



Interim Financial Statement for the Term Ending December 2007

August 14, 2007

Name of Listed Company: **GMO Internet Inc.**Exchange Listing: Tokyo Stock Exchange, First Section Stock Code: 9449 URL: <http://www.gmo.jp/en>

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(all amounts rounded down to the nearest million yen)

1. Interim Consolidated Results for the Term Ending December 2007 (01.01.07 – 06.30.07)

(1) Consolidated Operating Results (percentages shown represent the % change over the previous interim term)

	Sales		Operating Profit		Ordinary Profit		Interim Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Interim Ended June 2007	30,029	(30.3)	-10,495	(-)	-10,810	(-)	-15,699	(-)
Interim Ended June 2006	23,042	(61.1)	2,009	(79.0)	1,927	(67.0)	193	(-71.0)
Year Ended December 2006	50,842		4,271	-	3,992	-	-12,099	-

	Interim Net Profit per Share	Interim Net Profit per Share (Diluted)
	¥	¥
Interim Ended June 2007	-217.42	-
Interim Ended June 2006	3.12	3.02
Year Ended December 2006	-194.81	-

(Reference) Equity method investment profit/loss - Interim ended June 2007: nil Interim ended June 2006: nil
Year ended December 2006: nil

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholder's Equity per Share
	¥ millions	¥ millions	%	¥
Interim Ended June 2007	134,331	7,782	0.5	8.25
Interim Ended June 2006	92,844	24,076	18.6	278.63
Year Ended December 2006	146,279	19,528	7.7	156.79

(Reference) Shareholders' Equity - Interim ended June 2007: ¥652,000,000 Interim ended June 2006: ¥17,276,000,000
Year ended December 2006: ¥11,309,000,000

(3) Consolidated Cash Flow

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents Closing Balance
	¥ millions	¥ millions	¥ millions	¥ millions
Interim Ended June 2007	7,557	-9,131	-3,820	27,836
Interim Ended June 2006	-353	-423	686	23,931
Year Ended December 2006	4,544	-3,400	7,995	33,180

2. Dividends

(Date of Record)	Dividend per Share				
	End of 1 st Quarter	End of Interim	End of 3 rd Quarter	End of Term	Full Year
Year Ended December 2006	¥ -	¥ 3.00	¥ -	¥ -	¥ 3.00
Interim Ended June 2007	-	-	-	-	-
Year Ending December 2007 (forecast)	-	-	-	-	-

3. Results Forecast for the Term Ending December 2007 (01.01.2007 – 12.31.2007)

(percentages shown represent the % change over the previous interim term)

	Sales		Operating Profit		Ordinary Profit		Net Profit		Current Net Profit per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Full Year	46,500	(-8.5)	-8,600	(-)	-9,300	(-)	-13,000	(-)	-171.83

4. Other

(1) Significant changes in subsidiaries in the current term (transfer of a subsidiary resulting in change in scope of consolidation) Yes No

(2) Changes in accounting treatment principles, methods, representation etc. in the interim consolidated financial statement (significant changes to standards in the interim consolidated financial statement)

i) Revisions to accounting standards Yes No

ii) Changes other than revisions to accounting standards Yes No

(3) Outstanding Shares (Common Shares)

i) Total outstanding shares at the end of term (including treasury stock): Interim ended June 2007: 79,044,008

Interim Ended June 2006: 62,031,378 Year Ended December 2006: 72,128,378

ii) Total treasury stock at the end of term: Interim ended June 2007: 784 Interim ended June 2006: 26,784

Year Ended December 2006: 784

(Reference) Outline of Non-Consolidated Financial Results

1. Non-Consolidated Results for the Interim Term Ended June 2007 (01.01.07 – 06.30.07)

(1) Non-Consolidated Operating Results

(percentages shown represent the % change over the previous interim term)

	Sales		Operating Profit		Ordinary Profit		Interim Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Interim Ended June 2007	6,589	(11.0)	788	(36.6)	738	(-44.3)	-22,770	(-)
Interim Ended June 2006	5,938	(15.6)	577	(13.8)	1,325	(41.1)	1,417	(55.2)
Year Ended December 2006	12,133		1,188		1,867		-3,891	

	Interim Net Profit per Share
	¥
Interim Ended June 2007	-315.36
Interim Ended June 2006	22.88
Year Ended December 2006	-62.66

(2) Non-Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholder's Equity per Share
	¥ millions	¥ millions	%	¥
Interim Ended June 2007	38,691	-1,784	-4.6	-22.57
Interim Ended June 2006	49,084	14,910	30.4	240.48
Year Ended December 2006	54,835	16,001	29.2	221.85

(Reference) Shareholders' Equity - Interim ended June 2007: -¥1,784,000,000

Interim ended June 2006: ¥14,910,000,000 Year ended December 2006: ¥16,001,000,000

2. Non-Consolidated Results Forecast for the Term Ending December 2007 (01.01.07 – 12.31.07)

(percentages shown represent the % change over the previous interim term)

	Sales		Operating Profit		Ordinary Profit		Net Profit		Current Net Profit per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Full Year	13,000	(7.1)	1,230	(3.5)	950	(-49.1)	-20,800		-274.94

* Note regarding the appropriate use of results forecasts and other items

The above projections are based on information currently available including factors that are largely indeterminable. Actual results may vary from the projected figures as a result of changes in business conditions.

1. Operating Results

(1) Operating Results Analysis

The following information pertains to business performance in the current consolidated interim accounting period (01.01.2007 to 06.30.2007)

General Conditions

During the current consolidated interim accounting term, the Japanese economy exhibited positive signs underpinned by a recovery of capital investment in the corporate sector and rising share prices. In the Internet market, the arena in which the company operates the number of broadband service users reached 30.78 million at the end of March 2007. The Internet is now firmly established and Internet use continues to grow.¹

In this environment, domain registration, web hosting, website design and e-commerce support, security and payment processing, the five major businesses in the Internet Use Support (Infrastructure) segment, have continued to perform solidly. At the same time we continue to establish ourselves as the undisputed number one web solutions provider group. In the current interim term we established e-commerce site support company, GMO Solution Partner, Inc in partnership with Sagawa Express Co. Ltd. to further enhance our sales force. We also established web design and catalog company, Global Web Co. Ltd. with the objective of further expanding our product range.

The Internet Advertising Support (Media) segment was ranked sixth in the Nielsen/NetRatings June 2007 monthly survey of user numbers with 22.05 million users. Net media business profitability is accelerating as we utilize our media assets. Also during the interim period, "long tail media" company GMO Marketing, Inc. was formed in partnership with IOIX, Inc. to deliver relevant information to Internet users with varying needs. The Internet Finance segment and in particular the loans and credit business was subject to major changes in industry environment. Already at the end of the previous term in accordance with the JICPA (Japan Institute of Certified Public Accounts) report *Auditing and Handling of Reserves for Excess Interest Repayment Losses in the Consumer Finance Industry*, we reserved an allowance for interest repayments and an allowance for doubtful debt. However, in light of industry trends and recent interest repayments we calculated projections of the maximum risk regarding interest repayment claims and increased the allowance in the current interim term. At a meeting of the Board of Directors on August 13, 2007 it was decided to sell GMO LOAN-CREDIT HOLDINGS Inc. and pull out of the loans and credit industry. As a result we have recorded shrinkage of 5.89 billion yen under extraordinary losses. No further interest repayment related losses will be recorded following the pullout. At the same time it was resolved to sell the company's stake in GMO Internet Securities Inc.

Consolidated financial results in the current interim accounting term were as follows. Sales: 30,029,407,000 yen (30.3% year-on-year increase) Operating Profit: -10,495,639,000 yen (2,009,152,000 yen in the previous corresponding period) Ordinary Profit: -10,810,303,000 yen (1,927,263,000 yen) in the previous corresponding period, and Net Profit: -15,699,005,000 yen (193,030,000 yen in the previous corresponding period).

Segment Report

Internet Use Support (Infrastructure)

Despite set up costs in the security business, the Internet Use Support (Infrastructure) segment recorded sales of 9,418,393,000 yen (17.4% year-on-year increase) and operating profit of 1,294,307,000 yen (1.8% year-on-year increase). In the domain registration business, one of our major business areas, the number of registrations exceeded 1 million and grew 21.7 per cent over the same period in the previous year. In the web hosting business the number of customers rose 11.6% year-on-year to over 400,000. There has also been solid profit growth in the website design and e-commerce support and payment processing businesses.

¹ Changes in the Number of Broadband Subscribers, Ministry of Public Management, Home Affairs, Posts and Communications

Internet Advertising Support (Media)

The Internet Advertising Support (Media) segment recorded sales of 6,632,683,000 yen (10.2% year-on-year increase) and operating profit of 535,176,000 yen (104.0% year-on-year increase). A partnership with Overture K.K. led to a major improvement in profitability in Internet media and search media.

Internet Finance

The Internet Finance segment recorded sales of 14,162,009,000 yen (54.9% year-on-year increase) and an operating profit of -12,351,260,000 yen (416,051,000 yen in the previous corresponding period). Despite an increase in income following the increase in consumer loans with guarantor as a result of Just Inc. and other companies joining the consolidation, factors including recent interest repayments and a projection of the maximum risk concerning future interest repayment claims, heavily impacted on profits in this segment. No further interest repayment related losses will occur after the pullout of the loans and credit industry.

