

# Fiscal Year 2009 Interim Results Presentation

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August 6, 2009

**GMO Internet, Inc.**

(TSE First Section: 9449)

Internet for Everyone

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

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## About the Use of this Document

This document includes projections based on expectations, premises and plans as of August 6, 2009. 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.

# Agenda

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1. **Overview**
2. **FY 2009 Interim Financial Statements**
3. **Segment Report**
  - ① Web Infrastructure & Ecommerce
  - ② Internet Media
4. **FY 2009 Ecommerce Strategy: Progress Report**

1. Overview

2. FY 2009 Interim  
Financial Statements

3. Segment Report

① Web Infrastructure  
& Ecommerce

② Internet Media

4. FY 2009 Ecommerce  
Strategy: Progress Report

# 1. Overview

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# Overview

1. Overview

2. FY 2009 Interim Financial Statements

3. Segment Report

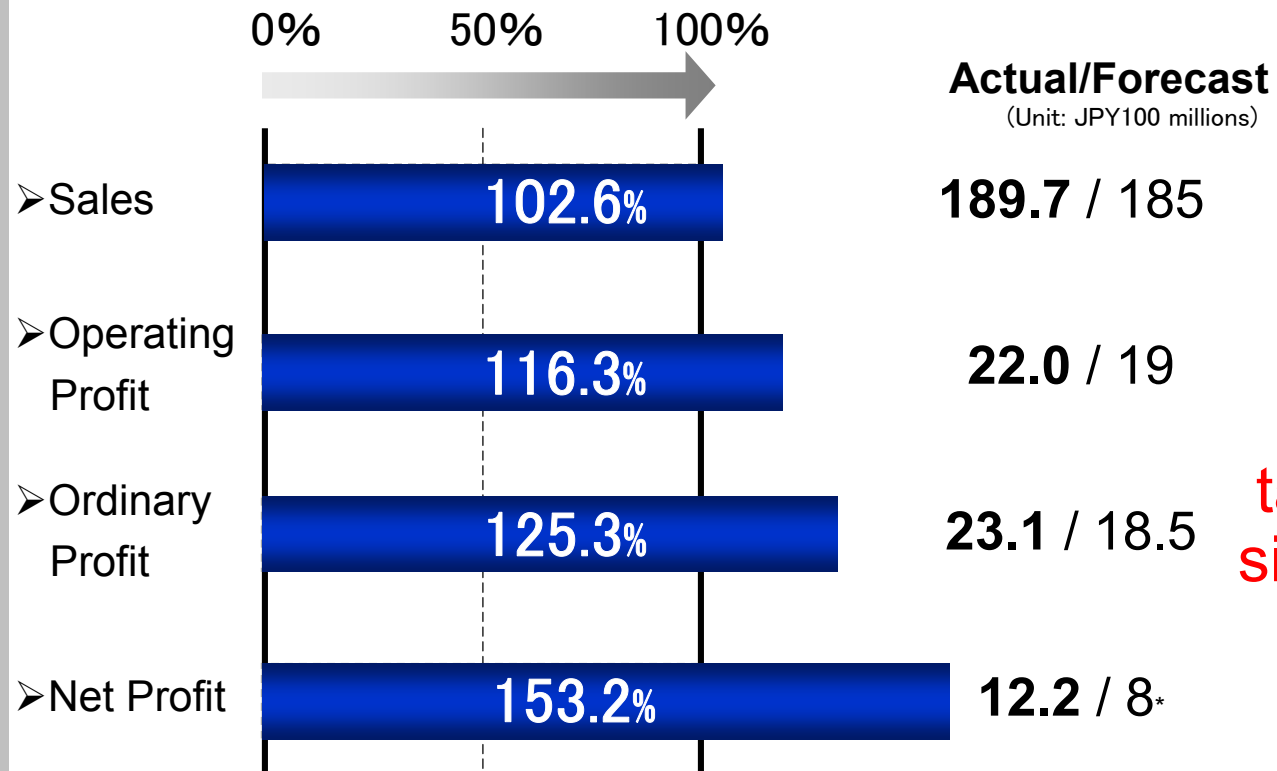
① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

## 1 Interim Results against Forecasts

(six months ended June 2009)



Actual profits eclipse target by significant margin

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# Overview

1. Overview

2. FY 2009 Interim Financial Statements

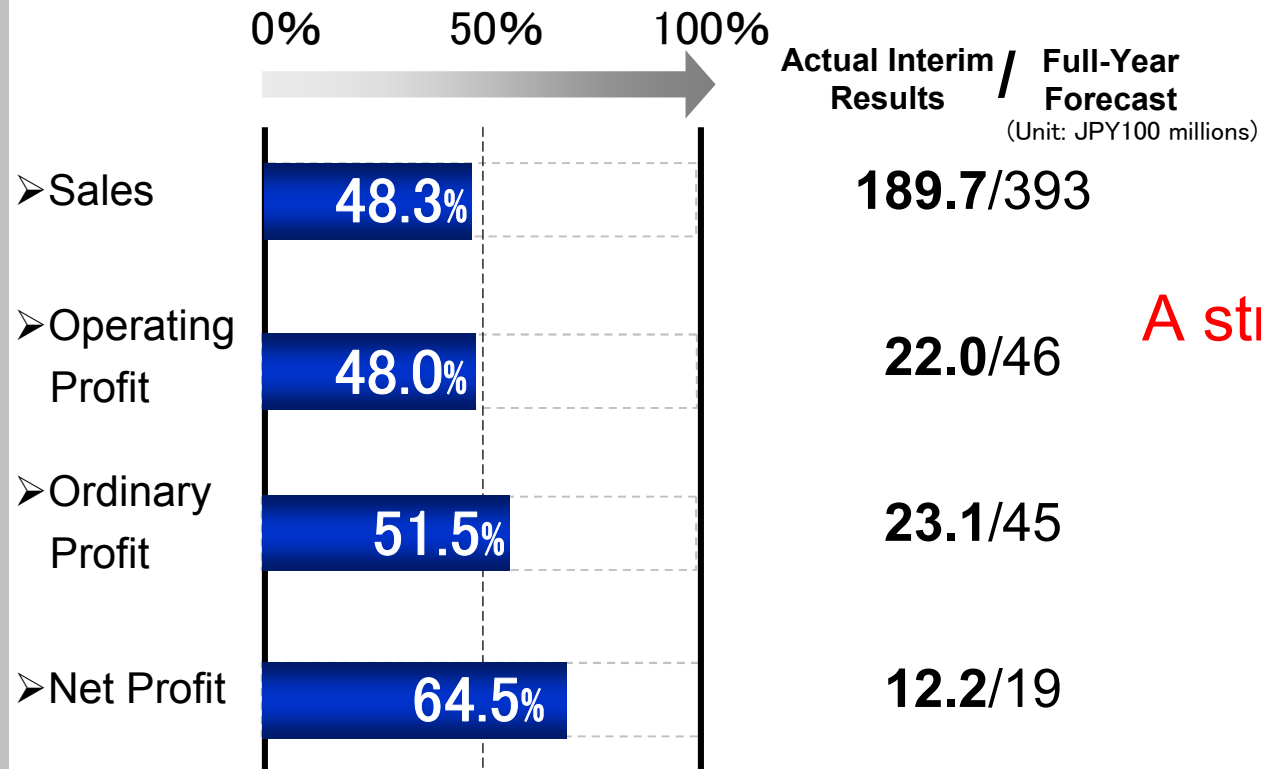
3. Segment Report

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4. FY 2009 Ecommerce Strategy: Progress Report

## 2 Progress toward Full-Year Forecast



A strong first half

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# Overview

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Strategy: Progress Report

## 3 Year-on-Year Comparison (six months ended June 2009)

	1-6/2008	1-6/2009	YoY Change
➤ Sales	JPY17.20B	JPY18.97B	<b>+10.3%</b>
➤ Operating Profit	JPY2.00B	JPY2.20B	<b>+10.4%</b>
➤ Ordinary Profit	JPY1.81B	JPY2.31B	<b>+27.6%</b>
➤ Net Profit	JPY0.97B	JPY1.22B	<b>+25.8%</b>

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# Overview

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Strategy: Progress Report

## 4 Year-on-Year Comparison (three months ended June 2009)

	4-6/2008	4-6/2009	YoY Change
➤ Sales	JPY8.56B	JPY9.30B	+8.7%
➤ Operating Profit	JPY0.84B	JPY1.10B	+30.2%
➤ Ordinary Profit	JPY0.78B	JPY1.15B	+46.7%
➤ Net Profit	JPY0.48B	JPY0.57B	+19.4%

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## 2. FY 2009 Interim Financial Statements

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# Consolidated P/L

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Strategy: Progress Report

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## Robust Web Infrastructure & EC and Internet Media segments Finance costs down

(JPY millions)

	1-6/2008	1-6/2009	1-6/2009 (forecasts)	YoY Change
Sales	17,204	18,976	18,500	+10.3%
Cost of Sales	7,060*	8,716*	—	+23.5%
SGA	8,142*	8,050*	—	-1.1%
Operating Profit	2,001	2,208	1,900	+10.4%
Non-Operating Revenue	263	319	—	+21.4%
Non-Operating Expenses	448	211	—	-52.9%
Ordinary Profit	1,815	2,317	1,850	+27.6%
Extraordinary Profit	282	49	—	-82.4%
Extraordinary Loss	156	53	—	-65.5%
Corporate tax et.	572	669	—	+16.8%
Minority Equity	395	418	—	+16.8%
Net Profit	973	1,225	800	+25.8%

\*Q2 2008 figures revised to reflect reclassification

# Sales by Segment (six months ended June 2009)

1. Overview

2. FY 2009 Interim Financial Statements

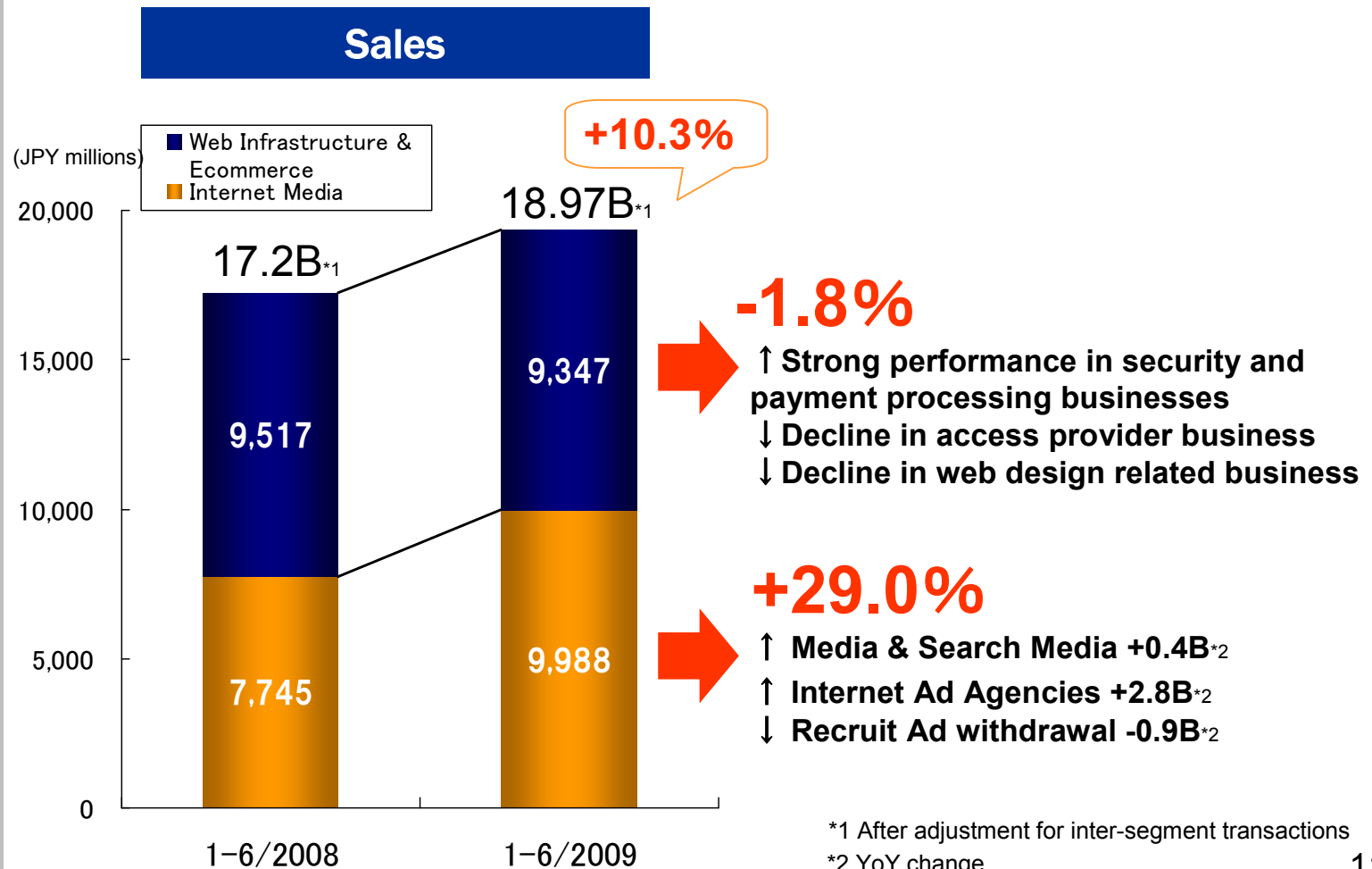
3. Segment Report

① Web Infrastructure & Ecommerce

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4. FY 2009 Ecommerce Strategy: Progress Report

Improved sales mix (strong SEM, Security, and Payment processing businesses)



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\*1 After adjustment for inter-segment transactions

\*2 YoY change

# Operating Profit by Segment (six months ended June 2009)

1. Overview

2. FY 2009 Interim Financial Statements

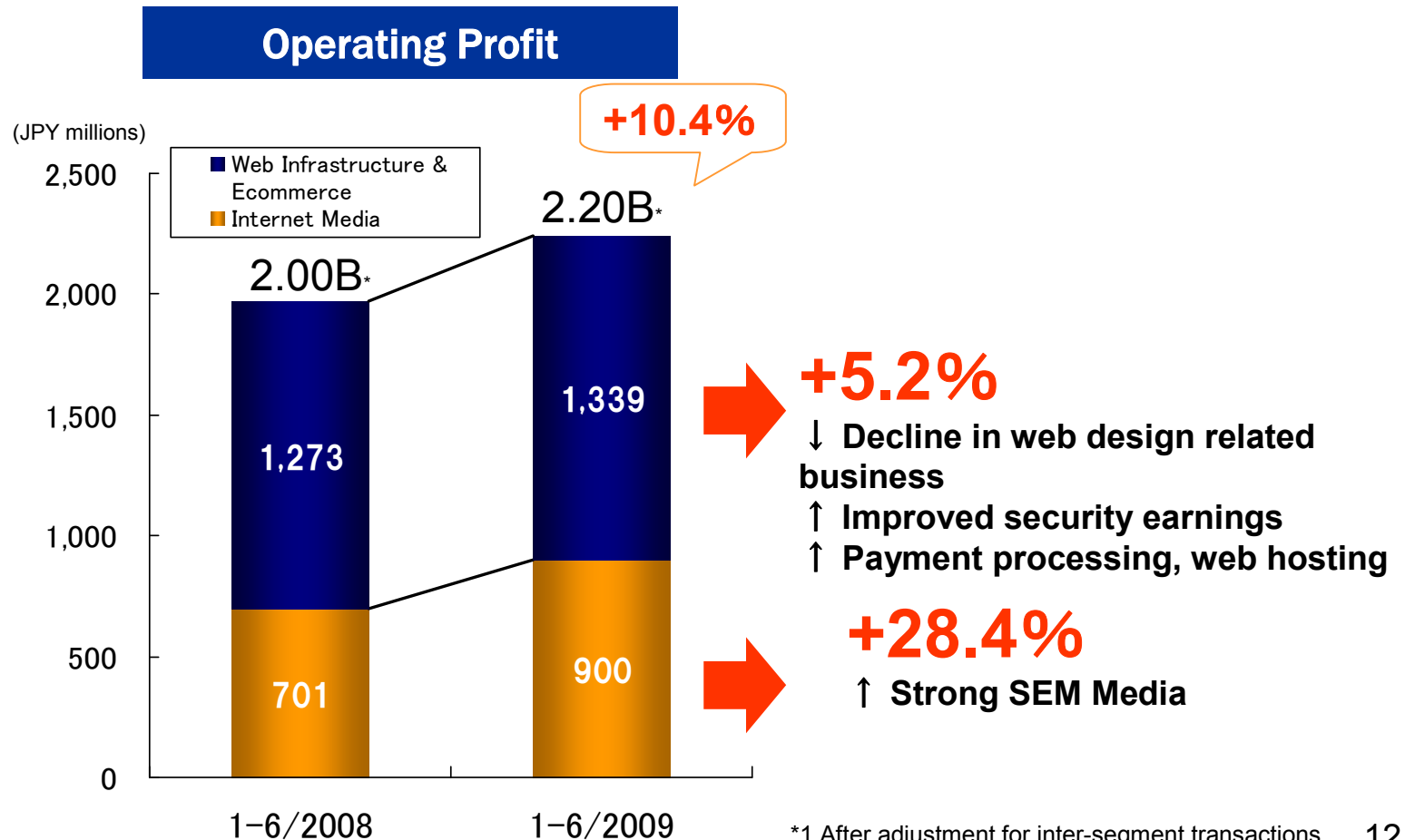
3. Segment Report

① Web Infrastructure & Ecommerce

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4. FY 2009 Ecommerce Strategy: Progress Report

Structural changes in both segments improve profit quality



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\*1 After adjustment for inter-segment transactions 12

