

# **Japan's Leading All-in Provider of Internet Services**



# Fiscal Year 2013 Results Presentation

**GMO**INTERNET

STOCK CODE 9449





February 6, 2014

1. Overview
2. FY2013 Financial Results
3. Segment Report
  - i. Group Overview
  - ii. Web Infrastructure & Ecommerce
  - iii. Internet Media
  - iv. Internet Securities
  - v. Social & Smartphone
4. FY2014 Guidance

FY2013 Earnings Results

Forecasts reached for 4<sup>th</sup> consecutive year  
Record high net sales and profits

(JPY billions)

	2012	2013		YoY % Increase	Trend
		Forecast	Actual		
Net Sales	74.37	92.0	93.70	+26.0%	
Operating Profit	9.14	11.0	11.00	+20.2%	
Ordinary Profit	9.17	11.0	10.94	+19.2%	
Net Profit	4.51	5.0	5.24	+16.1%	

## Financial Performance

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- Profit up JPY1.85 billion over previous fiscal year – record high
- Growth in Web Infrastructure accelerates, Internet Securities continues to contribute to profit
- Game business to make profit contribution from 2014

## Segment Report

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- Web Infrastructure: Profit up **24.2%**. Growth Driver.  
Set to launch .tokyo and other new domains  
Revenue up **15.7%**
- Internet Media: Media group reorganization aims to boost profitability  
Revenue up **29.7%**
- Internet Securities: Global No1. in FX for 2nd Year.  
Segment loss reduced by JPY**830**million
- Smartphone Games: TV Ad and aggressive promotion in 2014.  
Profit contribution this term

1. Overview

**2. FY2013 Financial Results**

3. Segment Report

i. Group Overview

ii. Web Infrastructure & Ecommerce

iii. Internet Media

iv. Internet Securities

v. Social & Smartphone

4. FY2014 Guidance

Consolidated Profit and Loss

(JPY 100 millions)	FY2012	FY2013	FY2014 (Forecast)	YoY Change
Net Sales	743.7	937.0	1050	26.0%
Cost of Sales	309.1	411.9		33.3%
SGA	343.1	415.0		21.0%
Operating Profit	91.4	110.0	125.0	20.2%
Operating Profit Ratio	12.3%	11.7%		-0.6pt
Non-Operating Revenue	5.3	4.4		-17.1%
Non-Operating Expenses	5.0	5.0		-1.1%
Ordinary Profit	91.7	109.4	125.0	19.2%
Extraordinary Profit	8.6	9.0		4.2%
Extraordinary Loss	5.9	14.8		148.7%
Corporate Tax etc.	34.6	33.9		-2.0%
Minority Equity	14.6	17.1		17.6%
Net Profit	45.1	52.4	55.0	16.1%
(Corporate Tax Ratio)	36.7%	32.8%		-3.9pt

OP Increase  
20.2%

Net Profit Up  
16.1%

Tax asset provides one-time decrease in tax burden

## Consolidated Balance Sheet

(JPY100 millions)	As of 12.31.2012	As of 12.31.2013	Change
Current Assets	2,544	4,078	60.3%
(Cash & deposits)	457	574	25.7%
Fixed Assets	215	219	1.9%
(Goodwill)	35	36	3.3%
(Software)	37	40	8.2%
(Investment securities)	15	18	23.1%
Total Assets	2,759	4,297	55.7%
Total Liabilities	2,455	3,928	60.0%
(Interest bearing liabilities)	211	243	14.9%
Net Assets (minority equity portion)	304(93)	368(118)	21.3%(27.4%)
Shareholders' Equity (earned surplus portion)	210(125)	249(157)	18.6%(26.0%)
(Shareholders' equity ratio)	7.6%	5.8%	-1.8pt
Liabilities/Net Assets Total	2,759	4,297	55.7%

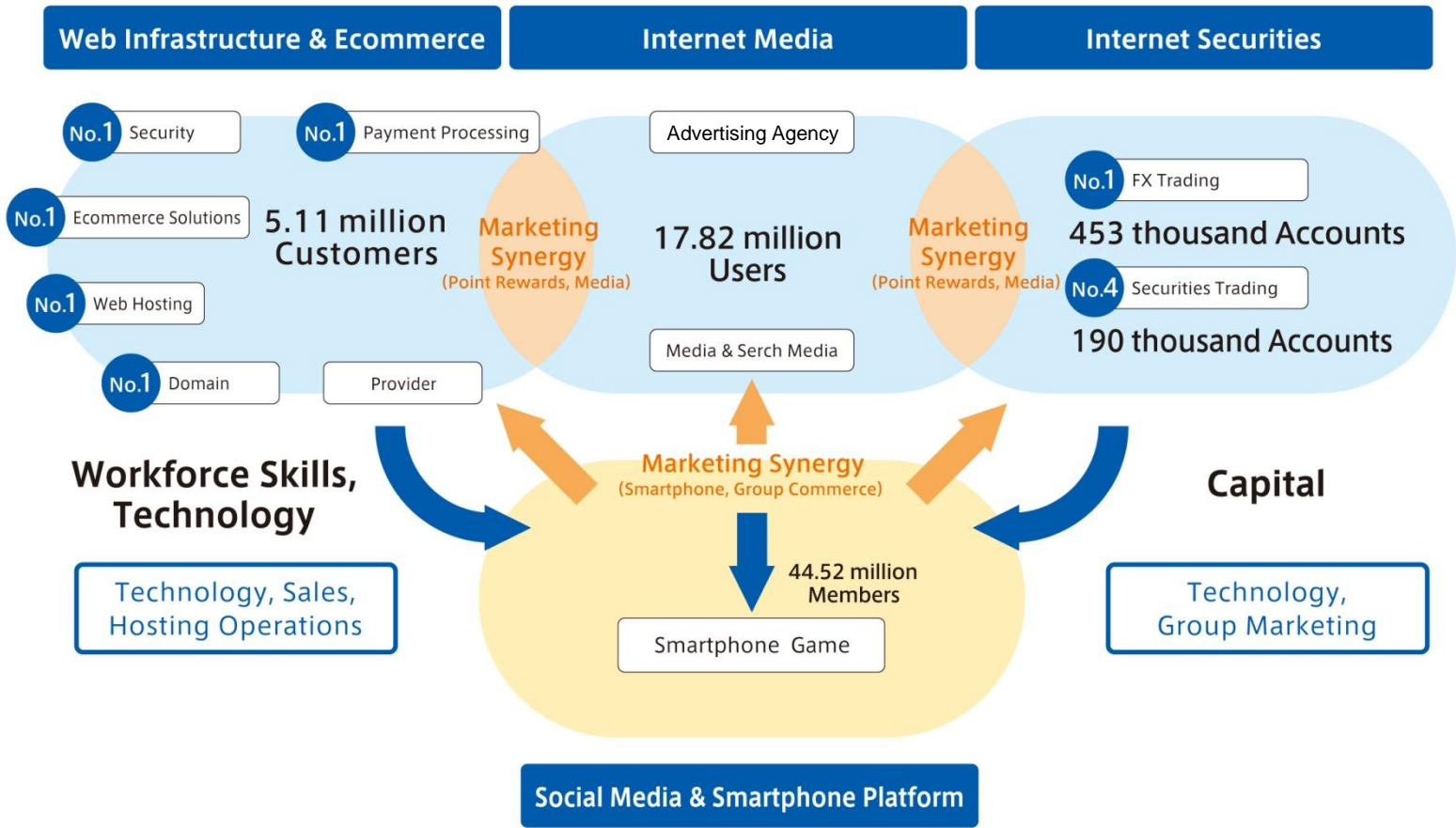
GMO CLICK HD (as of 12.31.2013)	Change
3,542	68.9%
204	58.7%
39	-8.2%
0	-67.1%
14	-21.8%
0	298.9%
3,582	67.3%
3,393	71.9%
102	268.9%
189(9)	13.6%(6.1%)
180(114)	14.0%(38.9%)
5.0%	-2.4pt
3,582	67.3%



(JPY100 millions)	FY2012	FY2013	GMO CLICK HD FY 2013 (1-12/2013)
Cash Flow from Operating Activities	137.2	141.5	28.9
Cash Flow from Investing Activities	-30.9	-38.5	-15.2
Cash Flow from Financing Activities	-16.7	1.0	50.8
Change in Cash and Equivalents	91.5	109.2	66.6
Balance of Cash and Equivalents	418.9	528.2	159.4

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  - v. Social & Smartphone
4. FY2014 Guidance

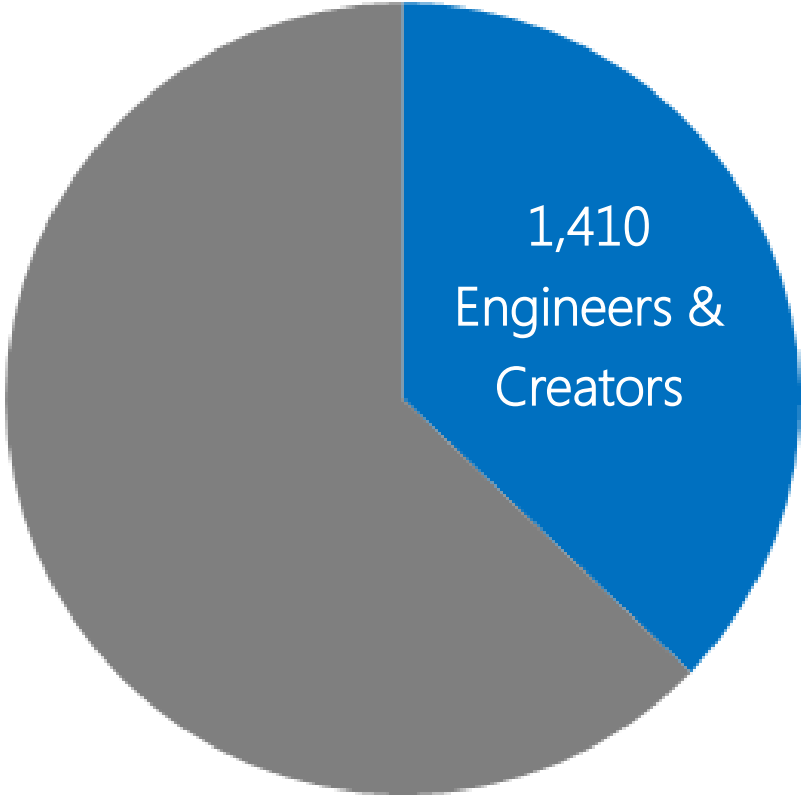
# Market share growth accelerating across all segments



\*9/2013 GMO Media, Inc.

