

Fiscal Year 2018
Second Quarter
Results Presentation



STOCK CODE : 9449

August 9, 2018

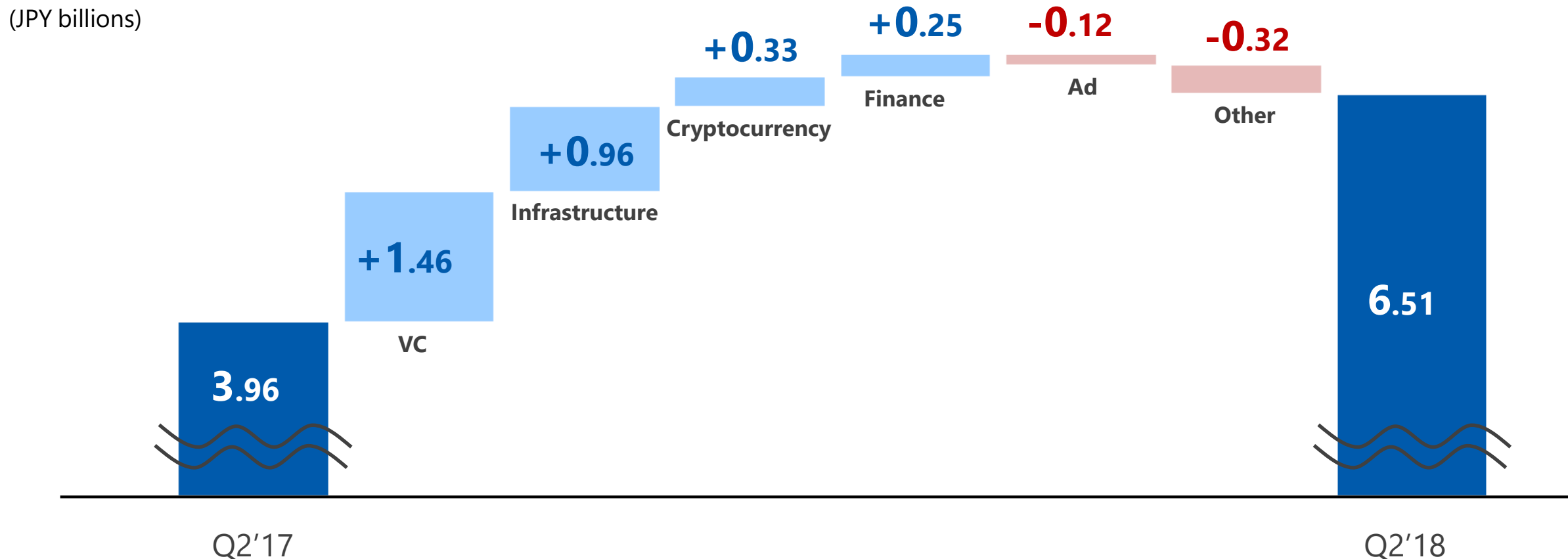
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3. Segment Report
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 - v) Incubation
4. Global Operations
5. Cryptocurrency Segment
 - i) Cryptocurrency Exchange Business
 - ii) Cryptocurrency Mining Business
6. GMO Aozora Net Bank

Overview | Executive Summary: Q2 FY2018

(JPY billions)	Q2'17 (Jan-Jun)	Q2'18 (Jan-Jun)	YoY Change	Change	
Net Sales	74.34	91.27	+16.93	+22.8%	Record high
Operating Profit	7.49	11.78	+4.28	+57.2%	Record high
Ordinary Profit	7.37	11.33	+3.95	+53.6%	Record high
Net Profit	1.95	4.23	+2.27	+116.8%	

Overview | Executive Summary: Q2 FY2018 (Apr-Jun)

- **OP: JPY 6.51B**, up 2.55B (up 64.5% YoY) **Record high**
- Strong trends in Internet Infrastructure and Internet Finance. Driven by significant hike in VC (incubation) after stock sale.

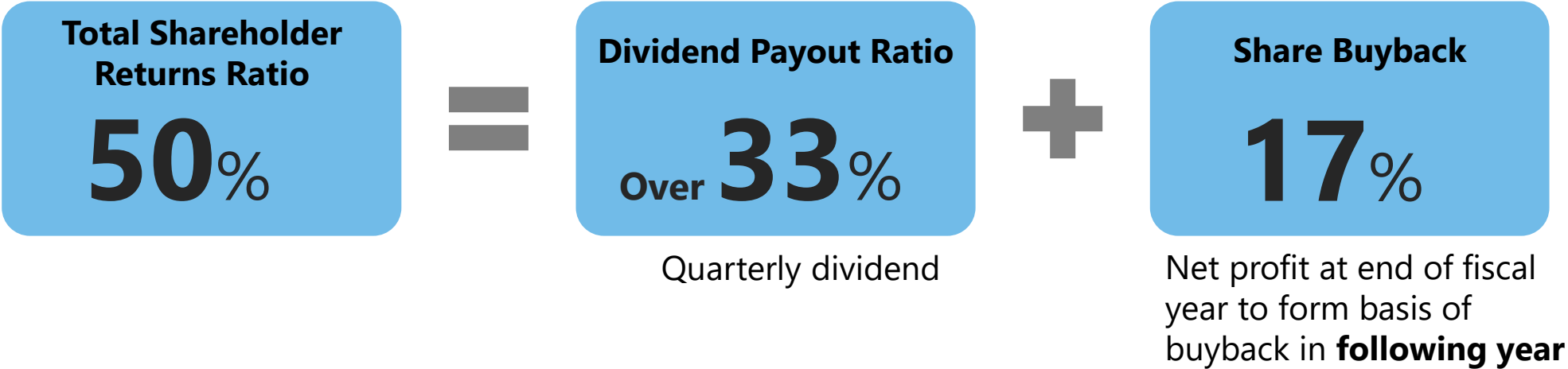


Overview | Executive Summary: Q2 FY2018 (Apr-Jun)

Internet Infrastructure	Net sales	JPY 24.82B	(Up 21.4% YoY)	Record high
	OP	JPY 2.76B	(Up 53.7% YoY)	
	Each business area grew, including payment, SSL, and provider.			
Online Ad & Media	Net sales	JPY 11.01B	(Up 0.1% YoY)	
	OP	JPY 0.06B	(Down -66.4% YoY)	
	In-feed advertising grew but we're responding to changes in advertisement distribution regulations, such as ad fraud issues.			
Internet Finance	Net sales	JPY 7.56B	(Up 10.1% YoY)	
	OP	JPY 2.60B	(Up 10.7% YoY)	
	Profitability is improving effectively through analysis of big-data despite drop in trading volume.			
Cryptocurrency	Net sales	JPY 2.65B	(Up 2.65B YoY)	
	OP	JPY 0.25B	(Up 0.33B YoY)	
	Net sales are growing rapidly. Cryptocurrency exchange business built a revenue base, and cryptocurrency mining business was affected by changes in the environment.			

Overview | Shareholder Returns (Policy and Actual)

Policy

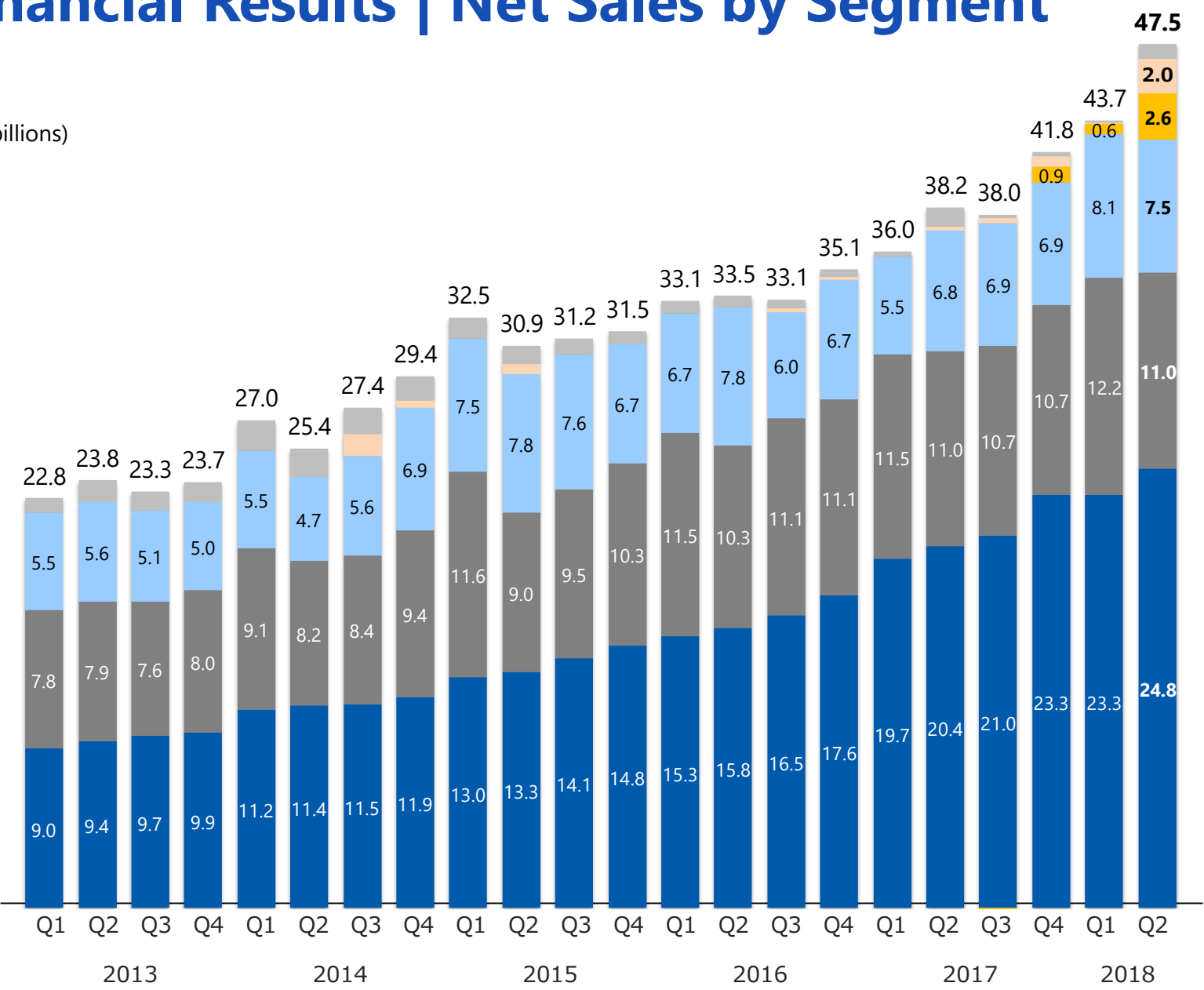


	(JPY)	Q1	Q2	Q3	Q4	Annual
Dividend per share	FY2017	5.00	6.00	6.00	6.00	23.00
	FY2018	6.00	6.20	-	-	-
		Up	Up			

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Financial Results | Net Sales by Segment

(JPY billions)

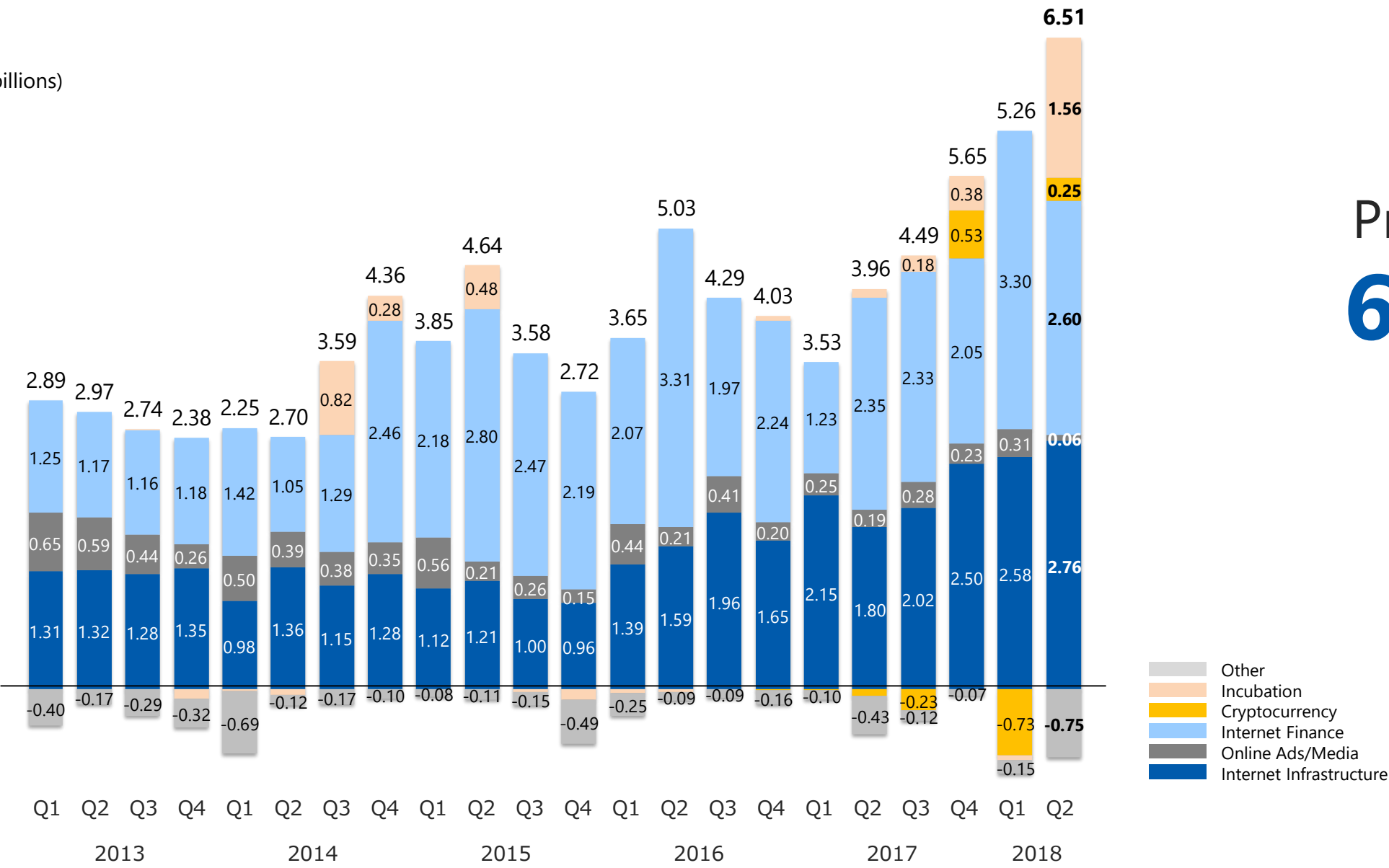


Revenue up
24.2%
YoY

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

Financial Results | Profit by Segment

(JPY billions)



