

Summary of Consolidated Financial Statement for the First Quarter of the Term Ending December 2005



May 17, 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:

May 17, 2005

Whether US GAAP is applied: None

1. Consolidated Results for First Three Months of the Term Ending December 2005 (from January 1, 2005 to March 31, 2005)

(NOTE) The figures shown in this quarterly financial statement have not been audited.

(1) Consolidated financial results

(Amounts rounded down to the nearest one million yen)

	Sales		Operating profit		Ordinary profit	
	Million Yen	%	Million Yen	%	Million Yen	%
First quarter of 2005	7,657	(56.2)	914	(46.3)	936	(48.9)
First quarter of 2004	4,900	(36.7)	624	(17.1)	629	(34.2)
December 31, 2004	23,561	(50.3)	2,804	(32.8)	2,805	(44.1)

	Current profit		Current profit per share		Current net profit per share diluted	
	Million Yen	%	Yen	Sen	Yen	Sen
First quarter of 2005	456	(-50.3)	7	46	7	40
First quarter of 2004	918	(376.0)	33	10	32	53
December 31, 2004	2,563	(146.4)	44	81	44	16

Note 1. Equity in earning or loss of investees: first quarter of 2005: 0 million yen, first quarter of 2004: 0 million yen, term ended December 2004: 0 million yen

2. Average outstanding shares during the term (consolidated): first quarter of 2005: 61,158,653 shares, first quarter of 2004: 27,737,009 shares, term ended December 2004: 56,315,494 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
First quarter of 2005	28,722	13,547	47.2	221	59
First quarter of 2004	19,722	11,665	59.1	417	45
December 31, 2004	27,896	13,350	47.9	217	93

Note: Number of total outstanding shares (consolidated): first quarter of 2005: 61,137,374 shares, first quarter of 2004: 27,945,134 shares, term ended December 2004: 61,078,374 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
First quarter of 2005	-1,345	-1,536	2,309	10,740
First quarter of 2004	-365	2,100	44	10,339
December 31, 2004	2,436	-1,112	1,439	11,319

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

Number of consolidated subsidiaries: 21, 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: 1, 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: 0

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	15,500	1,400	800
Full year	34,000	4,000	2,000

Reference: Anticipation for current net profit per share (Full year) 32 Yen 70 Sen

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 21 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 business related to Internet use support (Internet Infrastructure Business), the Internet advertising support (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
Internet Use Support Business (Internet Infrastructure Business)	Access operations	Internet access service (Note 1)	Company
	Domain acquisition	Domain acquisition service (Note 2) Service offering the "internetnumber"	Company INTERNET NUMBER CORPORATION paperboy&co.
	Web Hosting operations	Web Hosting Service (hosting service) (Note 3)	Company GMO Hosting and Technologies, Inc. paperboy&co. WEBKEEPERS, INC.
	Website construction and support	Website construction, operations support service, systems consulting service	Company Grandsphere Co., Ltd.
	Security operations	Information security and personal, corporate and organization authentication systems for the Internet	GeoTrust Japan, inc.
	Credit Card Payment Processing operations	Credit card payment processing services	GMO Payment Gateway, Inc.
	Enterprise communications	Enterprise communications-related services	GMO Communications Inc. Telecom Online K.K.
	Other business	Organization aimed at information gathering, research and promotion of advanced Internet technologies	GMO Research Institute Inc.
Internet Advertising Support Business (Media Business)	Internet media construction	Development and operation of Internet advertising media including blog services (Note 4), mailing lists (Note 5), Opt-in Mail services, wall-paper, bulletin boards, etc.	GMO Mobile&Desktop Inc. Tea Cup Communication, Ltd. e-sumai. Inc. GMO Media and Solutions Inc.
	Internet advertising sales	Sale of Internet advertising mediums and the main advertising mediums for personnel ads, etc.	Magclick Inc. San Planning Corporation
	Jword operations	Jword (keyword listing) service (Note 6)	Company Mag Click Co., Ltd. GMO Communications Inc. AccessPort Inc. (Current JWord Inc.)
	Online gaming	Planning and management of online games	Net Clue, Inc.

Please note that from this consolidated accounting period, the names of our business units have changed from the IxP (Internet Infrastructure Related Business) to Internet Use Support Business (Internet Infrastructure Business) and from the “Internet Ad Media Business to the Internet Advertising Support Business (Media Business).

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

- Note 2. 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 3. 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 4. The word “blog” refers to a simplified website system in which people can make public documents or images etc., on the Internet via their browser. Because blogs are simple to construct and use, they are becoming more widely used recently, not just for commercial uses, such as for the updating of news sites or for the release of company information, but also more recently by individuals to publish diaries, talk about issues, and send out articles, etc. found on other websites. Through the use of blogs, a wide variety information is now being transmitted from all over the world, including Japan.
- Note 5. This is a system in which information on a specific subject is exchanged between specific people by email.
- Note 6. JWord is a service in which users can use a registered keyword to have the search results from major portal sites ranked for display and to directly access websites through a search using the browser’s address bar.

