# Fiscal Year 2017 Second Quarter

# Results Presentation



STOCK CODE: 9449

# **Supplementary Materials**

### **Significant Group Companies**



### 129 Group Companies (102 consolidated, 19 non-consolidated, 4 equity method affiliates, 4 non-equity method affiliates)

(Osaka Sales Office) GMO CLOUD, K.K

GMO Payment Gateway, Inc.

GMO Solution Partner, Inc. GMO

GMO DIGITAL Lab, Inc. GMO DigiRock, Inc.

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

Global Card System,Inc.

GMO Registry, Inc.

GMO System Consulting, Inc.

GMO Creators Network, Inc.

GMO Brights Consulting, Inc.(and other companies)

(UK) GMO-Z.com Trade UK LTD.

GMO GlobalSign Ltd.

(Belgium)

GlobalSign NV (CA)

(China) GlobalSign China (Hong Kong)

GMO-Z.com Forex HK Limited.

(US) GMO GlobalSign, Inc.

GMO-Z.com USA,Inc

(UAE)

GMO GlobalSign FZ-LLC

(India)

GMO Research Pvt.Ltd.

GMO GlobalSign Certificate Services

Private limited (Mvanmar)

GMO-Z.com ACE Co. Ltd.

(Thailand)

GMO-Z.com NetDesign Holdings Co.,Ltd

(Vietnam)

GMO-Z.com Runsystem JSC

GMO-Z.com Vietnam Lab Center Co. Ltd.

(Philippines)

GMO GlobalSign Inc.

#### Online Advertising & Media

★GMO AD Partners, Inc. (JASDAQ:4784)

GMO NIKKO, Inc.

**GMO AD Marketing** 

GMO Insight, Inc.

★GMO Research, Inc. (MOTHERS: 3695)

★GMO Media, Inc. (MOTHERS: 6180)

GMO Solution Partner, Inc.

★ GMO TECH, Inc. (MOTHERS: 6026)

GMO Kumapon, Inc. (and other companies) (Singapore)

GMO-Z.com Pte. Ltd.

GMO GlobalSign Pte. Ltd.

GMO PAYMENT GATEWAY Pte. Ltd.

(malaysia)

MACRO KIOSK BERHAD

#### **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 2017)

## **Group News (1)**



4/26	<b>GlobalSign</b> 。	GMO GlobalSign launches "Managed PKI for IoT," a high-volume Client Certificates issuing service for IoT devices: Contributing to security measures of IoT by allowing certificate installation during production processes.
5/12	GMOINTERNET	Learn the latest trends of store marketing! GMO Internet Group holds "GMO Store IT Adoption Conference 2017" in Shibuya: Specialists from other companies that develop and offer tools to support IT adoption by stores will gather.
5/24	GMO PEPABO inc.	GMO Pepabo chose the top store out of over 45,000 Color Me Shop! stores nationwide! BALANCE STYLE that sells football themed miscellaneous fashion goods won "Color Me Shop! Award 2017."
5/25	<b>GMO</b> CREATORS NETWORK	GMO Creators Network launches low price, short delivery time, nationwide onsite photography service "Photo Shoot IN JAPAN byGMO" targeting legal entities: Clear-cut time rate and professional photographer specializing in various fields will take photographs!
5/31	<b>GMO</b> TECH	GMO TECH launches "GMO SmaAFFi," a full pay-per-action affiliate service that does not need initial costs and monthly payments: Sufficient consulting will enhance advertiser's marketing and advertising medium owner will realize profit maximization.
5/31	GMO-Z.com Coin, Inc.	GMO-Z.com Coin launches "Z.com Coin byGMO" that enables virtual currency FX and virtual currency trading.

## **Group News (2)**



6/1	<b>GMO</b> CLOUD	GMO CLOUD launches demonstration experiment of connected car utilizing IoT technologies: Working toward practical use of automatic analysis and remote diagnosis of car condition.
6/20	GMOINTERNET GlobalSign。	GMO Internet Group launches the second demonstration experiment utilizing the blockchain and IoT in collaboration with Saison Information Systems and PARCO: Receive the product of kaeru PARCO with "Smart Delivery Box."
6/23	GMOCLICK SEC	GMO CLICK Securities receives three stars - the highest evaluation score - in call center and web support categories of HDI Benchmark.
6/28	<b>GlobalSign</b> ₃	GMO GlobalSign's "Online ID Verification Service Supporting My Number" is adopted into system integrator's BPO services: Used for gathering My Number on system targeting civil services.
6/29	GMOINTERNET	GMO Internet launches pay-per-sale platform "KaKing," a service that supports business reforms by small business owners.



