



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

November 14, 2005

Name of Listed Company: **GMO Internet, Inc.**

Exchange: First Section of Tokyo Stock

Exchange

Code: 9449

Head Office Address: Tokyo

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

Representative: Position: President & Representative director Name: Masatoshi Kumagai

Contact: Position: Executive Director

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

Date of Board Meeting: November 14, 2005

Whether US GAAP is applied: None

1. Consolidated Results for Third Three Months of the Term Ending December 2005 (from January 1, 2005 to September 30, 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	%
Third quarter of 2005	25,713	(60.5)	2,453	(36.1)	2,318	(28.5)
Third quarter of 2004	16,025	(39.5)	1,803	(20.4)	1,803	(29.5)
December 31, 2004	23,561		2,804		2,805	

	Current profit		Current profit per share		Current net profit per share diluted	
	Million yen	%	Yen	Sen	Yen	Sen
Third quarter of 2005	1,100	(-42.5)	17	96	17	85
Third quarter of 2004	1,915	(208.9)	34	23	33	32
December 31, 2004	2,563		44	81	44	16

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

2. Average outstanding shares during the term (consolidated): third quarter of 2005: 61,267,782 shares, third quarter of 2004: 55,958,428 shares, term ended December 2004: 56,315,494 shares

3. Change in accounting policies: Yes

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
Third quarter of 2005	85,760	14,076	16.4	227	48
Third quarter of 2004	26,541	12,592	47.4	214	70
December 31, 2004	27,896	13,350	47.9	217	93

(Note) Number of total outstanding shares (consolidated): third quarter of 2005: 61,879,638 shares, third quarter of 2004: 58,650,674 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
Third quarter of 2005	-991	-17,561	29,686	22,470
Third quarter of 2004	1,523	298	1,724	12,108
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: 25, 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: 6, Number of companies excluded from consolidation: 5, 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 the term ending December 2005

	Sales	Ordinary profit	Current net profit
	Million yen	Million yen	Million yen
Full year	38,000	4,500	2,000

(Reference) Anticipation for current net profit per share (Full year): 32.70 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 GMO Internet Group consists of GMO Internet, Inc. (“the Company”) and its 25 subsidiaries. Under the corporate slogan, “Internet for Everyone,” we have been providing Internet use support (Internet Infrastructure Business) and Internet advertising support (Media Business), adding the Internet Finance Business to our operating portfolio from the current fiscal year.

Until the previous fiscal year, our businesses had been classified into the Internet Use Support Business (Internet Infrastructure Business) and the Internet Advertising Support Business (Media Business), but this fiscal year the Internet Finance Business was established as a new segment. 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. Solis Corporation
	Web Hosting operations	Rental server service (hosting service) (Note 3)	Company GMO HOSTING & SECURITY, INC. (Former GMO Hosting and Technologies, Inc.) Paperboy&co. WEBKEEPERS, INC. @YMC CORPORATION
	Website construction and support	Website construction, operations support service, systems consulting service	Company Grandsphere Co., Ltd. GMO blog, Inc.
	Security operations	Information security and personal, corporate and organization authentication systems for the Internet	GeoTrust Japan, inc.
	Settlement operations	Credit card billing service	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 mailing lists (Note 4), Opt-in Mail services, wall-paper, bulletin boards, etc.
Internet advertising sales		Sale of advertisements in which advertisements offering employment and Internet advertising media such as mail magazines (Note 5) and opt-in mail (Note 6) are the major media for advertising	Magclick Inc. San Planning Corporation
Jword operations		JWord (keywords in Japanese) service (Note 7)	Company Mag Click Co., Ltd. GMO Communications Inc. JWord Inc. (Former AccessPort Inc.)
Online gaming		Planning and management of online games	Net Clue, Inc. GMO interTAINMENT, Inc.
Other business		Provision of Internet research systems and the management and operation of research monitors	GMO Research, Inc. (Former GMO Media and Solutions Inc.)

Internet Finance Business	Personal finance operations	Personal finance operations	ORIENT CREDIT CO., LTD.
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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. This is a system in which information on a specific subject is exchanged between specific people by email.

Note 5. Mail magazines are reading material that publishers regularly distribute to subscribers by email.

