Fiscal Year 2008 Financial Statement

February 12, 2009

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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Date of Annual General Shareholders Meeting: March 26, 2009 Start Date of Dividend Payout: March 27, 2009
Date of Annual Report Release: March 27, 2009

(all amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended December 2008 (01.01.2008 – 12.31.2008)

(1) Consolidated Operating Results (percentages represent year-on-year % change)

	Sales		Operating Profit		Ordinary Profit		Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FYE 12/2008	37,247	-19.6	4,143	—	4,031	—	2,111	—
FYE 12/2007	46,315	-8.9	-8,922	—	-9,666	—	-17,598	—

	Net Profit per Share	Net Profit per Share (Diluted)	Ratio of Shareholders' Equity to Net Profit	Ratio of Total Assets to Ordinary Profit	Ratio of Sales to Operating Profit
	¥	¥	%	%	%
FYE 12/2008	21.01	—	36.3	10.0	11.1
FYE 12/2007	-231.72	—	-217.6	-10.3	-19.3

(Reference) Earnings/Loss on Equity Method Investment: FYE 12/ 2008: ¥0 million FYE 12/2007: ¥0 million

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	¥ millions	¥ millions	%	¥
FYE 12/2008	39,752	13,367	17.0	67.26
FYE 12/2007	40,620	12,057	12.0	48.41

(Reference) Shareholders' Equity: FYE 12/ 2008: ¥6,758,000,000 FYE 12/2007: ¥4,864,000,000

(3) Consolidated Cash Flow

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Equivalents End of Term Balance
	¥ millions	¥ millions	¥ millions	¥ millions
FYE 12/2008	4,940	-1,653	-4,144	18,456
FYE 12/2007	8,740	-1,812	-20,838	19,303

2. Dividends

	Dividend per Share					Total Dividend Payout (Full-Year)	Payout Ratio (Consolidated)	Ratio of Dividend to Net Assets (Consolidated)
Date of Record	End of Q1	End of Q2	End of Q3	End of Q4	Total			
	¥	¥	¥	¥	¥	¥ millions	%	%
FYE 12/2007	—	—	—	—	—	—	—	—
FYE 12/ 2008	—	—	—	7.0	7.0	703	33.3	12.1
FYE 12/2009 (forecast)	—	2.0	—	4.0	6.0		31.7	

3. Consolidated Results Forecast for the Fiscal Year Ending December 2009 (01.01.2009 – 12.31.2009)

(Full year % represent previous fiscal year comparison; Interim % represent previous interim comparison)

	Sales		Operating Profit		Ordinary Profit		Net Profit		Net Profit per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Interim	18,500	7.5	1,900	-5.0	1,850	1.9	800	-17.8	7.96
Full-Year	39,300	5.5	4,600	11.0	4,500	11.6	1,900	-10.0	18.91

4. Other

(1) Significant changes in subsidiaries in the current term (transfer of a subsidiary resulting in change in scope of consolidation): none

New: 0 companies (company name) Excluded: 0 companies (company name)

(Note: Please refer to The Corporate Group, page 13 for details.)

(2) Changes to accounting principles, procedures or representation relating to creation of the consolidated financial statement. (Changes to significant accounting bases used in creation of the financial statement)

(i) Changes resulting from revisions to accounting standards: none

(ii) Changes other than those specified above: none

(Note: Please refer to Significant Items upon Which the Consolidated Financial Statement is Based, page 25 for details.)

(3) Number of Outstanding Shares (Common Shares)

i)	No. of outstanding shares at end of term (including treasury shares)	FYE 12/ 2008: 100,484,441	FYE 12/2007: 100,484,441
ii)	No. of treasury shares at end of term	FYE 12/ 2008: 1,271	FYE 12/2007: 1,048

(Note: Please refer to Per Share Data, page 40 for the calculation basis for consolidated net profit per share.)

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended December 2008 (01.01.2008 – 12.31.2008)

(1) Non-Consolidated Operating Results (percentages represent year-on-year % change)

	Sales		Operating Profit		Ordinary Profit		Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FYE 12/2008	12,162	-6.0	1,622	23.4	2,148	94.2	2,166	—
FYE 12/2007	12,933	6.6	1,314	10.7	1,106	-40.8	-25,625	—

	Net Profit per Share	Net Profit per Share (Diluted)
	¥	¥
FYE 12/2008	21.56	—
FYE 12/2007	-337.42	—

(2) Non-Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	¥ millions	¥ millions	%	¥
FYE 12/2008	20,710	3,430	16.6	34.14
FYE 12/2007	21,127	1,291	6.1	12.84

(Reference) Shareholders' Equity FYE 12/ 2008: ¥3,430,000,000 FYE 12/2007: ¥1,291,000,000

<u>* Note regarding the appropriate use of results forecasts and other items</u>

The above projections are based on information available at the present time and include judgments based on factors that are largely indeterminable. Actual results may differ from the figures above as a result of changes in business environment and other factors.

1. Operating Results

(1) Operating Results Analysis

General Business Conditions
In the fiscal year 2008, the US sub prime loan crisis of the previous year continued to cause financial instability in Japan. Since the beginning of the year the yen has risen sharply and prices of crude oil and other resources have fluctuated. As a result corporate earnings growth in the domestic market has remained flat and there is continued uncertainty over what lays ahead.
In the Internet market, the arena in which the company operates, the number of broadband service users reached 33.4 million at the end of September 2008 and the Internet continued to expand.
The GMO Internet Group focused management resources on Internet Use Support (Infrastructure) and Internet Advertising Support (Media) operations, building synergy between the two segments to ensure continued growth going forward.
In the period under review consolidated sales reached ¥37.247 billion (19.6% year-on-year decrease) operating profit was ¥4.143 billion (¥8.922 billion operating loss recorded in the previous corresponding period), and ordinary profit was ¥4.031 billion (¥9.666 billion ordinary loss recorded in the previous corresponding period). This significant year-on-year drop in earnings appears because results in the finance business, from which the company withdrew in 2007, are no longer included. Conversely, withdrawal from the Internet finance segment, the cause of substantial losses in the previous year, resulted in a major hike in operating and ordinary profits.
As the following segment report shows, performance in the Internet infrastructure and Internet media segments has been positive. In the current consolidated fiscal year net profit before adjustments for tax etc. was ¥3.556 billion. Extraordinary profits included gain on the sale of investment securities, gain on recovery of claims in bankruptcy previously written off, the sale of a business in a subsidiary, and gain on change of equity investees following a public offering at the time of listing on JASDAQ of consolidated subsidiary, paperboy& co. Inc. An extraordinary loss was recorded on impairment of investment securities, impairment or retirement of other assets including software and goodwill, and withdrawal losses following the decision to withdraw from the recruitment advertising business operated by consolidated subsidiary GMO San Planning, Inc. Net profit increased significantly to ¥2.111 billion (¥17.598 billion loss recorded in the previous corresponding term) after minority interests of ¥340 million and a corporate tax etc. adjustment of ¥1.104 billion.

Segment Report
Internet Use Support (Infrastructure)
In Internet Use Support (Infrastructure), domain registration, web hosting, e-commerce solutions & web development, security, and payment processing, the five major businesses in the segment continued to perform solidly.
The domain business exceeded 850 thousand domain registrations, a 19.1% year-on-year increase. In the current consolidated fiscal year .asia, .me, .am, and .fm were opened up to general registration taking the total domain line up to over 30 domains. A campaign was run offering registration and renewal of 26 country level domains at the cheapest prices in Japan. The domain business reported sales of ¥2.378 billion (13.5% year-on-year increase).
In the web hosting business, disk capacity was boosted and functionality expanded in response to the growing sophistication and diversification of client needs. Contracts were up 7.5% year-on-year to 380,000 and the business reported sales of ¥8.697 billion (4.3% year-on-year increase).
The e-commerce & web development business also showed solid profit growth. Contracts were up 40.6％ year-on-year to 29 thousand and sales reached ¥3.031 billion (2.9% year-on-year increase). GMO System Consulting, Inc. (formerly Grandsphere Co. Ltd.) spun out its digital content sales ASP business into a company called GMO DIGITAL DISTRIBUTION, Inc. to keep pace with a growing digital content distribution and sales market.
The security business was operating not only in Japan, but also in Europe, North America, and China. In the current term, the security business developed new authentication services in

partnership with Yahoo! JAPAN while focusing on brand building, product improvement, and sales channel diversification. As a result it reported sales of ¥1.076 billion (12.0% year-on-year increase).
The payment processing business saw an increase in merchants and expansion in the recurring payment sector. The business is also actively expanding public sector payment operations and its credit card payment processing services were adopted by Katsushika ward in Tokyo, Owase city in Mie prefecture, and Amagasaki city in Hyogo prefecture. Payment processing reported sales of ¥2.213 billion (14.8% year-on-year increase).

Results in the Internet Infrastructure segment, including these five major product areas, were as follows; sales: ¥19.030 billion, (0.9% year-on-year increase), operating profit: ¥2.460 billion yen (6.4% year-on-year increase).

Internet Advertising Support (Media)
GMO Internet Group media web sites attracted 21.26 million users in September 2008 according to Nielsen//NetRatings. This media asset is rapidly boosting profitability in the Internet media segment.
The fiscal year saw solid performance in Internet media & search media, the business that includes the Japanese language search tool JWord, SEM media services like SEO and search related advertising conducted in partnership with Overture. The business reported sales of ¥9.035 billion (34.6% year-on-year increase).
Despite strong performance in mobile advertising, conditions remain difficult in the advertising agencies business due to worse than expected deterioration of employment in the recruitment advertising arena. As a result, in line with the group’s current business strategy, we have determined that the best move is to concentrate on the Internet advertising business. It has been resolved to withdraw from recruitment advertising. Also in the current fiscal year, the Internet Media segment acquired a stake in NIKKO, Inc. to strengthen Internet advertising sales and focus on strategic development of SEM. The acquisition of NIKKO, Inc. occurred at the end of the interim accounting term and therefore only sales in the latter half of the year are included in the advertising agencies business sales. Advertising agencies business sales were ¥8.799 billion (45.7% year-on-year increase).

Overall sales in Internet Media, the segment encompassing the above businesses, were ¥18.762 billion (37.8％ year-on-year increase) and operating profit was ¥1.647 billion (50.4％ year-on-year increase).

Other Businesses
The Internet Finance business, until last term reported as a separate business segment, was significantly reduced in scale following 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. Due to the reduced significance of Internet finance operations they are now reported under other business.
The venture capital business, the only business operating in the Other Businesses segment during the fiscal year, saw a return on investment following the partial sale of its stake in a company that executed an IPO.
Results in the Other Businesses segment were as follows; sales: ¥76.73 million, and operating profit: -¥11.3 million.

FY 2009 Earnings Forecast
Going into fiscal year 2009, management continues to focus resources on the Internet Use Support (Infrastructure) and Internet Media Support (Advertising) segments as the group commits to improving business value by cultivating synergy between the two segments.
Full year forecasts are as follows.
Projections are based on information available at the present time and include judgments based on factors that are largely indeterminable. Actual results may differ from the figures below as a result of changes in the business environment and other factors.

Consolidated Results Forecast (01.01.2009 – 12.31.2009)

	Fiscal Year Ending December 2009	% Change (Year-on-Year)	Fiscal Year Ended December 2008
	¥ millions	%	¥ millions
Sales	39,300	5.5	37,247
Operating Profit	4,600	11.0	4,143
Ordinary Profit	4,500	11.6	4,031
Net Profit	1,900	-10.0	2,111

(2) Analysis of Financial Condition
Assets, Liabilities, and Shareholders' Equity
Significant changes in the state of assets, liabilities, and shareholders' equity between December 31, 2008 and December 31, 2007, are as follows.
In current assets, trade notes and accounts receivable increased by ¥995.91 million primarily as a result of NIKKO becoming a consolidated subsidiary, and there was a ¥995.76 million decrease as a result of redemption of securities. In fixed assets, there was a decrease of ¥402.52 billion yen as a result of depreciation and an impairment loss on goodwill. There was a decrease of ¥313.51 million in investment securities due to the partial sale of securities held, and fluctuations in market prices. Deferred tax asset increased ¥320.74 million as a result of factors including a revision of recoverability. Total assets balance was down ¥867.49 million to ¥39.752 billion.
In the current liabilities column, trade notes and accounts payable increased by ¥712.44 million primarily as a result of NIKKO becoming a consolidated subsidiary. Short-term loans were converted to long-term loans to stabilize financing, and as a result decreased by ¥11.200 billion. Under fixed liabilities, unsecured convertible bonds with equity warrants decreased ¥5.000 billion following redemption, and long-term loans were up ¥10.932 billion as a result of the conversion from short-term to long-term loans. A decline of ¥2.177 billion in liabilities was recorded and the final balance stood at ¥26.385 billion.
In regard to net assets, capital was reduced ¥11.355 billion to ¥1.276 billion, and capital surplus was reduced from ¥14.270 billion to ¥0 in a capital reduction and transfer from capital surplus to earned surplus. Earned surplus stood at ¥5.636 billion after increases resulting from net profit totaling ¥2.111 billion and ¥25.625 billion transferred from capital surplus. Shareholders' equity was up ¥2.106 billion to ¥6.912 billion. Net assets stood at ¥13.367 billion, up ¥1.309 billion due to factors including an increase in shareholders' equity and decrease in minority equity.

