

Theme:

Managed Hosting Services: Active Even in Recession

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

Presentation: Presentation of Financial Results for the Third Quarter of Fiscal Year 2009

November 16th, 2009

GMO HOSTING & SECURITY, INC.

(Mothers of the Tokyo Stock Exchange 3788)



<http://www.gmo-hs.com/>

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Agenda

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

1. Summary
and Conclusion

2. Highlights

3. Business Overview

1. Summary and Conclusion

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Summary and Conclusion

Summary through Third Quarter

1. Summary and Conclusion

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Strong during the Jan-Sep period

■ Cumulative consolidated financial results for the third quarter (Jan-Sep)

(Unit: million yen)	Jan-Sep 2008	Jan-Sep 2009	Percentage Change
Sales	5,307	5,665	+6.7%
Operating profit	657	868	+32.1%
Ordinary profit	658	877	+33.4%
Net profit	238	462	+93.7%
Net profit per share (yen)	2,050.87	3,971.69	-

Hosting Services
 Sales ¥4,642 million
 (Year on year: +3.8%)
 Operating profit ¥832 million
 (Year on year: -4.7%)

Security Services
 Sales ¥1,006 million
 (Year on year: +23.6%)
 Operating profit ¥30 million
 (Year on year: +236 million)

■ Financial highlights through third quarter

- Hosting Services

1. The lineups of Shared/ VPS hosting services have been expanded to respond to market needs. In OEM, a sales decline due to cancellations by major customers has a limited impact on profits.
2. Sales and profits are both strong in the dedicated managed hosting service.
3. The costs incurred for IT system investment and operation have been absorbed by continued cost improvements.

- Security Services

4. Good progress in the development of resellers and the issuance of certificates results in a positive operating profit in the Jan-Sep period.

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Summary and Conclusion FY 2009 Financial Forecast and Issues

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Steady progress towards achieving FY 2009 full year forecasts

■ FY2009 financial forecasts and achievements in the Jan-Sep period

(Unit: million yen)	Jan-Sep 2009	FY2009 Forecast (Consolidated)	Progress against full-year forecasts
Sales	5,665	7,800	72.6%
Operating profit	868	1,100	78.9%
Ordinary profit	877	1,100	79.7%
Net profit	462	580	79.7%
Net profit per share (yen)	3,971.69	4,982.39	-

■ Issues to be addressed in the fourth quarter and beyond

1. Response to the low-end hosting service market (increase in number of contracts)
2. Increase in sales efforts for managed hosting services and continued improvements in services and quality
3. Geographical expansion of security services and development of resellers for boosting market share in the global market

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Financial Highlights

Consolidated Statement of Income

Massive year-on-year profit growth and constant progress toward full-year forecasts

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Reference

(Unit: million yen)	Jan-Sep 2008		Jan-Sep 2009					FY 2009	
	Jul-Sep results	Jan-Sep results	Jan-Mar results	Apr-Jun results	Jul-Sep results	Jan-Sep results	YoY Change (%)	Full Year forecast	Achievement (%)
Sales	1,726	5,307	1,874	1,914	1,876	5,665	+6.7%	7,800	72.6%
Cost of sales	758	2,264	774	749	742	2,266	+0.1%	-	-
Gross profit on sales	967	3,043	1,099	1,164	1,134	3,399	+11.7%	-	-
Sales, general & administrative expenses	792	2,386	825	839	864	2,530	+6.0%	-	-
Operating profit	175	657	274	324	269	868	+32.1%	1,100	78.9%
Ordinary profit	189	658	285	319	273	877	+33.4%	1,100	79.7%
Net profit	80	238	152	173	136	462	+93.7%	580	79.7%

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Financial Highlights

Sales According to Segment

1. Summary and Conclusion

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72.6% achievement against the full-year sales forecast of 7,800 million yen

(Unit: million yen)

