

# Fiscal Year 2017 Third Quarter Results Presentation



STOCK CODE: 9449

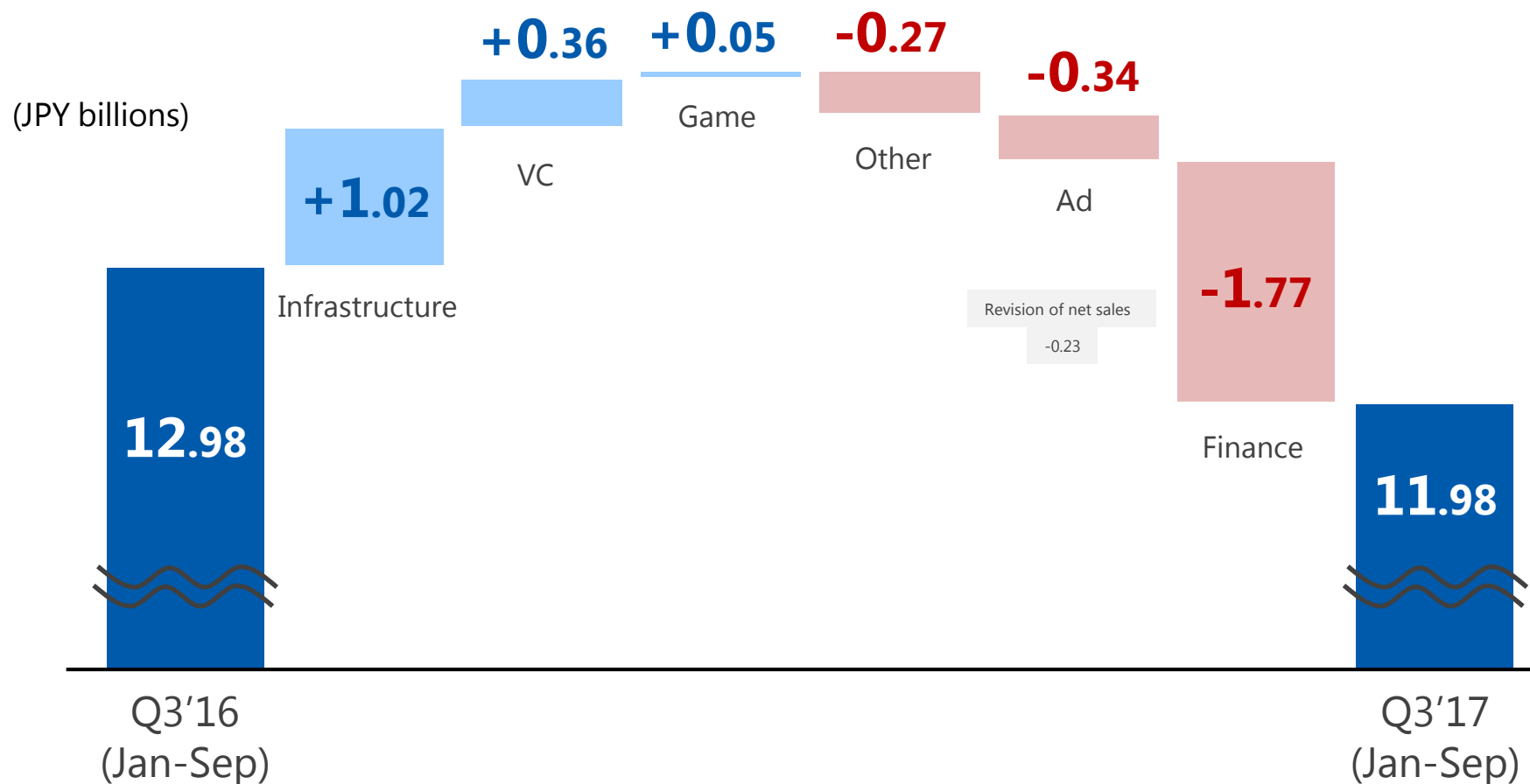
November 6, 2017

1. Overview
2. Third 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

- Net sales have reached record high but profit lags forecast due to weak financial services in Q1
- Tax effects to be reflected in Q4

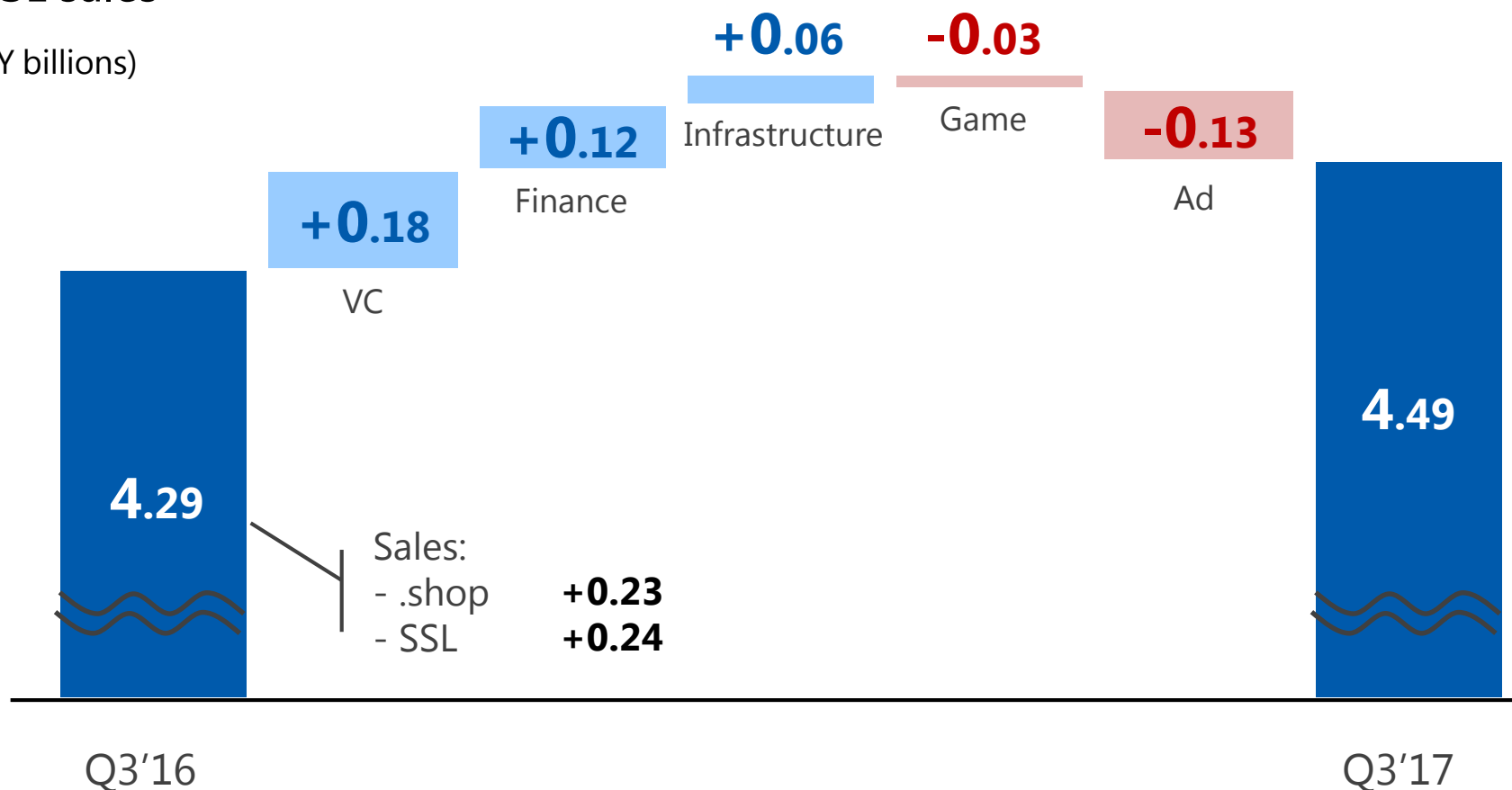
(JPY billions)	Q3'16 (Jan-Sep)	FY17 Forecast	Q3'17 (Jan-Sep)	YoY Change	Progress
Net Sales	99.88	145.0	<b>112.40</b>	<b>+12.5%</b>	<b>77.5%</b>
Operating Profit	12.98	19.0	<b>11.98</b>	<b>-7.6%</b>	<b>63.1%</b>
Ordinary Profit	12.58	18.5	<b>11.76</b>	<b>-6.5%</b>	<b>63.6%</b>
Net Profit	5.95	8.0	<b>3.78</b>	<b>-36.4%</b>	<b>47.3%</b>

- **OP: JPY 11.98B**, down 0.99B (down **7.6%** YoY)
- Although Internet Infrastructure grows continuously, OP dropped due to (1) weak financial services and (2) revised net sales in Online Advertising and Media



- **OP: JPY 4.49B**, up 0.2B (up 4.7% YoY)
- We did better than expected in Internet Infrastructure compared to the same period last year, which saw rise in OP due to one-off factors including .shop and SSL sales

(JPY billions)



**Internet  
Infrastructure**

Net sales JPY **21.08B** (Up **27.5%** YoY)

OP JPY **2.02B** (Up **3.1%** YoY)

We did better than expected compared to the same period last year, which saw rise in OP due to one-off factors, expanding steadily

**Internet Finance**

Net sales JPY **6.84B** (Up **13.4%** YoY)

OP JPY **2.10B** (Up **6.4%** YoY)

Improvement in profitability unable to offset drop in FX trading volume

**Online Ad & Media**

Net sales JPY **10.71B** (Down **3.8%** YoY)

OP JPY **0.28B** (Down **31.5%** YoY)

Seasonal factors impacting both new and existing products. Advertisement distribution regulation was changed, having negative impact.

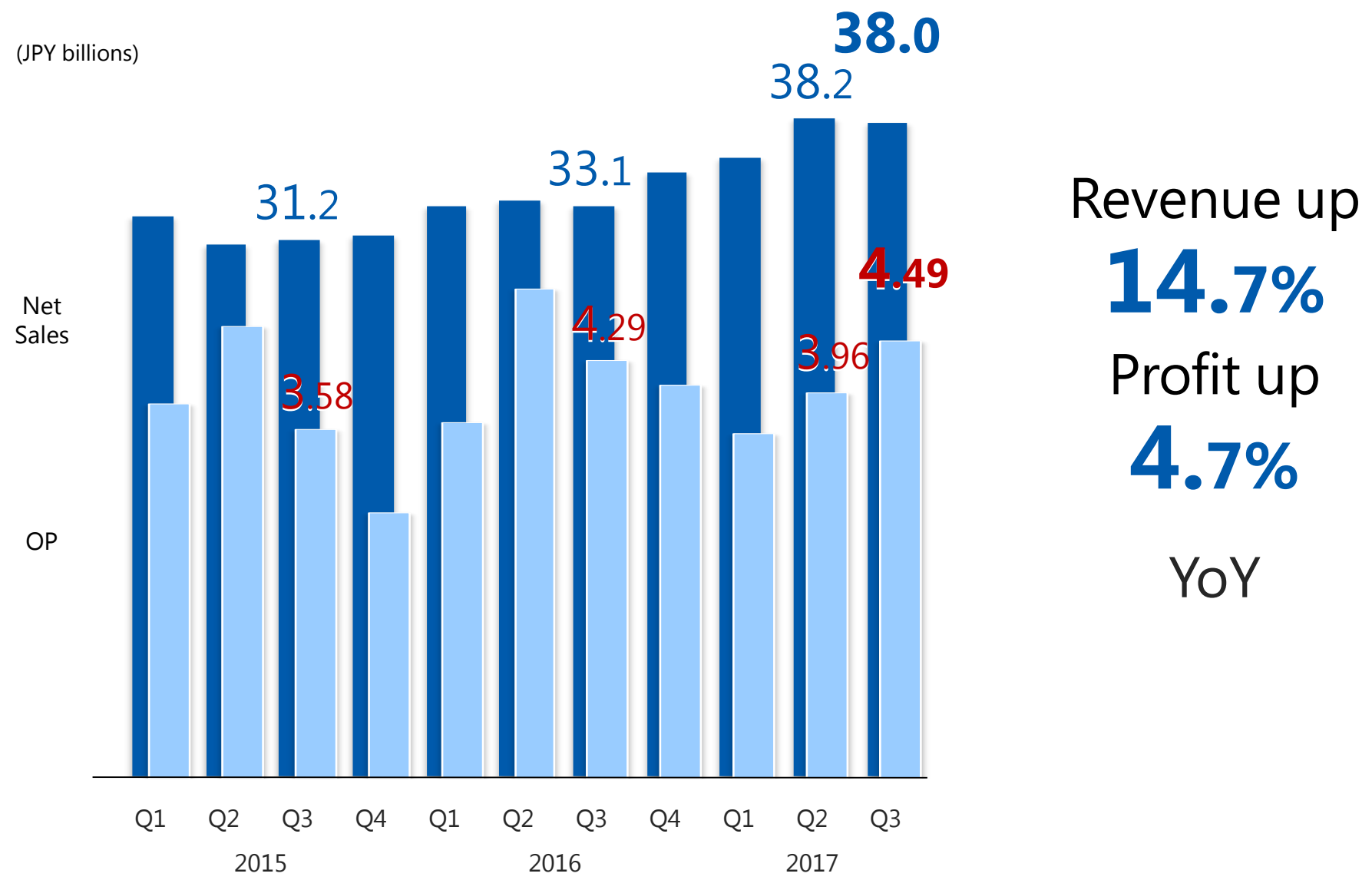
**Mobile Entertainment**

Net sales JPY **0.20B** (Down **56.8%** YoY)

OP JPY **-0.11B** (-0.07B in previous term)

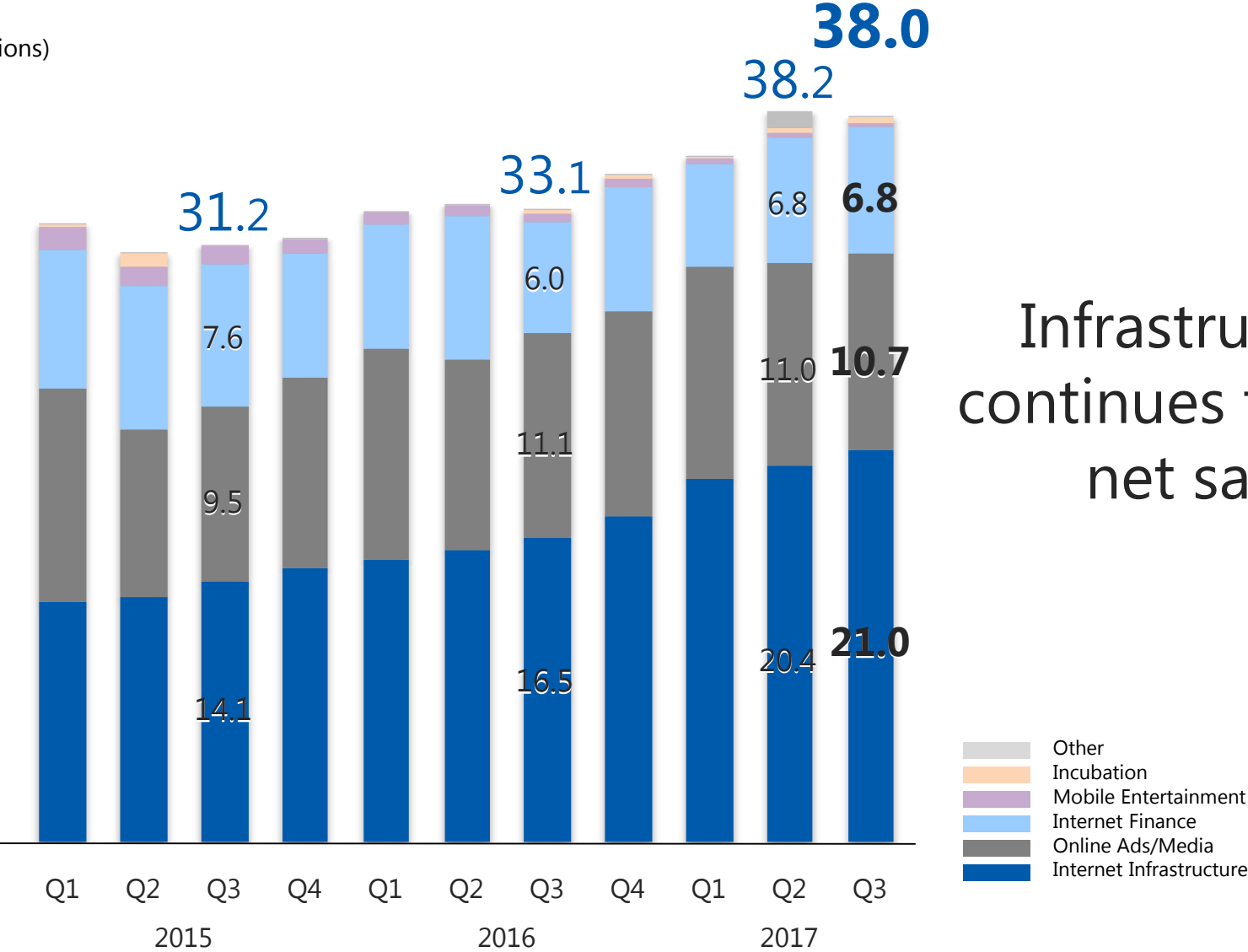
Announced organization restructuring. Cost optimization while focusing on businesses.

