

Presentation of 1Q Financial Results for the 2008 Fiscal Year

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



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

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Agenda

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2. Financial Highlights
3. Strategy
 - 3-1 Hosting Business
 - 3-2 Securities Business
 - 3-3 Other
4. Financial Forecast

1. Summary and Conclusion

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4. Financial Forecast

1. Summary and Conclusion

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Summary and Conclusion: Overview of FY 2007 1Q

1. Summary and Conclusion

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Expand sales channels and enhance high value-added services

January

- Started to provide homepage security diagnoses
- Started to provide a Skip Application Service
- Started to provide Onamae.com x GlobalSign SSL server certification services

February

- Started to provide one-click SSL API
- Established corporation in China

March

- Started to provide System Operation Proxy Services (managed)
- GlobalSign site seal renewal
- Carry out M&A (PL reporting from 2Q)

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2. Financial Highlights

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Financial Highlights: Major Topics in FY2007 1Q

1. Summary and Conclusion

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Aggressive investment carried out since FY2006 is steadily enhancing corporate value

Hosting Business

- Steady growth in high value-added products
- Profit ratio up due to cost reduction measures starting from current financial period
- Above all, marked profit ratio improvements for product with high unit prices
- Increased year-on-year cost due to initial cost of Windows collaboration hosting, but recovery schedule is on track

Securities Business

- Sales regain levels of the year-ago period (namely, at the time of the upward revision with historic highs in sales)
- Reduced fixed cost ratio on a sales recovery resulting in significant deficit contraction
- Changes in cost structure as transition proceeded without interruption
- Aggressive investment up to last year is transiting to the recovery stage

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Financial Highlights: Profit and Loss Statement (Consolidated)

1. Summary and Conclusion

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Profit growth up by 64% compared to preceding quarter

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

	2007 1Q	2007 4Q	2008 1Q	QoQ (%)
Sales	1,675	1,708	1,780	4.2
Sales Cost	626	743	731	-1.5
Gross Profit on Sales	1,048	965	1,048	8.6
Selling, General and Administrative Expenses	715	787	775	-1.4
Operating Profit	332	178	292	64.3
Net Profit	166	6	45	575.6

Increase from the Previous Q (million yen)

Sales cost:

Hosting 582,684,670

Securities 58, 63, 65

(Results in order of 2007 1Q, 2007 4Q, 2008 1Q)

Selling General and Administrative Expenses:

Hosting 501,518,476

Securities 212,256,268

(Results in order of 2007 1Q, 2007 4Q, 2008 1Q)

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Financial Highlights: Profit and Loss Statement (Continued)

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Reduction in quarterly earnings on unexpected factors

◆ Recording an extraordinary loss

- Cancel derivatives to contend with exchange rate fluctuations
- As a result, recorded an extraordinary loss of 82 million YEN



One-time expense as an extraordinary measure

◆ Increased corporate tax payments

- Corporate tax payments up with the British corporation recording a 177 million YEN gain on disposal of securities (*)
- The gain on disposal will be written off on consolidation
- Rise in corporate tax rate with the increase in goodwill amortization expense



Temporary increase in corporate tax. Write off in medium-term

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(*)...Due to group restructuring. Resulted in reduced exchange risk.

Financial Highlights: Balance Sheet (Consolidated)

1. Summary and Conclusion

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Maintaining sound finances and preparing for future investments

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

	Dec 31, 2007	Mar 31 2008	Composition (%)
Current Assets	3,244	3,051	54.5
Fixed Assets	2,530	2,551	45.5
Total Assets	5,775	5,603	100.0
Current Liabilities	2,043	2,160	38.6
Long-Term Liabilities	70	64	1.1
Total Net Assets	3,661	3,378	60.3
Liabilities and Net Assets	5,775	5,603	100.0

Increase from the Previous Year (million yen)

Current Assets:
Cash and deposits -230

Net Assets:
Retained earnings -208

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Financial Highlights: Cash Flow Statement (Consolidated)

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

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

	2007 1Q	2008 1Q	Increase
Cash Flow from Operating Activities	125	111	-14
Cash Flow from Investing Activities	-115	-141	-25
Cash Flow from Financing Activities	-417	-197	220
Decrease in Cash and Cash Equivalents	-368	-230	137
Cash and Cash Equivalents	2,226	2,114	-111

Increase from the Previous Q (million yen)

CF from Operating Activities:

income Before income Taxes -163

Corporate Taxes Payable -138

CF from investing Activities:

Decrease in Short-term Loans

(07 1Q) -200

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Financial Highlights: Segment Information

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Aiming at continuous growth in both sales and profits

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

Sales	2007 1Q	2007 4Q	2008 1Q	QoQ (%)
Web Hosting Service	1,385	1,464	1,485	1.6
Security Service	288	227	275	21.2
Other Services	0	18	19	5.2
Consolidated Total	1,675	1,708	1,780	4.2

Operating Profit	2007 1Q	2007 4Q	2008 1Q	QoQ (%)
Web Hosting Service	303	261	340	30.2
Security Service	30	Δ81	Δ47	-
Other Services	Δ2	Δ1	0	-
Amortization of Consolidated Adjustment Account	0	0	Δ1	-
Consolidated Total	332	178	292	64.3

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Financial Highlights: Medium-Term Roadmap

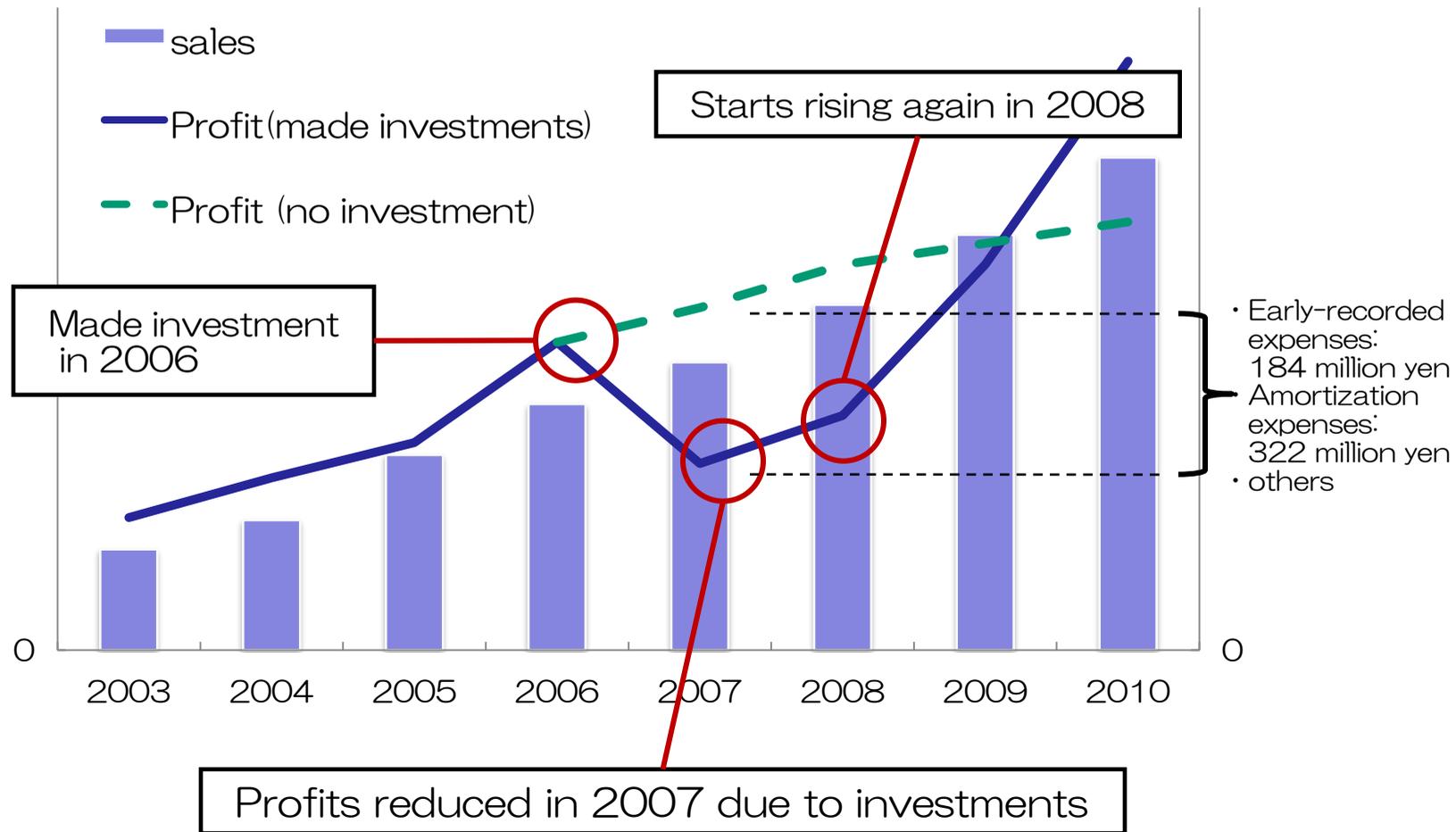
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Smooth progress for investment recovery and growth acceleration scenarios