Hosting Services

Security Services

Jan-Sep 2008

Consolidated total 5,307

Hosting 4,470

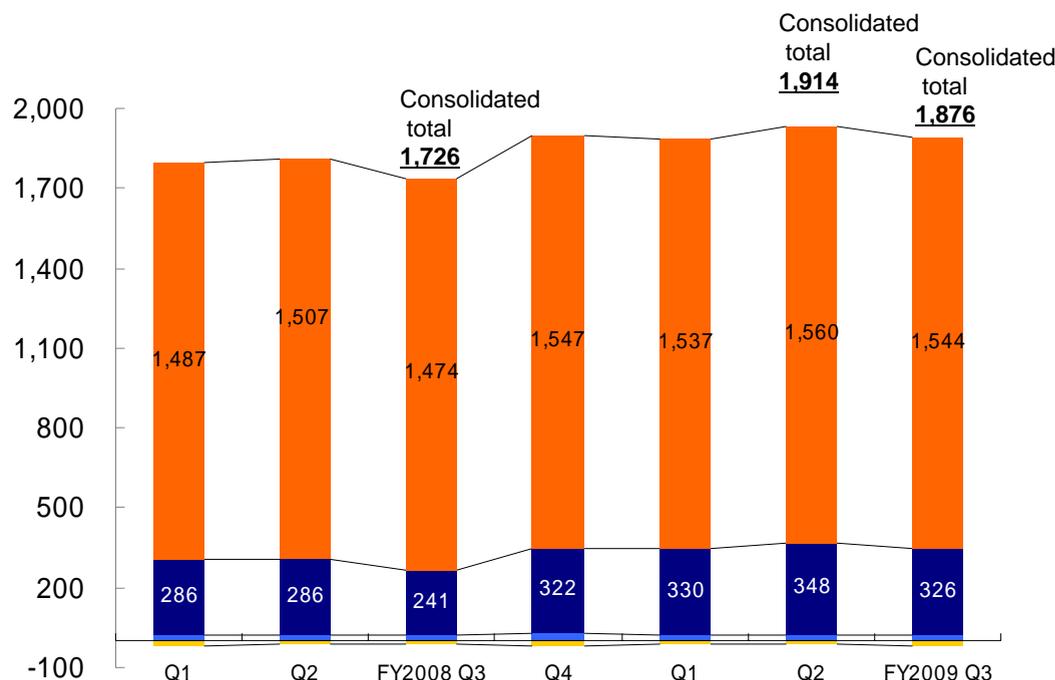
Security 814

Jan-Sep 2009

Consolidated total 5,665

Hosting 4,642

Security 1,006



Hosting Services ¥4,642 million

- 1. YoY change: +3.8%
-> Growth in managed hosting service
Cancellation by major customers in OEM

- 2. Full-year sales forecast:
6,434 million yen (72.1% achievement)

Security Services ¥1,006 million

- 1. YoY change: +23.6%
-> Expansion in US and in UK

- 2. Full-year sales forecast:
1,337 million yen (75.2% achievement)

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Financial Highlights

Security Sales According to Currency

Overseas operations are steadily building a track record.

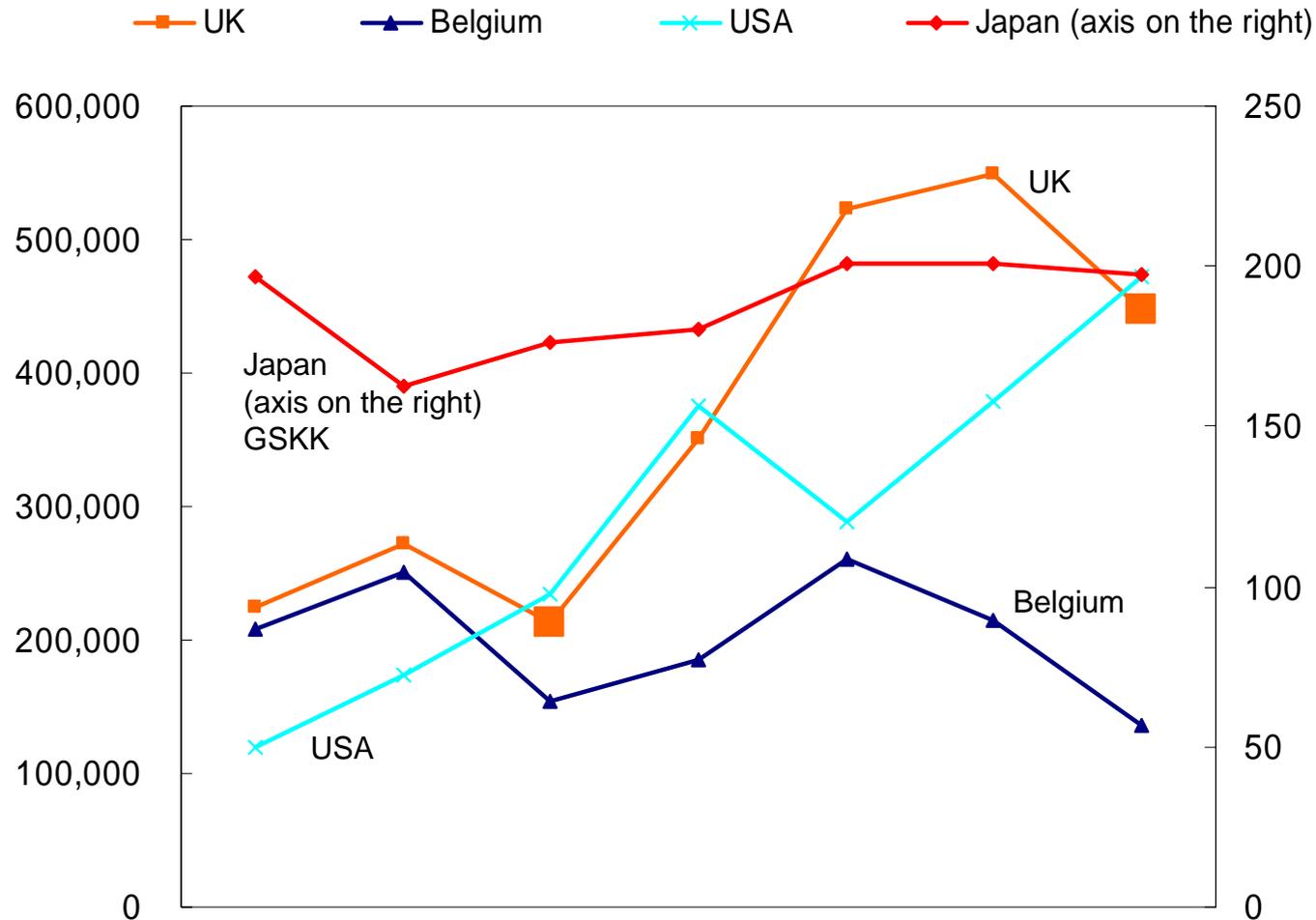
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Unit: UK: GBR
 Belgium: EUR
 USA: USD

(Unit: million yen)



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Financial Highlights

Consolidated Cost of Sales

Cost cutting in the hosting business continued.

