

The Leading Host in Japan

NO.2 & Most Growing CA in Japan

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 September 13th 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. Executive Summary
2. Hosting Business
3. Securities Business
4. Summary of Today's Presentation
5. Supplementary Documents
(Financial Highlights)



1. Executive Summary**2. Hosting Business**

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

**4. Summary of Today's
Presentation****5. Supplementary
Documents**

TSE Code : 3788

1. Executive Summary

1.1 Corporate Summary

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code : 3788

● Hosting Business

The Leading Hoster in Japan

● Securities Business

No.2 & Most Growing CA in Japan

Name of the company:	GMO HOSTING & SECURITY, INC.
Established:	May, 1997
Address:	10F Cerulean Tower, 26-1, Sakuragaoka-cho, Shibuya-ku, Tokyo, Japan
Name of CEO:	President & CEO Aoyama Mitsuru
Number of Employs:	Full-time 208, Part-time 42 (June 2007, Consolidated)
Consolidated subsidiaries:	nine, including GlobalSign
Major shareholders:	GMO Internet, Inc., Verio Inc. (US), Microsoft Co., Ltd., and others
Fiscal year:	January to December



Cerulean Tower
(Head Office located on the 10th Floor)

1-2. The Leading Hoster in Japan

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code: 3788

Key Points 【Hosting Business】

1. Expansion of the market continues
2. Number of customers and average purchase price per customer are still growing
3. Further boost in the average purchase price per customer by changing the business model from simple hosting service to “value added hosting service”

1-3. No.2 & Most Growing CA in Japan

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code : 3788

Key Points

【Securities Business】

1. Market for security business will grow significantly due to consciousness of security needs
2. Strong Sales force; achieved 30% market shares in Japan in 4 years
3. Capability of service development and world-wide Sales

1-4. Sales & Operating Profit

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

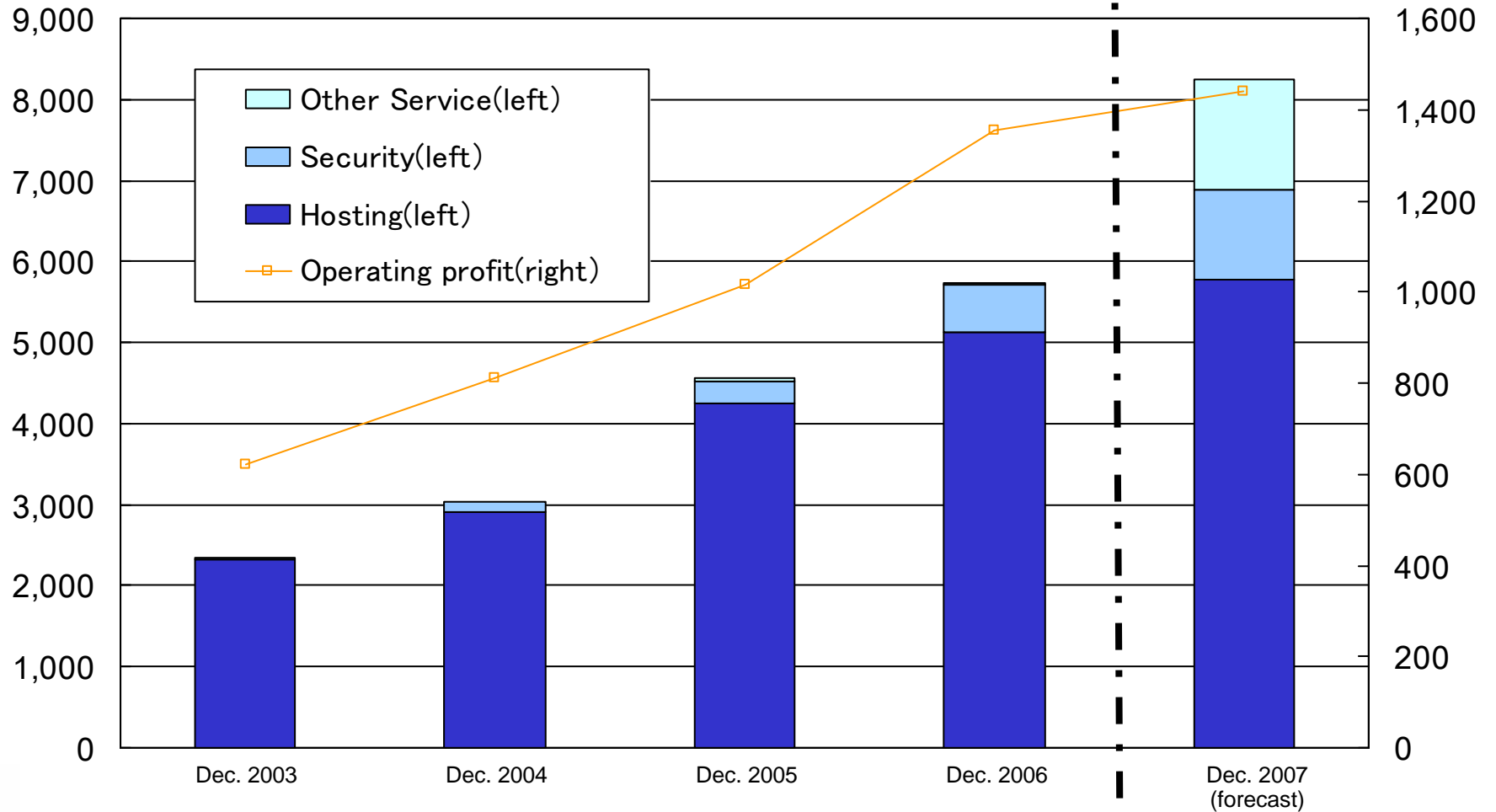
4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code : 3788

(Unit: million yen)

(Unit: million yen)



1. Executive Summary**2. Hosting Business**

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

**4. Summary of Today's
Presentation****5. Supplementary
Documents**

TSE Code : 3788

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

The Leading Hoster in Japan

2-1.(1) Market Size for the Hosting Service to 2010

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

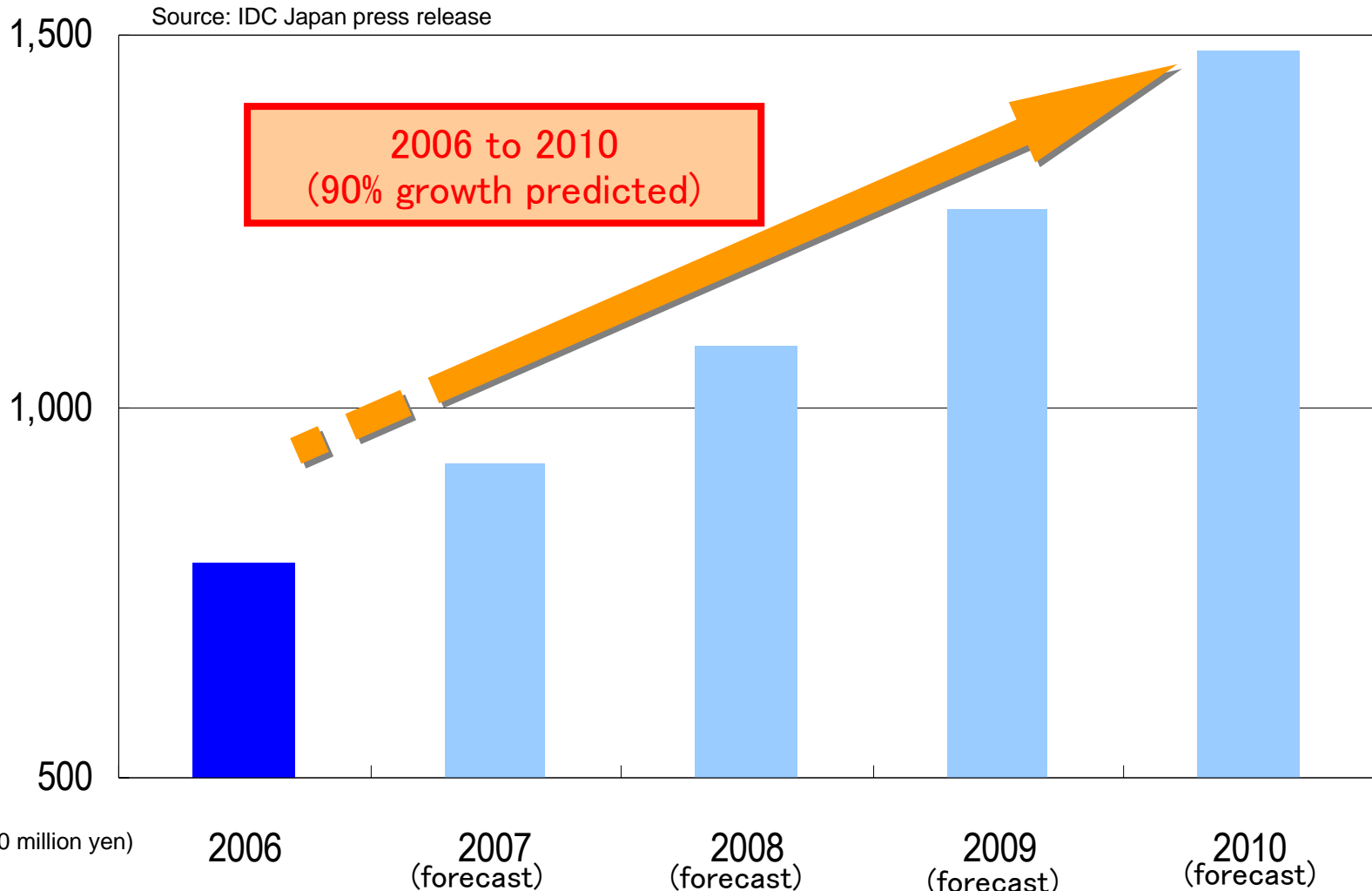
3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code : 3788



