

# Fiscal Year 2014 Second Quarter Results Presentation

**GMO**INTERNET

STOCK CODE 9449

August 1, 2014

1. Overview

2. Q2 Financial Results

3. Segment Report

i. Group Overview

ii. Internet Infrastructure

iii. Online Advertising & Media

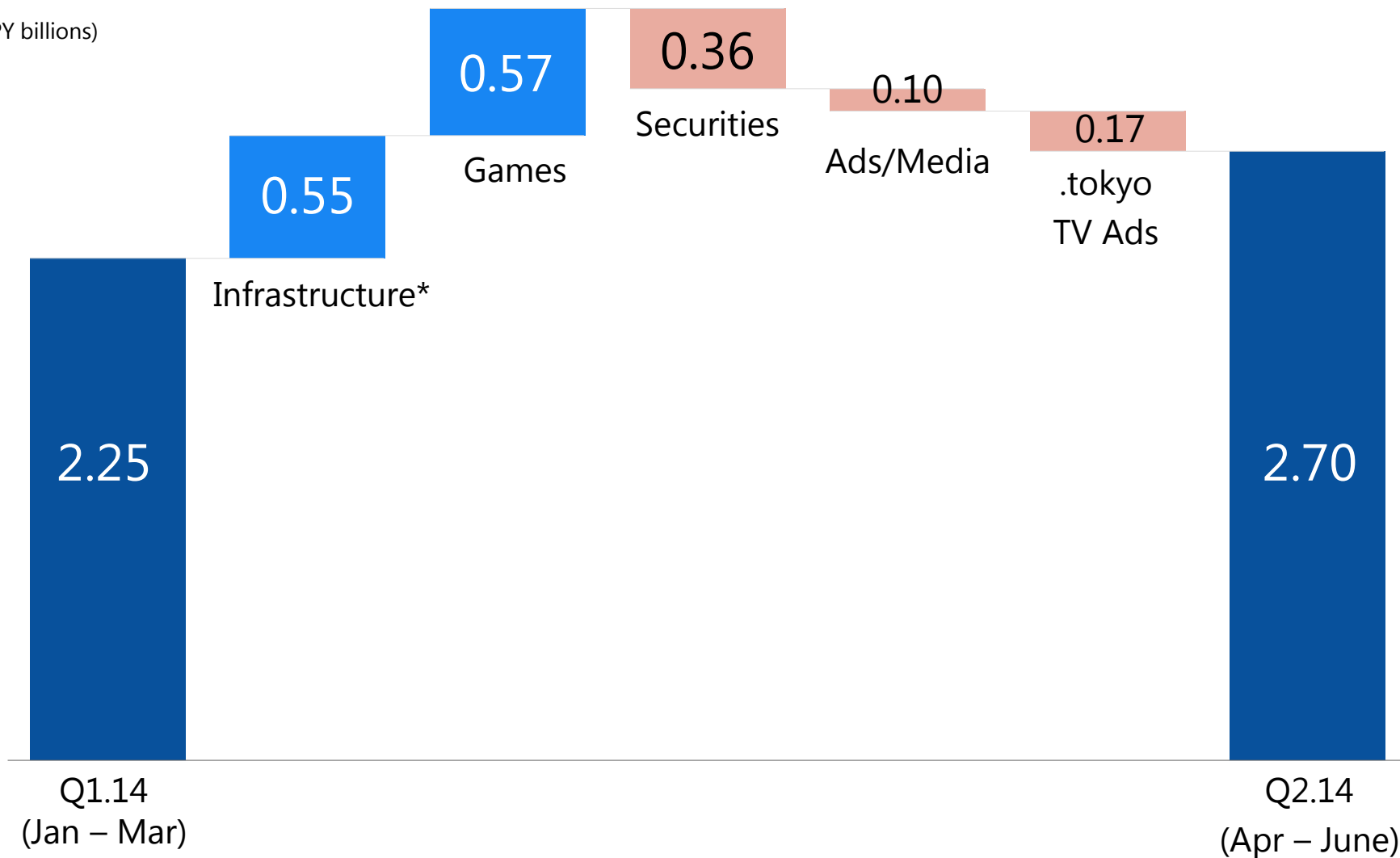
iv. Internet Securities

v. Mobile Entertainment

4. New Domains

# Significant earnings improvement over January quarter

(JPY billions)



\* Excluding one-time costs (Tokyo TV ads)

Double digit growth in net sales and profit

Operating, ordinary profit impacted by one-time costs in Q1

	1-6/2013	1-6/ 2014	YoY % Increase
(JPY billions)			
Net Sales	46.68	52.45	+12.4%
Operating Profit	5.86	4.96	-15.4%
Ordinary Profit	5.88	4.93	-16.1%
Net Profit	2.39	2.72	+13.6%

Net sales, Net profit on track

(JPY billions)	Forecast	1-6/2014	Progress
Net Sales	105.0	52.45	50%
Operating Profit	12.5	4.96	40%
Ordinary Profit	12.5	4.93	40%
Net Profit	5.5	2.72	50%

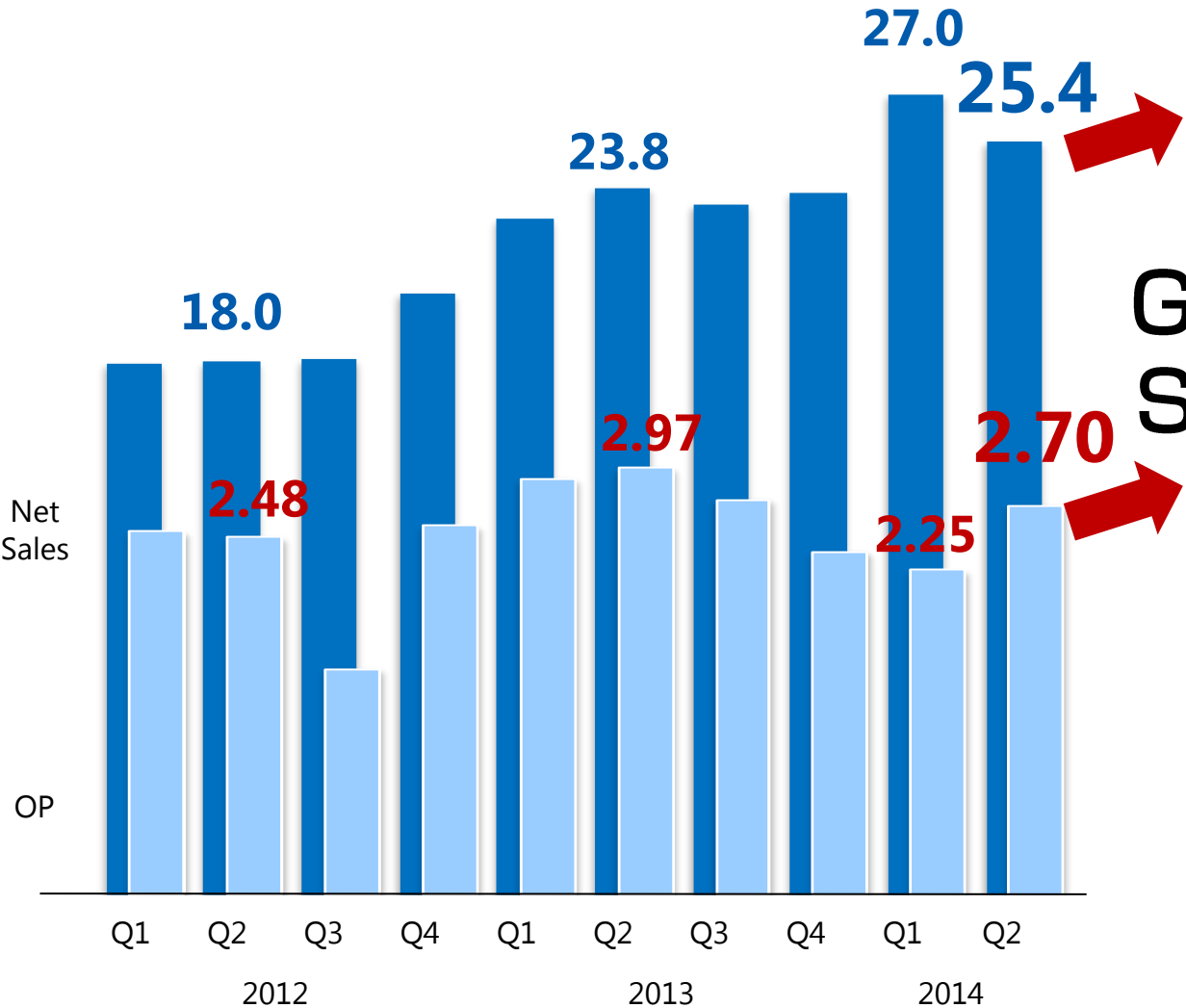
No revision to year-end forecast (JPY12.5 billion)

