

## Presentation of Financial Results for the Second Quarter of Fiscal Year 2011

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August 19<sup>th</sup>, 2011  
GMO CLOUD K.K.  
(Mothers of the Tokyo Stock Exchange3788)

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<http://ir.gmocloud.com/>

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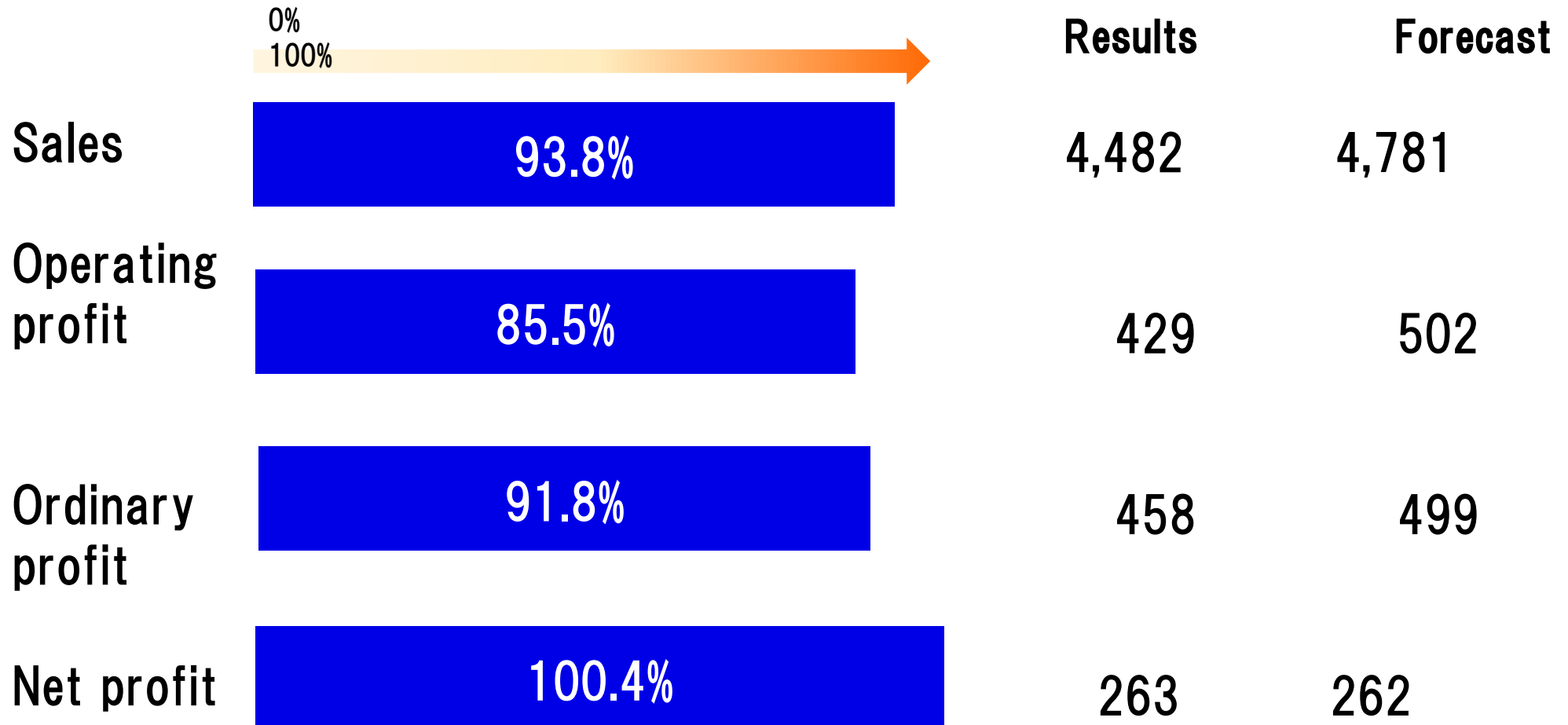
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1. Summary and Conclusion
2. Financial Highlights
3. Business Overview
  - Hosting Business
  - Security Business
  - Solutions Business
4. Financial Forecast 2011

# 1. Summary and Conclusion

# Summary Through the First Half of FY2011

Progress compared with results forecasts for January through June



(Unit: million yen)

# Business topics in January through August FY2011

## ■ Focus on cloud services:

Development of services at global level

- ✓ Apr.: Launched *IQ cloud* and *GMO Cloud Public*
- ✓ May: Participated as an exhibitor in Cloud Computing Expo
- ✓ Jun.: Launched *GMO Cloud* in the United States
- ✓ Jul.: Participated as an exhibitor in e-Book Expo

## ■ Global expansion:

Worldwide expansion centered on security services

- ✓ Jan.: Launched a direct sales website for the German-speaking region
- ✓ May: Put into full-scale operation the Singapore Office of GlobalSign
- ✓ Aug.: Formed a business partnership with U.S.-based OnApp
- ✓ Aug.: Formed a business partnership with U.S.-based Parallels

## ■ Growth with sales to enterprises:

An effective increase in sales personnel

- ✓ May: Signed a distribution agreement with KDDI Corp. (for Japan and Singapore)
- ✓ Jul.: Signed a Recruit IaaS partner agreement with Recruit Co., Ltd.

# Main Points of Fiscal Results for 2Q of FY 2011

## ◇ Hosting Services

1. The *IQ cloud* virtual private cloud and the *GMO Cloud Public* public cloud were launched in April.  
→ Active sales operations were started (as prior investment).
2. The *GMO Cloud* public cloud for the United States was launched in June.  
→ Global expansion
3. Shared hosting services:  
Sales and contracts both increased after the appeal of the low-end brands and integration of Wadax Inc. into the Group.
4. Dedicated and managed hosting services:  
Brisk sales were achieved.

## ◇ Security Services

1. Growth was achieved mainly in partner sales.  
→ Sales up 2.5% year on year (due to foreign exchange rates) and the number of SSL server certificates up 43.7% year on year to 26,671.
2. Geographical expansion continued with a 36.2% year-on-year rise in resellers to 3,234.

## ◇ Solutions Services

1. Recovering from the impact of the Great East Japan Earthquake  
→ Sales up 5.0% and operating profit up 73.4% from the previous year
2. The number of users of the fast translation service continue to climb, rising to 13,556, up 61.1% from a year earlier.
3. Services for smartphones and the electronic book distribution service achieved steady sales.

