

# Summary of Consolidated Financial Statement for the Term Ending December 2004

February 18, 2005



Name of Listed Company: **Global Media Online Inc.**

Second section of the Tokyo Stock Exchange

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 18, 2005

Whether US GAAP is applied: None

## 1. Consolidated Results for the Term Ending December 2004 ( from January 1, 2004 to December 31, 2004 )

### (1) Consolidated financial results

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

	Sales		Operating profit		Ordinary profit	
	Million Yen	%	Million Yen	%	Million Yen	%
December 31, 2004	23,561	( 50.3 )	2,804	( 32.8 )	2,805	(44.1)
December 31, 2003	15,678	( 27.3 )	2,112	( 78.0 )	1,946	( 92.5 )

	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	%	%	%
December 31, 2004	2,563	(146.4)	44	81	44	16	21.0	12.2	11.9
December 31, 2003	1,040	( 400.4 )	37	59	37	42	10.5	12.6	12.4

Note 1. Equity in earning or loss of investees: term ended December 2004: one million yen, term ended December 2003: -187 million yen

2. Average outstanding shares during the term (consolidated): term ended December 2004: 56,315,494 shares, term ended December 2003: 27,668,730 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
December 31, 2004	27,896	13,350	47.9	217	93
December 31, 2003	17,917	11,096	61.9	401	06

Note: Number of total outstanding shares (consolidated): December 31, 2004: 61,078,374 shares, December 31, 2003: 27,667,634 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
December 31, 2004	2,436	1,112	1,439	11,319
December 31, 2003	2,420	508	102	8,524

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

Number of consolidated subsidiaries: 24, number of non-consolidated equity method companies: 0, number of affiliated equity method companies: 0

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

Number of newly consolidated companies: 17, number of companies excluded from consolidation: 4, number of companies newly subject to the equity method: 0, number of companies excluded from application of the equity method: 2

## 2. Projections of consolidated business results for December 31, 2005 (from January 1, 2005 to December 31, 2005)

	Sales	Ordinary profit	Current net profit
	Million Yen	Million Yen	Million Yen
Interim			
Year ended December 31, 2005(full year)	15,500	1,400	800
	34,000	4,000	2,000

Note: Anticipation for current net profit per share (Full year) 32.74 yen

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”) and 24 subsidiaries. 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. Onamae.com Co., Ltd. paperboy&co. (*1) WEBKEEPERS, INC.(*2)
	Domain Registration operations	Domain registration service (Note 3) Service offering the "internetnumber"	Company INTERNET NUMBER CORPORATION
	Computerization support and consulting operations	Computerization support service, website production and operation support service, consulting service, and telemarketing service	Company GMO Communications Co., Ltd. Grandsphere Co., Ltd. (*1) Telecom Online K.K.(*3)
	Security operations	Web Security Services	GeoTrust Japan, inc.(*2)
	Settlement operations	Credit card billing service	Payment-One, Inc.(*4) Card Commerce Service Co., Ltd. (current GMO Payment Gateway, Inc.) (*5)
	Others	Organization aimed at information gathering, research and promotion of advanced Internet technologies	GMO Research Institute Inc.
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.
	Desktop advertising operations	Service to provide and develop and operate “wallpaper”(Note 8), the information and ads distribution system for desktops.(Note 7) (Second browser operations)	GMO Mobile&Desktop Inc. (Former U Cast Communications Inc.) (*6)
	Advertisement agency	Agency service for advertisement offering employment	San Planning Corporation (*7) (Current GOM San Planning Corporation)
	Keyword listing operations (9199 operations)	Keyword (keywords in Japanese) service (Note 8)	AccessPort Inc. (*8)
	Others	Management of one of the largest websites in Japan which offers information on new condominiums	e-sumai.Inc.
		Planning and management of online games	Net Clue, Inc. (*9)

		Internet community service	Tea Cup Communication, Ltd. (*10)
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- (\*1) In March 2004 the Company acquired the stocks and business of Paperboy & Co. and Grandsphere Co., Ltd., which thereby became Consolidated subsidiary of the Company
- (\*2) Geo Trust Japan, Inc. and WEBKEEPERS, INC. are included in the consolidated companies of the Company because of their increased importance beginning this fiscal year.
- (\*3) Telecom Online K.K. which was established in August 2004 has been included in consolidated companies beginning this fiscal year.
- (\*4) The Company acquired additional shares in Payment-One, Inc., and increased the Company's share of voting rights in it from 40.6% to 67.7%, thereby turning Payment-One into a consolidated subsidiary. Further, Payment-One Inc. transferred its entire business to Card Commerce Service Co., Ltd. (current GMO Payment Gateway, Inc.) as of November 30.
- (\*5) CCS Holding Co., Ltd. became a wholly-owned subsidiary of the Company through stock swap in September 2004. CCS Holding Co., Ltd. holds 65.7% of the shares of Card Commerce Service Co., Ltd. (current GMO Payment Gateway, Inc.) Both companies have been included among consolidated companies beginning this fiscal year.
- (\*6) U Cast Communications Inc. and Kabegami.com, Inc. were merged in March 2004, and U Cast Communications Inc. became the surviving company. The company name of the surviving company was changed to GMO Mobile&Desktop Inc. as of the date of the merger.
- (\*7) Power Formation Corporation became a wholly-owned subsidiary of the Company through a stock swap in August 2004. In September 2004, Power Formation Corporation became a wholly-owned subsidiary of Mag Click Co., Ltd., a consolidated subsidiary of the Company, through a stock swap by Mag Click Co., Ltd. Power Formation Corporation holds 67.0% of the shares of San Planning Corporation (current GMO San Planning Corporation), and both companies have been included among consolidated companies beginning this fiscal year. Moreover, Power Formation Corporation and Mag Click Co., Ltd. merged in December 2004, and Mag Click Co., Ltd. became the surviving company. Power Formation Corporation was dissolved.
- (\*8) 3721 Soft, Inc. became a wholly-owned subsidiary of the Company through a stock acquisition in October 2004 and a stock swap in December 2004. While 3721 Soft, Inc. holds 59.0% of the shares of AccessPort Inc., the Company directly holds 14.9% of the shares of AccessPort Inc. at the same time. Therefore, both companies have been included among consolidated companies beginning this fiscal year.
- (\*9) Net Clue Japan, Inc. became a wholly-owned subsidiary of the Company through stock swap in September 2004. Net Clue Japan, Inc. holds 100% of the shares of Net Clue, Inc., and both companies have been included among consolidated companies beginning this fiscal year.
- (\*10) i's Factory Co., Ltd. became a wholly-owned subsidiary of the Company through a stock swap in October 2004. As i's Factory Co., Ltd. holds 51.0% of the shares of Tea Cup Communication, Ltd., both companies have been included among consolidated companies beginning this fiscal year.
- (\*11) All of the business of GMO Magazines Inc. was transferred to GMO Median and Solutions Co., Ltd. on November 1, 2003, and GMO Magazines Inc. was liquidated in the current term.
- (\*12) Mag Click Co., Ltd., a consolidated subsidiary of the Company, merged with its wholly-owned subsidiary called Magforce Inc. in September 2004, and Magforce Inc. was dissolved.
- Note 1. The service is branded interQ MEMBERS, BB plus and Bekkoame.
- 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, Rapidsite, and Lolipop.
- 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. Jword is a service in which users are able to directly access to websites and results of search by directly in putting some Japanese keyword, such as a company name, a product name or a service name, in the address bar on the browser instead of URL on PC where the plug-in is installed.