	1H	2H
Infrastructure	(-0.4) One-time costs	(-0.3) Q3 investment/(+)Q4 return
Ads/Media	(-0.2) Rep business lagging	(+) Improve composition of rep business
Securities	(+0.5) Q1 strong/ Q2 on par with previous year	(±) Linked to market conditions
Mobile	(-0.7) TV ads/improved cost composition	(+) Profit contribution
Incubation		(+0.8) Upcoming Exit

\*Figure in brackets indicates cost impact (JPY billions)

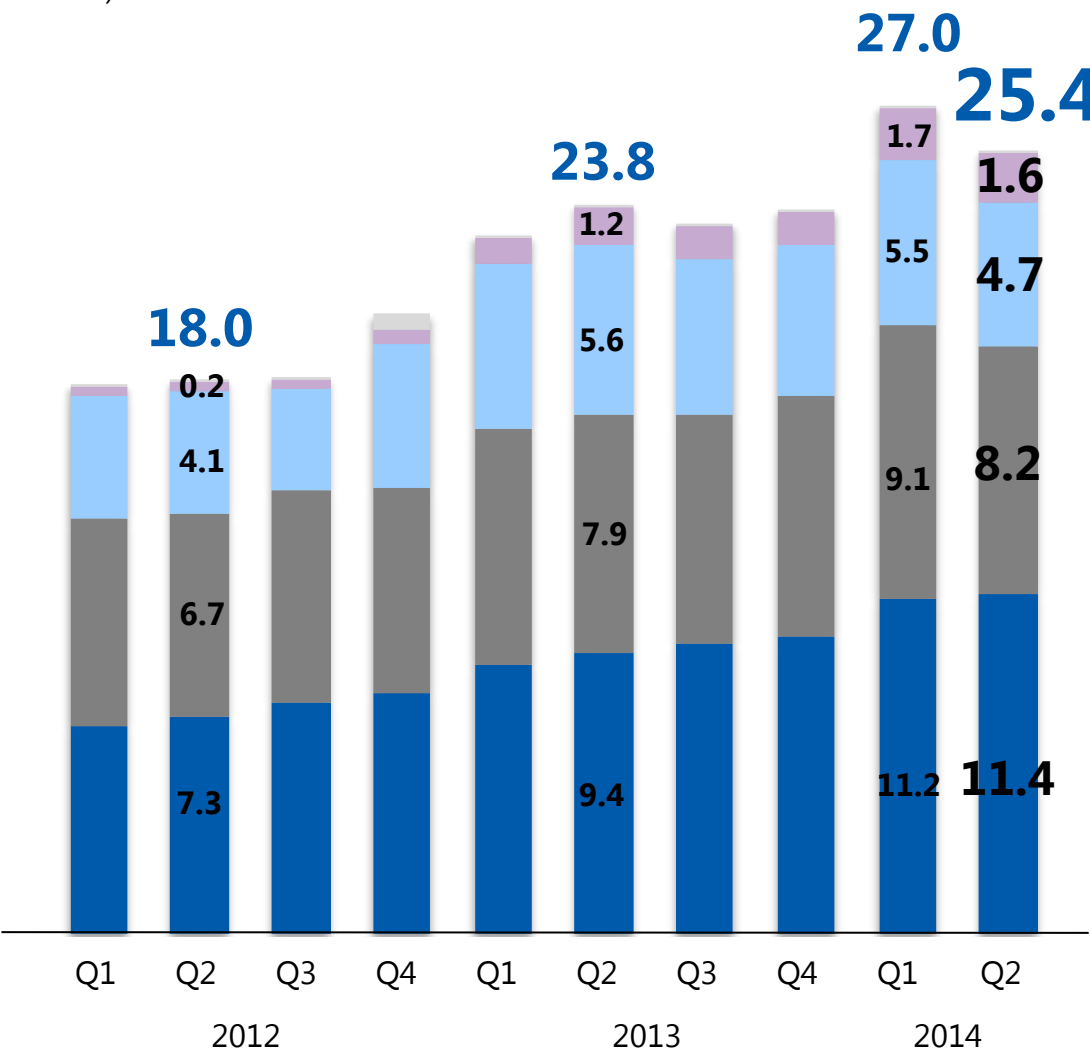
Set to clear year-end forecasts with growth in existing businesses and return on investments

(JPY billions)



Sustained Growth Built on Stock Revenue

(JPY billions)

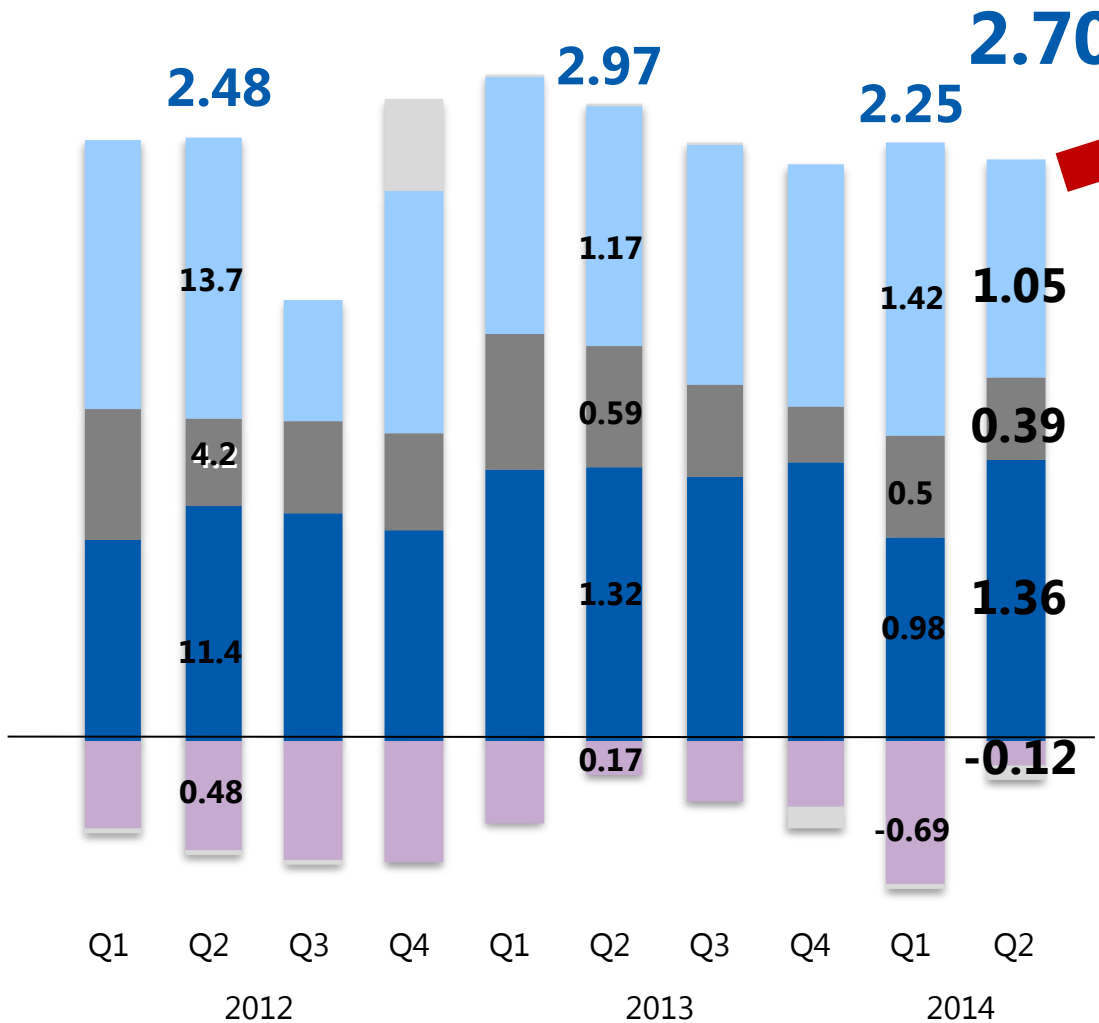


10 consecutive  
quarters of  
**20% growth**  
(YoY)  
in Infrastructure

- Other
- Mobile Entertainment
- Internet Securities
- Online Ads/Media
- Internet Infrastructure



(JPY billions)



Rock Solid  
Infrastructure  
Strengthening  
Games  
Structural revision  
in Media

