



# Summary of Consolidated Financial Statement for the Term Ending December 2005

February 14, 2006

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: February 14, 2006

Whether US GAAP is applied: None

## 1. Consolidated Results for the Term Ending December 2005 (from January 1, 2005 to December 31, 2005)

### (1) Consolidated financial results

(Amounts rounded down to the nearest one million yen)

	Sales		Operating profit		Ordinary profit	
	Million yen	%	Million yen	%	Million yen	%
December 31, 2005	37,219	(58.0)	4,352	(55.2)	4,103	(46.3)
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		Shareholders' equity Current net profit ratio	Ratio of ordinary profit to net worth	Ratio of ordinary profit to sales
	Million yen	%	Yen	Sen	Yen	Sen	%	%	%
December 31, 2005	3,258	(27.2)	52	68	52	39	22.0	7.1	11.0
December 31, 2004	2,563	(146.4)	44	81	44	16	21.0	12.2	11.9

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

2. Average outstanding shares during the term (consolidated): term ended December 2005: 61,429,016 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
December 31, 2005	88,057	16,282	18.5	262	51
December 31, 2004	27,896	13,350	47.9	217	93

Note: Number of total outstanding shares (consolidated): December 31, 2005: 62,031,378 shares, December 31, 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
December 31, 2005	-230	-22,711	34,748	23,202
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 for December 31, 2005 (from January 1, 2006 to December 31, 2006)

	Sales	Operating profit	Ordinary profit	Current net profit
	Million yen	Million yen	Million yen	Million yen
Interim	24,000	3,100	2,500	700
Full year	51,000	7,500	6,500	2,200

Note: Anticipation for current net profit per share (Full year) 35.46 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 21 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.	Tea Cup Communication, Ltd. GMO Media Inc. (FormerGMO Mobile&Desktop Inc.) GMO Affiliate, Inc.
	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	Magelick 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.

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

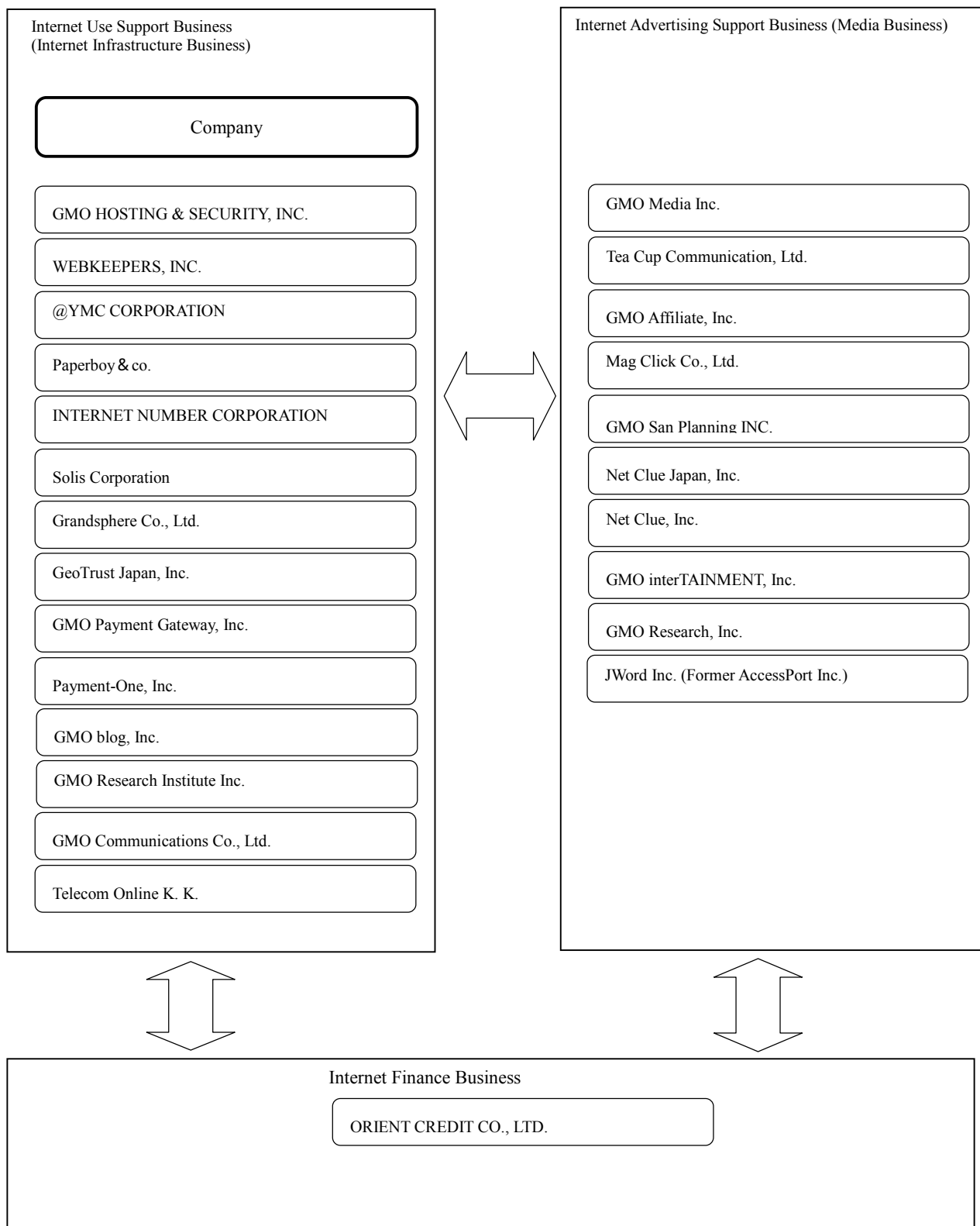
Company Name	Percentage of voting rights or equity share held	Category	Business Details
GMO Communications Co., Ltd. (*14)	100.0%	Consolidated subsidiary	Enterprise communications and Internet-related business
GMO Research Institute Inc.	100.0%	Consolidated subsidiary	Organization aimed at information 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)	98.3%	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.)	64.2%	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
Tea Cup Communication, Ltd.	51.0% (51.0%)	Consolidated subsidiary	Internet community service
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

