

Fiscal Year 2017 Second Quarter Results Presentation



STOCK CODE: 9449

July 31, 2017

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

In the second half of this year,

- Net sales reached record high. Internet Finance recovered.

Internet Infrastructure performed favorably, catching up on profit.

- Tax effects to be reflected, contributing to net profit growth.

(JPY billions)	Q2'16 (Jan-Jun)	FY17 Forecast	Q2'17 (Jan-Jun)	YoY Change	Progress
Net Sales	66.70	145.0	74.34	+11.4%	51.3%
Operating Profit	8.69	19.0	7.49	-13.7%	39.5%
Ordinary Profit	8.34	18.5	7.37	-11.6%	39.9%
Net Profit	3.60	8.0	1.95	-45.9%	24.4%

**Internet
Infrastructure**

Net sales JPY **20.45B** (Up **28.8%** YoY)

OP JPY **1.80B** (Up **12.8%** YoY)

Over JPY 20B for the first time. OP was up despite making investments.

Internet Finance

Net sales JPY **6.85B** (Down **12.0%** YoY)

OP JPY **2.27B** (Down **31.4%** YoY)

Impact of Brexit but profitability has recovered compared to the previous quarter.

Online Ad & Media

Net sales JPY **11.00B** (Up **6.2%** YoY)

OP JPY **0.19B** (Down **9.8%** YoY)

Seasonal factors impacting both new and existing products

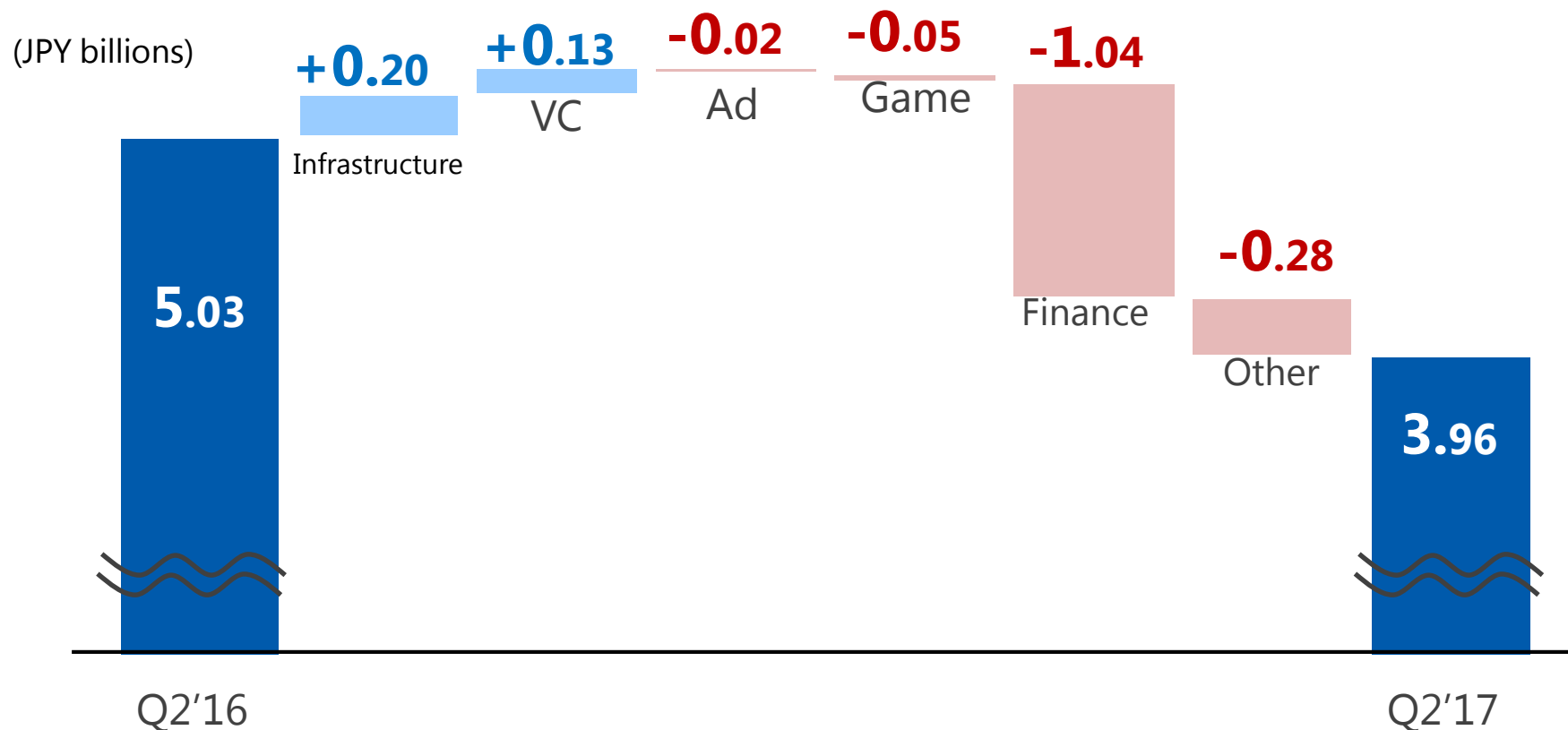
**Mobile
Entertainment**

Net sales JPY **0.23B** (Down **59.3%** YoY)

OP JPY **-0.12B** (0.08B in previous term)

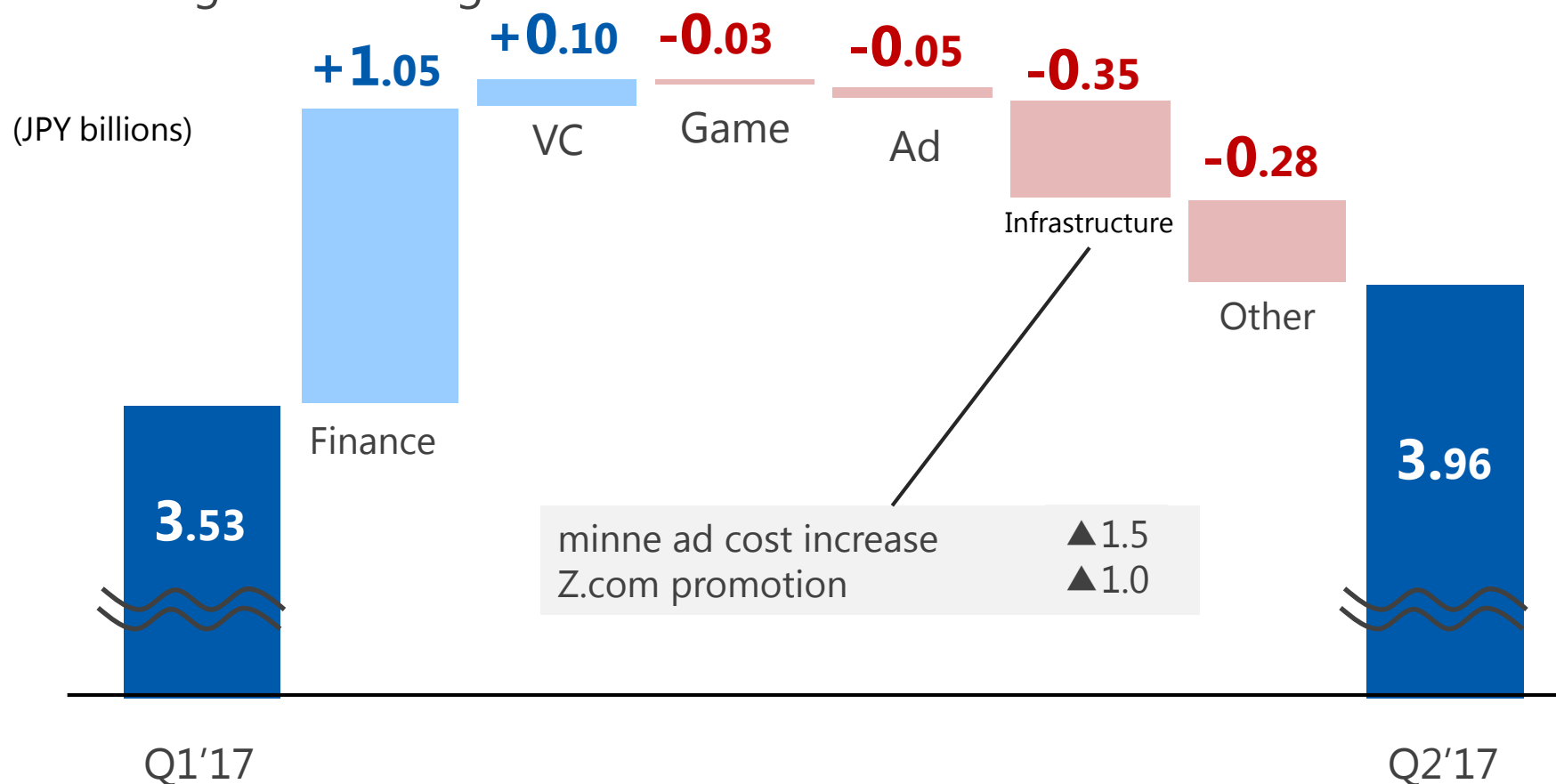
New titles to be launched in the fourth quarter

- **OP: JPY 3.96B** (down **21.3%** YoY)
- Impact of Brexit. OP dropped compared to the same period last year due to one-off losses for the branding in other segments.



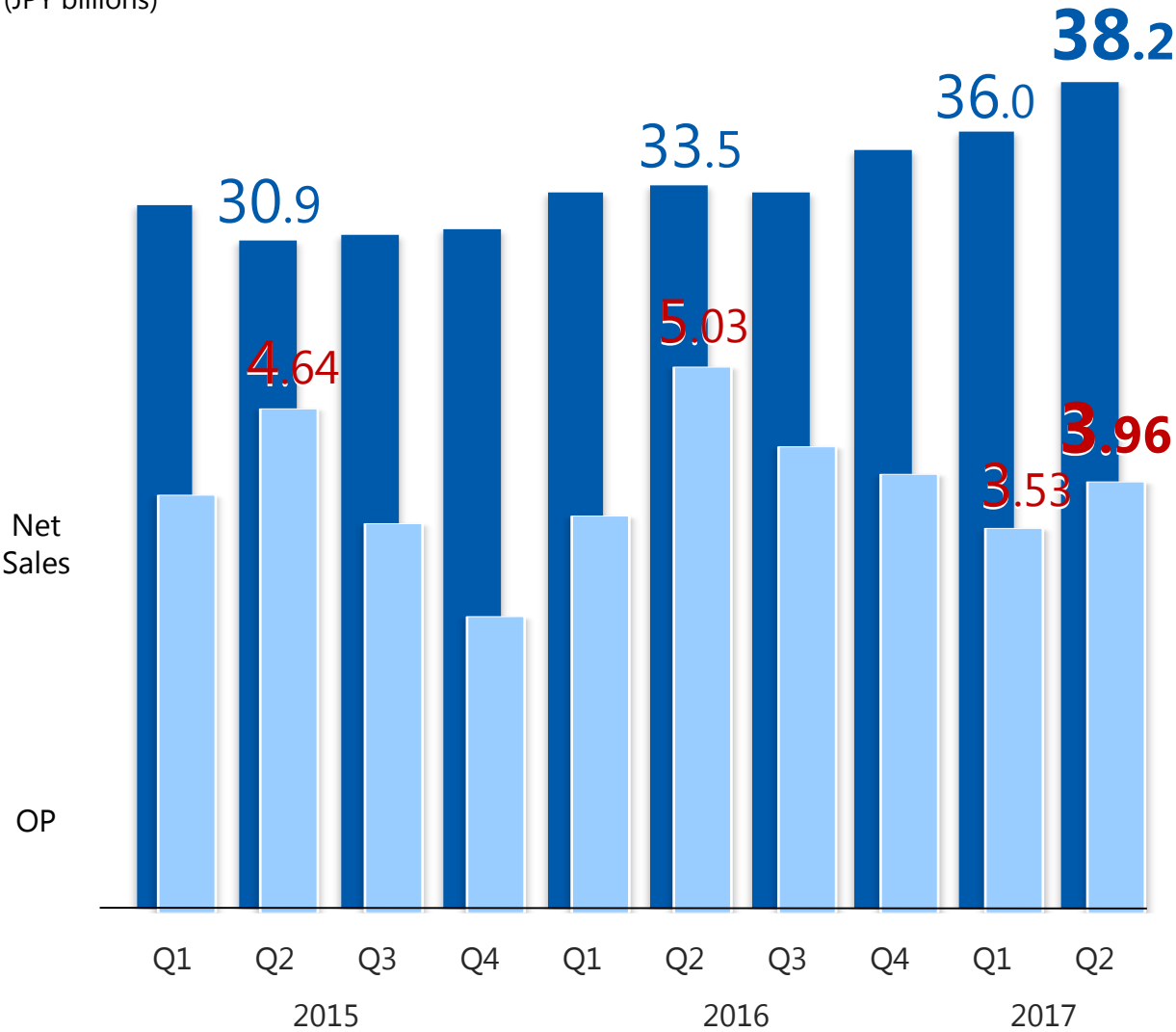
OP: JPY 3.96B (up **11.9%** QoQ)

Finance recovered but OP was up only JPY 430M as investment costs preceded profits in Infrastructure and also due to one-off losses for the branding in other segments.