Earnings Forecast

In the latter part of the term the group withdrew from the loans and credit business resulting in a major downsizing of the Internet finance segment. This allows us to strengthen our revenue base by focusing management resources on the Internet Use Support and Internet Advertising Support businesses.

The full term earnings forecast for the group is as follows.

Note: The above projections are based on information available at the time of release; this includes factors that are largely indeterminable. Actual results may vary from the projected figures as a result of changes in business conditions.

Consolidated Earnings Forecast (01.01.2007 – 12.31.2007)

	Fiscal Year Ending December 2007	Percentage Increase/Decrease (Year-on-Year)	Fiscal Year Ended December 2006
	¥ millions	%	¥ millions
Sales	46,500	-8.5	50,842
Operating Profit	-8,600	-	4,271
Ordinary Profit	-9,300	-	3,992
Net Profit	-13,000	-	-12,099

Non-Consolidated Earnings Forecast (01.01.2007 – 12.31.2007)

	Fiscal Year Ending December 2007	Percentage Increase/Decrease (Year-on-Year)	Fiscal Year Ended December 2006
	¥ millions	%	¥ millions
Sales	13,000	7.1	12,133
Operating Profit	1,230	3.5	1,188
Ordinary Profit	950	-49.1	1,867
Net Profit	-20,800	-	-3,891

(2) Financial Condition Analysis

Assets, Liabilities and Net Assets

The main changes in assets, liabilities and net assets on 06.30.2007 and 12.31.2006 are as follows.

In current assets, operating loans decreased by 7,181,828,000 yen with the continued recovery of unsecured loans in the loans and credit business. There was also a 6,428,724,000 yen decrease in goodwill under intangible fixed assets. The main cause of this was a shrinkage loss following the complete withdrawal from the loans and credit business. Goodwill balance stands at 14,204,739,000 yen, that figure will be reduced by 10,824,653,000 yen after the withdrawal from the loans and credit industry. This will not impact on profit and loss. Under liabilities, short term debt was 7,029,567,000 yen and current portion of long term debt (including debt to be repaid within a year) was 6,665,390,000 yen, mainly due to recovery of unsecured loans.

Cash Flow

In the current interim accounting term, cash flow from operating activities was up 7,557,221,000 yen while cash flow from investing activities was down 9131,811,000 yen and cash flow from financing activities was down 3,820,865,000 yen. As a result cash and cash equivalents stood at 27,836,714,000 yen at the end of the current interim consolidated accounting term.

The state of each cash flow and the factors contributing to that state in the current interim consolidated accounting term is as follows.

Cash flow from operating activities increased by 7,557,221,000 yen (there was a 353,429,000 yen decrease in the previous corresponding period). While a 17,396,426,000 yen net loss before adjustments for tax was recorded, operating cash flow was boosted by 5,936,053,000 yen in shrinkage, a 6,118,934,000 yen increase in allowance for doubtful debt, a 6,193,600,000 yen increase in interest repayments reserves and a 7,181,828,000 yen decrease in operating loans.

Cash flow from investing activities fell 9,131,811,000 yen (there was a 423,266,000 yen decrease in the previous corresponding period). This was due to the acquisition of investments in securities at 980,562,000 yen and 7,141,386,000 yen in expenditure including costs related to the acquisition of stock in subsidiaries in the previous fiscal year (There was a 423,266,000 yen decrease in the previous corresponding period).

Cash flow from financing activities was down 3,820,865,000 yen. This was predominantly due to expenditure of 28,594,957,000 yen on long and short term loan repayments only partially offset by 14,900,000,000 yen in revenue from the collection of long and short term loans, 4,969,149,000 yen in revenue from the issue of stock and 5,096,842,000 yen from the issue of convertible bonds with equity warrants.

Cash Flow Indicators

	End of FY 2004	End of FY 2005	End of FY 2006	Interim FY 2007
Shareholders' Equity Ratio (%)	47.9	18.5	7.7	0.5
Market Value of Shareholders' Equity (%)	817.3	388.8	37.8	42.8
No. of Years for Debt Redemption	0.9	-	16.5	10.0
Interest Coverage Ratio	117.7	-	25.1	30.1

Notes: 1. All financial indicators are based on consolidated figures.

Market value of shareholders' equity: The aggregate market value of stock divided by total assets.

No. of years for debt redemption: Interest-bearing liabilities divided by operating cash flow

Interest coverage ratio: Operating cash flow divided by interest payments

2. The aggregate market value of stock is the number of outstanding shares at the end of term minus the number of treasury shares multiplied by the end-of-term stock price.

3. Interest-bearing liabilities include all liabilities on the consolidated balance sheet on which interest is paid.

4. Operating cash flow and interest repayments are the cash flow from operating activities and interest paid figures in the consolidated cash flow statement.

(3) Basic Policy regarding Profit Distribution and Dividends in the Current Term

To further reinforce our commitment to returning profits to shareholders, we have adopted a basic policy that aims to distribute 33% of consolidated net profit through dividend payouts. However, in the current term, regrettably we are not paying a dividend due to financial performance.

(4) Business Risks

i) Competition

The group provides customer-oriented, competitive services. In our Internet Use Support (Infrastructure) segment these are predominantly Internet provider, web hosting and domain services. In our Internet Advertising Support (Media) segment these are predominantly services provided by our media and search media business and our Internet advertising agencies business. We believe our predominance in the industry is a result of our competitive business development. However, there is a possibility of increasing competition from telecommunications companies, electric companies, and existing independent companies. It is also possible that a new group with the same business structure will emerge as a result of business partnerships and mergers. If in the future, competition in gaining new customers intensifies and revenue declines, the necessity of reducing our fees may arise along with an increase in expenses including capital expenditure and advertising. This could potentially have a serious impact on our performance results.

ii) Technological Innovation

The progress of technological innovation in Internet-related technology is rapid and subsequently industry standards and customer needs are constantly changing. As a result, new services new technology, and new products are constantly appearing. If we are slow in taking up these new technologies, we risk the services and equipment we provide becoming obsolete resulting in reduced competitiveness and potentially serious consequences. We believe it is essential to concentrate our efforts on improving the ability of both our systems and our staff as well as to pay adequate attention to developments, trends, and new technology.

iii) Uncollected Debt

The majority of Internet Use Support (Infrastructure) trade accounts receivable is made up of small accounts of less than 10,000 yen a month. These accounts are mostly held by individual users, SOHOs and small and medium business. For customer convenience a wide range of payment methods are made available including bank transfer, payment at a post office or convenience store, and credit card payment. However, if the customer does not actively transfer the money, then there is a delay in the recovery of funds. Regarding non-collection of receivables, the company has established a reserve for the entire amount of receivables in arrears that are over one year past the point where they are considered uncollectible receivables. We also have a reserve for receivables that are in arrears for less than one year past becoming uncollected receivables. This is calculated based on past bad debt. Receivables over two years past becoming uncollected debt that are not expected to be recovered are written off through the appropriation of bad debt reserves.

The company makes every possible effort to collect receivables by making demands via telephone, post, e-mail etc. However if economic conditions cause an increase in occurrences of bankruptcy or other financial issues there could potentially be an impact on our business performance.

iv) Legal Regulations

The group is subject to the following laws. However, as Internet use continues to grow, there is the possibility that the groups business activities will fall under new regulations as a result of new laws aimed at Internet users and related businesses, clarification of the application of existing laws or voluntary restraints that may be required of the industry.

(a) Telecommunications Business Law

In light of the public nature of the telecommunications business, the Telecommunications Business Law was enacted to ensure the smooth provision of telecommunications services and to protect the interests of users by maintaining proper and reasonable conduct in the industry. The law seeks to ensure smooth growth in telecommunications while at the same time protecting the interests and convenience of the public. As a designated telecommunications carrier in the Internet industry, the company is subject to laws including

those regarding censorship restrictions, the protection of confidential communications, telecommunications equipment and the connection of telecommunications equipment.

(b) Laws Regulating the Adult Entertainment Business

These laws regulate the business hours, locations etc. of adult entertainment and related businesses with the aim of maintaining public morals and a healthy environment as well as preventing acts with the potential to impede the sound development of the country's youth. The laws restrict the entry of minors into such places of business. In addition they seek to ensure fair and reasonable conduct in the adult entertainment business. The law seeks to directly control this industry.

However this law also applies to the server space the company, as an Internet connection service, provides to users. Connection companies have an obligation to manage control of their own servers (effective April 1, 1999). The company has an agreement with registered website construction agencies concerning websites published by customers. The agreement explicitly states that responsibility for web content lies with the author of the site. In addition to this we have made every effort to widely publicize the laws and regulations and to check the contents of websites. We have also independently established our own regulations regarding illegal and harmful information on the Internet. However, there is no guarantee that these measures will be sufficient to prevent the possibility of a user, other related person or governing body lodging a claim or demanding damages in relation to a site published by one of our customers.

(c) Laws Concerning Unauthorized Computer Access

This law was enacted to prevent computer crimes committed via telecommunications lines, to maintain order in telecommunications and to regulate access control. The law also aims to foster the sound development of an advanced information-oriented society. It directly prohibits unauthorized computer access.

Under this law, as a company that controls the operation of computers connected to telecommunications lines, the company is obligated to take measures that safeguard against unauthorized access to computers.

