



# Summary of Consolidated Financial Statements for the the Term Ending December 2003

February 20, 2004

Name of Listed Company: Global Media Oline Inc.

Registered issues

Code: 9449

Head Office Address : Tokyo

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

Representative Director Name : Masatoshi Kumagai

Contact: Position: Executive Director Name: Masashi Yasuda Telephone: 81+3+5456+2555

Date of Board Meeting: February 20, 2004

Whether US GAAP is applied: None

1. Consolidated business results for the term ending December 2003 (from January 1 to December 31, 2003)

(1) Consolidated financial results

	Sales		Operating profit		Ordinary profit	
	Million Yen	%	Million Yen	%	Million Yen	%
FY 2003	15,678	(27.3)	2,112	(78.0)	1,946	(92.5)
FY 2002	12,313	(34.2)	1,186	(331.6)	1,011	(505.5)

	Current profit		Current profit per share		Current net profit per share diluted		Shareholders' equity Current net profit ratio	Ratio of ordinary profit to net worth	Ratio of ordinary profit to sales
	Million Yen	%	Yen	Sen	Yen	Sen	%	%	%
FY 2003	1,040	(400.4)	37	59	37	42	10.5	12.6	12.4
FY 2002	207	( - )	7	51	-	-	2.4	7.4	8.2

Note

1. Equity in earning or loss of investees: Year ended December 31 2003 -187 million yen

Year ended December 31 2002 -156 million yen

2. Consolidated average outstanding shares during the term : Year ended December 31 2003 27,668,730 sheres

Year ended December 31 2002 27,655,517 shares

3. Change in accounting policies: None

4. Percentages shown for sales, operating profit, ordinary profit and current net profit indicate 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	
FY 2003	17,917		11,096		61.9	401	06	
FY 2002	13,052		8,714		66.8	314	95	

Note: Consolidated number of total outstanding shares Year ended December 31 2003 27,667,634 shares

Year ended December 31 2002 27,669,401 shares

(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	
FY 2003	2,420		508		102		8,524	
FY 2002	1,372		967		821		5,519	

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

Number of consolidated subsidiaries: 11, number of non-consolidated equity method companies: 0, number of affiliated equity method companies: 2

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

Number of newly consolidated companies: 3, 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: 1

2. Projections of consolidated business results for December 31, 2004 (from January 1, 2004 to December 31, 2004)

Year ended December 31 2004(full year)	Sales		Ordinary profit		Current net profit	
	Million Yen		Million Yen		Million Yen	
	20,000		2,500		1,350	

Note: Anticipation current net profit per share(Full year) 48Yen 79Sen

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”), 11 subsidiaries and 12 affiliated companies. Under the corporate slogan, “Internet for Everyone” we have concentrated our management resources on providing Internet infrastructure services, or the provision of an Internet “platform.”

The mainstay businesses of this Group are businesses related to IxP (Internet Infrastructure), the Internet advertising media business and associated 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 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.
Service offering the "internetnumber"		INTERNET NUMBER CORPORATION (*4)	
Internet Ad Media Business	Mail advertising operations	Sale of e-mail advertisements in which mail magazines (Note 4), opt-in mail (Note 5) and such like 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.
		Sale of pricing-based internet advertisements	Mag Force Co., Ltd.
	Desktop advertising operations	Development and operation of the information/ads distribution system for desktops (Note 7) (Second browser operations)	U Cast communications Inc. (*2)
		Service to provide “wallpaper (Note 8)” displayed on desktop computer screens	Kabegami .com Co., Ltd.
	Others	Media content business (Web magazine service)	GMO Magazines Inc. (*3)
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. From the 3rd quarter, Idea Cube Co., Ltd was excluded from application of the equity method, since we sold our stake in the company.

(\*3) GMO Magazines Inc sold all of its business to GMO Media and Solutions Co., Ltd, and is now being liquidated.

(\*4) We acquired 69.6% of the stocks of INTERNET NUMBER CORPORATION and it became our subsidiary from October 2003.

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 operates 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 form 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 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. This is a system in which information on a specific subject is exchanged between specific people by email.

Note 7 A desktop is the basic screen displayed when an operating system like Windows is booted. On the desktop, users are able to manipulate files and activate applications.

Note 8. Wallpaper is an image displayed as a background on the desktop. Users can change the image to their preference. Wallpaper featuring famous characters or celebrities is sold as a desktop accessory.