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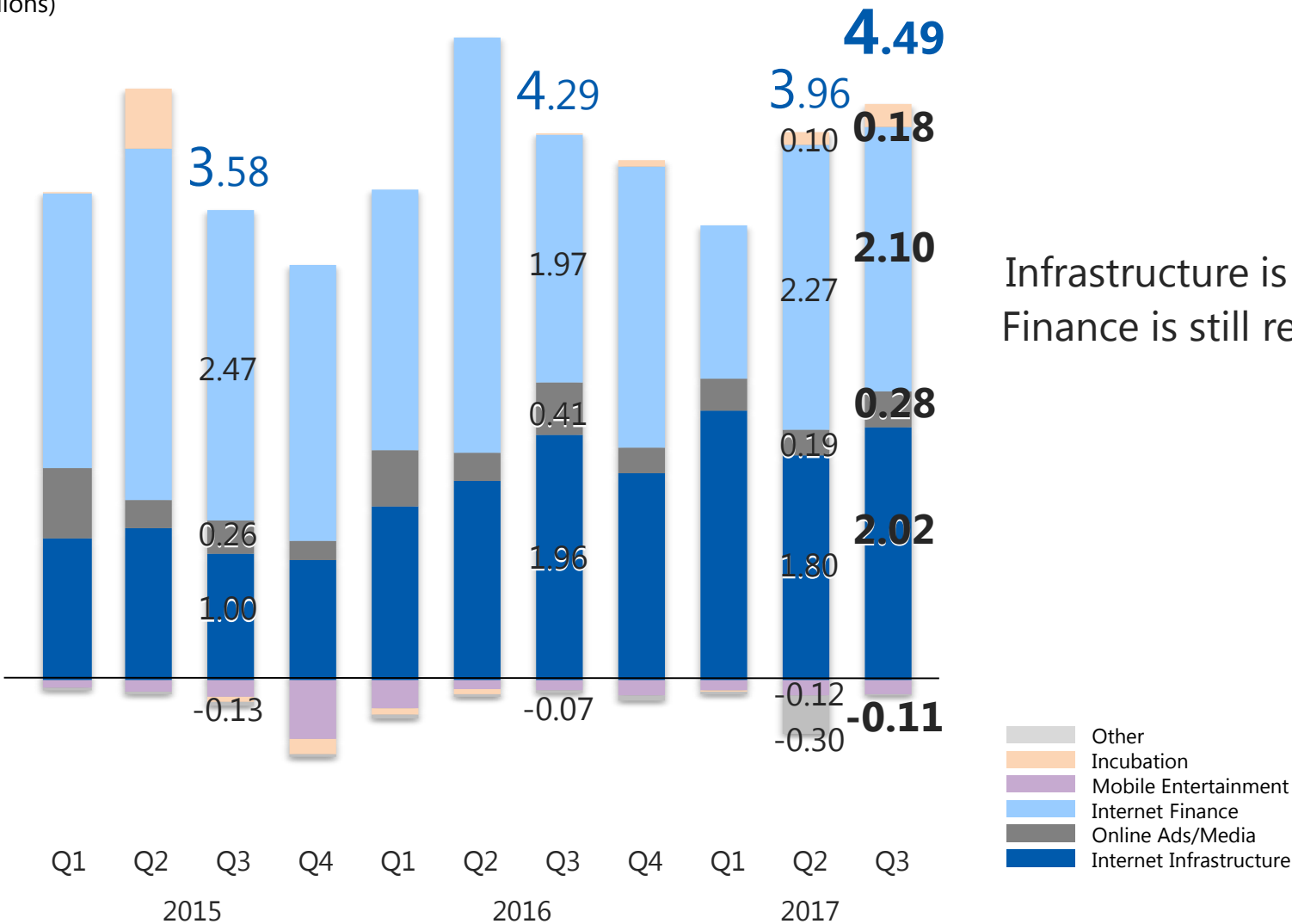
(JPY billions)



Infrastructure continues to drive net sales

Profit by Segment

(JPY billions)



Infrastructure is growing.  
Finance is still recovering.

## Consolidated Profit and Loss

(JPY millions)	Q3'16 (1-9/2016)	Q3'17 (1-9/2017)	Change	supplementary information
Net Sales	99,884	112,409	12.5%	
Gross Profit on Sales	50,651	54,599	7.8%	
Operating Profit	12,981	11,989	-7.6%	
(OP Margin)	13.0%	10.7%	-2.3pt	
Non Operating Profit and Loss	-399	-221	-	
Ordinary Profit	12,581	11,768	-6.5%	
Extraordinary Profit or loss	525	-671	-	(2017) Incident-related, -260M
Profit before Tax	13,107	11,096	-15.3%	
Corporate Taxes etc.	4,772	4,638	-2.8%	
Profit attributable to Owners of the Parent	5,950	3,784	-36.4%	

## Consolidated Balance Sheet

(JPY millions)	End of 12/2016	End of 9/2017	Change	GMO Financial HD (End of 9/2017)	Change
Current Assets	553,903	<b>620,477</b>	12.0%	507,119	13.5%
Cash & Deposits	90,282	<b>93,688</b>	3.8%	46,615	25.3%
Fixed Assets	34,915	<b>40,358</b>	15.6%	5,920	20.9%
Goodwill	3,857	<b>2,849</b>	-26.1%	815	-
Software	4,327	<b>4,965</b>	14.7%	1,406	15.6%
Investment Securities	7,832	<b>7,720</b>	-1.4%	1,516	-3.6%
Total Assets	588,819	<b>660,835</b>	12.2%	513,040	13.6%
Liabilities	522,639	<b>591,516</b>	13.2%	481,969	13.7%
Interest-bearing debts	71,512	<b>90,407</b>	26.4%	66,000	20.6%
Net Assets	66,179	<b>69,318</b>	4.7%	31,070	12.0%
Non-controlling Minority Equity	26,571	<b>29,161</b>	9.7%	587	-
Shareholders' Equity	39,527	<b>40,083</b>	1.4%	30,483	9.9%
Earned Surplus	33,328	<b>35,155</b>	5.5%	26,690	10.3%
(Shareholders' Equity Ratio)	6.7%	<b>6.1%</b>	-0.6pt	5.9%	-0.2pt
Liabilities/Net Assets Total	588,819	<b>660,835</b>	12.2%	513,040	13.6%

(JPY billions)	Q3'16 (1-9/2016)	Q3'17 (1-9/2017)	Significant Factors	GMO Financial HD
<b>Operating Cash Flow</b>	-9.47	<b>-1.76</b>	Expenses for Bitcoin mining business: -1.5B Payment of income taxes: -2.7B	+1.19
<b>Investing Cash Flow</b>	-9.27	<b>-11.45</b>	Purchase of tangible and intangible fixed assets: -8.7B (including investment in Bitcoin mining business: -5.0B)	-2.36
<b>Financing Cash Flow</b>	39.26	<b>+13.92</b>	Interest-bearing debt: +18.8B	+8.11
<b>Change in Cash and Equivalents</b>	19.56	<b>+0.95</b>		+6.95
<b>Balance of Cash and Equivalents</b>	94.49	<b>91.08</b>		44.16

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

Listed Group Companies: Equity Share

Stock Code	Stock Name	Exchange	Market Cap <sup>*1</sup> (JPY billion)	% Ownership <sup>*2</sup>	Equity Share (JPY billion)
9449	GMO Internet	TSE 1	198.1		
3769	GMO Payment Gateway	TSE1	302.7	51.6%	156.1
7177	GMO Financial Holdings	TSE JQS	89.3	80.8%	72.1
3788	GMO CLOUD	TSE1	34.7	51.8%	17.9
3633	GMO Pepabo	TSE JQS	8.2	64.1%	5.2
4784	GMO AD Partners	TSE JQS	8.2	55.8%	4.5
6180	GMO Media	TSE MOTHERS	5.3	65.4%	3.4
3695	GMO Research	TSE MOTHERS	3.9	53.7%	2.0
6026	GMO TECH	TSE MOTHERS	2.6	54.1%	1.4
Group Total			653.0 <sup>*3</sup>		262.6

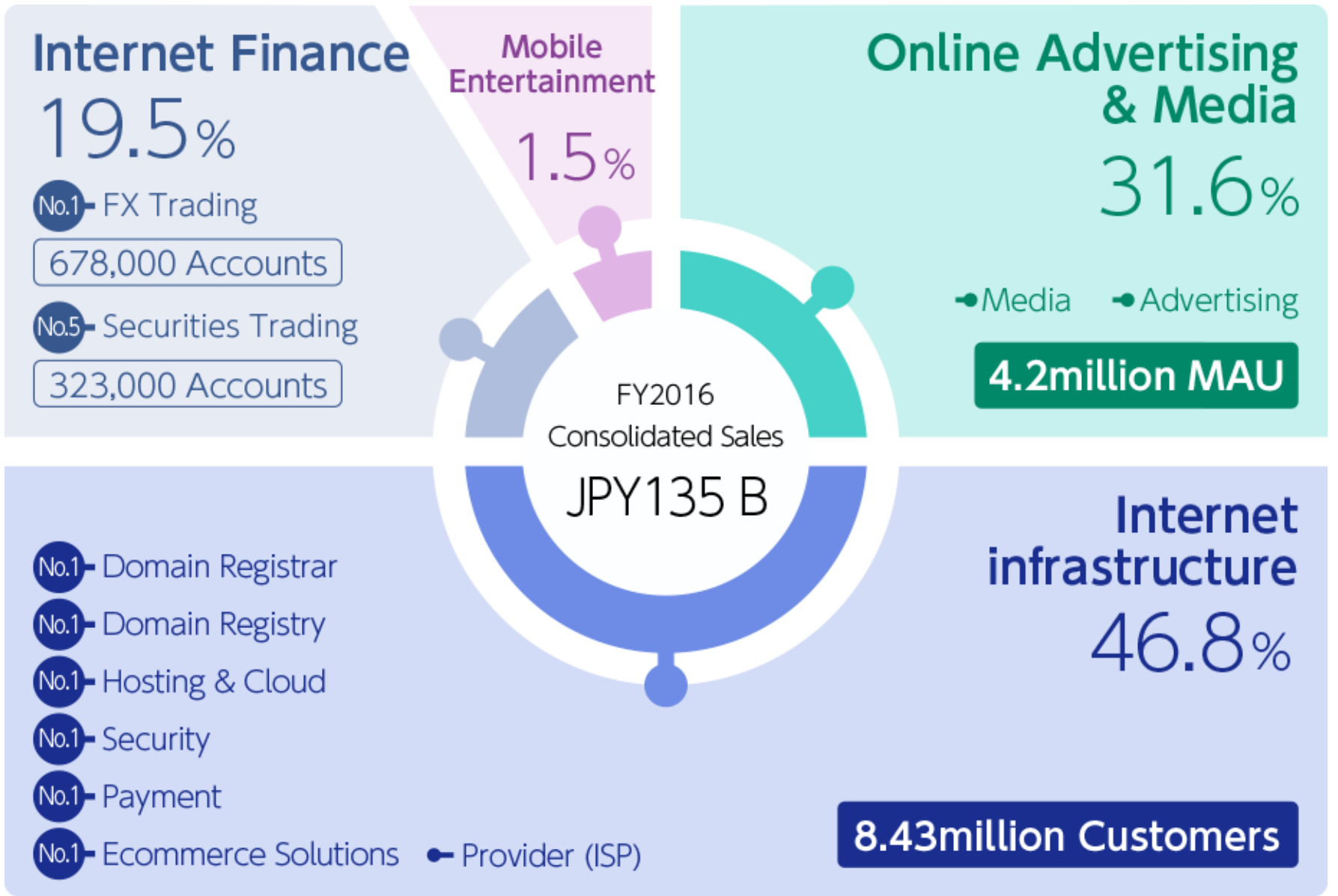
\*1 Market value as of 11/2/2017

\*2 Includes indirect holdings

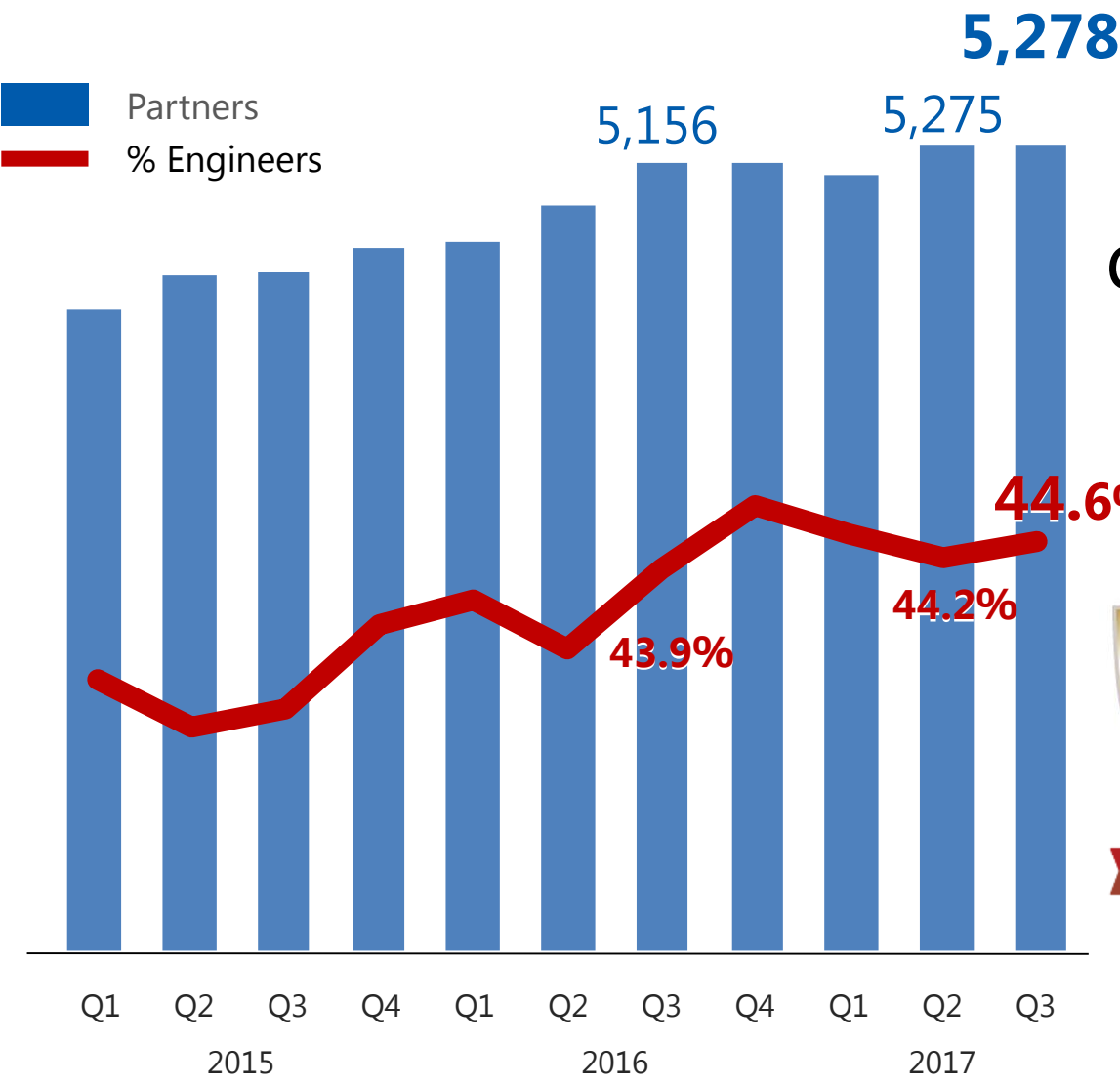
\*3 Calculated as the sum of the listed market cap values

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



All products developed, sold and supported in-house



No.1 in Customer Satisfaction

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## 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 89.3%\*2