2-1.(2) Registration of “JP Domains”

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

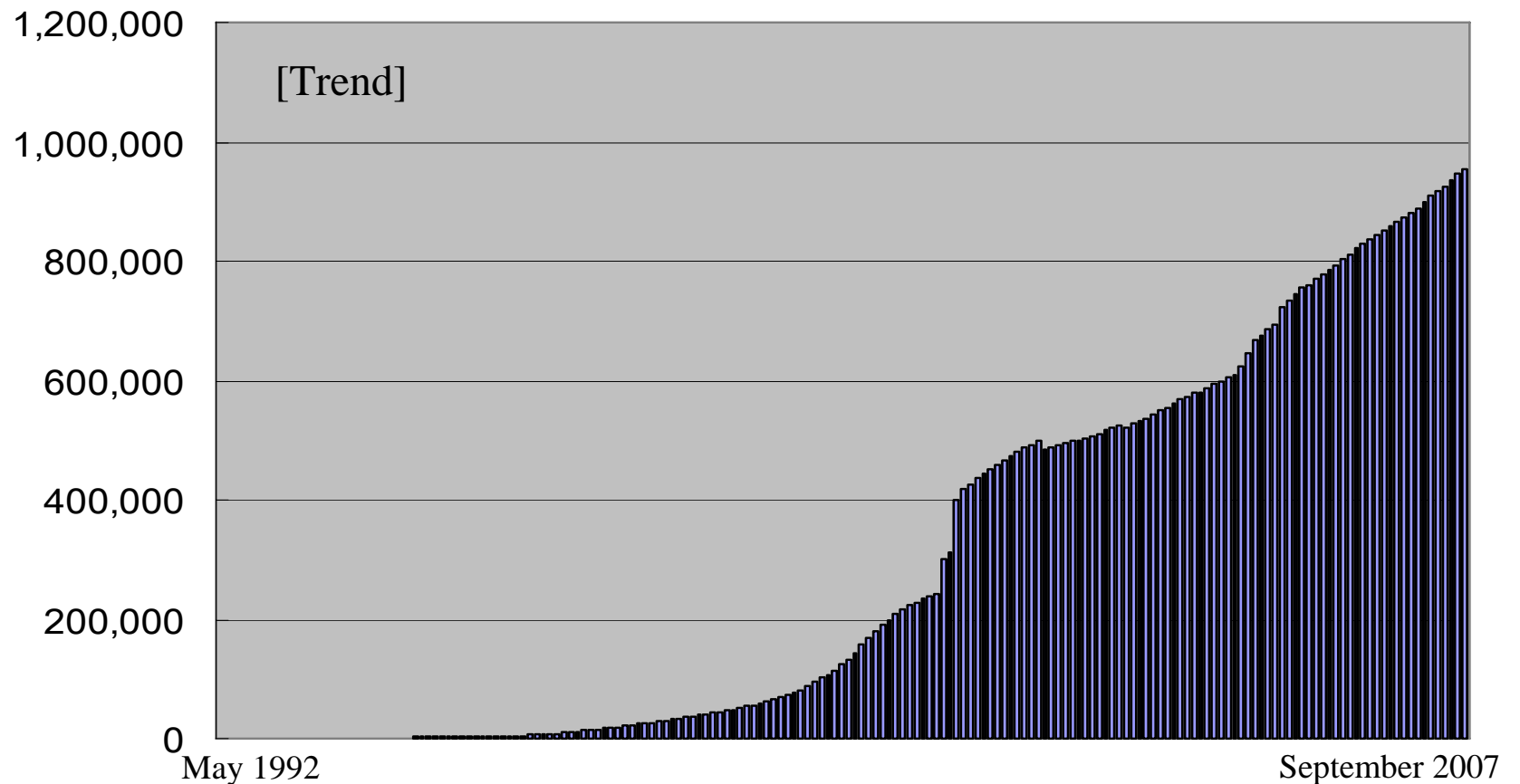
3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code : 3788

“『.jp』 domain” reaching 1 million; however
 “『.de』 domain” (Germany) exceeds 10 million registration



Source : <http://jpinfo.jp/stats/domains.html>

2-1. (3) Movements of the JPN Market

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code: 3788

Market conditions changing dramatically, but GMO-HS services continue to meet the needs

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

2-2. (1) Business Characteristics

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code: 3788

1. Business Characteristics:

A service that will continue to grow and will **never disappear**

Hosting services are used by a large majority of Japanese websites.

→ The service will **in the future reach a near 100% market penetration** as the telephone service did.

2. Service Model: Stock model

→ Monthly subscription fee; membership-type Payment

→ **Very stable cash flows**

2-2. (2) Growth Factors

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's
Presentation

5. Supplementary
Documents

TSE Code: 3788

Growth Factors:

Average Purchase Price \times Number of Customers

Increase in this index = Growth

2-2. (3) Customers' Needs Grow & Average Price Increases

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code : 3788

Customer Needs:

(before) DiskSpace and hosting as “utility”

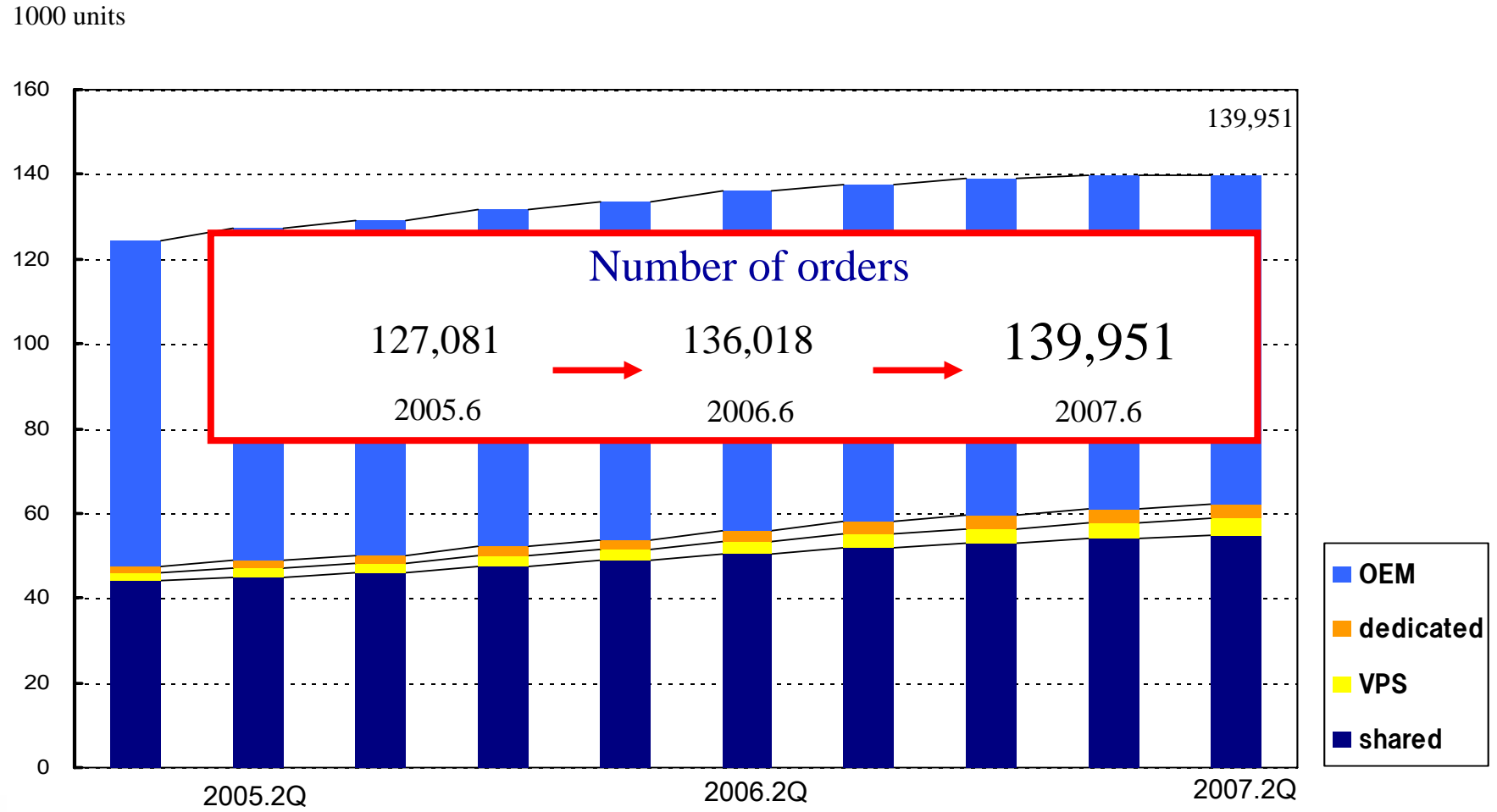
(now) Security, E-commerce and value adding “service”