- Other
- Mobile Entertainment
- Internet Securities
- Online Ads/Media
- Internet Infrastructure

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(JPY100 millions)	Q2 2013 (1-6/2013)	Q2 2014 (1-6/2014)	Change
Net Sales	466.8	524.5	12.4%
Cost of Sales	199.1	248.7	24.9%
Gross Profit in Sales	267.6	275.7	3.0%
SGA	208.9	226.1	8.2%
Operating Profit	58.6	49.6	-15.4%
(OP Margin)	12.6%	9.5%	-3.1pt
Ordinary Profit	58.8	49.3	-16.1%
Extraordinary Profit	0.2	10.0	3915.3%
Extraordinary Loss	6.8	6.2	-9.3%
Profit before Tax etc.	52.1	53.1	1.9%
Corporate Tax etc.	19.8	18.1	-8.4%
(Corporate Tax Ratio)	37.9%	34.1%	-3.8pt
Minority Profits	8.4	7.7	-7.4%
Net Profit	23.9	27.2	13.6%

## Consolidated Balance Sheet

(JPY100 millions)	As of 12.31.2013	As of <b>06.30.2014</b>	Change	GMO CLICK HD (As of 6.30.14)	Change
Current Assets	4,078	<b>4,045</b>	-0.8%	3,512	-0.9%
Cash and deposits	574	<b>557</b>	-3.0%	192	-6.1%
Fixed Assets	219	<b>209</b>	-4.6%	38	-4.4%
Goodwill	36	<b>35</b>	-2.4%	0	-74.6%
Software	40	<b>44</b>	9.2%	13	-5.6%
Investment securities	18	<b>14</b>	-21.5%	0	-8.2%
Total Assets	4,297	<b>4,254</b>	-1.0%	3,550	-0.9%
Liabilities	3,928	<b>3,868</b>	-1.5%	3,374	-0.5%
Interest-bearing debt	243	<b>238</b>	-1.9%	139	36.0%
Net Assets	368	<b>386</b>	4.7%	175	-7.5%
Minority Equity	118	<b>122</b>	3.2%	8	-7.8%
Shareholders' Equity	249	<b>263</b>	5.4%	167	-7.5%
Earned Surplus	157	<b>172</b>	9.6%	135	17.8%
(Shareholders' Equity Ratio)	5.8%	<b>6.2%</b>	+0.4pt	4.7%	-0.3pt
Liabilities/Net Assets Total	4,297	<b>4,254</b>	-1.0%	3,550	-0.9%

Consolidated Cash Flow

(JPY 100 millions)	Q2 2013 (1-6/2013)	Q2 2014 (1-6/2014)	GMOCLICK HD (1-6/2014)
Operating Cash Flow	64.3	21.6	-12.5
Investing Cash Flow	-18.6	-19.9	-9.8
Financing Cash Flow	-39.0	-27.3	2.7
Change in Cash and Equivalents	8.5	-26.1	-19.9
Balance of Cash and Equivalents	427.5	503.2	139.5

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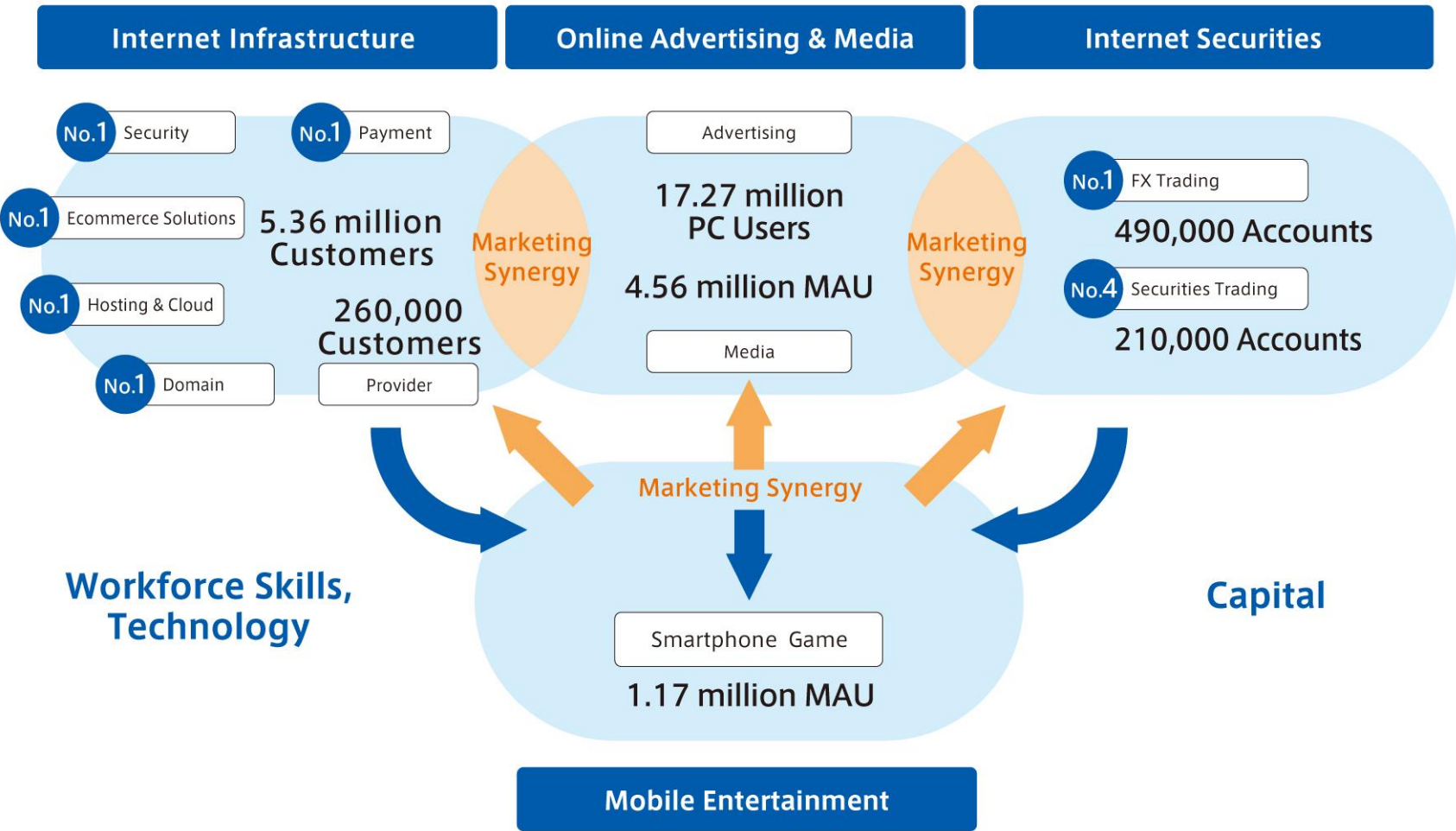
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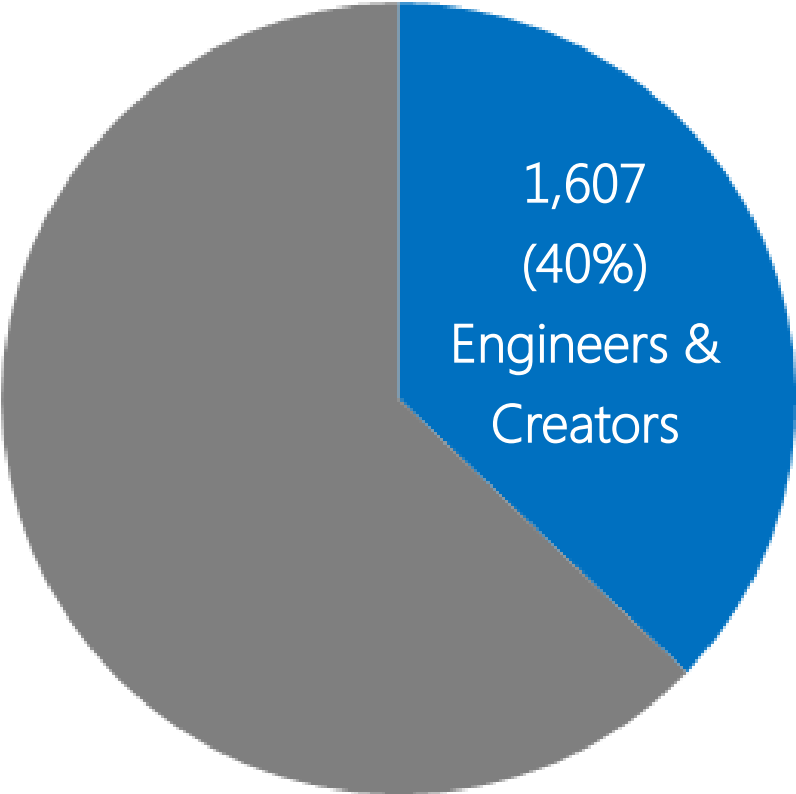
Market share growth accelerating across all segments



