



## Financial Statement for the Third Quarter of the Year Ending December 2007

November 12, 2007

Name of Listed Company: GMO Internet, Inc.

Exchange Listing: Tokyo Stock Exchange, First Section Stock Code: 9449 URL: <http://www.gmo.jp/en>

Representative: Masatoshi Kumagai, CEO and Representative Director

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(all amounts rounded down to the nearest million yen)

### 1. Consolidated Third Quarter Financial Results in the Year Ending December 2007 (01.01.2007- 09.30.2007)

#### (1) Consolidated Operating Results

(percentages shown represent year-on-year % change)

	Sales		Operating Profit		Ordinary Profit		Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FY2007 3rd Quarter	37,714	(4.9)	-9,769	(-)	-10,286	(-)	-12,022	(-)
FY2006 3rd Quarter	35,940	(39.8)	2,546	(3.8)	2,402	(3.7)	533	(-51.5)
Year Ended 12/2006	50,842		4,271		3,992		-12,099	

	Net Profit per Share	Net Profit per Share (diluted)
	¥	¥
FY2007 3rd Quarter	-161.35	-
FY2006 3rd Quarter	-8.61	8.51
Year Ended 12/2006	-194.81	-

#### (2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	¥ millions	¥ millions	%	¥
FY2007 3rd Quarter	43,300	11,427	10.3	56.38
FY2006 3rd Quarter	145,651	23,456	11.3	263.59
Year Ended 12/2006	146,279	19,528	7.7	156.79

#### (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
FY2007 3rd Quarter	8,194	-7,312	-18,117	15,987
FY2006 3rd Quarter	789	-5,141	-1,270	22,299
Year Ended 12/2006	4,544	-3,400	7,995	33,180

### 2. Consolidated Results Forecast for the Year Ended December 2007 (01.01.2007 – 12.31.2007)

(percentages shown represent year-on-year % change)

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

## 3. Other

(1) Significant changes in subsidiaries in the current term (transfer of a subsidiary resulting in change in scope of consolidation):

Yes  No

[Three (3) companies excluded from consolidation: GMO Internet Securities Inc, GMO NetCard Inc, and MIKI-SHOJI Co. Ltd.]

(2) Adoption of simplified accounting method:

Yes  No

(3) Change in method of accounting treatment since the previous consolidated fiscal year:

Yes  No

(\*Note: Please refer to Qualitative Information, Financial Statements – 4. Other (page 5) for details)

(Reference) Outline of Non-Consolidated Financial Results

## 1. Non-Consolidated Third Quarter Financial Results in the Year Ending December 2007 (01.01.2007- 09.30.2007)

## (1) Operating Results

(percentages shown represent year-on-year % change)

	Sales		Operating Profit		Ordinary Profit		Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FY2007 3rd Quarter	9,661	(7.4)	1,045	(18.6)	852	(-46.9)	-19,702	(-)
FY2006 3rd Quarter	8,987	(19.0)	881	(8.8)	1,606	(28.9)	1,865	(71.3)
Year Ended 12/2006	12,133		1,188		1,867		-3,891	

	Net Profit per Share	Net Profit per Share (diluted)
	¥	¥
FY2007 3rd Quarter	-264.43	-
FY2006 3rd Quarter	-30.10	30.04
Year Ended 12/2006	-62.66	-

## (2) Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	¥ millions	¥ millions	%	¥
FY2007 3rd Quarter	27,269	1,272	4.7	16.10
FY2006 3rd Quarter	51,231	14,109	27.5	227.10
Year Ended 12/2006	54,835	16,001	29.2	221.85

## 2. Non-Consolidated Results Forecast for the Year Ending December 2007 (01.01.2007 – 12.31.2007)

(percentages shown represent year-on-year % change)

	Sales		Operating Profit		Ordinary Profit		Net Profit		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

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

**Qualitative Information, Financial Statements, etc.****1. Qualitative Information - Consolidated Operating Results**

The following information pertains to business performance in the third quarter of the current consolidated accounting period (01.01.2007 to 09.30.2007)

**General Conditions**

In the third quarter of the current consolidated accounting term the Japanese economy continued to expand at a moderate pace. However the sub prime loan crisis in the US has thrown worldwide finance and capital markets into confusion and it is not yet clear what impact this will have on the Japanese economy. In the Internet market, the arena in which the company operates the number of broadband service users reached 31.58 million at the end of June 2007. The Internet is now firmly established and Internet use continues to grow.<sup>1</sup>

Under these conditions the company resolved to withdraw completely from the loans and credit business due to growing uncertainty in the industry environment associated with interest repayment claim risks and other factors. The company's consolidated shareholders' equity will suffer temporary damage as a result of the withdrawal. Because of this the company has sold all stock in GMO Internet Securities, Inc, part of stock held in GMO Hosting & Security, Inc, and all investments in securities in order to strengthen its financial base.

With the sale of GMO Internet Securities, the group has also pulled out of the securities business and substantially reduced the scale of the Internet Finance business segment. Going forward management resources will be focused on Internet infrastructure and Internet media and on building synergy between the two business segments.

Consolidated financial results in the third quarter of the current accounting term were as follows.

Sales: ¥37,714,740,000 (4.9% year-on-year increase) Operating Profit: -¥9,769,277,000 (¥2,546,736,000 in the previous corresponding period) Ordinary Profit: -¥10,286,868,000 (¥2,402,857,000 in the previous corresponding period), and Net Profit: -¥12,022,604,000 (¥533,765,000 in the previous corresponding period).

**Segment Report****Internet Use Support (Infrastructure)**

The five major businesses in the Internet Use Support (Infrastructure) segment; domain registration, web hosting, website development & e-commerce solutions, security, and payment processing, have continued to perform solidly and we are moving forward establishing ourselves as the undisputed number one web solutions group. In the third quarter we formed e-commerce site support company, GMO Solution Partner, Inc. in partnership with Sagawa Express Co. Ltd. to further enhance sales. We also established catalog and web design company, Global Web Co. Ltd. to continue expanding our product range.

Domain registrations exceeded 680,000 and this significant business area achieved 23.5% year-on-year growth. In our web hosting business the number of customers grew 9.3% year-on-year to over 410,000. We also saw solid profit growth in the payment processing and web development & e-commerce solutions businesses. Sales have remained stable in the payment processing business despite a loss of customers in the switch over of Rakuten Market to their own payment processing system.

Sales in the segment reached ¥13,980,895,000 (12.8% year-on-year increase) however operating profit was down slightly to ¥1,760,912,000 (12.8% year-on-year decrease) as a result of increased operating expenses including a temporary increase in costs due to initial investment into the global expansion of the security business.

**Internet Advertising Support (Media)**

In the September 2007 Nielsen/NetRatings monthly survey there were 21.99 million users employing Internet Advertising Support (Media) segment services. This media asset is rapidly boosting profitability in the Internet media segment. In the third quarter of the current term GMO Marketing Inc. was established in partnership with IOIX Inc. to build long-tail media that provides information appropriate to the search needs of diverse Internet users.

Increased profitability in the Internet media & search media business contributed to the Internet Media segment recording sales of ¥9,811,217,000 (10.2% year-on-year increase) and an operating profit of ¥795,934,000 (136.2% year-on-year increase).

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

## Internet Finance

The sale of all shares held in GMO LOAN-CREDIT HOLDINGS, Inc. (now NC LOAN-CREDIT HOLDINGS, Inc.) on August 21, 2007 and the sale of all shares held in GMO Internet Securities Inc. on August 13, 2007 resulted in a major reduction in the Internet Finance business. The sale of the loans and credit business and the securities business occurred at the beginning of the second half of the fiscal year and as such profit and loss in the two businesses will appear in the consolidated profit and loss statements until the end of the first half of the fiscal year. After this time the Internet Finance business will be reported as “other businesses”. Due to its reduced significance Internet Finance business information will be cease to be reported as a segment from the next term.

