

GMO FINANCIAL HOLDINGS

Q2 2017 Results

STOCK CODE: 7177

Group Chief Executive Officer: Hiroyasu Kito
Group Chief Financial Officer: Tatsuki Yamamoto

October 25, 2017



Financial Results Summary

Medium- to Long-term Goals and
Overview of Operations

Appendix

Financial Results Summary

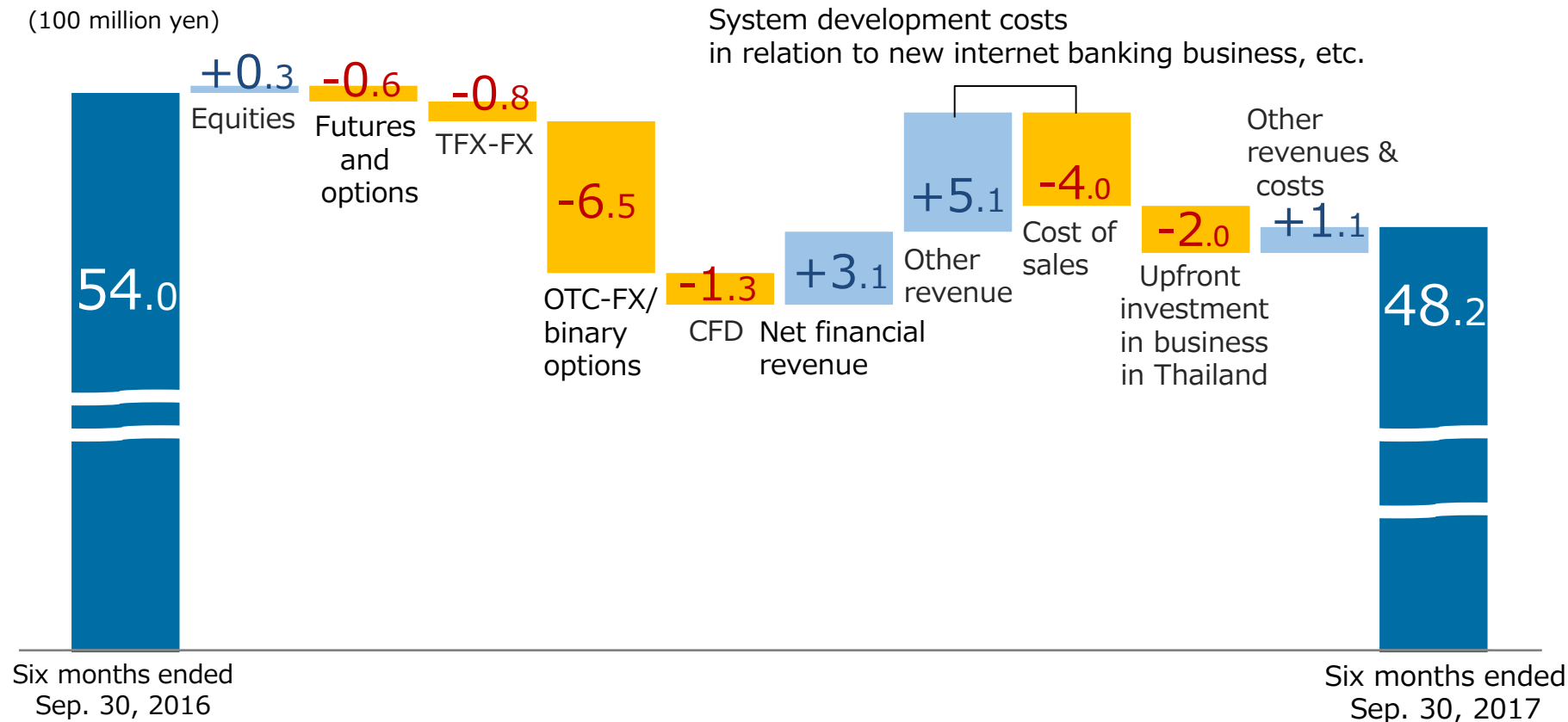
Decrease in FX revenues affected by the condition of forex market led to declines in revenues and profits compared to the same period of the previous year.

(100 million yen)	Six months ended Sep. 30, 2016	Six months ended Sep. 30, 2017	Y/Y	
			increase/ decrease	% change
Operating Revenue	138.4	138.3	-0.1	-0.1%
Operating Income	54.0	48.2	-5.7	-10.7%
Ordinary Income	53.6	47.2	-6.3	-11.9%
Profit Attributable to Owners of Parent	37.1	36.6	-0.4	-1.3%

Major Factors for the Changes in Operating Income

Decrease in OTC-FX revenue led to a decline in operating income.

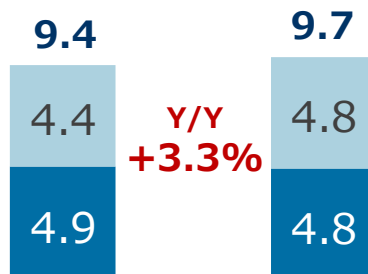
(100 million yen)



Breakdown of Operating Revenue by Products

(100 million yen)

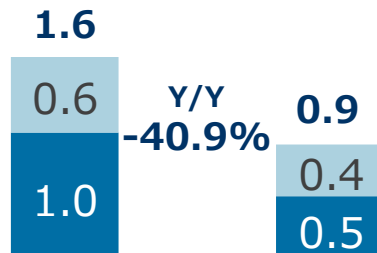
Stocks and ETFs etc.



