

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

August 6th, 2010

GMO HOSTING & SECURITY, INC.

(Mothers of the Tokyo Stock Exchange 3788)



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

Notice concerning the handling of the material:

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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 Half

1. Summary & Conclusion

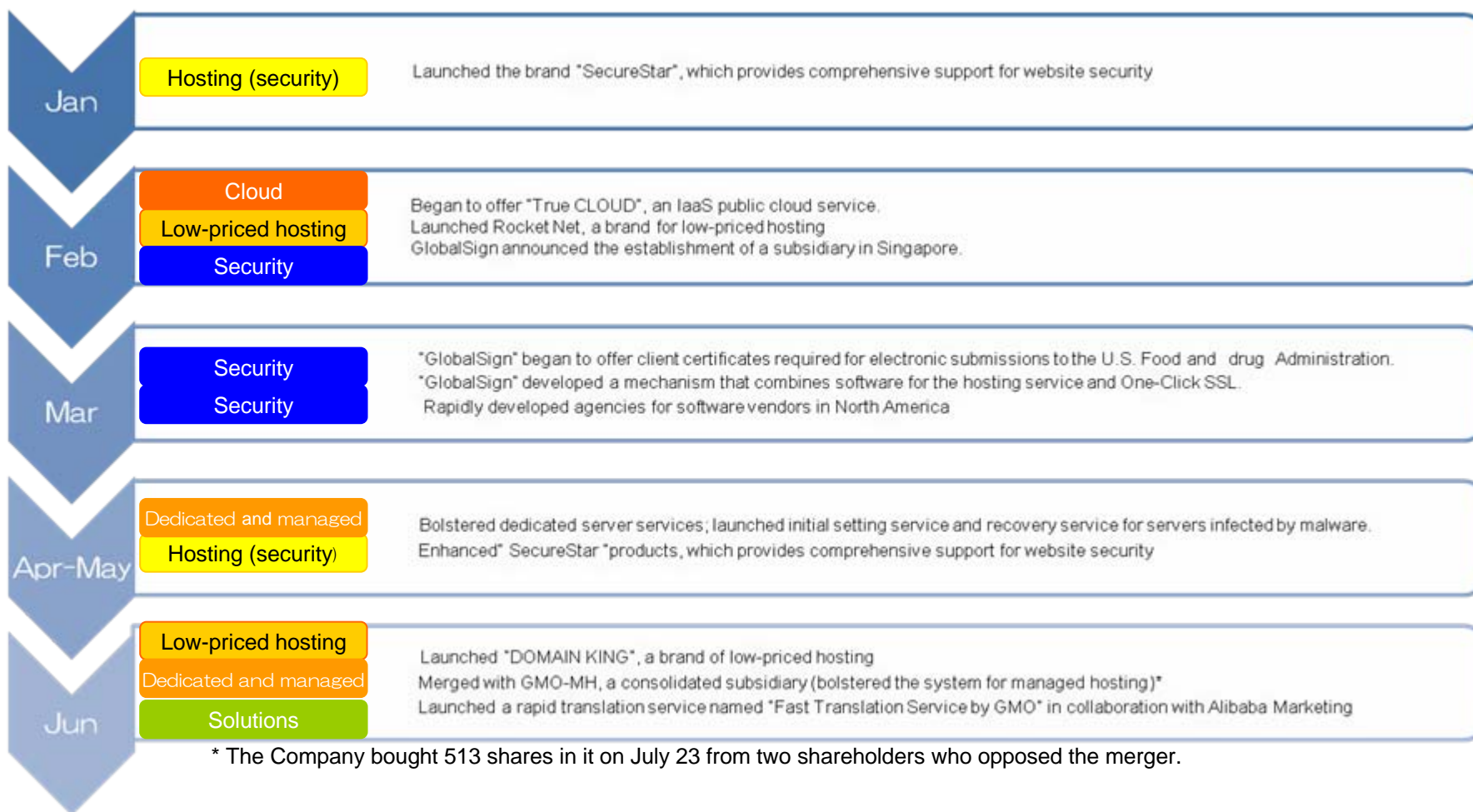
2. Financial Highlights

3. Business Overview

4. Financial Forecast

Business Topics in January through June

◇ **Began to offer low-priced hosting and cloud services**
Bolstered systems and services in the dedicated and managed hosting and GlobalSign



* The Company bought 513 shares in it on July 23 from two shareholders who opposed the merger.

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Summary and Conclusion Summary through First Half

1. Summary & Conclusion

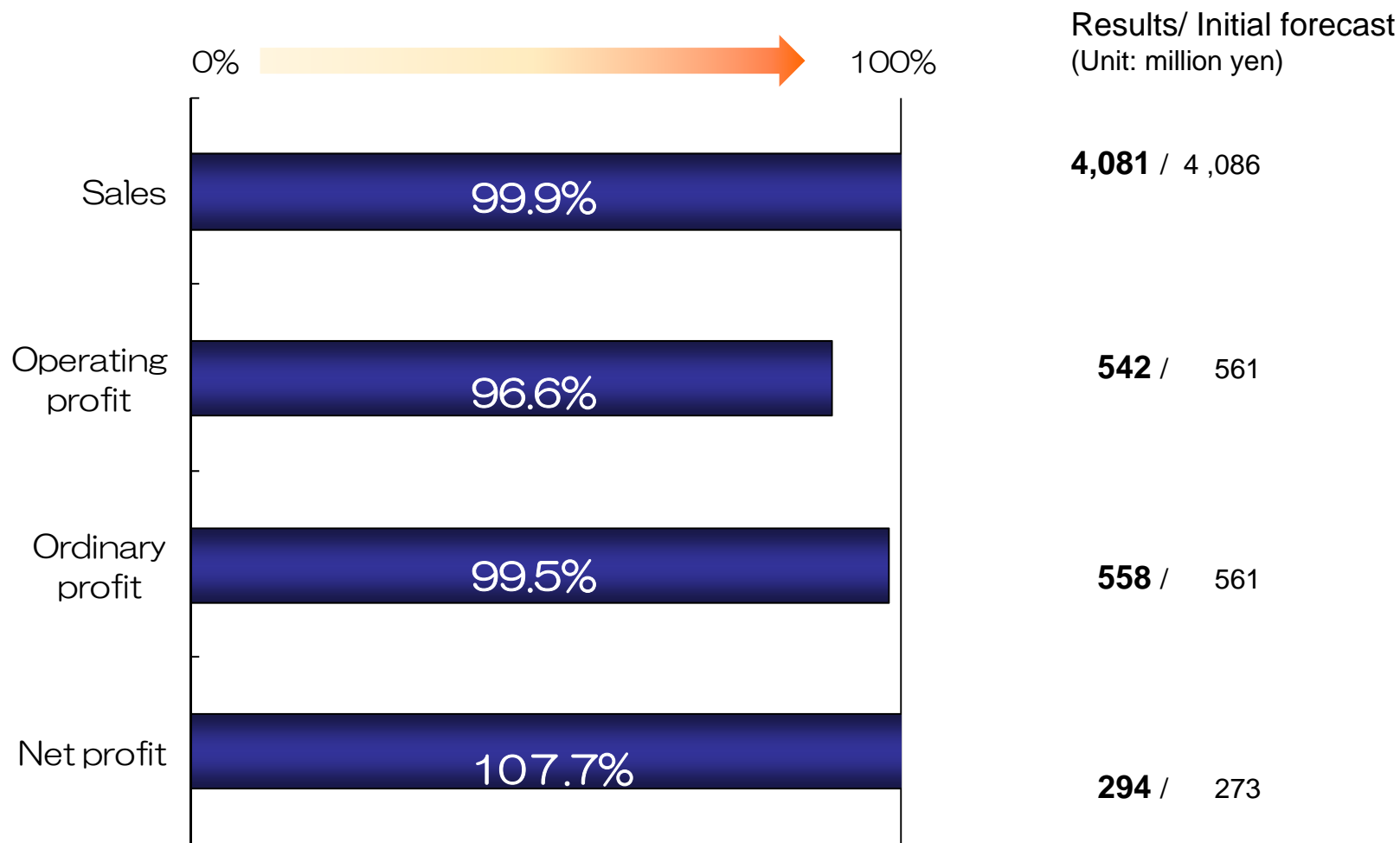
2. Financial Highlights

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Progressing mostly on a par with the plan

◇ Progress compared with results forecasts for January through June



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Summary and Conclusion Full Year Results Forecasts