## 2. Financial Highlights



# Consolidated Statement of Income

(Unit: million yen)	Fiscal Term			YoY	QoQ
	2Q of FY2010	1Q of FY2011	2Q of FY2011		
Sales	2,059	2,246	2,236	+8.6%	-0.4%
Cost of sales	776	910	929	+19.7%	+2.2%
Gross profit on sales	1,283	1,336	1,306	+1.8%	-2.2%
Selling, general & administrative expenses	1,006	1,077	1,139	+13.2%	+5.7%
Operating profit	276	258	167	-39.4%	-35.3%
Ordinary profit	287	264	190	-33.7%	-28.0%
Net profit	161	134	128	-20.3%	-4.4%

# Segment Information

(Unit: million yen)	Sales			(Unit: million yen)	Operating profit		
	2Q FY2010	2Q FY2011	YoY		2Q FY2010	2Q FY2011	YoY
Hosting Services	1,501	1,682	+12.1%	Hosting Services	205	119	-41.9%
Security Services	439	450	+2.5%	Security Services	62	47	-23.4%
Solutions Services *	136	143	+5.0%	Solutions Services *	2	4	+73.4%
Intercompany transaction adjustment or all companies	-18	-40	-	Intercompany transaction adjustment or all companies	6	-4	-
Consolidated total	2,059	2,236	+8.6%	Consolidated total	276	167	-39.4%

# Consolidated Sales: Factors behind increase and decrease by segment (YoY)

2,059



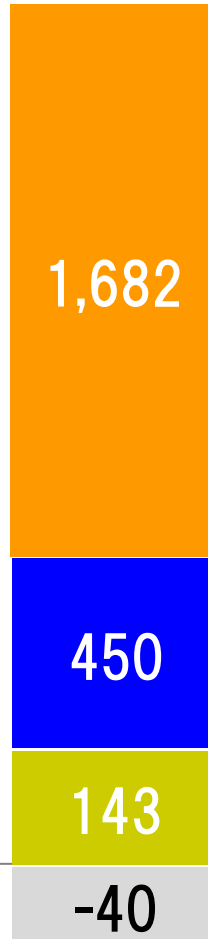
2010/2Q

(Unit: million yen)

Elimination  
-22



2,236



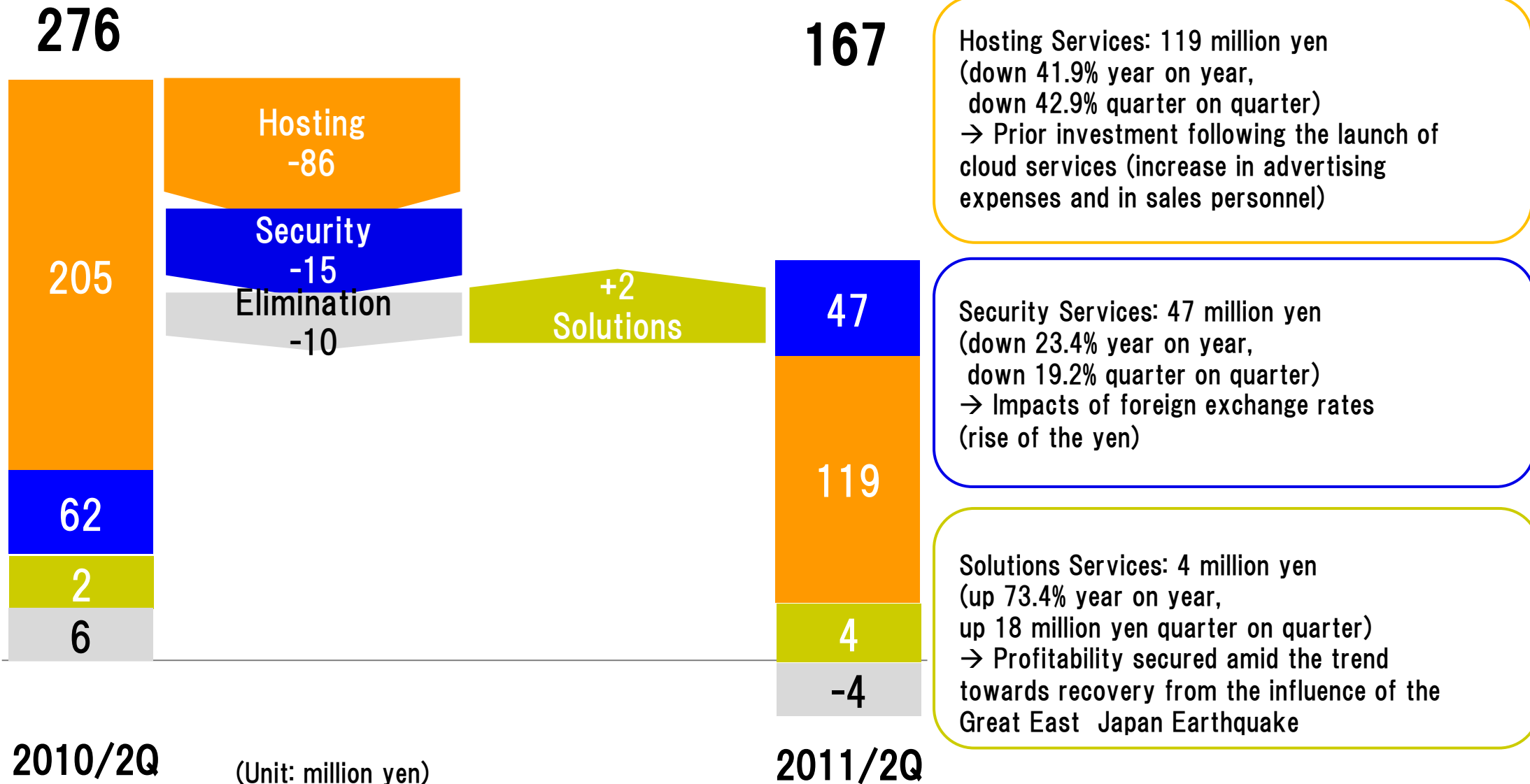
2011/2Q

Hosting Services: 1,682 million yen  
(up 12.1% year on year,  
down 0.7% quarter on quarter)  
→ Launch of cloud services and integration  
of Wadax Inc. into the Group in the previous  
year

Security Services: 450 million yen  
(up 2.5% year on year,  
down 0.9% quarter on quarter)  
→ Healthy sales at sales bases mainly outside  
Japan amid the adverse effect of the foreign  
exchange market (i.e. yen appreciation)

Solutions Services: 143 million yen  
(up 5.0% year on year,  
up 12.9% quarter on quarter)  
→ Sales growth in mobile solutions and  
electronic book distribution, despite the  
influence of the Great East Japan Earthquake

