



First Quarter Financial Statements Fiscal Year 2009

May 11, 2009

Name of Listed Company: GMO Internet, Inc.

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

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(all amounts rounded down to the nearest million yen)

1. Consolidated First Quarter Financial Results in the Fiscal Year Ending December 2009 (01.01.2009 – 3.31.2009)

(1) Consolidated Operating Results

(Percentages represent year-on-year % change)

	Sales		Operating Profit		Ordinary Profit		Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FY2009 1st Quarter	9,671	—	1,103	—	1,163	—	647	—
FY2008 1st Quarter	8,644	(-42.6)	1,151	(-40.7)	1,028	(-42.4)	489	(99.7)

	Net Profit per Share	Net Profit per Share (Diluted)
	¥	¥
FY2009 1st Quarter	6.44	—
FY2008 1st Quarter	4.87	—

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	¥ millions	¥ millions	%	¥
FY2009 1st Quarter	39,519	13,246	17.0	66.98
FYE 12/2008	39,752	13,367	17.0	67.26

(Reference) Shareholders' Equity: FYE 12/2009 Q1: ¥6,730 million FYE 12/2008: ¥6,758 million

2. Dividends

Date of Record	Dividend per Share				
	End of Q1	End of Q2	End of Q3	End of Q4	Total
	¥	¥	¥	¥	¥
FYE 12/2008	—	—	—	7.0	7.0
FYE 12/2009	—	—	—	—	—
FYE 12/2009 (forecast)	—	2.0	—	4.0	6.0

(Note) Revision to dividend forecast during the current quarter: none

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

(Note) Revision to consolidated results forecast during the current quarter: none

4. Other

(1) Significant changes in subsidiaries in the current term (Changes in specific subsidiaries resulting in change in scope of consolidation): none

(2) Simplified accounting procedures or special accounting procedures applied in the preparation of consolidated financial statements for the current term: none

(3) Changes to accounting principles, procedures or representation relating to preparation of consolidated financial statements. (Changes to significant accounting bases used in preparation of financial statements)

i) Changes resulting from revisions to accounting standards: yes

ii) Changes other than those specified above: none

(Please refer to page 8 for details)

(4) Number of Outstanding Shares (Common Shares)

i) No. of outstanding shares at end of term (including treasury shares)	FYE 12/2009 Q1:	100,484,441	FYE 12/2008:	100,484,441
ii) No. of treasury shares at end of term	FYE 12/2009 Q1:	1,358	FYE 12/2008:	1,271
iii) Average no. of shares in the term	FYE 12/2009 Q1:	100,483,130	FYE 12/2008 Q1:	100,483,393

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

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.

Revised Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No.12) and Revised Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No.14) are applied from the current fiscal year. The quarterly consolidated financial statements were created in accordance with Quarterly Consolidated Financial Statement Regulations.

• Qualitative Information / Financial Statements

1. Consolidated Operating Results

General Business Conditions

In the first quarter of fiscal year 2009, the Japanese economy rapidly deteriorated amidst anxiety over global business conditions, the worsening worldwide financial crisis, and stock market fluctuations. Consumer spending, corporate earnings, and capital expenditure continued to decline.

The Internet market, the arena in which the group operates, and particularly the consumer e-commerce market, remained robust despite economic conditions. This was partly a reflection of consumer behavior as Japanese consumers economized and spent more time at home.

GMO Internet Group expanded its customer base in the Web Infrastructure & E-commerce business segment focusing on high quality, low cost services. The Internet Media business segment, led by SEM Media, reported a strong performance despite being impacted by a withdrawal from the recruitment advertising business.

In the quarter under review, results were as follows. Sales ¥9.671 billion (11.9% year-on-year increase), operating profit ¥1.103 billion (4.2% year-on-year decrease), ordinary profit ¥1.163 billion (13.0% year-on-year increase).

