

Presentation of Financial Results for the Fiscal Year 2010

**February 14th, 2011
GMO HOSTING&SECURITY, INC.
(Mothers of the Tokyo Stock Exchange3788)**



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

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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 February 14th, 2011. 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. Business Overview
 - Hosting Business
 - Securities Business
 - Solution Service Business
3. Financial Highlights
4. Financial Forecast 2011

1. Summary and Conclusion

Summary for FY2010



(Unit: million yen)	FY2009	FY2010	Percentage Change
Sales	7,594	8,333	+9.7%
Operating profit	1,141	1,064	-6.7%
Ordinary profit	1,159	1,069	-7.8%
Net profit	613	681	+11.1%
Net profit per share (yen)	5,270.52	5,859.72	—

Main Points of Financial Results for FY 2010



◆ Hosting Business

1. Shared hosting services:
 - Sales were weak, but the number of contracts increased with the effect of low-priced services, in which the Company made prior investments in the first half.
 - Wadax Inc. has been made a Group company, which added to sales and the number of contracts.
 - Sales for the fiscal year declined 3.2% year on year, and sales for the fourth quarter rose 18.7% year on year. The number of contracts rose 55.3% year on year.
2. Managed hosting services: Grew steadily. (Sales rose 6.4% year on year in the dedicated and managed hosting services.)
3. Income increased in the fourth quarter (up 27.4% year on year), reflecting the effect of sales promotions, which were concentrated in the first half.

◆ Security Business

1. The services grew steadily: Sales rose 23.8% year on year, and operating profit increased 263.5% year on year.
2. Geographical expansion proceeded: The number of resellers increased 690 from a year ago to 2,694 from 2,004.

◆ Solution Business

1. An operating profit was posted for the full year.
Sales rose 368.4% year on year. Operating profit rose ¥5,137,000 to ¥712,000, up from an operating loss of ¥4,425,000 in the previous fiscal year.
2. The number of users (members) of our fast translation service increased 95.9% year on year, from 4,706 to 9,222.
3. Sales of smartphones and sales of the service creating smartphone sites were strong.

FY2011 Financial Forecast



(Unit: million yen)	FY2010	FY2011 (Forecast)	Percentage Change
Sales	8,333	9,791	+17.5%
Operating profit	1,064	1,156	+8.6%
Ordinary profit	1,069	1,150	+7.6%
Net profit	681	636	-6.6%
Net profit per share (yen)	5,859.72	5,485.43	—

2. Business Overview 【 Hosting Business 】

Hosting Business Summary



◆ Dedicated / Managed hosting services

Dedicated services: Sales fell with falling unit prices. The sales force was bolstered, and the organizational structure was reviewed.

These initiatives were expected to show results in the second half.

◆ Shared / VPS hosting services

Low-priced services, which are expected to grow, were enhanced and expanded.

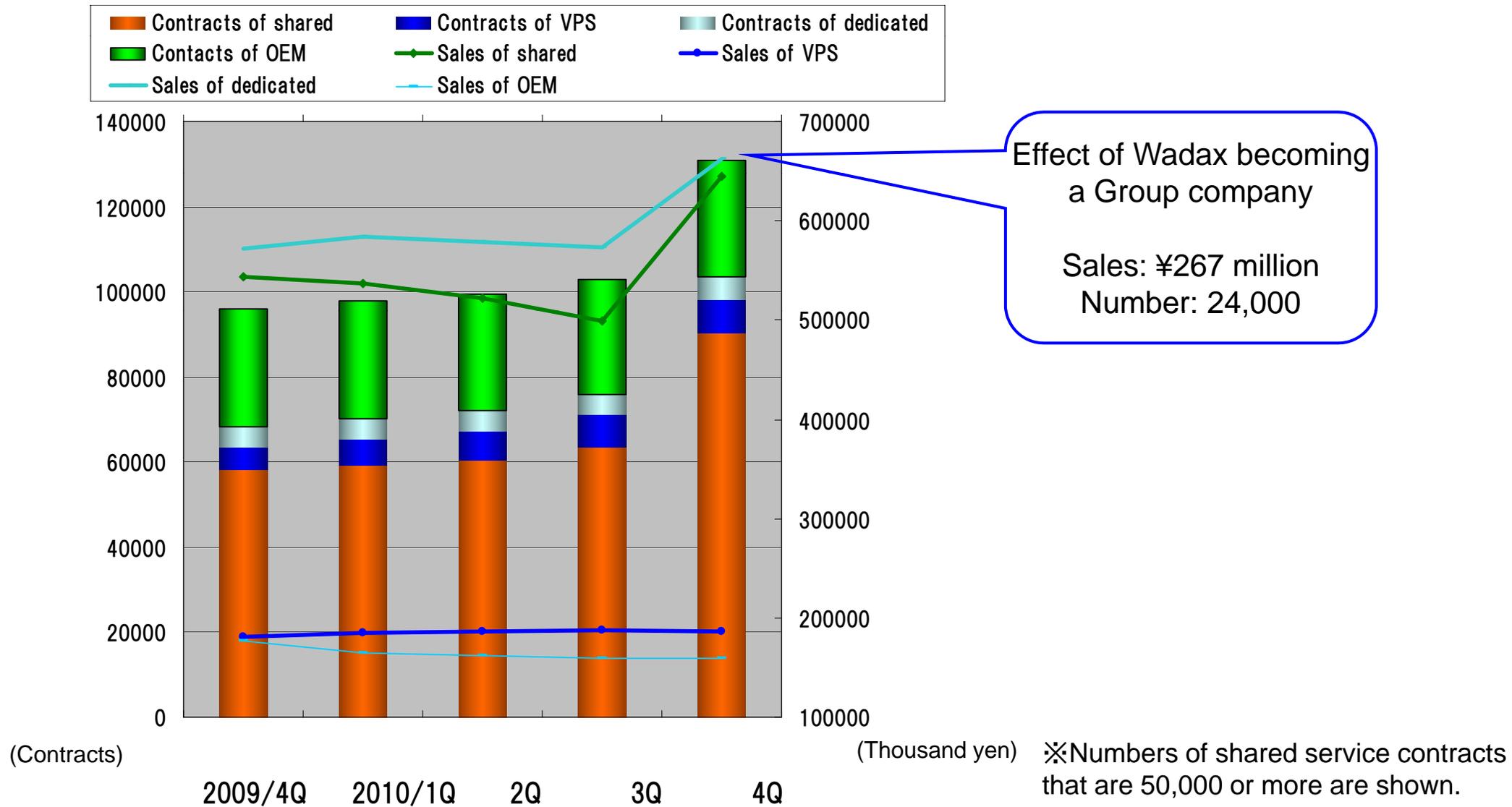
→ RocketNet, DOMAIN KING

→ Wadax Inc. became a Group company.

