



Fiscal Year 2007 Results Presentation

# Internet Revival!

## Conclusion of Finance Segment Losses

# Fiscal Year 2007 Results Presentation

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February 14, 2008

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 intentions as of February 14, 2007. These projections may differ from actual results due to factors including changes in the global economy, competition, and exchange rates or 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 published in this document is provided for information purposes only and does not constitute a solicitation of investors. Further, the 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 is accepted for any damage sustained as a result of actions taken based on this information, regardless of the reason.

# Agenda

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1. Summary
2. FY 2007 Financial Statement
3. Segment Report
  1. Internet Use Support (Infrastructure)
  2. Internet Advertising Support (Media)
4. Strengths & Business Domains
5. FY 2008 Growth Strategy & Outlook

1. Summary

2. FY 2007  
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# 1. Summary

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# Summary (I)

## 1. Summary

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## Highlights

**1. Financial: Balance Sheet Recovery**  
Finance segment loss disposal complete

**2. Operations: Strong Performance in Infrastructure & Media**  
Operating profit up 5.6% in '07, **32%** profit growth projected in '08

### 3. Growth Strategy:

- i) Infrastructure: Capitalize on group synergy (cross selling) in development and sales
- ii) Media: Develop and launch new media for GMO ID
- iii) Advance capital and business partnership with Yahoo Japan Corporation

**4. FY 2008 Forecast:** Operating Profit: **¥4.5B** Ordinary Profit: **¥4.2B**

# Summary (II)

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## Shareholder returns

- **Retained Loss Eliminated**
- **Moving Toward Early Resumption of Dividends**

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# Summary (III)

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## Balance sheet highlights

### Consolidated Balance Sheet

	End of June 2007	End of December 2007	Change
➤ Total Assets	¥134.33B	¥174.95B	+¥40.62B
➤ Interest Bearing Liabilities	¥75.46B	¥18.09B	-¥57.37B
➤ Shareholders' Equity	¥0.65B	¥4.86B	+¥4.21B
➤ Shareholders' Equity Ratio	0.5%	12.0%	+11.5%

→ Interest bearing liabilities reduced by ¥57.3 billion

→ Sharp improvement in shareholders' equity ratio

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# Summary (IV)

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## Profit & Loss Highlights

### Consolidated Full Year P/L (Infrastructure/Media)

	FY 2006 (Actual)	FY 2007 (Actual)	FY 2008 (Forecast)	07-08 %Change
➤ Sales	¥29.15B	¥32.46B	¥36.00B	+10.8%
➤ Operating Profit	¥3.22B	¥3.40B	¥4.50B	+32.0%
➤ Ordinary Profit	¥2.89B	¥2.75B	¥4.20B	+52.7%

### Consolidated Full Year P/L (inc. former Finance Segment)

	FY 2006 (Actual)	FY 2007 (Actual)	FY 2008 (Forecast)	07-08 %Change
➤ Sales	¥50.84B	¥46.31B	¥36.00B	-22.3%
➤ Operating Profit	¥4.27B	-¥8.92B	¥4.50B	+¥13.42B
➤ Ordinary Profit	¥3.99B	-¥9.66B	¥4.20B	+¥13.86B

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## P/L Highlights by Segment

### Internet Infrastructure Segment

	FY 2006 Full Year	FY 2007 Full Year	% Change	3 Months Ended 12/2006	3 Months Ended 12/2007	% Change
➤ Sales	¥16.86B	¥18.86B	+11.9%	¥4.46B	¥4.88B	+9.4%
➤ Operating Profit	¥2.69B	¥2.31B	-14.1%	¥670M	¥550M	-17.9%

→ Sales up 11.9% in 2007  
Leading investments in security business impede profit

### Internet Media Segment

	FY 2006 Full Year	FY 2007 Full Year	% Change	3 Months Ended 12/2006	3 Months Ended 12/2007	% Change
➤ Sales	¥12.29B	¥13.59B	+10.5%	¥3.38B	¥3.78B	+11.7%
➤ Operating Profit	¥530M	¥1.09B	+103.8%	¥200M	¥290M	+49.3%

→ Operating Profit up 103.8% in 2007  
Strong performance in Media & Search Media

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## 2. FY 2007 Financial Statement

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# Consolidated P/L

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## V-shaped recovery in 2008: Finance segment loss disposition complete

(¥millions)

	FY 2006 Full Year (Actual)	FY 2007 Full Year (Actual)	FY 2008 Full Year (Forecast)	3 Months Ended 12/2006	3 Months Ended 12/2007	% Change
Sales	50,842	46,315	36,000	14,901	8,601	-42.3%
Business Expenses	13,594	15,443	—	3,406	4,199	+23.3%
SGA	32,976	39,795	—	9,770	3,555	-63.6%
Operating Profit	4,271	-8,922	4,500	1,724	846	-50.9%
Ordinary Profit	3,992	-9,666	4,200	1,589	620	-61.0%
Extraordinary Profit	3,110	5,068	—	261	100	-61.6%
Extraordinary Loss	16,017	12,484	—	13,659	5,842	-61.7%
Corporate Tax etc. & Minority Equity	3,185	516	—	824	453	-45.0%
Net Profit	-12,099	-17,598	1,700	-12,633	-5,575	-55.9%

# Sales & Operating Profit by Segment

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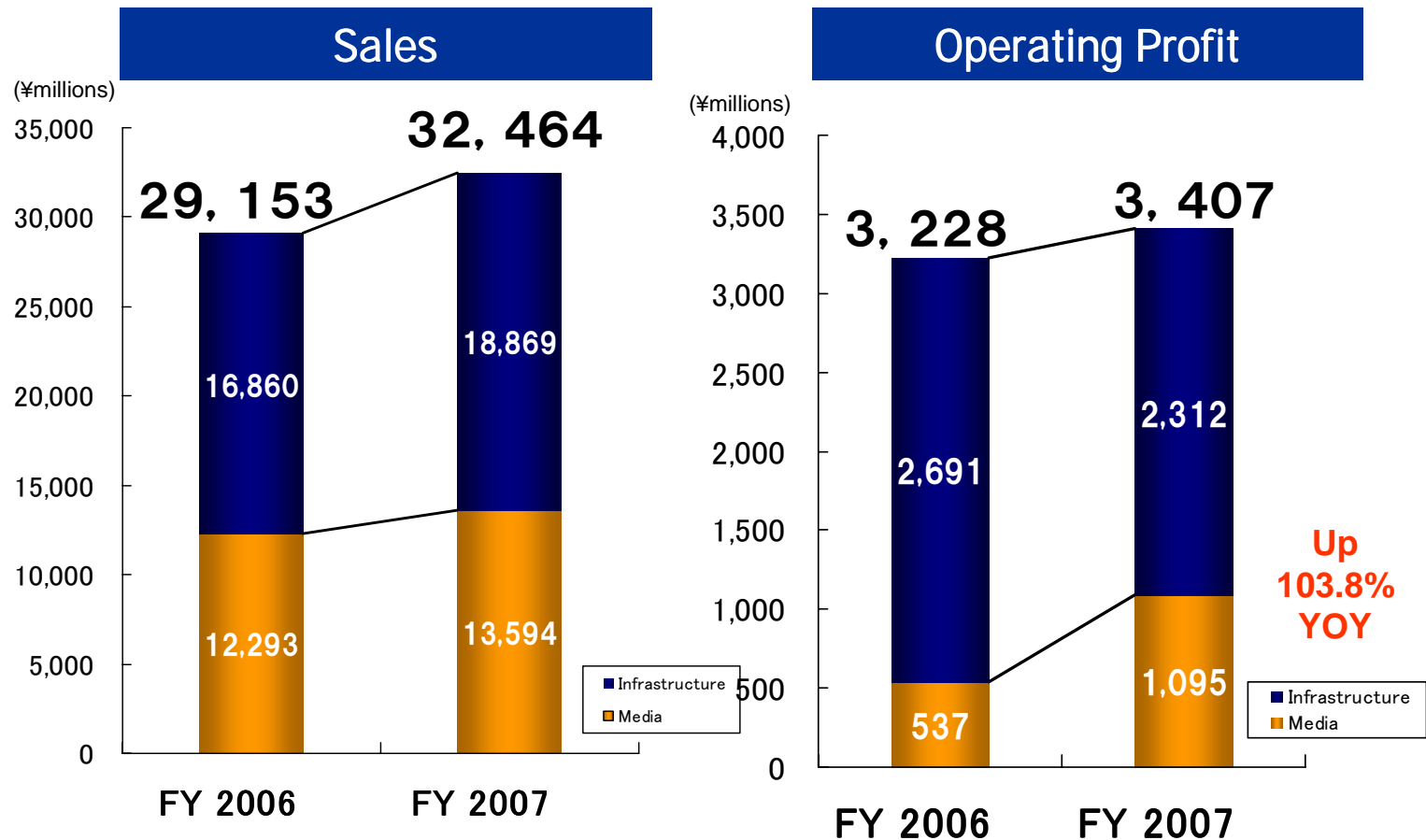
①Internet Infrastructure

②Internet Media

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Internet Media segment reports massive 103.8% YOY profit increase



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# Consolidated Balance Sheet (I)

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Interest bearing liabilities down ¥57.3 billion  
Shareholders' equity ratio up from 0.5% to 12.0%

	End of June 2007	End of Dec. 2007	June – December Change	(¥millions)
Current Assets	99,355	26,109	-73,246	
(Cash & deposits)	27,976	19,143	-8,832	
Fixed Assets	34,975	14,511	-20,464	
(Goodwill)	14,204	2,450	-11,754	Major reduction in goodwill
(Software)	3,548	2,173	-1,375	
(Investments in securities)	6,587	1,130	-5,456	
<b>Total Assets</b>	<b>134,331</b>	<b>40,620</b>	<b>-93,711</b>	
Total Liabilities	126,549	28,562	-97,986	
(Interest bearing liabilities)	75,468	18,094	-57,374	
Net Assets (including minority equity)	7,782 (7,095)	12,057 (7,193)	+4,275 (+98)	
(Shareholders' equity)	652	4,864	+4,212	
(Shareholders' equity ratio)	0.5%	12.0%	+11.5%	
<b>Total Liabilities / Net Assets</b>	<b>134,331</b>	<b>40,620</b>	<b>-93,711</b>	

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# Consolidated Balance Sheet (II)

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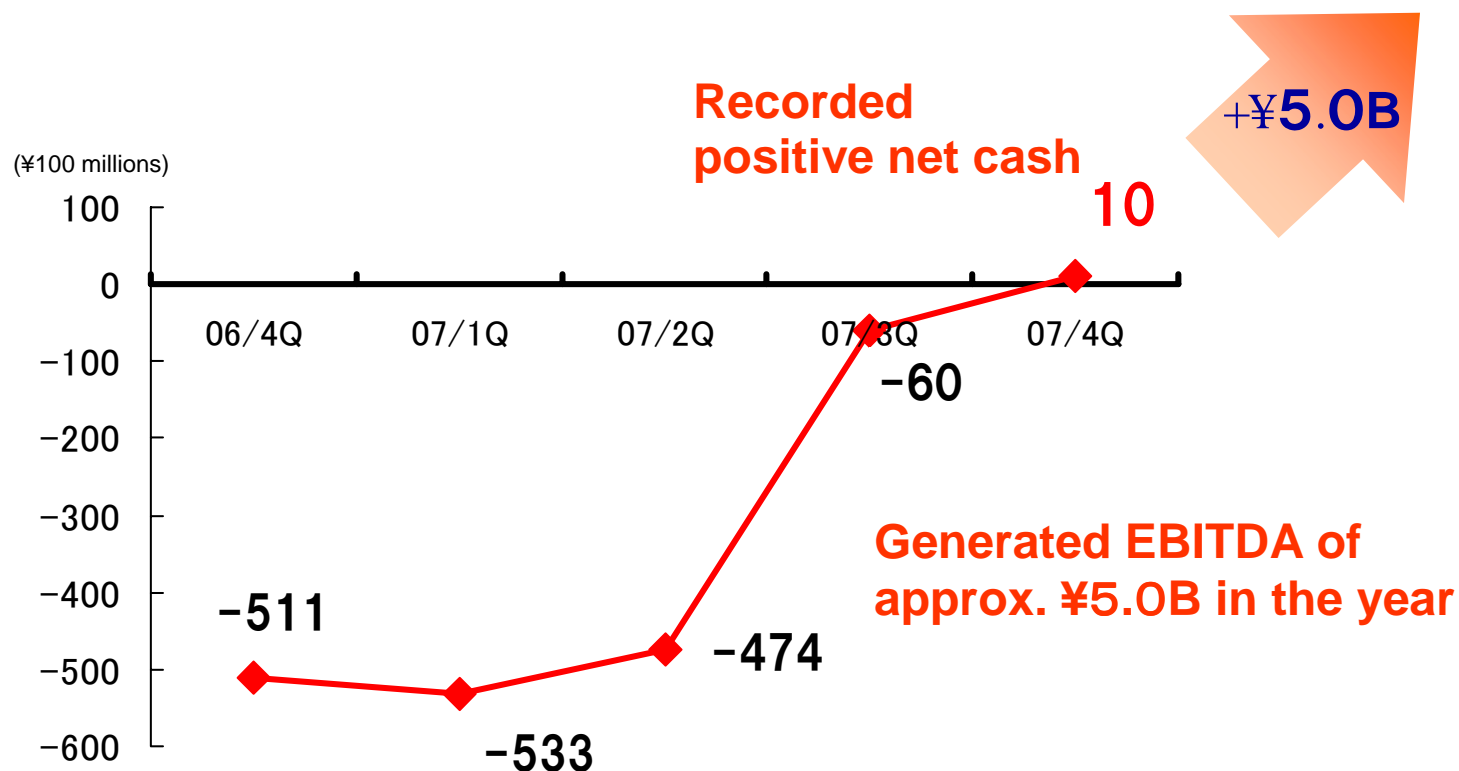
① Internet Infrastructure

② Internet Media

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## Net Cash and Net Cash Outlook



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\*Net cash = cash & deposits – interest bearing liabilities

\*EBITDA=Infrastructure & Media segment operating profit + shrinkage + depreciation of goodwill

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¥5.6 billion in loans to NetCard

¥4.8B	Loans (executed 7/2007)
¥0.8B	Debt guarantee obligations (incurred 10/2007)

- **We have conservatively allocated an allowance for the entire amount (loss disposition complete)**
- **Interest (¥10M/ per month) received recorded as non operating revenue**
- **Continued efforts to recover loans (any amount recovered to be recorded as extraordinary profit)**

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# Notes to Financial Statements

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## About the Notes to Financial Statements

	End of June 2007 (Semi-Annual Report)	End of December 2007
Financial Covenant	violation	<b><u>no violations</u></b>
Going Concern	listed	<b><u>not listed</u></b>
Significant Post Balance Sheet Events	listed	<b><u>none</u></b>