Cash Flow
In the current fiscal year, consolidated cash flow provided by operating activities was ¥4.940 billion while cash flow used in investing activities was ¥1.653 billion, and ¥4.144 billion was used in financing activities. As a result the balance of consolidated cash and cash equivalents stood at ¥18.456 billion at the end of the fiscal year.
The following is a summary of cash flow in the current fiscal year.
Cash flow provided by operating activities totaled ¥4.940 billion (¥8.740 billion in the previous corresponding term). Major items included net profit before tax and other adjustments amounting to ¥3.556 billion, non cash expenses including depreciation (¥802.56 million) and goodwill amortization (¥1.060 billion) as well as corporate tax and other tax payments totaling ¥1.675 billion.

Cash flow used in investing activities was ¥1.653 billion (¥1.812 billion was used in the previous corresponding term). Contributing factors include the acquisition of intangible fixed assets worth ¥1.091 billion, income of ¥216.58 million on the sale of investment securities and ¥800.00 million on the redemption of investment securities, as well as expenditure of ¥707.80 million on the execution of loans, the acquisition of treasury stock (reported as additional acquisition of subsidiary stock) by subsidiary, GMO AD Partners, Inc, and other subsidiary stock acquisition expenditure totaling ¥450.77 million.

Cash flow used in financing activities was ¥4.144 billion (¥20.838 billion was used in the previous corresponding term). Significant items included income of ¥13.250 billion from long-term loans and outflows of ¥11.227 billion due to a net decrease in short-term loans, ¥4.937 billion on redemption of bonds, and payment of dividends totaling ¥333.37 million to minority shareholders.

(Reference 1) Cash Flow Indicators

	FYE 12/2004	FYE 12/2005	FYE 12/2006	FYE 12/2007	FYE 12/2008
Shareholders' Equity Ratio	47.9	18.5	7.7	12.0	17.0
Shareholders' Equity Ratio (Market Value)	817.3	388.8	37.8	92.8	115.0
Ratio of Cash Flow to Interest Bearing Liabilities	0.9	—	16.5	2.1	2.8
Interest Coverage Ratio	117.7	—	25.1	16.1	15.4

(Reference 2)

Table: Quarterly Changes by Segment

I Sales by Segment

(Unit: ¥millions)

		2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4
Internet Use Support (Infrastructure)						
	Access provider (ISP)	459	413	374	349	331
	Domain registration	523	617	613	601	546
	Web hosting	2,088	2,142	2,176	2,156	2,221
	Ecommerce solutions & web development	957	775	715	841	698
	Security	223	275	263	255	281
	Credit card payment processing	500	519	535	578	579
	Other	135	51	41	30	39
	Segment Sales Total	4,888	4,797	4,720	4,815	4,697
Internet Advertising Support (Media)						
	Internet media & search media	1,731	2,065	2,222	2,429	2,318
	Internet advertising agencies	1,735	1,510	1,514	2,745	3,028
	Other	371	354	322	364	368
	Total	3,839	3,931	4,059	5,540	5,715
	Adjustment for inter segment transactions	(56)	(80)	(164)	(174)	(100)
	Segment Sales Total	3,783	3,850	3,894	5,365	5,615
Other Businesses						
	Other	2	40	26	8	1
	Segment Sales Total	2	40	26	8	1
Adjustment for inter segment transactions		(73)	(43)	(81)	(229)	(231)
Consolidated Sales		8,601	8,644	8,560	9,959	10,083

II Operating Profit by Segment

(Unit: ¥millions)

	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4
Internet Use Support (Infrastructure)	551	700	572	673	513
Internet Advertising Support (Media)	299	420	280	437	508
Other Businesses	-14	20	-14	-12	-5
Sub total	836	1,141	839	1,098	1,017
Adjustment for inter segment transactions	10	10	10	16	10
Consolidated Operating Profit	846	1,151	849	1,115	1,027

(Reference 3)

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

(Unit: ¥millions)

	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4
Operating Revenue	8,601	8,644	8,560	9,959	10,083
Operating Profit	846	1,151	849	1,115	1,027
Ordinary Profit	620	1,028	786	1,158	1,057
Net Profit	-5,575	489	484	917	219
Total Assets	40,620	39,486	40,650	39,891	39,752
Shareholders' Equity	4,864	5,238	5,799	6,620	6,758

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

(Unit: ¥millions)

	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4
Operating Revenue	3,271	3,230	3,120	2,961	2,848
Operating Profit	269	345	255	524	496
Ordinary Profit	253	669	223	588	666
Net Profit	-5,922	664	158	785	558
Total Assets	21,127	21,697	20,882	20,920	20,710
Shareholders' Equity	1,291	1,942	2,101	2,884	3,430

(3) Policy regarding Distribution of Dividends and Dividend Payout in the Current Term

As part of our commitment to returning profits to shareholders, it is our general policy to aim to distribute 33% of consolidated net profit through dividend payouts.

In accordance with this policy, this year we will pay an end-of-term dividend of ¥7 per share. (Scheduled start date of dividend payout: March, 27, 2009)

In regard to dividends in the next term, we plan to pay ¥6 yen per share (including ¥2 interim dividend).

(4) Business Risks

(i) Competition

The group provides competitive services in line with user needs in two main business segments. The Internet Use Support (Infrastructure) business segment comprises chiefly of domain, web hosting, e-commerce solutions & web development, security, and payment processing service businesses. The Internet Advertising Support (Media) segment consists of the Internet media & search media business and the Internet advertising agencies business. We believe our predominance in the industry is a result of competitive business development. However, there is a possibility of increased competition in the future from telecommunications companies, electric companies, and existing independent companies in individual business areas. It is also possible that a new group with the same business structure will emerge through business partnerships and mergers. If in the future, competition for gaining new customers intensifies and sales, revenue etc. decline, it may become necessary to reduce fees and increase capital expenditure and advertising. This could potentially have a serious impact on business operations and performance.

(ii) Innovation in Technology
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 new technologies we risk the services and equipment we provide becoming stale, resulting in reduced competitiveness with potentially serious consequences for the group's operations and results. We believe it is essential to concentrate efforts on improving the ability of both our systems and our staff, and to pay close attention to developments, trends, and new technologies.

(iii) Uncollected Debt
The majority of the Internet Use Support (Internet Infrastructure) trade accounts receivable is made up of small accounts worth less than ¥10,000 a month. These accounts are mostly held by consumers, one-person business operators, and SMEs. For customer convenience a wide range of payment methods are made available including, bank transfer, payment at a post office or convenience store, and payment by credit card. However, if the customer does not actively make a payment there is a delay in 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 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 effort possible to collect receivables by making demands via telephone, post, e-mail etc. as well as employing debt collectors and taking legal action. As of December 31, 2008 the allowance for doubtful debts was ¥679 million. An increase in the number of accounts in arrears, or the amount in arrears caused by economic conditions or bankruptcies has the potential to impact business performance.

(iv) Legal Regulations
The group is subject to the following legal regulations. However, as Internet use continues to spread, it is possible we will be obliged to comply with other regulations as a result of new laws or revisions aimed at Internet users and related businesses, clarification of the application of existing laws or voluntary restraints that may be required of the industry in the future.

(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, in accordance with these laws, the company is subject to regulations 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 were enacted to 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 youth in society. The laws restrict the entry of minors into these places of business. In addition they seek to ensure fair and reasonable conduct in the adult entertainment business. The law is aimed directly at business operators in this industry.
However, these laws also apply to the server space the company provides to users. Internet companies have an obligation to manage control of their own servers (effective April 1, 1999).

The company has an agreement with users concerning the content of websites created, operated etc. by the user. The agreement explicitly states that responsibility for web content lies with the user. In addition, we have made every effort to widely publicize relevant laws and regulations. We have also independently established our own regulations prohibiting the distribution of illegal and harmful information on the Internet. However, there is no guarantee that these measures will be sufficient to prevent a user, other related person or governing body lodging a claim or demanding damages in relation to a site operated by one of our users.

(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 seeks to contribute to the sound development of an advanced information-oriented society. It prohibits unauthorized computer access.
Under this law, as a company that controls the operation of computers connected to telecommunications lines, it 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 telecommunications and it was enacted in light of the increasing volume of information transmitted over the Internet. The law provides the right to demand the disclosure of sender information and limits damages claims against providers, server operators, and other telecommunications service providers.
The company is subject to these laws as a telecommunications carrier. Although the scope of company responsibility is limited under these laws, they do affect the activities of those transmitting information over the Internet. 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 claims or legal action brought against us by users, other related persons or organizations.

(e) Specified Commercial Transaction Laws
These 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, thereby contributing to the sound development of the national economy. The law regulates the display of business operators' names, prohibits unreasonable solicitation, and regulates false advertising. It also determines, cooling off periods, compensation for damages, and other civil matters.
In view of trouble arising in recent years with Internet mail-orders sales, new types of transactions (and return of goods), junk mail issues, and problems involving leakage of credit card details an amendment to the Specified Commercial Transaction Laws will be enacted within a period of a year and a half from June 18, 2008. This amendment will strengthen regulations regarding transactions occurring over the internet. It also includes regulations regarding e-mail advertising (enacted December 1, 2008).
Under this amendment, an opt-in system will be implemented concerning the sending of e-mail advertising.
The group's e-mail advertising business, and the distribution of promotional e-mail to customers are subject to these laws. It is possible that the operation of this business and promotional e-mail activities will be restricted by these laws.

(f) Laws concerning E-Mail Transmission

These laws aim to cultivate a positive environment for e-mail users and were enacted in 2002 in light of the necessity that has arisen to prevent problems associated with commercial businesses sending advertising e-mail in bulk. One requirement of the law is that the sender's contact details must be contained within the e-mail.

There was also an amendment to the law, implemented between May 30 and December 12, 2008 concerning the strengthening of international cooperation, improved efficacy of the laws, and a move from the previous opt-out system to an opt-in system applicable to the sending out of specific types of e-mail.

The group's e-mail advertising business, and the distribution of promotional e-mail advertising to customers are subject to these laws. It is possible that the operation of this business and promotional e-mail activities will be restricted by these laws.

(g) Laws Protecting Personal Information

In an advanced information communications society where personal information in recent years is increasingly being digitally transferred, this law considers the role of personal information and aims to ensure proper handling of personal information as well as protect the rights of individuals. Under this law, companies that handle personal information are subject to restrictions including those regarding use and specified use objectives of personal information, reasonable methods of acquisition of personal information, the maintenance of accurate and current personal data, safe storage, and restrictions regarding provision to third parties.

In accordance with these laws, the group is required to establish a procedure for adequately explaining usage and obtaining user permission when using personal information or passing it on to a third party.

Measures must also be taken to ensure the responsible management of such information. These obligations have arisen out of supplementary regulations that came into effect on April 1, 2005. In addition to these laws, the group must also comply with Ministry of Internal Affairs and Communications supplementary regulations in the operation of its businesses.

(h) Laws regarding the Provision of an Environment in which Young People can Safely Use the Internet

In view of the amount of information harmful to youth being distributed over the Internet, this law seeks to protect the rights of young people and provide a safe Internet usage environment. Announced June 18, 2008, the legislation has yet to be implemented but will be introduced within one year of the date of announcement.

When these laws come into effect, the group's access provider, hosting, message board, and other server management related services will be obliged to provide filtering functions and take other actions such as restricting young peoples access to harmful information. These laws will be amended three years after implementation. Depending on the details of the amendments, the company may be obliged to take other actions in this area..

In addition, the removal or restriction of information under these laws will impact distributors of information over the Internet. The group must identify information harmful to youth, and in each case make critical judgments regarding removal of or restricted access to the information concerned. The group will make every effort to reach appropriate judgments, however in the event that a judgment is deemed inappropriate the group could face claims or legal action brought against us by users, other related persons or organizations.

(v) 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 company 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 and 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 etc. may be incurred by users of 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.

(vi) The Application of Asset Impairment Accounting

In the current consolidated fiscal term, the group recorded a ¥617 million impairment loss, primarily on intangible fixed assets (goodwill and software) and investment real estate.

In regard to intangible fixed assets such as goodwill and software, the appropriate asset value is determined at the time of acquisition and only the appropriate asset value at the time is recorded under assets. If future cash flow does not reach the level forecast at the time, an impairment loss is recognized. This could potentially negatively impact group business and performance.

The company owns investment real estate in Minato ku, Tokyo, and holds real estate assets. In the case of a downturn in the real-estate market, a decline in land or rental values, impairment losses may be incurred on real estate investments.

2. The Corporate Group

The GMO Internet Group is a corporate group consisting of the company GMO Internet, Inc. and 43 consolidated subsidiaries. Under the corporate slogan *Internet for Everyone,* the group's operations are centered around the two business segments, Internet Use Support (Internet Infrastructure) and Internet Advertising Support (Internet Media).

The groups businesses are classified into the above two segments and Other Businesses. 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. Inc. *
	Web hosting	Rental server services (Web hosting services)	the company GMO Hosting & Security, Inc. paperboy&co. Inc. Hosting & Security, INC. @YMC Corporation GMO Managed Hosting, Inc. (formerly Mighty Server, Inc.)
	E-commerce solutions & web development	Web site design, operation support services, system consulting, online shop construction support, consulting, and ASP services	the company GMO System Consulting, Inc. (formerly Grandsphere Co. Ltd.) paperboy&co. Inc. * GMO Solution Partner, Inc. GMO MAKESHOP Co. Ltd (formerly MakeShop, Inc.) GMO DIGITAL DISTRIBUTION, INC. Global Web Co. Ltd. and one (1) other company
	Internet security	Information security on the Internet. Authentication services for organizations and individuals.	GlobalSign K.K. GlobalSign Ltd. GlobalSign NV GlobalSign, Inc. and one (1) other company
	Credit card payment processing	Credit card billing services	GMO Payment Gateway, Inc. Epsilon, Inc.
	Access provider (ISP)	Internet access provider	the company

* paperboy&co. Inc. is a service provider focused on services for individuals.

