 12/2015 (3 mths to Sep)	Q3 FYE 12/2016 (3 mths to Sep)	Q3 FYE 12/2016 (9 mths to Sep)	Q2 FYE 12/2016 Forecast (Progress)
Net Sales	923	1,370	4,039	5,000 (+80.8%)
Operating Profit	101	118	414	450 (+92.2%)
Ordinary Profit	91	117	413	448 (+92.3%)
Net Profit	56	76	269	263 (+102.6%)

*Compiled from each companies' quarterly P/L statements

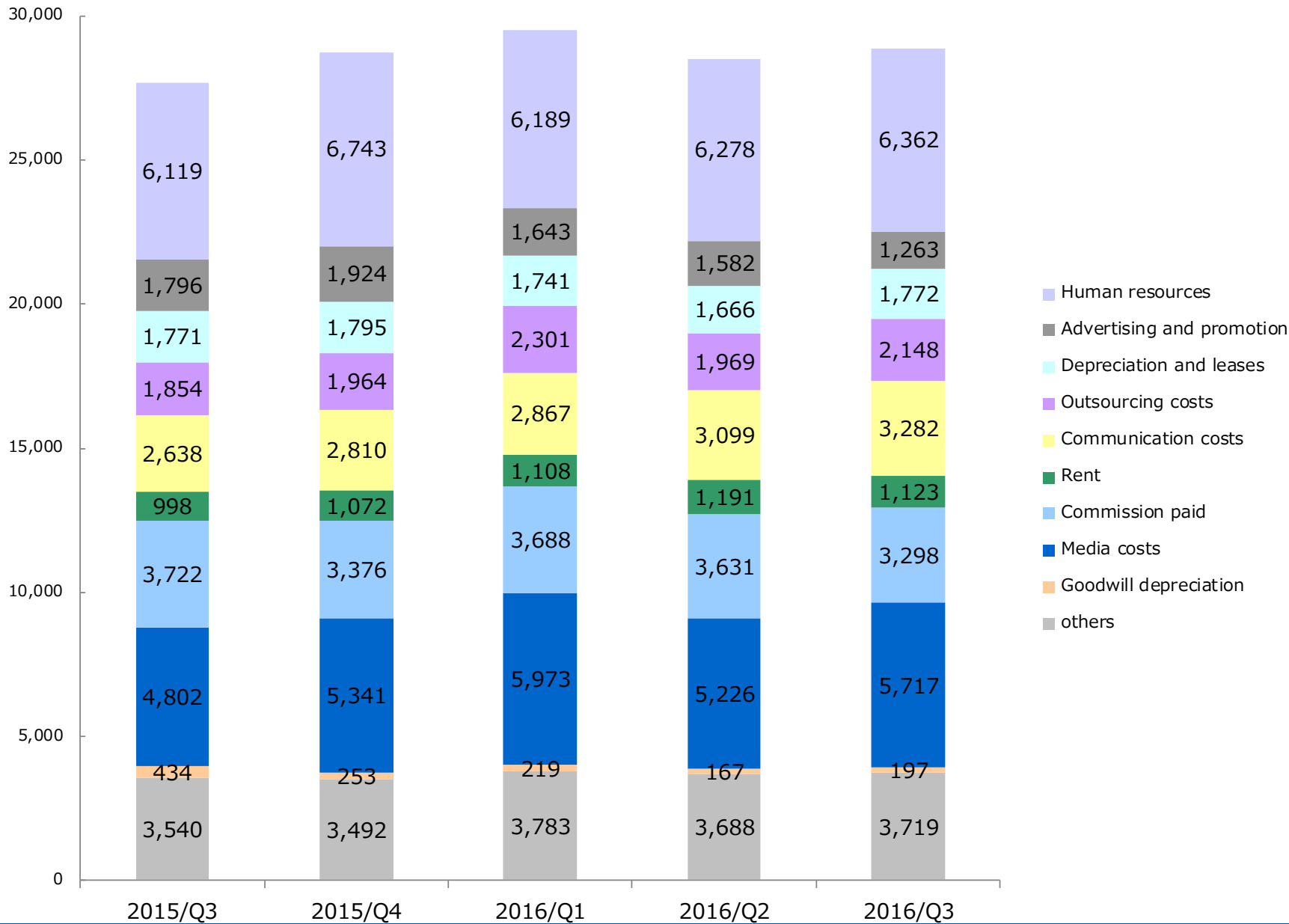
Revenue Breakdown by Segment

(JPY millions)

	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
◆Internet Infrastructure					
Internet provider	2,751	2,941	3,057	3,272	3,497
Domain	1,490	1,727	1,939	1,949	2,045
Cloud & hosting	3,465	3,539	3,430	3,445	3,451
Ecommerce solutions	1,635	1,887	1,883	1,973	2,021
Security	1,031	1,174	1,140	1,127	1,378
Payment	2,521	2,649	2,908	2,983	3,184
Other	1,246	979	962	1,131	952
Segment total	14,141	14,899	15,323	15,882	16,531
◆Online Advertising & Media					
Internet media	3,263	3,427	3,883	3,540	3,633
Online advertising	5,587	6,237	6,865	6,112	6,806
Internet research, other	705	669	754	711	695
Segment total	9,556	10,333	11,504	10,363	11,134
◆Internet Securities					
Internet Securities	7,681	6,762	6,734	7,808	6,036
Segment total	7,681	6,762	6,734	7,808	6,036
◆Mobile Entertainment					
Mobile Entertainment	981	780	690	572	472
Segment total	981	780	690	572	472
◆Incubation					
Incubation	8	12	5	27	210
Segment total	8	12	5	27	210
◆Other Businesses					
Other Businesses	2	1	39	44	51
Segment total	2	1	39	44	51
Internal Transactions Adjustment	(1,109)	(1,288)	(1,122)	(1,165)	(1,260)
Consolidated Net Sales	31,263	31,502	33,173	33,533	33,176

Cost Composition(Consolidated)

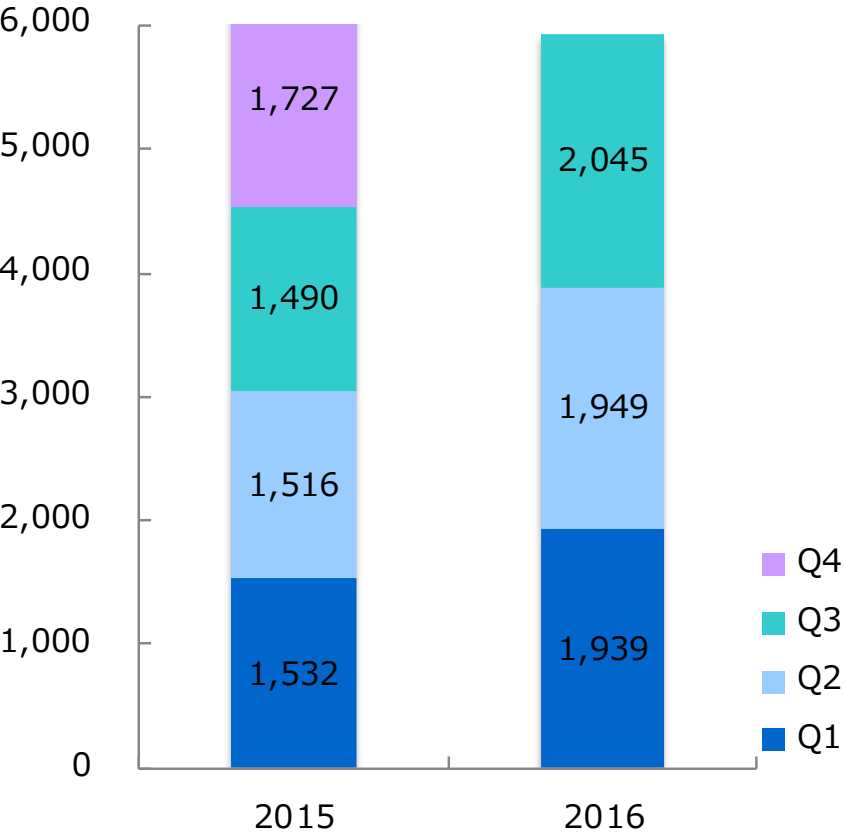
(JPY millions)