Note 6. 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 7. 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

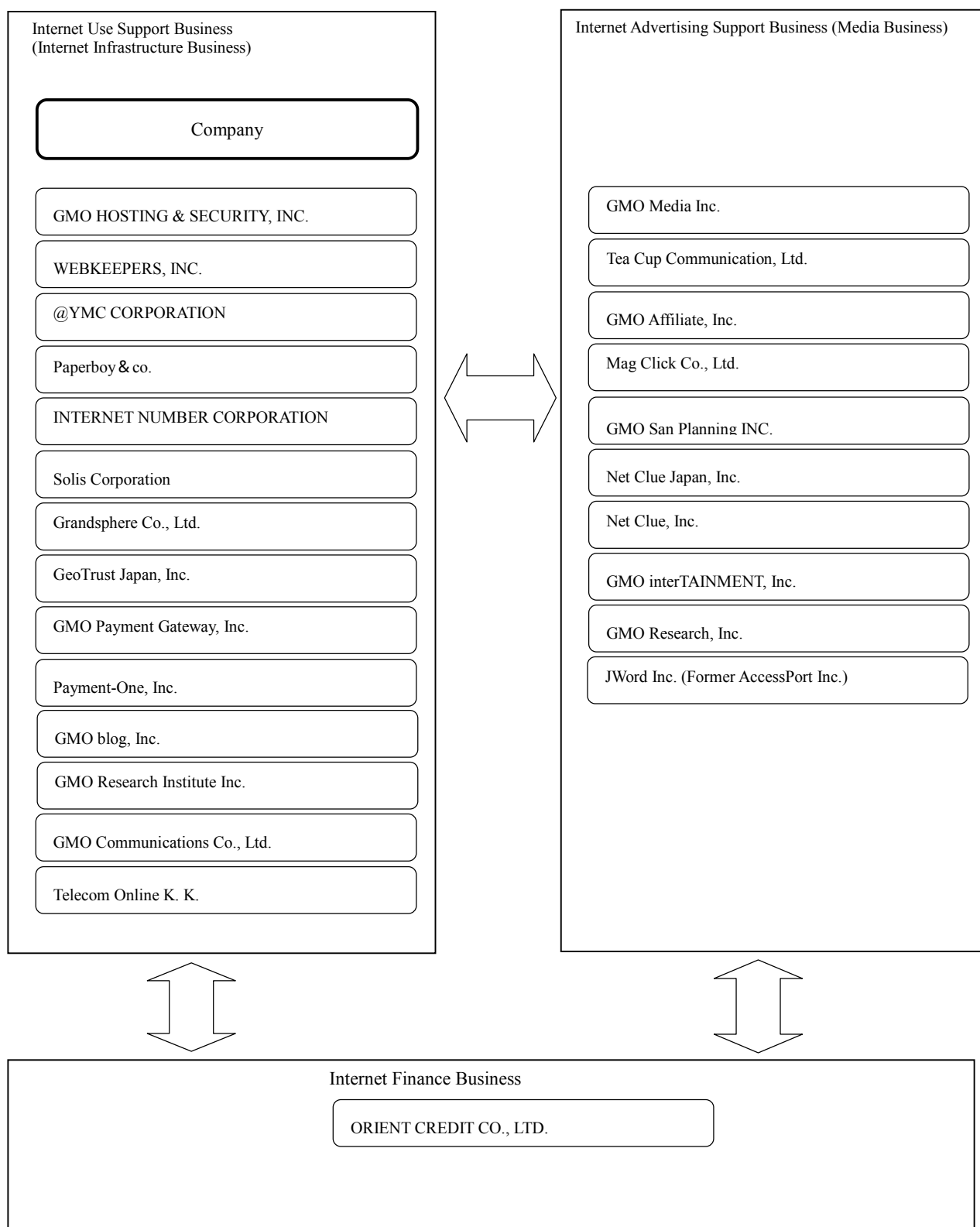
Company Name	Percentage of voting rights or equity share held	Category	Business Details
GMO Communications Co., Ltd. (*14)	100.0%	Consolidated subsidiary	Enterprise communications and Internet-related business
GMO Research Institute Inc.	100.0%	Consolidated subsidiary	Organization aimed at information 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. (*14)	100.0%	Consolidated subsidiary	Enterprise communications and Internet-related business
Payment-One, Inc. (*1)	100.0%	Consolidated subsidiary	Operation and provision of online credit network for credit cards
Solis Corporation (*2) (*14)	100.0%	Consolidated subsidiary	Domain acquisition business
GMO interTAINMENT, Inc. (*3)	100.0%	Consolidated subsidiary	Planning and management of online games
GMO blog, Inc. (*4)	100.0%	Consolidated subsidiary	Management and operation of blog systems
ORIENT CREDIT CO., LTD. (*5)	94.7%	Consolidated subsidiary	Personal finance operations
Grandsphere Co., Ltd.	92.5%	Consolidated subsidiary	System consulting business
GMO Media Inc. (Former GMO Mobile&Desktop Inc.) (*6)	81.6%	Consolidated subsidiary	Service to provide, develop and operate “wallpaper,” an information and ads distribution system for desktops and diverse mail media
GMO Research, Inc. (Former GMO Media and Solutions Inc.) (*6)	81.0%	Consolidated subsidiary	Research business
INTERNET NUMBER CORPORATION	69.6%	Consolidated subsidiary	Service offering the “internetnumber”
AccessPort Inc. (Current JWord Inc.)	62.7%	Consolidated subsidiary	Jword (keywords in Japanese) service

