Fiscal Year 2014 First Quarter Results Presentation

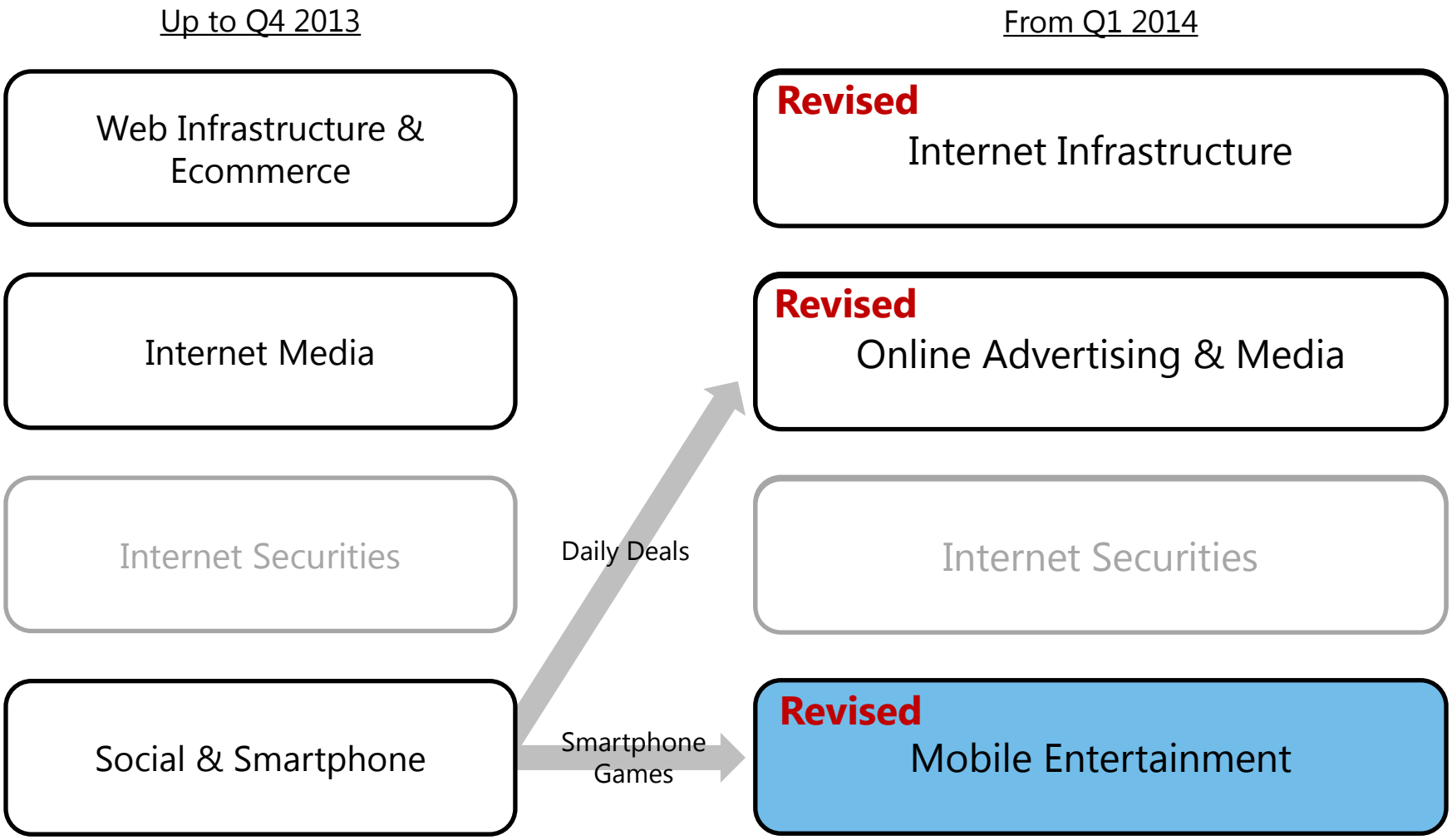
GMO INTERNET

STOCK CODE 9449

May 1, 2014

Segment Revision

Game businesses consolidated in new Mobile Entertainment segment



*GMO Game Pot consolidated from Q1

Q1 Earnings Results

GMO INTERNET

Revenue increases, profits depressed by one-time costs

(JPY billions)	1-3/2013	1-3/ 2014	YoY % Increase
Net Sales	22.81	27.02	+18.5%
Operating Profit	2.89	2.25	-22.1%
Ordinary Profit	2.85	2.24	-21.6%
Net Profit	1.10	0.94	-14.2%

Highlights

Performance

- Net Sales increase **18.5%** YoY, profits drop **22.1%**
- No revision to year-end forecast

Segment Report

- Internet Infrastructure

  Net Sales up **24.2**%, Quarterly sales top JPY**11.0B**
  Investment in .tokyo/.nagoya promotion

- Online Ads/Media

  Profit up **87.3**% QoQ
  Smartphone products driving growth, upswing from previous quarter

- Internet Securities

  Profit up **13.5**% YoY
  Spread reduction spurs further growth in customer base

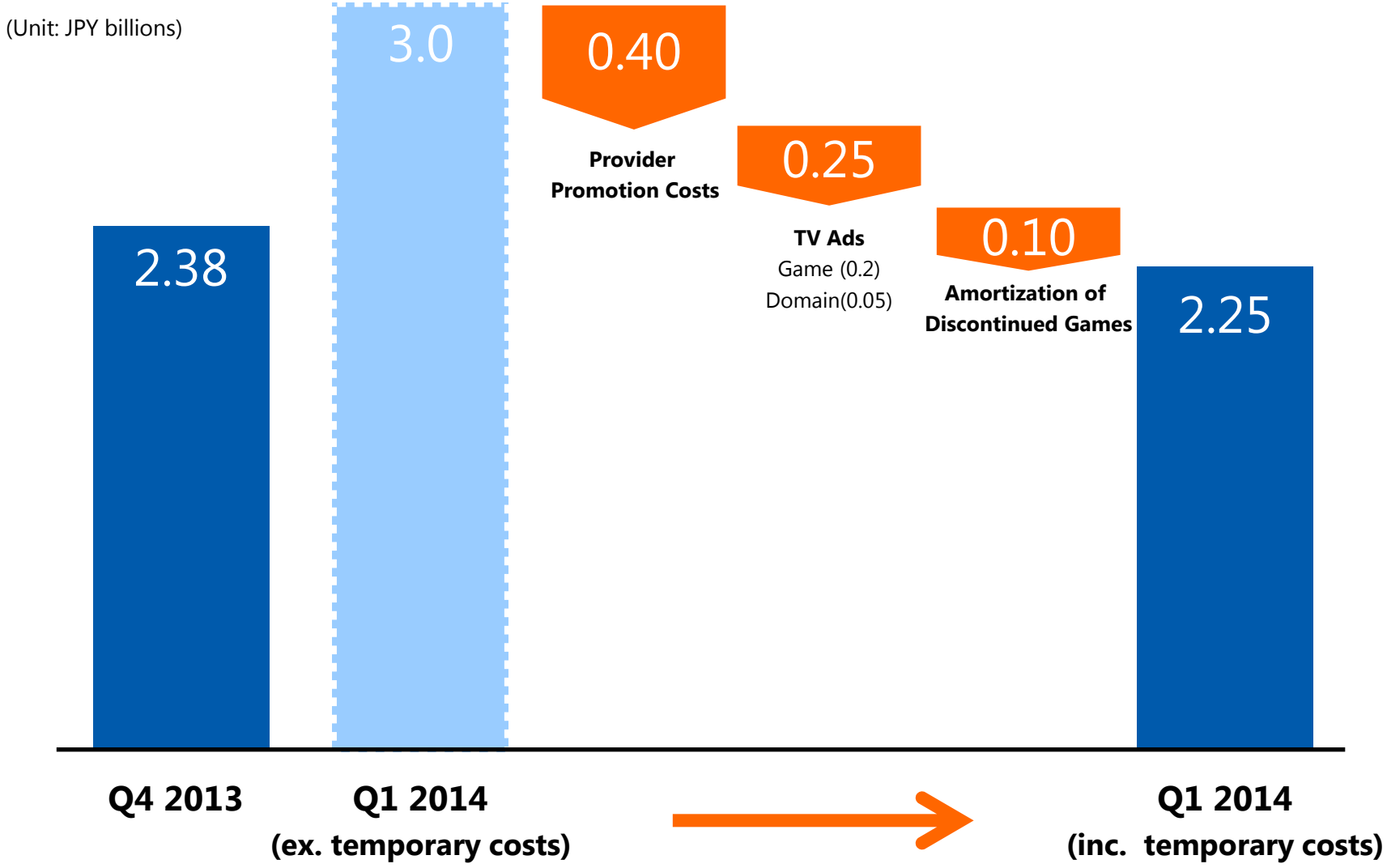
- Smartphone Games

  Net Sales up JPY**600M** QoQ
  JPY230M investment in improved cost structure to achieve profitability in Q2

Cost Breakdown

GMO INTERNET

Breakdown of drop in OP (Q4-Q1)



Temporary sales promotion costs in provider sub-segment

■Cost
Sales promotion cost: limited time cashback on customer contracts.
Projected amount expensed at time of sale.

■Market conditions
Market drives unit cost up and cashback eligible contracts increase.

■ Q1 2014
Unit price and number of contracts have peaked. Maximum projected cashback expensed as one-time cost (JPY400 million)

■Moving Forward
Past promotion costs already expensed. Maintain controlled level of sales promotion costs going forward.

