

Fiscal Year 2017 First Quarter Results Presentation

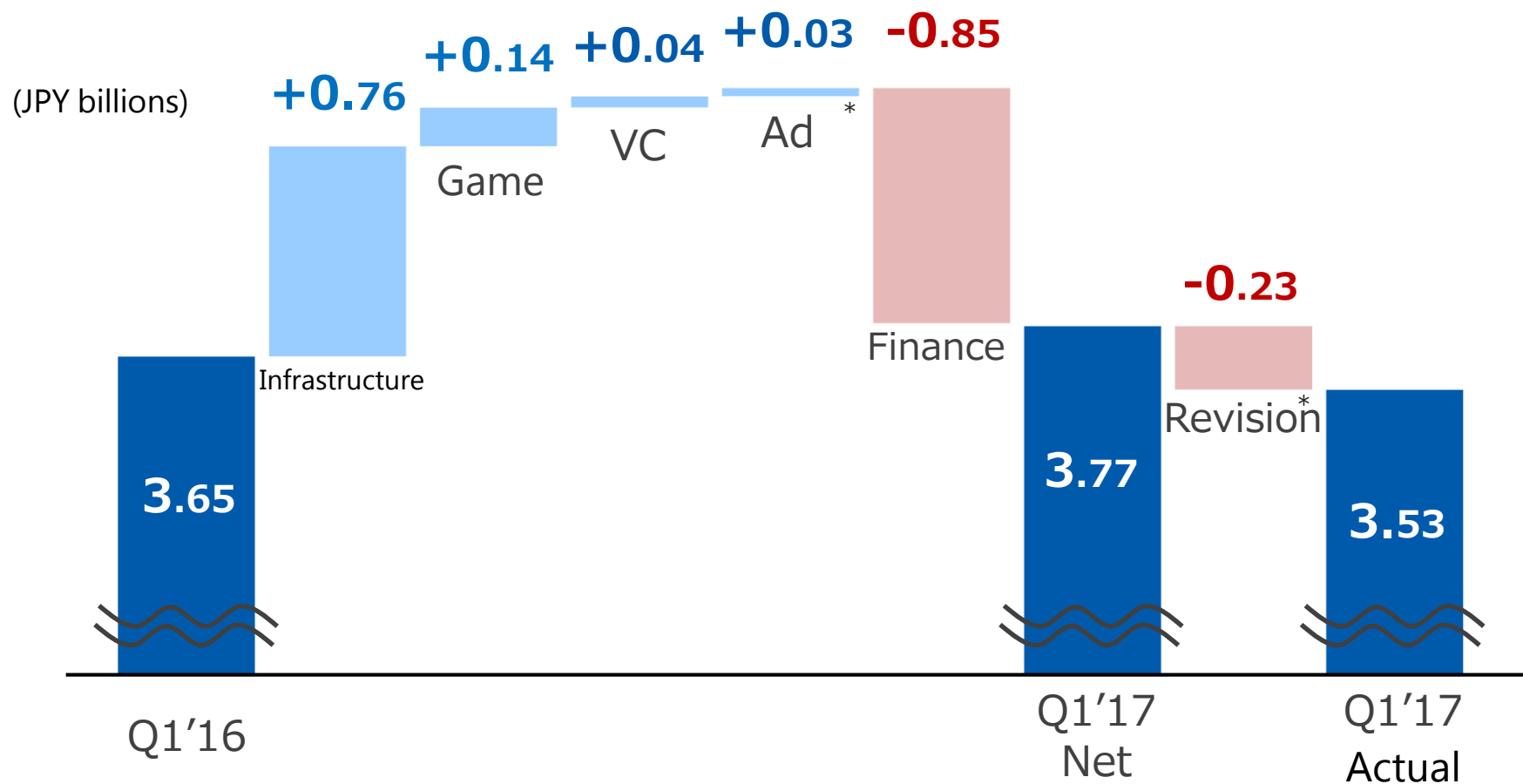
GMOINTERNET

STOCK CODE: 9449

May 15, 2017

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

- **OP: JPY 3.53B** (down **3.3%** YoY)
- Record high OP in Infrastructure. Drop in Finance due to increase in FX trading volume of low-margin currency pair and one-off drop in earning ratio.



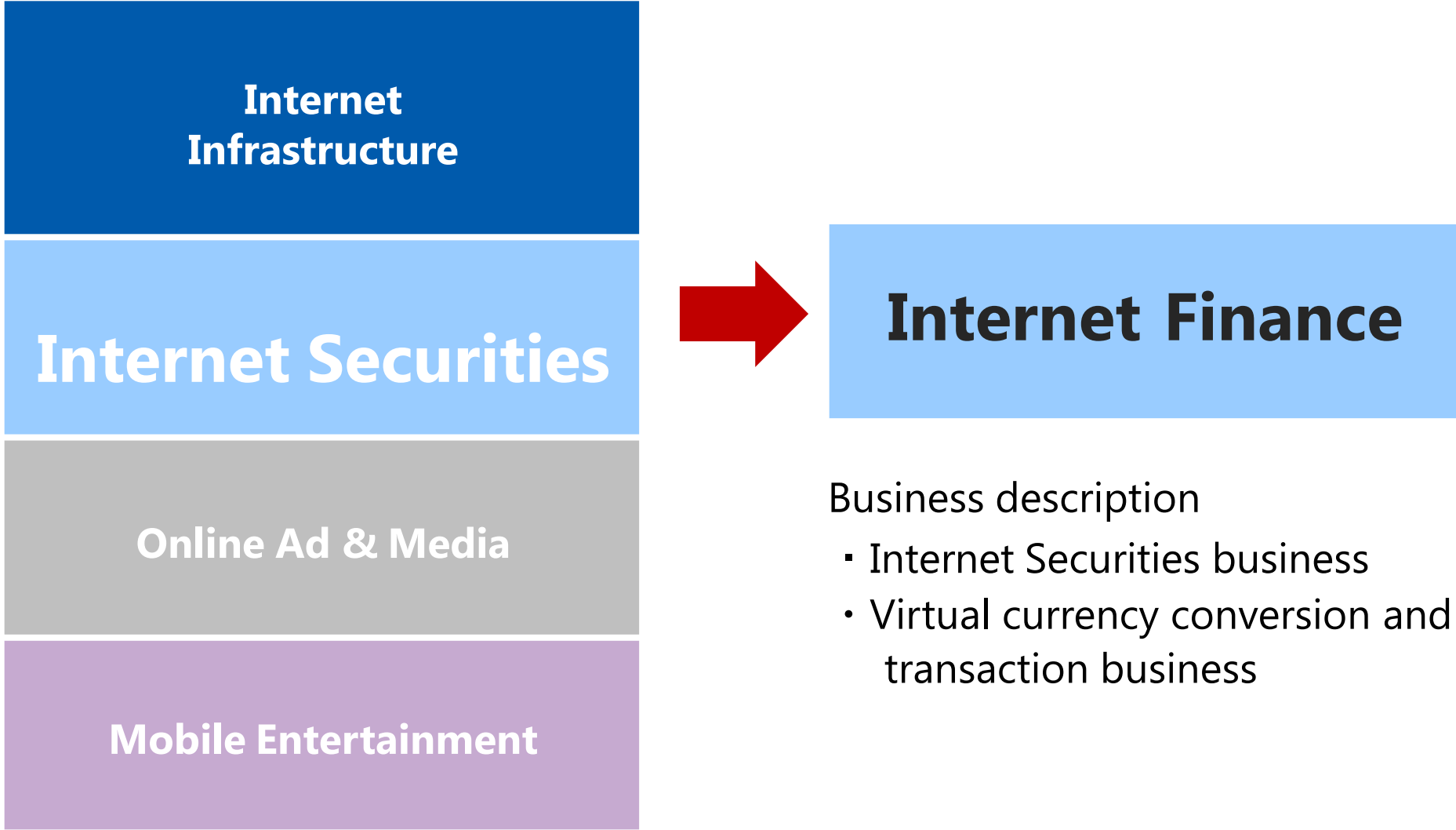
*For more details, please refer to "GMO AD Partners | Irregular reporting".

Internet Infrastructure	<p>Net sales JPY 19.7B (Up 28.7% YoY)</p> <p>OP JPY 2.15B (Up 54.7% YoY)</p> <p>Strategic investment. Significant hike leading to record high OP.</p>
Internet Finance	<p>Net sales JPY 5.5B (Down 17.2% YoY)</p> <p>OP JPY 1.22B (Down 41.2% YoY)</p> <p>Drop due to one-off factors. Measures implemented. Recovered foothold.</p>
Online Ad & Media	<p>Net sales JPY 11.5B (Up 0.6% YoY)</p> <p>OP JPY 0.25B(Down 43.2% YoY)</p> <p>Revision to net sales (JPY 230M) leading to YoY losses.</p>
Mobile Entertainment	<p>Net sales JPY 0.29B (Down 56.7% YoY)</p> <p>OP JPY -0.08B (Reduction in loss)</p> <p>Release of new titles scheduled for Q2 and beyond.</p>

Late start but the forecast for Q1 was achieved

(JPY billions)	Q1'16 (Jan-Mar)	FY17 Forecast	Q1'17 (Jan-Mar)	YoY Change	Progress
Net Sales	33.17	145.0	36.04	+8.6%	24.9%
Operating Profit	3.65	19.0	3.53	-3.3%	18.6%
Ordinary Profit	3.55	18.5	3.37	-5.1%	18.2%
Net Profit	1.36	8.0	1.15	-15.4%	14.4%

Revision of segment names to provide for future expansion of business areas



Strengthening our strengths and enhancing weaker areas with Number 1 products.

Internet Infrastructure

1. Further expansion of market share
2. Launched global brand "Z.com"
3. Developing the unique product, ".shop" (0 profit expected from .shop in current term)

Internet Finance

1. Further expansion of market share
2. Launched global brand "Z.com"
3. Launched new businesses (Internet banking and virtual currency business)

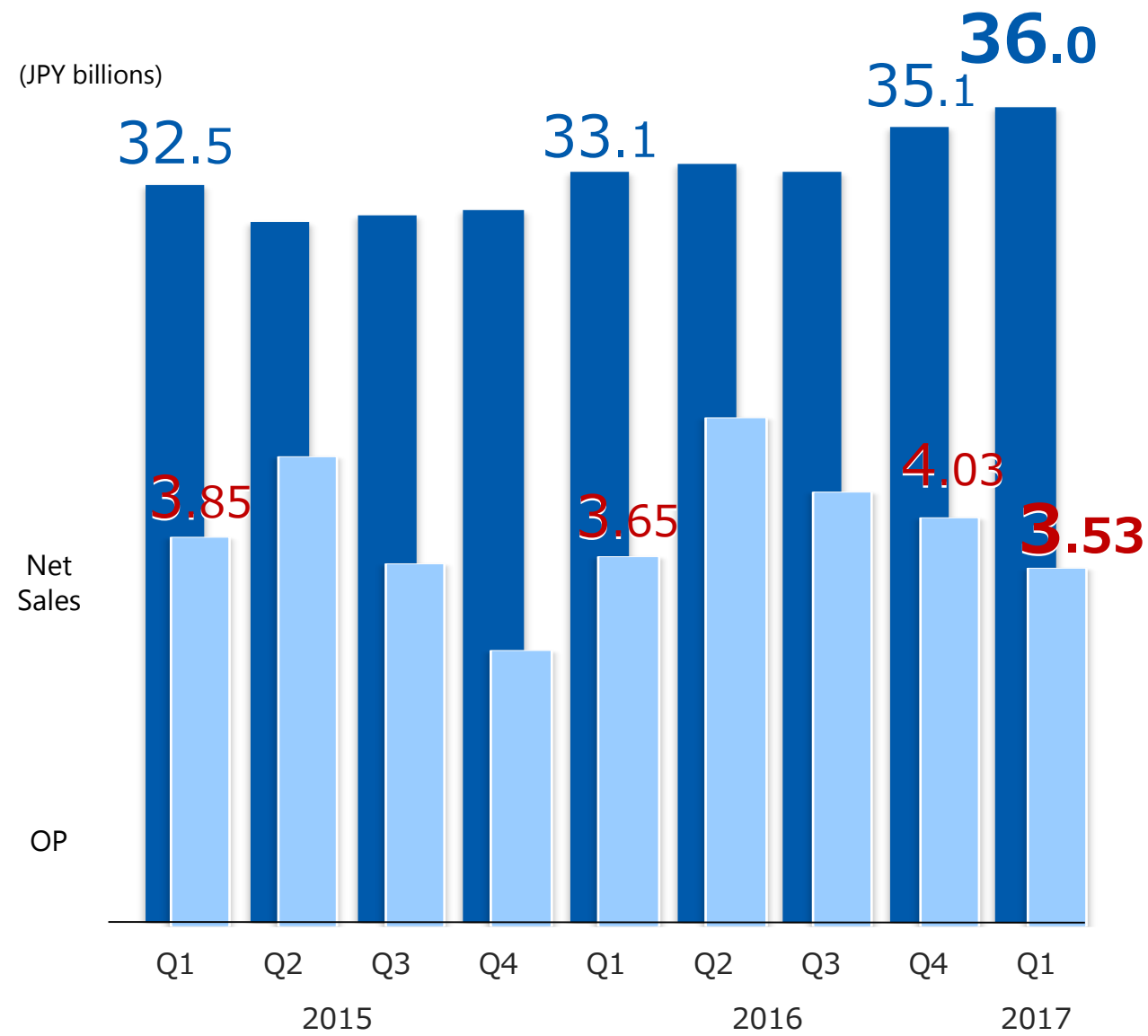
Online Ad & Media

Launched own proprietary products in ad technology shift.

