



Consolidated Financial Statements for the End of the First Quarter of the Term Ending December 2003

May 19, 2003

Name of Listed Company: Global Media Online Inc.

Registered issues (Over-the-counter stocks)

Code: 9449

Head Office Address : Tokyo

(URL <http://www.gmo.jp>)

Location: 26-1 Sakuragaoka-cho, Shibuya-ku, Tokyo

Contact: Position: Executive Director

Name: Masashi Yasuda Telephone: 81+3+5456+2555

Date of Board Meeting: May 19, 2003

Whether US GAAP is applied: None

1. Consolidated business results for the 1st quarter of the term ending December 2003 (January 1, 2003 to March 31, 2003)

(1) Consolidated financial results

| | Sales | | Operating profit | | Ordinary profit | |
|---------------------|-------------|--------|------------------|---------|-----------------|---------|
| | Million Yen | % | Million Yen | % | Million Yen | % |
| 1st quarter of 2003 | 3,584 | (23.9) | 533 | (163.0) | 468 | (147.1) |
| 1st quarter of 2002 | 2,893 | (32.4) | 202 | (12.5) | 189 | (15.6) |

| | Current net profit | | Current net profit per share | | Shareholders' equity Current net profit ratio | Ratio of ordinary profit to net worth | Ratio of ordinary profit to sales |
|---------------------|--------------------|---------|------------------------------|-----|---|---------------------------------------|-----------------------------------|
| | Million Yen | % | Yen | Sen | % | % | % |
| 1st quarter of 2003 | 192 | (383.9) | 6 | 97 | 2.21 | 3.60 | 13.1 |
| 1st quarter of 2002 | 39 | (52.1) | 1 | 45 | 0.45 | 1.36 | 6.6 |

Note

1. Equity in earning or loss of investees: 1st quarter of 2003 52 million yen
1st quarter of 2002 9 million yen

2. Change in accounting policies: None

3. Percentages shown for sales, operating profit, ordinary profit and current net profit denote the rate of increase or decrease compared to the previous year

(2) Consolidated financial conditions

| | Total assets | Shareholders' equity | Shareholders' equity ratio | Shareholders' equity per share | |
|---------------------|--------------|----------------------|----------------------------|--------------------------------|-----|
| | Million Yen | Million Yen | % | Yen | Sen |
| 1st quarter of 2003 | 13,028 | 8,722 | 67.0 | 315 | 26 |
| 1st quarter of 2002 | 13,792 | 9,096 | 65.9 | 330 | 92 |

(3) Consolidated cash flow

| | Cash flow from operating activities | Cash flow from investment activities | Cash flow from financial activities | Closing balance of cash and cash equivalents |
|---------------------|-------------------------------------|--------------------------------------|-------------------------------------|--|
| | Million Yen | Million Yen | Million Yen | Million Yen |
| 1st quarter of 2003 | 397 | 313 | 96 | 5,690 |
| 1st quarter of 2002 | 59 | 337 | 234 | 5,283 |

(4) Matters concerning the scope of consolidation and the application of the equity method

Number of consolidated subsidiaries: 10, number of non-consolidated equity method companies: 0, number

of affiliated equity method companies: 3

(5) Change in the scope of consolidation and the application of the equity method

Number of newly consolidated companies: 2, number of companies excluded from consolidation: 0, number of companies newly subject to the equity method: 0, number of companies excluded from application of the equity method: 0

2. Projections of consolidated business results for the first half of 2003 (from January 1, 2003 to June 30, 2003)

| | Sales | Ordinary profit | Current net profit |
|---------------------|-------------|-----------------|--------------------|
| | Million Yen | Million Yen | Million Yen |
| The first half 2003 | 7,850 | 900 | 340 |

Note: Since the business environment surrounding the Group is subject to significant change in a short period of time, the results that will actually be released may differ from the projections.

Status of the Corporate Group

The Company Group consists of Global Media Online Inc. (hereinafter referred to as the “Company”), ten subsidiaries and three affiliated companies. Under the corporate slogan, “Internet for Everyone” we have concentrated our management resources on providing Internet infrastructure services, or provision of an Internet “Platform”.

The mainstay businesses of this Group are businesses related to IxP (Internet Infrastructure), the Internet advertising media business and related businesses.

The businesses of the Group and the positioning of those businesses are as follows, and the business classification is the same as the business classification used in the segment information by business type.

| Business classification | Major operations | | Major company |
|--|---|---|---|
| IxP (Internet Infrastructure) related business | Access operations | Internet access service (Note 1) | Company |
| | Server and Hosting operations | Rental server service (hosting service) (Note 2) | Company ISLE Co., Ltd. (GMO Hosting and Technologies, Inc.) (*1) Onamae.com Co., Ltd. |
| | Domain Registration operations | Domain registration service (Note 3) | Company |
| | Computerization support and consulting operations | Computerization support service, website production and operation support service and consulting service | Company GMO Communications Co., Ltd. |
| | Settlement operations | Credit card billing service | Payment-One, Inc. (*2) |
| | Others | Organization aimed at information gathering, research and promotion of advanced Internet technologies | GMO Research Institute Inc. |
| Internet Ads Media Business | Mail advertising operations | Sale of e-mail advertisements in which mail magazines (Note 4), opt-in mail (Note 5) and suchlike are the major media for ads | Mag Click Co., Ltd. |
| | | Development and management of various mail media, such as a mailing list (Note 6) and opt-in mail service | GMO Media and Solutions Co., Ltd. |
| | | E-mail advertisement distribution service, in which mobile phone terminals are the major media for ads | Mag Force Co., Ltd. |
| | | Operation of mail magazines, websites (Note 7) and advertisement distribution services | Idea Cube Co., Ltd. (*2) |
| | Desktop advertising operations | Development and operation of the information/ads distribution system for desktops (Note 8) (Second browser operations) | U Cast communications Inc. (*2) |
| | | Service to provide “wallpaper (Note 9)” displayed on desktop computer screens | Kabegami .com Co., Ltd. |
| | Others | Media content business (Web magazine service) | GMO Magazines Inc. (*2) |
| | | Management of one of the largest websites in Japan which offers information on new condominiums | e-sumai.Inc. |

(*1) ISLE Co., Ltd. changed its name to “GMO Hosting and Technologies, Inc.” on May 1, 2003.

