

Presentation of 3Q Financial Results for the 2008 Fiscal Year

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



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

Notice regarding this material:

The contents of this document are based on generally recognized economic and social conditions as well as assumptions judged to be reasonable by GMO Internet Group as of November 17, 2008. However, please note that this information is subject to change without prior notice in the event of changes in the business environment or other unforeseen circumstances.

Agenda

1. Summary and Conclusion
2. Financial Highlights
3. Strategy
 - 3-1 Hosting Business
 - 3-2 Securities Business
4. Financial Forecast

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4. Financial Forecast

1. Summary and Conclusion

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Summary and Conclusion: Overview of FY2008 3Q

1. Summary and Conclusion

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Foundation reinforcement progressed steadily despite business delays

✓ Consolidated results for January-September 2008

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

	Jan-Sep2008	YoY	Against forecast
Sales	5,307	+5.4%	65.8%
Operating Profit	657	-14.1%	59.9%
Ordinary Profit	658	-10.1%	60.8%
Net Profit	238	-34.5%	44.9%

✓ Web hosting services remained strong, but delays occurred in security services

Actions are being taken to address issues with the applicable businesses

-Web hosting services

Capacity enhancement and functional improvement to the respective services

Preparation and organizational establishment for managed hosting services

Business transfer from Inter.net (in October 2008)

Rise in the ratio of high value-added services in sales Up 2.1% (YoY)

Mission-critical system under construction for the standardization of backyard operations

(depreciation scheduled to commence in December 2008)

-Security services (one year after global service launch)

Sales fell sharply in 3Q due to delays in route expansion and overseas service renewal, but

Increases are continuing in the number of certificates issued and distributors (routes).

CF from operating activities in the securities business for January-September: ¥77 million

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Financial Highlights: Profit and Loss Statement (Consolidated)

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Business delays occurred, results dropped below plan

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

	Jan-Sep 2007	Jan-Sep 2008	YoY	2008 2Q	2008 3Q	QoQ	July - Sep 2007	YoY
Sales	5,034	5,307	+5.4%	1,801	1,726	-4.2%	1,658	+4.1%
Cost of Sales	2,030	2,264	+11.5%	774	758	-2.1%	702	+8.0%
Gross Profit on Sales	3,004	3,043	+1.3%	1,028	967	-5.9%	955	+1.3%
Selling, General and Administrative Expenses	2,238	2,386	+6.6%	839	792	-5.6%	743	+6.6%
Operating Profit	765	657	-14.1%	190	175	-7.4%	212	-17.5%
Ordinary Profit	732	658	-10.1%	209	189	-9.6%	147	+28.6%
Net Profit	364	238	-34.5%	113	80	-29.2%	56	+42.9%

Major change factors(against previous quarter)

1.Sales:Delay in Security business (mainly overseas)

Factor :Delays in sales channel expansion, deterioration of old GS merchandise and the effects of exchange conversion

Recovery:Strengthening overseas service

Diversification of sales methods in overseas markets
(with particular focus on acquisition of distributors)

2.Cost of Sales / Selling, General and Administrative Expenses

:Cost increase as a result of strengthening managed hosting services
(personnel expenses, etc.)

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Financial Highlights: Segment Information

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One year after global launch of security services: up 12.1% YoY

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

Sales	Jan-Sep 2007	Jan-Sep 2008	YoY	2008 2Q	2008 3Q	QoQ	2007 3Q	YoY
Web Hosting Services	4,279	4,463	+ 4.3%	1,505	1,472	-2.2%	1,446	+1.8%
Security Services	746	783	+ 5.0%	276	231	-16.3%	206	+12.1%
Other Services	7	60	-	19	22	+15.8%	5	+340.0%
Consolidated Total	5,034	5,307	+ 5.4%	1,801	1,726	-4.2%	1,658	+4.1%

Operating profits	Jan-Sep 2007	Jan-Sep 2008	YoY	2008 2Q	2008 3Q	QoQ	2007 3Q	YoY
Web Hosting Services	904	873	-3.4%	278	254	-8.6%	309	-17.8%
Security Services	-129	-206	-	-80	-78	-	-90	-
Other Services	-18	-9	-	-4	-5	-	-9	-
Amortization on Consolidated Adjustment Account	9	-0	-	-3	4	-	4	-
Consolidated Total	765	657	-14.1%	189	175	-7.4%	212	-17.5%

Security Sales

2Q 276 -> 3Q 231

: Delays in sales channel expansion (distributor development), effects of exchange conversion, deterioration of old GS merchandise, etc.

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Financial Highlights: Segment Information

Business progress Jan-Sep 2008

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Segment	Situation	Factors	State of initiatives (- : in progress; ✓ : completed)
Web Hosting Services	Strong results, but below plan	<ul style="list-style-type: none"> ✓ Delays in managed hosting services and sales organization development 	<ul style="list-style-type: none"> ✓ Improvements were made in 3Q Business transfer from Inter.net (in October 2008) Development of a sales organization Completion of various managed services
		<ul style="list-style-type: none"> - Reduced competitiveness of certain services (capacity and functions) 	<ul style="list-style-type: none"> ✓ Enhancement of capacity and functions - Stronger cooperation with distributors (with 4Q to 1Q of FY2009 as the target)
Security Services	Delays occurred	<ul style="list-style-type: none"> - Delays in route expansion ->No progress in brand visibility overseas - Delays in overseas service expansion and provision 	<ul style="list-style-type: none"> - Overseas distributors are increasing steadily *Particularly good results in the United States - Enhanced salability of overseas merchandise (with 4Q to 1Q of FY2009 as the target)

Financial Highlights: Balance Sheet (Consolidated)

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Maintaining financial stability and preparing for future investment

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

	Dec. 31, 2007	Jan-Sep 2008	Composition
Current Assets	3,244	2,780	51.6%
Fixed Assets	2,530	2,627	48.4%
Total Assets	5,775	*1 5,407	100.0%
Current Liabilities	2,043	1,843	37.0%
Long-Term Liabilities	70	52	1.0%
Total Net Assets	3,661	3,511	62.0%
Liabilities and Net Assets	5,775	*2 5,407	100.0%

Major change factors (against end of previous term)

*1 Goodwill -159, Long-term prepaid expenses -115 : Depreciation for security services

*2 Increase in advances received +74, Decrease in accrued corporate tax -220 : Rise in advances received on the back of strong orders

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Financial Highlights: Cash Flow Statement (Consolidated)

Investing activities with a view to M&A and business expansion in the next and subsequent years

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

	Jan-Sep 2007	Jan-Sep 2008	Increase
Cash Flow from Operating Activities	596	233	-363
Cash Flow from Investing Activities	-484	-583	-99
Cash Flow from Financing Activities	-436	-267	169
Decrease in Cash and Cash Equivalents	-310	-651	-341
Cash and Cash Equivalents	2,283	1,693	-590

Major change factors

CF from Operating Activities: Income Before Income Taxes -195

Corporate Taxes Payable +174

Payments of exit penalties on derivatives -118

CF from Investing Activities: Payments for acquisition of software, etc. -215

Expenditure on acquisition of web hosting services -48

CF from Financing Activities: Decrease in Short-term Loans (07 1Q) -200

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Financial Highlights: Medium-Term Roadmap

