Fiscal Year 2009 Results Statement

February 10, 2010

Name of Listed Company: GMO Internet, Inc.
Exchange Listing: Tokyo Stock Exchange Stock Code: 9449 URL: http://www.gmo.jp/en
Representative: Masatoshi Kumagai, CEO and Representative Director
Contact: Masashi Yasuda, Managing Director Contact Number: +81-3-5456-2555
Date of Annual General Shareholders Meeting: March 26, 2010 Start Date of Dividend Payout: March 29, 2010
Annual Report Release Date: March 29, 2010

(all amounts rounded down to the nearest million yen)

1. Consolidated Financial Results for the Year Ended December 2009 (01.01.2009 – 12.31.2009)

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

	Sales		Operating Profit		Ordinary Profit		Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FYE 12/2009	38,195	2.5	4,649	12.2	4,797	19.0	1,354	-35.9
FYE 12/2008	37,247	-19.6	4,143	—	4,031	—	2,111	—

	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 12/2009	13.49	—	19.6	11.9	12.2
FYE 12/2008	21.01	—	36.3	10.0	11.1

(Reference) Earnings/Loss on Equity Method Investment FYE 12/2009 ¥0 million FYE 12/2008 ¥0 million

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	¥ millions	¥ millions	%	¥
FYE 12/2009	40,922	14,145	17.2	70.47
FYE 12/2008	39,752	13,367	17.0	67.26

(Reference) Shareholders' Equity FYE 12/2009 ¥7,047 million FYE 12/2008 ¥6,758 million

(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 12/2009	7,158	-1,411	-3,518	20,723
FYE 12/2008	4,940	-1,653	-4,144	18,456

2. Dividends

	Dividend per Share					Total Dividend Payout (Total)	Payout Ratio (Consolidated)	Ratio of Dividends to Total Assets (Consolidated)
	End of Q1	End of Q2	End of Q3	End of Q4	Total			
	¥	¥	¥	¥	¥	¥ millions	%	%
FYE 12/2008	—	-	—	7.0	7.0	703	33.3	12.1
FYE 12/2009	—	2.0	—	4.0	6.0	600	44.5	8.5
Year Ending 12/2010 (forecast)	—	2.0	—	4.0	6.0		30.0	

3. Consolidated Results Forecast for the Year Ending December 2010 (01.01.2010 – 12.31.2010)

(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	20,000	5.4	2,250	1.9	2,100	-9.4	800	-34.71	8.0
Full Year	42,000	10.0	5,200	11.8	4,900	2.1	2,000	47.7	20.0

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" on page 14 for details.

(2) 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)

1. Changes resulting from revisions to accounting standards: yes
2. Changes other than those specified above: none

(note) Please refer to "Changes to Significant Items Upon Which the Consolidated Financial Statement is Based" page 26.

(3) Number of Outstanding Shares (Common Shares)

i) No. of outstanding shares at end of term (including treasury shares)

FYE 12/2009: 100,003,441 FYE 12/2008: 100,484,441

ii) No. of treasury shares at end of term

FYE 12/2009: 1,506 FYE 12/2008: 1,271

(note) Please refer to "Per share data" on page 43 for the calculation basis for consolidated net profit per share.

(Reference) Outline of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Year Ended December 2009 (01.01.2009 – 12.31.2009)

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

	Sales		Operating Profit		Ordinary Profit		Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FYE 12/2009	11,292	-7.1	1,758	8.4	2,361	9.9	1,557	-28.1
FYE 12/2008	12,162	-6.0	1,622	23.4	2,148	94.2	2,166	—

	Net Profit per Share	Net Profit per Share (Diluted)
	¥	¥
FYE 12/2009	15.52	—
FYE 12/2008	21.56	—

(2) Non-Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	¥ millions	¥ millions	%	¥
FYE 12/2009	19,754	3,893	19.7	38.80
FYE 12/2008	20,710	3,430	16.6	34.14

(Reference) Shareholders' Equity FYE 12/2009 ¥3,893 million FYE 12/2008 ¥3,430 million

Note regarding the appropriate use of results forecasts and other items

Projections are based on information available at the time of release and may include judgments based on factors that contain risk and are largely indeterminable. Actual results may differ from these projections as a result of business environment and other factors. Please refer to page 6 for details of results forecasts.

Qualitative Information: Financial Statements

1. Consolidated Operating Results

General Business Conditions

In the period under review governments around the world attempted to revive the economy, and Japan introduced its own large-scale economic stimulus package. Exports and productivity improved and there was an upturn in consumer spending, however corporate earnings and capital expenditure continued to decline.

The Internet market, the arena in which the group operates, and particularly the ecommerce 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 & Ecommerce business segment focusing on high quality, low cost services. The Internet Media business segment, led by SEM Media (JWord, SEO etc.), reported a strong performance despite the impact of exiting the recruitment advertising business.

Consolidated financial results in the current fiscal year were as follows. Sales: ¥38.195 billion (2.5% year-on-year increase) Operating Profit: ¥4.649 billion (12.2% year-on-year increase) and Ordinary Profit: ¥4.797 billion (19.0% year-on-year increase).

Operating results in the Web Infrastructure & Ecommerce and Internet Media segments are discussed in the following segment report. In addition to segment earnings, consolidated net profit before tax in the current term (¥3.621 billion) was impacted by extraordinary profits including gains on the sale of stock in an affiliated company (¥19.16 million), a change in equity investees due to the merger of consolidated subsidiaries (¥11.63 million), and a reversal of allowance for doubtful debt (¥547.01 million). Also, extraordinary losses included losses arising from the closure of the recruitment advertising business by consolidated subsidiary, GMO San Planning (¥68.72 million), impairment losses on investment real estate (¥1.591 billion) and office relocation expenses (¥56.47 million). Corporate taxes etc. and corporate tax adjustment amounted to ¥1.434 billion, and minority interests of ¥832.88 million were recorded resulting in a net profit of ¥1.354 billion (35.9% year-on-year decrease).

(1) Operating Results Analysis (Unit: ¥thousands)

	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year	Change	% Change
Sales				
Web Infrastructure & Ecommerce	19,030,273	18,513,825	-516,448	-2.7%
Internet Media	18,726,219	20,315,155	1,588,936	8.5%
Other	76,739	21,585	-55,153	-71.9%
Inter segment transactions	-585,660	-655,534	-69,874	－%
Total	37,247,571	38,195,031	947,459	2.5%
Operating Profit				
Web Infrastructure & Ecommerce	2,460,957	2,648,592	187,635	7.6%
Internet Media	1,647,141	2,067,147	420,006	25.5%
Other	-11,300	-115,634	-104,334	－%
Inter segment transactions	47,012	49,576	2,563	5.5%
Total	4,143,811	4,649,682	505,870	12.2%
Ordinary Profit	4,031,765	4,797,410	765,644	19.0%
Net Profit	2,111,110	1,354,171	-756,939	-35.9%

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

Segment Report

Business operations in each business segment are as follows.

Business Segment		Main Operations
Web Infrastructure & Ecommerce	Domain Registration	・Domain registration business includes the services Onamae.com and MuuMuuDomain for registration of .com, .net, .jp and other domain names.
	Web hosting	・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!
	Ecommerce solutions & web development	・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.
	Security	・GlobalSign Quick Authentication SSL, enterprise SSL, and other SSL certificate issue services, code signing certificate services, PDF document signing services.
	Credit card payment processing	・PG Multi-payment Service and other credit card payment processing services for ecommerce and catalog sales businesses, payment processing services for the public sector.
	Access provider (ISP)	・interQ, MEMBERS, ZERO, GMO TokuToku BB, and other access provider services.
Internet Media	Internet media & search media	・Development and operation of blog services by yaplog! and JUGEM, Internet community services including freeml and Grouptube, and other Internet advertising media. ・SEM Media JWord operation and sales of JWord, Japanese keywords. Sales of GMO SEO+, and other SEO (Search Engine Optimization) services ・Overture Distribution of contextual advertising to owned & operated media and search engine results pages.
	Advertising agencies	・Internet advertising, mobile advertising, search engine advertising, Internet advertising ・Advertising design
	Other	・Provision of Internet research systems, management and operation of online research panel.
Other Businesses	Other	・Venture capital business

・Web Infrastructure & Ecommerce Segment

In the domain registration business, market share was expanded during the fiscal year and domain registrations/renewals were up 41.5% year-on-year to approximately 1.21 million. However, reflecting a low pricing strategy, sales fell 5.7% from the previous corresponding term to ¥2.242 billion.

In the web hosting business, disk capacity was boosted and functionality expanded for dedicated and managed hosting services in response to the growing sophistication and diversification of client needs, while high quality, low-cost shared service offerings continued to be promoted. As a result, contracts increased 12.9% over the previous corresponding term to approximately 430,000 and sales reached ¥9.010 billion, a 3.6% year-on-year increase.
In ecommerce solutions and web development, the shopping cart business continued to grow as the ecommerce market expanded and more individual online stores were established under their own domain names. This business has focused on strengthening ecommerce solutions by networking ecommerce stores and implementing a point reward program. However, sales decreased 39.2% from the previous corresponding term to ¥1.843 billion as a result of the shift in ecommerce package sales from high priced to low priced 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. Efforts were made to strengthen service line-up including a digital signature/time-stamp collaboration with SEIKO Precision, Inc. and Server-Based PDF Document Signing Solutions launched in partnership with SafeNet Japan. In Europe, North America, and South America, previously developed sales partnerships, and the adoption of services by government institutions and major corporations contributed to revenue. As a result the business reported sales of ¥1.292 billion (20.1% year-on-year increase).
The payment processing business saw an increase in merchants and growth in recurring payments. The PayPal payment processing solution for processing small-ticket items and international transactions was introduced as part of the PG Multi Payment service. Active expansion of public sector payment processing continued and the service was adopted by Fukuoka city, for credit card payment of water rates, additionally Kyoto and Shiga prefectures opted for this service to process credit card payments of the "furusato nouzei" tax. The payment processing business reported total sales of ¥2.607 billion (17.8% year-on-year increase).
Results in the Web Infrastructure and Ecommerce segment, chiefly comprising of the five product areas above, were as follows; sales: ¥18.513 billion (2.7% year-on-year decrease), operating profit: ¥2.648 billion (7.6% year-on-year increase).

