

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

November 11th, 2010
GMO HOSTING & SECURITY, INC.
(Mothers of the Tokyo Stock Exchange 3788)



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

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2. Financial Highlights

3. Business Overview

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4. Financial Forecast 2010

1. Summary & Conclusion

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1. Summary and Conclusion

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Summary and Conclusion Summary of Financial Results for the Third Quarter

1. Summary & Conclusion

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Major business events during the Jul-Sep period

Hosting Services

- In shared and VPS hosting services, the number of contracts increased despite a sales slide for reasons of expansion of low-priced services.
- In dedicated and managed hosting services, the trend towards lower prices had adverse impacts and we made a slower start than the competition. The organization structure and other aspects will be reviewed

Security Services

- Sales were brisk at all bases.
- Toughened legislation and regulations on personal information protection in the United States helped increase the use of client certificates and PDF document signing certificates.

Solution Services

- A business tie-up was formed with ALC NETWORKS INC. for the fast translation service, adopted by an increasing number of platforms.

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Summary and Conclusion Consolidated Jan-Sep results and full-year forecasts

1. Summary & Conclusion

2. Financial Highlights

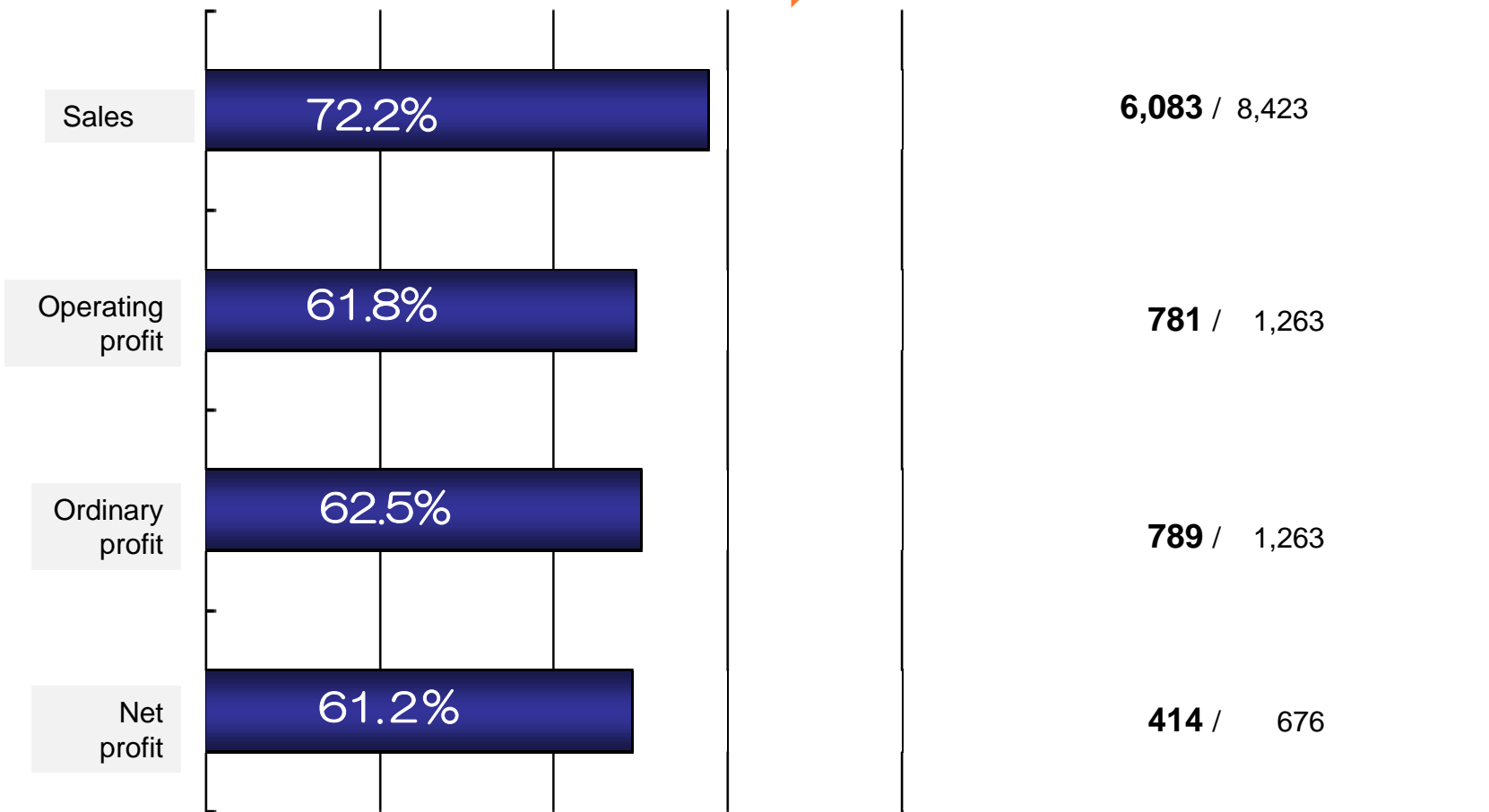
3. Business Overview

4. Financial Forecast

Poor achievements due to weaker results than expected in the hosting business

◇ Ratios of achievements to full-year forecasts

0%  100%



* IT Next Holdings Inc. and WADAX Inc. have been included in consolidated financial statements since Oct. 1.

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2. Financial Highlights

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Financial Highlights Consolidated Statement of Income

1. Summary & Conclusion

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Year-on-year comparison (the third quarter)

◇ Profit declined as hosting services achieved poorer results than planned, despite the strong performance of security services.

(Unit: million yen)	Jul-Sep 2009	Jul-Sep 2010	Change	YoY Change (%)	Reasons for Change
Sales	1,876	2,002	+126	+6.7%	- Hosting sales slide: -90 million yen - Securities sales hike: +93 million yen - Solution sales hike: +123 million yen
Operating profit	269	238	-30	-11.4%	- Rise in cost of sales: +60 million yen - Rise in sales, general & administrative expenses: +95 million yen
Ordinary profit	273	230	-42	-15.6%	- Non-operating income slide: -2 million yen - Non-operating expense growth: +9 million yen
Net profit	136	120	-15	-11.7%	- Extraordinary losses Loss on retirement of fixed assets: 0 million yen - Fall in net profit before taxes: -41 million yen - Fall in income taxes: -32 million yen

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Financial Highlights Consolidated Statement of Income

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Reference: Year-on-year comparison (Jan-Sep period)

◇ Upfront expenses for advertising and sales promotion in the hosting business

(Unit: million yen)	Jan-Sep 2009	Jan-Sep 2010	Change	YoY Change (%)	Reasons for Change
Sales	5,665	6,083	+418	+7.4%	- Hosting sales slide: -162million yen - Securities sales hike: +245million yen - Solution sales hike: +334million yen
Operating profit	868	781	-87	-10.1%	- Rise in cost of sales: +90million yen - Rise in sales, general & administrative expenses: +415million yen
Ordinary profit	877	789	-88	-10.1%	- Non-operating income growth: +13million yen (inc.) Rise in foreign exchange gains: +12million yen - Non-operating expenses growth: +13million yen
Net profit	462	414	-47	-10.3%	- Extraordinary losses Office relocation expenses: 10 million yen - Fall in net profit before taxes: -119 million yen - Fall in income taxes: -84 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	Jul-Sep
Sales	1,874	1,914	1,876	1,928	2,021	2,059	2,002
Cost of Sales	774	749	742	747	776	776	803
Gross profit on sales	1,099	1,164	1,134	1,180	1,244	1,283	1,199
Sales, general & administrative expenses	825	839	864	908	984	1,006	960
Operating profit	274	324	269	272	260	276	238
Ordinary profit	285	319	273	281	265	287	230
Net profit	152	173	136	151	133	161	120

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Financial Highlights Sales by segment

