

Presentation of 1Q Financial Results for the 2007 Fiscal Year

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 conditions as well as premises judged to be reasonable by GMO Internet Group as of May 24th 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

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1. Summary and Conclusion

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Measures in FY 2007 – Progress and Activities

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Favorable progress towards targets set at the beginning of the year

■ Progress up to 1Q

- Trial launched for Windows collaboration hosting (February 15)
- Formed a business alliance with Computer Engineering & Consulting, Ltd. to expand SaaS solution sales (February 19)
- Established Global Web (March 1) and began WEB production support service (March 29)

■ Activities for 2Q and beyond

- Windows collaboration hosting (from April 2)
- SaaS solutions service (from April 25)
- Consolidated subsidiary GeoTrust changed its name to GlobalSign
- Security service launch worldwide

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Financial Highlights: Major Topics in FY 2007 1Q

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Favorable progress on sales and numerical targets set at the beginning of the year

- Estimates for 1st half revised upward (refer to page 31)
- Operating profit fell, but real profit increased, excluding goodwill and other depreciation expenses (refer to page 8)
 - * Goodwill and other depreciation expenses: +52 million yen /
Profit increase after deducting depreciation expenses: +39 million yen
(year-on-year change in operating profit)
- Decrease in ordinary profit, mainly owing to a non-operating loss on foreign exchange (refer to page 8)

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Summary and Conclusion : Profit and Loss Statement (Consolidated)

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Sales increased 28%, ordinary profit decreased slightly (year on year)

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

	2006 Full Year	2006 1Q	2007 1Q	Increase from the Same Period in the Previous Year (%)
Sales	5,744	1,308	1,675	28.0
Sales Cost	2,117	470	626	33.2
Gross Profit on Sales	3,627	837	1,048	25.1
Selling, General and Administrative Expenses	2,273	491	715	45.5
Operating profit	1,353	345	332	- 3.9
Net profit	847	202	166	- 17.8
Net profit per share	¥ 7,252	¥ 1,757	¥ 1,424	-

NOTES:
(Increase from the Previous Year)

Sales :

- Web Hosting Service +194
- Security Service +179
- Other Service - 7

Selling, General and Administrative Expenses :

- Executive Compensations /Salary Wages +92
- Goodwill and other depreciation expenses +52

Non-Operating Expense:

- Foreign Exchange Loss +40

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)

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Maintained satisfactory cash flows and a sound financial position with stock businesses

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

	2006.12	2007.3	Composition (%)
Current Assets	3,447	3,127	56.1
Fixed Assets	2,344	2,447	43.9
Total Assets	5,792	5,574	100.0
Current Liabilities	2,234	2,082	37.3
Long-term Liabilities	120	88	1.6
Shareholder's Equity/Net Assets	3,438	3,404	61.1
Total Liabilities and Shareholder's Equity	5,792	5,574	100.0

NOTES:

(Increase from the Previous Year)

Current Assets:

- Cash Equivalents - 556
- Accounts Receivable +151

Fixed Assets:

- Tools, Furniture and Fixtures +26
- Good Will etc.. +23
- Software +80

Current Liabilities:

- Short-term loans +200
- Accrued Expenses +173
- Income Taxes Payable - 213

Long-term Liabilities:

- Long-term loans - 6

	2006 Full Year	2006 1Q	2007 1Q
Cash Flows from Operating Activities	1,325	140	125
Cash Flow from Investing Activities	- 2,023	- 42	- 115
Cash Flow from Financing Activities	168	- 217	- 417
Increase(Decrease) in Cash and Cash Equivalents	- 557	- 119	- 368

NOTES:

(Increase from the Previous Year)

CF from Operating Activities:

- Income Before Income Taxes +338
- Corporate Taxes Payable - 405

CF from Investing Activities:

- purchase of subsidiaries stocks - 94

CF from Financing Activities:

- Increase in short-term Loans - 200
- Dividend Payable - 226

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Summary and Conclusion : FY2007 1Q (Segment Information)

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Investment in new service development

【Sales by Business Segment】

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

	2006 Full Year	2006 1Q	2007 1Q	Increase from the Same Period in the Previous Year (%)
Web hosting service	5,136	1,191	1,385	16.4
Security service	583	109	288	163.4
Other service	24	7	- 0	-
Consolidated total	5,744	1,308	1,675	28.0

【Operating profit by business segment】

	2006 Full Year	2006 1Q	2007 1Q	Increase from the Same Period in the Previous Year (%)
Web hosting service	1,221	329	303	- 7.7
Security service	132	33	30	- 6.6
Other service	4	- 1	- 2	-
Amortization of the consolidated adjustment account	- 5	- 17	0	-
Consolidated total	1,353	345	332	- 3.8

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Financial Highlights: Segment Information for FY 2007 1Q (by Location)

Sharp sales increase in overseas markets, favorable progress in global organization development

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【Sales by location】

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

	2007 1Q	
	Sales	Composition(%)
Japan	1,482	88.5
US	53	3.2
Euro (UK and Belgium)	139	8.3
Consolidated total	1,675	100.0

【Operating profit by location】

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

	2007 1Q	
	Operating profit	Composition(%)
Japan	355	107.0
US	- 2	- 0.7
Euro (UK and Belgium)	- 20	- 6.3
Consolidated total	332	100.0

* Include 23 million yen in depreciation expenses

* Include 45 million yen in depreciation expenses

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→ Ratio of overseas sales to total: aiming to achieve 30% in a few years

Financial Highlights: Summary of Investment in FY2007 1Q

Aggressive investment necessary for a rapid progress in the fiscal years to come

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1. Investment in sustaining growth

Investment to secure an edge in the “messaging service market” and the “SaaS market,” both of which are expected to grow rapidly

2. Investment in security service

Investment relating to the development of the new GlobalSign brand, full-scale business development in the global market and new service launches

3. Investment to bolster internal earnings strength

Investment in renewing in-house systems / depreciation to start in the 2nd half of this fiscal year

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Summary and Conclusion : Web Hosting Service, Number of Accounts