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# ①Internet Infrastructure

General Report ▪ Product Report

# ②Internet Media

General Report ▪ Product Report

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# Business Performance – Internet Infrastructure Segment Sales

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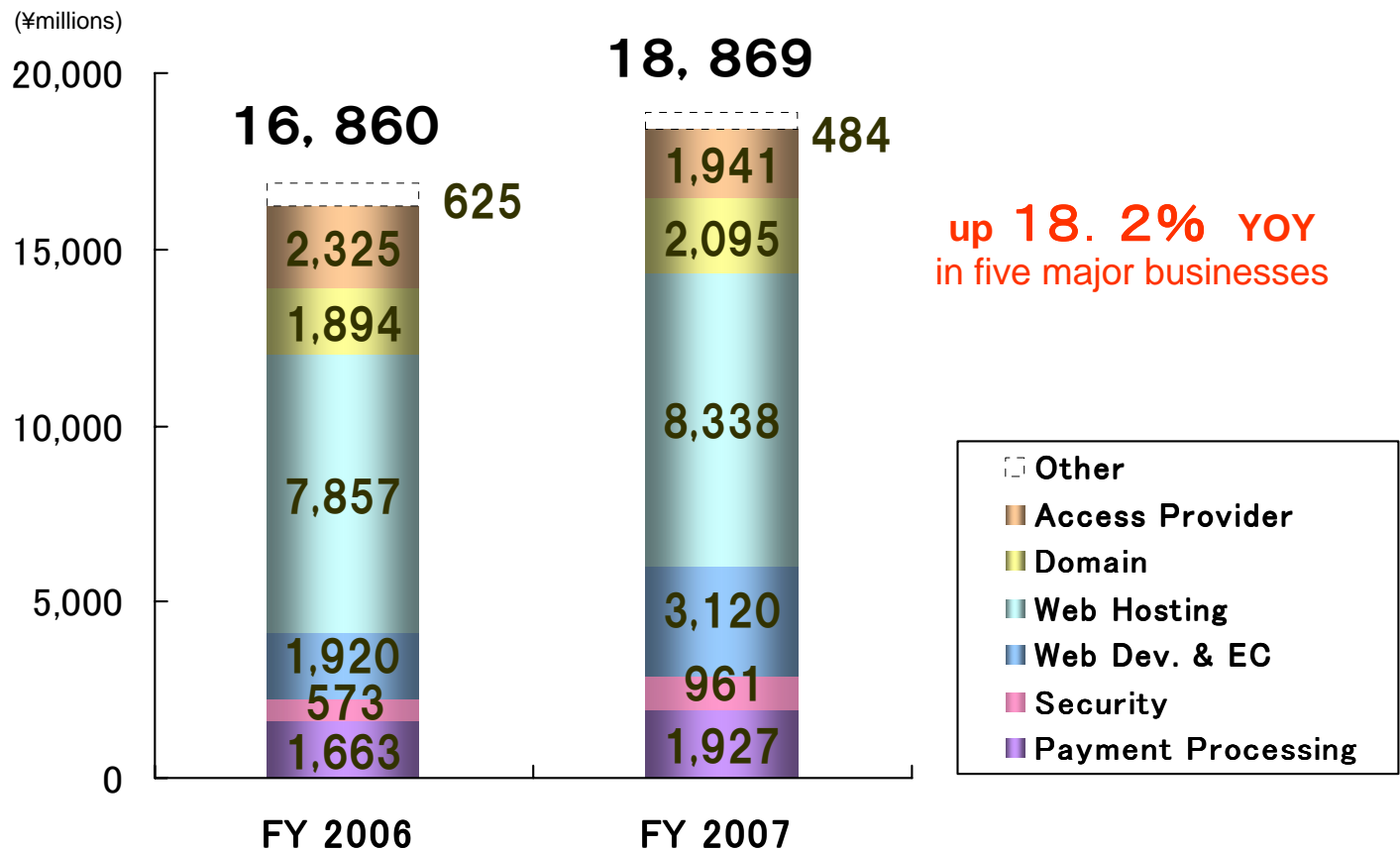
① Internet Infrastructure

② Internet Media

4. Strengths &  
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Strategy & Outlook

Full year segment sales reach ¥18.8 billion, up 11.9% over the previous year



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\*In the first quarter of fiscal year 2007, operations were reclassified due to changes in the composition of existing businesses and the significance of each business to the group. Website Development & E-commerce Solutions is composed of the former Website Construction Support business and E-commerce Support business. The Other classification now also includes the former Corporate Communications business.

# Business Performance – Internet Infrastructure Segment Operating Profit

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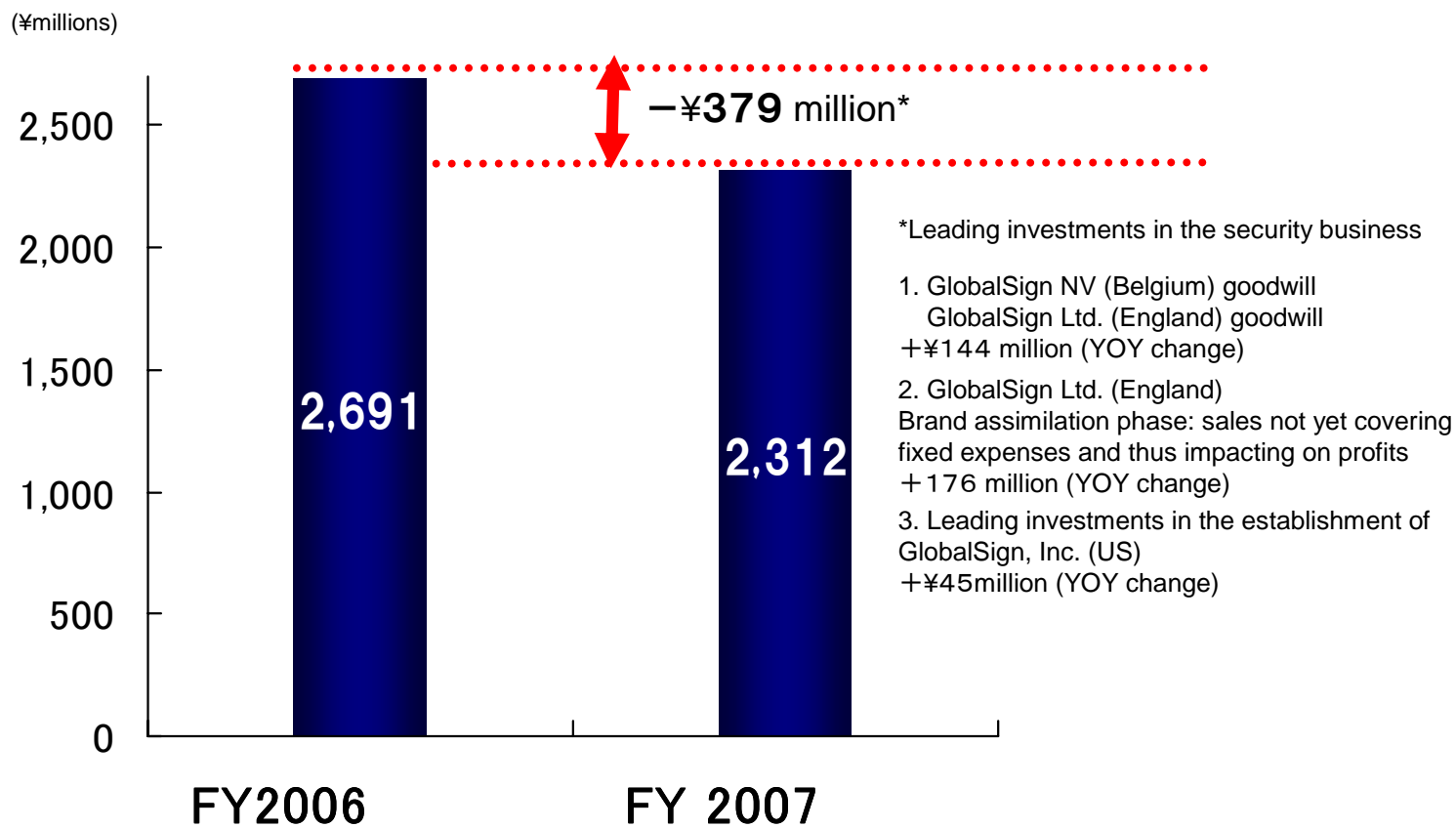
① Internet Infrastructure

② Internet Media

4. Strengths &  
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5. FY 2008  
Strategy & Outlook

Operating profit fell 14.1% from the previous year as a result of investments in the global expansion of the new GlobalSign brand



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## 3. Segment Report

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# ②Internet Media

General Report ▪ Product Report

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# Domain Business – Key Factors

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①Internet Infrastructure

②Internet Media

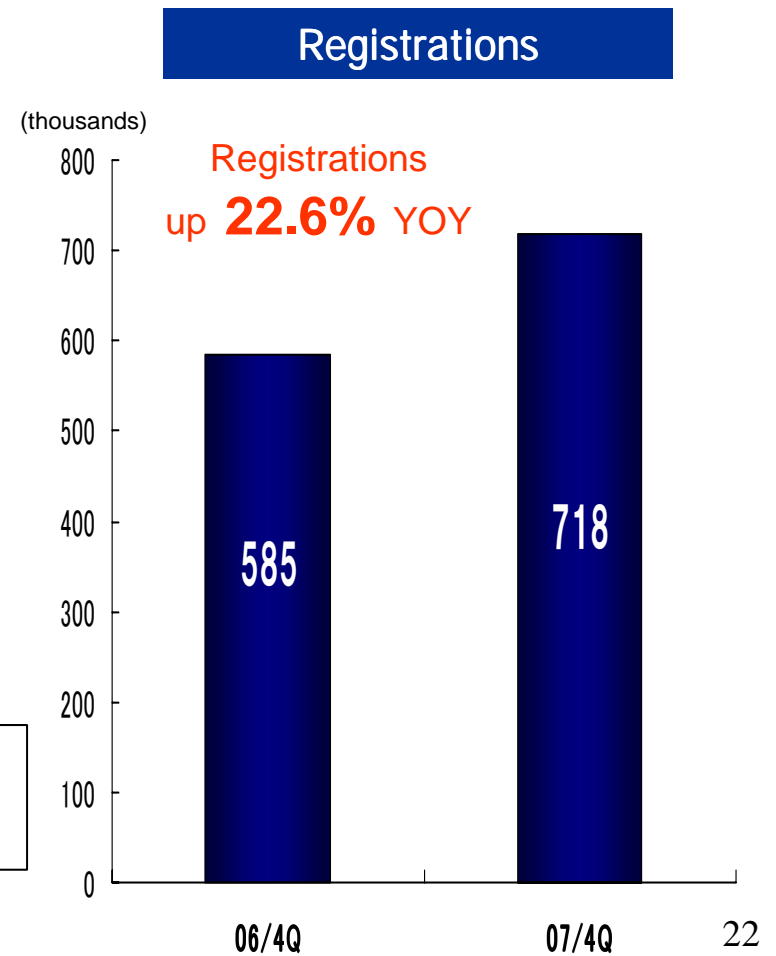
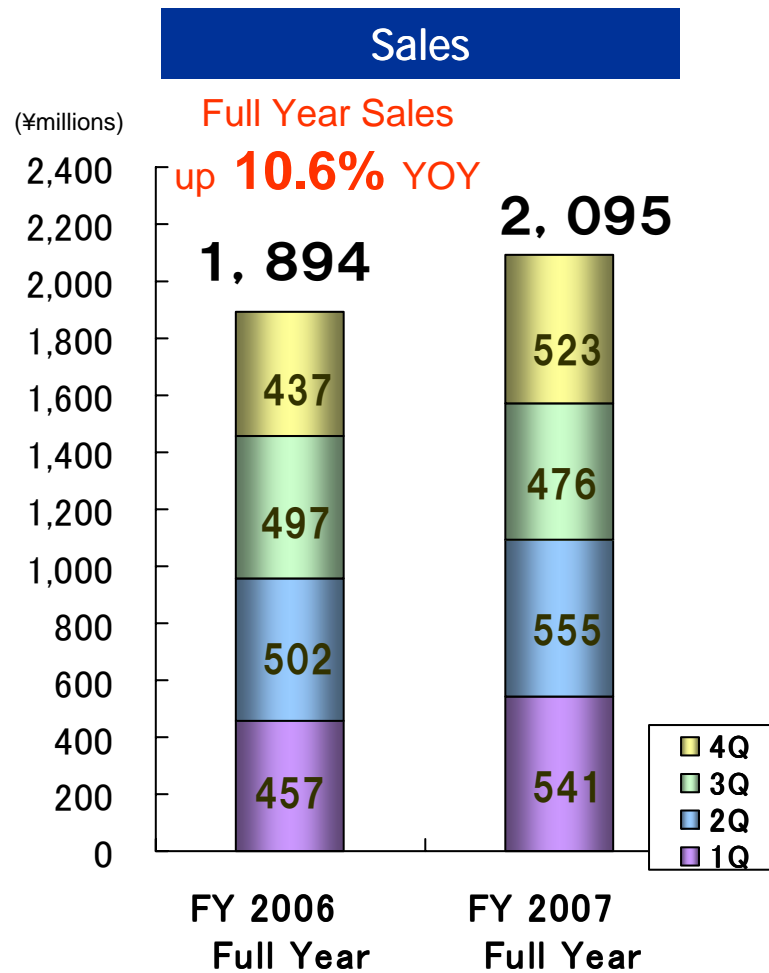
4. Strengths &  
Business Domains

5. FY 2008  
Strategy & Outlook

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Full year sales: ¥2 billion, Registrations: 710,000



# Domain Business – Business Environment & Growth Potential

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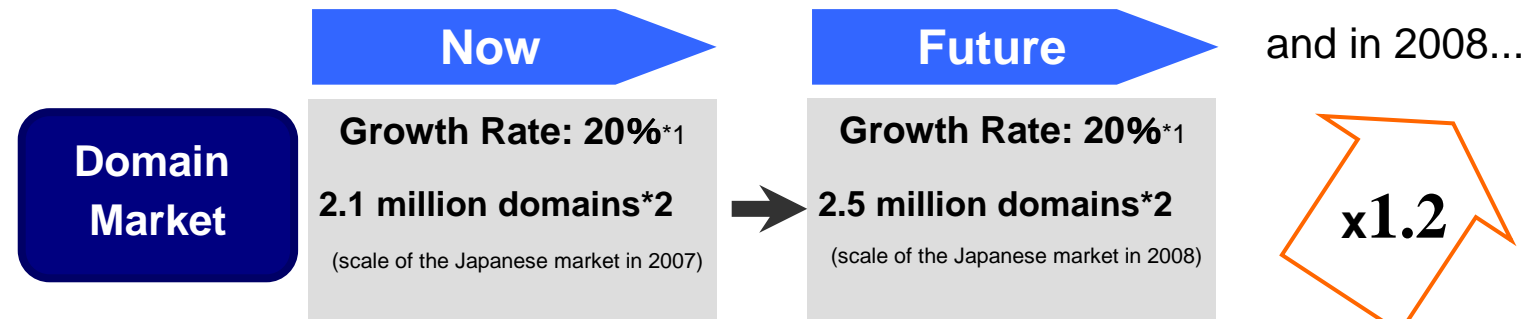
① Internet Infrastructure