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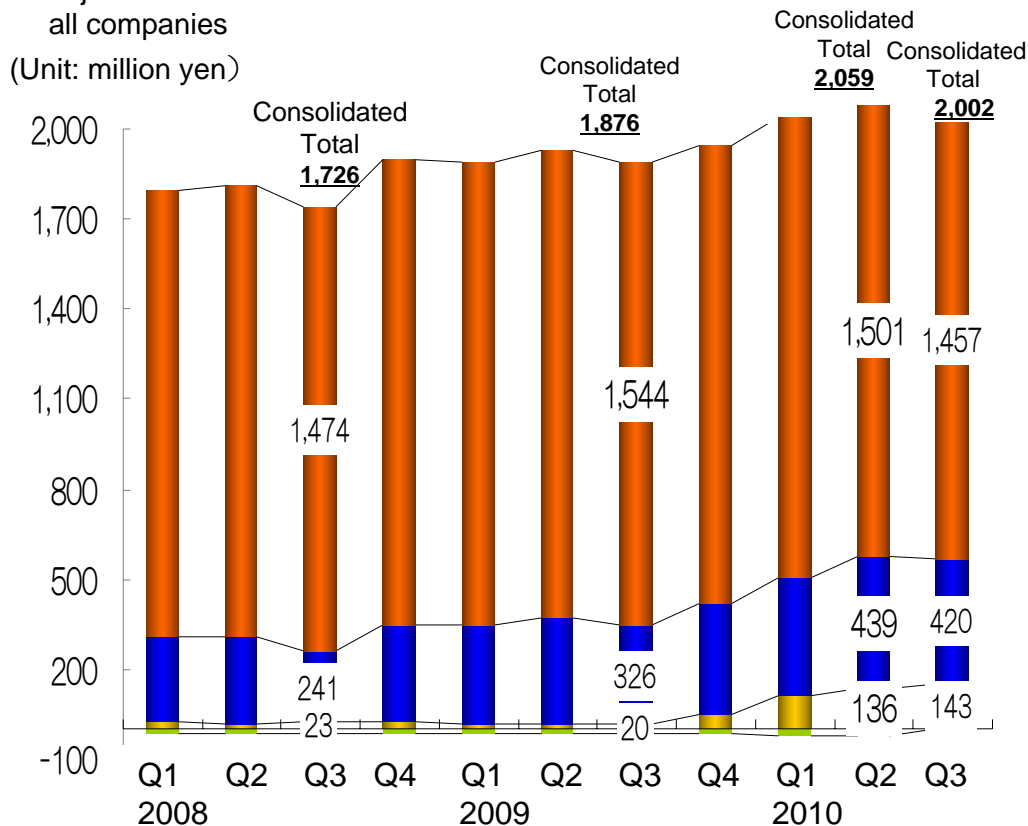
The securities business remained bullish while the hosting business was affected by low-cost services.

	Jul-Sep 2009		Jul-Sep 2010	
■ Hosting	Consolidated total: 1,876		Consolidated total: 2,002	
■ Securities	Hosting	1,544	Hosting	1,457
■ Solution	Securities	326	Securities	420
■ Intercompany transaction adjustment or all companies	Solution	20	Solution	143

Hosting Business:
 1,457 million yen
 Down 5.7% year on year,
 Down 2.9% from the preceding quarter
 - Low-priced services growth since Q4 of 2009

Securities Business:
 420 million yen
 Up 28.7% year on year,
 Down 4.4% from the preceding quarter
 - Healthy results at all bases

Solution Service Business:
 143 million yen
 Up 607.7% year on year,
 Up 5.0% from the preceding quarter
 - Consolidation of two new subsidiaries since Dec. 2009 and resulting sales rise



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Financial Highlights Security Sales According to Currency

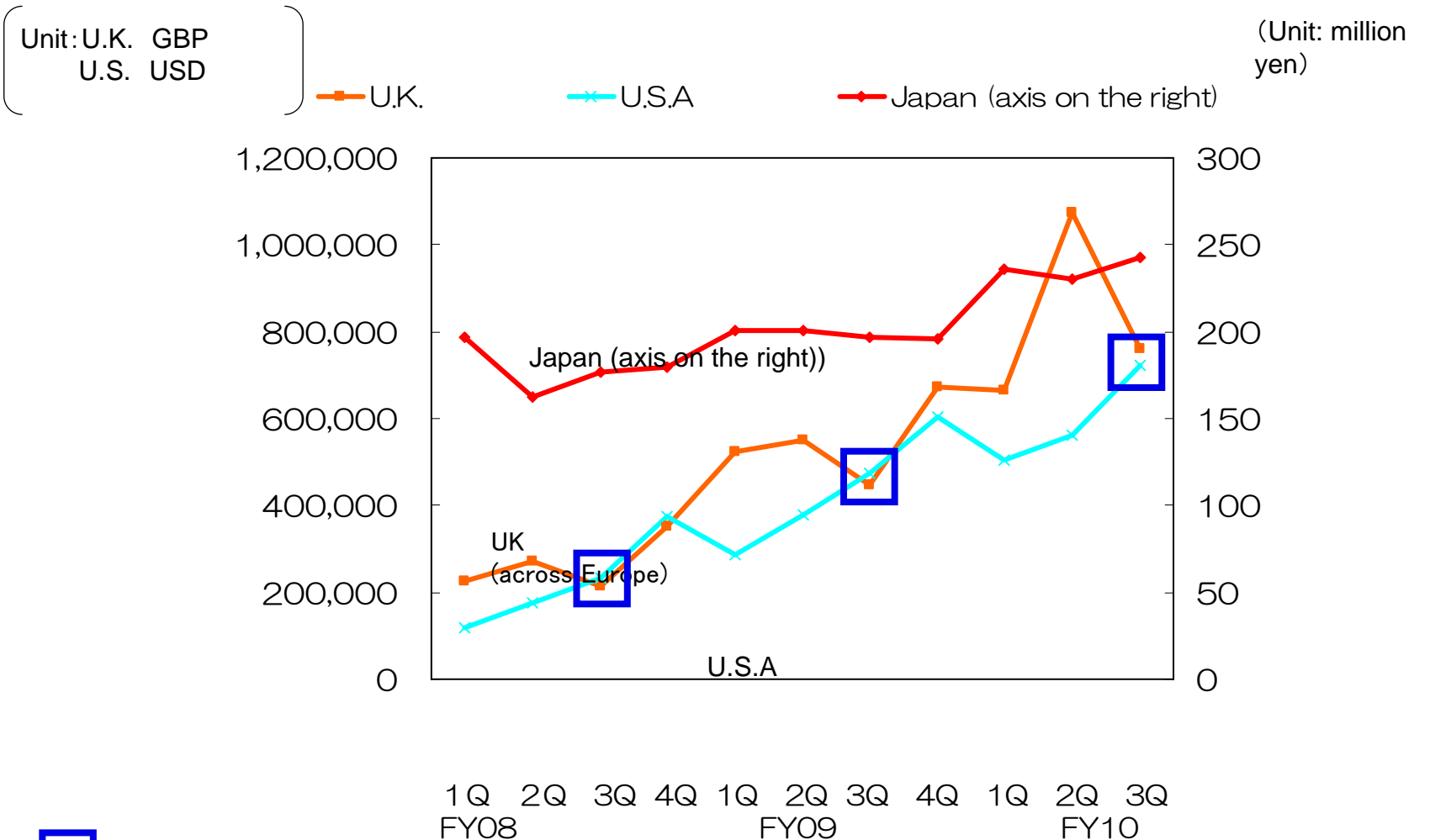
Sales were brisk at all bases

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□ Sales of Q3 declined due to seasonal influence

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Financial Highlights Consolidated cost of sales

1. Summary & Conclusion

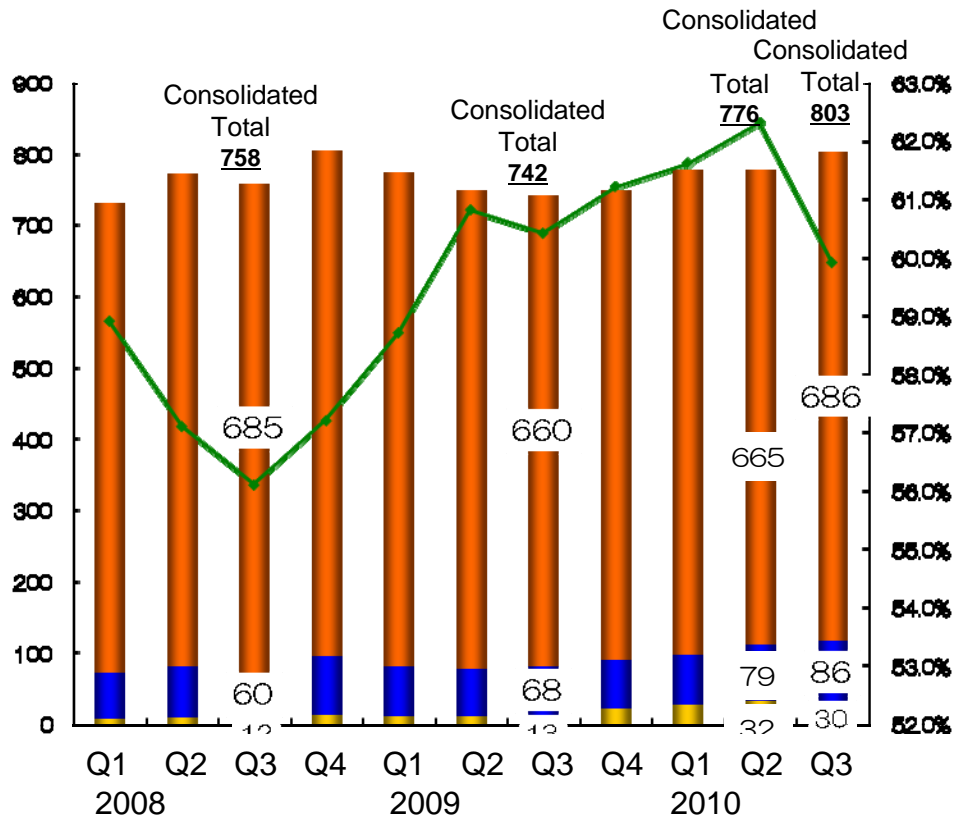
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The expansion of low-cost hosting services resulted in a temporary dip in the gross margin.

