

Fiscal Year 2009 Results Presentation

February 10, 2010

GMO Internet, Inc.

(TSE First Section: 9449)

Internet for Everyone

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

1

About the Use of this Document

This document includes projections based on expectations, premises and plans as of February 10, 2010. 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

Part 1: FY 2009 Performance Report

- 1. Overview**
- 2. FY 2009 Financial Statements**
- 3. Segment Report**
 - ① Web Infrastructure & Ecommerce
 - ② Internet Media

Part 2: Growth Strategy & Business News

Part I: FY 2009 Performance Report

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1. Overview

2. Financial Statements

3. Segment Report

① Web Infrastructure &
Ecommerce

② Internet Media

4. Growth Strategy

1. Overview

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Overview

1. Overview

2. Financial Statements

3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. Growth Strategy

FY 2009 Financial Statements

- Operating, ordinary profits **both meet initial targets.**
- Expected disposal loss on investment real estate recorded. **Healthier balance sheet.**
- **Media** segment reaches sales over **¥20 billion**, outperforms infrastructure segment.

2010 Forecasts and Strategy

- **11.8%** operating profit growth expected.
- Continued focus on ecommerce solutions.
- Growth area initiatives (social apps/cloud).

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Overview

1. Overview

2. Financial Statements

3. Segment Report

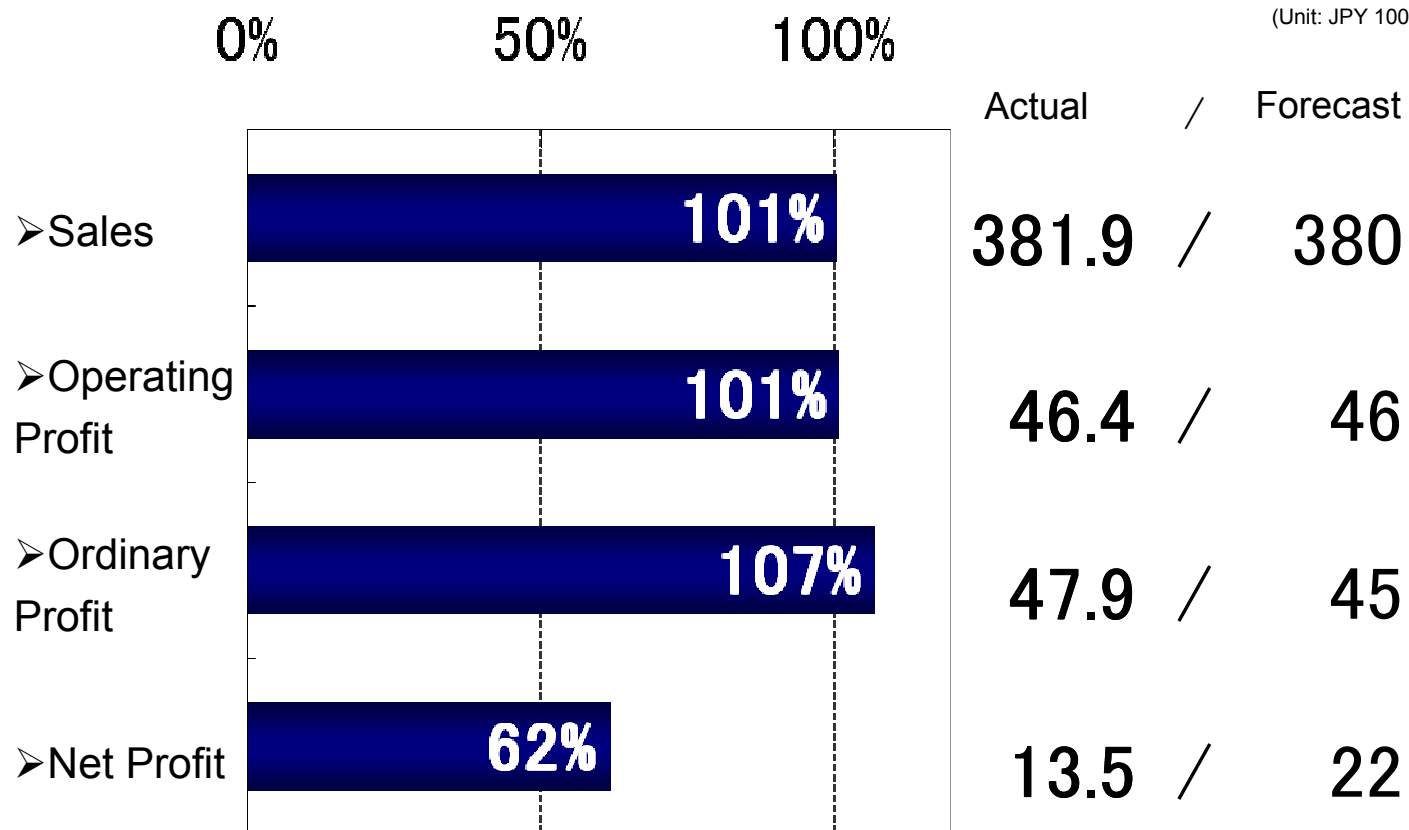
① Web Infrastructure & Ecommerce

② Internet Media

4. Growth Strategy

1. Full Year to Results as % of Forecasts

(Unit: JPY 100 millions)



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On target to payout forecast **4 yen end-of-term** dividend.

Overview

1. Overview

2. Financial Statements

3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. Growth Strategy

2. P/L Year-on-Year Comparison

(Unit: JPY 100 millions)	1-12/2008	1-12/2009	Change
➤ Sales	372.4	381.9	+2.5%
➤ Operating Profit	41.4	46.4	+12.2%
➤ Ordinary Profit	40.3	47.9	+19.0%
➤ Net Profit	21.1	13.5	-35.9%

Record Profits

(Unit: JPY 100 millions)	10-12/2008	10-12/2009	Change
➤ Sales	100.8	95.3	-5.4%
➤ Operating Profit	10.2	11.2	+9.8%
➤ Ordinary Profit	10.5	11.3	+7.3%
➤ Net Profit	2.1	-4.9	—

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Overview

1. Overview

2. Financial Statements

3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. Growth Strategy

3. 2010 Results Forecasts

(Unit: JPY 100 millions)	2008 (Actual)	2009 (Actual)	2010 (Forecast)	Change
➤ Sales	372.4	381.9	420.0	+10.0%
➤ Operating Profit	41.4	46.4	52.0	+11.8%
➤ Ordinary Profit	40.3	47.9	49.0	+2.1%
➤ Net Profit	21.1	13.5	20.0	+47.7%

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1. Overview

2. Financial Statements

3. Segment Report

① Web Infrastructure &
Ecommerce

② Internet Media

4. Growth Strategy

2. FY 2009 Financial Statements

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Consolidated P/L

1. Overview

2. Financial Statements

3. Segment Report

①Web Infrastructure & Ecommerce

②Internet Media

4. Growth Strategy

Operating profit ratio continues to improve

(Unit: JPY millions)	1-12/2008 (Actual)	1-12/2009 (Actual)	1-12/2010 (Forecast)	10-12/2008	10-12/2009	YoY Change
Sales	37,247	38,195	42,000	10,083	9,538	-5.4%
Cost of Sales	18,197	17,324	—	5,229	4,365	
SGA	14,906	16,220	—	3,826	4,045	
Operating Profit	4,143	4,649	5,200	1,027	1,127	+9.8%
Operating Profit Ratio	11.1%	12.2%	12.4%	10.2%	11.8%	
Non-Operating Revenue	592	546		184	119	
Non-Operating Expenses	704	398		154	112	
Ordinary Profit	4,031	4,797	4,900	1,057	1,135	+7.3%
Extraordinary Profit	497	593	—	12	537	
Extraordinary Loss	973	1,768	—	804	1,651	
Corporate Tax etc.	1,104	1,434	—	176	329	
Minority Equity	340	832	—	-129	184	
Net Profit	2,111	1,354	2,000	219	-492	—

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Sales/OP by Segment (twelve months to December)

1. Overview

2. Financial Statements

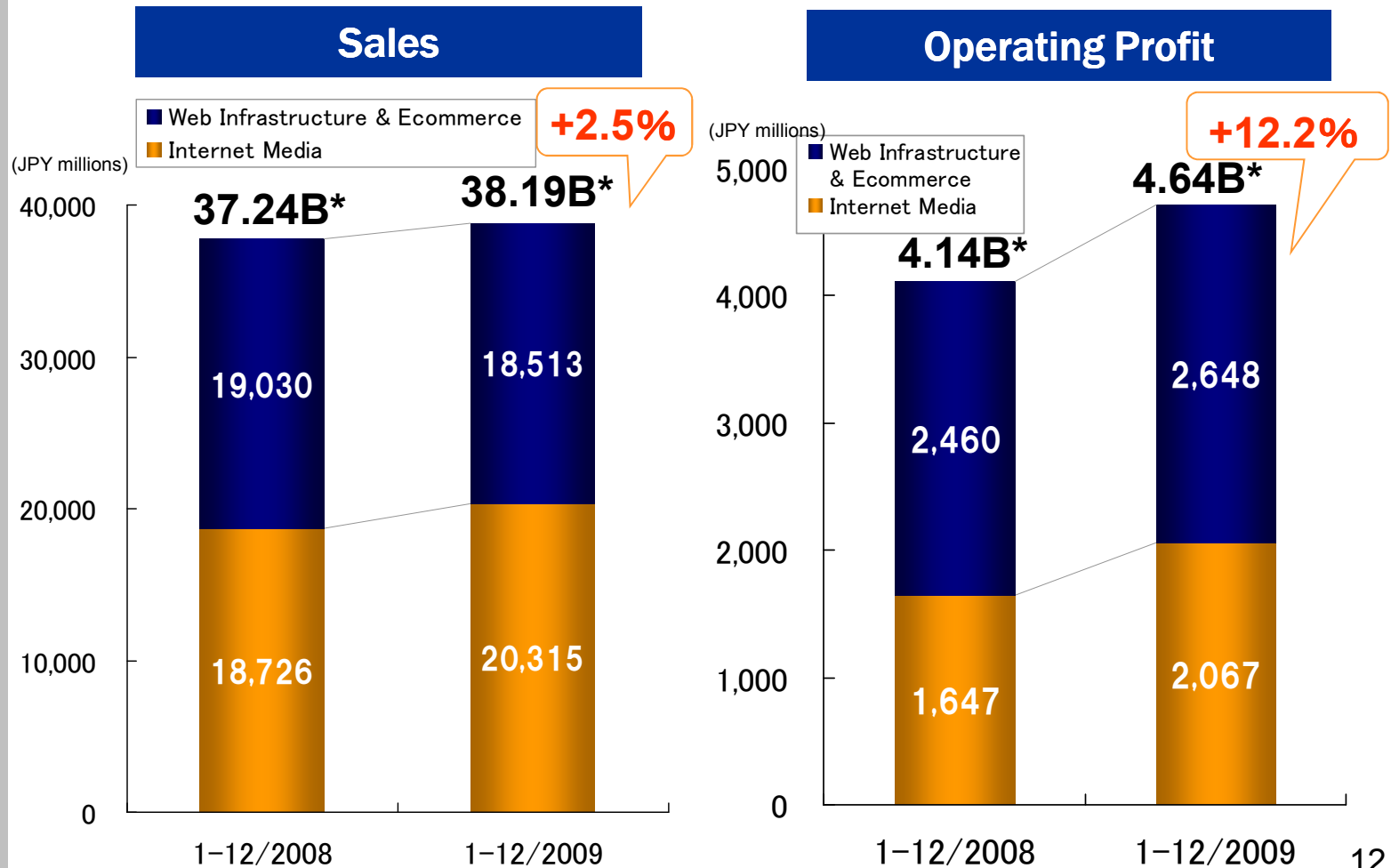
3. Segment Report

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② Internet Media

4. Growth Strategy

Media segment achieves revenue over JPY20B in revenue, outperforms Infrastructure



