

# **Fiscal Year 2017 Results Presentation**



STOCK CODE : 9449

**February 9, 2018**

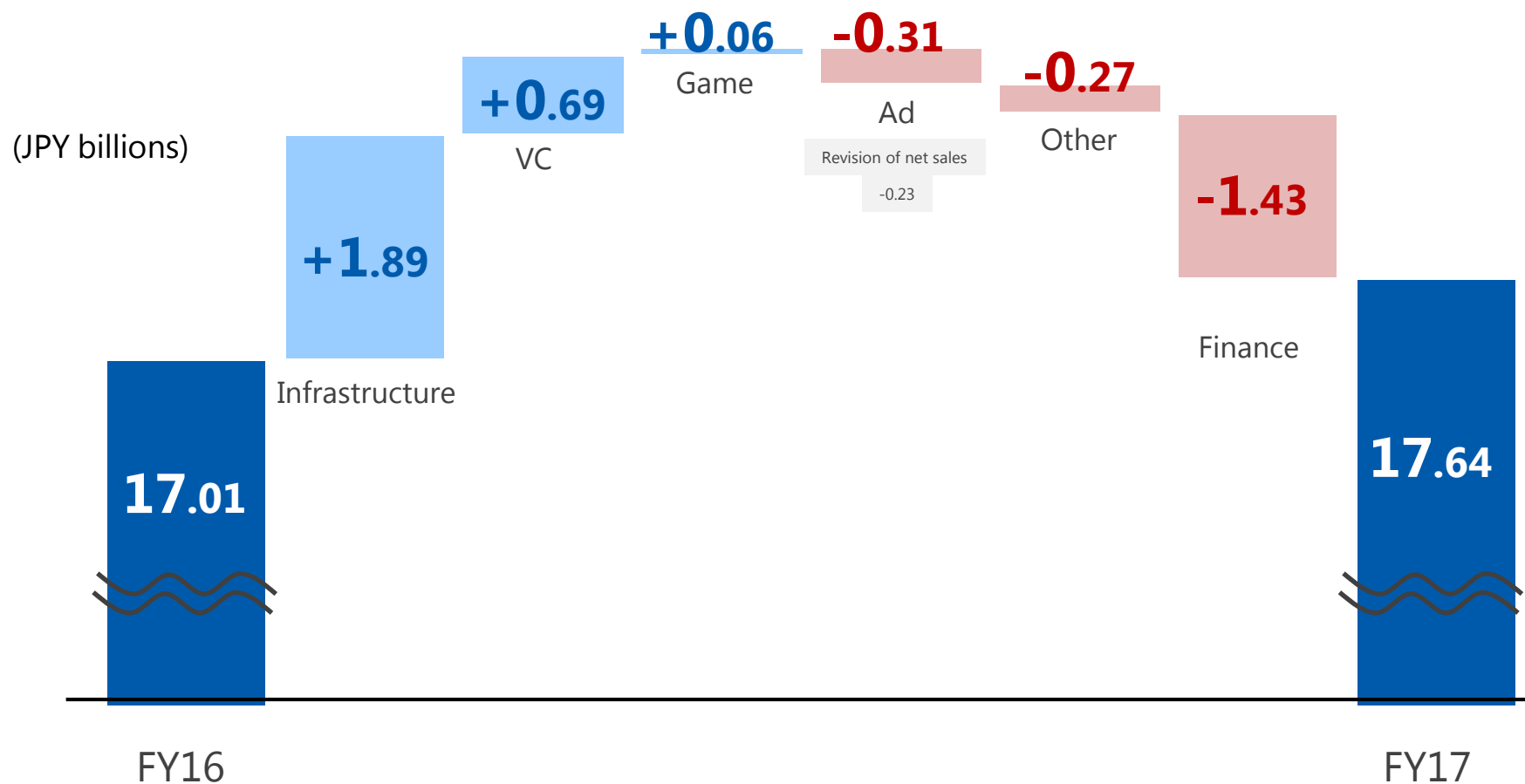
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  - i) Group Overview
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6. Outlook in FY2018

- Earnings achieved a record high
- Net profit achieved forecast but operating profit and ordinary profit did not achieve forecast as Internet Finance lagged in the 1st quarter

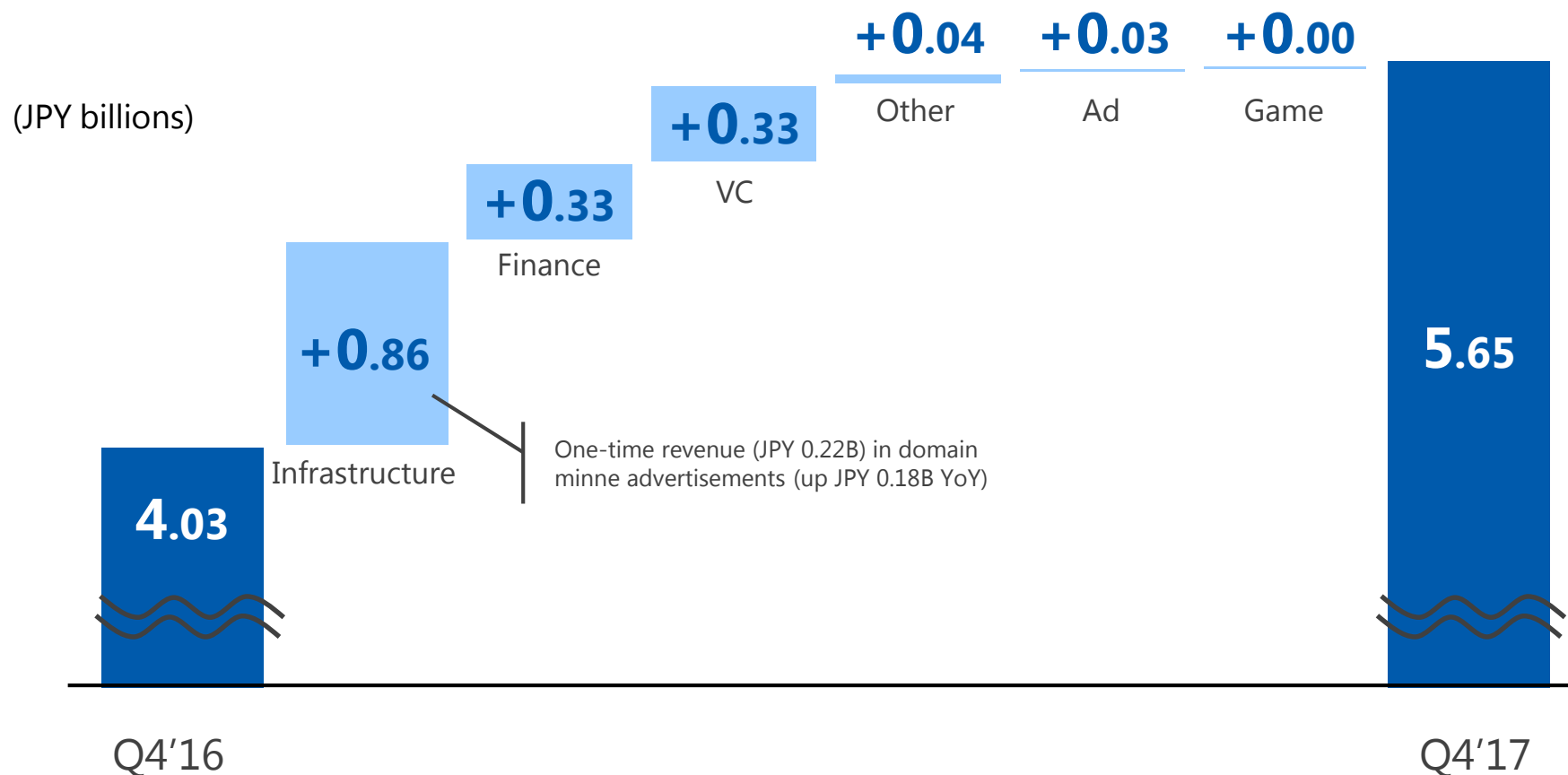
(JPY billions)	FY16 Actual	FY17 Forecast	FY17 Actual	YoY Growth	Vs Forecast
Net Sales	135.0	145.0	<b>154.2</b>	<b>+14.2%</b>	<b>+6.4%</b>
Operating Profit	17.01	19.00	<b>17.64</b>	<b>+3.7%</b>	<b>-7.1%</b>
Ordinary Profit	16.68	18.50	<b>17.31</b>	<b>+3.8%</b>	<b>-6.4%</b>
Net Profit	7.23	8.00	<b>8.03</b>	<b>+11.0%</b>	<b>+0.4%</b>

- **OP: JPY 17.64B**, up 0.62B (up 3.7% YoY)

Although Internet Finance lagged in the 1st quarter, OP was up as Infrastructure was growing



- **OP: JPY 5.65B**, up 1.61B (up 40.1% YoY)
- Record high quarterly earnings
- For Infrastructure, profit increased significantly. As for the cryptocurrency exchange business GMO Coin, OP turned positive.



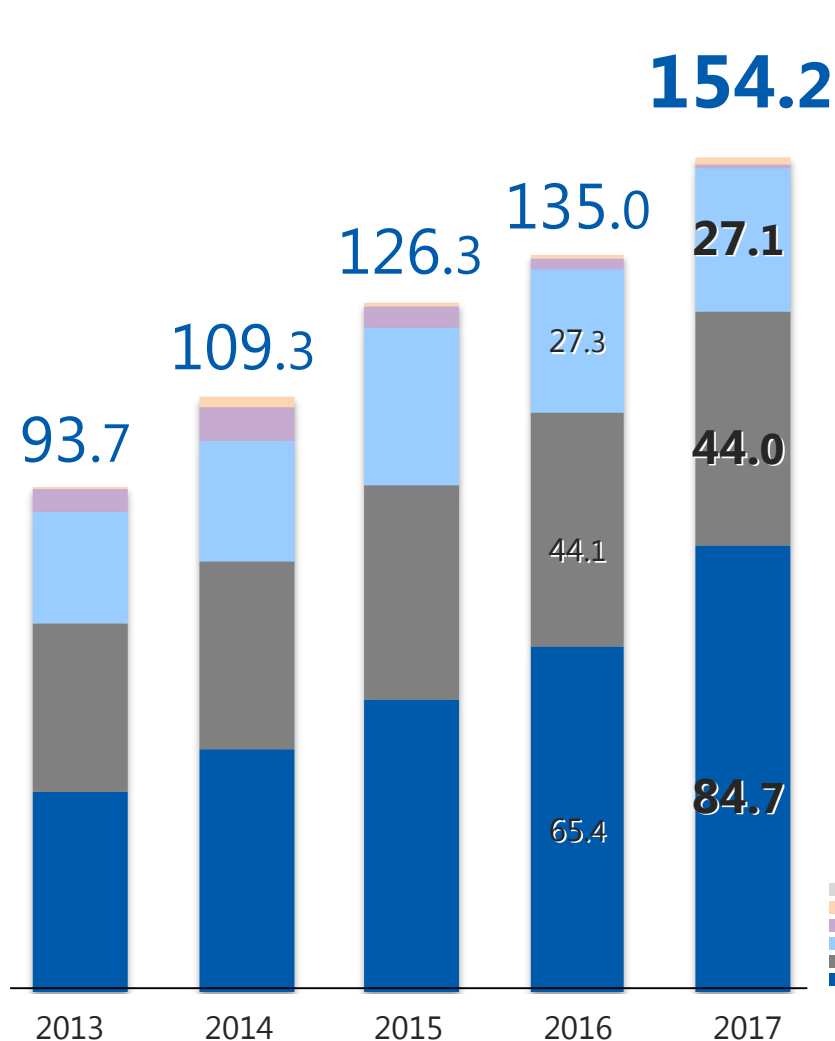
Internet Infrastructure	Net sales	JPY <b>84.72B</b>	(Up <b>29.5%</b> YoY)
	OP	JPY <b>8.49B</b>	(Up <b>28.7%</b> YoY)
	Earnings achieved a record high as revenues and profits grew substantially		
Internet Finance	Net sales	JPY <b>27.12B</b>	(Down <b>0.8%</b> YoY)
	OP	JPY <b>8.17B</b>	(Down <b>14.9%</b> YoY)
	Recovered the loss through improvement in FX profitability and cryptocurrency but earnings dropped due to the late start in Q1		
Online Ad & Media	Net sales	JPY <b>44.07B</b>	(Down <b>0.2%</b> YoY)
	OP	JPY <b>0.97B</b>	(Down <b>24.5%</b> YoY)
	Seasonal factors impacting both new and existing products. Advertisement distribution regulation was changed, having negative impact.		
Mobile Entertainment	Net sales	JPY <b>0.89B</b>	(Down <b>58.2%</b> YoY)
	OP	JPY <b>-0.43B</b>	( <b>-0.49B</b> in previous term)
	Undergoing organizational restructuring. Cost optimization while focusing on businesses.		

# Financial Results for FY2017

## Net Sales

(JPY billions)

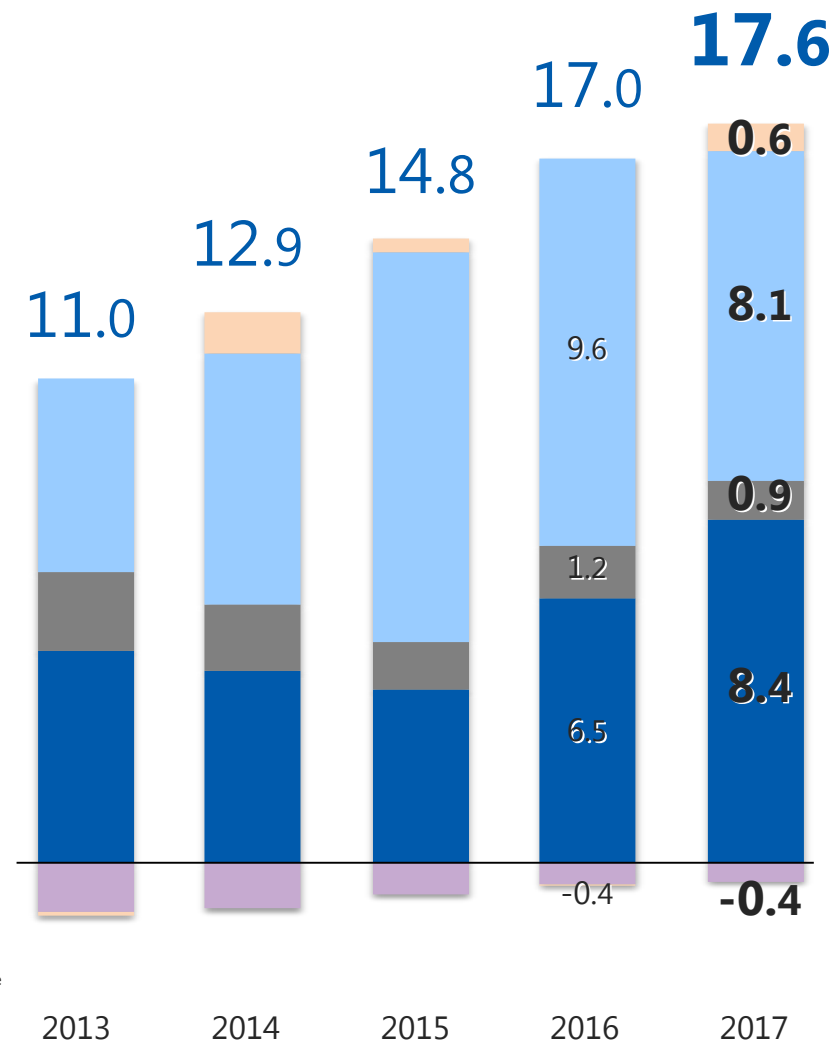
YoY **14.2%** up



## Operating Profit

(JPY billions)

YoY **3.7%** up



Other  
VC  
Mobile Entertainment  
Internet Finance  
Online Ads/Media  
Internet Infrastructure

