

Fiscal Year 2009 Third Quarter Results Presentation

November 9, 2009

GMO Internet, Inc.

(TSE First Section: 9449)

Internet for Everyone

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

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Agenda

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

1. Overview

2. FY 2009 3rd Quarter
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 3rd Quarter Financial Statements

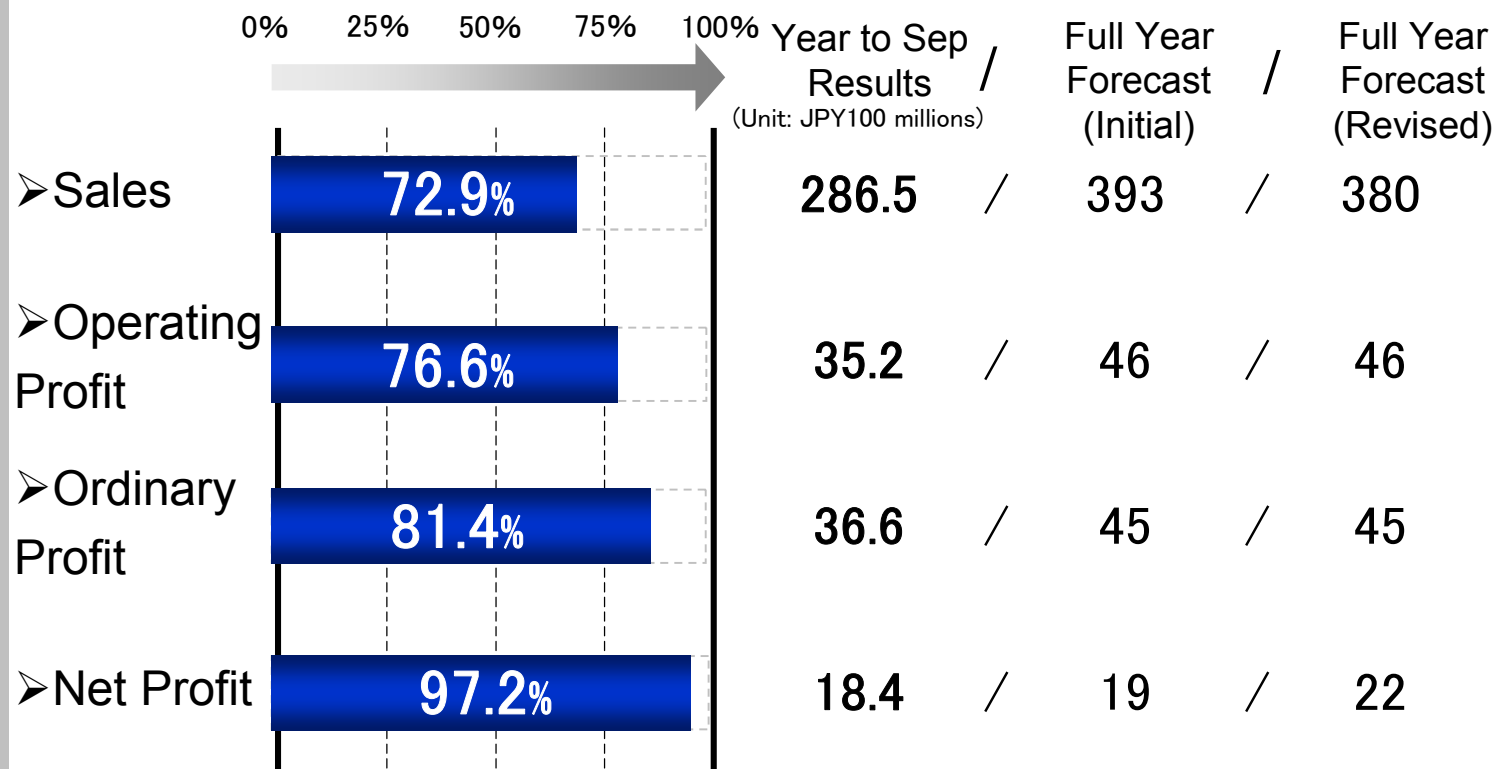
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

1 Year to September Results as % of Full Year Forecasts Strong Profits Lead to Upward Revision of Forecast



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Overview

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① Web Infrastructure
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4. FY 2009 Ecommerce
Strategy: Progress Report

2 Year-on-Year Comparison (nine months to September)

	1-9/2008	1-9/2009	YoY Change
➤ Sales	JPY27.16B	JPY28.65B	+5.5%
➤ Operating Profit	JPY3.11B	JPY3.52B	+13.0%
➤ Ordinary Profit	JPY2.97B	JPY3.66B	+23.1%
➤ Net Profit	JPY1.89B	JPY1.84B	-2.4%

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Overview

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4. FY 2009 Ecommerce Strategy: Progress Report

3 Year-on-Year Comparison (three months to September)

	7-9/2008	7-9/2009	YoY Change
➤ Sales	JPY9.95B	JPY9.67B	-2.8%
➤ Operating Profit	JPY1.11B	JPY1.31B	+17.7%
➤ Ordinary Profit	JPY1.15B	JPY1.34B	+16.1%
➤ Net Profit	JPY0.91B	JPY0.62B	-32.3%

Record Profits

(combined Web Infrastructure and Media profits)

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Consolidated P/L

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4. FY 2009 Ecommerce
Strategy: Progress Report

Profits in the quarter top JPY 1.3 billion due to robust performance by Internet Media segment.

(JPY millions)

	1-9/2008	1-9/2009	1-9/2009 (forecast)	7-9/2008	7-9/2009	YoY Change
Sales	27,164	28,656	39,300	9,959	9,679	-2.8%
Cost of Sales	12,968	12,959	—	5,061	4,243	-16.2%
SGA	11,079	12,174	—	3,782	4,123	+9.0%
Operating Profit	3,116	3,521	4,600	1,115	1,312	+17.7%
Non-Operating Revenue	408	427		169	107	-36.5%
Non-Operating Expenses	550	286		126	75	-40.3%
Ordinary Profit	2,973	3,662	4,500	1,158	1,345	+16.1%
Extraordinary Profit	484	55	—	202	6	-97.0%
Extraordinary Loss	168	116	—	12	62	+391.2%
Corporate tax etc.	928	1,105	—	355	436	+22.8%
Minority Equity	469	648	—	74	229	+208.0%
Net Profit	1,891	1,846	1,900	917	621	-32.3%

*Q3 2008 figures revised to reflect reclassification

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Sales by Segment (nine months to September)

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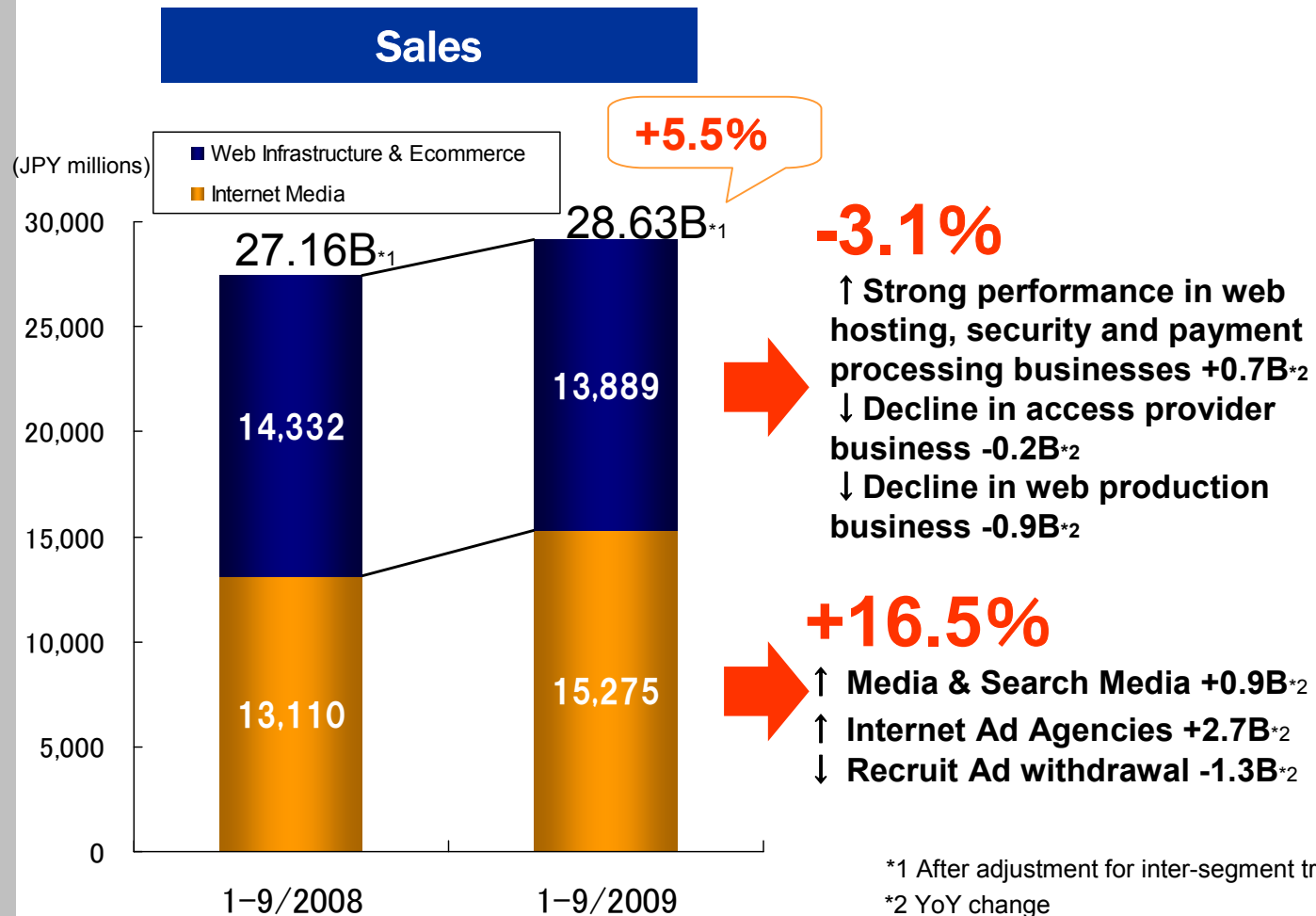
3. Segment Report

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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 (nine months to September)

1. Overview

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① Web Infrastructure & Ecommerce

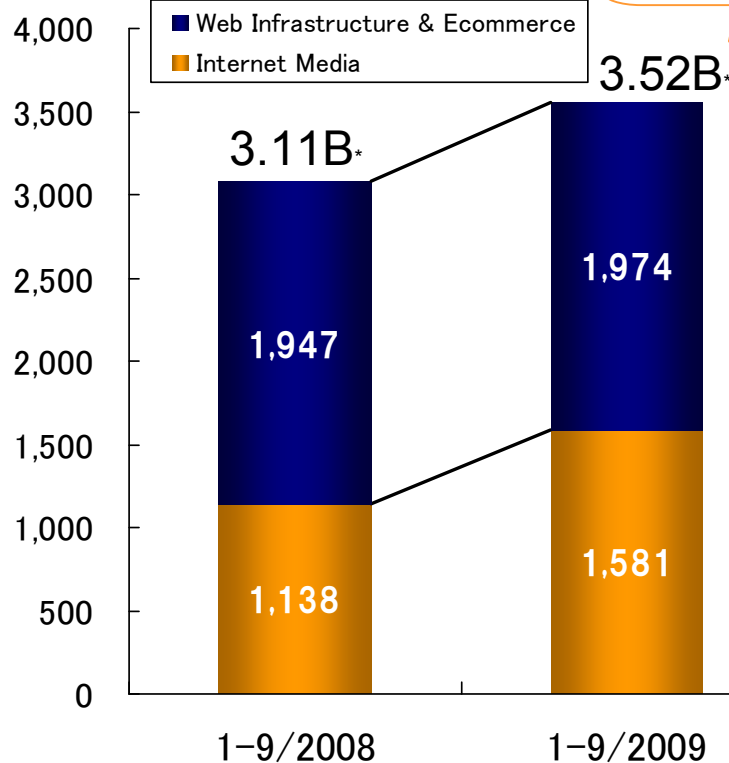
② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

Structural changes in both segments improve profit quality

Operating Profit

(JPY millions)



+13.0%

+1.4%
 ↓ Decline in web design related business
 ↑ Payment processing, web hosting

+39.0%
 ↑ Strong SEM Media

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* After adjustment for inter-segment transactions 11

Sales by Segment (three months to September)

1. Overview

2. FY 2009 3rd Quarter Financial Statements

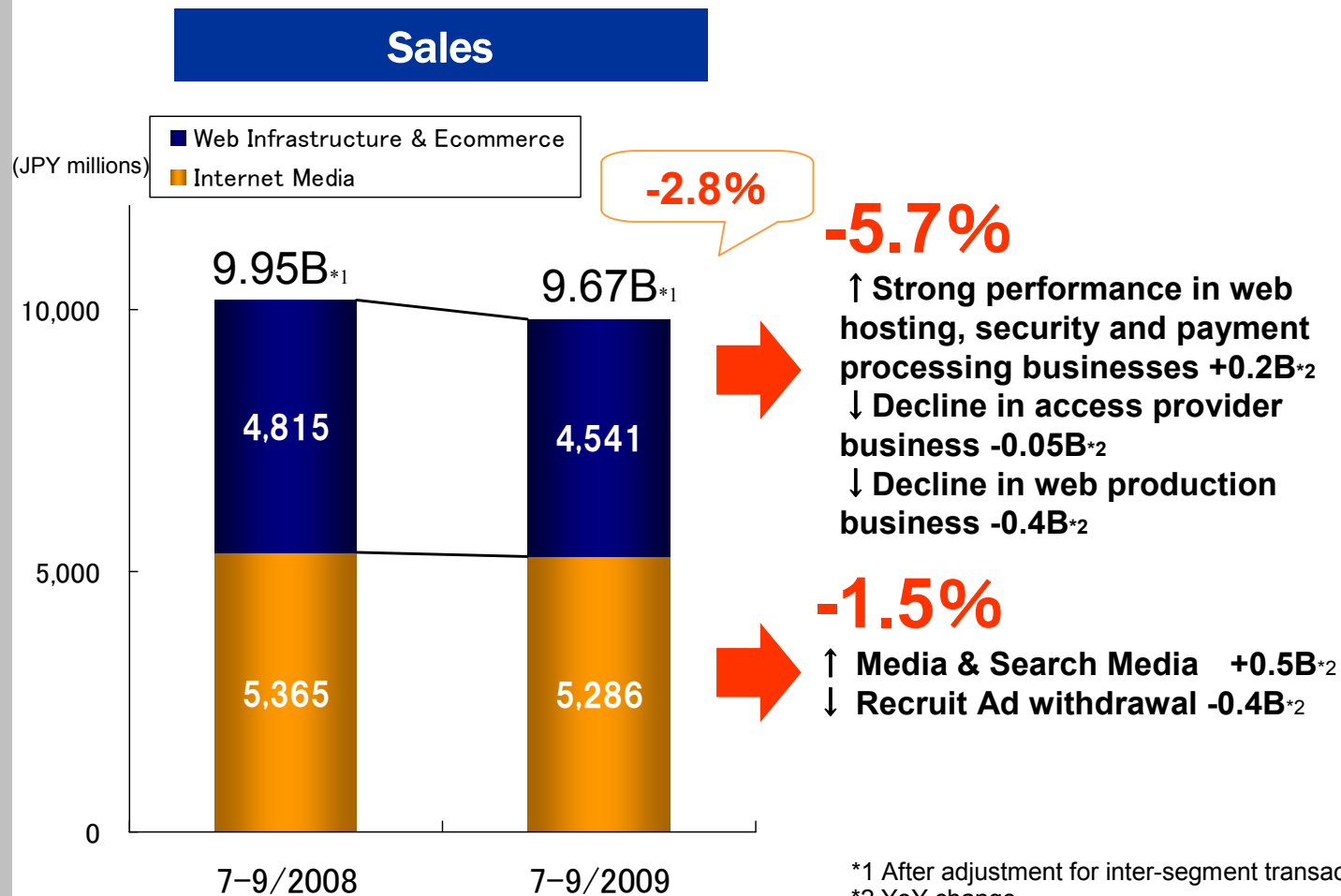
3. Segment Report

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4. FY 2009 Ecommerce Strategy: Progress Report

Streamlining of low margin services causes drop in revenues. Partially offset by increased revenue from high margin services.