*After adjustment for inter-segment transactions

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Sales/OP by Segment (three months to December)

1. Overview

2. Financial Statements

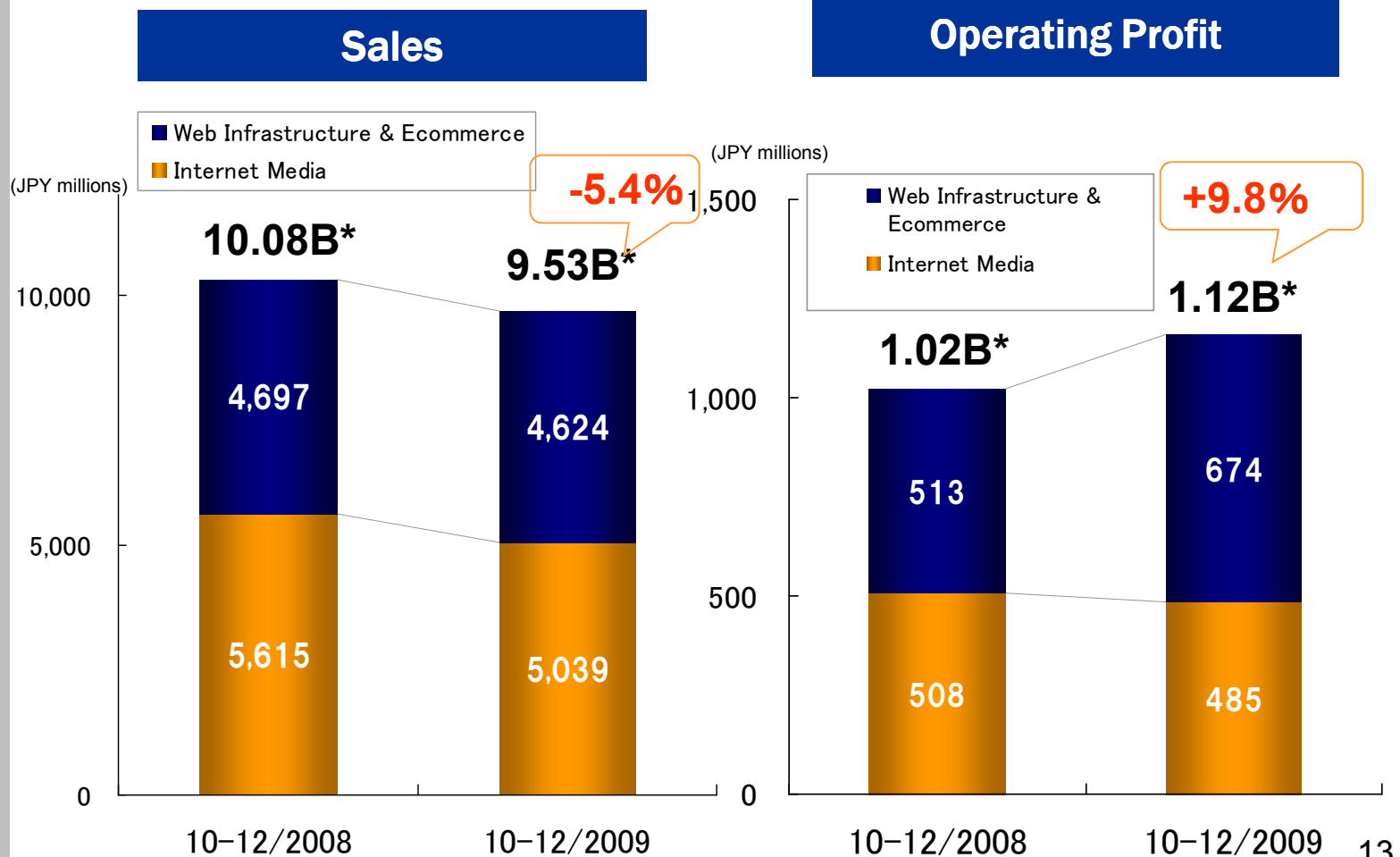
3. Segment Report

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② Internet Media

4. Growth Strategy

Double digit growth as strong security business offsets dip in advertising agencies



*After adjustment for inter-segment transactions

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Consolidated Balance Sheet

1. Overview

2. Financial Statements

3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. Growth Strategy

Significant reduction in goodwill and investment real estate

(JPY millions)	End of Sep. 2009	End of Dec. 2009	QoQ Change
Current Assets	26,841	28,739	+1,897
(Cash & deposits)	19,900	20,891	+991
Fixed Assets	13,627	12,183	-1,444
(Goodwill)	1,489	1,188	-301
(Software)	1,987	1,884	-102
(Investment real estate)	4,435	2,964	-1,470
(Investment securities)	679	683	+3
Total Assets	40,469	40,922	+453
Total Liabilities	25,958	26,777	+819
(Interest bearing liabilities)	12,752	12,107	-644
Net Assets (minority equity portion)	14,511(7,003)	14,145(7,093)	-366(+89)
Shareholders' Equity (earned surplus portion)	7,505(6,564)	7,047(5,891)	-457(-672)
(Shareholders' equity ratio)	18.5%	17.2%	-1.3%
Total Liabilities / Net Assets	40,469	40,922	+453

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Consolidated Balance Sheet

1. Overview

2. Financial Statements

3. Segment Report

① Web Infrastructure & Ecommerce

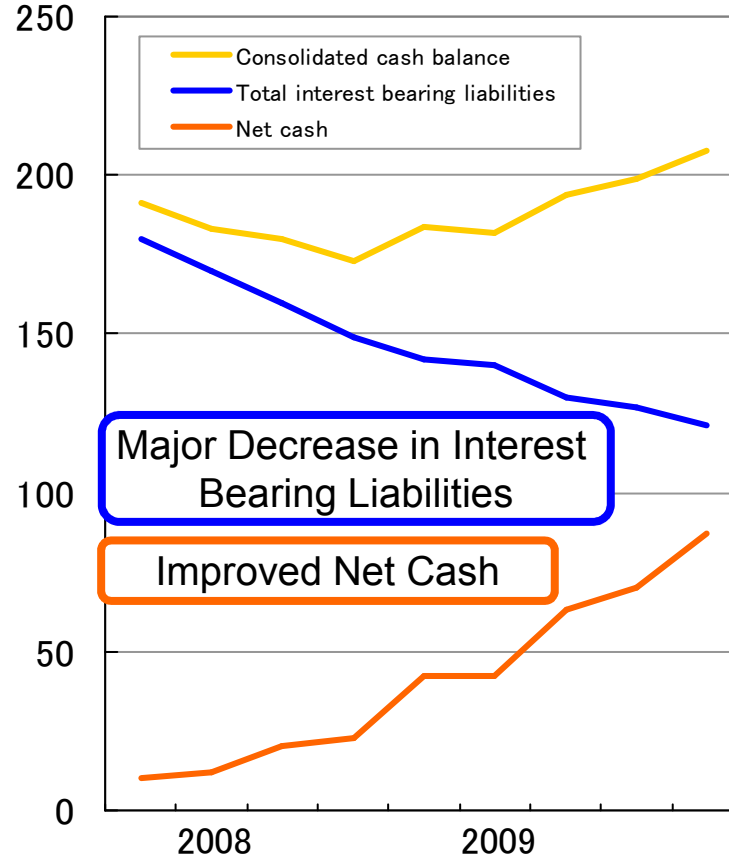
② Internet Media

4. Growth Strategy

Continued focus on improved financial stability

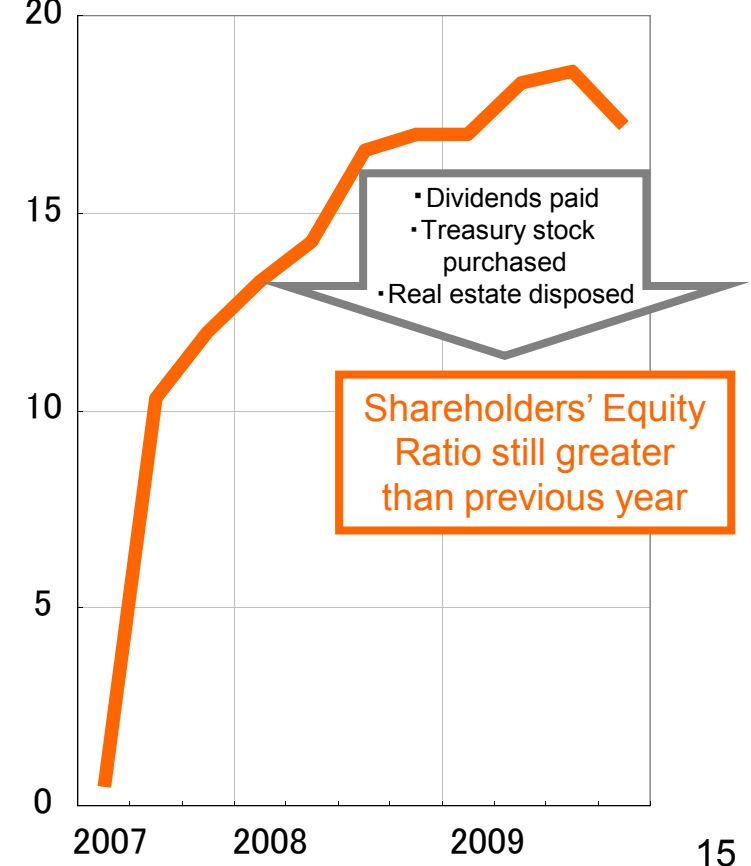
Interest Bearing Liabilities and Net Cash

(JPY hundred millions)



Shareholders' Equity Ratio (by Quarter)

(%)



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Consolidated C/F

1. Overview

2. Financial Statements

3. Segment Report

①Web Infrastructure & Ecommerce

②Internet Media

4. Growth Strategy

JPY7.1 billion operating cash flow generated

(Unit: JPY millions)	1-12/2009
Cash Flow from Operating Activities	7,158
Cash Flow from Investing Activities	-1,411
Cash Flow from Financing Activities	-3,518
Change in Cash and Equivalents	2,240
Balance of Cash and Equivalents	20,723