	Jul-Sep 2009	Jul-Sep 2010
Consolidated total:	742	803
Hosting	660	686
Securities	68	86
Solution	13	30



Hosting Business:
686 million yen
Up 3.9% year on year,
Up 3.2% from the preceding quarter
- Increase in housing fees and others

Securities Business:
86 million yen
Up 26.9% year on year,
Up 9.1% from the preceding quarter
- Continued development for maintaining and improving functions

Solution Service Business:
30 million yen
Up 126.7% year on year,
Down 6.0% from the preceding quarter
- Consolidation of two new subsidiaries since Dec. 2009

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Financial Highlights Consolidated selling, general & administrative expenses

1. Summary & Conclusion

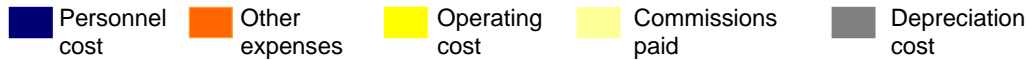
2. Financial Highlights

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Positive sales activities to retain customers

From bottom upwards:



Jul-Sep 2009

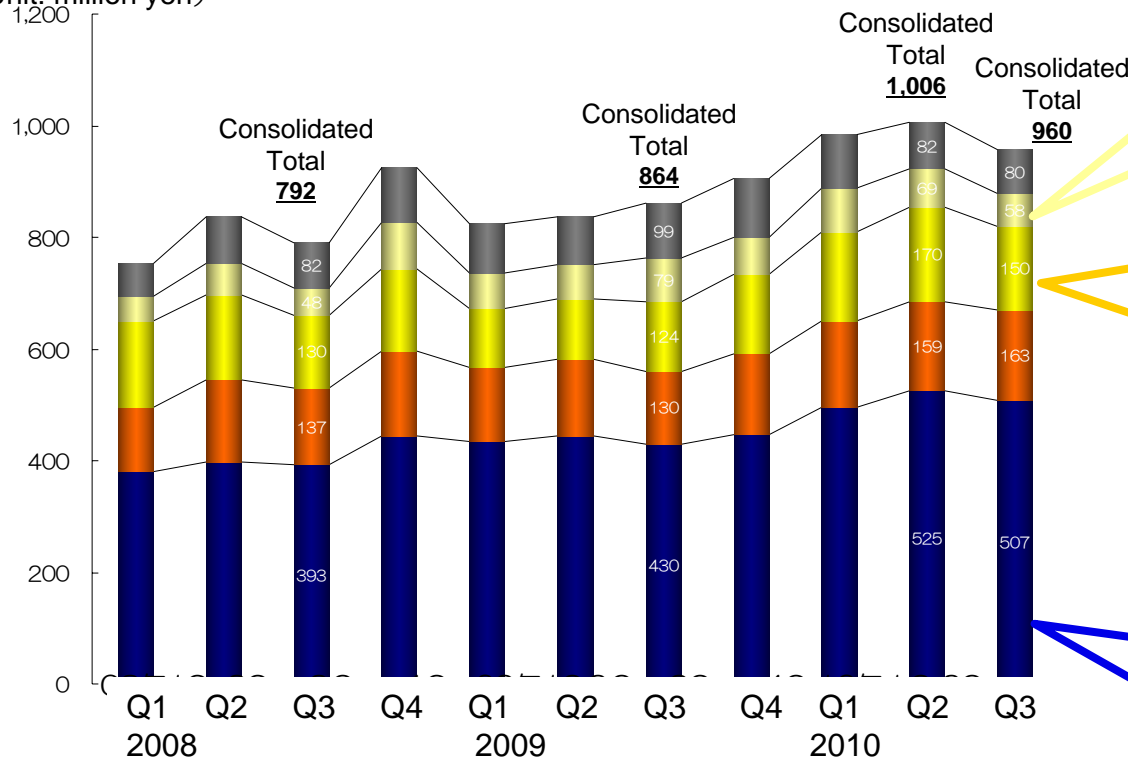
Total SG&A expenses: 864

Jul-Sep 2010

Total SG&A expenses: 960

[Consolidated SG&A expenses]
960 million yen
Up 11.1% year on year
Down 4.6% from the preceding quarter

(Unit: million yen)



[Commissions paid]
58 million yen
Down 26.4% year on year
Down 15.5% from the preceding quarter

[Operating costs]
150 million yen
Up 21.1% year on year
Down 11.7% from the preceding quarter
- Advertising and sales promotion expenses increased by bolstering introduction of low-priced services

[Personnel costs]
507 million yen
Up 17.9% year on year
Down 3.3% from the preceding quarter
- 57 personnel added to solution services, 16 others to security services

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Financial Highlights Consolidated Operating Profit

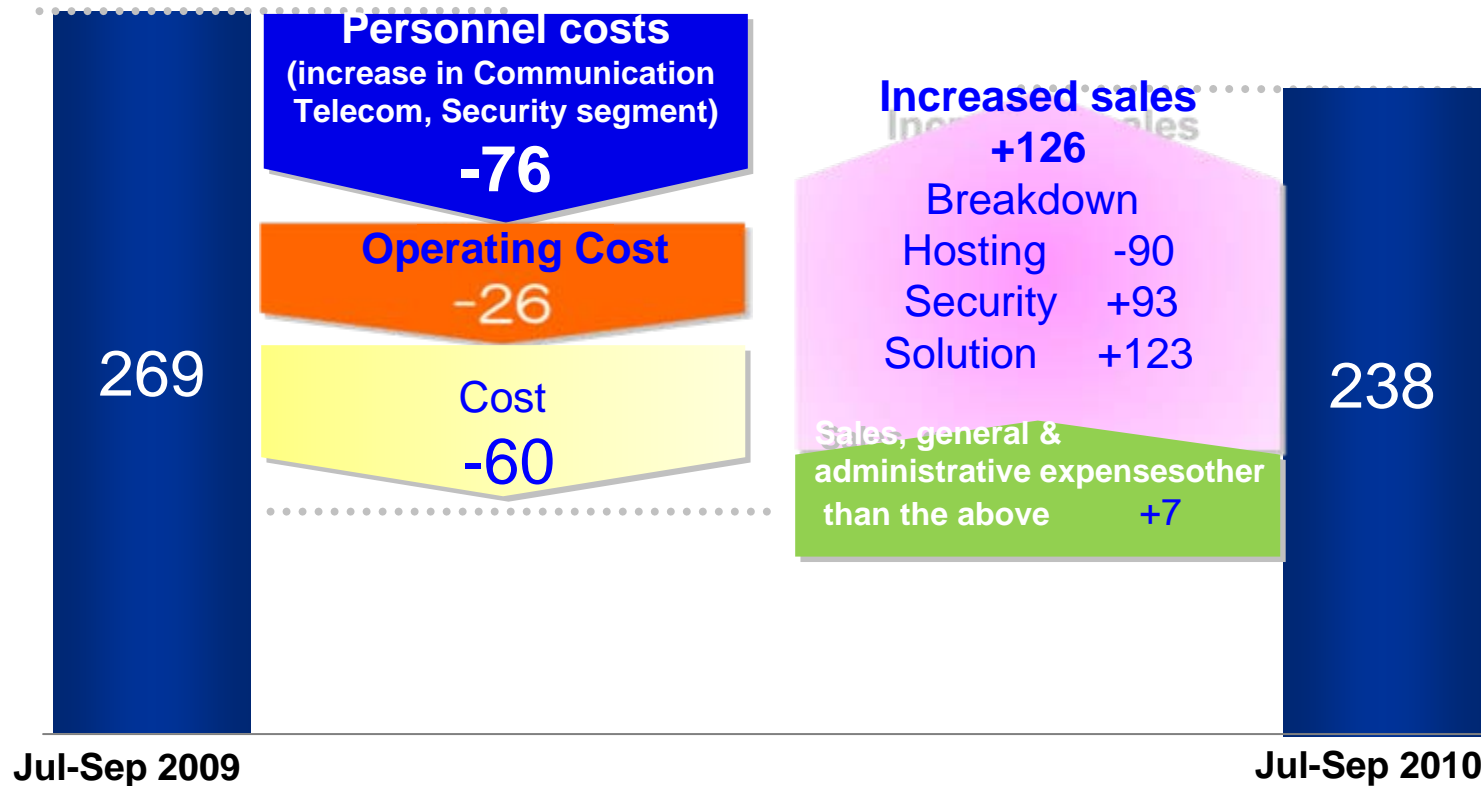
Factors behind increases and decreases in operating profit by type

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*Commissions paid +21 million yen、 Depreciation costs +19million yen、 Other: -33 million yen
 * Amounts less than one million yen rounded down



