

Theme:

Managed Hosting Services: Active Even in Recession

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

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

August 7th, 2009

GMO HOSTING & SECURITY, INC.

(Mothers of the Tokyo Stock Exchange 3788)



<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 August 7th, 2009. 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. Financial Highlights
3. Business Overview
  - 3-1 Hosting Business
  - 3-2 Securities Business
4. Financial Forecast 2009
  - Reference 1) Market Environments
  - Reference 2) Corporate Profile

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# 1. Summary and Conclusion

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# Summary and Conclusion

## Summary for the First Half

Sales and profits both remaining strong, following on from 1<sup>st</sup> quarter

### Consolidated cumulative results for the first half (Jan-Jun)

(Unit: million yen)	Jan-Jun 2008	Jan-Jun 2009	Change	Percentage change
Sales	3,581	3,789	+207	+5.8%
Operating Profit	482	599	+298	+24.3%
Ordinary Profit	468	604	+283	+29.1%
Net Profit	158	325	+241	+105.5%
Net profit per share (yen)	1,362.62	2,799.88	+1,437.26	-

### Hosting Services

**Sales** 3.097 million yen  
(+3.4% year on year)

**Operating profit** 557 million yen  
(-9.8% year on year)

**Investment in mission critical systems  
and ongoing review of cost efficiency**

### Security Services

**Sales** 679 million yen  
(+18.5% year on year)

**Operating profit** 35 million yen  
(+163 million year on year)

**Strong sales both in Japan and overseas  
Profitability secured during period from  
January to June**

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# Summary and Conclusion

## Full Year Projections

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Forecast full year consolidated results revised upwards  
Forecast dividend increased from ¥1,350 to ¥1,750

### Forecast full year consolidated results (Jan-Dec)

(Unit: million yen)	2008 Actual (reference)	2009 Projected (before revisions)	2009 Projected (after revisions)	Change	Percentage change
Sales	7,187	7,800	7,800	-	-
Operating Profit	804	1,002	1,100	+98	+9.8%
Ordinary Profit	787	1,005	1,100	+95	+9.5%
Net Profit	70	442	580	+138	+31.2%
Net profit per share (yen)	606.60	3,803.26	4,982.39	+1,179.13	-

### Hosting Services

Sales 6,434 million yen  
Operating profit 1,098 million yen

### Security Services

Sales 1,337 million yen  
Operating profit -10 million yen

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## 2. Financial Highlights

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## Financial Highlights

## Consolidated Statement of Income

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Improved the cost efficiency of hosting business, steadily increased the security business, and secured an operating profit

(Unit: million yen)	Actual results Jan-Mar 2009	Actual results Apr-Jun2009	Actual results Jan-Jun2009	Jan-Jun 2009 Forecast before revisions (reference)	Second half forecast
Sales	1,874	1,914	3,789	3,761	4,011
Cost of Sales	774	749	1,524	-	-
Gross Profit on Sales	1,099	1,164	2,264	-	-
Sales General & Administrative Expenses	825	839	1,665	-	-
Operating Profit	274	324	599	464	501
Ordinary Profit	285	319	604	476	496
Net Profit	152	173	325	250	255



# Financial Highlights

## Sales According to Segment

Increased sales from both the hosting and security businesses

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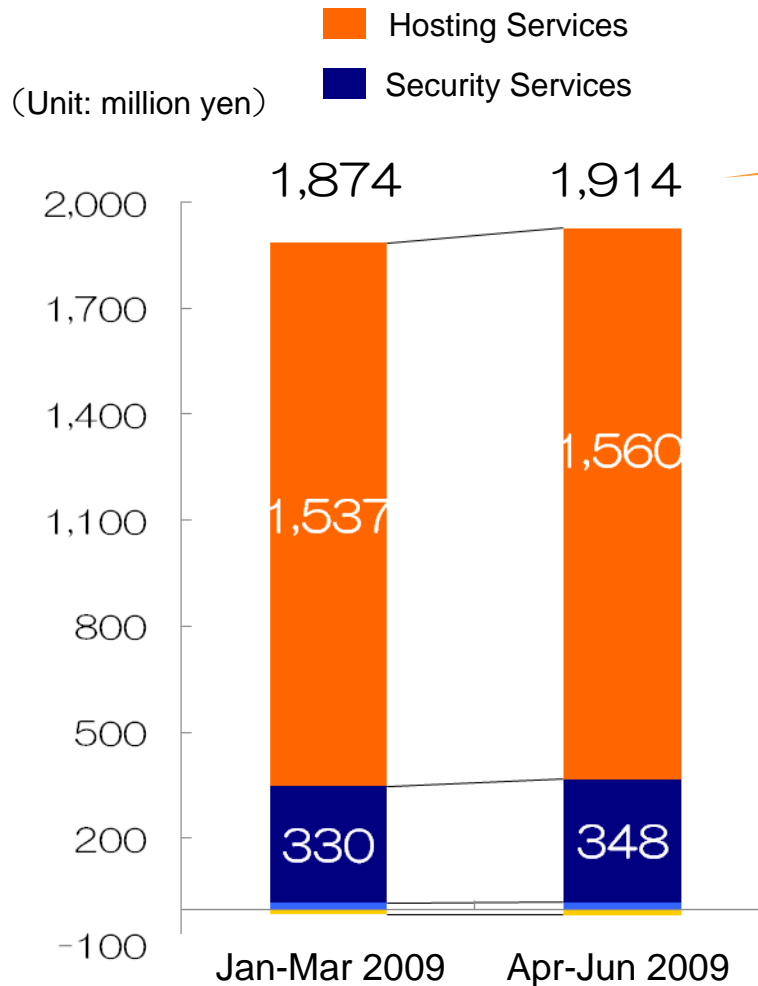
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+2.2%  
(Outside sales)



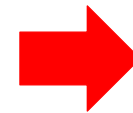
**+1.5%**

**Positive factors**

Steady sales of managed hosting services

**Negative factors**

Cancellation of OEM by major customers (same as 1<sup>st</sup> quarter)