\*1 Internet infrastructure contracts (ex. Provider)  
\*2 Provider contracts  
\*3 6/2014 nielsen-online

Built with our own hands

4,014 Group Staff



All products developed, sold and supported in-house



Number 1 in Customer Satisfaction



GMO CLICK Securities  
Oricon Customer Service  
Awards  
No.1 in FX



GMO AppsCloud  
Top Award for  
2 consecutive years



GMO CLOUD  
2014 Business Cloud  
Triple A Rating



GMO GlobalSign  
SSL Global Information  
Security Product  
Excellence Award 2013



GMO Internet  
Microsoft Partner of the  
Year 2013  
Hosting Competency  
Award

(as of 6/2014)



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4. New Domains

Number one across all infrastructure products

Strong  
No. 1

Domain



Domestic gTLD market share at 94.5%

\*based on our own data

Up 1.7points

Strong  
No. 1

Hosting & Cloud



Domestic market share at 57.2%

\*Webhosting.info

Up 0.4points

No. 1

Ecommerce



84,000 stores (70,000 paid stores)

No.1

Security



15.6% YoY increase in certificate issues

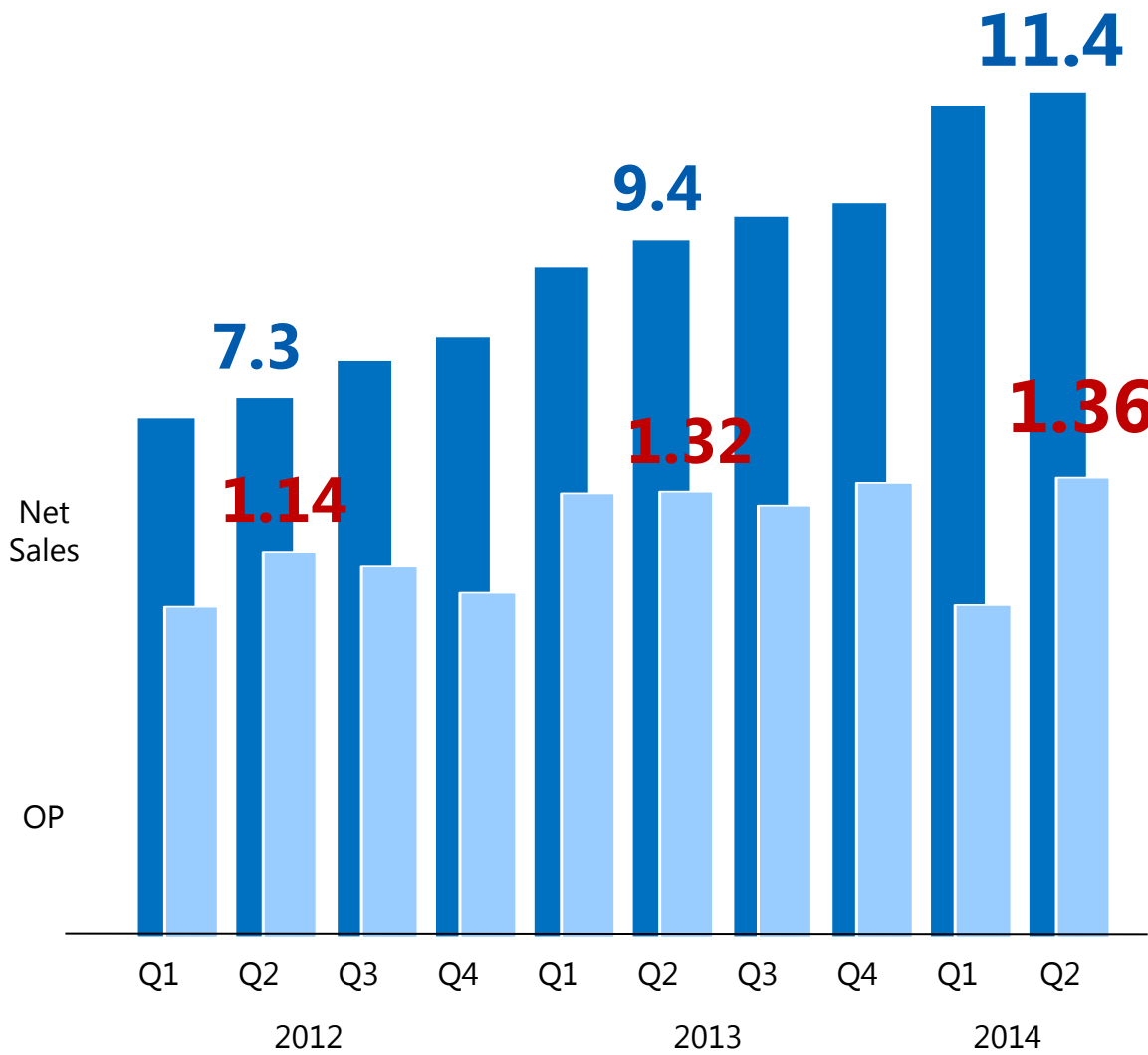
No. 1

Payment



48,000 merchants

(JPY billions)