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2. Financial Highlights

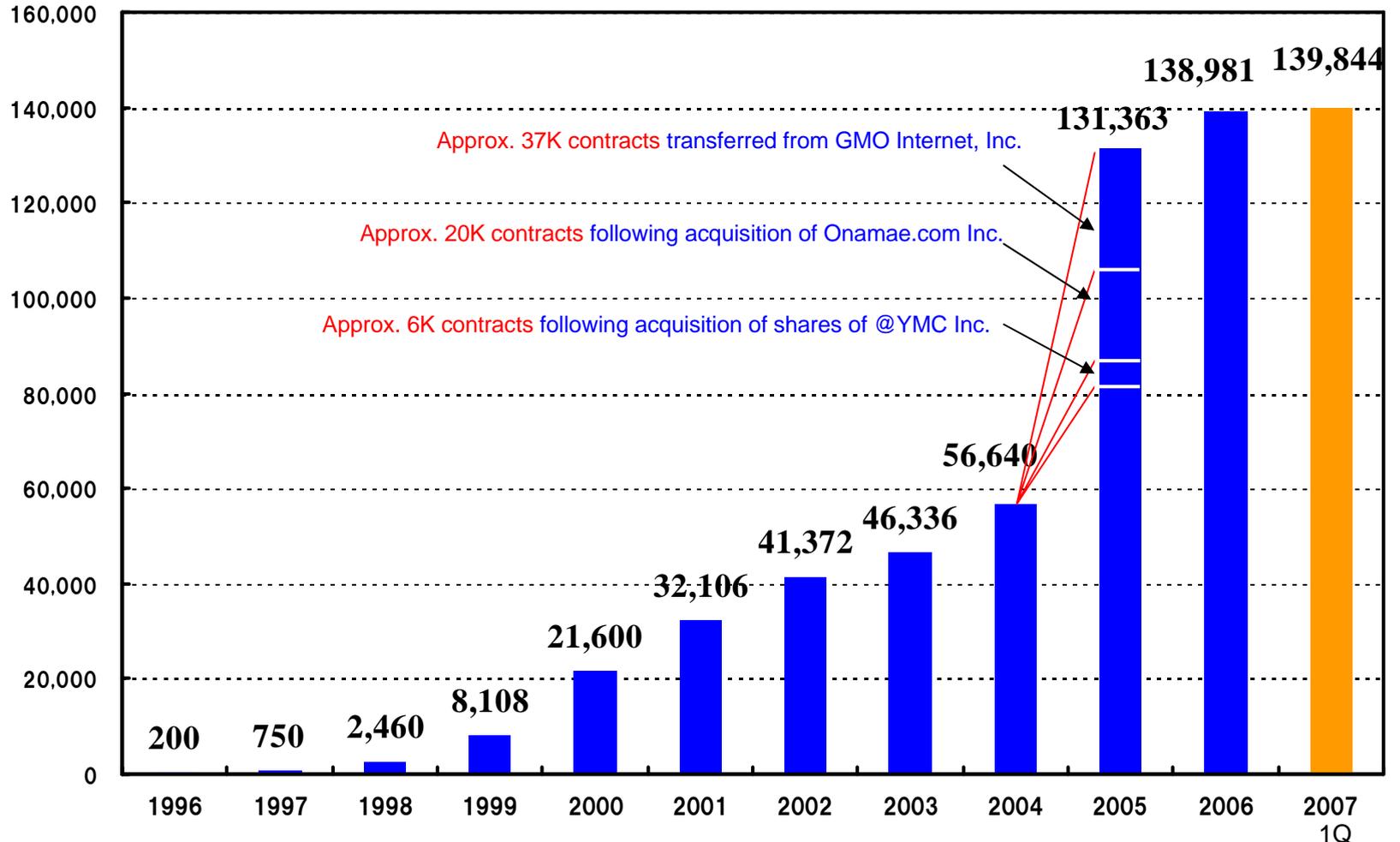
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An established stock business that is part of the social infrastructure

● Steady Growth in Accounts (*)

(Accounts)



* The number of OEM cases fell temporarily on service changes for OEM customers. The number of other cases rose roughly at the rate of the previous quarter.

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

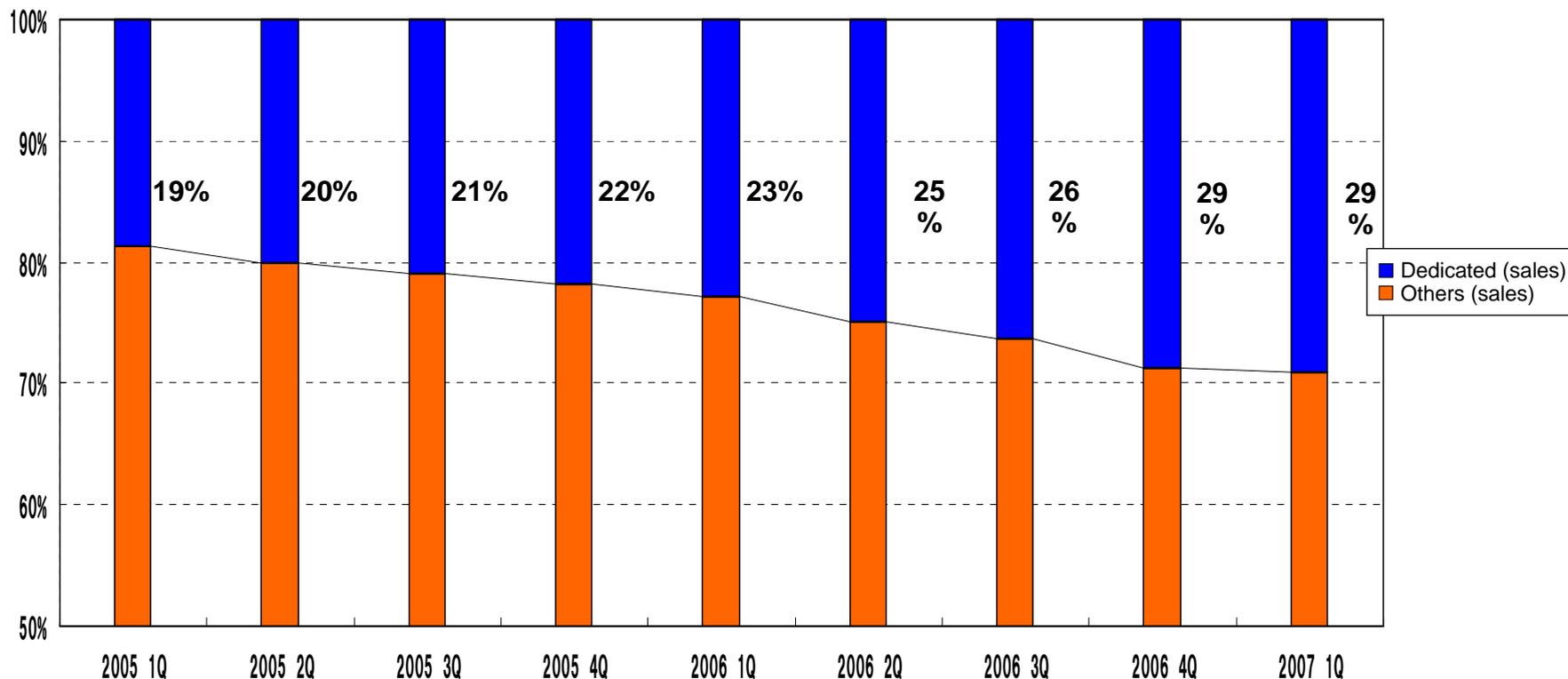
High-end products sell well

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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

