

Strategy Regarding Pullout of Loans and Credit Business

Revision to Strategy

Pullout of Loans and Credit Business

-elimination of downside risk -

August 13, 2007

GMO Internet Inc.

(TSE First Section: 9449)

Internet for Everyone

<http://www.gmo.jp/en>

1

A Cautionary Statement About the Contents of this Document

The contents of this document are based on current generally recognized economic and social conditions as well as premises considered reasonable by the GMO Internet Group as of August 13, 2007. Please note that in the event of any change in the business environment or other unforeseen occurrence they are subject to change without prior notice.

Revision to Strategy
Pullout of Loans and Credit Business
-elimination of downside risk -

TSE Stock Code: 9449



Revision to Strategy – Complete Pullout of Loans and Credit Business

Summary – Elimination of Downside Risk

Complete Pullout of Loans and Credit Business

- Decision based on concern regarding shareholder returns and uncertainty in the business environment.
- All stock held in GMO LOAN-CREDIT HOLDINGS Inc. (91.1%) is being transferred to its executive team and the company is being excluded from the consolidation from the second half of the term.
- ¥6.4 billion shrinkage loss (withdrawal loss) to be recorded in the consolidation as a result of the transfer.
- Downside risk eliminated - we now hold only share warrants **leaving open the possibility of recovering capital invested.**

Financial Strategy and Sale of GMO Internet Securities and Other Stock

- In consideration of financial balance all stock held in GMO Internet Securities (95.9%) is being transferred to Masatoshi Kumagai. A sale gain of ¥2.8 billion will be recorded in the consolidation.
- **The company will be excluded from the Internet Finance segment.**
- Off-market sale of around 10% of GMO-HS to yield sale gains of around ¥1 billion
- Pullout of the loans and credit business to harm shareholders' equity - sale of securities allows us to regain our financial base and dramatically reduce balance sheet.

Growth Strategy after Pullout of Loans and Credit Business

- To fully utilize our strengths in the stable infrastructure and media segments

TSE Stock Code: 9449



Revision to Strategy – Complete Pullout of Loans and Credit Business

Background to the pullout:

From our entry into loans and credit business to the present

August 2005 Entry into loans and credit business with purchase of Orient Credit

January 2006 Supreme court ruling allows excess interest repayment claims

August 2006 Acquisition of Just Inc. and 13 other companies in the north east of Japan enables launch of loans with guarantor

October 2006 Japan Institute of CPAs revises guidelines concerning interest repayment reserves

December 2006 Reforms to moneylending laws passed

December 2006 ¥10.5 billion is appropriated in an interest repayment reserve

May 2007 Agreement to enter into roll-up business with Lehman Brothers Japan

May 2007 Major consumer finance companies make significant increases to their interest repayment reserves

July 2007 Supreme court rules that 5% interest is payable in the period up until excess interest is repaid

July 2007 Sanyo Credit announces major increase in interest repayment reserve and absorption by Promise

TSE Stock Code: 9449



Revision to Strategy – Complete Pullout of Loans and Credit Business

Three reasons why we are pulling out of the loans and credit business

1. Uncertainty in the Business Environment

- A) Extent of interest repayment risk impossible to determine
- B) Hidden Risk – New judicial rulings, new legislation and new interpretations of existing legislation
- C) Instability in profit and loss statement – industry subject to wavering accounting treatment standards

2. Business Value and Growth Potential in Infrastructure and Media Segments Overshadowed by Above Factors

- Major balance sheet risk overshadowing PER and growth expectation in other business segments

