

Results Presentation for the 2008 Fiscal Year

February 12, 2009

GMO Internet, Inc.

(TSE First Section: 9449)

Internet for Everyone

<http://www.gmo.jp/en> 1

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Agenda

1. Summary

2. Overview of FY 2008 Financial Statement

3. Segment Report

1. Internet Use Support (Infrastructure)
2. Internet Advertising Support (Media)

4. FY 2009 Outlook

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Summary (I)

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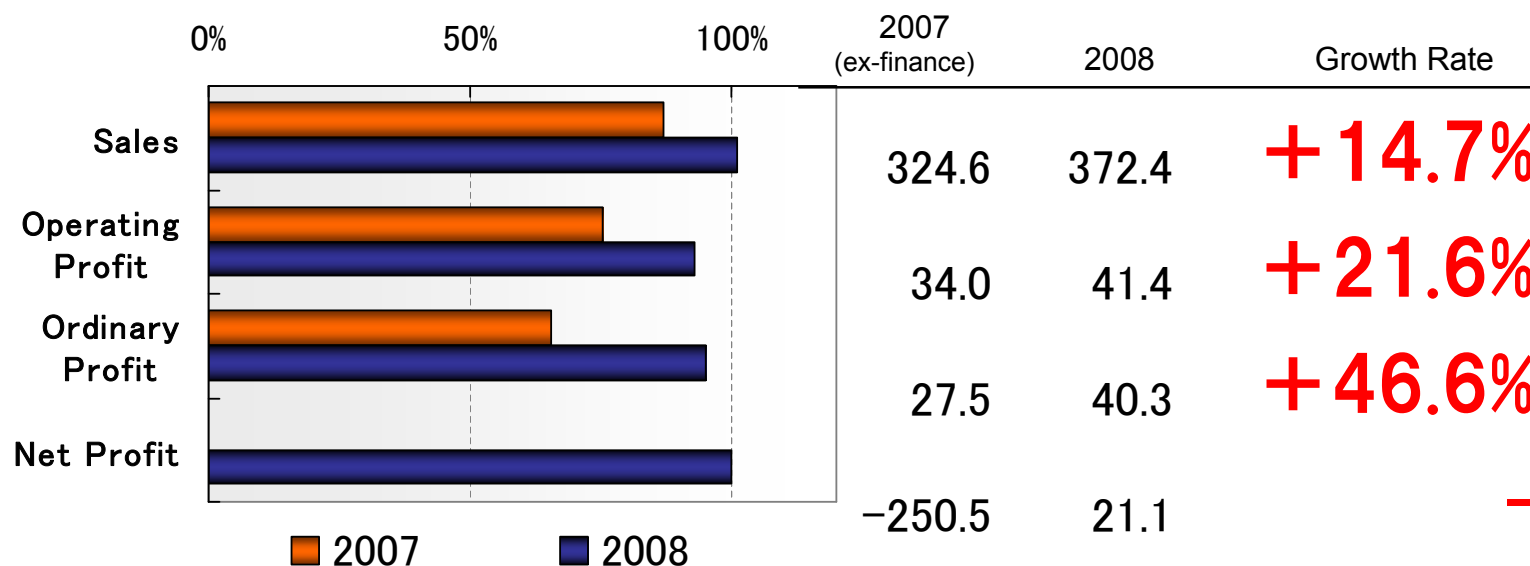
①Internet Infrastructure

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4. FY 2009 Outlook

Highlights

1 FY 2008 Performance Highlights (Jan-Dec)



2 Resumption of Dividend Payment

JPY 7 per share (Payout Ratio: 33% as promised!)

Summary (II)

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Highlights

3 Strategy

Infrastructure Segment ⇒ Focus on **e-commerce** solutions

Segment name to become WEB
Infrastructure & E-commerce

Media Segment ⇒ Focus on **SEM**

Withdrawal from recruitment advertising

4 FY 2009 Forecast

Sales JPY **39.3 billion (+5.5%)**

Operating Profit JPY **4.6 billion (+11.0%)**

Ordinary Profit JPY **4.5 billion (+11.6%)**

Net Profit JPY **1.9 billion (-10.0%)**

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Consolidated P/L

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JPY 7 dividend on JPY 2.1 billion net profit

(JPY millions)

	1-12/2007 (ex-Finance)	1-12/2008 (Actual)	FY 2009 (Forecast)	10-12/2007	10-12/2008	YoY Change
Sales	32,464	37,247	39,300	8,601	10,083	+17.2%
Business Expenses	14,667	18,197	—	4,199	5,229	+24.5%
SGA	14,390	14,906	—	3,555	3,826	+7.6%
Operating Profit	3,407	4,143	4,600	846	1,027	+21.4%
Non-Operating Revenue	329	592	—	134	184	+36.7%
Non-Operating Expenses	986	704	—	360	154	-57.3%
Ordinary Profit	2,750	4,031	4,500	620	1,057	+70.5%
Extraordinary Profit	5,071	497	—	100	12	-87.3%
Extraordinary Loss	32,973	973	—	5,842	804	-86.2%
Minority Equity	-436	-340	—	-163	+129	—
Corporate Taxes etc.	529	-1,104	—	-290	-176	—
Net Profit	-25,058*	2,111	1,900	-5,575	219	—

*Ex-Finance business withdrawal costs

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Sales & Operating Profit (Full-Year) by Segment

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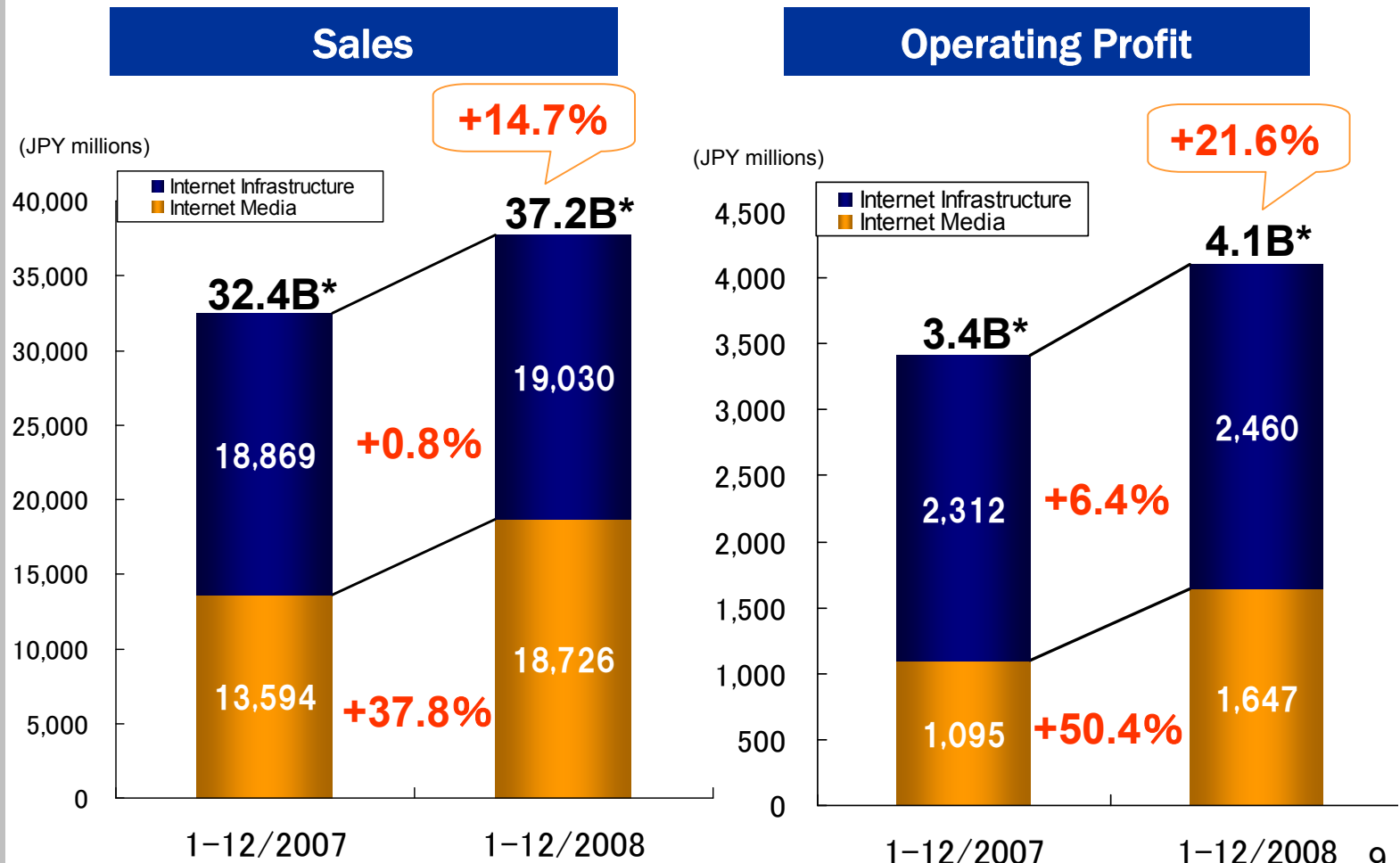
3. Segment Report

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Media profits grow 50% in the year on strong SEM and Overture performance



*After adjustment for inter-segment transactions

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Sales & Operating Profit in Q4 by Segment

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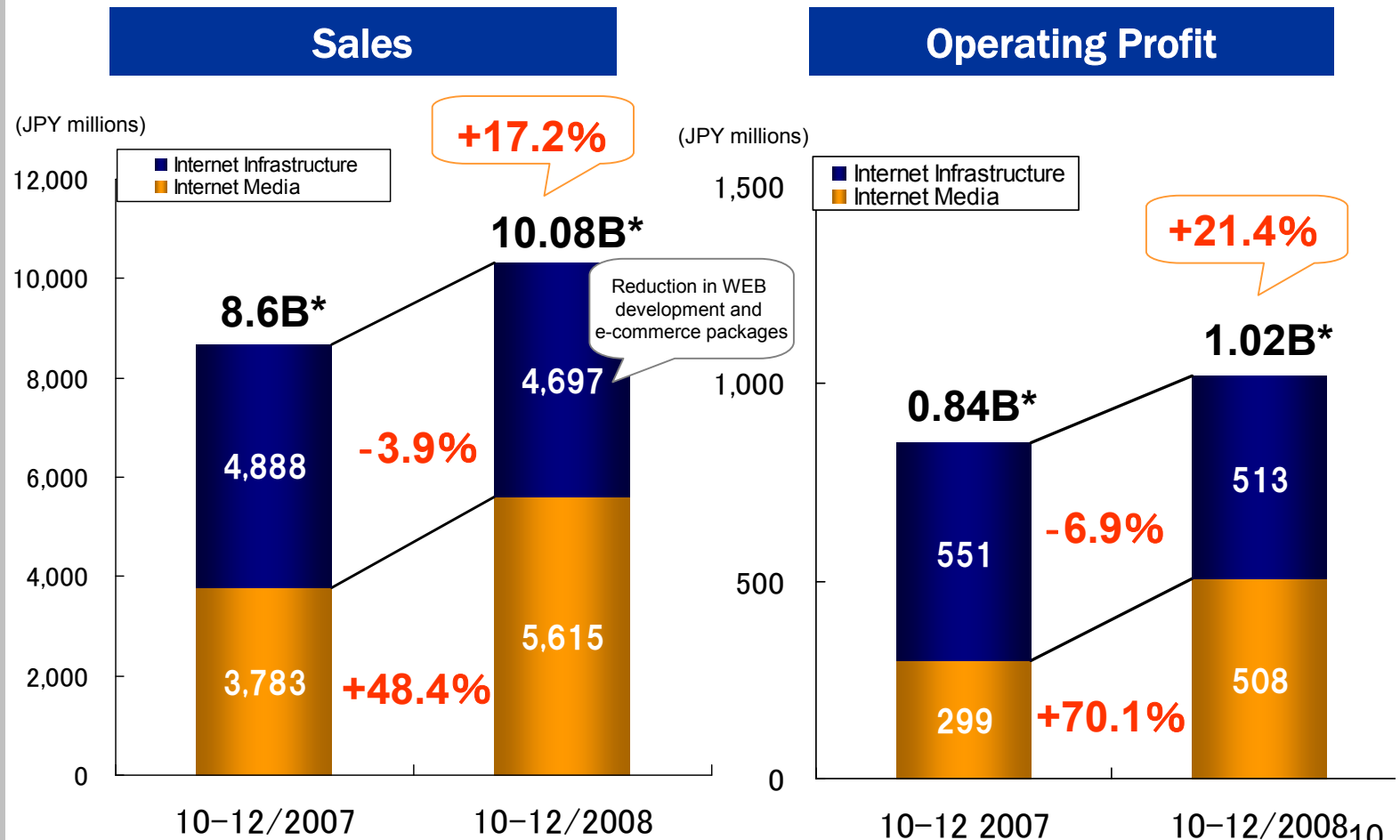
3. Segment Report

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4. FY 2009 Outlook

Media segment Q4 profit hits JPY 500 million as SEM business takes off



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Consolidated Balance Sheet

Shareholders' equity ratio improved to 17%

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	End Sep FY 2008	End Dec FY 2008	Sep-Dec Change	(JPY millions)
Current Assets	25,379	25,644	+265	
(Cash & deposits)	17,301	18,510	+1,209	
Fixed Assets	14,512	14,108	-404	
(Goodwill)	2,150	2,048	-102	
(Software)	2,177	1,984	-193	
(Investment real estate)	4,563	4,437	-126	
(Investment securities)	874	817	-57	
Total Assets	39,891	39,752	-139	
Total Liabilities	26,406	26,385	-21	
(Interest bearing liabilities)	14,951	14,201	-750	
Net Assets (minority equity portion)	13,484(6,864)	13,367(6,609)	-117 (-255)	
Shareholders' Equity (earned surplus portion)	6,620(5,416)	6,758(5,636)	+138(+220)	
(Shareholders' equity ratio)	16.6%	17.0%	+0.4%	
Total Liabilities / Net Assets	39,891	39,752	-139	

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Consolidated Balance Sheet

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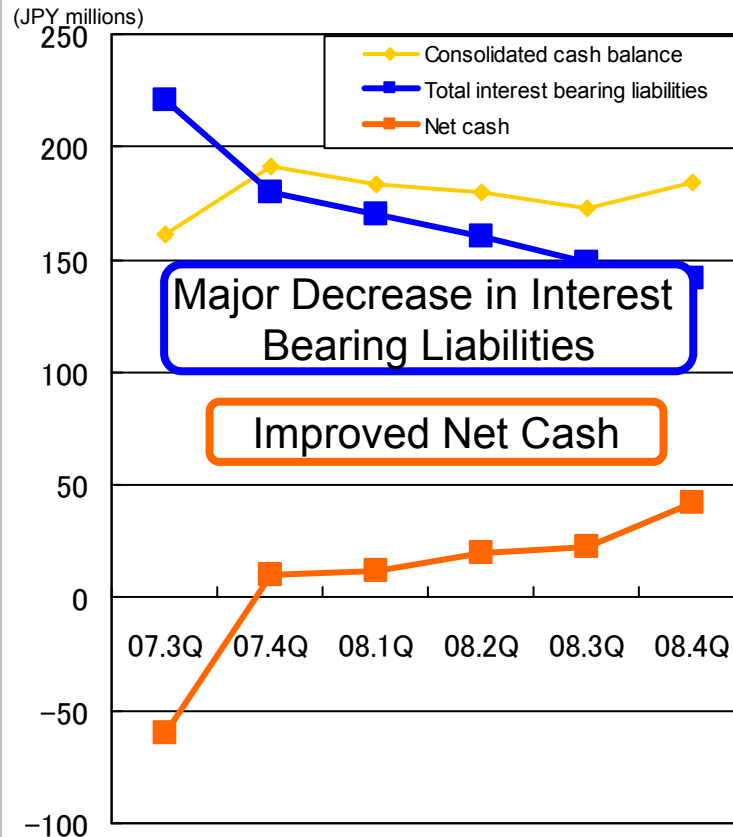
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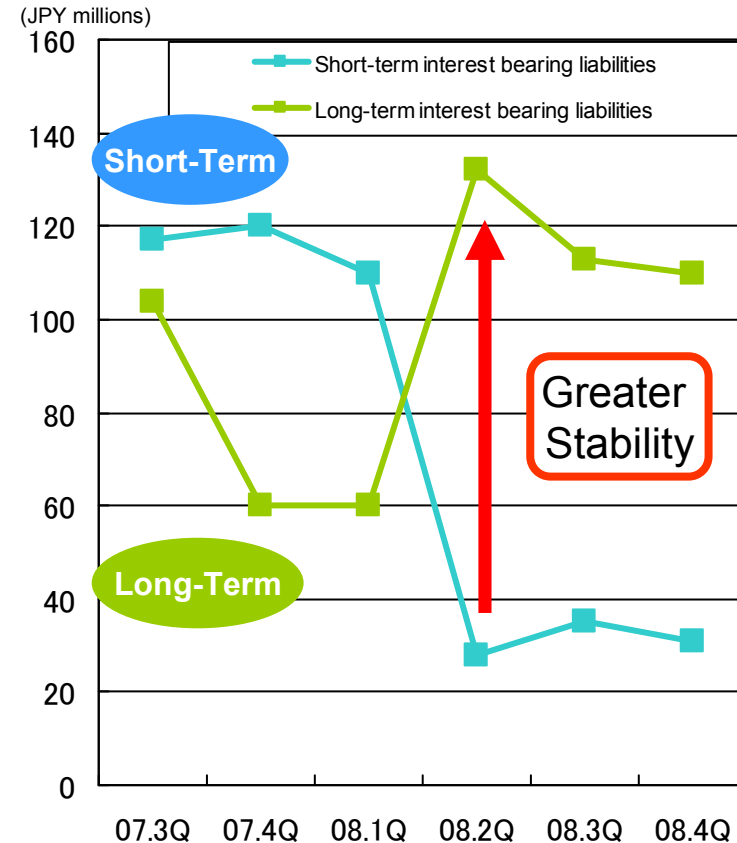
4. FY 2009 Outlook

Further improved financial stability

Interest Bearing Liabilities and Net Cash



Short-Term and Long-Term Interest Bearing Liabilities



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Consolidated C/F

Close to JPY 5 billion in operating cash flow generated

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(JPY millions)

	1-12/2008
Cash Flow from Operating Activities	4,940
Cash Flow from Investing Activities	-1,653
Cash Flow from Financing Activities	-4,144
Total Cash Flow	-915
Change in Cash and Equivalents	-847
Balance of Cash and Equivalents	18,456

Strong Infrastructure and Media segments

Interest bearing liabilities
JPY 3.857 billion

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Listed Subsidiaries

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4. FY 2009 Outlook

Newly listed paperboy&co.