Consolidated Profit and Loss

(JPY100 millions)	Q1 2013 (1-3/2013)	Q1 2014 (1-3/2014)	Change
Net Sales	228.1	270.2	18.5%
Cost of Sales	95.3	129.4	35.6%
Gross Profit on Sales	132.7	140.8	6.1%
SGA	103.7	118.3	14.0%
Operating Profit	28.9	22.5	-22.1%
(OP Margin)	12.7%	8.3%	-4.4pt
Ordinary Profit	28.5	22.4	-21.6%
Extraordinary Profit	0.2	7.2	3107.6%
Extraordinary Loss	2.3	3.4	47.4%
Profit before Tax	26.4	26.1	-1.2%
Corporate Tax etc.	11.4	12.7	11.5%
(Corporate Tax Ratio)	43.3%	48.9%	5.6pt
Minority Profits	3.9	3.8	-1.8%
Net Profit	11.0	9.4	-14.2%

Consolidated Balance Sheet

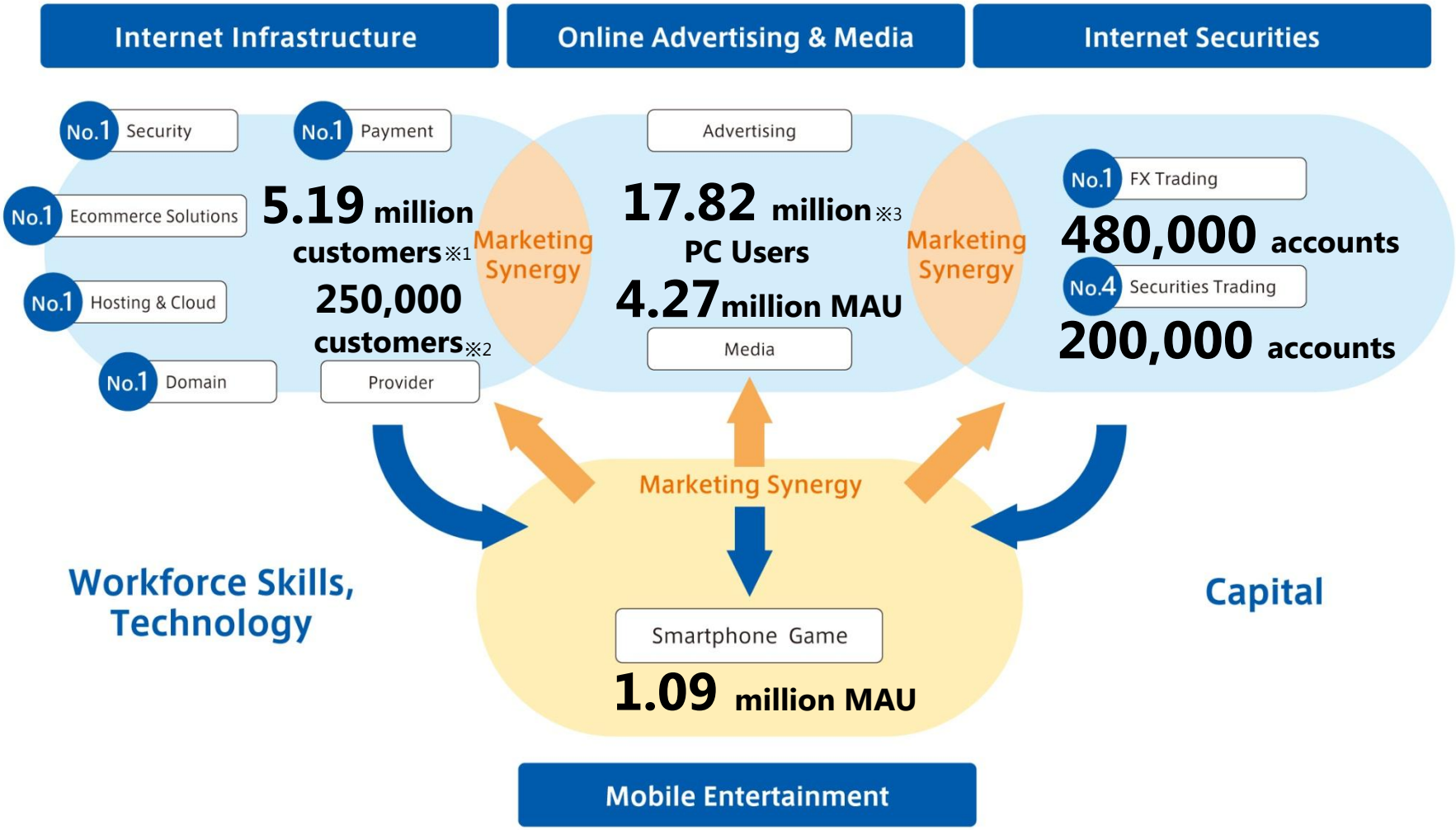
(JPY100 millions)	As of 12.31.2013	As of 3.31.2014	Change	GMO CLICK HD (as of 3.31.2014)	Change
Current Assets	4,078	4,030	-1.2%	3,495	-1.4%
Cash and deposits	574	603	4.9%	245	20.1%
Fixed Assets	219	209	-4.4%	38	-3.1%
Goodwill	36	39	6.5%	0	-44.4%
Software	40	41	2.4%	13	-4.3%
Investment securities	18	14	-21.4%	0	-3.6%
Total Assets	4,297	4,239	-1.3%	3,533	-1.4%
Liabilities	3,928	3,870	-1.5%	3,336	-1.7%
Interest-bearing debt	243	426	74.9%	281	175.1%
Net Aseets	368	369	0.3%	197	4.0%
Minority interests	118	118	-0.2%	9	-0.7%
Shareholders' Equity	249	251	0.5%	188	4.2%
Earned surplus	157	159	1.3%	125	9.7%
(Shareholders' equity ratio)	5.8%	5.9%	+0.1pt	5.3%	+0.3pt
Liabilities/Net Assets Total	4,297	4,239	-1.3%	3,533	-1.4%

Consolidated Cash Flow

(JPY 100 millions)	Q1 2013 (1-3/2013)	Q1 2014 (1-3/2014)	GMOCLICK HD (1-3/2014)
Operating Cash Flow	-153.4	**-134.5**	-133.5
Investing Cash Flow	-11.2	**-6.6**	-1.0
Financing Cash Flow	235.1	**169.0**	175.9
Change in Cash and Equivalents	70.9	**27.2**	41.2
Balance of Cash and Equivalents	489.9	**556.6**	200.6

Business Segments (Composition)

Market share growth accelerating across all segments

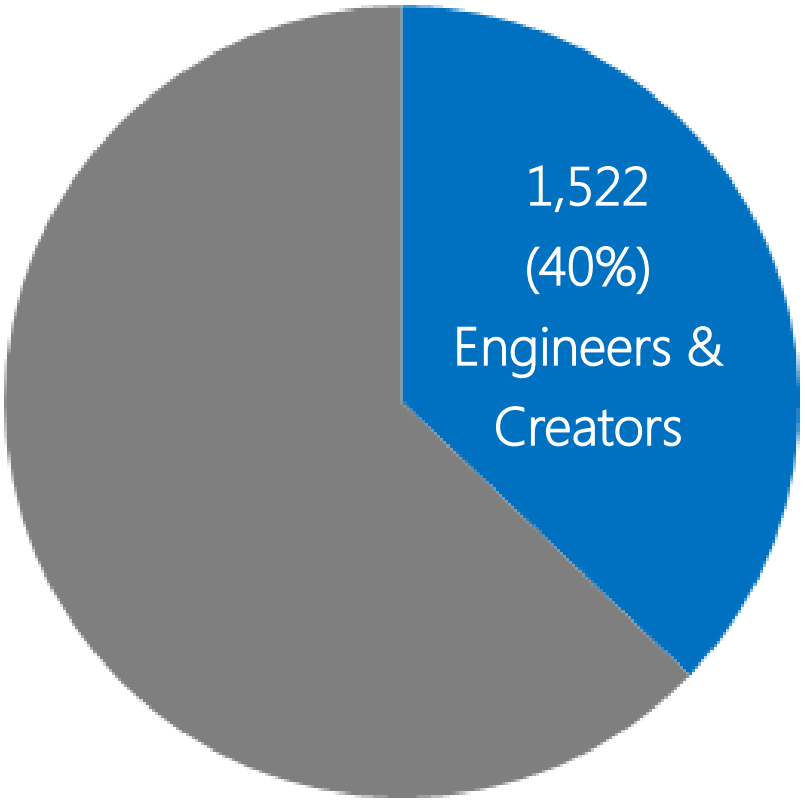


※1 Internet infrastructure contracts (ex. Provider)
※2 Provider contracts
※3 3/2014 nielsen-online

Strengths - Technology

Built with our own hands

3,838 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
2013 Business Cloud
Triple A Rating