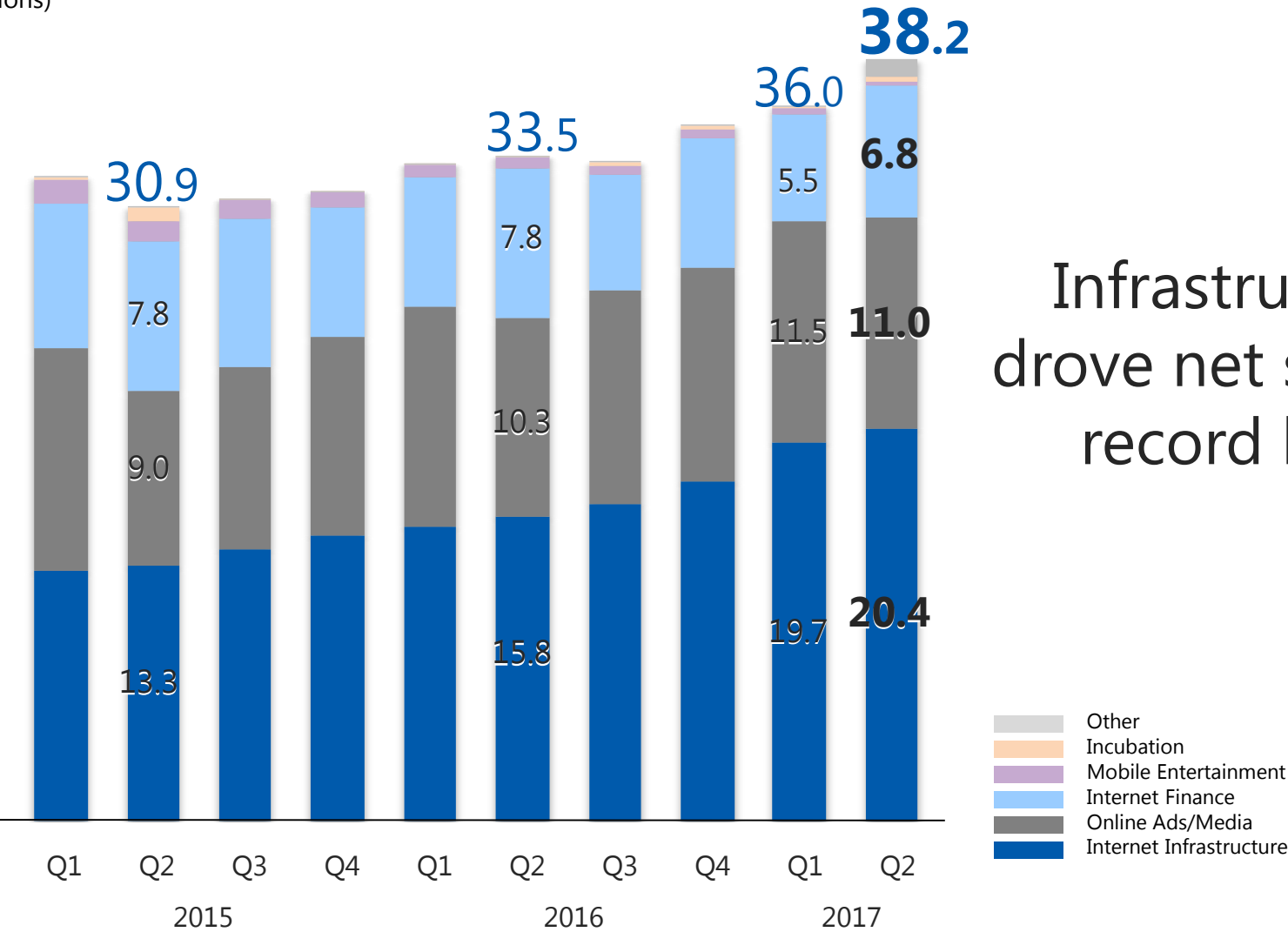
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(JPY billions)



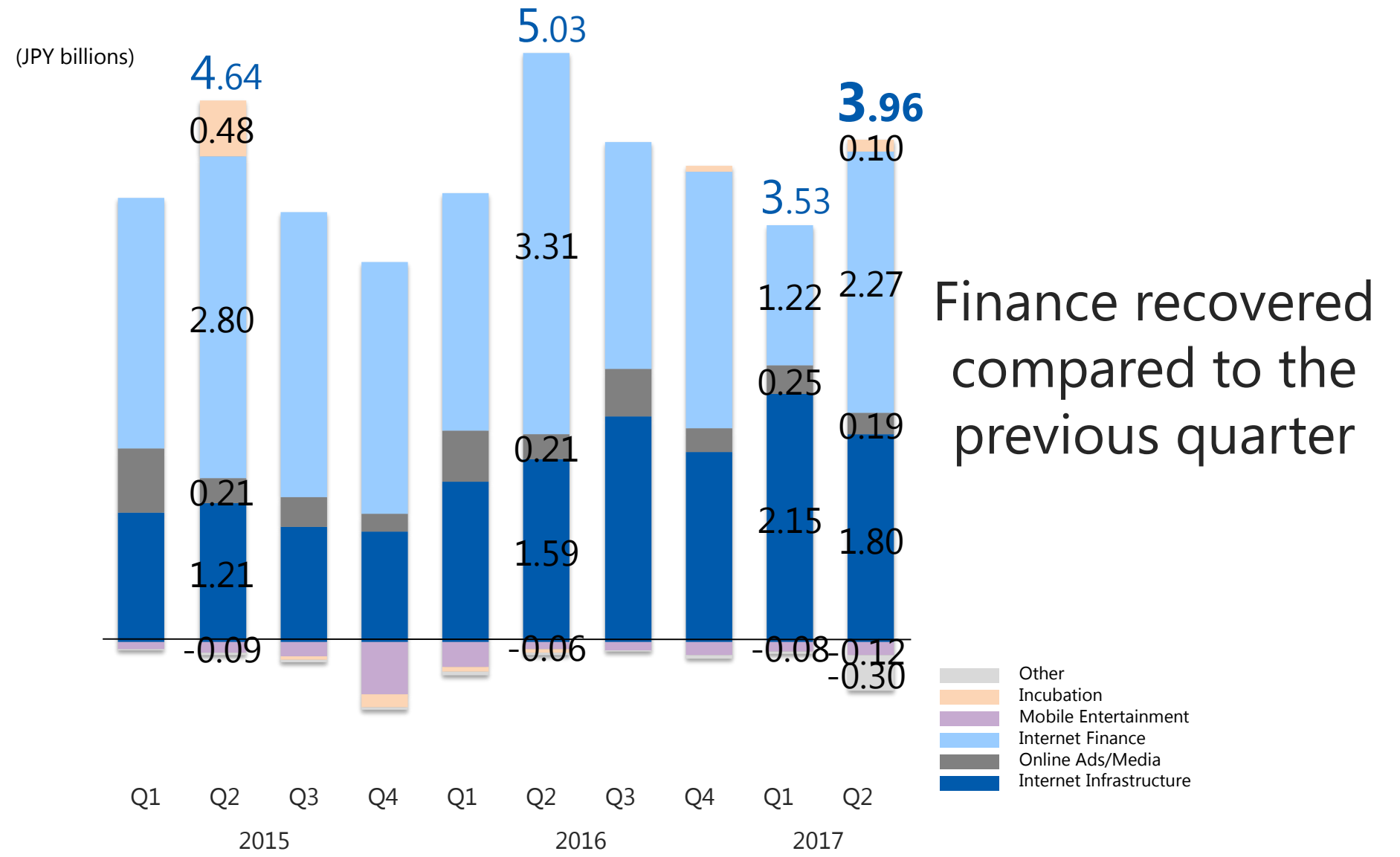
Revenue up
6.3%
Profit down
11.9%
QoQ

(JPY billions)



Infrastructure
drove net sales to
record high

Profit by Segment



Consolidated Profit and Loss

(JPY millions)	Q2'16 (1-6/2016)	Q2'17 (1-6/2017)	Change	supplementary information
Net Sales	66,707	74,340	11.4%	
Gross Profit on Sales	34,192	35,647	4.3%	
Operating Profit	8,690	7,497	-13.7%	
(OP Margin)	13.0%	10.1%	-2.9pt	
Non Operating Profit and Loss	-340	-118	-	
Ordinary Profit	8,349	7,379	-11.6%	
Extraordinary Profit or loss	-151	-536	-	(2017) Incident-related, -260M
Profit before Tax	8,197	6,842	-16.5%	
Corporate Taxes etc.	3,315	3,584	8.1%	Effective tax rate is up 12.0pt YoY to 52.4% temporarily
Profit attributable to Owners of the Parent	3,607	1,952	-45.9%	

Consolidated Balance Sheet

(JPY millions)	End of 12/2016	End of 6/2017	Change	GMO CLICK HD (End of 6/2017)	Change
Current Assets	553,903	570,119	2.9%	465,006	4.1%
Cash & Deposits	90,282	77,565	-14.1%	29,791	-19.9%
Fixed Assets	34,915	34,894	-0.1%	5,063	3.4%
Goodwill	3,857	3,556	-7.8%	-	-
Software	4,327	4,796	10.8%	1,187	-2.3%
Investment Securities	7,832	7,397	-5.6%	1,654	5.2%
Total Assets	588,819	605,014	2.8%	470,070	4.1%
Liabilities	522,639	537,241	2.8%	440,889	4.0%
Interest-bearing debts	71,512	66,987	-6.3%	49,790	-9.0%
Net Assets	66,179	67,773	2.4%	29,181	5.2%
Non-controlling Minority Equity	26,571	27,479	3.4%	-	-
Shareholders' Equity	39,527	40,218	1.7%	29,181	5.2%
Earned Surplus	33,328	34,018	2.1%	25,487	5.3%
(Shareholders' Equity Ratio)	6.7%	6.6%	-0.0qt	6.2%	+0.1pt
Liabilities/Net Assets Total	588,819	605,014	2.8%	470,070	4.1%

Consolidated Cash Flow

(JPY billions)	Q2'16 (1-6/2016)	Q2'17 (1-6/2017)	Significant Factors	GMO CLICK HD
Operating Cash Flow	-15.04	-3.40	Increase in deposits: -1.9B Payment of income taxes: -3.2B	-0.78
Investing Cash Flow	-7.81	-5.15	Purchase of tangible and intangible fixed assets: -2.4B Fixed deposits: -2.6B	-3.08
Financing Cash Flow	24.95	-6.99	Interest-bearing debt: -4.5B	-6.20
Change in Cash and Equivalents	1.35	-15.35		-10.05
Balance of Cash and Equivalents	76.28	74.77		27.15

Market Cap / Equity Share in Listed Group Companies

Stock Code	Stock Name	Exchange	Market Cap ^{*1} (JPY billion)	% Ownership ^{*2}	Equity Share (JPY billion)
9449	GMO Internet	TSE 1	164.2		
3769	GMO Payment Gateway	TSE1	250.7	51.6%	118.2
7177	GMO CLICK Holdings	TSE JQS	91.5	80.8%	73.9
3788	GMO CLOUD	TSE1	46.8	51.8%	24.2
3633	GMO Pepabo	TSE JQS	9.1	64.1%	5.8
4784	GMO AD Partners	TSE JQS	8.0	55.8%	4.4
6180	GMO Media	TSE MOTHERS	5.4	65.5%	3.5
3695	GMO Research	TSE MOTHERS	4.1	53.7%	2.2
6026	GMO TECH	TSE MOTHERS	2.8	54.1%	1.5
Group Total			582.6 ^{*3}		248.8