Financial Highlights Consolidated Operating Profit

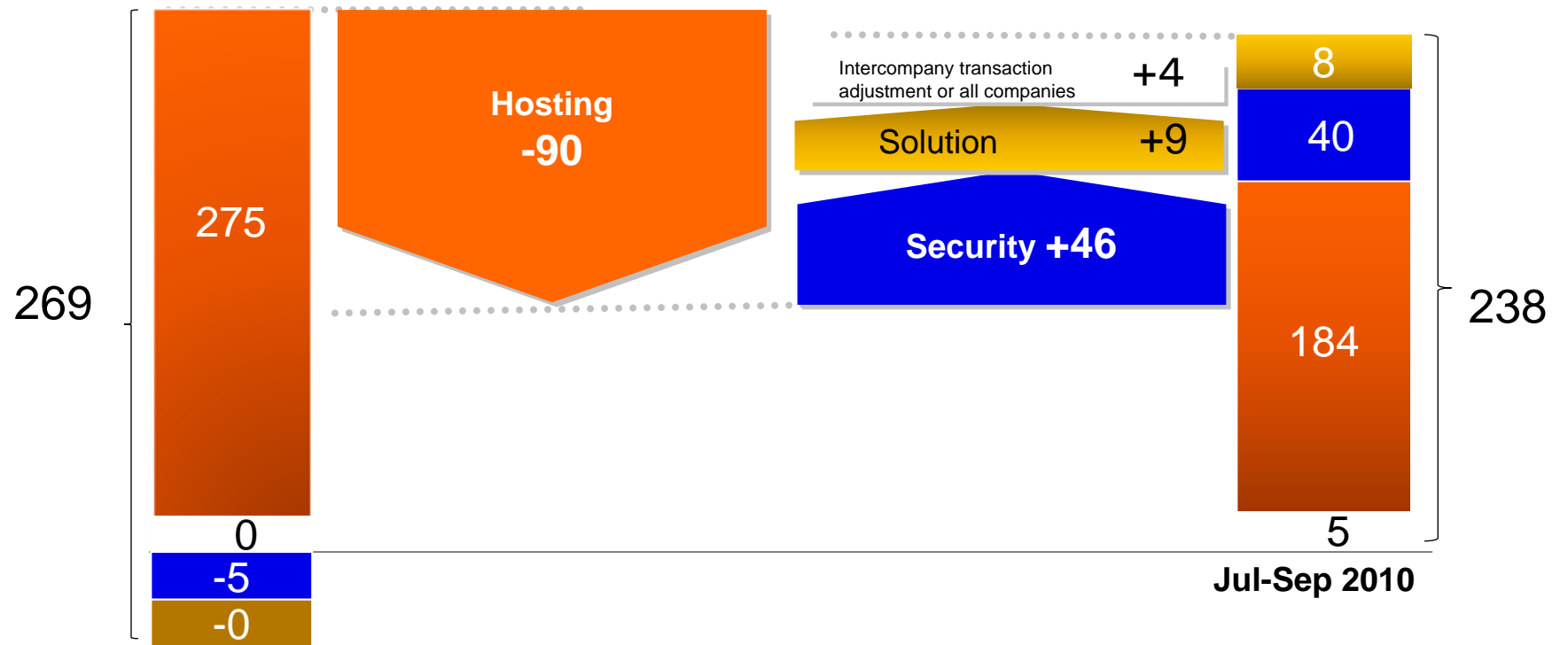
Factors behind increases and decreases in operating profit by segment

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* Amounts less than one million yen rounded down

Financial Highlights Consolidated Balance Sheets

Sound financial status

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(Unit: million yen)	FY2009 Q4	FY2010 Q3	(Unit: million yen)	FY2009 Q4	FY2010 Q3
Current assets	3,806	3,287	Current liabilities	2,253	2,478
Cash and deposits	2,650	2,182	Advance payment received	1,280	1,653
Accounts receivable	609	759	Other current liabilities	972	824
Other current assets	550	351	Fixed liabilities	26	91
Provision for doubtful debts	-3	-5	Total liabilities	2,279	2,569
Fixed assets	2,185	3,049	Shareholders' equity	3,746	3,907
Tangible fixed assets	220	347	Gaps in appraisals, conversions, etc. Foreign currency transaction accounts	-73	-190
Intangible fixed assets	1,469	2,202	Minority equity	39	51
Of the above, software	808	735	Net assets	3,712	3,768
Of the above, goodwill	647	1,452	Liabilities, net assets total	5,992	6,337
Investments and other assets	494	500			
Total assets	5,992	6,337			

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

acquisition of subsidiaries +987

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backlog



Financial Highlights Consolidated Cash Flow

Balance of cash and deposit at the end of quarter: 1,921 million yen

1. Summary & Conclusion

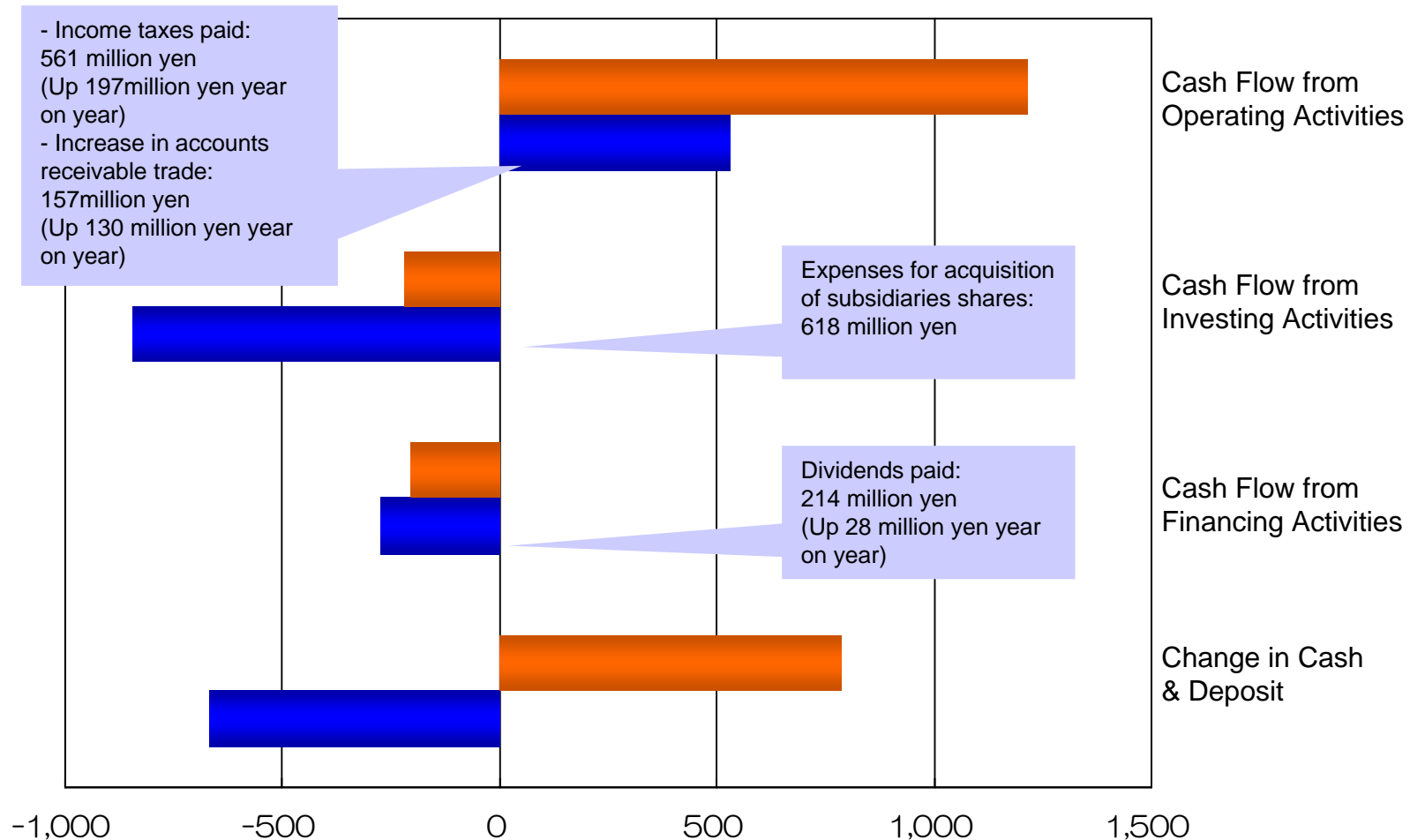
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■ Jan-Sep 2009 (Top)

■ Jan-Sep 2010 (bottom)



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3. Business Overview

3-1 Hosting Business

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Hosting Business Advantages and Challenges of the Company (1)