**+5.3%**

**Positive factors**

Steady increase in business  
Strong sales

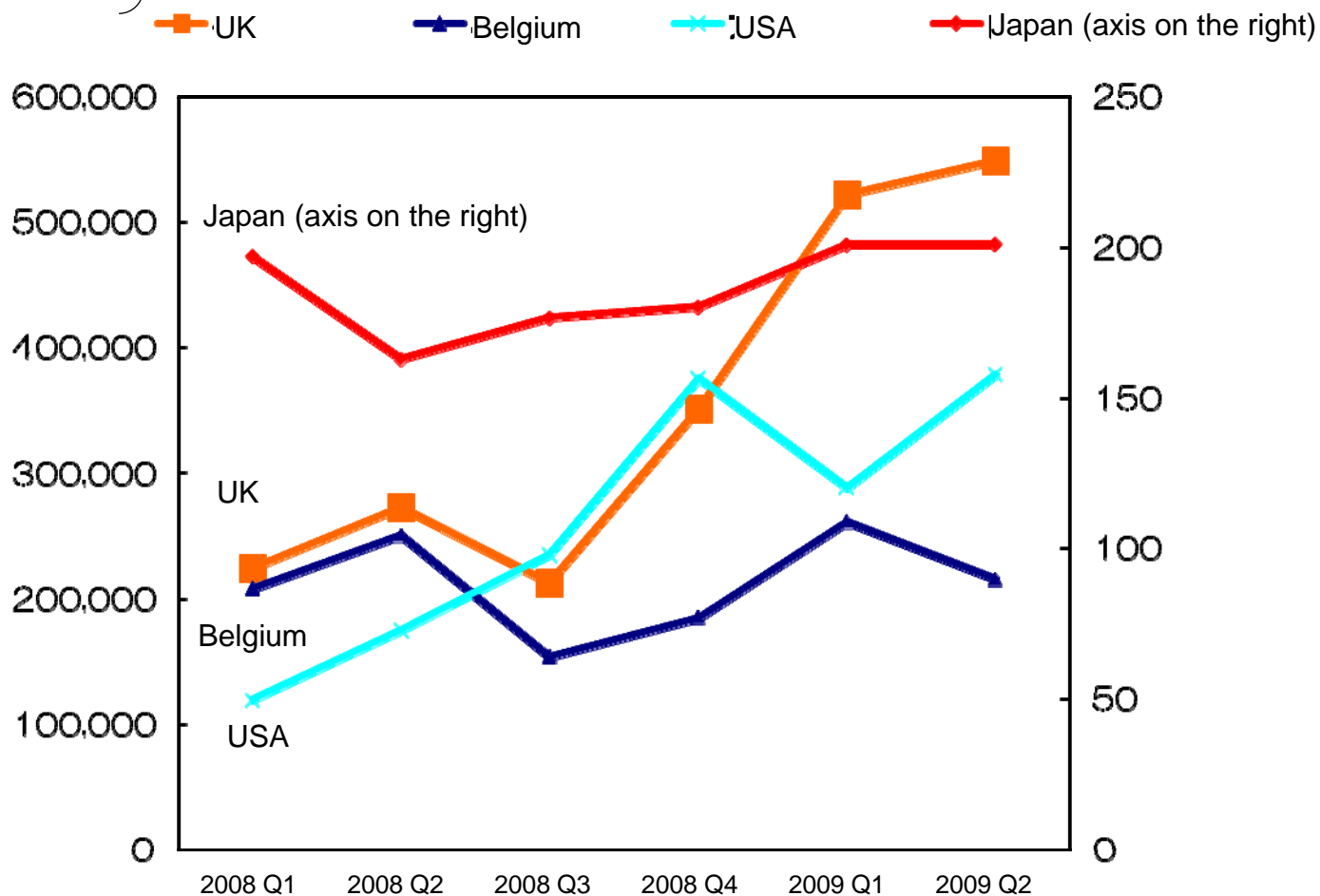
# Financial Highlights

## Security Sales According to Currency

### Comparison in Local Currencies: Large Increase in Europe (UK and Belgium)

Unit: UK: GBR  
 Belgium: EUR  
 USA: USD

(Unit: million yen)



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# Financial Highlights

## Consolidated Cost of Sales

### Better cost efficiency for Hosting business

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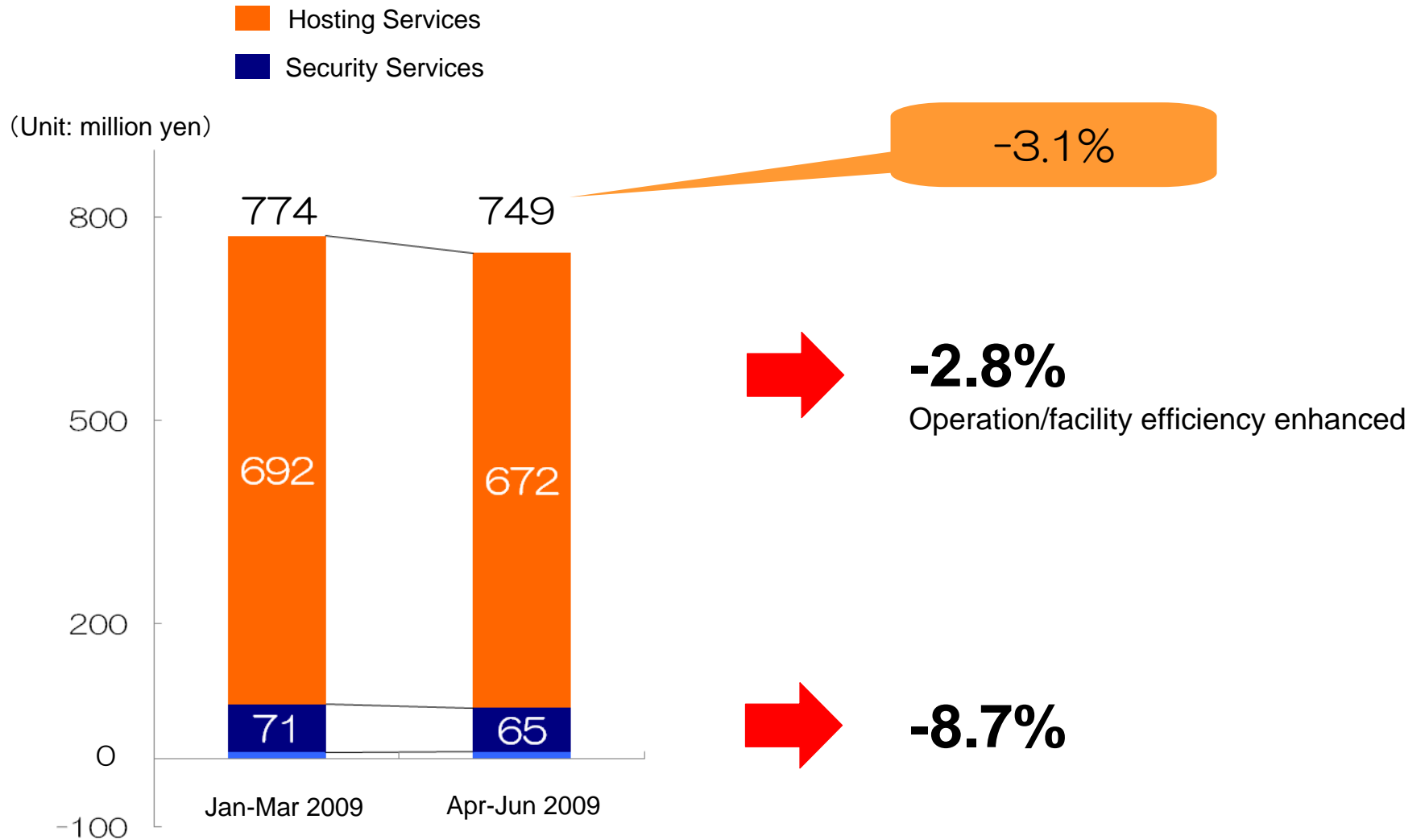
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# Financial Highlights Consolidated Sales General & Administrative Expenses