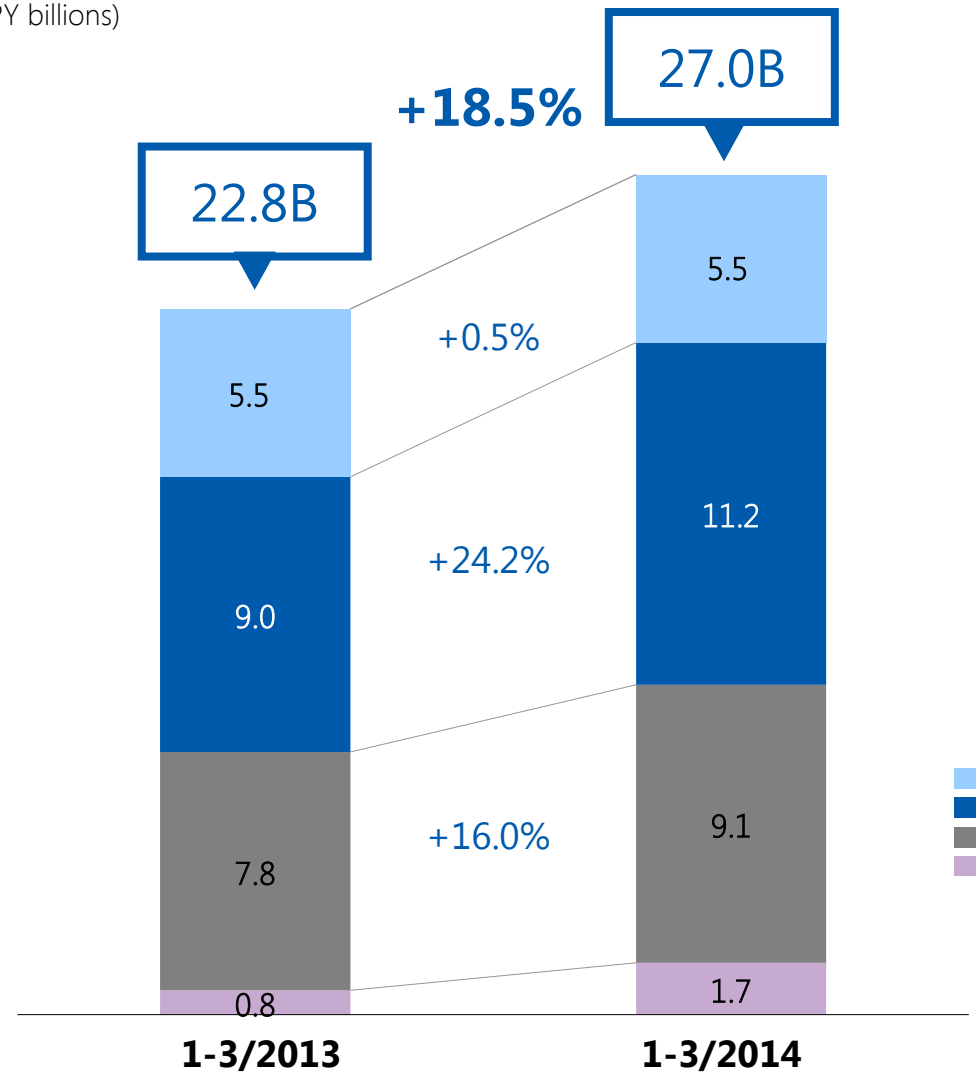
GMO GlobalSign
SSL Global Information Security Product Excellence Award 2013

GMO Internet
Microsoft Partner of the Year 2013
Hosting Competency Award

(as of 3/2014)

Net Sales by Segment

(JPY billions)

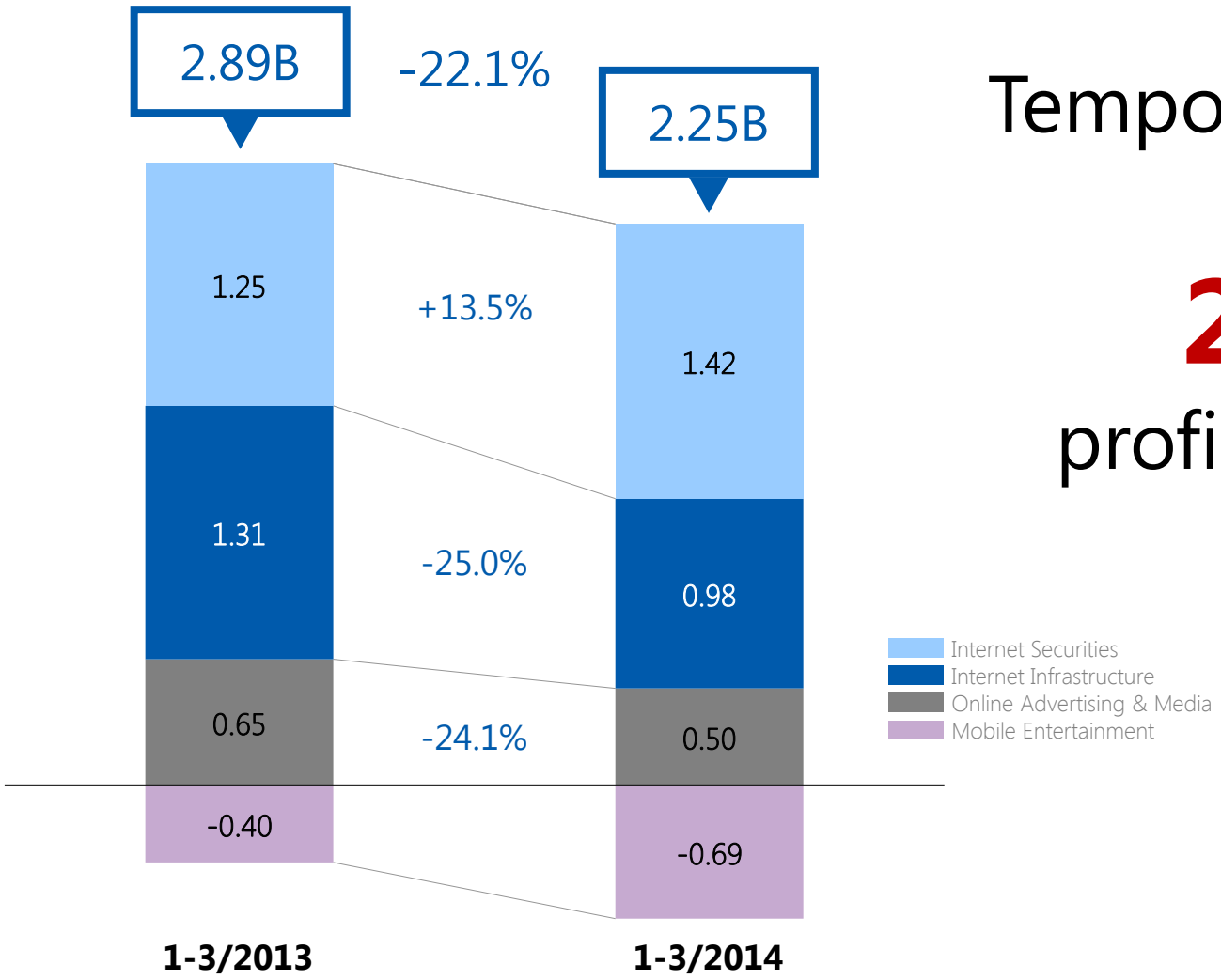


Segment revenue growth

18.5%

Operating Profit Sales by Segment

(JPY billions)



Temporary leading costs

22.1%

profit decrease

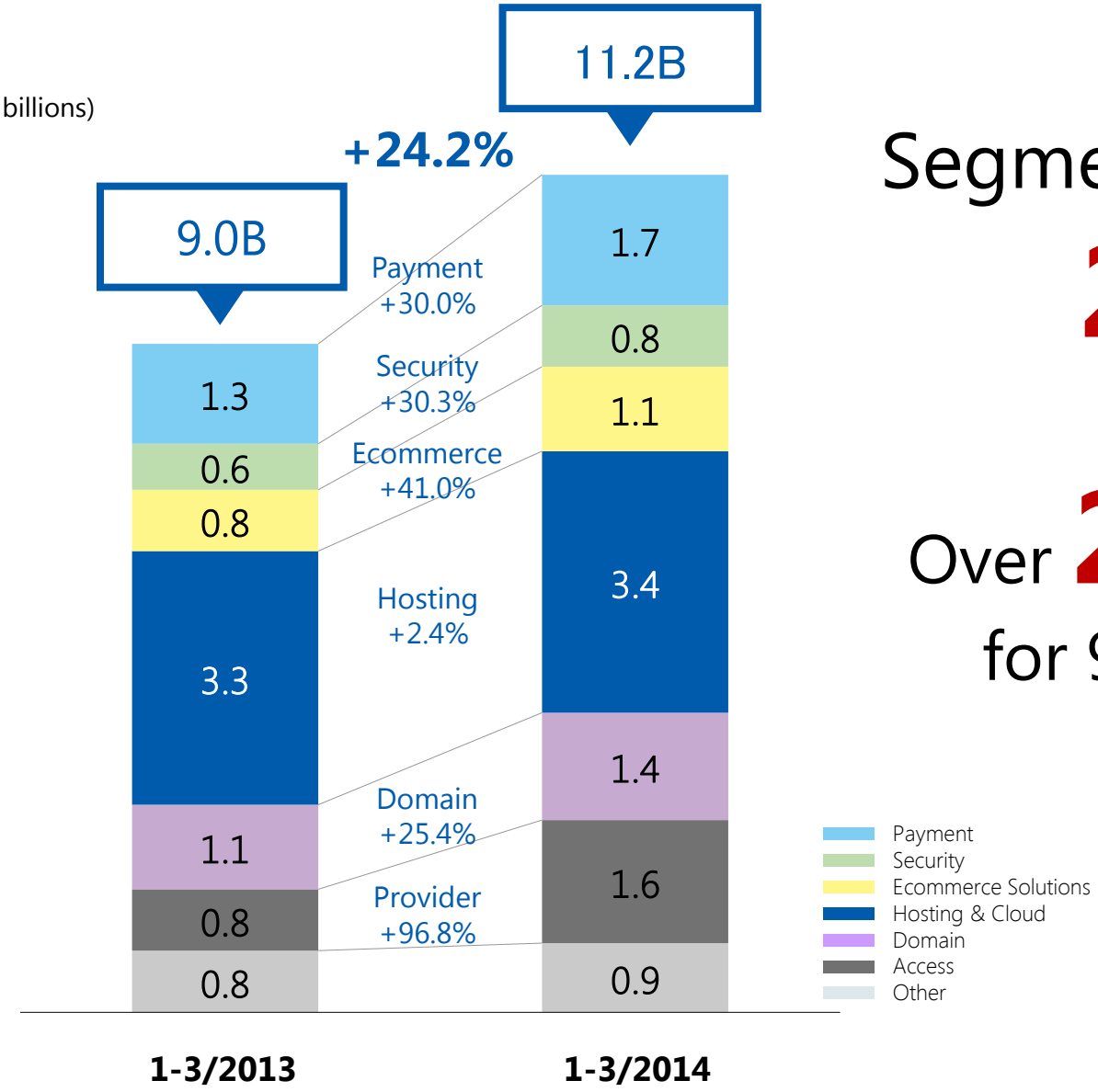
Segment Composition

Number one across all infrastructure products

Strong No. 1	Domain	Domestic gTLD market share at 92.8% *based on our own data
Strong No. 1	Hosting & Cloud	Domestic market share at 56.8% *Webhosting.info
No. 1	Ecommerce	83,000 stores (69,000 paid stores)
No.1	Security	13.3% YoY increase in certificate issues
No. 1	Payment	47,000 merchants

