

Presentation of Financial Results for the 2006 Fiscal Year

GMO HOSTING & SECURITY, INC.
(Mothers of the Tokyo Stock Exchange: 3788)



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

Notice concerning the handling of this material:

The contents of this document are based on generally recognized economic and social conditions as well as premises judged to be reasonable by GMO Internet Group as of February 19th 2007. 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 Expansion**
 - 3-1 Web Hosting Service**
 - 3-2 Security Service**
- 4. Financial Forecast**

1. Summary and Conclusion

2. Financial Highlights

3. Business Expansion

4. Financial Forecast

1. Summary and Conclusion

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Summary and Conclusion: Overview of Fiscal 2006

1. Summary and Conclusion

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4. Financial Forecast

Developed services and built the basis and a system for 2007 and beyond

Whole company

- Designated as a stock eligible for standardized margin transactions and as a loanable stock (June 16)
- Stock split (July 1)
- Acquired international standards for Information Security Management System (ISMS) (November 16)

Hosting Service

- Acquired the hosting business of iiTV Co., Ltd. (June 1)
- Strengthened ties with business partners through presentations in local cities and the development of antenna shops
- A subsidiary merged with Megafactory, Inc. of the US (October 1)

Security Service

- Turned CSL (UK) into a subsidiary (September 1)
- Turned GlobalSign (Belgium) into a subsidiary (January 1, 2007)
- Ranked fifth in Fast50* and 40th in Fast500**

Other businesses

- Cancelled an exclusive agreement with SWsoft

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* Top 50 Japanese technology companies by growth in the past three years

** Top 500 technology companies in the Asia Pacific region by growth in the past three years

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2. Financial Highlights

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Summary and Conclusion : Profit and Loss Statement (Consolidated)

1. Summary and Conclusion

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Total sales and profit had an increase of 26% and 43% respectively

(Unit: million yen Amounts rounded down to the nearest one million yen)

	FY 2005	FY 2006	YoY (%)
Sales	4,558	5,744	26.0
Sales Cost	1,708	2,117	24.0
Gross Profit on Sales	2,850	3,627	27.3
Selling, General and Administrative Expenses	1,832	2,273	24.1
Operating profit	1,017	1,353	33.0
Net profit	592	847	43.1
Net profit per share	¥ 5,159	¥ 7,356	-

NOTES:
(Increase from the Previous Year)

Sales :
-Web Hosting Service +878
-Security Service +317
-Other Service Δ9

Selling, General and Administrative Expenses :
-Executive Compensations /Salary Wages+197
-Advertising Costs +51

Non-Operating Income :
-Foreign Exchange Gain +80

Non-Operating Expense:
-Cost of Going Public Δ23

Note: The Company executes a two-for-one stock split on July 1, 2006. The per-share figures in the table above have been adjusted to account for the stock split.

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Summary and Conclusion : Balance Sheets/Cash Flow Statement (Consolidated)

1. Summary and Conclusion

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Strong cash flows from the stock business are the basis for business expansion

(Unit: million yen Amounts rounded down to the nearest one million yen)

	FY 2005	FY 2006	Composition (%)
Current Assets	3,659	3,447	59.5
Fixed Assets	662	2,344	40.5
Total Assets	4,322	5,792	100.0
Current Liabilities	1,547	2,234	38.5
Long-term Liabilities	2	120	2.1
Shareholder's Equity/Net Assets	2,763	3,438	59.4
Total Liabilities and Shareholder's Equity	4,322	5,792	100.0

NOTES:
(Increase from the Previous Year)

Current Assets:
-Cash Equivalents Δ 556
-Accounts Receivable +151
-Allowance for Doubtful Accounts +182

Fixed Assets:
-Tools, Furniture and Fixtures +147
-Good Will etc. +1,003

Current Liabilities:
-Short-term loans +200
-Advance Received +192
-Income Taxes Payable +213

Long-term Liabilities:
- Long-term loans +94

	FY 2005	FY 2006
Cash Flows from Operating Activities	872	1,325
Cash Flow from Investing Activities	Δ 547	Δ 2,023
Cash Flow from Financing Activities	751	168
Increase (Decrease) in Cash and Cash Equivalents	1,072	Δ 557

NOTES:
(Increase from the Previous Year)

CF from Operating Activities:
-Income Before Income Taxes +505

CF from Investing Activities:
-Purchase of consolidated subsidiaries Δ 1,329

CF from Financing Activities:
-Proceeds from loans +300
-Proceeds from Issuance of Common Stock Shares Δ 1,024

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Summary and Conclusion : FY2006 Segment Information)

1. Summary and Conclusion

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Hosting service posts steady growth; the security service expands rapidly

(Unit: million yen Amounts rounded down to the nearest one million yen)

【Sales by Business Segment】

	FY 2005	FY 2006	YoY (%)
Web hosting service	4,257	5,136	20.6
Security service	266	583	119.3
Other service	34	24	△27.6
Consolidated total	4,558	5,744	26.0

【Operating profit by business segment】

	FY 2005	FY 2006	YoY (%)
Web hosting service	1,068	1,221	14.3
Security service	35	132	277.1
Other service	△34	4	-
Amortization of the consolidated adjustment account	△52	△5	-
Consolidated total	1,017	1,353	33.0

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Summary and Conclusion : Web Hosting Service, Number of Accounts