Significant changes in the external environment of the loans and credit business had a major impact on performance results in the first half of the year. Already at the end of the previous term, in accordance with the JICPA (Japan Institute of Certified Public Accounts Report No. 37) report *Auditing and Handling of Reserves for Excess Interest Repayment Losses in the Consumer Finance Industry*, we reserved allowances for interest repayments and doubtful debts. However, in light of industry trends and interest repayments to date we calculated projections of the maximum interest repayment claim and increased the allowance for doubtful debt by ¥10,336,870,000 and the interest repayment allowance by ¥7,284,974,000. In addition a ¥5,890,711,000 goodwill shrinkage loss was recorded as an extraordinary loss following withdrawal from the loans and credit business.

The Internet Finance segment recorded sales of ¥14,163,342,000 (4.8% year-on-year decrease) and an operating profit of -¥12,365,284,000 (¥80,547,000 in the previous corresponding period).

## 2. Qualitative Information - Consolidated Financial Condition

### Assets, Liabilities and Shareholders' Equity

The main changes in assets, liabilities and shareholders' equity between 12.31.2006 and 09.30.2007 are as follows.

There has been a major reduction in size of the balance sheet as a result of the withdrawal from the loans and credit business and the securities business. Within current assets a zero balance was recorded in securities business – deposit, securities business - margin transaction assets, securities business – guarantee deposits and investments and other assets - long term deposit. Allowance for doubtful debt was reduced by ¥12,263,205,000 following the decrease in operating loans and short term loans increased by ¥6,814,241,000. In intangible fixed assets, goodwill decreased ¥17,947,842,000 as a result of amortization and the withdrawal from the loans and credit business. In addition investments in securities declined ¥5,567,964,000 in investments and other assets following the sale of stock in eBANK Corporation. As a result a decrease of ¥102,978,505,000 in total assets was recorded and the balance stood at ¥43,300,638,000.

Also as a result of the withdrawal, a zero balance was recorded in the following current liabilities: securities business - margin trading liability, securities business - deposits received, and the interest repayment reserve. A zero balance was also recorded in the following fixed liabilities for the same reasons; director retirement benefits reserve, interest repayment reserve and the special law reserve fund. Short term debt was ¥46,429,296,000 and current portion of long term debt (including debt to be repaid within a year) decreased by ¥16,415,352,000. This is due to loan repayments made following the sale of assets and because loans and credit business loans are no longer included in the figure since the exclusion of the loans and credit business from the consolidation. In the current quarter a balance remained of the syndicated loan taken out at the end of the interim period in violation of financial covenants, however after the close of the current quarter the loan was repaid in full through refinancing and other measures. As of November 12, 2007 no loans were held in violation of loan covenants. A decline of ¥94,877,992,000 in liabilities was recorded and liabilities totaled ¥31,872,914,000.

In regard to net assets, there was a decline of ¥11,513,964,000 in earned surplus stemming from the net loss recorded in the current quarter. Capital surplus rose ¥4,626,794,000 as a result of new stock issued by third party allocation. Shareholders' equity declined totaled ¥4,442,552,000, a decline of ¥6,887,289,000. Due to the decrease in shareholders' equity and minority equity net assets fell to ¥8,100,512,000 to ¥11,427,723,000.

### Cash Flow

In the third quarter of the current accounting term, consolidated cash flow provided by operating activities was up ¥8,194,191,000 while cash flow used in investing activities was ¥7,312,321,000 and cash flow used in financing activities was ¥18,117,364,000. Consolidated cash and cash equivalents stood at ¥15,987,796,000 at the end of the term.

The following is a summary of cash flow in the third quarter.

Despite recording a net loss before adjustments for tax of ¥11,960,049,000, cash flow provided by operating activities totaled ¥8,194,191,000 (¥789,692,000 in the previous corresponding period). This was influenced by factors including ¥5,936,053,000 in shrinkage, a ¥6,108,540,000 increase in allowance for doubtful debt, a ¥6,193,600,000 increase in interest repayments reserves and a ¥7,181,828,000 decrease in operating loans.

Cash flow used in investing activities was ¥7,312,321,000 (¥5,141,568,000 in the previous corresponding period). Income was accrued on sale of investments in securities at ¥6,318,871,000, however outflows included expenditure related to the acquisition of stock in subsidiaries in the previous fiscal year at ¥7,711,168,000 and expenditure on loans at ¥7,060,720,000.

Cash flow used in financing activities totaled ¥18,117,364,000 (¥1,270,043,000 in the previous corresponding period). This was predominantly due to expenditure of ¥21,400,000,000 on long and short term loan repayments only partially offset by ¥49,388,152,000 in revenue from the collection of long and short term loans, ¥4,969,149,000 in revenue from the issue of stock and ¥5,096,842,000 in revenue from the issue of convertible bonds with equity warrants.

### 3. Qualitative information concerning consolidated earnings results forecasts

#### Earnings Forecast

There is no change to the full year forecasts released on August 14, 2007.

#### Consolidated Results 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 Results 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

#### 4. Other

(1) Significant changes in subsidiaries in the current term (transfer of a subsidiary resulting in change in scope of consolidation)

Former consolidated subsidiary GMO Internet Securities, Inc. was excluded from the consolidation following the sale of stock held by the company on August 13, 2007.

NetCard, Inc. and MIKI-SHOJI Co. Ltd. were also excluded following the sale of parent company GMO LOAN-CREDIT HOLDINGS, Inc. (now NC LOAN-CREDIT HOLDINGS, Inc.) stock on August 21, 2007.

(2) Adoption of simplified accounting method:

None

(3) Change in method of accounting treatment since the previous consolidated fiscal year:

None

(Reference 1)

**Table: Quarterly Changes by Segment**

I Sales by Segment <span style="float: right;">(unit: ¥millions)</span>					
	2006 3Q	2006 4Q	2007 1Q	2007 2Q	2007 3Q
<b>Internet Use Support (Infrastructure)</b>					
Provider (ISP)	560	536	521	488	472
Domain registration	497	437	541	555	476
Web hosting	1,984	2,043	2,049	2,097	2,102
Web development & EC solutions	562	638	733	688	741
Security	147	216	288	239	209
Credit card payment processing	423	450	497	479	449
Other	190	145	132	105	111
Segment Sales Total	4,366	4,467	4,764	4,653	4,562
<b>Internet Advertising Support (Media)</b>					
Internet media & search media	1,336	1,521	1,694	1,662	1,623
Internet advertising agencies	1,438	1,764	1,583	1,365	1,352
Other	330	331	279	283	318
Total	3,106	3,617	3,557	3,311	3,294
Adjustment for internal transactions	(219)	(229)	(131)	(105)	(116)
Segment Sales Total	2,886	3,387	3,426	3,206	3,178
<b>Internet Finance</b>					
Loans and credit	5,674	7,077	6,707	6,735	
Internet securities	66	132	246	469	
Other	-	10	4	0	1
Segment Sales Total	5,741	7,220	6,957	7,204	1
Adjustment for internal transactions	(97)	(174)	(88)	(94)	(57)
Consolidated Sales	12,897	14,901	15,059	14,970	7,685
<b>II Operating Profit by Segment <span style="float: right;">(¥millions)</span></b>					
	2006 3Q	2006 4Q	2007 1Q	2007 2Q	2007 3Q
Internet Use Support (Infrastructure)	748	671	793	500	466
Internet Advertising Support (Media)	74	200	314	220	260
Internet Finance	-335	796	815	-13,166	-14
Sub total	487	1,668	1,923	-12,445	713
Adjustment for internal transactions	50	56	19	6	13
Consolidated Operating Profit	537	1,724	1,943	-12,438	726

Note: As previously stated, the withdrawal from the loans and credit business and the securities business has resulted in a major reduction in the Internet finance segment. Due to its reduced significance Internet Finance business information will be cease to be reported as a segment from the next term.