Net Sales

(JPY billions)

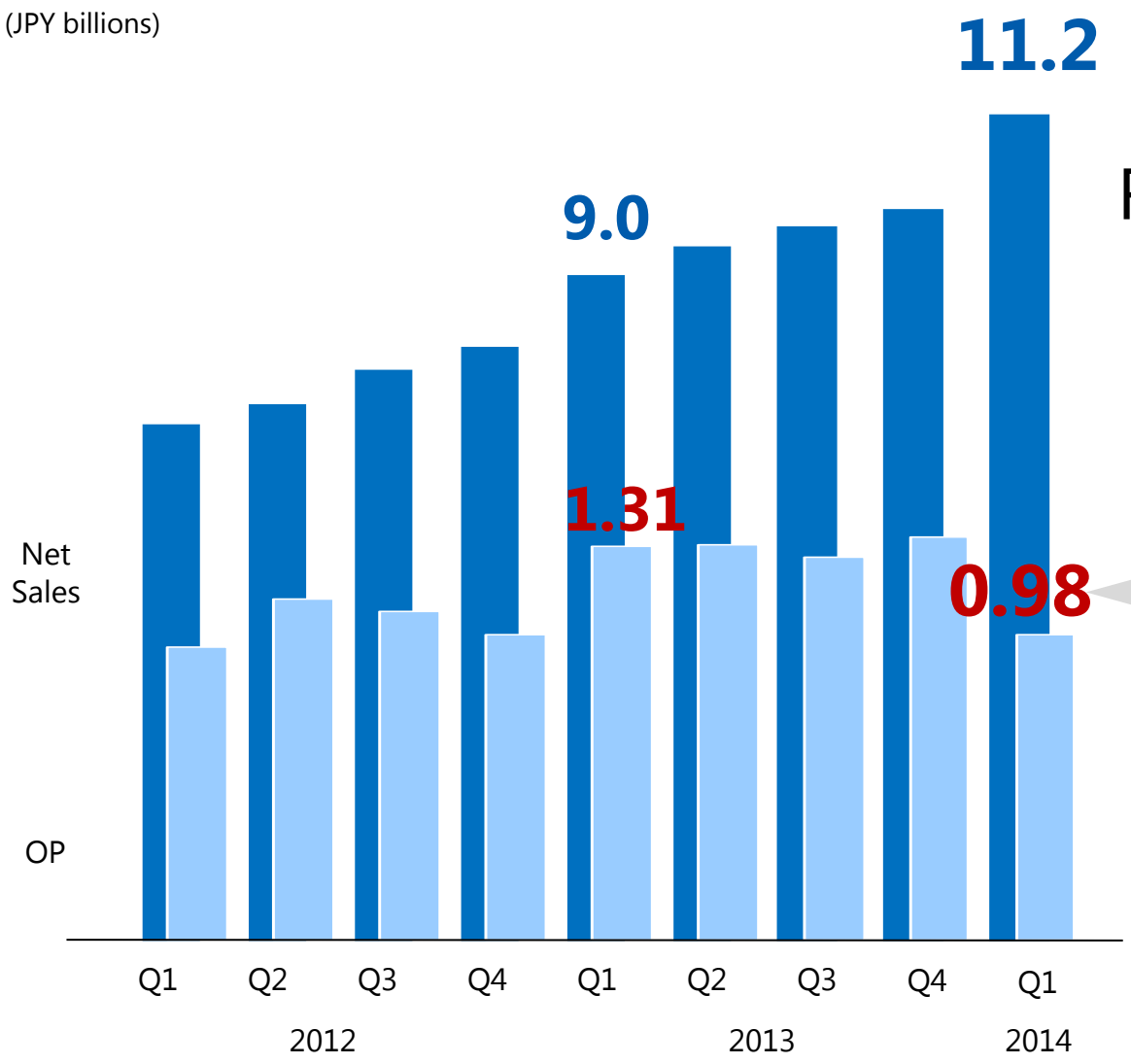


Segment revenue up

24.2%

Over **20%** growth for 9 consecutive quarters

Historical Performance by Quarter



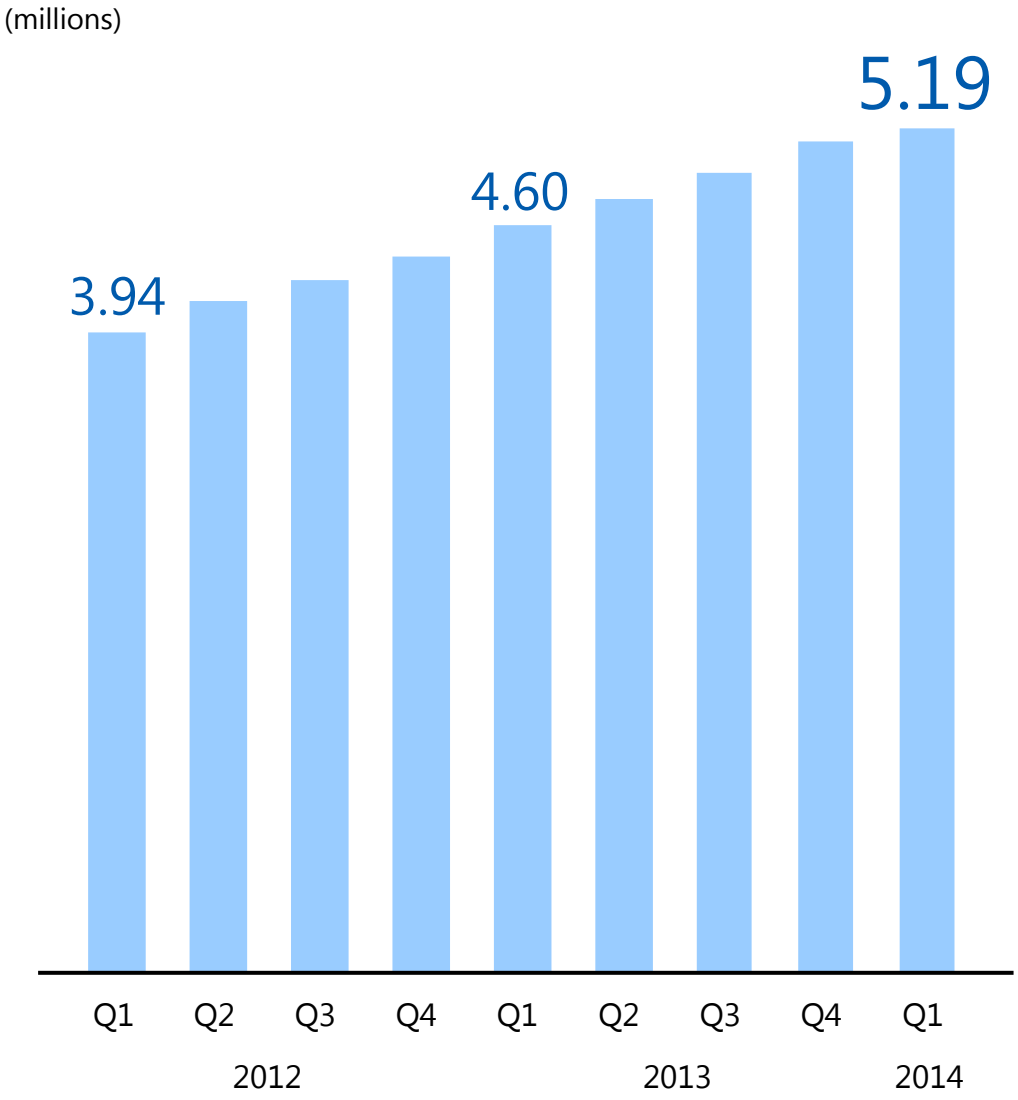
Revenue up **24.2%**

Profit up **25.0%**

One-time cost **450M**

Domain Promotion	**50M**
Provider Sales Costs	**400M**

Internet Infrastructure Contracts

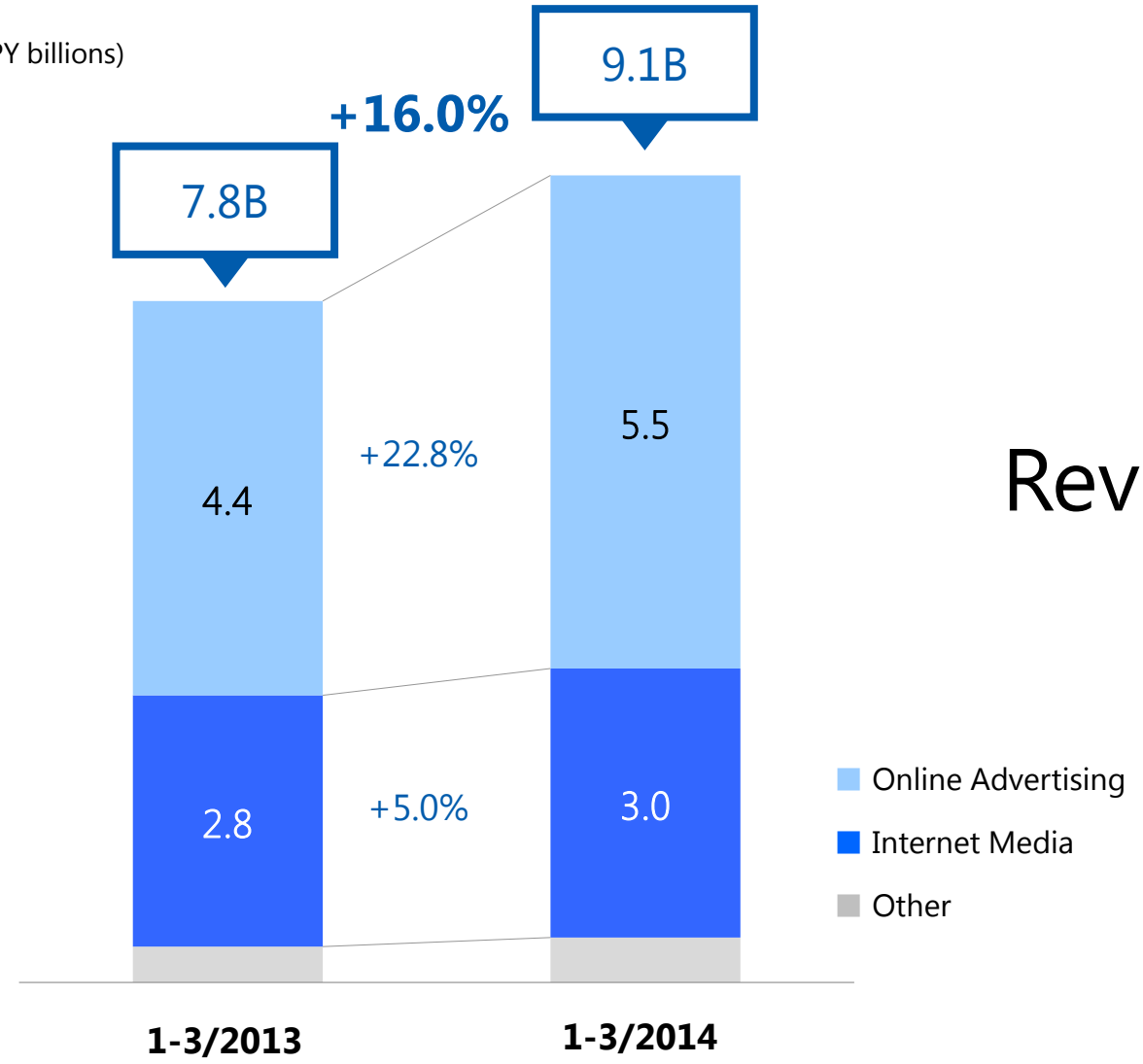


