

# Recovery

With the challenges of 2007 overcome 2008 is off to a strong start

# First Quarter Results Presentation for the 2008 Fiscal Year

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May 13, 2008

**GMO Internet, Inc.**

(TSE First Section: 9449)

Internet for Everyone  
<http://www.gmo.jp/en> 2

## About the Use of this Document

This document includes projections based on expectations, premises and plans as of May 13, 2008. 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, 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 . 1Q FY2008 Financial Statement**
- 3 . Segment Report**
  1. Internet Use Support (Infrastructure)
  2. Internet Advertising Support (Media)
- 4 . Business Model & Growth Strategy**

1. Summary

2. 1Q FY2008  
Financial Statement

3. Segment Report

①Internet Infrastructure

②Internet Media

4. Business Model &  
Growth Strategy

# 1. Summary

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# Summary (I)

1. Summary

2. 1Q FY2008  
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3. Segment Report

①Internet Infrastructure

②Internet Media

4. Business Model &  
Growth Strategy

## Highlights

**1. Record Operating Profit: ¥1.15 billion**  
(ex-finance segment)

**2. Upward Revision of Interim Consolidated Net Profit**  
**¥400M → ¥700M**

**3. On track to achieve forecast results**

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# Summary (II)

## 1. Summary

### 2. 1Q FY2008 Financial Statement

### 3. Segment Report

#### ①Internet Infrastructure

#### ②Internet Media

### 4. Business Model & Growth Strategy

## P/L Highlights: Record Operating Profit

### 08/1Q Consolidated P/L

	10-12/2007	1-3/2008	% Change
➤ Sales	¥8.6B	¥8.64B	+0.5%
➤ Operating Profit	¥0.84B	¥1.15B	+36.1%
➤ Ordinary Profit	¥0.62B	¥1.02B	+65.8%
➤ Net Profit	-¥5.57B	¥0.48B	-

**Record Profit**

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# Summary (III)

1. Summary

2. 1Q FY2008  
Financial Statement

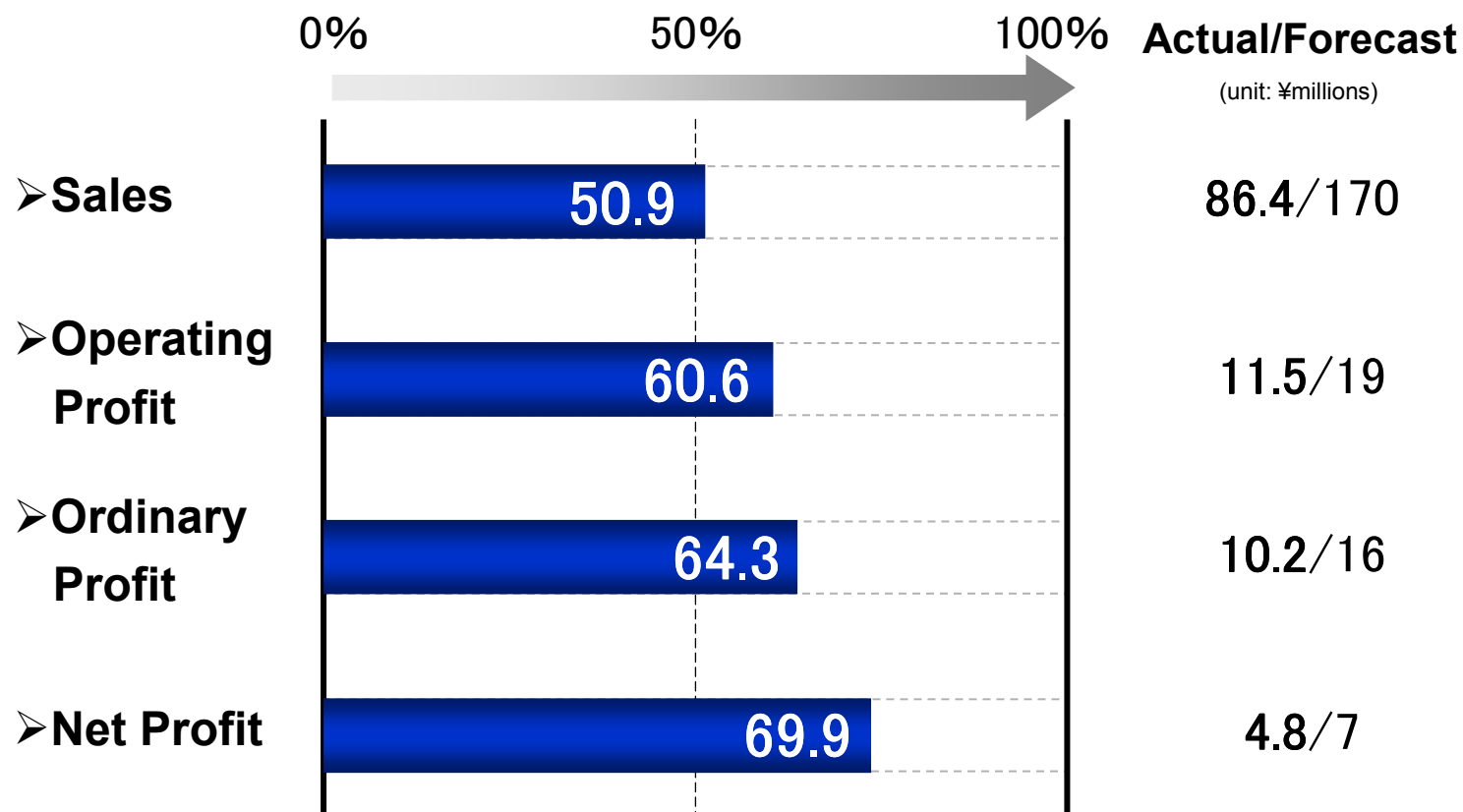
3. Segment Report

①Internet Infrastructure

②Internet Media

4. Business Model &  
Growth Strategy

Progress report: toward achieving revised (interim) forecast results



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# Summary (IV)

1. Summary

2. 1Q FY2008  
Financial Statement

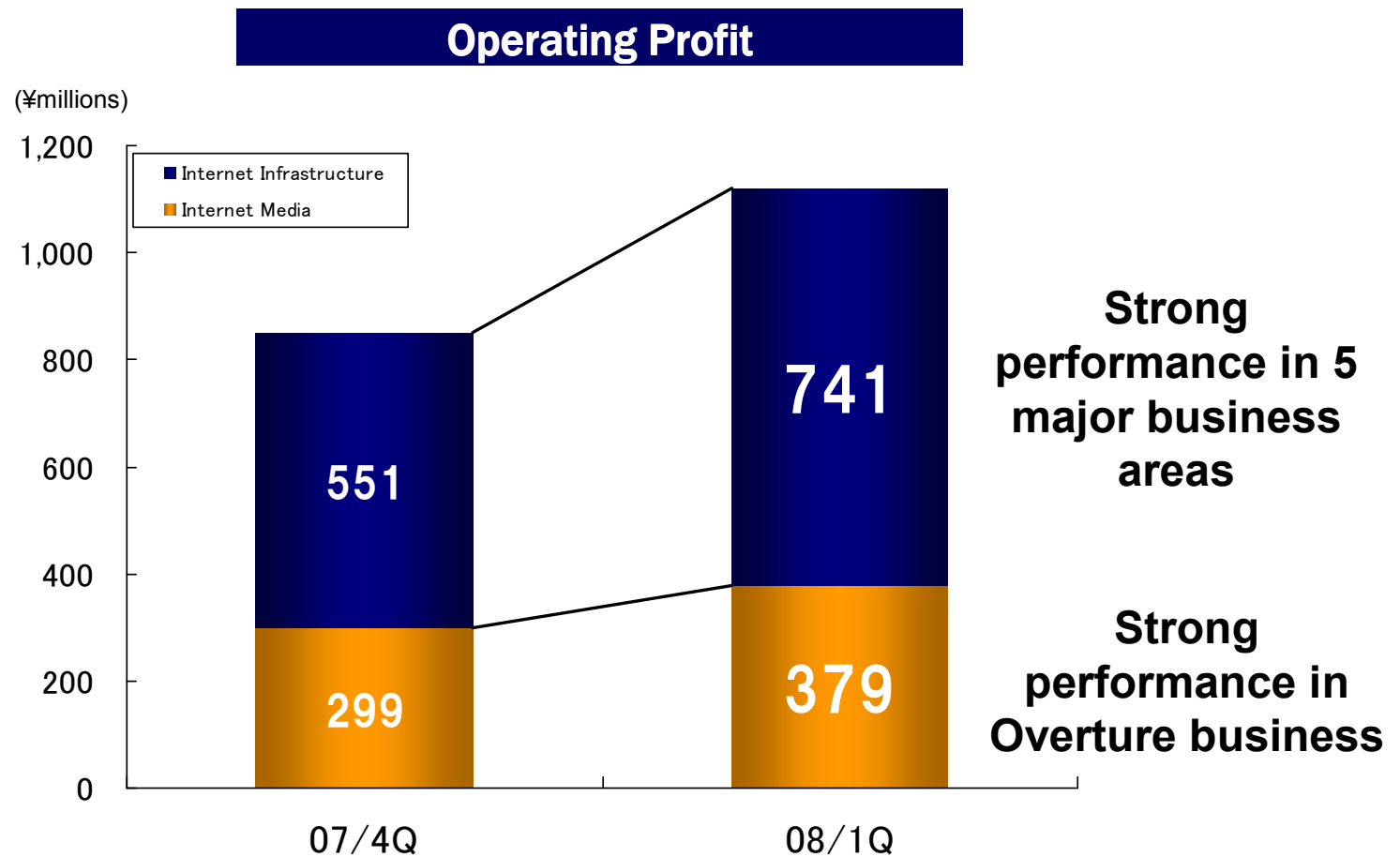
3. Segment Report

① Internet Infrastructure

② Internet Media

4. Business Model &  
Growth Strategy

## Factors contributing to Quarterly Profit Growth in 08/1Q



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# Summary (V)

## 1. Summary

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### 3. Segment Report

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#### ② Internet Media

### 4. Business Model & Growth Strategy

## P/L Highlights by Segment

### Internet Infrastructure Segment

	1-3/2007	10-12/2007	1-3/2008	YOY Change	Quarterly Change
➤ Sales	¥4.76B	¥4.88B	¥4.92B	+3.4%	+0.8%
➤ Operating Profit	¥0.79B	¥0.55B	¥0.74	-6.6%	+34.4%

**→ Operating profit up 34.4% over previous quarter**  
**Strong performance in 5 major business areas**

### Internet Media Segment

	1-3/2007	10-12/2007	1-3/2008	YOY Change	Quarterly Change
➤ Sales	¥3.42B	¥3.78B	¥3.72B	+8.6%	-1.7%
➤ Operating Profit	¥0.31B	¥0.29B	¥0.37B	+20.7%	+26.9%

**→ Operating profit up 26.9% over previous quarter**  
**Strong performance in Overture business**

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## 2. 1Q FY2008 Financial Statement

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# Consolidated P/L

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## Major hike in net profit: double previous quarter

(¥millions)

	1-3/2007 (ex-finance segment)	1-3/2008	1-6/2008 (current forecast)	YOY % Change
Sales	8,106	8,644	17,000	+6.6
Business Expenses	3,498	3,887	—	+11.1
SGA	3,492	3,604	—	+3.2
Operating Profit	1,114	1,151	1,900	+3.3
Non-operating revenue	52	119	—	+129.6
Non-operating expenses	206	242	—	+17.7
Ordinary Profit	960	1,028	1,600	+7.1
Extraordinary Profit	46	202	—	+336.6
Extraordinary Loss	0	69	—	—
Minority Equity	237	263	—	+11.0
Corporate Taxes etc.	535	408	—	-23.7
Net Profit	234	<b>489</b>	700	+109.1

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# Sales & Operating Profit by Segment