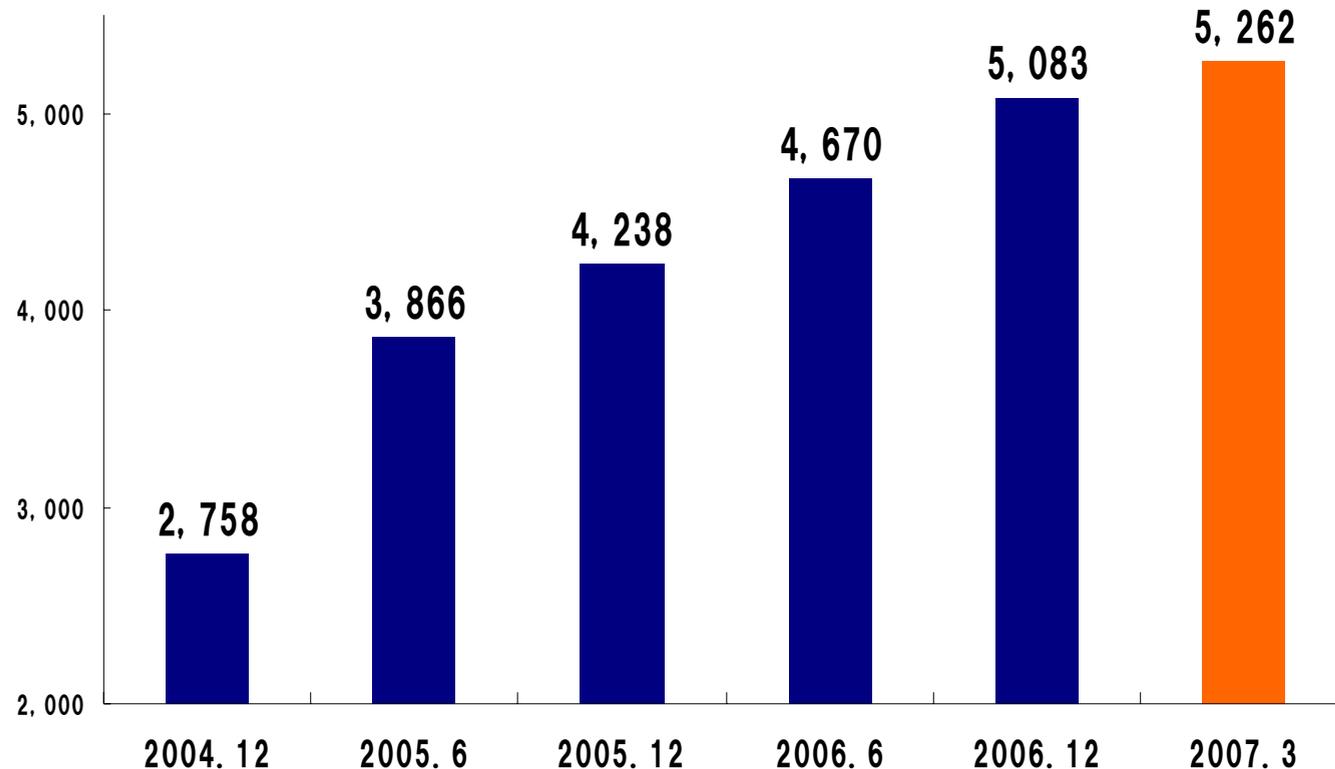
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● Number of partnership contracts



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Summary and Conclusion : Security Service, SSL Server Certificates