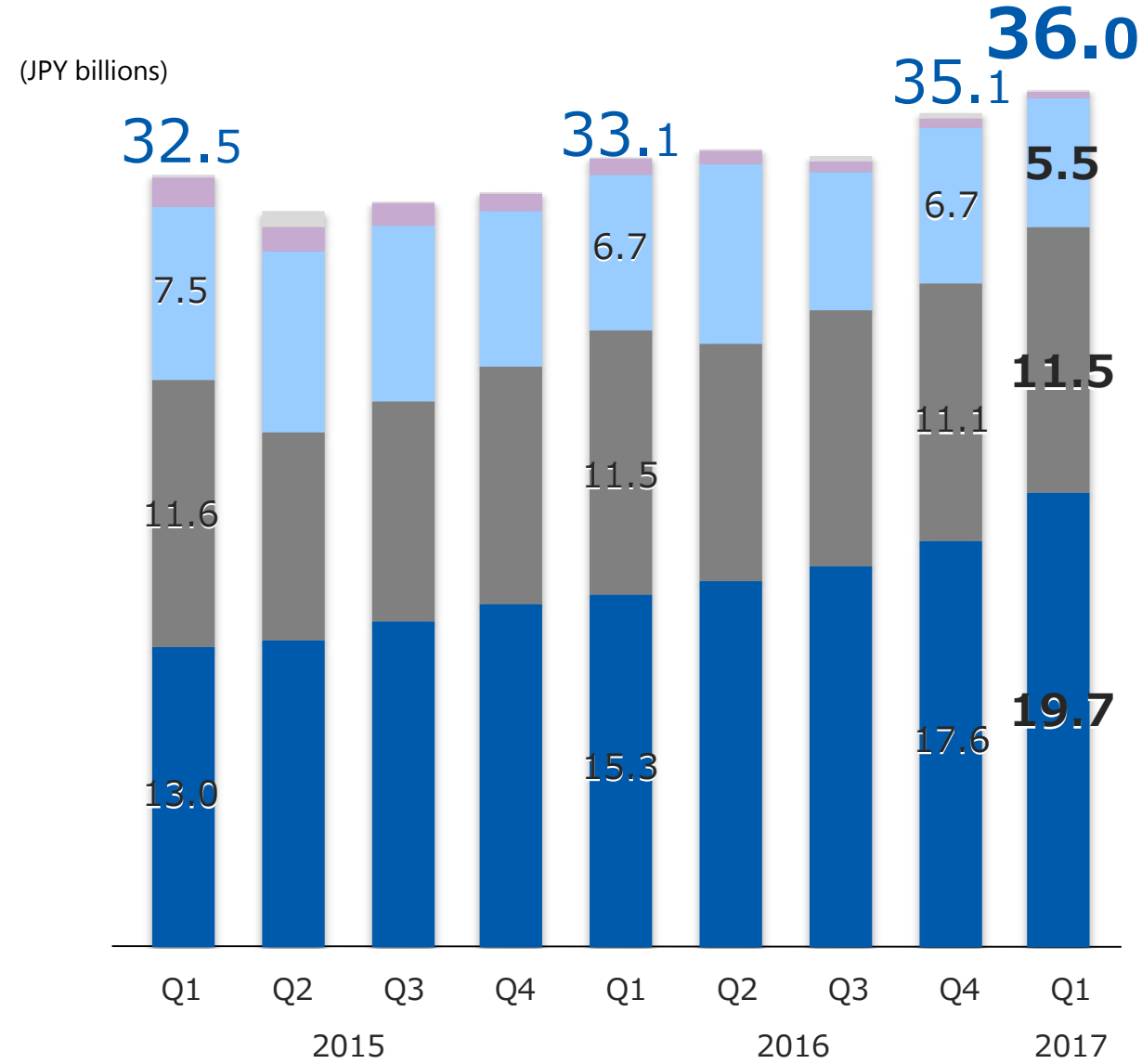
Mobile Entertainment

Focus on new titles, aiming to produce a hit.

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Revenue up
8.6%
Profit down
3.3%
YoY

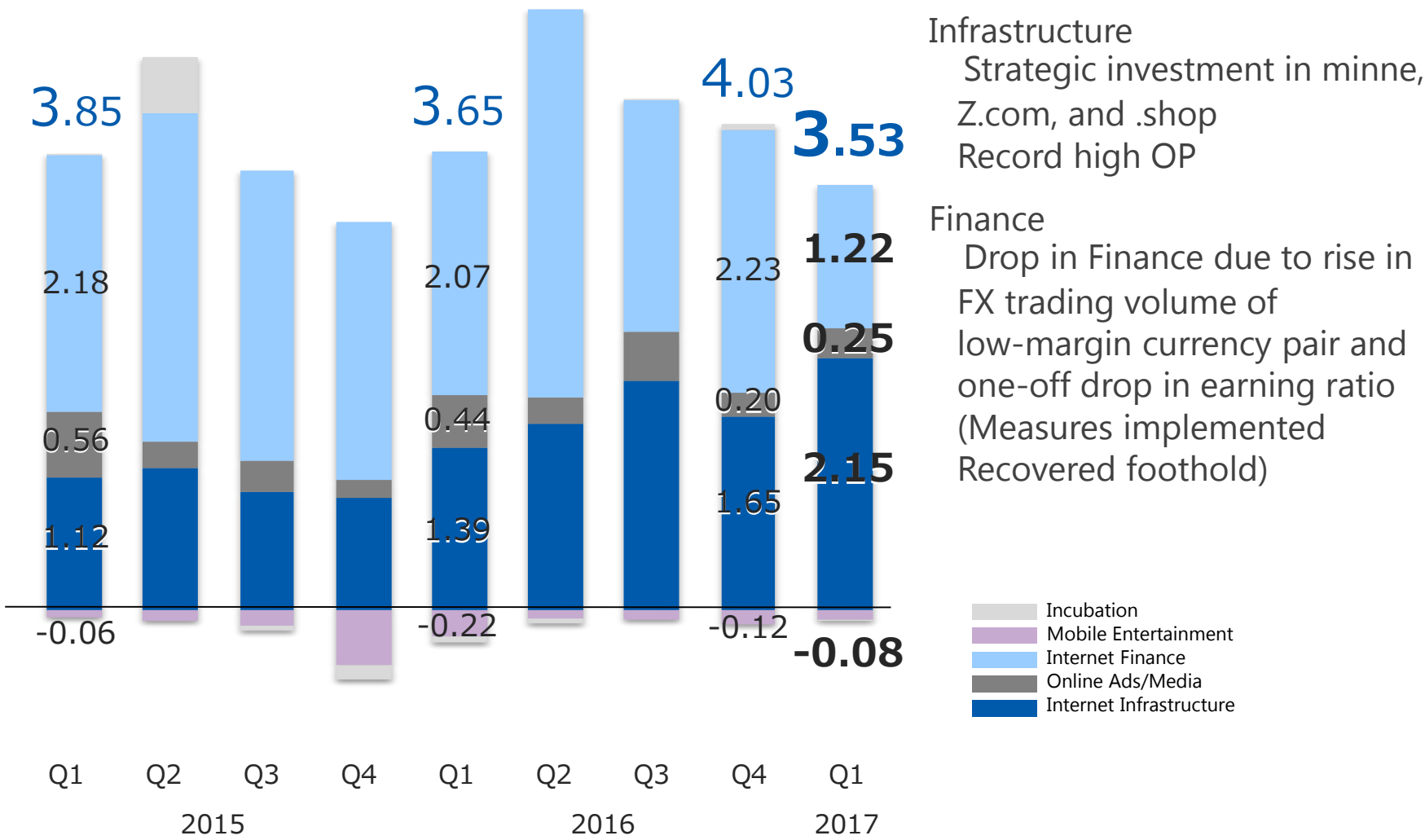


Strong results in Infrastructure with firm foundation of recurring revenue

- Incubation
- Mobile Entertainment
- Internet Finance
- Online Ads/Media
- Internet Infrastructure

Profit by Segment

(JPY billions)



Consolidated Profit and Loss

(JPY millions)	Q1'16 (1-3/2016)	Q1'17 (1-3/2017)	Change	supplementary information
Net Sales	33,173	36,040	8.6%	
Gross Profit on Sales	16,453	17,278	5.0%	
Operating Profit	3,657	3,537	-3.3%	
(OP Margin)	11.0%	9.8%	-1.2pt	
Non Operating Profit and Loss	-105	-164	-	
Ordinary Profit	3,552	3,372	-5.1%	
Extraordinary Profit or loss	-235	-60	-	
Profit before Tax	3,317	3,312	-0.1%	
Profit attributable to Owners of the Parent	1,361	1,151	-15.4%	Increased tax burden and non- controlling interest in income

Consolidated Balance Sheet

(JPY millions)	End of 12/2016	End of 3/2017	Change	GMO CLICK HD (End of 3/2017)	Change
Current Assets	553,903	580,925	4.9%	476,232	6.6%
Cash & Deposits	90,282	92,547	2.5%	44,722	20.2%
Fixed Assets	34,915	35,148	0.7%	4,792	-2.1%
Goodwill	3,857	3,741	-3.0%	-	-
Software	4,327	4,436	2.5%	1,182	-2.8%
Investment Securities	7,832	7,827	-0.1%	1,561	-0.7%
Total Assets	588,819	616,073	4.6%	481,025	6.5%
Liabilities	522,639	549,134	5.1%	453,191	6.9%
Interest-bearing debts	71,512	96,664	35.2%	79,680	45.6%
Net Assets	66,179	66,939	1.1%	27,833	0.4%
Non-controlling Minority Equity	26,571	26,966	1.5%	-	-
Shareholders' Equity	39,527	39,896	0.9%	27,833	0.4%
Earned Surplus	33,328	33,802	1.4%	24,279	0.3%
(Shareholders' Equity Ratio)	6.7%	6.5%	-0.2pt	5.8%	-0.4pt
Liabilities/Net Assets Total	588,819	616,073	4.6%	481,025	6.5%

Market Cap / Equity Share in Listed Group Companies

Listed Group Companies: Equity Share



Stock Code	Stock Name	Exchange	Market Cap ^{*1} (JPY billion)	% Ownership ^{*2}	Equity Share (JPY billion)
9449	GMO Internet	TSE 1	164.1		
3769	GMO Payment Gateway	TSE1	229.2	51.6%	118.2
7177	GMO CLICK Holdings	TSE JQS	93.1	81.0%	75.4
3788	GMO CLOUD	TSE1	30.1	51.8%	15.5
3633	GMO Pepabo	TSE JQS	9.1	64.1%	5.8
4784	GMO AD Partners	TSE JQS	7.5	55.8%	4.1
6180	GMO Media	TSE MOTHERS	5.6	65.5%	3.6
3695	GMO Research	TSE MOTHERS	3.5	53.7%	1.8
6026	GMO TECH	TSE MOTHERS	2.7	54.1%	1.4
Group Total			544.9 ^{*3}		225.8

*1 Market value as of 5/12/2017
*2 Includes indirect holdings
*3 Calculated as the sum of the listed market cap values

Consolidated Cash Flow

(JPY billions)	Q1 FY16	Q1 FY17	Significant Factors	GMO CLICK HD
Operating Cash Flow	-29.78	-20.28	Increase in deposits: -17.0B	-16.46
Investing Cash Flow	-0.58	-3.74	Purchase of tangible and intangible fixed assets: -1.0B	-2.75
Financing Cash Flow	38.85	23.58	Interest-bearing debt: 25.1B (due to increase in customer assets in Finance)	24.16
Change in Cash and Equivalents	8.24	-0.36		4.87
Balance of Cash and Equivalents	83.17	89.75		42.08

