

# Second Quarter Results Presentation, Fiscal Year 2010

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August 5, 2010

**GMO Internet, Inc.**

(TSE First Section: 9449)

Internet for Everyone

<http://www.gmo.jp/en> 1

## About the Use of this Document

This document includes projections based on expectations, premises and plans as of August 5, 2010. These projections may differ from actual results due to factors including changes in the global economy, competition, exchange rate fluctuations, natural disasters and other unforeseeable events. Some of the figures given, such as market share are based on our own calculations. These figures may differ from research agency figures. Information contained in this document is provided for information purposes only and does not constitute solicitation of investors. Further, results forecasts and other forward-looking statements are based on premises that include risks and factors that are largely indeterminable. Please understand that actual results may differ significantly as a result of forces including economic conditions and market environment. No responsibility for any reason is accepted for damage sustained as a result of actions taken based on this information.

# Agenda

1. Overview

2. Financial Statements

3. Segment Report

① Web Infrastructure  
& Ecommerce

② Internet Media

4. News

## 1. Overview

## 2. Q2 FY2010 Financial Statements

## 3. Segment Report

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# Overview

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## Second Quarter Financial Statements

- **16.1%** year-on-year rise in operating profit
- Both segments maintain revenue and profit growth

(Unit: JPY 100 millions)	1-6/2009	1-6/2010	Change
➤ Sales	189.7	204.5	7.8%
➤ Operating Profit	22.0	25.6	16.1%
➤ Ordinary Profit	23.1	25.9	11.3%
➤ Net Profit	12.2	11.1	-8.7%

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# Overview

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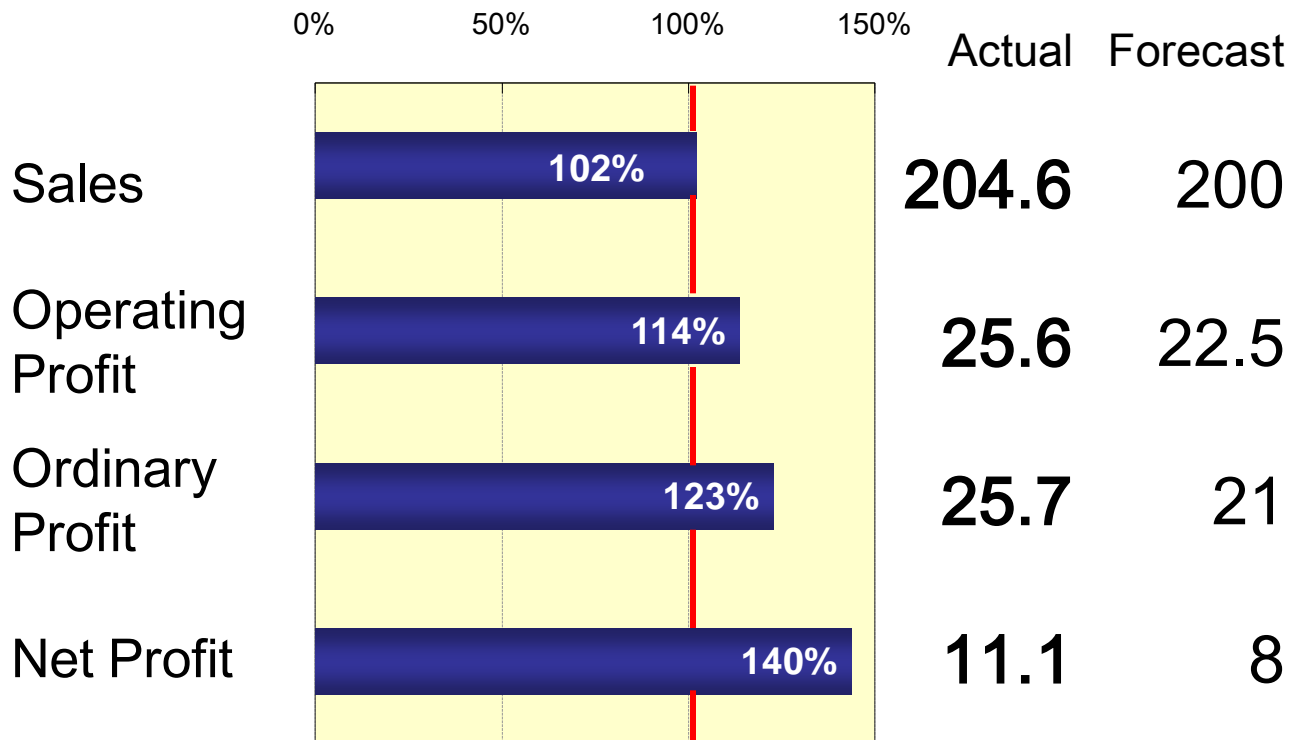
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## End of Q2 results as % of Forecasts

(JPY 100 millions)



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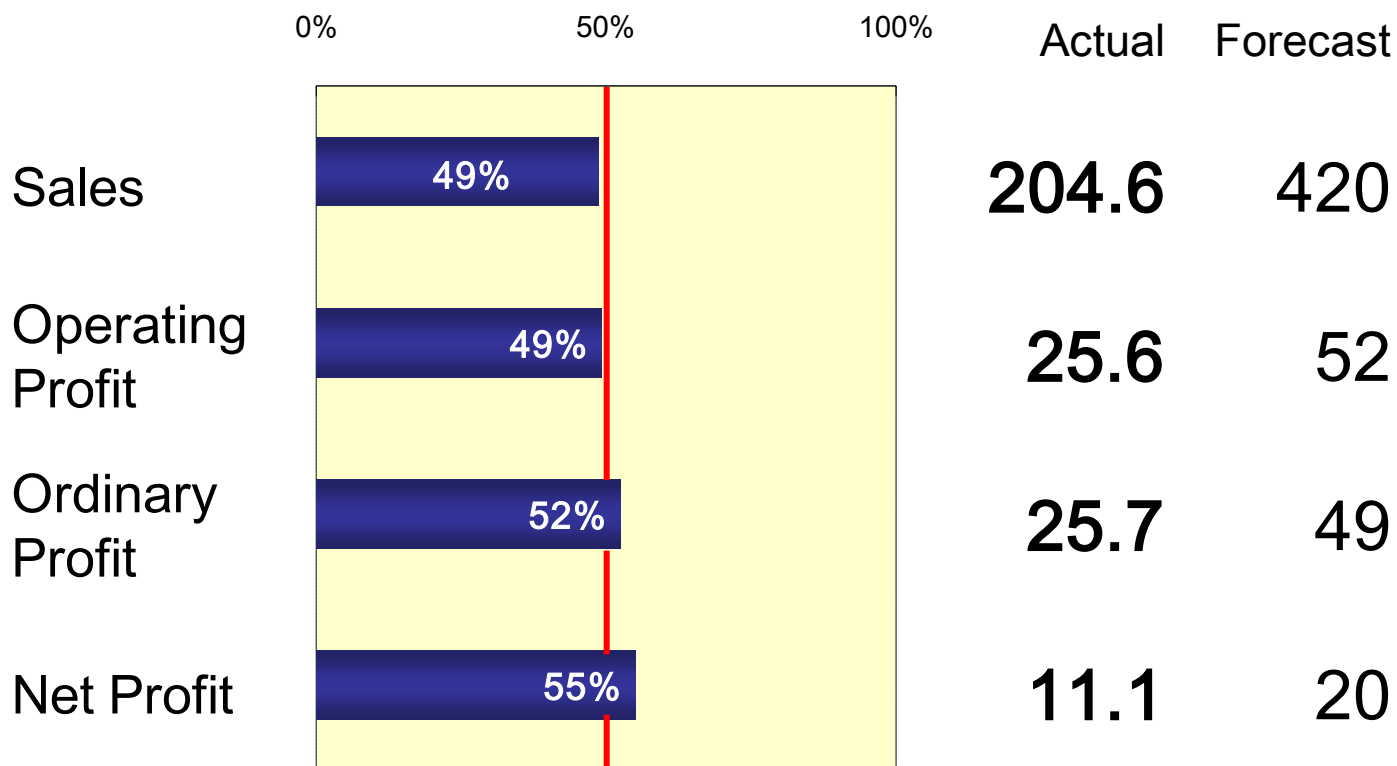
### ① Web Infrastructure & Ecommerce

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## End of Q2 results as % of Y/E Forecasts

(JPY 100 millions)



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# Overview

**1. Overview**

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## Legacy Businesses

- Infrastructure and Media both performing well
- Robust domain registration business
  - Over 2 million accumulated registrations
  - 3rd highest net growth in registrations worldwide

