

August 16, 2004

Dear Sir or Madam,

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Company name: Global Media Online Inc.

Code No.9449

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**Announcing the Conversion of I's Factory, Ltd.
to a Wholly-Owned Subsidiary by Stock Swap**

Global Media Online INC. (“the Company”) is pleased to announce that, at a meeting of the Board of Directors held today (August 16, 2004), the Company decided that, with the conclusion of a basic agreement on the acquisition of the stock of Tea Cup Communication LTD announced on July 26, 2004, the Company will convert I's Factory, Ltd. to a wholly-owned subsidiary through a stock swap with the effective date of October 2, 2004. A stock swap agreement has been concluded.

I's Factory, Ltd. owns 1,450 shares (51.0%) of Tea Cup Communication, LTD. As a result of the swap of I's Factory, Ltd. stock, Tea Cup Communication, LTD will join the GMO Group.

1. Aim of conversion to a wholly-owned subsidiary through a stock swap

Under the personal service slogan “That’s Intertainment!” (□), the GMO Group, in which the Company is the core member, is using the Internet as a communication tool that generates amusement and emotion to steadily expand community-type services, for example, providing Free ML, which boasts Japan’s largest mailing list service in mail communities so far, the blog services that are attracting attention in the latest Internet JUGEM, Yapoos and Yaplog, the avatar service LoveLe and the online game service Corum Online.

□ “Intertainment” is a word coined by combining “Internet” and “entertainment.”

Meanwhile, Tea Cup Communication LTD commenced business operations as a pioneer of bulletin board free rental in 1997, focusing on personal services, and operates the largest

bulletin board free rental site boasting 10 million PV per day (page views, way of calculating website access), about 5 million users and about 2 million bulletin boards. It also provides services such as free shop systems and the blog service “AutoPage,” and plays a key role in Internet community services.

The environment for Internet connection use is improving, with the spread of low-cost ADSL connection services and fiber-optic infrastructure, etc., and the Internet is no longer simply regarded as a tool for purposes such as searching and mailing, but it is also changing into a life-enriching and enjoyable entertainment tool, and personal community-type services look set for increasing expansion

In this environment, the GMO Group has approved the policy of cooperating as a group with Tea Cup Communication LTD, which operates bulletin board free rental services and chat sites, through a swap of the stock of I’s Factory, Ltd.

2. Details of Stock Swap

(1) Share Stock Swap

Date	Item	GMO	Share exchange partner
August 16, 2004 (Mon.)	Meeting of board of directors to approve stock swap agreement	○	○
	Conclusion of stock swap agreement	○	○
August 17, 2004 (Tue.)	Simple public notice of stock swap	○	-
August 31, 2004 (Tue.)	Special shareholders’ meeting for approval of stock swap agreement	□	○
October 2, 2004 (Sat.)	Deadline for stock swap	○	○
Mid-October 2004	Issuance of stock certificates	○	-

In compliance with Article 358 (Simple Method for Stock Swap) of the Commercial Code, GMO does not plan to receive approval at a shareholders’ meeting.

(2) Share exchange ratio

	Global Media Online Inc. (100% parent company)	I’s Factory, Ltd. (100% subsidiary)
Ratio	1	1,994.5

(Notes) 1. Share allocation ratio

A total of 1,994.5 shares of Global Media Online Inc. stock will be allocated for each share of I’s Factory, Ltd. stock. The number of new shares to be issued as a

result of the share exchange will be 398,900 (normal shares).

2. Results, method, and basis of third party's appraisal

The share allocation ratio was agreed upon by the parties involved in the share exchange based on the results of an appraisal conducted by the third-party institution, Attax Business Consulting.

3. New shares to be issued as a result of the share exchange:

398,900 normal shares

(3) Cash transfer

No cash will be transferred.

(4) Dividend computation date

The initial date from which the dividends for the new shares will be calculated is to be July 1, 2004.