#### List of consolidated subsidiaries and affiliated companies

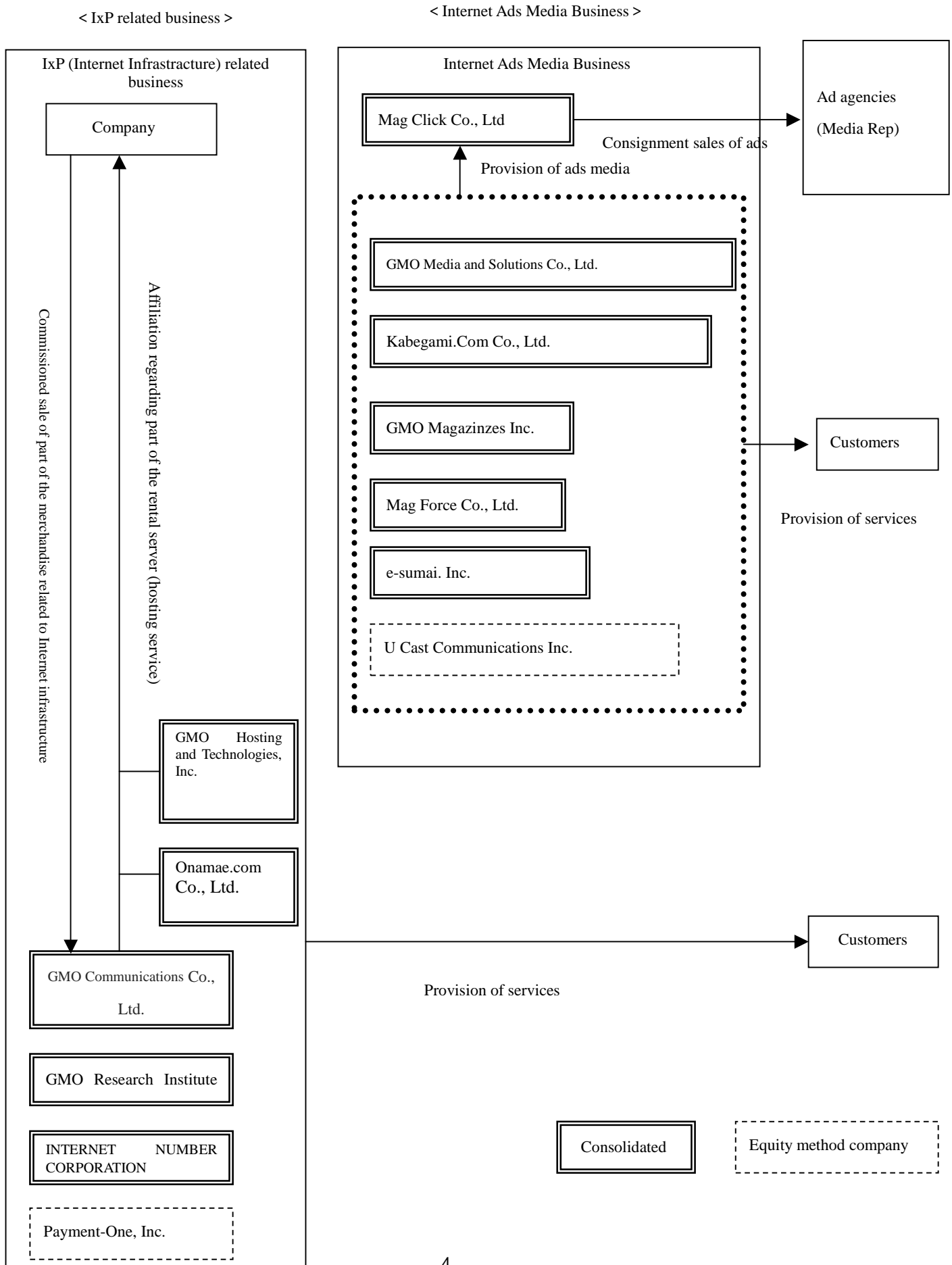
Company Name	Percentage of voting rights or equity share held	Category	Business Details
GMO Communications Co., Ltd.	100.0%	Consolidated subsidiary	Computer support and consulting business
GMO Magazines Inc.(*1)	100.0%	Consolidated subsidiary	Media content business
Kabegami .com Co., Ltd.	100.0%	Consolidated 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
Onamae.com Co., Ltd	82.0%	Consolidated subsidiary	Development and management related to the server business
GMO Media and Solutions Co., Ltd (*2)	81.0%	Consolidated subsidiary	Development and management of various mail media, such as mailing lists and Opt-in mail service
GMO Hosting and Technologies, Inc. (ISLE Co., Ltd.) (*3)	81.0%	Consolidated subsidiary	Server Business
Mag Click Co., Ltd. (*4)	40.6%	Consolidated subsidiary	Sale of e-mail advertisements in which mail magazines and opt-in mail are the major media for ads
INTERNET NUMBER CORPORATION	69.6%	Consolidated subsidiary	Service offering the "internetnumber"
Mag Force Co., Ltd. (*5)(*6)	100.0% (100.0%)	Consolidated subsidiary	Sale of pricing-based Internet advertisements
e-sumai. Inc.(*6)	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)