Built with our own hands

3,800 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

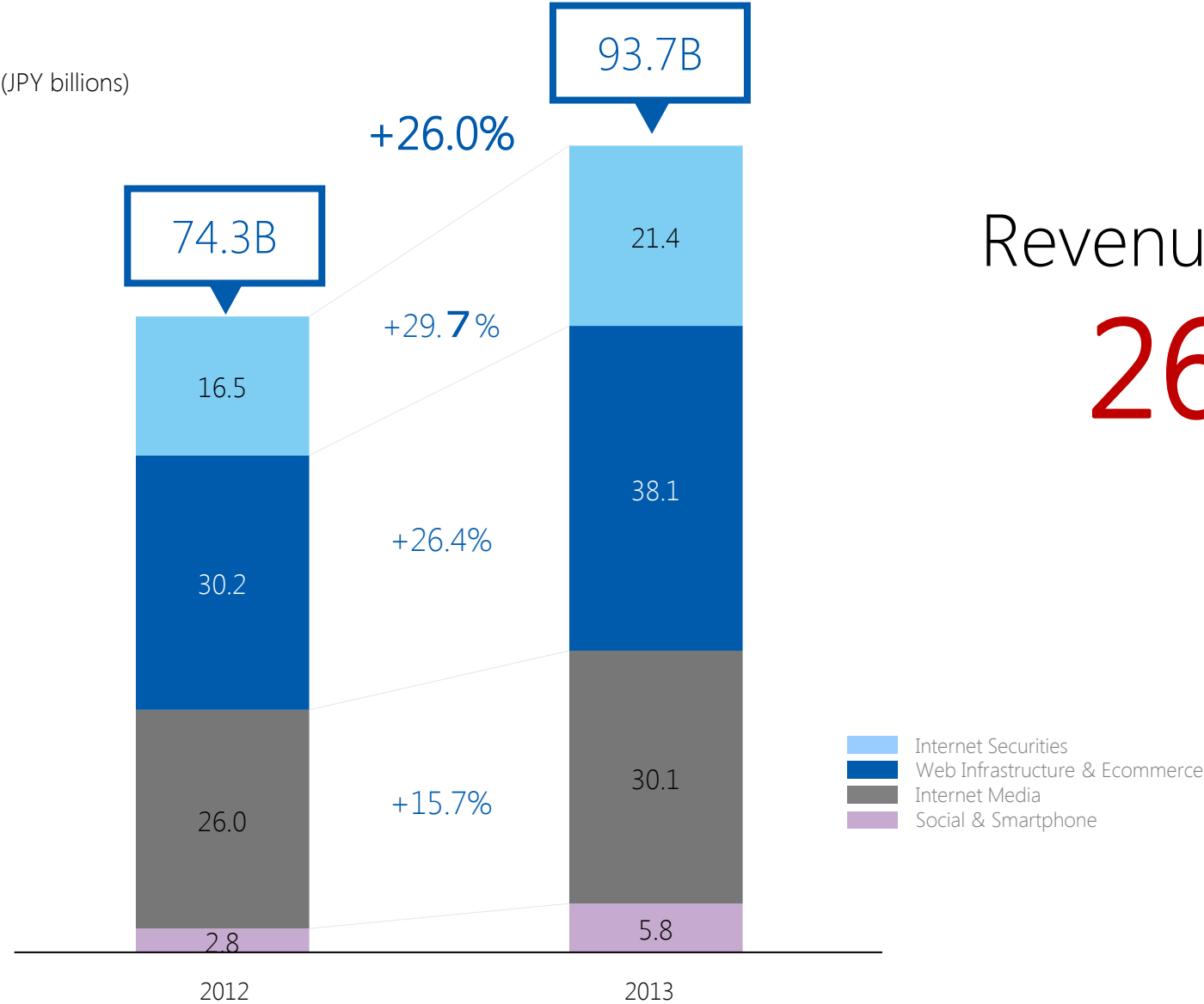


GMO Internet  
Microsoft Partner of the  
Year 2013  
Hosting Competency  
Award

(as of 12/2013)

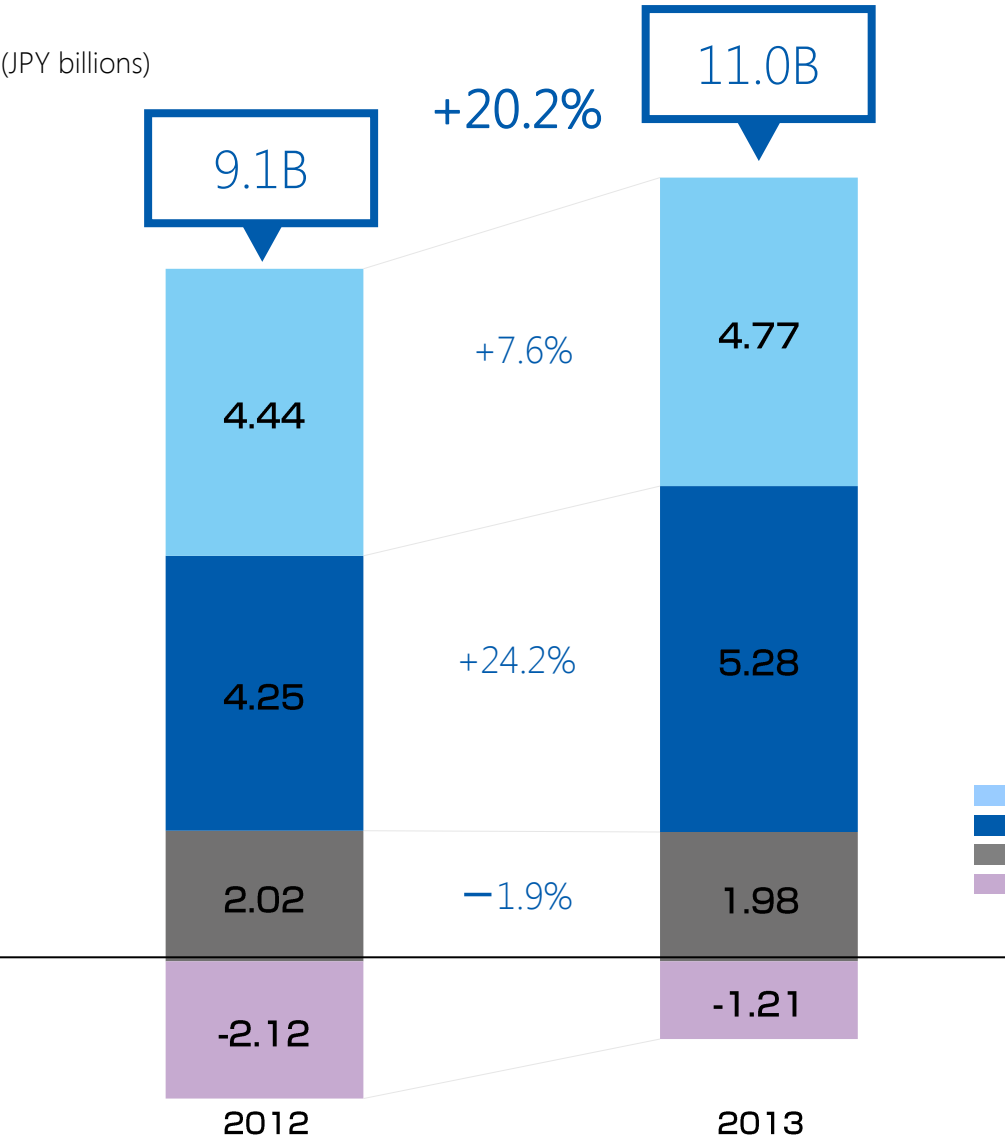
10/4		GMO AD Partners launches audience ad menu service using JWord search clustering technology "JWord Search Needs Targeting"	
10/7		Tie-up announced between Hitachi automated operation system JP1 and GlobalSign Quick SSL	
10/21		Gamepot, Inc. joins Group	
10/23		GMO CLOUD Thailand partners with major Thai IDC, Internet Thailand	
10/25		30days Album now hosting over 200 million photos	
10/31		New binary options service launches	
11/12		FX Neo reduces spread on dollar/yen currency pair from JPY0.004 to JPY0.003	

11/15		GMO Registry signs Registry Agreements with ICANN for GeoTLDs .tokyo and .nagoya	
12/2		GMO Solution Partner joins GMO AD Partners group in GMO Internet Group reorganization	
12/3		Onamae.com launches VPS hosting service optimized for Windows	
12/16		Local subsidiary, GMO Data Center Korea, Inc, established in Korea to grow mobile game business	
12/18		Onamae.com adds 14 new domains to line-up including .graphics, .bike, .camera, .ventures	
12/12		GMO CLOUD becomes Exclusive APAC Partner for Photon Game Network Engine	
12/19		GMO Registry signs Registry Agreements with ICANN for GeoTLD, .yokohama	



Revenue growth

26.0%



Infrastructure and  
Securities driving  
growth  
**20.2%**

- Internet Securities
- Web Infrastructure & Ecommerce
- Internet Media
- Social & Smartphone



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4. FY2014 Guidance

Segment Composition

Number one across all infrastructure products

Strong  
No. 1

Domain



Domestic gTLD market share at 92.1%  
  
\*based on our own data

Strong  
No. 1

Web Hosting



Domestic market share at 55.6%  
  
\*Webhosting.info

No. 1

Ecommerce



83,000 stores (69,000 paid stores)