(\*)

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 & Security, Inc. (former GMO Hosting & Technologies, Inc.), a consolidated subsidiary, merged with Discount Domain.com Inc., a consolidated subsidiary, and became the surviving company. GMO Hosting & Security, Inc. was listed on the Mothers market of the Tokyo Stock Exchange on December 16, 2005.
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 & SECURITY, INC. (former GMO Hosting and Technologies, 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 460,000 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 term ending December 2005 (from January 1, 2005 to December 31, 2005).

#### (1) General business conditions

During this fiscal year, 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 21,420,000 in Japan at the end of September 2005. The Internet environment is now firmly established, and Internet use continues to grow (\*).

In these circumstances, 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, the Group recorded sales of 37,219,808,000 yen (up 58.0% year-on-year), operating profit of 4,352,481,000 yen (55.2% increase year-on-year), ordinary profit of 4,103,097,000 yen (46.3% increase year-on-year), and current profit of 3,258,953,000 yen (27.2% increase year-on-year).

GMO Payment Gateway, Inc., a consolidated subsidiary, on April 4, 2005, and GMO Hosting & Security, Inc. on December 16, 2005 were listed on the Mothers market of the Tokyo Stock Exchange. Because of this listing, the Company posted a 1,364,951,000 yen profit from the change of equity holdings, while a 773,325,000 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 16,055,139,000 yen, up 2.6% from the previous year, and operating profit of 2,552,189,000 yen, up 13.9% 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 12,005,989,000 yen, an increase of 44.2% year on year, and operating loss of 229,073,000 yen (486,846,000 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 9,389,170,000 yen and operating profit of 1,980,414,000 yen, a reflection of the consolidation of ORIENT CREDIT CO., LTD. in the second half of the current fiscal year.

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\* According to the "Changes in the Number of Subscribers for Broadband Service" released by the Ministry of Internal Affairs and Communications on November 29, 2005

## 2. Financial Situation

<Assets, liabilities and shareholders' equity>

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

In current assets, "Operational loans" and "Accrued income" have increased 27,010,379,000 yen and 3,578,822,000 yen, respectively. Under fixed assets, "Account for consolidated adjustments" expanded 14,401,478,000 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 5,412,500,000 yen, 8,300,400,000 yen, and 4,150,000,000 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 this term increased 11,883,528,000 yen from the end of the previous fiscal year, to 23,202,882,000 yen, thanks to cash flow from financial activities of 34,748,770,000 yen attributable to the issuance of corporate bonds, etc. to acquire shares in Orient Credit Co., Ltd., offsetting the net expenditure of 230,923,000 yen in cash flow from operating activities, mainly reflecting the payment of income taxes, and the net expenditure of 22,711,100,000 yen 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 230,923,000 yen (compared with an increase of 2,436,921,000 yen for the same period in the previous year). This is because 6,592,891,000 yen in current net profit before adjustment of taxes was offset by an increase in operational loans of 6,416,496,000 yen and the payment of taxes of 2,498,012,000 yen.

"Cash flow from investing activities" decreased 22,711,100,000 yen (decreased 1,112,515,000 yen in the previous year) as a result of outlays of 2,514,387,000 yen for the acquisition of investment securities and 24,148,128,000 yen for the acquisition of shares in subsidiaries, which was associated with a change in the scope of consolidation, as against proceeds of 3,330,802,000 yen from the sale of shares in subsidiaries and 886,873,000 yen from the sale of investment securities.

"Cash flow from financing activities" increased 34,748,770,000 yen (increased 1,439,562,000 yen in the previous year) thanks to cash inflows of 63,300,000,000 yen from the issue of bonds and 21,055,100,000 yen from long-term and short-term borrowings, despite expenditures of 31,625,000,000 yen for the redemption of bonds and 19,522,600,000 yen for the repayment of long-term and short-term debts.

## 4. Business risks, etc.

### (1) Competition

Our Group provides comprehensive services to meet the needs of users through the Internet Use Support Business (Internet Infrastructure Business) which consists chiefly of the access business, the rental server business and the domain acquisition business, and the Internet Advertising Support Business (Media Business) which is the Internet advertisement sales business. We believe that the Company has predominance in this comprehensive business development. However, there is a possibility that, in each business, competition with telecommunications carriers, power companies and existing independent enterprisers will intensify. There is also a possibility that new corporate groups which have the same business structure as our Group will emerge through business tie-ups and merger. If competition for the acquisition of users intensifies in the future, the revenue of our Group may decline. In addition, we may be required to reduce fees, or increase costs such as advertising expenses and capital investment. This may possibly have an important effect on the results of our Group.

