

Theme:

Managed Hosting Services: Active Even in Recession

Security Services (Digital Authentication Services) have begun generating results, as a result of global business development

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Presentation of Financial Results for the First Quarter of Fiscal Year 2009

**GMO HOSTING & SECURITY, INC.**

(Mothers of the Tokyo Stock Exchange 3788)



## Notice concerning the handling of the material:

The contents of this document are based on generally recognized economic and social condition as well as assumption judged to be reasonable by GMO Internet Group as of May 18th, 2009. However, please note that they are subject to change without prior notice in the event of changes in the business environment or other unforeseen occurrences.

# Agenda

1. Summary and Conclusion
2. Financial Highlights
3. Business Overview
  - 3-1 Hosting Business
  - 3-2 Securities Business

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# 1. Summary and Conclusion

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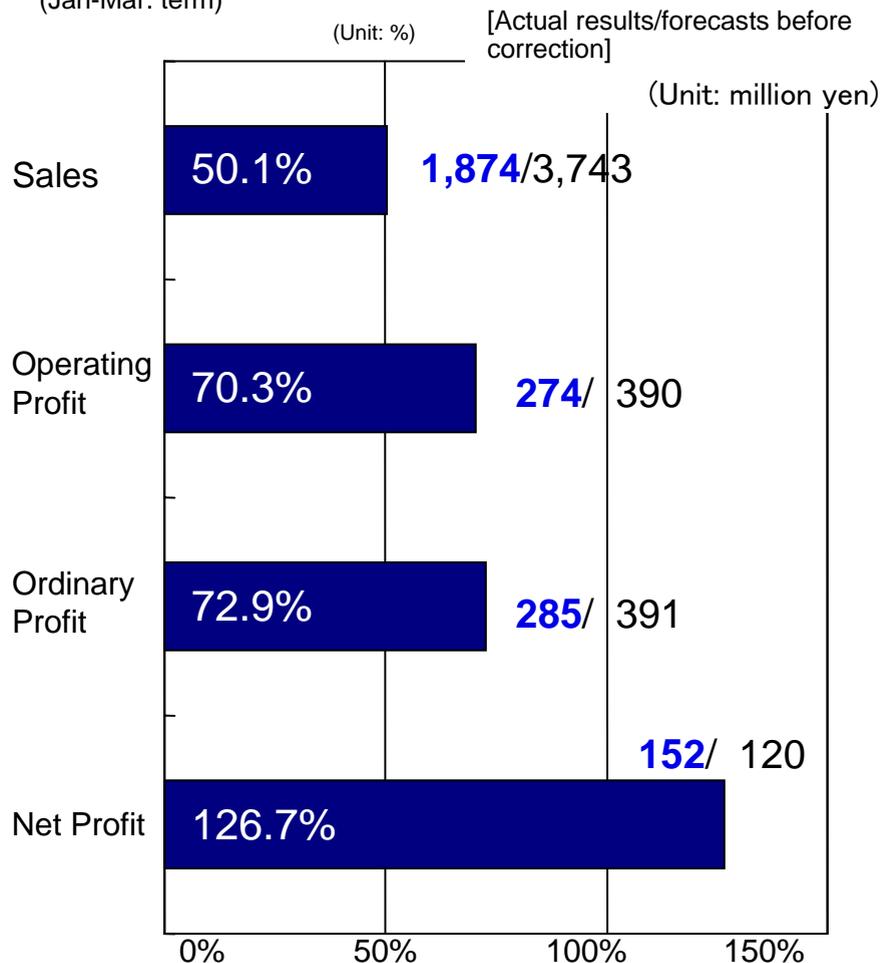


# Summary and Conclusion

## Summary for the First Quarter

### Sales and Profits Both Strong

Progress against estimated outcomes for the first half of the term before correction (Jan-Mar. term)



### Hosting Services

#### Sales

- OEM decreased: -22 million yen from the previous quarter (Cancellation by major customers, considered in the 2009 Plan)
- Managed hosting: going well

#### Operating profit

- Decreased with revision in cost efficiency

### Security Services

#### Sales

- Overseas sales (the UK and Belgium) remained steady.

#### Operating profit

- Profit achieved for the quarter for the first time since the change in brand.

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# Summary and Conclusion

## Consolidated Cumulative Results for the 2nd Quarter Revised Upward

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Profit increased with operating profits for the 1<sup>st</sup> quarter from Security Services Business

(Unit: million yen)	Before correction: Forecast for Jan-Jun 2009	After correction: Forecast for Jan-Jun 2009	Difference				Change
			Hosting Services	Security Services	Others	Total	
Sales	3,743	3,761	-29	50	-1	17	+0.5%
Operating Profit	390	464	24	52	-1	74	+19.1%
Ordinary Profit	391	476	26	60	-1	85	+21.7%
Net Profit	120	250	53	86	-1	130	+108.8%
Net profit per share (yen)	1,031.03	2,152.98	-	-	-	1,121.95	-

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\* Figures for the full term are deferred, given effects of uncertain economic situation and foreign exchange.

Tax burden is lower because overseas subsidiaries made a loss last year.

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## 2. Financial Highlights

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# Financial Highlights for Q1

## Profit and Loss Statement (Consolidated)

A substantial increase in profits from previous quarter. (The security business became profitable and cost efficiency improved.)

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(Unit: million yen)	Actual results Oct-Dec 2008	Actual results Jan-Mar 2009	Change from previous quarter
Sales	1,879	1,874	-0.3%
Sales Cost	805	774	-3.9%
Gross Profit on Sales	1,074	1,099	+2.4%
Selling ,General and administrative expenses	927	825	-11.0%
Operating Profit	146	274	+86.9%
Ordinary Profit	129	285	+119.8%
Net Profit	-168	152	-

# Financial Highlights for Q1 Segment (Sales)

Profit in Hosting business slightly down; but rises in Securities business

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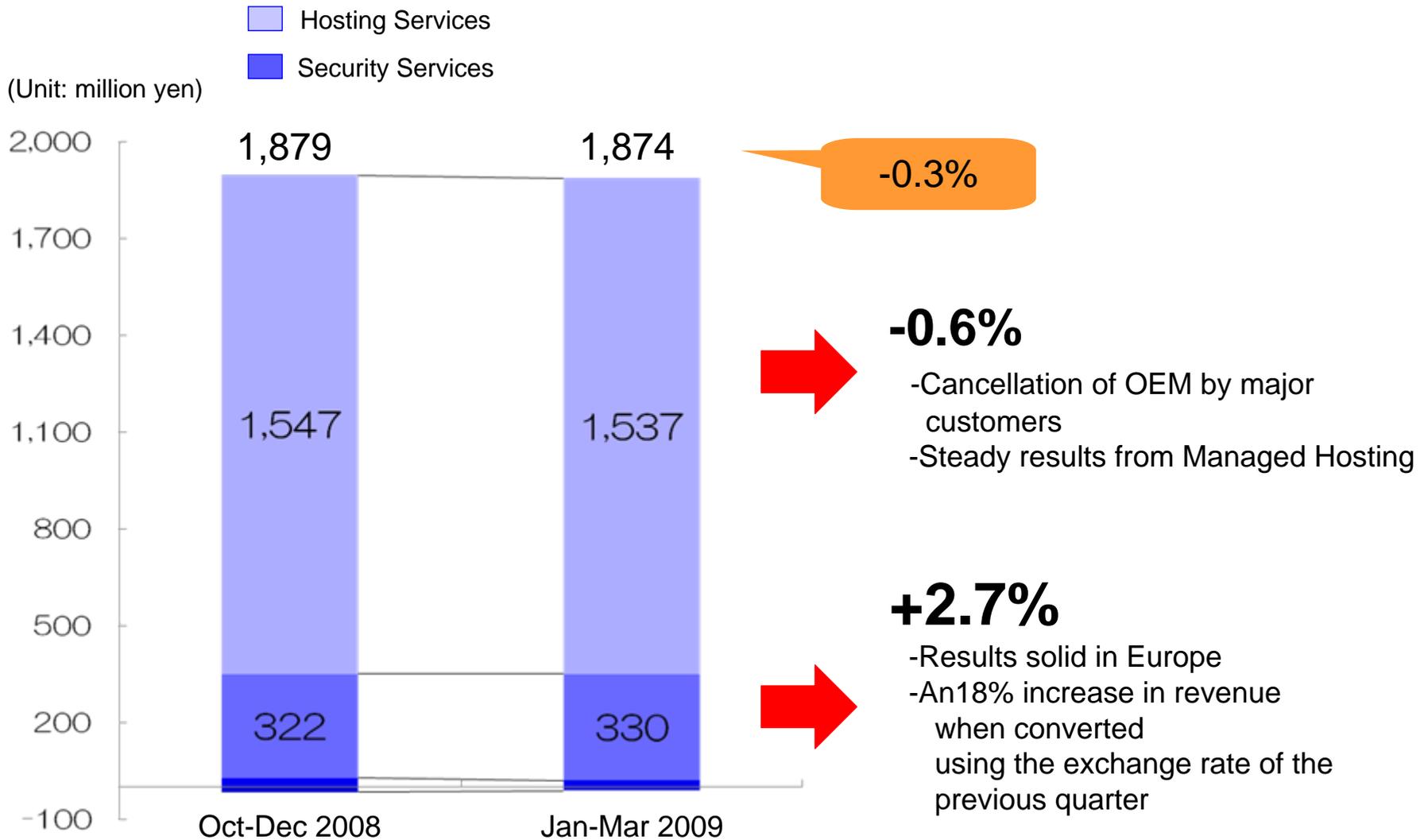
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# Financial Highlights for Q1 Security Business (Sales)