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*1 After adjustment for inter-segment transactions

*2 YoY change

Operating Profit by Segment (three months to September)

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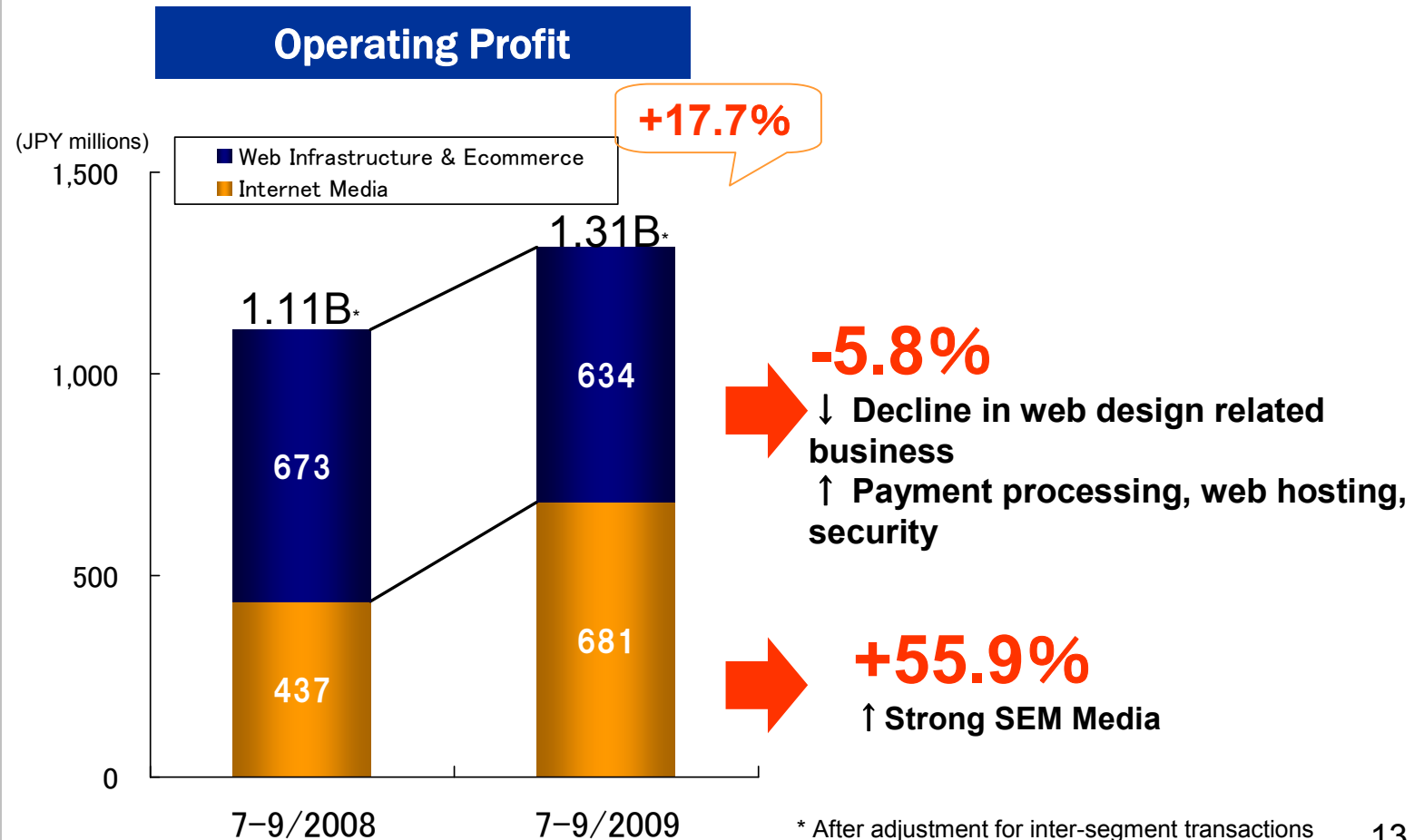
3. Segment Report

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4. FY 2009 Ecommerce Strategy: Progress Report

Internet Media Segment Overtakes Web Infrastructure & Ecommerce Segment in Profit Earnings



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* After adjustment for inter-segment transactions

Operating Profit Ratio

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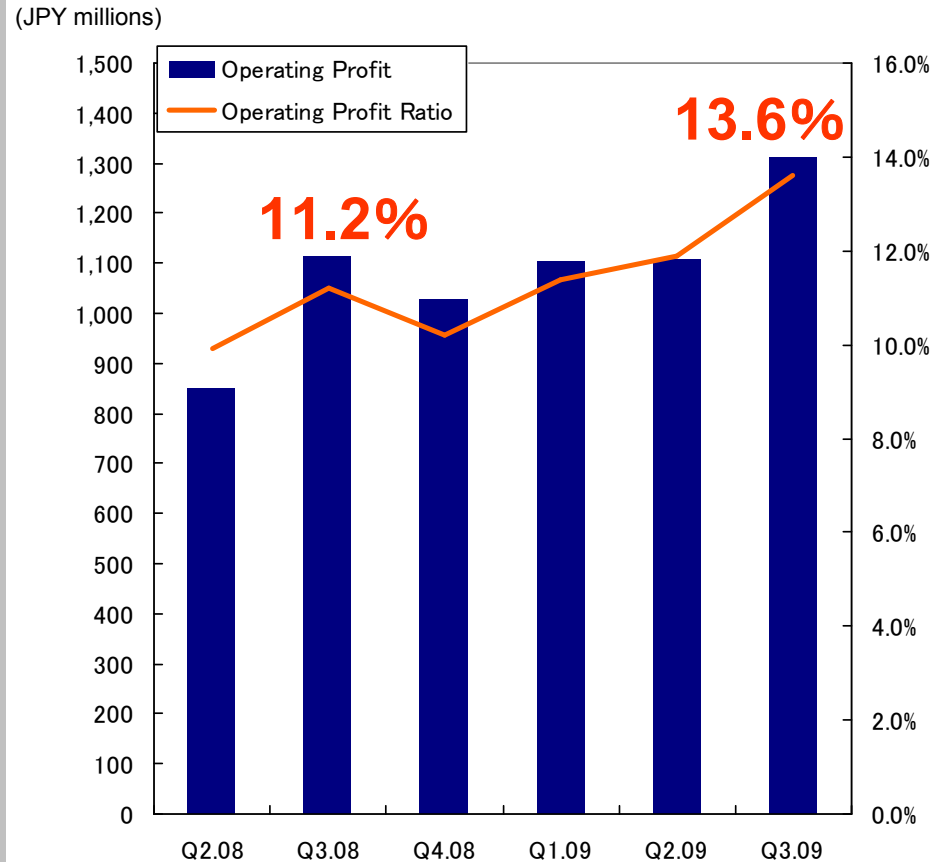
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4. FY 2009 Ecommerce
Strategy: Progress Report

Shift toward high margin services improves operating profit

Operating Profit Ratio



Operating
Profit Ratio
Up 2.4%
YoY

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Consolidated Balance Sheet

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4. FY 2009 Ecommerce
Strategy: Progress Report

Payout of Interim Dividends, Acquisition and Retirement of Treasury Stock

	End of Jun 2009	End of Sep 2009	QoQ Change	(JPY millions)
Current Assets	26,228	26,841	+612	
(Cash & deposits)	19,435	19,900	+464	
Fixed Assets	13,844	13,627	-216	
(Goodwill)	1,700	1,489	-211	
(Software)	2,058	1,987	-70	
(Investment real estate)	4,435	4,435	-	
(Investment securities)	618	679	+61	
Total Assets	40,073	40,469	+396	
Total Liabilities	25,953	25,958	-5	
(Interest bearing liabilities)	13,001	12,752	-249	
Net Assets (minority equity portion)	14,120 (6,790)	14,511 (7,003)	+391 (+212)	
Shareholders' Equity (earned surplus portion)	7,329 (6,163)	7,505 (6,564)	+176 (+400)	
(Shareholders' equity ratio)	18.3%	18.5%	+0.2%	
Total Liabilities / Net Assets	40,073	40,469	+396	

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Consolidated Balance Sheet

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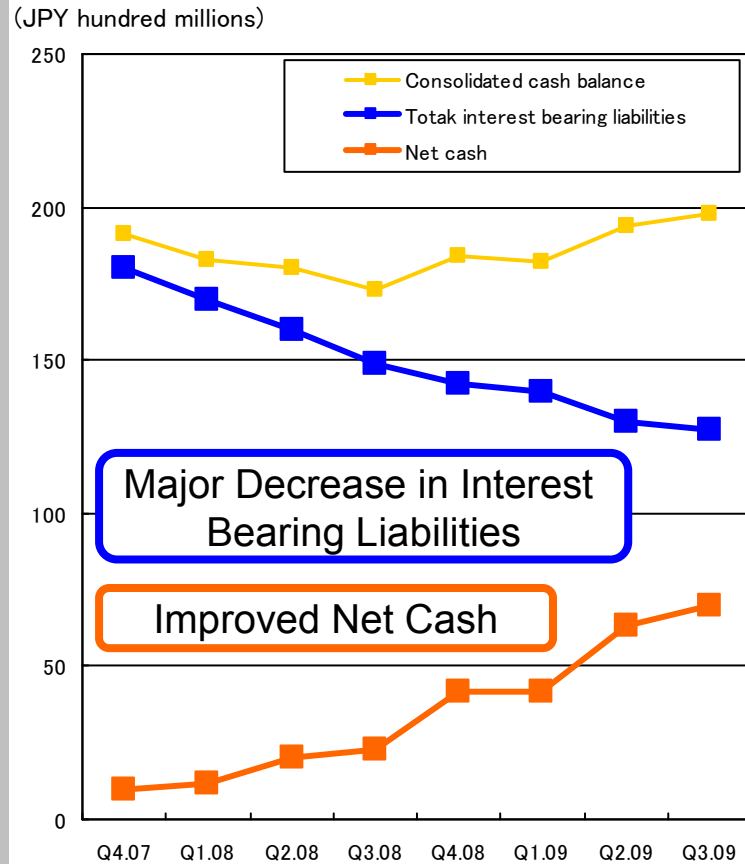
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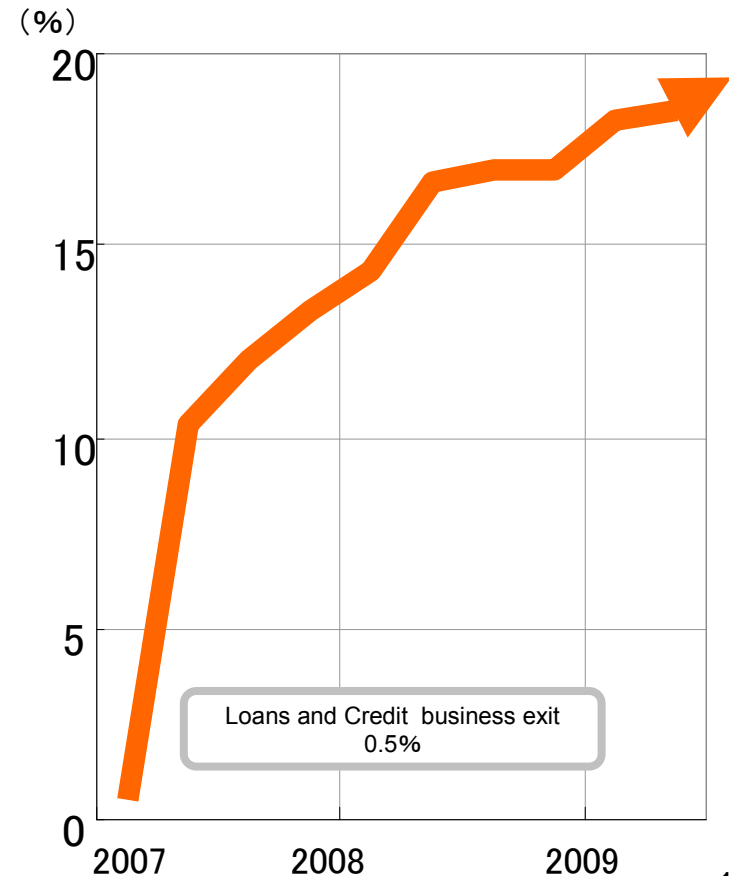
4. FY 2009 Ecommerce
Strategy: Progress Report

Continued focus on improved financial stability

Interest Bearing Liabilities and Net Cash



Shareholders' Equity Ratio (By Quarter)



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Consolidated C/F

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4. FY 2009 Ecommerce
Strategy: Progress Report

4.7 billion operating cash flow generated

(JPY millions)

	1-9/2009
Cash Flow from Operating Activities	4,723
Cash Flow from Investing Activities	-611
Cash Flow from Financing Activities	-2,747
Change in Cash and Equivalents	1,361
Balance of Cash and Equivalents	19,844

Strong performance in Internet Media

Payment of interest bearing liabilities: 1.4B approx.
Dividend payout: 1.1B
Acquisition of treasury stock: 0.2B approx

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Business Segments

1. Overview

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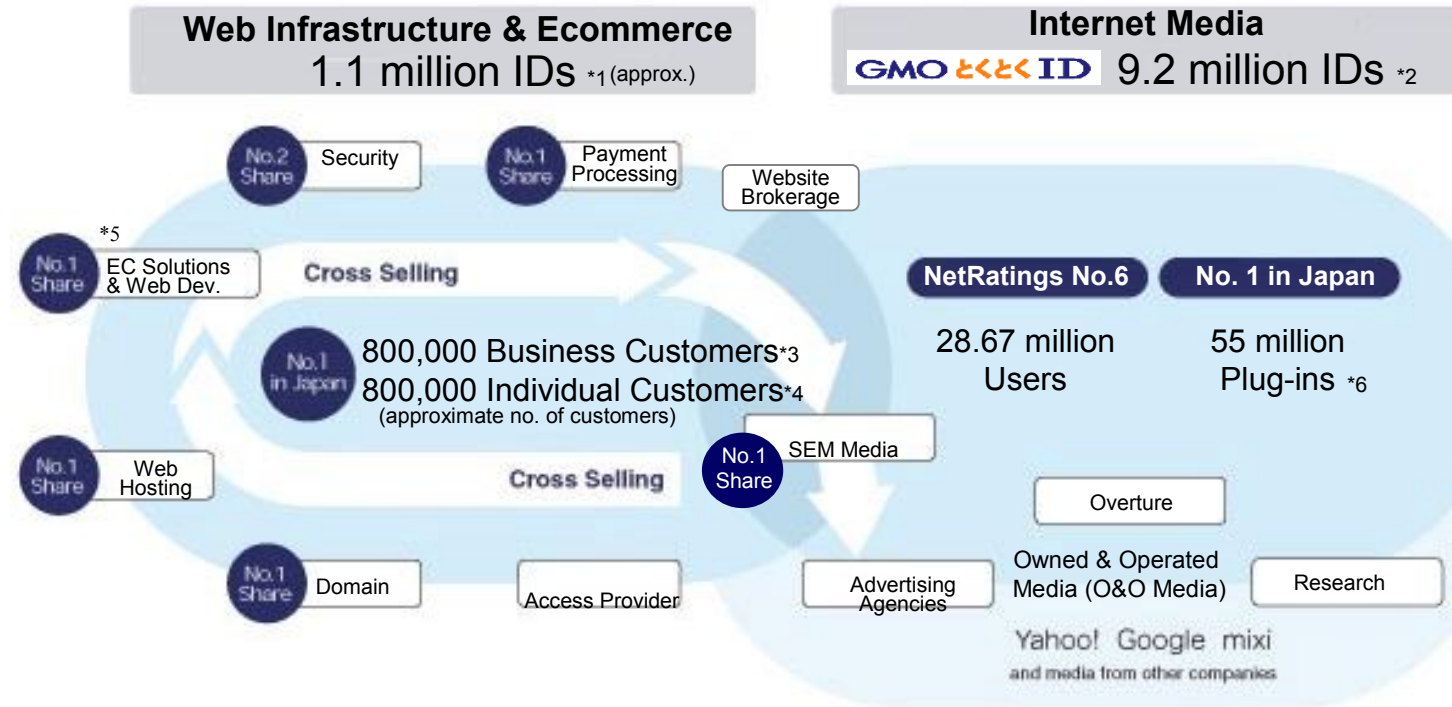
3. Segment Report

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4. FY 2009 Ecommerce
Strategy: Progress Report

Management resources concentrated in two business areas. Our operations support the information delivery and net businesses of 1.6 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 71,000 Internet access provider business customers not included in the above figures
- *8. Paying members only

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Web Infrastructure & Ecommerce Segment Contracts

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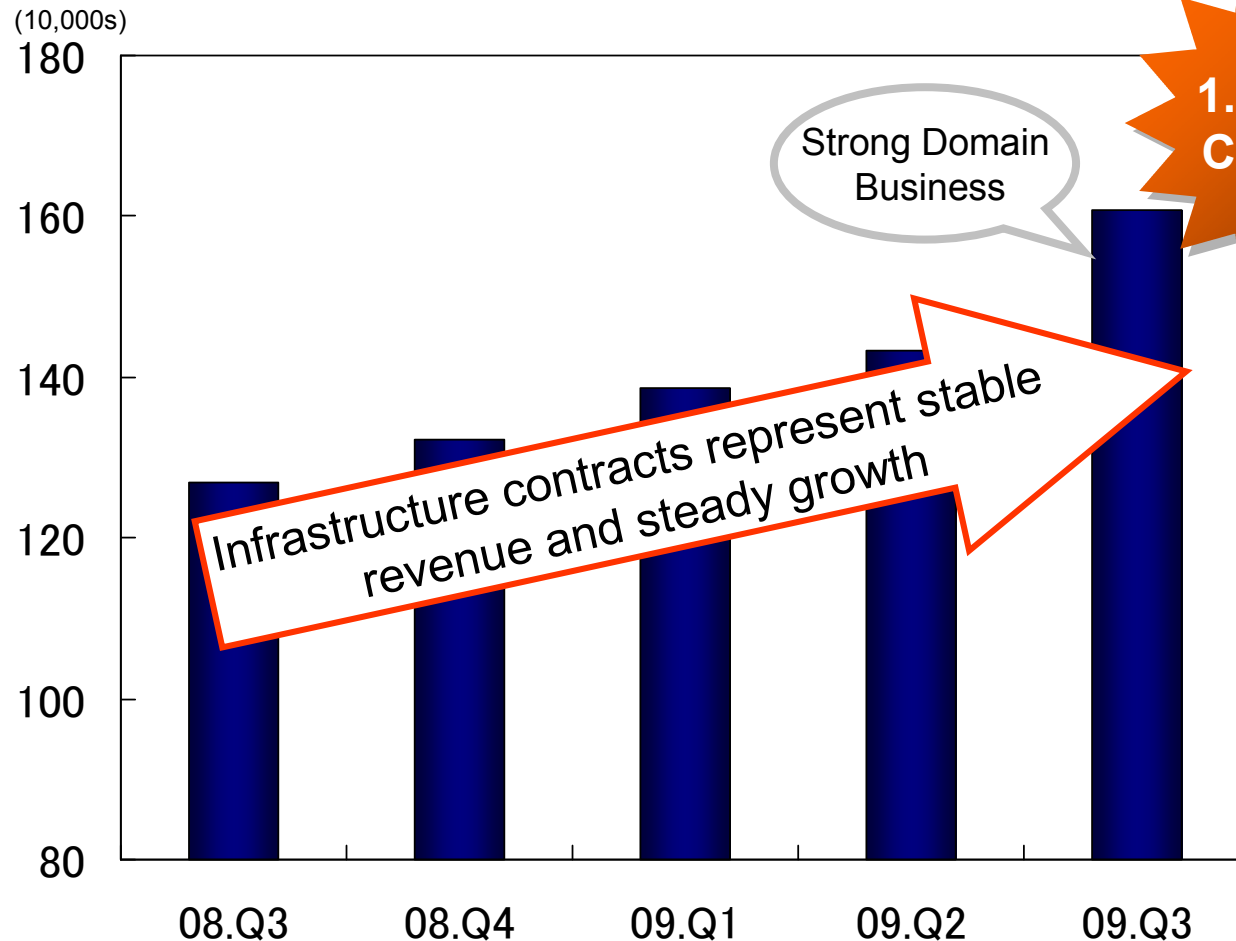
3. Segment Report