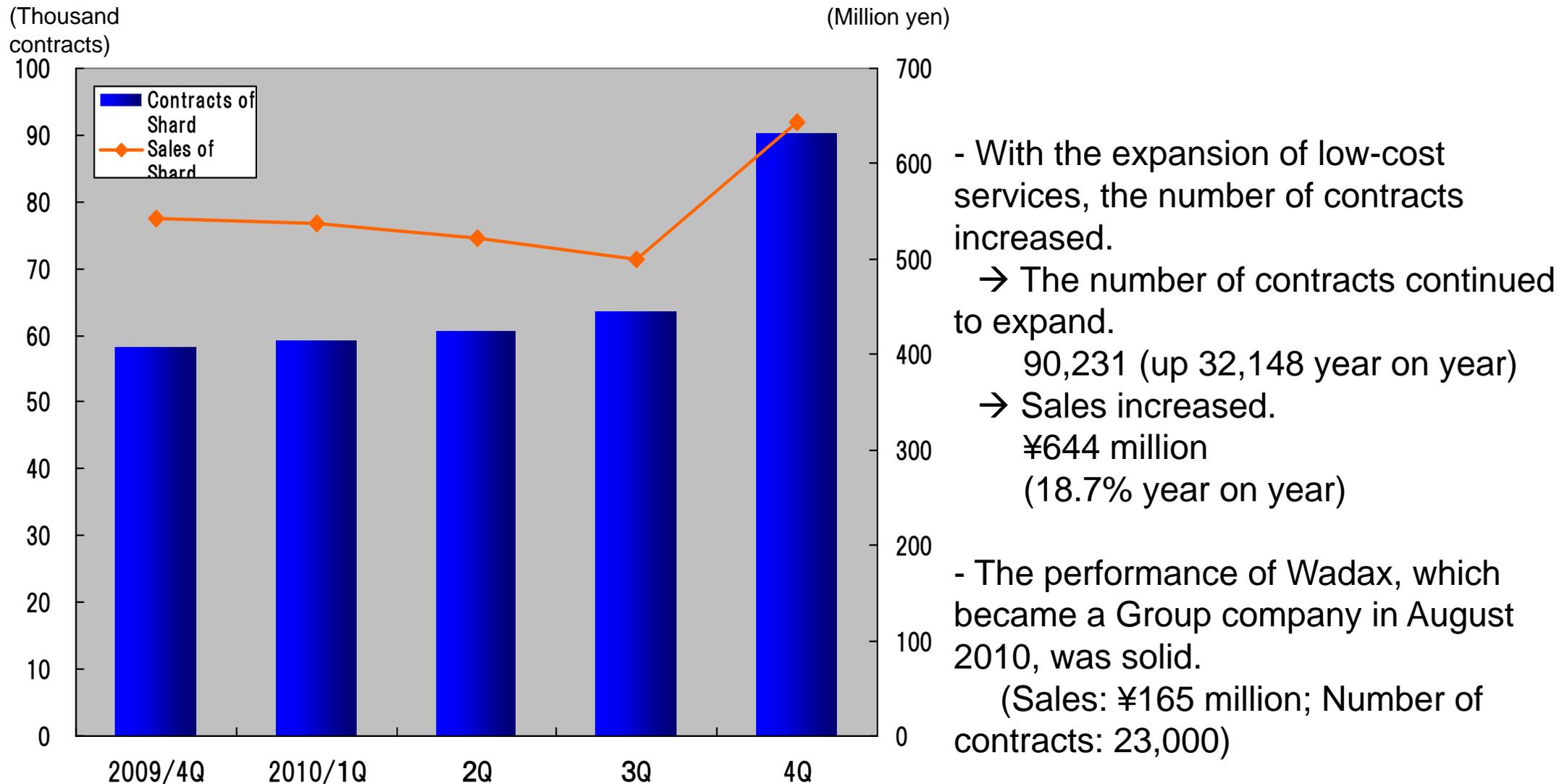
◆ OEM

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

Hosting Business Sales and Number of Contracts by Product



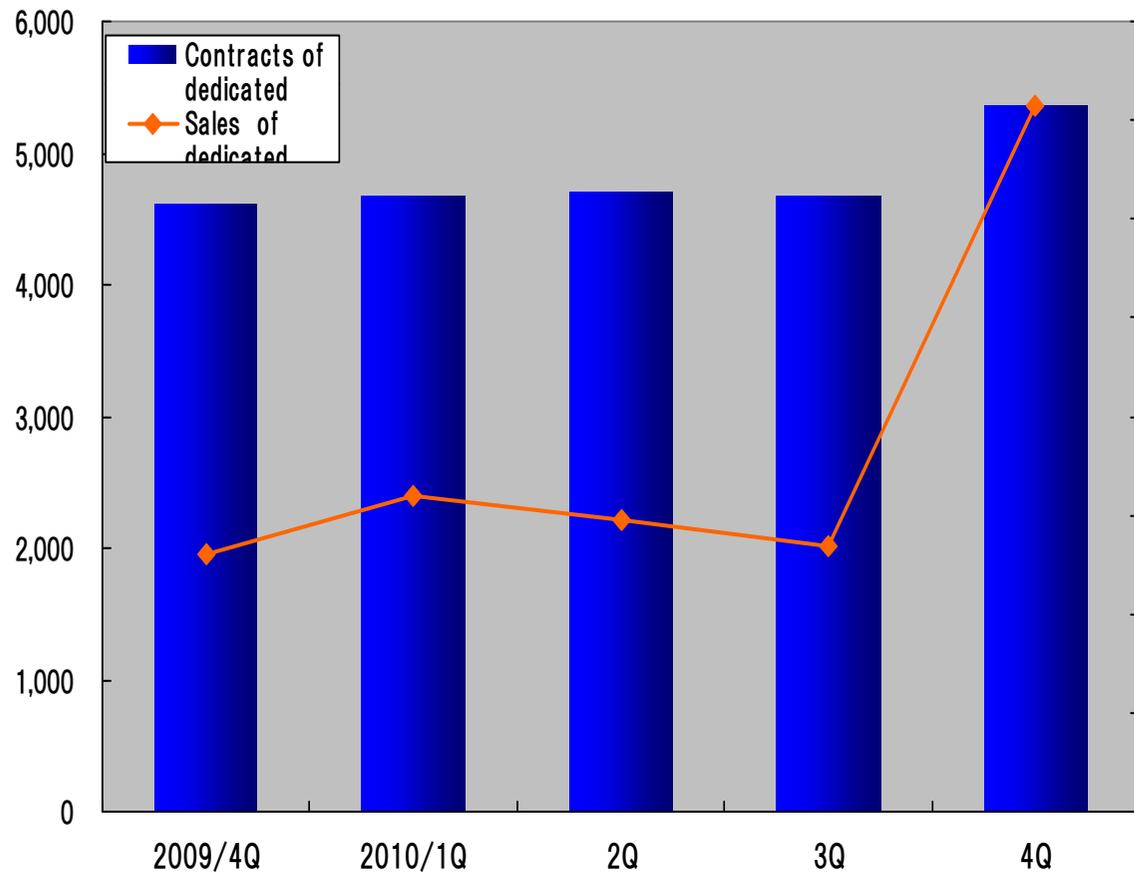
Hosting Business Sales and Number of Contracts of Shared Hosting



Hosting Business Sales and Number of Contracts of Dedicated / Managed Hosting

(Contracts)

(Million yen)



680 - Sales rose.

→ ¥662 million

(up 15.7% year on year)

620 - The performance of Wadax, which became a Group company in August 2010, was solid.

600 (Sales: ¥101 million; Number of contracts: 702)

540 - Organizational change (October 2010)

→ Established an enterprise sales system.

2. Business Overview 【Securities Business】

Securities Business Summary



◇ Geographical expansion

- Sales in overseas bases (in the UK and US) expanded steadily.
- Expansion to neighboring countries (in Europe and the Americas) proceeded steadily.

◇ Expanding sales channels

- New direct selling websites in new languages were established.
- Support was expanded.

◇ Providing convenient services

- A second-generation one-click SSL service (patented) started.
- A service for cloud services started.
(a certificate for a server that can be used for multiple servers)

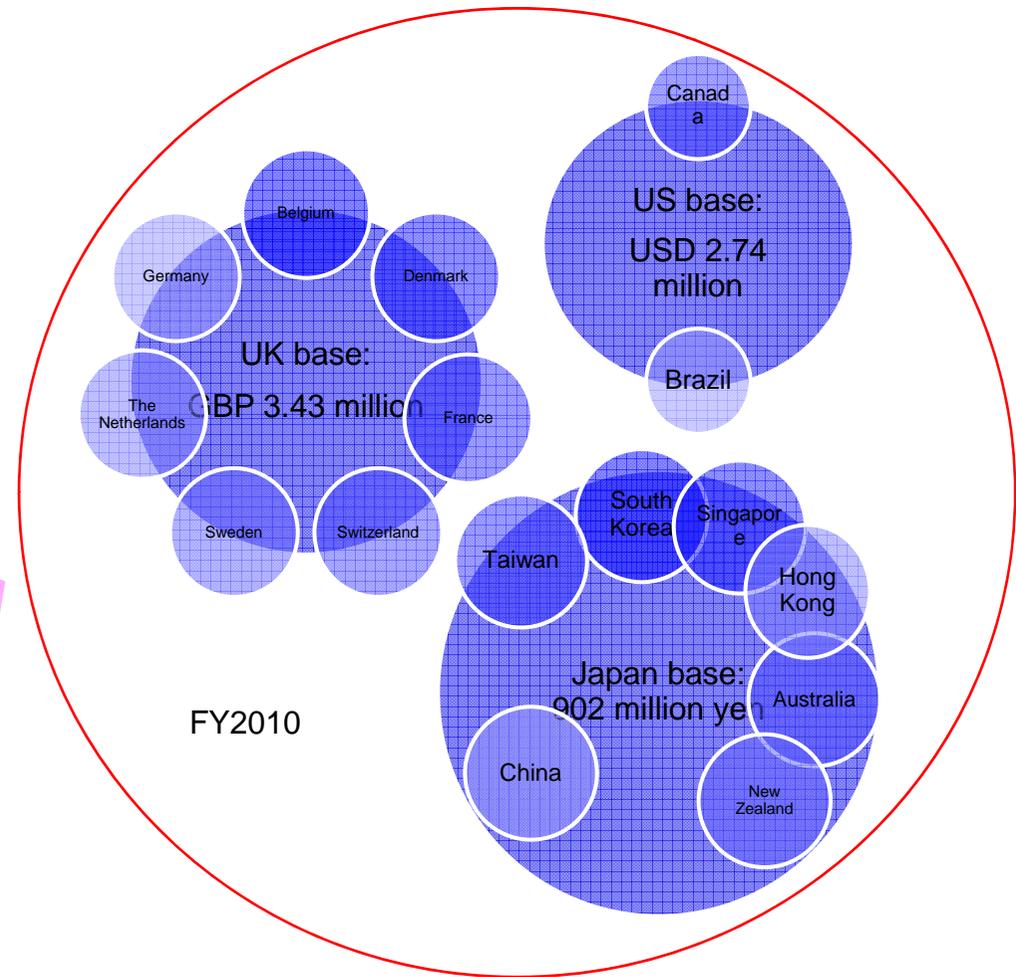
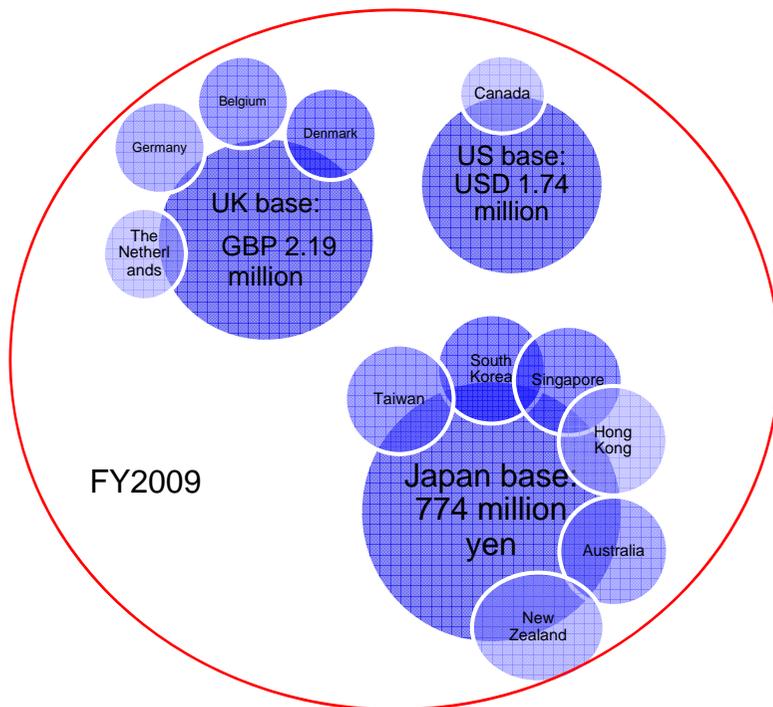
◇ Challenge

Operations were streamlined in response to surging numbers of certificates sold.

