

Fiscal Year 2018
First Quarter
Results Presentation

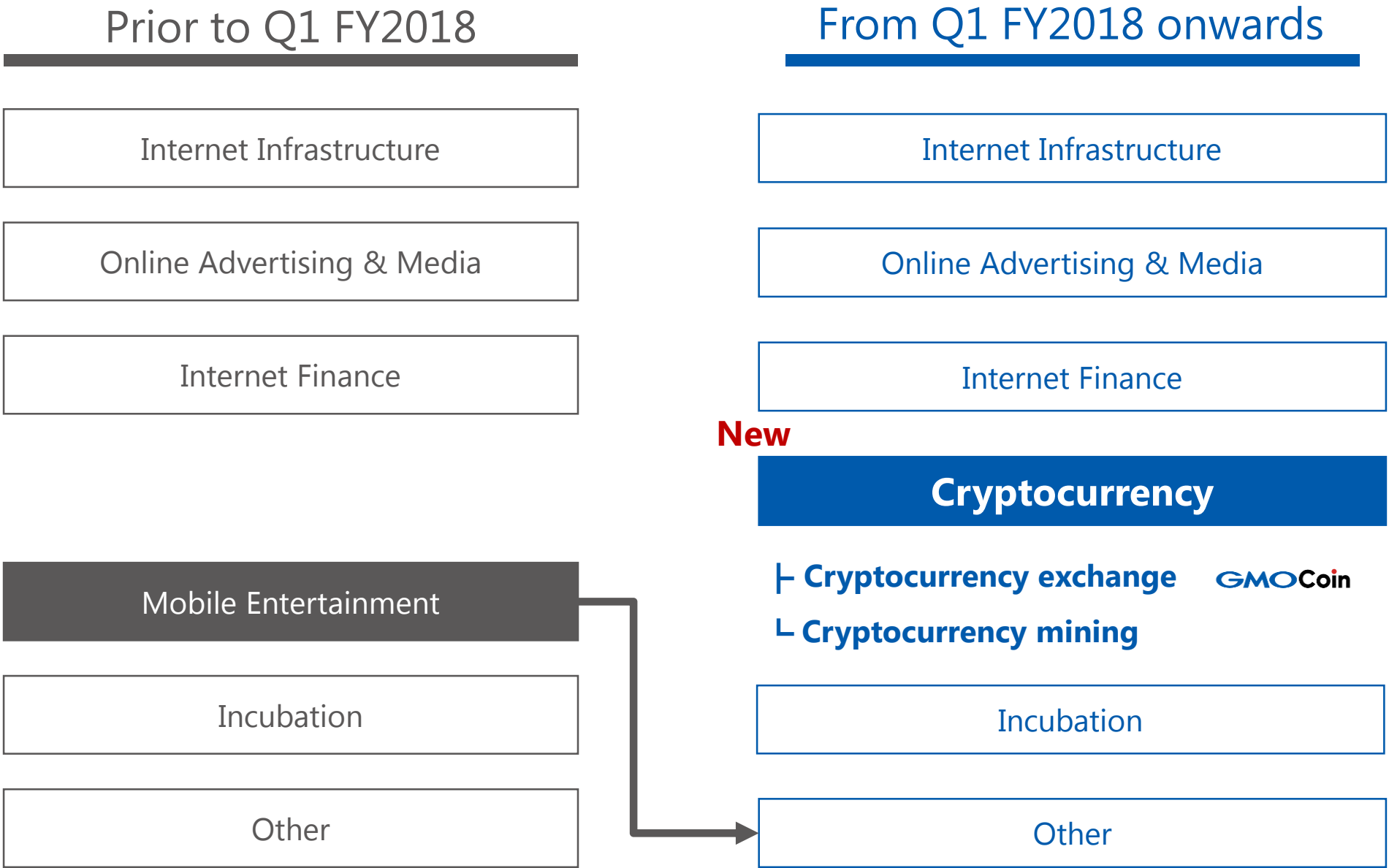


STOCK CODE : 9449

May 10, 2018

1. Overview
2. Financial Results
3. Segment Report
 - i) Group Overview
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 - iii) Online Advertising & Media
 - iv) Internet Finance
4. Global Operations
5. Cryptocurrency Segment
 - i) Policy and Business Environment
 - ii) Cryptocurrency Exchange Business
 - iii) Cryptocurrency Mining Business

Overview | Change in segment name



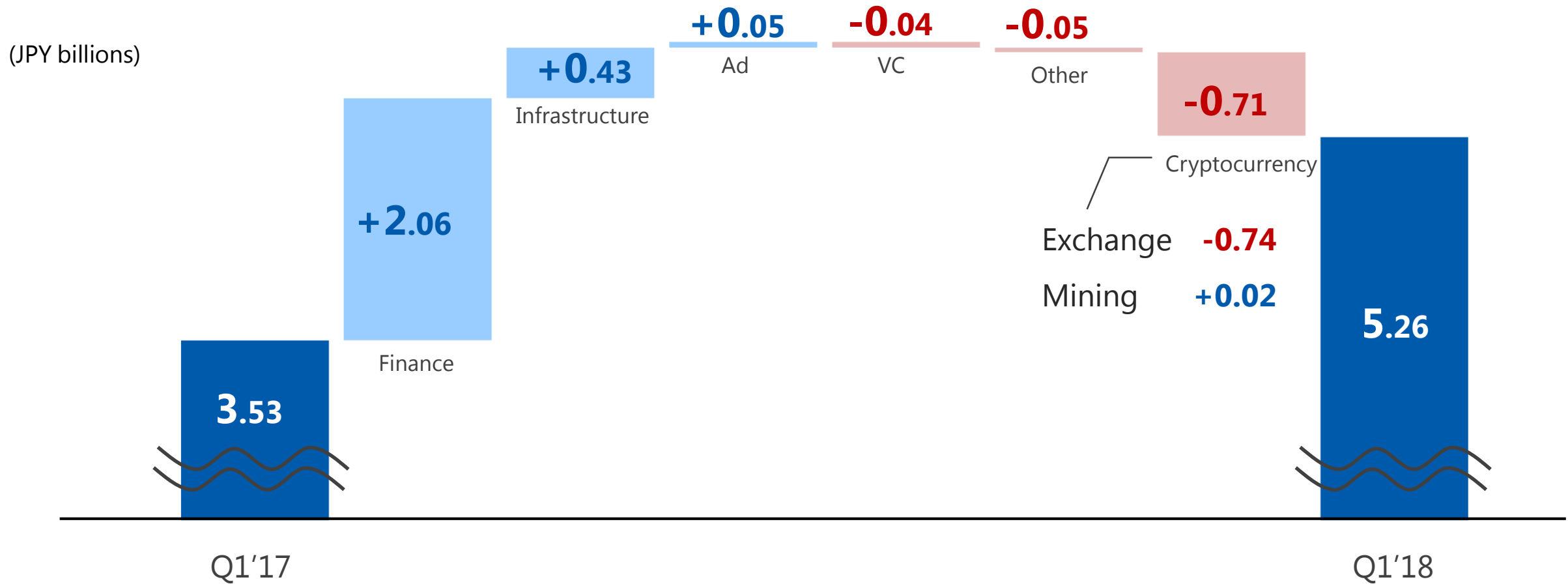
Overview | Executive Summary: Q1 FY2018

Profit reached a record high in Internet Infrastructure and Internet Finance segments

(JPY billions)	Q1'17 (Jan-Mar)	Q1'18 (Jan-Mar)	YoY Change	Change
Net Sales	36.04	43.70	+76.6	+21.3%
Operating Profit	3.53	5.26	+17.3	+49.0%
Ordinary Profit	3.37	4.93	+15.5	+46.2%
Net Profit	1.15	2.08	+9.3	+81.3%

Overview | Executive Summary: Q1 FY2018

- **OP: JPY 5.26B**, up 1.73B (up 49.0% YoY)
- Internet Infrastructure and Internet Finance performed favorably, and profit was up significantly. Posting of one-off losses in cryptocurrency exchange business but measures were implemented.

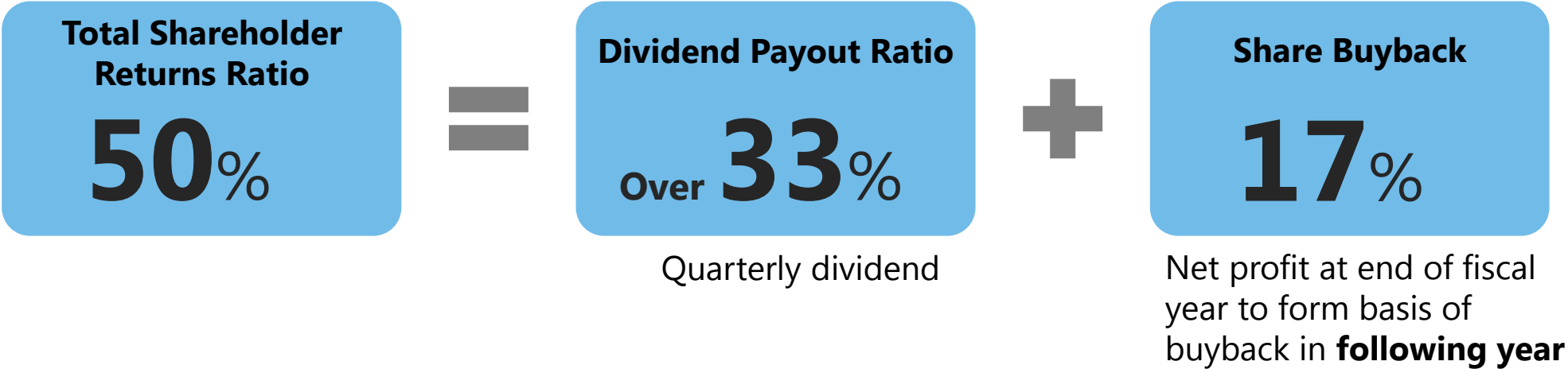


Overview | Executive Summary: Q1 FY2018

Internet Infrastructure	Net sales	JPY 23.39B	(Up 18.6% YoY)
	OP	JPY 2.58B	(Up 20.2% YoY)
	Earnings achieved a record high. Each business area grew, including payment, SSL, and provider.		
Online Ad & Media	Net sales	JPY 12.26B	(Up 6.0% YoY)
	OP	JPY 0.31B	(Up 21.8% YoY)
	For the ad agency, two-digit growth in OP. As for the Online Media, the change in advertisement distribution regulation is still having a negative impact.		
Internet Finance	Net sales	JPY 8.15B	(Up 46.1% YoY)
	OP	JPY 3.30B	(Up 167.0% YoY)
	FX profitability is improving through analysis of big-data		
Cryptocurrency	Net sales	JPY 0.63B	(Exchange 0.19B ; Mining 0.44B)
	OP	JPY -0.73B	(Exchange -0.76B ; Mining 0.02B)
	For cryptocurrency mining business, the hash rate is expanding as planned, achieving positive figures. Cryptocurrency exchange business incurred a one-off loss due to loss on valuation of proprietary position but achieved positive figures.		

Overview | Shareholder Returns (Policy and Actual)

Policy

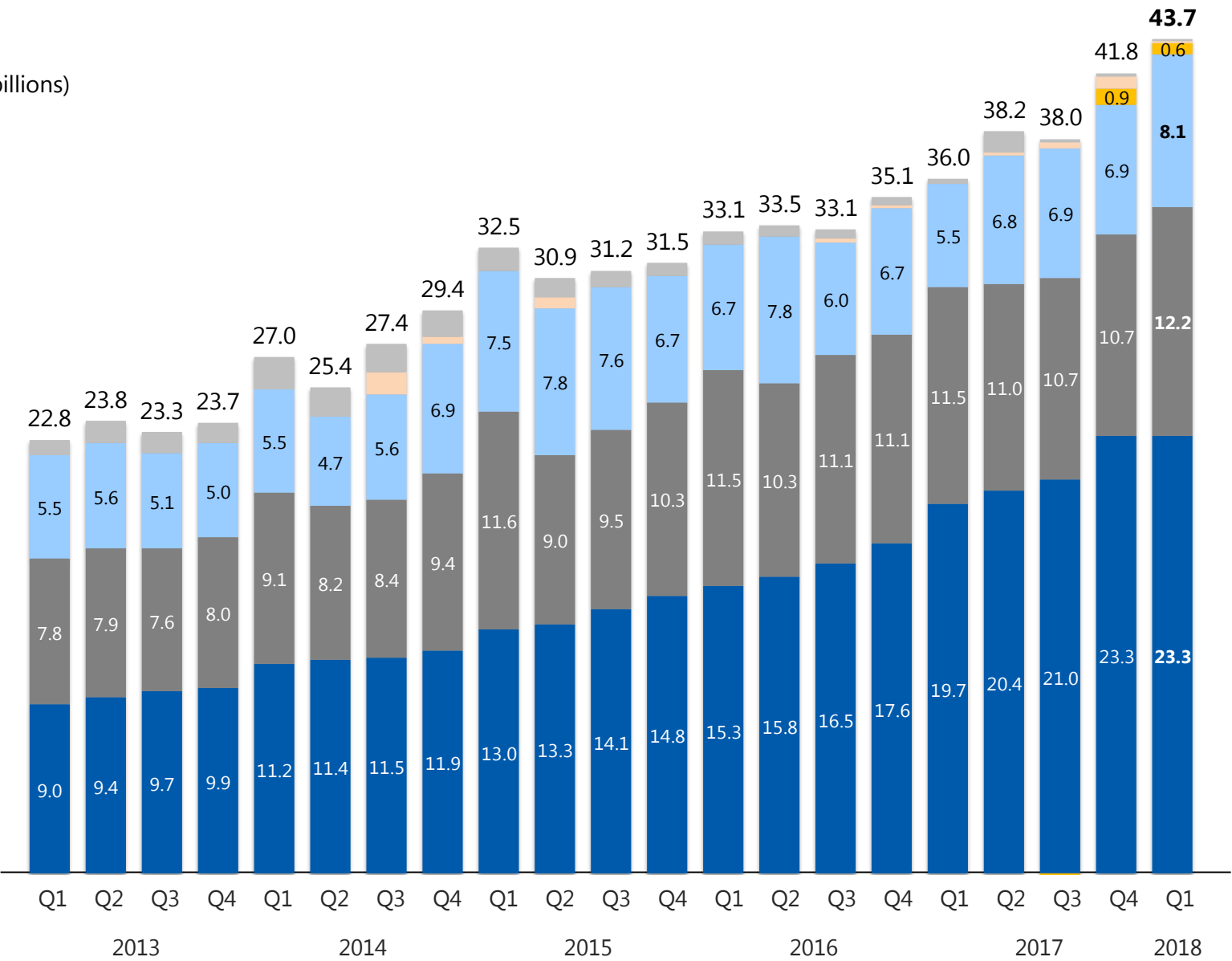


	(JPY)	Q1	Q2	Q3	Q4	Annual
Dividend per share	FY2017	5.00	6.00	6.00	6.00	23.00
	FY2018	6.00	-	-	-	-