Revenue

+ 37.2%
(3 mths to Sep)

(JPY millions)

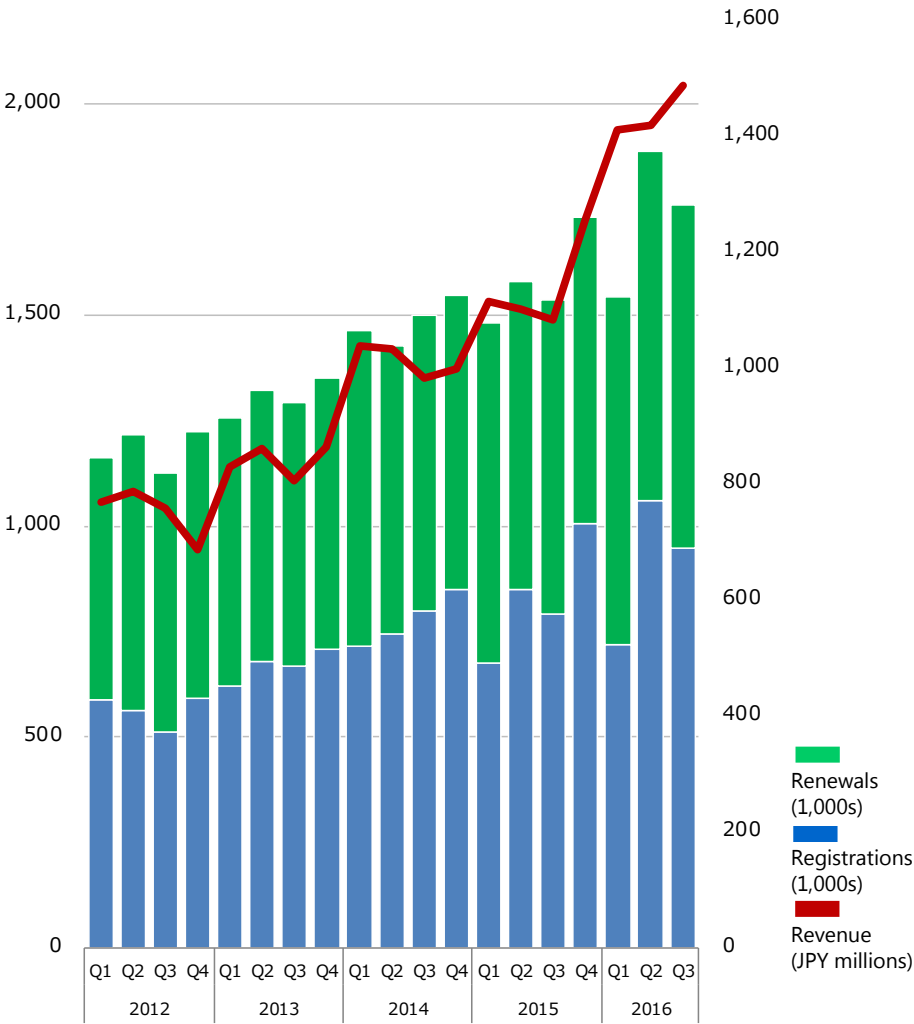


Registrations

+ 14.7%
(3 mths to Sep)

(JPY millions)

(1,000s)

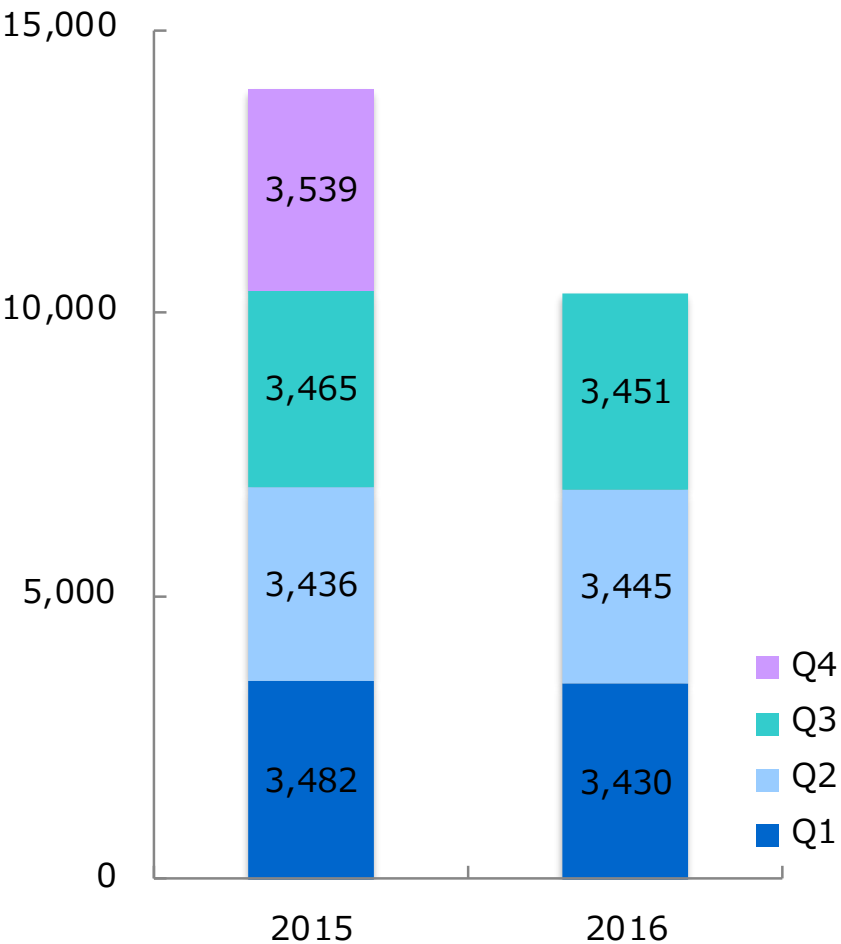


Revenue

- 0.4%

(3 mths to Sep)

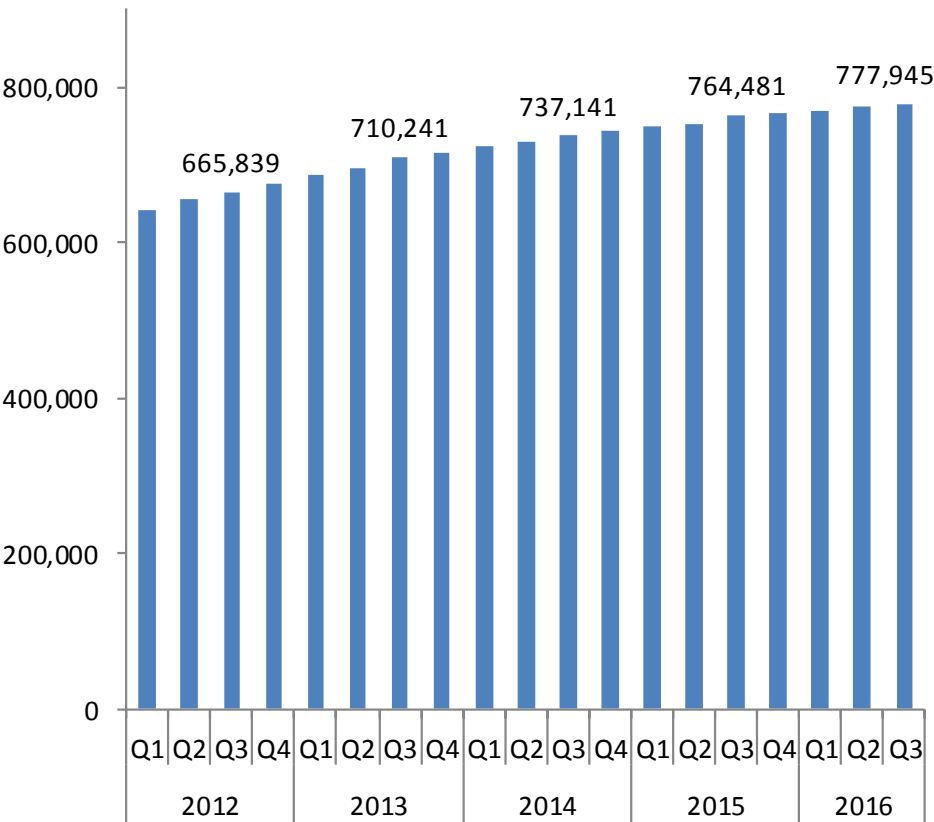
(JPY millions)