② Internet Media

4. Strengths &  
Business Domains

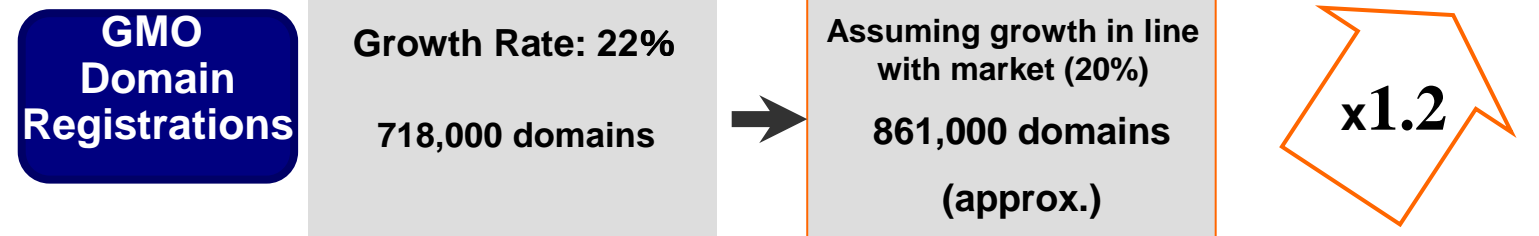
5. FY 2008  
Strategy & Outlook

Strong 20% annual growth



\*1. Year on year comparison

\*2. Domain market: gTLD domain registrations + restricted professional and general purpose JP domain registrations (gTLD domain registrations: our estimates based on WebHosting.info average growth rate figures between 2004 and 2007, restricted professional and general purpose JP domain registrations: our estimates based on JPRS average growth rate figures between 2004 and 2007.)



• Out of 2.85 million companies in Japan, 38% have registered domains. We offer domains at a range of price points and our broad brand strategy targets businesses that have not registered domains.

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# Web Hosting Business – Key Factors

1. Summary

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①Internet Infrastructure

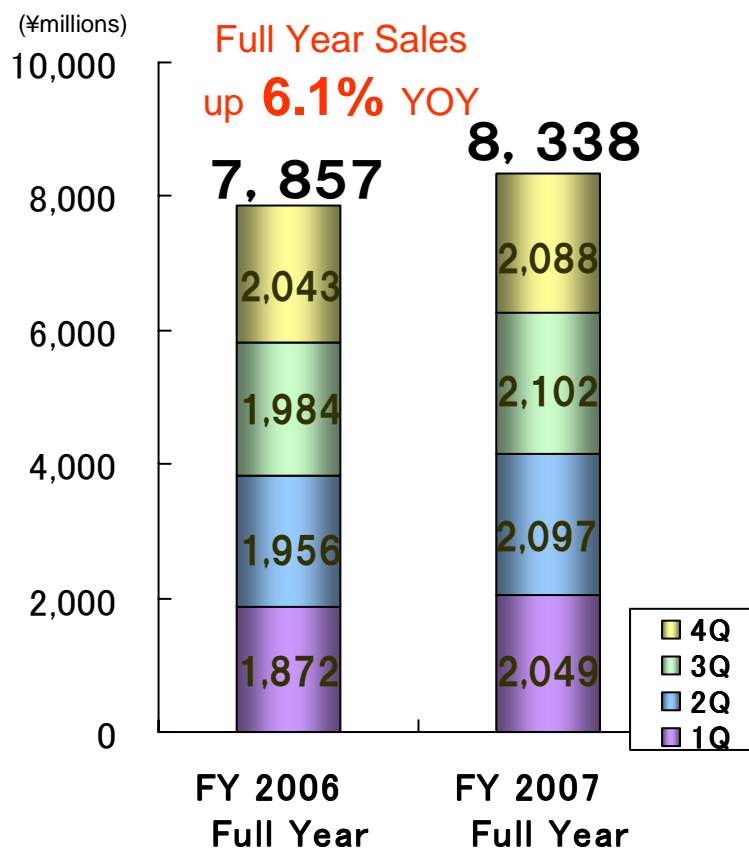
②Internet Media

4. Strengths &  
Business Domains

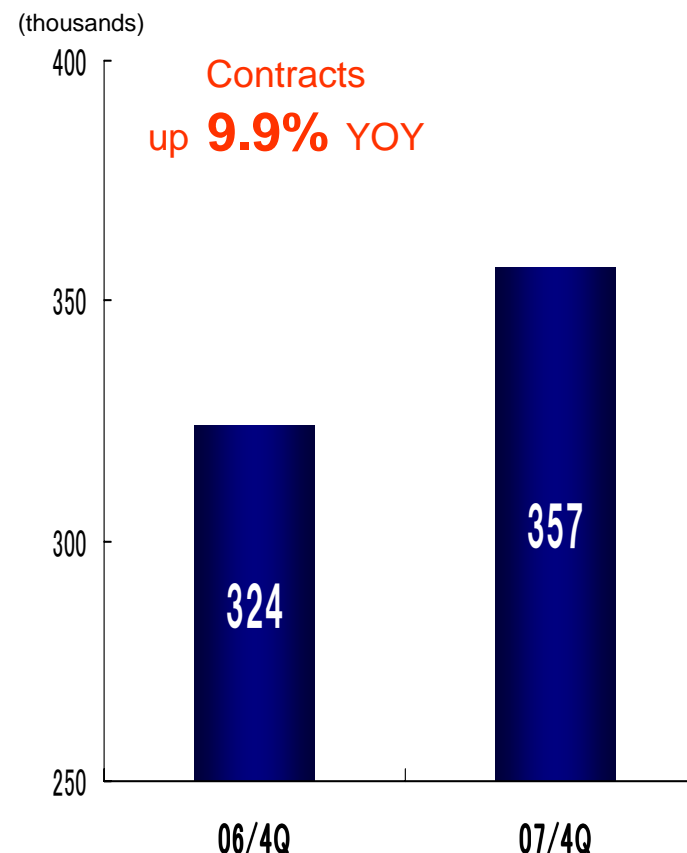
5. FY 2008  
Strategy & Outlook

Full year sales: ¥8.3 billion, Contracts: 350,000

## Sales



## Contracts



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\*The definition of a "member" for this service has been revised. In order to accurately reflect trends in sales and contracts, a retroactive adjustment has been made.



# Web Hosting Business – Business Environment & Growth Potential

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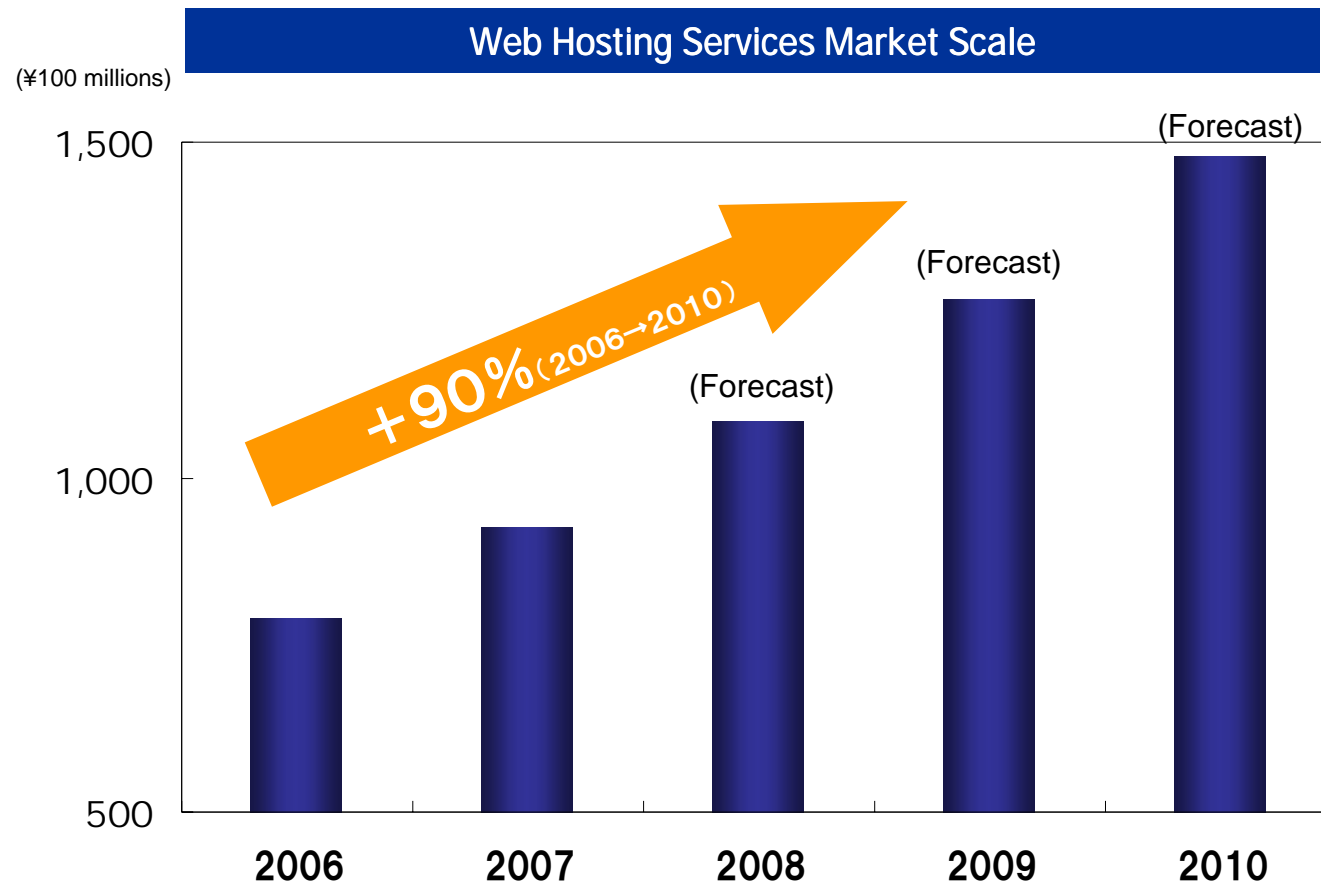
① Internet Infrastructure

② Internet Media

4. Strengths &  
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Strategy & Outlook

Projected growth by 2010: 90%



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# Web Development and EC Solutions Business – Key Factors

1. Summary

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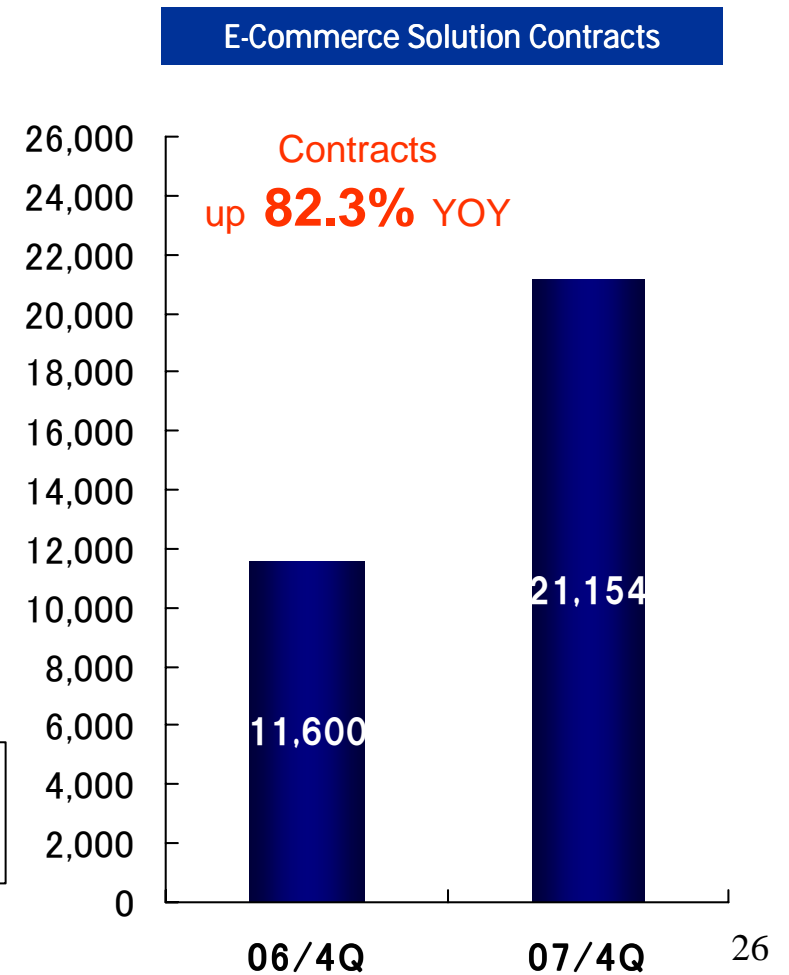
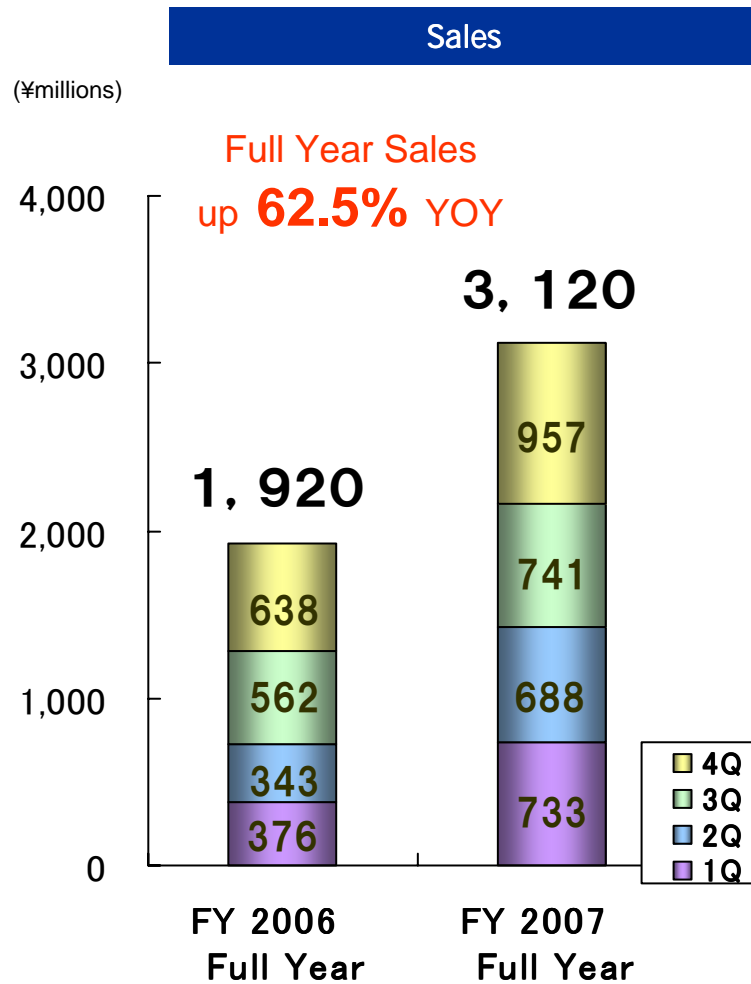
① Internet Infrastructure