3. To Focus Management Resources on the Infrastructure and Media Segments

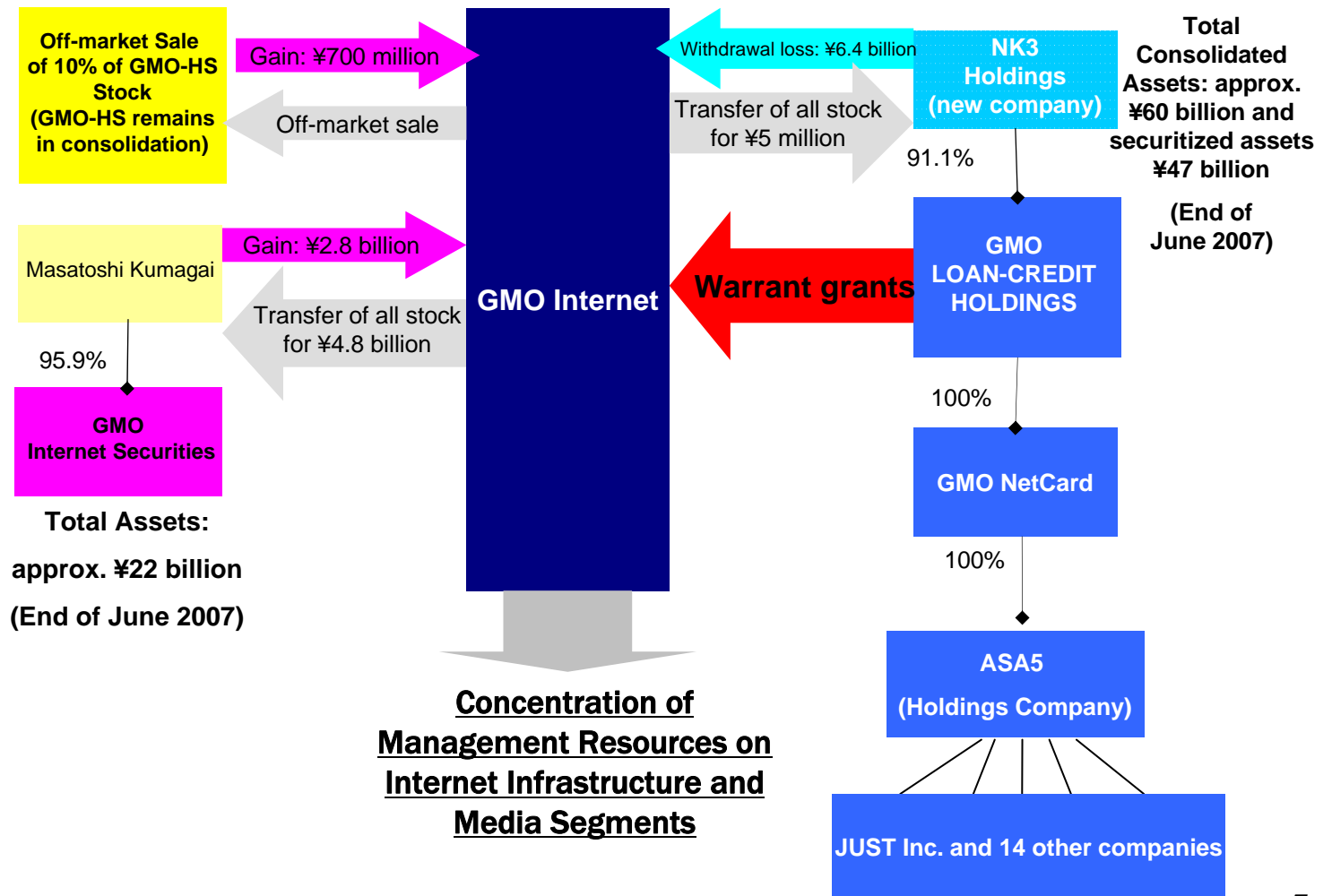
- Management are freed from focusing on downside risk to concentrate aggressively on a major turnaround