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

1. Summary and Conclusion

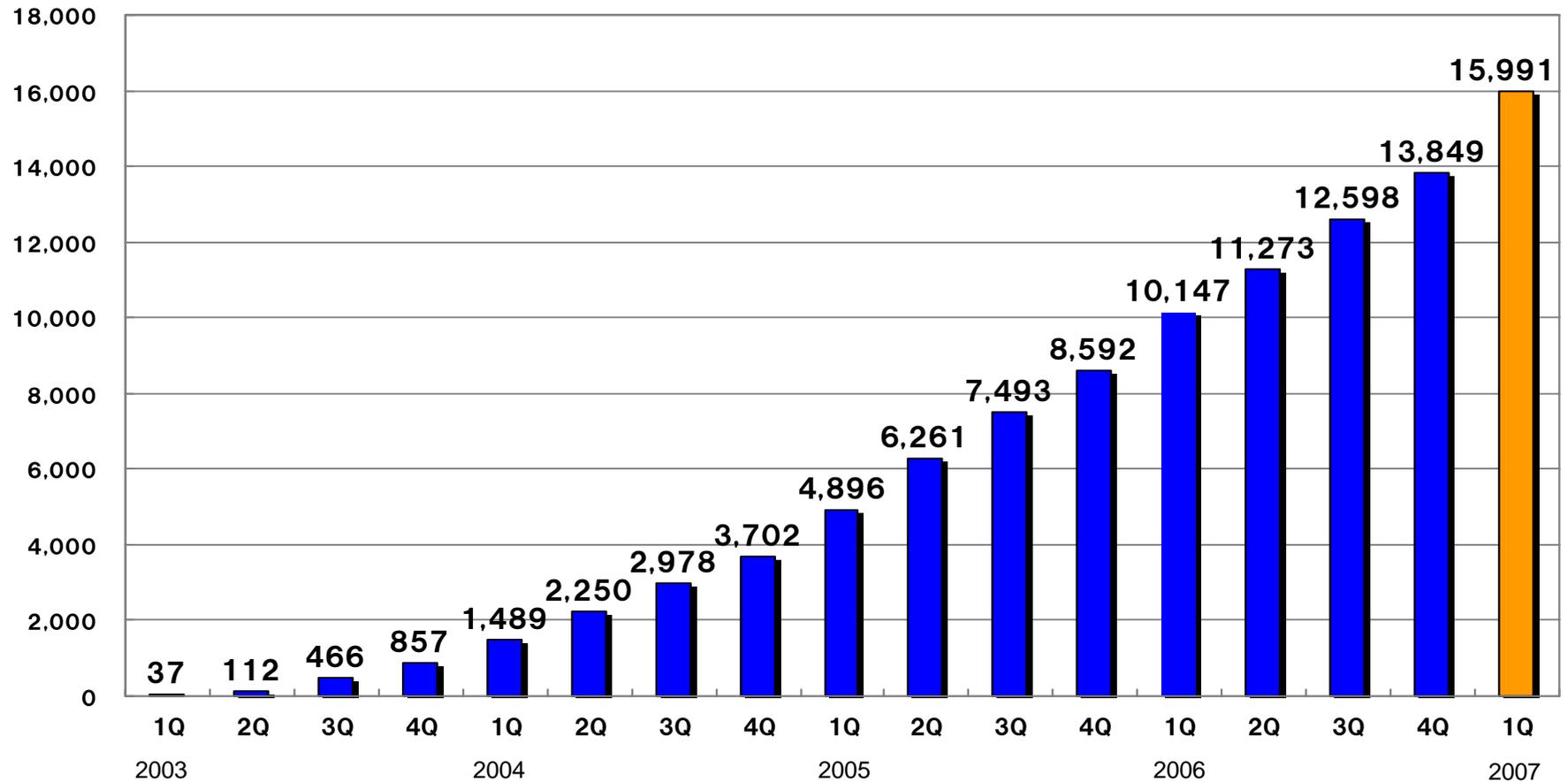
2. Financial Highlights

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Accumulated number of SSL Server Certificates issued

(Certificates)



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Summary and Conclusion : Security Service, Comparison with Competitors

1. Summary and Conclusion

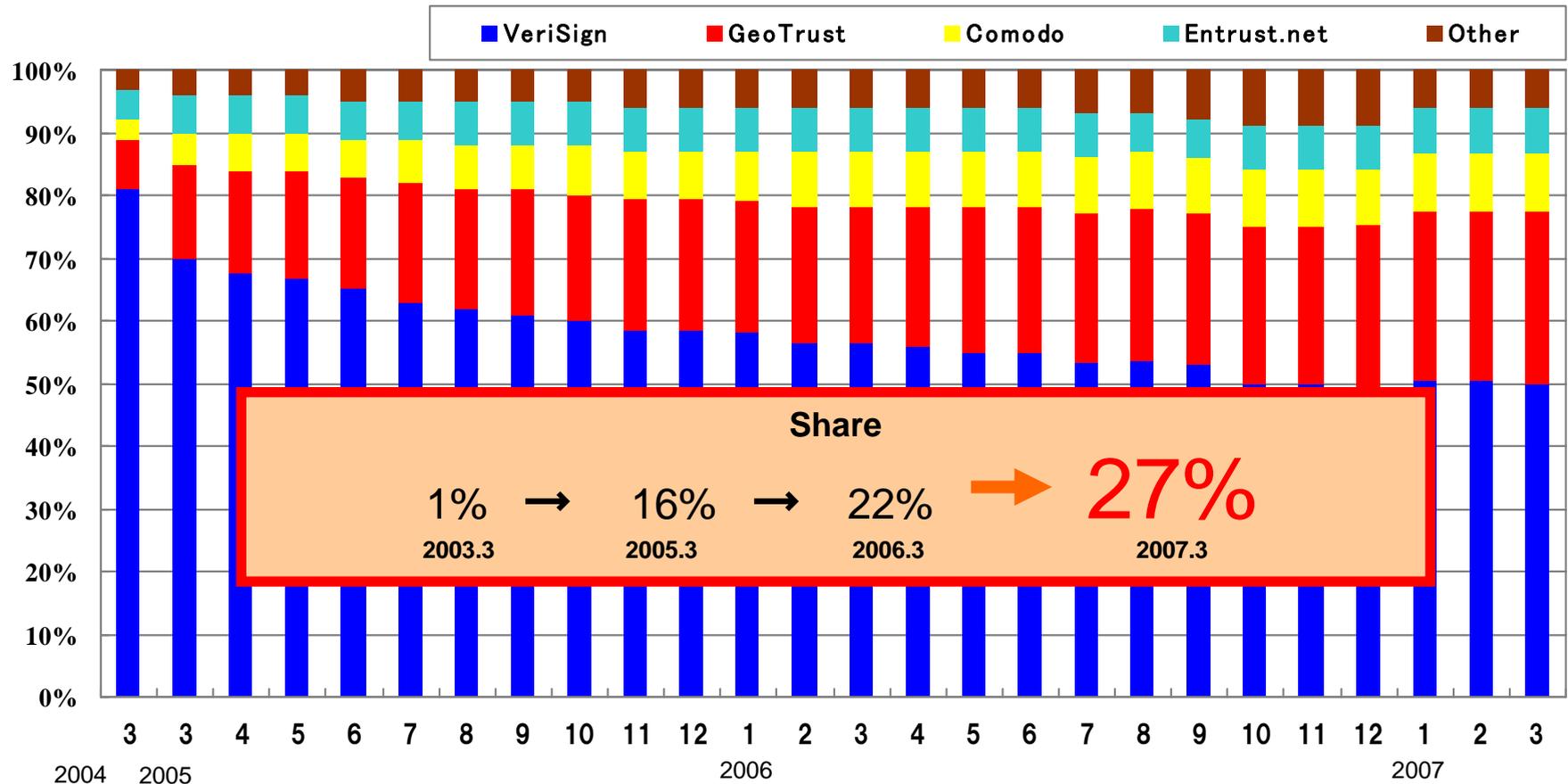
2. Financial Highlights

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We hold 27% share of the market in Japan

Share: 22% (2006.3) → 27% (2007.3)



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Financial Highlights: Vision: Global Operations