#### 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 Research Institute Inc.	100.0%	Consolidated subsidiary	Organization aimed at information gathering, research and promotion of advanced Internet technologies
Grandsphere Co., Ltd. (*2)	92.5%	Consolidated subsidiary	System consulting business
Net Clue Japan, Inc. (*3)	100.0%	Consolidated subsidiary	Planning and management of online games
CCS Holding Co., Ltd. (*4)	100.0%	Consolidated subsidiary	Management company holding the shares of Card Commerce Service Co., Ltd.
Telecom Online K. K. (*5)	100.0%	Consolidated subsidiary	Telemarketing service
i's Factory, Ltd. (*6)	100.0%	Consolidated subsidiary	Management company holding the shares of Tea Cup Communication, Ltd.
3721 Soft Inc. (*7)	100.0%	Consolidated subsidiary	Management company holding the shares of AccessPort Inc.
GMO Mobile&Desktop Inc. (U Cast Communications Inc.) (*8)	82.7%	Consolidated subsidiary	Service to provide and develop and operate "wallpaper," the information and ads distribution system for desktops.
Onamae.com Co., Ltd	85.0%	Consolidated subsidiary	Development and management related to the server business
GMO Media and Solutions Co., Ltd	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.	70.1%	Consolidated subsidiary	Server Business
INTERNET NUMBER CORPORATION	69.6%	Consolidated subsidiary	Service offering the "internetnumber"
Payment-One, Inc. (*9)	67.7%	Consolidated subsidiary	Credit card settlement service for e-commerce (credit card billing service)
paperboy & co. (*10)	50.2%	Consolidated subsidiary	Server Business
Mag Click Co., Ltd. (*11)	42.5%	Consolidated subsidiary	Sale of e-mail advertisements in which mail magazines and opt-in mail are the major media for ads
GeoTrust Japan, inc. (*12) (*14)	100.0% ( 100.0% )	Consolidated subsidiary	Web Security business
Net Clue Korea, Inc. (*3) (*14)	100.0% ( 100.0% )	Consolidated subsidiary	Planning and management of online games
WEBKEEPERS, INC. ( United States ) (*12) (*14)	70.0% ( 70.0% )	Consolidated subsidiary	Server Business
San Planning Corporation (current GMO San Planning Corporation) (*13)	67.0% ( 67.0% )	Consolidated subsidiary	Agency service for advertisement offering employment
AccessPort Inc. (*7) (*14)	73.9% ( 59.0% )	Consolidated subsidiary	Jword (keywords in Japanese) service
Card Commerce Service Co., Ltd. (current GMO Payment Gateway, Inc.) (*4) (*14)	65.4% ( 65.4% )	Consolidated subsidiary	Operation and provision of online credit network for credit cards
Tea Cup Communication, Ltd. (*6) (*14)	51.0% ( 51.0% )	Consolidated subsidiary	Internet community service (bulletin board service)
e-sumai. Inc. (*14)	50.9% ( 50.9% )	Consolidated subsidiary	Management of one of the largest websites in Japan which offers information on new condominiums