An established stock business that is part of the social infrastructure

1. Summary and Conclusion

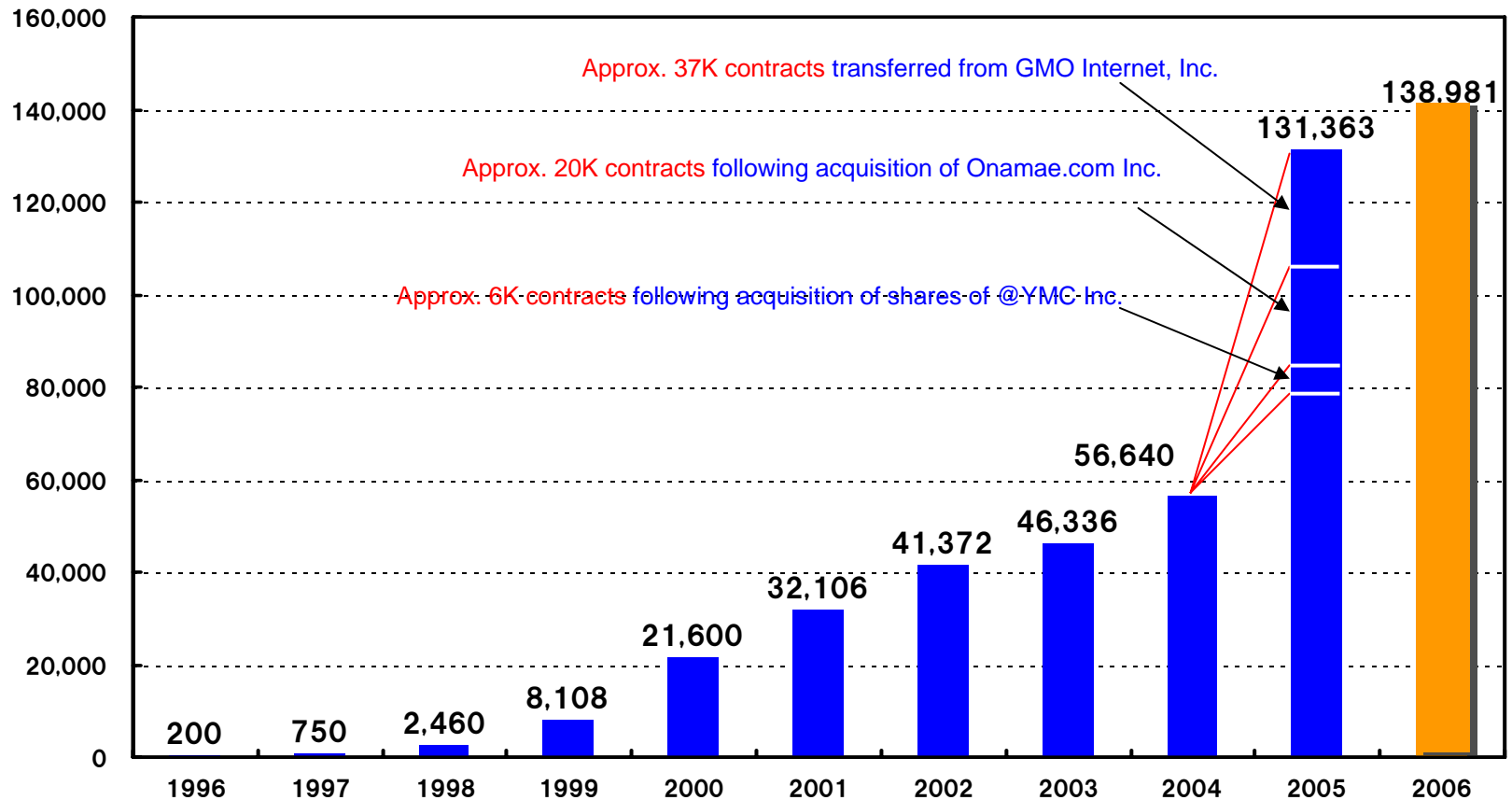
2. Financial Highlights

3. Business Expansion

4. Financial Forecast

● Steady Growth in Accounts

(Accounts)



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Summary and Conclusion: Web Hosting Service -- Sales of high-end products

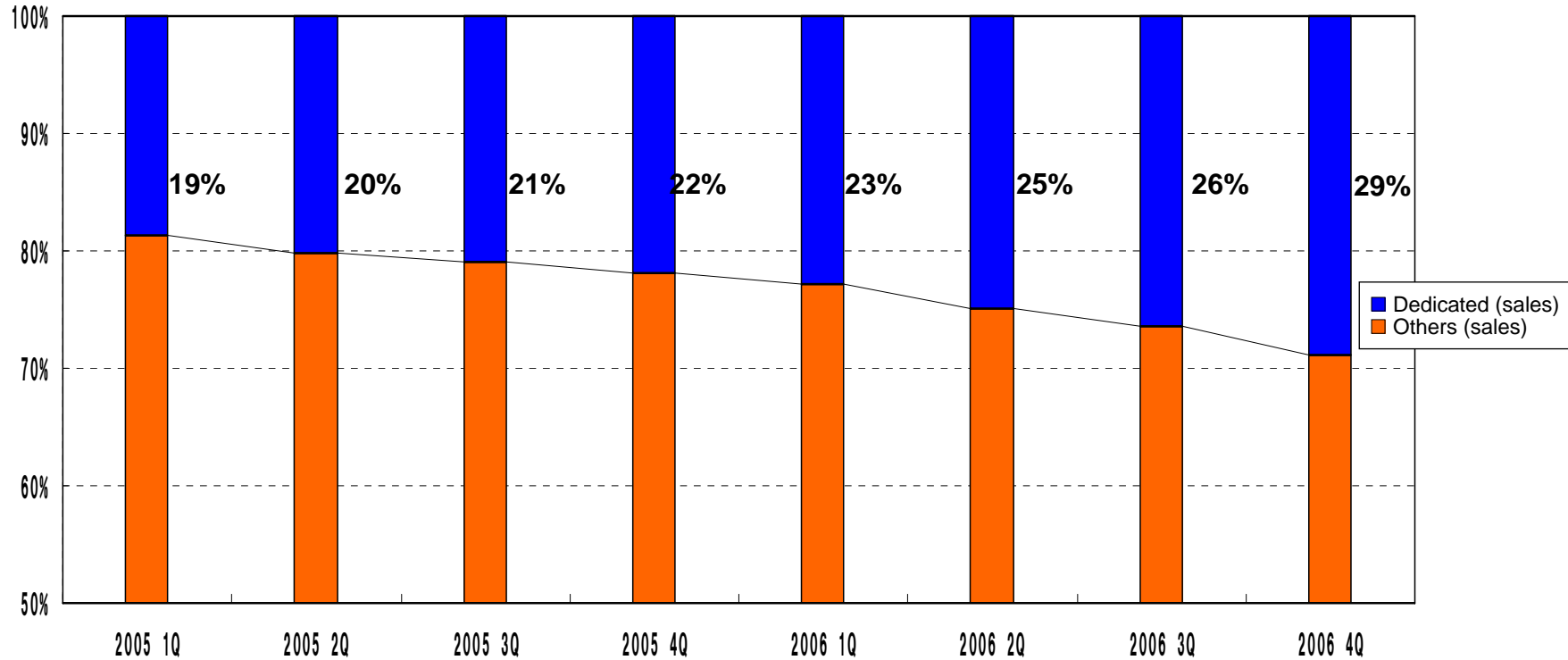
1. Summary and Conclusion

2. Financial Highlights

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High-end products sell well



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Steady expansion of share + improvement in operating margin
+ robust sales of high-end products