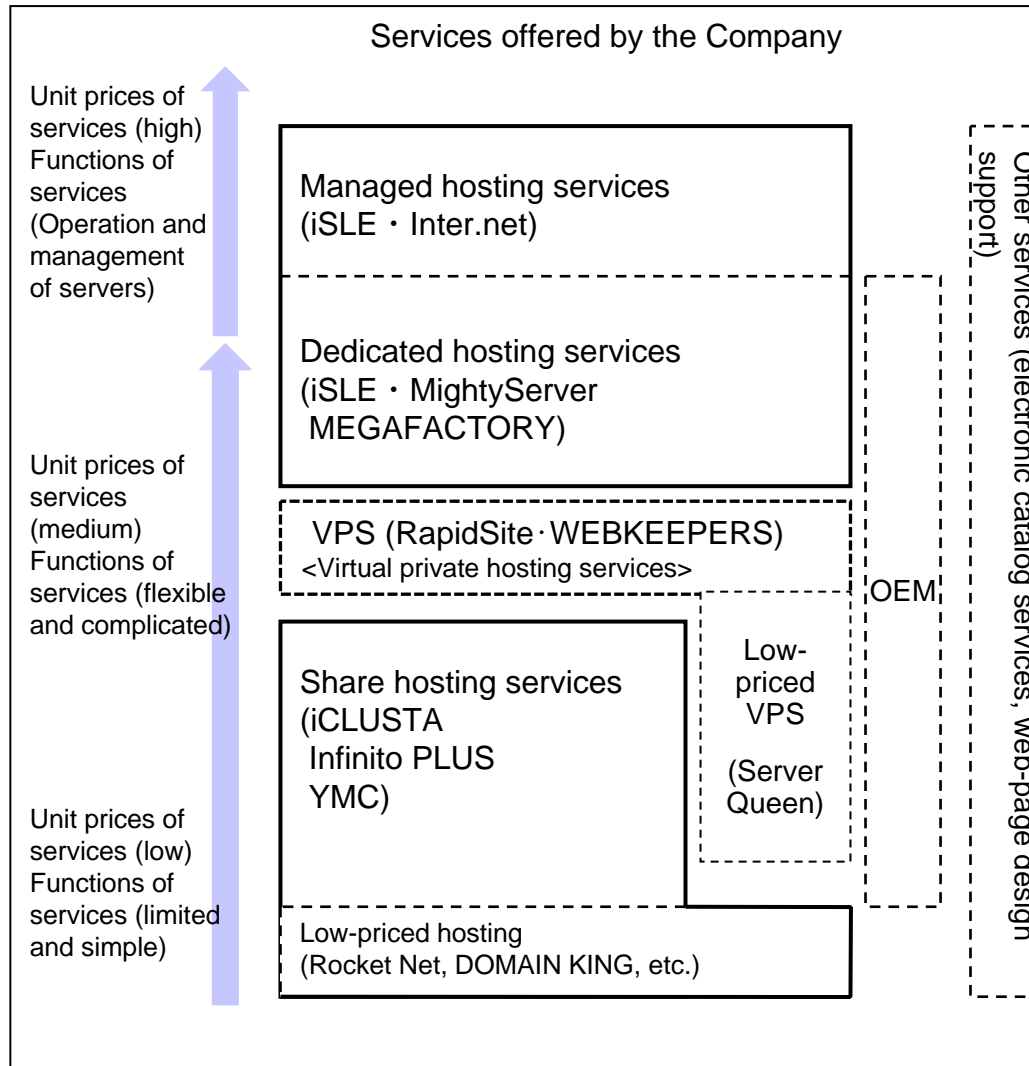
A wide range of flexible services / Diversification with many brands

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Advantage
Flexibility with
a wide range
of services

Challenge
Diversification
with many
brands

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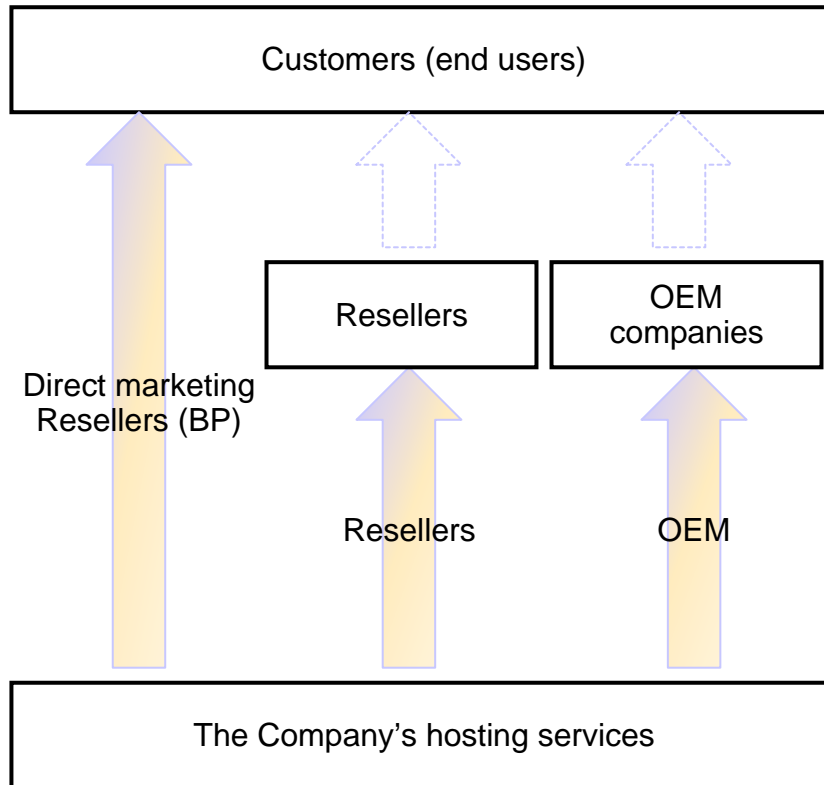


Hosting Business Advantages and Challenges of the Company (2)

+Resellers network:(about 6,000 companies) / Δ proposing capability in sales

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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 Basic Policy for 2010

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4. Financial Forecast

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

→ Hiring more employees · strengthened sales force, (changed organization structure on Oct.1st) 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 Third Quarter

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

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◇ 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.

Effects are expected after 2011 Q1

◇ Shared / VPS hosting service

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

→ “Rocket Net”, “DOMAIN KING”

Break-even point is expected aruond 2011 2Q

◇ 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

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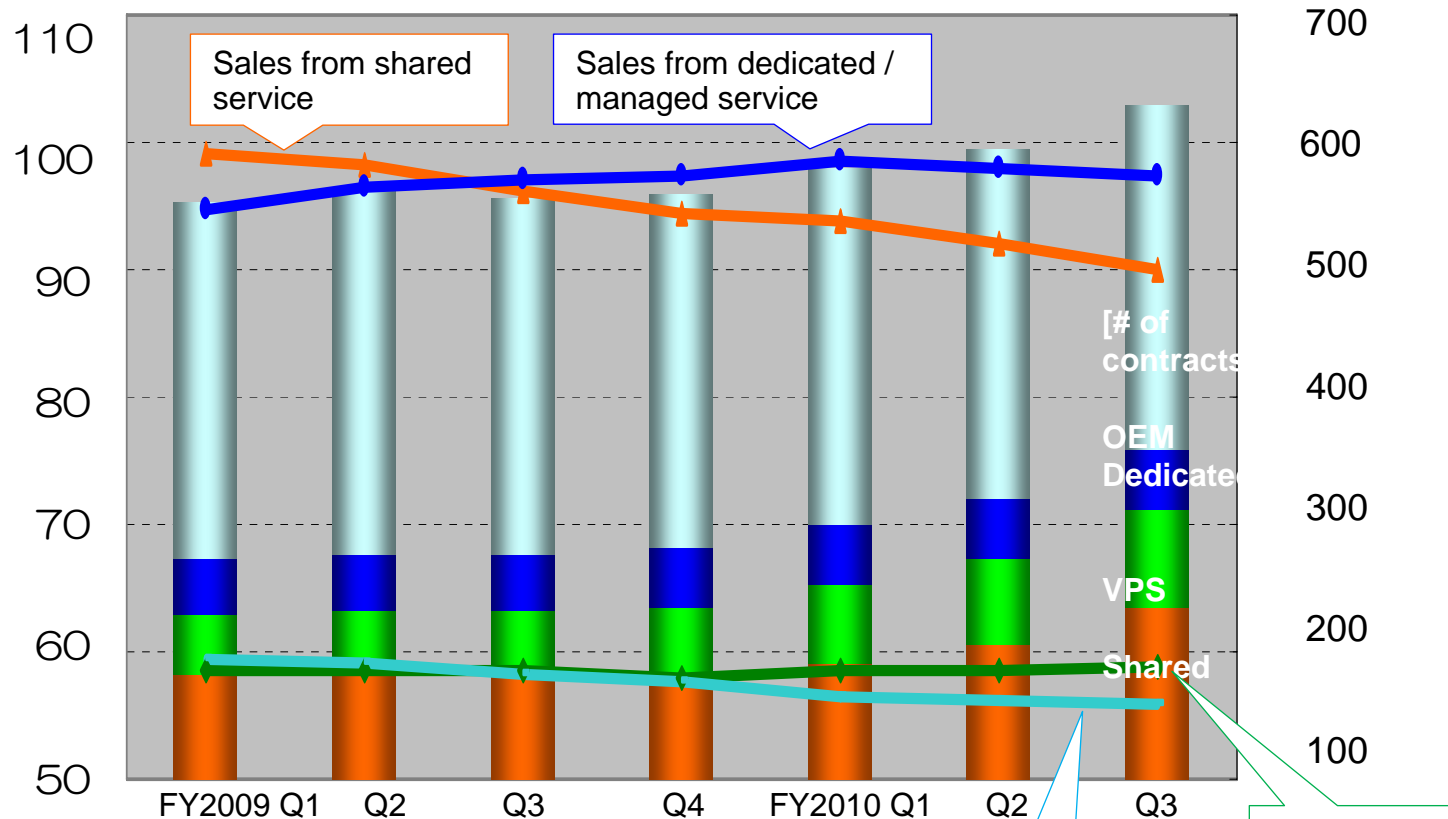
3. Business Overview