(d) Laws concerning Limitation of Damage Claims against Telecommunications Service Providers and Disclosure of Sender Information

The aim of this law is to ensure the proper transmission of information in specific forms of telecommunication in light of the increasing dissemination of information over the Internet. The law provides the right to demand the disclosure of sender information and limits damages claims against telecommunications service providers. The company is subject to these laws as a telecommunications carrier. The scope of company responsibility is restricted under these laws however the same laws also affect the activities of senders of information. When the company is dealing with issues that fall under this law we are required to make critical judgments which, if not appropriate, could result in us facing claims or damages from users or other related people and organizations.

(e) Specified Commercial Transaction Laws

The Specified Commercial Transaction laws were enacted to protect the interests of the purchaser by ensuring that specific commercial transactions (e.g. door-to-door sales, mail-order sales) are fair and just in order to prevent any damage being incurred by the purchaser and to ensure the smooth and proper distribution of goods and thereby contributing to the sound development of the national economy. The law regulates a number of specific transactions.

One of these regulations imposes restraints on the method of displaying mail-order sales advertisements. This includes electronic advertisements. The company e-mail advertisement business is subject to the above restraints and it is possible that other operations could be affected in the future.

(f) Laws concerning E-Mail Transmission

These laws aim to cultivate a positive environment for e-mail users and were enacted in light of the necessity that has risen to prevent problems associated with commercial businesses sending advertising e-mail in bulk. The law requires the sender's contact details to be contained within the email and prohibits the sending of e-mail to users who have indicated they do not wish to receive it.

This includes electronic advertisements. The company e-mail advertisement business is subject to the above

restraints and it is possible that other operations could be affected in the future.

(g) Laws Protecting Personal Information

In an advanced information communications society where the use of personal information is increasing, this law aims to consider the role of personal information and to protect personal rights and interests. Under this law, companies that handle personal information are subject to restrictions regarding the use of personal information and its provision to a third party. They are also under obligation to ensure responsible management, adequate guarantees and reasonable methods of acquisition.

In accordance with these laws, the company is required to establish a procedure for adequately explaining and acquiring user permission when using personal information or passing it on to a third party. It is also required to take steps to ensure the responsible management of such information.

vi) The Possibility of Litigation

The Internet provides an accessible information retrieval and electronic mail system, and an enormous variety of information, in almost every field. The group strives to provide reliable services and systems. We have an uninterruptible power supply system, back up systems etc. that allow us to provide management, maintenance and customer support services 24 hours a day 365 days a year in order to deal with any problems that may arise. However if a problem occurs that can not be dealt with through the group crisis management system, damage may be incurred by users of the group services. Although our service agreement contract contains an exemption clause, this kind of incident has the potential to severely impact on the company and its business performance. While no such lawsuit or other appeal has been brought against the company to date there is a possibility of such an occurrence in the future.

Internet Finance Segment

On August 14, 2007, the group withdrew from the finance business. The following therefore has only a limited impact on the group.

Loans and Credit Business

vi) Legal Regulations

The laws pertaining to the loans and credit business are the money lending control laws and the capital subscription law. These laws regulate all aspects of the business.

(a) Moneylending Control Law Business Controls

GMO NetCard Inc. and each company operating in the consumer finance industry is required by paragraph 3 of the moneylending control law to obtain a business registration. The same law governs all aspects of the business (restrictions to prevent excessive borrowing, conditions imposed on the advertising of loans, the prohibition of misleading advertising, the provision of documents, receipts and identification, bookkeeping, limitations on collection methods, the return of documents evidencing a claim etc.). Any breach of regulations may result in regulatory or legal action (suspension of all or part of the business or cancellation of business registration etc.).

The group loans and credit business performance could be negatively impacted in the event of legal reforms or new judicial rulings that lead to changes in business regulations that force limitations or changes in the business.

(b) Planned Reforms to Capital Subscription Laws

The maximum interest on loans in the loans and credit business is regulated by capital subscriptions laws. On November 30, 2006 a bill for partial amendments to money lending control laws was passed by the house of representatives that introduced substantive regulations to prevent excess borrowing, reduced the maximum interest rate (29.2%) under the capital subscription law by eliminating the interest rate "gray zone" and abolish the constructive repayment (payment regarded as being valid) requirement under moneylending law regulation 43. The bill is now being deliberated by the house of councilors.

The maximum interest rate under the capital subscription law applies to interest on all loan products currently offered by GMO NetCard Inc. If maximum interest rates under the capital subscription laws are reduced to a level that is lower than the current interest rate on GMO NetCard Inc. loans or laws to prevent excess borrowing are introduced the group's business performance may be affected.

(c) Increase in Interest Repayment Reserve

In addition to the maximum interest rate regulations, according to paragraph 1 article 1 of the Interest Rate Restriction Law, interest rates on consumer cash loan contracts that exceed the limitations imposed by law are invalid (an amount calculated at an annual interest rate of 20% for a principal of less than 100,000 yen, 18% for a principal of 100,000 yen or more and 15% for a principal of 1,000,000 yen or more). However, paragraph 1 article 2 of the law states that if the borrower has voluntarily paid excess interest they may not seek repayment. Paragraph 43 of the money lending control law states that if the document required by law is delivered when the contract begins, the borrower has voluntarily paid excess interest and it shall be deemed a valid interest payment irrespective of paragraph 1 article 1 of the Interest Rate Restriction Law. The loan interest on loan products (excluding some products) currently offered by GMO NetCard Inc. include interest in excess of the rate allowable under these regulations. In some cases, customers may refuse to pay interest or demand repayment of excess interest they have already paid in which case GMO NetCard Inc. may discharge the loan or repay the excess interest.

Companies operating in the consumer finance industry, including GMO NetCard risk facing multiple law suits demanding excess interest repayment on the grounds that they have not complied with the requirements defined in paragraph 43 of the moneylending control laws. Several such lawsuits have already been filed. On January 13, 2006, the Supreme Court ruled that if a loan contract on a loan that includes excess interest contains an acceleration clause that can be evoked in the event of a late repayment, that clause is invalid. Article 43 of the moneylending control laws that states these payments are voluntary was rejected unless it could be proved that the debtor did not misunderstand that the clause was invalid. As a result of this decision, revisions to the enforcement regulations of the moneylending control law were introduced. As of April 11 2006, the contract date cannot be substituted for the contract number on contract documents specified under Article 18 of the money lending control laws. Further revisions came into effect on July 1, 2006 stating that when a loan contract requires a debtor to pay outstanding principal and interest in the event of a default, lenders are required to state in the contract that such a clause is only valid within the application of the Interest Limitation Law. GMO NetCard Inc. had already made provisions for the moneylending control law regulations enacted on April 11, 2006.

As a result of these circumstances the number of cases of refusal to pay excess interest demand for repayment of excess interest is increasing yearly. In the future, it is possible that there may be large increase in the number of customers refusing to pay or demanding repayment of excess interest and this could impact on the business performance results of the group.

vii) The Japan Institute of Certified Public Accounts Publication

In light of the increasing number of customers demanding repayment of excess interest, we have established a sufficient interest repayment risk reserve (interest repayment fund) based on the October 2006 report, *Auditing and Handling of Reserves for Losses Incurred on Excess Interest Repayments in the Consumer Finance Industry* published by the JICPA.

Customer demands for excess interest repayments may impact on the group's business performance.

viii) Financing

(a) Fund Procurement

The funds required to carry out the regular business activities of GMO NetCard Inc. and to service debt are primarily raised through business activity as well as funds procured from capital markets through the issuing of bonds and asset-backed securities and through bank and non-bank loans. Recently GMO NetCard Inc. has increased indirect financing and has been gradually diversifying its methods of financing however there is no guarantee that the GMO NetCard Inc. lending policy will not change as a result of realignment in the Japanese financial industry or other factors. There is also no guarantee that capital markets can be relied on as a source of fund procurement in the future. As a result of these factors, an increase in interest paid, or decrease in ability to raise funds in the capital market could affect the business performance of the group.

(b) Market Interest Rates

Procurement costs are influenced by changes in the market environment and other factors. However, regardless of changes in market interest rates, the GMO NetCard Inc. maximum loan interest rate is limited to 29.2% by the capital subscription laws.

In order to minimize the risk of interest rate fluctuations, including the cap on interest rates we endeavor to reduce the influence of the fluctuations. However, in the future rising interest rates could influence the business performance of the group.

ix) Allowance for Doubtful Debt

In the current fiscal year, consumer loans formed the majority of GMO NetCard Inc. net assets. The current status of the loans is evaluated and the amount estimated to be required is reserved in an allowance for doubtful debts.

In the future, changes in the economic climate, market environment or social structure, or reforms to the bankruptcy law, specified conciliation law, civic rehabilitation law or the judicial scriveners law, could lead to an increase in individuals seeking legal protection (including GMO NetCard Inc. customers) resulting in a delay in payment plans and an increase in uncollectible debt. In this case, the allowance for doubtful debt may be increased, impacting on the group's business performance.

x) Heavy Debtors

In recent years, as a result of the economic climate in Japan and consumer relief reforms in the legal system, (establishment of the specified conciliation law and the civic rehabilitation law and reforms to the judicial scriveners law), the increasing number of heavy debtors and increasing numbers of individuals seeking protection under personal bankruptcy laws have become social issues.