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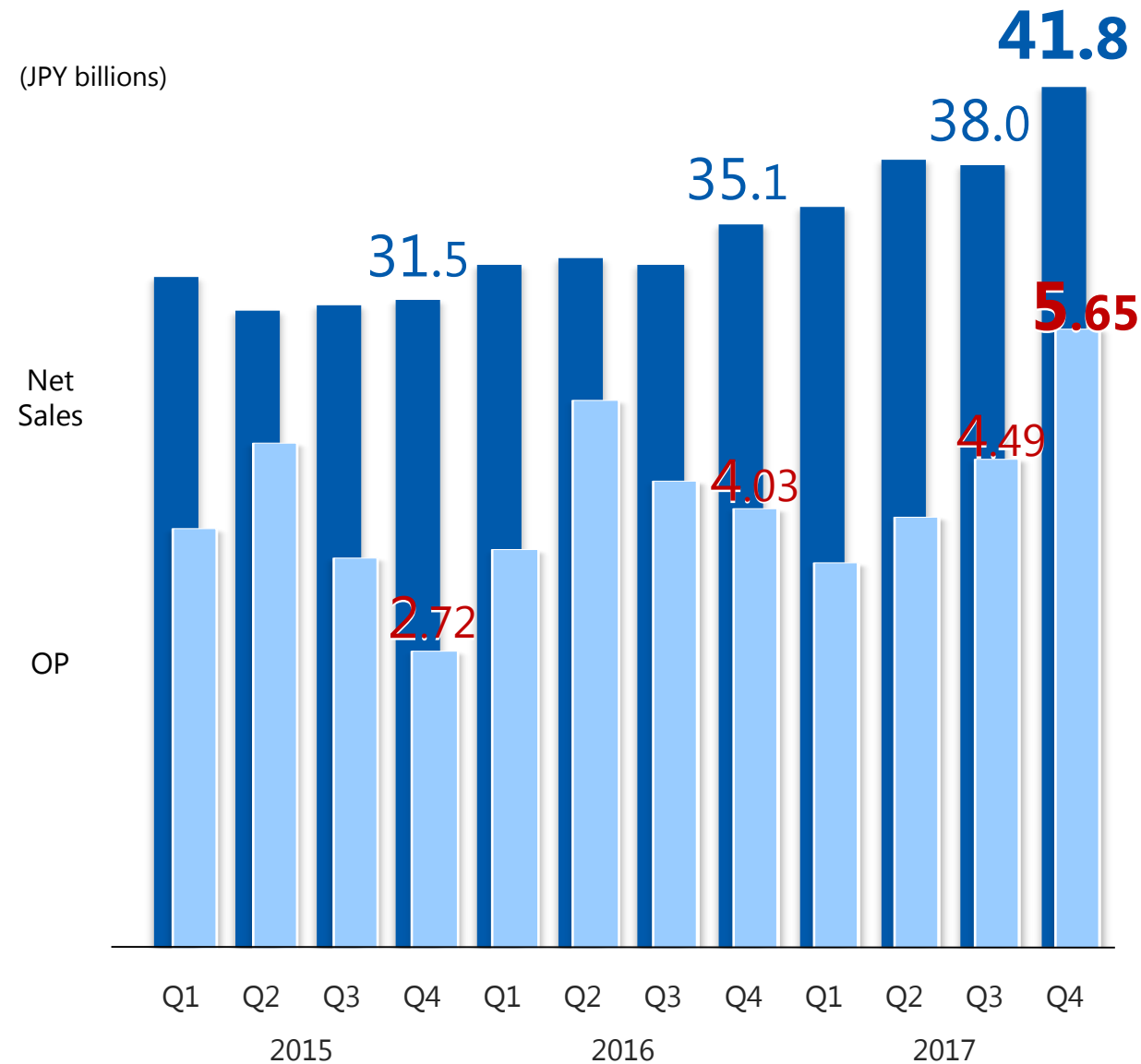
v) Mobile Entertainment & Other Businesses

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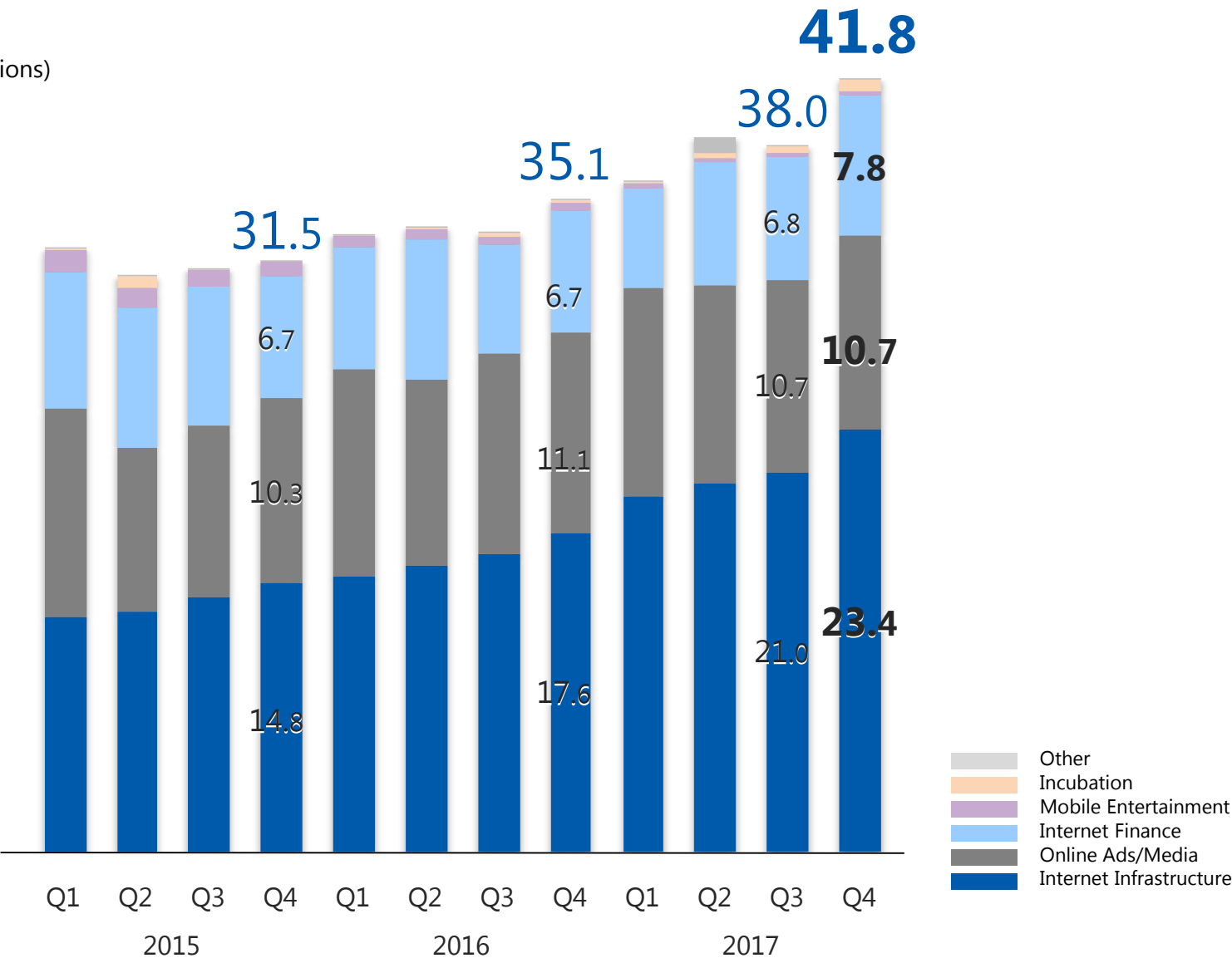


Revenue up  
**19.1%**  
Profit up  
**40.1%**  
YoY

Quarterly earnings  
achieved a record high

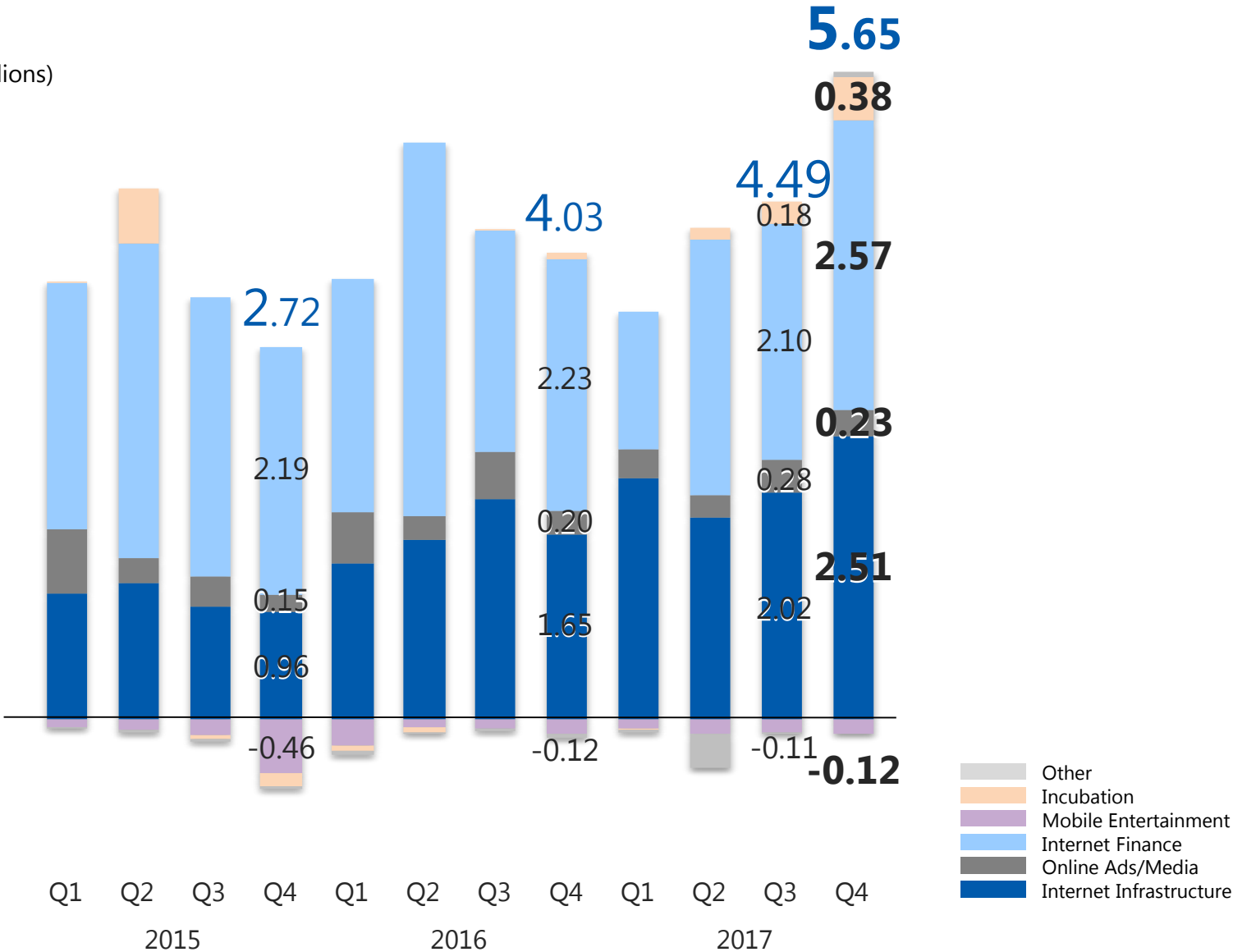
Net Sales by Segment

(JPY billions)



Profit by Segment

(JPY billions)



## Consolidated Profit and Loss

(JPY millions)	FY2016	FY2017	Change	supplementary information
Net Sales	135,026	154,256	14.2%	
Gross Profit on Sales	68,248	75,920	11.2%	
Operating Profit	17,017	17,642	3.7%	
(OP Margin)	12.6%	11.4%	-1.2pt	
Non Operating Profit and Loss	-330	-327	-	
Ordinary Profit	16,686	17,315	3.8%	
Extraordinary Profit or loss	139	-1,191	-	(2017) Incident-related, -270
Profit before Tax	16,826	16,124	-4.2%	
Corporate Taxes etc.	6,451	4,047	-37.3%	
Profit attributable to Owners of the Parent	7,234	8,030	11.0%	

## Consolidated Balance Sheet

(JPY millions)	End of 12/2016	End of 12/2017	Change	GMO Financial HD (End of 12/2017)	Change
Current Assets	553,903	<b>677,238</b>	22.3%	519,844	16.4%
Cash & Deposits	90,282	<b>119,006</b>	31.8%	36,542	-1.8%
Fixed Assets	34,915	<b>42,047</b>	20.4%	5,729	17.0%
Goodwill	3,857	<b>2,310</b>	-40.1%	774	-
Software	4,327	<b>5,140</b>	18.8%	1,441	18.5%
Investment Securities	7,832	<b>7,701</b>	-1.7%	1,396	-11.2%
Total Assets	588,819	<b>719,286</b>	22.2%	525,573	16.4%
Liabilities	522,639	<b>644,932</b>	23.4%	493,777	16.5%
Interest-bearing debt	71,512	<b>112,656</b>	57.5%	60,350	10.3%
Net Assets	66,179	<b>74,354</b>	12.4%	31,796	14.7%
Non-controlling Minority	26,571	<b>30,582</b>	15.1%	748	-
Shareholders' Equity	39,527	<b>43,697</b>	10.6%	31,048	12.0%
Earned Surplus	33,328	<b>38,113</b>	14.4%	27,154	12.2%
(Shareholders' Equity)	6.7%	<b>6.1%</b>	-0.6pt	5.9%	-0.2pt
Liabilities/Net Assets	588,819	<b>719,286</b>	22.2%	525,573	16.4%

Consolidated Cash Flow

(JPY billions)	FY16	FY17	Significant Factors	GMO Financial HD (FY17)
Operating Cash Flow	+3.11	+5.48	Expenses for Bitcoin mining business: -0.7B Payment of income taxes: -6.2B	-1.88
Investing Cash Flow	-11.20	-13.21	Purchase of tangible and intangible fixed assets: -11.0B (including investment in Bitcoin mining business: -7.7B)	-1.24
Financing Cash Flow	+23.74	+35.07	Interest-bearing debt: +41.1B	+1.37
Change in Cash and Equivalents	+15.19	+27.69		-1.68
Balance of Cash and Equivalents	90.12	117.81		35.52

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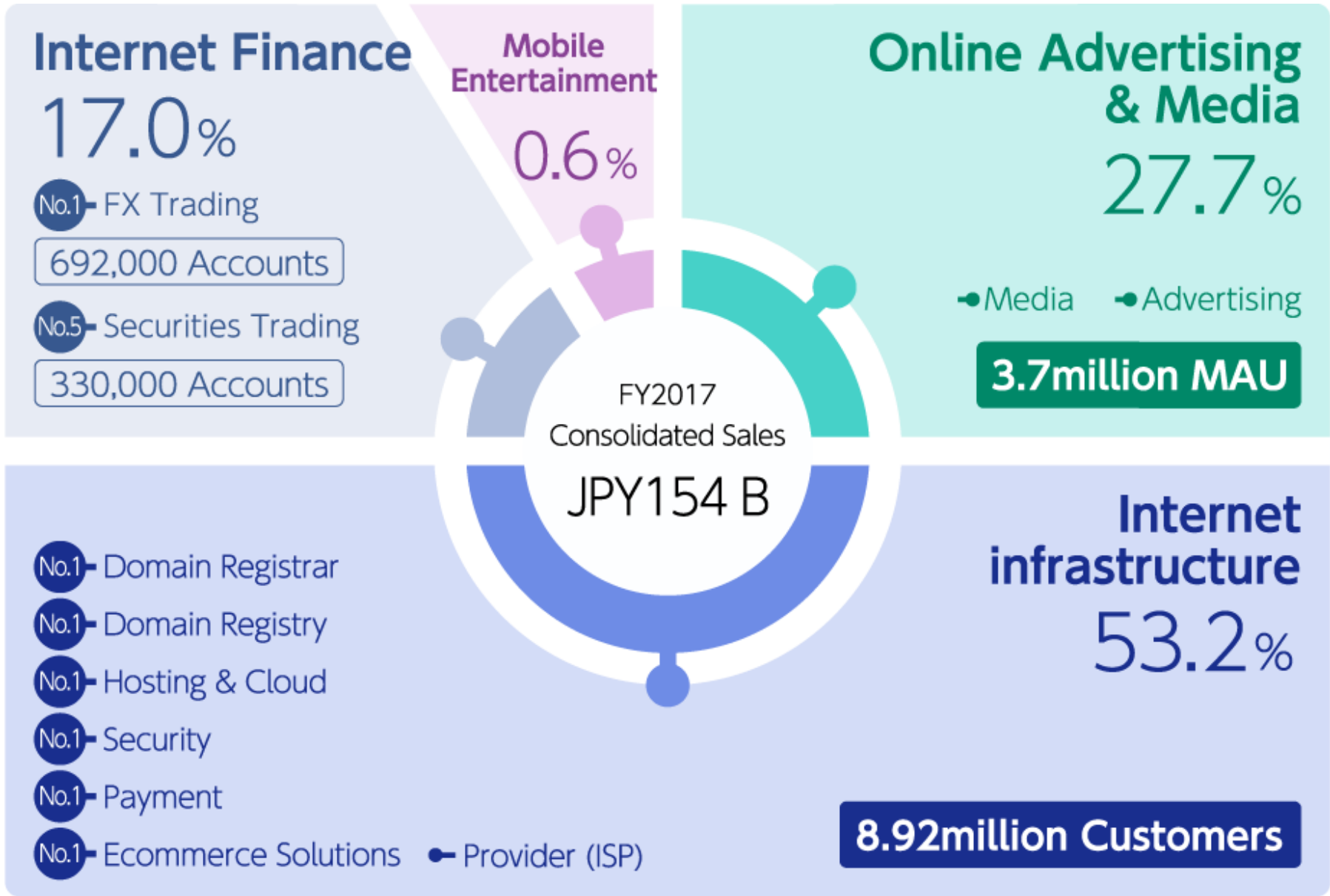
6. Outlook in FY2018