# **GMO**PAYMENT GATEWAY

ONS)								
Stock Code	TSE 1st Section 3769							
Stock Code		Internet Infrastructure (Payment)						
	Q3 FYE 9/2016	Q3 FYE 9/2017	Q3 FYE 9/2017	FYE 9/2017				
	(3mths to Jun)	(3mths to Jun)	(9mths to Jun)	Forecast (Progress)				
Net Sales	3,089	5,716	15,708	20,370				
Operating Profit	1,074	1,400	3,937	5,013 (78.5%)				
Ordinary Profit	1,022	1,383	3,753	4,673 (80.3%)				
Net Profit	657	429	1,513	2,762 (54.8%)				

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





Stools Code	JASDAQ Standard 7177					
Stock Code		Internet Finance				
	Q1 FYE 3/2017 (3mths to Jun)	Q1 FYE 3/2018 (3mths to Jun)	FYE 3/2018 Forecast			
Net Sales	7,808	6,871				
Operating Profit	3,371	2,435				
Ordinary Profit	3,329	2,406				
Net Profit	2,272	1,640				

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



# **GMO** CLOUD

Staals Cada	TSE 1st Section 3788							
Stock Code		Internet Infrastructure (Hosting & Cloud, Security)						
	Q2 FYE 12/2016	Q2 FYE 12/2017	Q2 FYE 12/2017	FYE 12/2017				
	(3mths to Jun)	(3mths to Jun)	(6mths to Jun)	Forecast (Progress)				
Net Sales	2,851	3,007	6,014	12,000				
Operating Profit	170	203	476	950 (50.2%)				
Ordinary Profit	133	232	500	950 (52.7%)				
Net Profit	101	176	362	<b>550</b> (65.9%)				

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



# **GMO**AD PARTNERS

Stock Code	JASDAQ Standard 4784							
Stock Code		Online Advertising & Media						
	Q2 FYE 12/2016	Q2 FYE 12/2017	Q2 FYE 12/2017	FYE 12/2017				
	(3mths to Jun)	(3mths to Jun)	(6mths to Jun)	Forecast (Progress)				
Net Sales	7,039	8,068	16,586	34,000				
Operating Profit	32	93	303	<b>550</b> (55.2%)				
Ordinary Profit	31	105	310	<b>560</b> (55.4%)				
Net Profit	-16	-247	-141	142 (-)				

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



# GMO PEPABO inc.

Stock Code	JASDAQ Standard 3633					
Stock Code	Internet	Infrastructure (Domain,	Hosting & Cloud, Ecommer	ce Solutions)		
	Q2 FYE 12/2016	Q2 FYE 12/2017	Q2 FYE 12/2017	FYE 12/2017		
	(3mths to Jun)	(3mths to Jun)	(6mths to Jun)	Forecast (Progress)		
Net Sales	1,773	1,863	3,668	7,650 (48.0%)		
Operating Profit	55	-26	91	O (-)		
Ordinary Profit	55	-18	99	O (-)		
Net Profit	49	-18	98	<b>O</b> (-)		

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



# **GMO**RESEARCH

Stank Cada	TSE MOTHERS 3695							
Stock Code	Online Advertising & Media							
	Q2 FYE 12/2016	Q2 FYE 12/2017	Q2 FYE 12/2017	FYE 12/2017				
	(3mths to Jun)	(3mths to Jun)	(6mths to Jun)	Forecast (Progress)				
Net Sales	734	793	1,628	3,490 (46.7%)				
Operating Profit	47	62	206	325 (63.6%)				
Ordinary Profit	29	65	196	305 (64.5%)				
Net Profit	13	41	128	181 (70.9%)				