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3. Strategy

3-1 Hosting Business

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Hosting Business: Summary

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Cutting costs while investing in high value-added services

- ✓ Latent growth potential in domestic market remains high
- ✓ Market growth is focused on high value-added services
- ✓ Full-scale investment recovery from next year with increases in investment
- ✓ For the future, continue the pursuit of cost reduction, high value-added increase and maximization of economies of scale

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Hosting Business: Growth of the JPN Market

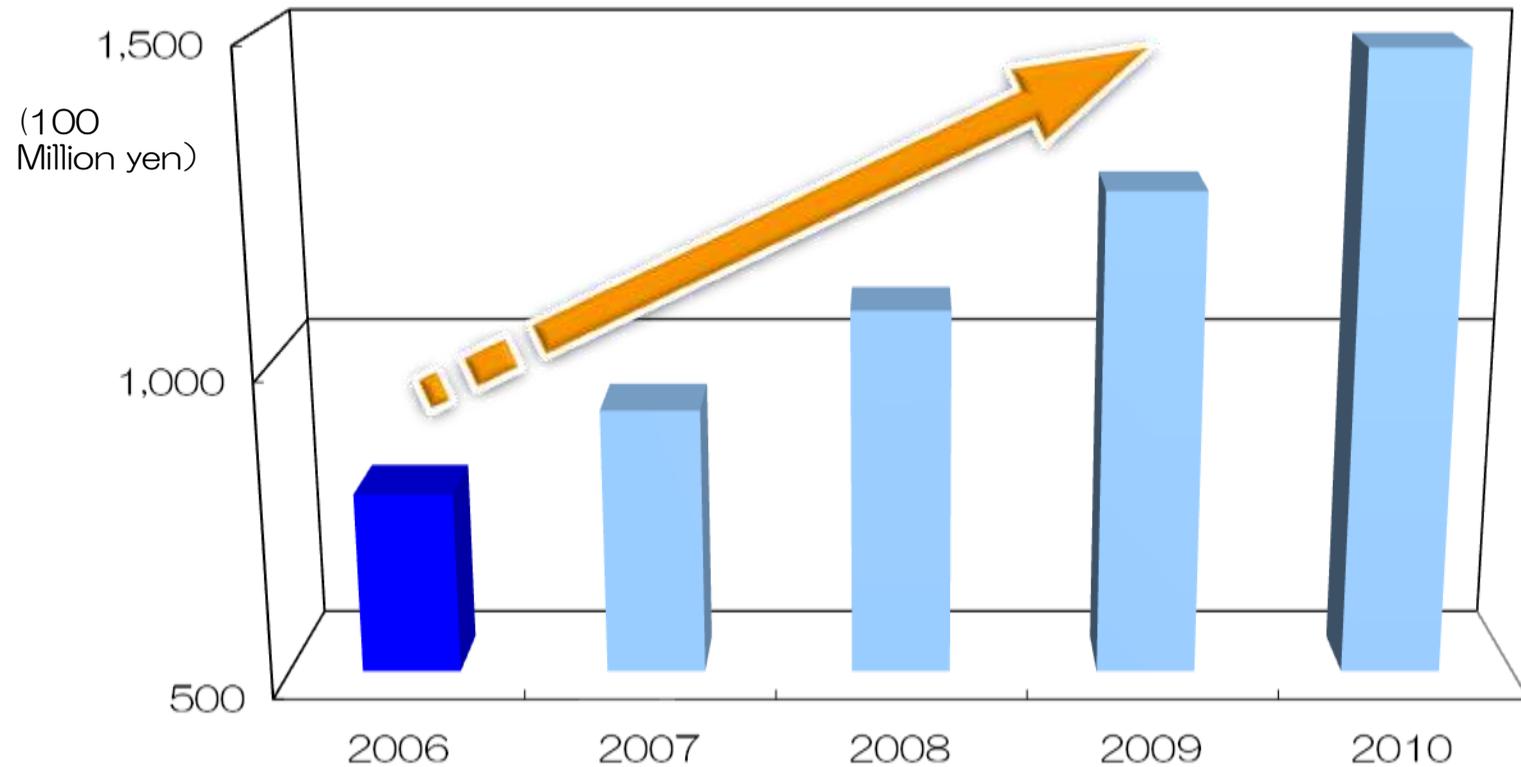
1. Summary and Conclusion

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Expansion of the market continues



Source: IDC Japan Press release

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90% growth forecast from 2006 to 2010