(*2) Affiliated equity method companies

Note 1. The service is branded interQ MEMBERS and BB plus.

Note 2. This service leases part of the disk space of a server that provides information on the Internet. Currently, the service goes under such brand names as BROAD SERVER, interQ Office, Marugoto Server, ISLE, and Rapidsite.

Note 3. This service is branded as Onamae.com and covers procedures for registration and renewal of domain names. Domain names are identifiers for computers or networks on the Internet, such as “.com,” “.net,” and “.co.jp,” which serve as addresses.

Note 4. Mail magazines are reading material that publishers regularly distribute to subscribers by email.

Note 5. Opt-in mail is a kind of email advertisement. Under this system, users who wish to receive the opt-in mails subscribe to the service and register in advance for the categories of information that they wish to receive. Advertising companies directly distribute their advertisements directly to the subscribers in the categories that they specified. This service is distinguished from spam, as users make a prior agreement that the opt-in mail is addressed to them.

Note 6. It is a system on which information on a specific subject is exchanged between specific people by email.

Note 7. A website is a group of web pages published as an entity like a book.

Note 8. A desktop is the basic operation screen displayed when an operating system like Windows is booted. On the desktop, users are able to

manipulate files and activate applications.

Note 9. Wallpaper is an image displayed as a background on the desktop. Users can freely change the image according to their preference. Wallpaper featuring famous characters or celebrities is sold as a desktop accessory.

List of consolidated subsidiaries and affiliated companies

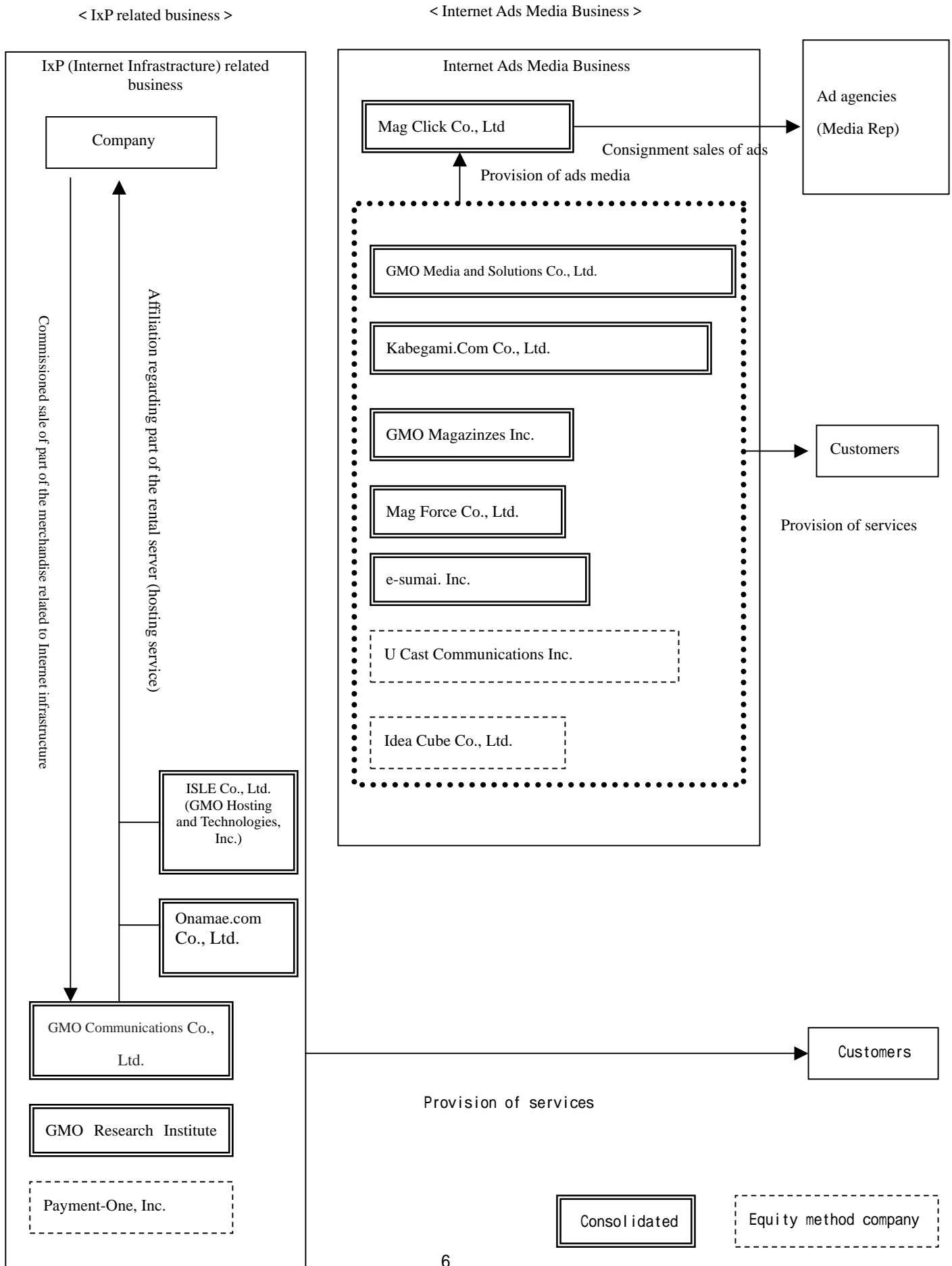
| Company Name | Percentage of voting rights or equity share held | Category | Business Details |
|--|--|-------------------------|--|
| GMO Communications Co., Ltd. | 100.0% | Consolidated subsidiary | Computer support and consulting business |
| GMO Magazines Inc. | 100.0% | Consolidated subsidiary | Media content business |
| Kabegami .com Co., Ltd. | 100.0% | Consolidated subsidiary | Service to provide “wallpaper” displayed on desktop computer screens |
| GMO Research Institute Inc. | 100.0% | Consolidated subsidiary | Organization aimed at information gathering, research and promotion of advanced Internet technologies |
| GMO Media and Solutions Co., Ltd (*1) | 84.6% | Consolidated subsidiary | Development and management of various mail media, such as mailing lists and Opt-in mail service |
| ISLE Co., Ltd. (GMO Hosting and Technologies, Inc.) (*2) | 82.6% | Consolidated subsidiary | Server Business |
| Onamae.com Co., Ltd | 82.0% | Consolidated subsidiary | Development and management related to the server business |
| Mag Click Co., Ltd. (*3) | 40.6% | Consolidated subsidiary | Sale of e-mail advertisements in which mail magazines and opt-in mail are the major media for ads |
| Mag Force Co., Ltd. (*4) | 100.0% (100.0%) | Consolidated subsidiary | Electronic mail and advertisement distribution services using cellular phones as the major media for advertising |
| e-sumai. Inc. | 50.9% (50.9%) | Consolidated subsidiary | Management of one of the largest websites in Japan which offers information on new condominiums |
| U Cast Communications Inc. | 47.6% | Equity method company | Development and operation of the information/ads distribution system for desktops (Second browser business) |
| Payment-One, Inc. | 40.6% | Equity method company | Credit card settlement service for e-commerce (credit card billing service) |
| Idea Cube Co., Ltd. | 35.0% (35.0%) | Equity method company | Operations of mail magazines, websites and advertisement distribution services |