(JPY millions)

				
Stock Code	TSE Mothers (3788)	TSE 1 st Section (3769)	OSE Hercules (4784)	JASDAQ (3633)
Fiscal Term	Q4 FYE Ended 12/2008	Q1 FYE Ending 9/2009	Q4 FYE Ended 12/2008	Q4 FYE Ended 12/2008
Sales	1,879	595	1,662	581
Operating Profit	146	222	27	117
Ordinary Profit	129	222	48	94
Net Profit	-168	127	-253	60

*Figures from each company's quarterly P/L statement

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Business Segments

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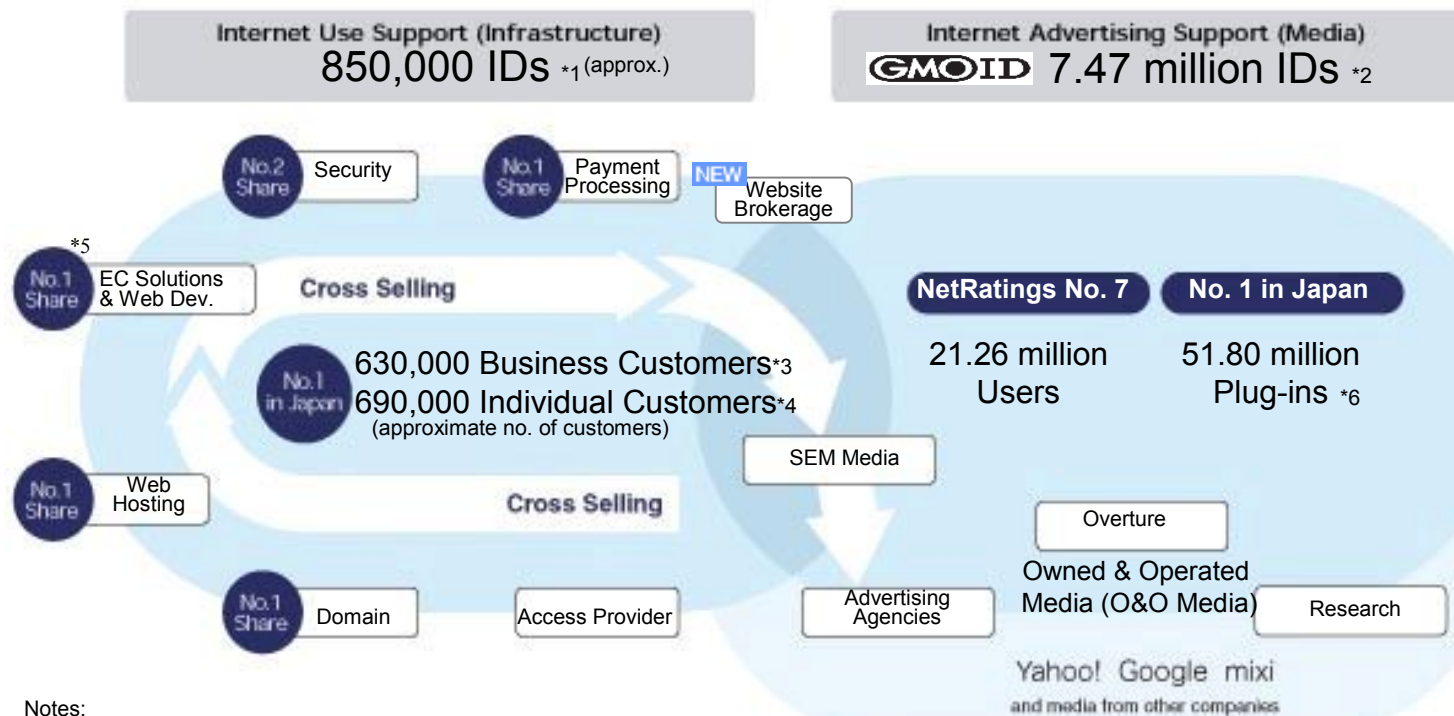
3. Segment Report

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4. FY 2009 Outlook

Management resources concentrated in two business areas. Our operations support the information delivery and net businesses of 1.32 million customers (*8).



Notes:

*1. Business and individual domain registrations = no. of integrated customer database IDs

*2. GMO ID members

*3. Total business members of five major services

*4. Total individual members of domain and web hosting services

*5. Based on total number of e-commerce solutions (MakeShop + Color Me Shop!) contracts

*6. Cumulative plug-ins

*7. Approximately 78,000 Internet access provider business customers not included in the above figures

*8. Paying members only

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Internet Infrastructure Segment Contracts

1. Summary

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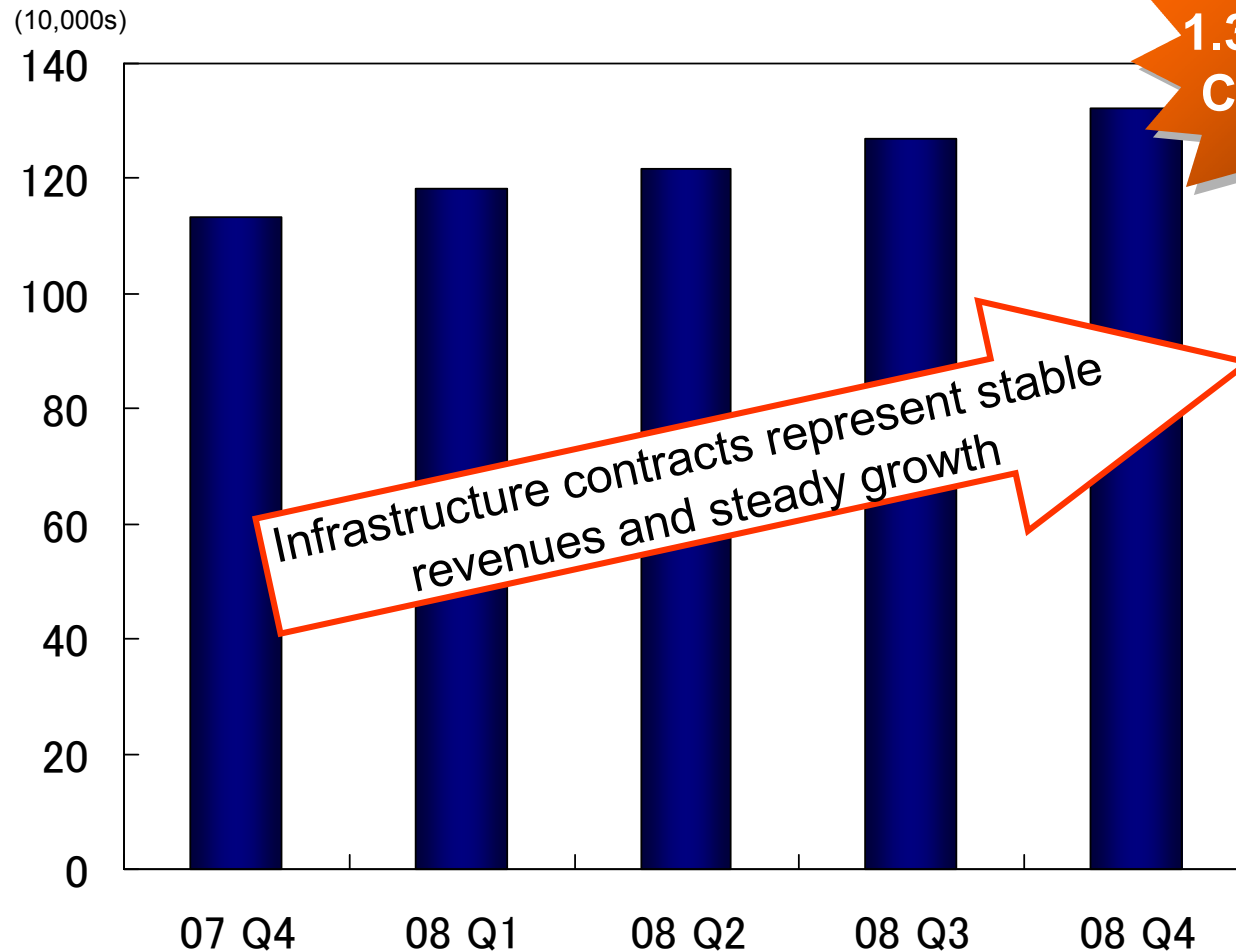
3. Segment Report

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4. FY 2009 Outlook

1.32 million contracts: a leading Japanese Internet infrastructure services provider



1.32 million
Contracts

Infrastructure contracts represent stable revenues and steady growth

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*Approximately 78,000 Internet access provider business customers not included in the above figures

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Internet Infrastructure Segment Composition

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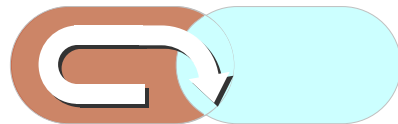
② Internet Media

4. FY 2009 Outlook

Five major service* areas driving growth

*Domain registration, Web hosting, E-commerce solutions & Web development, Security, and Payment processing

Internet Infrastructure Segment



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Business Performance – Infrastructure Sales (Full-Year)

1. Summary

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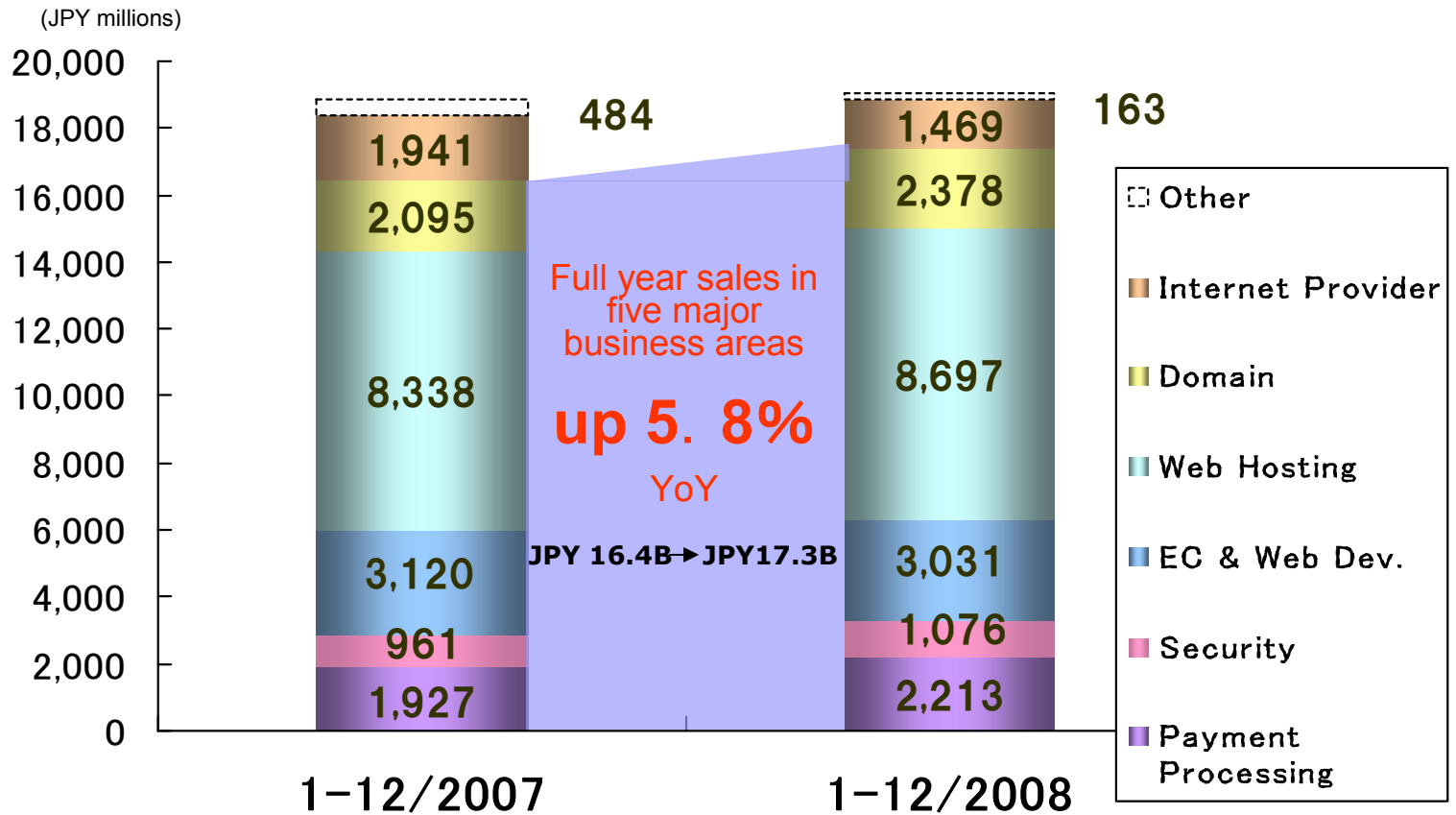
3. Segment Report

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4. FY 2009 Outlook

Sales up 5.8% YoY in five major business areas



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Business Performance – Infrastructure Operating Profit (Full-Year)

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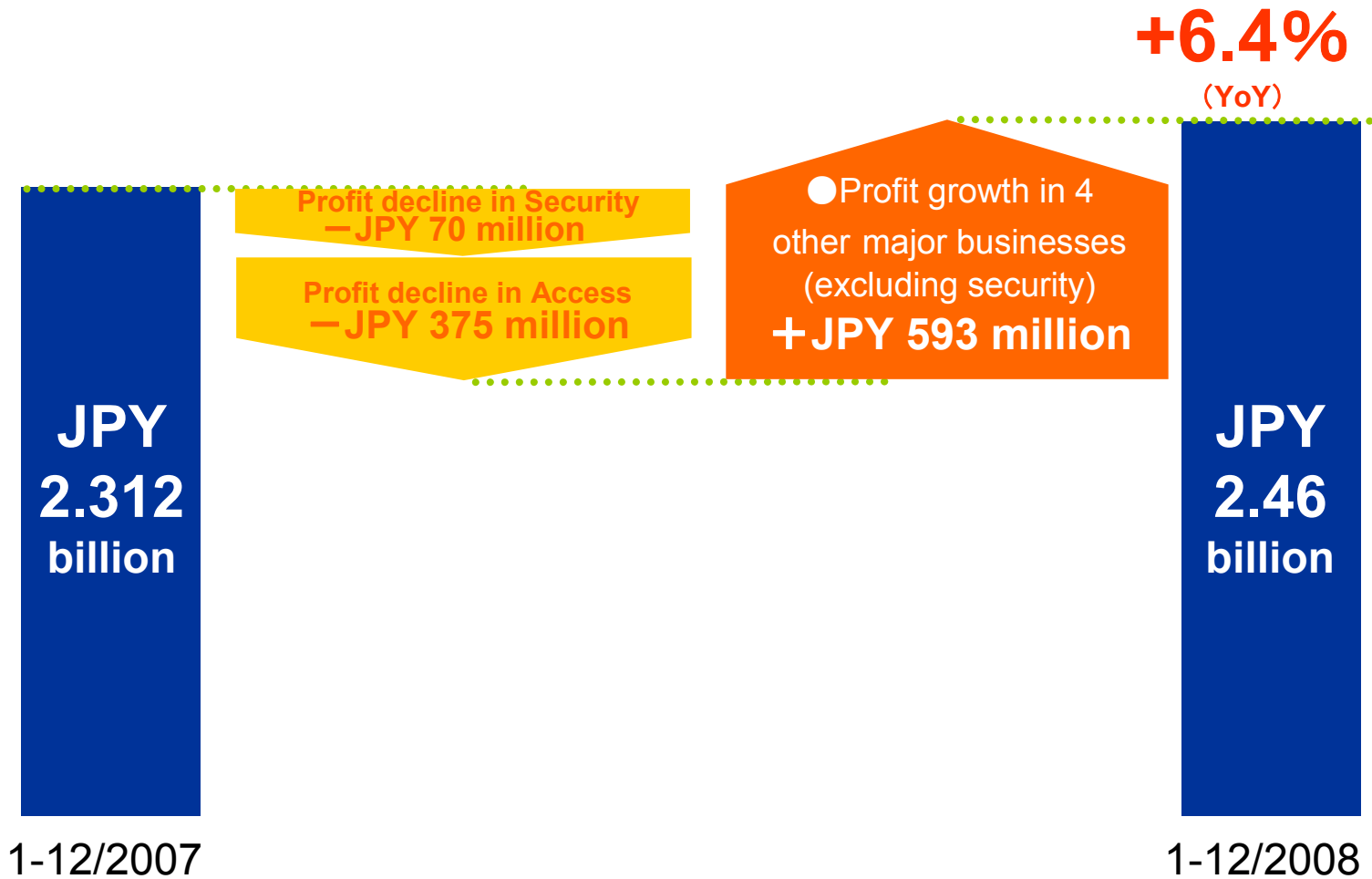
3. Segment Report

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4. FY 2009 Outlook

Segment profit grows despite fall in access provider and security business profits



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Business Performance – Infrastructure Sales in Q4