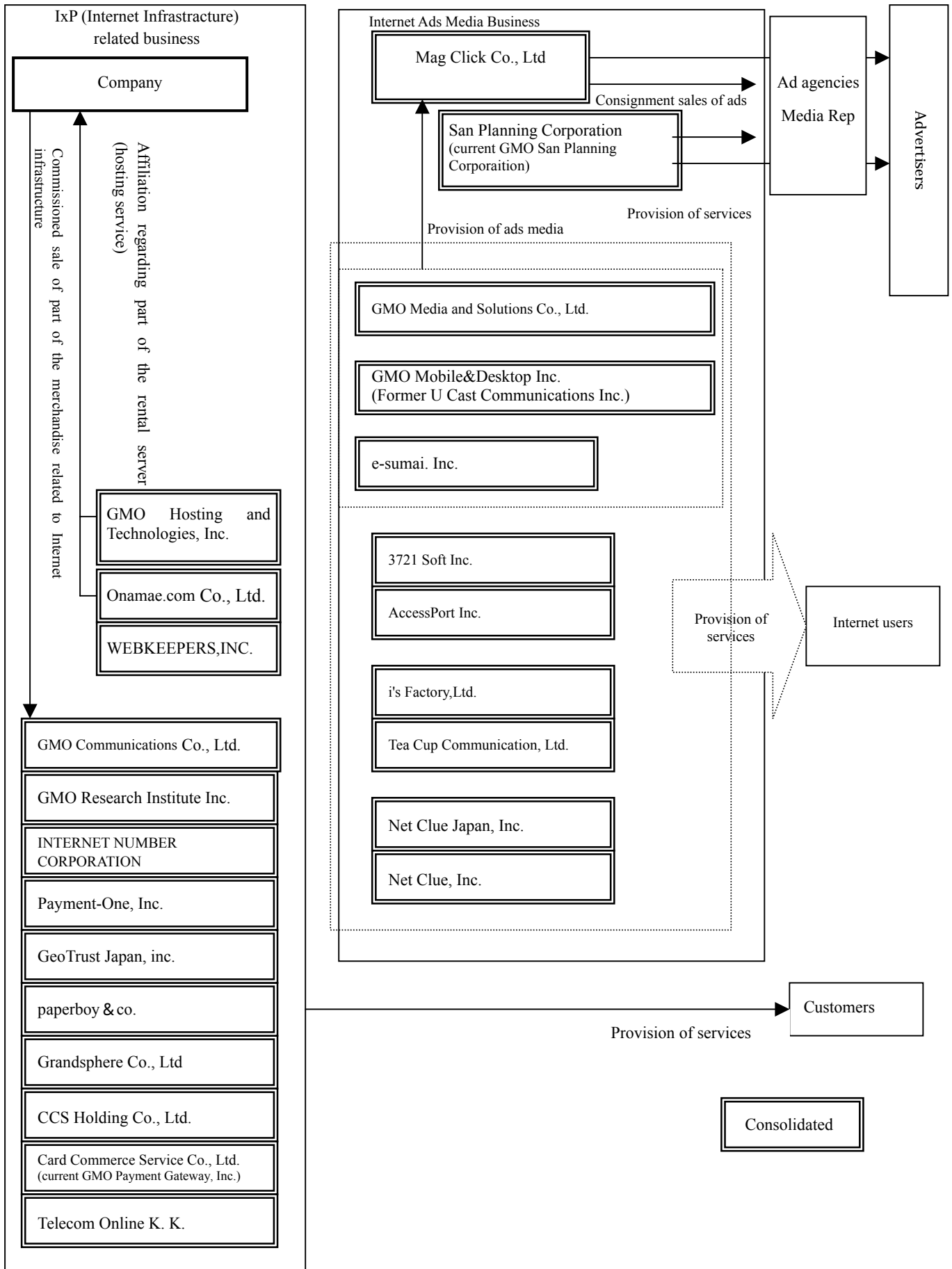
(\*)

1. GMO Magazines Inc sold all of its business to GMO Media and Solutions Co., Ltd, and had been liquidated in this term.
2. In March 2004 the Company acquired business of Grandsphere Co., Ltd., which thereby became wholly-owned subsidiaries of the Company
3. Net Clue Japan, Inc. became a consolidated subsidiary through a stock swap in September 2004. At the same time, its wholly-owned subsidiary called Net Clue, Inc. also became a consolidated subsidiary.

4. CCS Holding Co., Ltd. became a consolidated subsidiary through a stock swap in September 2004. At the same time, Card Commerce Service Co., Ltd., a 65.7% stake in which is held by CCS Holding Co., Ltd., also became a consolidated subsidiary. Further, the Company and CCS Holding Co., Ltd. were merged as of January 1, 2005. And, the Company became the surviving company.
5. Telecom Online K. K., which was established in August 2004, became a consolidated subsidiary.
6. i's Factory Co., Ltd. became a wholly-owned subsidiary of the Company through a stock swap in September 2004. As i's Factory Co., Ltd. holds 51.0% of the shares of Tea Cup Communication, Ltd., both companies have been included among the consolidated companies beginning this fiscal year. Further, the Company and i's Factory Co., Ltd. merged as of January 1, 2005, and the Company became the surviving company.
7. 3721 Soft, Inc. became a wholly-owned subsidiary of the Company through a stock acquisition in October 2004 and a stock swap in December 2004. While 3721 Soft, Inc. holds 59.0% of the shares of AccessPort Inc., the Company directly holds 14.9% of the shares of AccessPort Inc. at the same time. Therefore, both companies have been included among consolidated companies beginning this fiscal year. Further, the Company and 3721 Soft, Inc. merged as of January 1, 2005, and the Company became the surviving company.
8. Ucast Communications Inc. and Kabegami.com, Inc. merged in March 2004, with Ucast Communications becoming the surviving company. The name of the surviving company was changed to GMO Mobile & Desktop Inc. on the date of the merger.
9. The ownership ratio of voting rights of Payment-One, Inc. increased from 40.6% to 67.7%, following the acquisition. Payment-One, Inc. is included among the consolidated companies of the Company. Further, Payment-One Inc. transferred its entire business to Card Commerce Service Co., Ltd. (current GMO Payment Gateway, Inc.) as of November 30
10. In March 2004 the Company acquired the 50.2% stocks of Paperboy & Co., which thereby became Consolidated subsidiary of the Company
11. The percentage of our ownership of the voting rights of Mag Click Co., Ltd. is 40.4% . Mag Click Co., Ltd. is treated as a subsidiary because the relationship between the Company and Mag Click is acknowledged as being one of effective control. Mag Click lists its stocks on Nippon New Market "Hercules" of the Osaka Securities Exchange.
12. Because of their increased importance, Geo Trust Japan, Inc. and WEBKEEPERS, INC. are included in the consolidated companies of the Company beginning this fiscal year.
13. Power Formation Corporation became a consolidated subsidiary through stock swap in August and September 2004. San Planning Corporation (current GMO San Planning Corporation) 67.0% equity share of which is held by Power Formation Corporation also became a consolidated subsidiary. Further, Power Formation Corporation and Mag Click Co., Ltd. merged in December 2004, and Mag Click Co., Ltd. became the surviving company. Power Formation Corporation was dissolved.
14. 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