Strong  
No. 1

Hosting &amp; Cloud



Domestic market share at 55.1% \*3

No. 1

Ecommerce



76,000 paid stores

No.1

Security



92.8% YoY increase in certificate issues

No. 1

Payment

GMO PAYMENT GATEWAY  
GMO EPSILON

82,000 merchants

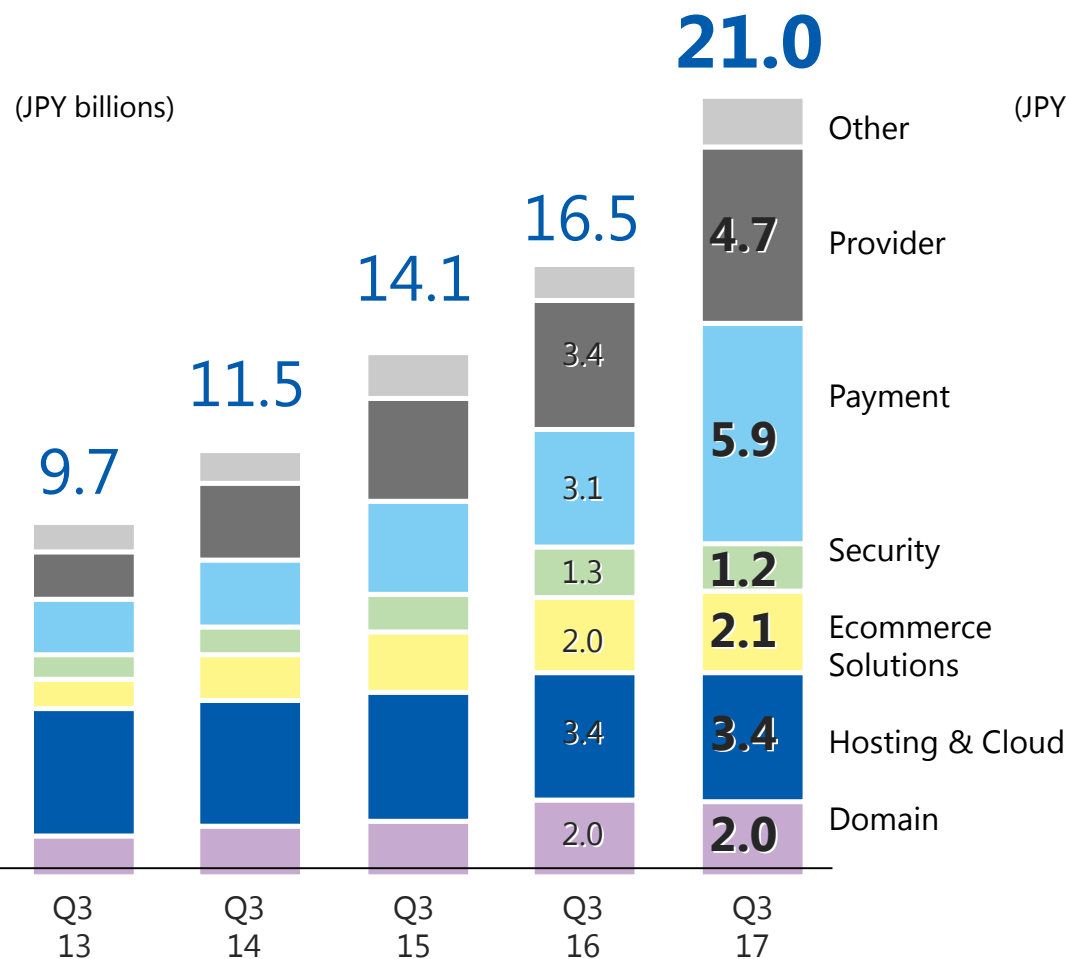
\*1 Based on our own data

\*2 Based on ICANN data

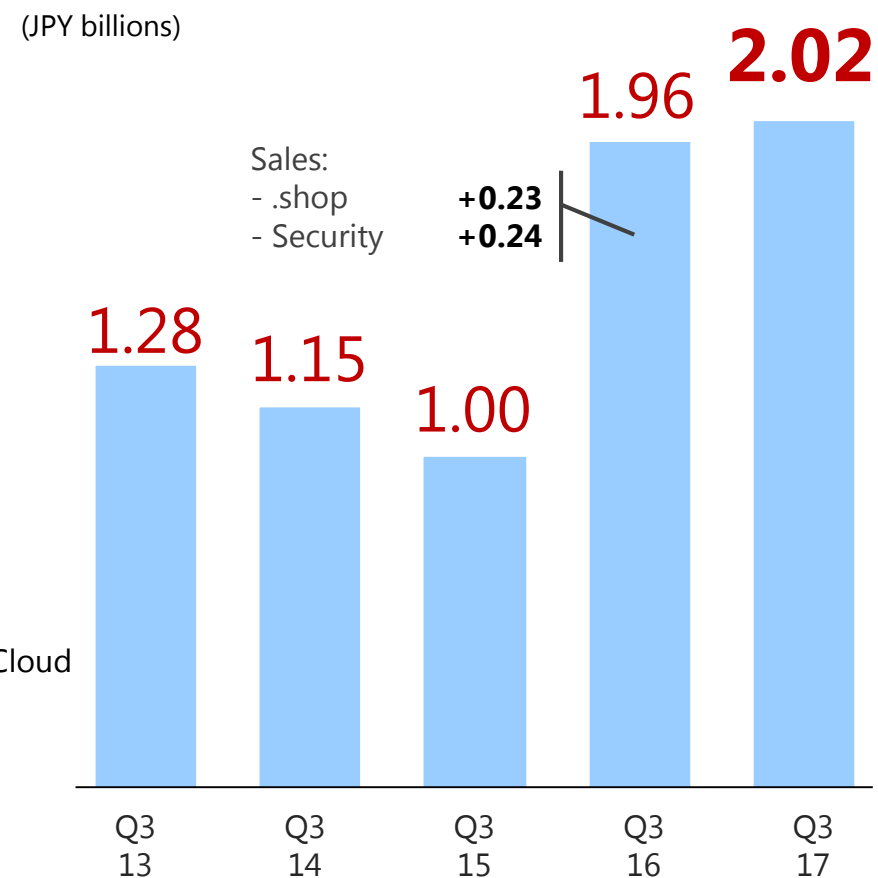
\*3 Based on Webhosting.info data

Net Sales: YoY **27.5% up**

Payment and Provider performs favorably.  
For Domain and Security, the absence of the previous year's one-off factors has led to YoY losses.

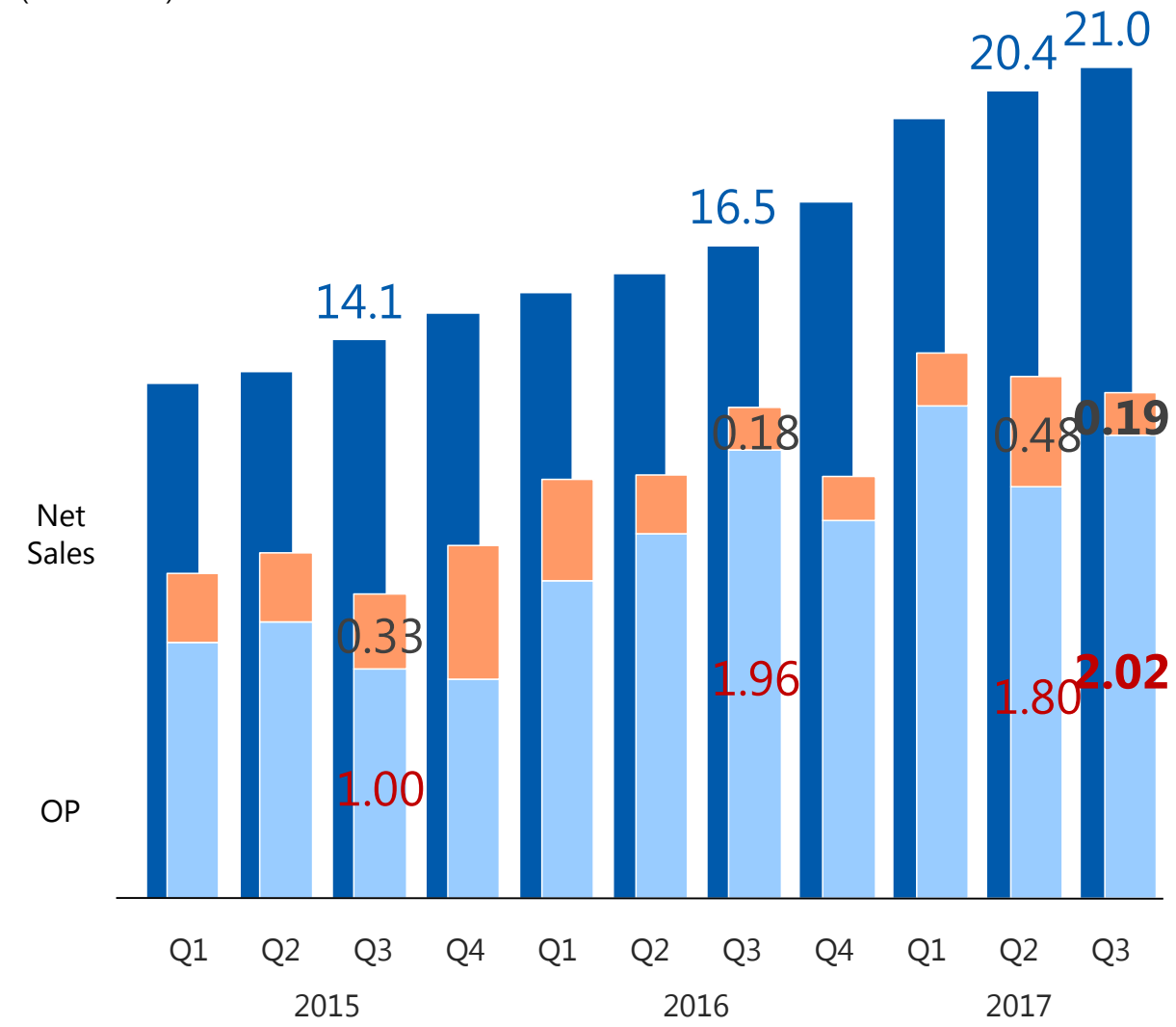
Operating Profit: YoY **3.1% up**

Internet Infrastructure did better than the same period last year, which saw rise in OP (JPY 0.47B) due to one-off factors, expanding steadily. GMO payment after delivery is producing good results.



# Historical Performance by Quarter

(JPY billions)

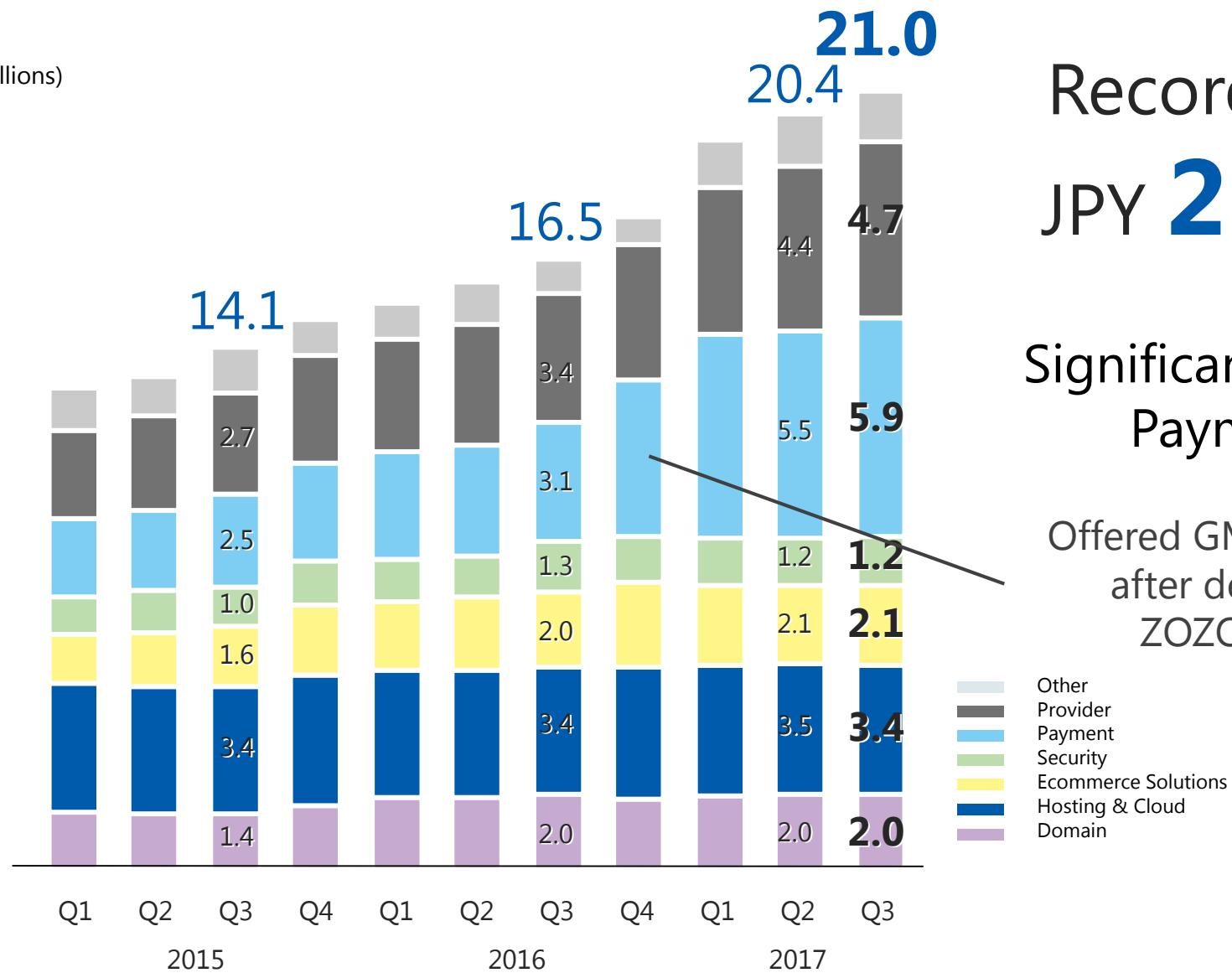


Revenue up  
**27.5%**  
Profit up  
**3.1%**  
YoY

\*Orange indicates strategic investment.

# Net Sales by Sub-Segment

(JPY billions)



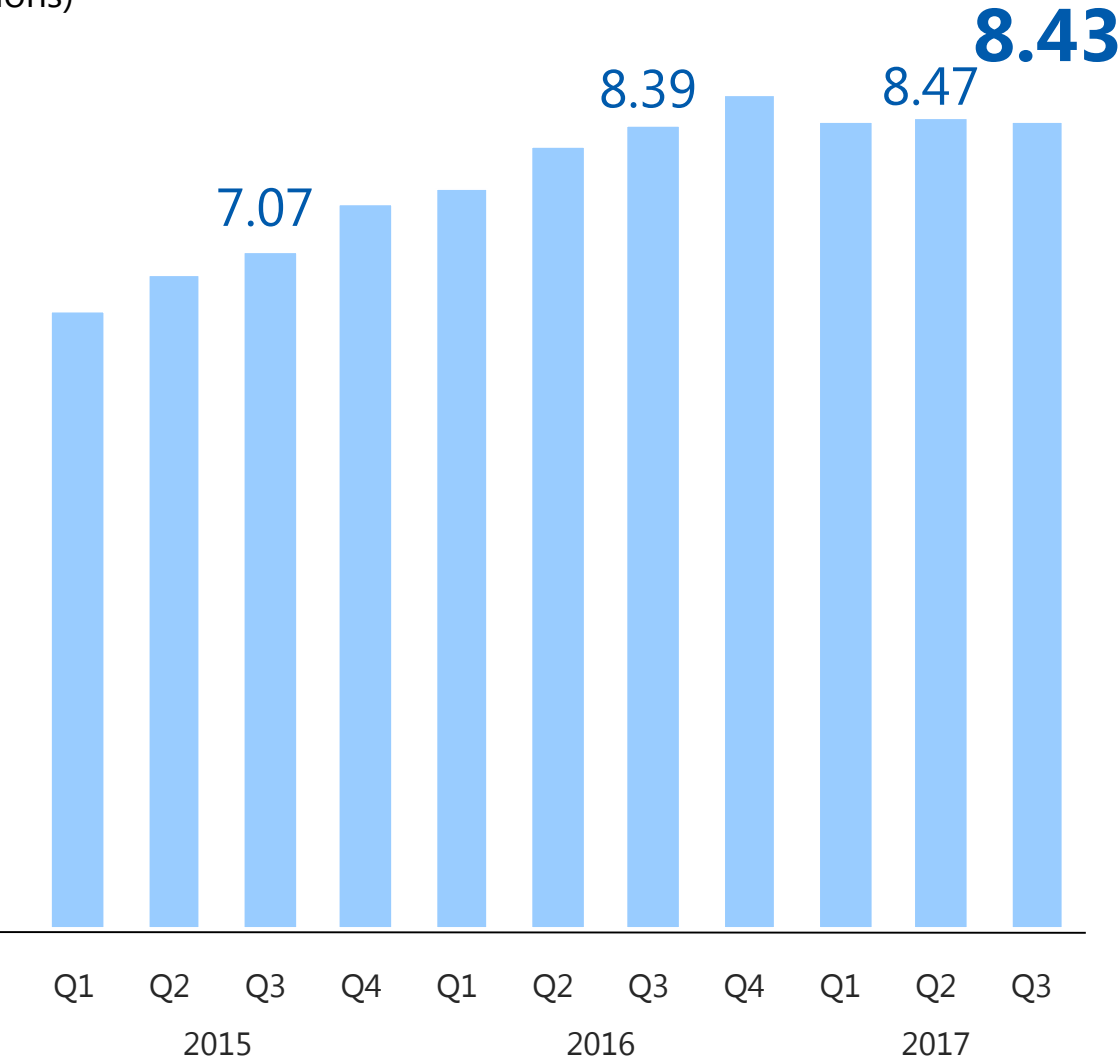
Record high  
JPY **21.0B**

Significant hike in  
Payment

Offered GMO payment  
after delivery to  
ZOZOTOWN

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

(millions)