*1 Market value as of 7/28/2017

*2 Includes indirect holdings

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

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3. Segment Report

i) Group Overview

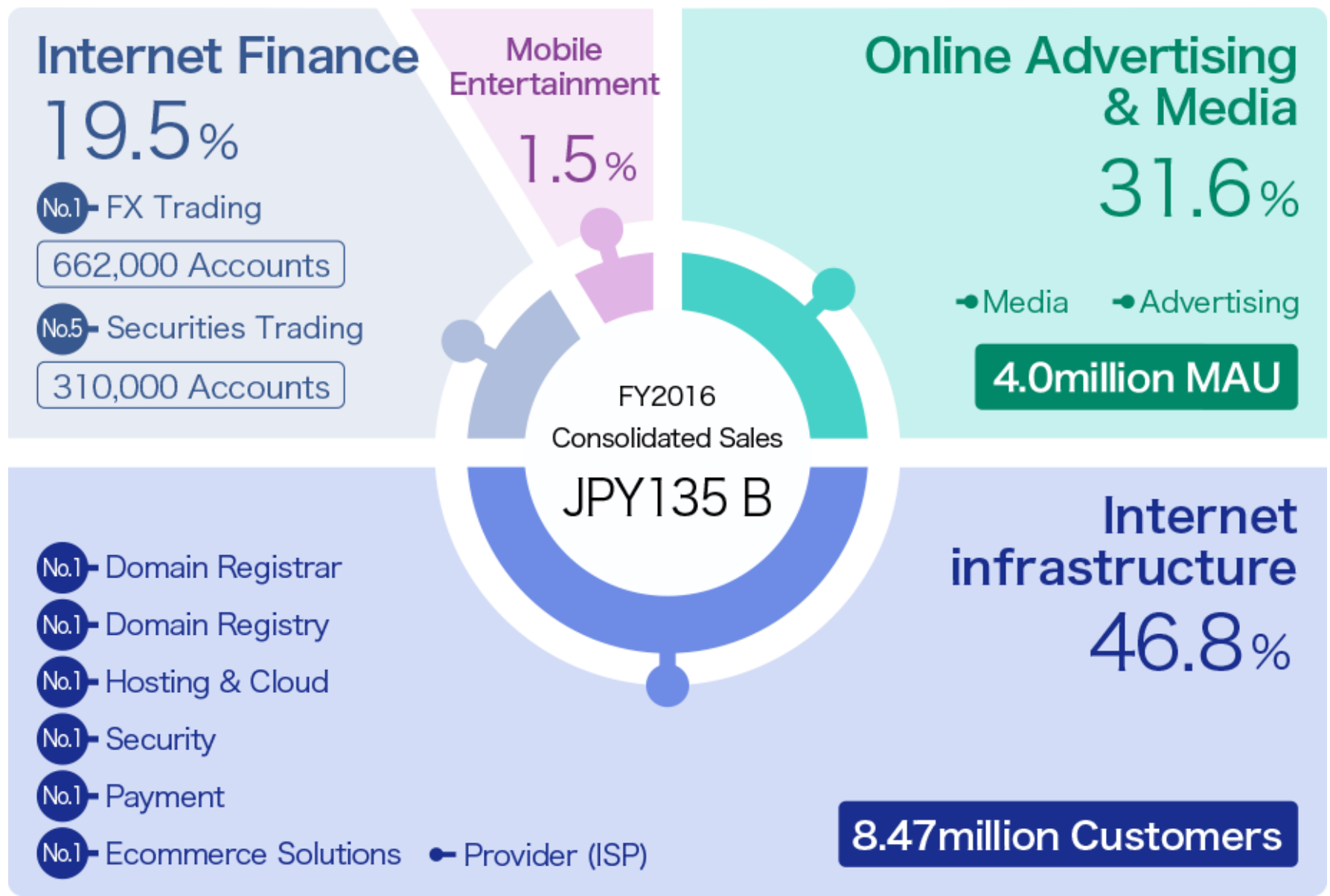
ii) Internet Infrastructure

iii) Internet Finance

iv) Online Advertising & Media

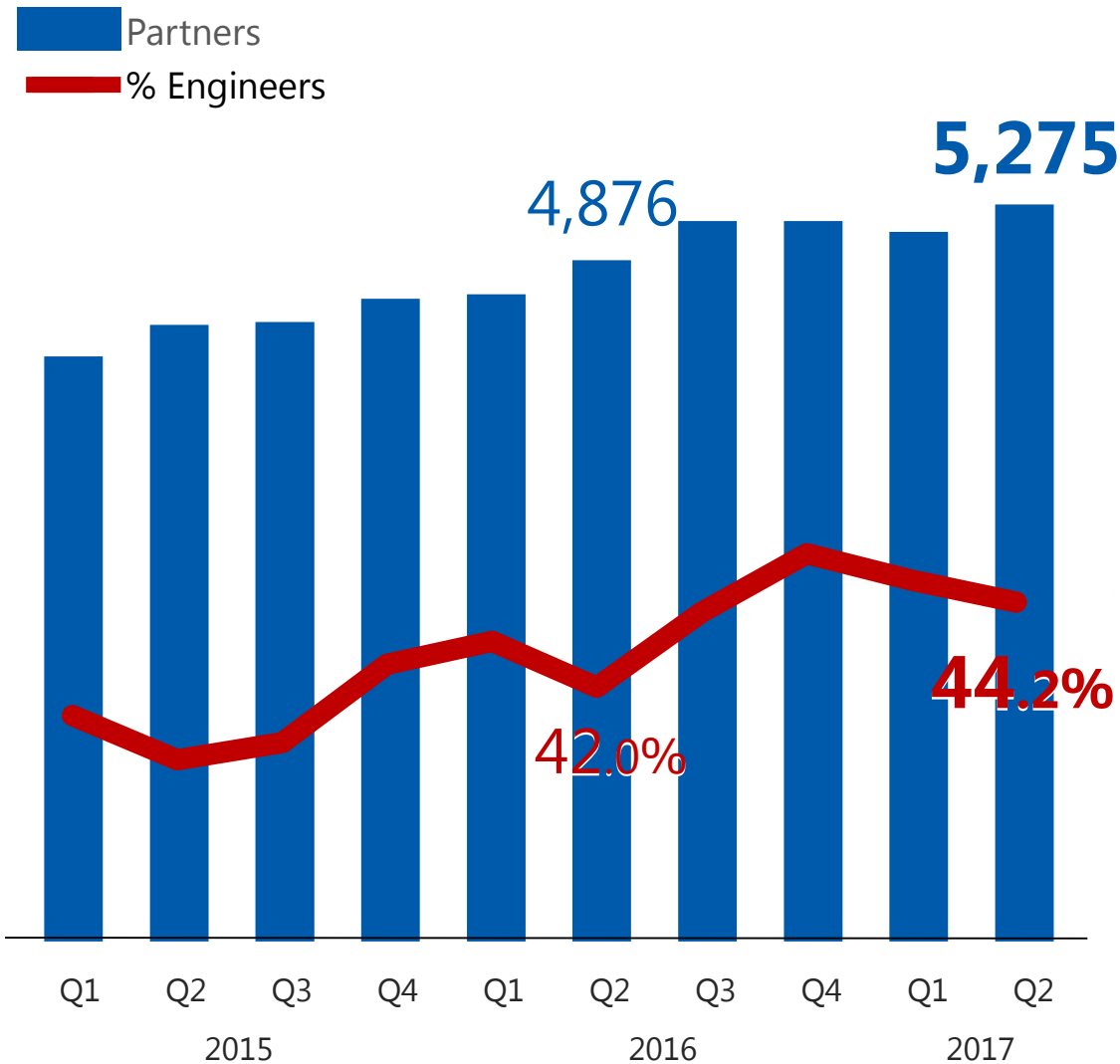
v) Mobile Entertainment & Other Businesses

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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4. Group Strategy

No.1 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 89.5%*2

Strong
No. 1

Hosting & Cloud



Domestic market share at 54.9% *3

No. 1

Ecommerce



75,000 paid stores

No.1

Security



108.3% YoY increase in certificate issues

No. 1

Payment

GMO PAYMENT GATEWAY
GMO EPSILON

88,000 merchants

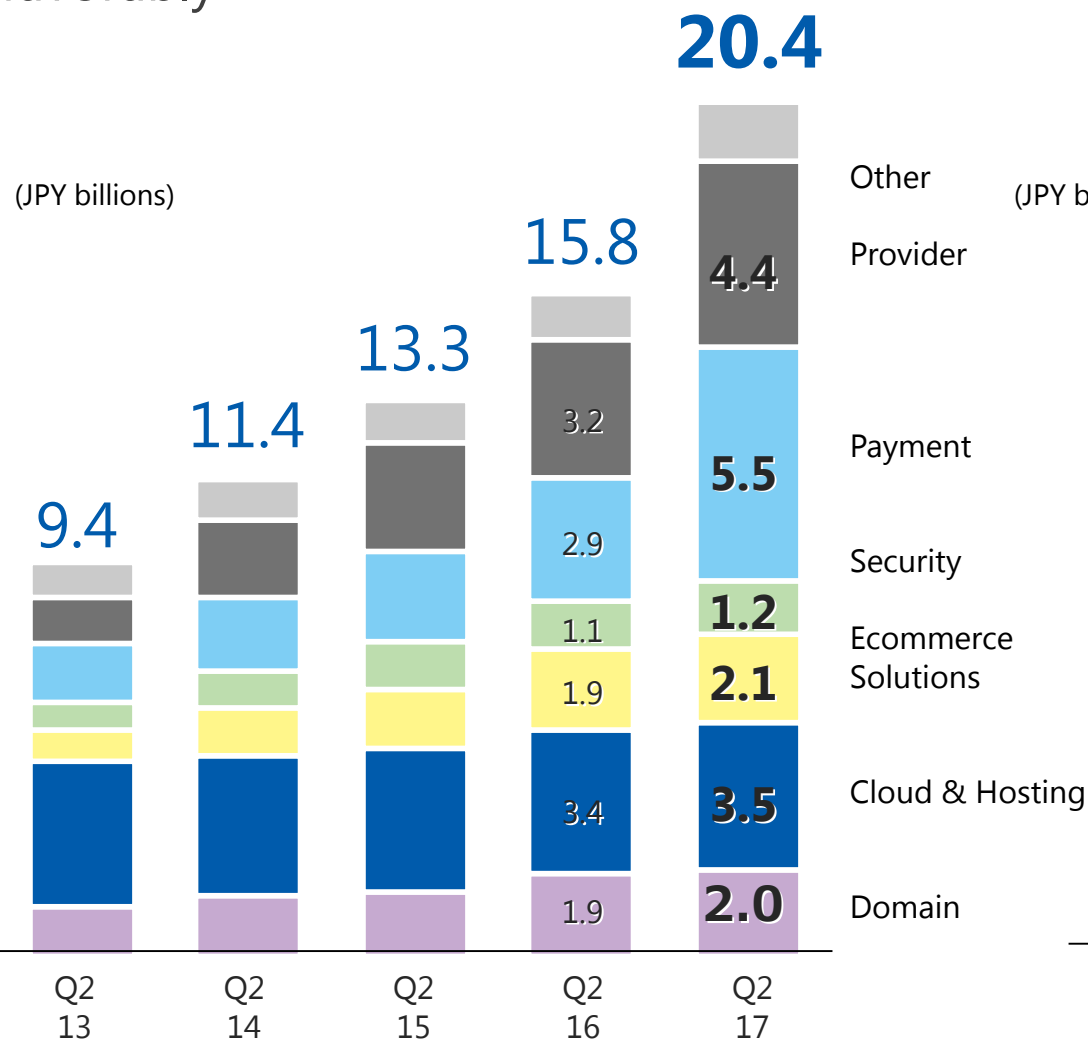
*1 Based on our own data

*2 Based on ICANN data

*3 Based on Webhosting.info data

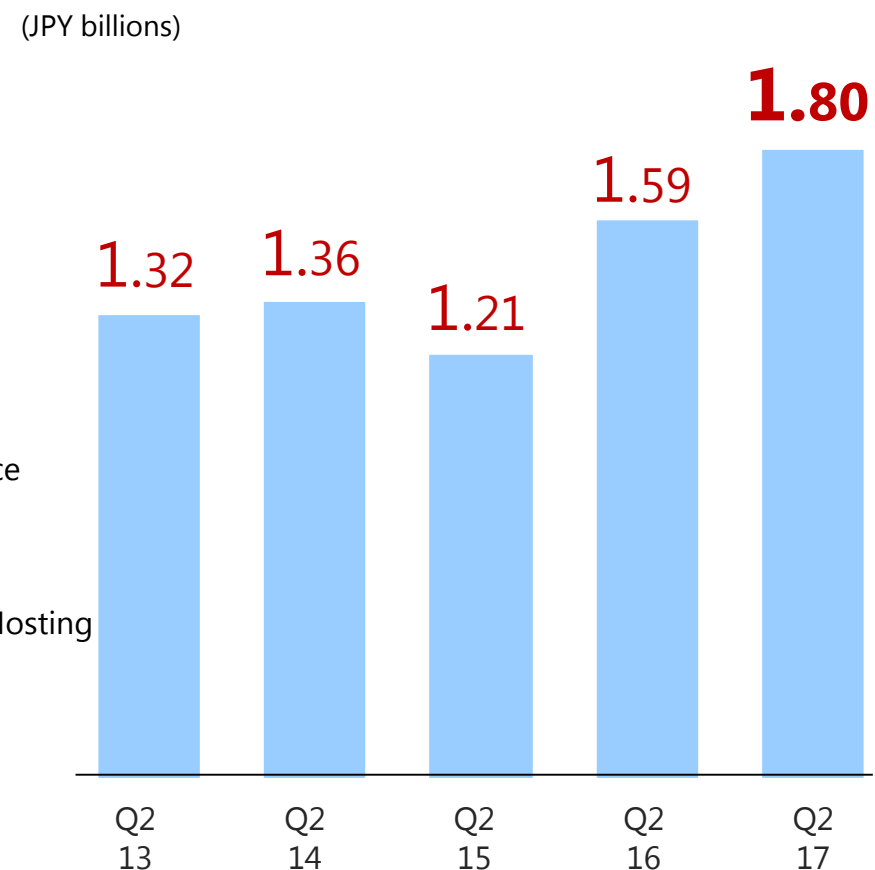
Net Sales: YoY **28.8% up**

Payment and Provider continues to perform favorably



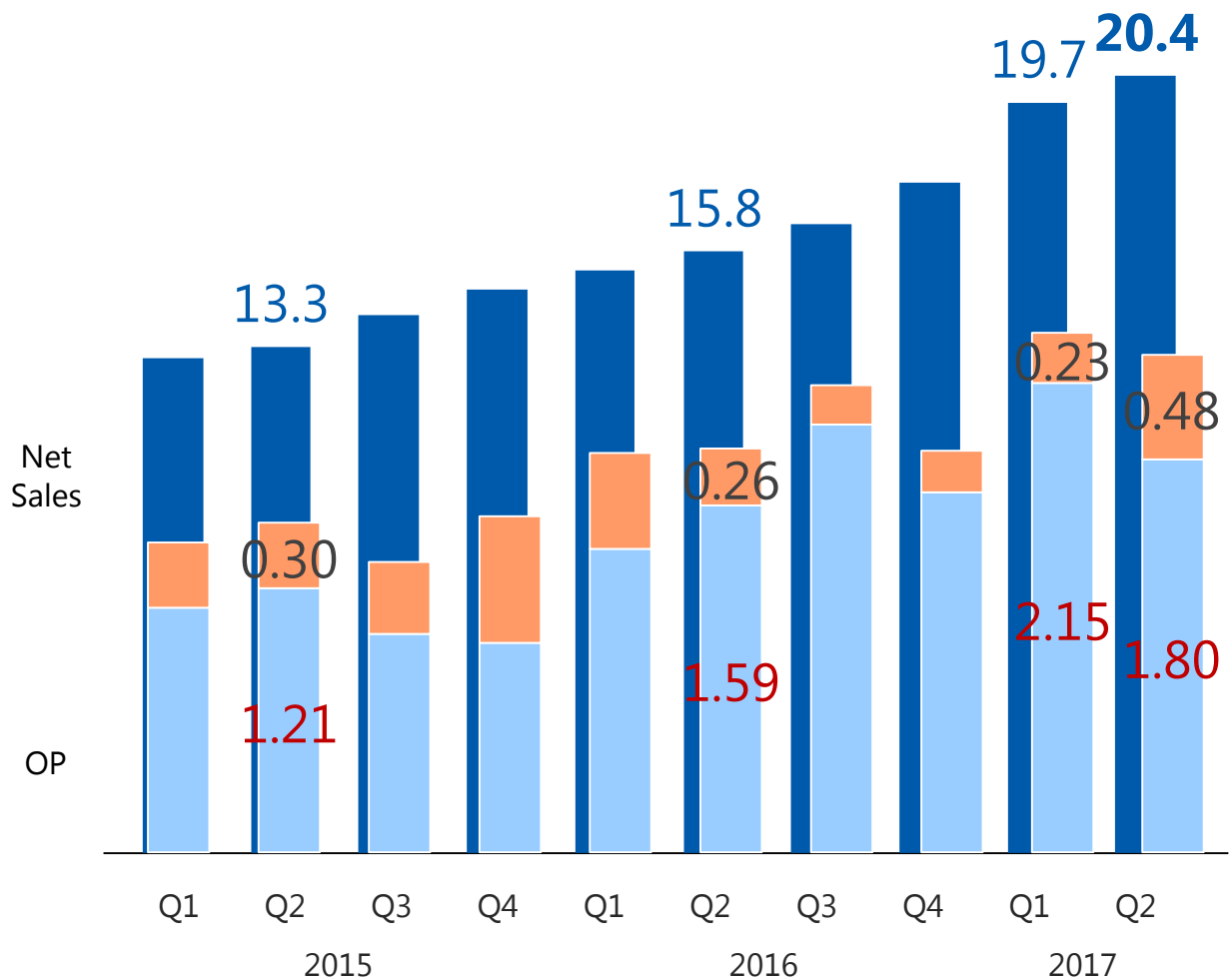
Operating Profit: YoY **12.8% up**

Up despite JPY 120M in minne advertising spend and one-off costs of JPY 80M related to commissioned projects