Listed Group Companies: Equity Share

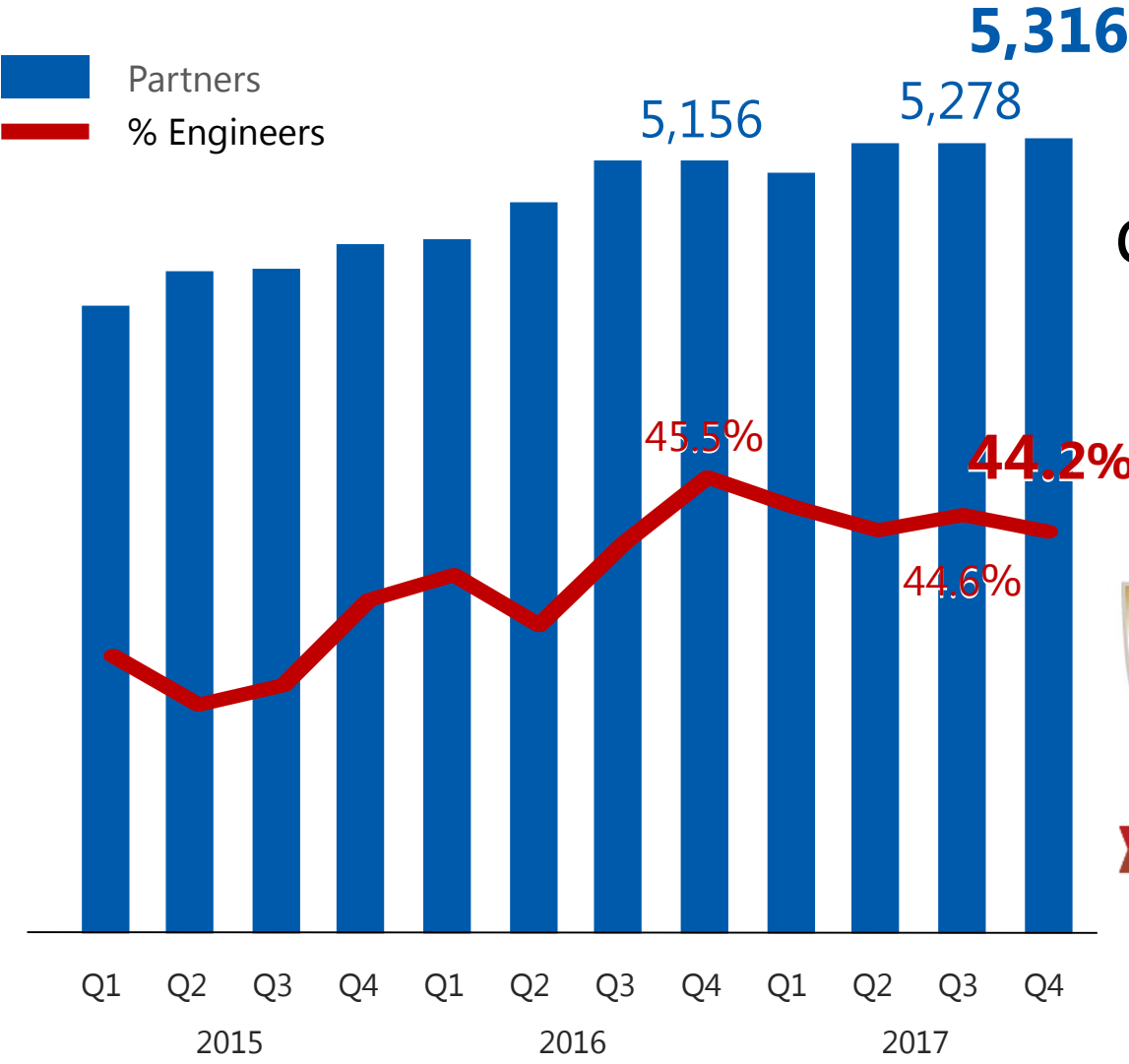
Stock Code	Stock Name	Exchange	Market Cap <sup>*1</sup> (JPY billion)	% Ownership <sup>*2</sup>	Equity Share (JPY billion)
9449	GMO Internet	TSE 1	194.0		
3769	GMO Payment Gateway	TSE1	323.2	51.6%	166.7
7177	GMO Financial Holdings	TSE JQS	80.8	80.7%	65.2
3788	GMO CLOUD	TSE1	23.7	51.8%	12.2
3633	GMO Pepabo	TSE JQS	9.0	64.1%	5.7
4784	GMO AD Partners	TSE JQS	8.1	54.9%	4.4
6180	GMO Media	TSE MOTHERS	4.8	65.4%	3.1
3695	GMO Research	TSE MOTHERS	3.2	53.7%	1.7
6026	GMO TECH	TSE MOTHERS	3.2	54.1%	1.7
Group Total			650.0 <sup>*3</sup>		260.7

\*1 Market value as of 2/8/2017  
\*2 Includes indirect holdings  
\*3 Calculated as the sum of the listed market cap values





\*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



Brand TLDs / Geo TLDs  
81.7% of gTLD market in Japan \*1

Strong No. 1

Domain Registrar



Domestic gTLD market share at 88.6%\*2

Strong No. 1

Hosting & Cloud



Domestic market share at 55.6% \*3

No. 1

Ecommerce



75,000 paid stores

No.1

Security



105.5% YoY increase in certificate issues

No. 1

Payment

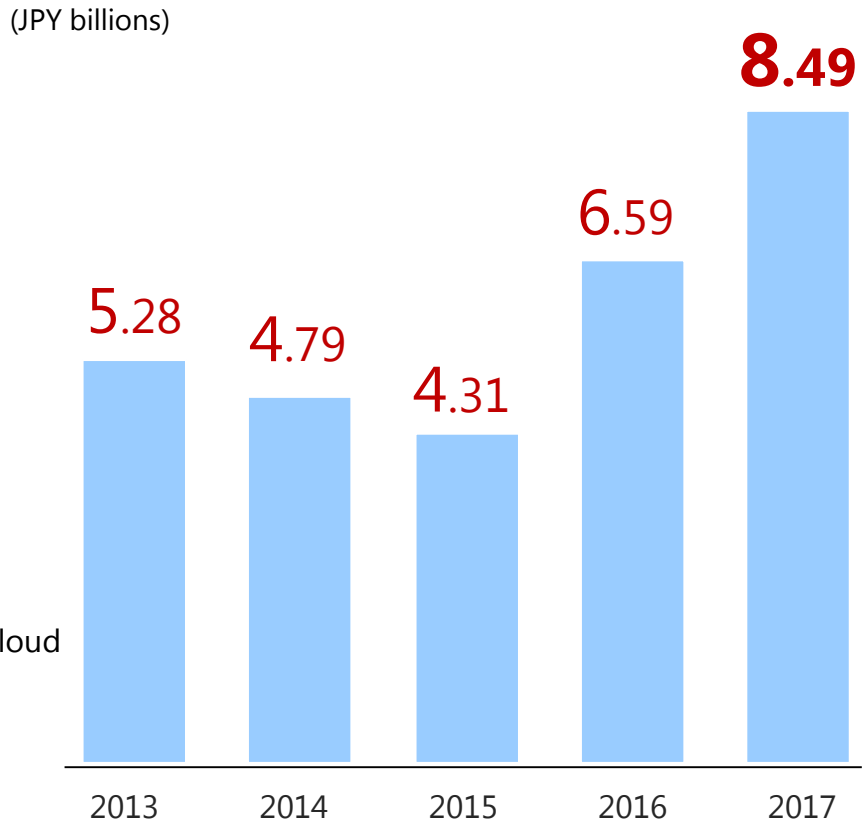
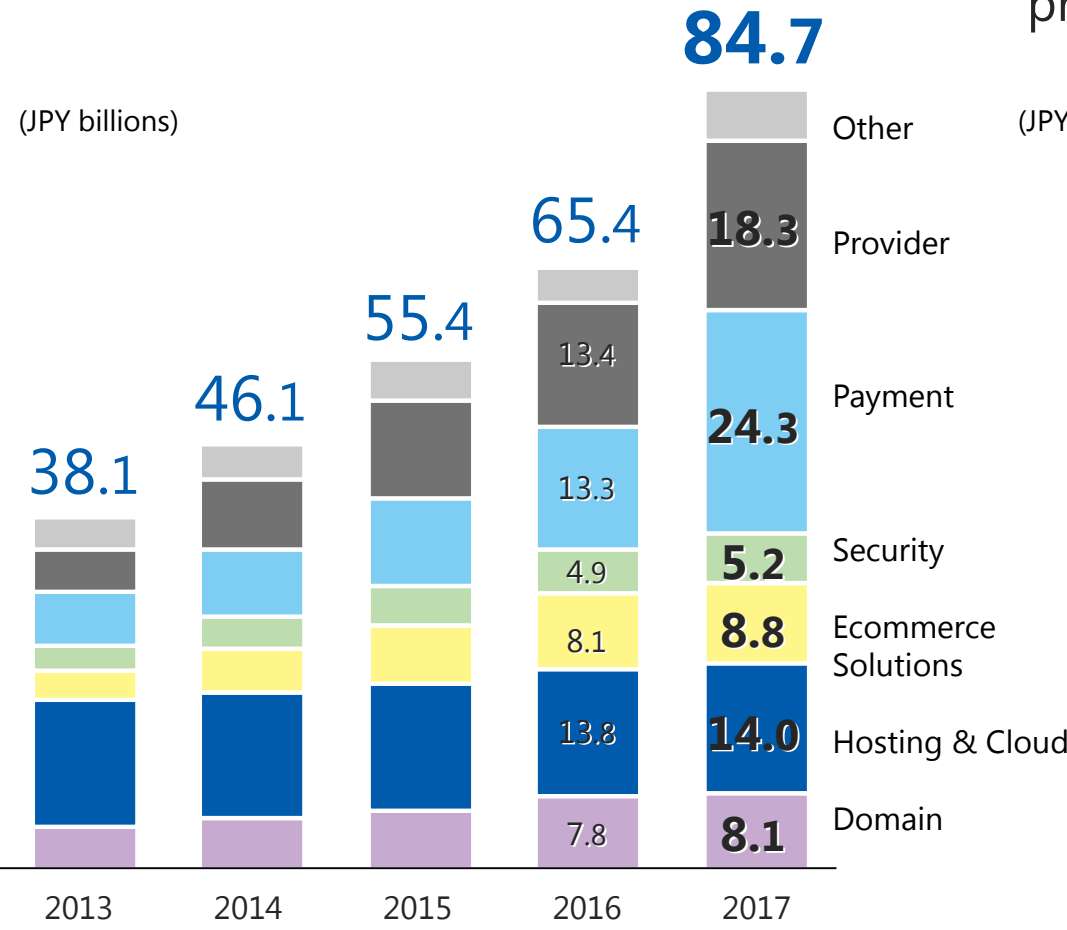


86,000 merchants

\*1 Based on our own data  
\*2 Based on ICANN data  
\*3 Based on Webhosting.info data

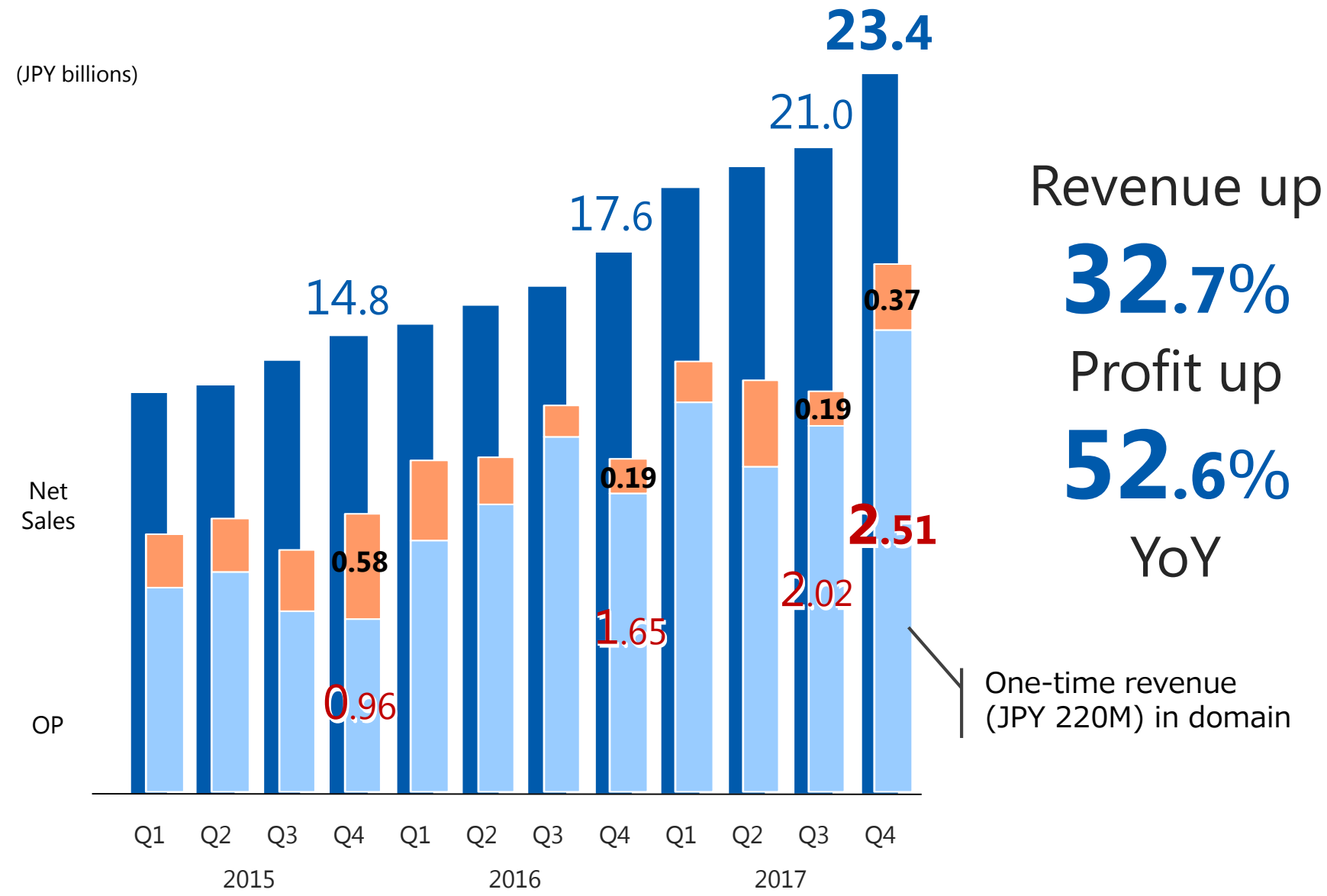
Net Sales: YoY **29.5% up**  
Payment and Provider were doing well

Operating Profit: YoY **28.7% up**  
High margin products drove OP.  
Record high OP in Infrastructure despite JPY 1.18B (up from JPY 1.07B previously) in minne advertising spend.