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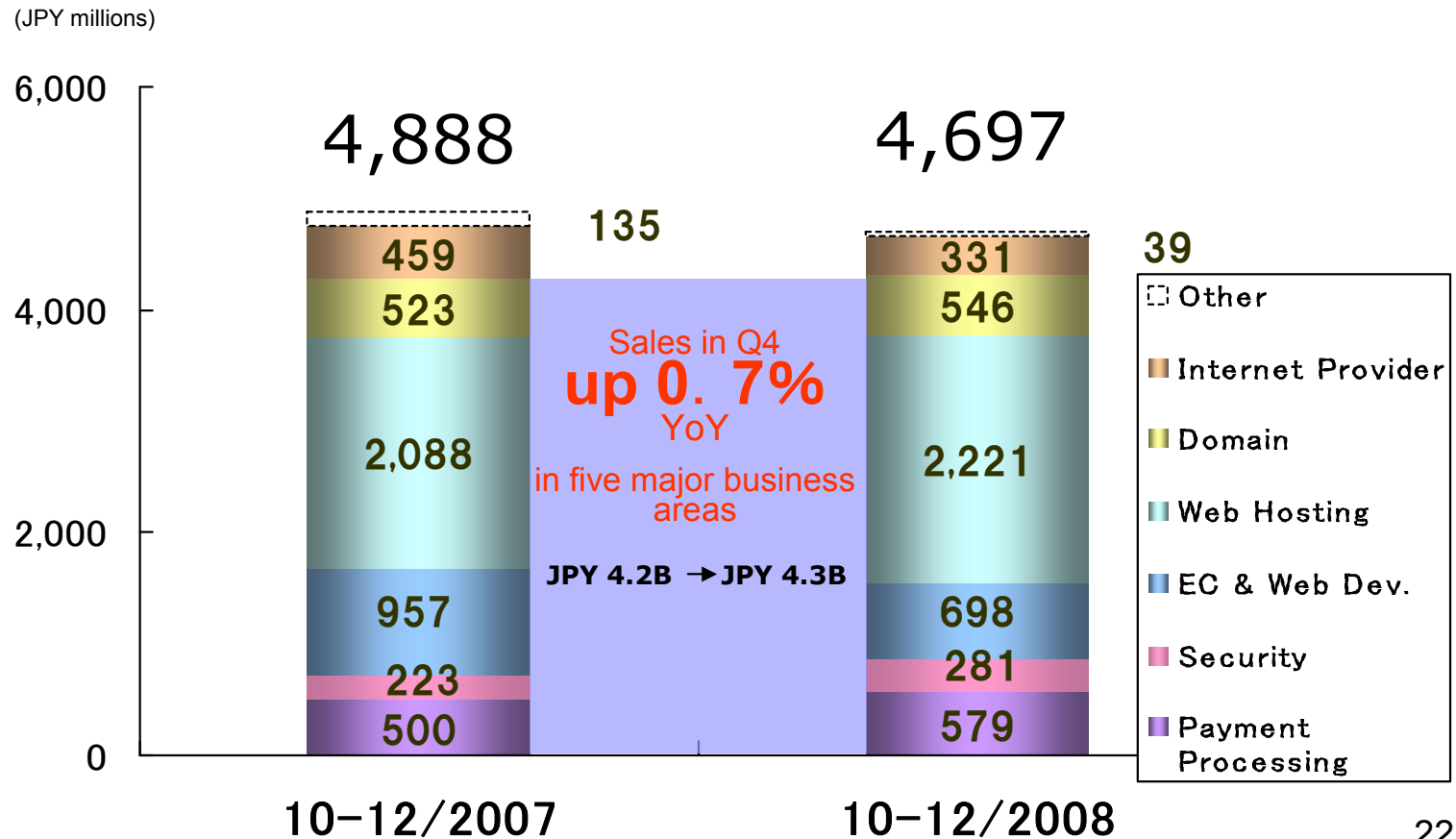
3. Segment Report

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4. FY 2009 Outlook

Sales in five major businesses up 0.7% YoY



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Business Performance – Infrastructure Operating Profit in Q4

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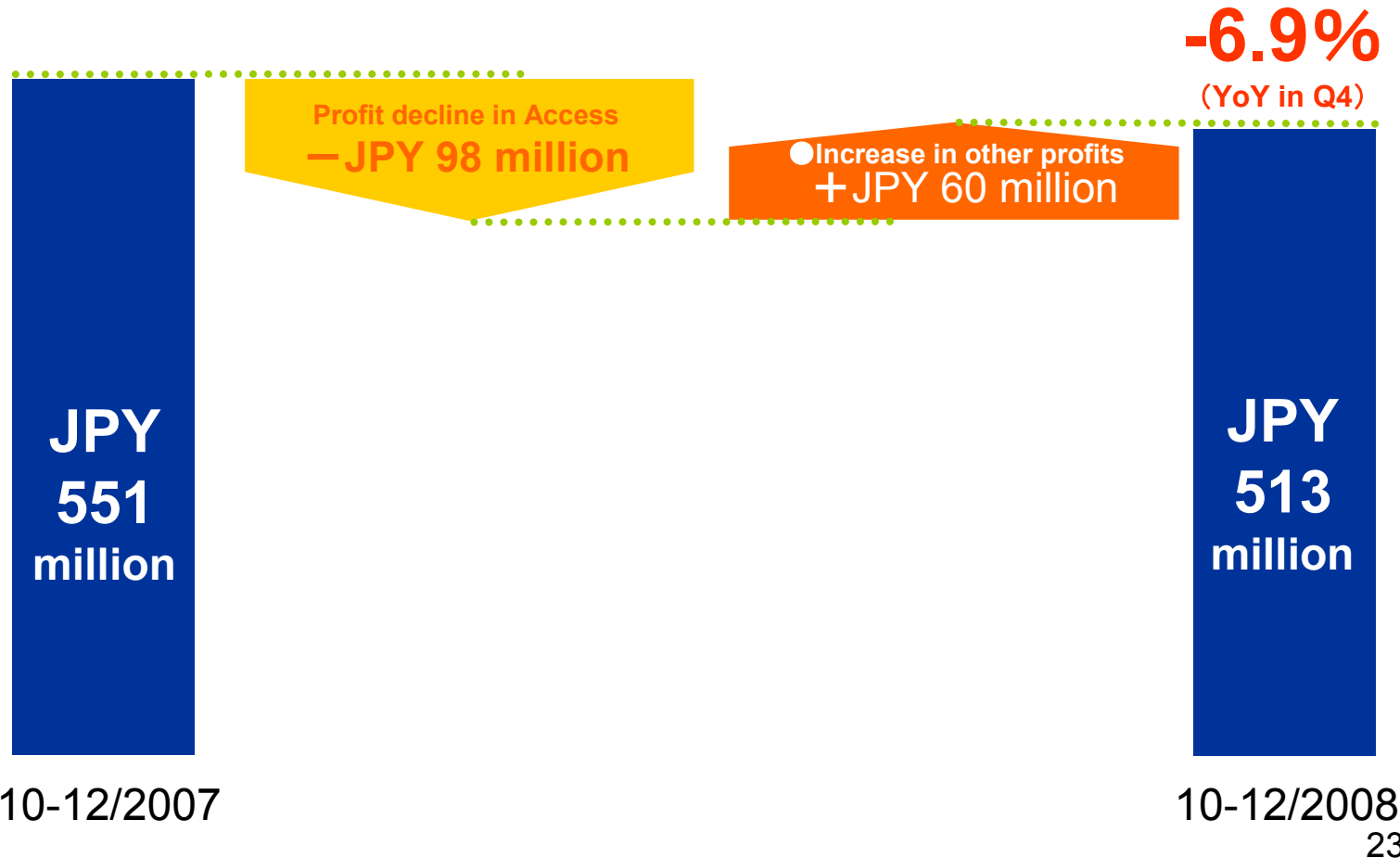
3. Segment Report

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4. FY 2009 Outlook

6.9% YoY decrease in Q4



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Domain Business – Key Factors

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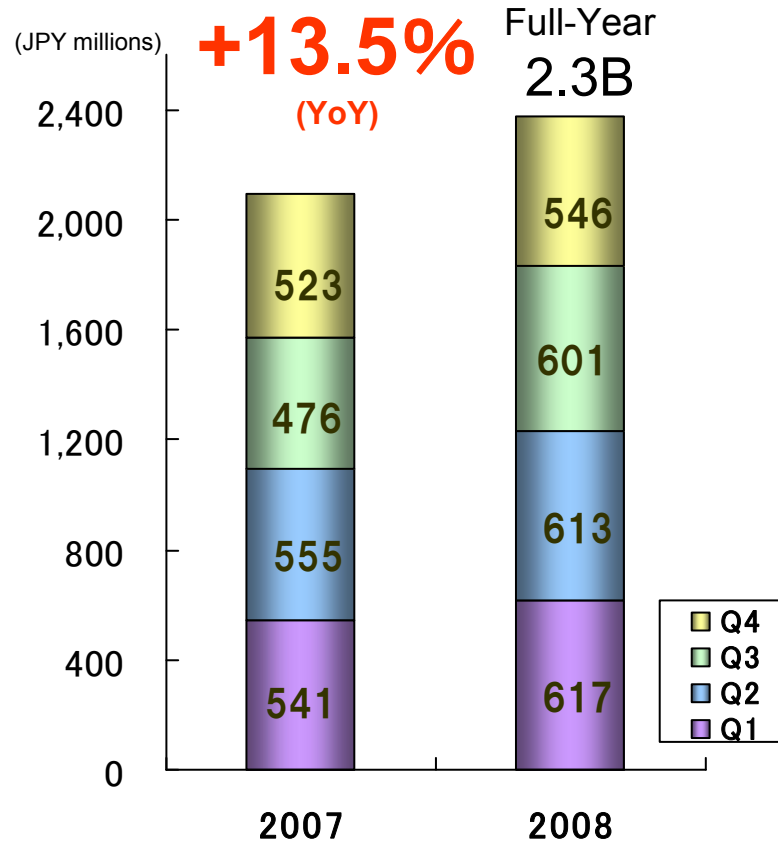
① Internet Infrastructure

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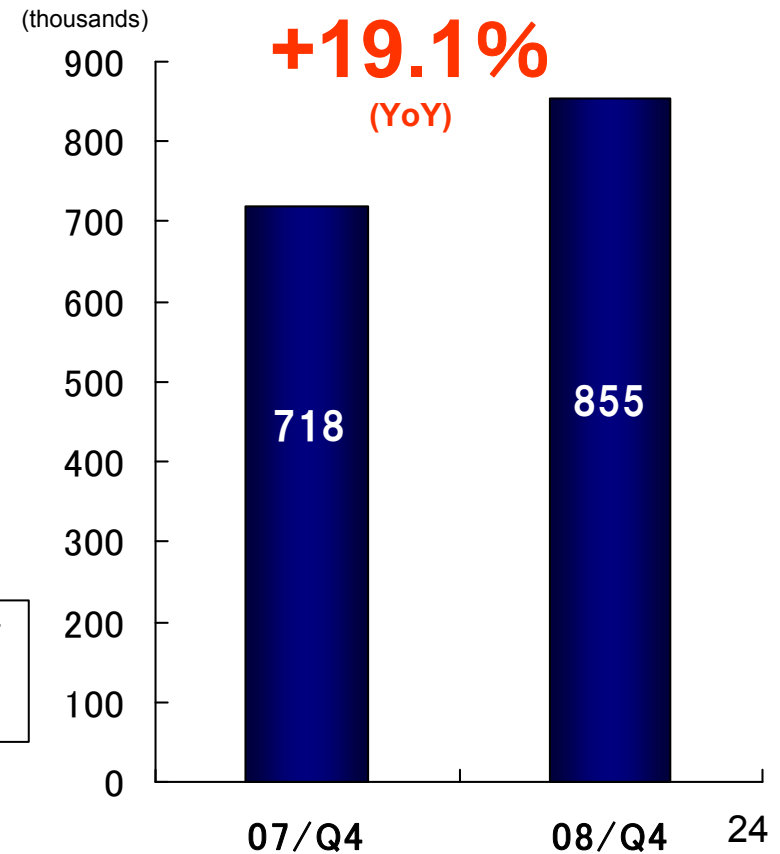
4. FY 2009 Outlook

2008 full-year sales, JPY 2.3 billion, registrations 850 thousand

Sales



Registrations



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Web Hosting Business – Key Factors

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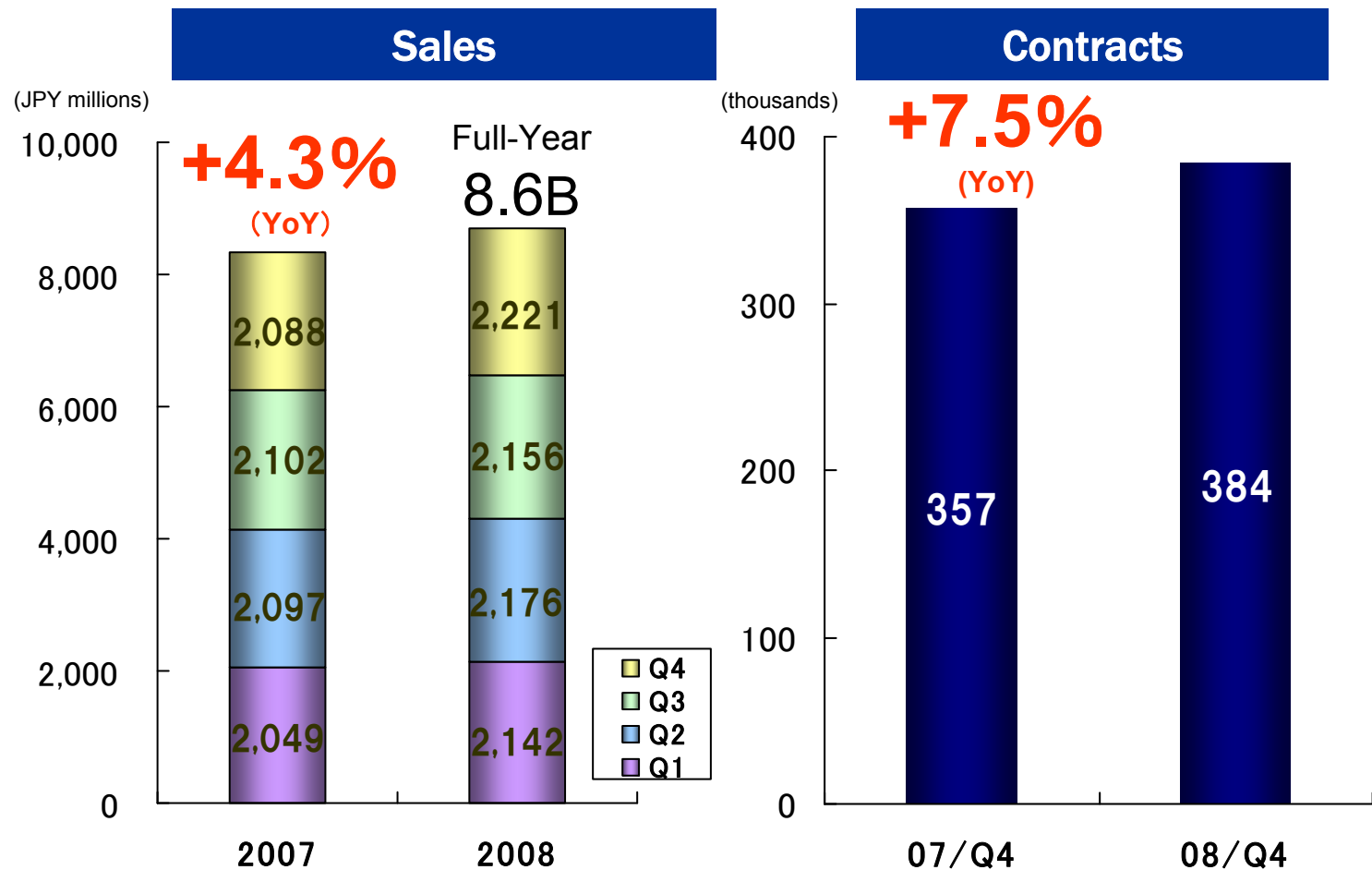
3. Segment Report

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2008 full-year sales JPY 8.6 billion, contracts 380 thousand



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EC Solutions & Web Development Business – Key Factors

1. Summary

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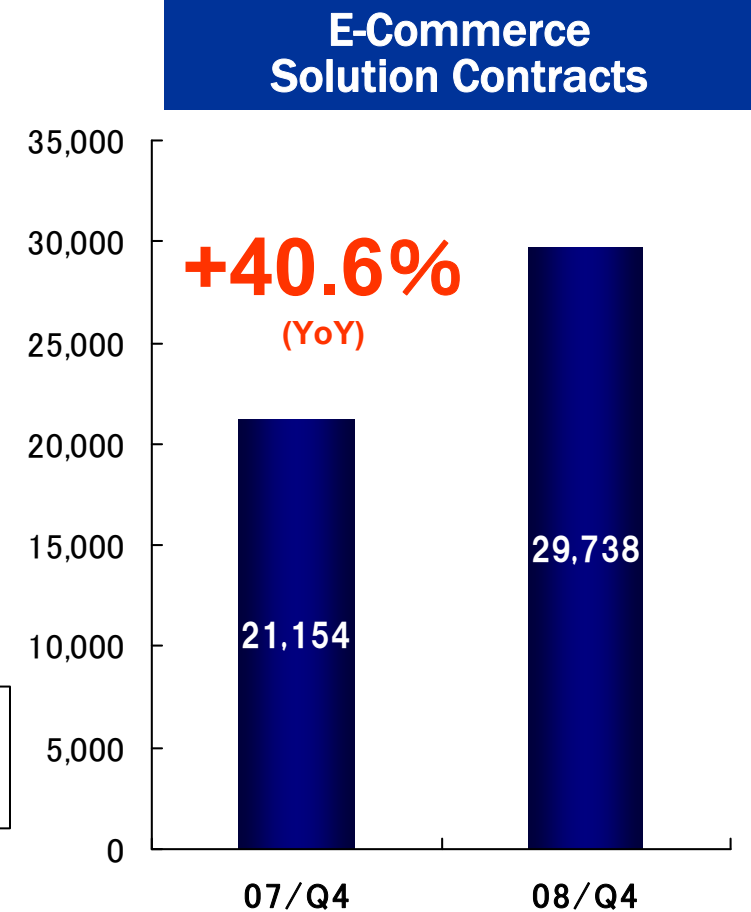
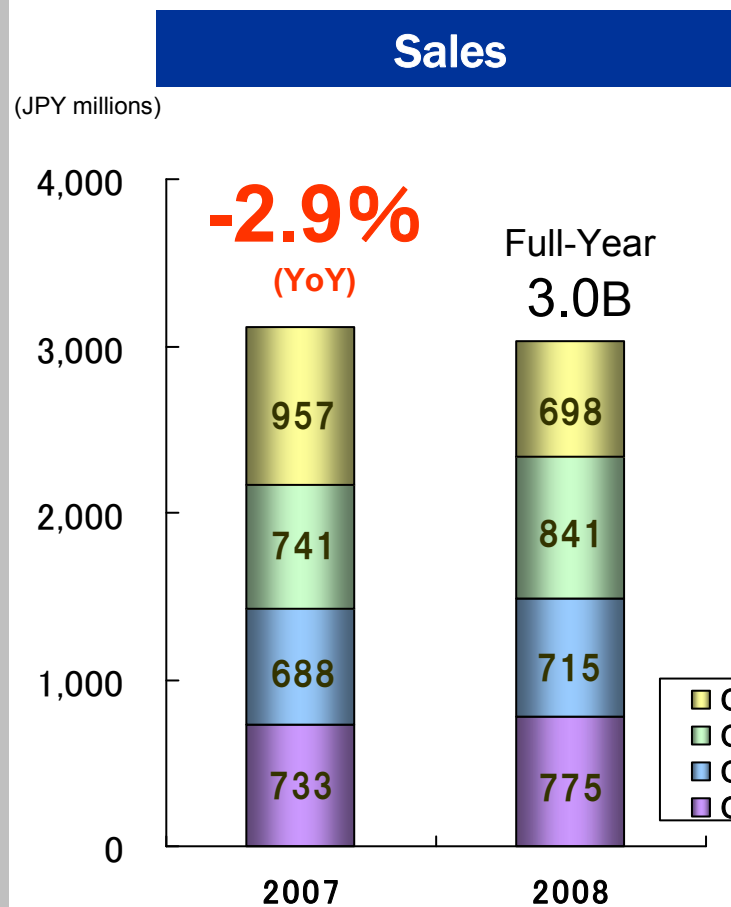
3. Segment Report