1. Summary

2. 1Q FY2008  
Financial Statement

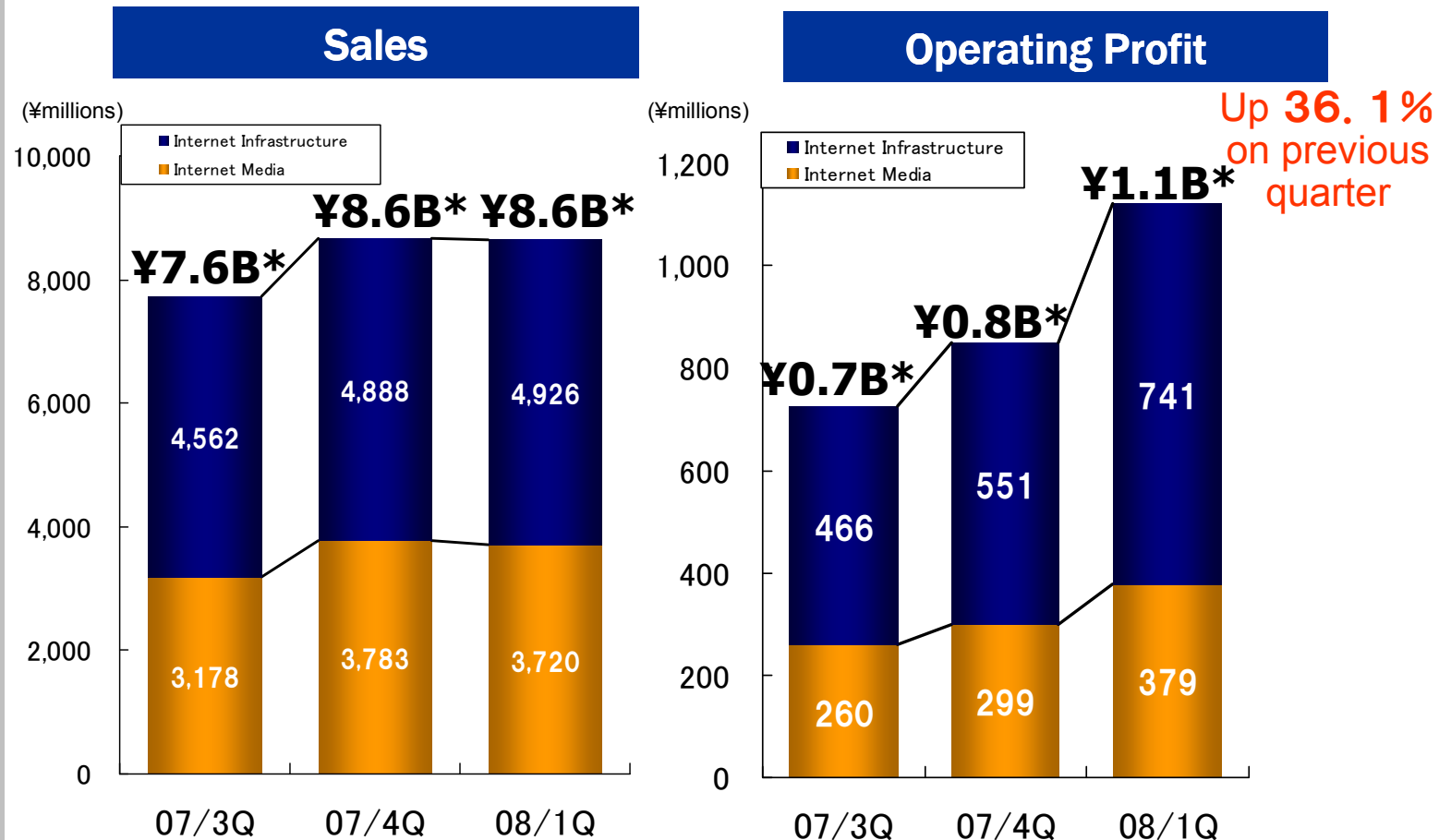
3. Segment Report

① Internet Infrastructure

② Internet Media

4. Business Model &  
Growth Strategy

Record Infrastructure sales  
Record Media operating profit



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Post Finance Business Withdrawal

Post Finance Business Withdrawal

\*After adjustment for inter-segment transactions

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# Consolidated Balance Sheet

1. Summary

2. 1Q FY2008  
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①Internet Infrastructure

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4. Business Model &  
Growth Strategy

Retained loss eliminated  
Shareholders' equity: ¥5.2 billion

	FY12/07	FY03/08	December to March Change	(¥millions)
Current Assets	26,109	25,303	-805	
(Cash & deposits)	19,143	18,321	-822	
Fixed Assets	14,511	14,182	-328	
(Goodwill)	2,450	2,213	-237	
(Software)	2,173	2,300	+126	
(Investments in real estate)	4,550	4,565	+14	
(Investments in securities)	1,130	959	-171	
<b>Total Assets</b>	<b>40,620</b>	<b>39,486</b>	<b>-1,133</b>	
Total Liabilities	28,562	27,543	-1,019	
(Interest bearing liabilities)	18,094	17,088	-1,006	
Net Assets (including minority equity)	12,057(7,193)	11,943(6,705)	-114(-488)	
Shareholders' equity (including earned surplus)	4,864(-22,096)	5,238(4,018)	+373(+26,115)	
(Shareholders' equity ratio)	12.0%	13.3%	+1.3%	
<b>Total Liabilities / Net Assets</b>	<b>40,620</b>	<b>39,486</b>	<b>-1,133</b>	

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1. Summary

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## 3. Segment Report

# ①Internet Infrastructure

General Report · Product Report

# ②Internet Media

General Report · Product Report

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# Business Performance – Internet Infrastructure Segment Sales

1. Summary

2. 1Q FY2008  
Financial Statement

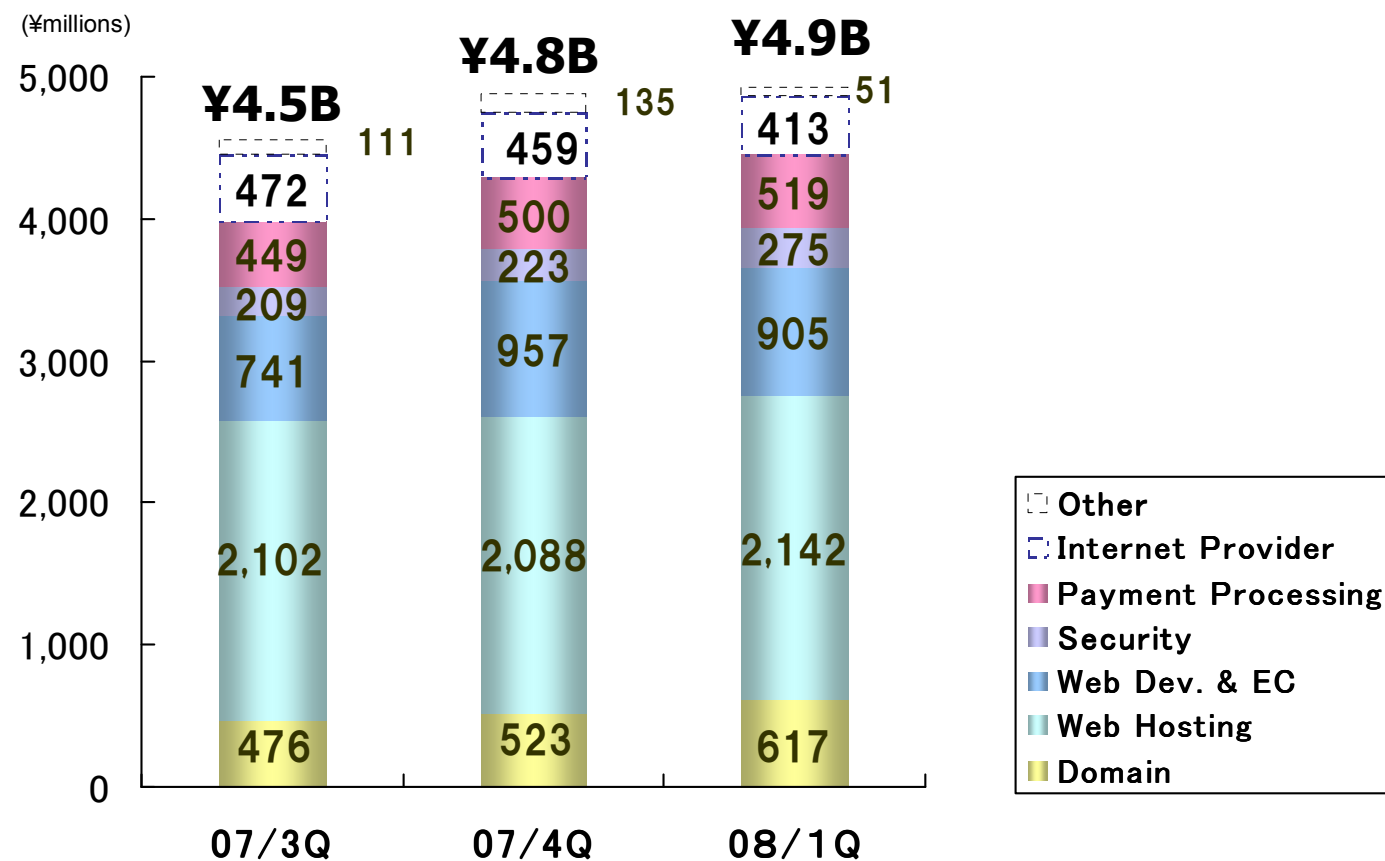
3. Segment Report

① Internet Infrastructure

② Internet Media

4. Business Model &  
Growth Strategy

Record Sales: ¥4.9 billion



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Post Finance Business Withdrawal



# Business Performance – Internet Infrastructure Segment Operating Profit

1. Summary

2. 1Q FY2008  
Financial Statement

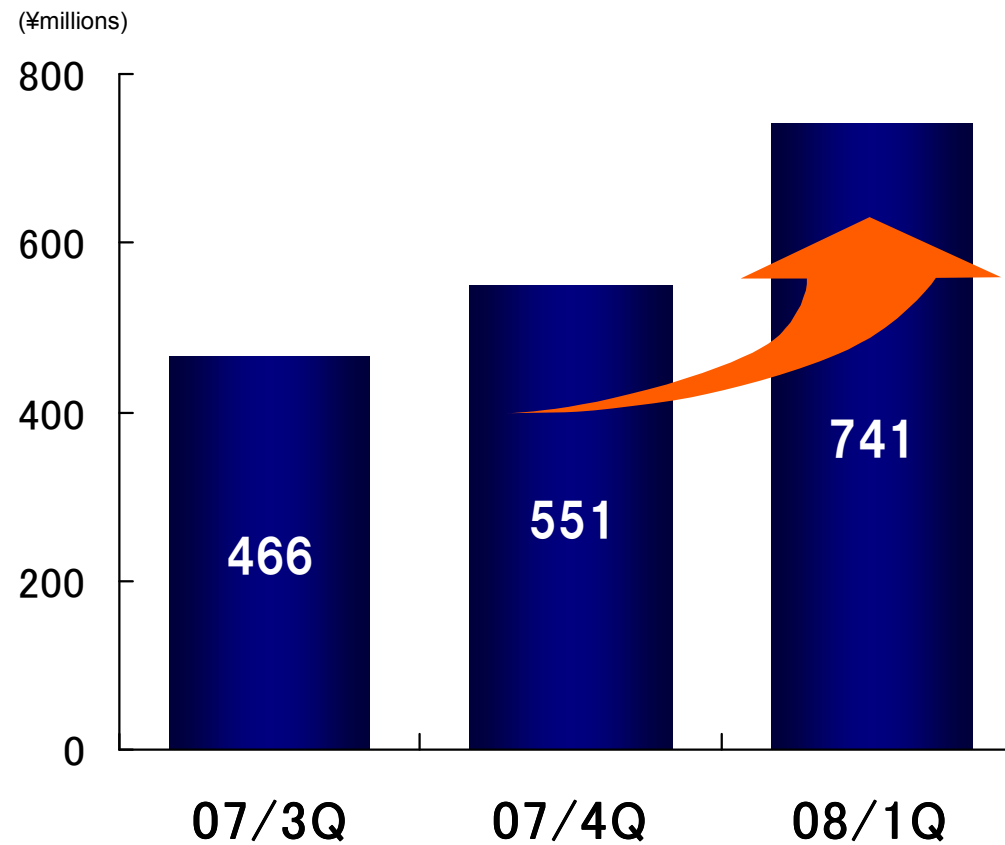
3. Segment Report

① Internet Infrastructure

② Internet Media

4. Business Model &  
Growth Strategy

Accelerating earnings growth: operating profit up 34.4% QoQ



Post Finance Business Withdrawal

TSE Stock Code: 9449



1. Summary

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①Internet Infrastructure

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4. Business Model &  
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## 3. Segment Report