# Sales by Segment (in Q2)

1. Overview

2. FY 2009 Interim Financial Statements

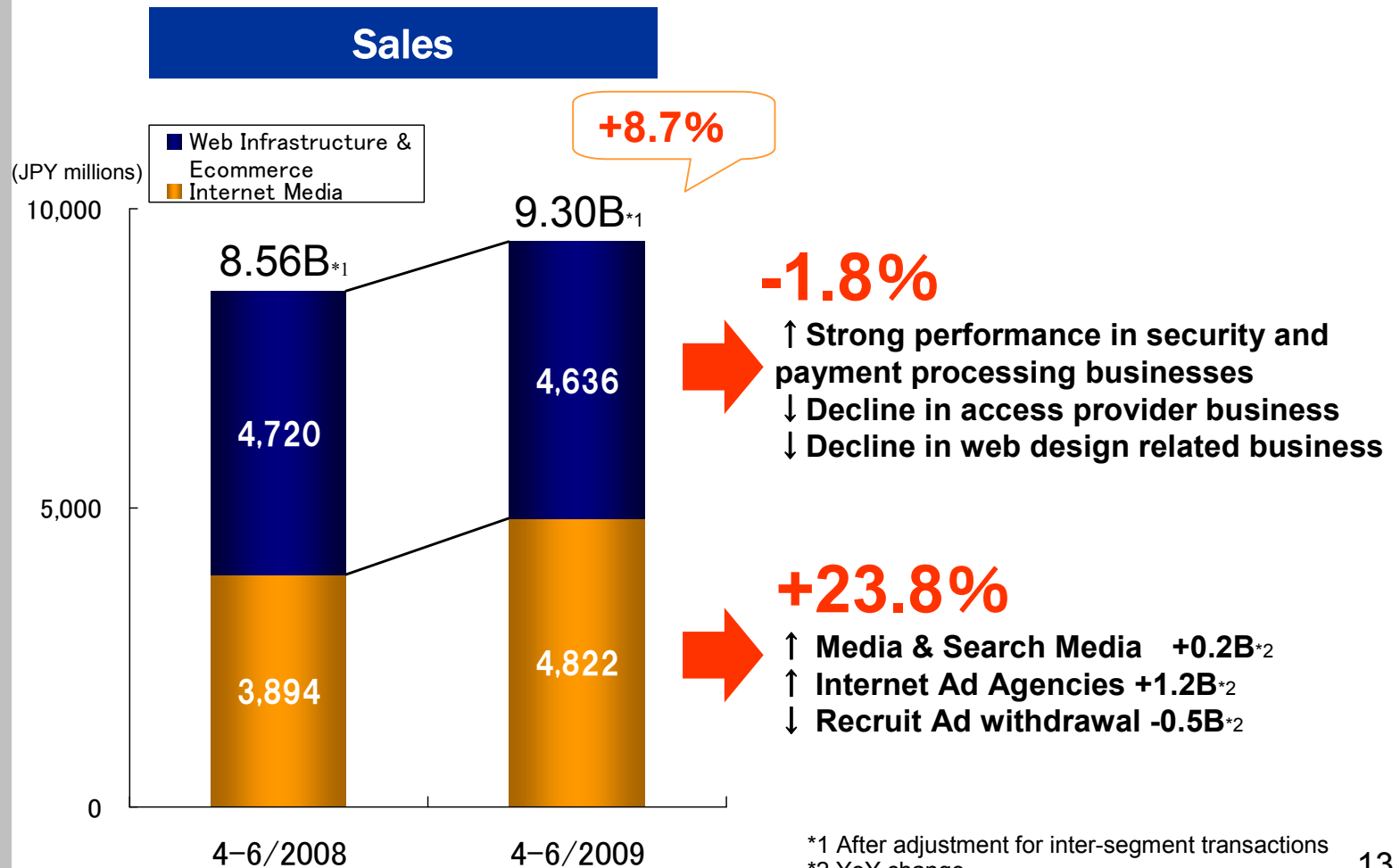
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

## Internet Media revenues jump 23.8%



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\*1 After adjustment for inter-segment transactions

\*2 YoY change

# Operating Profit by Segment (in Q2)

1. Overview

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① Web Infrastructure & Ecommerce

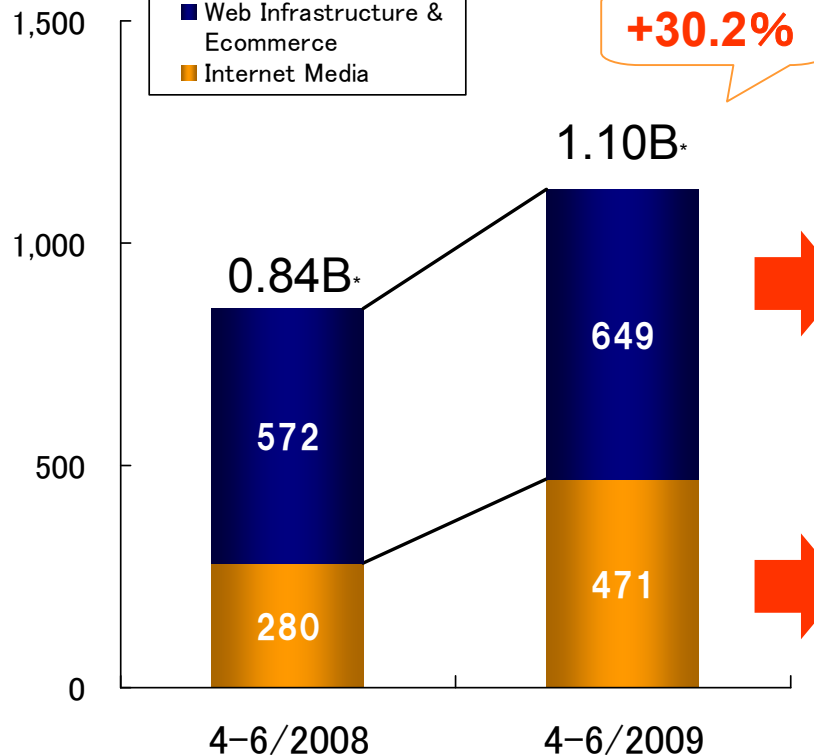
② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

Internet Media profit surges 68%

## Operating Profit

(JPY millions)



**+30.2%**

**+13.3%**  
 ↓ Decline in web design related business  
 ↑ Improved security earnings  
 ↑ Payment processing, web hosting

**+68.0%**  
 ↑ Strong SEM Media

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\*1 After adjustment for inter-segment transactions 14

# Operating Profit Ratio

1. Overview

2. FY 2009 Interim Financial Statements

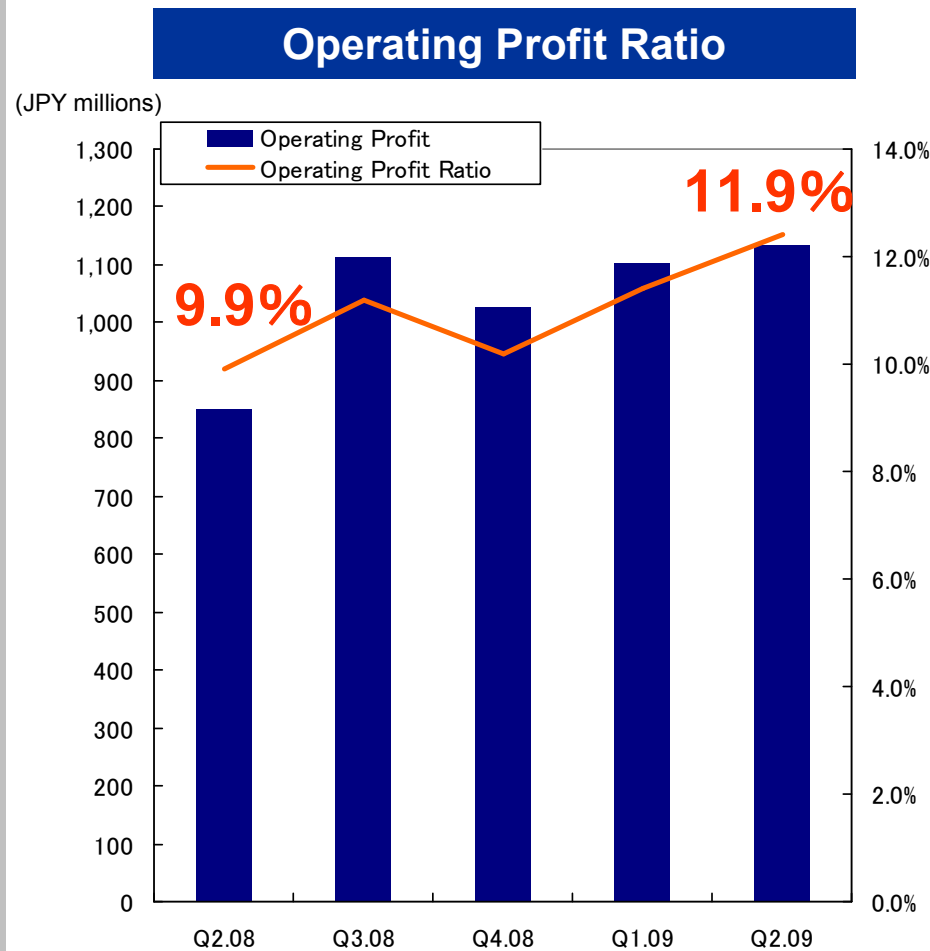
3. Segment Report

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② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

Shift toward high margin services improves operating profit



**Operating Profit Ratio Improves 2% YoY**

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# Consolidated Balance Sheet

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Strategy: Progress Report

Shareholders' equity ratio to 18.3%

	End of March 2009	End of June 2009	QoQ Change	(JPY millions)
Current Assets	25,614	26,228	+614	
(Cash & deposits)	18,255	19,435	+1,179	
Fixed Assets	13,905	13,844	-60	
(Goodwill)	1,853	1,700	-152	
(Software)	2,068	2,058	-10	
(Investment real estate)	4,436	4,435	-0	
(Investment securities)	664	618	-46	
<b>Total Assets</b>	<b>39,519</b>	<b>40,073</b>	<b>+553</b>	
Total Liabilities	26,272	25,953	-319	
(Interest bearing liabilities)	14,051	13,001	-1,049	
Net Assets (minority equity portion)	13,246 (6,516)	14,120 (6,790)	+873 (+274)	
Shareholders' Equity (earned surplus portion)	6,730 (5,585)	7,329 (6,163)	+598 (+578)	
(Shareholders' equity ratio)	17.0%	18.3%	+1.3%	
<b>Total Liabilities / Net Assets</b>	<b>39,519</b>	<b>40,073</b>	<b>+553</b>	

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# Consolidated Balance Sheet

1. Overview

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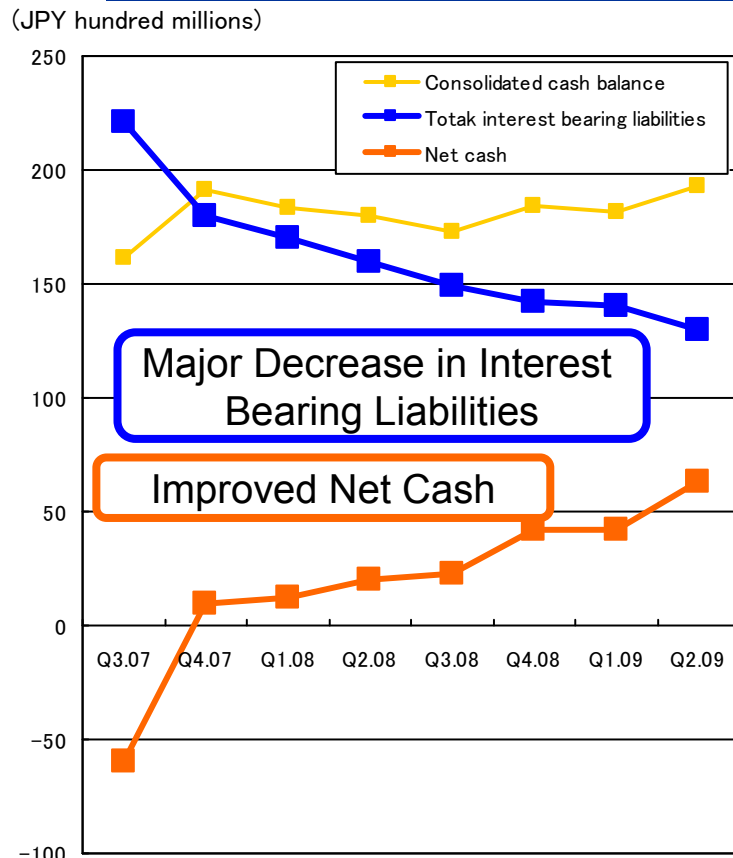
① Web Infrastructure & Ecommerce

② Internet Media

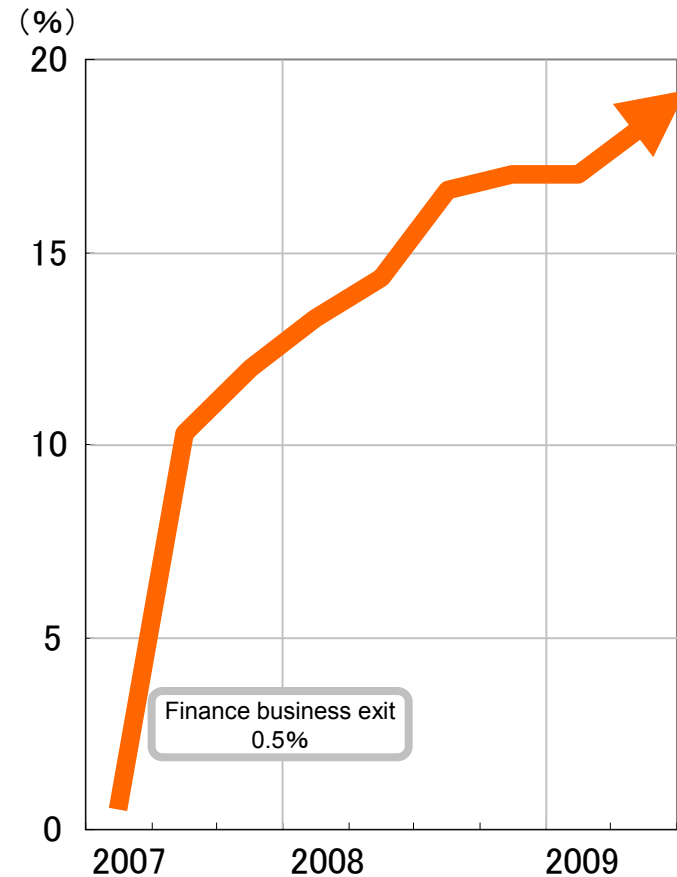
4. FY 2009 Ecommerce Strategy: Progress Report

Continued focus on improved financial stability

## Interest Bearing Liabilities and Net Cash



## Shareholders' Equity Ratio (Quarterly Change)



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# Consolidated C/F

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## 3.4 billion operating cash flow generated

(JPY millions)

	1-6/2009
Cash Flow from Operating Activities	3,491
Cash Flow from Investing Activities	-499
Cash Flow from Financing Activities	-2,128
Change in Cash and Equivalents	897
Balance of Cash and Equivalents	19,380

Strong Infrastructure and Media business performance

Payment of interest bearing liabilities: JPY1.2B approx.  
Dividend payout: JPY0.92B

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4. FY 2009 Ecommerce  
Strategy: Progress Report

# 3. Segment Report

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# Business Segments

1. Overview

2. FY 2009 Interim Financial Statements

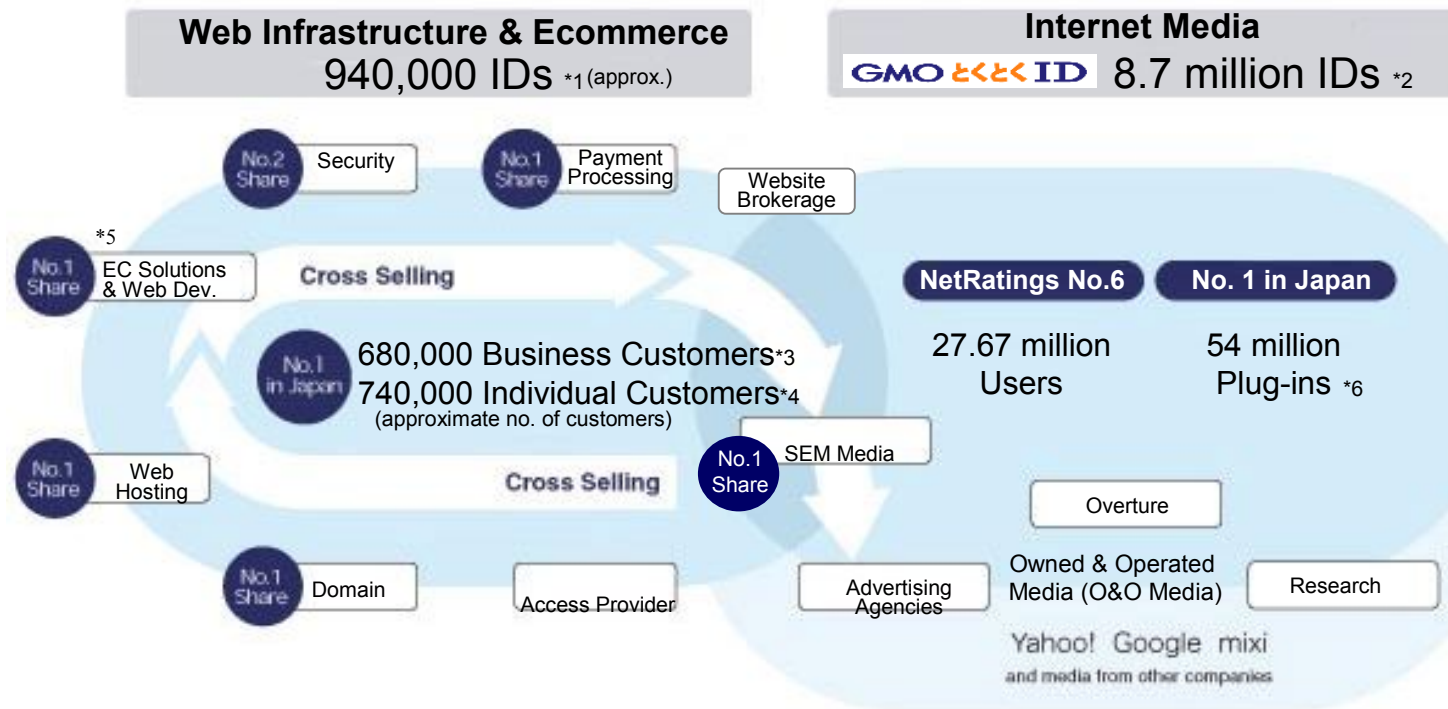
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

Management resources concentrated in two business areas. Our operations support the information delivery and net businesses of 1.43 million customers (\*8).