→ Emerging economies of scale & improvement in brand value

Summary and Conclusion : Web Hosting Service, Number of partnership contracts

Rising number of partnerships = expansion of sales channels

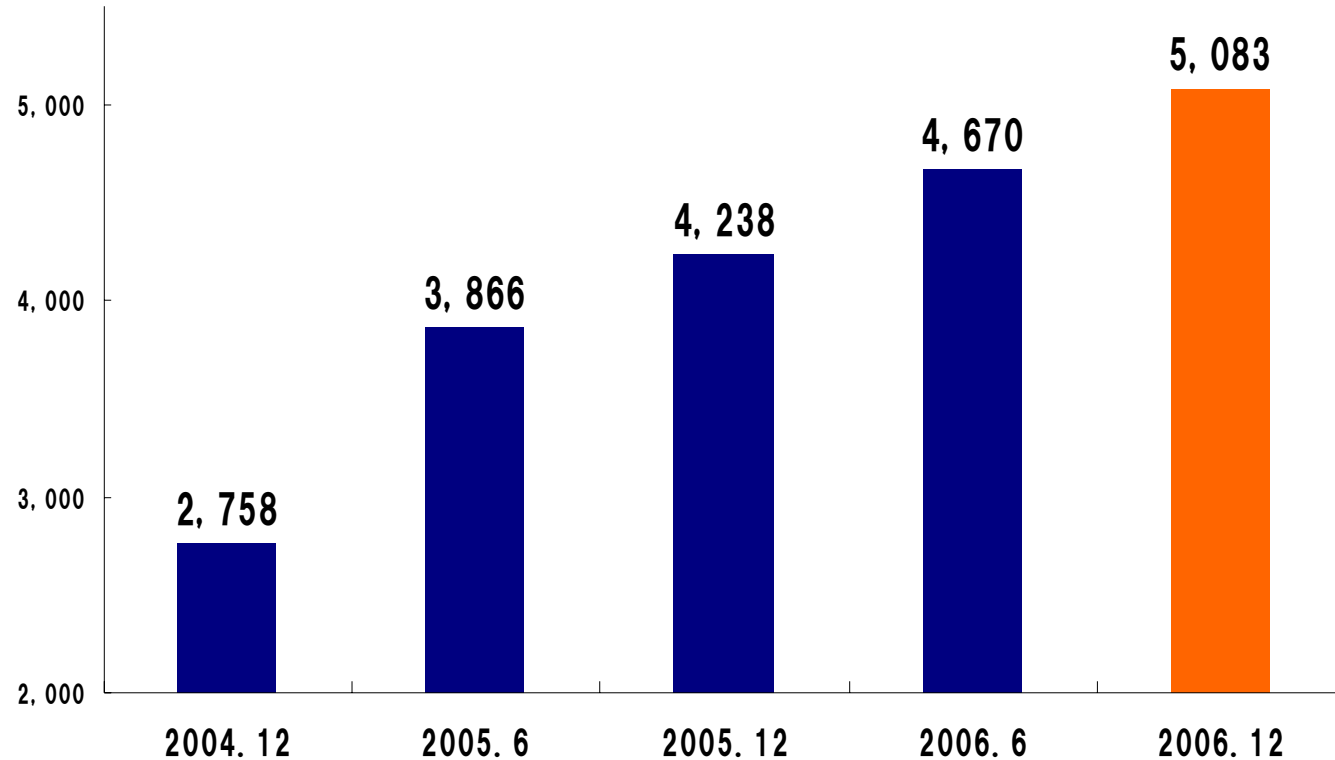
1. Summary and Conclusion

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4. Financial Forecast

● Number of partnership contracts



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Summary and Conclusion : Security Service, SSL Server Certificates