List of Consolidated Subsidiaries

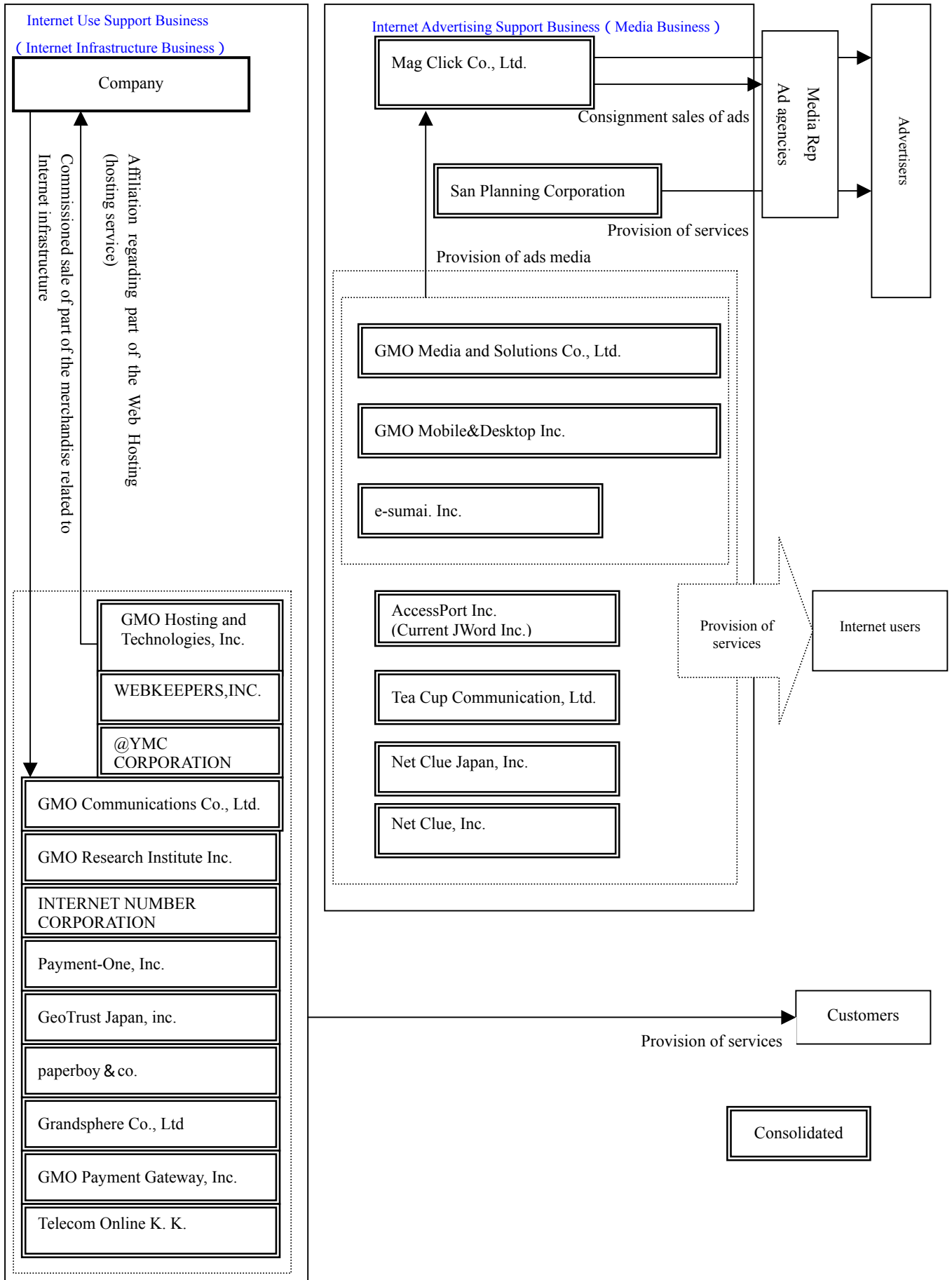
Company Name	Percentage of voting rights or equity share held	Category	Business Details
GMO Communications Co., Ltd.	100.0%	Consolidated subsidiary	Enterprise communications and Internet-related business
GMO Research Institute Inc.	100.0%	Consolidated subsidiary	Organization aimed at information gathering, research and promotion of advanced Internet technologies
Net Clue Japan, Inc.	100.0%	Consolidated subsidiary	Planning and management of online games
Telecom Online K. K.	100.0%	Consolidated subsidiary	Enterprise communications and Internet-related business
Payment-One, Inc. (*1)	95.5%	Consolidated subsidiary	Credit card payment processing services
Grandsphere Co., Ltd.	92.5%	Consolidated subsidiary	System consulting business
GMO Mobile&Desktop Inc.	82.7%	Consolidated subsidiary	Service to provide and develop and operate “wallpaper,” the information and ads distribution system for desktops.
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. (*2)	71.1%	Consolidated subsidiary	Web Hosting business
INTERNET NUMBER CORPORATION	69.6%	Consolidated subsidiary	Service offering the “internetnumber”
GMO Payment Gateway, Inc.	65.4%	Consolidated subsidiary	Credit card payment processing services
AccessPort Inc. (Current JWord Inc.)	62.7%	Consolidated subsidiary	Jword (keywords in Japanese) service
paperboy & co.	50.2%	Consolidated subsidiary	Web hosting business for individual users
Mag Click Co., Ltd.	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.	100.0% (100.0%)	Consolidated subsidiary	Information security and personal, corporate and organization authentication systems for the Internet
Net Clue Korea, Inc.	100.0% (100.0%)	Consolidated subsidiary	Planning and management of online games
@YMC CORPORATION (*3)	100% (100.0%)	Consolidated subsidiary	Web Hosting business
WEBKEEPERS,INC. (United States)	70.0% (70.0%)	Consolidated subsidiary	Web Hosting business