# Consolidated Operating Profit: Factors behind increase and decrease by segment (YoY)



2010/2Q

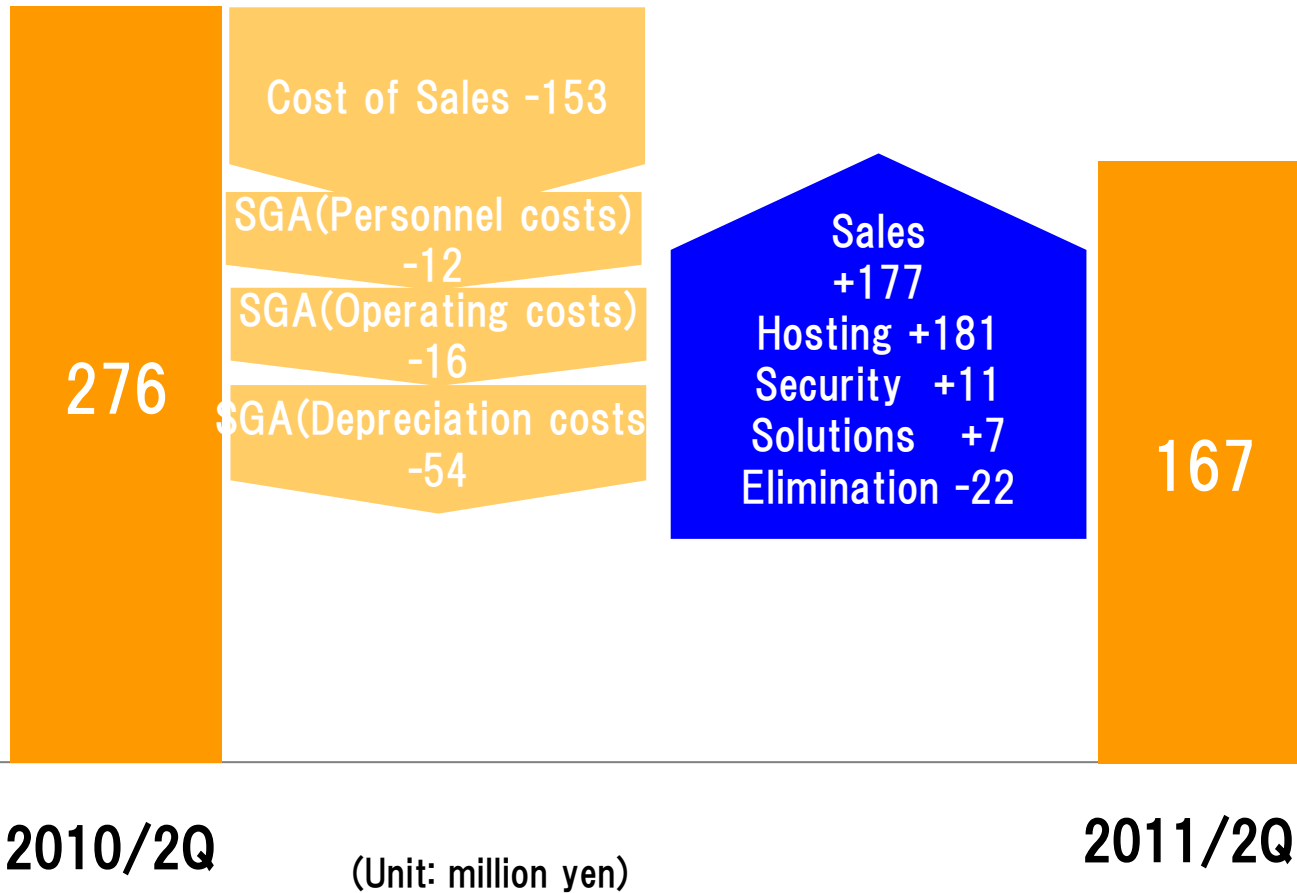
(Unit: million yen)

2011/2Q

# Consolidated Operating Profit: Factors behind the increase and decrease by item (YoY)



\* SGA includes goodwill amortization.



Cost of Sales: 929 million yen  
(up 19.7% year on year,  
up 2.2% quarter on quarter)  
→ An increase due to the launch of cloud services and integration of Wadax Inc. into the Group in the previous year

SGA Expenses: 1,139 million yen  
(up 13.2% year on year,  
up 5.7% quarter on quarter)  
→ Prior investment following the launch of cloud services (chiefly for increase in advertising and in sales personnel)

(Breakdown)  
Personnel costs: 533 million yen  
Operating costs: 186 million yen  
Depreciation costs: 107 million yen  
Other expenses: 313 million yen

# Consolidated Balance Sheets

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Financial health was maintained.

(Unit: million yen)	1Q FY2011	2Q FY2011	(Unit: million yen)	1Q FY2011	2Q FY2011
Current assets	3,967	4,090	Current liabilities	2,568	2,640
Cash and deposits	2,843	3,037	Advance payment received	1,606	1,637
Accounts receivable	724	708	Other current liabilities	962	1,003
Other current assets	407	352	Fixed liabilities	238	250
Provision for doubtful debts	-7	-7	Total liabilities	2,807	2,891
Fixed assets	2,778	2,819	Shareholders' equity	4,074	4,202
Tangible fixed assets	378	429	Gaps in appraisals, conversions, etc. Foreign current transaction accounts	-177	-186
Intangible fixed assets	1,909	1,834	Minority equity	41	1
Of the above, software	649	663	Net assets	3,938	4,018
Of the above, goodwill	1,245	1,155	Liabilities, net assets total	6,746	6,910
Investments and other assets	489	555			
Total assets	6,746	6,910			

Backlog

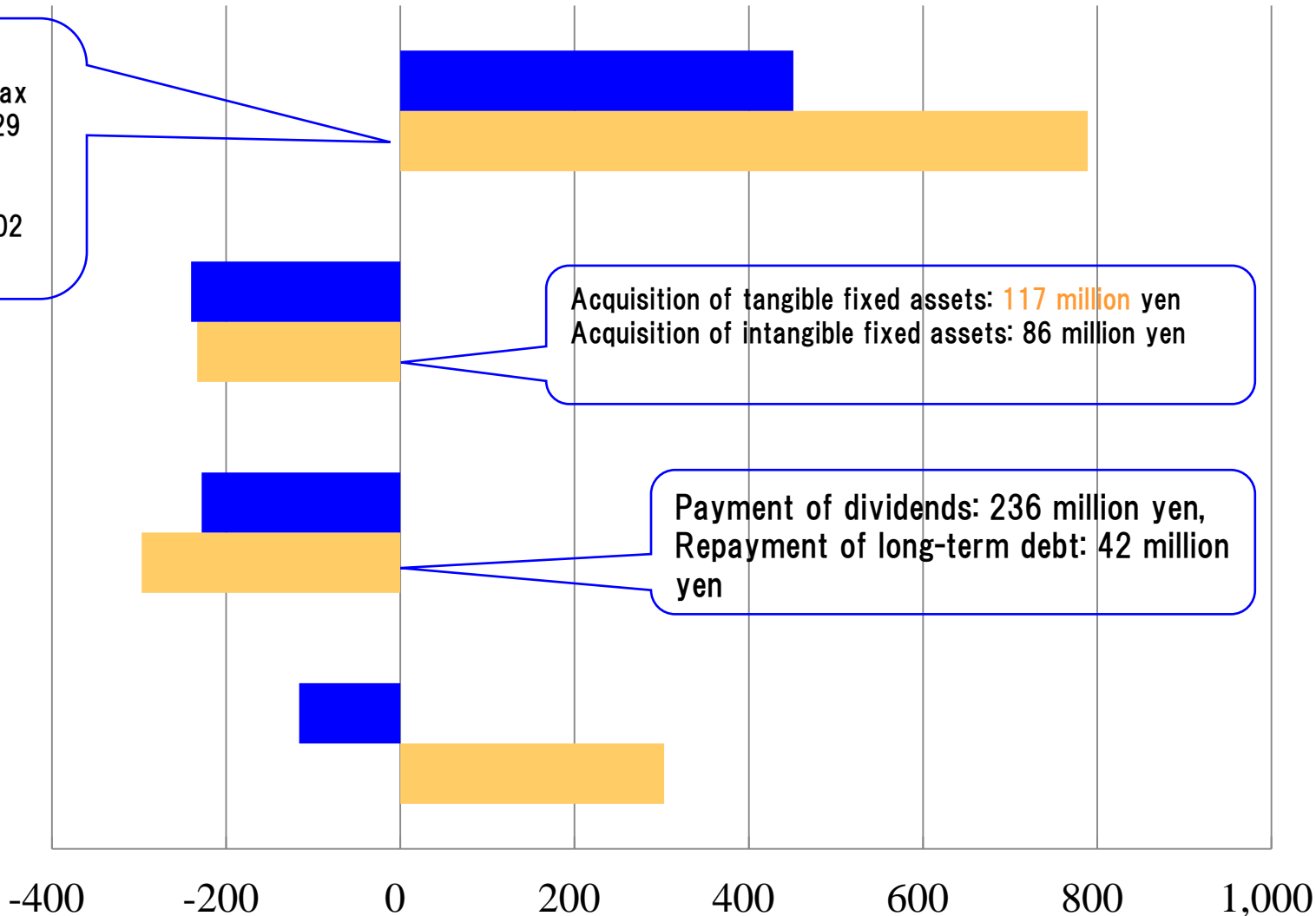
Increase in net leased assets

Decline following goodwill amortization

# Consolidated Cash Flow

■ 2010/1-2Q ■ 2011/1-2Q

Quarterly net income before tax adjustments: 529 million yen, Goodwill amortization: 202 million yen