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2008 full-year sales, JPY 3 billion, contracts 30 thousand



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EC Solutions & Web Development Business – Key Factors

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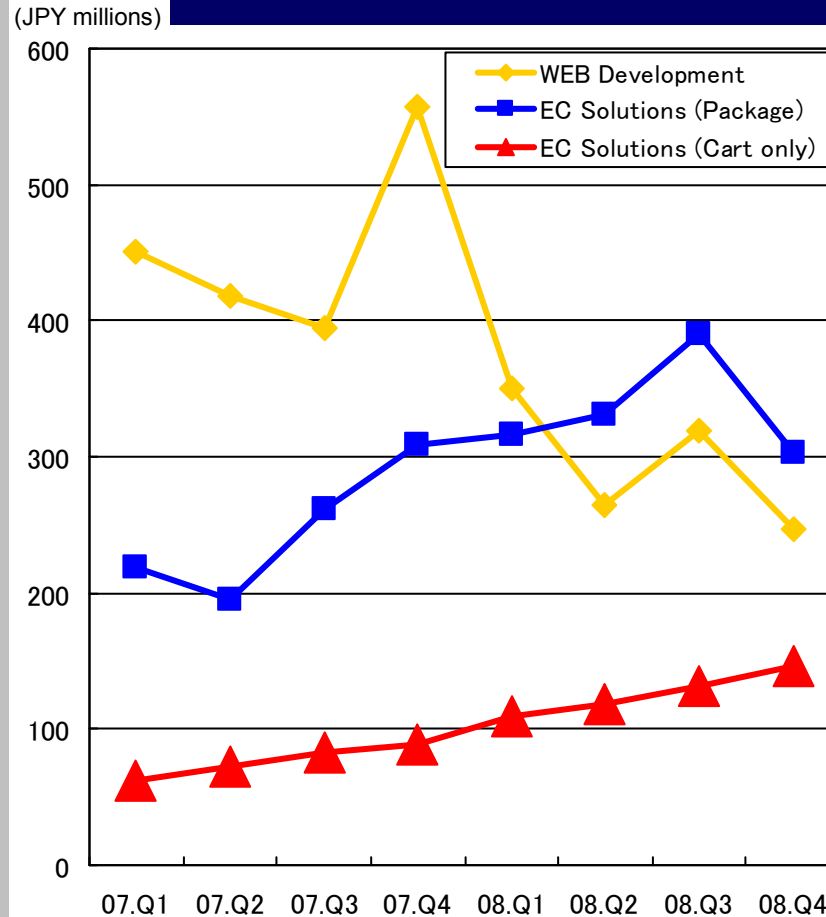
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4. FY 2009 Outlook

Focus going forward on shopping cart and points businesses

E-Commerce Solutions & Web Development – Sales Breakdown



◆ WEB Development
 ▪ Scaling down ▪ Shift of human resources to SEM

■ EC Consul 
 ▪ Change in contract sales
 Long-term contracts (Higher unit price) ⇒ Short-term contracts (Lower unit price)

▲ EC Cart 
 ▪ High demand
 ▪ Sustained growth

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EC Solutions and Web Development Business - News

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4. FY 2009 Outlook

Launch of web hosting service with reservation function

■ Yoyaku shop (reservation shop) service launch – January 29

Web Hosting Services with
E-commerce Functionality



E-commerce Businesses

Web Hosting Service with
Reservation Capability

yoyakushop

Restaurants

Hospitals

Schools

Hair Salons

Hotels

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Security Business – Key Factors

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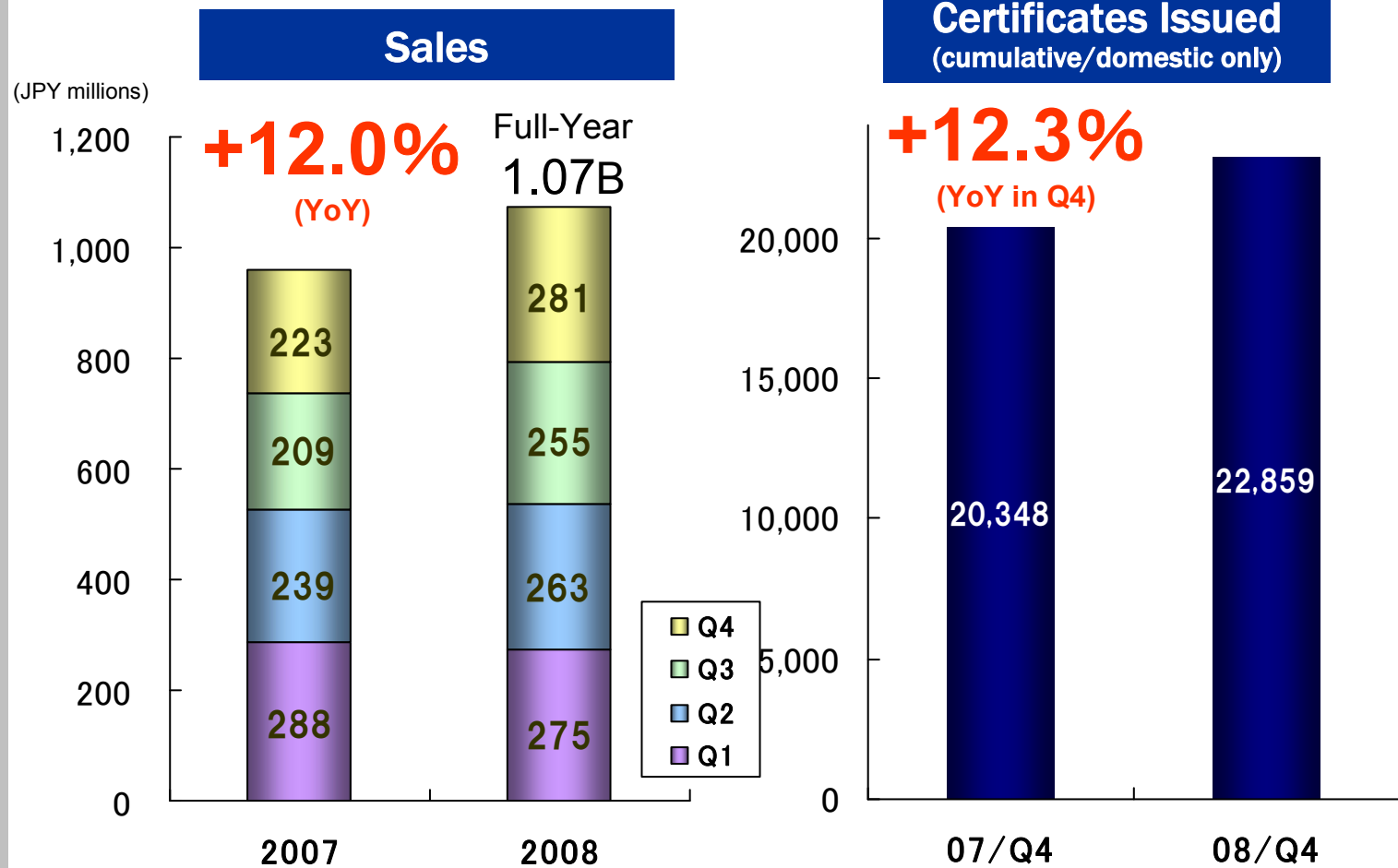
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4. FY 2009 Outlook

Sales increase 12.0%, certificate issues increase 12%



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Security Business – Business Performance by Quarter

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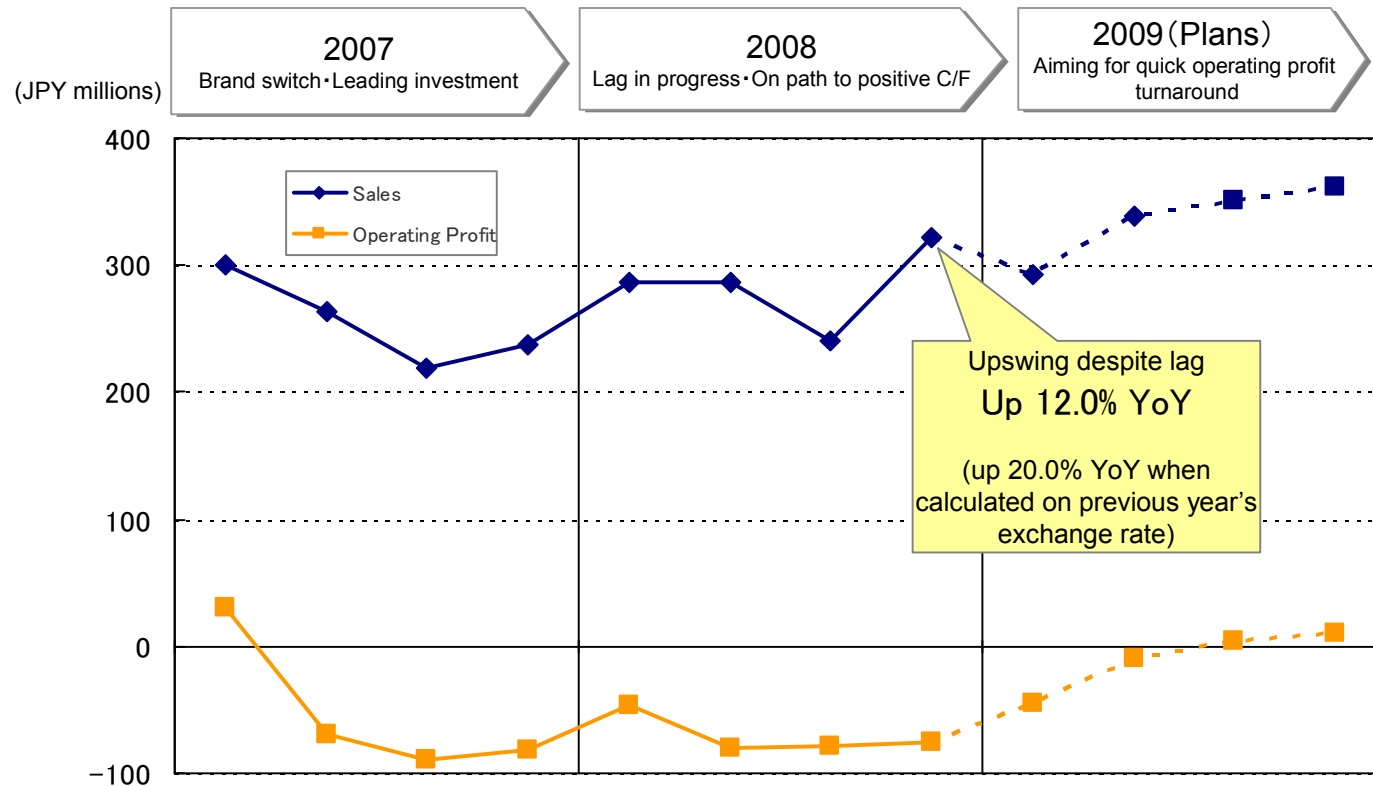
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4. FY 2009 Outlook

Firmer results despite lag in sales progress - business set to generate positive cash flow

Sales and Operating Profit – Quarterly Change



Upswing despite lag
Up 12.0% YoY
(up 20.0% YoY when calculated on previous year's exchange rate)

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*Calculated using the average exchange rate in the term from 08 Q4 (previously calculated using the exchange rate on the last day of the term)
*Now includes inter segment transactions
*Figures based on GMO Hosting & Security accounting standards

Credit Card Payment Processing Business – Key Factors

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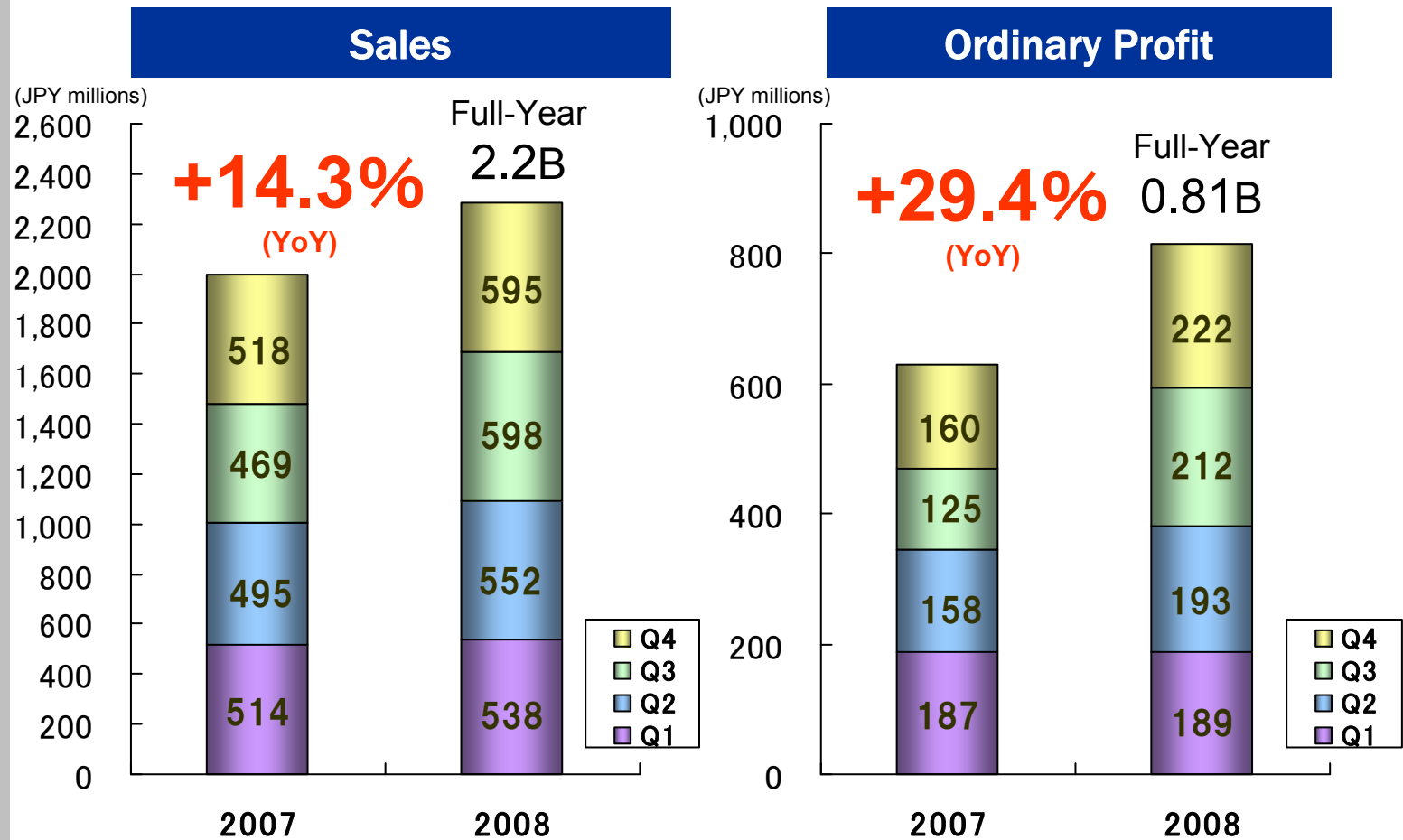
3. Segment Report

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4. FY 2009 Outlook

14.3% increase in merchant sales
Solid progress in development of recurring payment market



*GMO Payment Gateway figures revised to the GMO Internet fiscal year

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Internet Media Segment Composition

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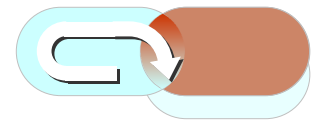
4. FY 2009 Outlook

Internet media & search media driving growth

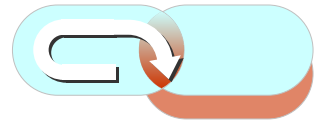


Internet Media Segment

Internet Media & Search Media



Internet Advertising Agencies



No. 2 Share
SEM Media
Growth Driver



Overture (OV)
Growth Driver



Other
(e-mail advertising etc.)

Internet Advertising (SEM sales)



2/28 Pull Out
Recruitment Advertising



Staff shift to SEM Media

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Internet Media Segment Composition

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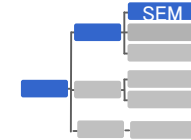
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4. FY 2009 Outlook

Overview of Internet media & search media (SEM media)



①JWord



Displays affiliated sites at top of page.
Guides users directly to registered sites from keywords entered into the browser address bar.

②SEO



HTML, site construction and links optimized to improve ranking in search results listings.