Profit up
64.5%
YoY

Financial Results | Consolidated Profit and Loss

(JPY millions)	Q2'17 (1-6/2017)	Q2'18 (1-6/2018)	Change	supplementary information
Net Sales	74,340	91,270	22.8%	
Gross Profit on Sales	35,647	45,664	28.1%	
Operating Profit	7,497	11,783	57.2%	
(OP Margin)	10.1%	12.9%	+2.8pt	
Non Operating Profit and Loss	-118	-446	-	Foreign exchange loss: -260M Equity investment loss: -250M
Ordinary Profit	7,379	11,337	53.6%	
Extraordinary Profit or loss	-536	676	-	Gain on sales of investment securities: +690M
Profit before Tax	6,842	12,014	75.6%	
Corporate Taxes etc.	3,584	4,343	21.2%	
Profit attributable to Owners of the Parent	1,952	4,231	116.8%	

Financial Results | Consolidated Balance Sheet

(JPY millions)	End of 12/2017	End of 6/2018	Change	GMO Financial HD (End of 6/2018)	Change
Current Assets	707,112	700,842	-6,270	518,272	-31,542
Cash & Deposits	119,006	122,429	3,422	35,824	-717
Fixed Assets	42,047	52,426	10,379	6,768	1,039
Goodwill	2,310	2,116	-194	692	-81
Software	5,140	5,288	148	1,449	7
Investment Securities	7,701	9,279	1,578	2,299	903
Total Assets	749,160	753,269	4,109	525,040	-30,503
Liabilities	674,805	670,307	-4,498	491,053	-32,694
Interest-bearing debts	112,656	139,492	26,835	56,890	-3,459
Net Assets	74,354	82,961	8,607	33,987	2,191
Non-controlling Minority Equity	30,582	35,330	4,747	625	-123
Shareholders' Equity	43,697	47,559	3,862	33,362	2,314
Earned Surplus	38,113	40,915	2,801	29,452	2,298
(Shareholders' Equity Ratio)	5.8%	6.3%	+0.5pt	6.4%	+0.8pt
Liabilities/Net Assets Total	749,160	753,269	4,109	525,040	-30,503

Financial Results | Consolidated Cash Flow

(JPY billions)	Q2 FY17	Q2 FY18	Significant Factors	GMO-FH
Operating Cash Flow	-3.40	+ 0.44		+6.09
Investing Cash Flow	-5.15	-20.29	Purchase of tangible and intangible fixed assets: -19.4B (including cryptocurrency mining business: -16.0B)	-0.83
Financing Cash Flow	-6.99	+24.53	Interest-bearing debt: +26.8B	-5.18
Change in Cash and Equivalents	-15.35	+ 4.21		+0.06
Balance of Cash and Equivalents	74.77	122.02		35.58

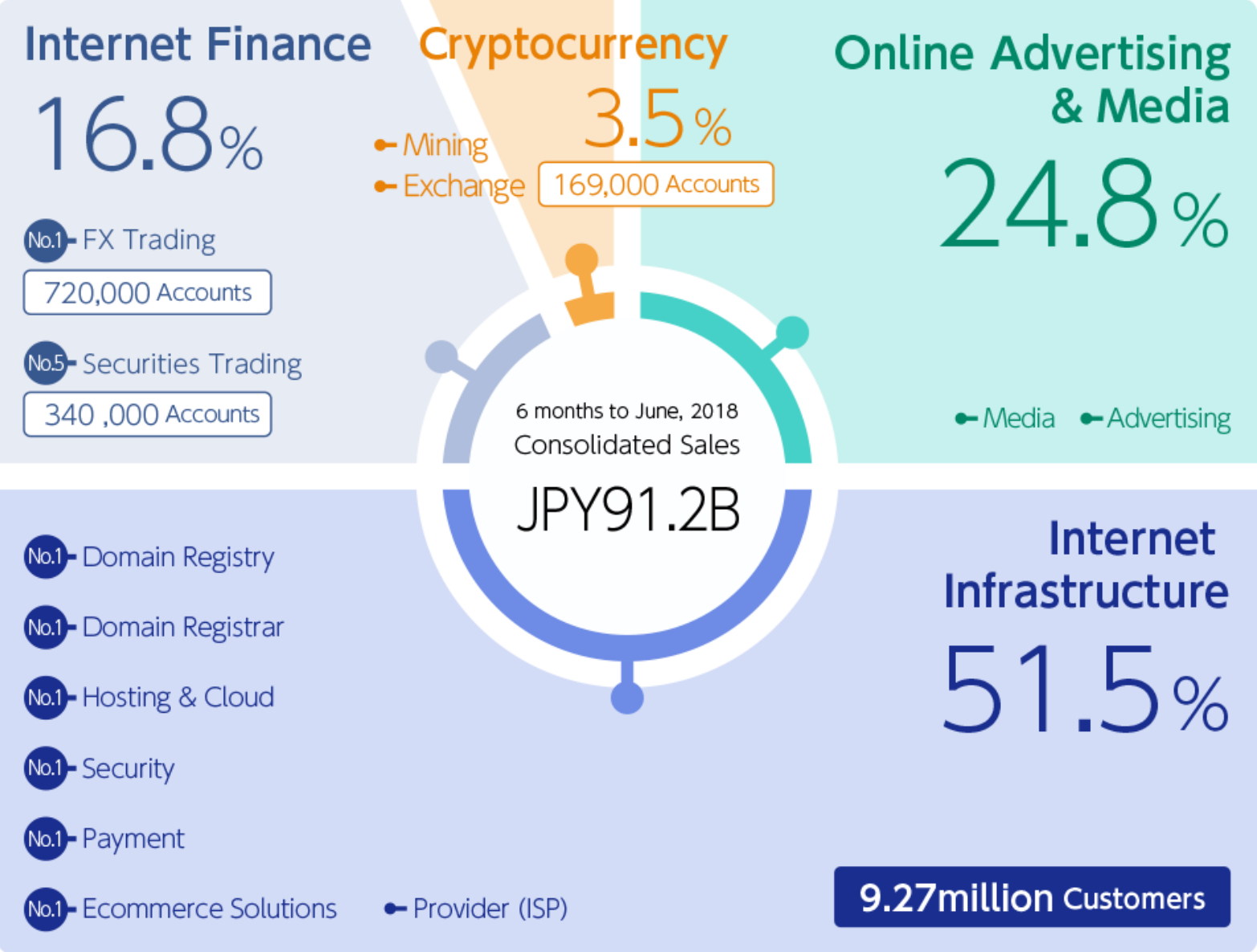
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Group Overview | Listed Group Companies: Equity Share

Stock Code	Stock Name	Exchange	Market Cap ^{*1} (JPY billion)	% Ownership ^{*2}	Equity Share (JPY billion)
9449	GMO Internet	TSE 1	253.0		
3769	GMO Payment Gateway	TSE1	452.4	51.6%	233.4
7177	GMO Financial Holdings	TSE JQS	103.4	80.5%	83.0
3788	GMO CLOUD	TSE1	39.1	51.8%	20.2
3633	GMO Pepabo	TSE JQS	13.1	64.1%	8.3
4784	GMO AD Partners	TSE JQS	7.7	54.9%	4.2
6180	GMO Media	TSE MOTHERS	4.3	65.4%	2.8
3695	GMO Research	TSE MOTHERS	2.8	53.7%	1.5
6026	GMO TECH	TSE MOTHERS	2.6	54.1%	1.4
Group Total			878.4		354.8

*1 Market value as of 8/8/2018
 *2 Includes indirect holdings
 *3 Calculated as the sum of the listed market cap values

Group Overview | Business Segments (Composition)

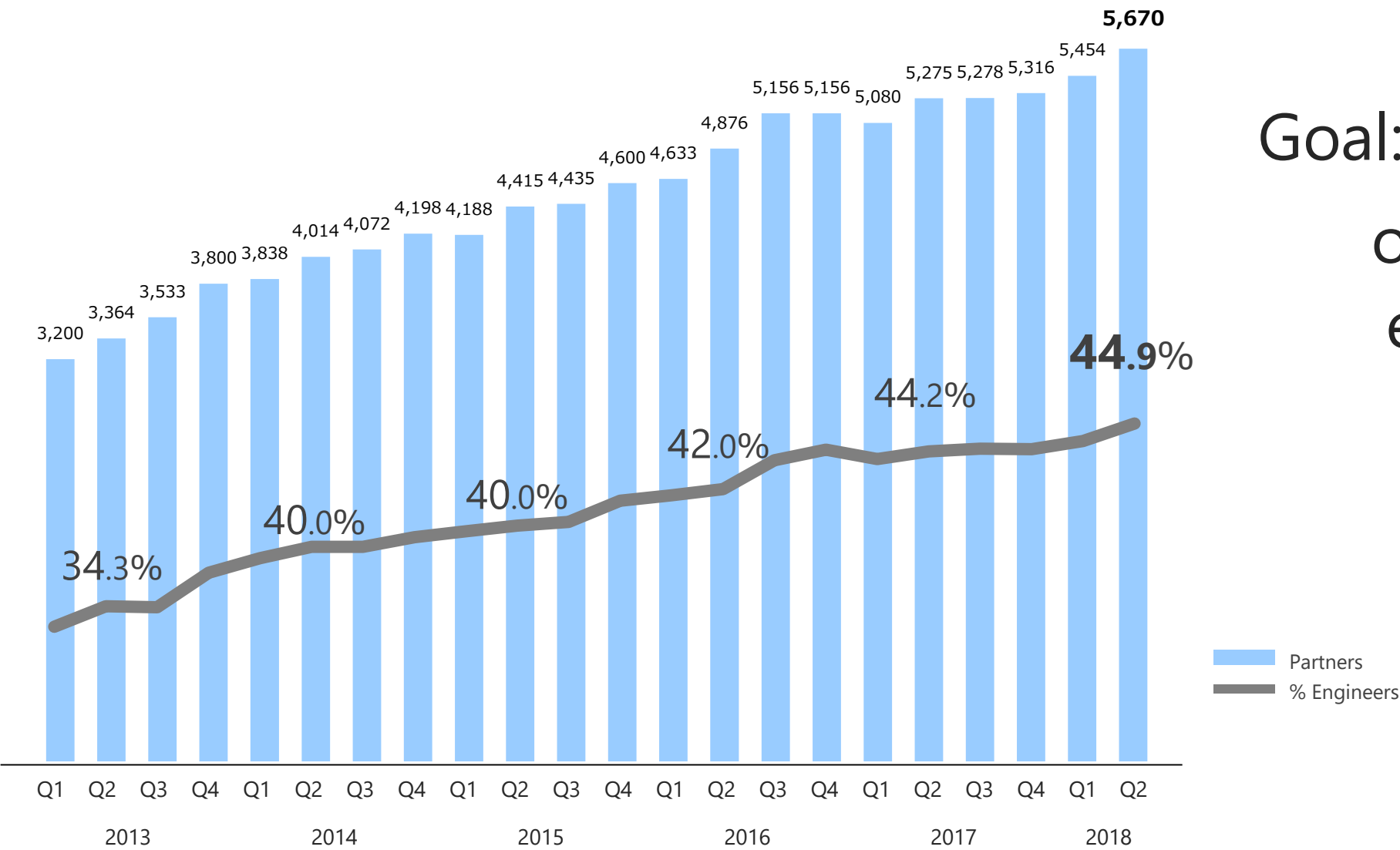


Solid revenue base

10.5M customers

*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



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

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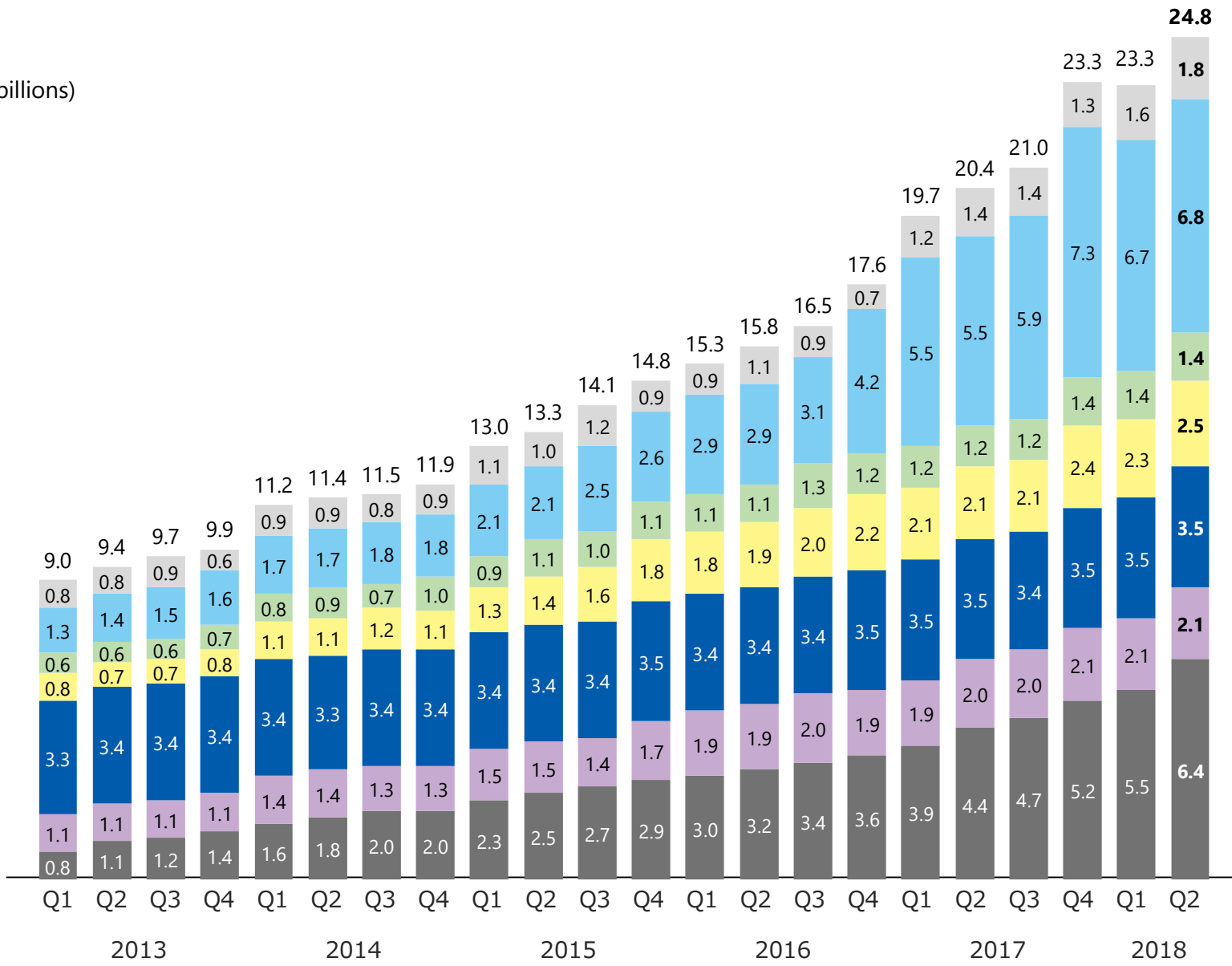
Internet Infrastructure | Segment Composition