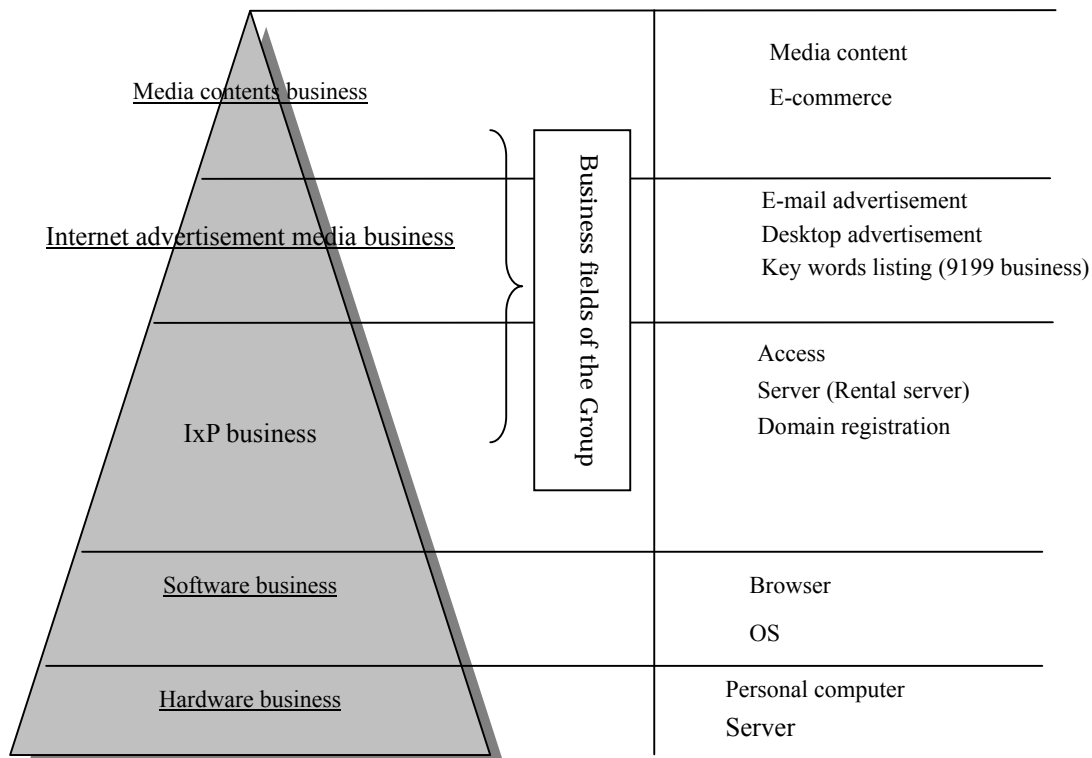
Under the slogan, “the Internet for Everyone” and with our tireless entrepreneurial imagination, our Group focuses its management resources on providing an Internet platform, including an Internet infrastructure and service infrastructure. With a view to creating sustainable corporate value, we provide 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 aim shall we devote our lives?)  
=> To obtain a dominant position (either the largest market share or the sole player) in the Internet sector.
- 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.

Based on this dividend policy, in the term ending December 2005, the Company plans to pay an interim dividend of three yen per share and a final dividend of three yen per share, totaling six yen per share.

## 3. 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. Moreover, the Company executed a 2-for-1 stock split in August 2004. 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.

## 4. Target Management Indices

We emphasize the ratio of recurring profit to sales as a managerial index, which serves as a gauge of profitability. We have not currently set or announced any short-term target but we will continue to aim at further increases.

## 5. Medium-to-Long Term Management Strategy

The Group offers services such as access, domains, servers, website creation, e-commerce, security, IT consulting, and Internet advertising, using the marketing and advertising slogan of “Becoming Japan's Internet Division!” Namely, the Group is the only group in Japan providing comprehensive Internet services which has developed on its own and which provides the kind rapid responses needed by companies using the Internet. We currently have about 400,000 corporate and entrepreneurial customers using our services, centering on our domain and server services.

We will continue striving to increase the number of corporate users in the future by further improving our services and strengthening our sales power, and by expanding our customer and revenue base by encouraging the use of the Internet.

We entered the keyword listing business (the “9199” business) in the second half of the current term under the slogan of “Making the Internet More Convenient and Quick (9199)!” Through this service, we will provide people of all ages with retrieval services that are easy for anyone to use. For corporate users, we will promote access to their own sites through registration of Jword (keywords in Japanese).

We will strive to increase our corporate value further as a comprehensive Internet company, by strengthening our existing IxP related and Internet advertising business and leveraging the synergy of the 9199 business.

## 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, we believe that a future issue for us is to efficiently use the management resources that we have acquired. The Company has undertaken many mergers and acquisitions during the current term, and currently has 24 consolidated companies.

We will continue our initiatives to improve the efficiency of Group management in the future, and will take full advantage of our management resources by seeking synergies among our businesses.

### (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 bolster our sales structure for corporate users by expanding facilities and personnel, such as call centers.

### (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. The entire Company will work as one to bolster customer satisfaction. It will do this by improving the quality of service, strengthening customer support systems, and promoting communications with customers so that they feel pleased and grateful with our services.