② Internet Media

4. Strengths &  
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5. FY 2008  
Strategy & Outlook

Full year sales: ¥3.1 billion, Contracts: over 20,000



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# Security Business – Key Factors

1. Summary

2. FY 2007  
Financial Statement

3. Segment Report

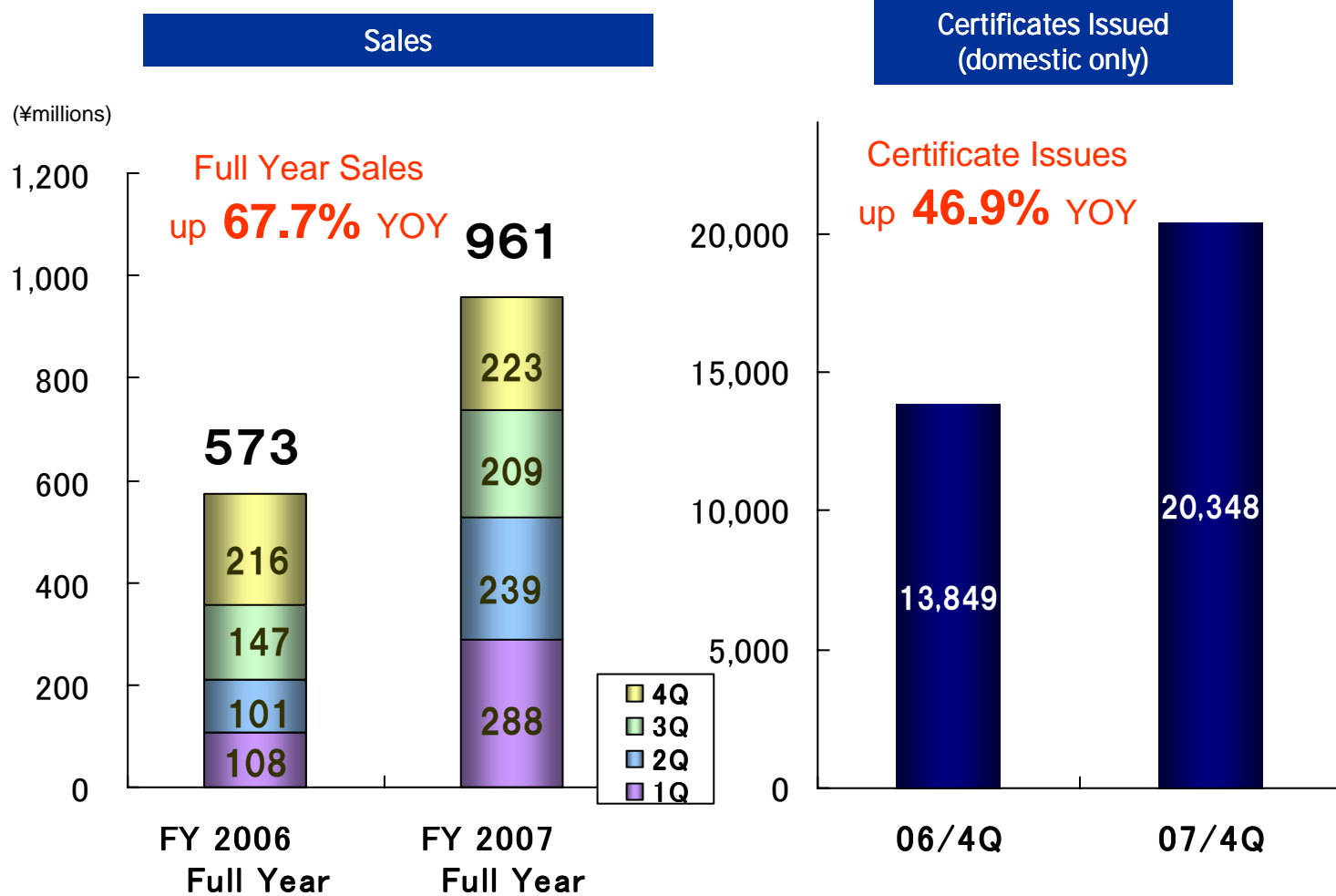
① Internet Infrastructure

② Internet Media

4. Strengths &  
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Full year sales: ¥960 million, Contracts: 20,000



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# Security Business – Business Environment & Growth Potential

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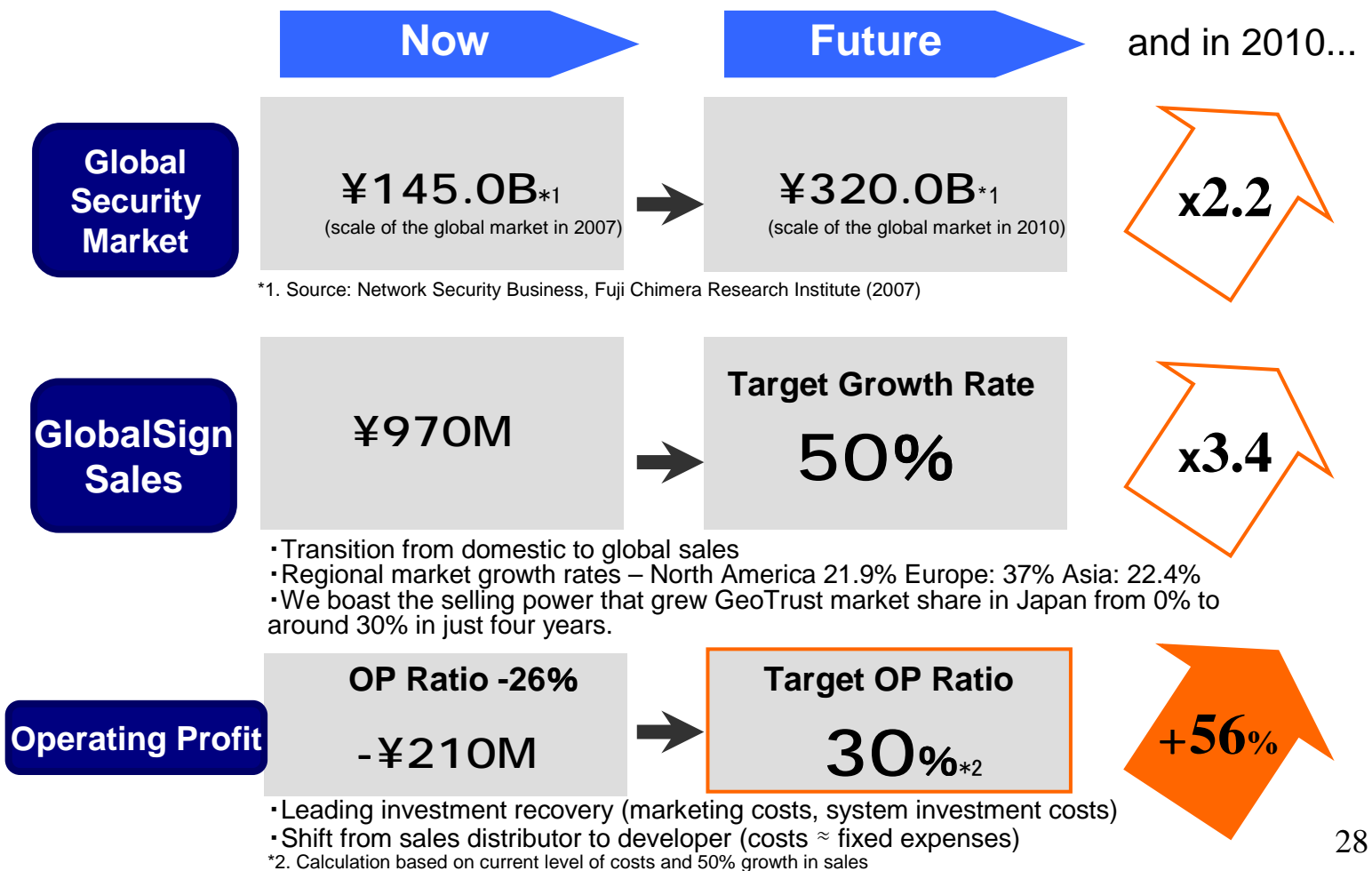
① Internet Infrastructure

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At current cost levels operating profit ratio is set to hit 30% if 50% annual sales growth is achieved



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# Security Business – Growth Strategy

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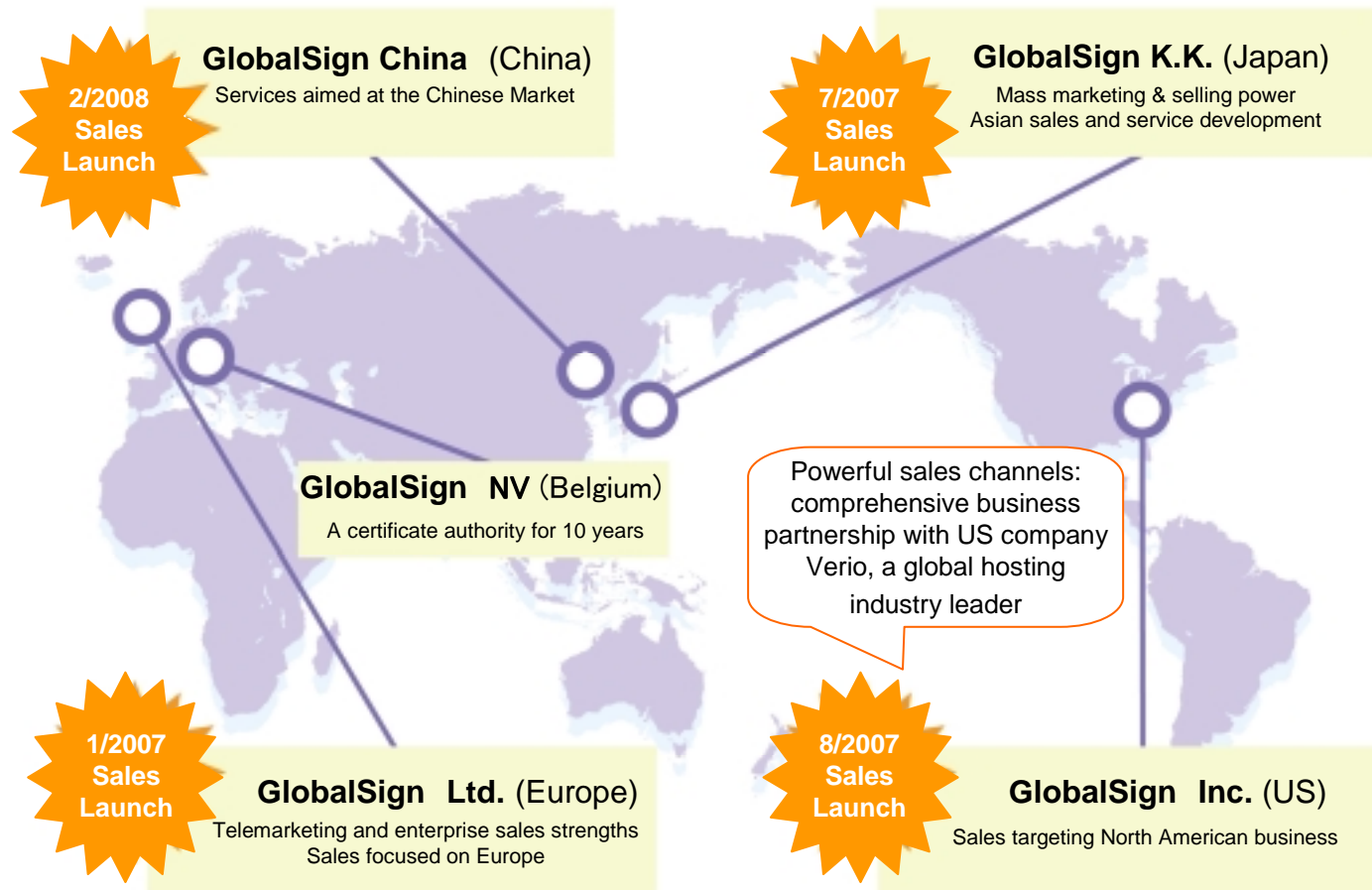
①Internet Infrastructure

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## From certificate authority distributor to certificate authority: building a global sales network



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# Credit Card Payment Processing Business – Key Factors