1. Overview

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3. Segment Report

i) Group Overview

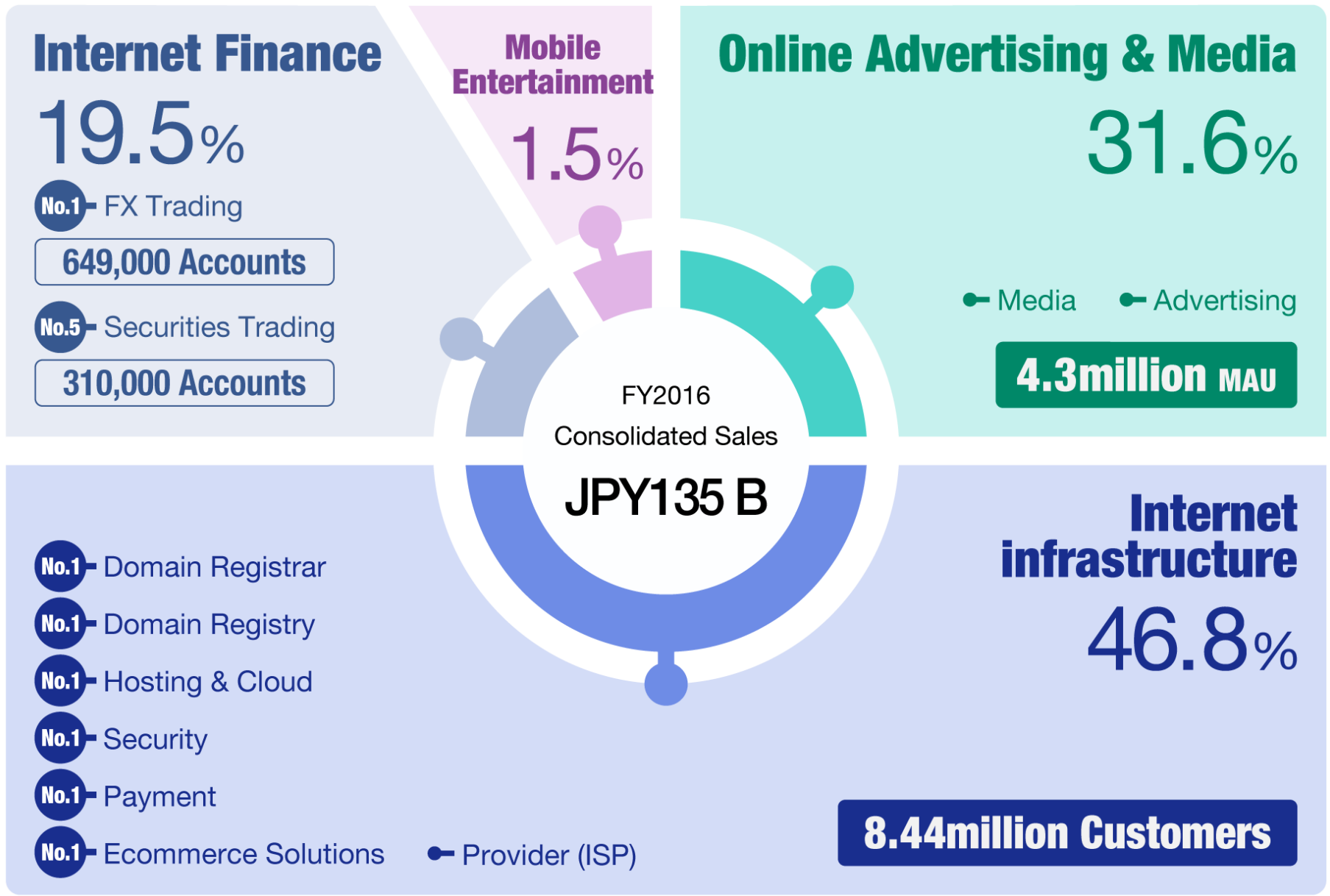
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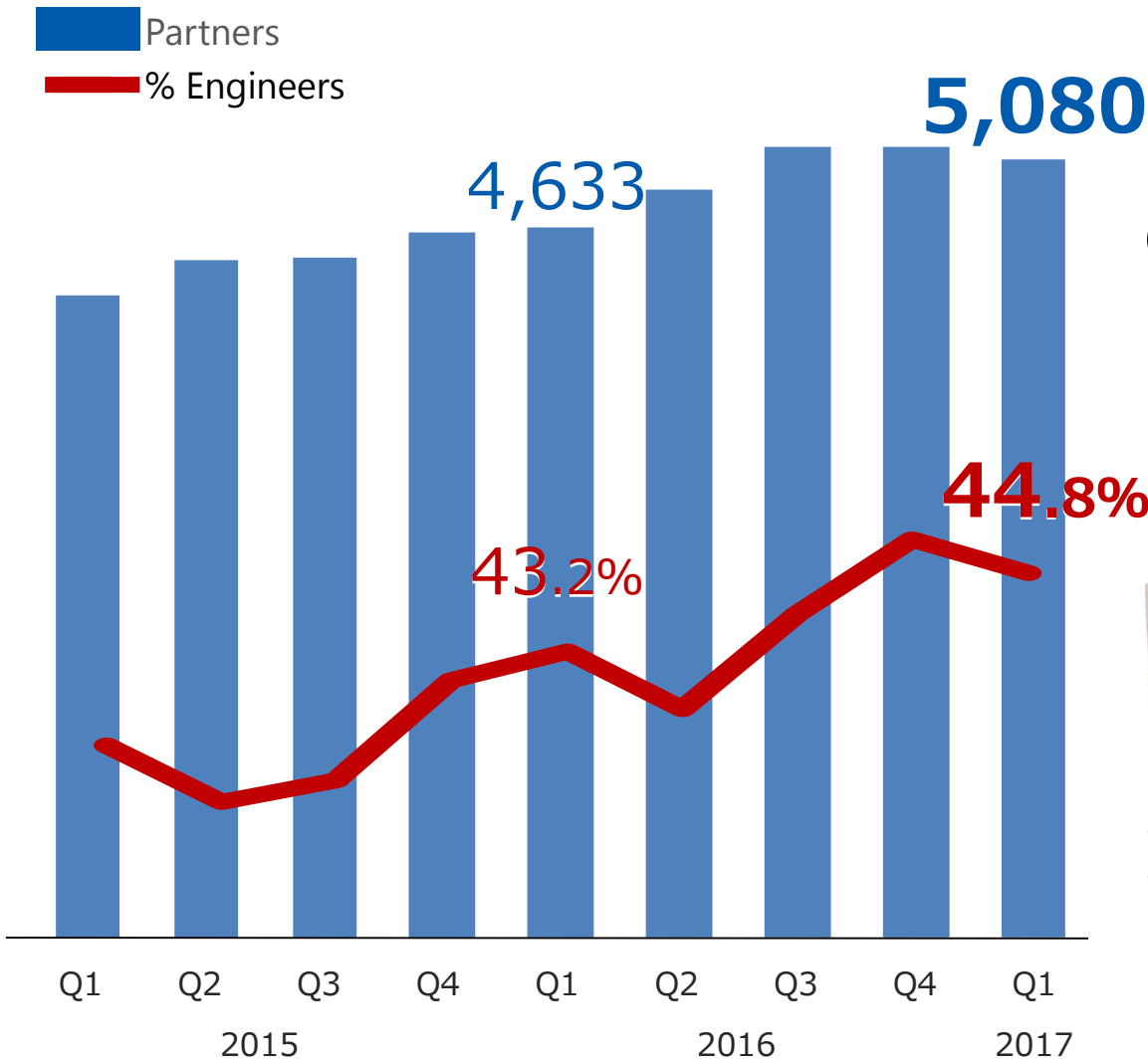
v) Mobile Entertainment

4. Group Strategy



*Net sales ratio is calculated based on the numbers before cancelling inter-segment transactions.

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

GMO REGISTRY
GMO BrightsConsultingBrand TLDs / Geo TLDs
81.7% of gTLD market in Japan *1Strong
No. 1

Domain Registrar



Domestic gTLD market share at 90.0%*2

Strong
No. 1

Hosting & Cloud



Domestic market share at 55.7% *3

No. 1

Ecommerce



75,000 paid stores

No.1

Security



129.5% YoY increase in certificate issues

No. 1

Payment

GMO PAYMENT GATEWAY
GMO EPSILON

85,000 merchants

*1 Based on our own data

*2 Based on ICANN data

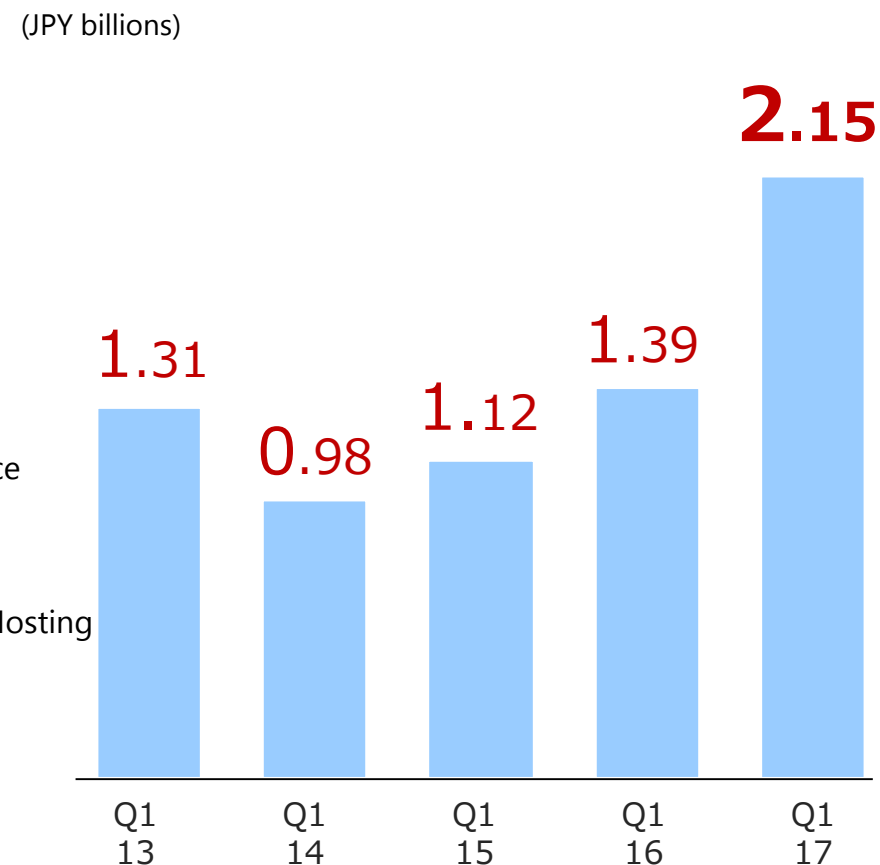
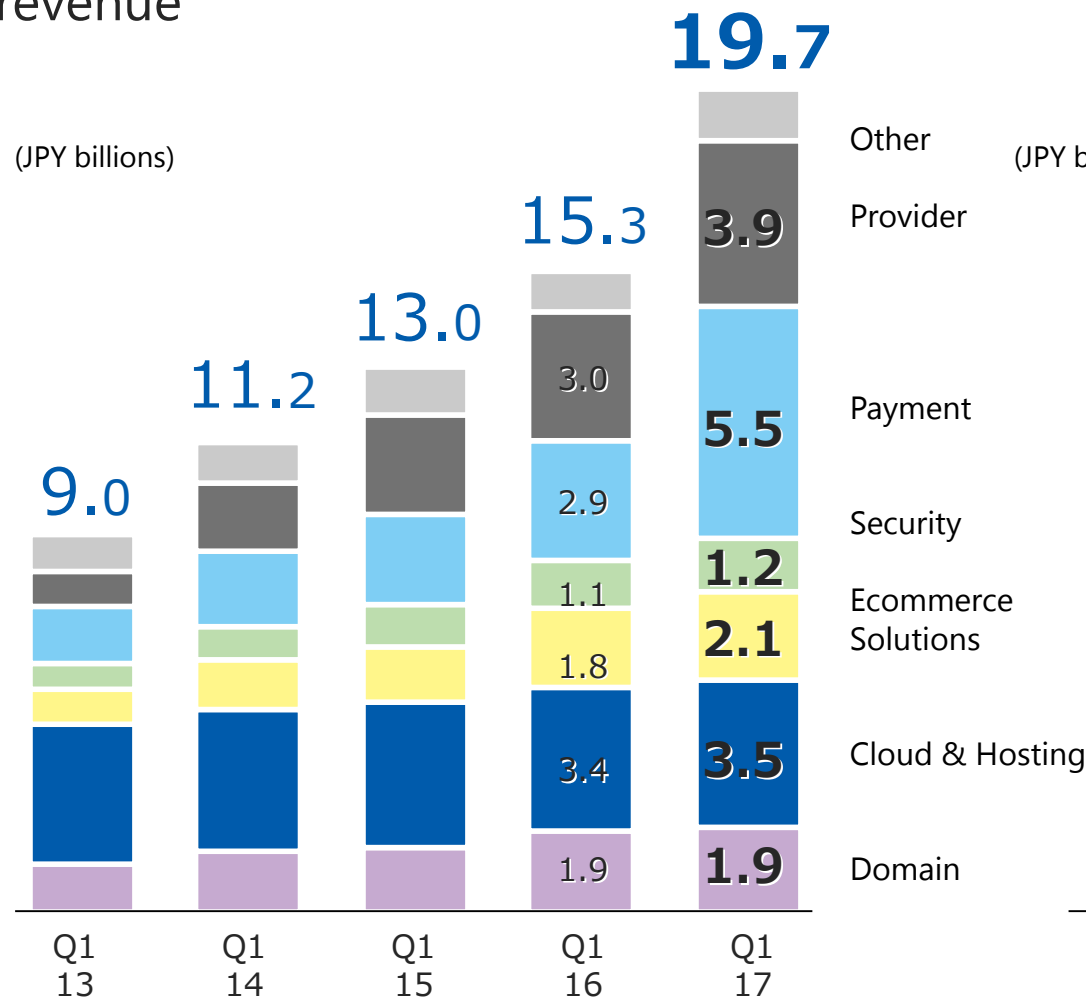
*3 Based on Webhosting.info data