### (2) Technological innovation

Innovation in Internet technologies will continue its rapid progress. In addition, along with this progress, industry standards and user needs will rapidly change. Therefore, new services, new technologies and new products will continue to appear. If we lag behind in keeping up with technological innovation, the services and facilities and equipment provided by our Group may become obsolete, and our competitiveness may become weaker than our competitors. This may possibly have a critical impact on the business of our Group. We consider that our Group will need to pay close attention to the development and trends of new technologies, and throw our energy into

improving systems and the ability of our staff.

(3) Risks arising from non-collection of receivables

The Company's trade account receivables for the Internet Use Support Business (Internet Infrastructure Business) include many small amount receivables of monthly amount 10,000 yen or less with general individual customers, medium-to-small sized companies, and SOHO, etc. The methods for the collection of the receivables range widely over bank remittance, postal transfer, transfer through convenience store, and credit card settlement in consideration of the convenience of users. If a user intentionally does not remit a fee, the collection of this receivable will be delayed.

The Company sets up the entire amount of receivables in arrears as individual reserves for receivables which are in arrears for one year or longer from the time of recognition as uncollected receivable. We also set up reserves based on the past bad debt results for receivables which are in arrears for less than one year from the time of recognition as uncollected receivable. With respect to receivables which passed two years from the time of recognition as an uncollected receivable and are not expected to be collected based on our judgment, we write off the receivables through the appropriation of bad debt reserves. The write-off through appropriation amounted to 150 million yen on December 31, 2005.

The Company made efforts to collect receivables to the extent possible through demand using telephone, mail and e-mail, etc. We recorded a bad debt reserve of 227 million yen as of December 31, 2005. However, if the number of accounts in arrears and the amount of receivables in arrears increase in the future because of bankruptcies, etc. depending on the influence of the economic situation, this may possibly impact the results of the Company.

(4) Legal restrictions

Our Group is subject to the following legal restrictions. However, if, with the growth of the Internet in the future, laws and ordinances to restrict the users of the Internet and related enterprisers are established, the application of existing laws and ordinances, etc. become clear, or any self-restraint is required, there is a possibility that the business of our Group will be restricted.

(a) Telecommunication Business Law

The Telecommunication Business Law was established for the following purposes. In the light of the public nature of the telecommunications business, the smooth provision of telecommunications services should be secured and the interests of users should be protected by ensuring that the conduct of the telecommunications business is proper and reasonable. Consequently, the sound development of telecommunications and public convenience must be secured, and public welfare should be advanced. When conducting the Internet business, the Company as a designated telecommunications carrier faces restraints on items such as the prohibition of censorship, the protection of the secrecy of communication, services, telecommunication facilities and the connection of facilities and equipment, etc.

(b) Law Regulating Adult Entertainment Business, etc.

The Law Regulating Adult Entertainment Business, etc. was established for the following purpose. The business hours and area, etc. of the adult entertainment business and other related businesses should be restricted to maintain good public morals and a healthy environment and to prevent acts with the potential to impede the sound development of juveniles, and entry by juveniles into the places of such business should be restricted. In addition, measures to make the adult entertainment business fair and reasonable should be taken to contribute to the soundness of the adult entertainment business. The purpose of the law is to control directly persons who engage in the adult entertainment business.

However, Internet connection services require us to provide users with server space. Connection companies have an obligation to make efforts to assume responsibilities for the control of the company's own servers. The Company is subject to this law when conducting the Internet business (enforced on April 1, 1999).

With respect to websites opened by customers, an agreement which was entered into by and between the Company and registered agencies that set up websites provides clearly that responsibilities for the details of websites lie with the person who uploads content. In addition, we have made every effort to make legal compliance universally known, and have endeavored to check the details of websites. We thus paid attention to the prohibition of the distribution of illegal and harmful information through self-restraint. However, there can be no guarantee that these measures have been sufficient. Therefore, there is a possibility that users, other related persons and administrative agencies will provide administrative guidance, lodge a complaint, claim compensation for damage or give advice about websites opened by customers.

(c) Unauthorized Computer Access Law

This law was established for the purposes of preventing computer crimes committed via telecommunications lines, maintainin order in telecommunications realized by access control functions and thereby contributing to the sound

development of the advanced information-oriented society.

However, an obligation to take measures necessary to protect against acts of unauthorized access is imposed on persons who control the operation of computers connected to telecommunication lines. The above provision is applied to the Company as a person who controls the operation of computers.

(d) Law concerning Limitation of Damages to Specific Telecommunications Service Provider and Disclosure of Sender Information

The Law concerning Limitation of Damages to Specific Telecommunications Service Provider and Disclosure of Sender Information provides for rights to demand limitations on damages to specific telecommunications service providers and the disclosure of sender information. It aims to contribute to the proper distribution of information through specified telecommunications in light of the growth of the distribution of information via the Internet, etc. The Company as a designated telecommunications service provider is subject to this law when conducting the Internet business. The scope of responsibilities of the Company is limited under this law. However, the law impacts on the activities of information senders. Therefore, when the Company takes action under the law, the Company needs to make very important judgments. If a judgment is incorrect, there is a possibility that users, other related persons and administrative agencies will provide administrative guidance, lodge complaints, claim compensation for damage or give advice to the Company.