# Historical Performance by Quarter

(JPY billions)



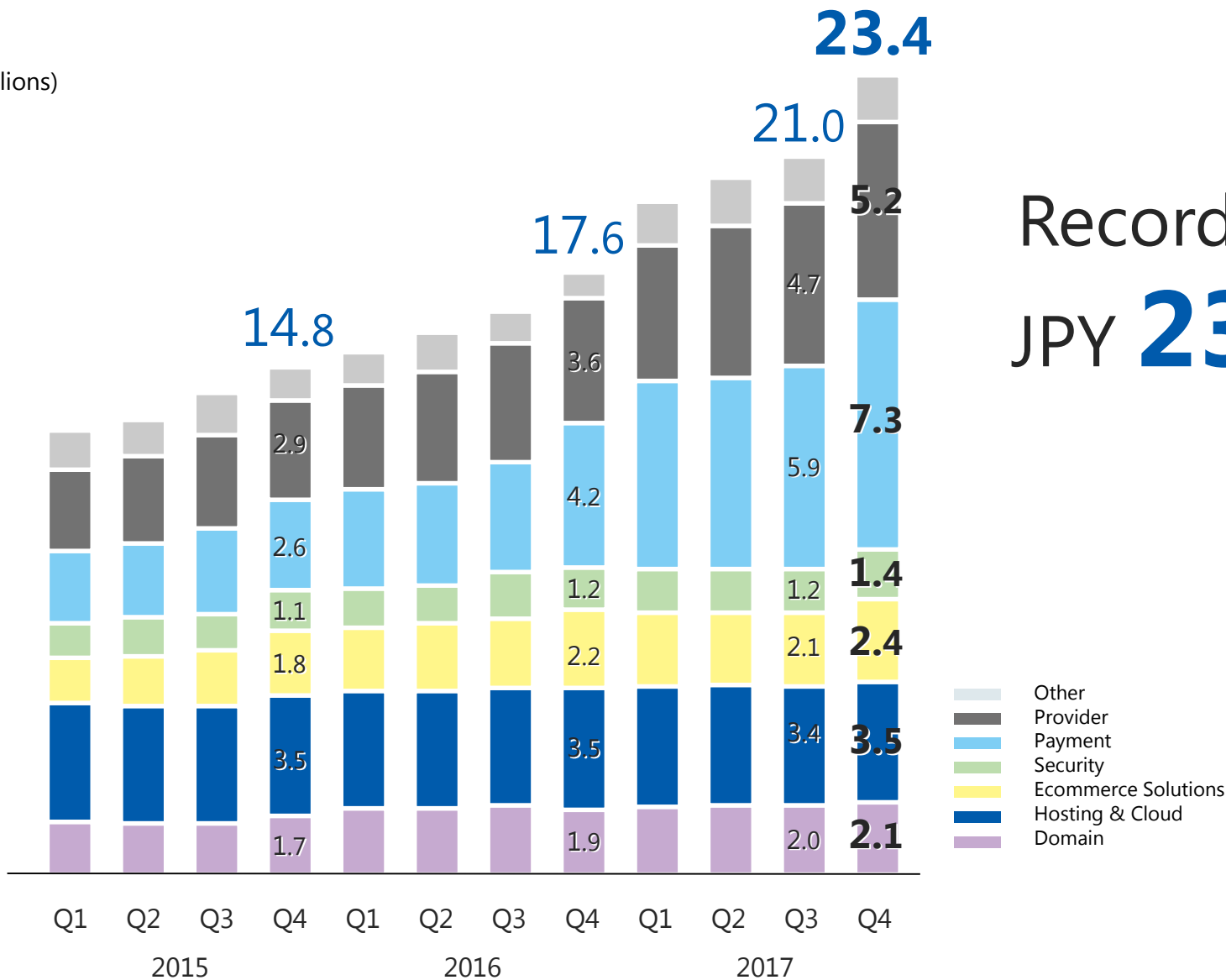
Revenue up  
**32.7%**  
Profit up  
**52.6%**  
YoY

One-time revenue  
(JPY 220M) in domain

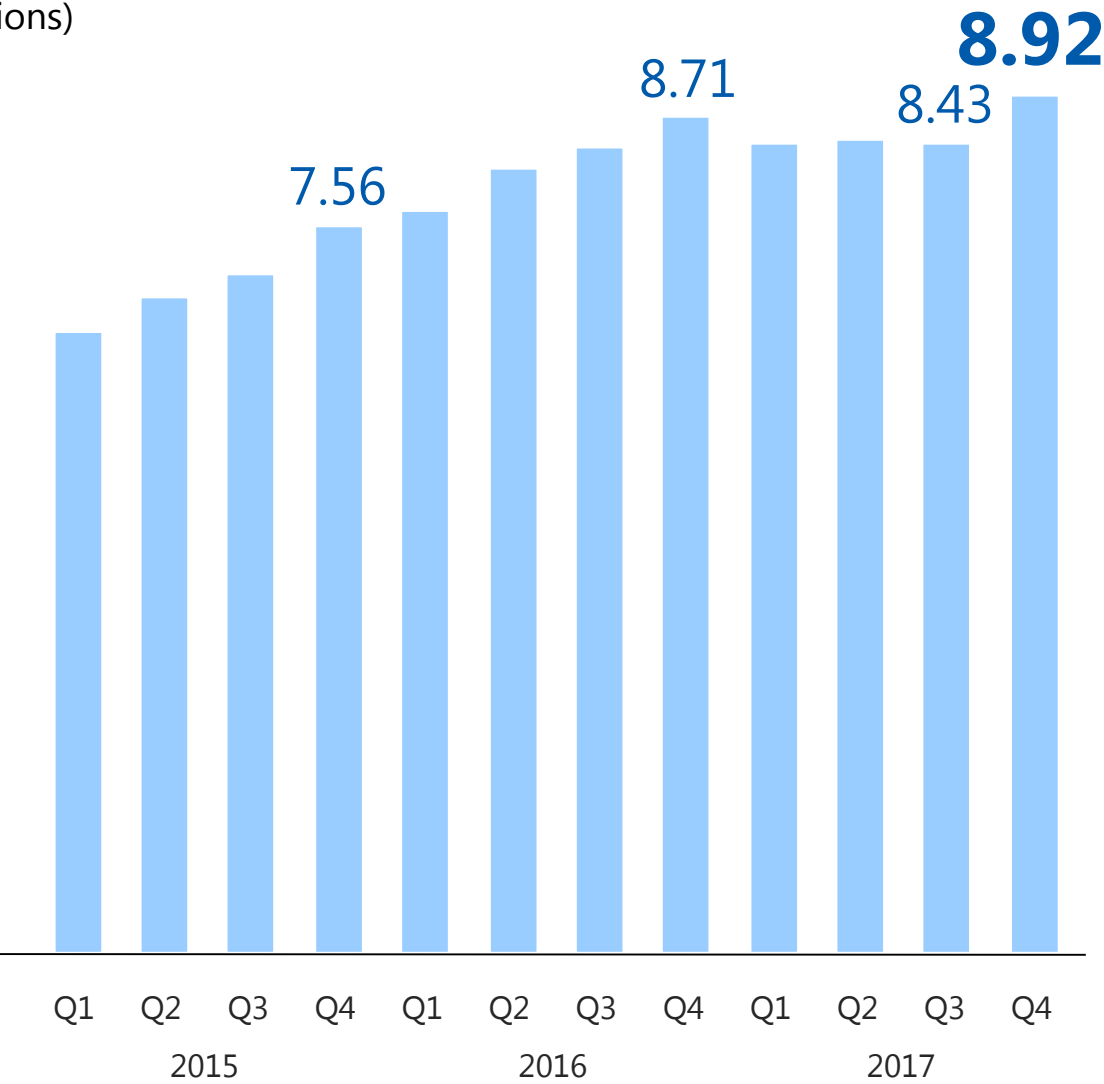
\*Orange shows strategic investment.

Net Sales by Sub-Segment

(JPY billions)



(millions)



**2.4%**  
YoY growth\*

**8.92M**  
contracts

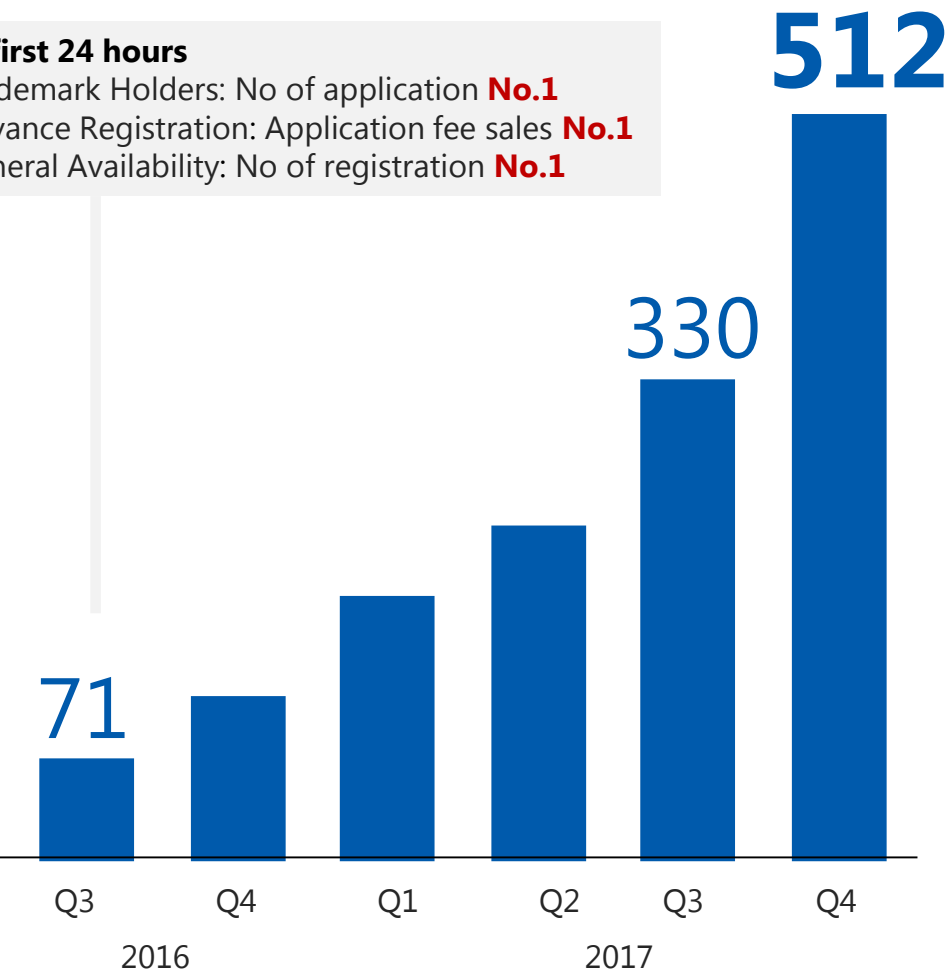
\*Excluding minne KPI



(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**



\*1) Source: <https://ntldstats.com/tld/>

\*2) Average renewal rate (Sep-Nov)

Over **500K** since launch

New gTLD “.shop” in the top 10<sup>\*1</sup>

Renewal rate: **66.2%**<sup>\*2</sup>

New gTLD registration rankings

No. 1	: .xyz	2.33M
No. 2	: .loan	2.27M
No. 3	: .top	1.97M
No. 4	: .club	1.28M
No. 5	: .vip	0.90M
No. 6	: .win	0.76M
No. 7	: .online	0.76M
No. 8	: .wang	0.62M
No. 9	: .site	0.53M
No. 10	: <b>.shop</b>	<b>0.51M</b>

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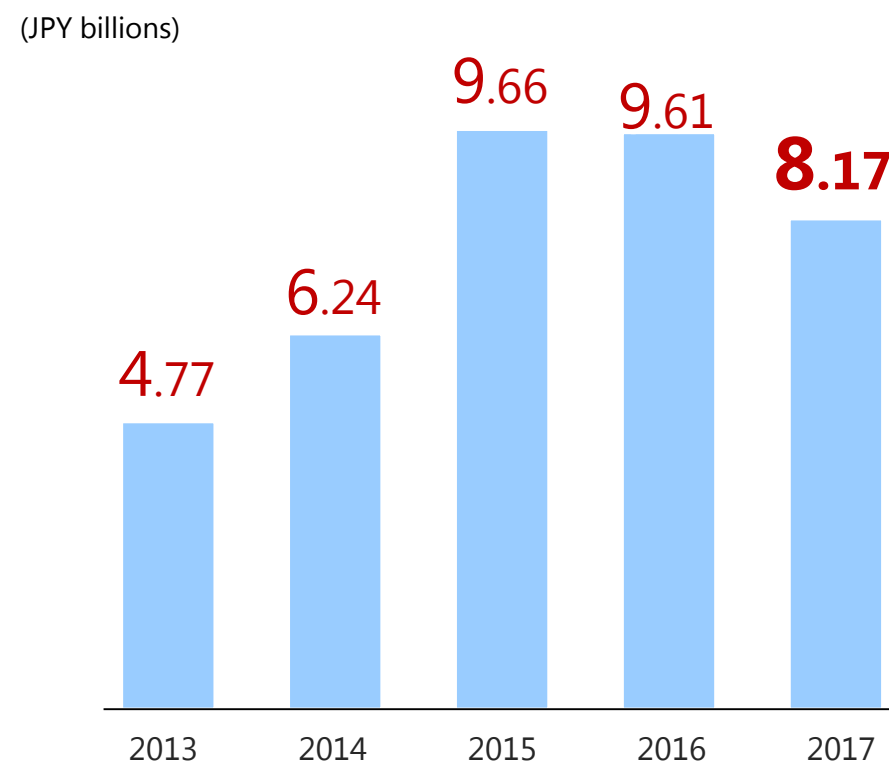
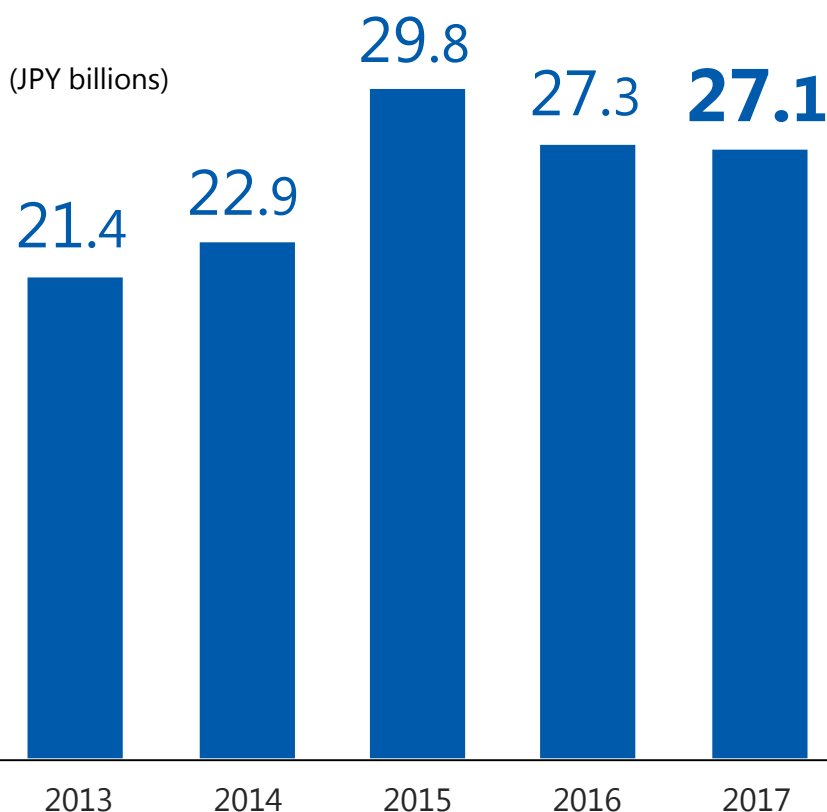
6. Outlook in FY2018

Net Sales: YoY **0.8% down**

Improvement in profitability despite drop in FX trading volume

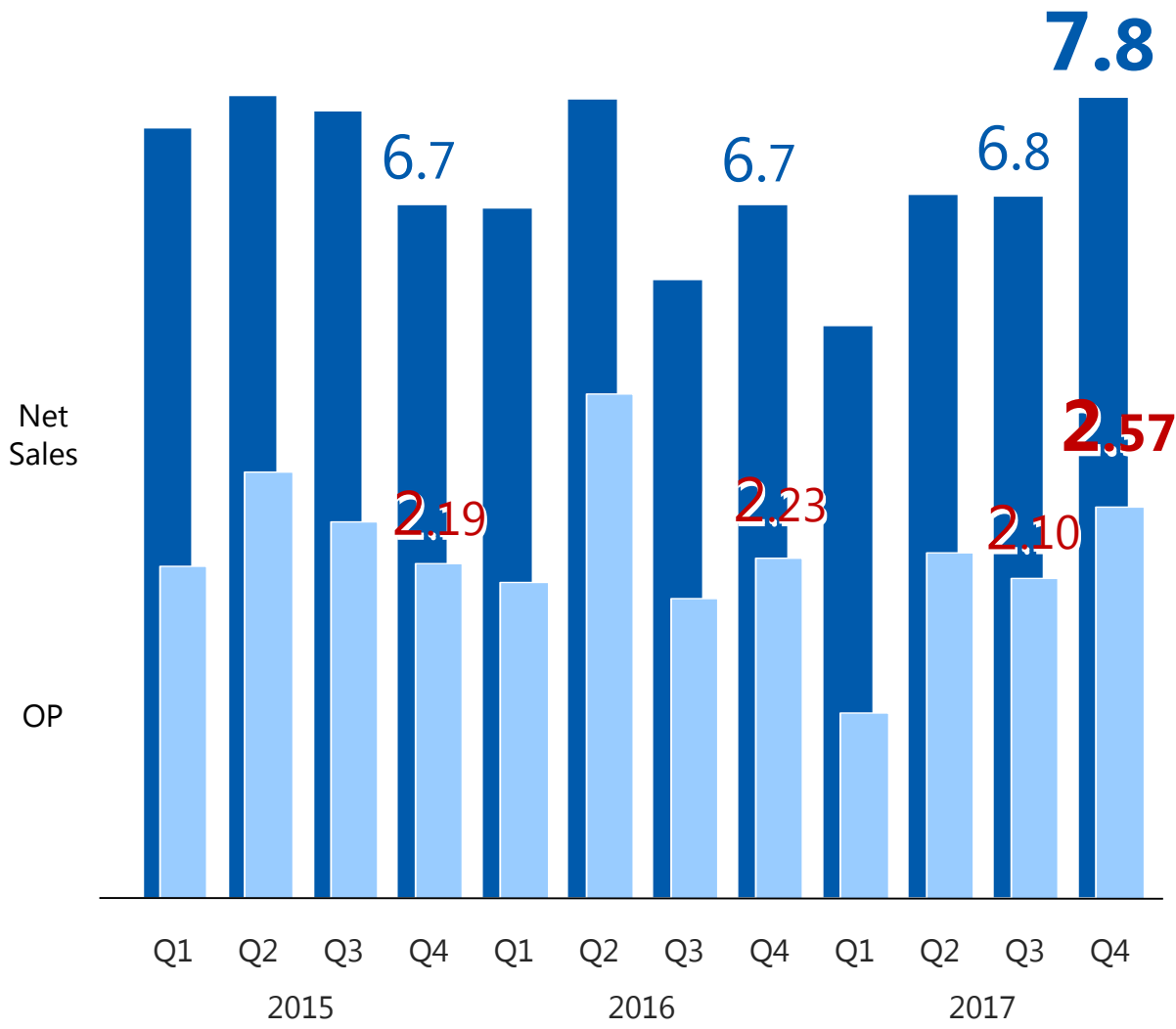
Operating Profit: YoY **14.9% down**

OP dropped compared to the same period last year, which saw rise in OP due to Brexit. For cryptocurrency trading service GMO Coin, OP turned positive.