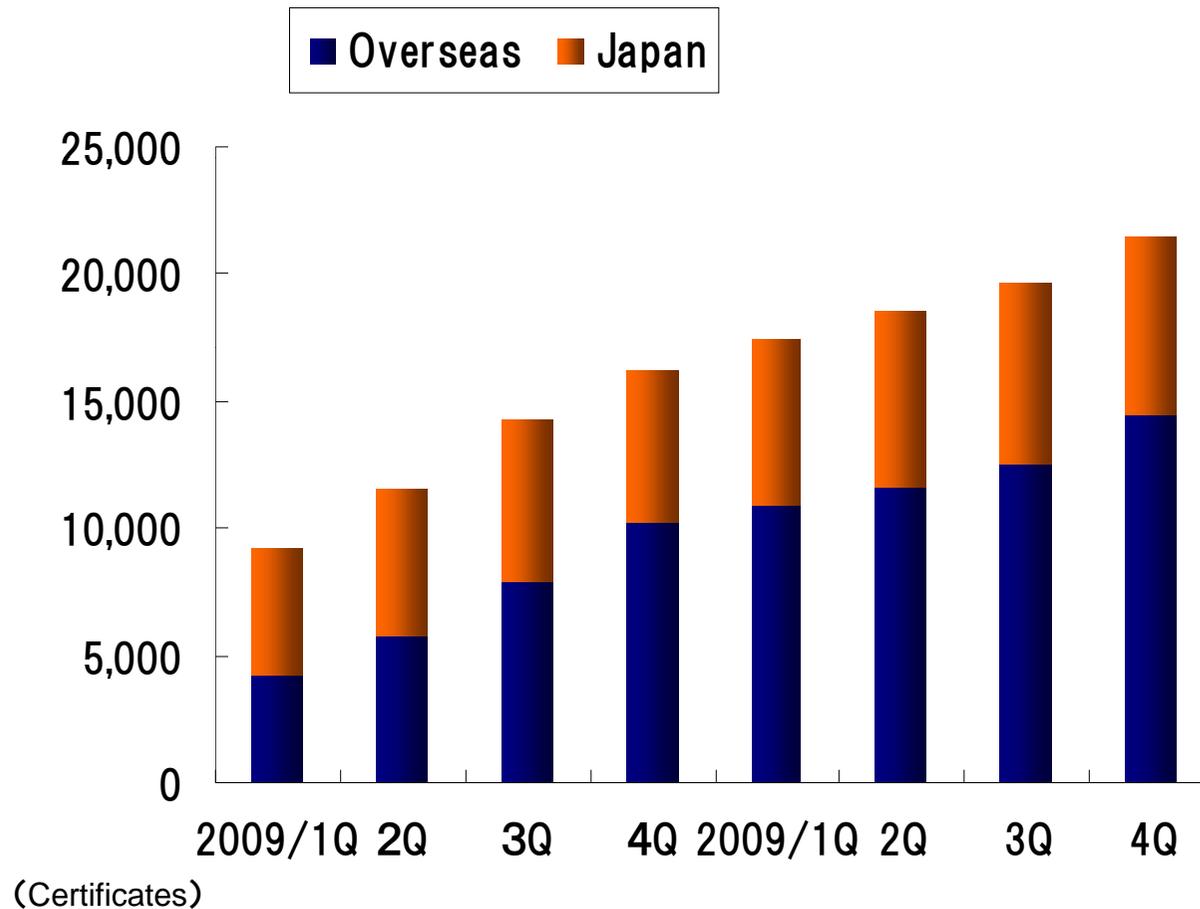
Securities Business Geographical Expansion



	Base-specific growth (from 2009 to 2010)
UK (Europe)	56%
USA	57%
Japan	17%



Securities Business Number of SSL Server Certificates Issued



Constant growth overseas

Oct – Dec 2010

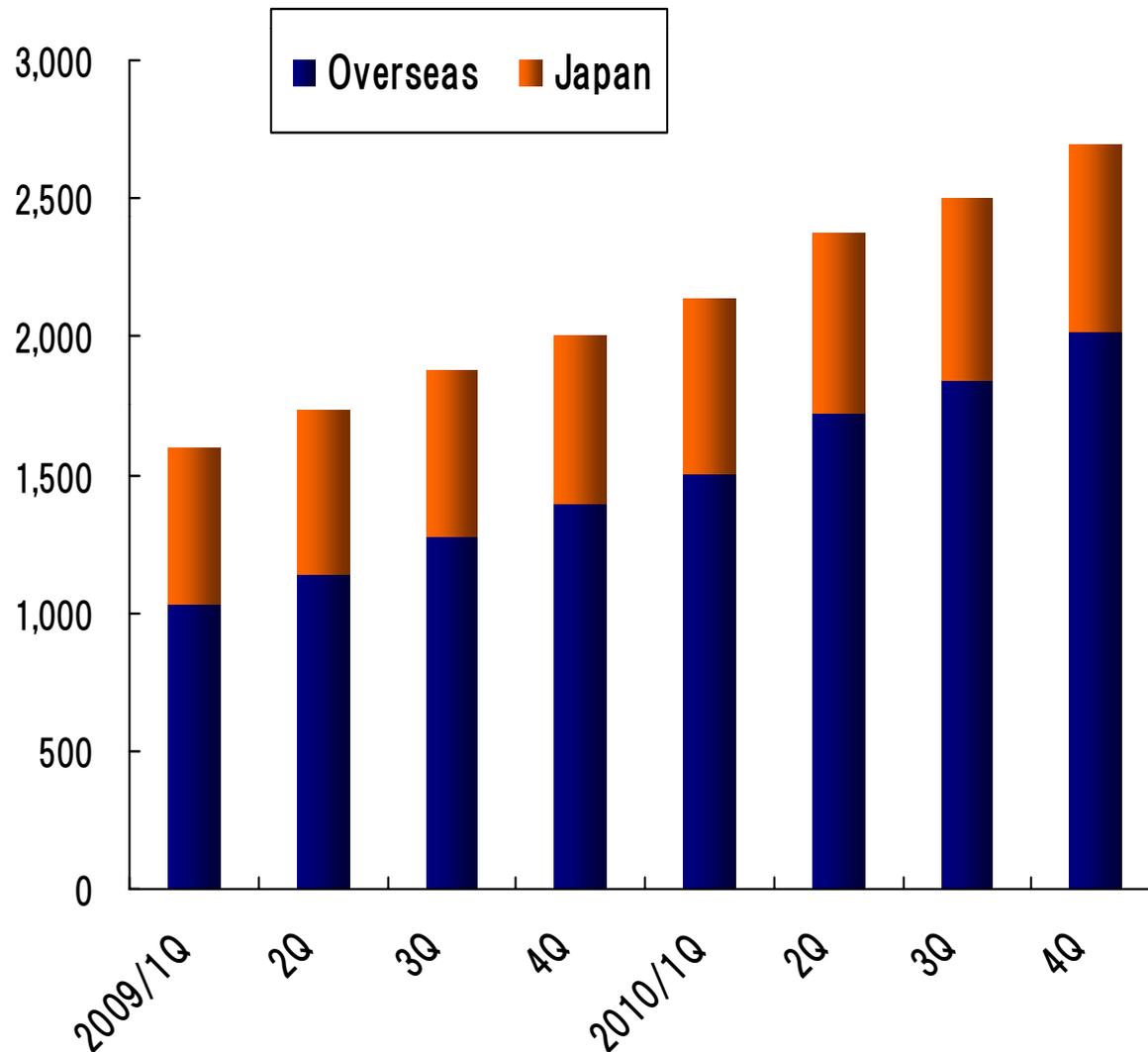
Japan: 6,955 certificates

Overseas: 14,455 certificates

Total: 21,410 certificates

(up 32.4%)

Securities Business Number of Resellers



(Companies)

The resellers network is broadening across the globe.