TSE Stock Code: 9449



Revision to Strategy – Complete Pullout of Loans and Credit Business

Loans and credit business withdrawal scheme: Upside potential

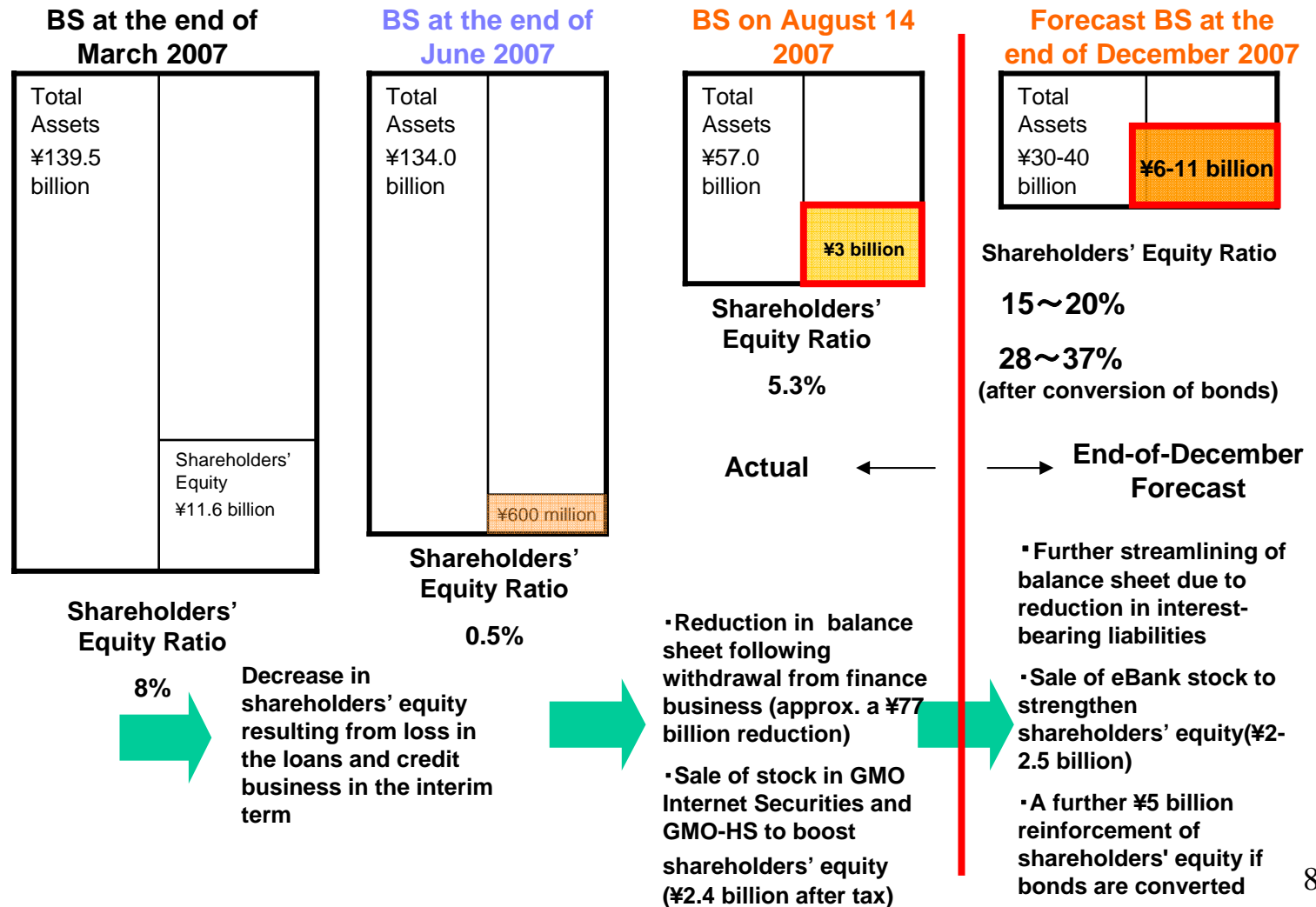


TSE Stock Code: 9449



Revision to Strategy – Complete Pullout of Loans and Credit Business