(e) Law concerning Specified Commercial Transactions

The Law concerning Specified Commercial Transactions was established for the purpose of protecting the interests of purchasers, etc. by making specified commercial transactions (door-to-door sales and mail-order sales) fair and just and preventing purchasers, etc. from incurring damages, and making the distribution of goods and products and the provision of services proper and smooth, thereby contributing to the sound development of the national economy. The law has a number of provisions concerning methods for specified commercial transactions.

Among others, when placing advertisements for mail-order sales, restraints are imposed on the method for the display of the advertisements, including electronic methods.

The e-mail advertisement business of the Company is subject to the above restraints on the method for advertisement there is thus a possibility that the method for the conduct of the e-mail advertisement business will be restricted.

(f) Law for Normalization of Transmission of Specified E-Mails

The Law for Normalization of Transmission of Specified E-Mails was established to create a positive environment for the use of e-mail. It sets out measures to normalize the transmission of specified e-mail in light of the need to prevent problems with the transmission and reception of e-mail, caused by the transmission of specified e-mail for advertisements to a large number of people at one time. The law imposes on the sender an obligation to show a contact address in specified e-mail and prohibits the transmission to persons who opt out.

The e-mail advertisement business of the Company is subject to the above restraints on methods for the transmission of specified e-mails and there is thus a possibility that the method for the conduct of the e-mail advertisement business will be restricted.

(g) Act concerning Protection of Personal Information

In light of the growing use of personal information associated with progress in the advanced information-oriented society, an obligation is imposed on businesses handling personal information concerning restrictions on the purposes of use of personal information, ensuring appropriateness and accuracy for the acquisition of personal information, safety control measures, and restrictions on providing personal information to third parties for the purpose of protecting the rights and interests of individual persons while paying attention to the usefulness of information with respect to the proper treatment of personal information.

Under the law, the Company has a legal obligation to carry out a procedure to properly explain to and obtain the approval of users with respect to the purpose of the use of personal information and the provision of personal information to third parties and to take measures to properly control personal information.

The above obligation based on this law applies on the date of introduction of April 1, 2005 based on the supplementary regulation of the law.

(5) Possibility of legal action

The Internet provides simple e-mail and information retrieval services, In addition, a broad array of information, goods and services of all areas including distribution and finance are provided through the Internet. In these circumstances, our Group has endeavored to reliably provide services and operate systems. We made preparations to deal with problems through a permanent power supply device, 24/7 control and maintenance systems using backup systems, and customer support systems. However, if a problem that cannot be solved based on the crisis management system of the Company arises, there is a possibility that the users of the services of our Group will

incur certain damage. Although the service agreement of our Group includes an exemption clause, there is a possibility that there will be an important impact on the business of our Group. There has been no important lawsuit with an important effect on the results of our Group in the past. However, there is a possibility that a lawsuit or other appeal will be brought against the Group as it develops its business.

(Internet Finance Business)

(6) Legal restrictions

In the Internet Finance Business, the personal finance business is controlled based on the Moneylending Control Law and the Law Concerning the Regulation of Receiving of Capital Subscription, Deposits and Interest on Deposits (hereinafter referred to as “the Capital Subscription Law.”

The upper limit of interest rates on loans for the personal finance business of Orient Credit Co., Ltd., a consolidated subsidiary of the Company, is controlled by the Capital Subscription Law. The amended Moneylending Control Law and the Capital Subscription Law provide that “the upper limit of interest rates will be examined and revised as necessary in consideration of the conditions of funding demand and other economic and financial conditions, the conditions of the setting-up of interest rates on loans according to the financial resources and creditworthiness of persons requiring funds and the actual conditions of the business of money lenders within three years of the date of enforcement (January 2007).” If the upper limit of interest rates based on the Capital Subscription Law is lowered to a level that is lower than the upper limit of the interest rates of Orient Credit Co., Ltd. in the future, there is a possibility that it will impact the earnings and results of our Group.

In addition, based on Paragraph 1 of Article 1 of the Interest Rate Restriction Law, an agreement on an interest rate for loan for consumption for the purpose of money that exceeds the upper limit of interest rates (an amount calculated at an annual rate of 20% for a principal of less than 100,000 yen, 18% for a principal of 100,000 yen or more and less than 1,000,000 yen and 15% for a principal of 1,000,000 yen or more) should become invalid. However, when an obligor voluntarily pays the excess portion, the obligor may not claim the return of the paid excess portion based on Paragraph 2 of Article 1 of the Interest Rate Restriction Law. Based on Article 43 of the Moneylending Control Law, if the document prescribed by the law is delivered at the time of the conclusion of an agreement, an obligor voluntarily paid the excess portion as interest, and the payment falls into the payment of a debt based on an agreement for which the document provided in the law was delivered, it shall be deemed as effective payment of interest irrespective of the provision of Paragraph 1 of Article 1 of the Interest Rate Restriction Law.

The upper limit of interest rates on loans of the Orient Credit Co., Ltd. group includes a portion exceeding the upper limit of interest rates based on the Interest Rate Restriction Law. Therefore, there is a possibility that the movement of claims for the return of this excess interest will impact the earnings and results of our Group.

(7) Bad debt risk

Orient Credit Co., Ltd. has strengthened its credit control and management and collection systems daily. As a result, credit cost tends to decline.

However, if loans became nonperforming loans because of a change in business environments caused by the deterioration of economic trends and the amendment of laws, credit cost may increase, impacting the earnings and results of our Group.