Oct – Dec 2010

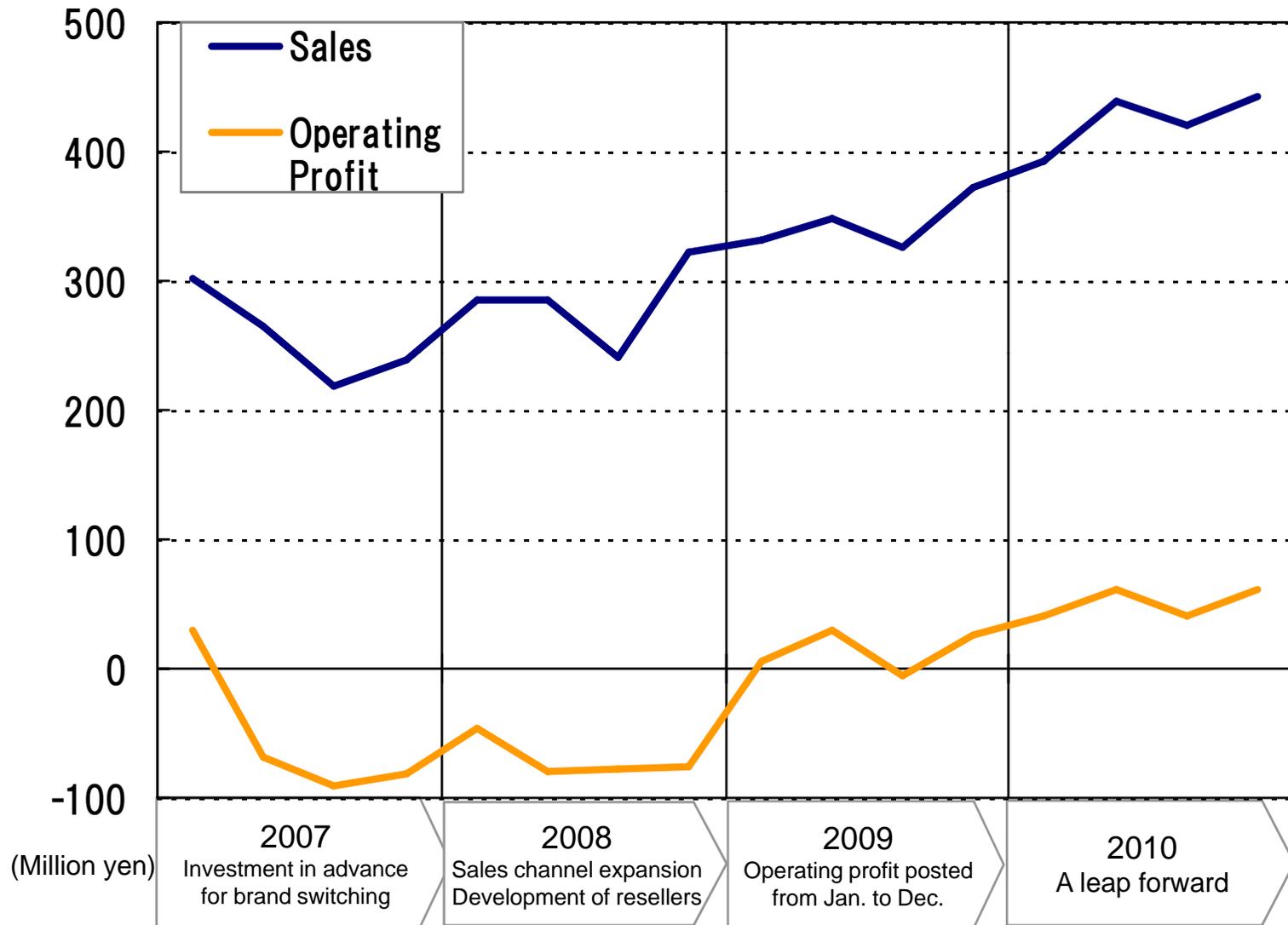
Japan: 675 companies

Overseas: 2,019 companies

Total: 2,694 companies

(up 34.4%)

Securities Business Change in Sales and Operating Profit



The operating margin rose.

2009: 4.1%

2010: 12.1%

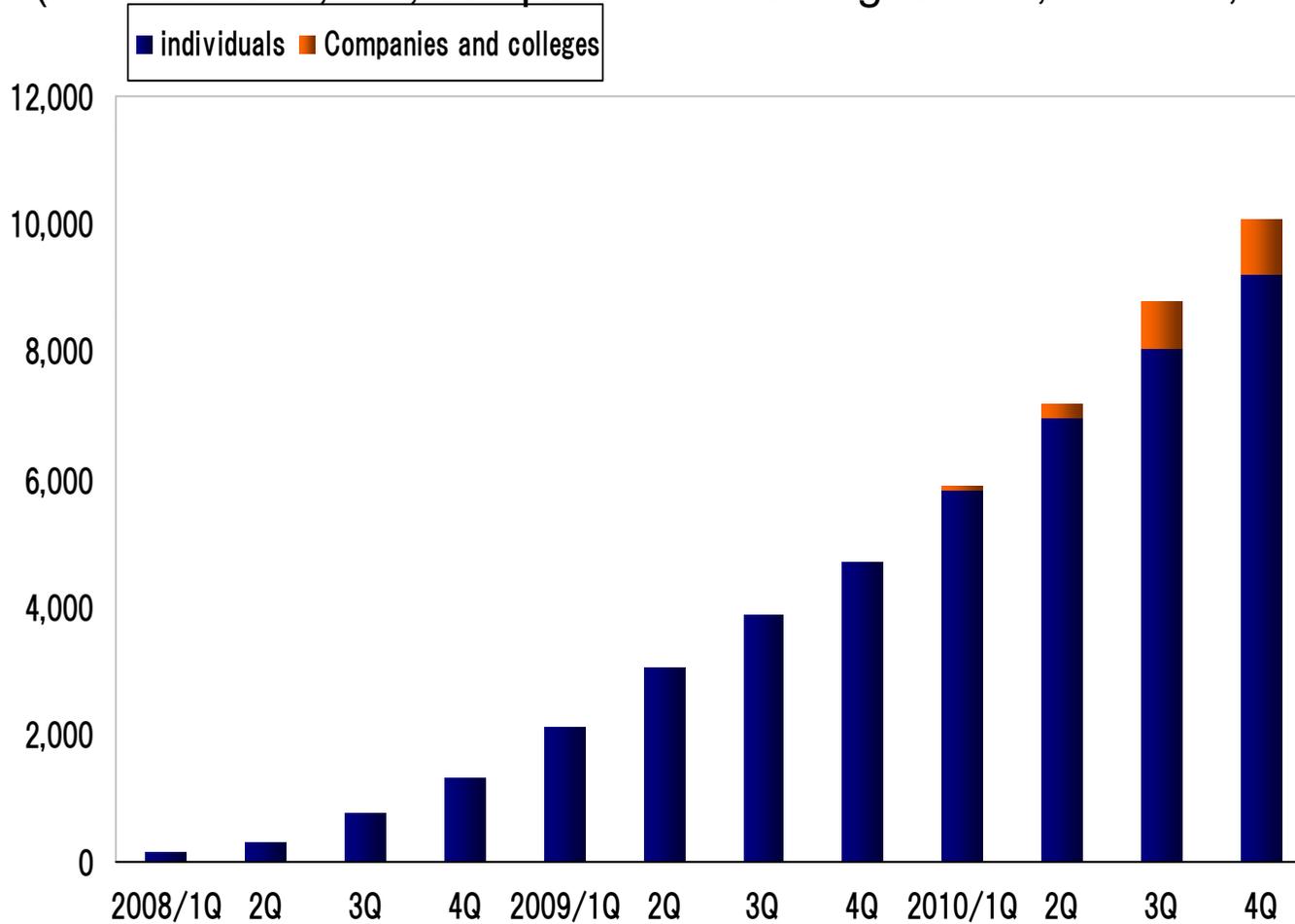
2. Business Overview 【 Solution Service Business 】

Solution Service Business Fast Translation Service



Number of registered members

(individuals: 9,222; companies and colleges: 857; total: 10,079)



- Alliances with portal sites
- Increases in name recognition

Solution Service Business Services for Smartphones



Communication TELECOM × SoftBank



GMOインターネットグループの皆さまへ
9月限定キャンペーンのご案内

iPhone 4。
お得に購入するなら
いまがチャンスです。

人気の最新スマートフォンを
いち早くゲットできるチャンス！
豪華特典付きだからお得です！

2010年9月30日(木)お申し込み分まで

キャンペーン概要

このたびコミュニケーションテレコム株式会社では、GMOインターネットグループの皆さまを対象に
iPhone 4 ご契約 特別キャンペーン を実施いたします(※1)。
人気スマートフォンを「新規」または「番号ポータビリティ(MNP)」にてご契約いただくことで、
下記の**当社限定特典をもれなくプレゼント**いたします！
期間は 2010年9月30日(木)(※2)までとなります。この機会にぜひご確認ください。

※1. GMOインターネットグループに所属する正社員、契約社員、アルバイトの方が対象となります。
※2. 2010年9月30日(木)に実施する「お申し込み受付会」にてお申し込み手続きをしていただきます。
詳しくは 下記の「お申し込み方法」をご覧ください。
※ iPhone 4 予約お申し込みは一人さま、一台限りになります。
※ ご予約いただける iPhone 4 は、ブラック 16GB または 32GB となります。
※ iPhone 4 のご利用料金については、後述の「ご利用料金について」をご確認ください。

9月限定のお得な豪華特典

Sales of smartphones (special demand associated with iPhone)



Strong sales of cell-phone websites (PLIMO)

3. Financial Highlights

Consolidated Statement of Income



(Million yen)	Fiscal year		YoY
	FY2009	FY2010	
Sales	7,594	8,333	+9.7%
Cost of sales	3,014	3,271	+8.6%
Gross profit on sales	4,580	5,061	+10.5%
Sales, general and administrative expenses	3,438	3,996	+16.2%
Operating profit	1,141	1,064	-6.7%
Ordinary profit	1,159	1,069	-7.8%
Net profit	613	681	+11.1%