## Growth Area Initiatives

- 3 apps already released under GMO Social Apps Initiative
- GMO Apps Cloud launch: Optimized for apps market
- Ecommerce solutions, new TLD (.shop) application

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# Consolidated P/L

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## Operating profit ratio continues to improve

(Unit: JPY millions)	1-6/2009	1-6/2010	1-6/2010 (Forecast)	YoY Change
Sales	18,976	20,459	20,000	7.8%
Cost of Sales	8,716	9,480	—	—
SGA	8,050	8,414	—	—
Operating Profit	2,208	2,564	2,250	16.1%
<i>Operating Profit Ratio</i>	11.6%	12.5%	—	—
Non-Operating Revenue	319	170	—	—
Non-Operating Expenses	211	154	—	—
Ordinary Profit	2,317	2,579	2,100	11.3%
Extraordinary Profit	49	46	—	—
Extraordinary Loss	53	227	—	—
Corporate Tax etc.	669	838	—	—
Minority Equity	418	442	—	—
Net Profit	1,225	1,118	800	-8.7%

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# Sales/OP by Segment (six months to June)

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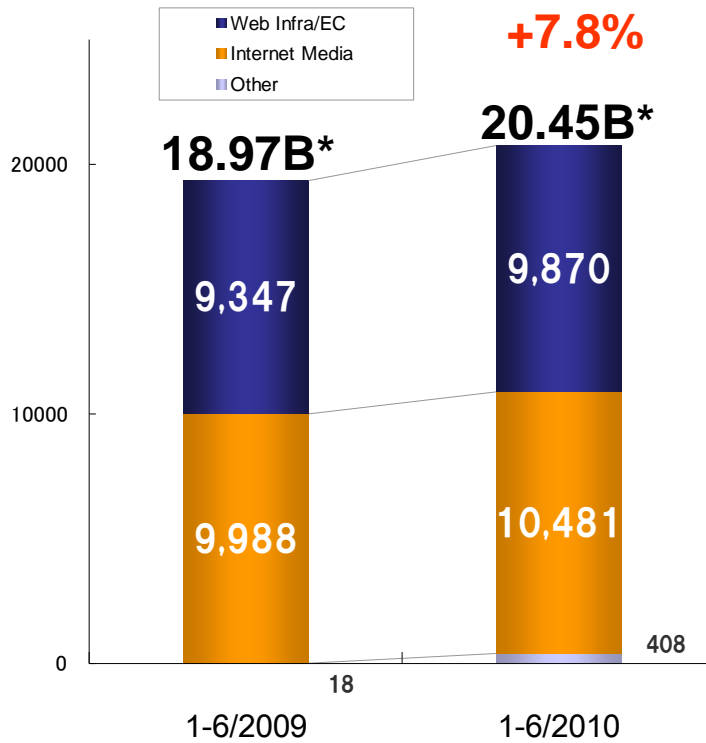
② Internet Media

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## Revenue and profits up in both segments

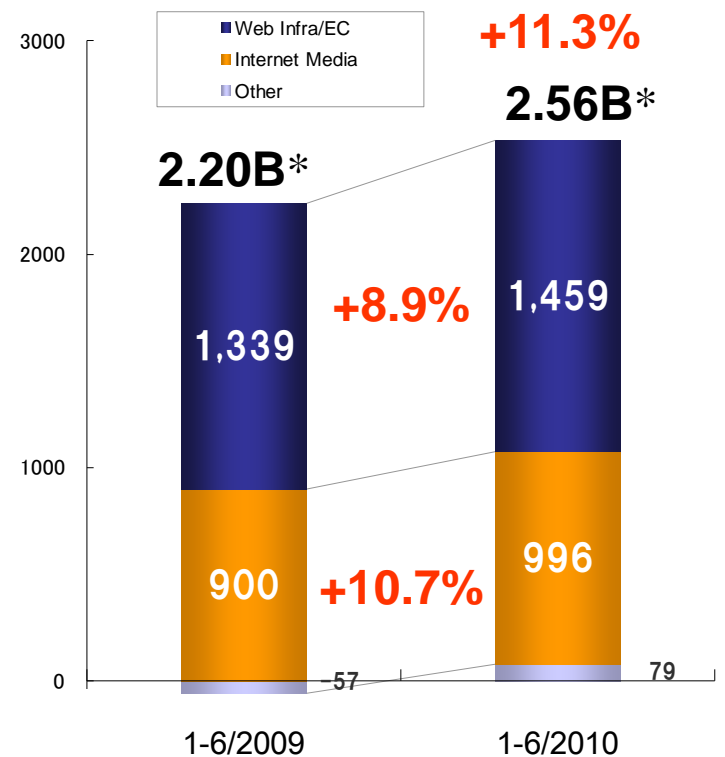
### Sales

(JPY millions)



### Operating Profit

(JPY millions)



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\*After adjustment for inter-segment transactions

# Consolidated Balance Sheet

## JPY3.2 billion boost to cash and deposits

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(JPY millions)	End of Mar. 2010	End of Jun. 2010	QoQ Change
Current Assets	29,315	31,236	1,921
(Cash & deposits)	20,935	24,202	3,267
Fixed Assets	11,583	11,493	-90
(Goodwill)	1,235	1,200	-35
(Software)	1,808	1,674	-134
(Investment real estate)	2,963	2,963	-
(Investment securities)	626	619	-7
<b>Total Assets</b>	<b>40,898</b>	<b>42,729</b>	<b>1,831</b>
Total Liabilities	26,776	27,974	1,198
(Interest bearing liabilities)	11,828	11,225	-603
Net Assets (minority equity portion)	14,121 (6,915)	14,755 (7,060)	634(145)
Shareholders' Equity (earned surplus portion)	7,199 (5,980)	7,686 (6,521)	487(541)
(Shareholders' equity ratio)	17.6%	18.0%	+0.4%
<b>Total Liabilities / Net Assets</b>	<b>40,898</b>	<b>42,729</b>	<b>1,831</b>

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# Consolidated C/F

JPY5.2 billion operating cash flow generated  
JPY23.5 billion cash on hand

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(Unit: JPY millions)	1-6/2009	1-6/2010
Cash Flow from Operating Activities	3,491	5,222
Cash Flow from Investing Activities	-499	-736
Cash Flow from Financing Activities	-2,128	-1,622
Change in Cash and Equivalents	897	2,767
Balance of Cash and Equivalents	19,380	23,541

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# Business Segments

Management resources concentrated in two business areas. Our operations support the information delivery and net businesses of 2 million customers (\*7).

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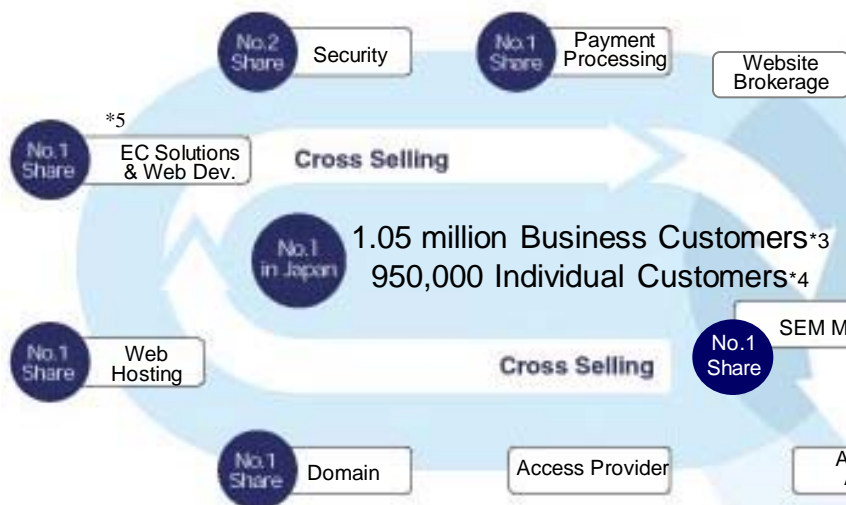
① Web Infrastructure & Ecommerce

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## Web Infrastructure & Ecommerce

1.45 million IDs \*1



## Internet Media

10.9 million IDs \*2

(GMO TokuToku Point)

NetRatings No.6 No. 1 in Japan

26.76 million Users  
12 million Plug-ins  
(58 million cumulative plug-ins)

Ad Network  
Owned & Operated Media (O&O Media)  
Research  
Yahoo! Google mixi and media from other companies

Notes:

- \*1. Business and individual domain registrations = no. of integrated customer database IDs
- \*2. GMO TokuToku 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 ecommerce solutions (MakeShop + Color Me Shop!) contracts
- \*6. Approximately 71,000 Internet access provider business customers not included in the above figures
- \*7. Paying members only