Net Sales: YoY **28.7% up**

Acceleration in growth with transaction based revenue in addition to recurring revenue

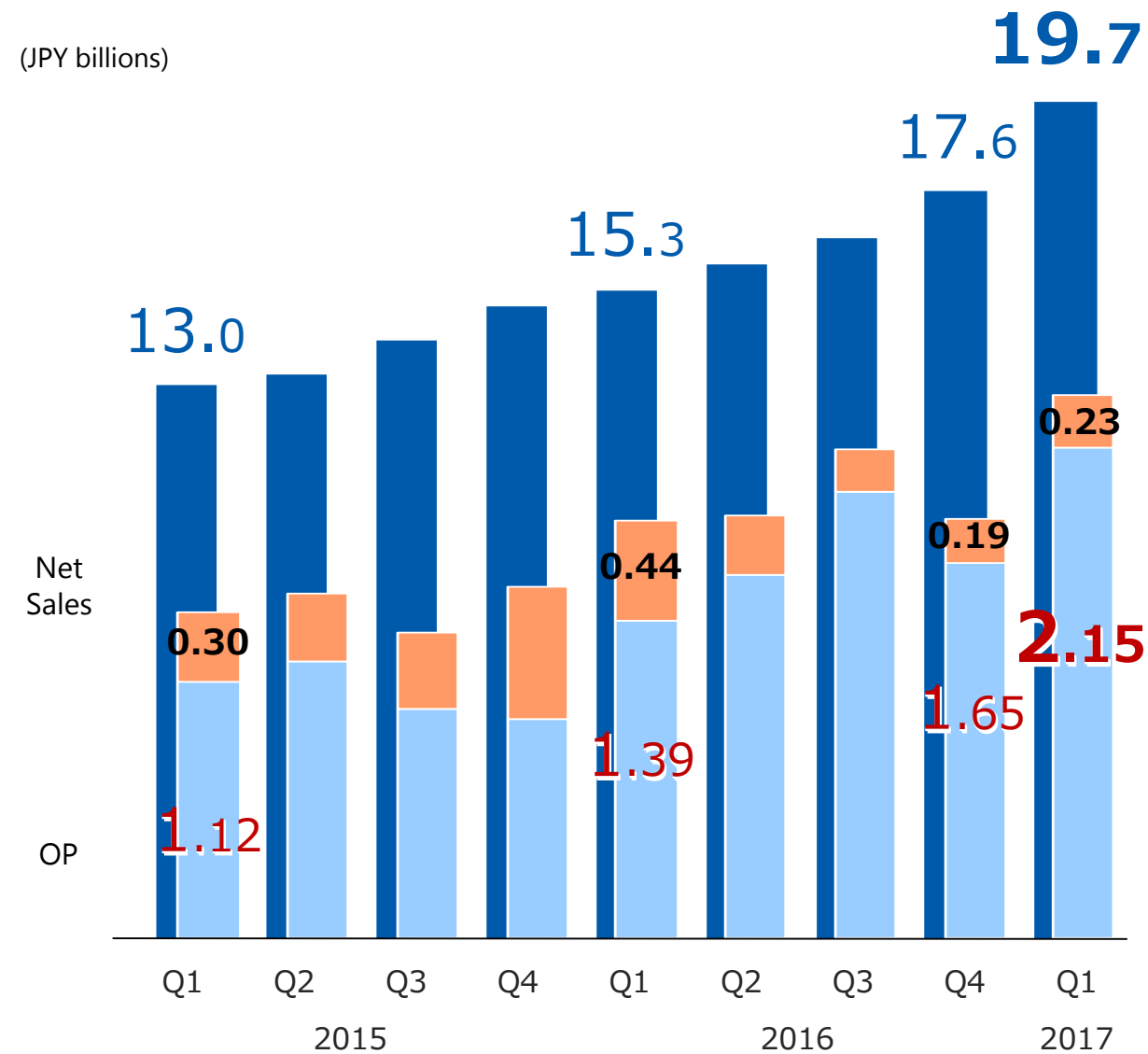
Operating Profit: YoY **54.7% up**

Infrastructure is growing
Record high OP



Historical Performance by Quarter

(JPY billions)

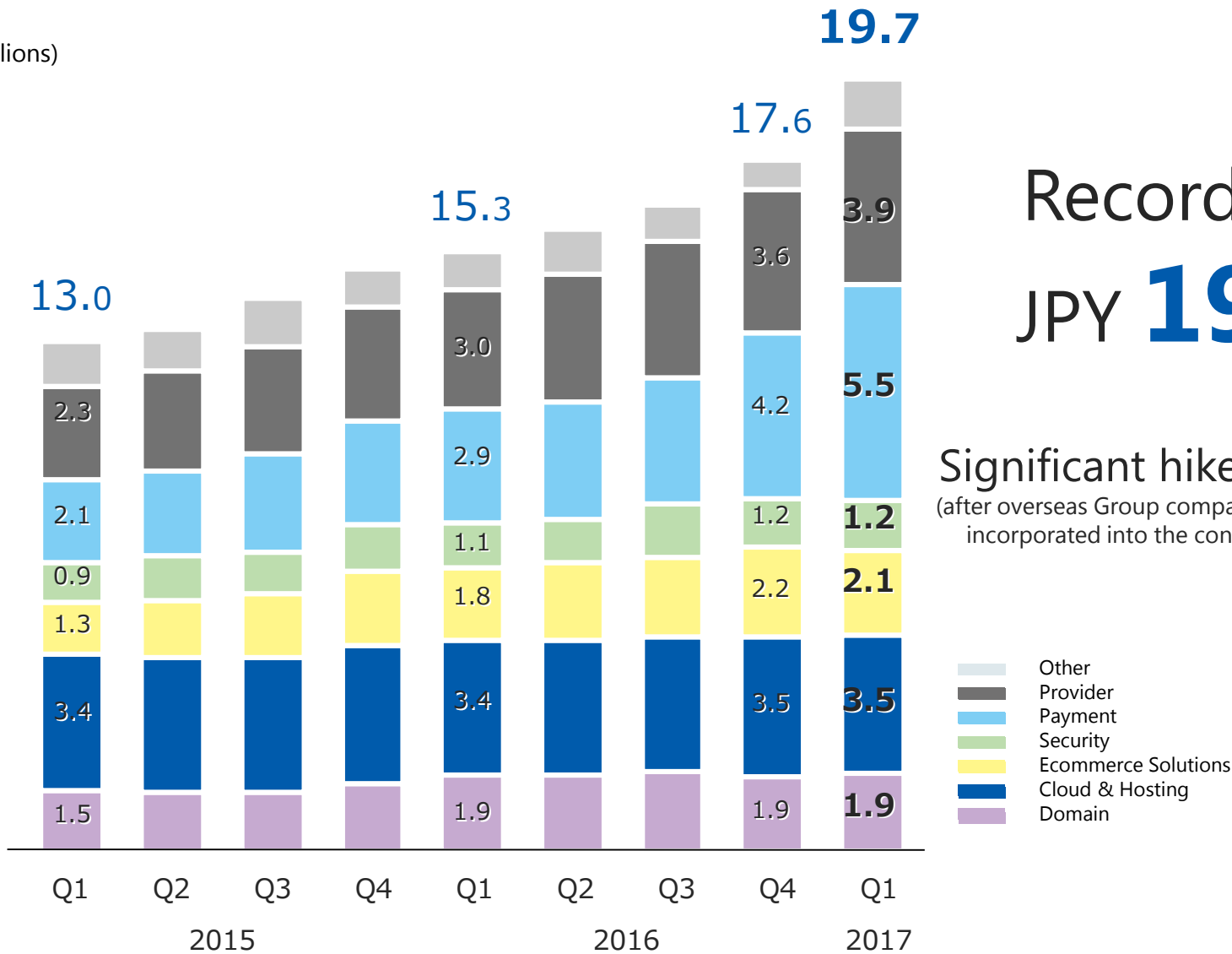





Revenue up
28.7%
Profit up
54.7%
YoY

*Orange indicates strategic investment.

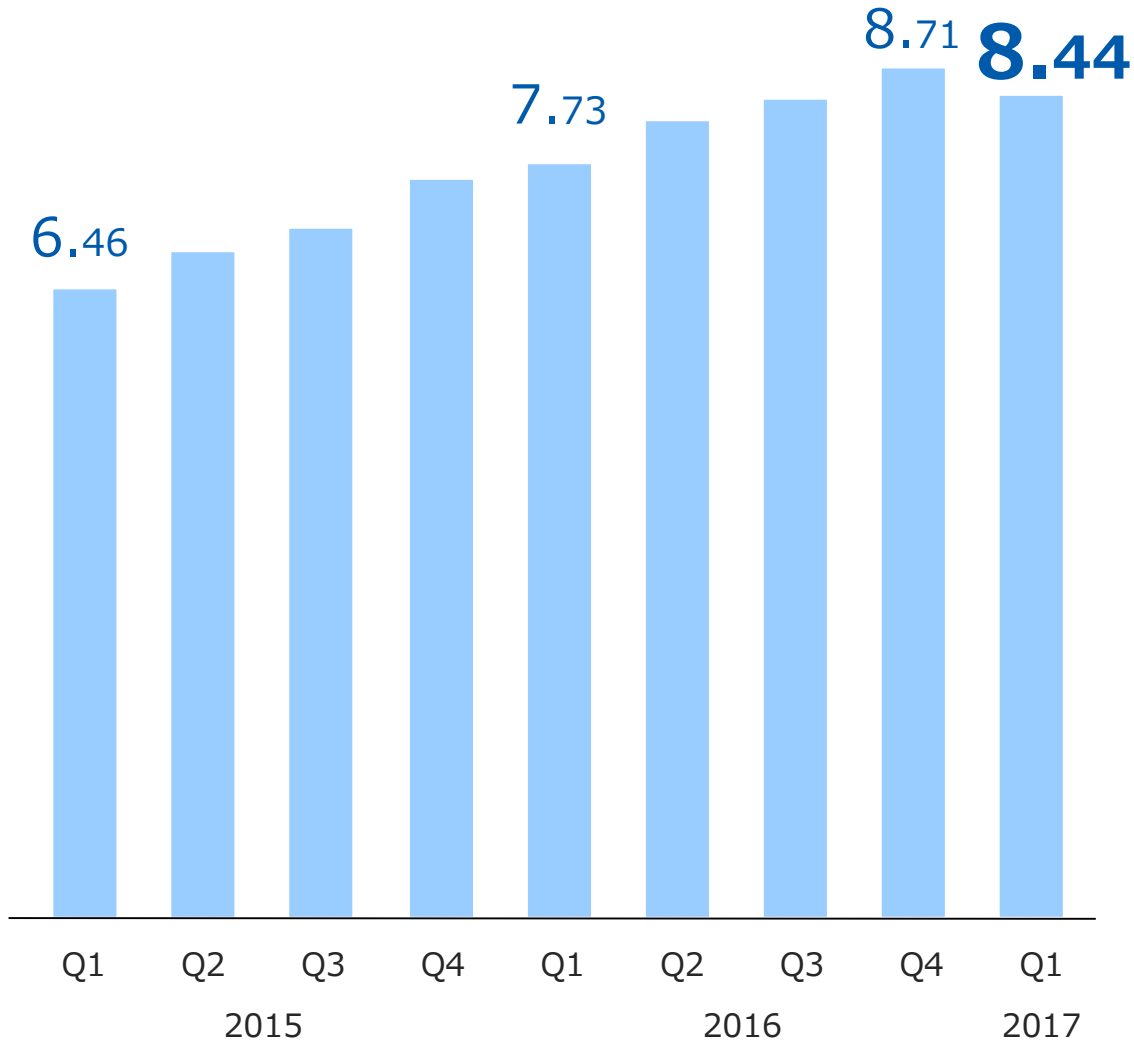
Net Sales by Sub-Segment

(JPY billions)



		(JPY billions)	
	Net Sales	5.64	(up 88.3%)
	Operating profit	1.33	(up 32.4%)
	The performance of payment processing services and finance-related services (pay later), and overseas sales and OP were better than expected. Adjusting credit model for pay later services.		
	Net Sales	3.00	(up 6.3%)
	Operating profit	0.27	(up 62.6%)
	Security business grew due to the increase in SSL usage. Decrease in goodwill leading to rise in OP.		
	Net Sales	1.80	(up 9.3%)
	Operating profit	0.11	(Turned positive)
	Strong results in core businesses. Record high revenue. JPY 230M spent on minne advertisements (JPY 440M for FY2016).		