GMO HOSTING & SECURITY, INC. (*7) (Former GMO Hosting and Technologies, Inc.)	62.5%	Consolidated subsidiary	Web hosting business
GMO Payment Gateway, Inc. (*8)	52.8%	Consolidated subsidiary	Operation and provision of online credit network for credit cards
GMO Affiliate, Inc. (*9)	51.0%	Consolidated subsidiary	Affiliate services
Paperboy & Co.	50.2%	Consolidated subsidiary	Web hosting business for individual users
Mag Click Co., Ltd.	43.2%	Consolidated subsidiary	Internet advertising business
GeoTrust Japan, inc.	97.1% (97.1%)	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 (*10)	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

(*)

1. Payment-One, Inc. is an inactive company following management integration through the transfer of business to GMO Payment Gateway, Inc.
2. Solis Corporation became a consolidated subsidiary in September 2005 when the Company acquired its shares through the stock exchange.
3. GMO interTAINMENT, Inc. has become a consolidated subsidiary in the current fiscal year, because of an increase in its significance.
4. GMO blog, Inc. became a consolidated subsidiary in November 2004 when the Company acquired all of its shares through the stock exchange. Forval Co., Ltd., the corporate name before the acquisition, has been changed to GMO blog, Inc.
5. ORIENT CREDIT CO., LTD. became a consolidated subsidiary in September 2005 when the Company acquired its shares.
6. Part of the business of GMO Media and Solutions Inc. was transferred to GMO Mobile&Desktop Inc. in May 2005 through a spin-off. Because of this transfer, the name was changed from GMO Media and Solutions Inc. to GMO Research Inc. and from GMO Mobile&Desktop Inc. to GMO Media Inc. on the same day.
7. In February 2005, GMO Hosting and Technologies, Inc. (now GMO HOSTING & SECURITY, INC.), a consolidated subsidiary, as surviving company merged with Discount-Domain.com Inc., another consolidated subsidiary.
8. GMO Payment Gateway, Inc. was listed on the Tokyo Stock Exchange Mothers Market on April 4, 2005.
9. GMO Affiliate, Inc. was established on April 25, 2005.
10. @YMC CORPORATION became a consolidated subsidiary in February 2005 after a stock acquisition by GMO Hosting and Technologies, Inc. (current GMO HOSTING & SECURITY, INC.), another consolidated subsidiary.
11. E-sumai Inc., which had been a consolidated subsidiary, was merged into Next Co., Ltd., the surviving company, as of April 1, 2005, and E-sumai Inc. was dissolved.
12. As of January 1, 2005, the Company as a surviving company merged with CCS Holding Co., Ltd., i's Factory, Ltd. and 3721 Soft Inc., which had been consolidate subsidiaries.
13. The figures in parentheses denote the percentage of indirect ownership.
14. As of January 1, 2006, the Company as a surviving company will merge with three companies: GMO Communications Co., Ltd, Telecom Online K. K., and Solis Corporation.

[Business Organization Chart] The organization chart of the businesses is as follows:



Consolidated

Management Policy

1. Basic management policy

Under the slogan, “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. In the current fiscal year, we added the Internet Finance Business to our operating portfolio to improve our corporate value through synergy with existing Internet businesses.

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.

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, rental servers, website creation and support, online settlement, 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 approximately 440,000 corporate and entrepreneurial customers using our services, particularly our domain acquisition and server services. The basic strategy is to bolster our earnings sources by encouraging the use of the Internet by corporate customers through a further expansion of the corporate customer base.

In the fiscal year under review, we operated the JWord business by consolidating JWord Inc.

This business provides services enabling the display of major search sites such as Yahoo!JAPAN and provides users with direct navigation to websites through the search on the address bar of a web browser, based on an alliance with the leading portal site Yahoo!JAPAN. We consider this a major business for the future.

Moreover, we consolidated ORIENT CREDIT CO., LTD., which provides personal finance services, in September 2005. As the personal finance service has high affinity with the Internet, the combination of ORIENT CREDIT with the Group’s Internet business will improve our ability to attract more customers and bolster user convenience and

will further bolster the income base of the Group.

We will endeavor to continue to expand corporate value and the business base as an integrated Internet company by entering into the financial business, in addition to the synergy between the existing businesses and the JWord 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.

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 nine months of the term ending December 2005 (from January 1, 2005 to September 30, 2005).