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4. FY 2009 Ecommerce
Strategy: Progress Report

1.6 million contracts: leading Japanese Internet infrastructure services provider



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

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Web Infrastructure & Ecommerce - Segment Composition

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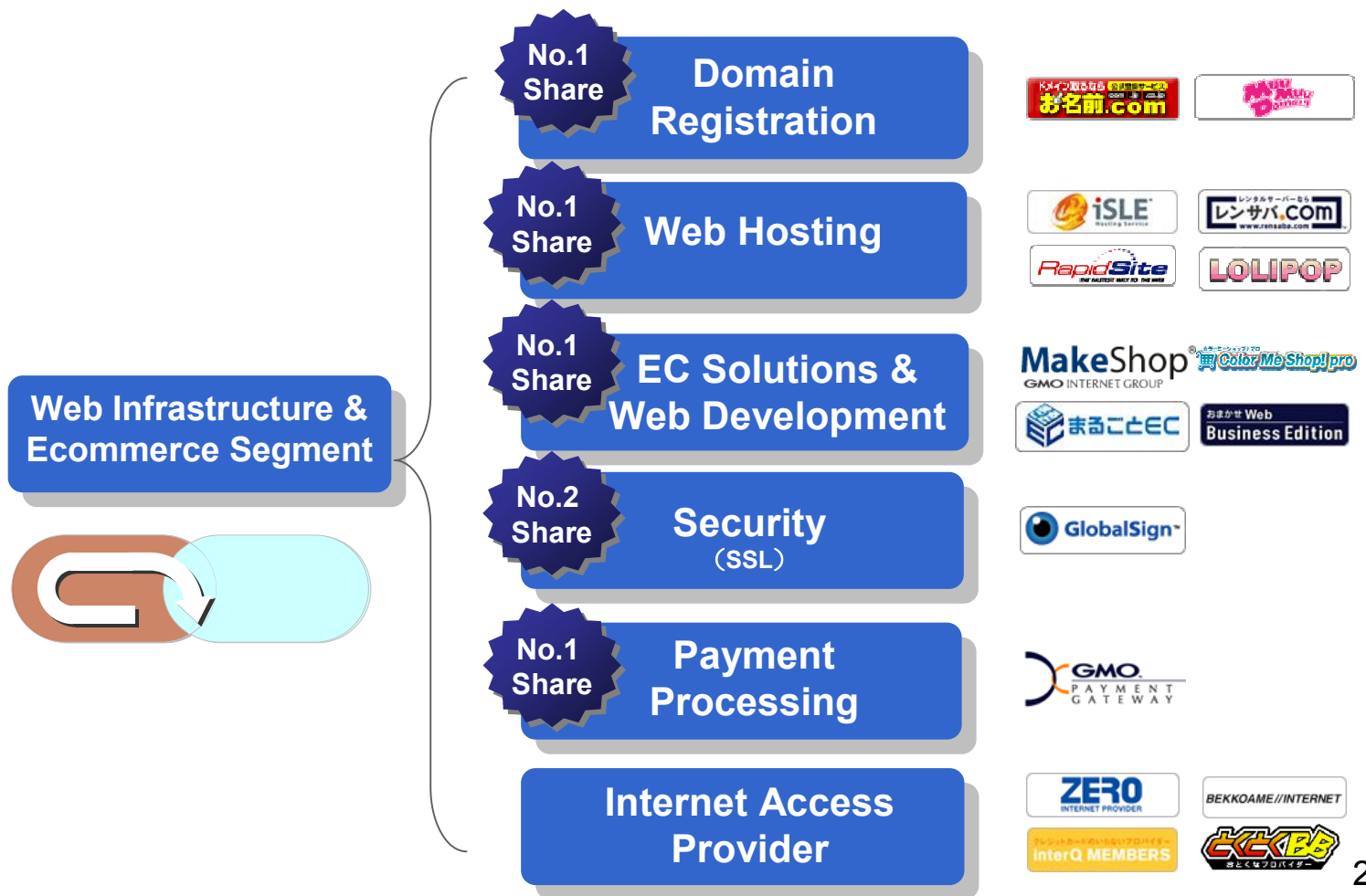
① Web Infrastructure
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4. FY 2009 Ecommerce
Strategy: Progress Report

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 (nine months to September)

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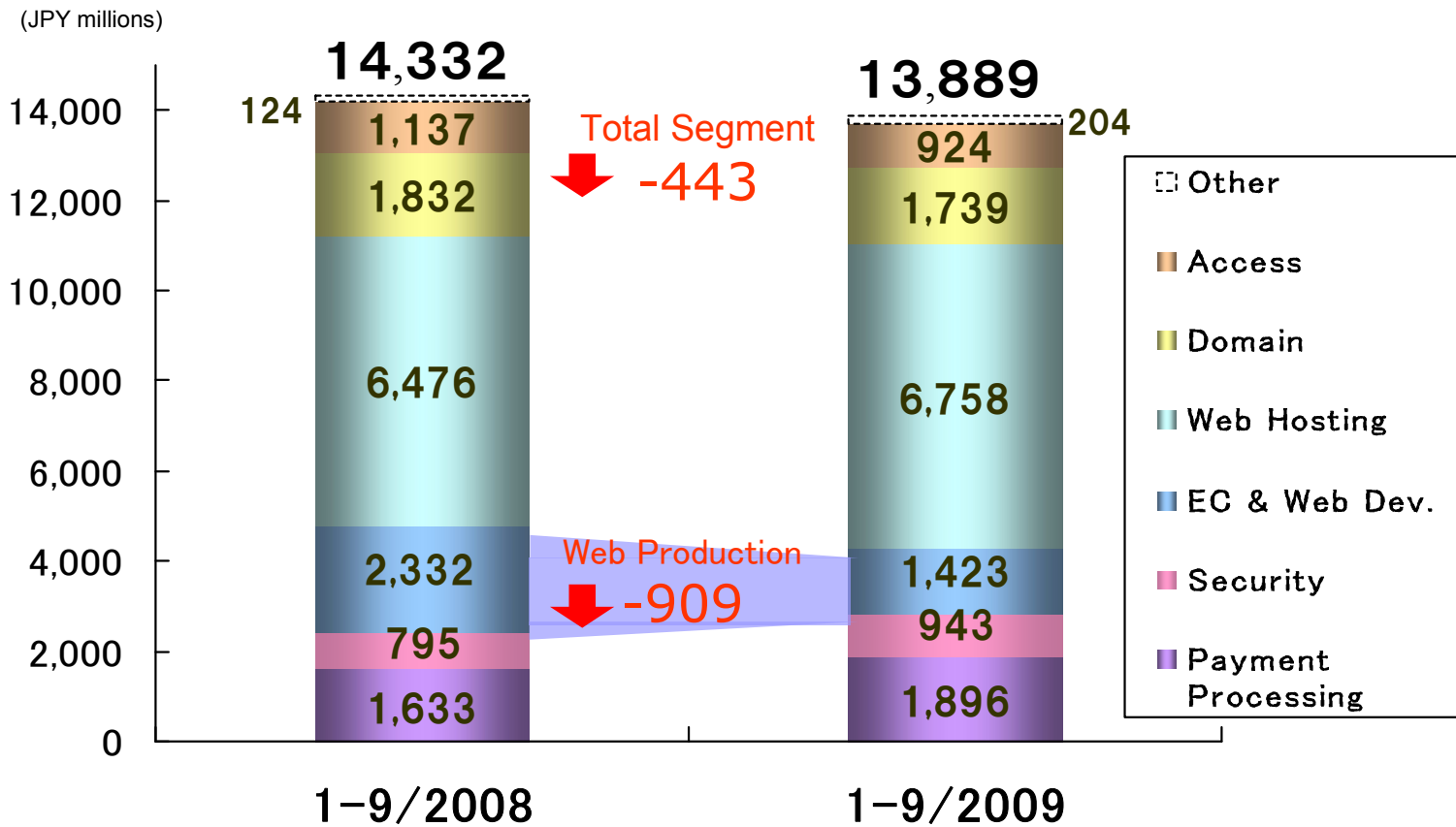
3. Segment Report

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4. FY 2009 Ecommerce
Strategy: Progress Report

Reduction in web production sales impacts total segment sales



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Web Infrastructure & EC OP (nine months to September)

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Financial Statements

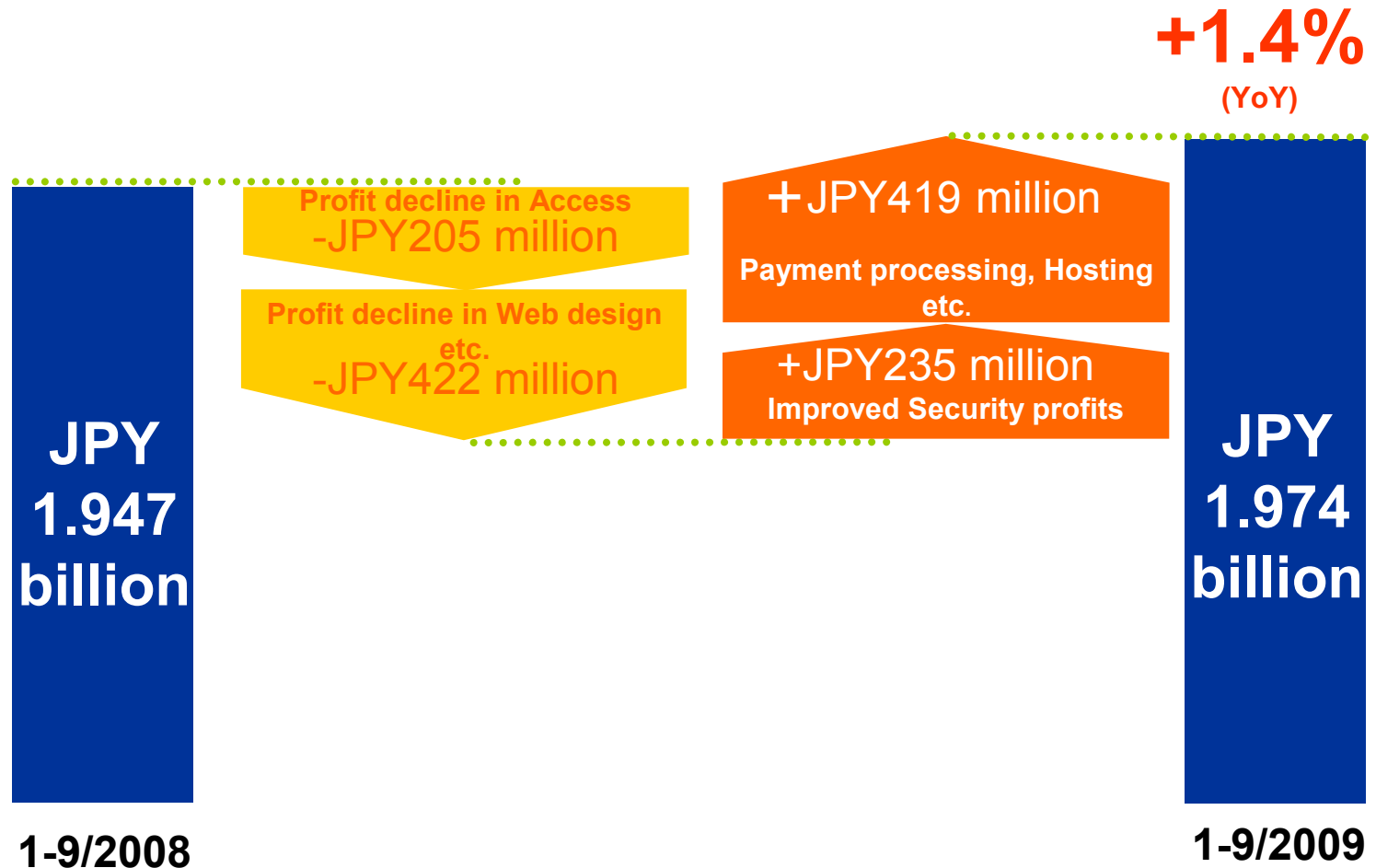
3. Segment Report

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4. FY 2009 Ecommerce
Strategy: Progress Report

Growth in high margin products results in an increase in profits despite a decrease in revenue



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1-9/2008

1-9/2009

Web Infrastructure & EC Sales (three months to September)

1. Overview

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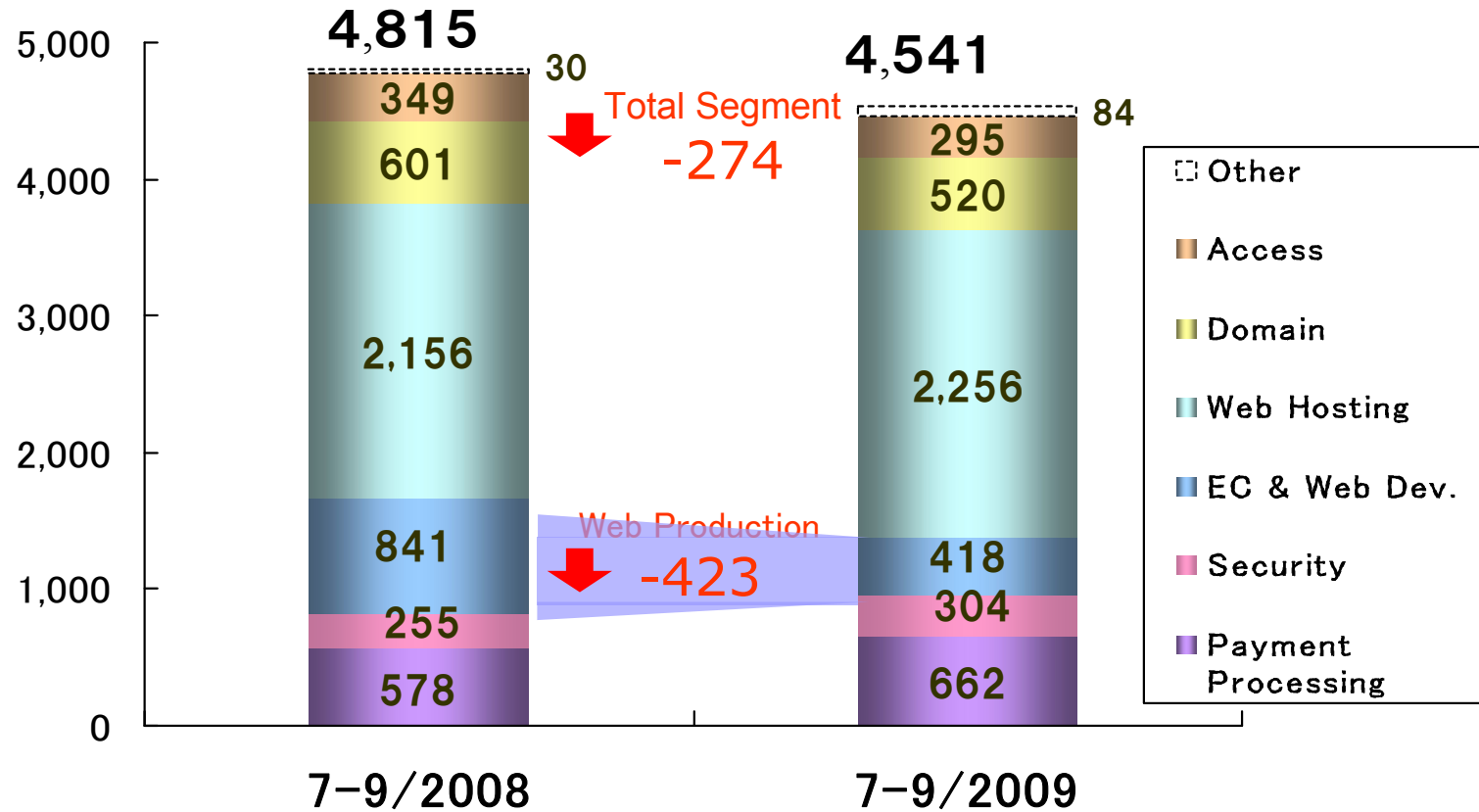
① Web Infrastructure
& Ecommerce

② Internet Media

4. FY 2009 Ecommerce
Strategy: Progress Report

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

(JPY millions)



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Web Infrastructure & EC OP (three months to September)

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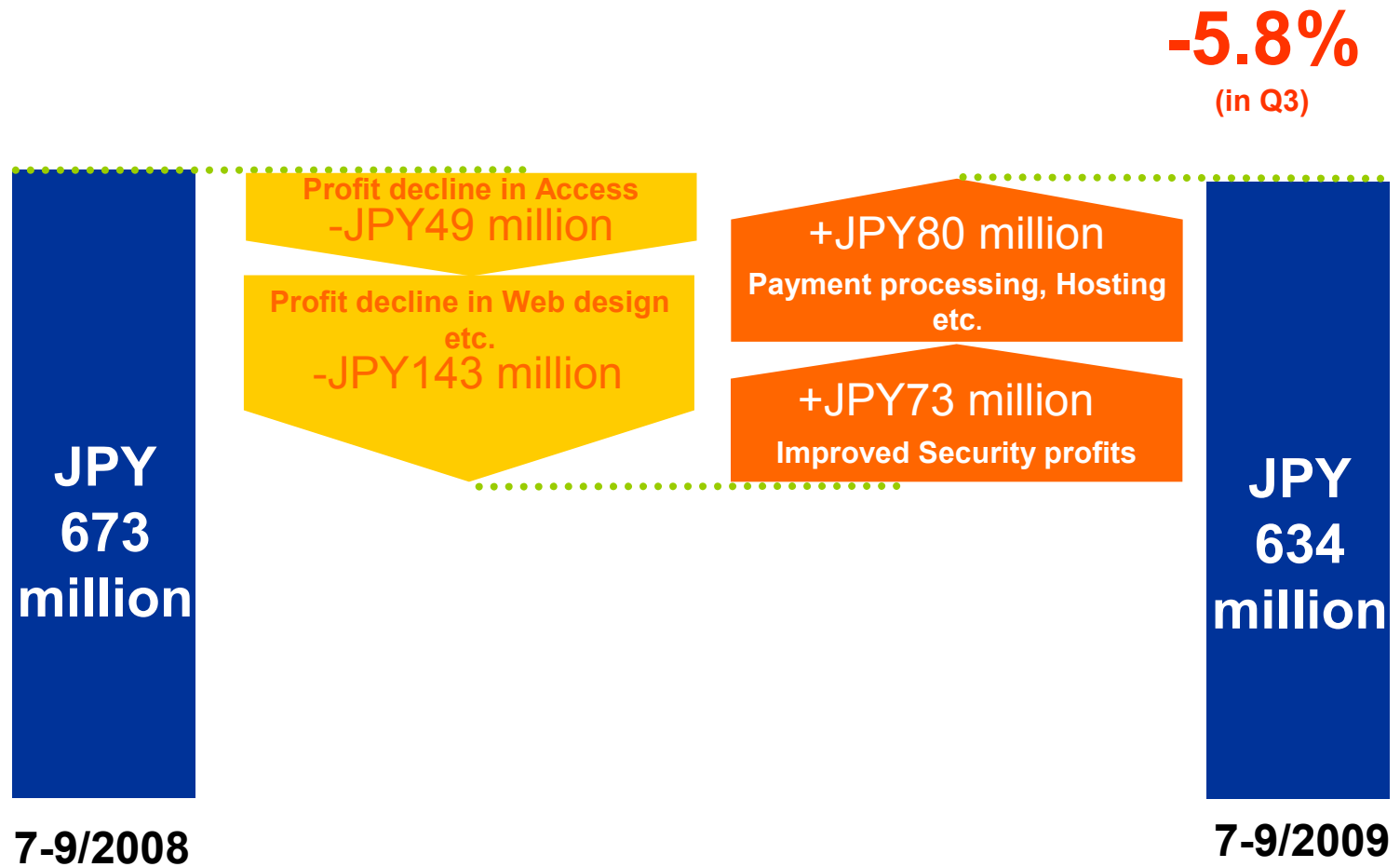
3. Segment Report