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# Web Infrastructure & Ecommerce Segment Contracts

2.0 million contracts: leading Japanese Internet infrastructure services provider

1. Overview

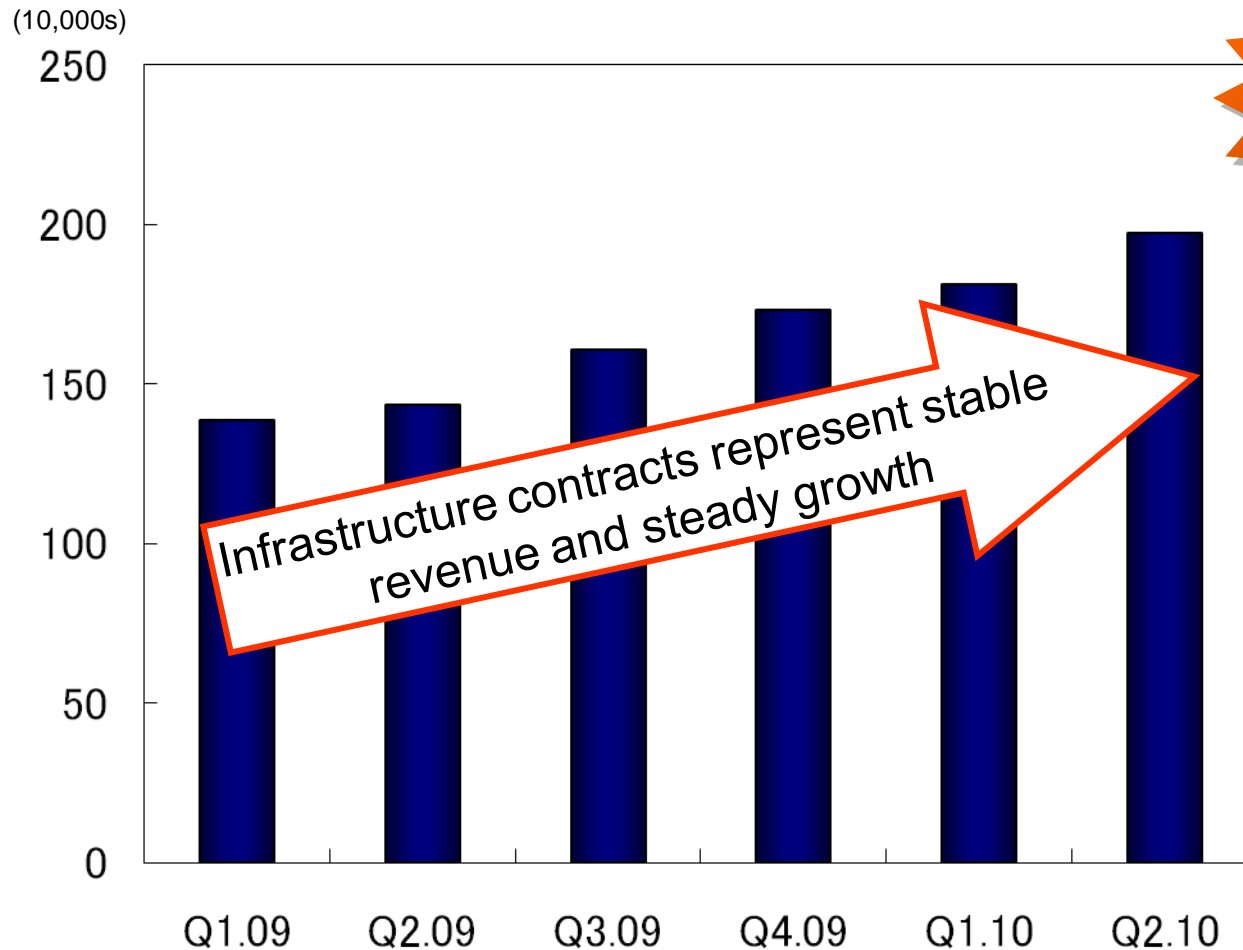
2. Financial Statements

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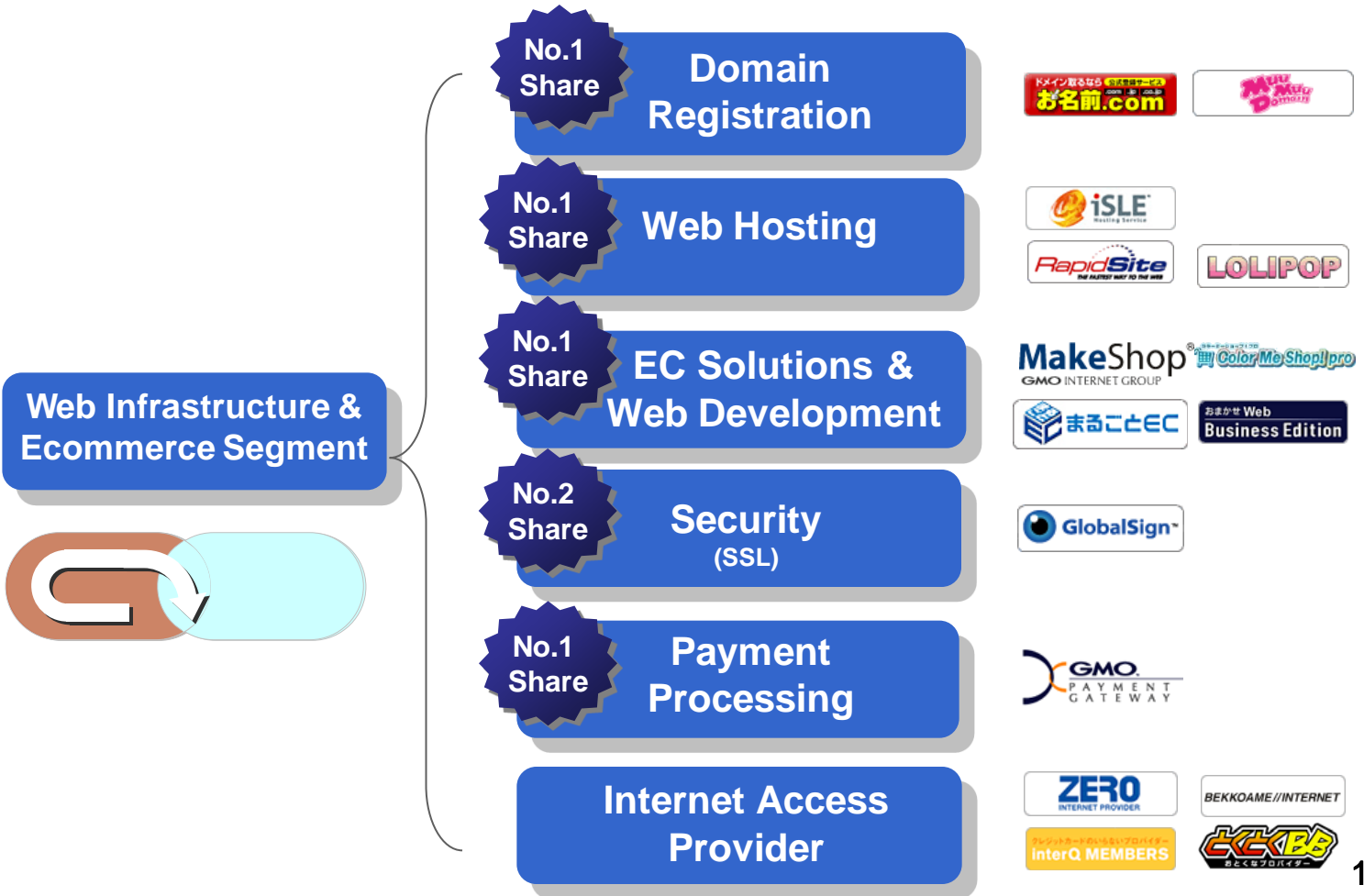
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# Web Infrastructure & Ecommerce - Segment Composition

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## Five major service\* areas driving growth