2-2 .(4) Growth of JPN Market

- 1. Executive Summary
- 2. Hosting Business
 - 2-1. Market Trend
 - 2-2. Overview of Business
 - 2-3. Strategy
 - 2-4. Summary
- 3. Securities Business
 - 3-1. Market Trend
 - 3-2. Overview of Business
 - 3-3. Strategy
 - 3-4. Summary
- 4. Summary of Today's Presentation
- 5. Supplementary Documents

Increase rate slightly slowed down, but we see constant increase in number of orders



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The extraction methods of OEM number are changed from 1Q in 2007.



2-2. (5) Investments for Growth for FY 2008 and on

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code: 3788

1. Investment for continuous growth in business

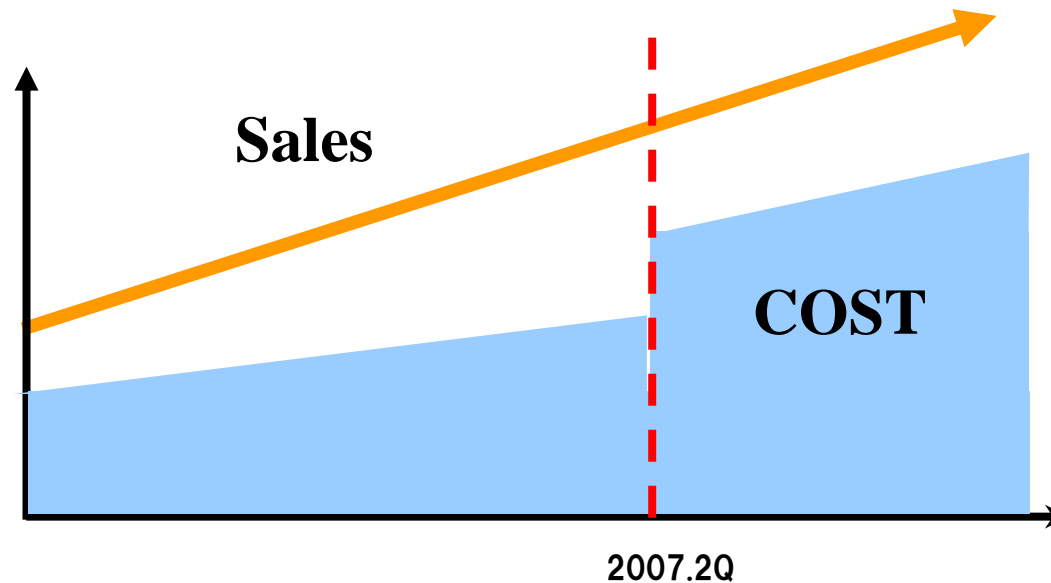
“Windows Collaboration Hosting”

⇒ Amount 220M Yen (annual depreciation 44M Yen)

2. Investment for enhancement on internal rate of return

Investment for renovation of corporate system

⇒ Amount 390M Yen (annual depreciation 78M Yen)



2-2. (6) GMO-HS as No.1 Hoster

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code : 3788

Customers: 140,000

Main Customer are SME , SOHO

Portfolio Of Brands:



Strong Sales Forces:

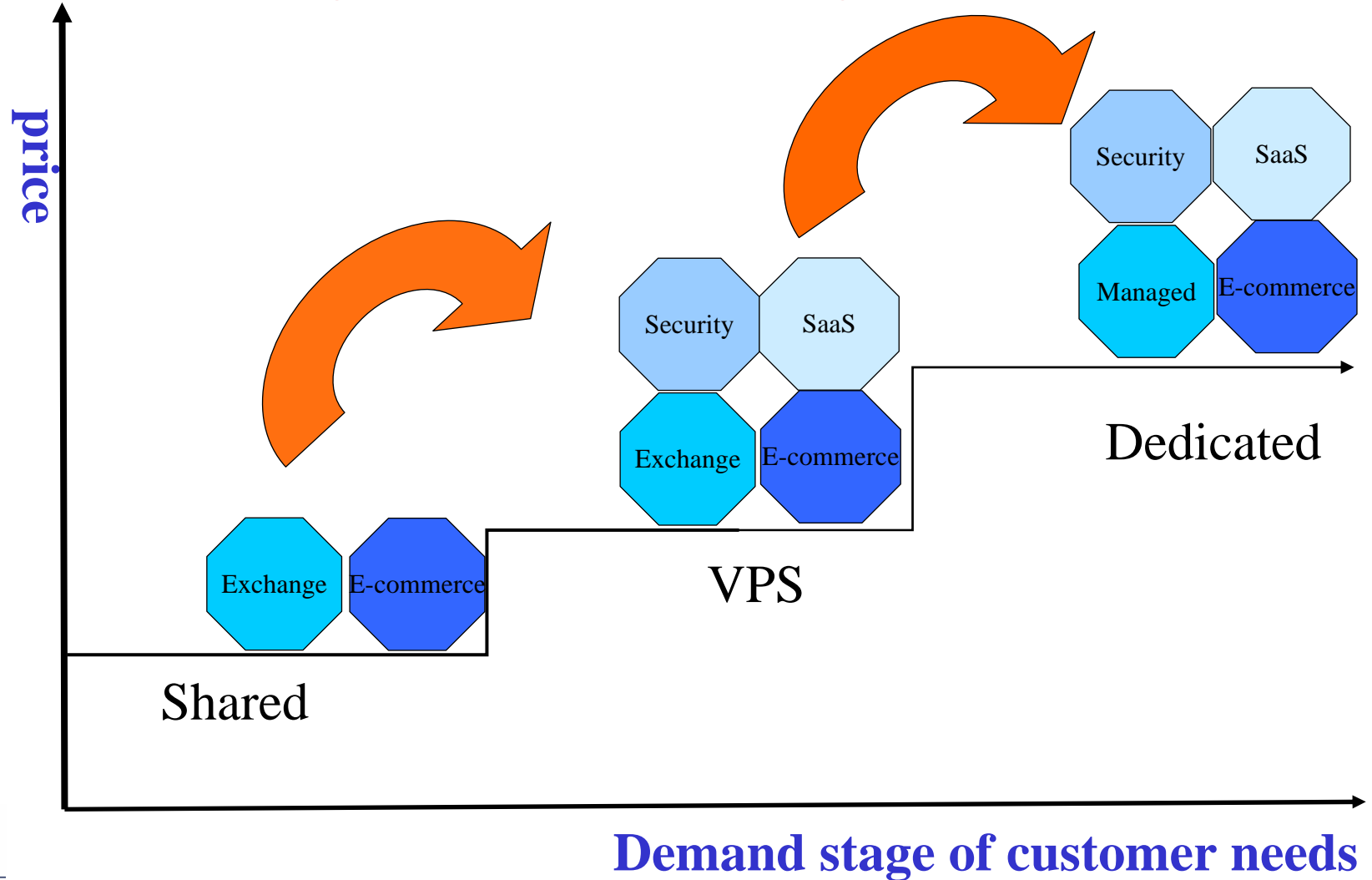
5,000 Distributors/ Partners

Technical Capabilities:

Distinctive clustering function
99.99% uptime guarantee

2-3. (1) Pricing Strategy

Increase Average Purchase Price through value added services



1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code : 3788

2-3. (2) Sales Strategy

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

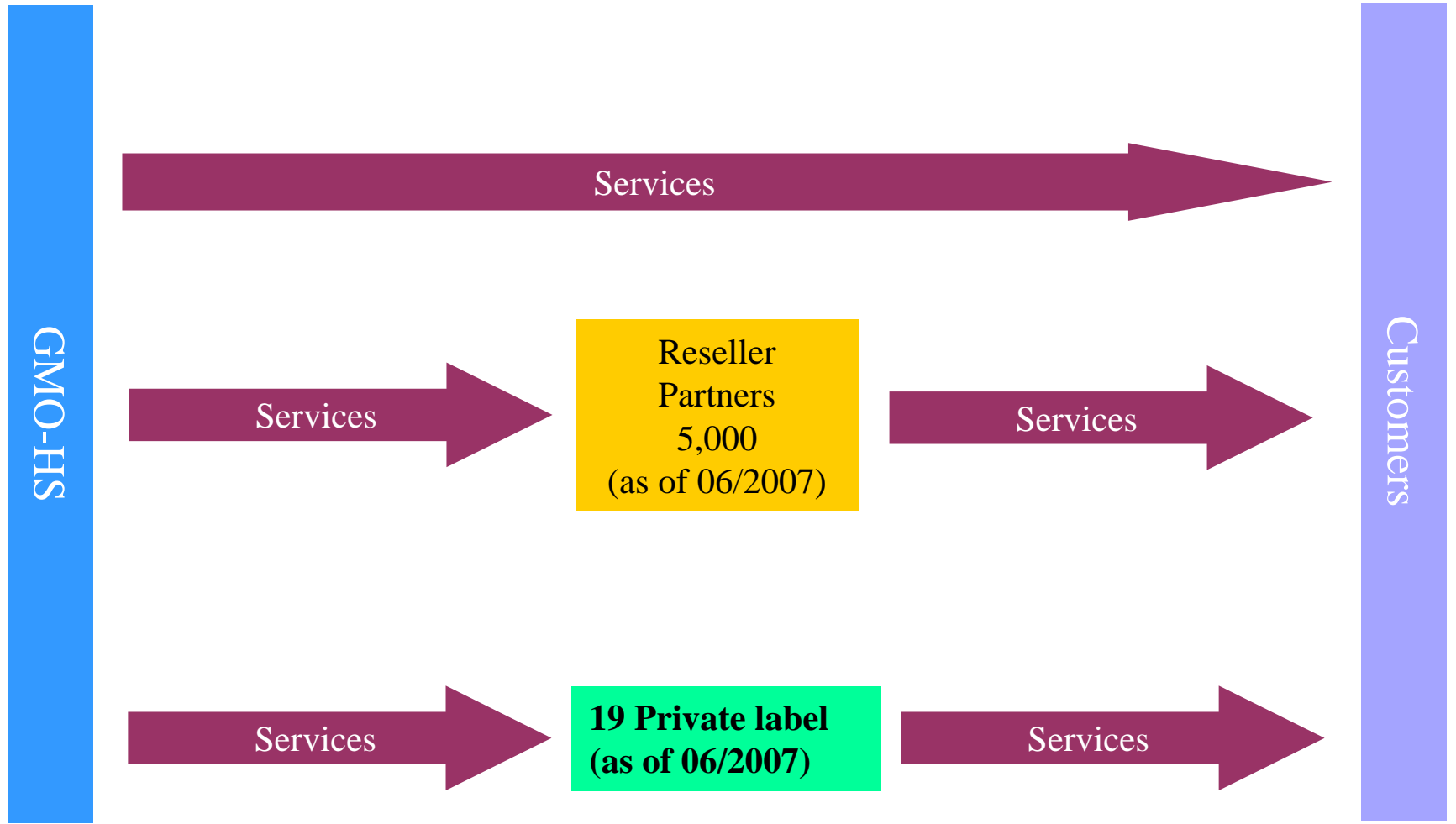
3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code : 3788

Increase number of distributors & quality of distributors



2-4. No. 1 Hosting Service Provider in Japan

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code: 3788

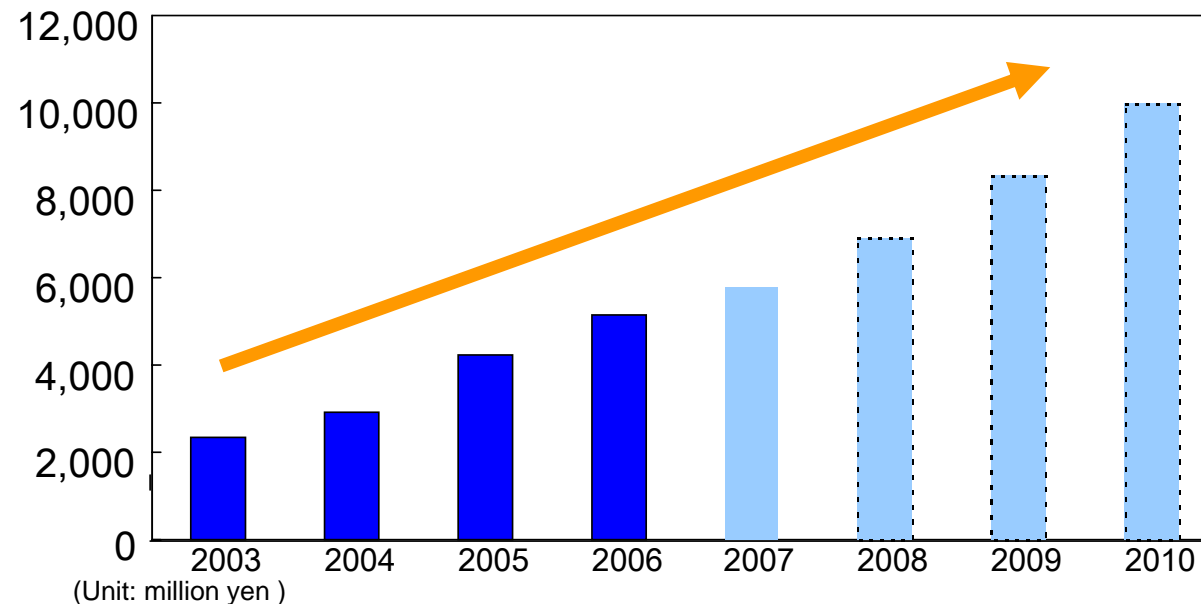
1. Hosting Business: average 20% increase annum from 2007 to 2010

Wide range of services to support diversified customer needs

- Windows collaboration hosting
- Increased number of options for security
- Capacity of accepting large volume hosting orders

2. Increase the effort of economy of scales

Image of future growth



1. Executive Summary**2. Hosting Business**

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

**4. Summary of Today's
Presentation****5. Supplementary
Documents**

TSE Code: 3788

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

From “SSL Reseller” to “Certification Authority (CA)”

...and now establishing “GlobalSign” as global brand

3-1.(1) JPN Market Size

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

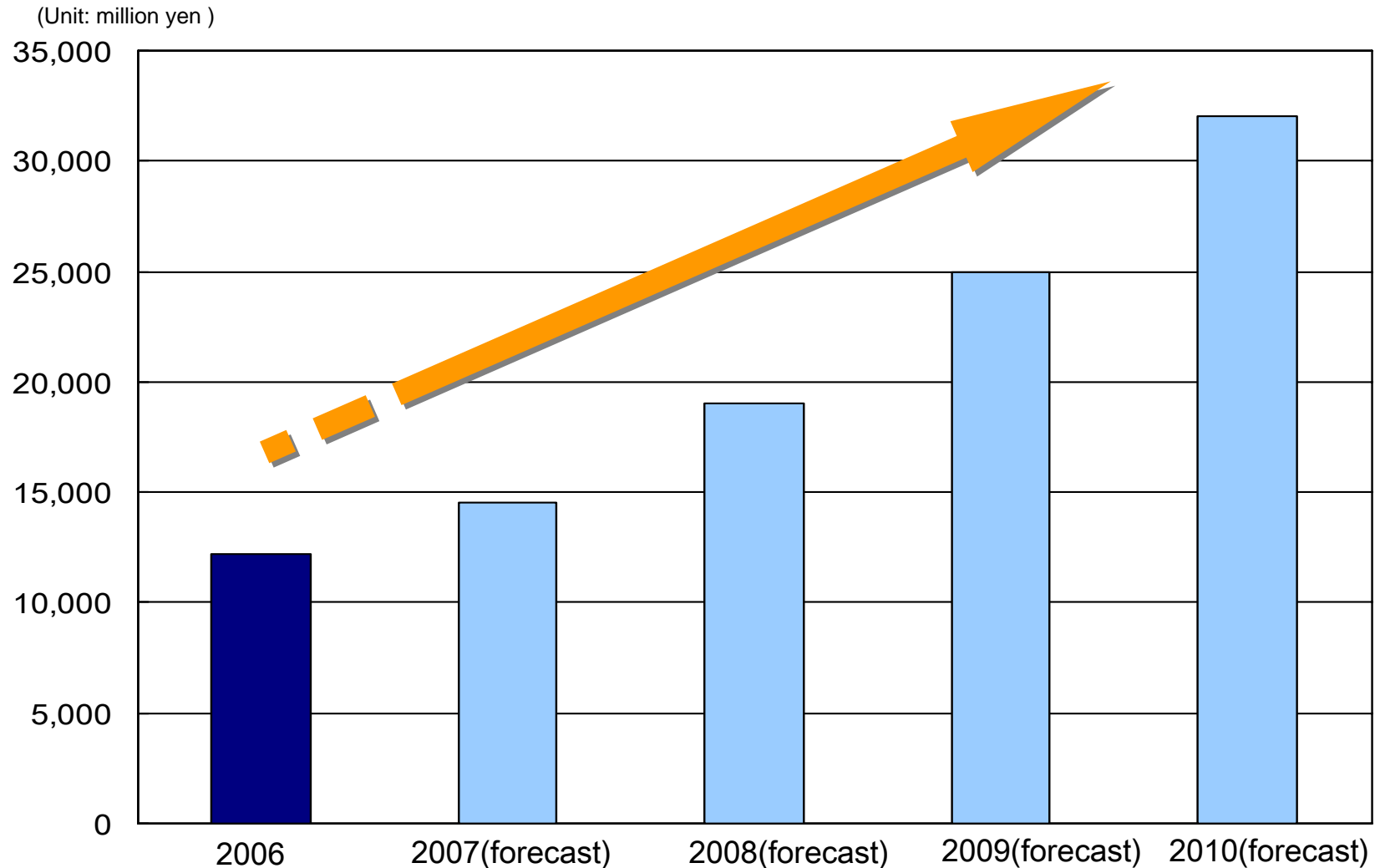
3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code : 3788