Operating results in the Web Infrastructure & E-commerce and Internet Media segments are discussed in the following segment report, however in addition to segment earnings, net profit before tax (¥1.164 billion) was impacted by extraordinary profits including gains on the sale of investment securities and stock in a subsidiary (¥31.90 million), and extraordinary losses including losses in consolidated subsidiary, GMO San Planning, Inc. relating to withdrawal from the recruitment advertising business (¥30.30 million). Corporate taxes etc. and corporate tax adjustment amounted to ¥356.12 million, and minority interests of ¥161.66 million were recorded resulting in a net profit of ¥647.01 million (32.2% year-on-year increase).

(Unit: ¥ thousands)

	Previous Quarter	Current Quarter	Change	% Change
Sales				
Web Infrastructure & E-commerce	4,797,160	4,710,713	-86,446	-1.8%
Internet Media	3,850,253	5,166,587	1,316,333	34.2%
Other	40,484	497	-39,987	-98.8%
Inter segment transactions	-43,348	-206,069	-162,721	375.4%
Total	8,644,550	9,671,728	1,027,178	11.9%
Operating Profit				
Web Infrastructure & E-commerce	700,530	690,831	-9,698	-1.4%
Internet Media	420,652	429,085	8,433	2.0%
Other	20,661	-30,096	-50,757	-245.7%
Inter segment transactions	10,060	13,196	3,135	31.2%
Total	1,151,905	1,103,018	-48,887	-4.2%
Ordinary Profit	1,028,998	1,163,209	134,211	13.0%
Net Profit	489,427	647,018	157,591	32.2%

(Note) The business segment previously entitled Internet Use Support (Infrastructure) has been renamed Web Infrastructure & E-commerce, and the segment previously entitled Internet Advertising Support (Media) is now named Internet Media.

Segment Report

Business operations in each business segment are as follows.

Business Classification		Main Activities
Web Infrastructure and E-commerce	Domain Registration	<ul style="list-style-type: none"> • Domain registration services including Onamae.com and MuuMuu Domain.
	Web Hosting	<ul style="list-style-type: none"> • Provision, operation, management, and maintenance of dedicated and shared web hosting services including Onamae.com Rental Server (SD), iSLE, RapidSite, MightyServer, WEBKEEPERS, Marugoto Server, and Lolipop!
	E-commerce Solutions & Web Development	<ul style="list-style-type: none"> • ASP services for online store construction including Color me shop! Pro and MakeShop. • Development and operation of online shopping malls including Calamel. • Marugoto EC and other online store solutions and consulting services. • Web site design and management services including Omakase Web, and system consulting services. • ASP services for the sale of music, video, and other digital content by Digital Content O.
	Internet Security	<ul style="list-style-type: none"> • Quick Authentication SSL, enterprise SSL, and other SSL certificate issue services, code signing certificate services, PDF document signing services.
	Payment Processing	<ul style="list-style-type: none"> • PG Multi-payment Service and other credit card payment processing services for e-commerce and catalog sales businesses, payment processing services for the public sector.
	Access Provider	<ul style="list-style-type: none"> • interQ, MEMBERS, ZERO, and other access provider services.
Internet Media	Internet Media & Search Media	<ul style="list-style-type: none"> • Development and operation of blog services by yaplog! JUGEM, and AutoPage, Internet community services including freeml, and other Internet advertising media. • SEM Media <ul style="list-style-type: none"> JWord operation and sales of JWord, Japanese keywords. Sales of GMO SEO+, Find-A and other SEO (Search Engine Optimization) services • Overture <ul style="list-style-type: none"> Distribution of contextual advertising to owned & operated media and search engine results pages.
	Advertising Agencies	<ul style="list-style-type: none"> • Internet advertising media sales including banner ads, text ads, e-mail advertising, and search related advertising. • Advertisement design
	Other	<ul style="list-style-type: none"> • Marketing and operation of Corum Online and other online games. • Provision of Internet research systems, management and operation of online research panel.
Other	Other	<ul style="list-style-type: none"> • Venture capital business

• Web Infrastructure & E-commerce Segment

In the domain registration business, market share was expanded in the first quarter and domain registrations/renewals were up 28.6% year-on-year to approximately 197,000.