Historical Performance by Quarter

(JPY billions)

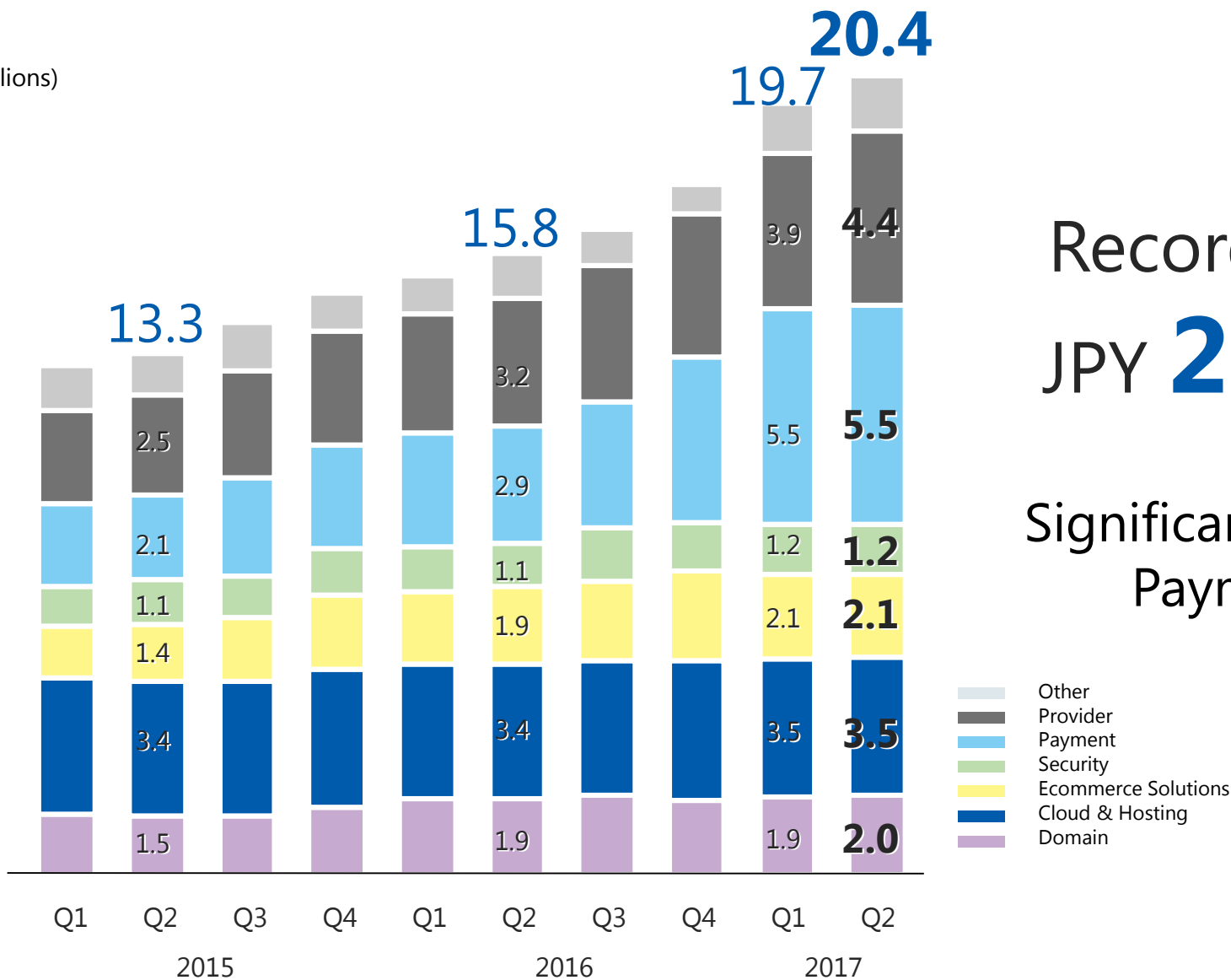





Revenue up
28.8%
Profit up
12.8%
YoY

*Orange indicates strategic investment.

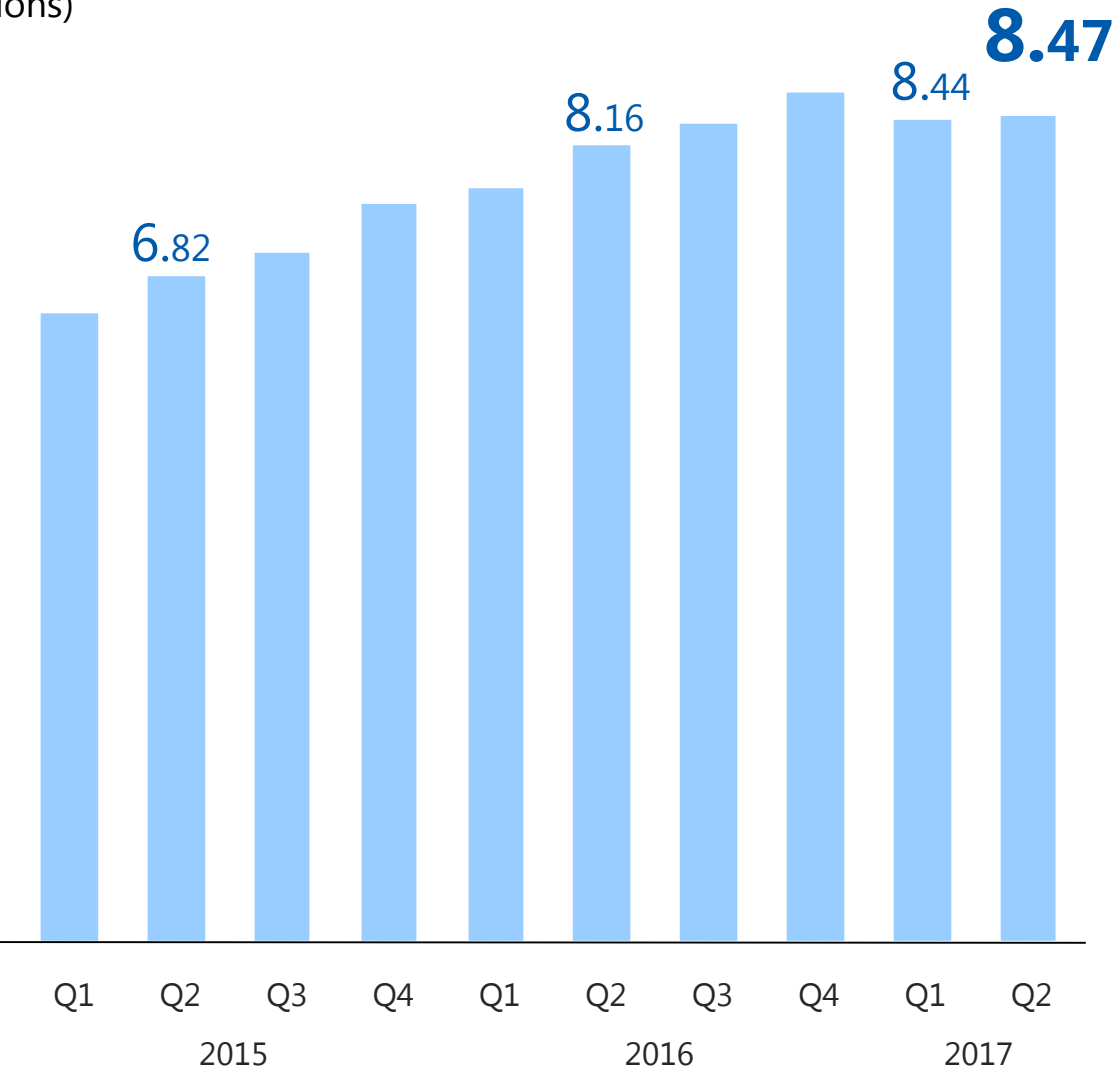
Net Sales by Sub-Segment

(JPY billions)



		(JPY billions)	
	Net Sales	5.71	(up 85.0%)
	Operating profit	1.40	(up 34.0%)
	Payment processing services and finance-related services, and overseas sales and OP grew. Adjusting credit model for pay later services.		
	Net Sales	3.00	(up 5.5%)
	Operating profit	0.20	(up 19.7%)
	Security business grew smoothly due to the increase in SSL usage that diversified needs		
	Net Sales	1.86	(up 5.1%)
	Operating profit	-0.02	(50M in previous term)
	Strong results in businesses that would generate ongoing recurring revenues (hosting and ecommerce solutions). JPY 380M in minne advertising spend (up JPY 120M YoY).		

(millions)



3.7%
YoY growth^{*}

8.47M
contracts

^{*}Excluding minne KPI

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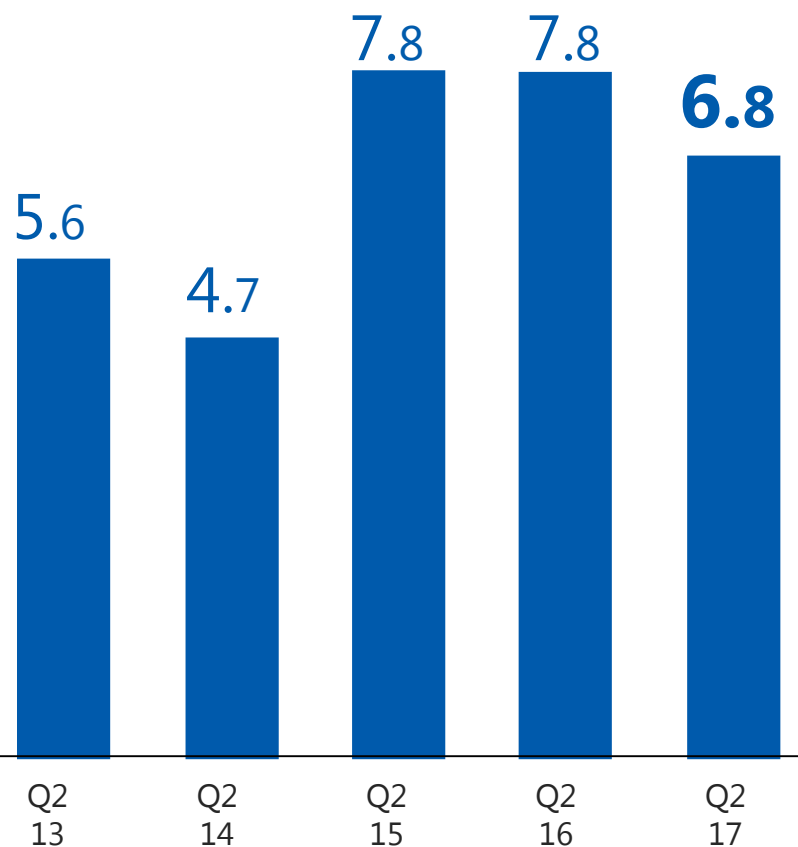
v) Mobile Entertainment & Other Businesses

4. Group Strategy

Net Sales: YoY **12.0% down**

Impact of Brexit

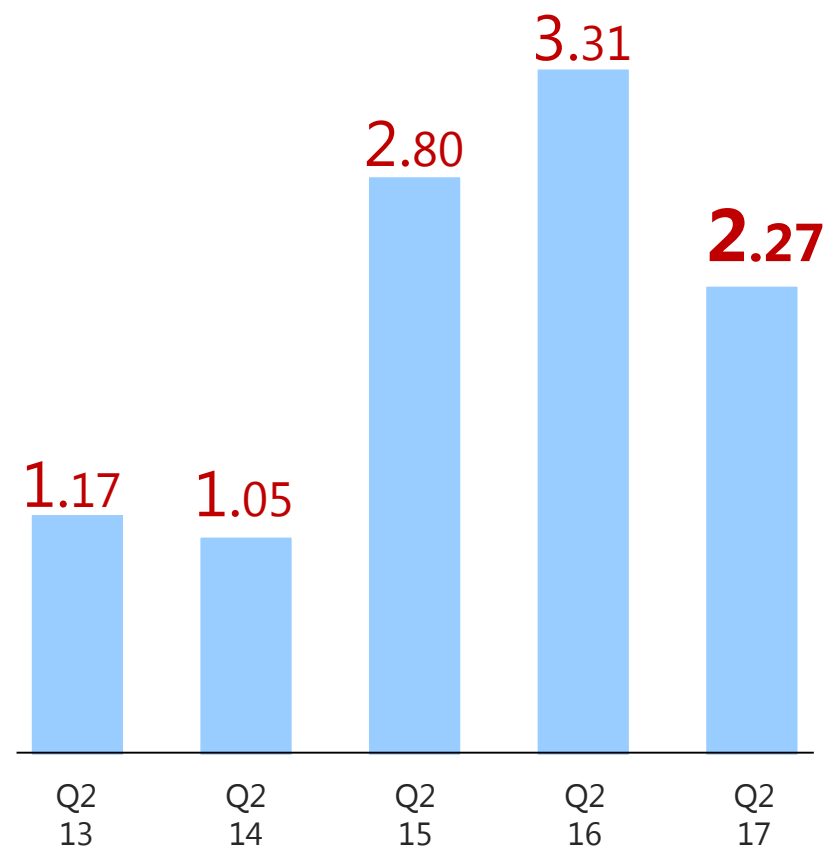
(JPY billions)