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1. Overview

2. Financial Statements

3. Segment Report

① Web infrastructure
& Ecommerce

② Internet Media

4. Growth Strategy

3. Segment Report

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Business Segments

1. Overview

2. Financial Statements

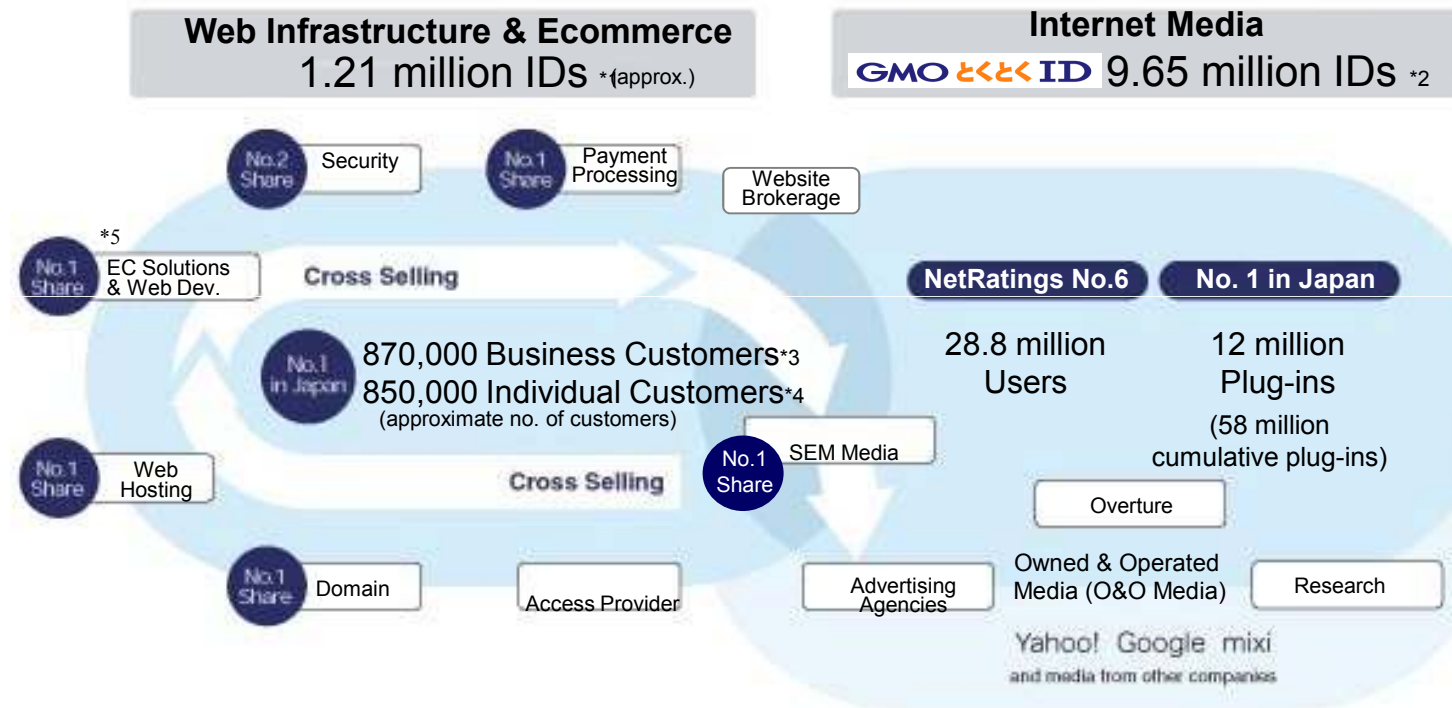
3. Segment Report

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② Internet Media

4. Growth Strategy

Management resources concentrated in two business areas. Our operations support the information delivery and net businesses of 1.73 million customers (*7).



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. Approximately 71,000 Internet access provider business customers not included in the above figures
- *7. Paying members only

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Web Infrastructure & Ecommerce Segment Contracts

1.73 million contracts: leading Japanese Internet infrastructure services provider

1. Overview

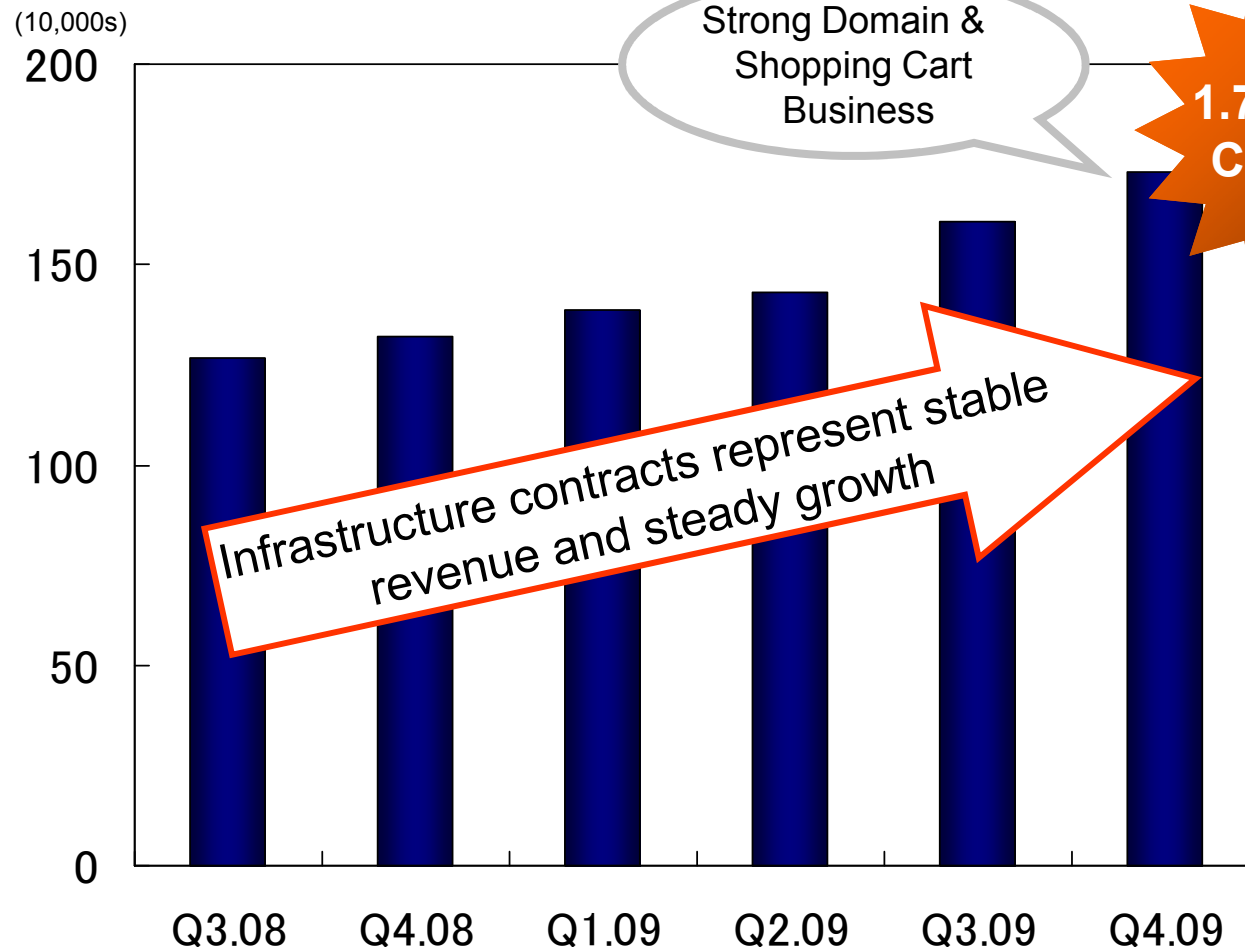
2. Financial Statements

3. Segment Report

① Web infrastructure & Ecommerce

② Internet Media

4. Growth Strategy



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*Approximately 71,000 Internet access provider business customers not included in this chart.

1. Overview

2. Financial Statements

3. Segment Report

① Web Infrastructure
& Ecommerce

② Internet Media

4. Growth Strategy

3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

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Web Infrastructure & Ecommerce - Segment Composition

1. Overview

2. Financial Statements

3. Segment Report

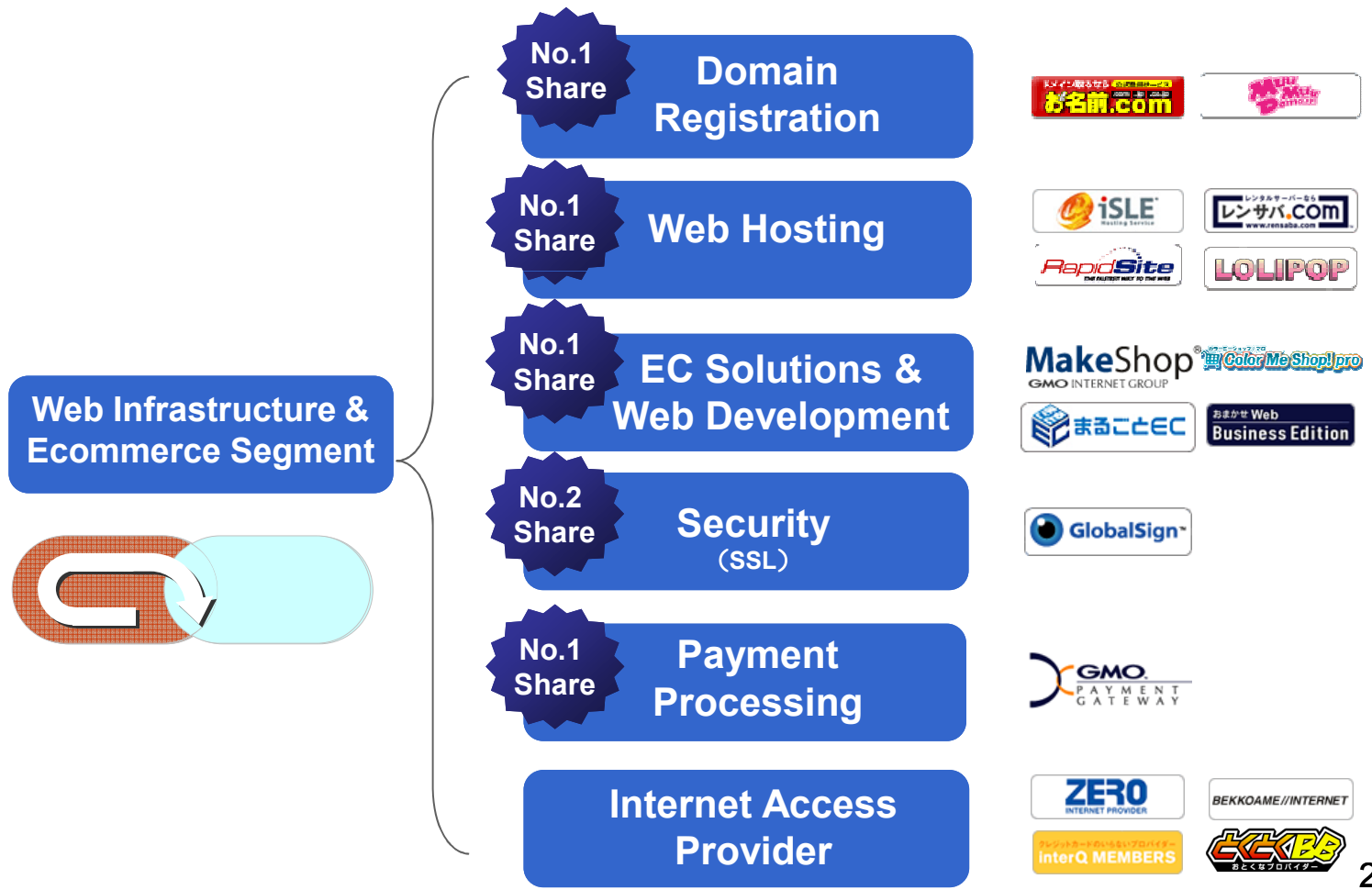
① Web Infrastructure & Ecommerce

② Internet Media

4. Growth Strategy

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 (twelve months to December)