## Comparison in Local Currencies: Large Increase in Europe (UK and Belgium)

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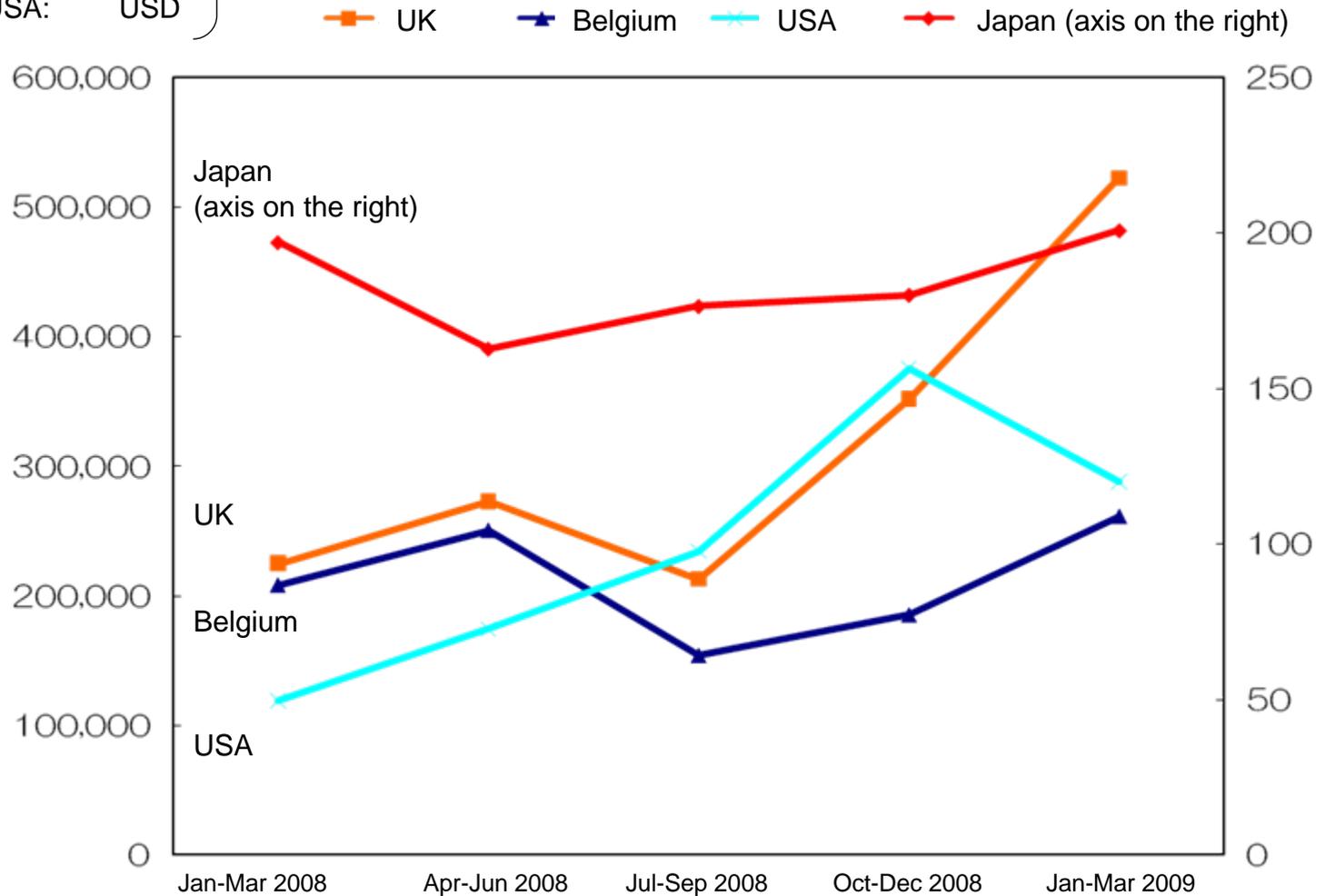
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Unit: UK: GBP  
Belgium: EUR  
USA: USD

(Unit: million yen)