Operating Profit: YoY **31.4% down**

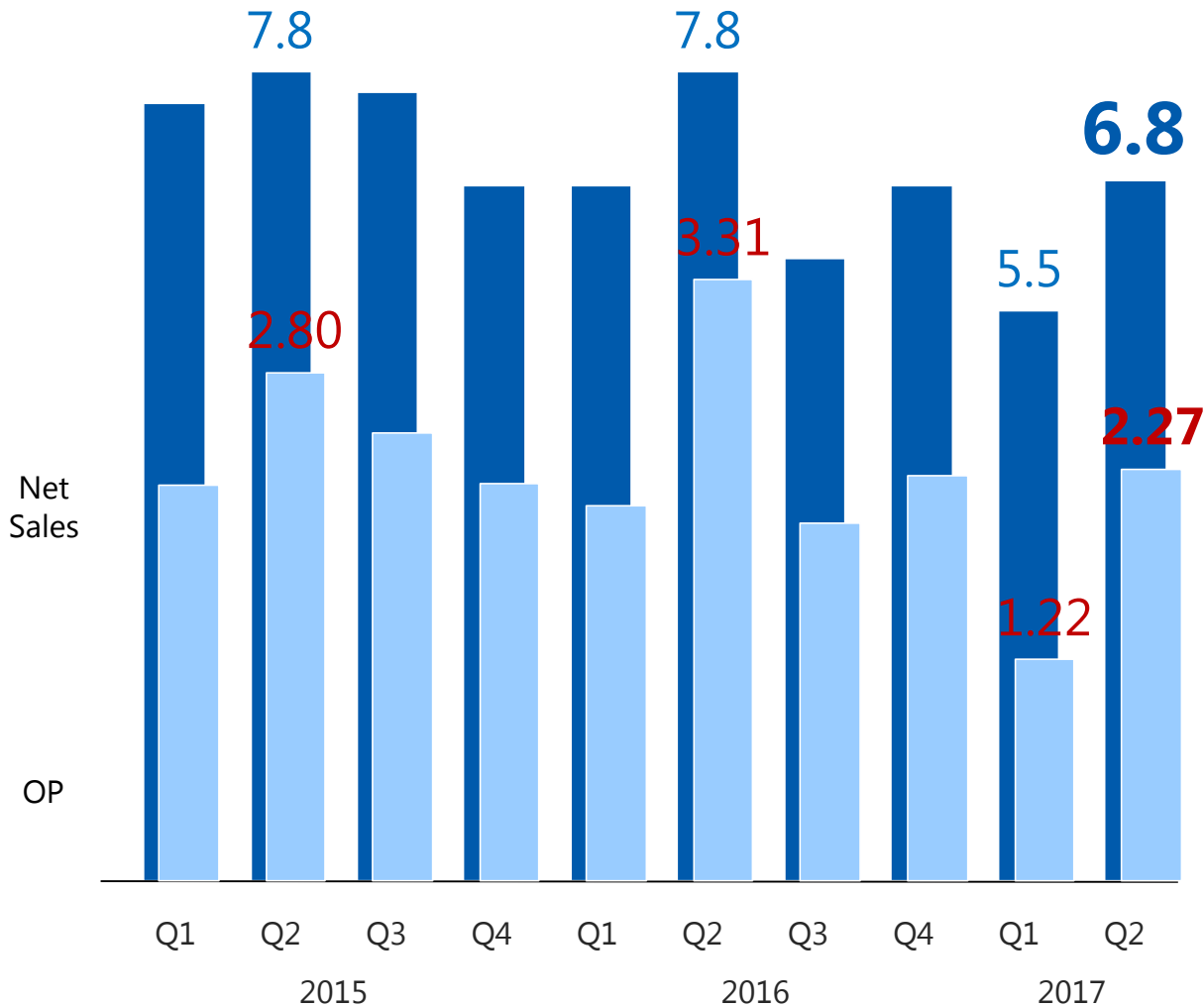
High-margin currency pair GBP/JPY transaction decreased YoY

(JPY billions)



Historical Performance by Quarter

(JPY billions)



Revenue up

23.1%

Profit up

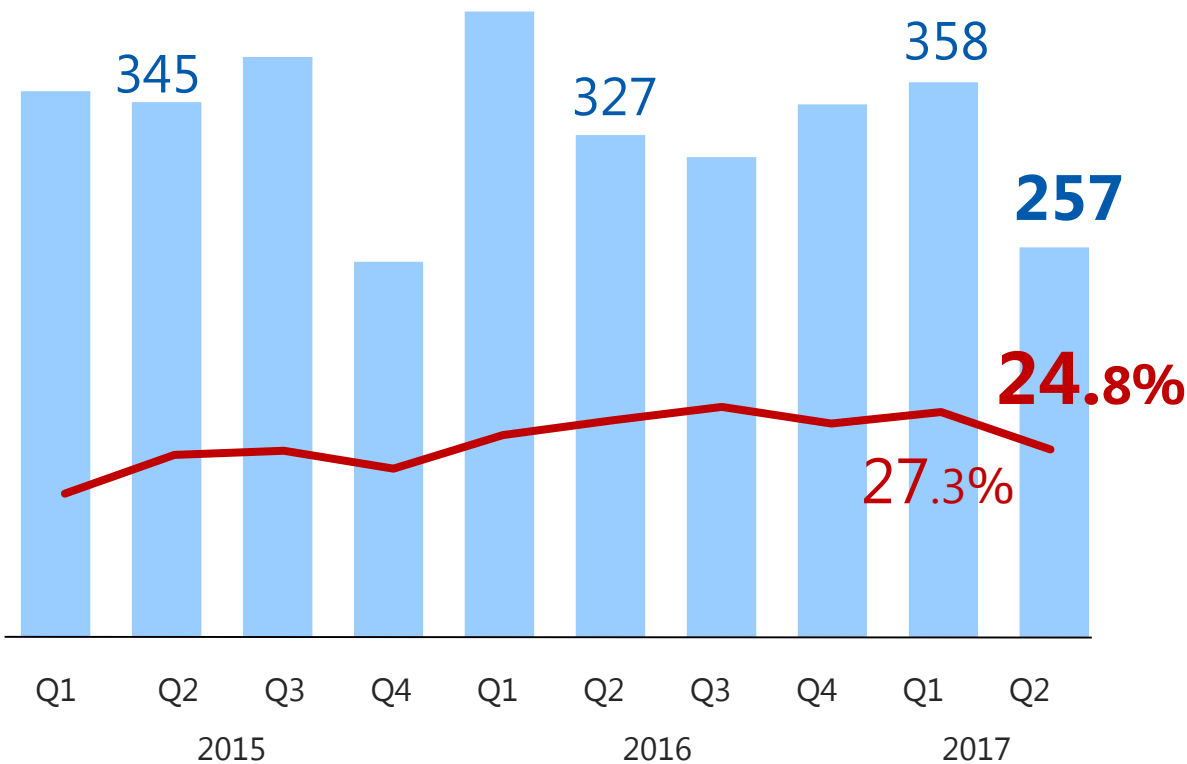
86.3%

QoQ

Optimization of cover transactions led to huge improvement in profitability

Trading volume
Share

(JPY trillions)



No.1 Trading
Volume for
5 Consecutive
Years

Prepared based on Results Presentation of GMO CLICK HD for Q1 of FY2017 and “Monthly Statistical Bulletin on Over-The Counter Retail FX Margin Trading” published by the Financial Futures Association of Japan (FFAJ)

FX



Securities



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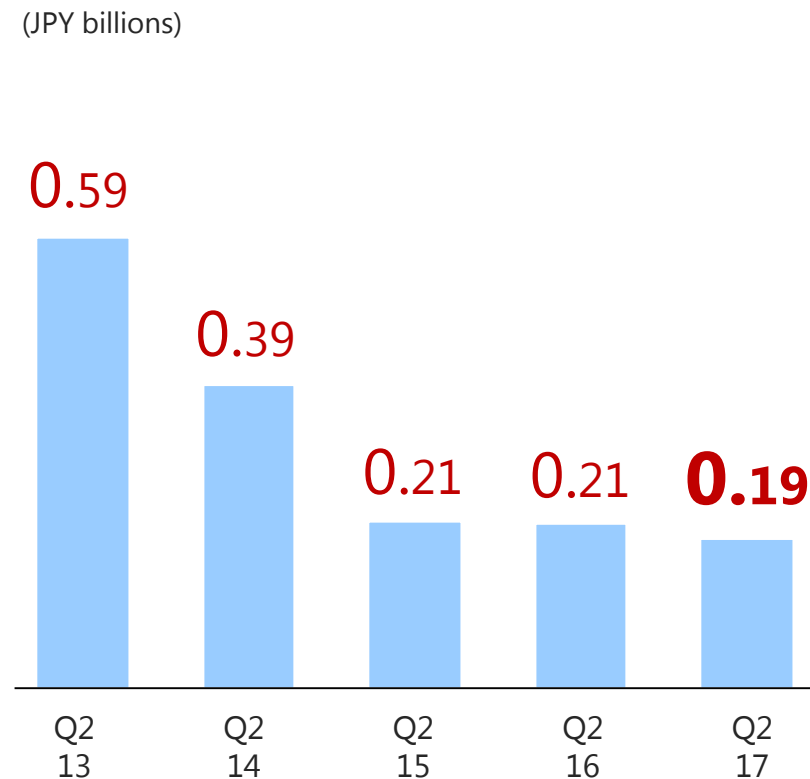
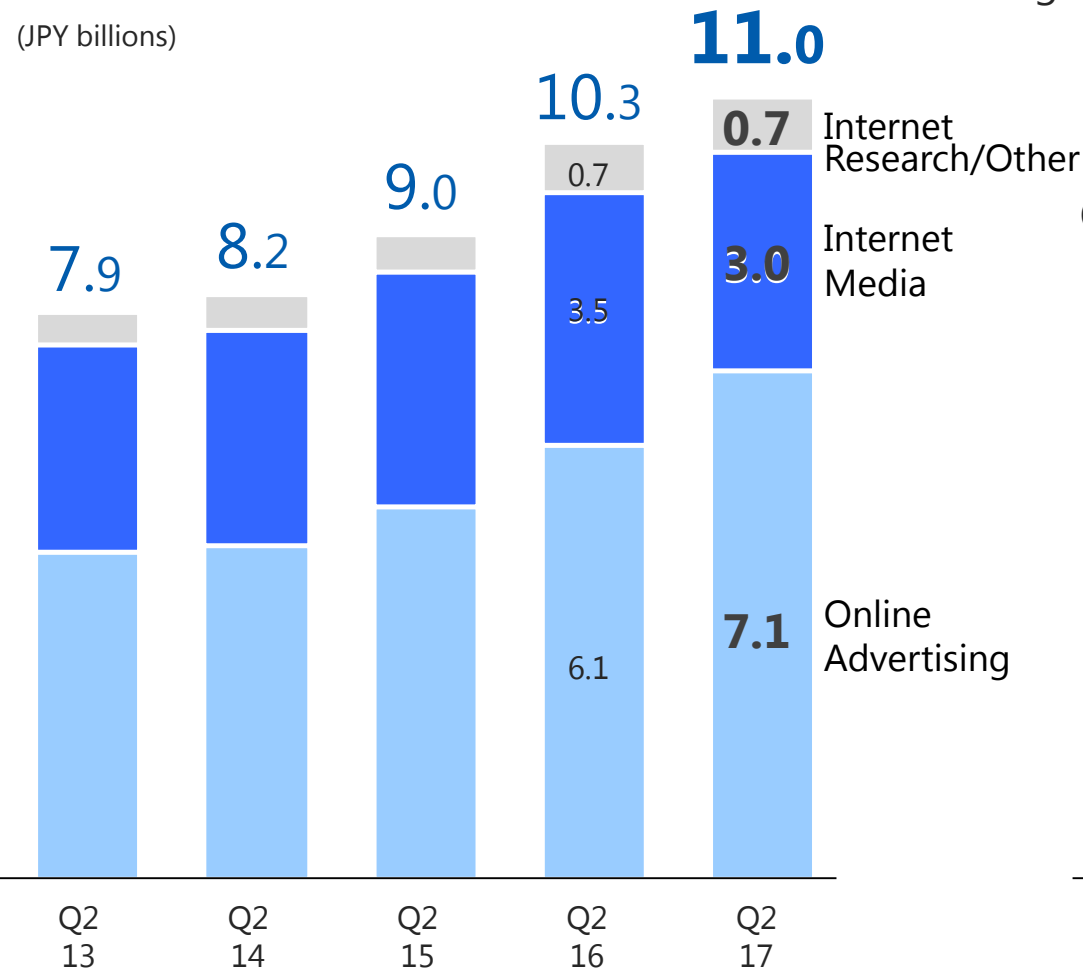
Results trends

Net Sales: YoY **6.2% up**

Online Advertising grew while Media performance weakened

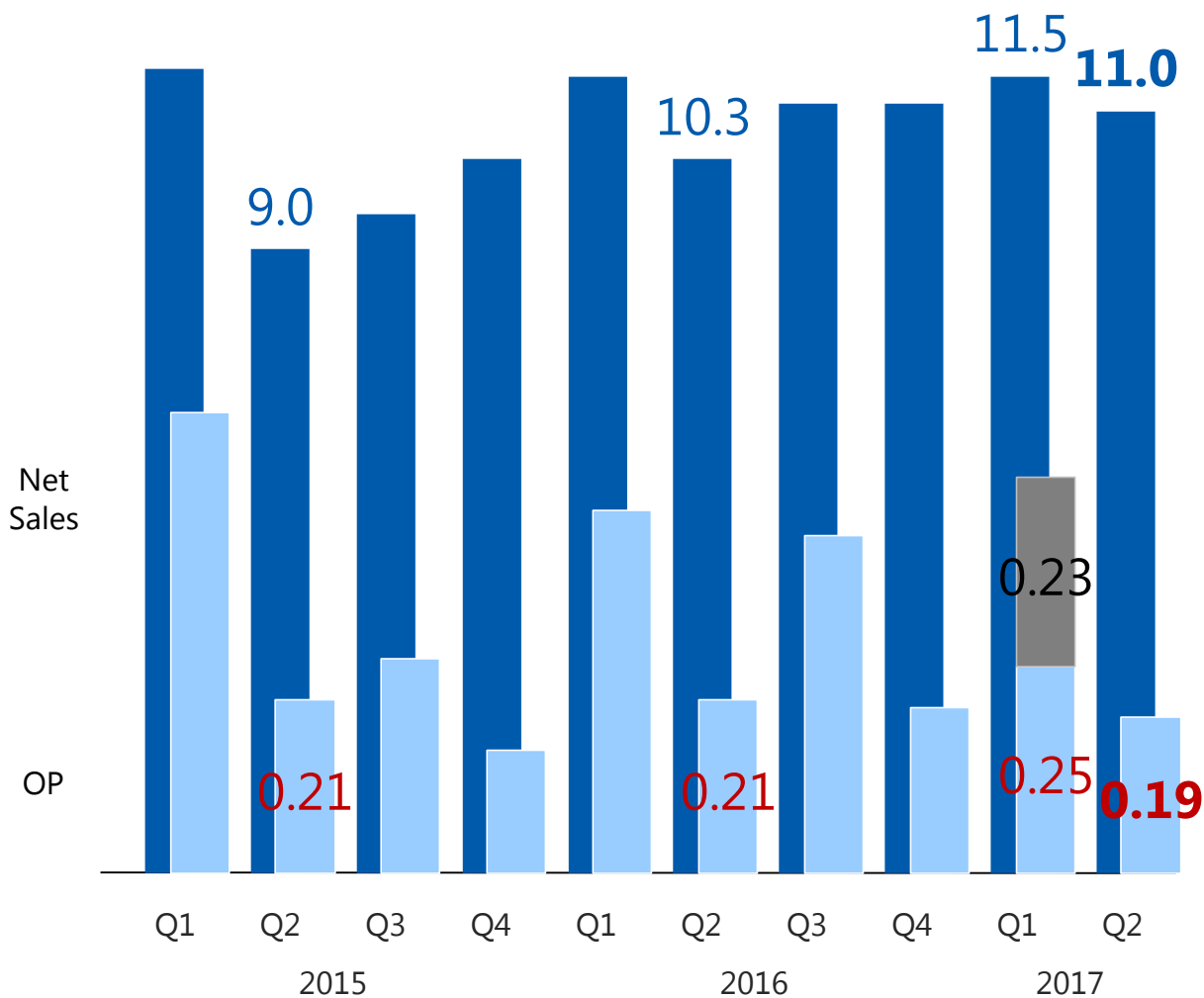
Operating Profit: YoY **9.8% drop**

Seasonal factors impacting both new and existing products. Rise in profits from ad tech unable to offset drop in net sales of existing high-margin Media products.