1. Summary and Conclusion

2. Financial Highlights

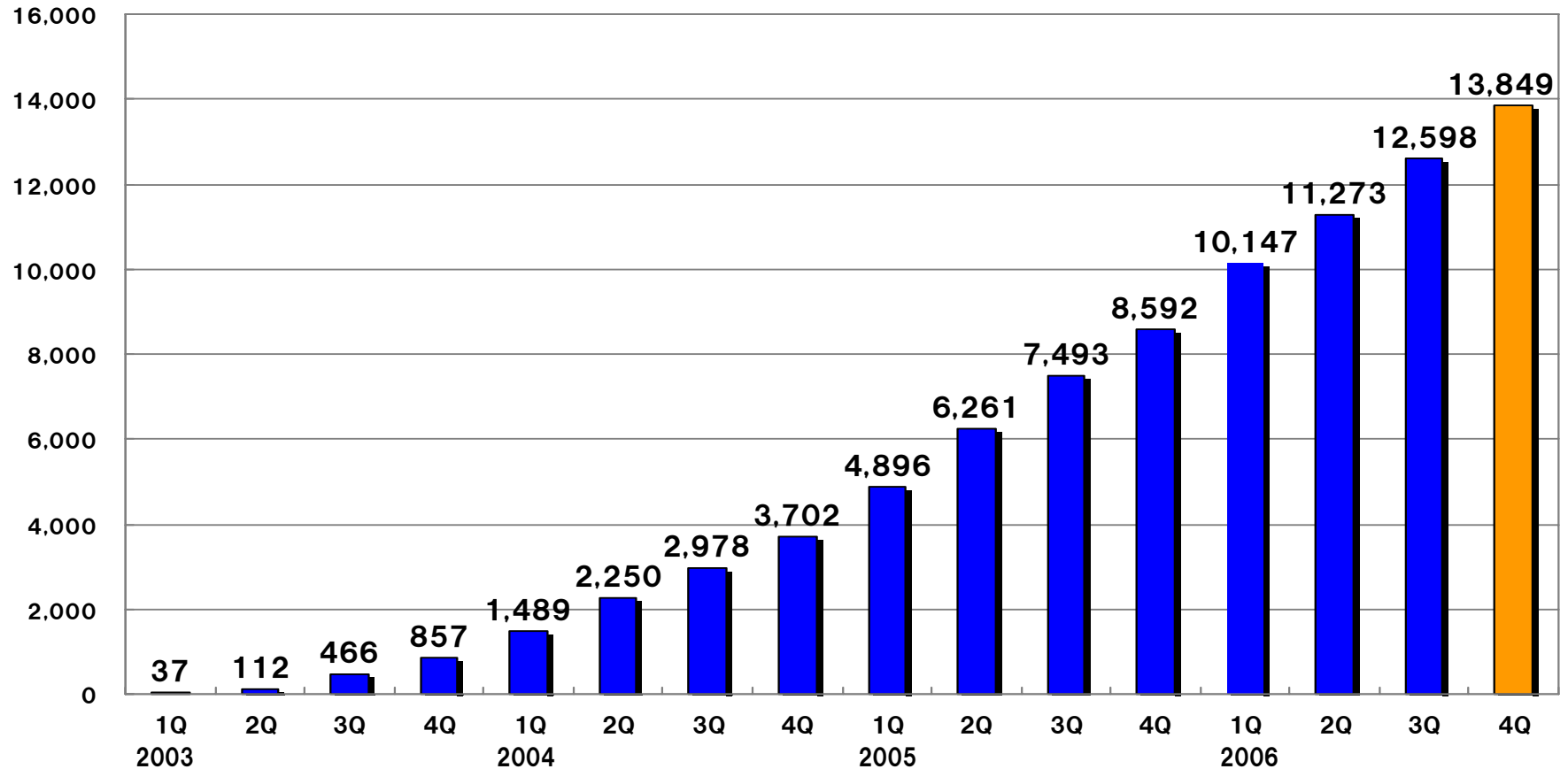
3. Business Expansion

4. Financial Forecast

Domestic business grows steadily; add-on effects of overseas markets anticipated

Accumulated number of SSL Server Certificates issued

(Certificates)



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Summary and Conclusion : Security Service, Comparison with Competitors

1. Summary and Conclusion

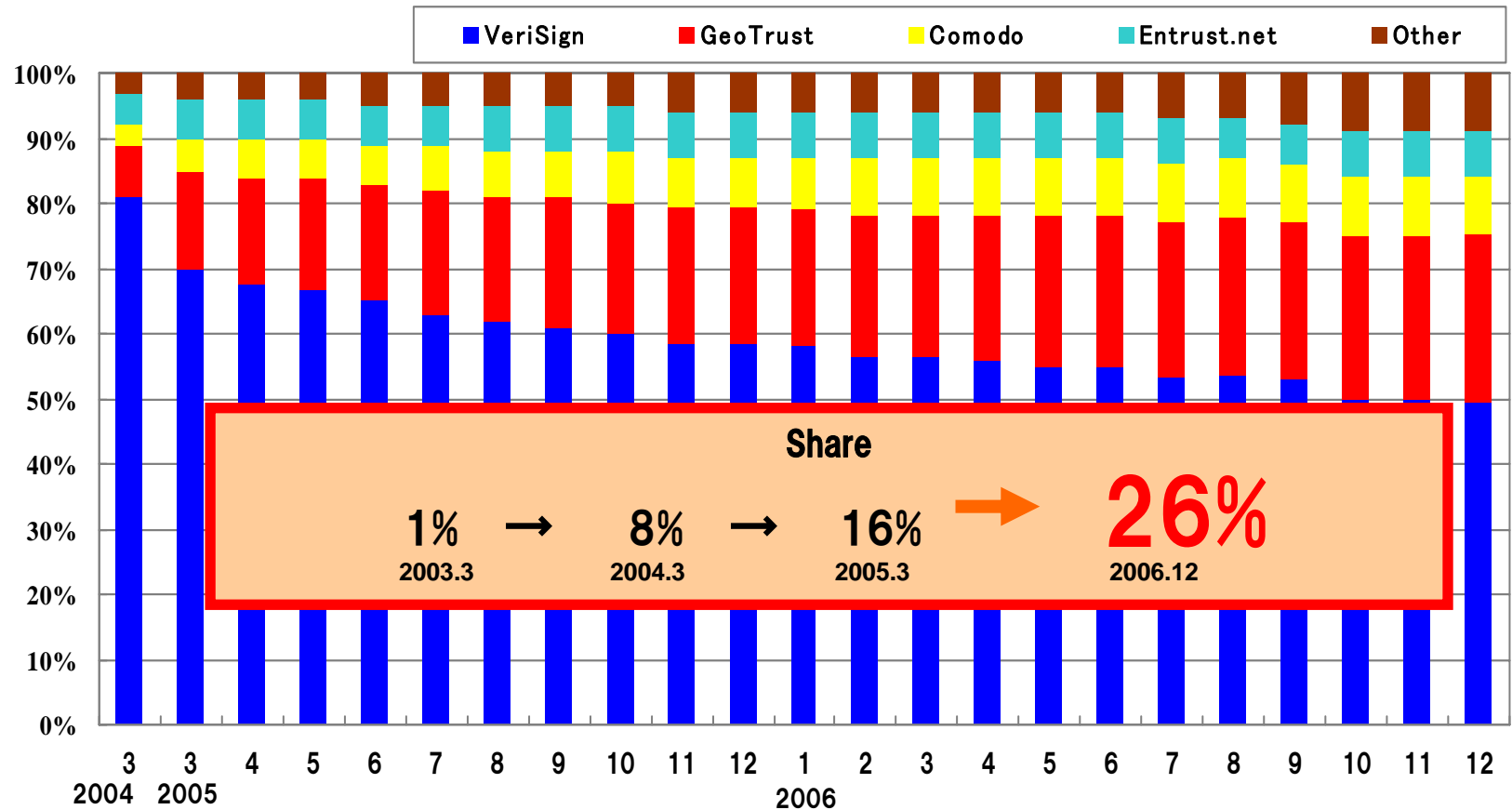
2. Financial Highlights

3. Business Expansion

4. Financial Forecast

We hold a 26% share of the market in Japan

Share : 21%(2005.12) → 26%(2006.12)



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4. Financial Forecast

3. Business Expansion

3-1 Web Hosting Service

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Hosting Service: Market Growth (1)