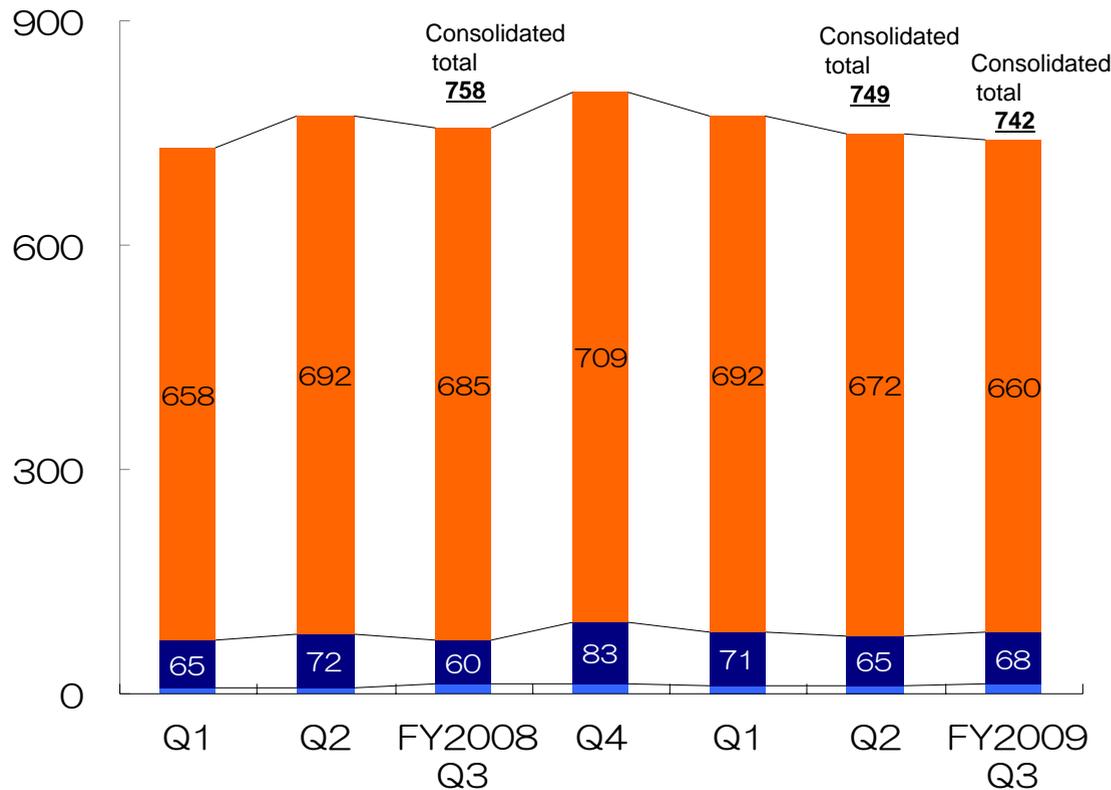
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(Unit: million yen)

	Hosting Services	Security Services
Jan-Sep 2008		
<u>Consolidated total</u>	<u>2,264</u>	
Hosting	2,036	
Security	198	
Jan-Sep 2009		
<u>Consolidated total</u>	<u>2,266</u>	
Hosting	2,025	
Security	205	



Cost cutting continued through efficient operation.