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& Ecommerce

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4. FY 2009 Ecommerce
Strategy: Progress Report

Despite strong Web Hosting and Security business performances, reduction in web production causes slight drop in profits



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7-9/2008

7-9/2009

EC Solutions & Web Development - Sales Breakdown

1. Overview

2. FY 2009 3rd Quarter
Financial Statements

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① Web Infrastructure
& Ecommerce

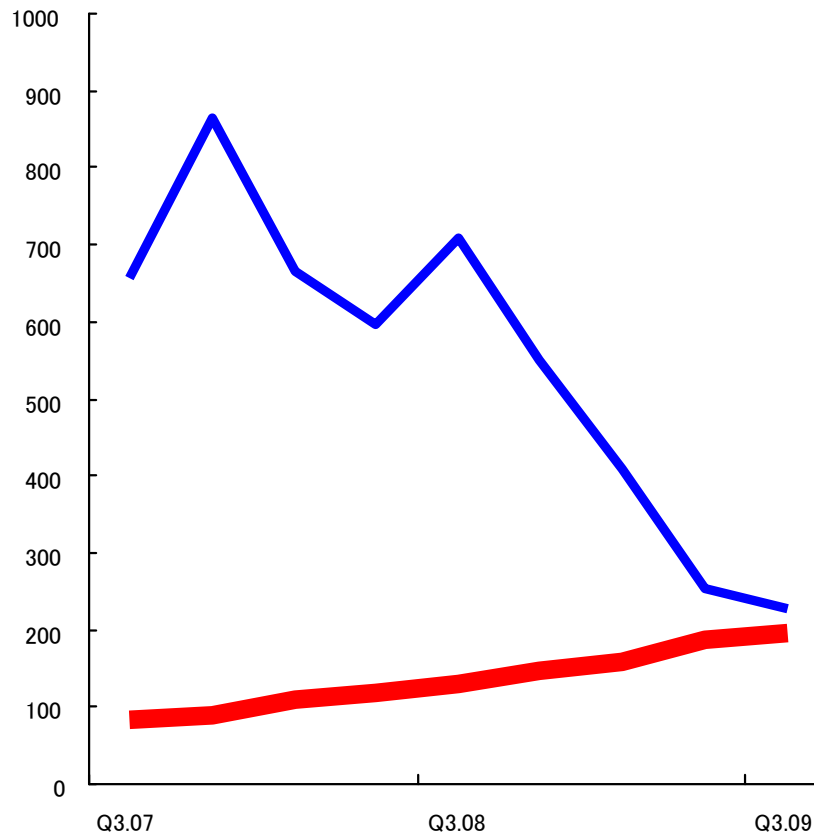
② Internet Media

4. FY 2009 Ecommerce
Strategy: Progress Report

Major changes to sales mix under transition strategy

E-commerce Solutions & Web Development Sales Breakdown

(JPY millions)



■ Web production related etc.

Shift from large contracts to
SEO and services that deliver
continued income

→ **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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Domain Business - Key Factors

1. Overview

2. FY 2009 3rd Quarter Financial Statements

3. Segment Report

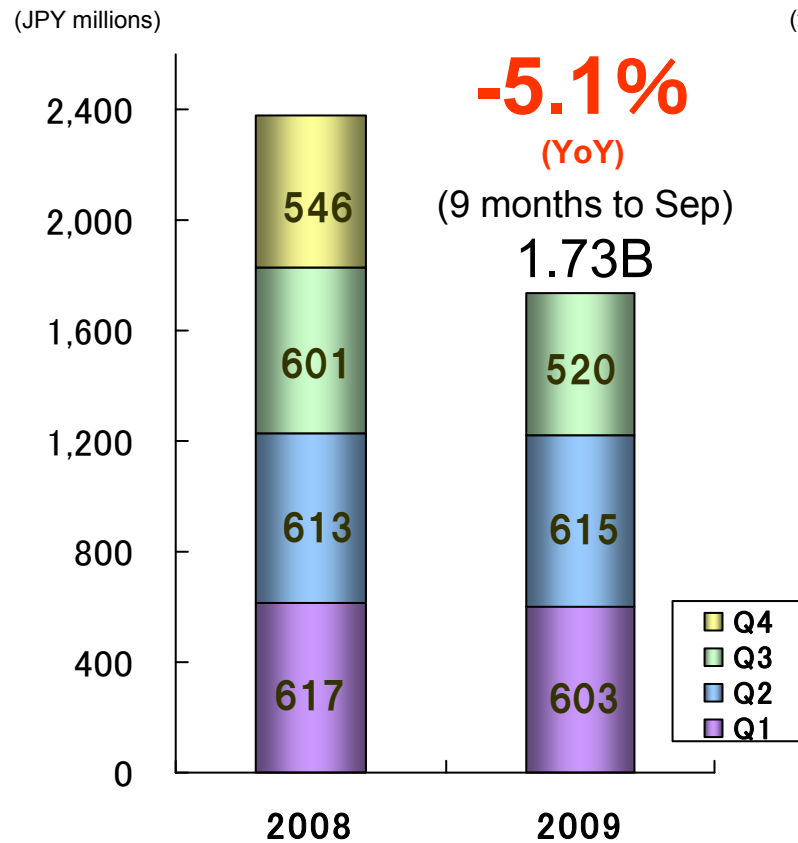
① Web Infrastructure & Ecommerce

② Internet Media

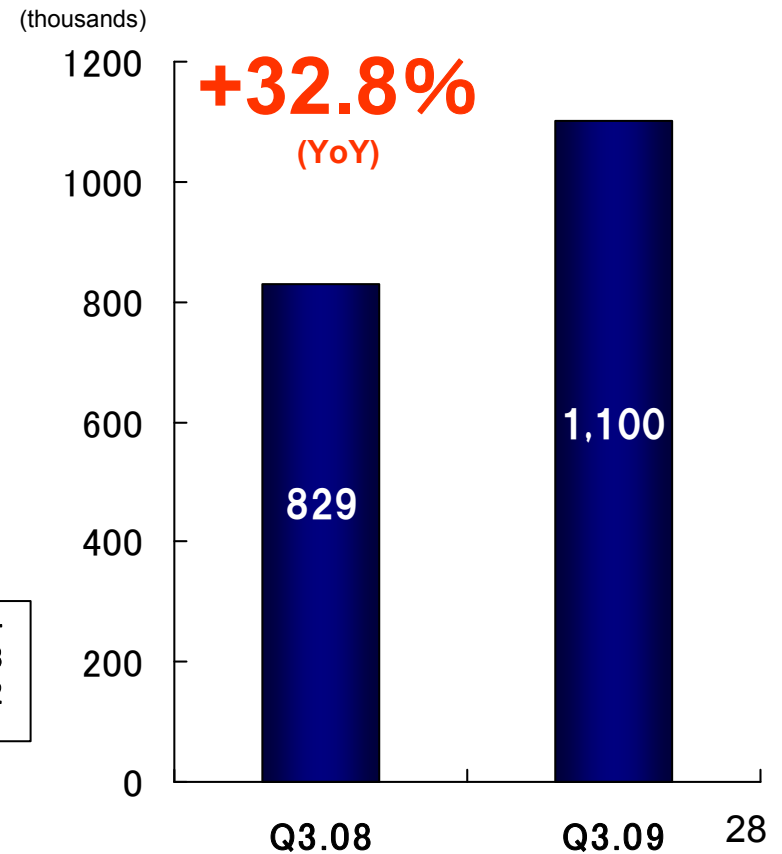
4. FY 2009 Ecommerce Strategy: Progress Report

Year to September sales: JPY 1.73 billion, registrations: over 1.1 million

Sales



Registrations



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Domain Business News

1. Overview

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4. FY 2009 Ecommerce
Strategy: Progress Report

Ranked sixth worldwide in new domain registrations

Fastest Growing ICANN Registrars - Worldwide
10/05/2009 - 10/26/2009

Rank ^	Registrar Name	Country	Net Gain/Loss	Total Domains
1	GO DADDY		418,303	31,099,871
2	PUBLIC DOMAIN REGISTRY		44,534	2,326,454
3	TUCOWS		32,115	7,343,091
4	XINNET.COM		31,746	1,410,968
5	REBEL.COM		27,520	221,010
6	Onamae.com		25,621	709,458
7	ENOM		23,931	8,934,480
8	FASTDOMAIN.COM		21,744	913,377
9	DOTSTER		19,441	1,180,933
10	OVH		17,473	853,509
11	HOST.UOL.COM.BR		16,332	155,195
12	REGISTER.IT		13,730	391,090
13	DYNADOT		9,724	317,772
14	SCHLUND+PARTNER		9,526	4,733,790
15	FBS Inc.		8,941	101,606

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Web Hosting Business - Key Factors

1. Overview

2. FY 2009 3rd Quarter Financial Statements

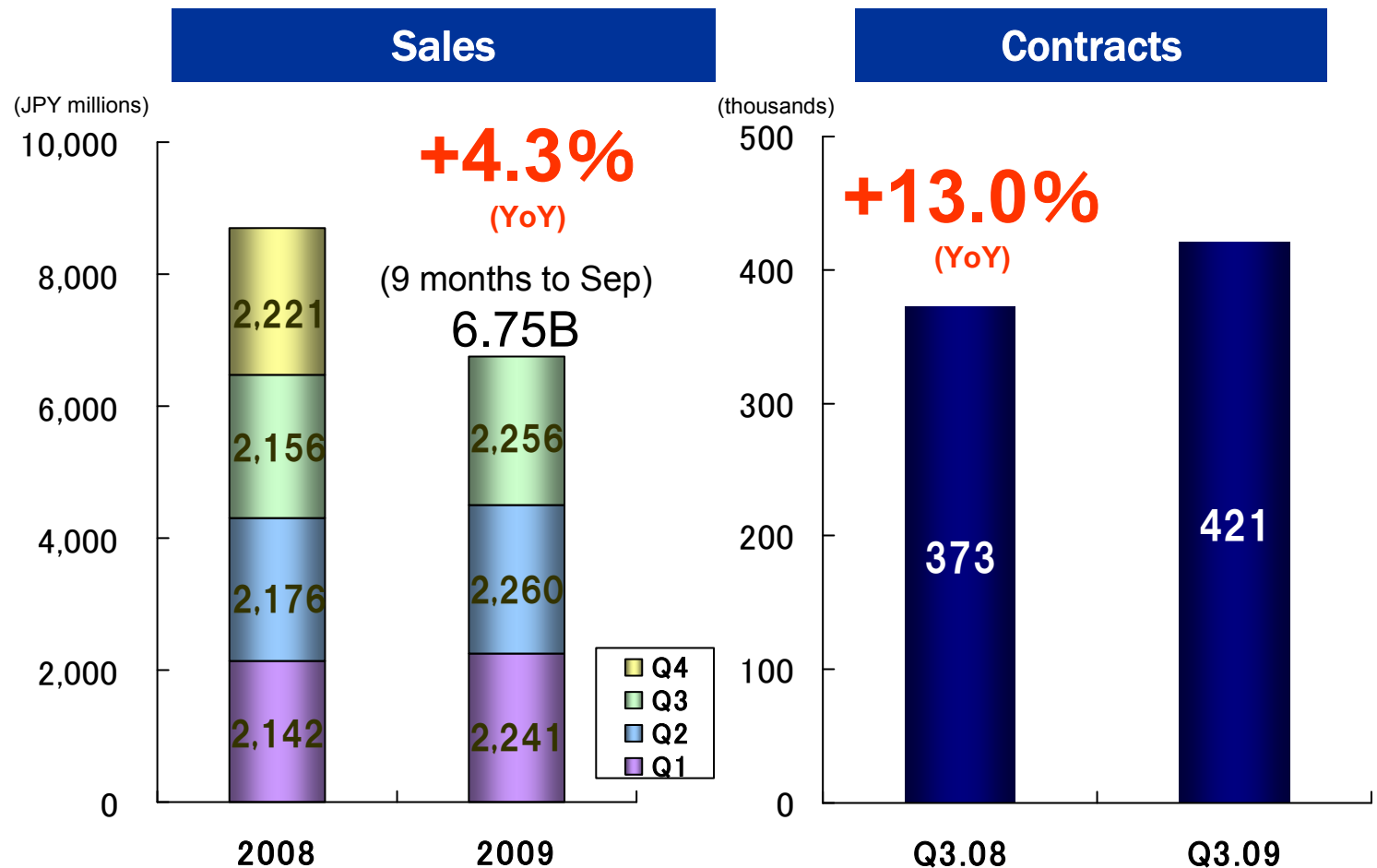
3. Segment Report

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4. FY 2009 Ecommerce Strategy: Progress Report

Year to September sales: JPY 6.75 billion, contracts: over 420 thousand



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EC Solutions & Web Development Business – Key Factors

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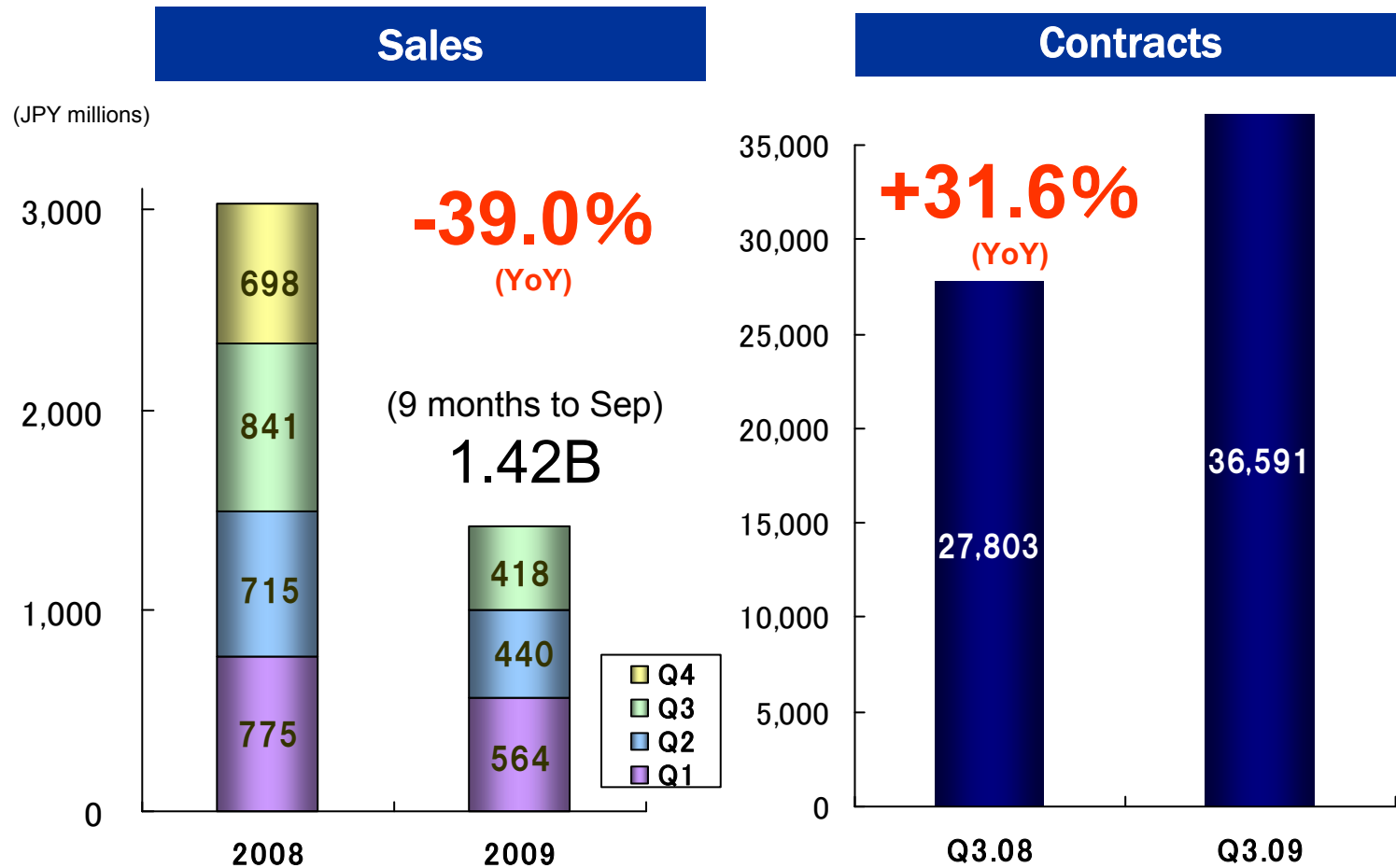
3. Segment Report

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Strategy: Progress Report

Year to September sales: JPY 1.42 billion in sales,
registrations: over 360 thousand contracts



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Security Business – Key Factors