## 7. 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 makes decisions on important management matters and reviews business conditions at meetings of the Board of Directors, which are held four times a month. It deliberates on matters promptly and properly under the strict supervision of the Board of Statutory Auditors. The Company has also established an Internal Audit Office which carries out internal audits on the conduct of business and the status of control, and also evaluates and makes suggestions to Group companies.

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.

## Business Results and Financial Conditions

### 1. Business Results

We report here the business results and financial situation for the term ending December 2004 (from January 1, 2004 to December 31, 2004).

#### (1) General business conditions

During this fiscal year, the Japanese economy exhibited positive economic signs and staged a slow recovery, underpinned by corporate sector capital investment and exports.

In the Internet market, which is the arena in which the Group operates, the number of users of broadband services reached 12,739,000 in Japan at the end of September 2004. The Internet environment is now firmly established, and Internet use continues to grow ( \* )

In these circumstances, the Group has continued to focus on strengthening its sales power and improving its services in all business fields, aiming at becoming the number one company in providing an Internet platform, including an Internet infrastructure and service infrastructure, under the slogan "The Internet for Everyone." The Company made paperboy&co. a subsidiary in March 2004, Tea Cup Communication, Ltd. a subsidiary in October 2004, acquired the goodwill of Bekkoame Internet K.K. in April 2004, and acquired the goodwill of ZERO Inc. in November 2004, thereby strengthening the IxP (Internet infrastructure) business and entering the community business. The Company also turned Card Commerce Service Co., Ltd. into a subsidiary in September 2004 to strengthen its settlement service business. In addition, the Company turned Grandsphere Co., Ltd. in March 2004, San Planning Corporation in August 2004 and Net Clue, Inc. in September 2004 into subsidiaries to expand its businesses. Moreover, to enter the keyword listing business, which is a new business field, the Company turned AccessPort Inc. into a subsidiary. As a result, the Group recorded sales of 23,561,986,000 yen (up 50.3% year-on-year), operating profit of 2,804,867,000 yen (up 32.8%), ordinary profit of 2,805,478,000 (up 44.1%), and current profit of 2,563,068,000 yen (up 146.4%) for this fiscal year.

#### <Segment Information>

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

The IxP business achieved sales of 15,641,811,000 yen, up 44.0% from the previous year, and operating profit of 2,240,436,000 yen, up 41.3% from the previous year.

In the server business, GMO Hosting and Technologies, Inc. enjoyed a rise in its revenue thanks to a smooth increase in the number of members. Card Commerce Service Co., Ltd., which became a subsidiary of the Company in September 2004 contributed to the consolidated business results.

##### • Internet advertising media business

The Internet advertising media business posted sales of 8,327,800,000 yen, up 65.2% over the same period last year, and operating profit of 486,846,000 yen, down 7.4%.

Sales rose sharply, reflecting the contribution to the consolidated business results of San Planning Corporation, which became a subsidiary of the Company in August 2004. However, profit declined with expenditure on initial investment in the online game business and the lack of any increase in opt-in mail, among other factors.

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\* According to "Changes in the number of subscribers for broadband service" published by the Ministry of Public Management, Home Affairs, Posts and Telecommunications  
(<http://www.johotsusintokeyi.soumu.go.jp/statistics/data/broad.xls>)

## 2. Financial Situation

<Assets, liabilities and shareholders' equity>

Those items among assets, liabilities and shareholders' equity as of December 31 2004 showing a significant change from the results of December 31, 2003 are as follows.

In current assets, "Cash and deposits" increased 2,894,690,000 yen, mainly reflecting operating activities, the sale of investment securities and an increase in the number of consolidated subsidiaries. Meanwhile, among fixed assets, "goodwill" rose 595,566,000 yen, and the "account for consolidated adjustment" increased 1,918,789,000 yen, due mainly to the acceptance of some goodwill from Bekkoame Internet K.K. and an increase in the number of consolidated subsidiaries. In current liabilities "Short-term debt" rose 2,178,500,000 yen, and "Accrued corporation tax, etc." increased 808,402,000 yen, reflecting an increase in short-term debt for the acquisition of the shares of e-Bank and an increase in corporation tax, etc. due to a sharp rise in profit.

## 3. Cash Flow

Cash flow for this term increased 2,794,675,000 yen, to 11,319,354,000 yen, thanks to an excellent pre-tax-adjusted current net profit of 5,379,096,000 yen (up 117.3%), and revenue from the sale of securities of 4,236,424,000 yen. There was, however, an outlay of 1,478,896,000 yen (up 332.2%) for the payment in corporate tax.

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

"Cash flow from operating activities" increased 2,436,921,000 yen (up 0.7%). The increase was primarily attributable to an increase of 444,541,000 yen in trade accounts receivable and the payment of 1,478,896,000 yen in corporation tax, etc., which offset the posting of a current profit before tax adjustment of 5,379,096,000 yen.

"Cash flow from investing activities increased 1,112,515,000 yen (compared with an increase of 508,770,000 yen in the previous year), thanks to the proceeds from the sale of investment securities of 4,236,424,000 yen, which offset outlays of 2,852,648,000 yen for the acquisition of investment securities and 1,246,746,000 yen for the acquisition of intangible fixed assets.

"Cash flow from financing activities" increased 1,439,562,000 yen (compared with a decline of 102,969,000 yen in the previous year), mainly reflecting cash inflows of 2,203,000,000 yen raised by short-term borrowings and 327,859,000 yen from the sale of treasury stock, which offset the repayment of 744,002,000 yen of long-term borrowings and the payment of 272,822,000 yen in dividends.