Acquisition of tangible fixed assets: 117 million yen  
Acquisition of intangible fixed assets: 86 million yen

Payment of dividends: 236 million yen,  
Repayment of long-term debt: 42 million yen

Cash flow from operating activities

Cash flow from investing activities

Cash flow from financial activities

Change in cash and deposits

## 3. Business Overview

### 【Hosting Business】



# [Hosting Business] Summary

## ◇ Cloud Services

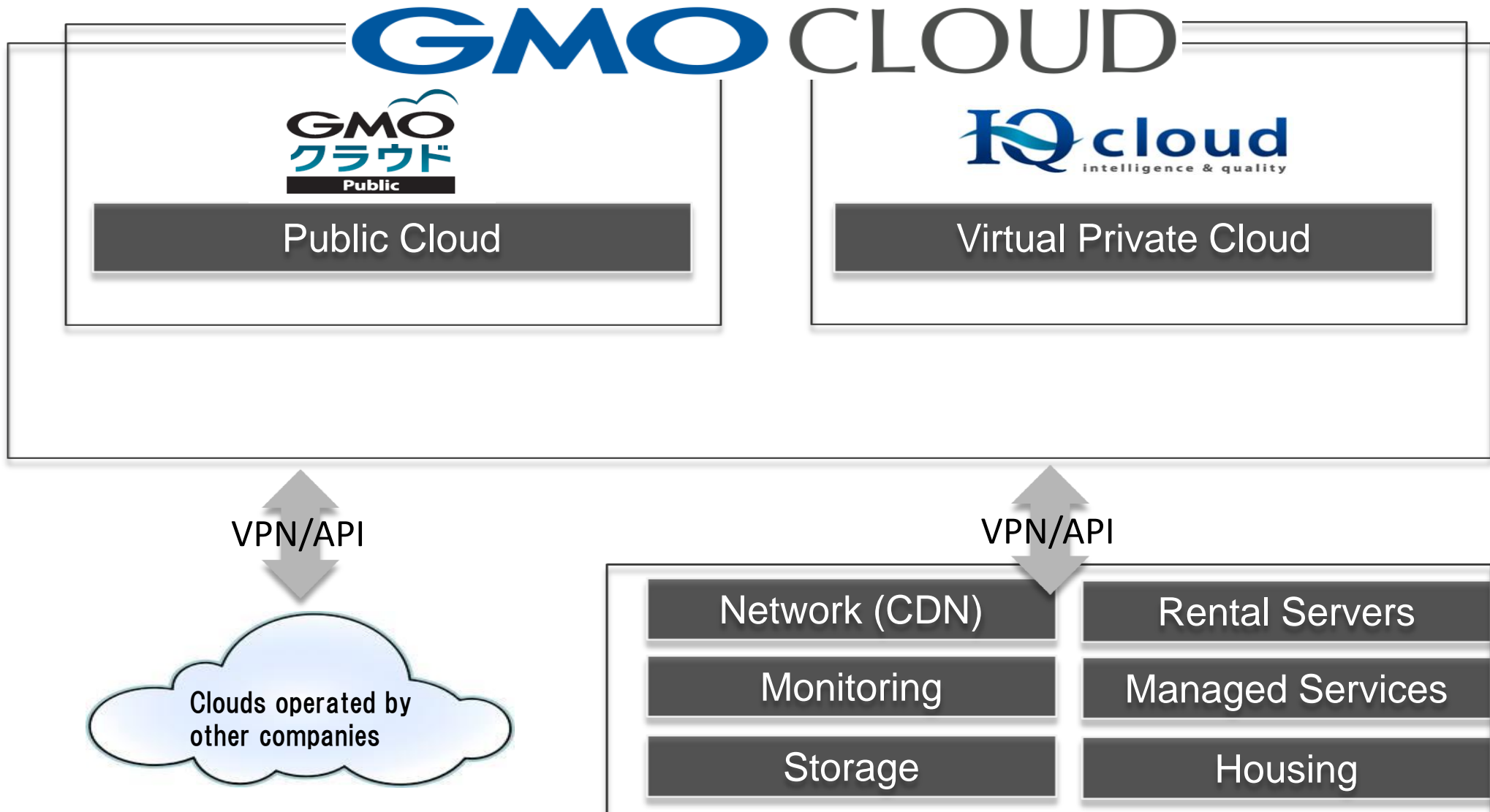
- ✓ The *IQ cloud* virtual private cloud and the *GMO Cloud Public* cloud were launched in April.
- ✓ The *GMO Cloud* was launched as a public cloud for the U.S. market in June.
- ✓ Participation as an exhibitor in Cloud Computing Expo in May, Japan's largest trade show specializing in cloud computing
  - Positive effect of advertising anticipated in the second half of the current fiscal year

## ◇ Hosting Services

- ✓ Services continue to expand to low-end markets with growth potential.
  - > Low-end brands of Rocket Net and DOMAIN KING
  - > Reorganization of Wadax Inc. into a Group company

# GMO Cloud Public and IQ Cloud (1)

GMO CLOUD



# GMO Cloud Public and IQ Cloud (2)

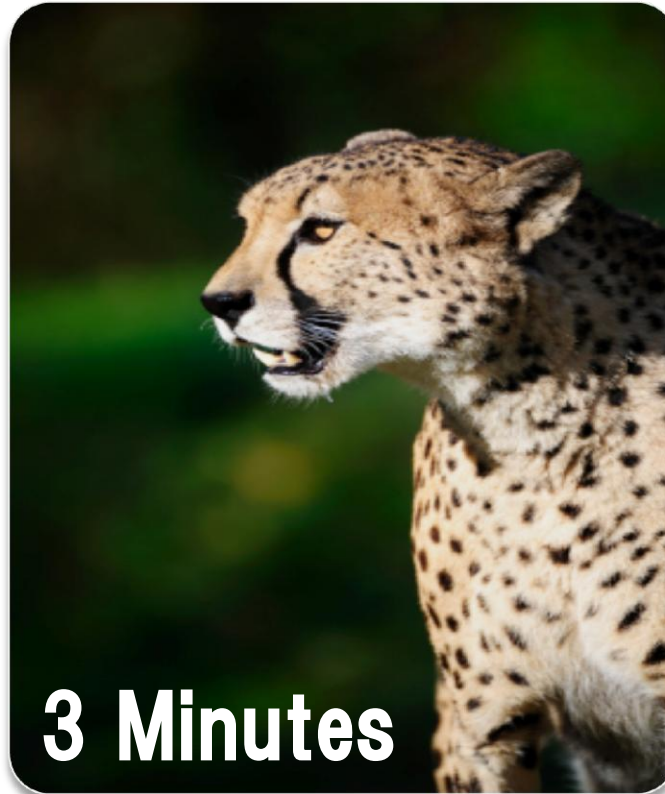
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## GMOクラウド Public