In response to these issues, in January 1997, the five major consumer finance companies established a consumer finance industry association that provides education and counseling to consumers.

GMO NetCard Inc. judges a customers ability to pay repay debt based on Credit Information Center data and its own credit check system, at the same time it periodically reviews existing loans and revises credit limits.

In this way we endeavor to avoid the risk of excess lending, prevent a further increase in heavy debtors, and curb the occurrence of uncollectible debt. We provide for predicted future risk by reserving an allowance for doubtful debts that furnishes expected requirements based on factors including the status of operating loans. However, future economic climate or consolidation of the legal system that causes a sudden deterioration in loan assets or an increase in number of customers required as a result of legal intervention to undertake adjustment of debt or file for personal bankruptcy, could cause an increase in bad debt and thus impact on the business performance of the group.

xi) Business Finance

GMO NetCard Inc. provides secured loans to other companies in the industry. In order to protect the loans, the value of the security is dependant on the credit status of the borrower. Possible future risks that could

impact on the group include legal or economic reforms or borrowers engaging in illegal acts that result in their business affairs being regulated.

xii) Deregulation

Currently, the regulations controlling the consumer finance industry are being strictly enforced after the January 2004 revisions to the moneylending business law and the April 2005 revision to the moneylending business rules of practice. For this reason it is difficult to imagine entry into the business from outside the industry having any major impact on the business performance of the group.

However, in the future if regulation of the industry is relaxed, renewed competitiveness may in the consumer finance industry could impact on the group's business performance.

Internet Securities Business

xiii) Legal regulations

The conduct of the group Internet securities business, operated by GMO Internet Securities Inc, is governed by laws including the Securities and Exchange laws and the relevant stock exchange laws as well as the various regulations and conventions of the Japan Securities Dealers Association and other self-regulatory institutions. The conduct of this business may be influenced by interpretation of, changes to or additions to the relevant laws regulations and conventions.

In particular the Securities and Exchange law and the orders concerning the capital requirement of securities companies seek to maintain a fixed capital-asset ratio in securities companies. If the GMO Internet Securities Inc. capital-assets ratio declines due to an increase in risk-assets (including an increase in credit transactions associated with an increase in loans) or a deterioration of financial condition, the company may be required to change it's business methods or suspend all or part of it's business, furthermore it's securities business registration may be cancelled. For these reasons a decline in the capital-assets ratio could potentially impact the concerned business and the operating results and financial condition of the group.

xiv) About the Business Environment

Consignment fees and spread income on foreign exchange transactions are a major source of income in this business and therefore the business is influenced by the securities and foreign exchange market environments. The securities market is subject to the influences of economic climate, global market trends, political climate and investor sentiment. In a sluggish market, the operating results of this business could potentially be negatively impacted by a decrease in investment will in existing and potential customers accompanied by a drop in trading and trading value. The online securities transaction business is highly competitive and a large number of companies have entered the field including existing securities brokerages. The company's main source of income is brokerage commissions and fees. It is therefore possible that it's operating results and ability to attract customers may be negatively affected if market deregulation and the liberalization of stock brokerage commissions and fees leads to intensified price competition.

In recent years, there has been a rising trend in this business for revenue to come from margin transactions. Because of this any sudden fluctuation in market prices or rise in interest rates that makes it difficult to collect securities transaction loans from customers, could adversely affect the operating results of this business. Foreign exchange transactions are subject to the same risks as margin transactions.

xv) System Failure

GMO Internet Securities is always strengthening its system through such measures as improving and reinforcing hardware and strengthening the system application management structure to provide for increased trading activity in the securities market. System failure as a result of increased system load could result in decreased confidence in the company or the group as a whole. This may negatively impact on the company or group operating results and furthermore result in disciplinary action by regulatory authorities.

(Reference)

Table: Quarterly Change by Segment

I Sales by Segment

(unit: ¥millions)

	2006 2Q	2006 3Q	2006 4Q	2007 1Q	2007 2Q
Internet Use Support (Infrastructure)					
Provider (ISP)	595	560	536	521	488
Domain registration	502	497	437	541	555
Web hosting	1,956	1,984	2,043	2,049	2,097
Web development & E-commerce solutions	343	562	638	733	688
Security	101	147	216	288	239
Credit card payment processing	404	423	450	497	479
Other	95	190	145	132	105
Segment Sales Total	3,998	4,366	4,467	4,764	4,653
Internet Advertising Support (Media)					
Internet media & search media	1,324	1,336	1,521	1,694	1,662
Internet advertising agency	1,388	1,438	1,764	1,583	1,365
Other	294	330	331	279	283
Total	3,008	3,106	3,617	3,557	3,311
Adjustment for internal transactions	(232)	(219)	(229)	(131)	(105)
Segment Sales Total	2,775	2,886	3,387	3,426	3,206
Internet Finance					
Loans and credit	4,631	5,674	7,077	6,707	6,735
Internet securities	2	66	132	246	469
Other	-	-	10	4	0
Segment Sales Total	4,633	5,741	7,220	6,957	7,204
Adjustment for internal transactions	(78)	(97)	(174)	(88)	(94)
Consolidated Sales	11,329	12,897	14,901	15,059	14,970

II Operating Profit by Segment

(¥millions)

	2006 2Q	2006 3Q	2006 4Q	2007 1Q	2007 2Q
Internet Use Support (Infrastructure)	609	748	671	793	500
Internet Advertising Support (Media)	57	74	200	314	220
Internet Finance	341	-335	796	815	-13,166
Sub total	1,007	487	1,668	1,923	-12,445
Adjustment for internal transactions	20	50	56	19	6
Consolidated Operating Profit	1,028	537	1,724	1,943	-12,438

Loans and Credit Business Indicators

(Unit: ¥millions)

Item \ Term	End of the Previous Consolidated Accounting Term (06.30.2006)	End of the Current Consolidated Accounting Term (06.30.2007)	End of the Previous Consolidated Fiscal Year (12.31.2006)
Operating Loans Outstanding	80,498	103,656	117,167
Unsecured loans without guarantor	75,786	70,587	81,645
Unsecured loans with guarantor	4,712	33,069	35,523
Secured loans			
Number of Accounts	176,497	245,221	270,702
Unsecured loans without guarantor	176,313	176,245	197,229
Unsecured loans with guarantor	184	68,976	73,473
Secured loans			
Bad debt expenses	3,436	10,020	5,886
Allowance for doubtful debts	-6,100	-18,252	-12,273

(Notes) 1. Operating Loans/ Number of Accounts includes loans outstanding that were off-balance sheet due to asset securitization(End of the current interim consolidated accounting term: ¥47,049,000,000, End of the previous interim consolidated accounting term: ¥52,954,000,000, End of the previous consolidated accounting term: ¥53,379, 000,000.

2. Bad debt expenses are the aggregate of bad debt losses (bad-debt write-offs) and the allowance for doubtful debts.

Changes in Operating Results and Financial Condition by Quarter (Consolidated)

(Unit: ¥millions)

	2006 2Q	2006 3Q	2006 4Q	2007 1Q	2007 2Q
Operating Revenue	11,329	12,897	14,901	15,059	14,970
Operating Profit	1,028	537	1,724	1,943	-12,438
Ordinary Profit	918	475	1,589	1,784	-12,595
Net Profit	159	340	-12,633	245	-15,944
Total Assets	92,844	145,651	146,279	139,498	134,331
Shareholders' Equity	17,276	16,376	11,309	11,569	652

Changes in Operating Results and Financial Condition by Quarter (Non-Consolidated)

(Unit: ¥millions)

	2006 2Q	2006 3Q	2006 4Q	2007 1Q	2007 2Q
Operating Revenue	2,969	3,048	3,146	3,358	3,230
Operating Profit	303	303	307	457	330
Ordinary Profit	831	280	261	552	186
Net Profit	830	448	-5,757	408	-23,179
Total Assets	49,084	51,231	54,835	54,046	38,691
Shareholders' Equity	14,910	14,109	16,001	16,406	-1,784

2. The Corporate Group

GMO Internet Inc, (hereafter “the company”) is a corporate group consisting of the company and 50 consolidated subsidiaries. Under the corporate slogan *Internet for Everyone*, the group operates in three segments, Internet Use Support (Internet Infrastructure), Internet Advertising Support (Internet Media) and Internet Finance.

The following table shows the business areas included in each segment and the group companies operating in each business area.

Business Segment	Main Operations		Main Companies
Internet Use Support (Infrastructure)	Domain Registration	Domain registration service Internet number service	the company INTERNET Number Corporation paperboy&co.
	Web Hosting	Rental server service (web hosting service)	the company GMO Hosting & Security Inc. paperboy&co. Hosting & Security,INC @YMC Corporation Mighty Server Inc.
	Web Development & E-Commerce Solutions	Web site design, Operation support services, System consulting, Online shop construction support – construction and ASP services	the company Grandsphere Co. Ltd. GSS Inc. (formerly GMO Blog Inc.) Global Web Co. Ltd. paperboy&co. MakeShop Inc. GMO Solution Partner Inc.
	Security	Information security for the Internet. Authentication services for businesses and individuals.	GlobalSign K.K. (formerly GeoTrust Japan Inc.) GlobalSign Ltd. GlobalSign NV
	Credit Card Payment Processing	Credit card billing service	GMO Payment Gateway Inc. Epsilon Inc.
	Provider (ISP)	Internet access provider	the company
Internet Advertising Support (Media)	Internet Media & Search Media	Internet media development and operation – blogs, Internet communities etc. Contextual advertising, JWord (Japanese keyword search) operation and sales, SEO and listing advertising	the company Magclick Inc. GMO Media Holdings Inc. Tea Cup Communication Ltd. GMO Media Inc. GMO Ad Networks Inc. JWord Inc. BOM Inc. GMO Marketing Inc.
	Internet Advertising Sales	Advertising sales, mainly Internet advertising media and recruitment advertisements	Magclick Inc. GMO San Planning Inc.
	Other	Online games – design and operation, Internet research systems and management of an Internet research panel	NETCLUE Co. Ltd. (Korea) GMO Games Inc. GMO Research Inc.