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



# **GMOTECH**

Stool: Codo	TSE MOTHERS 6026						
Stock Code		Online Adve	rtising & Media				
	Q2 FYE 12/2016	Q2 FYE 12/2017	Q2 FYE 12/2017	FYE 12/2017			
	(3mths to Jun)	(3mths to Jun)	(6mths to Jun)	Forecast (Progress)			
Net Sales	640	576	1,250	3,000 (41.7%)			
Operating Profit	-33	11	12	110 (11.8%)			
Ordinary Profit	-36	11	12	108			
Net Profit	-37	2	1	65 (2.8%)			

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



# **GMO**MEDIA

Charle Cada	TSE MOTHERS 6180								
Stock Code		Online Advertising & Media							
	Q2 FYE 12/2016	Q2 FYE 12/2017	Q2 FYE 12/2017	FYE 12/2017					
	(3mths to Jun)	(3mths to Jun)	(6mths to Jun)	Forecast (Progress)					
Net Sales	1,274	957	2,205	5,000 (44.1%)					
Operating Profit	95	60	212	510 (41.6%)					
Ordinary Profit	94	59	210	505 (41.6%)					
Net Profit	60	39	142	323 (44.1%)					

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

### **Revenue Breakdown by Segment**



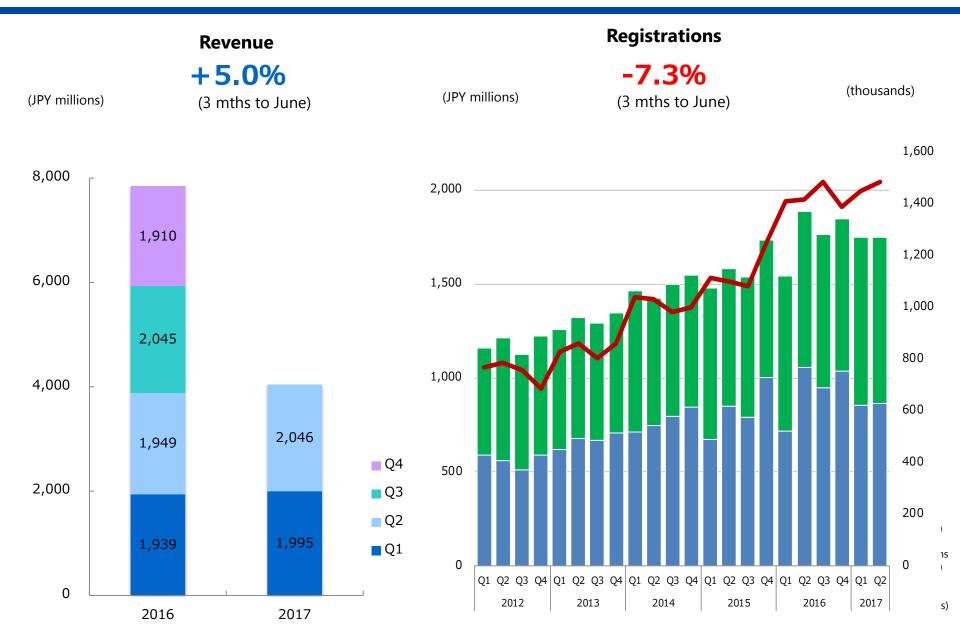
	Q2 2016	Q3 2016	Q4 2016	2017/1Q	2017/2Q
◆Internet Infrastructure					
Internet provider	3,272	3,497	3,653	3,968	4,455
Domain	1,949	2,045	1,910	1,995	2,046
Cloud & hosting	3,445	3,451	3,554	3,532	3,533
Ecommercd solutions	1,973	2,021	2,299	2,146	2,109
Security	1,127	1,378	1,255	1,281	1,291
Payment	2,983	3,184	4,243	5,534	5,590
Other	1,131	952	759	1,268	1,424
Segment total	15,882	16,531	17,677	19,727	20,452
◆Online Advertising & Media					0
Internet media	3,540	3,633	3,400	3,379	3,056
Online advertising	6,112	6,806	6,983	7,373	7,160
Internet research, other	711	695	798	819	785
Segment total	10,363	11,134	11,182	11,572	11,001
◆Internet Finance					0
Internet Finance	7,808	6,036	6,771	5,578	6,869
Segment total	7,808	6,036	6,771	5,578	6,869
◆Mobile Entertainment					0
Mobile Entertainment	572	472	403	299	232
Segment total	572	472	403	299	232
♦Incubation					0
Incubation	27	210	205	70	253
Segment total	27	210	205	70	253
♦Other Businesses					0
Other Businesses	44	51	59	52	919
Segment total	44	51	59	52	919
Internal Transactions Adjustment	(1,165)	(1,260)	(1,158)	(1,260)	(1,430)
Consolidated Net Sales	33,533	33,176	35,142	36,040	38,299