# Financial Highlights for Q1 Sales Cost

## Better cost efficiency for Hosting business

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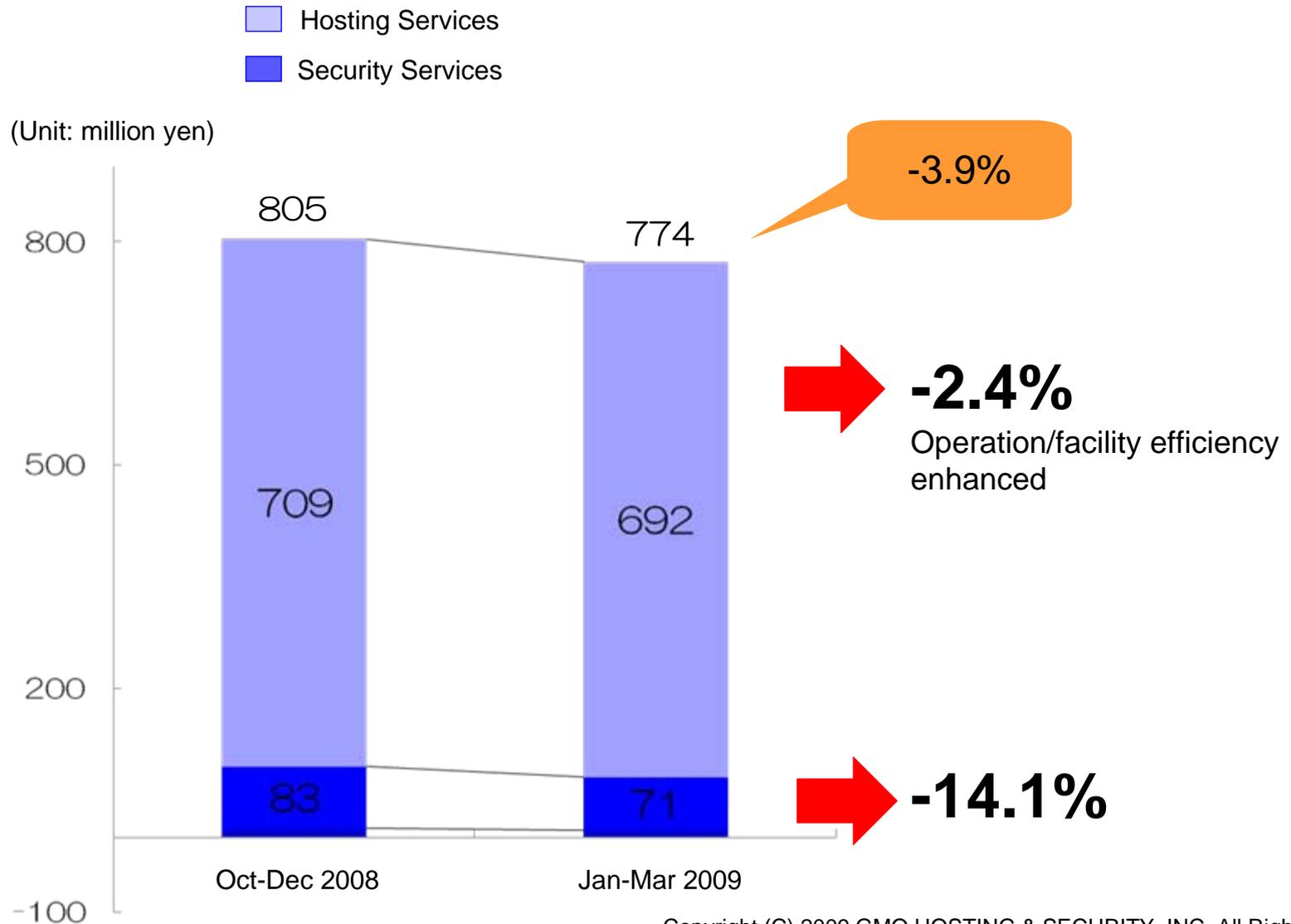
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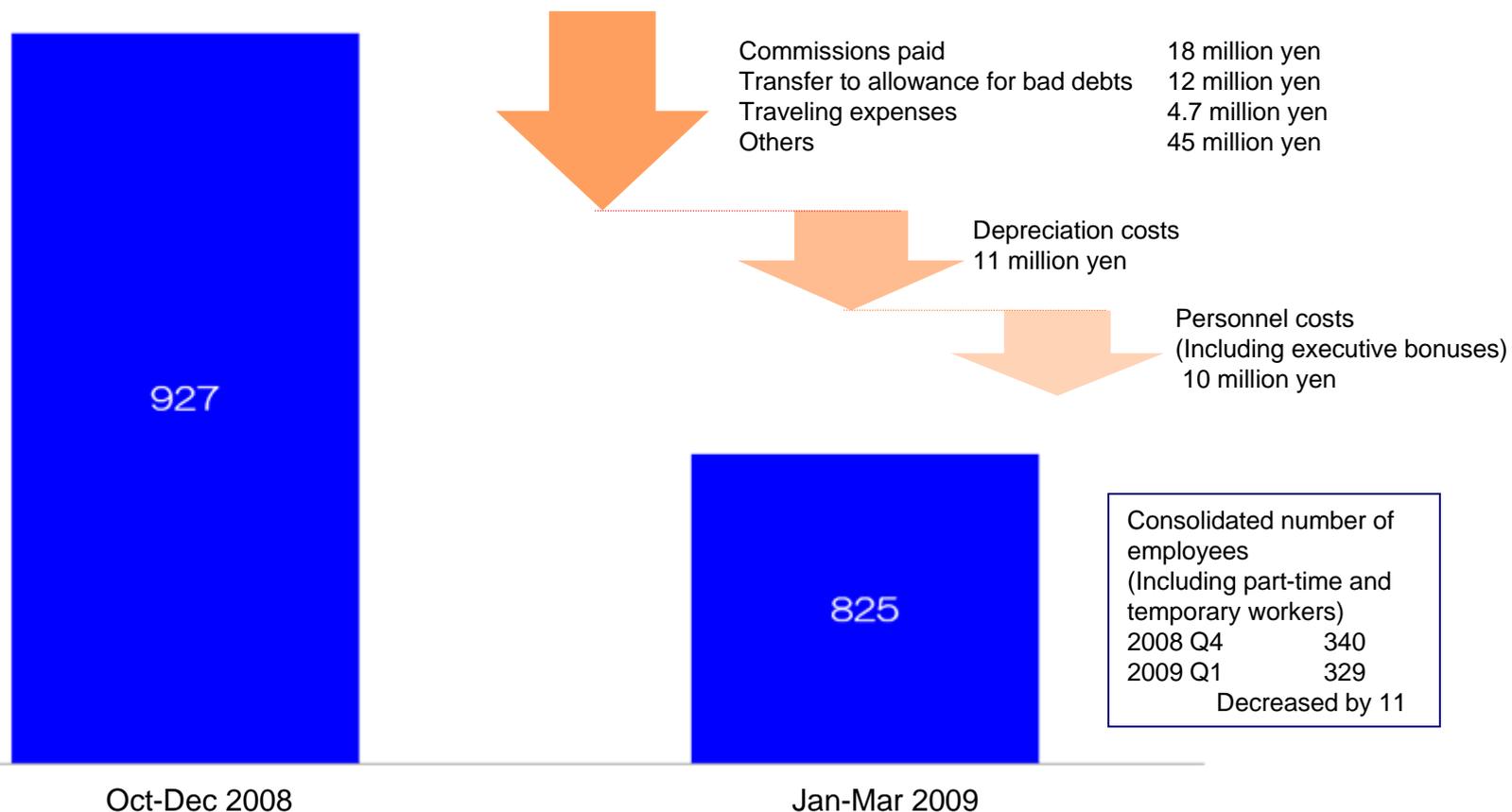


# Financial Highlights for Q1

## Selling, General and Administrative Expenses

### Declining with improved efficiency

(Unit: million yen)



Consolidated number of employees  
(Including part-time and temporary workers)

2008 Q4	340
2009 Q1	329
Decreased by 11	

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# Financial Highlights for Q1 Segment (Operating profit)

Operating profit up markedly from previous Q4

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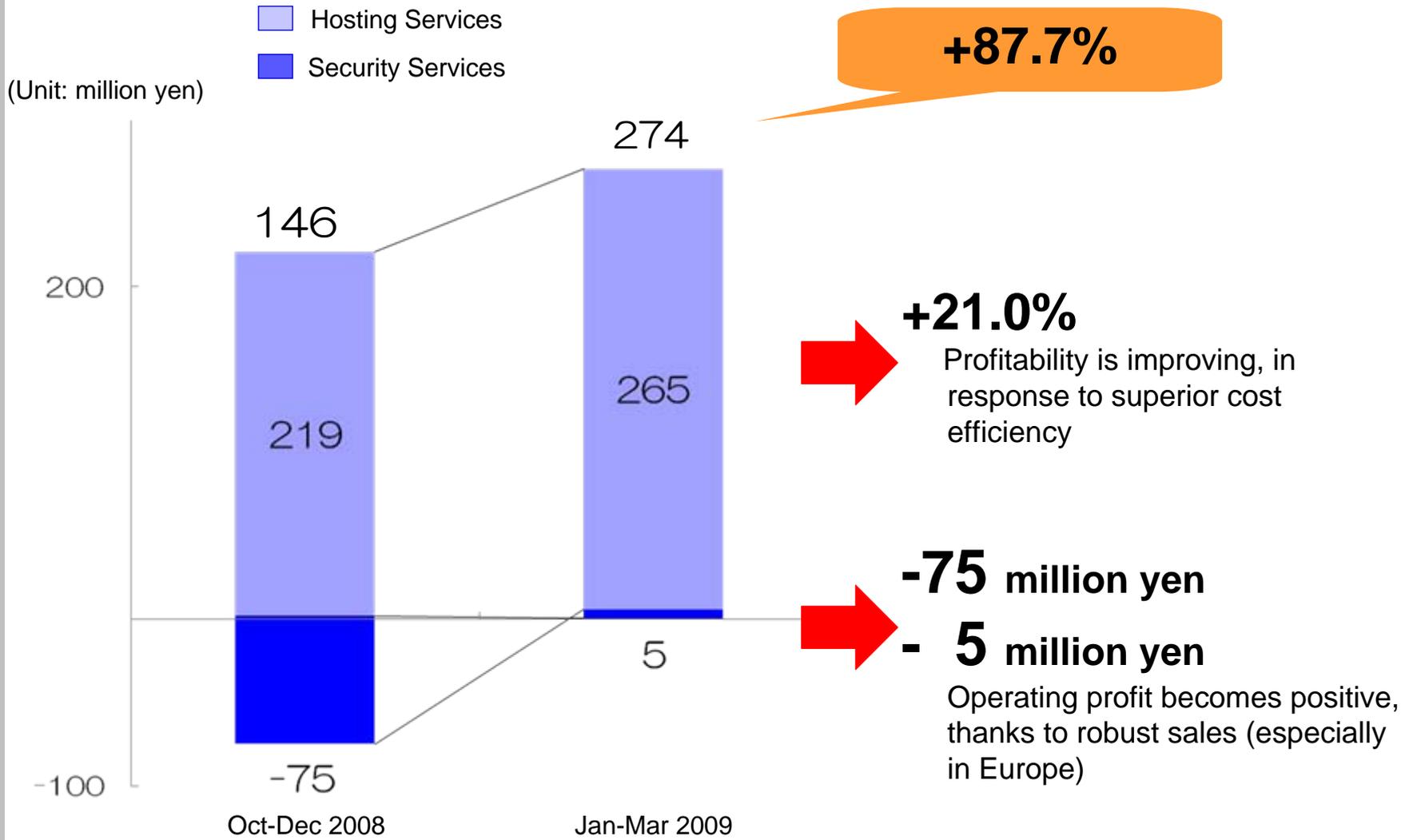
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# Financial Highlights for Q1