1. Summary and Conclusion

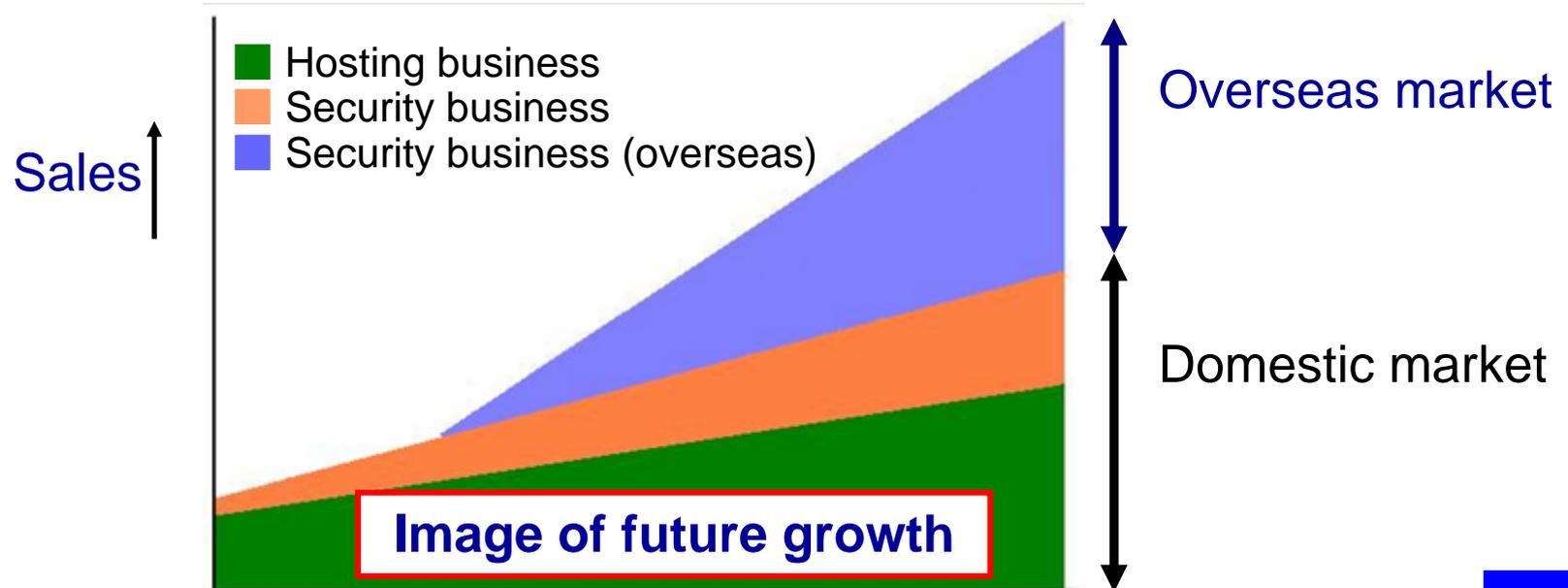
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Aiming to be a server provider that provides comprehensive, borderless services

- From a local company to a global company
 - Establishing service bases worldwide
 - Reducing country risk
 - Boosting economies of scale
 - Establishing GMO brand as a global IT company originating in Japan
- Targets
 - Hosting business: maintaining an average 20% annual growth from 2007 to 2010
 - Security business: Increasing sales 50% annually from 2007 to 2010
 - Overseas business: Increasing the sales ratio to 30% of the total over the next few years



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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

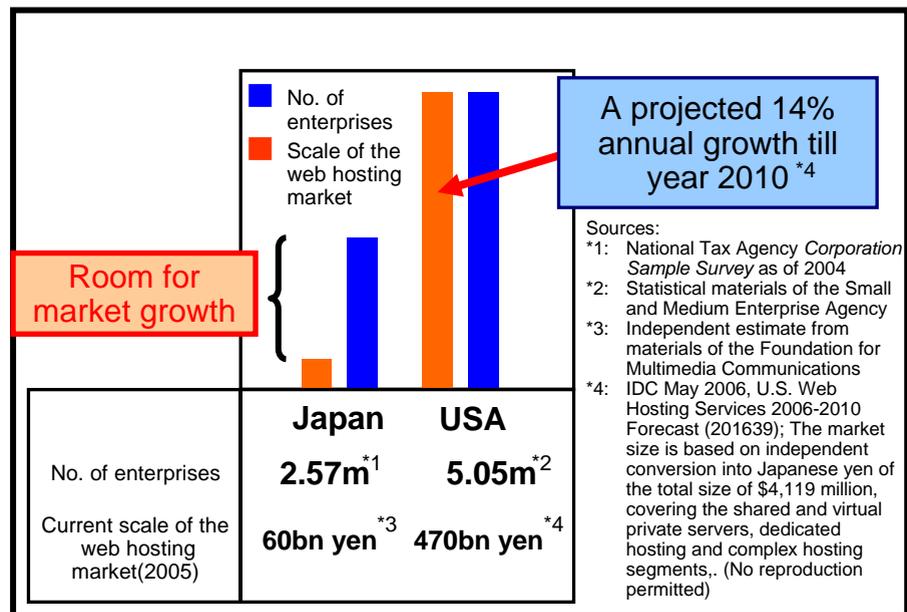
1. Summary and Conclusion

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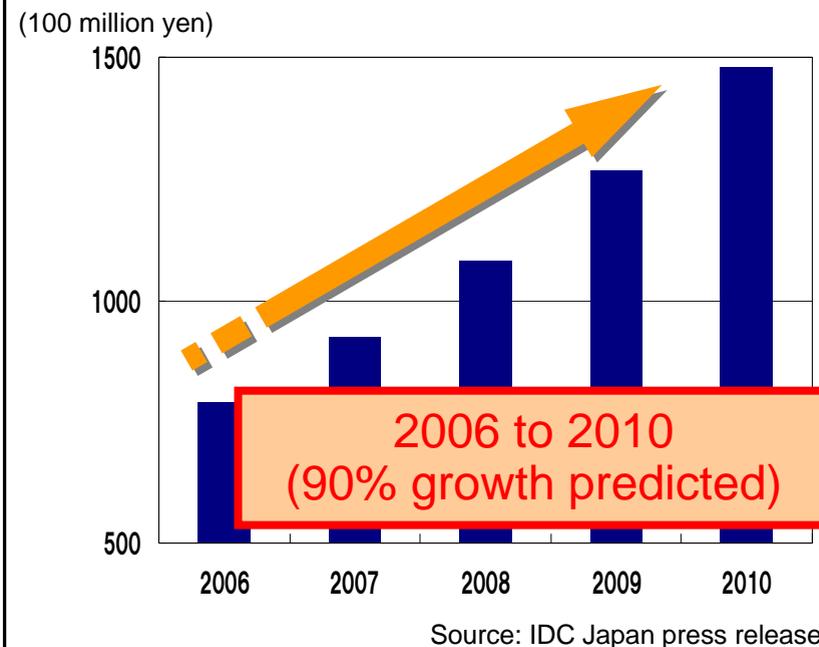
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● Potential scale of the web hosting service market (for business users)



● Market size for the hosting service to 2010



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- The Japanese web hosting market has scope for growth.
- The market for hosting services is expected to grow 90% from 2006 to 2010.

