February 14, 2008

Summary of Financial Results for the Fiscal Year Ended December 31, 2007

Name of listed company: **GMO Hosting & Security, Inc.** Exchange: Mothers of the Tokyo Stock Exchange
Code: 3788 URL: http://www.gmo-hs.com/
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Contact: Tomofusa Miyama, Chief Director of Administration Telephone: 81-3-6415-6100
Scheduled date of general meeting of shareholders: March 24, 2008
Scheduled date of payment of dividend: March 25, 2008
Scheduled date of filing Annual Security Report: March 25, 2008

(Amounts rounded down to the nearest one million yen)

1. Consolidated Financial Results (from January 1, 2007 to December 31, 2007)

(1) Consolidated results of operations (Percentages represent year-over-year changes)

	Sales		Operating profit		Ordinary profit		Net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 2007	6,742	17.4	943	(30.3)	812	(43.5)	371	(56.2)
December 2006	5,744	26.0	1,353	33.0	1,438	48.3	847	43.1

	Net profit per share	Diluted net profit per share	ROE	Ordinary profit to total assets	Operating profit to sales
	Yen	Yen	%	%	%
December 2007	3,195.82	3,177.52	11.8	14.0	14.0
December 2006	7,356.57	7,252.34	27.7	28.4	23.5

Reference: Equity in earnings of affiliates (million yen) Dec. 2007: - Dec. 2006: -

(2) Consolidated financial conditions

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
December 2007	5,775	3,661	61.7	30,647.27
December 2006	5,792	3,438	57.8	28,918.46

Reference: Shareholders' equity (million yen) Dec. 2007: 3,564 Dec. 2006: 3,347

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Closing balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
December 2007	783	(693)	(440)	2,345
December 2006	1,325	(2,023)	168	2,594

2. Dividends

	Dividends per share					Total dividends (Annual)	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
(Record date)	1Q	Interim	3Q	Yearend	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
December 2006	-	-	-	2,180.00	2,180.00	252	29.6	8.2
December 2007	0.00	0.00	0.00	2,180.00	2,180.00	253	68.2	7.3
December 2008 (forecast)	0.00	0.00	0.00	1,600.00	1,600.00	-	35.1	-

3. Projections of Consolidated Business Results (from January 1, 2008 to December 31, 2008)

(Percentages represent year-over-year changes)

	Sales		Operating profit		Ordinary profit		Net profit		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	3,817	13.1	446	(19.2)	434	(25.7)	199	(35.1)	1,715.54
Full year	8,062	19.6	1,096	16.2	1,083	33.4	530	43.0	4,561.81

4. Other

(1) Important changes of subsidiaries during the term (change of specified subsidiaries that lead to a change in the scope of consolidation): None

Newly added: 2 (Global Web Co., Ltd., GlobalSign, Inc.) Excluded: 2 (Goovia Japan, Inc., H&S Japan, Inc.)

(2) Changes in accounting principles, procedures and presentation method, etc. of consolidated financial statements (those which are included in change in significant accounting policies that will be the bases for preparing consolidated financial statements)

1) Changes associated with the revision of accounting principles, etc.: Yes

2) Changes other than 1): None

Note: Please refer to “Changes in the Significant Items Concerning the Accounting Basis of the Consolidated Financial Statement” on page 29 for further information.

(3) Number of shares issued (common stock)

1) Number of shares issued at the end of the term (including treasury stock)

Dec. 2007: 116,310 shares Dec. 2006: 115,760 shares

2) Number of treasury stock at the end of the term

Dec. 2007: - shares Dec. 2006: - shares

Note: Please refer to “Per Share Information” on page 46 for the number of shares used in calculating consolidated net profit per share.

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Financial Results (from January 1, 2007 to December 31, 2007)

(1) Non-consolidated results of operations (Percentages represent year-over-year changes)

	Sales		Operating profit		Ordinary profit		Net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 2007	5,129	9.4	1,103	(8.6)	1,118	(8.1)	670	(5.2)
December 2006	4,688	17.9	1,207	14.3	1,217	20.8	706	13.7

	Net profit per share	Diluted net profit per share
	Yen	Yen
December 2007	5,773.15	5,740.09
December 2006	6,136.64	6,049.70

(2) Non-consolidated financial conditions

	Total assets	Net assets	Shareholders’ equity ratio	Shareholders’ equity per share
	Million yen	Million yen	%	Yen
December 2007	5,386	3,726	69.2	32,039.56
December 2006	5,182	3,301	63.7	28,518.43

Reference: Shareholders’ equity (million yen) Dec. 2007: 3,726 Dec. 2006: 3,301

2. Projections of Non-consolidated Business Results (from January 1, 2008 to December 31, 2008)

(Percentages represent year-over-year changes)

	Sales		Operating profit		Ordinary profit		Net profit		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	2,701	6.8	509	(9.9)	526	(14.0)	311	(17.9)	2,674.96
Full year	5,594	9.1	1,067	(3.3)	1,101	(1.5)	652	(2.7)	5,608.90

*** Explanation about the proper use of financial projections and other important notes**

The projected net profit per share for the full year is calculated based on the number of shares issued and outstanding at the end of December 2007 (116,310 shares).

The above projections are based on information currently available and involve significant uncertainties. Actual results may differ materially from the above stated projections due to changes in business conditions and other factors.

Please see “1. Results of Operations, (1) Analysis of Results of Operations” on page 3 for details about the above projections.

1. Results of Operations

(1) Analysis of Results of Operations

The Japanese economy remained on a recovery path in the fiscal year under review due to firm personal spending supported by improvements in the employment environment, and solid capital spending underpinned by rising corporate profits. However, the outlook for the economy became more uncertain due to surging crude oil prices and other raw materials prices, a deceleration of the US economy brought about by the subprime mortgage crisis, and foreign exchange rate volatility.

The Internet market in which the GMO Hosting & Security Group (hereafter “GMO-HS Group”) operates had 82.26 million users in Japan as of the end of February 2007 according to the *2007 Internet White Paper* issued by Impress Corporation. Also, broadband users reached 46.27 million according to the same white paper, suggesting the Internet market has begun to mature, and that Internet usage has begun to diversify.

In this business environment, the GMO-HS Group worked to enhance its lineup of high value-added products in the hosting business, centered on dedicated hosting services and Windows collaboration hosting services, under the catchphrase of “bringing smiles to both sides of the Internet.” In the securities business, the Group focused on selling its proprietary GlobalSign digital certificate services, and in addition to sales in Europe, it actively pursued sales in new markets including Japan and North America.

However, leading investments for the development of high value-added products weighed on profits in the hosting business. Also, the switch from the GeoTrust brand to the GlobalSign brand increased SG&A expenses, and the Group made leading investments to sharply expand its overseas business. These factors weighed on profits in the security services business. As a result, consolidated sales increased, but consolidated profits decreased.

Consolidated sales increased 17.4% year-over-year to 6,742,170,000 yen, operating profit declined 30.3% to 943,332,000 yen, ordinary profit declined 43.5% to 812,396,000 yen, and net profit declined 56.2% to 371,017,000 yen.

Results of operations by business segment are discussed below.

Hosting Business

The GMO-HS Group provides hosting services through the Company GMO Hosting & Security, Inc., as well as consolidated subsidiaries Hosting & Security, Inc. (US), @YMC Corporation, and Mighty Server, Inc.

The Group endeavored to expand sales and enhance its lineup of dedicated hosting services and virtual private server (VPS) hosting services to meet the increasingly sophisticated and diverse needs of users.

Also, the Group developed and launched Windows collaboration hosting services (see Note 1) in April to meet the needs of expanding mobile work and telework markets, and developed and launched other high value-added services.

The Group also worked to improve the service quality of its shared hosting services, by revising the availability-linked refund system for iCLUSTA services of the iSLE brand, and raised the server availability condition for target plans from a conventional 99.9% to one of the highest industry levels of 99.99%.

Consolidated sales in the hosting business increased 11.8% year-over-year to 5,742,247,000 yen, operating profit declined 4.6% to 1,165,660,000, and cumulative hosting services contracts totaled approximately 141,000.

Note 1: Windows collaboration hosting services enable users to freely combine the following three services: 1) an ‘Exchange service’ that allows users to share information and manage their schedules by e-mail, using a smart phone or other portable handset device; 2) a ‘SharePoint service’ that allows information to be shared securely with vendors and other third parties; and 3) an ‘IIS service’ that enables unified administration of several domains, and management of several websites.

Reference: Trend in cumulative hosting services contracts

	Fiscal 2006 (Dec. 31, 2006)	1Q Fiscal 2007 (Mar. 31, 2007)	2Q Fiscal 2007 (Jun. 30, 2007)	3Q Fiscal 2007 (Sep. 30, 2007)	Fiscal 2007 (Dec. 31, 2007)
Shared hosting services	53,000	54,029	54,909	55,718	56,139
Virtual private server (VPS) hosting services	3,332	3,630	3,848	4,049	4,202
Dedicated hosting services	3,193	3,352	3,563	3,712	3,841
OEM	79,456	78,833	77,631	77,079	77,038
Total	138,981	139,844	139,951	140,558	141,220

Securities Business

The GMO-HS Group provides securities services, centered on the issue of GlobalSign digital certificates authorized by consolidated subsidiary GlobalSign NV (Belgium), through consolidated subsidiaries GlobalSign K.K. (formerly GeoTrust Japan, Inc.), GlobalSign Ltd. (formerly Certification Services, Ltd.; UK), and GlobalSign, Inc. (US).

GlobalSign Ltd. (UK) launched GlobalSign certification services from January 2007, and GlobalSign K.K. (Japan) from July, reflecting the Group's progress in switching from the GeoTrust brand to the GlobalSign brand.

Also, GlobalSign, Inc. (US) was established in July 2007 in North America, the world's largest market, and services were launched from August. The Group now has a global sales structure spanning Japan, Europe, and North America.

In terms of services, the Group worked to aggressively expand its service lineup. The Group newly developed and launched Code Signing Certificates (see Note 1) that are compatible with a variety of software including Windows Vista, Java Platform 7, and Microsoft Office VBA Macro. Also, as a part of mainstay server certification services, the Group launched domestic sales of EV SSL (see Note 2).

Consolidated sales in the securities business increased 66.8% year-over-year to 974,099,000 yen, but the Group booked an operating loss of 211,441,000 yen due to start-up investments to establish a North American subsidiary, and goodwill amortization.

Note 1: 'Code Signing Certificates' are electronic certificates that add digital signatures to software. The certificates authorize the software's original distributor, regardless of where it has been sent, and guarantee that the software has not been tampered with.

Note 2: 'EV SSL (Extended Validation SSL)' are server certificates issued through a strict authorization process, and address bars turn green when verified by Internet Explorer 7. Access users do not need to open the certificate to confirm the authorization level because they can visually determine the safety of a website's access through the change in color to green.

Other

The GMO-HS Group established Global Web Co., Ltd. (Japan) in a joint venture with Global Web. Co., Ltd. (Korea) in March 2007 to launch website production services. Speed translation services were launched from October.

Consolidated sales in this segment were 25,823,000 yen, and operating loss 20,309,000 yen.

Note: Year-over-year comparisons have not been included because the "other" business included server administration application sales in the previous fiscal year, and the Group effectively exited from this business in Fiscal 2006.

Forecasts for the new fiscal year

The Internet services market, in which the GMO-HS Group operates, is experiencing greater customer usage and demands for more diversified services. Against this backdrop, the Group aims to improve customer satisfaction and expand the market by providing products and services that meet customer needs and wants. Specifically, in the hosting business, the Group will develop and provide managed hosting services to meet the need for stable and high-security hosting services, and will provide high value-added services such as vulnerability checks. The Group will also strengthen its relationship with sales agencies, a major sales channel for the Group, to improve the satisfaction of existing customers. Additionally, the Group will introduce a mission-critical system to build a framework for the rapid provision of a wide range of services, and will work to optimize the allocation of management resources and reduce costs.

In the securities business, the Group will develop a variety of services that reflect customer needs to maintain and strengthen the competitiveness of the GlobalSign brand, and will leverage its price competitiveness to expand the brand's global market share.

In the "other" business, the Group will focus on providing website production support services that are easy to understand, of high quality, and that can be safely introduced at optimal prices.

The Group's earnings projections for Fiscal 2008 are as follows.

Consolidated forecasts (from January 1, 2008 to December 31, 2008)

	Fiscal 2008	YoY change	Fiscal 2007
	Million yen	%	Million yen
Sales	8,062	19.6	6,742
Operating profit	1,096	16.2	943
Ordinary profit	1,083	33.4	812
Net profit	530	43.0	371

Non-consolidated forecasts (from January 1, 2008 to December 31, 2008)

	Fiscal 2008	YoY change	Fiscal 2007
	Million yen	%	Million yen
Sales	5,594	9.1	5,129
Operating profit	1,067	(3.3)	1,103
Ordinary profit	1,101	(1.5)	1,118
Net profit	652	(2.7)	670

* The above projections are based on information currently available and involve significant uncertainties. Actual results may differ materially from the above stated projections due to changes in business conditions and other factors.