Flexible



Quick



Low Cost



# GMO Cloud Public and IQ Cloud (3)

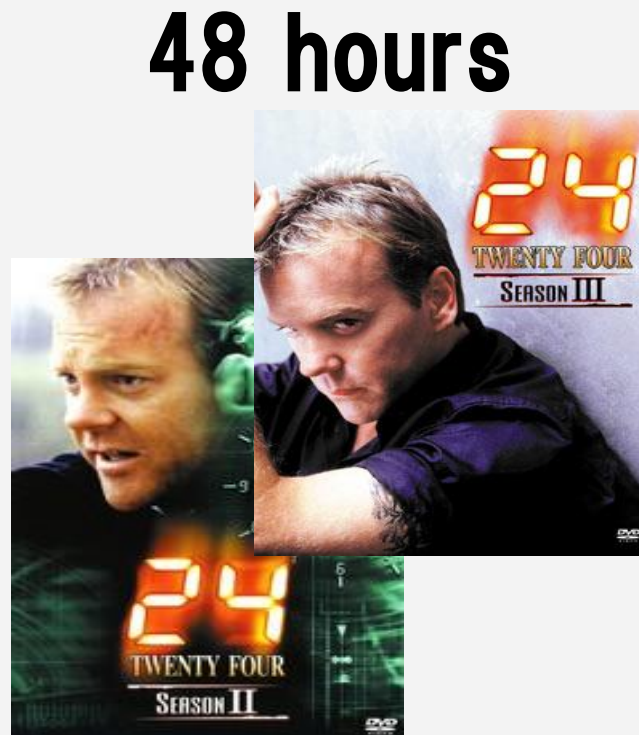
GMO CLOUD



Reliable

Flexible

Cost Effective



# GMO Cloud Public: Case Study

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## Business Needs

## Company A

(Principal businesses)

- Operation of a website that provides information on action sports
- Operation of a store in ZOZOTOWN

**Needs: Freedom from stressful updates while holding down costs**  
**→ Result: An increase in website hits by 10% or more**

- ▶ Growth of load on the website following an increasing in bloggers and articles
  - ▶ A higher webpage display speed at the time of accessing it
  - ▶ Freedom from stress in updating articles due to memory shortage
  - ▶ A resource allocation-type solution for cutting costs

## Solution

- ▶ IaaS Cloud

## Key Success Factors

- ▶ A high level of scalability  
 Makes it possible to start with a small scale and add resources on an hour-by-hour basis as needed.
- ▶ Cost optimization  
 Can always be operated at optimal cost, as the fees for the basic plan and for the resources used are payable afterwards.



**GMOクラウド Public**

# *IQ cloud*. Case Study

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## Business Needs

## Company B

(Principal businesses)

- Digital content distribution
- Provision of platforms

**Needs: Instant resource management and constant optimization of costs**

→ System design matched with the maximum resources

- ▶ Providing service in a stable manner by instantly increasing and decreasing the scale according to fluctuations in resources
- ▶ Restraining high costs of the line, operation and maintenance for uninterrupted operation of large systems designed to meet peak demand

## Solution

- ▶ IaaS Cloud

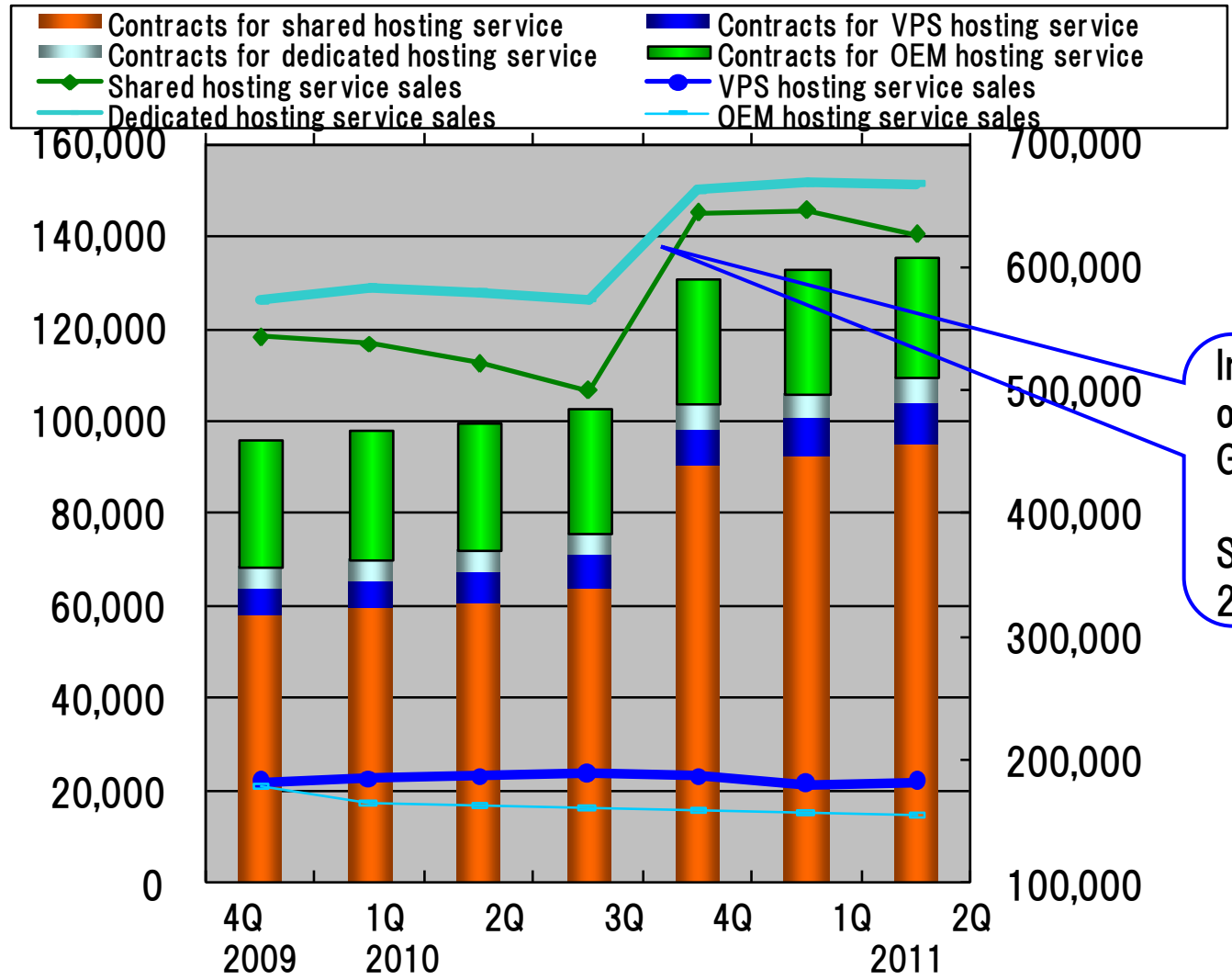


Redundant configuration with multiple systems  
Enhanced security provided

## Key Success Factors

- ▶ 99.999% SLA and system reliability
  - A high level of reliability based on involvement in business
- ▶ A high level of flexibility
  - Flexibility in customization according to business to construct more secure systems
- ▶ Personnel strength of GMO Cloud
  - Sincere response and efforts by sales personnel

# [Hosting Business] Sales and Number of Contracts by Product



Impacts of reorganization of Wadax Inc. into a Group company:  
Sales of 267 million yen  
24,000 contracts

\*Numbers of shared service contracts that are 50,000 or more are shown.