Hosting Business: Growth of JPN Market

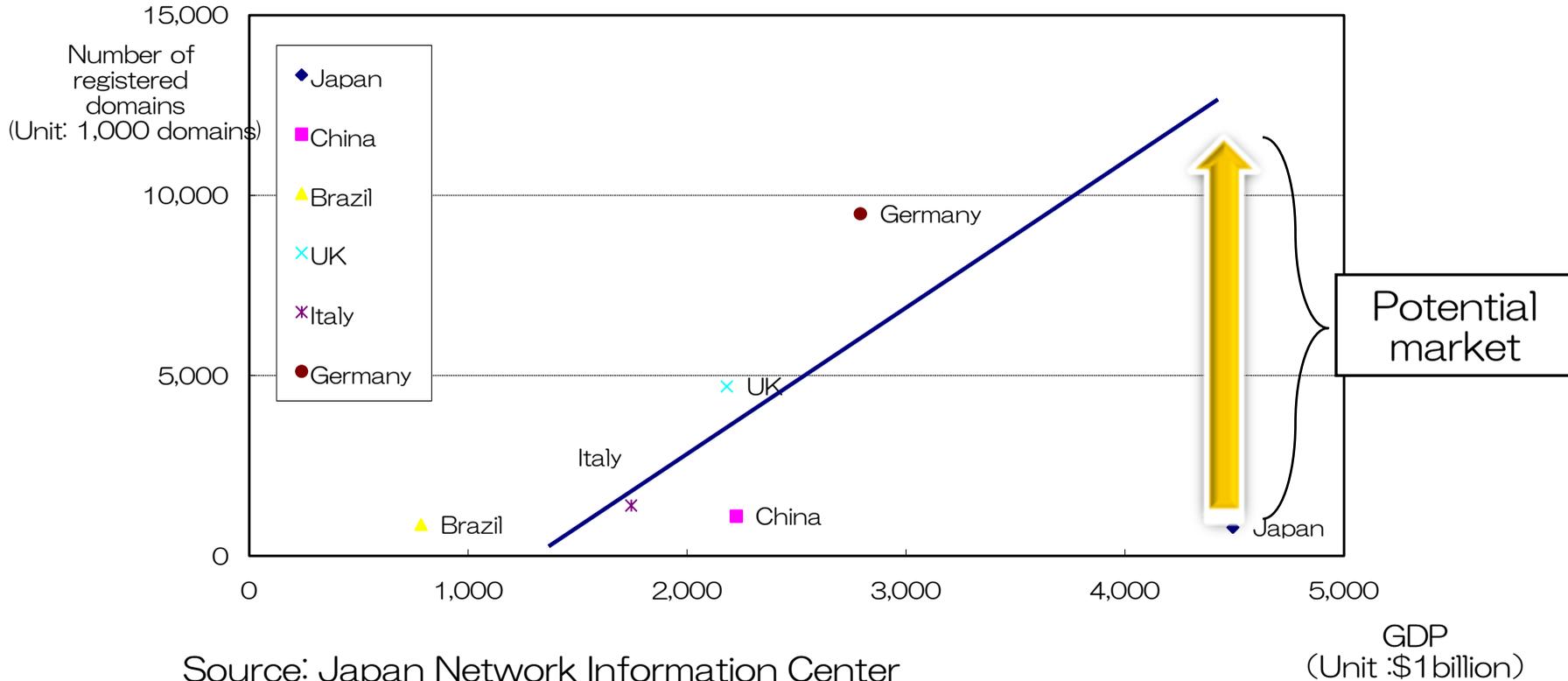
The domestic market has excellent potential for growth

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→ The IT penetration rate is still low in Japan given the size of its economy, so there still are many potential markets

Hosting Business: Number of Customers and Sales by Service

Sales have grown steadily with the rise in customer numbers and an increase in high-end products

1. Summary and Conclusion

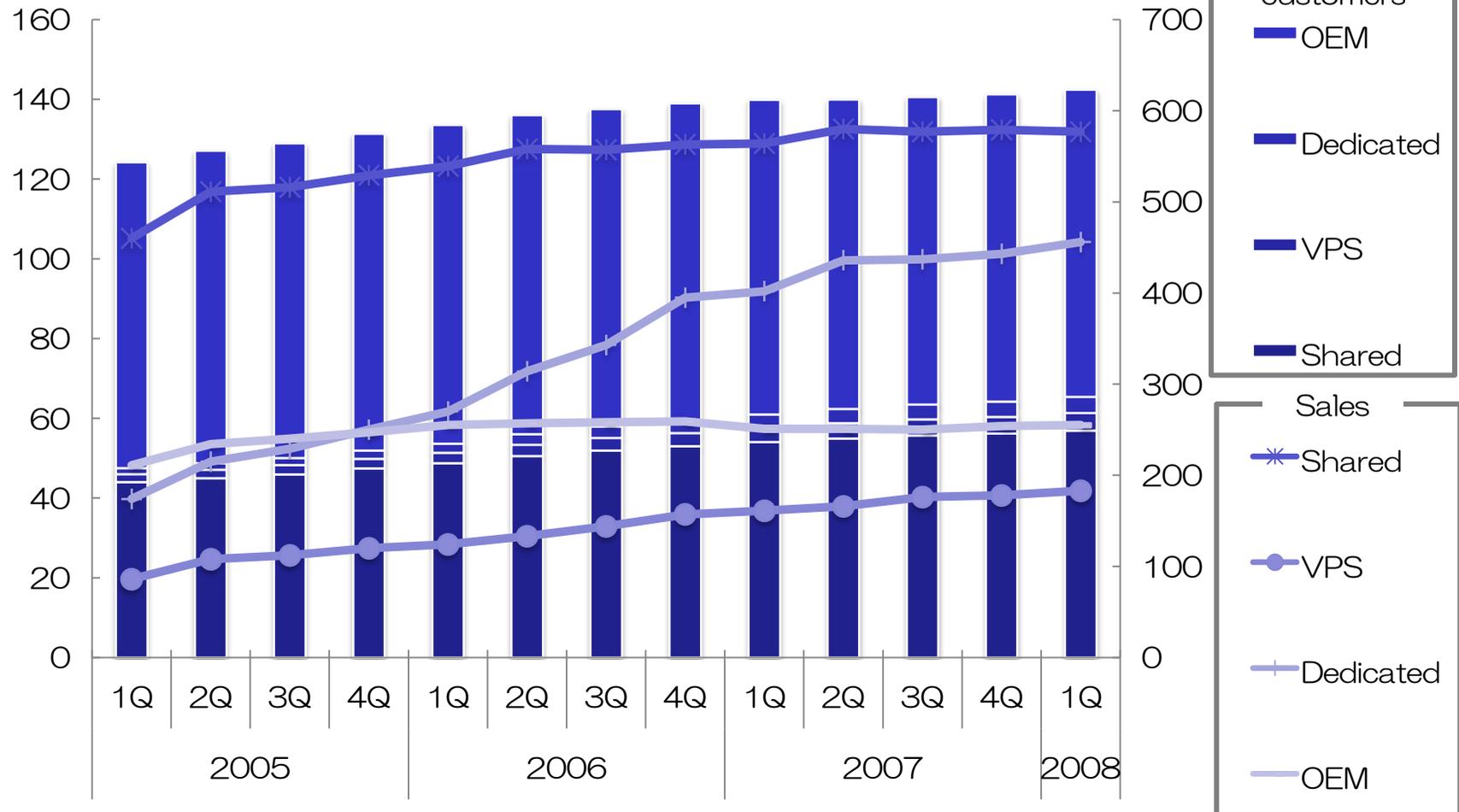
2. Financial Highlights

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Number (1,000 customers)

Sales (million yen)



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Hosting Business: Average Price Increases