Six months ended
Sep. 30, 2016

Six months ended
Sep. 30, 2017

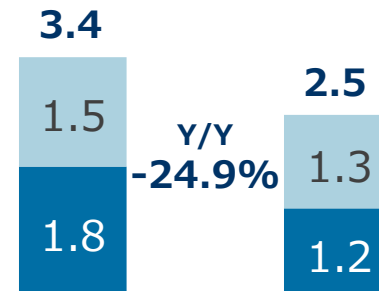
Options and Futures



Six months ended
Sep. 30, 2016

Six months ended
Sep. 30, 2017

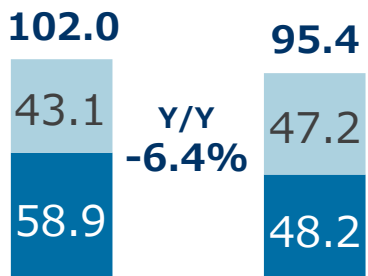
TFX-FX



Six months ended
Sep. 30, 2016

Six months ended
Sep. 30, 2017

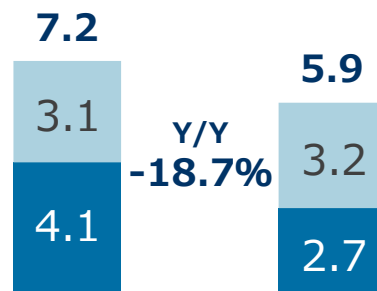
OTC-FX/Binary Options



Six months ended
Sep. 30, 2016

Six months ended
Sep. 30, 2017

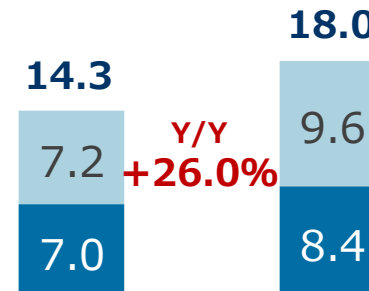
CFD



Six months ended
Sep. 30, 2016

Six months ended
Sep. 30, 2017

Financial Revenue



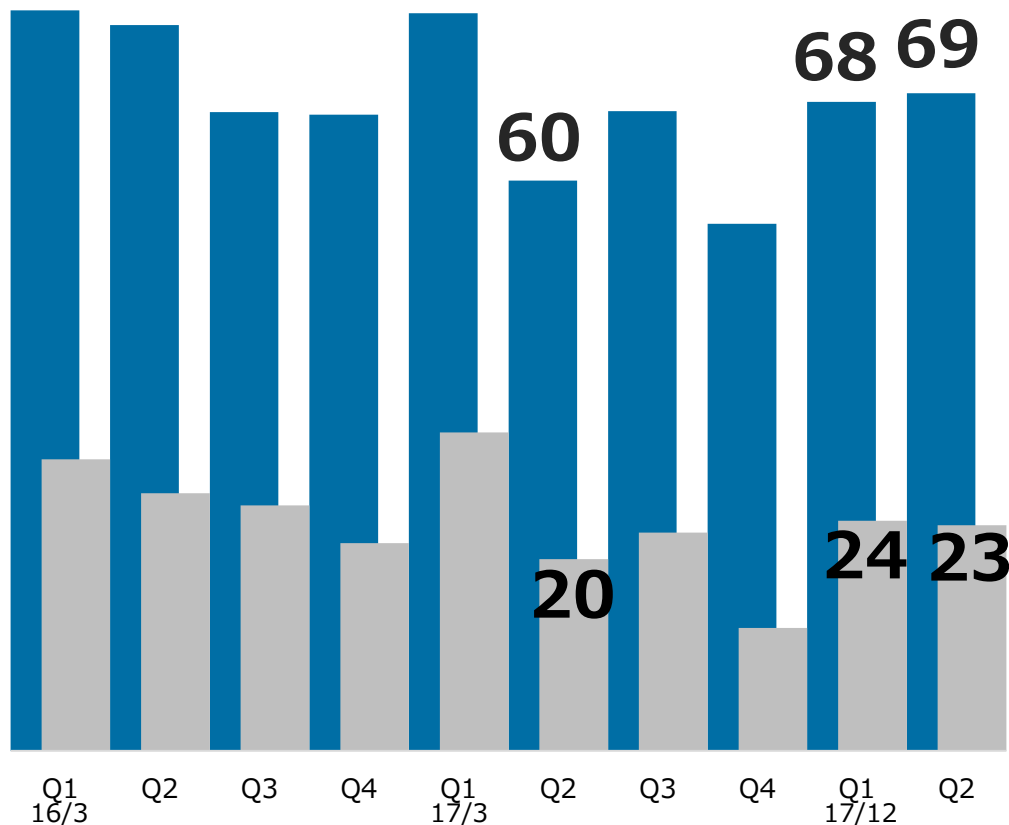
Six months ended
Sep. 30, 2016

Six months ended
Sep. 30, 2017

Quarterly Financial Results | Operating Revenue / Operating Income

(100 million yen)

■ Operating Revenue ■ Operating Income



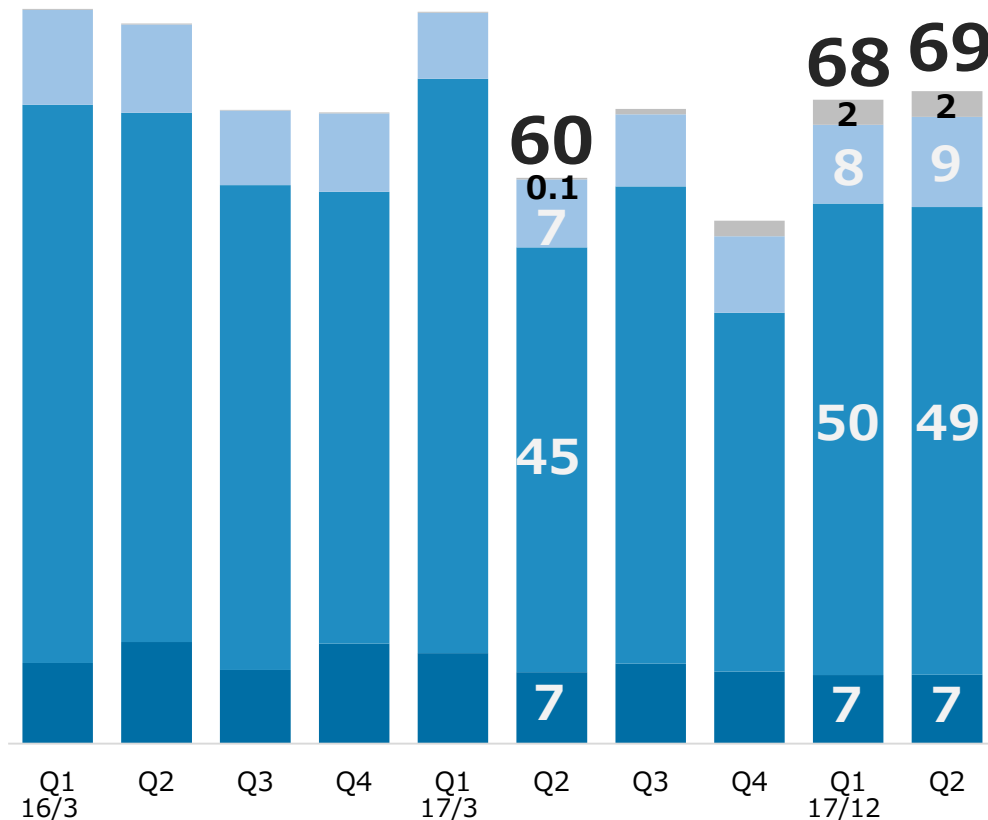
Q2 '17 Operating Revenue and Operating Income

Maintained the same level as previous quarter

Quarterly Financial Results | Breakdown of Operating Revenue

(100 million yen)

■ Commission Received ■ Net Trading Income
■ Financial Revenue ■ Other

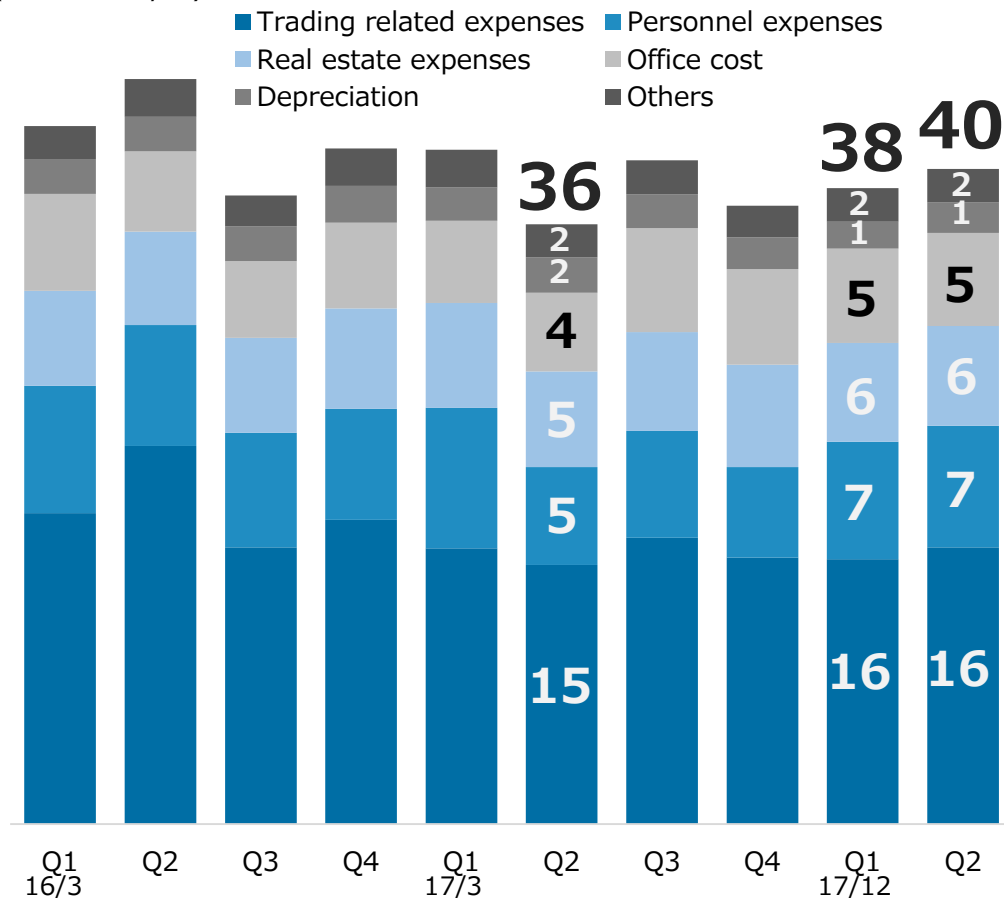


Net Trading Income

Maintained the same level as previous quarter

Quarterly Selling, General and Administrative Expenses

(100 million yen)



SGA Up 3.0% Q/Q

Future Trends for SGA:
Quarterly costs expected to
be around 4 billion yen

Target Dividend Payout Ratio

Consolidated Dividend Payout Ratio
50% (in quarterly dividend payments)

Dividend per share	End of Q1	End of Q2	End of Q3	End of Q4	Total
FY ending Dec. 2017	¥6.90	¥8.50	-	-	-
FY ended Mar. 2017	¥9.70	¥6.15	¥6.68	¥3.64	¥26.17

Financial Results Summary

■ Medium- to Long-term Goals and
Overview of Operations

Appendix

Policy

Strengthen the core business (FX)

Domestic Business

- Further Expanding of FX market share by volume and increasing its revenue
- Make CFDs into key revenue contributor
- Reach No.3 in domestic equity market by trading volume

Overseas Business

- Take aggressive business stance and generate profits

New Business

- Develop new financial products and businesses

Highlights of Business Overview

OTC-FX

Trading Value

(July to September 2017)

261 trillion yen

Previous year **314** trillion yen

Trading Value Market Share

(July to September 2017)