Segment Information



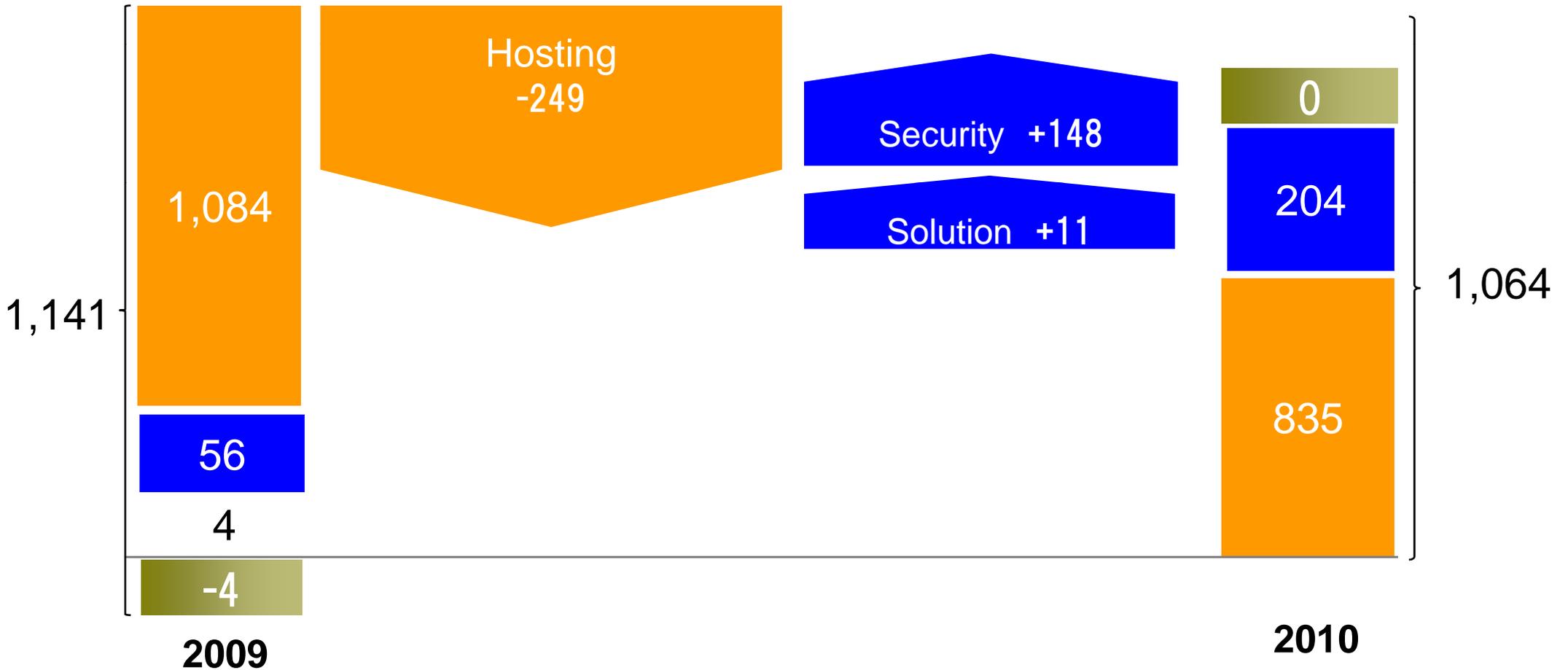
(Unit : million yen)	Sales			(Unit : million yen)	Operating Profit		
	FY2009	FY2010	Y o Y		FY2009	FY2010	Y o Y
Hosting Services	6,163	6,184	+0.3%	Hosting Services	1,084	835	-23.0%
Security Services	1,377	1,697	+ 23.3%	Security Services	56	204	+263%
Solutions Services(※)	115	531	+ 362%	Solutions Services(※)	-4	0	-
Intercompany transaction adjustment or all companies	-61	-79	-	Intercompany transaction adjustment or all companies	4	24	-
Consolidated total	7,594	8,333	+ 9.7%	Consolidated total	1,141	1,064	-6.7%

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

Factors Behind Increases and Decreases (YoY) in Consolidated Operating Profit by Segment



(Million yen)



Factors Behind Increases and Decreases (YoY) in Operating Profit in Hosting Services



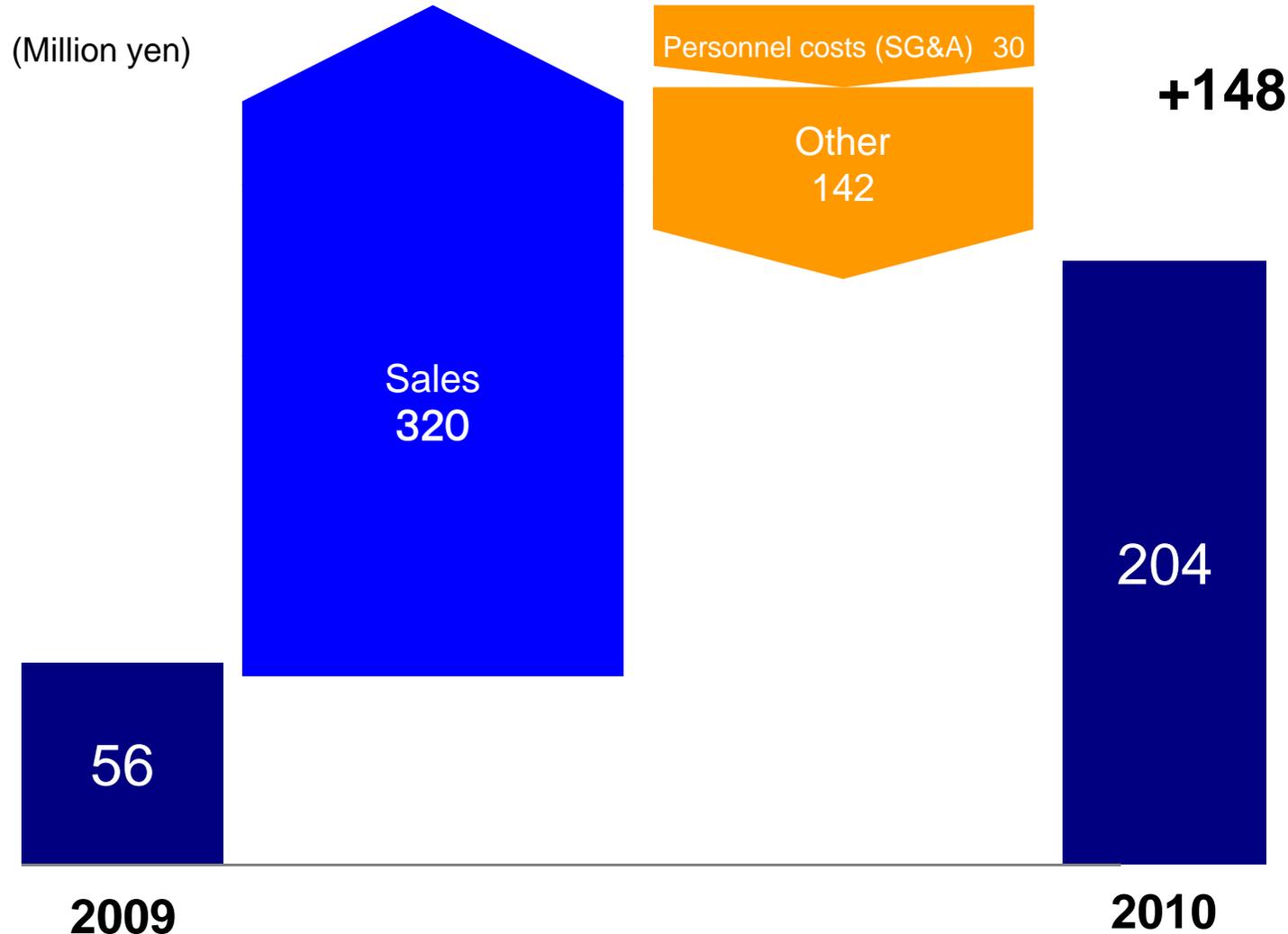
(Million yen)



-Upfront expenses (initial cost waivers and advertising expense) for low-cost hosting services
 → Effects on the number of contracts in the third and fourth quarters

- An increase in revenue with Wadax becoming a Group company

Factors Behind Increases and Decreases (YoY) in Operating Profit in Security Services