Contracts

+ 1.8%

(3 mths to Sep)

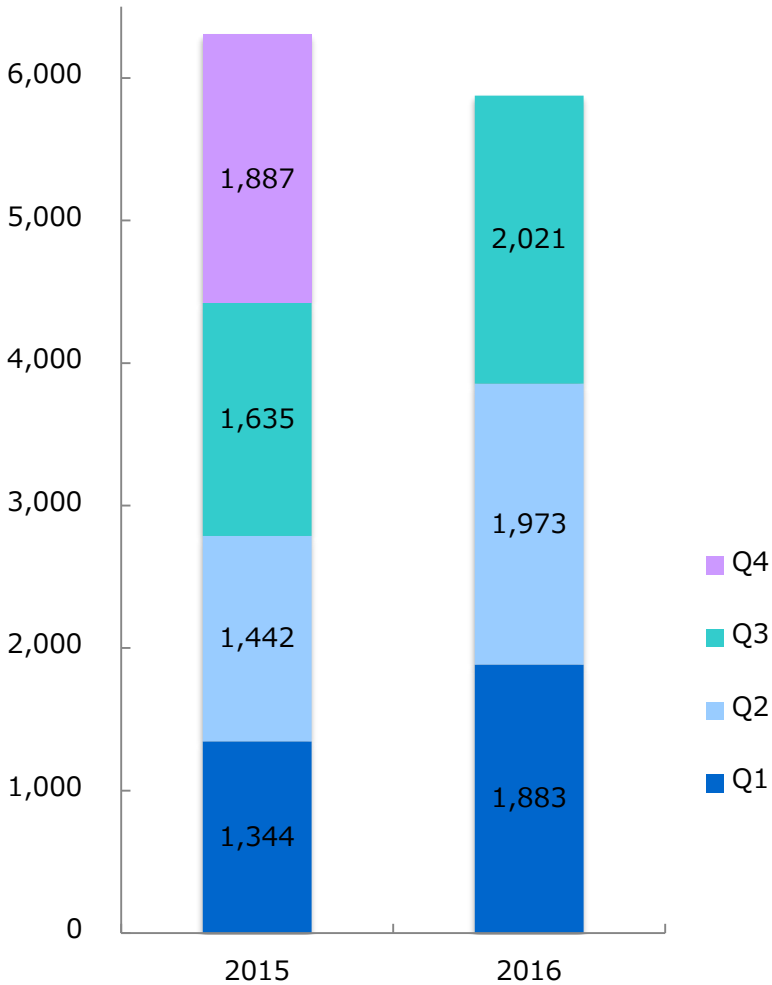


Revenue

+ 23.6%

(3 mths to Sep)

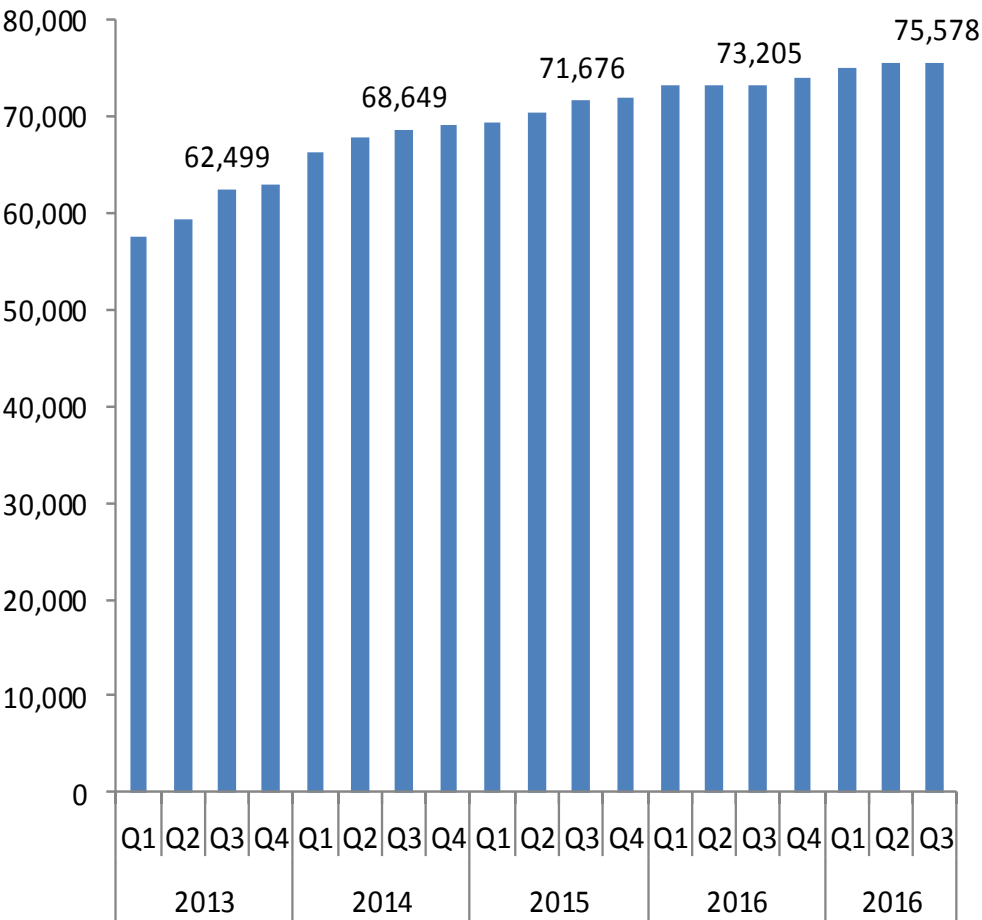
(JPY millions)





Contracts

+ 3.2%

(3 mths to Sep)



			Total
Stores (Paid)	59,000	15,000	75,000
Transaction Volume (Quarterly)	JPY28.4B	JPY34.8B	JPY63.2B

(As of September 2016)

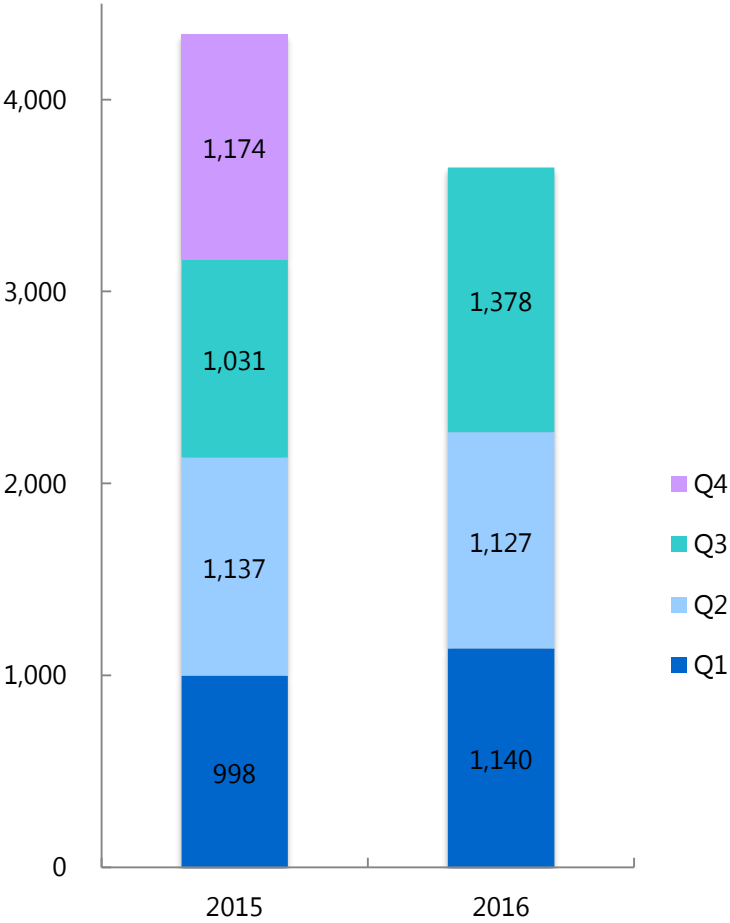
	minne	tetote	Creema	iichi
Sellers	280,000	40,000	70,000	20,000
Products	3.98M	1,12M	2.68M	460,000
DL	6.43M	—	3M (forecast as of 2/2016)	40,000 DL (as of 2/2016)
Operator	GMO Pepabo	GMO Pepabo OC	Creema	Pinkoi Japan
Item Limit	none	none	none	500
Monthly Fee	free	free	free	free
Commission (ex. Tax)	10%	12%	8%-14%	20%
Buyer Costs	none	Processing fee for payments under JPY1,500	none	none
Launched	1/2012	6/2011	6/2010	7/2011
App	iOS 10/2012 Android 11/2013	-	iOS 11/2014 Android 1/2015	iOS 5/2015