24.1%

Previous year **27.7**%

Margin Balance

(As of September 30, 2017)

157.6 bn yen

As of
Sep. 30 '16 **133.8** billion yen

Stocks and ETFs

Trading Value

(July to September 2017)

5.1 trillion yen

Previous year **5.6** trillion yen

Trading Value Market Share

(July to September 2017)

7.4%

Previous year **9.0**%

Margin Trading Margin Balance

(As of September 30, 2017)

120.3 bn yen

As of
Sep. 30 '16 **93.4** billion yen

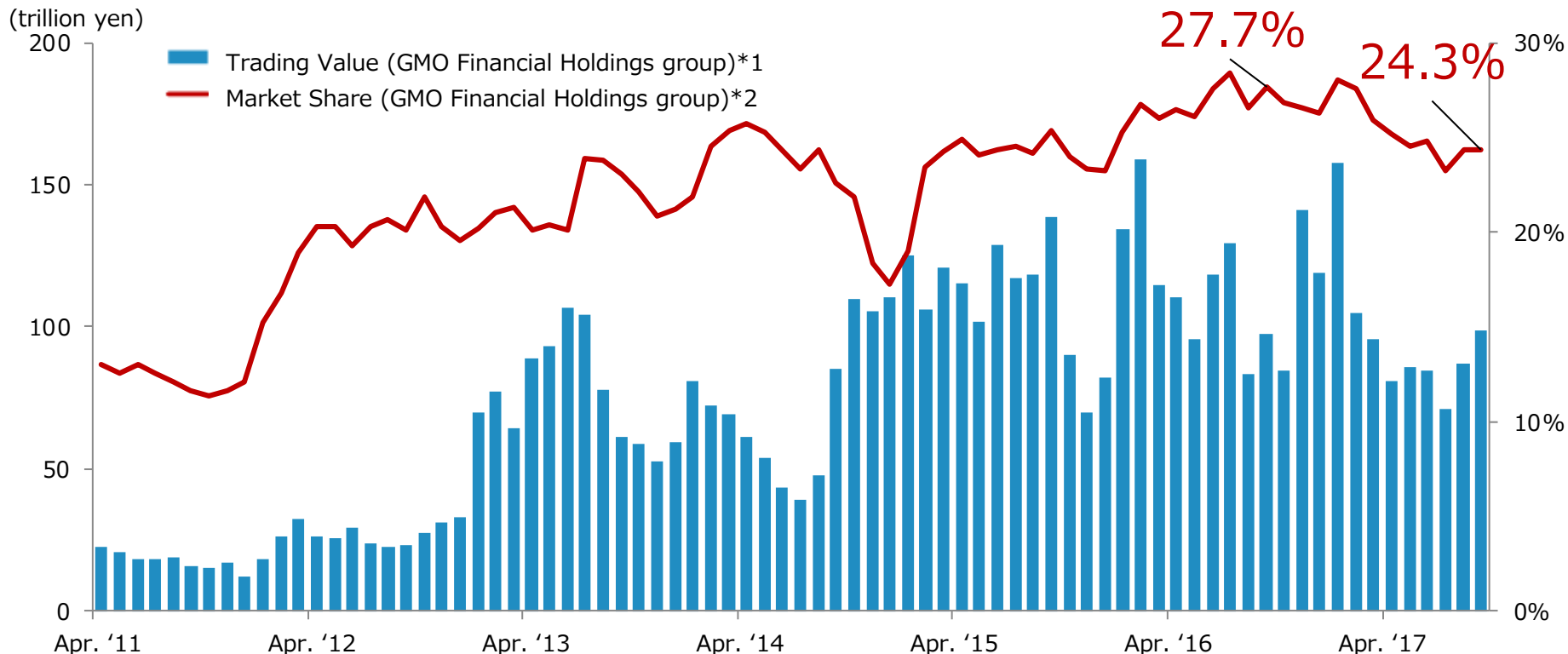
Source: FFAJ and JPX data

*OTC-FX data includes GMO CLICK Securities and FX PRIME by GMO Corporation.

*Total Trading Value of Stocks in Tokyo & Nagoya markets by Individual Investors(includes ETFs and REITs) used as denominator to calculate Stocks and ETFs market share.

OTC-FX | Domestic Group FX Trading Value and Market Share

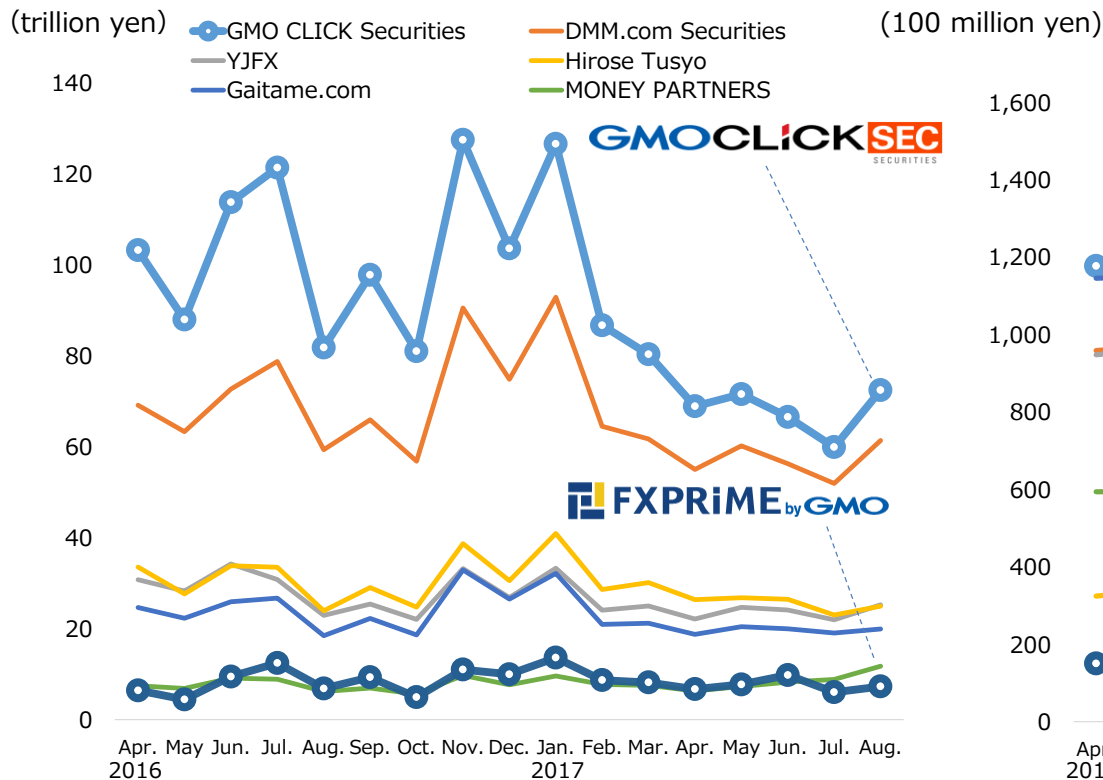
Market Share remains around 25%



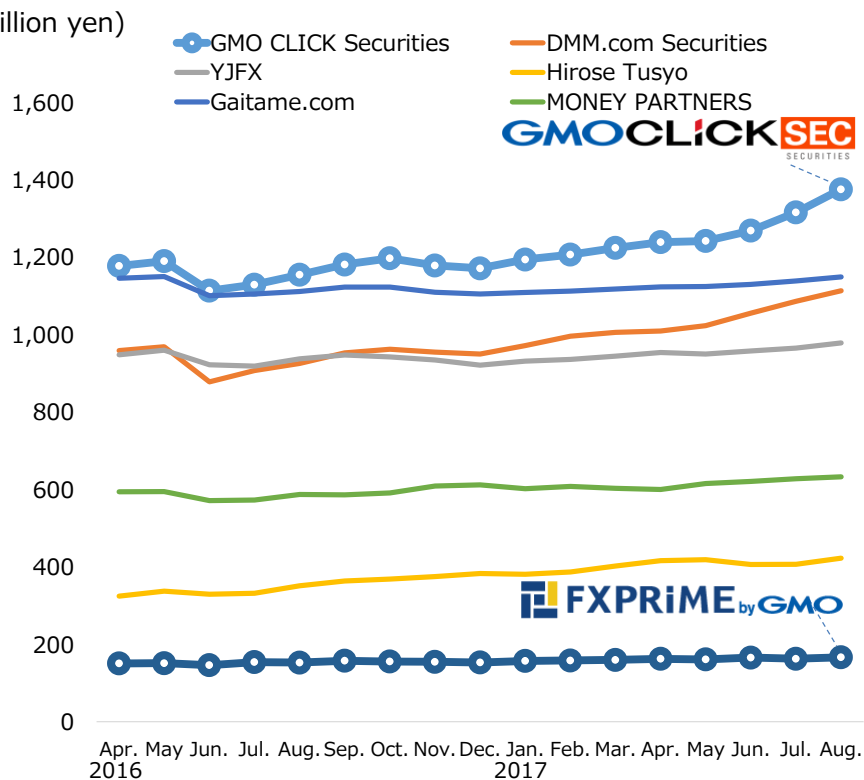
Source: GMO Financial HD, The Financial Futures Association of Japan "Monthly Statistical Bulletin on Over-The-Counter Retail FX Margin trading"
*1 Data from Apr 2011 to Feb 2015 includes data of GMO CLICK Securities only. Data from Mar 2015 includes both data of GMO CLICK Securities and FX PRIME by GMO.
*2 FFAJ's data used as denominator to calculate market share.