(2) Analysis of Financial Position

1) Assets

The balance of assets at the end of the current fiscal year was 5,775,048,000 yen, down 17,628,000 yen from the end of the previous fiscal year. The main factors behind the decline were depreciation of tangible and intangible fixed assets, and goodwill amortization.

2) Liabilities

The balance of liabilities at the end of the current fiscal year was 2,113,858,000 yen, down 240,511,000 yen from the end of the previous fiscal year. The main factors behind the decline were repayment of short-term debt, and a decline in accrued corporate taxes.

3) Net assets

The balance of net assets at the end of the current fiscal year was 3,661,189,000 yen, up 222,882,000 yen from the end of the previous fiscal year. The main factors behind the increase were an increase in capital and capital reserves from the exercise of stock options, and an increase in earned surplus.

4) Cash flows

Cash and cash equivalents (hereafter ‘cash flows’) at the end of the current fiscal year totaled 2,345,337,000 yen, down 249,316,000 yen from the start of the fiscal year. Trends in cash flows by activity are described below.

Operating cash flows

Cash flows from operating activities in the current fiscal year were 783,589,000 yen. Negative factors included the payment of 687,171,000 yen in corporate taxes, while positive factors included the booking of 844,783,000 yen in net profit before taxes and adjustments, and a 109,644,000 yen increase in advance received.

Investing cash flows

Cash flows used in investing activities in the current fiscal year were 693,575,000 yen. The main factors were 97,089,000 yen in outlays for the acquisition of GlobalSign NV, now a consolidated subsidiary, and 482,054,000 yen in outlays for the purchase of tangible and intangible fixed assets.

Financing cash flows

Cash flows used in financing activities in the current fiscal year were 440,269,000 yen. Positive factors included 9,000,000 yen in income from minority shareholders in Global Web Co., Ltd., a newly established company, while negative factors included 200,000,000 yen in outlays for the repayment of short-term debt, and 251,178,000 yen in dividend payments.

Reference: Cash flow indices

	Fiscal 2005	Fiscal 2006	Fiscal 2007
Shareholders’ equity ratio (%)	63.9	57.8	61.7
Shareholders’ equity ratio based on market cap (%)	2,095.9	317.7	155.1
Interest-bearing debt to cash flow ratio	-	0.11	0.12
Interest coverage ratio	-	4,417.31	159.18

Notes: 1. The above figures are calculated as follows.
Shareholders’ equity ratio: Shareholders’ equity / Total assets
Shareholders’ equity ratio based on market cap: Market capitalization / Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows
Interest coverage ratio: Cash flows / Interest payments
2. All indices are calculated based on consolidated figures.
3. For Fiscal 2005, the interest-bearing debt to cash flow ratio, and interest coverage ratio, are not presented since we had no interest-bearing debt balance or interest payments.

(3) Basic Policy on Profit Distributions; Dividends for the Current and New Fiscal Year

GMO-HS (“the Company”) strives to continuously enhance internal reserves, but also believes strongly in returning profits to shareholders, and thereby targets a payout ratio (against consolidated net profit) of over 35%.

The Company plans a dividend of 2,180 yen per share for the fiscal year under review.

For the new fiscal year, the Company targets a payout ratio (against consolidated net profit) of over 35%.

The Company’s policy is to ensure sufficient surplus funds to allow two dividends to be paid annually, an interim dividend and a yearend dividend, but the Company plans to pay only one dividend from surplus funds in the new fiscal year, a yearend dividend, as it intends to secure necessary internal funds to strengthen the corporate structure.

Shareholders at the general shareholders meeting make the final decision on the yearend dividend to be paid from surplus funds, and directors in the board of directors decide the interim dividend.

Limits on the number of dividend payments allowed in a fiscal year were abolished following implementation of the Company Law, but the Group does not plan any major changes to its by-laws, or to implement quarterly dividends.

(4) Business and Other Risks

Various risks could materially impact the GMO-HS Group’s earnings going forward. Below we discuss some potential risk factors to the Group’s business operations. We have also included items that we believe are important for investors to know about the Group, from a disclosure standpoint, before making investment decisions, but are not necessarily risk factors to the business. By recognizing potential risks, we will work to prevent their occurrence and prepare an appropriate response in the event that they do occur. Nevertheless, any investment decision regarding our stock should be made after careful consideration of all the risk factors delineated below and other relevant items in this report.

1) Risks related to the GMO-HS Group’s relationship with its parent company

(a) Risks related to the GMO-HS Group’s positioning within the GMO Internet Group

The GMO-HS Group is a part of the corporate GMO Internet Group which centers on the parent company GMO Internet, Inc. GMO Internet owned 51.3% of the outstanding stock of GMO-HS at the end of December 2007. The GMO Internet Group operates two business segments under the corporate slogan “Internet for Everyone”: Internet Use Support (Internet Infrastructure), and Internet Advertising Support (Internet Media). The GMO-HS Group is in charge of web hosting and Internet security services classified in the Internet Use Support (Internet Infrastructure) segment, and its position within the GMO Internet Group has remained fundamentally unchanged since joining the group in May 2001. The GMO-HS Group is responsible for providing the technological foundation of hosting services, selling hosting services under its proprietary brand, and providing hosting services to the GMO Internet Group on an OEM basis. However, a change in the GMO Internet Group’s basic policy toward the GMO-HS Group could impact the Group’s business and earnings.

(b) Risks related to business with the GMO Internet Group

The GMO-HS Group’s consolidated sales to GMO Internet, Inc. totaled 888,141,000 yen in Fiscal 2006 (representing 15.5% of the GMO-HS Group’s consolidated sales), and 892,674,000 yen in Fiscal 2007 (13.2%). A change in GMO Internet’s business strategy, management policy, earnings performance, or financial condition, could impact the Group’s business and earnings.

The GMO-HS Group does not own data centers, but it pays several Internet data center (IDC) companies for housing services and Internet connection services to operate servers for the hosting business. The GMO-HS Group paid IDCs 598,797,000 yen in Fiscal 2007, and 415,772,000 yen of this, or 69.4%, was paid to GMO Internet.

‘Housing services’ refers to the provision of rack space with Internet connections, and ‘Internet connection services’ refers to enabling GMO-HS to operate servers via the Internet by connecting IDC-owned network connection equipment (from backbone routers to upper-end connection equipment) to L2 switches (see note) operated by GMO-HS.

Housing and Internet connection services are essential to the GMO-HS Group's hosting business, but the Group's business and earnings could be impacted if it were no longer able to use GMO Internet's data centers because of a change in that company's business strategy or management policy.

Note: An L2 (layer 2) switch is an intermediate piece of networking equipment that decodes link layer 2 (hence 'layer 2') data and decides whether to forward packets to lower-end servers or upper-end backbone routers.

See the table below for monetary transactions between the GMO-HS Group and the GMO Internet Group in Fiscal 2007. Note that small monetary transactions between the groups of less than 10,000,000 yen have been omitted.

Type of related party		Parent company					Sister company, etc.
Company name		GMO Internet, Inc.					paperboy&co.
Location		Shibuya-ku, Tokyo					Shibuya-ku, Tokyo
Capital (Thousands of yen)		12,631,977					74,453
Business		Comprehensive infrastructure solutions for the Internet					Web hosting for non-corporate customers
Voting rights		Directly own 51.3% of GMO-HS stock					-
Relationship	Directors, etc.	3 concurrent directors					-
	Business	Sales, procurement, leasing, etc.					Sales
Business transactions		Sales of GMO-HS's hosting services (Note 2. 1)	Payments for equipment rental and use of facilities (Note 2. 1)	Payments for leases and outsourced services (Note 2. 2)	Deposit of funds (Note 2. 3)	Receipt of interests (Note 2. 3)	Sales of GMO-HS's hosting services (Note 2. 1)
Transaction amount (Thousands of yen)		882,251	532,631	155,391	1,200,000	309	58,850
Account title		Accounts receivable -trade	Accounts payable -trade	Accounts payable -other	Affiliate deposits	-	Accounts receivable -trade
Term-end balance (Thousands of yen)		77,163	2,108	51,053	-	-	5,264

Notes: 1. Consumption tax has not been included in the above transaction amounts, but has been included in term-end balances.

2. Transaction conditions and policies regarding transaction conditions

1) Transaction decisions are made following negotiations after a comprehensive review of the size of the transaction and other factors, as is the case with transactions with companies unrelated to the Group.

2) GMO Internet's one-off burden includes the portion of expenses covering use by the GMO-HS Group.

3) Affiliate deposits refer to funds placed with GMO Internet or its affiliates for up to three months using a cash management service to unify and efficiently manage the funds. Interest received is determined based on market rates.

(c) Risks related to concurrent directorships between GMO-HS and GMO Internet, Inc.

Three of ten GMO-HS board directors serve concurrently as directors on the board of GMO Internet, and their names and positions within GMO-HS and GMO Internet are as follows:

Name	Position within GMO-HS	Position within GMO Internet
Mitsuru Aoyama	President & CEO	Director (Part-time)
Masatoshi Kumagai	Representative Director (Part-time)	CEO & Representative Director
Masashi Yasuda	Director (Part-time)	Senior Managing Director

GMO-HS has invited two directors from GMO Internet to serve as part-time board directors to obtain business advice, and the GMO Internet has invited GMO-HS's president and CEO to serve as a part-time board director to offer business advice.

2) Risks related to the GMO-HS Group's businesses

(a) Risks related to overdependence on one specific business

The hosting services, the GMO-HS Group's mainstay business, accounted for 89.4% of consolidated sales in Fiscal 2006, and 85.2% of consolidated sales in Fiscal 2007. The Group expects an increase in Internet security service sales to reduce the ratio of hosting service sales. However, there is no guarantee that the ratio of hosting service sales will decline, and the Group could remain dependent on this one specific business. The Group's business and earnings could be impacted were it to remain dependent on the hosting business, and were its business to lose competitiveness in the rapidly evolving hosting services industry.

(b) Risks from competition

i) Risks related to the hosting business

The hosting market in which the GMO-HS Group operates is highly competitive and crowded with many players because of few large barriers to entry. The Group strives to provide stable, high-quality hosting services at reasonable prices, and has increased subscribers as a result of these efforts. However, greater competition with regards to technology development and pricing could impact the Group's business and earnings.

ii) Risks related to the securities business

The digital certification market in which the GMO-HS Group operates is a growth market, but first movers enjoy the highest market shares. The GMO-HS Group is expanding its share of the server certification market after launching its security services business in May 2003 by differentiating itself from the competition by providing server certificates quickly and at low prices. The Group also began selling proprietary server certificates following its purchase of a Certification Practice in October 2006. However, a decline in market share or lower sales prices from intensified competition could impact the Group's business and earnings.

(c) Risks related to industry trends

The GMO-HS Group offers hosting services, which refers to the renting out of servers with functions including website launching, e-mail, and applications, that are fully connected to the Internet, primarily targeting small, medium, and SOHO businesses. The Group also offers security services (digital certification services), centered on the issue of SSL server certificates, which ensure the safe transmission of confidential information by verification of web server common names and encryption of communication data through SSL encryption. Penetration of the Internet, penetration of broadband, and expansion of the e-commerce market, are essential for the Group's services to broadly penetrate the market. Currently, broadband users continue to grow, as does the size of the e-commerce market, but the future prospects of the market are somewhat uncertain given the Internet industry's short history. The Group's business and earnings could be impacted if Internet users and the size of the e-commerce market fails to steadily expand going forward due to various factors including the introduction of laws to regulate the Internet given a lack of solid trust in the Internet by users.

(d) Risks involving foreign exchange rate volatility

The GMO-HS Group engages in derivatives trading and foreign currency money management to hedge risk from foreign exchange rate volatility because it carries out foreign currency-denominated transactions for some sales transactions and investments and loans made to overseas consolidated subsidiaries. However, a change in foreign exchange rates due to global economic changes could impact the Group's business and earnings.

(e) Risks related to laws and regulations

The GMO-HS Group operates within the Internet industry, which in Japan is regulated primarily by the Telecommunications Business Law. GMO-HS reported its position as a telecommunications firm to the Ministry of

Internal Affairs and Communications, and it could receive a business improvement order from the Minister, and/or incur penalties, were it to violate relevant laws and regulations, and this could impact its business and earnings. Also, as an Electronic Communications Service Provider, the Group is subject to the “Law Concerning Limitation of Damages to Electronic Communications Service Providers and Disclosure of Sender Information.” This law places limitations on the responsibilities of Electronic Communications Service Providers, and clarifies rights and obligations concerning disclosure about originators of information. It is difficult for the Group to make judgments regarding how it should respond to requests for disclosure concerning originators of information, and the Group could incur administrative guidance, complaints, demands for compensation, and/or warnings from users, other affiliated parties, and administrative institutions, if its judgment were inappropriate, and this could impact its business and earnings. Also, discussions concerning laws and regulations governing the Internet and e-commerce are ongoing, and laws and regulations targeting Internet users, related services, and relevant businesses, could be enacted to clarify existing laws and regulations, and the Internet industry could adopt voluntary rules to govern itself, all of which could restrict the Group’s business.