**0.5%**  
YoY growth\*

**8.43M**  
contracts

\*Excluding minne KPI



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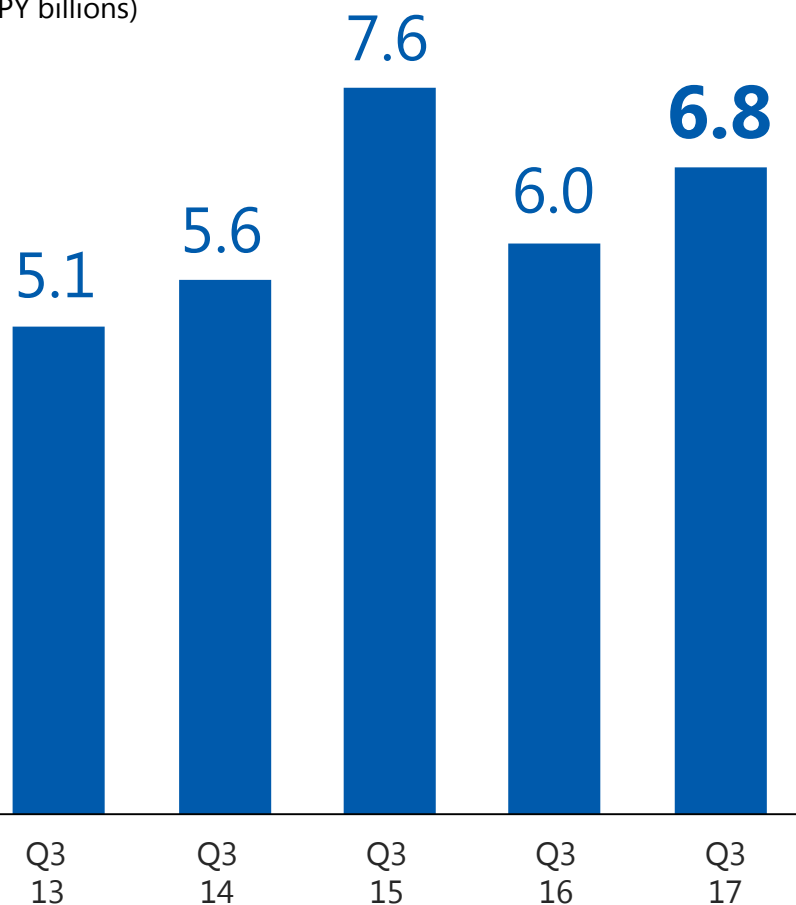
v) Mobile Entertainment & Other Businesses

4. Group Strategy

Net Sales: YoY **13.4% up**

Net sales were up due to improvement in profitability despite drop in FX trading volume

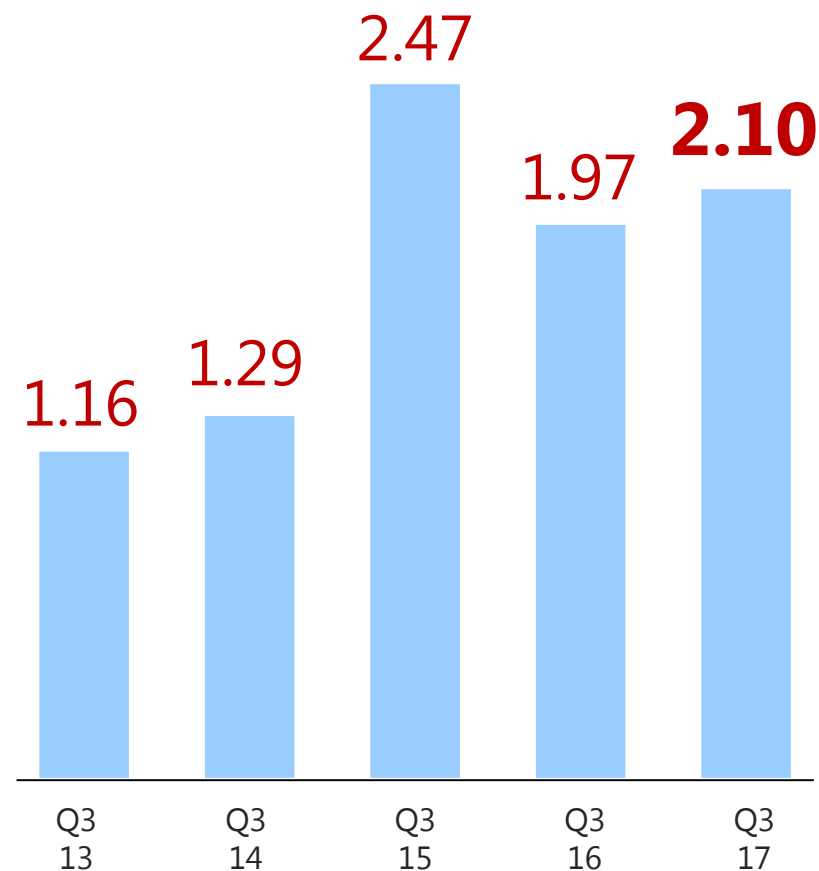
(JPY billions)



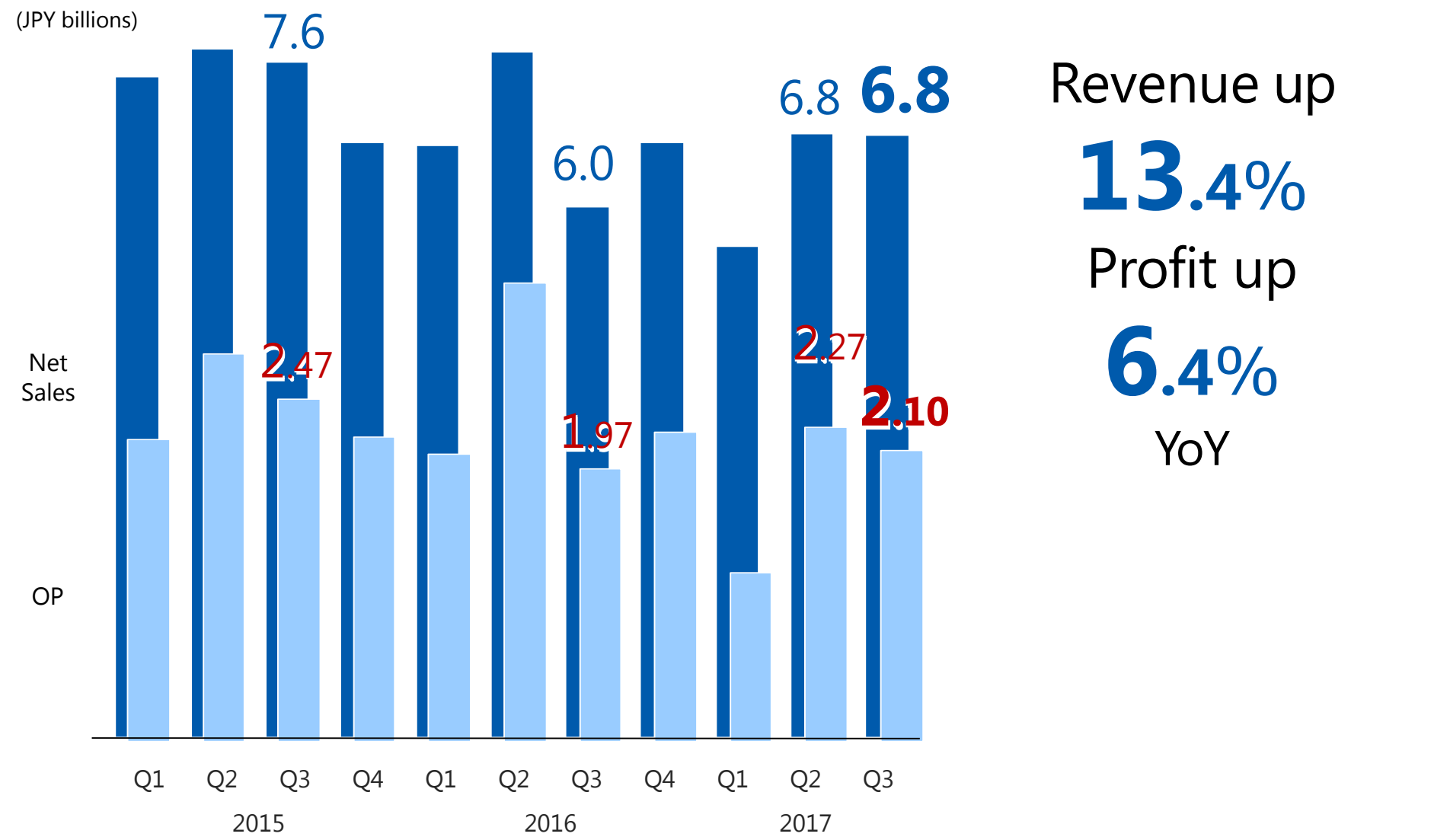
Operating Profit: YoY **6.4% up**

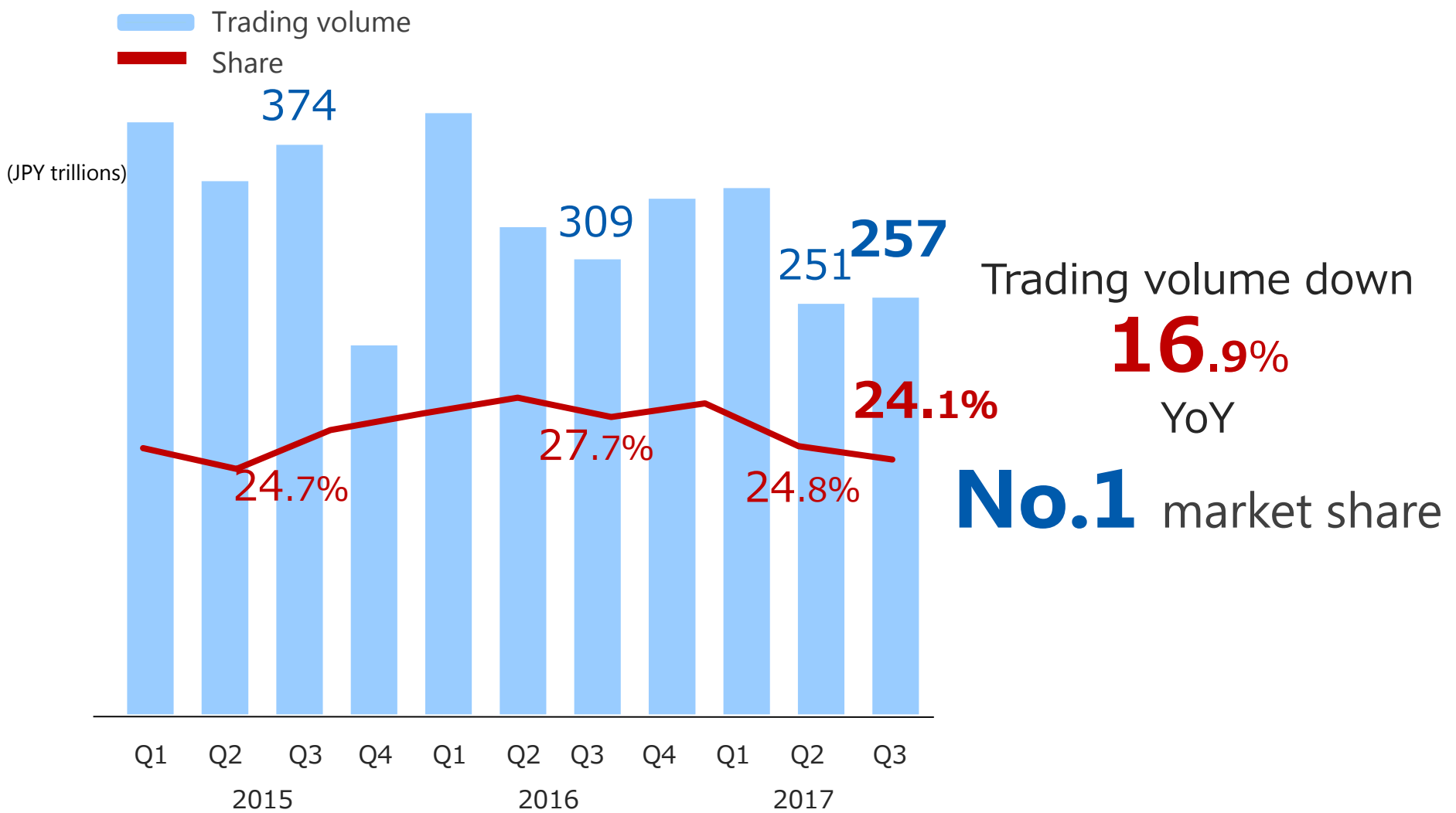
One-digit growth in OP due to investment in cryptocurrency related service GMO Coin

(JPY billions)



Historical Performance by Quarter





Prepared based on Results Presentation of GMO Financial HD for Q2 of FY2017 and “Monthly Statistical Bulletin on Over-The Counter Retail FX Margin Trading” published by the Financial Futures Association of Japan (FFAJ)