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Financial Highlights

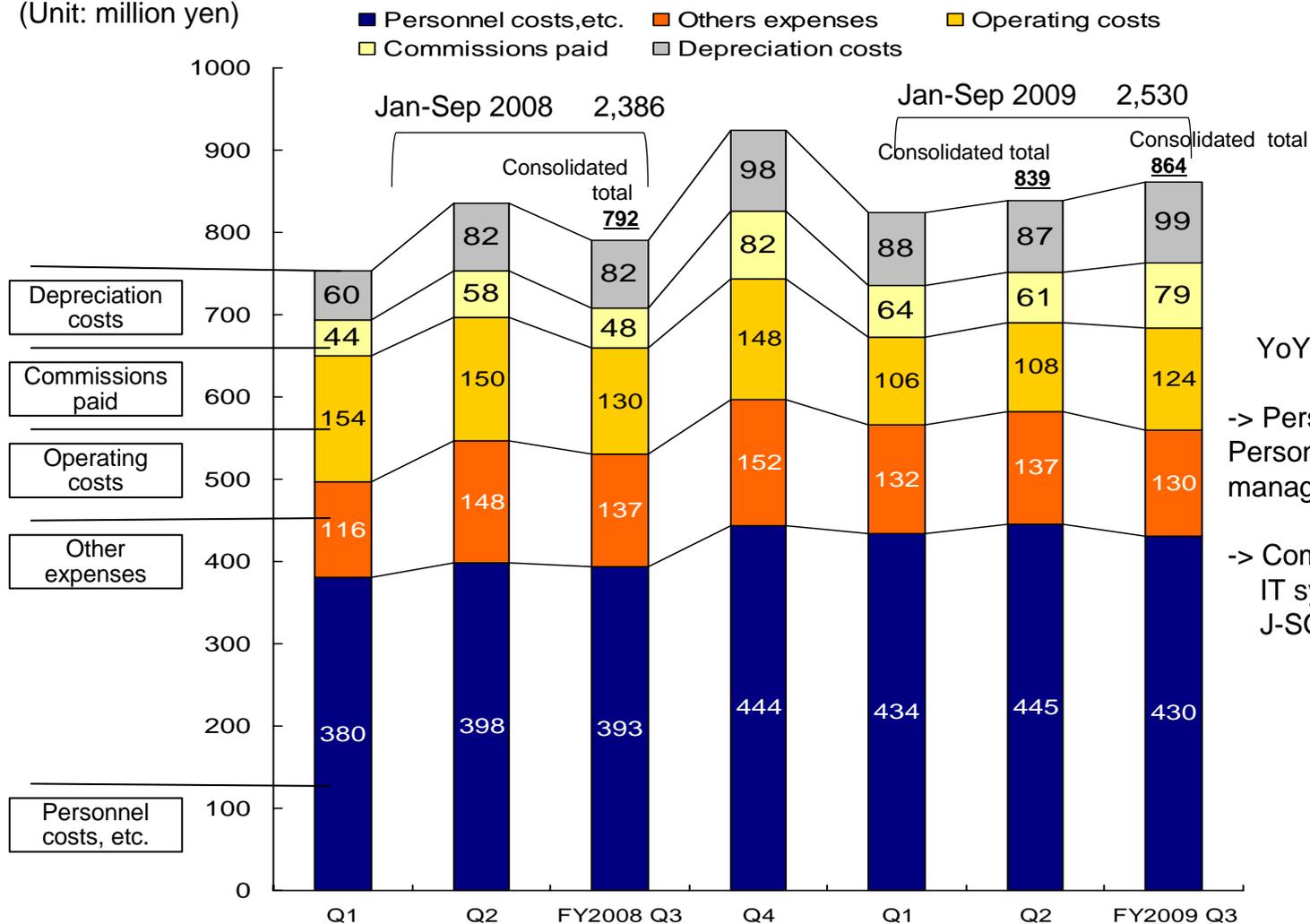
Consolidated Sales, General & Administrative Expenses

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(Unit: million yen)



YoY Change: +6.0%

-> Personnel costs: +11.8%
Personnel increase for managed hosting

-> Commissions paid: +34.9%
IT systems
J-SOX

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Financial Highlights

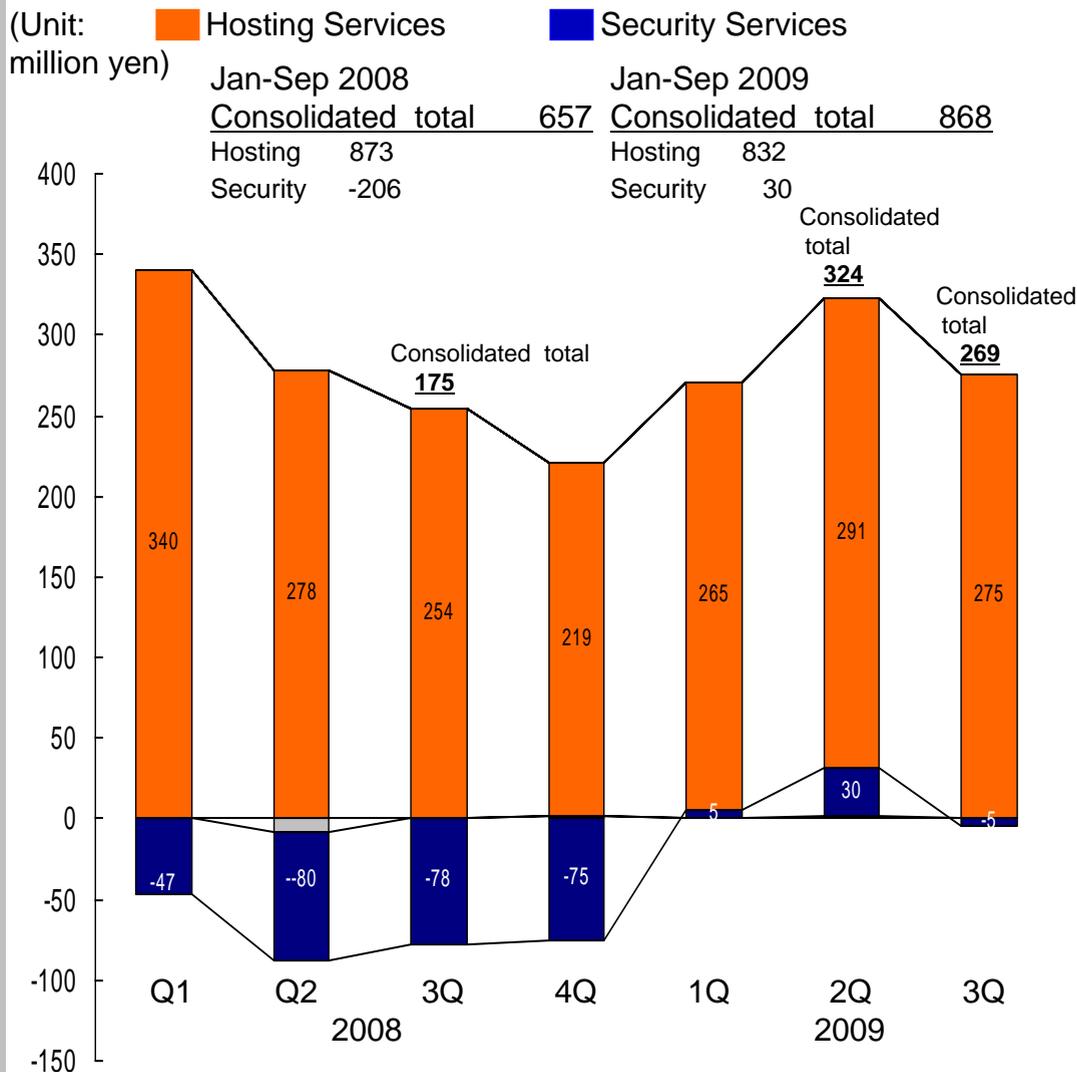
Operating profit According to Segment

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78.9% achievement against full-year operating profit forecast