San Planning Corporation	67.0% (67.0%)	Consolidated subsidiary	Advertisement agency business
Tea Cup Communication, Ltd.	51.0% (51.0%)	Consolidated subsidiary	Internet community service
e-sumai. Inc. (*4)	50.9% (50.9%)	Consolidated subsidiary	Management of one of the largest websites in Japan which offers information on new condominiums

(*)

1. Inactive company after management integration through the transfer of business to GMO Payment Gateway, Inc.
2. Onamae.com Co., Ltd., a former consolidated subsidiary of GMO, was taken over in February 2005 with GMO Hosting and Technologies, Inc., also a consolidated subsidiary, being the surviving company.
3. @YMC CORPORATION became a consolidated subsidiary in February 2005 after a stock acquisition by GMO Hosting and Technologies, Inc., another consolidated subsidiary.
4. After being taken over by NEXT Co., Ltd. as the surviving company on April 1, 2005, the company was dissolved.
5. As of January 1, 2005, GMO, as the surviving company, took over CCS Holdings Inc., i's Factory Co., Ltd. and 3271 Soft, Inc.
6. 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

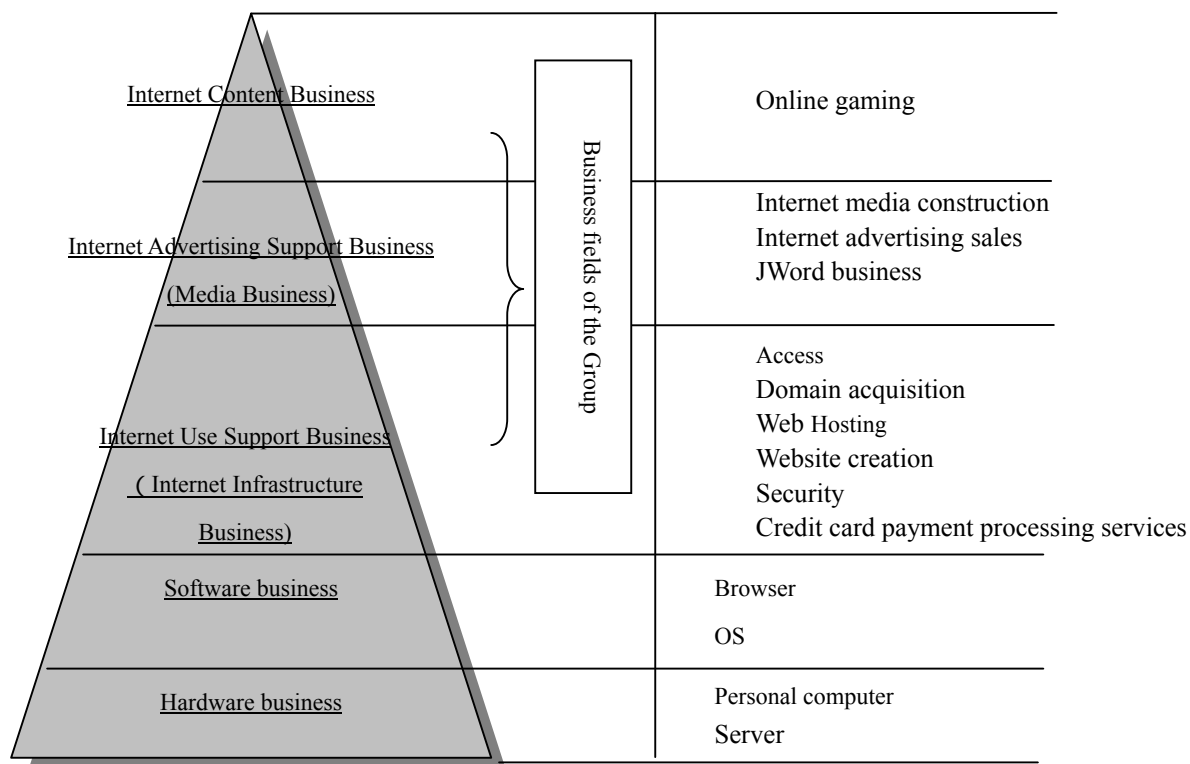
Under the slogan, “the Internet for Everyone” and with our tireless entrepreneurial imagination, our Group focuses its management resources on providing an Internet platform, including an Internet infrastructure and service infrastructure. With a view to creating sustainable corporate value, we provide an organic combination of the Internet Use Support Business (Internet Infrastructure Business) and Internet Advertising Support Business (Media Business), and strive to establish an Internet Media Group in which each of these parts works in synergy so that our corporate activities 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?)
⇒ To obtain a dominant position (either the largest market share or the sole player) in the Internet sector.
2. Vision (Where do we find a goldmine?)
⇒ In the ongoing digital revolution, we will concentrate our management resources on providing an Internet platform to make substantial profits.
3. Philosophy (What is our purpose?)
⇒ 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 intend to continue to aim for further improvement.