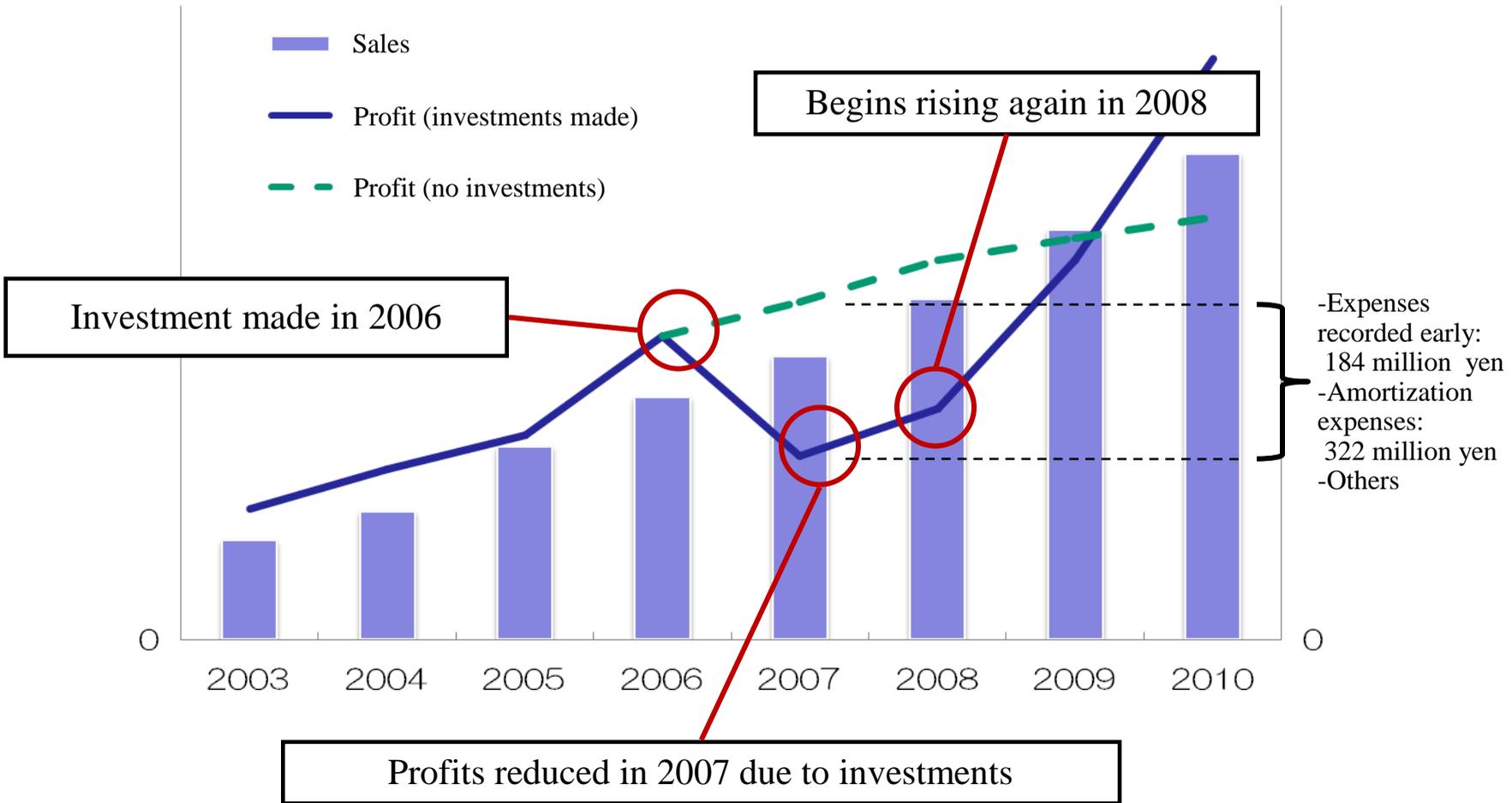
Investment recovery and growth acceleration scenarios

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3. Strategy

3-1 Hosting Business

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Hosting Business: Summary

Cut costs while continuing to invest in Managed Hosting

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- ✓ Latent growth potential in domestic market remains high
- ✓ Grow market with a focus on the Managed Hosting Service
- ✓ Concentrate investment on the high-growth Managed Hosting Service.
Full scale investment recovery from next year onwards
- ✓ From now on, continue reducing costs, increasing high value-added services and maximizing economies of scale

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Hosting Business: The Market

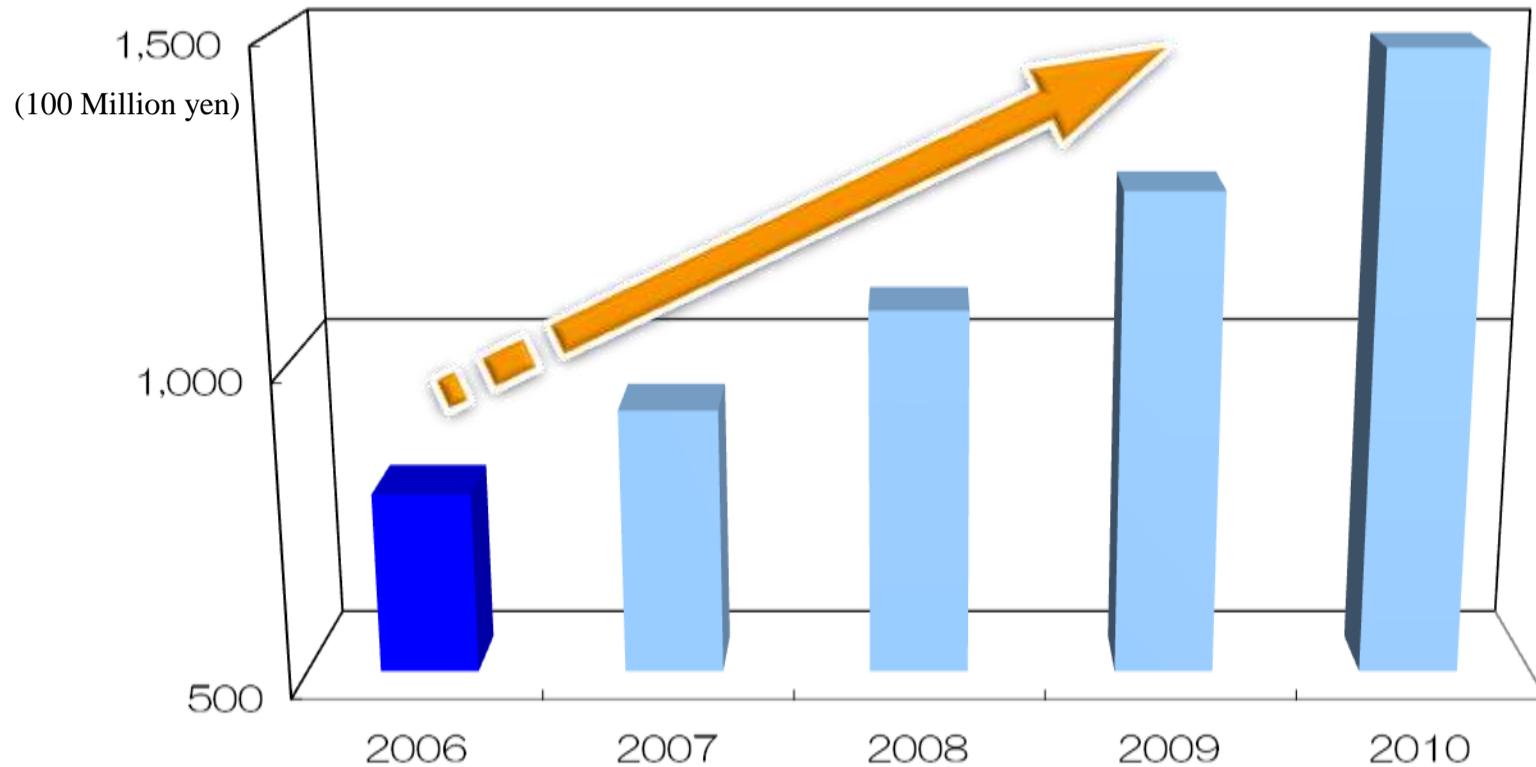
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The market continues to grow with a focus on Managed Hosting



Source: IDC Japan Press Release

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90% growth projected from 2006 to 2010

Hosting Business: Market Environment

High value-added services will lead the market in the future

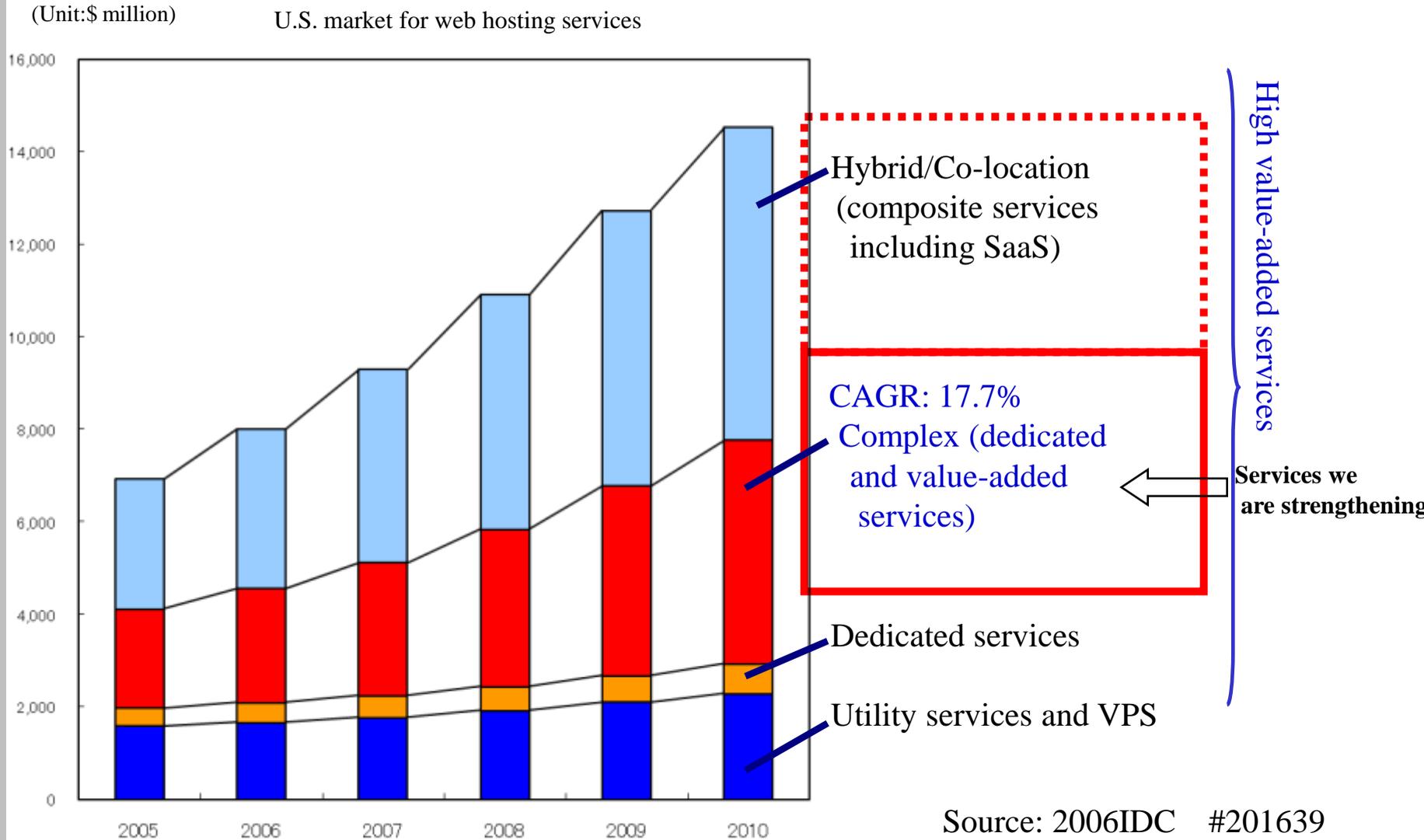
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Source: 2006IDC #201639