(*)

1. The ownership ratio of voting rights of GMO Media and Solutions Co., Ltd. increased from 81.5% to 84.6% following the merger and separation for takeover of the Point Mail business from GMO Communications Co., Ltd.
2. ISLE Co., Ltd. changed its name to GMO Hosting and Technologies, Inc. on May 1, 2003.
3. The percentage of our ownership of the voting rights of Mag Click Co., Ltd. increased from 37.4% to 40.6% as a result of stock acquisition. Mag Click Co., Ltd. is treated as a subsidiary because the relationship between the Company and Mag Click is acknowledged as a being one of effective control. Mag Click lists its stocks on Nippon New Market “Hercules” of the Osaka Securities Exchange.
4. Due to stock acquisition, the ratio of indirect ownership of voting rights in Mag Force Co., Ltd. increased from 96.0% to 100%.
5. The figures in parentheses denote the percentage of indirect ownership.

[Business Organization Chart]

The organization chart of the businesses is as follows:



Management Policy

1. Basic management policy

Under the slogan, “the Internet for Everyone” and with our tireless entrepreneurial imagination, our Company Group focuses its management resources on providing an Internet platform, including the Internet infrastructure and service infrastructure. With a view to creating sustainable corporate value, we provide an organic combination of the IxP (Internet infrastructure) business with the Internet advertising media business and strive to establish an Internet media group in which each party conducts their corporate activities in a synergy to contribute to society through the creation of the Internet culture and industry.

Managerial philosophy: We believe the following concepts are important to our staff, and are committed to sharing them.

Basic principle: The Internet for Everyone

1) Dream (To what are you dedicating your life?)

We will strive for domination of the business domain related to providing an Internet platform, namely the infrastructure for the Internet industry and the service infrastructure. We will strive to hold the largest market share or be the only service operator.

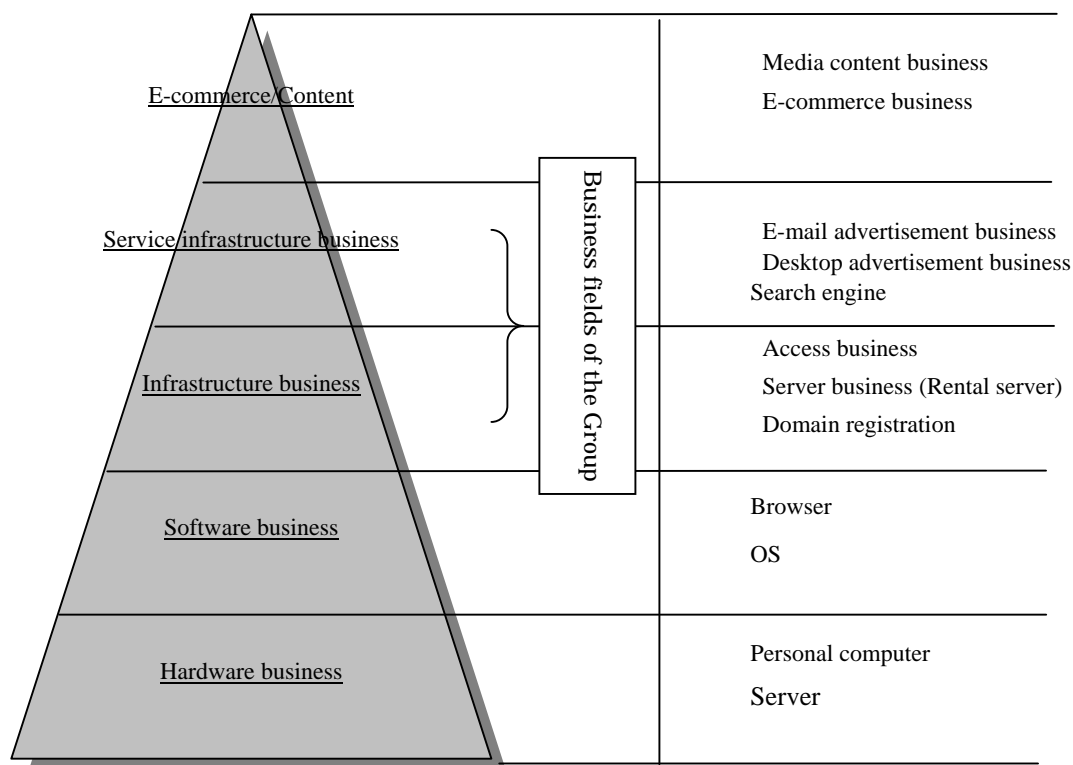
2) Vision (Where is the goldmine?)