1. Summary & Conclusion

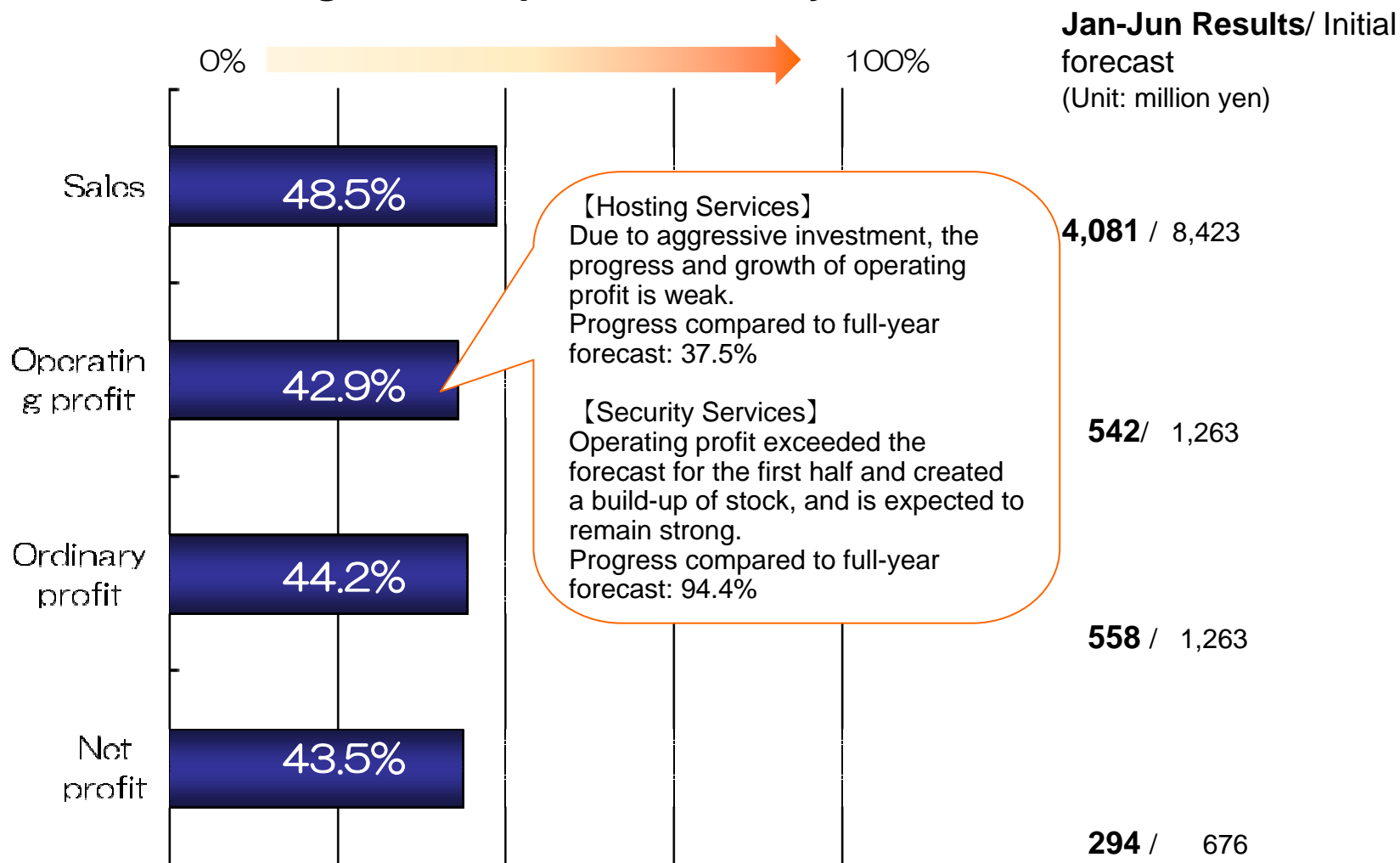
2. Financial Highlights

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Results are expected to be on a par with the initial plan.

◇ Progress compared with full-year results forecasts



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1.Summary & Conclusion

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2. Financial Highlights

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Financial Highlights Consolidated Statement of Income

1.Summary & Conclusion

2.Financia Highlights

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Year-on-year comparison (2nd quarter)

◇Sales rose, reflecting increases in sales in security services and in solution services (new subsidiary).
Operating profit declined, attributable to the commencement of low-priced hosting and cloud services

(Unit: million yen)	FY2009 Apr-Jun	FY2010 Apr-June	Change	YoY (%)	Factor for change
Sales	1,914	2,059	+144	+7.6%	- Fall in hosting sales: 61 million yen - Increase in security sales: 90 million yen - Rise in solution service sales: 115 million yen
Operating profit	324	276	-48	-14.9%	- Increase in cost of sales: 26 million yen - Rise in SG&A expenses: 166 million yen
Ordinary profit	319	287	-31	-9.9%	- Rise in non-operating revenue: 15 million yen - Decrease in non-operating expenses: 1 million yen
Net profit	173	161	-12	-7.0%	- Extraordinary loss Office relocation expenses: 8 million yen Others, Total: 24 million yen - Decline in income before income taxes: 49 million yen - Fall in corporate tax, etc.: 44 million yen

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Financial Highlights Consolidated Statement of Income

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(For reference) Year-on-year comparison (first half)

◇Sales rose, reflecting increases in sales in security services and in solution services (new subsidiary).
Operating profit declined, attributable to the commencement of low-priced hosting and cloud services

(Unit: million yen)	FY2009 Jan-Jun	FY2010 Jan-Jun	Change	YoY (%)	Factor for change
Sales	3,789	4,081	+292	+7.7%	- Fall in hosting sales: 72 million yen - Increase in security sales: 152 million yen - Solution service sales: 211 million yen
Operating profit	599	542	-56	-9.5%	- Increase in cost of sales: 29 million yen - Rise in SG&A expenses: 319 million yen
Ordinary profit	604	558	-45	-7.6%	- Rise in non-operating revenue: 17 million yen Of which, rise in foreign exchange gains: 16 million yen - Increase in non-operating expenses: 6 million yen
Net profit	325	294	-31	-9.7%	- Extraordinary loss Office relocation expenses: 10 million yen Others, Total: 36 million yen - Decline in income before income taxes: 77 million yen - Fall in corporate tax, etc.: 51 million yen

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Financial Highlights Consolidated Statement of Income

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(Reference) Quarterly transition

(Unit: million yen)	FY2009				FY2010	
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
Sales	1,874	1,914	1,876	1,928	2,021	2,059
Cost of sales	774	749	742	747	776	776
Gross profit on sales	1,099	1,164	1,134	1,180	1,244	1,283
Sales, general & administrative expenses	825	839	864	908	984	1,006
Operating profit	274	324	269	272	260	276
Ordinary profit	285	319	273	281	265	287
Net profit	152	173	136	151	133	161

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Financial Highlights Sales According to Segment

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

Apr-Jun FY2009
Consolidated total:
1,914

Hosting	1,560
Security	348
Solutions	21

Apr-Jun FY2010
Consolidated total:
2,059

Hosting	1,501
Security	439
Solutions	136

Hosting Services

1,501 million yen
(-3.8% year on year,
-1.9% over the previous quarter)
-Started to offer low-priced services in Q4 of 2009.

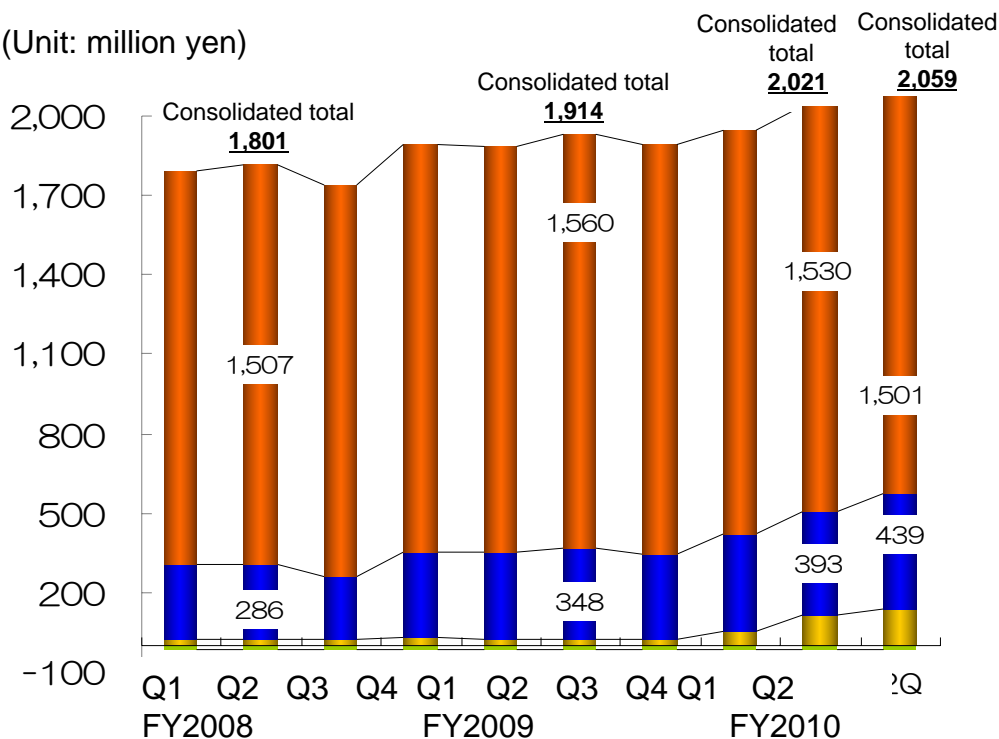
Security Services

439 million yen
(+26.2% year on year,
+11.8% over the previous quarter)
- Healthy performance at each base

Solutions Services

136 million yen
(+530.8% year on year,
+18.3% over the previous quarter)
-Two new subsidiaries consolidated from December 2009
Sales increase due to the above

(Unit: million yen)



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Financial Highlights Security Sales According to Currency