1. Overview

2. Financial Statements

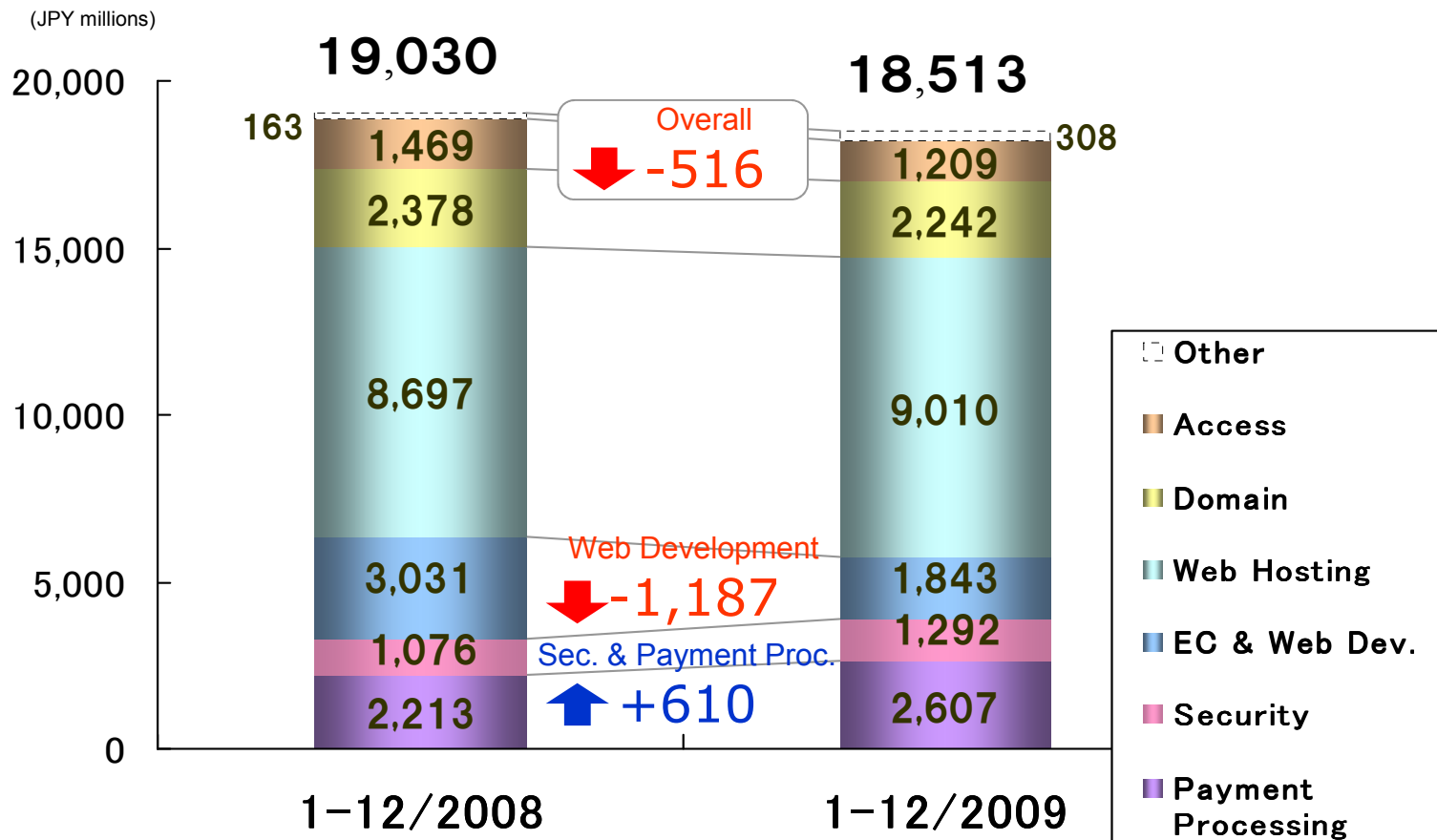
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. Growth Strategy

Reduction in web production sales impacts segment revenue



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Web Infrastructure & EC OP (twelve months to December)

1. Overview

2. Financial Statements

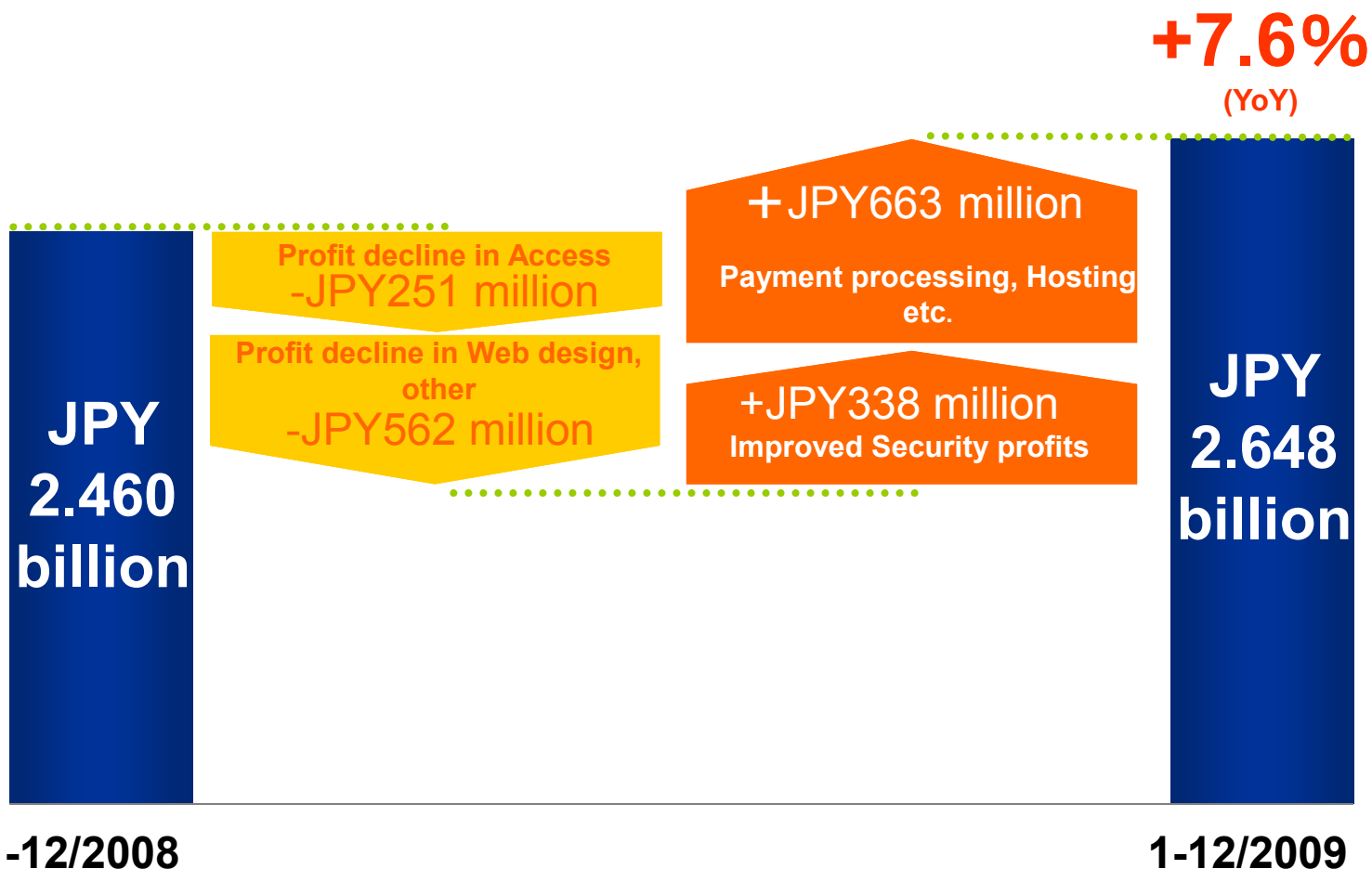
3. Segment Report

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② Internet Media

4. Growth Strategy

Improved profit quality



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Web Infrastructure & EC Sales (three months to December)

1. Overview

2. Financial Statements

3. Segment Report

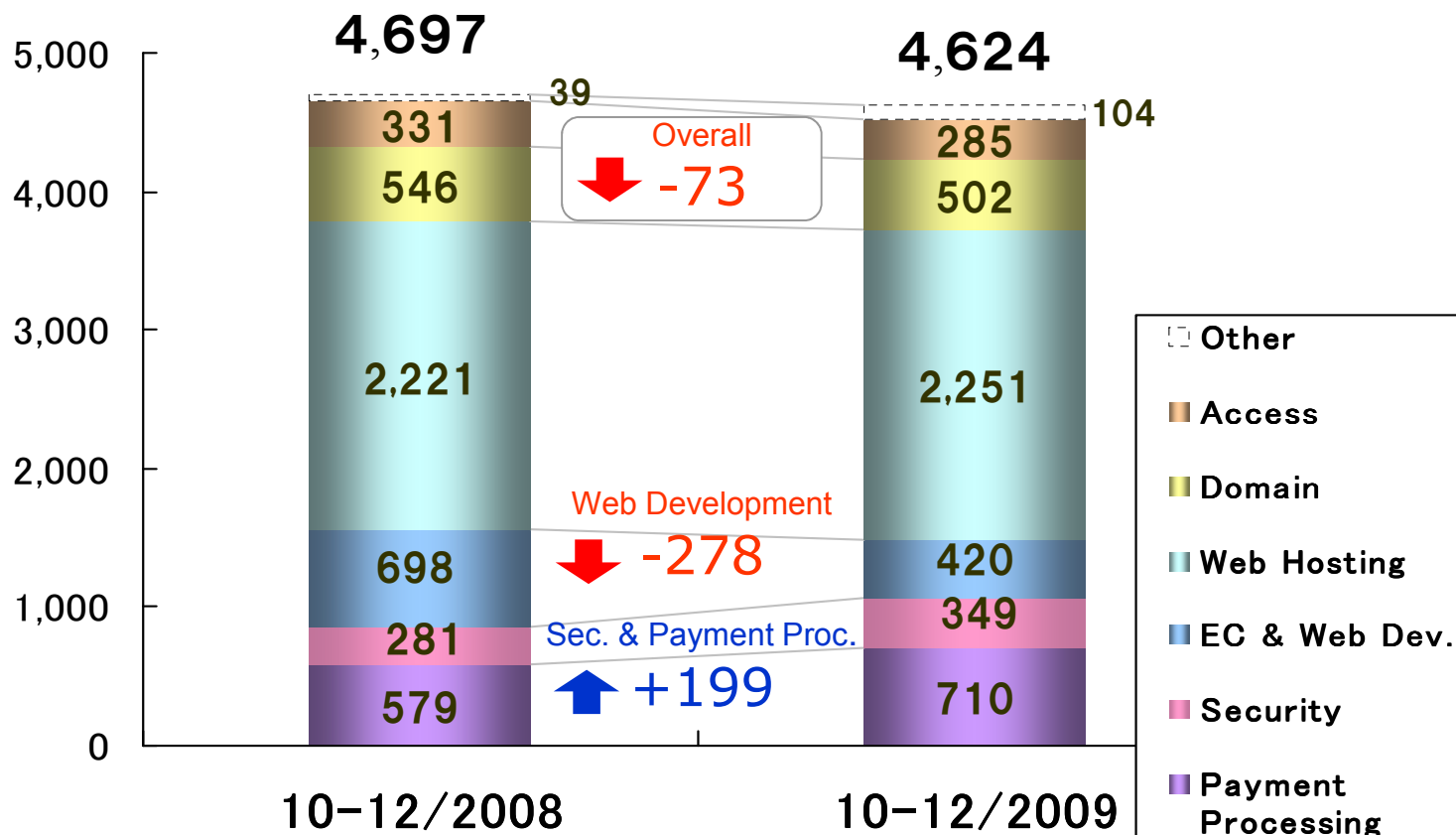
① Web Infrastructure & Ecommerce

② Internet Media

4. Growth Strategy

Growth trend sustained in web hosting, security, and payment processing

(JPY millions)



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Web Infrastructure & EC OP (three months to December)