## Declining with improved efficiency

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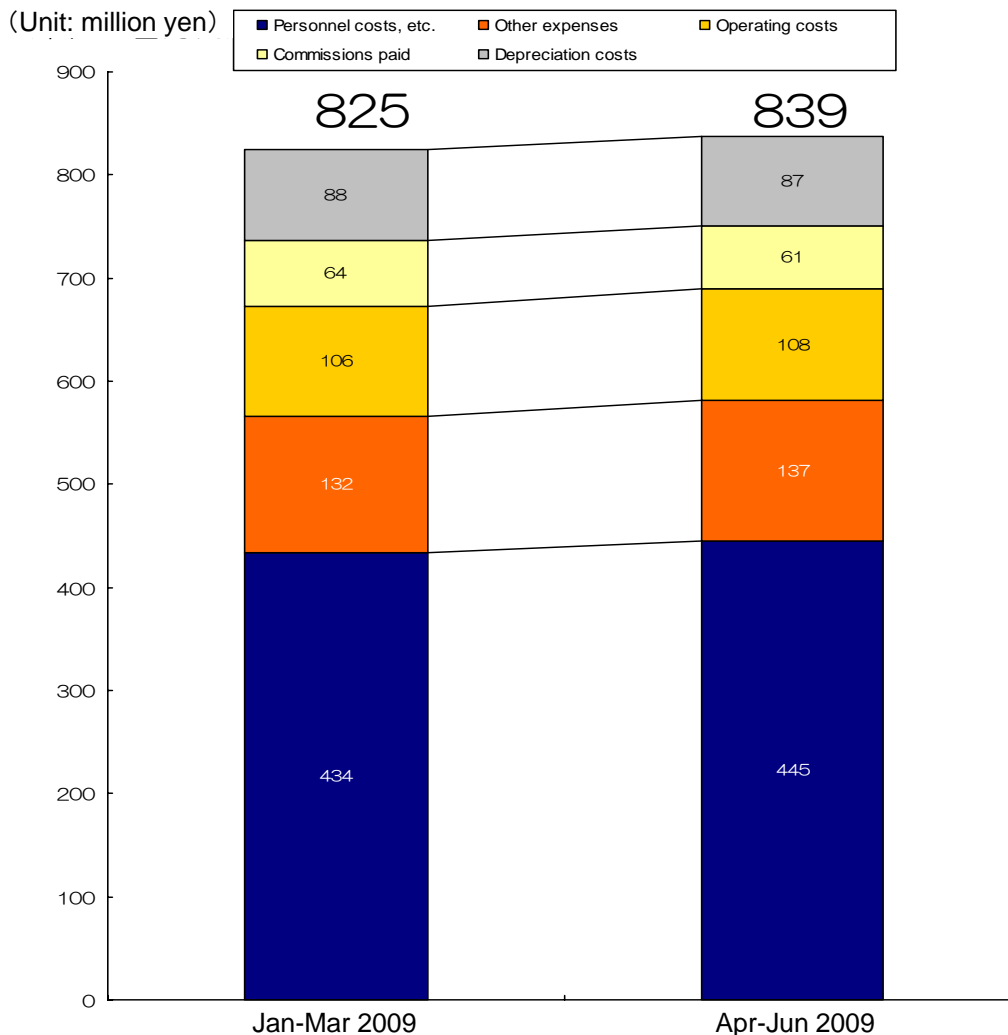
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### Positive Factors (Q1-Q2)

Commissions paid  
(Mission critical systems)  
→ + ¥16 million

Personnel costs, etc.  
Five employees, including  
new recruits

\* "Personnel costs, etc." includes temporary employees

# Financial Highlights

## Operating Profit According to Segment

Substantial increase in operating profit compared to previous quarter

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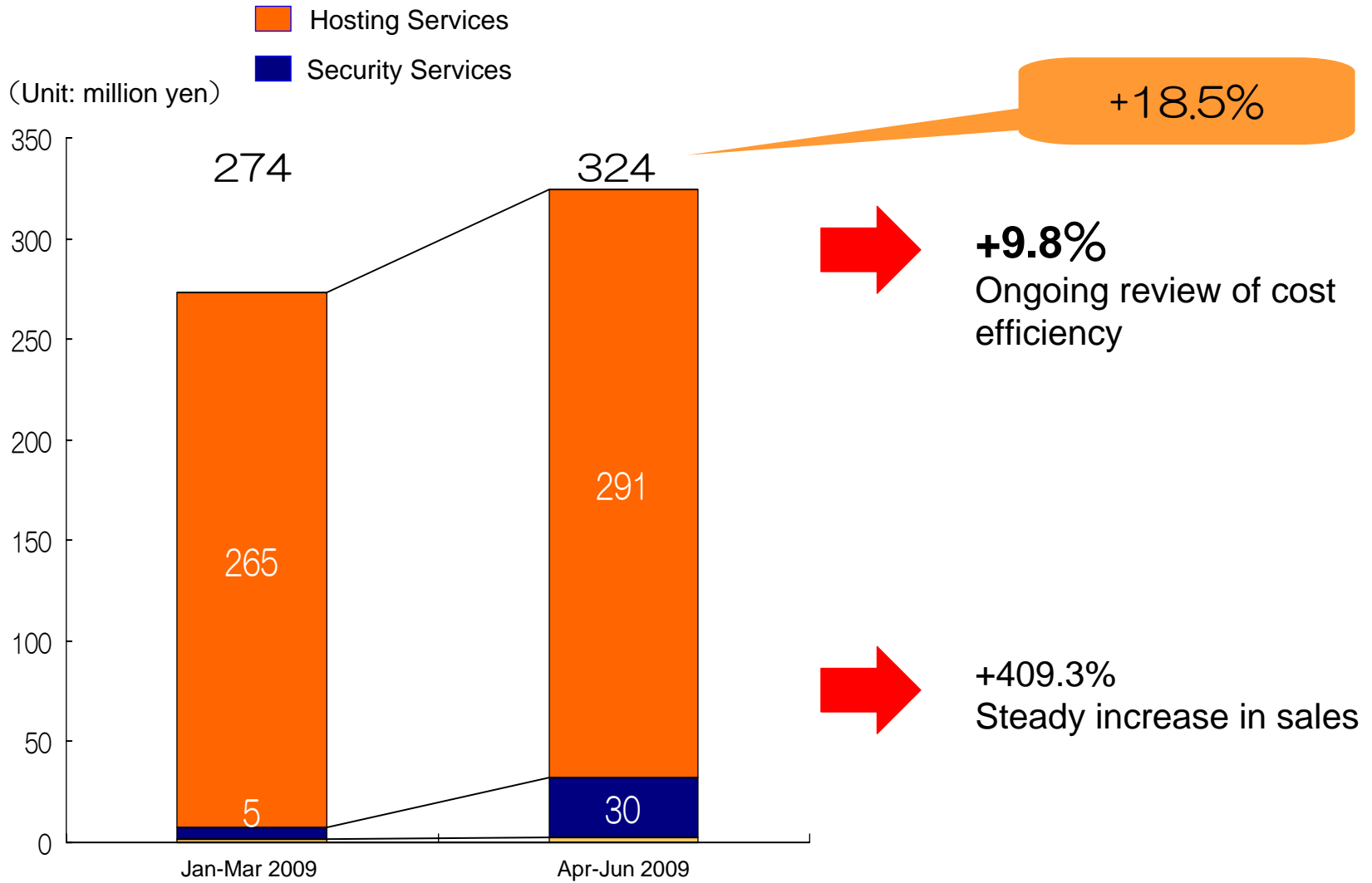
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## Financial Highlights

## Consolidated Balance Sheet

## Sound financial status

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Reference 1)  
Market EnvironmentsReference 2)  
Corporate ProfileStrong operating  
figures  
Investment almost  
completeGiven an increase  
in sales from  
managed hosting,  
security and  
corporate  
businesses

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(Unit: million yen)	Dec 2008 term	Jun 2009	(Unit: million yen)	End Dec 2008	2009年 6月期
Current assets	2,505	3,108	Current liabilities	1,912	2,175
Cash and deposits	1,642	2,230	Advance payment received	1,309	1,373
Accounts receivable	491	557	Other current liabilities	602	802
Other current assets	377	325	Fixed liabilities	46	34
Provision for doubtful debts	-5	-5	Total liabilities	1,958	2,209
Fixed Assets	2,708	2,544	Shareholders' equity	3,318	3,458
Tangible fixed assets	266	244	Gaps in Appraisals, Conversions etc. Foreign currency translation account	-82	-51
Intangible fixed assets	1,849	1,783	Minority equity	19	35
Of the above, software	796	879	Net assets	3,255	3,442
Of the above, goodwill	1,042	892	Liabilities and net assets	5,213	5,652
Investments and other assets	592	515			
<b>Total Assets</b>	<b>5,213</b>	<b>5,652</b>			

Reflects strong  
operating figures  
(incoming orders)