Steadily build up stocks

1.Summary & Conclusion

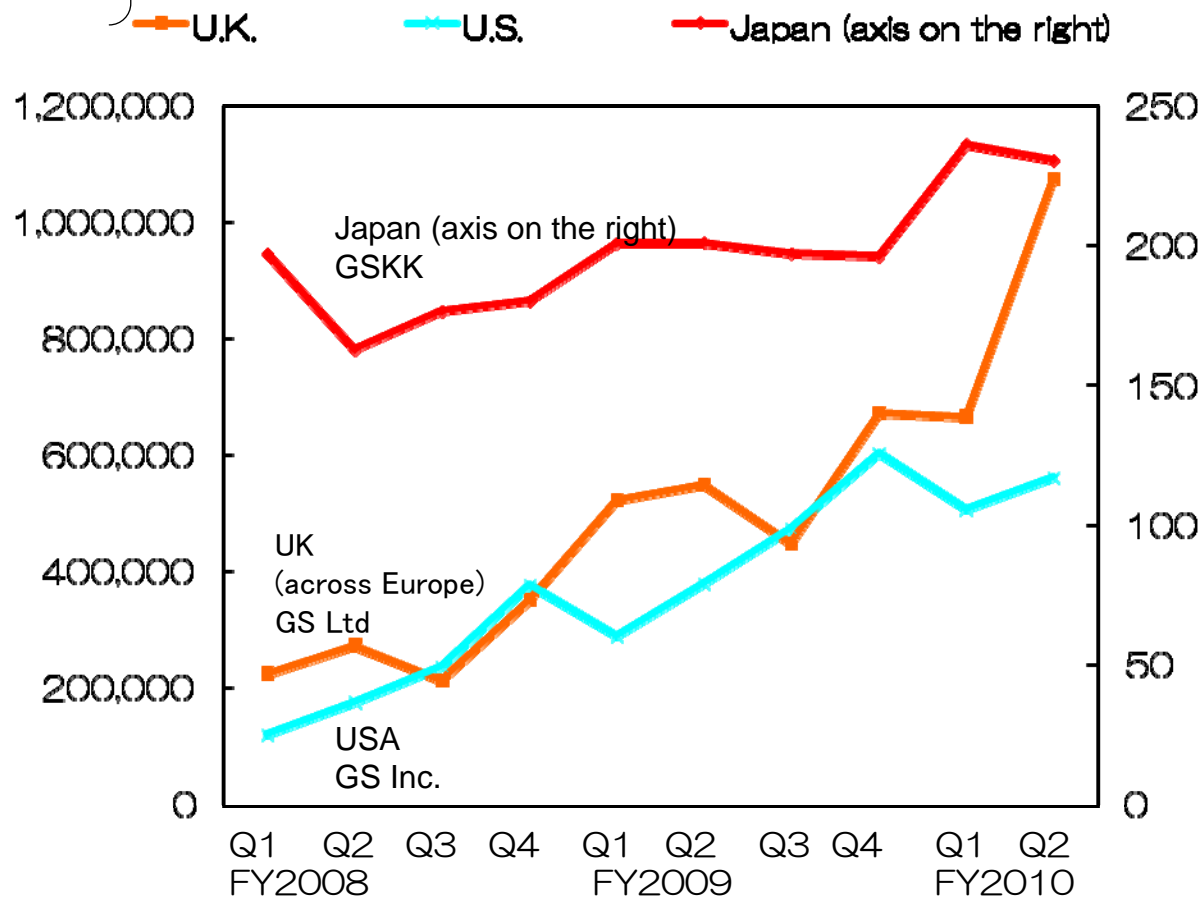
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(Unit : U.K. GBP
U.S. USD)

(Unit: million yen)



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Financial Highlights Consolidated Cost of Sales

Improving gross profit margins (due to sales increase in security · solutions)

1.Summary & Conclusion

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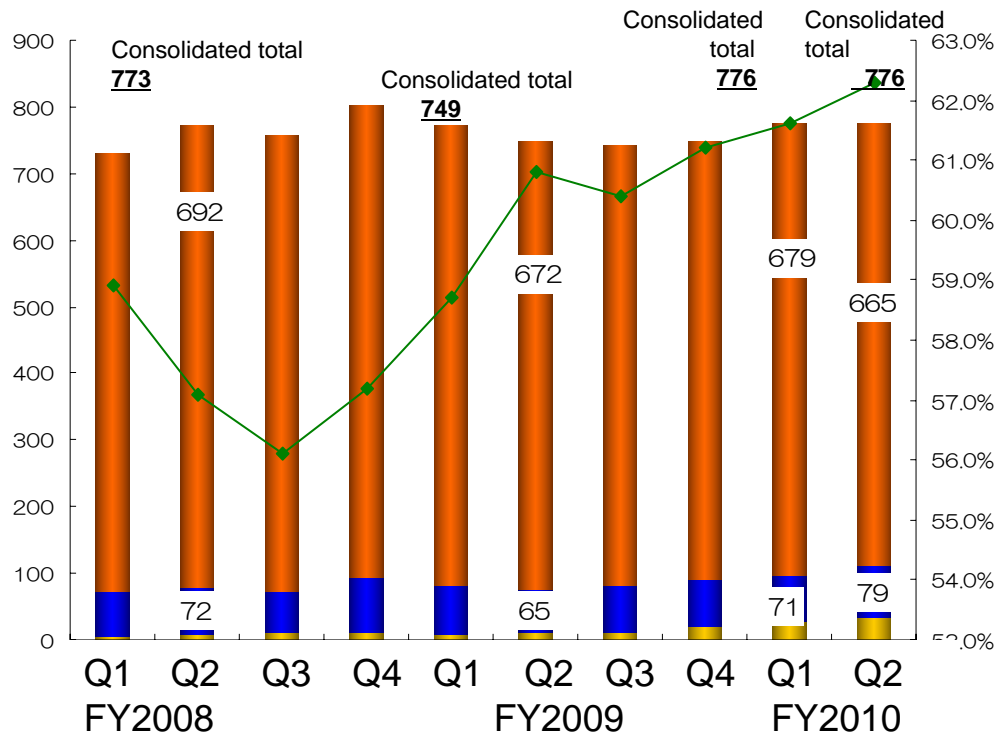
3.Business Overview

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■ Hosting
■ Security
■ Solutions
— Gross profit margin

Apr-Jun FY2009	
<u>Consolidated total</u>	
Hosting	672
Security	65
Solutions	11

Apr-Jun FY2010	
<u>Consolidated total</u>	
Hosting	665
Security	79
Solutions	32



Hosting Services

665 million yen
 (-1.1% year on year, -2.1% 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

79 million yen
 (+20.9 % year on year, +10.5% over the previous quarter)

Solutions Services

32 million yen
 (+177.9 % year on year, +25.0% over the previous quarter)

-Two new subsidiaries consolidated from December 2009

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Financial Highlights Consolidated Sales, General & Administrative Expenses

1.Summary & Conclusion

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Locking in customers through aggressive sales activities

From bottom to top

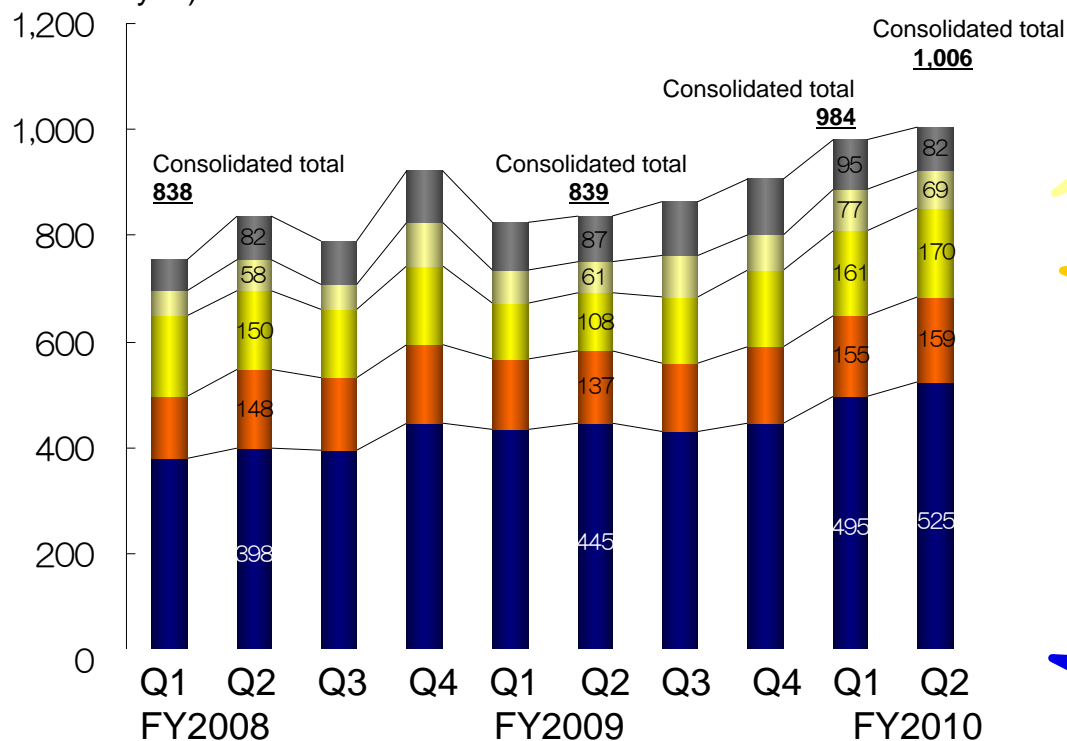
■ Personnel costs
 ■ Other expenses
 ■ Operating costs
 ■ Commissions paid
 ■ Depreciation costs

【Consolidated Sales, General & Administrative Expenses】
 1,006 million yen
 Year on year: +19.8%
 +2.3% over the previous quarter

Apr-Jun FY2009
Total sales, general & administrative expenses: 839

Apr-Jun FY2010
Total sales, general & administrative expenses: 1,006

(Unit: million yen)



【Commissions paid】 69 million yen
 Year on year: +13.6%
 -10.0% over the previous quarter
 - Increased costs related to IT system maintenance