*Excluding provider contracts (25,000 contracts)

5.19 million contracts

12.9% YoY growth

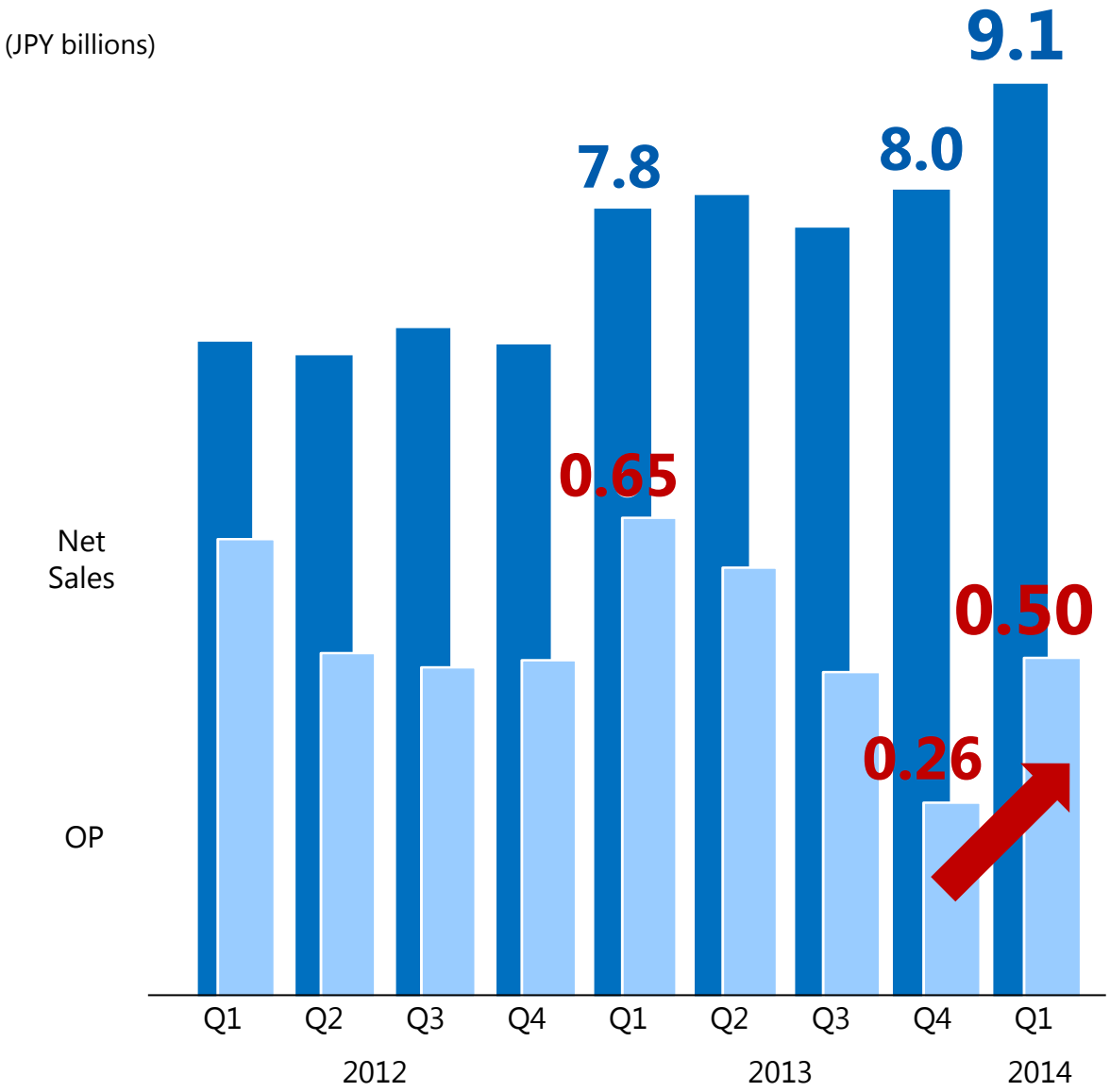
Net Sales



16.0%

Revenue increase

Historical Performance by Quarter



Revenue up

13.2%

Profit up

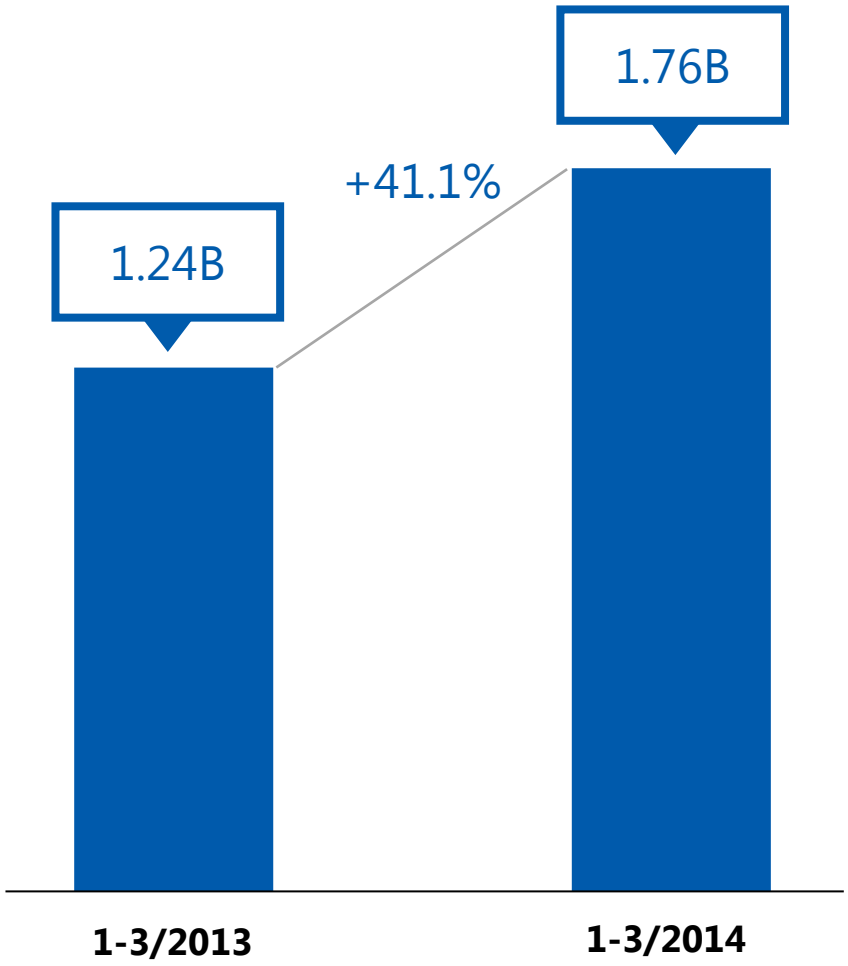
87.3%

Recovery from previous quarter

Ad Network Products

Smartphone ad products driving growth

(JPY billions)