# ①Internet Infrastructure

General Report · Product Report

# ②Internet Media

General Report · Product Report

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# Domain Business - Key Indicators

1. Summary

2. 1Q FY2008  
Financial Statement

3. Segment Report

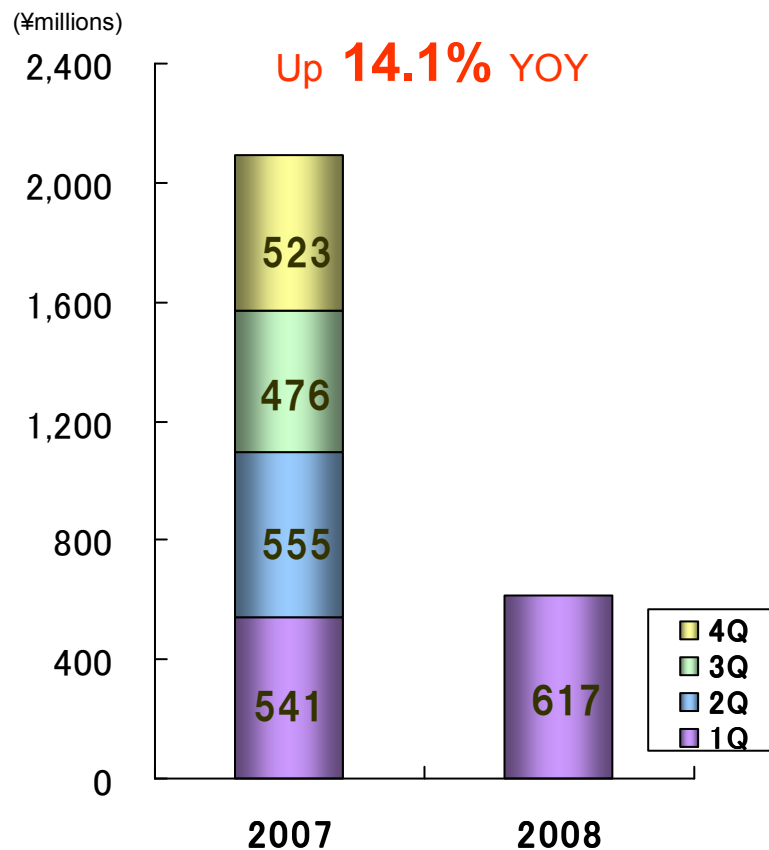
①Internet Infrastructure

②Internet Media

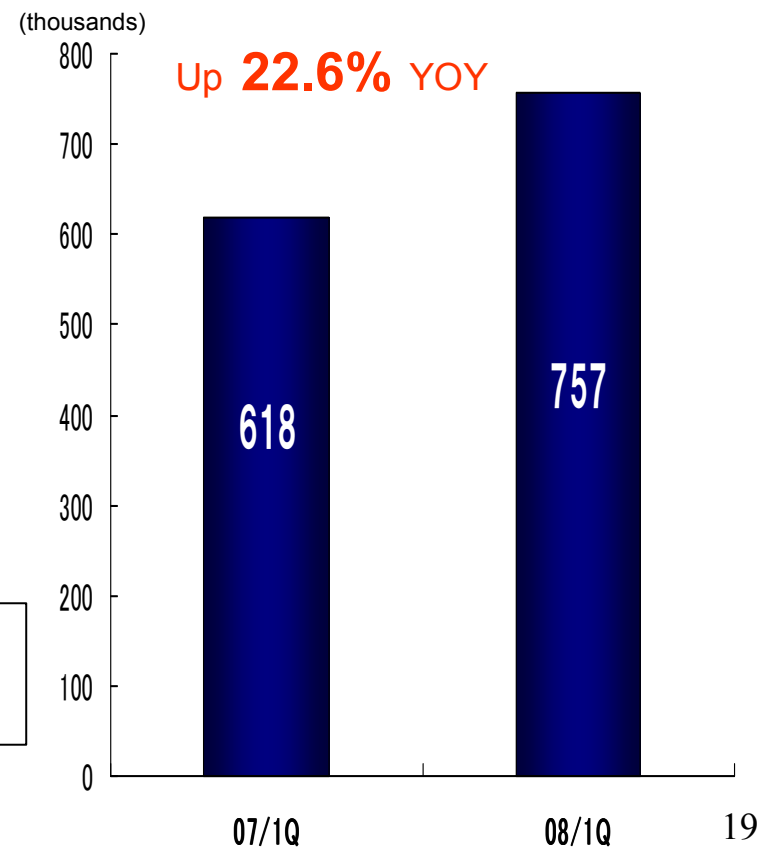
4. Business Model &  
Growth Strategy

1Q FY2008 Sales: ¥600M  
Registrations: 750,000

## Sales



## Registrations



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# Web Hosting Business – Key Indicators

1. Summary

2. 1Q FY2008  
Financial Statement

3. Segment Report

①Internet Infrastructure

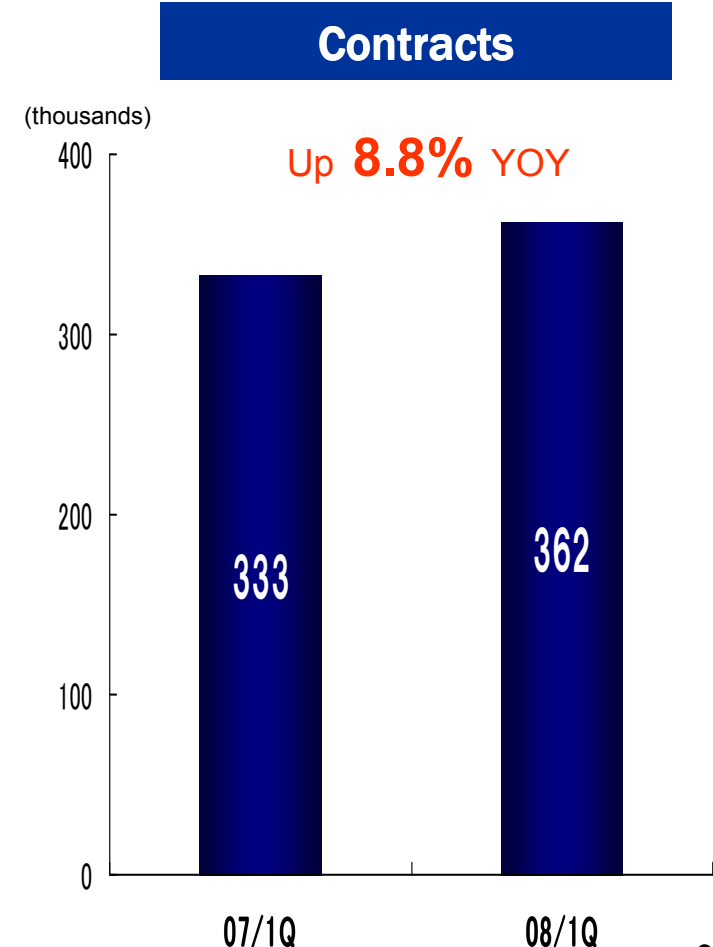
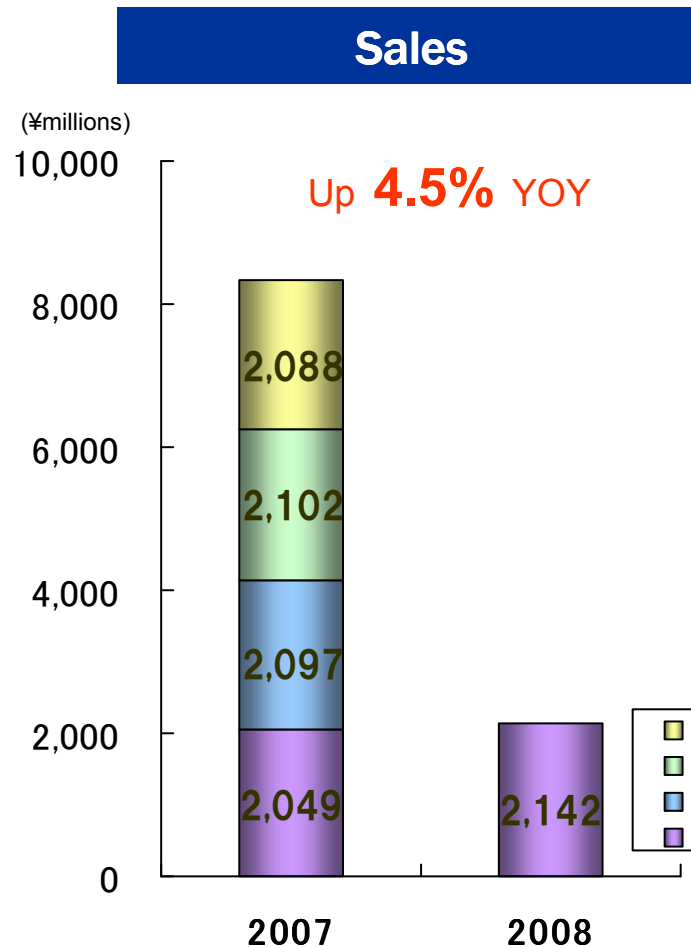
②Internet Media

4. Business Model &  
Growth Strategy

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1Q FY2008 Sales: ¥2.1B Contracts: 360,000



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

# Web Development and EC Solutions Business - Key Indicators

1. Summary

2. 1Q FY2008  
Financial Statement

3. Segment Report

① Internet Infrastructure

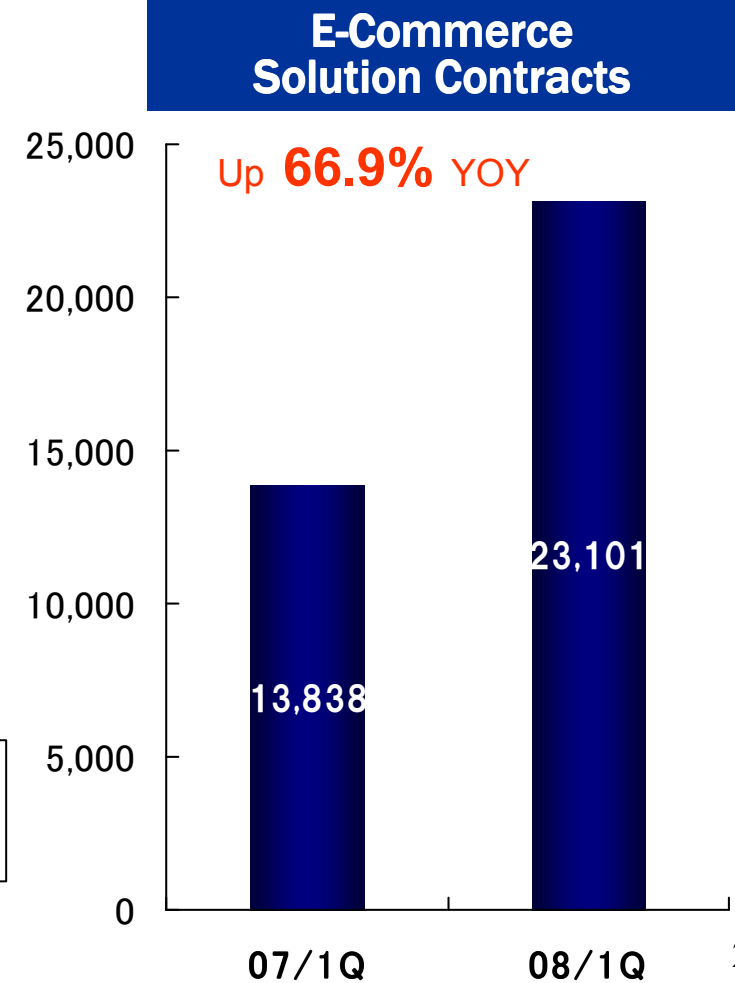
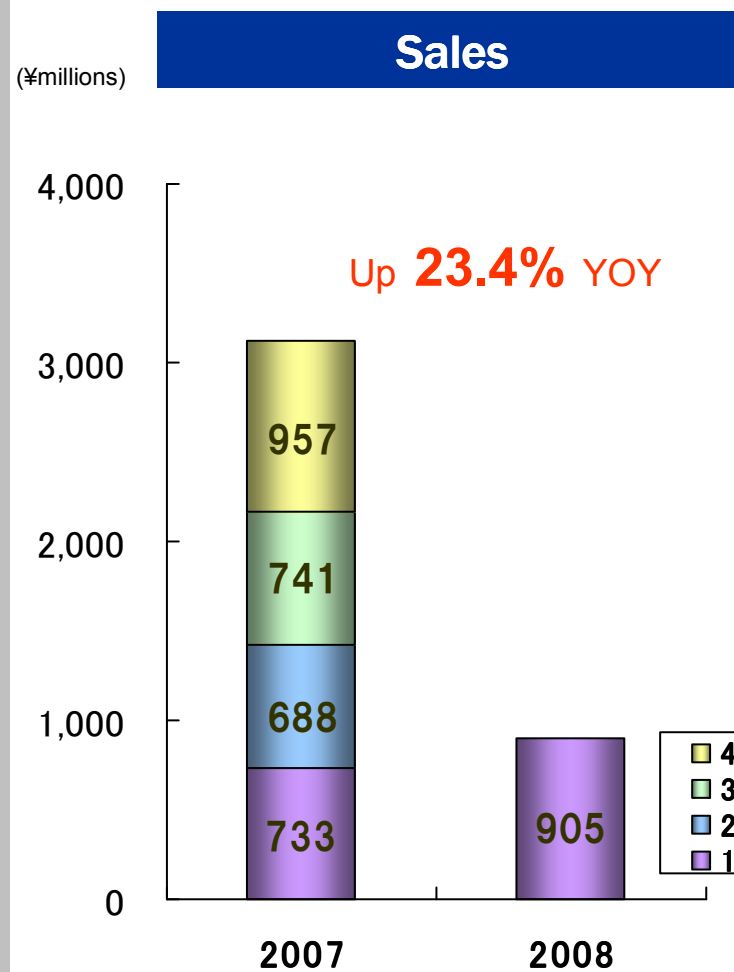
② Internet Media