## Balance Sheets (Consolidated)

### Sound financial status

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Given an increase in sales from managed hosting, security and corporate businesses

Renewal of sales management system for security business

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(Unit: million yen)	Dec 2008 term	Jan-Mar 2009	Change	(Unit: million yen)	Dec 2008 term	Jan-Mar 2009	Change
Current assets	2,505	2,622	116	Current liabilities	1,912	2,017	105
Cash and deposit	1,642	1,720	78	Advance received	1,309	1,354	44
Accounts receivable	491	576	85	Other current liabilities	602	662	60
Other current assets	377	330	46				
Allowance for bad debts	-5	-5	0				
Fixed Assets	2,708	2,665	43	Long-term Liabilities	46	40	6
Tangible fixed assets	266	259	-7	Shareholders' equity	3,318	3,284	-33
Intangible fixed assets	1,849	1,842	-6	Appraisal and conversion differences and other foreign exchange adjustment accounts	-82	-82	0
Of the above, software	796	870	73	Minority equity	19	27	8
Of the above, goodwill	1,042	960	-81	Total Net assets	3,255	3,230	-25
Investments and other assets	592	563	-29	Liabilities and Net assets	5,213	5,287	-73
<b>Total Assets</b>	<b>5,213</b>	<b>5,287</b>	<b>-73</b>				

Reflecting favorable sales

# Financial Highlights for Q1

## Cash Flow Statement (Consolidated)

### Investing activities almost complete

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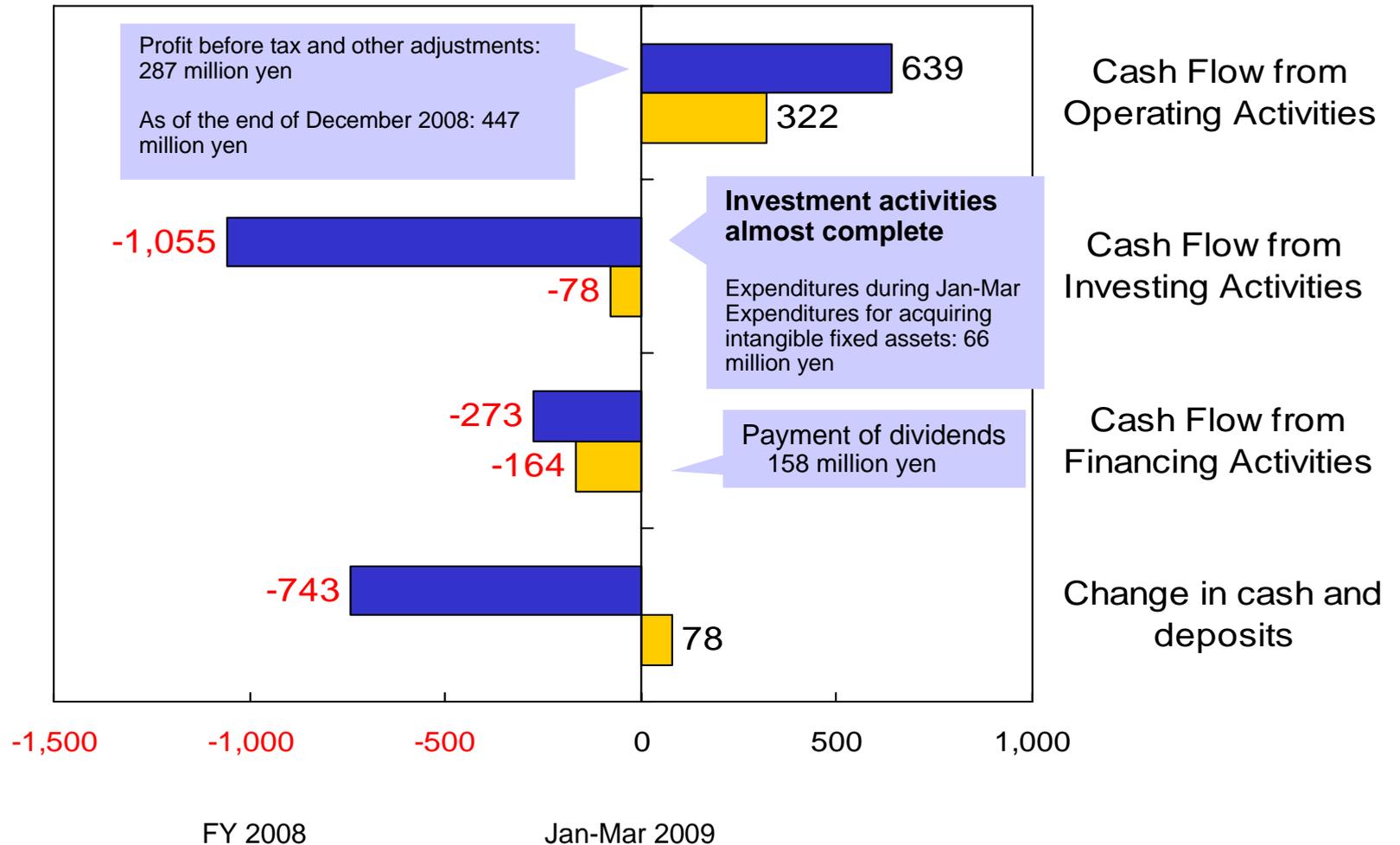
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(Unit: million yen)

■ Jan-Mar 2009 ■ FY 2008



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## 3-1 Hosting Business

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# Hosting Business Summary

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The managed hosting service is going well, and other products are also offering added value with enhanced quality and service

## -Dedicated ,managed hosting service

The IT outsourcing services market has remained steady.  
Focusing investment on the managed hosting service, with high growth potential

## -Shared ,VPS hosting service

Continuing to cut costs, adding value to services, and maximizing economies of scale in the years to come

- Starting template hosting that responds to customer needs
- Improving ongoing value-addition to iCLUSTA
- Strengthening relations with sales reseller

## -OEM

The number of contracts and sales declined because of cancellations by major customers



# Hosting Business

## Sales and number of contracts by product

Despite cancellations by major OEM customers, the managed hosting business is going well