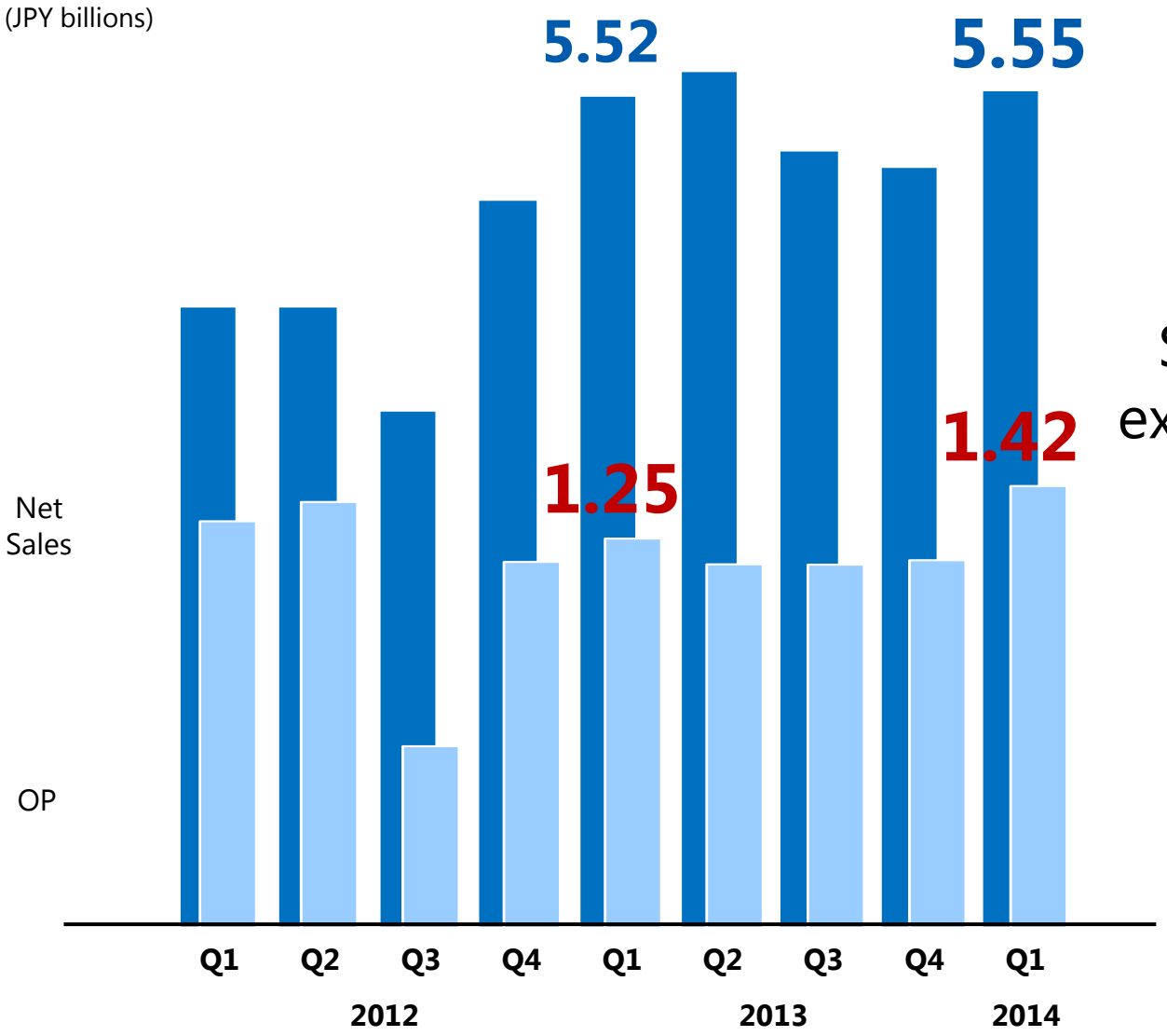


41.1%

Revenue increase

ADResult by GMO for Smartphone
GMO SSP for Smartphone
GMO DSP for Smartphone
GMO SmaAD Adnetwork
GMO SmaAD Reward