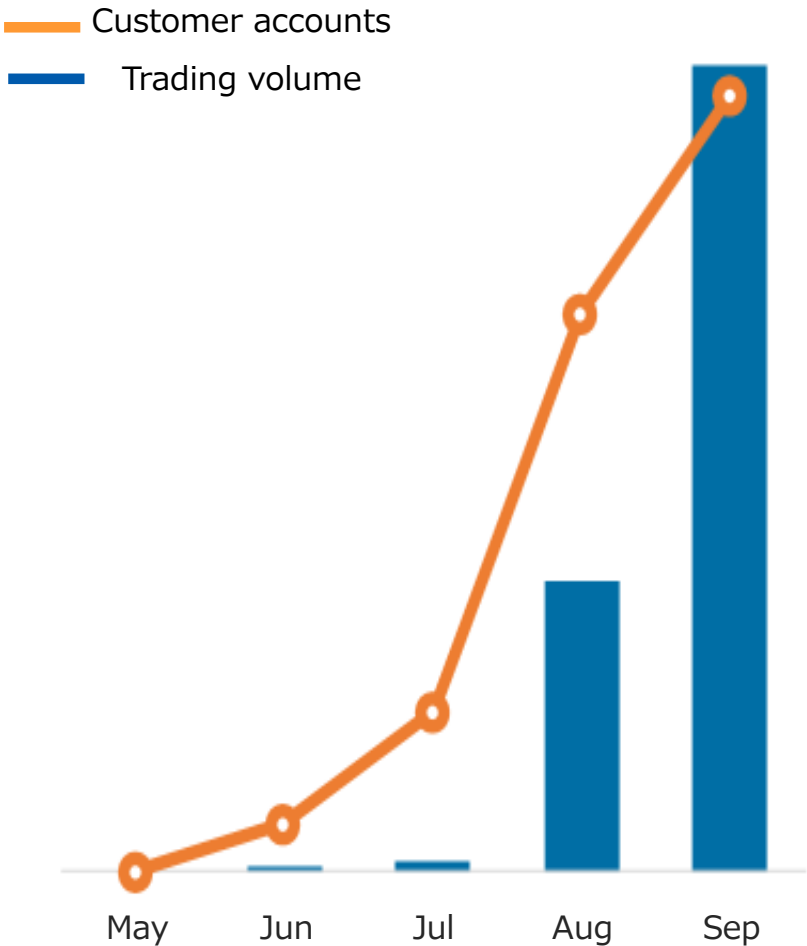
FX



Securities



# Customer accounts growing steadily



Registered  
cryptocurrency  
exchange business

Full line-up of  
cryptocurrency

Late September



ETHEREUM



Bitcoin Cash  
Peer-to-Peer Electronic Cash

October



litecoin



ethereum  
classic

November



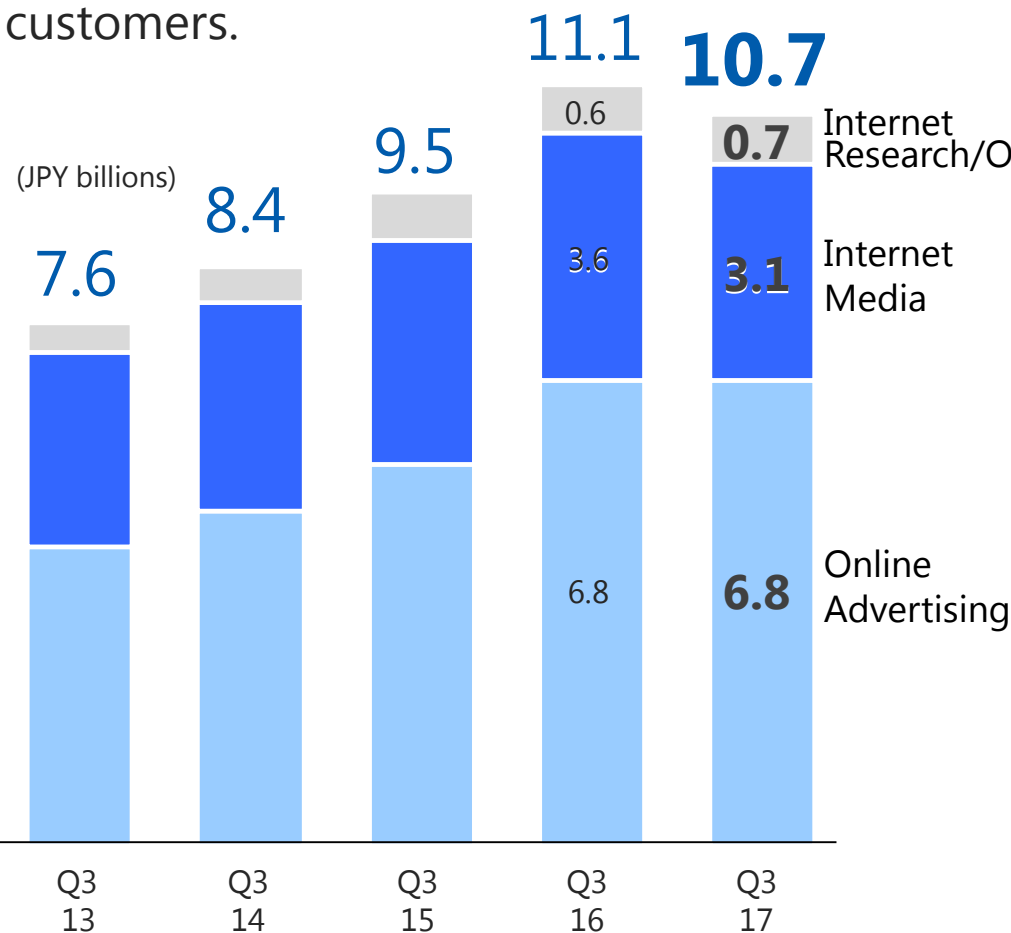
ripple

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Results trends

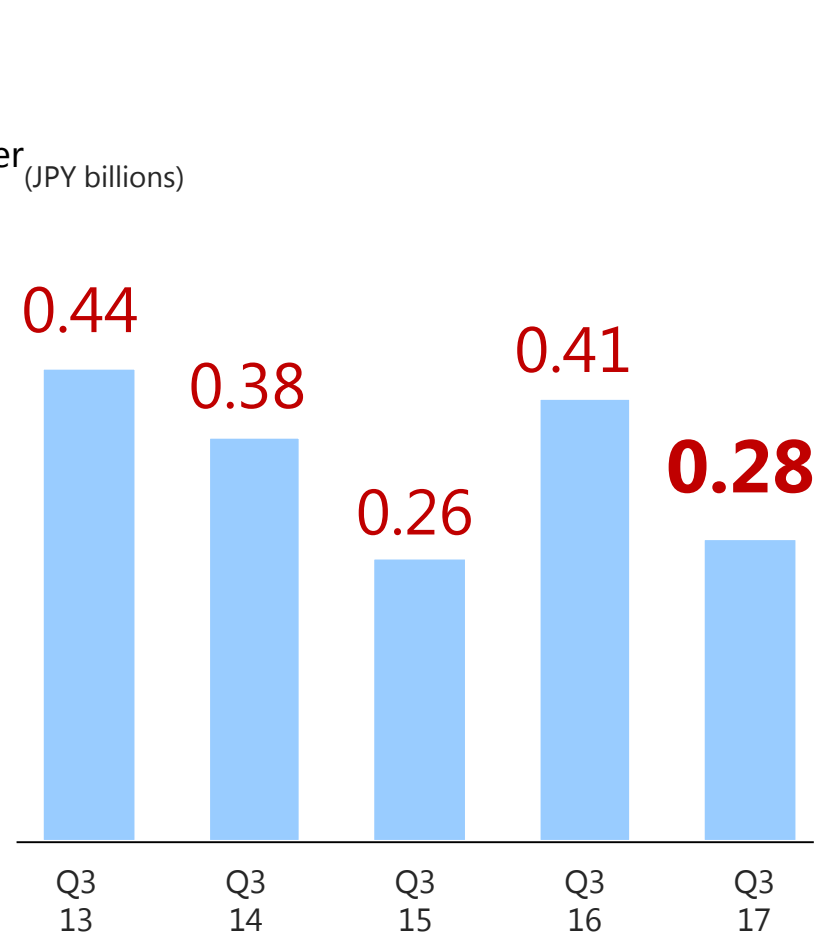
Net Sales: YoY **3.8% down**

Media performance weakened as advertisement distribution regulation was changed. Online Advertising was flat due to the decline in ad placements by certain customers.



Operating Profit: YoY **31.5% down**

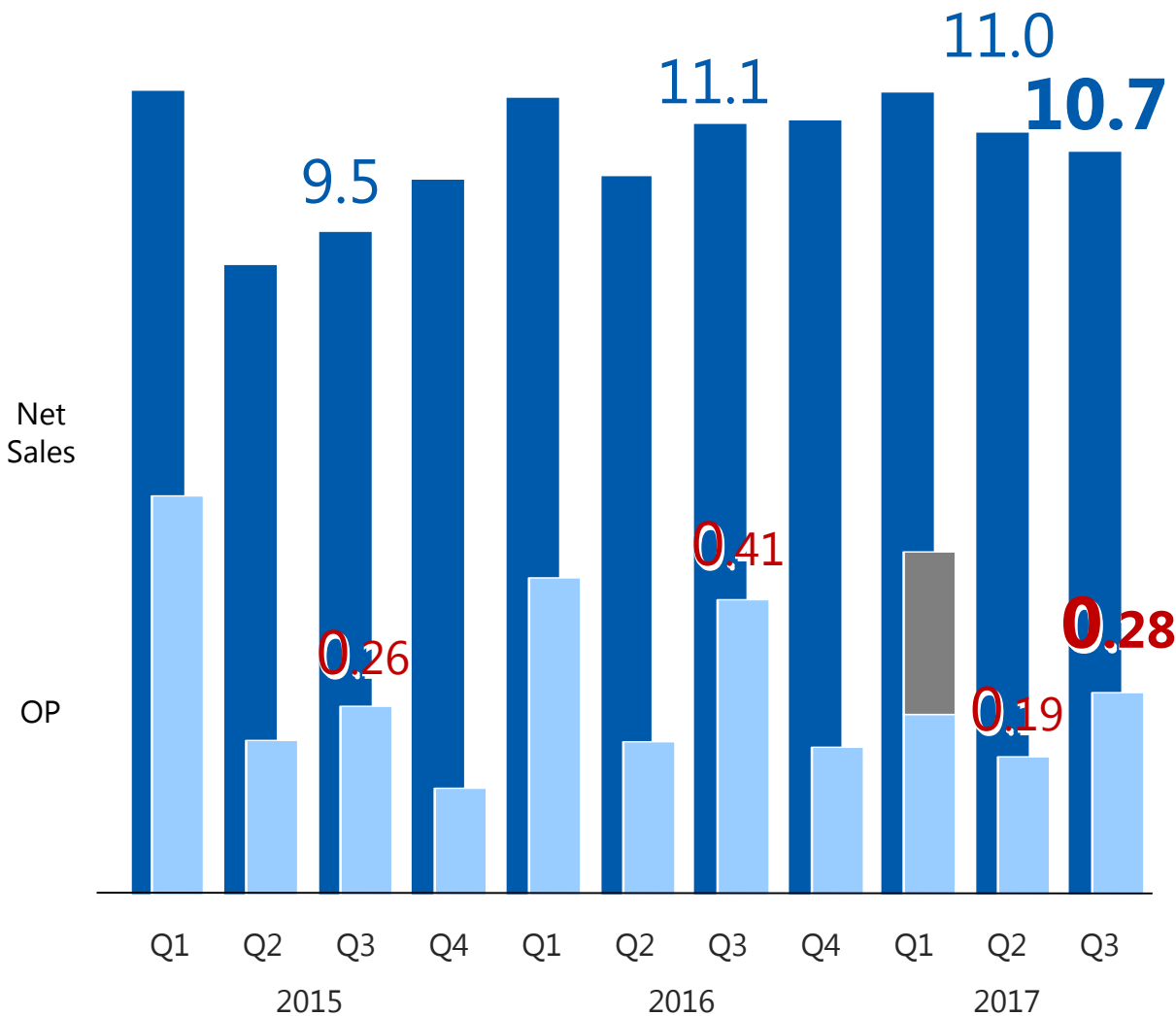
Rise in profits from ad tech unable to offset drop in net sales of existing high-margin Media products





Historical Performance by Quarter

(JPY billions)

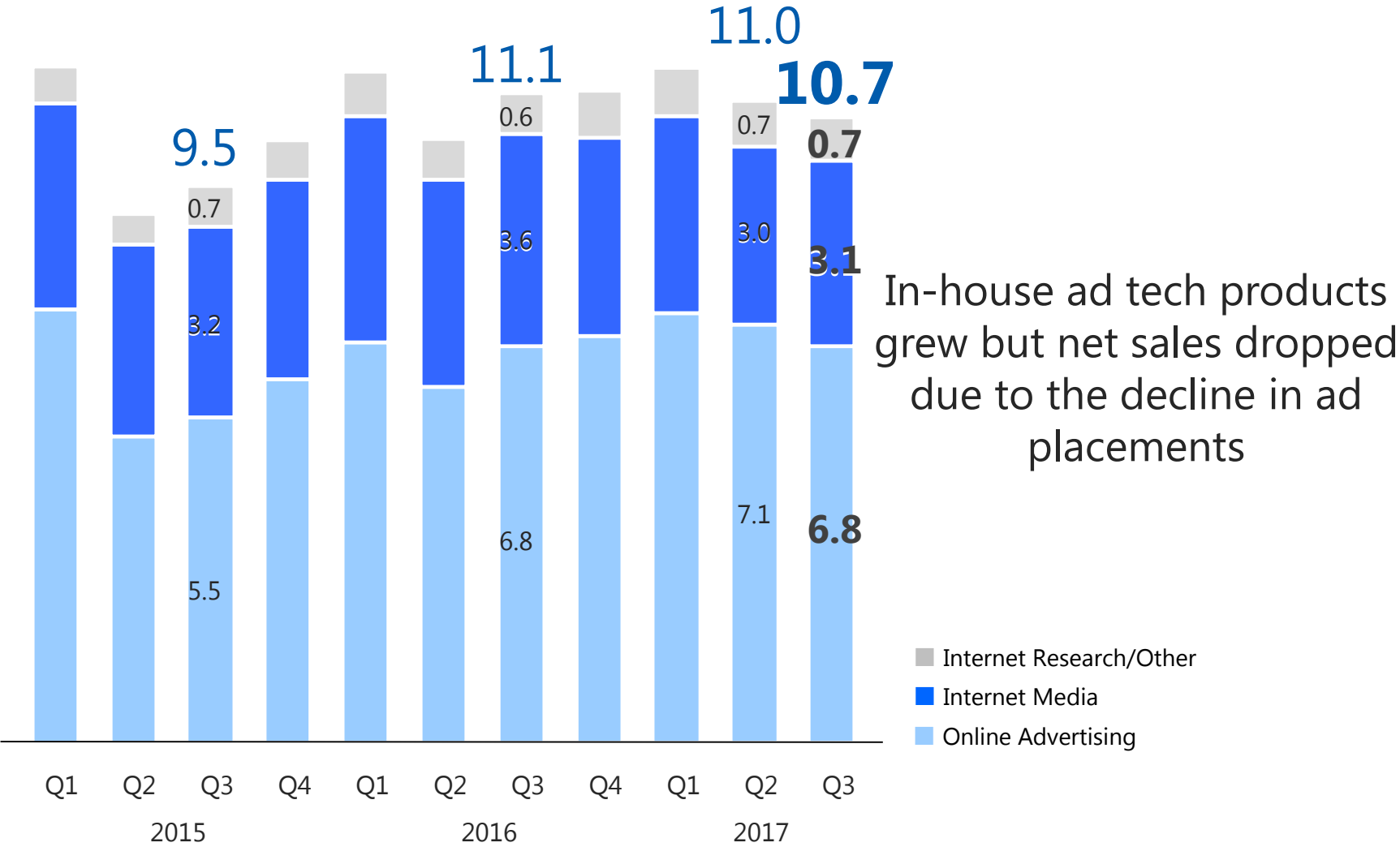


Revenue down  
**3.8%**  
Profit down  
**31.5%**  
YoY

\*Gray indicates revision to financial results.

Net Sales by Sub-Segment

(JPY billions)



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Performance by Quarter

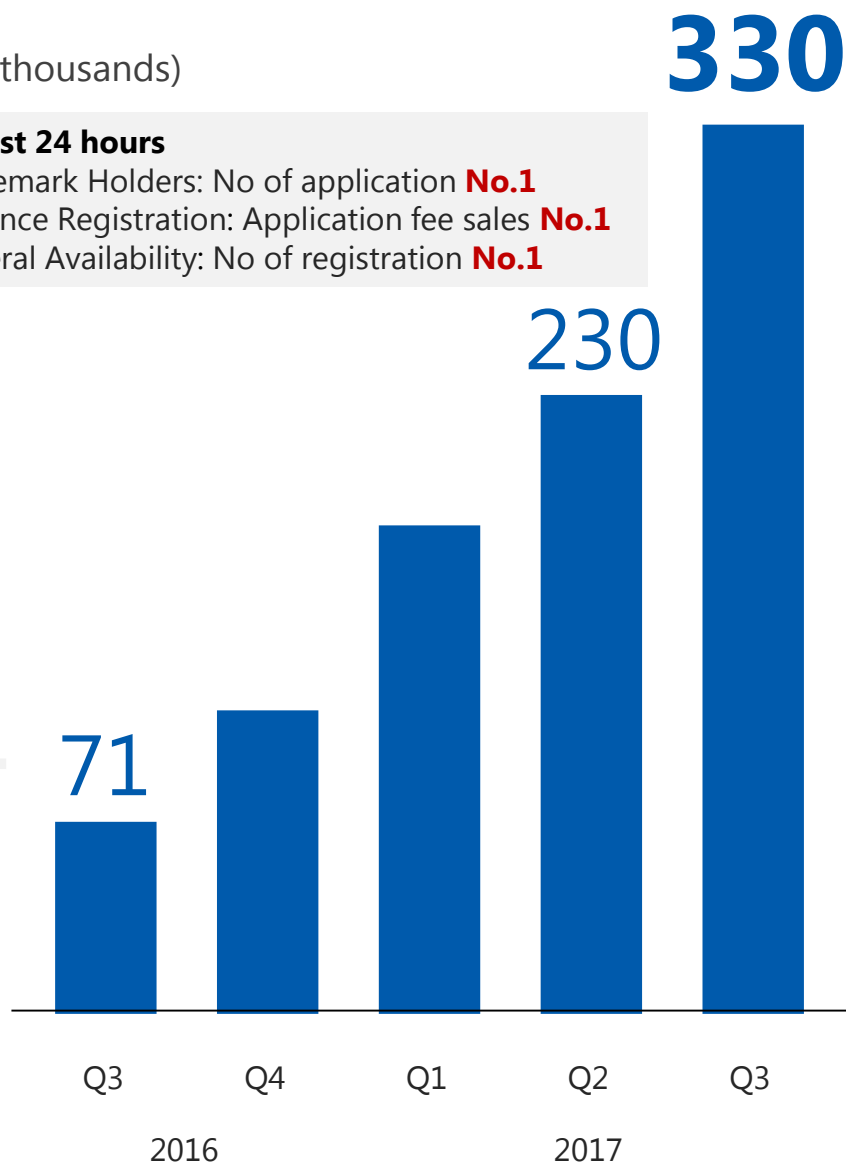
(JPY billions)		
Mobile Entertainment	Net Sales	0.20 (-56.8%)
	Operating profit	-0.11 (-0.07 in previous term)
	<div>- New titles to be launched in the fourth quarter</div> <div>- Three group companies were merged into GMO Internet through organization restructuring. Working toward cost optimization and systems that fully focus on the game development.</div>	
Incubation	Net Sales	0.33 (0.21 in previous term)
	Operating profit	0.18 (0.00 in previous term)
	Posting gain via sale of listed and unlisted shares	