3. Projections of consolidated business results for December 31, 2005 (from January 1, 2005 to December 31, 2005)  
(Since the business environment surrounding the Group is subject to significant change over short time frames, the results actually released may differ from the projections.)

• Forecast of consolidated results (from January 1, 2005 to December 31, 2005)

	FY 2005	Change from year-ago level	FY 2004
	Million Yen	%	Million Yen
Sales	34,000	44.3	23,561
Ordinary profit	4,000	42.6	2,805
Current net profit	2,000	22.0	2,563

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

	FY 2005	Change from year-ago level	FY 2004
	Million Yen	%	Million Yen
Sales	11,000	34.0	8,207
Ordinary profit	1,700	29.2	1,315
Current net profit	1,150	47.7	2,198

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

(unit: million yen)

	4 <sup>th</sup> quarter of 2003	1 <sup>st</sup> quarter of 2004	2 <sup>nd</sup> quarter of 2004	3 <sup>rd</sup> quarter of 2004	4 <sup>th</sup> quarter of 2004
Operating revenue	4,187	4,900	4,927	6,197	7,536
Operating profit	614	624	537	641	1,001
Ordinary profit	553	629	552	622	1,001
Current net profit	419	918	830	166	647
Total assets	17,917	19,722	20,388	26,541	27,896
Shareholders' equity	11,096	11,665	11,869	12,592	13,350

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

(unit: one million yen)

	4 <sup>th</sup> quarter of 2003	1 <sup>st</sup> quarter of 2004	2 <sup>nd</sup> quarter of 2004	3 <sup>rd</sup> quarter of 2004	4 <sup>th</sup> quarter of 2004
Operating revenue	1,813	1,832	1,966	2,085	2,322
Operating profit	216	207	183	231	389
Ordinary profit	226	382	233	281	418
Current net profit	253	868	663	115	551
Total assets	11,803	12,587	13,019	16,842	17,861
Shareholders' equity	9,962	10,447	10,475	11,164	12,088

( Reference )

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

Unit: transactions (rounded to the nearest hundred)

	Service	Product	4 <sup>th</sup> quarter of 2003	1 <sup>st</sup> quarter of 2004	2 <sup>nd</sup> quarter of 2004	3 <sup>rd</sup> quarter of 2004	4 <sup>th</sup> quarter of 2004
Ixp related business	Access operations	interQ MEMBERS and others (*)	114,400	113,000	132,700	128,400	207,500
	Server and operations	interQ OFFICE, ISLE server and others (*)	109,200	157,400	180,400	200,300	218,700
	Domain registration operations	Onamae.com (Number of registration others)	17,500	28,000	26,700	27,500	32,100
		Onamae.com (Number of updating)	14,300	21,500	20,000	15,700	17,600
Internet Ads Media Business	Opt-in mail service	Number of members (*) (unit: 10,000 people)	347	351	338	355	446
		Number of distributions (unit: 1000 mail items)	71,636	74,717	74,596	106,518	114,860

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

**The quarterly change by segment**

## I. Sales

(unit: million yen)

	4 <sup>th</sup> quarter of 2003	1 <sup>st</sup> quarter of 2004	2 <sup>nd</sup> quarter of 2004	3 <sup>rd</sup> quarter of 2004	4 <sup>th</sup> quarter of 2004
Ixp (Internet Infrastructure) related business					
Sales to external customers	2,759	3,230	3,520	3,991	4,815
Dealings between segments	6	8	12	22	41
Total	2,765	3,238	3,532	4,013	4,856
Internet Ads Media Business					
Sales to external customers	1,427	1,670	1,407	2,205	2,720
Dealings between segments	21	129	29	95	68
Total	1,449	1,799	1,437	2,301	2,789
Deduction of dealings between segments	(28)	(137)	(42)	(118)	(109)
Consolidated sales	4,187	4,900	4,927	6,197	7,536

## II. Operating profit and loss

(unit: million yen)

	4 <sup>th</sup> quarter of 2003	1 <sup>st</sup> quarter of 2004	2 <sup>nd</sup> quarter of 2004	3 <sup>rd</sup> quarter of 2004	4 <sup>th</sup> quarter of 2004
Ixp (Internet Infrastructure) related business	452	412	442	553	831
Internet Ads Media Business	162	192	77	60	156
Subtotal	614	605	520	613	988
Deduction of dealings between segments	(0)	(19)	(17)	(27)	12
Consolidated operating profit and loss	614	624	537	641	1,001

1. Consolidated Financial Statements, etc.

(1) 【Consolidated Financial Statements】

【Consolidated Balance Sheet】

(unit: 1,000 yen)

Item	As of December 31, 2003 Samary consolidated balancesheet in the previous fiscal year		As of December 31, 2004 Samary consolidated balancesheet in this fiscal year	
	Amount	Composition	Amount	Composition
(Assets)				
I Current Assets				
1 Cash and deposits	8,661,964		11,556,654	
2 Accounts receivable	2,078,740		3,618,436	
3 Inventory assets	12,837		46,071	
4 Deferred tax asset	336,046		388,185	
5 Other assets	567,956		883,013	
Allowance for doubtful debts	433,864		380,260	
Total Current Assets	11,223,680	62.6	16,112,100	57.8
II Fixed assets				
1. Tangible fixed assets				
(1) Buildings and structures	52,780		393,358	
(2) Tools and equipment	108,233		239,303	
(3) Land			382,095	
(4) Others	4,279		36,628	
Total Tangible Fixed Assets	165,292	0.9	1,051,386	3.8
2. Intangible fixed assets				
(1) Goodwill	2,467		598,033	
(2) Software	467,645		602,166	
(3) Account for consolidated adjustments	471,979		2,390,768	
(4) Others	229,907		355,590	
Total of intangible fixed assets	1,171,999	6.6	3,946,559	14.1
3. Investments and other assets				
(1) Investments in securities	4,372,187		4,716,526	
(2) Long-term loan	194,749		28,173	
(3) Investment	99,781		494,187	
(4) Deposit	510,485		973,055	
(5) Deferred tax asset	96,542		174,392	
(6) Others	100,594		410,053	
Allowance for bad debt	18,178		9,632	
Total of investments and other assets	5,356,162	29.9	6,786,756	24.3
Total of fixed assets	6,693,454	37.4	11,784,702	42.2
Total of assets	17,917,135	100.0	27,896,802	100.0