5. Medium-to-Long Term Management Strategy

The Group offers all manner of services such as access, domain acquisition, web hosting, website creation and support, credit card payment processing service, security, and Internet advertising, etc., under the marketing and advertising slogan of “Becoming Japan’s Internet Division.” In other words, the Group is the only group in Japan providing comprehensive Internet services, backed by our development and operation of our own one-stop services necessary for enterprises to both use the Internet and to attract customers, and our powerful sales framework. We currently have over 400,000 corporate and entrepreneurial customers using our services, particularly our domain acquisition and hosting 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.

Furthermore, from this business year, we will expand our JWord business by making JWord Inc. a consolidated subsidiary.

This business involves services that, through a tie-up with the number-one portal site Yahoo! Japan, ranks the display of search results for major portal sites like Yahoo! Japan and services that enable direct navigation to websites through searches conducted using browser address bars, and is therefore positioned as one of our key business areas for the future.

In the future, in addition to creating synergies between our existing businesses and our JWord business, we also hope to further expand our corporate value as an all-round Internet company.

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.

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 continue to work on bolstering our sales system target enterprise customers, but expanding facilities and increasing personnel at call centers, etc.

(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 12 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 first three months of the term ending December 2005 (from January 1, 2005 to March 31, 2004).

(1) General business conditions

During this quarter, the Japanese economy continued to show signs of economic recovery with a recovery in corporate plant and equipment investment and an increase in share prices, etc. In the Internet market, which is the arena in which the Group operates, the number of Internet users in Japan as of the end of December 2004 stood at 79.48 million, which represents a penetration rate of 62.3% of the population, while the upgrading and expansion of the Internet environment is continuing to move forward even further. (*)

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.” In the Internet Use Support Business (Internet Infrastructure Business), in February 2005 we made @YMC CORPORATION a consolidated subsidiary in an attempt to strengthen our web hosting business. In our Internet Advertising Support Business (Media Business), the Group entered into a partnership with Yahoo! Japan for our JWord Business provided through JWord Inc. (formerly AccessPort Inc.). As a result, during this quarter’s consolidated accounting period, the Group recorded sales of 7,657,191,000 yen (up 56.2% year-on-year), operating profit of 914,190,000 yen (46.3% increase year-on-year), ordinary profit of 936,892,000 yen (8.9% increase year-on-year), and current profit of 456,000,000 yen (50.3% decrease year-on-year).

Please also note that from this consolidated accounting period, the names of our business units have changed from the “IxP (Internet Infrastructure Related Business)” to “Internet Use Support Business (Internet Infrastructure Business) ” and from the “Internet Ad Media Business” to the “Internet Advertiser Support Business (Media Business) ”.

<Segment Information>

• Internet Use Support Business (Internet Infrastructure business)

The Internet Use Support Business (Internet Infrastructure business) achieved sales of 4,566,868,000 yen, up 41.0% from the previous year, and operating profit of 814,205,000 yen, up 97.3% from the previous year. In the web hosting business, GMO Hosting and Technologies, Inc. enjoyed a rise in its revenue thanks to a smooth increase in the number of members.

• Internet Advertising Support Business (Media Business)

The Internet Advertising Support Business (Media Business) posted sales of 3,151,287,000 yen, up 75.1% over the same period last year, and operating profit of 85,990,000 yen, down 55.4%.

From this consolidated accounting period, JWord Inc. (formerly AccessPort Inc.), which became a subsidiary in November 2004, contributed to the Group’s consolidated results, and, thanks to the steady growth, the online gaming business has also seen an increase in revenues, but the costs associated with the rebuilding of Opti-in Mail services put pressure on profits, resulting in a fall in profits.

* According to the “Communications Usage Trend Survey” released by the Ministry of Internal Affairs and Communications on May 10, 2005.

2. Financial Situation

<Assets, liabilities and shareholders' equity>

Those items among assets, liabilities and shareholders' equity as of March 31 2005 showing a significant change from the results of March 31, 2004 are as follows.

In current assets, "Accounts receivable" has increased 882,061,000 yen. This is largely due to the increase in the number of consolidated subsidiaries. On the other hand, under fixed assets, "Goodwill" increased 267,241,000 yen and the "Account for consolidated adjustments" increased 2,194,568,000 yen. This was mainly due to the partial transfer of business by Bekkoame Internet K.K., as well as an increase in the number of new consolidated subsidiaries. In current liabilities, "Short-term debt" rose 4,642,950,000 yen, reflecting mainly the increase in short-term debt for the acquisition of the e-Bank shares.