# Financial Highlights

## Consolidated Cash Flow

### Statement

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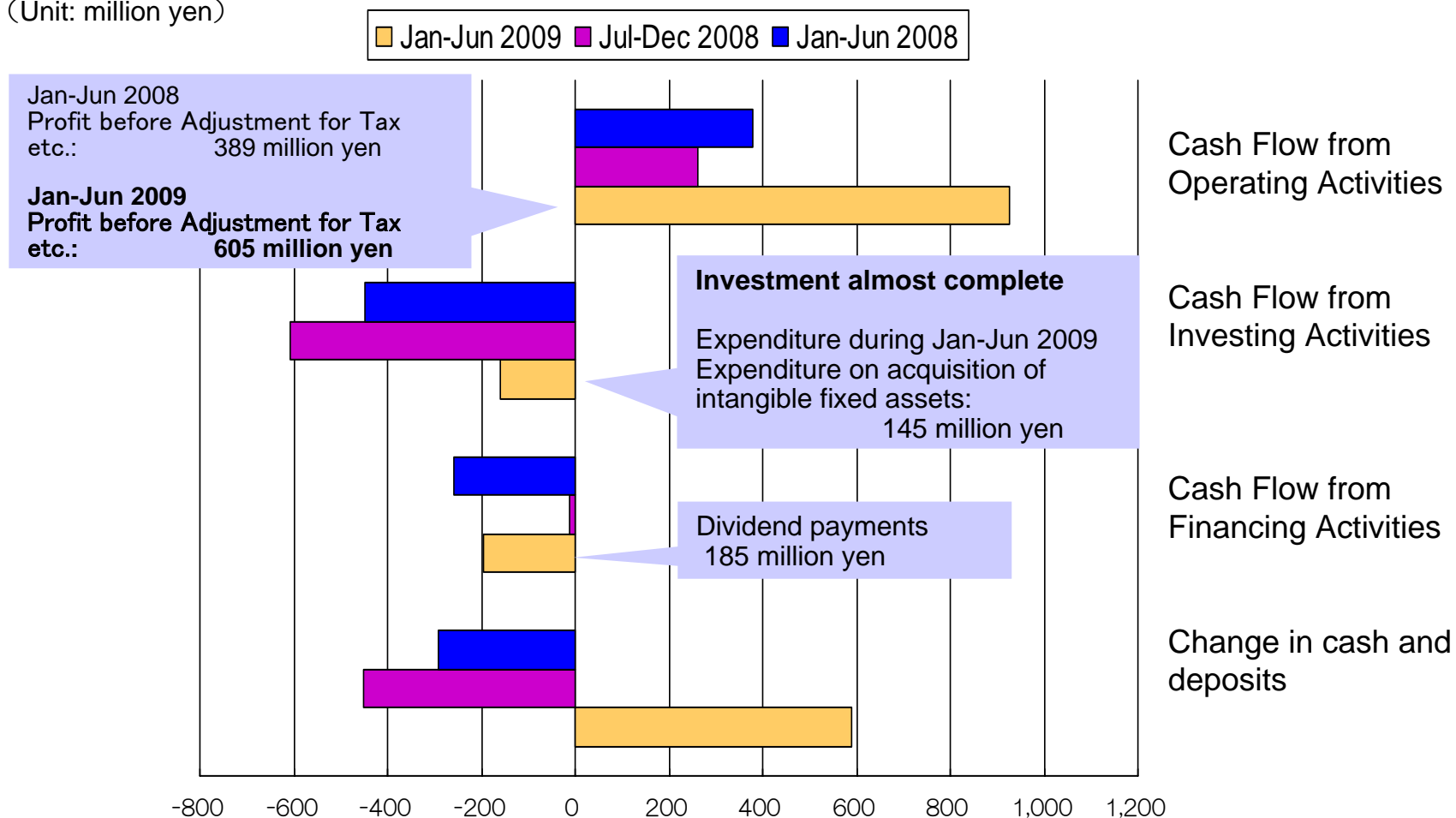
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### Investing activities almost complete

(Unit: million yen)



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## 3-1 Hosting Business

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# Hosting Business Summary

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The managed hosting service is going well, and other products are also offering added value with enhanced quality and service

## 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

Continuing to cut costs, adding value to services, and maximizing economies of scale in the years to come

- Improving ongoing value-addition to iCLUSTA
- Strengthening relations with sales reseller

## OEM

The number of contracts and sales declined due to cancellations by major customers.  
The percentage of profits reliant on OEM however fell slightly.

# Hosting Business

## Sales and number of contracts by product

### Managed hosting business performing well

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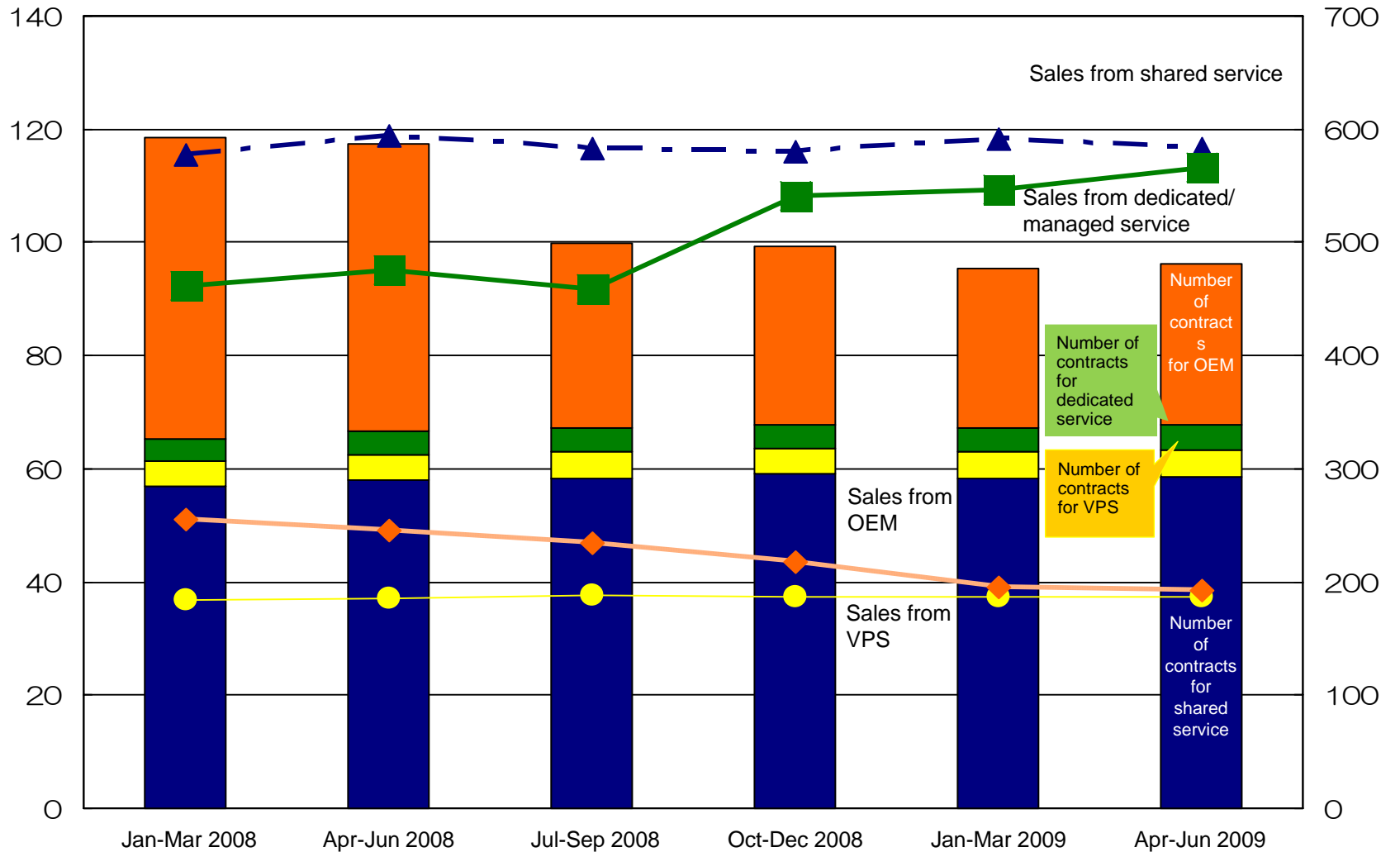
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(Unit: 1,000 contracts)