(unit: 1,000 yen)

Item	As of December 31, 2003 Samary consolidated balancesheet in the previous fiscal year		As of December 31, 2004 Samary consolidated balancesheet in this fiscal year	
	Amount	Composition	Amount	Composition
( Liabilities )				
I Current liabilities				
1 Notes payable and accounts payable – trade	254,541		1,296,946	
2 Short-term debt			2,178,500	
3 Accrued amount payable	951,330		2,134,242	
4 Accrued corporation tax, etc	945,046		1,753,448	
5 Allowance for bonuses	14,877		37,400	
6 Advance money	663,966		1,069,035	
7 Deferred tax liability			3,226	
8 Other liabilities	459,444		1,766,589	
Total of current liabilities	3,289,206	18.3	10,239,387	36.7
II Fixed liabilities				
1 Long-term bonds payable	33,750			
2 Long-term accounts payable			553,585	
3 Deferred tax liability	589,825		99,631	
4 Other fixed liabilities	15,143		19,281	
Total of fixed liabilities	638,718	3.6	672,498	2.4
Total of liabilities	3,927,924	21.9	10,911,886	39.1
( Minority Equity )				
Minority equity	2,892,741	16.2	3,634,289	13.0
( Shareholder's Equity )				
I Capital stock	3,311,130	18.5	3,311,130	11.9
II Capital reserve	4,432,990	24.7	5,284,148	19.0
III Earned surplus	2,563,536	14.3	4,768,047	17.1
IV Other gaps in appraisal of securities	1,155,435	6.5	120,579	0.4
V Equity adjustment from foreign currency translation			4,598	0.0
VI Own stocks	366,623	2.1	137,877	0.5
Total of shareholders' equity	11,096,468	61.9	13,350,626	47.9
Total of liabilities, minority equity and shareholders' equity	17,917,135	100.0	27,896,802	100.0

【 Consolidated Profit and Loss Statement 】

(unit: 1,000 yen)

Item	Consolidated accounting period in the previous term From January 1, 2003 to December 31, 2003			Consolidated accounting period in this term From January 1, 2004 to December 31, 2004		
	Amount		Composition	Amount		Composition
I Operating revenue		15,678,533	100.0		23,561,986	100.0
II Business expenses		5,987,154	38.2		9,675,171	41.1
III Sales and general administrative expenses		7,579,089	48.3		11,081,946	47.0
Operating profit		2,112,289	13.5		2,804,867	11.9
IV Non-operating revenue						
1. Interest received	7,841			11,904		
2. Fees received	4,728			24,992		
3. Bad debt recovered	28,693			8,614		
4. Profit from investment partnership				4,084		
5. Others	16,978	58,242	0.3	34,543	84,138	0.4
V Non-operating expenses						
1. Interest paid	842			9,188		
2. Stock issue costs	2,209			18,822		
3. Loss from investments by the equity method	187,937					
4. Exchange loss				4,124		
5. Loss from investment partnership	17,791			13,134		
6. Other operating expenses	14,846	223,626	1.4	38,258	83,528	0.4
Ordinary profit		1,946,904	12.4		2,805,478	11.9
VI Extraordinary profit						
1. Gain from the prior- term adjustment	7,211					
2. Gain on sales of fixed assets				38,686		
3. Gain on sales of investments on stocks of securities	1,066,147			3,357,981		
4. Gain on sales of investments on stocks of affiliated companies	108,289					
5. Gain on sales of Goodwill	8,716					
6. Debt forgiveness income				23,768		
7. Profit from change of equity investees	4,945			16,038		
8. Gain on return of allowance for doubtful debts	553	1,195,864	7.6	8,399	3,444,874	14.6
VII Extraordinary loss						
1. Loss on sales of fixed assets	4,997					
2. Loss on retirement of fixed assets	437,911			161,893		
3. Devaluation of goodwill	119,486			42,185		
4. Loss on devaluation of subsidiaries				21,503		
5. Loss on sale of investment securities				2,099		
6. Loss on devaluation of affiliated company	83,360			18,932		



Item	Consolidated accounting period in the previous term From January 1, 2003 to December 31, 2003			Consolidated accounting period in this term From January 1, 2004 to December 31, 2004		
	Amount		Composition	Amount		Composition
7. Amortization of the consolidated adjustment account				444,894		
8. Loss on change of equity investees				94,073		
9. Office relocation cost				12,246		
10. Penalty for breaking a lease				68,475		
11. Loss on disposal of underforming business	21,728					
12. Others		667,484	4.2	4,950	871,255	3.7
Current net profit before adjustment of taxes		2,475,285	15.8		5,379,096	22.8
Corporate tax, residential tax and business tax	1,083,816			2,229,871		
Amount of adjustment, such as corporate tax	130,045	1,213,861	7.8	325,394	2,555,265	10.8
Profit of minority shareholders		221,347	1.4		260,762	1.1
Current period net profit		1,040,075	6.6		2,563,068	10.9

【Statement of Consolidated Surplus】

(unit: 1,000 yen)