Historical Performance by Quarter

(JPY billions)

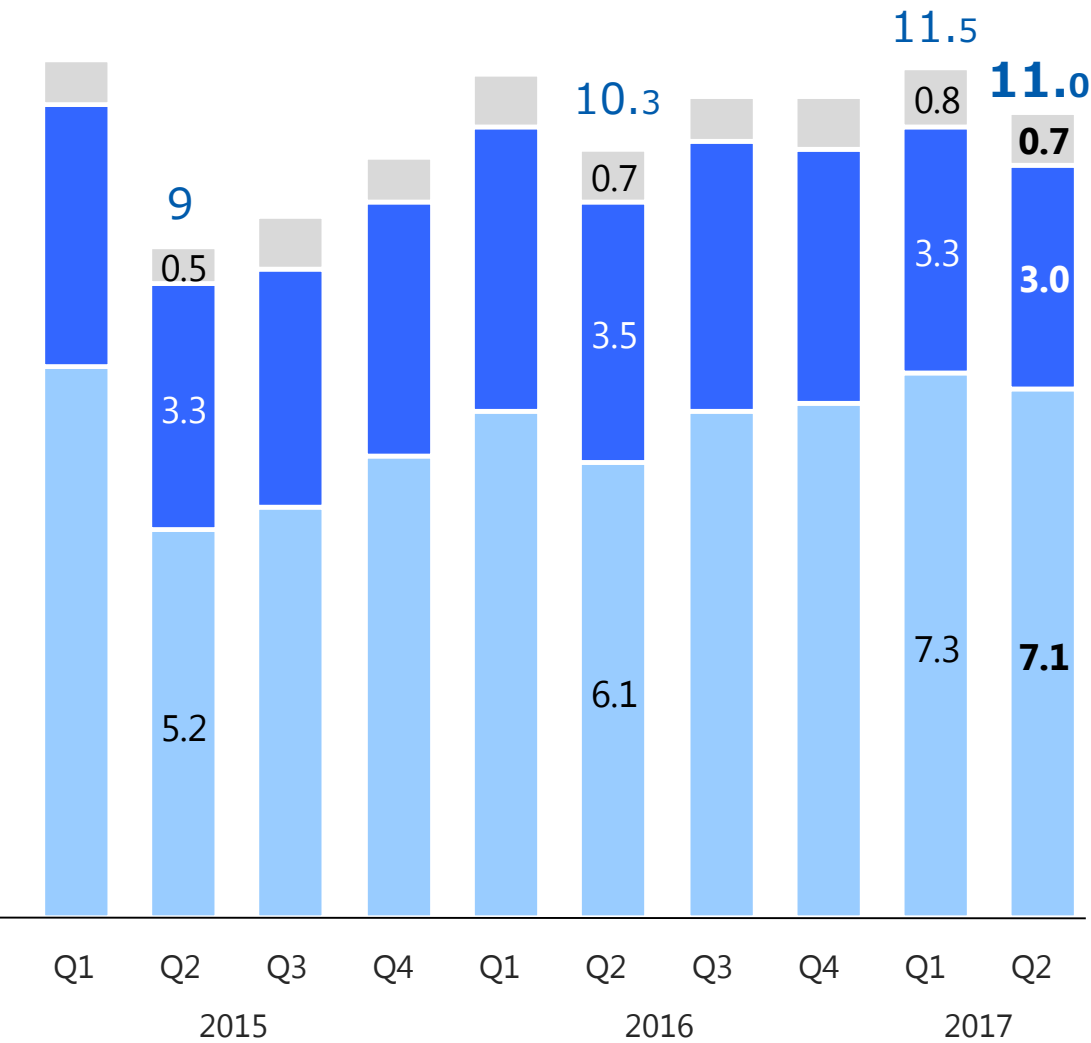


Revenue up
6.2%
Profit down
9.8%
YoY

*Gray indicates revision to financial results.

Net Sales by Sub-Segment

(JPY billions)







Ad Revenue

Up **17.2%**

In-house ad tech product
"Akane" is growing

- Internet Research/Other
- Internet Media
- Online Advertising

Major Group companies | Performance by Quarter

(JPY billions)			
	Net Sales	8.06	(+14.6%)
	Operating profit	0.09	(+189.4%)
	Ad technology products such as AkaNe for advertisements and TAXEL performed favorably. Investment in technology shift produced good results.		
	Net Sales	0.57	(-9.9%)
	Operating profit	0.01	(-30M in previous term)
	For O2O business, which would generate ongoing recurring revenues, net sales and OP turned positive in Q2		
	Net Sales	0.79	(+8.1%)
	Operating profit	0.06	(+32.1%)
	Performed favorably in overseas. Strengthened sales effectively targeting big clients.		
	Net Sales	0.95	(-24.9%)
	Operating profit	0.06	(-36.1%)
	Strong results in ecommerce media "PointTown" but advertisement distribution regulation was changed, having negative impact		

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Performance by Quarter

(JPY billions)			
Mobile Entertainment	Net Sales	0.23	(-59.3%)
	Operating profit	-0.12	(-0.06 in previous term)
	New titles to be launched in the fourth quarter		
Incubation	Net Sales	0.25	(0.02 in previous term)
	Operating profit	0.10	(-0.03 in previous term)
	Posting gain via sale of listed shares		
Other	Net Sales	0.9	(0.04 in previous term)
	Operating profit	-0.30	(-0.02 in previous term)
	Incurring continuous operating loss for the branding due to holding events. Profit and loss are expected to balance out in next fiscal year.		

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Group companies after the incidents

GMO AD PARTNERS

- Improvement of business system
- Improvement of internal management system
- Training and education for enhancing compliance consciousness

GMO PAYMENT GATEWAY

- Implementation of technological prevention measures
- Implementation of information security management prevention measures
- Prevention measures for corporate risk governance and corporate culture

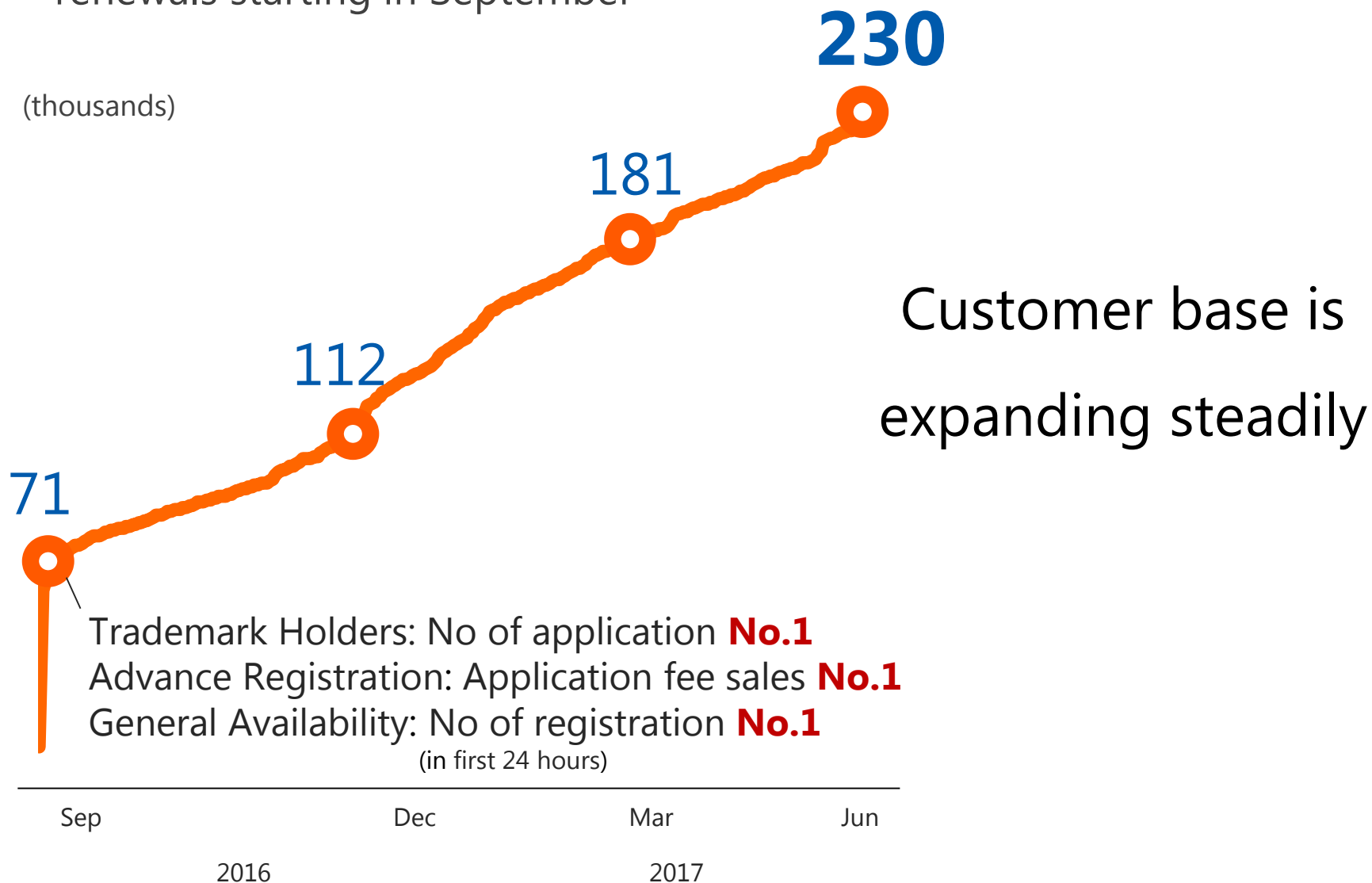
GMO INTERNET GROUP

- Educational activities for enhancing the company's compliance awareness
- Strengthen the organization

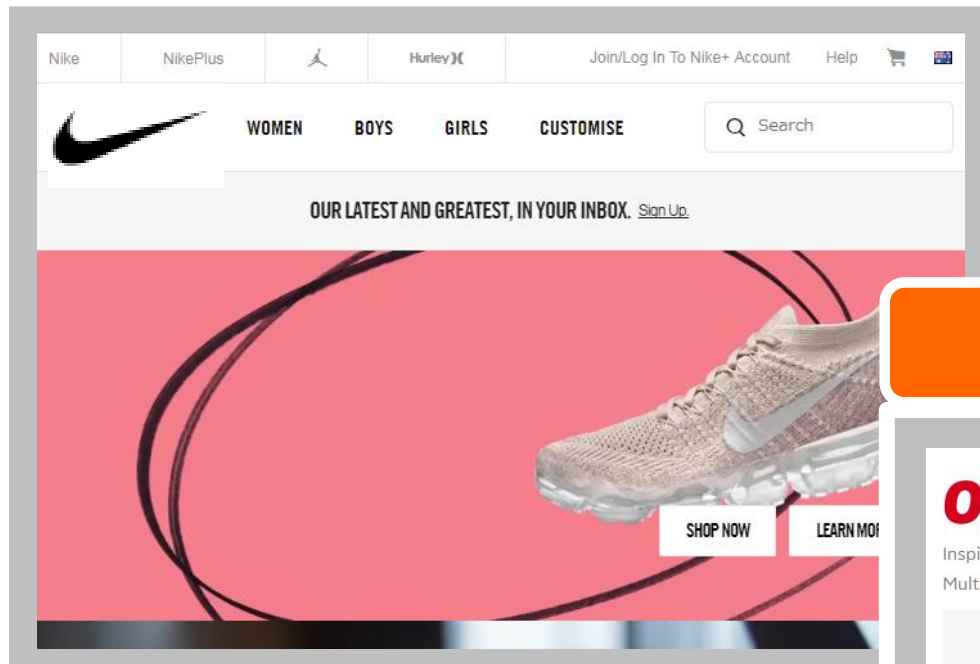
Strengthening Strengths

New gTLD .shop Progress Report

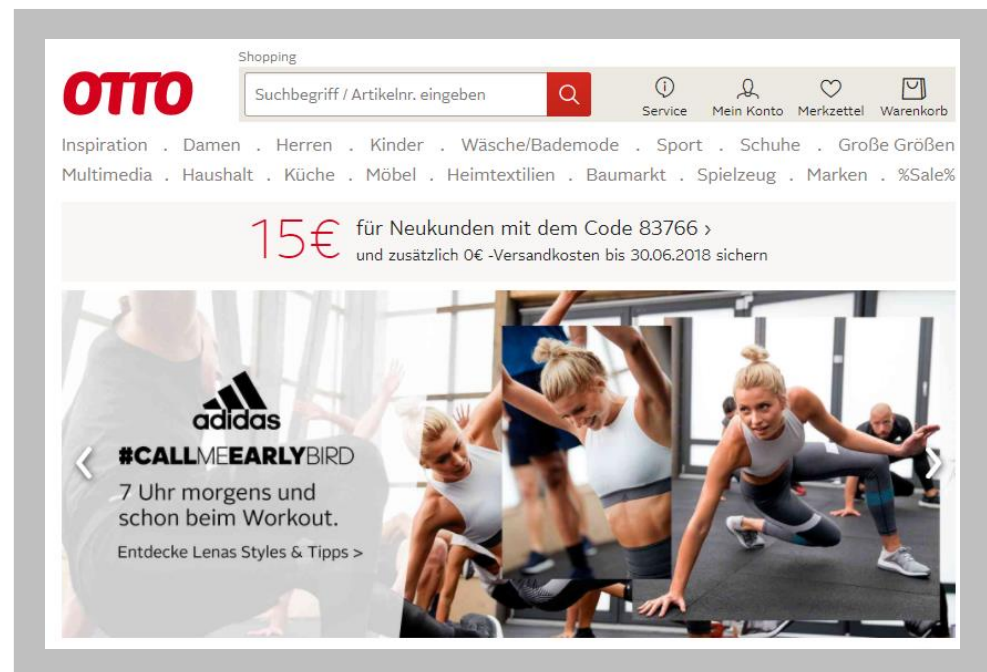
Strengthening partnerships with overseas domain registrars for the renewals starting in September