Internet Finance	Loans and Credit	Loans and credit	GMO NetCard Inc. GMO LOAN-CREDIT HOLDINGS Inc. MIKI-SHOJI Co. Ltd. Jaxon Finance Inc. Limited Liability Chukan Hojin ASA Holdings 4 ASA5 Merger Corporation Just Inc. Like Card Ltd. Sanyo Credit Ltd. East Japan Credit Ltd. Sunlife Ltd. Sanai Credit Ltd. Million Ltd. Alto Ltd. Japan Ltd. JC Ltd. Save Ltd. N Corporation Inc.
	Internet Securities	Internet securities	GMO Internet Securities Inc.
	Other	Venture capital	GMO Venture Partners Inc. GMO Venture Partners Investment Limited Partnership Blog Business Fund Investment Limited Partnership

List of Consolidated Subsidiaries

Company Name	Percentage of voting rights or equity share held	Category	Business Description
GMO Games Inc.	100.0%	Consolidated Subsidiary	Online Games - marketing and operation
GMO Media Holdings Inc.	100.0%	Consolidated Subsidiary	Total strategy design for the media industry
GMO Venture Partners Inc.	100.0%	Consolidated Subsidiary	Venture capital
BOM, Inc.	100.0%	Consolidated Subsidiary	Listing advertising
GMO Internet Securities Inc.	100.0% (4.0%)	Consolidated Subsidiary	Internet securities
Grandsphere Co. Ltd.	92.5%	Consolidated Subsidiary	System consulting
GMO LOAN-CREDIT HOLDINGS Inc.	91.1%	Consolidated Subsidiary	Loans and credit
GMO Research Inc.	78.2%	Consolidated Subsidiary	Research business
GMO Solution Partner Inc. (2*)	76.0%	Consolidated Subsidiary	E-commerce site development support
GMO Hosting & Security Inc.	62.9%	Consolidated Subsidiary	Web hosting
JWord Inc.	62.7%	Consolidated Subsidiary	JWord (Japanese keyword search tool)
paperboy&co.	59.6%	Consolidated Subsidiary	Web hosting for individuals
MakeShop Inc.	58.7%	Consolidated Subsidiary	Online shop construction ASP
GMO Payment Gateway Inc.	52.3%	Consolidated Subsidiary	Provision and operation of credit card payment processing online network
Tea Cup Communication Ltd.	51.0%	Consolidated Subsidiary	Internet community
GMO Marketing Inc. (2*)	51.0%	Consolidated Subsidiary	Media creation management and sales
Magclick Inc.	43.0%	Consolidated Subsidiary	Internet advertising sales
NETCLUE Co. Ltd. (Korea)	100.0% (100.0%)	Consolidated Subsidiary	Online games - marketing and operation
@YMC Corporation	100% (100.0%)	Consolidated Subsidiary	Web hosting
Epsilon Inc.	100% (100.0%)	Consolidated Subsidiary	Provision and operation of credit card payment processing online network
Mighty Server Inc.	100% (100.0%)	Consolidated Subsidiary	Web hosting
GMO Ad Networks Inc.	100.0% (100.0%)	Consolidated Subsidiary	RSS/ Atom feed management system provision and community media construction support
GSS Inc. (formerly GMO Blog Inc.) (1*)	100% (100.0%)	Consolidated Subsidiary	Blog system administration and management
GlobalSign K.K. (formerly GeoTrust Japan Inc. (1*))	88.2% (88.2%)	Consolidated Subsidiary	Information security for the Internet. Authentication services for businesses and individuals.
GlobalSign Ltd.(UK)	100% (100.0%)	Consolidated Subsidiary	Information security for the Internet. Authentication services for businesses and individuals.
GlobalSign NV (Belgium)	100% (100.0%)	Consolidated Subsidiary	Information security for the Internet. Authentication services for businesses and individuals.

Company Name	Percentage of voting rights or equity share held	Category	Business Description
Global Web Co. Ltd. (2*)	70.0% (70.0%)	Consolidated Subsidiary	Web design, electronic catalog design and translation services
GMO Media Inc.	81.7% (81.7%)	Consolidated Subsidiary	Development, provision and management of mail media, desktop wallpaper, information and advertising distribution system
GMO San Planning Inc.	90.0% (90.0%)	Consolidated Subsidiary	Advertising agency
Hosting & Security,INC	51.2% (51.2%)	Consolidated Subsidiary	Web hosting
INTERNET Number Corporation	69.6% (69.6%)	Consolidated Subsidiary	Internet number service
GMO NetCard Inc.	100% (100.0%)	Consolidated Subsidiary	Loans and credit
MIKI-SHOJI Co Ltd.	100% (100.0%)	Consolidated Subsidiary	Loans and credit
Jaxon Finance Inc.	100% (100.0%)	Consolidated Subsidiary	Loans and credit
Like Card Ltd.	100% (100.0%)	Consolidated Subsidiary	Loans and credit
Sanyo Credit Ltd.	100% (100.0%)	Consolidated Subsidiary	Loans and credit
East Japan Credit Ltd.	100% (100.0%)	Consolidated Subsidiary	Loans and credit
Sunlife Ltd.	100% (100.0%)	Consolidated Subsidiary	Loans and credit
Sanai Credit Ltd.	100% (100.0%)	Consolidated Subsidiary	Loans and credit
Million Ltd.	100% (100.0%)	Consolidated Subsidiary	Loans and credit
Alto Ltd.	100% (100.0%)	Consolidated Subsidiary	Loans and credit
Japan Ltd.	100% (100.0%)	Consolidated Subsidiary	Loans and credit
JC Ltd.	100% (100.0%)	Consolidated Subsidiary	Loans and credit
Save Ltd.	100% (100.0%)	Consolidated Subsidiary	Loans and credit
N Corporation Inc.	100% (100.0%)	Consolidated Subsidiary	Loans and credit
Just Inc.	100% (100.0%)	Consolidated Subsidiary	Loans and credit
Limited Liability Chukan Hojin ASA Holdings 4	100% (100.0%)	Consolidated Subsidiary	Loans and credit
ASA5 Merger Corporation	100% (100.0%)	Consolidated Subsidiary	Loans and credit
GMO Venture Partners Investment Limited Partnership	31.7% (31.7%)	Consolidated Subsidiary	Venture capital
Blog Business Fund Investment Limited Partnership	9.9% (9.9%)	Consolidated Subsidiary	Venture capital

1. GMO Blog changed its name to GSS Corporation on February 5, 2007 and GeoTrust Japan Inc. changed its name to GlobalSign K.K. on May 30, 2007.
2. Global Web Co. Ltd. was established on March 1, 2007, GMO LOAN-CREDIT HOLDINGS, Inc. was established on February 6, 2007, Solution Partner Inc. was established on March 1, 2007 and GMO Marketing was established on June 1, 2007.
3. In the column "Percentage of voting rights or equity share held" figures in parentheses denote indirect ownership.

3. Management Policy

(1) Basic Management Policy

Under the corporate slogan "Internet for Everyone" with a strong entrepreneurial ideology, the group's management resources are focused on the provision of Internet infrastructure and service infrastructure. The organic combination of our Internet Use Support (infrastructure), Internet Advertising Support (media) and Internet finance business segments allows us to continue building a group in which each of the three areas work in synergy, striving to be an enterprise that makes a contribution to society and its people by fostering Internet culture and developing the industry.

Management Philosophy - Our staff are committed to the following principles.

Our Fundamental Principle: Internet for Everyone

1) Our Dream

To be overwhelmingly No.1 in the Internet industry (to have the No.1 market share or to be the sole player in the market).

2) Our Vision

Throughout the ongoing digital information revolution we will continue to focus our management resources on providing Internet services that inspire enthusiasm in our customers and make them smile. This will result in substantial profits.

3) Our Philosophy

We believe in creating an Internet culture and industry that inspires enthusiasm in our customers and makes them smile.

(2) Management Objectives

The group considers the ratio of sales to ordinary profit to be a gauge of profitability and an important management indicator. Currently, we have not announced or established any short term objectives however we are continuously aiming for further improvement.

(3) Mid to Long Term Business Strategy

The group offers a wide range of services including internet access, domain registration, web hosting, website construction, security, e-commerce support, online payment processing and Internet advertising under the marketing slogan "The Internet Department to Japan". We are the only integrated business group that provides in one place, the comprehensive range of Internet services required by corporate clients to attract more customers through the Internet. Furthermore we boast a powerful sales structure and 560,000 corporate clients, predominantly in our web hosting and domain acquisition businesses. In the Internet media business we have over 22 million customers, mostly in our blog and search media businesses. We are ranked number 6 by Nielson/NetRatings (June, 2007).