1. Summary and Conclusion

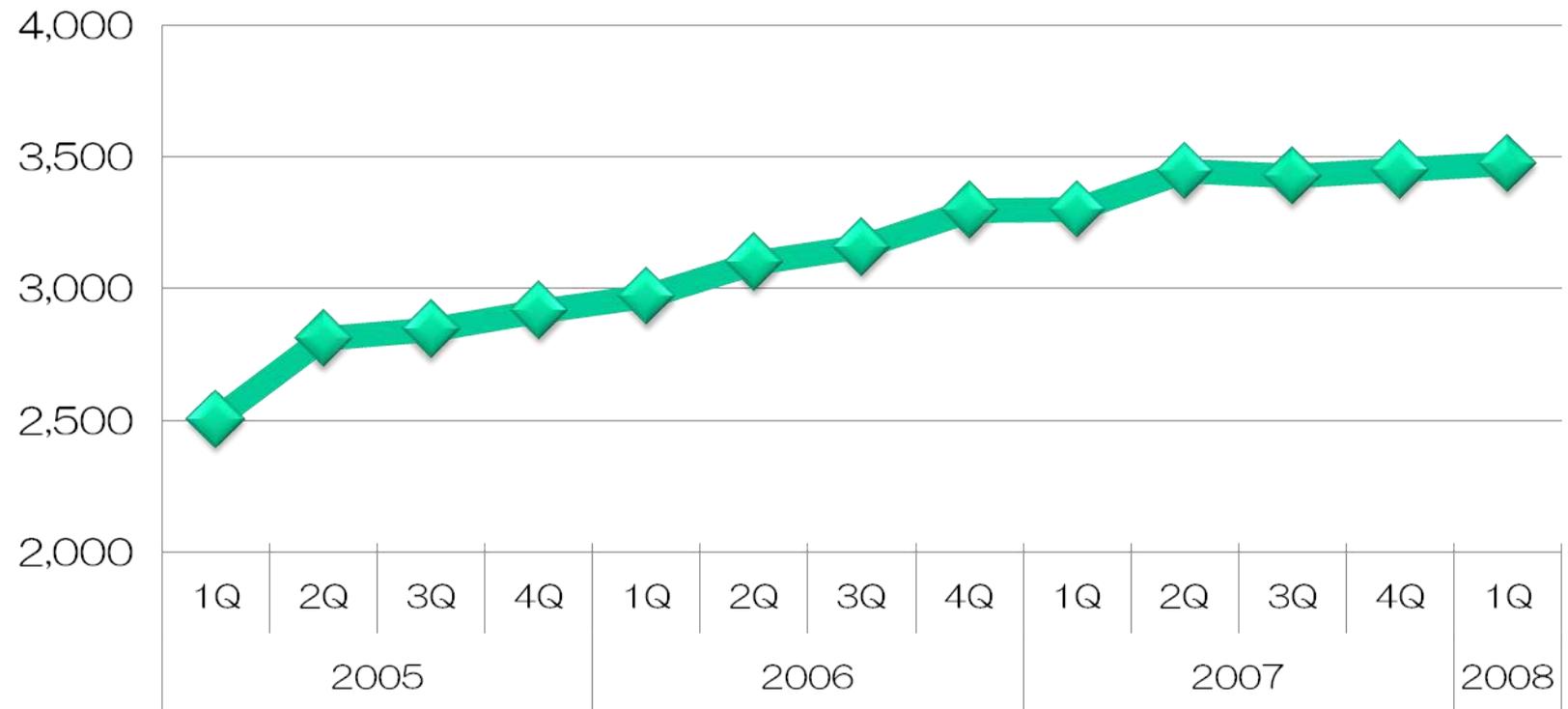
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Unit prices for customers are rising with the percentage of products in high price ranges. Profit margins are also rising steadily

(Unit: yen)



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Unit customer spending rose with an increase in high-end services, rising about 1,000 yen compared with three years ago (+38%)

Hosting Business: Service Strategy

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Developing high Value-added products by leveraging our strength

Managed Hosting Service

- Services of even higher added value are offered by contracting tasks from server configuration to operation

Windows Collaboration Hosting

- This is the starting year for Smart Phone when major carriers announce new models; needs are to be identified, especially at midsize or larger corporations
- Develop joint promotions in collaboration with Softbank Mobile and other major carriers
- Up-selling is also expanding. Recovery of delayed progress expected.

VPS/Dedicated Hosting Service

- The number of contracts increased, boosted by market growth
- Dealing also with needs for upgrading from shared services

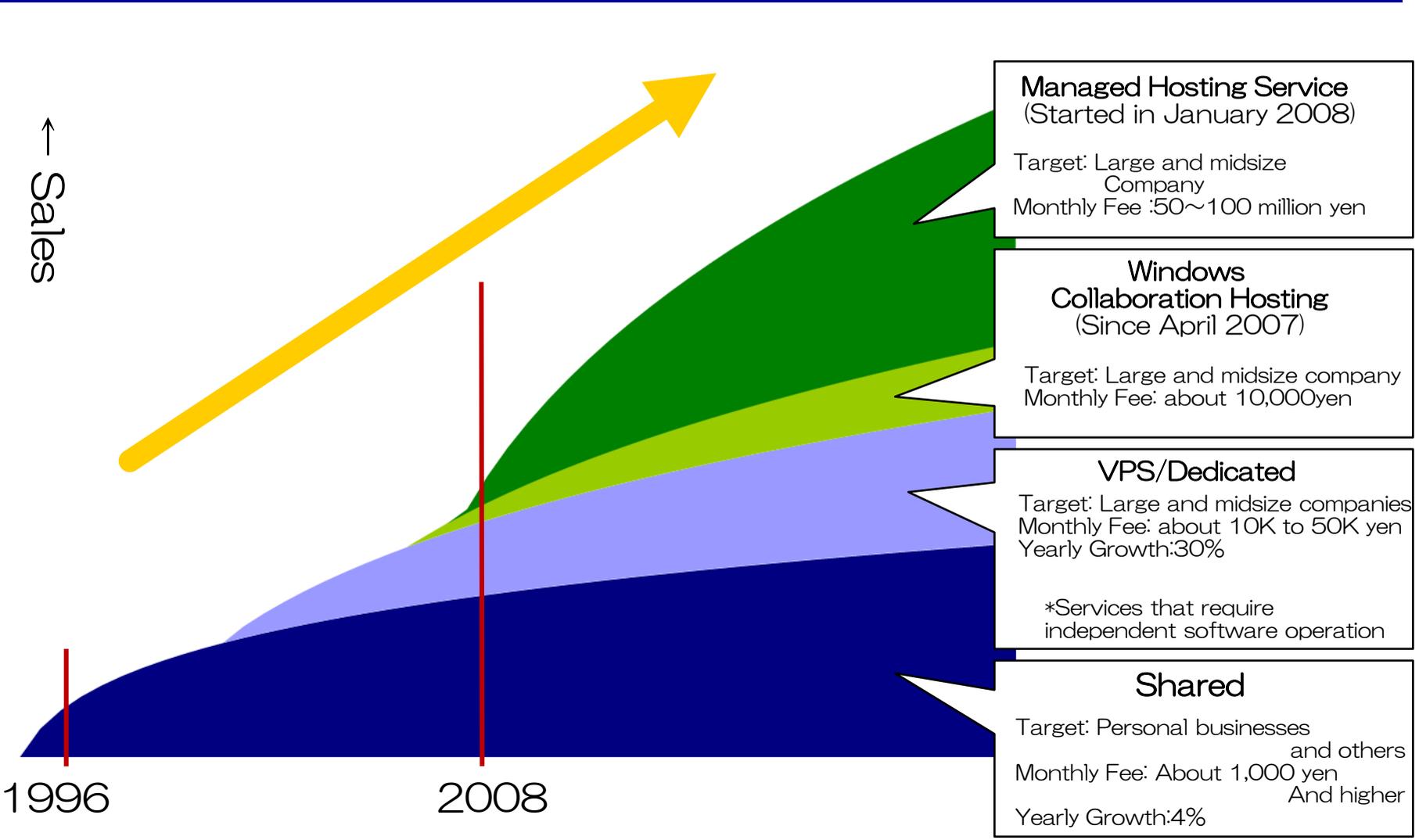
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Hosting Business: Market Growth Forecasts

Our strengths drove further growth in high value-added services market

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Hosting Business: Future Strategies

