

Consolidated Third Quarter Results Statement for the Fiscal Year Ending December 2010 (Japanese GAAP)



November 8, 2010

Name of Listed Company: GMO Internet, Inc.

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

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Quarterly Report Release Date: November 12, 2010 Start Date of Dividend Payout: -

Supplementary documents prepared pertaining to quarterly financial results: Yes

Quarterly results presentation held: Yes (for analysts)

(all amounts rounded down to the nearest million yen)

1. Consolidated Third Quarter Financial Results in the Fiscal Year Ending December 2010 (01.01.2010 - 09.30.2010)

(1) Consolidated Operating Results

(percentages represent year-on-year % change)

	Sales		Operating Profit		Ordinary Profit		Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Nine months ended								
September 30, 2010	30,597	6.8	3,796	7.8	3,811	4.1	1,679	-9.1
September 30, 2009	28,656	—	3,521	—	3,662	—	1,846	—

	Net Profit per Share	Net Profit per Share (Diluted)
Nine months ended	¥	¥
September 30, 2010	16.79	—
September 30, 2009	18.38	—

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
As of	¥ millions	¥ millions	%	¥
September 30, 2010	44,166	15,288	18.2	80.41
December 31, 2009	40,922	14,145	17.2	70.47

(Reference) Shareholders' Equity Q3 FYE 12/2010: ¥8,041 million FYE 12/2009: ¥7,047 million

2. Dividends

	Dividends per Share				
	End of Q1	End of Q2	End of Q3	End of Term	Total
	¥	¥	¥	¥	¥
FYE 12/2009	—	2.00	—	4.00	6.00
FYE 12/2010	—	2.00	—		
FYE 12/2010 (forecast)				4.00	6.00

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

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

(percentages represent year-on-year % change)

	Sales		Operating Profit		Ordinary Profit		Net Profit		Net Profit per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Full Year	44,000	15.2	5,600	20.5	5,550	15.7	2,200	62.5	22.00

(Note) Revision to dividend forecast during the current quarter: yes

4. Other (Please refer to Page 8 for details)

(1) Changes to significant subsidiaries in the current term: none

New: 0 companies Excluded: 0 companies

(Note) Specifies any changes in significant subsidiaries that result in change in scope of consolidation

(2) Simplified accounting procedures or special accounting procedures applied: none

(Note) Specifies simplified accounting procedures or special accounting procedures applied in preparation of consolidated financial statements for the current term.

(3) Changes to accounting principles, procedures or representation

i. Changes resulting from revisions to accounting standards: none

ii. Changes other than those specified above: none

(Note) Specifies any changes to accounting principles, procedures or representation listed under "Significant changes to accounting bases used in the preparation of financial statements in the current consolidated term".

(4) No. of Outstanding Shares (Common Shares)

1. No. of outstanding shares at end of term (inc. treasury stock)	Q3 FYE 12/2010	100,003,441	FYE 12/2009	100,003,441
2. No. of treasury shares at end of term	Q3 FYE 12/2010	1,506	FYE 12/2009	1,506
3. Average no. of shares in the year to September	Q3 FYE 12/2010	100,001,935	Q2 FYE 12/2009	100,443,591

*Quarterly Results Statement Audit

The company has been selected under the Financial Instruments and Exchange law to submit its current quarterly results statements for audit. At the time of release of this results statement the audit is ongoing.

* 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 largely indeterminable and subject to risk. Actual results may differ materially from these projections as a result of business environment and other factors. Please refer to page 7 for details regarding results forecasts.

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* The company will conduct a results presentation for investors. Details are as follows.
Presentation materials and video will be available from the GMO Internet investor relations website shortly after the close of the event. (Video is only available in Japanese)

Monday November 8, 2010

Presentation for Institutional Investors and Analysts

* In addition to the above event, the company also holds presentations for individual investors on business activities and performance as necessary. Please refer to the GMO Internet investor relations website for details (note that these events are generally conducted in Japanese)

Qualitative Information: Consolidated Financial Performance etc.

(1) Consolidated Operating Results

General Conditions

In the first nine months of fiscal year 2010, despite improvements in the global economy and results from a recent emergency stimulus package, the Japanese economy had yet to fully rebound. Conditions remained challenging, impacted by lagging domestic recovery in employment and income. However in the Internet market, the arena in which the group operates, and in particular the ecommerce market, conditions were robust.

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.), also reported a strong performance.

In the first nine months of the year, the group focused on growing its services for individuals through the following three initiatives. Firstly, GMO Social Apps Initiative was launched to support social apps providers. At the time of publication of this statement, 18 titles have been released and the project is beginning to show results. Secondly, a business and capital partnership was formed with Acrodea, Inc. with the objective of establishing a smartphone app market business. GMO Internet subscribed to a private placement of shares by Acrodea and the company became an equity method affiliate. Thirdly, a decision was taken to acquire a stake in online securities business, CLICK Securities, Inc. making the company a consolidated subsidiary. The aim of the acquisition is to boost synergy within the consolidation through joint marketing activities and by offering GMO TokuToku point rewards to securities trading service users. The acquisition transaction was completed on October 29, and CLICK Securities is included in the consolidation from the fourth quarter of 2010.