Growth potential and scale of the web hosting service market

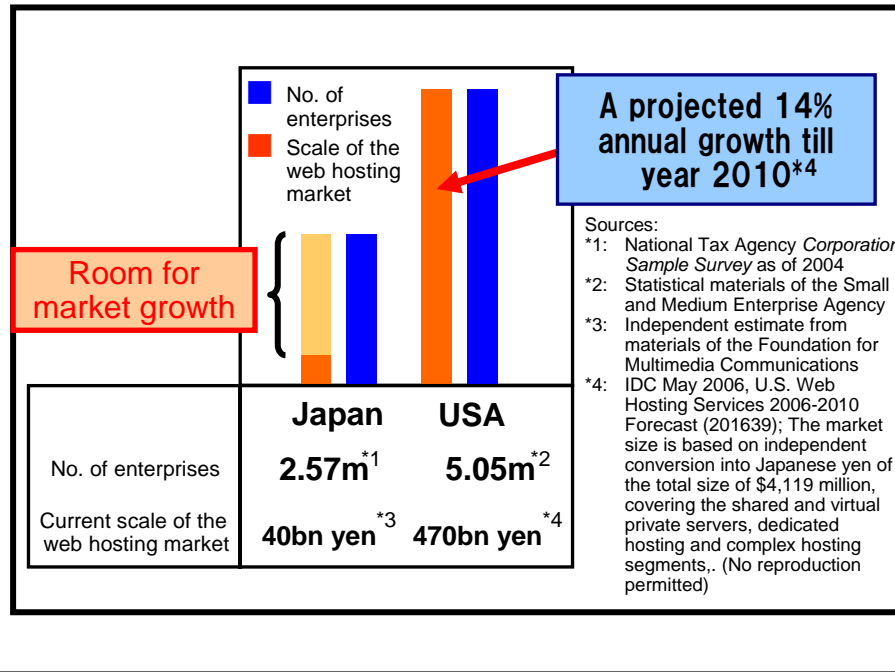
1. Summary and Conclusion

2. Financial Highlights

3. Business Expansion

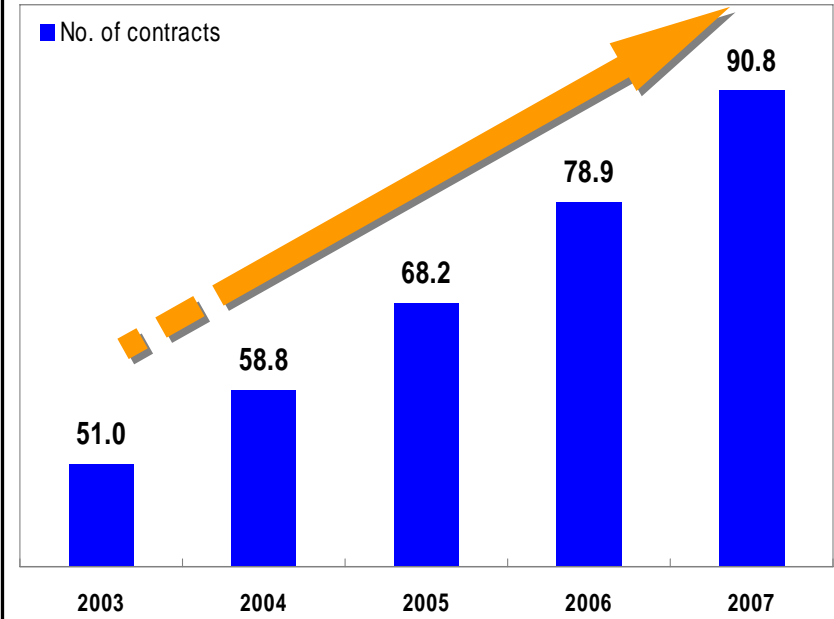
4. Financial Forecast

● Potential scale of the web hosting service market (for business users)



● Growth of the web hosting service until 2007

(In tens of thousands of contracts)



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- The Japanese web hosting market has **potential room for growth**.
- The web hosting market is expected to **continuously expand at 16% per year (on the basis of the contract counts)**.

Hosting Service: Market Growth (2)

1. Summary and Conclusion

2. Financial Highlights

3. Business Expansion

4. Financial Forecast

Growth in outsourcing represents a great market opportunity

Customers

- Lack of engineers caused by the “Year 2007 Problem”
- Difficulties in responding to complicated innovations
- Increase in the costs of investment and maintenance
- IT governance led by the management and user division

Accelerated outsourcing in the system division

GMO-HS's solutions

- Proposing IT for business reform
- Migration from existing systems
- Expansion of the scope of operation and maintenance

GMO-HS's solutions meet a wide range of customer needs

Growing demand for the Company's services

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Hosting Service: Business Development

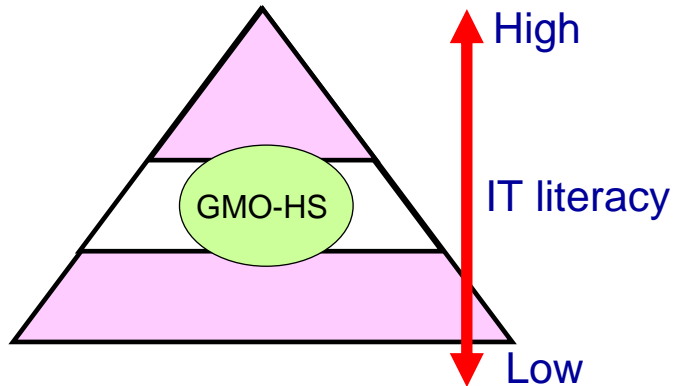
1. Summary and Conclusion

2. Financial Highlights

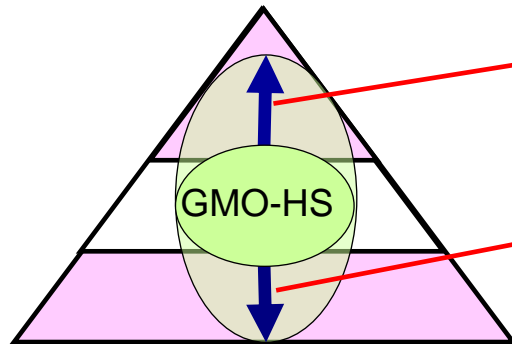
3. Business Expansion

4. Financial Forecast

The position of GMO-HS and a strategy to increase market share



The existing main customers of GMO-HS
 Small and midsize enterprises that can develop IT infrastructure to some extent
 Major companies and leading medium-sized enterprises promoting IT