(millions)



9.1%
YoY growth^{*}

8.44M
contracts

^{*}Excluding minne KPI

Details

In March 2017, there was unauthorized access to Tokyo Metropolitan Government credit card payment site for metropolitan tax, and credit card payment site for group life insurance rider of Japan Housing Finance Agency, which led to information leakage.

Present

- Measures to prevent recurrence were implemented by Recurrence Prevention Committee
- Safety audit by external experts was completed
- Credit card payment site for metropolitan tax was resumed

Value of impact (JPY billions)

Item	Value	Details
Extraordinary loss	-0.27*	Information security cost
Extraordinary profit	+0.16	Insurance premium
Total	-0.11	Booked in Q1 2017

*Extraordinary loss of -0.25 out of -0.27 is incorporated into the consolidated statement of GMO Internet. Total value of impact on GMO Internet is -0.09.

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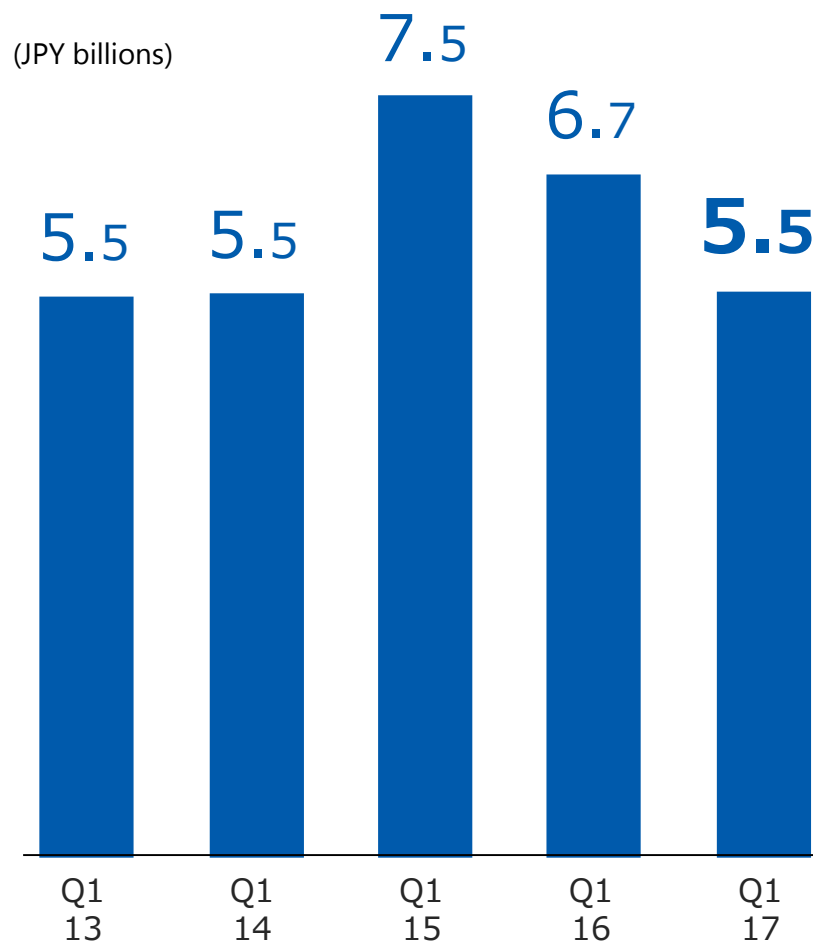
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4. Group Strategy

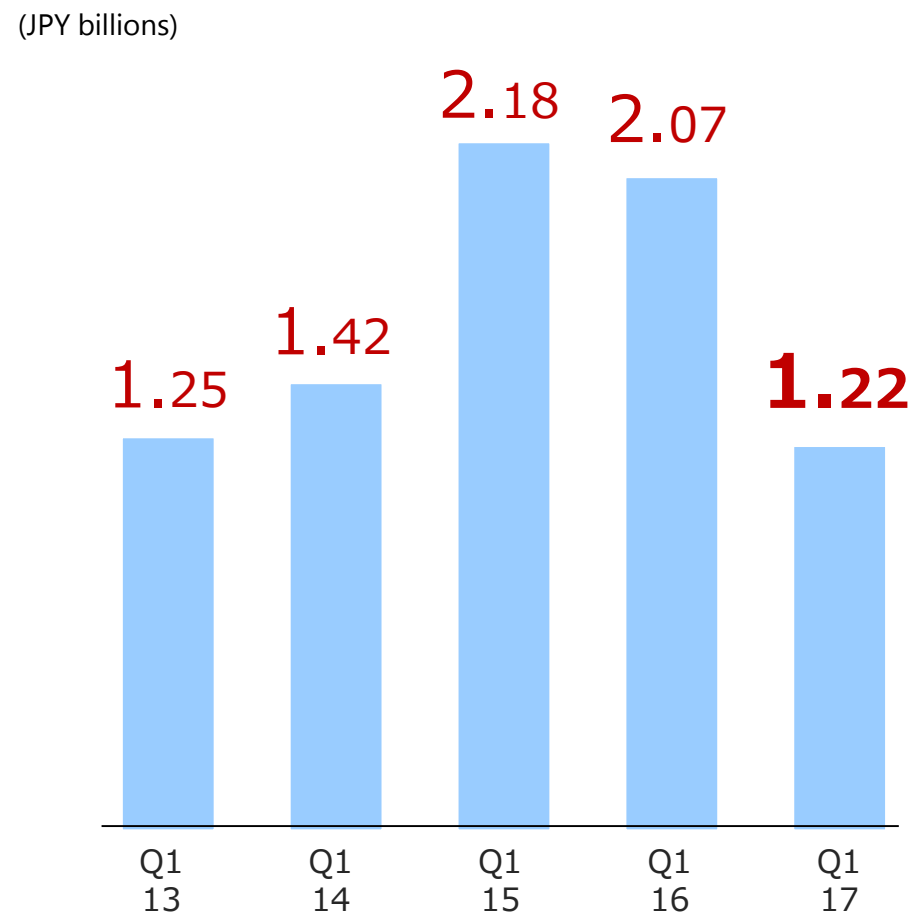
Net Sales: YoY **17.2% down**

Rise in trading ratio of USD/JPY currency pair. Fall in FX revenue due to one-off drop in earning ratio



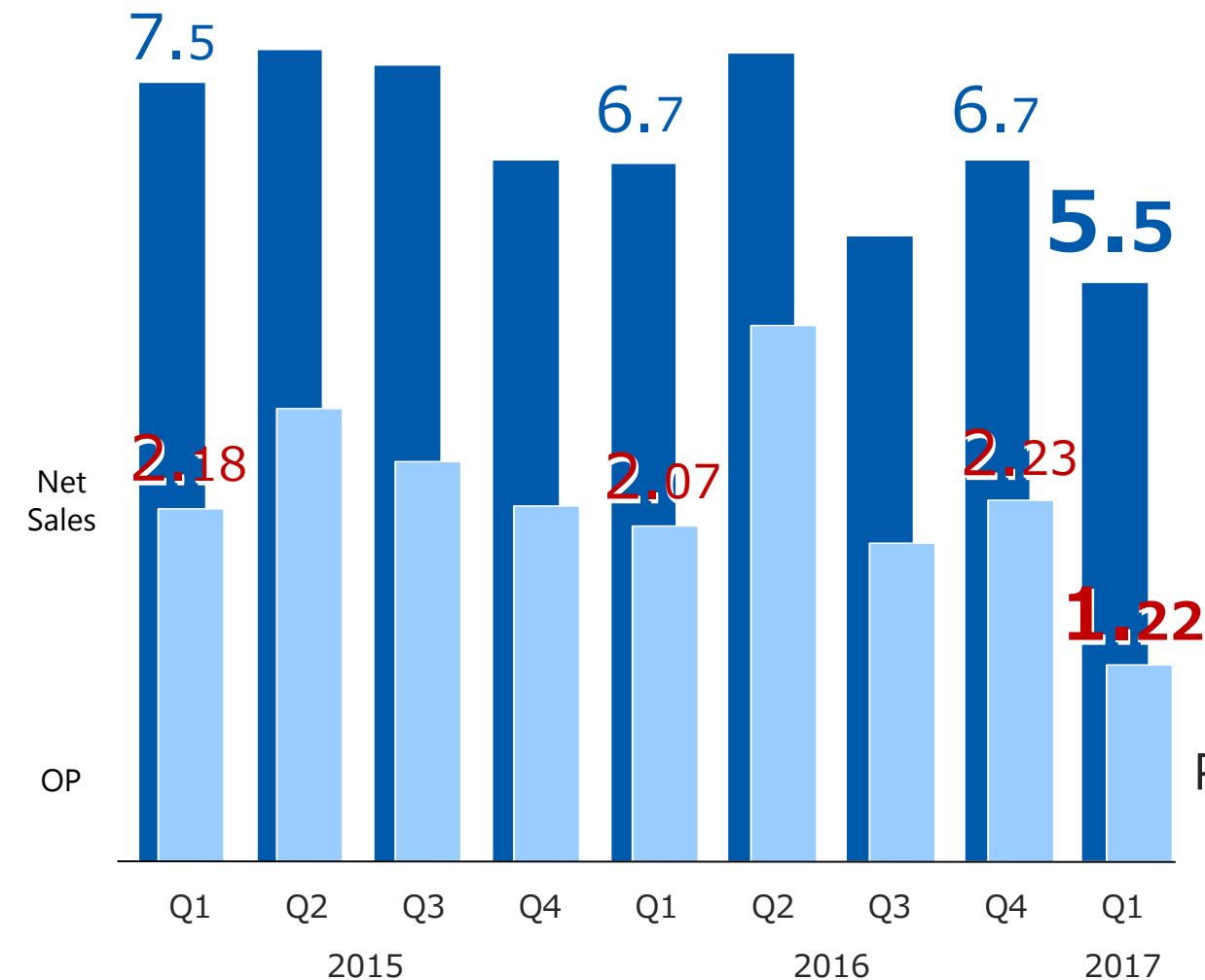
Operating Profit: **45.4% down**

Drop due to the fall in high-margin OTC transaction



Historical Performance by Quarter

(JPY billions)