(f) Risks related to intellectual property rights

i) Risks related to intellectual property rights

The GMO-HS Group examines as necessary the submission of Patent Law applications to protect proprietary technologies and business models, and while GlobalSign K.K. has submitted several patent applications to date, none have yet to be approved. The Group also examines as necessary the submission of applications to register trademarks for service names and other names in need of Trademark Law protection. The Group is currently of the understanding that it is not in violation of the intellectual property rights of other companies, but it is difficult for the Group to completely grasp the status of its businesses’ use of other companies’ intellectual property, and the Group cannot negate the possibility that it might be infringing upon the intellectual property rights of other companies. Also, a third party that newly acquires intellectual property rights could claim damages or issue an injunction against the Group, and this could impact the Group’s business and earnings.

ii) Risks related to the mainstay service brand “iSLE”

GMO-HS has used the mainstay brand name “iSLE” - in both Japanese and English letters - since it launched its hosting business in May 1996. The Group applied to have the name “iSLE” (in Japanese letters) approved as a trademark in August 2000 for some business domains, and the name was registered in February 2002. The Group also applied to have the name “iSLE” (English letters) approved as a trademark in December 2004, and the name was registered as a trademark from July 2005 to September 2007.

In December 2004, GMO-HS received a warning from an individual that registered the names “ISLE” and “iSLE” as trademarks in November 2001 and August 2003, respectively, to halt the Group’s use of the “iSLE” trademark. In response, the Company appealed to the Patent Office in December 2004 to have the individual’s trademark registrations revoked, and in February 2005 and October 2006 appealed to have the individual’s trademark registrations nullified. The Patent Office handed down appeal decisions in favor of the Company from April 2006 to August 2007 (appeal decisions 2004-31646, 2005-89023, and 2006-89144).

(g) Risks regarding management of private information and possibility of leaks

As it stores personal information, credit card data, and other such private information, the GMO-HS Group is obliged to comply with the provisions of the Protection of Personal Information Act, which applies to companies that handle personal information. The Group has implemented an organizational framework on both hardware and software fronts that allows it to continuously maintain strict control over the use of personal information within the organization, by limiting access to this personal information to certain employees, controlling the passwords that allow access to this personal information, and by keeping detailed logs of any activity involving access to its information database. The Group is working proactively to ensure that personal information is protected by using advanced security technology, maintaining an operational guideline handbook, and requiring all of its employees to undergo training addressing the protection of personal information. GMO-HS and its subsidiaries GlobalSign K.K. (formerly GeoTrust Japan, Inc.; corporate name changed in May 2007) and Mighty Server, Inc. received the ISO/ISE27001:2005 and JIS Q 27001:2006 certifications governing information security and management in November 2006. The Group is making its best efforts to maintain and improve its information management infrastructure, but a system outage or the leak of client information, private information, or other data which causes the Group to lose the trust of its customers or suffer damage to its corporate reputation, could impact its business and earnings.

(h) Risks involving systems trouble

i) Risks related to the hosting business

The GMO-HS Group is obliged to provide reliable, year-round (24/7) access to its servers as part of its hosting service activities. For a particular number of customers, the Group has instituted an SLA (Service Level Agreement). To this end, the Group employs servers in reliable data centers in Japan, the U.S., and Asia and maintains around-the-clock (24-hours a day) surveillance over the servers. However, as the Group's services depend on telecommunications networks, network failures from natural disasters or accidents, server overload caused by sudden spikes in user access, network disruption caused by computer virus damage, or software problems, could render it impossible for users to connect with the Group's servers. In the event that the Group is found to be responsible for the access failure, direct compensation in the form of refunds or other such indemnities which the Group might be obliged to pay, or the loss of confidence in its services by customers, could impact the Group's business and earnings.

ii) Risks related to the securities business

- Risks related to system trouble

The GMO-HS Group's security services rely on system infrastructure provided by GlobalSign K.K. and GlobalSign NV, as well as by the VeriSign, Inc. group, each of which could contain some kind of unanticipated system defect or bug. The GMO-HS Group and VeriSign check these systems and adjust them on an ongoing basis, but there is no guarantee that these systems will be fail-proof, and the Group could suffer the loss of trust of its customers or be obliged to pay out compensation because of system glitches or problems. As part of providing its security services, the Group is obliged to provide reliable, year-round (24/7) access to its servers and is dependent on the telecommunications network. A disruption of the Group's services due to network failures caused by natural disasters or accidents, sudden spikes in access leading to denial of service by the Group's or local Internet Service Provider's (ISP) servers, or computer virus damage, could impact the Group's business and earnings.

Regarding service guarantees and other matters, the Group has outlined its obligations and disclaimers in its Certificated Practice Statement and Subscriber Agreement. However, there is no guarantee that these statements and agreements can or will be recognized in legal proceedings or otherwise, and the Group's business and earnings could be impacted.

- Risks related to Certification Practice management

The GMO-HS Group has entrusted the management of the Certification Practice systems of GlobalSign NV to Ubizen NV (currently NV VerizonBelgium Luxembourg SA), and the services are carried out based on a Certificate Management Services Agreement and Service Level Agreement concluded between the Group and Ubizen NV. The Group closely collaborates and regularly meets with Ubizen NV to monitor outsourced operations, and is examining whether the Group can transfer these operations within the Group. However, the Group's business and earnings could be impacted by an early termination of the contract because of a change in Ubizen NV's business policy or for some other reason, failure to maintain the contract for some reason, problems in the level of services provided by the firm or in the firm's level of technology, or management problems experienced by the firm.

- Risks related to misuse of the private keys of Certification Practices

The GMO-HS Group uses hardware security modules (see Note 1) to manage the private keys of route CA certificates for the Certification Practice of GlobalSign NV, and manages the keys using strict standards to ensure proper administration. However, the Group's business and earnings could be impacted if for some reason the private keys of route CA certificates were to be misused, thereby impairing trust in the GlobalSign brand.

Note 1: A hardware security module is an anti-tamper device (the private keys are automatically deleted or made difficult to remove even if the device is physically tampered with) that safely preserves and stores in hardware the private keys that are used for digital signatures and codes.

(i) Risks related to technological innovation

In the Internet industry in which the GMO-HS Group operates, the speed at which technology on both hardware and software fronts advances and evolves is extraordinary, and new technologies and new services are constantly being created. The Group is continuously working to develop new services and improve existing ones by developing new technologies through its own research and also through close-knit partnerships with its alliance partners. However, the Group's competitiveness vis-à-vis its competitors could drop if the services that it offers are rendered obsolete by unforeseen technological developments or innovative services. This drop in competitiveness, combined with the need for additional outlays to respond to the advent of such new technologies or services, could impact the Group's business and earnings.

3) Risks related to the GMO-HS Group's organizational structure

(a) Risks related to overdependence on CEO

The President and CEO of GMO-HS, Mitsuru Aoyama, exerts considerable influence over the Group's management vision and objectives and the framing of business strategy based on these elements, but also over the planning and promotion of the company's medium-term business plan and new businesses which it seeks to enter. As the GMO-HS Group's business activities continue to expand, the Group is proceeding with organizational improvements such as the transfer of authority to other individuals, to prevent overdependence on the President and CEO. However, the Group's business and earnings could be impacted if the President and CEO were unable to continue to fulfill his duties for some reason.

(b) Risks related to establishing a management framework to deal with expansion of group-related businesses

As of the end of December 2007, the GMO-HS Group has 10 directors (7 board members, 3 auditors) and 227 employees (temporary workers not included) on a consolidated basis and maintains an organizational framework able to manage the internal affairs of a company this size. However, as a still-growing enterprise, the Company is pursuing adjustments to its internal management structure in order to handle expansion in its activities as well as an increase in the number of employees, and plans to continue to reinforce its management structure going forward. However, the Group's business and earnings could be impacted if efforts to build a new organizational framework do not progress as expected and the Group becomes unable to successfully manage an increase in the number of its employees.

(c) Risks related to securing and developing human resources

In order for the GMO-HS Group to grow its businesses, it will need to attract exceptionally qualified personnel and assist them with their professional development if they are to assist in the development of new businesses within the Group and to help ensure that the Group is able to respond to rapidly-evolving technological innovation. However, within the Internet industry, demand for such employees who have the requisite specialized knowledge, skills, and/or business experience is high, and the Group may not be able to secure sufficient additional manpower for its new businesses or could face higher than expected hiring costs due to competition for workers. Such developments could impact the Group's business and earnings.

4) Risks involving the GMO-HS Group's relationships with its business partners

(a) Risks related to the GMO-HS Group's relationship with Verio, Inc.

i) Nature of the GMO-HS Group's dealings with Verio, Inc.

Verio, Inc. (headquarters based in the U.S.) holds 4.0% of all outstanding shares in GMO-HS as of the end of December 2007. The company is an Internet Services Provider (ISP) and also offers security services, web hosting, packaged e-commerce services and other web-based solutions for companies. Its hosting services, in particular, have a global customer base, and the company offers data center services for customers with large-scale hosting needs. Verio is a wholly-owned consolidated subsidiary of NTT Communications (as of the end of March 2007).

ii) Risks related to the GMO-HS Group's dependence on Verio, Inc.

The GMO-HS Group offers a variety of name-branded hosting services, including low-cost, high-quality web hosting using proprietary technology under the "iSLE" brand name, and global hosting services under the Verio "RapidSite" brand. The Group has concluded an Amended and Restated Premier Partner Agreement with Verio, which acts as an OEM supplier, that allows the Group to offer shared hosting services or virtual private server (VPS) services. Although the agreement is scheduled to end on February 29, 2008, the Group plans to renew the contract. However, the Group's business and earnings could be impacted by any of the following reasons: Verio or parent company NTT Communications deciding as a matter of company policy or for some other reason to end its close partnership with the Group, thereby canceling the partnership agreement or allowing it to expire unrenewed; Verio revising the agreement in a way disadvantageous to the Group; problems arising with the quality of service, brand name, or level of technology provided by Verio; or management problems at Verio.

iii) Risks related to business dealings with Verio, Inc.

For Fiscal 2007, the GMO-HS Group contracted with Verio for hosting services amounting to 317,945,000 yen. The Amended and Restated Premier Partner Agreement concluded with Verio stipulates a minimum payment for services. Presently, the Group, after careful review of the agreement, believes that it is financially able to purchase services in excess of the minimum amount outlined in the contract. However, a drop in sales or other reasons leading to an unexpectedly sharp decline in the Group's purchase of Verio's hosting services could impact the Group's business and earnings.

(b) Risks related to the GMO-HS Group's dealings with VeriSign, Inc.

i) Nature of the GMO-HS Group's dealings with VeriSign, Inc.

The GMO-HS Group's GlobalSign K.K. (Japan) concluded an Exclusive Distributor Agreement with GeoTrust, Inc. (U.S.) in March 2003 allowing it to issue GeoTrust-branded digital certificates as an authorized reseller in Japan, Korea, Taiwan, Singapore and other areas. After GeoTrust, Inc. was purchased by VeriSign in September 2006, the GMO-HS Group sought to build a new partnership with VeriSign, and decided to end its Exclusive Distributor Agreement and conclude a new VeriSign Reseller Program Agreement in August 2007 allowing it to sell VeriSign and VeriSign group company (including GeoTrust) products worldwide. The GMO-HS Group has continued operating while maintaining close ties with VeriSign. However, the Group's business and earnings could be impacted by any of the following reasons: VeriSign deciding as a matter of company policy or for some other reason to end its close partnership with the Group, thereby canceling the partnership agreement or allowing it to expire unrenewed; VeriSign revising the agreement in a way disadvantageous to the Group; problems arising with the quality of service, brand name or level of technology provided by VeriSign; or management problems at VeriSign.

ii) Risks related to the GMO-HS Group's business dealings with VeriSign, Inc.

For Fiscal 2007, the GMO-HS Group had contracted with the VeriSign Group to offer digital certificate services amounting to 71,804,000 yen. A new VeriSign Reseller Program Agreement with VeriSign stipulates a minimum level of payment for services. Presently the Group, after careful review of the agreement, believes that it is financially able to purchase services in excess of the minimum amount outlined in the contract. However, a drop in sales or other reasons leading to an unexpectedly sharp decline in the Group's purchases of VeriSign's digital certificates could impact the Group's business and earnings.