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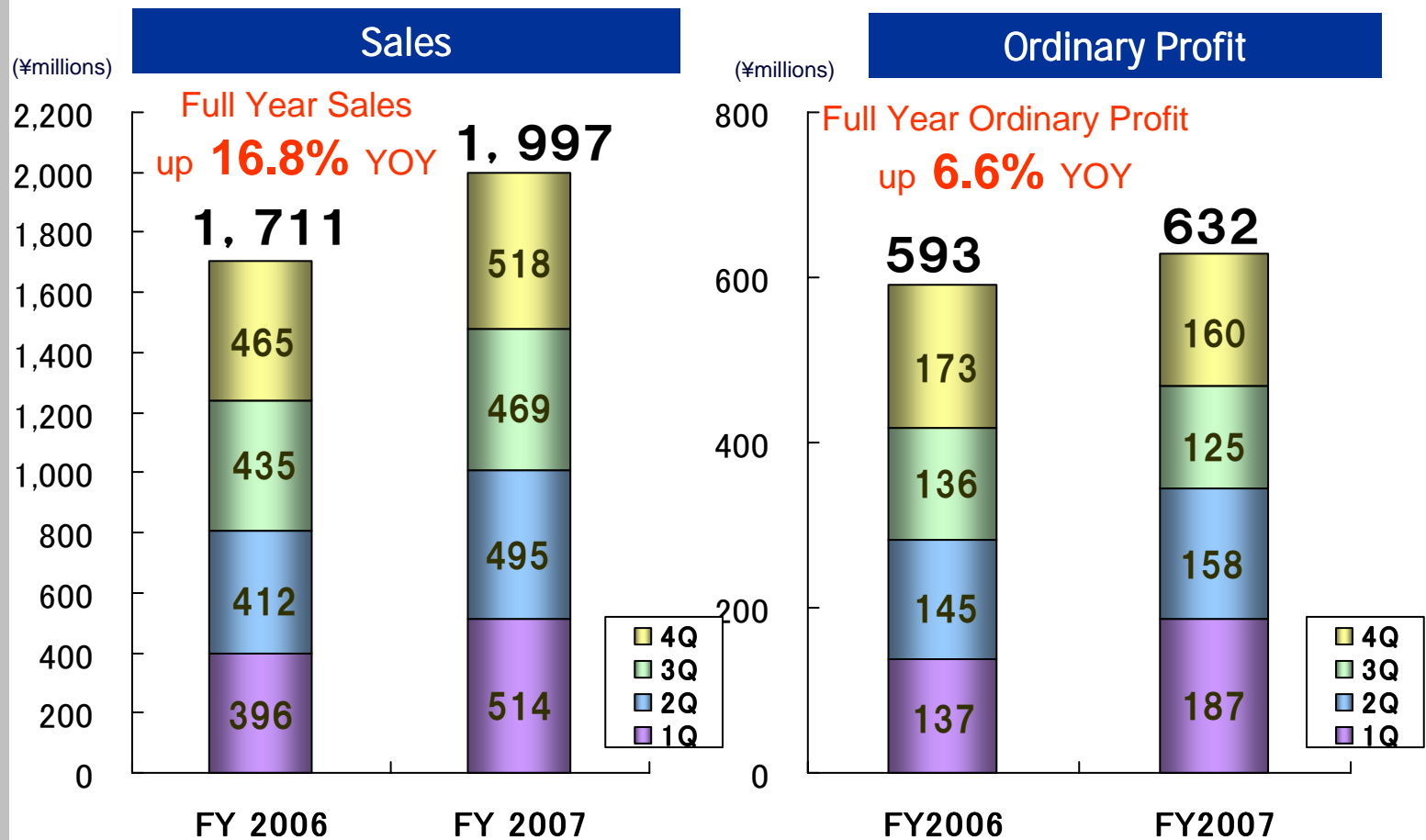
①Internet Infrastructure

②Internet Media

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Full year sales: ¥1.9 billion, Full year ordinary profit: ¥630 million



\*Both graphs based on GMO Payment Gateway figures up to the 3<sup>rd</sup> quarter of 2005, and consolidated figures from the 4<sup>th</sup> quarter of 2005

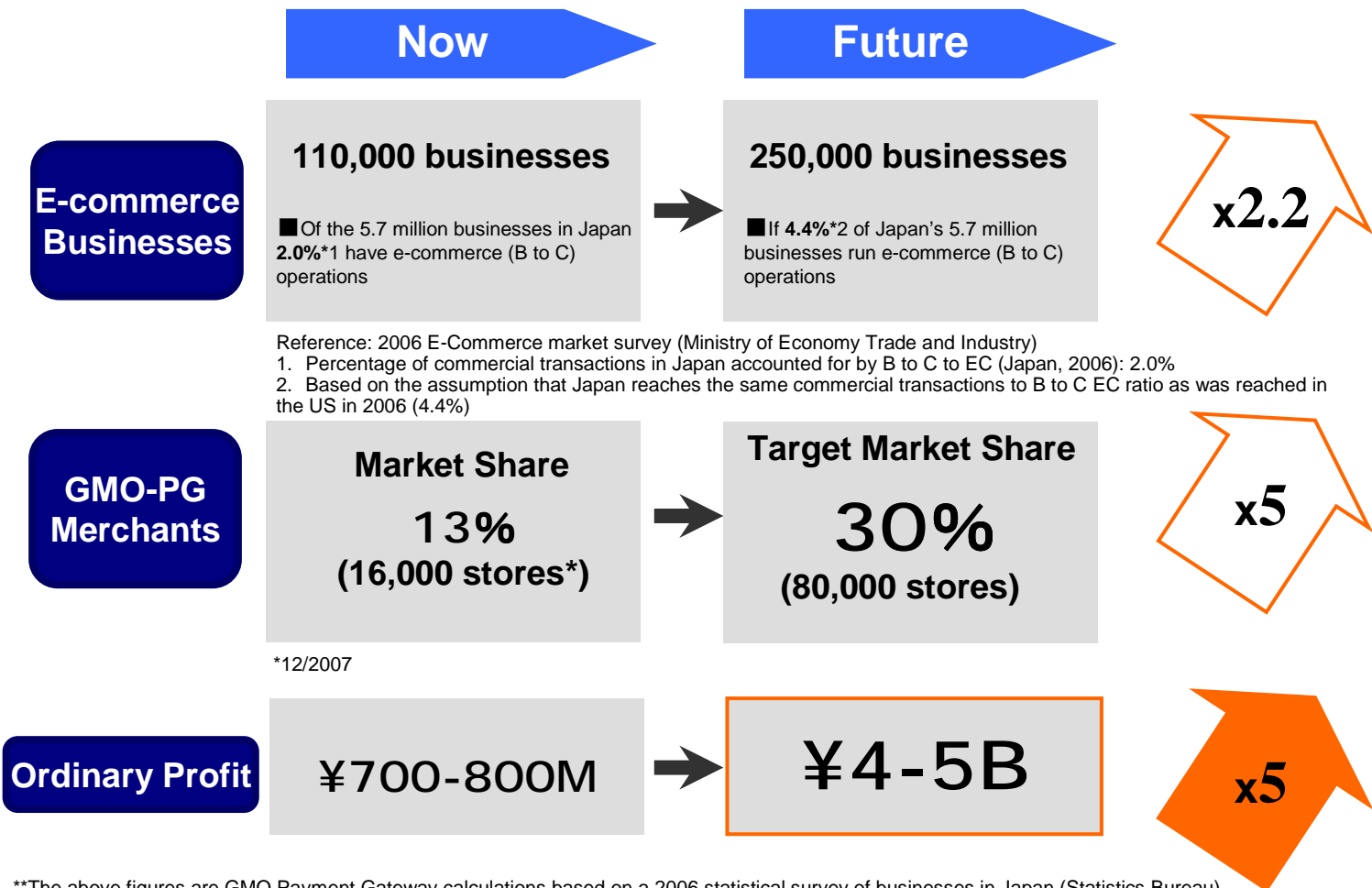
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# Payment Processing Business – Business Environment & Growth Strategy

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Growing present 13% market share to 30% to result in a x5 increase in ordinary profit



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\*\*The above figures are GMO Payment Gateway calculations based on a 2006 statistical survey of businesses in Japan (Statistics Bureau)  
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②Internet Media  
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# Business Performance – Internet Media Segment Sales

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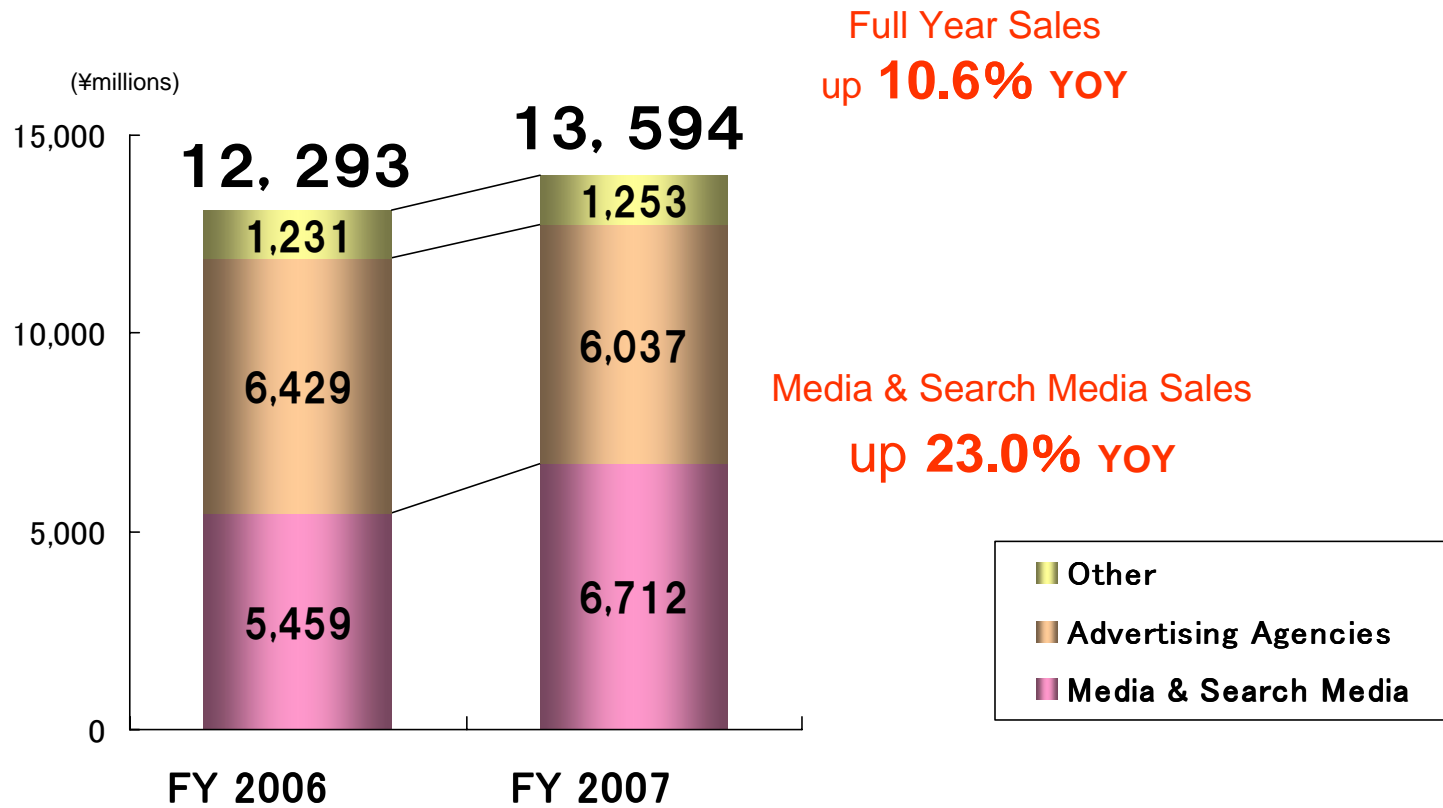
① Internet Infrastructure

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Full year sales up 10.6% over the previous year to ¥13.5 billion  
Strong performance in Media & Search Media



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# Business Performance – Internet Media Segment Operating Profit

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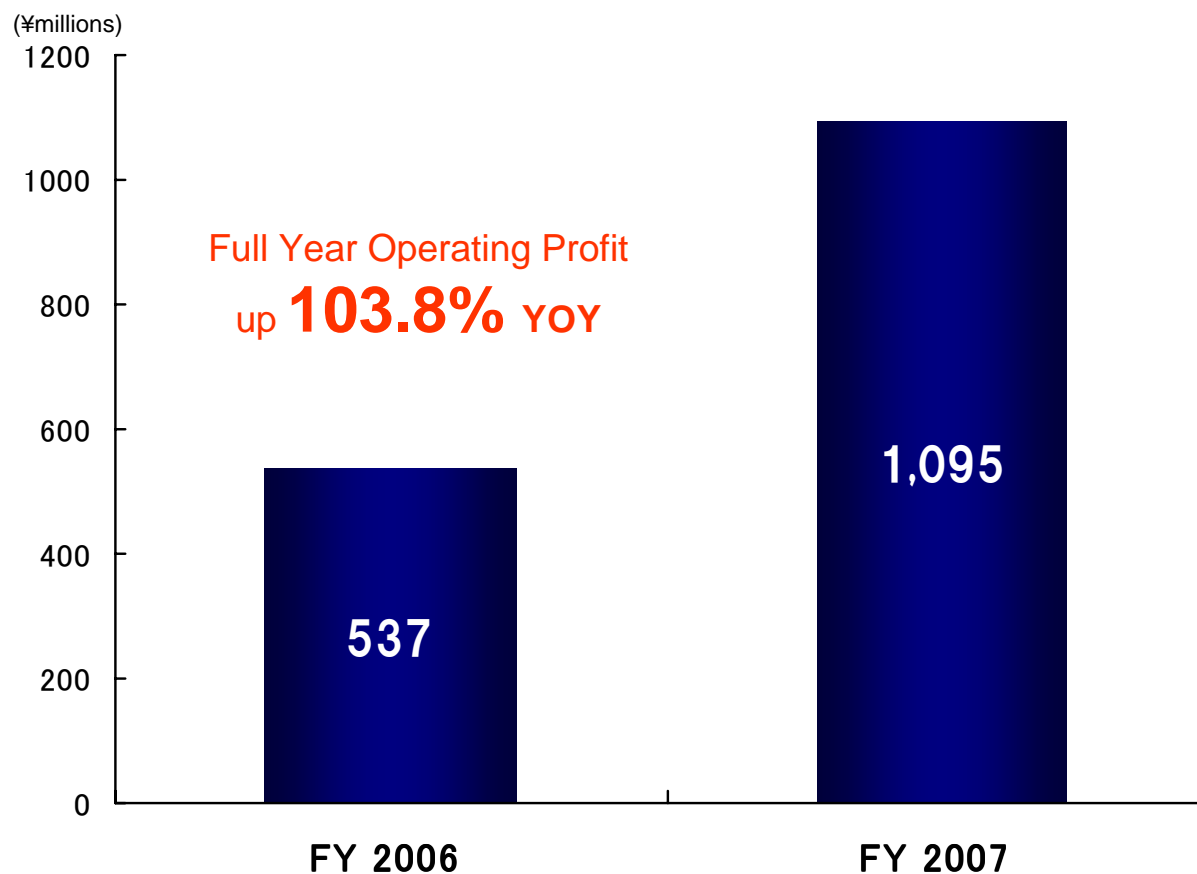
①Internet Infrastructure

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Continued strong performance in Media & Search Media  
Successful monetization of free media services