*Compiled by GMO Pepabo (as of 9/2016)

Revenue

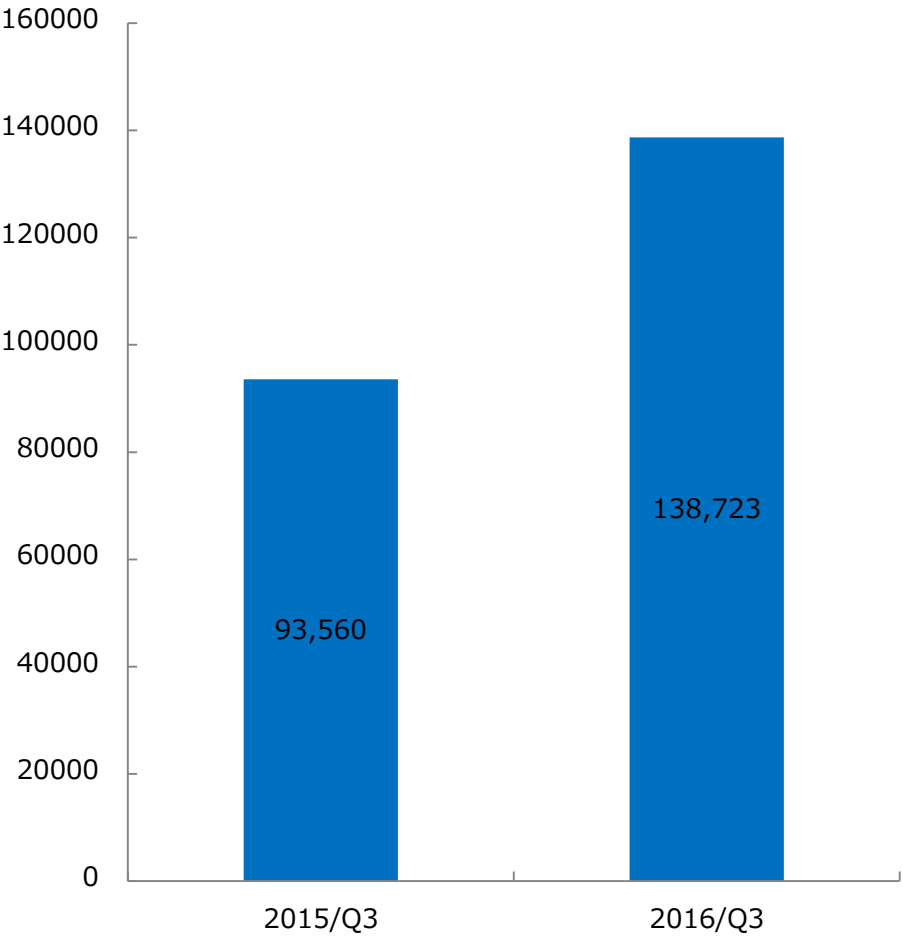
+33.6%
(3 mths to Sep)

(JPY millions)



Certificates Issued

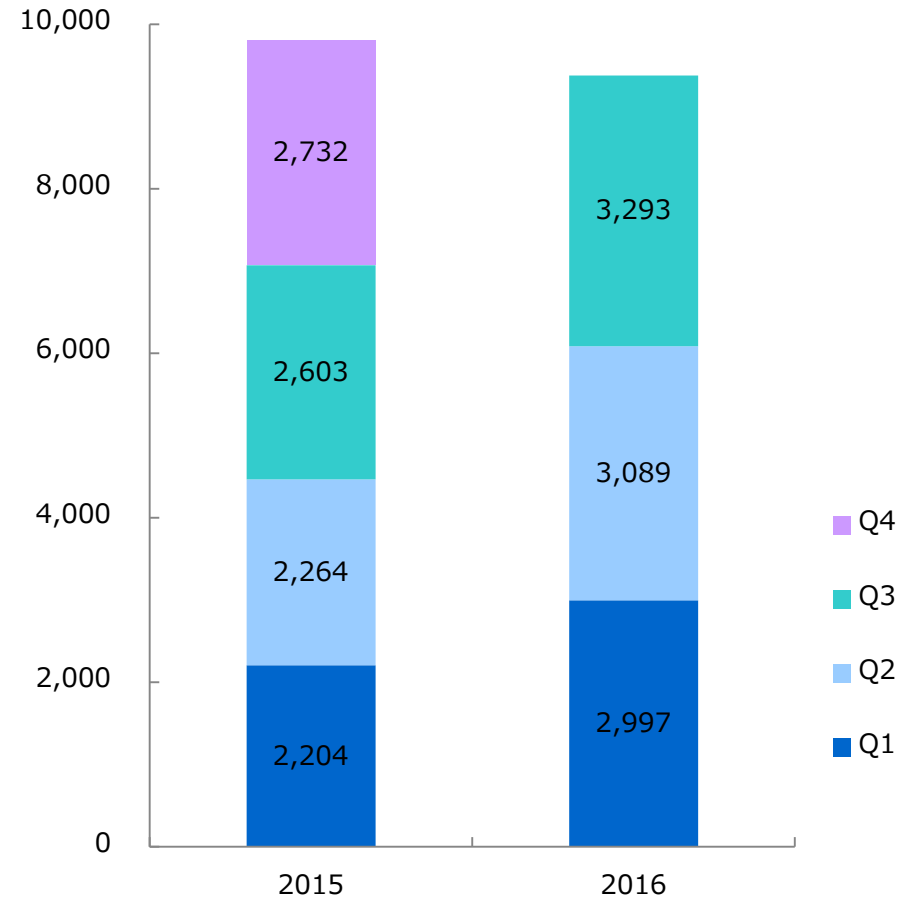
+48.3%
(3 mths to Sep)



Revenue

+ 26.5%
(3 mths to Sep)