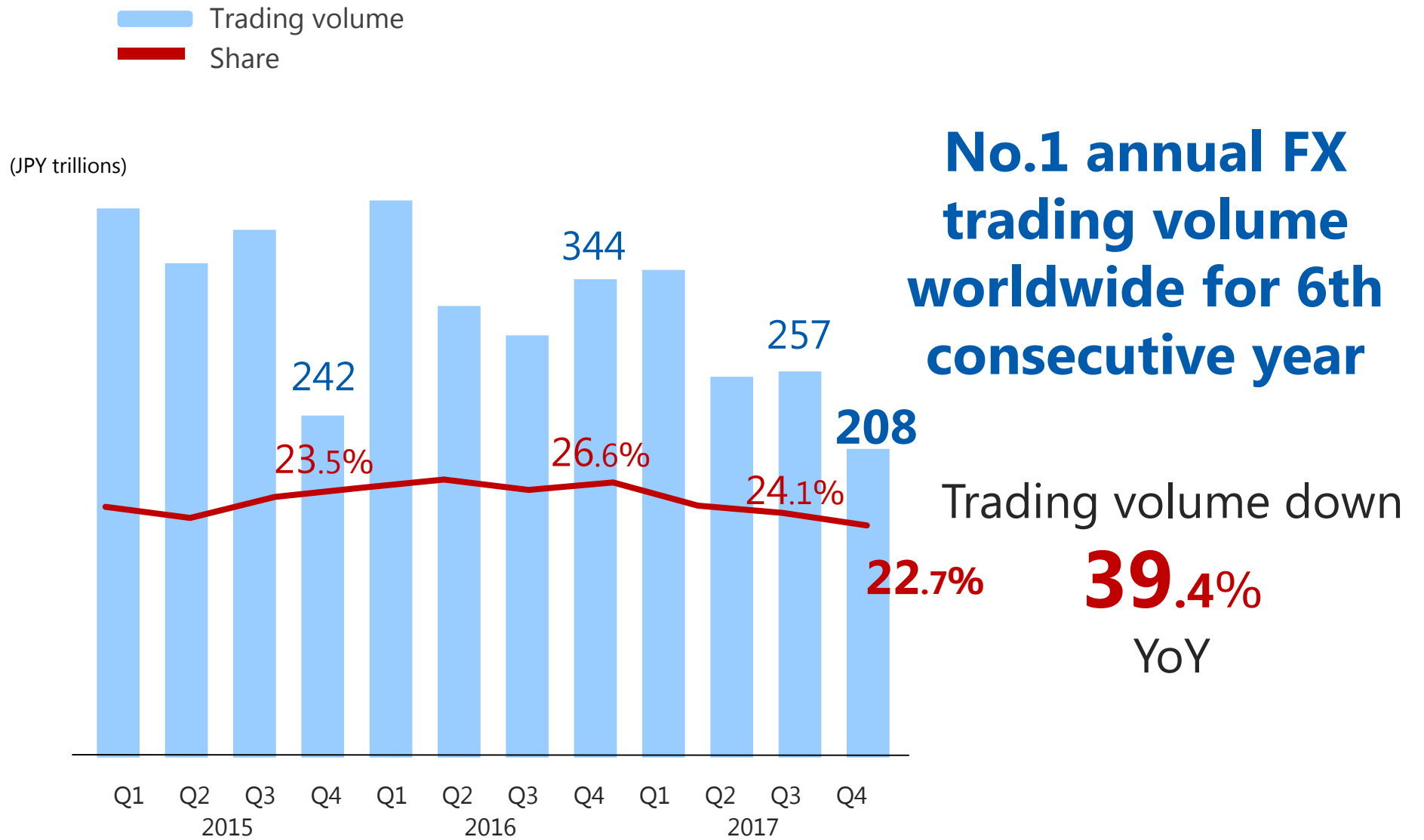


Historical Performance by Quarter

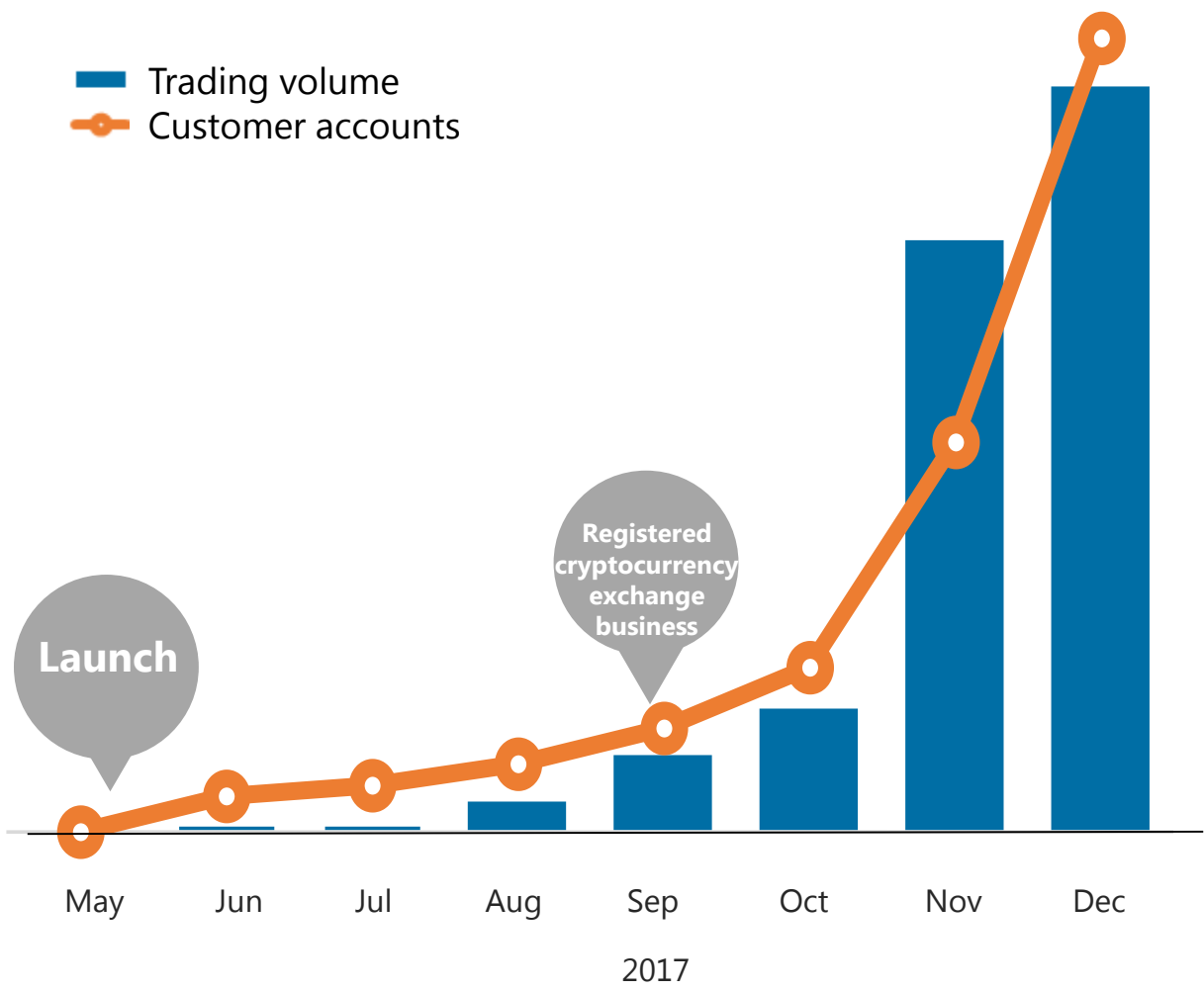
(JPY billions)



Revenue up  
**15.5%**  
Profit up  
**15.0%**  
YoY



Prepared based on Results Presentation of GMO Financial HD for Q4 of FY2017 and “Monthly Statistical Bulletin on Over-The Counter Retail FX Margin Trading” published by the Financial Futures Association of Japan (FFAJ)



Line-up of cryptocurrency

- Bitcoin
- Bitcoin Cash
- Ethereum
- Litecoin
- Ripple

# Customer assets

- Majority of the funds are managed in cold wallet
- Segregation of all the assets that GMO Coin keeps for customers based on the laws and regulations

# Security measures

- Generally adopting multi-signature\* (excluding cryptocurrencies without multi-signature features)

\*Multi-signature is a way of ensuring security by distributing and saving multiple private keys to access cryptocurrencies.

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)



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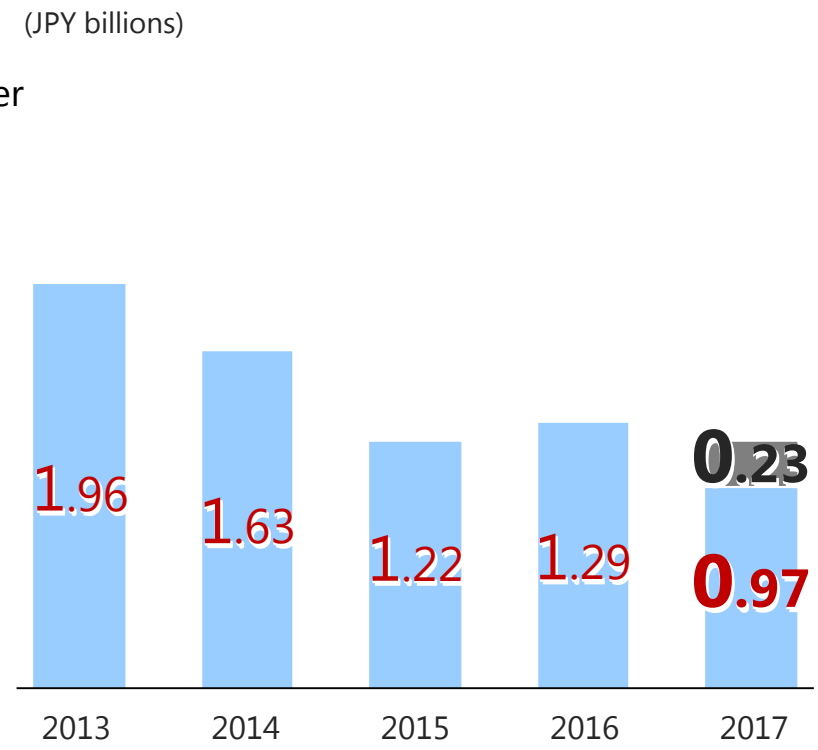
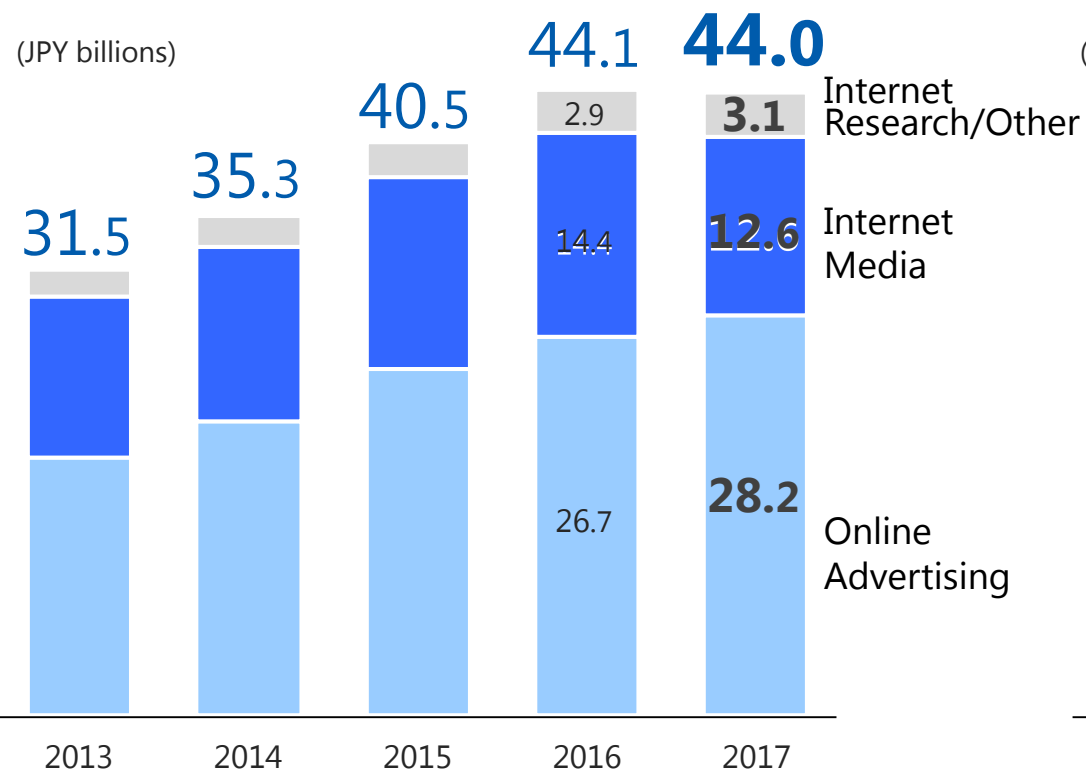
6. Outlook in FY2018

Net Sales: YoY **0.2% down**

Media performance weakened as advertisement distribution regulation was changed and there was a drop in the sales of existing products