No.1

Security



13.8% YoY increase in certificate issues

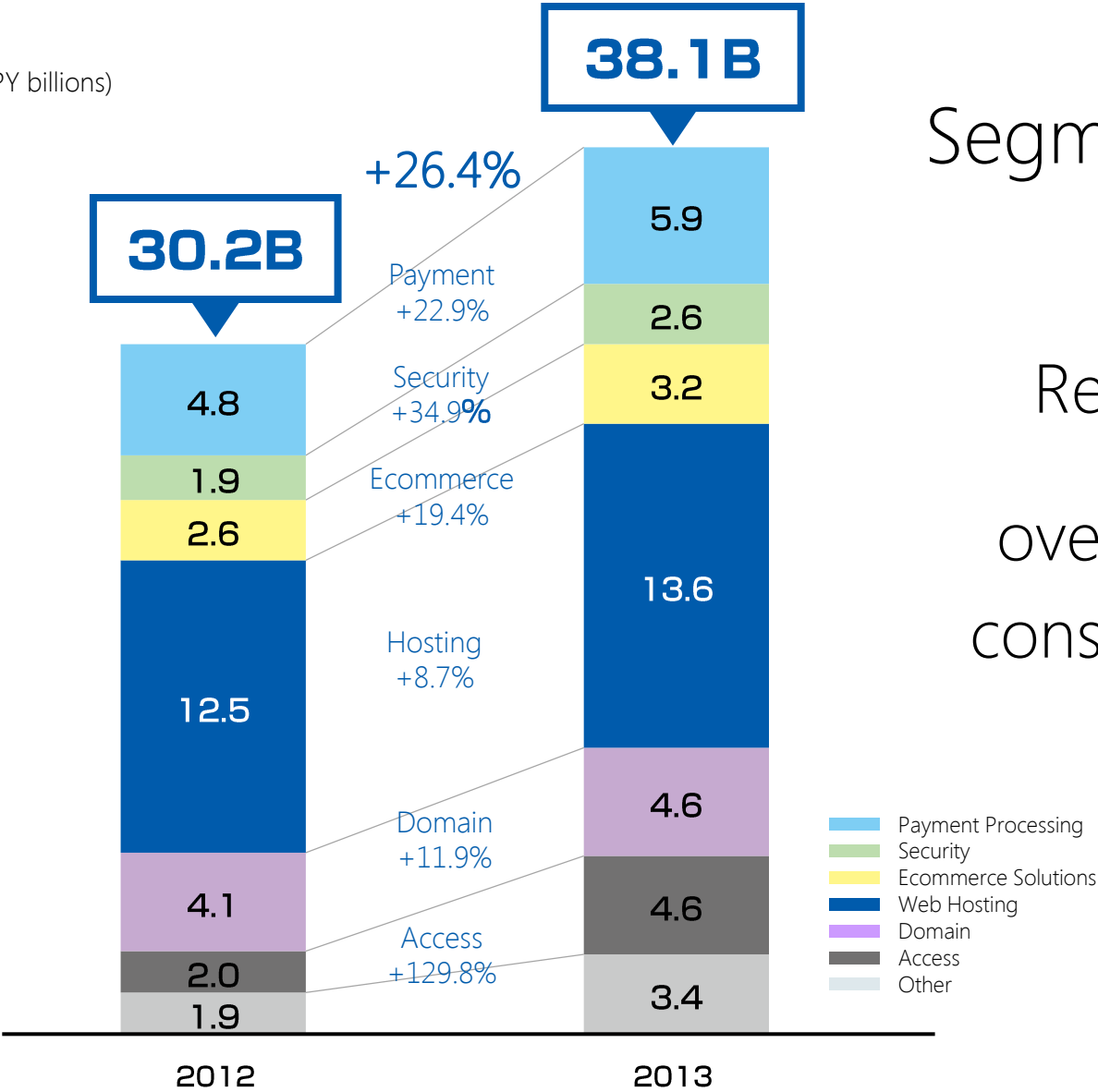
No. 1

Payment



46,000 merchants

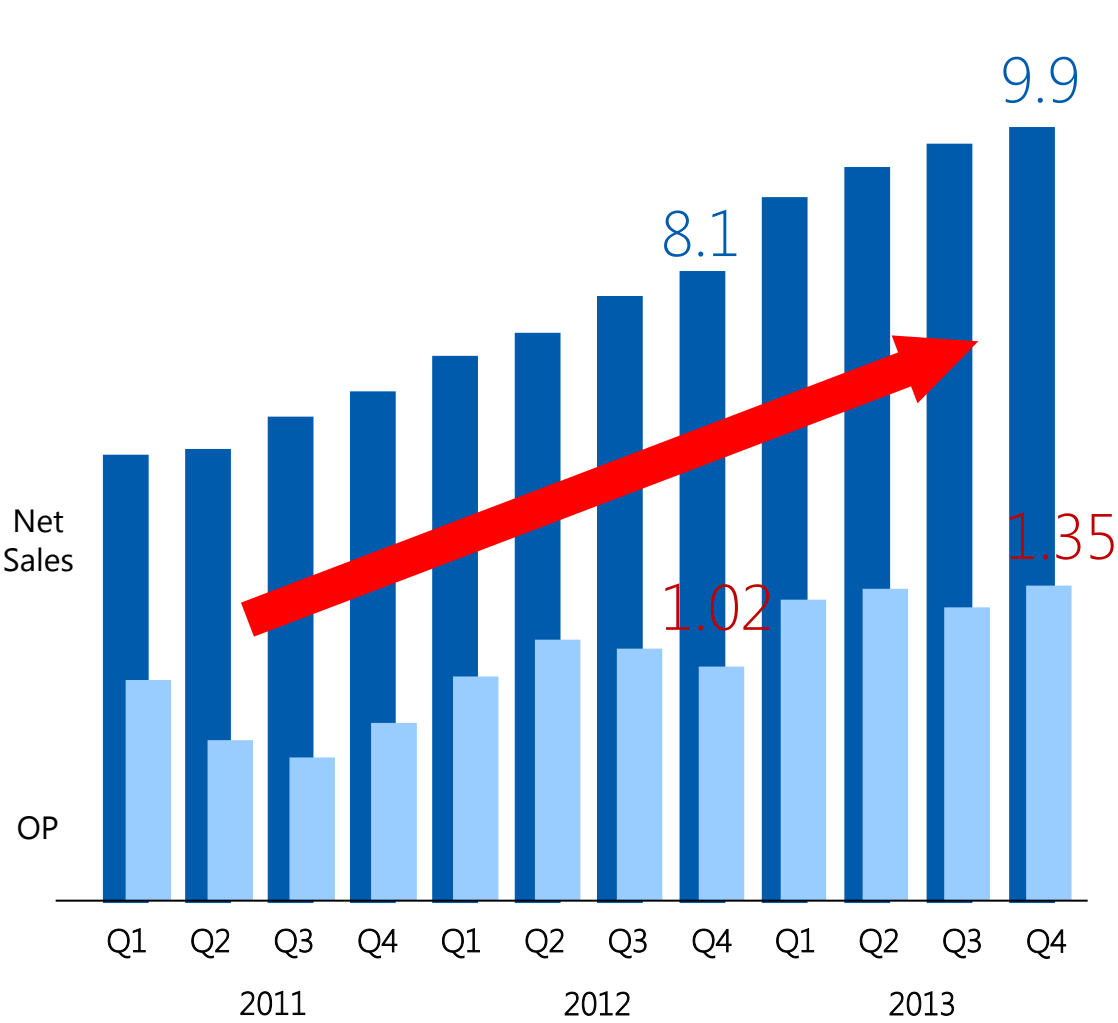
(JPY billions)



Segment revenue up  
**26.4%**  
Revenue growth  
over **20%** for 8  
consecutive quarters

# Sustained powerful growth of revenue base

(JPY billions)



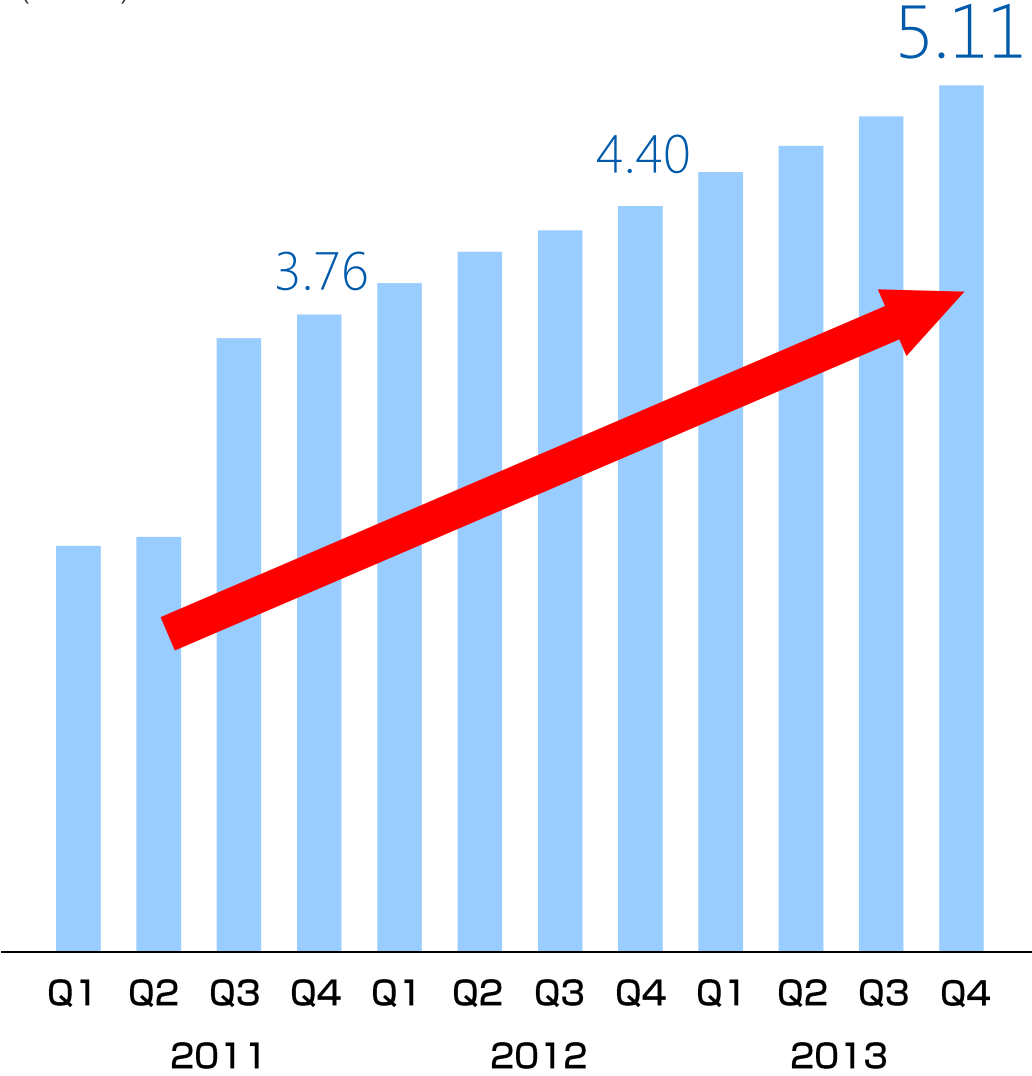
Revenue up **22.8%**

Profit up **31.8%**

Record high results

Web Infrastructure Contracts

(millions)