However, reflecting reduced domain fees, sales fell 2.2% from the previous corresponding term to ¥603.78 million.

In the web hosting business, disk capacity was boosted and functionality expanded in response to the growing sophistication and diversification of client needs. High-availability systems, e-mail server systems, and a dedicated server Exchange service were introduced broadening dedicated and managed service offerings. As a result, contracts increased 9.1% over the previous corresponding to approximately 390,000 and sales reached ¥2.241 billion, a 4.6% year-on-year increase.

In E-commerce Solutions and Web Development, the e-commerce shopping cart business continued to grow buoyed by strong, sustained demand. Service functionality and payment processing methods were expanded among other initiatives aimed at improving usability for the customer. However, sales decreased 27.2% from the previous corresponding term to ¥564.89 million as a result of the shift in e-commerce package sales from high cost services to low cost services, and a strategic reduction of the web development business by moving staff to Internet Media & Search Media.

The security business in Japan developed sales partnerships and launched direct sales to countries in the Asia and Oceania regions. In Europe and North America, previously developed sales partnerships contributed to revenue. As a result, sales increased 13.1% year-on-year to ¥311.58 million.

The payment processing business saw an increase in merchants and growth in recurring payments. Active expansion of public sector payment processing continued and the service was adopted by Fukuoka city, Fukuoka prefecture for credit card payments of water rates. Payment Processing reported sales of ¥606.96 million (16.8% year-on-year increase).

Results in the Web Infrastructure and E-commerce segment, chiefly comprising the five product areas above, were as follows; sales: ¥4.710 billion (1.8% year-on-year decrease), operating profit: ¥690.83 million (1.4% year-on-year decrease).

- Internet Media Segment

Due to the impact of a sluggish economy on the advertising market, it was decided to withdraw from the recruitment advertising business in February this year. However, in the Internet advertising market, advertisers are seeking higher cost-effectiveness, and SEM Media performed well.

The first quarter saw solid performance in Internet Media & Search Media, particularly in SEO sales, a reflection of the transfer of sales staff to JWord, SEO and other SEM Media services. In the Overture search related advertising partnership, an increase in advertising distribution partially offset the impact of customer advertising cutbacks and declining unit prices resulting in only a slight drop in revenue from the first quarter in the previous year. Overall, Internet Media & Search Media recorded sales of ¥2.245 billion (8.7% year-on-year increase).

Despite strong performance in mobile advertising, the advertising agencies business continues to be afflicted by a worse than expected decline in recruitment business. Due to these conditions, GMO San Planning, Inc. withdrew from recruitment advertising on February 28, 2009, and was absorbed by parent company, GMO AD Partners, Inc. on April 1, 2009. In the current quarter, NIKKO, Inc. revenue was included in Advertising Agencies sales for the first time. Advertising Agencies recorded sales of ¥2.697 billion (78.6% year-on-year increase).

Total sales in Internet Media, the segment encompassing the above businesses, were ¥5.166 billion (34.2% year-on-year increase), operating profit, impacted by the recruitment advertising business withdrawal, was ¥429.08 million (2.0% year-on-year increase).

- Other Businesses

Venture capital was the only business operating in Other Businesses during the first quarter. Results in Other Businesses were as follows; sales: ¥497 thousand, operating profit: -¥30.09 million.