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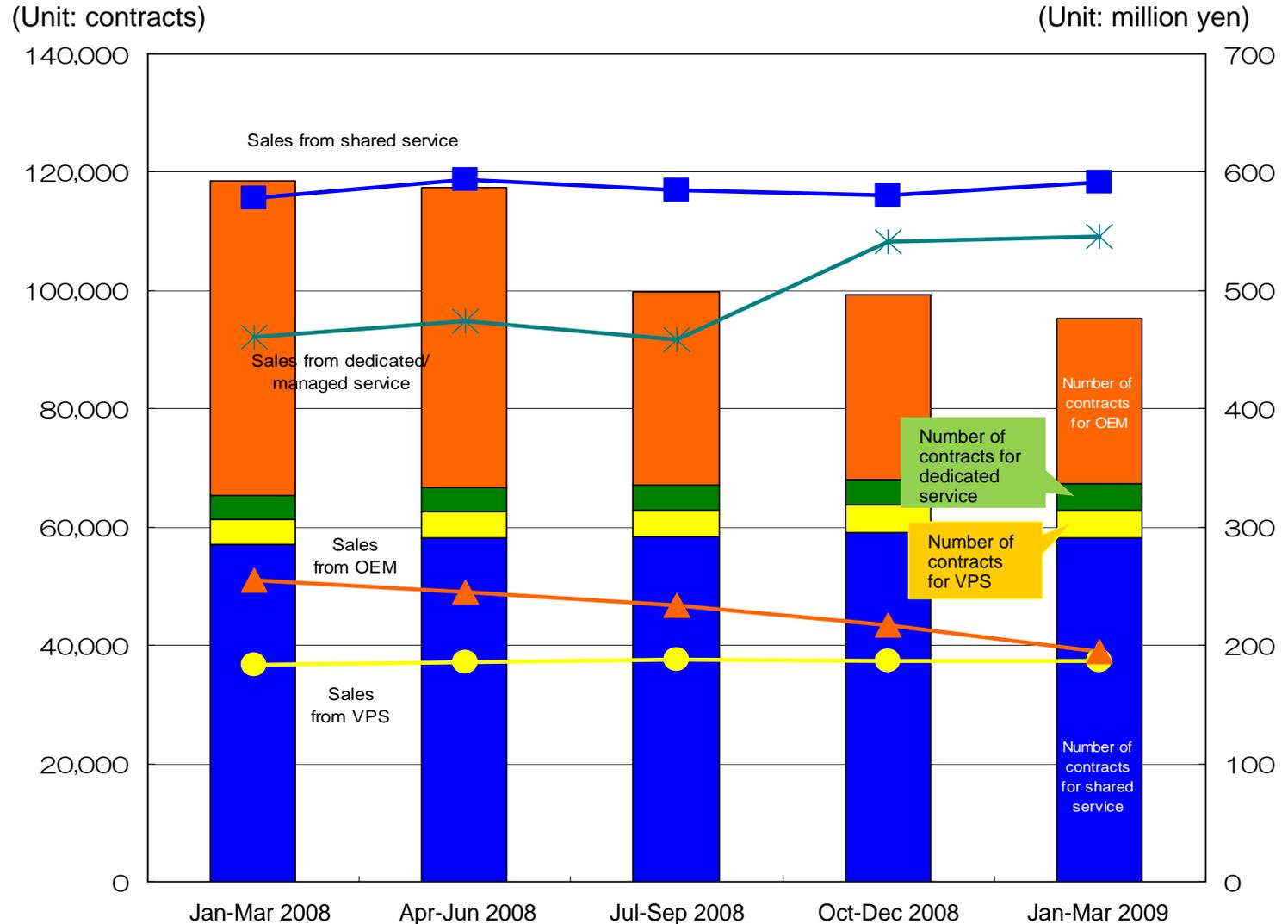
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# Hosting Business

## Average Unit Price

The managed hosting service has pushed the average unit price upward

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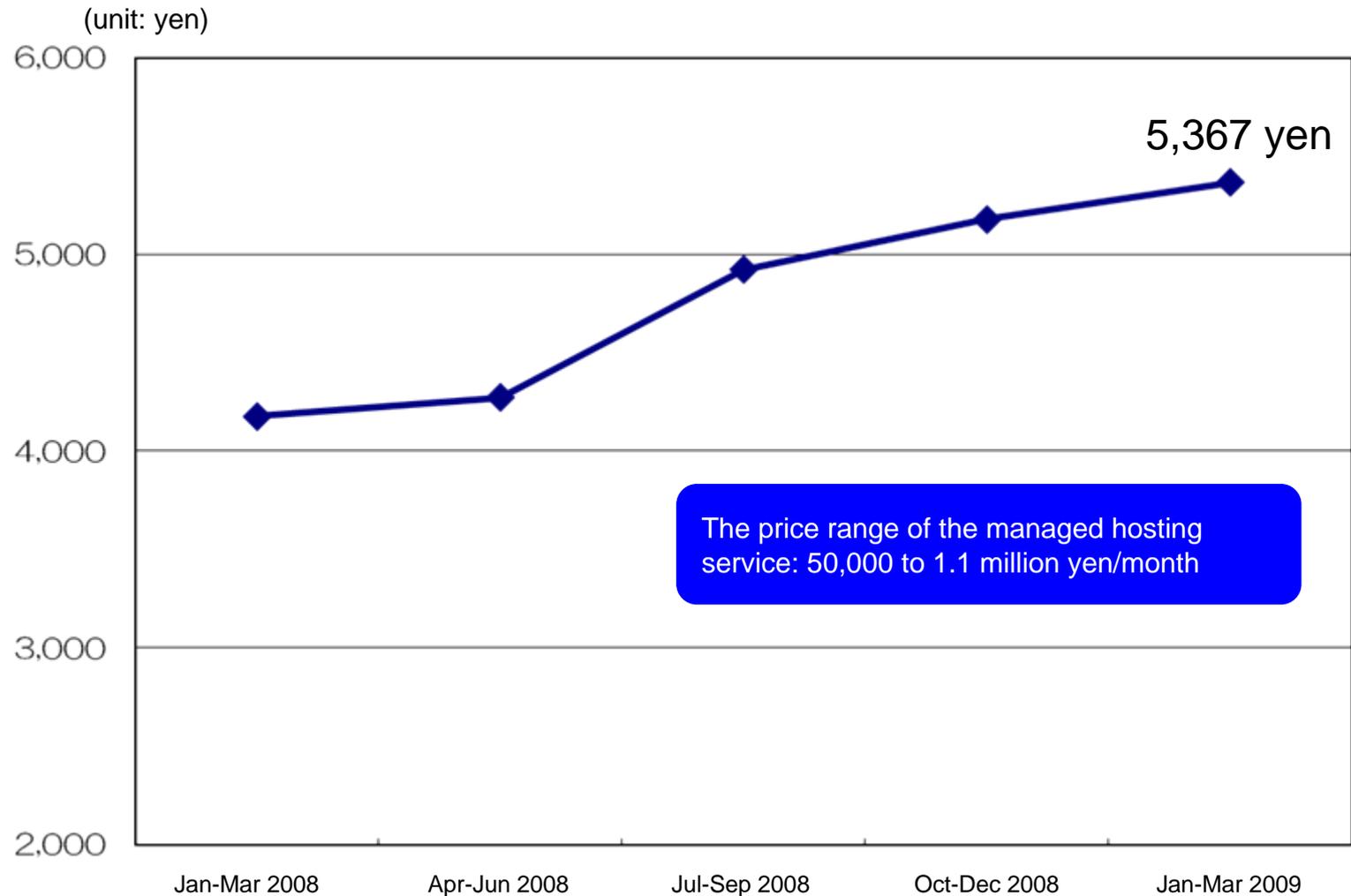
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# Hosting Business

## Managed Hosting Service Drives Future Growth

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Service for consistently offering IT resources that are indispensable for business at low prices

Target: Small and medium enterprises (with annual sales of 15 million yen or more)

Benefits of using the service:

The service can be offered **faster and at low prices** compared to contracting with a systems integrator.

**Rapid action can be taken on security concerns**, compared to when the system is configured in-house.  
**Clients can concentrate their efforts on their core businesses** by consigning information system management to our company.

Competition and compartmentalization:

Differentiating our services from the managed hosting services offered by IDC service providers  
Collaborating with major systems integrators

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# Hosting Business

Work Being Undertaken for the Dedicated Managed Hosting Service

## Expanding and improving the service lineup (Q1)

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Jan

- Jan 27: Media backup option

Feb

- Feb 18: Image backup option
- Feb 27: Redundancy service (HA system)

Mar

- Mar 3: Alternate e-mail server operation service
- Mar 24: Dedicated server Exchange service

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## 3-2 Securities Business

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Remained steady throughout Q1; share expansion attempted by developing sales channels further

-Expanding sales channels  
(Adding more reseller in S. America, SE Asia, Northern Europe, etc.)