4. Business Model &  
Growth Strategy

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1Q FY2008 Sales: ¥900M Contracts: over 23,000



# Security Business - Key Indicators

1. Summary

2. 1Q FY2008  
Financial Statement

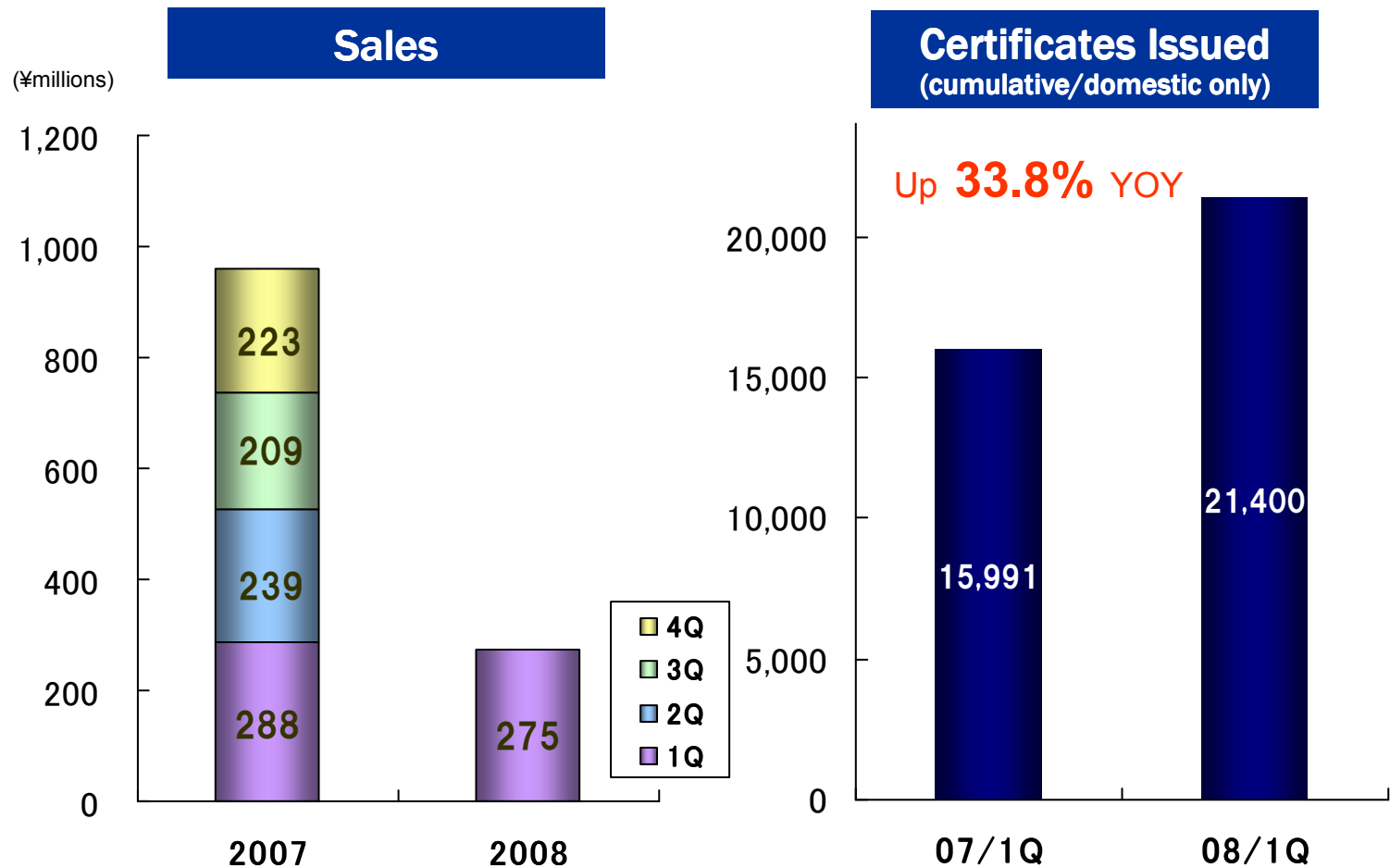
3. Segment Report

① Internet Infrastructure

② Internet Media

4. Business Model &  
Growth Strategy

Successful transitioning to new brand



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# Credit Card Payment Processing Business - Key Indicators

1. Summary

2. 1Q FY2008  
Financial Statement

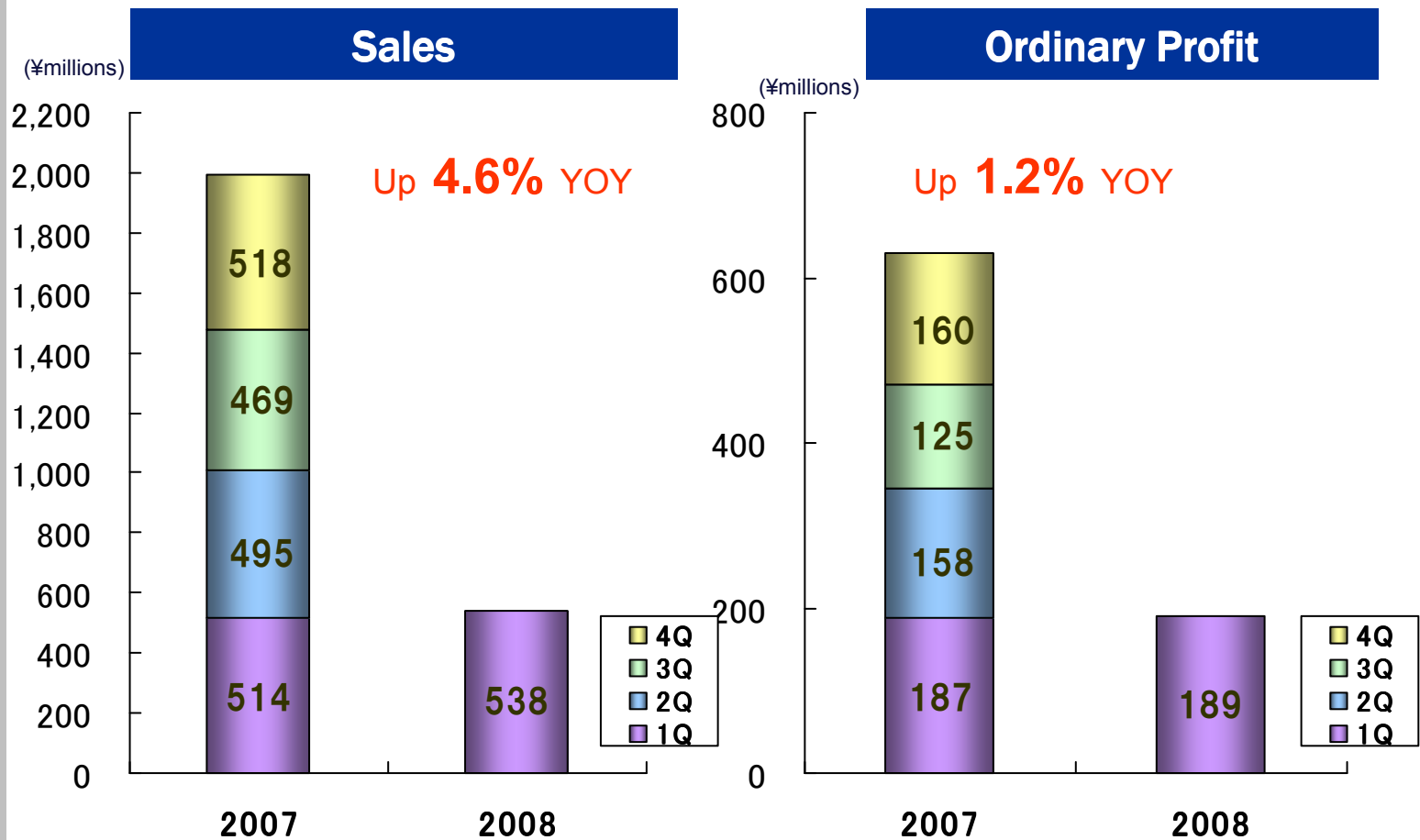
3. Segment Report

① Internet Infrastructure

② Internet Media

4. Business Model &  
Growth Strategy

Solid results in merchant sales and recurring payment market



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\*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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## 3. Segment Report

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②Internet Media

General Report · Product Report

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# Business Composition of Media Segment