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



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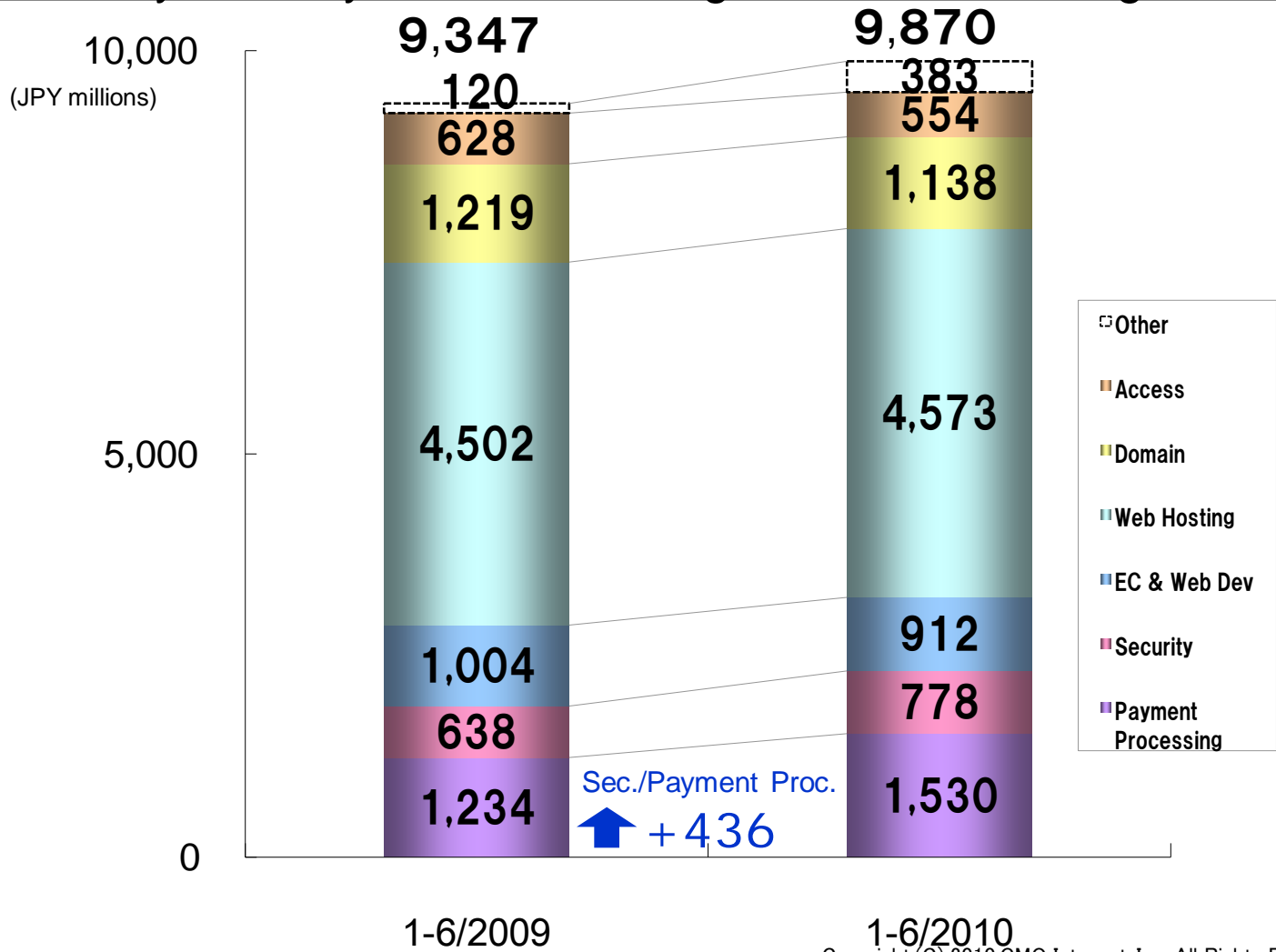


# Web Infrastructure & EC Sales (six months to June)

Domain registrations increase  
Security and Payment Processing businesses drive growth

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# Web Infrastructure & EC OP (six months to June)

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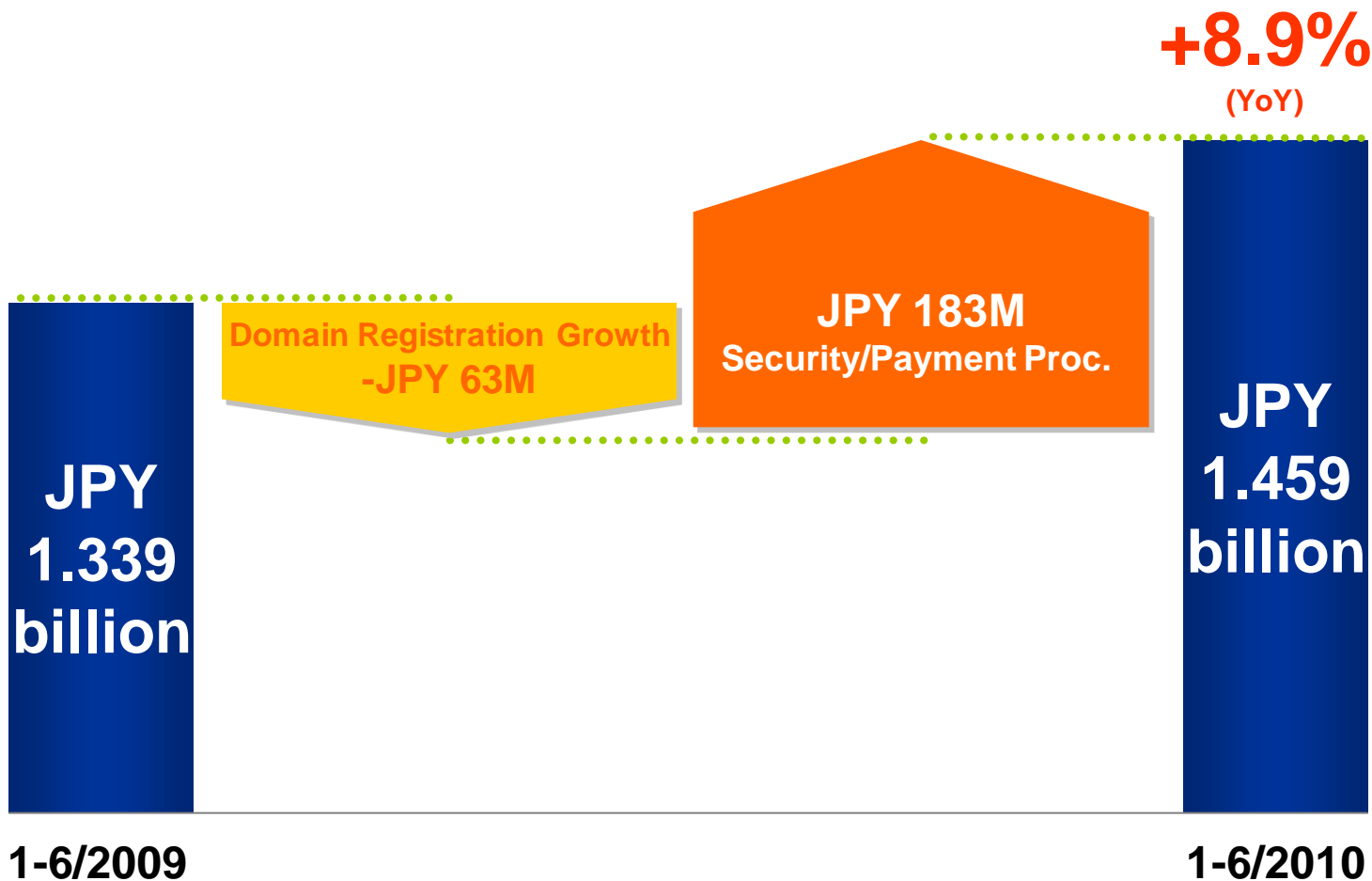
3. Segment Report

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Strong performance in security and payment processing