5) Risks involving other matters

(a) Risks related to dilution resulting from the exercise of stock options or other instruments

In an effort to improve the morale of its directors and employees and also to facilitate the hiring of new employees, GMO-HS has issued stock acquisition rights to its directors and employees, in accordance with Article 280-20 and Article 280-21 of the former Commercial Code of Japan. At the time this document was submitted, the rights provided for purchase of 670 shares, which amounts to 0.6% of the 116,310 shares issued and outstanding. In order to continue to maintain the morale of its directors and employees and attract new employees, the GMO-HS Group may also in the future offer stock acquisition rights in the form of stock options. Should these rights be exercised, the per-share value of each stock would be diluted.

(b) Risks related to M&A activities and strategic partnerships

The GMO-HS Group is considering new lines of business and new services in the future, and is actively seeking out strategic partnerships, including capital tie-ups, and possible targets for merger or acquisition (M&A) as options for speeding up the expansion of the Group's activities.

When deciding on candidates for M&A or strategic partnerships, the Group intends to scrutinize risks by undertaking due diligence regarding such matters as the M&A target company's financial condition or contract details in the case of a partnership. However, the business and earnings of the Group could be impacted by any of the following reasons related to M&A or strategic partnerships: accrual of contingent liabilities or unrecognized liabilities uncovered after the purchase of the company which due diligence failed to identify; delays in integrating the management, operations, regulations and organization of the Group's businesses with that of the acquired company or the company chosen as a strategic partner; the loss of key personnel in the event of a merger or acquisition; a failure to achieve the anticipated synergies with the merger target or partner; or other similar reasons.

(c) Risks related to establishment of subsidiaries

The GMO-HS Group established Global Web Co., Ltd. (70% equity stake; Japan) in March 2007 with Global Web. Co., Ltd. (Korea), and established GlobalSign, Inc. in New Hampshire (US) in July 2007.

The Group intends to develop its business across the globe, including Japan, but its business and earnings could be impacted if earnings at new local subsidiaries failed to grow in line with plans.

(d) Risks related to expansion of the GMO-HS Group's activities

The GMO-HS Group is working actively to bring new growth to its businesses, with expansion centered primarily around its core hosting and security services. It expects to do so through such methods as capital investment and investment in developing technologies, setting up subsidiaries or group-related companies, seeking new investment and funding, or tie-ups with other companies. The Group expects an increase in expenditures related to human and material resources and other costs. In the event that the expansion of the Group's activities does not proceed as expected, the Group might be unable to achieve its earnings targets with only costs and time being consumed. Such a situation could impact the Group's business and earnings.

2. Corporate Group

The GMO Hosting & Security Group ("GMO-HS Group") consists of GMO Hosting & Security, Inc. ("the Company"), its parent company GMO Internet Inc., and eight subsidiaries, whose activities center around providing hosting services and securities services.

The Group's activities are outlined below:

Hosting Business: Providing shared, dedicated or VPS hosting services, as well as associated software applications.

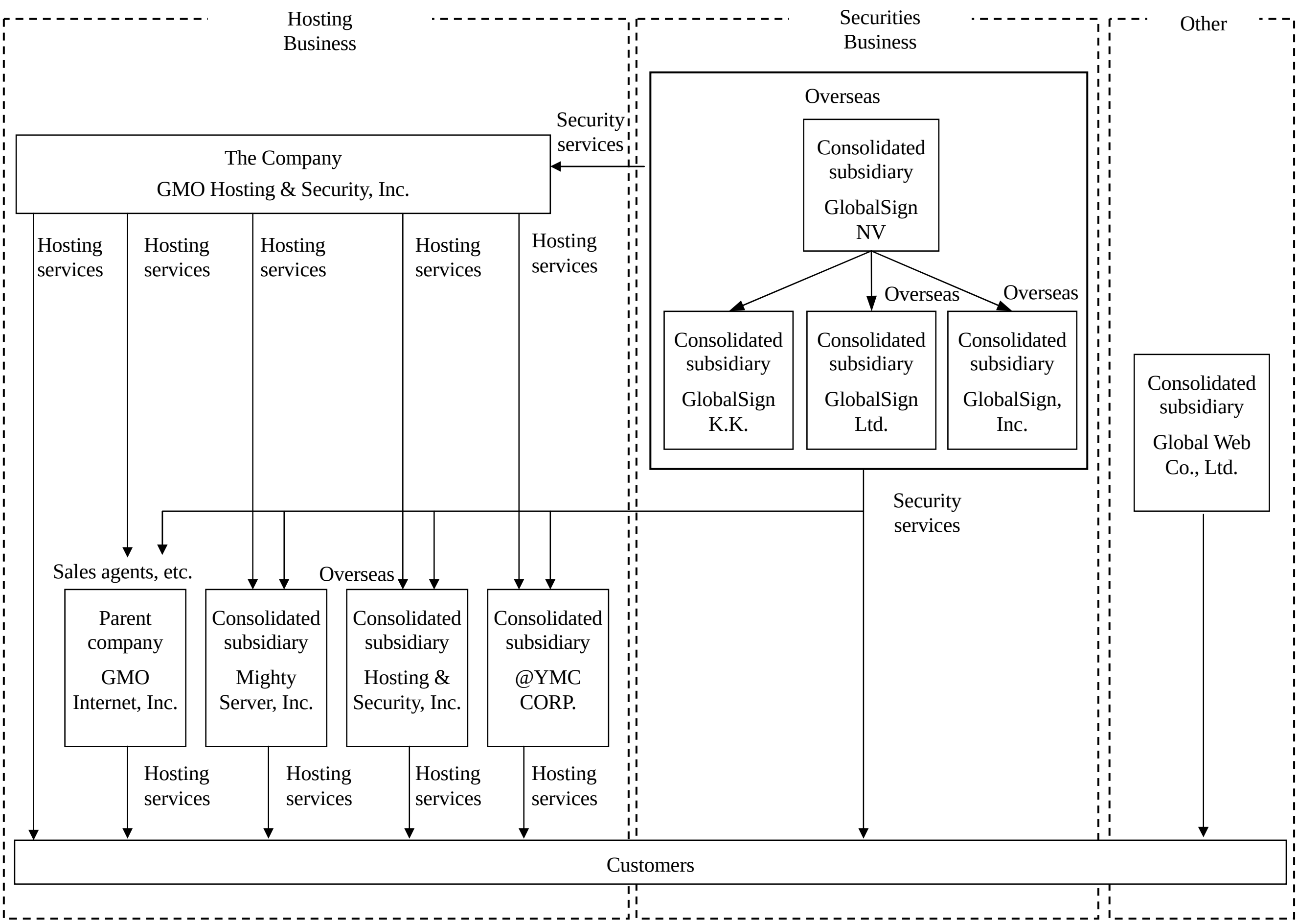
Securities Business: Providing digital certificate services, including SSL server certificates.

Other: Website production services, electronic catalog services, translation services.

Also, the parent company GMO Internet, under the slogan "Internet for Everyone," operates the Internet Use Support (Infrastructure) Business and the Internet Advertising Support (Internet Media) Business.

The GMO-HS Group offers hosting, security and other services as part of the GMO Internet Group's Internet Use Support Business.

Business flow chart



Affiliate companies

Company names	Locations	Capital	Main businesses	Voting rights (%)		Relationship with GMO-HS
				Own	Owned	
(Parent company)						
GMO Internet, Inc. (Note 3)	Shibuya-ku, Tokyo	(Thousands of yen) 12,631,977	Integrated Internet business	-	51.3	Sales of GMO-HS's hosting services; 3 concurrent directors.
(Consolidated subsidiary)						
Hosting & Security, Inc.	California, USA	(Thousands of dollars) 304,400	Hosting business	51.2	-	Sales of GMO-HS's hosting services.
GlobalSign K.K. (Note 4)	Shibuya-ku, Tokyo	(Thousands of yen) 356,640	Securities business	88.2	-	GMO-HS sell GlobalSign K.K.'s securities services; 4 concurrent directors.
@YMC CORPORATION	Shimonoseki-shi, Yamaguchi	(Thousands of yen) 43,000	Hosting business	100	-	Sales of GMO-HS's hosting services; 3 concurrent directors.
Mighty Server, Inc.	Shibuya-ku, Tokyo	(Thousands of yen) 15,000	Hosting business	100	-	Sales of GMO-HS's hosting services; 3 concurrent directors.
GlobalSign Ltd. (Note 5)	Kent, UK	(Pounds) 100	Securities business	100 (100)	-	2 concurrent directors
GlobalSign NV (Notes 4, 6)	Leuven, Belgium	(Euros) 2,454,349.89	Securities business	100 (100)	-	2 concurrent directors
Global Web Co., Ltd.	Shibuya-ku, Tokyo	(Thousands of yen) 30,000	Other	70.0	-	3 concurrent directors
GlobalSign, Inc. (Notes 4, 5)	New Hampshire, USA	(Thousands of dollars) 750,000	Securities business	100 (100)	-	2 concurrent directors

Notes: 1. The "Main businesses" column lists the activities of the consolidated subsidiaries, according to segment.
2. Subsidiaries Goovia Japan, Inc. and H&S Japan, Inc. were dissolved in December 2007.
3. The company is listed on the Tokyo Stock Exchange and submits Annual Security Report.
4. The company is a specified subsidiary.
5. The number in parentheses indicates percentage ownership of GlobalSign K.K.
6. The number in parentheses indicates percentage ownership of GlobalSign Ltd.

3. Management Policy

(1) Fundamental Management Policy

The GMO-HS Group ("The Group") operates under the corporate catchphrase "Bringing smiles to both sides of the Internet" and believes that its ongoing mission is to provide services which bring "satisfaction and pleasure" to small, medium, and SOHO businesses by providing Internet business system solutions that help increase sales and improve operating efficiency.

(2) Targeted Performance Indicators

The Group uses 1) sales and 2) the ratio of ordinary profit to sales as its main management indices.

(3) Medium to Long-term Business Strategy

Guided by the abovementioned corporate objectives, the Group is pushing forward in each of its business segments, in the following ways:

1) Hosting and Other Businesses

The Group is aiming to acquire new customers whom it was previously unable to reach, by offering Windows collaboration hosting services, managed hosting services, Software as a Service (SaaS), and other high value-added services matching customer needs, as well as website production and other services. By providing services on an OEM basis or through M&A, the Group hopes to achieve economies of scale and increase its earnings.

2) Securities Business

The Group is working to increase its share of the global security services market by leveraging its proprietary certification authority (CA) to respond to the diverse needs of customers with strong product offerings and superior cost competitiveness.

(4) Challenges

Given intense domestic and global competition within the online services industry, the GMO-HS Group aims to ensure a steady stream of profits and to increase corporate value by focusing on the challenges listed below.

1) Expansion of service offerings

The Group believes that its ongoing mission is to provide services which bring "satisfaction and pleasure" to small, medium, and SOHO businesses, and recognizes the absolute necessity of offering new services that respond to the needs of customers. The Group is working to provide services unlike those of its competitors, while shortening new service development times and raising cost efficiency, by constantly picking up on customers' needs and developing services both on its own and through active cooperation with leading companies in each field.

2) Investment in technology development

The Group is well aware that technology development lies at the core of its competitiveness, and in order to provide more reliable and even easier-to-use services, it is investing in technology development to resolve issues involving system automation, stability, and scalability.

3) Securing and developing human resources

The Group recognizes that, in light of ongoing technological innovation and market expansion in hosting and security services, it is essential to attract exceptionally qualified personnel and assist them with their professional development on an ongoing basis. The Group continues to strive to attract high-caliber employees, and will work to establish a merit-based compensation system and a virtuous cycle of human resources development.

4) Investment in new businesses

The Group believes there is still substantial room for growth within the Internet services industry in which it operates. To this end, the Group, which until now has focused primarily on hosting and security services, will work to increase corporate value by actively investing in research and development to uncover new lines of business in which it can achieve synergies with the existing core business. The Group has been conducting R&D related to new businesses on its own, but it also recognizes the importance of raising corporate value by accelerating the pace and efficiency of business development through the merger and acquisition of enterprises with growth potential.