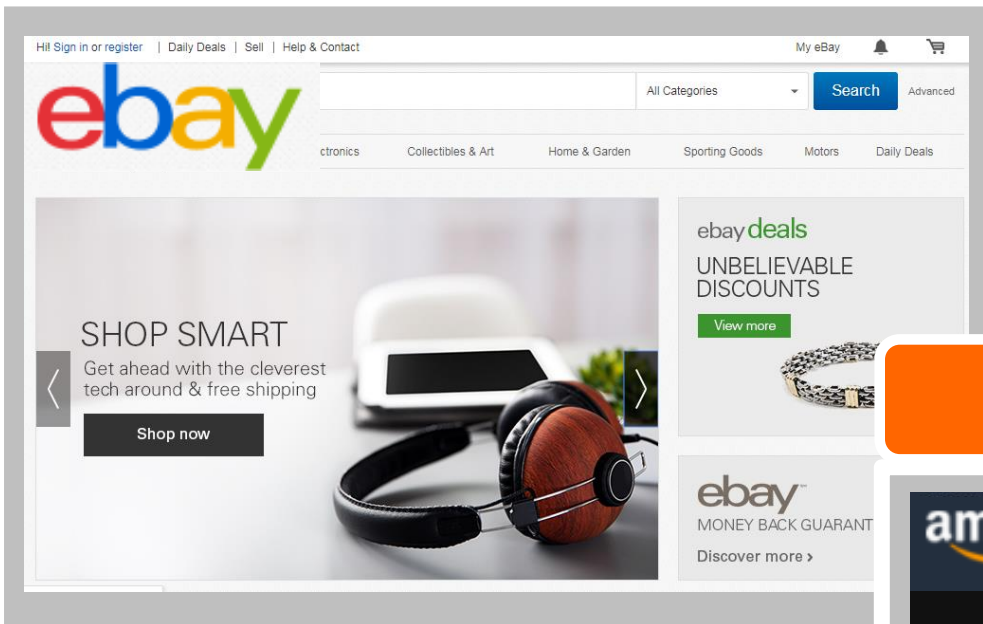
nike.shop



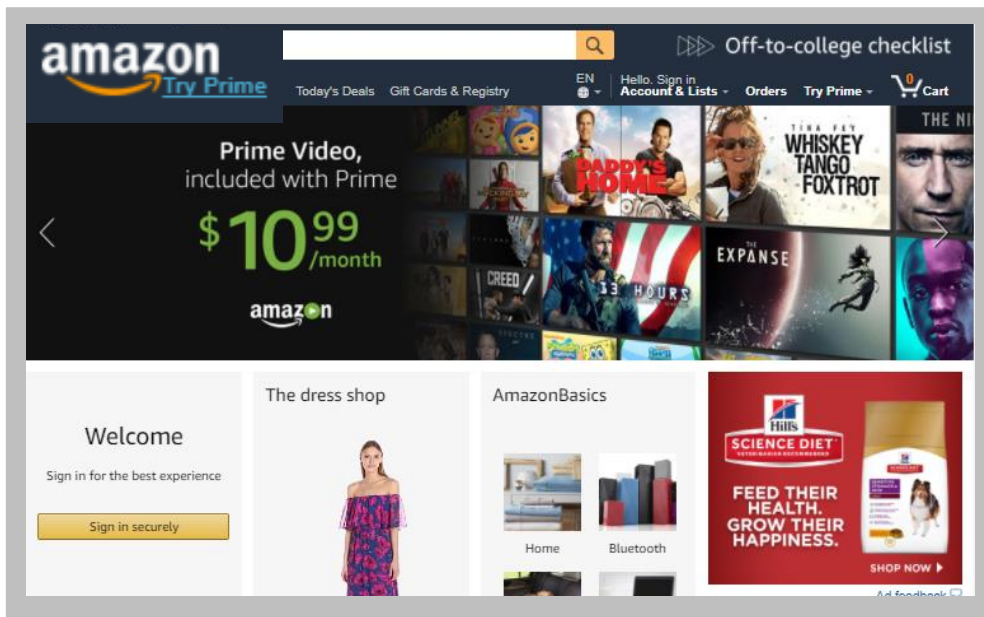
otto.shop



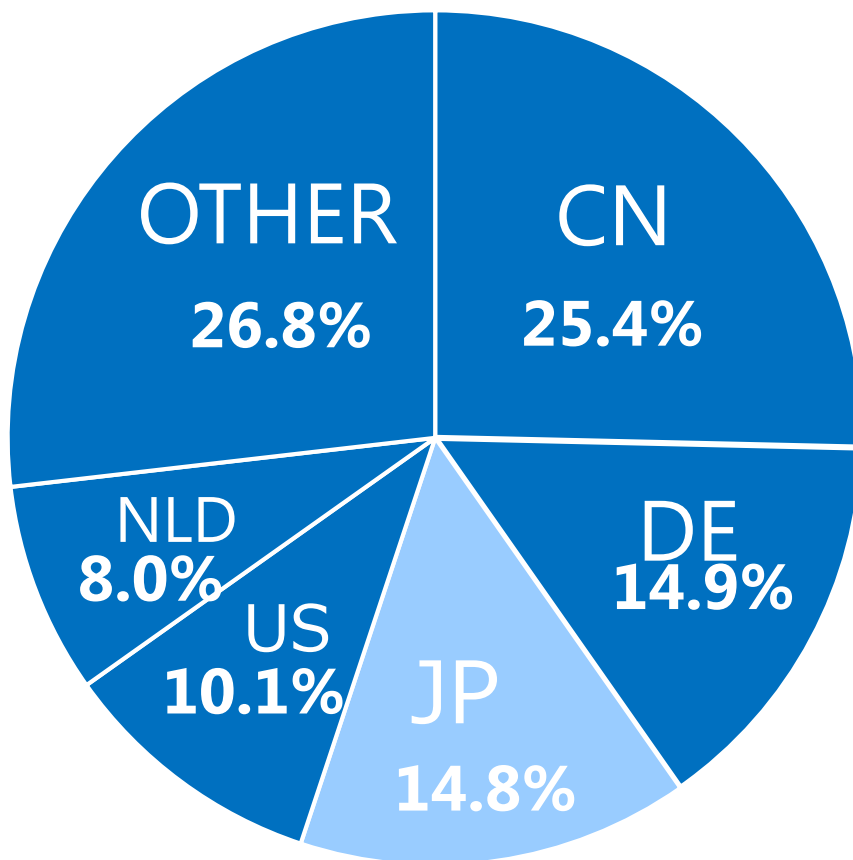
ebay.shop



amazon.shop



Registration by country



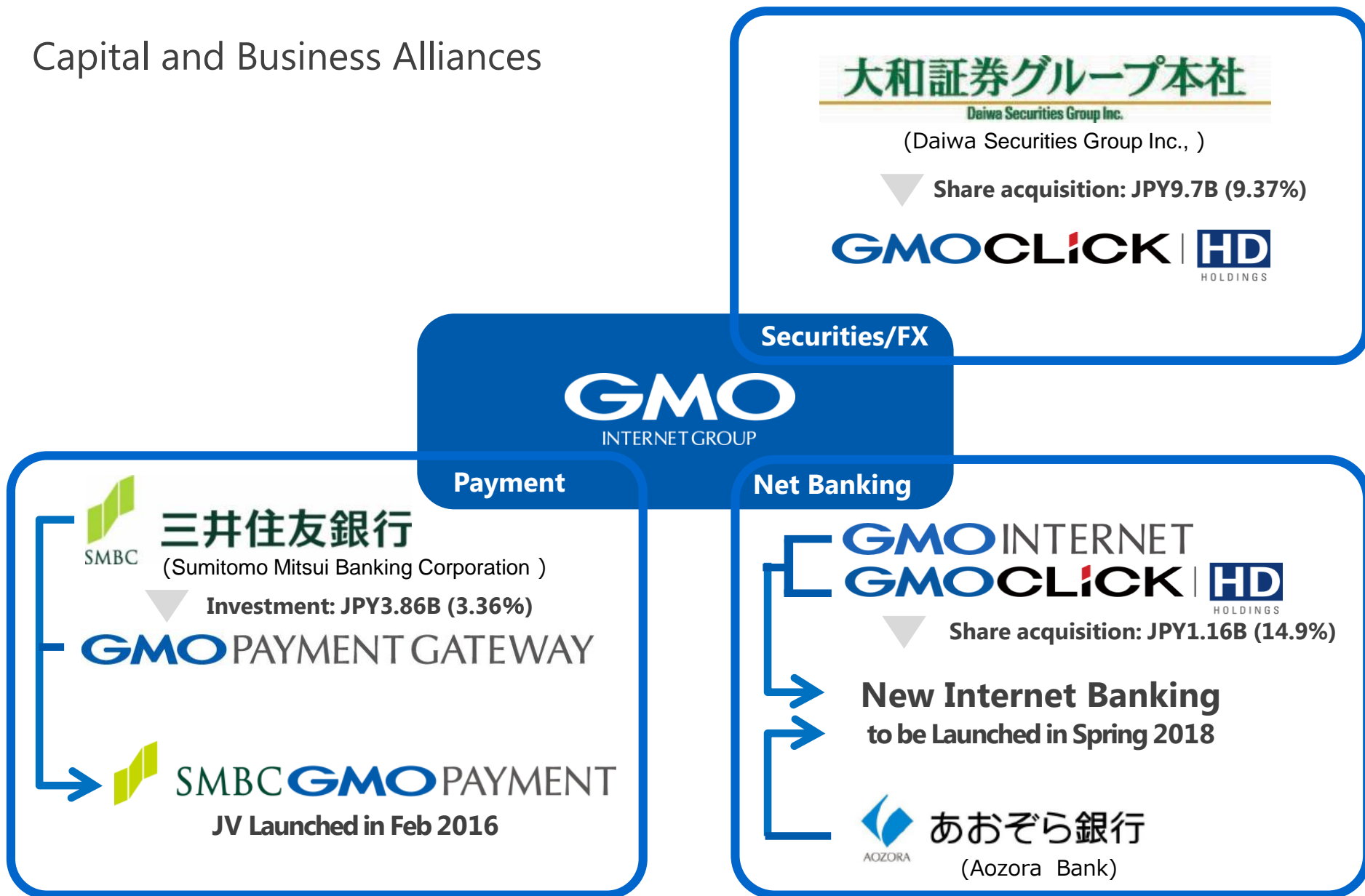
Overseas ratio
85.2%

As of June 30, 2017 (according to our research)

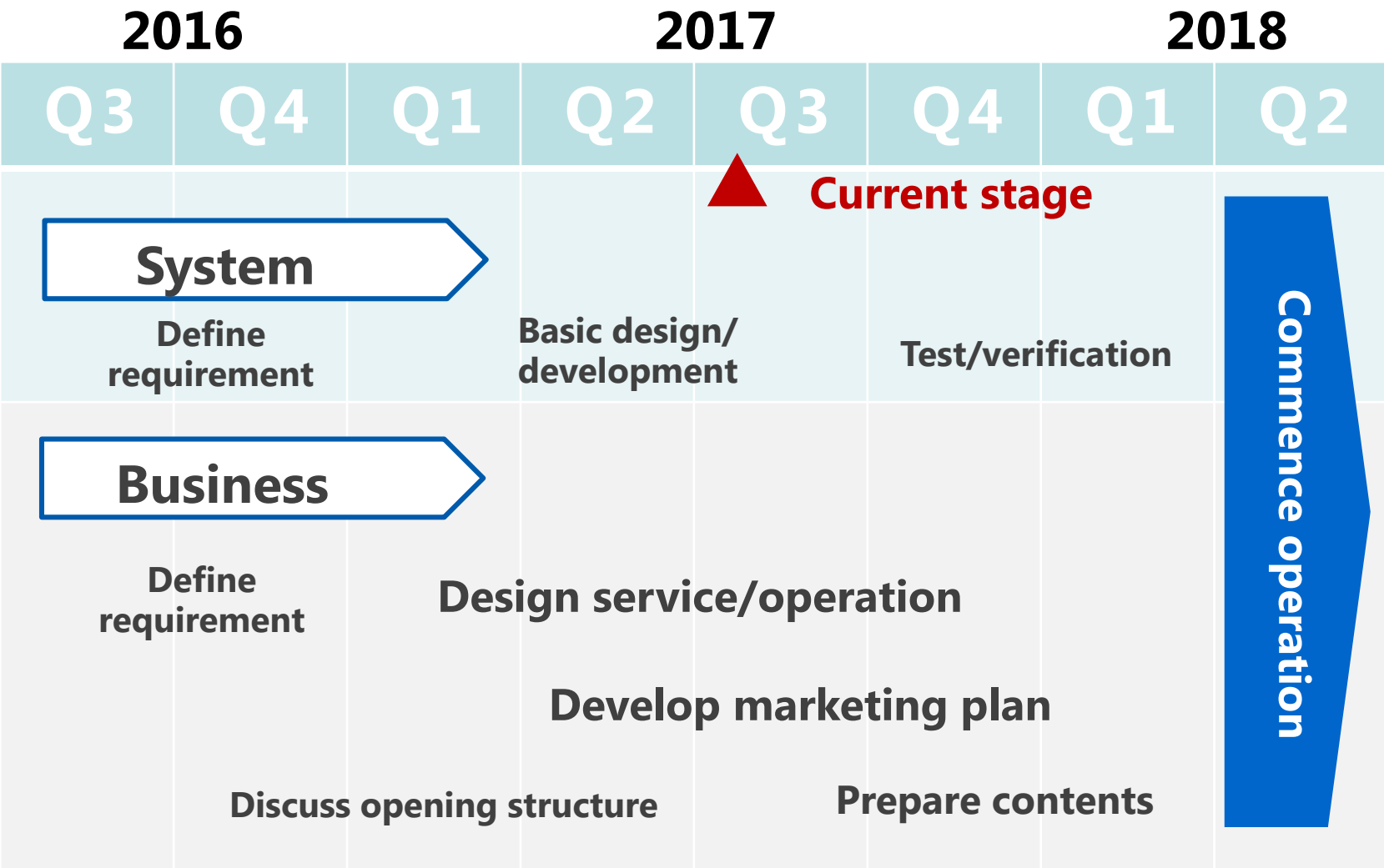
Strengthening Strengths

Developments in Finance and Payment

Capital and Business Alliances



Progressing smoothly towards launch



GMO CLICK Holdings, Inc.