1. Summary

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Financial Statement

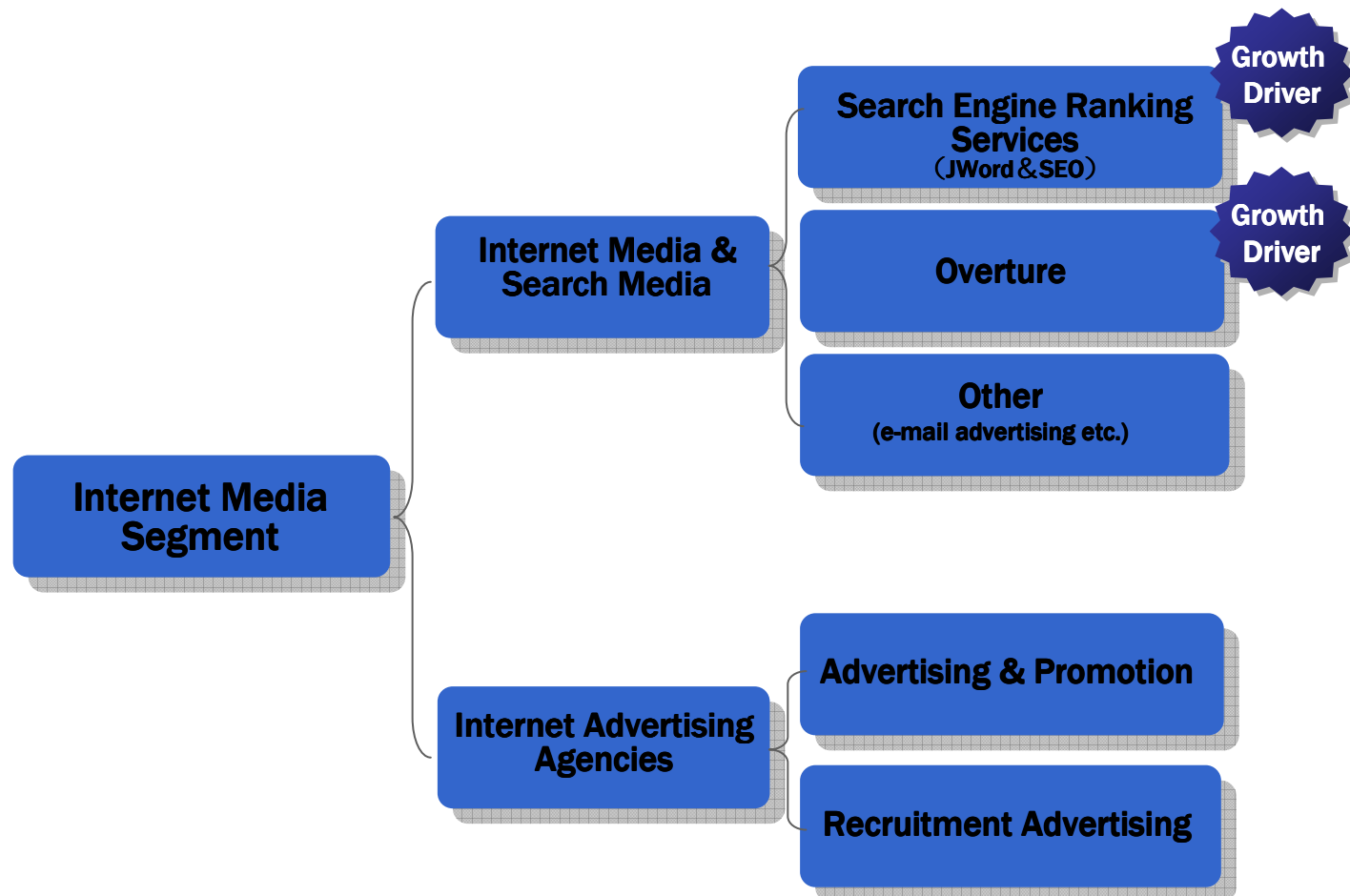
3. Segment Report

① Internet Infrastructure

② Internet Media

4. Business Model &  
Growth Strategy

Growth Driver: Internet media & search media business



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# Business Performance – Internet Media Segment Sales

1. Summary

2. 1Q FY2008  
Financial Statement

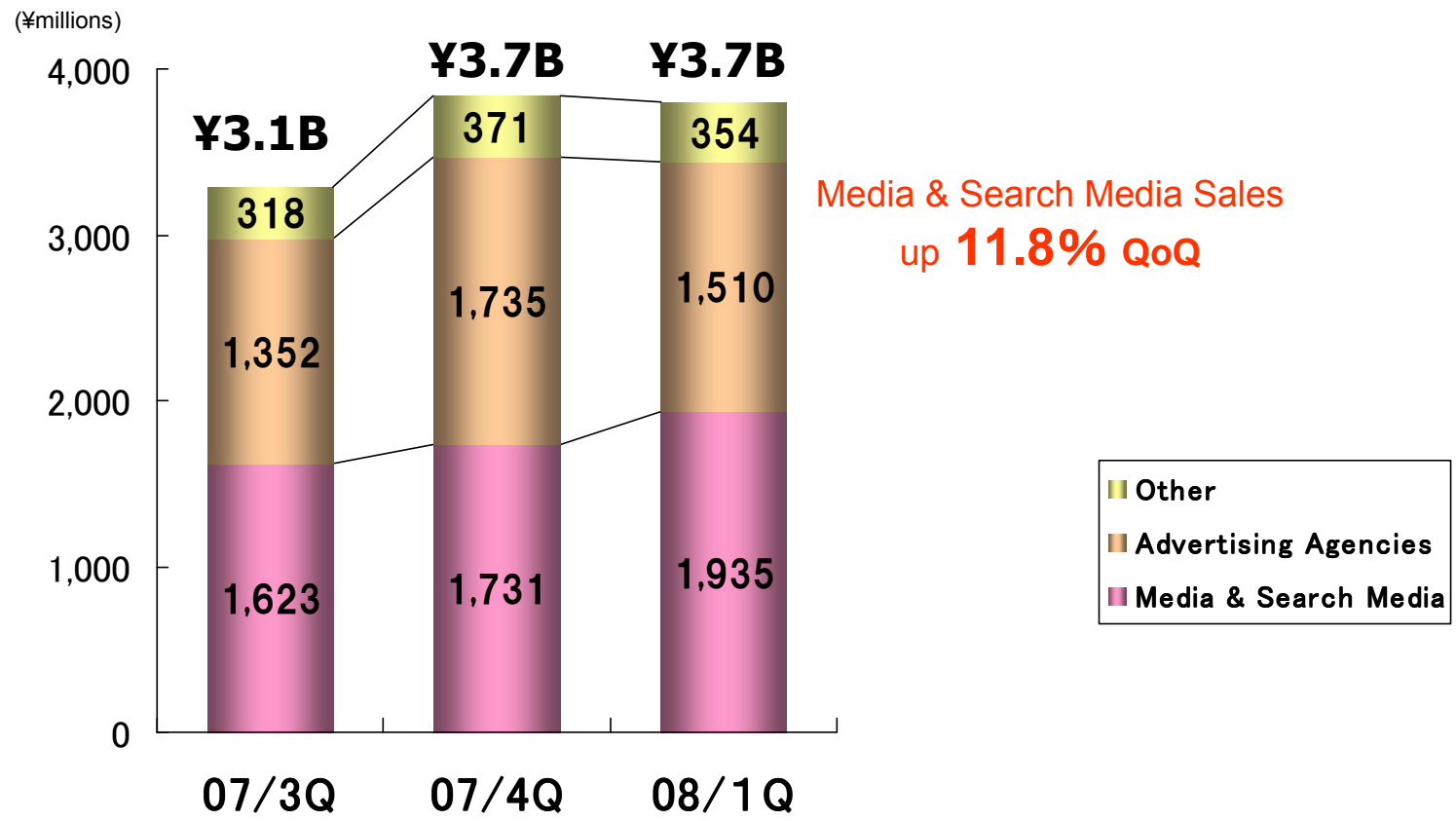
3. Segment Report

①Internet Infrastructure

②Internet Media

4. Business Model &  
Growth Strategy

Continued impressive performance in Internet media & search media



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Post Finance Business Withdrawal

# Business Performance – Internet Media Segment Operating Profit

1. Summary

2. 1Q FY2008  
Financial Statement

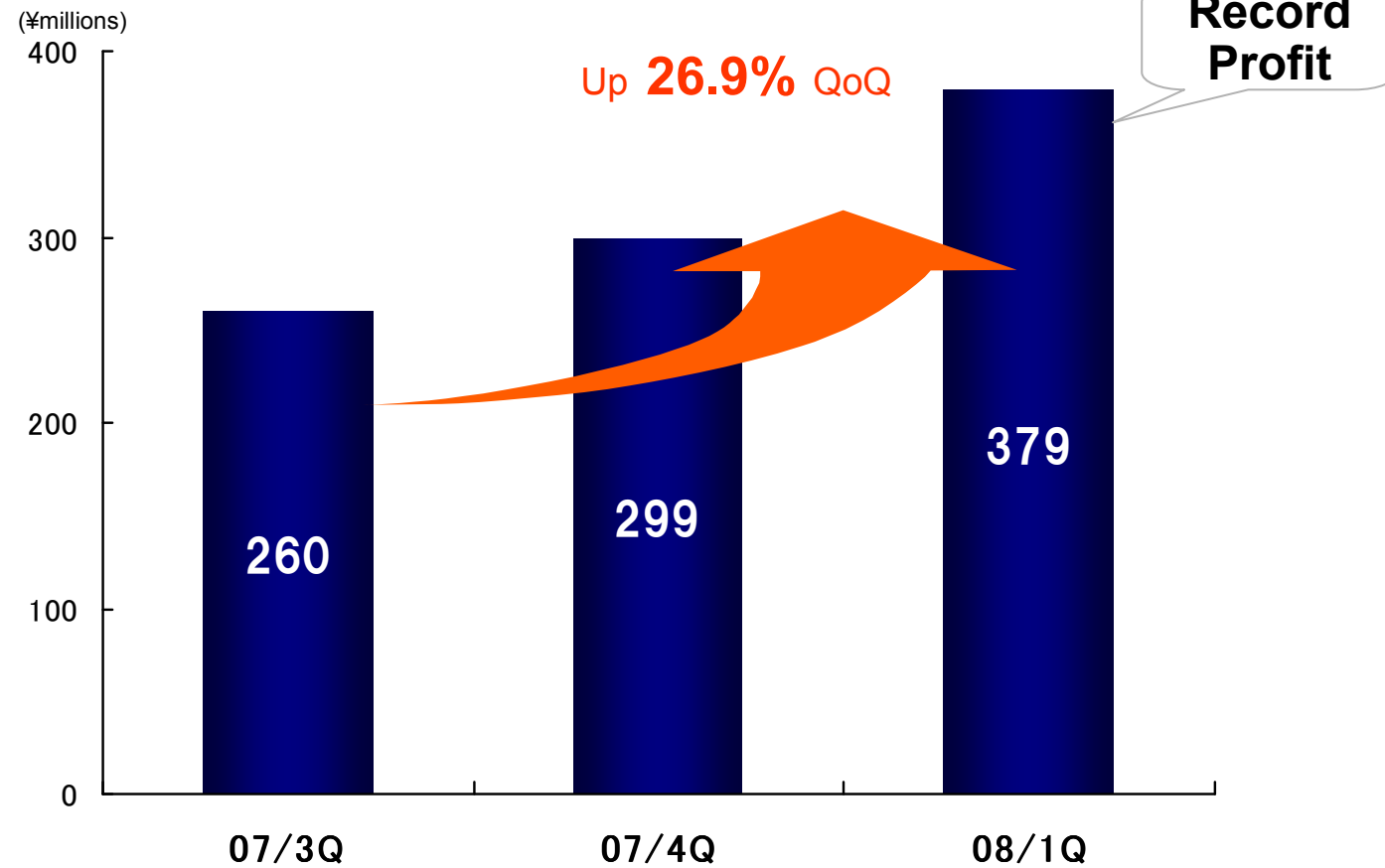
3. Segment Report

① Internet Infrastructure

② Internet Media

4. Business Model &  
Growth Strategy

## Record Operating Profit



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Post Finance Business Withdrawal

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4. Business Model &  
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## 3. Segment Report

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General Report · Product Report

### ②Internet Media

General Report · Product Report

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# Media & Search Media - Business Performance