Summary of balance sheet changes

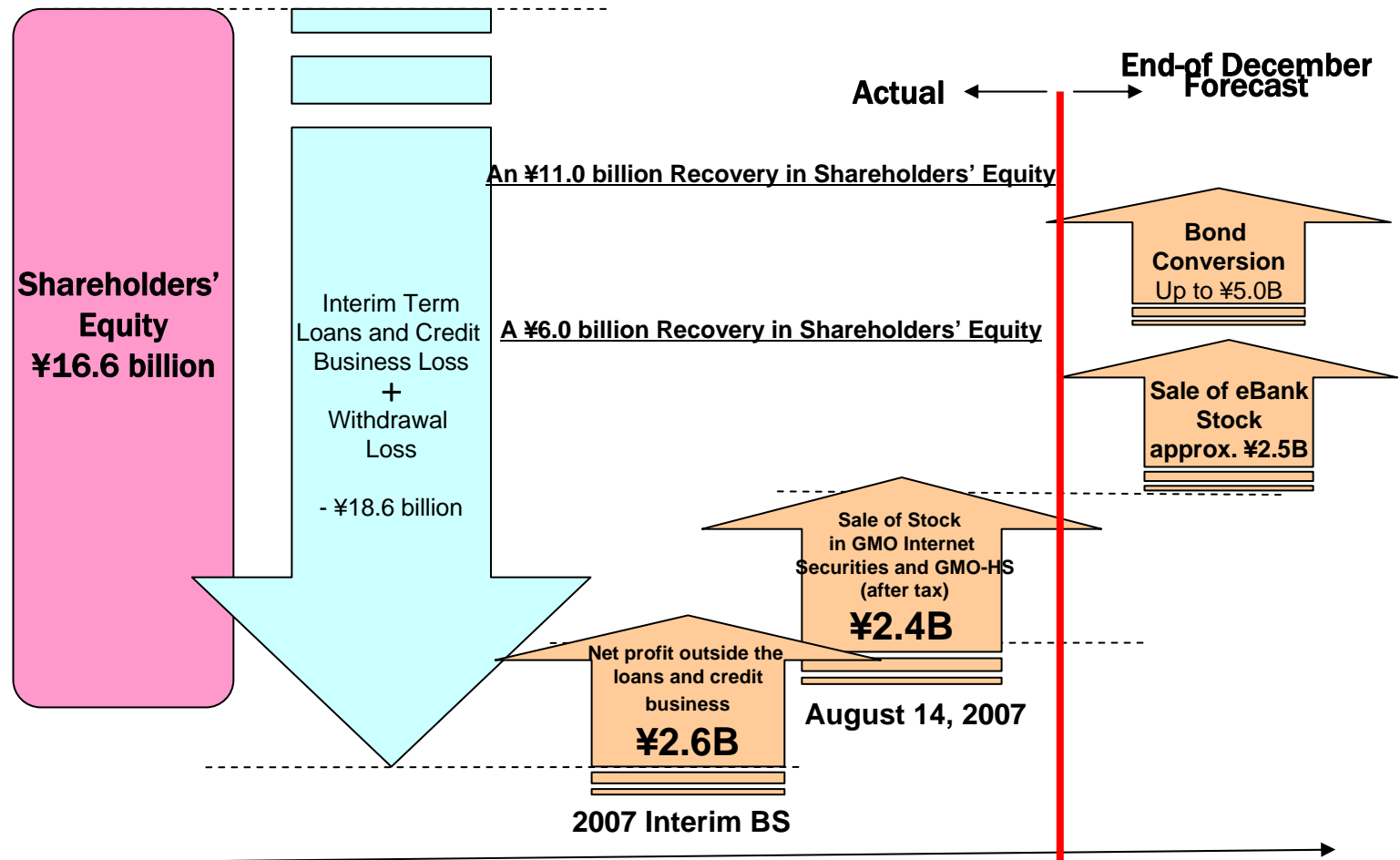


TSE Stock Code: 9449



Revision to Strategy – Complete Pullout of Loans and Credit Business

Simulation: Shareholders' Equity Ratio to Increase from 15% to 37% within the year