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Financial Results | Net Sales by Segment

(JPY billions)

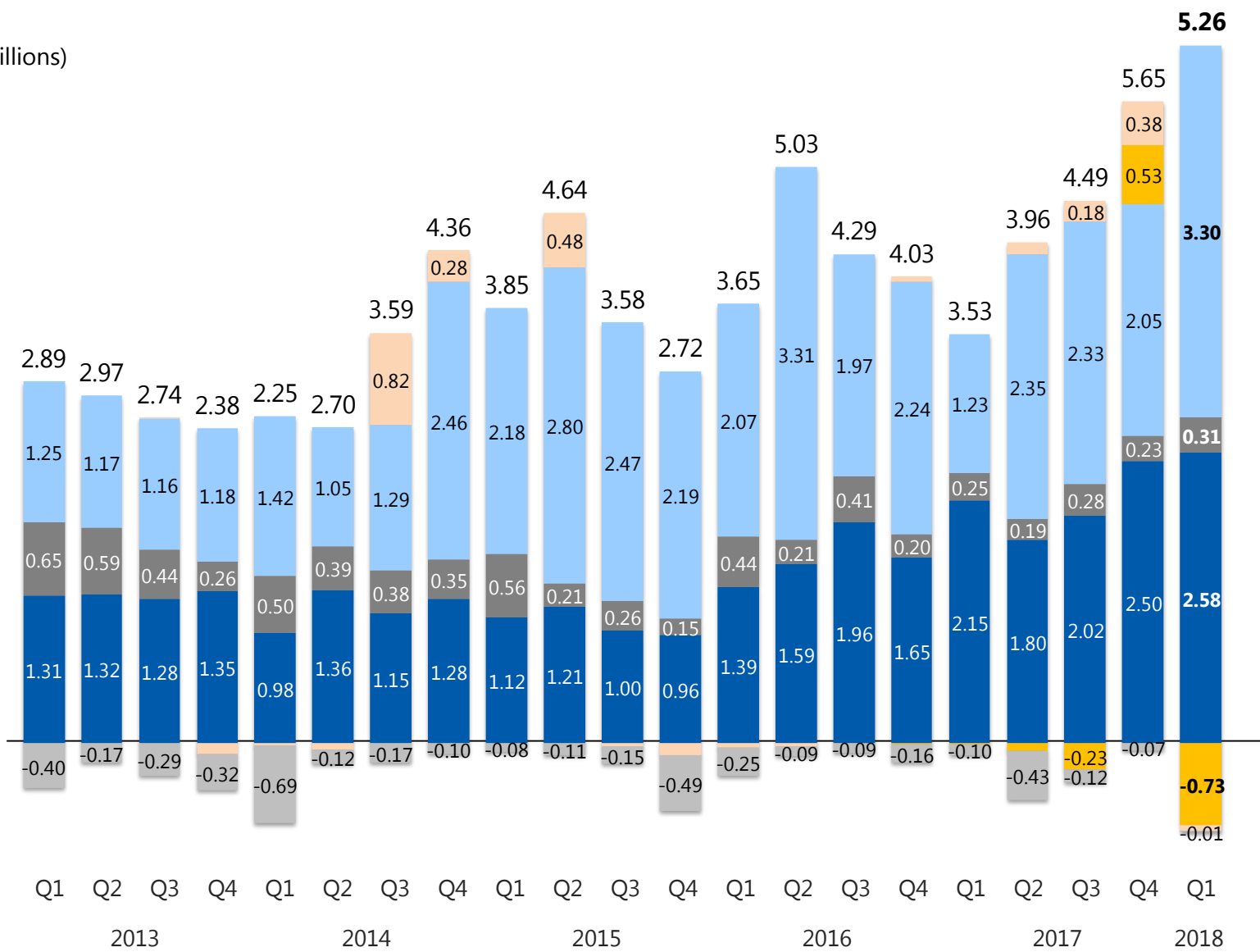


Revenue up
21.3%
YoY

- Other
- Incubation
- Cryptocurrency
- Internet Finance
- Online Ads/Media
- Internet Infrastructure

Financial Results | Profit by Segment

(JPY billions)



Profit up
49.0%
YoY

- Other
- Incubation
- Cryptocurrency
- Internet Finance
- Online Ads/Media
- Internet Infrastructure

Financial Results | Consolidated Profit and Loss

(JPY millions)	Q1'17 (1-3/2017)	Q1'18 (1-3/2018)	Change	supplementary information
Net Sales	36,040	43,705	21.3%	Revaluation loss of cryptocurrency is reflected in operating profit
Gross Profit on Sales	17,278	22,007	27.4%	
Operating Profit	3,537	5,269	49.0%	
(OP Margin)	9.8%	12.1%	+2.2pt	
Non Operating Profit and Loss	-164	-337	-	Foreign exchange loss: up JPY 180M YoY
Ordinary Profit	3,372	4,931	46.2%	
Extraordinary Profit or loss	-60	-12	-	
Profit before Tax	3,312	4,919	48.5%	
Corporate Taxes etc.	1,474	1,932	31.1%	
Profit attributable to Owners of the Parent	1,151	2,087	81.3%	

Financial Results | Consolidated Balance Sheet

(JPY millions)	End of 12/2017	End of 3/2018	Change	GMO Financial HD (End of 3/2018)	Change
Current Assets	707,112	713,407	6,294	549,968	153
Cash & Deposits	119,006	143,114	24,108	63,205	26,663
Fixed Assets	42,047	45,122	3,074	5,700	-29
Goodwill	2,310	2,163	-147	733	-40
Software	5,140	5,290	149	1,457	16
Investment Securities	7,701	7,820	118	1,376	-19
Total Assets	749,160	758,529	9,369	555,668	124
Liabilities	674,805	683,249	8,443	523,180	-567
Interest-bearing debts	112,656	159,289	46,632	93,200	32,850
Net Assets	74,354	75,280	926	32,488	691
Non-controlling Minority Equity	30,582	30,319	-263	433	-315
Shareholders' Equity	43,697	44,891	1,193	32,054	1,006
Earned Surplus	38,113	39,485	1,372	28,196	1,042
(Shareholders' Equity Ratio)	5.8%	5.9%	+0.1pt	5.8%	+0.2pt
Liabilities/Net Assets Total	749,160	758,529	9,369	555,668	124

Financial Results | Consolidated Cash Flow

(JPY billions)	Q1 FY17	Q1 FY18	Significant Factors	GMO-FH
Operating Cash Flow	-20.28	-17.35	Payment: -5.7B Expenses for Bitcoin mining business: -5.0B	-5.08
Investing Cash Flow	-3.74	-2.75		+0.51
Financing Cash Flow	+23.58	+45.26	Interest-bearing debt: +46.6B	+32.06
Change in Cash and Equivalents	-0.36	+24.89		+27.44
Balance of Cash and Equivalents	89.75	142.70		62.96

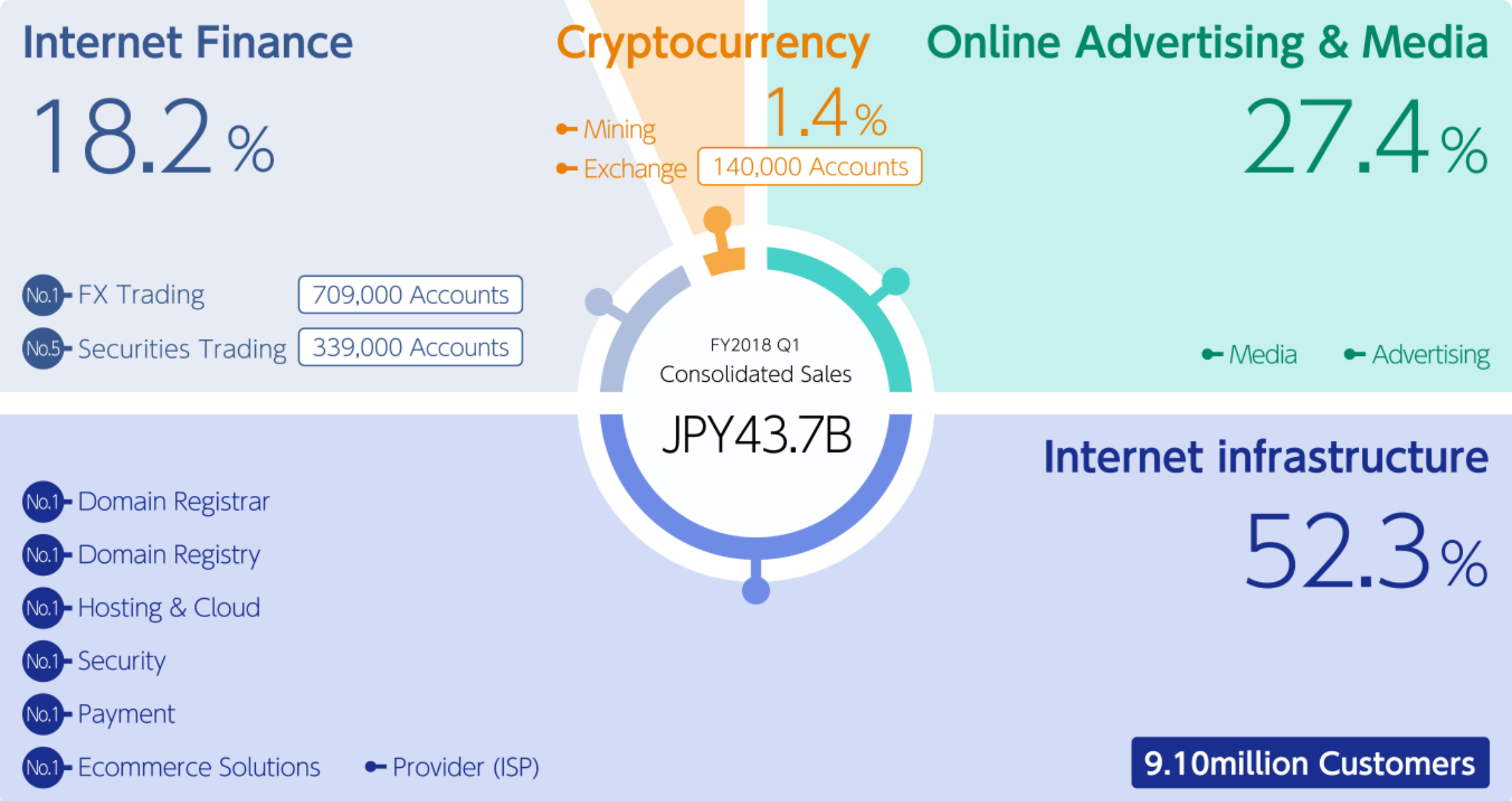
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Group Overview | Listed Group Companies: Equity Share

Stock Code	Stock Name	Exchange	Market Cap ^{*1} (JPY billion)	% Ownership ^{*2}	Equity Share (JPY billion)
9449	GMO Internet	TSE 1	244.3		
3769	GMO Payment Gateway	TSE1	425.7	51.6%	219.6
7177	GMO Financial Holdings	TSE JQS	99.5	80.5%	80.0
3788	GMO CLOUD	TSE1	29.7	51.8%	15.3
3633	GMO Pepabo	TSE JQS	9.0	64.1%	5.7
4784	GMO AD Partners	TSE JQS	7.8	54.9%	4.2
6180	GMO Media	TSE MOTHERS	4.6	65.4%	3.0
3695	GMO Research	TSE MOTHERS	3.1	53.7%	1.6
6026	GMO TECH	TSE MOTHERS	3.1	54.1%	1.6
Group Total			826.8 ^{*3}		331.0