## Development of agents

- Development efforts focusing on One-click SSL
- Collaboration agreed with Seiko Precision regarding Time Stamp and Electronic Signature

## Geographical expansion

- Sales website opened for Asia-Pacific region (Australia, New Zealand, Hong Kong, Singapore)
- Contract concluded with influential reseller in Brazil and other countries

## -Product improvement

- The certificate sales system has been improved significantly, enhancing customer convenience.
- Plan to start offering the CDS server version of PDF document signature certificate for Adobe

## -Moved into profit during Q1

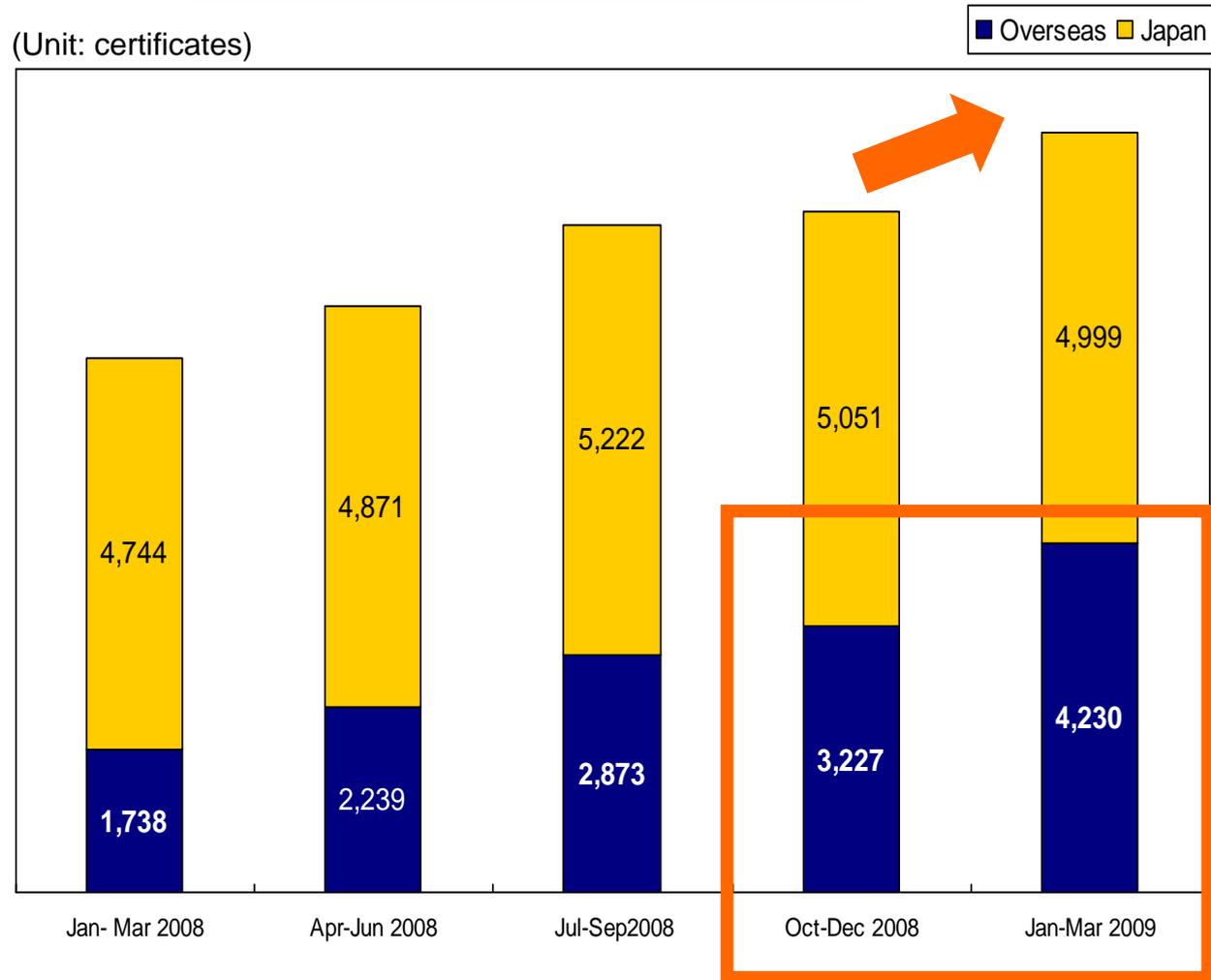
The profit increase accelerated after breakeven point was reached, as the fixed ratio is high.

# Securities Business

## Number of Certificates Issued

Overseas issuance increased significantly

SSL server certificates (on an issue basis)



**Increased mainly overseas**

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# Securities Business

## Number of Reseller

Resellers being developed in S. America and other new markets: 1,605 entities in total

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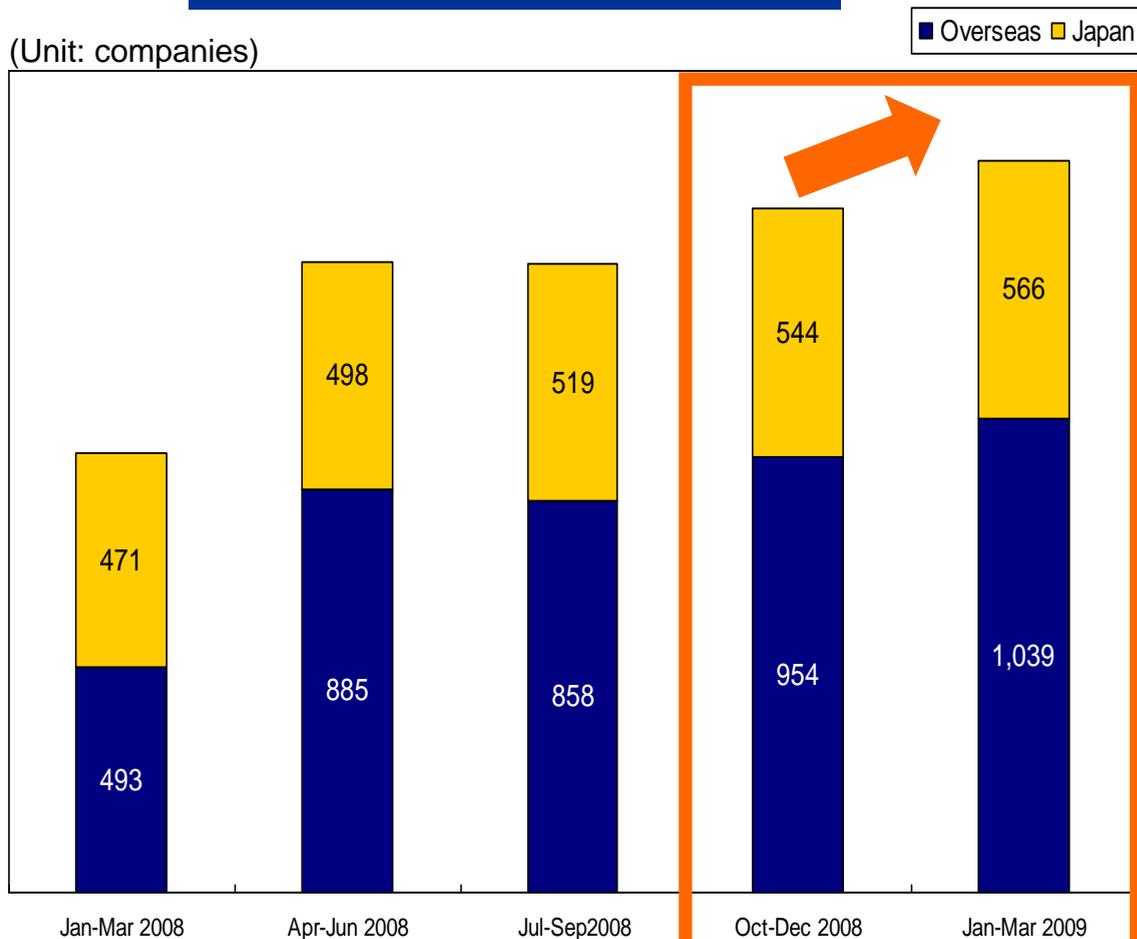
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Number of distributors



Increasing steadily

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# Securities Business

## Changes in Quarterly Results

Operating profit achieved for the first time after switching the GlobalSign brand

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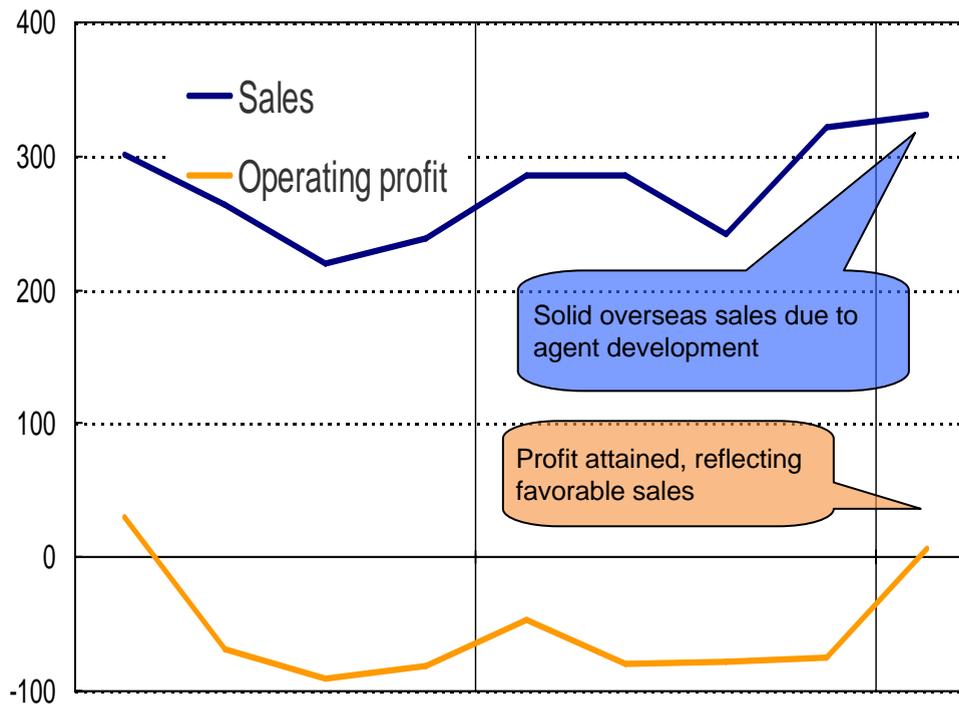
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### Quarterly changes in sales and operating profit