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# Internet Media – Users

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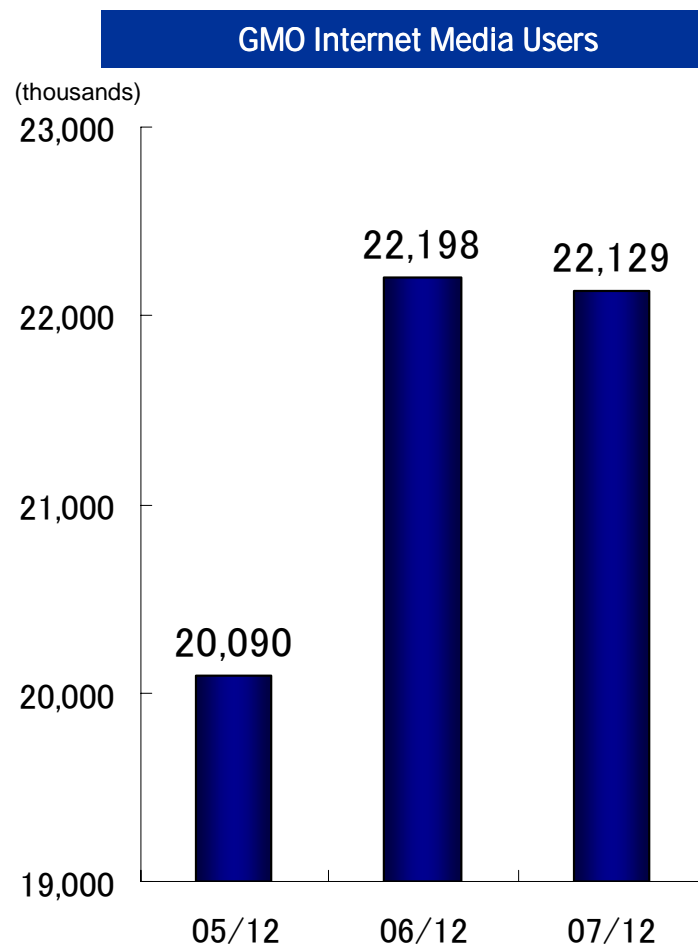
① Internet Infrastructure

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22.12 million users



## Media Users

Property	Users (thousands)	Reach (%)	Page View Ranking
Yahoo!	42,574	87.92	1
Google	27,137	56.04	3
rakuten	27,021	55.80	2
NTT.com	24,225	50.03	5
microsoft	23,235	47.98	10
<b>GMO</b>	<b>22,129</b>	<b>45.70</b>	<b>9</b>
@nifty	20,758	42.87	13
FC2	20,715	42.78	6
livedoor	17,941	37.05	18
NEC	17,232	35.59	16

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\*Nielsen//NetRatings (12/2007) 35

# Internet Media - Major Internet Media Sites

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## Services accessed by over one million users\* every month

**JWord**  
4.59 million (approx.)



**yaplog!**  
6.49 million (approx.)



**JUGEM**  
6.70 million (approx.)



**Teacup**  
7.3 million (approx.)



**kabegami.com**  
1.76 million (approx.)



**freeml**  
4.28 million (approx.)



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\*Nielsen//NetRatings, (12/2007) 36

# Internet Media - Introduction of the GMO ID

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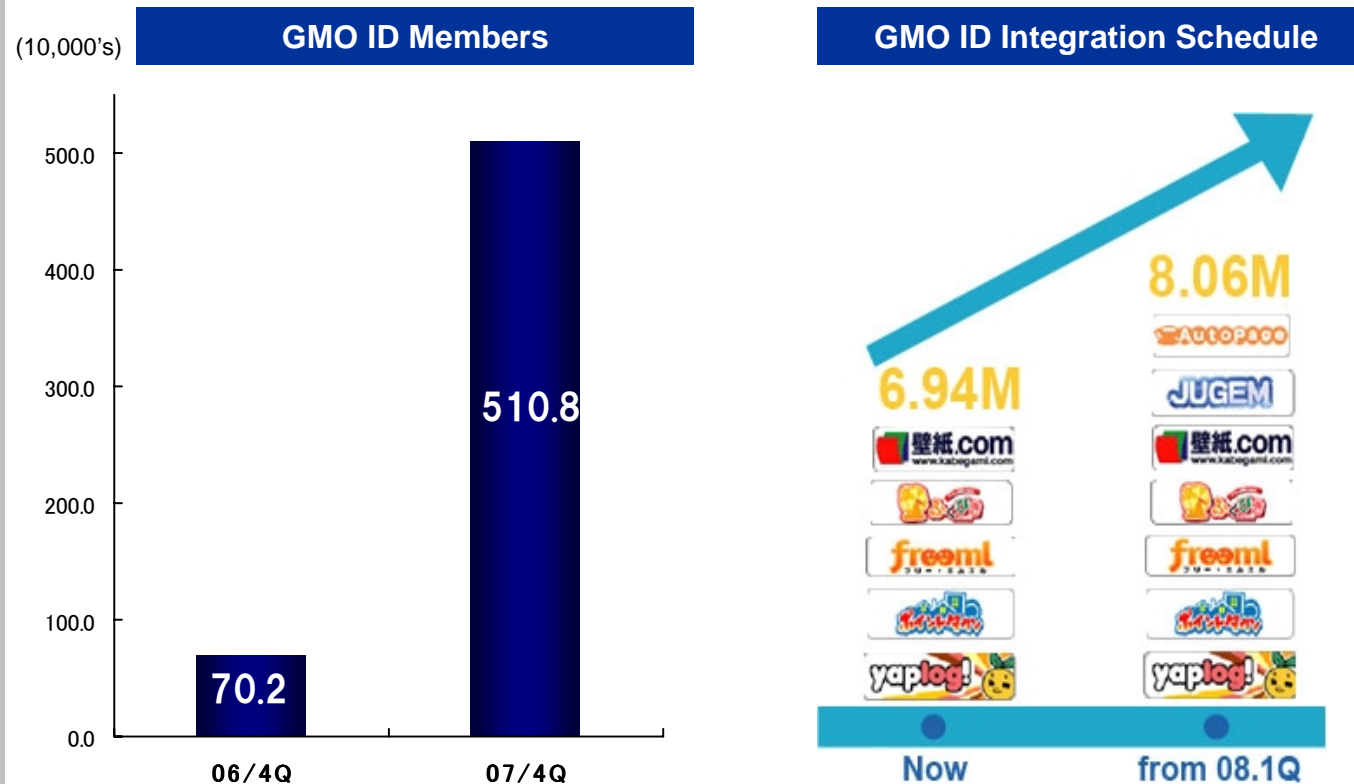
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GMO ID membership increases 5-fold year on year to over 5 million

Increase in memberships to expand use of services group-wide



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General Report · Product Report

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# Media & Search Media - Business Performance

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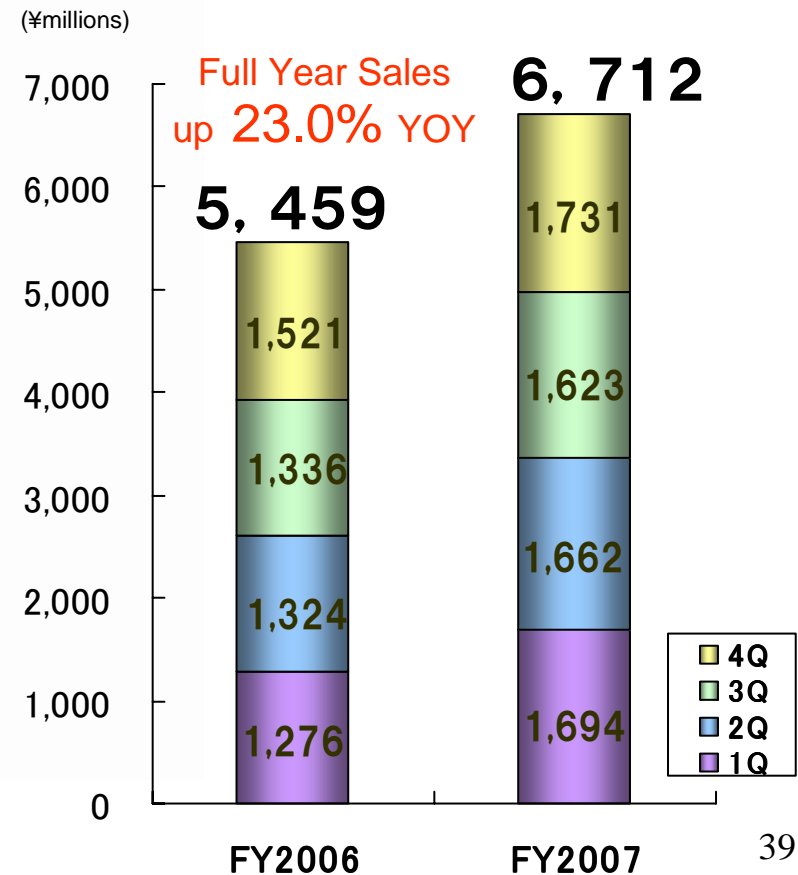


Sales up 23.0% over the previous year

Media & Search Media Sales Composition (Main)



Sales



# Media & Search Media – Search Engine Ranking Services (JWord & SEO)

1. Summary

2. FY 2007  
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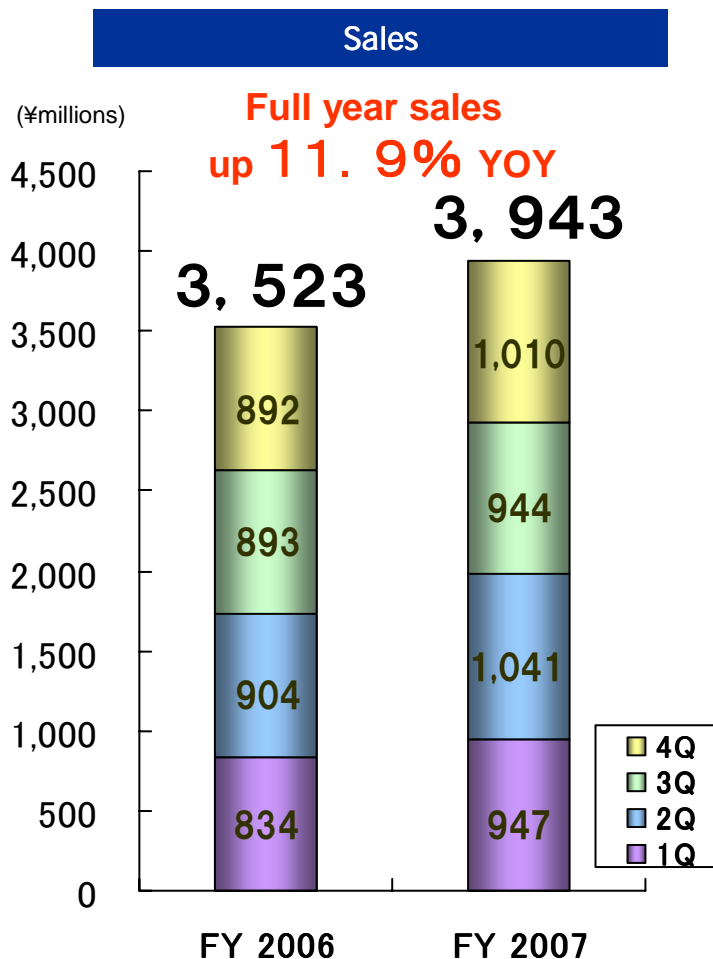
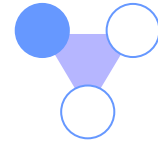
① Internet Infrastructure

② Internet Media

4. Strengths &  
Business Domains

5. FY 2008  
Strategy & Outlook

Full year sales up 11.9% over previous year to ¥3.9 billion  
JWord fourth in Japan user number rankings



**Major Portal Site Search Engines**

Site	Users (thousands)	Page Views (thousands)
Yahoo! Search	32,405	2,218,154
Google Search	18,767	1,167,237
MSN Search	7,030	130,693
<b>JWord Search</b>	<b>3,965</b>	<b>37,143</b>
@nifty Search	2,705	68,187
goo Web Search	2,906	53,416
BIGLOBE Search	2,414	144,569
Infoseek Search	1,541	38,704
livedoor Search	889	5,882
OCN Search	715	33,765

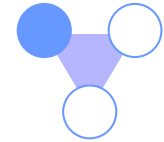
TSE Stock Code: 9449



\* Nielsen//NetRatings Portal Content Views, Household Access (12/2007)



# Media & Search Media – Search Engine Ranking Services (JWord & SEO)



1. Summary

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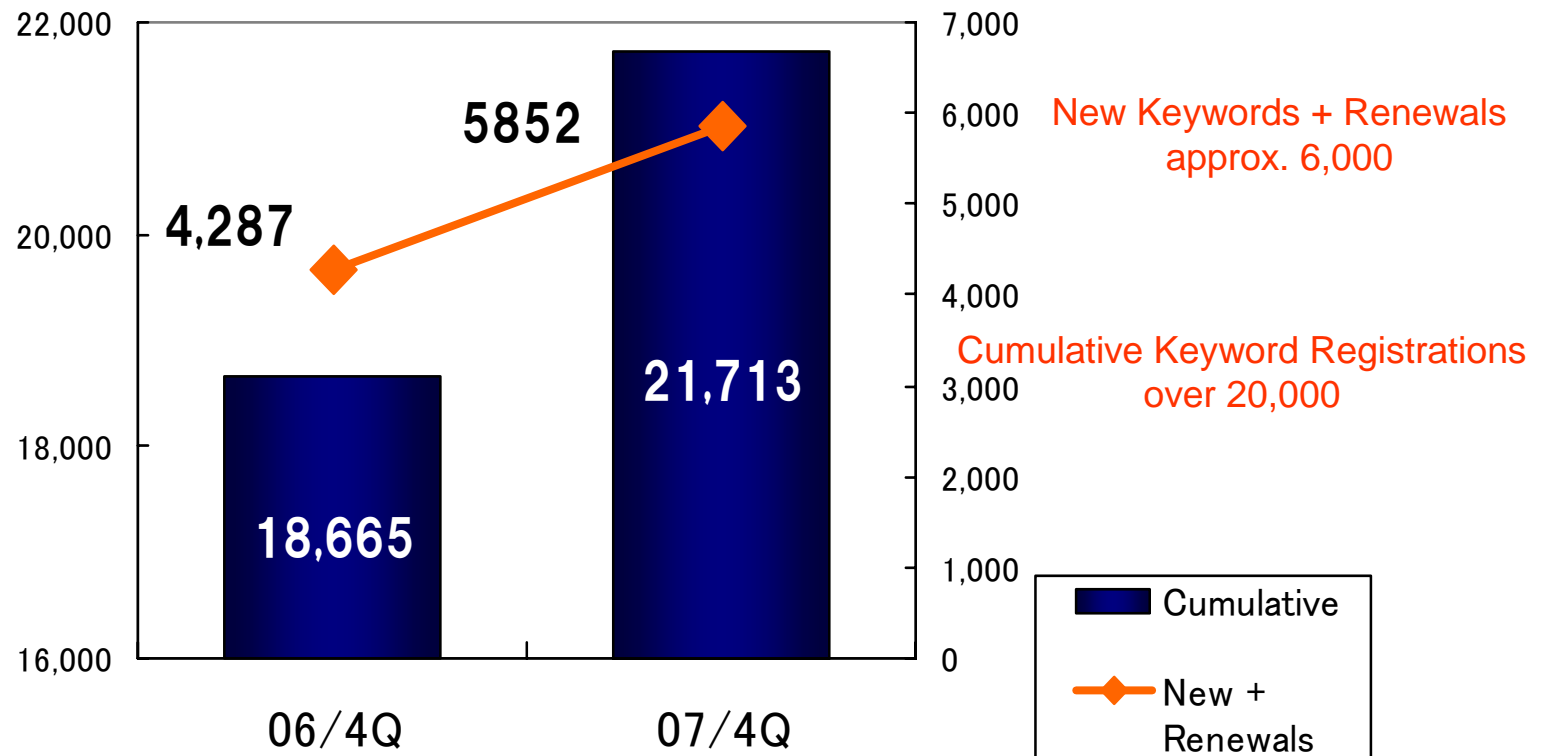
① Internet Infrastructure