Item	Consolidated accounting period in the previous term From January 1, 2003 to December 31, 2003		Consolidated accounting period in this term From January 1, 2004 to December 31, 2004	
	Amount		Amount	
(Capital Surplus)				
I. Balance of capital surplus at beginning of term		4,432,990		4,432,990
II. Increase in capital surplus				
1 Issue of new stocks through stock swap			774,845	
2 Gains on sales of treasury stock			76,312	851,158
III Closing capital surplus balance		4,432,990		5,284,148
(Earned Surplus)				
I. Balance of earned surplus at beginning of term		1,658,922		2,563,536
II. Increase in earned surplus				
1 Current net profit	1,040,075		2,563,068	
2 Increase in earned surplus due to merger			9,226	
3 Increase in earned surplus due to a decrease in the number of consolidated subsidiaries			63,565	
4. Increase in surplus due to merger and separation	16,897			
5. Increase in surplus due to exclusion from application of the equity method	8,247	1,065,220		2,635,860
III. Decrease in earned surplus				
1. Dividend	110,677		277,846	
2. Bonus to directors and statutory auditors			13,604	
3. Decrease in surplus due to increased number of consolidated subsidiaries	49,929		124,888	
4. Decrease in surplus due to increased number of Affiliated equity method companies				
5. Decrease in surplus due to merger of consolidated subsidiaries and affiliates		160,606	15,009	431,349
IV. Balance of earned surplus at end of the term		2,563,536		4,768,047

【 Statement of consolidated Cash Flow 】

(unit: 1,000 yen)

	Consolidated accounting period in the previous term From January 1, 2003 to December 31, 2003	Consolidated accounting period in this term From January 1, 2004 to December 31, 2004
Item	Amount	Amount
<b>I Cash flow from operating activities</b>		
Current net profit before adjustment of tax, etc.	2,475,285	5,379,096
Depreciation charge	321,358	495,995
Amortization of the consolidated adjustment account	68,204	609,930
Increase in allowance for doubtful debts	220,857	145,116
Increase in allowance for bonuses		4,422
Gain on sales of investments in securities	1,066,147	3,357,981
Gain on sales of stocks of affiliated companies	108,289	
Gain on sales of Goodwill	8,716	
Interest received and dividend received	7,841	11,904
Interest paid	842	9,188
Foreign currency transaction gain and loss	3,536	3,154
Stock issue costs	2,209	18,822
Loss on sales of investments in securities		2,099
Loss on devaluation of investments in securities	83,360	21,503
Loss from write-down of investments in affiliates		18,932
Depreciation of goodwill	119,486	42,185
Loss on retirement of fixed assets	437,911	161,893
Loss on sales of fixed assets	4,997	
Gain on sales of fixed assets		38,686
Loss on disposal of underperforming business	20,029	
Loss on devaluation of subsidiaries' stock		23,768
Loss from investments by the equity method	187,937	
Gain from change of equity investees	4,945	16,038
Loss from change of equity investees		94,073
Increase (decrease) in accounts receivable	343,430	444,541
Increase (decrease) in other assets	257,886	373,373
Increase in inventory assets		32,794
Increase (decrease) in purchase debts	101,679	9,224
Increase (decrease) in other liabilities	507,745	1,523,341
Paid director's bonuses		17,837
Subtotal	2,758,182	3,931,823
Interest and dividend received	9,141	4,697
Interest paid	4,875	20,703
Payment of corporate tax, etc.	342,187	1,478,896
Cash flow from operating activities	2,420,261	2,436,921
<b>II Cash flow from investing activities</b>		
Expenditure incurred by deposit of fixed deposit	97,268	97,306
Revenue accrued by repayment of fixed deposit	97,284	152,556
Expenditure incurred by acquisition of tangible fixed assets	63,416	265,189
Revenue accrued by sales of tangible fixed assets	2,213	
Expenditure incurred by acquisition of intangible fixed assets	269,705	1,246,746
Revenue accrued by sales of intangible fixed assets	1,556	67,234
Expenditure incurred on acquisition of investment in securities	794,205	2,852,648
Revenue accrued from sale of investment in securities	1,990,741	4,236,424

	Consolidated accounting period in the previous term From January 1, 2003 to December 31, 2003	Consolidated accounting period in this term From January 1, 2004 to December 31, 2004
Item	Amount	Amount
Expenditure incurred on acquisition of investment in subsidiarie's securities	114,985	97,027
Revenue accrued from sale of investment in subsidiarie's securities	161,700	
Expenditure incurred by acquisition of stock of new consolidated subsidiary	342,325	935,066
Acceptance of subsidiaries' funds through stock swap		1,484,323
Expenditure incurred by loans	635,474	1,148,600
Revenue accrued by collection on loans	519,185	89,048
Revenue accrued from other investing activities	82,355	62,934
Expenditure incurred by other investing activities	28,883	562,452
Cash flow from investing activities	508,770	1,112,515
III Cash flow from financial activities		
Revenue accrued by short-term loans payable	150,000	2,203,000
Expenditure incurred by repayment of short-term loans payable	150,000	169,229
Expenditure incurred by repayment of long-term loans payable		744,002
Expenditure incurred by redemption of debenture		12,814
Expenditure incurred by issue of stocks	2,209	18,822
Revenue incurred by issue of stocks for minority equity	19,250	158,137
Revenue or expenditure incurred by acquisition of own stocks	4,697	327,859
Payment of dividends	109,727	272,822
Payment of dividends for minority shareholders	14,980	31,742
Cash flow from financial activities	102,969	1,439,562
IV Effect of exchange rate changes on cash and cash equivalents	5,300	5,516
V Net increase in cash and cash equivalents	2,820,761	2,758,451
VI Balance of cash and cash equivalents at the beginning of term	5,519,255	8,524,679
VII Increase in cash and cash equivalents in accordance with change of consolidated subsidiaries	184,662	36,222
VIII Balance of cash and cash equivalents at the end of the term	8,524,679	11,319,354