1. Summary and Conclusion

2. Financial Highlights

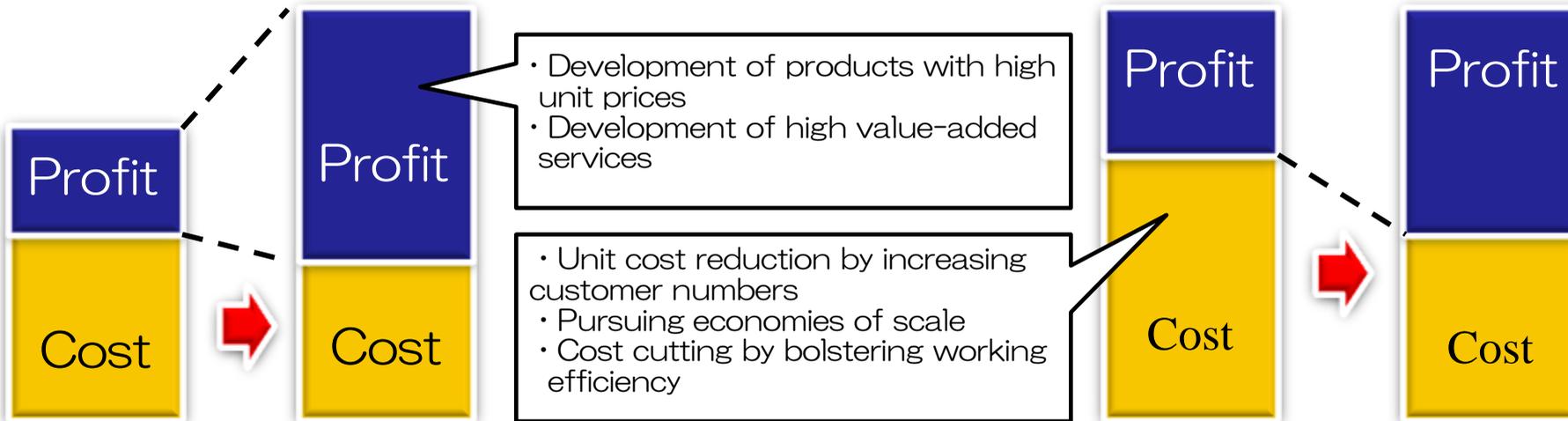
3. Strategy

4. Financial Forecast

Corporate value improved with overall cost reduction

High-end products
= higher added value

Low-end products
= cost savings



- Further increase in number of contracts
- Starting Managed Hosting Service (1Q and onwards)

- Obtaining new OEM
- Executing M&A (1Q)

[Reference]
Profit improvement factor for dedicated servers:
Gross profit +5%

-Brand Power enhancement
-Corporate value enhancement

[Reference]
Profit improvement factor for shared servers:
Gross profit ±0%

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3. Strategy

3-2 Securities Business

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Securities Business: Summary

Complete expansion to main locations; Steady progress in system enhancement and risk management

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- ✓ The domestic market has sustained its rapid growth
- ✓ Established a company in February 2008:
Completed the establishment of major bases
- ✓ Independent business portfolio composition feasible thanks to increased sales of products with the exception of foreign corporations and certificates. Reducing business risk.
- ✓ Aiming at a further expansion in sales channels and greater internal control

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Securities Business: Growth of JPN Market

1. Summary and Conclusion

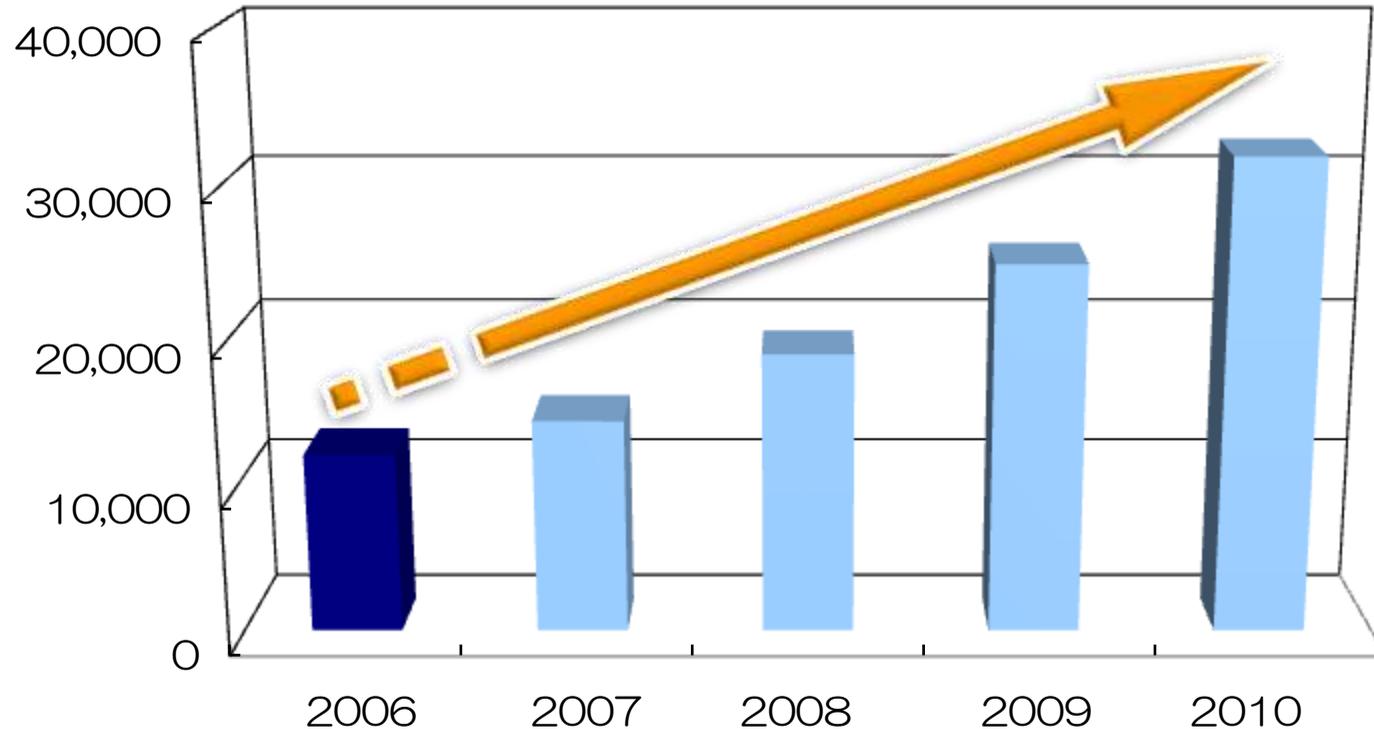
2. Financial Highlights

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A market growing at a fast clip of 27%

(Unit: million yen)



(Source: Fuji Chimera Research Institute)

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Market opportunities are great in Japan alone; Growth may accelerate further with the enactment of e-document laws, J-SOX and other laws, as well as through IE7 dissemination