(Reference 1) Quarterly Change in Consolidated Operating Results and Financial Condition

(Unit: ¥millions)

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009
Sales	8,644	8,560	9,959	10,083	9,671
Operating Profit	1,151	849	1,115	1,027	1,103
Ordinary Profit	1,028	786	1,158	1,057	1,163
Net Profit	489	484	917	219	647
Total Assets	39,486	40,650	39,891	39,752	39,519
Shareholders' Equity	5,238	5,799	6,620	6,758	6,730

(Reference 2) Quarterly Change by Segment / Business Area

I Sales by Segment

(Unit: ¥millions)

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009
Web Infrastructure & E-commerce					
Access Provider	413	374	349	331	320
Domain Registration	617	613	601	546	603
Web Hosting	2,142	2,176	2,156	2,221	2,241
E-commerce Solutions & Web Development	775	715	841	698	564
Security	275	263	255	281	311
Credit Card Payment Processing	519	535	578	579	606
Other	51	41	30	39	60
Segment sales total	4,797	4,720	4,815	4,697	4,710
Internet Media					
Internet Media & Search Media	2,065	2,222	2,429	2,318	2,245
Advertising Agencies	1,510	1,514	2,745	3,028	2,697
Other	354	322	364	368	335
Total	3,931	4,059	5,540	5,715	5,278
Adjustment for internal transactions	(80)	(164)	(174)	(100)	(112)
Segment sales total	3,850	3,894	5,365	5,615	5,166
Other Businesses					
Other	40	26	8	1	0
Segment sales total	40	26	8	1	0
Adjustment for inter segment transactions	(43)	(81)	(229)	(231)	(206)
Consolidated Sales	8,644	8,560	9,959	10,083	9,671

II Operating Profit by Segment

(Unit: ¥millions)

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009
Web Infrastructure & E-commerce	700	572	673	513	690
Internet Media	420	280	437	508	429
Other Businesses	20	-14	-12	-5	-30
Sub-total	1,141	839	1,098	1,017	1,089
Adjustment for inter segment transactions	10	10	16	10	13
Consolidated Operating Profit	1,151	849	1,115	1,027	1,103

2. Consolidated Financial Condition

Assets, Liabilities, and Net Assets

Significant changes in the state of assets, liabilities, and net assets between December 31, 2008 and March 31, 2009 are as follows.

Current assets decreased ¥30.25 million (0.1%) from the end of the previous fiscal year to ¥25.614 billion. Contributing factors chiefly included a ¥255.01 million decrease in cash and equivalents and a ¥236.34 million increase in trade notes and accounts receivable.

Fixed assets decreased ¥202.91 million (1.4%) from the end of the previous fiscal year to ¥13.905 billion. Major contributing factors were a ¥194.33 million decrease resulting from the amortization of goodwill, a decrease of ¥153.01 million resulting from the sale of investment securities, and an increase of ¥84.47 million resulting from the acquisition of software.

Overall assets total decreased ¥233.16 million (0.6%) from the end of the previous fiscal year to ¥39.519 billion.

Current liabilities increased ¥167.23 million (1.1%) from the end of the previous fiscal year to ¥14.927 billion. Significant items included a ¥200.00 million increase in short-term loans, a ¥151.82 million increase in the amount payable line item due to unpaid dividends, and a ¥346.34 million decrease in accrued corporate tax etc, following a tax payment

Fixed liabilities decreased ¥279.53 million (2.4%) from the end of the previous fiscal year to ¥11.345 billion, mainly due to a scheduled repayment on long term loans (¥349.75 million).

Overall, liabilities total decreased ¥112.30 million (0.4%) from the end of the previous fiscal year to ¥26.272 billion.

Net Assets decreased ¥120.86 million (0.9%) from the end of the previous fiscal year to ¥13.246 billion. Significantly, there was an increase in earned surplus resulting from net profit totaling ¥647.01 million, however dividend payouts totaled ¥703.38 million.

Cash Flows

In the first quarter of the current fiscal year, consolidated cash flow provided by operating activities was ¥753.11 million, while cash flow used in investing activities was ¥120.71 million, and ¥916.04 million was used in financing activities. As a result, the balance of consolidated cash and cash equivalents stood at ¥18.201 billion at the end of the first quarter.

The following is a summary of cash flow in the period under review

Cash flow provided by operating activities totaled ¥753.11 million (¥753.38 million in the previous corresponding term). Major items included net profit before tax and other adjustments amounting to ¥1.164 billion, non cash expenses including depreciation (¥190.52 million) and goodwill amortization (¥220.47 million) as well as corporate tax and other tax payments totaling ¥691.95 million.