(Unit: million yen)



# Hosting Business

## Average Unit Price

The managed hosting service has pushed the average unit price upward

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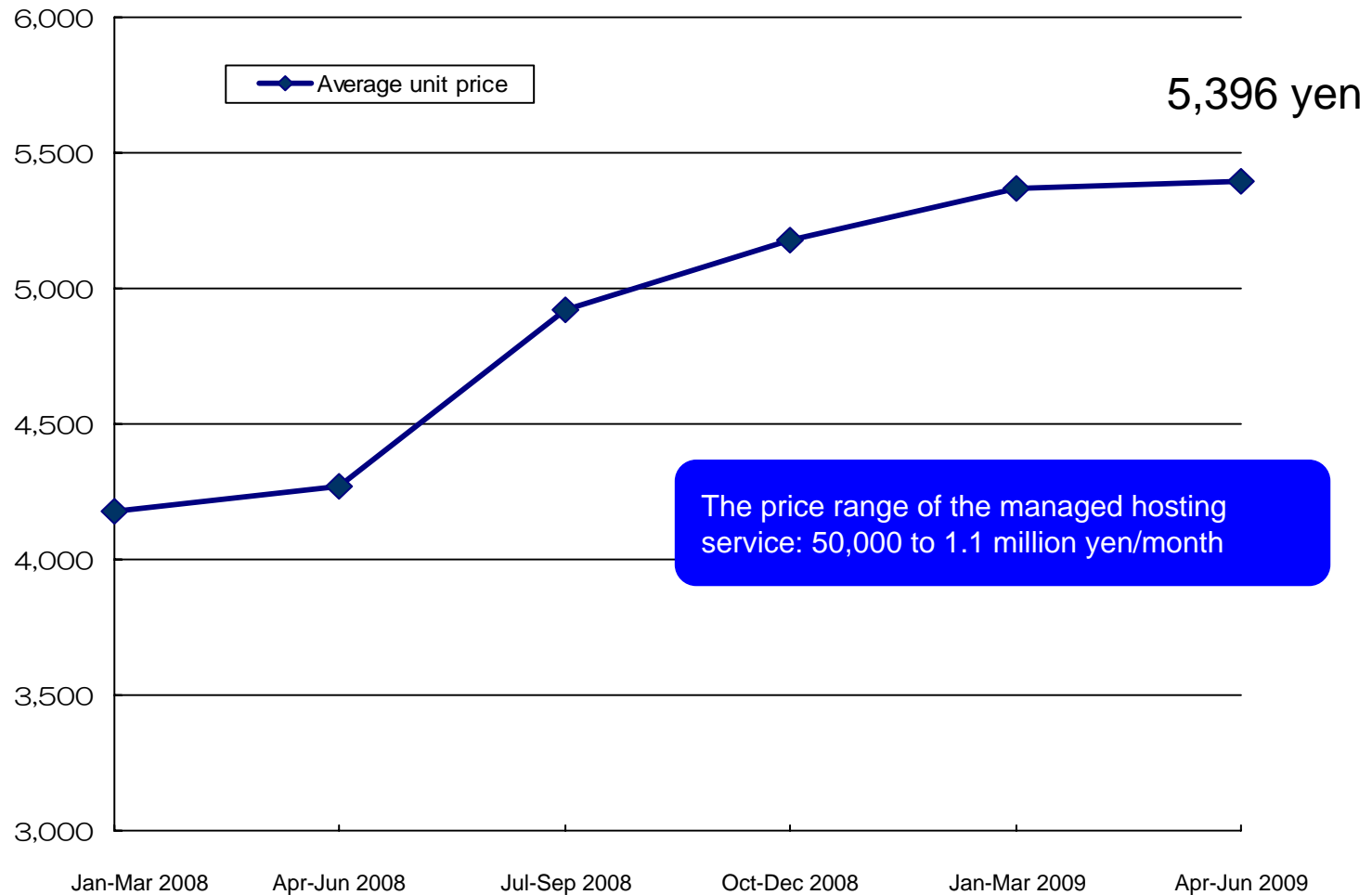
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(Unit: yen)



# Hosting Business

## Managed Hosting Service Drives Future Growth

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Service for consistently offering IT resources that are indispensable for business at low prices

Target: Small and medium enterprises (with annual sales of 15 million yen or more)

Benefits of using the service:

The service can be offered **faster and at low prices** compared to contracting with a systems integrator.

**Rapid action can be taken on security concerns**, compared to when the system is configured in-house.

**Clients can concentrate their efforts on their core businesses** by consigning information system management to our company.

Competition and compartmentalization:

Differentiating our services from the managed hosting services offered by IDC service providers

Collaborating with major systems integrators

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# Hosting Business

Work Being Undertaken for the Dedicated Managed Hosting Service

## Expanding and improving the service lineup (Q2)

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April

- 4/1 Launched IBM System i hosting services
- 4/15 Launched Happy Logi services, offering total coverage from EC system installation and operation to logistics solutions

May

- 5/13 Launched solutions for mobile site development and operation  
First solution: MobileCube

June

- 6/30 Launched SaaS/Cloud Incubation Program,

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### 3-2 Securities Business

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# Securities Business Summary

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Remained steady throughout Q2; share expansion attempted by developing sales channels further

## □ Expanding sales channels (Adding more resellers in S. America, SE Asia, Northern Europe, etc.)

### Development of resellers

- Leading Icelandic ISP EJS ehf.
- Leading hosting and domain providers, including NetEarth Group

### Services introduced at major companies

- Virgin Atlantic Airlines (UK)
- Major financial institutions the world over, etc.

### Geographical expansion

- PDF Document Signing for Adobe CDS introduced by New Zealand government
- Tie-ups agreed with government certification authorities in Asia

## □ Product improvement

- Launched server version of PDF Document Signing for Adobe CDS compatible with HSM products marketed by SafeNet Inc.
- Launched Managed PKI Lite, ASP certification authority hosting services for corporate clients
- Provision of the function of Easy Update capabilities for updating SSL server certificates, enabling users to significantly reduce essential update procedures (logging in, selecting certificates, etc.)