OTC-FX | Comparison of Major KPIs

OTC-FX Trading Volume



OTC-FX Margin Deposits

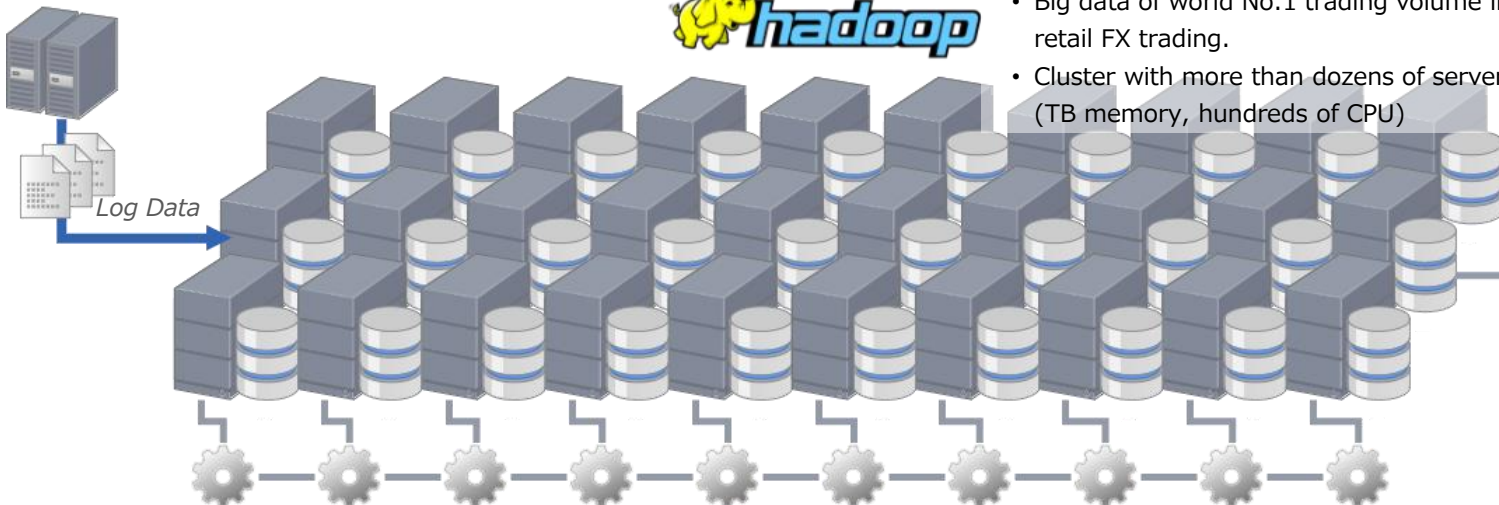


Source: Yano Research Institute (data from Apr. 2016 to Aug. 2017)
*converted 1 million currency pair as 100 million yen

Utilization of Big Data Analysis

OTC-FX | Utilization of Big Data Analysis (1/3)

Application Server



Big data analysis platform

- Big data of world No.1 trading volume in retail FX trading.
- Cluster with more than dozens of servers (TB memory, hundreds of CPU)

Point

- **Speedy development & Analysis:** data scientists are also engineers
- **Low cost:** building system from scratch utilizing open-source software.
- **Big data analysis:** utilizing analysis in large-scale distributed processing and utilizing emerging technologies
- **Meet securities high requirements**

of Data Scientists:
6 (including 4 PhD holders)



Batch Server

Big data x Analysis

- Developing an analytical engine using PySpark (Python + Spark)

Data Scientist



Big data x BI

- Tableau
- Has an SQL-like access to big data using Hive

Data Scientist

Data Scientist



Ad-hoc analysis with Python

- Jupyter Notebook
- PyData (numpy, scipy, pandas...)
- Pyhive

jupyter

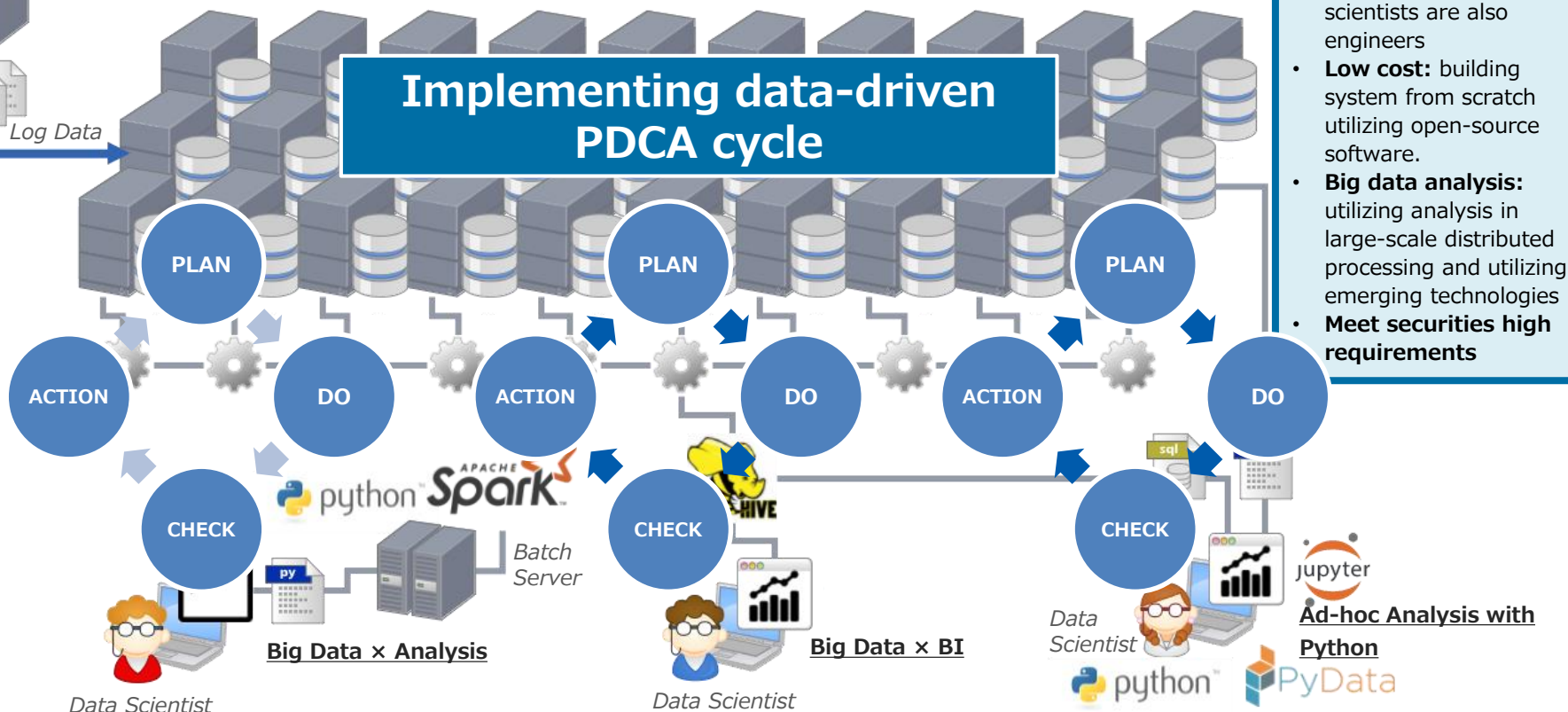
OTC-FX | Utilization of Big Data Analysis (2/3)