【Operating costs】 170 million yen
 Year on year: +57.3%
 +5.6% over the previous quarter
 - Increased advertising costs due to enhanced launch of low-priced services
 - Increased sales promotion expense

【Personnel costs】 525 million yen
 Year on year: +17.9%
 +6.0% over the previous quarter
 - Solutions Services: increase of 55 persons
 - Security Services: increase of 8 persons

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Financial Highlights Consolidated Operating Profit

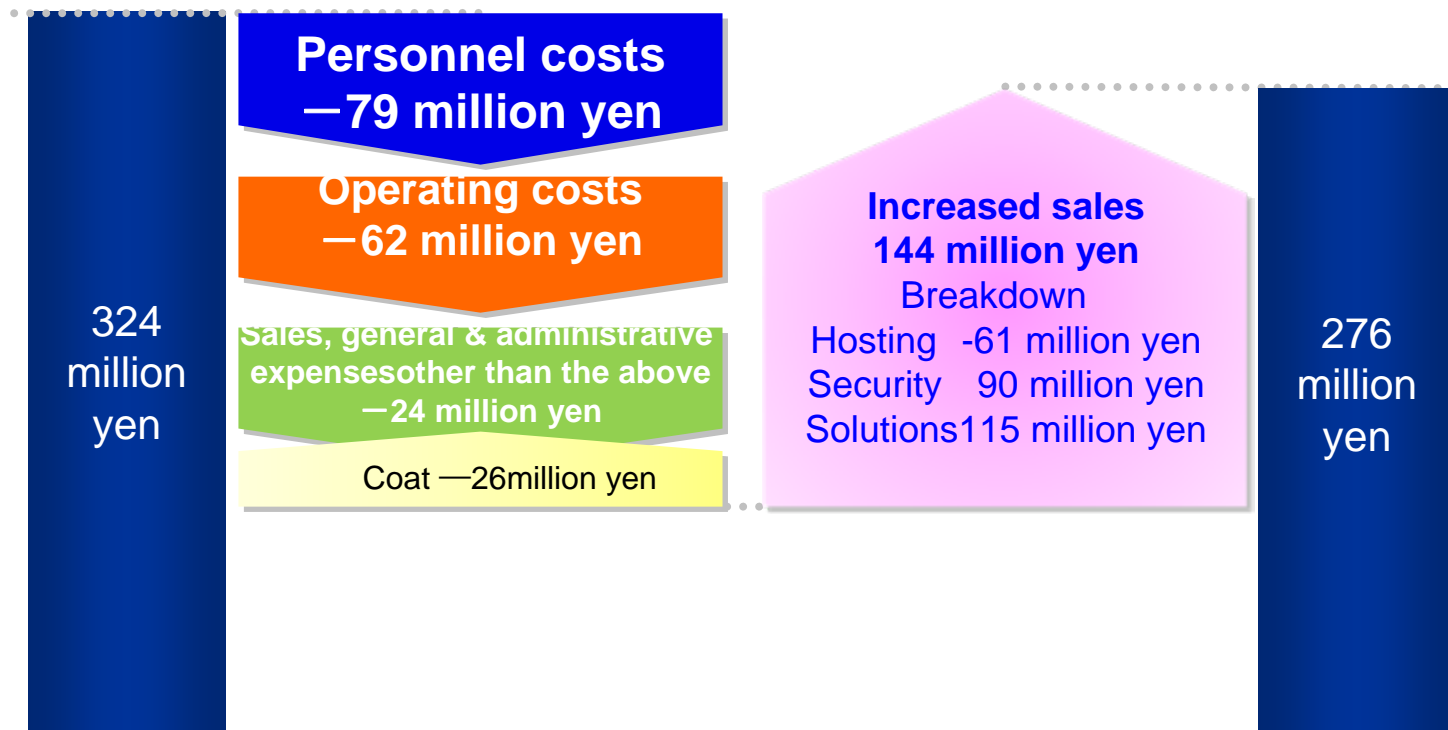
Factors behind increases and decreases in operating profit by type

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April-June 2009

April-June 2010

* Commissions paid: -8 million yen, Depreciation costs: +4 million yen, Other: -21 million yen
 * Amounts less than one million yen rounded down

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Financial Highlights Consolidated Operating Profit

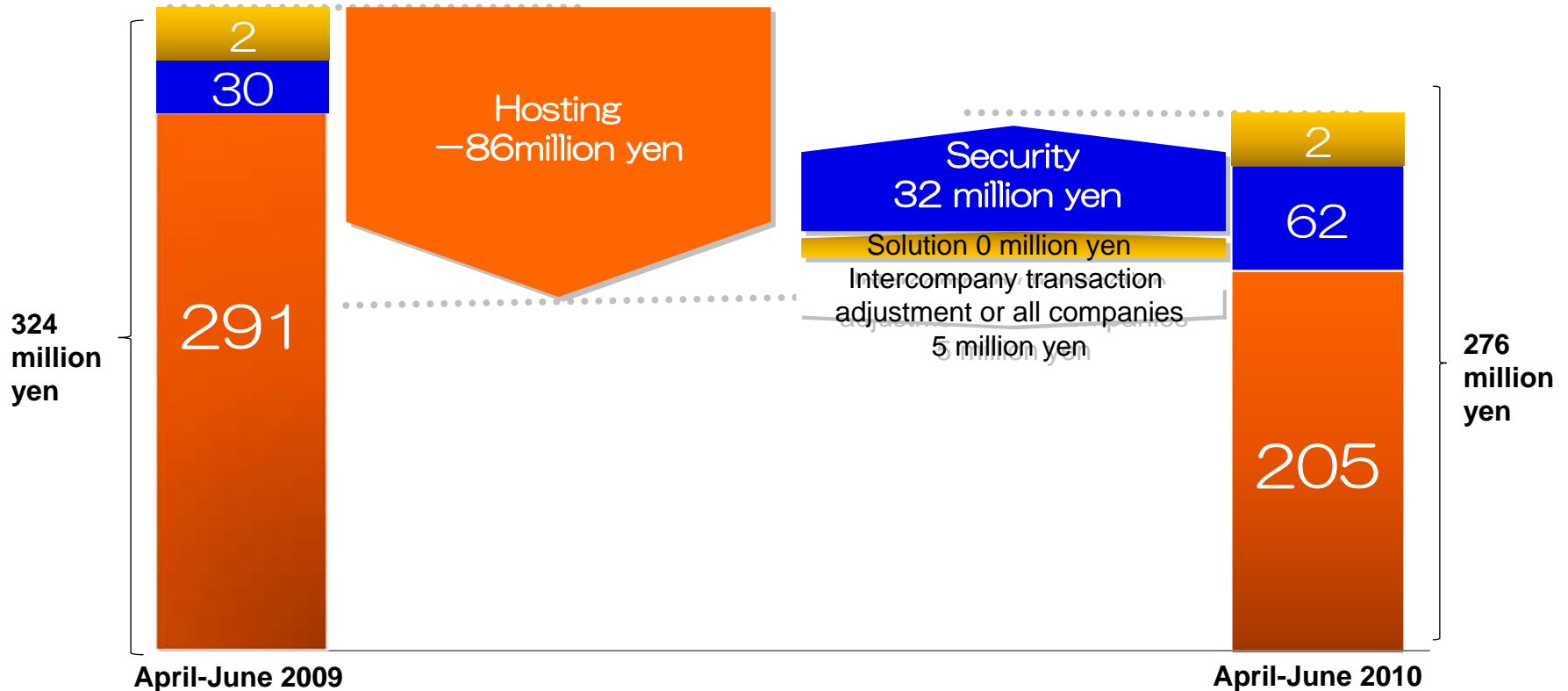
Factors behind increases and decreases in operating profit by segment

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* Amounts less than one million yen rounded down

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Financial Highlights Consolidated Balance Sheets

Sound financial status

1.Summary & Conclusion

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

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(Unit: million yen)	FY2009 Q4	FY2010 Q2
Current assets	3,806	3,801
Cash and deposits	2,650	2,835
Accounts receivable	609	650
Other current assets	550	320
Provision for doubtful debts	-3	-5
Fixed assets	2,185	1,941
Tangible fixed assets	220	237
Intangible fixed assets	1,469	1,249
Of the above, software	808	714
Of the above, goodwill	647	520
Investments and other assets	494	454
Total assets	5,992	5,742