### **Cost Composition (Consolidated)**



(JPY millions) 35,000 6,314 30,000 6,126 6,523 1,792 6,362 1,592 6,278 1,854 Human resources 25,000 1,526 1,805 2,458 Advertising and 2,033 1,263 2,448 1,582 promotion Depreciation and leases 1,772 20,000 4,019 1,666 2,537 3,689 2,148 1,969 Outsourcing costs 1,170 3,489 1,217 3,282 Communication costs 3,099 15,000 3,814 1,158 3,477 1,123 1,191 Rent 3,451 3,298 3,631 Commission paid 10,000 6,143 6,516 5,971 5,717 207 5,226 180 5,000 145 197 167 6,563 5,448 4,268 3,719 3,688 0 2016/Q2 2017/Q2 2016/Q3 2016/Q4 2017/Q1

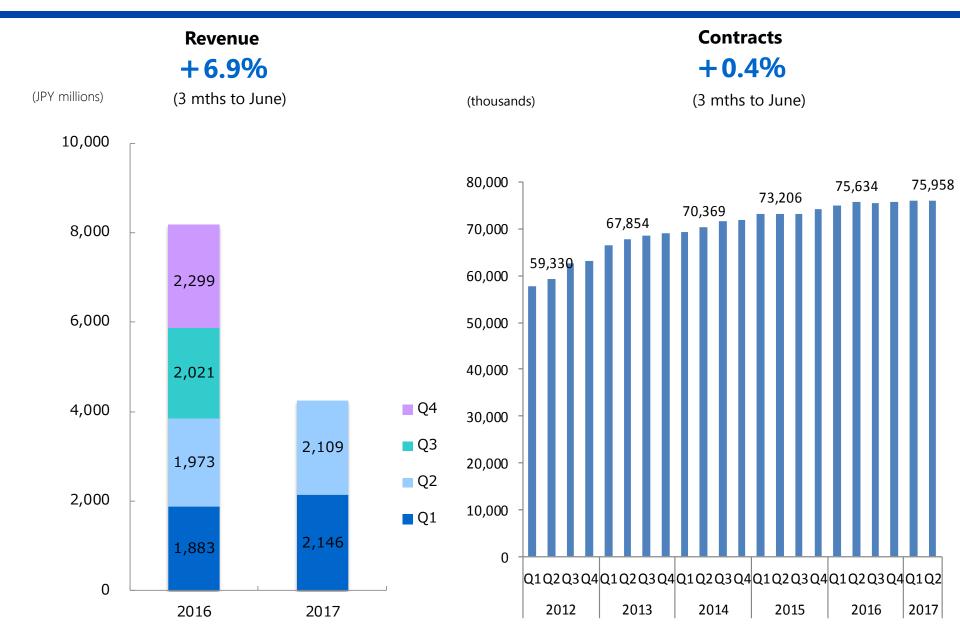










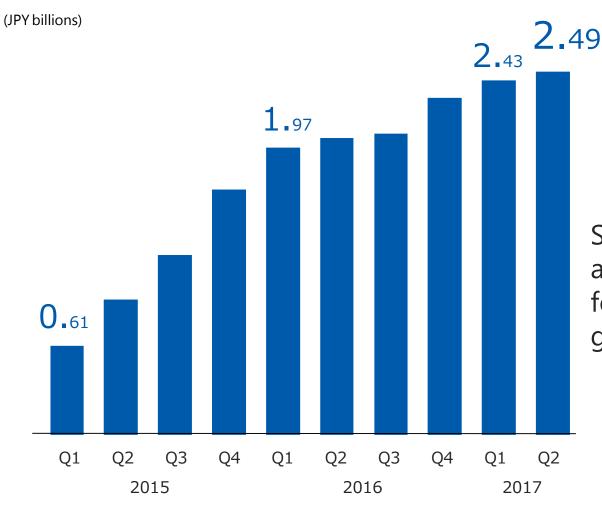




	カラーミーショップ by GMOペバポ	MakeShop <sup>®</sup> <sub>wGMO</sub>	Total
Stores (Paid)	59,000	16,000	75,000
Transaction Volume (Quarterly)	JPY30.1B	JPY36.0B	JPY66.1B