(Source: Fuji Chimera Research Institute)

3-1.(2) Growth of JPN Market

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code: 3788

The security market is expected to grow 30% annually on average from 2007 to 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.

3-1.(3) Rise of Electronic Authentication Needs

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

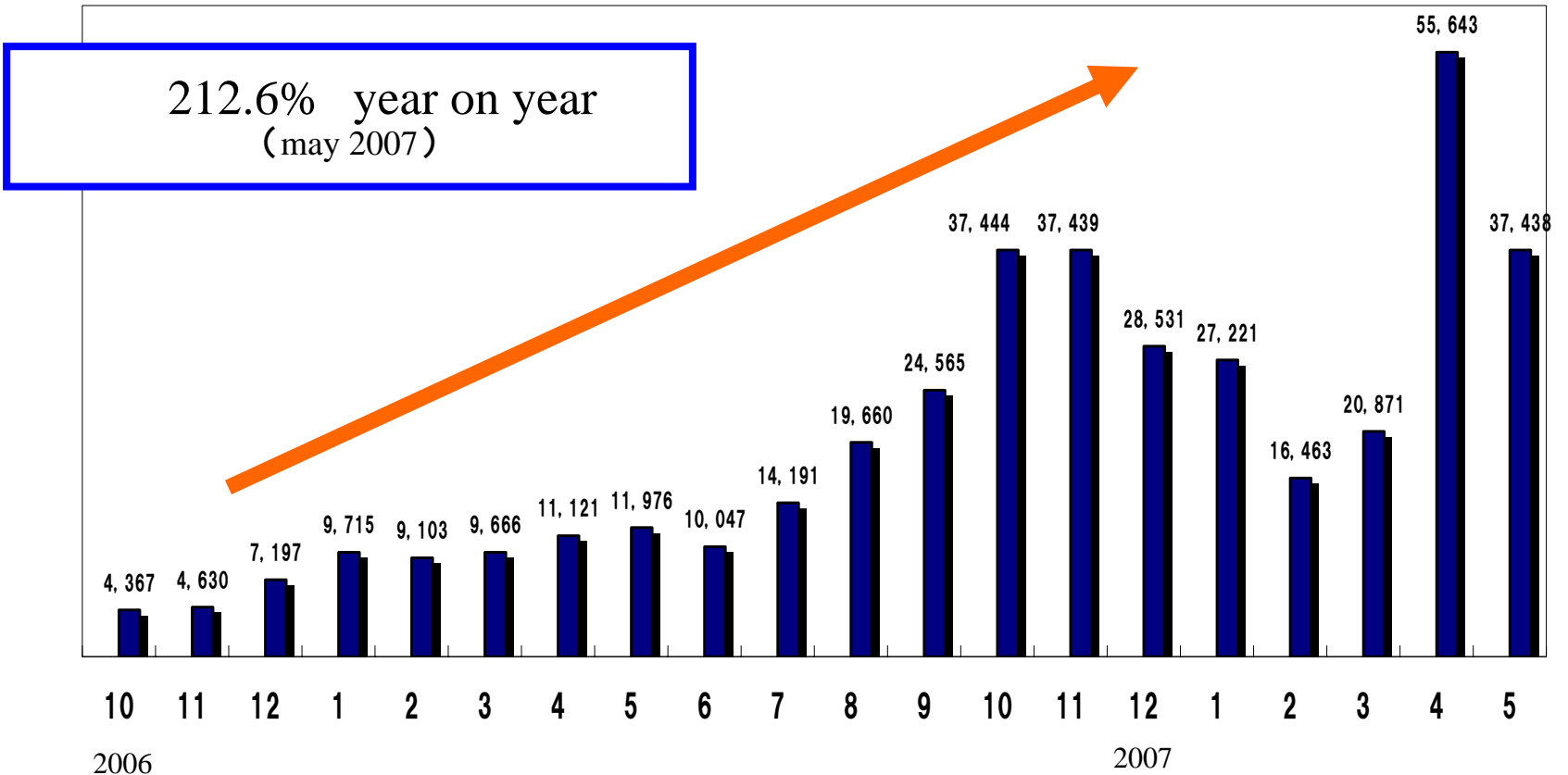
3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code 2078

Phishing websites souring worldwide



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



3-1.(4) Rise of Electronic Authentication Needs

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

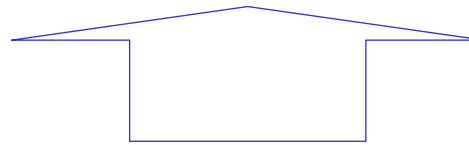
4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code : 3788

Expansion of market for exchange of electronic documents

- Number of documents exchanged for ordering and contract
- Rise of "E-procurement"
- Increased needs of security for exchanging and saving confidential information
- Increased number of "Digital Contracts"; stamp duty exempt



Grounds for promoting electronic documentation: New enactment of laws

-Laws promoting electronic documentations

Law Regarding Electronic Signatures, Law Regarding Electronic Documentation

-Laws promoting digital contracts

Amendment to Corporate Tax Law, Amendment to Stamp Duty Law

-Laws promoting security on documents

Private Information Protection Law, Law Regarding Prohibition of Unauthorized Access

-J-SOX

3-2.(1) Business Characteristic

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code : 3788

1. Main Business: Electronic authentication

- * Electronic authentication: is a service that issues electronic certificates to identify certificate holders on the Internet. Its market is rapidly booming in line with the increase in online contracts, shopping, money transfer and other services.

2. Service Model: Stock model

→ Yearly subscription fee; membership-type payment

→ Very stable cash flows

* GlobalSign is a Certification Authority owning “WebTrust Seal of Assurance” for Certification Authorities. The WebTrust Seal of Assurance for Certification Authorities is an audit practice designed by the American Institute of Certified Public Accountants and the Canadian Institute of Chartered Accountants (AICPA/CICA). The WebTrust Seal is only awarded to organizations that upon conclusion of the evaluation have been found by an accredited independent auditor to meet the high standards stipulated by the universally recognized WebTrust program.