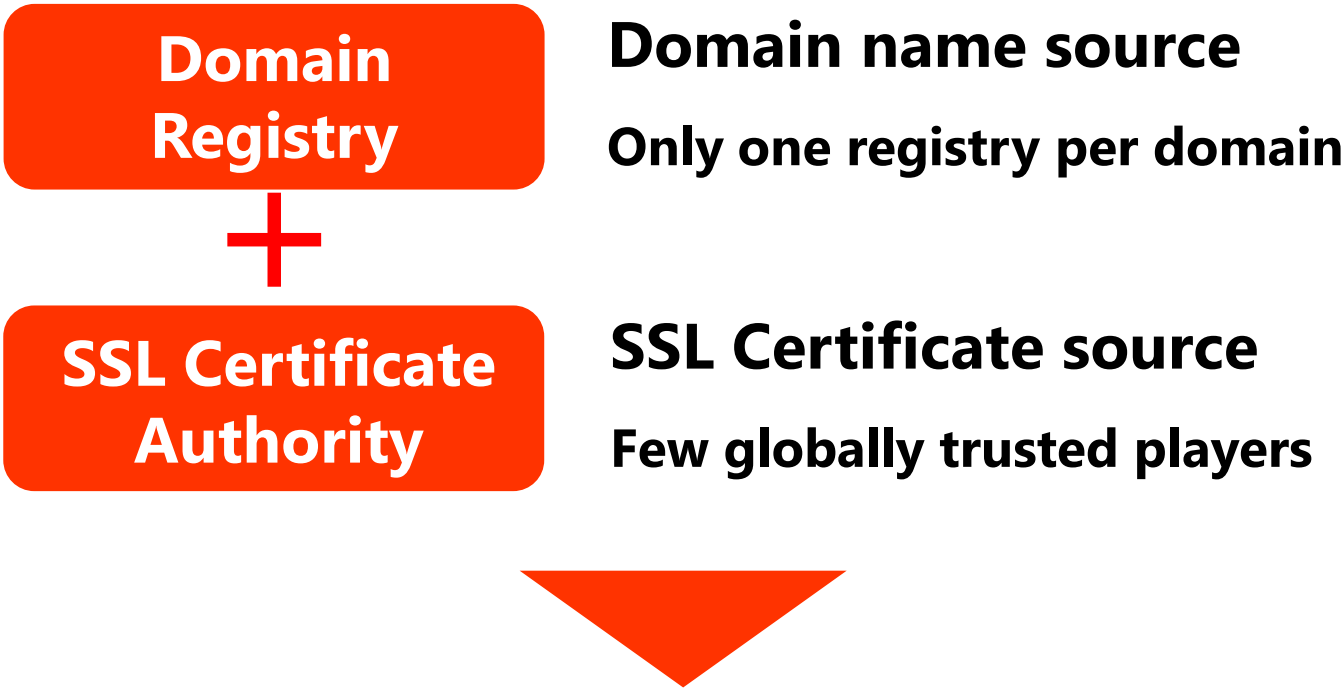
5.10 million contracts

16.2% YoY growth

Growing revenue base

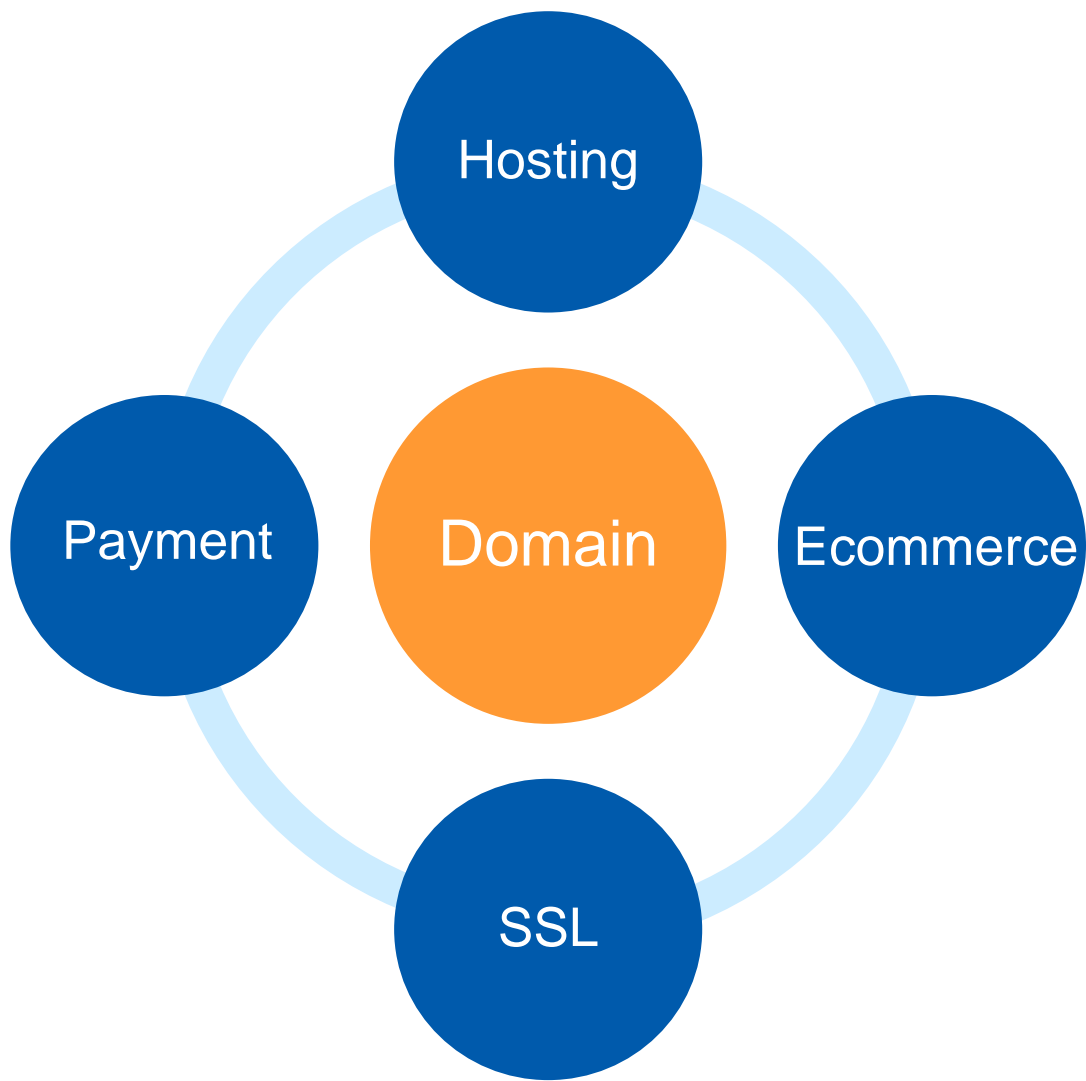
Web Infrastructure Strengths

Competitive strength



**World's Only** Internet services group  
to aggregate these core Internet resources

Web Infrastructure Strengths

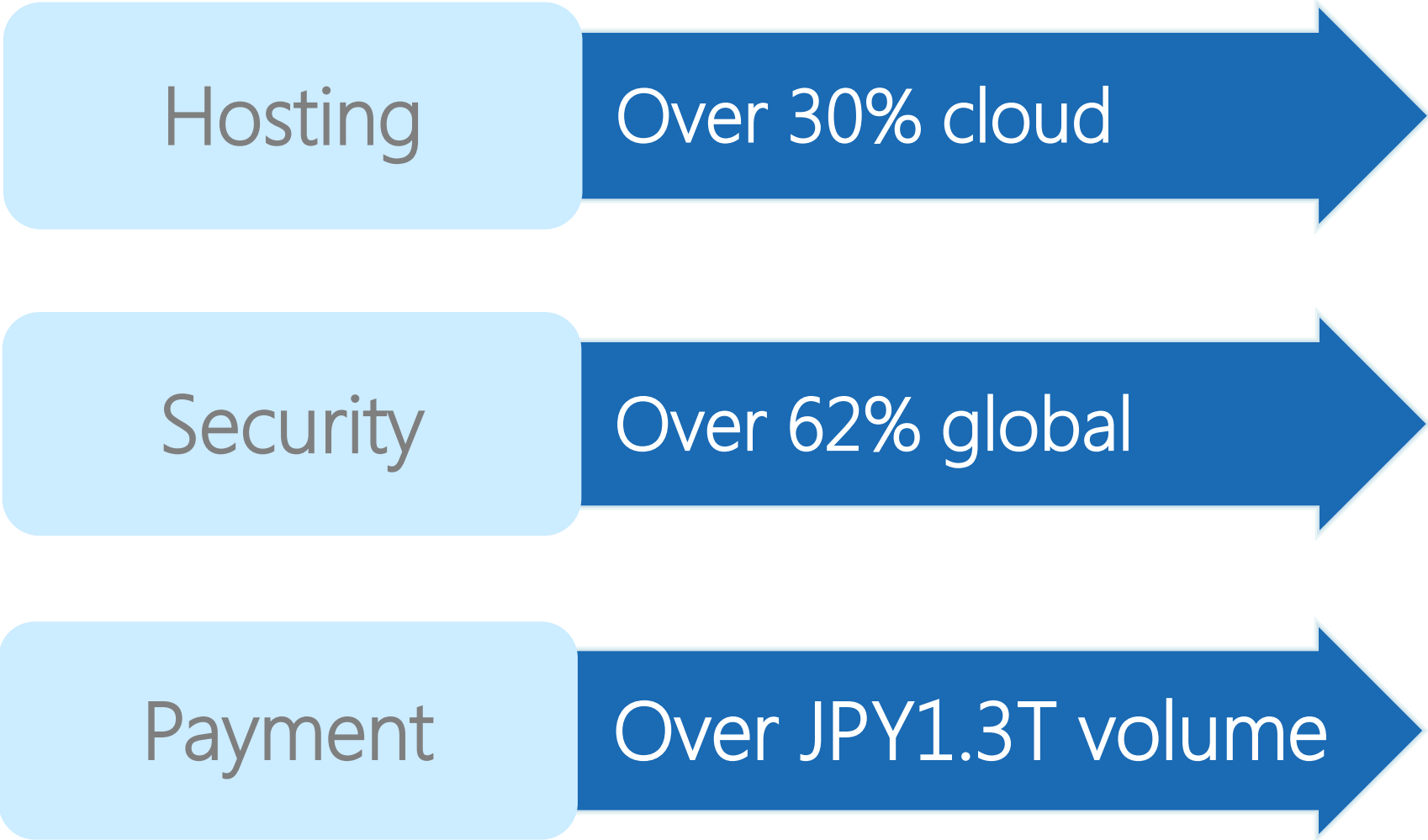


# Strengths

- natural cross-sell
- technology & development
- operational expertise
- global sales potential
- proprietary products

Web Infrastructure Strengths

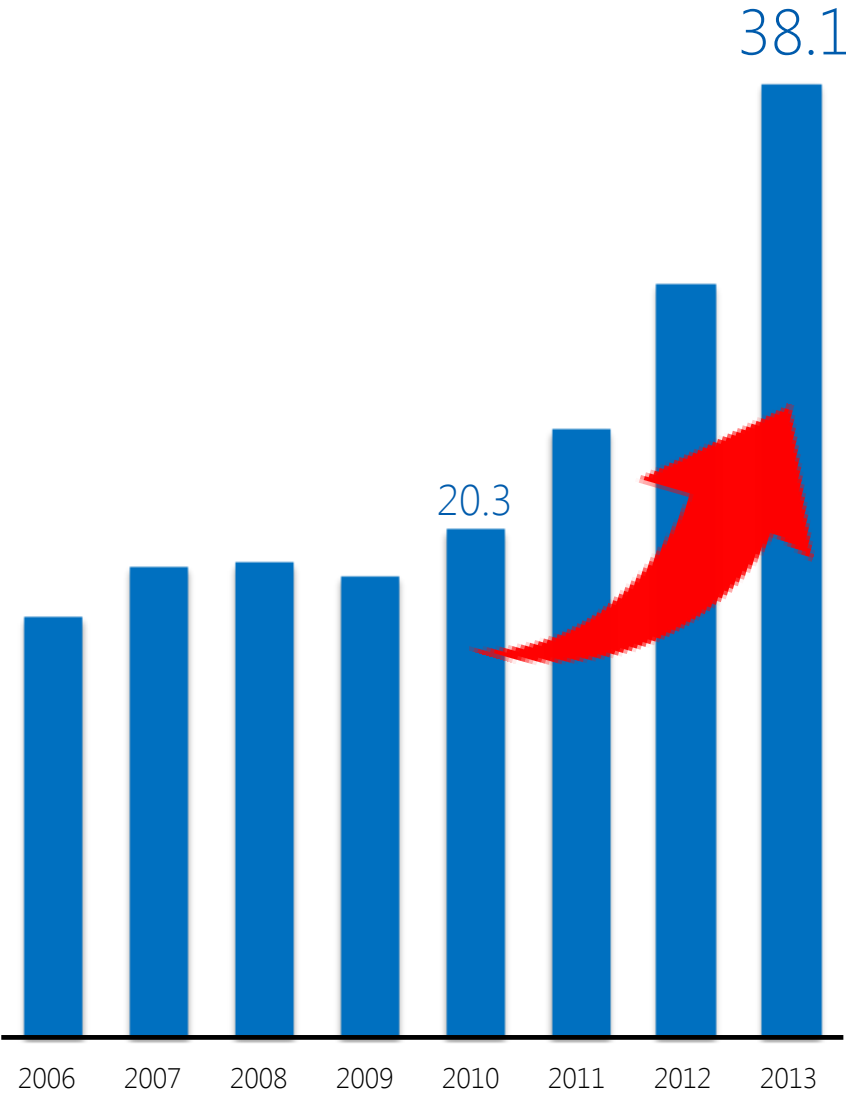
Segment growth drivers



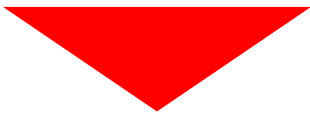


Historical Revenue

(JPY billions)

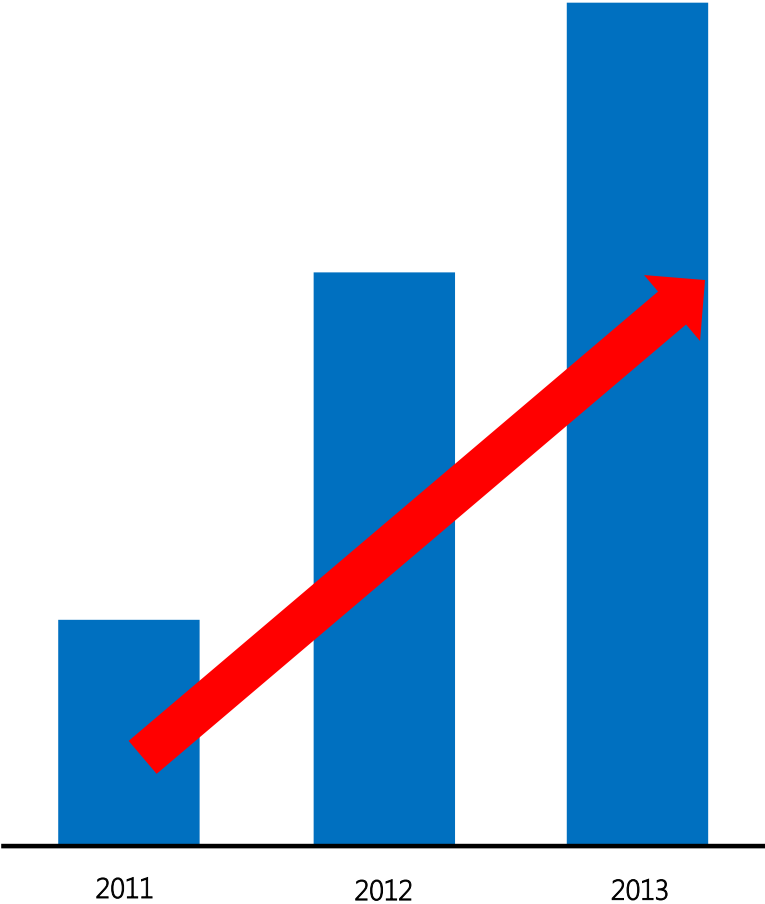


Strong market hold,  
natural cross-sell



Revenue doubled in  
3 years

Sales trend in cloud hosting



Both game and general cloud hosting products strong

Cloud comprises over 30% of hosting revenue

\*Total revenue from VPS, GMO AppsCloud and GMO CLOUD services.

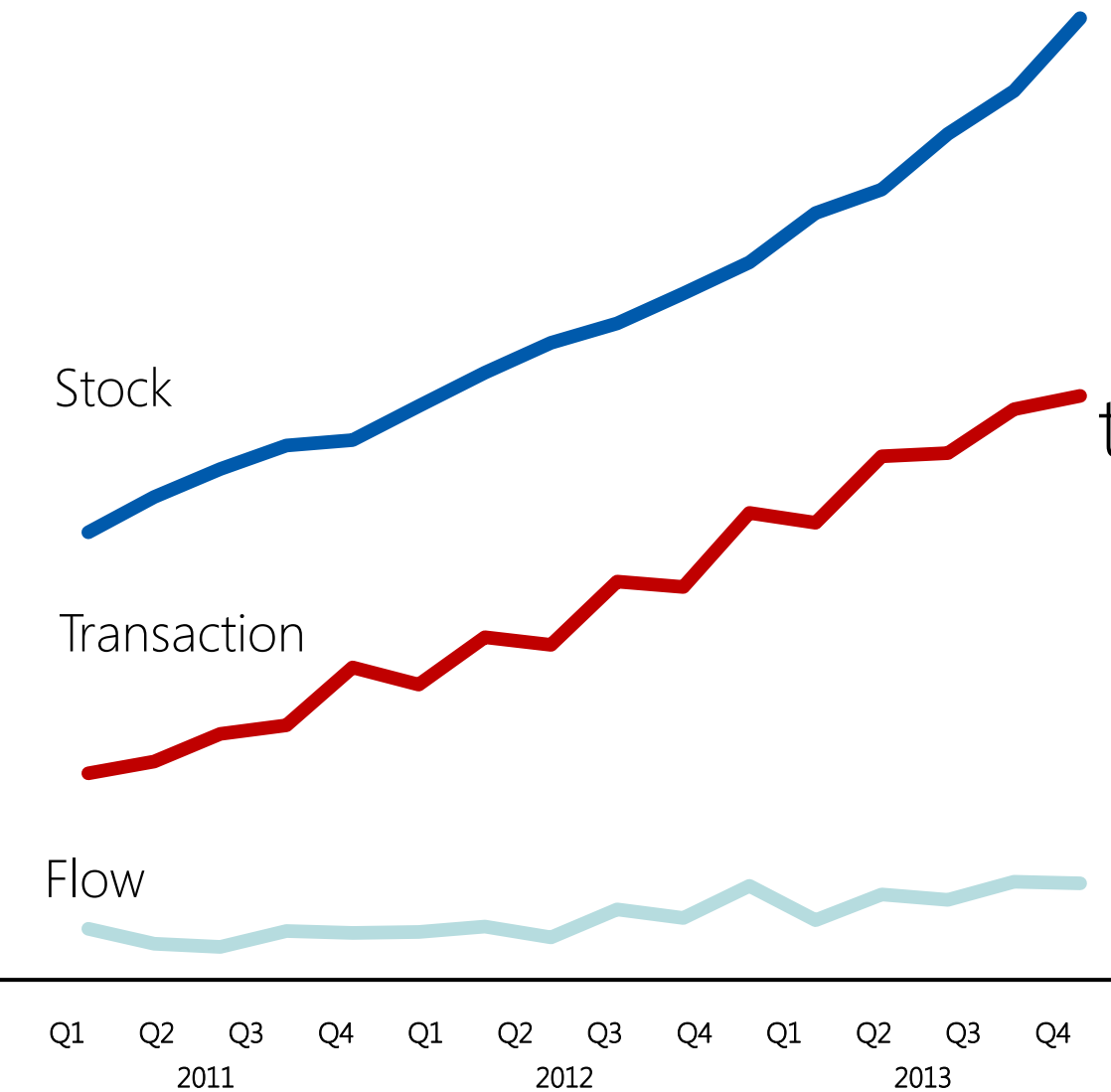
# SSL certificate issue trends



Global certificate  
issues up  
**61%**

- Japan Certificate Issues
- Global Certificate Issues
- Japan Revenue
- Global Revenue

Payment processing sales breakdown



Strong stock and transaction revenues



building a scalable revenue model

New Domains

Building global network of sales partners

Launch Schedule

February 20, 2014!!