Application Server



Big data analysis platform

Implementing data-driven PDCA cycle

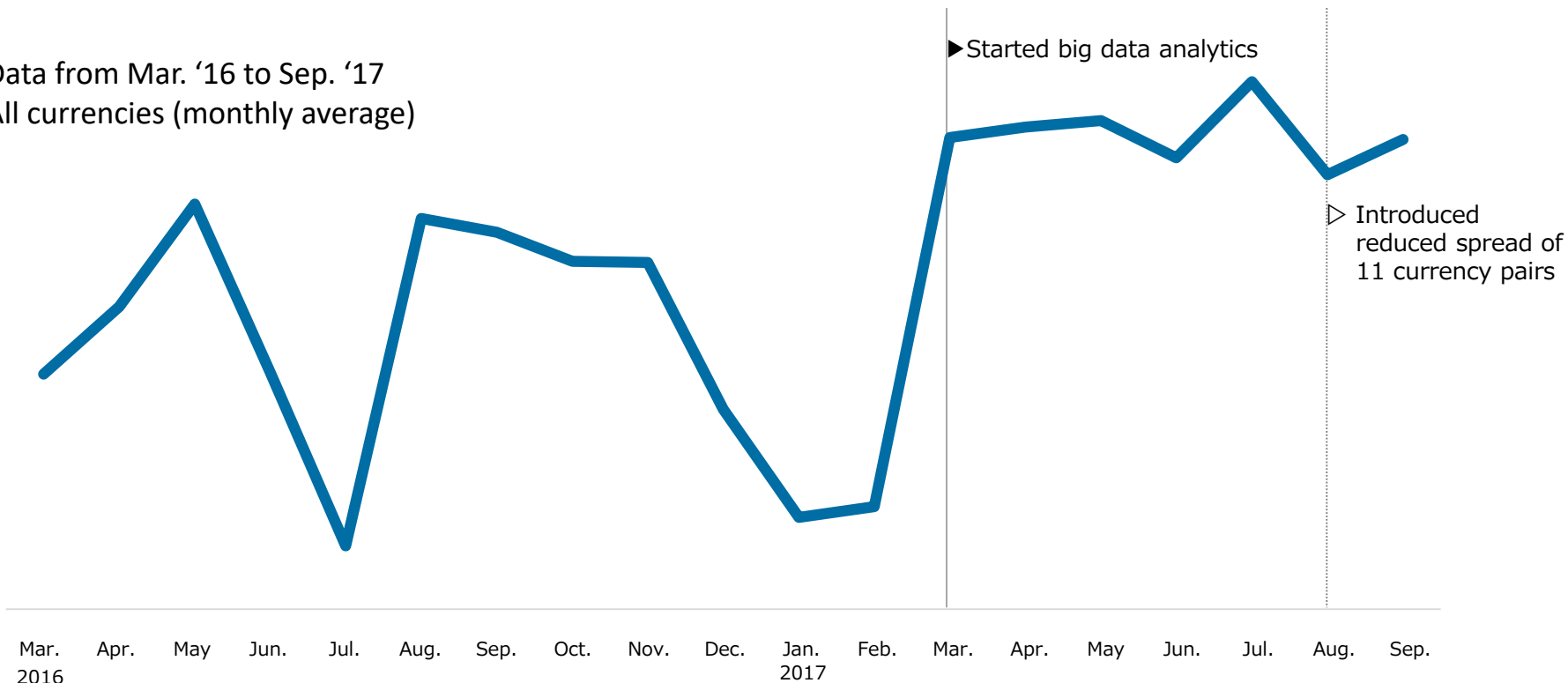


Point

- **Speedy development & Analysis:** data scientists are also engineers
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- **Meet securities high requirements**

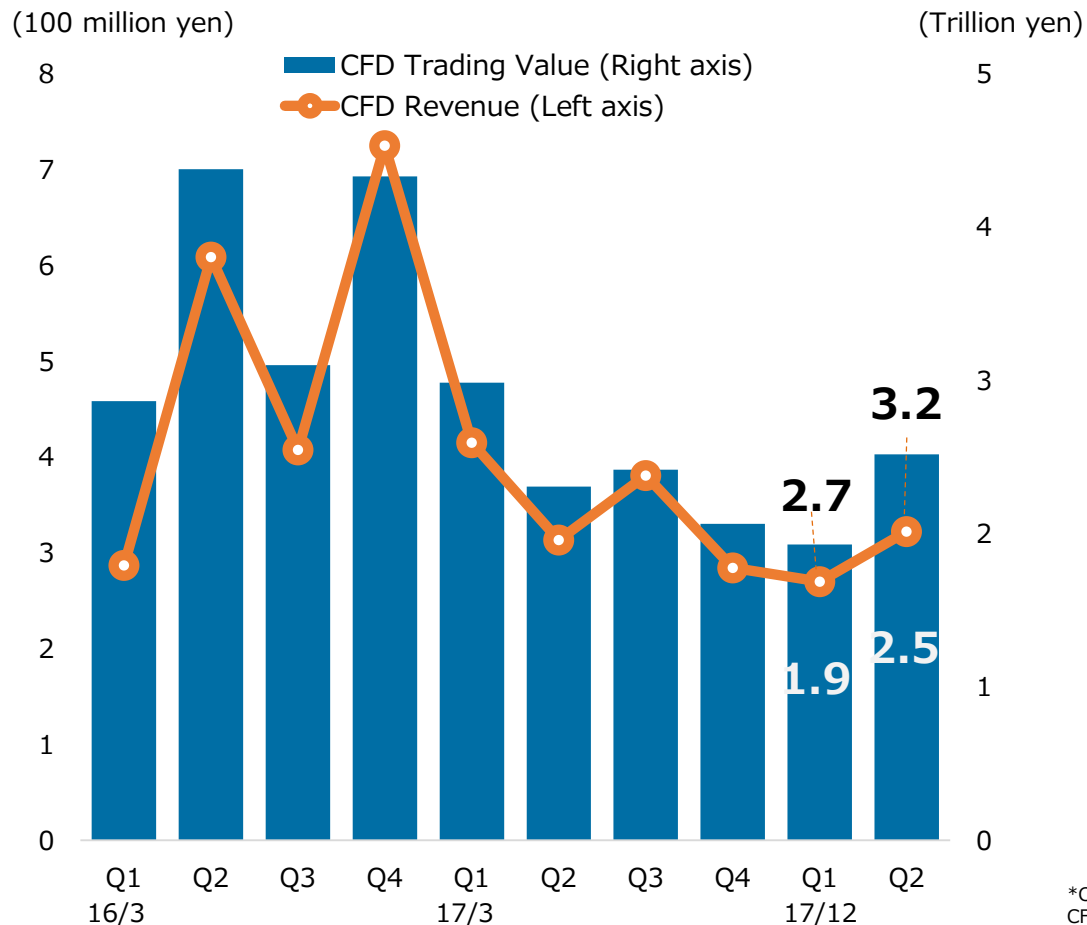
OTC-FX Profitability* has been improving since the start of big data analytics

Data from Mar. '16 to Sep. '17
All currencies (monthly average)



*An indicator that shows how much income has been made out of bid-ask spread. For example, when the bid-ask spread is 0.3 and the revenue is 0.15, the profitability is 50%.