In 2005 we entered the loans and credit business, since that time the credit and consumer finance industry has been subject to interest repayment issues and other drastic changes. In response to changes in the industry environment we pursued various strategies including a loan portfolio revision. However the outlook for the credit and consumer finance industry is uncertain and because of this we have completely pulled out of the loans and credit industry through a transfer of all stock held in GMO LOAN-CREDIT HOLDINGS Inc. In May 2006 we launched an Internet Securities business. The business has performed solidly and at the closing of July 2007 it had achieved a profit. However the withdrawal from the loans and credit business has temporarily damaged the company's shareholders' equity and in consideration of financial balance we have transferred all stock held by the company in GMO Internet Securities Inc.

This major reduction of the Internet Finance segment allows us to focus management resources on the Internet Use Support (Infrastructure) and Internet Advertising Support (Media) business.

4. Company Challenges

i) Fostering Group Synergy

The company group has greatly expanded its business operations through an M&A strategy and the resulting acquisition of management resources. We believe that one of the most significant issues facing our company henceforth will be how to efficiently use those management resources.

We will continue to strive to improve group management efficiency and take full advantage of our management resources while cultivating synergy between business segments.

ii) Strengthening our Selling Power through the Diversification of Sales Channels.

The group's marketing is conducted with a focus on "pull-type" marketing (a method of attracting customers executed primarily through the Internet) and we benefit from the extensive knowledge we have accumulated in this area. We plan to continue using "pull-type" marketing as our primary marketing method while embarking on initiatives that include expanding facilities and staff at our call centers and further strengthening our sales system targeting corporate customers.

iii) Improving Customer Satisfaction.

Given that competition in the Internet sector will increase in the future, we believe it is imperative to address the issue of continually improving customer satisfaction in order to encourage customers to continue using our services. Throughout the entire group we strive to improve customer satisfaction by improving the quality of services, strengthening customer support structures and promoting communication with customers. We aim to inspire enthusiasm in our customers and to make them smile.

4. Consolidated Interim Financial Statement

(1) Consolidated Interim Balance Sheet

Category	End of the Previous Consolidated Interim Accounting Term (06.30.2006)		End of the Current Consolidated Interim Accounting Term (06.30.2007)		Previous Fiscal Year Balance Sheet Extract (12.31.2006)	
	Amount (¥thousands)	Composition (%)	Amount (¥thousands)	Composition (%)	Amount (¥thousands)	Composition (%)
(Assets)						
I Current Assets						
1. Cash and deposits	24,071,370		27,976,714		32,940,455	
2. Notes and accounts receivable	2,889,226		3,515,790		3,434,809	
3. Inventory assets	50,055		46,332		31,719	
4. Deferred tax asset	2,080,624		2,721,699		2,121,263	
5. Short term loans	35,295		176,508			
6. Operating loans	27,544,675		56,606,513		63,788,341	
7 Securities business deposit			10,802,000		5,352,000	
8 Securities business margin transaction assets			5,691,133		5,452,598	
9 Securities business short term guarantee deposit			4,421,557		1,050,708	
10. Other	6,309,307		6,071,350		4,813,894	
Allowance for doubtful debt	-6,375,101		-18,673,976		-12,573,992	
Total Current Assets	56,605,453	61.0	99,355,623	74.0	106,411,798	72.8
II Fixed Assets						
1 Tangible fixed assets						
(1) Buildings and structures	288,147		338,873		338,674	
(2) Tools and equipment	550,409		735,778		666,640	
(3) Other	59,396		37,261		46,796	
Total tangible fixed assets	897,954	1.0	1,111,913	0.8	1,052,111	0.7
2 Intangible fixed assets						
(1) Goodwill	497,807					
(2) Goodwill (new)			14,204,739		20,633,464	
(3) Software	2,683,090		3,548,334		3,523,557	
(4) Consolidated adjustments account	16,376,076					
(5) Other	342,068		298,478		329,658	
Total intangible fixed assets	19,899,043	21.4	18,051,553	13.4	24,486,679	16.7
3. Investments and other assets						
(1) Investments in securities	8,635,227		6,587,613		6,725,254	
(2) Security deposit	894,690		1,003,261		973,318	
(3) Deferred tax asset	503,157		2,033,233		264,656	
(4) Other	5,424,990		6,216,768		6,389,002	
Allowance for doubtful debts	-15,668		-28,693		-23,678	
Total investments and other assets	15,442,396	16.6	15,812,183	11.8	14,328,553	9.8
Total Fixed Assets	36,239,394	39.0	34,975,649	26.0	39,867,344	27.2
Total Assets	92,844,847	100.0	134,331,273	100.0	146,279,143	100.0

Category	End of the Previous Consolidated Interim Accounting Term (06.30.2006)		End of the Current Consolidated Interim Accounting Term (06.30.2007)		Previous Fiscal Year Balance Sheet Extract (12.31.2006)	
	Amount (¥thousands)	Composition (%)	Amount (¥thousands)	Composition (%)	Amount (¥thousands)	Composition (%)
(Liabilities)						
I Current Liabilities						
1. Notes and accounts payable	855,510		752,722		773,204	
2. Short term debt	30,037,308		48,597,200		55,626,767	
3. Current portion of long term debt	9,900,982		8,367,680		12,235,030	
4. Bonds to be redeemed within a year	150,000		2,125,000		2,150,000	
5. Accrued amount payable	2,116,945		6,520,536		10,855,512	
6. Accrued corporate taxes etc.	1,017,300		1,788,564		2,026,373	
7. Allowance for bonuses	132,377		159,837		119,953	
8. Allowance for bonuses to directors			19,000		37,700	
9. Advanced payments received	1,736,563		2,011,353		1,833,868	
10. Margin transaction assets in securities business			5,691,133		5,452,598	
11. Securities business – deposit received			11,245,866		4,159,893	
12. Interest repayment reserve	1,107,600		7,521,600		4,295,000	
13. Other	3,911,836		7,508,842		5,770,580	
Total Current Liabilities	50,966,424	54.9	102,309,337	76.2	105,336,483	72.0
II Fixed Liabilities						
1. Bonds	4,075,000		3,050,000		3,000,000	
2. Unsecured convertible bonds with share warrants			5,000,000			
3. Long term debt	11,571,868		8,328,284		11,126,324	
4. Long term accrued amount payable	638,271		1,664,980		4,059,156	
5. Deferred tax liability	1,191,289				31,143	
6. Allowance for director retirement benefits	56,400		140,800		128,200	
7. Allowance for retirement benefits for employees	198,242		184,449		199,849	
8. Interest repayment reserve			5,757,000		2,790,000	
9. Other	70,561		85,004		63,598	
Total Fixed Liabilities	17,801,632	19.2	24,210,518	18.0	21,398,272	14.7
III Special Law Reserve Fund						
Securities transaction liability reserve	208		29,368		16,152	
Special Law Reserve Fund Total	208	0.0	29,368	0.0	16,152	0.0
Total Liabilities	68,768,266	74.1	126,549,224	94.2	126,750,907	86.7
(Net Assets)						
I Shareholders' Equity						
1. Capital Stock	3,311,130	3.6	9,651,757	7.2	7,148,299	4.9
2. Capital Surplus	5,358,992	5.8	11,311,678	8.4	9,188,342	6.2
3. Earned surplus	7,501,438	8.0	-20,304,028	-15.1	-5,006,591	-3.4
4. Treasury stock	-7,108	-0.0	-208	-0.0	-208	-0.0
Total Shareholders' Equity	16,164,452	17.4	659,199	0.5	11,329,842	7.7
II Gaps in Appraisals, Conversions, etc.						
Other gaps in appraisal of securities						
1. Appraisals of Securities	1,117,322	1.2	16,521	0.0	4,559	0.0
2. Hedging profit/loss carried forward	8,111	0.0	12,109	0.0	13,351	0.0
3. Foreign currency translation adjustment account	-12,966	0.0	-35,142	-0.0	-38,432	0.0
Gaps in Appraisals, Conversions, etc Total	1,112,468	1.2	-6,511	-0.0	-20,522	0.0
III Equity Warrants						
	34,398	0.0	33,647	0.0	33,647	0.0
IV Minority Equity						
	6,765,262	7.3	7,095,712	5.3	8,185,267	5.6
Total Net Assets	24,076,581	25.9	7,782,048	5.8	19,528,235	13.3
Liabilities Net Assets Total	92,844,847	100.0	134,331,273	100.0	146,279,143	100.0

