

Presentation of Financial Results for the First Quarter of Fiscal Year 2010

May 13th, 2010

GMO HOSTING & SECURITY, INC.

(Mothers of the Tokyo Stock Exchange3788)



<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
 - 3-3 Solution Service Business
4. Financial Forecast 2010

1.Summary&Conclusion

2.Financial Highlights

3.Business Overview

4.Financial Forecast

1.Summary and Conclusion

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Summary and Conclusion

Summary through First Quarter

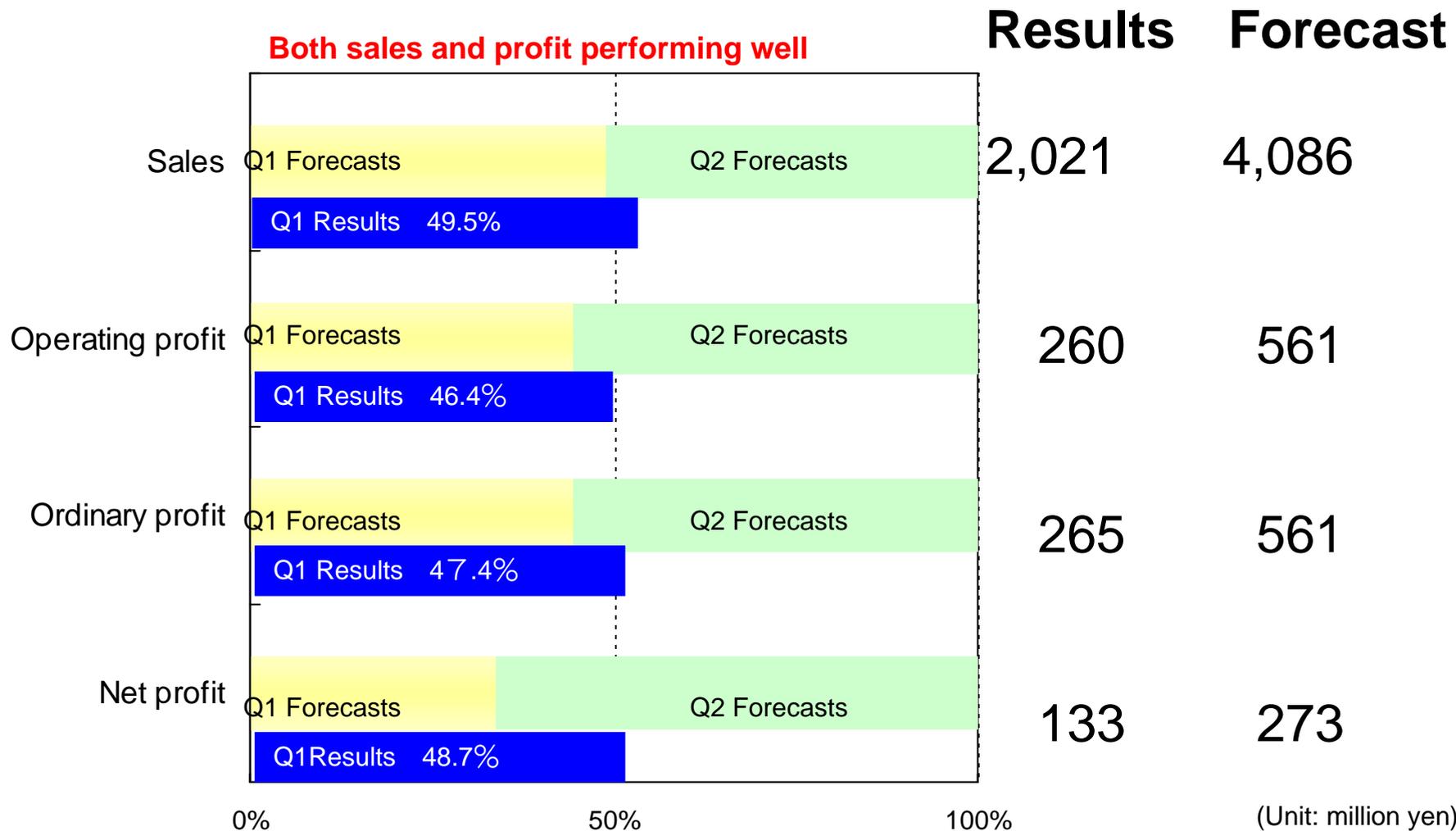
1.Summary & Conclusion

2.Financial Highlights

3.Business Overview

4.Financial Forecast

Progress for the Second Quarter Consolidated Accounting Period (Interim)



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Summary and Conclusion

Summary through First Quarter

1.Summary & Conclusion

2.Financial Highlights

3.Business Overview

4.Financial Forecast

Financial Highlight

◇Hosting Services

- Declining profit due to the strengthening of low-priced services and increased operating costs
- Recovery expected in the second half of the year, according to the plan for the full business year

◇Security Services

- Healthy sales
- Posting operating profit (FY2010 Q1: 40 million yen) close to that of the previous year of 56 million yen

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1.Summary & Conclusion

2.Financial Highlights

3.Business Overview

4.Financial Forecast

2. Financial Highlights

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Financial Highlights

Consolidated Statement of Income

1.Summary & Conclusion

2. Financial Highlights

3.Business Overview

4.Financial Forecast

Despite declining profits due to strategic investments, highest-ever quarterly sales were posted

(Unit: million yen)	FY2009				FY2010
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Sales	1,874	1,914	1,876	1,928	2,021
Cost of sales	774	749	742	747	776
Gross profit on sales	1,099	1,164	1,134	1,180	1,244
Sales, general & administrative expenses	825	839	864	908	984
Operating profit	274	324	269	272	260
Ordinary profit	285	319	273	281	265
Net profit	152	173	136	151	133

Record quarterly Sales

Up 19.2% year on year

-Hosting
Increased operating costs

-Security
Increased personnel due to multilingual support

-Solution
Added two subsidiaries

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Financial Highlights Sales According to Segment

Highest-ever quarterly sales

1. Summary & Conclusion

2. Financial Highlights

3. Business Overview

4. Financial Forecast

- Hosting
- Security
- Solutions
- Intercompany transaction adjustment or all companies

(Unit: million yen)

	Jan-Mar 2009	Jan-Mar 2010
Consolidated total	1,874	2,021
Hosting	1,537	1,530
Security	330	393
Solutions	19	115