1. Summary

2. 1Q FY2008  
Financial Statement

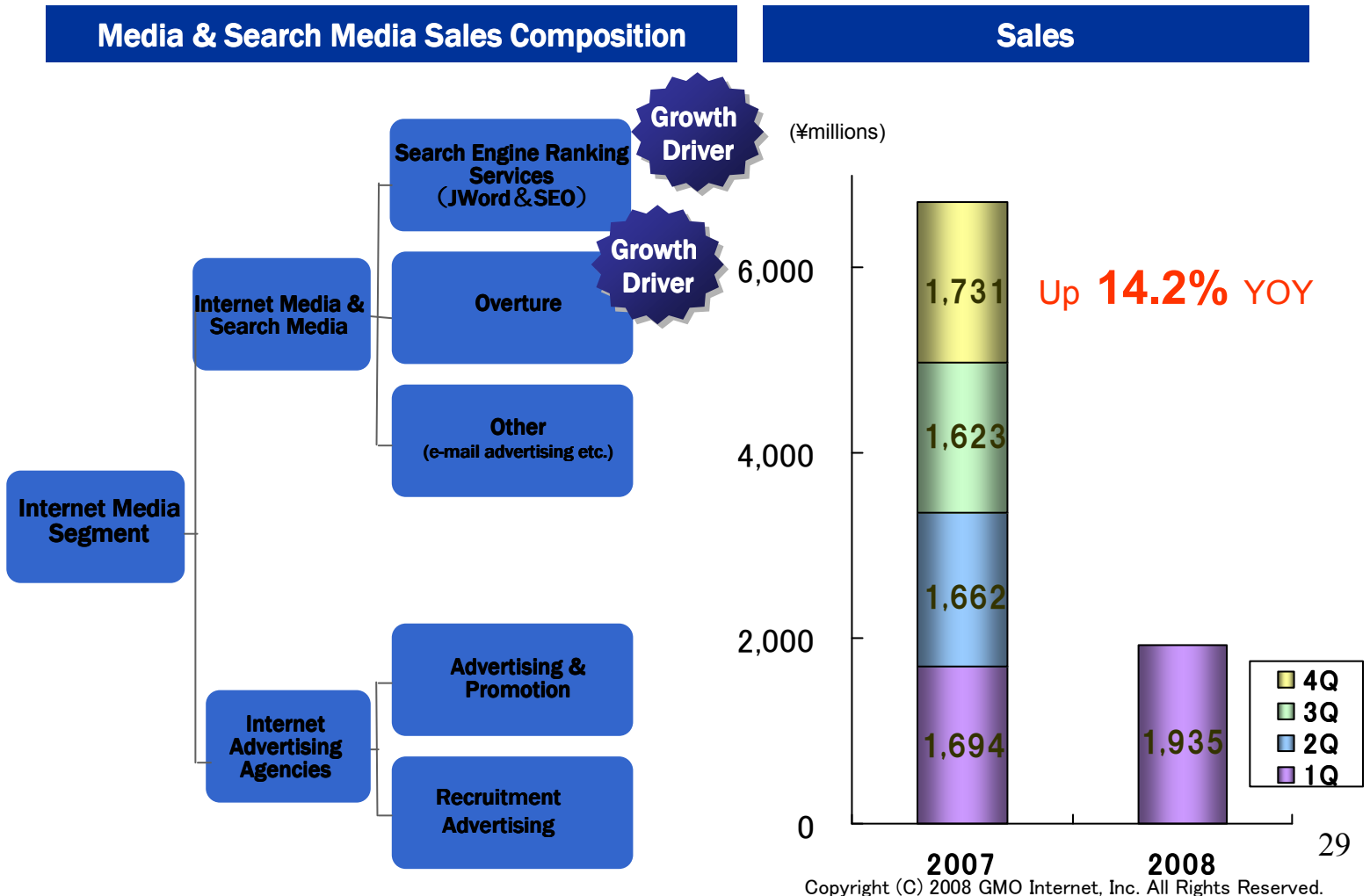
3. Segment Report

① Internet Infrastructure

② Internet Media

4. Business Model &  
Growth Strategy

Sales up 14.2% over the previous year



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# Media & Search Media Growth Drivers

1. Summary

2. 1Q FY2008  
Financial Statement

3. Segment Report

① Internet Infrastructure

② Internet Media

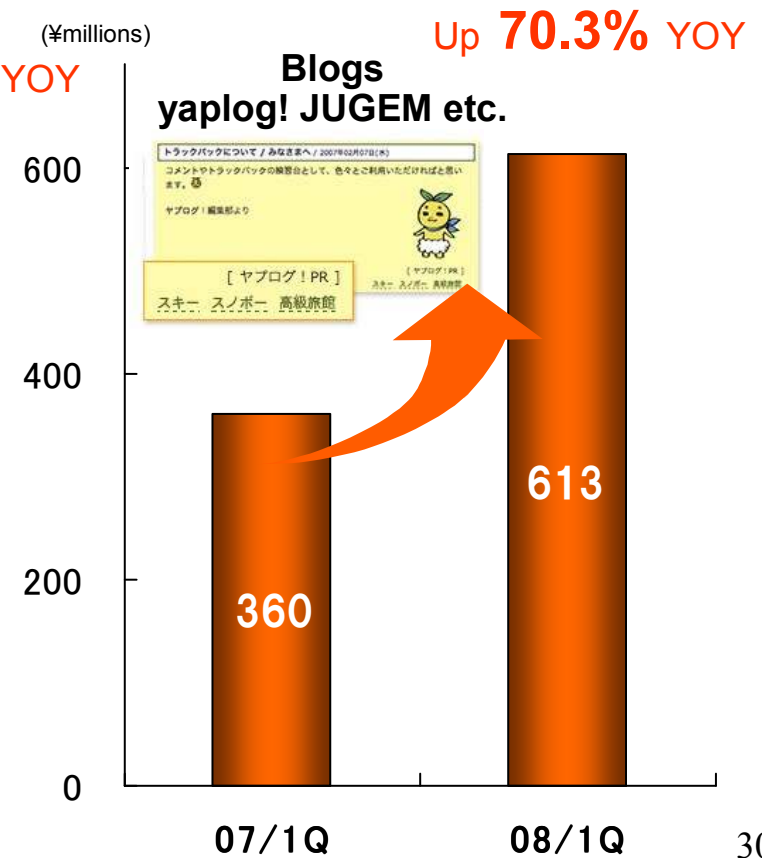
4. Business Model &  
Growth Strategy

Continuing to drive growth in 2008

## Search Engine Ranking Service (JWord & SEO) Sales



## Overture Sales



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# Overture Business – Key Indicators

1. Summary

2. 1Q FY2008  
Financial Statement

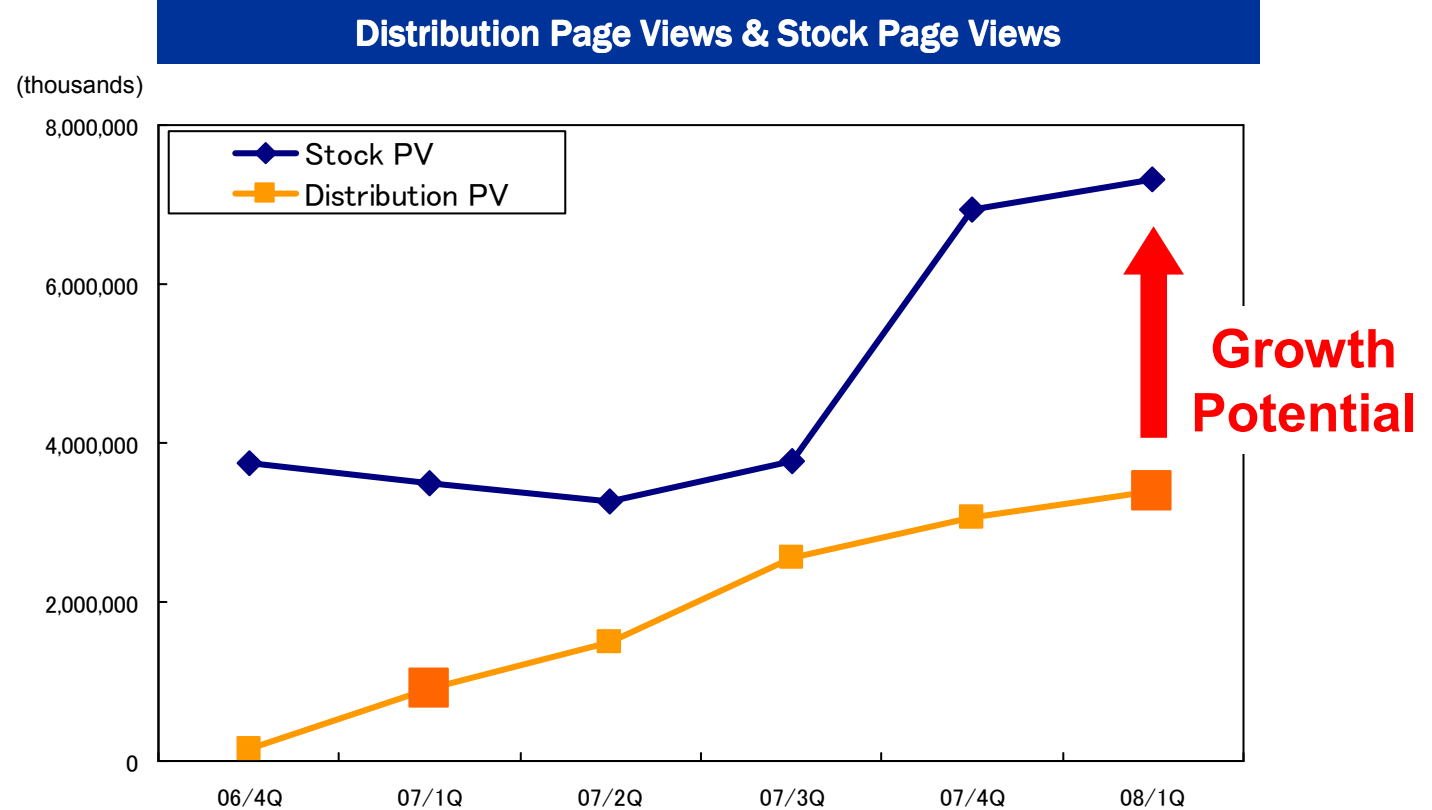
3. Segment Report

① Internet Infrastructure

② Internet Media

4. Business Model &  
Growth Strategy

## Increase in Distribution Page Views



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Distribution PV: Number of views received by GMO Internet Group web pages to which advertising has been distributed.

Stock PV: Number of views received by GMO Internet Group web pages (to which advertising is not yet distributed).

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# 4. GMO Internet Group Business Model & Growth Strategy

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# The GMO Internet Group

1. Summary

2. 1Q FY2008  
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4. Business Model &  
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## Striving to be the “Internet Department” to Japan

The company that has most increased the number of websites (volume of information) on the Internet in Japan



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# Business Areas (I)

1. Summary

2. 1Q FY2008  
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① Internet Infrastructure

② Internet Media

4. Business Model & Growth Strategy

## Internet Infrastructure Segment

... Everything required to publish information on the Internet

**Domain Registration**  
Addresses for the Internet

http://www.  
お名前.com

**Web Hosting**  
Website and email data storage



**Security**  
Data encryption

SSLはグローバルサイン  
GlobalSign

商品名	数量	小計	消費税
Kumaei Styleオリジナル システム手帳 (インダガー)	1	26,280円	込
Kumaei Styleオリジナル システム手帳 (インダガー) ポケット「ブラック」	1	15,750円	込
【2008年度版】スターターパック	1	7,850円	込
		商品合計 (税込) : 49,880 円	
		合計	49,350円

1. 注文者および送付先の情報入力

注文者情報

お名前(全角)  フリガナ(全角)

電話番号(半角)  緊急時連絡先(半角)

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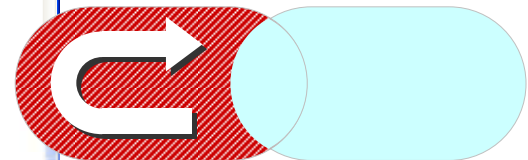
GlobalSign  
GMO Internet Group

**Web Dev. & E-commerce Solutions**  
E-commerce systems provider

MakeShop®

**Payment Processing**  
Online payment processing

GMO PAYMENT GATEWAY



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# Business Areas (II)

1. Summary

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4. Business Model &  
Growth Strategy

## Internet Media segment (1)

・・・ Helping websites attract customers

商品一覧

商品名	数量	小計	消費税
KumagaiStyleオリジナル システム手帳 (インダー)	1	26,250円	込
KumagaiStyleオリジナル システム手帳 (インダー) ポケット「ブラック」	1	15,750円	込
【2008年度版】 スターターバック	1	7,350円	込
合計		商品合計 (税込) : 49,350円	

1. 注文者および送付先の情報入力

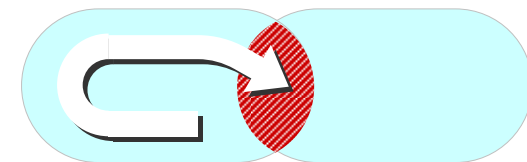
注文者情報

お名前(全角)  フリガナ(全角)

電話番号(半角)  緊急時連絡先(半角)

GlobalSign  
GMO Internet Group

Search Engine  
Priority Display Services



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# Business Areas (III)

1. Summary

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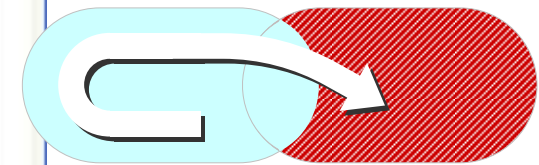
## Internet Media segment (2)

... Advertising revenue from the provision of free, convenient services

Development &  
Operation of Free  
Internet Media



Distribution of  
Content Relevant  
Advertising



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# Diagram of Business Operations