(Unit: contracts)

(Unit: thousand yen)

## 3. Business Overview

### 【 Security Business】



# [Security Business] Summary

## ◇ Geographical expansion

- ✓ Sales in overseas bases (in the UK and US) expanded steadily.
- ✓ Expansion to neighboring countries (in Europe, the Americas and Southeast Asia) proceeded steadily.
- ✓ Direct sales websites were launched for Europe, especially for Germany and France.
- ✓ The Singapore Office commenced full-scale operation.

## ◇ Expanding sales channels

- ✓ A distribution agreement was signed with KDDI Corp. in May.
  - Expansion of sales channels in Japan and Singapore
- ✓ The number of partners was increased by introducing a one-click SSL service.

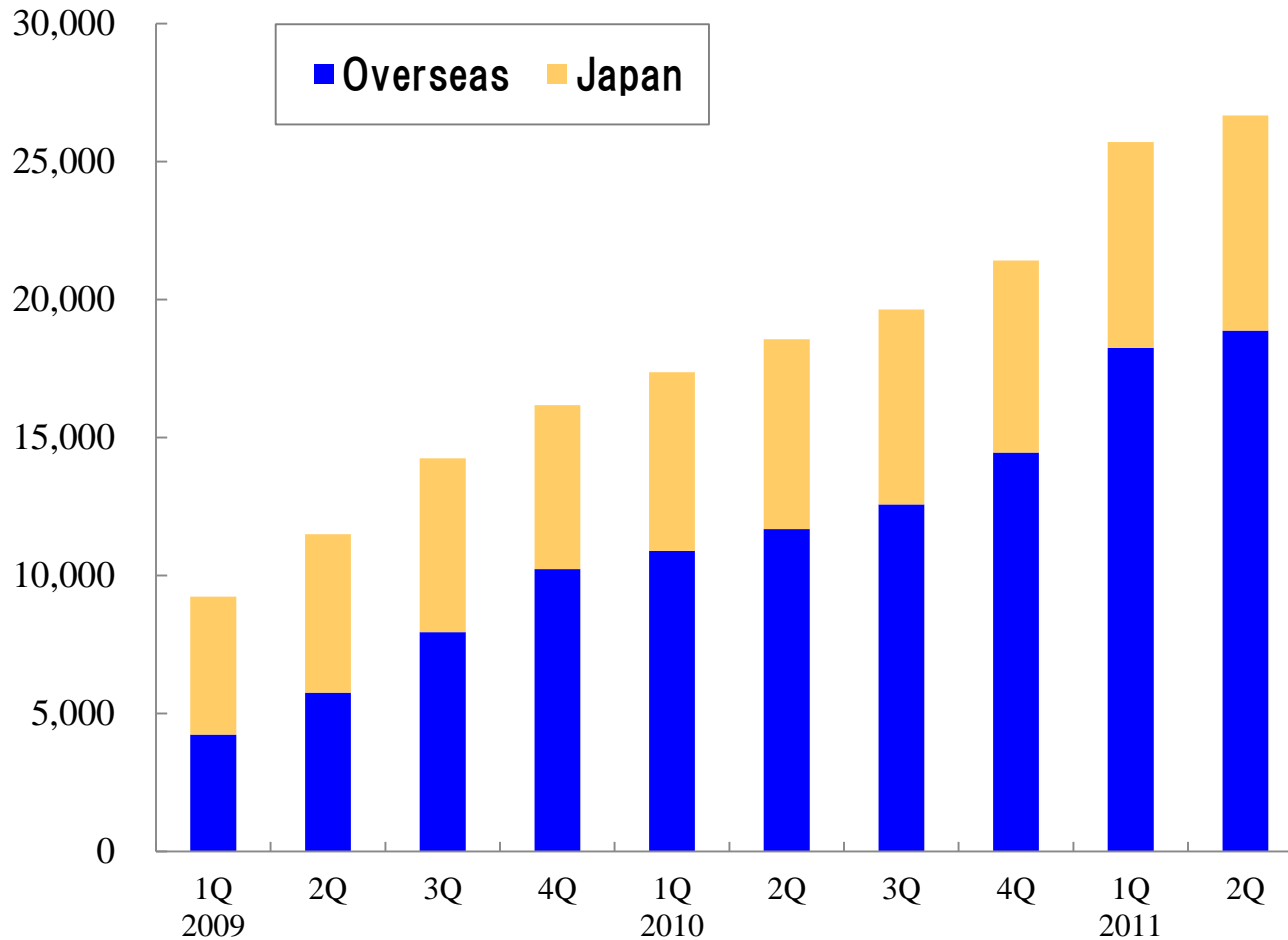
## ◇ Providing convenient products

- ✓ A new system was introduced to the resale partner program in May.
  - Aimed at easing the burden on partners and at promoting electronic certificates
- ✓ The license system was changed in June to enable all electronic certificates to be used at the same time on multiple systems.
  - Provision of services for cloud

## ◇ Challenge

- ✓ Enhancement of operational efficiency in response to a rapid growth in number of electronic certificates sold