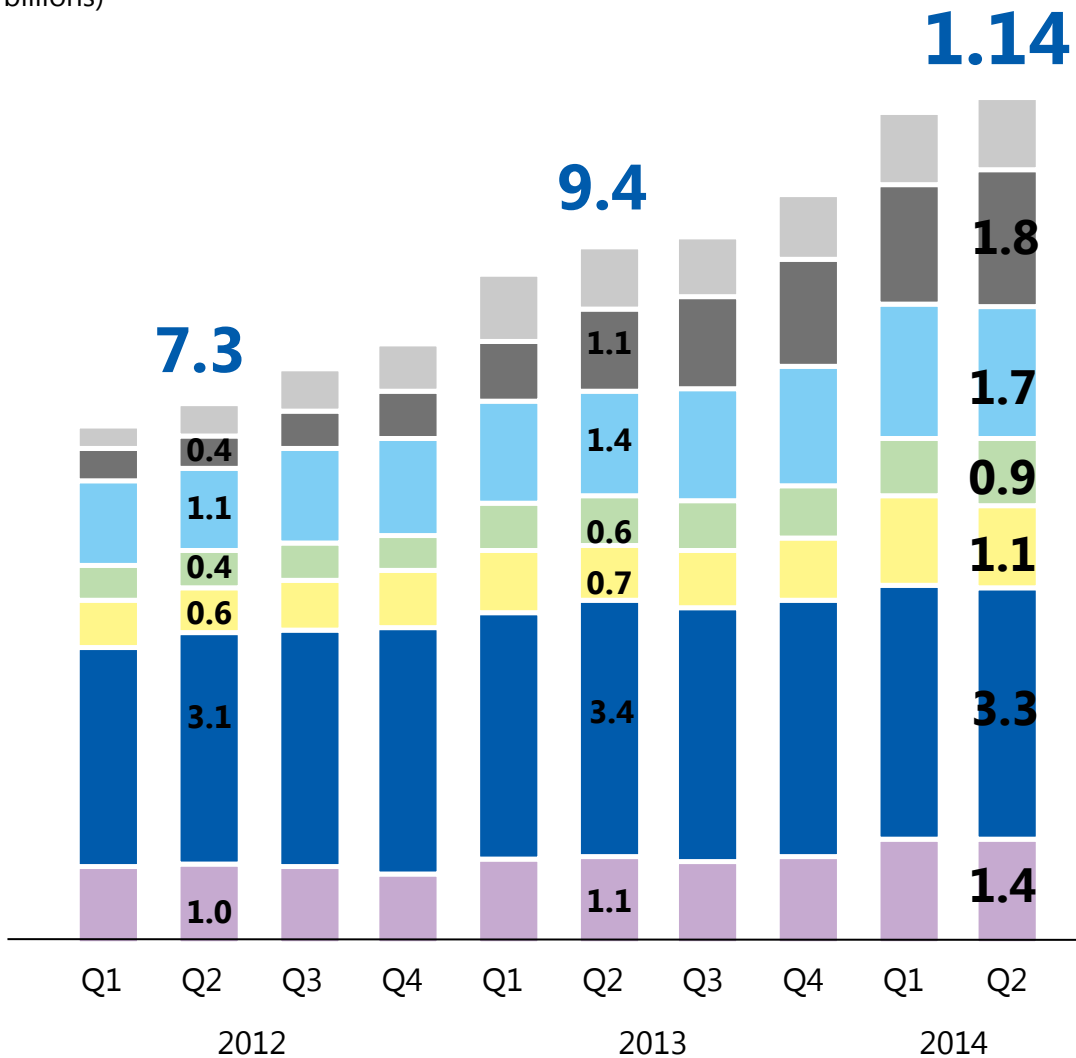


Revenue up **21.2%**

Profit up **2.9%**

.tokyo TV ad spend:  
JPY170M

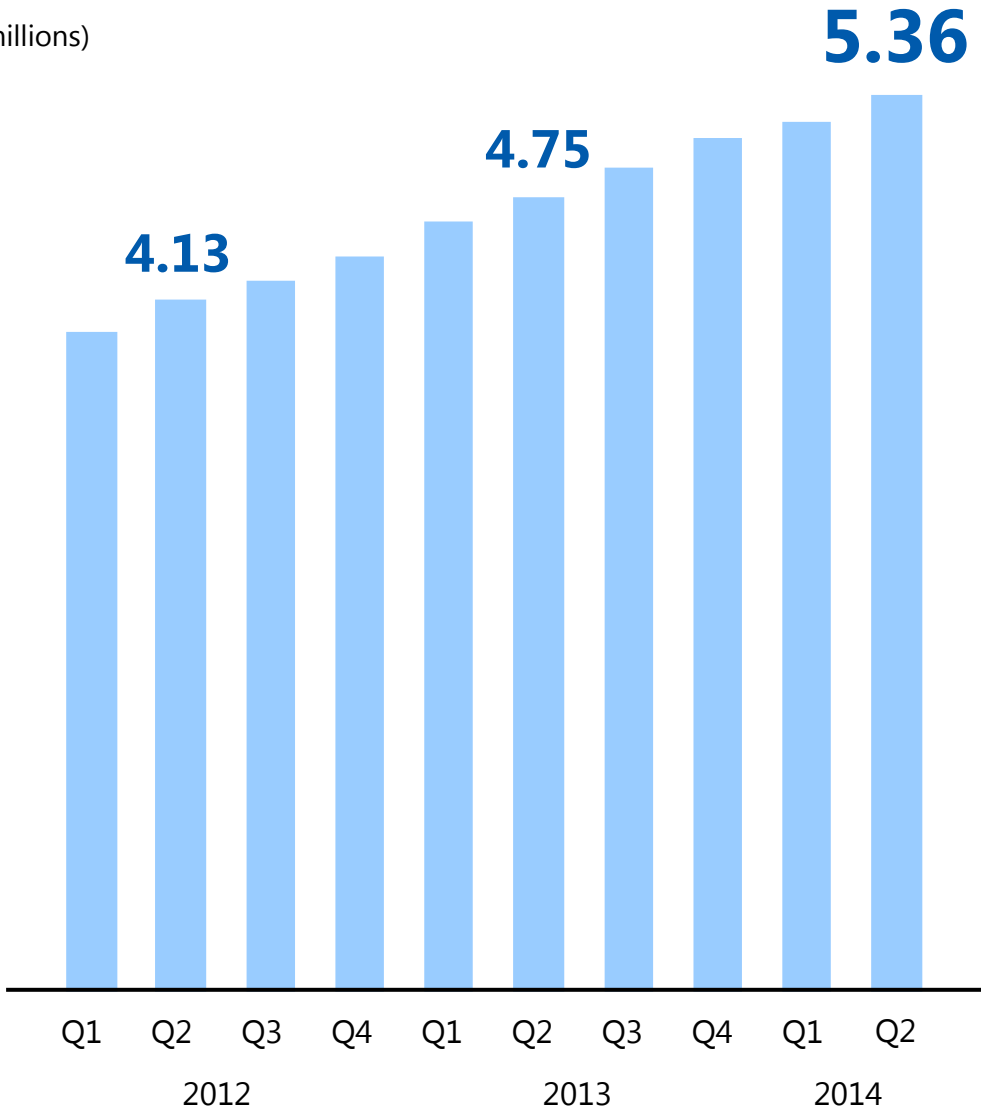
(JPY billions)



Strong Growth  
across all  
Infrastructure  
Products

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

(millions)



**5.36** million contracts  
**12.8%** YoY growth

\*Excluding provider contracts (26,000 contracts)

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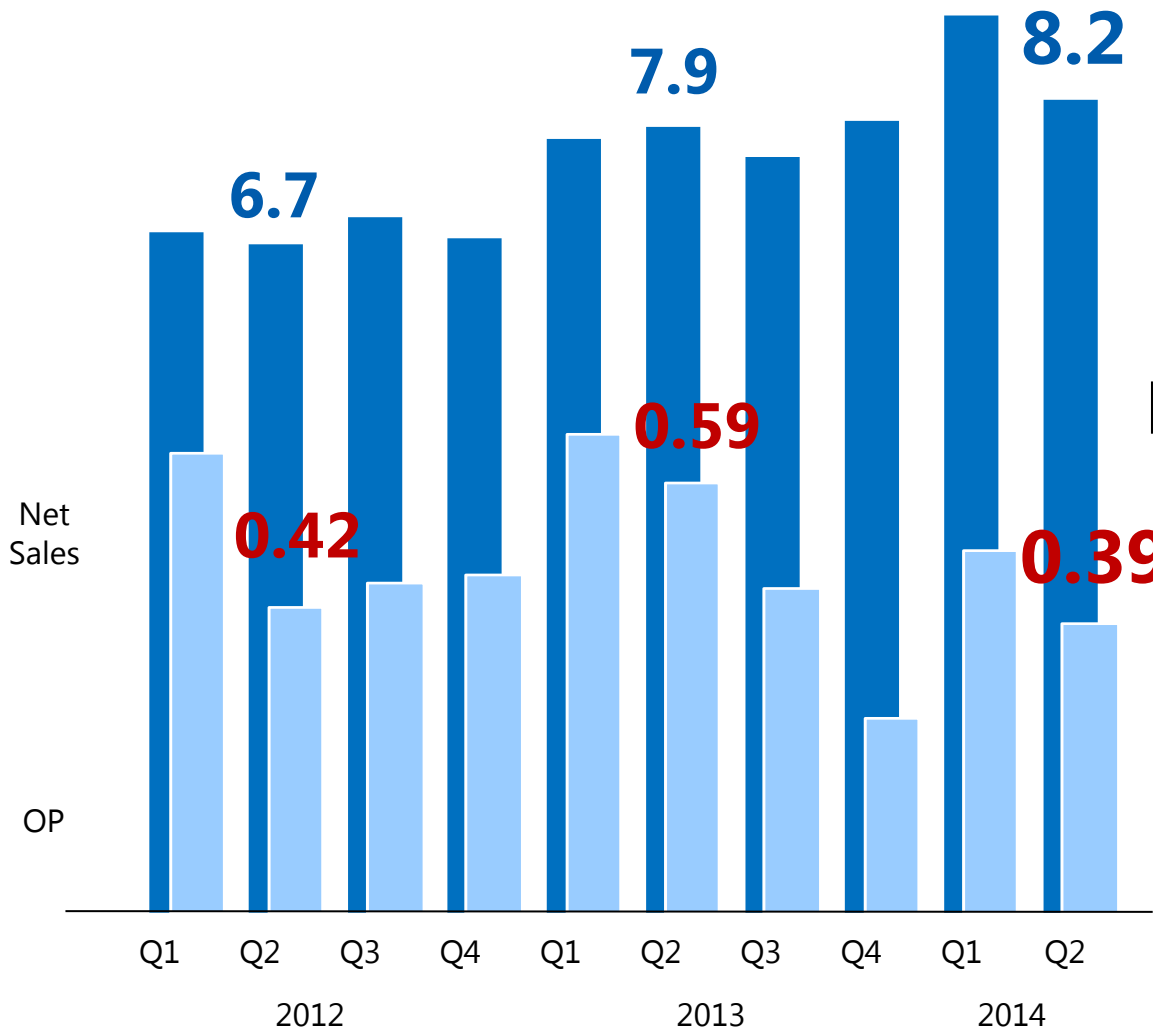
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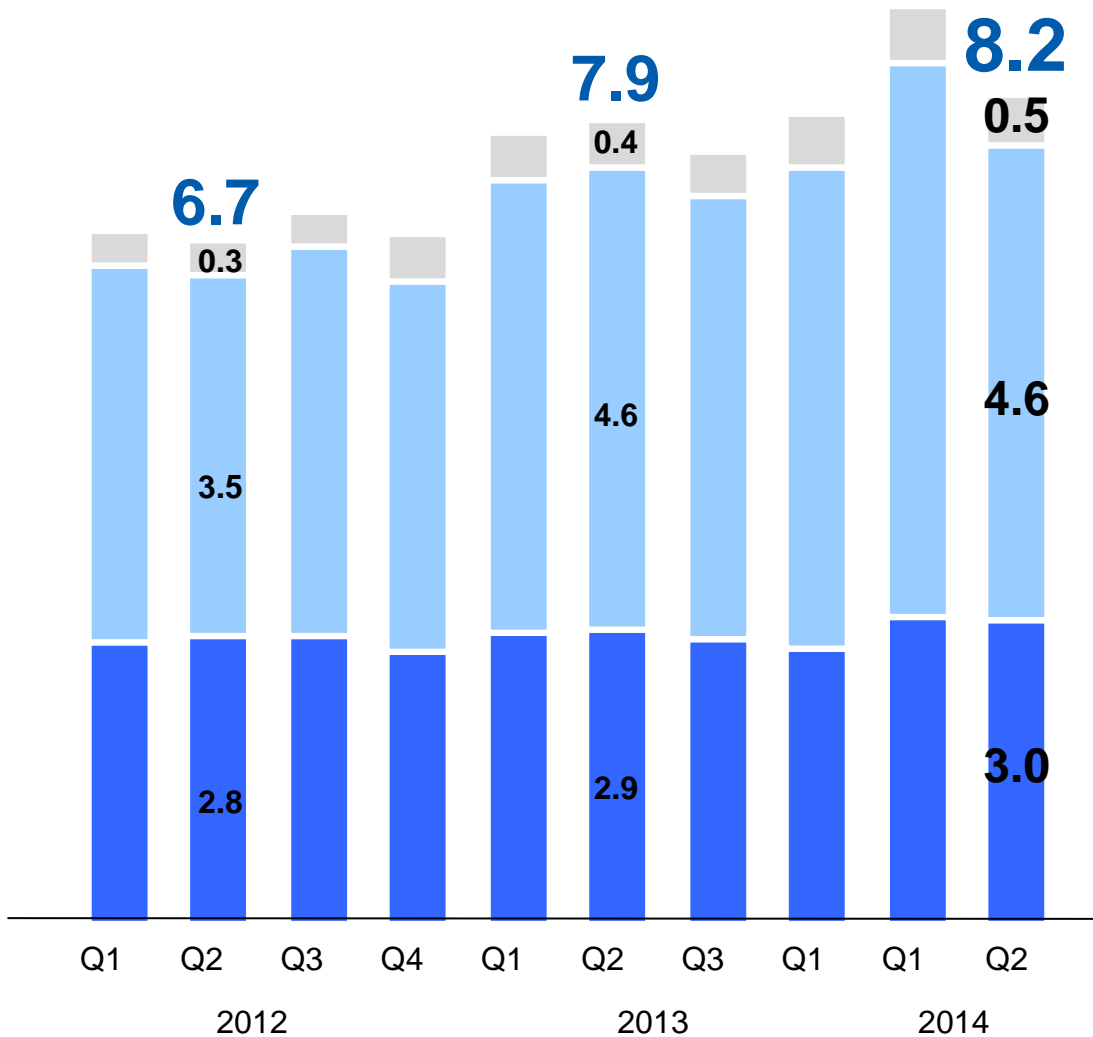
Historical Performance by Quarter