(Unit: million yen)	FY2009 Q4	FY2010 Q1
Current liabilities	2,253	2,088
Advance payment received	1,280	1,268
Other current liabilities	972	819
Fixed liabilities	26	17
Total liabilities	2,279	2,106
Shareholders' equity	3,746	3,826
Gaps in appraisals, conversions, etc. Foreign currency transaction accounts	-73	-265
Minority equity	39	74
Net assets	3,712	3,636
Liabilities, net assets total	5,992	5,742

backlog

Financial Highlights Consolidated Cash Flow

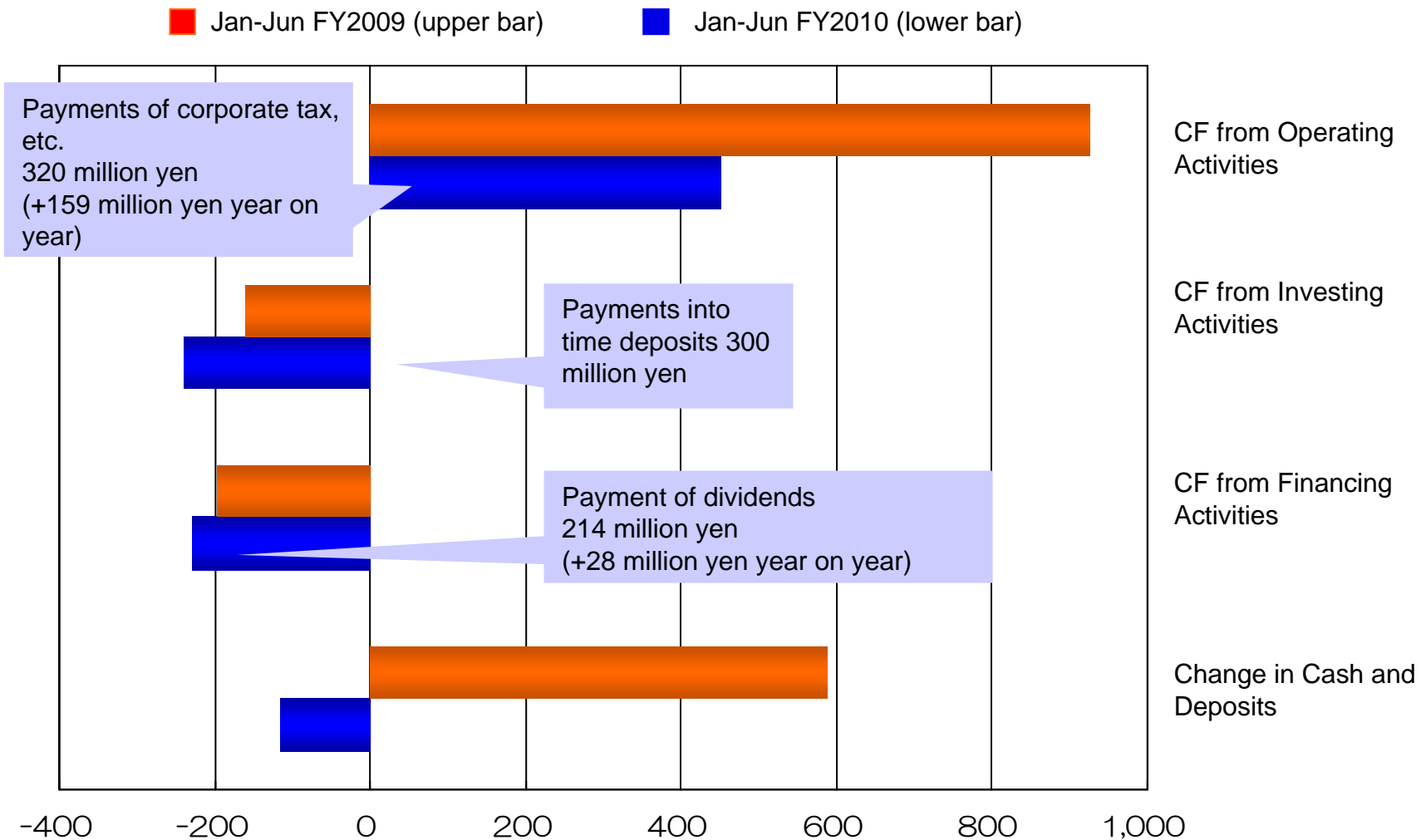
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Investments completed, decreased cash and deposits due to payment of cash dividends, corporate tax, etc.



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3. Business Overview

3-1 Hosting Business

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Hosting Business Advantages and Challenges of the Company (1)

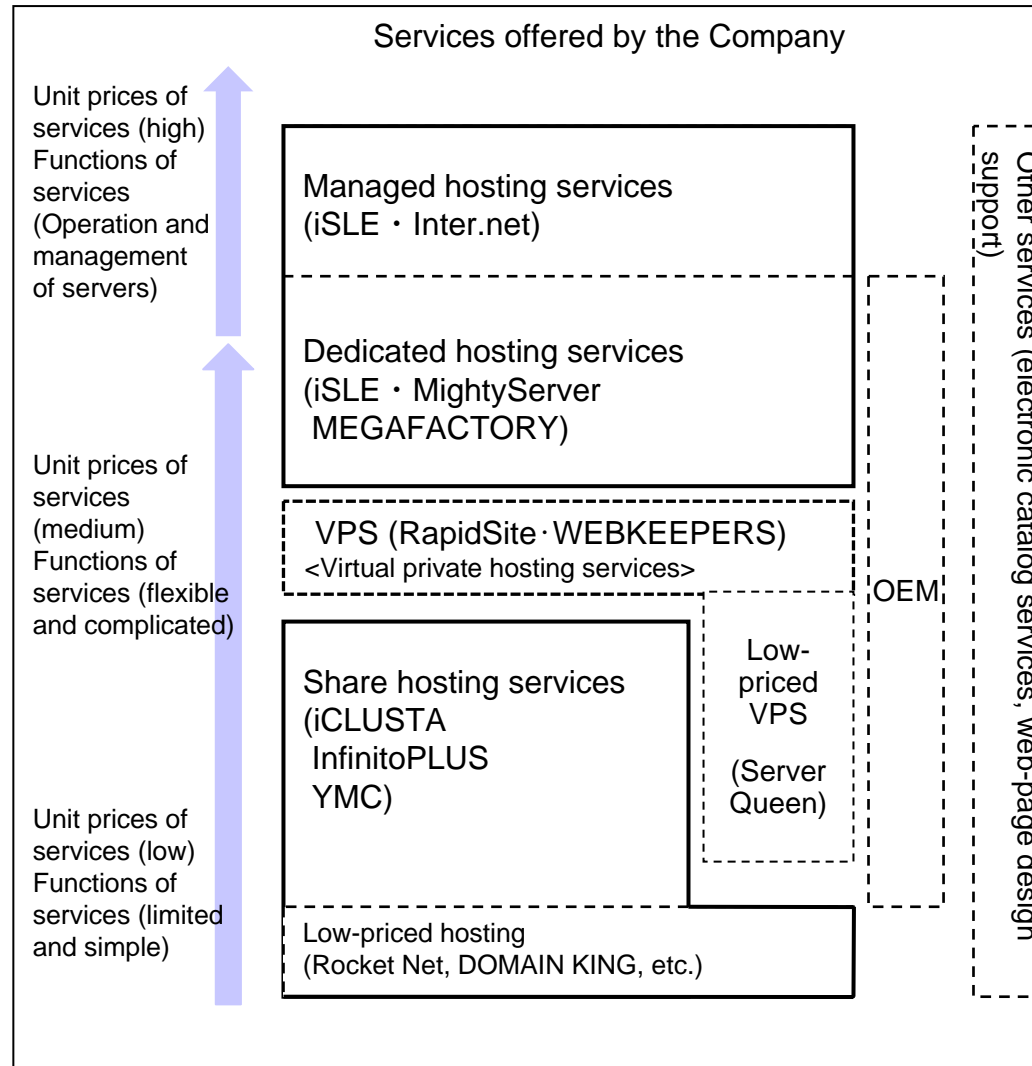
1.Summary & Conclusion

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A wide range of flexible services / Diversification with many brands



Advantage
Flexibility with a
wide range of
services

Challenge
Diversification
with many
brands

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Hosting Business Advantages and Challenges of the Company (2)

+Resellers network:(about 6,000 companeis) / △ proposing capability in sales

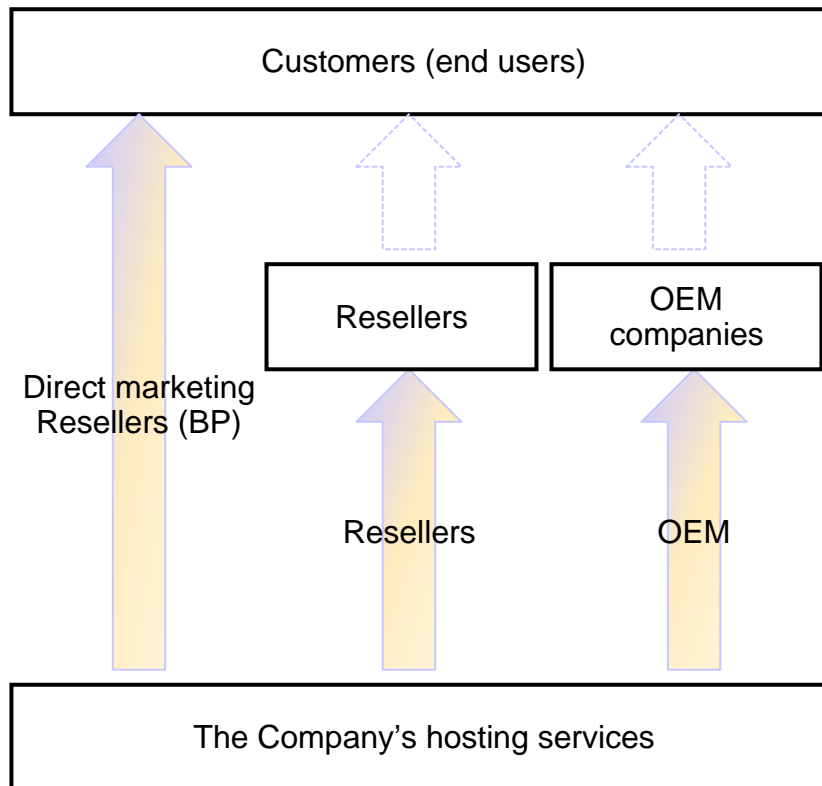
1.Summary & Conclusion

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Sales channels for the Company's hosting services



Advantages
 Sales through the website
 Sales through many resellers

Challenge
 Proposing capability

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Hosting Business Market Environment