Consolidated financial results at the end of the third quarter were as follows. Sales: ¥30.597 billion (6.8% year-on-year increase) Operating Profit: ¥3.796 billion (7.8% year-on-year increase) Ordinary Profit: ¥3.811 billion (4.1% year-on-year increase) and Net Profit: ¥1.679 billion (9.1% year-on-year decrease).

(Unit: ¥thousands)

	Nine months to Sep 2009	Nine months to Sep 2010	Change	% Change
Sales				
Web Infrastructure & Ecommerce	13,889,458	14,891,236	1,001,777	7.2%
Internet Media	15,275,243	15,722,688	447,444	2.9%
Other	20,364	443,932	423,567	2079.9%
Inter segment transactions	-528,793	-459,865	68,927	—
Total	28,656,273	30,597,991	1,941,718	6.8%
Operating Profit				
Web Infrastructure & Ecommerce	1,974,418	2,177,190	202,772	10.3%
Internet Media	1,581,848	1,488,099	-93,748	-5.9%
Other	-72,614	90,659	163,273	—
Inter segment transactions	38,124	40,802	2,677	—
Total	3,521,777	3,796,751	274,974	7.8%
Ordinary Profit	3,662,176	3,811,453	149,276	4.1%
Net Profit	1,846,902	1,679,189	-167,712	-9.1%

Segment Report

Business operations in each business segment are as follows.

Business Segment		Main Operations
Web Infrastructure & Ecommerce	Domain Registration	<ul style="list-style-type: none"> Domain registration business includes the services Onamae.com and MuuMuuDomain for registration of .com, .net, .jp etc.domain names.
	Web hosting	<ul style="list-style-type: none"> Provision, operation, management, and maintenance of dedicated and shared web hosting services including Onamae.com Rental Server (SD), GMO Apps Cloud, iSLE, RapidSite, MightyServer, WEBKEEPERS, Marugoto Server, and Lolipop!
	Ecommerce solutions & web development	<ul style="list-style-type: none"> ASP services for online store construction including Color me shop! Pro and MakeShop. Development and operation of online shopping malls including Calamel. Marugoto EC and other online store solutions and consulting services. Web site design and management services including Omakase Web, and system consulting services. ASP services for the sale of music, video, and other digital content by Digital Content O.
	Security	<ul style="list-style-type: none"> GlobalSign Quick Authentication SSL, enterprise SSL, and other SSL certificate issue services, code signing certificate services, PDF document signing services.
	Credit card payment processing	<ul style="list-style-type: none"> PG Multi-payment Service and other credit card payment processing services for ecommerce and catalog sales businesses, payment processing services for the public sector and social apps industry.
	Access provider (ISP)	<ul style="list-style-type: none"> GMO TokuToku BB, interQ, MEMBERS, ZERO, and other access provider services.
Internet Media	Internet media & search media	<ul style="list-style-type: none"> Development and operation of blog services by yaplog! 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 SEO (Search Engine Optimization) services. Ad Network Distribution of contextual advertising to owned & operated media and search engine results pages.
	Advertising agencies	<ul style="list-style-type: none"> Internet advertising, mobile advertising, search engine advertising, affiliate advertising. Advertising design
	Other	<ul style="list-style-type: none"> Provision of Internet research systems, management and operation of online research panel.
Other Businesses	Other	<ul style="list-style-type: none"> Venture capital business

• Web Infrastructure & Ecommerce Segment

In the period under review in the domain registration business, market share expanded and domain registrations/renewals increased 44.9% year-on-year to 945 thousand. Cumulative active domains were up 43.0% from the previous corresponding quarter to 1.57 million. However, reflecting a low pricing strategy, sales fell 3.5% from the previous corresponding term to ¥1.679 billion.

In the web hosting business, disk capacity was boosted and functionality expanded for dedicated and managed hosting services in response to growing sophistication and diversification of client needs, while high quality, low-cost shared service offerings continued to be promoted. In addition, GMO Apps Cloud was launched to meet the hosting requirements of social apps developers. As a result, contracts increased 10.9% over the previous corresponding term to 467 thousand and sales reached ¥6.859 billion, a 1.5% 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. New features were added to improve usability for both net shop operators and customers, and number of contracts reached 46 thousand. Focus remained on strengthening ecommerce solutions by networking ecommerce stores and developing the points reward program. In the current quarter GMO TokuToku Point reward program membership exceeded 10 million. In addition, on November 1 a partnership was formed with Yahoo! Shopping contributing to further expansion of the ecommerce business. The web development business however, was reduced in size as sales staff were shifted to the Internet media segment. Overall the business reported sales of ¥1.389 billion (2.4% year-on-year decrease).

Sales were strong in the security business as Japan, North America and Europe expanded sales partnerships. As a result, sales were ¥1.167 billion (23.7% year-on-year increase).

The payment processing business saw an increase in merchants and growth in recurring payments. During the quarter, the GMO Payment Gateway public sector payment processing solution continued to expand and was adopted by Sapporo city (Hokkaido prefecture). Sales in this business at the end of the third quarter were ¥2.355 billion (24.2% year-on-year increase).