3. Cash Flow

Despite a pre-tax adjusted current net profit of 990,168,000 yen (down 57.2% year-on year), cash and cash equivalents (hereinafter referred to as "funds") on a consolidated basis this quarter were down 578,820,000 yen on the end of the previous business year, due to outlays of 1,830,188,000 yen (up 95.0% year-on-year) in corporate tax payments. Cash and cash equivalents at the end of the quarter therefore stood at 10,740,533,000 yen.

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

"Cash flow from operating activities" decreased 1,345,624,000 yen (up 267.8% year-on-year). This is because the pre-tax-adjusted current profit of 990,168,000 yen was offset by a fall in liabilities of 865,854,000 yen and 1,830,188,000 yen worth of corporate tax payments.

"Cash flow from investing activities" increased 1,536,017,000 yen (compared with an increase of 2,100,510,000 yen in the previous year), thanks to the proceeds from the sale of investment securities of 425,385,000 yen, which offset outlays of 1,309,546,000 yen for the acquisition of investment securities and 117,965,000 yen for the acquisition of intangible fixed assets.

"Cash flow from financing activities" increased 2,309,395,000 yen (up 5,114.8% year-on-year), mainly reflecting cash inflows of 2,575,499,000 yen raised by short-term borrowings, in spite of dividend payments amounting to 137,072,000 yen.

3. Projections of consolidated business results for 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, 2005 to December 31, 2005)

	FY 2005	Change from year-ago level	FY 2004
	Million Yen	%	Million Yen
Sales	11,000	34.0	8,207
Ordinary profit	1,800	36.8	1,315
Current net profit	1,355	-38.4	2,198

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

(Unit: million yen)

	2004 1Q	2004 2Q	2004 3Q	2004 4Q	2005 1Q
Operating revenue	4,900	4,927	6,197	7,536	7,657
Operating profit	624	537	641	1,001	914
Ordinary profit	629	552	622	1,001	936
Current net profit	918	830	166	647	456
Total assets	19,722	20,388	26,541	27,896	28,722
Shareholders' equity	11,665	11,869	12,592	13,350	13,547

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

(Unit: million yen)

	2004 1Q	2004 2Q	2004 3Q	2004 4Q	2005 1Q
Operating revenue	1,832	1,966	2,085	2,322	2,627
Operating profit	207	183	231	389	321
Ordinary profit	382	233	281	418	702
Current net profit	868	663	115	551	752
Total assets	12,587	13,019	16,842	17,861	18,180
Shareholders' equity	10,447	10,475	11,164	12,088	11,655

(Reference)

Table: The quarterly change by segment

I. Sales		(Unit: million yen)				
	2004 1Q	2004 2Q	2004 3Q	2004 4Q	2005 1Q	
Internet Use Support Business (Internet Infrastructure Business)						
Access	522	600	615	713	751	
Domain acquisition	358	326	273	312	399	
Web Hosting business	1,450	1,556	1,552	1,590	1,649	
Website creation and support	189	337	329	545	360	
Security	17	26	38	41	57	
Credit card payment processing services	34	35	254	279	288	
Enterprise communications	462	379	672	956	1,020	
JWord *2	179	254	259	355	-	
Others	23	16	18	60	39	
Total segment sales	3,238	3,532	4,013	4,856	4,566	
Internet Advertising Support Business (Media Business)						
Internet media construction	1,052	819	787	916	630	
Internet advertising sales	1,496	992	1,898	2,003	1,944	
Jword *2	-	-	-	121	698	
Online gaming	-	-	1	82	180	
Others	24	17	26	36	34	
Total	2,574	1,829	2,713	3,160	3,488	
Subtraction of intra-segment sales	(774)	(392)	(411)	(370)	(336)	
Total segment sales	1,799	1,437	2,301	2,789	3,151	
Deduction of dealings between segments	(137)	(42)	(118)	(109)	(60)	
Consolidated sales	4,900	4,927	6,197	7,536	7,657	

II. Operating profit and loss (unit: million yen)

	2004 1Q	2004 2Q	2004 3Q	2004 4Q	2005 1Q
Internet Use Support Business (Internet Infrastructure Business)	412	442	553	831	814
Internet Advertising Support Business (Media Business)	192	77	60	156	85
Subtotal	605	520	613	988	900
Deduction of dealings between segments	(19)	(17)	(27)	12	13
Consolidated operating profit and loss	624	537	641	1,001	914

*1 Please note that from this consolidated accounting period, the names of our business units have changed from the IxP (Internet Infrastructure Related Business) to Internet Use Support Business (Internet Infrastructure Business) and from the Internet Ad Media Business to the Internet Advertising Support Business (Media Business).

*2 While in FY2004, sales relating to the JWord business were recorded in both segments, from this consolidated accounting period, they will be recorded in the Internet Advertising Support Business (Media Business) segment.