(\*)

- GMO Magazines Inc sold all of its business to GMO Media and Solutions Co., Ltd, is now being liquidated.
- 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 the takeover of the Point Mail business from GMO Communications Co., Ltd. Following the acquisition and assignment of securities it fell from 84.6% to 81.0% at the end of this term.
- The ownership ratio of voting rights of GMO Hosting and Technologies, Inc. fell from 82.6% to 81.0% with a third party allotment.
- 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 the acquisition of stocks. 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.
- We acquired 69.6% of the stocks of INTERNET NUMBER CORPORATION and it became our subsidiary from October 2003
- With the acquisition of stocks, the ratio of indirect ownership of voting rights in Mag Force Co., Ltd. increased from 96.0% to 100%.
- The figures in parentheses denote the percentage of indirect ownership.
- From the 3rd quarter, Idea Cube Co., Ltd was excluded from application of the equity method, since we sold our stake in the company.

[ 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 Group focuses its management resources on providing an Internet platform, including an Internet infrastructure and service infrastructure. With a view to creating sustainable corporate value, we provide an organic combination of the IxP (Internet infrastructure) business and the Internet advertising media business and strive to establish an Internet media group in which each part works in synergy to contribute to society through the creation of an Internet culture and industry.

Management 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 to dominate the domain of business 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 to be the only service operator.

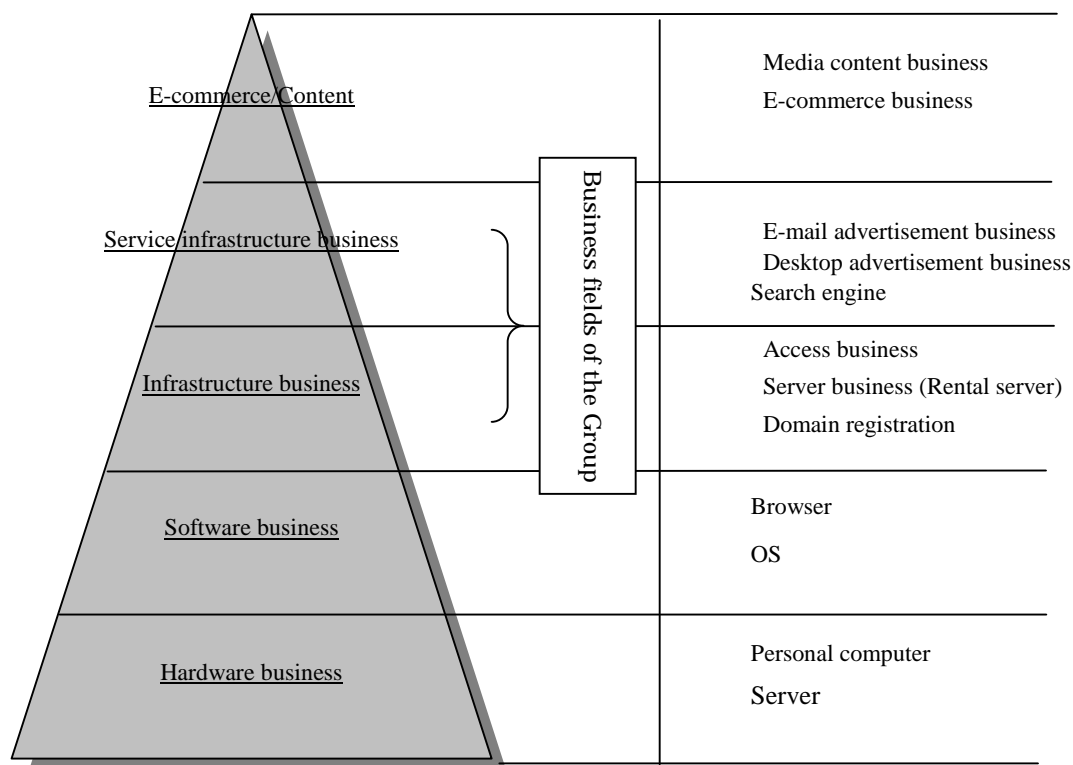
2 ) Vision (Where is the gold mine?)