Notes:

- \*1. Business and individual domain registrations = no. of integrated customer database IDs
- \*2. GMO Toku Toku 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. JWord cumulative plug-ins
- \*7. Approximately 73,000 Internet access provider business customers not included in the above figures
- \*8. Paying members only

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# Web Infrastructure & Ecommerce Segment Contracts

1. Overview

2. FY 2009 Interim Financial Statements

3. Segment Report

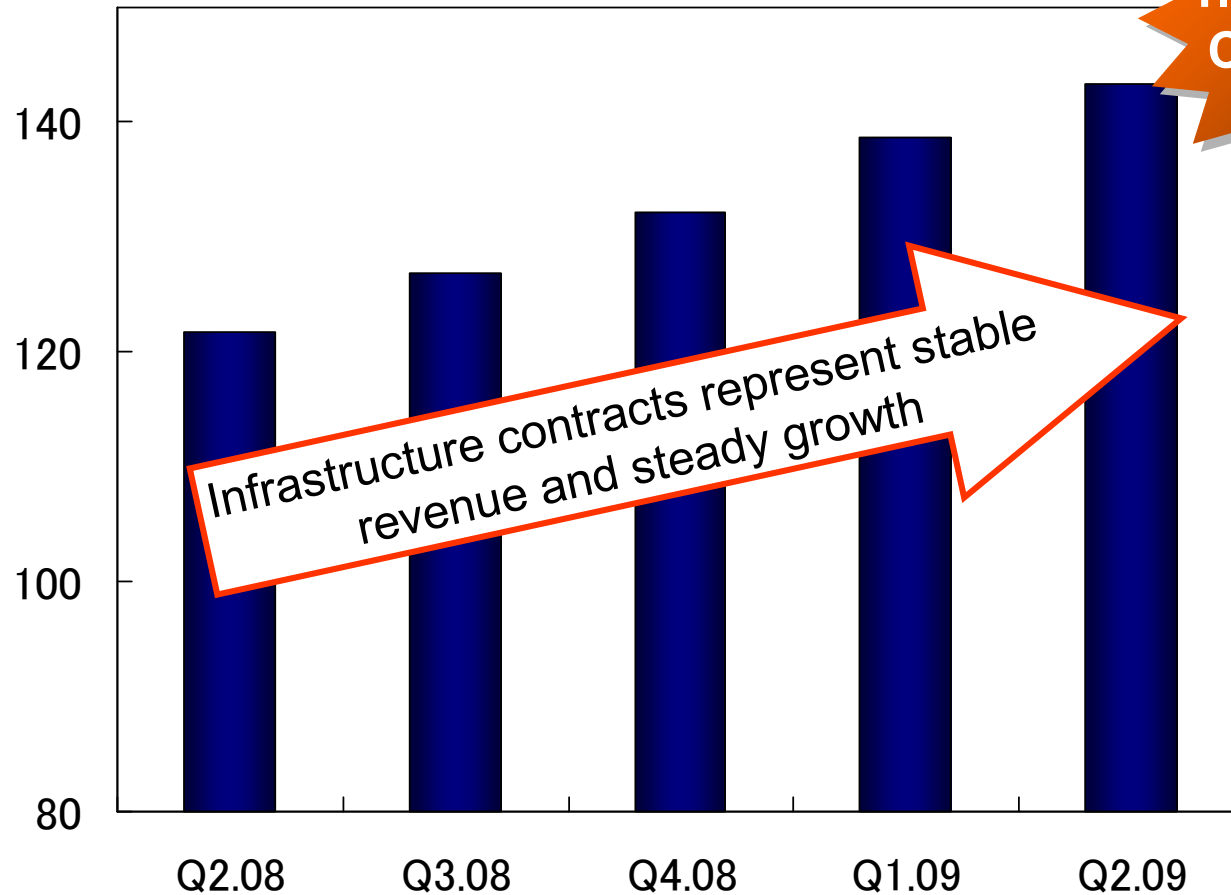
① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

1.43 million contracts: a leading Japanese Internet infrastructure services provider

(10,000s)



1.43 million Contracts

Infrastructure contracts represent stable revenue and steady growth

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\*Approximately 73,000 Internet access provider business customers not included in the above figures

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### 3. Segment Report

# ① Web Infrastructure & Ecommerce

## ② Internet Media

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# Web Infrastructure & Ecommerce - Segment Composition

1. Overview

2. FY 2009 Interim Financial Statements

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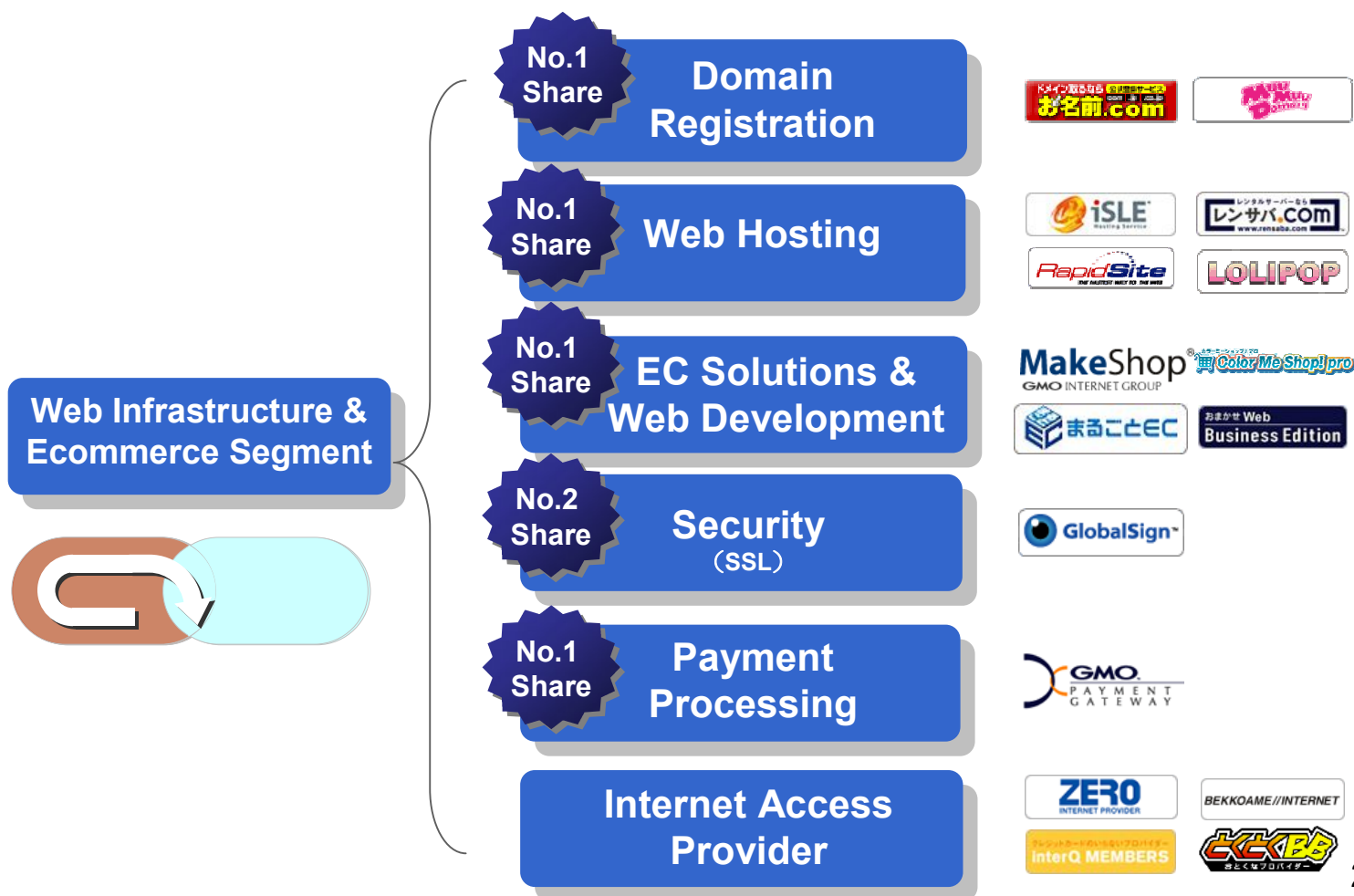
① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

## Five major service\* areas driving growth

\*Domain registration, Web hosting, Ecommerce solutions & web development, Security, and Payment processing



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# Web Infrastructure & EC Sales (six months ended June 2009)

1. Overview

2. FY 2009 Interim Financial Statements

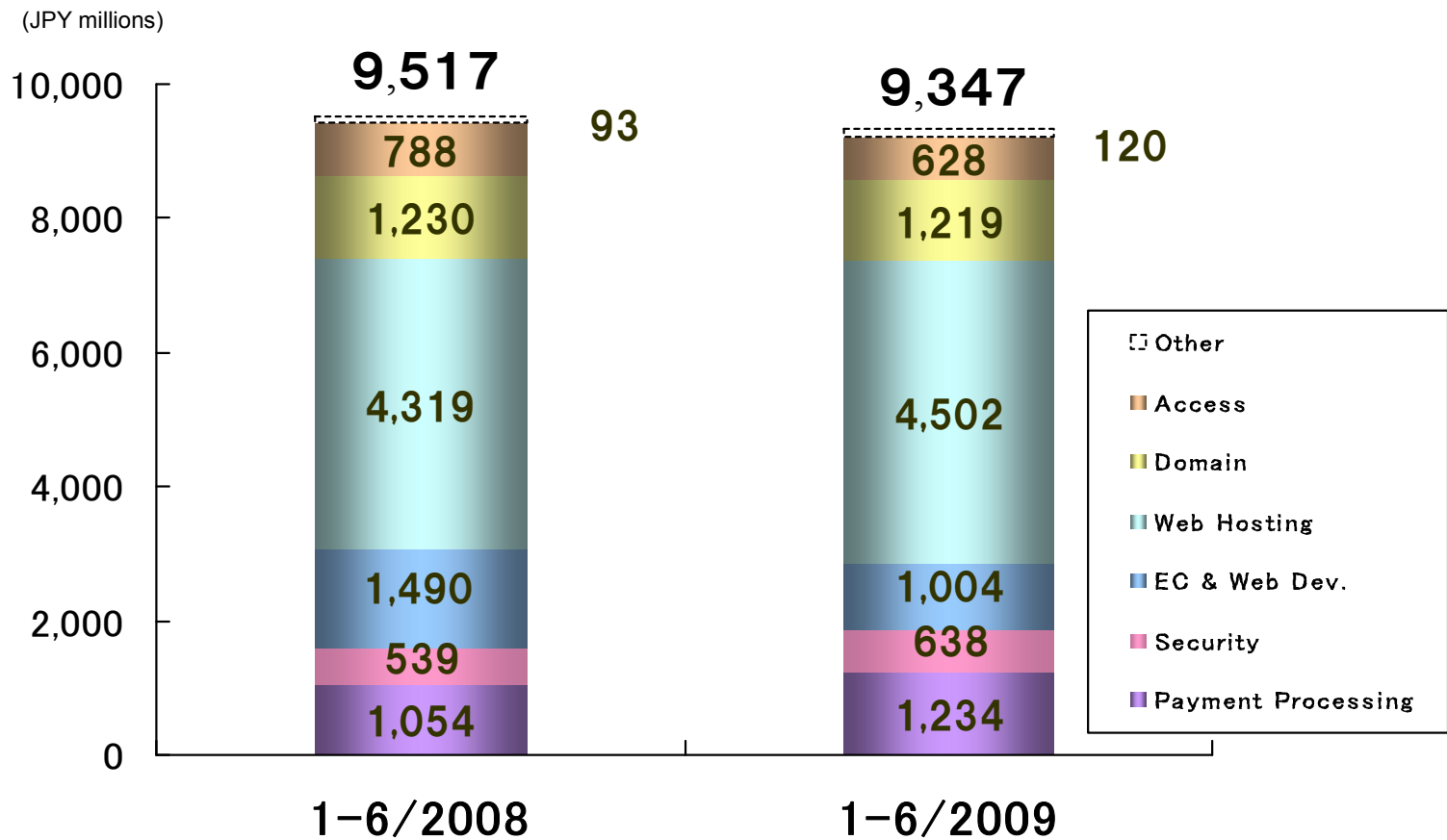
3. Segment Report

① Web Infrastructure & Ecommerce

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4. FY 2009 Ecommerce Strategy: Progress Report

Growth in high-margin security and payment processing businesses



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# Web Infrastructure & EC OP (six months ended June 2009)

1. Overview

2. FY 2009 Interim Financial Statements

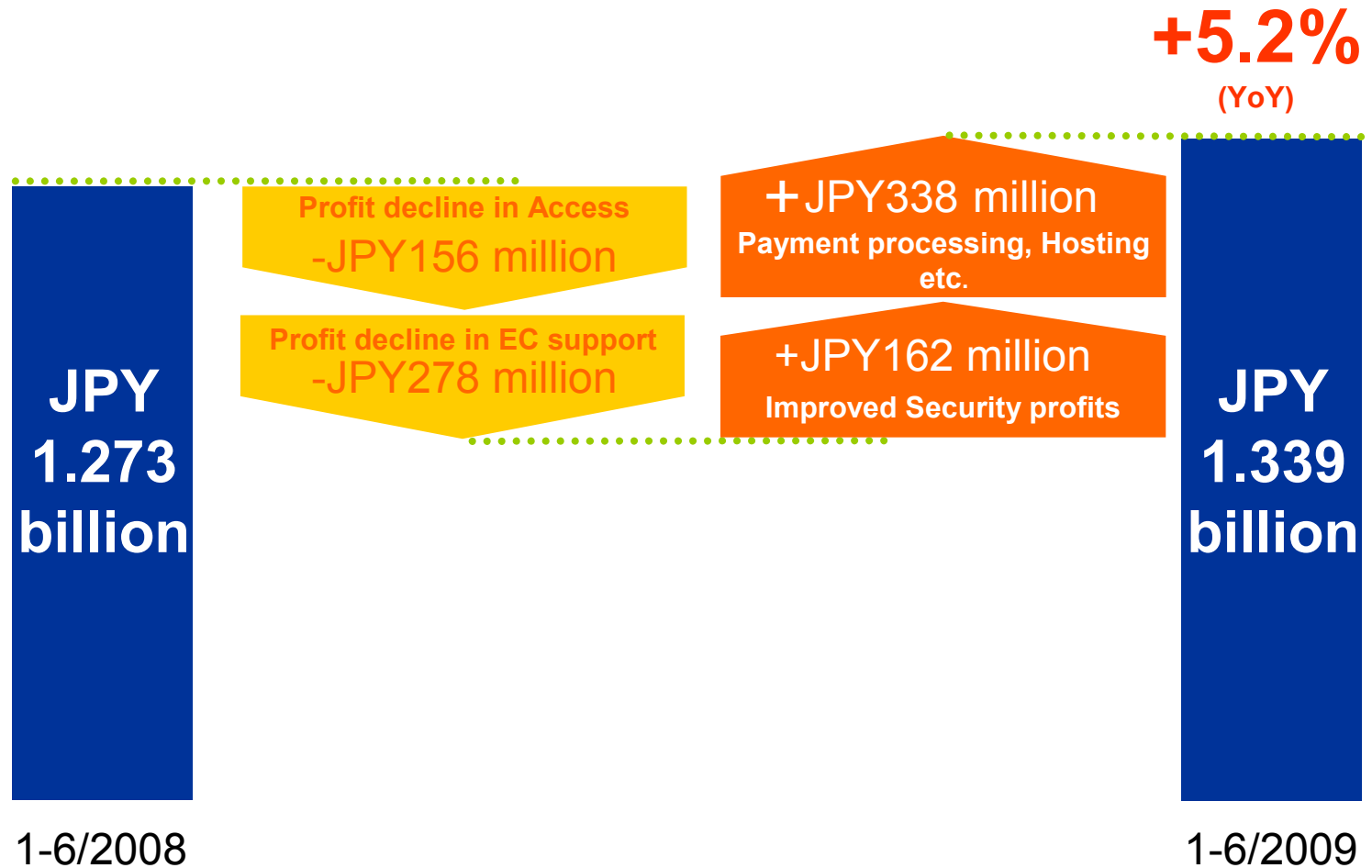
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

Operating profit up 5.2% over previous corresponding period



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1-6/2008

1-6/2009

# Business Performance – Web Infrastructure & EC Sales (in Q2)

1. Overview

2. FY 2009 Interim Financial Statements

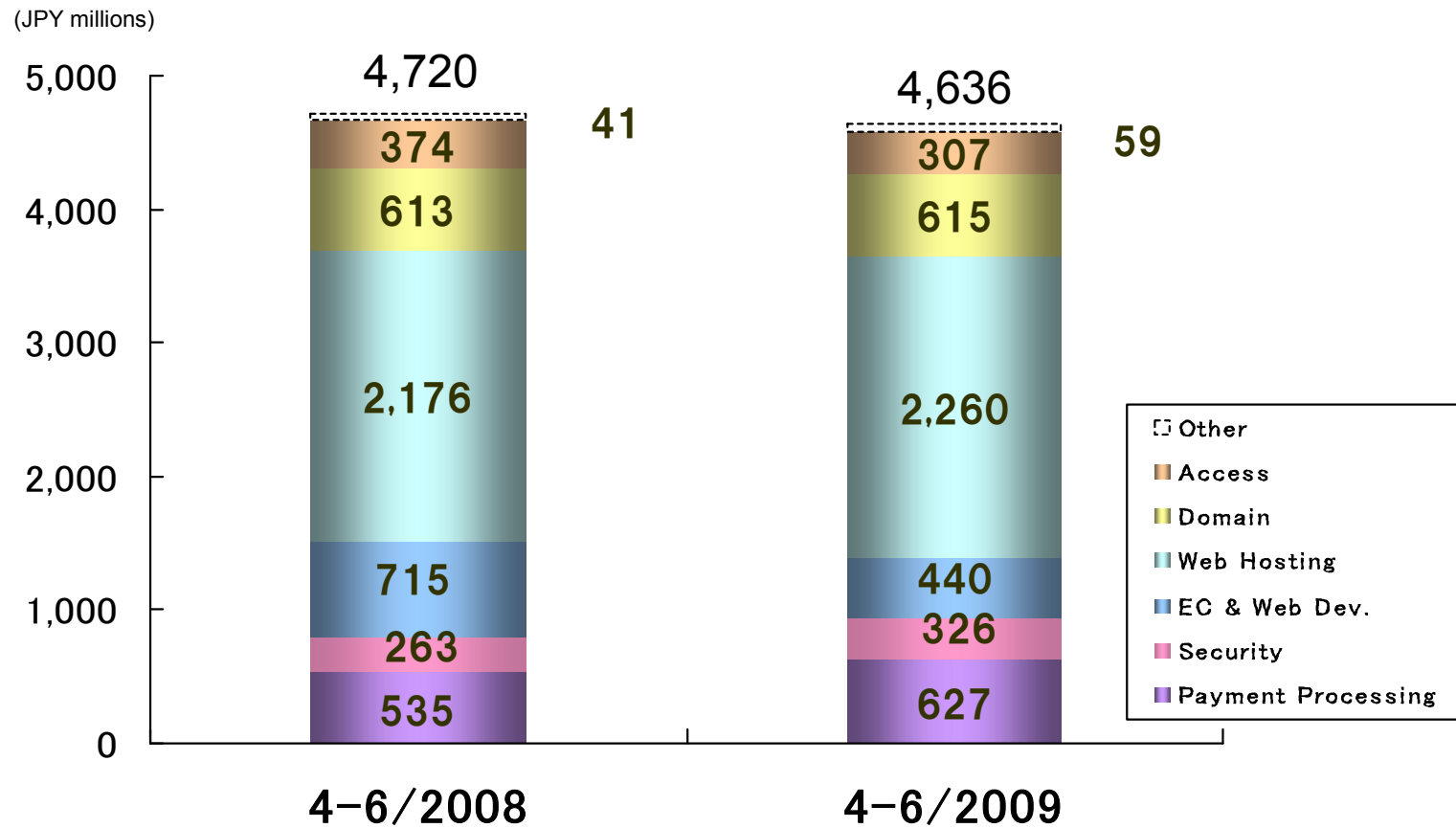
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

Solid performance of high margin service areas offsets fall in revenue from web design related services



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# Business Performance – Web Infrastructure & EC OP (in Q2)