<table>
<tr><th colspan="2">Business Segment</th><th>Main Operations</th><th>Main Companies</th></tr>
<tr><td rowspan="3">Internet Advertising Support (Media)</td><td>Internet media & search media</td><td>Internet media development and operation, blogs, Internet communities etc. contextual advertising, JWord (Japanese keyword search) operation and sales, SEO, and listing advertising</td><td>the company
GMO AD Partners (formerly Magclick, Inc.)
GMO Media Holdings, Inc.
GMO Tea Cup Communication, Inc. (formerly Tea Cup Communication Ltd)
GMO Media, Inc.
GMO Marketing, Inc.
JWord, Inc.
paperboy&co. Inc.
GMO Solution Partner, Inc.
BOM, Inc. and eight (8) other companies</td></tr>
<tr><td>Advertising agencies</td><td>Advertising sales, mainly Internet advertising media and recruitment advertisements</td><td>GMO AD Partners, Inc. (formerly Magclick, Inc.)
GMO San Planning, Inc.
GMO Mobile, Inc.
NIKKO, Inc.</td></tr>
<tr><td>Other</td><td>Online games – design and operation, Internet research systems, and management of an Internet research panel</td><td>GMO Games Korea, Inc.
GMO Games, Inc.
GMO Research, Inc.</td></tr>
<tr><td>Other Businesses</td><td>Other</td><td>Venture capital</td><td>GMO VenturePartners, Inc.
GMO VenturePartners Investment Limited Partnership
Blog Business Fund Investment Limited Partnership</td></tr>
</table>

3. Management Policy

(1) Basic Management Policy

Under the corporate slogan *Internet for Everyone*, and 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 (Internet Infrastructure) and Internet Advertising Support (Internet Media) segments allows us to continue building a group in which two businesses work in synergy, striving to be an enterprise that contributes to society and it's people through the cultivation of Internet culture and development of the industry.

Management Philosophy

Our staff are committed to the following principles.

Our Fundamental Principle: Internet for Everyone

１）Our Dream

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

２）Our Vision – How do we triumph on the Internet?

- Amidst the ongoing digital information revolution we are committed to the provision of Internet infrastructure and service infrastructure. At the same time we want to make people excited about the Internet, to make them smile and to see them reap the many benefits the Internet has to offer.

３）Our Philosophy – What are we here to achieve?

- We strive redefine the industry and foster a vibrant Internet culture. We believe it is important to contribute to society and as a group we continually work to inspire enthusiasm in our customers and put smiles on their faces.

(2) Management Indicators

The group considers the ratio of sales to ordinary profit, and the growth rate of ordinary profit to be gauges of profitability and important management indicators. Currently, we have do not make public short term objectives however we are continuously aiming for further improvement.

(3) Medium to Long Term Business Strategy

Under the marketing slogan *The "Internet Department" to Japan* the group's Infrastructure segment provides all the services necesssary to operate a website including domain registration, web hosting, e-commerce support & web development, security, and payment processing. Our Media segment provides SEM media and website marketing solutions. As a whole, the group is a one-stop provider of everything necessary to operate and market a website. We are probably the only group in Japan to develop, operate, and distribute such a comprehensive range of Internet services.

In Japan we currently help 630 thousand businesses and 690 thousand individuals to distribute information over the Internet.

In addition, we operate services including blogging and search services used by 21.26 million people, and we provide advertising solutions.

Going forward, as the volume of information on the Internet continues to grow we expect the company will also expand. We are focusing management resources on the Internet Use Support (Infrastructure) and Internet Advertising Support (Media) business segments.

(4) Company Challenges

(i) Fostering Group Synergy

The company group has greatly expanded its business operations through its M&A strategy and the resulting acquisition of management resources. One of the most challenges we face henceforth is how to continue efficiently use those management resources.

We strive to improve group management efficiency and cultivate synergy between business segmentsin order to maximize use of management resources.

(ii) Strengthening Selling Power through Diversification of Sales Channels
Group 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 employing “pull-type” marketing as our primary marketing method while embarking on initiatives that include expanding call centers and further strengthen sales to business customers.

(iii) Improving Customer Satisfaction
Given that competition in the Internet sector will likely intensify, we believe it is imperative to address the issue of 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 Financial Statement

(1) Consolidated Balance Sheet

Item	Notes	Previous Consolidated Fiscal Year (12.31.2007) Amount (¥thousands)		Composition (%)	Current Consolidated Fiscal Year (12.31.2008) Amount (¥thousands)		Composition (%)	Change Amount (¥thousands)	
(Assets)									
I Current Assets									
1. Cash and deposits			19,143,929			18,510,672			-633,257
2. Trade notes and accounts receivable			3,542,421			4,538,338			995,917
3. Operational investment securities			951,936			886,982			-64,953
4. Securities			995,769			—			-995,769
5. Inventory assets			44,974			49,815			4,840
6. Deferred tax asset			606,091			759,166			153,075
7. Accrued income			724			4,897			4,172
8. Other			1,114,358			1,197,577			83,219
Allowance for doubtful debt			- 291,161			-302,948			-11,787
Total Current Assets			26,109,044	64.3		25,644,502	64.5		-464,542
II Fixed Assets									
1 Tangible fixed assets									
(1) Buildings and structures	*1		149,211			114,712			-34,499
(2) Tools and equipment	*1		505,051			444,364			-60,687
(3) Other	*1		24,031			10,319			-13,712
Total tangible fixed assets			678,295	1.7		569,395	1.4		-108,899
2 Intangible fixed assets									
(1) Goodwill			2,450,721			2,048,196			-402,524
(2) Software			2,173,270			1,984,072			-189,197
(3) Other			184,866			88,442			-96,423
Total intangible fixed assets			4,808,857	11.8		4,120,711	10.4		-688,145
3. Investments and other assets									
(1) Investment securities	*2		1,130,816			817,299			-313,517
(2) Investment real estate	*1		4,550,783			4,437,348			-113,435
(3) Long term loans receivable			162,454			153,138			-9,316
(4) Investments			364,920			364,870			-50
(5) Security deposit			758,096			818,393			60,296
(7) Receivables owed by companies in danger of bankruptcy or in poor financial condition			5,638,139			5,428,258			-209,880
(7) Deferred tax asset			1,841,974			2,162,724			320,749
(8) Other			226,289			702,918			476,629
Allowance for doubtful debt			- 5,649,444			-5,466,832			182,611
Total investments and other assets			9,024,030	22.2		9,418,118	23.7		394,087
Total Fixed Assets			14,511,182	35.7		14,108,225	35.5		-402,957
Total Assets			40,620,227	100.0		39,752,728	100.0		-867,499

Item	Notes	Previous Consolidated Fiscal Year (12.31.2007) Amount (¥thousands)	Composition (%)	Current Consolidated Fiscal Year (12.31.2008) Amount (¥thousands)	Composition (%)	Change Amount (¥thousands)
(Liabilities)						
I Current Liabilities						
1. Trade notes and accounts payable		831,775		1,544,219		712,444
2. Short term debt	*5	12,000,000		800,000		-11,200,000
3. Current portion of long term debt	*4,5	24,000		1,399,000		1,375,000
4. Bonds to be redeemed within a year		–		1,000,000		1,000,000
5. Amount payable		1,931,837		1,919,449		-12,388
6. Accrued corporate tax etc.		785,062		769,231		-15,831
7. Allowance for bonuses		62,410		107,456		45,045
8. Allowance for bonuses to directors		18,325		29,474		11,148
9. Advance payment received		2,106,065		2,392,138		286,073
10. Deposit received		3,246,696		3,930,424		683,728
11. Other		823,635		868,522		44,887
Total Current Liabilities		21,829,809	53.7	14,759,917	37.1	-7,069,892
II Fixed Liabilities						
1. Bonds		1,000,000		-		-1,000,000
2. Unsecured convertible bonds with share warrants		5,000,000		-		-5,000,000
3. Long term debt	*4,5	70,000		11,002,250		10,932,250
4. Long term amount payable		523,166		481,619		-41,546
5. Deferred tax liability		17,748		-		-17,748
6. Allowance for employee retirement benefits		3,557		6,428		2,870
7. Other		118,026		134,807		16,781
Total Fixed Liabilities		6,732,498	16.6	11,625,105	29.3	4,892,607
Total Liabilities		28,562,307	70.3	26,385,022	66.4	-2,177,284
(Net Assets)						
I Shareholders' Equity						
1. Capital stock		12,631,977	31.1	1,276,834	3.2	-11,355,142
2. Capital surplus		14,270,458	35.1	-	-	-14,270,458
3. Earned surplus		-22,096,368	-54.4	5,636,307	14.2	27,732,675
4. Treasury stock		- 347	0.0	-461	-0.0	-113
Total Shareholders' Equity		4,805,720	11.8	6,912,681	17.4	2,106,961
II Gaps in Appraisals, Conversions, etc.						
1. Other gaps in appraisal of securities		53,858	0.2	-14,843	-0.1	-68,702
2. Hedging profit/loss carried forward		4,406	0.0	-12,909	-0.0	-17,316
3. Foreign currency translation adjustment account		476	0.0	-126,499	-0.3	-126,976
Total Gaps in Appraisals, Conversions, etc		58,741	0.2	-154,252	-0.4	-212,994
III Minority Equity		7,193,457	17.7	6,609,277	16.6	-584,180
Total Net Assets		12,057,919	29.7	13,367,705	33.6	1,309,785
Total Liabilities, Net Assets		40,620,227	100.0	39,752,728	100.0	-867,499

(2) Consolidated Profit and Loss Statement

Item	Notes	Previous Consolidated Fiscal Year (01.01-12.31.2007)			Current Consolidated Fiscal Year (01.01-12.31.2008)			Change	
		Amount (¥thousands)		(%)	Amount (¥thousands)		(%)	Amount (¥thousands)	
I Operating Revenue			46,315,788	100.0		37,247,571	100.0		- 9,068,216
II Business Expenses	*1		15,443,620	33.4		18,197,548	48.9		2,753,927
III Sales General & Administrative Expenses	*2,3		39,795,022	85.9		14,906,212	40.0		- 24,888,810
Operating Profit/ Loss (-)			-8,922,854	-19.3		4,143,811	11.1		13,066,665
IV Non Operating Revenue									
1. Interest and dividends		143,286			337,170			193,884	
2. Commissions received		3,636			—			- 3,636	
3. Bad debt recovered		415			—			- 415	
4. Profit on investment partnership		48,175			58,262			10,087	
5. Property rent received		—			116,841			116,841	
6. Other		119,137	314,651	0.7	80,353	592,627	1.6	- 38,784	277,976
V Non Operating Expenses									
1. Interest paid		500,712			312,123			- 188,588	
2. Stock issue costs		89,971			7,246			- 82,725	
3. Bond issue costs		3,152			—			- 3,152	
4. Commissions paid		188,966			125,429			- 63,537	
5. Currency translation loss		108,882			125,496			16,613	
6. Other		166,481	1,058,167	2.3	134,378	704,673	1.9	- 32,103	- 353,493
Ordinary Profit/Loss (-)			-9,666,369	-20.9		4,031,765	10.8		13,698,135
VI Extraordinary Profit									
1. Gain on sale of fixed assets	*4	—			574			574	
2. Gain on sale of investment securities		1,373,732			105,810			- 1,267,921	
3. Gain on sale of affiliated company stock		3,655,401			—			- 3,655,401	
4. Gain on change in equity investees	*5	1,851			33,923			32,071	
5. Gain on reversal of allowance for doubtful debt		13,212			182,696			169,483	
6. Gain on transfer of business		—			104,019			104,019	
7. Gain bond redemption		—			62,500			62,500	
8. Other		24,361	5,068,559	10.9	8,051	497,575	1.3	- 16,309	- 4,570,983
VII Extraordinary Loss									
1. Gain on sale of fixed assets	*6	—			1,331			1,331	
2. Loss on retirement of fixed assets	*7	132,058			126,755			- 5,302	
3. Loss on evaluation of investment securities		672,678			77,103			- 595,575	
4. Loss on sale of investment securities		—			1,595			1,595	
5. Loss on evaluation of affiliated company stock		39,986			—			- 39,986	
6. Impairment loss	*8	5,954,454			617,604			- 5,336,849	
7. Loss on change in equity investees	*9	14,904			—			- 14,904	
8. Penalty for breaking a contract	*10	6,145			—			- 6,145	
9.Transfer to allowance for doubtful debt		5,636,619			—			- 5,636,619	
10. Transfer to securities transaction liability reserve		13,216			—			- 13,216	
11. Other		14,017	12,484,082	26.9	148,719	973,109	2.6	134,702	- 11,510,972
Net Profit or Loss before Adjustment for Tax etc.(-)			-17,081,893	-36.9		3,556,231	9.5		20,638,125
Corporate, Municipal and Enterprise Taxes		2,245,315			1,506,211			- 739,104	
Corporate Tax etc. Adjustment		-1,010,996	1,234,319	2.7	- 401,666	1,104,544	3.0	609,329	-129,774
Minority equity profit/loss (-)			-717,794	-1.6		340,575	0.9		1,058,370
Net Profit or Loss (-)			-17,598,417	-38.0		2,111,110	5.7		19,709,528

(3) Statement of Changes in Consolidated Shareholders' Equity etc.