Hosting Services ¥832 million

- YoY change: -4.7%
-> Rise in IT system expenses
-> Cost cutting effect

- Full-year operating profit forecast:
1,098 million yen (75.8% achievement)

Security Services ¥30 million

- YoY change: +236 million yen
- Full-year operating profit forecast:
-10 million yen (+40 million yen achieved)

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Financial Highlights

Consolidated Balance Sheets

1. Summary and Conclusion

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Sound financial status

(Unit: million yen)	Dec 2008	Sep 2009	(Unit: million yen)	Dec 2008	Sep 2009
Current assets	2,505	3,262	Current liabilities	1,912	2,053
Cash and deposit	1,642	2,428	Advance payment received	1,309	1,348
Accounts receivable	491	524	Other current liabilities	602	704
Other current assets	377	315	Fixed liabilities	46	28
Provision for bad debts	-5	-6	Total Liabilities	1,958	2,081
Fixed Assets	2,708	2,373	Shareholders' equity	3,318	3,595
Tangible fixed assets	266	238	Gaps in Appraisal, Conversions, etc. Foreign currency translation accounts	-82	-74
Intangible fixed assets	1,849	1,673	Minority equity	19	33
Of the above, software	796	844	Net assets	3,255	3,554
Of the above, goodwill	1,042	816	Liabilities and net assets	5,213	5,635
Investments and other assets	592	461			
Total Assets	5,213	5,635			