1. Overview

2. FY 2009 Interim Financial Statements

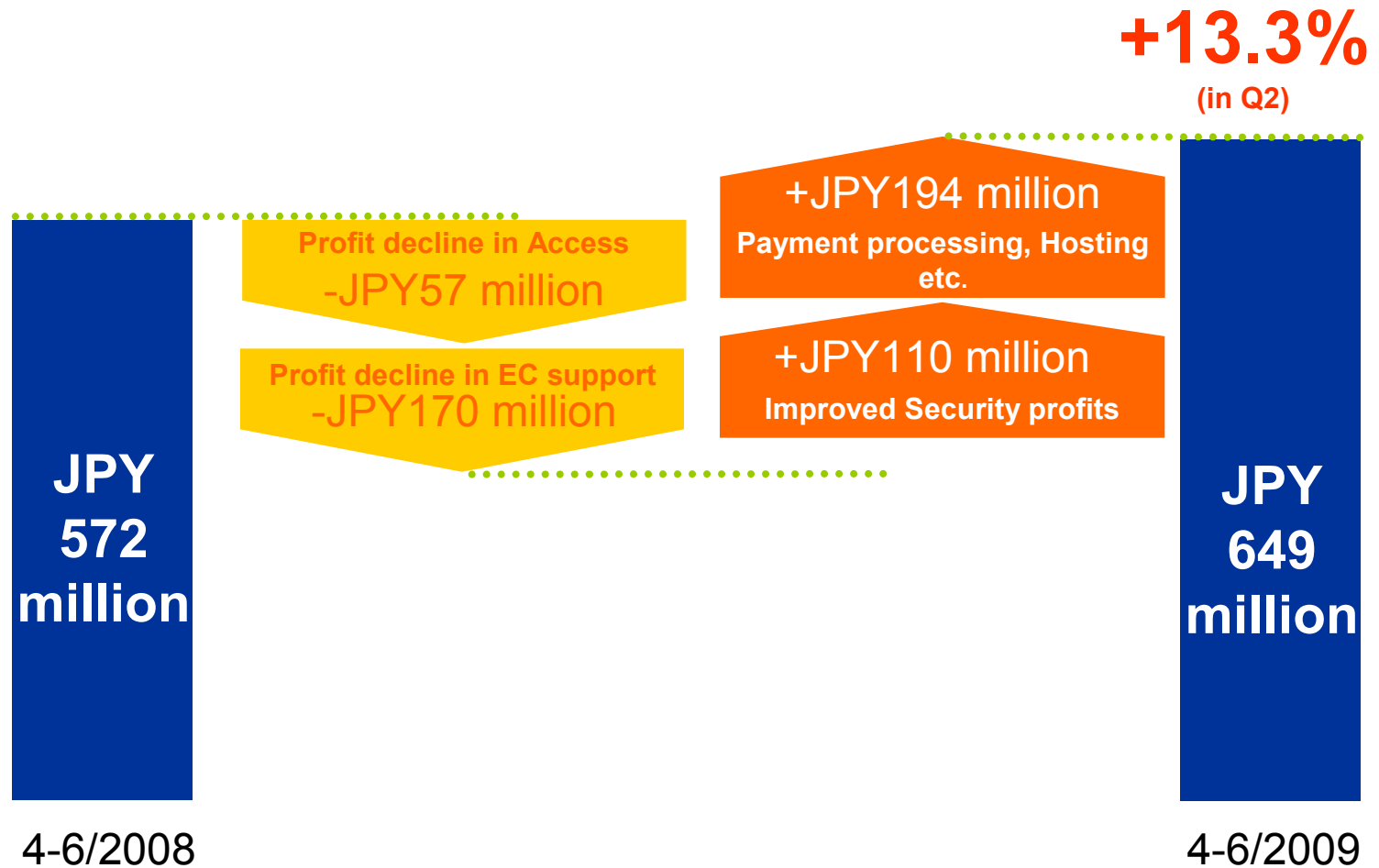
3. Segment Report

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② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

Operating profit up 13.3% over previous corresponding quarter



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4-6/2008

4-6/2009

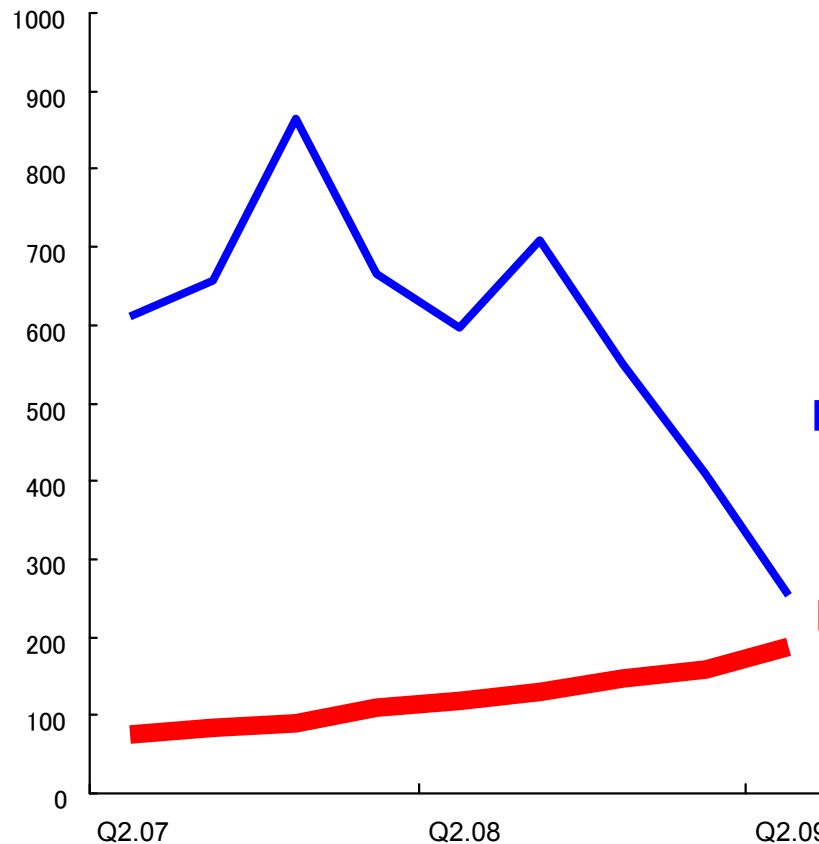
# EC Solutions & Web Development - Sales Breakdown

- 1. Overview
- 2. FY 2009 Interim Financial Statements
- 3. Segment Report
- ① Web Infrastructure & Ecommerce**
- ② Internet Media
- 4. FY 2009 Ecommerce Strategy: Progress Report

Major changes to sales mix under transition strategy

## E-commerce Solutions & Web Development Sales Breakdown

(JPY millions)



**Successful ecommerce strategy and improved customer satisfaction**



- Web design related etc.  
Shift from large contracts to SEO and services that deliver continued income
- Shopping Cart  
Expansion a result of ecommerce strategy  
Prioritization of growth in contracts

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# Domain Business – Key Factors

1. Overview

2. FY 2009 Interim Financial Statements

3. Segment Report

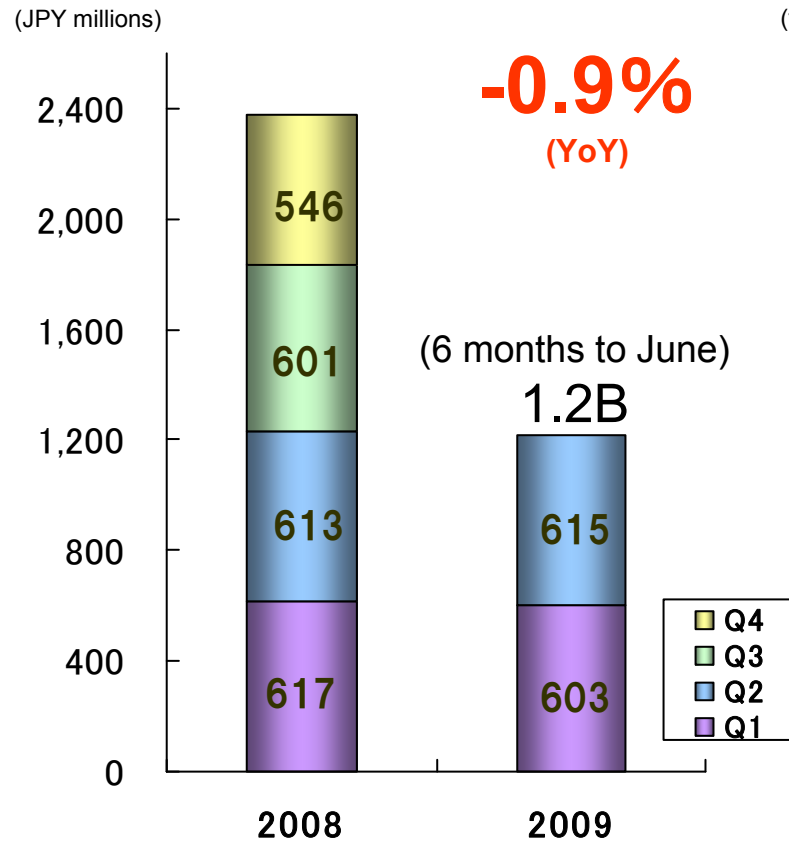
① Web Infrastructure & Ecommerce

② Internet Media

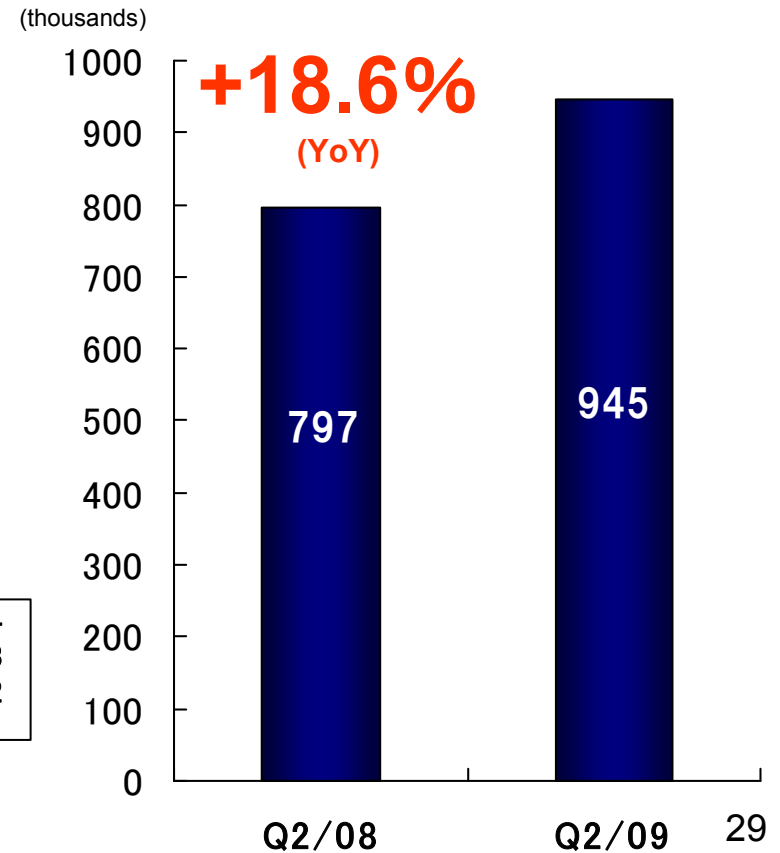
4. FY 2009 Ecommerce Strategy: Progress Report

First half of 2009: JPY 1.21 billion in sales, over 940 thousand registrations

## Sales



## Registrations



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# Web Hosting Business – Key Factors

1. Overview

2. FY 2009 Interim Financial Statements

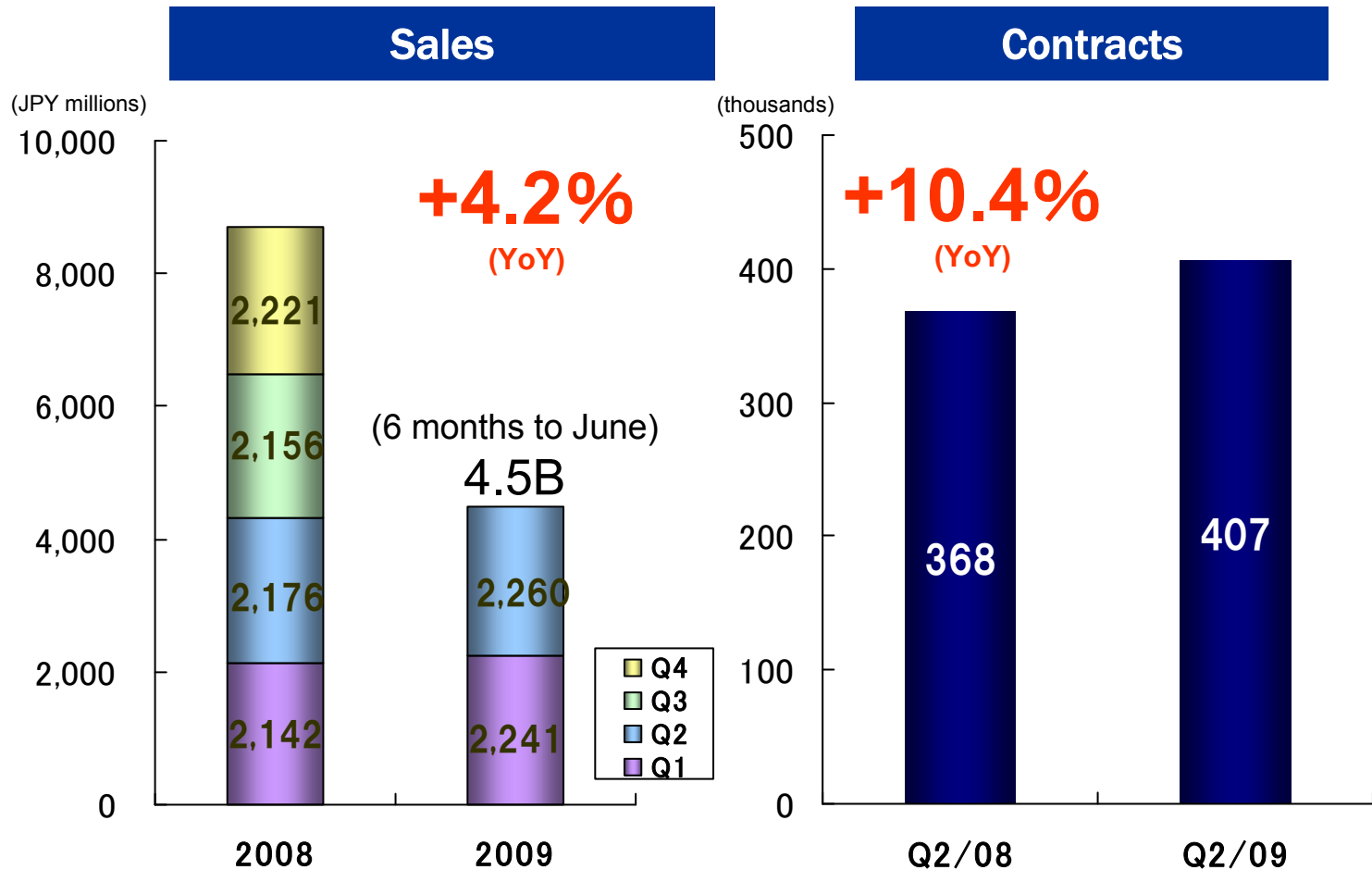
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

First half of 2009: JPY 4.5 billion in sales, over 400 thousand contracts



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# EC Solutions & Web Development Business – Key Factors

1. Overview

2. FY 2009 Interim Financial Statements

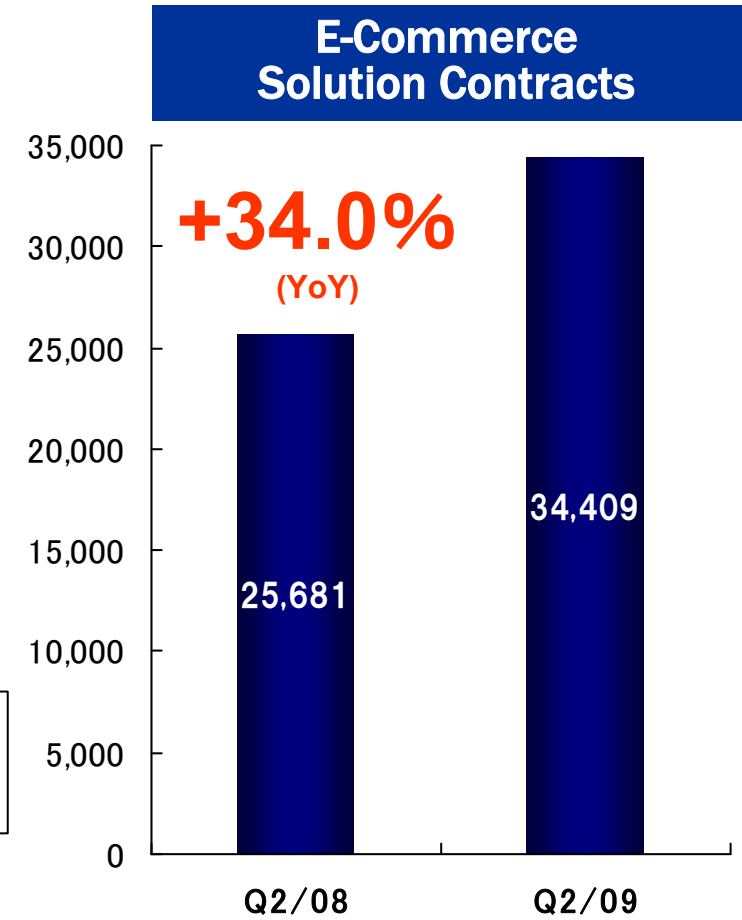
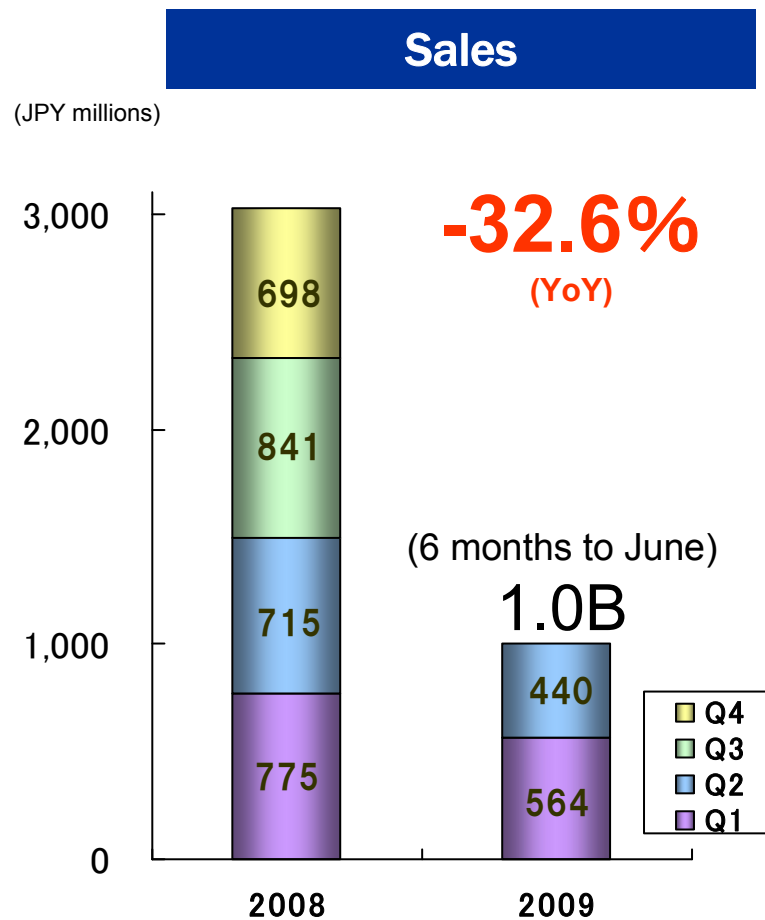
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