In the ongoing digital revolution, we will concentrate our management resources on providing the Internet platform to make substantial profits.

3) Philosophy (Why are you here?)

Our activities create a new Internet culture and industry to contribute to society.

Business coverage of our Company Group: The star indicates the business categories in which our Group is engaged.



2. Basic policy concerning distribution of profits

For the distribution of profits, while our basic policy is to return profits according to the earnings situation, we have adopted a policy of deciding on the distribution of profits, focusing on a continuation of long-term, stable dividends as well as giving consideration to improving retained earnings to enable us to bolster our corporate stamina and prepare for future business developments in a comprehensive way.

3. Medium to long-term management strategy

While the Group has an overwhelming in the server business, the domain business, and e-mail advertisement business, we are determined to more firmly entrench this position in the years to come, aiming to bolster our selling power to generate stable operating cash flow for the long-term and to improve services. In the access business, with a differentiation strategy including product Line-up and support services, we will proceed with an "Only One Strategy."

In terms of desktop advertisement ("wallpaper" on the desk top and "information distribution with a second browser"), we will continue development with the aim of further expanding our business portfolio.

In addition, we will be engaged in the comprehensive development of Internet solution services for corporate customers to expand the range of corporate computer applications under our slogan, "GMO provides all kinds of Internet solutions."

Before entering other new businesses, we will carefully evaluate the potential of each business in terms of the characteristics of the Internet industry, namely the rapid changes that are occurring, to ensure the optimum timing of our entry without losing any business opportunities.

4. Measures concerning arrangement of the business management organization

In line with our program of corporate acquisition and expansion, we have an increasing number of affiliated companies. We need to develop a system to manage the consolidated group and to strengthen our corporate governance. To achieve these objectives, we have set up high-level decision-making council for the Group. This body is constituted by the presidents of the affiliated companies and convenes to determine the key operating strategies on a consolidated basis. In addition, we have strengthened the group management function of the control section to enhance the Group's system of administration.

5. Issues to be addressed by the Company

(1) Improving management efficiency through reorganization of the corporate group

Although the businesses of the Group have expanded significantly with the acquisition of management resources through M&A strategy in the previous fiscal year, we believe that a future issue for us is to efficiently use the management resources that we acquired. Consequently, since the previous fiscal year, we have proceeded with efforts to improve our management efficiency by reorganizing and consolidating the group. We also intend to get full use from our management resources by eliminating operational redundancies and pursuing synergy effect between businesses, to demonstrate the synergy of group management in the coming years.

(2) Improving selling power through diversification of the sales channel

The Group's marketing is conducted with a focus on "pull-type marketing" (the method of attracting customers primarily through Internet advertising), and we benefit from our accumulated expertise in this field.

We will continue to use "pull-type marketing" as our primary marketing technique, but we also plan to enhance our selling power by further diversifying our sales channels through the use of agency systems, traditional external sales activities and call center operations.

(3) Improving customer satisfaction

Given a future in which competition in the Internet sector will become even tougher, we believe that improving the level of customer satisfaction is essential to encourage customers to use our services continuously. Therefore, we will look to achieve further improvements in the level of customer satisfaction by improving quality, enhancing the customer support system, and promoting enhanced communications with customers as a company-wide issue. "9199 Declaration, Quick Response 2003" will be turned into a slogan as the key measure, reflecting the aim of faster response to customers as a company-wide initiative.

6. Managerial index target

We emphasize the ratio of recurring profit to sales as a managerial index, which serves as a gauge of profitability. In the term ended December 31, 2002, we achieved a substantial year-on-year increase from 1.8% to 8.2%. In the first quarter, we reached 13.1%. We have not set or announced any short-term target at the moment but we will continue our efforts for further increases.

Business Results and Financial Conditions

We report here the business results and financial situation for the 1st quarter of the fiscal year ending December 2003 (from January 1, 2003 to March 31, 2003) as follows.

1. Business results

In the first quarter of the consolidated accounting term, the Japanese economy remained almost unchanged. However, future prospects were overshadowed in part due to the start of Iraq war.

Under these economic circumstances, the Internet market where we operate our businesses saw the number of subscriptions to broadband Internet connection in Japan reach 9,397,000 at the end of March 2003 (*1). This figure is about 2.4 times the level for the same period of the previous year, indicating the Internet environment is steadily improving and becoming more diffuse.

The widespread use of the Internet promotes the use of service content and leads to continuous growth. In the scale of the market of data centers that provide rental and hosting services and that support the use of service content, the annual average growth rate is 31.1% (*2). In the domain name services market, the cumulative total number of “jp” domain names registered has exceeded 500,000 (*3). Most of the expansion took place in general-purpose “jp” domain names, such as “xxx.jp,” with the number of domain names in this category surpassing 200,000 even though it is less than two years since the registration of such domain names commenced.

The email advertising market is expected to grow from 28.1 billion yen in 2002 to 60.7 billion yen in 2006. Accordingly, the whole Internet advertising market is projected to grow significantly in size from 80.5 billion yen in 2002 to 328.6 billion yen (*4).