(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 users of broadband services reached 20,570,000 in Japan at the end of June 2005. 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." 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 rental server 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.). Also, we embarked on the Internet Finance Business in September by consolidating ORIENT CREDIT CO., LTD. As a result, during this quarter's consolidated accounting period, the Group recorded sales of 25,713,650,000 yen (up 60.5% year-on-year), operating profit of 2,453,950,000 yen (36.1% increase year-on-year), ordinary profit of 2,318,232,000 yen (28.5% increase year-on-year), and current profit of 1,100,703,000 yen (42.5% decrease year-on-year).

GMO Payment Gateway, Inc., which is a consolidated subsidiary, was listed on the Tokyo Stock Exchange Mothers Market on April 4, 2005. Because of this listing, the Company posted a 714,250,000 yen profit from the change of equity holdings, while a 372,303,000 yen loss on liquidation of business was recorded, because of factors such as the shrinkage of telecommunications-related businesses at consolidated subsidiaries.

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 Advertising Support Business (Media Business)". We have also established the "Internet Finance Business" as a new business segment.

<Segment Information>

• Internet Use Support Business (Internet Infrastructure business)

The Internet Use Support Business (Internet Infrastructure business) achieved sales of 12,227,862,000 yen, up 13.4% from the previous year, and operating profit of 2,081,214,000 yen, up 47.7% from the previous year. In the domain acquisition, rental servers and settlement businesses, earnings are steadily increasing.

• Internet Advertising Support Business (Media Business)

The Internet Advertising Support Business (Media Business) posted sales of 8,870,424,000 yen, an increase of 60.2% year on year, and operating loss of 368,681,000 yen (330,087,000 yen for the same period the previous year). 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. However, an increase in costs because of factors such as a shift of sales personnel from the Internet Use Support Business, a sharp rise in operating equipment expenses, and investment in new businesses put pressure on earnings. The result was a decline in profit.

• Internet Finance Business

The Internet Finance Business registered sales of 4,759,175,000 yen and operating profit of 692,269,000 yen, a reflection of the consolidation of ORIENT CREDIT CO., LTD. in the second half of the current fiscal year.

* According to the "Changes in the Number of Subscribers for Broadband Service" released by the Ministry of Internal Affairs and Communications on July 8, 2005

2. Financial Situation

<Assets, liabilities and shareholders' equity>

Those items among assets, liabilities and shareholders' equity as of September 30, 2005 showing a significant change from the results of September 30, 2004 are as follows.

In current assets, "Operational loans" and "Accrued income" have increased 19,781,550,000 yen and 3,565,503,000 yen, respectively. Under fixed assets, "Account for consolidated adjustments" expanded 16,175,021,000 yen and "Investment" increased 5,942,858,000 yen. The major factor for the increase is a rise in the number of new consolidated subsidiaries. Meanwhile, in current liabilities, "Short-term debt," "Current portion of long-term debt," and "Long-term bonds payable" rose 4,964,233,000 yen, 8,105,768,000 yen, and 4,000,000,000 yen, respectively, also reflecting mainly the increase in the number of new consolidated subsidiaries. "Convertible bonds with stock acquisition rights" also climbed 31,000,000,000 yen, reflecting new issues to redeem straight corporate bonds, which were issued to acquire the shares in Orient Credit Co., Ltd.

3. Cash Flow

Cash flow for the third quarter increased 11,151,433,000 yen from the end of the previous fiscal year, to 22,470,787,000 yen, thanks to cash flow from financial activities of 29,686,052,000 yen attributable to the issuance of corporate bonds, etc. to acquire shares in Orient Credit Co., Ltd., offsetting the net expenditure of 991,948,000 yen in cash flow from operating activities, mainly reflecting the payment of income taxes, and the net expenditure of 17,561,571 in cash flow from investing activities primarily attributable to the acquisition of shares in Orient Credit Co., Ltd.

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

"Cash flow from operating activities" decreased 991,948,000 yen (compared with an increase of 1,523,501,000 yen for the same period in the previous year). This is because 2,617,376,000 yen in current net profit before adjustment of taxes was offset by an increase in operational loans of 2,376,421,000 yen, a decrease in other liabilities of 2,052,899 yen and the payment of taxes of 2,347,504,000 yen.

"Cash flow from investing activities" decreased 17,561,571,000 yen (compared with an increase of 298,722,000 yen in the previous year), thanks to the proceeds from the sale of investment securities of 863,205,000 yen, which offset outlays of 2,651,250,000 yen for the acquisition of investment securities and 16,969,978,000 yen for the acquisition of new consolidated subsidiary shares.