(Reference 2)

**Operating Results and Financial Condition – Quarterly Change****Changes in Operating Results and Financial Condition by Quarter (Consolidated)**

(Unit: ¥millions)

	2006 3Q	2006 4Q	2007 1Q	2007 2Q	2007 3Q
Operating Revenue	12,897	14,901	15,059	14,970	7,685
Operating Profit	537	1,724	1,943	-12,438	726
Ordinary Profit	475	1,589	1,784	-12,595	523
Net Profit	340	-12,633	245	-15,944	3,676
Total Assets	145,651	146,279	139,498	134,331	43,300
Shareholders' Equity	16,376	11,309	11,569	652	4,457

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

(Unit: ¥millions)

	2006 3Q	2006 4Q	2007 1Q	2007 2Q	2007 3Q
Operating Revenue	3,048	3,146	3,358	3,230	3,071
Operating Profit	303	307	457	330	256
Ordinary Profit	280	261	552	186	113
Net Profit	448	-5,757	408	-23,179	3,068
Total Assets	51,231	54,835	54,046	38,691	27,269
Shareholders' Equity	14,109	16,001	16,406	-1,784	1,272

(Reference 3)

**Sales and Operating Profit in the Internet Infrastructure and Internet Media Segments**

Due to the withdrawal from the loans and credit business and securities business in the current quarter, profit and loss in these businesses is only included in the consolidated profit and loss statement up to the second quarter. Internet infrastructure and Internet media segment sales and operating profit are listed here for your reference.

(Unit: ¥millions)

	2006 3Q (累計)	2007 3Q (累計)	Change (%Change)
Sales	21,298	23,792	2,494 ( 11.7% )
Operating Profit	2,357	2,556	199 ( 8.5% )

(Reference 4)

**The Corporate Group**

GMO Internet, Inc. (hereafter “the company”) is a corporate group consisting of the company and 33 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 Internet Finance segment now consists only of the venture capital business following withdrawal from the loans and credit business and the securities business. 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 services Internet number service	the company INTERNET Number Corporation paperboy&co.
	Web Hosting	Rental server services (web hosting services)	the company GMO Hosting & Security, Inc. paperboy&co. Hosting & Security, INC @YMC Corporation Mighty Server, Inc.
	Web Development and E-Commerce Solutions	Web site design, Operation support services, System consulting, Online shop construction support consulting 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.
	Internet Security	Information security on the Internet, Authentication services for businesses and individuals,	GlobalSign K.K. (formerly GeoTrust Japan Inc.) GlobalSign Ltd. GlobalSign NV GlobalSign, Inc.
	Credit Card Payment Processing	Credit card billing service	GMO Payment Gateway, Inc. Epsilon, Inc.
	Provider (ISP)	Internet Access Provider	the company



Business Segment	Main Operations		Main Companies
Internet Advertising Support (Media)	Internet Media and Search Related Business	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 Agencies	Advertising sales, mainly Internet advertising media and recruitment advertisements	Magclick, Inc. GMO San Planning, Inc. GMO Mobile, Inc.
	Other	Online games – design and operation, Internet research systems and management of an Internet research panel	NETCLUE Co. Ltd. (Korea) (now GMO Games Korea, Inc.) GMO Games, Inc. GMO Research, Inc.
Internet Finance *	Other	Venture capital	GMO VenturePartners, Inc. GMO VenturePartners Investment Limited Partnership Blog Business Fund Investment Limited Partnership

Note: As previously stated, the withdrawal from the loans and credit business and the securities business has resulted in a major reduction in the Internet finance segment. Due to its reduced significance Internet Finance business information will be cease to be reported as a segment from the next term.

5. Condensed Consolidated Financial Statement – [Unaudited]  
 (1) Condensed Balance Sheet

(Unit: ¥thousands/%)

Item	Previous Corresponding Quarter End of 3Q FY2006	Current Quarter End of 3Q FY2007	Change		(Reference) Fiscal Year Ended 12/2006
	Amount	Amount	Amount	% Change	Amount
<b>(Assets)</b>					
<b>I Current Assets</b>					
1. Cash and deposits	22,584,325	16,127,796	-6,456,528	-28.6	32,940,455
2. Notes and accounts receivable	3,110,725	3,433,521	322,795	10.4	3,434,809
3. Inventory assets	61,586	91,814	30,227	49.1	31,719
4. Deferred tax asset	3,715,766	509,815	-3,205,950	-86.3	2,121,263
5. Short term loans	482,082	6,814,241	6,332,159	1,313.50	-
6. Operating loans	66,809,069	-	-66,809,069	-	63,788,341
7. Accrued amount receivable	441,424	3,400,012	2,958,587	670.2	450,045
8. Accrued income	4,311,731	12,490	-4,299,241	-99.7	1,350,440
9. Securities business - deposit	4,902,000	-	-4,902,000	-	5,352,000
10. Securities business - margin transaction asset	3,977,988	-	-3,977,988	-	5,452,598
11. Securities business - short term guarantee deposits	1,152,000	-	-1,152,000	-	1,050,708
12. Other	2,239,841	2,921,721	681,879	30.4	3,013,408
Allowance for doubtful debts	-9,048,270	-310,787	8,737,482	-96.6	-12,573,992
<b>Total Current Assets</b>	<b>104,740,271</b>	<b>33,000,625</b>	<b>-71,739,646</b>	<b>-68.5</b>	<b>106,411,798</b>
<b>II Fixed Assets</b>					
<b>1 Tangible fixed assets</b>					
(1) Buildings and structures	350,866	152,146	-198,719	-56.6	338,674
(2) Tools and equipment	682,363	502,966	-179,397	-26.3	666,640
(3) Other	68,914	29,259	-39,654	-57.5	46,796
<b>Total tangible fixed assets</b>	<b>1,102,144</b>	<b>684,372</b>	<b>-417,772</b>	<b>-37.9</b>	<b>1,052,111</b>
<b>2 Intangible fixed assets</b>					
(1) Goodwill	453,965	-	-453,965	-	-
(2) Goodwill (new)	-	2,685,622	2,685,622	-	20,633,464
(3) Software	2,531,261	2,181,437	-349,823	-13.8	3,523,557
(4) Consolidated adjustments account	23,392,779	-	-23,392,779	-	-
(5) Other	425,783	205,684	-220,099	-51.7	329,658
<b>Total intangible fixed assets</b>	<b>26,803,790</b>	<b>5,072,744</b>	<b>-21,731,045</b>	<b>-81.1</b>	<b>24,486,679</b>
<b>3. Investments and other assets</b>					
(1) Investments in securities	6,696,428	1,157,290	-5,539,138	-82.7	6,725,254
(2) Long term loans receivable	10,199	128,351	118,152	1,158.40	23,253
(3) Investments	468,484	364,920	-103,564	-22.1	458,983
(4) Security deposit	914,083	754,199	-159,884	-17.5	973,318
(5) Long term deposit	3,981,970	-	-3,981,970	-	5,534,555
(6) Deferred tax asset	300,697	1,911,228	1,610,530	535.6	264,656
(7) Other	649,747	241,936	-407,811	-62.8	372,210
Allowance for doubtful debts	-15,832	-15,029	802	-5.1	-23,678
<b>Total investments and other assets</b>	<b>13,005,779</b>	<b>4,542,896</b>	<b>-8,462,882</b>	<b>-65.1</b>	<b>14,328,553</b>
<b>Total Fixed Assets</b>	<b>40,911,713</b>	<b>10,300,013</b>	<b>-30,611,700</b>	<b>-74.8</b>	<b>39,867,344</b>
<b>Total Assets</b>	<b>145,651,985</b>	<b>43,300,638</b>	<b>-102,351,347</b>	<b>-70.3</b>	<b>146,279,143</b>