Strong No. 1	Domain Registry	GMO REGISTRY GMO BrightsConsulting	Domestic market share at 81.7% ^{*1}
Strong No. 1	Domain Registrar	  	Domestic market share at 87.9% ^{*2}
Strong No. 1	Hosting & Cloud	     	Domestic market share at 56.0% ^{*3}
No. 1	Ecommerce	 	73,000 paid stores
No. 1	Security		YoY increase in certificate issues ^{*4} 40.5%
No. 1	Payment	GMO PAYMENT GATEWAY GMO EPSILON	93,000 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 Q2

Internet Infrastructure | Net Sales by Sub-Segment

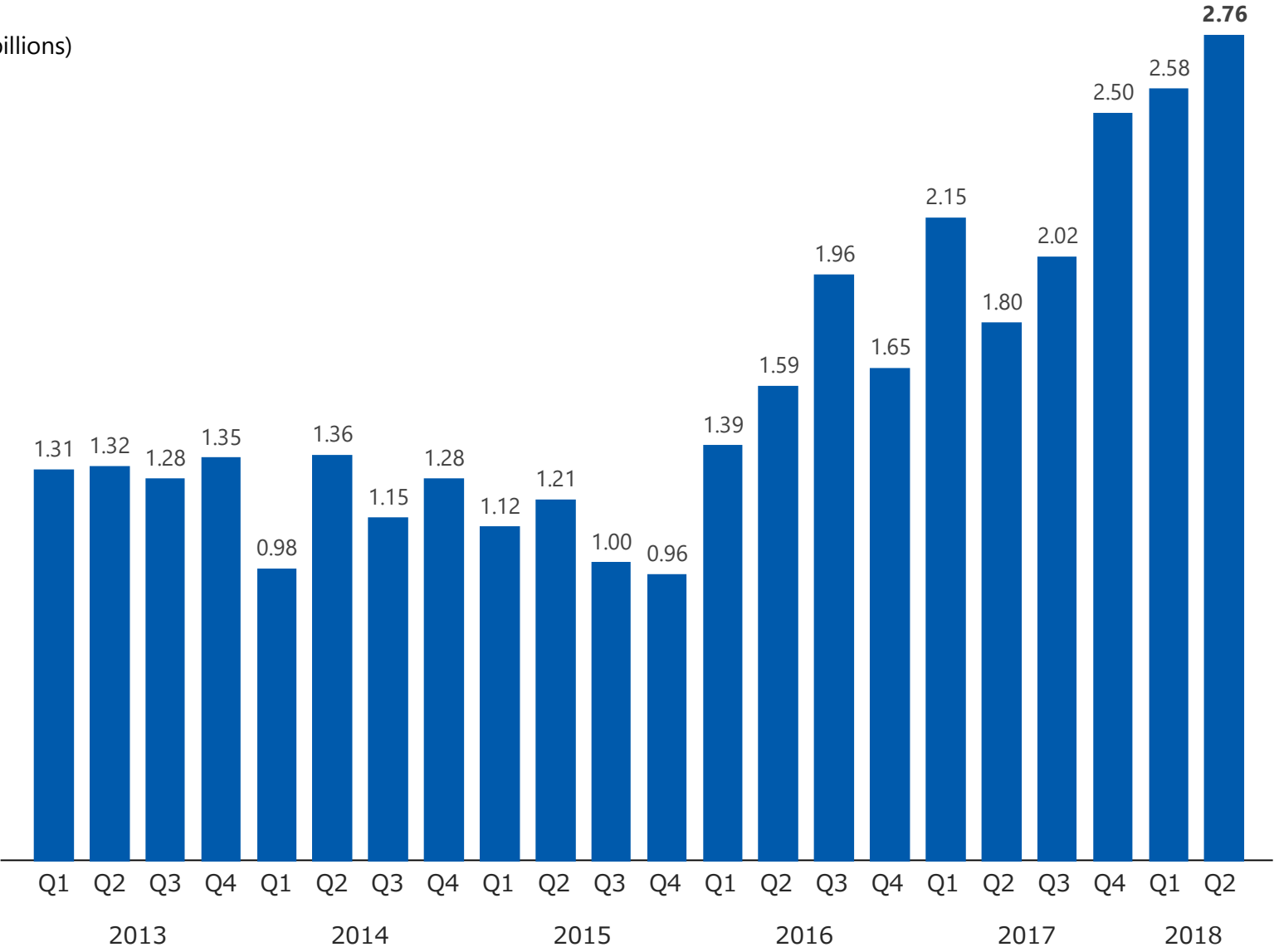
(JPY billions)



Revenue up
21.4%
YoY

Internet Infrastructure | Operating Profit

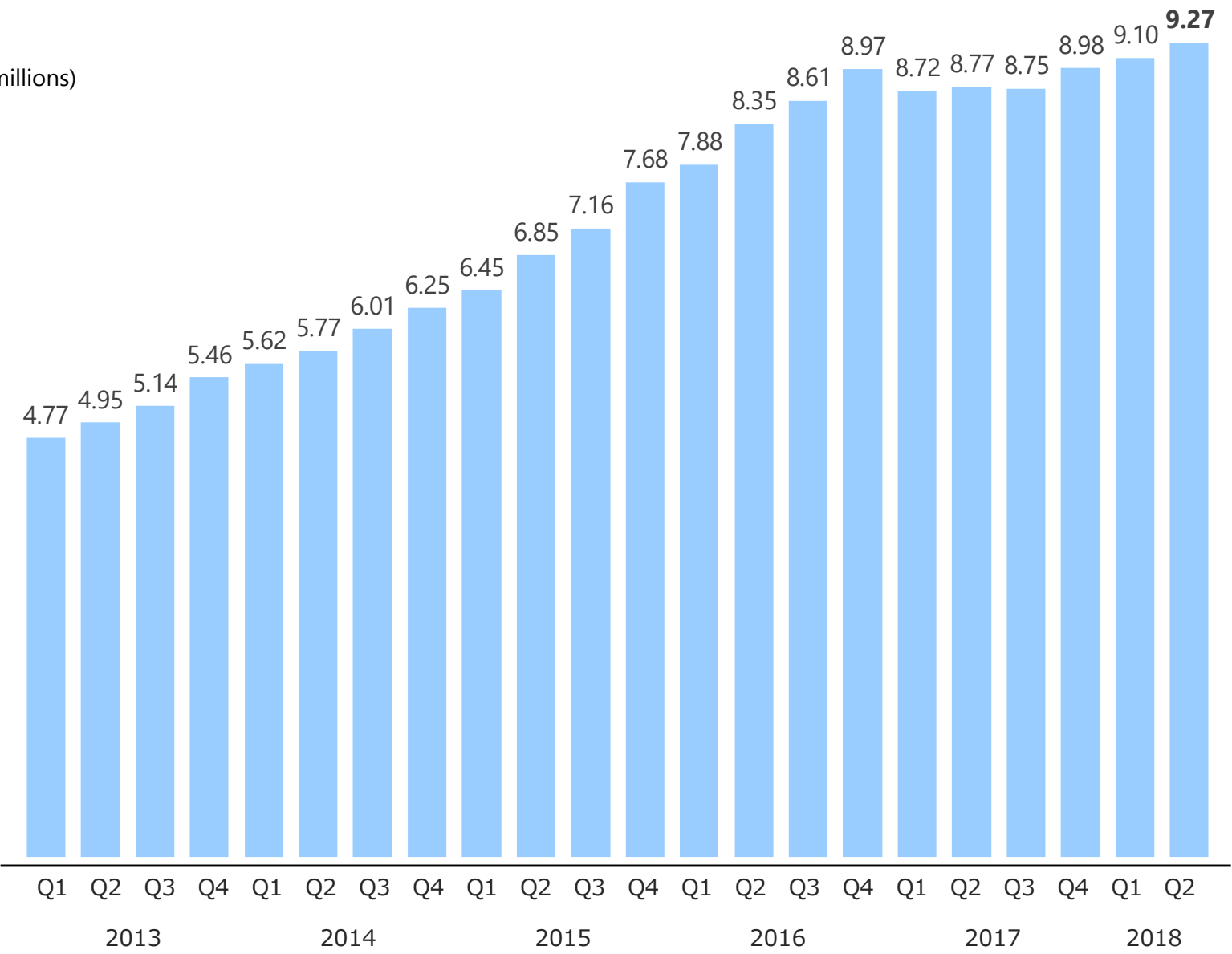
(JPY billions)



Profit up
53.7%
YoY

Internet Infrastructure | Contracts

(JPY millions)



Solid revenue base
9.27M
customers

For **Google Chrome**^{*}, the warning "Not secure" will be shown on insecure websites (websites without SSL)

Current  | www.exmple.com

Future  Not secure | www.exmple.com

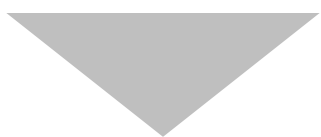


SSL is a global trend

^{*}New Google Chrome browser from July 24, 2018 onwards



Direct debit through smartphone applications linked with bank accounts



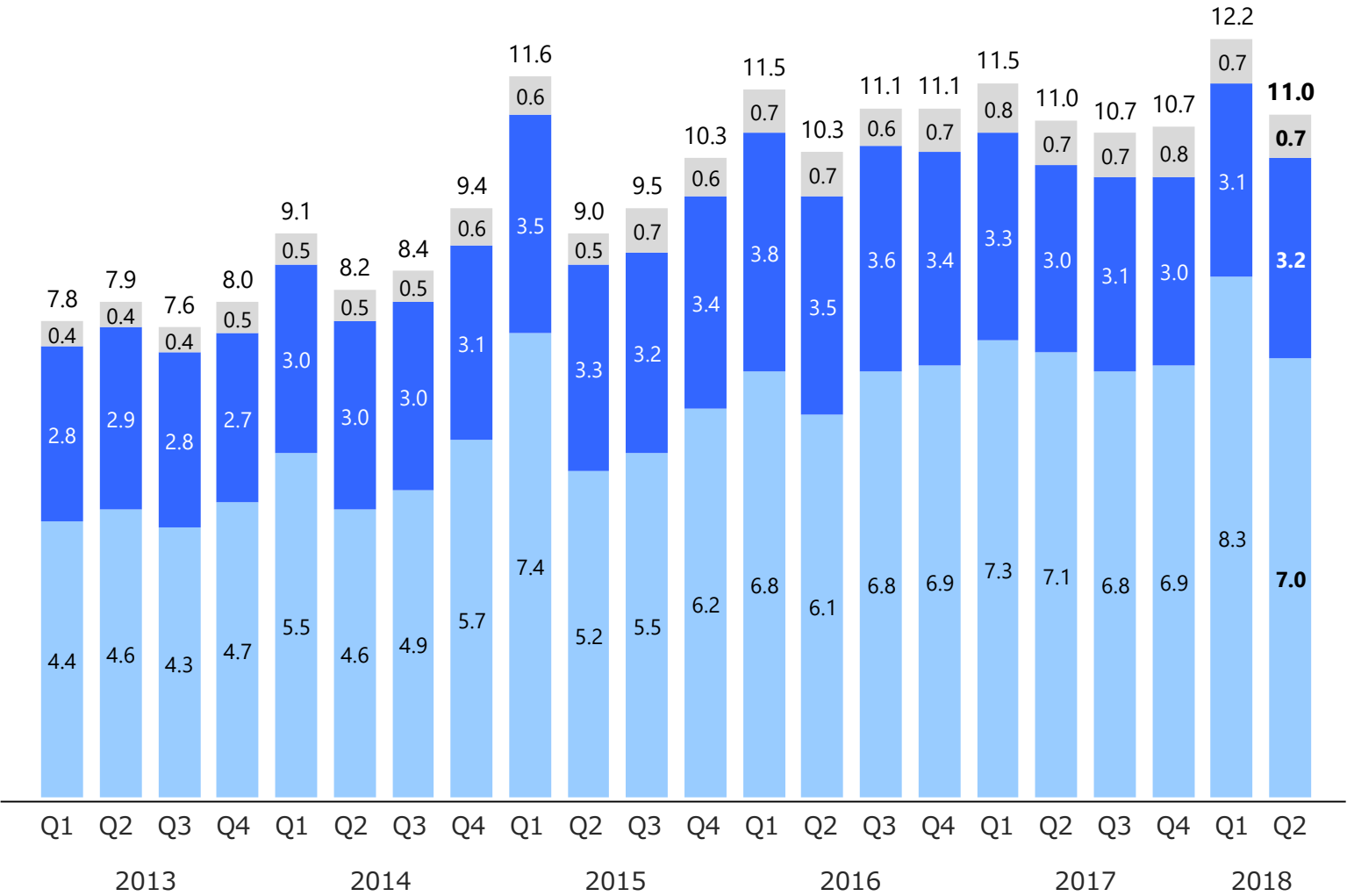
Support financial institutions to expand the availability of cashless payment

*Source: GMO Payment Gateway's FYE 9/2018 3rd Quarter Results Presentation

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Online Advertising & Media | Net Sales

(JPY billions)