Steady rise in cash and deposits

Given an increase in corporate sales in managed hosting and security services

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Backlog



Financial Highlights

Consolidated Cash Flow

Investing activities almost complete

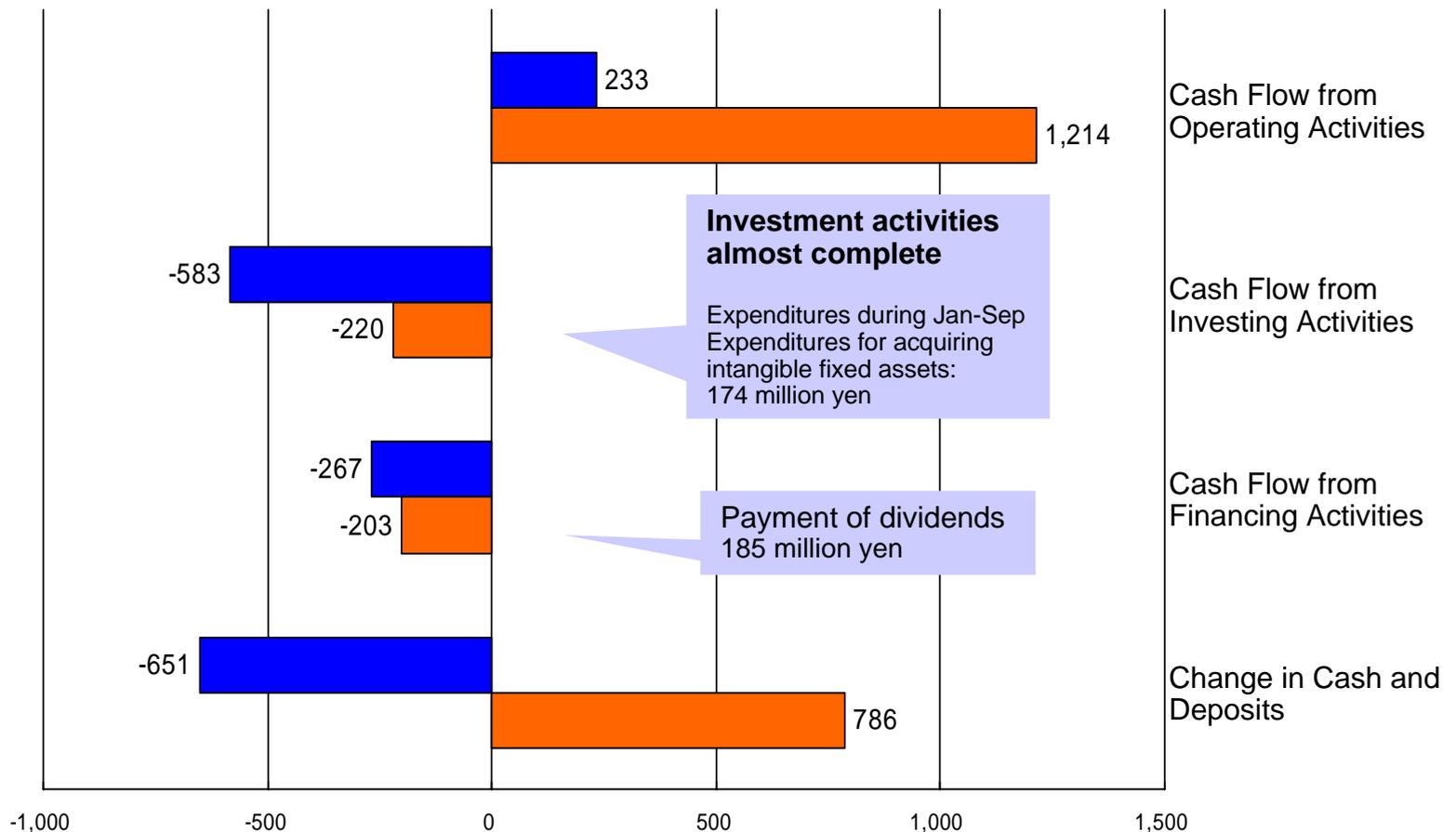
1. Summary and Conclusion

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(Unit: million yen)

■ Jan-Sep 2008 ■ Jan-Sep 2009



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1. Summary and
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3. Business Overview

3-1 Hosting Business

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Hosting Business Summary

1. Summary and Conclusion

2. Highlights

3. Business Overview

While maintaining strength in managed hosting services, reach the low-end market and continue to expand the scale of the business.

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

Jan-Jun: cut costs, maximizing economies of scale, adding value to services

July onwards: addressing the low-end market in addition to the three issues mentioned above

OEM

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

However, this change has a minor impact on profits.

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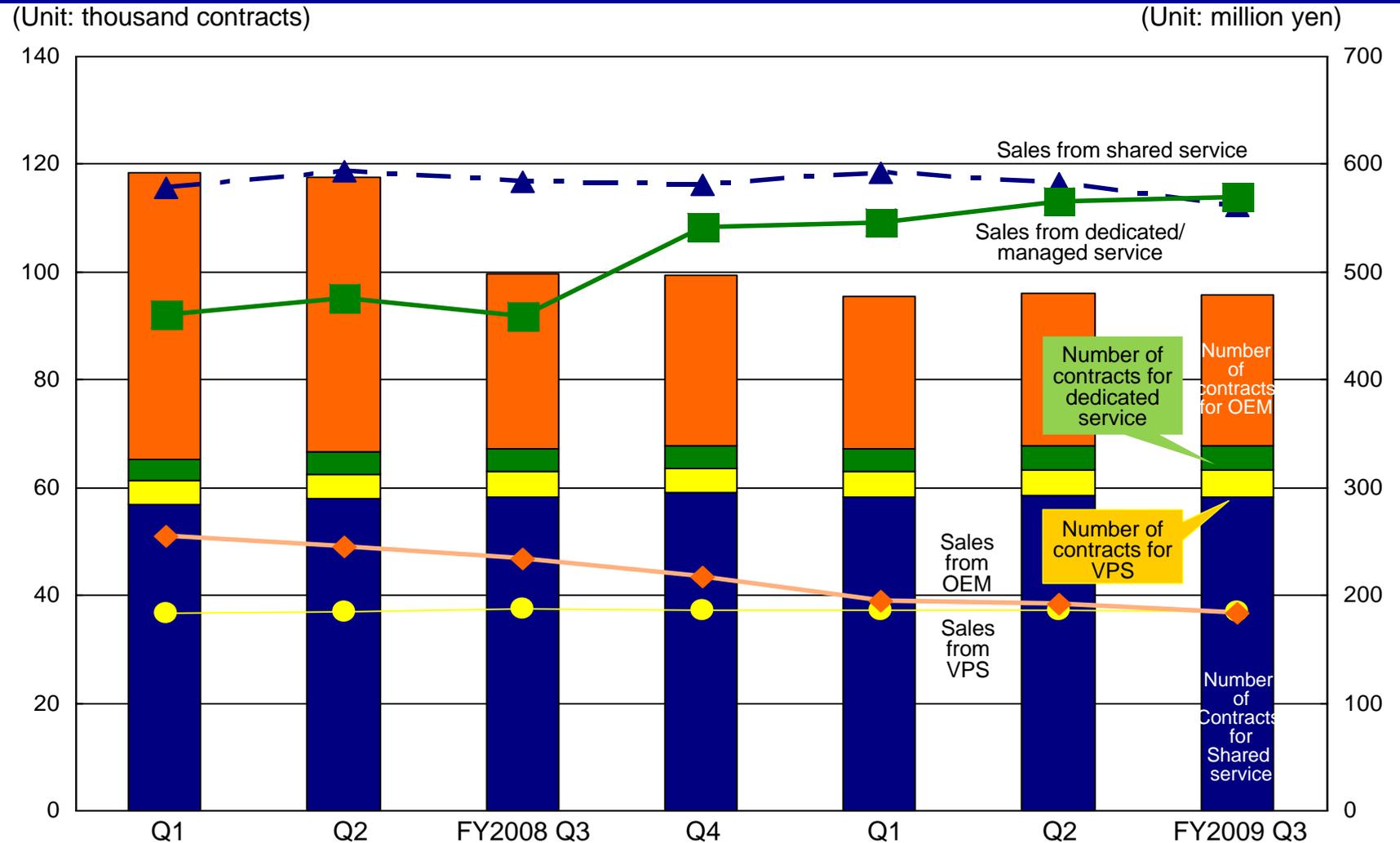
Hosting Business Sales and number of contracts by product

Managed hosting service performing well and action to capture the low-end market commences.