Hosting Services

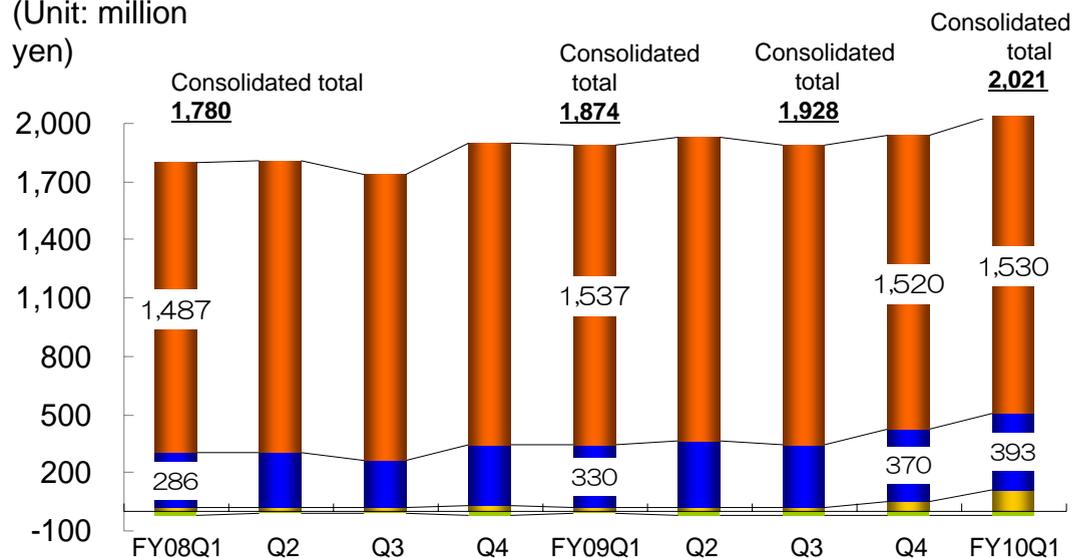
1,530 million yen
 (-0.5% year on year, +0.6% over the previous quarter)
 - Began offering low-priced services from Q4, 2009
 - Impact from cancellations of major OEM customers from Q1 last year

Security Services

393 million yen
 (+18.9% year on year, +6.1% over the previous quarter)
 - Healthy performance at each base due to reseller strategy

Solutions Services

115 million yen
 (+500.1% year on year, +115.7% over the previous quarter)
 - Two new subsidiaries consolidated from December 2009
 Sales increase of approx. 94 million yen due to the above



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Financial Highlights Security Sales According to Currency

Steadily build up stocks

1. Summary & Conclusion

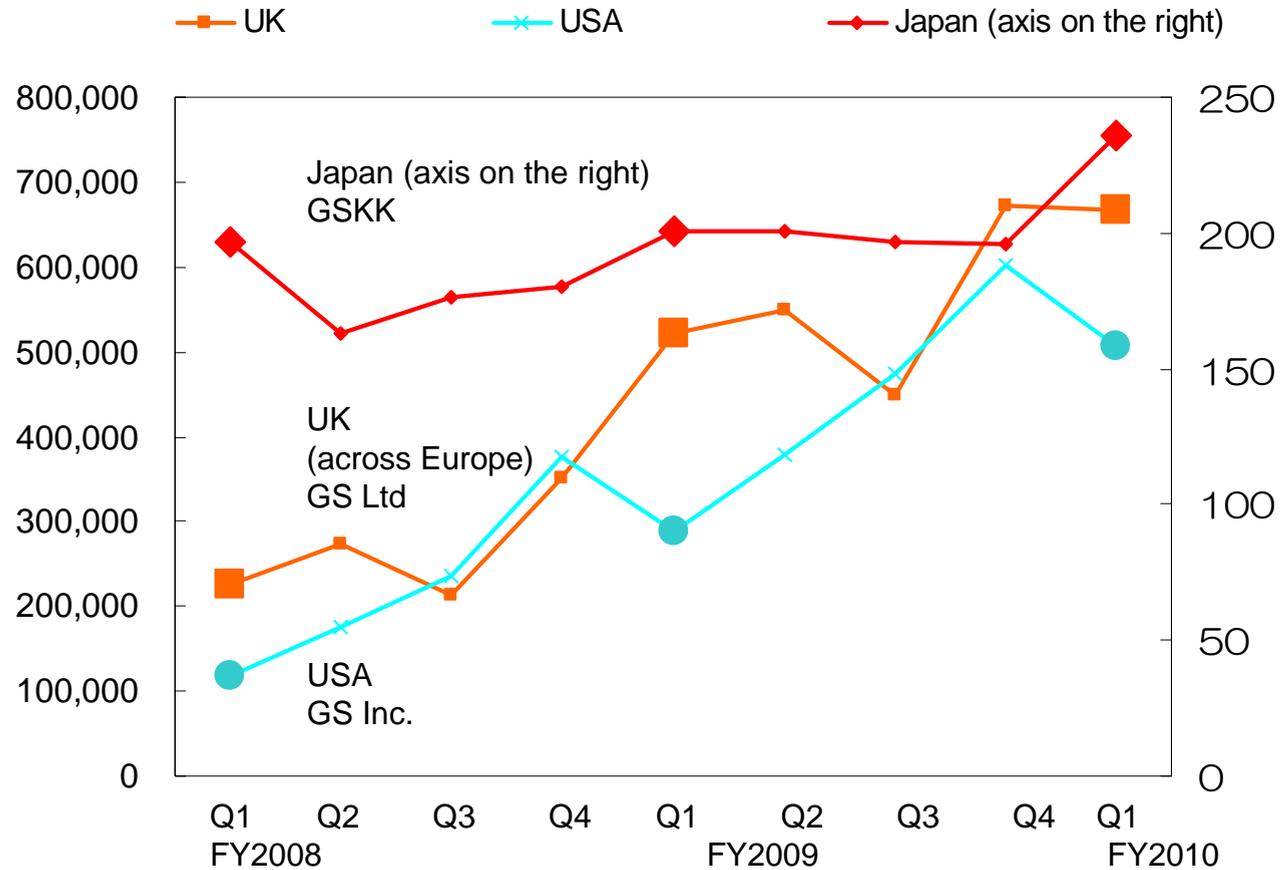
2. Financial Highlights

3. Business Overview

4. Financial Forecast

(Unit: UK GBP
USA USD)

(Unit: million yen)



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Financial Highlights Consolidated Cost of Sales