Hosting Business: Market Environment

1. Summary and Conclusion

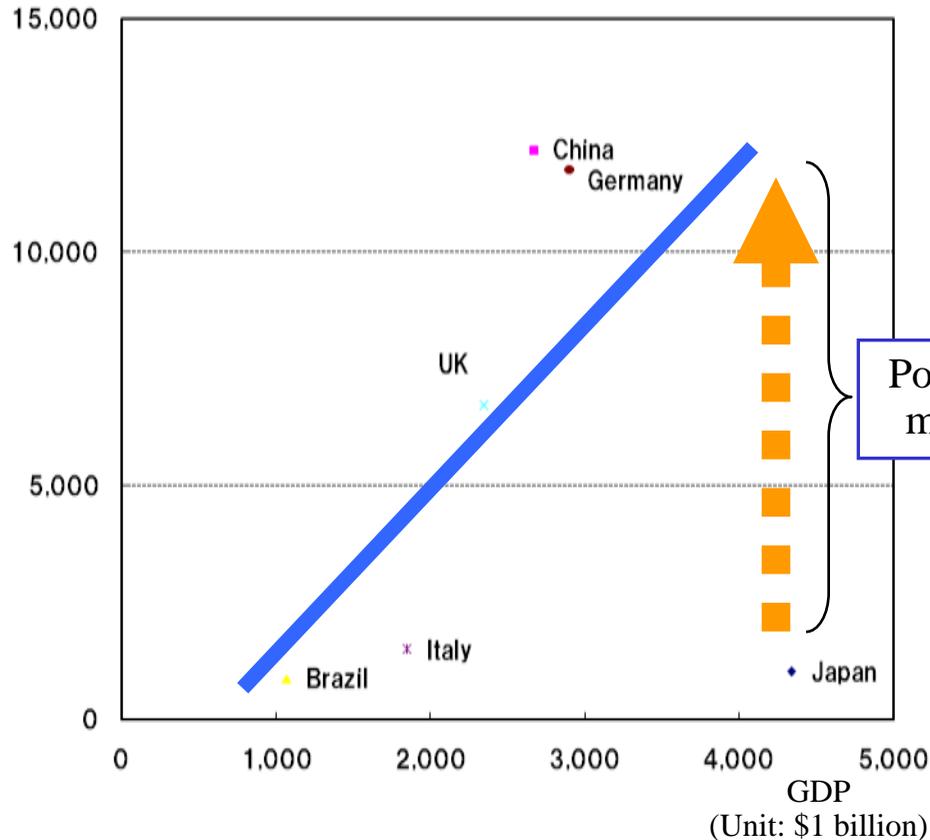
2. Financial Highlights

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There is still a sizeable potential market for the Internet business in Japan

Number of registered domains
(Unit: 1,000 domains)



	Domain(1)	GDP(2) (\$ billion)	(1)/(2)
Japan	1,012,199	4,340	233
China	12,188,000	2,668	4,568
Brazil	868,249	1,068	813
UK	6,700,000	2,345	2,857
Italy	1,482,000	1,845	803
Total	11,772,000	2,907	4,050

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Source : Nominal GDP, Ministry of Foreign Affairs, Major Economic Indices
Japan Network Information Center
China Internet Information Center Web Page

Hosting Business: Number of Customers and Sales by Service

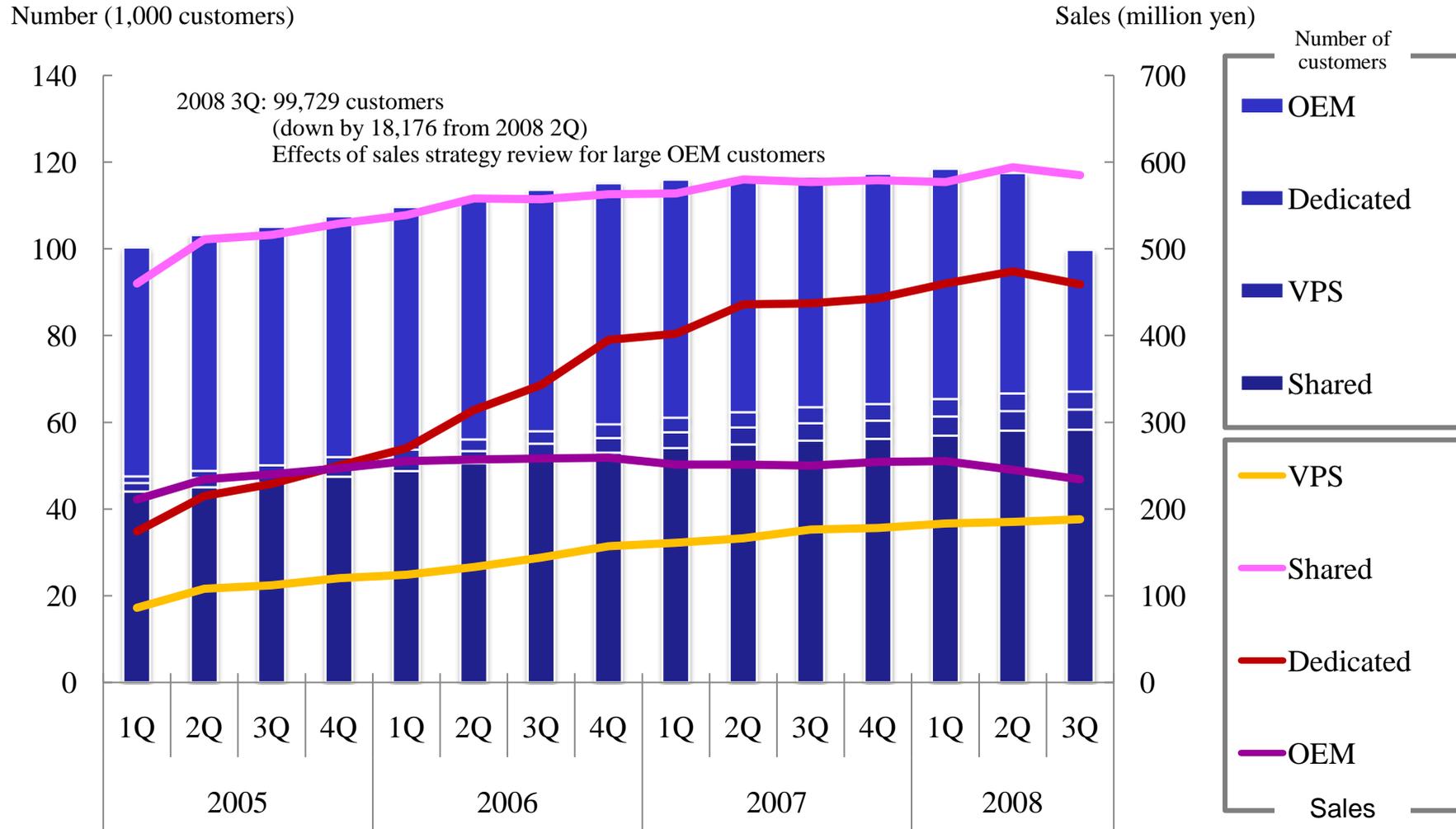
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No. of OEM customers decreases but high-end products grow by 12.8% YoY



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Hosting Business: Average Price Increases