In the ongoing digital revolution, we will concentrate our management resources on providing an 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. We also make you smile and we touch your hearts.

The businesses of our 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 the continuation of long-term, stable dividends as well as giving consideration to improving retained earnings to enable us to bolster our corporate strength and prepare for future business developments in a comprehensive way. We plan to distribute the proceeds to shareholders of this term, with a dividend of 6 yen per share.

## 3. Medium to Long-Term Management Strategy

While the Group has an overwhelming position in the server business, the domain business, and e-mail advertisement business, we are determined to more consolidate this position in the years to come, aiming to bolster our sales ability to generate stable operating cash flow for the long term and to improve services. In the access business, with a differentiation strategy including the 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 for our entry without losing any business opportunities.

## 4. Position and policy on lowering the unit of investment

The Company lowered the number of stocks per unit from 500 to 100 in February 2004, to increase the liquidity of stocks and expand the range of investors. In reviewing the unit of investment in future, we will carefully study the cost and effect of any change in consideration of performance and market demands.

## 5. Basic position on establishment of an administrative organization (corporate governance) and status of measures in this respect

(Basic stance on corporate governance)

The Company understands that its most important challenge is to increase the soundness and transparency of its business administration and to make flexible managerial decisions and achieve appropriate management to ensure a continuous increase in corporate value.

(Measures taken for corporate governance)

(1) The status of the administrative organization responsible for corporate managerial decision-making, execution and supervision and other corporate governance structures

In the Company, the Board of Directors and the Board of Auditors are responsible for auditing and supervising operations. The Board of Directors consists of 11 directors and makes decisions on issues specified in management policies and in laws and regulations, as well as on important management affairs. Positioned as the supervisory organization on business operations, it carries out appropriate and swift managerial decision-making.

The Board of Auditors consists of three auditors, two of whom are outside auditors. The auditors attend meetings of the Board of Directors and other important meetings and inspect the operational and financial situation in accordance with the regulations of the Board of Auditors to examine the performance of directors.

(2) Human relations, capital or trading relationships and other interests between the Company and its outside auditors  
None of the Company's outside auditors has any relationship of interest of concern to the Company.

(3) Initiatives over the past twelve months to strengthen corporate governance

The Company's Board of Directors meets twice each month to make decisions on critical management issues and to clarify the state of its business. Under the strict control of the Board of Auditors, the directors make prompt and appropriate deliberations. The Group's supreme decision-making meetings are held to determine key consolidated operational policies. The internal audit section meanwhile conducts internal audits on business operations and administration to provide evaluations and suggestions.

The Company will endeavor to further strengthen its system of disclosure to ensure fuller disclosure of accurate information on the Internet in a timely manner.

## 6. Issues for 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 an 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 have 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 between businesses, to demonstrate the synergy of group management in the coming years.

(2) Improving selling power by diversifying 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 for encouraging customers to continue to use our services. We will therefore 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 a faster response to customers as a company-wide initiative.

7. Target Management Indices

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 this term, we reached 12.4%. We have not currently set or announced any short-term target but we will continue to aim at further increases.

## Business Results and Financial Conditions

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

### 1. Business results

During the period that corresponds to the consolidated fiscal year in question, the Japanese economy saw some positive signs in terms of market trends and commenced a slow recovery backed by capital investment in the corporate sector and exports. In the Internet market, which is the Group's area of business, the online environment benefited from steady development and expansion. The number of subscriptions to broadband services in Japan had reached 13,641,000 at the end of December 2003.\*<sup>1</sup> At the same time, the industry saw an increase in the use of service content. For example, the cumulative registrations of ".jp" domains continue to grow, even after reaching 500,000 in January 2003.\*<sup>2</sup>

Under these circumstances, the Group proceeded with strengthening its sales capabilities and improving its services in individual business sections under the corporate slogan of "Internet for Everyone," to attain its goal of establishing itself as the industry leader. As a consequence, the Group's consolidated results showed a year-on-year 27.3 percent increase in sales, to 15,678 million yen, a 78.0 percent rise in operating profit, to 2,112 million yen, a 92.5 percent rise in ordinary profit, to 1,946 million yen, and a 400.4 percent jump in net income, to 1,040 million yen.

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, for consolidated and streamlined 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.

#### <Condition by the segment>

##### • IxP (Internet Infrastructure) related business

The IxP business achieved sales of 10,813 million yen, up 29.7% from the previous year, and operating profit of 1,585 million yen, up 102.3% from the previous year.