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Hosting Business Average Unit Price

Average unit price decline due to an attempt to reach the low-end market.

1. Summary and Conclusion

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(Unit: yen)



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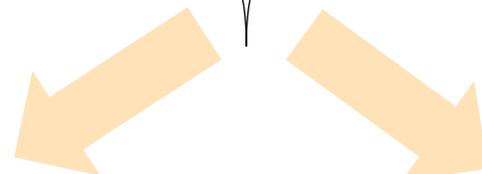
Hosting Business Issues to be addressed in Q4

Response to price polarization in the hosting service market

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**Response to the low-end market:
To gain new contracts**

Infinito PLUS (Shared) released on Oct. 19
30GB: 1,470 yen per month

Server Queen (VPS) released on Oct. 27
10GB: 925 yen per month

RapidSite (VPS) released on Nov. 11
512MB: 1,890 yen per month

**Improving added value:
Enriching services and aiming to
improve support and quality**

Disaster recovery service launched on Oct. 28

Streamlining of
operations and costs

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3-2 Securities Business

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Securities Business Summary

1. Summary and Conclusion

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3. Business Overview

Working positively towards increasing global market share

□ Expanding sales channels

(Adding more resellers / expansion to North Europe, South America, Southeast Asia and other regions)

- Sales channels

- The number of resellers continues to increase.

- Geographical expansion

- North Europe: Partnership with a major local ISP.
- Full-scale action targeted for France
- Brazil: Partnership with a major local hosting service provider
- Oceania: Service provided for the *e-apostille* program run by the New Zealand government
- Southeast Asia: A business and capital partnership with a Vietnamese governmental certificate authority

□ Product improvement

- Seeking to meet customer needs and to offer them greater convenience

- Collaboration with Seiko Precision Inc. in time stamps and digital signatures
- An easy update feature added to substantially reduce the login, certificate selection, and other processes necessary to the update

- Introduction of services for large companies

- Launch of the Managed PKI Lite Service, an in-house Certificate Authority hosting service for businesses
- Launch of the Public Route Certificate Service, which adds a GlobalSign trusted root to private certificate authorities

□ Profitability attained in the Jan-Sep period

- Actual profit in Jan-Sep

- 30 million yen (40 million yen higher than the full-year forecast)

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Securities Business Number of Certificates Issued

1. Summary and Conclusion

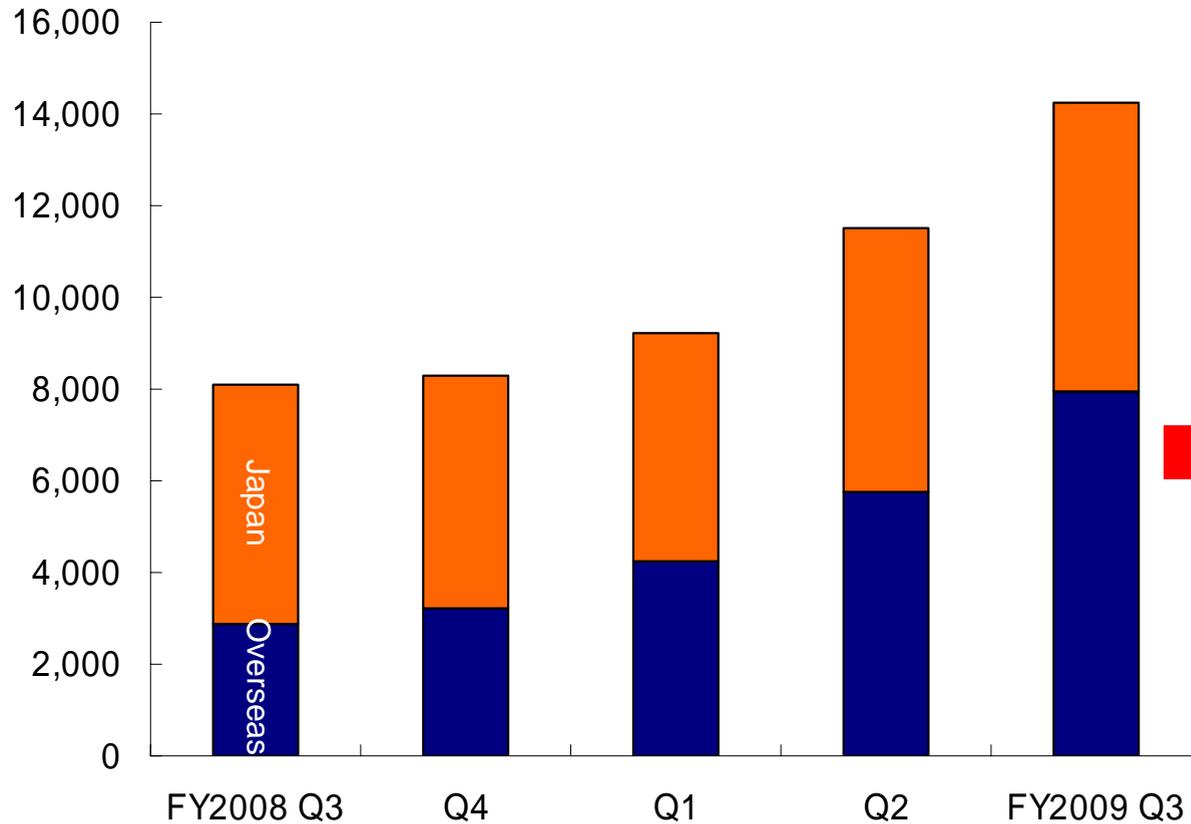
2. Highlights

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Overseas > Japan

(Unit: certificates)