Securities Business: Global Market Growth

1. Summary and Conclusion

2. Financial Highlights

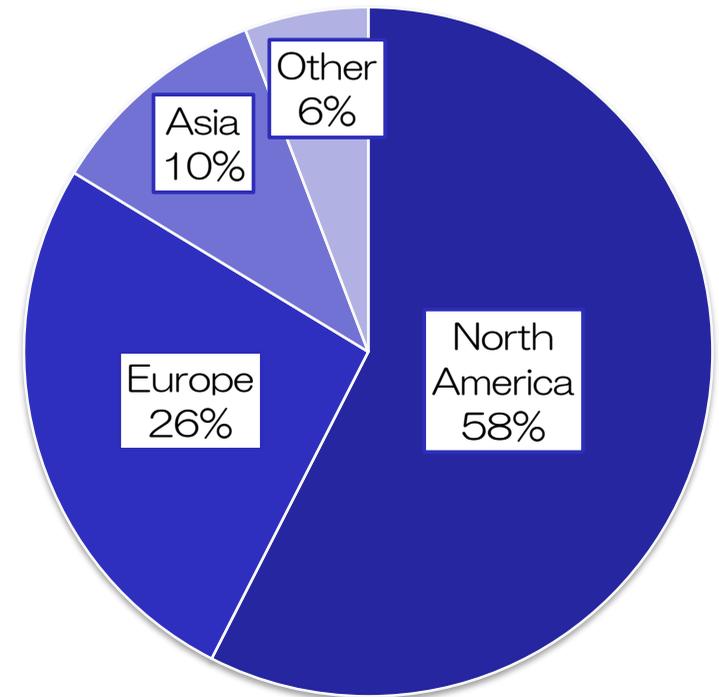
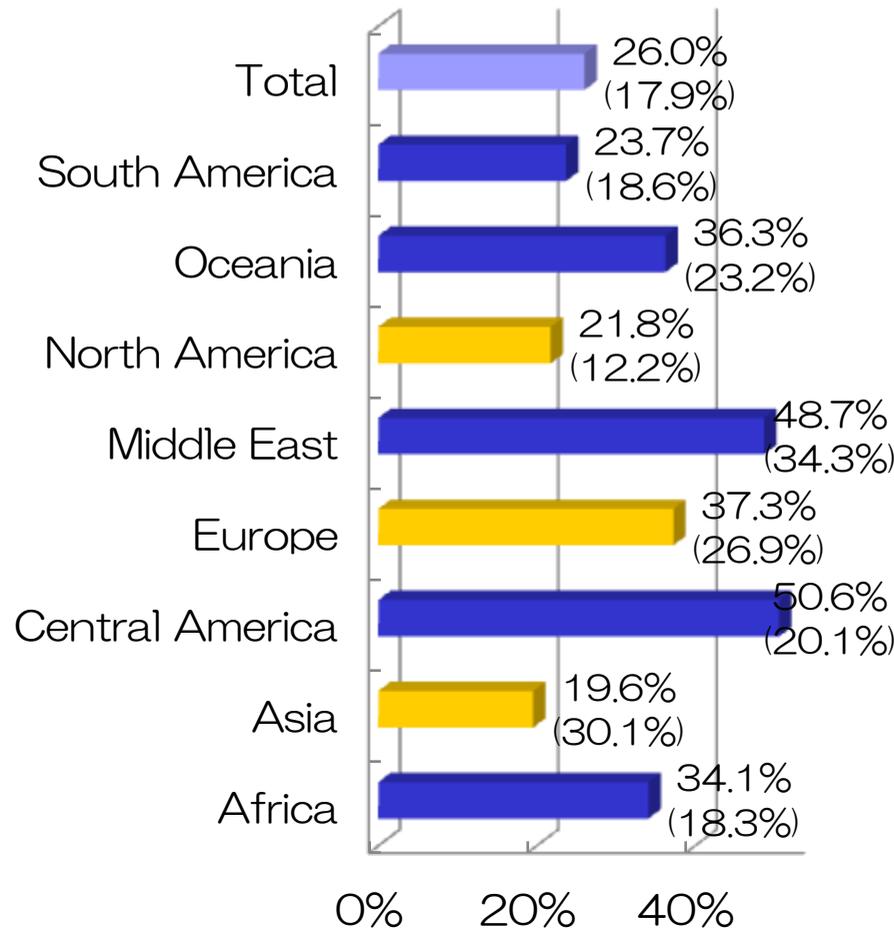
3. Strategy

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Growth rate of 20-40% for main locations and rising opportunities for growth in other regions

Number of server certificates issued Growth rate by region/Market share

(Figures in brackets are for the same period of the previous year)



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Securities Business: Further Acceleration of Growth

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Numerous market opportunities to accelerate growth

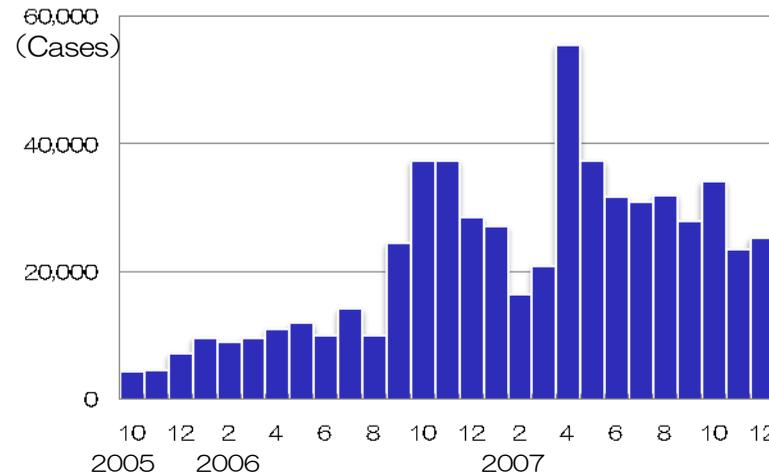
① Stricter requirement for the display of IE7 when Certificates are not available



※When a website with an unacceptable server certificate is accessed, IE7 displays a warning message

※Microsoft starts distributing IE7 to XP users on February 13 through automatic upgrades

② Number of phishing websites surged



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



Market growth offers further potential for growth

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Securities Business: Corporate History

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“Domestic Reseller” changes into “Worldwide CA”

2003	April	GeoTrust Japan, Inc.(100% Subsidiary of GMO-HS) was 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 established CA and SSL provider
2007	January	Start selling “GlobalSign” brand SSL services in the UK
	July	Start selling “GlobalSign” brand SSL services worldwide
2008	August	US branch starts business
	February	China branch starts business

Securities Business: Worldwide Sales & Marketing

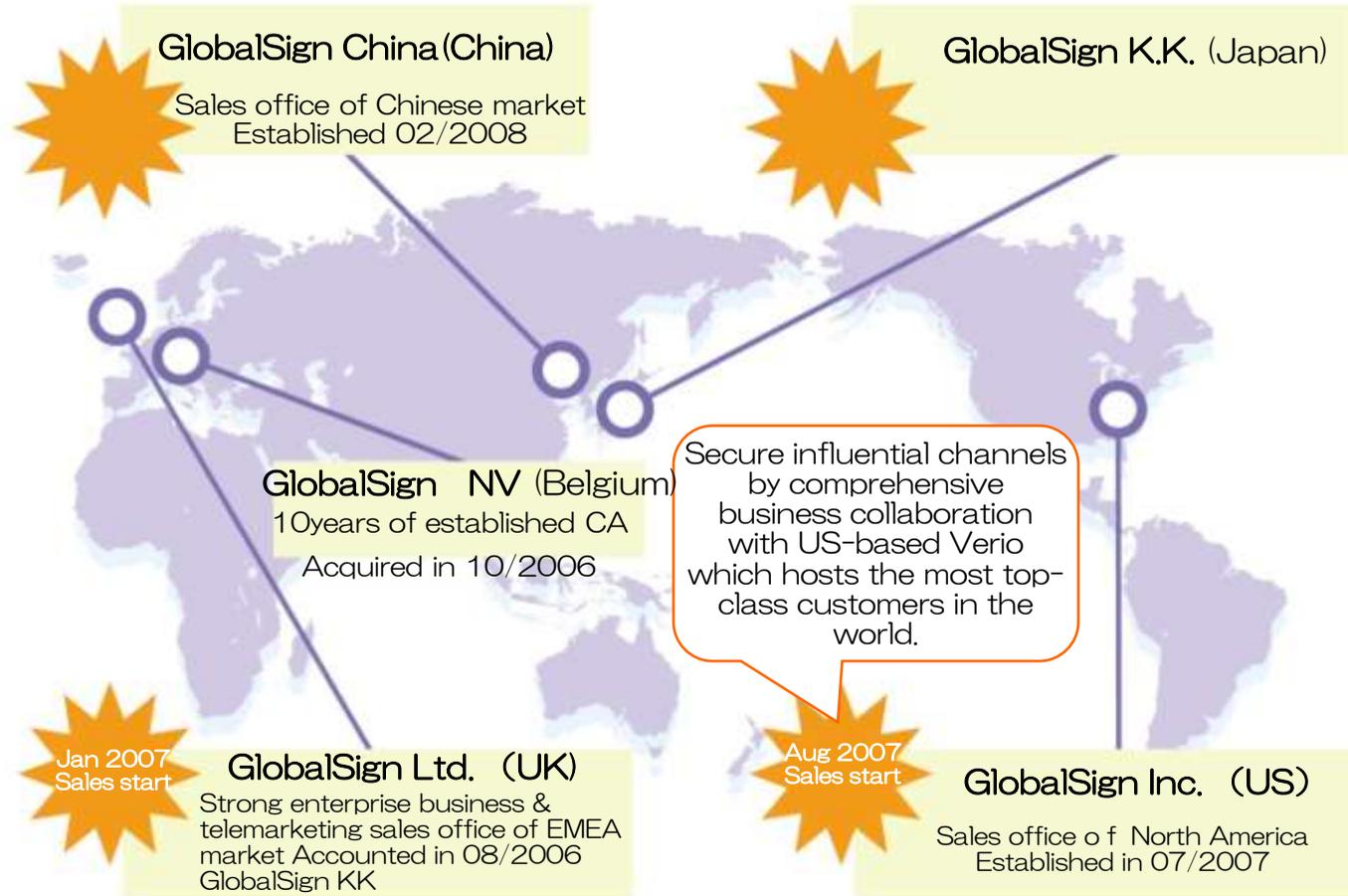
Completed worldwide business base rollout; starting efforts to increase market share on a global scale