5) Reinforcing the overall management framework

The Group recognizes the importance of establishing an organizational management framework which balances the dual needs of company growth and business management. The Group is committed to accelerating growth of existing businesses, and actively investing in new businesses, but it will also work to bolster its risk management and legal compliance frameworks.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Thousands of yen)

		Fiscal 2006 (As of Dec. 31, 2006)			Fiscal 2007 (As of Dec. 31, 2007)			YoY change
Category	*	Amount		%	Amount		%	Amount
(Assets)								
I Current assets								
1. Cash and deposits	*1		2,634,654			2,385,337		
2. Accounts receivable -trade			456,929			525,943		
3. Prepaid expenses			221,302			229,331		
4. Deferred tax assets			31,484			44,423		
5. Other			106,721			81,570		
Allowance for doubtful debts			(3,147)			(21,919)		
Total current assets			3,447,944	59.5		3,244,687	56.2	(203,256)
II Fixed assets								
1. Tangible fixed assets								
(1) Buildings		1,460			860			
Accumulated depreciation		604	855		(249)	610		
(2) Tools and equipment		417,201			581,910			
Accumulated depreciation		179,960	237,241		(295,775)	286,135		
Total tangible fixed assets			238,097	4.1		286,745	5.0	48,648
2. Intangible fixed assets								
(1) Software			210,011			446,346		
(2) Goodwill			1,266,505			1,083,792		
(3) Other			3,369			4,687		
Total intangible fixed assets			1,479,885	25.6		1,534,826	26.5	54,940
3. Investments and other assets								
(1) Investments in securities			20,149			32,309		
(2) Long-term loans receivable from directors and employees			-			130,915		
(3) Long-term prepaid expenses			537,936			469,182		
(4) Lease and guarantee deposits			61,812			64,274		
(5) Deferred tax assets			309			4,475		
(6) Other			6,541			7,631		
Total investments and other assets			626,749	10.8		708,788	12.3	82,039
Total fixed assets			2,344,732	40.5		2,530,360	43.8	185,628
Total assets			5,792,677	100.0		5,775,048	100.0	(17,628)

(Thousands of yen)

		Fiscal 2006 (As of Dec. 31, 2006)		Fiscal 2007 (As of Dec. 31, 2007)		YoY change
Category	*	Amount	%	Amount	%	Amount
(Liabilities)						
I Current liabilities						
1. Accounts payable -trade		105,763		124,057		
2. Accounts payable -other		189,605		183,286		
3. Short-term debt		200,000		-		
4. Current portion of long-term debt		6,000		24,000		
5. Advanced received		1,180,211		1,289,855		
6. Accrued corporate taxes		428,603		264,167		
7. Accrued consumption taxes		47,071		29,541		
8. Allowance for bonuses to directors		37,000		2,300		
9. Other		40,008		128,950		
Total current liabilities		2,234,263	38.5	2,043,858	35.4	(190,405)
II Long-term liabilities						
1. Long-term debt		94,000		70,000		
2. Deferred tax liabilities		26,106		-		
Total long-term liabilities		120,106	2.1	70,000	1.2	(50,106)
Total liabilities		2,354,370	40.6	2,113,858	36.6	(240,511)
(Net assets)						
I Shareholders' equity						
1. Capital stock		902,065	15.6	906,050	15.7	3,985
2. Capital surplus		990,813	17.1	994,798	17.2	3,985
3. Earned surplus		1,478,989	25.5	1,597,650	27.7	118,660
Total shareholders' equity		3,371,868	58.2	3,498,499	60.6	126,630
II Valuation and translation adjustments						
1. Valuation difference on available-for-sale securities		270	0.0	(475)	(0.0)	(746)
2. Deferred gains (losses) on hedges		139	0.0	-	-	(139)
3. Foreign currency translation adjustment account		(24,678)	(0.4)	66,561	1.1	91,239
Total valuation and translation adjustments		(24,268)	(0.4)	66,085	1.1	90,353
III Minority interests		90,706	1.6	96,605	1.7	5,898
Total net assets		3,438,307	59.4	3,661,189	63.4	222,882
Total liabilities and net assets		5,792,677	100.0	5,775,048	100.0	(17,628)

(2) Consolidated Profit and Loss Statement

(Thousands of yen)

		Fiscal 2006 (Jan. 1 - Dec. 31, 2006)			Fiscal 2007 (Jan. 1 - Dec. 31, 2007)			YoY change
Category	*	Amount		%	Amount		%	Amount
I Sales			5,744,845	100.0		6,742,170	100.0	997,324
II Cost of goods sold			2,117,782	36.9		2,773,108	41.1	655,325
Gross profit			3,627,062	63.1		3,969,061	58.9	341,998
III Sales and general administrative expenses	*1,2		2,273,816	39.6		3,025,729	44.9	751,912
Operating profit			1,353,245	23.5		943,332	14.0	(409,913)
IV Non-operating revenue								
1. Interest income		4,657			11,723			
2. Foreign exchange gains		80,524			-			
3. Incentive for employment promotion		1,700			-			
4. Other		5,693	92,575	1.6	2,325	14,048	0.2	(78,526)
V Non-operating expenses								
1. Interest expense		300			4,922			
2. Amortization of formation expenses		-			1,192			
3. Foreign exchange losses		-			137,108			
4. Stock issuance expenses		1,585			60			
5. M&A related expenses		5,372			1,601			
6. Other		177	7,435	0.1	99	144,985	2.2	137,549
Ordinary profit			1,438,386	25.0		812,396	12.0	(625,989)
VI Extraordinary profit								
1. Gain on reversal of allowance for doubtful debts		6,908			-			
2. Gain on sale of investments in securities		-			42,903			
3. Gain on change in equity		27,475			-			
4. Litigation settlement receivable		1,000	35,384	0.6	-	42,903	0.6	7,518
VII Extraordinary loss								
1. Loss on retirement of fixed assets	*3	4,605			955			
2. Litigation settlement payable		3,000			-			
3. Office relocation expenses		2,661			171			
4. Penalty for early cancellation of lease contract		1,122			-			
5. Loss on evaluation of investments in securities		-			9,388			
6. Other		57	11,446	0.2	-	10,515	0.1	(930)
Net profit before taxes and adjustments			1,462,324	25.4		844,783	12.5	(617,540)
Income taxes -current		588,580			527,858			
Income taxes -deferred		22,022	610,603	10.6	(42,579)	485,279	7.2	(125,324)
Minority interests in profit/loss			(4,188)	(0.1)		11,512	0.2	15,701
Net profit			847,531	14.7		371,017	5.5	(476,514)

(3) Statement of Changes in Consolidated Shareholders' Equity

Fiscal 2006 (Jan. 1 - Dec. 31, 2006)

(Thousands of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Earned surplus	Total shareholders' equity
Balance as of Dec. 31, 2005	896,070	984,818	880,331	2,761,219
Amount of change in the fiscal year				
New stock issued	5,995	5,995		11,990
Earned surplus dividend (see note)			(217,873)	(217,873)
Profit distribution through director bonuses			(31,000)	(31,000)
Net profit			847,531	847,531
Total amount of change in the fiscal year in items other than shareholders' equity				
Total amount of change in the fiscal year	5,995	5,995	598,658	610,648
Balance as of Dec. 31, 2006	902,065	990,813	1,478,989	3,371,868

(Thousands of yen)

	Valuation and translation adjustments				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment account	Total valuation and translation adjustments		
Balance as of Dec. 31, 2005	247	-	2,216	2,463	8,516	2,772,199
Amount of change in the fiscal year						
New stock issued						11,990
Earned surplus dividend (see note)						(217,873)
Profit distribution through director bonuses						(31,000)
Net profit						847,531
Total amount of change in the fiscal year in items other than shareholders' equity	22	139	(26,894)	(26,731)	82,189	55,458
Total amount of change in the fiscal year	22	139	(26,894)	(26,731)	82,189	666,107
Balance as of Dec. 31, 2006	270	139	(24,678)	(24,268)	90,706	3,438,307

Note: Appropriation of earnings resolved at the general meeting of shareholders in March 28, 2006.

Fiscal 2007 (Jan. 1 - Dec. 31, 2007)

(Thousands of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Earned surplus	Total shareholders' equity
Balance as of Dec. 31, 2006	902,065	990,813	1,478,989	3,371,868
Amount of change in the fiscal year				
New stock issued	3,985	3,985		7,970
Earned surplus dividend			(252,356)	(252,356)
Net profit			371,017	371,017
Total amount of change in the fiscal year in items other than shareholders' equity				
Total amount of change in the fiscal year	3,985	3,985	118,660	126,630
Balance as of Dec. 31, 2007	906,050	994,798	1,597,650	3,498,499

(Thousands of yen)

	Valuation and translation adjustments				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment account	Total valuation and translation adjustments		
Balance as of Dec. 31, 2006	270	139	(24,678)	(24,268)	90,706	3,438,307
Amount of change in the fiscal year						
New stock issued						7,970
Earned surplus dividend						(252,356)
Net profit						371,017
Total amount of change in the fiscal year in items other than shareholders' equity	(746)	(139)	91,239	90,353	5,898	96,252
Total amount of change in the fiscal year	(746)	(139)	91,239	90,353	5,898	222,882
Balance as of Dec. 31, 2007	(475)	-	66,561	66,085	96,605	3,661,189

(4) Consolidated Cash Flow Statement

(Thousands of yen)

		Fiscal 2006 (Jan. 1 - Dec. 31, 2006)	Fiscal 2007 (Jan. 1 - Dec. 31, 2007)	YoY change
Category	*	Amount	Amount	Amount
I Cash flow from operating activities				
Net profit before taxes and adjustments		1,462,324	844,783	
Depreciation expenses		109,327	197,412	
Amortization of goodwill		123,961	280,802	
Increase (decrease) in allowance for doubtful debts		(9,099)	18,771	
Interest income		(4,443)	(11,723)	
Interest expense		300	4,922	
Stock issuance expenses		1,585	60	
Foreign exchange losses		2,422	47,420	
Loss on retirement of fixed assets		5,167	955	
Gain on change in equity		(27,475)	-	
Litigation settlement payable		3,000	-	
Litigation settlement receivable		(1,000)	-	
Gain on sale of investments in securities		-	(42,903)	
Loss on evaluation of investments in securities		-	9,388	
Increase in accounts receivable -trade		(84,890)	(69,014)	
Increase in prepaid expenses		(54,706)	(8,028)	
Decrease in other current assets		7,911	23,969	
Decrease (increase) in long-term prepaid expenses		(726)	68,753	
Increase in accounts payable -trade		19,403	18,294	
Increase (decrease) in accounts payable -other		4,314	(13,932)	
Increase in advance received		184,183	109,644	
Increase (decrease) in accrued consumption taxes		2,464	(17,530)	
Increase (decrease) in other current liabilities		(4,258)	36,658	
Directors bonuses paid		(31,000)	-	
Increase (decrease) in allowance for bonuses to directors		37,000	(34,700)	
Sub total		1,745,763	1,464,005	
Interest and dividends received		4,443	11,669	
Interest paid		(235)	(4,914)	
Litigation settlement received		1,000	-	
Litigation settlement paid		(3,000)	-	
Corporate taxes paid		(422,340)	(687,171)	
Cash flow from operating activities		1,325,631	783,589	(542,041)
II Cash flow from investing activities				
Payments for acquisition of investments in securities		(10,000)	(32,500)	
Proceeds from sale of investments in securities		-	52,536	
Payments for acquisition of tangible fixed assets		(157,009)	(172,578)	
Payments for acquisition of intangible fixed assets		(112,609)	(309,476)	
Decrease (increase) in lease and guarantee deposits		15,827	(2,461)	
Payments for long-term loans receivable		-	(135,750)	
Proceeds from repayment of long-term loans receivable		-	4,834	
Payments for acquisition of business		(150,000)	-	
Payments for acquisition of subsidiary stock		(921)	(97,089)	
Payments for acquisition of subsidiary stock due to change in scope of consolidation	*2	(1,607,365)	-	
Payments for other investing activities		(1,090)	(1,090)	
Cash flow from investing activities		(2,023,168)	(693,575)	1,329,592

(Thousands of yen)

		Fiscal 2006 (Jan. 1 - Dec. 31, 2006)	Fiscal 2007 (Jan. 1 - Dec. 31, 2007)	YoY change
Category	*	Amount	Amount	Amount
III Cash flow from financing activities				
Net increase (decrease) in short-term debt		200,000	(200,000)	
Proceeds from long-term debt		100,000	-	
Repayment of long-term debt		-	(6,000)	
Proceeds from issue of stock		10,404	7,909	
Proceeds from minority shareholders		74,800	9,000	
Payment of dividends		(216,607)	(251,178)	
Cash flow from financing activities		168,597	(440,269)	(608,867)
IV Effect of exchange rate on cash and cash equivalents		(28,105)	100,938	129,043
V Increase (decrease) in cash and cash equivalents		(557,043)	(249,316)	307,727
VI Balance of cash and cash equivalents at the beginning of term		3,151,323	2,594,654	(556,668)
VII Increase in cash and cash equivalents due to merger	*3	375	-	(375)
VIII Balance of cash and cash equivalents at the end of the term	*1	2,594,654	2,345,337	(249,316)

Significant Items Concerning the Accounting Basis of the Consolidated Financial Statements