"Cash flow from financing activities" increased 29,686,052,000 yen (compared with an increase of 1,724,206,000 yen for the same period in the previous year), mainly reflecting 62,978,823,000 yen in revenue accrued by the issue of bonds and 1,297,828,000 yen in revenue accrued by the issue of stocks for minority equity, offsetting 31,625,000,000 yen in expenditure incurred by the redemption of debentures and 11,062,566,000 yen in expenditure incurred by the repayment of short-term loans payable.

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	38,000	161.3	23,561
Ordinary profit	4,500	160.4	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	10,000	21.8	8,207
Ordinary profit	1,500	14.0	1,315
Current net profit	1,200	- 45.4	2,198

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

(Unit: million yen)

	2004 3Q	2004 4Q	2005 1Q	2005 2Q	2005 3Q
Operating revenue	6,197	7,536	7,657	6,646	11,409
Operating profit	641	1,001	914	208	1,331
Ordinary profit	622	1,001	936	217	1,163
Current net profit	166	647	456	210	434
Total assets	26,541	27,896	28,722	27,487	85,760
Shareholders' equity	12,592	13,350	13,547	13,627	14,076

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

(Unit: million yen)

	2004 3Q	2004 4Q	2005 1Q	2005 2Q	2005 3Q
Operating revenue	2,085	2,322	2,627	2,508	2,419
Operating profit	231	389	321	186	302
Ordinary profit	281	418	702	237	306
Current net profit	115	551	752	161	176
Total assets	16,842	17,861	18,180	16,017	50,355
Shareholders' equity	11,164	12,088	11,655	11,713	11,954

(Reference)

Table: The quarterly change by segment

I. Sales		(Unit: million yen)				
	2004 3Q	2004 4Q	2005 1Q	2005 2Q	2005 3Q	
Internet Use Support Business (Internet Infrastructure Business)						
Access	615	713	751	716	696	
Domain acquisition	273	312	399	380	367	
Web hosting	1,552	1,590	1,649	1,763	1,795	
Website construction and support	329	545	360	221	190	
Security	38	41	57	68	70	
Credit card payment processing	254	279	288	303	432	
Enterprise communications	672	956	1,020	377	202	
JWord *2	259	355	-	-	-	
Others	18	60	39	20	55	
Total segment sales	4,013	4,856	4,566	3,851	3,809	
Internet Advertising Support Business (Media Business)						
Internet media construction	787	916	630	447	492	
Internet advertising sales	1,898	2,003	1,944	1,587	1,581	
Jword *2	-	121	698	834	783	
Online gaming	1	82	180	210	199	
Others	26	36	34	19	37	
Total	2,713	3,160	3,488	3,099	3,094	
Subtraction of intra-segment sales	(411)	(370)	(336)	(237)	(236)	
Total segment sales	2,301	2,789	3,151	2,861	2,857	
Internet Finance Business						
Personal finance operations	-	-	-	-	4,759	
Total segment sales	-	-	-	-	4,759	
Deduction of dealings between segments	(118)	(109)	(60)	(66)	(16)	
Consolidated sales	6,197	7,536	7,657	6,646	11,409	

II. Operating profit and loss		(Unit: million yen)				
	2004 3Q	2004 4Q	2005 1Q	2005 2Q	2005 3Q	
Internet Use Support Business (Internet Infrastructure Business)	553	831	814	608	658	
Internet Advertising Support Business (Media Business)	60	156	85	416	38	
Internet Finance Business	-	-	-	-	692	
Subtotal	613	988	900	192	1,311	
Deduction of dealings between segments	(27)	12	13	15	19	
Consolidated operating profit and loss	641	1,001	914	208	1,331	

*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 September 30, 2004 End of the consolidated accounting period of the previous fiscal year		As of September 30, 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	12,261,094		23,460,787		11,556,654	
2. Accounts receivable	3,297,407		2,878,323		3,618,436	
3. Inventory assets	60,672		64,850		46,071	
4. Deferred tax asset	443,534		1,260,393		388,185	
5. Operational loans			19,781,550			
6. Shortterm loans receivable	42,079		198,037			
7. Accrued income			3,565,503			
8. Other assets	632,050		2,600,976		883,013	
Allowance for doubtful debts	-398,817		-7,051,306		-380,260	
Total Current Assets	16,338,021	61.6	46,759,115	54.5	16,112,100	57.8
II Fixed assets						
1. Tangible fixed assets						
(1) Buildings and structures	341,492		294,593		393,358	
(2) Tools and equipment	206,431		514,715		239,303	
(3) Land	382,095		9,800		382,095	
(4) Other tangible fixed assets	13,308		7,469		36,628	
Total Tangible Fixed Assets	943,328	3.5	826,578	1.0	1,051,386	3.8
2. Intangible fixed assets						
(1) Goodwill	643,155		461,701		598,033	
(2) Software	610,228		2,046,142		602,166	
(3) Account for consolidated adjustments	684,411		16,859,432		2,390,768	
(4) Other intangible fixed assets	348,833		415,029		355,590	
Total of intangible fixed assets	2,286,629	8.6	19,782,305	23.1	3,946,559	14.1
3. Investments and other assets						
(1) Investments in securities	4,736,780		5,723,572		4,716,526	
(2) Investment	477,027		6,419,885		494,187	
(3) Long-term loan	441,189		13,166		28,173	
(4) Deposit	765,781		982,729		973,055	
(3) Long-term money deposited			3,513,877			
(6) Deferred tax asset	292,438		846,015		174,392	
(7) Others	275,672		900,130		410,053	
Allowance for bad debt	-15,028		-7,040		-9,632	
Total of investments and other assets	6,973,861	26.3	18,392,337	21.4	6,786,756	24.3
Total of fixed assets	10,203,819	38.4	39,001,220	45.5	11,784,702	42.2
Total of assets	26,541,840	100.0	85,760,335	100.0	27,896,802	100.0