Improving gross profit margins

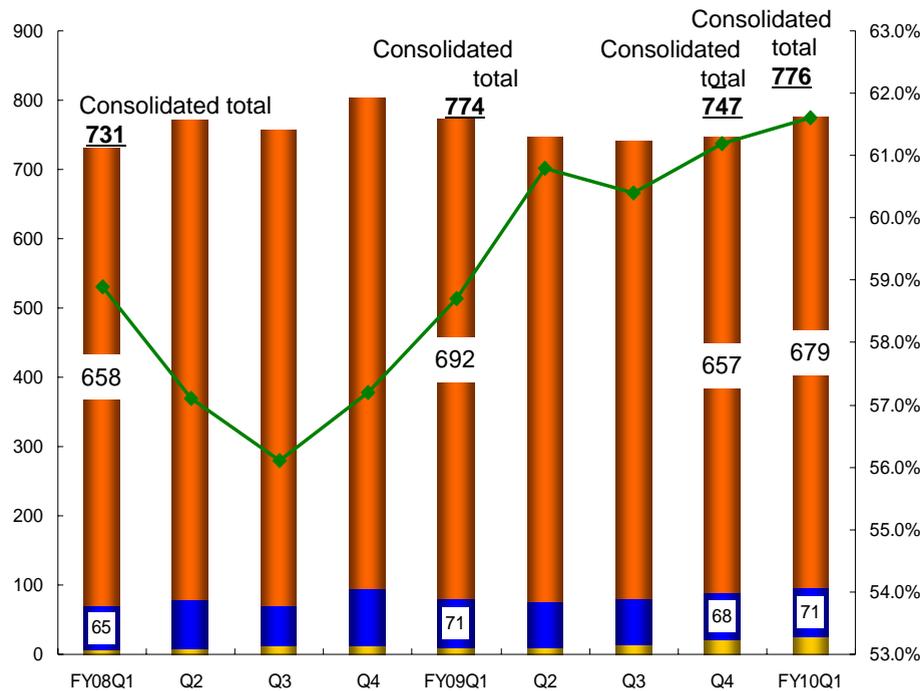
1. Summary & Conclusion

2. Financial Highlights

3. Business Overview

4. Financial Forecast

	Jan-Mar 2009	Jan-Mar 2010
Consolidated total	774	776
Hosting	692	679
Security	71	71
Solutions	10	25



Hosting Services

679 million yen
 (-1.9% year on year,
 +3.3% over the previous quarter)
 -Improved efficiency through inventory
 management of servers and racks
 -Increased software costs due to the
 launch of low-priced services

Security Services

71 million yen
 (-0.2% year on year,
 +5.4% over the previous quarter)

Solutions Services

25 million yen
 (+155.8 year on year,
 +17.1% over the previous quarter)
 - Two new subsidiaries consolidated from
 December 2009

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Financial Highlights

Consolidated Sales, General & Administrative Expenses

Increased personnel costs due to operating costs and subsidiary consolidation (two subsidiaries)

1. Summary & Conclusion

2. Financial Highlights

3. Business Overview

4. Financial Forecast

From bottom to top

■ Personnel costs
 ■ Other expenses
 ■ Operating costs
 ■ Commissions paid
■ Depreciation costs

【Consolidated Sales, General & Administrative Expenses】
 984 million yen Year on year: +19.2%
 +8.4% over the previous quarter

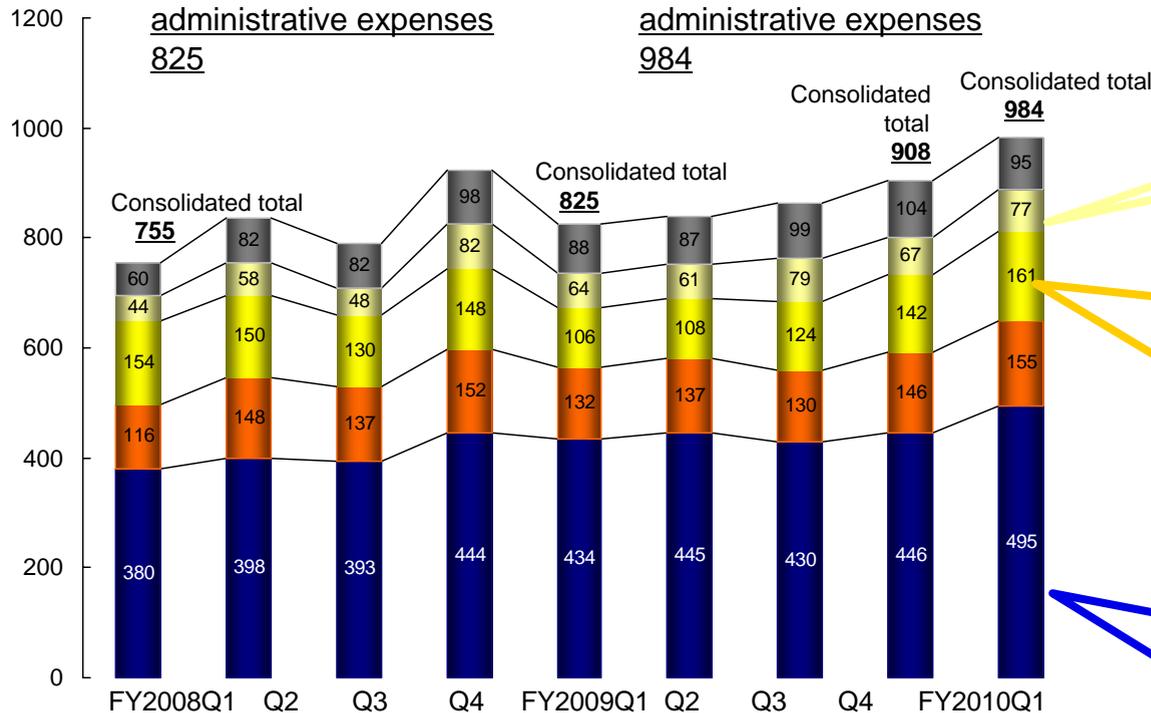
(Unit: million yen)

Jan-Mar 2009

Total sales, general & administrative expenses
825

Jan-Mar 2010

Total sales, general & administrative expenses
984



【Commissions paid】 77 million yen
 Year on year: +19.8%
 - Increased costs related to IT system maintenance

【Operating Costs】 161 million yen
 Year on year: +52.1%
 - Increased advertising costs due to enhanced launch of low-priced services
 - Allowance for sales promotions: 14 million yen (one-time charge)

【Personnel costs】 495 million yen
 Year on year: +14.0%
 - Personnel increase of approx. 71 personnel due to subsidiary increase (Solutions Services)

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Financial Highlights Consolidated Operating Profit