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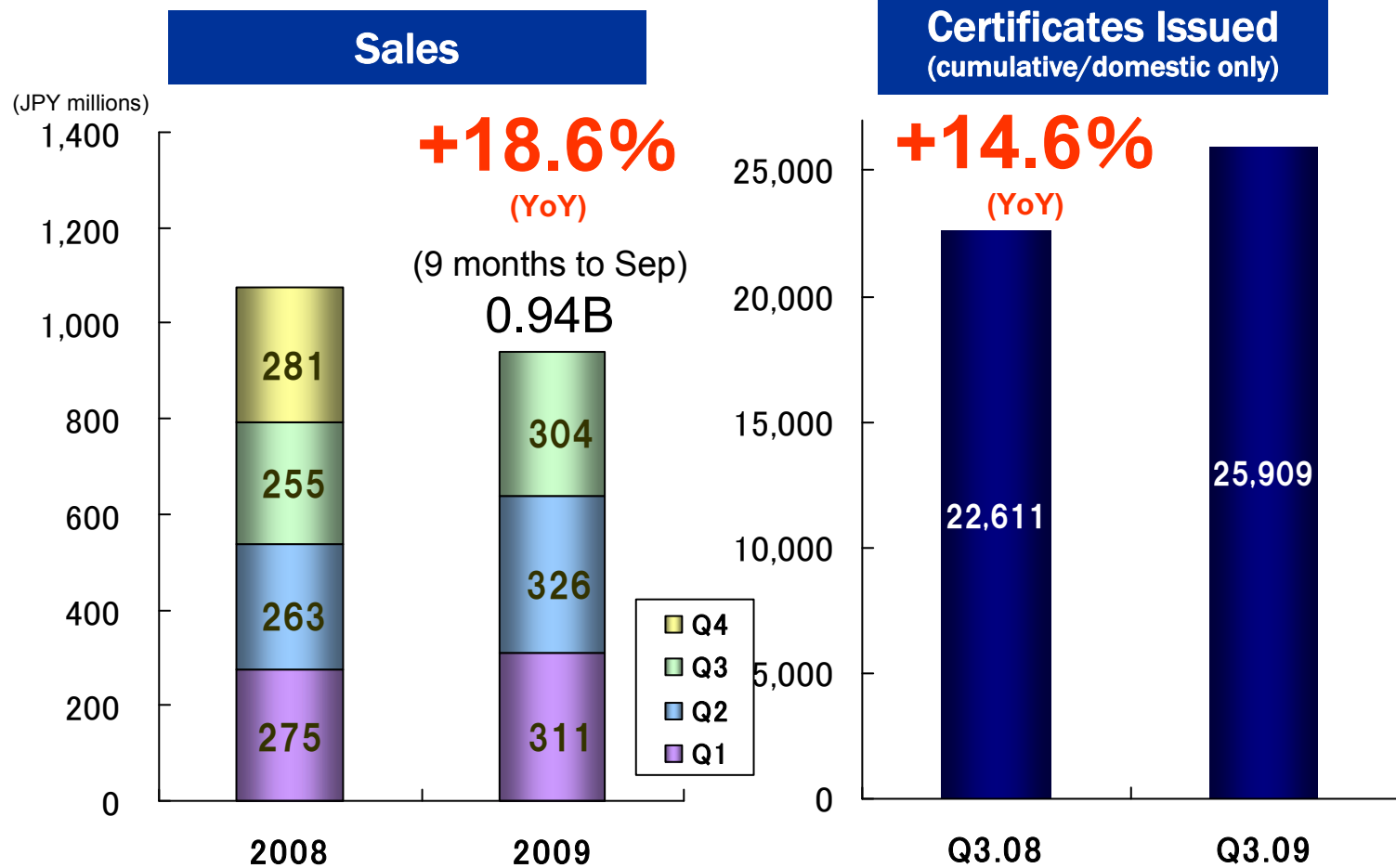
3. Segment Report

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Strategy: Progress Report

Sales increase 18.6%, certificate issues increase 14.6%



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Security Business – Key Factors

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Security reports operating profit in the nine months to September

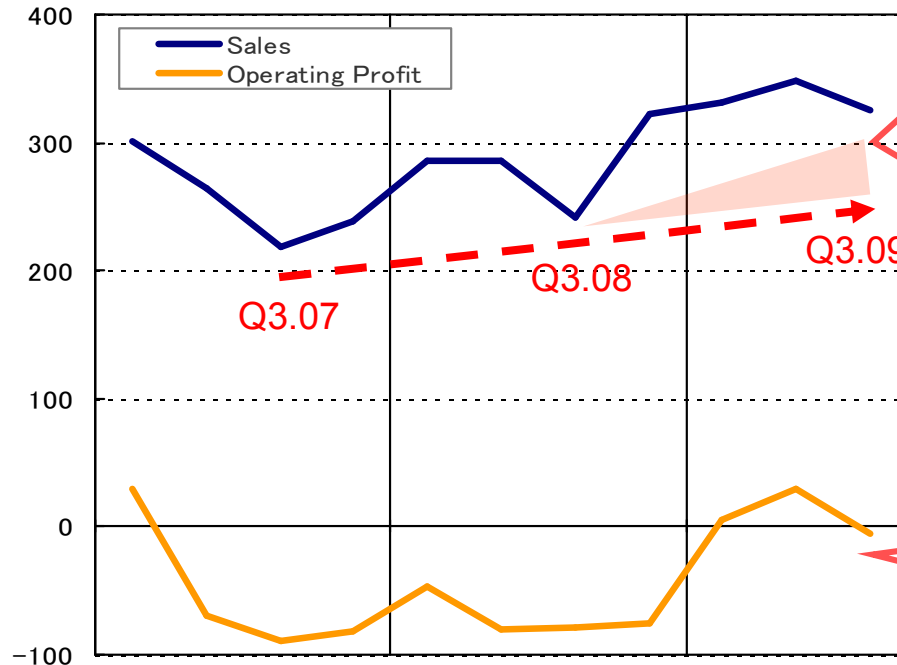
Sales and Operating Profit – Quarterly Change

(JPY millions)

2007 Brand switch Leading investment

2008 Expansion of sales network

2009 Operating profit recorded in first nine months



Revenue trending upward despite seasonal influences

Set to beat full year forecast (-JPY10 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

Security Business – Key Factors

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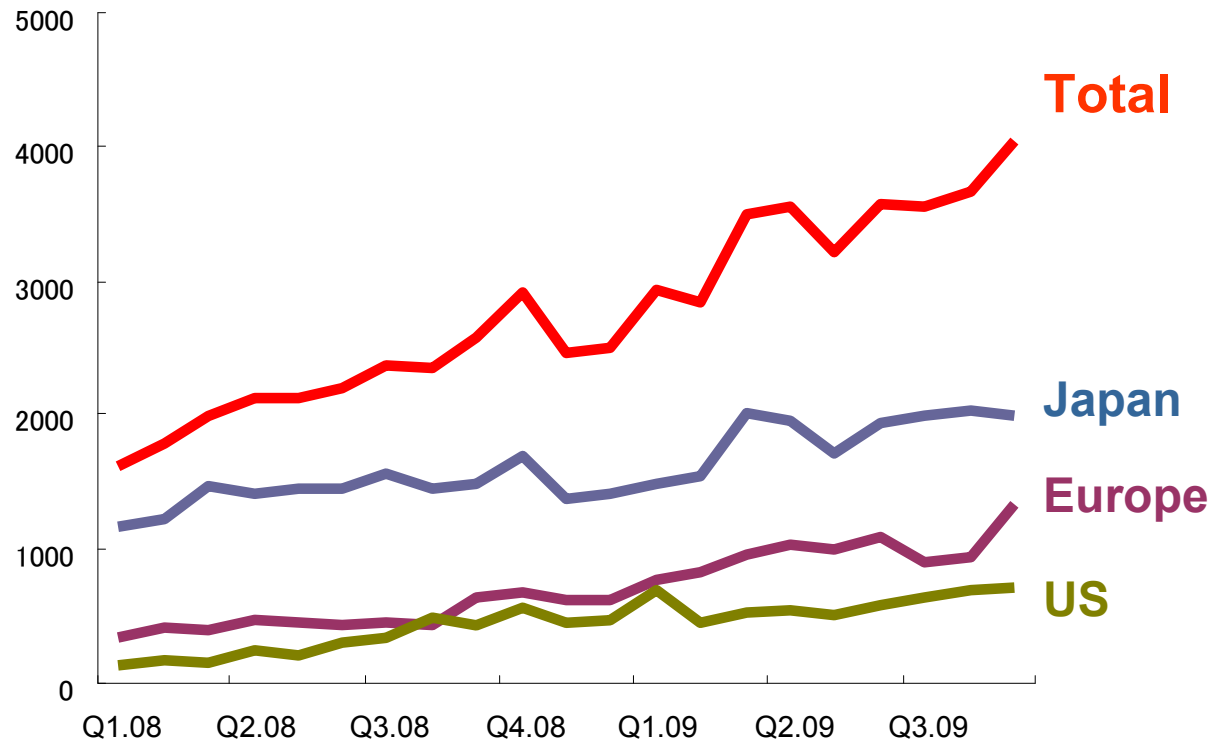
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Certificates issued

Monthly Certificate Issues by Region
(New and Renewed)



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Security Business – Key Factors

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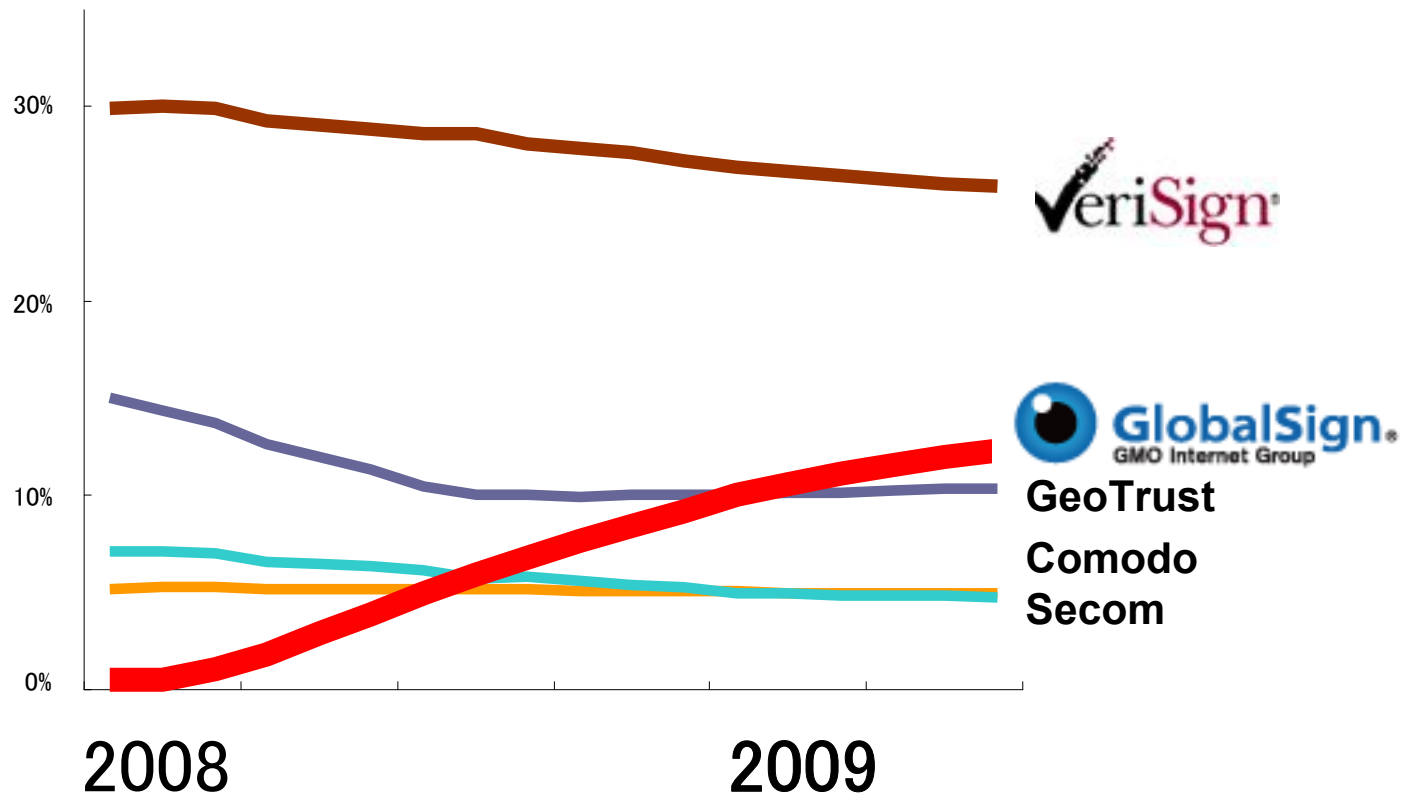
① Web Infrastructure
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4. FY 2009 Ecommerce
Strategy: Progress Report

Number 2 in the market and growing

Domestic Market Share



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Credit Card Payment Processing Business – Key Factors

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2. FY 2009 3rd Quarter Financial Statements

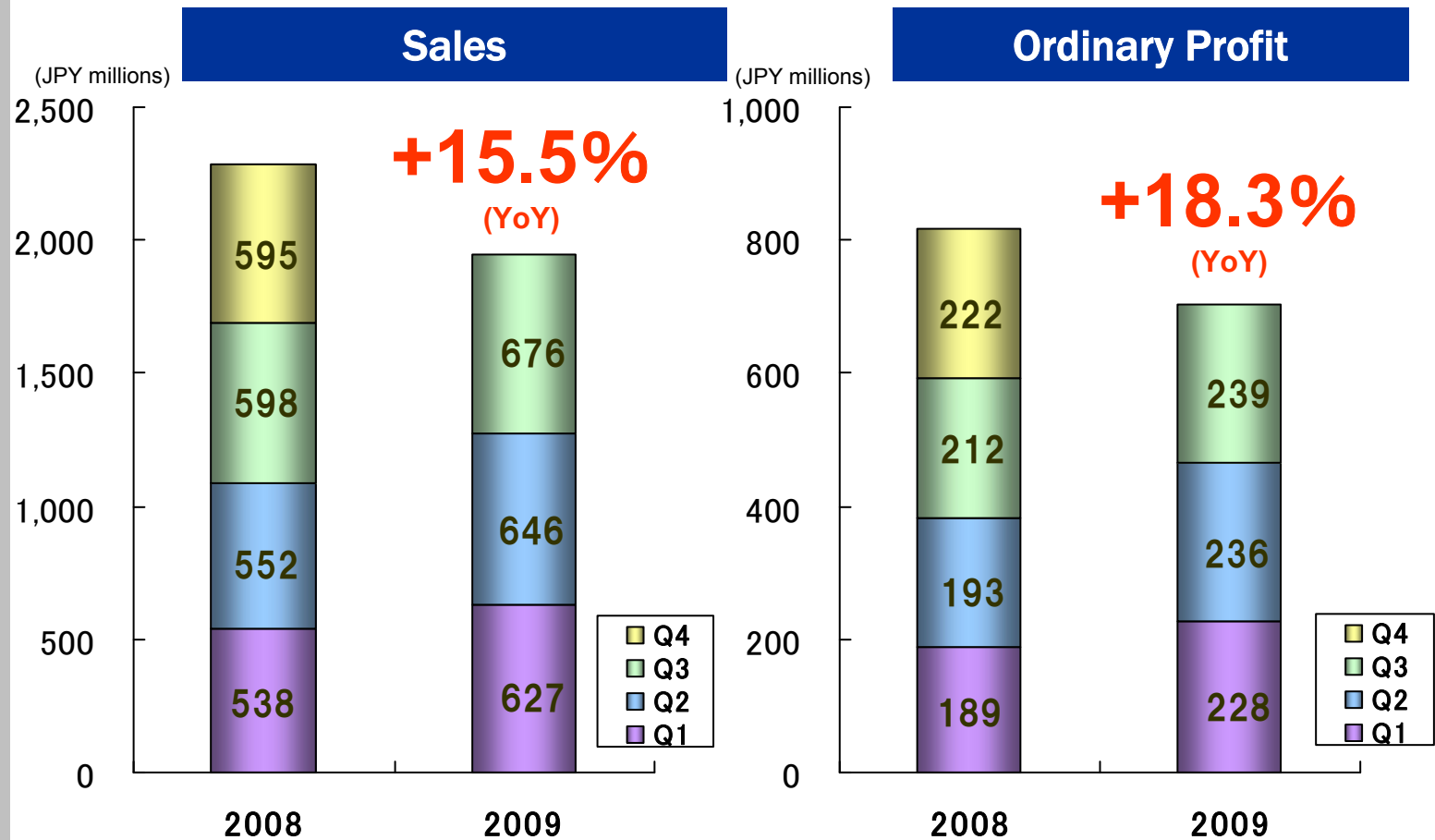
3. Segment Report

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4. FY 2009 Ecommerce Strategy: Progress Report

Increase in customers, number and value of transactions boosts revenue and profits.