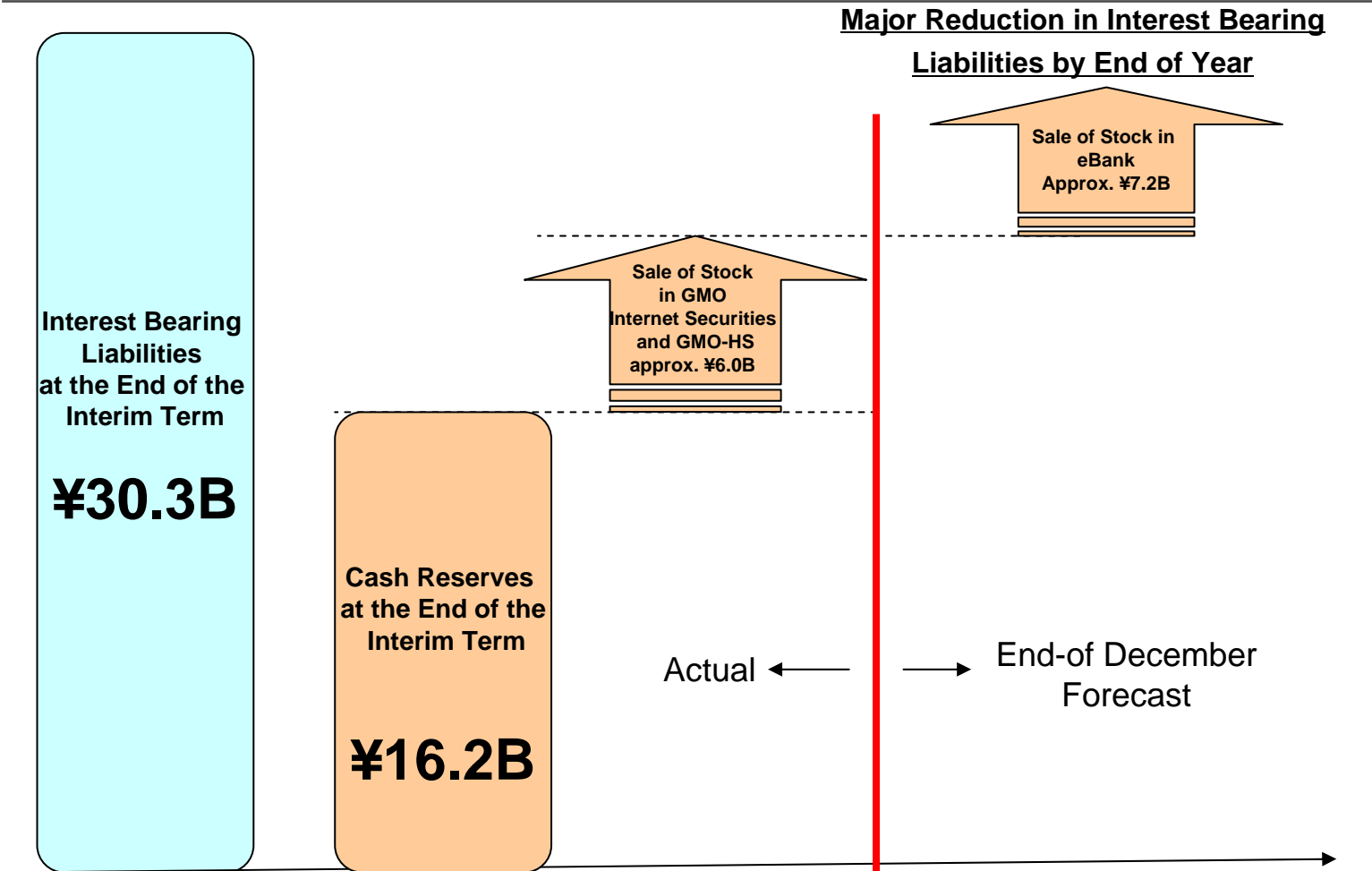


TSE Stock Code: 9449



Revision to Strategy – Complete Pullout of Loans and Credit Business

Simulation:
Reduction in GMO Liabilities - major reduction within the year



TSE Stock Code: 9449



Revision to Strategy – Complete Pullout of Loans and Credit Business

Results Forecast Revision: Upward Revision in Infrastructure and Media Segments

The Whole Consolidation (Full Term)

Unit: ¥millions	Initial Forecast	Difference in Loans and Credit Business in First Half of Term (Mainly Interest Repayment Related Expenses)	Impact of Exclusion of Finance Segment in Latter Half of Term (Compared to Initial Forecast)	Increase in Full Term Forecast in Infrastructure and Media Segments	New Forecast
Sales	60,000	-1,800	-14,500	2,800	46,500
Operating Profit	7,000	-13,800	-2,000	200	-8,600
Ordinary Profit	6,300	-13,800	-2,000	200	-9,300

Infrastructure and Media Segment Results Forecast (Excluding Finance Segment) (Full Term)

Unit: ¥millions	Initial Forecast	Increase in Full Term Forecast in Infrastructure and Media Segments	New Forecast
Sales	30,200	2,800	33,000
Operating Profit	3,500	200	3,700
Ordinary Profit	2,800	200	3,000

Infrastructure and Media Business PL Revised Upwards

TSE Stock Code: 9449



Revision to Strategy – Complete Pullout of Loans and Credit Business

Why we Expect Improved PL and Profit Growth

1. Reduction of Interest Costs (Non-Operating Expenses)

→As a result of a reduction in interest bearing liabilities, interest costs forecast for 2007 (approx. ¥700 million) will be **reduced to almost zero in the next term**

2. Tax Advantage on Net Loss Carried Forward Due to Withdrawal from Loans and Credit Business

→**A tax advantage of approximately ¥32.0 billion over 7 years beginning in the next term**