1. Summary & Conclusion

2. Financial Highlights

3. Business Overview

4. Financial Forecast

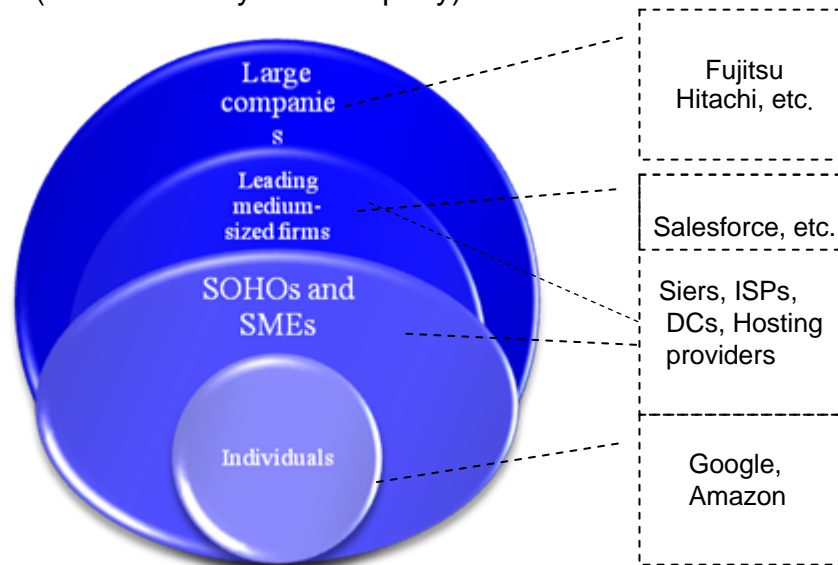
Cloud services: paradigm conversion from ownership to use

The market is expanding as companies are beginning to use servers of other companies instead of using their own servers. While the number of competitors is rising, business opportunities are also increasing.

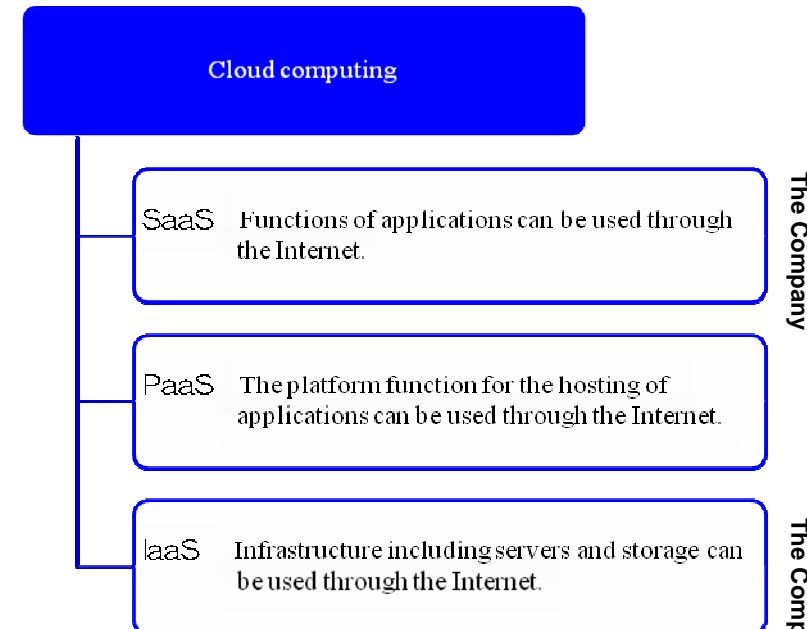
- ◇ The market size of SaaS, PaaS, and IaaS is estimated as 387.1 billion yen in 2009 → 1,811.8 billion yen in 2015
2,369.8 billion yen in 2015 if expansion through cloud services is included

Source: handout at the sixth meeting of the Smart Cloud Study Group of the Ministry of Internal Affairs and Communications
"Material 6-6: Cloud Network Technology Market Size Projection and Use of the Technology"

- ◇ Competitors by user category (an estimate by the Company)



- ◇ Current service domains of the Company



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Hosting Business Basic Policy for 2010

1. Summary & Conclusion

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4. Financial Forecast

◇ Focus on high-priced, high added-value products (Dedicated / Managed hosting service)

→ Hiring more employees, providing trainings

◇ 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 for First Half

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

1.Summary & Conclusion

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4.Financial Forecast

◇ Dedicated / Managed hosting service

Dedicated → Sales declined on falls in unit prices.

Managed hosting → Continued to make invest intensively.

Our challenge remains bolstering our sales force.

◇ Shared / VPS hosting service

Strengthened services for the low-end market, which is expected to grow. Services expanded.

→ “Rocket Net”, “DOMAIN KING”

◇ OEM

Sales declined, but the effect of the decline on profit was minor.

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Hosting Business Sales and Number of Contracts by Product

Sales fell due to declining unit prices, but the sales volume increased steadily.

1. Summary & Conclusion

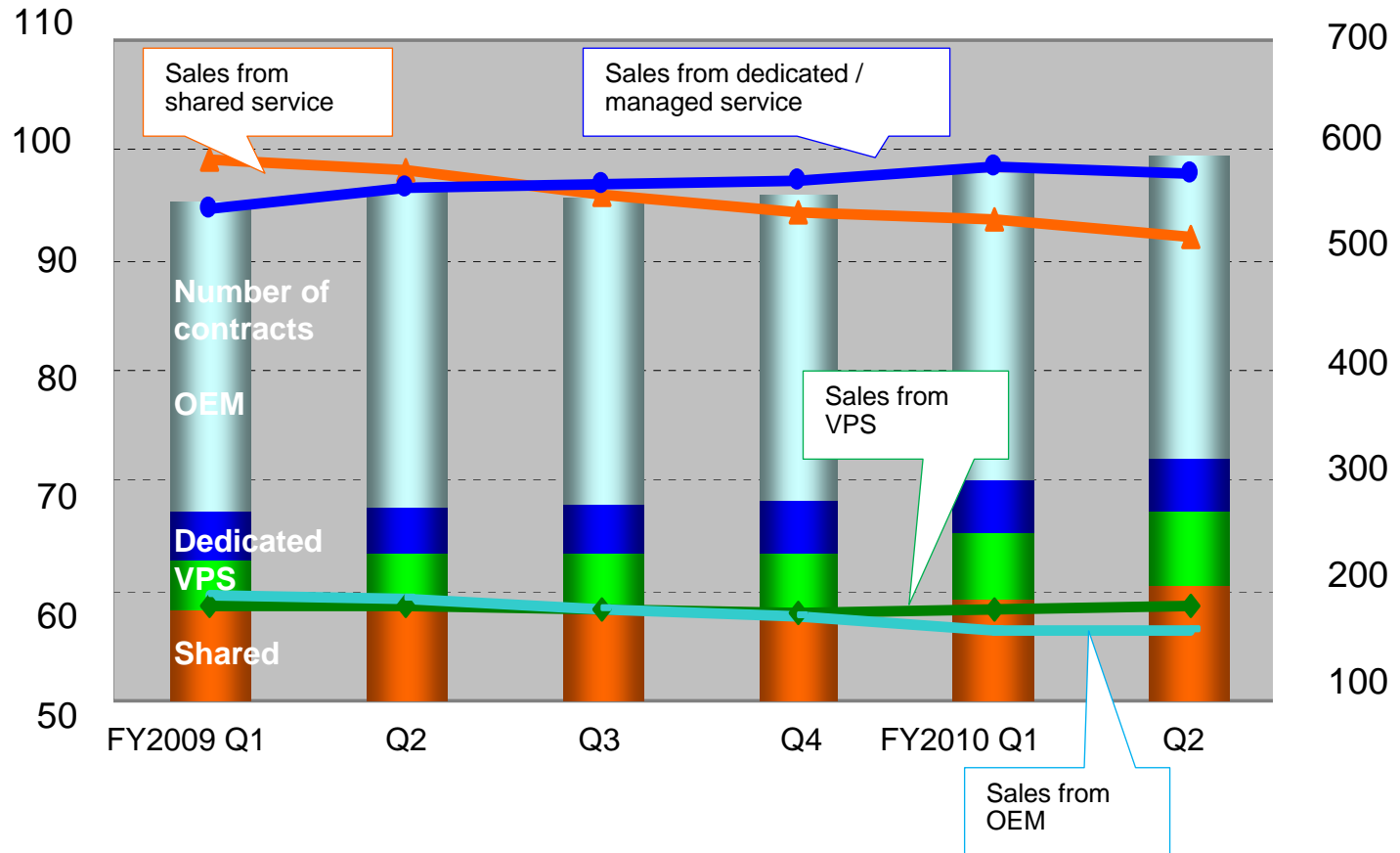
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(Unit: thousand contracts)

(Unit: million yen)