(2) Consolidated Interim Profit and Loss Statement

Category	Previous Consolidated Interim Accounting Term (January 1, 2006 to June 30, 2006)		Current Consolidated Interim Accounting Term (January 1, 2007 to June 30, 2007)		Previous Fiscal Year Profit and Loss Statement Extract (January 1, 2006 to December 31, 2006)	
	Amount (¥thousands)	Percentage (%)	Amount (¥thousands)	Percentage (%)	Amount (¥thousands)	Percentage (%)
I Operating Revenue	23,042,961	100.0	30,029,407	100.0	50,842,428	100.0
II Business Expenses	6,674,202	28.9	7,817,874	26.1	13,594,374	26.7
III Sales and General Administrative Expenses	14,359,606	62.3	32,707,172	108.9	32,976,439	64.9
Operating Profit	2,009,152	8.7	-10,495,639	-35.0	4,271,614	8.4
IV Non Operating Revenue						
1. Interest and dividends received	2,956		22,961		12,762	
2. Commissions received	34,072		2,120		43,867	
3. Bad debt recovered	321		287		421	
4. Profit on investment partnership	23,973		37,914		127,822	
5. Profit on currency exchange			27,851		77,863	
6. Other	46,464	107,789	77,118	168,252	62,608	325,345
0.5		0.5		0.6		0.7
V Non Operating Expenses						
1. Interest paid	58,061		282,476		267,921	
2. Stock issuance costs	2,058				38,032	
3. Stock delivery expenses			39,650		10,000	
4. Bond issuance costs			3,157			
5. Foreign exchange loss	1,516					
6. Commissions paid	109,630		101,740		226,150	
7. Other	18,411	189,678	55,891	482,916	62,718	604,823
0.8		0.8		1.6		1.2
Ordinary Profit	1,927,263	8.4	-10,810,303	-36.0	3,992,136	7.9
VI Extraordinary Profit						
1. Gain on previous term profit and loss adjustment	14,069				25,156	
2. Gain on sale of fixed assets					183	
3. Gain on sale of investments in securities	822,756		42,903		2,159,445	
4. Gain on sale of shares in affiliated companies	342,045				343,987	
5. Gain on change in equity investees	303,525		1,227		544,874	
6. Gain on transfer of business	6,185				6,185	
7. Gain on reversal of allowance for doubtful debts	20,820		1,998		20,499	
8. Other	1,509,401	6.6	46,128	0.2	10,648	3,110,980
6.1		6.1		0.2		6.1
VII Extraordinary Loss						
1. Loss on previous term profit and loss adjustment	41,987					
2. Loss on sale of fixed assets					58	
3. Loss on retirement of fixed assets	48,604		41,102		62,767	
4. Loss on evaluation of investments in securities	547,702		599,943		34,530	
5. Loss on sale of investments in securities	7				499,628	
6. Loss on evaluation of affiliated company stock	25,000		29,999		37,448	
7. Loss on sale of stock in affiliated company	1,100				1,100	
8. Shrinkage	78,347		5,936,053		4,751,331	
9. Loss on change in equity investees	9,351		6,273		315,011	
10. Penalty for breaking a lease	10,618				255,671	
11. Business liquidation loss	1,993				55,776	
12. Increase in interest repayment reserve	1,050,680				8,217,497	
13. One-time depreciation of advance payment	278,929				278,929	
14. Loss on amortization of accrued interest					1,442,741	
15. Increase in securities transaction liability reserve	208		13,216			
16. Other	11,818	2,106,350	5,662	6,632,252	65,007	16,017,501
9.2		9.2		22.1		31.5
Interim Net Profit/Loss Before Adjustments for Tax etc.	1,330,314	5.8	-17,396,426	-57.9	-8,914,384	-17.5
Corporate, Municipal and Enterprise Taxes	882,655		1,584,193		2,089,813	
Adjustment for Corporate Tax etc.	6,649	889,305	-2,375,115	-790,921	512,475	2,602,289
3.9		3.9		-2.6		5.1
Minority Equity Profit/Loss	247,978	1.1	-906,498	-3.0	583,102	1.2
Interim Net Profit/Loss	193,030	0.8	-15,699,005	-52.3	-12,099,776	-23.8

(3) Statement of Changes in Consolidated Shareholders' Equity in the Interim Term

The previous interim consolidated accounting term (01.01.2006 – 06.30.2006)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Earned Surplus	Treasury Stock	Total Shareholders' Equity
Balance on 12.31.2005 (¥thousands)	3,311,130	5,353,357	7,617,791	-23,980	16,258,297
Amount of change during the consolidated interim accounting term					
Profit distribution dividends			-185,821		-185,821
Profit distribution through staff bonuses			-55,719		-55,719
Interim net profit			193,030		193,030
Decrease in earned surplus due to merger			-3,533		-3,533
Decrease in earned surplus due to increase in consolidated subsidiaries			-64,307		-64,307
Disposal of treasury stock		5,634		16,872	22,507
Change in items other than shareholders' equity in the interim consolidated accounting term (net amount)					
Total amount of change in this consolidated interim accounting term (¥thousands)	-	5,634	-116,352	16,872	-93,844
Balance on 06.30.2006 (¥thousands)	3,311,130	5,358,992	7,501,438	-7,108	16,164,452

	Gaps in Appraisals, Conversions, etc				Equity Warrants	Minority Equity	Total Net Assets
	Other Other Gaps in Appraisals of Securities	Hedging Profit/Loss Carried Forward	Currency Exchange Adjustment Account	Total Gap in Appraisals, Conversions etc.			
Balance on 12.31.2005 (¥thousands)	28,214	38,259	-3,621	62,853	-	4,684,079	21,005,230
Amount of change during the consolidated interim accounting term							
Profit distribution dividends							-185,821
Profit distribution through staff bonuses							-55,719
Interim net profit							193,030
Decrease in earned surplus due to merger							-3,533
Decrease in earned surplus due to increase in consolidated subsidiaries							-64,307
Disposal of treasury stock							22,507
Change in items other than shareholders' equity in the interim consolidated accounting term (net amount)	1,089,108	-30,148	-9,344	1,049,614	34,398	2,081,183	3,165,196
Total amount of change in this consolidated interim accounting term (¥thousands)	1,089,108	-30,148	-9,344	1,049,614	34,398	2,081,183	3,071,351
Balance on 06.30.2006 (¥thousands)	1,117,322	8,111	-12,966	1,112,468	34,398	6,765,262	24,076,581

The current interim consolidated accounting term (01.01.2007 – 06.30.2007)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Earned Surplus	Treasury Stock	Total Shareholders' Equity
Balance on 12.31.2006 (¥thousands)	7,148,299	9,188,342	-5,006,591	-208	11,329,842
Amount of change during the consolidated interim accounting term					
Issue of new stock	2,503,458	2,496,542			5,000,000
Transfer from capital surplus to earned surplus		-373,206	373,206		-
Interim net loss			-15,699,005		-15,699,005
Decrease in earned surplus due to increase in consolidated subsidiaries			28,362		28,362
Change in items other than shareholders' equity in the interim consolidated accounting term (net amount)					
Total amount of change in this consolidated interim accounting term (¥thousands)	2,503,458	2,123,336	-15,297,437	-	-10,670,642
Balance on 06.30.2007 (¥thousands)	9,651,757	11,311,678	-20,304,028	-208	659,199

	Gaps in Appraisals, Conversions, etc				Equity Warrants	Minority Equity	Total Net Assets
	Other Gaps in Appraisals of Securities	Hedging Profit/Loss Carried Forward	Currency Exchange Adjustment Account	Total gap in appraisals, conversions etc.			
Balance on 12.31.2006 (¥thousands)	4,559	13,351	-38,432	-20,522	33,647	8,185,267	19,528,235
Amount of change during the consolidated interim accounting term							
Issue of new stock							5,000,000
Transfer from capital surplus to earned surplus							-
Interim net loss							-15,699,005
Decrease in earned surplus due to increase in consolidated subsidiaries							28,362
Change in items other than shareholders' equity in the interim consolidated accounting term (net amount)	11,962	-1,241	3,290	14,010		-1,089,555	-1,075,544
Total amount of change in this consolidated interim accounting term (¥thousands)	11,962	-1,241	3,290	14,010		-1,089,555	-11,746,187
Balance on 06.30.2007 (¥thousands)	16,521	12,109	-35,142	-6,511	33,647	7,095,712	7,782,048

The previous consolidated fiscal year (January 1 2006 to December 31, 2006)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Earned Surplus	Treasury Stock	Total Shareholders' Equity
Balance on 12.31.2005 (¥thousands)	3,311,130	5,353,357	7,617,791	-23,980	16,258,297
Amount of change in this consolidated fiscal year					
New stock issued (¥thousands)	3,837,169	3,827,072			7,664,241
Earned surplus dividends (¥thousands)			-371,835		-371,835
Profit distribution through director bonuses (¥thousands)			-55,719		-55,719
Net loss (¥thousands)			-12,099,776		-12,099,776
Decrease in earned surplus due to merger (¥thousands)			1,955		1,955
Decrease in earned surplus due to increase in consolidated subsidiaries (¥thousands)			-99,005		-99,005
Disposal of treasury stock (¥thousands)		7,912		23,772	31,685
Total amount of change in the fiscal term in items other than shareholders' equity					
Total amount of change in this consolidated fiscal year (¥thousands)	3,837,169	3,834,984	-12,624,382	23,772	-4,928,455
Balance on 31.12.2006 (¥thousands)	7,148,299	9,188,342	-5,006,591	-208	11,329,842