Comprehensive development of high-end services including SaaS

+

Expand the target of existing services to potential customers

Vertical expansion of market share

Aim to become a comprehensive service provider providing a one-stop Internet solution

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Hosting Service: New Services in 1st Half of FY 2007 (1)

1. Summary and Conclusion

2. Financial Highlights

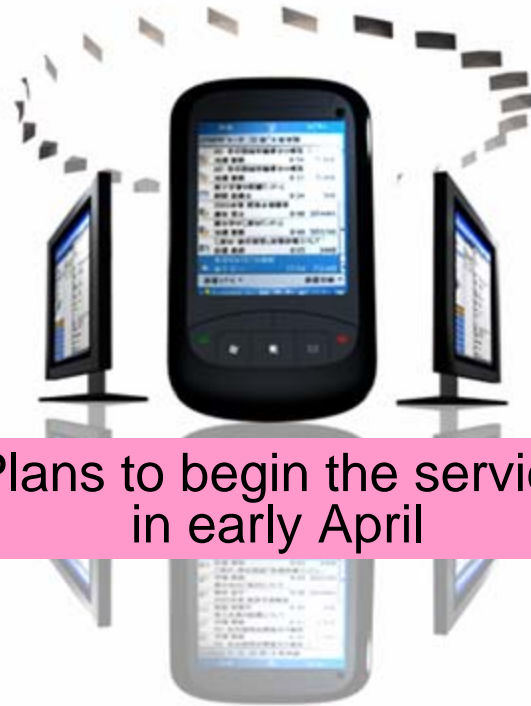
3. Business Expansion

4. Financial Forecast

From platforms to (high value-added) applications

Exchange Hosted Service

A service for the rapidly growing groupware market



Plans to begin the service in early April

- The use of Outlook will lead to **high usability**
- **High versatility** will allow the service to be used with SmartPhone
- **High cost performance and a perfect support system** will enable companies with low IT literacy to introduce the service
- The Company aims for **overwhelming support by medium-sized or larger companies**

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Hosting Service: New Services in 1st Half of FY 2007 (2)

1. Summary and Conclusion

2. Financial Highlights

3. Business Expansion

4. Financial Forecast

From platforms to (high value-added) applications

■ Hosting of applications that can be customized

A new service providing SaaS that is expected to grow rapidly

Plans to begin the service in early April

- We will develop CRM tools in collaboration with the leading Sler CEC, Ltd.
- We will provide a service from consulting for implementation through customization and implementation to after-sales support, taking advantage of open source software.
Will achieve the ultimate usability through stock business.
- A tie-up between CEC, whose main customers are major corporations, and the Company, whose main customers are small and medium-sized enterprises and educational institutions. Hence, **strong synergy is expected** in expanding the scope of customers, developing applications, and system integration.
- We will develop a system early whereby the Company will be able to **propose and provide one-stop IT solutions that will deliver ultimate performance.**

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Hosting Service: New Services in the 1st Half of FY 2007 (3)

1. Summary and Conclusion

2. Financial Highlights

3. Business Expansion

4. Financial Forecast

Comprehensive development of the hosting market

■ Supporting website creation

[Website creation service]

- We will establish Global Web Inc. (tentative name) on March 1, 2007 (with capital of 30 million yen) and invest in Global Web Korea to **launch a website creation support business.**
- **We will acquire potential customers** by providing the benefit of easy creation of initial-stage websites in addition to the existing benefit of the installation and operation of servers.
- **We will advertise** low-price and high-quality designs **to existing customers in the early stages of website development.**

<Features of the service>

- Obtaining a domain: providing a one-stop solution for all needs including hosting, website design, and security.
- Hundreds of templates by business type make the service easy to understand.
- The new company's role is separated from that of existing partners (template vis-à-vis individual creation)
- Improved language translation service
- The website will deliver top-flight performance as Internet content, allowing users to employ a service provided by the GMO group to attract customers.

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Hosting Service: New Services in the 1st Half of FY 2007 (3) (continuing)

1. Summary and Conclusion

2. Financial Highlights

3. Business Expansion

4. Financial Forecast

Comprehensive development of the hosting market

[e-catalogue]

- The service allows users to view catalogues, magazines, etc. on the Internet
- The service looks promising because it is as easy to handle as analogue data and because its extensibility allows it to be combined with diverse types of content, including video and music through searches and links.
- Strong synergy is expected for website creation services and Internet business

<Features of the service>

- Provided to companies having data on paper
- Powerful substitute for PDF having low usability
- Supporting PR activities of companies (creation of electronic materials, e-mail advertising, etc.)
- Useful commercial tool for paper catalogues, free newspapers, and net shopping
- Useful tool also for partners

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1. Summary and Conclusion

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3. Business Expansion

3-2 Security Service

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Security Service Business: Market Growth (Domestic)

1. Summary and Conclusion

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3. Business Expansion

4. Financial Forecast

Ample room and opportunities for growth in Japan

The security market is expected to grow 21% annually on average till 2010.

(Source: Fuji Chimera Research Institute)

+

Cyber crimes are more serious threats than physical crimes.

Japanese firms

69% agreed

Global firms

58% agreed

Sufficient measures have been introduced to protect against cyber crimes.

15% agreed

59% agreed

Source: May 2006 IBM Japan survey

- There is substantial room for growth in the security market. Since Japanese companies have a high awareness of security, continued capital expenditure in security is expected.