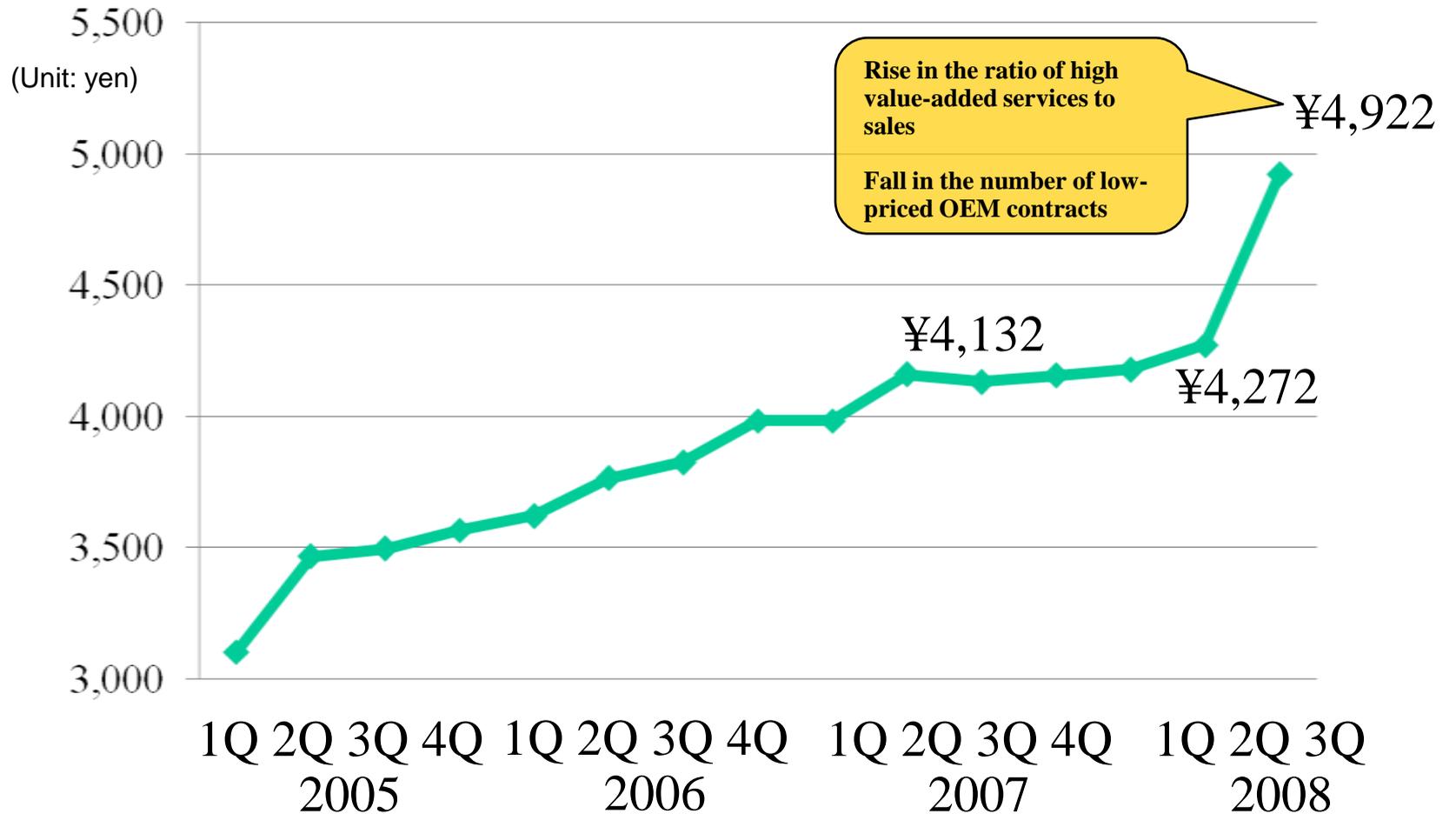
Customer unit prices are rising in line with the percentage of higher-priced products.

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Customer unit prices continue to rise with the increase in high-end services

Hosting Business: Service Strategy

Developing high value-added products by leveraging our strengths

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Managed Hosting Service

- Establishing, monitoring, operating and maintaining systems for networks and servers. Expanding customer layers and service with business assignment.

VPS/Dedicated Hosting Service

- Increasing the number of cases, using market growth as a stimulus
- Responding to upgraded needs resulting from the shared service

SaaS (Software as a Service)

- Expanding service functions
- Exchange services

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Hosting Business: Market Growth Forecasts

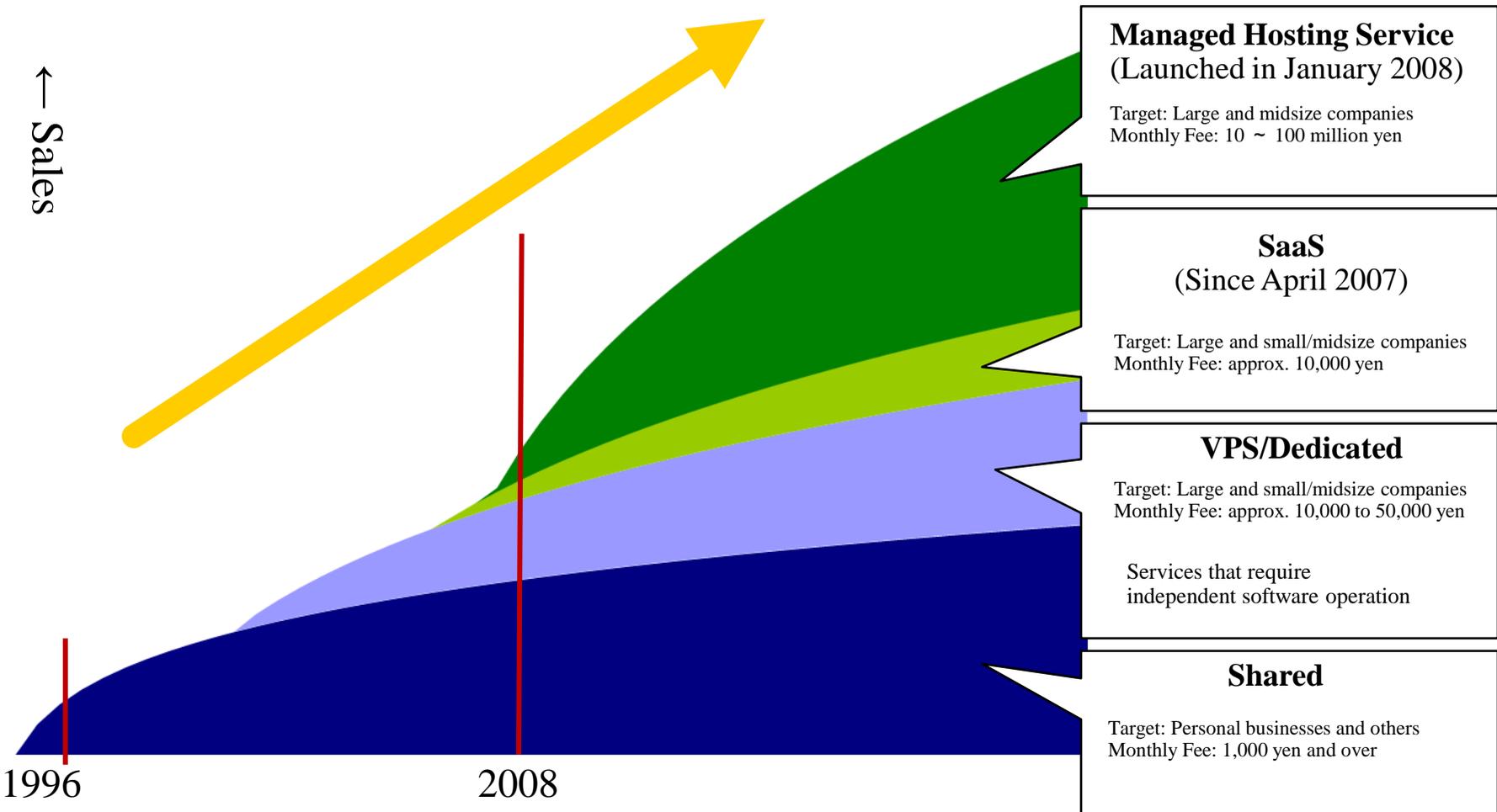
Business opportunities for the Company will expand with growth in the Managed Hosting Service Market.