Operating Profit: YoY **24.5% down**

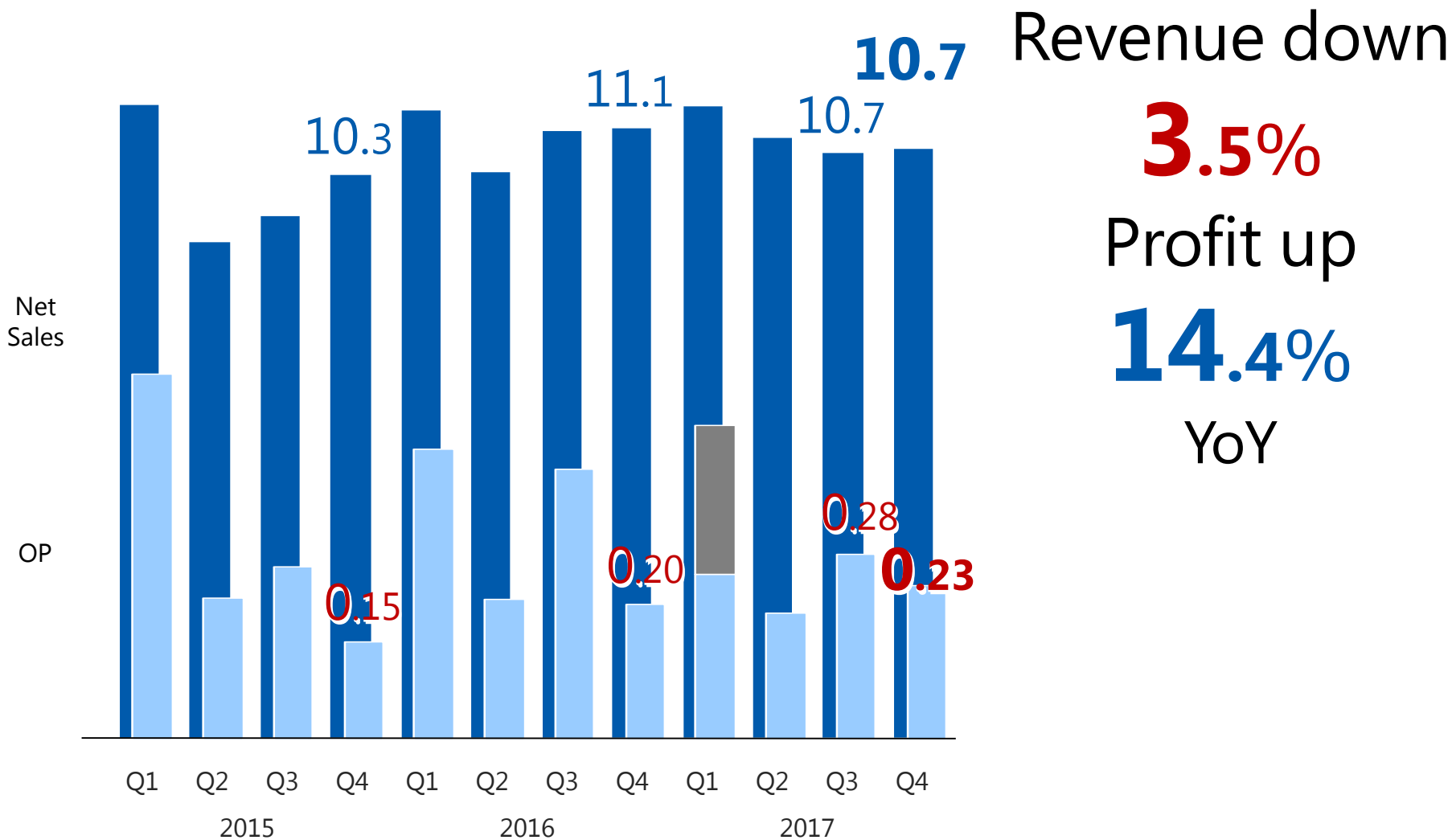
Rise in profits from ad tech unable to offset drop in profit of high-margin Media products



\*Gray shows revised OP in Online Advertising and Media

Historical Performance by Quarter

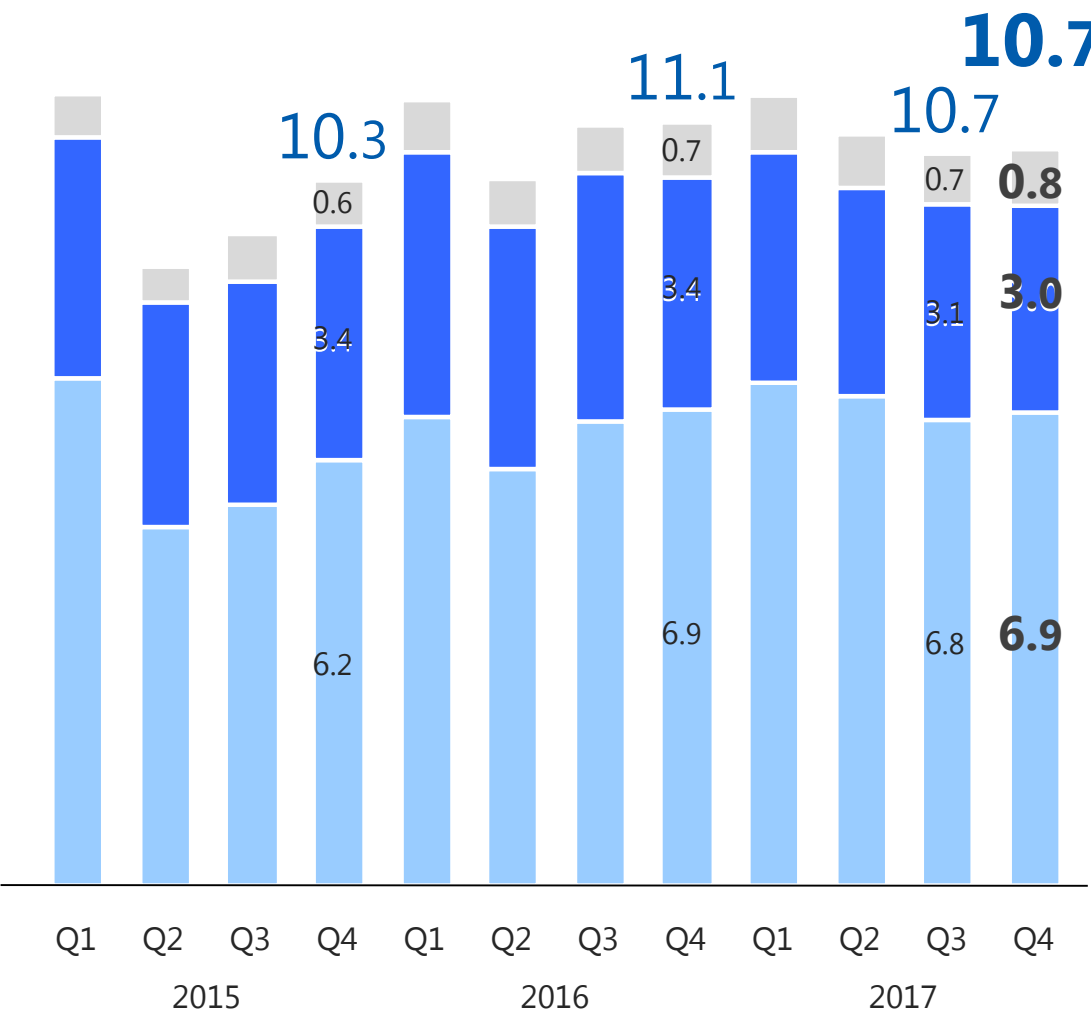
(JPY billions)



\*Gray shows revised OP in Online Advertising and Media

Net Sales by Sub-Segment

(JPY billions)



In-house ad tech products grew but organizational restructuring had a large impact on the net sales

- Internet Research/Other
- Internet Media
- Online Advertising

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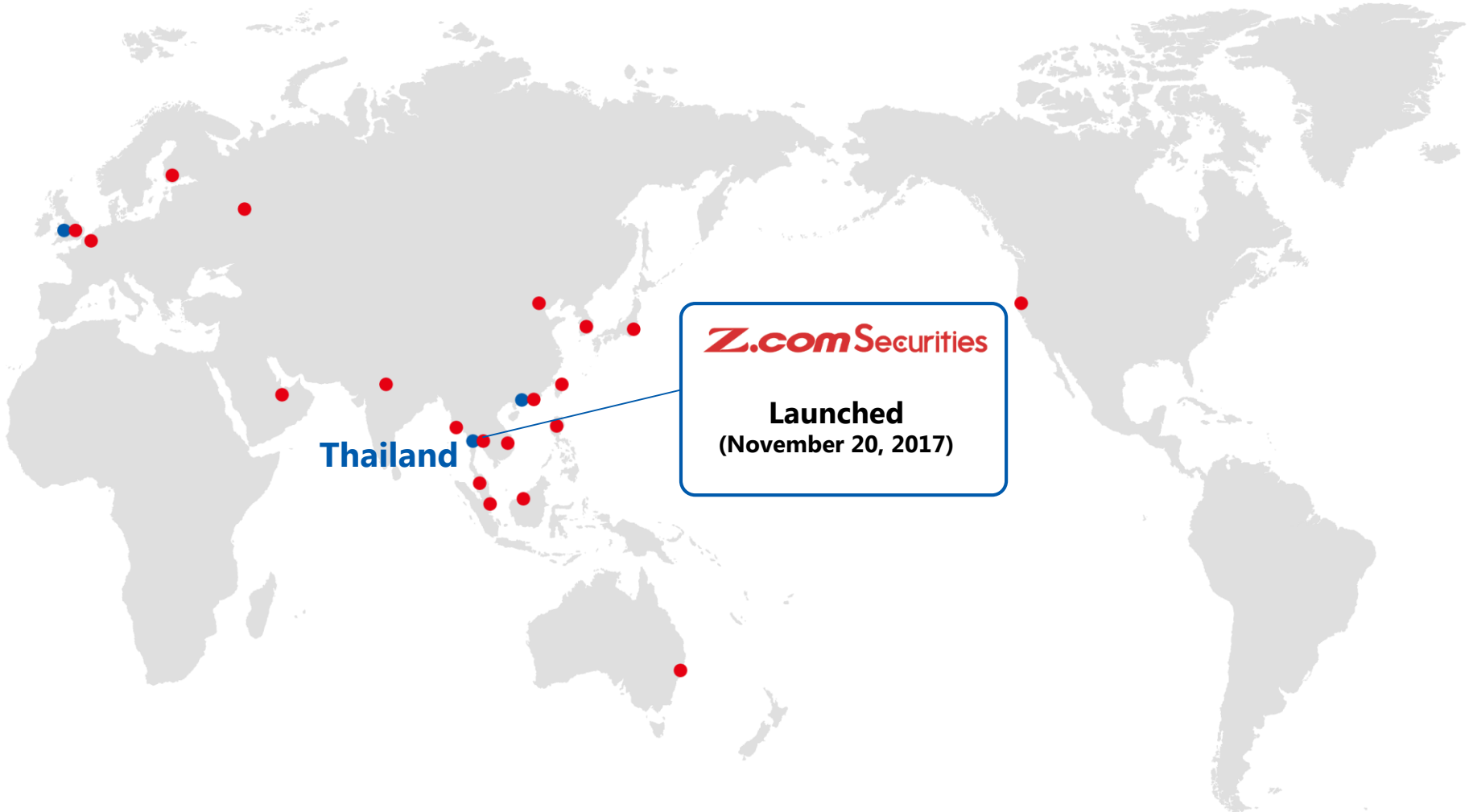
		(JPY billions)	
Mobile Entertainment	Net Sales	0.89	(-58.2%)
	Operating profit	-0.43	(-0.49 in previous term)
	On December 1, 2017, three group companies were merged into GMO Internet through organization restructuring. Working toward cost optimization and fully focusing on the game development.		
Incubation	Net Sales	1.31	(0.44 in previous term)
	Operating profit	0.66	(-0.02 in previous term)
	Posting gain via sale of listed and unlisted shares		

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Global Growth: Locations

20 countries, 58 locations, 1,272 global partners ("staffs")