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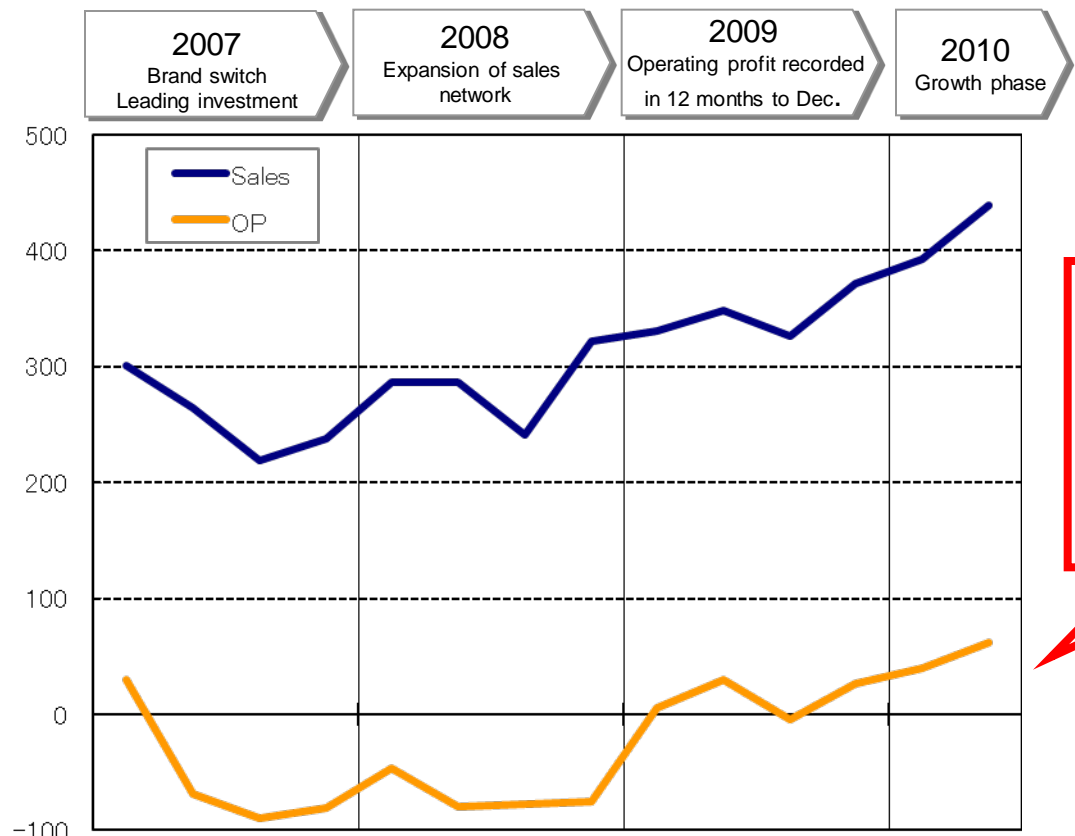


# Web Infrastructure & EC - News

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## Stable profit in security business

**Sales and Operating Profit – Quarterly Change**



- Rapid growth in European market
- Domestic/global growth phase

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\*Calculated using the average exchange rate in the term from 08 Q4 (previously calculated using the exchange rate on the last day of the term)  
 \*Now includes inter segment transactions  
 \*Calculated in accordance with GMO Hosting & Security accounting standards

# Web Infrastructure & EC - News

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## Third highest net increase in registrations worldwide

### Fastest Growing ICANN Registrars - Worldwide 07/05/2010 - 07/26/2010

Rank ^	Registrar Name	Country	Net Gain/Loss	Total Domains
1	<a href="#">GO DADDY</a>		365,725	35,170,866
2	<a href="#">ENOM</a>		111,872	9,536,102
3	<a href="#">Onamae.com</a>		58,761	1,050,335
4	<a href="#">HICHINA</a>		49,478	997,932
5	<a href="#">SCHLUND+PARTNER</a>		34,166	4,949,043
6	<a href="#">TUCOWS</a>		33,326	7,622,360
7	<a href="#">NAMEKING.COM</a>		20,595	563,260
8	<a href="#">FASTDOMAIN.COM</a>		18,850	1,121,809
9	<a href="#">55HL.COM</a>		16,080	67,401
10	<a href="#">KEY-SYSTEMS</a>		13,892	1,544,258
11	<a href="#">OVH</a>		13,191	1,000,360
12	<a href="#">WILD WEST DOMAINS</a>		13,174	3,269,202
13	<a href="#">NAME.COM</a>		13,000	694,462
14	<a href="#">FABULOUS.COM</a>		9,839	972,343
15	<a href="#">REGISTER.IT</a>		8,718	480,962

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

ドメイン取るなら 公式登録サービス  
お名前.com  
http://www.onamae.com

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Source: WebHosting.info <http://www.webhosting.info/registrars/fastest-growing-registrars/global/> 20

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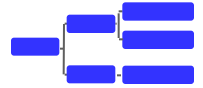
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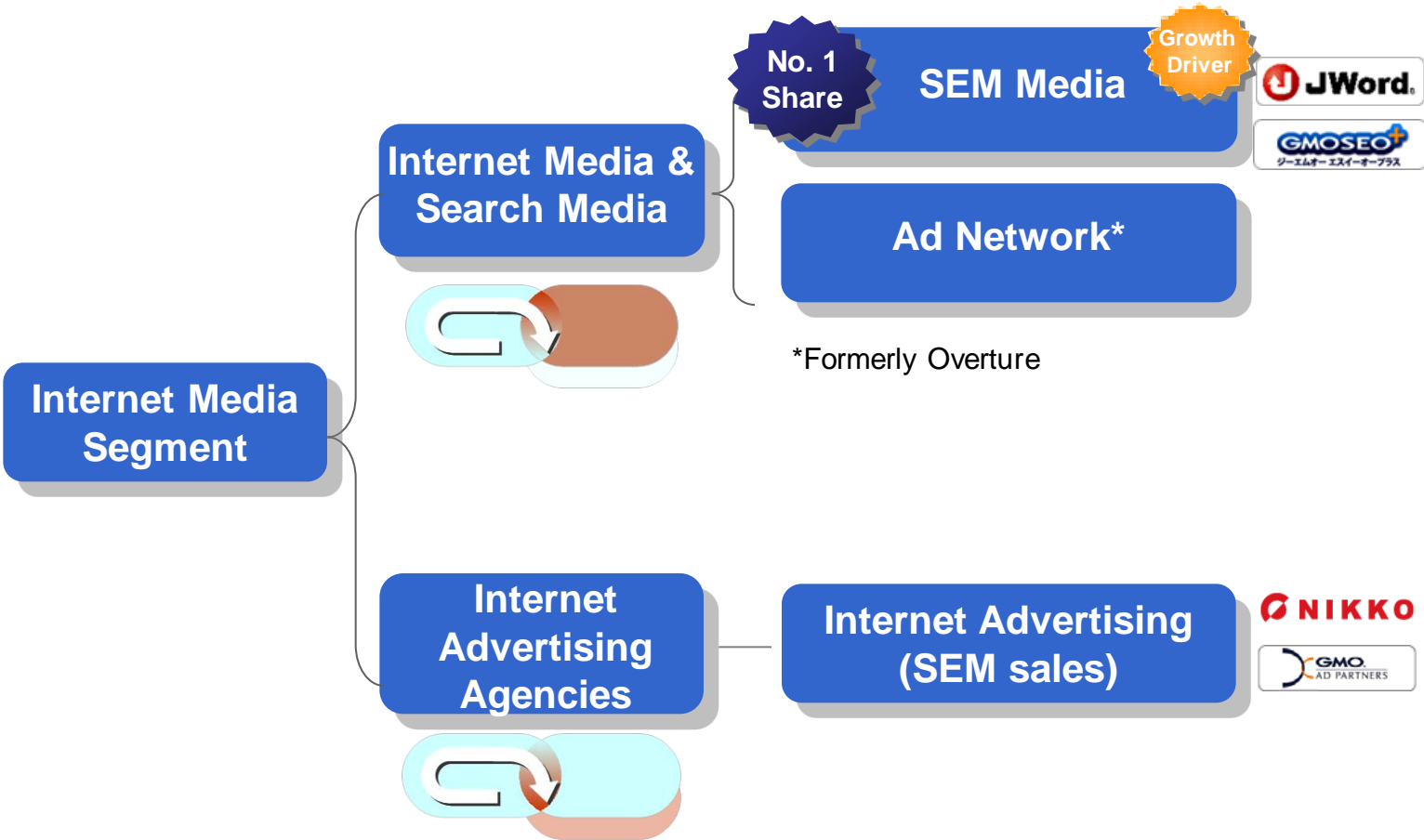


# Internet Media Segment Composition

Growth driver: Internet media & search media



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# Internet Media Sales (six months to June)

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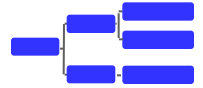
3. Segment Report