(As of June 2017)





# 22.1% YoY Growth

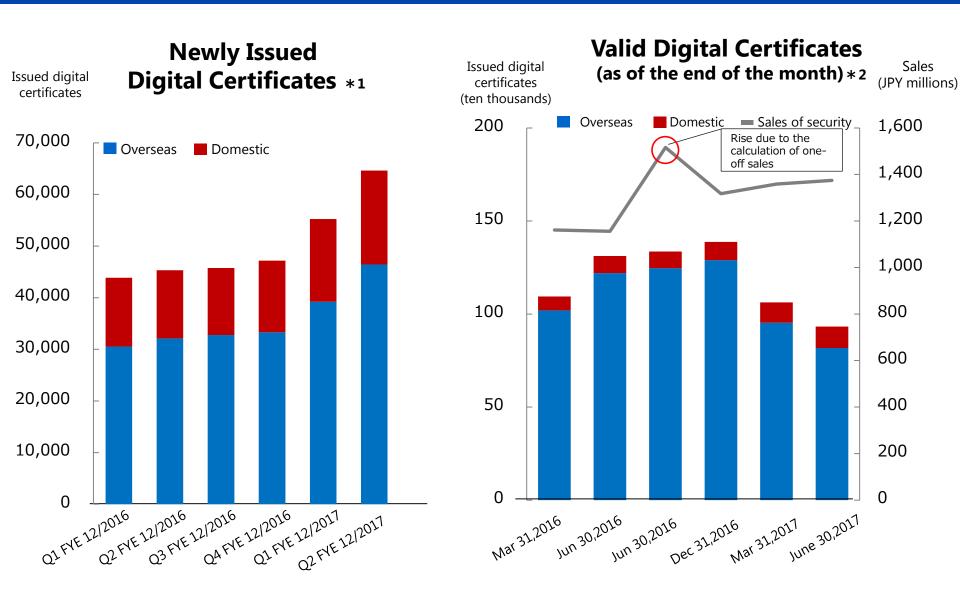
Strong results due to video advertisements and feature articles on mainly gifts.



	minne	<b>ĕ</b> tetote	Creema	iichi
Sellers	350,000	40,000	90,000	20,000
Products	5.86M	1,29M	4.40M	530,000
DL	7.77M	_	500 (forecast as of 2/2017)	40,000 DL (as of 2/2016)
Operator	GMO Pepabo		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
Арр	iOS 10/2012 Android 11/2013	-	iOS 11/2014 Android 1/2015	iOS 5/2015

\*Compiled by GMO Pepabo (as of 3/2017)