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

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Hosting Business

Sales and Number of Contracts by Product

Shared, Dedicated / Managed hosting service

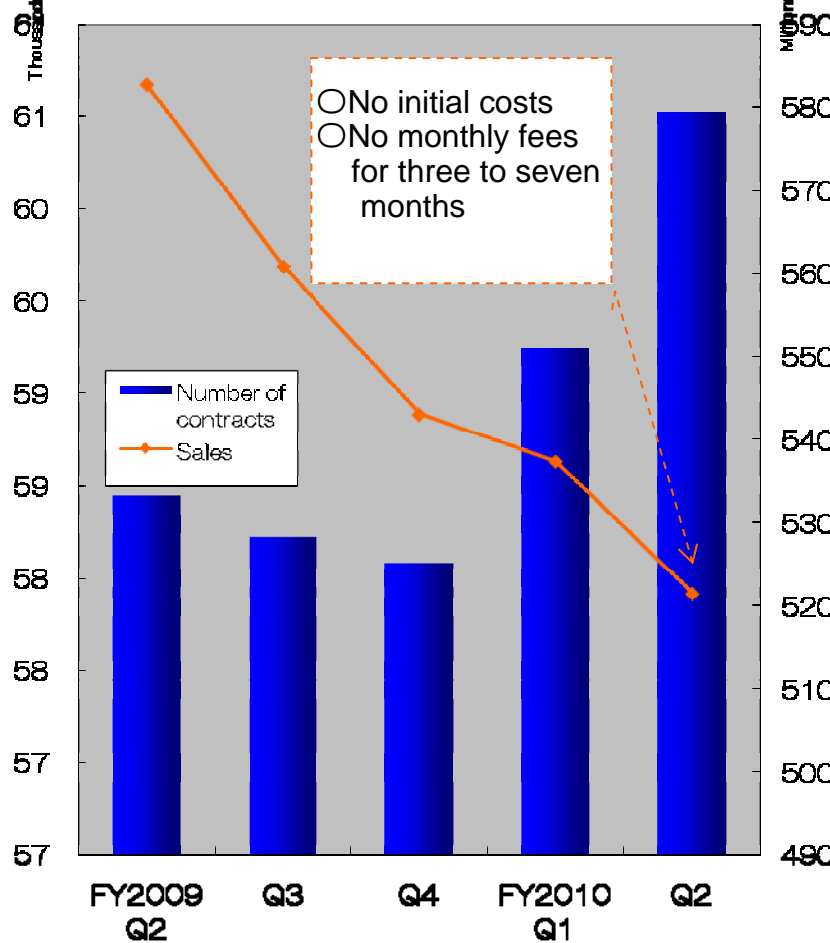
1. Summary & Conclusion

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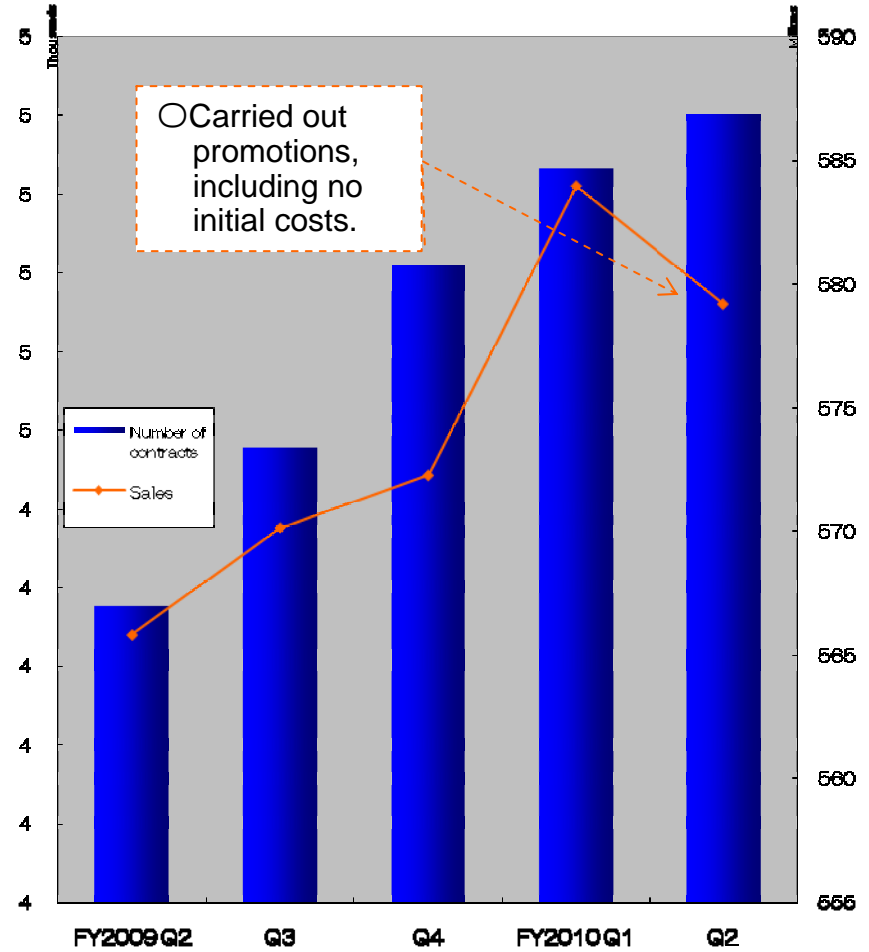
3. Business Overview

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Shared hosting service Number of contracts/Sales



Dedicated / Managed hosting service Number of contracts/Sales



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Hosting Business Bolstering Services to the Low-End Market

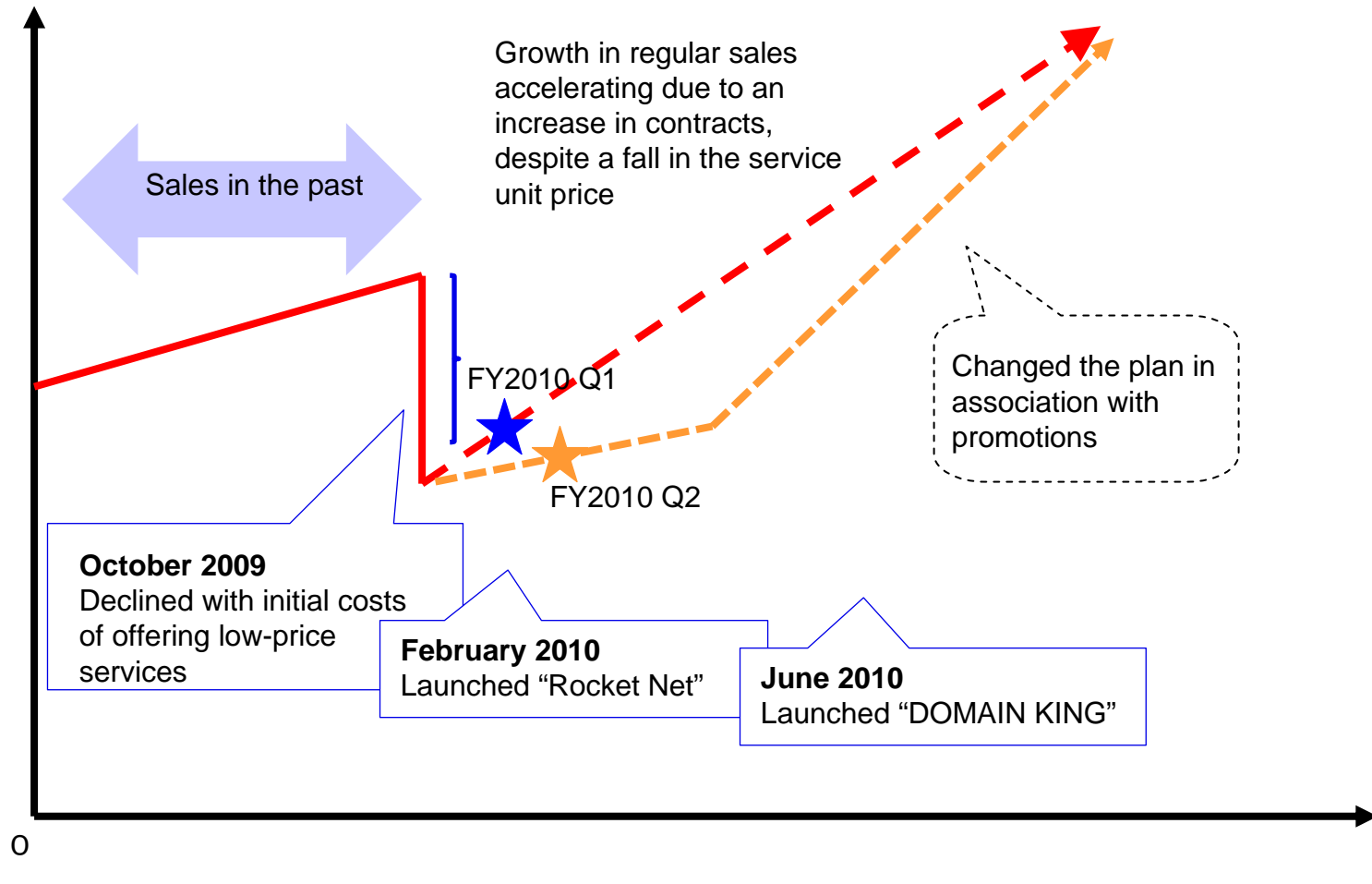
Launched a series of low-priced services. Prioritized expansion.

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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 Market Environment

1. Summary & Conclusion

2. Financial Highlights

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4. Financial Forecast

◇ Annual growth rate of domestic electronic authentication services

9.4% (an estimate by Netcraft and the Company based on the number of certificates issued)

As of March 31, 2010

◇ Annual growth rate of global electronic authentication services

12.6% (an estimate by Netcraft and the Company based on the number of certificates issued)

* Europe 20.5%, North America 7.6%, Oceania 23.5%, China 24.6%

As of March 31, 2010

◇ Competitor situation

The electronic authentication service of VeriSign has been transferred to Symantec.