・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 2009. Economic conditions have also impacted Internet advertising, previously a growth market. However, SEM media has performed well against the backdrop of a strong ecommerce market.
In Internet Media & Search Media, fiscal year 2009 saw solid SEM media sales, a reflection of the transfer of sales staff to JWord, SEO and other SEM media services. As of August 1, JWord premium keywords are being displayed on Yahoo! JAPAN search results pages and this has also made a contribution to revenues. In order to further grow the SEM business the company invested in Inovex, Inc. (now GMO SEO Technology, Inc, a specialist in web and mobile site advertising solutions with operations centered around SEO and search-related advertising. The Overture search related advertising partnership, was considerable impacted by customer advertising cutbacks and declining unit prices resulting in a drop in revenue from the previous year. Overall, Internet Media & Search Media recorded sales of ¥10.473 billion (15.9% year-on-year increase).
In the advertising agencies business, mobile advertising is performing well. Consolidated subsidiary, GMO AD Partners collaborated with D2 Communications in the mobile market to strengthen sales. However due to the worse than expected deterioration of employment market 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 first half of the current fiscal year, NIKKO, Inc. revenue was included in Advertising agencies sales for the first time. Advertising Agencies recorded sales of ¥9.363 billion (6.4% year-on-year increase).
Total sales in Internet Media, the segment encompassing the above businesses, were ¥20.315 billion (8.5% year-on-year increase), despite the impact of withdrawing from recruitment advertising, operating profit was ¥2.067 billion (25.5% year-on-year increase).

・Other Businesses

Venture capital was the only business operating under Other Businesses during the current term. Results in the Other Businesses segment were as follows; Sales: ¥21.585 million, and Operating Loss: ¥115.63 million.

FY 2010 Results Forecast

While economic conditions remain uncertain, the ecommerce market is expected to grow. The group will continue to focus management resources on the Web Infrastructure & Ecommerce and Internet Media business segments achieving continued growth through fostering 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 (01.01.2010 – 12.31.2010)

	Fiscal Year Ending December 2010	Percentage Change (Year-on-Year)	Fiscal Year Ended December 2009
	¥ millions	%	¥ millions
Sales	42,000	10.0	38,195
Operating Profit	5,200	11.8	4,649
Ordinary Profit	4,900	2.1	4,797
Net Profit	2,000	47.7	1,354

(Reference 1)

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

(Unit: ¥millions)

	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Sales	10,083	9,671	9,304	9,679	9,538
Operating Profit	1,027	1,103	1,105	1,312	1,127
Ordinary Profit	1,057	1,163	1,153	1,345	1,135
Net Profit	219	647	578	621	-492
Total Assets	39,752	39,519	40,073	40,469	40,922
Shareholders' Equity	6,758	6,730	7,329	7,505	7,047

(Reference 2) Table: Quarterly Changes by Segment

I Sales by Segment (Unit: ¥millions)

		Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Web Infrastructure & Ecommerce						
	Access provider (ISP)	331	320	307	295	285
	Domain registration	546	603	615	520	502
	Web hosting	2,221	2,241	2,260	2,256	2,251
	EC solutions & web dev.	698	564	440	418	420
	Security	281	311	326	304	349
	Payment processing	579	606	627	662	710
	Other	39	60	59	84	104
	Segment Sales Total	4,697	4,710	4,636	4,541	4,624
Internet Media						
	Internet media & search	2,318	2,245	2,460	2,988	2,779
	Advertising agencies	3,028	2,697	2,280	2,217	2,166
	Other	368	335	272	274	269
	Total	5,715	5,278	5,013	5,480	5,215
	Adjustment for internal transactions	(100)	(112)	(191)	(194)	(175)
	Segment Sales Total	5,615	5,166	4,822	5,286	5,039
Other Businesses						
	Other	1	0	18	1	1
	Segment Sales Total	1	0	18	1	1
Adjustment for inter segment transactions		(231)	(206)	(172)	(150)	(126)
Consolidated Sales		10,083	9,671	9,304	9,679	9,538

II Operating Profit by Segment (Unit: ¥millions)

	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Web Infrastructure & Ecommerce	513	690	649	634	674
Internet Media	508	429	471	681	485
Other Businesses	-5	-30	-26	-15	-43
Sub total	1,017	1,089	1,093	1,300	1,116
Adjustment for inter segment transactions	10	13	12	12	11
Consolidated Operating Profit	1,027	1,103	1,105	1,312	1,127

2. Consolidated Financial Condition

Assets, Liabilities, and Shareholders' Equity

Significant changes in the state of assets, liabilities and shareholders' equity on December 31, 2009 and December 31, 2008, are as follows.

Current liabilities increased ¥3.094 million (12.1%) from the end of the previous fiscal year to ¥28.739 billion. This was chiefly a result of a ¥2.380 billion increase in cash and equivalents.

Fixed assets decreased ¥1.924 billion (13.6%) from the end of the previous fiscal year to ¥12.183 billion. Major contributing factors were a ¥860.02 million decrease resulting from the amortization of goodwill, a decrease of ¥134.25 million resulting from the sale of certain investment securities, an increase of ¥160.17 million resulting from the acquisition of intangible lease assets, and a ¥1.473 billion impairment loss on investment real estate.

Overall, assets total increased ¥1.170 billion (2.9%) from the end of the previous fiscal year to ¥40.922 billion.

Current liabilities increased ¥1.561 billion (10.6%) from the end of the previous fiscal year to ¥16.321 billion. This was predominantly a reflection of a ¥300 million increase in short term debt, a ¥1 billion decrease in bonds to be redeemed within a year and a ¥1.801 billion increase in deposits held.

Fixed liabilities dropped ¥1.169 billion (10.1%) from the end of the previous fiscal year to ¥10.455 billion, mainly due to a scheduled repayment of long term debt (¥1.399 billion).

Overall, liabilities total decreased ¥392.43 million (1.5%) from the end of the previous fiscal year to ¥26.777 billion.

Net Assets increased ¥777.57 million (5.8%) from the end of the previous fiscal year to ¥14.145 billion. Earned surplus increased overall by ¥255.31 million boosted by ¥1.354 billion in net profit, and reduced by ¥904.34 million paid out in dividends, and ¥199.67 million acquisition of treasury stock. Other factors impacting net profit included an increase in minority equity due to a change in minority interests and equity investees.

Cash Flow

In the current fiscal year, consolidated cash flow provided by operating activities was ¥7.158 billion while cash flow used in investing activities was ¥1.411 billion, and ¥3.518 billion was used in financing activities. As a result the balance of consolidated cash and cash equivalents stood at ¥20.723 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 ¥7.158 billion (¥4.940 billion in the previous year). Major items included net profit before tax and other adjustments amounting to ¥3.621 billion, non cash expenses including depreciation (¥910.00 million) and goodwill amortization (¥863.74), as well as corporate and other tax payments totaling ¥1.340 billion.

Cash flow used in investing activities was ¥1.411 billion (¥1.653 billion was used in the previous corresponding term). Contributing factors include the acquisition of intangible fixed assets worth ¥508.44 million, income of ¥182.59 million on the sale of investment securities, and subsidiary stock acquisition expenditure totaling ¥184.95 million.

Cash flow used in financing activities was ¥3.518 billion (¥4.144 billion was used in the previous corresponding term). Significant items included ¥288.35 million (net amount) income from short term loans, outflows of ¥1.399 billion on repayment of long-term loans, ¥1 billion on bond redemption, ¥899.20 million on payment of dividends, and payment of dividends totaling ¥288.11 million to minority shareholders.

(Reference 1)
Cash Flow Indicators

	FYE 12/2005	FYE 12/2006	FYE 12/2007	FYE 12/2008	FYE 12/2009
Shareholders' Equity Ratio	18.5	7.7	12.0	17.0	17.2
Shareholders' Equity Ratio (Market Value) (%)	388.8	37.8	92.8	115.0	91.6
Ratio of Cash Flow to Interest Bearing Liabilities	―	16.5	2.1	2.8	1.7
Interest Coverage Ratio	―	25.1	16.1	15.4	27.2

3. Policy regarding distribution of dividends and dividend payouts in the current term

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

In regard to the current term, under this policy end-of-term dividends would be paid out at around 2 yen as our initial net profit forecast was not reached. However, in consideration of current financial condition, dividends will be paid as initially forecast at 4 yen per share from March 29, 2010.

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

4. Business Risks

(i) Competition

The group provides competitive services that respond to the needs of users in two main business segments. The Web Infrastructure & Ecommerce business segment comprises chiefly of domain, web hosting, ecommerce solutions & web development, security, and payment processing service businesses. The Internet 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 significant impact on business operations and performance.

(ii) Innovation in Technology

The progress of Internet 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 Web Infrastructure & Ecommerce 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 credit card, bank transfer, and payment at a post office or convenience store. 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 12.31.09 the allowance for doubtful debts was ¥263 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 further regulations will apply 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.

(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 such places of business. In addition they seek to ensure fair and reasonable conduct in the adult entertainment business. The law aims directly to control consumers 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 the 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 is also aimed at contributing 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, we are obligated to take measures that safeguard against unauthorized access to computers.

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

The aim of this law is to ensure the proper transmission of information in specific forms of telecommunication and 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. Some of the group’s activities subject the company, as a telecommunications carrier, to these laws. Where rights are infringed as a result of the distribution of information, in some cases the scope of the group’s liability is limited under these laws. However this law does impact our activities as senders of information. Regarding measures to prevent the distribution of information proscribed by these laws, the group is required to make critical judgments. 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.

(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, 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 issues 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, a revision to the Specified Commercial Transaction Laws was enacted on December 1, 2009 in order to strengthen regulations regarding transactions occurring over the Internet (provisions concerning email advertising were enacted on December 1, 2008).

Under this amendment, an opt-in system will be implemented in regard to the sending of email advertising.

The groups email advertising business, and the distribution of email advertising to customers are subject to these laws. It is possible that the operation of this business and promotional email advertising will be restricted by these laws.

(f) Laws concerning Email Transmission

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

In addition, there was also an amendment to the law, implemented between May 30 and December 12, 2008 covering the strengthening of international cooperation, improved efficacy and a move from the previous opt-out system to an opt-in system for certain types of emails.