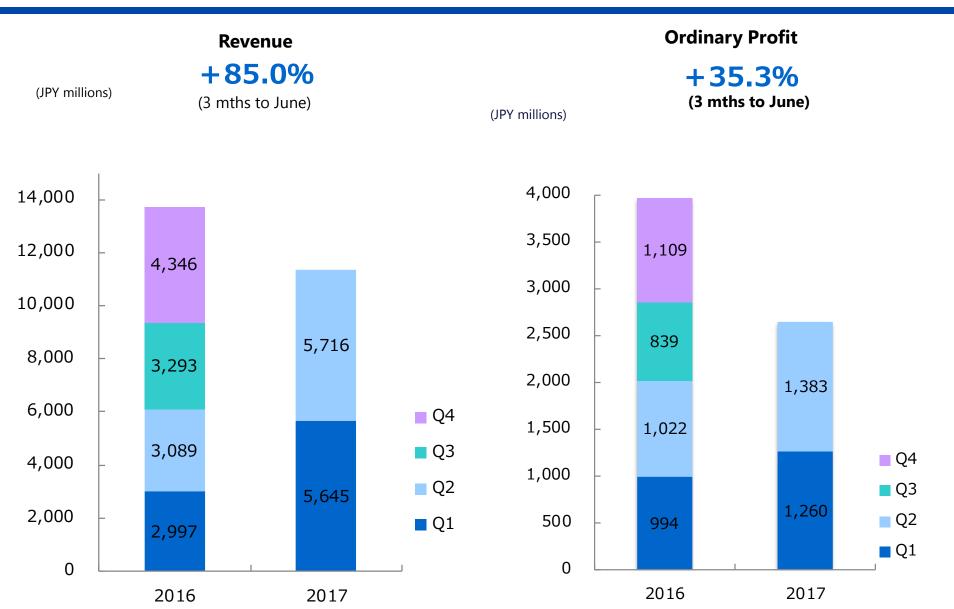




The Company created the above graphs based on GMO CLOUD's "Fiscal Year 2017 2nd Quarter Results Presentation - Supplementary Materials".

<sup>\*1</sup> Adjusted number of unlimited issuance contract and monthly high-volume issuance.\*2 The number of valid digital certificates is the number of certificates that are actually used.



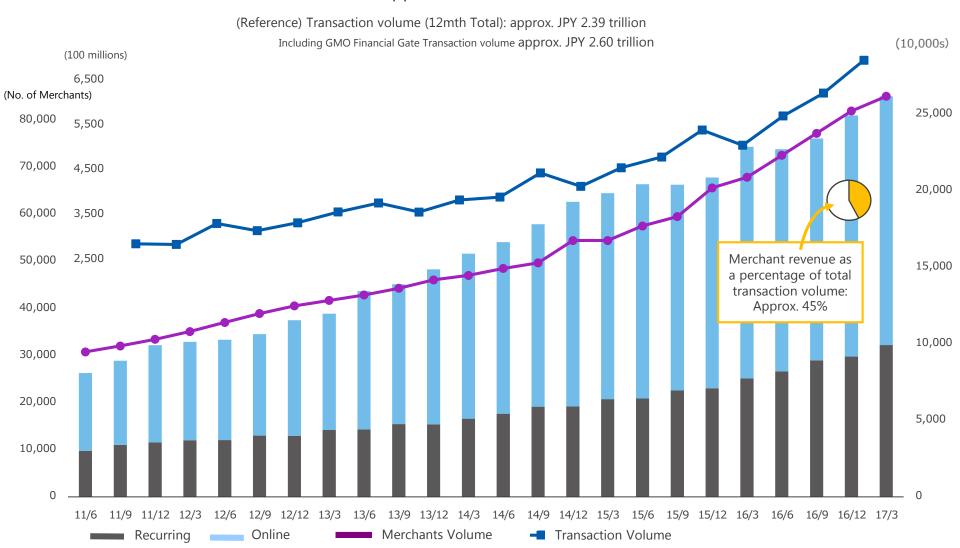


<sup>\*</sup>Based on GMO Payment Gateway, Inc. data



### Transaction volume exceeds JPY2 trillion

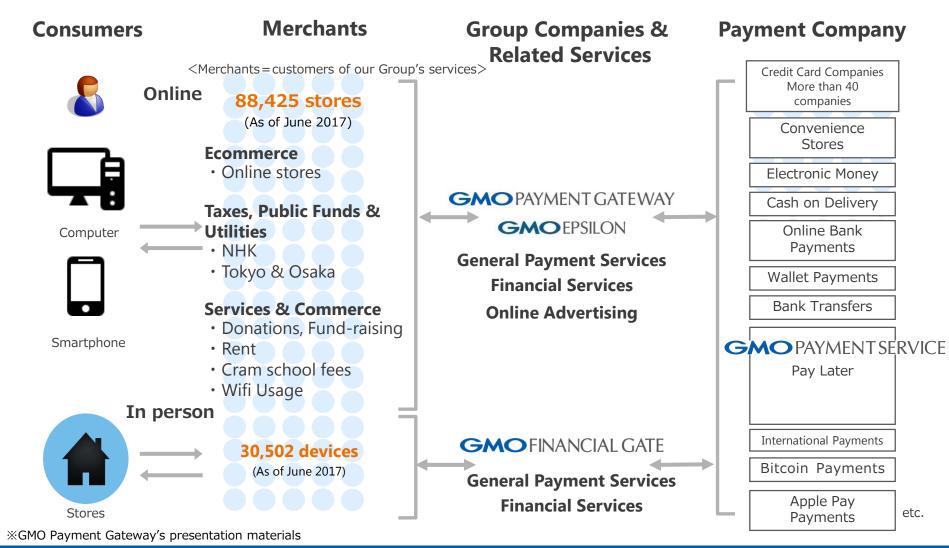
Merchants: 88,425, Transaction volume: approx. JPY 690 billion, No. of Transactions: 281 million