3. Further Accelerated Growth in the Infrastructure and Media Segments from the Next Term

2005 to 2006: 39% growth in operating profit

2006 to 2007: 16% growth in operating profit

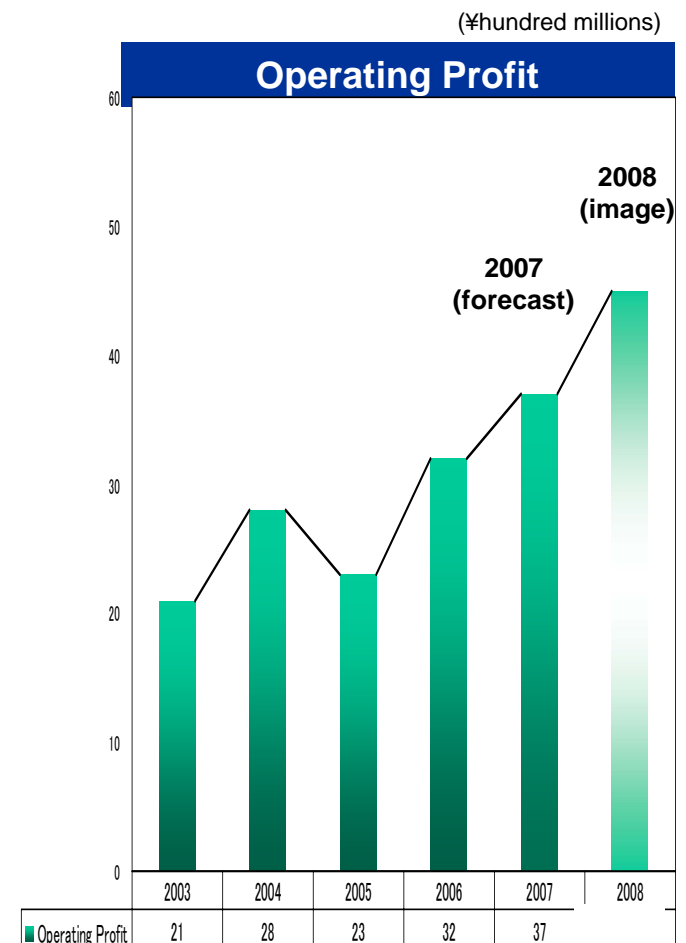
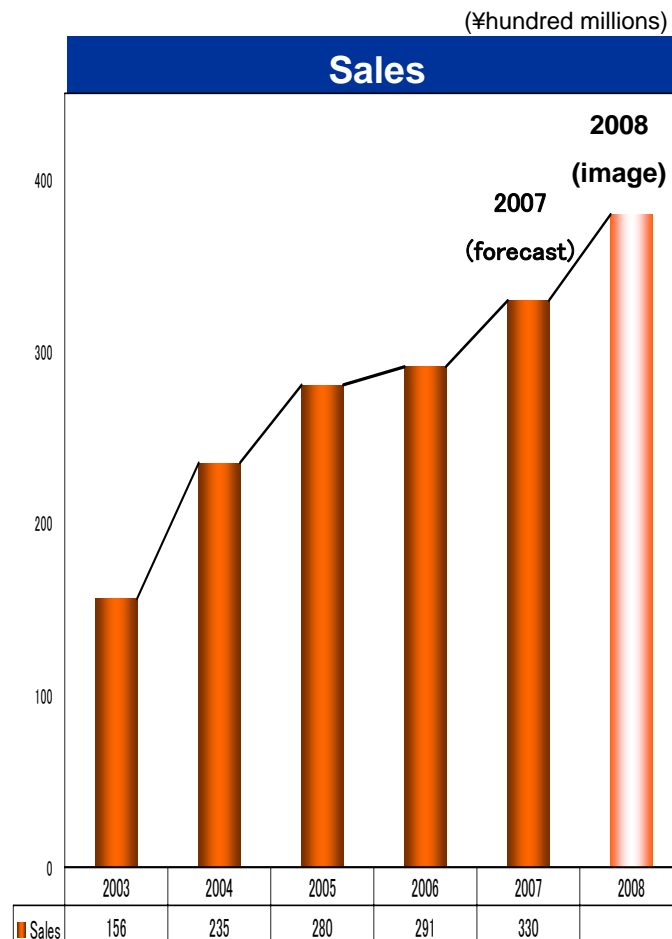
From 2007: management completely focused on profit, **growth through synergy!**