Consolidated Financial Statements, etc.

(1) Consolidated Balance Sheet (Not audited)

(Unit: thousand yen)

Item	As of March 31, 2004 End of the consolidated accounting period of the previous fiscal year		As of March 31, 2005 End of the consolidated accounting period of this fiscal year		As of December 31, 2004 Consolidated Balance Sheet Summary in the previous fiscal year	
	Amount	Composition %	Amount	Composition %	Amount	Composition %
(Assets)						
I Current Assets						
1 Cash and deposits	10,476,932		10,977,834		11,556,654	
2 Accounts receivable	2,619,372		3,501,433		3,618,436	
3 Inventory assets	49,777		35,831		46,071	
4 Deferred tax asset	330,517		248,623		388,185	
5. Other assets	534,064		1,175,256		883,013	
Allowance for doubtful debts	-378,973		-370,022		-380,260	
Total Current Assets	13,631,690	69.1	15,568,956	54.2	16,112,100	57.8
II Fixed assets						
1. Tangible fixed assets						
(1) Buildings and structures	55,026		415,375		393,358	
(2) Tools and equipment	136,696		250,282		239,303	
(3) Land	-		382,095		382,095	
(4) Other tangible fixed assets	42,729		43,992		36,628	
Total Tangible Fixed Assets	234,452	1.2	1,091,746	3.8	1,051,386	3.8
2. Intangible fixed assets						
(1) Goodwill	235,051		502,292		598,033	
(2) Software	463,181		560,833		602,166	
(3) Account for consolidated adjustments	349,357		2,543,925		2,390,768	
(4) Other intangible fixed assets	190,461		377,045		355,590	
Total of intangible fixed assets	1,238,051	6.3	3,984,096	13.9	3,946,559	14.1
3. Investments and other assets						
(1) Investments in securities	3,688,270		5,773,121		4,716,526	
(2) Investment	99,781		618,884		494,187	
(3) Long-term loan	41,730		27,805		28,173	
(4) Deposit	623,347		977,196		973,055	
(5) Deferred tax asset	72,670		431,894		174,392	
(6) Others	109,551		256,903		410,053	
Allowance for bad debt	-17,128		-8,482		-9,632	
Total of investments and other assets	4,618,223	23.4	8,077,324	28.1	6,786,756	24.3
Total of fixed assets	6,090,727	30.9	13,153,167	45.8	11,784,702	42.2
Total of assets	19,722,418	100.0	28,722,123	100.0	27,896,802	100.0

(Unit: thousand yen)

Item	As of March 31, 2004 End of the consolidated accounting period of the previous fiscal year		As of March 31, 2005 End of the consolidated accounting period of this fiscal year		As of December 31, 2004 Consolidated Balance Sheet Summary in the previous fiscal year	
	Amount	Composition %	Amount	Composition %	Amount	Composition %
(Liabilities)						
I. Current liabilities						
1. Notes payable and accounts payable – trade	381,426		1,528,320		1,296,946	
2. Short-term debt	35,050		4,678,000		2,178,500	
3. Accrued amount payable	1,224,493		1,481,407		2,134,242	
4. Accrued corporation tax, etc	1,338,673		390,256		1,753,448	
5. Deferred tax liability	–		277		3,226	
6. Allowance for bonuses	39,642		111,529		37,400	
7. Advance money	863,766		1,235,794		1,069,035	
8. Other liabilities	400,598		1,541,082		1,766,589	
Total of current liabilities	4,283,650	21.7	10,966,667	38.2	10,239,387	36.7
II. Fixed liabilities						
1. Long-term bonds payable	7,500		–		–	
2. Long-term debt	15,200		–		–	
3. Long-term accounts payable	–		556,541		553,585	
4. Deferred tax liability	556,231		94,560		99,631	
5. Other fixed liabilities	21,509		17,450		19,281	
Total of fixed liabilities	600,441	3.1	668,552	2.3	672,498	2.4
Total of liabilities	4,884,091	24.8	11,635,219	40.5	10,911,886	39.1
(Minority Equity)						
Minority equity	3,172,455	16.1	3,539,456	12.3	3,634,289	13.0
(Shareholder's Equity)						
I. Capital stock	3,311,130	16.8	3,311,130	11.5	3,311,130	11.9
II. Capital reserve	4,481,292	22.7	5,289,424	18.4	5,284,148	19.0
III. Earned surplus	3,217,754	16.3	4,980,904	17.4	4,768,047	17.1
IV. Other gaps in appraisal of securities	873,929	4.4	77,157	0.3	120,579	0.4
V. Equity adjustment from foreign currency translation	2,371	0.0	11,172	0.0	4,598	0.0
VI. Own stocks	–220,607	–1.1	–122,341	–0.4	–137,877	–0.5
Total of shareholders' equity	11,665,870	59.1	13,547,448	47.2	13,350,626	47.9
Total of liabilities, minority equity and shareholders' equity	19,722,418	100.0	28,722,123	100.0	27,896,802	100.0

(2) Consolidated Profit and Loss Statement (Not audited)