First half of 2009: JPY 1.0 billion in sales, almost 35 thousand contracts



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# Security Business – Key Factors

1. Overview

2. FY 2009 Interim Financial Statements

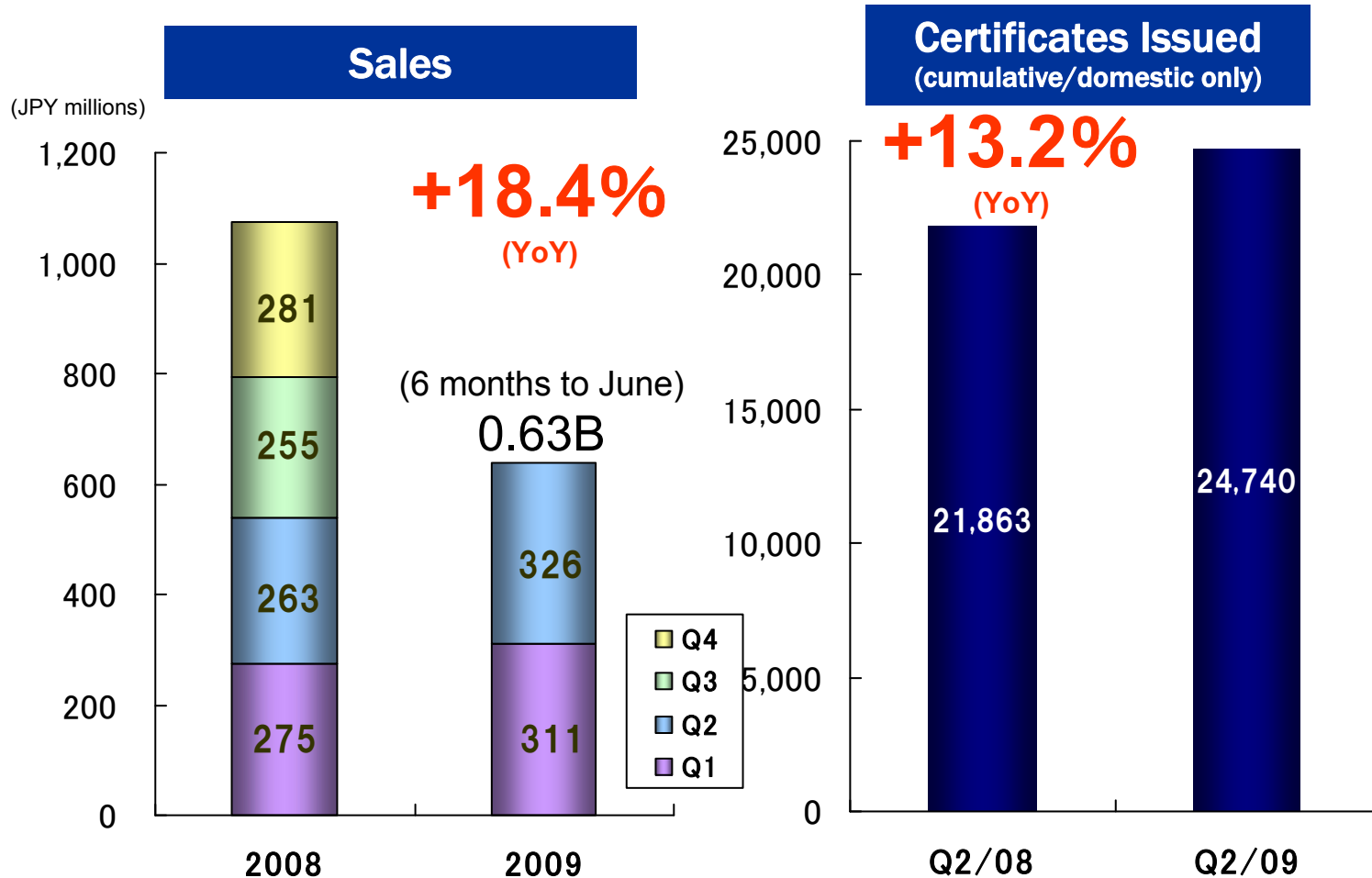
3. Segment Report

① Web Infrastructure & Ecommerce

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4. FY 2009 Ecommerce Strategy: Progress Report

Sales increase 18.4%, certificates issued increase 13.2%



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# Security Business – Key Factors

1. Overview

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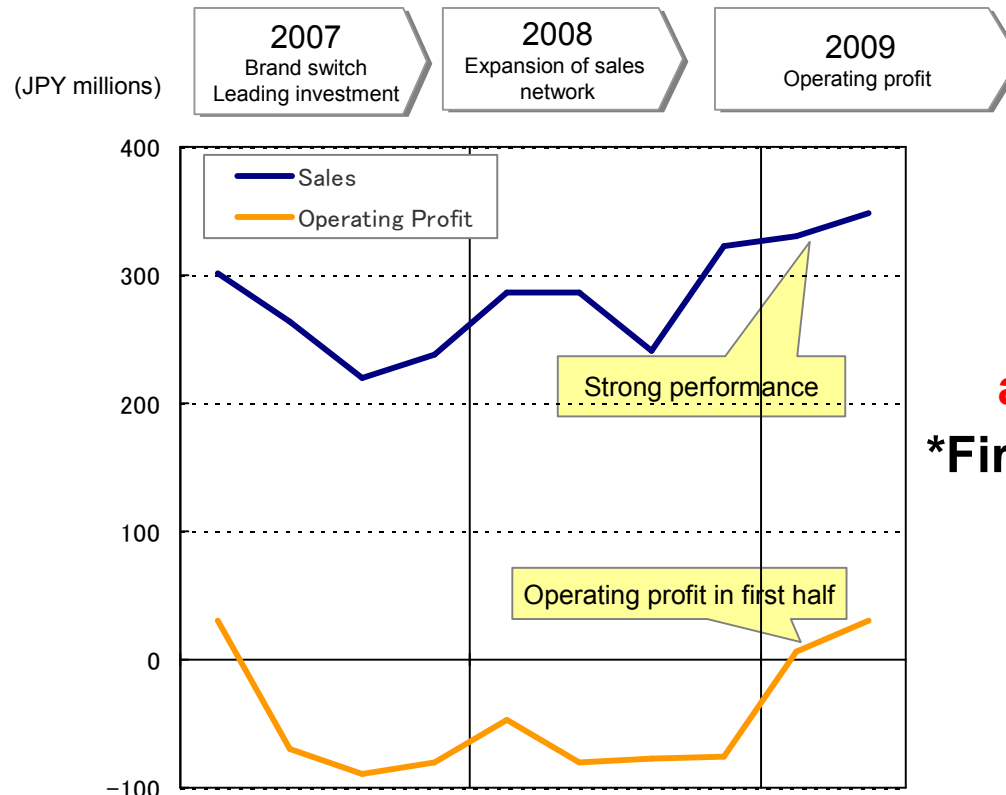
① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

## Security reports operating profit in first half

### Sales and Operating Profit – Quarterly Change



**Operating Profit achieved in first half**  
**\*First since brand switch**

\*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

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# Security Business – Key Factors

1. Overview

2. FY 2009 Interim Financial Statements

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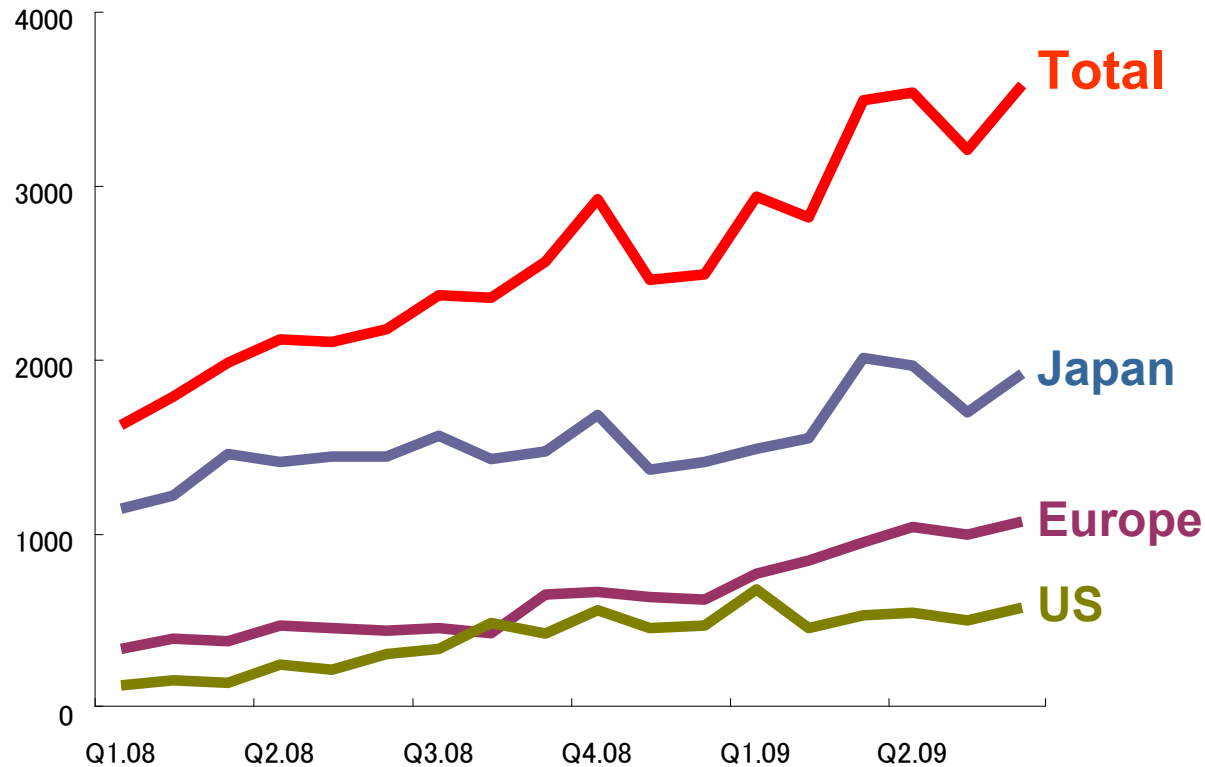
① Web Infrastructure & Ecommerce

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4. FY 2009 Ecommerce Strategy: Progress Report

## Certificates issued

**Certificates Issued Monthly by Region (New and Renewed)**



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# Security Business – Key Factors

1. Overview

2. FY 2009 Interim Financial Statements

3. Segment Report

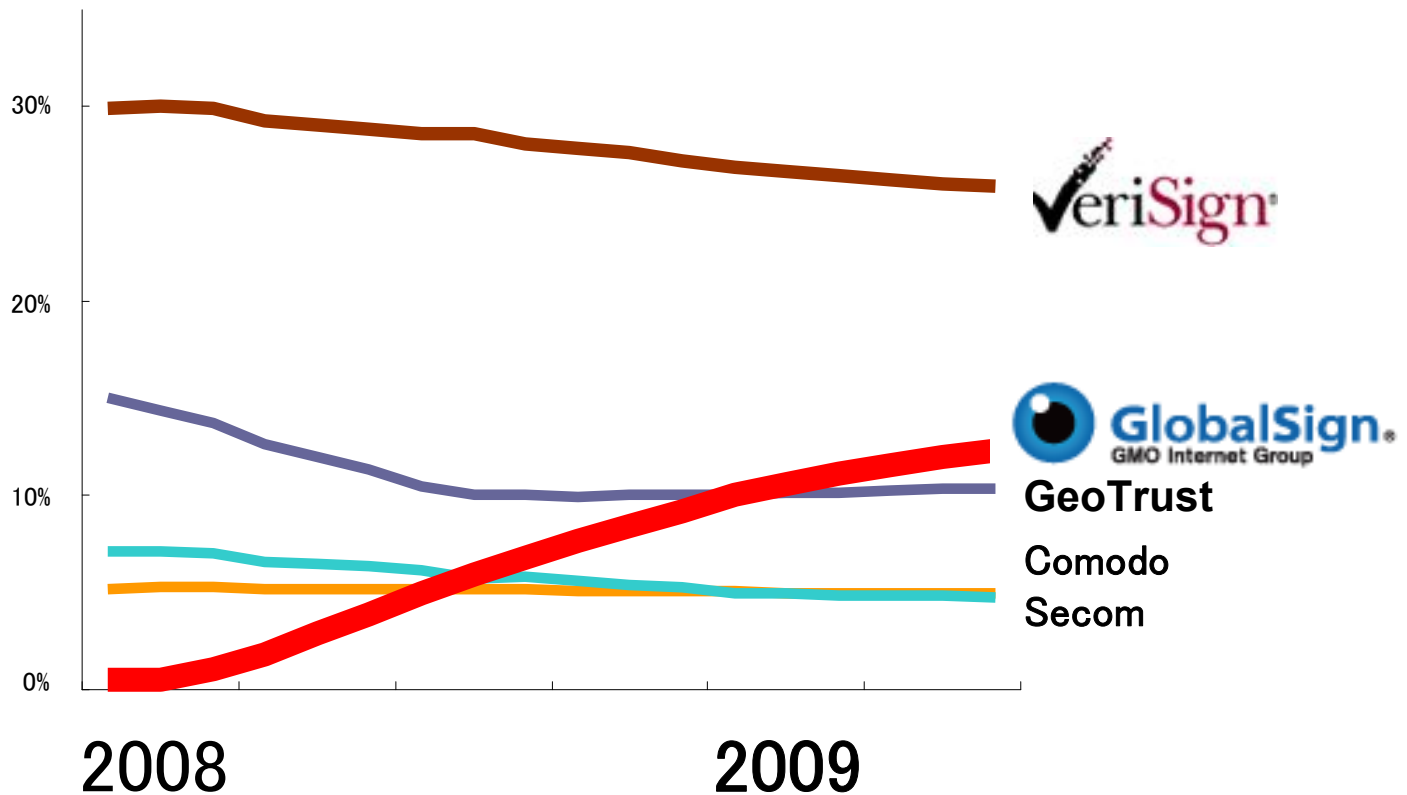
① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

Emerged as the second largest player in the market

Domestic Market Share



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# Credit Card Payment Processing Business – Key Factors

1. Overview

2. FY 2009 Interim Financial Statements

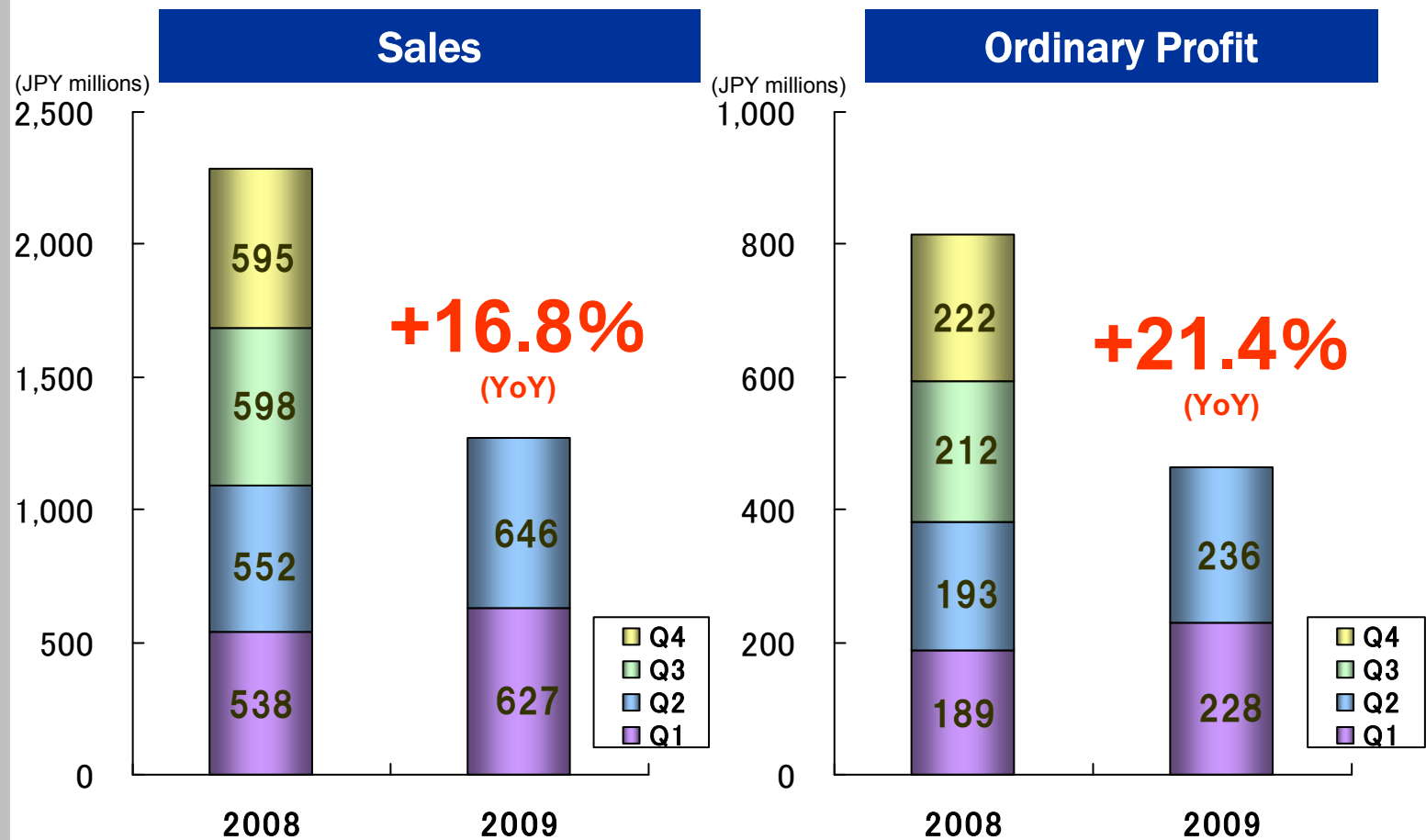
3. Segment Report

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4. FY 2009 Ecommerce Strategy: Progress Report

Increase in number and value of transactions boosts revenue by 16.8%. Expanding into new markets.