(JPY billions)



Revenue up **3.2%**  
Profit down **32.5%**

(JPY billions)

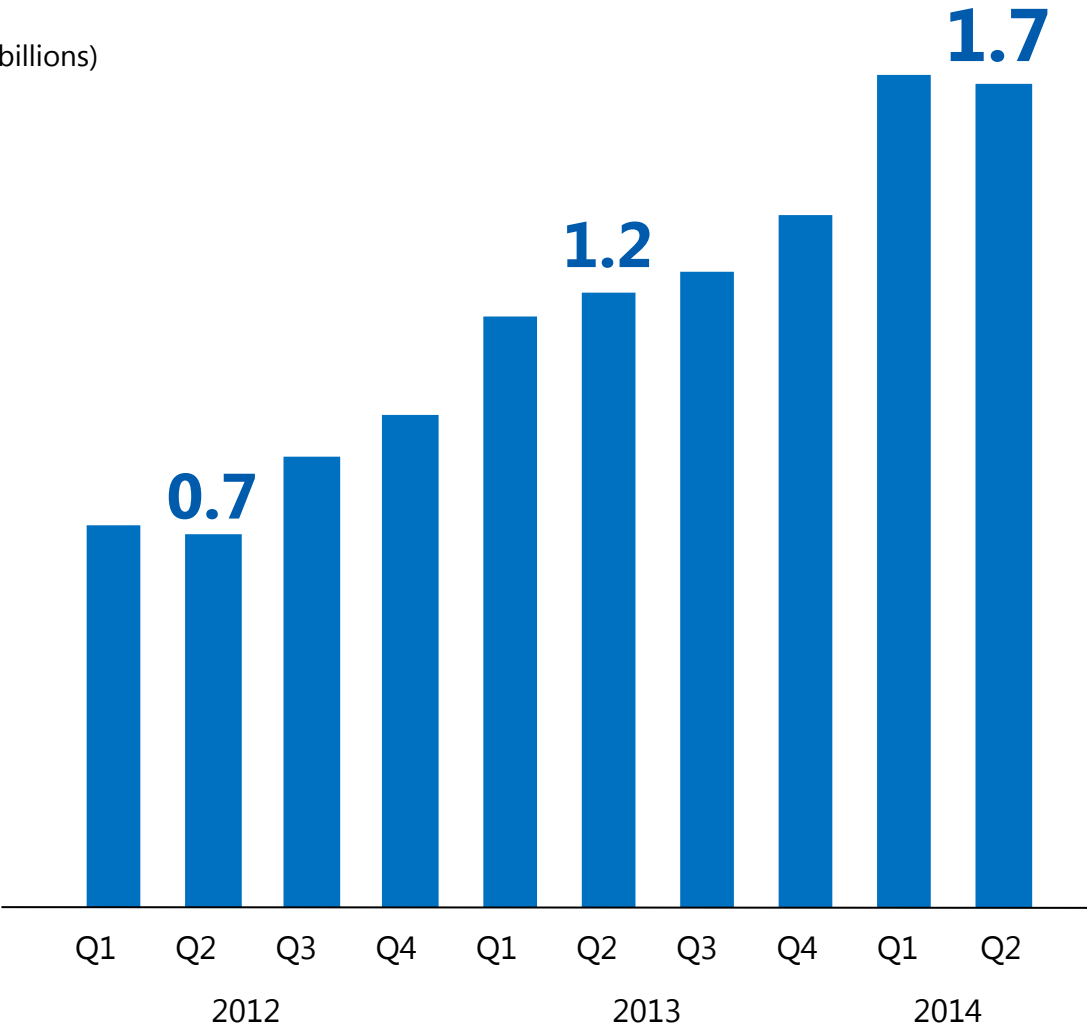


Media Rep  
business to be  
overhauled  
amidst  
weakening  
performance

Other  
Online Advertising  
Internet Media



(JPY billions)