In this environment, the Group has remained committed to strengthening its sales abilities and improving its services in all business sectors to become the leading provider of the Internet platform in accordance with the corporate philosophy of “the Internet for Everyone.” Consequently, our Group posted the following consolidated achievements in the first quarter: consolidated sales of 3,584 million yen (up 23.9% from the previous year), consolidated operating profit of 533 million yen (up 163.0%), consolidated recurring profit of 468 million yen (up 147.1%) and consolidated net profit in the current period of 192 million yen (up 383.9%).

In March, we transferred the Point Mail business, which is an opt-in mail business, from GMO Communications Co., Ltd. to GMO Media and Solutions Co., Ltd. This was achieved through a merger and separation to integrate the email media development and operation businesses to integrate and streamline operations. In conjunction with this change, the business classification of GMO Communications Co., Ltd. has been changed from an Internet advertising business to the IxP (Internet infrastructure) business.

As a result of this change, the sales of the IxP (Internet infrastructure) business increased by 293 million yen and the operating profit increased by 34 million yen. At the same time, the sales of the Internet advertising media business declined by 222 million yen and the operating profit declined by 34 million yen.

<Condition by the segment>

• IxP (Internet Infrastructure) related business

The IxP business achieved sales of 2.567 billion yen, up 26.7% from the previous year, and an operating profit of 391 million yen, up 173.4% from the previous year.

In addition to the change in business segment of GMO Communications Co., Ltd. mentioned above, ISLE Co., Ltd. (currently GMO Hosting and Technologies Inc.) steadily increased the number of subscribers in its server business to increase its profit. In the domain name business, increased renewals as well as new registrations of domain names contributed to the profit.

• Internet advertising media business

The Internet advertising media business posted sales of 1.108 billion yen, up 26.4% from the same period last year, and an operating profit of 141 million yen, up 143.1% from the same period last year.

Despite the abovementioned change in the business segment of GMO Communications Co., Ltd., the profit of the opt-in mail service tracked upward. Mag Click Co., Ltd. and GMO Media and Solutions Co., Ltd., both of which are consolidated subsidiaries, both improved their profitability. All of these factors had a positive effect on the consolidated results.

*1 An announcement of the Ministry of Public Management, Home Affairs, Posts and Telecommunications on April 30, 2003

*2 Numerical prediction by International Data Corporation Japan. As of June 2002.

*3 Japan Registry Service Co. and Ltd. announced in January 2003.

*4 Numerical prediction by International Data Corporation Japan. As of October 2002.

2. Financial conditions

<Assets, liabilities and shareholders' equity>

Of assets, liabilities and shareholders' equity as of March 31, 2003, in comparison with those as of March 31, 2002, the items showing a significant change are as follows.

Of investments and other assets, investments in securities decreased by 1.445 billion yen, partly due to the current price evaluation of negotiable securities and the appropriation of equity method investment loss.

Of intangible fixed assets, goodwill increased by 138 million yen. This originates in the inheritance of goodwill mainly at GMO Media and Solutions Co., Ltd., a consolidated subsidiary.

Of fixed liabilities, long-term loans payable decreased by 408 million yen. This mainly reflected the repayment of loans from banks.

3. The situation of cash flow

The cash flow in this first quarter increased by 171 million yen to 5,690 million yen due to an increase in cash and cash equivalents following an increase in consolidated subsidiaries. Despite this, the total cash flow for the period declined by 13 million yen.

The status of each item cash flow and the related factors are as follows.

The cash flow from operating activities increased 397 million yen, up 569.8% on a year-on-year basis, due to the pre-tax-adjusted current net profit of 467 million yen. These results came despite a 207 million yen increase of 186 million yen in the accounts receivable and an increased payment for corporate tax.

Cash flow from investment activities was down 313 million yen, representing a 6.9% decrease from the level one year ago, mainly because of the purchase of intangible fixed assets of 94 million yen and the payment of 356 million yen to execute loans.

Cash flow from financial activities was down 96 million yen, marking a 58.6% decline from the level one year ago, mainly because of the payment of 85 million yen for dividends.

2. Forecast of the first half of the year ending December 31, 2003

The forecast for the first half of the year ending December 31, 2003 is as follows. (Since the business environment surrounding the Group is subject to significant change over short time periods, the results actually released may differ from the projections.)

• Forecast of consolidated results (from January 1, 2003 to June 30, 2003)

| | First half of fiscal 2003 | Change from year-ago level | First half of fiscal 2002 |
|--------------------|---------------------------|----------------------------|---------------------------|
| | Million Yen | % | Million Yen |
| Sales | 7,850 | 32.4 | 5,925 |
| Ordinary profit | 900 | 96.0 | 459 |
| Current net profit | 340 | 159.2 | 131 |

• Forecast of the non-consolidated results (from January 1, 2003 to June 30, 2003)

| | First half of fiscal 2003 | Change from year-ago level | First half of fiscal 2002 |
|--------------------|---------------------------|----------------------------|---------------------------|
| | Million Yen | % | Million Yen |
| Sales | 3,600 | 8.0 | 3,333 |
| Ordinary profit | 400 | 75.0 | 228 |
| Current net profit | 200 | 205.4 | 65 |

Changes in business results and financial conditions for each quarter (consolidated basis)

(unit: one million yen)

| | 1 st quarter of 2002 | 2 nd quarter of 2002 | 3 rd quarter of 2002 | 4 th quarter of 2002 | 1 st quarter of 2003 |
|----------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Operating revenue | 2,893 | 3,032 | 3,076 | 3,311 | 3,584 |
| Operating profit | 202 | 333 | 320 | 329 | 533 |
| Ordinary profit | 189 | 269 | 281 | 271 | 468 |
| Current net profit | 39 | 91 | 111 | 34 | 192 |
| Total assets | 13,792 | 13,279 | 13,205 | 13,052 | 13,028 |
| Shareholders' equity | 9,096 | 9,046 | 9,019 | 8,714 | 8,722 |