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Sales fell due to declining unit prices, but the sales volume increased to 102,953 contracts(end of 2010/9)

(Unit: thousand contracts)

(Unit: million yen)



*line graph: sales , Bar graph : number of contracts

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Hosting Business Sales and Number of Contracts by Product

Shared hosting services

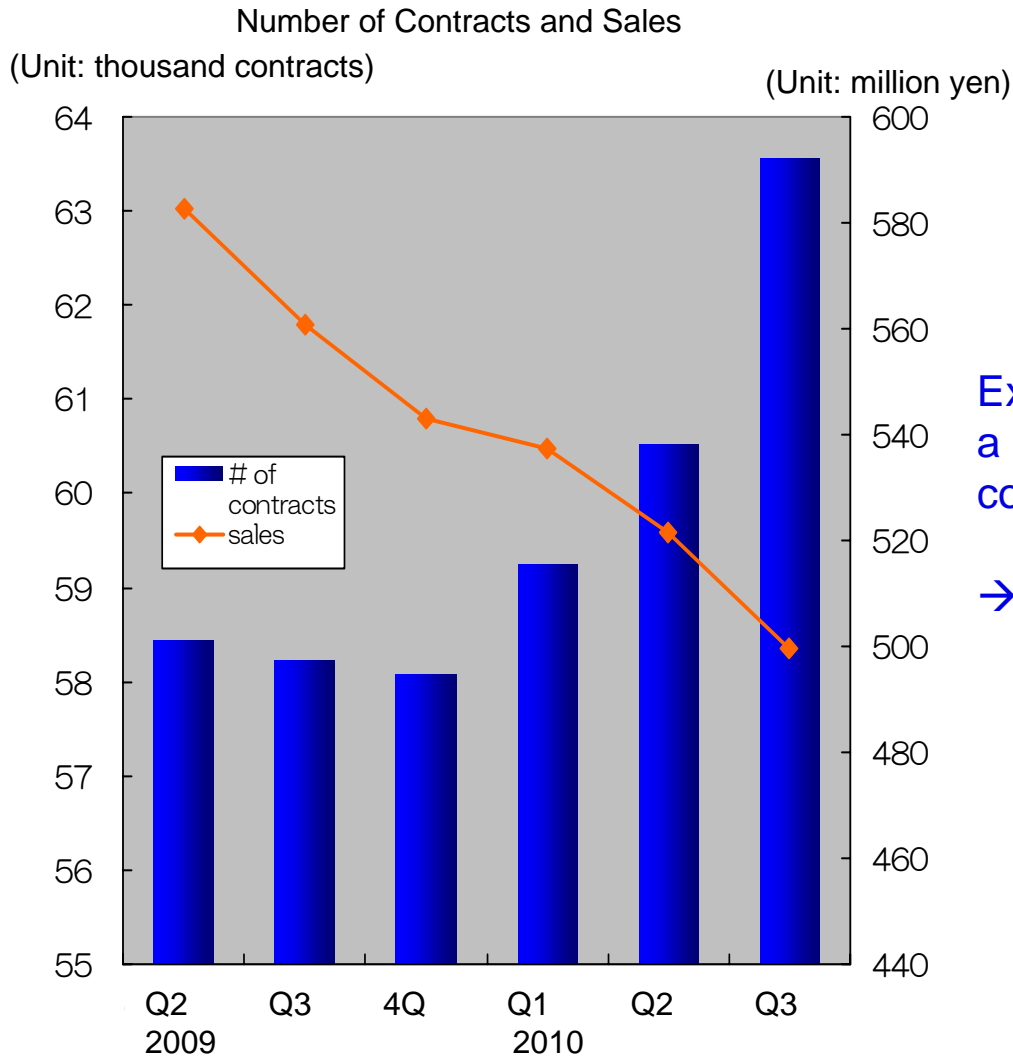
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Expanding low-cost services in a bid to increase the number of contracts

→ The number of contracts is on the rise: 63,557 (Up 5,335 year on year)

Hosting Business Bolstering Services to the Low-End Market

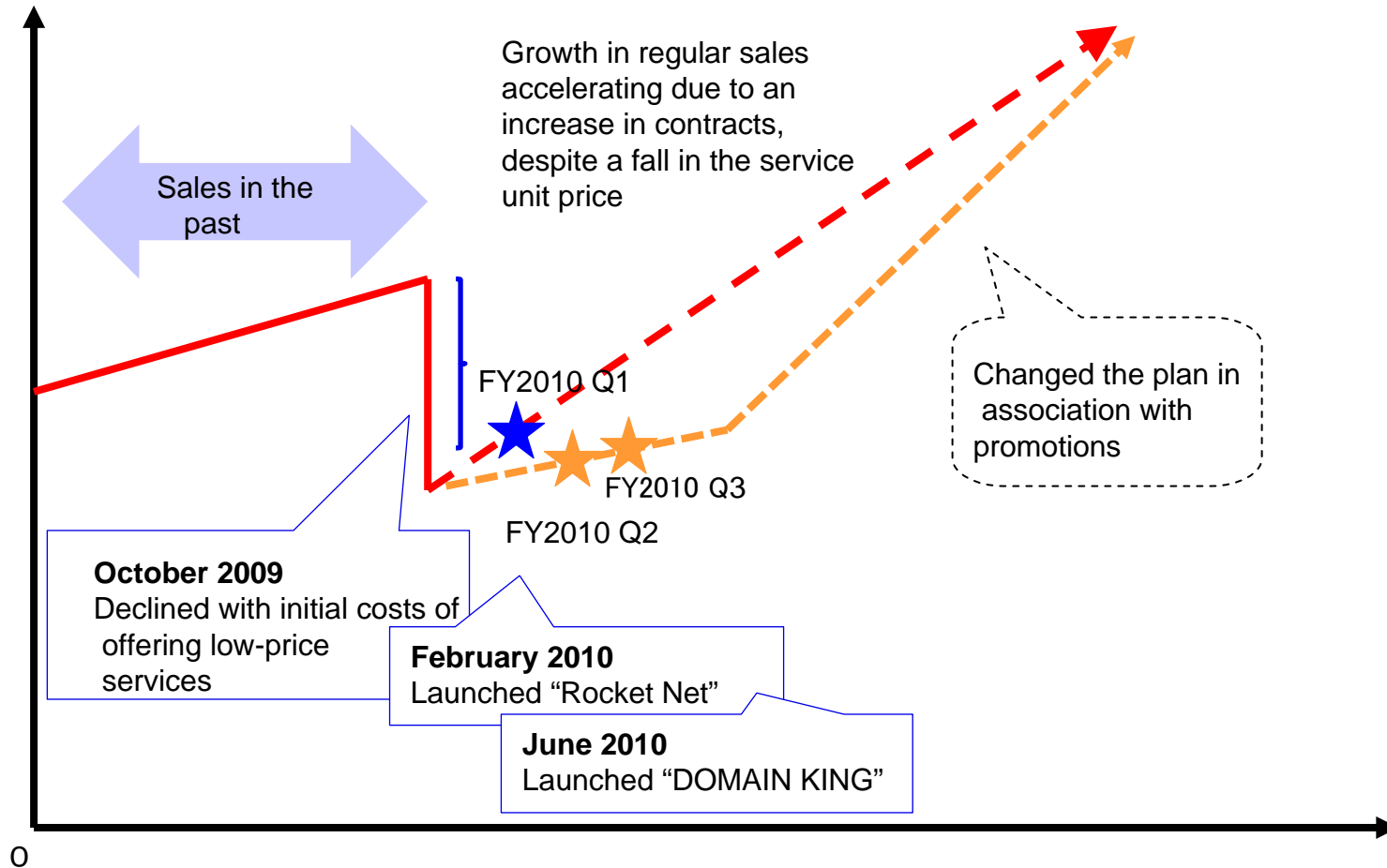
Launched a series of low-priced services. Prioritized expansion.