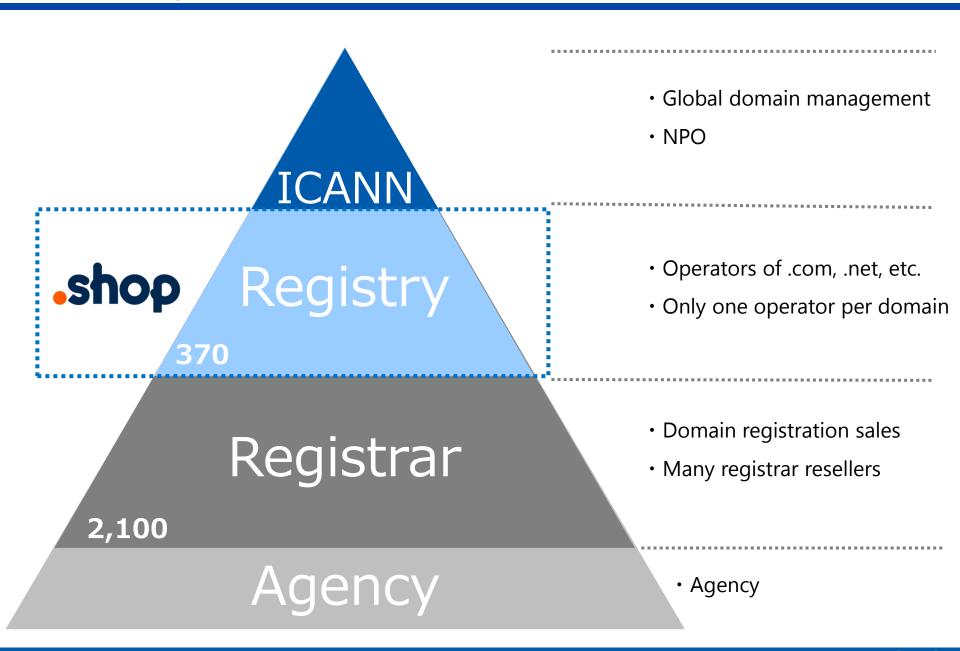
<sup>\*&</sup>quot;Merchants" is the number of merchants at the end of the quarter. "Online" and "Recurring" show quarterly results. Based on GMO-PG data.