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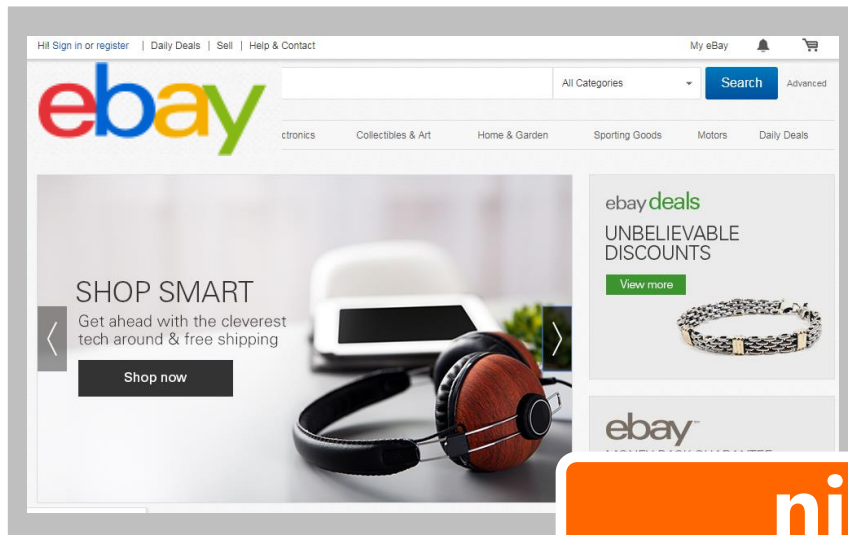
Strengthening Strengths

# New gTLD .shop Progress Report

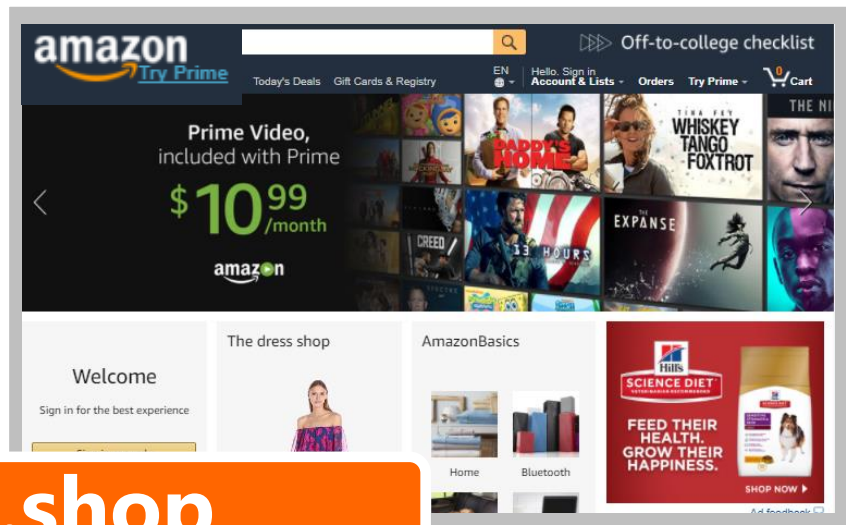
(thousands)

**In first 24 hours**Trademark Holders: No of application **No.1**Advance Registration: Application fee sales **No.1**General Availability: No of registration **No.1**Registered in **182** countries.**60+** ecommerce platforms  
are using .shop domains.Customer base is  
expanding steadilyRenewal rate to be determined in 45 days, and  
disclosed in the next results presentation

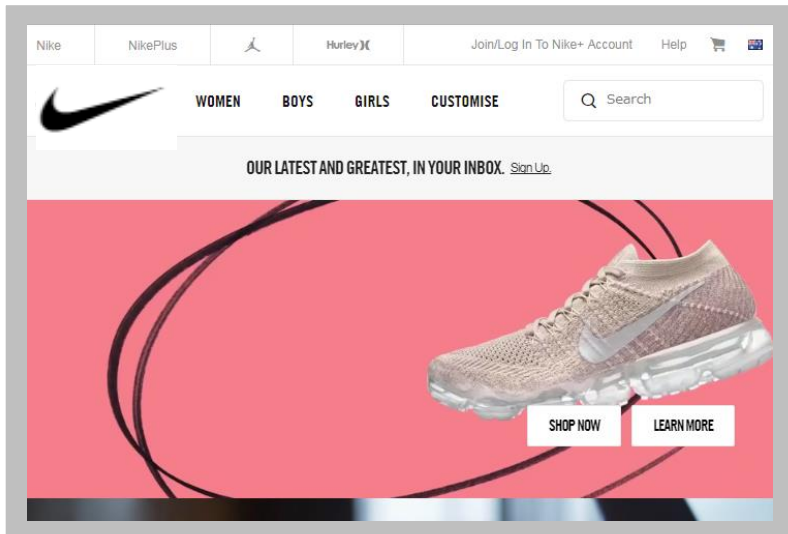
## ebay.shop



## amazon.shop

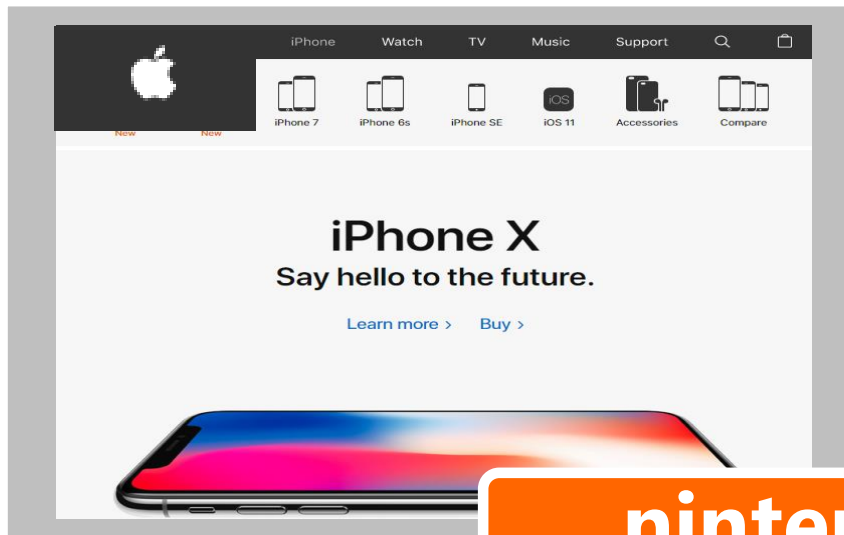


## nike.shop





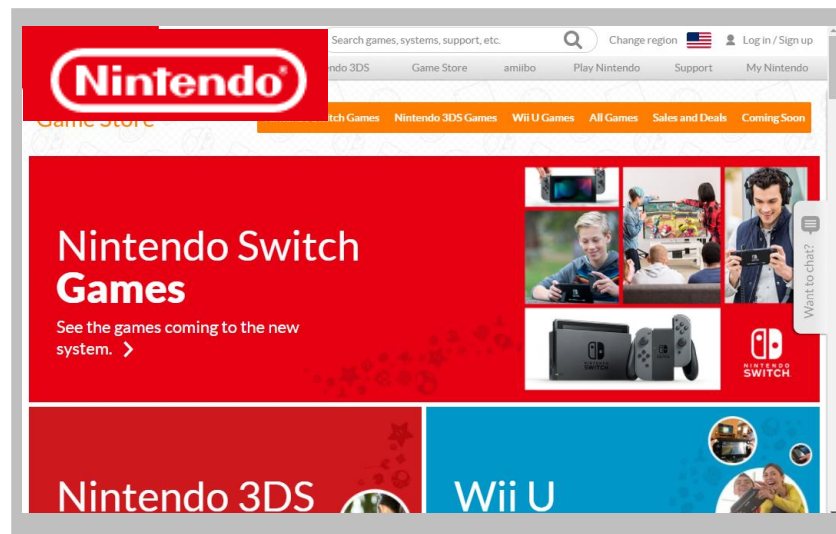
## iphone.shop



## golfdigest.shop



## nintendo.shop



Strengthening Strengths

# **Developments in Finance and Payment**

Capital and Business Alliances



(Daiwa Securities Group Inc., )

Share acquisition: JPY9.7B (9.37%)



GMOFINANCIALHD

Securities/FX



Payment



三井住友銀行 GMO PAYMENT GATEWAY

Investment: JPY3.86B (3.36%)



JV established



JV Launched in Feb 2016

Net Bank

GMOINTERNET GMOFINANCIALHD

Share acquisition: JPY1.16B (14.9%)



GMO AOZORA NET BANK



To be Launched in July 2018



(85.1%)  
あおぞら銀行  
(Aozora Bank)

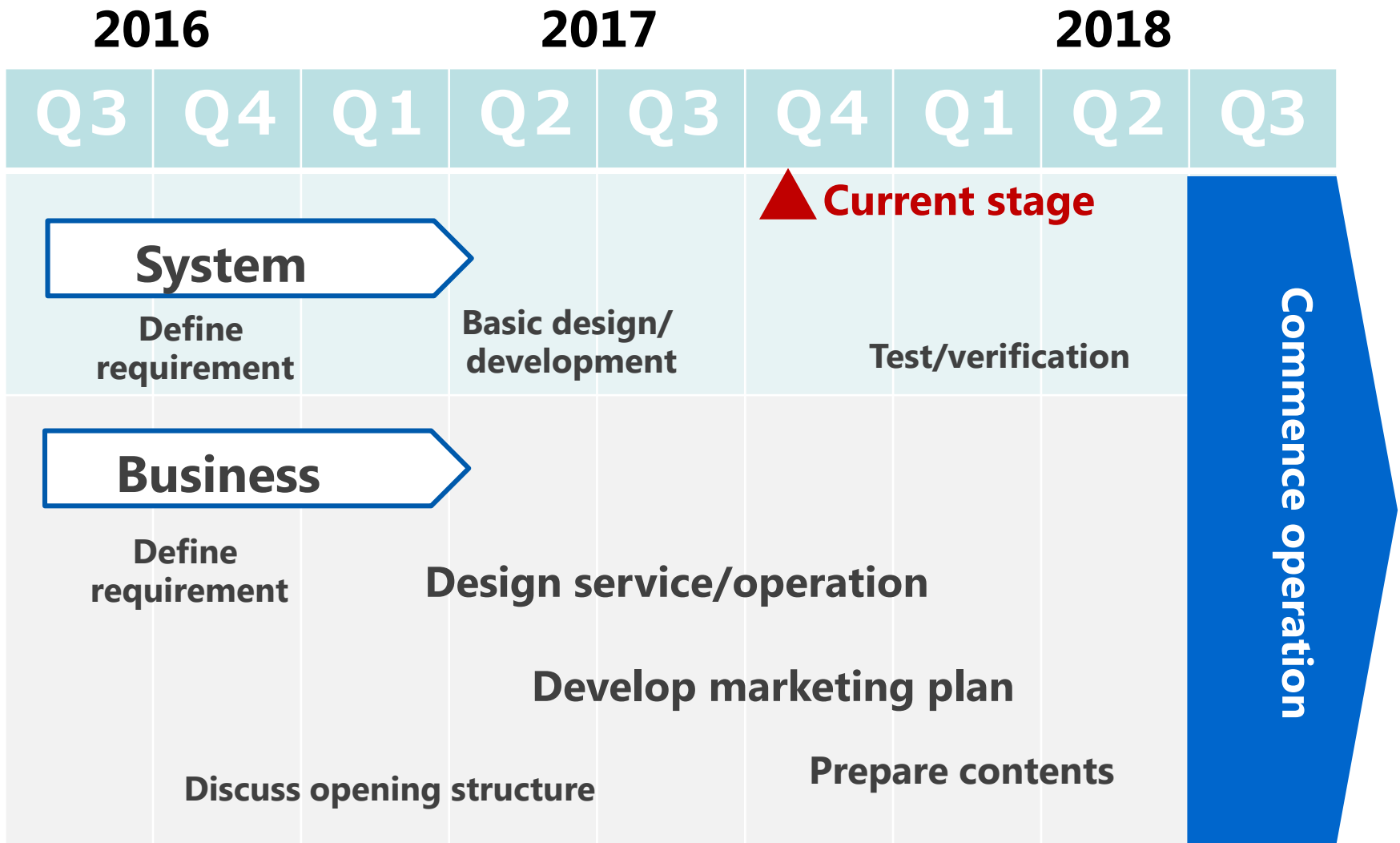
# **GMO** AOZORA NET BANK

Customer first at any time to become  
the number-one technology bank

Effective date of change of company name: June 2018 (tentative)

Date of launch: July 2018 (tentative)