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Hosting Business Sales and Number of Contracts by Product

Dedicated and managed hosting services

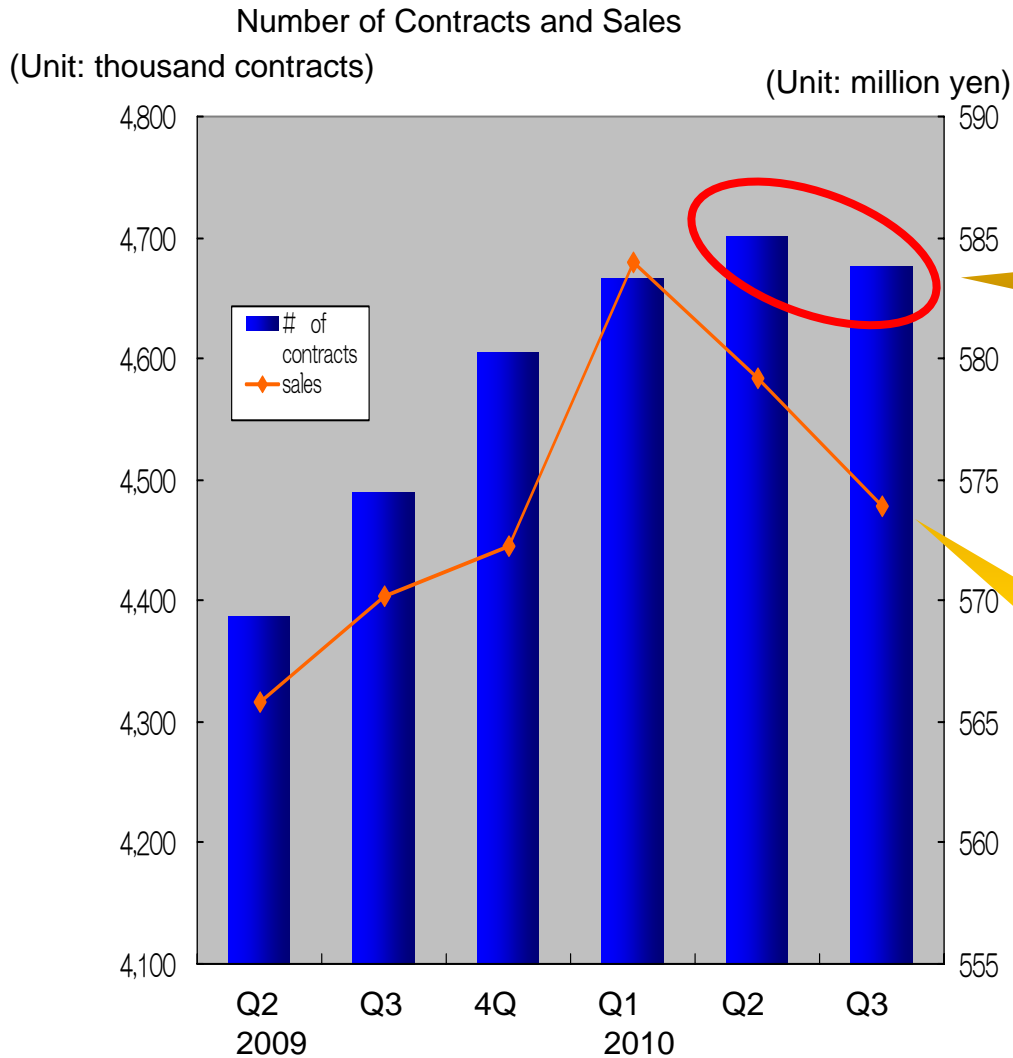
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A slower start than the competition: Structure to be reconsidered (10/1)

Sales fell due to sales promotion campaigns, including those with initial cost waivers.

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3. Business Overview

3-2 Securities Business

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Securities Business Basic Policies

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◇ Geographical expansion

◇ Expanding sales channels

◇ Proposing usage applications

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Securities Business Summary for Jan-Sep period

Moving forward towards boosting global market share

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◇ Geographical expansion

Each base attained growth in different countries (See Slide 31).

◇ Expanding sales channels

Systems links between software for hosting services and electronic authentication

→ It opens the way for systems links with the control panel and for the expansion of sales channels.

◇ Proposing usage applications

Toughened regulations on personal information protection in the United States helped enlarge the market for client certificates and PDF document signing certificates.

◇ Challenge to be addressed

Streamlining of operations

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Securities Business Geographical Expansion

Each base achieved growth.

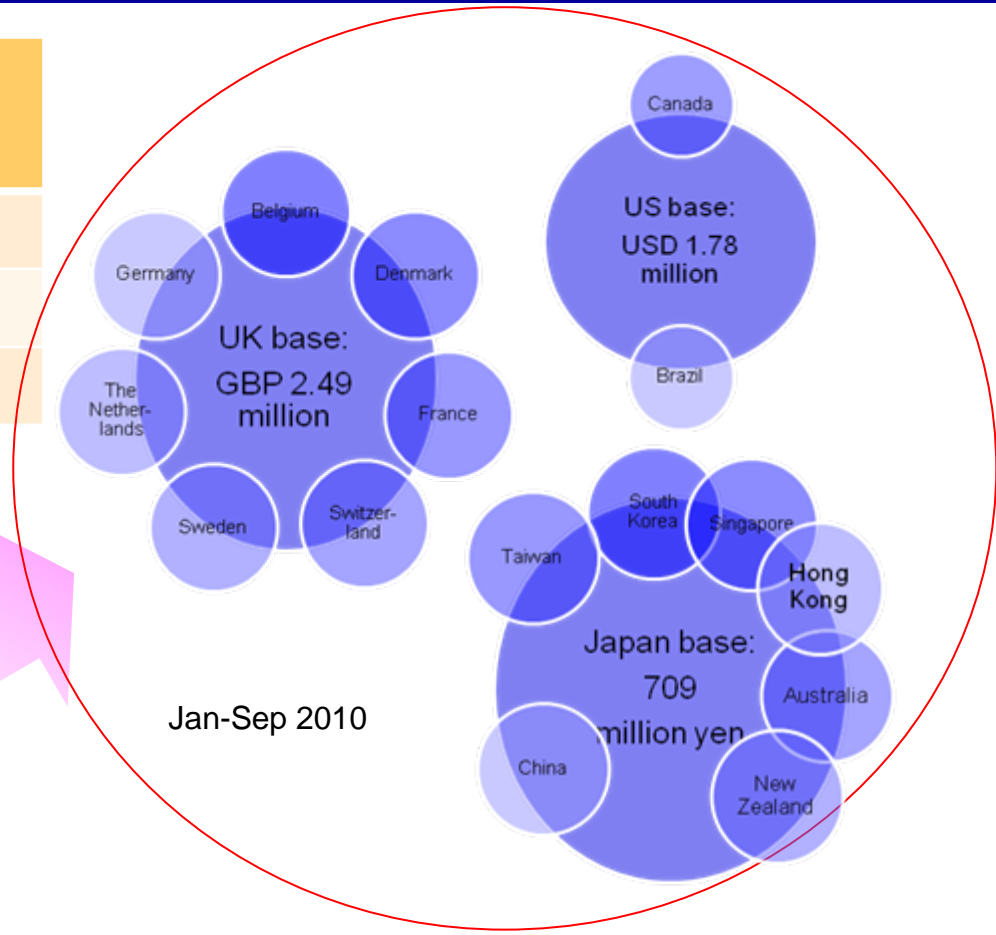
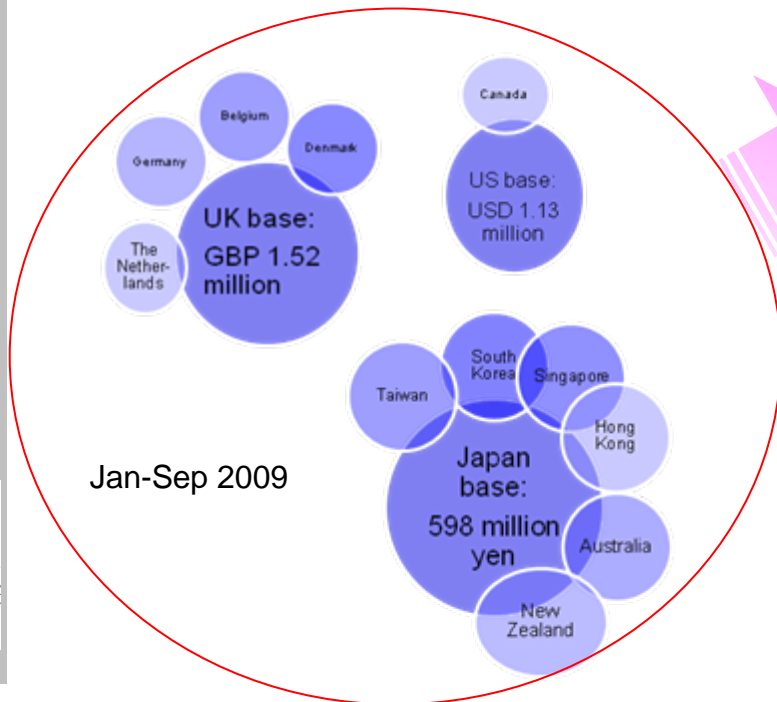
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	Base-specific growth (From Jan-Sep 2009 to Jan-Sep 2010)
UK (Europe)	64.3%
USA	56.9%
Japan	18.5%



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Securities Business Number of Certificates Issued