CFD | Trading Value and Revenue

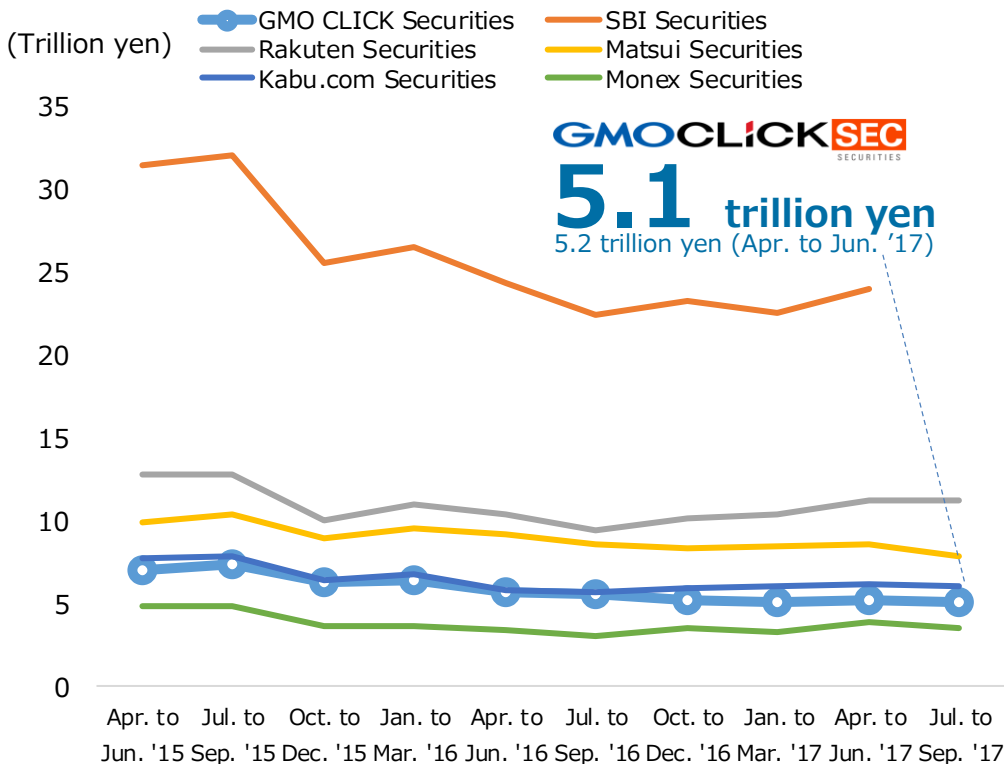


Q/Q
CFD Trading value increased
Started fine-tuning of CFD cover transactions

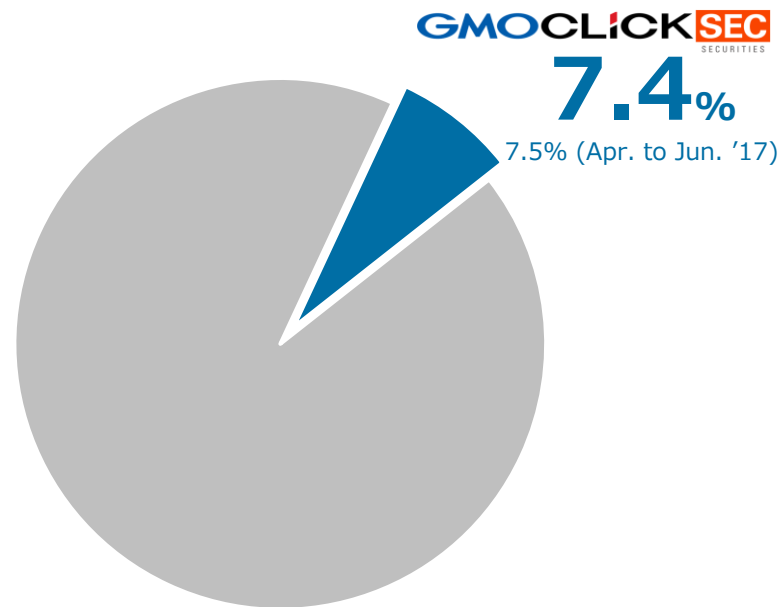
*CFD Trading Value of GMO CLICK Securities is used in the graph above as a reference.
CFD revenue includes OTC-FX revenue from overseas OTC-FX business.

Equity | Brokerage Commission and Brokerage Commission Rates

Comparison of Major Online Stock Brokers by Equity Trading Values



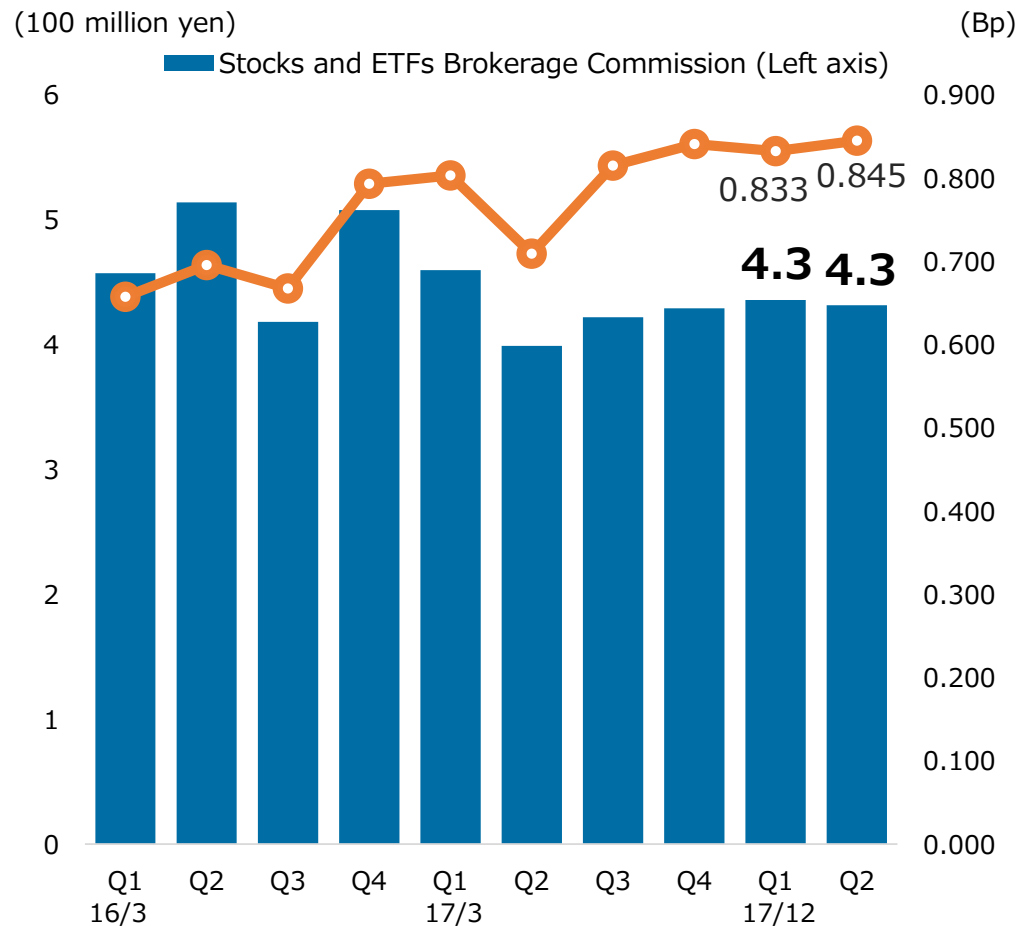
Market Share by Equity Trading Value (July to September, 2017)



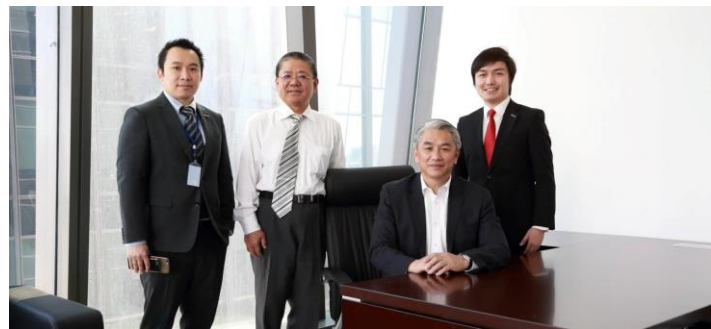
Source: JPX and each company's disclosed documents

*Total Trading Value of Stocks in Tokyo & Nagoya markets by Individual Investors (includes ETFs and REITs) used as denominator to calculate market share.

Equity | Brokerage Commission and Brokerage Commission Rates



**Brokerage commission
decreased
by 1.0% Q/Q**



Z.com Securities

Scheduled to launch online
brokerage service in Thailand
in November 2017.



The Company acquired additional shares of GMO Coin, Inc. (GMO Coin), making the company a consolidated subsidiary. GMO Coin was granted a Virtual Currency Exchange License by the FSA on Sep. 29, 2017.

GMOCoin

Ratio of voting rights

35% → **58.3%**

Accompanying the additional acquisition of shares of GMO Coin, the company posted a gain on step acquisitions of 488 million yen as extraordinary income, and goodwill of 815 million yen has arisen, which is going to be evenly amortized over five years.

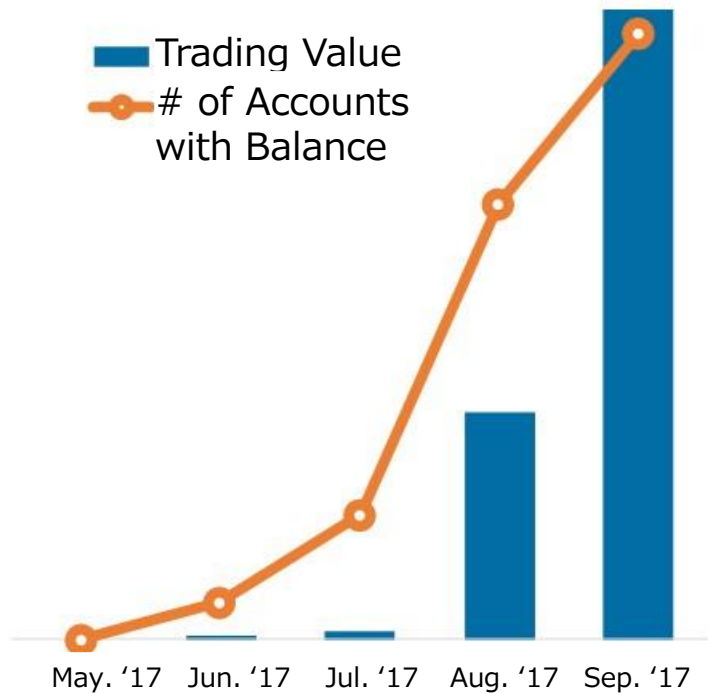


Accelerate growth
by utilizing its
knowledge and
experience gained
in OTC-FX business

New Business | Virtual Currency-related Business (2/2)

GMO Coin launched its full-scale virtual currency related service on May 31, 2017. It's business is growing steadily.