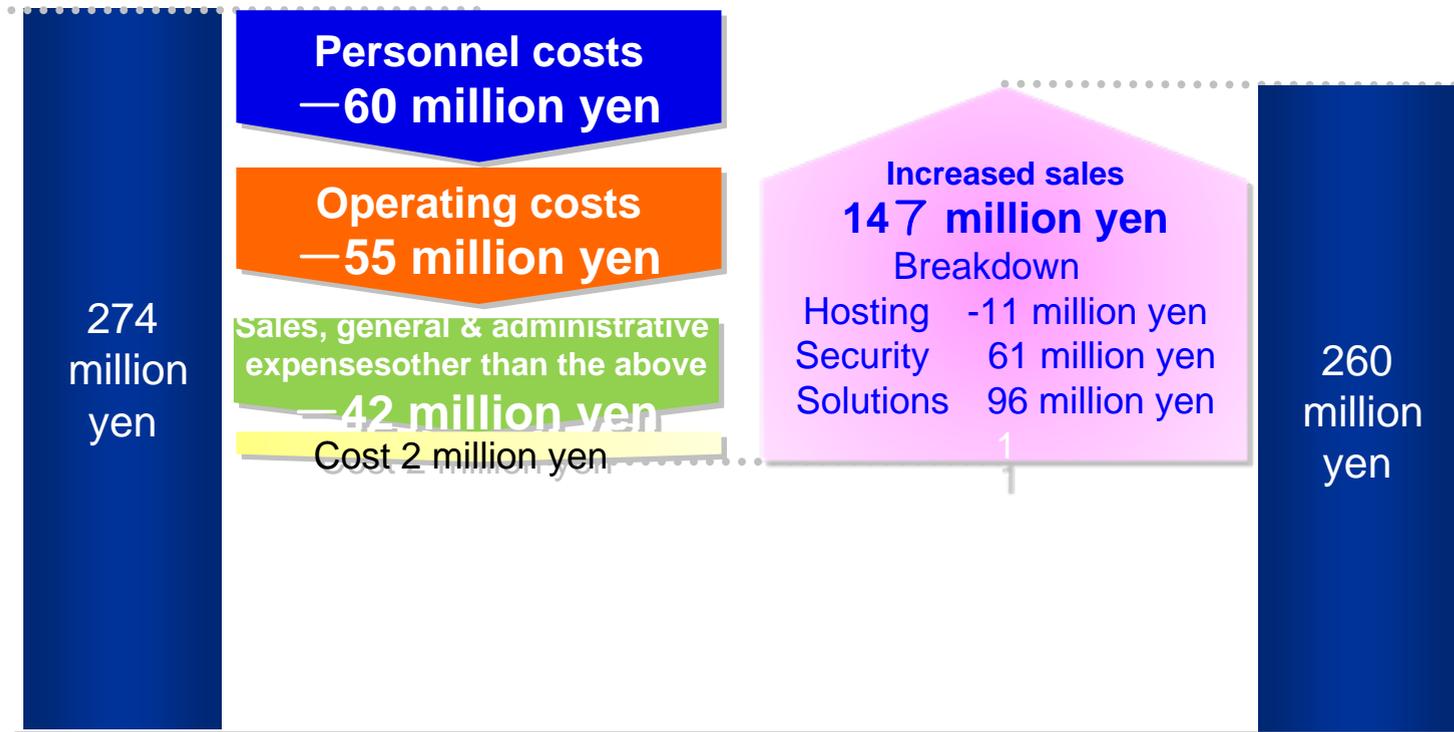
Factors behind increases and decreases in operating profit by type

1. Summary & Conclusion

2. Financial Highlights

3. Business Overview

4. Financial Forecast



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Jan-Mar 2009

Jan-Mar 2010

* Commissions paid: -12 million yen, Depreciation costs: -6 million yen, Other: -22 million yen

* Amounts less than one million yen rounded down

Financial Highlights Consolidated Operating Profit

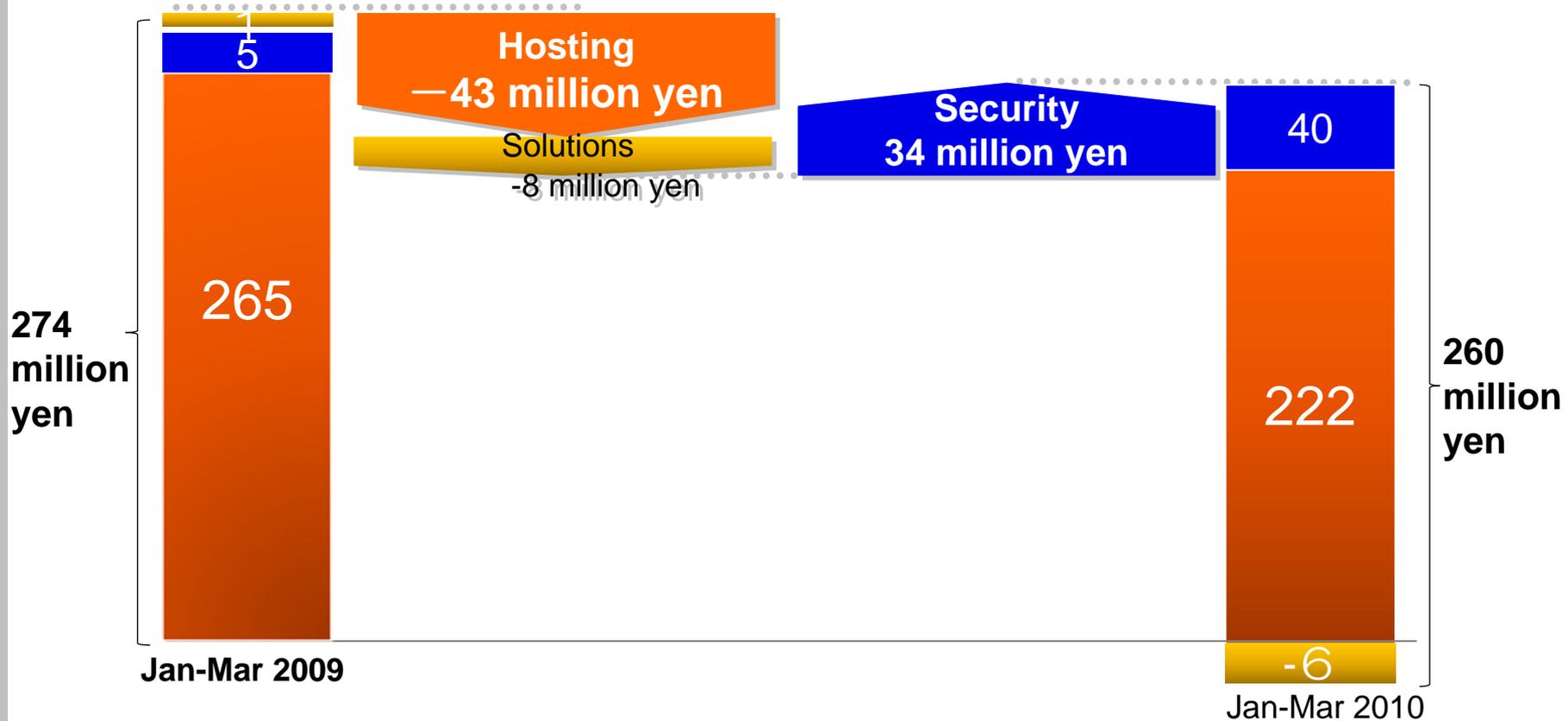
Factors behind increases and decreases in operating profit by segment

1. Summary & Conclusion

2. Financial Highlights

3. Business Overview

4. Financial Forecast



* Amounts less than one million yen rounded down

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Financial Highlights

Consolidated Balance Sheets

Sound financial status

1.Summary & Conclusion

2. Financial Highlights

3.Business Overview

4.Financial Forecast

See consolidated cash flow

Decrease due to payments of cash dividends, corporate tax, etc.