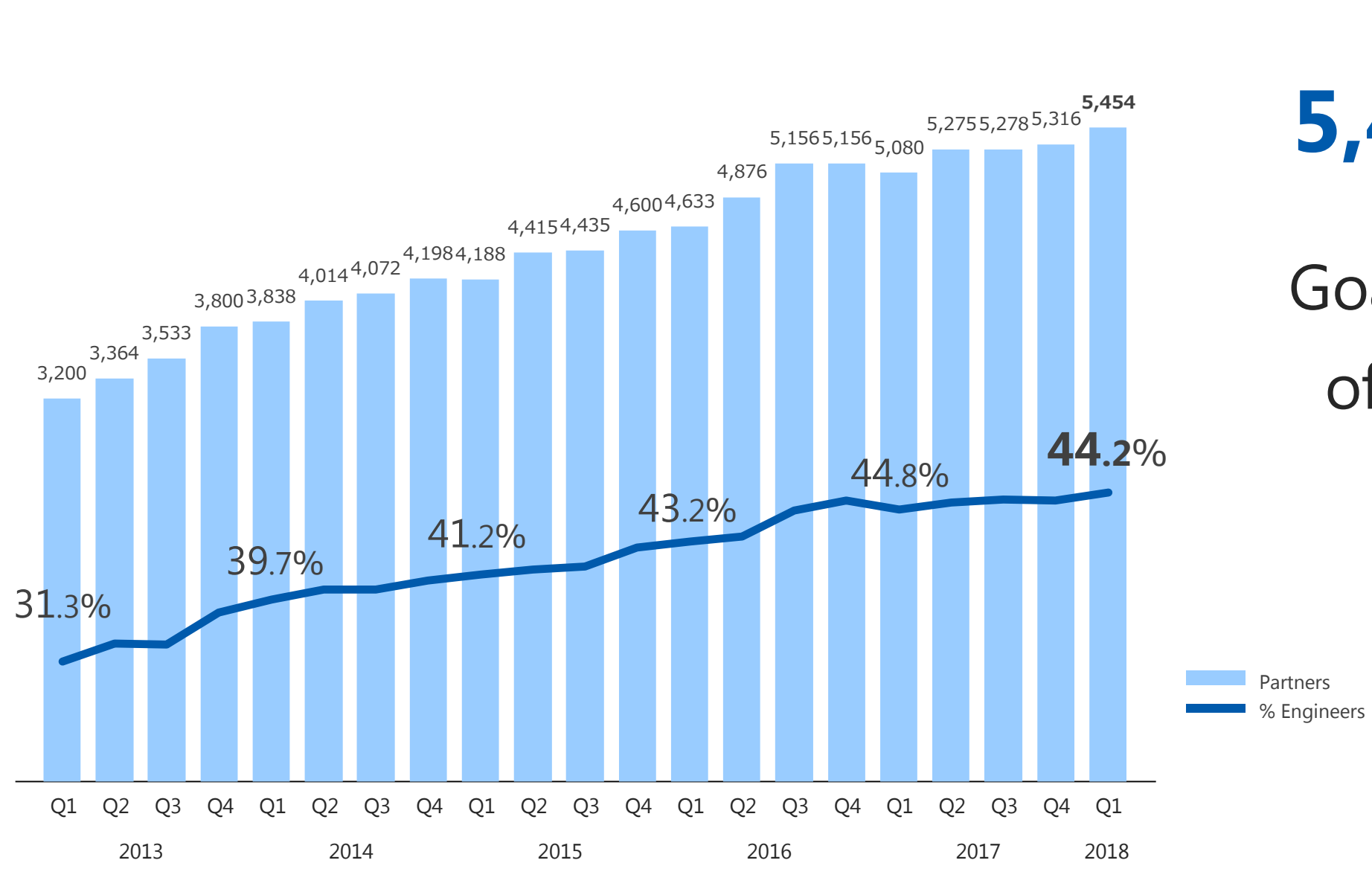
^{*1} Market value as of 5/9/2018
 ^{*2} Includes indirect holdings
 ^{*3} Calculated as the sum of the listed market cap values

Group Overview | Business Segments (Composition)



*Net sales ratio is calculated based on the numbers before cancelling inter-segment transactions
*We established the new Cryptocurrency segment in Q1 FY2018, and Mobile Entertainment segment was merged into other segments.

Group Overview | Strengths: Technology



Currently
5,454 partners

Goal: Workforce
of over **50%**
engineers

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Internet Infrastructure | Segment Composition

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 88.2%*2

Strong No. 1

Hosting & Cloud



Domestic market share at 56.0% *3

No. 1

Ecommerce



74,000 paid stores

No.1

Security



74.3% YoY increase in certificate issues*4

No. 1

Payment

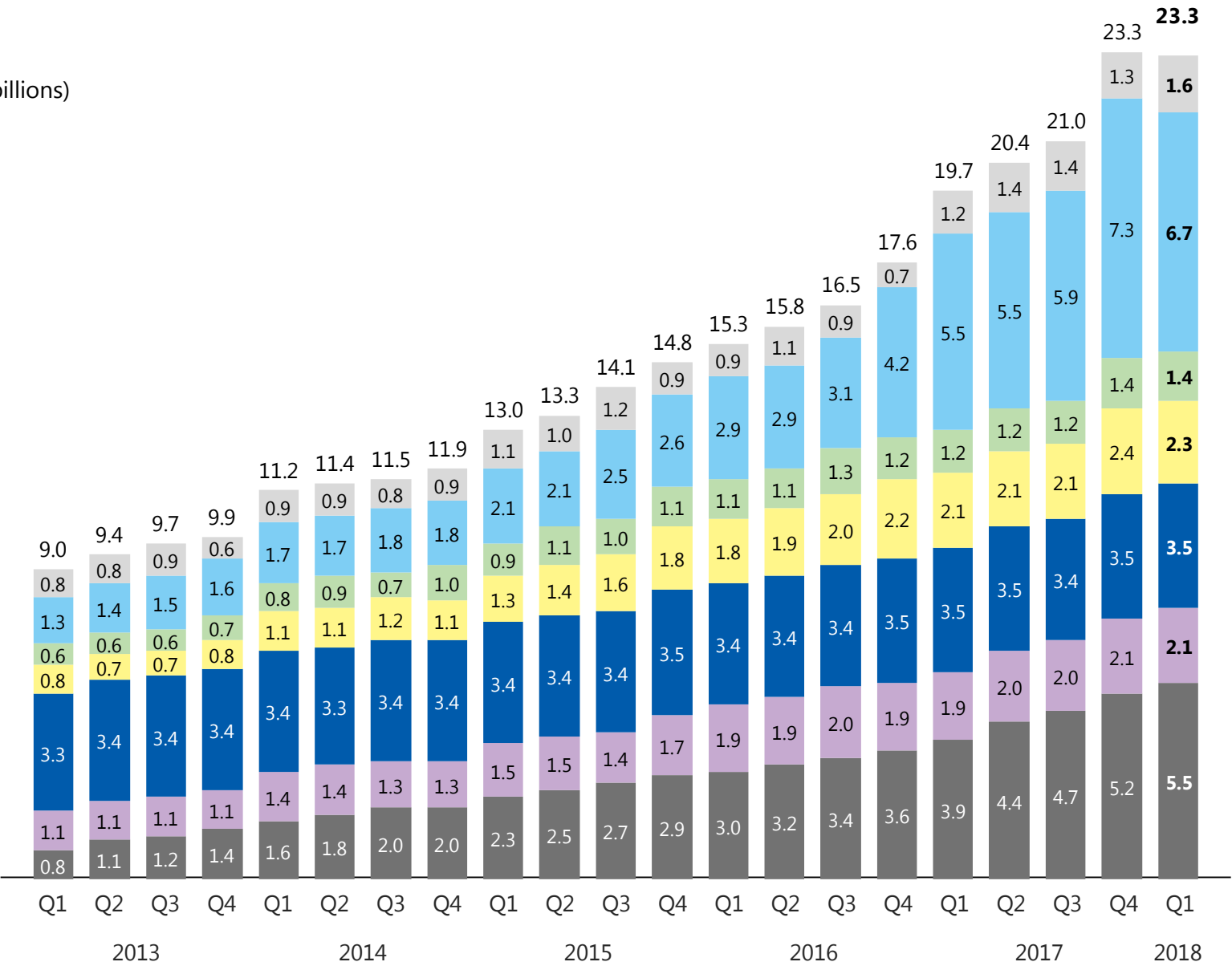


88,000 merchants

*1 Based on our own data
*2 Based on ICANN data
*3 Based on Webhosting.info data
*4 YoY growth in domestic certificates issued in Q1

Internet Infrastructure| Net Sales by Sub-Segment

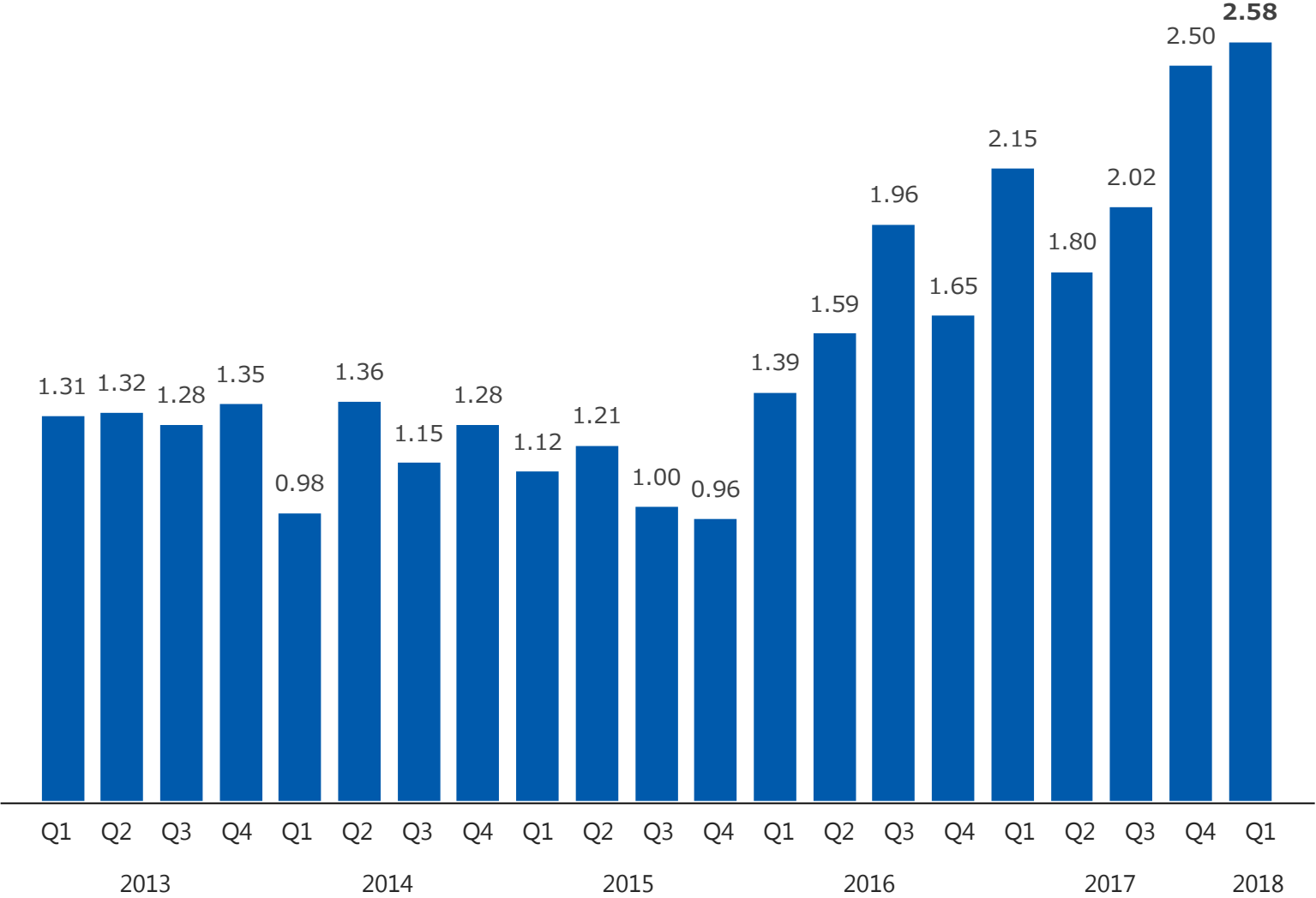
(JPY billions)



Revenue up
18.6%
YoY
Record high

Internet Infrastructure | Operating Profit

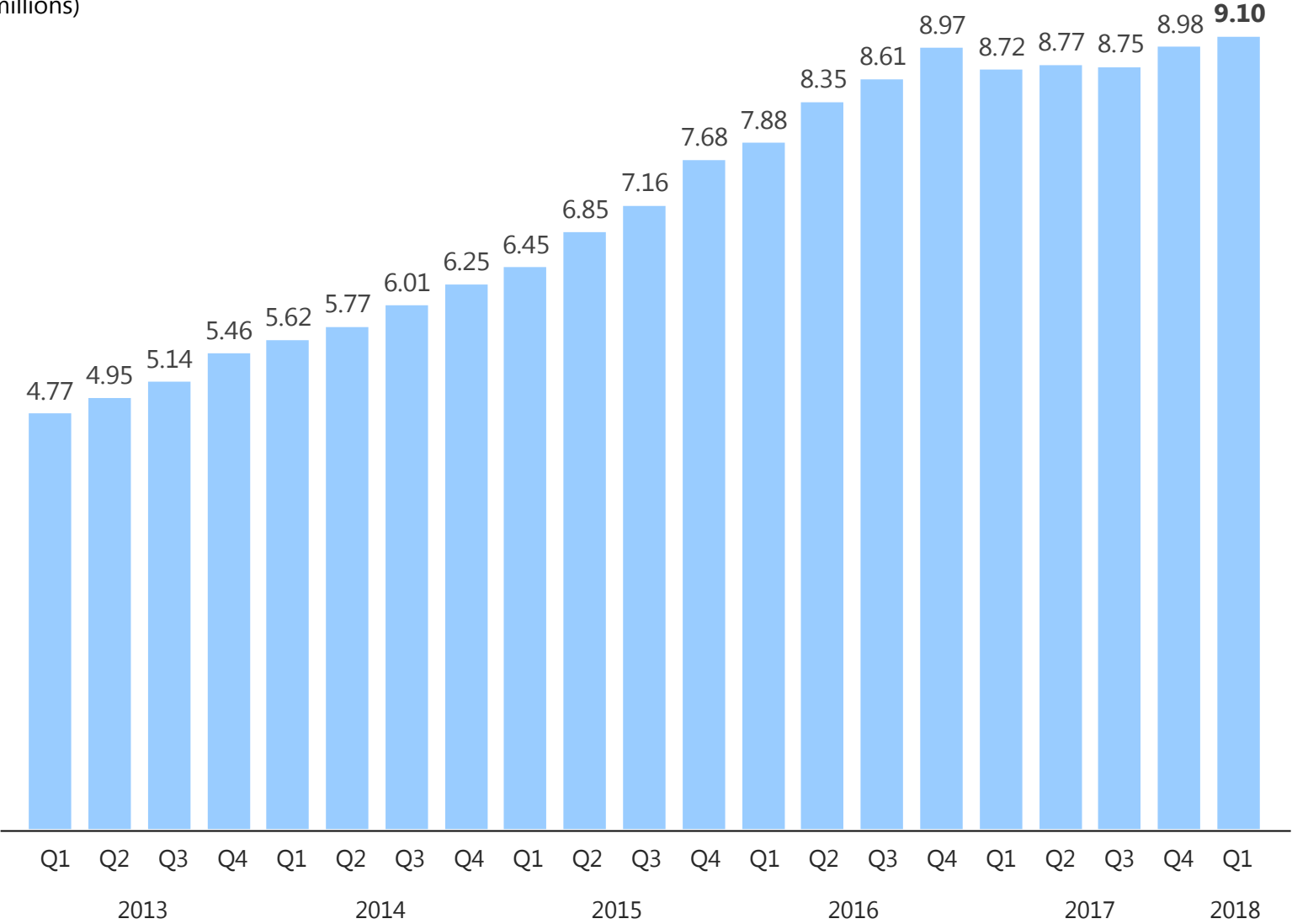
(JPY billions)