In addition to the change in business segment of GMO Communications Co., Ltd. mentioned above, 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 profit.

##### • Internet advertising media business

The Internet advertising media business posted sales of 5,038 million yen, up 25.5% from the same period last year, and an operating profit of 525 million yen, up 30.5%.

Despite the above 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., which are consolidated subsidiaries, both enjoyed improved their profitability. All of these factors had a positive effect on the consolidated results.

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\*1 An announcement of the Ministry of Public Management, Home Affairs, Posts and Telecommunications on January 30, 2004

\*2 Japan Registry Service Co. and Ltd. announced in the home page



## 2. Financial Conditions

### <Assets, liabilities and shareholders' equity>

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

Among current assets, cash and deposits increased by 3,005 million yen, attributable to an increase in cash flows from operating activities and revenue from sales of securities. Of securities and other assets, investments in securities increased 2,321 million yen, mainly because of the current price evaluation of negotiable securities and the acquisitions by GMO and Mag Click Co., Ltd. Of fixed liabilities, the deferred tax liability increased 589 million yen. This mainly reflected the current price evaluation of negotiable securities of GMO and Mag Click Co., Ltd.

### 3. Cash Flow

Cash flow for this term increased by 3,005 million yen to 8,524 million yen, thanks to an excellent pre-tax-adjusted current net profit of 2,475 million yen (up 204.8%), and revenue from the sale of securities of 1,990 million yen (up 417.7%). There was, however, an outlay of 794 million yen (up 8.3%) for the acquisition of securities.

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

Cash flow from operating activities increased 2,420 million yen, up 76.3% on a year-on-year basis on the strength of pretax current net profit of 2,475 million yen and a 507 million yen increase in accounts payable, offsetting a 343million yen increase in accounts receivable and payments for corporate tax of 342 million.

Cash flow from investment activities was up 508 million yen, mainly because of revenue acquired by the sales of securities of 1,990 million yen, despite expenditure incurred on the acquisition of securities of 794 million yen.

Cash flow from financial activities was down 102 million yen, an 87.4% decline from the level of one year ago, mainly because of the payment of 109 million yen for dividends.

2. Projections of consolidated business results for December 31, 2004 (from January 1, 2004 to December 31, 2004)  
 (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, 2004 to December 31, 2004)

	FY 2004	Change from year-ago level	FY 2003
	Million Yen	%	Million Yen
Sales	20,000	27.6	15,678
Ordinary profit	2,500	28.4	1,946
Current net profit	1,350	29.8	1,040

• Forecast of the non-consolidated results (from January 1, 2004 to December 31, 2004)

	FY 2004	Change from year-ago level	First half of fiscal 2002
	Million Yen	%	Million Yen
Sales	7,650	5.7	7,238
Ordinary profit	900	1.9	883
Current net profit	700	21.5	576

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

(unit: one million yen)

	4 <sup>th</sup> quarter of 2002	1 <sup>st</sup> quarter of 2003	2 <sup>nd</sup> quarter of 2003	3 <sup>rd</sup> quarter of 2003	4 <sup>th</sup> quarter of 2003
Operating revenue	3,311	3,584	3,883	4,022	4,178
Operating profit	329	533	516	447	614
Ordinary profit	271	468	489	434	553
Current net profit	-34	192	201	226	419
Total assets	13,052	13,028	14,018	16,464	17,917
Shareholders' equity	8,714	8,722	9,174	10,487	11,096

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

(unit: one million yen)

	4 <sup>th</sup> quarter of 2002	1 <sup>st</sup> quarter of 2003	2 <sup>nd</sup> quarter of 2003	3 <sup>rd</sup> quarter of 2003	4 <sup>th</sup> quarter of 2003
Operating revenue	1,683	1,788	1,843	1,802	1,813
Operating profit	113	226	235	176	216
Ordinary profit	114	210	258	188	226
Current net profit	-37	106	102	113	253
Total assets	9,075	9,086	9,475	10,818	11,803
Shareholders' equity	8,155	8,113	8,386	9,426	9,962

( Reference )

**Number of transactions by major service, etc.**

Unit: transactions (rounded to the nearest hundred)