TSE Stock Code: 9449



Revision to Strategy – Complete Pullout of Loans and Credit Business

Strong Performance Revealed when Finance Segment is Excluded

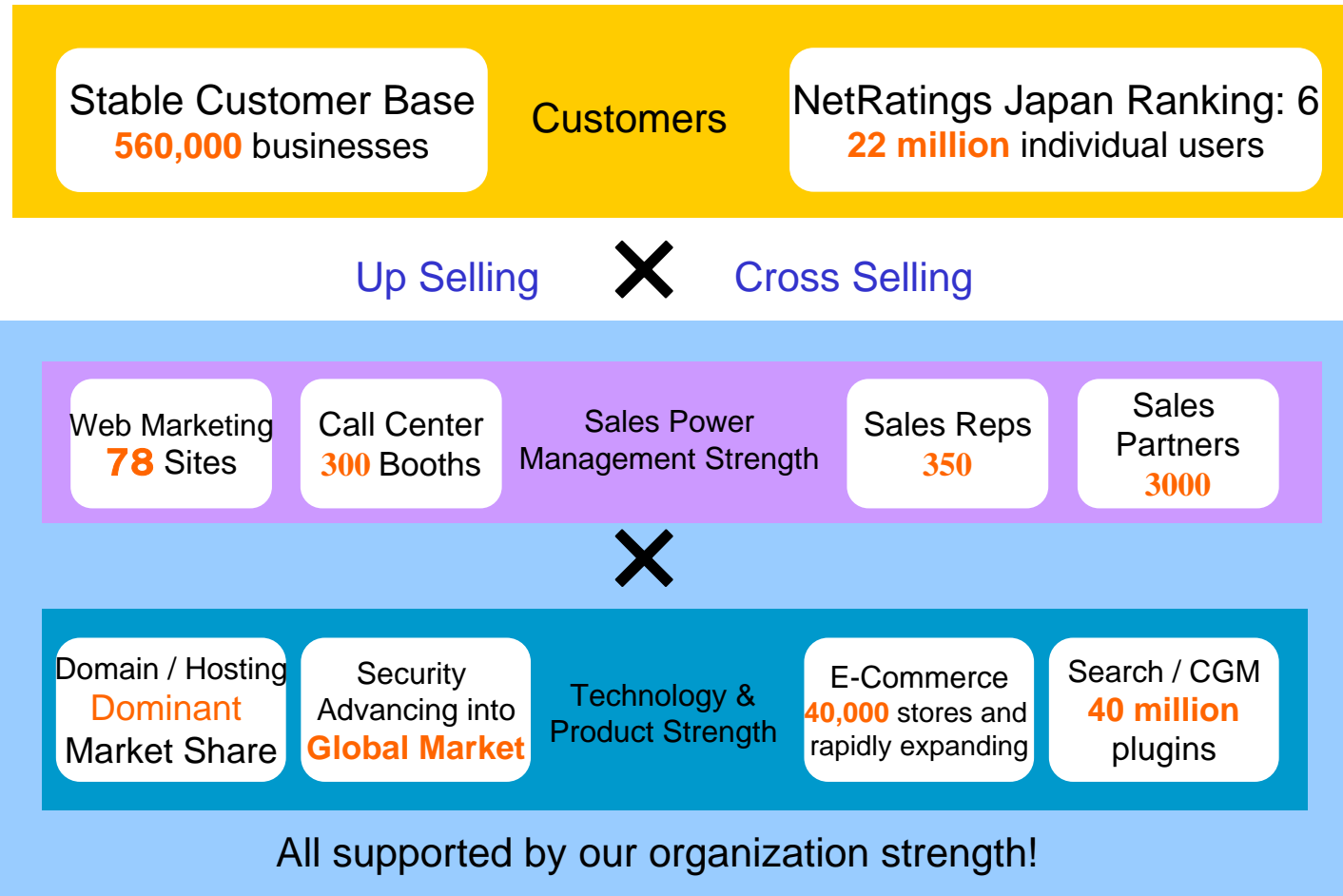


TSE Stock Code: 9449



Strengths in the Infrastructure and Media Segments

Maximizing the strengths of our original businesses, the infrastructure and media segments



TSE Stock Code: 9449



Strengths in the Infrastructure and Media Segments

Maximizing the strengths of our original businesses, the infrastructure and media segments

Further details on growth strategy
in our interim results presentation
on August 16,

TSE Stock Code: 9449



Internet for Everyone