Cash flow used in investing activities was ¥120.71 million (¥469.37 million was used in the previous corresponding term). Contributing factors include the acquisition of intangible fixed assets worth ¥138.76 million, income of ¥95.00 million on the sale of investment securities, and subsidiary stock acquisition expenditure totaling ¥53.73 million.

Cash flow used in financing activities was ¥916.04 million (¥1.243 billion was used in the previous corresponding term). Significant items included income of ¥200.00 million (net amount) due to a net increase in short-term loans, and outflows of ¥349.75 million on repayment of long-term loans, ¥589.61 million on payment of dividends, and payment of dividends totaling ¥196.65 million to minority shareholders.

3. Consolidated Results Forecast

There is no revision to the interim and full-year consolidated results forecasts announced on February 12, 2009.

4. Other

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

(2) Simplified accounting procedures or special accounting procedures applied in the preparation of consolidated financial statements for the current term: none

(3) Changes to accounting principles, procedures or representation relating to the preparation of consolidated financial statements.

i) Revised Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No.12) and Revised Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No.14) are applied from the current fiscal year. Quarterly consolidated financial statements were created in accordance with Quarterly Consolidated Financial Statement Regulations.

ii) Accounting standards for lease transactions

Finance lease transactions that do not transfer ownership have previously been accounted for in the same manner as operating leases. However, Accounting Standard for Lease Transactions (ASBJ Statement No.13, March 30, 2007) which revised the former accounting standard for lease transactions issued on June 17, 1993, and Guidance on Accounting Standard for Lease Transactions (ASBJ Guidance No. 16, March 30, 2007) which revised the former guidance issued on January 18, 1994, can now be applied to consolidated financial statements for annual periods beginning on or after April 1, 2008. This accounting standard is applied from the first quarter of the current fiscal year and finance lease transactions are accounted for as ordinary sales transactions.

Depreciation expenses arising from a leased asset in a finance lease transaction that does not transfer ownership are calculated based on the assumption that the useful life is equal to the lease term, and the residual value equals zero.

Finance lease transactions that do not transfer ownership commenced before April 1, 2008 are continuously accounted for in the same manner as operating leases.

The impact of this change on the consolidated balance sheet and profit and loss statement is immaterial.

5. Consolidated Financial Statements
(1) Quarterly Balance Sheet

(Unit: ¥thousands)

	1st Quarter Current Fiscal Year (As of Mar 31, 2009)	End of Previous Fiscal Year (As of Dec 31, 2008)
Assets		
Current Assets		
Cash and deposits	18,255,654	18,510,672
Trade notes and accounts receivable	4,774,687	4,538,338
Operational investment securities	899,232	886,982
Deferred tax asset	748,718	759,166
Other	1,251,327	1,252,290
Provision for doubtful debts	- 297,618	- 302,948
Provision for loss on investments	- 17,750	—
Total Current Assets	25,614,251	25,644,502
Fixed Assets		
Tangible fixed assets	570,569	569,395
Intangible fixed assets		
Goodwill	1,853,864	2,048,196
Software	2,068,543	1,984,072
Other	171,228	88,442
Total intangible fixed assets	4,093,636	4,120,711
Investments and other assets		
Investment securities	664,288	817,299
Investment real estate	4,436,590	4,437,348
Deferred tax asset	2,136,013	2,162,724
Claims in bankruptcy etc.	5,437,002	5,428,258
Other	2,041,739	2,039,320
Provision for doubtful debts	- 5,474,530	- 5,466,832
Total investments and other assets	9,241,103	9,418,118
Total Fixed Assets	13,905,309	14,108,225
Total Assets	39,519,561	39,752,728
Liabilities		
Current Liabilities		
Trade notes and accounts payable	1,517,419	1,544,219
Short term debt	2,399,000	2,199,000
Bonds to be redeemed within a year	1,000,000	1,000,000
Amount payable	2,071,273	1,919,449
Accrued corporate tax etc.	422,882	769,231
Allowance for bonuses	141,674	107,456
Allowance for bonuses to directors	21,245	29,474
Advance payment received	2,470,318	2,392,138
Deposit received	3,987,475	3,930,424
Other	895,855	868,522
Total Current Liabilities	14,927,147	14,759,917