Previous Consolidated Fiscal Year (01.01.2007 – 12.31.2007)

	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
Changes in the fiscal year					
Issue of new stock (¥thousands)	5,483,678	5,455,322			10,939,000
Transfer from capital surplus to earned surplus (¥thousands)		-373,206	373,206		—
Net loss (¥thousands)			-17,598,417		-17,598,417
Acquisition of treasury stock (¥thousands)				-139	-139
Increase in earned surplus due to decrease in consolidated subsidiaries			107,071		107,071
Increase in earned surplus due to increase in consolidated subsidiaries			28,362		28,362
Change in items other than shareholders' equity in the consolidated accounting period (net amount) (¥thousands)					
Total amount of change in the consolidated fiscal year (¥thousands)	5,483,678	5,082,116	-17,089,777	-139	-6,524,121
Balance on 12.31.2007 (¥thousands)	12,631,977	14,270,458	-22,096,368	-347	4,805,720

	Gaps in Appraisals, Conversions, etc				Equity Warrants	Minority Equity	Total Net Assets
	Other Gaps in Appraisal of Securities	Hedging Profit/Loss	Currency Translation 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
Changes in the fiscal year							
Issue of new stock (¥thousands)							10,939,000
Transfer from capital surplus to earned surplus (¥thousands)							—
Net loss (¥thousands)							-17,598,417
Acquisition of treasury stock (¥thousands)							-139
Increase in earned surplus due to decrease in consolidated subsidiaries							107,071
Increase in earned surplus due to increase in consolidated subsidiaries							28,362
Change in items other than shareholders' equity in the consolidated accounting period (net amount) (¥thousands)	49,298	-8,944	38,909	79,263	-33,647	-991,810	-946,194
Total amount of change in the consolidated fiscal year (¥thousands)	49,298	-8,944	38,909	79,263	-33,647	-991,810	-7,470,316
Balance on 12.31.2007 (¥thousands)	53,858	4,406	476	58,741	—	7,193,457	12,057,919

Current Consolidated Fiscal Year (01.01.2008 – 12.31.2008)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Earned Surplus	Treasury Stock	Total Shareholders' Equity
Balance on 12.31.2007 (¥thousands)	12,631,977	14,270,458	-22,096,368	-347	4,805,720
Changes in the fiscal year					
Capital reduction (¥thousands)	-11,355,142	11,355,142			—
Transfer from capital surplus to earned surplus (¥thousands)		-25,625,600	25,625,600		—
Net profit (¥thousands)			2,111,110		2,111,110
Acquisition of treasury stock (¥thousands)				-113	-113
Decrease in earned surplus due to increase in consolidated subsidiaries (¥thousands)			-4,035		-4,035
Change in items other than shareholders' equity in the consolidated accounting period (net amount) (¥thousands)					—
Total amount of change in the consolidated fiscal year (¥thousands)	-11,355,142	-14,270,458	27,732,675	-113	2,106,961
Balance on 12.31.2008 (¥thousands)	1,276,834	—	5,636,307	-461	6,912,681

	Gaps in Appraisals, Conversions, etc				Minority Equity	Total Net Assets
	Other Gaps in Appraisal of Securities	Hedging Profit/Loss	Currency Translation Adjustment Account	Total Gap in Appraisals, Conversions, etc.		
Balance on 12.31.2007 (¥thousands)	53,858	4,406	476	58,741	7,193,457	12,057,919
Changes in the fiscal year						
Capital reduction (¥thousands)				—		—
Transfer from capital surplus to earned surplus (¥thousands)				—		—
Net profit (¥thousands)				—		2,111,110
Acquisition of treasury stock (¥thousands)				—		-113
Decrease in earned surplus due to increase in consolidated subsidiaries (¥thousands)				—		-4,035
Change in items other than shareholders' equity in the consolidated accounting period (net amount) (¥thousands)	-68,702	-17,316	-126,976	-212,994	-584,180	-797,175
Total amount of change in the consolidated fiscal year (¥thousands)	-68,702	-17,316	-126,976	-212,994	-584,180	1,309,785
Balance on 12.31.2008 (¥thousands)	-14,843	-12,909	-126,499	-154,252	6,609,277	13,367,705

(4) Consolidated Cash Flow Statement

		Previous Consolidated Fiscal Year (01.01.2007 – 12.31.2007)	Current Consolidated Fiscal Year (01.01.2008 – 12.31.2008)	Change
Item	Notes	Amount (¥thousands)	Amount (¥thousands)	Amount (¥thousands)
I Cash Flow from Operating Activities				
Net Profit or Loss before Adjustment for Tax etc.(-)		- 17,081,893	3,556,231	20,638,124
Depreciation costs		1,220,030	802,568	- 417,462
Impairment loss		5,954,454	617,604	- 5,336,849
Amortization of goodwill		1,668,578	1,060,744	- 607,833
Change in allowance for doubtful debt		11,723,209	- 205,204	- 11,928,414
Change in allowance for bonuses		- 137	40,177	40,314
Change in allowance for retirement benefits		- 4,454	4,081	8,535
Increase in interest repayment reserve		6,193,600	—	- 6,193,600
Gain on sale of investment securities		- 1,373,732	- 105,810	1,267,921
Gain on sale of stock in affiliated companies		- 3,655,401	—	3,655,401
Gain on transfer of businesses		—	- 104,019	- 104,019
Interest and dividends received		- 143,286	- 337,170	- 193,884
Interest paid		500,712	312,123	- 188,588
Currency translation gain or loss		634	84,316	83,681
Stock issue costs		89,971	7,246	- 82,725
Bond issue costs		3,152	—	- 3,152
Gain on bond redemption		—	- 62,500	- 62,500
Loss on sale of investments in securities		—	1,595	1,595
Loss on appraisal of investment securities		672,678	77,103	- 595,575
Loss on appraisal of stock in affiliated companies		39,986	—	- 39,986
Loss on retirement of fixed assets		132,058	126,755	- 5,302
Loss on sale of fixed assets		—	1,331	1,331
Gain on sale of fixed assets		—	- 574	- 574
Loss from change of equity investees		14,904	—	- 14,904
Gain from change of equity investees		- 1,851	- 33,923	- 32,071
Decrease in operating loans		7,181,828	—	- 7,181,828
Increase in securities deposits received		769,038	—	- 769,038
Increase in segregated trust account		- 5,450,000	—	5,450,000
Increase in security deposits		7,085,973	—	- 7,085,973
Increase in operational investment securities		- 123,760	- 24,046	99,714
Decrease in accounts receivable		165,175	55,744	- 109,430
Change in inventory assets		- 16,895	627	17,522
Increase in other assets		- 4,273,939	- 127,433	4,146,506
Decrease in purchase debts		- 540,745	- 246,806	293,939
Other increases in liabilities		1,516,420	889,622	- 626,797
Sub total		12,266,311	6,390,386	- 5,875,925

Item	Notes	Previous Consolidated Fiscal Year (01.01.2007 – 12.31.2007) Amount (¥thousands)	Current Consolidated Fiscal Year (01.01.2008 – 12.31.2008) Amount (¥thousands)	Change Amount (¥thousands)
Interest and dividends received		149,417	331,997	182,579
Interest paid		-544,563	-320,257	224,305
Expenditure incurred by subrogation		-833,800	—	833,800
Revenue accrued through recovery of bankrupt loans receivable		—	213,324	213,324
Corporate tax etc. paid		-2,296,814	-1,675,331	621,482
Cash Flow from Operating Activities		8,740,551	4,940,119	-3,800,431
II Cash Flow from Investing Activities				
Expenditure incurred on fixed deposit		—	-38,600	-38,600
Revenue accrued on return of fixed deposit		120,000	19,300	-100,700
Expenditure on acquisition of tangible fixed assets		-387,572	-222,815	164,757
Revenue accrued on sale of tangible fixed assets		8,588	1,541	-7,047
Expenditure on acquisition of intangible fixed assets		-1,055,711	-1,091,065	-35,353
Revenue accrued on sale of intangible fixed assets		—	4,451	4,451
Expenditure on acquisition of securities		-795,370	—	795,370
Revenue accrued on redemption of isecurities		—	800,000	800,000
Expenditure on acquisition of investment securities		-1,015,923	-5,800	1,010,123
Revenue accrued on sale of investment securities		6,418,266	216,587	-6,201,678
Revenue accrued on redemption of investments in securities		1,038,337	—	-1,038,337
Expenditure on acquisition of subsidiary stock		-7,750,169	-450,771	7,299,398
Revenue accrued on sale of subsidiary stock		1,174,176	—	-1,174,176
Revenue accrued on the sale of subsidiary stock resulting in change in the scope of consolidation		3,181,114	—	-3,181,114
Expenditure on the acquisition of subsidiary stock resulting in change in scope of consolidation		—	-21,378	-21,378
Expenditure on execution of loans		-7,097,990	-707,804	6,390,185
Revenue accrued on collection of loans		4,327,789	295,030	-4,032,759
Expenditure on transfer of business		—	-539,097	-539,097
Revenue accrued on transfer of business		—	104,019	104,019
Revenue accrued on other investing activities		110,680	74,070	-36,610
Expenditure on other investing activities		-88,973	-90,706	-1,733
Cash Flow from Investing Activities		-1,812,757	-1,653,038	159,717

Item	Notes	Previous Consolidated Fiscal Year (01.01.2007 – 12.31.2007) Amount (¥thousands)	Current Consolidated Fiscal Year (01.01.2008 – 12.31.2007) Amount (¥thousands)	Change Amount (¥thousands)
Cash Flow from Financing Activities				
Revenue accrued on short term loans		45,450,000	19,100,000	-26,350,000
Expenditure on repayment of short term loans		-60,679,567	-30,327,440	30,352,127
Revenue accrued on long term loans		950,000	13,250,000	12,300,000
Expenditure on repayment of long term loans		-17,758,058	-942,750	16,815,308
Revenue accrued on stock issue		6,327,937	—	-6,327,937
Revenue accrued on bond issue		5,096,847	—	-5,096,847
Expenditure on redemption of bonds		-75,000	-4,937,500	-4,862,500
Expenditure on refund to investment partner		—	-48,219	-48,219
Expenditure on stock issue for minority shareholders		68,920	96,200	27,280
Expenditure and revenue on the sale and acquisition of treasury stock		-139	-113	25
Payment of dividends		-6,553	-1,162	5,390
Payment of dividends to minority shareholders		-212,761	-333,377	-120,615
Cash Flow from Financing Activities		-20,838,373	-4,144,363	16,694,009
IV Effect of Exchange Rate on Cash and Equivalents		3,579	-58,652	-62,232
V Increase in Cash and Equivalents		-13,907,001	-915,937	12,991,063
VI Balance of Cash and Equivalents at the Beginning of Term		33,180,245	19,303,854	-13,876,391
VII Increase in Cash and Equivalents following Increase in Consolidated Subsidiaries		30,609	68,215	37,605
V Balance of Cash and Equivalents at End of Term		19,303,854	18,456,132	-847,722

(5) Significant Items Upon Which the Consolidated Financial Statement is Based

Item	Previous Consolidated Fiscal Year (01.01.2007 – 12.31.2007)	Current Consolidated Fiscal Year (01.01.2008 – 12.31.2008)
1. Items concerning the scope of consolidation	(1) No. of consolidated subsidiaries: 33 (including 2 partnerships) Names of major consolidated subsidiaries: Magclick, Inc. GMO Hosting & Security, Inc. GMO Payment Gateway, Inc. GMO Solution Partner, Inc. and 5 other new companies were established. N Corporation is included in the consolidation from the current accounting term due to its increased significance to the consolidation. The following former consolidated subsidiaries were excluded from the consolidation following a transfer of all shares held in GMO LOAN-CREDIT HOLDINGS, Inc. and GMO Internet Securities, Inc. (now CLICK Securities, Inc.) resulting in a decrease in percentage ownership: GMO LOAN-CREDIT HOLDINGS, Inc. (now NC LOAN-CREDIT HOLDINGS, Inc.), GMO NetCard, Inc. (now NetCard, Inc.) and 18 other loans and credit companies, GMO Internet Securities, Inc. These companies are represented in the profit and loss statement and cash flow statement only in the first half of the year. (2) Names of major non-consolidated subsidiaries: Patent Incubation Capital, Inc. Reasons for exclusion from consolidation All sixteen non-consolidated subsidiaries are small-scale operations. None of the total amount of their total assets, sales, net profit (equal to equity share) and earned surplus (equal to equity share) has a significant impact on the consolidated financial statement.	(1) No. of consolidated subsidiaries: 43 (including 2 partnerships) Names of major consolidated subsidiaries: GMO AD Partners, Inc. (formerly Magclick, Inc.) GMO Hosting & Security, Inc. GMO Payment Gateway, Inc. paperboy&co. Inc. The following companies were included in the consolidation in the current fiscal year for the following reasons; NIKKO Inc. and one (1) other company following stock acquisition, Site Biz and six other companies as a result of their increased significance to the consolidation. GMO DIGITAL DISTRIBUTION, Inc. was established and also included in the consolidation. (2) Names of major non-consolidated subsidiaries: Patent Incubation Capital, Inc. Reasons for exclusion from consolidation All eleven non-consolidated subsidiaries are small-scale operations. None of the total amount of their total assets, sales, net profit (equal to equity share) and earned surplus (equal to equity share) has a significant impact on the consolidated financial statement.
2. Items concerning application of equity method	There are no companies to which the equity method is applied. The net profit and loss (equal to equity share), and earned surplus (equal to equity share), etc. of each of the sixteen non-consolidated subsidiaries and two affiliated companies, HUMEIA REGISTRY Co. Ltd and Hit, Inc. has minimal impact on and no significance to the company as a whole. For this reason they are no longer accounted for by the equity method.	There are no companies to which the equity method is applied. The net profit and loss (equal to equity share), and earned surplus (equal to equity share), etc. of each of the eleven non-consolidated subsidiaries and two affiliated companies, HUMEIA REGISTRY Co. Ltd and Hit, Inc. has minimal impact on and no significance to the company as a whole. For this reason they are no longer accounted for by the equity method.
3. Items concerning the fiscal years, etc. of subsidiaries	The closing date of the fiscal year differs from the consolidated fiscal year in the following consolidated subsidiaries. Companies that close the fiscal year on September 30 Payment Gateway, Inc. Companies that close the fiscal year on March 31 Epsilon, Inc. Companies that close the fiscal year on May 31 GMO Venture Partners Investment Limited Partnership and one other company In regard to GMO Venture Partners Investment Limited Partnership and one other company, consolidated financial statements are based on provisional financial statements provided by the subsidiaries on November 30. Consolidated financial statements are based on provisional financial statements provided by other subsidiaries on the closing date of the consolidated fiscal year. Consolidated financial statements are adjusted as necessary to reflect any significant transactions occurring after these dates.	The closing date of the fiscal year differs from the consolidated fiscal year in the following consolidated subsidiaries. Companies that close the fiscal year on September 30 Payment Gateway, Inc. Companies that close the fiscal year on March 31 Epsilon, Inc. Companies that close the fiscal year on May 31 GMO Venture Partners Investment Limited Partnership and one other company In regard to GMO Venture Partners Investment Limited Partnership and one other company consolidated financial statements are based on provisional financial statements provided by the subsidiaries on November 30. Consolidated financial statements are based on provisional financial statements provided by other subsidiaries on the closing date of the consolidated fiscal year. Consolidated financial statements are adjusted as necessary to reflect any significant transactions after these dates.