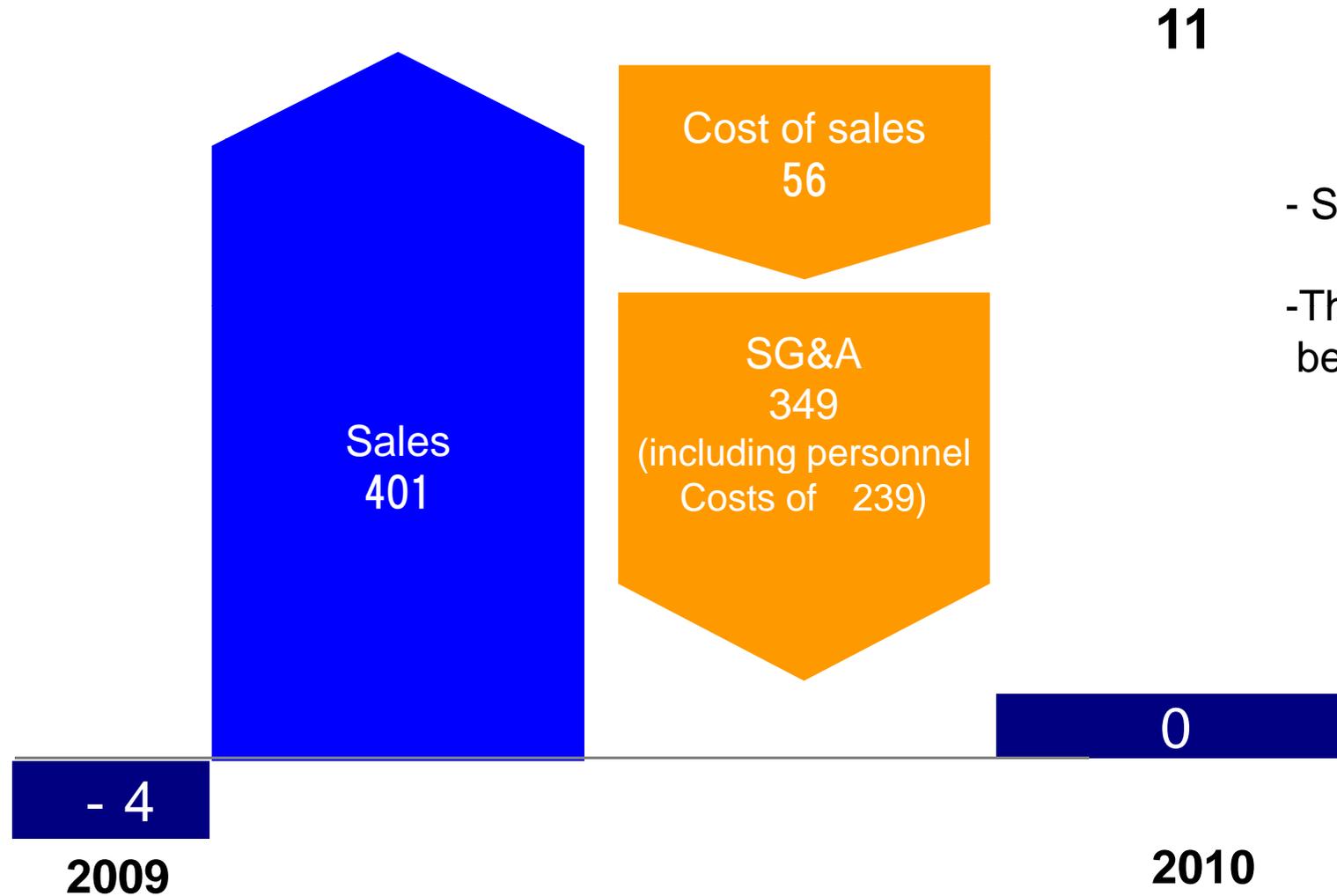
-Sales rose sharply, especially overseas.

-The profit margin increased to 12.1% in 2010 from 4.1% in 2009. (a model having a high marginal profit ratio)

Factors Behind Increases and Decreases (YoY) in Operating Profit in Solution Services



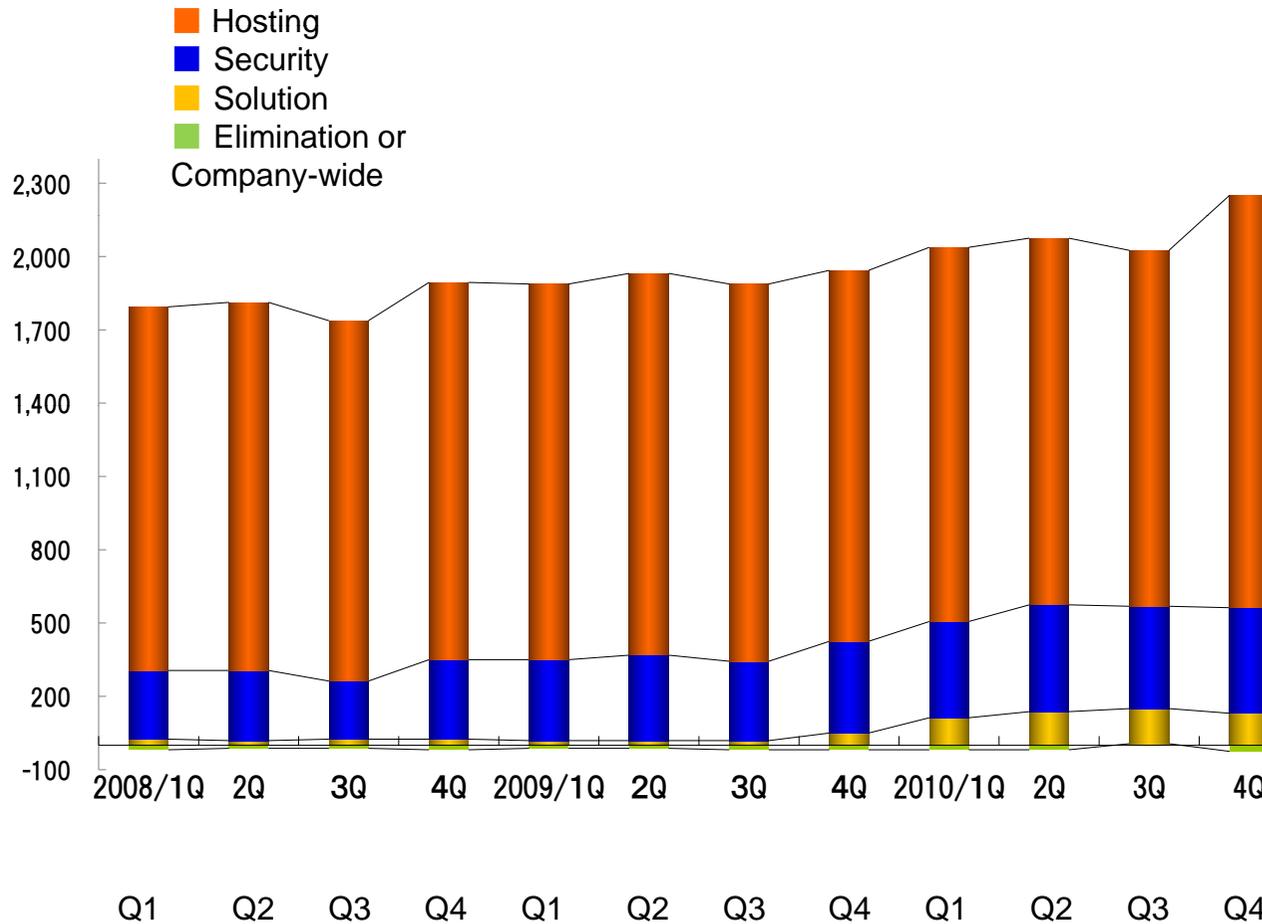
(Million yen)



11

- Strong sales of smartphones
- The fast translation service becoming profitable

Sales by Segment (Quarterly Trends)



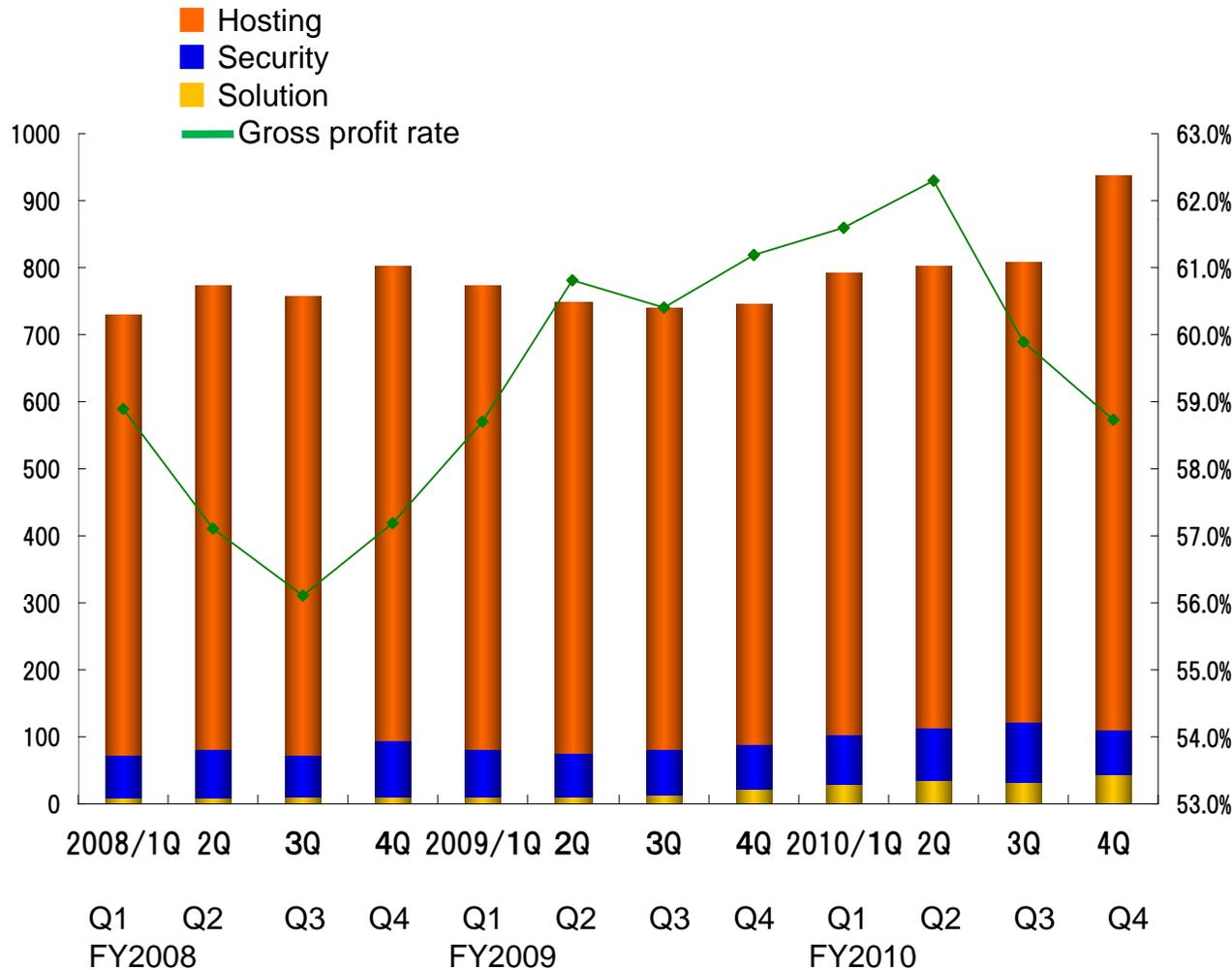
Hosting services
 1,683 million yen
 (up 9.6% year on year, rising 13.4% quarter on quarter)
 → Solid performance of Wadax (increase of ¥267 million)