Item	As of September 30, 2004 End of the consolidated accounting period of the previous fiscal year		As of September 30, 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	1,128,331		1,123,174		1,296,946	
2. Short-term debt	2,200,000		7,164,233		2,178,500	
3. Current portion of long- term debt	99,132		8,204,900			
4. Accrued amount payable	1,450,821		7,917,346		2,134,242	
5. Accrued corporation tax, etc	1,777,915		942,013		1,753,448	
6. Deferred tax liability	7,441				3,226	
7. Allowance for bonuses	76,722		230,853		37,400	
8. Advance money	1,921,076		1,360,570		1,069,035	
9. Other liabilities	877,619		1,406,511		1,766,589	
Total of current liabilities	9,539,060	36.0	28,349,602	33.1	10,239,387	36.7
II. Fixed liabilities						
1. Long-term bonds payable			4,000,000			
2. Convertible bonds with stock acquisition rights			31,000,000			
3. Long-term debt	302,242		2,129,450			
4. Long-term accounts payable	551,965		700,341		553,585	
5. Deferred tax liability	202,808		69,927		99,631	
6. Allowance for retirement benefits for employees			236,104			
7. Other fixed liabilities	11,290		483,014		19,281	
Total of fixed liabilities	1,068,306	4.0	38,618,838	45.0	672,498	2.4
Total of liabilities	10,607,367	40.0	66,968,440	78.1	10,911,886	39.1
(Minority Equity)						
Minority equity	3,342,130	12.6	4,715,164	5.5	3,634,289	13.0
(Shareholder's Equity)						
I. Capital stock	3,311,130	12.5	3,311,130	3.9	3,311,130	11.9
II. Capital reserve	5,112,958	19.2	5,347,972	6.2	5,284,148	19.0
III. Earned surplus	4,193,646	15.8	5,459,196	6.4	4,768,047	17.1
IV. Other gaps in appraisal of securities	131,827	0.5	-18,307	-0.0	120,579	0.4
V. Equity adjustment from foreign currency translation	-118	-0.0	16,824	0.0	4,598	0.0
VI. Own stocks	-157,100	-0.6	-40,085	-0.1	-137,877	-0.5
Total of shareholders' equity	12,592,343	47.4	14,076,730	16.4	13,350,626	47.9
Total of liabilities, minority equity and shareholders' equity	26,541,840	100.0	85,760,335	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 September 30, 2004			Consolidated accounting period in this term From January 1, 2005 to September 30, 2005			Consolidated profit and loss statement summary in the previous fiscal year From January 1, 2004 to December 31, 2004		
	Amount		Composition %	Amount		Composition %	Amount		Composition %
I. Operating revenue		16,025,435	100.0		25,713,650	100.0		23,561,986	100.0
II. Business expenses		6,404,103	39.9		9,446,093	36.7		9,675,171	41.1
III. Sales and general administrative expenses		7,817,631	48.8		13,813,607	53.7		11,081,946	47.0
Operating profit		1,803,699	11.3		2,453,950	9.6		2,804,867	11.9
IV. Non-operating revenue									
1. Interest received	6,646			11,524			11,904		
2. Fees received	3,499			19,542			24,992		
3. Bad debt recovered	8,072			1,998			8,614		
4. Profit from investment partnership	10,375			28,349			4,084		
5. Sales compensation payments	-			48,300			-		
6. Others	14,740	43,335	0.3	41,557	151,273	0.6	34,543	84,138	0.4
V. Non-operating expenses									
1. Interest paid	4,310			18,658			9,188		
2. Stock issue costs	13,077			12,558			18,822		
3. Loss from investment partnership	-			11,450			13,134		
4. Exchange loss	2,527			11,056			-		
5. Expense for out-of-court settlement	-			136,810			-		
6. Others	23,301	43,217	0.3	96,456	286,991	1.1	42,383	83,528	0.4
Ordinary profit		1,803,818	11.3		2,318,232	9.1		2,805,478	11.9
VI. Extraordinary profit									
1. Gain on sales of fixed assets	38,686			11,502			38,686		
2. Gain on sales of investments on stocks of securities	3,316,006			446,176			3,357,981		
3. Gain on sales of shares in affiliated companies	-			319,304			-		
4. Profit from change of equity investees	-			714,250			16,038		
5. Gain on return of allowance for doubtful debts	1,695			6,067			8,399		
6. Debt forgiveness income	23,768			-			23,768		
7. Gain on reversal of stock purchase warrants	-			197,020			-		
8. Others	-	3,380,157	21.1	33,573	1,727,895	6.7	-	3,444,874	14.6
VII. Extraordinary loss									
1. Loss on sales of fixed assets	-			95,581			-		
2. Loss on retirement of fixed assets	39,057			284,997			161,893		
3. Devaluation of goodwill	42,001			64,914			42,185		
4. Amortization of the consolidated adjustment account	444,894			-			444,894		
5. Loss on devaluation of subsidiaries	-			328			21,503		
6. Loss on sale of investment securities	2,099			-			2,099		
7. Loss on devaluation of affiliated company	18,537			-			18,932		
8. Loss on change of equity investees	5,078			338,992			94,073		
9. Penalty for breaking a lease	77,287			72,471			68,475		
10. Loss on liquidation of business	-			372,303			-		
11. Expenses for change in corporate name	-			37,566			-		
12. Payments for damages	-			160,110			-		
13. Others	4,950	633,906	4.0	1,486	1,428,751	5.6	17,196	871,255	3.7
Current net profit before adjustment of taxes		4,550,068	28.4		2,617,376	10.2		5,379,096	22.8