(Unit: ¥thousands)

	1st Quarter Current Fiscal Year (As of Mar 31, 2009)	End of Previous Fiscal Year (As of Dec 31, 2008)
Fixed Liabilities		
Long term debt	10,652,500	11,002,250
Long term amount payable	472,672	481,619
Allowance for retirement benefits	3,902	6,428
Other	216,404	134,807
Total Fixed Liabilities	11,345,569	11,625,105
Total Liabilities	26,272,716	26,385,022
Net Assets		
Shareholders' Equity		
Capital stock	1,276,834	1,276,834
Earned surplus	5,585,110	5,636,307
Treasury stock	- 493	- 461
Total Shareholders' Equity	6,861,452	6,912,681
Gaps in Appraisals, Conversions etc.		
Other gaps in appraisal of securities	- 14,253	- 14,843
Hedging profit/loss carried forward	12,025	- 12,909
Foreign currency translation account adjustment account	- 129,003	- 126,499
Total Gaps in Appraisals, Conversions, etc.	- 131,231	- 154,252
Minority Equity	6,516,623	6,609,277
Total Net Assets	13,246,844	13,367,705
Total Liabilities, Net Assets Total	39,519,561	39,752,728

(2) Consolidated Statement of Income
First Quarter

(Unit: ¥thousands)

	1st Quarter Current Fiscal Year Three Months to March 31, 2009
Sales	9,671,728
Cost of Sales	4,429,874
Gross Profit on Sales	5,241,854
Sales General & Administrative Expenses	4,138,836
Operating Profit	1,103,018
Non Operating Revenue	
Interest income	76,081
Dividends received	1,445
Other	87,957
Total Non Operating Revenue	165,484
Non Operating Expenses	
Interest paid	71,270
Other	34,022
Total Non Operating Expenses	105,293
Ordinary Profit	1,163,209
Extraordinary Profit	
Gain on sale of fixed assets	2,086
Gain on sale of investment securities	5,000
Gain on sale of affiliated company stock	19,164
Other	5,654
Total Extraordinary Profit	31,905
Extraordinary Loss	
Loss on disposal of fixed assets	1,534
Business withdrawal loss	12,916
Office relocation expenses	15,387
Other	469
Total Extraordinary Loss	30,308
Net Profit before Adjustment for Tax etc.	1,164,806
Corporate, Municipal and Enterprise Taxes	322,472
Corporate Tax etc. Adjustment	33,651
Total Corporate Taxes etc.	356,123
Minority Interests	161,664
Net Profit	647,018

(3) Consolidated Statement of Cash Flows

(Unit: ¥thousands)