**34.0%**  
Revenue increase  
in ad tech



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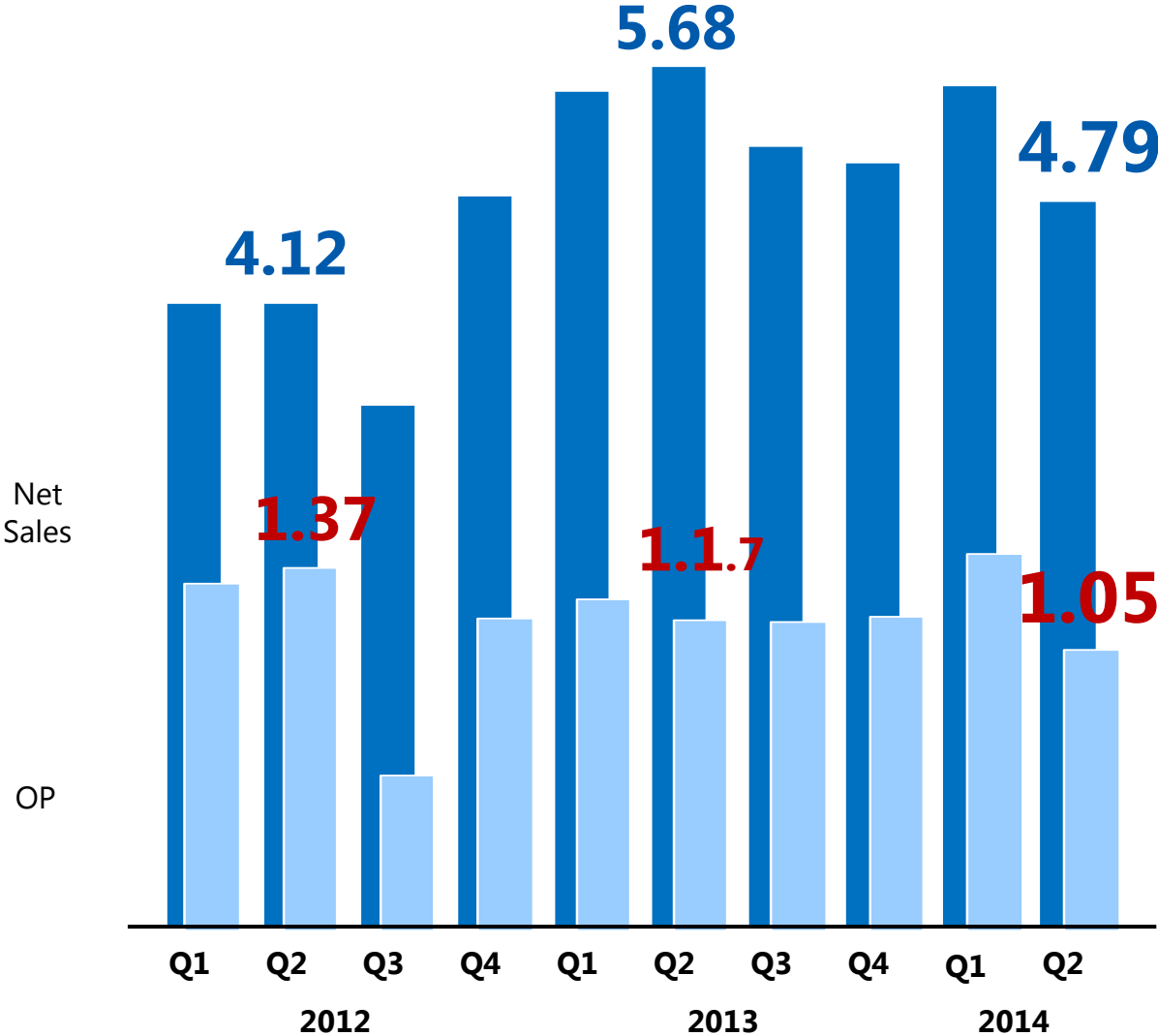
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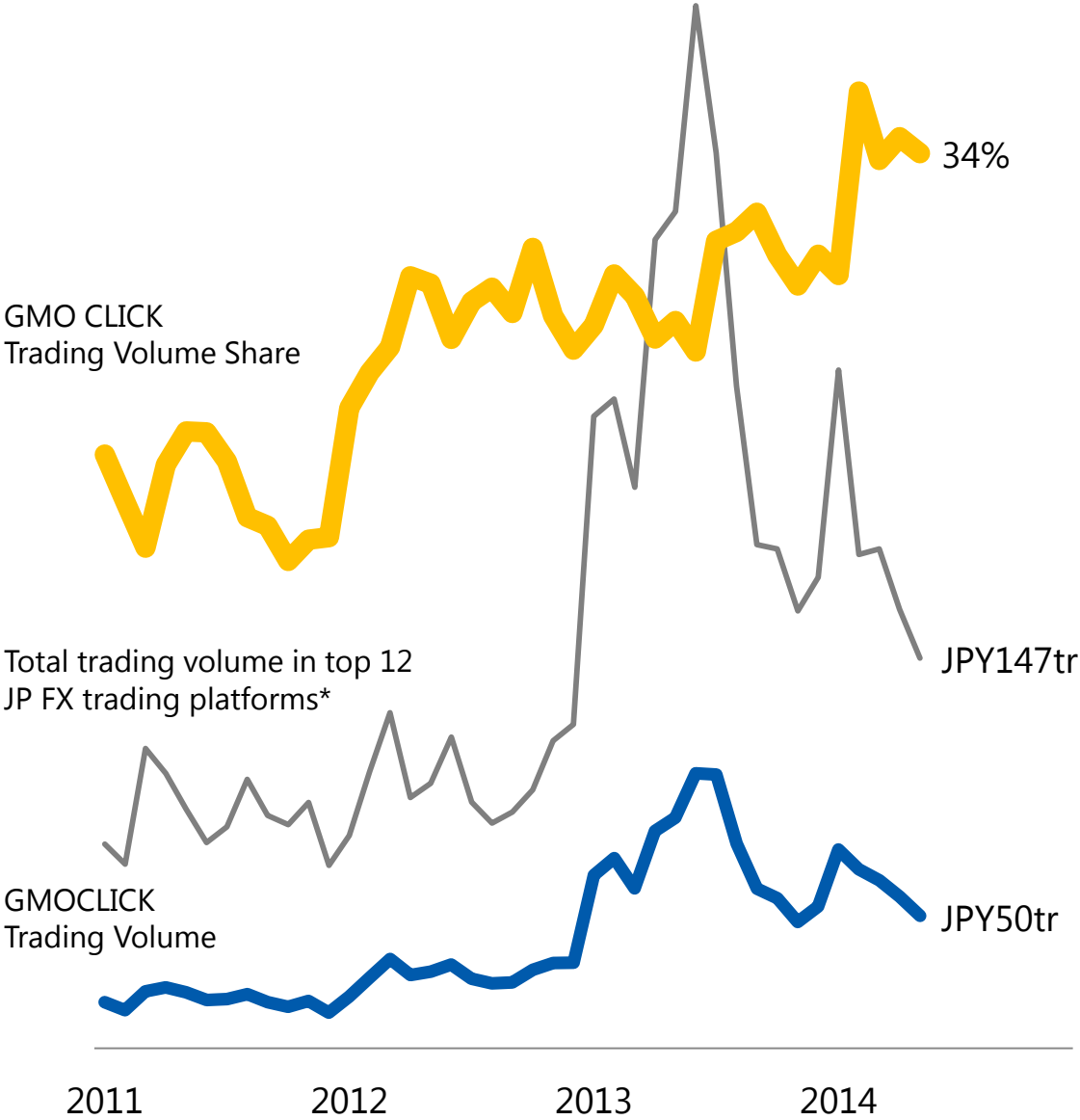
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(JPY billions)



Profit maintained at previous Q2-level, despite 19-year low in FX market trading activity.