GMO Internet Inc. (9449) Financial Statement – 3rd Quarter FY2007

(Unit: ¥thousands/ %)

Item	Previous Corresponding Quarter End of 3Q 2006	Current Quarter End of 3Q 2007	Change		(Reference) Fiscal Year Ended 12/2006
	Amount	Amount	Amount	% Change	Amount
<b>(Liabilities)</b>					
<b>I Current Liabilities</b>					
1. Notes and accounts payable	880,088	703,204	-176,884	-20.1	773,204
2. Short term debt	51,339,039	9,197,470	-42,141,568	-82.1	55,626,767
3. Current portion of long term debt	14,658,109	2,511,332	-12,146,777	-82.9	12,235,030
4. Bonds to be redeemed within a year	150,000	-	-150,000	-	2,150,000
5. Accrued amount payable	15,594,252	1,877,614	-13,716,638	-88.0	10,855,512
6. Accrued corporate taxes etc.	1,764,555	562,879	-1,201,676	-68.1	2,026,373
7. Allowance for bonuses	200,454	112,223	-88,231	-44.0	119,953
8. Allowance for bonuses to directors	-	900	900	-	37,700
9. Advanced payments received	1,748,097	2,066,587	318,490	18.2	1,833,868
10. Securities business - margin transaction liabilities	3,977,988	-	-3,977,988	-	5,452,598
11. Securities business – deposit received	3,410,416	-	-3,410,416	-	4,159,893
12. Interest repayment reserve	4,546,000	-	-4,546,000	-	4,295,000
13. Other	4,042,184	3,839,523	-202,660	-5.0	5,770,580
<b>Total Current Liabilities</b>	<b>102,311,186</b>	<b>20,871,735</b>	<b>-81,439,450</b>	<b>-79.6</b>	<b>105,336,483</b>
<b>II Fixed Liabilities</b>					
1. Bonds	5,075,000	1,000,000	-4,075,000	-80.3	3,000,000
2. Unsecured convertible bonds with share warrants	-	5,000,000	5,000,000	-	-
3. Long term debt	13,227,354	4,434,670	-8,792,684	-66.5	11,126,324
4. Long term accrued amount payable	623,646	533,387	-90,258	-14.5	4,059,156
5. Deferred tax liability	598,956	-	-598,956	-	31,143
6. Allowance for director retirement benefits	61,500	-	-61,500	-	128,200
7. Allowance for retirement benefits for employees	273,379	3,500	-269,878	-98.7	199,849
8. Interest repayment reserve	-	-	-	-	2,790,000
9. Other	17,400	29,621	12,220	70.2	63,598
<b>Total Fixed Liabilities</b>	<b>19,877,237</b>	<b>11,001,179</b>	<b>-8,876,057</b>	<b>-44.7</b>	<b>21,398,272</b>
<b>III Special Law Reserve Fund</b>					
Securities transaction liability reserve	6,863	-	-6,863	-	16,152
Special Law Reserve Fund Total	6,863	-	-6,863	-	16,152
<b>Total Liabilities</b>	<b>122,195,287</b>	<b>31,872,914</b>	<b>-90,322,372</b>	<b>-73.9</b>	<b>126,750,907</b>
<b>(Net Assets)</b>					
<b>I Shareholders' Equity</b>					
1. Capital Stock	3,328,299	9,651,757	6,323,458	190	7,148,299
2. Capital Surplus	5,378,342	11,311,678	5,933,336	110.3	9,188,342
3. Earned surplus	7,659,627	-16,520,555	-24,180,182	-315.7	-5,006,591
4. Treasury stock	-208	-327	-119	57.4	-208
<b>Total Shareholders' Equity</b>	<b>16,366,060</b>	<b>4,442,552</b>	<b>-11,923,507</b>	<b>-72.9</b>	<b>11,329,842</b>
<b>II Gaps in Appraisals, Conversions, etc.</b>					
1. Other gaps in appraisal of securities	326	25,348	25,022	7660.8	4,559
2. Hedging profit/loss carried forward	13,197	4,684	-8,513	-64.5	13,351
3. Foreign currency translation adjustment account	-3,175	-15,545	-12,369	389.5	-38,432
<b>Total Gaps in Appraisals, Conversions, etc</b>	<b>10,348</b>	<b>14,487</b>	<b>4,139</b>	<b>40</b>	<b>-20,522</b>
<b>III Equity Warrants</b>	<b>33,647</b>	<b>-</b>	<b>-33,647</b>	<b>-</b>	<b>33,647</b>
<b>IV Minority Equity</b>	<b>7,046,641</b>	<b>6,970,682</b>	<b>-75,959</b>	<b>-1.1</b>	<b>8,185,267</b>
<b>Total Net Assets</b>	<b>23,456,698</b>	<b>11,427,723</b>	<b>-12,028,975</b>	<b>-51.3</b>	<b>19,528,235</b>
<b>Liabilities, Net Assets Total</b>	<b>145,651,985</b>	<b>43,300,638</b>	<b>-102,351,347</b>	<b>-70.3</b>	<b>146,279,143</b>

## (2) Condensed Consolidate Profit and Loss Statement

(Unit: ¥thousands/%)