Confirmed

● **nagoya**  
by GMO

● **tokyo**  
by GMO

● **yokohama**  
by GMO

Spring 2014

Spring 2014

Evaluation

● **osaka**  
by GMO

2H FY2014  
Auction

● **shop**   
by GMO

**.mail .inc**

# Creating new market demand

Brand TLDs

- .canon
- .hitachi
- .nhk
- .nissan
- .otsuka
- .toshiba etc

Generic TLDs

- .shop 
- .mail
- .inc

ccTLDs

- .so 
- Somalia

- .id
- Indonesia

GeoTLDs

- .tokyo
- .nagoya
- .yokohama
- .osaka
- .okinawa 
- .ryukyu 

\*Domain operator to be determined by auction or negotiation

# Priority Registration Open February 20, 2014

**press conference • TV ads**



# Priority Registration Open Spring 2014

**press conference • TV ads**

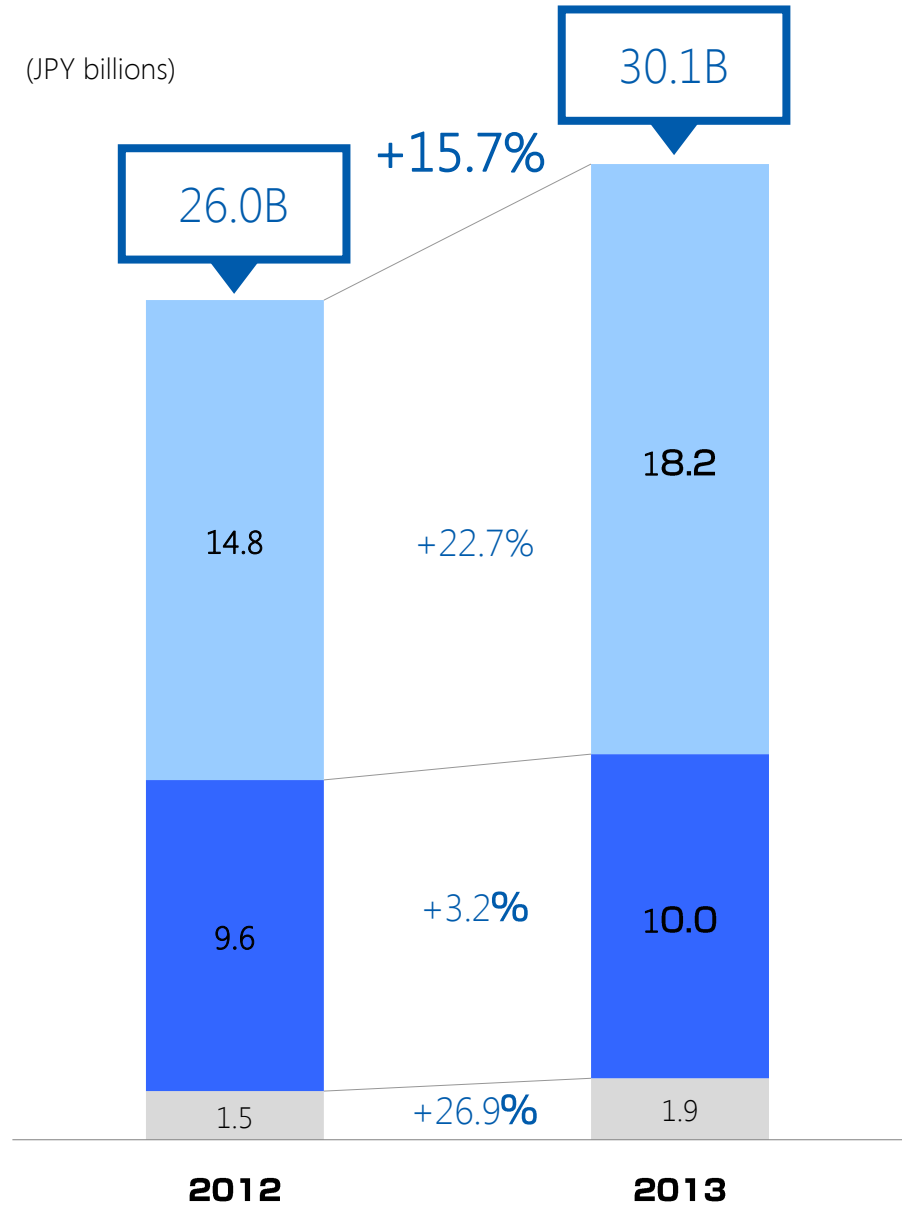
新ドメイン

● **tokyo**



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2. FY2013 Financial Results
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  - ii. Web Infrastructure & Ecommerce
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4. FY2014 Guidance

(JPY billions)

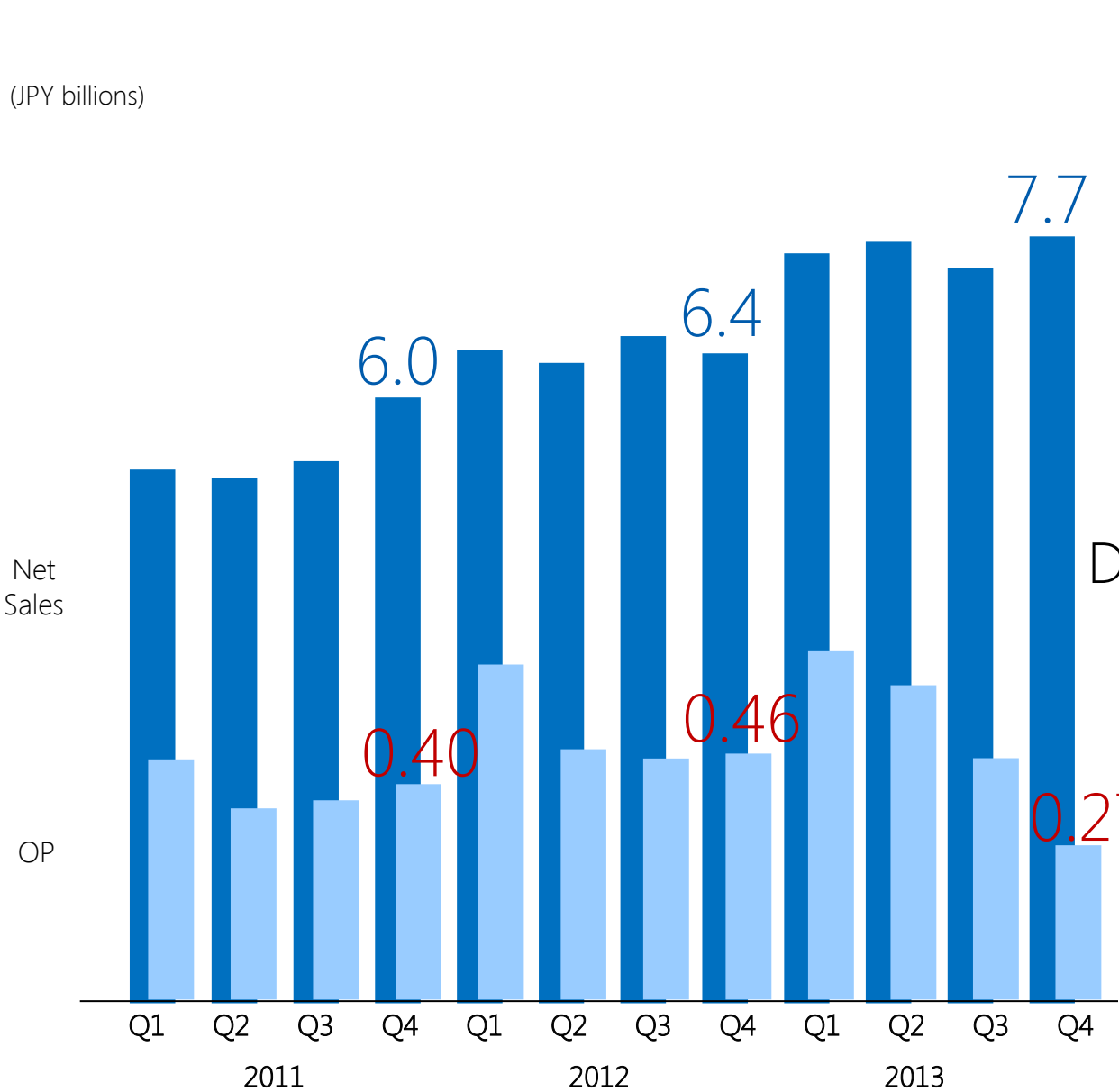


15.7%  
Revenue increase  
Strong display  
ad network

- Internet Advertising Agency
  - GMO ADPARTNERS
  - GMO NIKKO
- Media & Search Media
  - JWord
  - GMO TECH
- Other
  - GMO RESEARCH

Historical Performance by Quarter

(JPY billions)



Revenue up

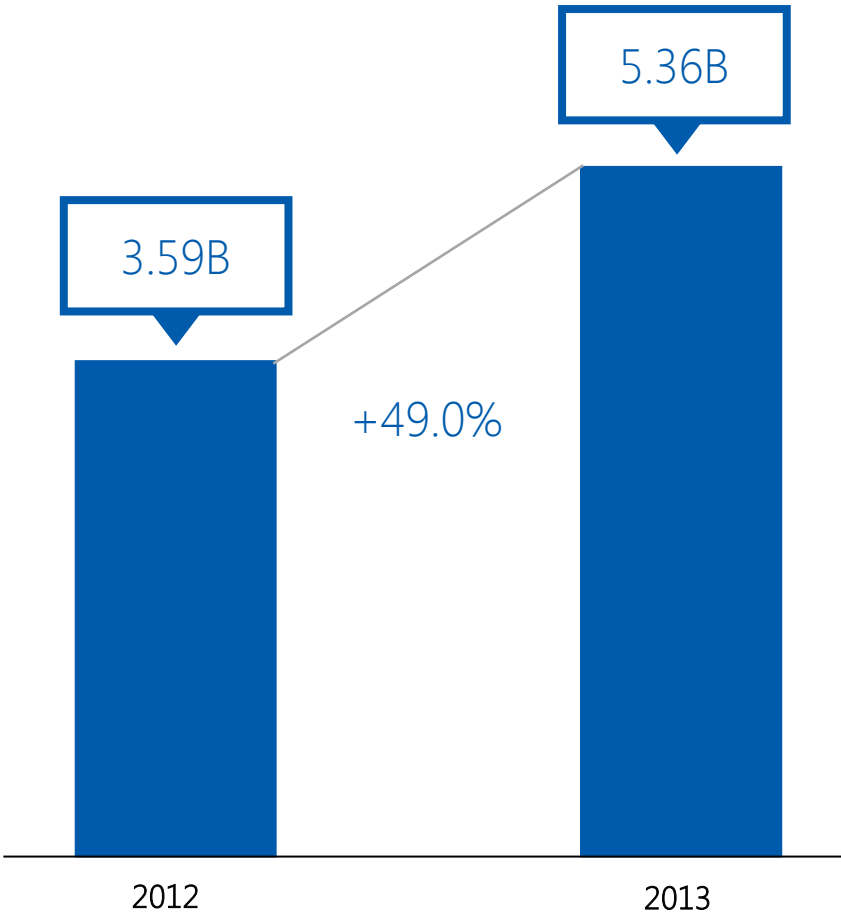
19.2%

Strong Display Ad Network

Drop in segment profit a result of temporary factors in SEO market

Strong Ad Network products

(JPY billions)