	Service	Product	4 <sup>th</sup> quarter of 2002	1 <sup>st</sup> quarter of 2003	2 <sup>nd</sup> quarter of 2003	3 <sup>rd</sup> quarter of 2003	4 <sup>th</sup> quarter of 2003
IxP related business	Access operations	interQ MEMBERS and others (*)	119,700	118,400	117,500	115,700	114,400
	Server and hosting operations	interQ OFFICE, ISLE, Premier server and others (*)	93,400	96,900	100,700	104,800	109,200
	Domain registration operations	Onamae.com (Number of registration)	23,000	17,600	19,800	16,900	17,500
		Onamae.com (Number of updating)	7,800	14,200	19,600	11,900	14,300
Internet Ads Media Business	Opt-in mail service	Number of members (*) (unit: 10,000 people)	349	370	362	339	347
		Number of distributions (unit: 1000 mail items)	69,130	75,413	80,471	99,422	71,636

(\*)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)

	4 <sup>th</sup> quarter of 2002	1 <sup>st</sup> quarter of 2003	2 <sup>nd</sup> quarter of 2003	3 <sup>rd</sup> quarter of 2003	4 <sup>th</sup> quarter of 2003
IxP (Internet Infrastructure) related business					
Sales to external customers	2,109	2,504	2,766	2,702	2,759
Dealings between segments	4	63	5	5	6
Total	2,114	2,567	2,771	2,707	2,765
Internet Ads Media Business					
Sales to external customers	1,201	1,080	1,117	1,319	1,427
Dealings between segments	1	27	19	24	21
Total	1,203	1,108	1,136	1,344	1,449
Deduction of dealings between segments	(6)	(90)	(24)	(29)	(28)
Consolidated sales	3,311	3,584	3,883	4,022	4,187

Operating profit and loss

(unit: million yen)

	4 <sup>th</sup> quarter of 2002	1 <sup>st</sup> quarter of 2003	2 <sup>nd</sup> quarter of 2003	3 <sup>rd</sup> quarter of 2003	4 <sup>th</sup> quarter of 2003
IxP (Internet Infrastructure) related business	196	391	410	330	452
Internet Ads Media Business	132	141	104	117	162
Subtotal	329	533	515	447	614
Deduction of dealings between segments	(0)	(0)	(0)	(0)	(0)
Consolidated operating profit and loss	329	533	516	447	614

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.

## Consolidated financial statements, etc.

## Consolidated balance sheet

(unit : 1,000 yen)

Term Item	As of December 31, 2002 Samary consolidated balancesheet in the previous fiscal year		As of December 31, 2003 Samary consolidated balancesheet in this fiscal year		
	Amount	Composi tion	Amount	Composi tion	%
(Assets)					
I Current Assets					
1 Cash and deposits	5,656,524		8,661,964		
2 Accounts receivable	1,985,672		2,078,740		
3 Inventory assets	9,638		12,837		
4 Deferred tax asset	369,566		336,046		
5 Other assets	410,656		567,956		
Allowance for doubtful debts	-482,698		-433,864		
Total Current Assets	7,949,359	60.9	11,223,680	62.6	
Fixed assets					
1.Tangible fixed assets					
(1) Buildings and structures	55,000		52,780		
(2) Tools and equipment	118,002		108,233		
(3) Other tangible fixed assets	53		4,279		
Total Tangible Fixed Assets	173,056	1.3	165,292	0.9	
2. Intangible fixed assets					
(1) Goodwill	170,332		2,467		
(2) Software	649,294		467,645		
(3) Account for consolidated adjustments	194,362		471,979		
(4) Other intangible fixed assets	379,855		229,907		
Total of intangible fixed assets	1,393,843	10.7	1,171,999	6.6	
3.Investments and other assets					
(1) Investments in securities	2,050,743		4,372,187		
(2) Investment	116,992		99,781		
(3) Deposit	571,286		510,485		
(4) Long term loans recieavable	-		194,749		
(5) Deferred tax asset	768,401		96,542		
(6) Others	47,083		100,594		
Allowance for bad debt	-7,959		-18,178		
Total of investments and other assets	3,536,547	27.1	5,356,162	29.9	
Total of fixed assets	5,103,448	39.1	6,693,454	37.4	
Total of assets	13,052,807	100.0	17,917,135	100.0	

(unit : 1,000 yen)