**Profit obtained for the quarter**

\* First time after brand switching

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\* Changed to yearly average rate from year-end rate since Q4 of 2008  
\* Changed to figures including transactions among segments

# Thank you for your attention.



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form at [http://www.gmo-hs.com /](http://www.gmo-hs.com/)

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# Financial forecast

## profit and Loss Statement (Consolidated)

Seeking superior profits through a sustained expansion of sales and improved cost competitiveness

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	FY2007 (reference)	FY2008 (result)	FY2009 (forecast)	YoY (%)
Sales	6,742	7,187	7,800	+8.5
Operating Profit	943	804	1,002	+24.7
Ordinary Profit	812	787	1,005	+27.6
Net Profit	371	70	442	+527.1

(Unit : million yen, Amounts of rounded down to the nearest one million yen)

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# Financial Forecast

## Segment (Sales)

Forecasting growth of more than 20% in managed hosting

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(Unit: million yen)	FY2007 (reference)	FY2008 (result)	FY2009 (forecast)	YoY (%)
Hosting Services	5,753	6,017	6,525	+8.4
Security Services	1,024	1,137	1,244	+9.5
Other Services	34	94	76	-19.1
Amortization of consolidated Adjustment account	-69	-61	-45	-
Consolidated Total	6,742	7,187	7,800	+8.5

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\* Sales presentation covers transactions among inter-segments.



# Financial Forecast

## Segment (Ordinary Profit)

### Promoting returns on investment by expanding sales channels in securities business

Hosting Services: Amortization of in-house ITsystem: 120 million yen/year since May  
(Forecasting absorption of amortization by increasing sales and operational efficiency)  
Increase in goodwill amortization: +82 million/year

Securities Services: Promoting returns on investment by reducing amortization of 60 million yen and boosting sales

Ordinary Profit (Unit: million yen)	2007 (reference)	2008 (result)	2009 (forecast)	YoY (%)
Hosting Services	1,165	1,092	1,115	+2.1
Security Services	-211	-281	-125	-
Other Services	-20	-6	7	-
Amortization of consolidated Adjustment Account	9	-0	4	-
Consolidated Total	943	804	1,002	+24.7

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# Hosting Business

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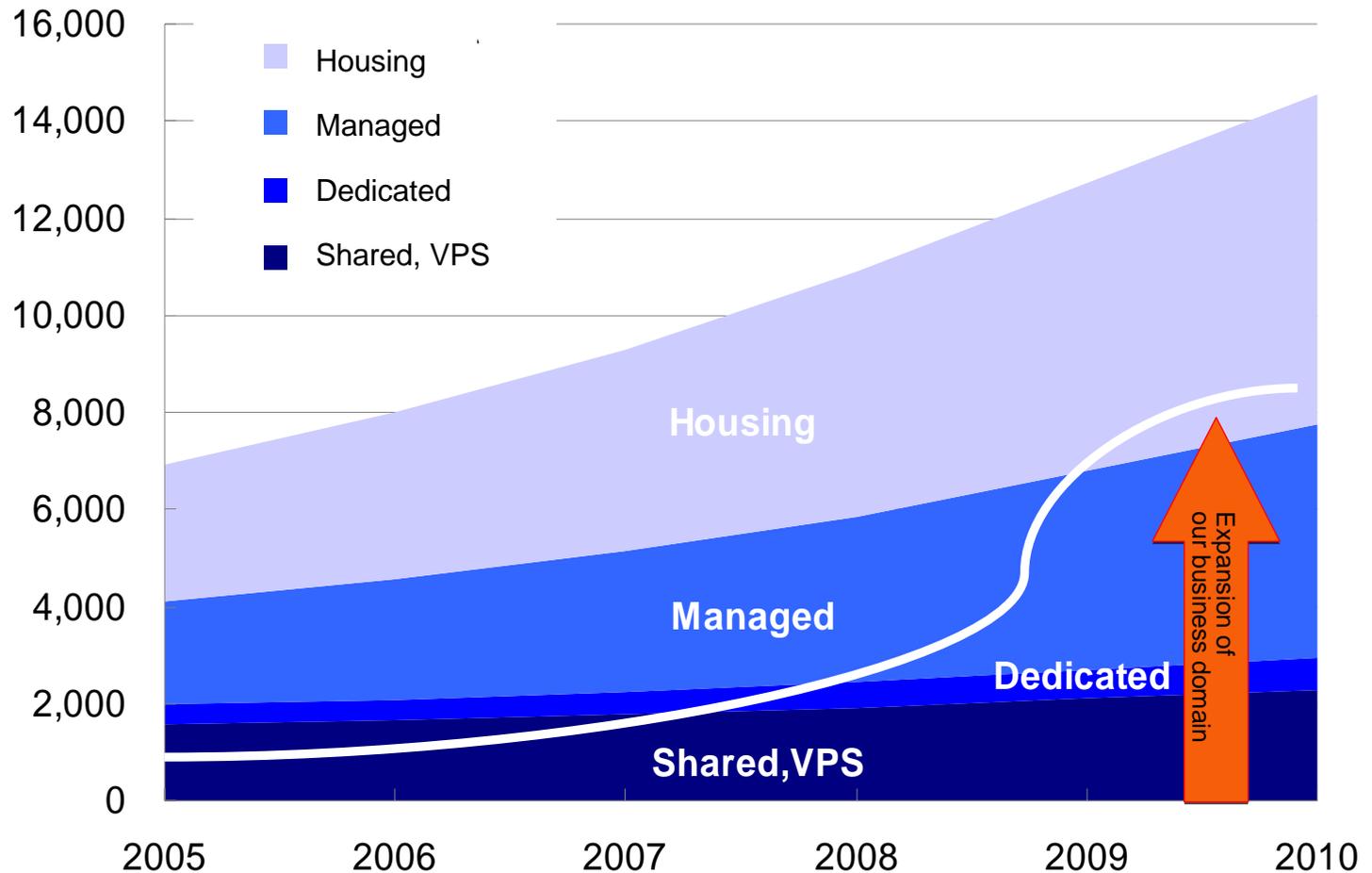
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## Hosting service market in the US

(Unit: Million \$)