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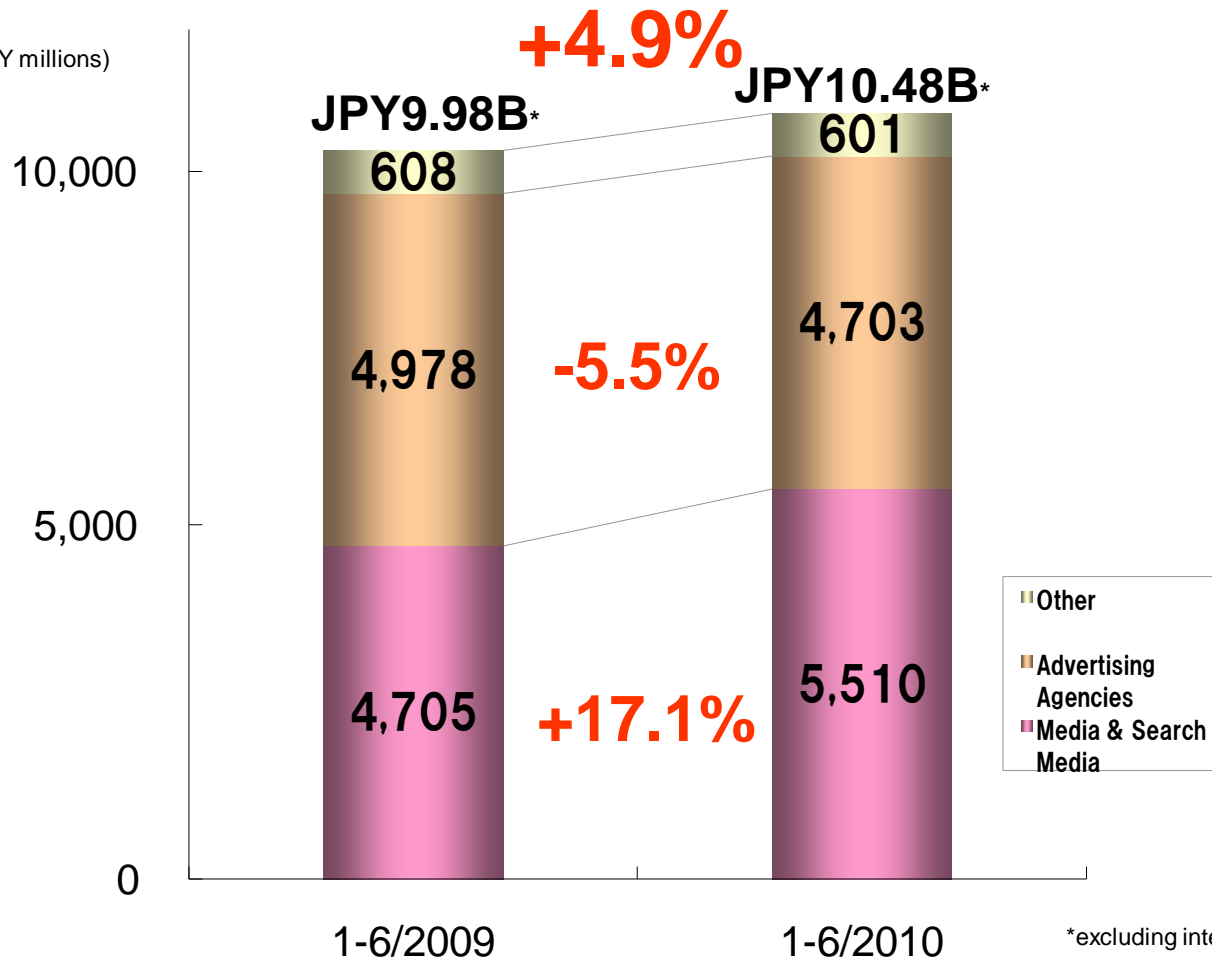
② Internet Media

4. Topics

## Internet media & search media driving growth



(JPY millions)



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\*excluding internal transactions

# Internet Media OP (six months to June)

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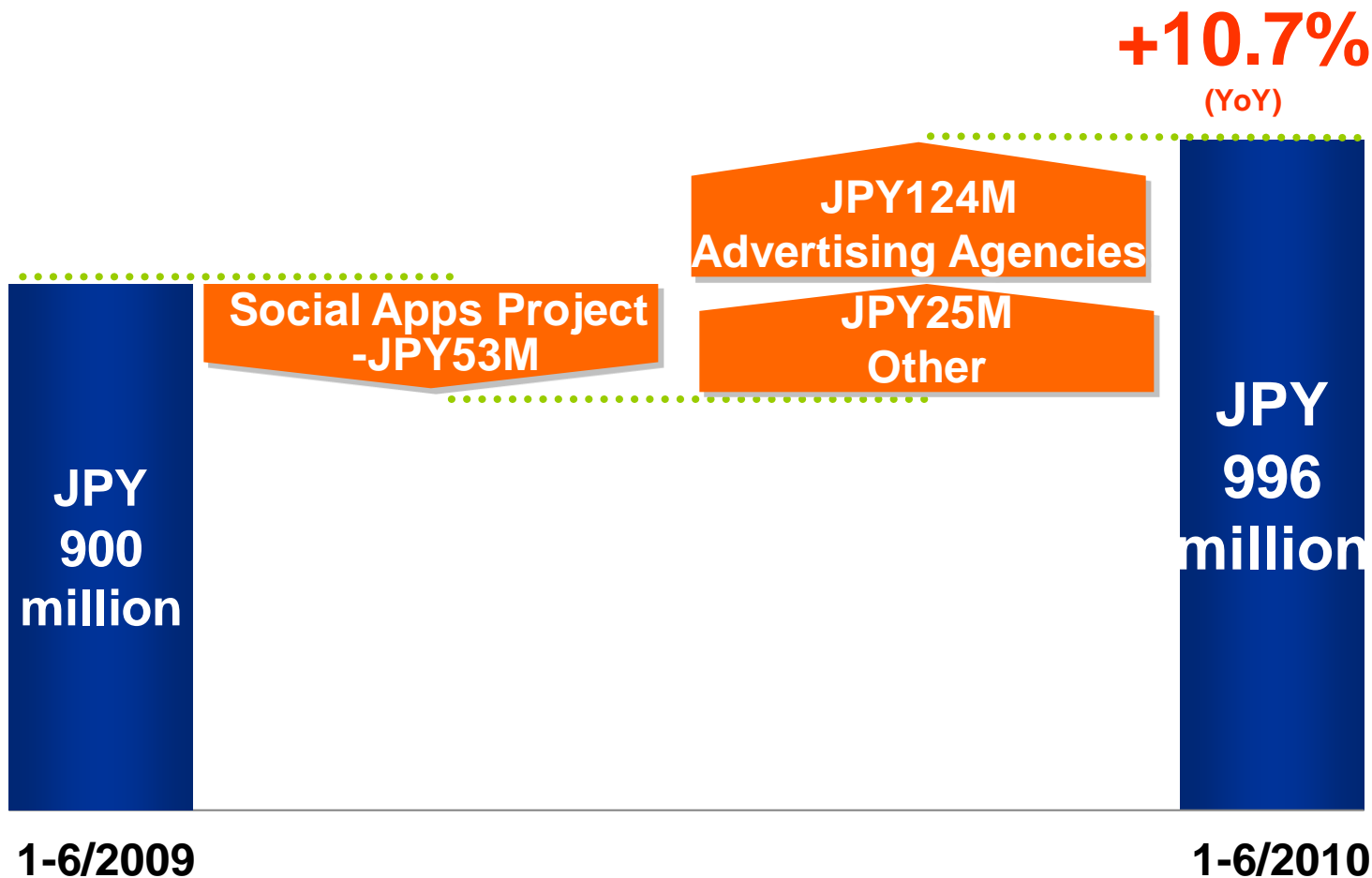
3. Segment Report