SSL server certificates (on an issue basis)



Constant growth overseas

Jul-Sep 2009
 Japan 6,305 certificates
 Overseas 7,938 certificates

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Securities Business

Number of Resellers

1. Summary and Conclusion

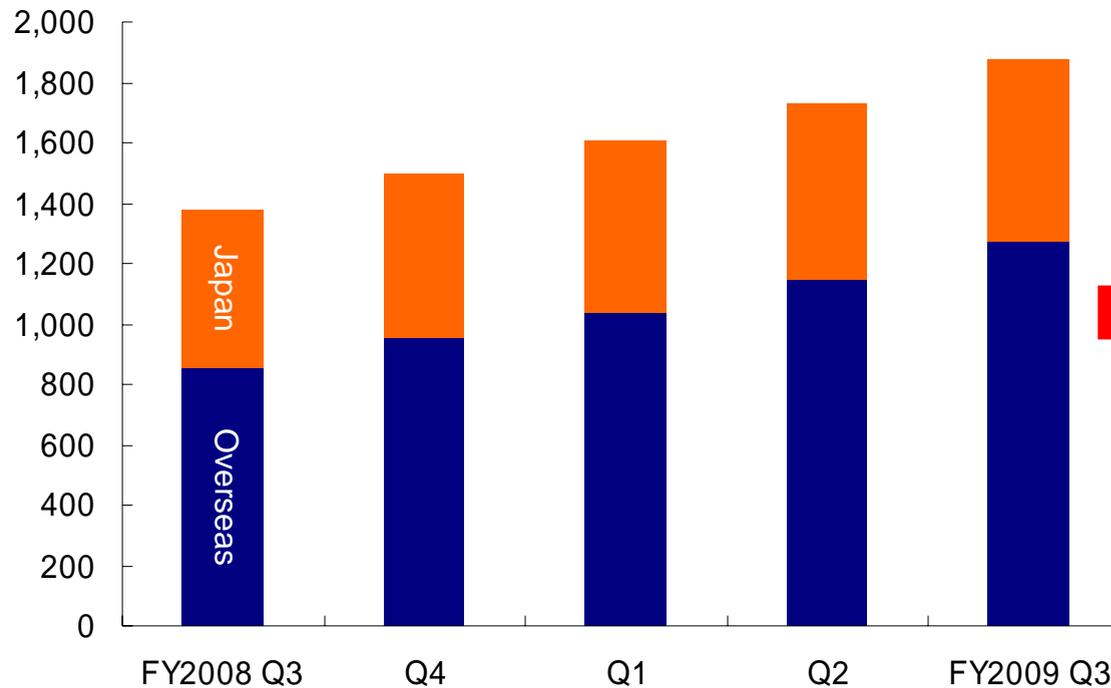
2. Highlights

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Continuing to recruit resellers: 1,877 entities in total

Number of Resellers

(Unit: companies)



The network of resellers is broadening across the globe.

Jul-Sep 2009

Japan 602 companies

Overseas 1,275 companies

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Securities Business Change in Quarterly Results

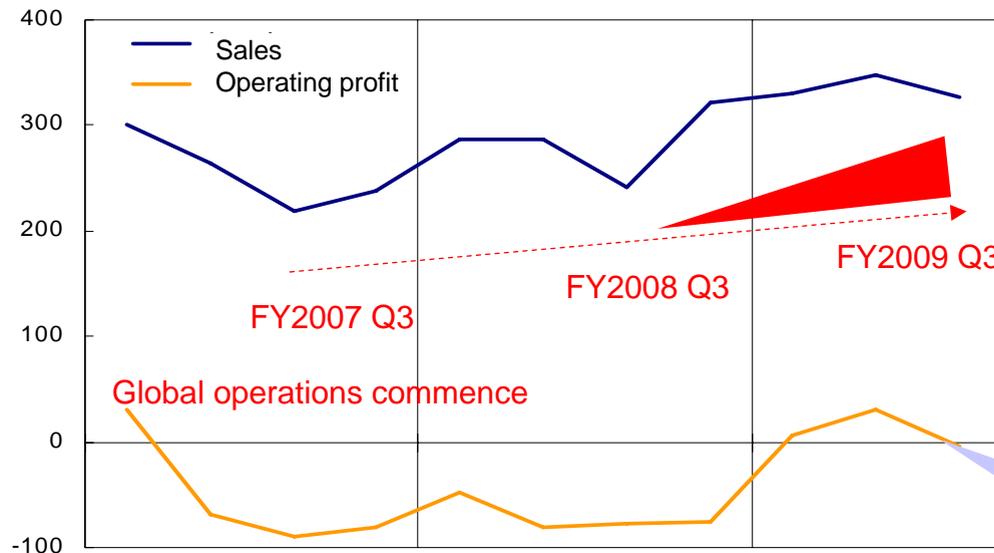
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Positive operating profit achieved in the Jan-Sep period

Quarterly changes in sales and operating profit



Seasonal factors in Q3
The growth is faster than the trend.

Results have exceeded the forecasts.

Full year forecast: -10 million yen
Jan-Sep 2009: 30 million yen

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

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