Hosting Service: Market Growth (2)

1. Summary and Conclusion

2. Financial Highlights

3. Business Expansion

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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

GMO-HS’s solutions

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

Accelerated outsourcing in the system division

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

Growing demand for the Company’s services

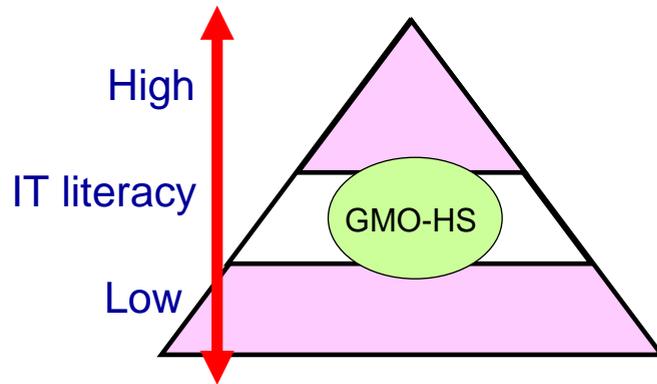
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Hosting Service: Business Development

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

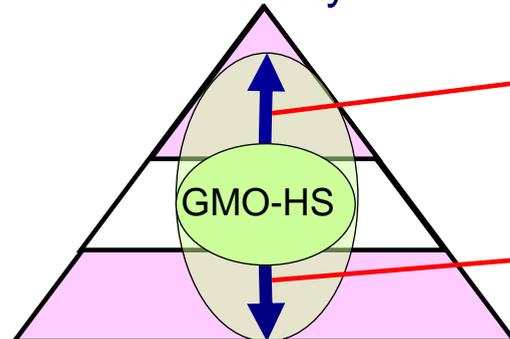
Major GMO-HS customers: small and medium enterprises and large corporations whose IT literacy is at medium levels



Challenges:

- Markets for SaaS and other services offering high added value are expected to grow rapidly and customer response in these markets will become an urgent issue.
- Insufficient response to the many customers looking to create a website at low cost

Expanding shares vertically by acquiring customers with high and low IT literacy



Launch of a messaging service and a new SaaS support service

+

Expansion of targets to potential customers with the establishment of Global Web

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

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From platform provision to applications provision (high added value)

■ Exchange Hosted Service

A service for the rapidly growing Messaging market



Service launch on April 2

- The use of Outlook will lead to **high usability**
- **High cost performance and a perfect support system** will enable companies with low IT literacy to introduce the service

■ Hosting of applications that can be customized

A new service providing SaaS that is expected to grow rapidly



Service launch on April 25

- 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.**

■ Supporting website creation

Website creation service



Service launch on March 29

- We established Global Web Inc.
- We 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 advertise low-price and high-quality designs to existing **customers in the early stages of website development.**

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3-2 Security Service

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Security Service Business: Market Growth (Domestic)

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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)

+

	Japanese firms	Global firms
Cyber crimes are more serious threats than physical crimes.	69% agreed	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)

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2. Financial Highlights

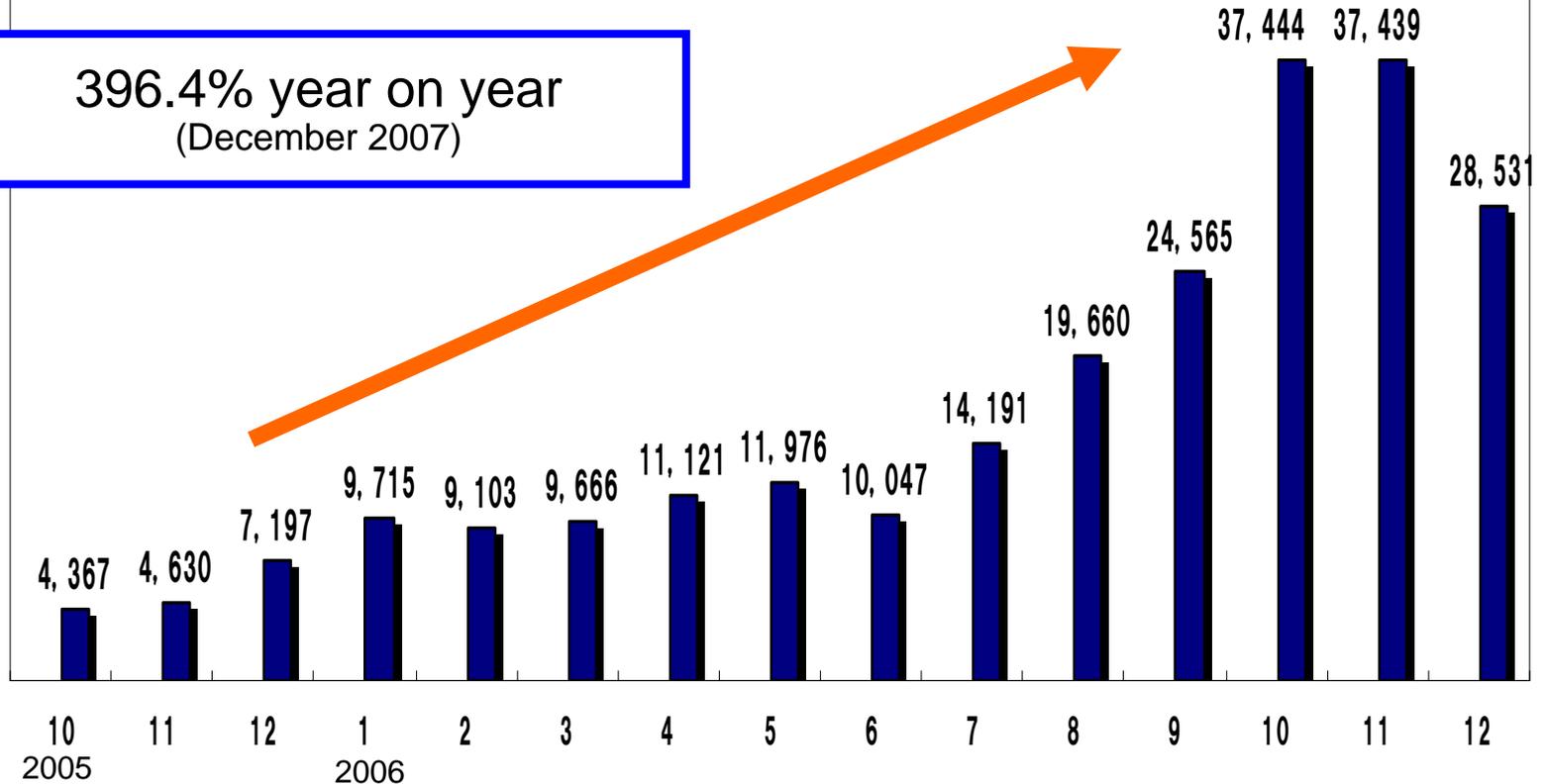
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Great opportunity to expand the market overseas