Security services
 431 million yen
 (up 14.2% year on year, increasing 2.6% quarter on quarter)
 → Strong performance especially at selling bases overseas

Solution services
 134 million yen
 (up 60.4% year on year, down 6.7% quarter on quarter)
 → Services for mobile phones performing well

(Million yen)

Cost of Sales by Segment (Quarterly Trends)



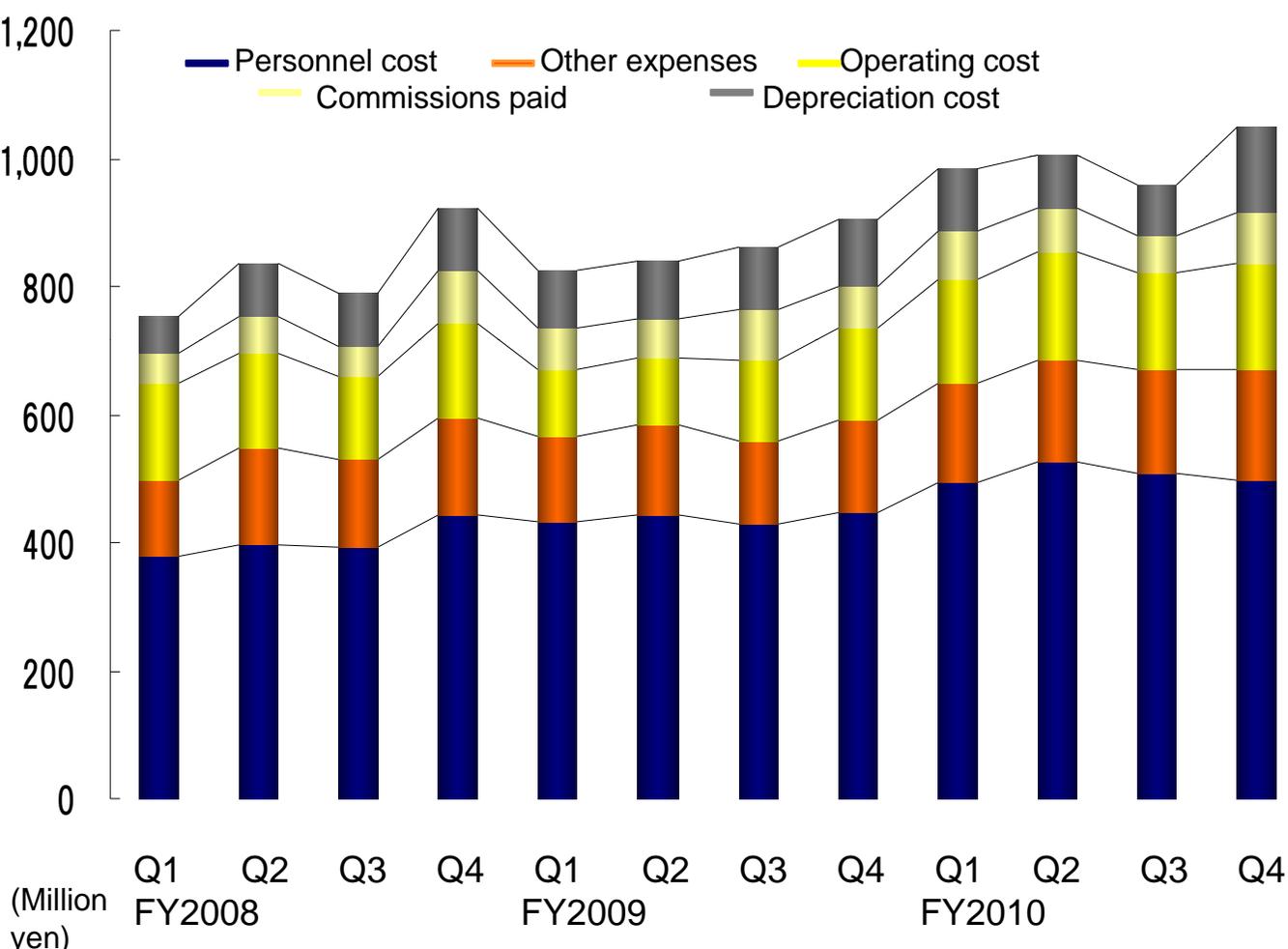
Hosting services
 826 million yen
 (up 20.5% year on year, increasing 16.9% year on year)
 → A rise reflecting Wadax becoming a Group company (120 million yen)

Security services
 69 million yen
 (up 1.4% year on year, down 29.0% quarter on quarter)

Solution services
 42 million yen
 (rising 47.6% year on year, up 23.8% quarter on quarter)
 → A rise attributable to Communication Telecom becoming a Group company

(Million yen)

SG&A Expenses by Segment (Quarterly Trends)



Hosting services
 653 million yen
 (up 9.1% year on year, rising 8.0% quarter on quarter)
 → An increase reflecting Wadax becoming a Group company (65 million yen)

Security services
 312 million yen
 (increasing 13.8% year on year, up 3.5% quarter on quarter)
 → A rise in the number of salespeople overseas

Solution services
 96 million yen
 → A climb attributable to Communication Telecom becoming a Group company

(Million yen)

Consolidated Balance Sheets



(Million yen)	FY2009	FY2010	(Million yen)	FY2009	FY2010
Current assets	3,806	3,846	Current liabilities	2,253	2,518
Cash and deposits	2,650	2,733	Advance payment received	1,280	1,584
Accounts receivable	609	705	Other current liabilities	972	933
Other current assets	550	413	Fixed liabilities	26	195
Provision for doubtful debts	-3	-5	Total liabilities	2,279	2,714
Fixed assets	2,185	2,828	Shareholders' equity	3,746	4,177
Tangible fixed assets	220	296	Gaps in appraisals, conversions, etc. Foreign currency transaction accounts	-73	-259
Intangible fixed assets	1,469	2,030	Minority equity	39	43
Of the above, software	808	669	Net assets	3,712	3,961
goodwill	647	1,346	Liabilities, net assets total	5,992	6,675
Investments and other assets	494	501			
Total assets	5,992	6,675			

Rises in corporate sales in managed hosting and security services

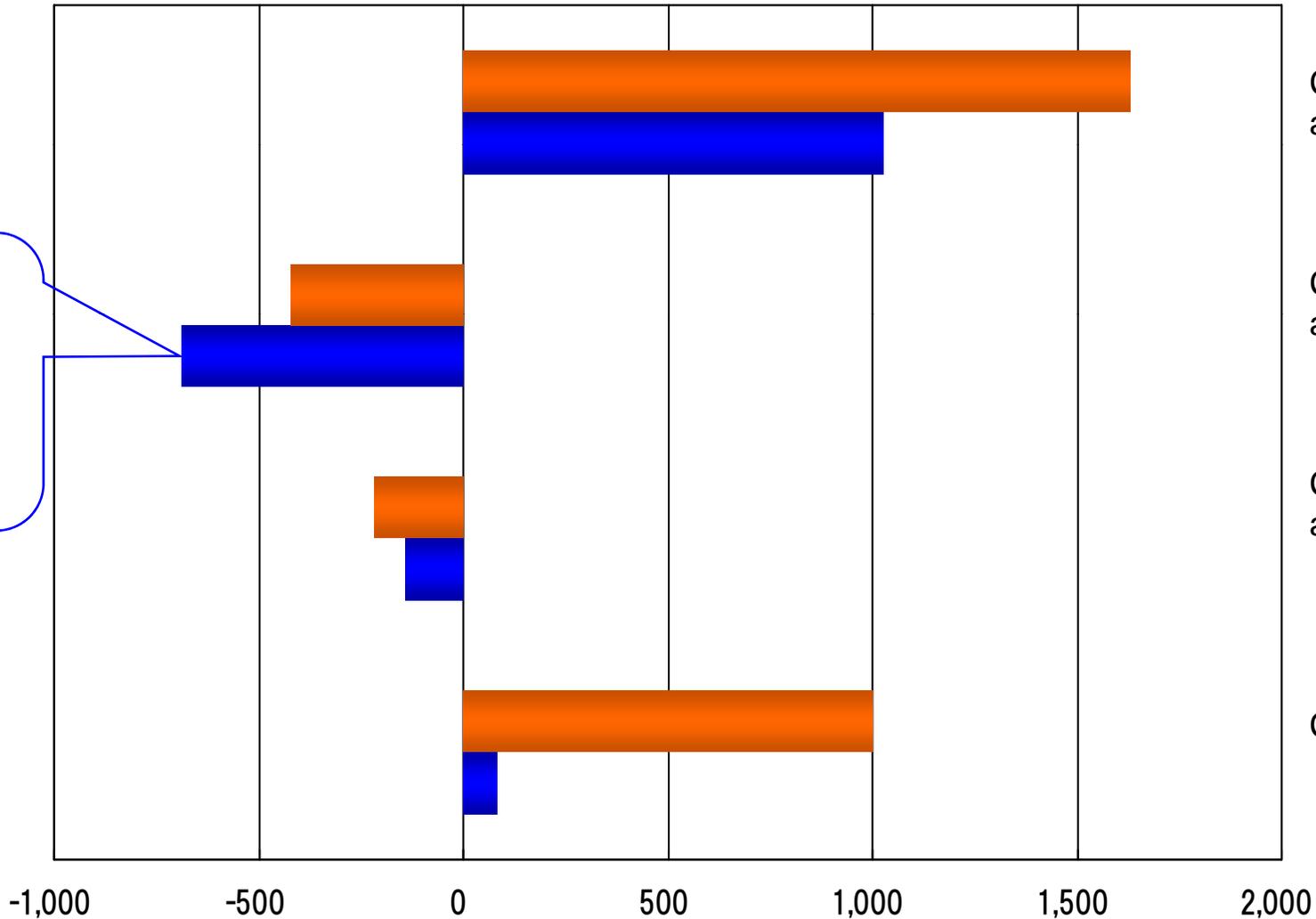
An increase reflecting IT Next Holdings and Wadax becoming Group companies