Profit up
20.2%
YoY
Record high

Internet Infrastructure | Contracts (Solid Revenue Stream)

(JPY millions)

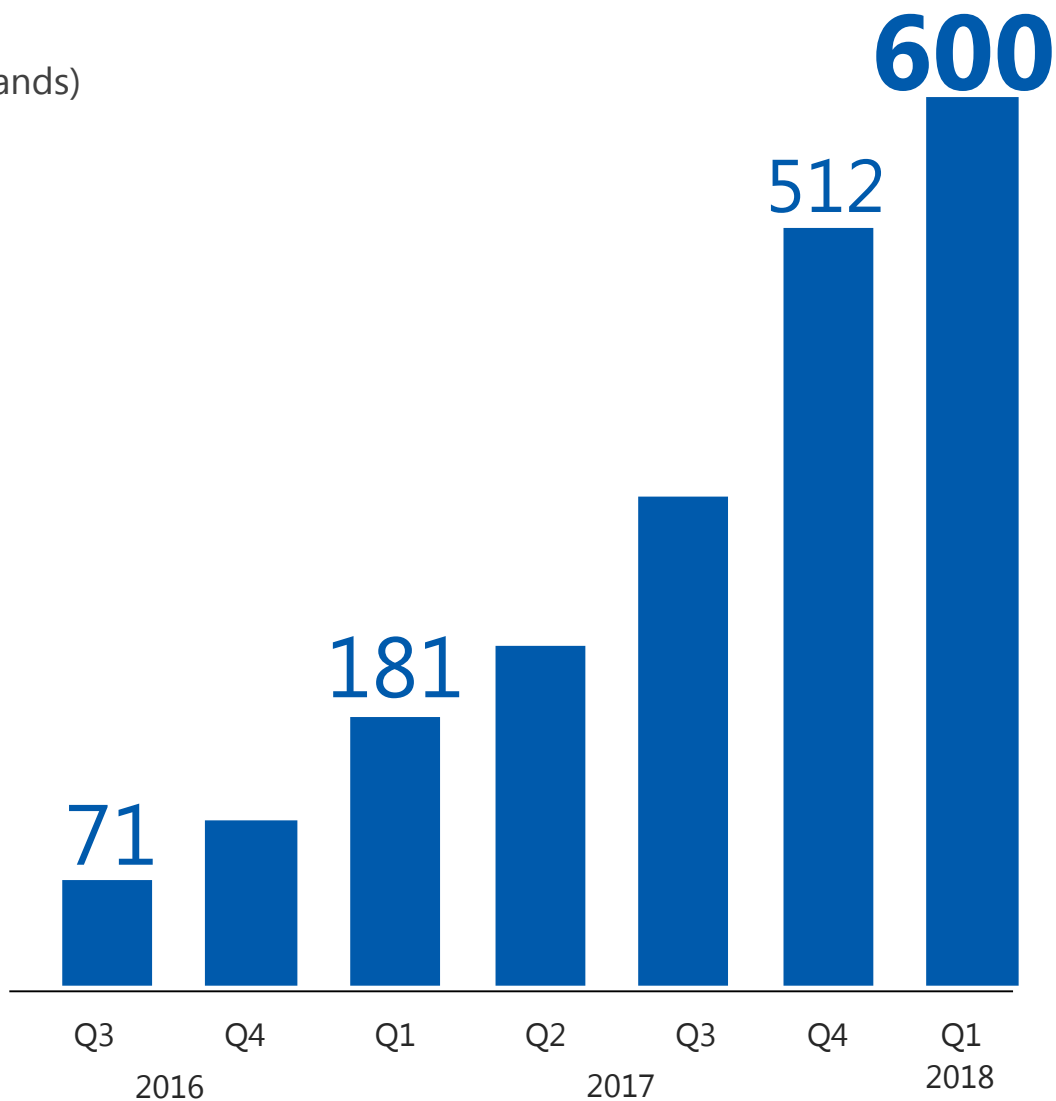


9.10M

4.3%
YoY growth
Record high

Internet Infrastructure | “.shop”: Registration progress

(thousands)



*1) Source: <https://ntldstats.com/tld/> (as of May 9, 2018)

*2) Average renewal rate (Sep-Feb)

Over **600K** since launch

New gTLD “.shop” in the top 10^{*1}

Renewal rate: **49.7%**^{*2}

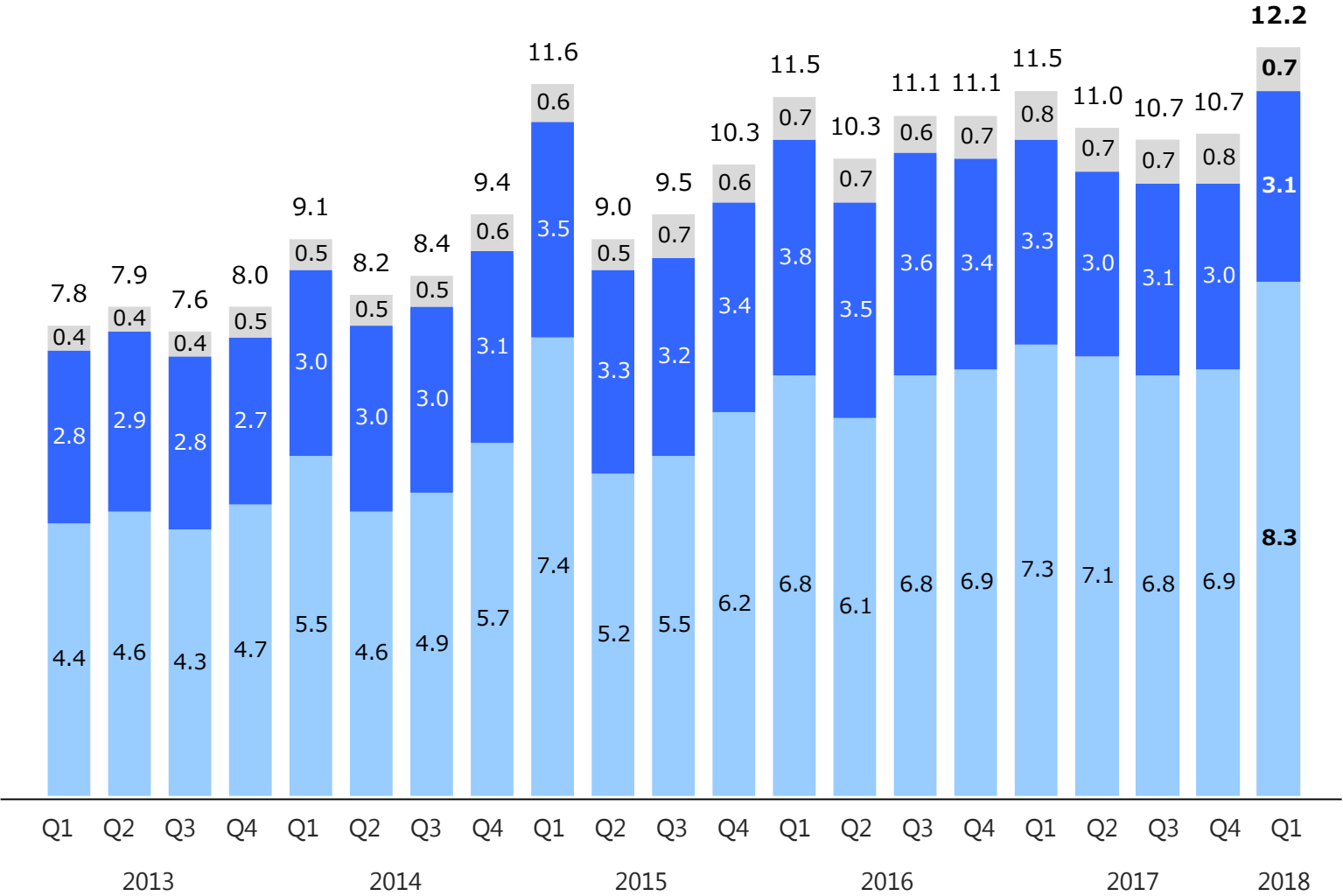
New gTLD registration rankings

No. 1	.top	2.42M
No. 2	.loan	2.42M
No. 3	.xyz	2.32M
No. 4	.club	1.23M
No. 5	.vip	0.88M
No. 6	.online	0.84M
No. 7	.win	0.65M
No. 8	.wang	0.61M
No. 9	.shop	0.56M
No. 10	.men	0.52M

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Online Advertising & Media | Net Sales

(JPY billions)

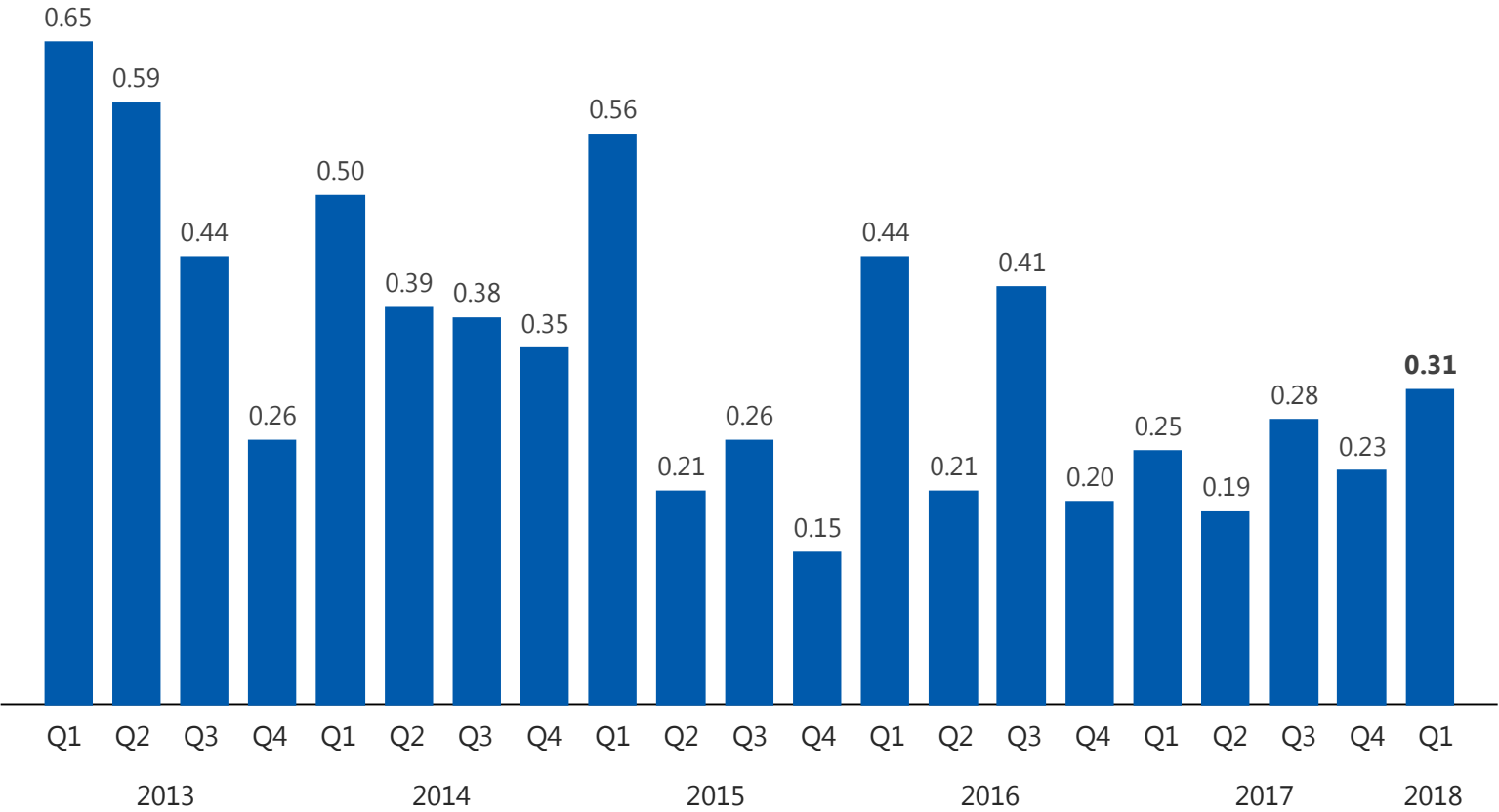


Revenue up
6.0%
YoY

■ Internet Research/Other
■ Online Advertising
■ Internet Media

Online Advertising & Media | Operating Profit

(JPY billions)