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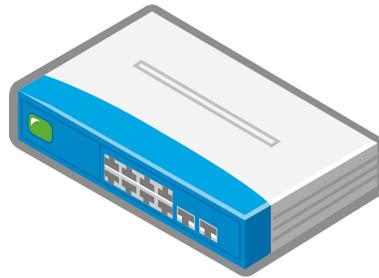
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Hosting Business: Assignment of Business (1)

Dedicated and managed hosting services

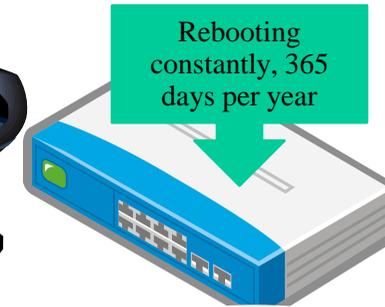
Dedicated Services



Managed Services



Monitoring/
recovery



Rebooting
constantly, 365
days per year



Backup



Setup

Operation	Dedicated	Managed
Server development	Customers	GMO can substitute
Server management	Customers (GMO provides management tools)	GMO can substitute
Server monitoring and recovery services	Standard provision of monitoring services	Provision of recovery services in addition to monitoring services

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Hosting Business: Assignment of Business (2)

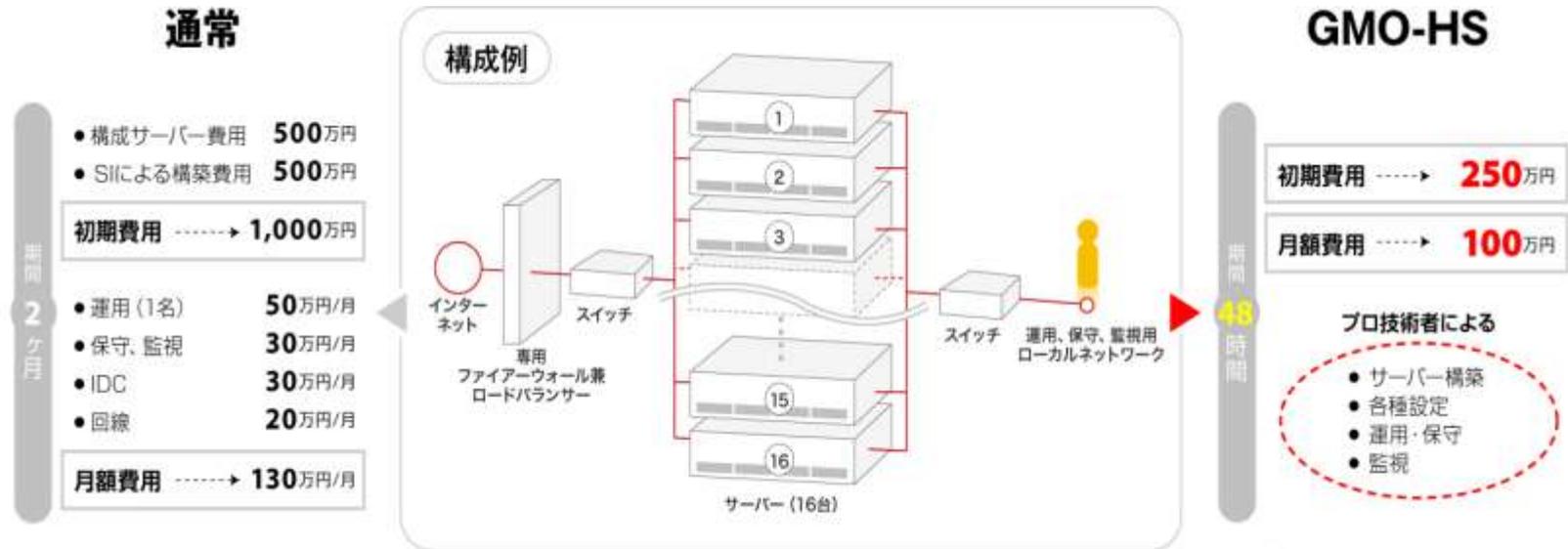
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Introduction to managed web hosting services



Internal development: Initial expenses
 : ¥10 million
Monthly expenses
 : ¥1.3 million
Required development time
 : 2 months



GMO development: Initial expenses: ¥2.5 million
Monthly expenses: ¥1 million
Required development time: 48 hours

Managed hosting services

reduce costs and shorten introduction period



Substantial benefits for customers

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Hosting Business: Future Strategies

Enhance corporate value with overall cost reductions

1. Summary and Conclusion

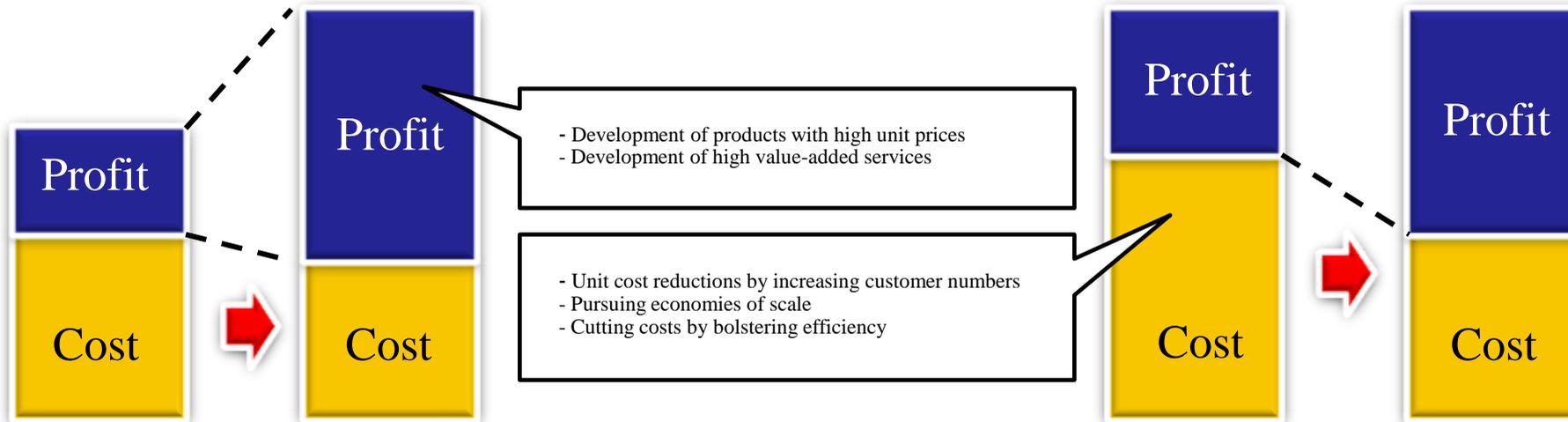
2. Financial Highlights

3. Strategy

4. Financial Forecast

High-end products
=Higher added value

Low-end products
=Cost savings



- Development of products with high unit prices
- Development of high value-added services

- Unit cost reductions by increasing customer numbers
- Pursuing economies of scale
- Cutting costs by bolstering efficiency

- Further increase in number of contracts
- Launching Managed Hosting Service(1Q-)
- M&A (Managed Hosting Service)

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



- Brand power enhancement
- Corporate value enhancement

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3. Strategy

3-2 Securities Business

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Securities Business: Summary

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- ✓ Domestic and overseas markets are enjoying sustained growth
- ✓ Chinese subsidiary established February 2008.
Establishment of major bases is now complete.
- ✓ Expand sales routes, develop services to respond to diverse needs
(Domestic) Co-development with Yahoo!, commence service from 17th November, and provide a service for electronic certificates complying with **logistics BMS**

(Overseas) Overseas merchandise reinforcement
Development of distributors
- ✓ From now on, target set for further expansion of sales route, concentrating on overseas business and enhancing internal control.

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Securities Business: Historical Quarterly Results

Although results are steady, sales are lagging behind plan

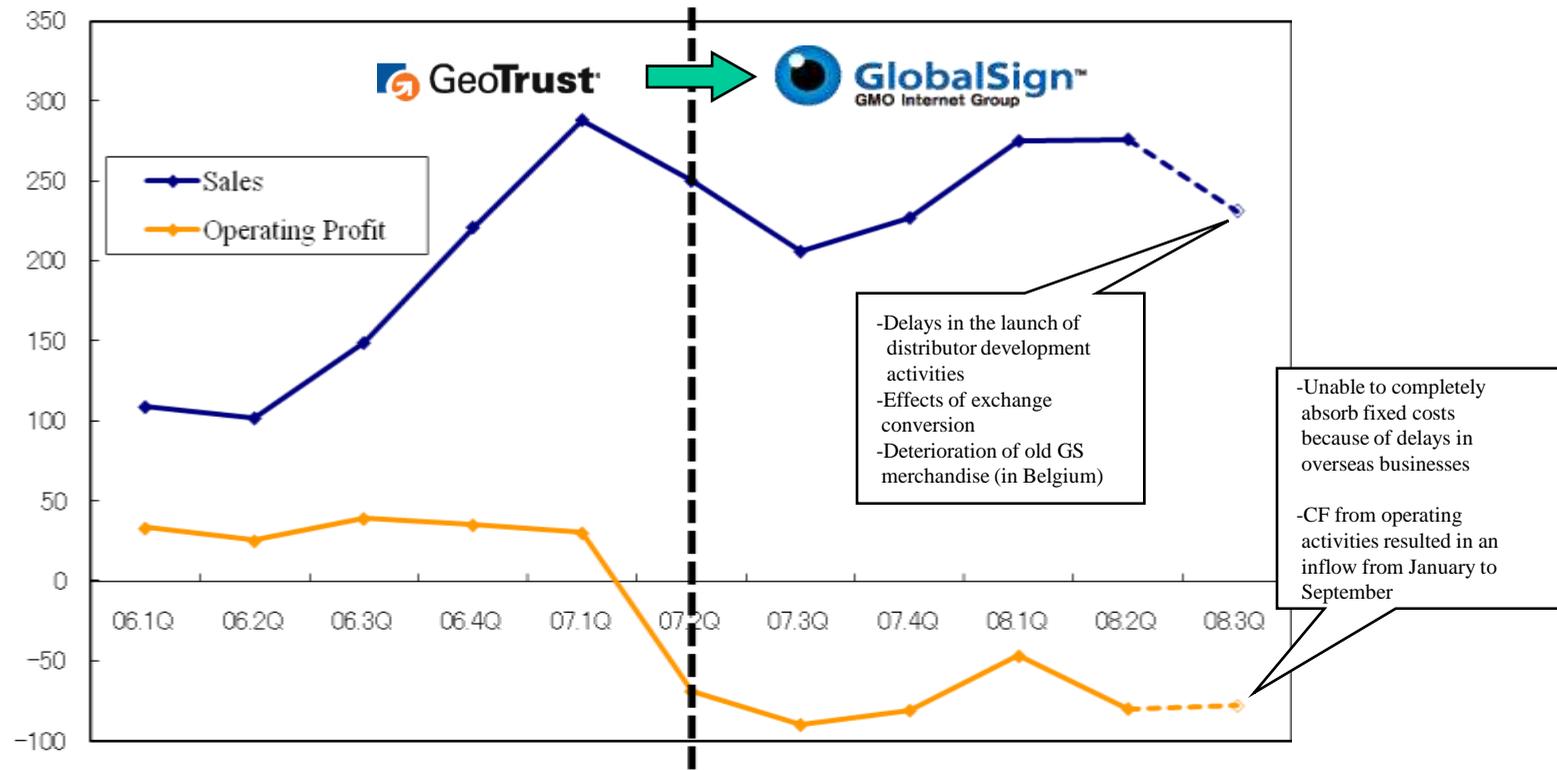
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Sales and Operating Profit, Quarterly transition