Revenue down

17.2%

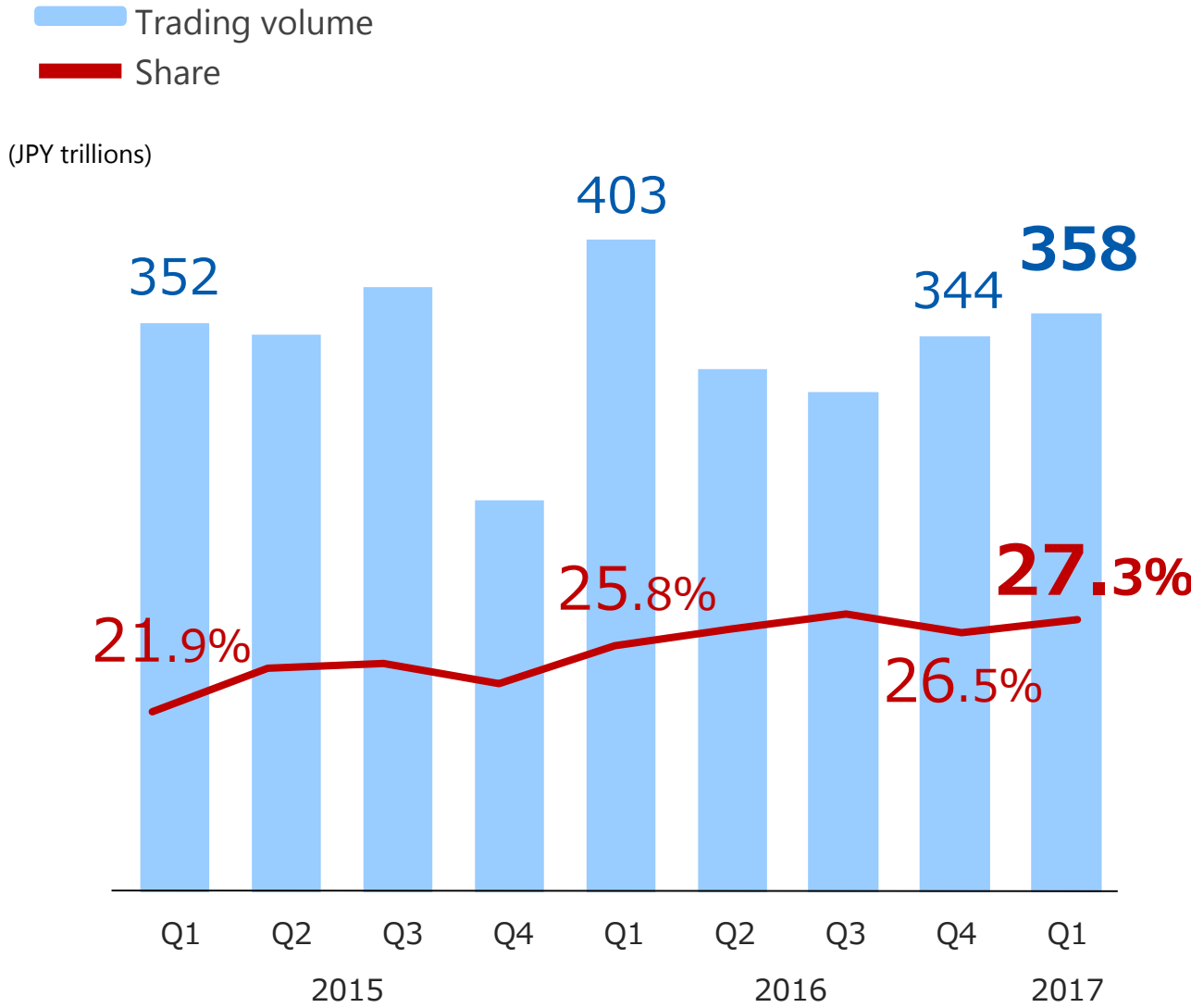
Profit down

41.2%

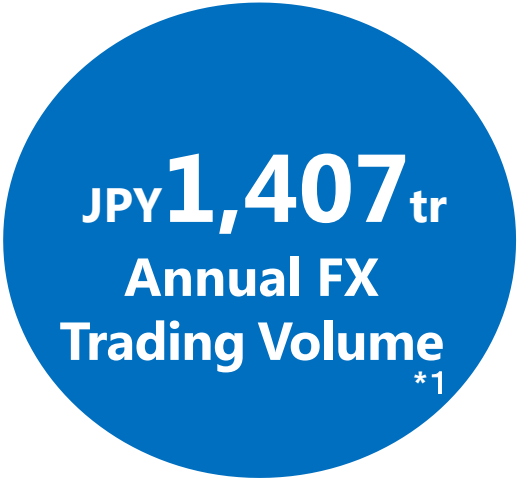
YoY

Engaged in analysis of big-data

Profitability improved after bottoming out in February
Recovered foothold



No. 1 Trading Volume for **5** Consecutive Years



Global No.1

No.5 in Japan

^{*1} GMO CLICK HD FYE3/2017 data
^{*2} GMO CLICK HD FYE3/2017 Jan-Mar data
^{*3} Share of total trading volume in the worlds top 10 largest players in 2016

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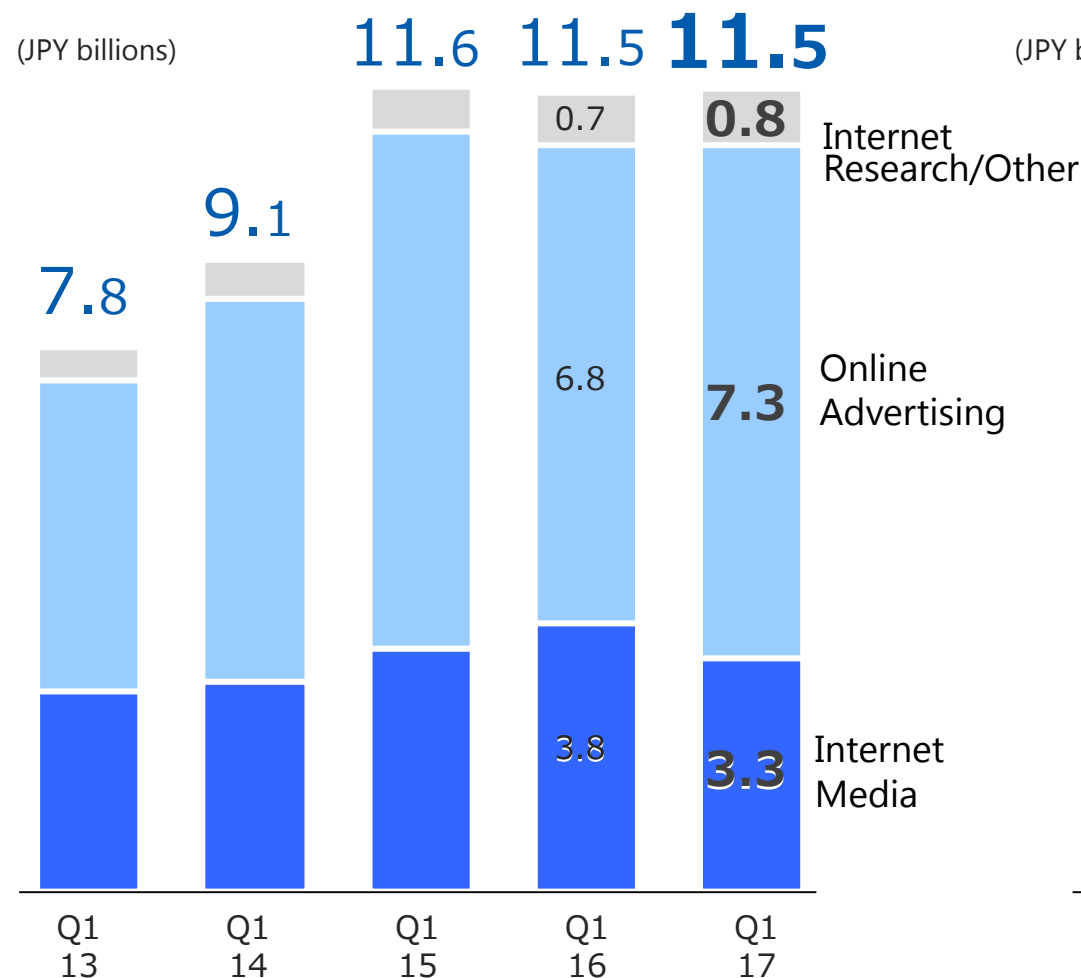
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Results trends

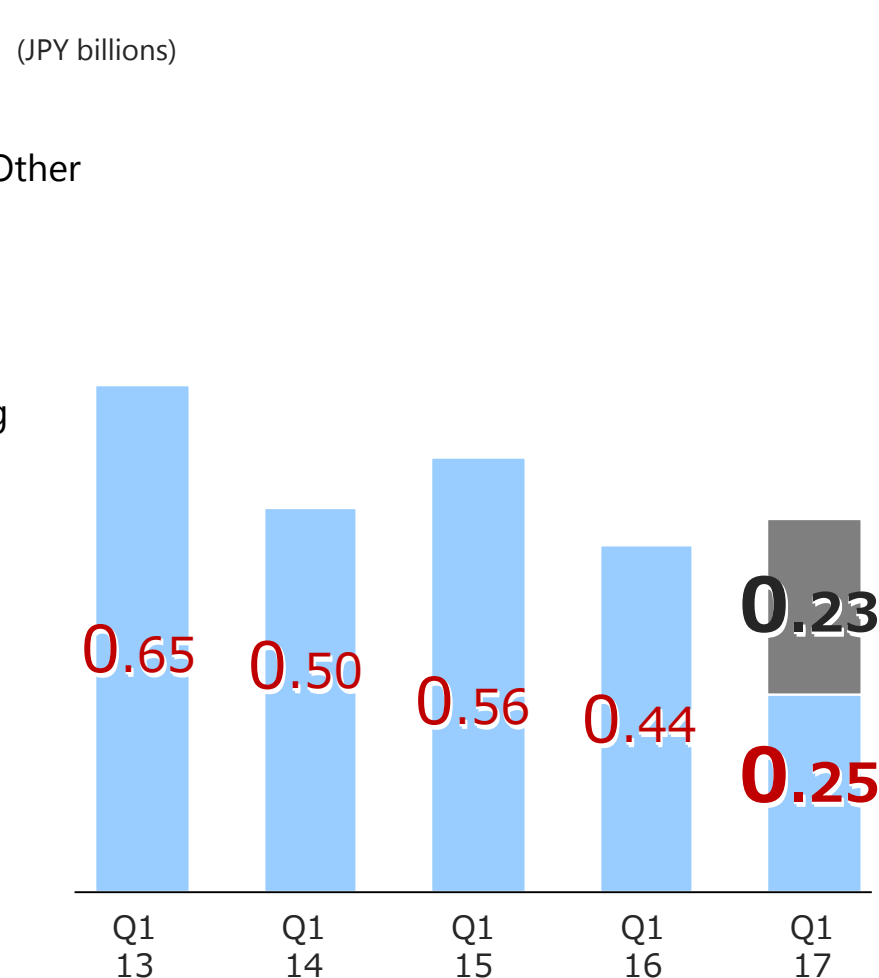
Net Sales: YoY **0.6% up**

Online Advertising grew but net sales increase flattened out due to revision to net sales and drop in net sales of existing products