Historical Performance by Quarter

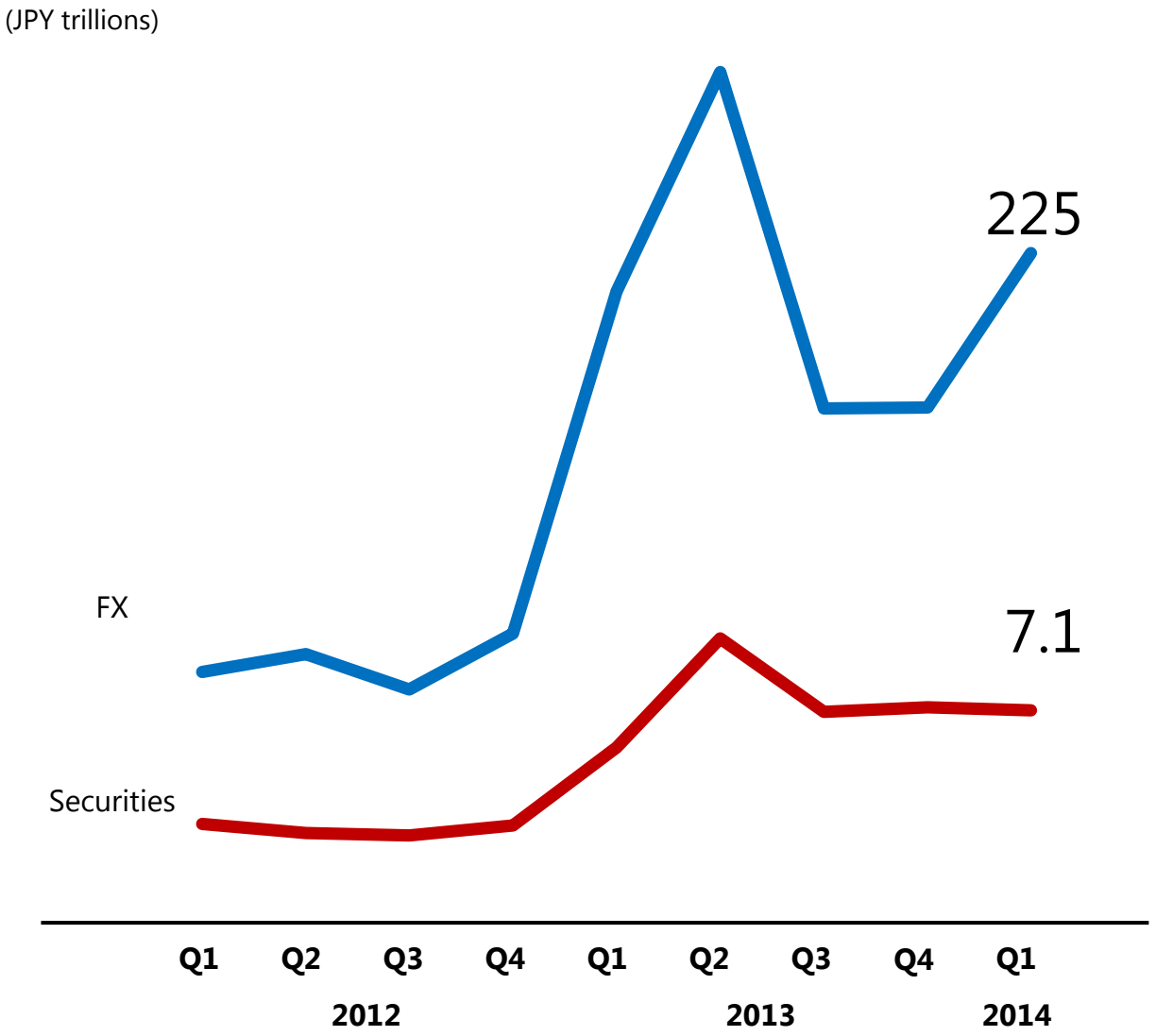


Profit up

13.5%

Spreads reduced to expand customer base

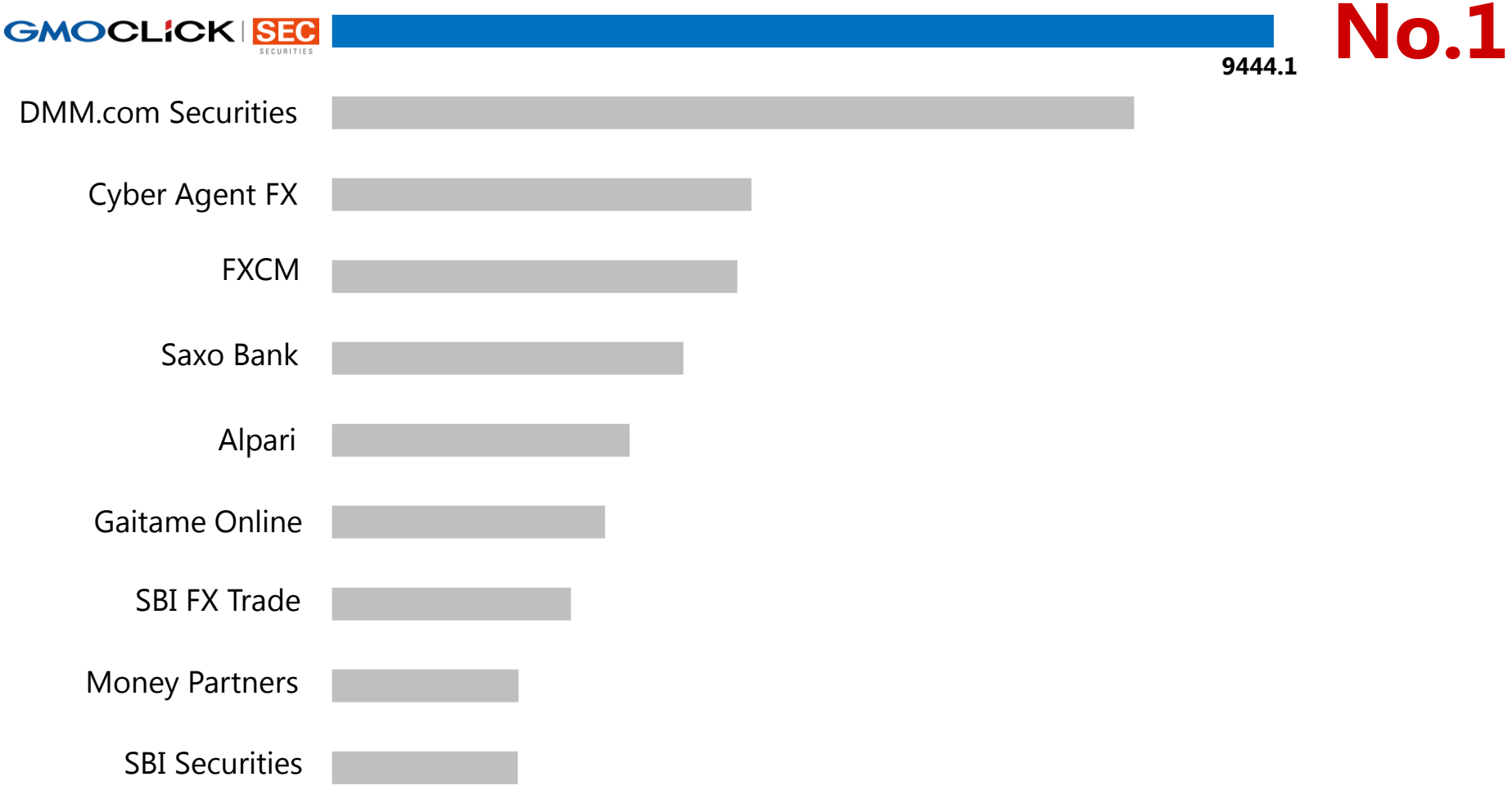
FX/Securities Trading Volume



Trading volume stable at high levels in both FX and Securities

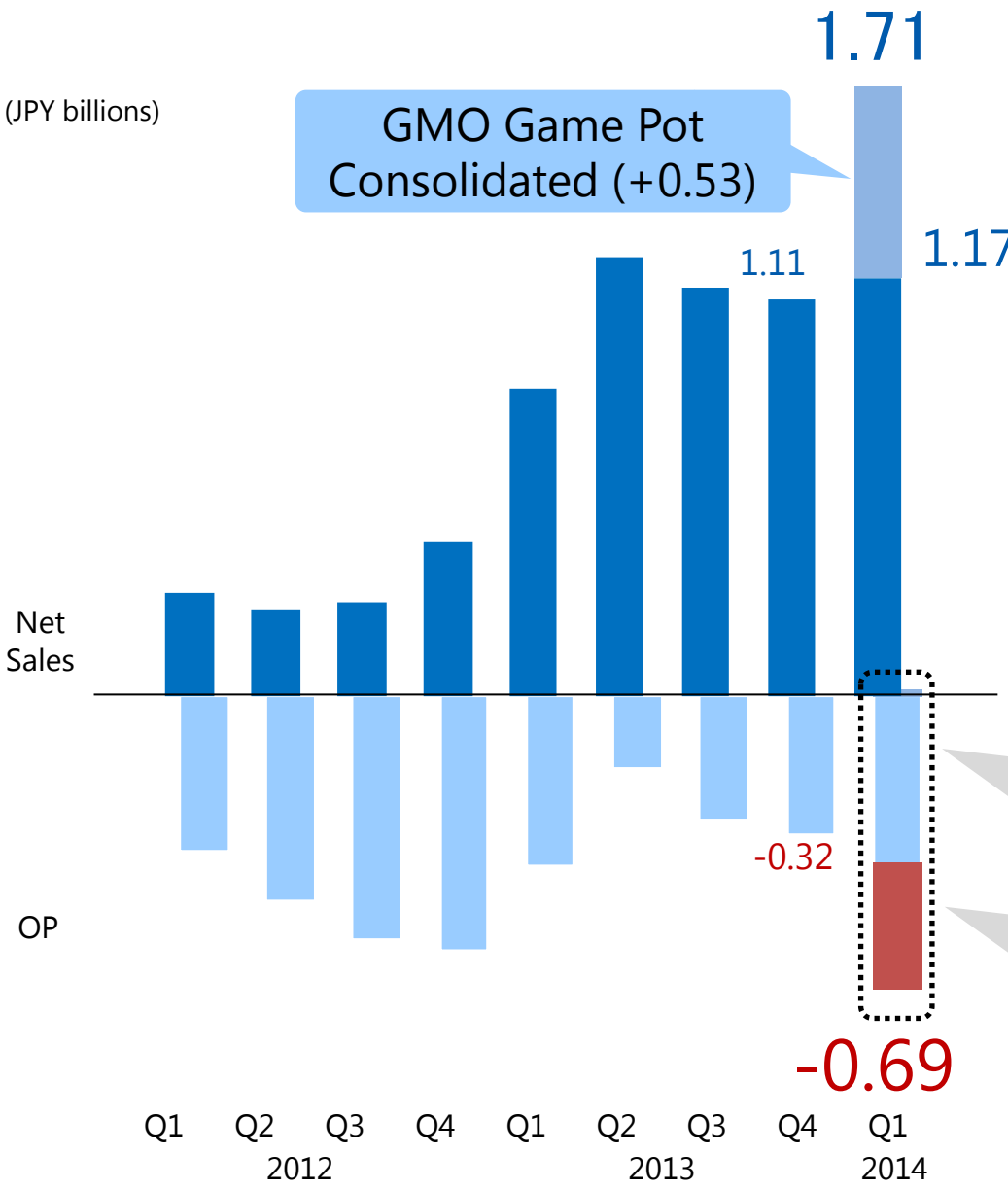
FX Trading Volume

Global high FX transaction volume for 2nd consecutive year



(Source: Forex Magnates, Transaction volume in 2013)

Historical Performance by Quarter

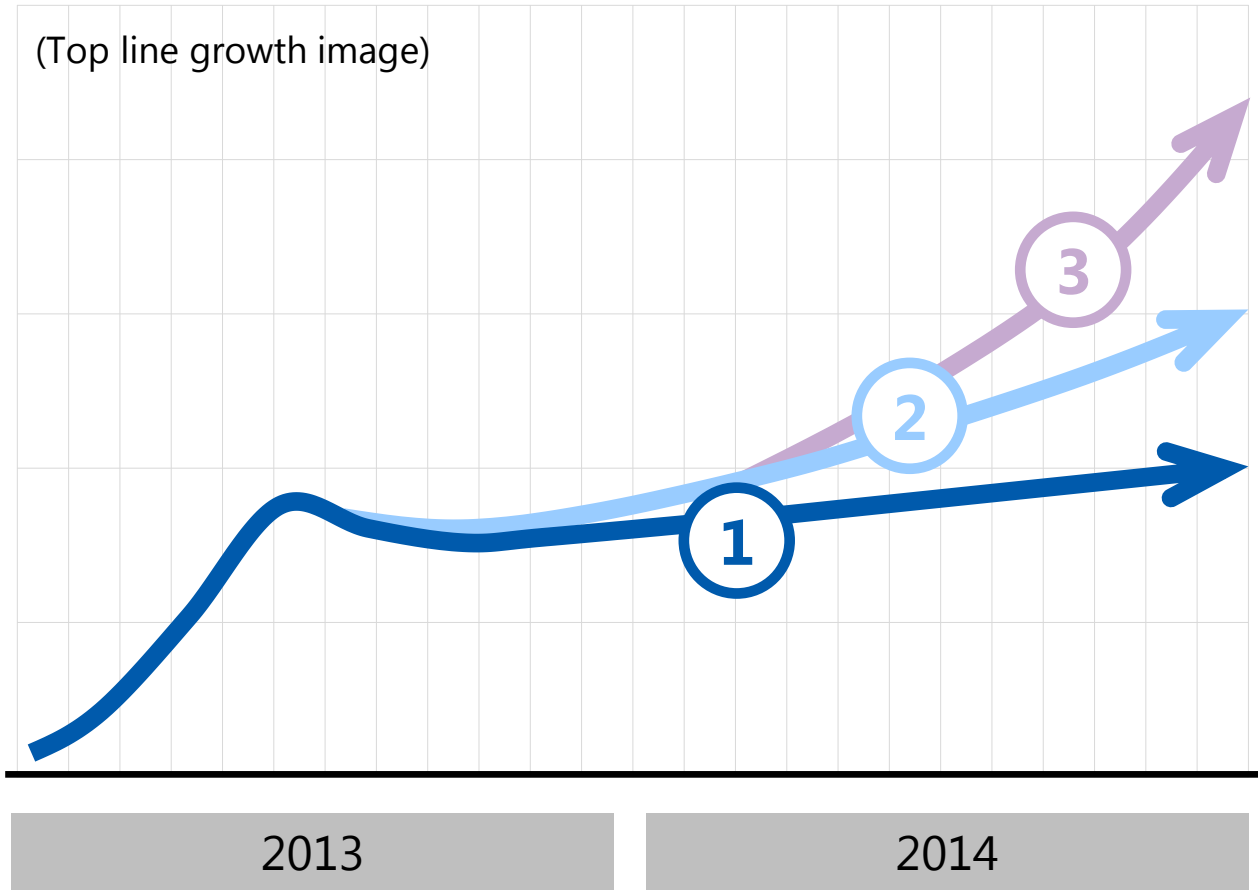


Improving cost composition to achieve profit in Q2

Smartphone games	**-380M**
GMO Game Pot	**10M**
Amortization of former titles	**-100M**
TV ad investment	**-200M**

Game Pipeline

Building a firm foundation to support upside growth



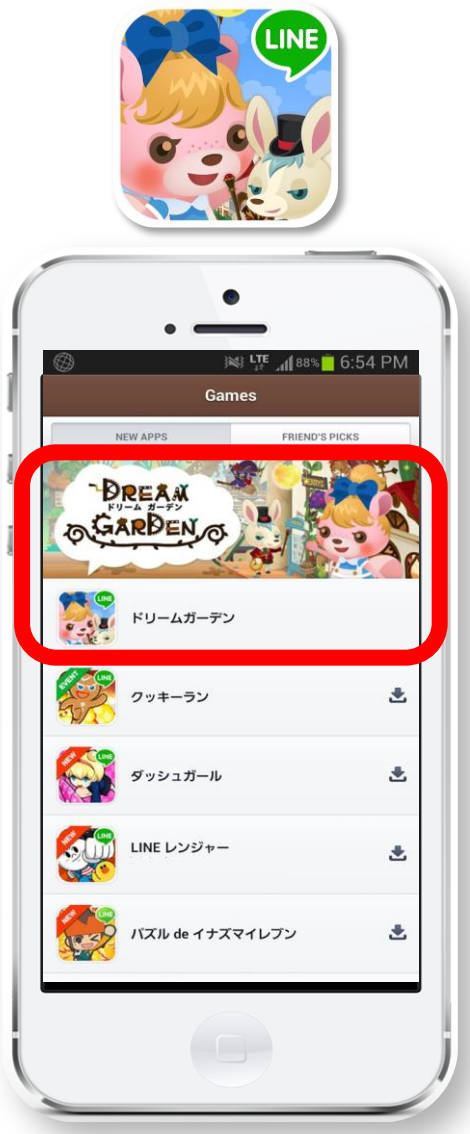
Release new titles, achieve hit title

Brush up multiple titles while building results and expand to new markets including outside Japan (LINE Dream Garden etc.)