1. Overview

2. Financial Statements

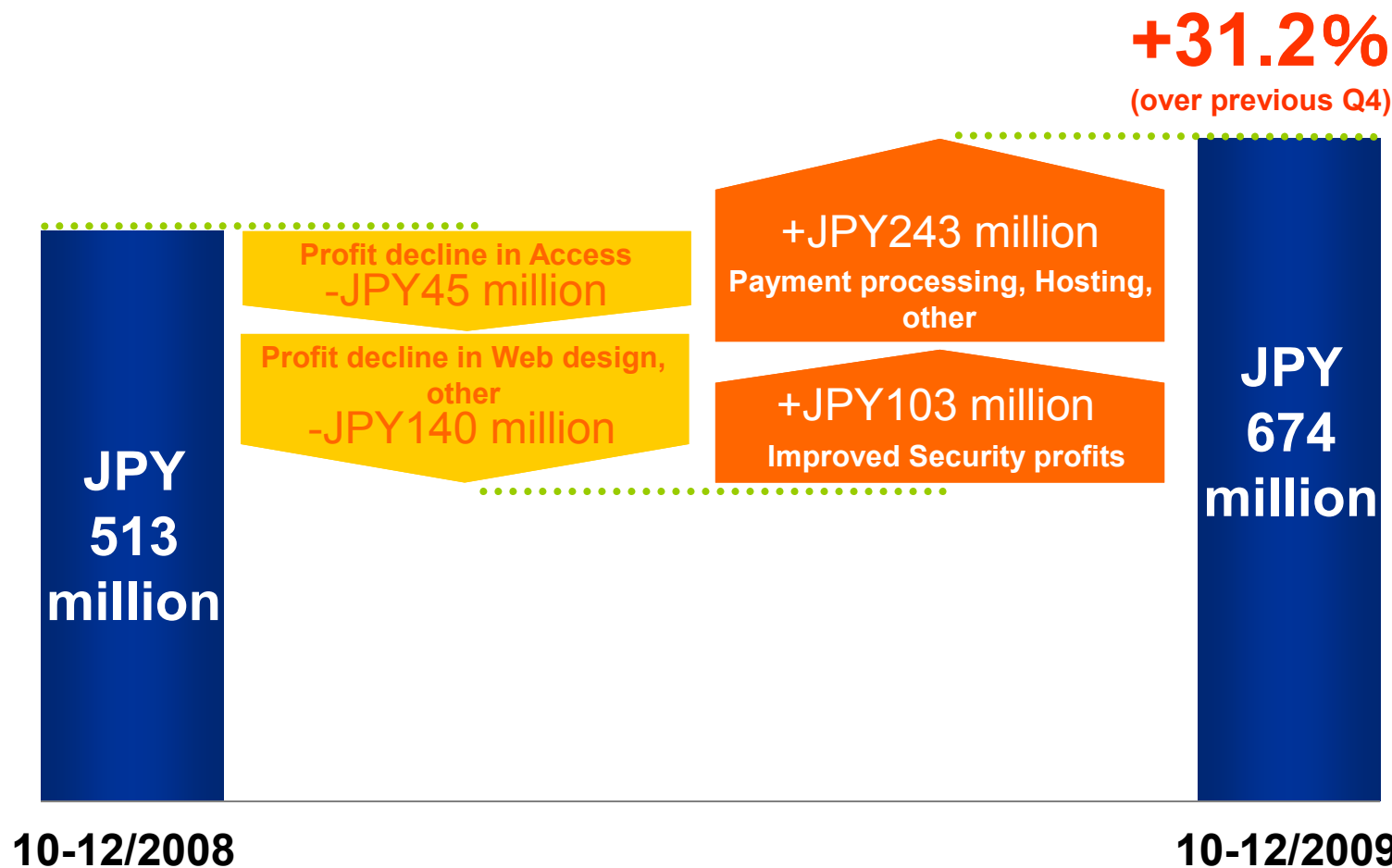
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. Growth Strategy

Major profit increase on strong Security performance



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10-12/2008

10-12/2009

Web Infrastructure & EC - Performance Analysis I

1. Overview

2. Financial Statements

3. Segment Report

① Web Infrastructure & Ecommerce

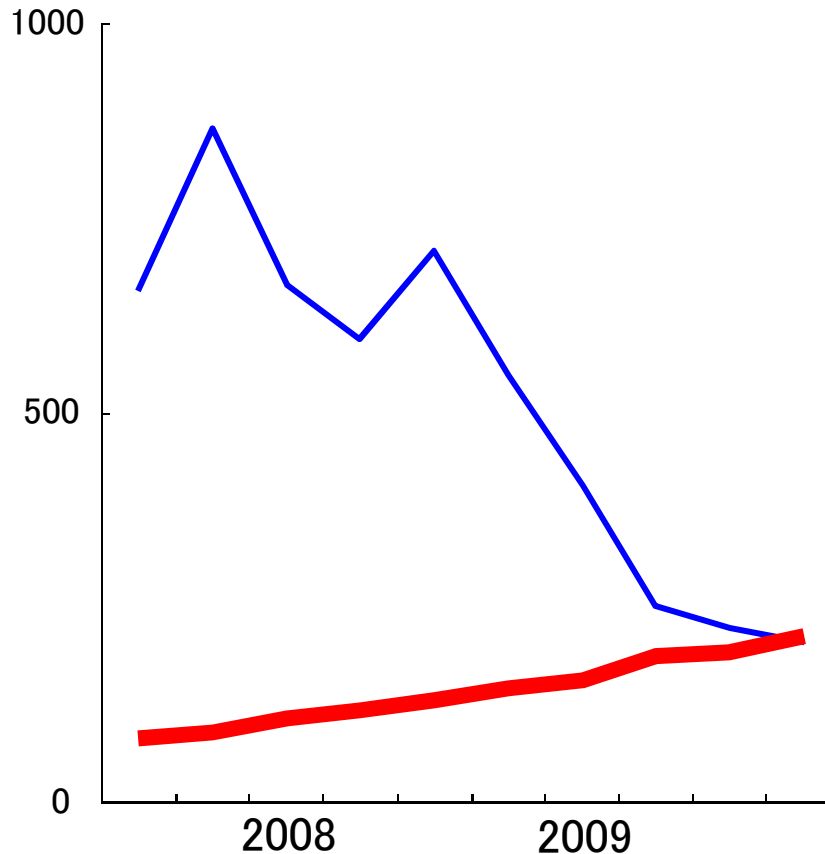
② Internet Media

4. Growth Strategy

Major changes to sales mix under transition strategy

Ecommerce Solutions & Web Development Sales Breakdown

(JPY millions)



■ Web development related etc.
Shift from large contracts to SEO and other media services

→ **Fall in sales bottoms out**

■ Shopping Cart
Expansion a result of ecommerce strategy
Prioritization of growth in contracts

→ **Focus on success of ecommerce strategy and heightened customer satisfaction**

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Web Infrastructure & EC - Performance Analysis II

1. Overview

2. Financial Statements

3. Segment Report

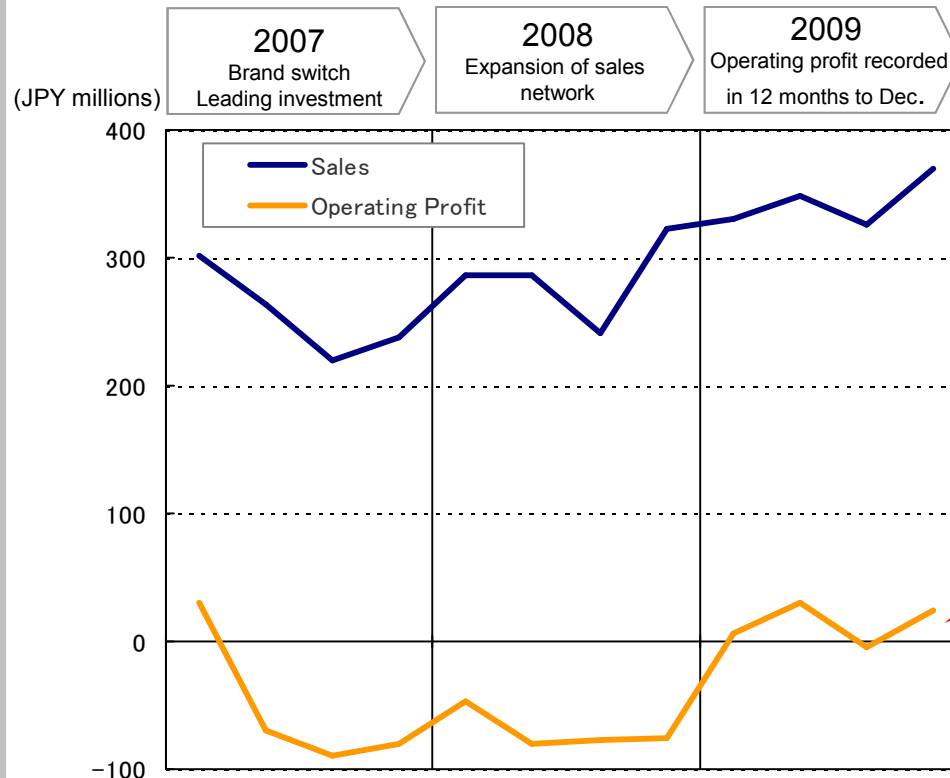
① Web Infrastructure & Ecommerce

② Internet Media

4. Growth Strategy

Security reports operating profit in twelve months to December

Sales and Operating Profit – Quarterly Change



• Q4 profit
• Full year profits exceed forecast (JPY56 million)

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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
*Calculated in accordance with GMO Hosting & Security accounting standards

Web Infrastructure & EC - News

1. Overview

2. Financial Statements

3. Segment Report
















① Web Infrastructure
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② Internet Media

4. Growth Strategy

Ranked eighth worldwide in new domain registrations

Fastest Growing ICANN Registrars - Worldwide
01/11/2010 - 02/01/2010

Rank ^	Registrar Name	Country	Net Gain/Loss	Total Domains
1	GO DADDY		523,705	32,107,047
2	ENOM		88,054	8,995,541
3	THE PLANET INTERNET SERVICES, INC.		81,490	108,520
4	TUCOWS		57,256	7,376,035
5	DOMAINSPA.COM		51,800	51,872
6	XINNET.COM		47,622	1,641,484
7	RESELLERCLUB.COM		42,903	2,379,577
8	Onamae.com		31,880	805,819
9	FASTDOMAIN.COM		28,765	962,465
10	WILD WEST DOMAINS		24,068	3,124,927
11	OVH		20,138	901,384
12	ASCIO		18,901	655,447
13	NAME.COM		17,952	605,490
14	HICHINA		17,480	728,641
15	SCHLUND+PARTNER		14,665	4,729,710

<<First <<Previous 1 2 3 4 5 6 Next >> Last >>



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1. Overview

2. Financial Statements

3. Segment Report

①Web Infrastructure
& Ecommerce

②Internet Media

4. Growth Strategy

4. Segment Report

①Web Infrastructure &
Ecommerce

②Internet Media

TSE 1st Section: 9449



Internet Media Segment Composition

1. Overview

2. Financial Statements

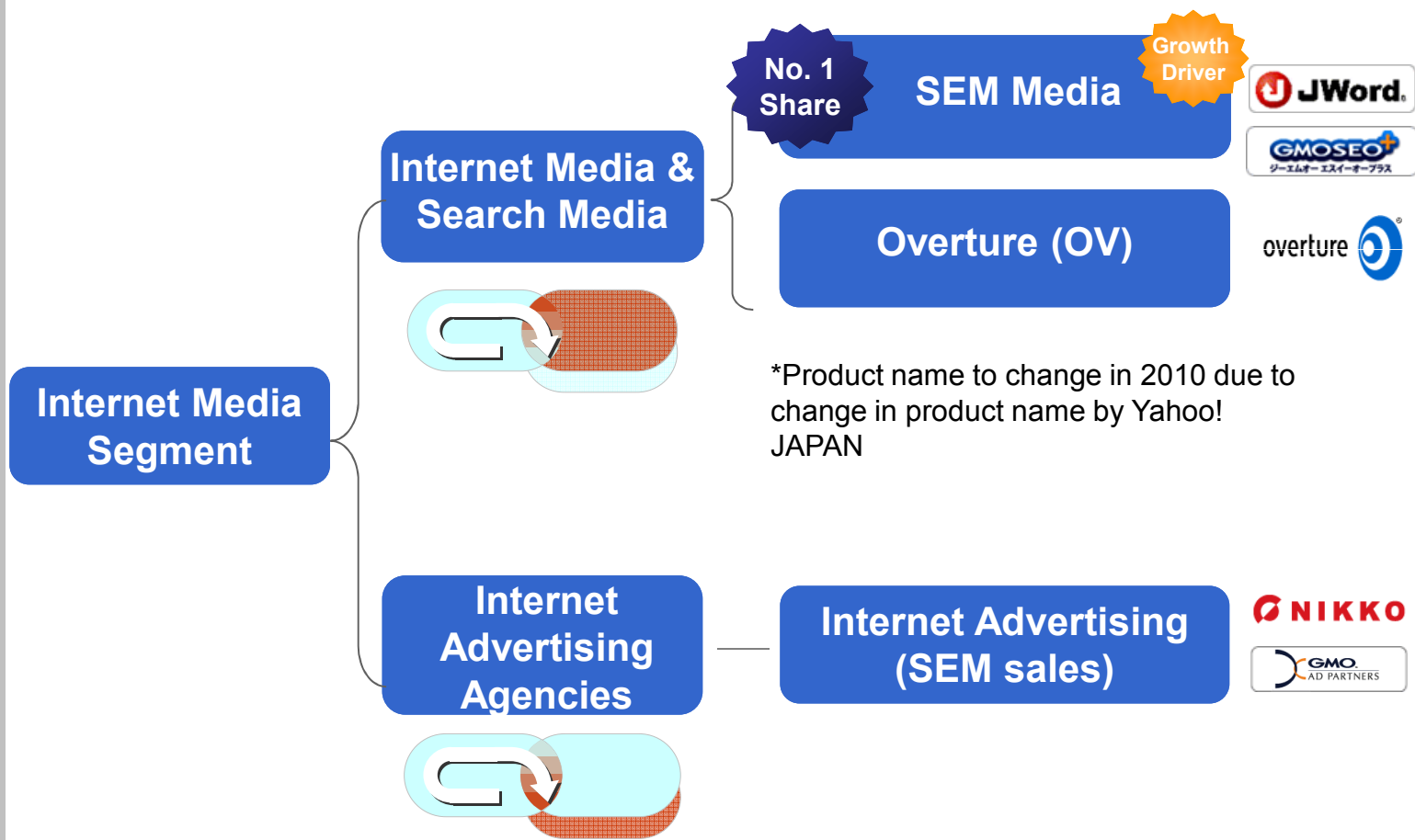
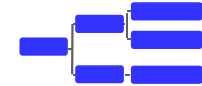
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. Growth Strategy