Item	Previous Corresponding Quarter End of 3Q 2006	Current Quarter End of 3Q 2007	Change		(Reference) Fiscal Year Ended 12/2006
	Amount	Amount	Amount	% Change	Amount
I Operating Revenue	35,940,744	37,714,740	1,773,996	4.9	50,842,428
II Business Expenses	10,188,320	11,244,618	1,056,297	10.4	13,594,374
III Sales General & Administrative Expenses	23,205,686	36,239,399	13,033,712	56.2	32,976,439
Operating Profit	2,546,736	-9,769,277	-12,316,014	-483.6	4,271,614
IV Non Operating Revenue	236,889	179,656	-57,233	-24.2	325,345
1. Interest and dividends received	6,106	48,154	42,047	688.6	12,762
2. Commissions received	45,801	2,941	-42,859	-93.6	43,867
3. Bad debt recovered	391	357	-34	-8.9	421
4. Profit on investment partnership	108,744	30,019	-78,724	-72.4	127,822
5. Profit on currency exchange	-	-	-	-	77,863
6. Gain on reversal of allowance for doubtful debts	-	11,822	11,822	-	-
7. Other	75,845	86,361	10,516	13.9	62,608
V Non Operating Expenses	380,768	697,247	316,478	83.1	604,823
1. Interest paid	159,139	420,149	261,009	164.0	267,921
2. Stock issuance costs	2,149	39,650	37,500	1744.4	38,032
3. Bond issuance costs	5,000	3,157	-1,842	-36.8	10,000
4. Foreign exchange loss	2,535	26,315	23,780	938.1	-
5. Commissions paid	182,107	148,305	-33,801	-18.6	226,150
6. Other	29,836	59,668	29,831	100.0	62,718
Ordinary Profit	2,402,857	-10,286,868	-12,689,726	-528.1	3,992,136
VI Extraordinary Profit	2,849,169	4,967,978	2,118,809	74.4	3,110,980
1. Gain on previous term profit and loss adjustment	20,069	-	-20,069	-	25,156
2. Gain on sale of fixed assets	-	-	-	-	183
3. Gain on sale of investments in securities	2,154,926	1,311,837	-843,089	-39.1	2,159,445
4. Gain on sale of shares in affiliated companies	343,987	3,652,230	3,308,243	961.7	343,987
5. Gain on change in equity investees	303,525	1,651	-301,874	-99.5	544,874
6. Gain on reversal of allowance for doubtful debts	20,475	2,259	-18,215	-89.0	20,499
7. Other	6,185	-	-6,185	-	16,834
VII Extraordinary Loss	2,357,663	6,641,159	4,283,496	181.7	16,017,501
1. Loss on previous term profit and loss adjustment	41,987	-	-41,987	-	-
2. Loss on sale of fixed assets	-	-	-	-	58
3. Loss on retirement of fixed assets	49,910	41,397	-8,512	-17.1	62,767
4. Loss on evaluation of investments in securities	34,530	599,943	565,413	1637.4	34,530
5. Loss on sale of investments in securities	499,067	-	-499,067	-	499,628
6. Loss on evaluation of affiliated company stock	25,000	29,999	4,999	20.0	37,448
7. Loss on sale of stock in affiliated company	1,100	-	-1,100	-	1,100
8. Shrinkage	78,347	5,936,053	5,857,705	7476.5	4,751,331
9. Loss on change in equity investees	20,777	14,890	-5,886	-28.3	315,011
10. Penalty for breaking a lease	256,598	-	-256,598	-	255,671
11. Business liquidation loss	1,993	-	-1,993	-	55,776
12. Interest repayment loss related expenses	1,050,680	-	-1,050,680	-	8,217,497
13. One-time depreciation of advance payment	278,929	-	-278,929	-	278,929
14. Loss on amortization of accrued interest	-	-	-	-	1,442,741
15. Addition to securities transaction liability reserve	-	13,216	13,216	-	16,152
16. Other	18,740	5,658	-13,082	-69.8	48,855
Net Profit or Loss before Adjustment for Tax etc.(-)	2,894,363	-11,960,049	-14,854,413	-513.2	-8,914,384
Corporate, Municipal and Enterprise Taxes	1,123,372	1,880,306	756,933	67.4	2,089,813
Adjustment for Corporate Tax etc.	832,286	-936,068	-1,768,355	-212.5	512,475
Minority Equity Profits	404,938	-881,681	-1,286,620	-317.7	583,102
Net Profit or Net Loss (-)	533,765	-12,022,604	-12,556,370	-2352.4	-12,099,776

(3) Statement of Changes in Consolidated Shareholders' Equity etc.  
Current Quarter (01.01.2007 – 30.09.2007)

(Unit: ¥thousands)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Earned Surplus	Treasury Stock	Total Shareholders' Equity
Balance on 12.31.2006	7,148,299	9,188,342	-5,006,591	-208	11,329,842
Change in the current consolidated accounting period					
Issue of new stock	2,503,458	2,496,542			5,000,000
Transfer from capital surplus to earned surplus		-373,206	373,206		-
Net loss (-)			-12,022,604		-12,022,604
Acquisition of treasury stock				-119	-119
Increase in earned surplus due to increase in consolidated subsidiaries			28,362		28,362
Increase in earned surplus due to decrease in consolidated subsidiaries			107,071		107,071
Change in items other than shareholders' equity in the current consolidated accounting period (net amount)					-
Total amount of change in this consolidated accounting period	2,503,458	2,123,336	-11,513,964	-119	-6,887,289
Balance on 09.30.2007	9,651,757	11,311,678	-16,520,555	-327	4,442,552

	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	4,559	13,351	-38,432	-20,522	33,647	8,185,267	19,528,235
Change in the current consolidated accounting period							
Issue of new stock							5,000,000
Transfer from capital surplus to earned surplus							-
Net loss (-)							-12,022,604
Acquisition of treasury stock							-119
Increase in earned surplus due to increase in consolidated subsidiaries							28,362
Increase in earned surplus due to decrease in consolidated subsidiaries							107,071
Change in items other than shareholders' equity in the current consolidated accounting period (net amount)	20,789	-8,667	22,887	35,009	-33,647	-1,214,584	-1,213,223
Total amount of change in this consolidated accounting period	20,789	-8,667	22,887	35,009	-33,647	-1,214,584	-8,100,512
Balance on 09.30.2007	25,348	4,684	-15,545	14,487	-	6,970,682	11,427,723

## (4) Condensed Consolidated Quarterly Cash Flow Statement

(Unit: ¥thousands)

	Previous Corresponding Quarter End of 3Q 2006	Current Quarter End of 3Q 2007	(Reference) Fiscal Year Ended 12/ 2006
Category	Amount (¥thousands)	Amount (¥thousands)	Amount (¥thousands)
I Cash Flow from Operating Activities			
Interim net profit/loss before adjustments for tax etc. (current term)	2,894,363	-11,960,049	-8,914,384
Depreciation expenses	1,020,320	1,067,716	1,402,780
Shrinkage	78,347	5,936,053	4,751,331
Amortization of consolidated adjustments account	1,080,972		
Amortization of goodwill (new)		1,440,082	1,754,477
Change in allowance for doubtful debts	-72,261	6,108,540	3,494,406
Change in allowance for bonuses	91,772	32,249	-34,861
Change in retirement benefits reserve	-69,728	-4,574	20,072
Increase in interest repayment reserve	1,107,600	6,193,600	3,063,000
Gain on sale of investments in securities	-2,154,926	-1,311,837	-2,159,445
Gain on sale of stock in affiliated companies	-343,987	-3,651,205	-343,987
Gain on transfer of goodwill	-6,185		-6,185
Interest and dividends received	-6,106	-48,154	-12,762
Interest paid	159,139	420,149	267,921
Foreign exchange gain or loss		-2,923	-17,866
Stock issuance costs	2,149		38,032
Stock issuance costs		39,650	
Bond issue costs		3,157	10,000
Loss on sale of investments in securities			499,628
Loss on appraisal of investments in securities	34,530	599,944	34,530
Loss on appraisal of stock in affiliated companies	25,000	29,999	37,448
Loss on retirement of fixed assets	49,910	41,102	62,767
Loss on sale of fixed assets			58
Gain on sale of fixed assets			-183
Loss from change of equity investees	20,777	14,890	315,011
Gain from change of equity investees	-303,525	-1,651	-544,874
Increase in operating loans	1,558,720	7,181,828	2,973,207
Increase in securities deposits received	1,277,706	769,038	1,527,510
Increase in segregated trust account	-4,902,000	-5,450,000	-5,352,000
Increase in security deposits	3,410,416	7,085,973	4,178,570
Change in business investments in securities		-87,107	-538,368
Change in accounts receivable	-143,251	237,355	-397,305
Change in inventory assets	-25,248	-63,734	728
Other change in assets	-1,363,343	-4,214,028	150,296
Decrease in purchase debts	-1,199,192	-826,231	-482,841
Other increases in liabilities	1,719,303	1,205,502	2,159,270
Directors bonuses paid	-69,252		-69,252
Sub total	3,872,023	10,785,337	7,866,732