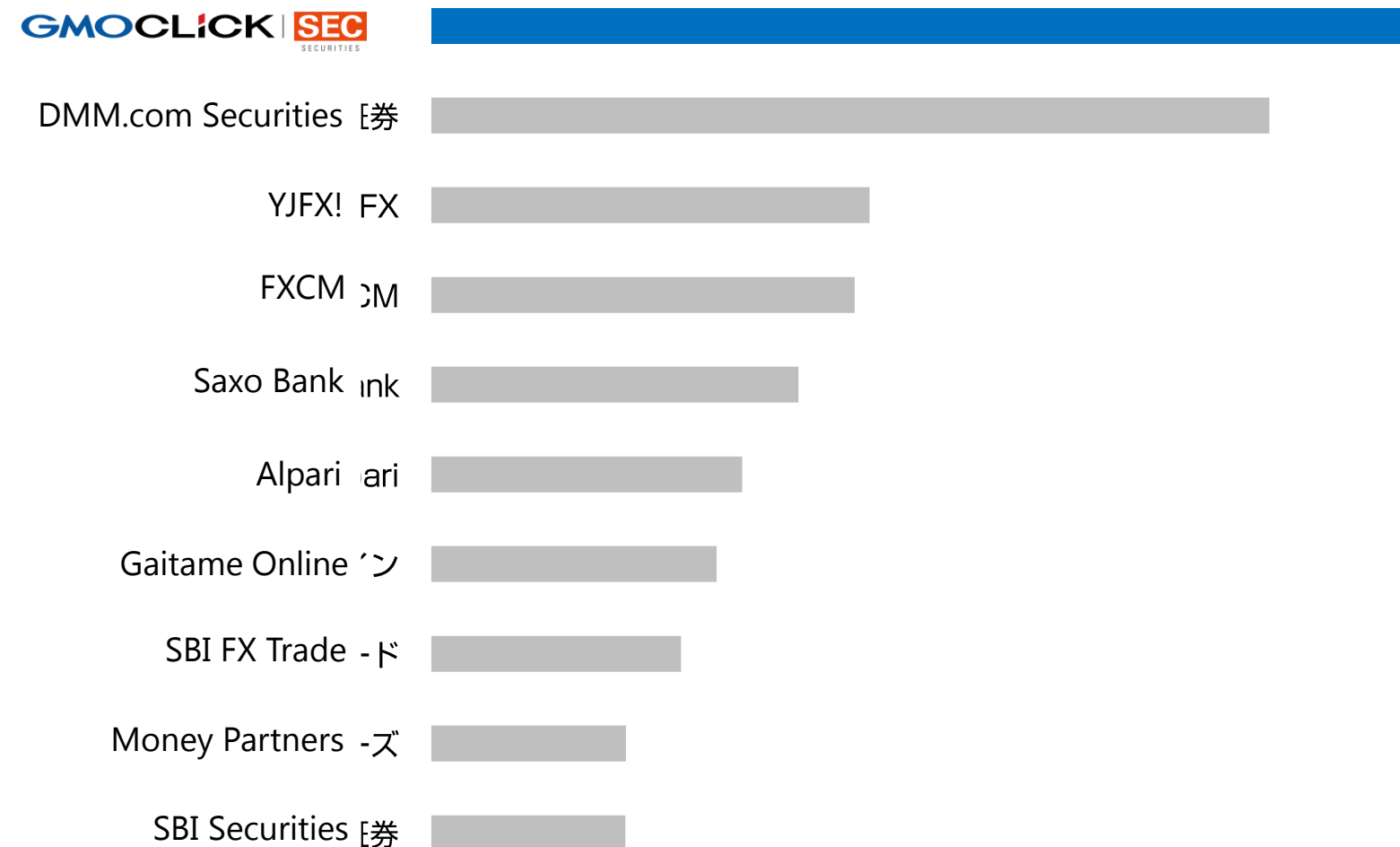


Expanded market share despite drop in trading volume

\*Yano Research

Global high FX transaction volume for 2nd consecutive year

**World  
No.1**



(Source: Forex Magnates, Transaction volume in 2013)

## Aoyama Crossing



## Shibuya Station



## Shinjuku Station



## Shinbashi Station



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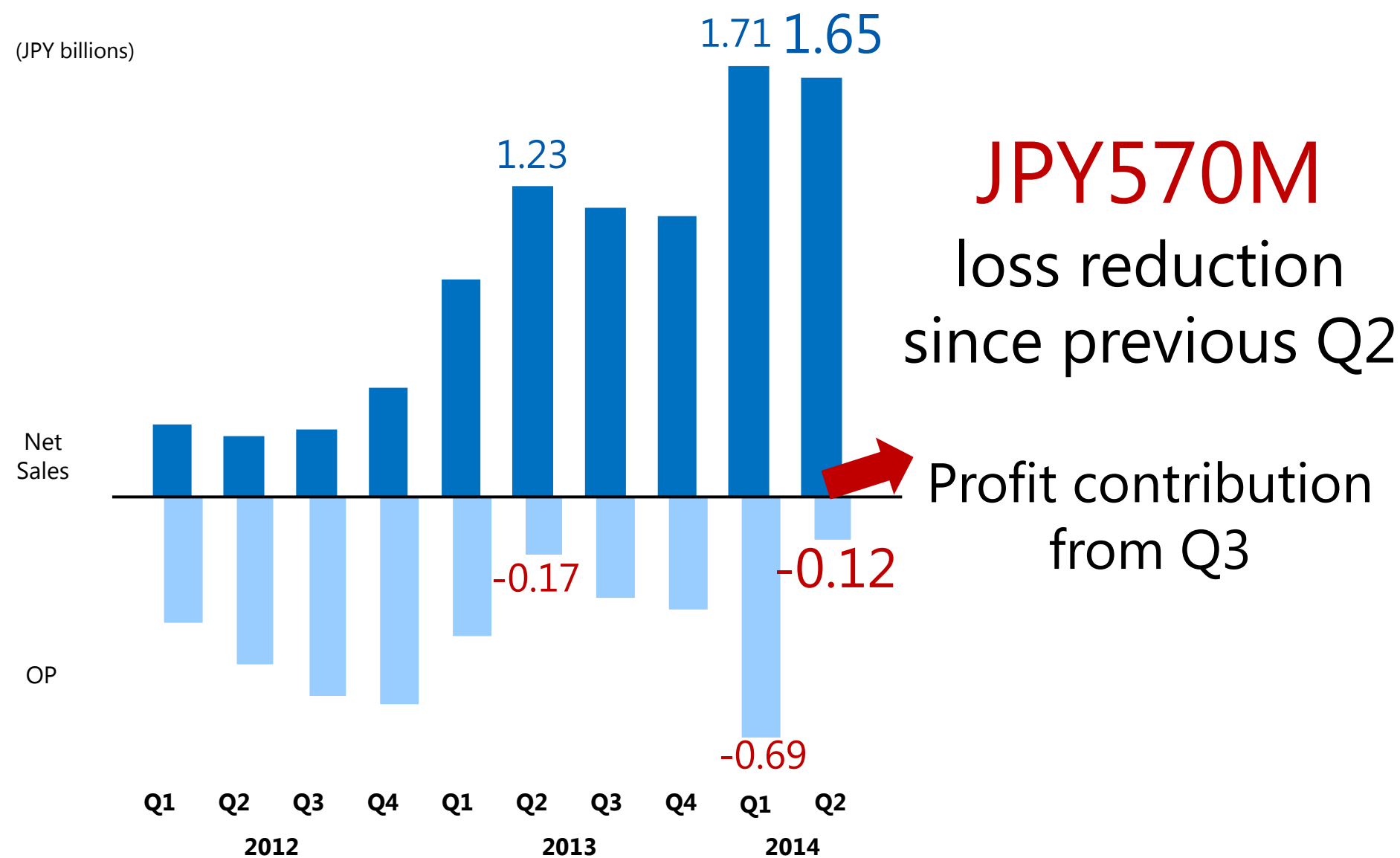
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Historical Performance by Quarter

(JPY billions)





# Concentrating current resources on generating a hit title

7-9/2014

10-12/2014

## Japan

Kaleidoscope  
Pocket Coliseum

Dragon Line  
Tokyo Caravan Hero

Mirror War (PC)  
Wizadry Scheme

Amatus no Kishi (PC)

## Global

Kaleidoscope (S. Korea/Taiwan)  
Excalibur (English language)

Shooting Yusha (S. Korea)

LINE Dream Garden  
(in 20 countries)



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**.tokyo** 920円<sup>(税別)</sup>/年

.com .jp ドメイン取るなら

**お名前.com<sup>®</sup>**

by **GMO**



## Shinagawa Station



## Shibuya Station





## Tokyo Station



## Yahoo!



10,000 .tokyo registrations in first 24 hours after General Availability launch

	Registrations	Launch	Ranking (of 344)
	15,022	7/22	20
	2,660	6/23	108

Source: <http://ntldstats.com/> (2014/7/31)

Ranked 9<sup>th</sup> new gTLD registrar worldwide

Top 30 Registrars		
Registrar	Domains	% Share
1. Network Solutions, LLC (Web.com)	385,051	21.92%
2. GoDaddy.com, LLC (GoDaddy Group)	306,118	17.42%
3. eNom, Inc. (Demand Media)	124,470	7.09%
4. PSI-USA, Inc. dba Domain Robot	92,344	5.26%
5. 1&1 Internet AG (United Internet AG)	88,343	5.03%
6. united-domains AG (United Internet AG)	77,170	4.39%
7. 1API GmbH (HEXONET GmbH)	62,632	3.57%
8. Uniregistrar Corp (Uniregistry Corp.)	53,446	3.04%
9. GMO Internet, Inc. d/b/a Onamae.com	42,082	2.40%
10. 101domain, Inc.	40,924	2.33%
11. Name.com, Inc. (Demand Media)	40,147	2.29%
12. Tucows Domains Inc. (OpenSRS / Hover)	36,269	2.06%

Source: <http://ntldstats.com/> (2014/7/31)

Strengthening strengths and reinforcing weaker segments with strong products

## Infrastructure

Further Strengthening Business  
A solid business built to last forever  
enhancing product marketing and brand

## Securities

Further Strengthening Business  
Enhancing technology, Cost leadership strategy in Japan  
to expand market share. Also expanding to HK and UK.

## Online Ad/Media

Developing Number 1 Products  
Overhaul in rep business in response to evolving  
external environment  
Focusing on technology strength, developing products  
in-house and structural improvements

## Mobile Entertainment

Developing Number 1 Products  
Brink of profitability, amassing expertise  
Concentrating resources on producing hit title

**Internet for Everyone**

**GMO**



# GMO INTERNET

This document includes projections based on expectations, premises and plans as of August 1, 2014. 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.

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