Item	Previous Consolidated Fiscal Year (01.01.2007 – 12.31.2007)	Current Consolidated Fiscal Year (01.01.2008 – 12.31.2008)
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 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 of 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 defined as below. Buildings: 8-50 years Tools and Equipment: 2-20 years Changes to Accounting Policy All acquisitions made after April 1, 2007 are treated in accordance with revisions to corporation tax laws (legislation to partially revise income tax laws etc. [March 30, 2007] Article 6 and the ordinance for the partial revision of the corporation tax enforcement order [March 30, 2007] Article 83), This change has minor impact on profit and loss. (ii) Intangible fixed assets Straight line method. However, computer software used by the company is amortized using the straight line method over an estimated useful life of five years. (3) Investments and Other Assets The straight line method is employed for buildings held as real estate investments.	(1) Method and standards for the evaluation of assets (i) Securities Bonds held to maturity Amortized cost (straight-line) method Securities with a market value: (as per the column to the left) Securities with no market value: (as per the column to the left) (ii) Derivatives transactions (as per the column to the left) (iii) Inventory Assets Products: (as per the column to the left) Products in progress: (as per the column to the left) Inventory: (as per the column to the left) (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 defined as below. Buildings and structures: 8-50 years Tools and equipment: 2-20 years (ii) Intangible fixed assets Straight line method. However, computer software used by the company is amortized using the straight line method over an estimated useful life of five years. (3) Investments and Other Assets (as per the column to the left)

Item	Previous Consolidated Fiscal Year (01.01.2007 – 12.31.2007)	Current Consolidated Fiscal Year (01.01.2008 – 12.31.2008)
	(3) Treatment of significant deferred assets Stock issue costs Stated as the full amount of the expense at the time of spending Bond issue costs Stated as the full amount of the expense at the time of spending (4) Standards for 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 receivable. 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 bonuses to directors An amount is reserved for the payment of bonuses to directors based on salary forecasts. (iv) Allowance for retirement benefits The current portion of the projected amount to be paid during the term is reserved to provide for employee retirement benefits.	(3) Treatment of significant deferred assets Stock issue costs (as per the column to the left) (4) Standards for calculation of significant reserves (i) Allowance for doubtful debt (as per the column to the left) (ii) Allowance for bonuses (as per the column to the left) (iii) Allowance for bonuses to directors (as per the column to the left) (iv) Allowance for retirement benefits (as per the column to the left)

Item	Previous Consolidated Fiscal Year (01.01.2007 – 12.31.2007)	Current Consolidated Fiscal Year (01.01.2008 – 12.31.2008)
	(5) Treatment of significant 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: Foreign exchange contracts, Currency swaps Hedged items: Foreign currency debt, Forecast foreign currency transactions (iii) Hedge policy We trade currency and conduct currency swaps to minimize risk associated with exchange rate fluctuations. Individual contracts are drawn for each hedge item. (iv) Method of evaluating efficacy of hedge accounting transactions The amount of debt/credit, hedge transaction conditions, and other factors are individually assessed for each derivative transaction and hedged item to determine the efficacy of hedge accounting transactions. (7) Other significant items relating to the preparation of the consolidated financial statement Accounting treatment of consumption tax etc. Consumption tax is separately accounted for by excluding it from each transaction amount. However the tax included method is employed in some cases.	(5)Treatment of significant lease transactions (as per the column to the left) (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: Foreign exchange contracts Hedged items: Foreign currency debt, Forecast foreign currency transactions (iii) Hedge policy We trade currency to minimize risk associated with exchange rate fluctuations. Individual contracts are drawn for each hedge item. (iv) Method of evaluating efficacy of hedge accounting transactions The amount of debt/credit, hedge transaction conditions, and other factors are individually assessed for each derivative transaction and hedged item to determine the efficacy of hedge accounting transactions. (7) Other significant items relating to the preparation of the consolidated financial statement (as per the column to the left)
5. Evaluation of assets and liabilities in consolidated subsidiaries	Assets and liabilities in consolidated subsidiaries are evaluated based on full market value.	(as per the column to the left)
6. Amortization of goodwill and negative goodwill	Goodwill and negative goodwill in GlobalSign NV is amortized over 7 years. In all other cases 5 year equal amortization. 1 time amortization on small amounts at the time they occur.	(as per the column to the left)
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 three months of the date of acquisition.	(as per the column to the left)

Changes in Method of Presentation

Previous Consolidated Fiscal Year (01.01.2007 – 12.31.2007)	Current Consolidated Fiscal Year (01.01.2008 – 12.31.2008)
Consolidated Balance Sheet In current assets, “securities” was reported under “other” up to the previous consolidated financial statement. However due to its increased significance it will be reported individually from the current term. In the previous consolidated financial statement securities accounted for ¥1.394,996 thousand of the line item “other” under current assets. “Operational investment securities” previously reported as part of “investment securities” under “investments and other assets”, is reported under "current assets” as “operational investment securities” from the current term due to its increased significance. However due to its increased significance it will now be reported individually. In the previous consolidated fiscal year “operational investment securities” accounted for ¥ 534,304 thousand of the line item “investment securities”. In current assets, “deposit” was reported under “other” up to the previous consolidated fiscal year. However due to increased significance the item is now being reported individually. In the previous consolidated fiscal term deposits accounted for ¥3,026,864 thousand in the line item “other”.	Consolidated Balance Sheet In intangible fixed assets, “nominal account for software” was reported under “other” up to the previous consolidated fiscal year. However due to its increased significance it is now included in the line item “software”. In the current fiscal year “nominal account for software” accounts for ¥136,800 thousand of the line item software. In the previous fiscal year it accounted for ¥92,769 thousand of the line item “other” under intangible fixed assets. Consolidated Profit and Loss Statement Due to their decreased significance, “commissions received” and “bad debt recovered”, reported up to the previous consolidated fiscal year as separate line items, will now be included in “other” under “non operating revenue”. In the current consolidated financial statement the values of “commissions received” and “bad debt recovered” were ¥2,232 thousand and ¥114 thousand respectively.

(7) Notes to Consolidated Financial Statements
Consolidated Balance Sheet

(¥thousands)

Previous Consolidated Fiscal Year (01.01.2007 – 12.31.2007)	Current Consolidated Fiscal Year (01.01.2008 – 12.31.2008)
*1 Tangible Fixed Assets Accumulated depreciation 884,650	*1 Tangible Fixed Assets Accumulated depreciation 974,920
Investment Real Estate Accumulated depreciation 241	Investment Real Estate Accumulated depreciation 3,253
*2 Contribution from non consolidated subsidiaries and affiliated companies Investment Securities 180,572	*2 Contribution from non consolidated subsidiaries and affiliated companies Investment Securities 139,448
*3 Debt guarantee We guaranteed the following company's lease agreement Click Securities, Inc. 176,781	*3 Debt guarantee We guaranteed the following company's lease agreement Click Securities, Inc. 122,386
*4 —	*4 Financial Covenants The following financial covenants are attached to two long term loan contracts. (1) On 12.31.2008 the balance of long term debt arising from a monetary loan for consumption executed on 04.07.2008 was ¥8.750 billion (of which ¥1.000 billion] is scheduled to be repaid within a year). The following covenants were attached to the loan. (i) On the last day of each quarter, liabilities must not exceed assets on the consolidated or non-consolidated balance sheets. (ii) On the last day of each quarter, the consolidated leverage ratio ((interest bearing liabilities + excess liabilities – cash and deposits) / (operating profit + depreciation + amortization of goodwill)) must be 5x or less. (2) On 12.31.2008 the balance of long term debt arising from a monetary loan for consumption executed on 06.03.2008 was ¥3.581 billion (of which ¥375 million) is scheduled to be repaid within a year). The following covenants were attached to loans. (i) On the last day of the quarter in each fiscal year non-consolidated and consolidated fiscal statements must maintain positive net assets. (ii) On the last day of the quarter in each fiscal year the consolidated leverage ratio ((interest bearing liabilities + excess liabilities – cash and deposits) / (operating profit + depreciation + amortization of goodwill)) must be 5x or less.
*5 Overdraft The company and some consolidated subsidiaries hold overdraft facilities for efficient access to operating capital. At the end of the consolidated fiscal year the balance of unexecuted overdraft loans was as follows. Total overdraft facility 8,300,000 Overdraft loans executed 2,500,000 Balance 5,800,000	*5 Overdraft The company and some consolidated subsidiaries hold overdraft facilities and loan commitment contracts for efficient access to operating capital. At the end of the consolidated fiscal year the balance of unexecuted overdraft loans was as follows. Total overdraft facility 11,300,000 Overdraft loans executed 4,381,250 Balance 6,918,750

Notes to Consolidated Profit and Loss Statement

(¥thousands)

Previous Consolidated Fiscal Year (01.01.2007 – 12.31.2007)

*1 Major Items and Amounts in Business Expenses

Salaries	11,956,503
Transfer to allowance for bonuses	20,486
Rent	607,876
Communication expenses	324,013
Commissions paid	1,653,629
Land rent	710,142
Outsourcing expenses	2,436,945
Media expenses	3,755,733
Depreciation costs	389,963

*2 Major Items and Amounts in Selling, General and Administrative Expenses

Advertising Expenses	1,857,178
Salaries	4.999,505
Transfer to allowance for bonuses	135,303
Transfer to allowance for Director retirement benefits	12,600
Transfer to allowance for Director bonuses	18,325
Retirement benefit expenses	40,739
Transfer to allowance for doubtful debt	10,532,550
Commissions paid	1,045,948
Amortization of goodwill	1,559,785
Depreciation costs	811,440
Transfer to interest repayment reserve	7,284,974

*3 General administrative expenses include ¥136.37 million in research and development

*4 -

*5 Gain on change in equity investees is an accounting adjustment of book value following a capital transaction in an investee resulting in a change of investees. Breakdown as follows:

GMO Payment Gateway, Inc. 1,137

*6 –

*7 Loss on retirement of fixed assets (¥132.05 million) includes software (¥109.91 million), buildings and structures (¥8.830 million), tools and equipment (¥12.30 million), and other (¥1.01 million).

*8 Impairment loss

An impairment loss was recorded on assets and goodwill

Use	Type	Location
Unused	Software	Shibuya ku, Tokyo
Internet Infrastructure Segment	Tools and equipment	Shibuya ku, Tokyo
	Goodwill	–
	Software	Shibuya ku, Tokyo
Internet Media Segment	Goodwill	–
Loans and credit Segment	Goodwill	–

Assets are predominantly grouped according to business classification. The book value of fixed assets is reduced to the recoverable amount and the fair value of loans and credit business assets is reduced to the recoverable amount. The reduction amount is recorded as an impairment loss (¥5.954 billion extraordinary loss).Impairment loss breakdown: Goodwill (¥5.898 billion), Software (¥54 million), Tools and equipment (¥697 thousand) Recoverable amount for tools andequipment and software in the Internet infrastructure segment is based on utility value, free cash flow minus 12.35%.Internet media segment software is based on net realizable amount.

*10 Penalty for breaking a lease

Temporary expenses related to the breaking of a lease contract.