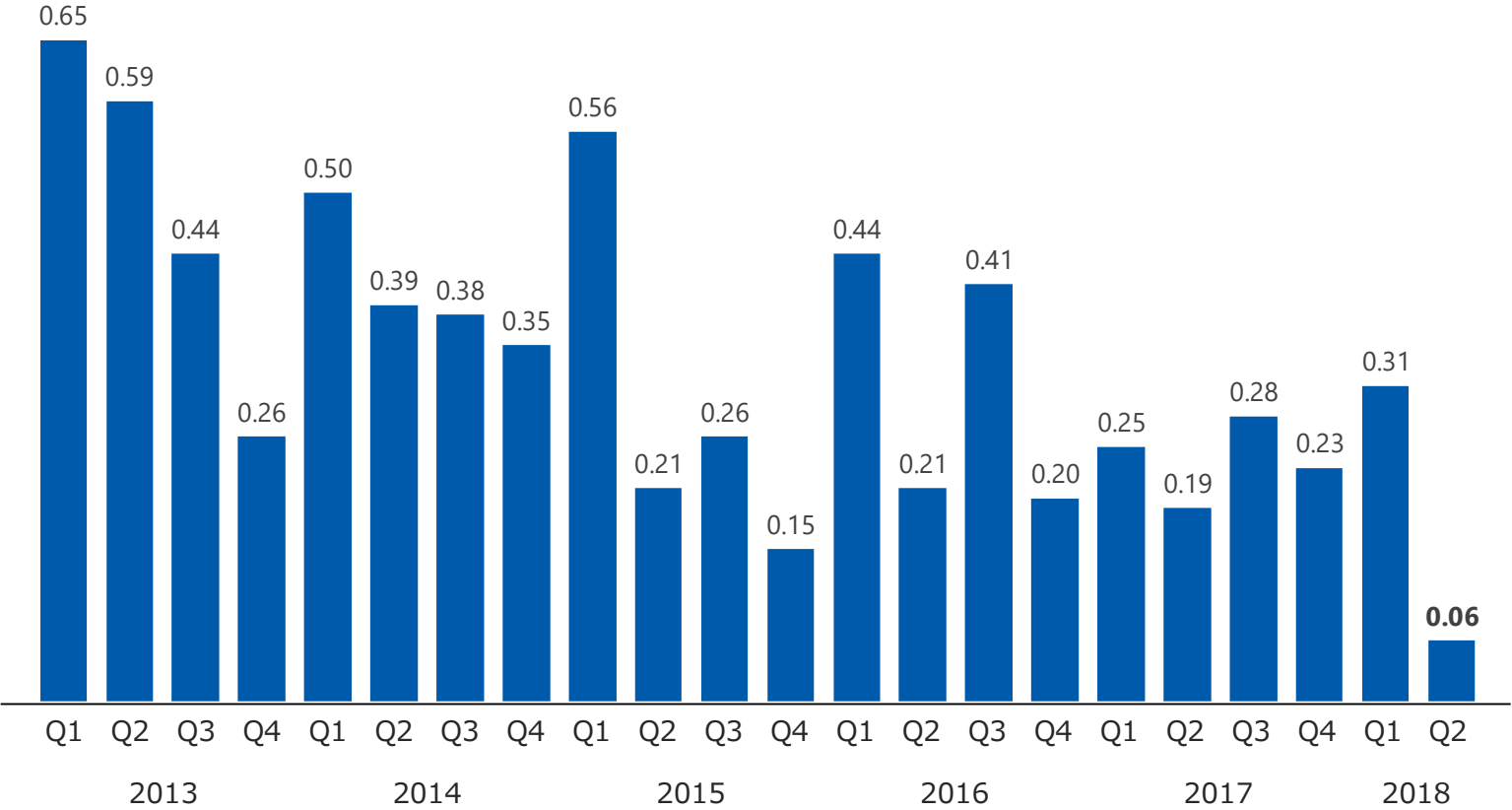
Revenue up
0.1%
YoY

In-feed advertising
"Akane" is successful

Internet Research/Other
Online Advertising
Internet Media

Online Advertising & Media | Operating Profit

(JPY billions)



Profit down

66.4%

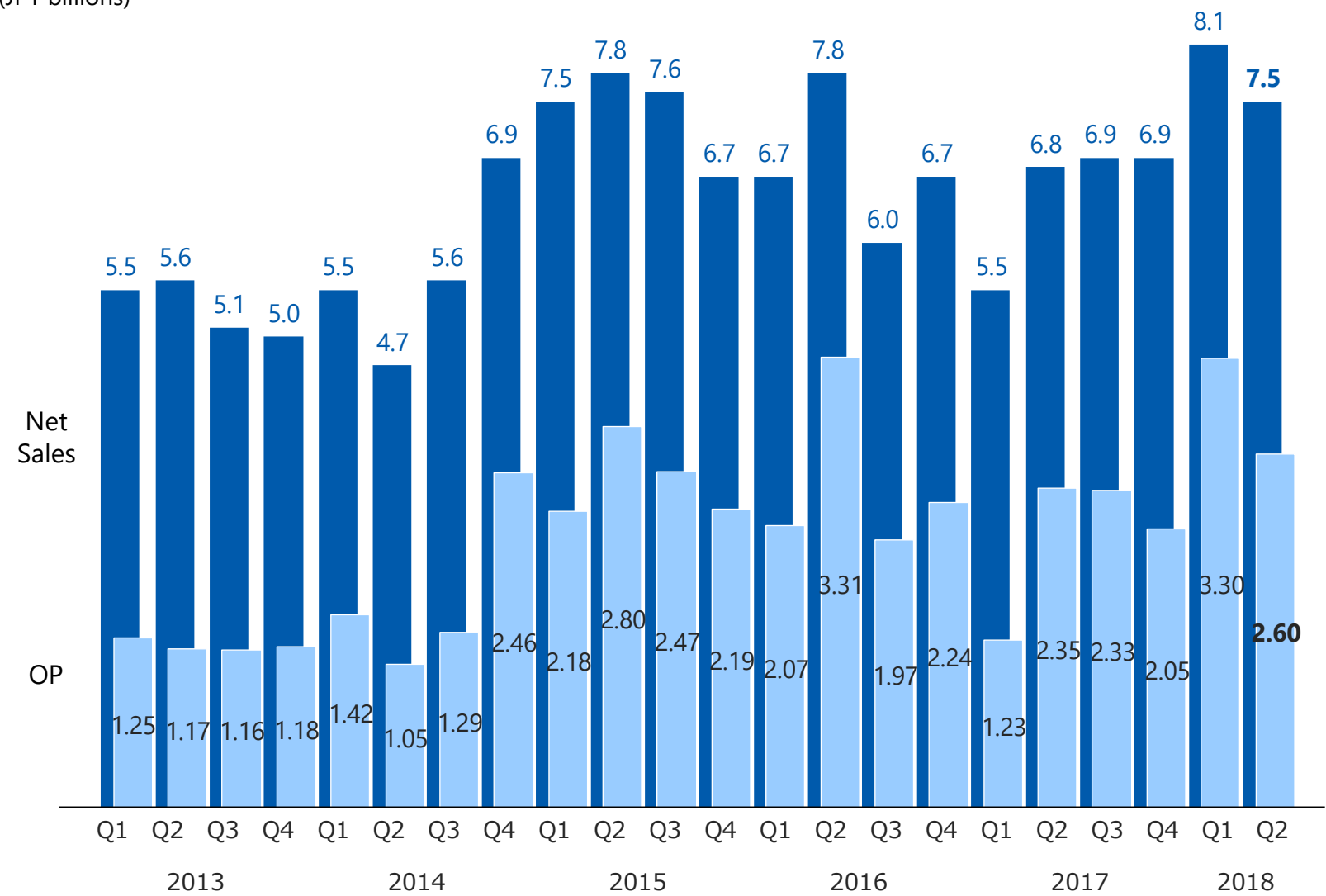
YoY

Affected by ad fraud
issues

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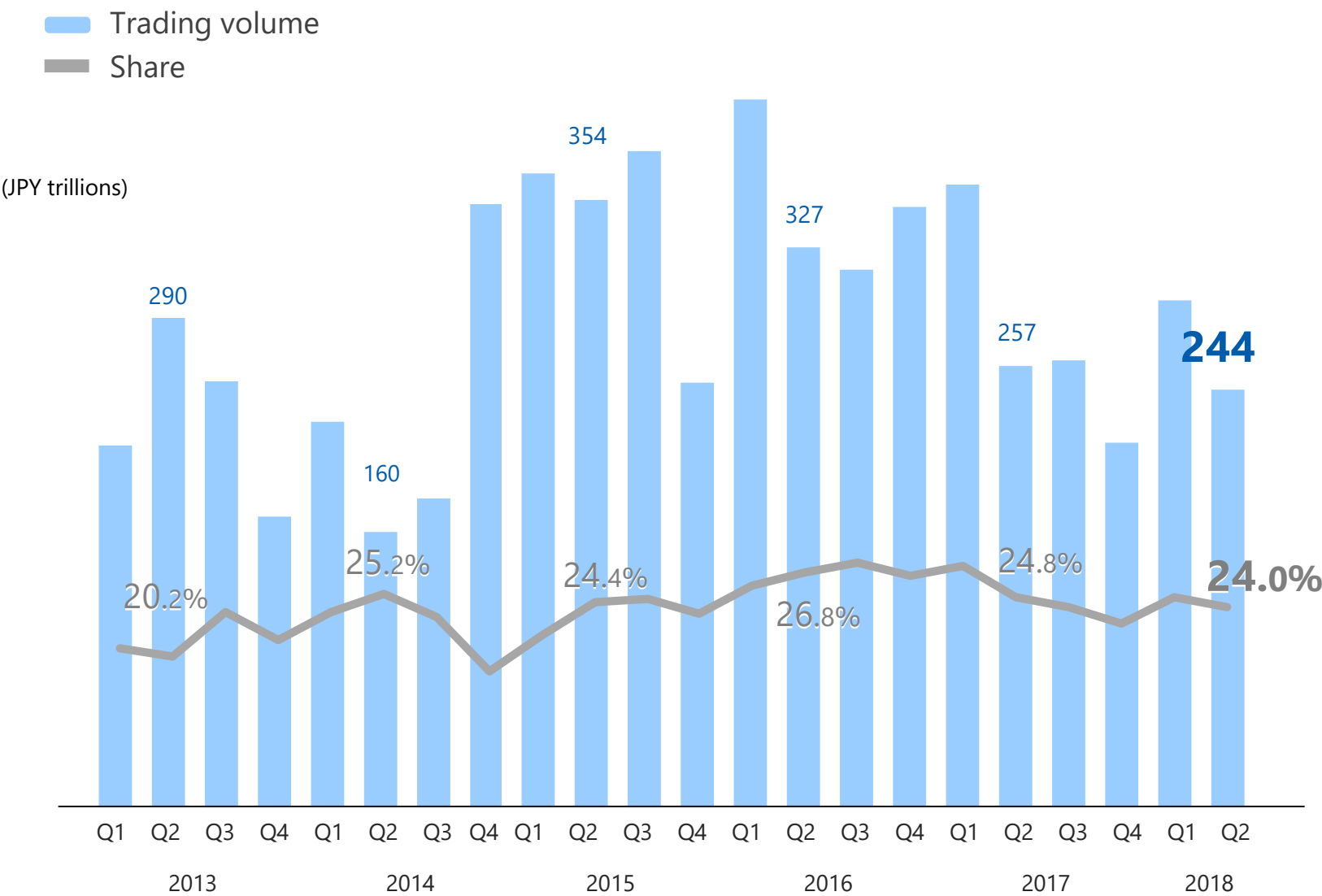
Internet Finance | Historical Performance by Quarter

(JPY billions)



Revenue up
10.1%
Profit up
10.7%
YoY

Internet Finance | FX Trading Volume



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

Prepared based on Results Presentation of GMO Financial HD for Q2 of FY2018 and “Monthly Statistical Bulletin on Over-The Counter Retail FX Margin Trading” published by the Financial Futures Association of Japan (FFAJ)

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Q2 (Apr-Jun) Earnings

Net sales **2.01B** OP **1.56B**



Actual

Operated JPY **14B** worth of funds. **13** out of **114** GMO VP investees have achieved IPOs.

Major IPOs



UZABASE



Major holdings



chatwork



aperza

Lancers



CHANNEL

Name

GMO Global Fintech Fund

Amount

Currently, **4B** yen

GMO FINANCIAL HD **GMO** **CLiCK** SECURITIES

Investor

GMO VENTURE
PARTNERS

 **Money Forward**

大和証券グループ本社
Daiwa Securities Group Inc.

Application period

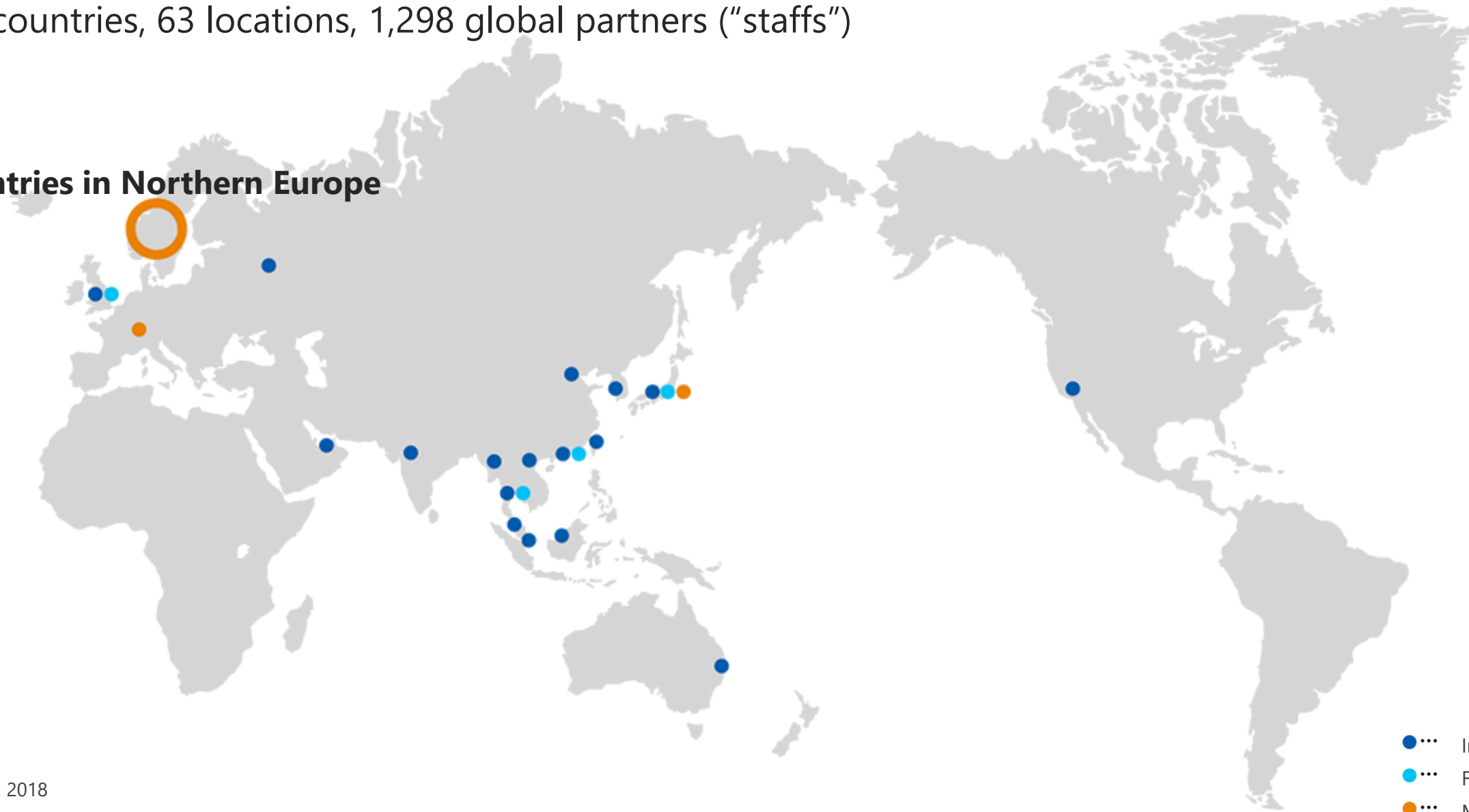
Until May 31, 2019

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Global Operations | Locations