	Previous Corresponding Quarter End of 3Q 2006	Current Quarter End of 3Q 2007	(Reference) Fiscal Year Ended 12/ 2006
Category	Amount (¥thousands)	Amount (¥thousands)	Amount (¥thousands)
Interest and dividends received	5,157	50,144	4,873
Interest paid	-147,559	-437,241	-208,023
Corporate tax etc. paid	-2,939,928	-2,204,049	-3,118,809
Cash Flow from Operating Activities	789,692	8,194,191	4,544,773
II Cash Flow from Investing Activities			
Revenue accrued on return of fixed deposit	920,000	20,000	1,045,207
Expenditure on acquisition of tangible fixed assets	-410,477	-305,842	-446,228
Revenue accrued on sale of tangible fixed assets	339,981	3,700	343,546
Expenditure on acquisition of intangible fixed assets	-1,228,935	-901,445	-1,997,012
Revenue accrued on sale of intangible fixed assets			1,018
Expenditure on acquisition of securities		-59,970	-995,206
Expenditure on acquisition of investments in securities	-2,278,543	-1,004,972	-1,767,220
Revenue accrued on sale of investments in securities	3,173,857	6,318,871	3,161,591
Revenue accrued on redemption of investments in securities	50,000	22,006	50,000
Expenditure on acquisition of subsidiary stock	-108,421	-7,711,168	-416,421
Revenue accrued on sale of subsidiary stock	361,055	1,055,290	361,055
Expenditure on an anonymous investment partnership with an affiliated company	-2,900,000		-2,900,000
Expenditure on the acquisition of subsidiary stock arising from change in scope of consolidation	-3,253,448		-350,605
Expenditure on loans	-4,200	-7,060,720	-15,063
Revenue accrued on collection of loans	111,920	2,324,984	433,256
Revenue accrued on other investment activities	284,483	77,360	312,405
Expenditure on other investment activities	-198,840	-90,415	-221,010
Cash Flow from Investing Activities	-5,141,568	-7,312,321	-3,400,688

	Previous Corresponding Quarter End of 3Q 2006	Current Quarter End of 3Q 2007	(Reference) Fiscal Year Ended 12/ 2006
Category	Amount (¥thousands)	Amount (¥thousands)	Amount (¥thousands)
III Cash Flow from Financing Activities			
Revenue accrued on short-term loans	35,302,304	20,450,000	69,266,068
Expenditure on repayment of short term loans	-16,808,130	-38,482,096	-46,484,166
Revenue accrued on long term loans	19,851,700	950,000	20,597,536
Expenditure on repayment of long term loans	-11,053,904	-10,906,056	-16,323,849
Revenue accrued on issue of stock		4,969,149	7,626,208
Revenue accrued on issue of bonds	1,000,000	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
Expenditure on stock issue for minority shareholders	468,541	66,820	2,497,858
Expenditure on the sale and acquisition of treasury stock	31,685	-119	31,685
Payment of dividends	-321,274	-3,521	-365,405
Payment of dividends to minority shareholders	-135,965	-183,382	-160,626
Cash Flow from Financing Activities	-1,270,043	-18,117,364	7,995,309
IV Effect of Exchange Rate on Cash and Equivalents	4,510	12,433	21,542
V Increase in Cash and Equivalents	-5,617,408	-17,223,059	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 following Increase in Consolidated Subsidiaries	4,635,872	30,609	738,786
VIII Increase in Cash and Equivalents following Merger	77,770		77,639
IX Balance of Cash and Equivalents at the End of the Term	22,299,117	15,987,796	33,180,245



## (5) Segment Information

Information presented by business segment

Previous Corresponding Quarter (FY2006 End of 3Q)

(Unit: ¥thousands)

Item	Internet Use Support (Infrastructure)	Internet Advertising Support (Media)	Internet Finance	Total	Intercompany transaction adjustment or all companies	Consolidated
Sales	12,392,340	8,905,706	14,881,873	36,179,920	(239,176)	35,940,744
Operating Expenses	10,372,145	8,568,662	14,801,326	33,742,134	(348,126)	33,394,007
Operating Profit	2,020,195	337,044	80,547	2,437,786	(108,950)	2,546,736

Current Quarter (FY2007 End of 3Q)

(Unit: ¥thousands)

Item	Internet Use Support (Infrastructure)	Internet Advertising Support (Media)	Internet Finance	Total	Intercompany transaction adjustment or all companies	Consolidated
Sales	13,980,895	9,811,217	14,163,342	37,955,454	(240,714)	37,714,740
Operating Expenses	12,219,982	9,015,283	26,528,626	47,763,891	(279,873)	47,484,018
Operating Profit	1,760,912	795,934	-12,365,284	-9,808,436	(39,159)	-9,769,277

(Reference) Previous Term (Term ended December 2006)

(Unit: ¥thousands)

Item	Internet Use Support (Infrastructure)	Internet Advertising Support (Media)	Internet Finance	Total	Intercompany transaction adjustment or all companies	Consolidated
Sales	16,860,212	12,293,670	22,102,434	51,256,317	(413,888)	50,842,428
Operating Expenses	14,168,889	11,756,239	21,225,347	47,150,477	(579,662)	46,570,814
Operating Profit	2,691,322	537,430	877,086	4,105,839	165,774	4,271,614

Significant Items Concerning the Accounting Basis of the Consolidated Financial Statement

1. Items concerning the scope of the consolidation

(1) Number of consolidated subsidiaries: 33

Major consolidated subsidiaries:

Magclick, Inc. GMO Hosting & Security, Inc. GMO Payment Gateway, Inc.

Following the sale of all stock held in former consolidated subsidiaries GMO Internet Securities Inc. and 18 companies operating in the loans and credit business including GMO LOAN-CREDIT HOLDINGS Inc. (now NC LOAN-CREDIT HOLDINGS) and GMO NetCard Inc. (now NetCard, Inc.), the group's holdings in the companies have been reduced and as a result they have been excluded from the consolidation.

These companies are only represented in the profit and loss statements and cash flow statements for the first half of the current fiscal year.

(2) Number of non-consolidated subsidiaries: 19

Major non-consolidated subsidiaries:

Patent Incubation Capital, Inc.

Non-consolidated subsidiaries are all small-scale companies. None of the companies' consolidated total assets, sales, consolidated net profit and loss (relevant to our holdings) or earned surpluses (relevant to our holdings) have any significant impact on the consolidated financial statements.

2. Items concerning equity method affiliates

The company has no equity method affiliates

The equity method is no longer applied to the 19 non-consolidated subsidiaries and 2 affiliated companies (Humeia Registry, Inc. and Hit, Inc.) as the impact of each company's net profit (relevant to our holdings), and earned surplus (relevant to our holdings) is minor and they are not significant to the group as a whole.

3. Items concerning the closing date of the third quarter in consolidated subsidiaries

Companies that close the third quarter on June 30

GMO Payment Gateway Inc.

Companies that close the third quarter on December 31

Epsilon Inc.

Companies that close the third quarter on February 28

GMO VenturePartners Investment Limited Partnership, Blog Business Fund Investment Limited Partnership

Consolidated financial statements are prepared based on the provisional financial statements of GMO Payment Gateway, Inc. and Epsilon, Inc. at the close of the term and provisional statement prepared on August 31 by GMO VenturePartners Investment Limited Partnership and Blog Business Fund Investment Limited Partnership.

The consolidated statements will be adjusted as necessary to reflect any significant transactions that occur between these dates and the consolidated closing date.

4. Items concerning accounting standards

(1) Method and standards for the evaluation of assets

(i) Securities

Bonds held to maturity

Amortized cost (straight-line) method

Other securities

Securities with a market value: stated at actual market value on the closing day of the quarter. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of stockholders' equity. The cost of securities sold is determined by the moving average method.

Securities with no market value: Stated at cost determined by the moving average method.