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Securities Business: Number of Certificates issued

1. Summary and Conclusion

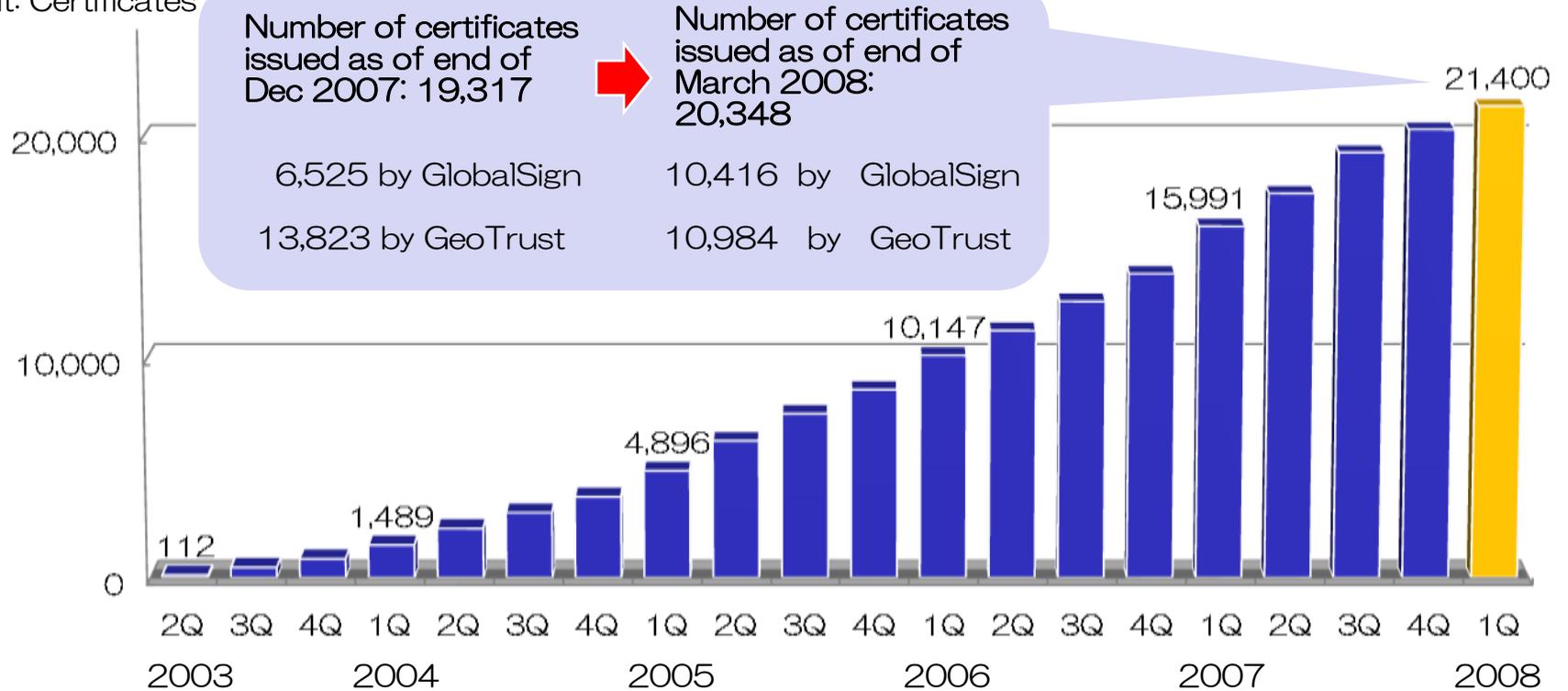
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Valid issues up 34% over same period in previous year and up 5% over previous quarter

Unit: Certificates



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Domestic outcomes remained steady; brand Switching from GeoTrust to GlobalSign also accelerated

Securities Business: Overseas Business

1. Summary and Conclusion

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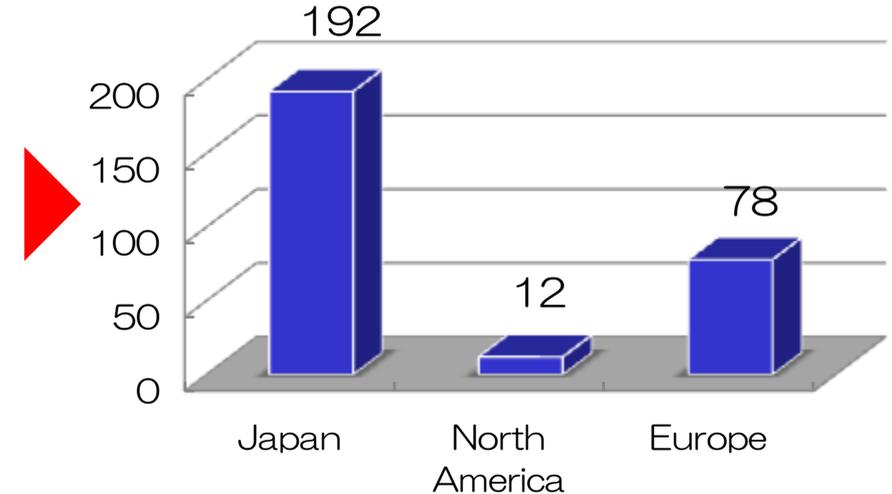
Steady growth in overseas sales

Sales by Segment
(local currency-base)

	2007 1-4Q	2008 1Q
Japan (Unit:1 million yen)	598	196
US (1,000 US\$)	198	119
UK (1,000 British Pounds)	692	224
Belgium (1,000 Euro)	1,469	208
Total (*) (Unit: 1 million yen)	1,024	289

*...Value before

Sales percentage distribution by segment
(unit :1 million yen)



Global Market Share : Approx. 3%(own estimate)

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Overseas outcomes have also grown, along with domestic outcomes. Reduced domestic dependency ratio. Leaving aside the effects of foreign exchange, the growth rate would have improved

Securities Business: Service Development

1. Summary and Conclusion

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Keep control of latent customers by collaboration between hosting users and SSL certificates