23 countries, 63 locations, 1,298 global partners ("staffs")

2 countries in Northern Europe



*As of June, 2018

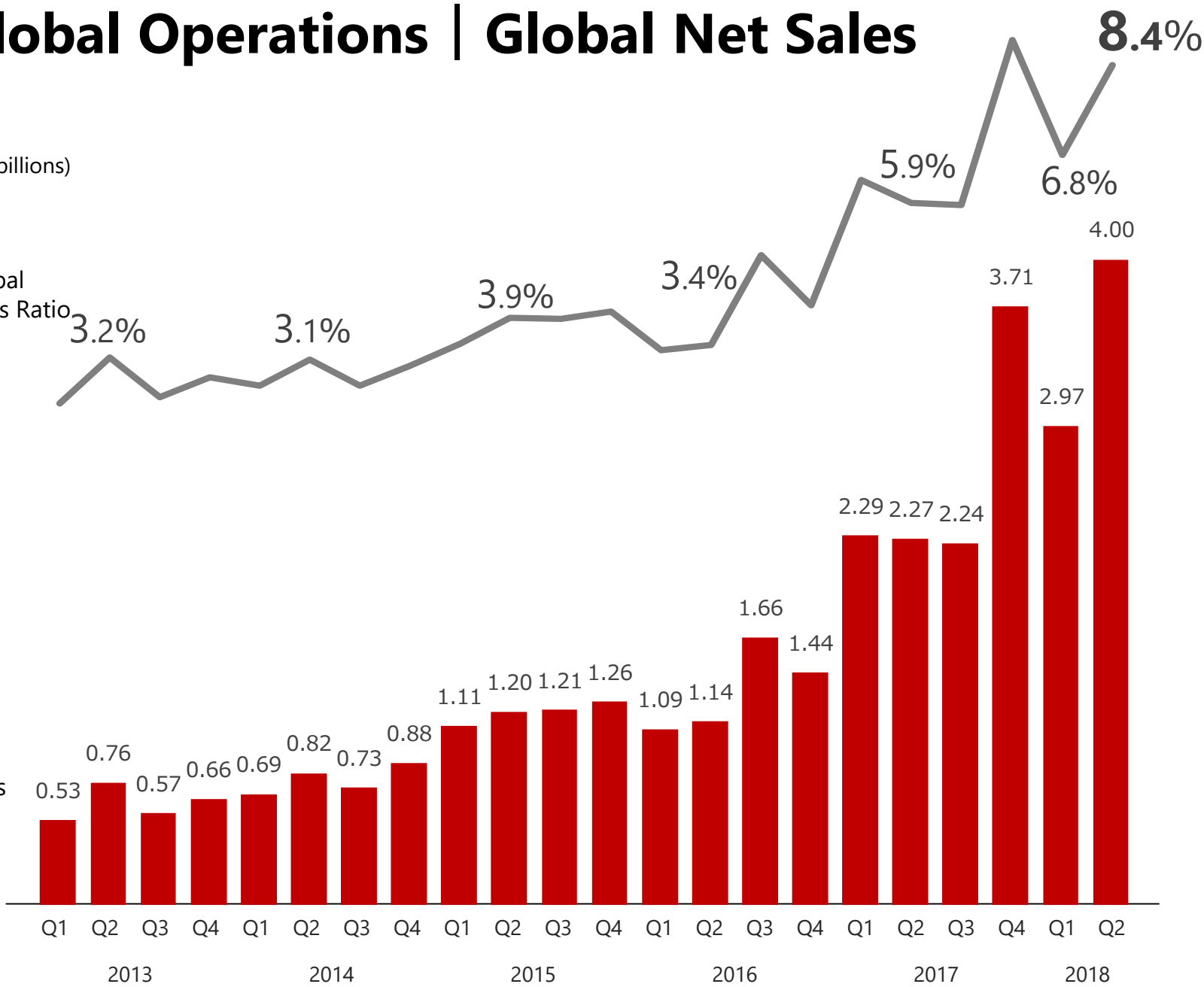
- Infrastructure
- Finance
- Mining

Global Operations | Global Net Sales

(JPY billions)

Global Sales Ratio

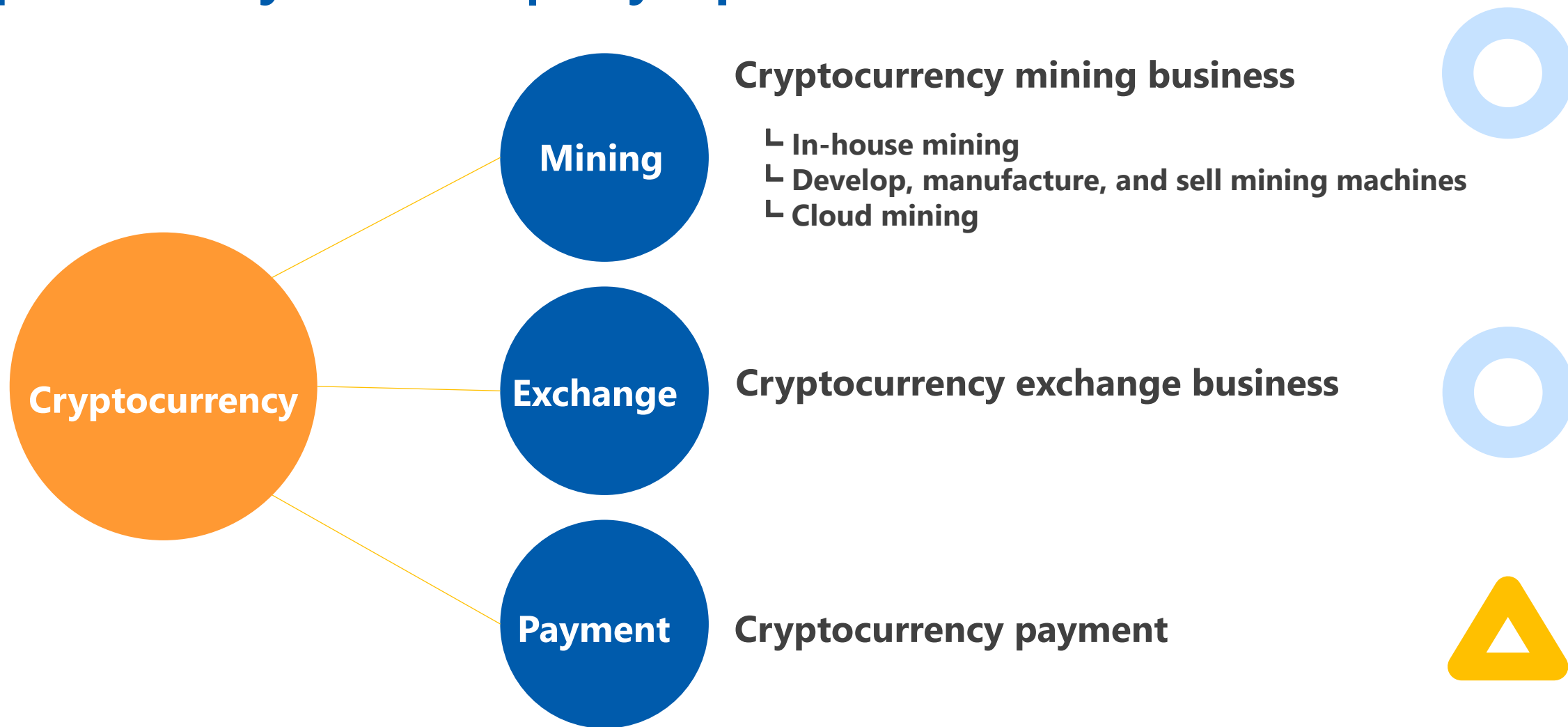
Net Sales



75.6%
YoY growth

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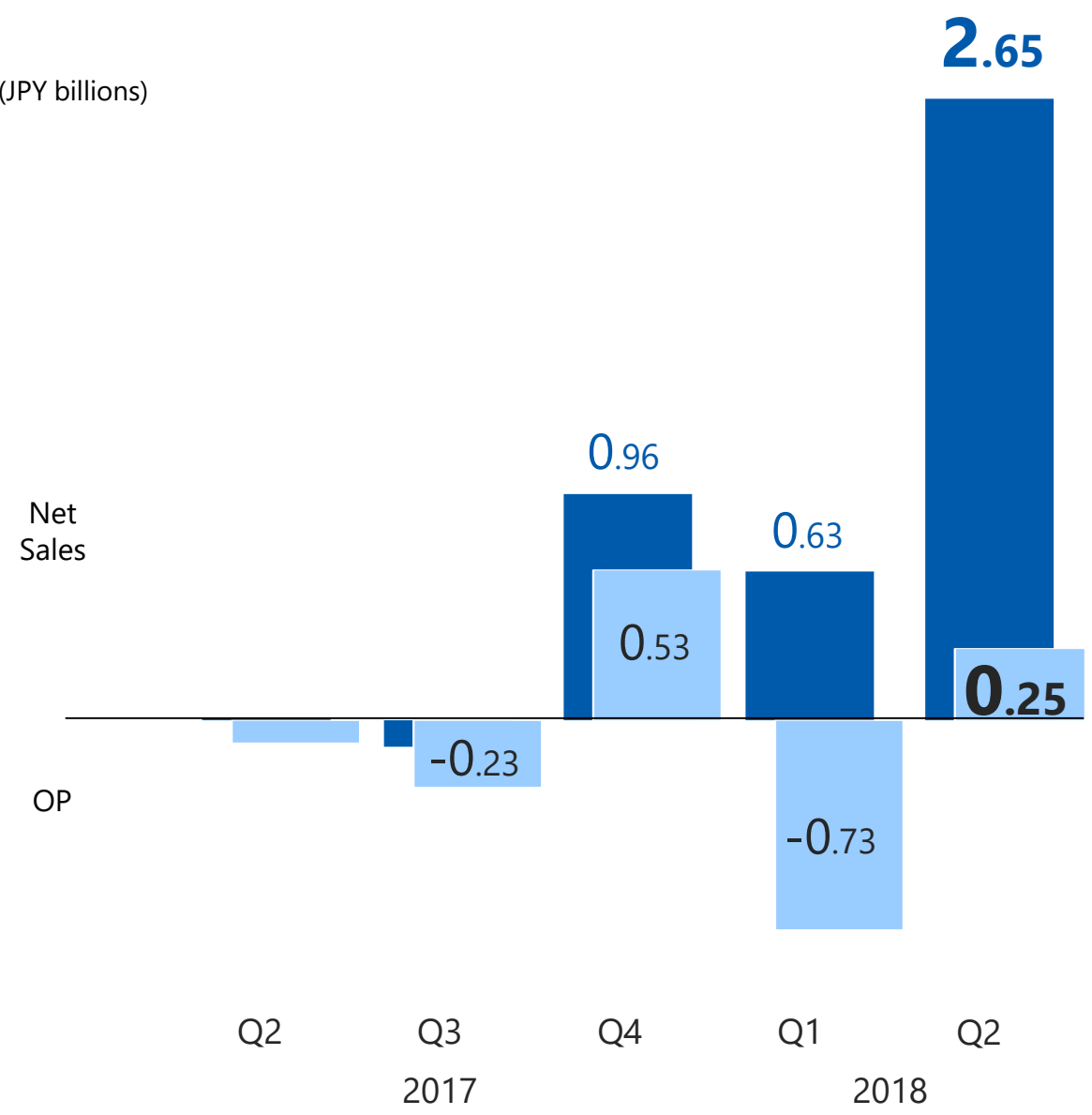
Cryptocurrency business | Major policies



Aim to become No. 1 in the field of cryptocurrency

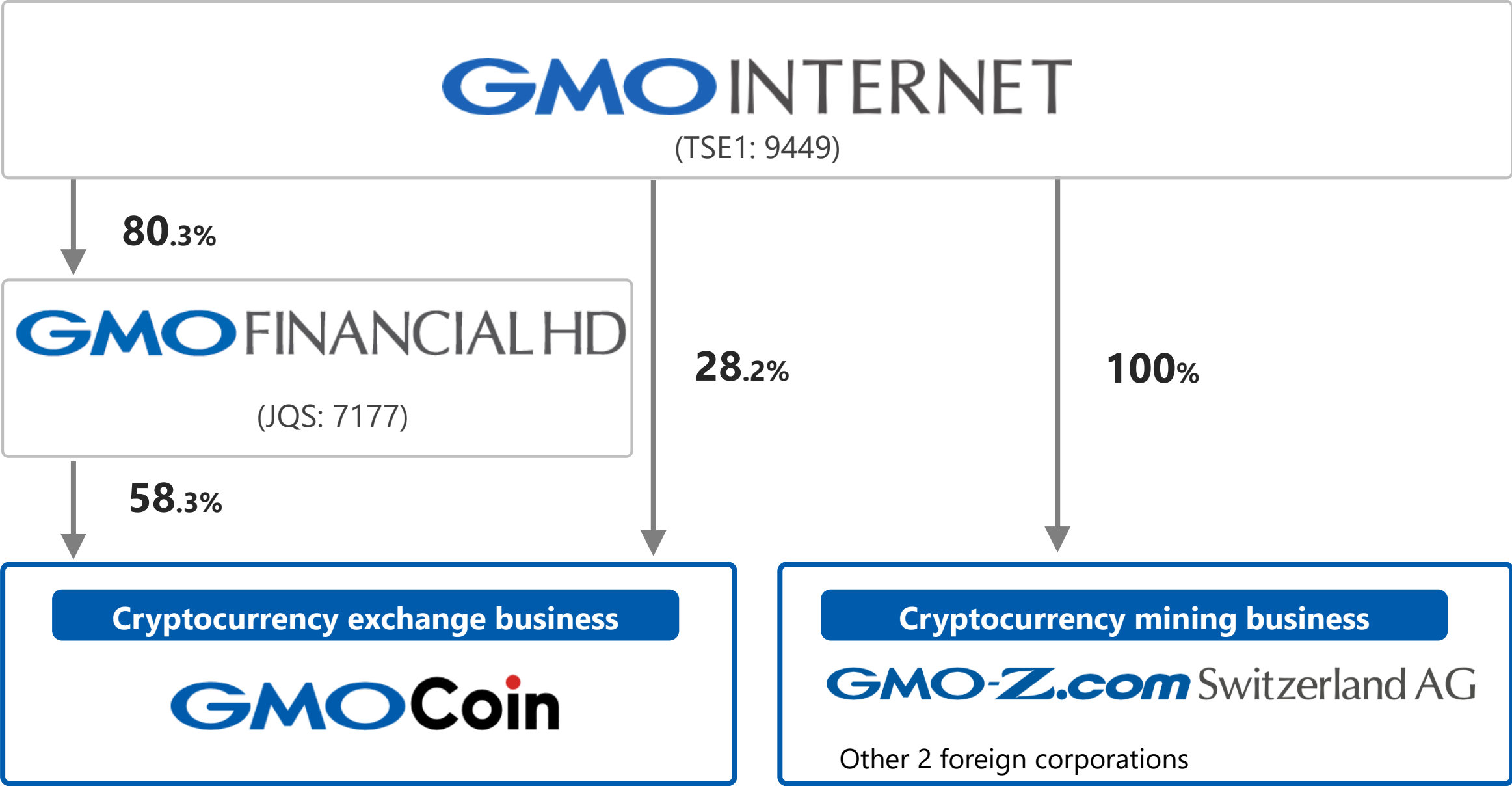
Cryptocurrency business | Historical performance by quarter