Changes in business results and financial conditions for each quarter (by individual)

(unit: one million yen)

| | 1 st quarter of 2002 | 2 nd quarter of 2002 | 3 rd quarter of 2002 | 4 th quarter of 2002 | 1 st quarter of 2003 |
|----------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Operating revenue | 1,624 | 1,708 | 1,631 | 1,683 | 1,788 |
| Operating profit | 87 | 155 | 122 | 113 | 226 |
| Ordinary profit | 75 | 153 | 118 | 114 | 210 |
| Current net profit | 27 | 37 | 95 | 37 | 106 |
| Total assets | 9,924 | 9,382 | 9,233 | 9,075 | 9,086 |
| Shareholders' equity | 8,586 | 8,461 | 8,421 | 8,155 | 8,113 |

(Reference)

Number of transactions by major service, etc.

Unit: transactions (rounded to the nearest hundred)

| | Service | Product | 1 st quarter of 2002 | 2 nd quarter of 2002 | 3 rd quarter of 2002 | 4 th quarter of 2002 | 1 st quarter of 2003 |
|-----------------------------|--------------------------------|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| IxP related business | Access operations | interQ MEMBERS and others (*) | 122,600 | 122,100 | 121,100 | 119,700 | 118,400 |
| | Server and hosting operations | interQ OFFICE, ISLE, Premier server and others (*) | 67,200 | 72,800 | 90,800 | 93,400 | 96,900 |
| | Domain registration operations | Onamae.com (Number of registration) | 20,600 | 21,600 | 13,900 | 23,000 | 17,600 |
| | | Onamae.com (Number of updating) | 8,600 | 18,100 | 6,100 | 7,800 | 14,200 |
| Internet Ads Media Business | Opt-in mail service | Number of members (*) (unit: 10,000 people) | 251 | 274 | 322 | 349 | 370 |
| | | Number of distributions (unit: 1000 mail items) | 41,883 | 54,137 | 61,592 | 69,130 | 75,413 |

(*)The number of members with continuous transactions as of the end of the term concerned.

Table: The quarterly change by segment

Sales

(unit: million yen)

| | 1 st quarter of 2002 | 2 nd quarter of 2002 | 3 rd quarter of 2002 | 4 th quarter of 2002 | 1 st quarter of 2003 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| IxP (Internet Infrastructure) related business | | | | | |
| Sales to external customers | 2,020 | 2,115 | 2,067 | 2,109 | 2,504 |
| Dealings between segments | 4 | 7 | 6 | 4 | 63 |
| Total | 2,025 | 2,122 | 2,074 | 2,114 | 2,567 |
| Internet Ads Media Business | | | | | |
| Sales to external customers | 872 | 916 | 1,008 | 1,201 | 1,080 |
| Dealings between segments | 3 | 4 | 5 | 1 | 27 |
| Total | 876 | 921 | 1,014 | 1,203 | 1,108 |
| Deduction of dealings between segments | (7) | (11) | (12) | (6) | (90) |
| Consolidated sales | 2,893 | 3,032 | 3,076 | 3,311 | 3,584 |

Operating profit and loss

(unit: million yen)

| | 1 st quarter of 2002 | 2 nd quarter of 2002 | 3 rd quarter of 2002 | 4 th quarter of 2002 | 1 st quarter of 2003 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| IxP (Internet Infrastructure) related business | 143 | 224 | 218 | 196 | 391 |
| Internet Ads Media Business | 58 | 109 | 101 | 132 | 141 |
| Subtotal | 202 | 333 | 320 | 329 | 533 |
| Deduction of dealings between segments | (0) | (0) | (0) | (0) | (0) |
| Consolidated operating profit and loss | 202 | 333 | 320 | 329 | 533 |

Note: Business classification

The business run by GMO Communications Co., Ltd. was formerly classified as the Internet advertising media business. From this term, it is positioned as the IxP (Internet infrastructure) related business. In response to the divestiture on March 1 for transfer of the Point Mail business to GMO Media and Solutions Co., Ltd., we have made this decision in consideration of our continued business after separation of GMO Communications Co., Ltd. and our future business development. As a consequence, the sales of the IxP (Internet infrastructure) related business have increased by 293 million yen and the operating profit has increased by 34 million yen. The sales of the Internet advertising media business have declined by 222 million yen and the operating profit has declined by 34 million yen compared to the conventional classification.

Quarterly consolidated financial statements, etc.

(1) Quarterly consolidated balance sheet (unaudited)

(unit : 1,000 yen)

| Term Item | As of March 31, 2002 End of the consolidated accounting period of the previous fiscal year | | As of March 31, 2003 End of the consolidated accounting period of this fiscal year | |
|---|--|-------------|--|-------------|
| | Amount | Composition | Amount | Composition |
| (Assets) | | % | | % |
| I Current Assets | | | | |
| 1 Cash and deposits | 5,381,141 | | 5,827,556 | |
| 2 Notes receivable and accounts receivable – trade | 1,961,722 | | 2,131,814 | |
| 3 Inventory assets | 5,302 | | 7,363 | |
| 4 Deferred tax asset | 442,518 | | 331,452 | |
| 5 Other assets | 533,880 | | 642,519 | |
| Allowance for doubtful debts | 375,688 | | 478,384 | |
| Total Current Assets | 7,948,878 | 57.6 | 8,462,321 | 65.0 |
| Fixed assets | | | | |
| 1 Tangible fixed assets | | | | |
| (1) Buildings and structures | 54,568 | | 56,447 | |
| (2) Tools and equipment | 155,794 | | 120,815 | |
| (3) Other tangible fixed assets | 194 | | 53 | |
| Total Tangible Fixed Assets | 210,557 | 1.5 | 177,316 | 1.3 |
| 2 Intangible fixed assets | | | | |
| (1) Goodwill | 19,739 | | 157,989 | |
| (2) Software | 643,202 | | 638,486 | |
| (3) Account for consolidated adjustments | 333,454 | | 145,235 | |
| (4) Other intangible fixed assets | 353,714 | | 388,106 | |
| Total of intangible fixed assets | 1,350,110 | 9.8 | 1,329,818 | 10.2 |
| 3 Investments and other assets | | | | |
| (1) Investments in securities | 3,170,037 | | 1,724,461 | |
| (2) Investments | 132,107 | | 101,537 | |
| (3) Guarantee money | 536,155 | | 496,619 | |
| (4) Deferred tax asset | 430,908 | | 709,573 | |
| (5) Others | 13,712 | | 44,256 | |
| Allowance for doubtful debts | - | | 17,829 | |
| Total of investments and other assets | 4,282,921 | 31.1 | 3,058,618 | 23.5 |
| Total of fixed assets | 5,843,589 | 42.4 | 4,565,754 | 35.0 |
| Total of assets | 13,792,467 | 100.0 | 13,028,075 | 100.0 |