	1st Quarter Current Fiscal Year Three Months to March 31, 2009
Cash Flow from Operating Activities	
Net Profit before Adjustment for Tax etc.	1,164,806
Depreciation expenses	190,527
Amortization of goodwill	220,478
Gain or loss on sale of investment securities (- represents gain)	- 5,000
Gain or loss on sale of affiliated company stock (- represents gain)	- 19,164
Interest and dividends received	- 77,527
Interest paid	71,270
Change in accounts receivable (- represents increase)	- 215,657
Change in purchase debts (- represents decrease)	- 32,047
Other	145,924
Sub total	<u>1,443,609</u>
Interest and dividends received	76,476
Interest paid	- 75,015
Corporate tax etc. paid	- 691,957
Cash Flow from Operating Activities	<u>753,113</u>
Cash Flow from Investing Activities	
Expenditure on acquisition of tangible fixed assets	- 55,046
Expenditure on acquisition of intangible fixed assets	- 138,760
Income accrued on sale of intangible fixed assets	2,851
Expenditure on acquisition of investment securities	- 4,350
Income accrued on sale of investment securities	95,000
Expenditure on acquisition of subsidiary stock	- 53,737
Income accrued on sale of subsidiary stock	22,050
Other	11,278
Cash Flow from Investing Activities	<u>- 120,714</u>
Cash Flow from Financing Activities	
Income accrued on short term loans	1,100,000
Expenditure on repayment of short term loans	- 900,000
Expenditure on repayment of long term loans	- 349,750
Payment of dividends	- 589,615
Payment of dividends to minority shareholders	- 196,653
Other	19,970
Cash Flow from Financing Activities	<u>- 916,048</u>
Effect of Exchange Rate Changes on Cash and Equivalents	2,470
Change in Cash and Equivalents (- represents decrease)	<u>- 281,177</u>
Balance of Cash and Equivalents at Beginning of Term	18,456,132
Increase in Cash and Equivalents following Increase in Consolidated Subsidiaries	26,639
Balance of Cash and Equivalents at End of Term	<u>18,201,594</u>

Revised Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No.12) and Revised Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No.14) are applied from the current fiscal year. Quarterly consolidated financial statements were prepared in accordance with Quarterly Consolidated Financial Statement Regulations.

Additional Information

In the Statement of Income of the previous consolidated fiscal year operating profit was represented as operating revenue minus business expenses and SGA expenses (line items I Operating Revenue, II Business Expenses, III Selling General & Administrative Expenses). However, as a result of expanded service provision and organizational restructuring, it is now possible to clearly differentiate between “cost of sales” and “SGA expenses”. Therefore, from the first quarter of the current consolidated fiscal term, operating profit is represented as gross profit on sales (sales minus cost of sales) minus SGA expenses (line items Sales, Cost of Sales, Selling General & Administrative Expenses).

The organizational restructure divided operations into a business division and a sales division clarifying the division of duties. “Cost of sales” and “SGA expenses” classifications have been revised in line with this change. In the first quarter of the current fiscal year, ¥728.05 million included in the line item “SGA expenses” under the former classification, is now shown in the line item, “cost of sales”. This change has no impact on operating profit.

(4) Notes regarding the Going Concern Assumption
None

(5) Segment Data

Data by business segment

First quarter of the current fiscal year (01.01.2009 – 03.31.2009)

	Web Infrastructure & E-commerce (¥thousands)	Internet Media (¥thousands)	Other Businesses (¥thousands)	Total (¥thousands)	Inter-segment transactions (¥thousands)	Consolidated (¥thousands)
Sales						
(1) Sales to unaffiliated customers	4,655,642	5,015,589	497	9,671,728	—	9,671,728
(2) Inter-segment sales and transfers	55,071	150,998	—	206,069	(206,069)	—
Total	4,710,713	5,166,587	497	9,877,798	(206,069)	9,671,728
Operating Profit/Loss	690,831	429,085	(30,096)	1,089,821	13,196	1,103,018

(notes)

1. Operations are segmented for internal management purposes. The business segment previously entitled Internet Use Support (Infrastructure) has been renamed Web Infrastructure & E-commerce, and the segment previously entitled Internet Advertising Support (Media) is now named Internet Media.

2. Main products in each segment

(1) Web Infrastructure & E-commerce

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

(2) Internet Media

Internet media & search media, Internet advertising agencies, other

(3) Other Businesses

Venture capital

Segment data by location

In the first quarter of the current fiscal year (01.01.2009 – 03.31.2009) Japan accounted for over 90% of consolidated sales in all segments. Details of sales by location have therefore been omitted.

Global sales data

In the first quarter of the current fiscal year (01.01.2009 – 03.31.2009) overseas transactions accounted for less than 10% of consolidated sales. Global sales data has therefore been omitted.