Backlog

Consolidated Cash Flow



■ FY2009 ■ FY2010



Reflecting a cash outflow associated with Wadax becoming a Group company

Cash flow from operating activities

Cash flow from investing activities

Cash flow from financing activities

Change in cash & deposit

4. Financial Forecast 2011

FY2011 Financial Forecast



(Unit: million yen)	FY2010	FY2011 (Forecast)	Percentage Change
Sales	8,333	9,791	+17.5%
Operating profit	1,064	1,156	+8.6%
Ordinary profit	1,069	1,150	+7.6%
Net profit	681	636	-6.6%
Net profit per share (yen)	5,807.06	5,485.43	-5.5%

Main Points in Financial Forecast for 2011



Sales

◇ Hosting services

¥7,230 million (increasing 16.9% year on year)

→ Promoting launches of services in the growing cloud field

◇ Security services

¥2,007 million (rising 18.3% year on year)

→ Continuing geographical expansion

◇ Solutions services

¥607 million (up 14.2% year on year)

→ Selling profitable services

Operating profit

◇ Hosting services

¥844 million (up 1.3% year on year)

→ Monetizing low-price hosting services that were acquired in the previous fiscal year

→ Prior investment in cloud (development, personnel, and selling expenses)

◇ Security services

¥243 million (increasing 19.0% year on year)

→ Investing in human resources for multilingual operations

◇ Solutions services

¥45 million (climbing 6346.0% year on year)

→ Contributing to earnings

FY2011 Financial Forecast Segment Information



(Unit : million yen)	Sales			(Unit : million yen)	Operating Profit		
	FY2010 Results	FY2011 Forecast	Y o Y		FY2010 Results	FY2011 Forecast	Y o Y
Hosting Services	6,184	7,230	+16.9%	Hosting Services	835	844	+1.1%
Security Services	1,697	2,007	+18.3%	Security Services	204	243	+19.0%
Solutions Services(※)	531	607	+14.2%	Solutions Services(※)	0	45	+6,346%
Intercompany transaction adjustment or all companies	-79	-53	—	Intercompany transaction adjustment or all companies	24	24	—
Consolidated total	8,333	9,791	+17.5%	Consolidated total	1,064	1,156	+8.6%

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

Qualitative Information on Financial Forecast for 2011



◇ Hosting Services

- Launches of new services in the growing cloud market
 - GMO Cloud released on February 7
- Increases in sales of enterprise services

◇ Security Services

- Expanding market shares overseas
 - Promoting multilingual operations and alliances with local partners
- Continuing to strengthen overseas resellers
 - Convenience of the patented one-click SSL
- Launches of new services
 - Including internal control solutions

◇ Solutions Services

- Services for mobile phones
 - Sales of smartphones; creation of cell-phone websites
- Fast translation service

Overview of the Cloud Market



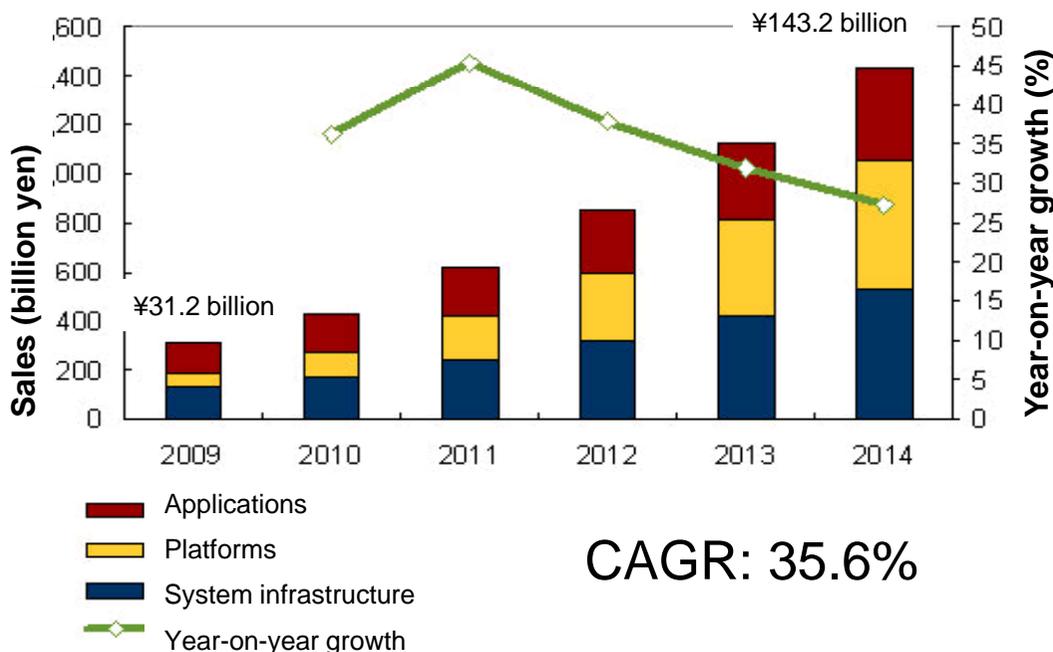
The cloud market is growing sharply, at a CAGR of over 30%.

Size of the entire cloud market: ¥500bn;

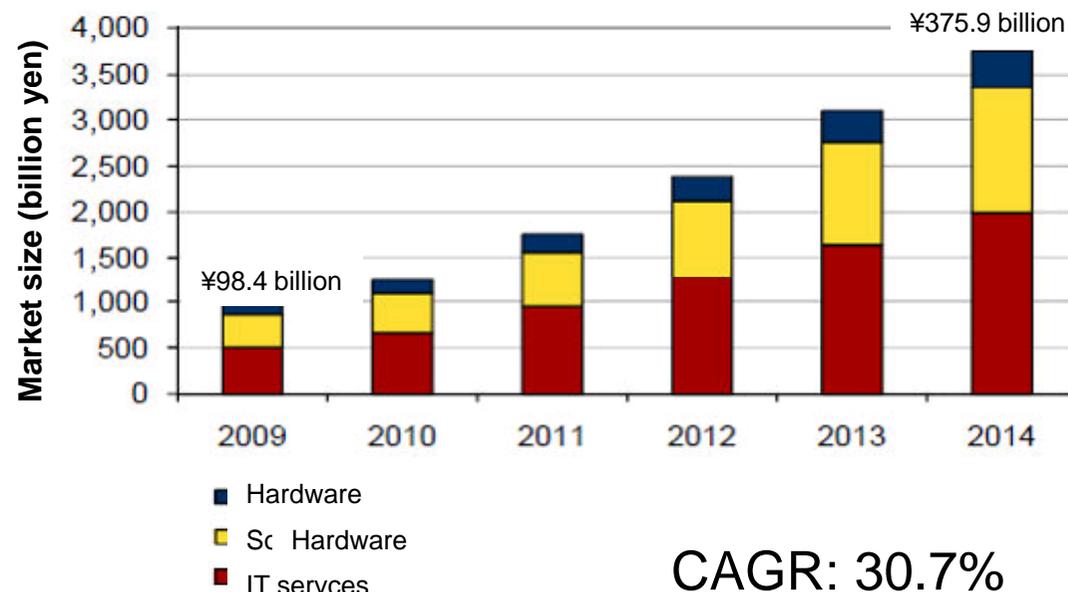
Size of the IaaS (public) market: about ¥50bn in 2014

Public cloud: ¥143.2bn in 2014

Private cloud: ¥375.9bn in 2014



Source: IDC Japan "Estimated size of the domestic public cloud market"



Source: IDC Japan "Estimated size of the domestic private cloud market"

Commitments (Superiority) of GMO Cloud



Cloud committed for business

→ Cloud platform based on the experience and achievements of GMO-HS



1. Providing an optimal IT environment to customers, based on achievements and experience that have fostered trust
 - Based on our extensive achievements and experience cultivated in our hosting business, we will propose optimal cloud IT infrastructure in accordance with customers' business and systems.
2. Supporting a secure and safe shift to cloud computing
 - Our staff, who understand the strengths of cloud computing, will support a secure and smooth transition to a cloud environment through an integrated solution involving housing, server operation, and a systems conversion.
3. High flexibility, scalability, and possibilities
 - We will respond seamlessly to the globalization of business, coordinating with public cloud services such as Amazon and incorporating network resources in the cloud computing.
 - We will offer a cloud platform that will provide a range of PaaS/SaaS services.





Vision of GMO Cloud

Offering GMO cloud to all people

With the No.1 share in Japan, we will offer global cloud services from Japan.

Cloud services offered by one of Japan's largest IT infrastructure providers

- ✓ An IT infrastructure operating based developed for 15 years
- ✓ Number of customers: about 130,000 companies
- ✓ Number of servers: tens of thousands

201x

No. 1 share, worldwide

2011

Promoting cloud services

Hosting solutions

1996~2010

GMOクラウド





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