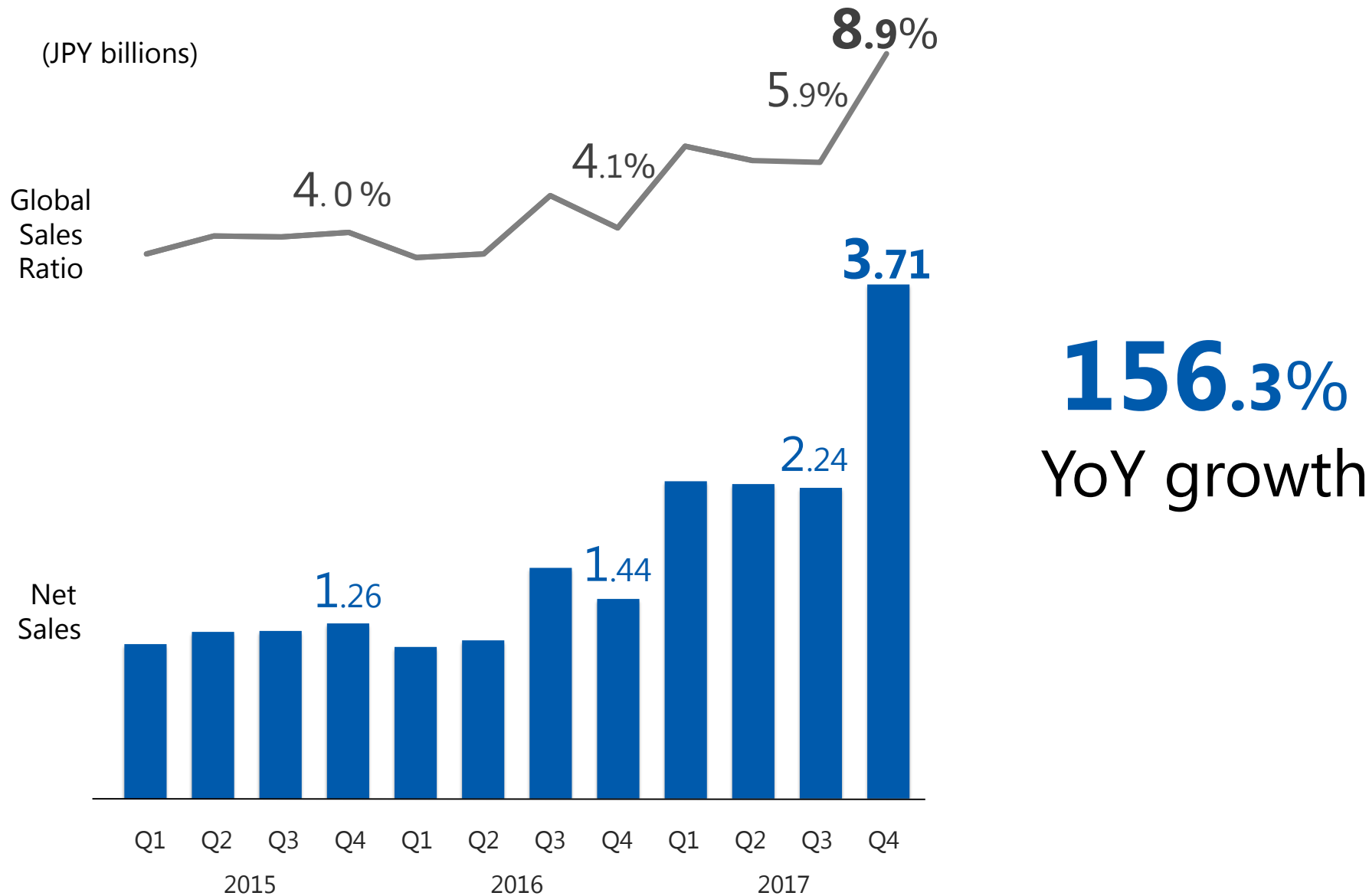
- Infrastructure
- Finance



\*As of December, 2017



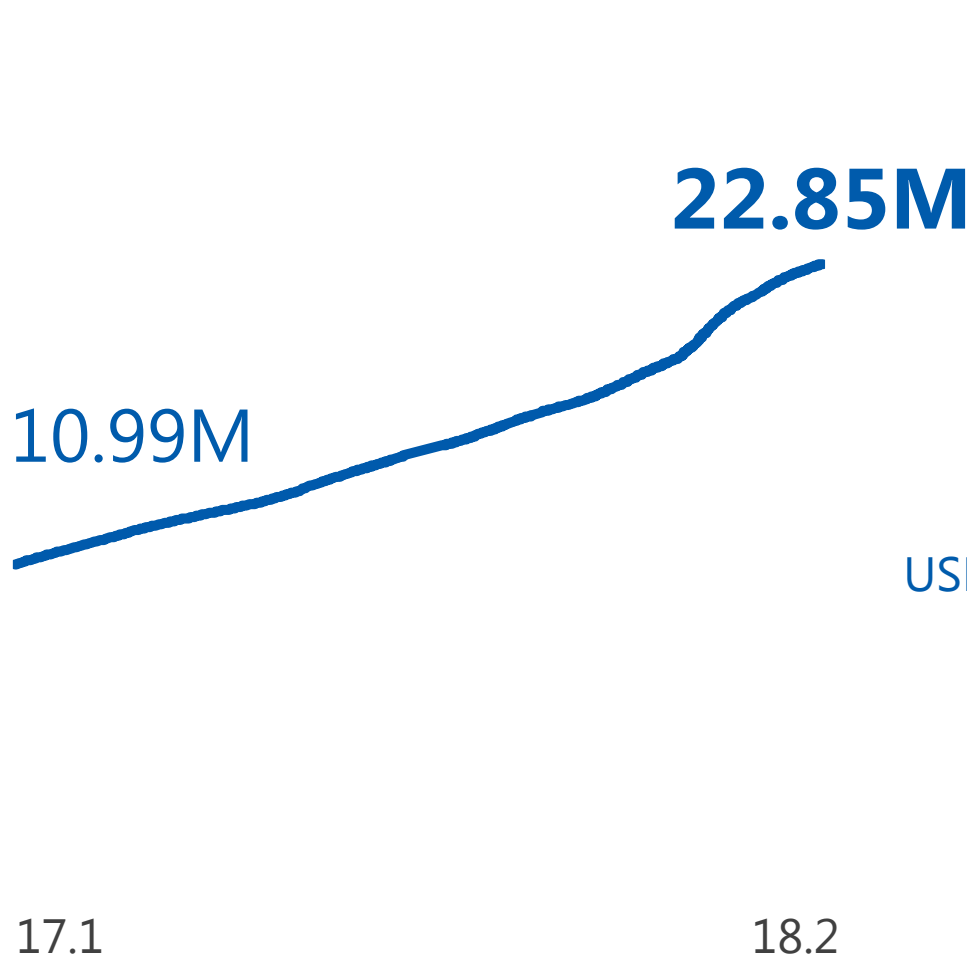
Global Growth: Global Net Sales



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# Cryptocurrency Business

Wallet users



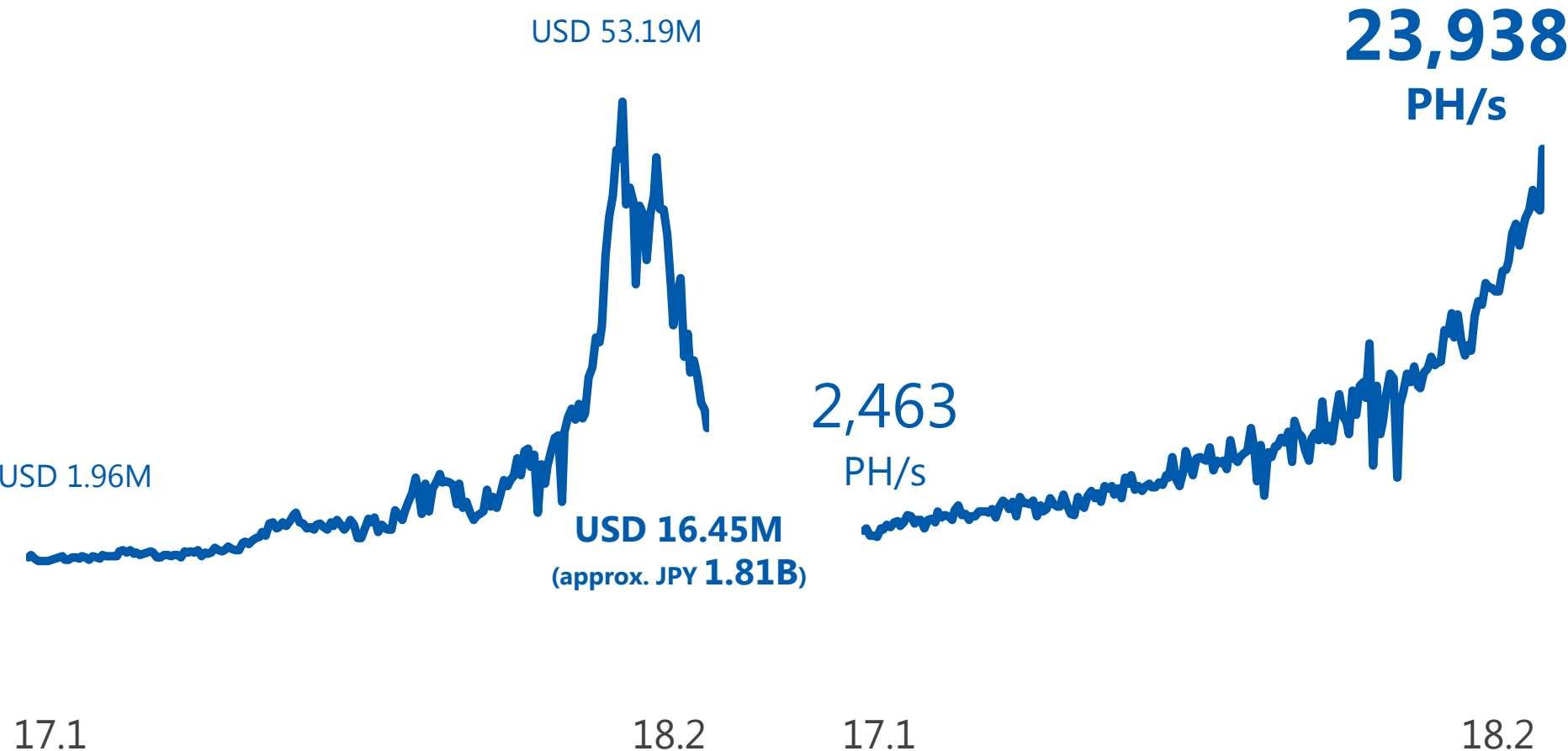
Market cap (BTC)



Source: blockchain.info

Miner's total revenue (BTC)  
(daily)

Hash rate (BTC) (PH/s)\*



Source: blockchain.info

\*The unit of mining speed (computational ability) of mining machines. 1PH/s=10<sup>15</sup> H/s.

# Cryptocurrency mining business: Looking back

◎ In-house mining

◎ Development and retail of chips

◎ Cloud mining



Date of announcement	September 7, 2017	November 6, 2017	February 9, 2018
Deadline (plan)	H1 FY2018	H2 FY2018	At the end of 2018
Goal	500PH/s	1,500PH/s	<b>3,000PH/s</b>
Total amount of investment*	JPY 10.0B	JPY 38.0B	JPY <b>38.0B</b> No change

\*Cash flow based numbers required achieve the goal.

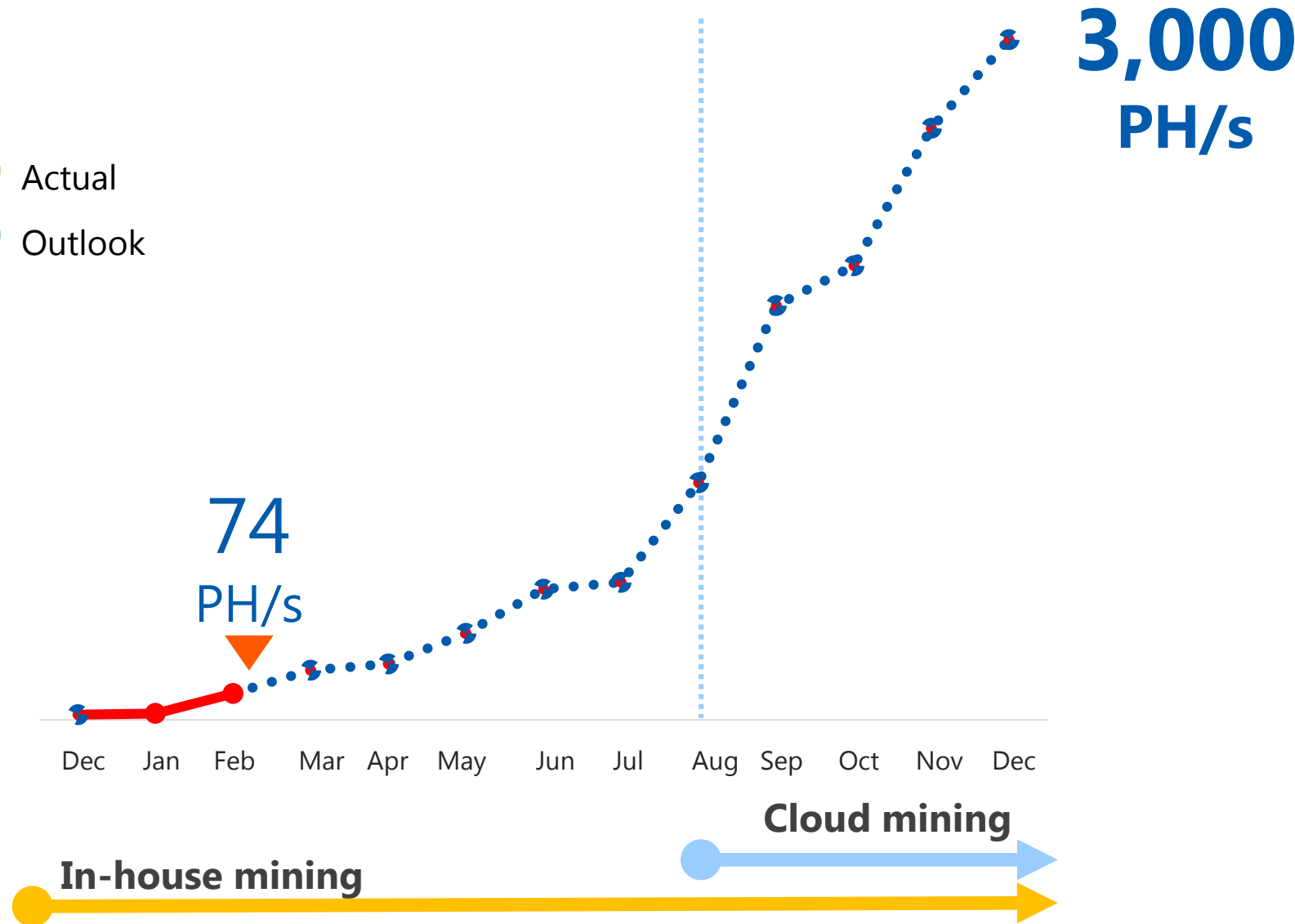
In-house mining and hash rate: Actual vs. outlook

◎ In-house mining

◎ Development and retail of chips

◎ Cloud mining

— Actual  
... Outlook



## In-house mining and hash rate: Actual vs. outlook

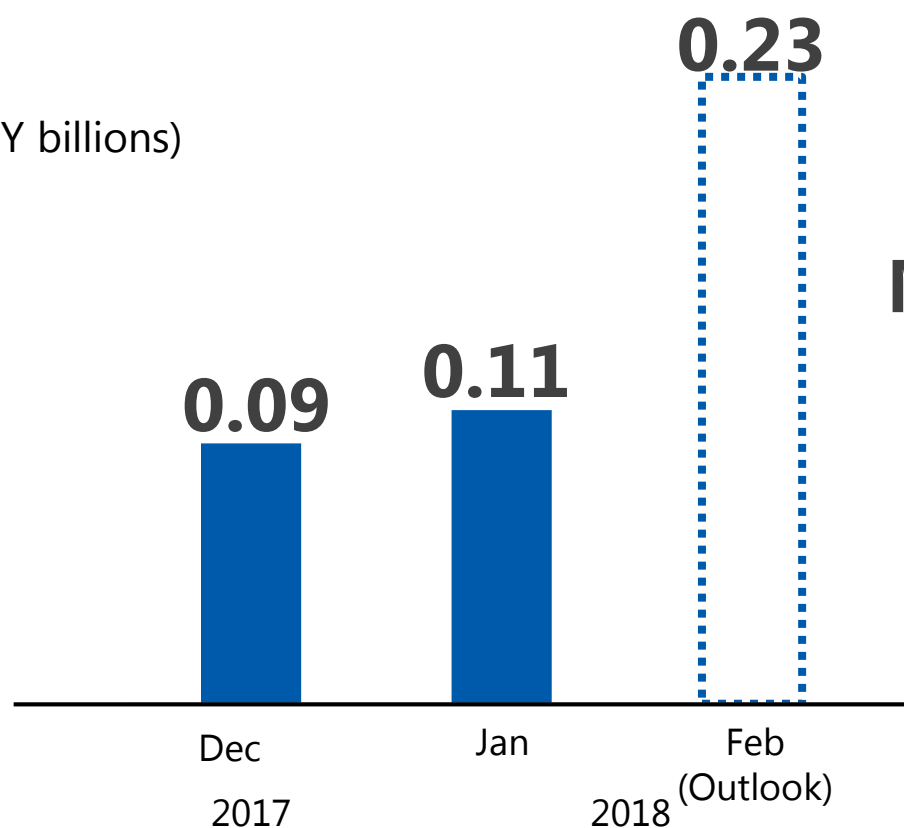
◎ In-house mining

◎ Development and retail of chips

◎ Cloud mining

## The amount of mining reward in market value (reference)

(JPY billions)

**Made a good start**

\*For December, 11 days since the launch of a cryptocurrency mining business on December 20



◎ In-house mining

◎ Development and retail of chips

◎ Cloud mining



## In-house mining: Next-generation mining center

◎ In-house mining

◎ Development and retail of chips

◎ Cloud mining



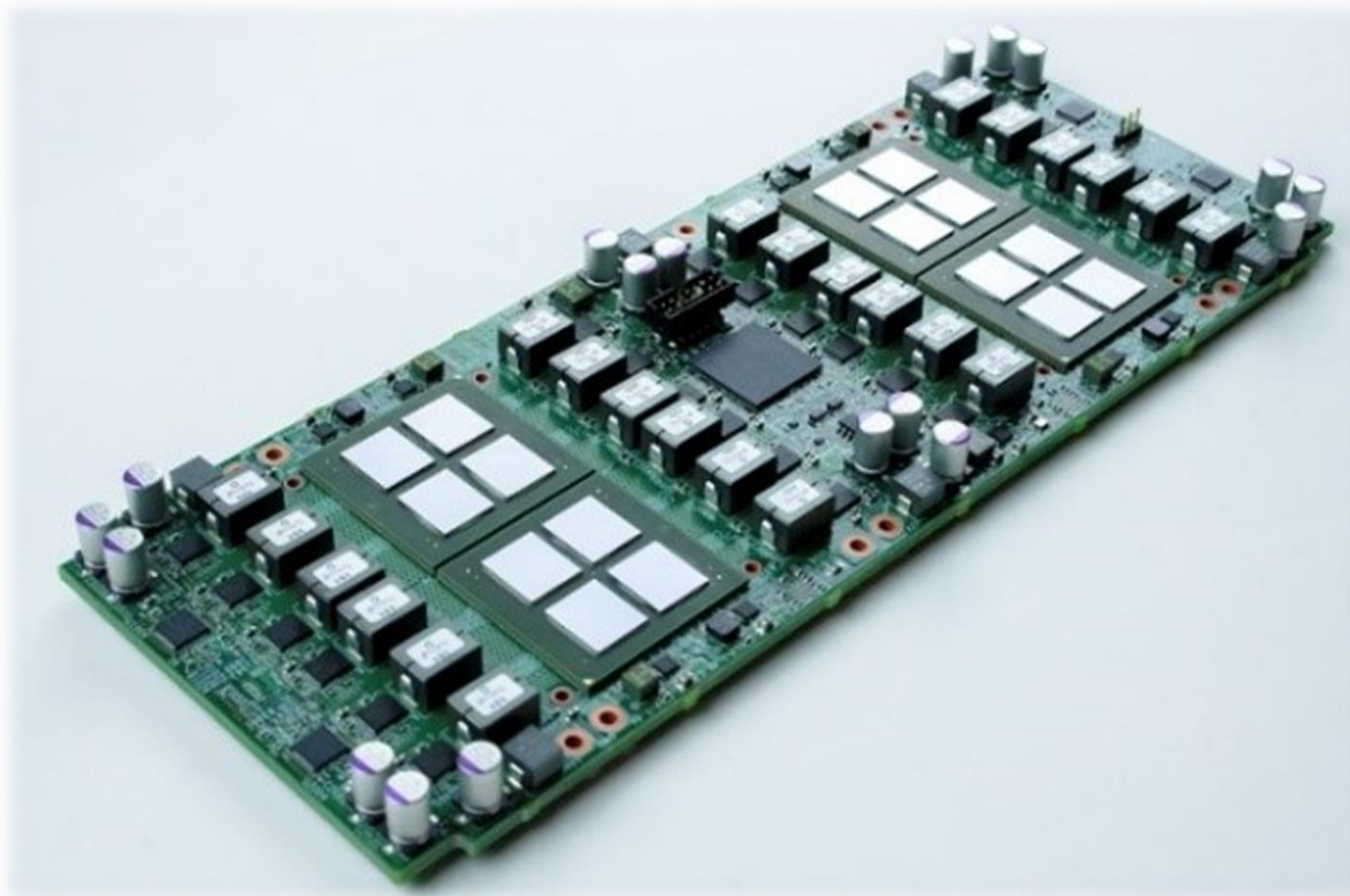
## Developing a semiconductor chip

© In-house mining

© Development and retail of chips

© Cloud mining

**Succeeds in developing a 12 nm FFC<sup>\*1</sup> process based semiconductor chip**



<sup>\*1</sup>) FFC is an abbreviation of Fin FET Compact, which is one type of field effect transistor with 3-dimensional structure