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

# Web Infrastructure & Internet Media - News

1. Overview

2. FY 2009 Interim Financial Statements

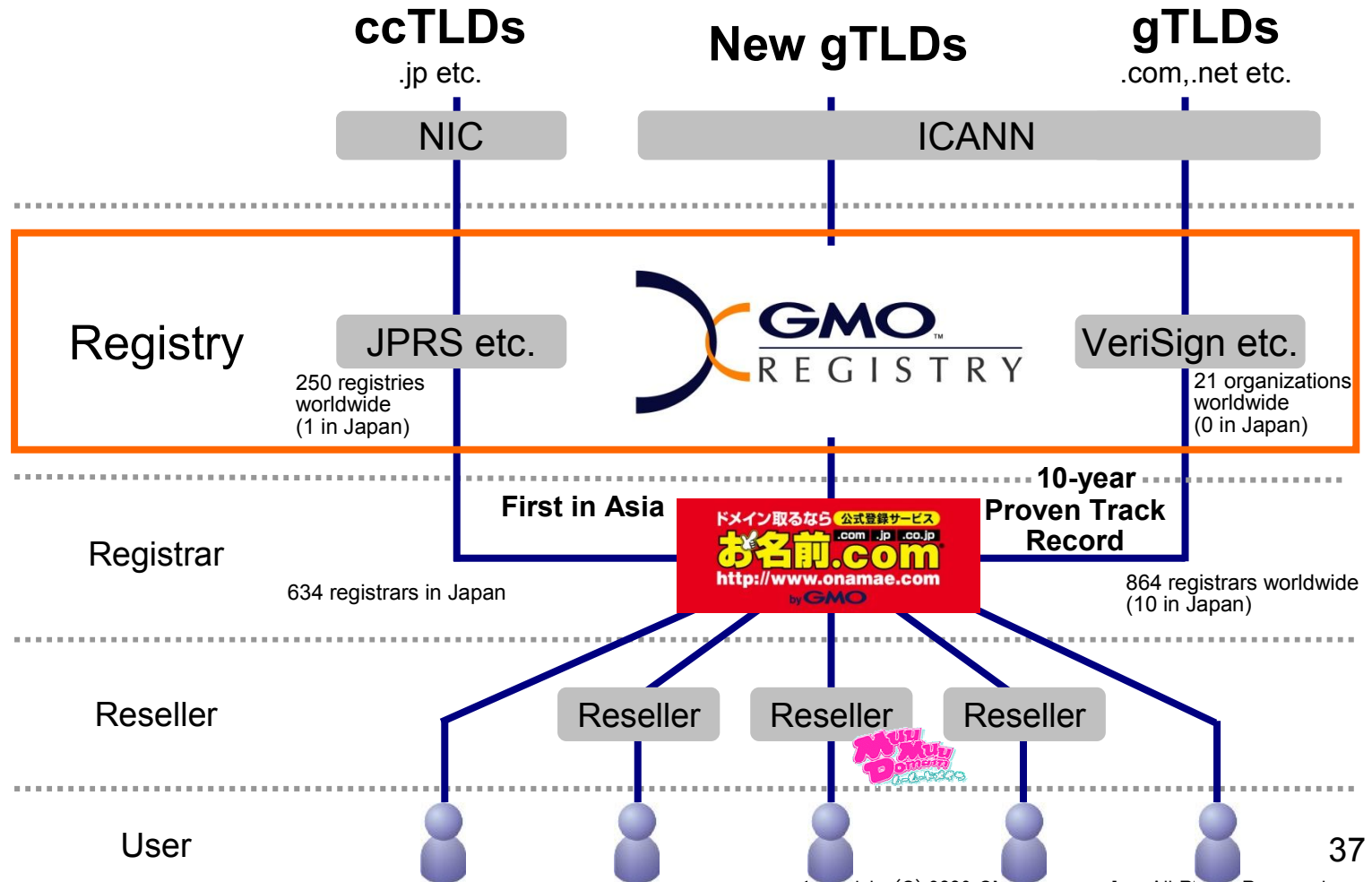
3. Segment Report

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## New company established to launch registry business



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# Web Infrastructure & Internet Media - News

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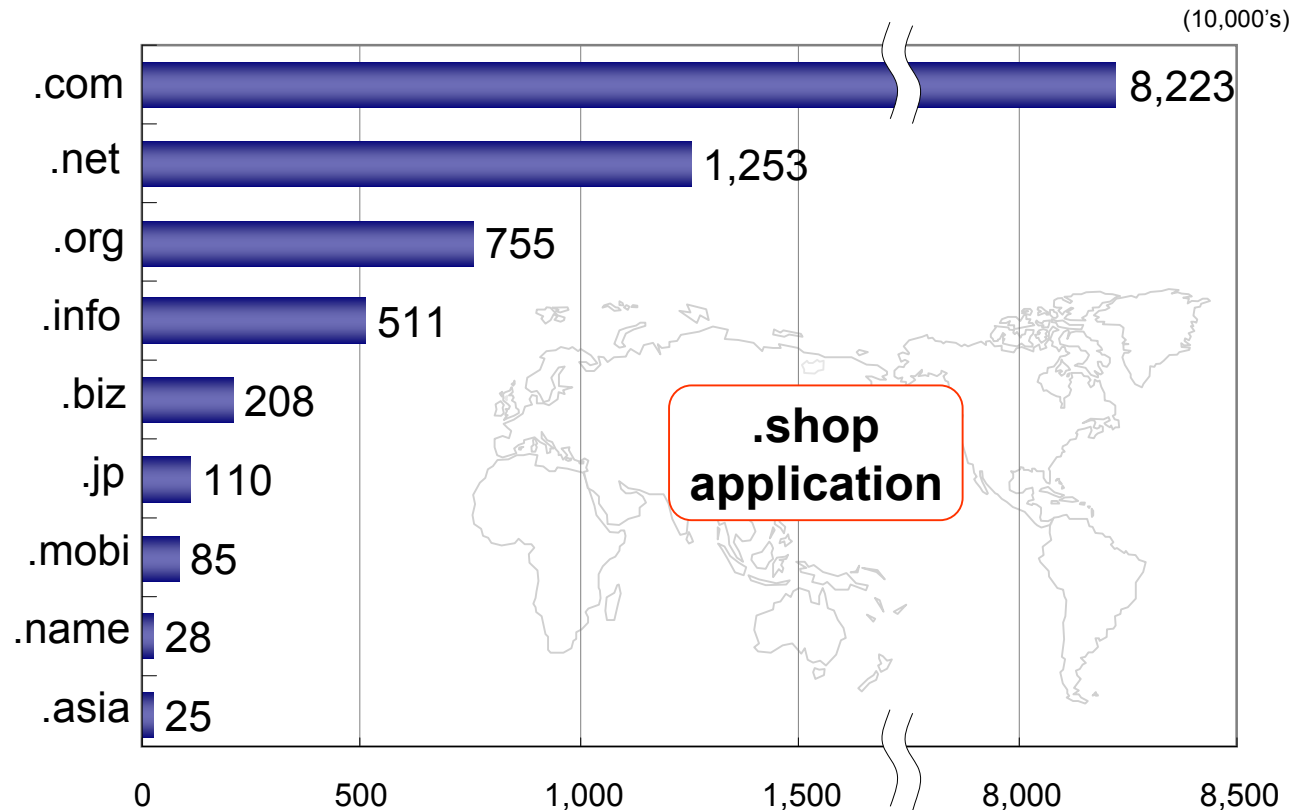
① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

## Industry scale

Registration of Major Top-Level Domains



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\*Based on gTLD registration figures obtained from JPNIC (compiled by GMO Internet)

# Web Infrastructure & Internet Media - News

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Strategy: Progress Report

## New gTLD application and operation services

**Regional Governments**

<http://www.XXX.tokyo>

**Corporations**

<http://www.XXX.gmo>

**Offering greater worldwide brand recognition**

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## 4. Segment Report

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# Internet Media Segment Composition

1. Overview

2. FY 2009 Interim Financial Statements

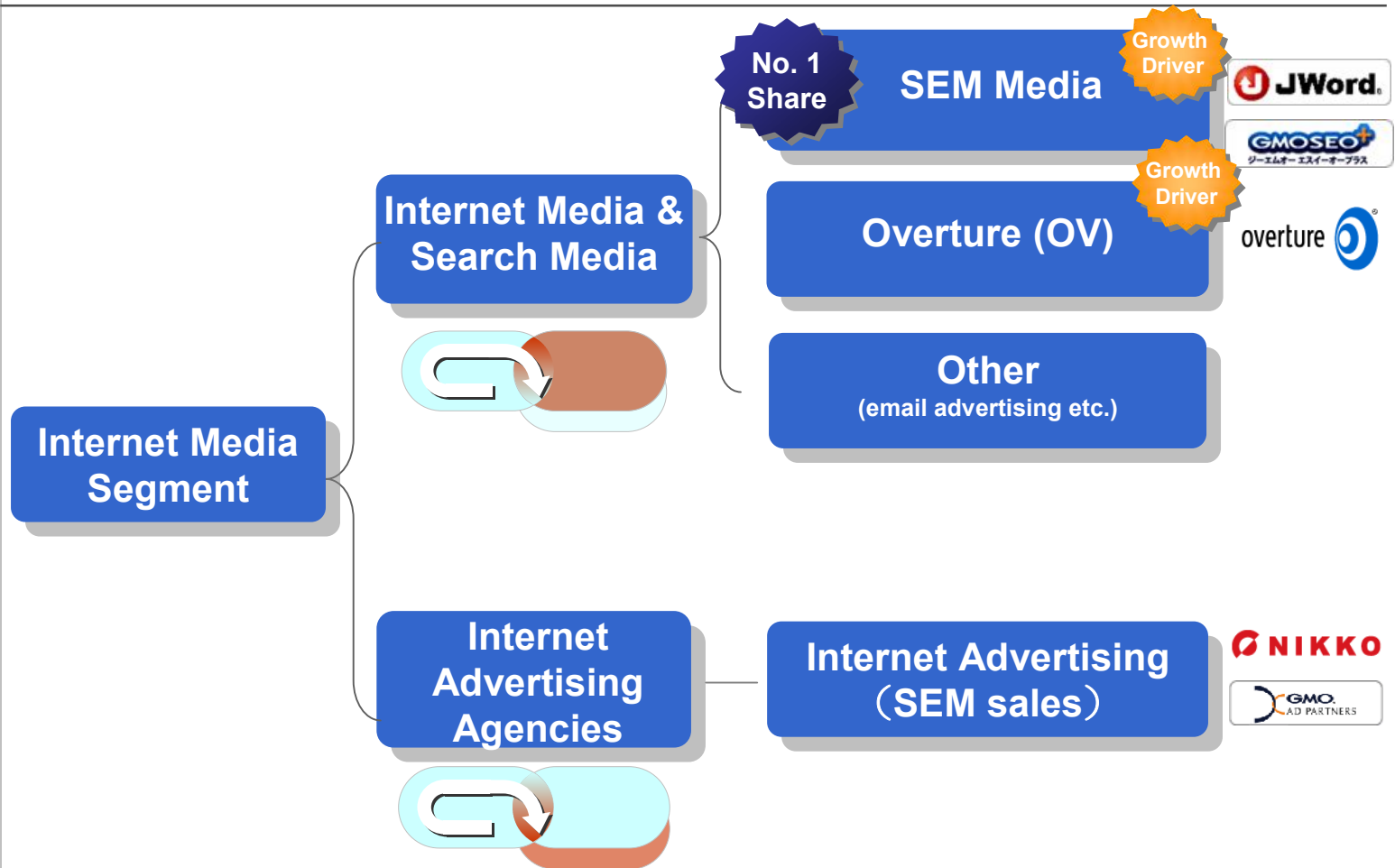
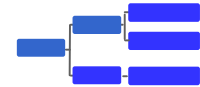
3. Segment Report

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4. FY 2009 Ecommerce Strategy: Progress Report

Internet media & search media driving growth



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# Internet Media Sales (six months ended June 2009)

1. Overview

2. FY 2009 Interim Financial Statements

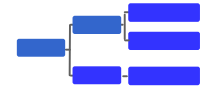
3. Segment Report

① Web Infrastructure & Ecommerce

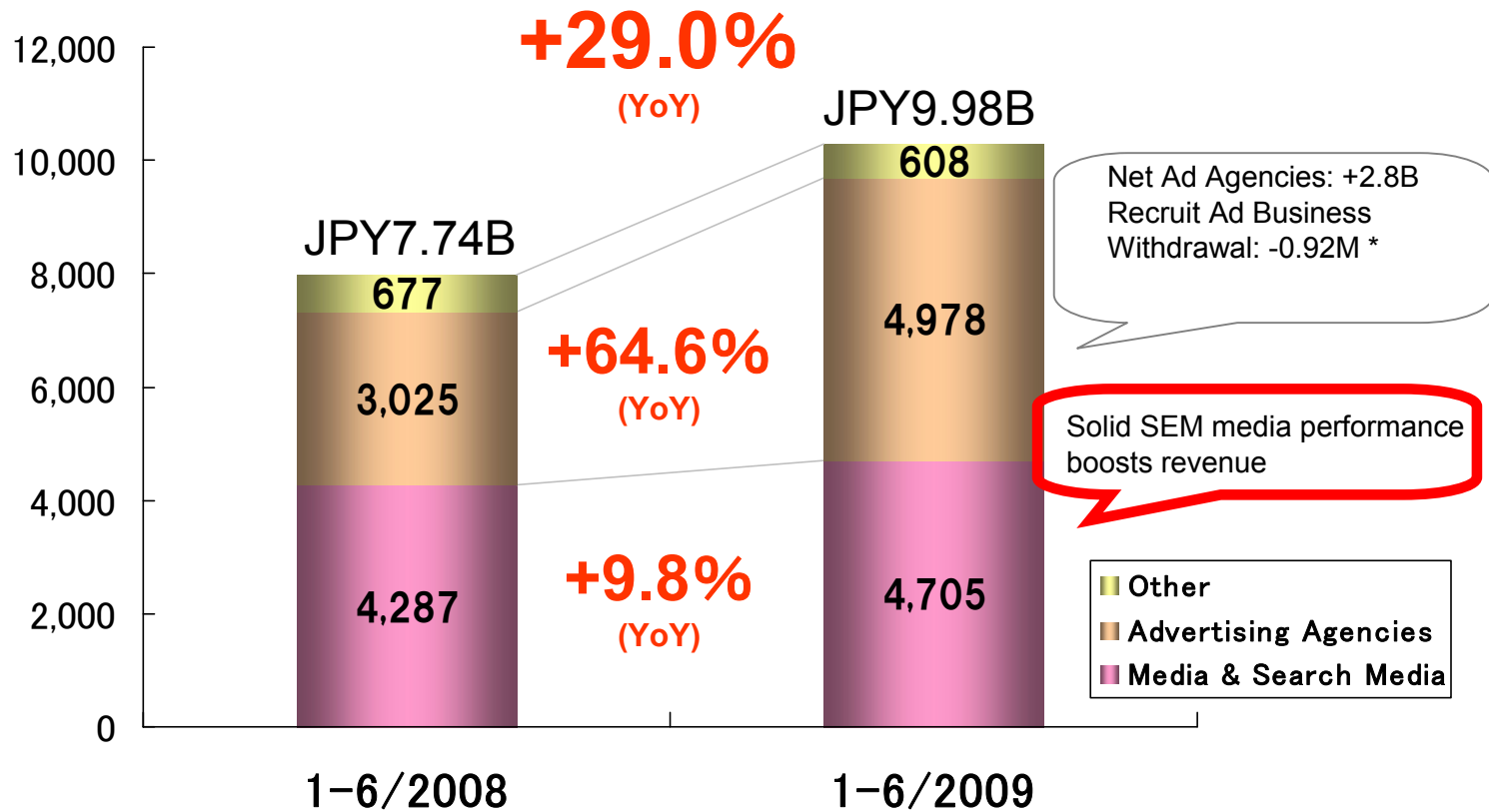
② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

## SEM media driving growth



(JPY millions)



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\*excluding internal transactions 42

# Internet Media OP (six months ended June 2009)

1. Overview

2. FY 2009 Interim Financial Statements

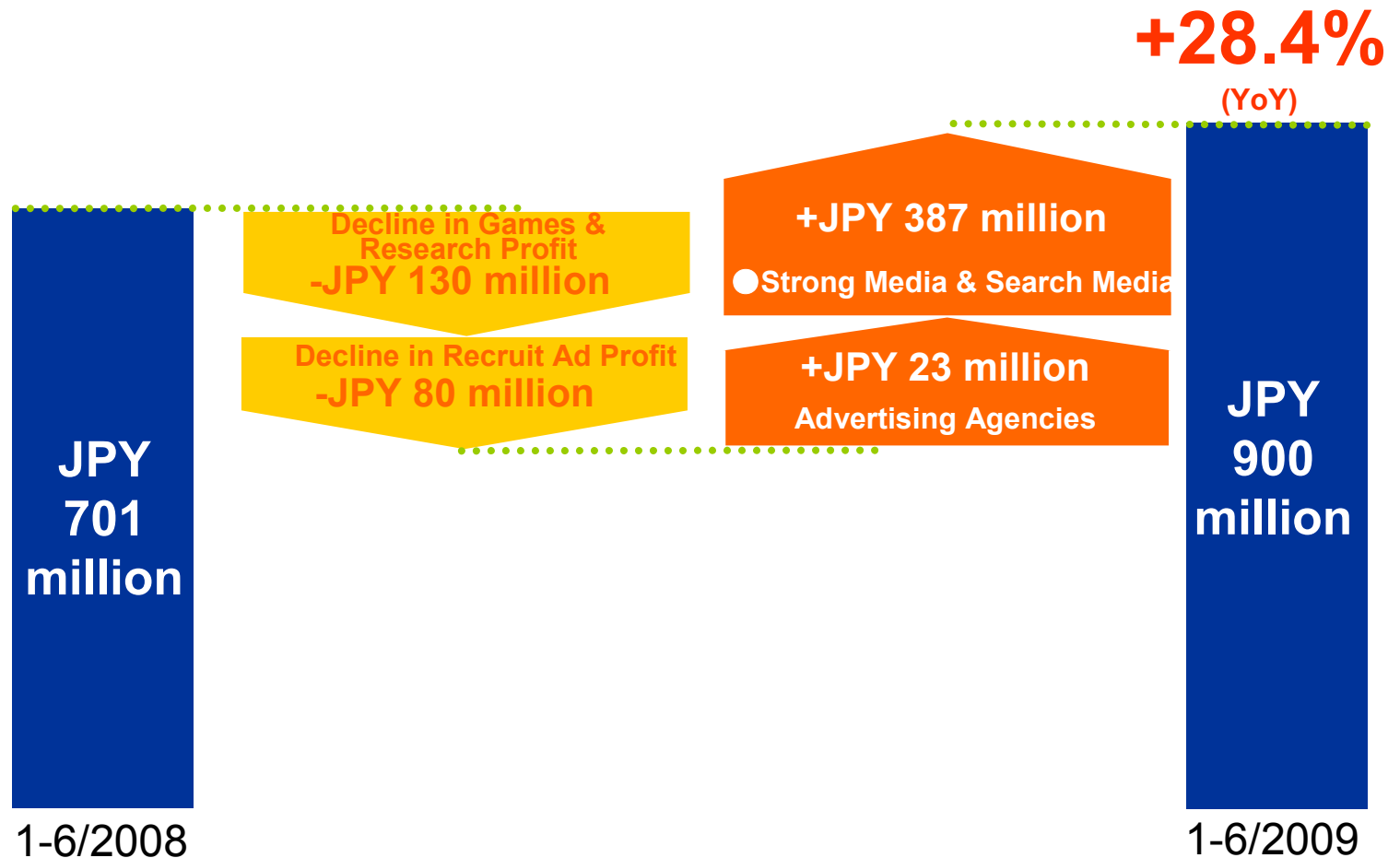
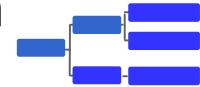
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