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Securities Business: Factor Analysis and Responses

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Advance route and service expansion

Region	Progress of initiatives (- : in progress; ✓ : completed)		Future directions
	Enhancement of product salability	Distributors	
Japan	<ul style="list-style-type: none"> ✓ Joint development with Yahoo (in 17th November) 	<ul style="list-style-type: none"> ✓ One-click SSL (major hosting service operator, etc.) ✓ Code signing certificate (Marubeni Infotec) 	<ul style="list-style-type: none"> Ongoing development of latent markets Stronger cooperation with distributors
Overseas	<ul style="list-style-type: none"> ✓ Firefox response (end of August) ->EVSSL green display secured - Renewal of old GS merchandise ✓ Certificate for Adobe Air ✓ PDF document signing certificate 	<ul style="list-style-type: none"> - One-click SSL - Code signing certificate 	<ul style="list-style-type: none"> Service reinforcement Ongoing development of latent markets Stronger cooperation with distributors

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Securities Business: Situation and future directions

Improve results progressively

1. Summary and Conclusion

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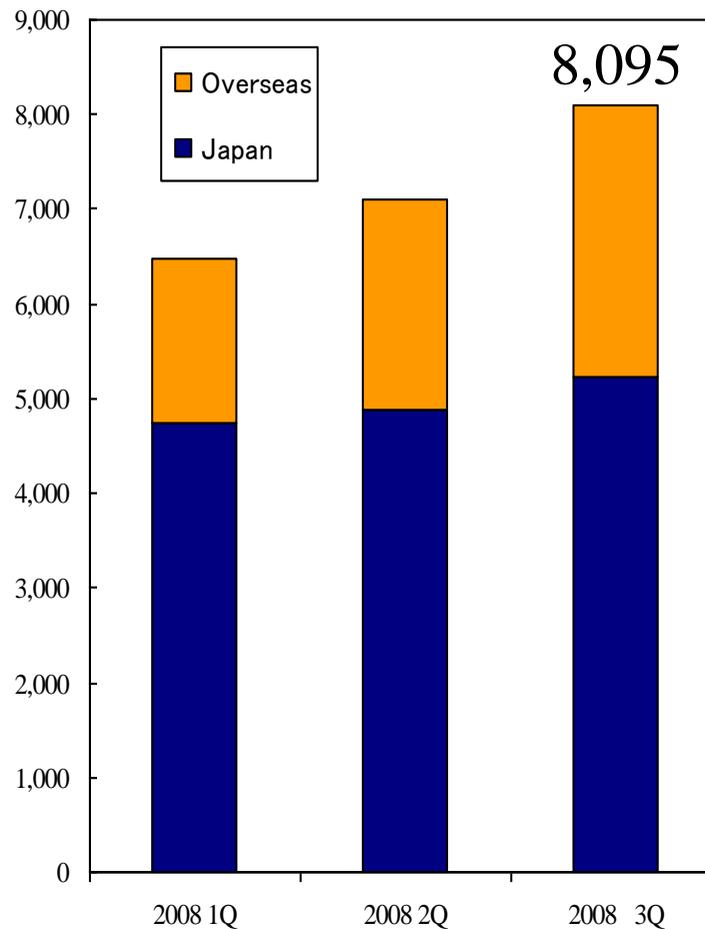
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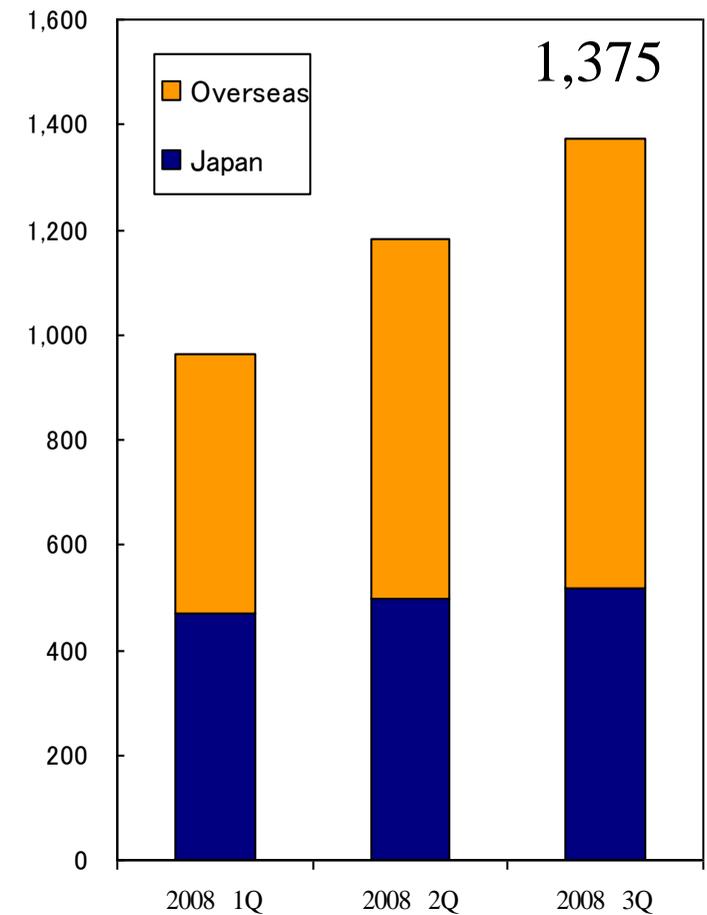
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SSL server certificates (on an issue basis)