Profit up
21.8%
YoY

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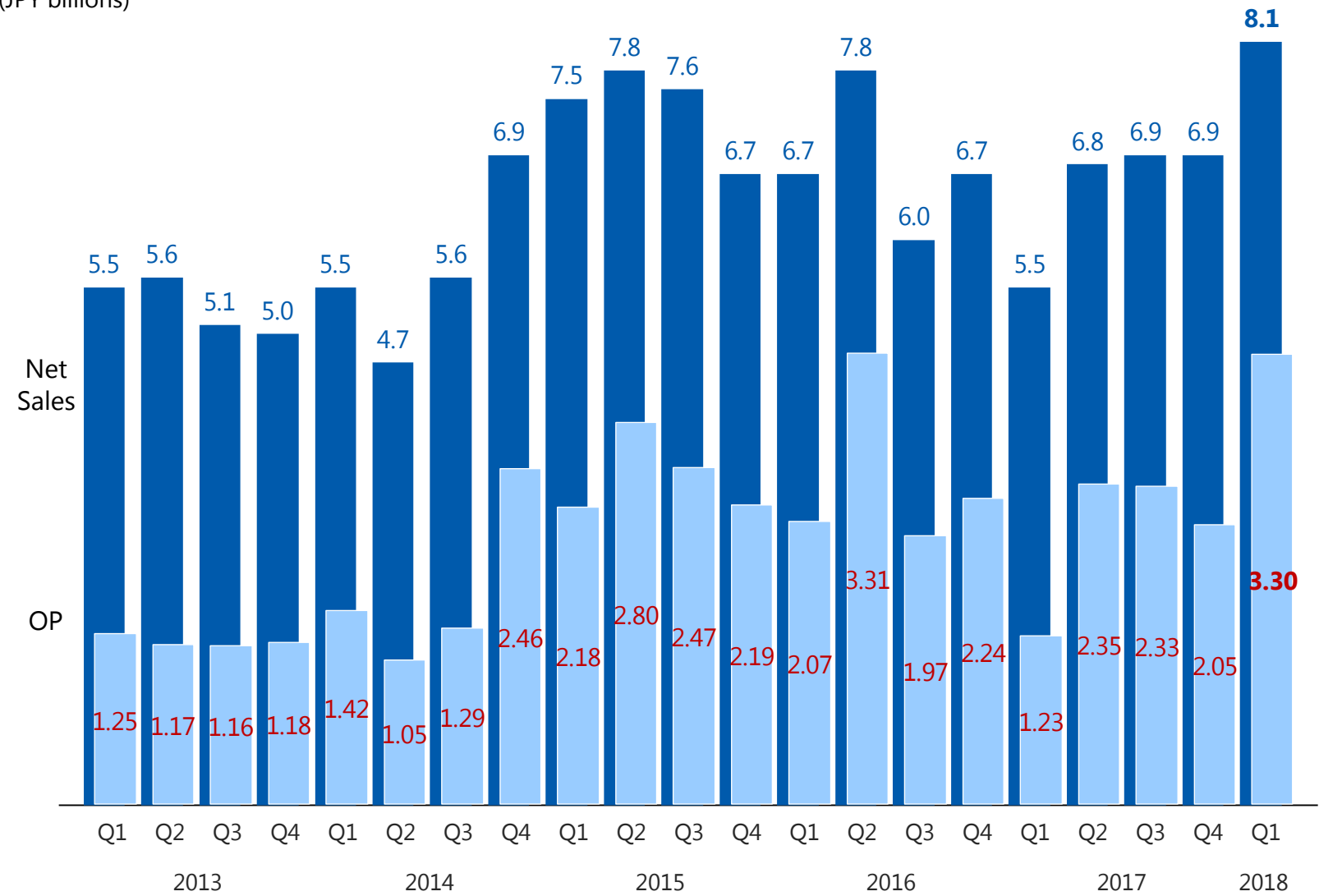
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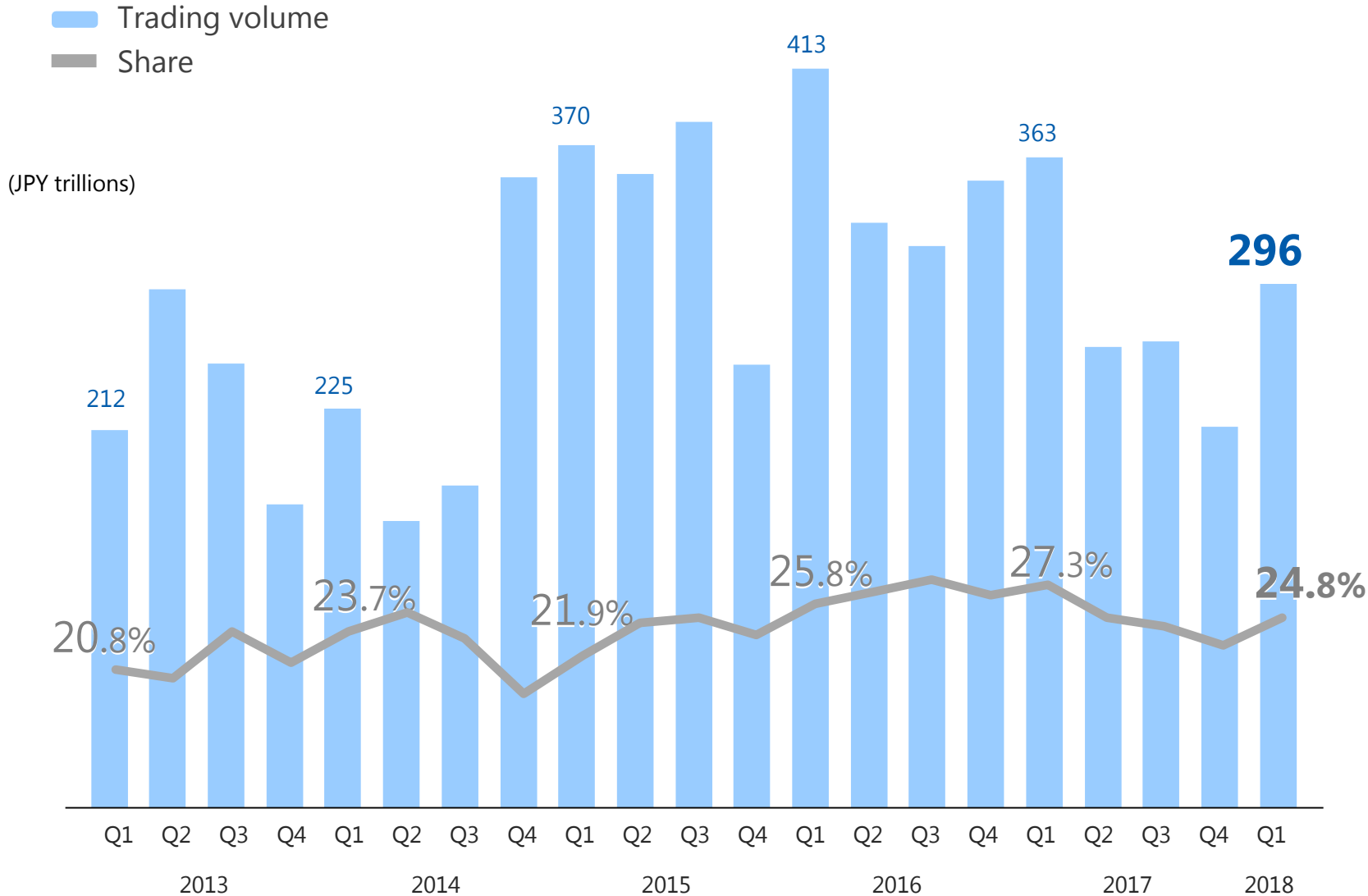
Internet Finance | Historical Performance by Quarter

(JPY billions)



Revenue up
46.1%
Profit up
167.0%
YoY

Internet Finance | FX Trading Volume



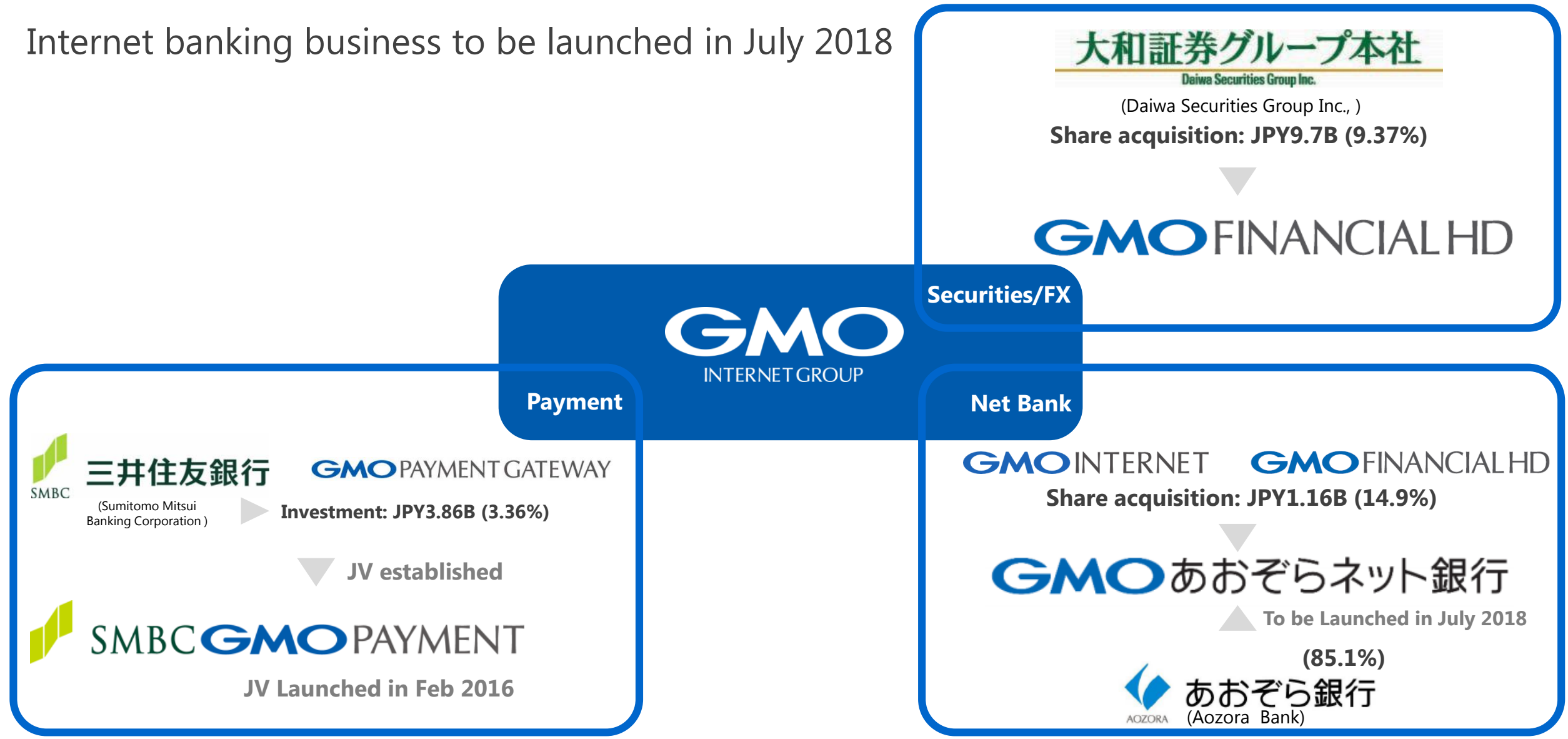
No.1 annual FX trading volume worldwide for 6th consecutive year

Trading volume down
18.6%
YoY

Prepared based on Results Presentation of GMO Financial HD for Q1 of FY2018 and “Monthly Statistical Bulletin on Over-The Counter Retail FX Margin Trading” published by the Financial Futures Association of Japan (FFAJ)

Finance and Payment: Alliance Strategy

Internet banking business to be launched in July 2018



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Global Operations | Locations

22 countries, 61 locations, 1,291 global partners ("staffs")



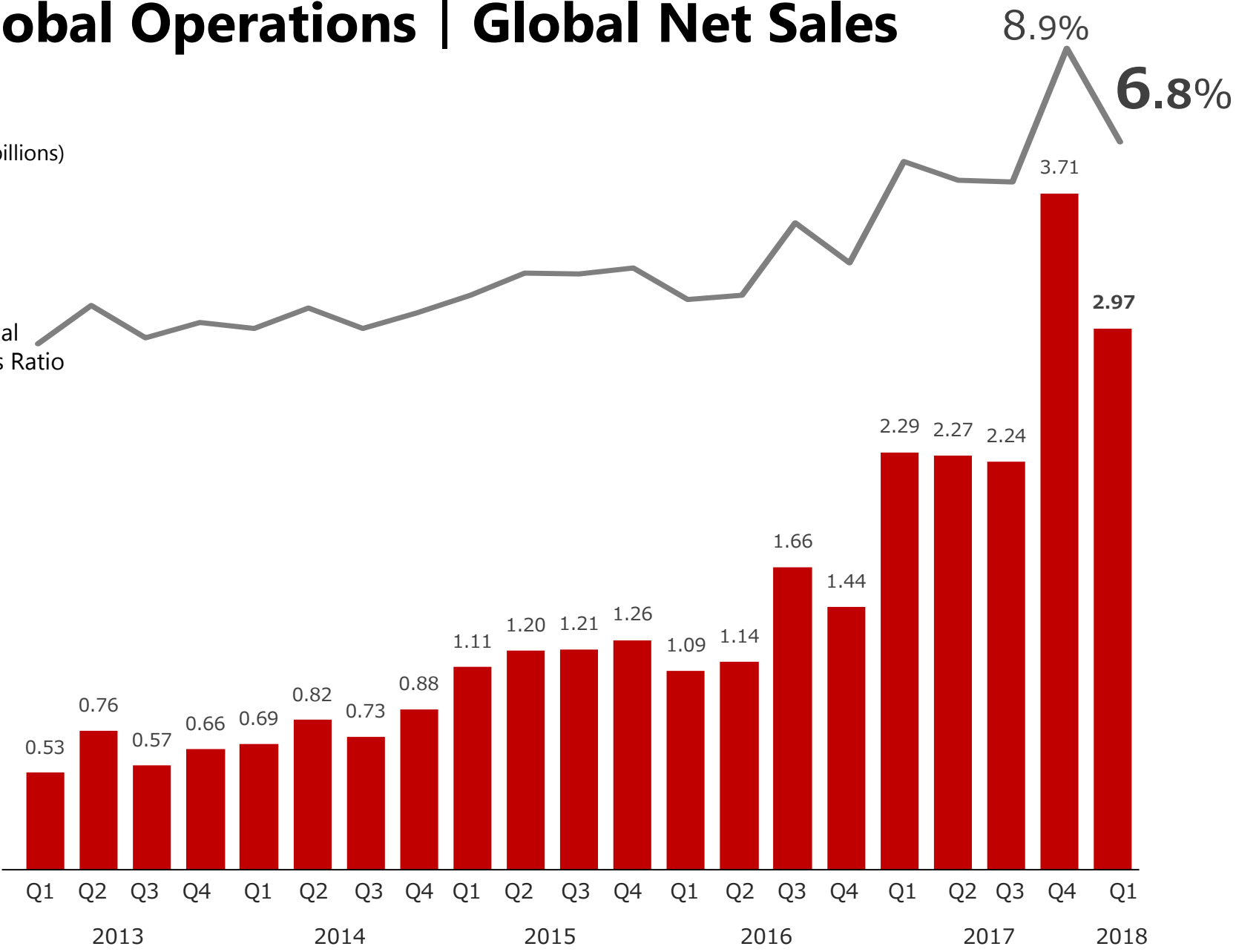
*As of March, 2018

Global Operations | Global Net Sales

(JPY billions)