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

(g) Laws Protecting Personal Information
In an advanced information communications society where personal information is increasingly being digitally transferred, this law considers the role of personal information and aims to ensure proper handling of personal information and to protect the rights of individuals. Under this law, use of personal information collected by companies and specific use objectives of personal information are restricted. The law also seeks to ensure reasonable methods of acquisition, the maintenance of accurate and current personal data, safe storage and limitation of provision to third parties.
In accordance with these laws, the company is required to establish a procedure for adequately explaining use objectives and acquiring 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 personal 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 light of the amount of information harmful to youth being distributed over the Internet, this law aims to protect the rights of young people and provide a safe Internet usage environment. Announced June 18, 2008, the legislation was implemented on April 1, 2009.
Under this law, the group's access provider services, hosting services, message board services, and other server management related services are obliged to provide filtering services, and take other actions such as restricting young people's access to harmful information. These laws will be amended three years after implementation. Depending on the details of the amendments, there may be further legal obligations.
In addition the deletion or restriction of information under these laws impacts distributors of information over the Internet. The group must identify information harmful to youth, and make critical judgments regarding removal 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, backup systems etc. that allow us to provide management, maintenance and customer support services 24 hours a day, 365 days a year to deal with any problems that may arise. However if a natural disaster or other incidence occurs that cannot be dealt with by the group's crisis management system, some damage may be incurred by users. 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 ¥1.591 billion impairment loss, primarily on the depreciation of software and investment real estate.
In regard to software etc, the appropriate asset value is determined at the time of acquisition and only the appropriate asset value at the time is recorded under assets. However if future cash flow does not reach the level forecast at the time of the acquisition, an impairment loss is recognized and this could potentially negatively impact the group's financial condition.
The company owns investment real estate in Minato ku, Tokyo, and leases out restaurants and other real estate assets. In the current consolidated fiscal year, the book value of a property expected to be sold was reduced to the net sale amount and that amount (¥1.470 billion) was posted as an impairment loss. If the property is not sold and the market value falls below the book value or in the case of a downturn in the real-estate market or decline in land and rental values, further impairment losses may be incurred on real estate investments, and this may have a significant impact on the group's financial condition.

2. The Corporate Group

The GMO Internet Group is a corporate group consisting of the company GMO Internet, Inc. and 46 consolidated subsidiaries. Under the corporate slogan *Internet for Everyone,* the group's operations are centered around the two business segments, Web Infrastructure & Ecommerce and Internet Media.

The group's 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
Web Infrastructure & Ecommerce	Domain registration	Domain registration services	the company 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.
	Ecommerce 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. paperboy&co. Inc. * GMO Solution Partner, Inc. GMO MAKESHOP, Ltd. GMO DIGITAL DISTRIBUTION, INC. GMO Fast Translation, Inc. (formerly GlobalWeb, Inc.) and 1 other company)
	Internet security	Information security on the Internet, authentication services for businesses and individuals	GlobalSign K.K. GlobalSign Ltd. GlobalSign NV GlobalSign, Inc. and 1 other company
	Credit card payment processing	Credit card billing service	GMO Payment Gateway, Inc. Epsilon, Inc.
	Access provider (ISP)	Internet access provider	the company
	Other Businesses	Other	Communication Telecom, Inc. and 1 other company

Business Segment		Main Operations	Main Companies
Internet Media	Internet media & search media	Internet media development and operation, blogs, Internet communities etc. contextual advertising, JWord (Japanese keyword search) operation and sales, SEO and listing advertising	the company GMO AD Partners, Inc. GMO Media Holdings, Inc. GMO Media, Inc. JWord, Inc. GMO Marketing, Inc. GMO SEO Technology, Inc. GMO Solution Partner, Inc. paperboy&co. Inc. BOM, Inc. and 7 other companies
	Advertising agencies	Advertising sales, mainly Internet advertising media	GMO AD Partners, Inc. GMO Mobile, Inc. Seed Technology, Inc. NIKKO, Inc. and one (1) other company
	Other	Online games – design and operation, Internet research systems and management of an Internet research panel	GMO Games Korea, Inc. GMO Games, Inc. GMO Research, Inc.
Other Businesses	Other	Venture capital	GMO VenturePartners, Inc. GMO VenturePartners Investment Limited Partnership Blog Business Fund Investment Limited Partnership

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 Web Infrastructure & Ecommerce and Internet Media segments allows us to continue building a group in which the two businesses work in synergy, striving to be an enterprise that makes a contribution to society and its people through the cultivation of Internet culture and development of the industry.

Management Philosophy
Our staff are committed to the following principles.
Fundamental Principle: Internet for Everyone
1) Our Commitment
To be the undisputed number one in the Internet industry (or to be the sole player).
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 Objectives

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

(3) Medium to Long-Term Business Strategies

Under the marketing slogan *The "Internet Department" to Japan,* the group's Web Infrastructure & Ecommerce segment provides all the services necessary to operate a website including domain registration, web hosting, ecommerce support, web building, security and payment processing. Our Internet 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 web site. 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 870 thousand businesses and 850 thousand individuals to deliver information over the Internet.

In addition we operate services including blogging and search services used by 28.8 million people, and we provide marketing solutions through these services.

Going forward, our management resources are committed to the two business segments (Web Infrastructure & Ecommerce and Internet Media), focused on growth in the ecommerce market and increasing the amount of information available on the Internet.

In addition, in regard to global expansion, the security business has progressed into Europe, North America, and China. We are also establishing a management structure that will take the entire Web Infrastructure & Ecommerce segment into the global market.

(4) Company Challenges

(i) Fostering group synergy
The group is comprised of 46 consolidated subsidiaries. One important challenge is to ensure the group is effectively utilizing these vast management resources. We strive to strive to improve group management efficiency and cultivate synergy between business segments in order to maximize 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 sales to business customers.

(iii) Improving customer satisfaction

Given that competition in the Internet sector will increase in the future, we believe it is imperative to address the issue of 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.

(iv) Strengthening technology

The group considers our technical experts to be vital assets in the development of leading edge technology. We endeavor to foster an organizational culture that values expertise in technology.

(5) Other significant items concerning management

None.

5. Consolidated Financial Statements
(1) Consolidated Balance Sheet

(Unit: ¥thousands)

	Previous Fiscal Year (As of Dec 31, 2008)		Current Fiscal Year (As of Dec 31, 2009)	
Assets				
Current Assets				
Cash and deposits		18,510,672	*4	20,891,573
Trade notes and accounts receivable		4,538,338		4,682,825
Securities		-		699,750
Operational investment securities		886,982		916,151
Inventory assets		49,815	*1	35,283
Deferred tax asset		759,166		786,942
Accrued income		4,897		2,895
Other		1,197,577		1,074,884
Provision for doubtful debts		-302,948		- 342,057
Provision for loss on investments		-		- 9,038
Total Current Assets		25,644,502		28,739,211
Fixed Assets				
Tangible fixed assets				
Buildings and structures	*2	114,712	*2	98,197
Tools and equipment	*2	444,364	*2	406,262
Lease assets		-	*2	179,185
Other	*2	10,319	*2	3,401
Tangible fixed assets total		569,395		687,047
Intangible fixed assets				
Goodwill		2,048,196		1,188,169
Software		1,984,072		1,884,882
Lease assets		-		160,175
Other		88,442		87,218
Total intangible fixed assets		4,120,711		3,320,446
Investments and other assets				
Investment securities	*3	817,299	*3	683,040
Investment real estate	*2	4,437,348	*2	2,964,199
Long term loans receivable		153,138		228,126
Investments		364,870		364,790
Security deposits		818,393		749,696
Claims in bankruptcy etc.		5,428,258		5,433,224
Deferred tax asset		2,162,724		2,170,667
Other		702,918		521,135
Provision for doubtful debts		-5,466,832		- 4,938,848
Total investments and other assets		9,418,118		8,176,032
Total Fixed Assets		14,108,225		12,183,525
Total Assets		39,752,728		40,922,737

(Unit: ¥thousands)

	Previous Fiscal Year (As of Dec 31, 2008)	Current Fiscal Year (As of Dec 31, 2009)
Liabilities		
Current Liabilities		
Trade notes and accounts payable	1,544,219	*4 1,366,771
Short term debt	*7 800,000	*7 1,100,000
Current portion of long term debt	*6 ,7 1,399,000	*6,7 1,403,880
Lease liabilities	-	101,719
Bonds to be redeemed within a year	1,000,000	-
Amount payable	1,919,449	2,153,114
Accrued corporate tax etc.	769,231	806,089
Allowance for bonuses	107,456	123,439
Allowance for bonuses to directors	29,474	104,937
Advance payment received	2,392,138	2,444,377
Deposit received	3,930,424	5,731,921
Other	868,522	985,593
Total Current Liabilities	14,759,917	16,321,845
Fixed Liabilities		
Long term debt	*6,7 11,002,250	*6, 7 9,603,250
Long term amount payable	481,619	427,553
Deferred tax liability	-	4,720
Allowance for retirement benefits	6,428	1,402
Lease liabilities	-	281,373
Other	134,807	137,311
Total Fixed Liabilities	11,625,105	10,455,612
Total Liabilities	26,385,022	26,777,457
Net Assets		
Shareholders' Equity		
Capital stock	1,276,834	1,276,834
Earned surplus	5,636,307	5,891,618
Treasury stock	-461	- 625
Total Shareholders' Equity	6,912,681	7,167,827
Gaps in Appraisals, Conversions etc.		
Other gaps in evaluation of securities	-14,843	- 15,632
Hedging profit/loss carried forward	-12,909	4,830
Foreign currency translation account adjustment account	-126,499	- 109,512
Total Gaps in Appraisals, Conversions, etc.	-154,252	- 120,315
Equity Warrants	-	4,728
Minority Equity	6,609,277	7,093,038
Total Net Assets	13,367,705	14,145,279
Liabilities, Net Assets Total	39,752,728	40,922,737

(2) Consolidated Statement of Income

(Unit: ¥thousands)

	Previous Fiscal Year (01.01.2008-12.31.2008)	Current Fiscal Year (01.01.2009-12.31.2009)
Operating Revenue	37,247,571	-
Business Expenses	*1 18,197,548	-
Sales	-	38,195,031
Cost of Sales	-	17,324,874
Gross Profit on Sales	-	20,870,157
Sales General & Administrative Expenses	*2,3 14,906,212	*2,3 16,220,474
Operating Profit	4,143,811	4,649,682
Non Operating Revenue		
Interest and dividends received	337,170	-
Interest received	-	275,390
Dividends received	-	17,516
Profit on investment partnership	58,262	54,065
Property rent received	116,841	111,039
Currency translation gain	-	15,234
Other	80,353	73,415
Total Non Operating Revenue	592,627	546,661
Non Operating Expenses		
Interest paid	312,123	259,072
Stock issue costs	7,246	5,383
Commissions paid	125,429	39,111
Currency translation loss	125,496	-
Other	134,378	95,365
Total Non Operating Expenses	704,673	398,933
Ordinary Profit	4,031,765	4,797,410
Extraordinary Profit		
Gain on sale of fixed assets	*4 574	*4 3,015
Gain on sale of investment securities	105,810	8,943
Gain on change of equity investees	*5 33,923	*5 11,639
Gain on reversal of provision for doubtful debt	182,696	547,012
Gain on transfer of business	104,019	-
Gain on bond redemption	62,500	-
Gain on sale of affiliated company stock	-	19,164
Other	8,051	3,347
Total Extraordinary Profit	497,575	593,122
Extraordinary Loss		
Loss on sale of fixed assets	*6 1,331	*6 1,309
Loss on disposal of fixed assets	*7 126,755	*7 22,413
Loss on evaluation of investment securities	77,103	16,702
Loss on sale of investment securities	1,595	87
Impairment loss	*8 617,604	*8 1,591,958
Business withdrawal loss	-	68,727
Office relocation expenses	-	56,470
Other	148,719	11,110
Total Extraordinary Loss	973,109	1,768,780
Net Profit before Adjustment for Tax etc.	3,556,231	3,621,752
Corporate, Municipal and Enterprise Taxes	1,506,211	1,469,440
Corporate Tax etc. Adjustment	-401,666	-34,744
Total Corporate Taxes etc.	1,104,544	1,434,696
Minority Interests	340,575	832,885
Net Profit	2,111,110	1,354,171