3-2.(2) SSL Reselling Business Achieved 30% Market Share in 4 years

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

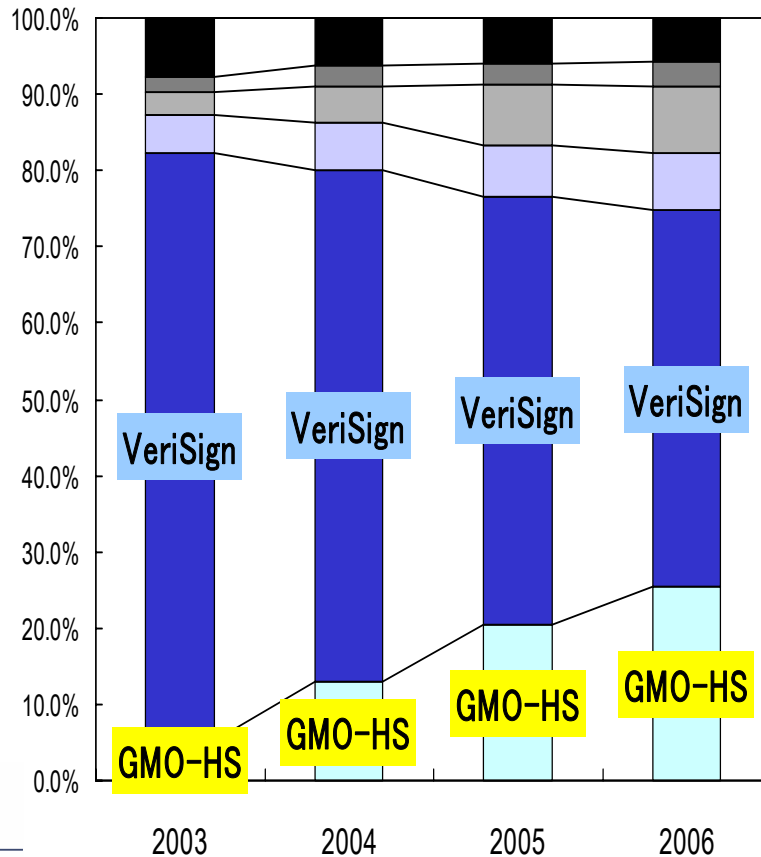
4. Summary of Today's Presentation

5. Supplementary Documents

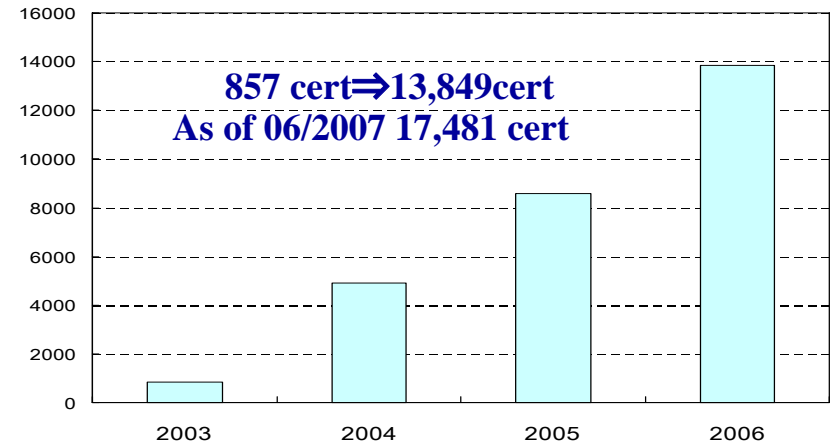
TSE Code : 3788

Started SSL Business in 2003. In 4 years, 30% market share in Japan (2nd largest share in JPN)

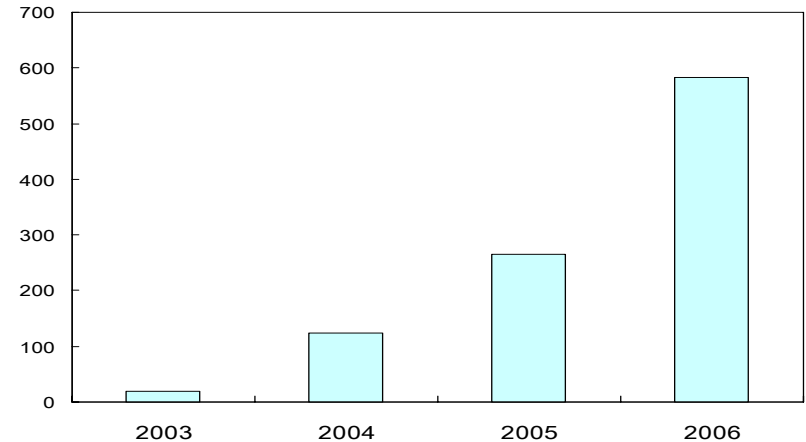
● JPN Market Share



● # of Certificates Issued



● Sales 20M Yen ⇒ 583M Yen



3-2.(3) Factors of Increasing Market Share in Short Time

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code : 3788

1. Price

Reasonable Price

2. User Friendliness

Matching customers' needs;
such as by instant issuance of certificate

3. Strong Sales Force

Large number of partners
Synergy with GMO-HS hosting business

3-2.(4) Change in Business Structure

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code: 3788

“SSL Reseller” to “Certificate Authority (CA)”

2003	April	GeoTrust Japan, Inc. (100% Subsidiary of GMO-HS) was established as reseller of GeoTrust, Inc.
2006	May	VeriSign, Inc. acquired GeoTrust, Inc.
	August	GMO-HS acquired GeoTrust Europe, #1 reseller of SSL in EU
	October	GMO-HS acquired GlobalSign, a credible and well established CA and SSL provider
2007	January	Start selling “GlobalSign” brand SSL services in UK
	July	Start selling “GlobalSign” brand SSL services world-wide

3-2.(5) Effect of Brand Change

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

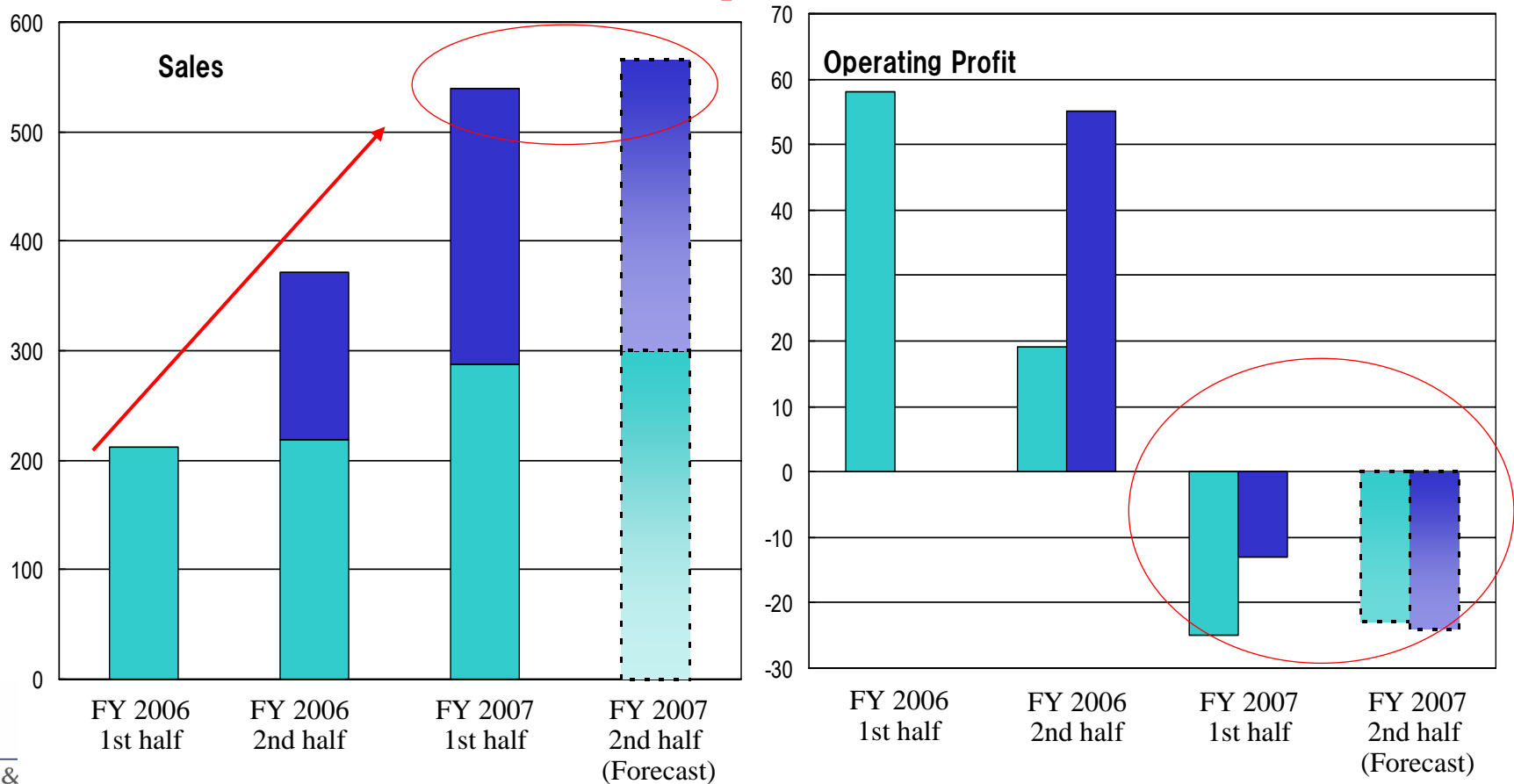
5. Supplementary Documents

TSE Code : 3788

Costs of system integration generated by change of brand to "GlobalSign"; and negative impact on operating profit.

Operating profit projected to increase by achieving increase of market share world-wide and breakeven point of CA cost.