GMO Financial Holdings, Inc.

(Changing the company name on Oct 1, 2017)

**Securities
/FX**

Virtual currency
GMO Coin

GMO : 44%
GMO CLICK HD : 35%

Net Bank
AOZORA Trust bank

GMO : 7.45%
GMO CLICK HD : 7.45%

- Optimization of resources, such as systems and engineers
- Quality management of UI/UX as a web service

Virtual currency business made a good start

- **Offering transaction opportunities with full line-up of currency pair**

Other types of virtual currency, in addition to bitcoin, to be available in future.

USD currency pair and virtual currency currency pair, in addition to JPY currency pair, may be available in future as well.

- **Easier-to-use**

Expanding transaction tools and deposit methods, and improving security

- **Utilizing GMO Internet Group brand by changing the company name**



Z.comCoin

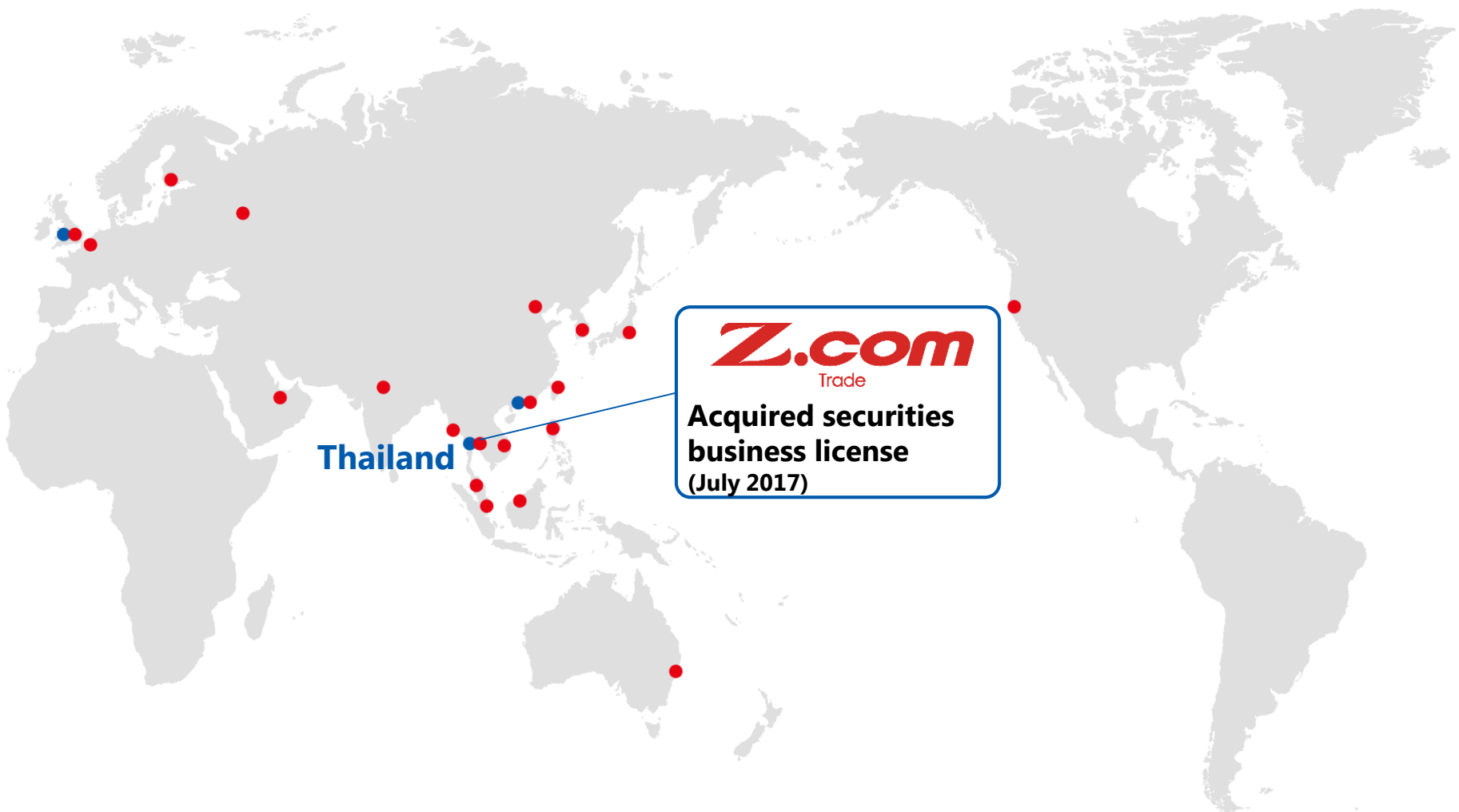
GMOCoin

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

Global Growth: Locations

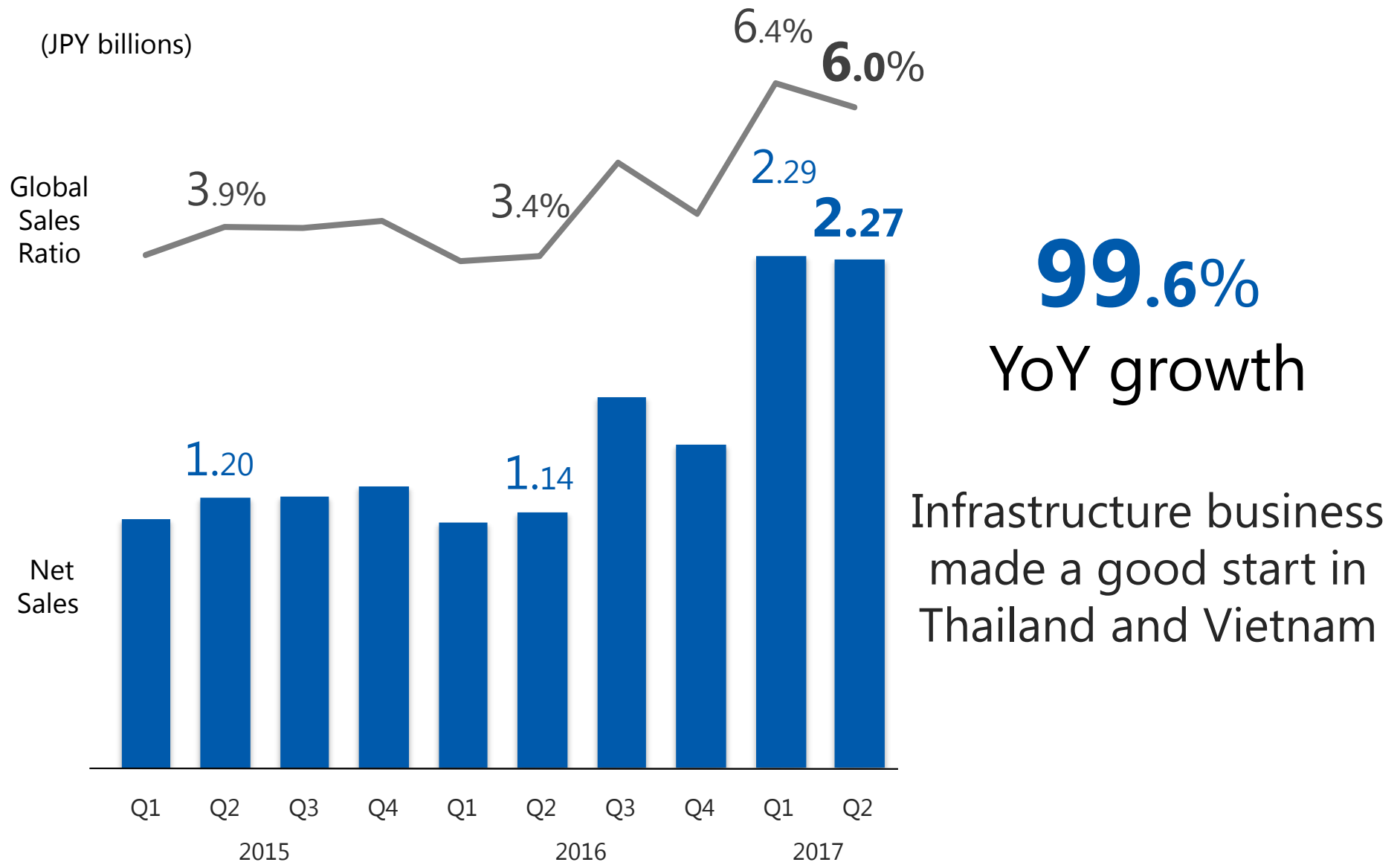
18 countries, 55 locations, 1,168 global partners ("staffs")

- Infrastructure
- Finance



*As of June, 2017

Global Growth: Global Net Sales

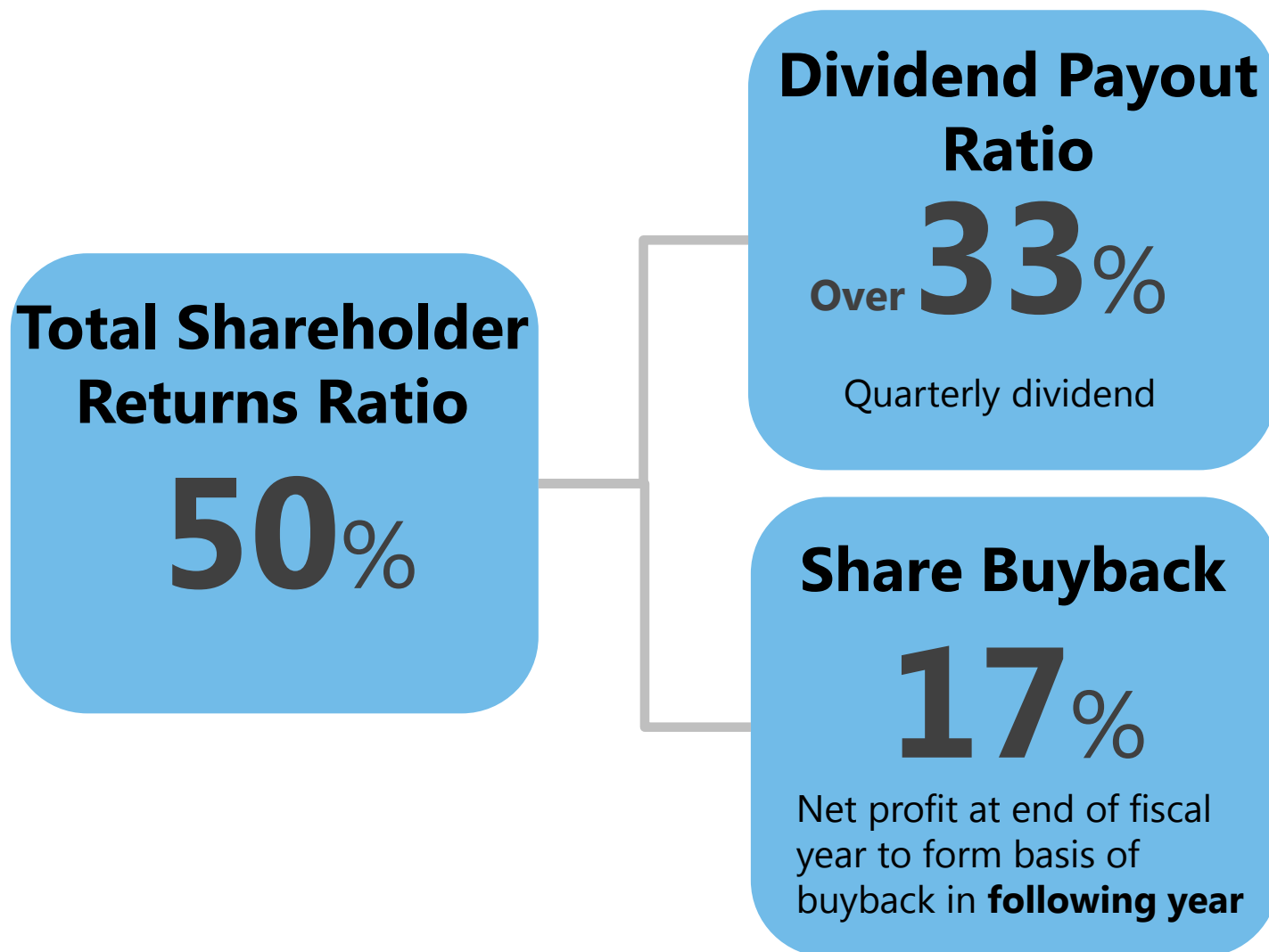


Myanmar government site eVISA uses SSL



Further improving the awareness and credibility of Z.com’s brand

Share buyback between February 9 and December 30 2016



Internet for Everyone

GMO

GMO INTERNET

This document includes projections based on expectations, premises and plans as of July 31, 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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