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

(Unit: ¥thousands)

	Previous Fiscal Year (01.01.2008-12.31.2008)	Current Fiscal Year (01.01.2009-12.31.2009)
Shareholders' Equity		-
Capital stock		-
Balance at end of previous term	12,631,977	1,276,834
Capital decrease	-11,355,142	-
Total changes during term	-11,355,142	-
Balance at end of current term	1,276,834	1,276,834
Capital surplus		
Balance at end of previous term	14,270,458	-
Capital decrease	11,355,142	-
Reversal of losses	-25,625,600	-
Total changes during term	-14,270,458	-
Balance at end of current term	-	-
Earned surplus		
Balance at end of previous term	-22,096,368	5,636,307
Reversal of losses	25,625,600	-
Net profit	2,111,110	1,354,171
Retirement of treasury stock	-	-199,679
Dividends from surplus	-	-904,348
Decrease in earned surplus due to increase in consolidated subsidiaries	-4,035	-
Increase in earned surplus due to increase in consolidated subsidiaries	-	5,167
Total changes during term	27,732,675	255,310
Balance at end of current term	5,636,307	5,891,618
Treasury stock		
Balance at end of previous term	-347	-461
Changes during term		
Acquisition of treasury stock	-113	-199,843
Disposal of treasury stock	-	199,679
Total changes during term	-113	-164
Balance at end of current term	-461	-625
Total shareholders' equity		
Balance at end of previous term	4,805,720	6,912,681
Changes during term		
Net profit	2,111,110	1,354,171
Dividends from surplus	-	-904,348
Acquisition of treasury stock	-113	-199,843
Decrease in surplus due to increase in consolidated subsidiaries	-4,035	-
Increase in surplus due to increase in consolidated subsidiaries	-	5,167
Total changes during term	2,106,961	255,146
Balance at end of current term	6,912,681	7,167,827

(Unit: ¥thousands)

	Previous Fiscal Year (01.01.2008-12.31.2008)	Current Fiscal Year (01.01.2009-12.31.2009)
Gaps in appraisals, conversions, etc.		
Other gaps in appraisal of securities		
Balance at end of previous term	53,858	-14,843
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	-68,702	-789
Changes during term	-68,702	-789
Balance at end of current term	-14,843	-15,632
Hedging profit/loss carried forward		
Balance at end of previous term	4,406	-12,909
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	-17,316	17,739
Total changes during term	-17,316	17,739
Balance at end of current term	-12,909	4,830
Currency translation adjustment account		
Balance at end of previous term	476	-126,499
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	-126,976	16,987
Total changes during term	-126,976	16,987
Balance at end of current term	-126,499	-109,512
Total gaps in appraisals, conversions, etc.		
Balance at end of previous term	58,741	-154,252
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	-212,994	33,937
Total changes during term	-212,994	33,937
Balance at end of current term	-154,252	-120,315
Equity warrants		
Balance at end of previous term	-	-
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	-	4,728
Total changes during term	-	4,728
Balance at end of current term	-	4,728
Minority equity		
Balance at end of previous term	7,193,457	6,609,277
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	-584,180	483,761
Total changes during term	-584,180	483,761
Balance at end of current term	6,609,277	7,093,038

(Unit: ¥thousands)

	Previous Fiscal Year (01.01.2008-12.31.2008)	Current Fiscal Year (01.01.2009-12.31.2009)
Total Assets		
Balance at end of previous term	12,057,919	13,367,705
Changes during term		
Net profit	2,111,110	1,354,171
Dividends from surplus	-	-904,348
Acquisition of treasury stock	-113	-199,843
Decrease in surplus due to increase in consolidated subsidiaries	-4,035	-
Increase in surplus due to increase in consolidated subsidiaries	-	5,167
Changes in items other than shareholders' equity in the current term (net amount)	-797,175	522,427
Total changes during term	1,309,785	777,573
Balance at end of current term	13,367,705	14,145,279

(3) Consolidated Statement of Cash Flows

(Unit: ¥thousands)

	Previous Fiscal Year (01.01.08-12.31.08)	Current Fiscal Year (01.01.09-12.31.09)
Cash Flow from Operating Activities		
Net Profit before adjustment for tax etc.	3,556,231	3,621,752
Depreciation expenses	802,568	910,009
Impairment loss	617,604	1,591,958
Amortization of goodwill	1,060,744	863,742
Change in provision for doubtful debts (- represents decrease)	-205,204	-489,632
Change in provision for bonuses (- represents decrease)	40,177	87,749
Change in provision retirement benefits (- represents decrease)	4,081	-5,157
Gain or loss on sale of investment securities	-105,810	-
Gain or loss on transfer of business (- represents gain)	-104,019	-
Interest and dividends received	-337,170	-292,906
Interest paid	312,123	259,072
Gain or loss on currency translation (- represents gain)	84,316	-6,425
Stock issue costs	7,246	5,383
Gain on bond redemption	-62,500	-
Loss on sale of investment securities	1,595	-
Loss on disposal of fixed assets	126,755	22,413
Loss on salel of fixed assets	1,331	-
Gain on salel of fixed assets	-574	-
Gain or loss on salel of fixed assets (- represents gain)	-	-1,706
Gain or loss on sale of investment securities (- represents gain)	-	-8,855
Gain or loss on sale pf affiliated company stock (- represents gain)	-	-19,164
Gain or loss on appraisal of investment securities (- represents gain)	77,103	16,702
Change in provision for investment loss (-represents decrease)	-	9,038
Gain or loss on change of equity investees (- represents gain)	-33,923	-11,639
Change in operating investment securities (- represents increase)	-24,046	-51,056
Change in accounts receivable (- represents increase)	55,744	11,108
Change in inventory assets (- represents increase)	627	-
Change in other assets (- represents increase)	-127,433	-
Change in purchase debts (- represents decrease)	-246,806	-253,034
Change in other liabilities (- represents decrease)	889,622	-
Change in deposits (- represents decrease)	-	1,799,282
Other	-	404,647
Sub total	6,390,386	8,463,283
Interest and dividends received	331,997	297,985
Interest paid	-320,257	-262,800
Change in bankrupt loans recovery (-represents increase)	213,324	-
Corporate tax etc. payment	-1,675,331	-1,340,113
Cash Flow from Operating Activities	4,940,119	7,158,354

(Unit: ¥thousands)

	Previous Fiscal Year (01.01.08-12.31.08)	Current Fiscal Year (01.01.09-12.31.09)
Cash Flow from Investing Activities		
Expenditure incurred on fixed deposit	-38,600	-22,110
Revenue accrued on return of fixed deposit	19,300	29,480
Expenditure on acquisition of tangible fixed assets	-222,815	-268,511
Revenue accrued on sale of tangible fixed assets	1,541	3,309
Expenditure on acquisition of intangible fixed assets	-1,091,065	-508,442
Revenue accrued on sale of intangible fixed assets	4,451	3,178
Expenditure on acquisition of securities	-	-699,659
Revenue accrued on redemption of securities	800,000	-
Expenditure on acquisition of investment securities	-5,800	-29,021
Revenue accrued on sale of investment securities	216,587	182,595
Expenditure on acquisition of subsidiary stock	-450,771	-184,953
Revenue accrued on the sale of subsidiary stock resulting in change in scope of consolidation	-21,378	28,697
Revenue accrued on sale of subsidiary stock	-	22,050
Expenditure on execution of loans	-707,804	-148,270
Revenue accrued on collection of loans	295,030	63,934
Expenditure on transfer of business	-539,097	-5,875
Revenue accrued on transfer of business	104,019	-
Expenditure on other investment activities	74,070	-
Revenue accrued on other investment activities	-90,706	-
Other	-	122,207
Cash Flow from Investing Activities	-1,653,038	-1411392
Cash Flow from Financing Activities		
Revenue accrued on short term loans	19,100,000	5,600,000
Expenditure on repayment of short term loans	-30,327,440	-5,311,648
Revenue accrued on long term loans	13,250,000	-
Expenditure on repayment of long term loans	-942,750	-1,399,000
Expenditure on redemption of bonds	-4,937,500	-1,000,000
Repayment of finance leases	-	-44,657
Expenditure on repayment to investment partner	-48,219	-
Revenue accrued from minority interests	96,200	4,318
Change in treasury stock (-represents increase)	-113	-199,843
Payment of dividends	-1,162	-899,201
Payment of dividends to minority shareholders	-333,377	-288,116
Other	-	19,616
Cash Flow from Financing Activities	-4,144,363	-3518533
Effect of exchange rate on cash and equivalents	-58,652	12,482
Change in cash and equivalents (-represents decrease)	-915,937	2,240,911
Balance of cash and equivalents at beginning of term	19,303,854	18,456,132
Increase in cash and equivalents resulting from new consolidated subsidiaries	68,215	26,639
Balance of cash and equivalents at end of term	18,456,132	20,723,683

(5) Notes regarding the Going Concern Assumption
None
(6) Significant Items upon which Consolidated Financial Statement s are Based