(8) Fund raising

Orient Credit Co., Ltd. has raised funds through a variety of means including borrowing from financial institutions and a program for securitization of loans and straight bonds, and has endeavored to optimize the cost of fund raising. After Orient Credit Co., Ltd. became a consolidated subsidiary of our Group, it has further reduced the cost of fund raising thanks to the effect of the supplementation of creditworthiness.

At present, Orient Credit Co., Ltd. is not difficult to raise funds. However, if the fund raising of Orient Credit Co., Ltd. is impacted by a sharp rise in interest rates or a change in fund raising environments in the future, there is a possibility that it will have an effect on the earnings and results of our Group.

### 3. Projections of consolidated business results for December 31, 2006

(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, 2006 to December 31, 2006)

	FY 2006	Change from year-ago level	FY 2005
	Million yen	%	Million yen
Sales	51,000	37.0	37,219
Operating profit	7,500	72.3	4,352
Ordinary profit	6,500	58.4	4,103
Current net profit	2,200	-32.5	3,258

- Forecast of the non-consolidated results (from January 1, 2006 to December 31, 2006)

	FY 2006	Change from year-ago level	FY 2005
	Million yen	%	Million yen
Sales	12,000	21.0	9,921
Operating profit	1,000	-4.4	1,045
Ordinary profit	1,100	-30.4	1,580
Current net profit	760	-55.0	1,687

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

(Unit: million yen)

	2004 4Q	2005 1Q	2005 2Q	2005 3Q	2005 4Q
Operating revenue	7,536	7,657	6,646	11,409	11,506
Operating profit	1,001	914	208	1,331	1,898
Ordinary profit	1,001	936	217	1,163	1,784
Current net profit	647	456	210	434	2,158
Total assets	27,896	28,722	27,487	85,760	88,057
Shareholders' equity	13,350	13,547	13,627	14,076	16,282

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

(Unit: million yen)

	2004 4Q	2005 1Q	2005 2Q	2005 3Q	2005 4Q
Operating revenue	2,322	2,627	2,508	2,419	2,365
Operating profit	389	321	186	302	236
Ordinary profit	418	702	237	306	334
Current net profit	551	752	161	176	598
Total assets	17,861	18,180	16,017	50,355	46,358
Shareholders' equity	12,088	11,655	11,713	11,954	12,574

(Reference)

Table: The quarterly change by segment

I. Sales		(Unit: million yen)				
	2004 4Q	2005 1Q	2005 2Q	2005 3Q	2005 4Q	
<b>Internet Use Support Business (Internet Infrastructure Business)</b>						
Access	713	751	716	696	655	
Domain acquisition	312	399	380	367	396	
Web hosting	1,590	1,649	1,763	1,795	1,819	
Website construction and support	545	360	221	190	231	
Security	41	57	68	70	67	
Credit card payment processing	279	288	303	432	371	
Enterprise communications	956	1,020	377	202	209	
JWord *2	355	-	-	-	-	
Others	60	39	20	55	76	
<b>Total segment sales</b>	<b>4,856</b>	<b>4,566</b>	<b>3,851</b>	<b>3,809</b>	<b>3,827</b>	
<b>Internet Advertising Support Business (Media Business)</b>						
Internet media construction	916	630	447	492	474	
Internet advertising sales	2,003	1,944	1,587	1,581	1,946	
Jword *2	121	698	834	783	712	
Online gaming	82	180	210	199	184	
Others	36	34	19	37	74	
<b>Total</b>	<b>3,160</b>	<b>3,488</b>	<b>3,099</b>	<b>3,094</b>	<b>3,393</b>	
Subtraction of intra-segment sales	(370)	(336)	(237)	(236)	(257)	
<b>Total segment sales</b>	<b>2,789</b>	<b>3,151</b>	<b>2,861</b>	<b>2,857</b>	<b>3,135</b>	
<b>Internet Finance Business</b>						
Personal finance operations	-	-	-	4,759	4,629	
<b>Total segment sales</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,759</b>	<b>4,629</b>	
Deduction of dealings between segments	(109)	(60)	(66)	(16)	(86)	
<b>Consolidated sales</b>	<b>7,536</b>	<b>7,657</b>	<b>6,646</b>	<b>11,409</b>	<b>11,506</b>	

## II. Operating profit and loss (Unit: million yen)

	2004 4Q	2005 1Q	2005 2Q	2005 3Q	2005 4Q
Internet Use Support Business (Internet Infrastructure Business)	831	814	608	658	470
Internet Advertising Support Business (Media Business)	156	85	-416	-38	139
Internet Finance Business	-	-	-	692	1,288
<b>Subtotal</b>	<b>988</b>	<b>900</b>	<b>192</b>	<b>1,311</b>	<b>1,898</b>
Deduction of dealings between segments	12	13	15	19	0
<b>Consolidated operating profit and loss</b>	<b>1,001</b>	<b>914</b>	<b>208</b>	<b>1,331</b>	<b>1,898</b>

\*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.

## 2. 【Production, Orders and Sales】

### (1) Results of production

There is no applicable item.

### (2) Results of purchase

Item	Amount of purchase (thousand yen)	Change from year-ago level (%)
Internet Use Support Business (Internet Infrastructure Business)	20,402	49.3
Internet Advertising Support Business (Media Business)	4,892,937	163.3
Internet Finance Business	-	-
Total	4,913,333	161.7

- (Note) 1. Figures do not include consumption tax.  
2. Figures are shown using purchase prices.