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

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(Unit: million yen)	FY2009 Q4	FY2010 Q1	(Unit: million yen)	FY2009 Q4	FY2010 Q1
Current assets	3,806	3,620	Current liabilities	2,253	2,064
Cash and deposits	2,650	2,454	Advance payment received	1,280	1,295
Accounts receivable	609	656	Other current liabilities	972	768
Other current assets	550	512	Fixed liabilities	26	22
Provision for doubtful debts	-3	-4	Total liabilities	2,279	2,086
Fixed assets	2,185	2,057	Shareholders' equity	3,746	3,664
Tangible fixed assets	220	244	Gaps in appraisals, conversions, etc. Foreign currency transaction accounts	-73	-123
Intangible fixed assets	1,469	1,361	Minority equity	39	49
Of the above, software	808	772	Net assets	3,712	3,591
Of the above, goodwill	647	575	Liabilities, net assets total	5,992	5,678
Investments and other assets	494	451			
Total assets	5,992	5,678			

Backlog

Financial Highlights Consolidated Cash Flow

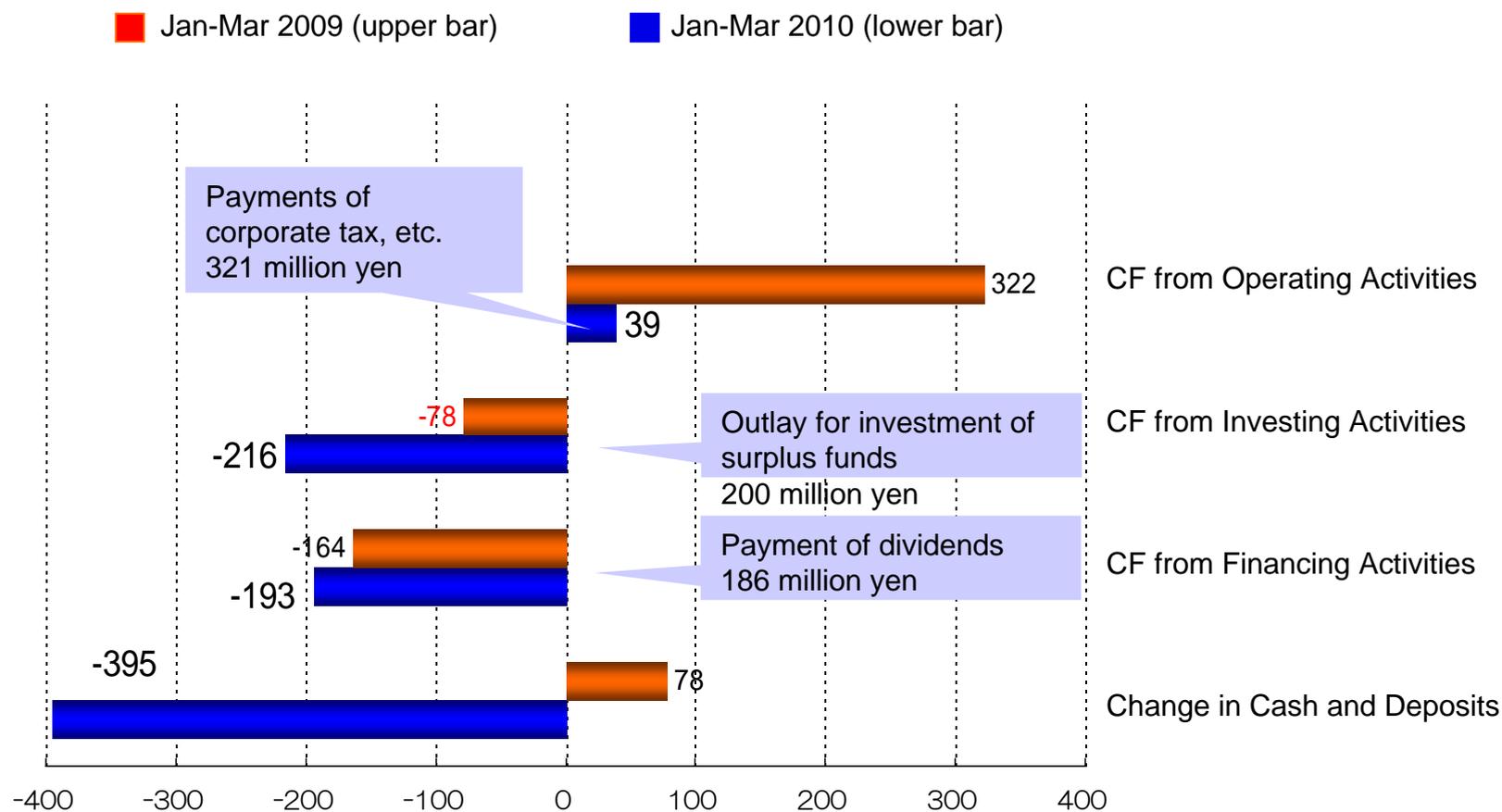
1. Summary & Conclusion

2. Financial Highlights

3. Business Overview

4. Financial Forecast

Investments completed, decreased cash and deposits due to payments of cash dividends, corporate tax, etc.



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1. Summary & Conclusion

2. Financial Highlights

3. Business Overview

4. Financial Forecast

3. Business Overview

3-1 Hosting Business

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Hosting Business Basic Policies

1. Summary & Conclusion

2. Financial Highlights

3. Business Overview

4. Financial Forecast

- ◇ Focus on high-priced, high added-value products (Dedicated / Managed hosting service)
- ◇ Enhance low-priced services, increase the number of contracts and continue to expand the scale of the business

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Hosting Business Summary

1. Summary & Conclusion

2. Financial Highlights

3. Business Overview

4. Financial Forecast

Enhance low-priced services and continue to expand the scale of the business

◇ Dedicated / Managed hosting service

The IT outsourcing services market has remained steady.

The continued concentrated investment in managed hosting services with high growth potential and the enhancement of marketing power are challenges.

◇ Shared / VPS hosting service

Enhance services offered to low-end markets expected to grow and continue to expand the scale of the business

◇ OEM

Sales declined because of cancellations by major customers (FY2009 Q1). However, the impact on profits was minor.