	Gaps in Appraisals, Conversions, etc				Equity Warrants	Minority Equity	Total Net Assets
	Other Other Gaps in Appraisals of Securities	Hedging Profit/Loss Carried Forward	Currency Exchange Adjustment Account	Total gap in appraisals, conversions etc.			
Balance on 12.31.2005 (¥thousands)	28,214	38,259	-3,621	62,853	-	4,684,079	21,005,230
Amount of change in this consolidated fiscal year							
New stock issued (¥thousands)							7,664,241
Earned surplus dividends (¥thousands)							-371,835
Profit distribution through director bonuses (¥thousands)							-55,719
Net loss (¥thousands)							-12,099,776
Decrease in earned surplus due to merger (¥thousands)							1,955
Decrease in earned surplus due to increase in consolidated subsidiaries (¥thousands)							-99,005
Disposal of treasury stock (¥thousands)							31,685
Total amount of change in the fiscal term in items other than shareholders' equity	-23,655	-24,908	-34,811	-83,375	33,647	3,501,188	3,451,461
Total amount of change in this consolidated fiscal year (¥thousands)	-23,655	-24,908	-34,811	-83,375	33,647	3,501,188	-1,476,994
Balance on 12.31.2006 (¥thousands)	4,559	13,351	-38,432	-20,522	33,647	8,185,267	19,528,235

(4) Consolidated Interim Cash Flow Statement

	Previous Consolidated Interim Accounting Term (January 1, 2006 to June 30, 2006)	Current Consolidated Interim Accounting Term (January 1, 2007 to June 30, 2007)	Previous Fiscal Year Cash Flow Statement Extract (January 1, 2006 to December 31, 2006)
Category	Amount (¥thousands)	Amount (¥thousands)	Amount (¥thousands)
I Cash Flow from Operating Activities			
Interim net profit/loss before adjustments for tax etc.	1,330,314	-17,396,426	-8,914,384
Depreciation expenses	668,879	767,310	1,402,780
Shrinkage	78,347	5,936,053	4,751,331
Amortization of consolidated adjustments account	666,427		
Amortization of goodwill (new)		1,186,432	1,754,477
Change in allowance for doubtful debts	-212,594	6,118,934	3,494,406
Decrease in allowance for bonuses	29,698	21,184	-34,861
Increase/ decrease in retirement benefits reserve	6,200	-2,939	20,072
Increase in interest repayment reserve	1,107,600	6,193,600	3,063,000
Gain on sale of investments in securities	-822,756	-42,903	-2,159,445
Gain on sale of stock in affiliated companies	-342,045		-343,987
Gain on transfer of goodwill	-6,185		-6,185
Interest and dividends received	-2,956	-22,961	-12,762
Interest paid	58,061	282,476	267,921
Foreign exchange gain or loss		-3,110	-17,866
Issue of new stock expenses	2,058		38,032
Stock issue expenses		39,650	
Bond issue expenses		3,157	10,000
Loss on sale of investments in securities			499,628
Loss on appraisal of investments in securities	547,702	599,943	34,530
Loss on appraisal of stock in affiliated companies	25,000	29,999	37,448
Loss on retirement of fixed assets	48,604	41,102	62,767
Loss on sale of fixed assets			58
Gain on sale of fixed assets			-183
Loss from change of equity investees	9,351	6,273	315,011
Gain from change of equity investees	-303,525	-1,227	-544,874
Amount of change in operating loans	-534,295	7,181,828	2,973,207
Increase in security deposits received	463,350	769,038	1,527,510
Increase in segregated trust account	-710,000	-5,450,000	-5,352,000
Increase in securities deposits	752,010	7,085,973	4,178,570
Increase in business investments in securities		-66,698	-538,368
Change in accounts receivable	80,233	106,768	-397,305
Change in inventory assets	-17,164	-14,612	728
Other change in assets	-1,077,002	-4,195,248	150,296
Decrease in purchase debts	-823,946	-530,880	-482,841
Other increases in liabilities	1,146,642	939,112	2,159,270
Directors bonuses paid	-69,252		-69,252
Sub total	2,098,757	9,581,831	7,866,732

GMO Internet Inc. (9449) Interim Financial Statement for the Term Ending December 2007

	Previous Consolidated Interim Accounting Term (January 1, 2006 to June 30, 2006)	Current Consolidated Interim Accounting Term January 1, 2007 to June 30, 2007)	Previous Fiscal Year Cash Flow Statement Extract (January 1, 2006 to December 31, 2006)
Category	Amount (¥thousands)	Amount (¥thousands)	Amount (¥thousands)
Interest and dividends received	2,265	24,952	4,873
Interest paid	-59,761	-299,568	-208,023
Payment of corporate tax etc.	-2,394,691	-1,749,993	-3,118,809
Cash Flow from Operating Activities	-353,429	7,557,221	4,544,773
II Cash Flow from Investing Activities			
Revenue accrued on return of fixed deposit	850,000	20,000	1,045,207
Expenditure on acquisition of tangible fixed assets	-217,913	-251,928	-446,228
Revenue accrued on sale of tangible fixed assets		3,670	343,546
Expenditure on acquisition of intangible fixed assets	-1,114,207	-670,083	-1,997,012
Revenue accrued on sale of intangible fixed assets			1,018
Expenditure on acquisition of securities			-995,206
Expenditure on acquisition of investments in securities	-1,790,730	-980,562	-1,767,220
Revenue accrued on sale of investments in securities	1,338,506	58,417	3,161,591
Revenue accrued on redemption of investments in securities	50,000		50,000
Expenditure on acquisition of subsidiary stock	-94,500	-7,141,386	-416,421
Revenue accrued on sale of subsidiary stock	354,200		361,055
Expenditure on an investment partnership with an anonymous affiliated company			-2,900,000
Expenditure on the acquisition of subsidiary stock due to change in scope of consolidation.			-350,605
Expenditure on loans	-2,550	-160,058	-15,063
Revenue accrued on collection of loans	108,273	11,034	433,256
Revenue from other investment activities	281,273	70,424	312,405
Expenditure on other investment activities	-185,620	-91,339	-221,010
Cash Flow from Investing Activities	-423,266	-9,131,811	-3,400,688

	Previous Consolidated Interim Accounting Term (January 1, 2006 to June 30, 2006)	Current Consolidated Interim Accounting Term January 1, 2007 to June 30, 2007)	Previous Fiscal Year Cash Flow Statement Extract (January 1, 2006 to December 31, 2006)
Category	Amount (¥thousands)	Amount (¥thousands)	Amount (¥thousands)
III Cash Flow from Financing Activities			
Revenue accrued on short-term loans	32,002,304	13,950,000	69,266,068
Expenditure on repayment of short term loans	-9,555,996	-20,979,567	-46,484,166
Revenue accrued on long term loans	13,800,000	950,000	20,597,536
Expenditure on repayment of long term loans	-6,073,500	-7,615,390	-16,323,849
Revenue accrued on issue of stock		4,969,149	7,626,208
Revenue accrued on issue of bonds		5,096,842	1,990,000
Expenditure on redemption of bonds	-31,075,000	-75,000	-32,150,000
Income from investment partnership	1,470,000		1,470,000
Revenue from issue of new stock to minority shareholders	411,735	66,120	2,497,858
Income and expenditure on the sale and acquisition of treasury stock	22,507		31,685
Payment of dividends	-183,509	-3,521	-365,405
Payment of dividends to minority shareholders	-132,402	-179,499	-160,626
Cash Flow from Financing Activities	686,139	-3,820,865	7,995,309
IV Effect of exchange rate on cash and equivalents	2,487	21,313	21,542
V Increase in Cash and Equivalents	-88,068	-5,374,141	9,160,937
VI Balance of Cash and Equivalents at the Beginning of Term	23,202,882	33,180,245	23,202,882
VII Increase in Cash and Equivalents due to Increase in Consolidated Subsidiaries	738,786	30,609	738,786
VIII Increase in Cash and Equivalents due to Merger	77,770		77,639
X Balance of Cash and Equivalents at the End of the Interim Term	23,931,370	27,836,714	33,180,245

(5) Significant Issues regarding Business Continuity

Previous Consolidated Interim Accounting Term (01.01.2006 - 06.30.2006)	Current Consolidated Interim Accounting Term (01.01.2007 - 06.30.2007)	Previous Consolidated Fiscal Year (01.01.2006 – 12.31.2006)
-	<p>In light of recent interest repayment claims and an estimate of the maximum future risk relating to interest repayment claims in the current interim period in the finance segment, loans and credit business, as well as significant post-balance sheet events, the group decided to sell its stake in the loans and credit company GMO LOAN-CREDIT HOLDINGS Inc. Due to the resulting goodwill shrinkage loss we have recorded a 15,699,005,000 yen interim net loss. As a result, at the end of the interim significant issues have arisen regarding business continuity questions have arisen business.</p> <p>The group is revising business strategy at the same time as selling assets to further reinforce capital.</p> <ul style="list-style-type: none"> • Revision to Group Strategy As stated above, the group is withdrawing from the loans and credit business. We now seek top ensure a stable and continuous cash flow by focusing management resources on existing segments with stable profits, Internet infrastructure and Internet Media. • Sale of Assets In a Board of Directors meeting on August 13, 2007 it was resolved to sell affiliated company GMO Internet Securities Inc. and part of shares held in GMO Hosting & Securities Inc. The resulting sale gain will reinforce capital. In the future we will also sell stock held in companies not related to the Internet infrastructure or Internet media businesses to increase liquidity of available capital and reduce interest bearing liabilities. We will seek to ensure profits through sale gains and the reduction of interest bearing liabilities. <p>While our financial condition doesn't currently allow syndicated loans etc. we have received support from financial institutions and we have received assurance that we won't forfeit term profit.</p> <p>The interim financial statements have been made based on the assumption of business continuity; the impact of these significant issues is not reflected in the interim financial statement.</p>	-