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Security Service Business: Market Growth (Overseas)

1. Summary and Conclusion

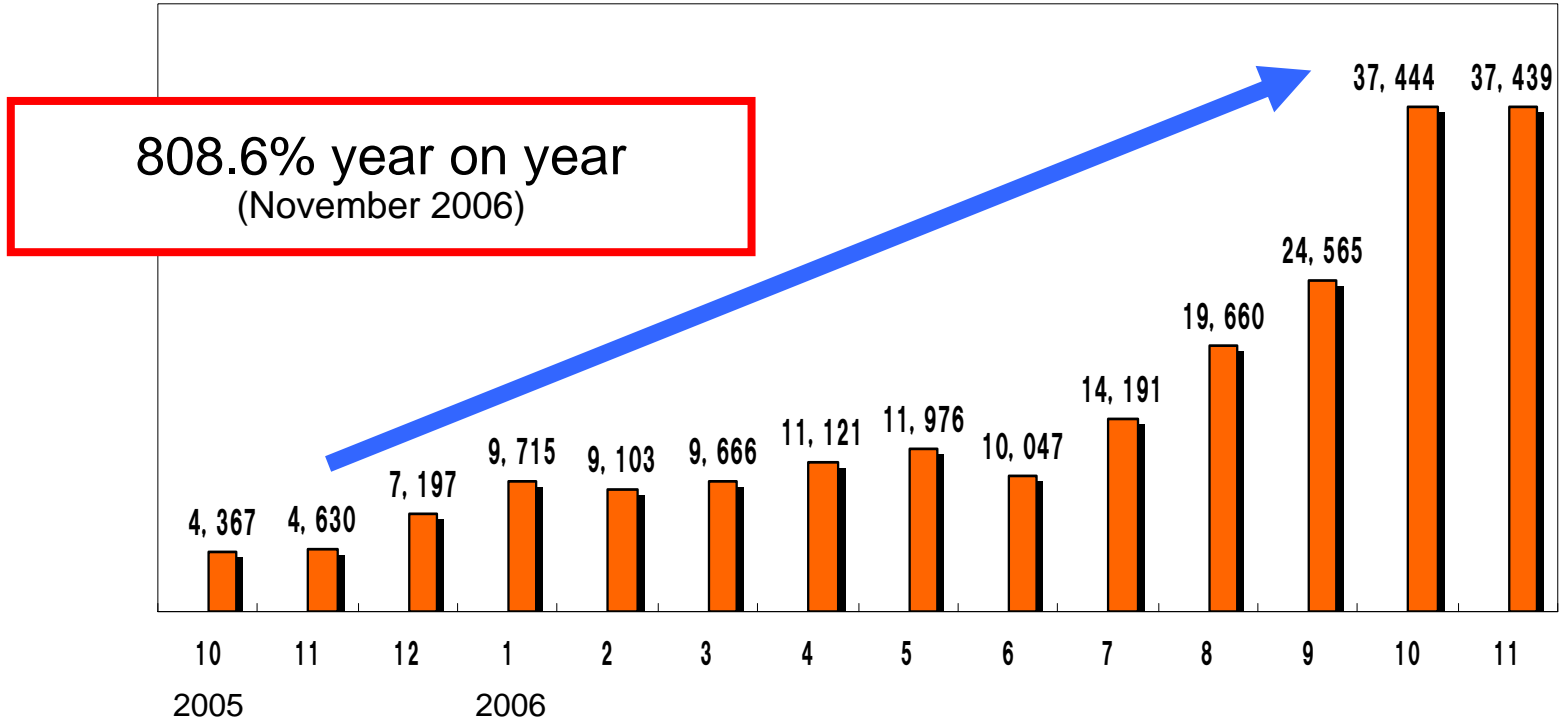
2. Financial Highlights

3. Business Expansion

4. Financial Forecast

Great opportunity to expand the market overseas

Phishing websites souring worldwide



808.6% year on year
(November 2006)

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Source: Anti-Phishing Working Group (<http://www.antiphishing.org/>)



Security Service Business: Activities This Fiscal Year (1)

1. Summary and Conclusion

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Setting a new standard for electronic authentication

Extended Validation Certificate (EV Certificate)

Existing server certificates

- Corporate validation SSL certificate (OV): validating the existence of corporations
- Quick validation SSL certificate (DV): validating the owner of the domain

= { Standardizing validation criteria that differ depending on the certificate authority
Setting stricter validation criteria as a measure against the surge in phishing cases

Creation of EV Certificate

Strictly regulating the validation of the contents of an application including the applicant, business, domain, etc.

- * The Company will sell the lineup of DV, OV and EV according to uses.
- * GeoTrust is the only brand selling the three products under the same brand.

- The browser recognizes that an EV Certificate is installed and displays the recognition.
- Other browsers including Firefox and Opera will deal with EV (display to be determined)
- The combination of IE7 and Vista changes the website address bar to EV green.



Internet Explorer

lovebank.com/

Identified by GlobalSign Root CA

IT'S TIME TO GO GREEN

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Security Service Business: Activities This Fiscal Year (2)

1. Summary and Conclusion

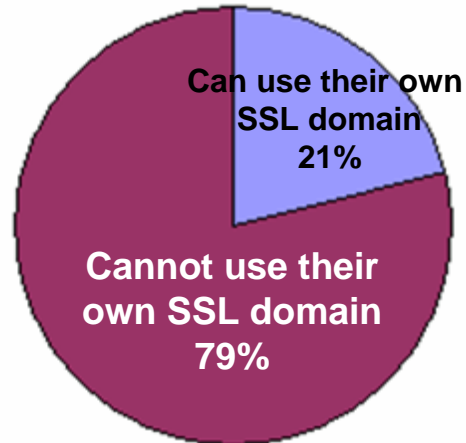
2. Financial Highlights

3. Business Expansion

4. Financial Forecast

Introducing the non-IP service

SSL services provided by hosting providers where users can/cannot use their own domains



* Research by the Company

Traditional SSL service

- Users cannot communicate without an IP address.
- Most hosting users cannot use the service.
- Target customers are limited (about 21%).



Non-IP SSL service

- Users can carry out SSL communication using their own domains through the Non-IP SSL system.
- All users are targets.
- Both the market and market share can be expanded.