1. Summary

2. 1Q FY2008  
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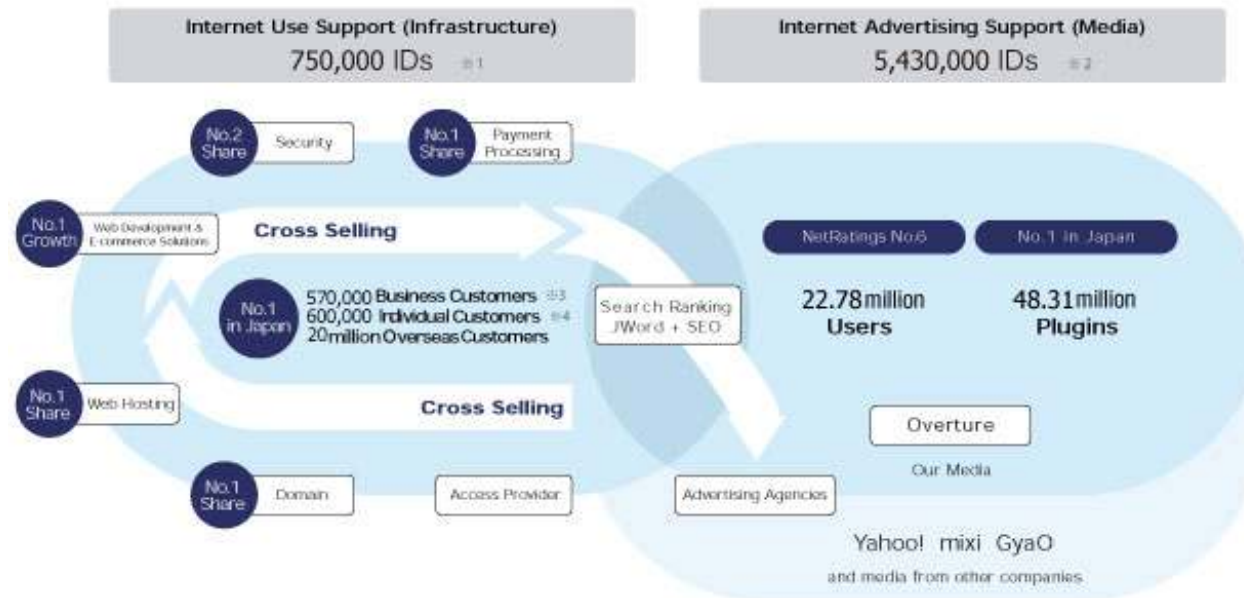
3. Segment Report

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4. Business Model &  
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Management resources concentrated in 2 business areas.  
Operations that support the information supply and net businesses of 1.17 million customers (\*6).



Notes:

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

\*2. GMO ID members

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

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

\*5. 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

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# Internet Infrastructure Segment Customers

1. Summary

2. 1Q FY2008  
Financial Statement

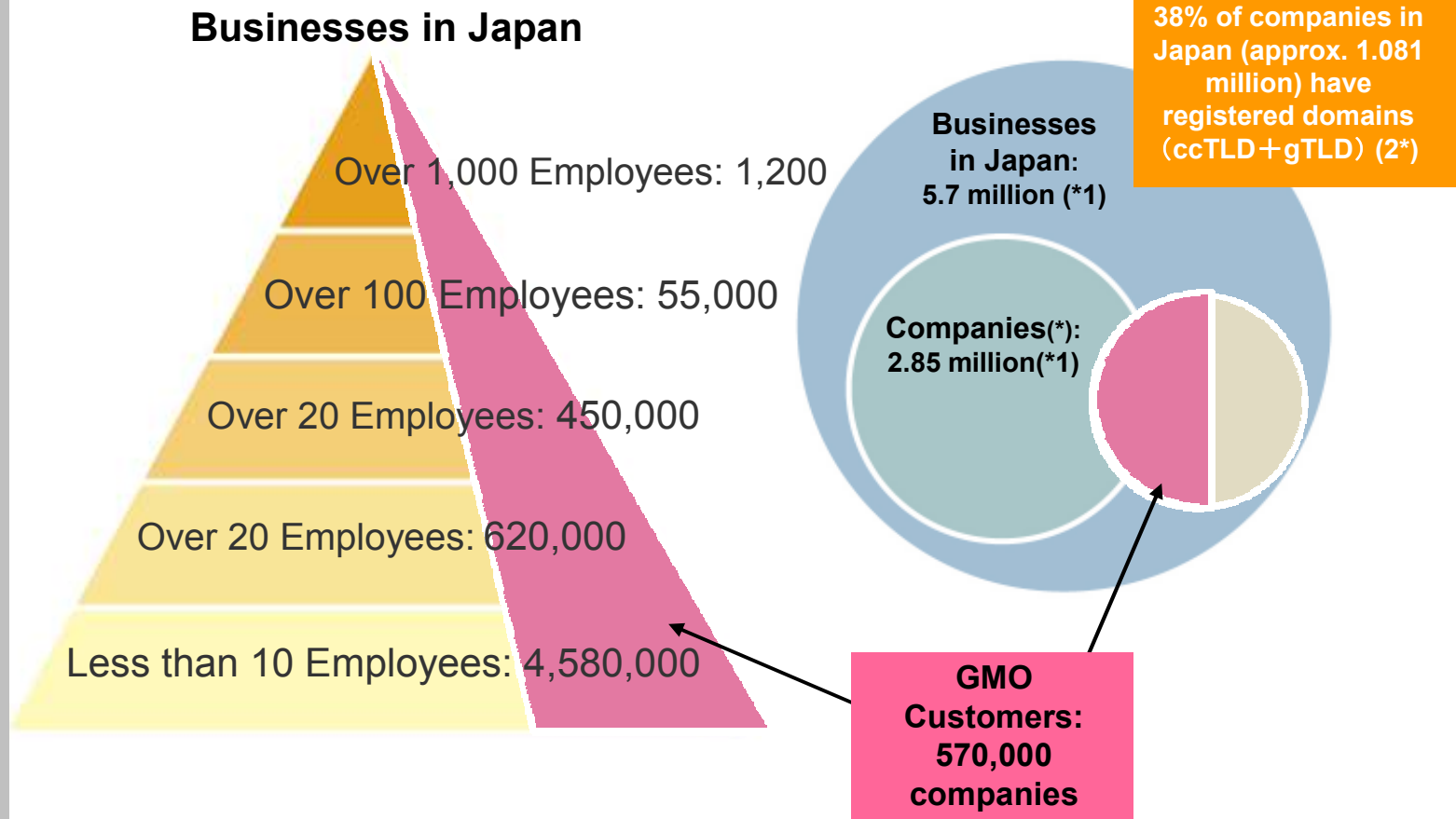
3. Segment Report

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570,000 of the 5.7 million businesses in Japan use Infrastructure segment services



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\*1.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.

\*Corporate entities under Japanese law

# Internet Media Segment Users

1. Summary

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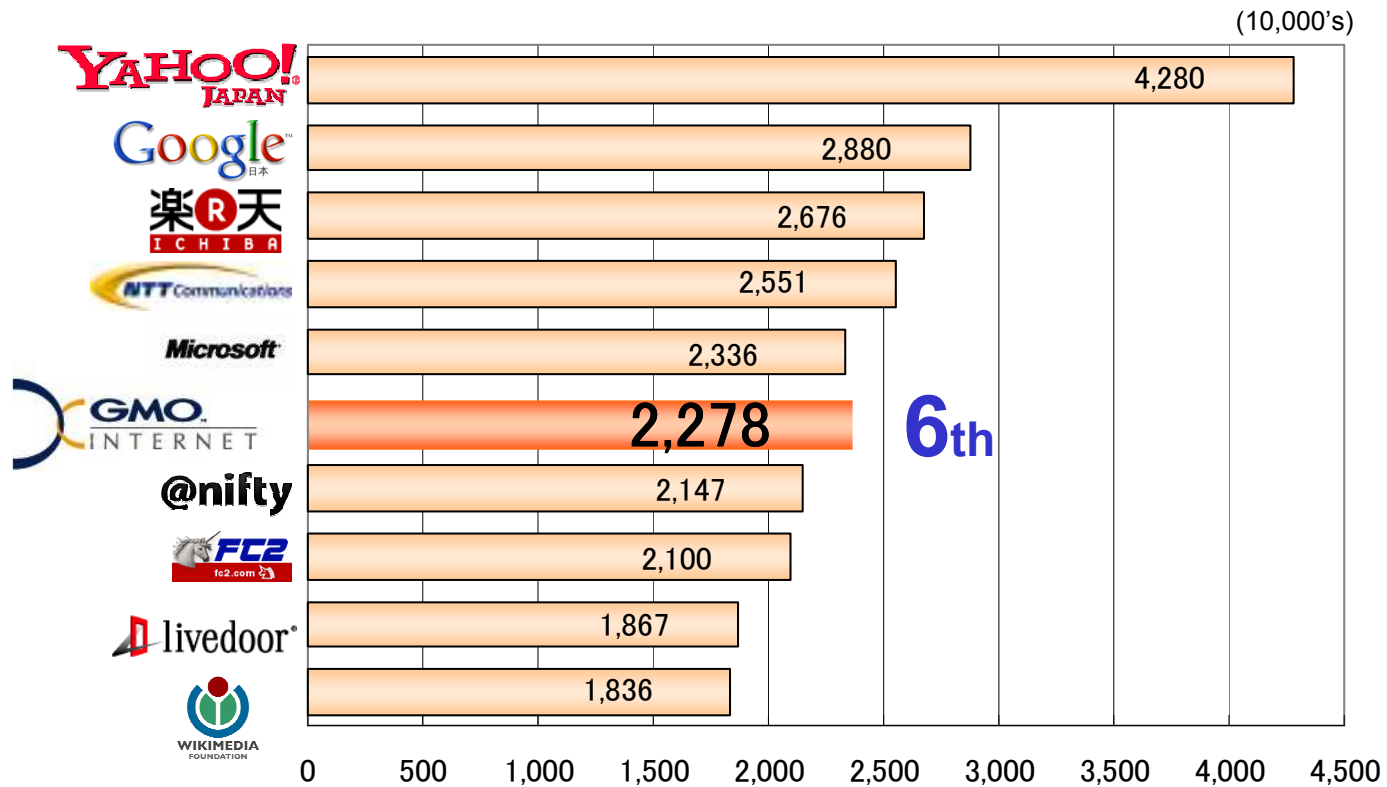
① Internet Infrastructure

② Internet Media

4. Business Model &  
Growth Strategy

22.78 million users

## Visitors /per month Ranking



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\*Nielson//NetRatings (03/2008) 39

# Internet Media Segment - Major Internet Media Sites

1. Summary

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4. Business Model &  
Growth Strategy

We are not a portal site or an online shopping mall; we operate a vast service line-up (major services popular with many of our 22.78 million users)

 **JWord** approx. 5.58 million users



 **yaplog!** approx. 6.31 million users



 **JUGEM** approx. 7.76 million users



 **tsacup** approx. 7.40 million users



 **壁纸.com** approx. 1.56 million users



 **freeml** approx. 4.46 million users



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\*Nielsen//NetRatings, (03/2008) 40



# GMO Internet Group Strengths

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4. Business Model &  
Growth Strategy

Technical prowess, organizational strength & a broad customer base

<p><b>Stable Customer Base</b>  <b>570,000</b> businesses  <b>600,000</b> individuals  <b>750,000</b> IDs</p>	<p><b>Customer Base</b></p>	<p>NetRatings Japan Ranking: 6  <b>22.78 million</b> individual users  <b>5.43 million</b> IDs</p>
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**Up-Sell** × **Cross-Sell**

<p><b>We Develop Our Own Technology</b></p> <ul style="list-style-type: none"> <li><b>Overwhelming</b> Domain &amp; Server Market Shares</li> <li>Advancing into the <b>Global Security Market</b></li> <li>E-Commerce Payment Processing operating <b>40,000</b> stores</li> <li>Search / CGM <b>48.31 million</b> Plugins</li> </ul>	<p><b>Marketing &amp; Selling Power</b></p> <ul style="list-style-type: none"> <li><b>Web Marketing</b> <b>78</b> Sites</li> <li><b>Call Center</b> <b>300</b> Booths</li> <li><b>On the Road</b> <b>350</b> Sales Reps</li> <li><b>Sales</b> Approx. <b>6,000</b> Partners</li> </ul>	<p><b>No. 1 Customer Support Satisfaction</b></p> <ul style="list-style-type: none"> <li><b>Support Center Open</b> <b>24</b> hours <b>365</b> days</li> <li><b>Quick Response</b> Phone <b>9</b> secs Mail <b>9</b> mins</li> <li><b>CTI</b> Customer Management System</li> <li><b>HDI Japan</b> <b>2 Stars</b></li> </ul>	<p><b>Latest Industry Trends Research</b></p> <ul style="list-style-type: none"> <li><b>Venture Capital</b> Securing the latest business innovations</li> <li><b>Pay-per-Click Advertising</b> On top of industry marketing trends</li> <li><b>Net Professionals</b> <b>1,600</b></li> <li><b>Research Panel</b> <b>480,000</b> members</li> </ul>
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**All supported by a formidable organizational strength!**