Internet Media: Growth Initiatives

Media Development

Enhancing smartphone services development  
Restructuring ad group development resources

Sales Strength

Ad sales force consolidated in ad group reorganization

Ad Technology

Advanced ad tech products in joint development across Group companies

Synergy

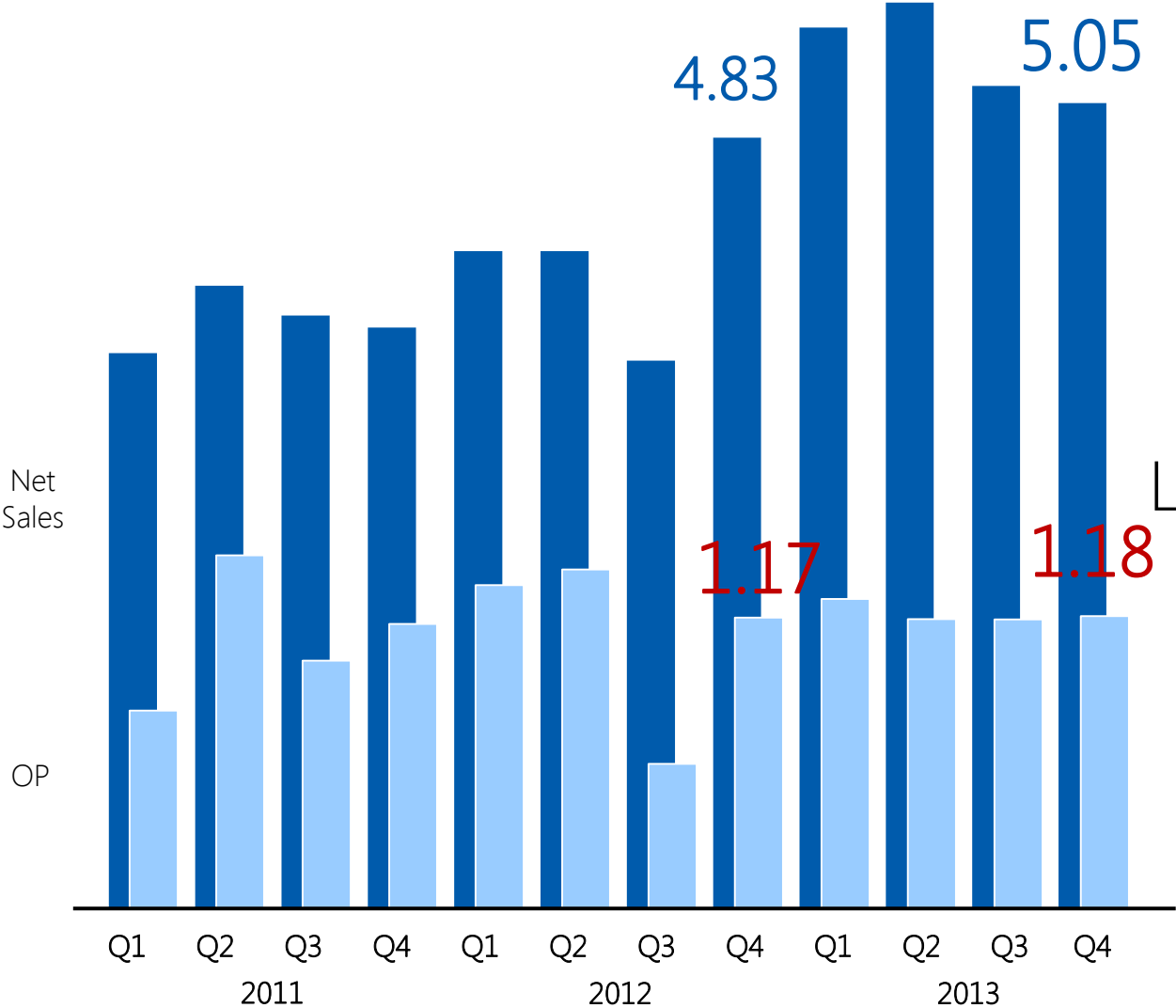
Big-data assets, Infrastructure foundation

\*GMO Internet, Next Generation Systems Research dept.

1. Overview
2. FY2013 Financial Results
3. Segment Report
  - i. Group Overview
  - ii. Web Infrastructure & Ecommerce
  - iii. Internet Media
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  - v. Social & Smartphone
4. Fiscal Year 2014 Guidance

# Historical Performance by Quarter

(JPY billions)

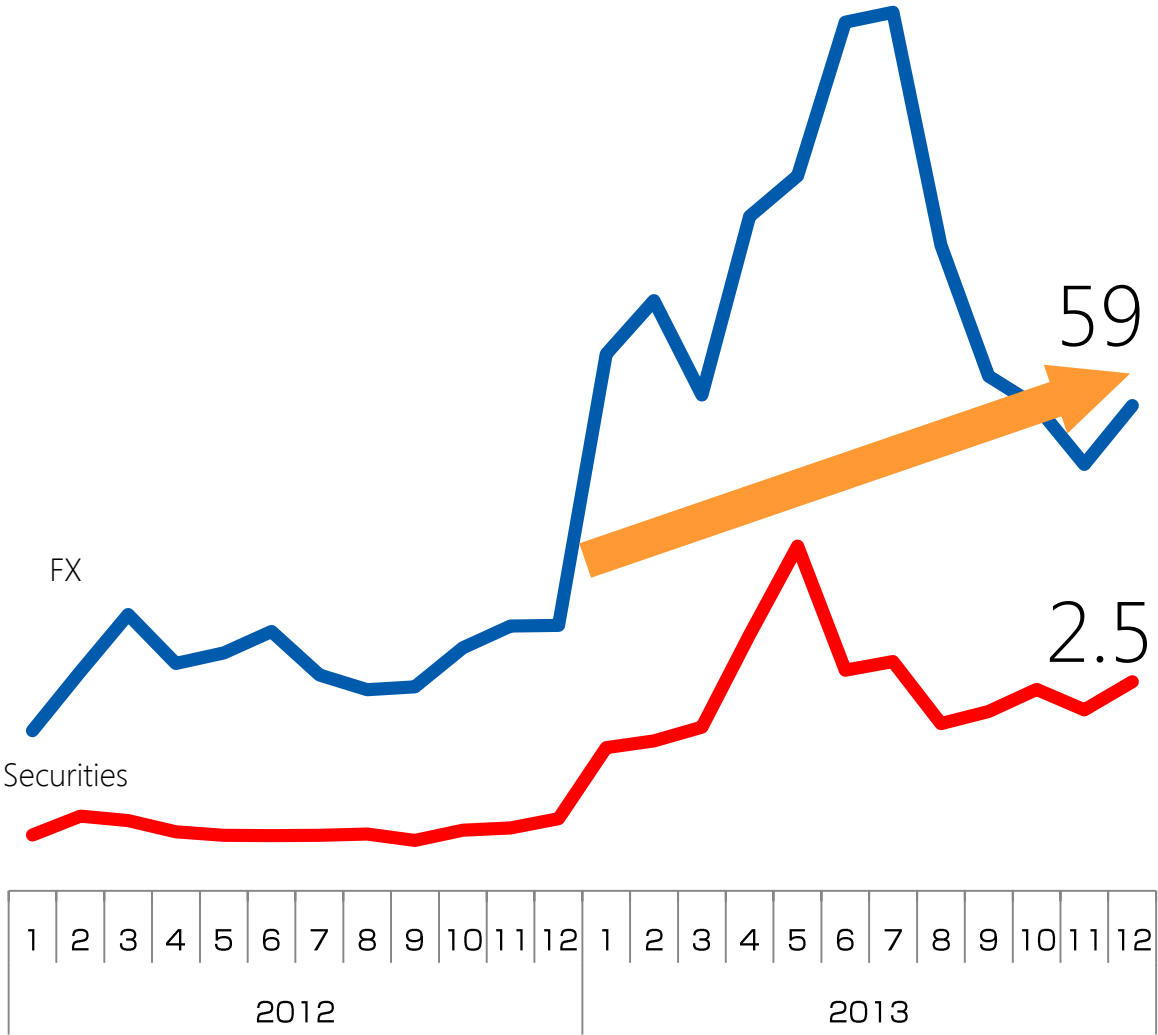


Strong business performance

Limited impact from new binary option regulations

# FX/Securities Trading Volume

(JPY trillions)