Number of distributors



Securities Business: Number of Certificates issued

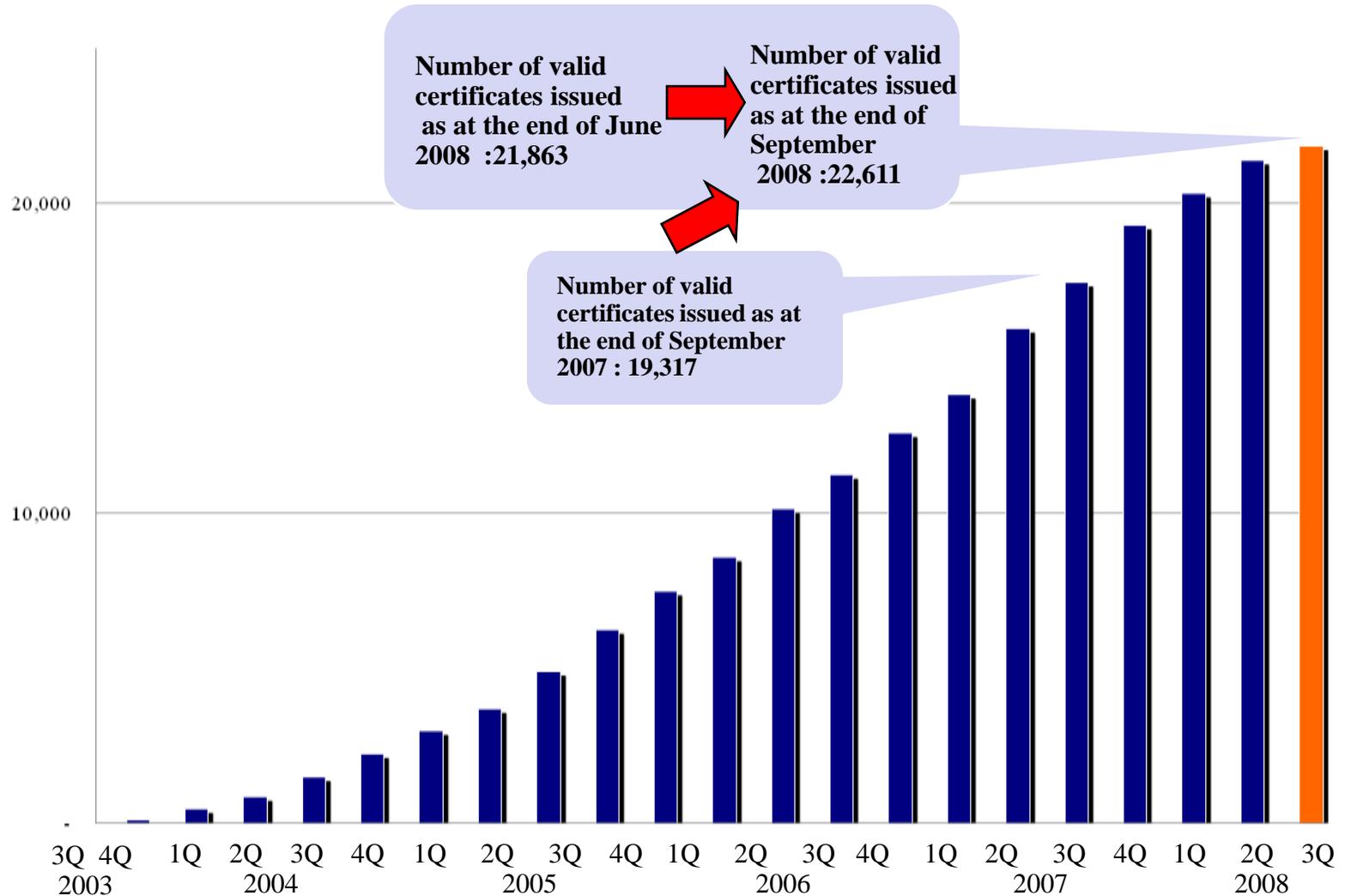
Number of certificates issued rose 17.1% YoY and 3.4% from 2Q.

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Securities Business: Market Environment (Domestic)

1. Summary and Conclusion

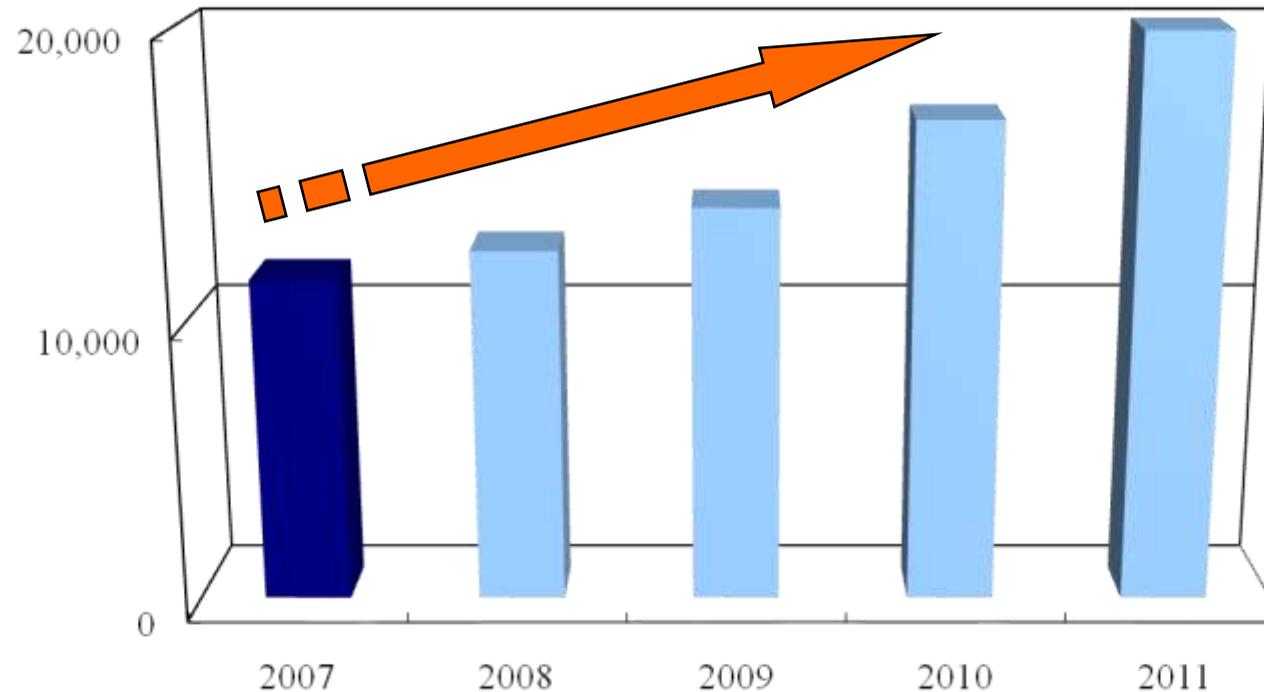
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Average market growth rate 15%

(Unit: million yen)



Source: Fuji Chimera Research Institute

Service use is expanding, irrespective of company size.
Growth will accelerate with the enactment of e-document laws, J-SOX and other laws, as well as the dissemination of IE7.

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Securities Business: Market Environment (Overseas)

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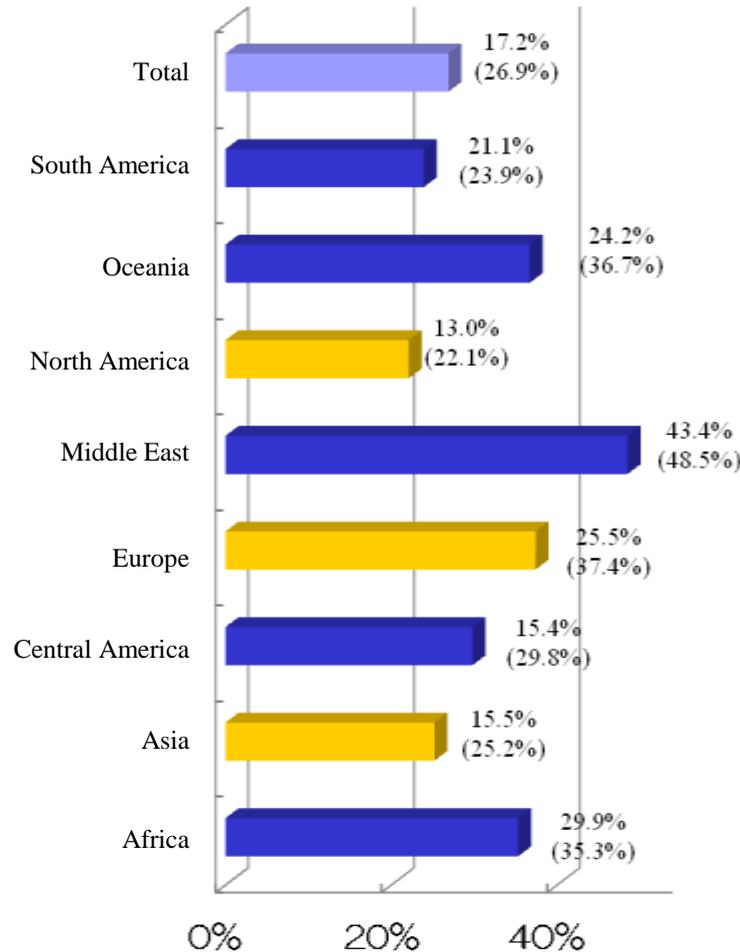
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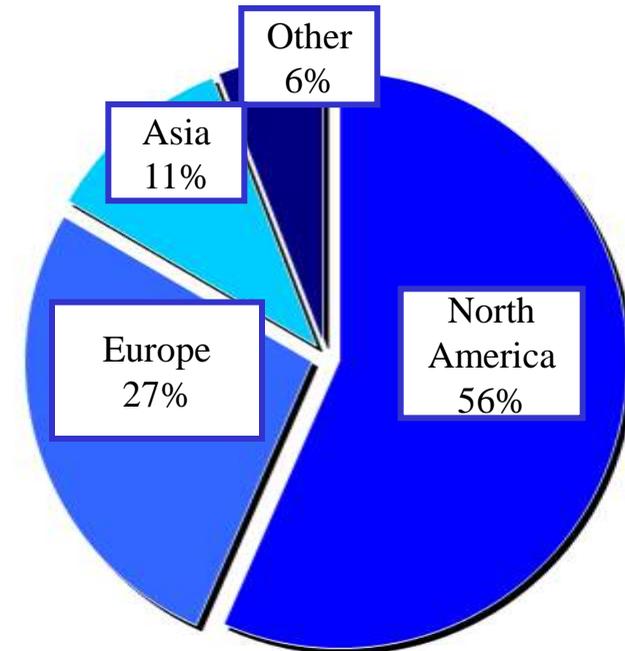


Worldwide Growth rate +17.2%

Number of server certificates issued



Growth rate by region/market share



Source: Netcraft survey and own estimate as of September 2008

Figures in brackets are those for April 2008.