### (3) Results of orders received

Item	Amount of orders received (thousand yen)	Change from year-ago level (%)	Backlog of orders (thousand yen)	Change from year-ago level (%)
Internet Use Support Business (Internet Infrastructure Business)	869,447	80.3	120,272	62.9
Internet Advertising Support Business (Media Business)	8,466,970	105.6	305,173	79.9
Internet Finance Business	-	-	-	-
Total	9,336,448	102.6	425,445	74.2

- (Note) 1. Figures do not include consumption tax.

### (4) Sales results

Item	Sales (thousand yen)	Change from year-ago level (%)
Internet Use Support Business (Internet Infrastructure Business)	15,953,131	102.0
Internet Advertising Support Business (Media Business)	11,877,506	142.6
Internet Finance Business	9,389,170	-
Total	37,219,808	155.3

- (Note) 1. Figures do not include consumption tax.  
2. The ratio of the results of sales to each major customer and the results of sales under review to the results of total sales is less than 10% for the previous accounting term and the accounting term under review and entry is therefore omitted.

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).



1. Consolidated Financial Statements, etc.

(1) 【Consolidated Financial Statements】

1) 【Consolidated Balance Sheet】

Item	NOTE number	As of December 31, 2004 Samary consolidated balancesheet in the previous fiscal year		As of December 31, 2005 Samary consolidated balancesheet in this fiscal year	
		Amount (Thousand yen)	Composition (%)	Amount (Thousand yen)	Composition (%)
(Assets)					
I Current Assets					
1. Cash and deposits		11,556,654		24,192,882	
2. Accounts receivable		3,618,436		2,965,738	
3. Inventory assets		46,071		31,605	
4. Deferred tax asset		388,185		1,544,780	
5. Operational loans				27,010,379	
6. Accrued income				3,578,822	
7 Other assets		883,013		1,771,743	
Allowance for doubtful debts		-380,260		-6,589,597	
Total Current Assets		16,112,100	57.8	54,506,355	61.9
II Fixed assets					
1. Tangible fixed assets					
(1) Buildings and structures		393,358		255,231	
(2) Tools and equipment		239,303		555,958	
(3) Land		382,095		9,800	
(4) Others		36,628		7,617	
Total Tangible Fixed Assets		1,051,386	3.8	828,607	0.9
2. Intangible fixed assets					
(1) Goodwill		598,033		409,072	
(2) Software		602,166		2,053,300	
(3) Account for consolidated adjustments		2,390,768		16,792,246	
(4) Others		355,590		459,380	
Total of intangible fixed assets		3,946,559	14.1	19,713,999	22.4
3. Investments and other assets					
(1) Investments in securities		4,716,526		6,676,076	
(2) Long-term loan		28,173		111,839	
(3) Investment		494,187		455,211	
(4) Deposit		973,055		1,041,181	
(5) Long-term money deposited				3,173,388	
(6) Deferred tax asset		174,392		678,309	
(7) Others		410,053		886,118	
Allowance for bad debt		-9,632		-13,718	
Total of investments and other assets		6,786,756	24.3	13,008,406	14.8
Total of fixed assets		11,784,702	42.2	33,551,013	38.1
Total of assets		27,896,802	100.0	88,057,369	100.0

Item	NOTE number	As of December 31, 2004 Samary consolidated balancesheet in the previous fiscal year		As of December 31, 2005 Samary consolidated balancesheet in this fiscal year	
		Amount (Thousand yen)	Composition (%)	Amount (Thousand yen)	Composition (%)
(Liabilities)					
I. Current liabilities					
1. Notes payable and accounts payable – trade		1,296,946		1,145,053	
2. Short-term debt	* 3	2,178,500		7,591,000	
3. Current portion of long-term debt				8,300,400	
4. Bonds to be redeemed within one year				150,000	
5. Convertible bonds with equity warrant to be repaid within one year				31,000,000	
6. Accrued amount payable		2,134,242		2,288,712	
7. Accrued corporation tax, etc		1,753,448		2,610,787	
8. Allowance for bonuses		37,400		108,681	
9. Deferred tax liability		3,226			
10. Advance money		1,069,035		1,382,220	
11. Other liabilities		1,766,589		1,858,193	
Total of current liabilities		10,239,387	36.7	56,435,049	64.1
II Fixed liabilities					
1. Long-term bonds payable				4,150,000	
2. Long-term debt				5,445,950	
3. Long-term accounts payable		553,585		656,317	
4. Deferred tax liability		99,631		2,793	
5. Officers' retirement allowance reserve				50,200	
6. Allowance for retirement benefits for employees				192,238	
7. Other fixed liabilities		19,281		157,849	
Total of fixed liabilities		672,498	2.4	10,655,349	12.1
Total of liabilities ( Minority Equity )		10,911,886	39.1	67,090,398	76.2
Minority equity ( Shareholder's Equity )		3,634,289	13.0	4,684,079	5.3
I Capital stock	* 4	3,311,130	11.9	3,311,130	3.8
II Capital reserve		5,284,148	19.0	5,353,357	6.1
III Earned surplus		4,768,047	17.1	7,617,791	8.6
IV Other gaps in appraisal of securities		120,579	0.4	28,214	0.0
V Equity adjustment from foreign currency translation		4,598	0.0	-3,621	0.0
VI Own stocks	* 5	-137,877	-0.5	-23,980	0.0
Total of shareholders' equity		13,350,626	47.9	16,282,890	18.5
Total of liabilities, minority equity and shareholders' equity		27,896,802	100.0	88,057,369	100.0