Global Sales Ratio

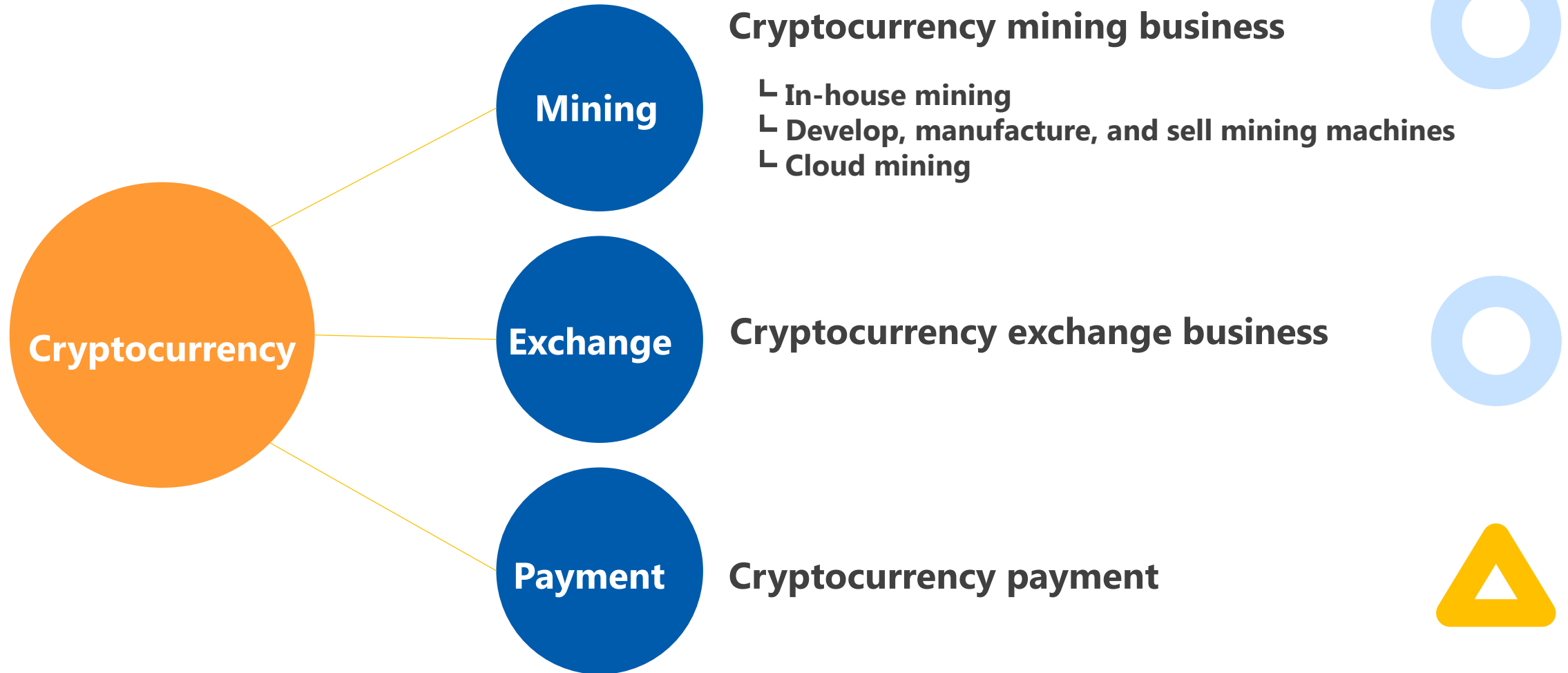
Net Sales



29.9%
YoY growth

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Policy and current business environment of cryptocurrency business | Major policies



Aim to become No. 1 in the field of cryptocurrency

Policy and current business environment of cryptocurrency business | Current market condition ①

Cryptocurrency market cap

(USD millions)



Estimated total trading volume (BTC)

(JPY billions)

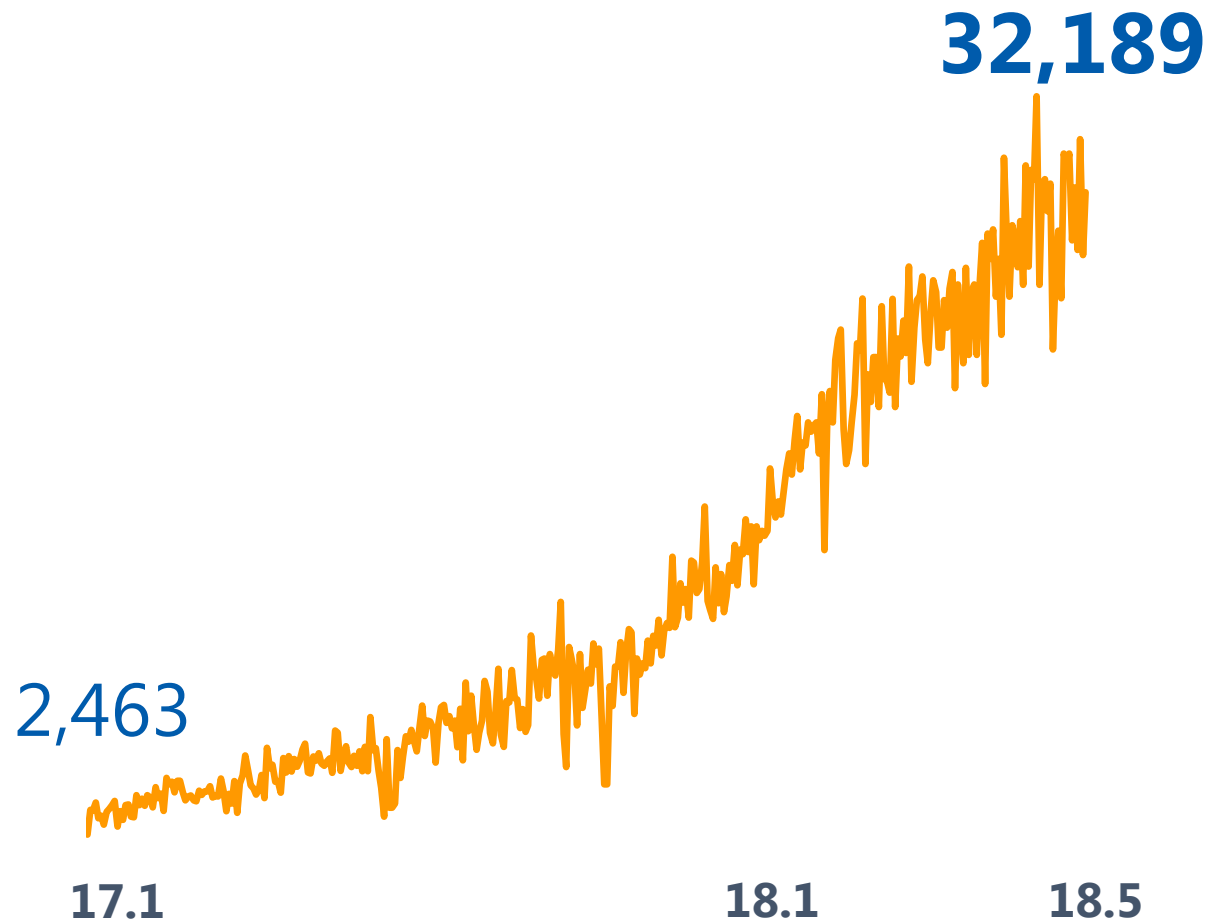


Source: coinmarketcap.com

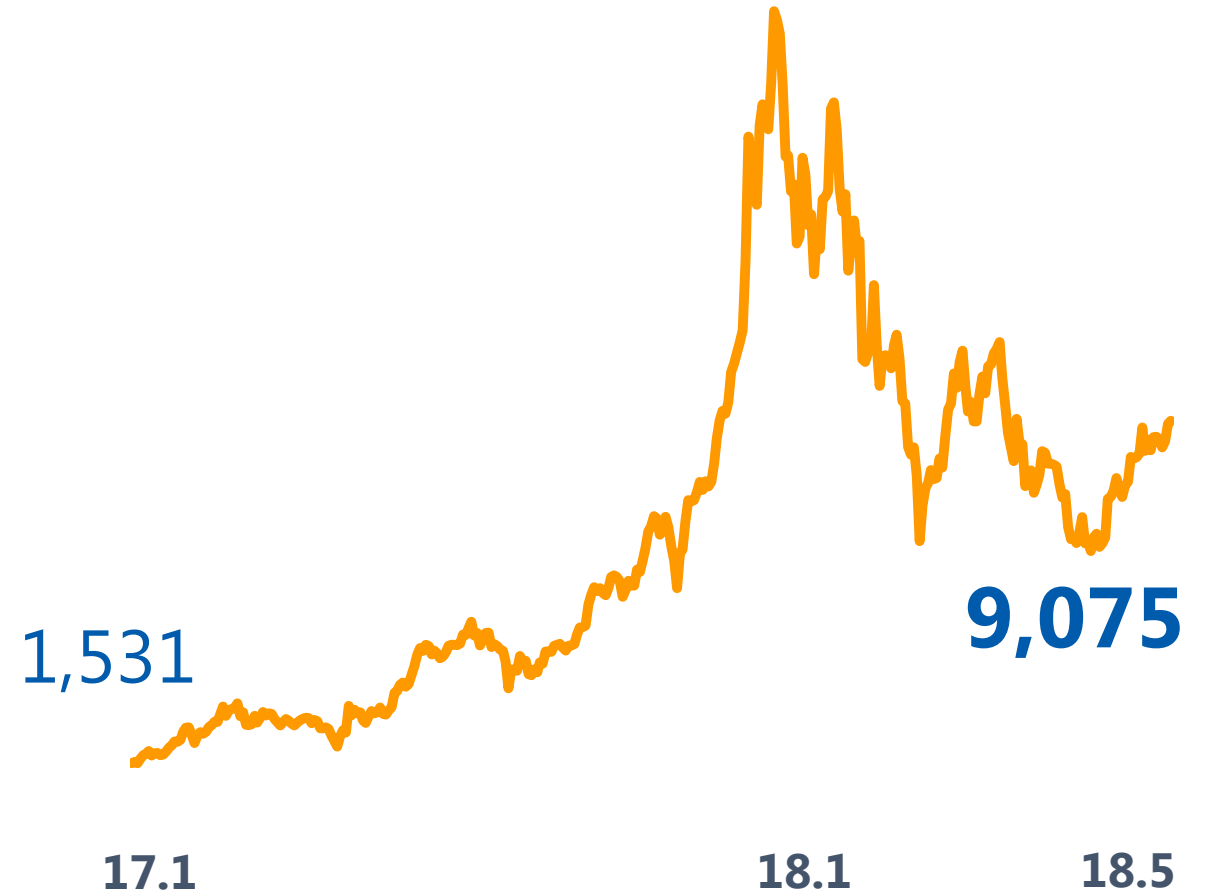
Source: blockchain.info. Calculated based on the estimated Bitcoin trading volume (BTC) and the market value.