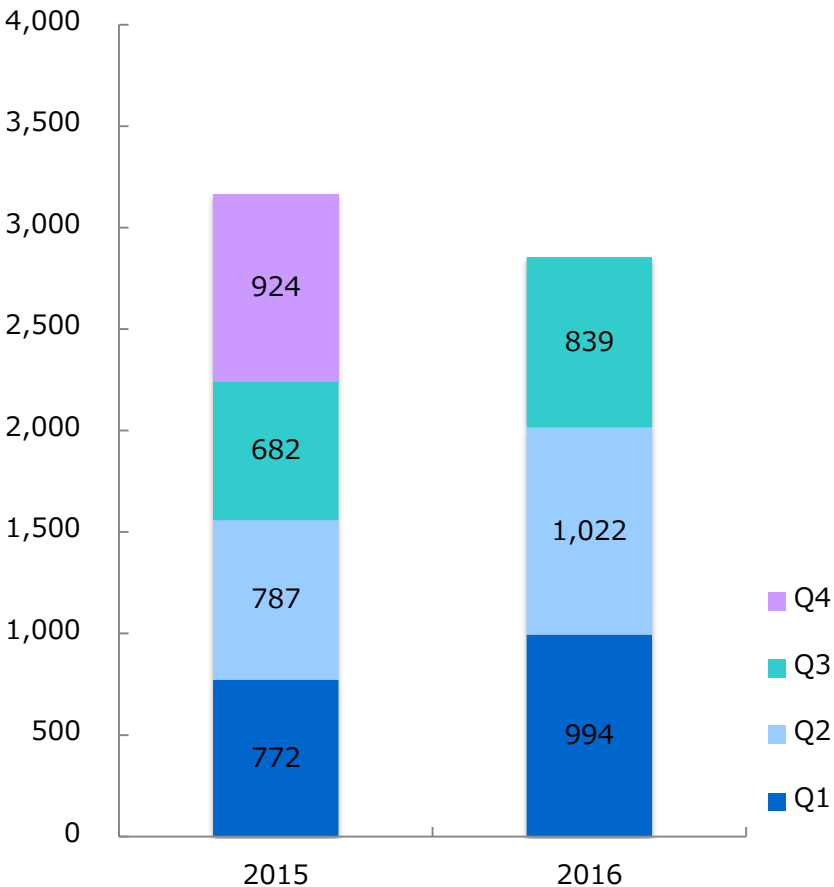
(JPY millions)



Ordinary Profit

+ 23.0%
(3 mths to Sep)

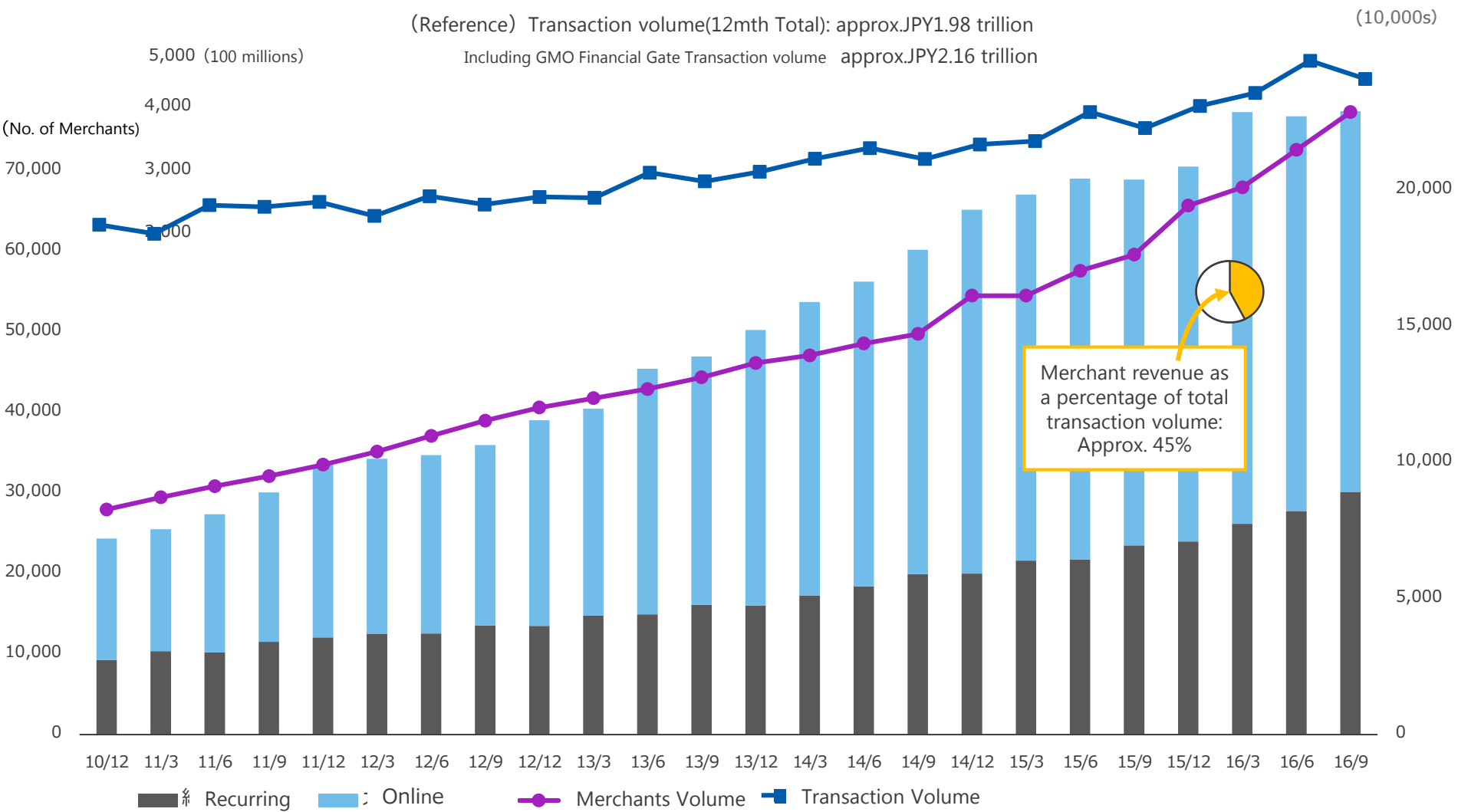
(JPY millions)



*Based on GMO Payment Gateway, Inc. data

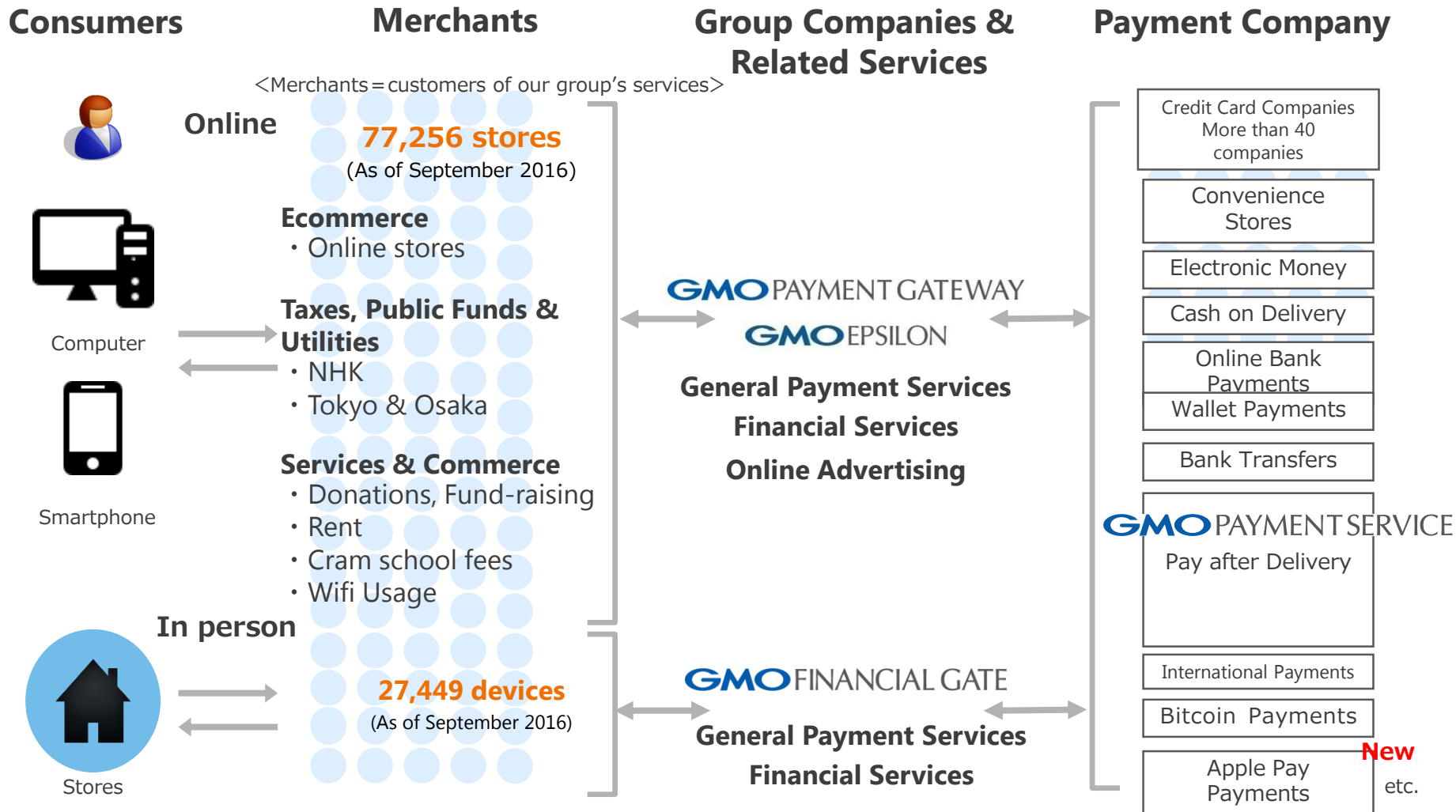
Transaction volume exceeds JPY2 trillion