Term Item	As of December 31, 2002 Samary consolidated balancesheet in the previous fiscal year		As of December 31, 2003 Samary consolidated balancesheet in this fiscal year	
	Amount	Composi tion	Amount	Composi tion
( Liabilities )		%		%
Current liabilities				
1 Notes payable and accounts payable – trade	137,780		254,541	
2 Accrued amount payable	676,717		951,330	
3 Accrued corporation tax, etc	198,318		945,046	
4 Allowance for bonuses	11,227		14,877	
5 Advance money	535,804		663,966	
6 Other liabilities	277,567		459,444	
Total of current liabilities	1,837,417	14.1	3,289,206	18.3
Fixed liabilities				
1. Corporate Bond	-		33,750	
2. Deffered tax liability	-		589,825	
3 Other fixed liabilities	20,271		15,143	
Total of fixed liabilities	20,271	0.1	638,718	3.6
Total of liabilities	1,857,688	14.2	3,927,924	21.9
( Minority Equity )				
<b>Minority equity</b>	2,480,668	19.0	2,892,741	16.2
( Shareholder's Equity )				
Capital stock	3,311,130	25.4	3,311,130	18.5
Capital reserve	4,432,990	34.0	4,432,990	24.7
Earned surplus	1,658,922	12.7	2,563,536	14.3
Other gaps in appraisal of securities	-323,747	-2.5	1,155,435	6.5
Own stocks	-364,844	-2.8	-366,623	-2.1
Total of shareholders' equity	8,714,450	66.8	11,096,468	61.9
Total of liabilities, minority equity and shareholders' equity	13,052,807	100.0	17,917,135	100.0

## (2) Consolidated profit and loss statement

(unit: 1,000 yen)

Term Item	Consolidated accounting period in the previous term From January 1, 2002 to December 31, 2002			Consolidated accounting period in this term From January 1, 2003 to December 31, 2003		
	Amount		Composi tion	Amount		Composi tion
Operating revenue		12,313,769	100.0		15,678,533	100.0
Business expenses		5,175,531	42.0		5,987,154	38.2
Sales and general administrative expenses		5,951,874	48.4		7,579,089	48.3
Operating profit		1,186,363	9.6		2,112,289	13.5
Non-operating revenue						
1. Interest received	7,548			7,841		
2. Fees received	10,563			4,728		
3. Foreign-exchange gain	711			-		
4. Others	23,719	42,543	0.3	45,671	58,242	0.3
Non-operating expenses						
1. Interest paid	8,381			842		
2. New share issuing expense	4,169			2,209		
3. Loss from investments by the equity method	156,691			187,937		
4. Provision of allowance for bad debts	606			-		
5. Loss from investment partnership	-			17,791		
6. Other operating expenses	47,429	217,277	1.7	14,846	223,626	1.4
Ordinary profit		1,011,629	8.2		1,946,904	12.4
Extraordinary profit						
1. Gain from the prior- term adjustment	-			7,211		
2. Gain on sales of fixed assets	3,318			-		
3. Gain on sales of investments on securities	74,154			1,066,147		
4. Gain on sales of investments on stocks of affiliated companies	-			108,289		
5. Gain on sales of Goodwill	-			8,716		
6. Equity in change of investees	-			4,945		
7. Gain on return of allowance for doubtful debts	-	77,473	0.6	553	1,195,864	7.6
Extraordinary loss						
1. Loss from the prior-term adjustments	7,556			-		
2. Loss on sales of fixed assets	16			4,997		
3. Loss on retirement of fixed assets	7,854			437,911		
4. Amotization of goodwill	-			119,486		

5. Loss on withdrawal of APS	93,877					
6. Loss on appraisal of capital subscription	167,808					
7. Loss on investments to subsidiaries				83,360		
8. Loss for closing bussiness		277,114	2.2	21,728	667,484	4.2
Current net profit before adjustment of taxes		811,987	6.6		2,475,285	15.8
Corporate tax, residential tax and business tax	365,248			1,083,816		
Amount of adjustment, such as corporate tax	177,075	542,324	4.4	130,045	1,213,861	7.8
Profit of minority shareholders		61,803	0.5		221,347	1.4
Current period net profit		207,860	1.7		1,040,075	6.6

## (3) Statement of quarterly consolidated surplus

(unit: 1,000 yen)

Term Item	Consolidated accounting period in the previous term From January 1, 2002 to December 31, 2002		Consolidated accounting period in this term From January 1, 2003 to December 31, 2003	
	Amount		Amount	
<b>(Capital Surplus)</b>				
I. Balance of capital surplus at beginning of term		4,160,094		4,432,990
II. Increase in capital surplus				
1. Issuance of new shares through equity swap	272,898	272,898		
III. Balance of capital surplus at end of the term		4,432,990		4,432,990
<b>(Earned Surplus)</b>				
I. Balance of earned surplus at beginning of term		1,487,421		1,658,922
II. Increase in earned surplus				
1. Current net profit	207,860		1,040,075	
2. Increase in surplus due to merger	140,233			
3. Increase in surplus due to merger and separation			16,897	
4. Increase in surplus due to inclusion in application of the equity method		348,093	8,247	1,065,220
III. Decrease in earned surplus				
1. Dividend	54,266		110,677	
2. Decrease in surplus due to increased number of consolidated subsidiaries			49,929	
3. Decrease in surplus due to increased number of Affiliated equity method companies	43,872			
4. Deficit succeeded by the merger	78,454	176,592		160,606
IV. Balance of earned surplus at end of the term		1,658,922		2,563,536