(unit : 1,000 yen)

| Term Item | As of March 31, 2002 End of the consolidated accounting period of the previous fiscal year | | As of March 31, 2003 End of the consolidated accounting period of the this fiscal year | |
|--|--|-------------|--|-------|
| | Amount | Composition | Amount | |
| (L i a b i l i t i e s) | | % | | % |
| Current liabilities | | | | |
| 1 Notes payable and accounts payable – trade | 262,193 | | 137,535 | |
| 2 Long-term loans payable within one year | 125,600 | | - | |
| 3 Bonds redeemable within one year | 500 | | - | |
| 4 Accrued amount payable | 694,125 | | 721,345 | |
| 5 Accrued corporation tax, etc | 60,517 | | 139,032 | |
| 6 Allowance for bonuses | 22,530 | | 31,939 | |
| 7 Advance money | - | | 548,642 | |
| 8 Other liabilities | 617,720 | | 323,458 | |
| Total of current liabilities | 1,783,186 | 12.9 | 1,901,954 | 14.6 |
| Fixed liabilities | | | | |
| 1 Long-term loans payable | 408,000 | | - | |
| 2 Other fixed liabilities | 13,343 | | 14,772 | |
| Total of fixed liabilities | 421,343 | 3.1 | 14,772 | 0.1 |
| Total of liabilities | 2,204,530 | 16.0 | 1,916,726 | 14.7 |
| (M i n o r i t y e q u i t y) | | | | |
| Minority equity | 2,491,671 | 18.1 | 2,388,480 | 18.3 |
| (S h a r e h o l d e r s ' e q u i t y) | | | | |
| Capital stock | 3,311,130 | 24.0 | 3,311,130 | 25.4 |
| Capital reserve | 4,293,549 | 31.1 | 4,432,990 | 34.1 |
| Earned surplus | 1,473,021 | 10.7 | 1,708,131 | 13.1 |
| Other gaps in appraisal of securities | 127,334 | 0.9 | 364,443 | 2.8 |
| Own stocks | 108,769 | 0.8 | 364,939 | 2.8 |
| Total of shareholders' equity | 9,096,265 | 65.9 | 8,722,868 | 67.0 |
| Total of liabilities, minority equity and shareholders' equity | 13,792,467 | 100.0 | 13,028,075 | 100.0 |

(2) Quarterly consolidated profit and loss statement (unaudited)

(unit: 1,000 yen)

| Term Item | Consolidated accounting period in the previous term From January 1, 2002 to March 31, 2002 | | Consolidated accounting period in this term From January 1, 2003 to March 31, 2003 | | |
|---|---|------------|--|------------|---------|
| | Amount | Percentage | Amount | Percentage | |
| Operating revenue | | 2,893,725 | 100.0 | 3,584,836 | 100.0 |
| Business expenses | | 1,272,842 | 44.0 | 1,316,857 | 36.7 |
| Sales and general administrative expenses | | 1,418,066 | 49.0 | 1,734,891 | 48.4 |
| Operating profit | | 202,816 | 7.0 | 533,356 | 14.9 |
| Non-operating revenue | | | | | |
| 1. Interest received | 4,858 | | | 1,423 | |
| 2. Fees received | | | | 1,027 | |
| 3. Others | 12,987 | 17,846 | 0.6 | 13,058 | 15,510 |
| Non-operating expenses | | | | | |
| 1. Interest paid | 7,154 | | | 277 | |
| 2. New share issuing expense | 3,219 | | | | |
| 3. Loss from investments by the equity method | 9,974 | | | 52,597 | |
| 4. Loss from investment partnership | | | | 15,455 | |
| 5. Other operating expenses | 10,614 | 30,962 | 1.0 | 11,819 | 80,148 |
| Ordinary profit | | 189,700 | 6.6 | 468,718 | 13.1 |
| Extraordinary profit | | | | | |
| 1. Gain on sales of fixed assets | 197 | | | | |
| 2. Gain on sales of investments on securities | | | | 4,235 | |
| 3. Gain on return of allowance for doubtful debts | 318 | 515 | 0.0 | 250 | 4,485 |
| Extraordinary loss | | | | | |
| 1. Loss on retirement of fixed assets | 22,864 | | | 5,931 | |
| 2. Other extraordinary losses | 10,368 | 33,232 | 1.2 | | 5,931 |
| Current net loss before adjustment of taxes () or net profit before adjustment of taxes | | 156,983 | 5.4 | 467,272 | 13.0 |
| Corporate tax, residential tax and business tax | 42,818 | | | 127,121 | |
| Amount of adjustment, such as corporate tax | 66,431 | 109,249 | 3.8 | 123,693 | 250,815 |
| Profit or loss () of minority shareholders | | 7,868 | 0.3 | | 23,538 |
| Quarterly net profit or loss () | | 39,865 | 1.3 | 192,918 | 5.4 |