(6) Significant Changes in Shareholders' Equity

None

(Reference)

Financial Statements relating to the Previous First Quarter
(1) (Extract) Consolidated Statement of Income

	1st Quarter Previous Fiscal Year (Three Months to March 31, 2008)
Item	Amount (¥thousands)
I Operating Revenue	8,644,550
II Business Expenses	3,887,969
III Sales General & Administrative Expenses	3,604,675
Operating Profit	1,151,905
IV Non Operating Revenue	119,521
1. Interest and dividends	46,309
2. Rent received	28,025
6. Other	45,186
V Non Operating Expenses	242,428
1. Interest paid	74,836
2. Currency translation loss	115,908
3. Other	51,683
Ordinary Profit	1,028,998
VI Extraordinary Profit	202,414
1. Gain on sale of investment securities	91,268
2. Gain on reversal of allowance for doubtful debt	7,127
3. Gain on transfer of business	104,019
VII Extraordinary Loss	69,879
1. Loss on disposal of fixed assets	9,445
2. Loss on appraisal of investment securities	44,517
3. Impairment loss	15,916
Net Profit before Adjustment for Tax etc.	1,161,533
Corporate, Municipal and Enterprise Taxes	387,327
Corporate Tax etc. Adjustment	20,830
Minority Interests	263,947
Net Profit	489,427

(2) (Extract) Consolidated Statement of Cash Flows

	1st Quarter Previous Fiscal Year (Three Months to March 31, 2008)
Item	Amount (¥thousands)
I Cash Flow from Operating Activities	
Net Profit before adjustment for tax etc.	1,161,533
Depreciation costs	172,091
Impairment loss	15,916
Amortization of goodwill	247,422
Gain on sale of investment securities	- 91,268
Gain on transfer of businesses	- 104,019
Interest and dividends received	- 46,309
Interest paid	74,836
Loss on appraisal of investment securities	44,517
Decrease in accounts receivable	- 310,967
Decrease in purchase debts	- 4,913
Other	352,443
Sub total	1,511,284
Interest and dividends received	44,654
Interest paid	- 73,311
Corporate tax etc. paid	- 747,239
Cash Flow from Operating Activities	735,387
II Cash Flow from Investing Activities	
Expenditure on acquisition of tangible fixed assets	- 38,779
Expenditure on acquisition of intangible fixed assets	- 165,422
Expenditure on acquisition of investment securities	- 9,000
Revenue accrued on sale of investment securities	156,509
Revenue accrued on redemption of investment securities	1,073
Expenditure on acquisition of subsidiary stock	- 370,767
Revenue accrued on the sale of subsidiary stock resulting in change in the scope of consolidation	782
Expenditure on execution of loans	- 254,226
Revenue accrued on collection of loans	159,319
Revenue accrued on transfer of businesses	104,019
Revenue accrued on other investing activities	925
Expenditure on other investing activities activities	- 53,806
Cash Flow from Investing Activities	- 469,374
III Cash Flow from Financing Activities	
Revenue accrued on short term loans	12,511,930
Expenditure on repayment of short term loans	- 13,539,370
Expenditure on repayment of long term loans	- 6,000
Payment of dividends	- 258
Payment of dividends to minority shareholders	- 210,086
Cash Flow from Financing Activities	- 1,243,784
IV Effect of Exchange Rate on Cash and Equivalents	- 44,306
V Increase in Cash and Equivalents	- 1,022,078
VI Balance of Cash and Equivalents at Beginning of Term	19,303,854
VII Balance of Cash and Equivalents at End of Term	18,281,776

(3) Segment Data
Data by Business Segment

(¥thousands)

Item	Internet Use Support (Infrastructure)	Internet Advertising Support (Media)	Other Businesses	Total	Inter Segment Transactions	Consolidated
Sales	4,797,160	3,850,253	40,484	8,687,898	-43,348	8,644,550
Operating Expenses	4,096,629	3,429,601	19,823	7,546,054	-53,408	7,492,645
Operating Profit	700,530	420,652	20,661	1,141,844	10,060	1,151,905