- Many shared hosting providers use virtual domains and **do not provide SSL services where users can use their own domains.**
- The existing market includes only hosting providers whose customers can use their own domains (about 21%).
- After the launch of the NonIP SSL service, **all hosting providers will be included in the market.**

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Conclusion: Global Development

1. Summary and Conclusion

2. Financial Highlights

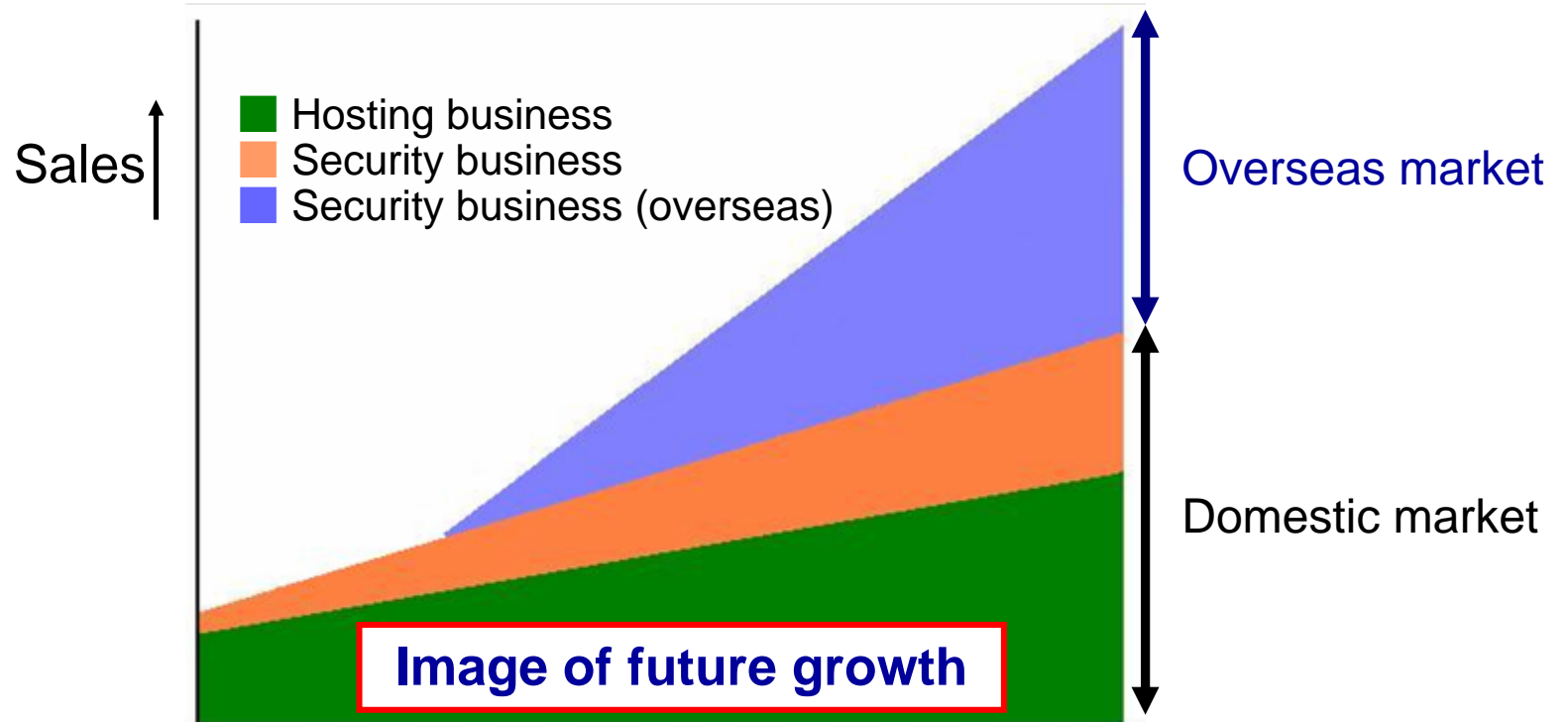
3. Business Expansion

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Aiming to be a server provider that provides comprehensive, borderless services

● From a local company to a global company

- Establishing service bases worldwide
- Reducing currency/country risk
- Boosting economies of scale



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Outlook for the Year Ending December 31, 2007 (1)

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Early recording of investments in the future and the amortization of goodwill

(Unit: million yen Amounts rounded down to the nearest one million yen)

	FY 2005	FY 2006	FY 2007 (forecast)	YoY (%)
Sales	4,558	5,744	8,252	43.6
Operating profit	1,017	1,353	1,441	6.5
Net profit	592	847	721	△14.9
Net profit per share	¥5,159	¥7,356		
Dividend payout	35%	35%		
ROE	29.5%	27.3%		
ROA	22.4%	24.8%		

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Outlook for the Year Ending December 31, 2007 (2)

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FY 2007 Segment Information (forecast)

【 Sales by business segment 】

(Unit: million yen Amounts rounded down to the nearest one million yen)

	FY 2005	FY 2006	FY 2007 (forecast)	YoY (%)
Web hosting service	4,257	5,136	5,779	12.5
Security service	266	583	1,104	89.4
Other service	34	24	1,369	-
Consolidated total	4,558	5,744	8,252	43.7

【 Operating profit by business segment 】

(Unit: million yen Amounts rounded down to the nearest one million yen)

	FY 2005	FY 2006	FY 2007 (forecast)	YoY (%)
Web hosting service	1,068	1,221	1,194	△2.3
Security service	35	132	△85	-
Other service	△34	4	334	-
Amortization of the consolidated adjustment account	△52	△5	△0	-
Consolidated total	1,017	1,353	1,442	6.6

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Earnings Forecast: Changeable Factors and Medium-Term Outlook

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The factors putting pressure on profits are mainly short-term factors, such as depreciation.

Short-term pressure on profits

Hosting service

- Depreciation of investments in Exchange, including development costs; high fixed cost rates in the period of the introduction of Exchange

Security service

- Recording of amortization expenses such as goodwill
- Short-term increase in the fixed cost rate at the beginning of the development of the GlobalSign brand

High margins in the medium term

Hosting service

- Continued development of Exchange
- Rapid growth of the SaaS market
- Improvement of the margin on dedicated servers

Security service

- Breaking even with the comprehensive development of the GlobalSign brand
- Progress in the amortization of goodwill
- Increase in the high gross margin security service as a percentage of sales

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Today's Conclusion

1. Summary and Conclusion

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Today's main points

In Fiscal 2006

- Actively invested in growth from fiscal 2007 and boosted both sales and profits.
- Established a basis for global development and achieved international competitiveness.
- Developed high value-added services and built a system to roll them out.

In Fiscal 2007 and beyond

- Depreciation will rise in the short term because of investment in past years.
- We will expand our market base by developing services that appeal to potential customers.
- We will introduce high value-added services based on the system built in the previous year.
- We will develop the private brand GlobalSign globally.
 - Profits will rise significantly with the growth of these business resources and services.

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Internet for Everyone!