(3) Statement of quarterly consolidated surplus

(unit: 1,000 yen)

| Item | Term | Consolidated accounting period in the previous term From January 1, 2002 to March 31, 2002 | | Consolidated accounting period in this term From January 1, 2003 to March 31, 2003 | |
|--|---|--|-----------|--|-----------|
| | | Amount | | Amount | |
| (Capital Surplus) | | | | | |
| I. Balance of capital surplus at beginning of term | | | | | |
| | Balance of capital reserve at beginning of term | | 4,160,091 | | 4,432,990 |
| II. Increase in capital surplus | | | | | |
| | 1. Issuance of new shares through equity swap | 133,457 | 133,457 | - | |
| III. Balance of capital surplus at end of the term | | | | | |
| | | | 4,293,549 | | 4,432,990 |
| (Earned Surplus) | | | | | |
| I. Balance of earned surplus at beginning of term | | | | | |
| | Balance of consolidated surplus at beginning of term | | 1,487,421 | | 1,658,922 |
| II. Increase in earned surplus | | | | | |
| | 1. Current net profit | 39,865 | | 192,918 | |
| | 2. Increase in surplus due to merger | - | 39,865 | 16,897 | 209,815 |
| III. Decrease in earned surplus | | | | | |
| | 1. Dividend | 54,266 | | 110,677 | |
| | 2. Decrease in surplus due to increased number of consolidated subsidiaries | - | 54,266 | 49,929 | 166,606 |
| IV. Balance of earned surplus at the end of the term | | | | | |
| | | | 1,473,021 | | 1,708,131 |

(4) Statement of consolidated cash flow

(unit : 1,000 yen)

| Term Item | Consolidated accounting period in the previous term From January 1, 2002 to March 31, 2002 | Consolidated accounting period in this term From January 1, 2003 to March 31, 2003 |
|---|---|---|
| | Amount | Amount |
| Cash flow from operating activities | | |
| Current net profit before adjustment of taxes, etc. (denotes net loss.) | 156,983 | 467,272 |
| Depreciation charge | 63,602 | 76,393 |
| Amortization of the consolidated adjustment account | 21,661 | 16,266 |
| Increase in allowance for doubtful debts | 379 | 61,706 |
| Interest received and dividend received | 4,858 | 1,423 |
| Interest paid | 7,154 | 277 |
| Gain on foreign exchange | 326 | 294 |
| Gain on sales of investments in securities | - | 4,235 |
| New share issuing expense | 3,219 | - |
| Loss on retirement of fixed assets | 22,864 | 5,931 |
| Gain on sales of fixed assets | 197 | - |
| Loss from investments by the equity method | 9,974 | 52,597 |
| Increase (decrease) in accounts receivable | 76,734 | 207,512 |
| Increase (decrease) in other assets | 37,956 | 6,010 |
| Increase (decrease) in purchase debts | 31,708 | 244 |
| Increase (decrease) in other liabilities | 78,505 | 121,678 |
| Subtotal | 195,533 | 582,404 |
| Interest and dividend received | 3,602 | 1,349 |
| Interest paid | 4,664 | 277 |
| Payment of corporate tax, etc. | 135,191 | 186,416 |
| Cash flow from operating activities | 59,279 | 397,059 |
| Cash flow from investing activities | | |
| Expenditure incurred by deposit of fixed deposit | 96,590 | 95,109 |
| Revenue accrued by repayment of fixed deposit | 124,078 | 95,101 |
| Expenditure incurred by acquisition of tangible fixed assets | 8,029 | 17,239 |
| Revenue accrued by sales of tangible fixed assets | 297 | - |
| Expenditure incurred by acquisition of intangible fixed assets | 213,696 | 94,533 |
| Revenue accrued by sales of intangible fixed assets | 50 | 933 |
| Revenue accrued from sale of investment in securities | - | 4,235 |
| Expenditure incurred on acquisition of investment in securities | 230,160 | - |
| Expenditure incurred by acquisition of the capital of subsidiaries | - | 77,885 |
| Expenditure incurred by loans | 250,000 | 356,000 |
| Revenue accrued by collection of loans | 251,550 | 152,100 |
| Revenue accrued from other investing activities | 88,474 | 80,037 |
| Expenditure incurred by other investing activities | 3,049 | 5,370 |
| Cash flow from investing activities | 337,074 | 313,730 |

(unit:1,000 yen)

| Term Item | Consolidated accounting period in the previous term From January 1, 2002 to March 31, 2002 | Consolidated accounting period in this term From January 1, 2003 to March 31, 2003 |
|--|---|---|
| | Amount | Amount |
| Cash flow from financial activities | | |
| Revenue accrued by short-term loans payable | - | 150,000 |
| Expenditure incurred by repayment of short-term loans payable | - | 150,000 |
| Expenditure by repayment of long-term loans payable | 198,487 | - |
| Expenditure incurred by the issue of shares | 3,219 | - |
| Balance owing to acquisition/sales of own stocks | 495 | 94 |
| Payment of dividends | 31,817 | 85,234 |
| Payment of dividends for minority shareholders | - | 11,638 |
| Cash flow from financial activities | 1,601,185 | 96,967 |
| IV Gap in conversion related to cash and cash equivalents | - | - |
| V Increase (Decrease) in cash and cash equivalents | 511,813 | 13,638 |
| VI Balance of cash and cash equivalents at the beginning of term | 5,935,243 | 5,519,255 |
| VII Increase in cash and cash equivalents with increase in the number of consolidated subsidiaries | - | 184,662 |
| Decrease in cash and cash equivalents due to decrease in the number of consolidated subsidiaries | 139,544 | - |
| IX Balance of cash and cash equivalents at the end of the term | 5,283,885 | 5,690,279 |