Maintain stable revenue from existing titles (Minerva Knights, Excalibur etc.)

Partnership with Strong Platform

Dream Garden launched on LINE platform



1. Summary

2. Q1 Financial Results

3. Segment Report

    i. Group Overview

    ii. Internet Infrastructure & Ecommerce

    iii. Online Advertising & Media

    iv. Internet Securities

    v. Mobile Entertainment

4. New Domains

New Domains

JPY1 billion advertising investment over FY2014

Build leading brand

Aggressive market entry

3 Reasons for Promoting New Domains

i. High gross profit

ii. Cross sell opportunity - expand revenue

iii. "Sticky" infrastructure products, long-term use

i. High gross profit

.com
.net
.jp etc.

10 – 15%

.tokyo by GMO
.nagoya by GMO
.yokohama by GMO

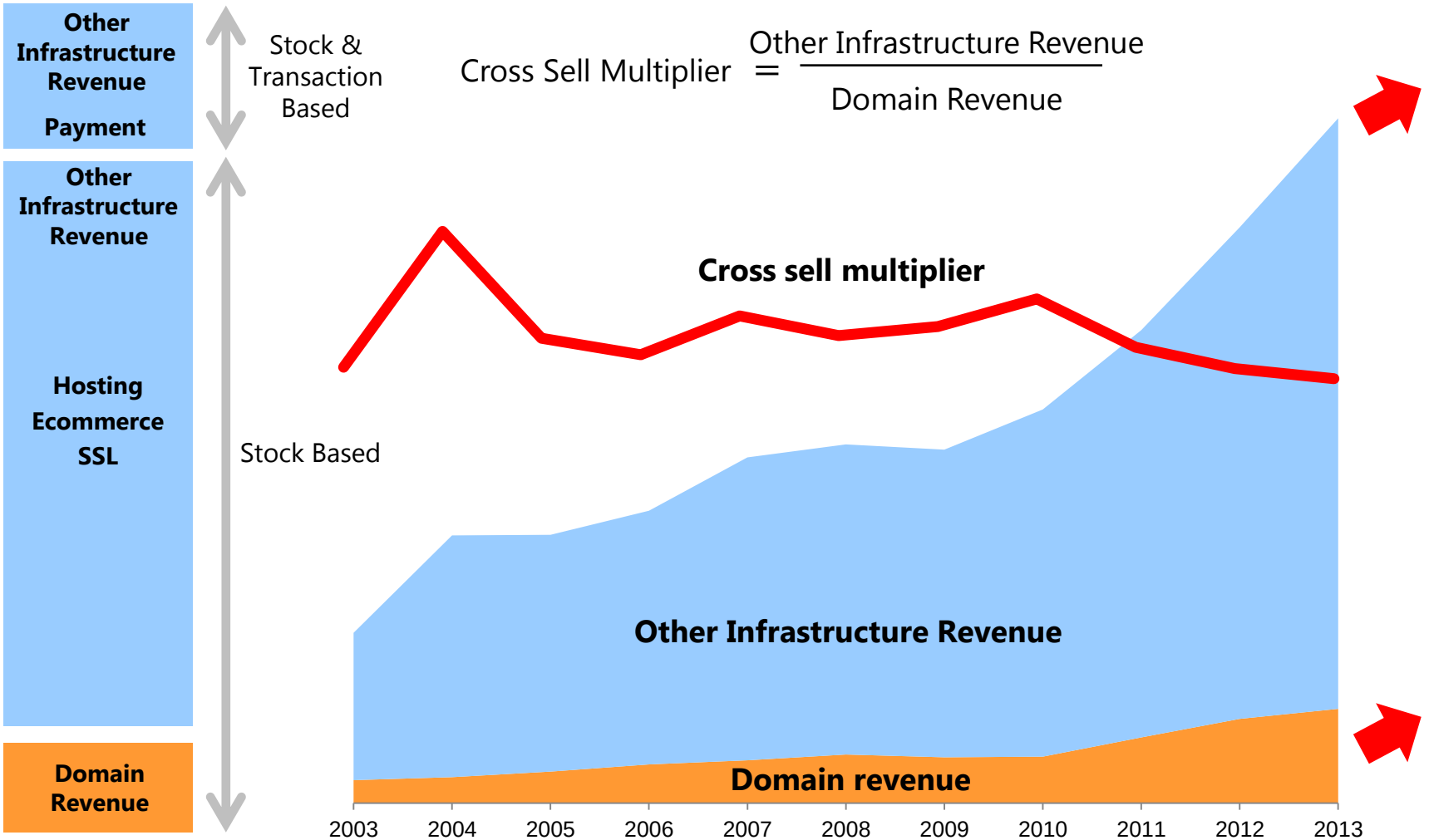
over 90%
(consolidated base)

ii. Cross sell opportunity - expand revenue

Infrastructure Revenue Composition (5 major products)

Domain cross sell multiplier: x6-7

Cross Sell Multiplier = Other Infrastructure Revenue / Domain Revenue



Registration Simulation

GMO INTERNET

Domain registrations, registration cost, population and GDP by country

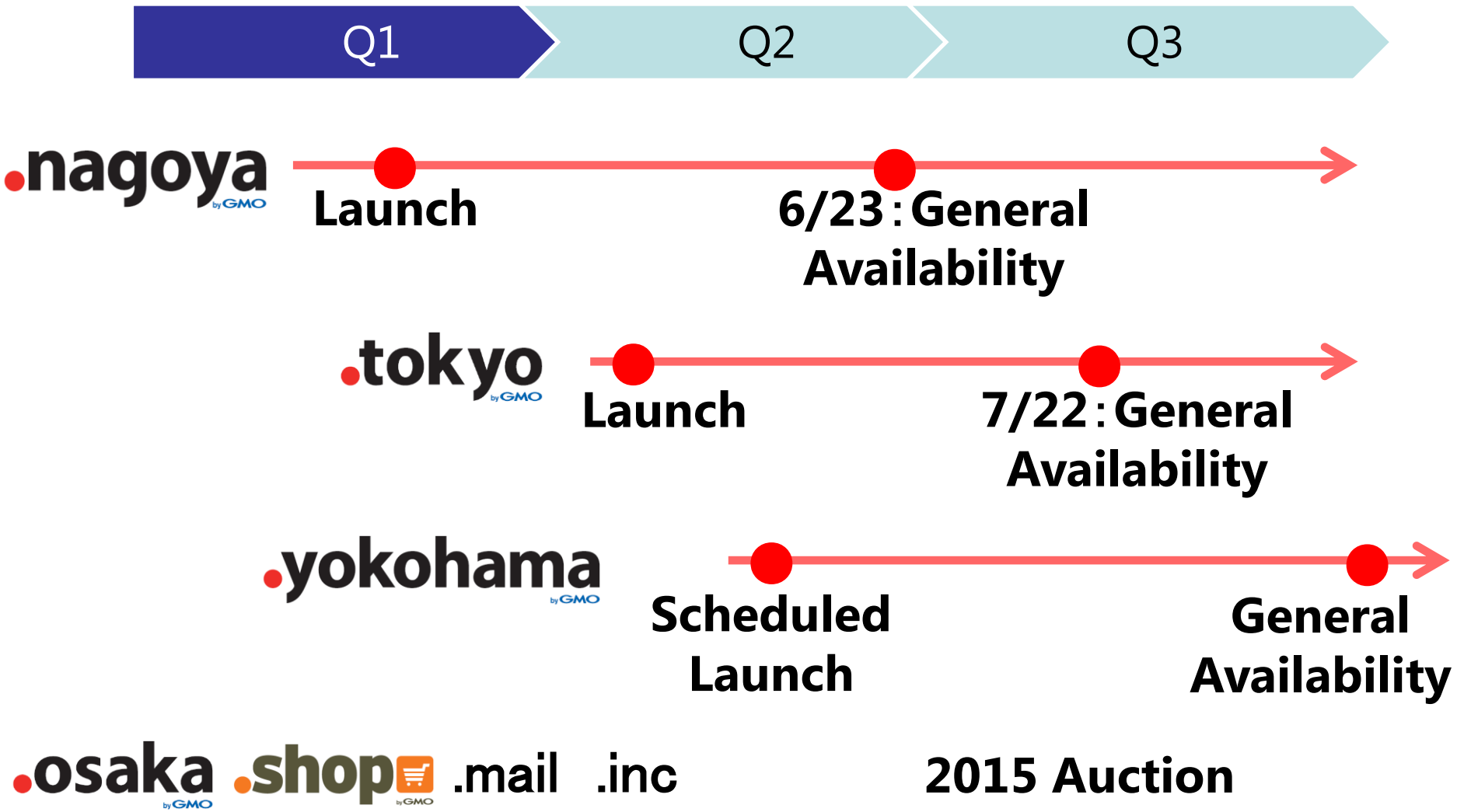
		Registrations (millions)※1	Unit Cost (JPY)※2	Pop. (millions)	GDP (USD Tr)
gTLD	.com	114.35	920	—	—
	.net	15.54	920	—	—
ccTLD (country-code TLDs)	.de (Germany)	15.72	141	80	3.3
	.uk (United Kingdom)	10.57	793	60	2.4
	.nl (Netherlands)	5.44	1,033	16	0.7
	.jp (Japan)	1.36	2,840	120	5.9
New Domains	.tokyo by GMO	X million	**<1,000**	13	0.8

Goal: Leverage domain market expertise and set the right price to achieve X million registrations

※1) Source: http://www.infonet.co.jp/ueyama/ip/internet/inet_dif_trns.html https://www.nic.ad.jp/ja/stat/dom/cctld.html

※2) Average registration price (based on our own research)

Revenue contribution from general availability phase in July



Internet for Everyone

GMO INTERNET

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