Item	Previous Consolidated Fiscal Year (01.01.2008 – 12.31.2008)	Current Consolidated Fiscal Year (01.01.2009 – 12.31.2009)
1. Items concerning the scope of consolidation	(1)No. of consolidated subsidiaries: 43 (including 2 partnerships) Significant 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 (6) 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 (11) 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) have a significant impact on the consolidated financial statement.	(1)No. of consolidated subsidiaries: 46 (including 2 partnerships) Significant consolidated subsidiaries GMO AD Partners, 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; GMO Creators Network, Inc. and one (1) other company due to their increased significance to the consolidation, and NIKKO, Inc. as the result of a corporate split. (The former NIKKO became GMO AD Holdings, Inc.) GSS, Inc. and GAD, Inc. were liquidated and excluded from the consolidation. (2) Names of major non- consolidated subsidiaries Patent Incubation Capital, Inc. Reasons for exclusion from consolidation All twelve (12) 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) have 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 eleven (11) non-consolidated subsidiaries and two (2) 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 twelve (12) non-consolidated subsidiaries and two (2) affiliated companies, HUMEIA REGISTRY Co. Ltd and one other company 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 September 30 Payment Gateway, Inc. Companies that close the fiscal year March 31 Epsilon, Inc. Companies that close the fiscal year May 31 GMO Venture Partners Investment Limited Partnership and 1 other company In regard to GMO Venture Partners Investment Limited Partnership and 1 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.	The closing date of the fiscal year differs from the consolidated fiscal year in the following consolidated subsidiaries. Companies that close the fiscal year September 30 Payment Gateway, Inc., Epsilon, Inc. Companies that close the fiscal year May 31 Venture Partners Investment Limited Partnership and 1 other company In regard to GMO Venture Partners Investment Limited Partnership and 1 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.
4. Items concerning accounting standards	(1) Method and standards for evaluation of assets (i) Securities Bonds held to maturity Amortized cost (straight-line) method) Other marketable securities (including operating investment securities) Securities with a market value: Stated at actual market value on the closing day of the quarter. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of stockholders' equity. The cost of securities sold is determined by the moving average method. Securities with no market value: Stated at cost determined by the moving average method.	(1) Method and standards for evaluation of assets (i) Securities Bonds held to maturity (as per the column to the left) Other marketable securities(including operating investment securities) Securities with a market value: (as per the column to the left) Securities with no market value: (as per the column to the left)

Item	Previous Consolidated Fiscal Year (01.01.2008 – 12.31.2008)	Current Consolidated Fiscal Year (01.01.2009 – 12.31.2009)
	(ii) Derivatives transactions Current market value	(ii) Derivatives transactions (as per the column to the left)
	(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.	(iii) Inventory Assets Inventory assets intended for regular sales determined by historical-cost method (reduction of book value from decline in profitability). a Products Moving average method b Products in progress Identified cost method c Inventory Gross average method Change to accounting policy From the current consolidated fiscal year Accounting Standard for the Evaluation of Inventories (Corporate Accounting Standard 9, 7.5.2006) is applied This change has no material impact on profit and loss.
	(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. Buildings and structures: 8-50 years Tools and equipment: 2-20 years	(2) Depreciation of major depreciable assets (i) Tangible fixed assets (excluding lease assets) (as per the column to the left)
	(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.	(i) Intangible fixed assets (excluding lease assets) (as per the column to the left) (iii) Lease assets Finance lease transactions that do 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
	(iii) Investments and Other Assets The straight line method is employed for buildings held as investments in real estate.	(iv) Investments and other assets (as per the column to the left)
	(3) 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	(3) Significant deferred assets Stock issue costs (as per the column to the left)
	(4) 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.	(4) Calculation of significant reserves (i) Allowance for doubtful debt (as per the column to the left)
	(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.	(ii) Allowance for bonuses (as per the column to the left)
	(iii) Allowance for bonuses to directors An amount is reserved for the payment of bonuses to directors based on salary forecasts.	(iii) Allowance for bonuses to directors (as per the column to the left)

Item	Previous Consolidated Fiscal Year (01.01.2008 – 12.31.2008)	Current Consolidated Fiscal Year (01.01.2009 – 12.31.2009)
	(iv) Allowance for retirement benefits The current portion of the projected amount to be paid at the end of the term is reserved to provide for employee retirement. (5) Handling 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 Hedged items: Foreign currency debt, Forecast foreign currency (iii) Hedge Policy We trade currency to minimize risk arising from exchange rate fluctuations. Individual contracts are drawn for each hedge item. (iv) Method of evaluating the efficacy of hedge accounting transactions The efficacy of each relevant derivative transaction is individually evaluated by assessing the amount of debt/credit, hedge transaction conditions, and other factors. (7) Other significant items relating to preparation of consolidated financial statements 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.	(iv) Allowance for retirement benefits (as per the column to the left) — (5) Hedge accounting method (i) Hedge accounting method (as per the column to the left) (ii) Hedging instruments and hedged items (as per the column to the left) (iii) Hedge Policy (as per the column to the left) (iv) Method of evaluating the efficacy of hedge accounting transactions (as per the column to the left) (6) 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 their 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)

(7) Changes to Significant Items upon which Consolidated Financial Statements are Based

Changes to accounting treatment

Previous Consolidated Fiscal Year (01.01.2008 – 12.31.2008)	Current Consolidated Fiscal Year (01.01.2009 – 12.31.2009)
—	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, from the current consolidated fiscal year 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, is now applied and finance lease transactions are accounted for as ordinary sales transactions. Finance lease transactions that do not transfer ownership and were commenced before this change are continuously accounted for as ordinary lease transactions.. This change has no material impact on profit and loss.

Changes in Method of Presentation

Previous Consolidated Fiscal Year (01.01.2008 – 12.31.2008)	Current Consolidated Fiscal Year (01.01.2009 – 12.31.2009)
Consolidated Balance Sheet In intangible fixed assets, “nominal account for software” was reported as “other” up to the previous consolidated financial statement. 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 its increased significance, “rent received” included up to the previous consolidated fiscal year in “other”under “non operating revenue”, will now be reported as a separate line item. In the previous fiscal year “rent received” amounted to ¥1,235 thousand. Due to their decreased significance, “commissions received” and “bad debt recovered”, reported up to the previous consolidated results statement 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.	Consolidated Profit and Loss Statement Up to the previous consolidated fiscal year “interest received” and “dividends received” were reported as a single line item. However, following the introduction of XBRL by EDINET, these are now reported separately in accordance with EDINET taxonomy account classifications.

Previous Consolidated Fiscal Year (01.01.2008 – 12.31.2008)	Current Consolidated Fiscal Year (01.01.2009 – 12.31.2009)
	Consolidated Cash Flow Statement 1. Following the introduction of XBRL by EDINET, the line items reported up to the previous consolidated fiscal year under Cash Flow from Operating Activities as “gain on sale of investment securities”, “loss on sale of investment securities”, “gain on sale of fixed assets”, and “loss on sale of fixed assets”, are reported as “gain (or loss) on sale of investment securities” and “gain (or loss) on sale of fixed assets” in accordance with EDINET taxonomy account classifications. 2. Due to its increased significance, “change in deposits held (-=decrease) (¥673.928 thousand in the previous fiscal year) previously reported under “other changes in liabilities (-=decrease) in Cash Flow from Operating Activities, is reported as a separate line item from the current fiscal year. 3. From the current consolidated fiscal year Cash Flow from Operating Activities line items “change in inventory assets (-=increase)”, (¥14,818 thousand in current fiscal year), “change in other assets (-=increase)” (¥223,542 thousand in current fiscal year), and “other changes in liabilities (-=decrease)" (¥207,150 thousand in current fiscal year) are now included in the line item “other”, due to their decreased significance. 4. From the current consolidated fiscal year Cash Flow from Investing Activities line items, “other income” (¥197,346 thousand in current fiscal year), and “other expenditure” (-¥75,139 thousand in current fiscal year), are now included in the line item “other” due to their decreased significance.

Additional information

Previous Consolidated Fiscal Year (01.01.2008 – 12.31.2008)	Current Consolidated Fiscal Year (01.01.2009 – 12.31.2009)
—	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 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). An organizational restructure divided operations into a business division and a sales division clarifying division of duties. “Cost of sales” and “SGA expenses” classifications have been revised in line with this change. In the current fiscal year, ¥1,905,961 thousand 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.

(8) Notes to Consolidated Financial Statements

Consolidated Balance Sheet

<table>
<tr><th>Previous Consolidated Fiscal Year
(12.31.2008)</th><th>Current Consolidated Fiscal Year
(12.31.2009)</th></tr>
<tr><td>—</td><td>*1 Breakdown of inventory assets
Products and finished goods ¥7,907 thousand
Material and inventory items ¥19,993 thousand
Products in process ¥7,382 thousand</td></tr>
<tr><td>*2 Tangible Fixed Assets Accumulated Depreciation ¥862,296 thousand
Investments in Real Estate Accumulated depreciation ¥3,253 thousand</td><td>*2 Tangible Fixed Assets Accumulated Depreciation ¥1,112,020 thousand
Investments in Real Estate Accumulated depreciation ¥6,482 thousand</td></tr>
<tr><td>*3 Contribution from non consolidated subsidiaries and affiliated companies
Investment Securities ¥139,448 thousand</td><td>*3 Contribution from non consolidated subsidiaries and affiliated companies
Investment Securities ¥231,039 thousand</td></tr>
<tr><td>*4 —</td><td>*4. Pledged assets
¥20,000 thousand in cash and deposits provided as security based on sales partner contracts in consolidated subsidiary Communication Telecom, Inc.</td></tr>
<tr><td>*5 Debt guarantee
We guaranteed the following company's lease agreement
Click Securities, Inc. ¥122,386 thousand</td><td>—</td></tr>
<tr><td>*6 Financial Covenants
The following financial covenants are attached to two (2) long term loan contracts.
(1) On 12.31.08 the balance of long term debt arising from a monetary loan for consumption executed on 04.07.08 was ¥8.750,000 thousand (of which ¥1 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 12.31.08 the balance of long term debt arising from a monetary loan for consumption executed on 06.03.08 was ¥3,3.581 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 financial 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.</td><td>*6 Financial Covenants
The following financial covenants are attached to two (2) long term loan contracts.
(1) On 12.31.09 the balance of long term debt arising from a monetary loan for consumption executed on 04.07.08 was ¥7,750,000 thousand (of which ¥1 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 12.31.09 the balance of long term debt arising from a monetary loan for consumption executed on 06.03.08 was ¥3,206,250 thousand (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 financial 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.</td></tr>
</table>

Previous Consolidated Fiscal Year (12.31.2008)	Current Consolidated Fiscal Year (12.31.2009)
*7 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 ¥11,300,000thousand Overdraft loans executed ¥4,381,250thousand Balance ¥6,918,750thousand	*7 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 ¥11,600,000thousand Overdraft loans executed ¥4,306,250thousand Balance ¥7,293,750thousand