TSE Stock Code: 9449



# Main Group Companies

1. Summary

2. 1Q FY2008  
Financial Statement

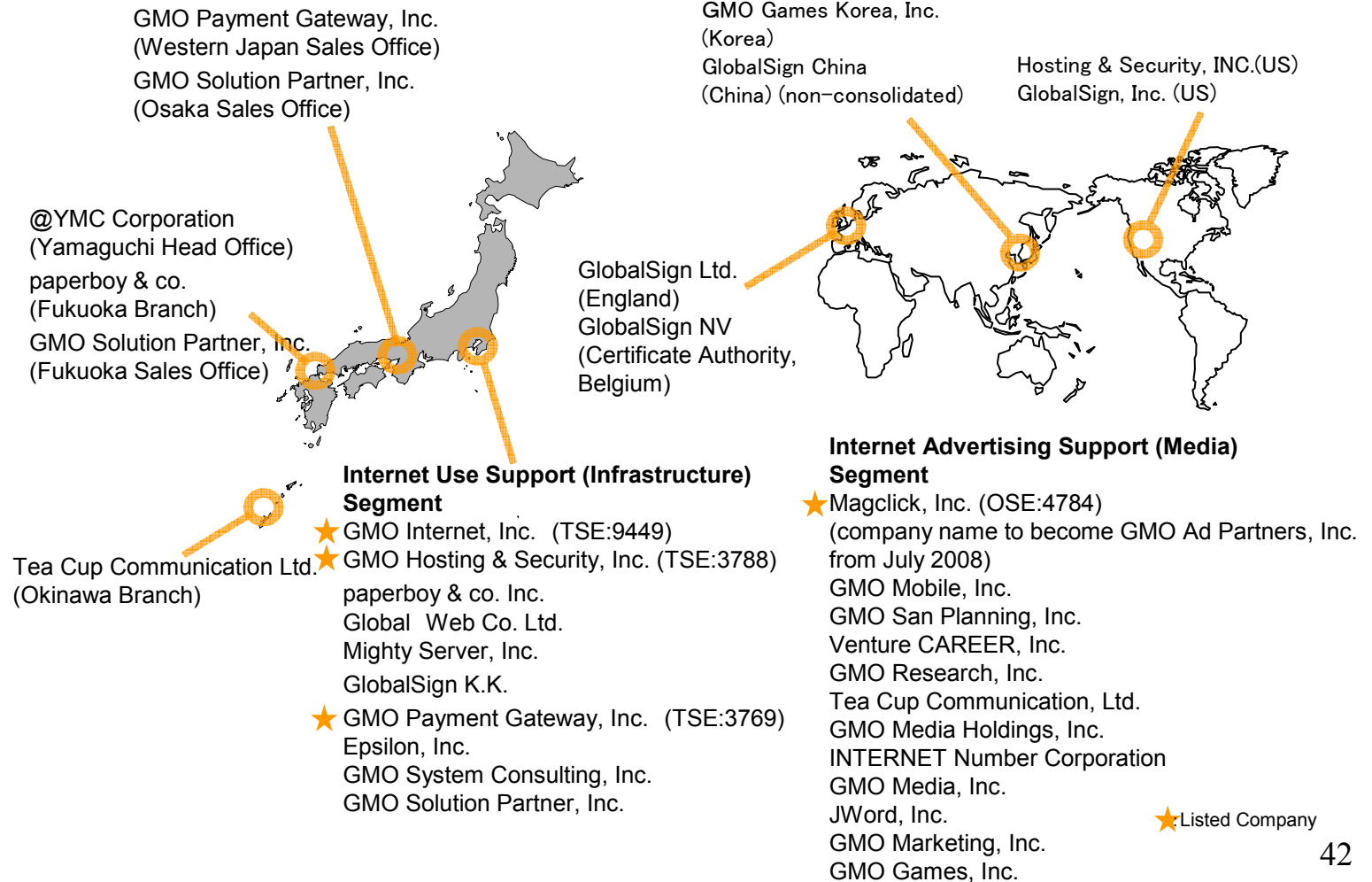
3. Segment Report

① Internet Infrastructure

② Internet Media

4. Business Model &  
Growth Strategy

51 Companies (consolidated: 34 non consolidated:17) 1,600 Employees



TSE Stock Code: 9449



# Internet Infrastructure Segment Growth Strategy

1. Summary

2. 1Q FY2008  
Financial Statement

3. Segment Report

① Internet Infrastructure

② Internet Media

4. Business Model &  
Growth Strategy

Two strategies to accelerate growth

No. of Contracts

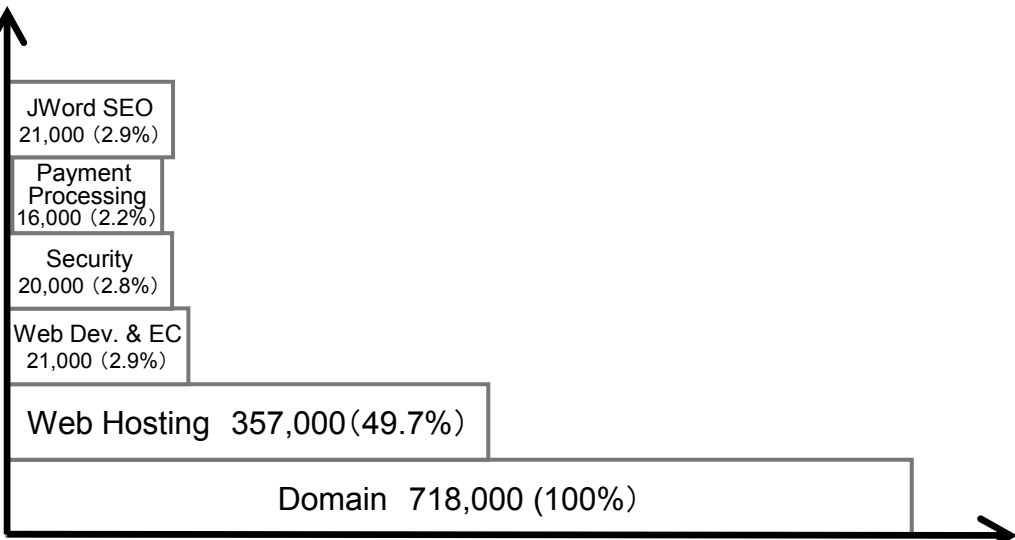
×

ARPU

= Sales

**ARPU**  
(Average Revenue  
per Customer)

- Up Sell
- Cross Sell



Contracts

- No.1 in Product Development
- Marketing Power
- M&A

TSE Stock Code: 9449



# Internet Media Segment Growth Strategy

1. Summary

2. 1Q FY2008  
Financial Statement

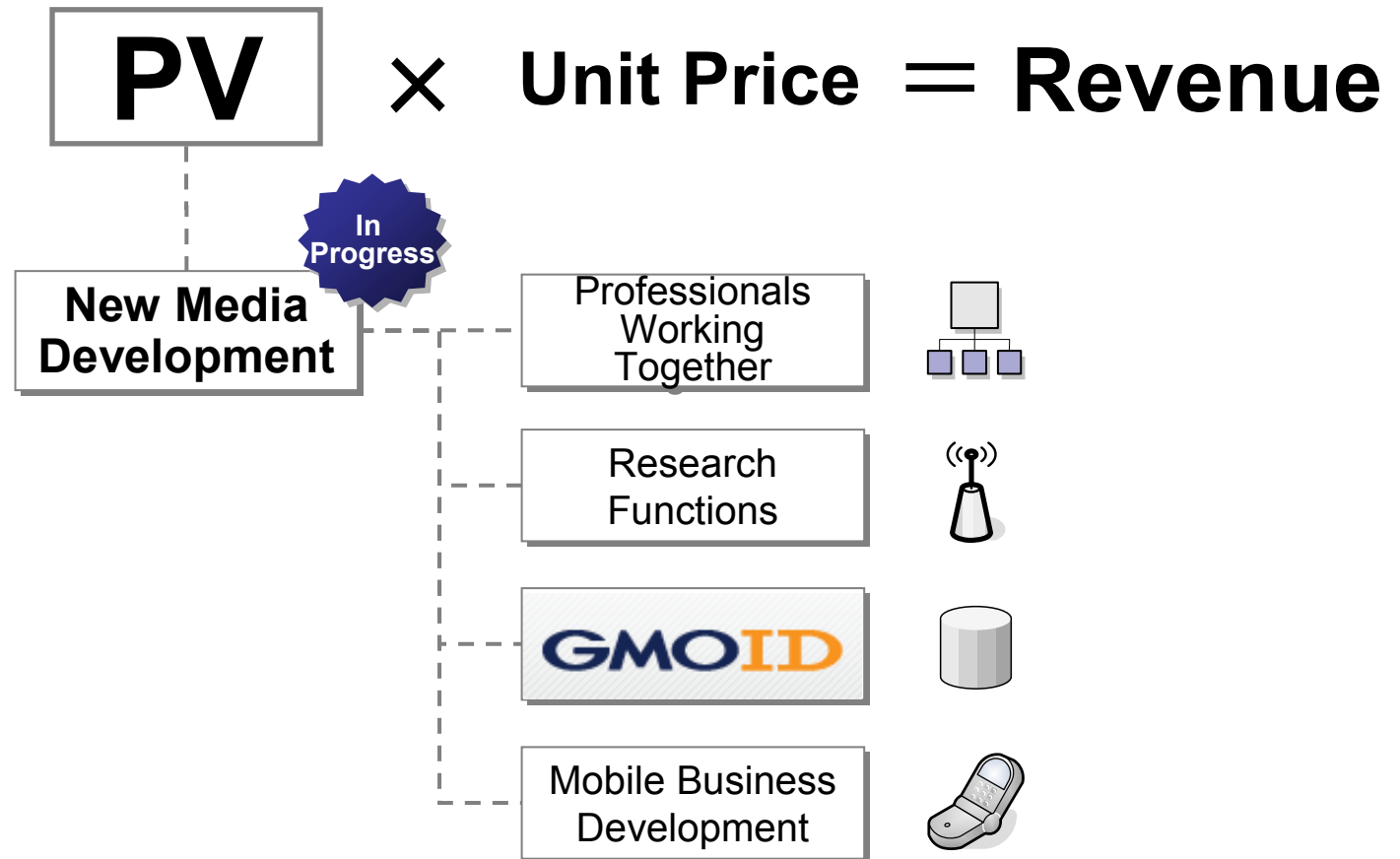
3. Segment Report

① Internet Infrastructure

② Internet Media

4. Business Model &  
Growth Strategy

Boost page views



TSE Stock Code: 9449



# Business & Capital Partnership with Yahoo Japan

1. Summary

2. 1Q FY2008  
Financial Statement

3. Segment Report

① Internet Infrastructure

② Internet Media

4. Business Model &  
Growth Strategy

Collaboration begun on many fronts including sales and development



Launch of Overture Sponsored Search sales

Launch of Overture Business Express sales



TSE Stock Code: 9449



# The Future of the Internet

1. Summary

2. 1Q FY2008  
Financial Statement

3. Segment Report

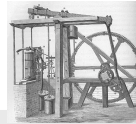
① Internet Infrastructure

② Internet Media

4. Business Model &  
Growth Strategy

The Internet industry is still developing

**First Industrial  
Revolution**  
the engine



The first industrial revolution lasted around 56 years

1769 Watt Steam Engine

1825

**Second Industrial  
Revolution**  
electricity  
oil

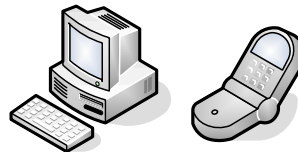


1903 Model T Ford



Mid 20<sup>th</sup> Century

**Third Industrial  
Revolution**  
IT



1990's  
Internet



TSE Stock Code: 9449



**The IT revolution is just beginning.**

# Unique Business Model

# Internet for Everyone

- The “Internet Department” to Japan! -