Internet media & search media driving growth



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Internet Media Sales (twelve months to December)

1. Overview

2. Financial Statements

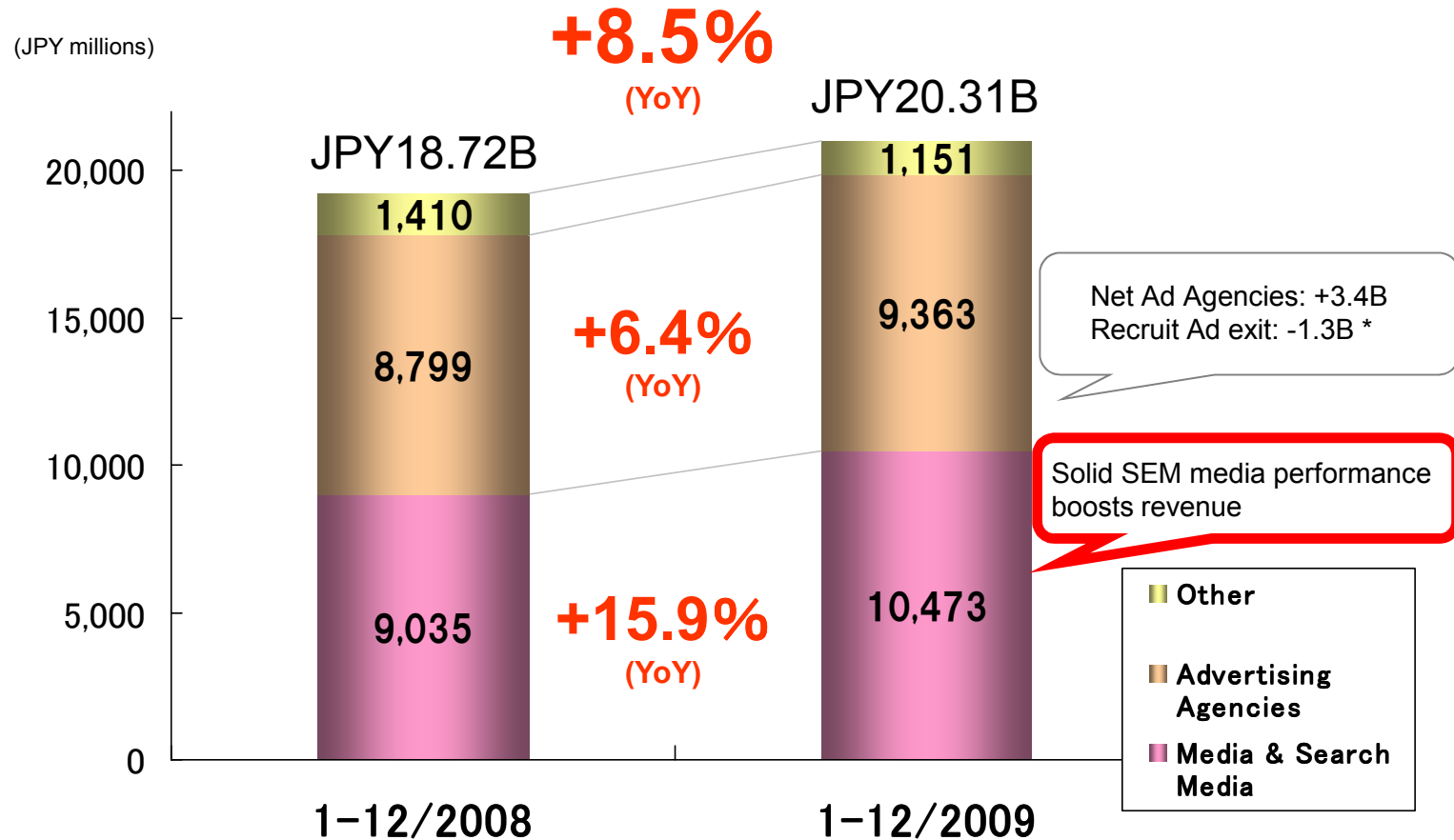
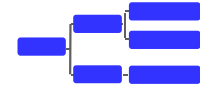
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. Growth Strategy

Media segment sales exceed JPY20 billion



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*excluding internal transactions

Internet Media OP (twelve months to December)

1. Overview

2. Financial Statements

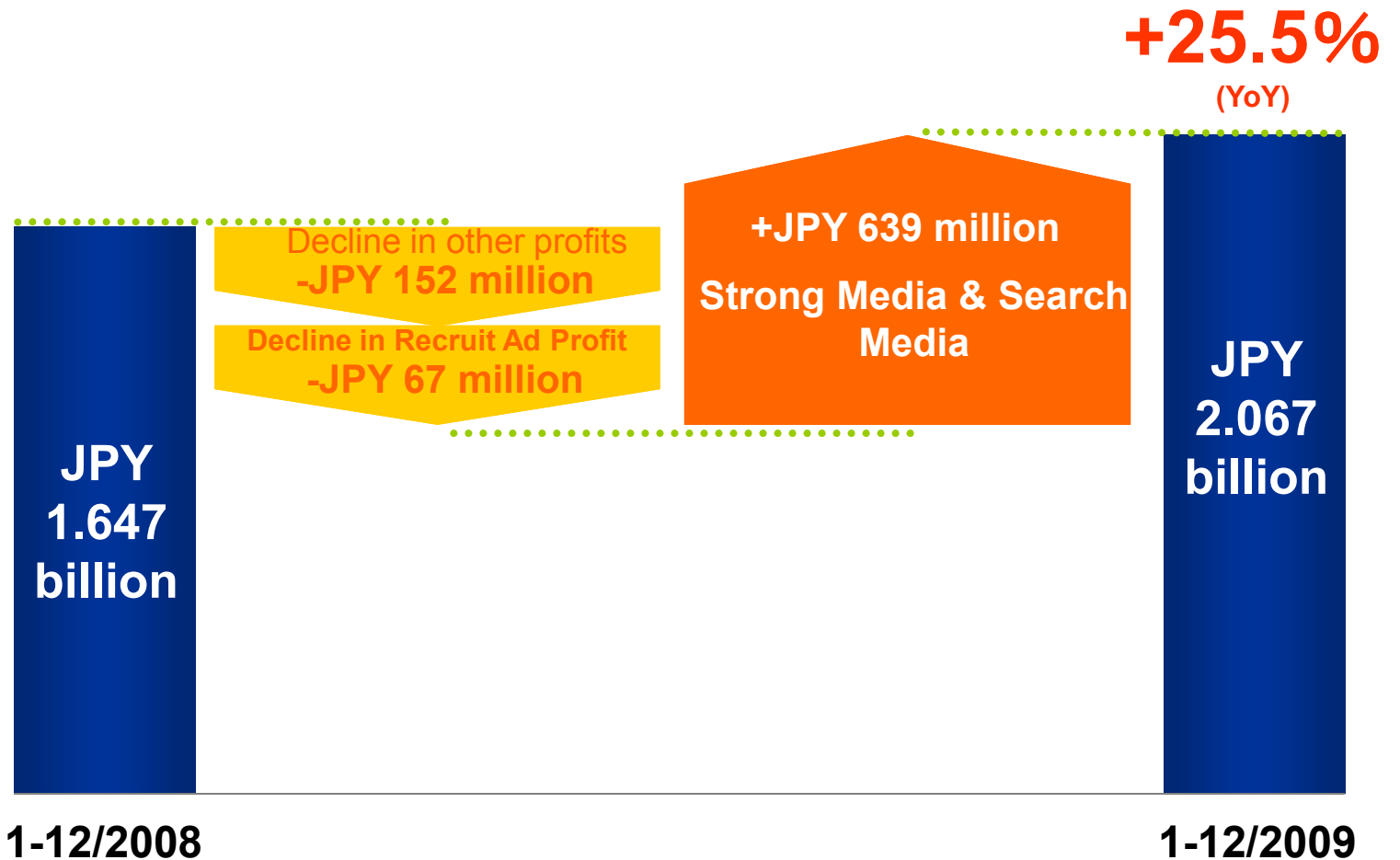
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. Growth Strategy

Double digit growth in 3 consecutive years – profits top ¥2 billion



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1-12/2008

1-12/2009

Internet Media Sales (three months to December)

1. Overview

2. Financial Statements

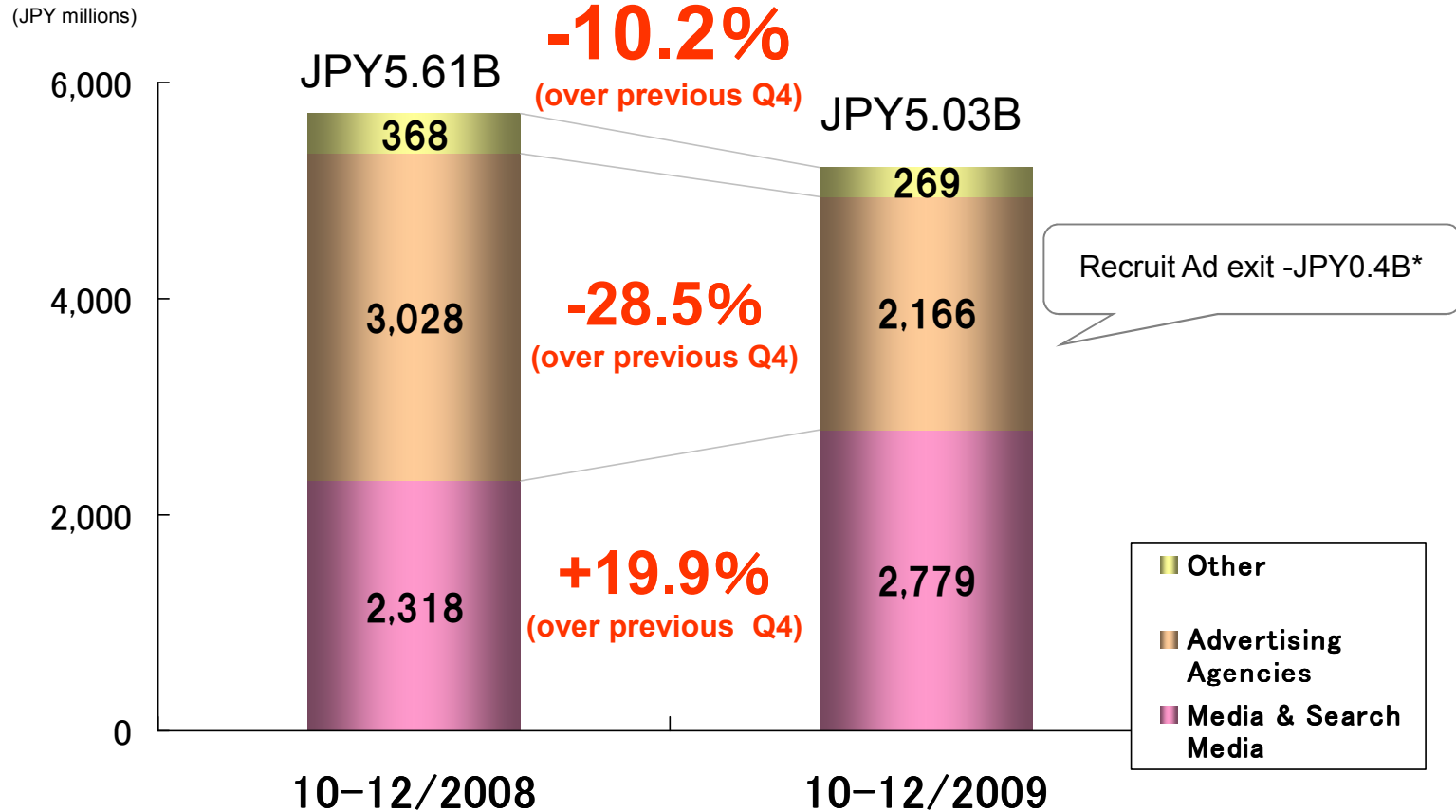
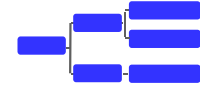
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. Growth Strategy