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Hosting Business

Sales and number of contracts by product

1. Summary & Conclusion

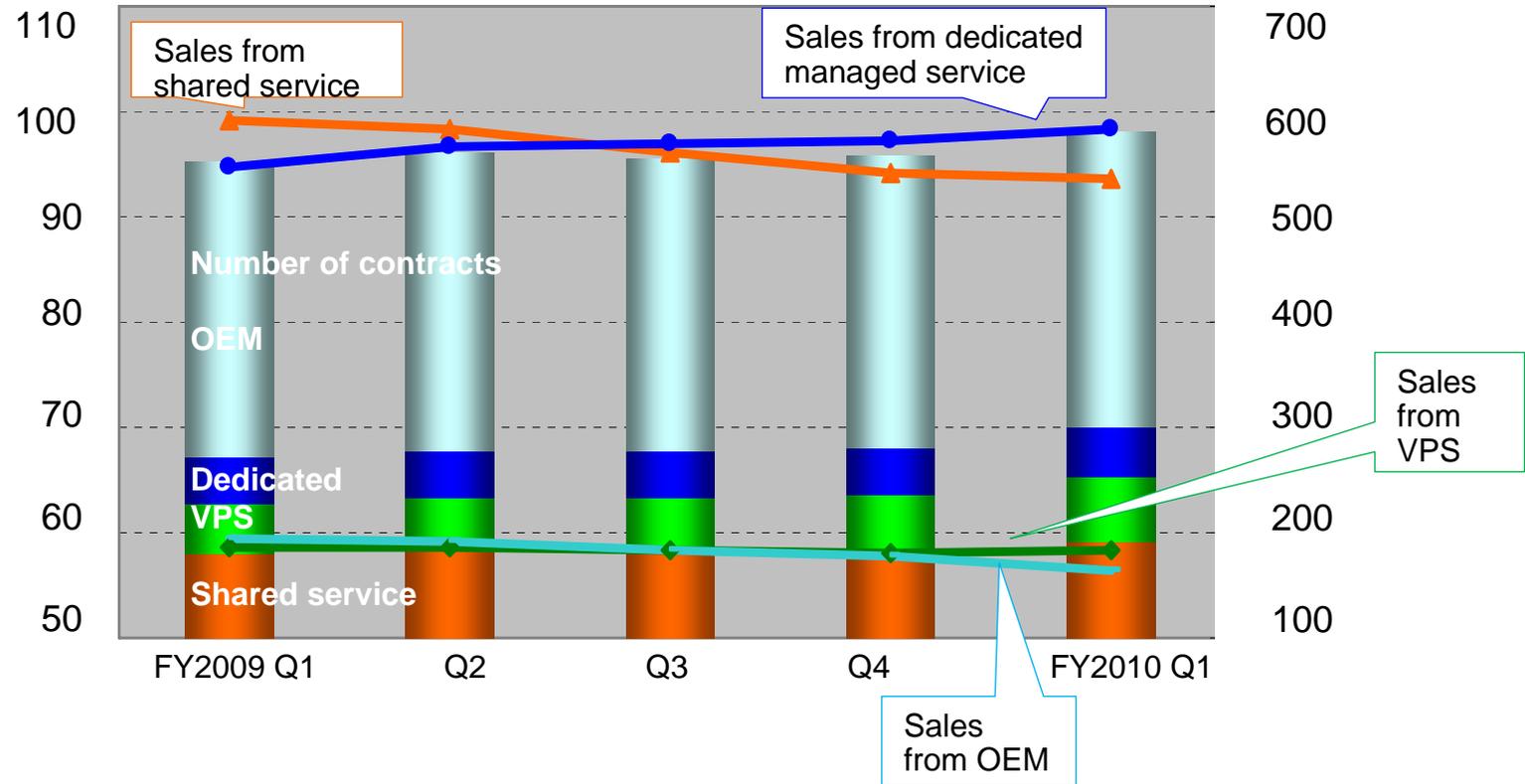
2. Financial Highlights

3. Business Overview

4. Financial Forecast

(Unit: thousand contracts)

(Unit: million yen)



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* Shared service contracts are displayed starting from 50,000 contracts.

Hosting Business Bolstering Services to the Low-End Market

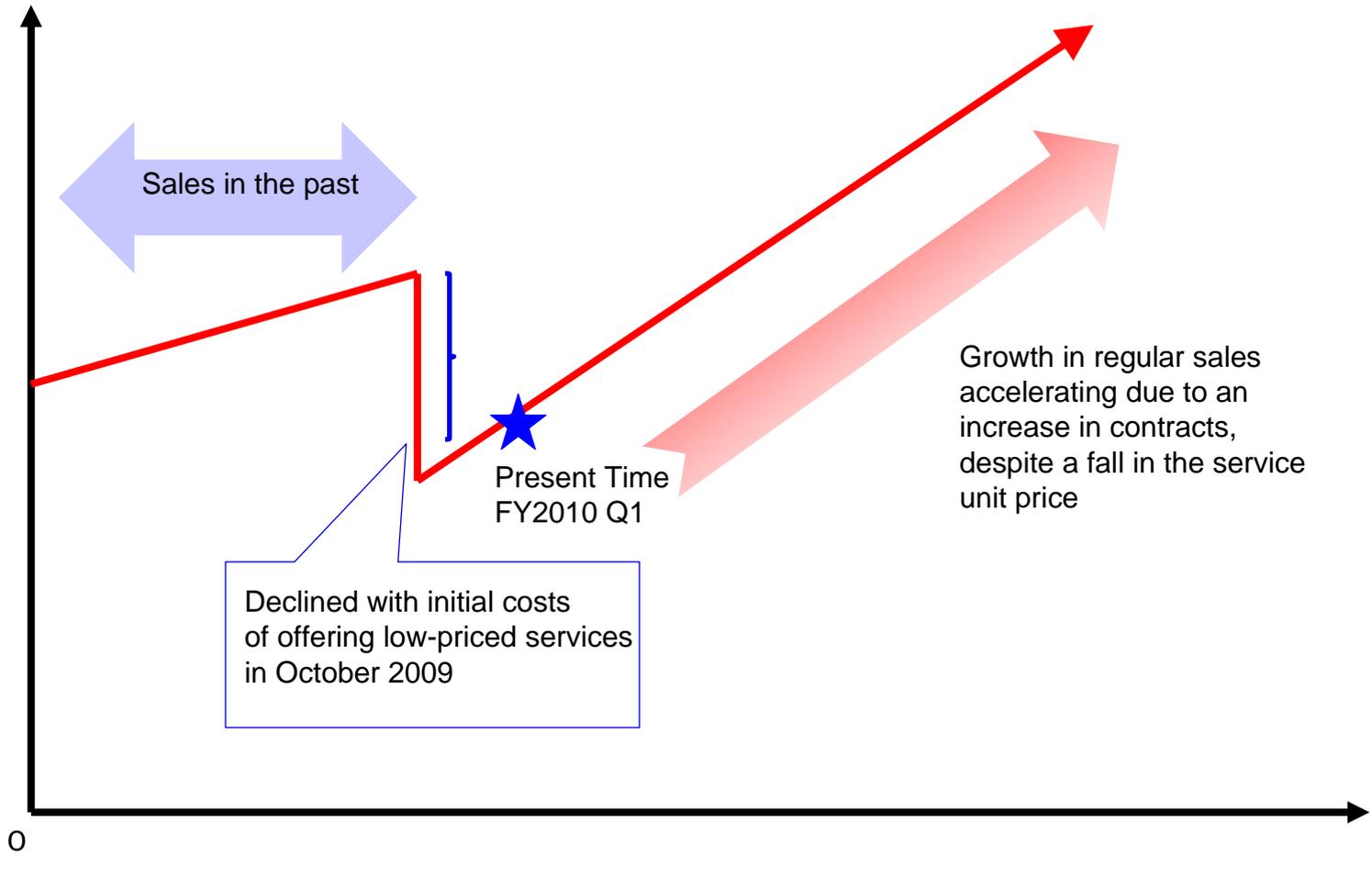
Growth accelerating despite temporary dips in sales and profits