3 . Profile of Companies Involved in Share Exchange

1. Company name	Global Media Online Inc.	I's Factory, Ltd.
2. Type(s) of business	1. Access business 2. Rental server business 3. Domain business 4. Web site production business	1. Internet homepage planning and proposal 2. Administrative company that owns the stock of Tea Cup Communication LTD.
3. Date of establishment	May 24, 1991	February 5, 2001
4. Location of head office	Cerulean Tower, 26-1, Sakuragaoka-cho, Shibuya-ku, Tokyo	2-8-6, Katsuumi, Washimiya-cyo, Kita-katsushika-gun, Saitama-pref.
5. Representative Director	Masatoshi Kumagai	Tomoyuki Ishikawa
6. Capital	3,311,130,000 yen	10,000,000 yen
7. No. of shares issued	28,364,394	200
8. Shareholder capital	9,962,170,000 yen (Dec. 2003)	5,778,000 yen (July. 2003)
9. Total assets	11,803,920,000 (Dec. 2003)	13,835,000 yen(July. 2003)
10. End of fiscal year	December 31	July 31
11. No. of employees	173 (Dec. 2003)	4 (July. 2003)
12. Major clients	Sales customers: general clients et al.	Sales customers: general clients et al.
13. Main shareholder & shareholding	Kumagai Masatoshi Office Ltd. 41.2% (Dec. 2003)	Tomoyuki Ishikawa 40% Tatsuya Ishikawa 30% Haruki Ishikawa 30% (July.2003)

14.Main bank	Bank of Tokyo-Mitsubishi	Sumitomo Mitsui Banking Corporation
15.Relationship of companies involved		
Capital relationship	n/a	
Personnel relationship	n/a	
Business relationship	n/a	

16. Performance Over Past 3 Fiscal Years (of Each Company)

Period	Global Media Online Inc. (100% parent company)			I's Factory, Ltd. (100% subsidiary) □		
	2001 (~Dec.)	2002 (~Dec.)	2003 (~Dec.)	2001 (~July.)	2002 (~July.)	2003 (~July.)
Sales (thousand yen)	6,925,122	6,648,037	7,238,375	5,850	2,000	1,200
Operating profit (thousand yen)	613,644	479,859	854,621	78	71	- 460
Ordinary profit (thousand yen)	568,095	461,644	883,505	696	71	781
Net profit (thousand yen)	60,043	123,839	576,056	452	- 143	468
Net profit per share (yen)	2.31	4.48	20.81	2,260	- 715	2,340
Annual dividend per share (yen)	2	4	6	0	0	0
Shareholder capital per share (yen)	307.96	294.73	360.06	27,260	26,545	28,890

4. Post-Share Exchange Status

As a result of the conversion of I's Factory, Ltd. to a wholly-owned subsidiary, Tea Cup Communication LTD will become a member of the GMO Group. A profile of Tea Cup Communication LTD is as follows.

1. Company name	Tea Cup Communication, Ltd.
2. Type(s) of business	Internet community services (bulletin board business, etc.)
3. Date of establishment	August 16, 2000
4. Location of head office	2-11-9 Monzen Nakacho, Koto-ku, Tokyo
5. Representative Director	Tomoyuki Ishikawa
6. Capital	34.8 million yen
7. No. of shares issued	2,843
8. Shareholder capital	56,576,000yen
9. Total assets	118,830,000yen
10. End of fiscal year	April 30
11. No. of employees	18
12. Major clients	Sales customers: general clients et al.
13. Main shareholder & shareholding	I's Factory, Ltd. 51.0%
14. Main bank	Sumitomo Mitsui Banking Corporation

**15. Relationship of companies
involved**

Capital relationship	n/a
Personnel relationship	n/a
Business relationship	n/a

16. Performance Over Past 3
Fiscal Years

Period	2002 (~Dec.)	2003 (~Dec.)	2004(~April)□
Sales (thousand yen)	113,863	180,774	92,225
Operating profit (thousand yen)	1,469	8,723	35,867
Ordinary profit (thousand yen)	3,140	8,573	35,686
Net profit (thousand yen)	1,845	6,246	21,114
Net profit per share (yen)	3,845.03	13,013.87	6,067.35
Annual dividend per share (yen)	5,000	0	0
Shareholder capital per share (yen)	65,864.81	73,878.68	16,257.51

□ Because of a change in the fiscal year end, results for the fiscal year ended April 2004 are results for the four-month period from January 1 to April 30.

Post-Share Exchange Status will be as follows.

- | | |
|------------------------------------|--|
| (1) Company name | Global Media Online Inc. |
| (2) Business activities | 1. Access business
2. Rental server business
3. Domain business
4. Web site production business |
| (3) Location of head office | Cerulean Tower, 26-1,
Sakuragaoka-cho, Shibuya-ku, Tokyo |
| (4) Representative | Masatoshi Kumagai |
| (5) Capital | 3,311,130,000 yen (the share exchange will have no effect on
GMO's capital) |
| (6) Effect on business performance | There is no change in business forecasts, as the impact of the stock swap on consolidated results will be slight. The Company will promptly disclose any fluctuations, etc. in business forecasts. |

End