Source: The US Hosting Service Market 2006IDC #201639

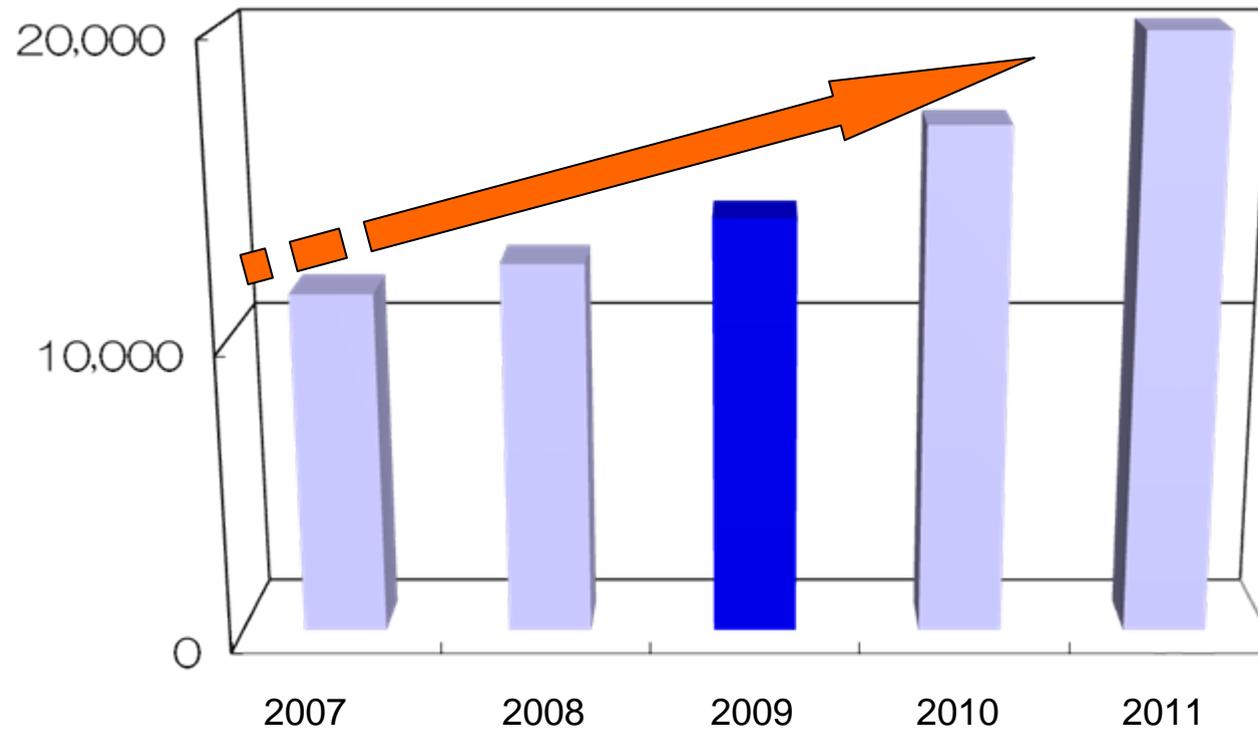


# Securities Business

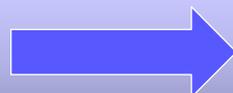
Reference: Markets (domestic)

Average market growth rate 15%

(Unit: million yen)



Source: Fuji Chimera Research Institute



Use of services is expanding regardless of Company size. Growth to accelerate with enactment of e-document laws, J-sox and other laws, as well as the dissemination of IE7.

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# Securities Business

Reference: Market environment (overseas)

Number of server certificates issued: global growth rate of 15.2% marked

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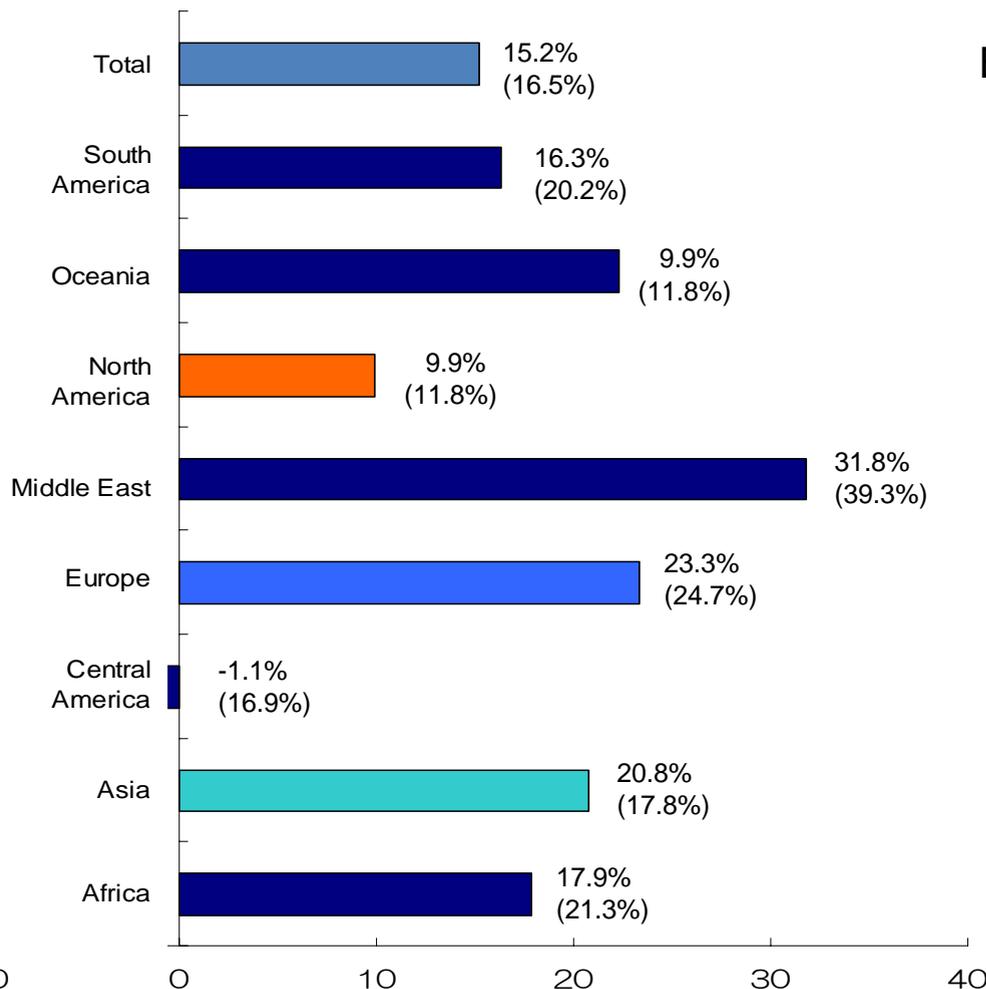
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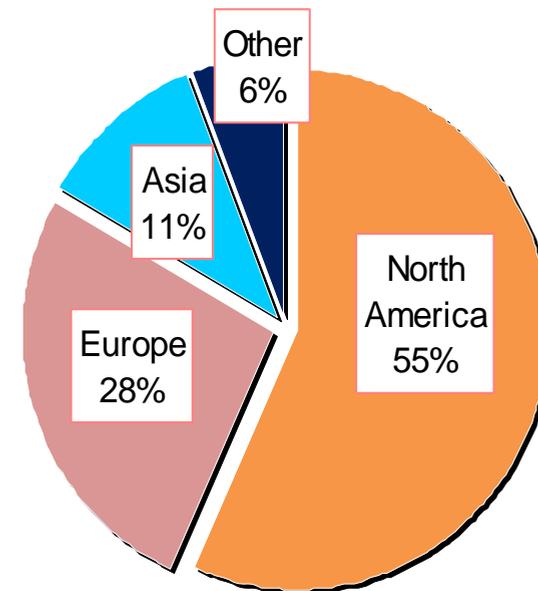


(unit: %)

Growth rate by region



Breakdown of certificates issued



Source: Netcraft survey and own estimate as of March 2009 In ( ) are the figures for Dec 2008

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<b>Company name</b>	GMO HOSTING & SECURITY, INC. (Abbreviated name: GMO-HS)
<b>Security code</b>	3788 (Mothers, TSE)
<b>Established in</b>	iSLE Co., Ltd. (our company today) was established in May 1997
<b>Scope of business</b>	Provision of comprehensive Internet services
<b>Core businesses</b>	Hosting service Security service (electronic authentication service)
<b>Parent company</b>	GMO Internet, Inc. (First Section of TSE: 9449) Owns 51.3% of our company's shares -Participated in the GMO Internet Group in May 2001
<b>Subsidiaries</b>	Nine consolidated subsidiaries (five in Japan, four overseas); one non-consolidated subsidiary (overseas)
<b>Number of employees</b>	261 (not including temporary and other workers), as of the end of March 2009

# Reference: Features of Our Business Activities

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	Hosting Services	Security Services
Profit model (Stock-type business model)	Initial fees + monthly fees	Initial fees + annual fees
Sales channels	(1) Direct selling (2) Commission reseller (3) reseller (4) OEM	(1) Direct selling (2) Commission reseller (3) reseller (4) Large-scale corporate contracts
Major indexes	Number of contracts: about 95,000  (Among the largest in Japan)	Number of certificates issued (end of March 2009) In Japan 4,999 Overseas 4,230 (Ranking second in terms of domestic share)
Major services	Provision of IT infrastructures (hosting service) <Categories> Shared Virtual dedicated (VPS) Dedicated Managed	Electronic authentication services <Categories> Quick authentication SSL Corporate authentication SSL EVSSL (intensive SSL) and others