(ii) Derivatives transactions

Valuation on derivative transactions is at current market value

(iii) Inventory Assets

Products: Stated at cost determined by the moving average method.

Products in progress: Stated at cost determined by the identified cost method.

Inventory: Stated at cost determined by the gross average method.

(2) Depreciation of major depreciable assets

- (i) Tangible fixed assets
  - (A) Assets acquired prior to March 31, 2007  
Former fixed rate method
  - (B) Assets acquired after April 1, 2007  
Fixed rate method. The useful life of fixed assets is generally defined as below.  
Buildings: 8-50 years                      Tools and Equipment: 2-20 years
- (ii) Intangible fixed assets  
Intangible fixed assets are amortized using the straight line method. Computer software used by the company is amortized using the straight line method over an estimated useful life of five years.
- (3) Significant deferred assets  
New stock issuance costs: Stated as the full amount of the expense at the time of spending  
New bond issuance costs: Stated as the full amount of the expense at the time of spending
- (4) The calculation of significant reserves
  - (i) Allowance for doubtful debt  
The allowance for doubtful debt is a provision against loss resulting from bad debt occurring on loans sold. The allowance for general loans is calculated using a loan loss ratio. In cases where it is deemed that there is a high risk of default or in other specified circumstances, the loan is individually evaluated and the amount considered unlikely to be redeemed is reserved.
  - (ii) Allowance for bonuses  
The company follows the Japanese practice of paying bonuses to employees, generally twice a year. The current portion of the expected bonus payment is reserved to provide for employee bonuses.
  - (iii) Allowance for director bonuses  
An amount is reserved for the payment of bonuses to directors based on salaries to be paid.
  - (iv) Allowance for retirement bonus  
The current portion of the projected amount to be paid during the term is reserved to provide for employee retirement bonuses.
- (5) Handling of lease transactions  
Financing and lease transactions, other than those recognized as transferring property rights of a rental property to a lessee, are accounted for in the same manner as operating leases.
- (6) Hedge Accounting Method
  - (i) Hedge Accounting Method  
When conditions for appropriation treatment are met appropriation treatment is used for foreign exchange contracts and currency swaps.
  - (ii) Hedging Instruments and Hedged Items
 

Hedging Instruments	Hedged Items
Foreign exchange contracts	Foreign currency transactions
Currency Swaps	Foreign currency debt
  - (iii) Hedge Policy  
We trade currency and conduct currency swaps to minimize risk caused by exchange rate fluctuations. Individual contracts are drawn for each hedge item.
  - (vi) Method of Evaluating Hedge Effectiveness  
The company evaluates hedge effectiveness by assessing the hedge transaction conditions and the amount of debt or credit on each derivative transaction and hedge item.
- (7) Other Significant Items Relating to the Preparation of the Consolidated Financial Statement  
Consumption tax is separately accounted for by excluding it from each transaction amount. However the tax included method is employed in some cases. Consumption tax not covered by the subtraction that occurs on fixed assets are stated as long term advanced payments and are amortized over 5 years. Other items stated as expenses in the fiscal year they occurred.
- 5. Evaluation of assets and liabilities in consolidated subsidiaries  
Assets and liabilities in consolidated subsidiaries are evaluated based on their full market value.
- 6. Amortization of goodwill and negative goodwill  
5 year equal amortization. 1 time amortization on small amounts at the time they occur
- 7. Scope of the Consolidated Cash Flow Statement  
Funds (cash and equivalents) stated in the consolidated cash flow statements are cash on hand, deposits that can be drawn on as needed and short term investments that can be readily converted, bear minimal price fluctuation risk and whose date of maturity falls within 3 months of the date of acquisition.

## 6. Condensed Financial Statements etc. [Unaudited]

## (1) Condensed Balance Sheet

(Unit: ¥thousands)

Item	Previous Corresponding Quarter 09.30.2006	Current Quarter 09.30.2007	Change		(Reference) Fiscal Year Ended 12/2006
	Amount	Amount	Amount	% Change	Amount
<b>(Assets)</b>					
<b>I Current Assets</b>					
1. Cash and deposits	5,411,036	5,918,383	507,346	9.4	7,569,951
2. Accounts receivable - trade	1,298,274	1,289,410	-8,864	-0.7	1,369,230
3. Inventory assets	26,776	22,181	-4,595	-17.2	14,214
4. Short term loans receivable	5,004,035	8,036,877	3,032,841	60.6	6,786,943
5. Accrued income	65,579	3,339,223	3,273,644	4991.9	39,620
6. Deferred tax asset	373,756	370,113	-3,642	-1.0	266,079
7. Other	529,556	391,193	-138,362	-26.1	420,026
Allowance for doubtful debts	-614,879	-593,286	21,592	-3.5	-615,479
Total Current Assets	12,094,135	18,774,096	6,679,960	55.2	15,850,586
<b>II Fixed Assets</b>					
1. Tangible fixed assets					
(1) Buildings	70,155	65,002	-5,153	-7.3	68,935
(2) Tools and equipment	67,492	40,964	-26,528	-39.3	59,954
(3) Other	509	1,383	873	171.5	478
Total tangible fixed assets	138,157	107,350	-30,807	-22.3	129,369
2. Intangible fixed assets					
(1) Goodwill (new)	246,545	136,969	-109,575	-44.4	219,151
(2) Software	65,892	179,170	113,278	171.9	79,554
(3) Nominal account for software	128,953	32,519	-96,433	-74.8	133,842
(4) Telephone subscription rights	12,381	12,381	-	-	12,381
(5) Other	9,924	7,403	-2,521	-25.4	9,291
Total intangible fixed assets	463,697	368,445	-95,251	-20.5	454,221
3. Investments and other assets					
(1) Investments in securities	5,045,412	1,052,747	-3,992,665	-79.1	5,076,142
(2) Stock in affiliated companies	31,397,217	4,421,673	-26,975,544	-85.9	32,069,558
(3) Long term loans receivable	998,632	101,324	-897,307	-89.9	154,477
(4) Security deposit	485,741	507,360	21,619	4.5	486,000
(5) Deferred tax asset	197,153	2,026,041	1,828,888	927.6	202,587
(6) Other	574,568	71,331	-503,236	-87.6	574,526
(7) Allowance for doubtful debts	-4,600	-2,200	2,400	-52.2	-4,000
(8) Allowance for investment losses	-158,241	-158,241	-	-	-158,241
Total investments and other assets	38,535,885	8,020,037	-30,515,847	-79.2	38,401,053
Total Fixed Assets	39,137,740	8,495,833	-30,641,907	-78.3	38,984,643
Total Assets	51,231,876	27,269,929	-23,961,946	-46.8	54,835,230