Item	Fiscal 2006 (Jan. 1 - Dec. 31, 2006)	Fiscal 2007 (Jan. 1 - Dec. 31, 2007)
1. Scope of the consolidation	All subsidiaries are included in the consolidation. Number of consolidated subsidiaries: 8 Name of the consolidated subsidiaries: Hosting & Security, Inc. (Hosting & Security, Inc. was renamed due to merger between WEBKEEPERS, Inc. and MegaFactory, Inc. in October 2006) GeoTrust Japan, Inc. Goovia Japan, Inc. H&S Japan, Inc. (H&S Japan, Inc. was renamed from SWsoft Japan, Inc. in August 2006) Mighty Server, Inc. @YMC CORPORATION Certification Services Ltd. GlobalSign NV Certification Services Ltd. became a consolidated subsidiary in August 25, 2006 following the purchase by GeoTrust Japan, Inc. of its shares. The consolidated financial statements include the accounts of Certification Services Ltd. for the period from September 1 to December 31, 2006 since the Company sets the assumed acquisition date of August 31, 2006. GlobalSign NV became a consolidated subsidiary on October 30, 2006 following the purchase by Certification Services Ltd. of its shares. Only the consolidated balance sheets include the accounts of GlobalSign NV since the Company sets the assumed acquisition date to the consolidated balance sheet date.	All subsidiaries are included in the consolidation. Number of consolidated subsidiaries: 8 Name of the consolidated subsidiaries: Hosting & Security, Inc. GlobalSign K.K. (GlobalSign K.K. was renamed from GeoTrust Japan, Inc. in May 2007) Mighty Server, Inc. @YMC CORPORATION GlobalSign, Ltd. (GlobalSign, Ltd. was renamed from Certification Services Ltd. in February 2007) GlobalSign NV Global Web Co., Ltd. GlobalSign, Inc. Global Web Co., Ltd. and GlobalSign, Inc. became consolidated subsidies in March 1, 2007 and July 1, 2007 respectively due to their establishments. Goovia Japan, Inc. and H&S Japan, Inc., subsidiaries included in the consolidation in prior years, were liquidated in December 20, 2007 and December 19, 2007 respectively, and thus excluded from the scope of consolidation. The consolidated profit and loss statement include the accounts of Goovia Japan, Inc. and H&S Japan, Inc. up to the date of completion of procedures for the liquidation.
2. Application of the equity method	Not applicable.	Same as on the left.
3. Closing date of the consolidated subsidiaries	All consolidated subsidiaries' fiscal year end on the closing date for the consolidated financial statements.	Same as on the left.
4. Accounting standards (1) Method and standards for the evaluation of assets	(1) Securities Available-for-sale securities Securities with no market value: Stated at cost determined by the moving average method. (2) Derivatives Stated at market value method.	(1) Securities Available-for-sale securities Securities with no market value: Same as on the left. (2) Derivatives Same as on the left.
(2) Depreciation of major depreciable assets	(1) Tangible fixed assets The declining balance method (except buildings (excluding attached structures)) is used in the Company and its domestic subsidiaries, while the straight-line method is used in overseas subsidiaries. Useful life of principal asset is as follows: Tools and equipment: 2-6 years	(1) Tangible fixed assets Same as on the left.

Item	Fiscal 2006 (Jan. 1 - Dec. 31, 2006)	Fiscal 2007 (Jan. 1 - Dec. 31, 2007)
	(2) Intangible fixed assets Stated at the straight-line method. Software used by the Company is amortized using the straight-line method over an estimated useful life of five years.	(2) Intangible fixed assets Same as on the left.
(3) Accounting for deferred assets	Stock issuance expenses Charged to income as incurred.	Stock issuance expenses Same as on the left.
(4) The calculation of significant reserves	(1) Allowance for doubtful debt The allowance for doubtful debt is a provision against loss resulting from bad debt occurring on loans sold. The allowance for general loans is calculated using a loan loss ratio. In cases where it is deemed that there is a high risk of default or in other specified circumstances, the loan is individually evaluated and the amount considered unlikely to be redeemed is reserved. (2) Allowance for bonuses to directors An amount is reserved for the payment of bonuses to directors based on the estimated bonus obligations.	(1) Allowance for doubtful debt Same as on the left. (2) Allowance for bonuses to directors Same as on the left.
(5) Translation of principal foreign currency-denominated assets and liabilities	Foreign currency-denominated monetary assets and liabilities are translated into yen at the exchange spot rate in effect on the consolidated balance sheet date. Translation gain or loss is accounted as profit or loss. The balance sheet and profit/loss accounts of overseas subsidiaries are also translated at the exchange spot rate in effect on the balance sheet dates. Translation adjustments are stated as a component of foreign currency translation adjustment account and minority interests in net assets.	Same as on the left.
(6) Lease transactions	Financing and lease transactions, other than those recognized as transferring property rights of a rental property to a lessee, are accounted for in the same manner as operating leases.	Same as on the left.
(7) Hedge accounting	(1) Hedge accounting method The deferred hedge accounting method is adopted. (2) Hedging instruments and hedged items Hedging instruments: Currency swaps Hedged items: Scheduled foreign currency-denominated transactions (3) Hedge policy The Company uses financial derivative transactions to reduce its exposure to market risks from fluctuations in accordance with internal policies. The Company does not hold or issue financial derivative instruments for trading purposes. (4) Method of evaluating hedge effectiveness The effectiveness of hedge targets and methods are evaluated on an individual basis at the end of each term.	(1) Hedge accounting method Same as on the left. (2) Hedging instruments and hedged items Same as on the left. (3) Hedge policy The Company uses financial derivative transactions to reduce its exposure to market risks from fluctuations in accordance with internal policies. (4) Method of evaluating hedge effectiveness Same as on the left.

Item	Fiscal 2006 (Jan. 1 - Dec. 31, 2006)	Fiscal 2007 (Jan. 1 - Dec. 31, 2007)
(8) Other significant items relating to the preparation of the consolidated financial statement	Accounting for consumption tax Consumption tax is separately accounted for by excluding it from each transaction amount.	Accounting for consumption tax Same as on the left.
5. Evaluation of assets and liabilities in consolidated subsidiaries	Assets and liabilities in consolidated subsidiaries are evaluated based on their full market value.	Same as on the left.
6. Amortization of goodwill and negative goodwill	Goodwill and negative goodwill are amortized by the straight-line method within a reasonable period of 20 years, except minor goodwill which is expensed as incurred.	Same as on the left.
7. Cash and cash equivalents in the consolidated cash flow statement	Funds (cash and cash equivalents) stated in the consolidated cash flow statement are cash on hand, deposits that can be drawn on as needed and short term investments that can be readily converted, bear minimal price fluctuation risk and whose date of maturity falls within 3 months of the date of acquisition.	Same as on the left.

Changes in the Significant Items Concerning the Accounting Basis of the Consolidated Financial Statements

Fiscal 2006 (Jan. 1 - Dec. 31, 2006)	Fiscal 2007 (Jan. 1 - Dec. 31, 2007)
Accounting standard for impairment of fixed assets: Effective from the current fiscal year, the Company has adopted “Statement of Opinion, Accounting Standard for Impairment of Fixed Assets” (Business Accounting Council, August 9, 2002) and “Guidance on Accounting Standards for Impairment of Fixed Assets” (ASBJ Guidance No. 6, October 31, 2003). The effect of these changes on profit/loss is insignificant.	――――
Accounting standard for presentation of net assets on balance sheets: Effective from the current fiscal year, the Company has adopted “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Statement No. 5, December 9, 2005) and “Guidance on Accounting Standards for Presentation of Net Assets in Balance Sheet” (ASBJ Guidance No. 8, December 9, 2005). Under the previous standard, the amount equivalent to total shareholders’ equity would be 3,347,460,000 yen. In accordance with the revised regulations of consolidated financial statements, net assets on the consolidated balance sheets conform to the revised standards.	――――
Accounting standard for director’s bonuses: Effective from the current fiscal year, the Company has adopted “Accounting Standards for Director’s Bonuses” (ASBJ Statement No. 4, November 29, 2005.) The effect of this change was to increase SG&A expenses by 37,000,000 yen and decreases operating profit, ordinary profit and net profit before taxes and adjustments by the same amount, compared to the amounts that would have been reported if the previous standard had been applied consistently. The effect of these changes on segment operations is shown in the Segment Information section.	――――
Accounting standard concerning business combination: Effective from the current fiscal year, the Company has adopted “Accounting Standard for Business Combination” (Business Accounting Council, October 31, 2003), the “Accounting Standard for Business Divestiture” (ASBJ Statement No. 7, December 27, 2005), and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 22, 2006), to account for business combinations and business divestitures for which contracts were signed after implementation of the Company Law (2005, Law No. 86). Previous standards were adopted for the interim period since the transaction occurred in the second half.	――――

Fiscal 2006 (Jan. 1 - Dec. 31, 2006)	Fiscal 2007 (Jan. 1 - Dec. 31, 2007)
	Change in depreciation and amortization method for fixed assets: The Company and its domestic subsidiaries, pursuant to an amendment to the Corporation Tax Law (Partial Revision of Income Tax Law, or Law No. 6, March 30, 2007; and Partial Revision of Income Tax Law Enforcement Ordinance, or Cabinet Order No. 83, March 30, 2007), the treatment of depreciation on fixed assets acquired on or after April 1, 2007 has been changed to the method stipulated in the amended Corporation Tax Law. The effect of these changes was to decreases operating profit, ordinary profit and net profit before taxes and adjustments by 12,677,000 yen, respectively. The effect of these changes on segment operations is shown in the Segment Information section.

Reclassifications

Fiscal 2006 (Jan. 1 - Dec. 31, 2006)	Fiscal 2007 (Jan. 1 - Dec. 31, 2007)
Consolidated Balance Sheets "Consolidated adjustment account" and "Goodwill" are presented as "Goodwill" in the current fiscal year. "Goodwill," presented as a component of "Other" under "Intangible fixed assets" totaled 3,809,000 yen in the previous fiscal year.	―――
Consolidated Cash Flow Statement "Amortization of consolidated adjustment account" and "Amortization of goodwill" are presented as "Amortization of goodwill" in the current fiscal year. "Amortization of goodwill" presented as a component of "Depreciation expenses" totaled 1,904,000 yen in the previous fiscal year.	―――

Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheets

(Thousands of yen)

Fiscal 2006 (As of Dec. 31, 2006)	Fiscal 2007 (As of Dec. 31, 2007)
*1. Assets pledged as collateral Time deposits of 40,000,000 have been provided as collateral for derivative transactions.	―――

Notes to Consolidated Profit and Loss Statement

(Thousands of yen)

Fiscal 2006 (Jan. 1 - Dec. 31, 2006)		Fiscal 2007 (Jan. 1 - Dec. 31, 2007)	
*1. Significant components and amounts of selling and general administrative expenses		*1. Significant components and amounts of selling and general administrative expenses	
Advertising expenses	315,566	Advertising expenses	372,644
Salaries and wages	597,119	Salaries and wages	782,548
Depreciation expenses	28,350	Depreciation expenses	35,309
Amortization of goodwill	123,961	Amortization of goodwill	280,802
Provision of allowance for bonuses to directors	37,000	Provision of allowance for bonuses to directors	2,300
*2. Research and development expenses included in general administrative expenses were 133,695,000 yen.		*2. Research and development expenses included in general administrative expenses were 142,911,000 yen.	
*3. Significant components of loss on retirement of fixed assets		*3. Significant components of loss on retirement of fixed assets	
Software	80	Software	289
Tools and equipment	4,525	Tools and equipment	665
Total	4,605	Total	955

Notes to Statement of Changes in Consolidated Shareholders' Equity

Fiscal 2006 (Jan. 1 - Dec. 31, 2006)

1. Type and number of outstanding shares and treasury stock (Shares)

	Number of shares as of Dec. 31, 2005	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of Dec. 31, 2006
Outstanding shares				
Common stock (see note)	57,335	58,425	-	115,760
Total	57,335	58,425	-	115,760
Treasury stock				
Common stock	-	-	-	-
Total	-	-	-	-

Note: The increase in the number of common shares outstanding is due to 2 for 1 stock split on July 1, 2006 (57,335 shares) and issuance of new shares resulting from the exercise of stock acquisition rights (1,090 shares).

2. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders on Mar. 28, 2006	Common stock	217,873	3,800	Dec. 31, 2005	Mar. 29, 2006

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Total amount of dividend (Thousands of yen)	Source of funds	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders on Mar. 26, 2007	Common stock	252,356	Earned surplus	2,180	Dec. 31, 2006	Mar. 27, 2007

Fiscal 2007 (Jan. 1 - Dec. 31, 2007)

1. Type and number of outstanding shares and treasury stock (Shares)

	Number of shares as of Dec. 31, 2006	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of Dec. 31, 2007
Outstanding shares				
Common stock (see note)	115,760	550	-	116,310
Total	115,760	550	-	116,310
Treasury stock				
Common stock	-	-	-	-
Total	-	-	-	-

Note: The increase in the number of common shares outstanding is due to the issue of new shares resulting from the exercise of stock acquisition rights.

2. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders on Mar. 26, 2007	Common stock	252,356	2,180	Dec. 31, 2006	Mar. 27, 2007

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

(Scheduled to be resolved)

Resolution	Type of share	Total amount of dividend (Thousands of yen)	Source of funds	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders on Mar. 24, 2008	Common stock	253,555	Earned surplus	2,180	Dec. 31, 2007	Mar. 25, 2008

Notes to Consolidated Cash Flow Statement

(Thousands of yen)

<table>
<tr><th>Fiscal 2006
(Jan. 1 - Dec. 31, 2006)</th><th>Fiscal 2007
(Jan. 1 - Dec. 31, 2007)</th></tr>
<tr><td>*1. Reconciliation of cash and cash equivalents of the consolidated cash flow statement and cash and deposits of consolidated balance sheets for the fiscal year is made as follows:

Cash and deposits 2,634,654
Time deposit with maturities over 3 months (40,000)
Cash and cash equivalents 2,594,654

*2. Breakdown of assets and liabilities of subsidiaries newly included in the consolidation through stock acquisition
A summary of assets and liabilities of newly consolidated subsidiaries through stock acquisition is as follows.

Certification Service Ltd.
(As of August 31, 2006)
Current assets 77,970
Fixed assets 1,612
Goodwill 570,244
Current liabilities (23,624)
Acquisition cost for subsidiary stock 626,203
Cash and cash equivalents of subsidiary (77,348)
Difference: Payment for acquisition of subsidiary stock 548,854

GlobalSign NV
(As of December 31, 2006)
Current assets 167,101
Fixed assets 626,971
Goodwill 374,649
Current liabilities (44,483)
Acquisition cost for subsidiary stock 1,124,238
Cash and cash equivalents of subsidiary (65,728)
Difference: Payment for acquisition of subsidiary stock 1,058,510

*3. Breakdown of assets and liabilities of MegaFactory, Inc. (currently Hosting & Security, Inc.) which was merged with WEBKEEPERS, Inc. in the current fiscal year.
Current assets 1,985
Fixed assets 7,417
Total assets 9,402
Current liabilities 9,251
Total liabilities 9,251</td><td>*1. Reconciliation of cash and cash equivalents of the consolidated cash flow statement and cash and deposits of consolidated balance sheets for the fiscal year is made as follows:

Cash and deposits 2,385,337
Time deposit with maturities over 3 months (40,000)
Cash and cash equivalents 2,345,337

*2. ――――</td></tr>
</table>

Accounting for Leases

Information on accounting for leases is not presented since the disclosure of this information is not significant in the context of the summary of financial results.

Securities

Securities with no market value (Thousands of yen)

Available-for-sale securities	Fiscal 2006 (As of Dec. 31, 2006)	Fiscal 2007 (As of Dec. 31, 2007)
	Carrying value	Carrying value
Unlisted stock	10,000	3,112
Unlisted foreign stock	10,149	29,197
Total	20,149	32,309

Note: In the current fiscal year, the available-for-sale securities (unlisted stock with no market value) of 9,388,000 yen were written down.

All securities whose market values are at least 50% (inclusive) below book value on the balance sheet date are tested for impairment. All securities whose market values are at least 30% (inclusive) to 50% below book value on the balance sheet date are reviewed for impairment based on prospects of recovery in market price.

Derivatives

1. Financial derivative transactions

Fiscal 2006 (Jan. 1 - Dec. 31, 2006)	Fiscal 2007 (Jan. 1 - Dec. 31, 2007)
(1) Types of transaction The derivative transactions the Company uses include currency swap transactions.	(1) Types of transaction Same as on the left.
(2) Transaction policy The Company uses financial derivative transactions to reduce exposure to future risks from exchange rate fluctuations. The Company does not hold or issue financial derivative instruments for trading purposes.	(2) Transaction policy The Company uses financial derivative transactions to reduce exposure to future risks from exchange rate fluctuations.
(3) Purpose of derivative transaction The Company uses currency swap transaction to reduce exposure to risks from exchange rate fluctuations in foreign currency-denominated monetary liabilities. Derivative transactions are executed for hedge accounting.	(3) Purpose of derivative transaction Same as on the left.
1) Hedge accounting method The deferred hedge accounting method is adopted.	1) Hedge accounting method Same as on the left.
2) Hedging instruments and hedged items Hedging instruments: Currency swaps Hedged items: Scheduled foreign currency-denominated transactions	2) Hedging instruments and hedged items Same as on the left.
3) Hedge policy The Company uses financial derivative transactions to reduce its exposure to market risks from fluctuations in accordance with internal policies. The Company does not hold or issue financial derivative instruments for trading purposes.	3) Hedge policy Same as on the left.
4) Method of evaluating hedge effectiveness The effectiveness of hedge targets and methods are evaluated on an individual basis at the end of each term.	4) Method of evaluating hedge effectiveness Same as on the left.
(4) Transaction risks Currency swap contracts are exposed to the risk of exchange rate fluctuations. The Company considers that there is no significant credit risk from a counter party's default because the Company's counter parties for currency swap contracts are financial institutions with high credit ratings.	(4) Transaction risks Same as on the left.
(5) Risk management In accordance with internal rules governing transaction authority and transaction limits, the finance division is responsible within a prior written permission by the executive in-charge.	(5) Risk management Same as on the left.

2. Information on market values

Fiscal 2006 (As of Dec. 31, 2006)

Not applicable since derivative transactions are accounted by the hedge accounting method.

Fiscal 2007 (As of Dec. 31, 2007) (Thousands of yen)

Risk covered	Type of transaction	Contract amount	Market value	Net valuation gain/loss
Currency	Currency swaps	188,700	140,642	(48,057)

Business Combinations

Fiscal 2006 (Jan. 1 - Dec. 31, 2006)	Fiscal 2007 (Jan. 1 - Dec. 31, 2007)
(Business combinations accounted for under the purchase method) A. Merger of WEBKEEPERS, Inc. and MegaFactory, Inc. 1. Name of the acquired entity and description of business; primary reason for the acquisition; date of the acquisition; legal form of the acquisition and name of the entity after completion of the acquisition; and percentage of voting rights acquired (1) Name of the acquired entity and description of business Acquired entity: MegaFactory, Inc. Description of business: Hosting business (2) Primary reason for the acquisition The Company acquired MegaFactory, Inc., a web hosting service provider in the United States, to improve its consolidated performance through further expanding the customer base for the hosting business in the United States. (3) Date of the acquisition October 1, 2006 (4) Legal form of the acquisition and name of the entity after completion of the acquisition The acquisition was effected in the form of reverse merger with MegaFactory, Inc., the acquired entity, as the surviving entity. Name of the entity after completion of the acquisition is Hosting & Security, Inc. (5) Percentage of voting rights acquired 51.2% (6) The period for which the results of operations of the acquired entity are included in the consolidated financial statements of the Company From October 1, 2006 to December 31, 2006 (7) Acquisition cost of the acquired entity and its details Acquisition cost: 31,106,000 yen Details: 1,000 shares of common stock of MegaFactory, Inc. Stock exchange ratio: One WEBKEEPERS share for 0.0019 MegaFactory share Calculation method: The acquisition cost was calculated by multiplying the appraised value of one MegaFactory share by the number of its shares that it needs to issue to the Company in order for the Company to maintain the same percentage of voting rights against the number of voting rights of all the shareholders of MegaFactory after the merger. Along with this business combination transaction, the Company acquired the shares of minority shareholders of WEBKEEPERS, Inc. at the cost of 921,000 yen to make it a wholly-owned subsidiary of the Company. WEBKEEPERS, Inc. increased its capital by 29,487,000 yen before the merger to achieve the above merger ratio.	―――

Fiscal 2006 (Jan. 1 - Dec. 31, 2006)	Fiscal 2007 (Jan. 1 - Dec. 31, 2007)
(8) Amount of goodwill recognized, reason for recognition, method of amortization and the useful life 1) Amount of goodwill: 30,505,000 yen 2) Reason for recognition: As the acquisition cost exceeded the fair value of the net assets at the time of the acquisition, the difference was recognized as goodwill. 3) Method of amortization: Goodwill will be amortized over five years using the straight-line method. (9) Amount of assets received and liabilities assumed on the date of the acquisition Assets and liabilities of the acquired company (MegaFactory, Inc.) (Thousands of yen) Current assets: 1,985 Fixed assets: 7,417 Total assets: 9,402 Current liabilities: 9,251 Total liabilities: 9,251 (10) Estimated impact on the current fiscal year's consolidated profit and loss statement when the business combination is retroactively adjusted to the beginning of the current fiscal year Detailed explanations are omitted due to immateriality of the amount.	
B. Acquisition of stock of GlobalSign NV 1. Name of the acquired entity and description of business; primary reason for the acquisition; date of the acquisition; legal form of the acquisition; and percentage of voting rights acquired (1) Name of the acquired entity and description of business Acquired entity: GlobalSign NV Description of business: Digital authentication services (2) Primary reason for the acquisition The Company acquired GlobalSign NV, a digital authentication service provider in Europe and other areas, to improve its consolidated performance through implementing global marketing activities jointly with GeoTrust Japan, Inc. and Certification Services, Ltd., both of which are consolidated subsidiaries of the Company. (3) Date of the acquisition October 30, 2006 (4) Legal form of the acquisition Share acquisition (5) Percentage of voting rights acquired 100%	

Fiscal 2006 (Jan. 1 - Dec. 31, 2006)	Fiscal 2007 (Jan. 1 - Dec. 31, 2007)
(6) The period for which the results of operations of the acquired entity are included in the consolidated financial statements of the Company As the deemed date of acquisition is December 31, 2006, the Company consolidated the acquired entity's balance sheet as of December 31, 2006 only. (7) Acquisition cost of the acquired entity and its details Consideration for the acquisition of GlobalSign NV shares (paid in cash): 1,124,238,000 yen (equivalent to 7,400,000 euro) (8) Amount of goodwill recognized, reason for recognition, method of amortization and the useful life 1) Amount of goodwill: 374,649,000 yen 2) Reason for recognition: As the acquisition cost exceeded the fair value of the net assets at the time of the acquisition, the difference was recognized as goodwill. 3) Method of amortization: Goodwill will be amortized over seven years using the straight-line method. (9) Amount of assets acquired and liabilities assumed on the date of the acquisition (Thousands of yen) Current assets: 167,101 Fixed assets: 626,971 Total assets: 794,072 Current liabilities: 44,483 Total liabilities: 44,483 (10) Contingent consideration as defined in the business combination agreement and its accounting treatment for the current and subsequent fiscal years 1) Description of the contingent consideration The Company agreed to pay a maximum 500,000 euro of contingent consideration depending on the status of the customer base to be taken over from GlobalSign NV. 2) Accounting treatment for the current and subsequent fiscal years The full amount will be recognized as goodwill, which will be amortized over seven years using the straight-line method. (11) Estimated impact on the current fiscal year's consolidated profit and loss statement when the business combination is retroactively adjusted to the beginning of the current fiscal year (Thousands of yen) Sales: 233,937 Operating profit: 114,364 Ordinary profit: 125,514 Net profit: 127,360 Notes: 1. The information above does not necessarily suggest that the event is likely to occur in the future. The information above does not either present the consolidated results of operations in the case that the capital contribution was actually made at the beginning of the fiscal year. 2. The note to the estimated amounts above is not audited.	

Retirement Benefit Obligation

Fiscal 2006 (As of Dec. 31, 2006)

Not applicable since the Company does not adopt a retirement benefit system.

Fiscal 2007 (As of Dec. 31, 2007)

Not applicable since the Company does not adopt a retirement benefit system.

Stock Options

Information on stock options is not presented since the disclosure of this information is not significant in the context of the summary of financial results.

Deferred Tax Accounting

(Thousands of yen)

Fiscal 2006 (As of Dec. 31, 2006)

1. Major components of deferred tax assets and liabilities

(Deferred tax assets)	
(1) Current assets	
Allowance for doubtful debt	855
Accrued enterprise tax	31,236
Accrued business facility tax	1,170
Other	439
Total	33,700
(2) Fixed assets	
Depreciation expenses	413
Total	413
Deferred tax assets-total	34,113
(Deferred tax liabilities)	
(1) Current liabilities	
Deferred hedge gains (losses)	(95)
Special depreciation reserve	(2,119)
Total	(2,215)
(2) Long-term liabilities	
Special depreciation reserve	(521)
Long-term foreign exchange gains	(25,479)
Valuation difference on available-for-sale securities	(210)
Total	(26,210)
Deferred tax liabilities-total	(28,426)
Deferred tax assets-net	5,687

2. Significant components of difference between statutory and effective tax rates

Information on the difference between the statutory and effective tax rates is not presented for fiscal year since the difference between the statutory tax rate and the effective tax rate was less than 5/100.