Progressing smoothly towards launch in July 2018

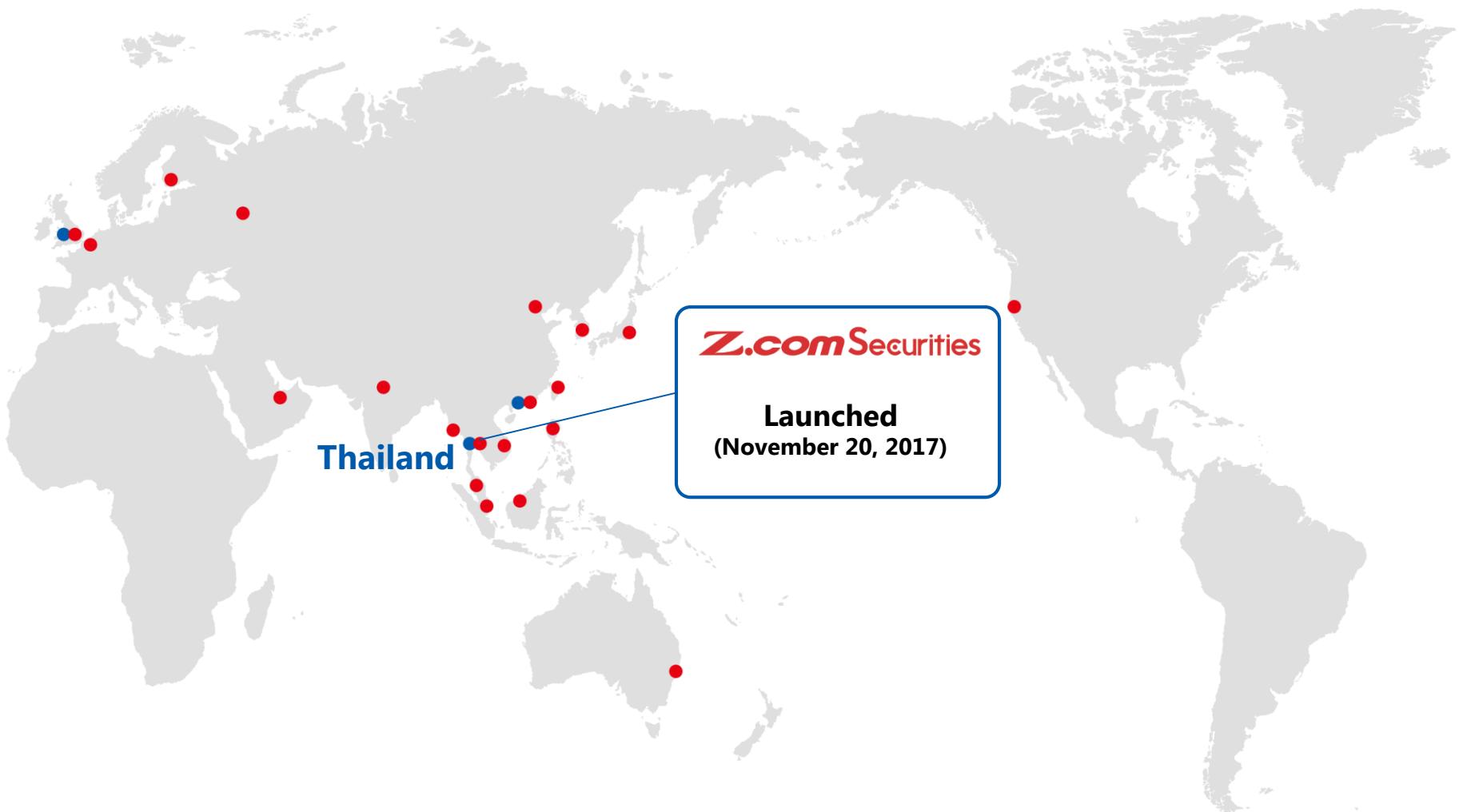


# Strengthening Strengths **Bringing Number 1 Products to the Global Market**

Global Growth: Locations

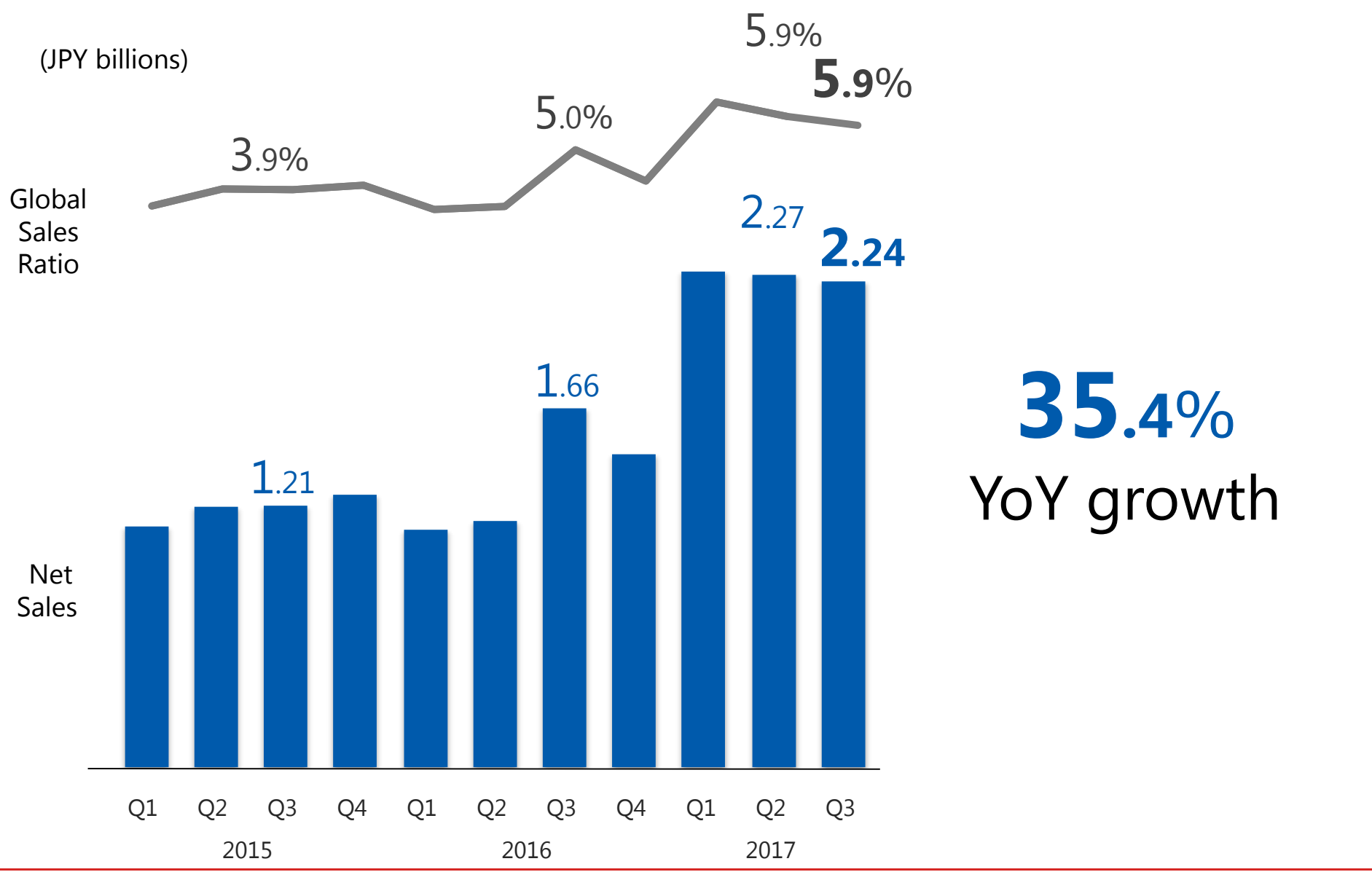
20 countries, 58 locations, 1,210 global partners ("staffs")

- Infrastructure
- Finance



\*As of September, 2017

# Global Growth: Global Net Sales





# Bitcoin Mining Business

## Internet

▶ Eliminates “information” boundary

## Cryptocurrency

▶ Eliminates “money” boundary

## Comparison with legal currency

	Legal currency (centralized)	Cryptocurrency (distributed)
Source of credibility	Country, central bank	Blockchain
Amount issued	No cap	Cap
Method of issuance	Mintage	Mining



The largest market capital



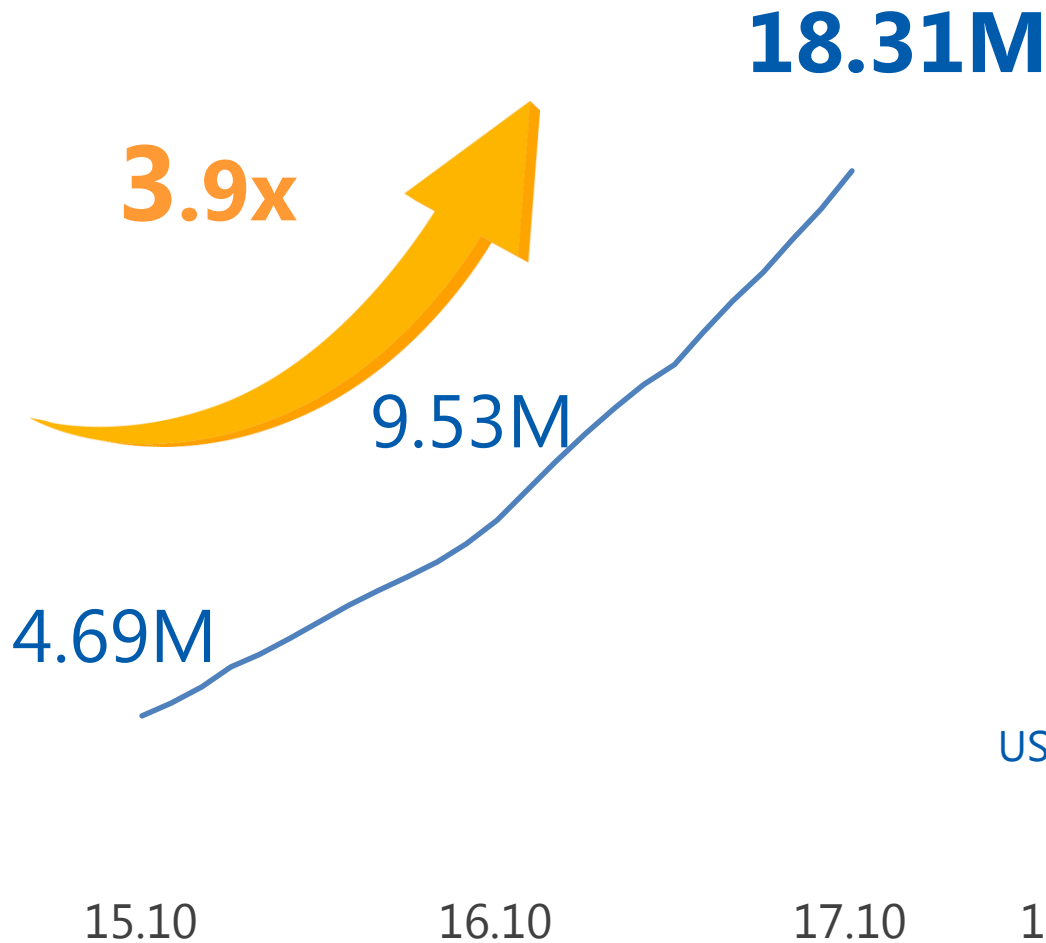
Transaction data are recorded in the  
blockchain, which is distributed and saved  
on the network

	Name of cryptocurrency	Market capital (JPY trillions)
1	Bitcoin	13.4
2	Ethereum	3.1
3	Bitcoin Cash	1.2
4	Ripple	0.9
5	Litecoin	0.3

60% of the total  
market capital

Source: CoinMarketCap

Wallet users

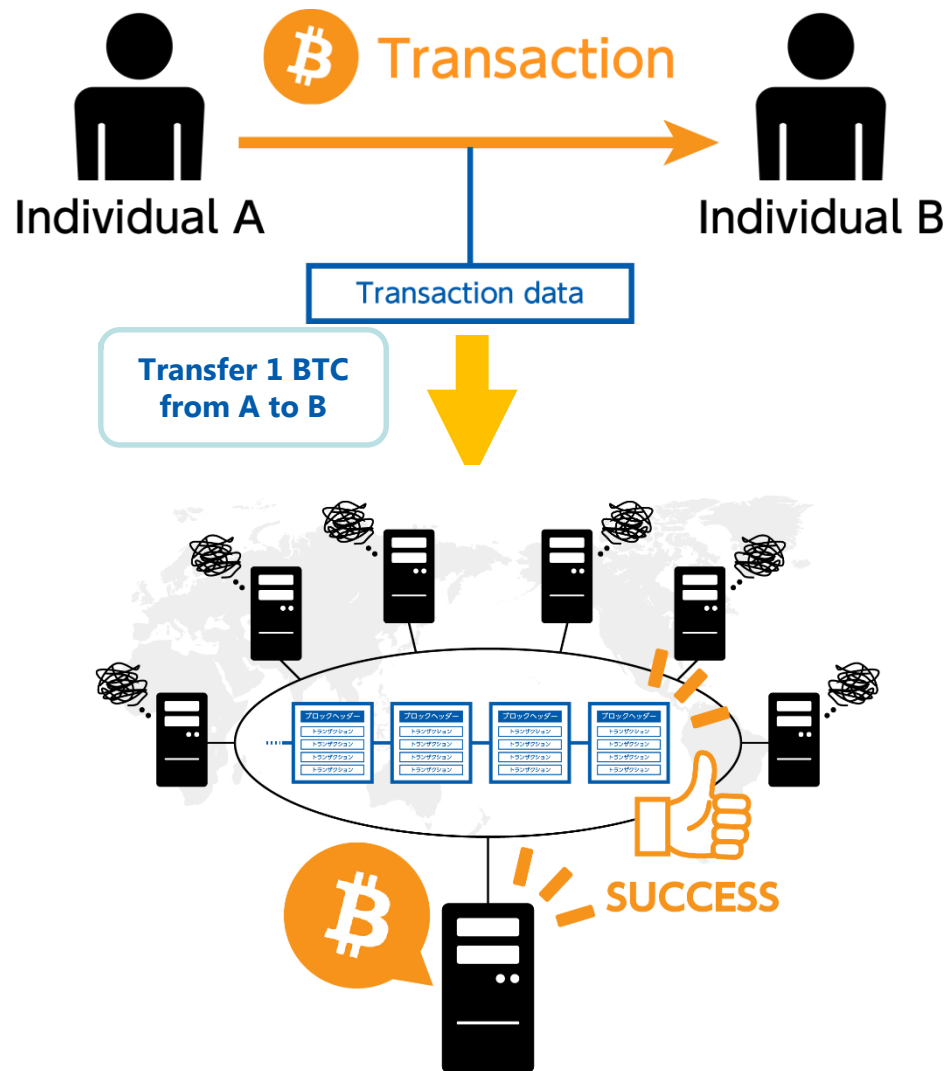


Market cap



Source: blockchain.info

## Mining process

**1. Transaction**

**2. Cryptocurrency (Bitcoin) miners compute, recording transaction data in the blockchain**

**3. The first miner who has calculated to be granted cryptocurrencies**

## Mining reward



Process required to ensure the accuracy of blockchain



If mining succeeds, Bitcoins (rewards) are obtained

Revenue from mining  
**12.5** BTC/block



Approx.  
**144** blocks/day



**1,800** BTC/day  
(approx. JPY **1.44B**)

1BTC = JPY 800,000

## Miner's total revenue

(daily)

**USD 12.26M**

(approx. JPY **1.34B**)

**10.3x**

USD 1.19M

USD 1.29M

15.10

16.10

17.10

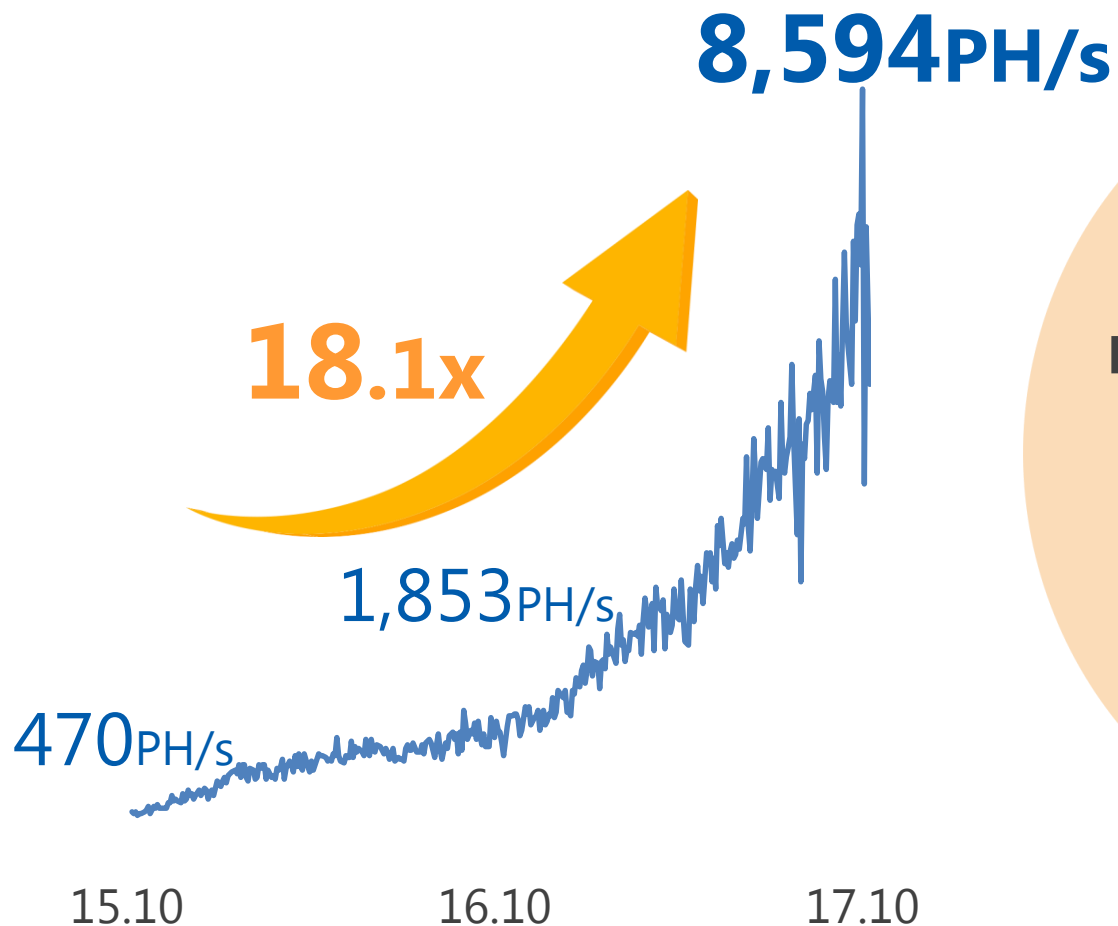
Source: blockchain.info

**Increase in  
market value**

**Increase in revenue**



## Hash rate (PH/s)\*



**Increase in the  
number of miners**

**Improvement in  
mining abilities**

\*The unit of mining speed (computational ability) of mining machines

1PH/s=10<sup>15</sup> H/s

Source: blockchain.info

# Revenue

Newly issued  
amount  
1,800BTC/day

×

BTC price  
(at the time  
of mining)

×

Mining  
share

**Per day**

▶ 1,800BTC × JPY 800,000 = JPY 1.4B × GMO Internet's market share

Amount mined

Approx. 8,500PH/s

## Revenue

Newly issued  
amount  
1,800BTC/day

×

BTC price  
(at the time  
of mining)