② Internet Media

4. Strengths &  
Business Domains

5. FY 2008  
Strategy & Outlook

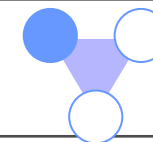
## Search engine ranking service keywords



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# Media & Search Media - SEO



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2. FY2007  
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① Internet Infrastructure

② Internet Media

4. Strengths &  
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## Strong performance in SEO

### Growth far outpacing market average

	Sales/Market Size (¥ hundred millions)		Growth Rate
	FY 2006	FY 2007	
<b>GMO Internet Group</b>	<b>1.9</b>	<b>5.8</b>	<b>+196.3%</b>
SEO Market (Overall)	79.7	99.6	+24.9%
SEO Market (Outsourcing)*	16.5	26.0	+57.6%

\*Source: 3<sup>rd</sup> Domestic SEO Market Projection, AUN CONSULTING, Inc. (1/11/2008)

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# Media & Search Media - Overture

1. Summary

2. FY 2007  
Financial Statement

3. Segment Report

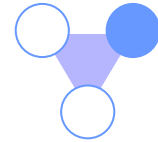
① Internet Infrastructure

② Internet Media

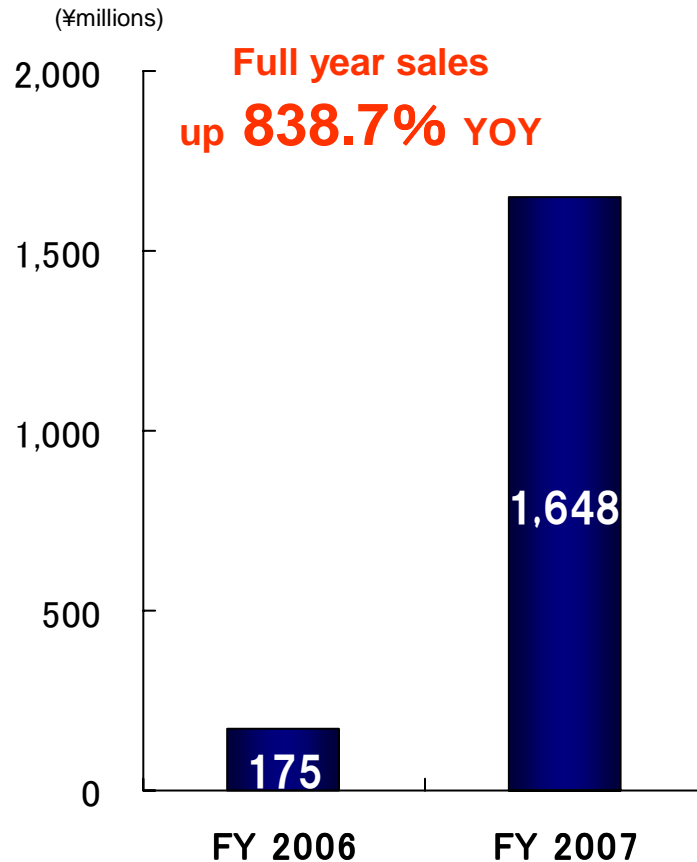
4. Strengths &  
Business Domains

5. FY 2008  
Strategy & Outlook

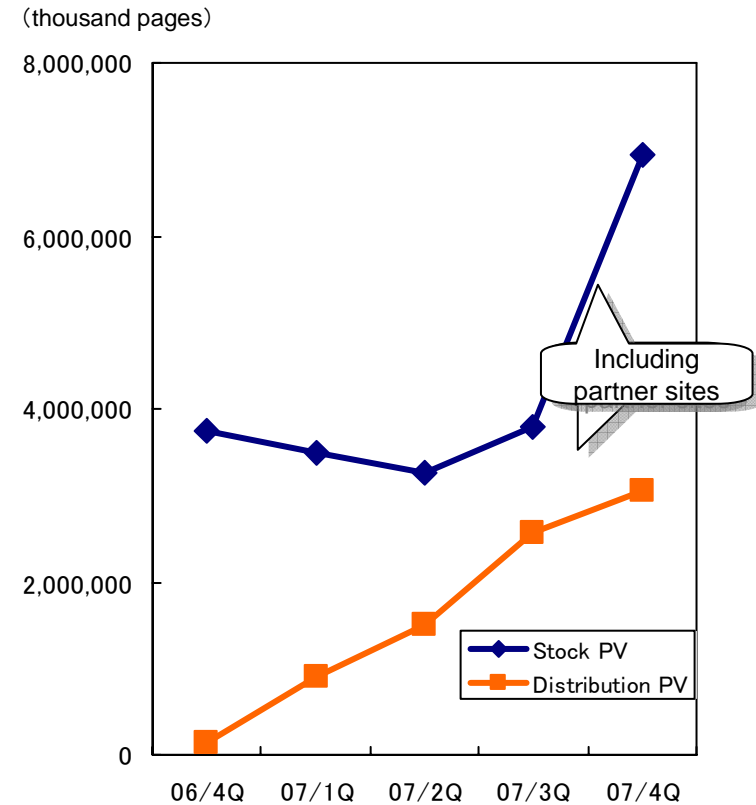
Full year sales up 838.7% over previous year to ¥1.6 billion



Overture Partnership Sales (Net Sales)



Stock PV & Distribution PV



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②Internet Media

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Growth Strategy & Outlook

# 4. Strengths & Business Domains

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# GMO Internet Group Business Operations

1. Summary

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3. Segment Report

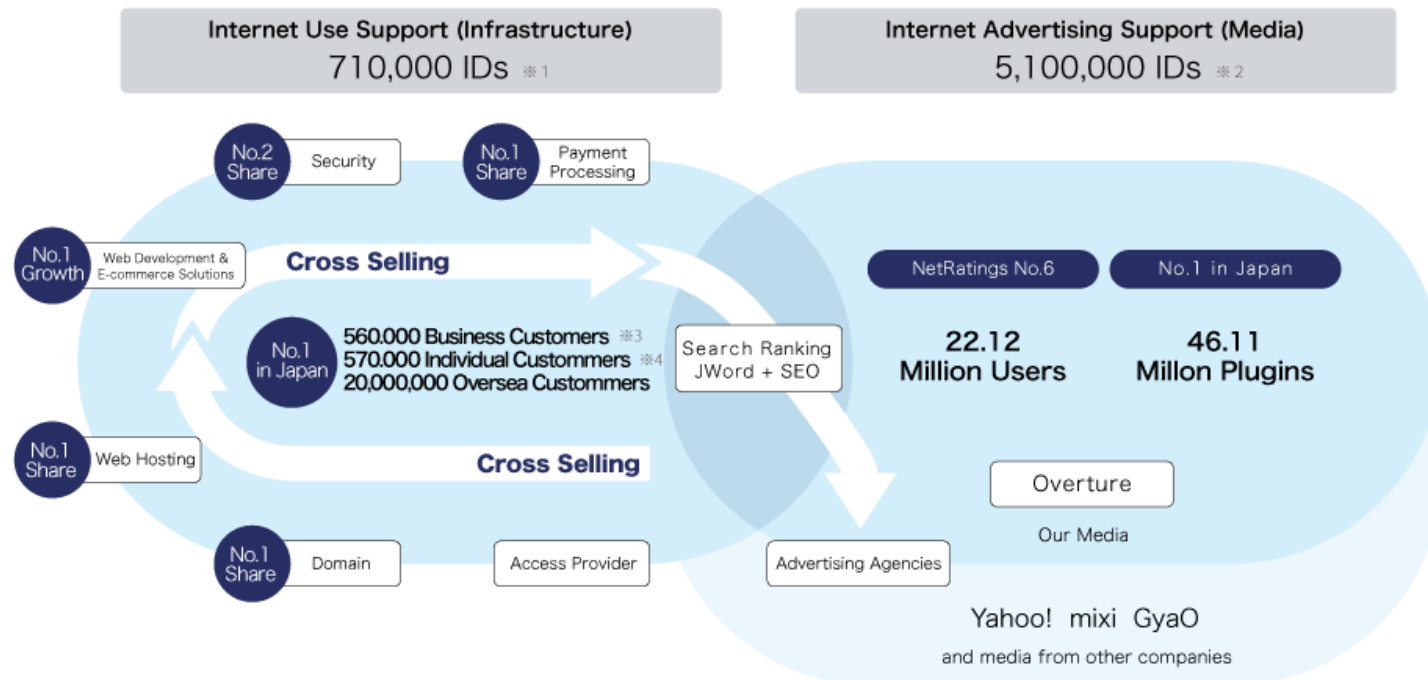
① Internet Infrastructure

② Internet Media

4. Strengths &  
Business Domains

5. FY2008  
Growth Strategy & Outlook

**Management resources concentrated in 2 business areas.  
The Group supports the information transfer and net  
businesses of 1.13 million customers (\*6).**



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

\*2. GMO ID members

\*3. Total business members of our five major services.

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

\*5. Total number of GlobalSign digital certificates issued (including certificates issued by intermediate certificate authorities)

\*6. Paying members only

\* 100,000 Internet access provider business customers not included in the above figures

\* The definition of "member" has been revised for some services

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# GMO Internet Group Customers

1. Summary

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① Internet Infrastructure

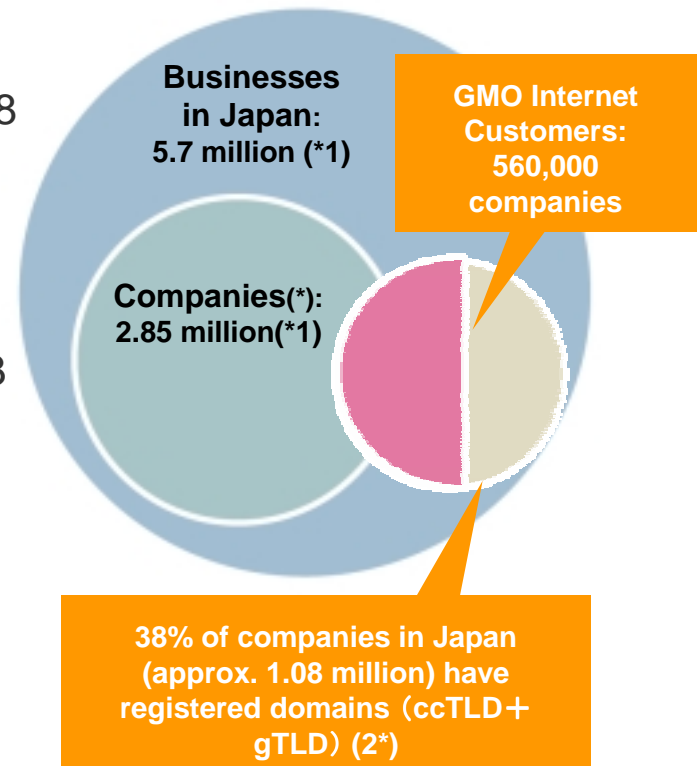
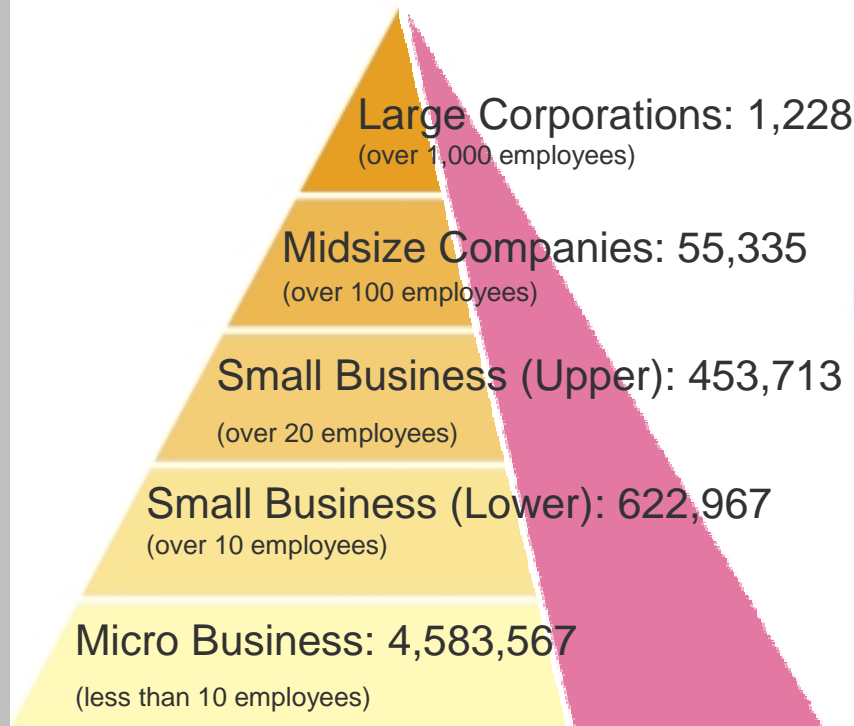
② Internet Media

4. Strengths &  
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Growth Strategy & Outlook

560,000 of the 5.7 million businesses in Japan use our services

## Businesses in Japan



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\*1. According to the Ministry of Internal Affairs and Communications Statistics Bureau 2006 statistical report on business and industry (October 1, 2006)  
 \*2. According to our own calculations, JPRS statistics (December, 2006) and the ICANN monthly registry report December 2006.  
 \*3. Corporate entities under Japanese law

# GMO Internet Group Strengths

- 1. Summary
- 2. FY2007 Financial Statement
- 3. Segment Report
  - ①Internet Infrastructure
  - ②Internet Media
- 4. Strengths & Business Domains
- 5. FY2008 Growth Strategy & Outlook

## The “Internet Department” to Japan!

Stable Customer Base <b>560,000</b> businesses <b>570,000</b> individuals <b>710,000</b> IDs	<h3>Customer Base</h3>	NetRatings Japan Ranking: 6 <b>22.12 million</b> individual users <b>5.1 million</b> IDs
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## Up-Selling X Cross-Selling