(JPY billions)



Revenue of JPY **2.6B** in just a year since the launch

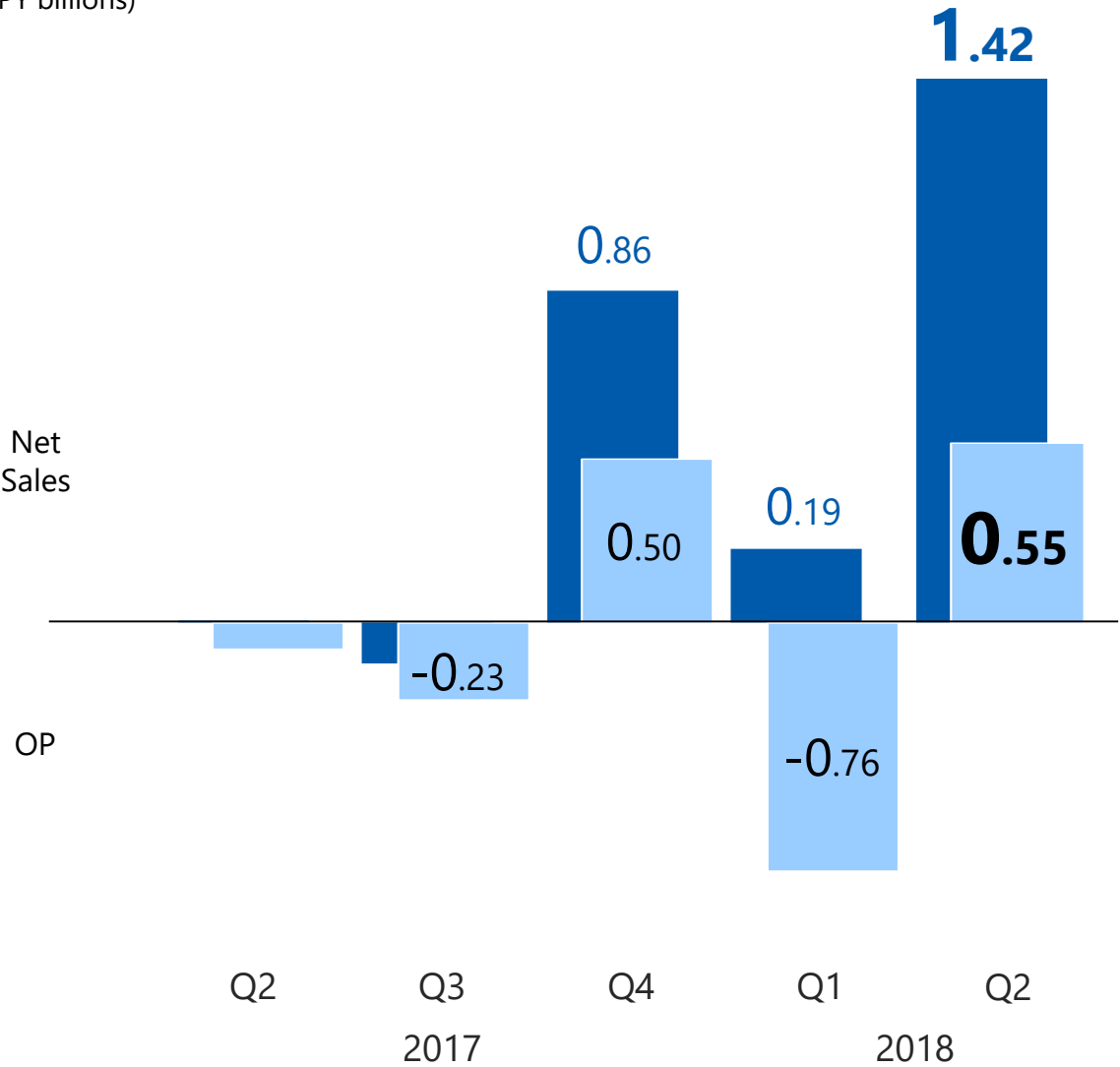
Cryptocurrency business | Operators and capital-based relationships



Cryptocurrency exchange business | Historical performance by quarter



(JPY billions)



Revenue increased

7.3-fold

QoQ

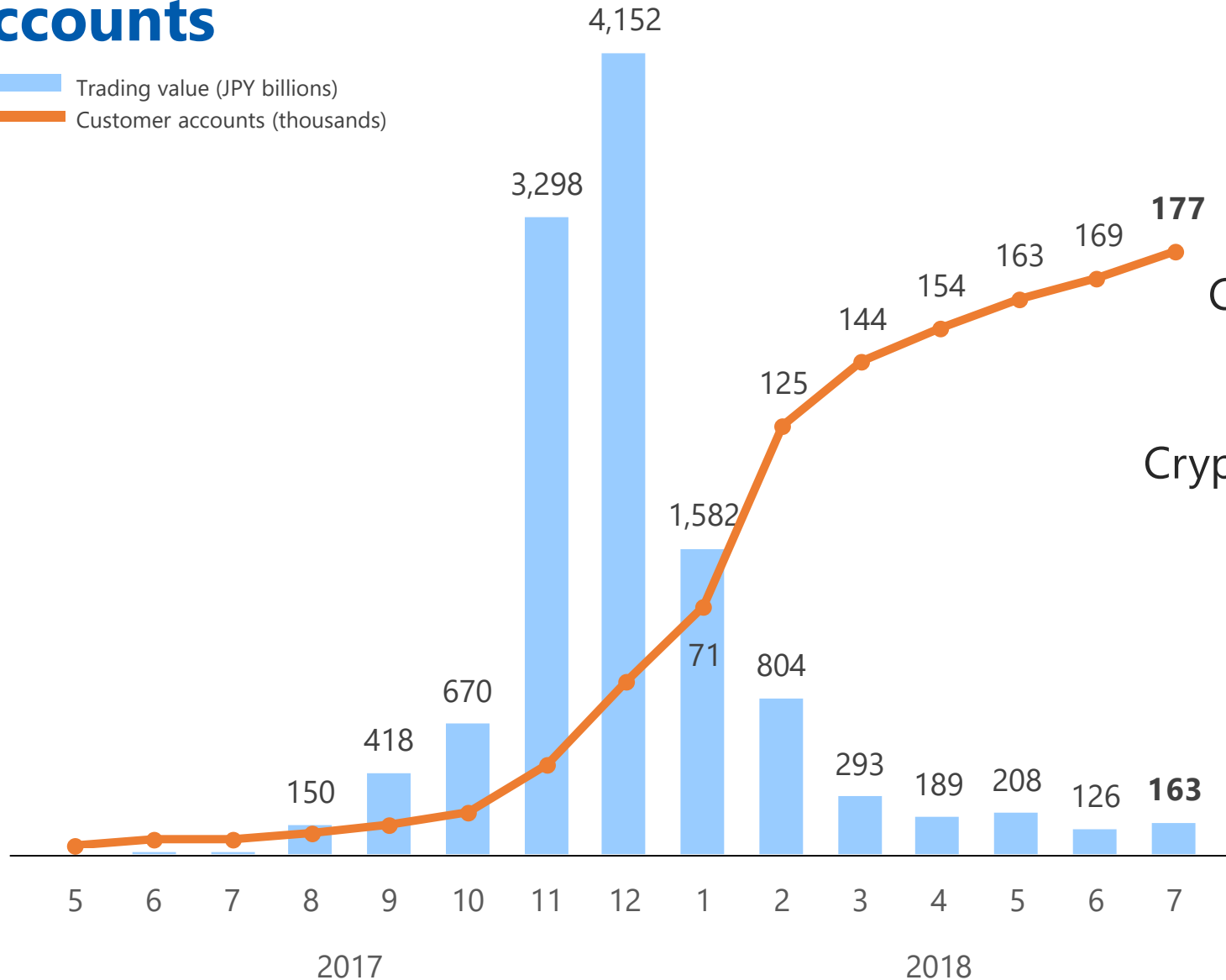
Achieved positive figures

Building revenue base that
is not affected by price
fluctuations

Cryptocurrency exchange business | Trading value and customer accounts

GMOCoin

Trading value (JPY billions)
Customer accounts (thousands)



Customer accounts are growing steadily

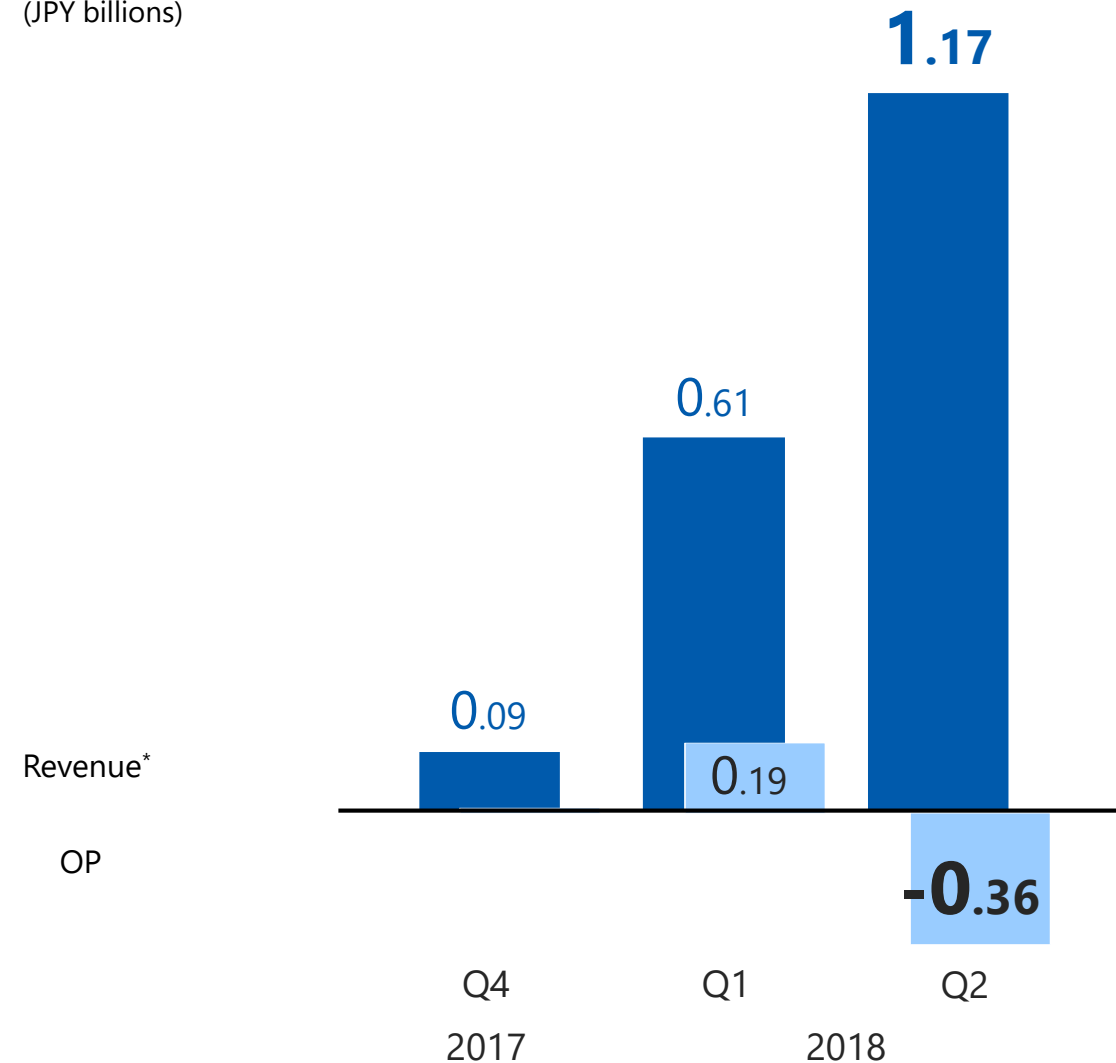
Cryptocurrency accounts: **177k** in 1 year

FX accounts: **720k** in 13 years

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Cryptocurrency mining business | Historical performance by quarter

(JPY billions)