(Unit: thousand yen)

Item	Consolidated accounting period in the previous term From January 1, 2004 to March 31, 2004			Consolidated accounting period in this term From January 1, 2005 to March 31, 2005			Consolidated accounting period in the previous term From January 1, 2004 to December 31, 2004		
	Amount	Composition %	Amount	Composition %	Amount	Composition %			
I. Operating revenue	4,900,160	100.0	7,657,191	100.0	23,561,986	100.0			
II. Business expenses	1,760,334	35.9	3,284,507	42.9	9,675,171	41.1			
III. Sales and general administrative expenses	2,515,136	51.3	3,458,492	45.2	11,081,946	47.0			
Operating profit	624,688	12.8	914,190	11.9	2,804,867	11.9			
IV. Non-operating revenue									
1. Interest received	4,399		2,453		11,904				
2. Fees received	422		1,478		24,992				
3. Bad debt recovered	3,443		1,217		8,614				
4. Sales compensation payments	—		46,000		—				
5. Profit from investment partnership	—		11,715		4,084				
6. Others	6,696	14,962	18,537	81,402	34,543	84,138			
V. Non-operating expenses									
1. Interest paid	70		3,807		9,188				
2. Stock issue costs	4,590		—		18,822				
3. Loss from investment partnership	—		12,285		13,134				
4. Transfer to allowance for bad debt	—		3,000		—				
5. Exchange loss	—		4,577		—				
6. Other operating expenses	5,876	10,536	35,029	58,700	42,383	83,528			
Ordinary profit	629,113	12.8	936,892	12.2	2,805,478	11.9			
VI. Extraordinary profit									
1. Gain on sales of fixed assets	38,686		—		38,686				
2. Gain on sales of investments on stocks of securities	2,162,843		389,250		3,357,981				
3. Profit from change of equity investees	—		26,750		16,038				
4. Gain on return of allowance for doubtful debts	616		—		8,399				
5. Debt forgiveness income	21,000	2,223,145	—	416,000	23,768	3,444,874			
VII. Extraordinary loss									
1. Loss on sales of fixed assets	—		27,417		—				
2. Loss on retirement of fixed assets	1,564		181,824		161,893				
3. Devaluation of goodwill	—		—		42,185				
4. Loss on devaluation of subsidiaries	—		—		21,503				
5. Amortization of the consolidated adjustment account	451,442		—		444,894				
6. Loss on sale of investment securities	—		—		2,099				
7. Loss on devaluation of affiliated company	18,460		—		18,932				
8. Loss on change of equity investees	—		1,803		94,073				
9. Office relocation cost	—		—		12,246				
10. Penalty for breaking a lease	65,858		72,471		68,475				
11. Others	—	537,325	79,208	362,724	4,950	871,255			
Current net profit before adjustment of taxes	2,314,934	47.2	990,168	12.9	5,379,096	22.8			
Corporate tax, residential tax and business tax	1,298,643		454,280		2,229,871				
Amount of adjustment, such as corporate tax	38,126	1,336,769	-27,785	426,495	325,394	2,555,265			
Profit of minority shareholders	59,891	1.2	107,672	1.4	260,762	1.1			
Current period net profit	918,272	18.7	456,000	6.0	2,563,068	10.9			

(3) Statement of Consolidated Surplus (Not audited)

(Unit: thousand yen)

Item	Consolidated accounting period in the previous term From January 1, 2004 to March 31, 2004		Consolidated accounting period in this term From January 1, 2005 to March 31, 2005		Consolidated accounting period in the previous term From January 1, 2004 to December 31, 2004	
	Amount		Amount		Amount	
(Capital Surplus)						
I. Balance of capital surplus at beginning of term		4,432,990		5,284,148		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	48,301	48,301	5,276	5,276	76,312	851,158
III. Quarter-end (closing) capital surplus balance		4,481,292		5,289,424		5,284,148
(Earned Surplus)						
I. Balance of earned surplus at beginning of term		2,563,536		4,768,047		2,563,536
II. Increase in earned surplus						
1. Quarterly (current) net profit	918,272		456,000		2,563,068	
2. Increase in earned surplus due to a decrease in the number of consolidated subsidiaries	–		14,291		63,565	
3. Increase in earned surplus due to merger	–	918,272	807,638	1,277,931	9,226	2,635,860
III. Decrease in earned surplus						
1. Dividend	166,005		183,235		277,846	
2. Bonus payments for directors and auditors	10,183		35,817		13,604	
3. Decrease in surplus due to increased number of consolidated subsidiaries	76,561		–		124,888	
4. Decrease in surplus due to mergers	11,303		846,021		–	
5. Decrease in surplus due to merger of consolidated subsidiaries and affiliates	–	264,054	–	1,065,073	15,009	431,349
IV. Balance of earned surplus at end of period 1st quarter period (at end of the term)		3,217,754		4,980,904		4,768,047

(4) Statement of consolidated Cash Flow (Not audited)

(Unit: thousand yen)