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Security Business Summary for First Half

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Working positively towards increasing global market share

◇ Geographical expansion

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

◇ Expanding sales channels

System interoperation between hosting service software and digital 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

→ 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

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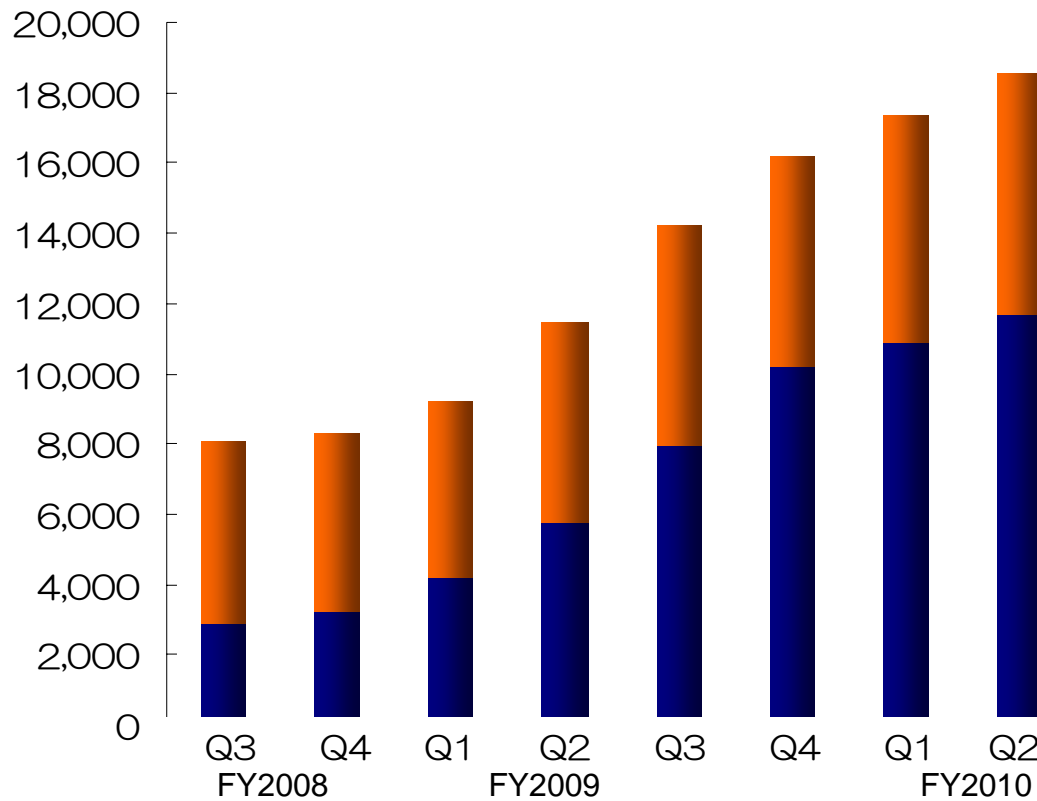
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SSL server certificates (on an issue basis)

(Unit: certificates)

Japan Overseas



Constant growth overseas

April- June 2010
 Japan 6,882 certificates
 overseas 11,679 certificates

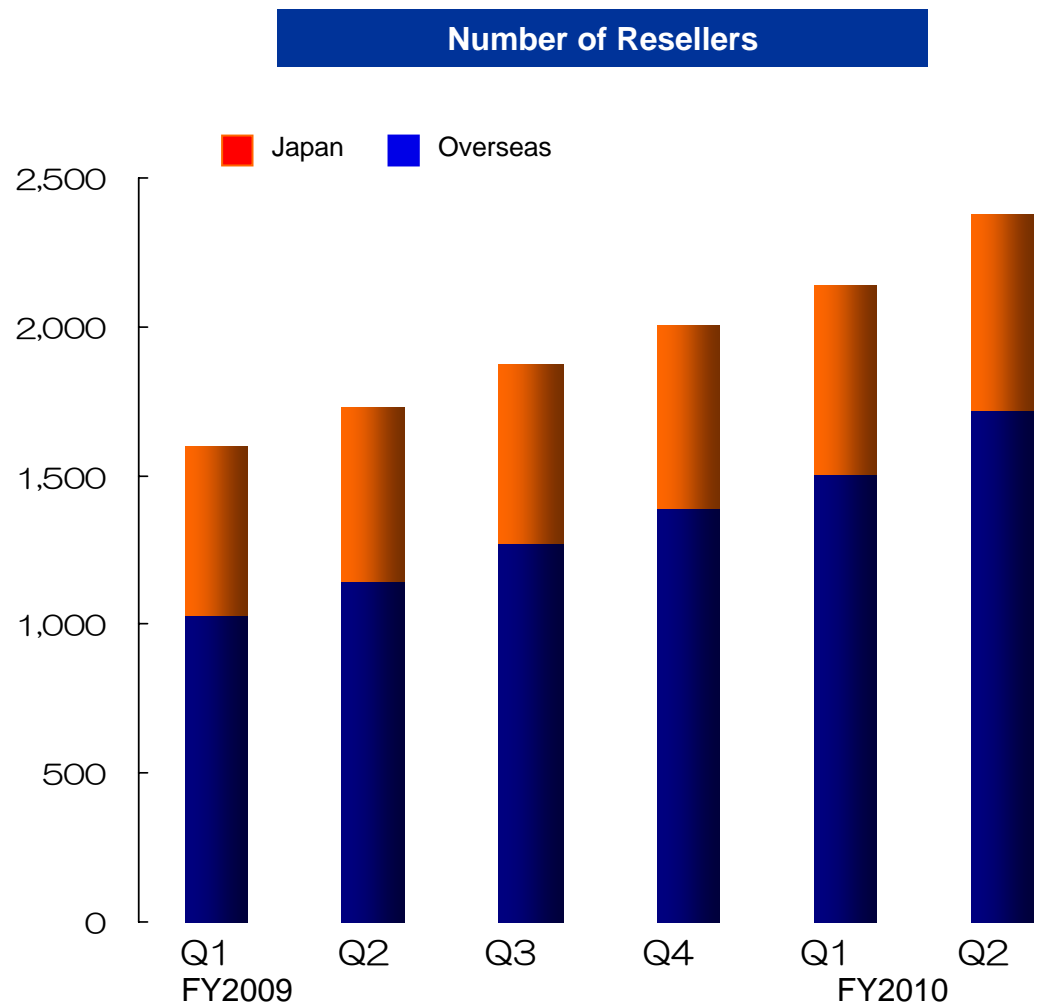
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Securities Business Number of Resellers

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Continuing to recruit resellers: 2,375 entities in total (+238 companies over the previous quarter)



Resellers network is broadening across the globe.

June 2010
 Japan 655 companies
 overseas 1,720 companies

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Security Business Change in Quarterly Results

Operating profit of 62 million yen in the second quarter

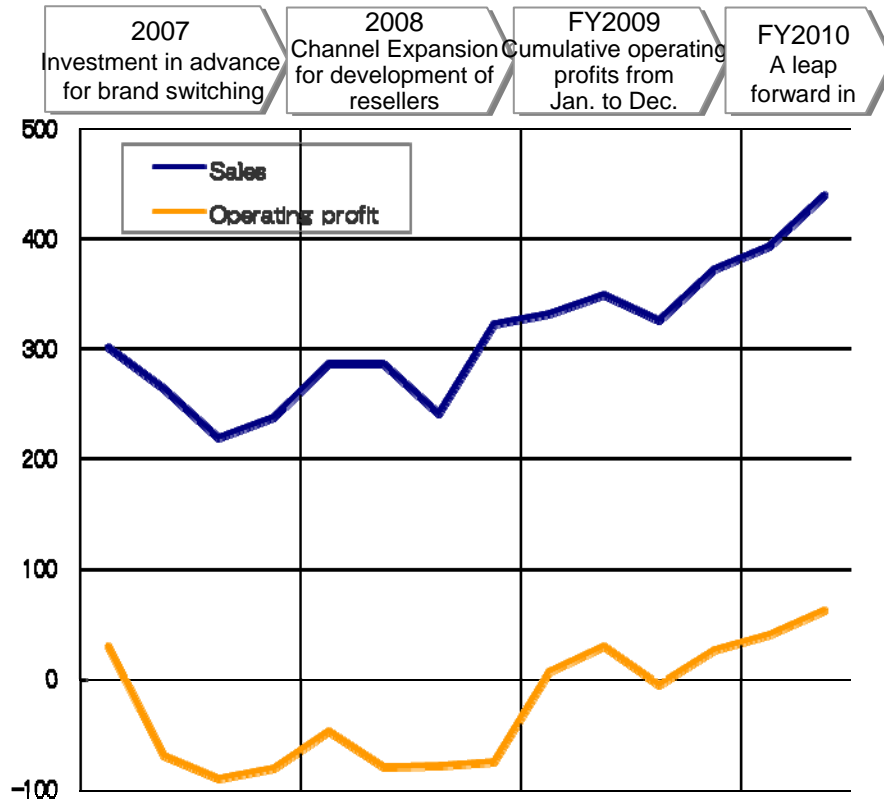
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Quarterly changes in sales and operating profit



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

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3-3 Solution Service Business

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Solutions Business

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◇Website Creation and Support



◇Office Consulting

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

◇ Supporting sales at stores on the Web

Communication Telecom, Inc. and CMT, Inc.

**Aiming to
become No. 1
in the region**



GMO Fast Translation, INC.

SaaS



Electronic book service
(Supporting iPad)

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4. Financial Forecast

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Financial Forecast

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FY2010 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 area (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%
 -ICT 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

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Segment Information

(Unit : million yen)	Sales		YoY	(Unit : million yen)	Operating Profit		YoY
	FY2009 Results	FY2010 Forecast			FY2009 Results	FY2010 Forecast	
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%

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

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Financial Forecast

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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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