Revenue up

91.8%

QoQ

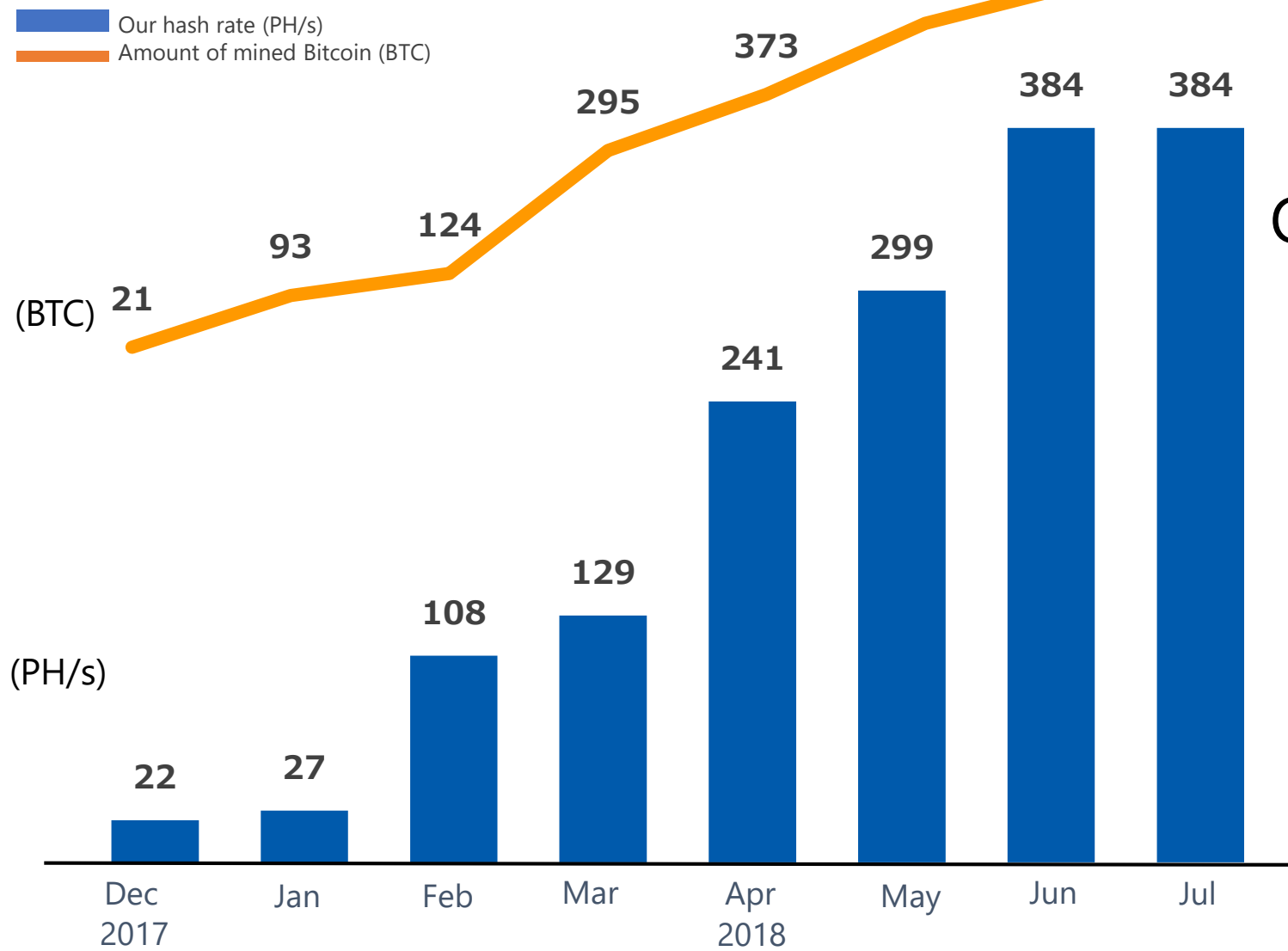
Our hash rate is increasing
as expected

Loss was against our
expectation

Change in policy

*Gross figure including revaluation gain (loss) of cryptocurrency, which was -0.16B in Q1 and +0.06B in Q2

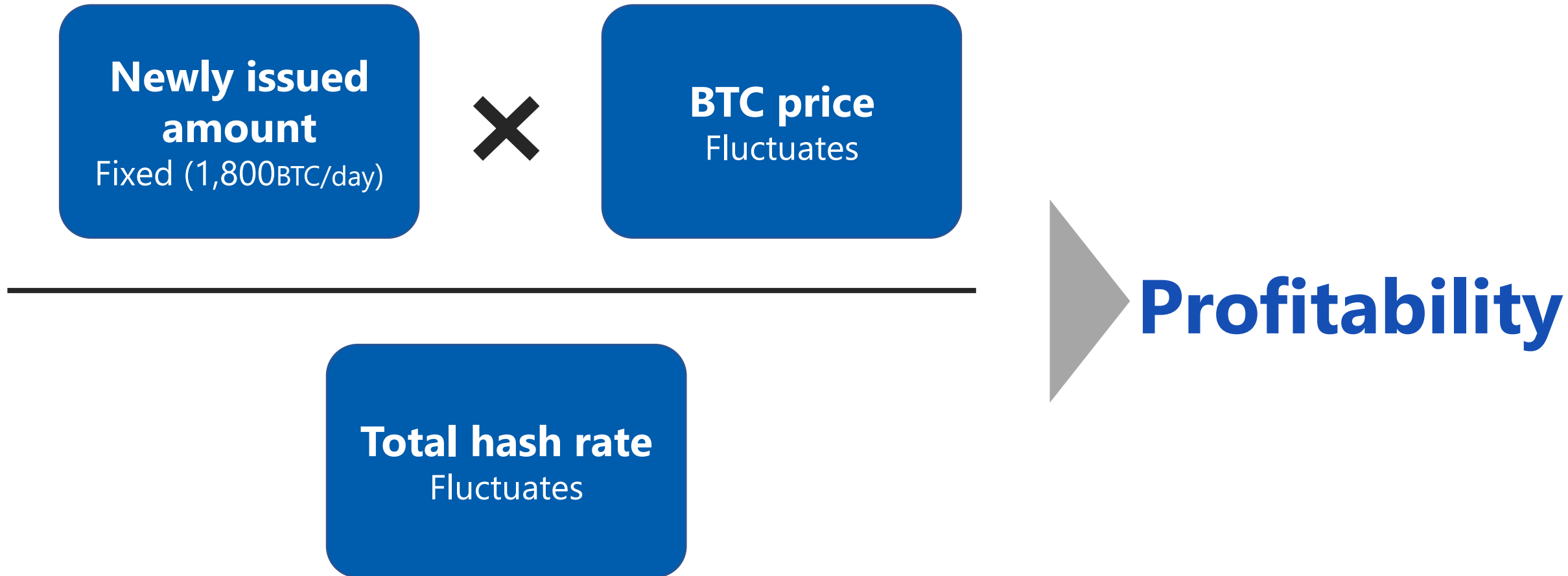
Cryptocurrency mining business | Our hash rate and the amount of mined Bitcoin



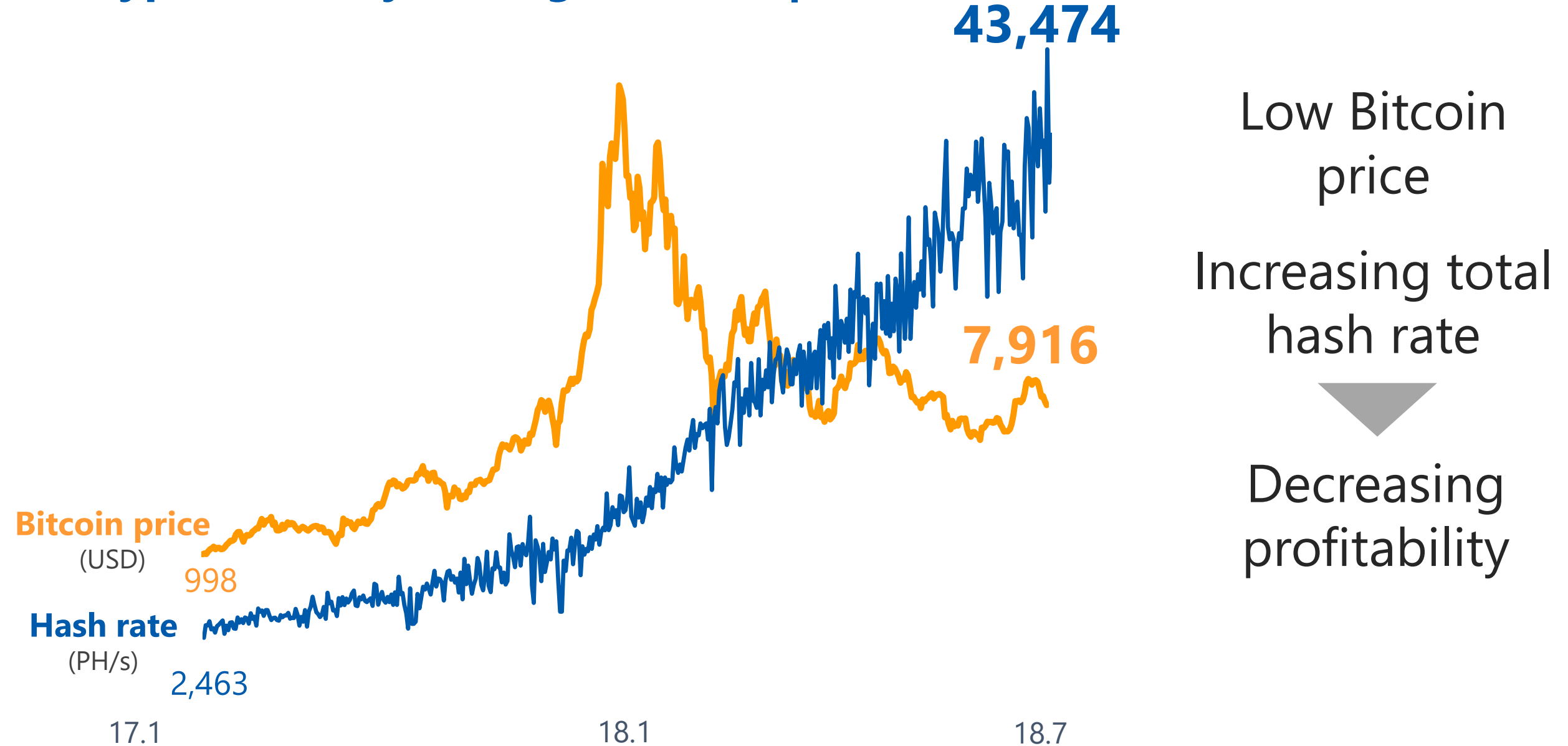
Our hash rate and the amount of mined Bitcoin increased as planned until June

Change in policy in July

Cryptocurrency mining business | Profitability



Cryptocurrency mining business | Bitcoin macro environment



Cryptocurrency mining business | Organize issues

External factors (uncontrollable)

- ① Low Bitcoin price
- ② Increasing total hash rate

Measures

Change in priority

Internal factors (only ③ is controllable)

- ① Purchase price of existing mining technologies (JPY 260K → 60K)
- ② Depreciation period (usually 5 years → 2 years)
- ③ Electricity cost

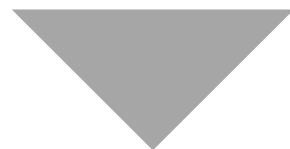
① and ② cannot be changed

Secure more inexpensive power supply

Cryptocurrency mining business | Change in priority

Before In-house mining > Cloud mining > Sell machines

After Sell machines > In-house mining > Cloud mining



Effect: control investment & early payback

Cryptocurrency mining business | Mining machine specs



GMO miner **B2**



GMO miner **B3**

Capability	24 TH/s	24-33 TH/s (variable)
Power consumption	1,950 W/unit (81 W/TH)	1,950-3,417 W/unit (81-103 W/TH)
Price	USD 1,999	USD 1,999
Delivery	October (tentative)	October (tentative)

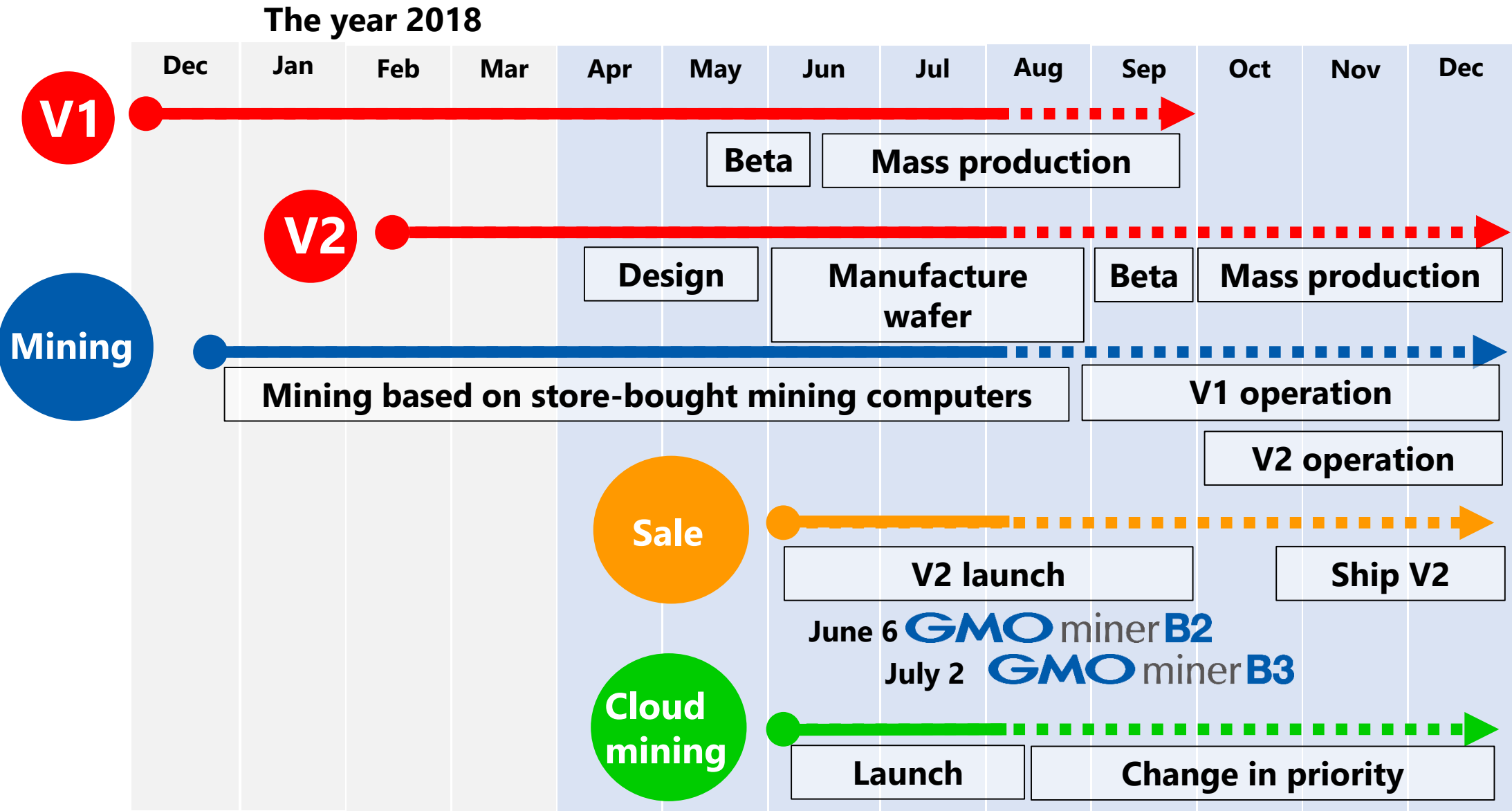
SOLD OUT

Cryptocurrency mining business | **GMO**miner information session



Japan	June 6: Cerulean Tower
Hong Kong	June 26: Grand Hyatt
Singapore	June 28: Conrad Centennial Singapore
Dubai	July 2: Conrad Dubai
Frankfurt	July 6: Jumeirah Frankfurt
Zurich	July 9: Park Hyatt Zurich
London	July 11: The Savoy
Los Angeles	July 17: Beverly Wilshire, Four Seasons Hotel
New York	July 19: Sofitel New York
Moscow	July 30: The Ritz-Carlton Moscow