◎ In-house mining

◎ Development and retail of chips

◎ Cloud mining

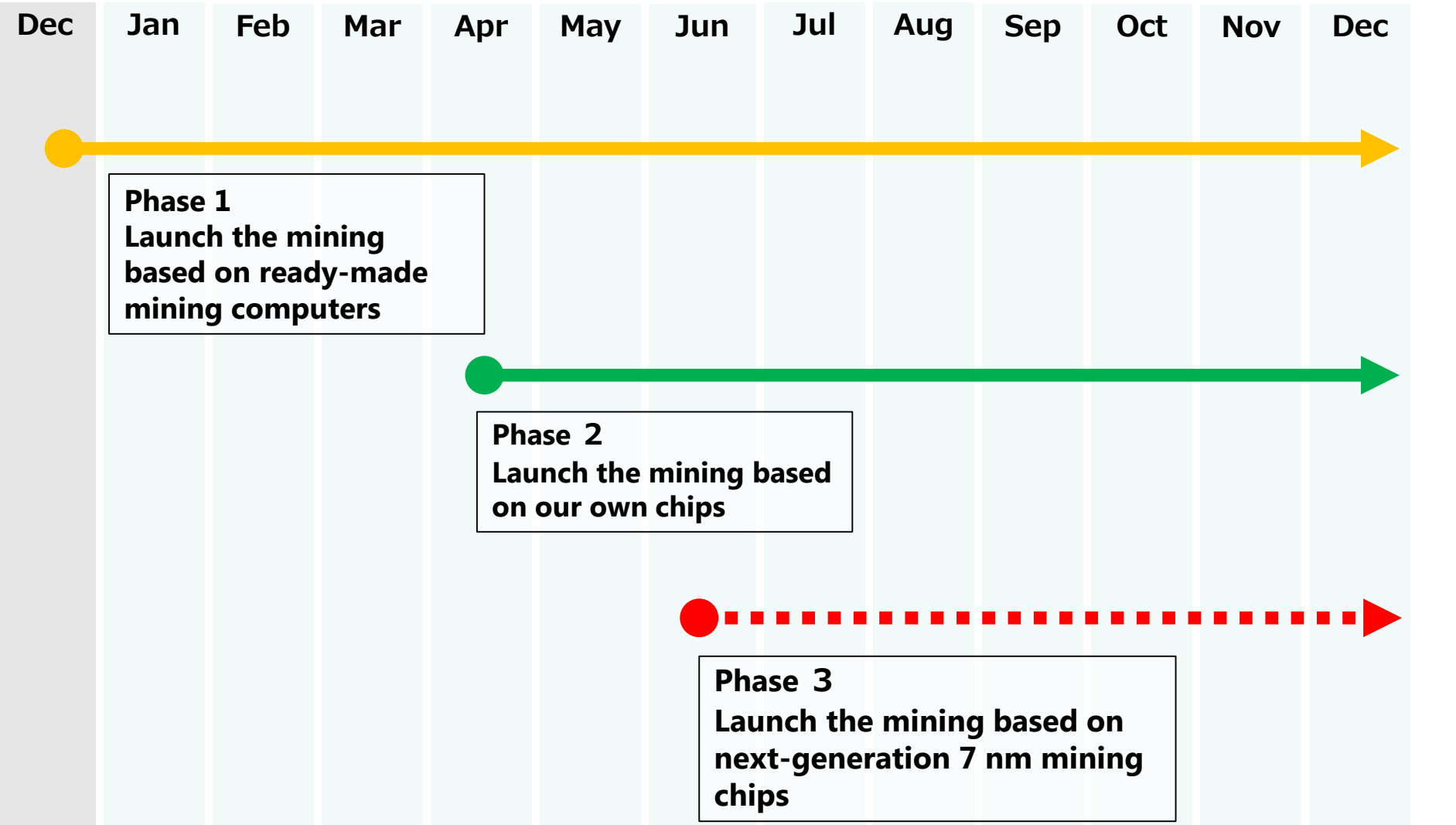
**Succeeds in developing a 12 nm FFC process based semiconductor chip**

- ✓ Prior to the development of a 7 nm process technology, validation of SHA256\*<sup>1</sup> logic circuit is complete
- ✓ We have succeeded in developing 12 nm semiconductor mining chip, a cutting-edge ASIC\*<sup>2</sup> mining hardware

\*1) SHA256 is an encryption algorithm used in Bitcoin and Bitcoin Cash

\*2) Integrated circuits (circuits having multiple features) for a specific usage are collectively referred to as the ASIC

The year 2018





◎ In-house mining

◎ Development and retail of chips

◎ Cloud mining

# ***Z.com*** Cloud Mining

**March 2018     Start accepting applications**

**August 2018     Launch**

◎ In-house mining

◎ Development and retail of chips

◎ Cloud mining

## ***Z.com*** Cloud Mining

GMO Internet will be renting out part of our mining facilities full of mining machines equipped with our original next generation 7nm mining chips, and manage the facilities. Customers will receive cryptocurrencies gained through mining as a reward if they succeed in mining with our facilities that they are using (we will charge management fees separately).

◎ In-house mining

◎ Development and retail of chips

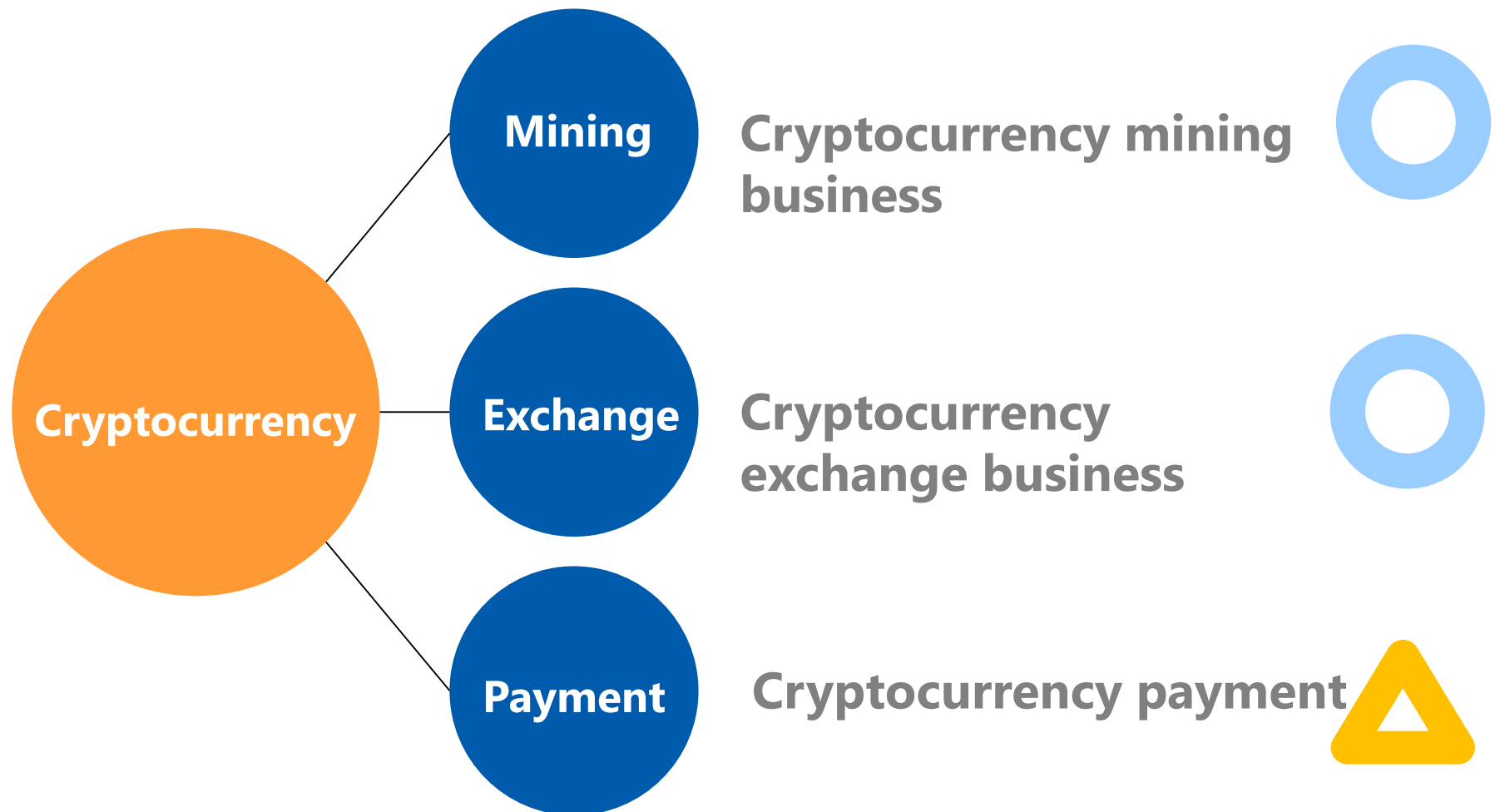
◎ Cloud mining

# Z.com Cloud Mining

<b>Launch Date</b>	Accepting applications: March 2018 Launch: August 2018
<b>Facility rental fee</b>	5M USD per rental contract (One time upfront payment for 2 years rental contract)
<b>Operation fee</b>	TBD * We will take into account the power cost, land cost, maintenance cost, etc...
<b>Term of Contract</b>	2 years (no cancellation policy)
<b>Currencies (TBD)</b>	Cryptocurrencies mined on SHA256 algorithm (Bitcoin, Bitcoin Cash)
<b>Registration</b>	<ul style="list-style-type: none"><li>- We plan on accepting up to 8 contracts per month</li><li>- We will start accepting applications starting 3/1/2018</li><li>- URL: <a href="https://cloudmining.z.com/">https://cloudmining.z.com/</a></li></ul>



# Aim to become No. 1 in the field of cryptocurrency



1. Overview
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# Outlook in FY2018

## Before

Internet Infrastructure

Online Advertising & Media

Internet Finance

Mobile Entertainment

Incubation

Other

## After

Internet Infrastructure

Online Advertising & Media

Internet Finance

**Cryptocurrency**

└ Cryptocurrency exchange **GMOCoin**

└ Cryptocurrency mining **GMOINTERNET**

Incubation

Other

**New**

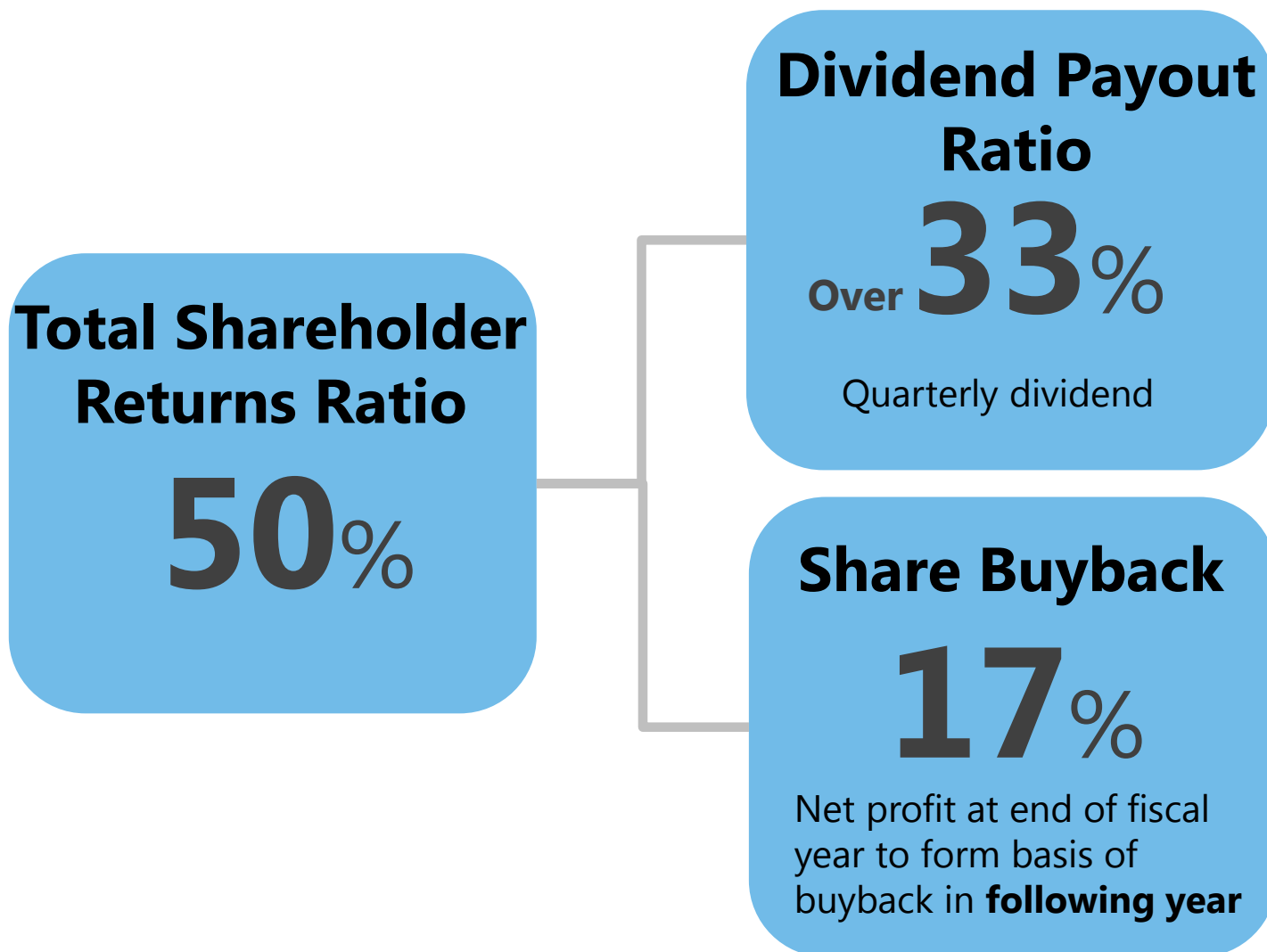


## GMO Internet will not disclose forecast earnings in FYE12/2018

Difficult to calculate the forecasts on  
Cryptocurrency and Internet Finance businesses

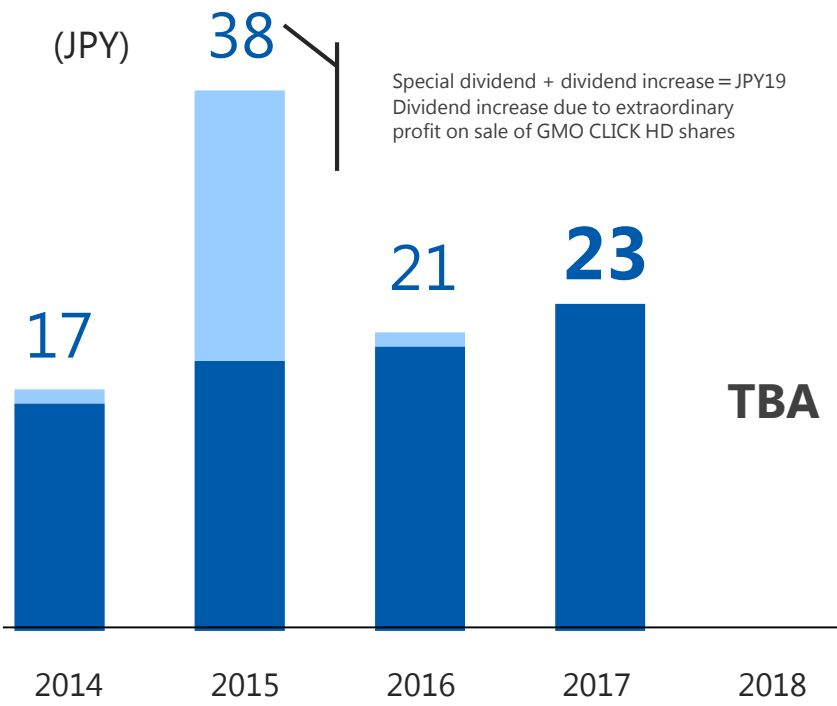


For the cryptocurrency mining business, we are  
considering the monthly disclosure of KPIs



Dividend

Forecast earnings in FYE12/2018 will not be disclosed, so dividend forecast will not be disclosed as well. Planning quarterly dividend based on the shareholder returns policy, i.e. dividend payout ratio of over 33%.



Acquisition of treasury stock

FY17 Actual
Number of shares: <b>0.90M</b>
Total amount repurchased: <b>JPY1.18B</b>
FY18 Expectation
Number of shares: <b>1.00M</b>
Total amount repurchased: approx. <b>JPY1.36B</b>



**Aim to become No. 1 in  
the field of cryptocurrency**



**Internet for Everyone**

**GMO**

# GMO INTERNET

This document includes projections based on expectations, premises and plans as of February 9, 2018. These projections may differ from actual results due to factors including changes in the global economy, competition, exchange rate fluctuations, market cap of Cryptocurrency, 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.