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4. Topics

Major increase in Advertising Agencies profit



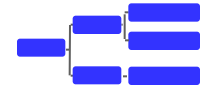
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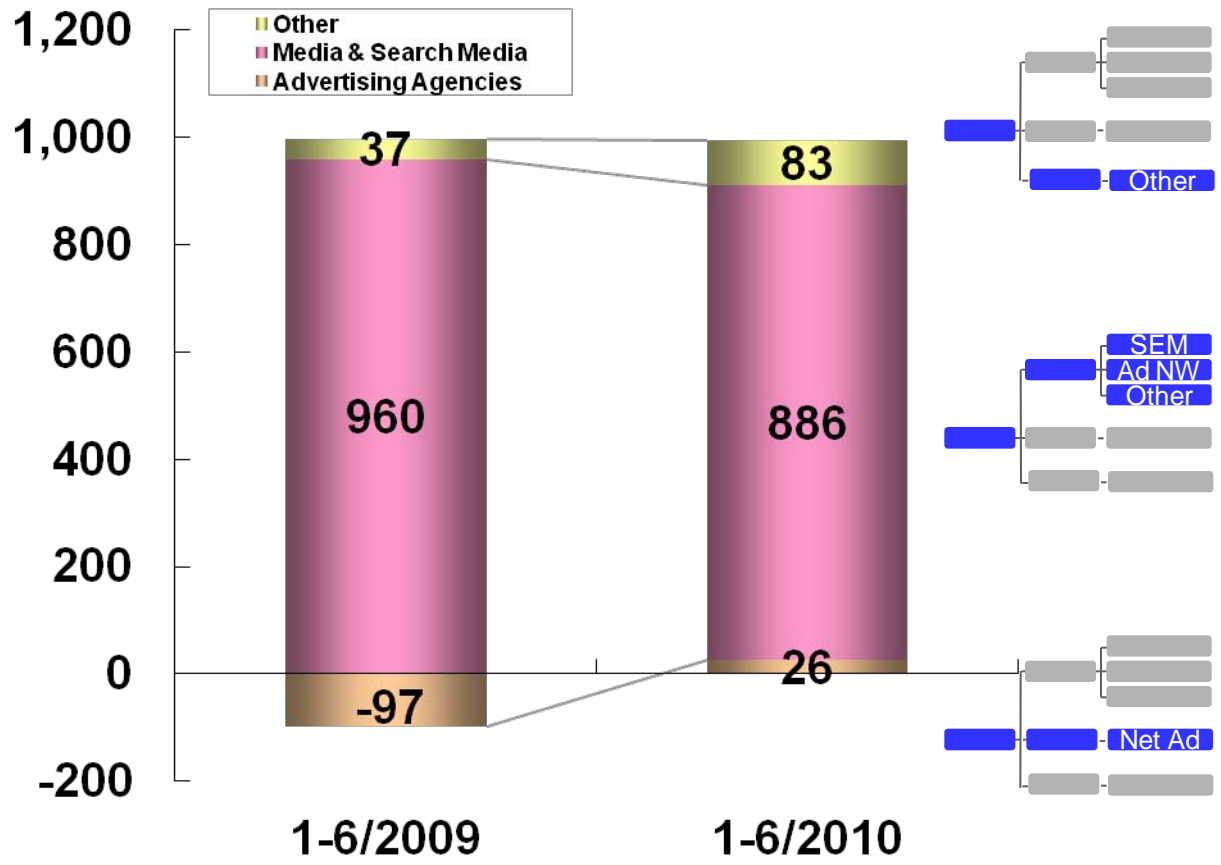
# Internet Media – Profit Breakdown by Product

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## Advertising Agencies business turns profit



(JPY millions)



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# Media & Search Media – Business Performance

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Ad Network up 9.9%, SEM Media up 23.6%



## Ad Network Sales

(formerly Overture)

(JPY millions)

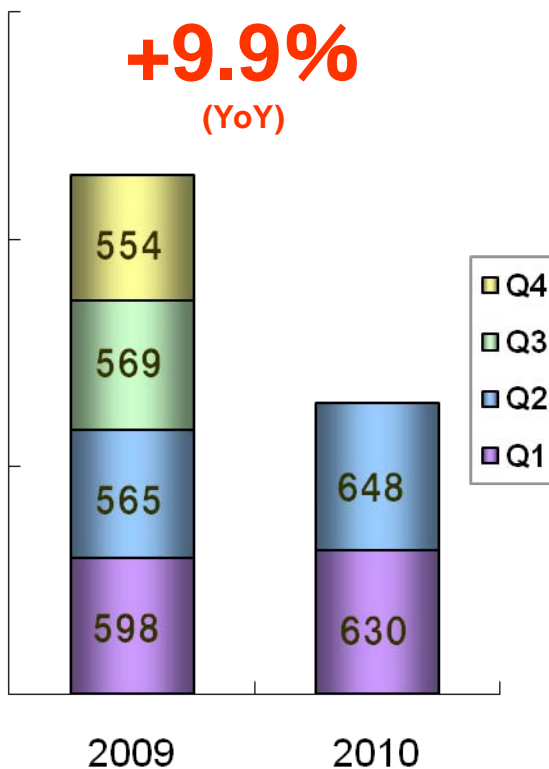
3,000

2,000

1,000

0

**+9.9%**  
(YoY)



## SEM Media Sales

(JPY millions)

8,000

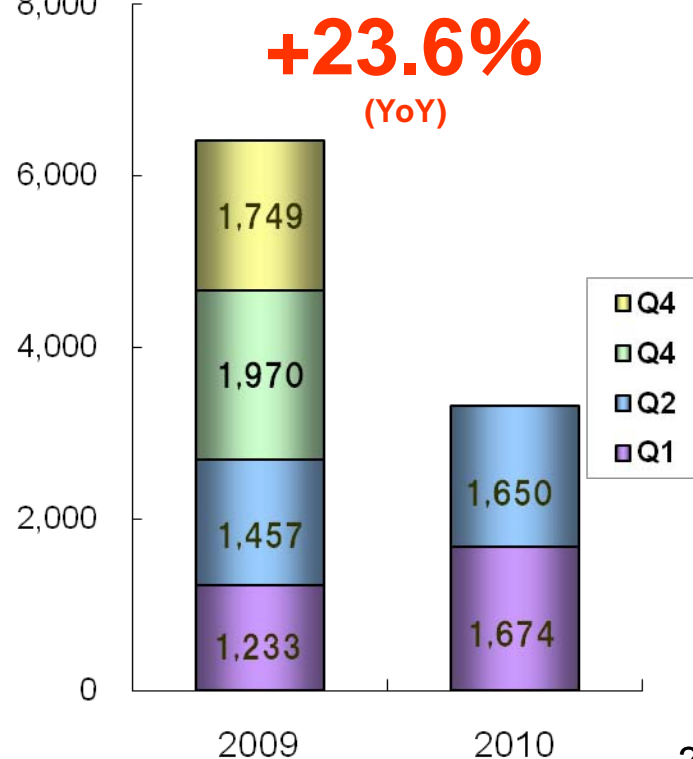
6,000

4,000

2,000

0

**+23.6%**  
(YoY)



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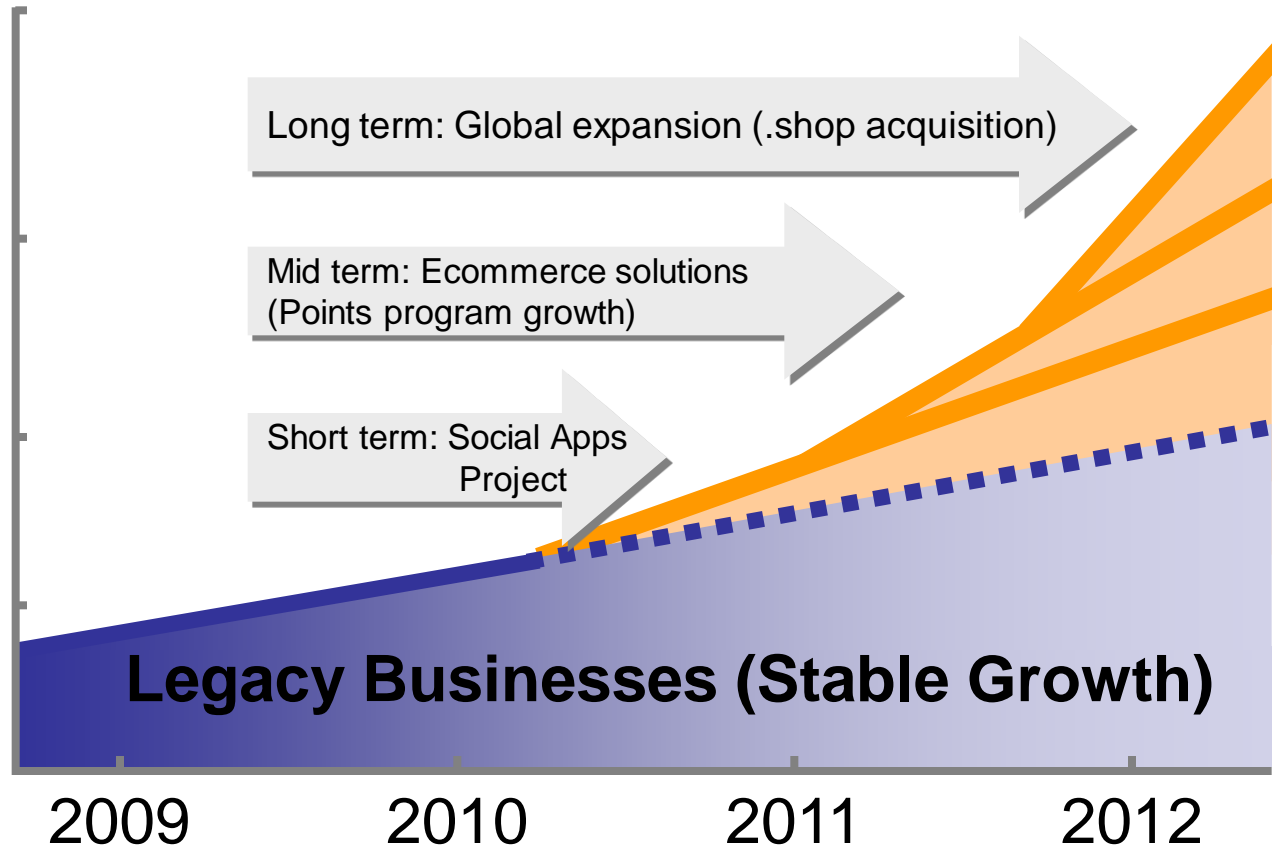
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# News: Overview