Merchants : 77,256, Transaction volume: approx. JPY 500billion No. of Transactions: 234 million

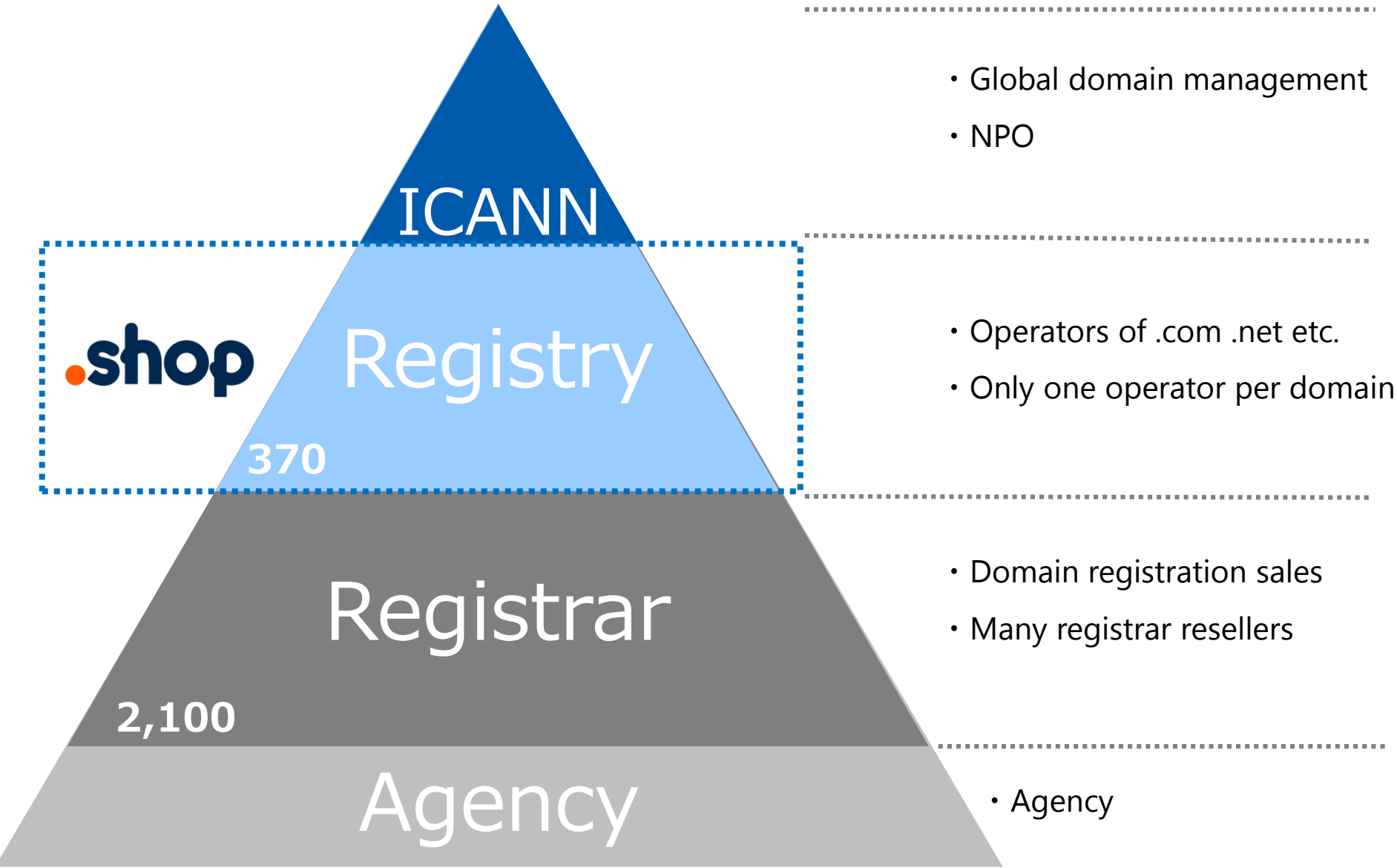


**"Merchants" is number of merchants at the end of the quarter. "Online" and "Recurring" show quarterly results. Based on GMO-PG data.

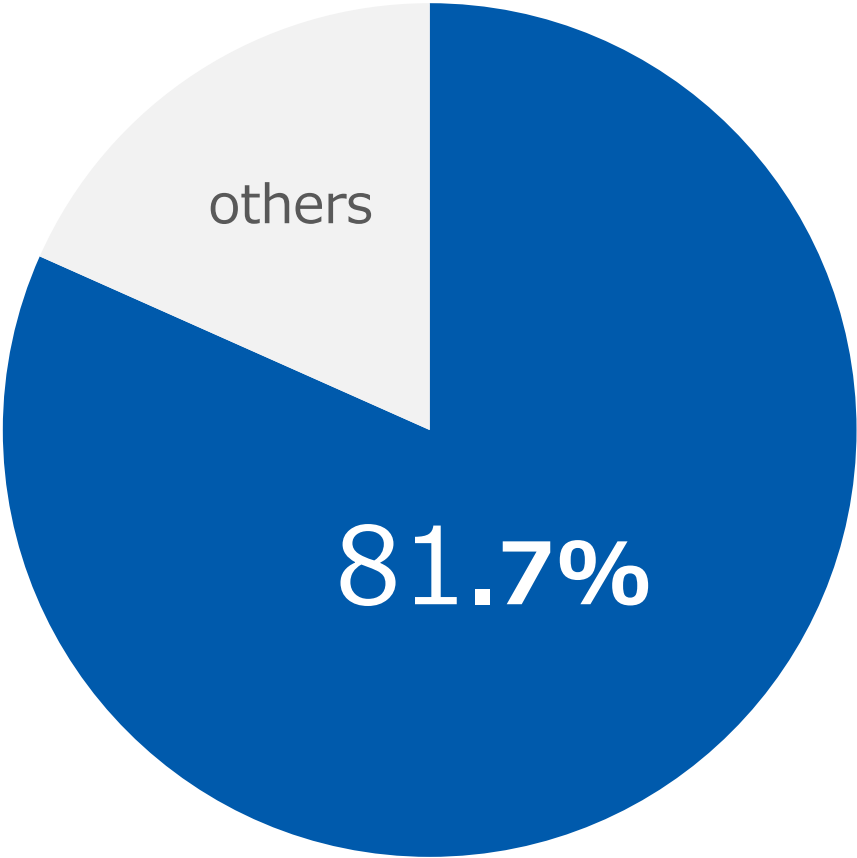
Powering merchants' and payment companies' contract, financial information, and money related exchanges