(Unit: million yen)



3-3.(1) World-wide Sales & Marketing

China as high potential market, and we establish an office and start Sales in China by 12/2007

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

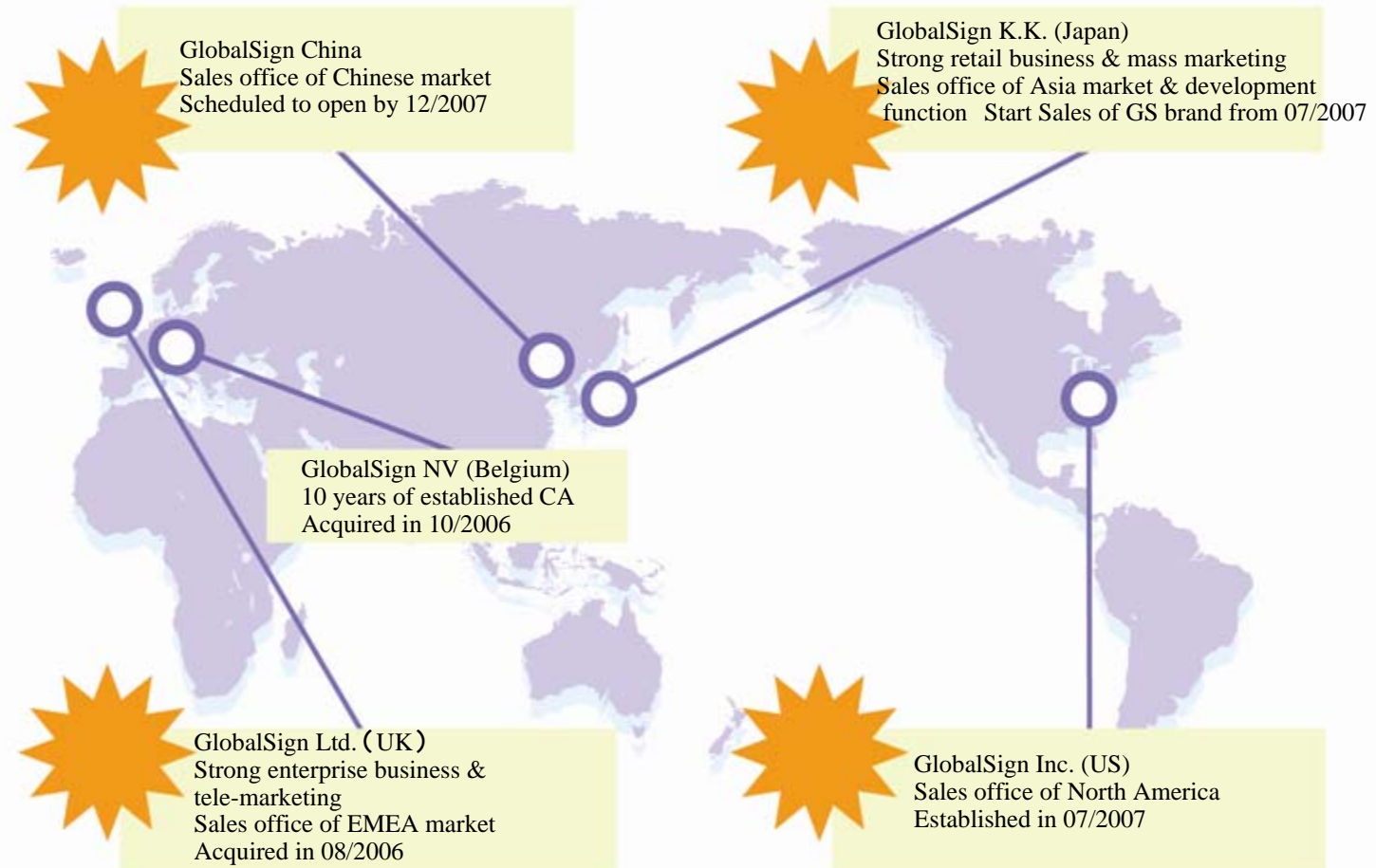
3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code : 3788



3-3.(2) Services Strategy

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code: 3788

Becoming Certification Authority (CA), we have a full capacity to develop unique services

■ Domain Registration Collaboration

- Partnership with domain registrar, and combine domain registration procedure SSL ordering procedure.
- Scheduled to release in 2007.

■ Adobe CDS

- Adobe CDS provides authentication, security and integrity of Adobe platform.
- Scheduled to release in 2007.

■ Code Signing

- Code signing certificates provide authentication, security and integrity of code for various software formats.
- At present, only three companies in the world offer code signing for Windows Vista 64bit kernel mode.

3-3.(3) Sales Strategy

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

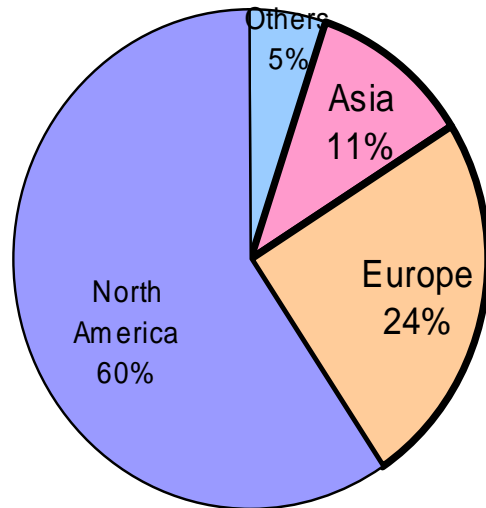
4. Summary of Today's Presentation

5. Supplementary Documents

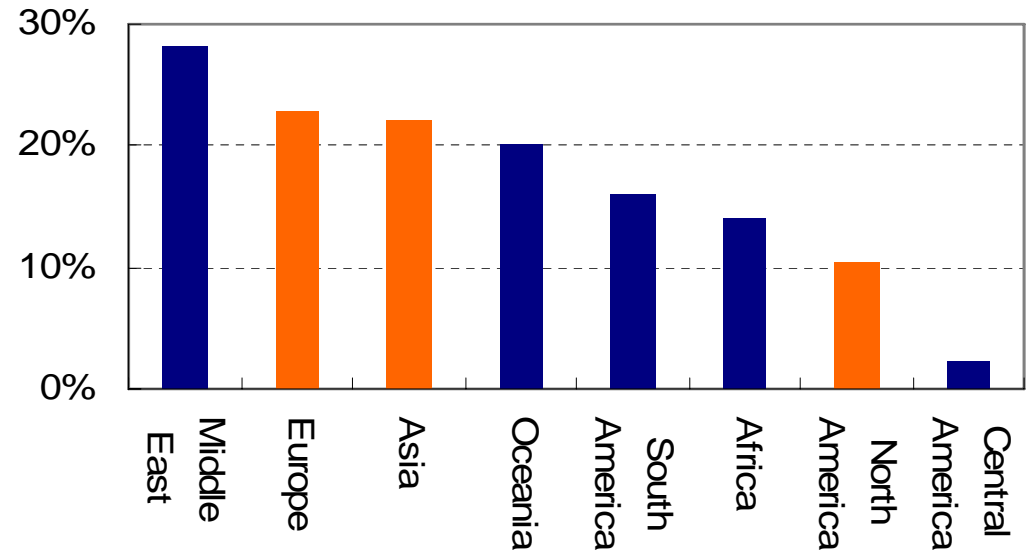
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1. Asia & EU markets: large market size & substantial room for growth
→ Achieve **high rate of growth**
2. North America market: largest market world-wide
→ Achieve **sizable market share world-wide**

<Ratios of server certificates issued by region>



<Ratios of growth for server certificates issued by region>



(Source :netcraft and Research by the Company)

3-4. Future Vision

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code: 3788

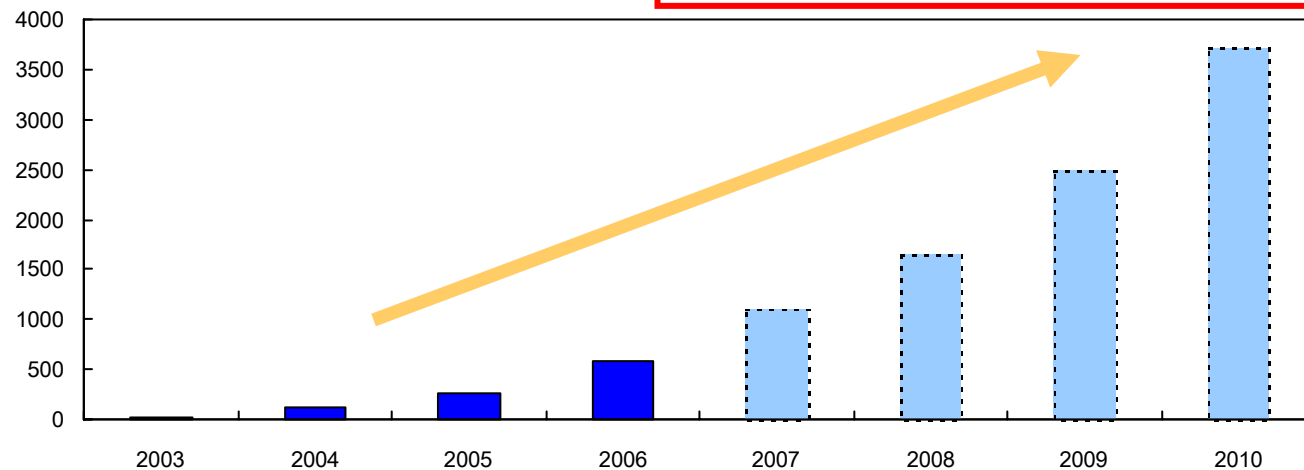
1. From a local company to a global company