Current Consolidated Fiscal Year (01.01.2008 – 12.31.2008)

*1 Major Items and Amounts in Business Expenses

Salaries	2,017,871
Transfer to allowance for bonuses	18,617
Rent	594,290
Communication expenses	300,745
Commissions paid	2,127,418
Land rent	798,184
Outsourcing expenses	2,169,153
Media expenses	6,615,431
Depreciation costs	371,037

*2 Major Items and Amounts in Selling, General and Administrative Expenses

Advertising Expenses	994,505
Salaries	4,761,913
Transfer to allowance for bonuses	89,365
Transfer to allowance for Director bonuses	32,341
Retirement benefit expenses	2,356
Transfer to allowance for doubtful debt	173,355
Commissions paid	587,973
Amortization of goodwill	945,438
Depreciation costs	393,250

*3 General administrative expenses include ¥37.01 million in research and development

*4 Gain on sale of fixed assets (tangible fixed assets etc.) was ¥574 thousand.

*5 Gain on change in equity investees is an accounting adjustment of book value following a capital transaction in an investee resulting in a change of investees. Breakdown as follows:

paperboy&co. Inc. 30,376

*6 Loss on sale of fixed assets (tools and equipment): 1,331

*7 Loss on retirement of fixed assets (¥126.75 million) includes software (¥68.67 million), buildings and structures (¥7.66 million), tools and equipment (¥50.39 million), and other (¥19 thousand).

*8 Impairment loss

An impairment loss was recorded on assets and goodwill

Use	Type	Location
Internet Infrastructure Segment	Tools and equipment	Shibuya ku, Tokyo
	Software	Shibuya ku, Tokyo
	Goodwill	-
	Software	Shibuya ku, Tokyo
Internet Media Segment	Buildings and structures	Shibuya ku, Tokyo
	Tools and equipment	Shibuya ku, Tokyo
	Software	Shibuya ku, Tokyo
	Goodwill	-
Investment Real Estate	Land	Shibuya ku, Tokyo

Assets are predominantly grouped according to business classification. The book value of fixed assets is reduced to the recoverable amount and the fair value of loans and credit business assets is reduced to the recoverable amount. The reduction amount is recorded as an impairment loss (¥617.60 million extraordinary loss). Impairment loss breakdown: Goodwill (¥276.78 million), Software (¥120.21 million), Buildings (¥48.69 million), Tools and equipment (¥10.31 million), Investment real estate (¥125.44 million), Other (¥36.19 million).

*10 –

Notes regarding the Statement of Consolidated Shareholders' Equity

Previous Consolidated Fiscal Year (01.01.2007 – 31.12.2007)

1. Items relating to outstanding shares

Type of Stock	End of Previous Consolidated Fiscal Year	Increase	Decrease	End of Current Consolidated Fiscal Year
Common Stock	72,128,378	28,356,063	—	100,484,441

Main reasons for changes
The number of common shares has increased following a private placement.

2. Items regarding treasury stock

Type of Stock	End of Previous Consolidated Fiscal Year	Increase	Decrease	End of Current Consolidated Fiscal Year
Common Stock	784	264	—	1,048

Main reasons for changes
Number of common shares has increased due to demand for fractional shares.

3. Items regarding shares warrants
None.
4. Items regarding dividends
None.

Current Consolidated Fiscal Year (01.01.2008 – 12.31.2008)

1. Items relating to outstanding shares

Type of Stock	End of Previous Consolidated Fiscal Year	Increase	Decrease	End of Current Consolidated Fiscal Year
Common Stock	100,484,441	—	—	100,484,441

2. Items regarding treasury stock

Type of Stock	End of Previous Consolidated Fiscal Year	Increase	Decrease	End of Current Consolidated Fiscal Year
Common Stock	1,048	223	—	1,271

(Main reasons for changes)
Number of common shares has increased due to demand for fractional shares

3. Items regarding shares warrants
None.
4. Items regarding dividends
(1) Dividend payments
None.
(2) Items concerning dividends with a date of record in the current consolidated year that will be paid out in the following financial year.

Decision	Type of Stock	Source of Dividend	Total Payout (¥thousands)	Dividend per Share (¥)	Date of Record
Annual General Shareholders Meeting, March 26, 2009 (scheduled)	Common stock	Earned surplus	703,382	7	31.12.2008

Consolidated Cash Flow Statement - Notes

(¥thousands)

<table>
<tr><th>Previous Consolidated Fiscal Year
(01.01.2007 – 12.31.2007)</th><th>Current Consolidated Fiscal Year
(01.01.2008 – 12.31.2008)</th></tr>
<tr><td>1.Difference between cash and cash equivalents end of term balance and items listed on the consolidated balance sheet

Cash and cash accounts 19,143,929
Fixed term deposits with a term of over 3 months -40,000
Bonds 199,924
Cash and Cash Equivalents 19,303,854</td><td>1. Difference between cash and cash equivalents end of term balance and items listed on the consolidated balance sheet

Cash and cash accounts 18,510,672
Fixed term deposits with a term of over 3 months 54,540
Cash and Cash Equivalents 19,456,132</td></tr>
<tr><td>2. Breakdown of assets and liabilities in companies that are no longer consolidated subsidiaries due to the sale of stock.
GMO Internet Securities, Inc. (now Click Securities, Inc.), was excluded from the consolidation following the sale of stock. The resultant exclusion of assets and liabilities and the difference between the selling price of the consolidated subsidiary and revenue from the sale is as follows (06.30.2007).
Current Assets 21,783,264
Fixed Assets 462,907
Total Assets 22,246,172
Current Liabilities -20,626,064
Fixed Liabilities -29,368
Total Liabilities -20,655,433
Minority Equity 15,935
Goodwill 408,461
Gain on sale of stock in affiliated companies 2,880,320
Increase in operating investment securities -203,000
Increase in surplus due to exclusion from consolidation 107,071
Selling price of GMO Internet Securities, Inc. 4,799,529
GMO Internet Securities Cash and Cash Equivalents -688,858
Difference: Revenue accrued on sale of GMO Internet Securities, Inc. 4,110,670

GMO LOAN-CREDIT HOLDINGS, Inc. (NC LOAN-CREDIT HOLDINGS, Inc.) was excluded from the consolidation following the sale of stock. The resultant exclusion of assets and liabilities and the difference between the selling price of the consolidated subsidiary and income from the sale is as follows (06.30.2007).
Current Assets 43,380,836
Fixed Assets 16,370,702
Total Assets 59,751,539
Current Liabilities -51,476,690
Fixed Liabilities -10,370,407
Total Liabilities -61,847,097
Equity Warrants -33,647
Goodwill 2,134,487
Selling price of GMO LOAN-CREDIT HOLDINGS, Inc. 5,282
GMO LOAN-CREDIT HOLDINGS Cash and Equivalents -934,837
Difference: Revenue accrued on sale of GMO LOAN-CREDIT HOLDINGS, Inc. -929,555</td><td>2.
—</td></tr>
</table>

(¥thousands)

Previous Consolidated Fiscal Year (01.01.2007 – 12.31.2007)	Current Consolidated Fiscal Year (01.01.2008 – 12.31.2008)
3. —	3. Breakdown of assets and liabilities in companies that have newly become consolidated subsidiaries following the acquisition of stock. NIKKO, Inc. joined the consolidation following the acquisition of stock. Assets and liabilities in the company at the time of acquisition and the difference between the NIKKO, Inc. acquisition price and (total) expenditure on stock acquisition are as follows. Current Assets 1,027,787 Fixed Assets 174,198 Goodwill 465,570 Current Liabilities -1,225,398 Fixed Liabilities -316,833 NIKKO, Inc. acquisition price 125,324 NIKKO, Inc. cash and equivalents -108,951 Difference: Expenditure on the acquisition of NIKKO, Inc. 16,373
4. Significant non-cash transactions Real estate worth ¥4.539 billion was acquired in an investment in kind.	

Segment Data

1. Data by segment

Previous consolidated fiscal year (01.01.2007 – 12.31.2007)

Item	Internet Use Support (Infrastructure) (¥thousands)	Internet Advertising Support (Media) (¥thousands)	Internet Finance (¥thousands)	Total (¥thousands)	Intercompany transaction adjustment or all companies (¥thousands)	Consolidated (¥thousands)
I Sales and Operating Gain or Loss						
Sales						
(1) Sales to unaffiliated customers	18,690,817	13,460,747	14,164,222	46,315,788	—	46,315,788
(2) Internal transactions	178,814	133,831	1,880	314,525	(314,525)	—
Total	18,869,631	13,594,579	14,166,102	46,630,313	(314,525)	46,315,788
Operating expenses	16,556,832	12,499,532	26,546,235	55,602,601	(363,958)	55,238,642
Operating profit/loss (-)	2,312,798	1,095,046	- 12,380,132	- 8,972,287	49,433	- 8,922,854
II Assets, depreciation expenses and capital expenditure						
Assets	24,448,696	9,025,685	2,205,900	35,680,282	4,939,944	40,620,227
Depreciation costs	497,146	323,227	397,527	1,217,900	(16,496)	1,201,404
Capital expenditure	839,878	335,495	267,909	1,443,284	12,025	1,455,309

(notes)

1. Operations are segmented for internal management purposes.
2. Main products in each segment

(1) Internet Use Support (Infrastructure)

Internet access provider, domain registration, web hosting, web development, & e-commerce solutions, security, payment processing, other

(2) Internet Advertising Support (Media)

Internet media & search media, Internet advertising agencies, other

(3) Internet Finance

Loans and credit, Internet securities, venture capital

Current consolidated fiscal year (01.01.2008 – 12.31.2008)

Item	Internet Use Support (Infrastructure) (¥thousands)	Internet Advertising Support (Media) (¥thousands)	Internet Finance (¥thousands)	Total (¥thousands)	Intercompany transaction adjustment or all companies (¥thousands)	Consolidated (¥thousands)
I Sales and Operating Gain or Loss						
Sales						
(1) Sales to unaffiliated customers	18,854,933	18,315,898	76,739	37,247,571	—	37,247,571
(2) Internal transactions	175,339	410,320	—	585,660	(585,660)	—
Total	19,030,273	18,726,219	76,739	37,833,231	(585,660)	37,247,571
Operating expenses	16,569,315	17,079,077	88,039	33,736,433	(632,673)	33,103,760
Operating profit/loss (-)	2,460,957	1,647,141	- 11,300	4,096,798	47,012	4,143,811
II Assets, depreciation expenses and capital expenditure						
Assets	26,583,229	8,622,377	2,066,937	37,272,544	2,480,183	39,752,728
Depreciation costs	492,884	274,325	—	767,209	(2,922)	764,287
Impairment loss	164,330	327,830	—	492,160	125,444	617,604
Capital expenditure	1,085,013	225,944	—	1,310,958	17,942	1,328,900

(note)
1 Operations are segmented for internal management purposes.
2. Main products in each segment
(1)Internet Use Support (Infrastructure)
Internet access provider, domain registration, web hosting, e-commerce & web development, security, payment processing, other
(2) Internet Advertising Support (Media)
Internet media & search media, Internet advertising agencies, other
(3) Other: Venture capital

3. Changes to business segmentation
Following a withdrawal from the loans and credit business and Internet securities business, as of the current fiscal year, the former Internet Finance segment businesses are now reported under Other Businesses, as they are no longer significant to the group.
In the current fiscal year Internet Finance business sales were 76,739 thousand yen, operating profit was -11,300 thousand yen.

2. Segment data by location
In both the current fiscal year (01.01.2008 – 12.31.2008) and the previous fiscal year (01.01.2007 – 12.31.2007) headquarters accounted for over 90% of sales. Details of sales by location have therefore been omitted.

3. Global sales data
In both the current fiscal year (01.01.2008 – 12.31.2008) and the previous fiscal year (01.01.2007 – 12.31.2007), overseas transactions accounted for less than 10% of sales, therefore this segment data has been omitted.

Transactions with affiliated parties

Previous consolidated fiscal year (01.01.2007 – 12.31.2007)

1. The parent company or major corporate shareholders

None

2. Directors and major individual shareholders

Category	Name	Address	Capital or Investment (¥thousands)	Nature of Business or Occupation	Voting rights %	Details of Relationship		Transaction Details	Value of Transaction	Account	End of Term Balance (¥thousands)
						Director	Business Affiliate				
Director or entity with close relationship to the company	Masatoshi Kumagai	–	–	The company CEO and Represen-tative Director	(Direct) 22.6	–	–	Sale of stock in affiliated companies – proceeds of sale, gain on sale	4,799,529 2,880,320	–	–
								Capital increase through real estate investment in kind	4,539,000	–	–
								Outstanding deposit on real estate investment in kind	88,765	Accrued revenue	88,765
								Investments in securities and purchase of stock in affiliated companies.	1,468,411	–	–
Company's whose directors hold a majority stake	Vivid International, Inc.	Minato ku, Tokyo	10,000	Property and real estate rental business	none	–	Office rental	Payment of rent	1,238	Third party payment Deposit received	2 19,641
Company's whose directors hold a majority stake	e-estate, Inc.	Shibuya ku, Tokyo	10,000	Real estate rental business	none	–	Office rental	Payment of rent	1,256	Third party payment Deposit received	0 451
Company's whose directors hold a majority stake	Click Securities, Inc.	Shibuya ku, Tokyo	2,150,050	Securities business	(Indirect)	–	Office rental debt guarantee	Lease contract deposits, Deposits and Deposits received	176,781 2,260	–	–
								Payment of rent	27,247	Deposit received	19,440
Company's whose directors hold a majority stake	Kumagai Masatoshi Office Ltd.	Minato ku, Tokyo	3,000	Ownership and manage-ment of securities	(Direct)	1 person	–	Loans Loans Interest received	2,000,000 13,143	–	–

(note) 1. Policy for determining transaction conditions and transactions

In regard to the sale of securities, an independent valuation is taken into consideration when determining the transaction price.