Notes to Consolidated Profit and Loss Statement

Previous Consolidated Fiscal Year (01.01.2008 – 12.31.2008)	Current Consolidated Fiscal Year (01.01.2009 – 12.31.2009)
*1 Major Items and Amounts in Business Expenses (¥thousands) 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 1,997,462 Media expenses 6,615,431 Depreciation costs 371,037	*1 —
*2 Major Items and Amounts in Selling, General and Administrative Expenses (¥thousands) 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	*2 Major Items and Amounts in Selling, General and Administrative Expenses (¥thousands) Advertising Expenses 790,256 Salaries 5,670,271 Transfer to allowance for bonuses 113,322 Transfer to allowance for Director bonuses 104,937 Retirement benefit expenses 691 Transfer to allowance for doubtful debt 178,471 Commissions paid 739,104 Amortization of goodwill 861,261 Depreciation costs 375,301
*3 General administrative expenses include ¥37,013 thousand in research and development	*3 General administrative expenses include ¥33,781 thousand in research and development
*4 Gain on sale of fixed assets (tangible fixed assets etc.) was ¥574 thousand.	*4 Gain on sale of fixed assets (tools and equipment) was ¥1 thousand, gain on sale of tangible assets (other) was ¥3,013 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	*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(¥thousands): paperboy&co. Inc. 1,007 GMO Hosting & Security, Inc. 44 GMO Payment Gateway, Inc. 651GMO Media, Inc. 9,935
*6 Loss on sale of fixed assets (tools and equipment) was ¥1,331 thousand	*6 Loss on sale of fixed assets (tools and equipment) was ¥1,309 thousand
*7 Loss on retirement of fixed assets (¥126,755 thousand) includes software (¥68,674 thousand), buildings and structures (¥7,665 thousand), tools and equipment (¥50,395 thousand), and other (¥19 thousand).	*7 Loss on retirement of fixed assets (¥22,413 thousand) includes software (¥12,121 thousand), buildings and structures (¥3,878 thousand), and tools and equipment (¥6,413 thousand).

Previous Consolidated Fiscal Year (01.01.2008 – 12.31.2008)	Current Consolidated Fiscal Year (01.01.2009 – 12.31.2009)

*8 Impairment loss

An impairment loss was recorded on the following assets and goodwill

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

Assets are predominantly grouped according to business classification. Idle assets and assets to be disposed of are grouped individually.

Goodwill in the net infrastructure business was reduced to the recoverable amount and recognized as an impairment loss. This is because it is no longer expected to as profitable as was expected at the time of acquisition. The recoverable amount is based on the revised business plan for the concerned asset group.

Goodwill in the net media segment relates to the recruitment advertising business. Due to the decision to discontinue this business, the entire goodwill amount is recognized as an impairment loss.

In order to improve operational efficiency in net media, buildings and structures, and tools and equipment in the segment have been scaled down and it was decided to eliminate certain assets. This was recognized as an impairment loss.

In regard to software in the Internet Infrastructure and Media segments, earnings have not been achieved as quickly as initially expected. It has been determined that more time is required to reach these targets and for this reason an impairment loss is recognized. The recoverable amount is determined according to the utility value, however based on future cash flow the evaluation amount is a negative number and therefore the recoverable amount is zero.

Because the recoverable amount is less that the book value, investment real estate is reduced to the recoverable amount and that amount is recognized as an impairment loss. The recoverable amount is the net actual amount; the net actual amount is calculated by making a reasonable adjustment to the real estate appraisal.

Impairment loss breakdown: Goodwill ¥276,748 thousand, software ¥120,215 thousand, buildings ¥48,690 thousand, tools and equipment ¥10,313 thousand, investment real estate ¥125,444 thousand, other ¥36,192 thousand.

*8 Impairment loss

An impairment loss was recorded on the following assets.

Use	Type	Location
Web Infrastructure & Ecommerce	Buildings and Structures	Shibuya ku, Tokyo
	Tools and equipment	Shibuya ku, Tokyo
	Other	—
Internet Media	Buildings and Structures	Shibuya ku, Tokyo
	Tools and equipment	Shibuya ku, Tokyo
	Software	Shibuya ku, Tokyo
	Other	—
Investment Real Estate	Land and buildings	Minato ku, Tokyo

Assets are predominantly grouped according to business classification. Idle assets and assets to be disposed of are grouped individually.

In order to improve operational efficiency in Web the Infrastructure & Ecommerce segment, buildings and structures and tools and equipment in the segment have been scaled down and it was decided to eliminate certain assets. This was recognized as an impairment loss.

In order to improve operational efficiency in Internet Media, buildings and structures and tools and equipment in the Internet Media segment have been scaled down and it was decided to eliminate certain assets. This was recognized as an impairment loss.

In regard to software in the Web Infrastructure & Ecommerce and Internet Media segments, earnings have not been achieved as quickly as initially expected. It has been determined that more time is required to reach these targets and for this reason an impairment loss is recognized. The recoverable amount is determined according to the utility value, however based on future cash flow the evaluation amount is a negative number and therefore the recoverable amount is zero.

In investment real estate, the expected sale amount of a building planned for sale is below the book value. Therefore the book value is reduced to the net sale amount and an impairment loss is recognized. The recoverable amount is the net actual amount; the net actual amount is calculated by subtracting expenses from the expected sales price.

Impairment loss breakdown: Software ¥42,022 thousand, buildings and structures ¥13,771 thousand, tools and equipment ¥757 thousand, investment real estate ¥1,470,115 thousand, other ¥65,291 thousand.

Notes regarding the Statement of Consolidated Shareholders' Equity

Previous 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 relating to 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 relating to equity warrants

None.

4. Items relating to 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	Effective Date
Annual General Shareholders Meeting (03.26.2009)	Common Stock	Earned Surplus	703,382	7	31.12.2008	03.27.2009

Current Consolidated Fiscal Year (01.01.2009 – 12.31.2009)

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	—	481,000	100,003,441

Main reasons for changes

The decrease in common shares is due to a retirement of shares.

2. Items relating to treasury stock

Type of Stock	End of previous consolidated fiscal year	Increase	Decrease	End of current consolidated fiscal year
Common Stock	1,271	481,235	481,000	1,506

Main reasons for changes

The main reason for increase in shares is the acquisition of 481,000 treasury shares in accordance with a Board of Directors decision, and an increase of 235 shares following the purchase of fractional shares.

The decrease in common shares is due to a retirement of shares.

3. Items relating to equity warrants

Company Name	Breakdown	Type of Stock Concerned	Number of Concerned Shares			Current Consolidated Fiscal Year (¥thousands)
			End of Previous Consolidated Fiscal Year	Increase	Decrease	
Consolidated Subsidiaries	—	—	—	—	—	4,728
Total						4,728

4. Items relating to dividends

(1) Dividend Payments

Decision	Type of Stock	Total Payout (¥thousands)	Dividend per Share (¥)	Date of Record	Effective Date
Annual General Shareholders Meeting (03.26.2009)	Common Stock	703,382	7	31.12.2008	03.27.2009
Board of Directors Meeting (08.06.2009)	Common Stock	200,966	2	06.30.2009	09.28.2009

(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	Effective Date
Annual General Shareholders Meeting (03.26.2010) (scheduled)	Common Stock	Earned Surplus	400,007	4	12.31.2009	03.29.2010

Consolidated Statement of Cash Flows - Notes

Previous Consolidated Fiscal Year (01.01.2008 – 12.31.2008)		Current Consolidated Fiscal Year (01.01.2009 – 12.31.2009)	
1. Difference between Cash and Cash Equivalents End of Term Balance and items listed on the consolidated balance sheet (¥thousands)		1. Difference between Cash and Cash Equivalents End of Term Balance and items listed on the consolidated balance sheet (¥thousands)	
Cash and cash accounts	18,510,672	Cash and cash accounts	20,891,573
Fixed term deposits with a term of over 3 months	--54,540	Fixed term deposits with a term of over 3 months	--167,890
Cash and Cash Equivalents	18,456,132	Cash and Cash Equivalents	20,723,683
2. 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 is as follows. (¥thousands)		2.	—
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		

Segment Data

1. Data by segment

Previous consolidated accounting term (01.01.2008 – 12.31.2009)

Item	Internet Use Support (Infrastructure) (¥thousands)	Internet Advertising Support (Media) (¥thousands)	Other (¥thousands)	Total (¥thousands)	Intercompany or group-wide (¥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) Inter-segment sales and transfer	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, impairment loss, and capital expenditure						
Assets	25,529,424	9,676,183	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, ecommerce & 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 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, operating loss was -¥11,300 thousand

4. Group-wide (¥5,208,307 thousand) are mainly investment securities and investment real estate.

Current Consolidated Fiscal Term (01.01.2009 – 12.31.2009)

Item	Web Infrastructure & Ecommerce (¥thousands)	Internet Media (¥thousands)	Other (¥thousands)	Total (¥thousands)	Intercompany or group-wide (¥thousands)	Consolidated (¥thousands)
I Sales and Operating Gain or Loss						
Sales						
(1) Sales to unaffiliated customers	18,281,378	19,892,067	21,585	38,195,031	—	38,195,031
(2) Inter-segment sales and transfer	232,446	423,088	—	655,534	(655,534)	—
Total	18,513,825	20,315,155	21,585	38,850,566	(655,534)	38,195,031
Operating expenses	15,865,232	18,248,007	137,220	34,250,460	(705,111)	33,545,349
Operating Profit/ Loss (-)	2,648,592	2,067,147	□ 115,634	4,600,105	49,576	4,649,682
II Assets, depreciation expenses, impairment loss, and capital expenditure						
Assets	27,887,114	9,804,158	1,903,603	39,594,876	1,327,860	40,922,737
Depreciation costs	603,545	289,393	—	892,939	(2,709)	890,230
Impairment loss	13,497	108,345	—	121,843	1,470,115	1,591,958
Capital expenditure	662,296	159,315	—	821,612	—	821,612

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

2. Main products in each segment

(1) Web Infrastructure & Ecommerce

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

(2) Internet Media

Internet media & search media, Internet advertising agencies, other

(3) Other Venture capital

3. Group-wide (¥5,208,307 thousand) are mainly investment securities and investment real estate.

2. Segment data by location

In both the current fiscal year (01.01.2009 – 12.31.2009) and the previous fiscal year (01.01.2008 – 12.31.2008) 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 (01.01.2009 – 12.31.2009) and the previous fiscal year (01.01.2008 – 12.31.2008, overseas transactions accounted for less than 10% of sales, therefore this segment data has been omitted.