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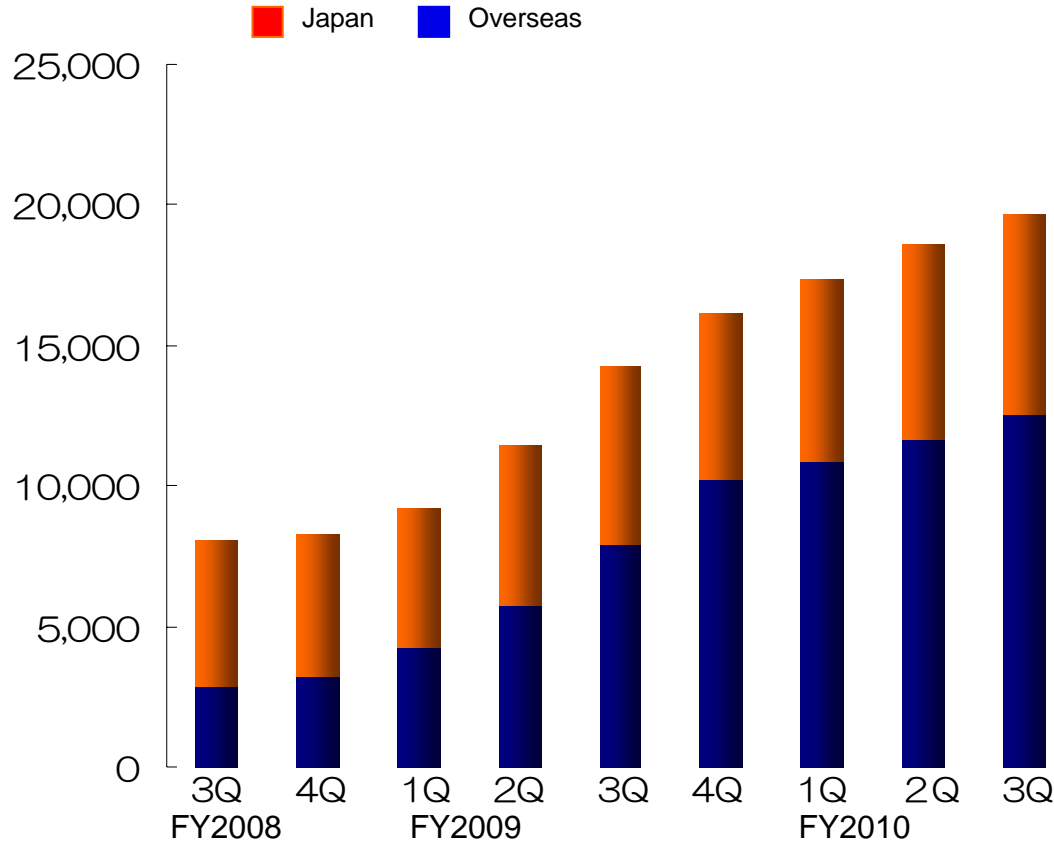
3. Business Overview

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Jul-Sep 19,635 certificates
 (same year ago quarter: +5,392 over the previous quarter : +1,074)

SSL server certificates (on an issue basis)

(Unit: certificates)



Constant growth overseas

Jul - Sep 2010
 Japan 7,069 certificates
 overseas 12,566 certificates

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Securities Business Number of Resellers

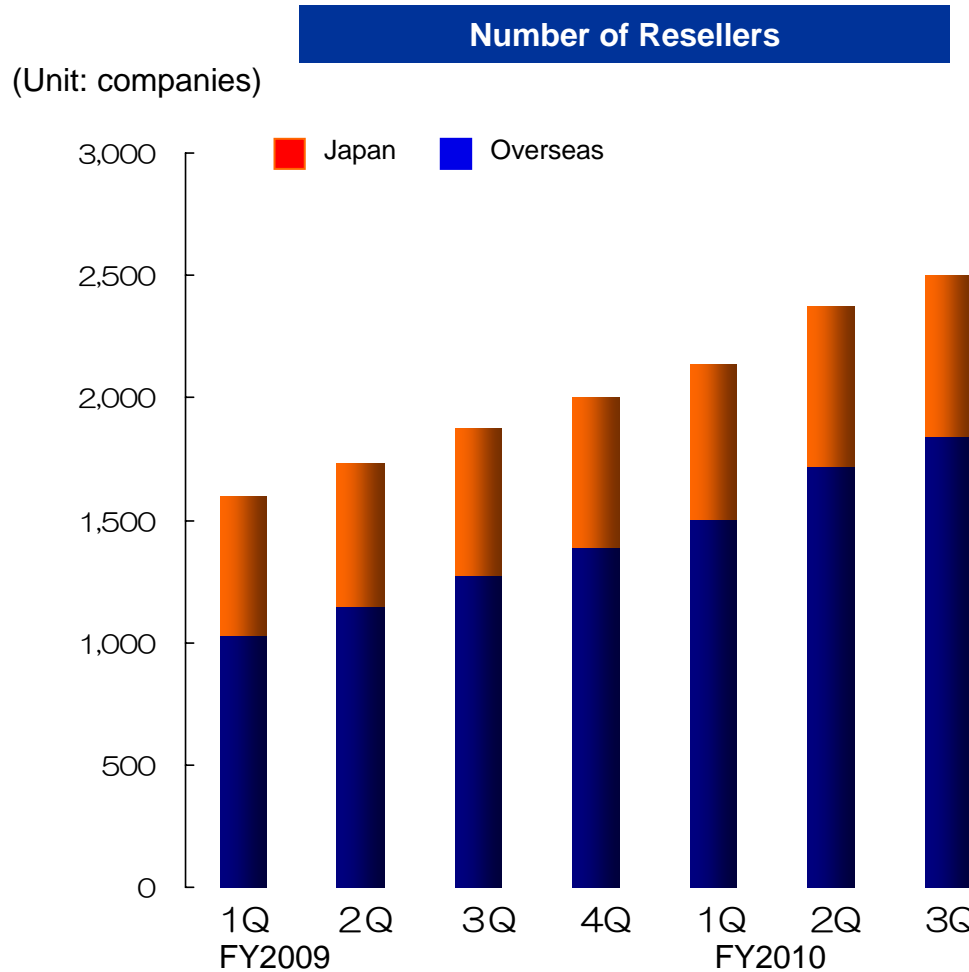
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Jul-Sep 2,504 resellers
 (same year ago quarter:+627 over the previous quarter : +129)



Resellers network is broadening across the globe.

Sep 2010
Japan 665 companies
overseas 1,839 companies

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Securities Business Change in Quarterly Results

Operating Profit of 40 million yen in the third Quarter

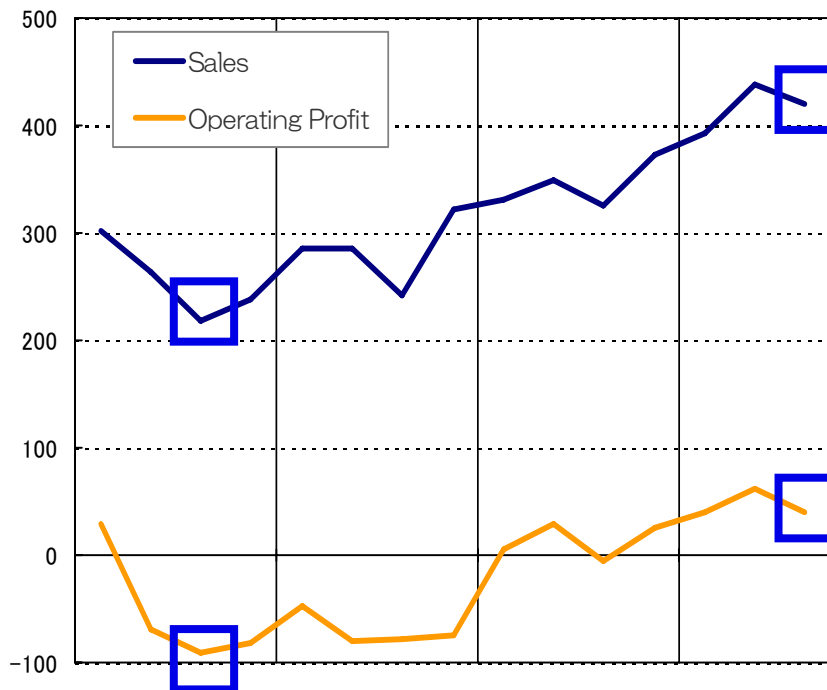
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Quarterly changes in sales and operating profit



Q3 seasonal influence lessened

Steadily building up stocks

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3. Business Overview

3-3 Solution Service Business

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Solution Service Business

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	1. Aiming to be the No.1 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>	
	<p>Support for corporate introduction of information technology</p>	

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Financial Forecast

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Financial forecast for the full year of the fiscal year ending December 2010

(Unit: million yen)	Jan-Dec 2009	Jan-Dec 2010 (forecast)	% 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, up 1.1% year on year
- Achieve growth of managed hosting services.
- Introduce and enhance services in growth fields, including cloud and low-end markets.

[Securities Business]

- 1,669 million yen, up 21.2% year on year
- Continue geographical expansion.

[Solution Service Business]

- 577 million yen, up 402.2% year on year
- Offer comprehensive support to small and Medium businesses, chiefly in website production.

■ Operating Profit

[Hosting Business]

- 1,152 million yen, up 6.2% year on year

[Securities Business]

- 108 million yen, up 92.9% year on year
- Human resources for providing multilingual services
- Strategic investment in advertising and sales promotion

[Solution Service Business]

- 0 million yen, up 4 million yen year on year

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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

-> Reassess sales force and services

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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