1. Summary & Conclusion

2. Financial Highlights

3. Business Overview

4. Financial Forecast



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1. Summary & Conclusion

2. Financial Highlights

3. Business Overview

4. Financial Forecast

3. Business Overview

3-2 Securities Business

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Security Business Basic Policies

1. Summary & Conclusion

2. Financial Highlights

3. Business Overview

4. Financial Forecast

◇ Geographical expansion

◇ Expanding sales channels

◇ Proposing usage applications

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Security Business Summary

Working positively towards increasing global market share

1. Summary & Conclusion

2. Financial Highlights

3. Business Overview

4. Financial Forecast

◇ Geographical expansion

Singapore office (Establishment of GMO GlobalSign Pte. Ltd.)
Plans to begin services in Q3

◇ Expanding sales channels

System interoperation between hosting service software and electronic authentication
→ Expanded sales channels by enabling system interoperation with control panels

◇ Proposing usage applications

Client certificates, PDF document signing certificates
→ Support for FDA (U.S. Food and Drug Administration) digitization guidelines
PDF document signing certificates
→ Compliance with state law in the U.S. architecture field

◇ Issues

Business efficiency

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Securities Business

Number of Certificates Issued

Steadily growing number of certificates issued overseas

1. Summary & Conclusion

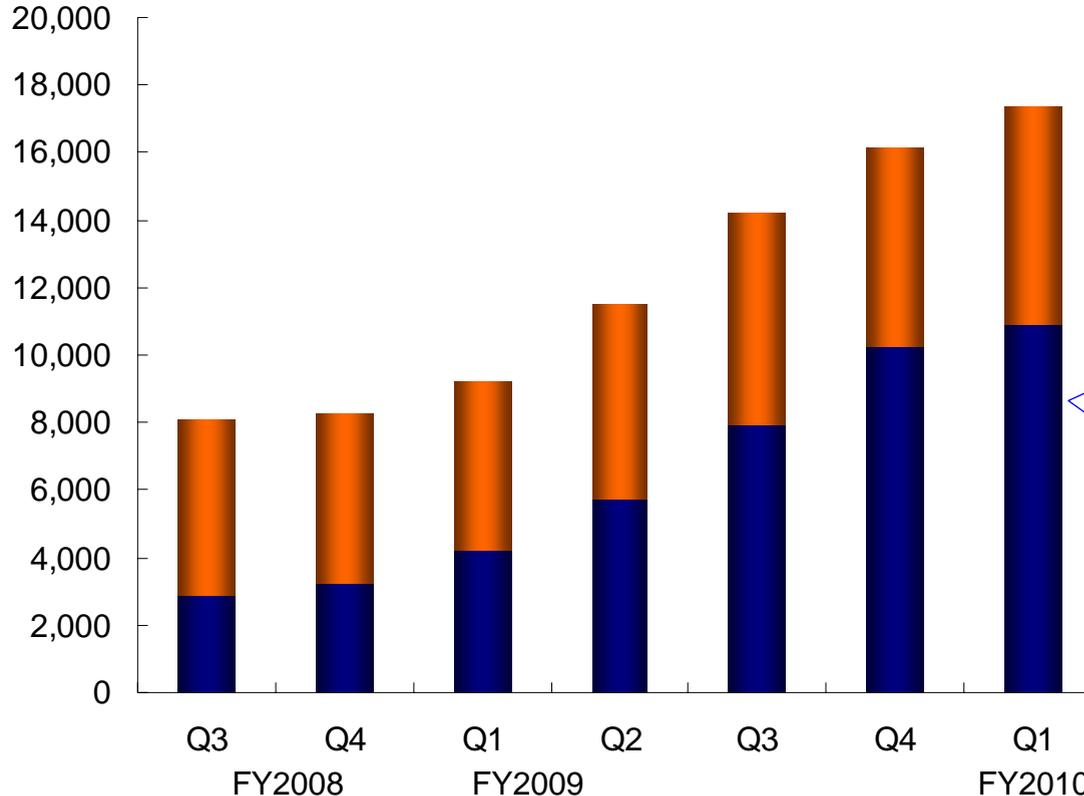
2. Financial Highlights

3. Business Overview

4. Financial Forecast

SSL server certificates (on an issue basis)

(Unit: certificates) ■ Japan ■ Overseas



Constant growth overseas

Jan-Mar 2010
 Japan 6,471 certificates
 Overseas 10,892 certificates

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Securities Business

Number of Resellers

Continuing to recruit resellers: 2,137 entities in total
(+133 companies over the previous quarter)

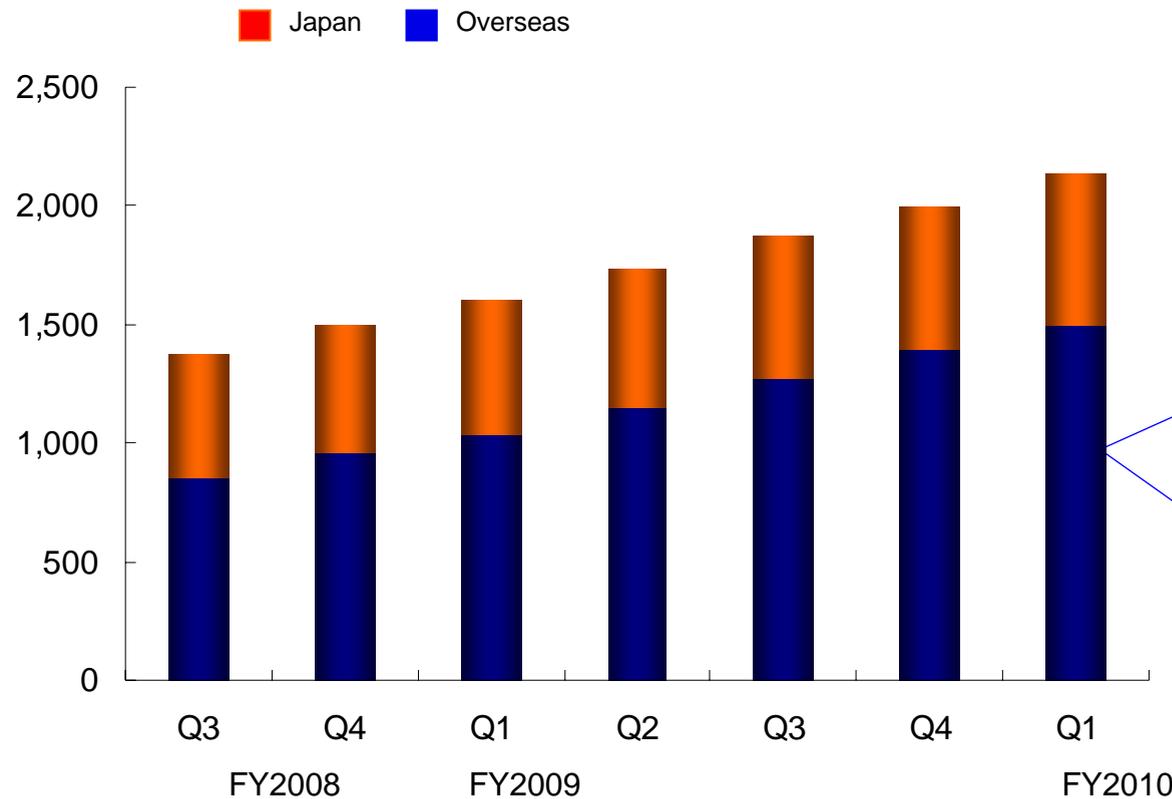
1. Summary & Conclusion

2. Financial Highlights

3. Business Overview

4. Financial Forecast

Number of Resellers



**resellers network
is broadening
across the globe.**

Jan-Mar 2010

Japan 636 companies

Overseas 1,501 companies

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Securities Business Change in Quarterly Results