Corporate tax, residential tax and business tax	2,217,603			1,400,432			2,229,871		
Amount of adjustment, such as corporate tax	218,621	2,436,225	15.2	-127,311	1,273,120	4.9	325,394	2,555,265	10.8
Profit of minority shareholders		198,273	1.2		243,552	1.0		260,762	1.1
Current period net profit		1,915,570	12.0		1,100,703	4.3		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 September 30, 2004		Consolidated accounting period in this term From January 1, 2005 to September 30, 2005		Statement of consolidated surplus summary in the previous fiscal year 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	610,171		30,692		774,845	
2. Gains on sales of treasury stock	69,796	679,967	33,130	63,823	76,312	851,158
III. Quarter-end (closing) capital surplus balance		5,112,958		5,347,972		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	1,915,570		1,100,703		2,563,068	
2. Increase in earned surplus due to an increase in the number of consolidated subsidiaries			5,229			
3. Increase in earned surplus due to a decrease in the number of consolidated subsidiaries	63,169		2,471		63,565	
4. Increase in earned surplus due to merger	10,748	1,989,488		1,108,404	9,226	2,635,860
III. Decrease in earned surplus						
1. Dividend	277,846		367,330		277,846	
2. Bonus to directors and statutory auditors	9,993		36,063		13,604	
3. Decrease in surplus due to increased number of consolidated subsidiaries	71,538		4,371		124,888	
4. Decrease in surplus due to mergers			8,805			
5. Decrease in surplus due to merger of consolidated subsidiaries and affiliates		359,378	684	417,255	15,009	431,349
IV. Balance of earned surplus at end of period 1st quarter period (at end of the term)		4,193,646		5,459,196		4,768,047

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

(Unit: thousand yen)