	Consolidated accounting period in the previous term From January 1, 2004 to March 31, 2004	Consolidated accounting period in this term From January 1, 2005 to March 31, 2005	Consolidated accounting period in the previous term From January 1, 2004 to December 31, 2004
Item	Amount	Amount	Amount
I. Cash flow from operating activities			
Quarterly (current) net profit before adjustment of tax, etc.	2,314,934	990,168	5,379,096
Depreciation charge	69,198	144,062	495,995
Amortization of the consolidated adjustment account	504,864	154,138	609,930
Increase (decrease) in allowance for doubtful debts	-57,284	-12,473	-145,116
Increase in allowance for bonuses	-	72,027	4,422
Gain on sales of investments in securities	-2,162,843	-389,250	-3,357,981
Interest received and dividend received	-4,399	-2,453	-11,904
Interest paid	70	3,807	9,188
Foreign currency transaction gain and loss	508	-	3,154
Stock issue costs	4,590	-	18,822
Loss on sales of investments in securities	-	-	2,099
Loss on devaluation of investments in securities	-	-	21,503
Appraisal loss of affiliated companies' stocks	18,460	-	18,932
Depreciation of goodwill	-	-	42,185
Loss on retirement of fixed assets	1,564	181,824	161,893
Loss on sales of fixed assets	-	27,417	-
Gain on sales of fixed assets	-38,686	-	-38,686
Income from discharge of debts	-21,000	-	-23,768
Gain from change of equity investees	-	-26,750	-16,038
Loss from change of equity investees	-	1,803	94,073
Increase (decrease) in accounts receivable	-490,239	137,400	-444,541
Increase (decrease) in other assets	41,661	-153,311	-373,373
Increase (decrease) in inventory assets	-	10,239	-32,794
Increase in purchase debts	83,437	226,479	9,224
Increase (decrease) in other liabilities	304,084	-865,854	1,523,341
Paid director's bonuses	-	-16,490	-17,837
Subtotal	568,921	482,784	3,931,823
Interest and dividend received	3,973	2,291	4,697
Interest paid	-376	-512	-20,703
Payment of corporate tax, etc.	-938,396	-1,830,188	-1,478,896
Cash flow from operating activities	-365,877	-1,345,624	2,436,921

(Unit: thousand yen)

	Consolidated accounting period in the previous term From January 1, 2004 to March 31, 2004	Consolidated accounting period in this term From January 1, 2005 to March 31, 2005	Consolidated accounting period in the previous term From January 1, 2004 to December 31, 2004
Item	Amount	Amount	Amount
II. Cash flow from investing activities			
Expenditure incurred by deposit of fixed deposit	-95,124	-	-97,306
Revenue accrued by repayment of fixed deposit	95,116	-	152,556
Expenditure incurred by acquisition of tangible fixed assets	-29,522	-76,291	-265,189
Revenue accrued by sales of tangible fixed assets	-	1,620	-
Expenditure incurred by acquisition of intangible fixed assets	-274,245	-117,965	-579,835
Revenue accrued by sales of intangible fixed assets	38,686	44,901	67,234
Expenditure incurred on acquisition of investment in securities	-	-1,309,546	-2,852,648
Revenue accrued from sale of investment in securities	2,649,105	425,385	4,236,424
Expenditure incurred on acquisition of investment in subsidiaries securities	-30,000	-40,000	-97,027
Expenditure incurred on acquisition of investments	-	-100,000	-
Expenditure incurred on acquisition of new consolidated subsidiary shares	-180,603	-279,312	-935,066
Acceptance of subsidiaries' funds through stock swap	-	-	1,514,327
Expenditure incurred by loans	-2,586	-101,048	-1,148,600
Revenue accrued by collection on loans	18,531	20,694	89,048
Expenditure incurred on the transfer of business	-	-	-666,910
Revenue accrued from other investing activities	96,136	164,848	32,930
Expenditure incurred by other investing activities	-184,983	-169,302	-562,452
Cash flow from investing activities	2,100,510	-1,536,017	-1,112,515
III. Cash flow from financial activities			
Revenue accrued by short-term loans payable	-	2,575,499	2,203,000
Expenditure incurred by repayment of short-term loans payable	-	-75,999	-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	-4,590	-	-18,822
Revenue incurred by issue of stocks for minority equity	208,948	26,750	158,137
Revenue or expenditure incurred by acquisition of own stocks	-	-18,942	327,859
Payment of dividends	-135,154	-137,072	-272,822
Payment of dividends for minority shareholders	-24,918	-60,839	-31,742
Cash flow from financial activities	44,285	2,309,395	1,439,562
IV. Effect of exchange rate changes on cash and cash equivalents	-179	-6,573	-5,516
V. Net increase (Decrease) in cash and cash equivalents	1,778,737	-578,820	2,758,451
VI. Balance of cash and cash equivalents at the beginning of term	8,524,679	11,319,354	8,524,679
VII. Increase in cash and cash equivalents in accordance with change of consolidated subsidiaries	36,222	-	36,222
VIII. Balance of cash and cash equivalents at the end of the term	10,339,640	10,740,533	11,319,354