Information concerning related parties

Previous consolidated accounting term (01.01.2008 – 12.31.2008)

1. The parent company and major corporate shareholders

None

2. Directors and major individual shareholders

Category	Name	Address	Capital or Investment (¥1,000s)	Nature of Business or Occupation	% of voting rights	Details of Relationship		Transaction Details	Value of Transaction	Accnt	End of Term Balance (¥1,000s)
						Dir.	Business relation				
Director or entity with close relationship to the company	Masatoshi Kumagai	—	—	CEO and Representative Director	(Direct) 21.1	—	—	Purchase of affiliated company stock	40,000	—	—
Companies where a director holds a majority stake	Vivid International, Inc.	Minato, Tokyo	10,000	Property and real estate rental business	none	—	Office Rental	Payment of rent	972	—	—
								Income from real estate lease	29,271		
								Return of deposit	19,641		
Companies where a director holds a majority stake	COSMEDIA Co. Ltd	Minato, Tokyo	10,000	Service company	none	—	Office Rental	Income from real estate lease	8,858	Deposit received	16,800
								Holding of deposit	16,800	Payment received	2,100
Companies where a director holds a majority stake	e-estate, Inc.	Shibuya, Tokyo	10,000	Real estate rental business	none	—	Office Rental	Payment of rent	1,386	Third party payment	1
								Return of deposit	10	Deposit received	441
Companies where a director holds a majority stake	Click Securities, Inc.	Shibuya, Tokyo	2,150,050	Securities business	(Indirect) 4.1	—	Office rental debt guarantee	Lease contract deposit and deposit received	122,386 735	—	—
								Advertising sales	2,940	Accounts receivable	3,087
								Payment of rent	36,562	Deposit received	—
								Return of deposit	19,440		

(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 dimensions of the area occupied by Vivid International (K.K.),Cosmedia (K.K.), E-estate (K.K.) and CLICK Securities, Inc.

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

2. Transaction amounts do not include consumption tax. Consumption tax is included in the end of term balance.

3. Subsidiaries

None

4. Sister companies

None

Current Consolidated Fiscal Term (01.01.2009 – 12.31.2009)

1. Transactions with affiliated parties

(1) Transactions between GMO Internet ("the company") and affiliated parties

(A)The parent company or major shareholder (corporate only) of the company

None.

(B) Subsidiary or affiliate company of the company

None.

(C) Companies with the same parent company.

None.

(D) The parent company or major shareholder (individual only) of the company

Type	Name	Location	Asset or Investment	Nature of Business or Occupation	%of voting rights	Relationship	Transaction Details	Value	Account	End of Term Balance (¥1000s)
Companies in which a Director or Director's relative hold a majority of voting rights (including subsidiaries)	COSMEDIA Co. Ltd	Minato, Tokyo	10,000	Service company	none	Office Rental	Real estate income	24,000	Deposit received	12,000
	Click Securities, Inc.	Shibuya, Tokyo	3,030,663	Securities business	(Indirect) 3.2%	none	Advertising sales	32,935	Accounts receivable	34,581

(note) 1. Consumption tax is not included in the above transaction amounts. It is included in the end of term balance.

2. Transaction conditions and policy for determining transaction conditions
In regard to collecting of rent and deposits, transaction amounts are determined based on the company's real estate lease contracts according to the dimensions of the property occupied by COSMEDIA Co. Ltd. In regard to advertising sales, transaction conditions are the same as general conditions applied to transactions with unaffiliated parties.

(2) Transactions between GMO Internet consolidated subsidiaries and affiliated parties

None.

2. Notes regarding the parent company or significant affiliated companies

None.

Tax Effect Accounting

Previous Consolidated Fiscal Year (01.01.2008 – 12.31.2008)

1. Significant causes of deferred tax assets/ liabilities (¥thousands)

Deferred tax assets	
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 assets sub total	16,058,983
Valuation reserve	-13,128,160
Deferred tax asset total	2,930,822
Deferred tax liabilities	
Other gaps in appraisal of securities	-3,373
Other	-6,494
Deferred tax liabilities sub total	-9,867
Deferred tax assets (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 in which profit is never included	-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	2.14%
Effective enterprise etc. tax burden	31.06%

Current Consolidated Fiscal Year (01.01.2009 – 12.31.2009)

1. Significant causes of deferred tax assets/ liabilities (¥thousands)

Deferred tax assets	
Allowance for doubtful debt	2,201,447
Loss carried forward	10,701,358
Excess depreciation	126,486
Loss on appraisal of investment securities	419,890
Loss on appraisal of stock in affiliated companies	9,610
Accrued enterprise tax	71,187
Impairment loss	742,708
Other	428,092
Deferred tax assets sub total	14,700,782
Valuation reserve	-11,736,261
Deferred tax assets total	2,964,520
Deferred Tax Liabilities	
Other gaps in appraisal of securities	2,200
Other	9,430
Deferred tax liabilities sub total	11,631
Deferred tax asset (net amount)	2,952,889

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	2.02%
Dividends received and other items in which profit is never included	-4.69%
Dividends received from consolidated subsidiaries	5.74%
Amortization of goodwill	0.56%
Amortization of goodwill (new)	7.97%
Increase/decrease in valuation reserve	-12.90%
Other	0.22%
Effective enterprise etc. tax burden	39.61%

Per Share Data

Item	Previous Consolidated Fiscal Year (01.01.2008 – 12.31.2008)	Current Consolidated Fiscal Year (01.01.2009 – 12.31.2009)
Shareholders' equity per share	¥67.26	¥70.47
Net profit per share	¥21.02	¥13.49
Net profit per share (diluted)	—	—
	As no latent stock exists to dilute existing shares, no net profit per share (diluted) is reported in the term.	As no latent stock 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 per share net profit (diluted).

Item	Previous Consolidated Fiscal Year (01.01.2008 – 12.31.2008)	Current Consolidated Fiscal Year (01.01.2009 – 12.31.2009)
Net profit per share		
Net loss (¥thousands)	2,111,110	1,354,171
Amount not allocated to common stock holders (¥thousands)	—	—
Net profit allocated to common stock (¥thousands)	2,111,110	1,354,171
Average number of common shares outstanding in the period	100,484,441	100,373,745
Average number of treasury shares in the period	-1,125	-41,476
Average number of shares outstanding in the period	100,483,315	100,332,269
Net profit per share (diluted)		
Net income adjustment	—	—
Increase in no. of common shares	—	—
Latent stock that does not dilute profit per share and is not included in profit per share (diluted)	1. GMO Internet 2005 Equity Warrants 10,000 common shares 2. Consolidated subsidiaries (i)GMO AD Partners, Inc. 03.19.2006 Stock options 1,188 common shares 03.24.2005 Stock options 118 common shares (ii) GMO Hosting & Security, Inc. 2005 Stock options 590 common shares (iii) GlobalSign K.K. 2006 Stock options 651 common shares (iv) GMO Payment Gateway, Inc. 2004 Stock options 6th series 544 common shares 2005 Stock options 7th series 180 common shares 2005 Stock options 8th series 261 common shares (v) paperboy&co. Inc. Stock options 1st series 40,200 common shares (vi) GMO Research, Inc. 2007 Stock options 1st series 870 common shares 2008 Stock options 2nd series 260 common shares	1. GMO Internet 2005 Equity Warrants 10,000 common shares 2. Consolidated subsidiaries (i) GMO AD Partners, Inc. 03.19.2006 Stock options 1,145 common shares 03.24.2005 Stock options 102 common shares (ii) GMO Hosting & Security, Inc. 2005 Stock options 570 common shares (iii) GlobalSign K.K. 2006 Stock options 651 common shares (iv) GMO Payment Gateway, Inc. 2004 Stock options 6th series 528 common shares 2009 Stock options 9th series 476 common shares 2009 Stock options 10th series 24 common shares (v) paperboy&co. Inc. Stock options 1st series 38,400 common shares (vi) GMO Research, Inc. 2007 Stock options 1st series 870 common shares 2008 Stock options 2nd series 260 common shares

Significant Post Balance Sheet Events

Previous Consolidated Fiscal Year (01.01.2008 – 12.31.2008)	Current Consolidated Fiscal Year (01.01.2009 – 12.31.2009)
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 as of 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. Closure of Recruitment Advertising Business (Reasons for Closure) In the development of the Internet adverting business, San Planning (now GMO San Planning) was made a subsidiary in September 2004. The group entered recruitment advertising, a market increasingly centered on the Internet, with sales 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 market. 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 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 the business withdrawal loss reserve, and corporate tax adjustment totaling ¥197,236 thousand is 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) (ii) GMO San Planning, Inc. (Business description: Internet use support business).(ii) Absorption merger with GMO AD Partners as the surviving company. (iii) Name of company after the merge: GMO AD Partners	—

Previous Consolidated Fiscal Year (01.01.2007 – 12.31.2007)	Current Consolidated Fiscal Year (01.01.2009 – 12.31.2009)
(iv) Outline of transaction including 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 (Scheduled) 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).	

Omissions
Lease transactions, marketable securities, derivative transactions, retirement benefits, stock options, business consolidations and other items that were judged to have little significance to this results statement have been omitted.

2. Financial Statements etc.
(1) Financial statements
(i) Balance Sheet

(Unit: ¥thousands)

	Previous Fiscal Year (As of Dec 31, 2008)	Current Fiscal Year (As of Dec 31, 2009)
Assets		
Current Assets		
Cash and deposits	5,480,557	5,153,357
Accounts receivable	964,428	930,421
Products	8,836	5,866
Inventory assets	12,600	12,882
Advance payment	56,074	78,387
Prepaid expenses	97,634	87,482
Short term loans	1,234,966	791,801
Accrued corporate tax etc,	36,501	61,812
Deferred tax asset	524,564	523,650
Other	78,612	99,081
Provision for doubtful debts	- 679,254	- 263,929
Total Current Assets	7,815,518	7,480,814
Fixed Assets		
Tangible fixed assets		
Buildings	81,980	88,970
Accumulated depreciation	- 46,610	- 50,463
Buildings (net amount)	35,370	38,506
Structures	800	800
Accumulated depreciation	- 498	- 560
Structures (net amount)	301	239
Tools and equipment	30,859	18,627
Accumulated depreciation	- 26,976	- 16,665
Tools and equipment (net amount)	3,883	1,961
Lease assets	—	132,758
Accumulated depreciation	—	- 16,680
Lease assets (net amount)	—	116,078
Other	342	—
Total tangible fixed assets	39,898	156,786
Intangible fixed assets		
Goodwill	110,959	88,002
Trademark rights	2,435	1,556
Software	144,225	117,588
Nominal software account	13,171	—
Telephone subscription	10,128	10,128
Right of utilization	3,086	2,818
Lease assets	—	19,086
Total intangible fixed assets	284,005	239,180

(Unit: ¥thousands)