## □ Secured profitability during period from January to June

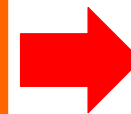
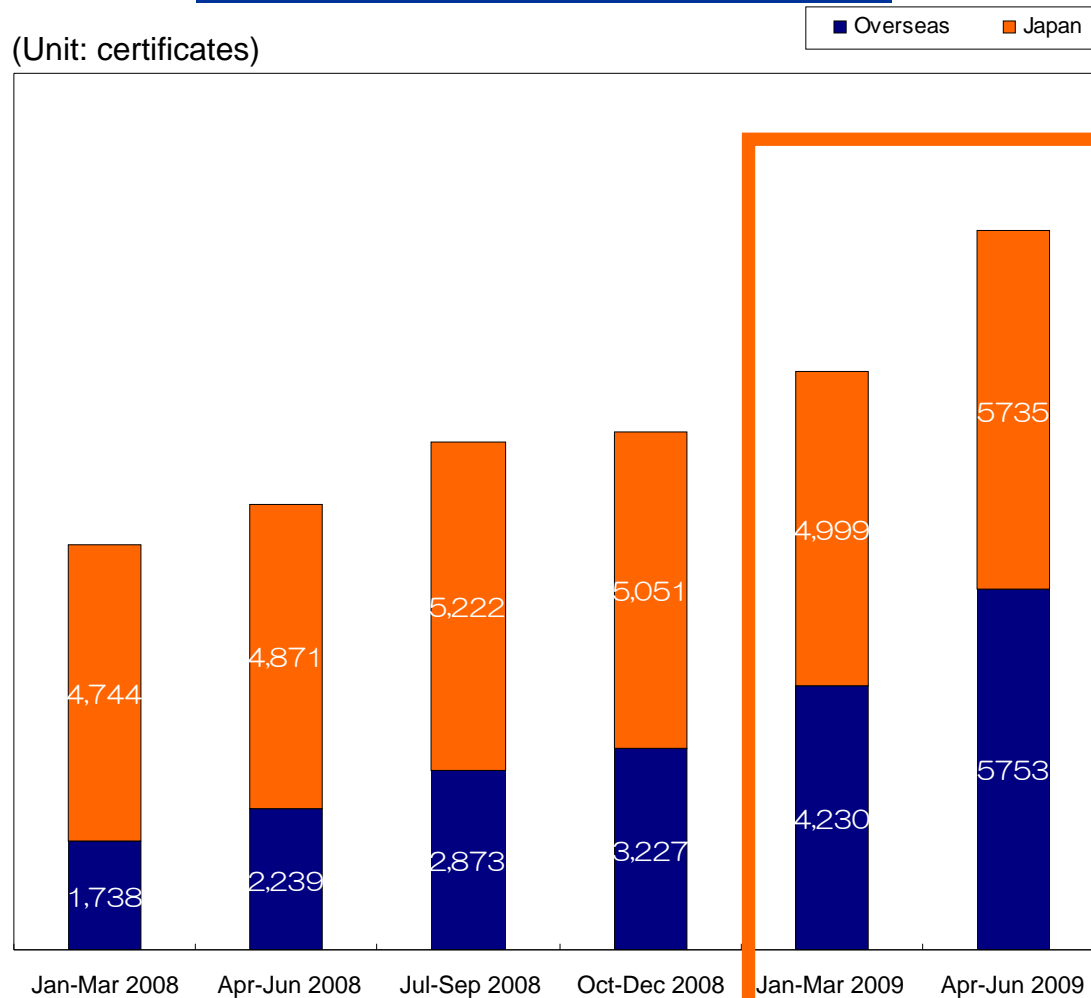
→ With a high marginal profit ratio, profits increase at an accelerated rate once past the break-even point

# Securities Business

## Number of Certificates Issued

Overseas issuance increased significantly

SSL server certificates (on an issue basis)



**Steady increase**

**Compared to previous quarter**  
**Japan: +736**  
**Overseas: +1,523**

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# Securities Business

## Number of Resellers

Continuing to recruit resellers: 1,731 companies in total

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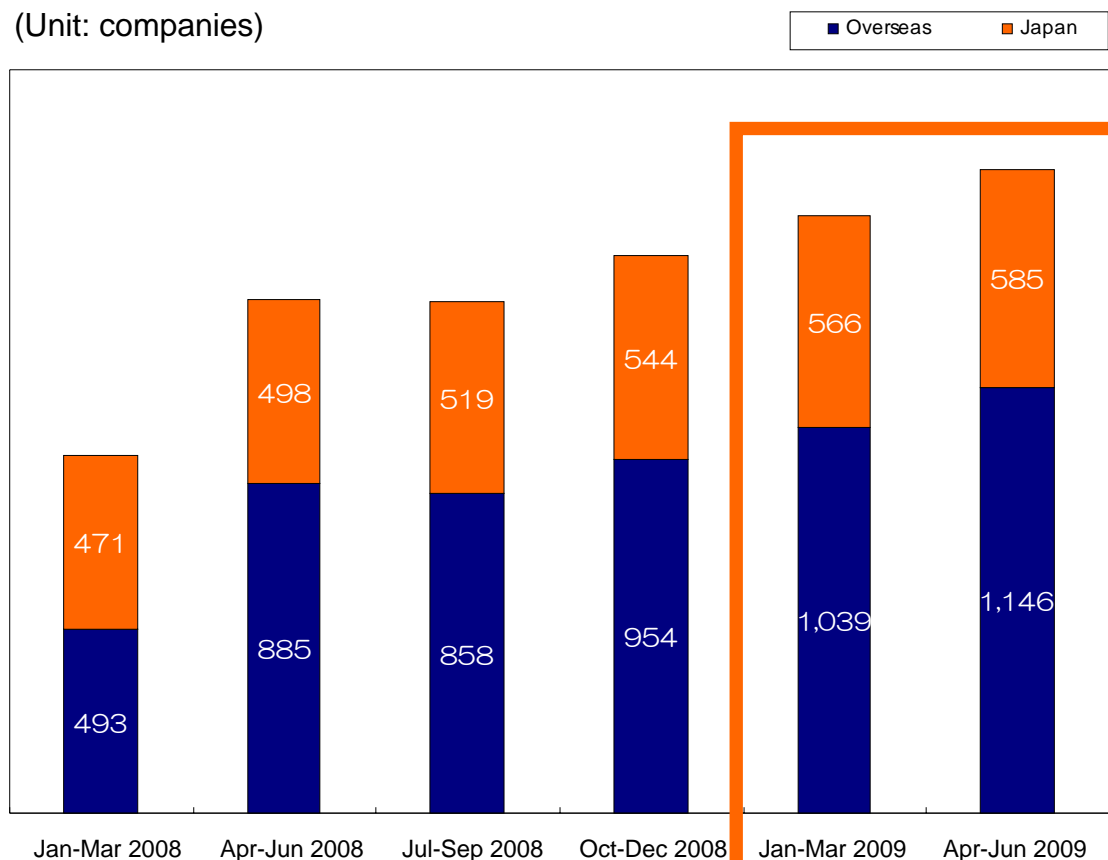
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Number of distributors

(Unit: companies)



**Increasing steadily**

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# Securities Business

## Changes in Quarterly Results

Operating profit secured for the period from January to June for the first time since switching to the GlobalSign brand

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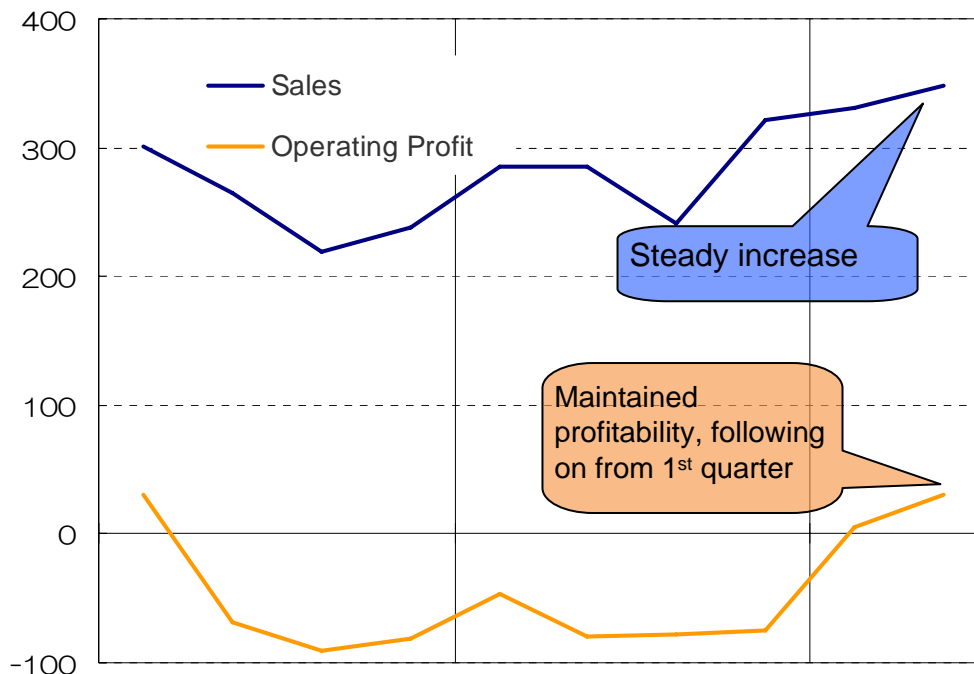
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### Quarterly changes in sales and operating profit