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Internet Media Segment Composition

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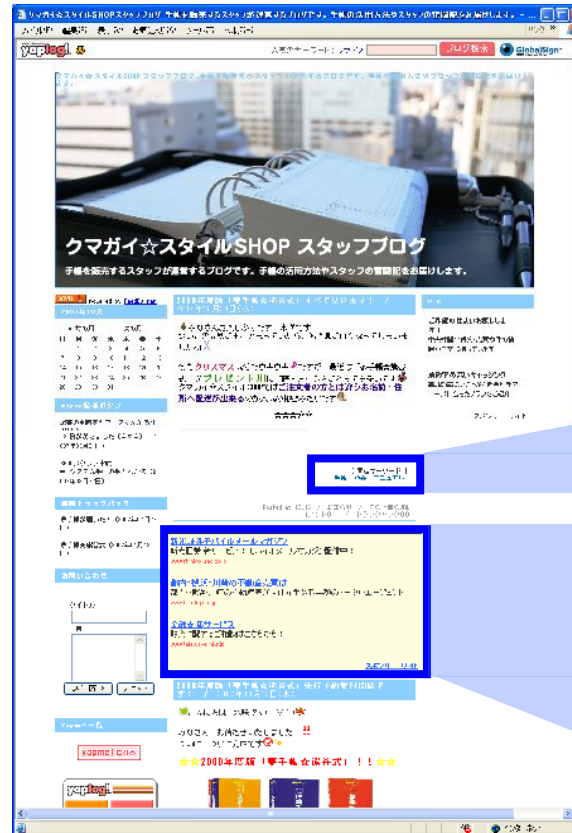
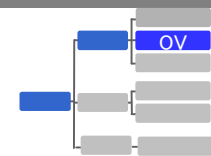
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4. FY 2009 Outlook

Overview of Internet media & search media (OV)



Overture

Display of Overture supplied advertisements on long-tail media (e.g. blogs). Blog entry is analyzed and advertisements relevant to the content are displayed.

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Business Performance – Internet Media Segment Sales (Full-Year)

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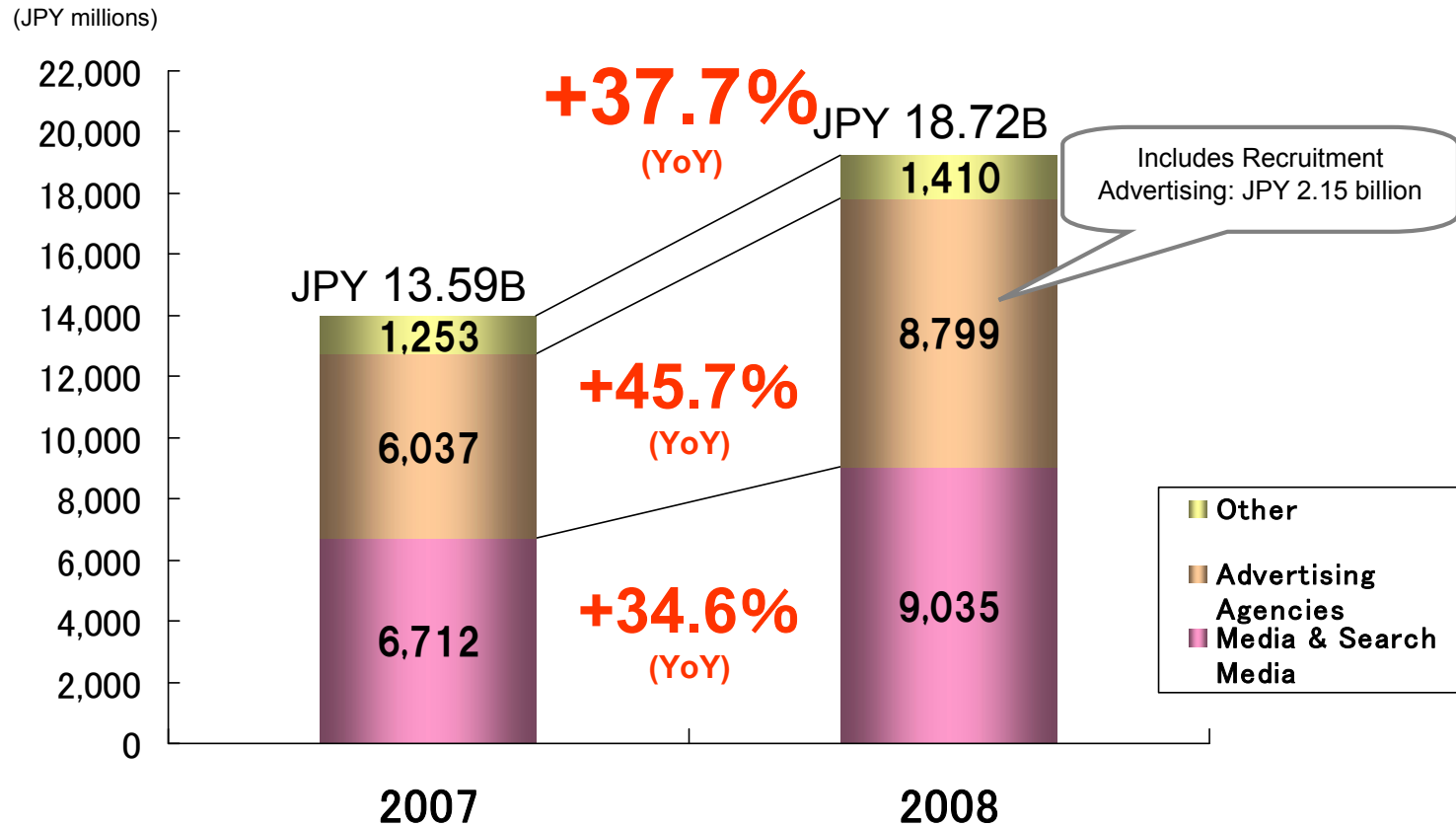
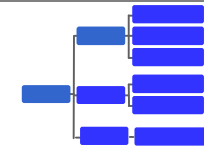
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4. FY 2009 Outlook

Two major businesses further driving growth in Internet media & search media: SEM and OV



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*excluding internal transactions

Business Performance – Internet Media Operating Profit (Full-Year)

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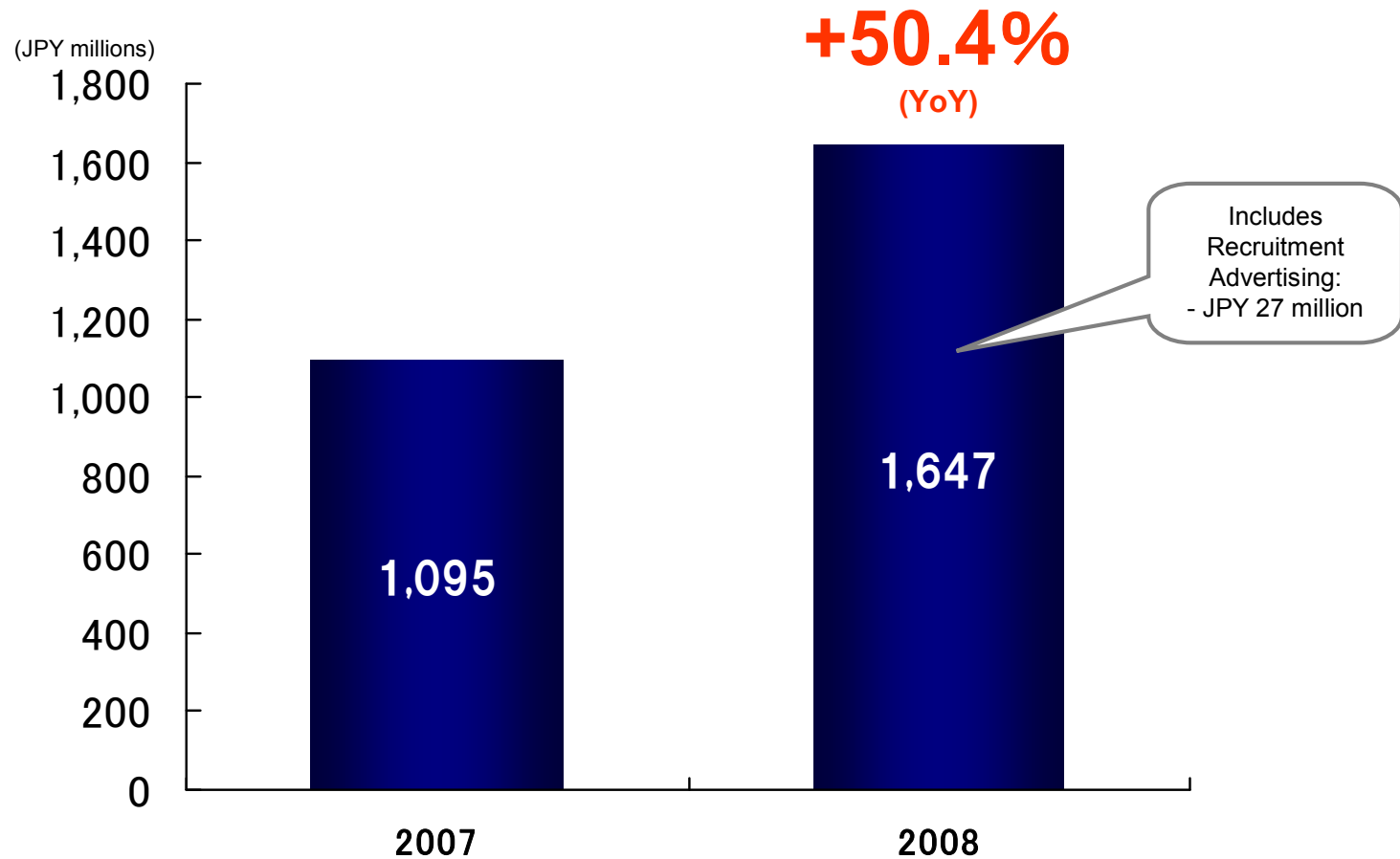
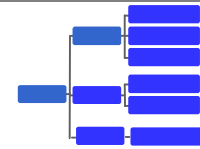
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4. FY 2009 Outlook

Internet media & search media driving profit



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Business Performance – Internet Media Segment Sales in Q4

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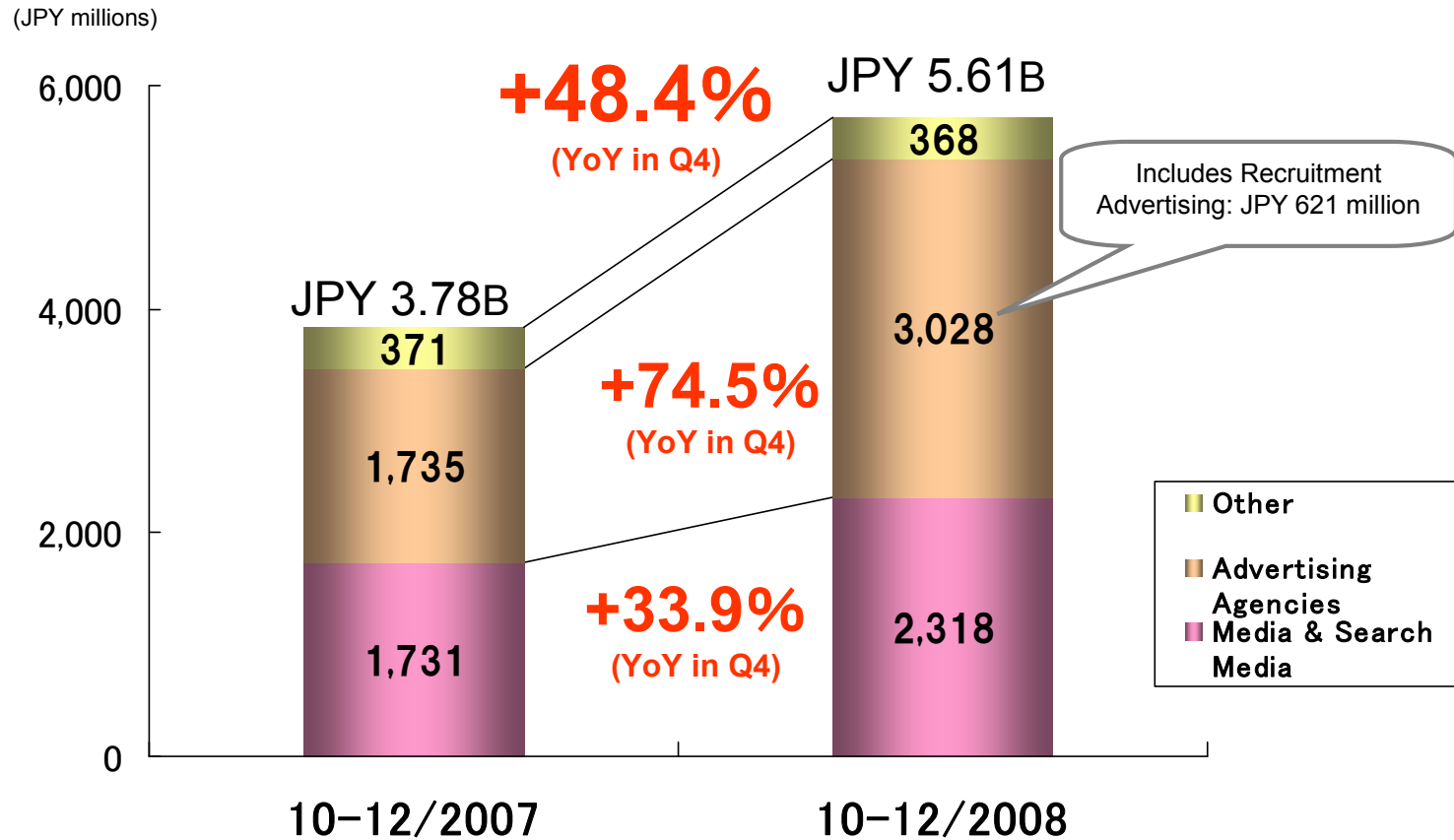
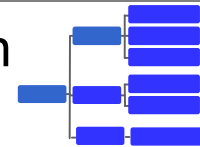
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Underlying Q4 sales growth a reflection of high growth in SEM media



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*excluding internal transactions

Business Performance – Internet Media Segment Operating Profit in Q4

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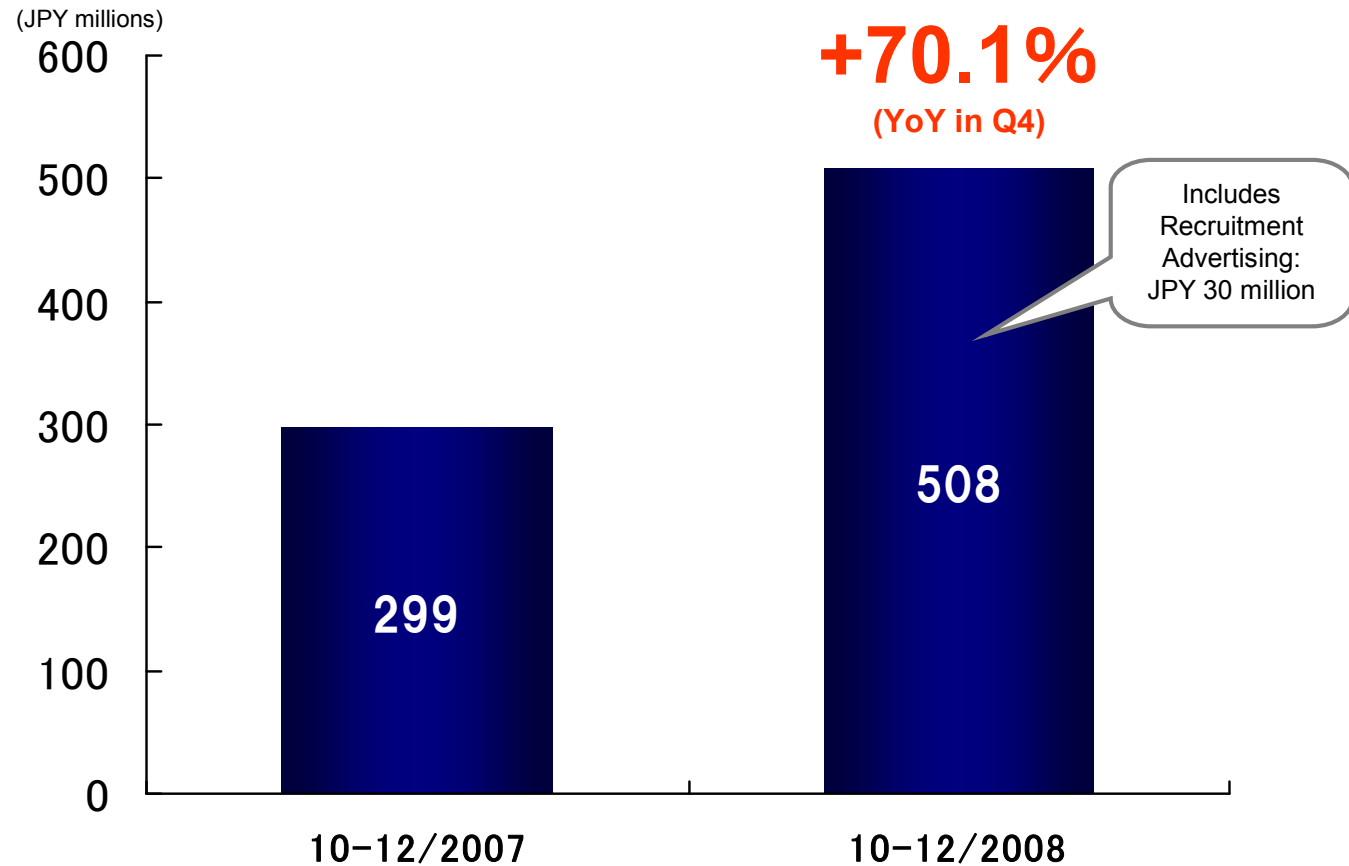
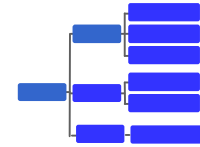
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Record quarterly operating profit



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Business Performance – Internet Media Segment Operating Profit by Product

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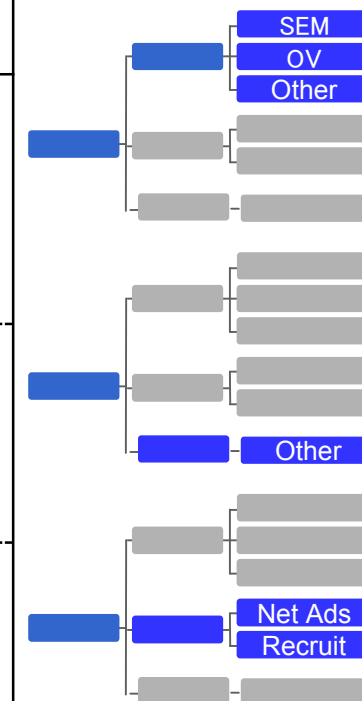
②Internet Media