※GMO Payment Gateway's presentation materials



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

 GoDaddy®

2



3

 tucows

4



5

HICHINA ZHICHENG
TECHNOLOGY LTD

6



7


Public Domain Registry

8


INTERNET GROUP

9



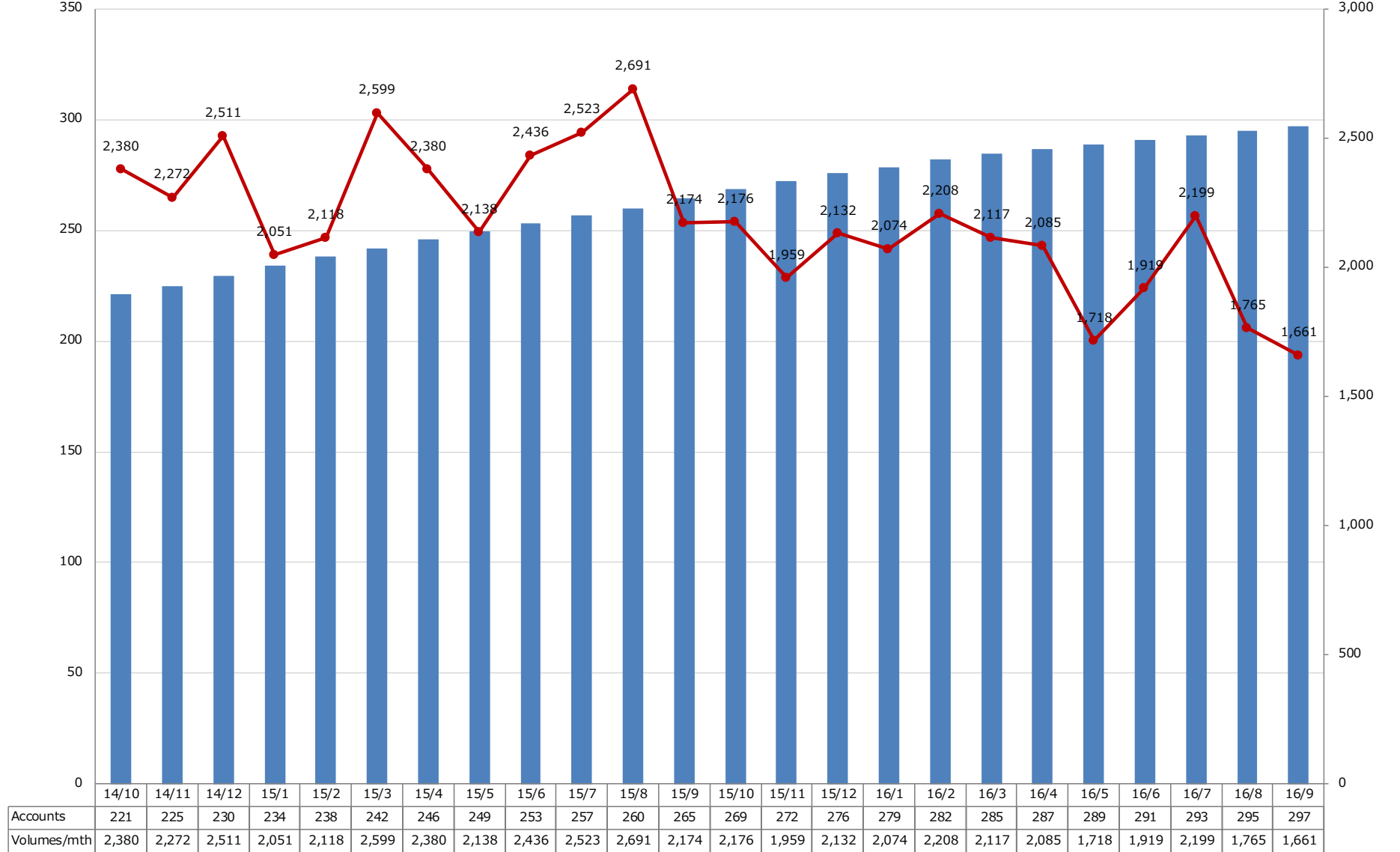
10



Source: <http://webhosting.info/domain-names/registrars> (as of 10/31)

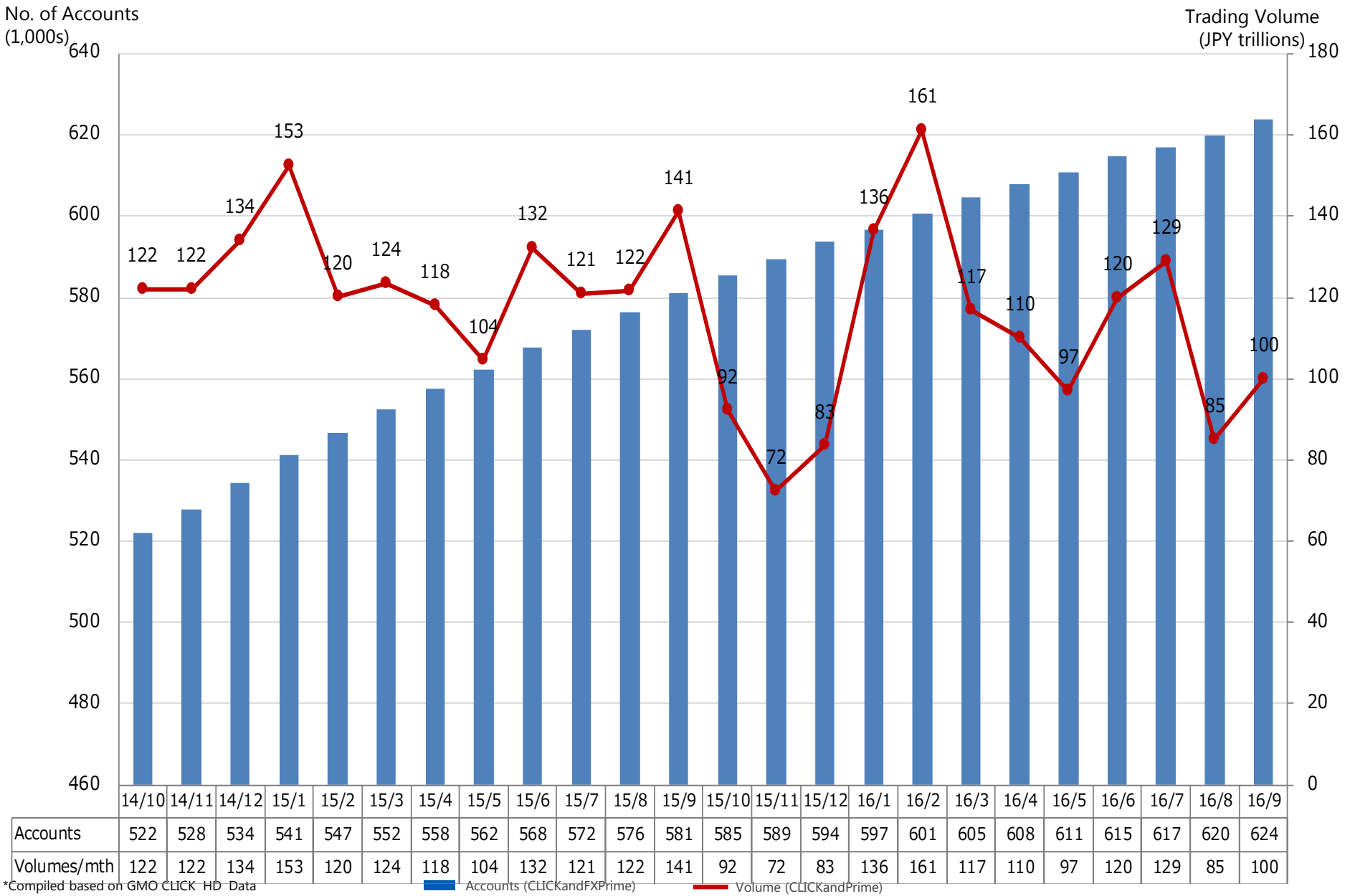
No. of Accounts
(1,000s)