<h3 style="text-align: center;">We Develop Our Own Technology</h3> <ul style="list-style-type: none"> <li style="background-color: #fff; padding: 5px; margin-bottom: 5px;"><b>Overwhelming</b> Domain &amp; Server Market Shares</li> <li style="background-color: #fff; padding: 5px; margin-bottom: 5px;">Moving into the <b>Global</b> Security Market</li> <li style="background-color: #fff; padding: 5px; margin-bottom: 5px;">E-Commerce Payment Processing <b>37,000</b> stores and growing</li> <li style="background-color: #fff; padding: 5px;">Search / CGM <b>46.1 million</b> Plugins</li> </ul>	<h3 style="text-align: center;">Marketing &amp; Selling Power</h3> <ul style="list-style-type: none"> <li style="background-color: #fff; padding: 5px; margin-bottom: 5px;"><b>Web Marketing</b> <b>78</b> Sites</li> <li style="background-color: #fff; padding: 5px; margin-bottom: 5px;"><b>Call Center</b> <b>300</b> Booths</li> <li style="background-color: #fff; padding: 5px; margin-bottom: 5px;"><b>On the Road</b> <b>350</b> Sales Reps</li> <li style="background-color: #fff; padding: 5px;"><b>Sales</b> <b>6,173</b> Partners</li> </ul>	<h3 style="text-align: center;">No. 1 Customer Support Satisfaction</h3> <ul style="list-style-type: none"> <li style="background-color: #fff; padding: 5px; margin-bottom: 5px;"><b>Support Center Open</b> <b>24</b> hours <b>365</b> days</li> <li style="background-color: #fff; padding: 5px; margin-bottom: 5px;"><b>Quick Response</b> Phone <b>9</b> secs. Mail <b>9</b> mins.</li> <li style="background-color: #fff; padding: 5px; margin-bottom: 5px;"><b>CTI</b> Customer Management System</li> <li style="background-color: #fff; padding: 5px;"><b>HDI Japan</b> <b>2 Stars</b></li> </ul>	<h3 style="text-align: center;">Latest Industry Trends Research</h3> <ul style="list-style-type: none"> <li style="background-color: #fff; padding: 5px; margin-bottom: 5px;"><b>Venture Capital</b> Securing the latest business innovations</li> <li style="background-color: #fff; padding: 5px; margin-bottom: 5px;"><b>Payment Processing &amp; Advertising Businesses</b> On top of industry marketing trends</li> <li style="background-color: #fff; padding: 5px; margin-bottom: 5px;"><b>Net Professionals</b> <b>1,600</b></li> <li style="background-color: #fff; padding: 5px;"><b>Research Panel</b> <b>470,000</b> members</li> </ul>
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**All supported by a formidable organizational strength!**

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①Internet Infrastructure

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Growth Strategy & Outlook

# 5. FY2008 Growth Strategy & Outlook

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# Infrastructure Segment Growth Strategy - Development

1. Summary

2. FY2007  
Financial Statement

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①Internet Infrastructure

②Internet Media

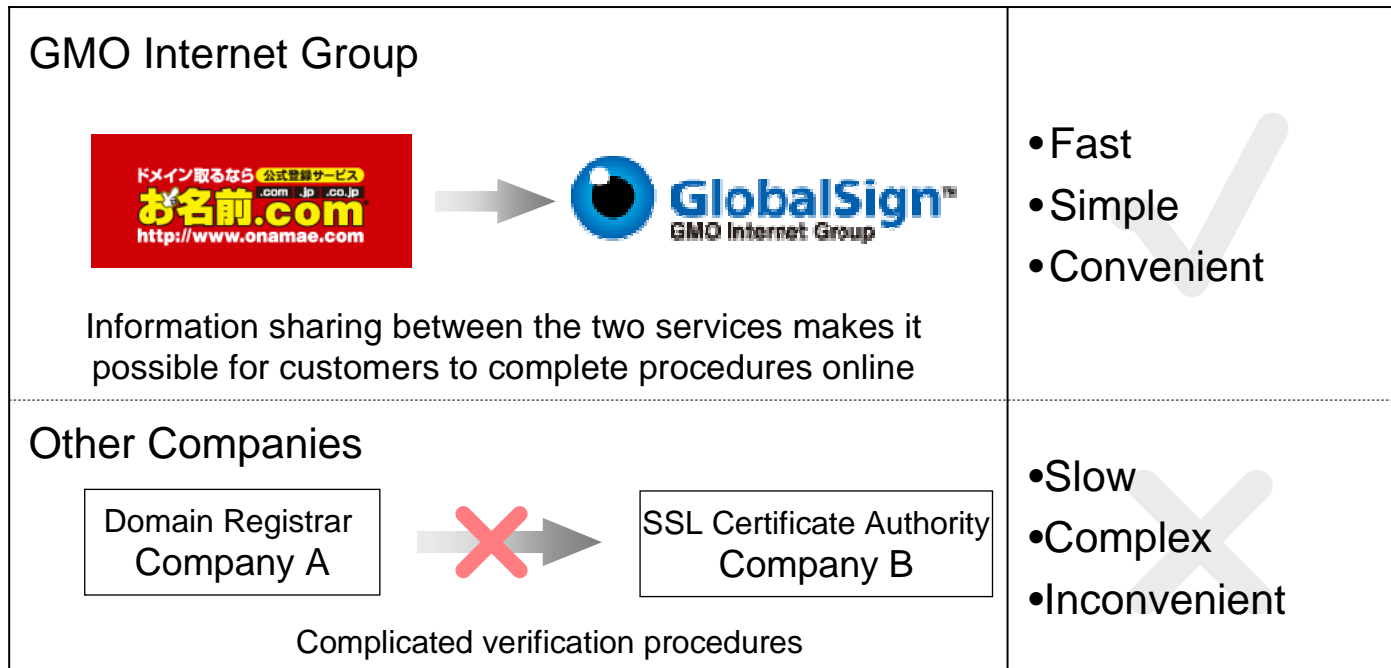
4. Strengths &  
Business Domains

5. FY2008  
Growth Strategy & Outlook

## Products Built on Group Synergy

### Developing products other companies simply can't offer

The only SSL service in the world provided by a CA/domain registrar partnership



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# Infrastructure Segment Growth Strategy - Sales

1. Summary

2. FY2007  
Financial Statement

3. Segment Report

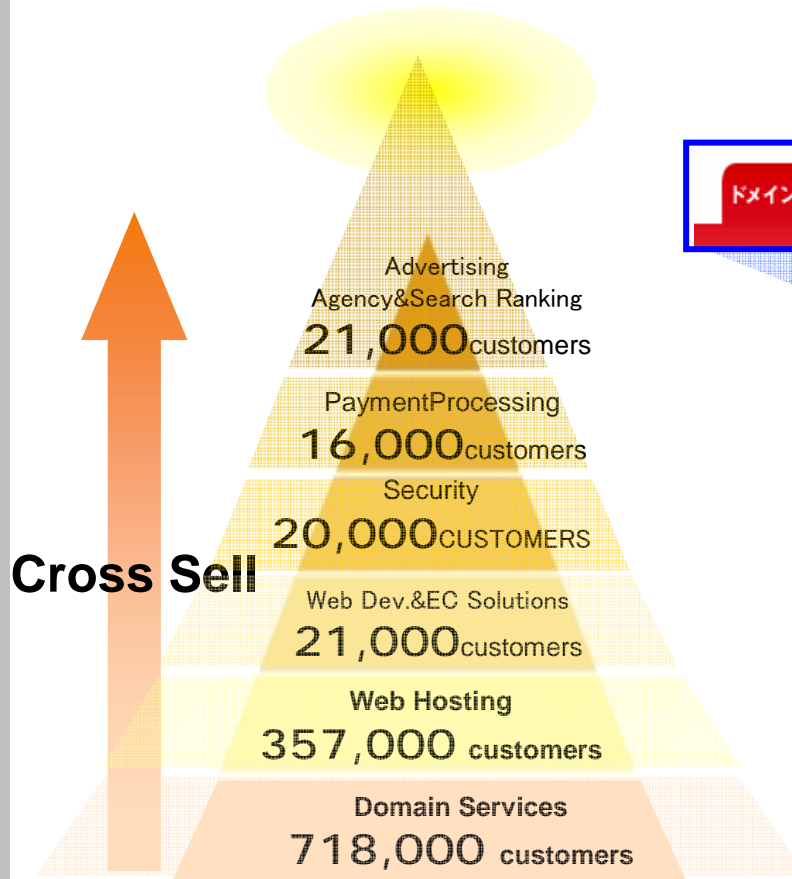
①Internet Infrastructure

②Internet Media

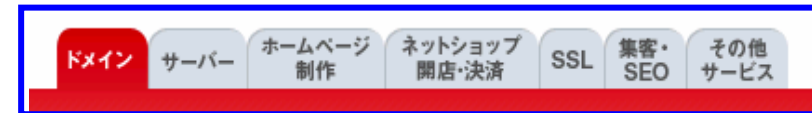
4. Strengths &  
Business Domains

5. FY2008  
Growth Strategy & Outlook

Cross sell strategy: increasing market share & raising ARPU\* through business synergies



Cross Sell Tab Bar



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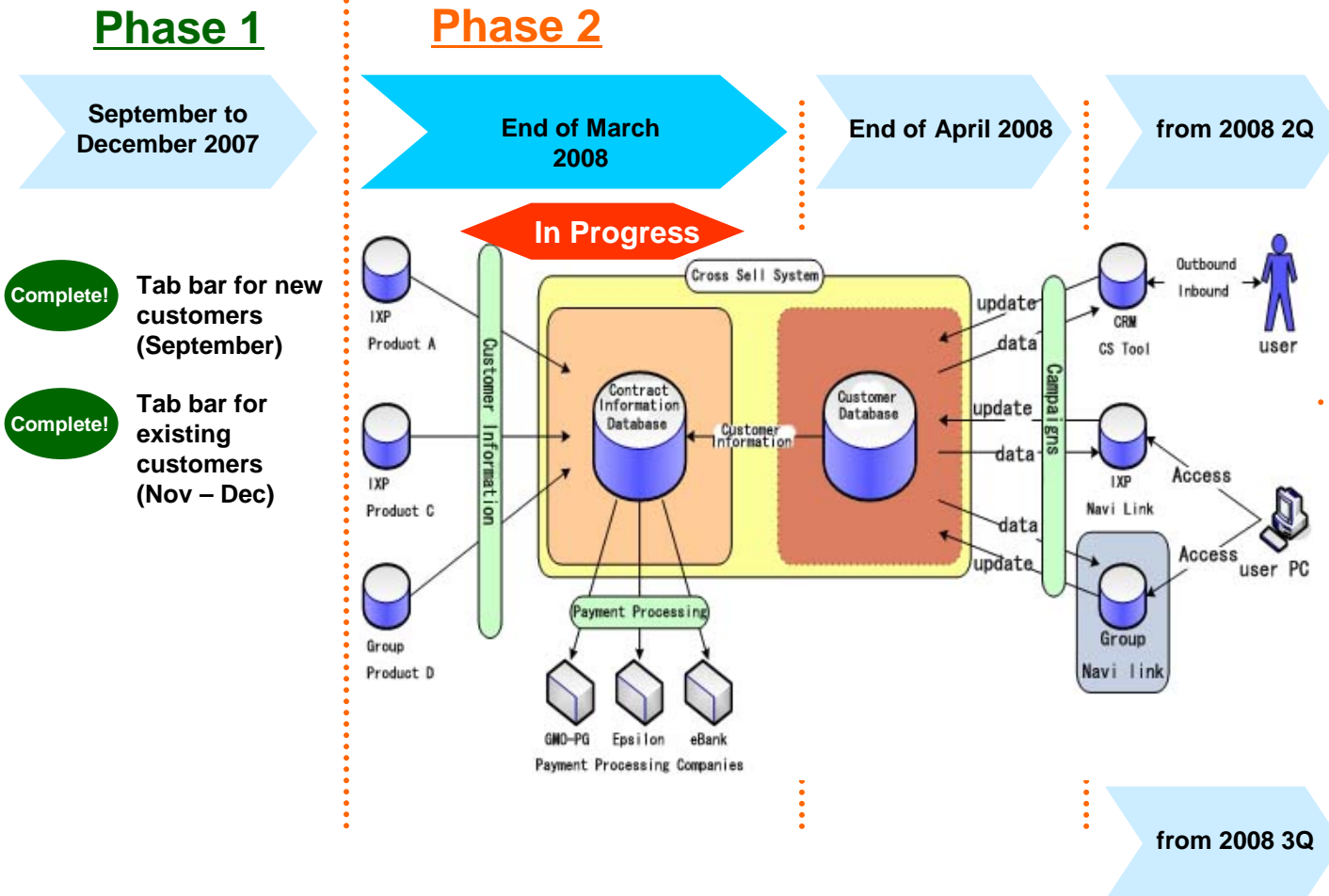


\*ARPU: Average Revenue Per User 50

# Infrastructure Segment Growth Strategy - Sales

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  - ① Internet Infrastructure
  - ② Internet Media
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## Cross sell strategy road map: progress report



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# Media Segment Growth Strategy - Development

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②Internet Media

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Development and launch of new media for GMO ID: Major hike in page views

**About once a year a new “hit” media site emerges. We aim to produce the next big hit!**



## Detecting Hit Trends

Group-wide our antennas are out; catching trends in their infancy allows us to be among the first to introduce new services.

## Winning Structure

The GMO ID reduces registration barriers and makes it possible for us to grow a service in a short time frame.

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# Business & Capital Partnership with Yahoo Japan

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②Internet Media

4. Strengths &  
Business Domains

5. FY2008  
Growth Strategy & Outlook

## Yahoo Japan business partnership: progress report



1. We are now in discussions regarding the possibility of collaboration in the following areas to capitalize on the synergy between the two companies

Businesses in Partnership Discussions	
1. Sponsored search	7. Research
2. Business express	8. Wallpaper and content
3. E-commerce	9. Mobile media
4. Domain/hosting	10. Yahoo! Advertising sales
5. Payment processing	11. Other areas of business in which there is synergy between the companies
6. Security	

2. Regular meetings for continued development of the partnership

Meeting	Participants	Frequency
1. General Consultative Assembly	Top management・Directors	Once a month
2. In each business area	Department heads・leaders	Once a week

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# FY2008 Results Forecast

1. Summary

2. FY2007  
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Growth Strategy & Outlook

Consolidated full-year projection:  
Operating Profit ¥4.5B, Ordinary Profit ¥4.2B

	FY 2008 Forecast	FY 2007 Comparison
Sales	¥36.0B	Infrastructure & Media up 10.8%
Operating Profit	¥4.5B	+¥13.42B
Ordinary Profit	¥4.2B	+¥13.86B
Net Profit	¥1.7B	+¥19.29B

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# Internet for Everyone

- The "Internet Department" to Japan! -





Fiscal Year 2007 Results Presentation

# Internet Revival!

## Conclusion of Finance Segment Losses