- | | | |
|------|----------|---|
| 2007 | July | Start selling the ObjectSign™ the certificate for encryption |
| | October | Start selling EV SSL server certificate |
| | November | Formed partnership with Verio of the United States |
| 2008 | January | Started offering Skip Application Service
Onamae.com x GlobalSign SSL server certificate service |
| | February | Started offering One-Click SSL API (*) |

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- Securing global sales channels
- Ally hosting domain services and SSL certificate to expand channels to cover potential needs

(*) …Patent pending

Securities Business: Service Development (illustration)

Great opportunities for growth with Blue Ocean, which has excellent synergy with the web hosting business

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Existing market

Players → Several companies

Number of customers → Large

Potential market

Players → None

Number of customers → Very large

- Main Customers = Web hosting users
- Main needs = Easy, low-cost and safe operation



- Compatibility with web hosting
- Tie-up with domain service providers
- Skip Application
- One-Click SSL
- Non IP SSL

→ We have great opportunities for growth

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Securities Business: Future Business Development

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Consolidate defense while maintaining an aggressive posture

- Increasing sales 50% annually
- Proactive advance into overseas markets
- Establishing internal control and management systems
- Diversify business risk by expanding appropriate product development



Consolidating both defensive and proactive measures for world's first IT companies from Japan

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Securities Business: Profit and Loss Structure

High medium-term profit ratio achieved

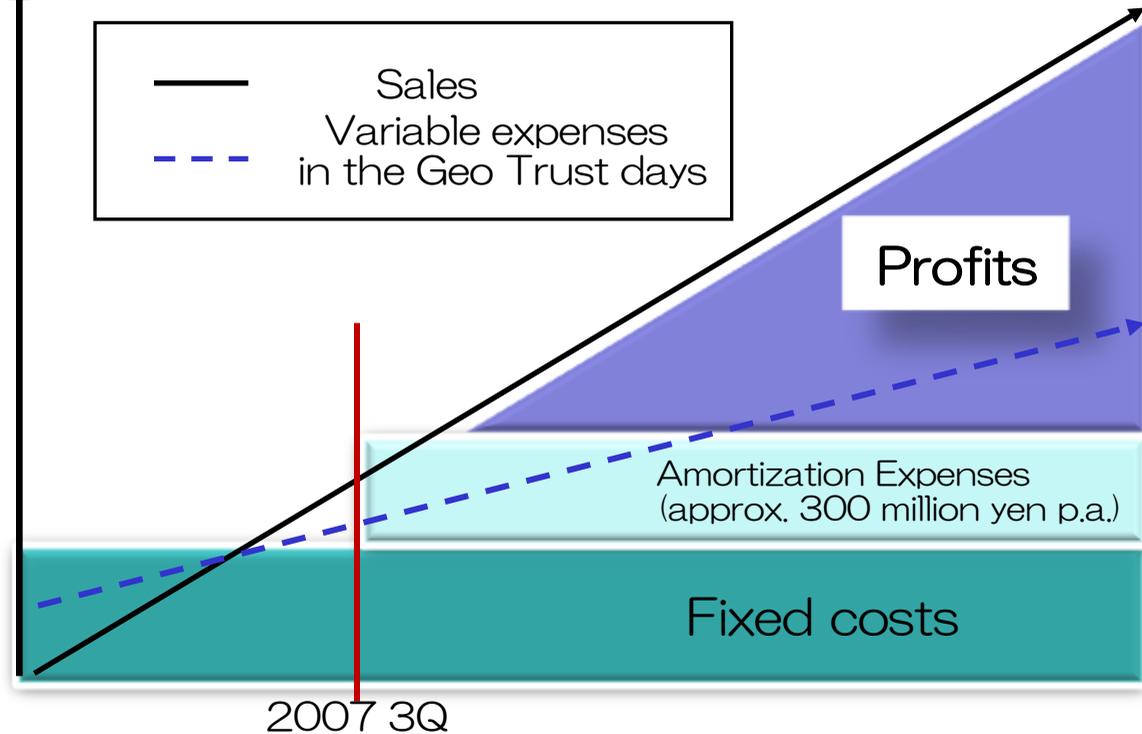
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Amounts



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	Cost Structure	Sales	Products
GeoTrust period	<ul style="list-style-type: none"> • Low fixed cost + variable cost • Profit ratio almost fixed 	<ul style="list-style-type: none"> • Only domestic sales • High growth ratio 	<ul style="list-style-type: none"> • Purchased products only • Total dependency on supplier
Present	<ul style="list-style-type: none"> • Almost only fixed cost • High profit ratio in medium-term 	<ul style="list-style-type: none"> • Worldwide sales • Extremely high growth ratio 	<ul style="list-style-type: none"> • Potential for in-company development/ enhancement • Semi-permanent potential for stable supplies

Securities Business: Profit and Loss Structure

Steady growth after changes to business structure (from 3Q 2007)

(Unit: million yen)

	2007 1Q	2007 2Q	2007 3Q	2007 4Q	2008 1Q
Sales	301	264	219	238	286
Sales Cost	58	64	51	63	65
Gross Profit on Sales	243	199	168	175	221
Selling, General and Administrative Expenses	212	269	259	256	268
Operating Profit	30	△69	△90	△81	△47



Steady progress in both sales and cost toward monthly profitability planned for 3Q of current financial period

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3. Strategy

3-3 Other

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Other

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Making proposals on potential customer needs and developing new advertising products

Basic policies :

- ① Offer high-grade websites at reasonable prices

Make proposals on potential needs; synergies are expected with both the web hosting and security businesses

- ② Development of electronic brochure services

Promoting a shift from existing paper media to new advertisement products

- ③ Development of quick translation services

High synergy with web content; offering advantages in delivery speed and cost as well

- ④ Sales and production systems of low costs

The monthly balance moved into the black; and the contribution to profits and maximization of synergy are pursued going forward



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4. Financial Forecast

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Financial Forecast: Full-Year Business Forecasts for FY 2008

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Steady progress toward target of increased sales and improved profit ratio for full business year

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

	FY 2007	FY 2008 (forecast)	YoY (%)	FY 2008 1Q
Sales	6,742	8,062	19.6	1,780
Operating Profit	943	1,096	16.2	292
Ordinary Profit	812	1,083	33.4	259
Net Profit	371	530	43.0	45



Realize continued sales and profit growth by expanding high value-added products, continued sales growth in security, and improved cost competitiveness

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Financial Forecast: Segment Information

1. Summary and Conclusion

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Anticipate increased earnings in all businesses while continuing to invest

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

Sales	FY 2007	FY 2008	YoY (%)	FY 2008 1Q
Web Hosting Service	5,742	6,330	10.2	1,485
Security Service	974	1,580	62.2	275
Other Service	25	151	604.0	19
Consolidated Total	6,742	8,062	19.6	1,780

Operating profit	FY 2007	FY 2008	YoY (%)	FY 2008 1Q
Web Hosting Service	1,165	1,155	Δ0.9	340
Security Service	Δ211	Δ70	-	Δ47
Other Service	Δ20	11	-	0
Amortization of the consolidated adjustment account	9	-	-	Δ1
Consolidated Total	943	1,096	16.2	292

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Summary of Today's Presentation

From start-up year to consolidation year for the next phase of growth

1. Summary and Conclusion

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- ✓ Steady growth in both sales and profits following adoption of present corporate structure (3Q 2007-)
- ✓ The second stage is underway for the web hosting business; aiming to achieve further growth and cash-flow maximization with better high-end products and cost cutting
- ✓ The major investment in the security business has come full circle. Push for further growth in market share on a global level, strengthen management structures and diversify business risk
- ✓ Explore and prepare for the next growth opportunity while maintaining stable cash flow and sound financial structures

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Thank you for your attention



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