Operating profit up 28.4% on strong media and search media performance



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1-6/2008

1-6/2009

# Business Performance – Internet Media Sales (in Q2)

1. Overview

2. FY 2009 Interim Financial Statements

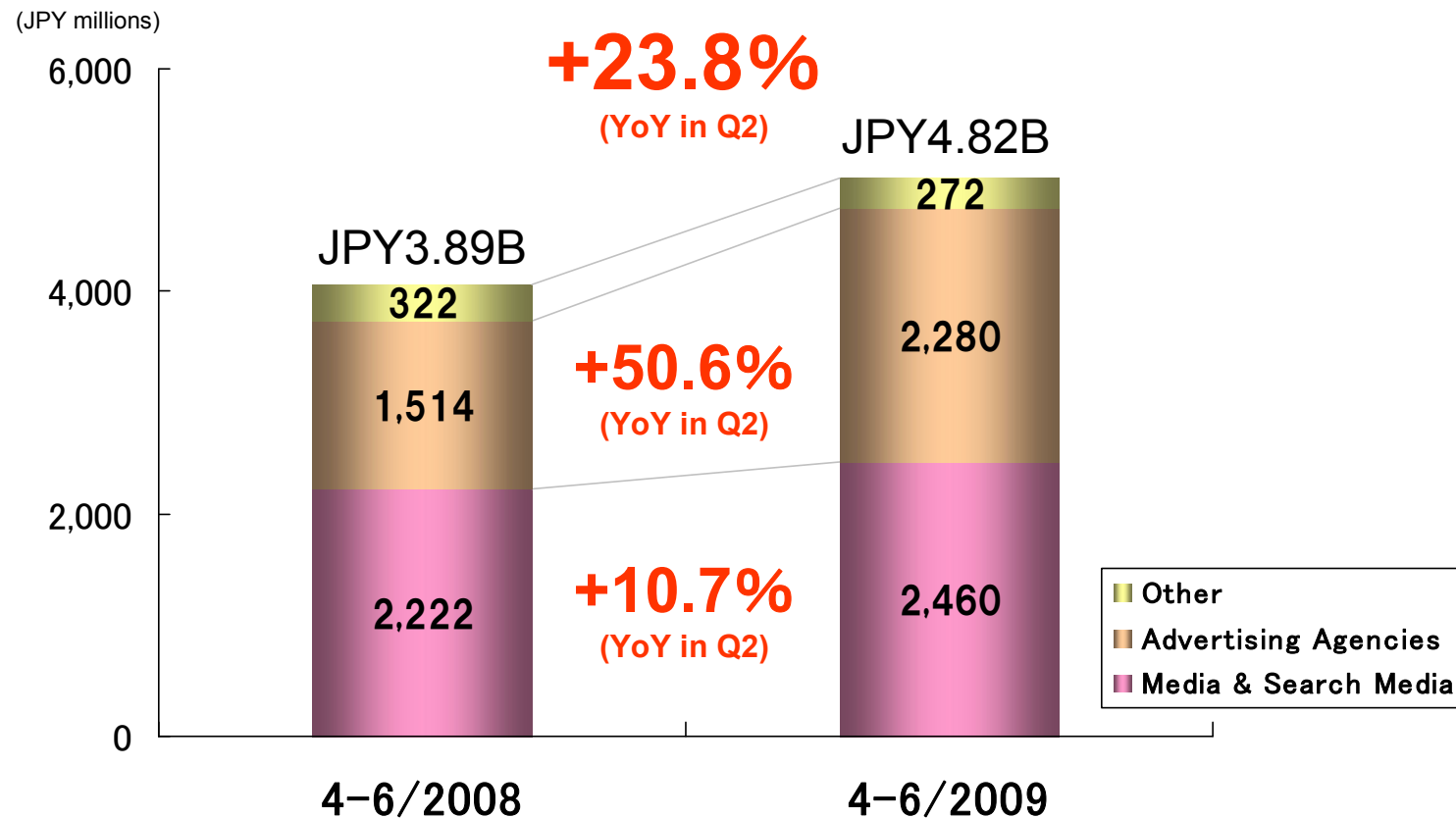
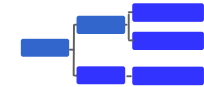
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

Sustained growth in SEM media



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\*excluding internal transactions

# Business Performance – Internet Media OP (in Q2)

1. Overview

2. FY 2009 Interim Financial Statements

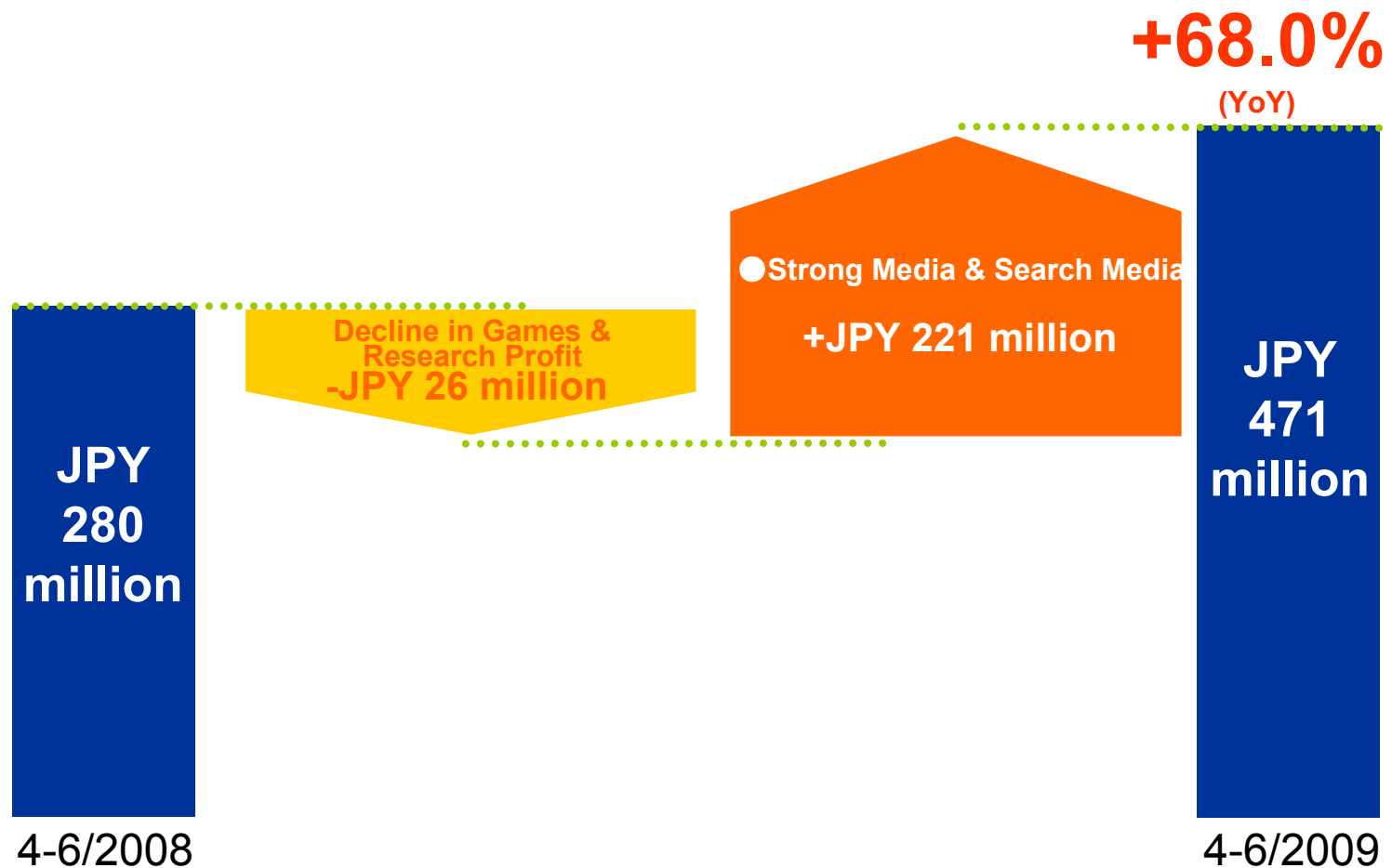
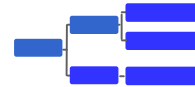
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

Operating profit up 68.0% on strong media and search media performance



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4-6/2008

4-6/2009

# Business Performance – Internet Media Profit by Product

1. Overview

2. FY 2009 Interim Financial Statements

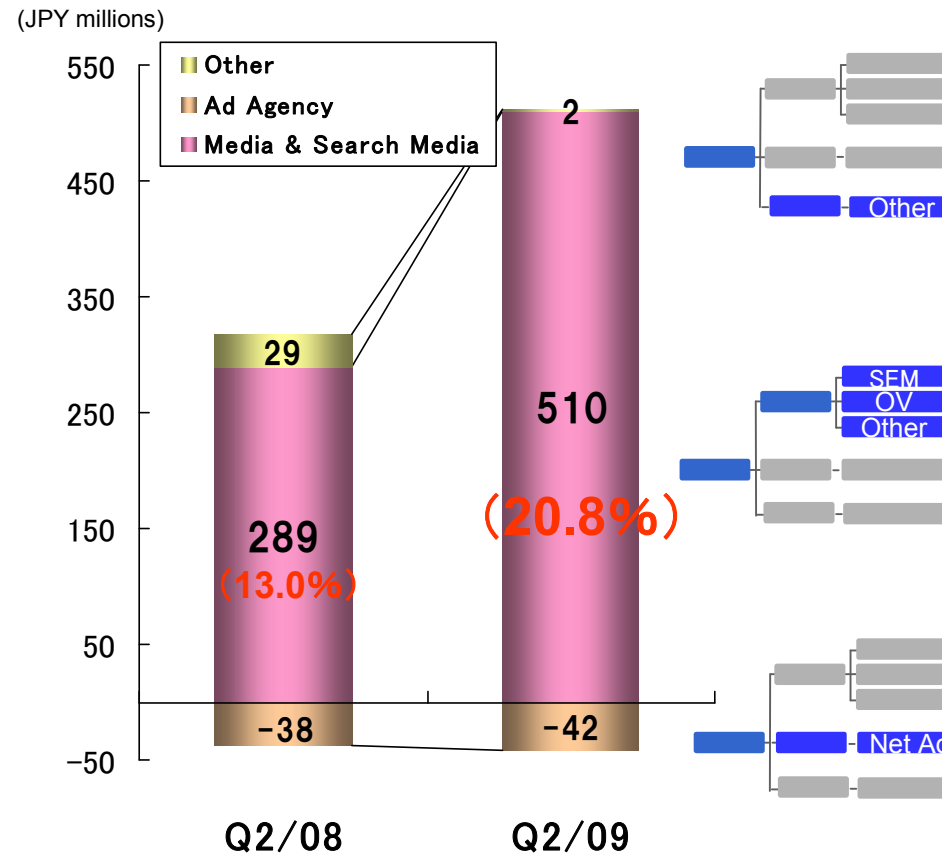
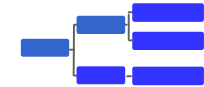
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

Profit ratio up 7.8% on strengthened O&O Media (SEM Media) sales



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# Media & Search Media – Business Performance

1. Overview

2. FY 2009 Interim Financial Statements

3. Segment Report

① Web Infrastructure & Ecommerce

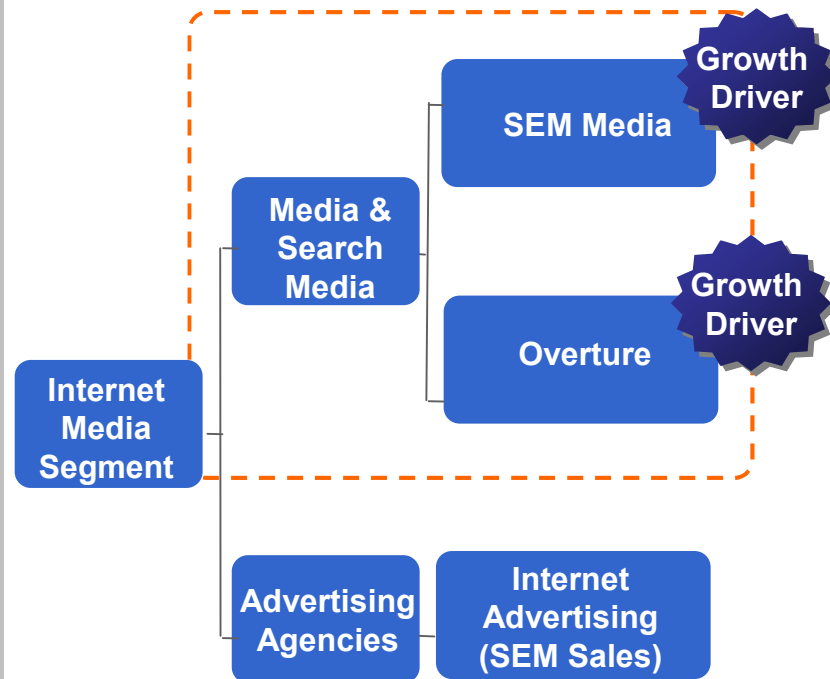
② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

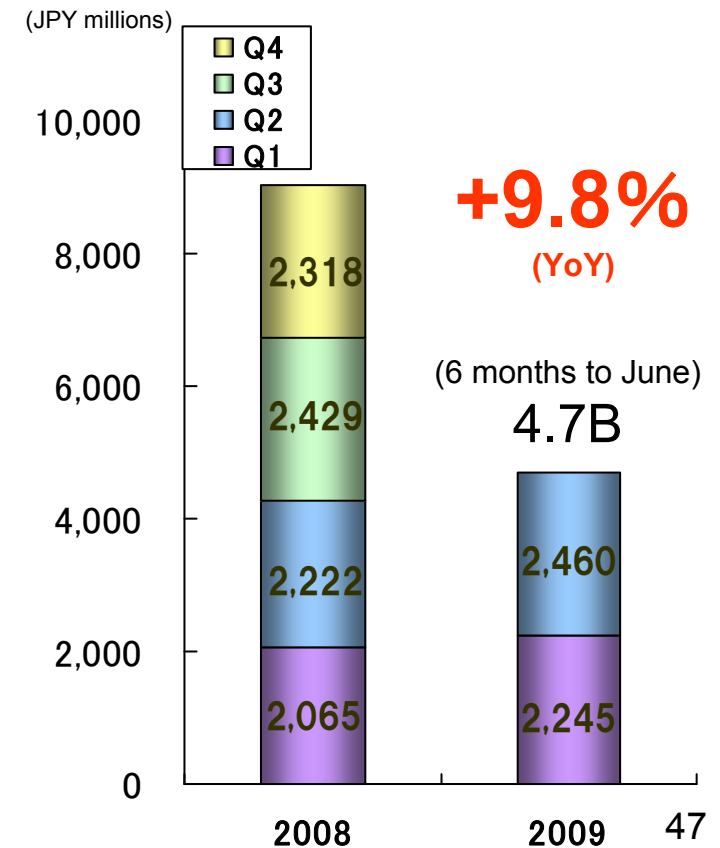
Sales rise 9.8% YoY in first half



## Media Segment Composition



## Sales



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# Overture Business – Key Factors

1. Overview

2. FY 2009 Interim Financial Statements

3. Segment Report

① Web Infrastructure & Ecommerce

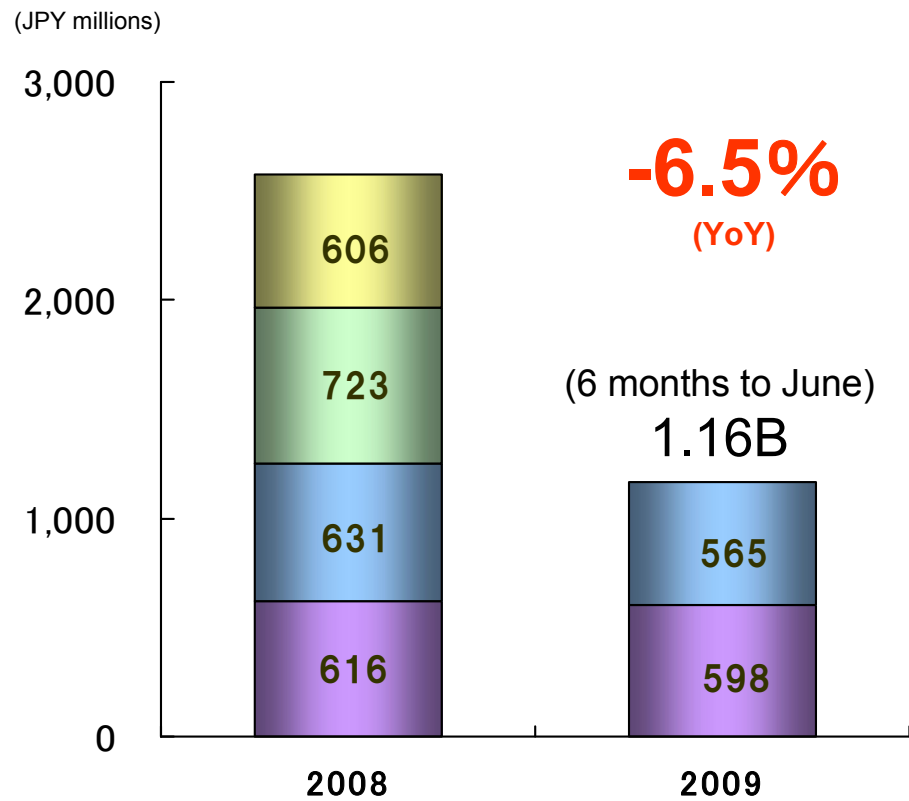
② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

Corporate advertising cutbacks negatively impact sales



## Overture Sales



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# Overture Business – Key Factors