SEM revenue up 19%



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*excluding internal transactions
*NIKKO consolidated from Q3.08

Internet Media OP (three months to December)

1. Overview

2. Financial Statements

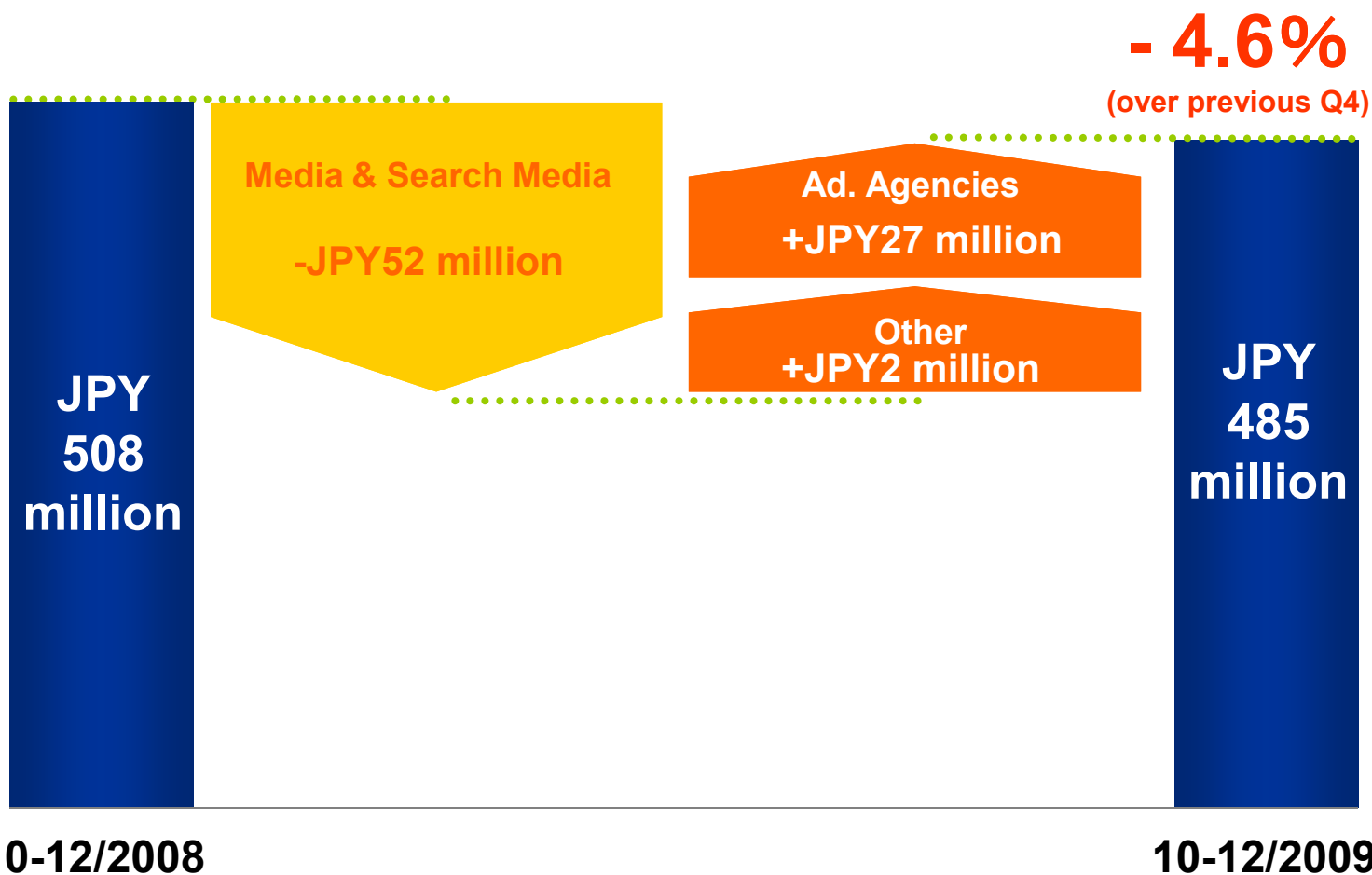
3. Segment Report

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② Internet Media

4. Growth Strategy

Overture profit decline



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10-12/2008

10-12/2009

Internet Media – Profit Breakdown by Product

1. Overview

2. Financial Statements

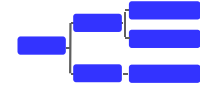
3. Segment Report

① Web Infrastructure & Ecommerce

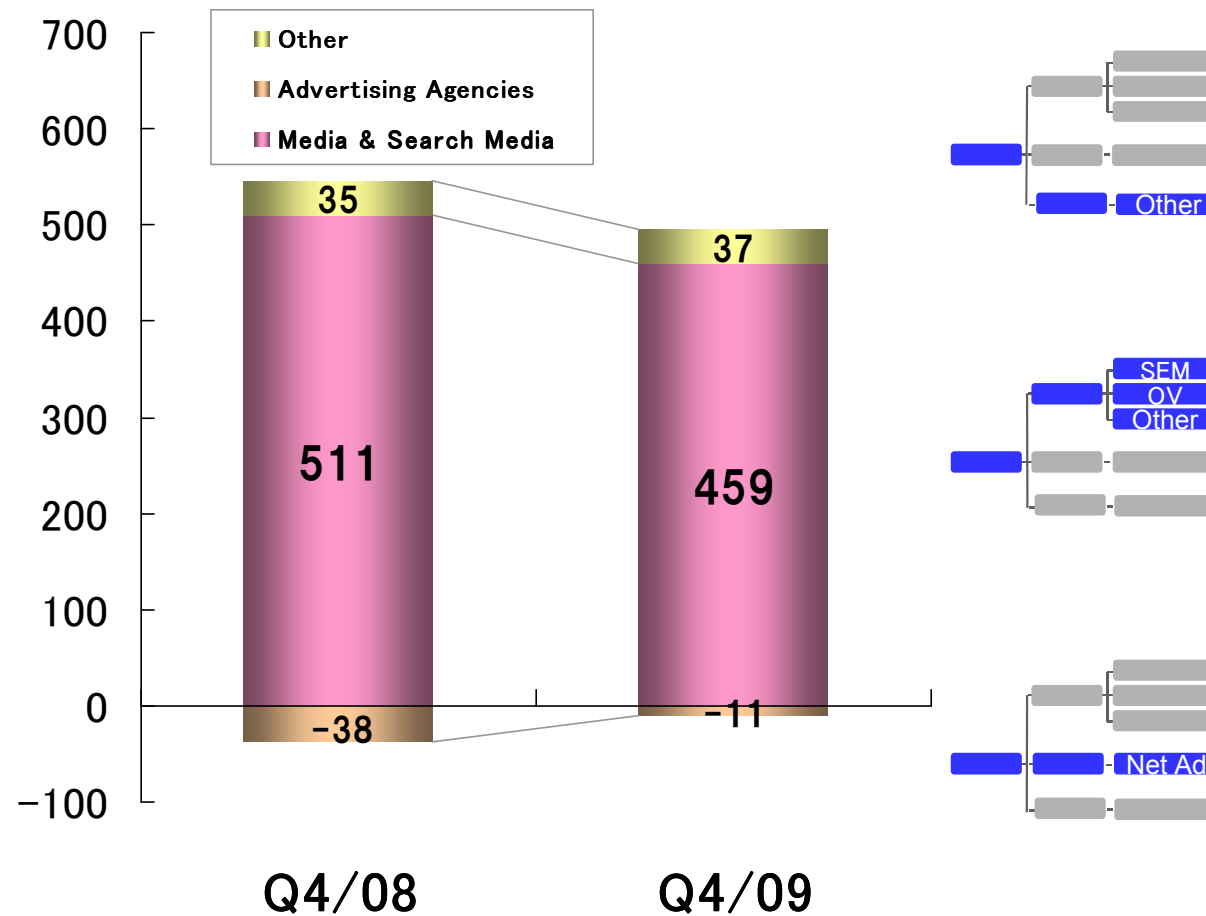
② Internet Media

4. Growth Strategy

Overture profits decline, loss reduced in Ad Agencies



(JPY millions)



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Media & Search Media - Business Performance

1. Overview

2. Financial Statements

3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. Growth Strategy

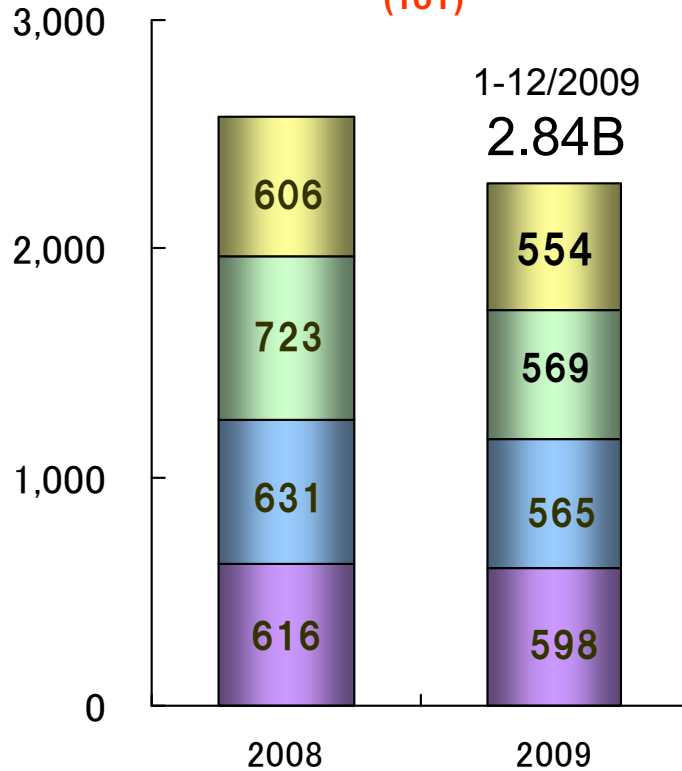
Sustained SEM profit growth offsets Overture decline



Overture Sales

(JPY millions)