Policy and current business environment of cryptocurrency business | Current market condition ②

Hash rate (BTC) (PH/s)*



Market value (BTC)
(USD) 19,498



*The unit of mining speed (computational ability) of mining machines. 1PH/s= 10^{15} H/s.
Source: blockchain.info

Policy and current business environment of cryptocurrency business | The image of P/L statement

Revenue

$$\begin{array}{|c|} \hline \text{Newly issued amount} \\ \hline 1,800\text{BTC/day} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{BTC price} \\ \hline \text{(at the time} \\ \hline \text{of mining)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Mining} \\ \hline \text{share} \\ \hline \end{array}$$

Cost

$$\begin{array}{|c|} \hline \text{Electricity} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Machine} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Facility} \\ \hline \end{array}$$

Policy and current business environment of cryptocurrency business | Accounting policy

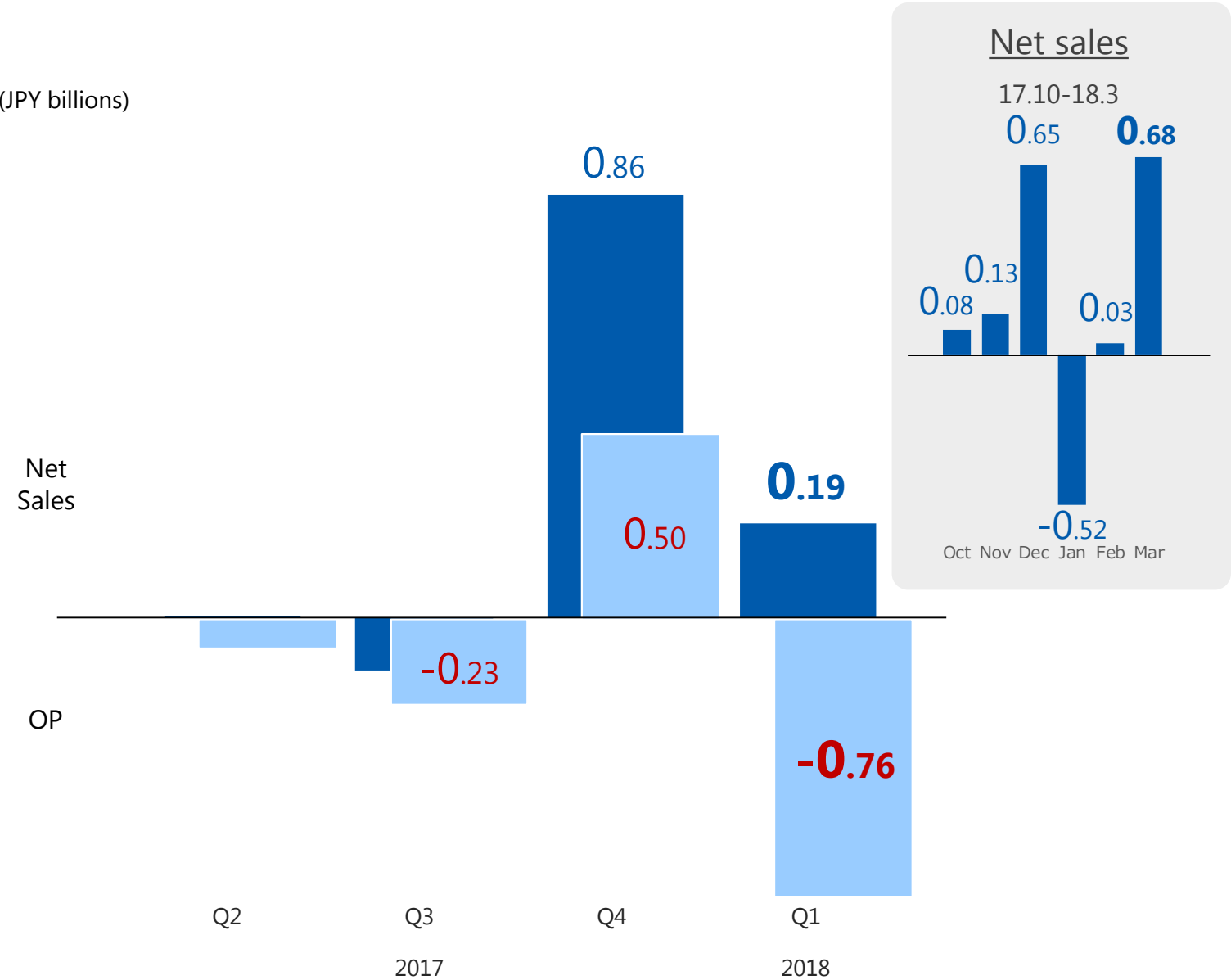
Item	Recognized	Classification
Mining revenue	At the time of mining (market value)	Operating profit or loss in the consolidated statement
Realized gain or loss	Upon sale	
Valuation gain or loss	Year end (market value)	

*Reference: Tentative Practical Solution on the Accounting for Virtual Currencies under the Payment Services Act

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Cryptocurrency exchange business | Historical performance by quarter

(JPY billions)

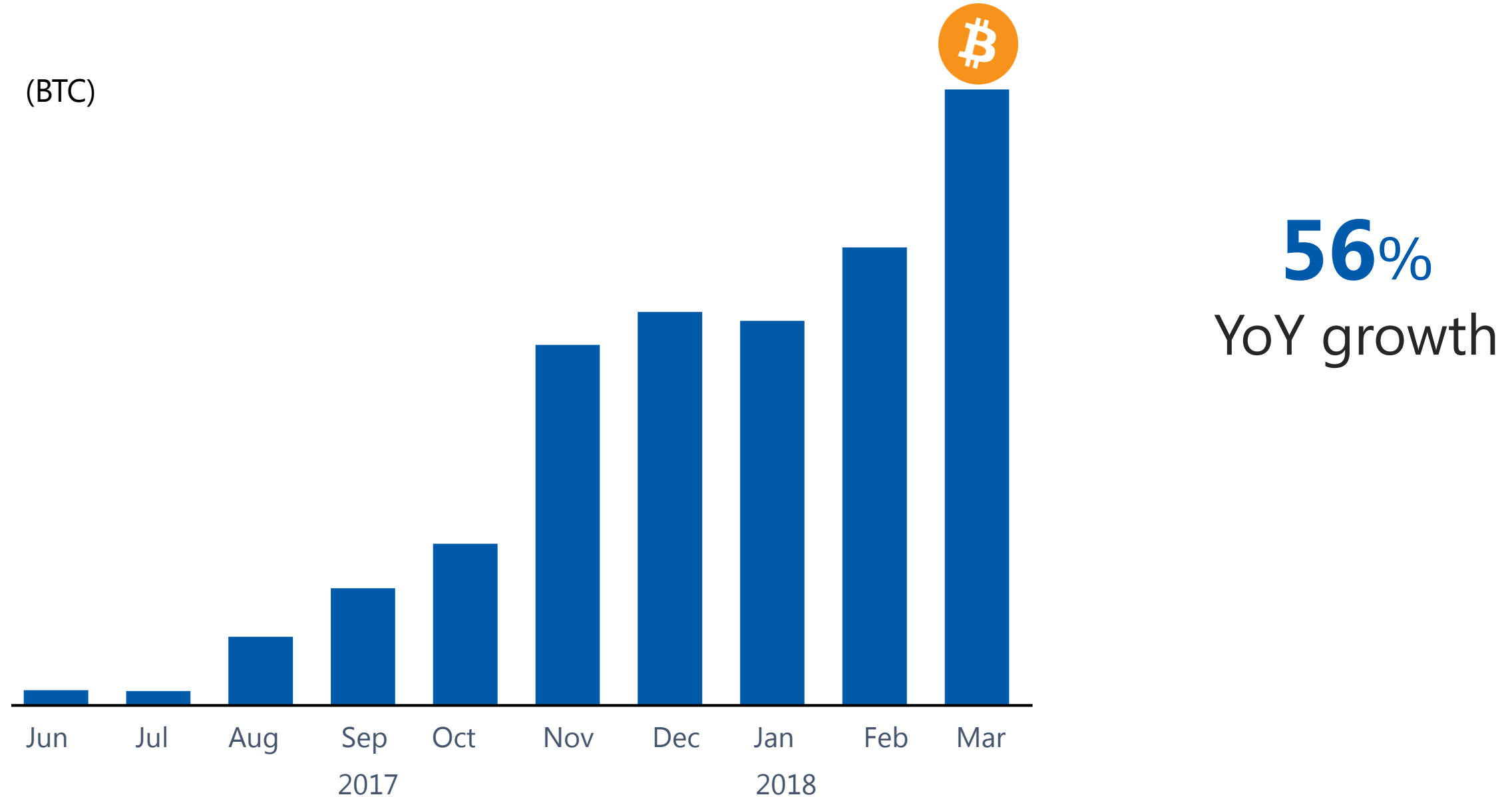


Loss due to customer acquisition costs and loss on valuation of proprietary position

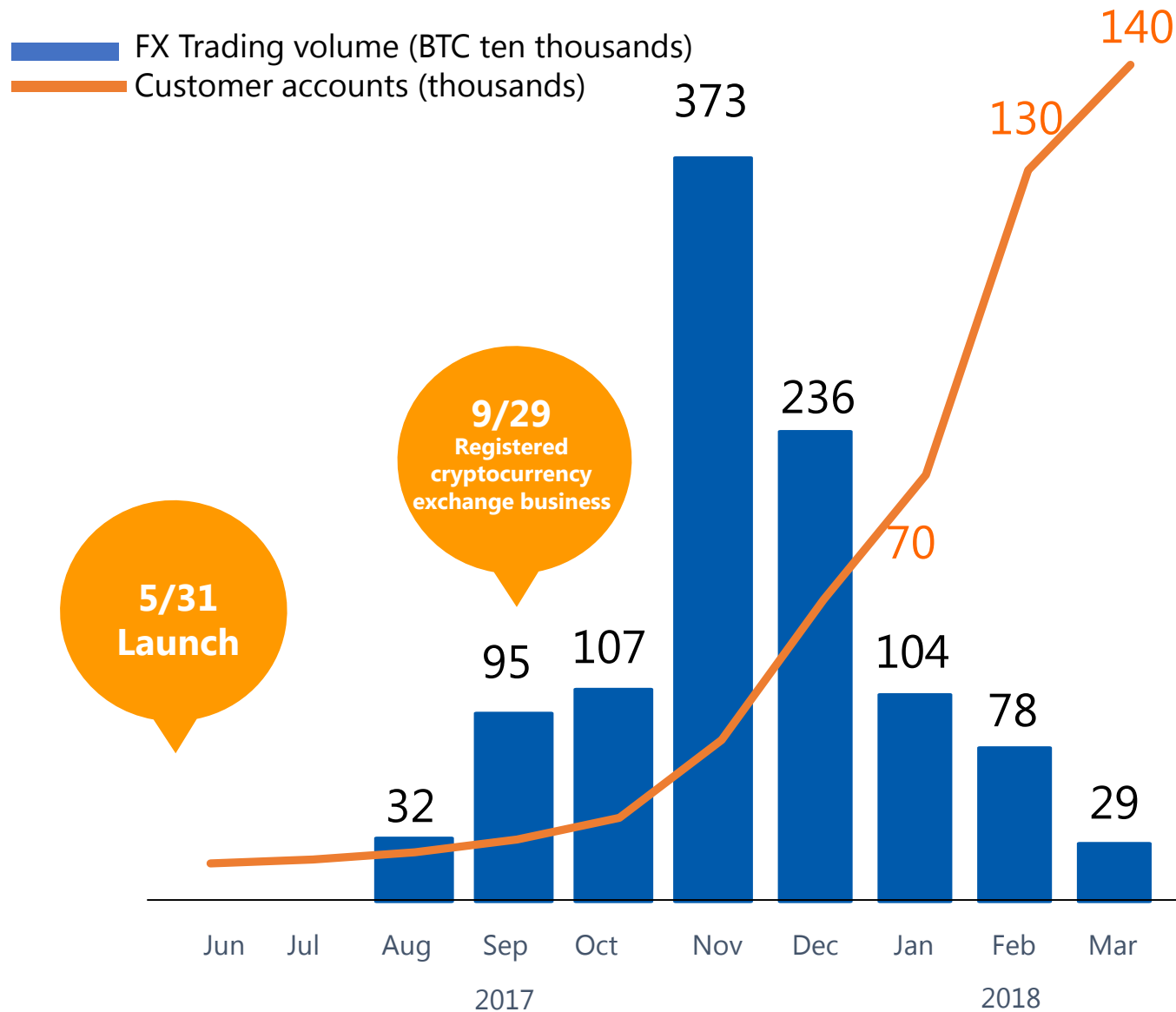


Achieved positive figures in March by reviewing cover deals

Cryptocurrency exchange business | Customer's Bitcoin balance



Cryptocurrency exchange business | FX trading volume and customer accounts

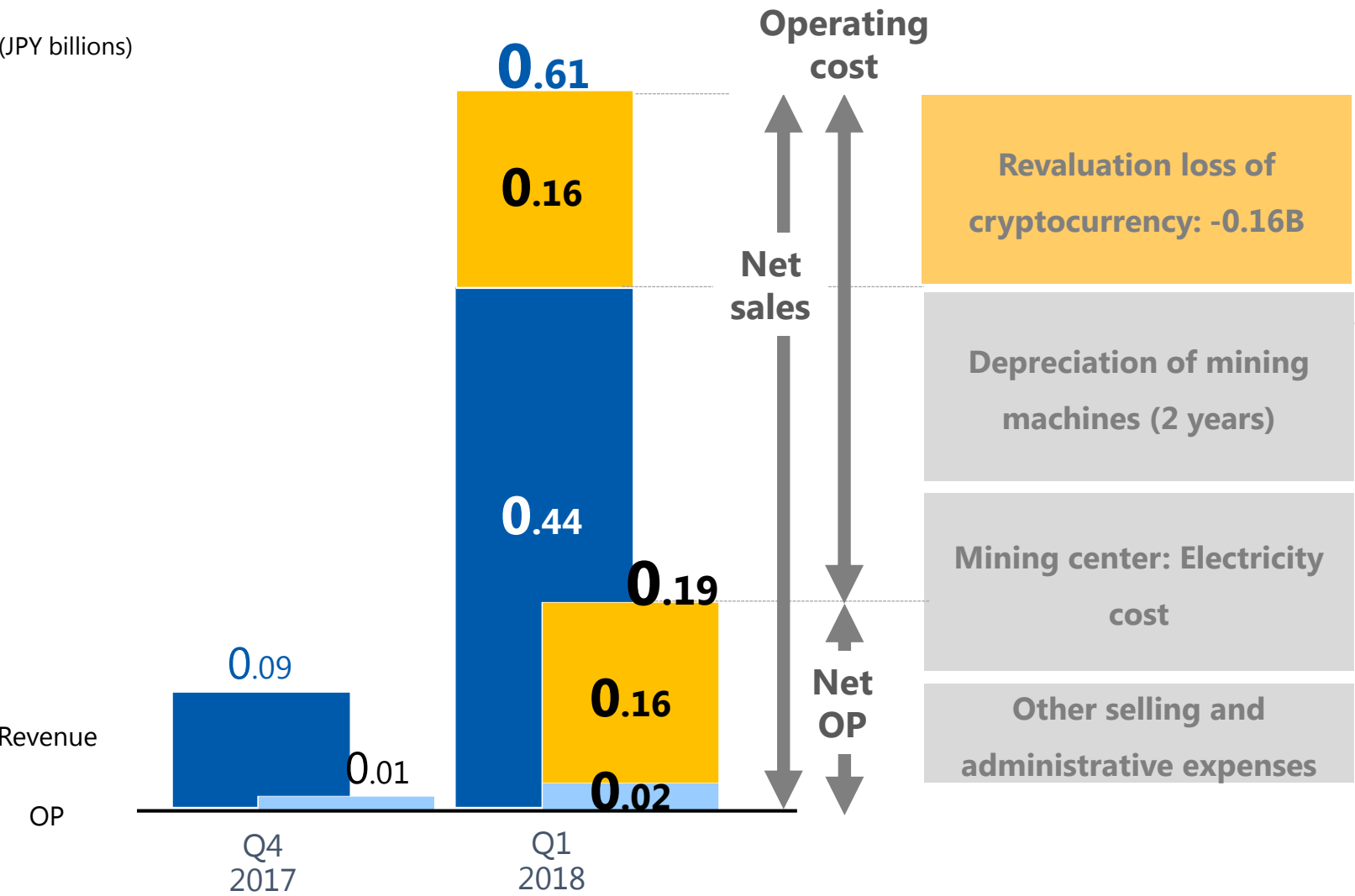


140K
customer accounts
Half of securities
accounts in just one year

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Cryptocurrency mining business | Historical performance by quarter