1. Overview

2. FY 2009 Interim Financial Statements

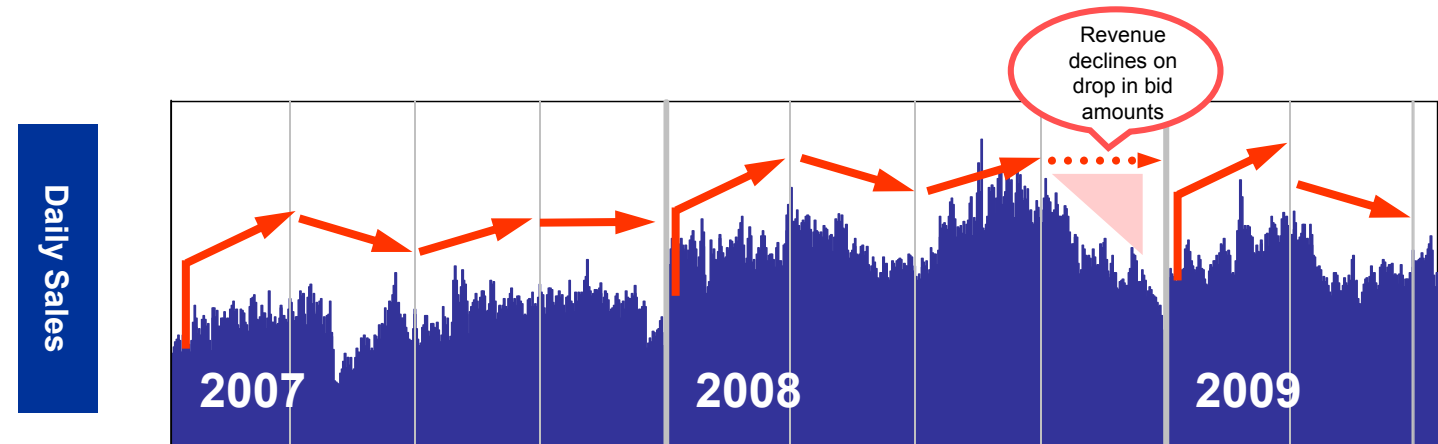
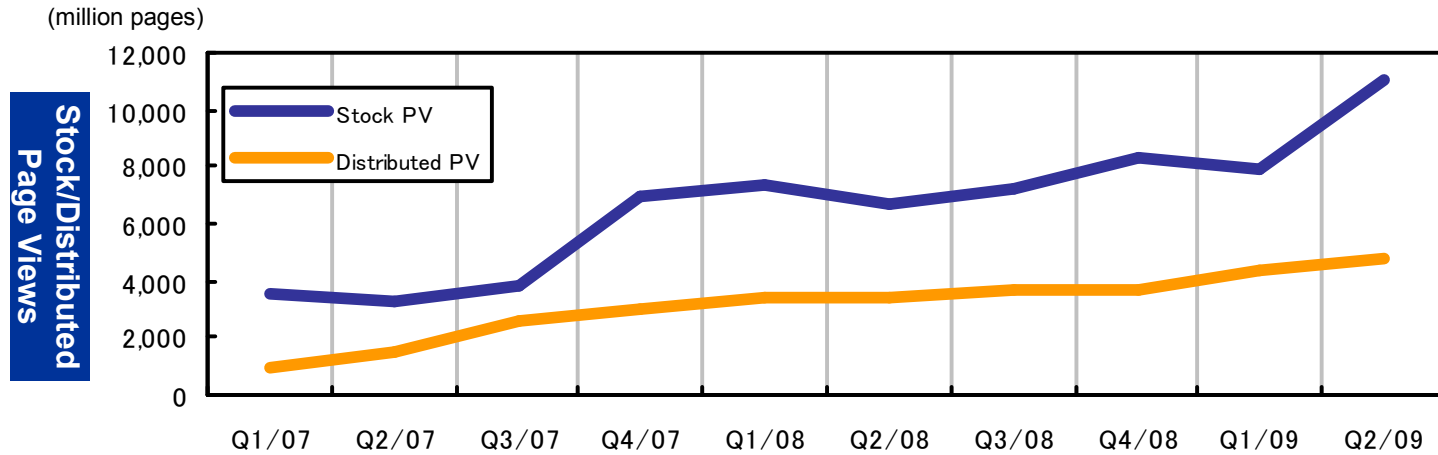
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

## Impact of falling bid amounts



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# SEM Media - Key Factors

1. Overview

2. FY 2009 Interim Financial Statements

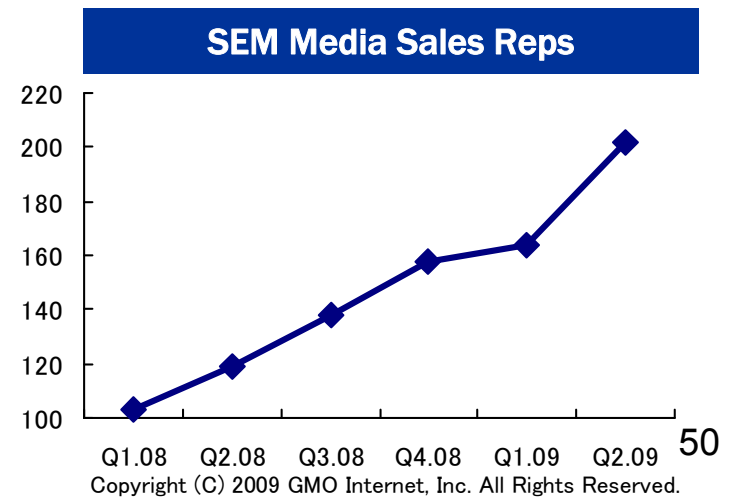
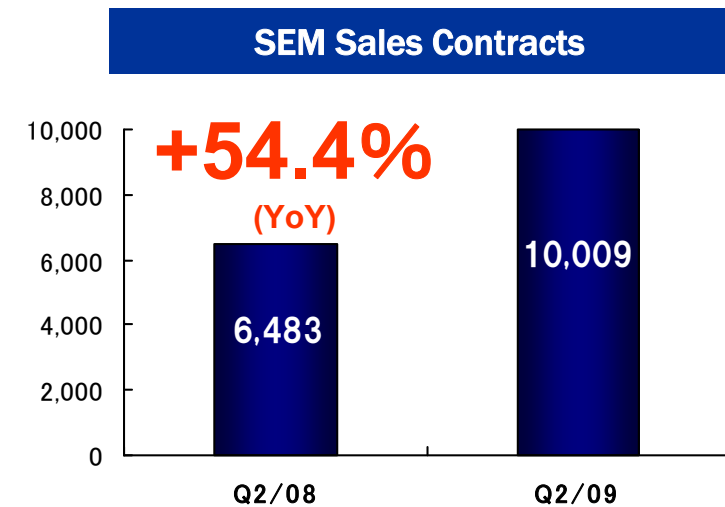
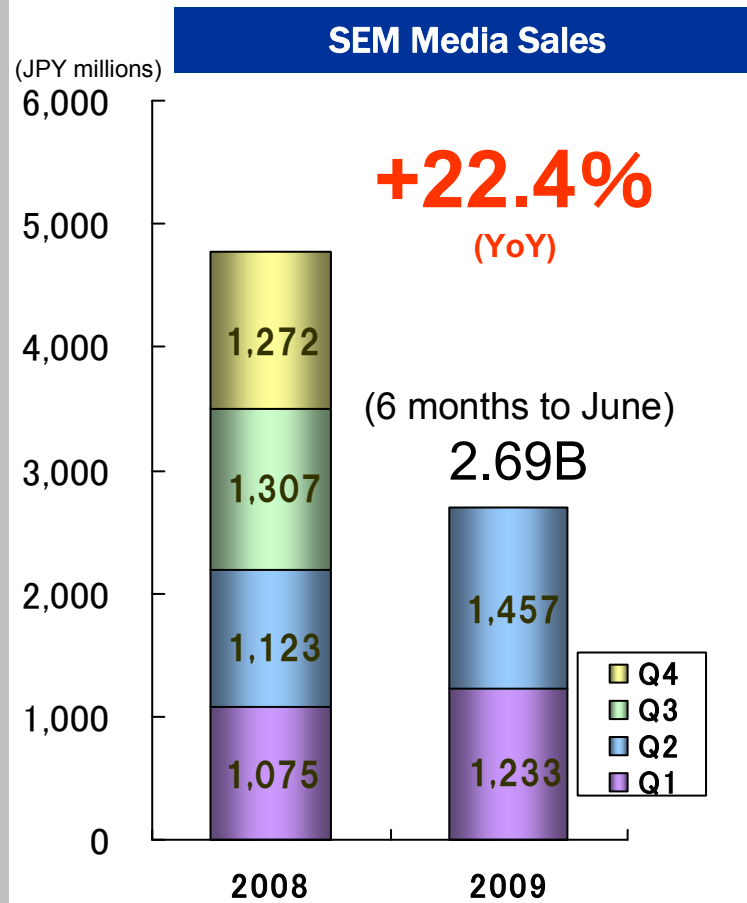
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

Continued build up of SEO sales



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# SEO – Key Factors

1. Overview

2. FY 2009 Interim Financial Statements

3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

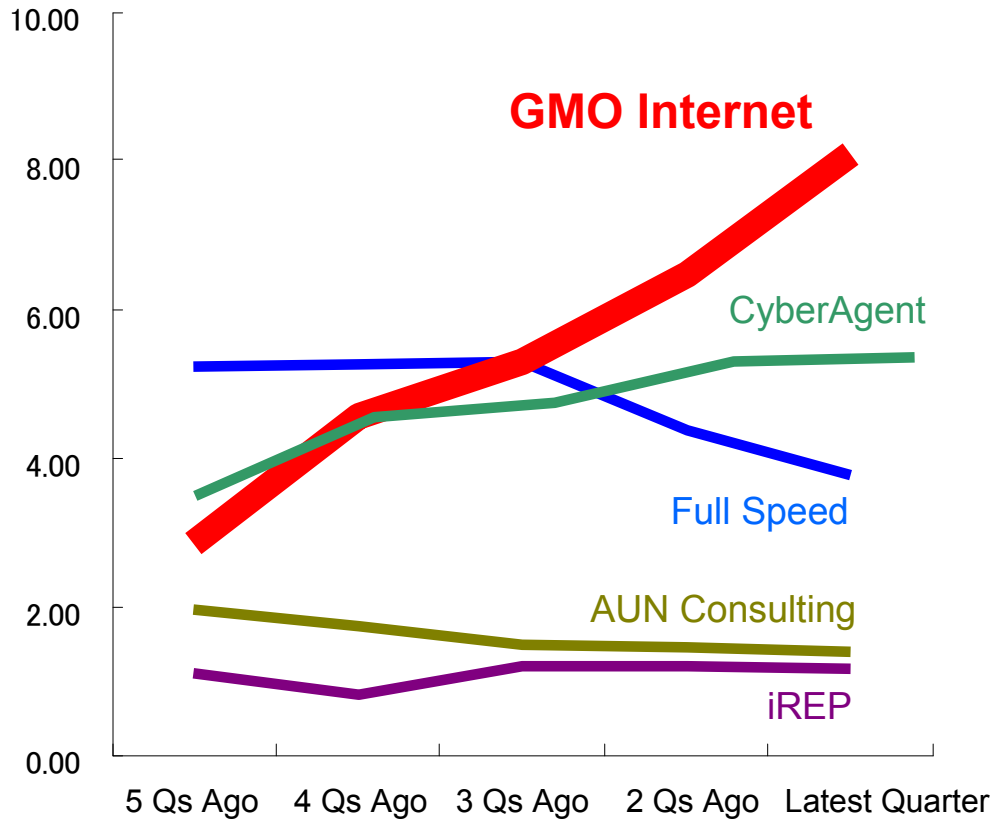
4. FY 2009 Ecommerce Strategy: Progress Report

## Highest Net SEO Sales in the Industry



### SEO Sales Comparison\*

\*Excluding affiliate sites



**No.1  
SEO Sales**

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1. Overview

2. FY 2009 Interim  
Financial Statements

3. Segment Report

① Web Infrastructure  
& Ecommerce

② Internet Media

4. FY 2009 Ecommerce  
Strategy: Progress Report

# 4. FY 2009 Ecommerce Strategy: Progress Report

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# Ecommerce Store Contracts - Competitor Comparison

1. Overview

2. FY 2009 Interim Financial Statements

3. Segment Report

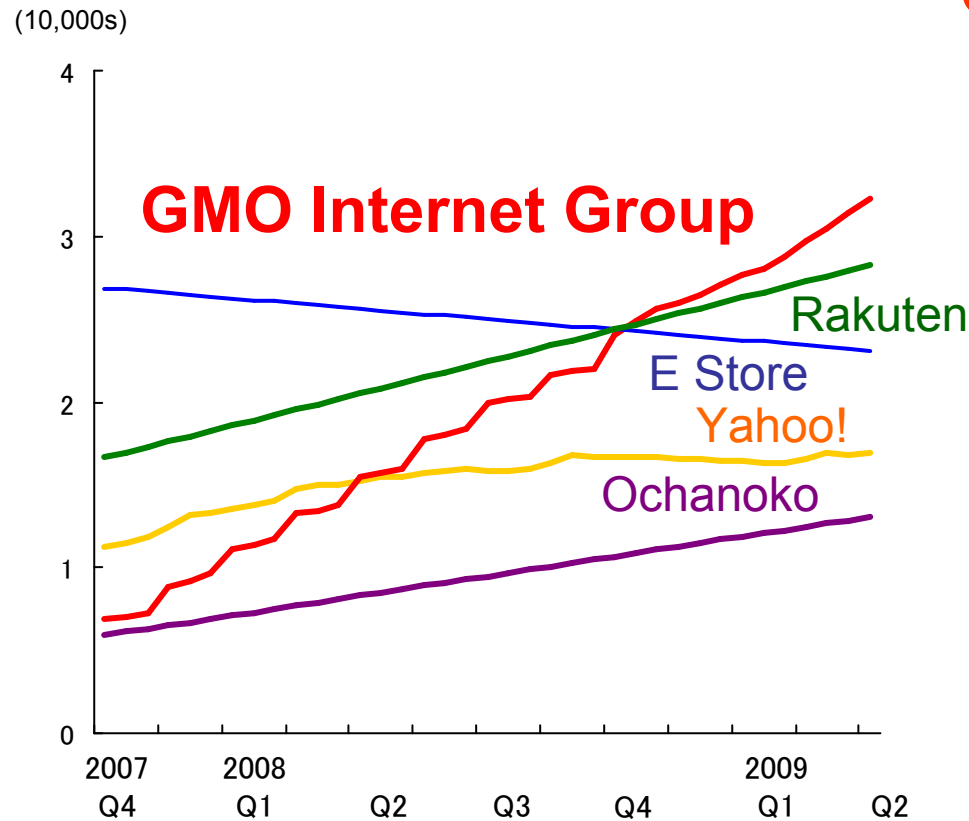
① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

## Ecommerce Competitor Comparison

Approx.  
**34,000 Stores**



**Leading the industry in shopping cart contracts**

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\*No. of merchant contracts (ex. OEM)

\*Chart compiled by GMO Internet using documents obtained from the respective company website.

# Ecommerce Business Parameters

1. Overview






2. FY 2009 Interim  
Financial Statements

3. Segment Report

① Web Infrastructure  
& Ecommerce

② Internet Media

4. FY 2009 Ecommerce  
Strategy: Progress Report

			Total
<b>Stores</b> 	22,000	11,000	<b>34,000</b>
<b>Value of Orders</b>  (Quarterly)	JPY10.5B	JPY9.8B	<b>JPY 20.3B</b>
<b>No. of Orders</b>  (Quarterly)	1.09M	660,000	<b>1.75M</b>

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(As of second quarter 2009)

(All figures rounded down)

# Ecommerce Road Map

1. Overview

2. FY 2009 Interim Financial Statements

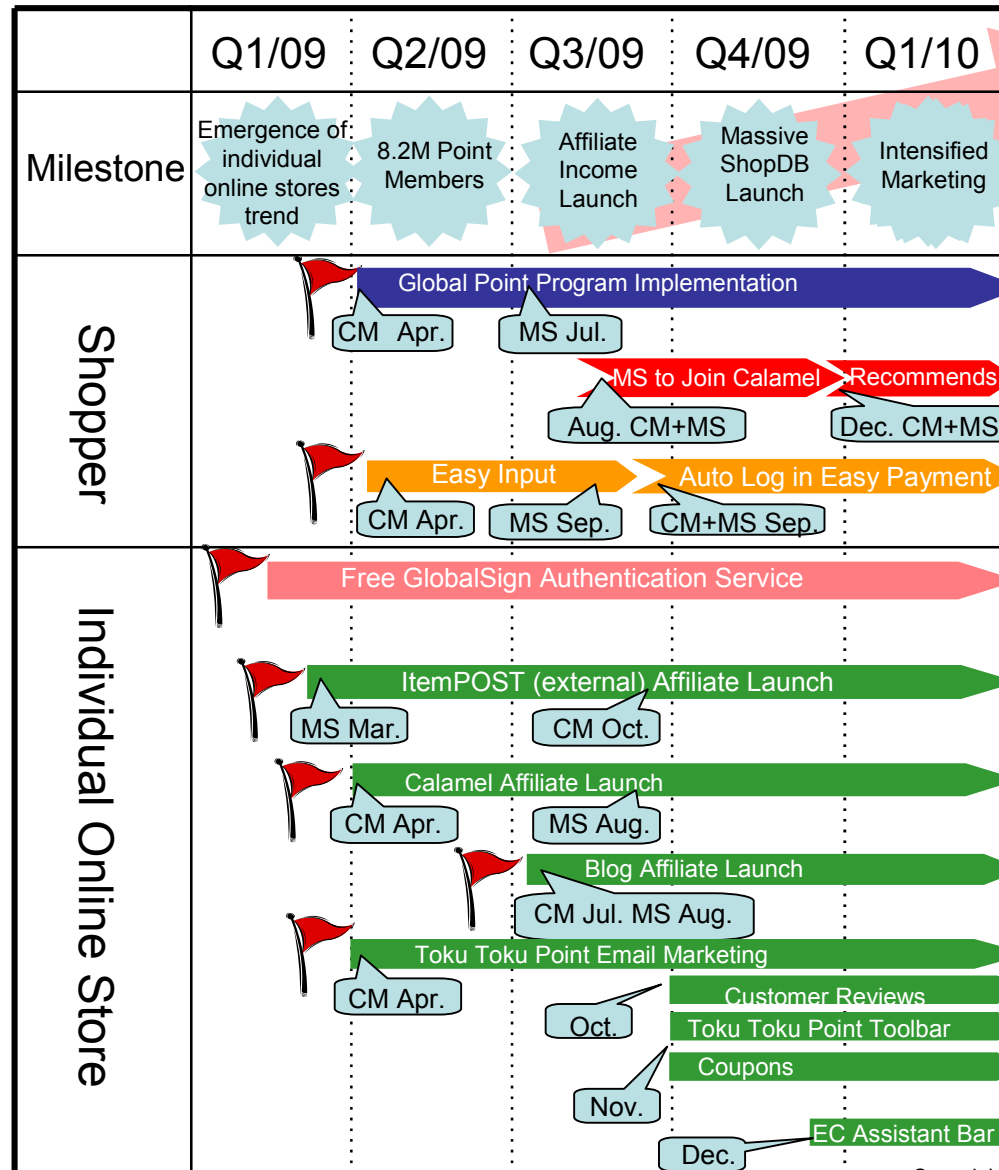
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

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: service launch  
 CM: ColorMeShop  
 MS: MakeShop

**GMO Toku Toku Point Launch**

**Database Integration / Purchase History-based Product Recommend**

**Easy Log in for all Stores**

**Business Authentication for Peace of Mind**

**Intensified Marketing**

8.7 million emails  
 JWord  
 Blogs  
 Reviews, Word of mouth  
 etc.

# Internet for Everyone

- The “Internet Department” to Japan! -