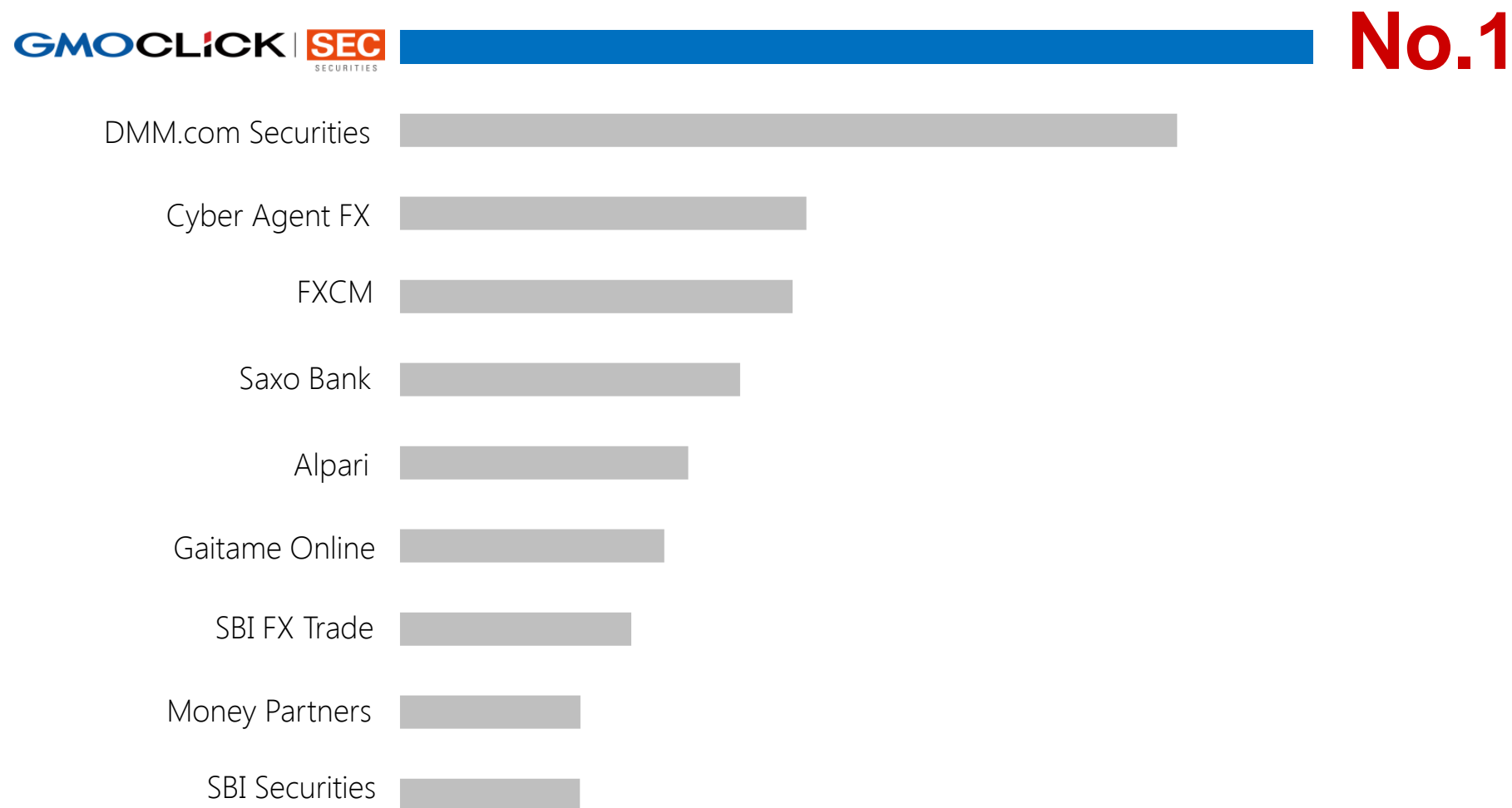


High trading volumes in both FX and Securities



# FX Trading Volume

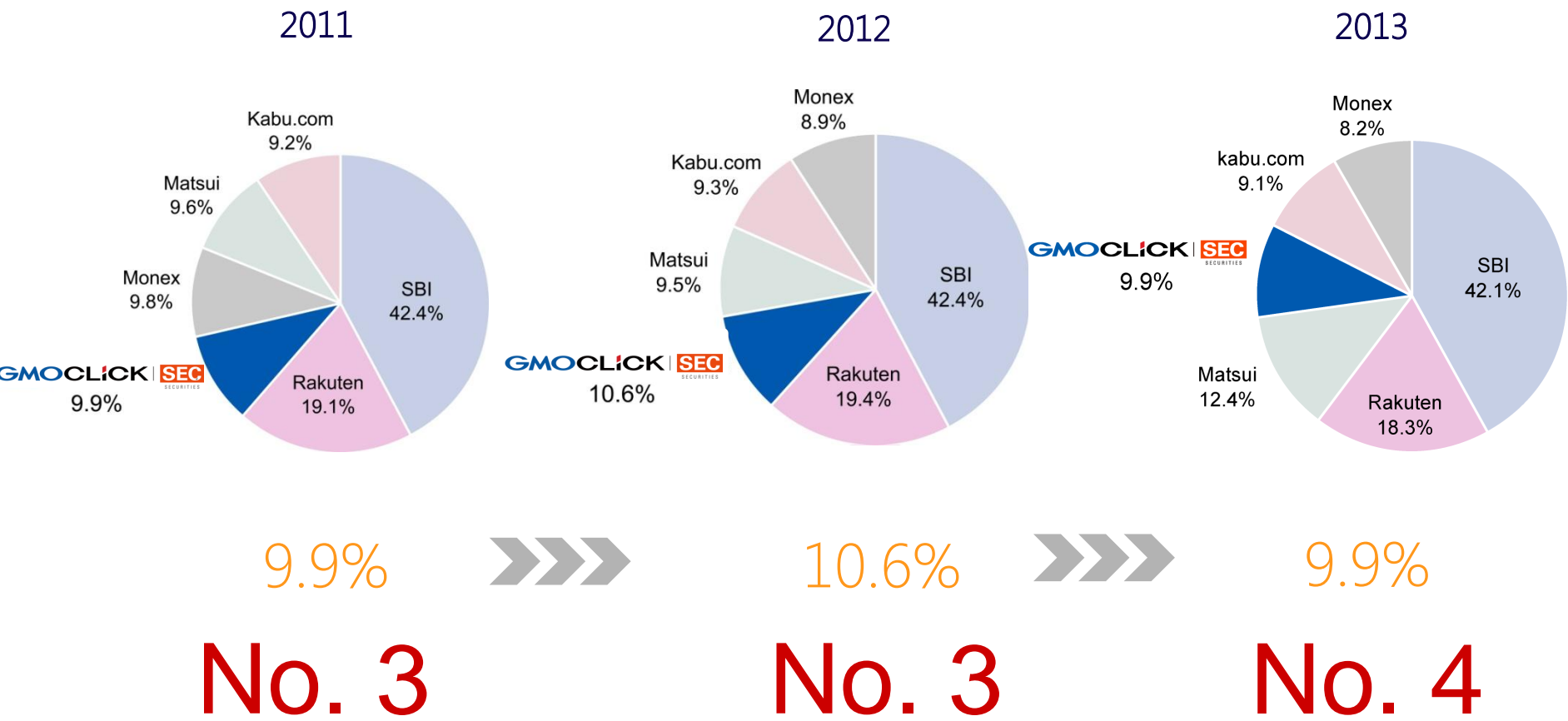
Global high FX transaction volume for 2nd consecutive year



(Forex Magnates, Average transaction volume in 2013)

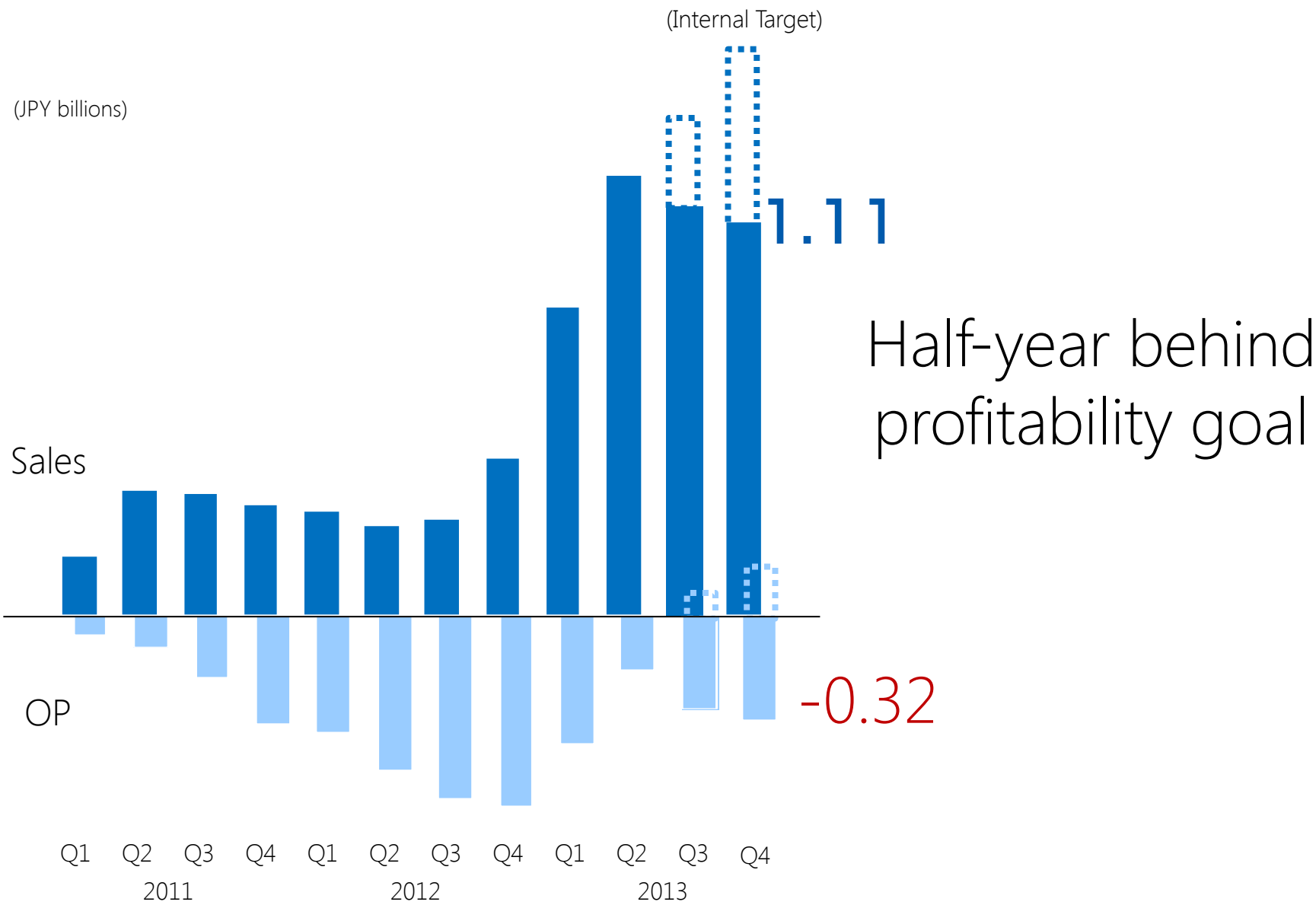
Securities Trading Volume

Number 4 out of 6 major players




Source: Compiled based on figures disclosed by each company. The total trading volume of the 6 companies is treated as 100%.

1. Overview
2. FY2013 Financial Results
3. Segment Report
  - i. Group Overview
  - ii. Web Infrastructure & Ecommerce
  - iii. Internet Media
  - iv. Internet Securities
  - v. Social & Smartphone**
4. Fiscal Year 2014 Guidance

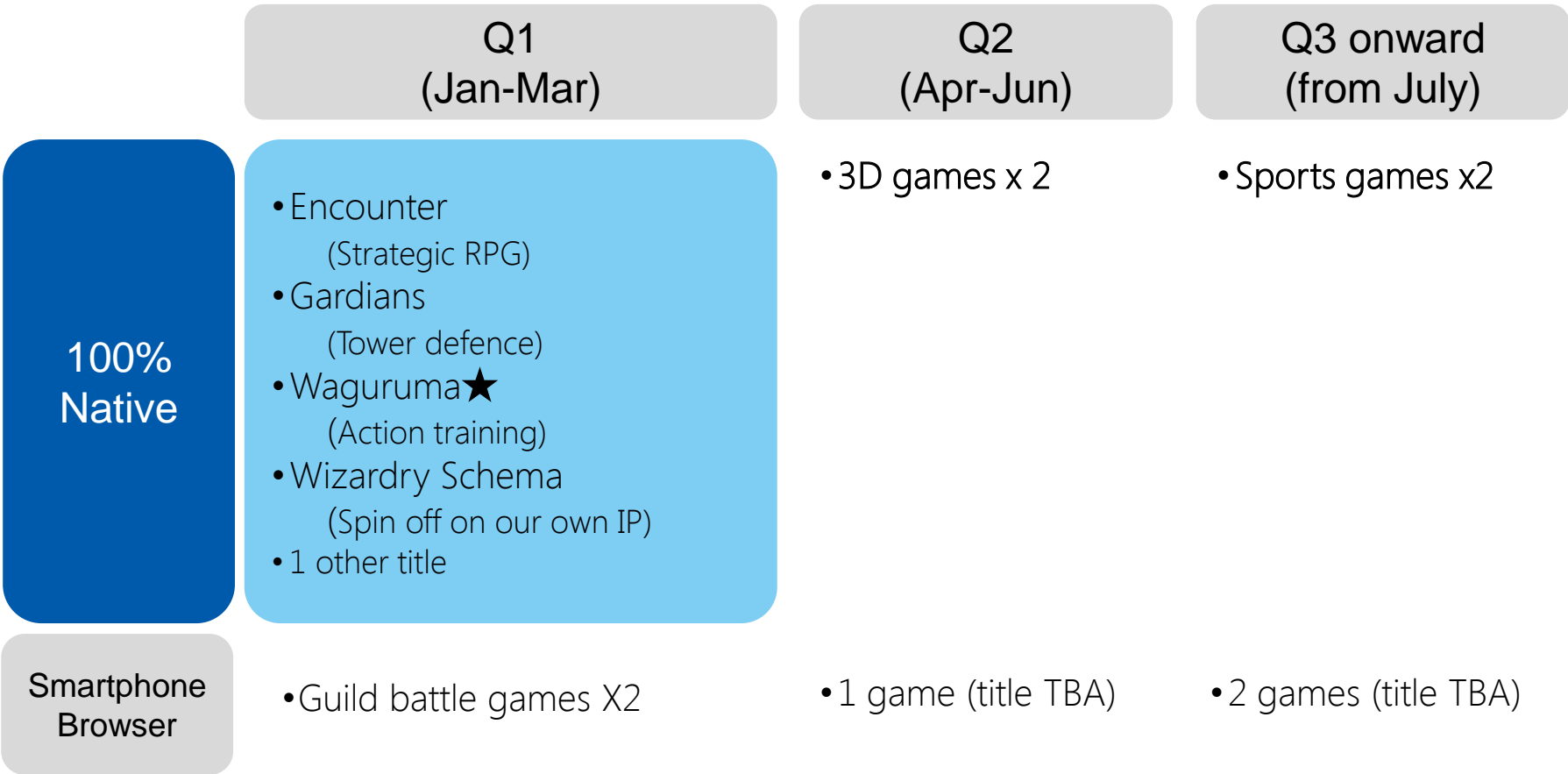


## Trend Shifts in Market Environment

- Rapid shift to 100% native apps  
Richer content, bigger production titles
- Few developers dominating app store rankings
- TV ads become effective marketing method for apps