**Operating profit for period from January to June**

\*First time after brand switching

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

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## Financial Forecast

## Profit and Loss Statement (Consolidated)

Seeking to maximize profits through sustained sales growth and improved cost competitiveness

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	FY2007 (reference)	FY2008 (result)	FY2009 (forecast)	YoY (%)
Sales	6,742	7,187	7,800	+8.5%
Operating Profit	943	804	1,100	+36.8%
Ordinary Profit	812	787	1,100	+39.8%
Net Profit	371	70	580	+728.6%

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# Financial Forecast

## Segment (Sales)

Forecasting growth from both security and managed hosting businesses

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(Unit: million yen)	FY2007 (reference)	FY2008 (result)	FY2009 (forecast)	YoY (%)
Hosting Services	5,753	6,017	6,434	+6.9%
Security Services	1,024	1,137	1,337	+17.6%
Other Services	34	94	79	-16.0%
Amortization of consolidated Adjustment account	-69	-61	-50	-
Consolidated Total	6,742	7,187	7,800	+8.5%

\* Sales presentation covers transactions among inter-segments.

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# Financial Forecast

## Segment (Ordinary Profit)

### Promoting returns on investment by expanding sales channels in security business

Hosting business: Depreciation of in-house mission critical systems: 120 million yen/year since May  
(Depreciation expected to be cancelled out by increased sales and operational efficiency)  
Increase in amortization of goodwill: 82 million yen/year  
(Managed hosting services)

Security business: : Continuing to secure return on investment by reducing depreciation by 60 million yen and increasing sales

Ordinary Profit (Unit: million yen)	2007 (reference)	2008 (result)	2009 (forecast)	YoY (%)
Hosting Services	1,165	1,092	1,098	+0.5%
Security Services	-211	-281	-10	-
Other Services	-20	-6	8	-
Amortization of consolidated Adjustment Account	9	-0	4	-
Consolidated Total	943	804	1,100	+36.8%

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form at [http://www.gmo-hs.com /](http://www.gmo-hs.com/)

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# Hosting Business

Reference: Market Market Environment

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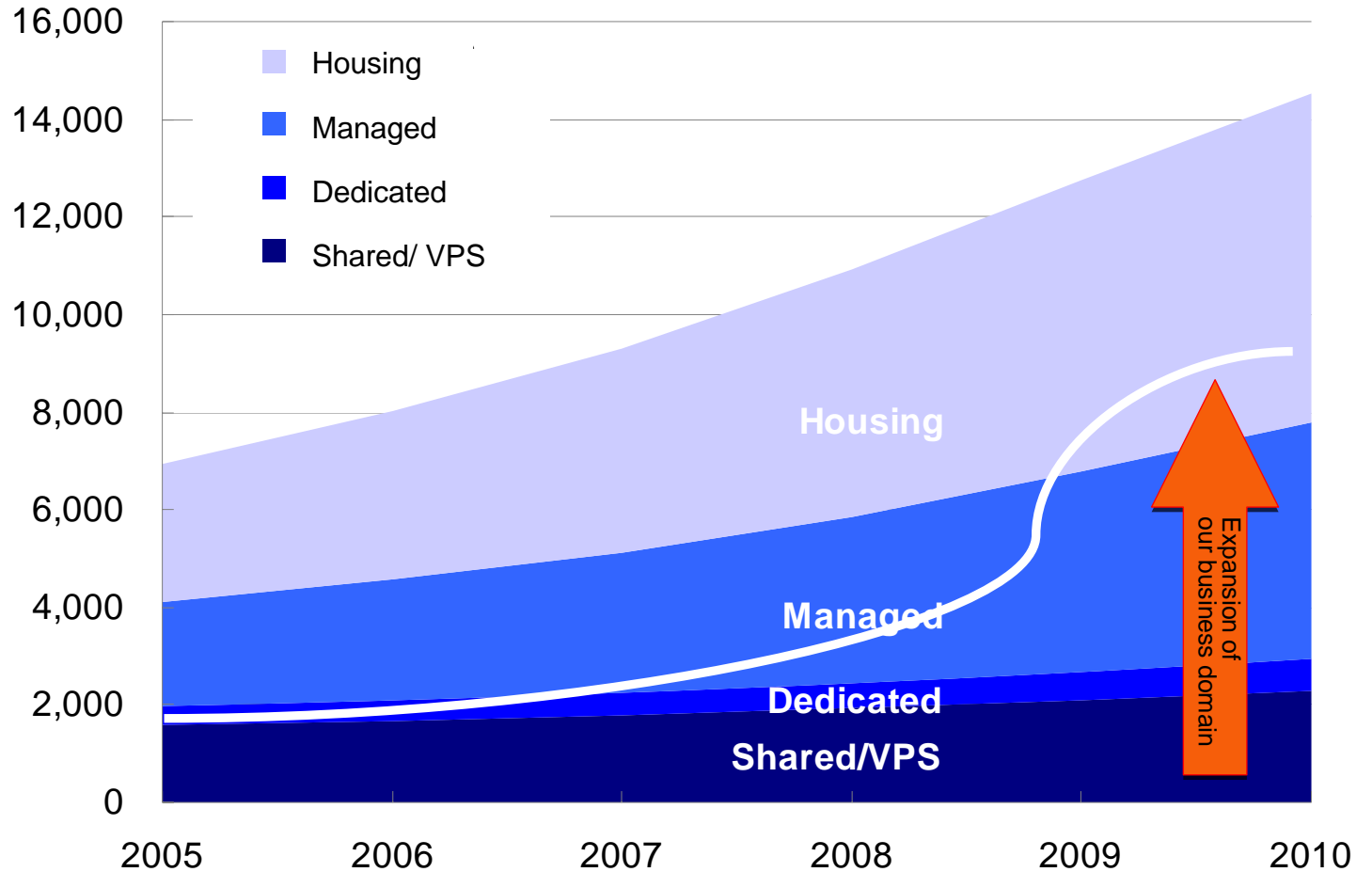
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## Hosting service market in the US

(Unit: Million \$)



Source: The US Hosting Service Market 2006IDC #201639



# Securities Business

Reference: Markets (domestic)