In regard to real estate investment in kind, the investment amount is based on the evaluation of a real estate appraiser and specialist certification.

In regard to collecting of rent and deposits, in accordance with the company's real estate lease contracts the transaction amount is determined based on the area occupied by Vivid International, Inc, e-estate, Inc, and Click Securities, Inc.

In regard to loans, market interest rates are considered and a reasonable rate is determined.

In regard to debt guarantees, we receive an annual 0.5% guarantee commission.

2. Consumption tax is not included in transaction amounts.

3. In regard to CLICK Securities, Inc. (formerly GMO Internet Securities, Inc.), the period beginning after the company was excluded from the consolidation is recorded.

3. Subsidiaries

None

4. Sister companies

None

Current Consolidated Fiscal Year (01.01.2008 – 12.31.2008)

1. The parent company or major corporate shareholders

None

2. Directors or major individual shareholders

Category	Name	Address	Capital or Investment (¥thousands)	Nature of Business or Occupation	Voting rights %	Details of Relationship		Transaction Details	Value of Transaction	Account	End of Term Balance (¥thousands)
						Director	Business Affiliate				
Director or entity with close relationship to the company	Masatoshi Kumagai	—	—	The company CEO and Representative Director	(Direct) 22.6	—	—	Acquisition of stock in affiliated company	40,000	—	—
Company's whose directors hold a majority stake	Vivid International, Inc.	Minato ku, Tokyo	10,000	Property and real estate rental business	none	—	Office rental	Payment of rent Income from real estate loans etc.	972 29,271	- -	—
Company's whose directors hold a majority stake	COSMEDIA Co. Ltd	Minato ku, Tokyo	10,000	Service company	none	—	Office rental	Income from real estate lease	8,858	Deposit received Advance received	16,800 2,100
Company's whose directors hold a majority stake	e-estate, Inc.	Shibuya ku, Tokyo	10,000	Real estate rental business	none	—	Office rental	Payment of rent	1,386	Third party payment Deposit received	1 441
Company's whose directors hold a majority stake	Click Securities, Inc.	Shibuya ku, Tokyo	2,150,050	Securities business	(Indirect)	—	Office rental debt guarantee	Lease contract deposits deposits and deposits received Advertising sales Payment of rent	122,386 735 3,087 36,562	— Accounts receivable Deposit received	— 3,087 —
Company's whose directors hold a majority stake	Kumagai Masatoshi Office Ltd.	Minato ku, Tokyo	3,000	Ownership and managem-ent of securities	(Direct)	1 person	Office rental	Payment of rent	480	Third party payment Deposit received	1 451

(note) 1. Policy for determining transaction conditions and transactions

In regard to the sale of securities, an independent valuation is taken into consideration when determining the transaction price.

In regard to collecting of rent and deposits, in accordance with the company's real estate lease contracts the transaction amount is determined based on the area occupied by Vivid International, Inc, e-estate, Inc, and Click Securities, Inc.

In regard to debt guarantees, we receive an annual 0.5% guarantee commission.

2. Consumption tax is not included in transaction amounts.

3. Subsidiaries

None

4. Sister companies

None

Tax Effect Accounting

(¥thousands)

Previous Consolidated Fiscal Year (01.01.2007 – 12.31.2007)

1. Significant causes of deferred tax asset/ liability

Deferred tax asset	
Allowance for doubtful debt	2,205,358
Loss carried forward	13,339,246
Excess depreciation	92,448
Loss on appraisal of investment securities	420,435
Loss on appraisal of stock in affiliated companies	11,599
Accrued enterprise tax	68,381
Impairment loss	58,172
Other	161,876
Deferred tax asset sub total	16,357,519
Valuation reserve	-13,862,113
Deferred tax asset total	2,495,406
Deferred tax liability	
Other gaps in appraisal of securities	-60,637
Special depreciation reserve	-521
Exchange contracts	-3,023
Other	-906
Deferred tax liability sub total	-65,089
Deferred tax asset (net amount)	2,430,317

2. Main items causing discrepancy between statutory tax rate and effective tax rate

Statutory tax rate	40.69%
(Reconciliation)	
Entertainment and other non deductible expenses	-0.50%
Dividends received from consolidated subsidiaries	-0.91%
Amortization of goodwill	-14.05%
Amortization of goodwill (new)	-3.56%
Increase/decrease in valuation reserve	-27.21%
Other	-1.68%
Effective corporate etc. tax burden	-7.23%

Current Consolidated Fiscal Year (01.01.2008 – 12.31.2008)

1. Significant causes of deferred tax asset/ liability

Deferred tax asset	
Allowance for doubtful debt	2,317,627
Loss carried forward	12,490,987
Excess depreciation	152,465
Loss on appraisal of investment securities	445,886
Loss on appraisal of stock in affiliated companies	9,642
Accrued enterprise tax	64,883
Impairment loss	227,485
Other	350,004
Deferred tax asset sub total	16,058,983
Valuation reserve	-13,128,160
Deferred tax asset total	2,930,822
Deferred tax liability	
Other gaps in appraisal of securities	-3,373
Other	-6,494
Deferred tax liability sub total	-9,867
Deferred tax asset (net amount)	2,920,954

2. Main items causing discrepancy between statutory tax rate and effective tax rate

Statutory tax rate	40.69%
(Reconciliation)	
Entertainment and other non deductible expenses	2.41%
Dividends received and other items not included as profit	-5.58%
Dividends received from consolidated subsidiaries	6.53%
Amortization of goodwill	3.23%
Amortization of goodwill (new)	9.78%
Increase/decrease in valuation reserve	-28.14%
Other	2.15%
Effective corporate etc. tax burden	31.06%

Per Share Data

Item	Previous Consolidated Fiscal Year (01.01.2007 – 12.31.2007)	Current Consolidated Fiscal Year (01.01.2008 – 12.31.2008)
Shareholders' equity per share	¥48.41	¥67.26
Net Profit/Loss per Share (-)	¥231.72	¥21.01
Net Profit per Share (diluted)	—	—
	As a net loss was recorded, no net profit per share (diluted) is being reported despite the presence of residual security.	As no residual securities exists to dilute existing shares, no net profit per share (diluted) is reported in the term.

(note) Calculation Basis

1. Per share net profit/loss and net profit per share (diluted).

Item	Previous Consolidated Fiscal Year (01.01.2007 – 12.31.2007)	Current Consolidated Fiscal Year (01.01.2008 – 12.31.2008)
Net Profit/Loss per Share (-)		
Net Profit or Loss (-)	-17,598,417	2,111,110
Amount not allocated to common stock holders (¥thousands)	—	—
Net profit allocated to common stock (-) (¥thousands)	-17,598,417	2,111,110
Average number of common shares outstanding in the period	75,946,212	100,484,441
Average number of treasury shares in the period	-824	-1,125
Average number of shares outstanding in the period	75,945,388	100,483,315
Net Profit per Share (diluted)		
Net income adjustment	—	—
Increase in no. of common shares	—	—
(including share warrants)	(—)	(—)
(including stock options with the right to acquire treasury stock)	(—)	(—)
Residual security that does not dilute profit per share and is not included in Profit per Share (Diluted)	2005 Equity Warrants Common Shares 10,000 4th Issue of Unsecured Convertible Bonds with Equity Warrants	2005 Equity Warrants Common Stock 10,000

Significant Post Balance Sheet Events

Previous Consolidated Fiscal Year (01.01.2007 – 12.31.2007)	Current Consolidated Fiscal Year (01.01.2008 – 12.31.2008)
None	1. Merger in significant consolidated subsidiary, and closing of recruitment advertising business. On February 9, 2009 a Board of Directors meeting of consolidated subsidiary, GMO San Planning, Inc. resolved to close the recruitment advertising business on February 28, 2009. On November 14, 2008 a meeting of the GMO AD Partners, Inc. Board of Directors resolved to absorb GMO San Planning, Inc. A merger contract was signed between the two companies on the same day. (1) Closure of recruitment advertising business Reasons for closure In the development of the Internet adverting business, San Planning, Inc. (now GMO San Planning, Inc.) was made a subsidiary in September 2004. The group entered recruitment advertising, a market increasingly centered on the Internet, through the sale of recruitment advertising on the Internet and in print media to San Planning's predominantly Tokyo based SME customer base. However, in consideration of the rapid pace of the global economic downturn, the cooling of the recruitment advertising market, and other factors, it was resolved to withdraw from the recruitment advertising business. It was determined in line with group strategy that the best move was to focus on the Internet advertising business. Going forward, together with GMO AD Partners, we will focus management resource on SEM media sales, leveraging group synergy and aiming for the early recovery of business performance. Outline of subsidiary concerned Company name: GMO San Planning, Inc. Address: 26-1 Sakuragaoka-cho, Shibuya-ku, Tokyo, JAPAN Capital: ¥50 million Business Description: Internet advertising Amount of impact on profit and loss As a result of the closing of the recruitment advertising business in the above consolidated subsidiary, expected impairment loss, reversal of business withdrawal loss reserve, and corporate tax adjustment totaling ¥197.23 million was recorded on the fiscal year 2008 balance sheet. (2) Merger of consolidated subsidiaries (i) Name and business description of the companies to merge. GMO AD Partners, Inc. (Business description: Internet use support business) GMO San Planning, Inc. (Business description: Internet use support business). (ii) Legal form of merger Common control transaction (iii) Name of the company after merger GMO AD Partners, Inc

Previous Consolidated Fiscal Year (01.01.2007 – 12.31.2007)	Current Consolidated Fiscal Year (01.01.2008 – 12.31.2008)
	(iv) Outline of transaction and objectives The objective of the transaction is to further improve efficiency of the group's management through the consolidation of GMO AD Partners group management resources. Date of merger (date effective): April 1, 2009 (planned) (v) Outline of accounting treatment The transaction will be treated as a common control transaction in accordance with *Accounting Standards for Business Combinations (Business Accounting Council 10.31.2003)* and *Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ, 15.11.2008).*

5. Non Consolidated Financial Statement

(1) Balance Sheet

	Previous Consolidated Fiscal Year (12.31.2007)			Current Consolidated Fiscal Year (12.31.2008)			Change	
Item	Amount (¥thousands)		Composition (%)	Amount (¥thousands)		Composition (%)	Amount (¥thousands)	
(Assets)								
I Current Assets								
1. Cash and deposits		6,163,491			5,480,557			- 682,933
2. Accounts receivable		1,169,764			964,428			- 205,335
3. Products		7,092			8,836			1,743
4. Inventory assets		8,220			12,600			4,380
6. Advance payments		102,418			56,074			- 46,343
6. Prepaid expenses		183,828			97,634			- 86,194
7. Short term loans		1,025,253			1,234,966			209,712
8. Accrued corporate tax etc.		19,821			36,501			16,679
9. Deferred tax asset		394,717			524,564			129,846
10. Other		170,469			78,612			- 91,856
Allowance for doubtful debt		-612,343			- 679,254			- 66,910
Total Current Assets		8,632,734	40.9		7,815,521	37.7		- 817,212
II Fixed Assets								
1 Tangible fixed assets								
(1) Buildings	109,846			110,191			345	
Accumulated depreciation	47,017	62,828		74,820	35,370		- 27,802	- 27,457
(2) Structures	800			800			—	
Accumulated depreciation	420	379		498	301		- 78	- 78
(3) Tools and equipment	175,288			175,288			—	
Accumulated depreciation	137,152	38,136		171,405	3,883		- 34,252	- 34,252
(4) Other		—			342			342
Total tangible fixed assets		101,344	0.5		39,898	0.2		- 61,446
2 Intangible fixed assets								
(1) Goodwill		109,575			110,959			1,383
(2) Trademark rights		3,790			2,435			- 1,355
(3) Software		193,133			144,225			- 48,908
(4) Nominal software account		11,921			13,171			1,249
(5) Telephone subscription		12,381			10,128			- 2,253
(6) Right of utilization		3,353			3,086			- 267
Total intangible fixed assets		334,156	1.6		284,005	1.4		- 50,150
3 Investments and other assets								
(1) Investment securities		407,467			343,731			- 63,736
(2) Affiliated company stock		3,884,172			3,947,096			62,923
(3) Investments		50			0			- 50
(4) Long term loans receivable		5,600			—			- 5,600
(5) Long term loans to employees		—			6,000			6,000
(6) Affiliated company stock		92,427			709,446			617,018
(7) Affiliated company share warrants		63,718			63,718			0
(8) Other affiliated company stock		559,432			534,461			- 24,971
(9) Receivables owed by companies in danger bankruptcy or in of poor financial condition		5,633,800			5,420,475			- 213,324
(10) Long term prepaid expenses		915			—			- 915
(11) Security deposit		518,421			460,509			- 57,911
(12) Investment real estate	4,551,025			4,440,601			- 110,424	
Accumulated depreciation	241	4,550,783		3,253	4,437,348		- 3,011	- 113,435
(13) Deferred tax asset		2,000,630			2,069,109			68,478
(14) Other		—			30,850			30,850
Allowance for doubtful debt		-5,636,929			- 5,451,325			185,604
Allowance for investment losses		-21,585			—			21,585
Total investments and other assets		12,058,904	57.0		12,571,421	60.7		512,516
Total Fixed Assets		12,494,405	59.1		12,895,325	62.3		400,919
Total Assets		21,127,139	100.0		20,710,847	100.0		- 416,292