2) 【Consolidated Profit and Loss Statement】

Item	NOTE number	Consolidated accounting period in the previous term From January 1, 2004 to December 31, 2004		Consolidated accounting period in this term From January 1, 2005 to December 31, 2005			
		Amount (Thousand yen)	Composition (%)	Amount (Thousand yen)	Composition (%)		
I Operating revenue			23,561,986	100.0	37,219,808	100.0	
II Business expenses	* 1		9,675,171	41.1	12,814,347	34.4	
III Sales and general administrative expenses	* 2		11,081,946	47.0	20,052,980	53.9	
Operating profit			2,804,867	11.9	4,352,481	11.7	
IV Non-operating revenue							
1. Interest received		11,904			25,386		
2. Fees received		24,992			52,297		
3. Bad debt recovered		8,614			2,152		
4. Profit from investment partnership		4,084			28,349		
5. Foreign exchange gain					16,769		
6. Sales compensation payments					48,300		
7. Others		34,543	84,138	0.4	74,690	247,946	0.6
V. Non-operating expenses							
1. Interest paid		9,188			19,020		
2. Stock issue costs		18,822			37,866		
3. Exchange loss		4,124					
4. Loss from investment partnership		13,134					
5. Expense for out-of-court settlement					341,470		
6. Others		38,258	83,528	0.4	98,973	497,330	1.3
Ordinary profit			2,805,478	11.9	4,103,097	11.0	
VI. Extraordinary profit							
1. Gain from the prior-term adjustment	* 3				34,868		
2. Gain on sales of fixed assets	* 4	38,686			14,287		
3. Gain on sales of investments on stocks of securities		3,357,981			459,788		
4. Gain on sales of investments on stocks of affiliated companies					3,010,629		
5. Debt forgiveness income	* 5	23,768					
6. Profit from change of equity investees	* 6	16,038			1,364,951		
7. Gain on return of allowance for doubtful debts		8,399	3,444,874	14.6	20,595	4,905,120	13.2
VII Extraordinary loss							
1. Loss from the prior-term adjustment	* 7				11,093		
2. Loss on sales of fixed assets	* 8				116,264		
3. Loss on retirement of fixed assets	* 9	161,893			468,913		
4. Devaluation of goodwill		42,185			82,193		
5. Loss on devaluation of subsidiaries		21,503			330,800		
6. Loss on sale of investment securities		2,099					
7. Loss on devaluation of affiliated company		18,932			10,049		
8. Loss on sales of investments on stocks of affiliated companies					6,933		
9. Loss on appraisal of capital contribution					41,649		
10. Amortization of the consolidated adjustment account	* 10	444,894					
11. Loss on change of equity investees	* 11	94,073			246,289		
12. Office relocation cost		12,246					
13. Penalty for breaking a lease		68,475			75,158		

14. Loss on disposal of underforming business	* 12				773,325		
15. Expenses for change in corporate name					37,566		
16. Payments for damages	* 13				160,110		
17. Others		4,950	871,255	3.7	54,979	2,415,327	6.5
Current net profit before adjustment of taxes			5,379,096	22.8		6,592,891	17.7
Corporate tax, residential tax and business tax		2,229,871			3,222,231		
Amount of adjustment, such as corporate tax		325,394	2,555,265	10.8	-266,035	2,956,196	7.9
Profit of minority shareholders			260,762	1.1		377,741	1.0
Current period net profit			2,563,068	10.9		3,258,953	8.8

3) 【Statement of Consolidated Surplus】

Item	NOTE number	Consolidated accounting period in the previous term From January 1, 2004 to December 31, 2004		Consolidated accounting period in this term From January 1, 2005 to December 31, 2005	
		Amount (Thousand yen)		Amount (Thousand yen)	
(Capital Surplus)					
I. Balance of capital surplus at beginning of term			4,432,990		5,284,148
II. Increase in capital surplus					
1. Issue of new stocks through stock swap		774,845		30,692	
2. Gains on sales of treasury stock		76,312	851,158	38,515	69,208
III Closing capital surplus balance			5,284,148		5,353,357
(Earned Surplus)					
I. Balance of earned surplus at beginning of term			2,563,536		4,768,047
II. Increase in earned surplus					
1. Current net profit		2,563,068		3,258,953	
2. Increase in earned surplus due to merger		9,226			
3. Increase in surplus due to increased number of consolidated subsidiaries		63,565		5,229	
4. Increase in earned surplus due to a decrease in the number of consolidated subsidiaries			2,635,860	2,468	3,266,651
III. Decrease in earned surplus					
1. Dividend		277,846		367,330	
2. Bonus to directors and statutory auditors		13,604		36,063	
3. Decrease in surplus due to increased number of consolidated subsidiaries		124,888		4,023	
4. Decrease in earned surplus due to merger				8,805	
5. Decrease in surplus due to merger of consolidated subsidiaries and affiliates		15,009	431,349	684	416,907
IV. Balance of earned surplus at end of the term			4,768,047		7,617,791