- Establishing service bases worldwide
- Reducing country risk
- Boosting economies of scale
- Establishing GMO brand as a global IT company originating in Japan

2. Targets

- 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

Image of future growth



1. Executive Summary**2. Hosting Business****2-1. Market Trend****2-2. Overview of Business****2-3. Strategy****2-4. Summary****3. Securities Business****3-1. Market Trend****3-2. Overview of Business****3-3. Strategy****3-4. Summary****4. Summary of Today's
Presentation****5. Supplementary
Documents**

4. Summary of Today's Presentation

TSE Code : 3788

4-1. The Leading Hoster in Japan

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code: 3788

Key Points 【Hosting Business】

1. Expansion of the market continues
2. Number of customers and average purchase price per customer are still growing
3. Change from simple Hosting Service to “Value Added Hosting Service”

4-2. No.2 & Most Growing CA in Japan

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code : 3788

Key Points 【Securities Business】

1. Market for security business will grow significantly due to consciousness of security needs
2. Strong Sales force; achieved 30% market shares in Japan in 4 years;
3. Capability of service development and world-wide Sales

4-3. Image of Future Growth

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplementary Documents

TSE Code : 3788

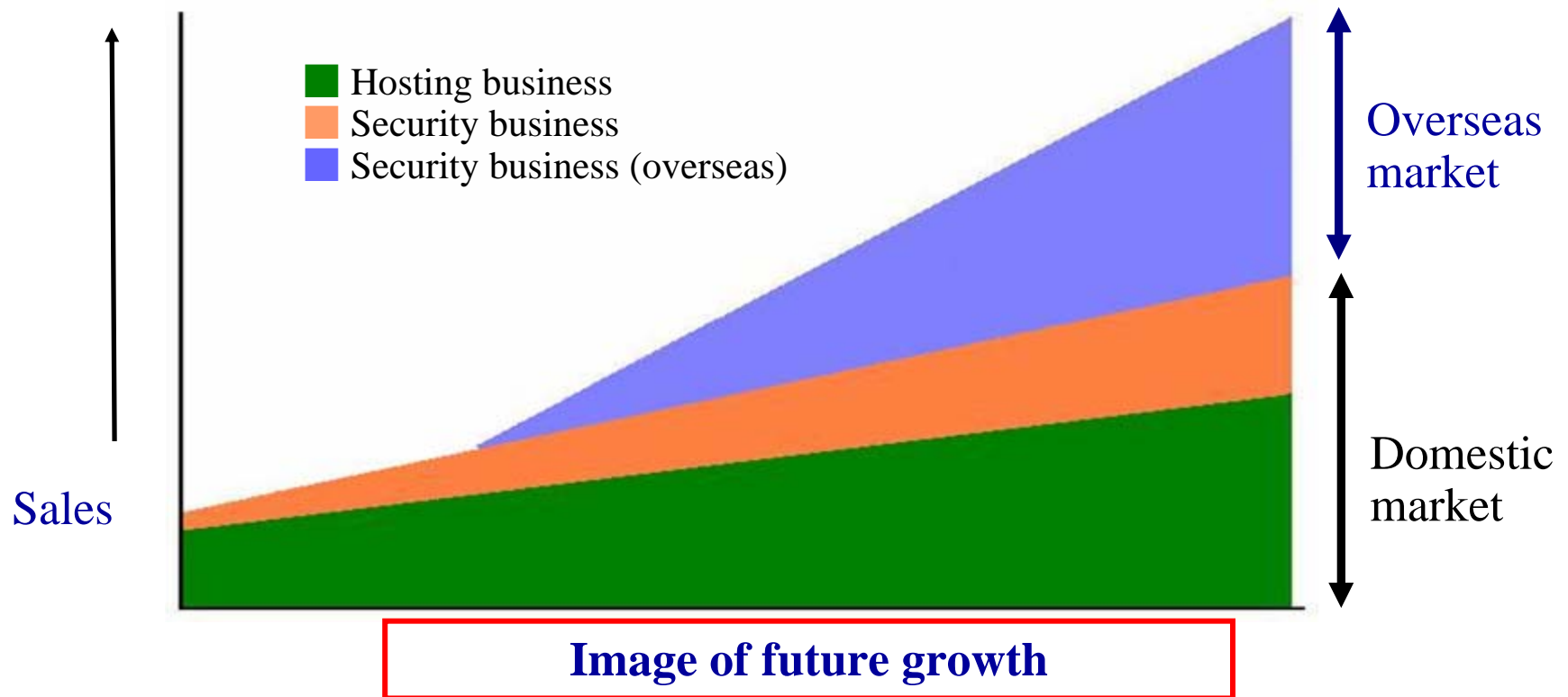
● Web Hosting Service

The Leading Hosting Company in Japan

● Security Service

NO.2 & Most Growing CA in Japan

- Overseas business: Increasing the Sales ratio to 30% of the total over the next few years



1. Executive Summary**2. Hosting Business****2-1. Market Trend****2-2. Overview of Business****2-3. Strategy****2-4. Summary****3. Securities Business****3-1. Market Trend****3-2. Overview of Business****3-3. Strategy****3-4. Summary****4. Summary of Today's
Presentation****5. Supplementary
Documents**

TSE Code: 3788

5. Supplementary Documents (Financial Highlights)

5.1 Full-Year Business Forecasts for FY 2007

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplement Documents

TSE Code: 3788



Dividend Policy: Maintain dividend payout rate of 35% or more

(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%		

<Supplementary Notes: Main Investments and Depreciation>

- Investments in next-generation services that have been systematically made since 2006
- Systems investment for improved internal operations
- Amortization of goodwill obtained through three M&A transactions in FY 2006

※Goodwill •• Under to JPN GAAP, “excess earning power” of goodwill needs to be divided equally within 20 years period. GMO-HS employs 5 to 7 years equal division.
Aggregate amount: 250M yen (annually)

5.2 Profit and Loss Statement (Consolidated)

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplement Documents

TSE Code : 3788

	FY2005	FY2006	YOY (%)	2007 Interim
Sales	4,558	5,744	26.0	3,375
Sales cost	1,708	2,117	24.0	1,327
Gross Profit on Sales	2,850	3,627	27.3	2,048
Administrative Expenses	1,832	2,273	24.1	1,495
Operating profit	1,017	1,353	33.0	552
Ordinary profit	969	1,438	48.3	584
Net Profit	592	847	43.1	307
Net Profit per share	¥5,159	¥7,356	-	¥2,652

Notes: A two-for-one share split was executed on July 1, 2006.

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

5.3 Segment Information

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplement Documents

TSE Code : 3788

【Sales by Business Segment】

	FY2005	FY2006	2007 Interim
Hosting Business	4,257	5,136	2,833
Securities Business	266	583	539
Other	34	24	2
Consolidated total	4,558	5,744	3,375

【Operating profit by business segment】

	FY2005	FY2006	2007 Interim
Hosting Business	1,068	1,221	594
Securities Business	35	132	△38
Other	△34	4	△9
consolidated adjustment	△52	△5	5
Consolidated total	1,017	1,353	552

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

5.4 Balance Sheets (Consolidated)

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplement Documents

TSE Code : 3788

	2006 Interim	FY2006	2007 Interim	Composition (%)
Current Assets	3,929	3,447	3,272	56.8
Fixed Assets	792	2,344	2,486	43.2
Total Assets	4,721	5,792	5,759	100.0
Current Liabilities	1,788	2,234	2,165	37.6
Long-term Liabilities	1	120	82	1.4
Shareholder's Equity/Net Assets	2,932	3,438	3,512	61.0
Total Liabilities and Shareholder's Equity	4,721	5,792	5,759	100.0

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

5.5 Cash Flow Statement (Consolidated)

1. Executive Summary

2. Hosting Business

2-1. Market Trend

2-2. Overview of Business

2-3. Strategy

2-4. Summary

3. Securities Business

3-1. Market Trend

3-2. Overview of Business

3-3. Strategy

3-4. Summary

4. Summary of Today's Presentation

5. Supplement Documents

TSE Code : 3788

	2006 Interim	2007 Interim
Cash Flows from Operating Activities	620	531
Cash Flow from Investing Activities	△226	△303
Cash Flow from Financing Activities	△213	△436
Increase(Decrease) in Cash and Cash Equivalents	179	△210
Cash and Cash Equivalents	3,331	2,384

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

Thank you for your attention.



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