4. FY 2009 Outlook

O&O media (SEM media) driving profit



	Operating Profit (JPY millions) & Operating Profit Ratio (%)			
	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Internet Media & Search Media	283 (13.7%)	289 (13.0%)	419 (17.3%)	511 (22.1%)
Other	138 (39.1%)	29 (9.0%)	62 (17.2%)	35 (9.6%)
Advertising Agencies	-1 (-0.1%)	-38 (-2.5%)	-45 (-1.7%)	-38 (-1.3%)



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*Operating profit by group business segment

Business Performance – Internet Media Segment Profit by Product

1. Summary

2. FY 2008
Financial Statement

3. Segment Report

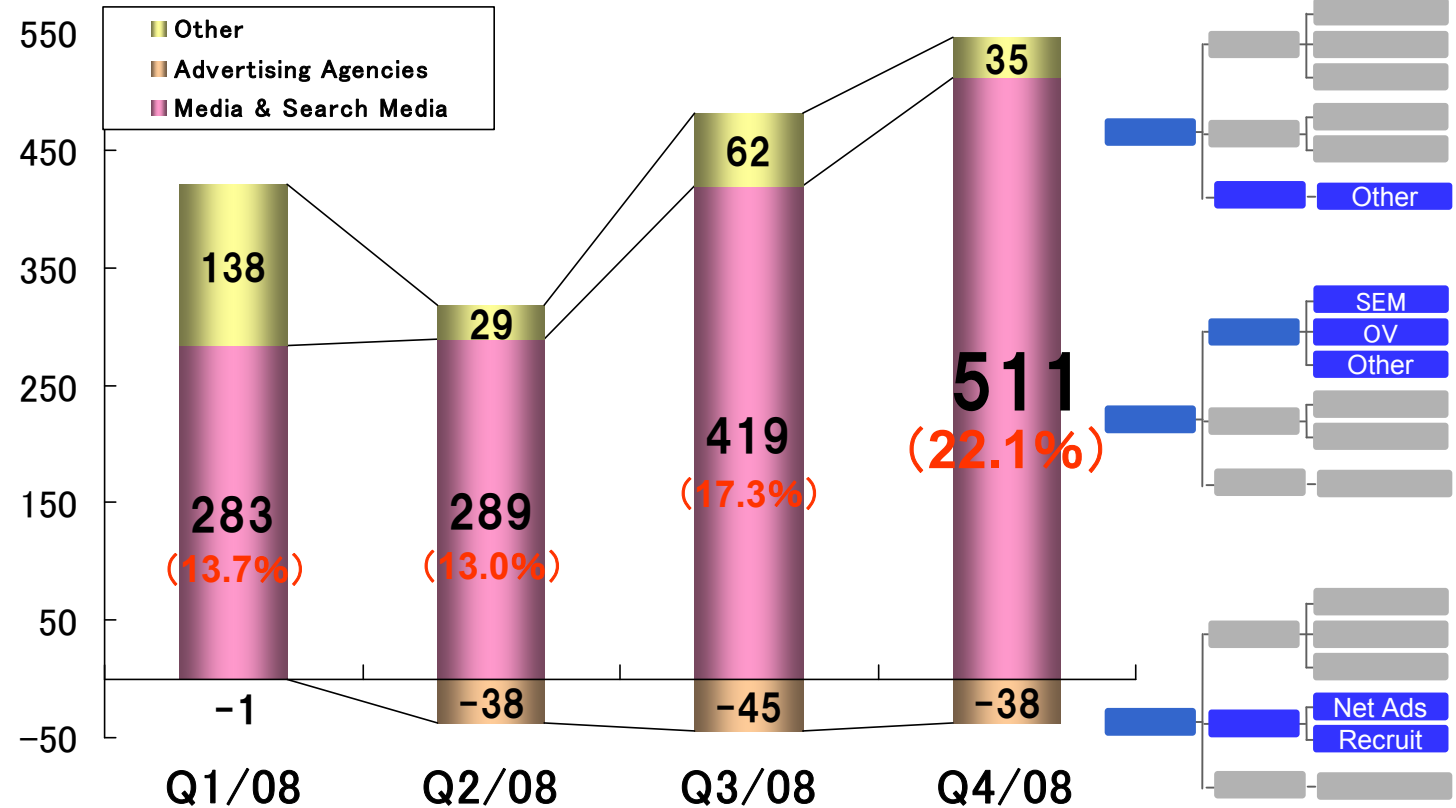
① Internet Infrastructure

② Internet Media

4. FY 2009 Outlook

Profit margin up 4.8% on stronger O&O media (SEM media) sales

(JPY millions)



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Media Segment Challenges & Initiatives

1. Summary

2. FY 2008
Financial Statement

3. Segment Report

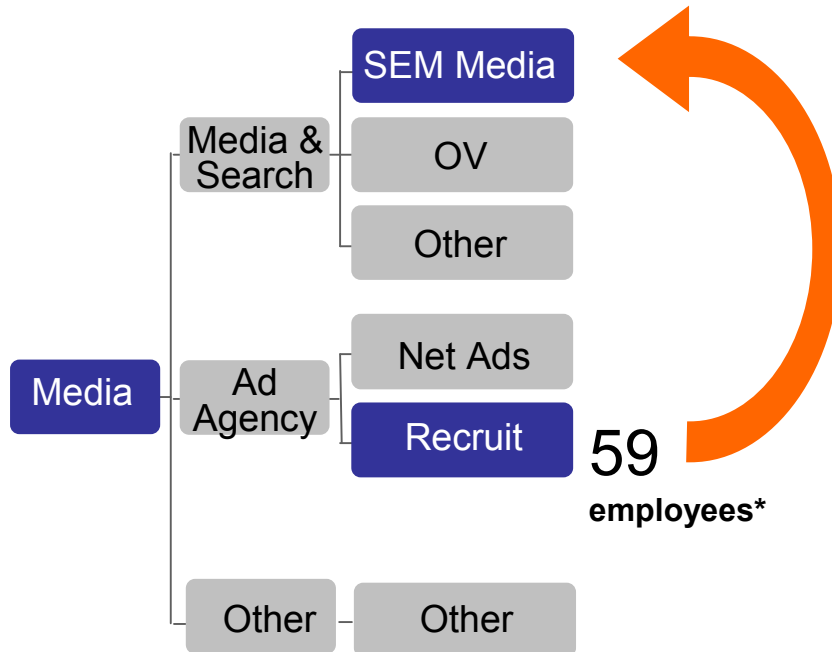
① Internet Infrastructure

② Internet Media

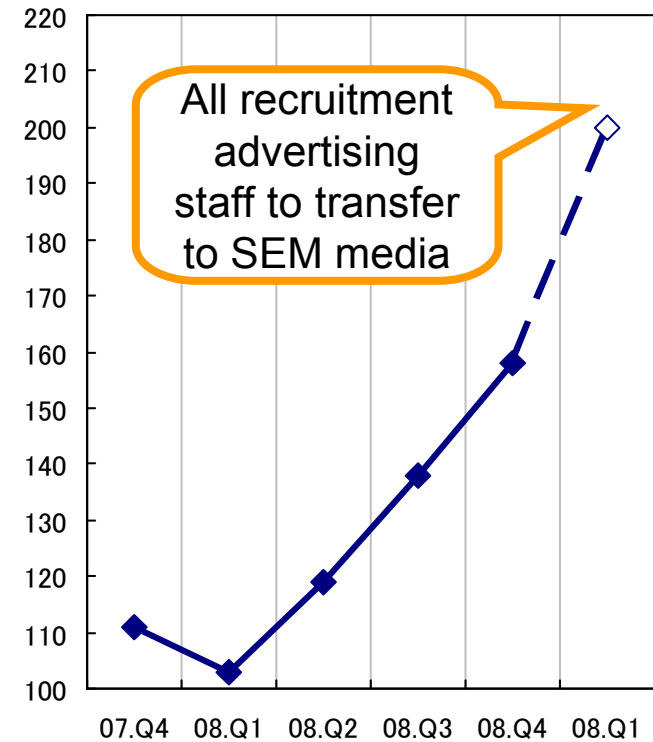
4. FY 2009 Outlook

Shifting resources from recruitment advertising to SEM media

Shift from Recruitment Advertising to SEM Media



SEM Media Sales Representatives



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*Including staff already transferred

Media & Search Media - Business Performance

1. Summary

2. FY 2008
Financial Statement

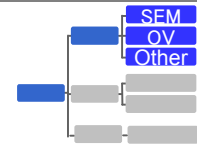
3. Segment Report

① Internet Infrastructure

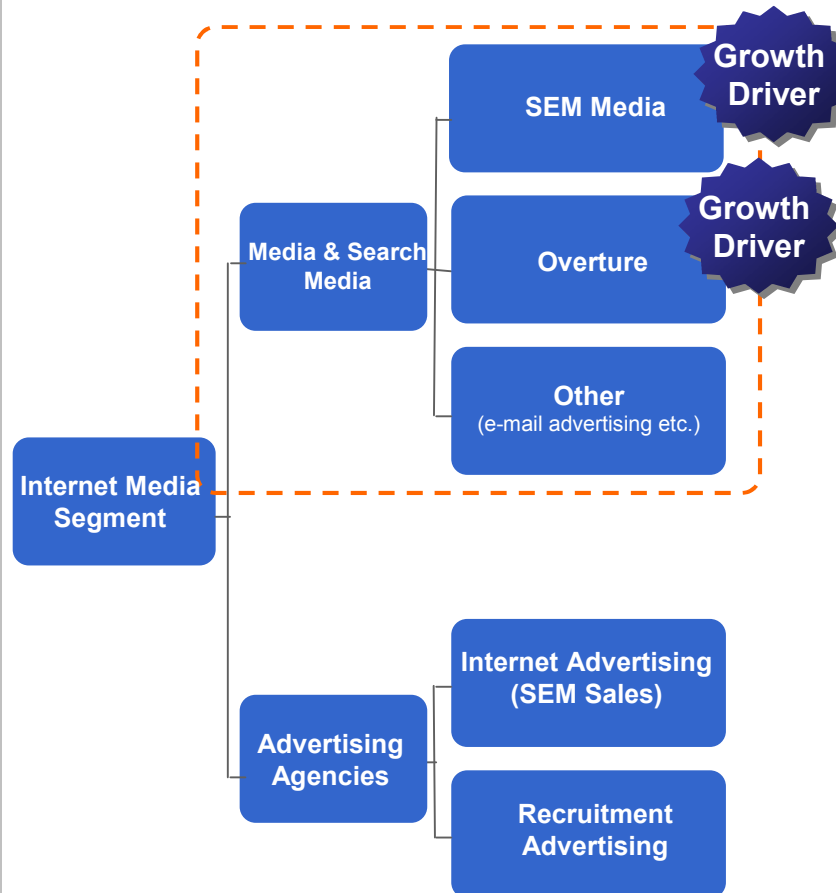
② Internet Media

4. FY 2009 Outlook

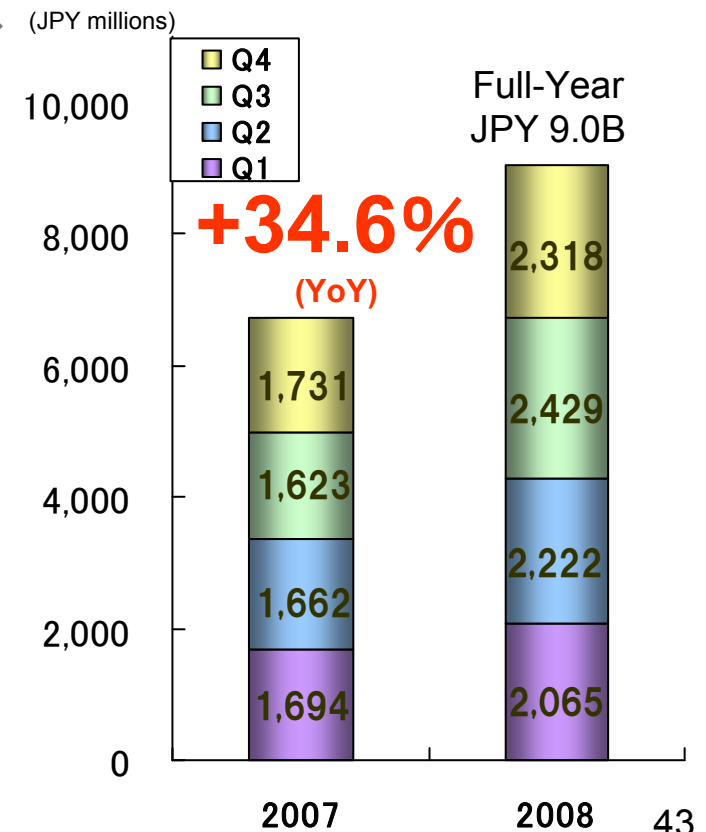
Sales up 34.6% over previous year



Media Segment Composition



Sales



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Overture Business – Key Factors

1. Summary

2. FY 2008
Financial Statement

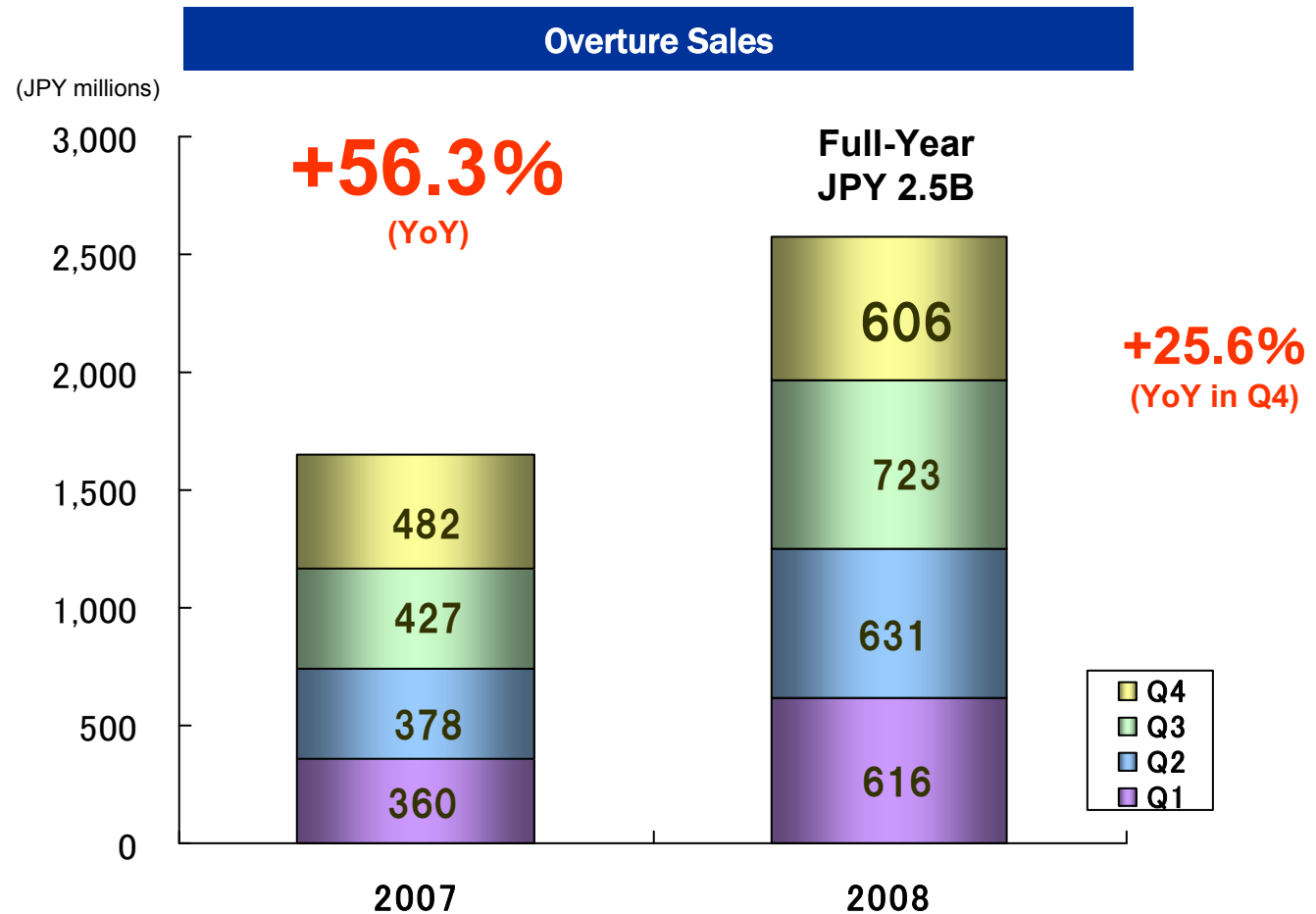
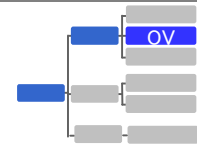
3. Segment Report

① Internet Infrastructure

② Internet Media

4. FY 2009 Outlook

Continued growth: 56.3% YoY revenue increase



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Overture Business – Key Factors