## GMO Internet Inc. (9449) Financial Statement – 3rd Quarter FY2007

Item	Previous Corresponding Quarter 09.30.2006	Current Quarter 09.30.2007	Change		(Reference) Fiscal Year Ended 12/2006
	Amount	Amount	Amount	% Change	Amount
<b>(Liabilities)</b>					
<b>I Current Liabilities</b>					
1. Short term debt	22,397,332	11,684,802	-10,712,529	-47.8	24,497,332
2. Accrued amount payable	1,170,922	1,097,640	-73,281	-6.3	1,043,902
3. Accrued expenses	61,459	57,576	-3,882	-6.3	123,687
4. Accrued corporate taxes etc.	21,157	31,624	10,466	49.5	-
5. Advanced payments received	232,080	253,943	21,863	9.4	241,601
6. Allowance for bonuses	26,588	24,397	-2,191	-8.2	11,093
7. Deposit received	3,348,197	2,235,770	-1,112,426	-33.2	3,041,880
8. Other	94,227	83,794	-10,432	-11.1	105,563
<b>Total Current Liabilities</b>	<b>27,351,964</b>	<b>15,469,550</b>	<b>-11,882,414</b>	<b>-43.4</b>	<b>29,065,059</b>
<b>II Fixed Liabilities</b>					
1. Bonds	1,000,000	1,000,000	-	-	1,000,000
2. Convertible bonds with equity warrants	-	5,000,000	5,000,000	-	-
3. Security deposit received	134,159	168,829	34,670	25.8	132,558
4. Long term debt	8,636,002	4,358,670	-4,277,332	-49.5	8,636,002
<b>Total Fixed Liabilities</b>	<b>9,770,161</b>	<b>10,527,499</b>	<b>757,338</b>	<b>7.8</b>	<b>9,768,560</b>
<b>Total Liabilities</b>	<b>37,122,125</b>	<b>25,997,050</b>	<b>-11,125,075</b>	<b>-30.0</b>	<b>38,833,620</b>
<b>(Net Assets)</b>					
<b>I Shareholders' Equity</b>					
1. Capital stock	3,328,299	9,651,757	6,323,458	190.0	7,148,299
2. Capital surplus					
(1) Capital reserve	5,255,600	11,311,678	6,056,077	115.2	9,065,600
(2) Other capital surplus	122,741	-	-122,741	-	122,741
<b>Total Capital Surplus</b>	<b>5,378,342</b>	<b>11,311,678</b>	<b>5,933,336</b>	<b>110.3</b>	<b>9,188,342</b>
3. Earned surplus					
(1) Earned reserve	13,600	-	-13,600	-	13,600
(2) Other earned surplus					
Special reserve	700,000	-	-700,000	-	700,000
Earned surplus carried forward	4,670,886	-19,702,776	-24,373,662	-521.8	-1,086,806
<b>Total Earned Surplus</b>	<b>5,384,486</b>	<b>-19,702,776</b>	<b>-25,087,262</b>	<b>-465.9</b>	<b>-373,206</b>
4. Treasury stock	-208	-327	-119	57.4	-208
<b>Total Shareholders' Equity</b>	<b>14,090,919</b>	<b>1,260,331</b>	<b>-12,830,587</b>	<b>-91.1</b>	<b>15,963,226</b>
<b>II Gaps in Appraisals, Conversions, etc.</b>					
1. Other gaps in appraisal of securities	5,174	7,810	2,635	50.9	25,032
2. Hedging profit/loss carried forward	13,655	4,736	-8,919	-65.3	13,351
<b>Total gap in appraisals, conversions etc.</b>	<b>18,830</b>	<b>12,547</b>	<b>-6,283</b>	<b>-33.4</b>	<b>38,383</b>
<b>Total Net Assets</b>	<b>14,109,750</b>	<b>1,272,879</b>	<b>-12,836,871</b>	<b>-91.0</b>	<b>16,001,610</b>
<b>Liabilities, Net Assets Total</b>	<b>51,231,876</b>	<b>27,269,929</b>	<b>-23,961,946</b>	<b>-46.8</b>	<b>54,835,230</b>

## (2) Condensed Profit and Loss Statement

(Unit: ¥thousands/%)

Item	Previous Corresponding Quarter 09.30.2006	Current Quarter End of 3Q 09.30.2007	Change		(Reference) Fiscal Year Ended 12/2006
	Amount	Amount	Amount	% Change	Amount
I Operating Revenue	8,987,453	9,661,426	673,972	7.5	12,133,675
II Business Expenses	5,665,353	6,331,411	666,057	11.8	7,700,463
III Sales General & Administrative Expenses	2,441,092	2,284,420	-156,672	-6.4	3,245,142
Operating Profit	881,007	1,045,594	164,587	18.7	1,188,069
IV Non Operating Revenue	1,076,095	422,663	-653,432	-60.7	1,217,308
V Non Operating Expenses	350,919	616,130	265,210	75.6	537,985
Ordinary Profit	1,606,183	852,127	-754,055	-46.9	1,867,392
VI Extraordinary Profit	2,173,796	4,387,571	2,213,775	101.8	2,173,796
VII Extraordinary Loss	927,851	26,848,837	25,920,986	2793.7	6,789,808
Net profit/loss before adjustments for tax etc. (current term)	2,852,127	-21,609,138	-24,461,266	-857.6	-2,748,619
Corporate, Municipal and Enterprise Taxes	9,895	3,399	-6,496	-65.6	78,013
Adjustment for Corporate Tax etc.	976,530	-1,909,762	-2,886,293	-295.6	1,065,359
Net Profit or Net Loss in the Current Quarter	1,865,700	-19,702,776	-21,568,476	-1156.1	-3,891,992

(3) Statement of Changes in Shareholders' Equity etc.  
Current Fiscal Term (01.01.2007 to 09.30.2007)

	Shareholders' Equity			
	Capital Stock	Capital Surplus		
		Capital Reserve	Other Capital Surplus	Total Capital Surplus
Balance on 12.31.06 (¥thousands)	7,148,299	9,065,600	122,741	9,188,342
Amount of change in the fiscal term				
New stock issued (third party allocation) (¥thousands)	2,503,458	2,496,542		2,496,542
Reduction of earned reserve (¥thousands)				
Reduction of capital reserve (¥thousands)		-250,464	250,464	
Reduction due to loss replenishment (¥thousands)			-373,206	-373,206
Net loss (¥thousands)				
Acquisition of treasury stock				
Total amount of change in the fiscal term (¥thousands)	2,503,458	2,246,077	-122,741	2,123,336
Balance on 09.30.07 (¥thousands)	9,651,757	11,311,678		11,311,678

	Shareholders' Equity					Total Shareholders' Equity
	Earned Surplus				Treasury Stock	
	Earned Reserve	Other Earned Surplus		Total Earned Surplus		
Special Reserve		Earned Surplus Carried Forward				
Balance on 12.31.06 (¥thousands)	13,600	700,000	-1,086,806	-373,206	-208	15,963,226
Amount of change in the fiscal term						
New stock issued (third party allocation) (¥thousands)						5,000,000
Reduction of earned reserve (¥thousands)	-13,600		13,600			
Reduction of capital reserve (¥thousands)						
Reduction due to loss replenishment (¥thousands)		-700,000	1,073,206	373,206		
Net loss (¥thousands)			-19,702,776	-19,702,776		-19,702,776
Acquisition of treasury stock					-119	-119
Total amount of change in the fiscal term (¥thousands)	-13,600	-700,000	-18,615,969	-19,326,569		-14,702,894
Balance on 09.30.07 (¥thousands)			-19,702,776	-19,702,776	-327	1,260,331

	Gaps in Appraisals, Conversions, etc			Total Net Assets
	Other Gaps in Appraisals of Securities	Hedging Profit/Loss Carried Forward	Total gap in appraisals, conversions etc.	
Balance on 12.31.06 (¥thousands)	25,032	13,351	38,383	16,001,610
Amount of change in the fiscal term				
New stock issued (third party allocation) (¥thousands)				5,000,000
Reduction of Earned Reserve (¥thousands)				
Reduction of Capital Reserve (¥thousands)				
Reduction due to Loss Replenishment (¥thousands)				
Net loss (¥thousands)				-19,702,776
Acquisition of Treasury Stock				-119
Change in items other than Shareholders' Equity in the term (net amount) (¥thousands)	-17,221	-8,614	-25,836	-25,836
Total amount of change in the fiscal term (¥thousands)	-17,221	-8,614	-25,836	-14,728,731
Balance on 09.30.07 (¥thousands)	7,810	4,736	12,547	1,272,879