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

Credit Card Payment Processing Business - News

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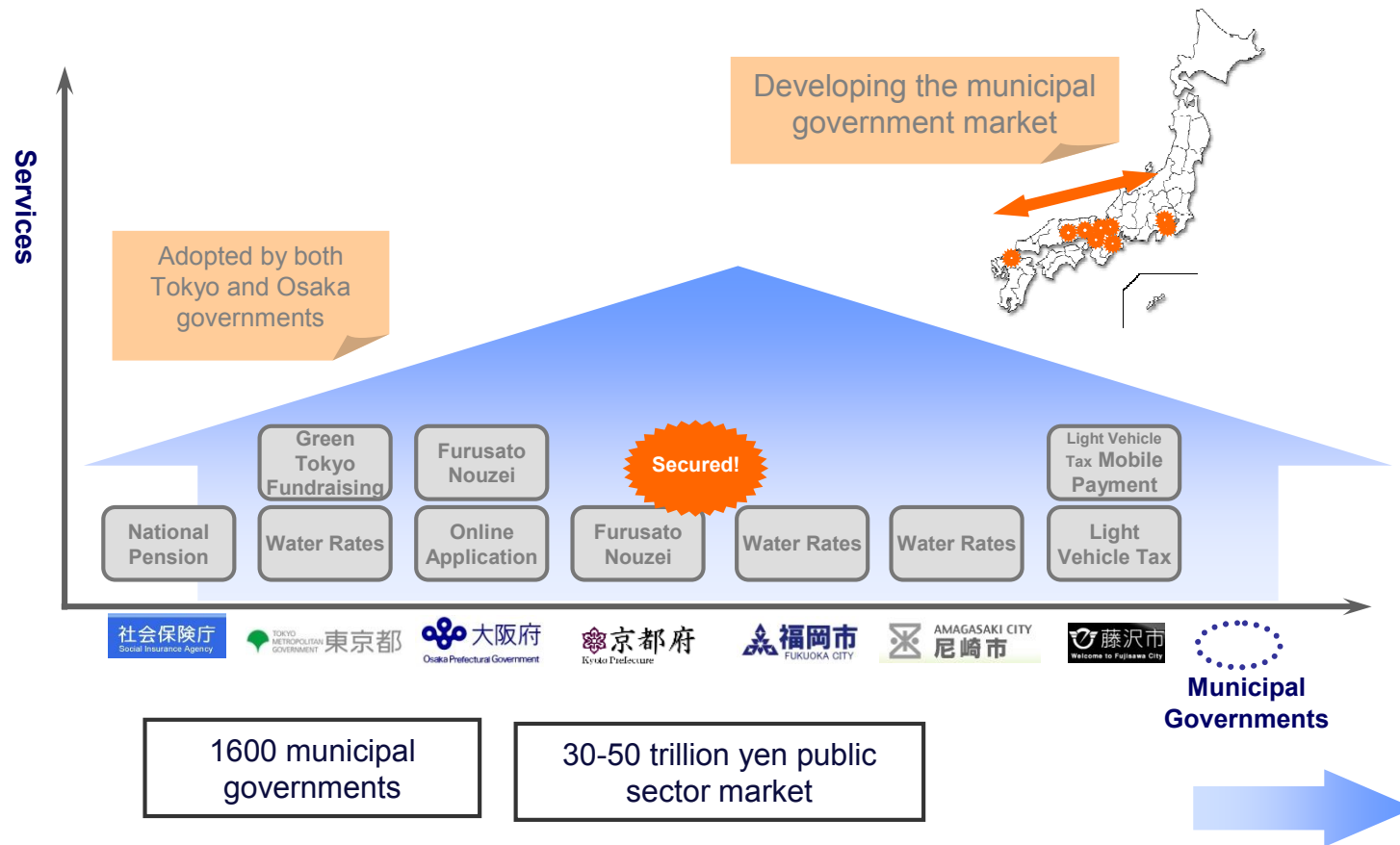
3. Segment Report

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4. FY 2009 Ecommerce Strategy: Progress Report

New Shiga Prefecture contract secured



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*Furusato Nouzei (Hometown Tax) : a system that allows taxpayer to allocate part of their municipal taxes to their hometown or a municipality other than the one in which they reside

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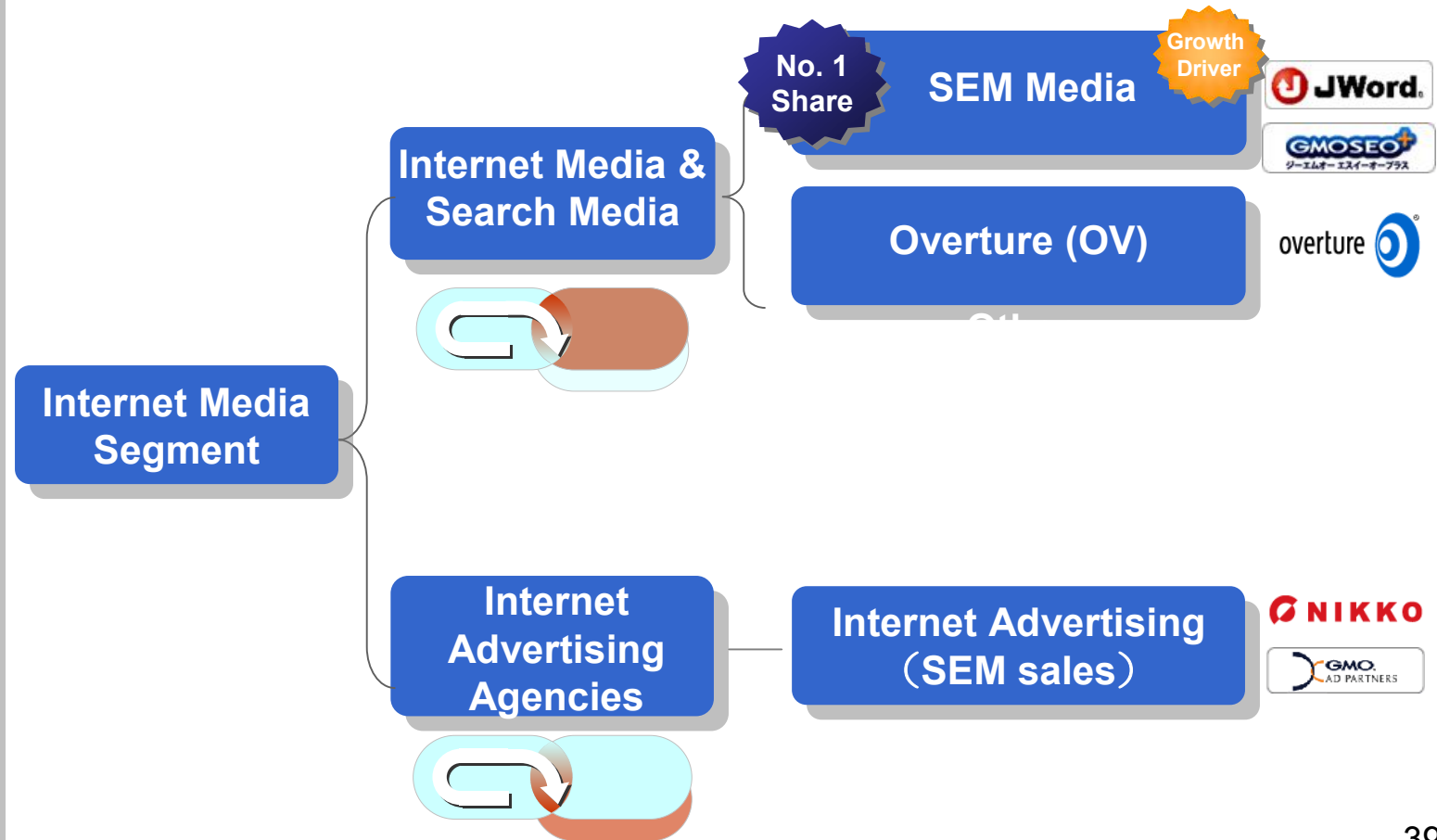
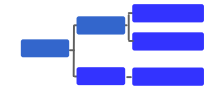
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Internet Media Segment Composition

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Internet media & search media driving growth



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Internet Media Sales (nine months to September)

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2. FY 2009 3rd Quarter
Financial Statements

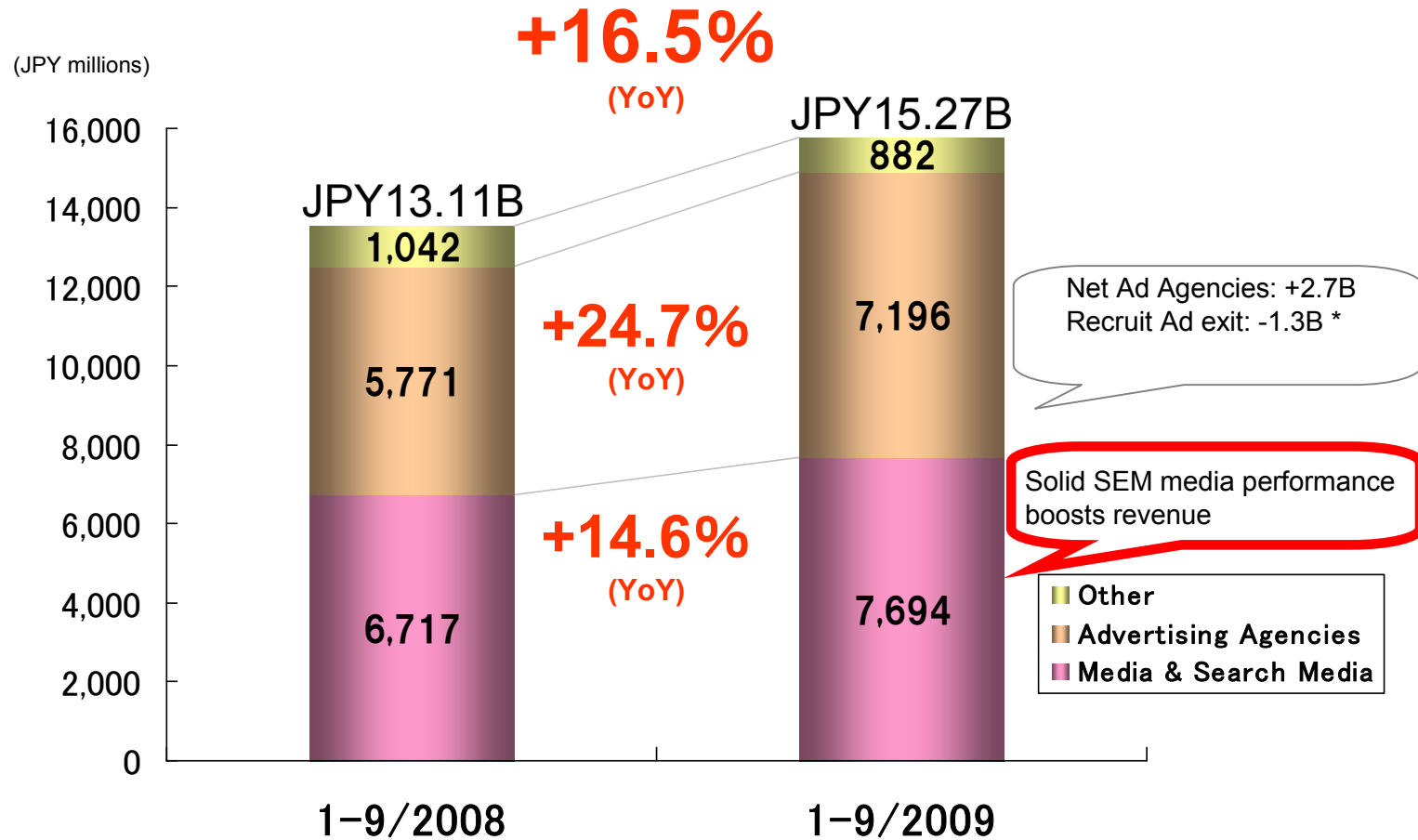
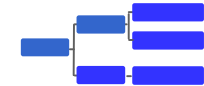
3. Segment Report

① Web Infrastructure
& Ecommerce

② Internet Media

4. FY 2009 Ecommerce
Strategy: Progress Report

Continued growth in SEM media



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*excluding internal transactions 40

Internet Media OP (nine months to September)

1. Overview

2. FY 2009 3rd Quarter Financial Statements

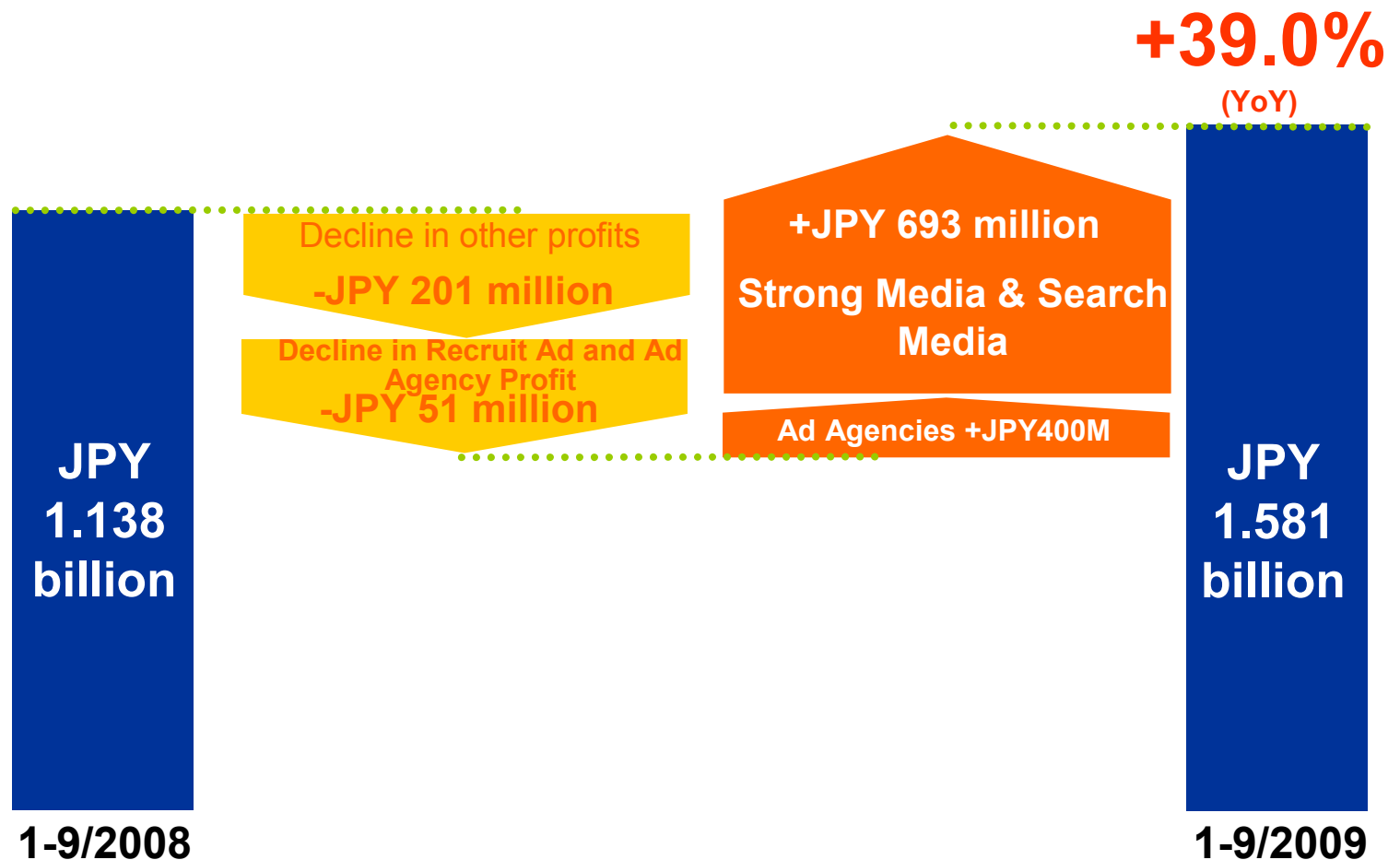
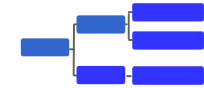
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

Operating profit up 39% on strong SEM media performance



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1-9/2008

1-9/2009

Internet Media Sales (three months to September)

1. Overview

2. FY 2009 3rd Quarter
Financial Statements

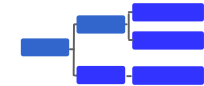
3. Segment Report

① Web Infrastructure
& Ecommerce

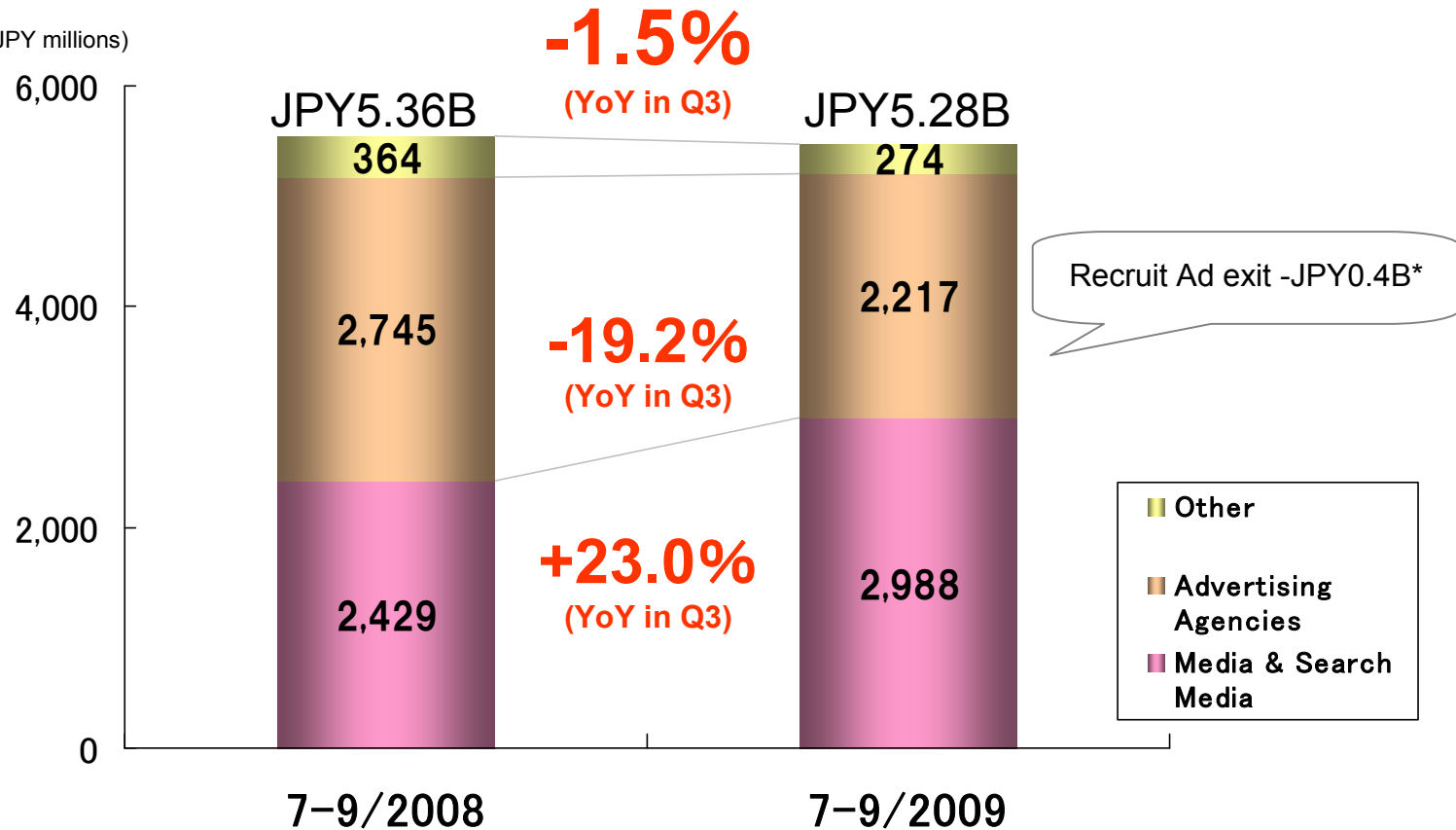
② Internet Media

4. FY 2009 Ecommerce
Strategy: Progress Report

Clear sustained growth in SEM media



(JPY millions)