4) 【Statement of consolidated Cash Flow】

		Consolidated accounting period in the previous term From January 1, 2004 to December 31, 2004	Consolidated accounting period in this term From January 1, 2005 to December 31, 2005
Item	NOTE number	Amount (Thousand yen)	Amount (Thousand yen)
I Cash flow from operating activities			
Current net profit before adjustment of tax, etc.		5,379,096	6,592,891
Depreciation charge		495,995	906,553
Amortization of the consolidated adjustment account		609,930	957,428
Increase in allowance for doubtful debts		-145,116	-297,663
Increase in allowance for bonuses		4,422	-9,786
Increase or decrease in retirement benefit costs			19,627
Gain on sales of investments in securities		-3,357,981	-459,788
Gain on sales of stocks of affiliated companies			-3,010,629
Gain on sales of Goodwill			
Interest received and dividend received		-11,904	-25,385
Interest paid		9,188	18,948
Foreign currency transaction gain and loss		3,154	-36,592
Stock issue costs		18,822	37,866
Loss on sales of investments in securities		2,099	1
Loss on devaluation of investments in securities		21,503	330,800
Loss from write-down of investments in affiliates		18,932	10,049
Loss on appraisal of capital contribution			41,649
Depreciation of goodwill		42,185	82,193
Loss on retirement of fixed assets		161,893	389,705
Loss on sales of fixed assets			116,264
Gain on sales of fixed assets		-38,686	-14,287
Loss on disposal of underperforming business			
Loss on devaluation of subsidiaries' stock		-23,768	
Loss from investments by the equity method			
Gain from change of equity investees		-16,038	-1,364,951
Loss from change of equity investees		94,073	246,289
Decrease (increase) in operational loans			-6,416,496
Increase (decrease) in accounts receivable		-444,541	697,526
Increase (decrease) in other assets		-373,373	4,787,809
Increase in inventory assets		-32,794	16,912
Increase (decrease) in purchase debts		9,224	-173,401
Increase (decrease) in other liabilities		1,523,341	-1,315,808
Paid director's bonuses		-17,837	-43,025
Subtotal		3,931,823	2,084,698
Interest and dividend received		4,697	41,300
Interest paid		-20,703	-19,020
Payment for damages			160,110
Payment of corporate tax, etc.		-1,478,896	-2,498,012
Cash flow from operating activities		2,436,921	-230,923

		Consolidated accounting period in the previous term From January 1, 2004 to December 31, 2004	Consolidated accounting period in this term From January 1, 2005 to December 31, 2005
Item	NOTE number	Amount (Thousand yen)	Amount (Thousand yen)
<b>II Cash flow from investing activities</b>			
Expenditure incurred by deposit of fixed deposit		-97,306	-8
Revenue accrued by repayment of fixed deposit		152,556	697,308
Expenditure incurred by acquisition of tangible fixed assets		-265,189	-417,512
Revenue accrued by sales of tangible fixed assets			629,649
Expenditure incurred by acquisition of intangible fixed assets		-1,246,746	-709,762
Revenue accrued by sales of intangible fixed assets		67,234	79,797
Expenditure incurred on acquisition of investment in securities		-2,852,648	-2,514,387
Revenue accrued from sale of investment in securities		4,236,424	886,883
Revenue accrued from redemption of investment in securities			277,500
Expenditure incurred on acquisition of investment in subsidiaries' securities		-97,027	-860,295
Revenue accrued from sale of investment in subsidiaries' securities			3,330,802
Expenditure incurred by acquisition of stock of new consolidated subsidiary		-935,066	-24,148,128
Amount of decrease resulting from change in scope of consolidation related to merger of subsidiaries			-57,265
Acceptance of subsidiaries' funds through stock swap		1,484,323	25,164
Expenditure incurred by loans		-1,148,600	-209,053
Revenue accrued by collection on loans		89,048	112,344
Expenditure incurred on the transfer of business			-30,207
Revenue accrued from other investing activities		62,934	612,338
Expenditure incurred by other investing activities		-562,452	-416,267
<b>Cash flow from investing activities</b>		<b>-1,112,515</b>	<b>-22,711,100</b>
<b>III Cash flow from financial activities</b>			
Revenue accrued by short-term loans payable		2,203,000	6,800,000
Expenditure incurred by repayment of short-term loans payable		-169,229	-9,935,800
Revenue accrued by long-term debt			14,255,100
Expenditure incurred by repayment of long-term loans payable		-744,002	-9,586,800
Revenue accrued by issue of bonds			63,300,000
Expenditure incurred by redemption of debenture		-12,814	-31,625,000
Revenue accrued by issue of stocks			9,240
Expenditure incurred by issue of stocks		-18,822	-37,866
Expenditure incurred by issue of bonds			-21,126
Revenue incurred by issue of stocks for minority equity		158,137	2,308,573
Revenue or expenditure incurred by acquisition of own stocks		327,859	-223,427
Payment of dividends		-272,822	-362,399
Payment of dividends for minority shareholders		-31,742	-131,722
<b>Cash flow from financial activities</b>		<b>1,439,562</b>	<b>34,748,770</b>

IV Effect of exchange rate changes on cash and cash equivalents		-5,516	9,630
V Net increase in cash and cash equivalents		2,758,451	11,816,377
VI Balance of cash and cash equivalents at the beginning of term		8,524,679	11,319,354
VII Increase in cash and cash equivalents in accordance with change of consolidated subsidiaries		36,222	67,150
VIII Balance of cash and cash equivalents at the end of the term		11,319,354	23,202,882