Securities Business: Further Acceleration of Growth

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Numerous market opportunities to accelerate growth

(1) Stricter requirements for the display of IE7 when Certificates are not available



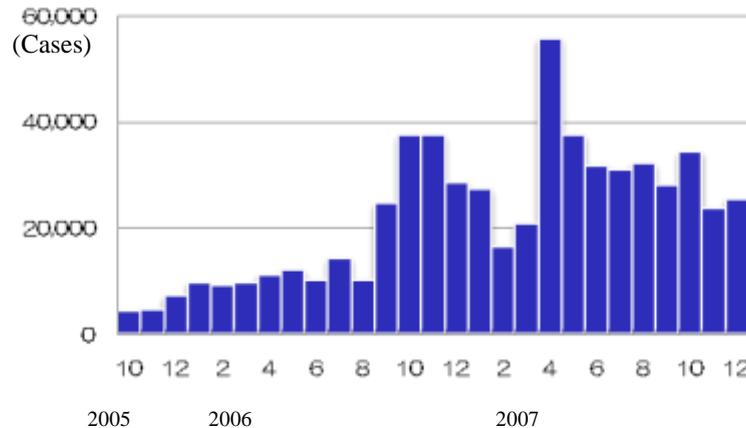
*When a website with an unacceptable server certificate is accessed, IE7 displays a warning message.

*Microsoft will start distributing IE7 to XP users on February 13 via automatic upgrades.



Market growth offers further potential for expansion.

(2) Number of phishing websites surged



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

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Securities Business: Service Development (illustration)

Respond immediately to new requirements and expand market share

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Existing market

Players → Several companies

Number of customers → Large

Potential market

Players → Minority

Number of customers → Very large

- Main Customers
Hosting operators
Manufacturers
- Main requirements :
Simple, low-cost, safe operation



- Compatibility with web hosting
- Tie-up with domain service providers
- One-Click SSL
- Service with Yahoo!
- E-certificate for logistics BMS, recommended by METI

→ We have significant opportunities for growth

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Securities Business: Service Development

Strengthen global promotion : Worldwide deployment of One-click SSL

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✓ What is “One-click SSL”?

An SSL server certificate issuing service that eliminates the need for the customer to order SSL, install server certificates, or undertake the complex work related to obtaining the certificates (highly differentiated product).

-> Patent already obtained by GlobalSign

-> For hosting operators and application vendors

✓ Concentrated sales at worldwide bases (uncover potential market)

-> Expand sales at all major bases, with the main focus on the USA

✓ Expect a major contribution to profit after FY2009

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Securities Business: Future Business Development

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Consolidate protection while maintaining aggressive stance

- Flexible service provision tailored to customers' intended use
- Advance into overseas markets
- Establish internal control and management systems
- Diversify business risk by expanding appropriate product development

Consolidating protective and proactive measures for leading global IT companies from Japan

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Securities Business: Profit and Loss Structure

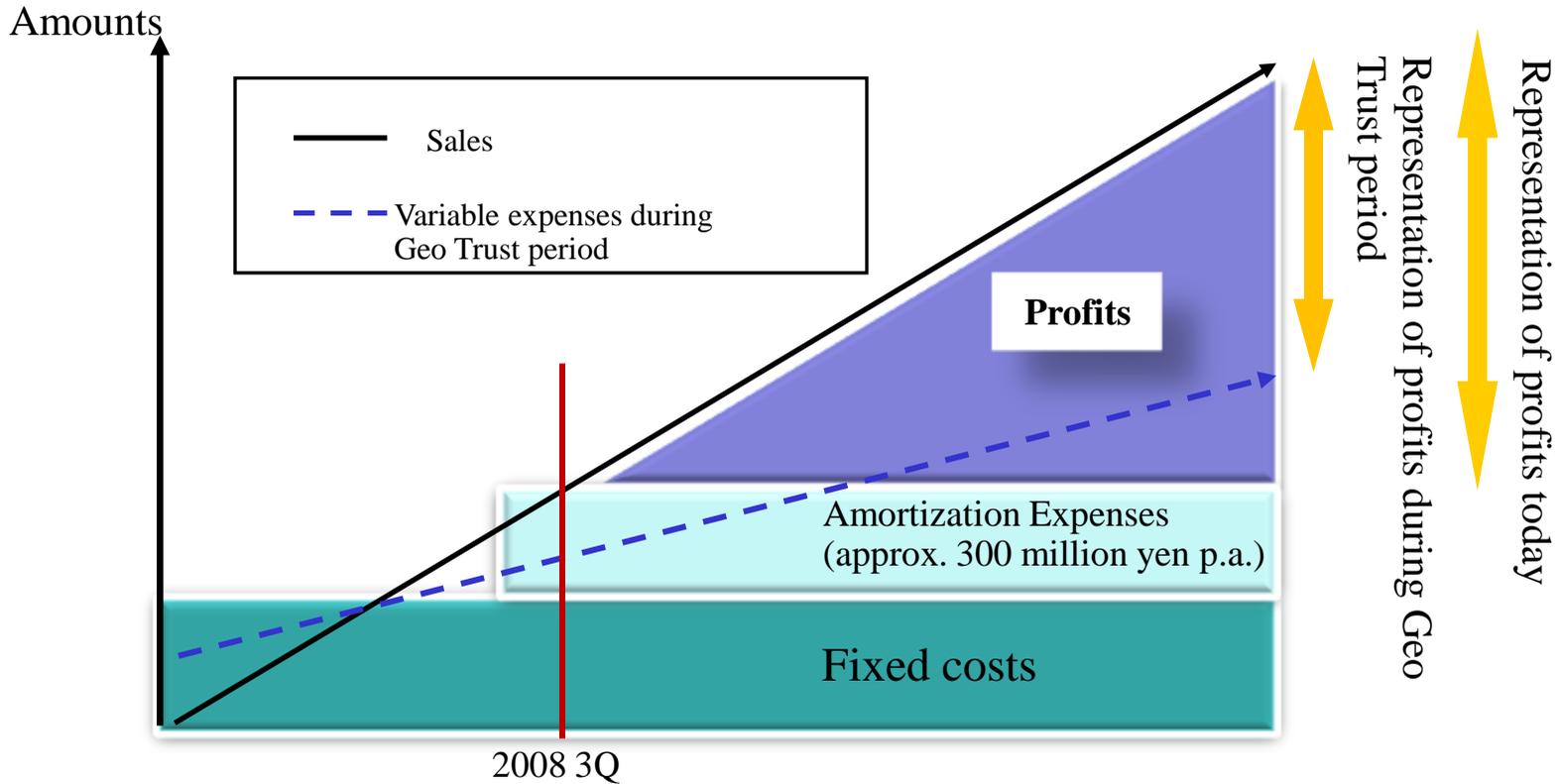
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High medium-term profit ratio achieved



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	Cost Structure	Sales	Products
Geo Trust period	<ul style="list-style-type: none"> - Low fixed cost + variable cost - Profit ratio virtually fixed 	<ul style="list-style-type: none"> - Domestic sales only - High growth ratio 	<ul style="list-style-type: none"> - Purchased products only - Complete dependency on supplier
Present	<ul style="list-style-type: none"> - Almost exclusively 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 internal development/enhancement - Semi-permanent potential for stable supplies

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Financial Forecast: Full-Year Business Forecast for FY 2008

Left unchanged in view of solid business progress

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

	FY2007	FY2008 (forecast)	YoY	Jan-Sep 2008	Progress against full-term forecast
Sales	6,742	8,062	19.6%	5,307	65.8%
Operating Profit	943	1,096	16.2%	657	59.9%
Ordinary Profit	812	1,083	33.4%	658	60.8%
Net Profit	371	530	43.0%	238	44.9%

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Achieve continued sales and profit growth by expanding high value-added products, growing security sales on an ongoing basis, and improving cost competitiveness

Financial Forecast: Segment Information

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Web hosting services will remain strong, and security services will achieve steady results despite business delays.

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

Sales	FY2007	FY2008 (forecast)	YoY	Jan-Sep 2008	Progress against full-term forecast
Web Hosting Service	5,742	6,330	10.2%	4,463	47.3%
Security Service	974	1,580	62.2%	783	34.9%
Other Service	25	151	604.0%	60	25.2%
Consolidated Total	6,742	8,062	19.6%	5,307	44.4%

Operating Profit	FY2007	FY2008 (forecast)	YoY	Jan-Sep 2008	Progress against full-term forecast
Web Hosting Service	1,165	1,155	- 0.9%	873	75.6%
Security Service	- 211	- 70	-	- 206	-
Other Service	- 20	11	-	-9	-
Amortization of consolidated adjustment account	9	-	-	-0	-
Consolidated Total	943	1,096	16.2%	657	59.9%

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Summary of Today's Presentation

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

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

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Thank you for your attention.



For inquiries about this material
please contact:

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