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## Growth area initiatives(image)



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# News – Social Apps Project

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## Why we entered the Social Apps market

Server operation expertise and traffic analysis  
technology essential for creating successful apps



We are Japan's leading hosting provider & growing  
the Internet is core to our corporate mission



GMO Social Apps Initiative

27 titles

Provision of comprehensive  
support drawing on resources  
of the entire group

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# News – Social Apps Project

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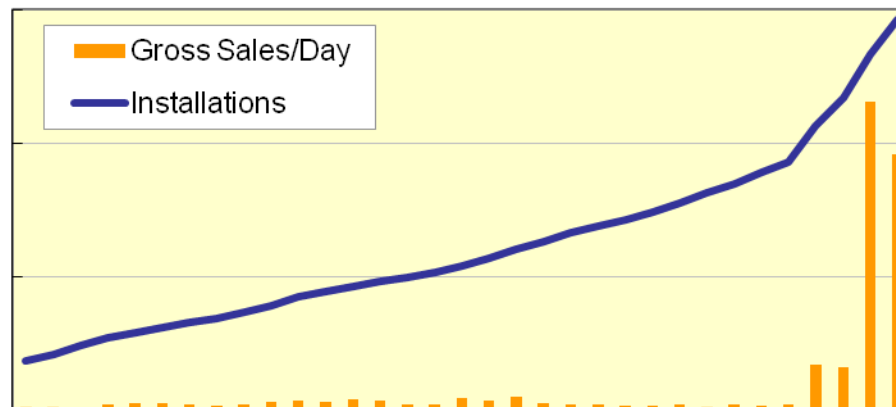
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## Release Schedule

Release	Developer/Title	Platform
June 22	Marumu Games, Inc. Dekoboko Uchu Treasures by GMO	GREE
July 30	Super Appli K.K. Gudrun Master! by GMO	Mobage
	Mono Zukuri in Japan K.K. Miracle Fishing by GMO	mixi mobile



## Performance Indicators



- Installations/Sales Positive
- Each title being tuned to attract more users

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# News – Social Apps Project

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## GMO Apps Cloud

☑ Leveraging expertise of  
GMO Social Apps Initiative

☑ Wide consultation with  
developers to create the best  
possible environment for apps  
hosting

☑ Overwhelming response to  
service release

**GMO アプリクラウド** 新サービスに関するお問い合わせ  
0120-50-6065 10:00~19:00(平日)

# GMO アプリクラウド デビュー!

8月初旬サービス開始  
第一次先行申込み受付中!

GMO アプリクラウドは、「アプリやろろぜ by GMO」プロジェクトのコンセプトと実績を受け継ぎ、アプリの公開と安定運用を最大限支援するクラウド環境をご提供します。

**すべてがアプリ専用設計**  
mixi・モバゲー・GREEのアプリ公開に最適!

特長 1	特長 2
<b>スペックが凄い</b> どんなアプリでも扱えます <ul style="list-style-type: none"> <li>✓ <b>アプリに最適なプラン構成</b> アプリ公開に最適化されたプランをご用意。ワランク上のリソース量と拡張性を実現します。</li> <li>✓ <b>国内IDC、10Gbps共有回線</b> アプリにとって最大の機会損失となる通信遅延を防ぐため、国内データセンターに10Gbpsの高品質回線をご用意。</li> <li>✓ <b>アクセス解析ツールをご用意</b> アプリ公開後はモニタリングが大切。独自開発のアプリ用アクセス解析ツールを無料でご提供します。</li> </ul>	<b>国内最安値水準</b> 経済圏でもアプリ運営をバックアップ <ul style="list-style-type: none"> <li>✓ <b>初期費用一切なし</b> ご利用料金は基本プランとデータ転送量のみ、わかりやすい価格体系で積極的なアプリの公開を支援します。</li> <li>✓ <b>準備期間完全無料</b> サーバー環境構築後、アプリ公開までの準備期間(最大14日間)の料金はいただきません。</li> <li>✓ <b>公開後4日間20台無料</b> トラフィックが増込みにくい公開直後の4日間、Webサーバーを最大20台無料でご利用します。</li> </ul>

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# News – Ecommerce Solutions

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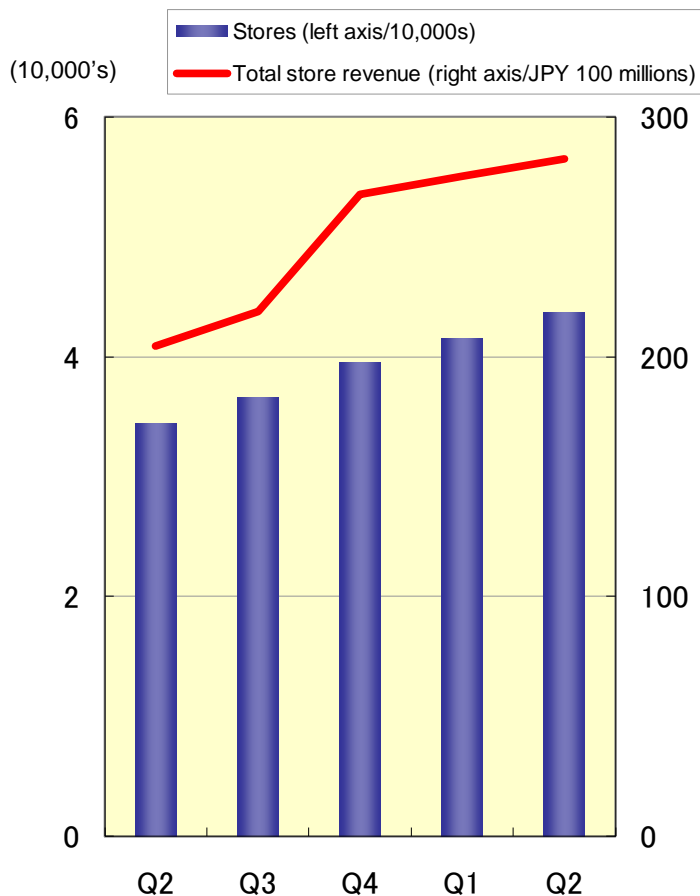
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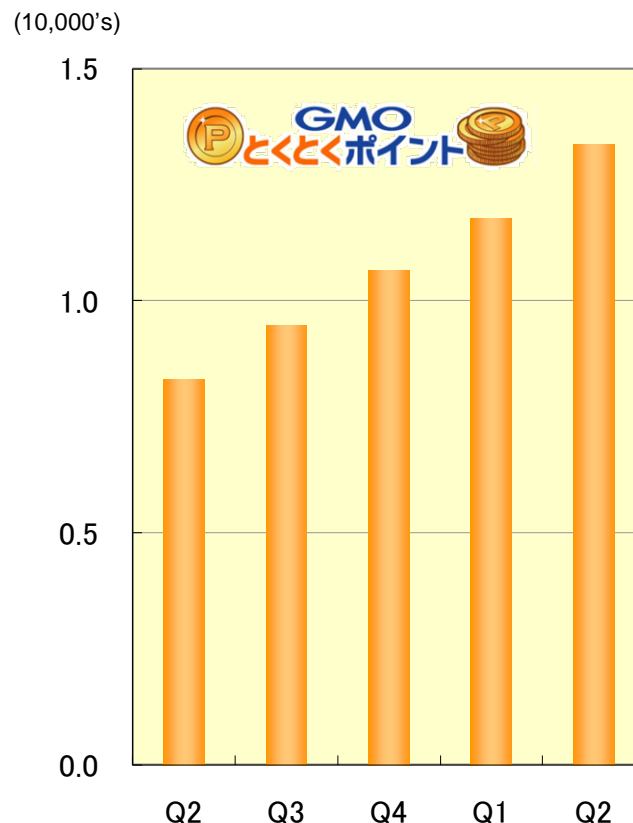
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Focus on expanding store participation in point program

Total No. of Stores/Value of Points



Total No. of GMO TokuToku Point Stores



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# News – Global Growth: Domain Business

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## Registry Backend Service

- Partnership with Canon, Inc. announced May 2010
- Continued negotiations with regional and national governments



**.canon**

## .shop Application

- Participated in ICANN Brussels meeting (6/2010)
- Hosted .shop Party to boost GMO brand awareness
- ICANN to announce new application timeline in October 2010



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# Internet for Everyone

- Striving to be “Internet Department” to the world! -