Transition of Major KPIs



Outlook

- Expand Services

Current

Bitcoin
Ethereum
Bitcoin Cash

Oct. '17 (plan)

Litecoin

Nov. '17 (plan)

Ripple

Dec. '17 (plan)

Ethereum Classic

- Plans to start leveraged trading service of Altcoin
- Considering cooperation with GMO Internet's Bitcoin Mining Business in the future (Details are not yet determined.)

GMO Internet Group and Aozora Bank Group have been preparing for the launch of a next-generation Internet bank with Aozora Trust Bank as a platform. Aozora Trust Bank has decided on “GMO Aozora Net Bank” as the new company name and has set a launch date.

New Company Name Effective Date: June 2018 (scheduled)

GMO Aozora Net Bank, Ltd.

(Currently: Aozora Trust Bank, Ltd.)

Date of Launch of Internet Banking Business

July 2018 (scheduled)

Aozora Trust Bank has resolved at an Aozora Trust Bank extraordinary shareholders meeting held on Oct. 19, 2017 to change its company name to GMO Aozora Net Bank. In addition, Aozora Trust Bank has resolved at a Board of Directors meeting held on the above date that the launch of the Internet banking business will be in July 2018 (scheduled).

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Quarterly Operating Revenue by Products

(Unit: million yen)	17/3					17/12	
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2
Stocks and ETFs etc. ^{*1}	496	445	465	480	1,887	484	487
Brokerage Commisions	459	399	422	429	1,710	435	431
Options and Futures	101	63	61	55	281	54	42
TFX-FX	183	159	198	155	696	126	131
OTC-FX/Binary Options ^{*2}	5,893	4,310	4,824	3,615	18,643	4,823	4,725
CFDs	415	313	380	284	1,393	270	322
Financial Revenue	706	724	765	814	3,011	841	961
Others	11	19	75	173	281	270	288
Operating Revenue	7,808	6,036	6,771	5,580	26,196	6,871	6,959

^{*1} Includes revenues from Stocks and ETFs, social lending service "maneo", and mutual funds.

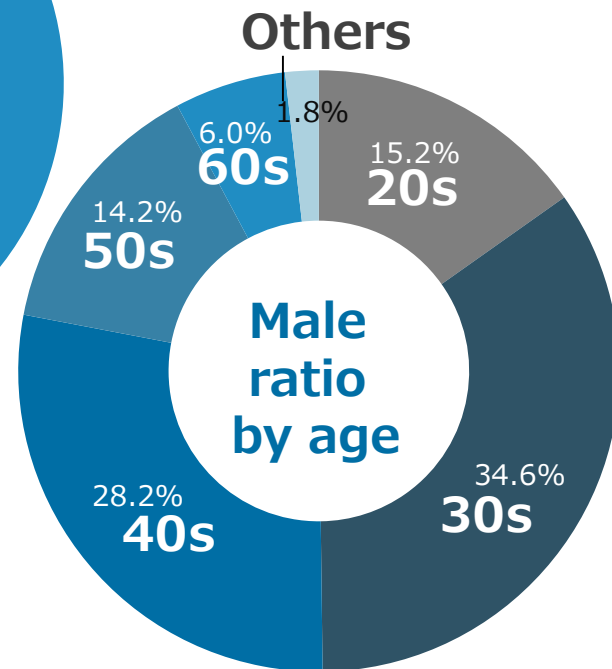
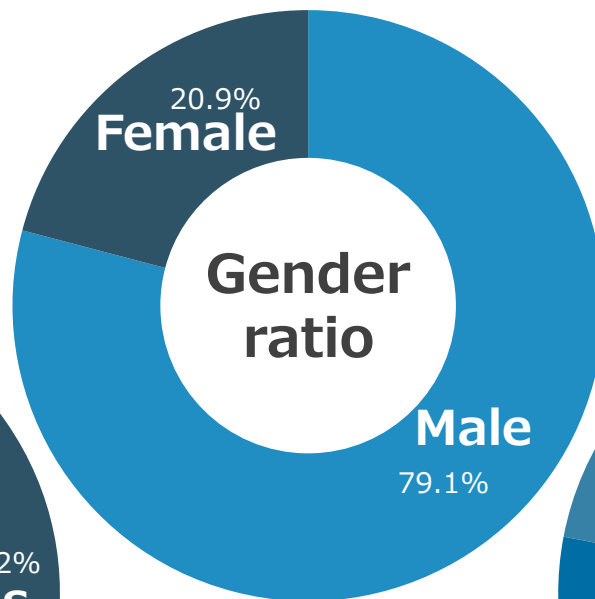
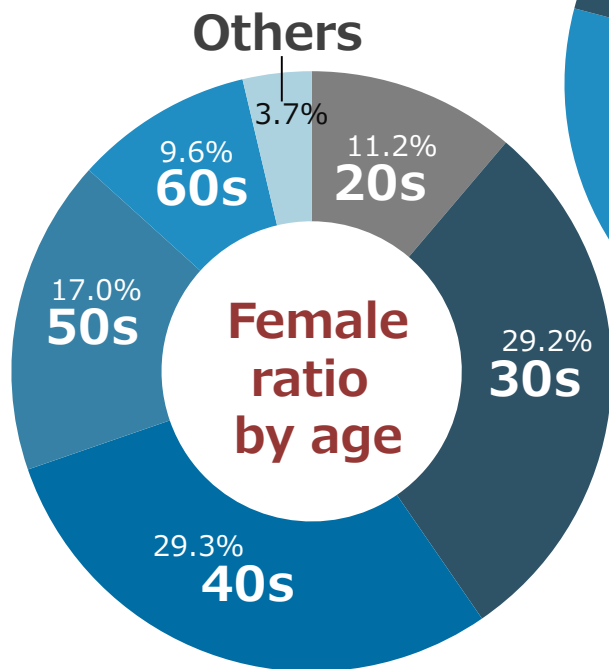
^{*2} Includes OTC-FX revenue from overseas OTC-FX business.

Quarterly Selling, General and Administrative Expenses

(Unit: million yen)	17/3					17/12	
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2
Trading related expenses	1,688	1,586	1,753	1,631	6,659	1,620	1,694
Advertising expenses	784	792	917	819	3,312	737	769
Personnel expenses	859	599	653	553	2,665	718	744
Real estate expenses	642	584	604	626	2,457	604	610
Office cost	502	481	636	585	2,206	578	567
Depreciation	204	217	207	192	822	164	186
Taxes and dues	169	162	174	167	673	167	179
Provision of allowance for doubtful accounts	(10)	(0)	(8)	(1)	(21)	(1)	1
Other	70	39	42	29	181	38	25
Total selling, general and administrative expenses	4,127	3,670	4,063	3,785	15,645	3,891	4,009