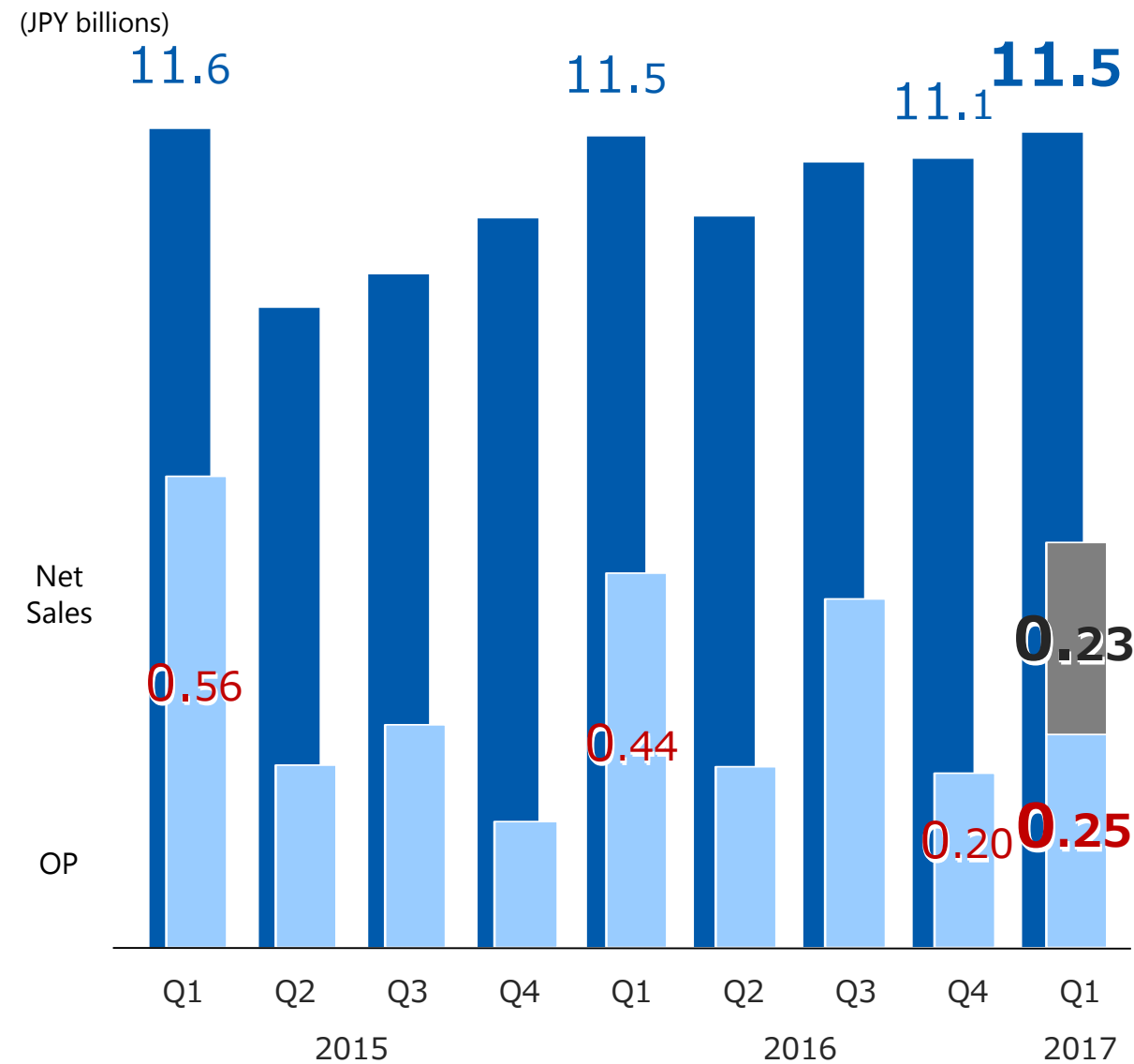


Operating Profit: YoY **43.2% drop**

In-house ad tech products grew but OP dropped due to revision to net sales



Historical Performance by Quarter

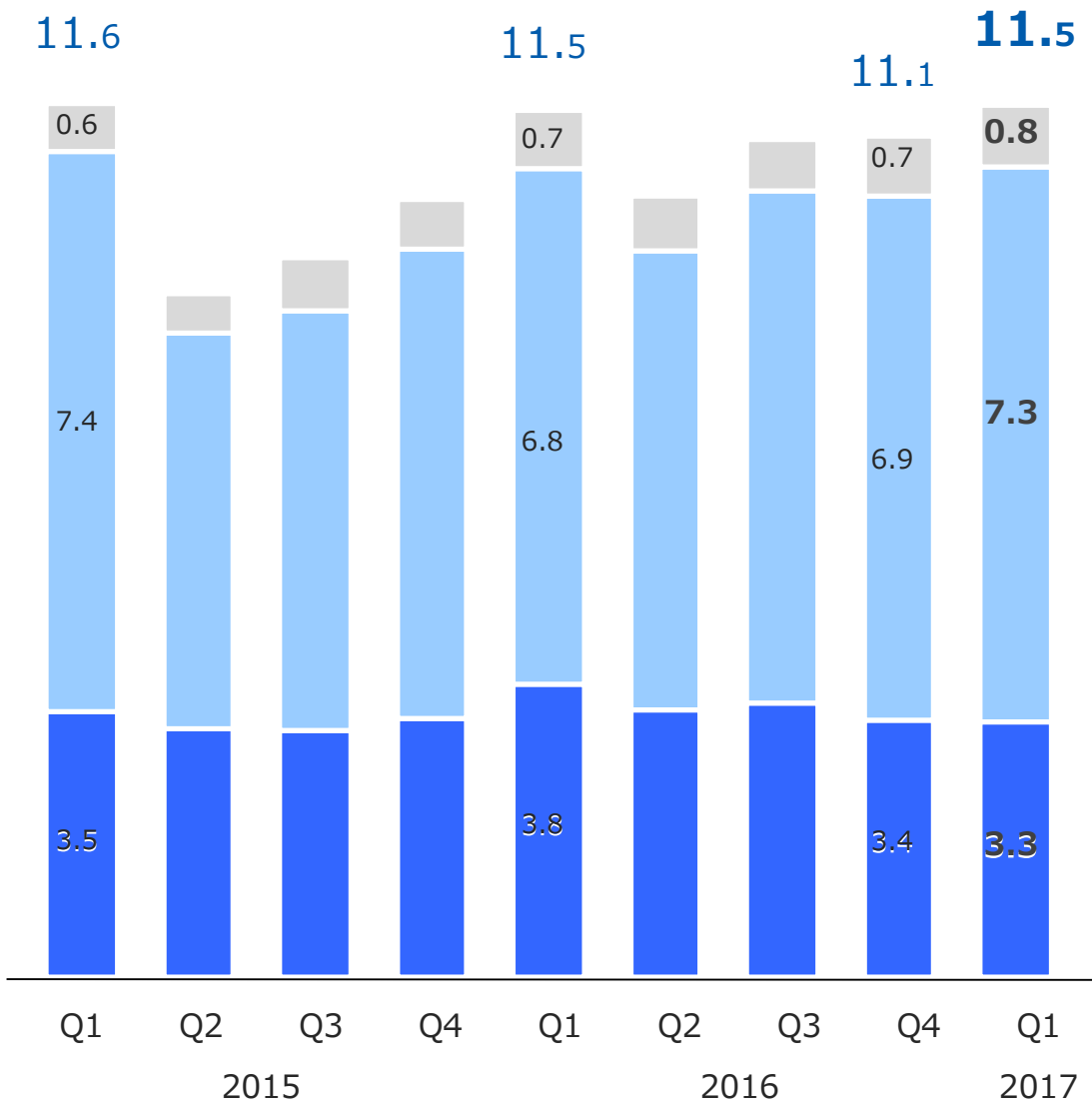


Revenue up
0.6%
Profit down
43.2%
YoY

*Gray indicates revision to financial results.

Net Sales by Sub-Segment

(JPY billions)







Ad Revenue

Up **7.4%**

In-house ad tech product
"Akane" is growing

- Internet Research/Other
- Online Advertising
- Internet Media

		(JPY billions)	
	Net Sales	8.51	(up 8.7%)
	Operating profit	0.20	(up 51.6%)
	<p>"Akane" is growing despite downward trend in existing products. Investment in ad technology shift is starting to produce good results.</p>		
	Net Sales	0.67	(down 21.3%)
	Operating profit	0.00	(Turned positive)
	<p>Structural reforms leading to the improvement of Balance of Payment. O2O business OP turns positive in Q2 and beyond.</p>		
	Net Sales	0.83	(up 2.7%)
	Operating profit	0.14	(up 63.8%)
	<p>Strong demand for advertisements in March led to record high quarterly earnings. Investment in the enhancement of research panel scheduled for Q2 and beyond.</p>		
	Net Sales	1.24	(down 10.5%)
	Operating profit	0.15	(down 24.8%)
	<p>Strong results in ecommerce media "PointTown" but fall in high margin social media leading to YoY losses.</p>		

Details

During the audit of the financial results for FY2016, questions arose over credibility of calculation basis for part of the sales transactions by GMO NIKKO Inc., GMO AD Partners' consolidated subsidiary. The amount of the Transactions that was irregularly reported was **JPY 243M**.

Present

- Receipt of Independent Investigation Committee Report
- Revision to net sales for FY2016
- Filing of the Annual Securities Report for FY2016 and amendments to the quarterly securities report for the first, second, and third quarters of FY2016

Revision (JPY billions)

Item	Amount	Fiscal term
Sales	-0.24 [*]	Each quarter of FY2016
OP	-0.23 [*]	//

*No revision to GMO Internet's financial results for FY2016. Incorporated into the consolidated statement of Q1 FY2017.

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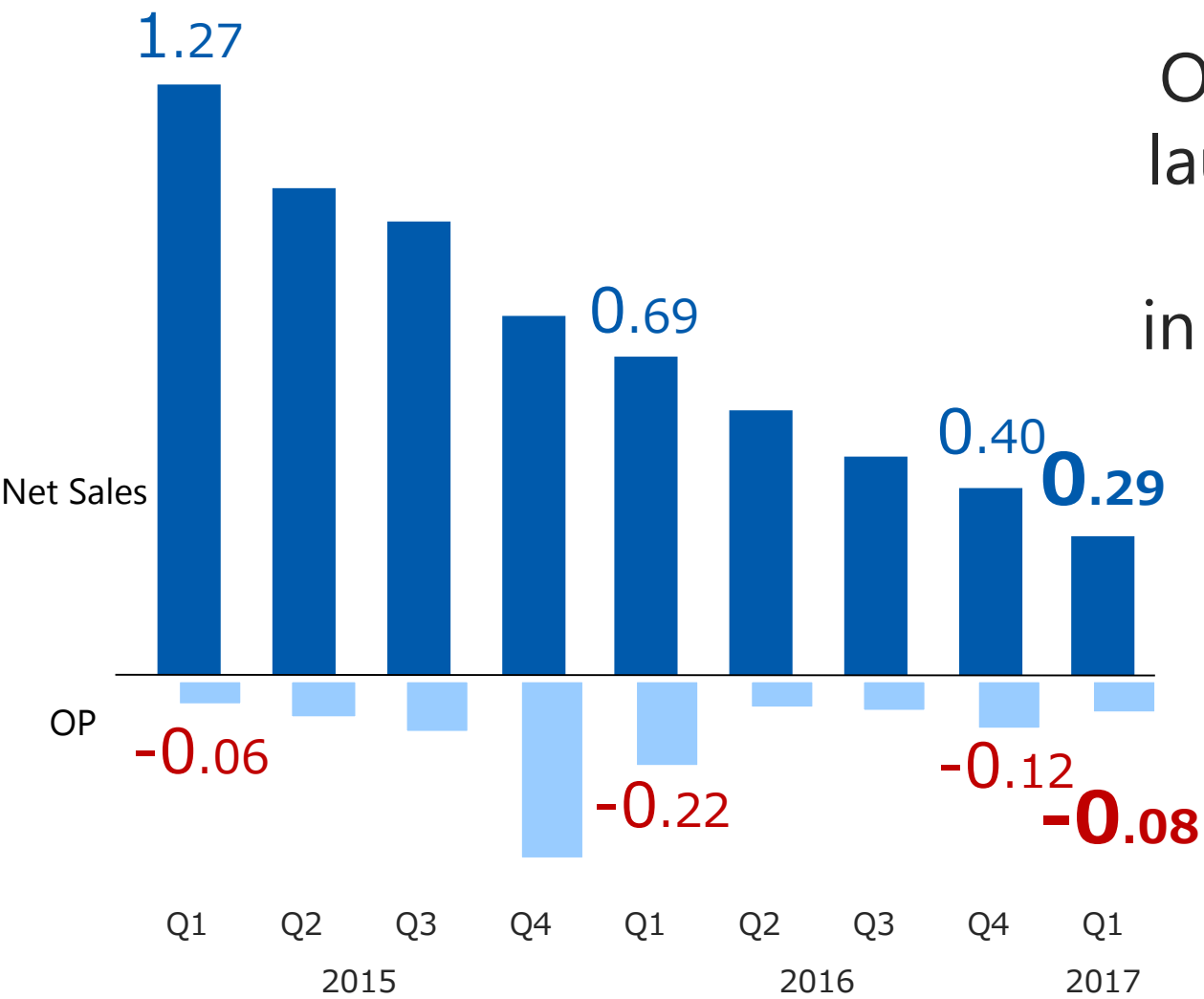
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Historical Performance by Quarter

(JPY billions)



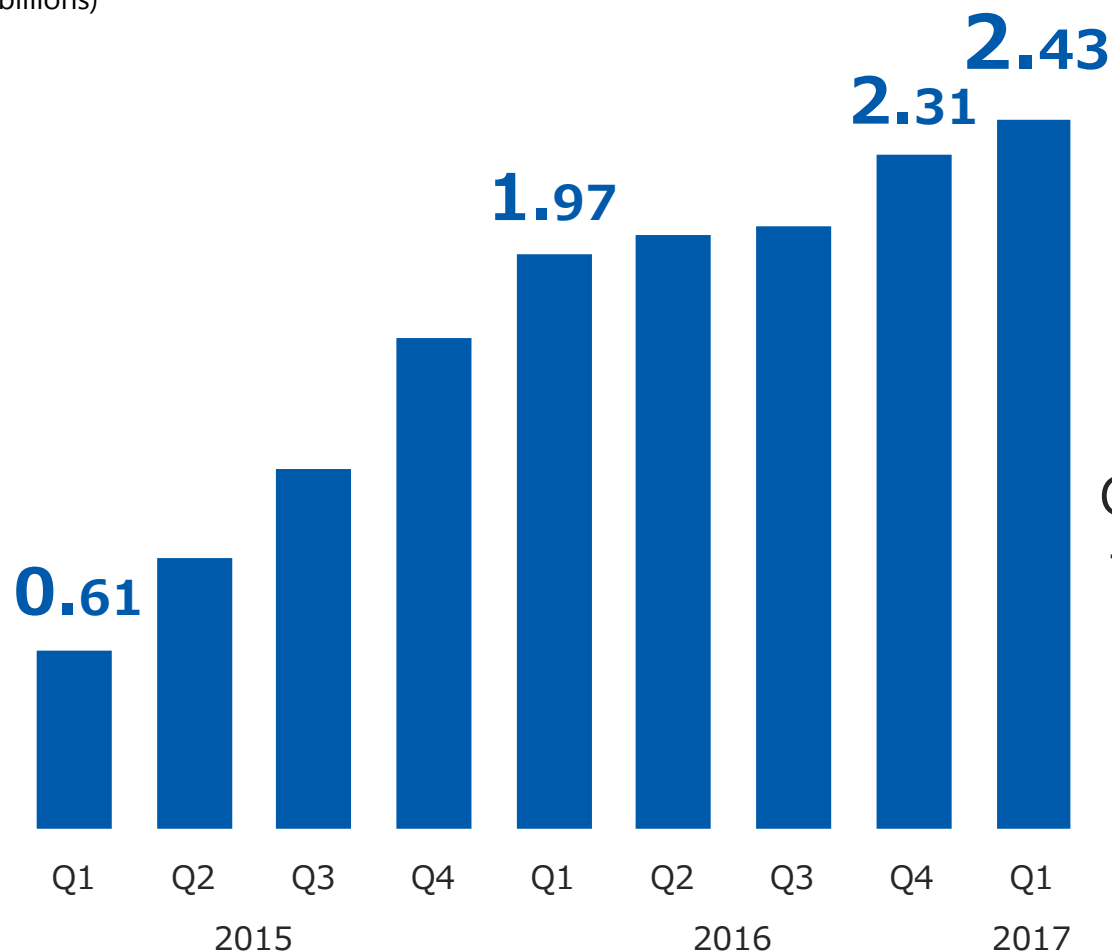
One new title to be launched in Q2, and another one in the second half of this year

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Strengthening Strengths

minne Progress Report

(JPY billions)



23.6%
YoY Growth

Promotion scheduled for Q2 to achieve FY17 annual transaction volume target of JPY **12.5B**