Fiscal 2007 (As of Dec. 31, 2007)

1. Major components of deferred tax assets and liabilities

(Deferred tax assets)	
(1) Current assets	
Allowance for doubtful debt	358
Accrued enterprise tax	22,009
Accrued business facility tax	1,150
Derivatives	19,559
Other	1,867
Total	44,945
(2) Fixed assets	
Depreciation expenses	327
Loss on evaluation of investments in securities	3,821
Valuation difference on available-for-sale securities	326
Total	4,475
Deferred tax assets-total	49,420
(Deferred tax liabilities)	
(1) Current liabilities	
Special depreciation reserve	(521)
Total	(521)
Deferred tax liabilities-total	(521)
Deferred tax assets-net	48,899

2. Significant components of difference between statutory and effective tax rates

Statutory tax rate	40.7%
(Adjustments)	
Special deduction on income taxes	(1.3)%
Entertainment expenses and other items not to be included in expenses indefinitely	0.2%
Per capita residential tax	0.4%
Amortization of goodwill	12.0%
Loss carried forward of consolidated subsidiaries	4.9%
Other	0.5%
Effective tax rate	57.4%

Segment Information

a. Operating segment information

Fiscal 2006 (Jan. 1 - Dec. 31, 2006)

(Thousands of yen)

	Hosting Business	Securities Business	Other	Total	Eliminations or corporate	Consolidated
I Sales and operating profit						
Sales						
(1) External sales	5,136,326	583,874	24,644	5,744,845	-	5,744,845
(2) Inter-segment sales and transfers	749	40,724	80,251	121,725	(121,725)	-
Total	5,137,076	624,598	104,895	5,866,570	(121,725)	5,744,845
Operating expenses	3,915,676	492,329	100,147	4,508,153	(116,554)	4,391,599
Operating profit	1,221,399	132,269	4,748	1,358,416	(5,170)	1,353,245
II Assets, depreciation and capital expenditure						
Assets	2,968,794	2,795,462	28,419	5,792,677	-	5,792,677
Depreciation expenses	184,976	49,977	435	235,388	(2,099)	233,288
Capital expenditure	431,966	967,106	-	1,399,073	(7,270)	1,391,803

Notes: 1. Reclassification of operating segments

The operating segment information is presented on the basis of the similarities in business content and sales markets.

2. Summary of operating segments

Operating segments	Main products
Hosting Business	Shared hosting services, dedicated hosting services, virtual private server (VPS) hosting services, e-commerce shop development, and various application sales
Securities Business	SSL digital certificates, etc.
Other	Other services besides the above

3. As mentioned in the section on “Changes in the Significant Items Concerning the Accounting Basis of the Consolidated Financial Statements,” effective from the current fiscal year, the Company has adopted “Depreciation Methods for Fixed Assets” (ASBJ Statement No. 4, November 29, 2005). The application of the new standards caused operating expenses in the Hosting Business to increase by 37,000,000 yen and operating profit to decrease by the same amount.

Fiscal 2007 (Jan. 1 - Dec. 31, 2007)

(Thousands of yen)

	Hosting Business	Securities Business	Other	Total	Eliminations or corporate	Consolidated
I Sales and operating profit (loss)						
Sales						
(1) External sales	5,742,247	974,099	25,823	6,742,170	-	6,742,170
(2) Inter-segment sales and transfers	10,914	50,445	8,381	69,741	(69,741)	-
Total	5,753,162	1,024,544	34,204	6,811,911	(69,741)	6,742,170
Operating expenses	4,587,501	1,235,986	54,513	5,878,001	(79,163)	5,798,837
Operating profit (loss)	1,165,660	(211,441)	(20,309)	933,909	9,422	943,332
II Assets, depreciation and capital expenditure						
Assets	3,426,323	2,304,362	44,361	5,775,048	-	5,775,048
Depreciation expense	268,166	211,304	530	480,001	(1,786)	478,215
Capital expenditure	285,062	297,072	1,812	583,947	(576)	583,371

Notes: 1. Reclassification of operating segments

The operating segment information is presented on the basis of the similarities in business content and sales markets.

2. Summary of operating segments

Operating segments	Main products
Hosting Business	Shared hosting services, dedicated hosting services, virtual private server (VPS) hosting services, e-commerce shop development, and various application sales
Securities Business	SSL digital certificates, etc.
Other	Other services besides the above

3. As mentioned in the section on “Changes in the Significant Items Concerning the Accounting Basis of the Consolidated Financial Statements,” effective from the current fiscal year, the Company has changed depreciation methods. The application of the new standards caused operating expenses in the Hosting Business, Securities Business, Other to increase by 11,397,000 yen, 1,221,000 yen and 58,000 yen, respectively, and operating profit to decrease by the same amount.

b. Geographical segment information

Fiscal 2006 (Jan. 1 - Dec. 31, 2006)

Geographical segment information is not presented since domestic sales exceeded 90% of total segment sales and assets.

Fiscal 2007 (Jan. 1 - Dec. 31, 2007)

(Thousands of yen)

	Japan	North America	Europe	Total	Eliminations or corporate	Consolidated
I Sales and operating profit (loss)						
Sales						
(1) External sales	6,097,264	242,292	402,613	6,742,170	-	6,742,170
(2) Inter-segment sales and transfers	53,662	117	64,966	118,746	(118,746)	-
Total	6,150,927	242,409	467,580	6,860,916	(118,746)	6,742,170
Operating expenses	4,937,236	280,031	698,966	5,916,234	(117,397)	5,798,837
Operating profit (loss)	1,213,691	(37,622)	(231,386)	944,682	(1,349)	943,332

Notes: 1. Countries and regions are classified according to geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas.

North America: U.S.

Europe: U.K., Belgium

3. As mentioned in the section on “Changes in the Significant Items Concerning the Accounting Basis of the Consolidated Financial Statements,” effective from the current fiscal year, the Company has changed depreciation methods. The application of the new standards caused operating expenses in Japan to increase by 12,677,000 yen, and operating profit to decrease by the same amount.

c. Overseas sales

Fiscal 2006 (Jan. 1 - Dec. 31, 2006)

Information of overseas sales is not presented since overseas sales account for less than 10% of consolidated net sales.

Fiscal 2007 (Jan. 1 - Dec. 31, 2007)

Information of overseas sales is not presented since overseas sales account for less than 10% of consolidated net sales.

Related Party Transactions

Fiscal 2006 (Jan. 1 - Dec. 31, 2006)

Parent company, major corporate shareholders etc.

Types of related party		Parent company		
Company name		GMO Internet, Inc.		
Location		Shibuya-ku, Tokyo		
Capital or investment (Thousands of yen)		7,148,299		
Business or occupation		Comprehensive infrastructure solutions for the Internet		
Voting rights		Directly own 63.2% of GMO-HS stock		
Relationship	Directors, etc.	3 concurrent directors		
	Business	Sales, procurement, leasing, etc.		
Business transactions		Sales of GMO-HS's hosting services (Note 1. 1)	Payments for equipment rental and use of facilities (Note 1. 2)	Payments for leases and outsourced services (Note 1. 2)
Transaction amount (Thousands of yen)		884,608	415,555	143,534
Account title		Account receivable -trade	Account payable -trade	Account payable -other
Term-end balance (Thousands of yen)		79,070	1,904	43,011

Notes: 1. Transaction conditions and policies regarding transaction conditions

1) Transaction decisions are made following negotiations after a comprehensive review of the size of the transaction and other factors, as is the case with transactions with companies unrelated to the Group.

2) GMO Internet's one-off burden includes the portion of expenses covering use by the GMO-HS Group.

2. Consumption tax has not been included in the above transaction amounts, but has been included in term-end balances.

Fiscal 2007 (Jan. 1 - Dec. 31, 2007)

(1) Parent company, major corporate shareholders etc.

Types of related party		Parent company				
Company name		GMO Internet, Inc.				
Location		Shibuya-ku, Tokyo				
Capital or investment (Thousands of yen)		12,631,977				
Business or occupation		Comprehensive infrastructure solutions for the Internet				
Voting rights		Directly own 51.3% of GMO-HS stock				
Relationship	Directors, etc.	3 concurrent directors				
	Business	Sales, procurement, leasing, etc.				
Business transactions		Sales of GMO-HS's hosting services (Note 1. 1)	Payments for equipment rental and use of facilities (Note 1. 2)	Payments for leases and outsourced services (Note 1. 2)	Deposit of funds (Note 1. 3)	Receipt of interests (Note 1. 3)
Transaction amount (Thousands of yen)		882,251	532,631	155,391	1,200,000	309
Account title		Account receivable -trade	Account payable -trade	Account payable -other	Affiliate deposits	-
Term-end balance (Thousands of yen)		77,163	2,108	51,053	-	-

Notes: 1. Transaction conditions and policies regarding transaction conditions

1) Transaction decisions are made following negotiations after a comprehensive review of the size of the transaction and other factors, as is the case with transactions with companies unrelated to the Group.

2) GMO Internet's one-off burden includes the portion of expenses covering use by the GMO-HS Group.

3) Affiliate deposits refer to funds placed with GMO Internet or its affiliates for up to three months using a cash management service to unify and efficiently manage the funds. Interest received is determined based on market rates.

2. Consumption tax has not been included in the above transaction amounts, but has been included in term-end balances.

(2) Directors and major individual shareholders etc.

Types of related party		Director		Director	
Company name		Mitsuru Aoyama		Tomofusa Miyama	
Location		Setagaya-ku, Tokyo		Urawa-shi, Saitama	
Capital or investment (Thousands of yen)		-		-	
Business or occupation		President & CEO, GMO-HS		Chief Director of Administration, GMO-HS	
Voting rights		Directly own 4.98% of GMO-HS stock		Directly own 0.51% of GMO-HS stock	
Relationship	Directors, etc.	-		-	
	Business	-		-	
Business transactions		Fund lending	Interest received	Fund lending	Interest received
Transaction amount (Thousands of yen)		38,000	17	21,200	127
Account title		Long-term loans receivable from directors and employees	-	Long-term loans receivable from directors and employees	-
Term-end balance (Thousands of yen)		38,000	-	20,140	-

Types of related party		Director		Director	
Company name		Yasuaki Tanaka		Michiari Kanno	
Location		Funabashi-shi, Chiba		Meguro-ku, Tokyo	
Capital or investment (Thousands of yen)		-		-	
Business or occupation		Chief Director of Hosting Business GMO-HS		Chief Director of Corporate Planning, GMO-HS	
Voting rights		(Directly own 0.59% of GMO-HS stock		Directly own 0.36% of GMO-HS stock	
Relationship	Directors, etc.	-		-	
	Business	-		-	
Business transactions		Fund lending	Interest received	Fund lending	Interest received
Transaction amount (Thousands of yen)		21,900	131	12,000	71
Account title		Long-term loans receivable from directors and employees	-	Long-term loans receivable from directors and employees	-
Term-end balance (Thousands of yen)		20,805	-	11,400	-

Types of related party		Director	
Company name		Tomohide Fujita	
Location		Shibuya-ku, Tokyo	
Capital or investment (Thousands of yen)		-	
Business or occupation		Statutory Auditor of GMO-HS	
Voting rights		Directly own 0.34% of GMO-HS stock	
Relationship	Directors, etc.	-	
	Business	-	
Business transactions		Fund lending	Interest received
Transaction amount (Thousands of yen)		11,900	71
Account title		Long-term loans receivable from directors and employees	-
Term-end balance (Thousands of yen)		11,305	-

Per Share Information

(Yen)

	Fiscal 2006 (Jan. 1 - Dec. 31, 2006)	Fiscal 2007 (Jan. 1 - Dec. 31, 2007)
Net assets per share	28,918.46	30,647.27
Net profit per share	7,356.57	3,195.82
Diluted net profit per share	7,252.34	3,177.52
	The Company conducted 2 for 1 stock split on July 1, 2006. Per share information for the previous fiscal year retroactively adjusted to the beginning of the previous fiscal year, is as follows. Net assets per share 23,830.85 Net profit per share 5,159.24 Diluted net profit per share 5,154.60 (Additional information) Effective from the current fiscal year, the Company has included deferred hedge gains (after adjusting for tax benefits) with end-of-term net assets related to common stock, since the "Implementation Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4) was revised on January 31, 2006. Net asset per share for the current fiscal year calculated by the method used at the end of the previous fiscal year is 28,917.25 yen.	

Note: Basis for calculation of net profit per share and diluted net profit per share is as follows.

(Thousands of yen)

	Fiscal 2006 (Jan. 1 - Dec. 31, 2006)	Fiscal 2007 (Jan. 1 - Dec. 31, 2007)
Net profit per share		
Net profit carried on the consolidated profit and loss statement	847,531	371,017
Amount not belonging to common shareholders	-	-
Net profit applicable to common stock	847,531	371,017
Average number of shares outstanding (shares)	115,207	116,094
Diluted net profit per share		
Adjustments to net profit	-	-
Increase in the number of common stock (shares)	1,655	668
[of which stock acquisition rights]	[1,655]	[668]
Summary of non-dilutive stock equivalents not used in calculation of diluted net profit per share	-	-

Material Subsequent Events

Not applicable.

** This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*