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*excluding internal transactions
*NIKKO consolidated from Q3.08

Internet Media OP (three months to September)

1. Overview

2. FY 2009 3rd Quarter
Financial Statements

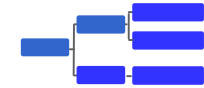
3. Segment Report

① Web Infrastructure
& Ecommerce

② Internet Media

4. FY 2009 Ecommerce
Strategy: Progress Report

55.9% profit growth achieved



+55.9%
(YoY in Q3)



7-9/2008

Decline in other profits
-JPY 71 million



7-9/2009

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Business Performance – Internet Media Profit by Product

1. Overview

2. FY 2009 3rd Quarter
Financial Statements

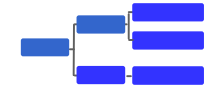
3. Segment Report

① Web Infrastructure
& Ecommerce

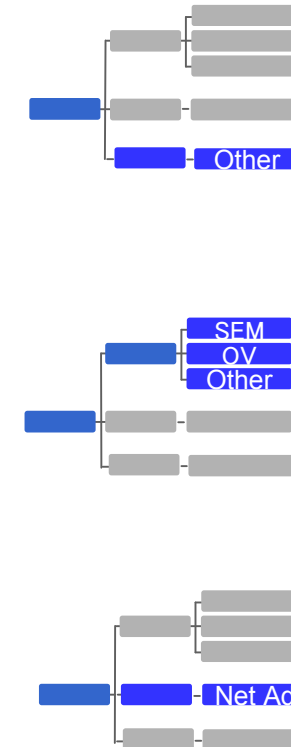
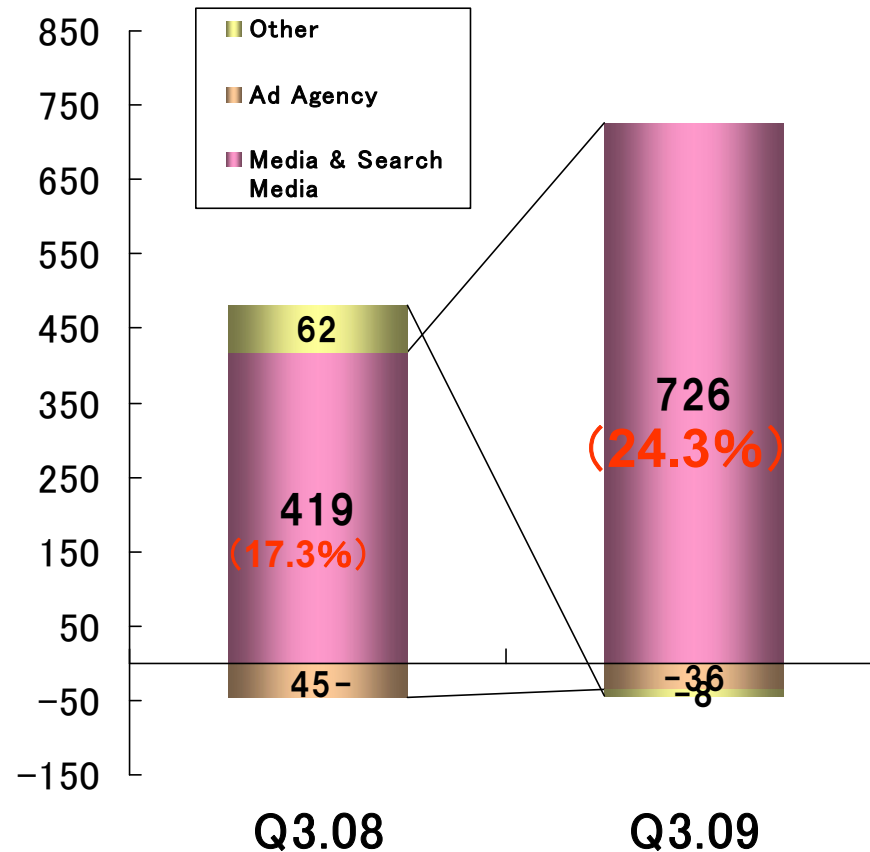
② Internet Media

4. FY 2009 Ecommerce
Strategy: Progress Report

Profit ratio up 7% in Media & Search Media sales



(JPY millions)



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Media & Search Media - Business Performance

1. Overview

2. FY 2009 3rd Quarter Financial Statements

3. Segment Report

① Web Infrastructure & Ecommerce

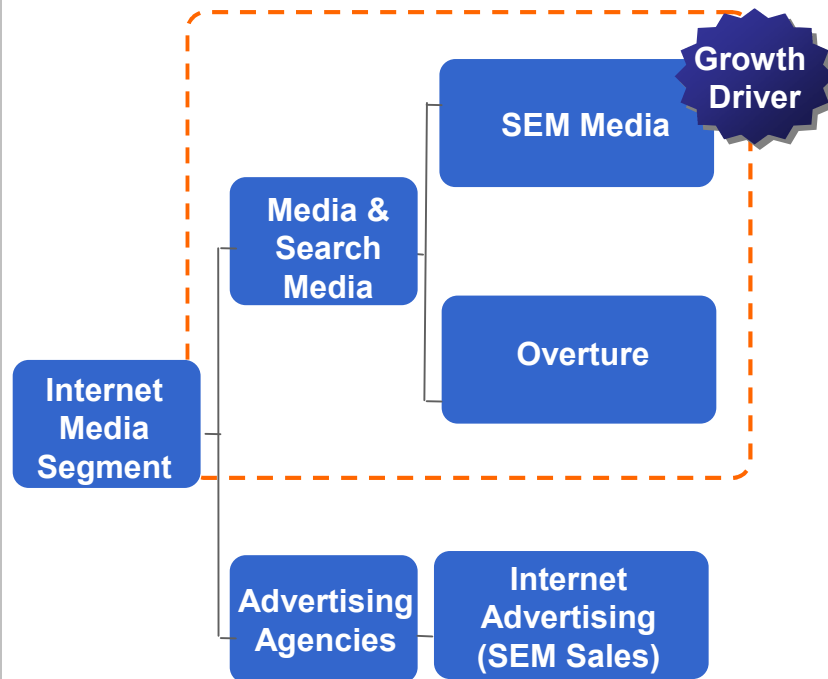
② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

Sales up 14.6% YoY in year to September

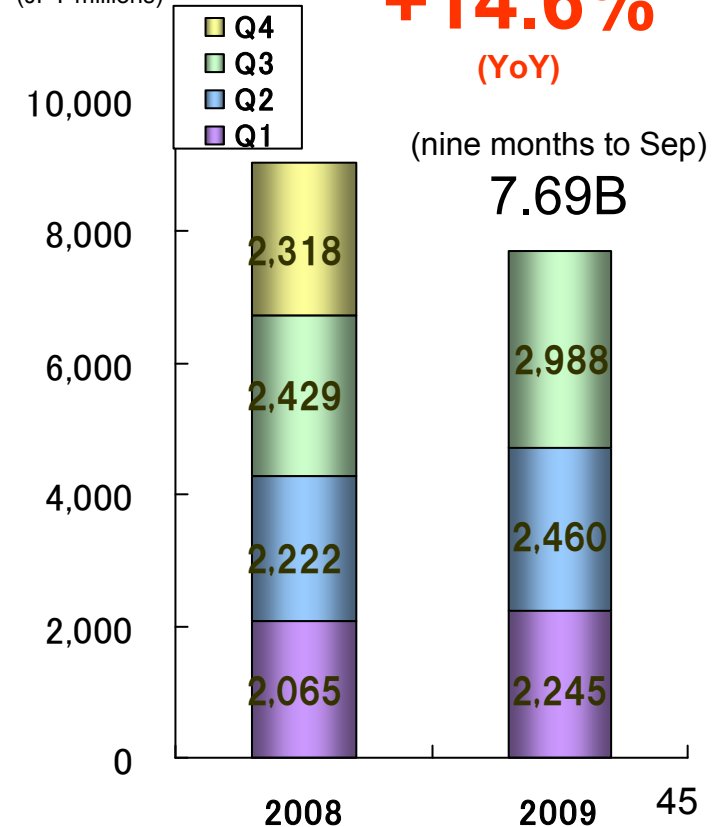


Media Segment Composition



Sales

(JPY millions)



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Overture Business – Key Factors

1. Overview

2. FY 2009 3rd Quarter
Financial Statements

3. Segment Report

① Web Infrastructure
& Ecommerce

② Internet Media

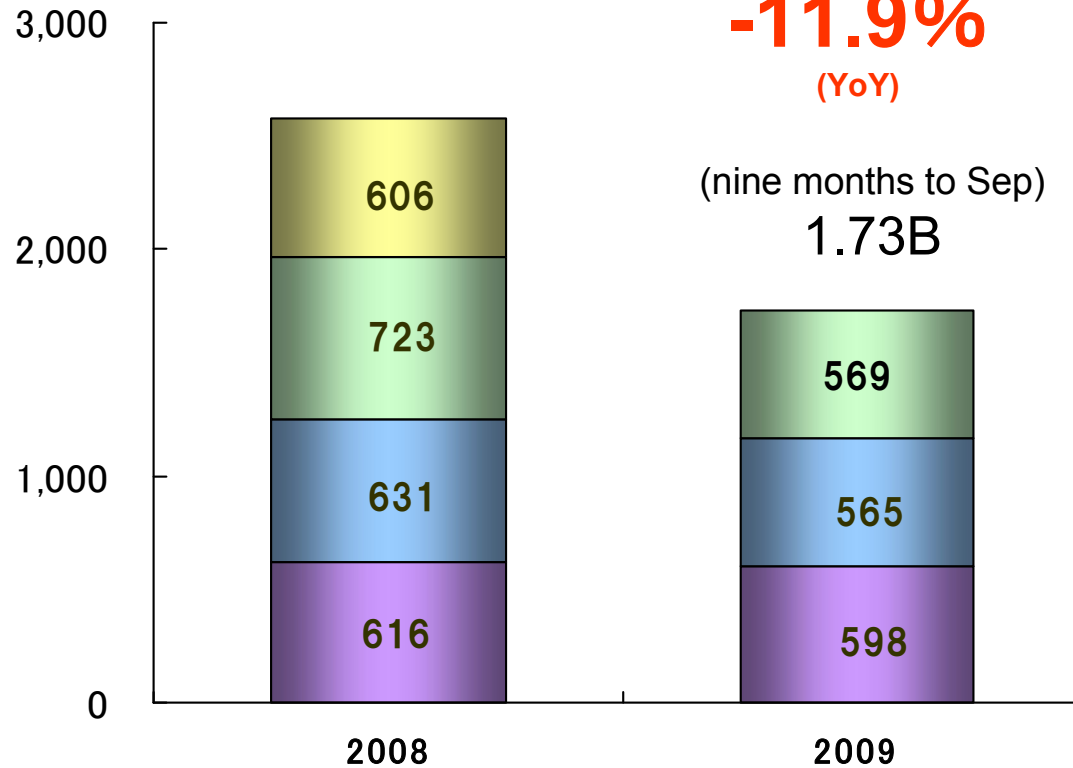
4. FY 2009 Ecommerce
Strategy: Progress Report

Revenue down YoY but level with previous quarter



Overture Sales

(JPY millions)



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Overture Business – Key Factors

1. Overview

2. FY 2009 3rd Quarter Financial Statements

3. Segment Report

① Web Infrastructure & Ecommerce

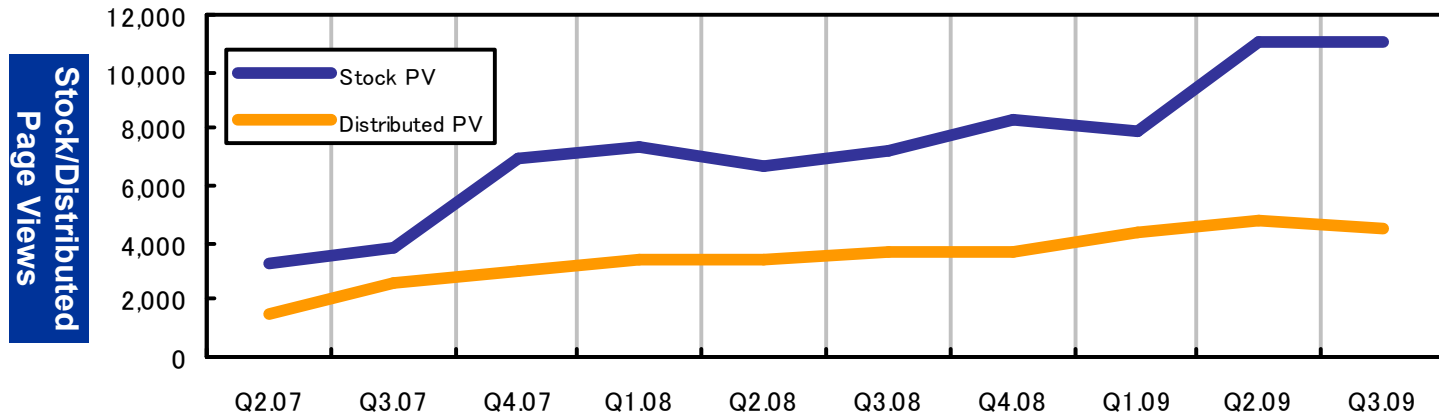
② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

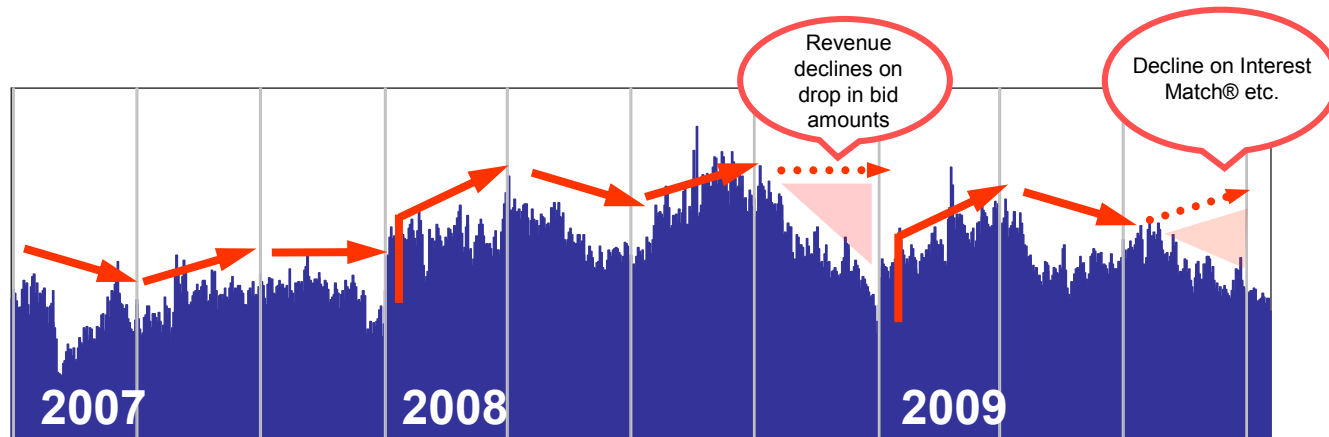
Impact of Interest Match® change and fall in bid amounts



(million page views)



Daily Sales



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SEM Media - Key Factors

1. Overview

2. FY 2009 3rd Quarter Financial Statements

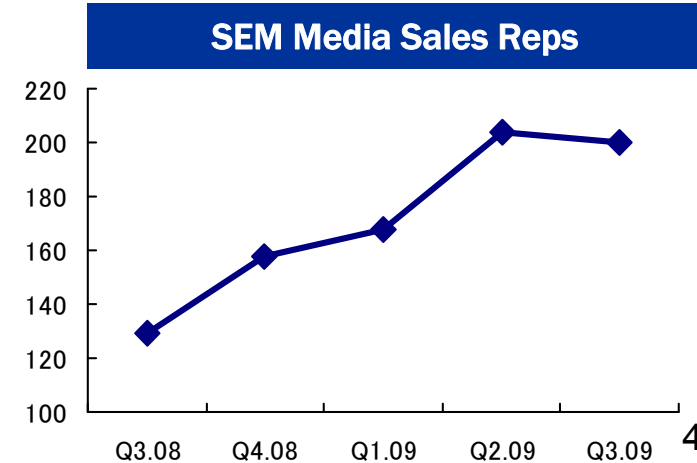
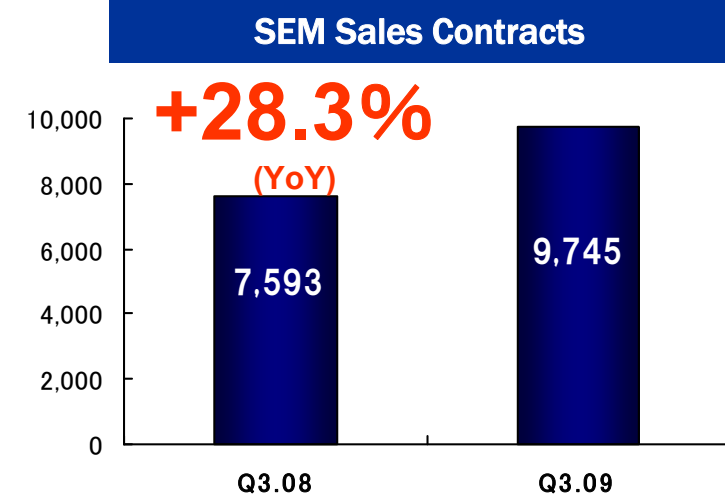
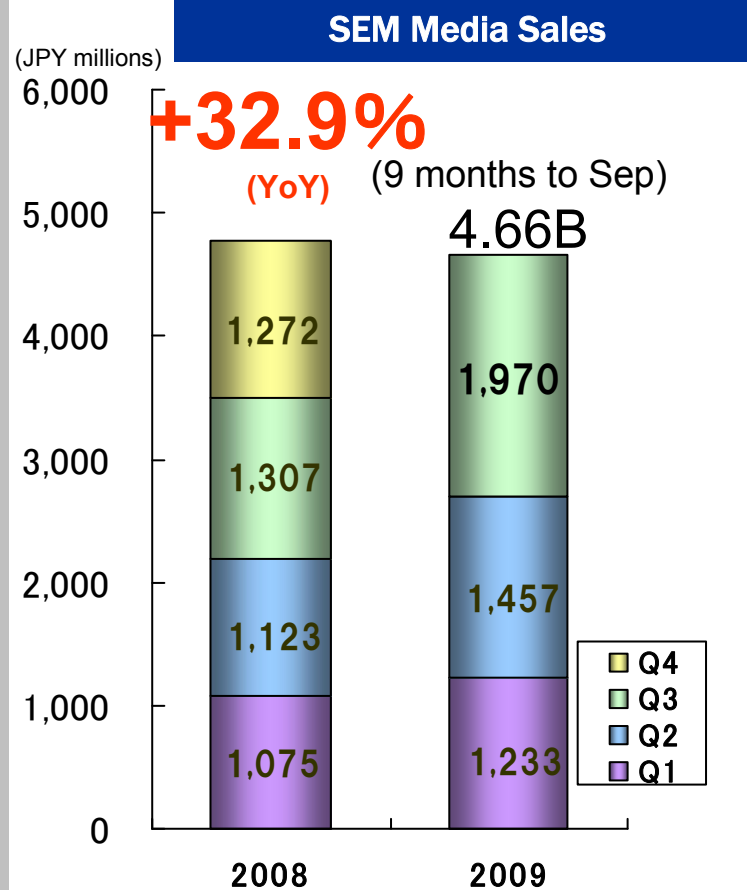
3. Segment Report

① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

Robust SEO and JWord performance



TSE 1st Section: 9449



SEO – Key Factors

1. Overview

2. FY 2009 3rd Quarter
Financial Statements

3. Segment Report

① Web Infrastructure
& Ecommerce

② Internet Media

4. FY 2009 Ecommerce
Strategy: Progress Report

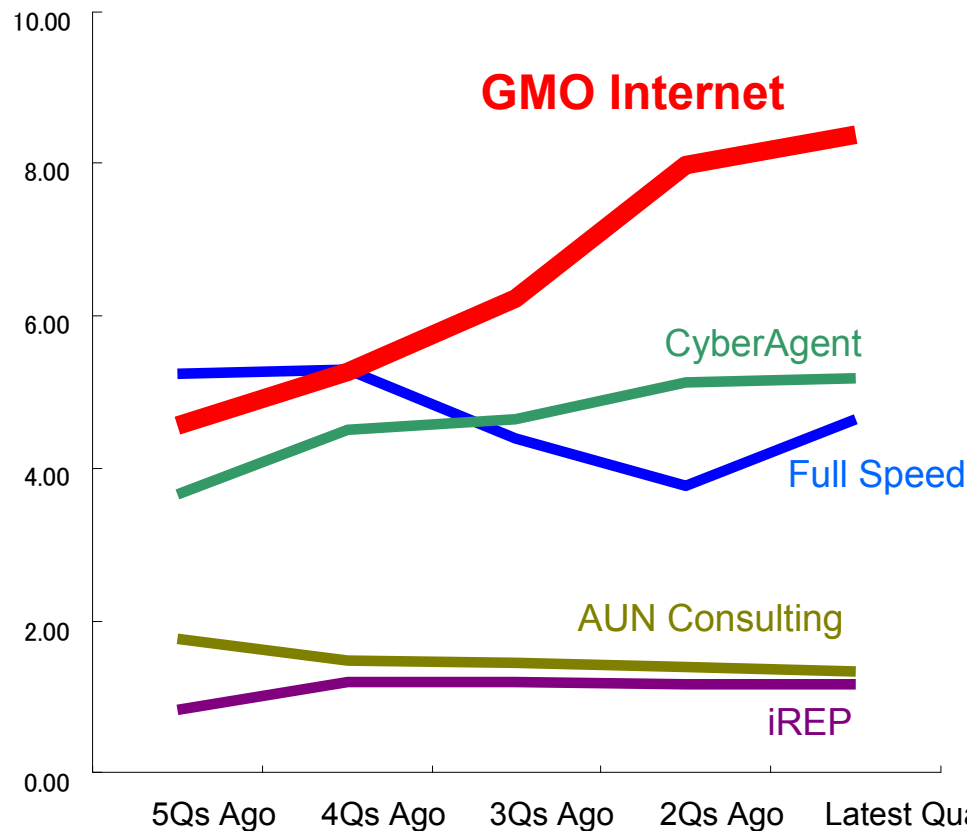
Highest net SEO sales in the industry



SEO Sales Comparison*

*Excluding affiliate sites

(JPY 100 millions)



**No.1
SEO Sales**

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1. Overview

2. FY 2009 3rd Quarter
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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1. Strategy Overview

1. Overview

2. FY 2009 3rd Quarter
Financial Statements

3. Segment Report

① Web Infrastructure
& Ecommerce

② Internet Media

4. FY 2009 Ecommerce
Strategy: Progress Report

1. Ecommerce focused product strategy

2. Expansion from the domestic to the global market place

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2. Case: Target Customers

1. Overview

2. FY 2009 3rd Quarter
Financial Statements

3. Segment Report

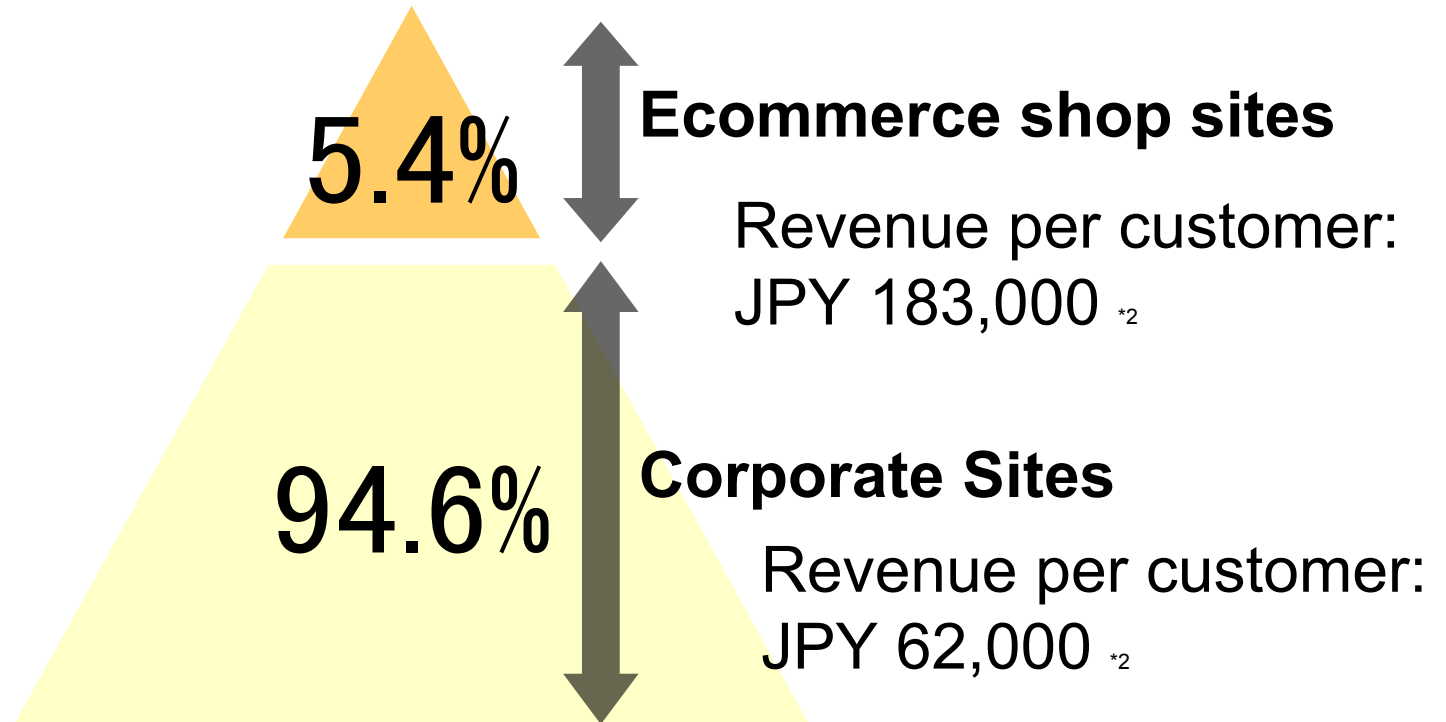
① Web Infrastructure
& Ecommerce

② Internet Media

4. FY 2009 Ecommerce
Strategy: Progress Report

5.4% of our domain customers are ecommerce stores

Domain Customer Websites



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

*2: Model based on the group's major services

3. Building Ecommerce Customer Base

1. Overview

2. FY 2009 3rd Quarter
Financial Statements

3. Segment Report

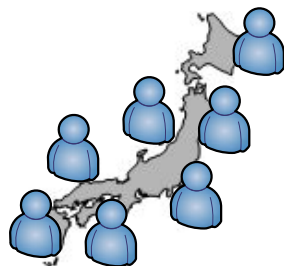
① Web Infrastructure
& Ecommerce

② Internet Media

4. FY 2009 Ecommerce
Strategy: Progress Report

1

Building Ecommerce Customer Base in Japan



Domain Registration

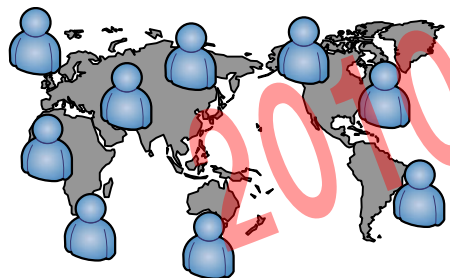


ASP Store Builder Services



2

Building Ecommerce Customer Base Worldwide



New Registry Business



*Applications expected to open in 2010. The business is expected to be operational by 2011.

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4. Product Strategy: Store Set Up

1. Overview

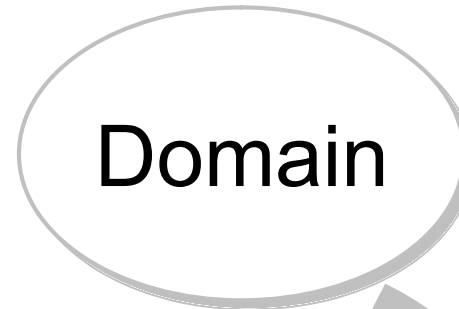
2. FY 2009 3rd Quarter
Financial Statements

3. Segment Report

① Web Infrastructure
& Ecommerce

② Internet Media

4. FY 2009 Ecommerce
Strategy: Progress Report



Store
Set Up

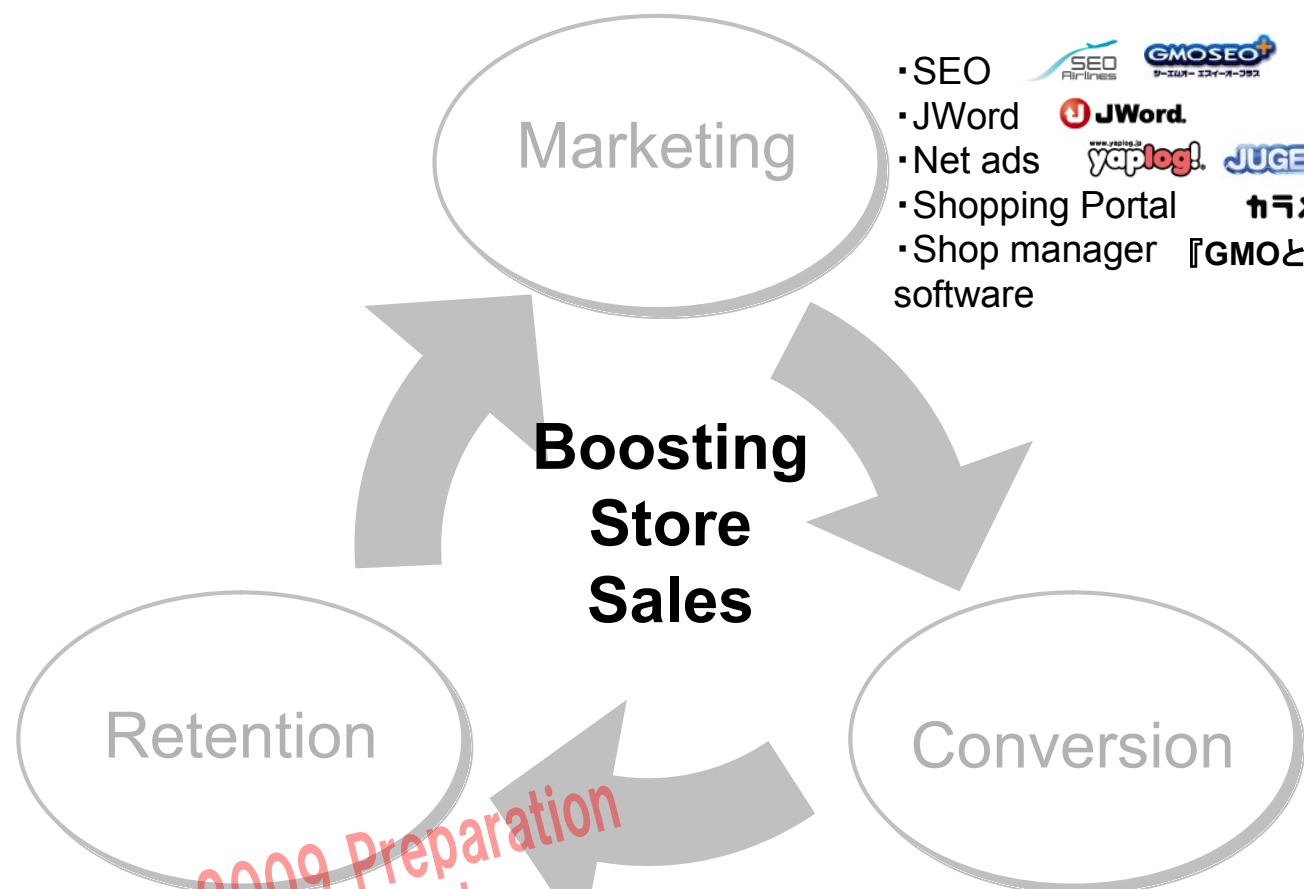


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4. Product Strategy: Boost Sales

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



- SEO  
- JWord 
- Net ads  
- Shopping Portal 
- Shop manager 『GMOとくとく店長』 software

- Point reward service
- 2009 Preparation
2010 Start
- GMO とくとくポイント
GMO とくとくID

- Conversion  
- Usability evaluation 
- Product photography 
- Fast translation service 

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5. Conclusion

1. Overview

2. FY 2009 3rd Quarter
Financial Statements

3. Segment Report

① Web Infrastructure
& Ecommerce

② Internet Media

4. FY 2009 Ecommerce
Strategy: Progress Report

1. Focus on high revenue per customer for increased profit margins

2. Point rewards service for return on customer sales

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Ecommerce Store Contracts - Competitor Comparison

1. Overview

2. FY 2009 3rd Quarter Financial Statements

3. Segment Report

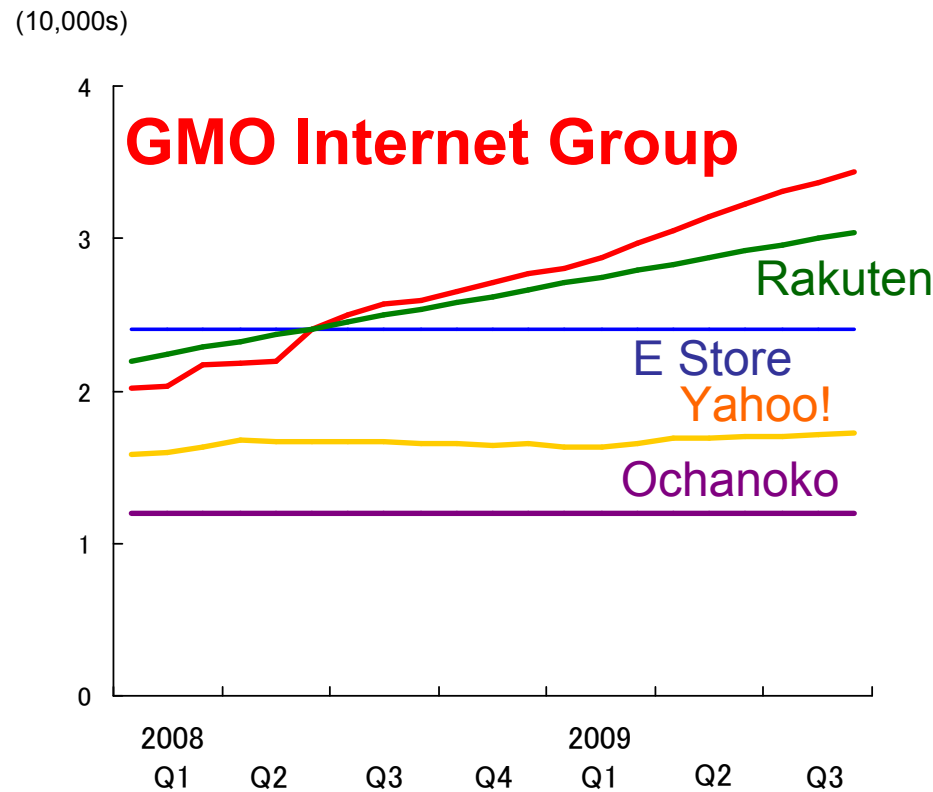
① Web Infrastructure & Ecommerce

② Internet Media

4. FY 2009 Ecommerce Strategy: Progress Report

Ecommerce Competitor Comparison

36,000 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 3rd Quarter
Financial Statements

3. Segment Report

① Web Infrastructure
& Ecommerce

② Internet Media

4. FY 2009 Ecommerce
Strategy: Progress Report

			Total
Stores 	24,000	12,000	36,000
Value of Orders  (Quarterly)	JPY11.0B	JPY10.8B	JPY 21.8B
No. of Orders  (Quarterly)	1.12M	750,000	1.87M

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(As of third quarter 2009)

(All figures rounded down)

Internet for Everyone

- From "Internet Department" to Japan to "Internet Department" to the world! -