Operating profit of 40 million yen in the March quarter

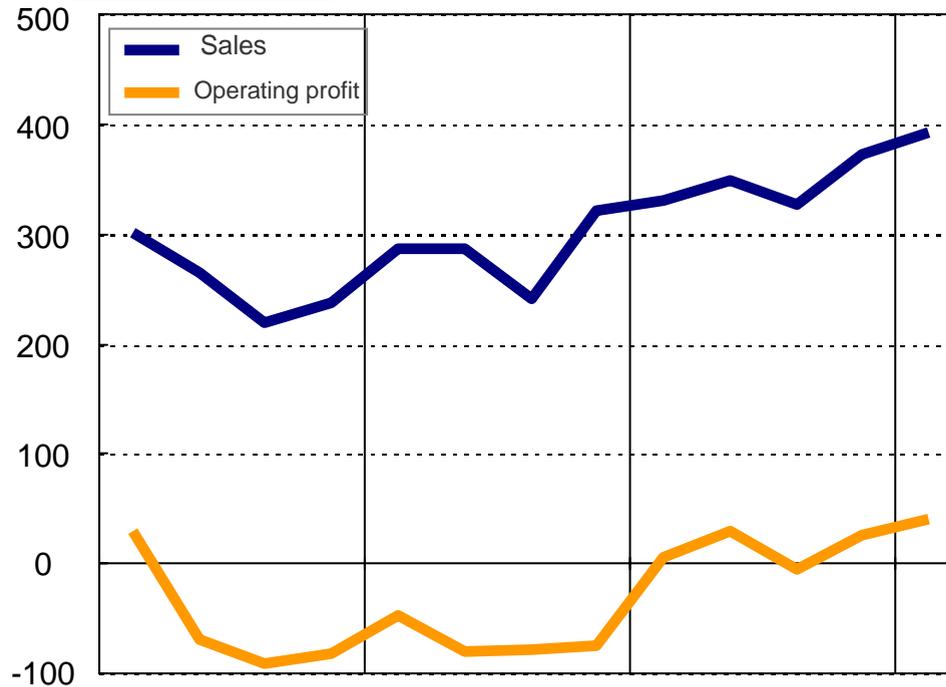
1. Summary & Conclusion

2. Financial Highlights

3. Business Overview

4. Financial Forecast

Quarterly changes in sales and operating profit



Steadily building up stocks and moving towards the stage of being able to generate profits

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※ Changed to yearly average rate from year-end rate since Q4 of 2008
 ※ Changed to figures that include transactions between segments
 ※ Figures based on GMO HOSTING & SECURITY, INC. accounting standards

1. Summary & Conclusion

2. Financial Highlights

3. Business Overview

4. Financial Forecast

3. Business Overview

3-3 Solution Service Business

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Solutions Business

1. Summary & Conclusion

2. Financial Highlights

3. Business Overview

4. Financial Forecast

◇ Web Consulting Website creation and support service



Select your favorite design from among hundreds of templates. Production cost: from ¥21,000



Website creation software sales
– Support up until website creation is complete



Divided payment services for website production costs

◇ Office Consulting

Consulting on the introduction of telecommunications equipment
Sales of fax machines, telephones, mobile phones, etc.

◇ Translation Service



Translations can be requested in real-time, around-the-clock, 365 days a year. Offering a high-quality translation service starting from ¥2,100 with delivery in as little as 30 minutes

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1.Summary & Conclusion

2.Financial Highlights

3.Business Overview

4.Financial Forecast

4. Financial Forecast 2010

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Financial Forecast

Financial Forecast FY2010 Financial Forecast

1.Summary & Conclusion

2.Financial Highlights

3.Business Overview

4.Financial Forecast

(Unit: million yen)	FY2009	FY2010 (Forecast)	Percentage Change
Sales	7,594	8,423	+10.9%
Operating profit	1,141	1,263	+10.7%
Ordinary profit	1,159	1,263	+8.9%
Net profit	613	676	+10.2%
Net profit per share (yen)	5,270.52	5,807.06	-

■ Sales

【Hosting Business】

6,233 million yen Year on year: +1.1%
 -Growth in managed hosting service
 -Offering and refining services to growth areas (cloud, low-end market)

【Security Business】

1,669 million yen Year on year: +21.2%
 -Advancing geographical expansion

【Solutions Business】

577 million yen Year on year: +402.2%
 -IT support for small companies, such as website creation

■ Operating profit

【Hosting Business】

1,152 million yen Year on year: + 6.2%

【Security Business】

108 million yen Year on year: +92.9%
 -Strategic investment in human resources to respond to multiple languages and advertising and sales promotion

【Solutions Business】

0 million yen Year on year: +4 million yen

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Financial Forecast

Segment Information

1.Summary & Conclusion

2.Financial Highlights

3.Business Overview

4.Financial Forecast

(Unit: million yen)	Sales			(Unit: million yen)	Operating profit		
	FY2009 Results	FY2010 Forecast	Y o Y		FY2009 Results	FY2010 Forecast	Y o Y
Hosting Services	6,163	6,233	+1.1%	Hosting Services	1,084	1,152	+6.2%
Security Services	1,377	1,669	+21.2%	Security Services	56	108	+92.9%
Solutions Services(※)	115	577	+402.2%	Solutions Services(※)	-4	0	-
Intercompany transaction adjustment or all companies	-61	-56	-	Intercompany transaction adjustment or all companies	4	3	-
Consolidated total	7,594	8,423	+10.9%	Consolidated total	1,141	1,263	+10.7%

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※From FY2010, the segment name of "Other Services" has been changed to "Solution Services".

Financial Forecast

1.Summary & Conclusion

2.Financial Highlights

3.Business Overview

4.Financial Forecast

Qualitative Information

◇ Hosting Services

Bolstering the managed hosting service
Strengthening services for the low-end market where expansion of the customer base is likely
Launching a cloud service, which has growth potential

◇ Security Services

Continuing to strengthen overseas resellers
Expanding sales bases (Singapore, France)

◇ Solutions Services (Formerly Other Services)

Enhancing support services for small companies, focusing on website building services expected to create synergies with the Hosting Business

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Thank you for your attention.



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