Strengthening Strengths

New gTLD .shop Progress Report

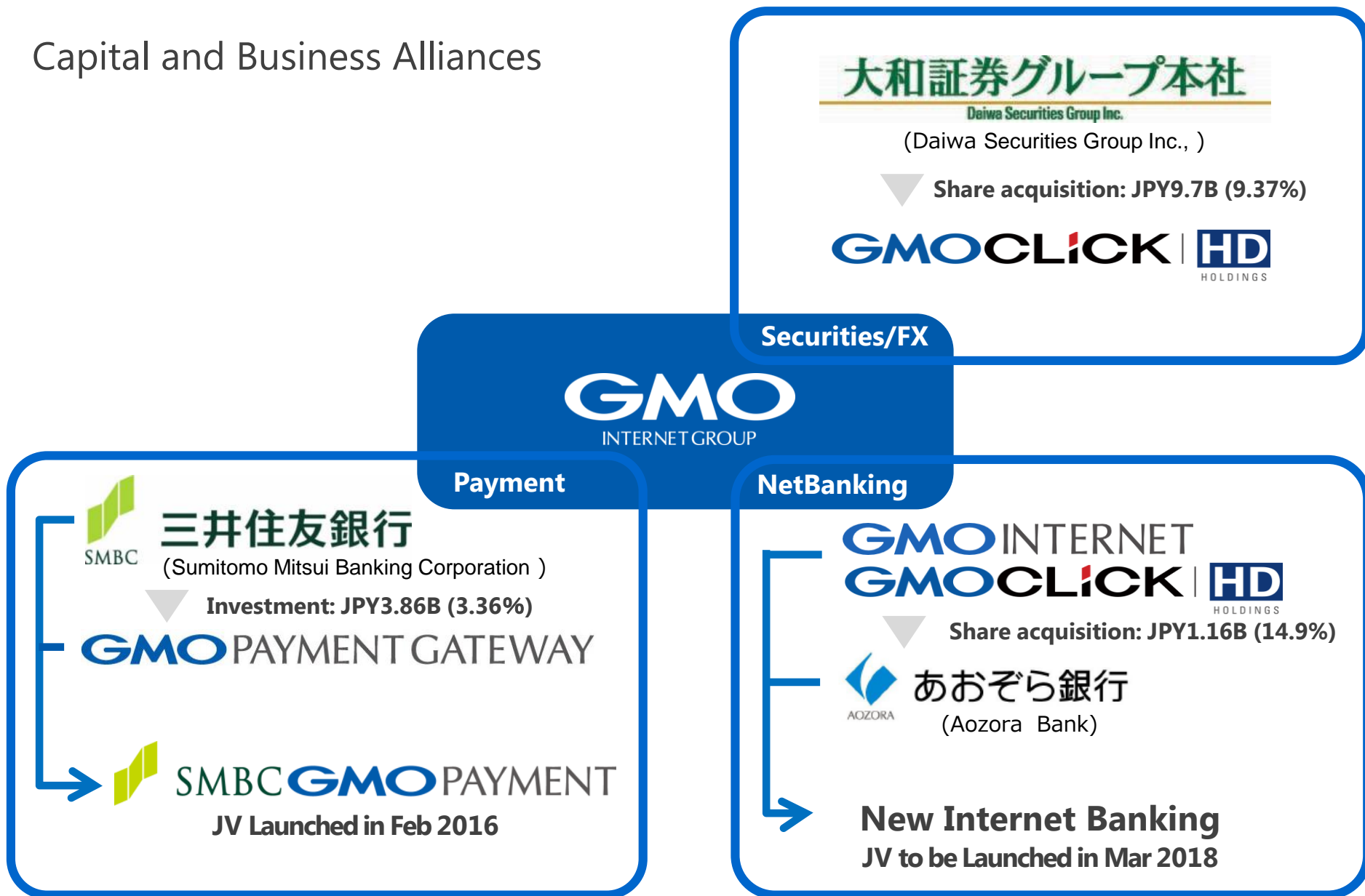
Broadening registrar sales channel, strengthening partnerships



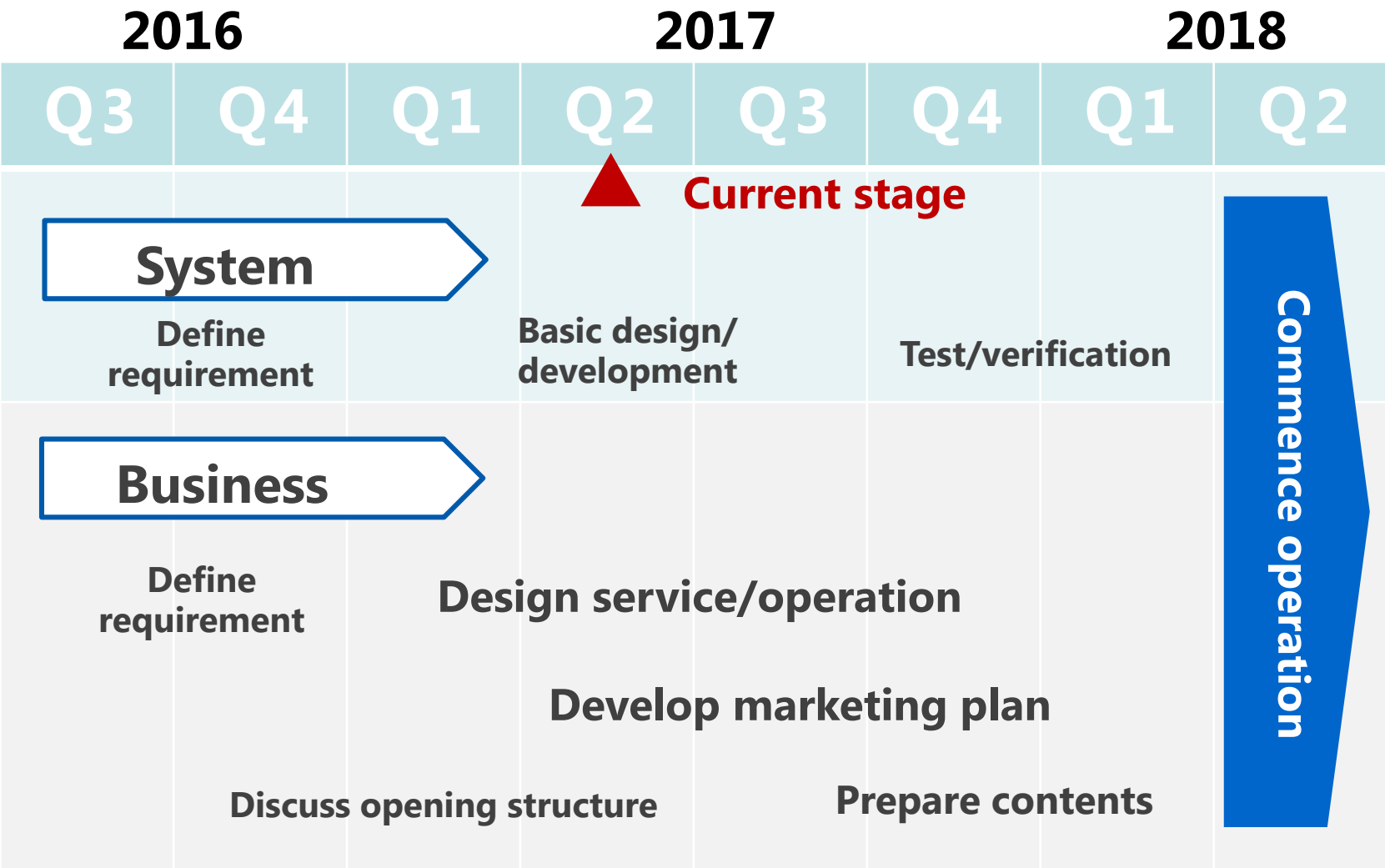
Strengthening Strengths

Developments in Finance and Payment

Capital and Business Alliances



Smooth progress towards launch



Over 1,000 advance registrations since May 9

Virtual Currency FX

- Leverage of **5:1**
- **24** hours a day,
every day

Virtual Currency Trading

- Trading in **JPY**
- **No** trading
commissions
and withdrawal fee

To be launched on May 31

Z.comCoin

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

Global Growth: Locations

18 countries, 55 locations, 1,151 global partners ("staffs")

- Infrastructure
- FX

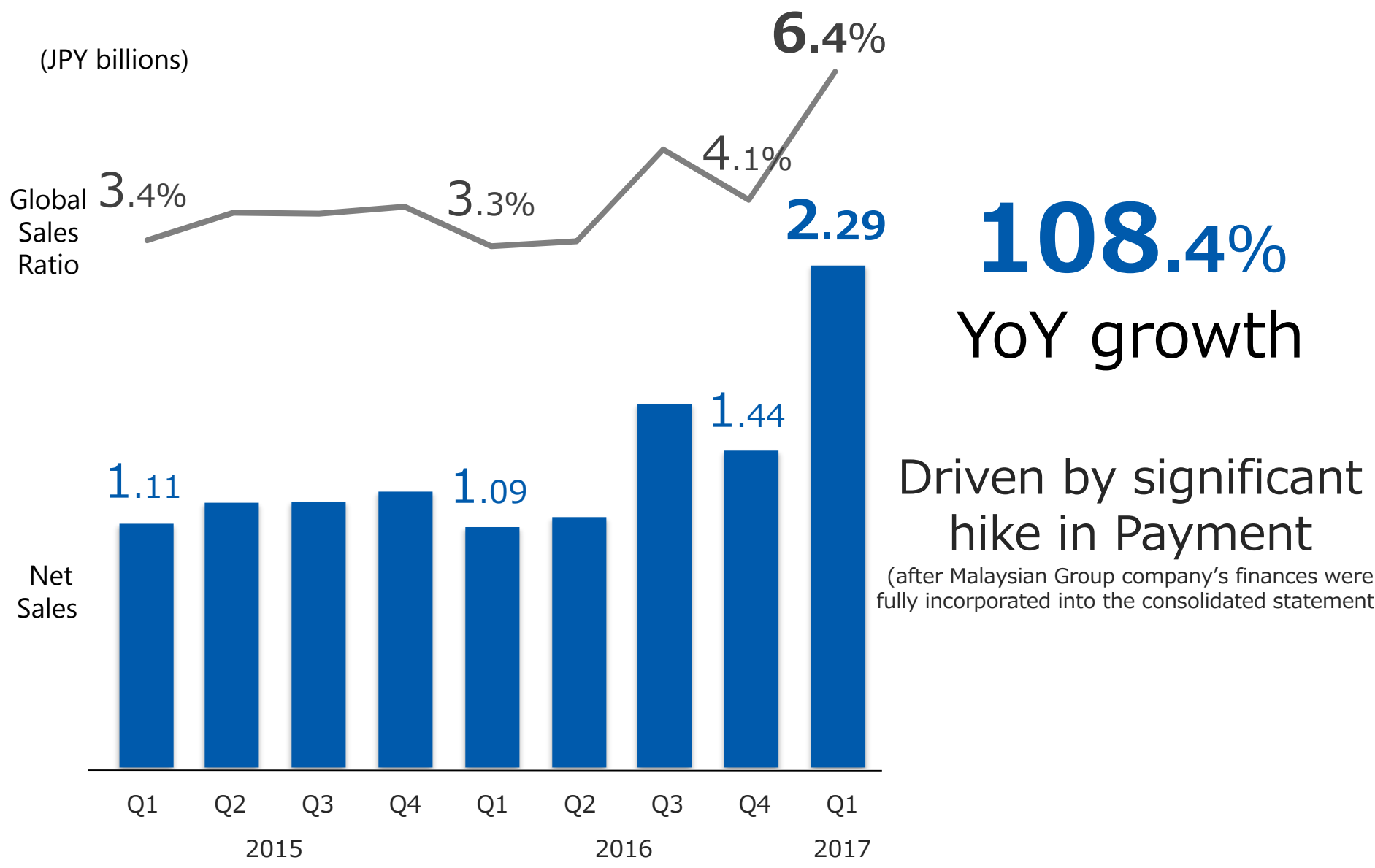


As of 3/2017

Two-pronged development of global strategy with both wholesale and retail brands

Wholesale	 <p>The Wholesale section contains two logos. The top logo is for '.shop', featuring an orange dot followed by the word 'shop' in a dark blue, lowercase, sans-serif font. Below it is the 'GlobalSign' logo, which consists of a blue circular icon with a white dot inside, followed by the text 'GlobalSign' in a blue, sans-serif font with a registered trademark symbol.</p>
Retail	 <p>(Infrastructure/FX)</p> <p>The Retail section contains the 'Z.com' logo in a large, red, italicized, sans-serif font. Below the logo, the text '(Infrastructure/FX)' is written in a black, sans-serif font.</p>

Global Growth: Global Net Sales



Internet for Everyone

GMO

GMO INTERNET

This document includes projections based on expectations, premises and plans as of May 15, 2017. 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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