		Previous Consolidated Fiscal Year (12.31.2007)			Current Consolidated Fiscal Year (12.31.2008)			Change	
Item		Amount (¥thousands)		Composition (%)	Amount (¥thousands)		Composition (%)	Amount (¥thousands)	
(Liabilities)									
I Current Liabilities									
1. Short term debt			12,000,000			800,000			- 11,200,000
2. Current portion of long term debt			—			1,375,000			1,375,000
3. Bonds to be redeemed within a year			—			1,000,000			1,000,000
4. Amount payable			1,166,392			1,032,662			- 133,730
5. Expenses			60,633			7,424			- 53,208
6. Accrued consumption tax			42,509			39,684			- 2,824
7. Advance payment received			199,926			119,604			- 80,322
8. Deposit received			40,340			1,531,741			1,491,401
9. Allowance for bonuses			12,200			14,902			2,702
10. Other			45,545			26,861			- 18,683
Total Current Liabilities			13,567,548	64.2		5,947,883	28.7		- 7,619,665
II Fixed Liabilities									
1. Bonds			1,000,000			—			- 1,000,000
2. Unsecured convertible bonds with share warrants			5,000,000			—			- 5,000,000
3. Long term debt			—			10,956,250			10,956,250
4. Security deposit received			268,431			375,915			107,484
Total Fixed Liabilities			6,268,431	29.7		11,332,165	54.7		5,063,734
Total Liabilities			19,835,980	93.9		17,280,048	83.4		- 2,555,931
(Net Assets)									
I Shareholders' Equity									
1. Capital stock			12,631,977	59.8		1,276,834	6.2		- 11,355,142
2. Capital surplus									
(1) Capital reserve		14,270,458			—			- 14,270,458	
Total Capital Surplus			14,270,458	67.5		—			- 14,270,458
3. Earned surplus									
Earned Surplus Carried Forward		-25,625,600			2,166,889			27,792,490	
Total Earned Surplus			-25,625,600	-121.3		2,166,889	10.4		27,792,490
4. Treasury stock			-347	-0.0		- 461	-0.0		- 113
Total Shareholders' Equity			1,276,487	6.0		3,443,263	16.6		2,166,775
II Gaps in Appraisals, Conversions, etc.									
1. Other gaps in appraisal of securities			10,265	0.1		444	0.0		- 9,820
2. Hedging profit/loss carried forward			4,406	0.0		- 12,909	-0.0		- 17,316
Total Gaps in Appraisals, Conversions, etc			14,672	0.1		- 12,464	-0.0		- 27,137
Total Net Assets			1,291,159	6.1		3,430,798	16.6		2,139,638
Total Liabilities, Net Assets			21,127,139	100.0		20,710,847	100.0		- 416,292

(2) Profit and Loss Statement

Item		Previous Consolidated Fiscal Year (01.01-12.31.2007) Amount (¥thousands)		Composition (%)	Current Consolidated Fiscal Year (01.01-12.31.2008) Amount (¥thousands)		Composition (%)	Change Amount (¥thousands)	
I Operating Revenue									
1. Operating income			12,933,358	100.0		12,162,088	100.0		- 771,270
II Business Expenses									
1. Purchases		181,775			109,594			- 72,181	
2. Salaries and bonuses		1,437,844			1,431,950			- 5,894	
3. Allocation to allowance for bonuses		10,087			12,545			2,458	
4. Welfare expenses		176,009			186,942			10,932	
5. Outsourcing expenses		4,010,033			3,418,864			- 591,168	
6. Travel and transport expenses		55,670			46,553			- 9,117	
7. Rent		640,204			709,047			68,842	
8. Rental expenses		253,502			231,449			- 22,052	
9. Depreciation expenses		160,836			174,632			13,796	
10. Communications expenses		252,103			225,914			- 26,189	
11. Office supplies		13,161			6,787			- 6,374	
12. Commissions paid		1,075,828			1,339,314			263,486	
13. Other		300,438	8,567,496	66.2	268,822	8,162,418	67.1	- 31,616	- 405,077
III Sales General & Administrative Expenses									
1. Sales promotion expenses		43,982			11,326			- 32,656	
2. Advertising expenses		564,082			501,893			- 62,188	
3. Agent service fees		167,045			149,818			- 17,227	
4. Allocation to allowance for doubtful debt		—			31,565			31,565	
5. Director remuneration		319,017			281,482			- 37,534	
6. Salaries and bonuses		790,676			566,180			- 224,496	
7. Allocation to allowance for bonuses		2,113			2,357			243	
8. Welfare expenses		105,184			92,859			- 12,325	
9. Travel and transport expenses		61,080			37,252			- 23,827	
10. Rent		304,257			197,074			- 107,182	
11. Depreciation expenses		23,573			16,358			- 7,214	
12. Communications expenses		55,316			36,372			- 18,944	
13. Other		614,859	3,051,189	23.6	453,020	2,377,561	19.6	- 161,839	- 673,628
Operating Profit			1,314,672	10.2		1,622,108	13.3		307,435

		Previous Consolidated Fiscal Year (01.01-12.31.2007)			Current Consolidated Fiscal Year (01.01-12.31.2008)			Change	
Item		Amount (¥thousands)		Composition (%)	Amount (¥thousands)		Composition (%)	Amount (¥thousands)	
IV Non Operating Revenue									
1. Interest and dividends received		470,482			753,371			282,888	
2. Shared expenses		77,721			107,442			29,721	
3. Commissions received		21,891			20,657			- 1,234	
4. Property rent received		—			116,841			116,841	
5. Other		52,633	622,729	4.8	59,328	1,057,641	8.7	6,695	434,911
V Non Operating Expenses									
1. Interest paid		476,938			303,990			- 172,948	
2. Stock issue costs		83,136			—			- 83,136	
3. Interest on bonds		13,855			15,939			2,083	
4. Bond issue costs		3,152			—			- 3,152	
5. Commissions paid		188,966			125,429			- 63,537	
6. Other		65,225	831,275	6.4	86,249	531,608	4.3	21,024	- 299,666
Ordinary Profit			1,106,126	8.6		2,148,140	17.7		1,042,013
VI Extraordinary Profit									
1. Gain on sale of affiliated company stock		3,118,637			—			- 3,118,637	
2. Gain on sale of investment securities		1,268,934			—			- 1,268,934	
3. Reversal of allowance for doubtful debt		—			74,538			74,538	
4. Reversal of allowance for investment loss		136,655			21,585			- 115,070	
5. Gain on bond redemption		—	4,524,226	35.0	62,500	158,624	1.3	62,500	- 4,365,602
VII Extraordinary Loss									
1. Loss on retirement of fixed assets		6,696			56,030			49,333	
2. Loss on evaluation of investment securities		573,921			14,615			- 559,305	
3. Loss on evaluation of affiliated company stock		26,869,231			126,896			- 26,742,334	
4. Allocation to allowance for doubtful debt		5,702,046			—			- 5,702,046	
5. Impairment loss		—			125,444			125,444	
6. Other		7,371	33,159,266	256.4	—	322,987	2.7	-7,371	- 32,836,279
Net Profit or Loss before Adjustment for Tax etc.(-)			-27,528,912	-212.8		1,983,777	16.3		29,512,689
Corporate, Municipal and Enterprise Taxes		7,102			5,451			- 1,650	
Adjustment for Corporate Tax etc.		-1,910,414	-1,903,312	-14.7	- 188,563	- 183,112	- 1.5	1,721,850	1,720,199
Net Profit or Loss (-)			-25,625,600	-198.1		2,166,889	17.8		27,792,490

(3) Statement of Changes in Shareholders' Equity etc.
Previous Fiscal Year (01.01.2007 – 12.31.2007)

	Shareholders' Equity			
	Capital Stock	Capital Surplus		
		Capital Reserve	Other Capital Surplus	Total Capital Surplus
Balance on 12.31.2006 (¥thousands)	7,148,299	9,065,600	122,741	9,188,342
Change in the fiscal year				
Issue of new stock (¥thousands)	5,483,678	5,455,322		5,455,322
Reduction of earned reserve (¥thousands)				
Reduction of capital reserve (¥thousands)		-250,464	250,464	
Transfer from other capital surplus to other earned surplus (¥thousands)			-373,206	-373,206
Net loss (¥thousands)				
Acquisition of treasury stock (¥thousands)				
Total change in the fiscal year (¥thousands)	5,483,678	5,204,857	-122,741	5,082,116
Balance on 12.31.2007 (¥thousands)	12,631,977	14,270,458	—	14,270,458

	Shareholders' Equity					
	Earned Surplus				Treasury Stock	Total Shareholders' Equity
	Earned Reserve	Other Earned Surplus		Total Earned Surplus		
		Special Reserve	Earned Surplus Carried Forward			
Balance on 12.31.2006 (¥thousands)	13,600	700,000	-1,086,806	-373,206	-208	15,963,226
Change in the fiscal year						
Issue of new stock (¥thousands)						10,939,000
Reduction of earned reserve (¥thousands)	-13,600		13,600			
Reduction of capital reserve (¥thousands)						
Transfer from other capital surplus to other earned surplus (¥thousands)		-700,000	1,073,206	373,206		
Net loss (¥thousands)			-25,625,600	-25,625,600		-25,625,600
Acquisition of treasury stock (¥thousands)					-139	-139
Total change in the fiscal year (¥thousands)	-13,600	-700,000	-24,538,794	-25,252,394	-139	-14,686,739
Balance on 12.31.2007 (¥thousands)	—	—	-25,625,600	-25,625,600	-347	1,276,487

	Gaps in Appraisals, Conversions, etc			Total Net Assets
	Other Gaps in Appraisal of Securities	Hedging Profit/Loss	Total Gap in Appraisals, Conversions, etc.	
Balance on 12.31.2006 (¥thousands)	25,032	13,351	38,383	16,001,610
Change in the fiscal year				
Issue of new stock (¥thousands)				10,939,000
Reduction of earned reserve (¥thousands)				
Reduction of capital reserve (¥thousands)				
Transfer from other capital surplus to other earned surplus (¥thousands)				
Net loss (¥thousands)				-25,625,600
Acquisition of treasury stock (¥thousands)				-139
Change in items other than shareholders' equity in the fiscal year (net amount) (¥thousands)	-14,767	-8,944	-23,711	-23,711
Total change in the fiscal year (¥thousands)	-14,767	-8,944	-23,711	-14,710,450
Balance on 12.31.2007 (¥thousands)	10,265	4,406	14,672	1,291,159

Current Fiscal Term (01.01.2008 – 12.31.2008)

	Shareholders' Equity			
	Capital Stock	Capital Surplus		
		Capital Reserve	Other Capital Surplus	Total Capital Surplus
Balance on 12.31.2007 (¥thousands)	12,631,977	14,270,458	—	14,270,458
Change in the fiscal year				
Reduction of capital (transfer from capital surplus to earned surplus) (¥thousands)	- 11,355,142		11,355,142	11,355,142
Reduction of reserve (transfer from capital surplus to earned surplus) (¥thousands)		- 14,270,458	14,270,458	—
Transfer from other capital surplus to other earned surplus (¥thousands)			- 25,625,600	- 25,625,600
Net profit (¥thousands)				—
Acquisition of treasury stock (¥thousands)				—
Change in items other than shareholders' equity in the fiscal year (net amount) (¥thousands)				—
Total change in the fiscal year (¥thousands)	- 11,355,142	- 14,270,458		- 14,270,458
Balance on 12.31.2008 (¥thousands)	1,276,834	—	—	—

	Shareholders' Equity			
	Earned Surplus		Treasury Stock	Total Shareholders' Equity
	Other Earned Surplus	Total Earned Surplus		
	Earned Surplus Carried Forward			
Balance on 12.31.2007 (¥thousands)	-25,625,600	-25,625,600	-347	1,276,487
Change in the fiscal year				
Reduction of capital (transfer from capital surplus to earned surplus) (¥thousands)				—
Reduction of reserve (transfer from capital surplus to earned surplus) (¥thousands)				—
Transfer from other capital surplus to other earned surplus (¥thousands)	25,625,600	25,625,600		—
Net profit (¥thousands)	2,166,889	2,166,889		2,166,889
Acquisition of treasury stock (¥thousands)			- 113	- 113
Change in items other than shareholders' equity in the fiscal year (net amount) (¥thousands)				—
Total change in the fiscal year (¥thousands)	27,792,490	27,792,490	- 113	2,166,775
Balance on 12.31.2008 (¥thousands)	2,166,889	2,166,889	- 461	3,443,263

	Gaps in Appraisals, Conversions, etc			Total Net Assets
	Other Gaps in Appraisal of Securities	Hedging Profit/Loss	Total Gap in Appraisals, Conversions, etc.	
Balance on 12.31.2007 (¥thousands)	10,265	4,406	14,672	1,291,159
Change in the fiscal year				
Reduction of capital (transfer from capital surplus to earned surplus) (¥thousands)				—
Reduction of reserve (transfer from capital surplus to earned surplus) (¥thousands)				—
Transfer from other capital surplus to other earned surplus (¥thousands)				—
Net profit (¥thousands)				2,166,889
Acquisition of treasury stock (¥thousands)				- 113
Change in items other than shareholders' equity in the fiscal year (net amount) (¥thousands)	- 9,820	- 17,316	- 27,137	- 27,137
Total change in the fiscal year (¥thousands)	- 9,820	- 17,316	- 27,137	2,139,638
Balance on 12.31.2008 (¥thousands)	444	- 12,909	- 12,464	3,430,798