	Previous Fiscal Year (As of Dec 31, 2008)	Current Fiscal Year (As of Dec 31, 2009)
Investments and other assets		
Investment securities	343,731	252,567
Affiliated company stock	3,947,096	4,789,288
Investments	0	0
Employee long-service bonuses	6,000	4,500
Long term loans to affiliated companies	709,446	395,268
Equity warrants in affiliated companies	63,718	14,353
Other securities in affiliated companies	534,461	490,246
Claims in bankruptcy etc.	5,420,475	5,420,475
Security deposit	460,509	332,426
Investment real estate	4,440,601	2,970,682
Accumulated depreciation	- 3,253	- 6,482
Investment real estate (net amount)	4,437,348	2,964,199
Deferred tax asset	2,069,109	2,102,265
Other	30,850	30,850
Provision for doubtful debts	- 5,451,325	- 4,918,825
Total investments and other assets	12,571,421	11,877,617
Total fixed assets	12,895,325	12,273,585
Assets total	20,710,847	19,754,399
Liabilities		
Current Liabilities		
Short term debt	800,000	1,100,000
Current portion of long term debt	1,375,000	1,375,000
Bonds to be redeemed within a year	1,000,000	—
Lease liabilities	—	40,544
Amount payable	1,032,662	1,040,617
Expenses	7,424	9,944
Accrued consumption tax etc.	39,684	38,079
Payment received	119,604	146,049
Deposit received	1,531,741	2,038,520
Provision for bonuses	14,902	15,155
Provision for bonuses to Directors	—	63,025
Other	26,861	42,395
Total current liabilities	5,947,883	5,909,332
Fixed Liabilities		
Long term debt	10,956,250	9,581,250
Long term deposits	375,915	266,990
Lease liabilities	—	102,935
Total fixed assets	11,332,165	9,951,176
Liabilities Total	17,280,048	15,860,508

(Unit: ¥thousands)

	Previous Fiscal Year (As of Dec 31, 2008)	Current Fiscal Year (As of Dec 31, 2009)
Net Assets		
Shareholders' equity		
Capital stock	1,276,834	1,276,834
Earned surplus		
Earned surplus carried forward	2,166,889	2,620,765
Total earned surplus	2,166,889	2,620,765
Treasury stock	- 461	- 625
Total shareholders' equity	3,443,263	3,896,975
Gaps in Appraisals, Conversions etc		
Other gaps in appraisal of securities	444	- 7,914
Hedging profit/loss carried forward	- 12,909	4,830
Total gaps in appraisals, conversions etc	- 12,464	- 3,083
Total Net Assets	3,430,798	3,893,891
Total Liabilities, Net Assets	20,710,847	19,754,399

(ii) Statement of Income

(Unit: ¥thousands)

	Previous Fiscal Year (01.01.2008-12.31.2008)	Current Fiscal Year (01.01.2009-12.31.2009)
Operating Revenue		
Operating income	12,162,088	—
Total operating revenue	12,162,088	—
Business expenses		
Purchases	109,594	—
Salaries and bonuses	1,431,950	—
Allocation to provision for bonuses	12,545	—
Welfare expenses	186,942	—
Outsourcing expenses	3,418,864	—
Travel and transport	46,553	—
Rent	709,047	—
Rental expenses	231,449	—
Depreciation expenses	174,632	—
Communication expenses	225,914	—
Office supplies	6,787	—
Commission paid	1,339,314	—
Other	268,822	—
Total business expenses	8,162,418	—
Sales	—	11,292,786
Cost of sales	—	5,759,781
Gross profit on sales	—	5,533,005
Sales General and Administrative Expenses		
Sales promotion expenses	11,326	19,689
Advertising expenses	501,893	365,942
Business outsourcing expenses	149,818	234,410
Allocation to provision for doubtful debts	31,565	36,256
Director remuneration	281,482	302,076
Salaries and bonuses	566,180	1,356,911
Allocation to provision for bonuses	2,357	12,455
Allocation to provision for Director bonuses	—	63,025
Welfare expenses	92,859	196,484
Travel and transport expenses	37,252	54,717
Rent	197,074	337,664
Depreciation expenses	16,358	58,281
Communication expenses	36,372	153,119
Other	453,020	583,630
Total selling general and administrati9ve expenses	2,377,561	3,774,664
Operating Profit	1,622,108	1,758,340

(Unit: ¥thousands)

	Previous Fiscal Year (01.01.2008-12.31.2008)	Current Fiscal Year (01.01.2009-12.31.2009)
Non Operating Revenue		
Interest and dividends received	753,371	—
Interest received	—	297,545
Dividends received	—	469,309
Shared expenses	107,442	98,773
Commissions received	20,657	16,328
Property rent received	116,841	111,039
Other	59,328	19,555
Total non operating revenue	1,057,641	1,012,552
Non operating expenses		
Interest paid	303,990	255,725
Interest on bonds	15,939	8,269
Commissions paid	125,429	39,111
Investment partnership loss	—	55,659
Other	86,249	51,039
Total non operating expenses	531,608	409,805
Ordinary Profit	2,148,140	2,361,088
Extraordinary Profit		
Gain on sale of affiliated company stock	—	344,129
Gain on sale of investment securities	—	3,038
Reversal of provision for doubtful debts	74,538	483,340
Reversal of provision for investment loss	21,585	—
Gain on bond redemption	62,500	—
Total extraordinary profit	158,624	830,507
Extraordinary loss		
Loss on retirement of fixed assets	56,030	2,985
Loss on evaluation of investment securities	14,615	80
Loss on evaluation of affiliated company stock	126,896	180,607
Impairment loss	125,444	1,470,612
Office relocation expenses	—	12,582
Total extraordinary loss	322,987	1,666,868
Net profit before adjustment for tax	1,983,777	1,524,727
Corporate, municipal and enterprise taxes	5,451	3,800
Adjustment for corporate tax etc.	- 188,563	- 36,975
Total corporate tax etc.	- 183,112	- 33,175
Net Profit	2,166,889	1,557,903

Cost of Sales Statement

		Previous Business Fiscal Year (01.01.08-12.31.08)		Current Business Fiscal Year (01.01.09-12.31.09)	
Item	Note	Amount (¥thousands)	Composition (%)	Amount (¥thousands)	Composition (%)
I Cost of product sales		—		4,816	0.1
II Labor costs		—		463,303	8.0
III Expenses	*1	—		5,291,662	91.9
Cost of Sales		—		5,759,781	100.0

Previous Business Fiscal Year (01.01.08-12.31.08)	Current Business Fiscal Year (01.01.09-12.31.09)	
*1 Breakdown of major expenses	*1 Breakdown of major expenses (¥thousands)	
	Commissions paid	2,711,747
	Outsourcing expenses	1,362,233
	Land rent	508,159
	Communication expenses	295,777
	Rent	155,317

(iii) Statement of Changes in Shareholders' Equity, etc.

(Unit: ¥thousands)

	Previous Fiscal Year (01.01.2008-12.31.2008)	Current Fiscal Year (01.01.2009-12.31.2009)
Shareholders' Equity		
Capital stock		
Balance at end of previous term	12,631,977	1,276,834
Changes during term		
Capital reserve decrease	-11,355,142	—
Total changes during term	-11,355,142	—
Balance at end of current term	1,276,834	1,276,834
Capital surplus		
Capital reserve		
Balance at end of previous term	14,270,458	—
Changes during term		
Transfer from reserve to surplus	-14,270,458	—
Total changes during term	-14,270,458	—
Balance at end of current term	—	—
Other capital surplus		
Balance at end of previous term	—	—
Changes during term		
Capital decrease	11,355,142	—
Decrease in capital reserve	14,270,458	—
Transfer from other capital surplus to other earned surplus	-25,625,600	—
Total changes during term	—	—
Balance at end of current term	—	—
Total capital surplus		
Balance at end of previous term	14,270,458	—
Changes during term		
Capital decrease	11,355,142	—
Transfer from other capital surplus to other earned surplus	-25,625,600	—
Total changes during term	-14,270,458	—
Balance at end of current term	—	—
Earned surplus		
Other earned surplus		
Earned surplus carried forward		
Balance at end of previous term	-25,625,600	2,166,889
Transfer from other capital surplus to	25,625,600	—
Dividends from surplus	—	-904,348
Retirement of treasury stock	—	-199,679
Net profit	2,166,889	1,557,903
Total changes during term	27,792,490	453,875
Balance at end of current term	2,166,889	2,620,765
Total earned surplus		
Balance at end of previous term	-25,625,600	2,166,889

(Unit: ¥thousands)

	Previous Fiscal Year (01.01.2008-12.31.2008)	Current Fiscal Year (01.01.2009-12.31.2009)
Changes during term		
Transfer from other capital surplus to other earned surplus	25,625,600	—
Dividends from surplus	—	-904,348
Retirement of treasury stock	—	-199,679
Net profit	2,166,889	1,557,903
Total changes during term	27,792,490	453,875
Balance at end of current term	2,166,889	2,620,765
Treasury stock		
Balance at end of previous term	-347	-461
Changes during term		
Acquisition of treasury stock	-113	-199,843
Retirement of treasury stock	—	199,679
Total changes during term	-113	-164
Balance at end of current term	-461	-625
Total shareholders' equity		
Balance at end of previous term	1,276,487	3,443,263
Changes during term		
Dividends from surplus	—	-904,348
Acquisition of treasury stock	-113	-199,843
Net profit	2,166,889	1,557,903
Total changes during term	2,166,775	453,711
Balance at end of current term	3,443,263	3,896,975
Gaps in appraisals, conversions, etc.		
Other gaps in appraisal of securities		
Balance at end of previous term	10,265	444
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	-9,820	-8,358
Total changes during term	-9,820	-8,358
Balance at end of current term	444	-7,914
Hedging profit/loss carried forward		
Balance at end of previous term	4,406	-12,909
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	-17,316	17,739
Total changes during term	-17,316	17,739
Balance at end of current term	-12,909	4,830
Total gaps in appraisals, conversions, etc.		
Balance at end of previous term	14,672	-12,464
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	-27,137	9,381
Total changes during term	-27,137	9,381

(Unit: ¥thousands)

	Previous Fiscal Year (01.01.2008-12.31.2008)	Current Fiscal Year (01.01.2009-12.31.2009)
Balance at end of current term	-12,464	-3,083
Net assets total		
Balance at end of previous term	1,291,159	3,430,798
Changes during term		
Surplus dividends	—	-904,348
Acquisition of treasury stock	-113	-199,843
Net profit	2,166,889	1,557,903
Changes in items other than shareholders' equity in the current term (net amount)	-27,137	9,381
Total changes during term	2,139,638	463,092
Balance at end of current term	3,430,798	3,893,891

(5) Notes regarding the Going Concern Assumption
None