## (4) Statement of consolidated cash flow

(unit : 1,000 yen)

Term Item	As of December 31, 2002 Samary consolidated cash flow in the previous fiscal year	As of December 31, 2003 Samary consolidated cash flow in this fiscal year
	Amount	Amount
Cash flow from operating activities		
Current net profit before adjustment of taxes, etc.	811,987	2,475,285
Depreciation charge	309,226	321,358
Amortization of the consolidated adjustment account	63,326	68,204
Increase in allowance for doubtful debts	432,320	220,857
Gain on sales of investments in securities	-74,154	-1,066,147
Gain on sales of investments on stocks of affiliated companies	-	-108,289
Gain on sales of goodwill	-	-8,716
Interest received and dividend received	-7,548	-7,841
Interest paid	8,381	842
Gain or loss on foreign exchange	-711	3,536
New share issuing expense	4,169	2,209
Appraisal loss on investments in securities	167,808	83,360
Amotization of goodwill	-	119,486
Loss on retirement of fixed assets	7,854	437,911
Loss on sales of fixed assets	16	4,997
Gain on sales of fixed assets	-3,318	-
Loss on withdrawal of APs	53,179	-
Loss on accompanying enterprise arrangement	-	20,029
Loss from investments by the equity method	156,691	187,937
Equity in change of investees	-	-4,945
Increase (decrease) in accounts receivable	-405,280	-343,430
Increase (decrease) in other assets	163,792	-257,886
Increase (decrease) in purchase debts	-92,704	101,679
Increase (decrease) in other liabilities	43,835	507,745
Subtotal	1,638,874	2,758,182
Interest and dividend received	5,134	9,141
Interest paid	-5,203	-4,875
Payment of corporate tax, etc.	-266,058	-342,187
<b>Cash flow from operating activities</b>	<b>1,372,747</b>	<b>2,420,261</b>
Cash flow from investing activities		
Expenditure incurred by deposit of fixed deposit	-138,768	-97,268
Revenue accrued by repayment of fixed deposit	126,244	97,284
Expenditure incurred by acquisition of tangible fixed assets	-38,085	-63,416
Revenue accrued by sales of tangible fixed assets	3,740	2,213
Expenditure incurred by acquisition of intangible fixed assets	-578,494	-269,705
Revenue accrued by sales of intangible fixed assets	139	1,556
Expenditure incurred on acquisition of investment in securities	-733,375	-794,205
Revenue accrued from sale of investment in securities	384,546	1,990,741
Expenditure incurred on acquisition of investment in subsidiarie's securities	-	-114,985
Revenue accrued from sale of investment in subsidiarie's securities	-	161,700
Revenue accrued by acquisition of stock of new consolidated subsidiary	7,739	-342,325
Expenditure incurred by loans	-910,000	-635,474
Revenue accrued by collection of loans	858,700	519,185

(unit:1,000 yen)

Term Item	As of December 31, 2002 Samary consolidated cash flow in this fiscal year	As of December 31, 2003 Samary consolidated cash flow in this fiscal year
	Amount	Amount
Revenue accrued from other investing activities	123,964	82,355
Expenditure incurred by other investing activities	-73,670	-28,883
<b>Cash flow from investing activities</b>	<b>-967,318</b>	<b>508,770</b>
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 incurred by repayment of long-term loans payable	-732,087	-
Expenditure incurred by the redemption of bonds	-500	-
Expenditure incurred by issue of stocks	-4,169	-2,209
Revenue incurred by issue of stocks for minority equity	-	19,250
Revenue or expenditure incurred by acquisition of own stocks	-31,345	4,697
Payment of dividends	-53,315	-109,727
Payment of dividends for minority shareholders	-	-14,980
<b>Cash flow from financial activities</b>	<b>-821,417</b>	<b>-102,969</b>
Gap in conversion related to cash and cash equivalents	-	-5,300
Increase (Decrease) in cash and cash equivalents	-415,988	2,820,761
VI Balance of cash and cash equivalents at the beginning of term	5,935,243	5,519,255
Increase in cash and cash equivalents with increase in the number of consolidated subsidiaries	-	184,662
Balance of cash and cash equivalents at the end of the term	5,519,255	8,524,679