Trading Volume
(JPY Billions)

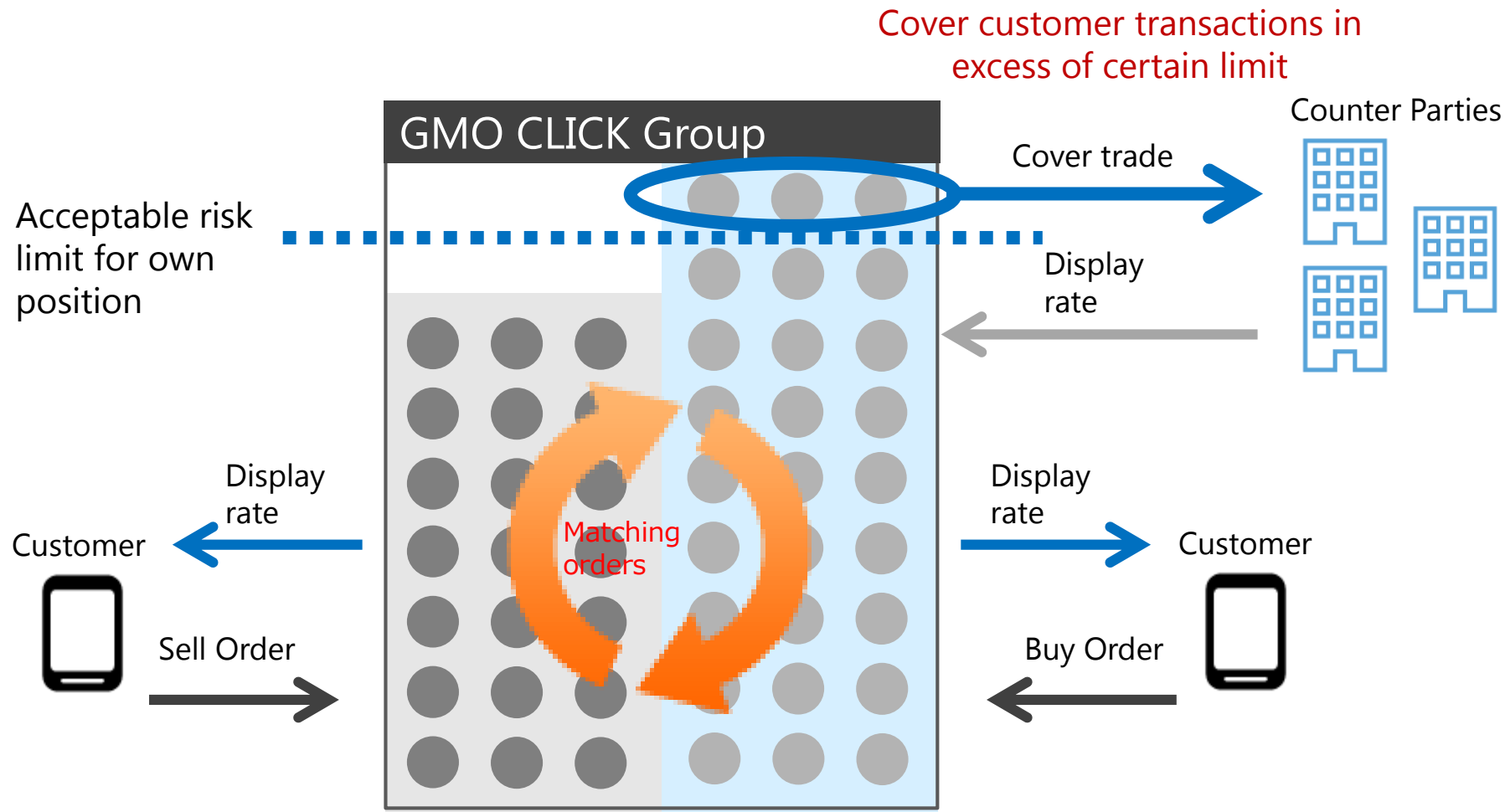


*Compiled based on GMO CLICK HD Data

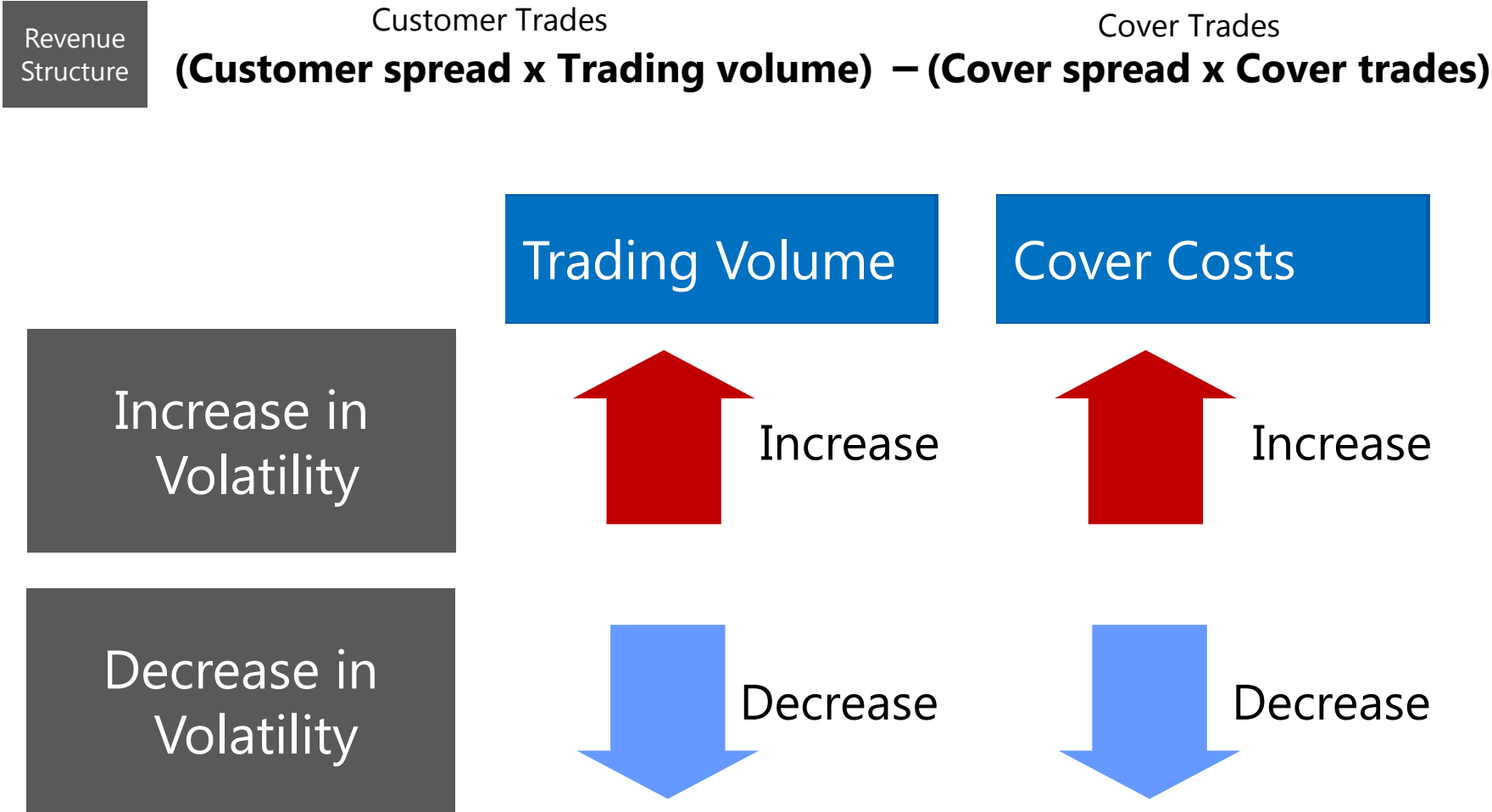
Accounts (CLICK) Volume (CLICK)



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), and next to that is the third level domain (3LD). Top level domains are managed by a registry, and 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	A 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.
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