Cryptocurrency mining business | Plan



Cryptocurrency mining business | Summary

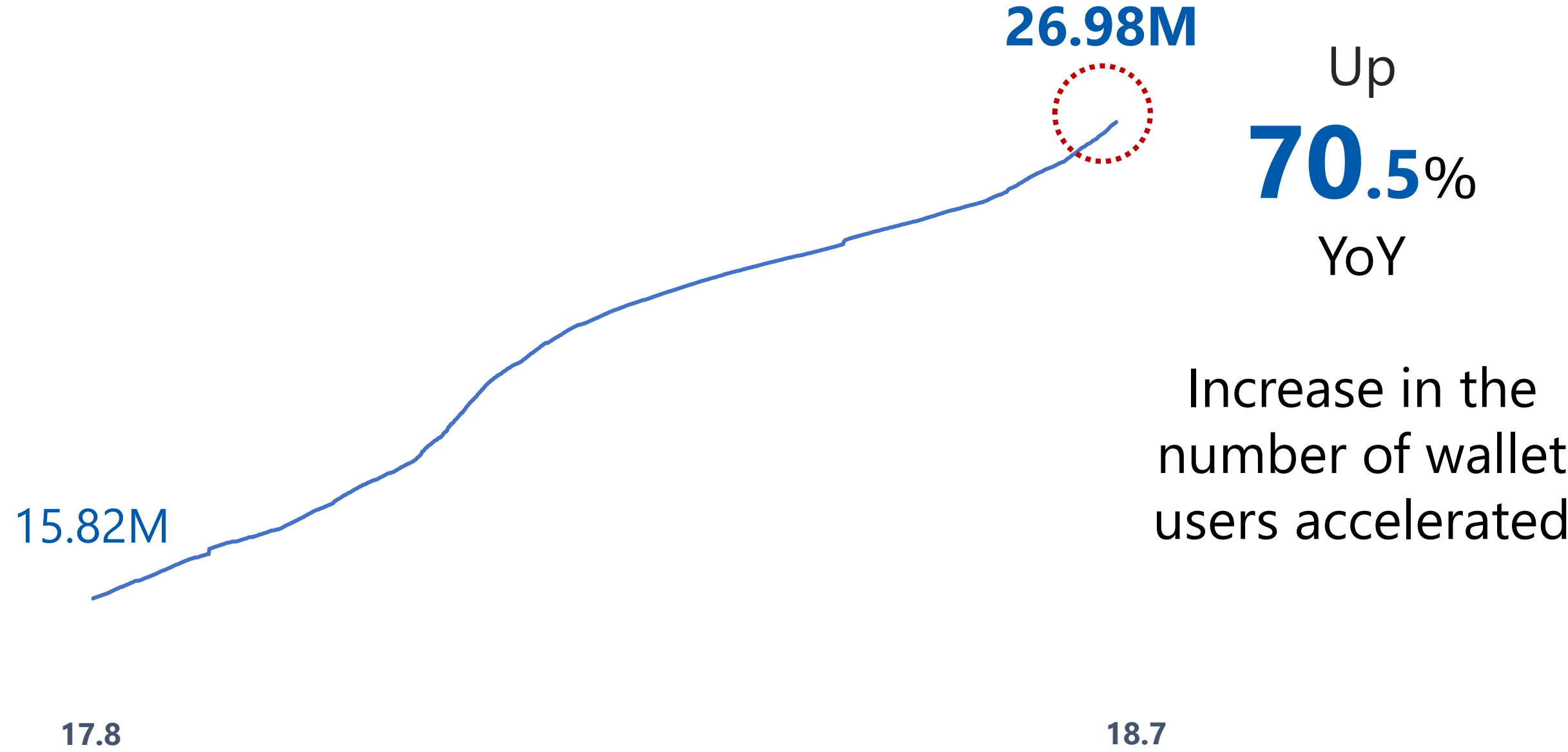
Q4'17

Q1'18

Q2'18

External environment	BTC market value: Rise Total hash rate (HR): 23,000 PH/s	Around USD 10K 30,000 PH/s	Dropped to USD 6,000-7,000 Exceeded 40,000 PH/s in June
Investment	Target HR: 3,000 PH/s FY2018: JPY 38.0B	No change	Shift to sale Control investment & early payback
Development status	April: Mining based on our own chips June: 7 nm chip operation	April: Mining based on store-bought mining computers June: 7 nm (V1) operation October: 7 nm (V2) operation	April: Mining based on store-bought mining computers June: 7 nm (V1) operation October: 7 nm (V2) operation
In-house mining	As planned	As planned	Shift to sale
Sale	-	From Q2 onwards: Start accepting reservation From Q4 onwards: Launch	June: Start accepting reservation October: Shipment (tentative)
Cloud mining	To be launched in August	To be launched in June	Change in priority

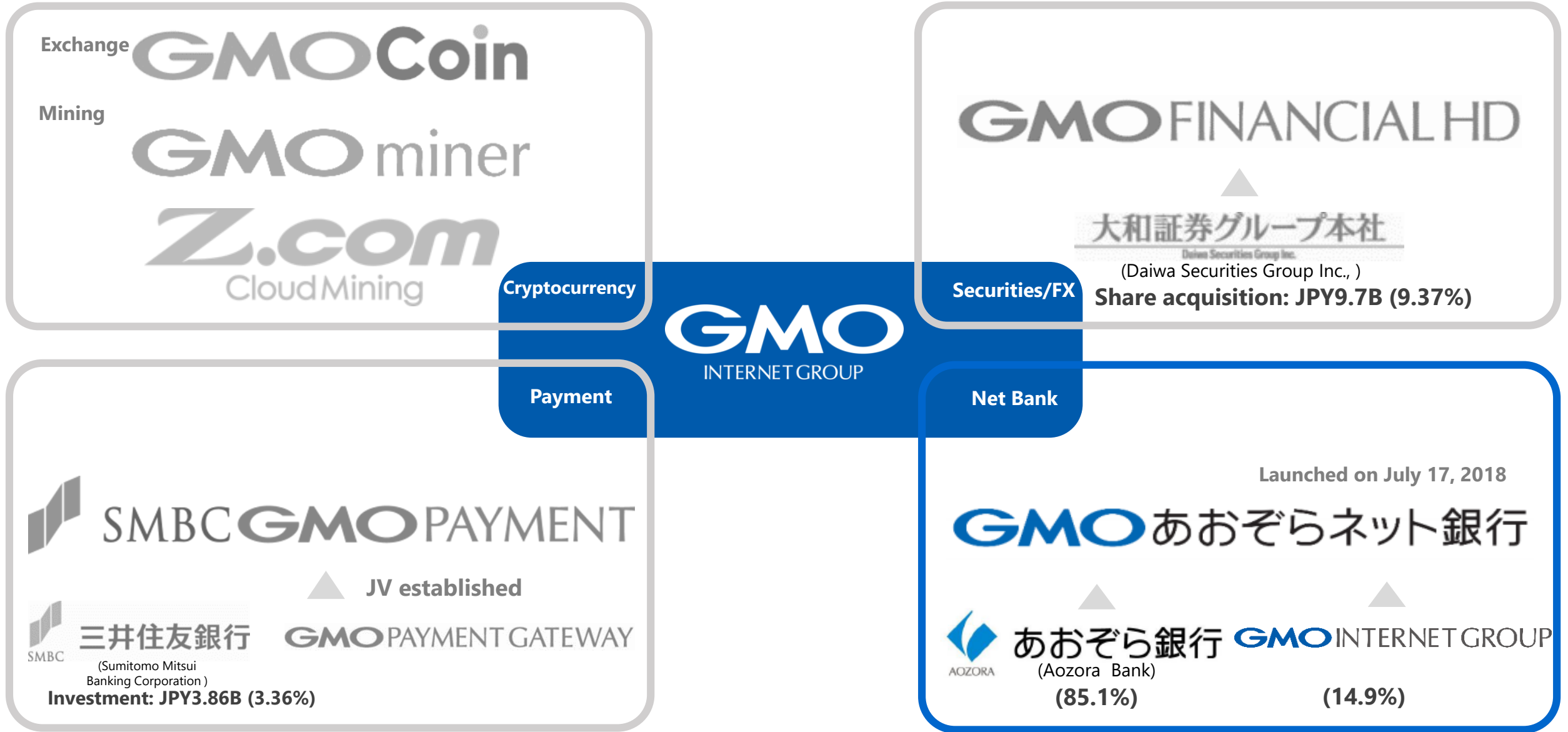
Cryptocurrency mining business | Number of wallet users



*Source: blockchain.com. The above graph shows the number of Blockchain Wallet Users.

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Finance, Payment, and Cryptocurrency



Customer first at any time to become the
No.1 technology bank



あおぞら銀行
(Aozora Bank)

**Technological
strengths in finance**

Management expertise

*Source: GMO Aozora Net Bank launch presentation on July 17, 2018

Strengths

Self-developed

**Group's solid
customer base**

**Utilizing
pioneering
technology**

Points of differentiation

**Price
competitiveness**

Speed

Innovative service

*Source: GMO Aozora Net Bank launch presentation on July 17, 2018

Available 24 hours a day, every day



Smartphone application



Cash card

High-security debit card (next spring)



ATM

Seven Bank & AEON Bank (next spring)

*Source: GMO Aozora Net Bank launch presentation on July 17, 2018

Net Bank | GMO Internet Group's strengths

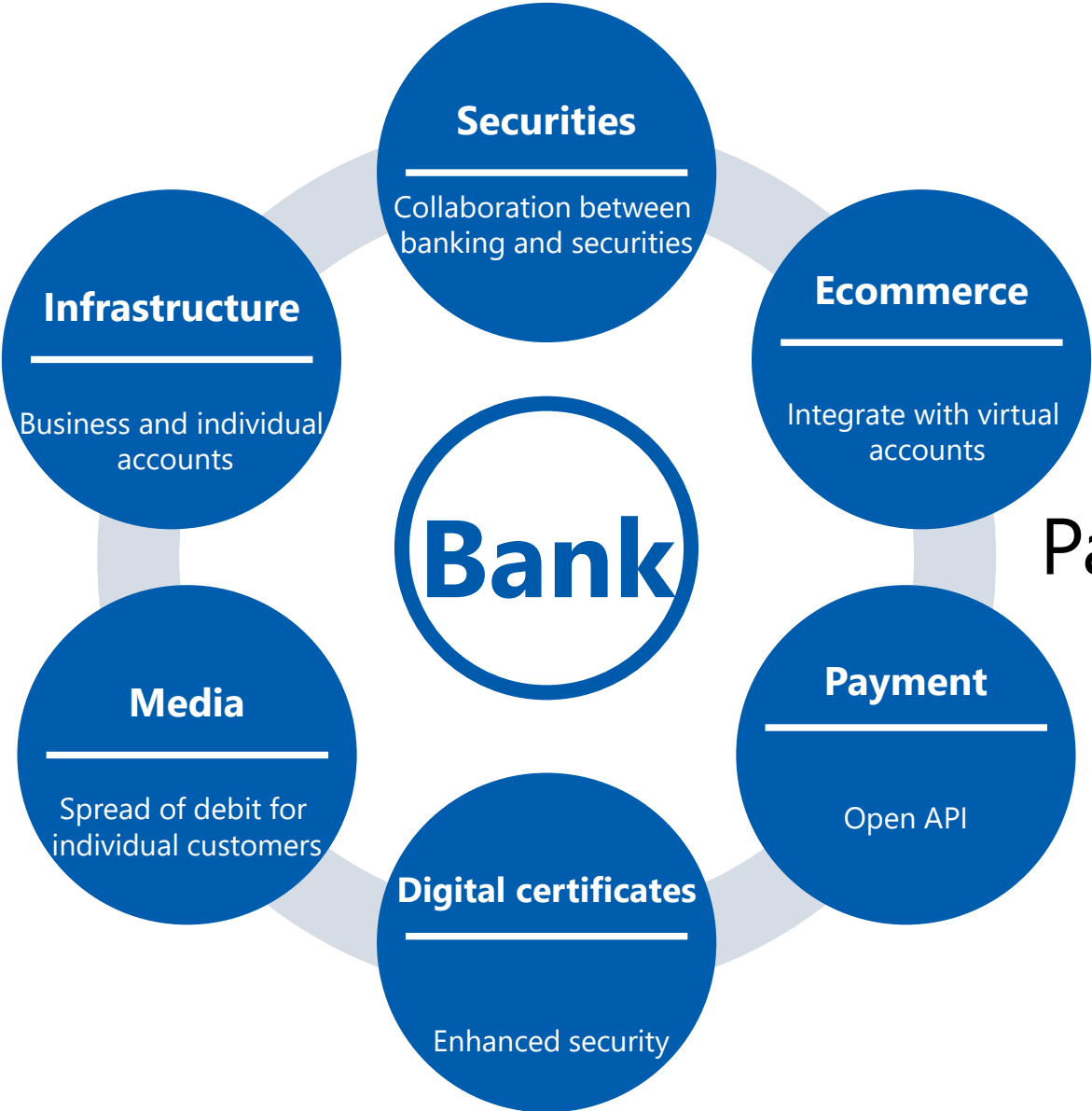
Internet Infrastructure: number of contracts	9.27 _{M*}
Ecommerce: number of stores	73 _{k*}
Payment contracts	93 _{k*}
Securities and FX accounts	1.06 _{M**}
Cryptocurrency accounts	169 _K

Offers innovative services to
10.50_M customers

*Figures as of 6/2018. There is some overlapping.

**There is some overlapping.

Net Bank | Concept and vision



Solid revenue base of
10.50M customers



Partnering with various services



Hub of all services



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



Internet for Everyone

GMO

GMO INTERNET

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