(JPY billions)

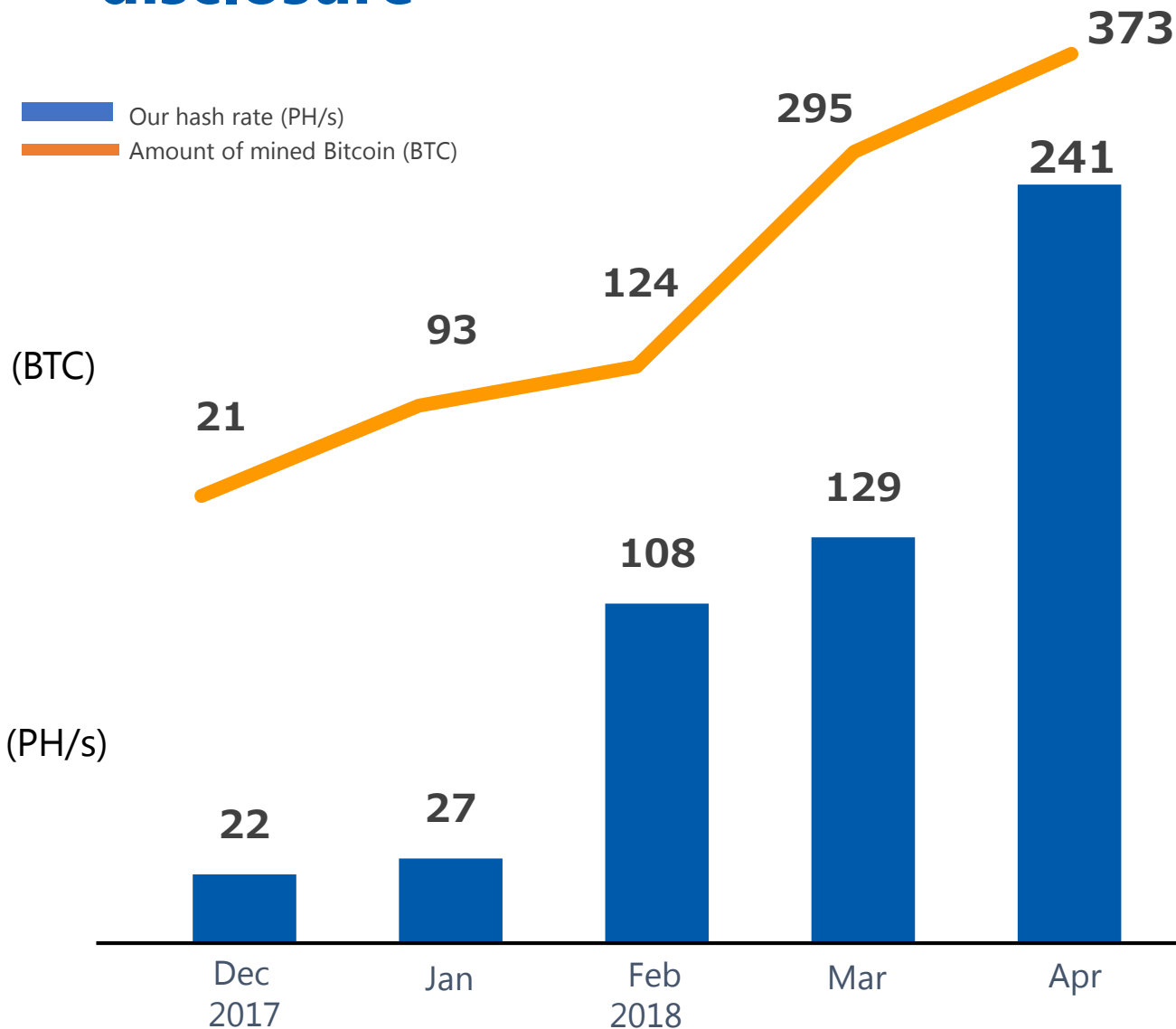


Loss on valuation of proprietary position but achieved positive figures



Growing steadily

Cryptocurrency mining business | Summary of monthly disclosure

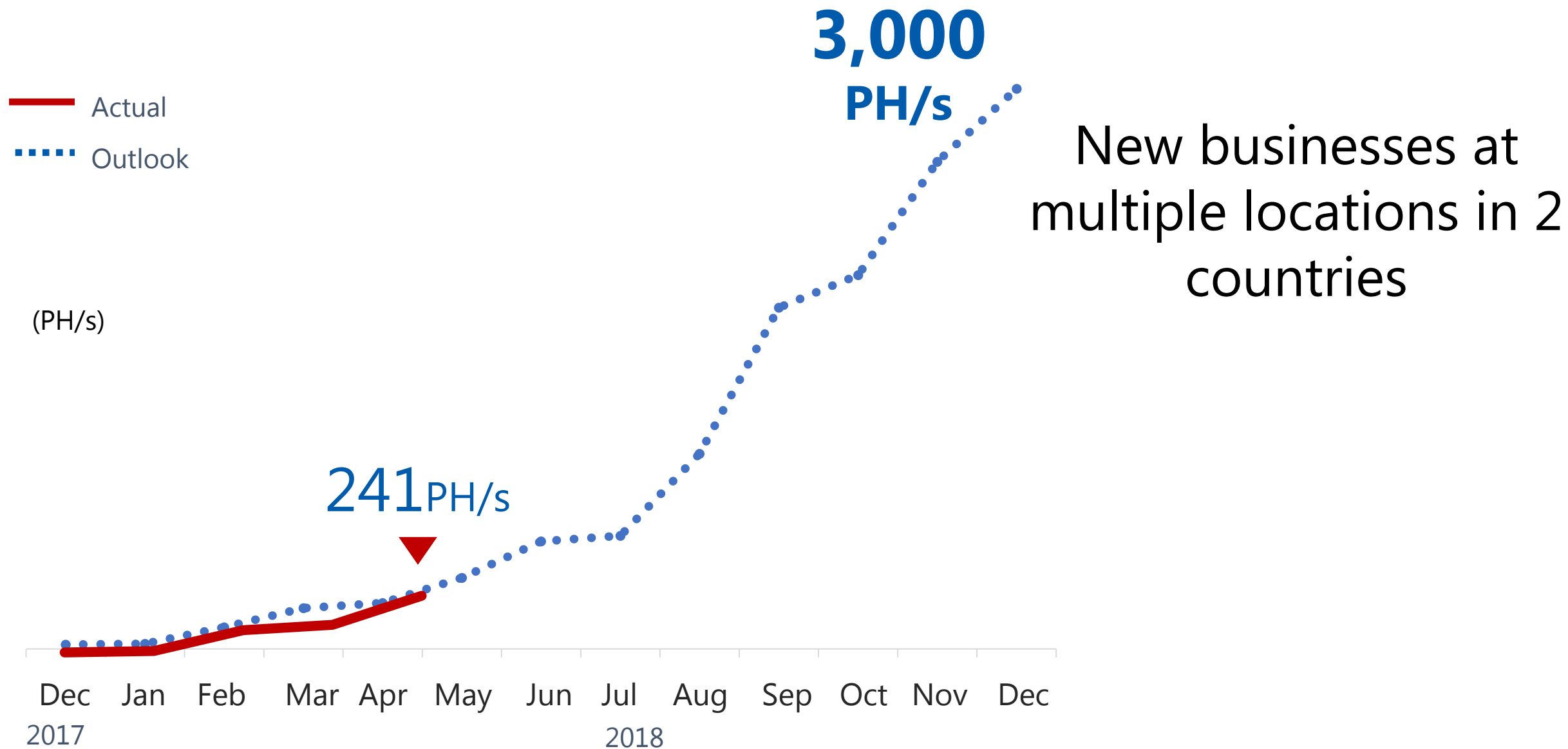


Hash rate is increasing as planned

Amount of mined Bitcoin is increasing as expected

*For December, the figures for 11 days since the launch of a Bitcoin mining business in December 20 are stated in the above table

Cryptocurrency mining business | Hash rate

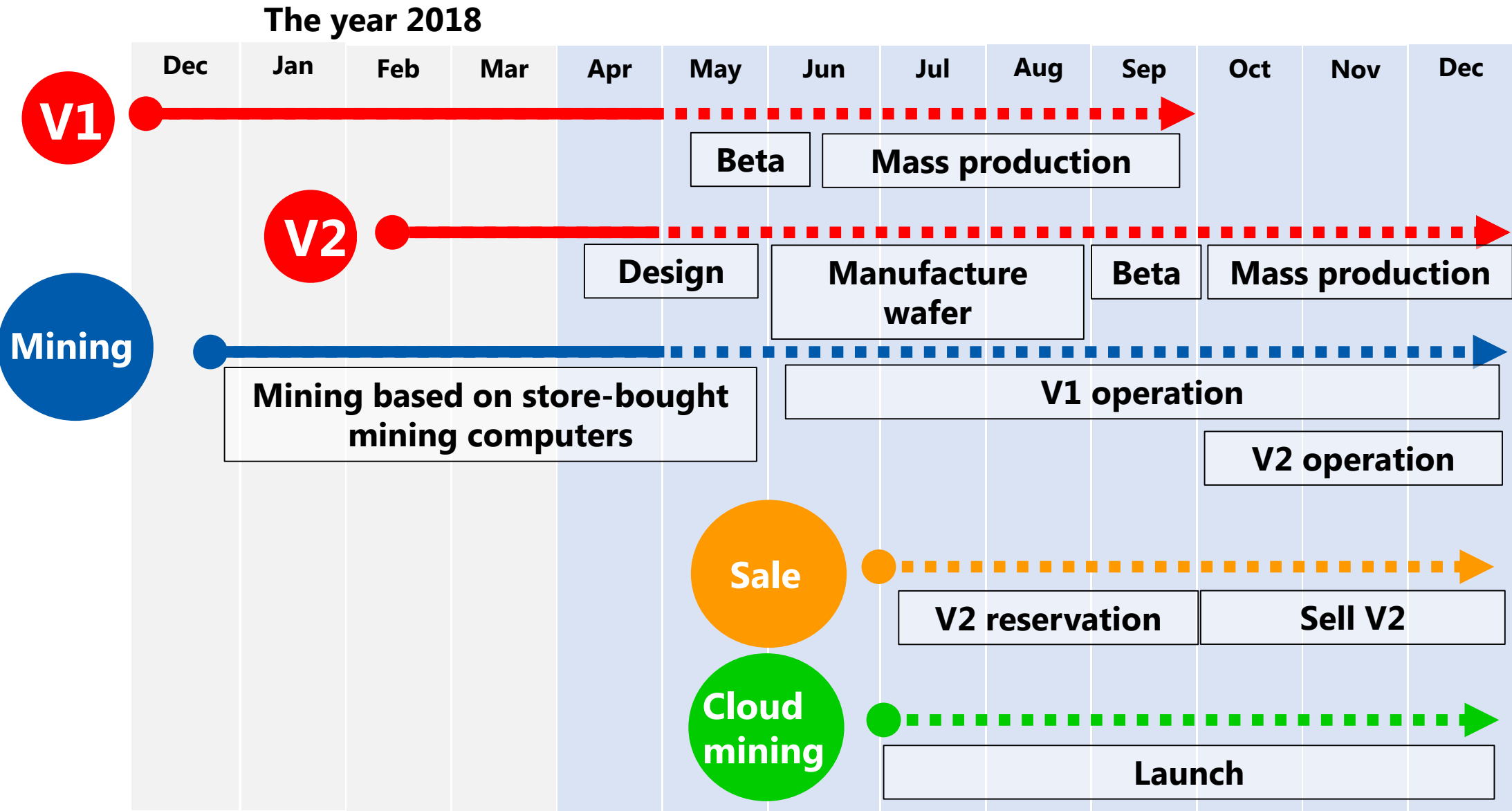


Cryptocurrency mining business | Overview of next-generation chip

Research and development directed at realizing V2, the world's first 7nm mining chip, are progressing

Name	Significance	Process technology
12nm FFC	Milestone of 7nm mining chip ▶ No mass production and not for sale	12nm
V1	Initial prototype of 7nm mining chip ▶ Manufacturing minimum lots only	7nm
V2	The world's first mass-produced 7nm mining chip ▶ In addition to using them in the in-house mining and cloud mining, we will sell them	7nm

Cryptocurrency mining business | Plan



Z.com Cloud Mining

Information session to be held on
June 6, 2018

Cryptocurrency mining business | Mining center



Cryptocurrency mining business | Summary

Q4'17

Q1'18

External environment	BTC market value: Rise Total hash rate (HR): 23,000PH/s	Around USD 10K 30,000PH/s
Investment	Target HR: 3,000PH/s FY2018: JPY 38.0B	No change
Development status	April: Mining based on our own chips June: 7nm chip operation	April: Mining based on store-bought mining computers June: 7nm (v1) operation October: 7nm (v2) operation
In-house mining	As planned	As planned
Sale	-	From Q2 onwards: Start accepting reservation From Q4 onwards: Launch
Cloud mining	To be launched in August	To be launched in June

NEW

NEW

Internet for Everyone

GMO

GMO INTERNET

This document includes projections based on expectations, premises and plans as of May 10, 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.

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