# [Security Business] Number of SSL Server Certificates Issued GMO CLOUD



Constant growth overseas

2Q of 2011

Japan: 7,802 certificates

Overseas: 18,869 certificates

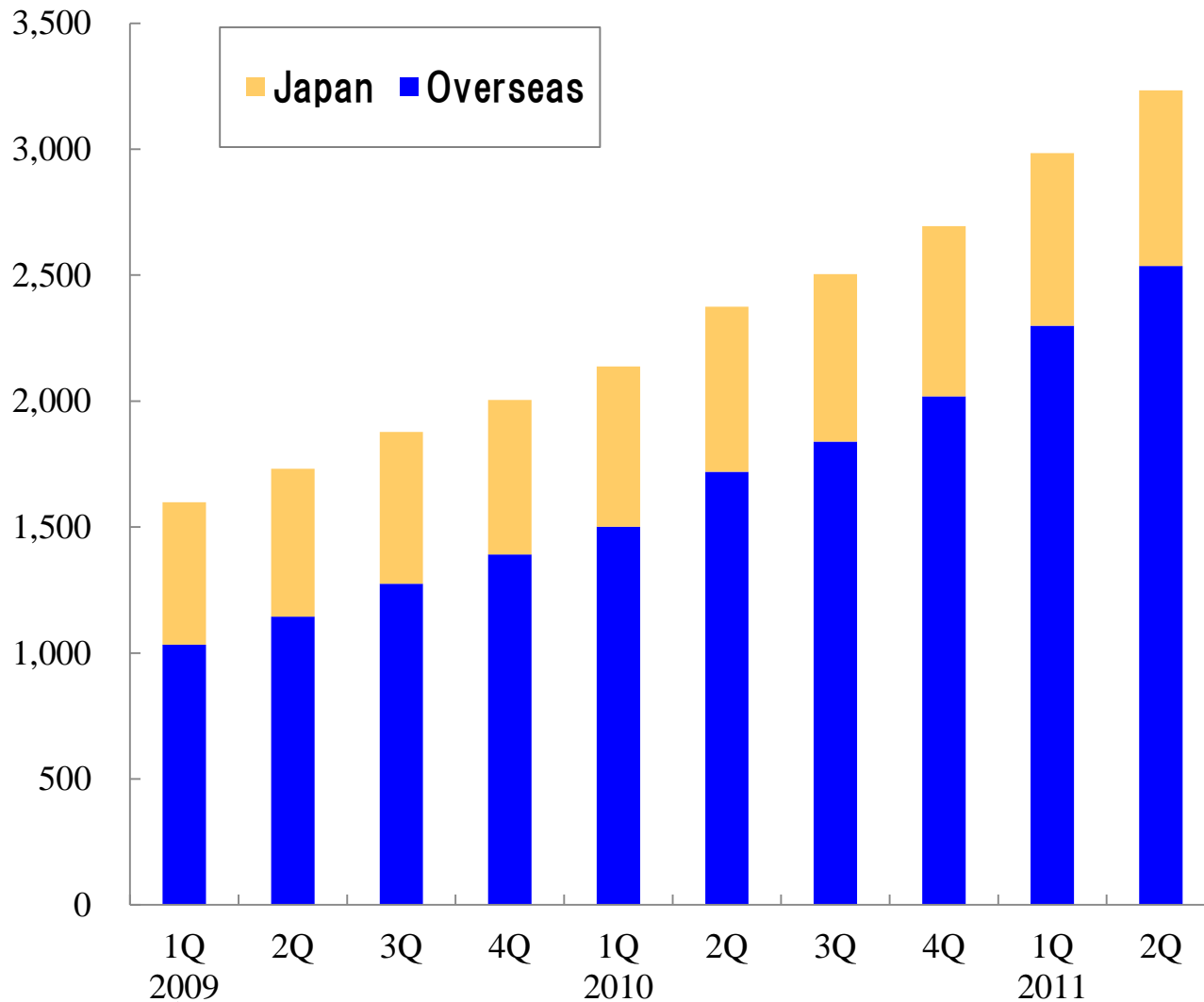
Total: 26,671 certificates

- Up 43.7% year on year

- Up 3.8% quarter on quarter

(Unit:  
certificates)

# [Security Business] Number of Resellers



The resellers network is broadening across the globe.

2Q of 2011

Japan: 697 companies

Overseas: 2,537 companies

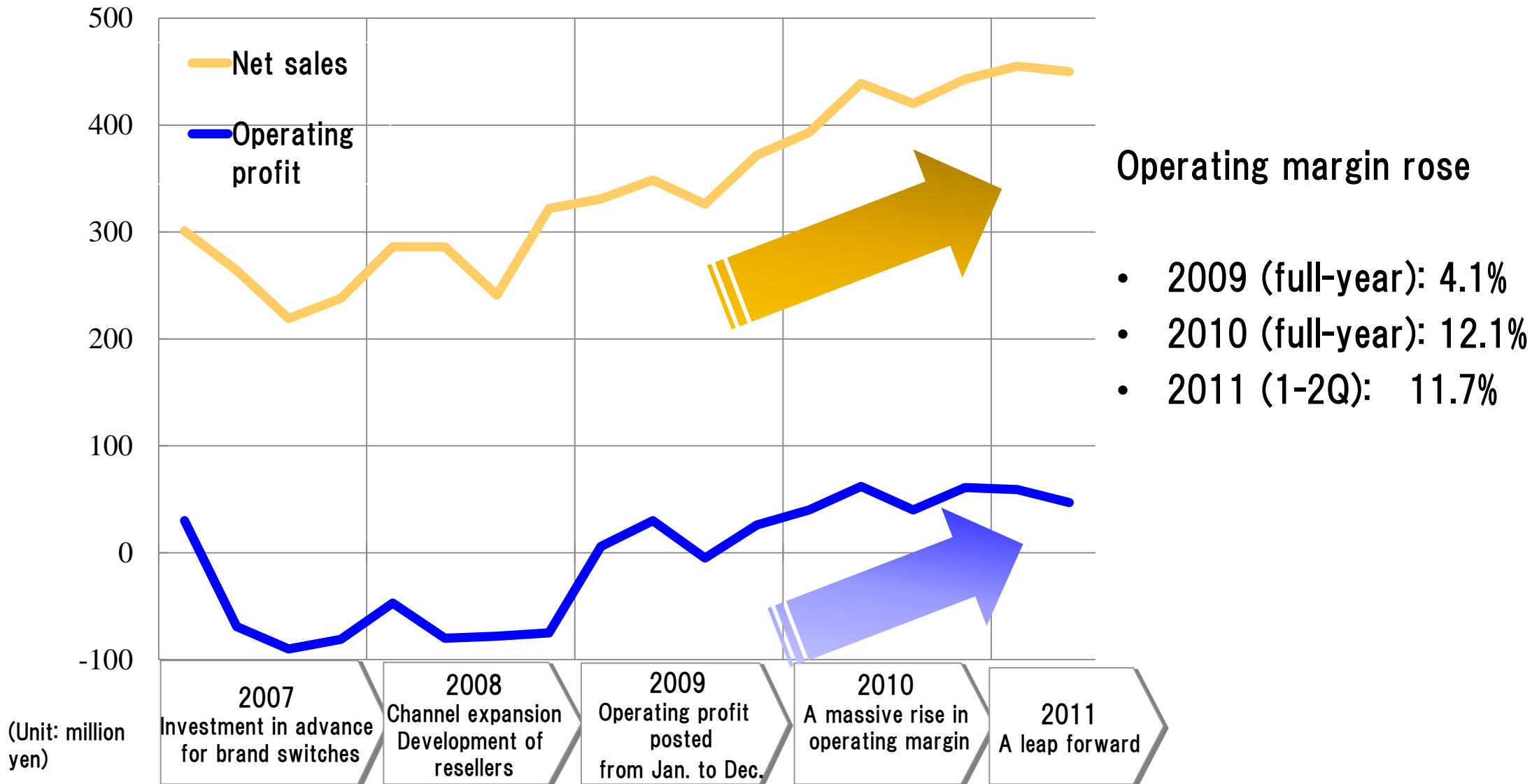
Total: 3,234 companies

- Up 36.2% year on year

- Up 8.4% quarter on quarter

(Unit: resellers)