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

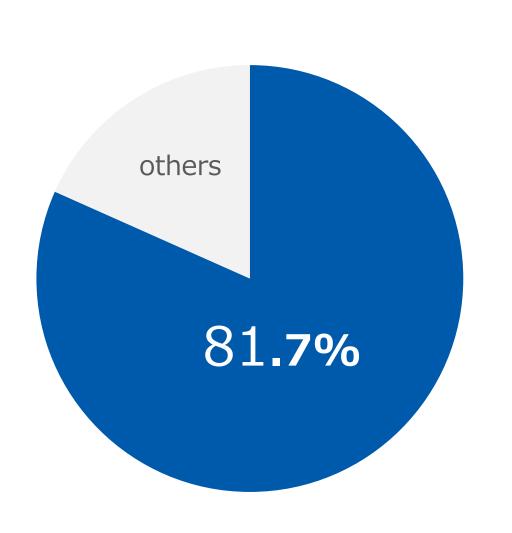








## Japan gTLD Operation and Management Market Share



No.1 in Japan 81.7%





# Global top 10 registrars

S Godaddy®

Public Domain Registry

enom



3 W tucows



network solutions



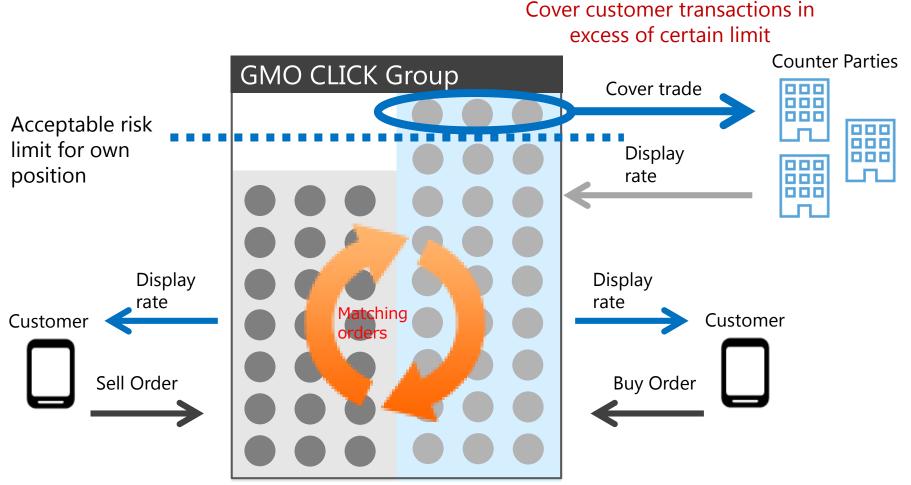
HICHINA ZHICHENG **TECHNOLOGY LTD** 



Source: http://webhosting.info/domain-names/registrars (as of June 2017)



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

### **Securities** - Accounts & Trading Volume (GMO CLICK Securities)



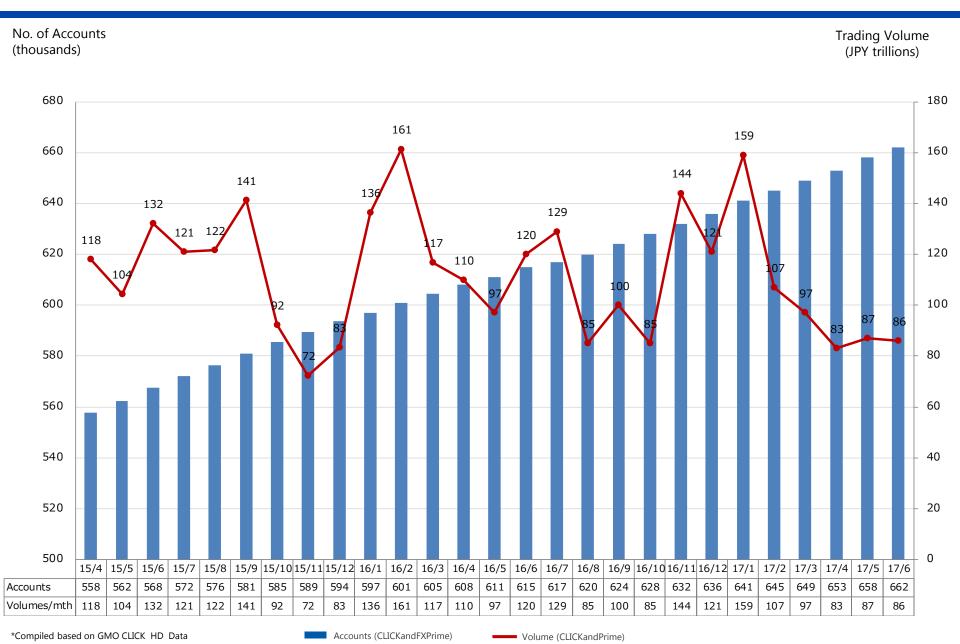
No. of Accounts (thousands)

Trading Volume (JPY billions)



## FX-Accounts & Trading Volume (GMO CLICK Securities, FX Prime by GMO) GMO INTERNET







Revenue Structure **Customer Trades** 

Cover Trades

(Customer spread x Trading volume) — (Cover spread x Cover trades)

Increase in Volatility

Decrease in Volatility

Decrease in Volatility

Decrease

Decrease

Decrease

(Concept diagram)

\*From GMO CLICK HD FYE 3/2017 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 Egjp (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 Egcom, .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	A Domain registration fee is charged at the time the domain name is created. Each year after, a renewal fee is charged. This fee
Fee	varies between registrars and domains.