1. Summary

2. FY 2008
Financial Statement

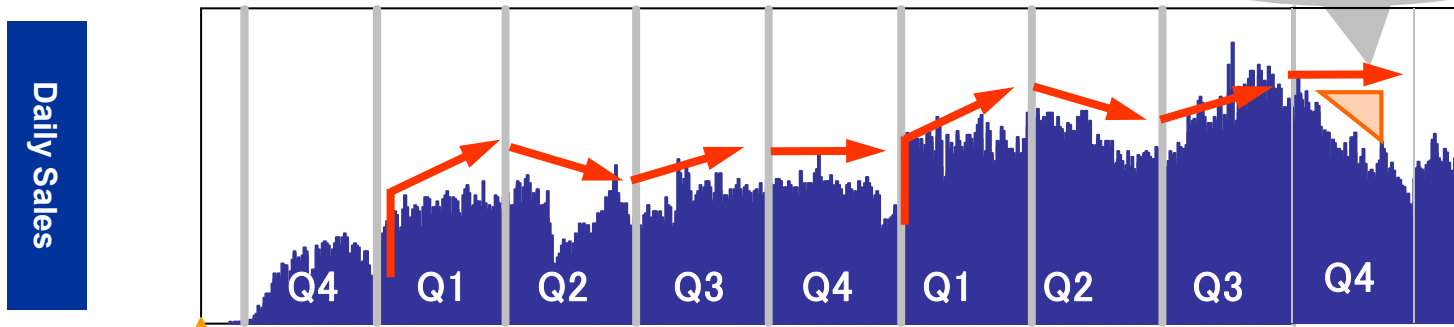
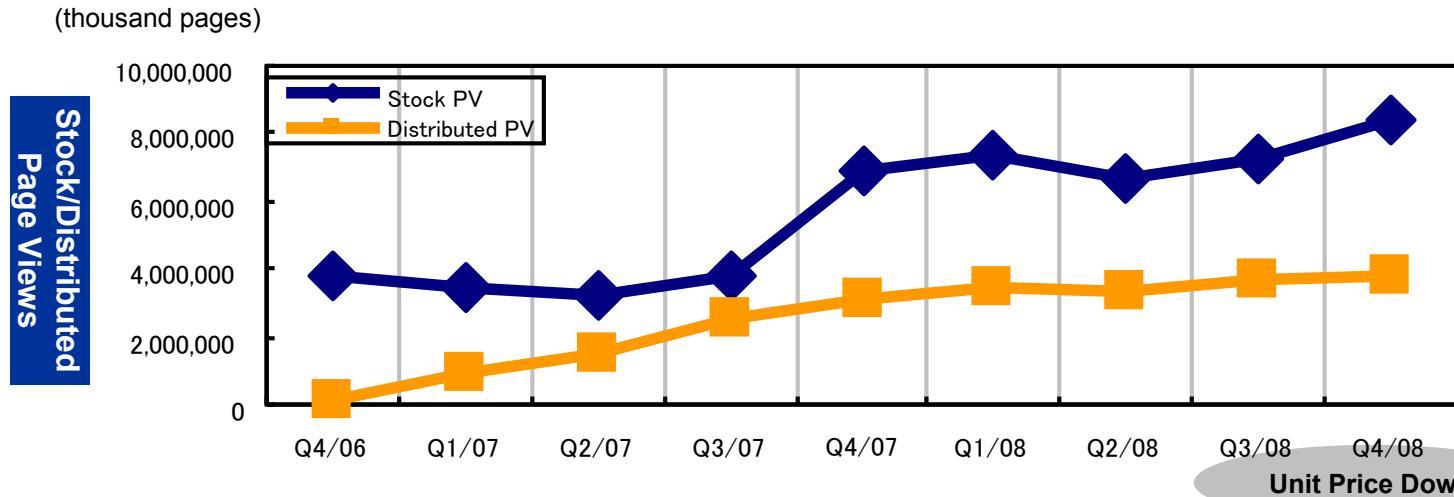
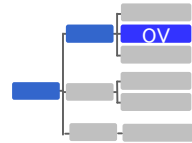
3. Segment Report

① Internet Infrastructure

② Internet Media

4. FY 2009 Outlook

Prices down as a result of economic downturn



→ Fall in sales is a result of reduced prices following economic downturn

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*Distributed PV: Number of page views received by GMO Internet Group web pages to which advertising has been distributed.
*Stock PV: Total number of page views received by GMO Internet Group web pages (including pages currently without advertising).

SEM Media – Key Factors

1. Summary

2. FY 2008
Financial Statement

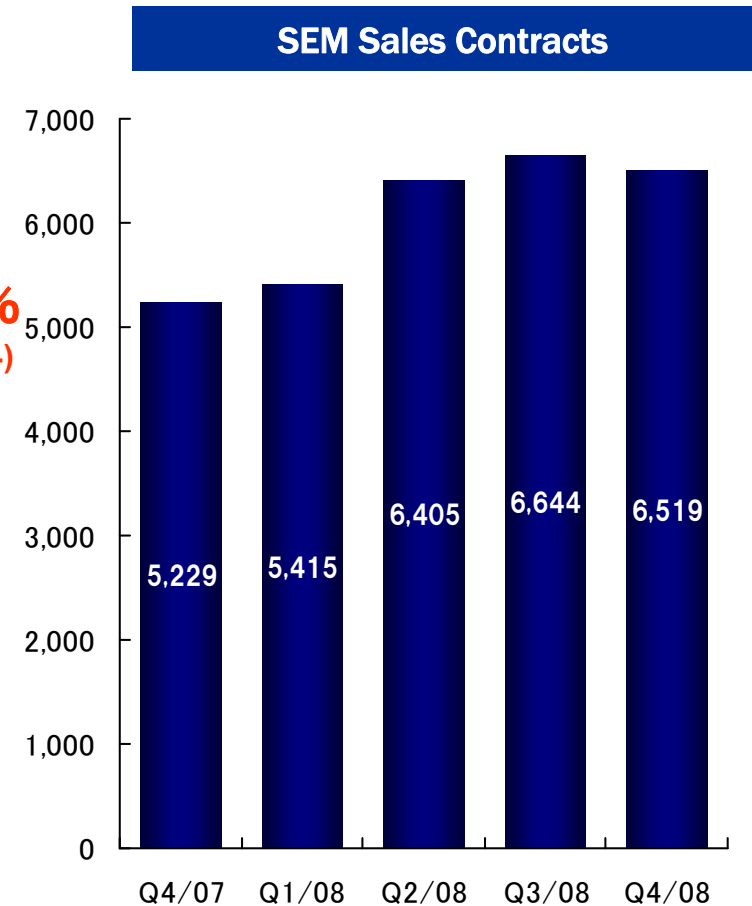
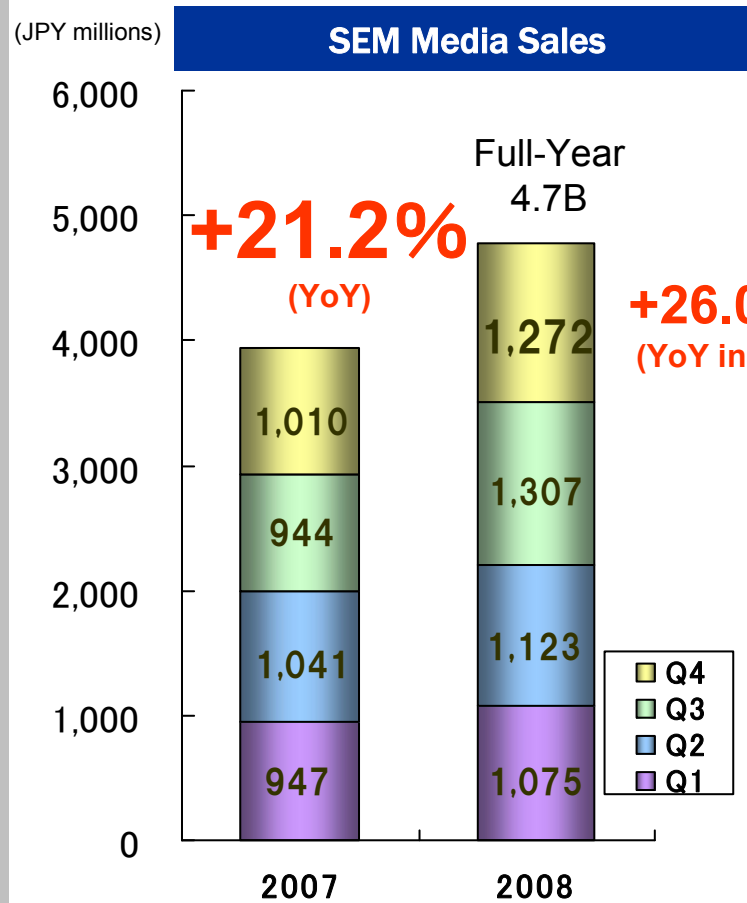
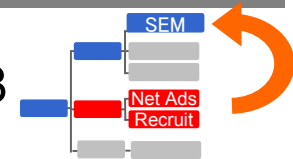
3. Segment Report

① Internet Infrastructure

② Internet Media

4. FY 2009 Outlook

Strong SEO sales and improved margins from Q3 2008



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*Method of calculation revised for some products

1. Summary

2. FY 2008
Financial Statement

3. Segment Report

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②Internet Media

4. FY 2009 Outlook

4. FY 2009 Outlook

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Fiscal Year 2009 Results Forecast

1. Summary

2. FY 2008
Financial Statement

3. Segment Report

①Internet Infrastructure

②Internet Media

4. FY 2009 Outlook

Consolidated full-year forecast: Operating profit JPY 4.6 billion
Ordinary profit JPY 4.4 billion

	FY 2009 Full-Year Forecast	FY 2008 Comparison
Sales	JPY 39.3 billion	+ JPY 2.05 billion (+5.5%)
Operating Profit	JPY 4.6 billion	+ JPY 0.46 billion (+11.0%)
Ordinary Profit	JPY 4.5 billion	+ JPY 0.46 billion (+11.6%)
Net Profit	JPY 1.9 billion	- JPY 200 million (-10.0%)

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From Infrastructure to Media

1. Summary

2. FY 2008
Financial Statement

3. Segment Report

① Internet Infrastructure

② Internet Media

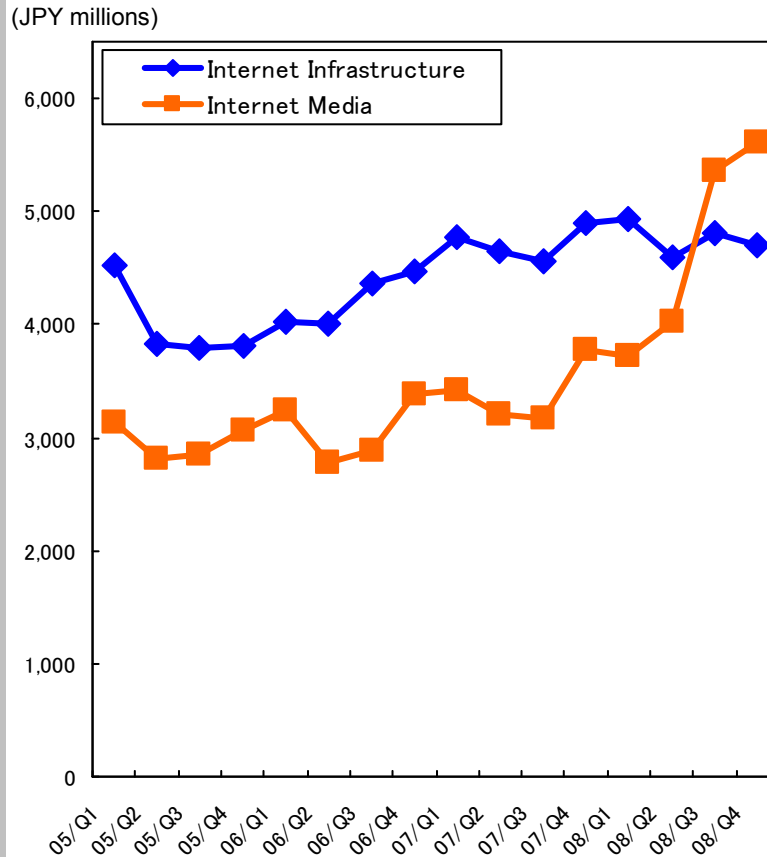
4. FY 2009 Outlook

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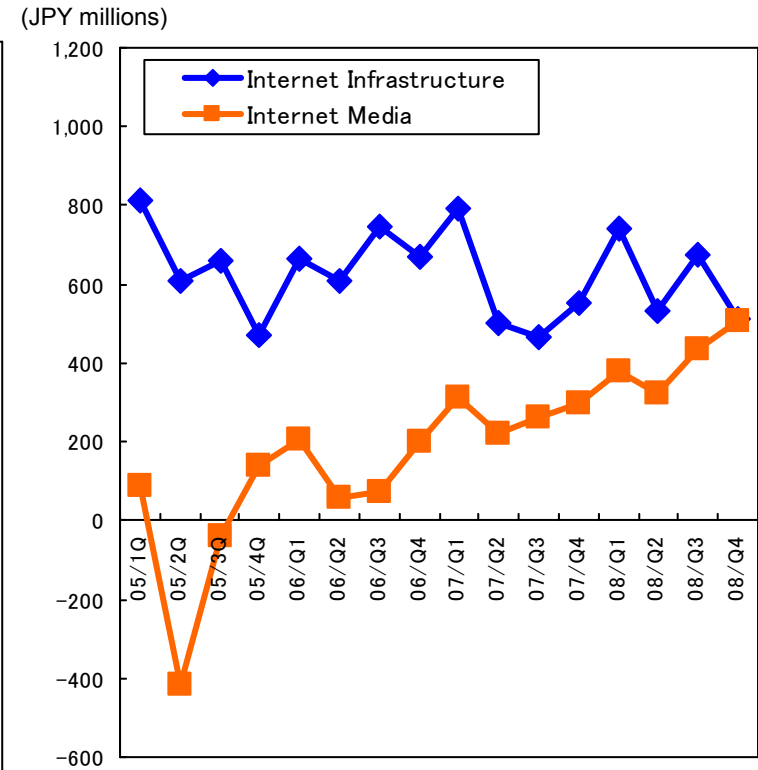


Media segment expected to surpass infrastructure segment

Sales



Operating Profit



Significant Strategy in FY 2009

1. Summary

2. FY 2008
Financial Statement

3. Segment Report

①Internet Infrastructure

②Internet Media

4. FY 2009 Outlook

1. Further Strengthening the Media Segment

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The SEO Market and Major Players

1. Summary

2. FY 2008
Financial Statement

3. Segment Report

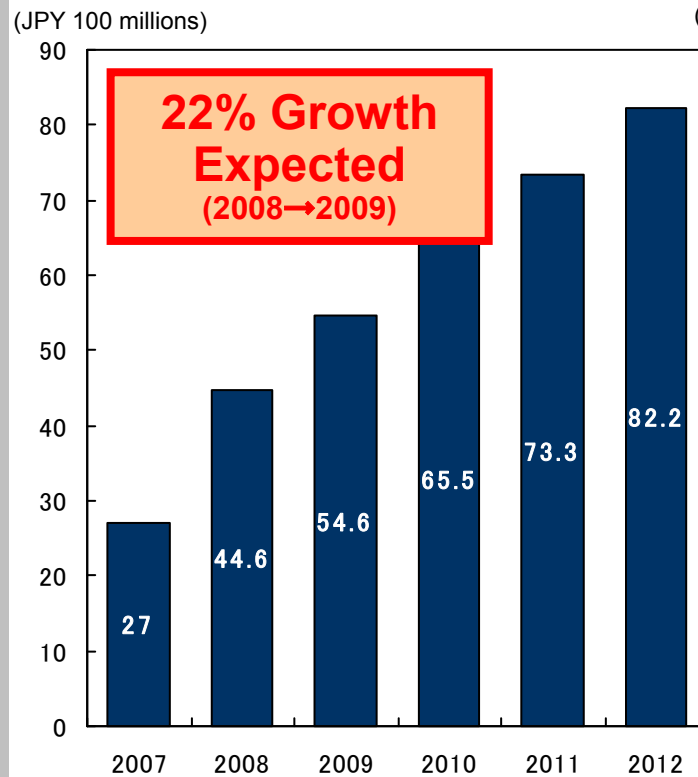
① Internet Infrastructure

② Internet Media

4. FY 2009 Outlook

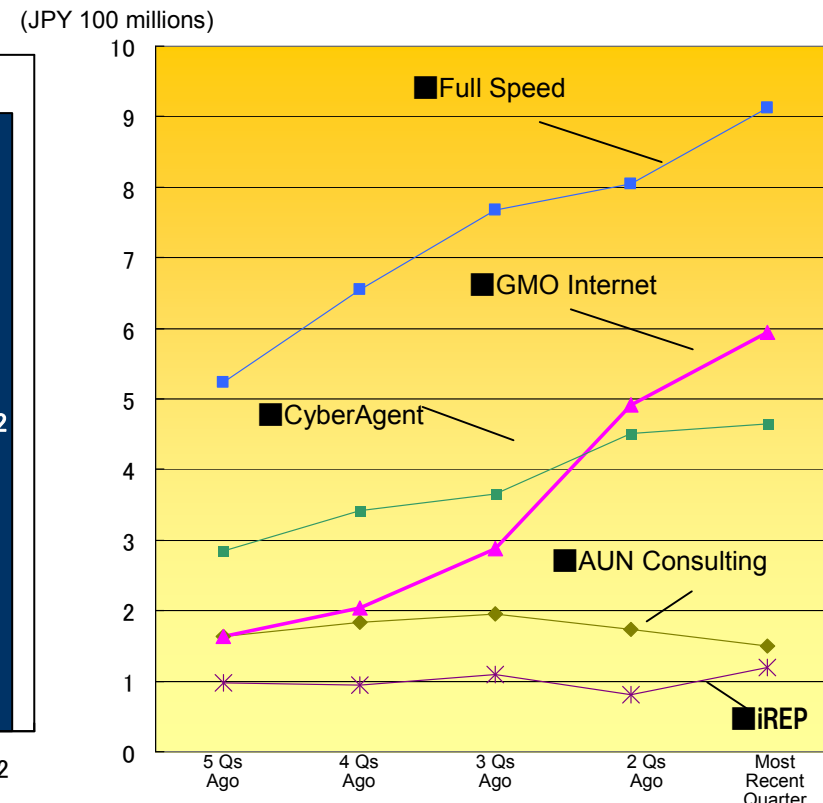
Achieving further growth in a growing market

Internet Advertising (SEO) Market



*Aun Consulting, 1/ 2009

SEO Sales Comparison



*SEO business sales in the five most recent quarters taken from IR documents released by each company.