 Focus expertise on monetizing a small number of titles

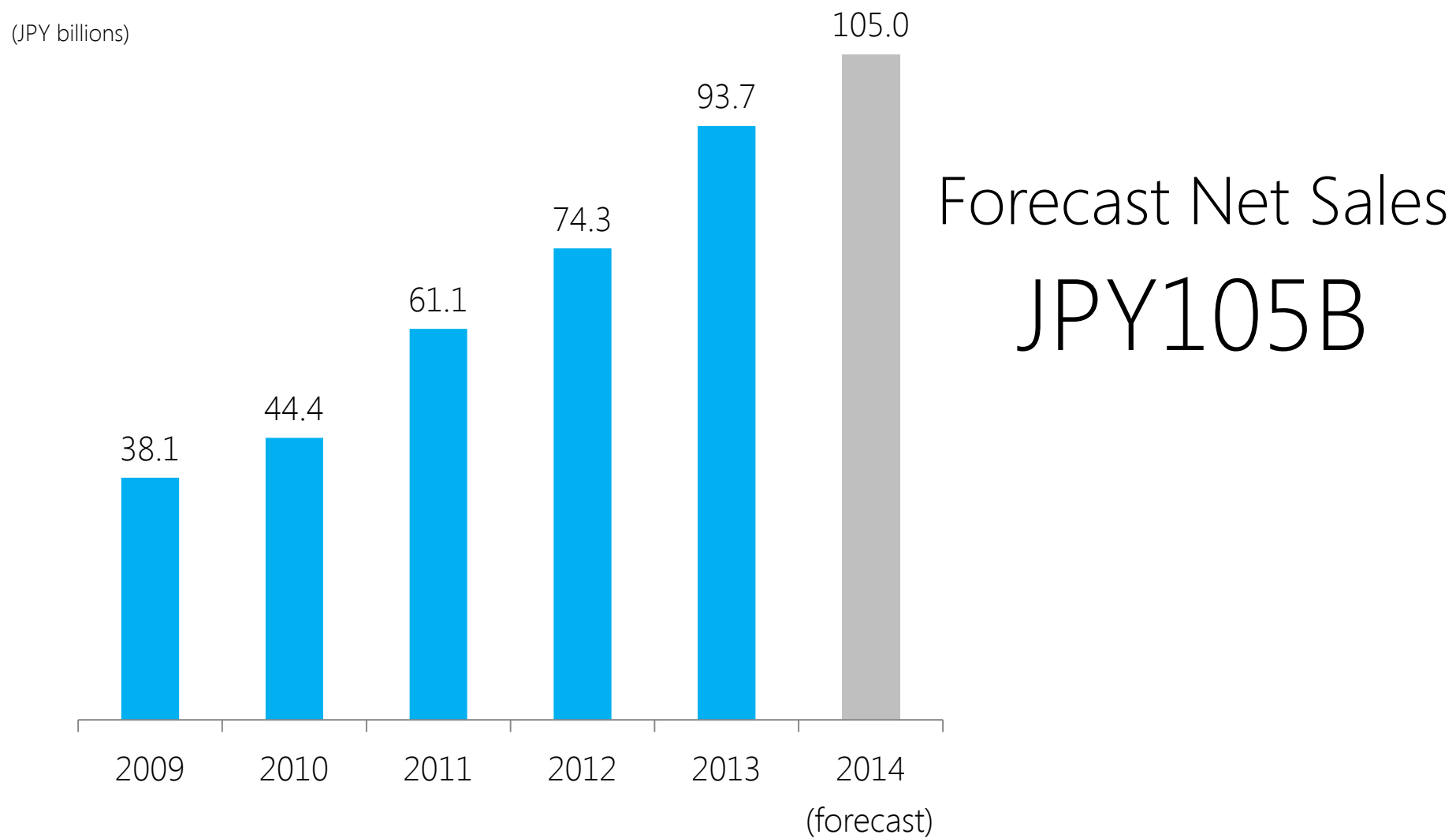
Game Pipeline



14 titles set for release this year  
Focus on Native Titles

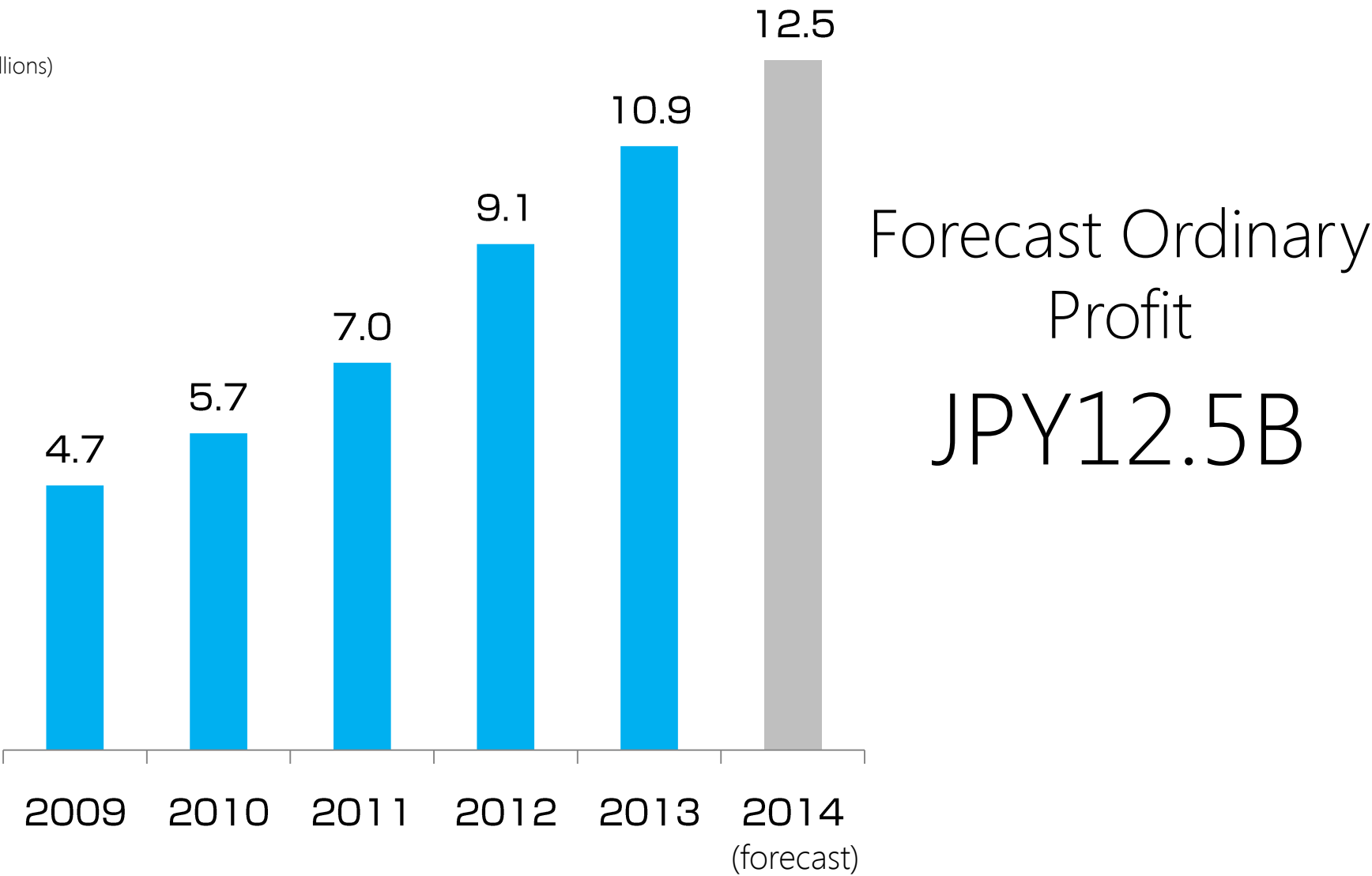
1. Overview
2. FY2013 Financial Results
3. Segment Report
  - i. Group Overview
  - ii. Web Infrastructure & Ecommerce
  - iii. Internet Media
  - iv. Internet Securities
  - v. Social & Smartphone
- 4. Fiscal Year 2014 Guidance**

## FY 2014 Forecast: Net Sales

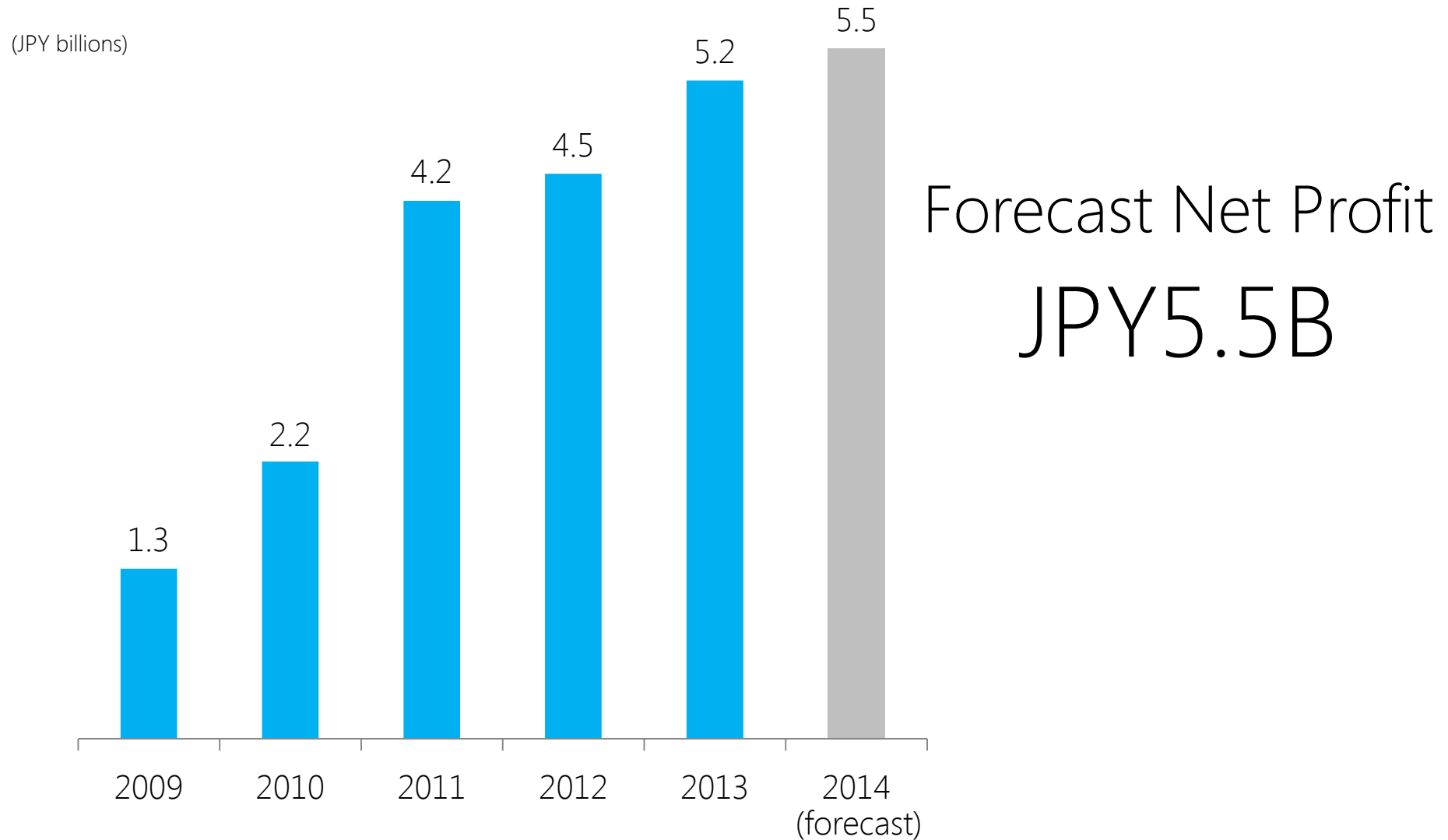




(JPY billions)



## FY 2014 Forecast: Net Profit



Net sales to exceed JPY100 billion as we enter new growth stage

(JPY billions)	FY2013 (actual)	FY2014 (forecast)	YoY Comparison
Net Sales	93.70	105.00	12.1%
Operating Profit	11.00	12.50	13.6%
Ordinary Profit	10.94	12.50	14.2%
Net Profit	5.24	5.50	4.9%

FY 2014 Forecast Dividends

Dividend Payout Ratio: 33%  
Total Dividend per Share to rise 1 yen

	Dividends				
	Q1	Q2	Q3	Q4	Total
Actual FY2013	¥3	¥3	¥4	¥5	¥15
Forecast FY2014	¥4	¥4	¥4	¥4	¥16

# Internet for Everyone

# GMO

# GMO INTERNET

This document includes projections based on expectations, premises and plans as of February 2, 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.