Client Attributes of GMO CLICK Securities

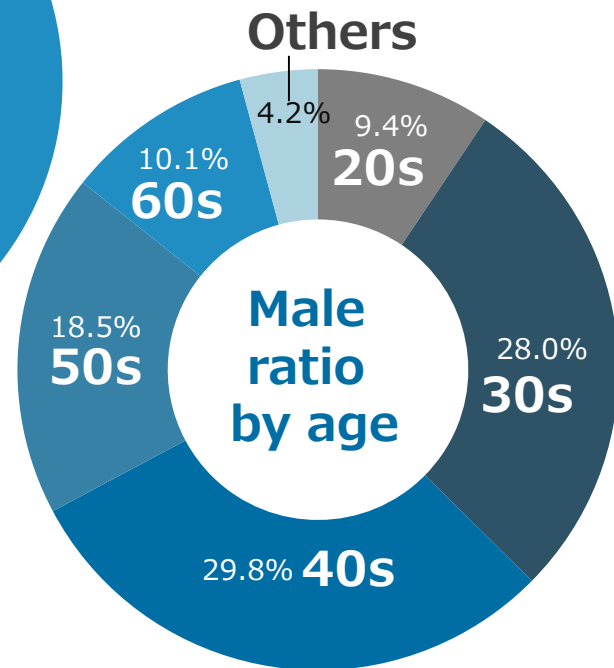
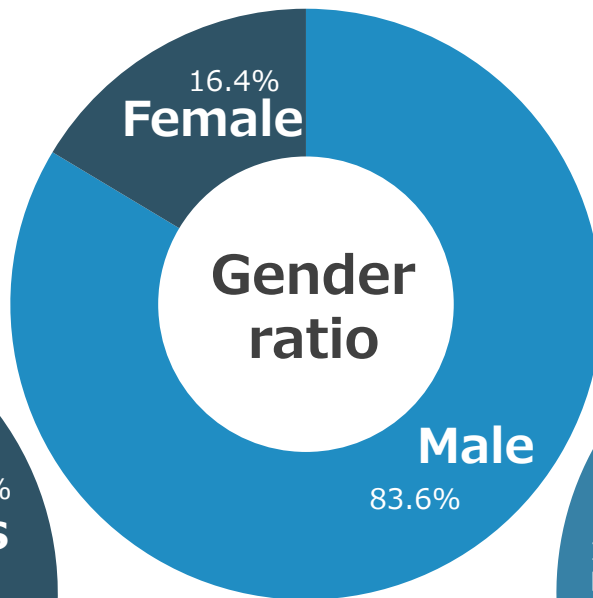
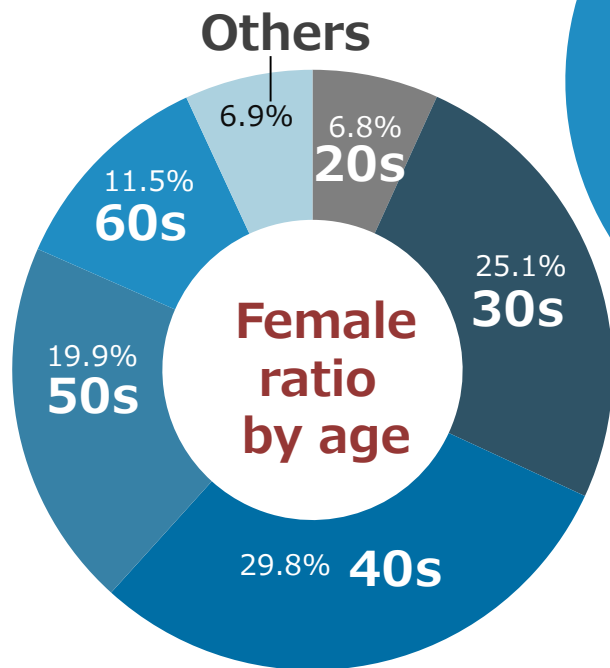
OTC-FX Accounts



*As of September 30, 2017

Client Attributes of GMO CLICK Securities

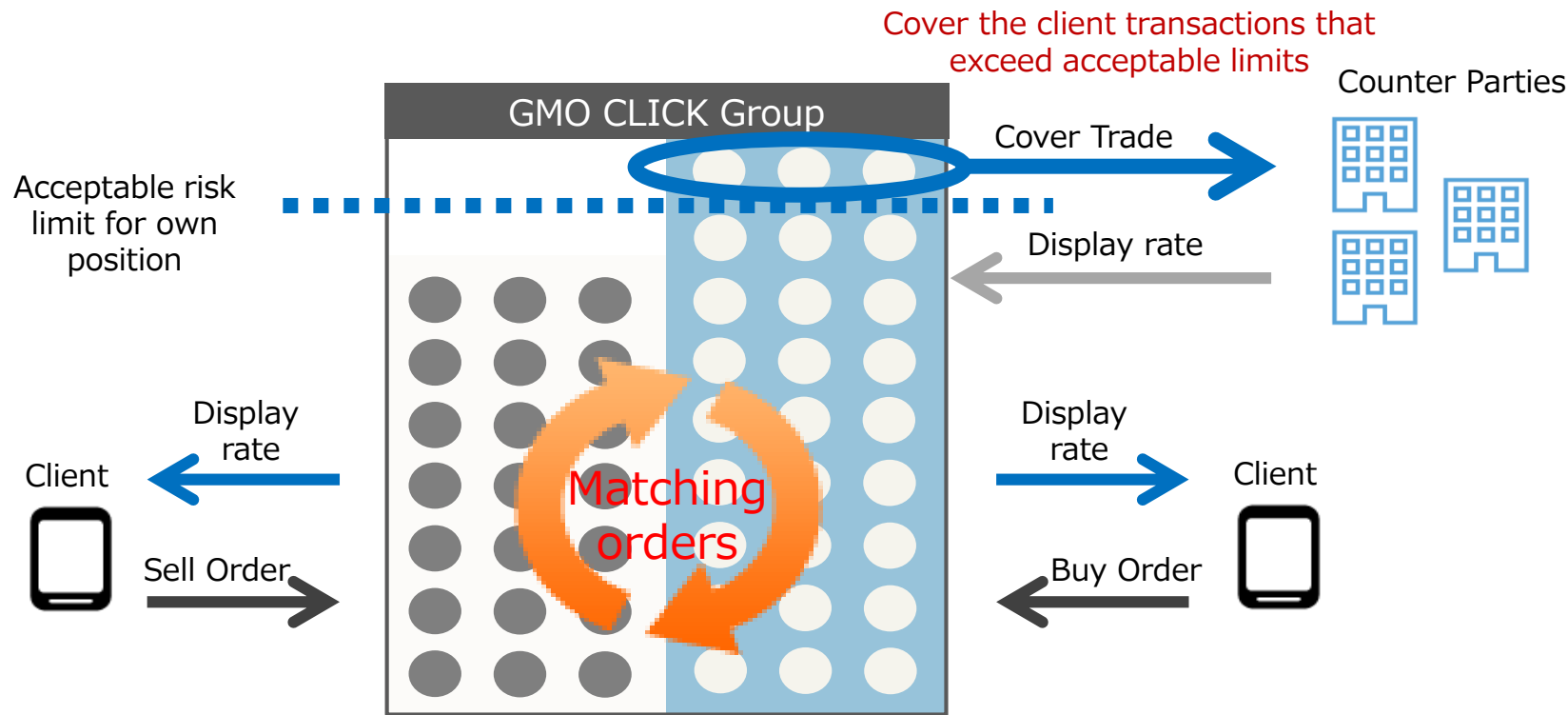
Brokerage
Accounts



*As of September 30, 2017

Business Model(OTC Derivatives)

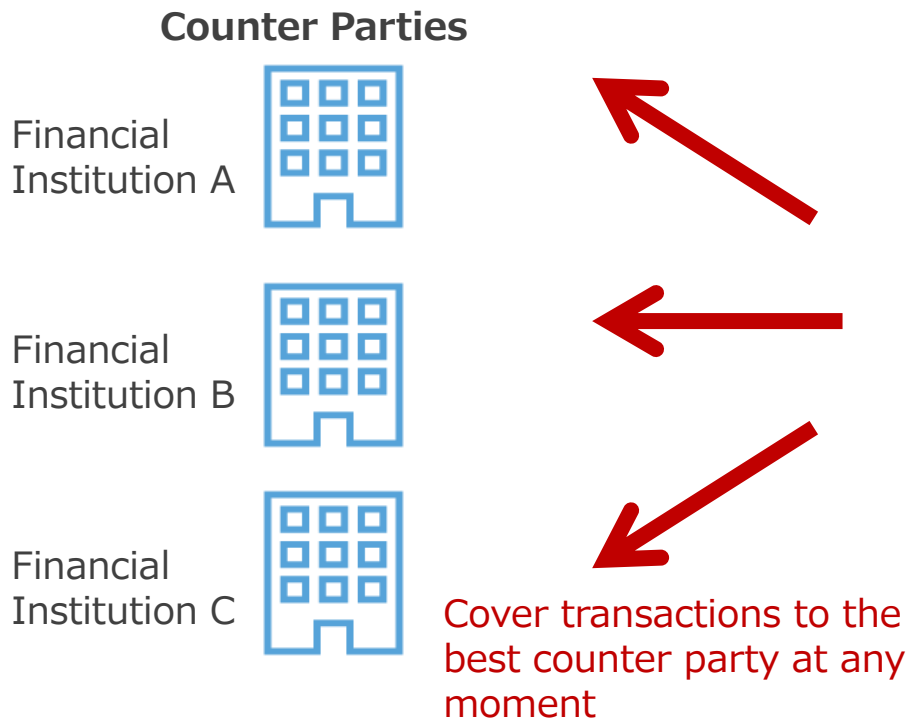
Risk Minimization. Cover transactions executed with counter parties as soon as customer orders exceed acceptable risk position



(These images are provided for illustrative purposes only)

Business Model(OTC Derivatives)

GMO CLICK Group optimizes cover transactions by fine-tuning its system in line with the trading conditions of each counter party



(These images are provided for illustrative purposes only)

Connection between Market Volatility and FX Revenue

Profit
structure

Client Trades
(Spreads × Trading Volume) – (Spreads × Trading Volume)

Cover Trades

Cover Trading
Cost

Volatility
Up

FX Trading
Volume



increase



increase

Volatility
Down



decrease



decrease

(These images are provided for illustrative purposes only)

Disclaimer

This document includes projections based on expectations, premises and plans as of October 25, 2017. These projections may differ from actual results due to various 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.

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