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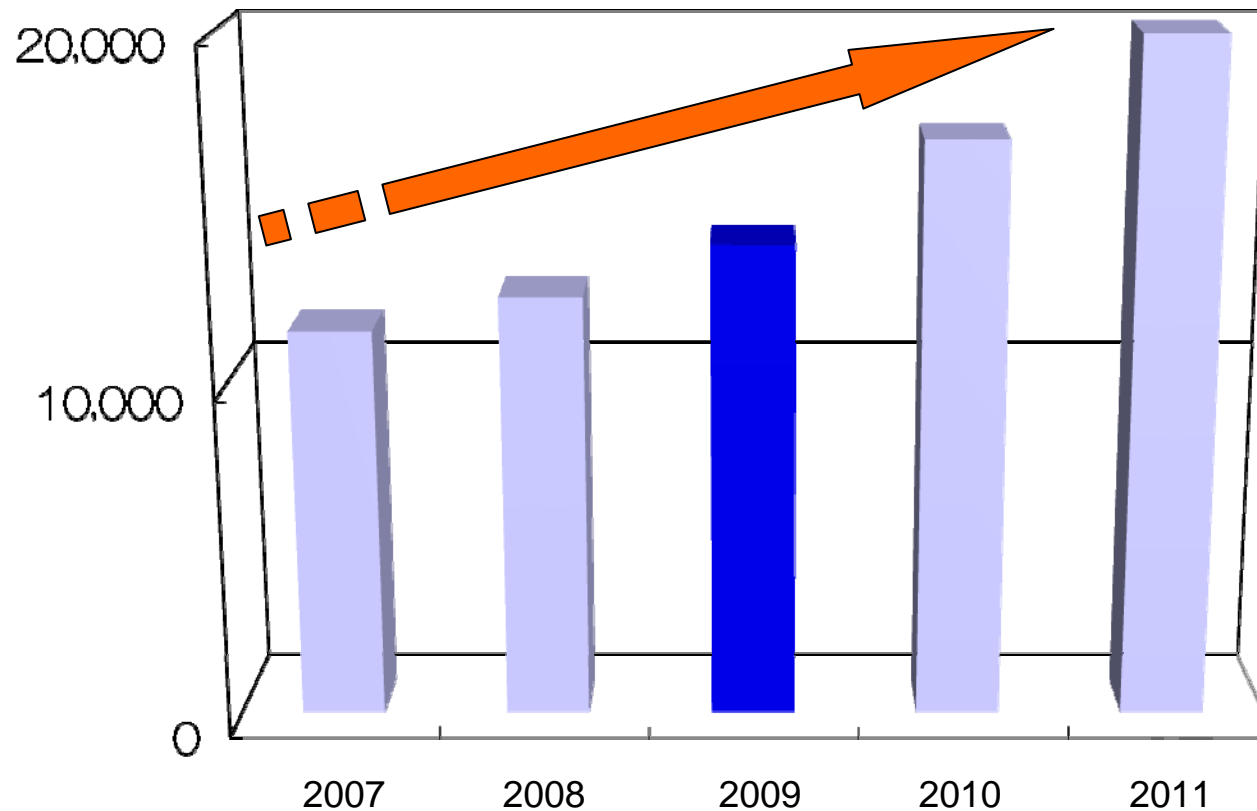
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## Average market growth rate 15%

(Unit: million yen)



Source: Fuji Chimera Research Institute

# Securities Business

Reference: Market Market Environment (overseas)

Number of server certificates issued: global growth rate of 14.5% marked

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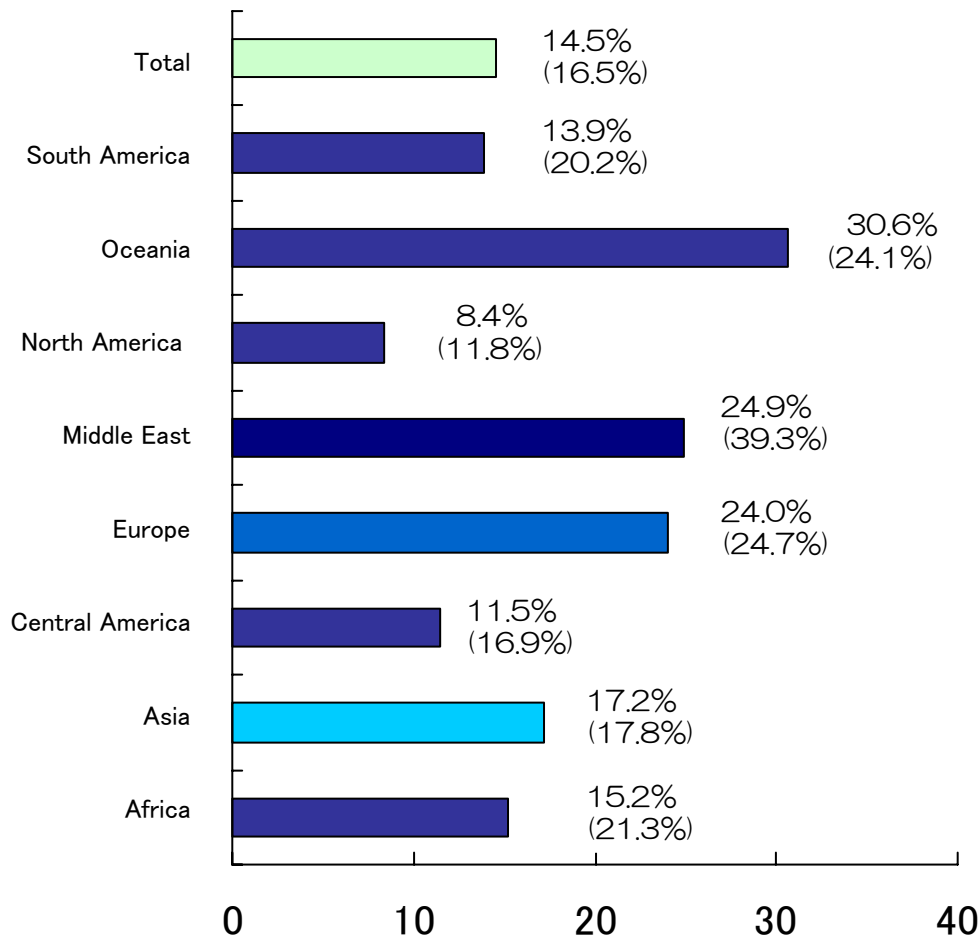
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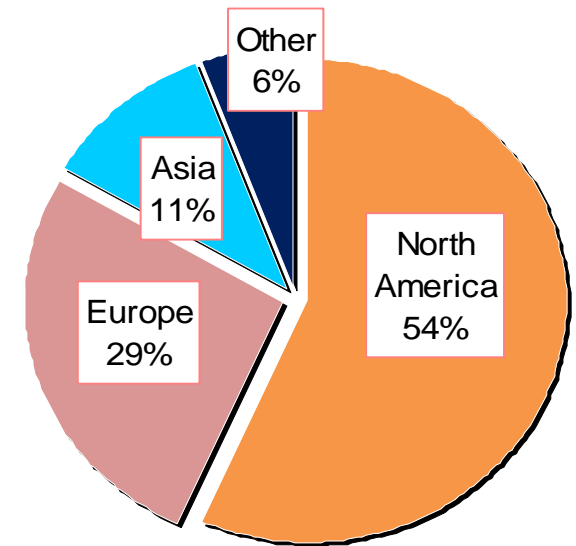


(Unit: %)

Growth rate by region



Breakdown of certificates issued



Source: Netcraft survey and own estimate as of June 2009 In ( ) are the figures for Dec 2008

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<b>Company name</b>	GMO HOSTING & SECURITY, INC. (Abbreviated name: GMO-HS)
<b>Security code</b>	3788 (Mothers, TSE)
<b>Established in</b>	iSLE Co., Ltd. (our company today) was established in May 1997
<b>Scope of business</b>	Provision of comprehensive Internet services
<b>Core businesses</b>	Hosting service Security service (electronic authentication service)
<b>Parent company</b>	GMO Internet, Inc. (First Section of TSE: 9449) Owns 51.3% of our company's shares →Participated in the GMO Internet Group in May 2001
<b>Subsidiaries</b>	Nine consolidated subsidiaries (five in Japan, four overseas); one non-consolidated subsidiary (overseas)
<b>Number of employees</b>	272 (not including temporary and other workers), as of the end of June 2009

# Reference: Features of Our Business Activities

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	Hosting Services	Security Services
Profit model (Stock-type business model)	Initial fees + monthly fees	Initial fees + annual fees
Sales channels	(1) Direct selling (2) Through agents (3) Through resale agents (4) OEM	(1) Direct selling (2) Through agents (3) Through resale agents (4) Large-scale corporate contracts
Major indexes	Number of contracts: about 96,000  (Among the largest in Japan)	Number of certificates issued (Apr-Jun 2009) In Japan 5,735 Overseas 5,753 (Ranking second in terms of domestic share)
Major services	Provision of IT infrastructures (hosting service) <Categories> Shared Virtual dedicated (VPS) Dedicated Managed	Electronic authentication services <Categories> Quick authentication SSL Corporate authentication SSL EVSSL (intensive SSL) and others