×

Mining  
share

## Cost

Electricity

+

Machine

+

Facility

# Pursuing cost advantage

**Electricity**

**In a region  
with  
inexpensive  
power  
supply**

×

**Machine**

**Developing  
high  
performance,  
power-saving  
chips**

×

**Facility**

**Building in a  
cold  
environment -  
Northern  
Europe**

**Use the expertise cultivated through  
Internet Infrastructure segment**

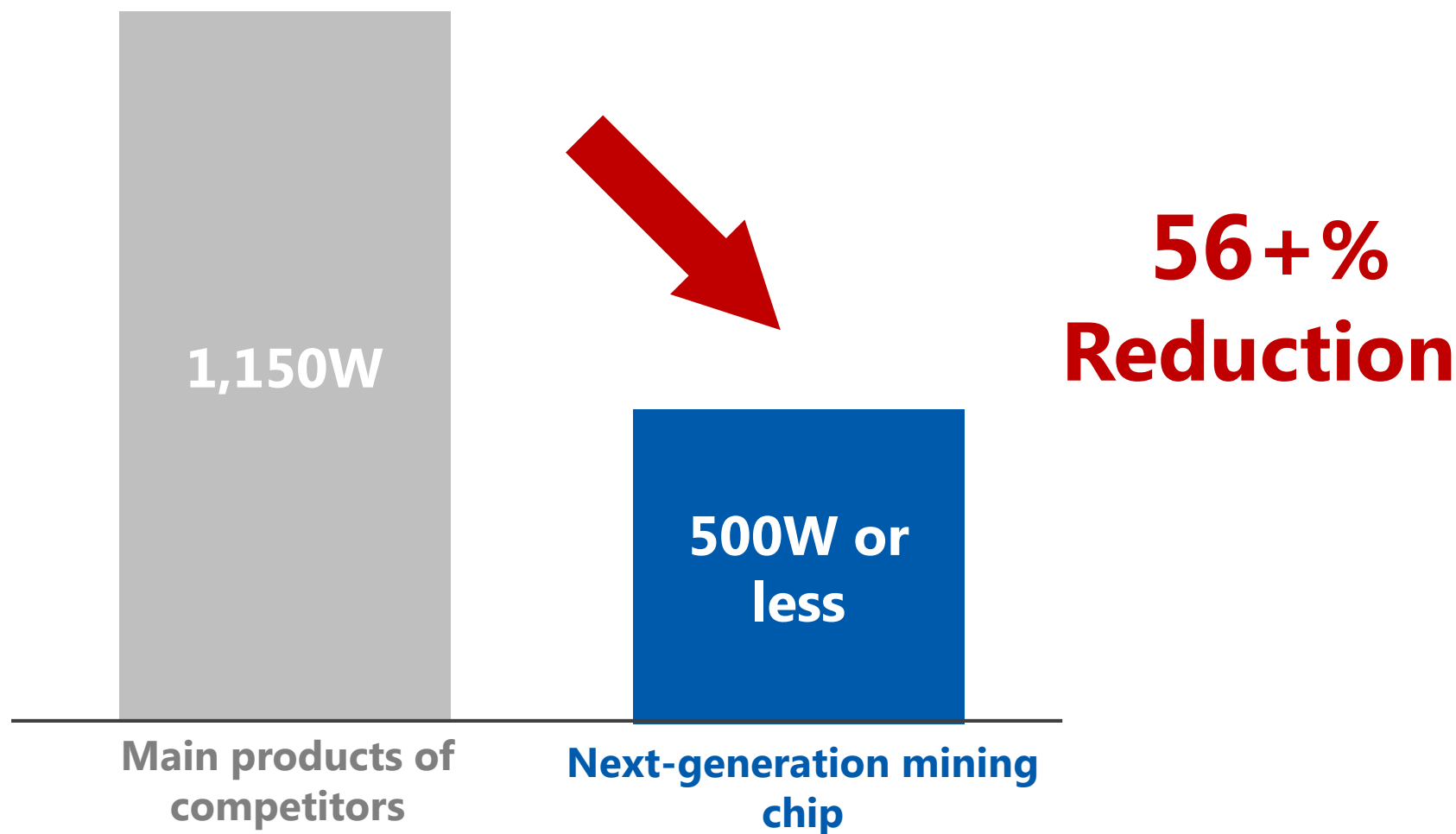
## ✓ Availability of high performance computers

- Joint development of cutting-edge 7 nm high performance chip

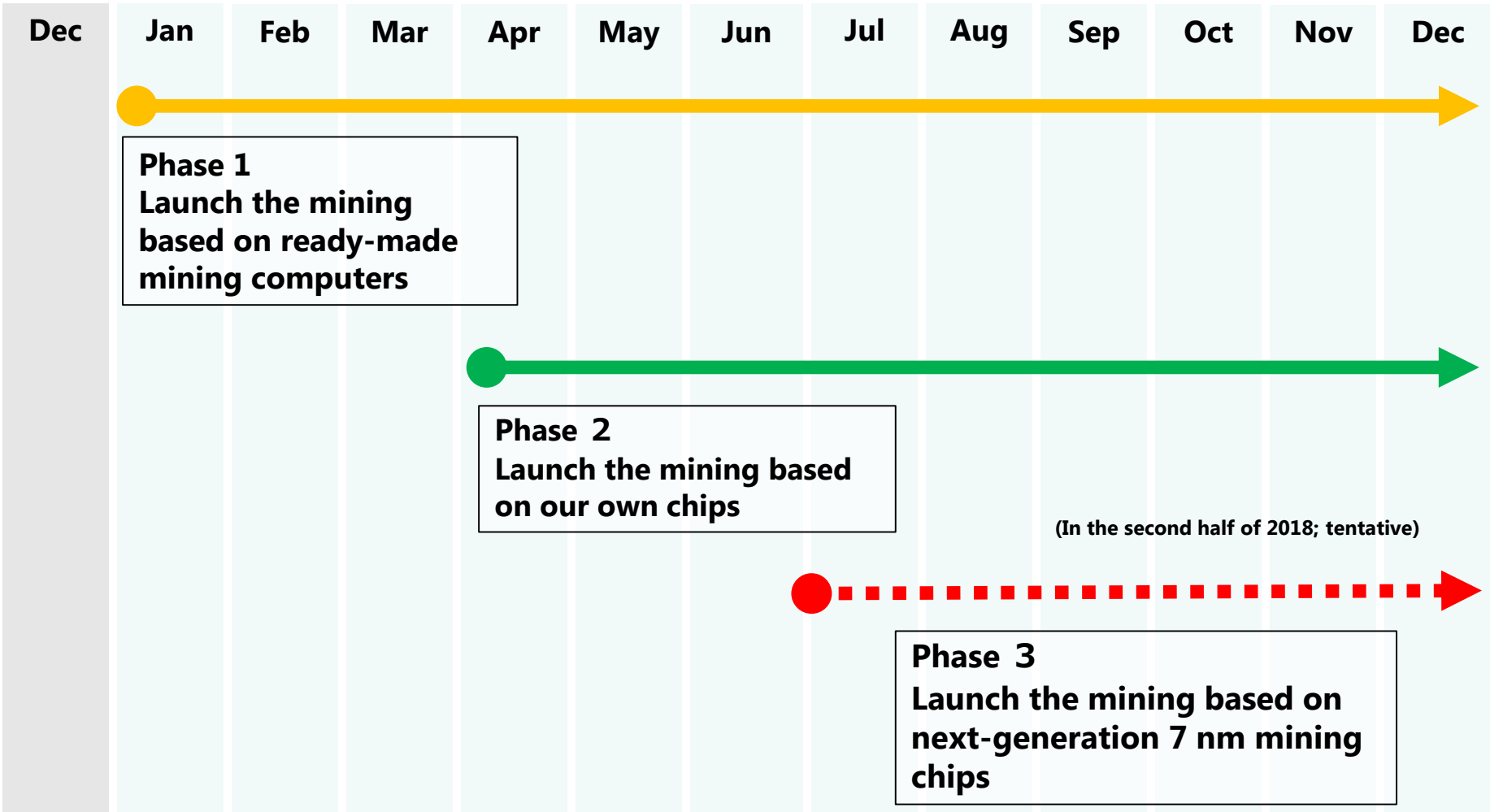
- Computational performance: 10TH/s\*
- Power consumption: 500W or less\*

\*Per chip

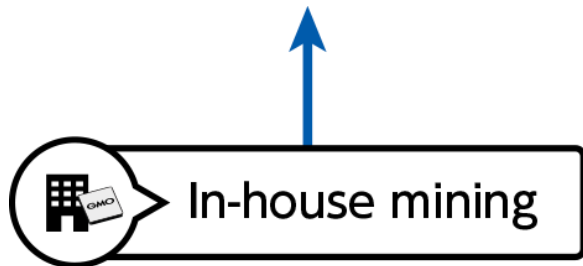
- ✓ **Power consumption: Comparison of power consumption of chips with the same computational performance**



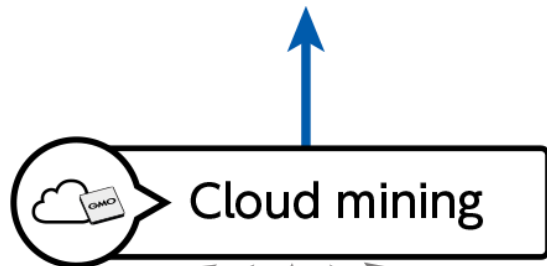
The year 2018



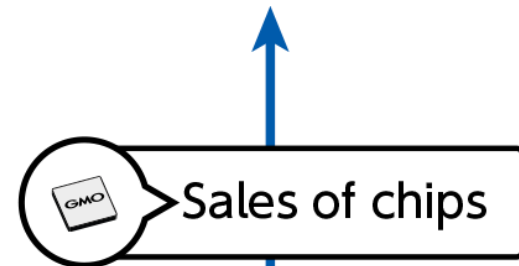
# GMO Mining Pool (tentative)



Jan 2018 (tentative)



At the end of 2018 (tentative)



At the end of 2018 (tentative)

Considering the  
token sale using  
ICO



## 1. Increase of competitors

→ Ensuring advantage in efficiency despite the harsh competitive environment

## 2. Sharp decline in BTC rate

→ The key is cost advantage, such as power consumption efficiency and inexpensive power supply

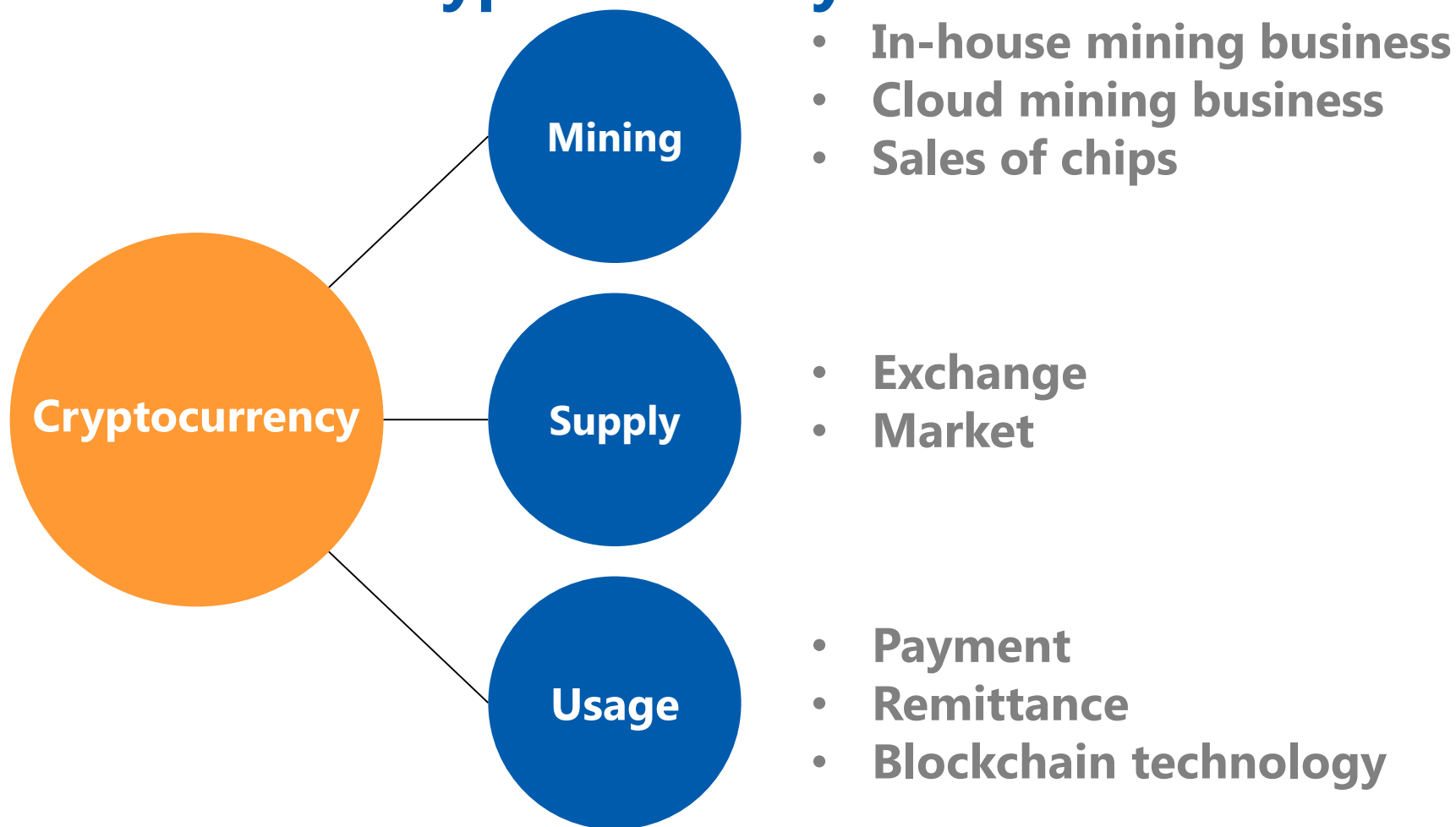
## 3. Regulation of use of BTCs

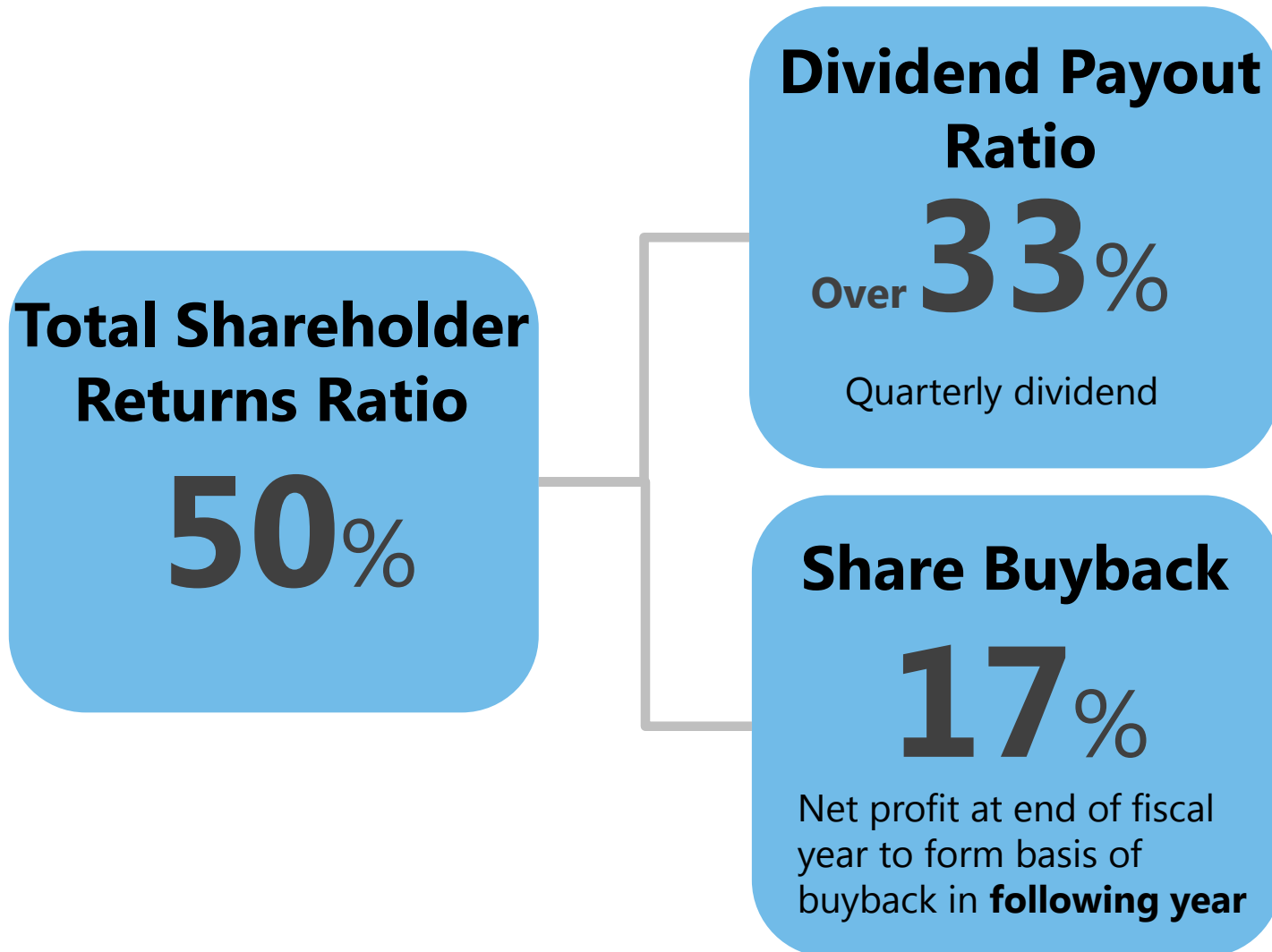
→ Large amount of issued BTCs and lots of users, so BTCs are strong borderless currencies

## 4. Disabling or changing mining methods

→ Lots of miners, so the protection of specification before the change is expected

## Aims to become the No.1 company in cryptocurrency domain





**Internet for Everyone**

**GMO**

# GMO INTERNET

This document includes projections based on expectations, premises and plans as of November 6, 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.

Information contained in this document is provided for information purposes only and does not constitute solicitation of investors. Further, results forecasts and other forward-looking statements are based on premises that include risks and factors that are largely indeterminable. Please understand that actual results may differ significantly as a result of forces including economic conditions and market environment. No responsibility for any reason is accepted for damage sustained as a result of actions taken based on this information.