# [Security Business] Trends in Sales and Operating Profit



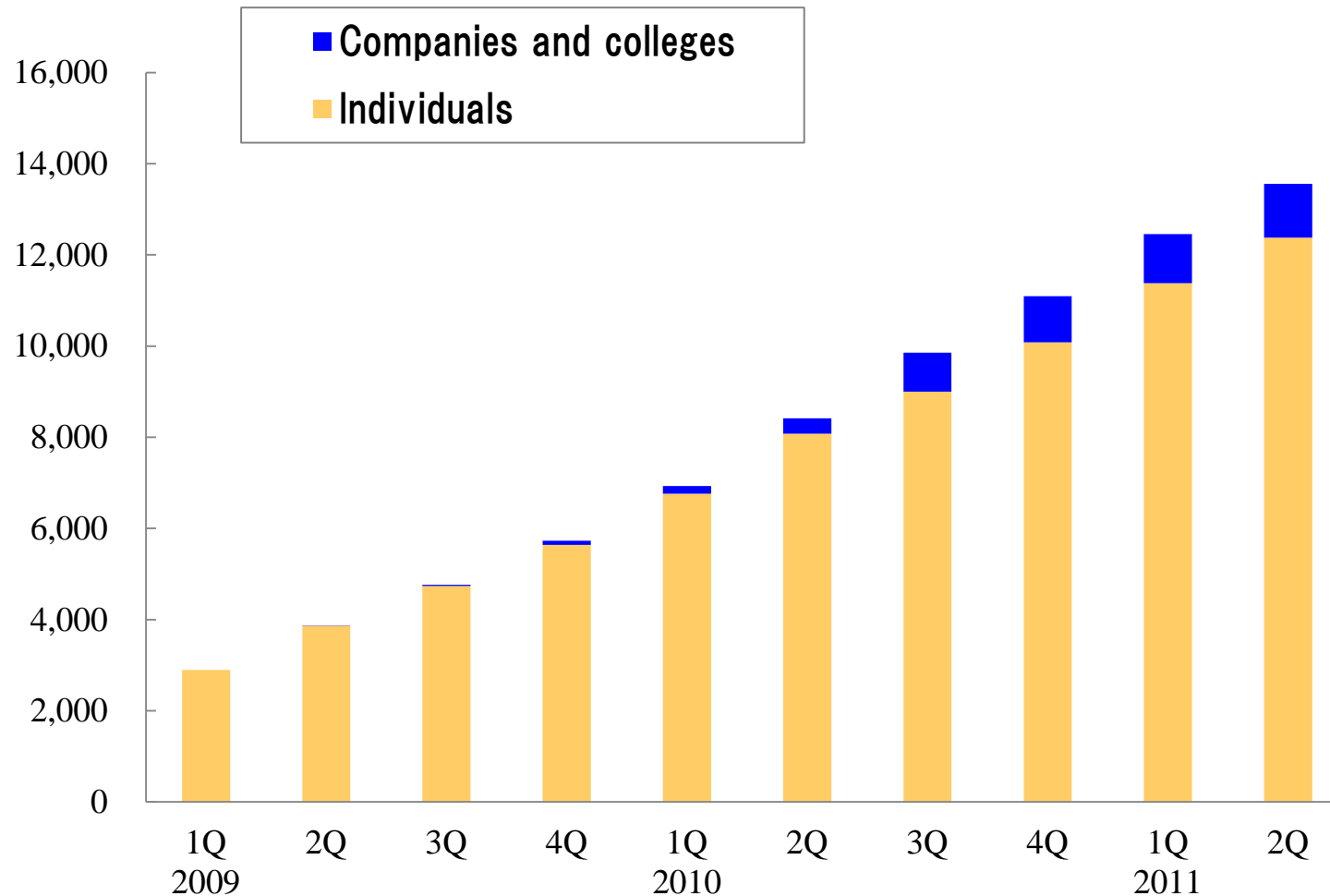
### 3. Business Overview

#### 【 Solutions Business】

# [Solutions Business] Summary

	(1) Aiming to be the leader in the region	(2) SaaS
Companies	COMMUNICATION TELECOM Inc. CMT Inc.	GMO Fast Translation, INC.
Brands (Services)	 <p>Website production support</p>	 <p>Translation service</p>
	 <p>Support for web production companies</p>	
	 <p>Sales support for online stores (development and sale of customer attraction tools for websites for mobile terminals)</p>	
	Support for corporate introduction of information technology	

# [Solutions Business] Fast Translation Service



✓ Alliance with portal sites

✓ Increases in name recognition

Number of members  
as of 2Q of 2011

Individuals: 12,375

Companies and colleges: 1,181

Total: 13,556

- Up 61.1% year on year
- Up 8.8% quarter on quarter

# [Solutions Business] Services for Smartphones

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Electronic book distribution solution  
(Smartphone-ready)



Strong sales of cell-phone websites  
(Smartphone-ready)



## 4. Financial Forecast 2011

# Financial Forecast: Qualitative Information

Segment	Hosting Services	Security Services	Solutions Services
Keyword			
<b>Cloud Services</b>	<ul style="list-style-type: none"> <li>- Launch of public and private cloud services</li> <li>- Participation as an exhibitor in Cloud Computing Expo</li> </ul>	<p>Electronic certificates that can be used at the same time on multiple systems → Services for cloud</p>	<ul style="list-style-type: none"> <li>- SaaS (Web, Mobile, electronic book distribution)</li> <li>- Participation as an exhibitor in e-Book Expo</li> </ul>
<b>Global Expansion</b>	<p>Launch of a public cloud service for the U.S. market</p>	<ul style="list-style-type: none"> <li>- Partnership with overseas partners (OnApp and Parallels)</li> <li>- Full-scale operation of the Singapore Office</li> <li>- Launch of direct sales websites for Europe</li> </ul>	<p>Globalization of the fast translation service</p>
<b>Sales for Enterprises</b>	<ul style="list-style-type: none"> <li>- Increase in sales personnel</li> <li>- Acquisition of major enterprise customers</li> </ul>	<p>A distribution agreement with KDDI Corp. (for Japan and Singapore)</p>	<p>Locally-based sales activities</p>

# Financial Forecast: FY2011 Financial Forecast

No revision made to the full-year financial forecast

(Unit: million yen)	FY2010	FY2011 (Forecast)	Percentage Change
Sales	8,333	9,791	+17.5%
Operating profit	1,064	1,156	+8.6%
Ordinary profit	1,069	1,150	+7.6%
Net profit	681	636	-6.6%
Net profit per share (yen)	5,807.06	5,485.43	-5.5%

## [Sales]

### ◇ Hosting Services

7,230 million yen (YoY: +16.9%)

### ◇ Security Services

2,007 million yen (YoY: +18.3%)

### ◇ Solutions Services

607 million yen (YoY: +14.2%)

## [Operating profit]

### ◇ Hosting Services

844 million yen (YoY: +1.3%)

### ◇ Security Services

243 million yen (YoY: +19.0%)

### ◇ Solutions Services

45 million yen (YoY: +6346.0%)

# Financial Forecast: Segment Information

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(Unit: million yen)	Sales			(Unit: million yen)	Operating profit		
	FY2010	FY2011 (Forecast)	YoY		FY2010	FY2011 (Forecast)	YoY
Hosting Services	<b>6,184</b>	<b>7,230</b>	<b>+16.9%</b>	Hosting Services	<b>835</b>	<b>844</b>	<b>+1.1%</b>
Security Services	<b>1,697</b>	<b>2,007</b>	<b>+18.3%</b>	Security Services	<b>204</b>	<b>243</b>	<b>+19.0%</b>
Solutions Services	<b>531</b>	<b>607</b>	<b>+14.2%</b>	Solutions Services	<b>0</b>	<b>45</b>	<b>+6,346%</b>
Intercompany transaction adjustment or all companies	<b>-79</b>	<b>-53</b>	<b>—</b>	Intercompany transaction adjustment or all companies	<b>24</b>	<b>24</b>	<b>—</b>
Consolidated total	<b>8,333</b>	<b>9,791</b>	<b>+17.5%</b>	Consolidated total	<b>1,064</b>	<b>1,156</b>	<b>+8.6%</b>

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