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SEM Media Profit Structure

1. Summary

2. FY 2008
Financial Statement

3. Segment Report

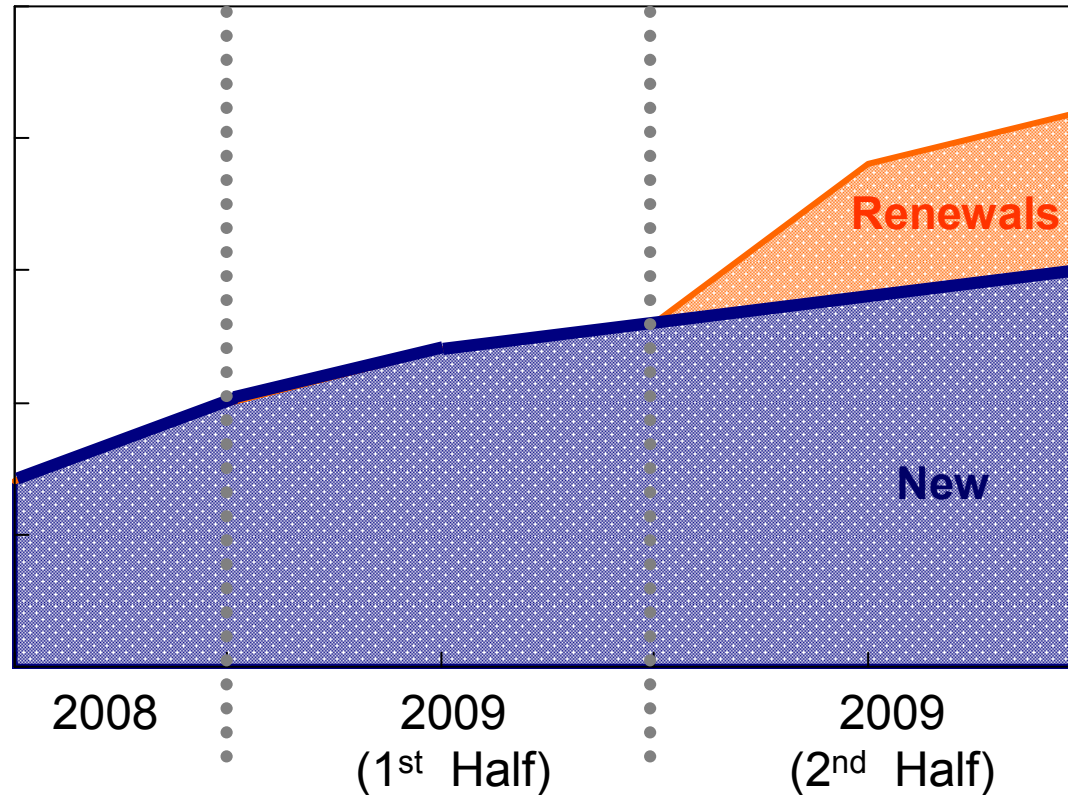
① Internet Infrastructure

② Internet Media

4. FY 2009 Outlook

Renewal sales expected to become steady profits

Sales



Contract Renewals Start

More Sales Reps (from Recruitment Advertising)

Cross-selling from e-commerce

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Significant Strategy in FY 2009

1. Summary

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Financial Statement

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4. FY 2009 Outlook

2. Strengthening the E-commerce Solutions Business

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1. Summary

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3. Segment Report

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②Internet Media

4. FY 2009 Outlook

E-commerce moves from online shopping malls to a new era of individual online stores

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Shopping Malls and Individual Online Stores – A Definition

1. Summary






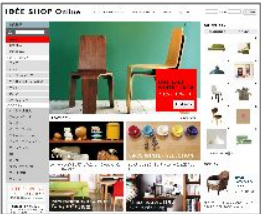
2. FY 2008
Financial Statement

3. Segment Report

①Internet Infrastructure

②Internet Media

4. FY 2009 Outlook

	<h2>Mall</h2>	<h2>Online Store</h2>
Definition	A number of online stores at a common domain grouped together like a shopping mall or department store	An independently operated online store at the operator's own domain
Examples	<p>abc Shop Yahoo! Branch Rakuten Branch</p> <p>Shopping Malls = Rakuten Yahoo! Shopping</p>   	<p>abc Shop Flagship Store</p> <p>Retail Stores = EDWIN IDEE</p>   

TSE 1st Section: 9449



Shopping Malls and Individual Online Stores – A Definition

1. Summary

2. FY 2008
Financial Statement

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②Internet Media

4. FY 2009 Outlook

Buying a pair of EDWIN jeans

Mall

EDWIN Yahoo! Shopping Branch



Online Store

EDWIN Official Shopping Site



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Shopping Malls and Individual Online Stores

1. Summary

2. FY 2008
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②Internet Media

4. FY 2009 Outlook

Shift from shopping malls to individual stores

■ Composition of e-commerce market (estimate)

Japan



US



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*Shukan Business Chance, 2/2009

1. Summary

2. FY 2008
Financial Statement

3. Segment Report

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②Internet Media

4. FY 2009 Outlook

The Potential of Individual Online Stores

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Strategy: Capturing the E-commerce Market

1. Summary

2. FY 2008
Financial Statement

3. Segment Report

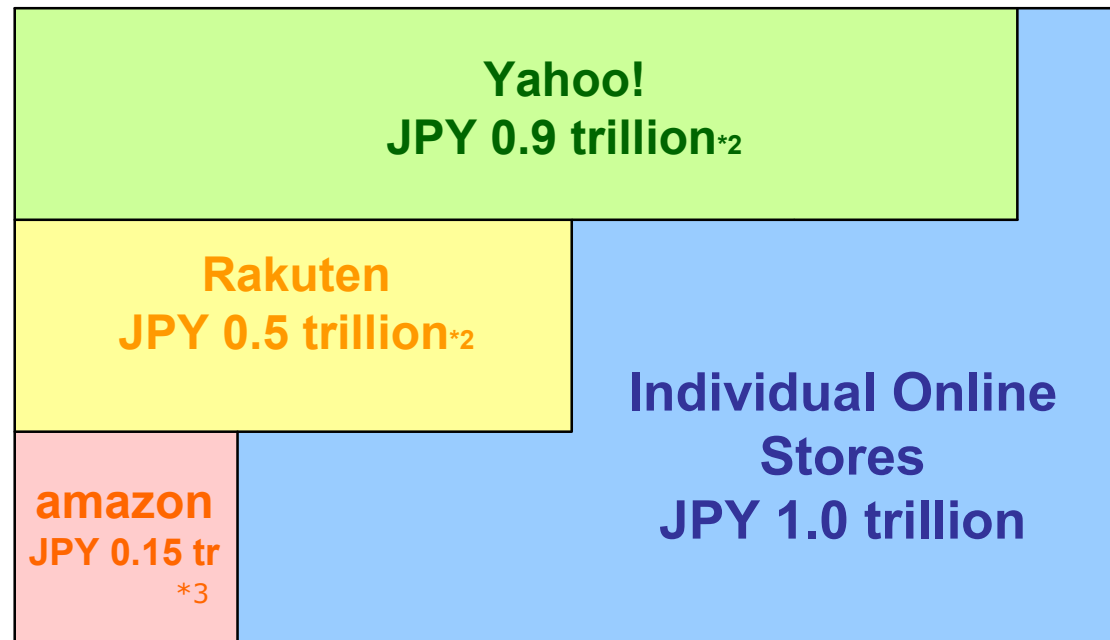
①Internet Infrastructure

②Internet Media

4. FY 2009 Outlook

Targeting stores not operated through Yahoo! or Rakuten

E-commerce Market: JPY 2.6 trillion*1



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*1 C.Media Co. Ltd (Denshi Kessai Souran 2007-2008) Value of transaction in the online shopping market in 2007

*2 From documents released by each companies (2007)

*3 Nihon no EC Site Best 1000 Business Chance, 5/2008

1. Summary

2. FY 2008
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①Internet Infrastructure

②Internet Media

4. FY 2009 Outlook

Who is the Leader in Online Store Solutions?

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E-commerce Shopping Cart Contracts

1. Summary

2. FY 2008
Financial Statement

3. Segment Report

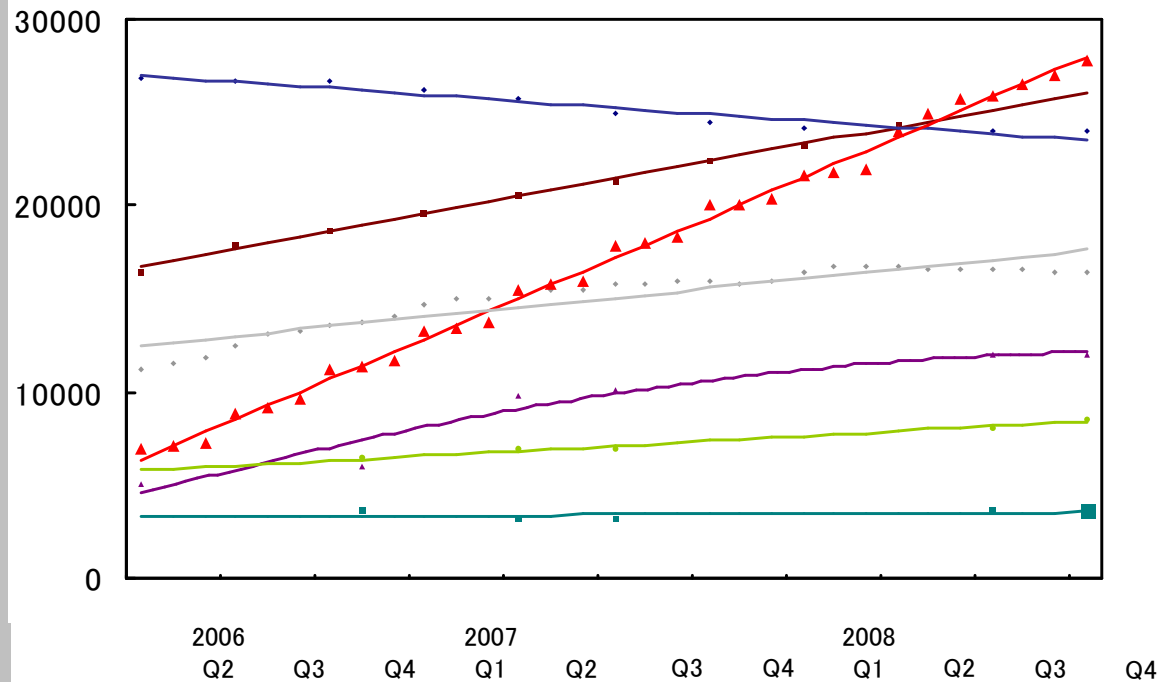
① Internet Infrastructure

② Internet Media

4. FY 2009 Outlook

GMO Internet Group: No.1 Market Share (No. of Stores)

■ Major E-commerce Service Operators: No. of Stores



- ◆ 株式会社Eストアー
- 楽天
- ◇ Yahoo! JAPAN ショッピング
- ▲ Shopping Service OCHAYONET おちゃのこネット
- Shop-Maker
- Shop Gear

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*Chart compiled using documents obtained from the respective company's websites.
 10.10.2008 Monthly data chart (<http://i.yimg.jp/images/docs/ir/monthly/2008/monthly1010.pdf>) No. of Yahoo! Shopping stores
 08.08.2008 Financial presentation materials (http://www.rakuten.co.jp/info/ir/releases/pdf/2008/2008_08_29_03.pdf) P.35 No. of stores
 08.06.2008 Financial report (<http://estore.co.jp/pdf/FlashReport2006.pdf>) P.2 Quarterly change in no. of contracts in major services (combined)
 *Excludes OEM

E-commerce Shopping Cart Contracts

1. Summary

2. FY 2008
Financial Statement

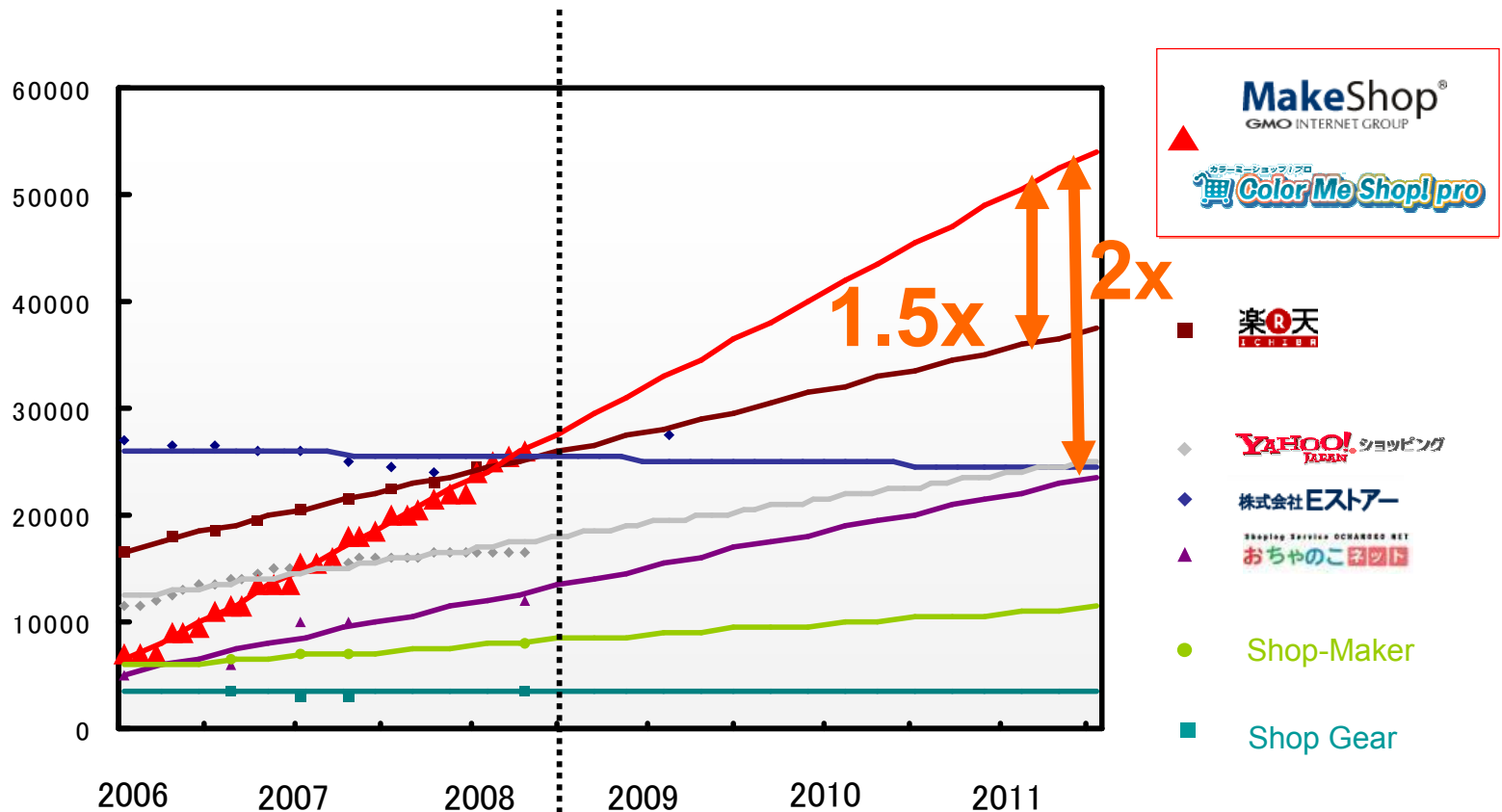
3. Segment Report

① Internet Infrastructure

② Internet Media

4. FY 2009 Outlook

1.5x the scale of Rakuten and twice that of Yahoo!



- 楽天 (Rakuten)
- ◆ ヤahoo! ショッピング (Yahoo! Shopping)
- ◆ 株式会社Eストア (EStore)
- ▲ おちゃのこ (ochanoko)
- Shop-Maker
- Shop Gear

→ Predicted trend based on past actual growth rate

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①Internet Infrastructure

②Internet Media

4. FY 2009 Outlook

Challenges for Individual Online Stores

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Challenges for Individual Online Stores

1. Summary

2. FY 2008
Financial Statement

3. Segment Report

① Internet Infrastructure

② Internet Media

4. FY 2009 Outlook

Competitor Comparison

	 GMO INTERNET GROUP  *1	 *2	
No. of Stores	29,591	25,410	16,472 *3
No. of Products	6.62 million	25 million	18 million *4
Monthly Turnover (JPY)	7.0 billion	52.9 billion	18.9 billion *5

GMO Internet Group E-commerce Businesses (+)

- No. of Stores: **No. 1 in Japan**
- No. of Stores: } Initiatives addressing these areas to be implemented
- Turnover: }

*1 Our own figures, 11/2008

*2 Rakuten Presentation Documents, Q3 2008

*3 Yahoo! JAPAN, notices concerning each business

*4 <http://developer.yahoo.co.jp/webapi/shopping/shopping/v1/itemsearch.html>

*5 Yahoo!JAPAN Results presentation documents (Average turnover per day multiplied by 30)

Challenges for Individual Online Stores

1. Summary

2. FY 2008
Financial Statement

3. Segment Report

①Internet Infrastructure

②Internet Media

4. FY 2009 Outlook

	Consumer Beliefs					Marketing				Usability		Points
	Pricing	Customer Retention	Product Comparison	Brand Names	No Brand Name Products	Ability to Attract Customers	Original Marketing	Unique Branding	Customized SEO	Original Design	Required to Leave Site During Order	
Malls	Operator	High	None			Strong	None	None	None	None		Global
	Customer			Easy	Low Trust	Trusted					Rarely	
Individual Online Stores	Operator	Low	Yes			Weak	Yes	Yes	Yes	Yes		Local
	Customer			Difficult	Trusted	Low Trust					Often	

Enable Product Comparison

Provide Business Verification

Offer Advertising on GMO Media

Introduce Easy Information Entry

Implement Global Point System

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1. Summary

2. FY 2008
Financial Statement

3. Segment Report

①Internet Infrastructure

②Internet Media

4. FY 2009 Outlook

GMO Internet Group Solutions

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Solutions that address the Weaknesses of Online Stores

1. Summary

2. FY 2008
Financial Statement

3. Segment Report

①Internet Infrastructure

②Internet Media

4. FY 2009 Outlook

Creating a Network of Japanese Online Stores

1. Introduce a global point system (GMO Toku Toku Point) for individual online stores
2. Enable easy log-in to individual online stores using GMO Toku Toku ID
3. Offer marketing support through GMO Internet Group media
4. Make possible product comparison
5. Provide free GlobalSign business verification

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Internet for Everyone

- The “Internet Department” to Japan! -