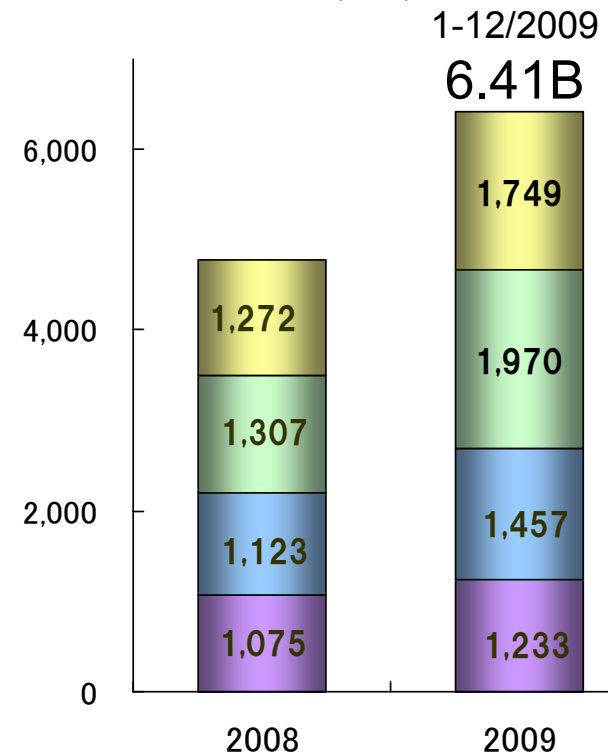
-11.1%
(YoY)



SEM Media Sales

(JPY millions)

+34.1%
(YoY)



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1. Overview

2. Financial Statements

3. Segment Report

① Web Infrastructure
& Ecommerce

② Internet Media

4. Growth Strategy

Part II: Growth Strategy & Business News

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Target Customers

1. Overview

2. Financial Statements

3. Segment Report

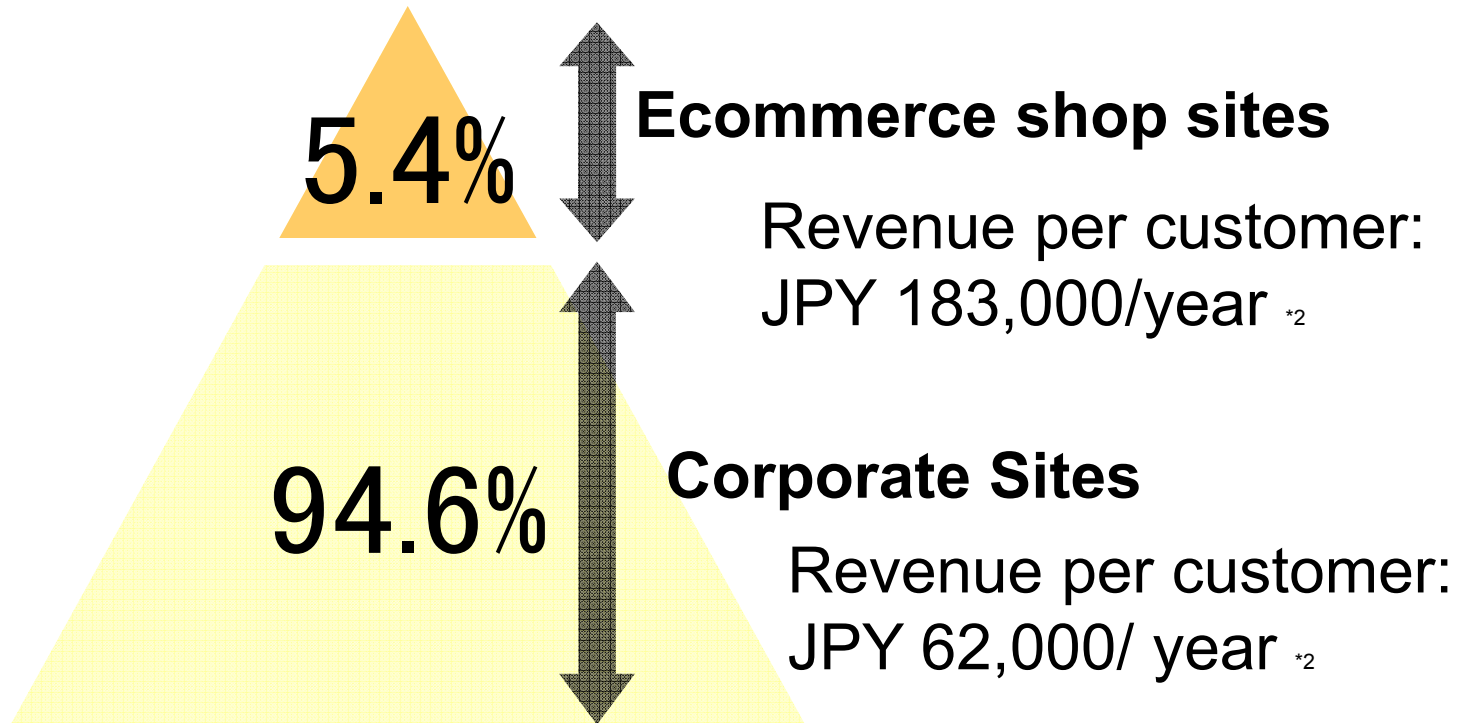
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4. Growth Strategy

5.4% of our domain customers are ecommerce stores*1

Domain Customer Websites



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*1: Random sampling of 754 customers (41 commerce sites)

*2: Model based on major group services

Ecommerce Store Contracts

1. Overview

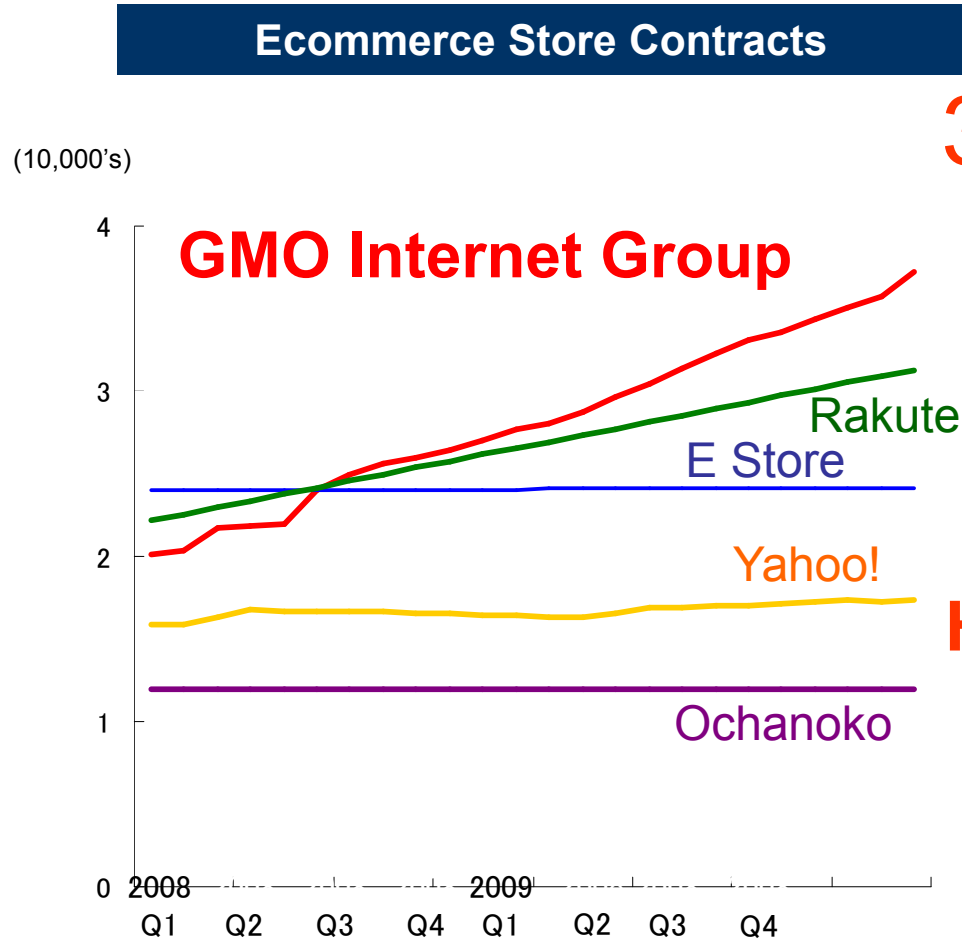
2. Financial Statements

3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. Growth Strategy



39,000 Stores



Healthy growth 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.

Product Strategy I: Store Set Up

1. Overview

2. Financial Statements

3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. Growth Strategy

Domain



Store Set Up

Security / Payment Processing



Shopping Cart



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Product Strategy II: Boost Sales

1. Overview

2. Financial Statements

3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. Growth Strategy

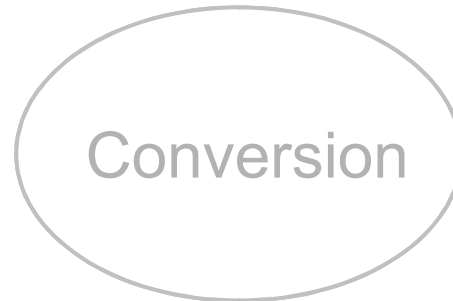
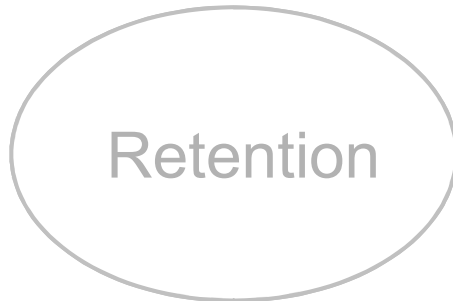


• New product comparison and shopping sites open in 2010



- SEO  
- JWord 
- Net ads  
- Shopping portal 
- Shop Mgr solution 

Boost Store Sales



• Point reward system fully established in 2009

- Conversion  
- Web usability survey 
- Product photography 
- Speed translation 

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Continued Core Focus on Ecommerce Solutions

1. Overview

2. Financial Statements

3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. Growth Strategy

2009

Ecommerce shop point reward structure in place

Accepted in 10,000 stores for more 2.78 million products.



Current Point

2010

Expand point program to more stores, increase circulation

クチコミ&価格比較サイト



2011~

Expand and develop circulation for return on customer revenue

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Ecommerce strategy: stronger media

1. Overview

2. Financial Statements

3. Segment Report

① Web Infrastructure
& Ecommerce

② Internet Media

4. Growth Strategy

クチコミ&価格比較サイト **New**


New product comparison site provides customer reviews and directs users to cheapest available home electronics.




GMO TokuToku Shop website to display product information from GMO TokuToku Point merchant stores



GMO TokuToku Points accepted at 10,000 stores for 2.78 million products

1 point = 1 yen



Directing traffic to
GMO TokuToku Point
merchant sites

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Ecommerce strategy: acquisition of dotShop

1. Overview

2. Financial Statements

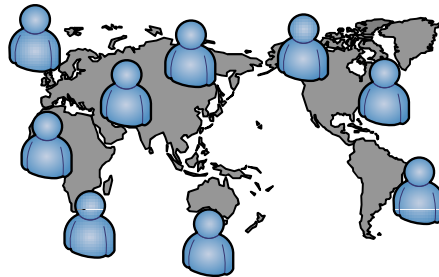
3. Segment Report

① Web Infrastructure
& Ecommerce

② Internet Media

4. Growth Strategy

Building Ecommerce
Customer Base Worldwide



New Registry Business



- Continued promotion and lobbying
(10/2009 Korea, 3/2010 Nairobi)
- Application to be submitted this year
- Branded DotSHOP ecommerce packages
(from 2011)

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News: Growth Area Initiatives

1. Overview

2. Financial Statements

3. Segment Report

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& Ecommerce

② Internet Media

4. Growth Strategy

Cloud True CLOUD



- Starting from just JPY2,940 /month
- Content Delivery Network (CDN) support for high speed content delivery

Social Apps

- Payment processing service launched for major application developers
- Related businesses to be established



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Internet for Everyone

- From “Internet Department” to Japan to “Internet Department” to the world! -