Item	Consolidated accounting period in the previous term From January 1, 2004 to September 30, 2004	Consolidated accounting period in this term From January 1, 2005 to September 30, 2005	Statement of consolidated cash flow summary in the previous fiscal year From January 1, 2004 to December 31, 2004
	Amount	Amount	Amount
I. Cash flow from operating activities			
Quarterly (current) net profit before adjustment of tax, etc.	4,550,068	2,617,376	5,379,096
Depreciation charge	335,285	590,693	495,995
Amortization of the consolidated adjustment account	575,599	630,477	609,930
Increase (decrease) in allowance for doubtful debts	-121,004	158,712	-145,116
Increase in allowance for bonuses	43,744	112,385	4,422
Gain on sales of investments in securities	-3,316,006	-446,176	-3,357,981
Gain on sales of shares in affiliated companies		-319,304	
Loss on damages		160,110	
Loss on sales of investments in securities	2,099		
Interest received and dividend received	-6,646	-11,524	-11,904
Interest paid	4,310	18,658	9,188
Foreign currency transaction gain and loss	1,054		3,154
Stock issue costs	13,077	12,558	18,822
Bond issue costs		21,176	
Loss on sales of investments in securities			2,099
Loss on devaluation of investments in securities			21,503
Appraisal loss of affiliated companies' stocks	18,537		18,932
Depreciation of goodwill	42,001	64,914	42,185
Loss on retirement of fixed assets	39,057	284,997	161,893
Loss on sales of fixed assets		95,581	
Gain on sales of fixed assets	-38,686	-11,502	-38,686
Loss on liquidation of business			
Income from discharge of debts	-23,768		-23,768
Loss from change of equity investees		338,992	94,073
Gain from change of equity investees		-714,250	-16,038
Decrease (increase) in operational loans		-2,376,421	
Increase (decrease) in accounts receivable	-406,610	784,919	-444,541
Increase (decrease) in inventory assets	-47,396	-16,331	-32,794
Increase (decrease) in other assets	-174,133	1,814,856	-373,373
Increase in purchase debts	83,305	-194,945	9,224
Increase (decrease) in other liabilities	1,448,809	-2,052,899	1,523,341
Paid director's bonuses	-12,337	-43,025	-17,837
Subtotal	3,010,360	1,520,028	3,931,823
Interest and dividend received	1,897	13,418	4,697
Interest paid	-18,823	-17,780	-20,703
Payment of corporate tax, etc.	-1,469,933	-2,347,504	-1,478,896
Payment for damages		-160,110	
Cash flow from operating activities	1,523,501	-991,948	2,436,921

	Consolidated accounting period in the previous term From January 1, 2004 to September 30, 2004	Consolidated accounting period in this term From January 1, 2005 to September 30, 2005	Statement of consolidated cash flow summary in the previous fiscal year 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	-97,300	-8	-97,306
Revenue accrued by repayment of fixed deposit	97,284	697,308	152,556
Expenditure incurred by acquisition of tangible fixed assets	-128,492	-208,357	-265,189
Revenue accrued by sales of tangible fixed assets	38,686	622,510	
Expenditure incurred by acquisition of intangible fixed assets	-1,086,916	-443,642	-579,835
Revenue accrued by sales of intangible fixed assets		141,066	67,234
Expenditure incurred on acquisition of investment in securities	-2,839,561	-2,651,250	-2,852,648
Revenue accrued from sale of investment in securities	4,138,850	863,205	4,236,424
Revenue accrued from redemption of investment in securities		277,500	
Expenditure incurred on acquisition of investment in subsidiaries securities	-30,000	-292,715	-97,027
Revenue accrued from sales of shares in subsidiaries		338,470	
Expenditure incurred on acquisition of new consolidated subsidiary shares		-16,969,978	-935,066
Acceptance of subsidiaries' funds through stock swap	951,249	13,564	1,514,327
Amount of decrease resulting from change in scope of consolidation related to merger of subsidiaries		-57,265	
Expenditure incurred by acquisition of shares in subsidiaries relating to the change in scope of consolidation	-180,603		
Expenditure incurred by loans	-436,230	-107,290	-1,148,600
Revenue accrued by collection on loans	74,294	69,740	89,048
Expenditure incurred on the transfer of business		-29,723	-666,910
Revenue accrued from other investing activities	148,967	360,896	32,930
Expenditure incurred by other investing activities	-351,505	-185,602	-562,452
Cash flow from investing activities	298,722	-17,561,571	-1,112,515
III. Cash flow from financial activities			
Revenue accrued by short-term loans payable	2,203,000	7,500,500	2,203,000
Expenditure incurred by repayment of short-term loans payable	-145,000	-11,062,566	-169,229
Revenue accrued by long-term debt		8,500,000	
Expenditure incurred by repayment of long-term loans payable	-342,628	-7,243,700	-744,002
Revenue accrued by issue of bonds		31,996,910	
Revenue accrued by issue of convertible bonds with stock acquisition rights		30,981,913	
Expenditure incurred by redemption of debenture	-12,814	-31,625,000	-12,814
Expenditure incurred by issue of stocks	-13,077	-12,558	-18,822
Revenue incurred by issue of stocks for minority equity	12,533	1,297,828	158,137
Revenue or expenditure incurred by acquisition of own stocks	300,355	-244,569	327,859
Payment of dividends	-246,419	-333,699	-272,822
Payment of dividends for minority shareholders	-31,742	-69,005	-31,742
Cash flow from financial activities	1,724,206	29,686,052	1,439,562
IV. Effect of exchange rate changes on cash and cash equivalents	1,301	2,241	-5,516
V. Net increase (Decrease) in cash and cash equivalents	3,547,731	11,134,774	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	16,659	36,222
VIII. Balance of cash and cash equivalents at the end of the term		12,108,633	22,470,787	11,319,354