Phishing websites souring worldwide

396.4% year on year
(December 2007)



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

Security Service Business: Overseas Operations (Operational Organization)

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Summary of GMO-HS Group members offering a security service

GlobalSign K.K. (Japan) * Previously known as GeoTrust Japan Inc.

- Established in April 2003; changed its name at the end of May 2007 (planned)
- A latecomer in 2003, but has the second largest share of 27% in the Japanese market
- Scheduled to become a global reseller for U.S. VeriSign (in July 2007), able to handle VeriSign merchandise worldwide in addition to certificates issued by Global Sign
- Equity stake: GMO-HS 88.2%

GlobalSign Ltd. (UK) * Previously known as CSL

- Turned into a subsidiary in August 2006, operating under the brand name of GeoTrust Europe
- Sales company covering Europe, the Middle East and Africa
- Equity stake: GlobalSign K.K. 100%

GlobalSign NV (Belgium)

- Turned into a subsidiary in October 2006
- Established as a Belgian national certification bureau, with more than ten years of operating experience
- Major customers are public organizations, educational institutes, major telecommunications companies, major food companies, etc.
- Equity stake: GlobalSign Ltd. 100%

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Security Service Business: Overseas Operations (Markets)

1. Summary and Conclusion

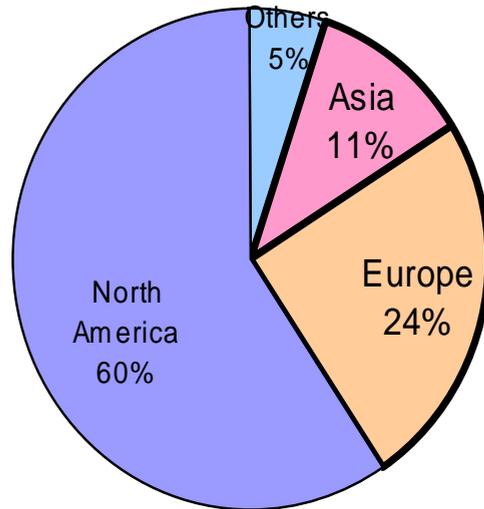
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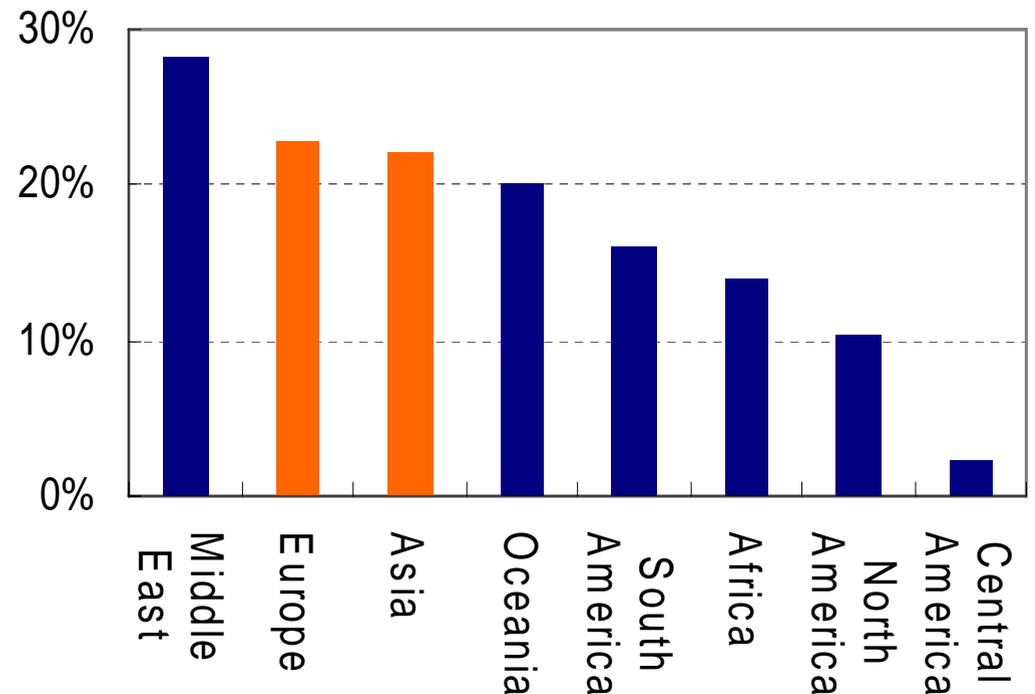
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Operating markets for GMO-HS

<Ratios of server certificates issued by region>



<Ratios of growth for server certificates issued by region>



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- Adopted the same name in Japan and Europe
- Operating in large, high-growth markets
 - developing an organization capable of achieving high growth



Security Service Business: Activities This Fiscal Year (2)

Aiming to establish market share worldwide with new services

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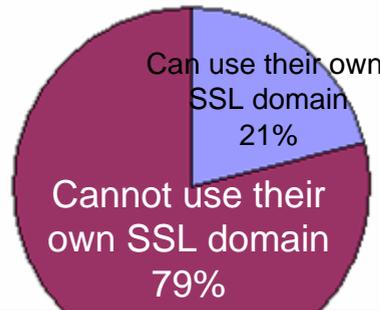
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Extended Validation Certificate



- Sales of DV(*1), OV(*2) and EV lines of certificates according to user applications
- Global Sign to become the only marketing brand for the three product lines

non-IP Services



* Research by the Company

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

- Existing SSL communication requires IP addresses for communications.
- For this reason, the existing market accounts for 21% of hosting service operators only.
- These services can reach the remaining 79%.
- Patent is pending. Monopolistic, exclusive service provision may be possible.

CodeSigning

- Certificates for authenticating program distributors
- At present, only three companies in the world offer code signing for 64-bit Windows Vista.

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*1... Domain Validation
*2... Organization Validation

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Financial Forecast: Consolidated Settlement Forecast for FY 2007

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Upward revision of figures forecast for the interim period

【Forecast for the interim period】

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

	Term ended June 2005	Term ended June 2006	Term ending June 2007 (forecast at the beginning of the term / latest forecast)		YoY(%)
Sales	2,147	2,688	3,281 ▶	3,400	26.5
Operating profit	537	688	444 ▶	550	- 20.1
Net profit	339	412	209 ▶	250	- 39.3

- Progress in the hosting service business is according to plan
- Sales achievements to exceed targets in the overseas security business
- The sales increase will roughly equal the profit increase, as almost all initial costs are fixed.

 Upward revision of both sales and profit forecast

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Financial Forecast: Consolidated Settlement Forecast for FY 2007

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No change in the full-year forecast

【 Full-year forecast 】

(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
● Ordinary profit	969	1,438	1,451	0.9
● Net profit	592	847	721	- 14.9

- Corporate name change in the security business
- European business still in the start-up phase
- Recorded depreciation expenses to rise from 2Q

 Conservative full-year forecast to be maintained.

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Financial Forecast: Settlement Forecast for FY 2007 by Business Segment

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Favorable performance in 1Q to sustain steady progress in each business segment

【 Sales by business segment 】

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

	2006 Full Year	2007 1Q	2007 Full Year (forecast)	YoY(%)
Web hosting service	5,136	1,385	5,779	12.5
Security service	583	288	1,104	89.4
Other service	24	- 0	1,369	-
Consolidated total	5,744	1,675	8,252	43.7

【 Operating profit by business segment 】

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

	2006 Full Year	2007 1Q	2007 Full Year (forecast)	YoY(%)
Web hosting service	1,221	303	1,194	- 2.3
Security service	132	30	- 85	-
Other service	4	- 2	334	-
Amortization of the consolidated adjustment account	- 5	0	- 0	-
Consolidated total	1,353	332	1,442	6.6

* Interim forecasts for sales and operating profit by business segment have not been published.

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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

Others

- Appropriation of in-house system development expenses to bolster management efficiency

High margins in the medium term

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

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

Others

- Improvement in management efficiency through the renewal of in-house systems

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Earnings Forecast: Changes in the Profit Ratio

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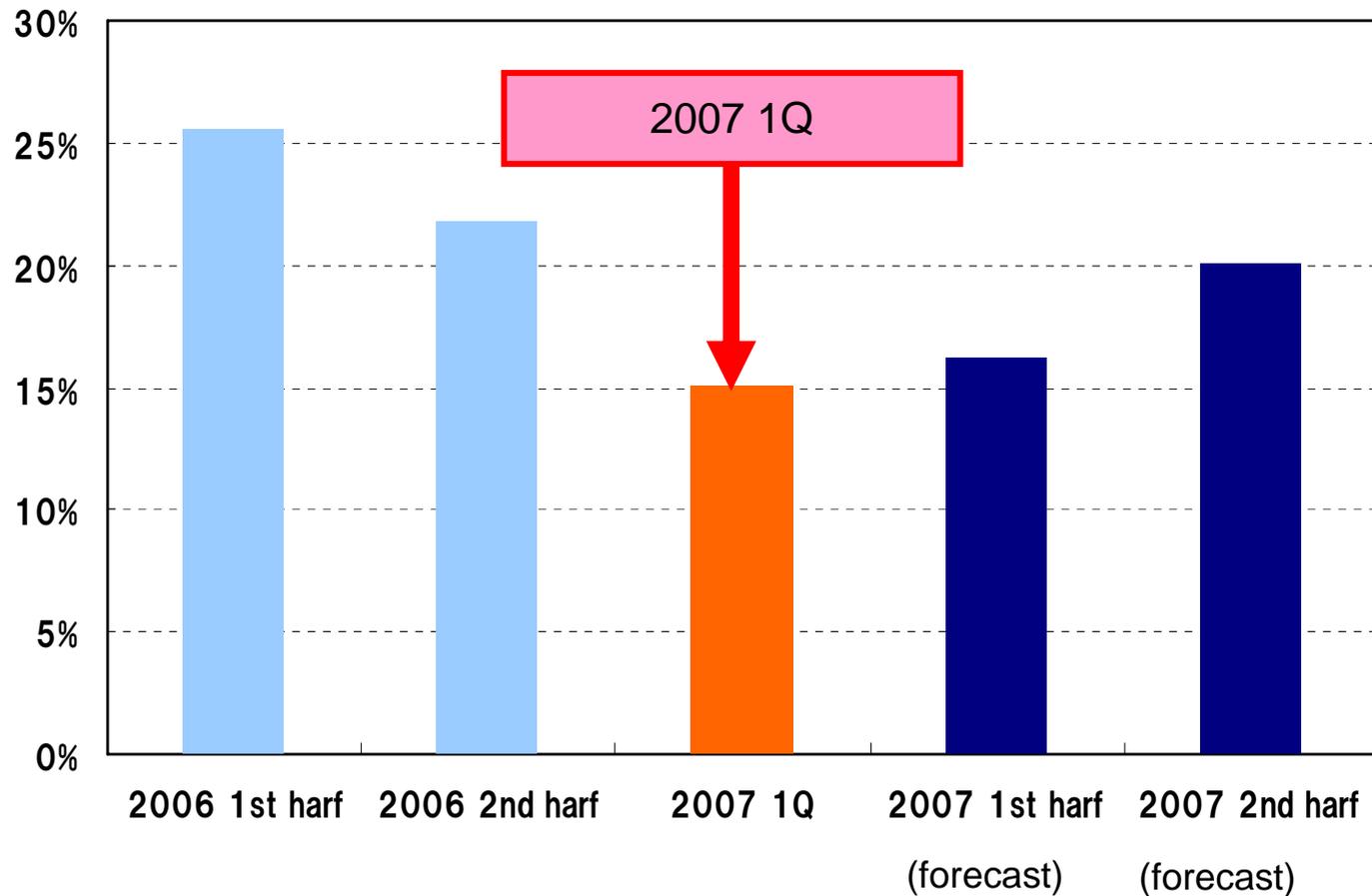
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Image of the profit ratio in the current fiscal year

【Changes in operating margins】



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