Results in the Web Infrastructure and Ecommerce segment, chiefly comprising the five product areas above, were as follows; sales: ¥14.891 billion (7.2% year-on-year increase), operating profit: ¥2.177 billion (10.3% year-on-year increase).

Internet Media Segment

According to Dentsu, Inc. in fiscal year 2009 market conditions remained severe and spending on advertising fell 11.5% from the previous year, while spending on Internet advertising remained virtually stagnant at ¥706.9 billion up just 1.2% from the previous year. Despite these conditions, SEM media related services have continued to perform well against the backdrop of a strong ecommerce market.

The third quarter saw solid performance in Internet Media & Search Media, a reflection of the transfer of sales staff to JWord (Japanese search tool), SEO and other SEM media services. Overall, Internet Media & Search Media recorded sales of ¥8.279 billion (7.6% year-on-year increase).

In the advertising agencies business, mobile advertising achieved good results. Also in this quarter, with the objective of strengthening its suite of mobile ad network products, subsidiary GMO AD Partners acquired all shares in mobile ad network company Sanow, Inc. and the company became a wholly-owned subsidiary.

However, sales in the business fell 1.5% from the previous corresponding quarter to ¥7.089 billion reflecting factors including client advertising budget cutbacks.

Overall sales in Internet Media, the segment encompassing the above businesses, were ¥15.722 billion (2.9% year-on-year increase). Due to costs associated with establishing the social apps support business, operating profit fell 5.9% from the previous year to ¥1.488 billion.

• Other Businesses

Venture capital is the only business in Other Businesses. In the current term this business reports sales of ¥443.93 million (2,079.9% year-on-year increase) due to the sale of some operational investment securities. Operating profit was ¥90.65 million (¥72.61 million operating loss recorded in the previous corresponding term).

(Reference 1)

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

(Unit: ¥millions)

	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010
Sales	9,679	9,538	9,969	10,490	10,138
Operating Profit	1,312	1,127	1,281	1,282	1,232
Ordinary Profit	1,345	1,135	1,310	1,269	1,231
Net Profit	621	-492	577	541	560
Total Assets	40,469	40,922	40,898	42,729	44,166
Shareholders' Equity	7,505	7,047	7,199	7,686	8,041

(Reference 2)

Table: Quarterly Changes by Segment

I Sales by Segment

(Unit: ¥millions)

	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010
Web Infrastructure & Ecommerce					
Access provider (ISP)	295	285	280	274	272
Domain registration	520	502	571	567	541
Web hosting	2,256	2,251	2,278	2,295	2,286
Ecommerce & web dev	418	420	468	443	477
Security	304	349	367	410	389
Payment processing	662	710	753	777	824
Other	84	104	185	197	230
Segment Sales Total	4,541	4,624	4,905	4,965	5,020
Internet Media					
Internet media & search	2,988	2,779	2,722	2,788	2,769
Advertising agencies	2,217	2,166	2,328	2,374	2,385
Other	274	269	314	287	299
Total	5,480	5,215	5,364	5,450	5,454
Adjustment for internal transactions	(194)	(175)	(147)	(186)	(213)
Segment Sales Total	5,286	5,039	5,217	5,264	5,241
Other Businesses					
Other	1	1	1	406	35
Segment Sales Total	1	1	1	406	35
Adjustment for inter segment transactions	(150)	(126)	(154)	(146)	(158)
Consolidated Sales	9,679	9,538	9,969	10,490	10,138

II Operating Profit by Segment

(Unit: ¥millions)

	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010
Web Infrastructure & Ecommerce	634	674	743	716	717
Internet Media	681	485	541	455	491
Other Businesses	-15	-43	-14	94	10
Sub total	1,300	1,116	1,270	1,266	1,219
Adjustment for inter segment transactions	12	11	11	16	12
Consolidated Operating Profit	1,312	1,127	1,281	1,282	1,232

(2) Consolidated Financial Condition

Assets, Liabilities, and Shareholders' Equity

Significant changes in the state of assets, liabilities and shareholders' equity between December 31, 2009 and September 30, 2010, are as follows.

Current liabilities increased ¥1.789 billion (6.2%) from the end of the previous fiscal year to ¥30.528 billion. Major contributing factors were a ¥2.248 billion rise in cash and deposits, and decreases of ¥699.75 million resulting from the maturity of investment securities, and a further ¥56.99 million from the sale of operational investment securities.

Fixed assets increased ¥1.454 billion (11.9%) from the end of the previous fiscal year to ¥13.637 billion. This was chiefly due to a reduction of ¥5.391 billion in claims in bankruptcy resulting from the sale etc. of bad receivables, and a ¥4.859 billion reduction in the provision for doubtful debts.

Overall, assets total increased ¥3.243 billion (7.9%) from the end of the previous fiscal year to ¥44.166 billion.

Current liabilities increased ¥5.262 billion (32.2%) from the end of the previous fiscal year to ¥21.584 billion. Advanced payments received in businesses including web hosting climbed ¥525.99 million, while short term debt increased by ¥2.868 billion and a ¥1.689 billion increase in deposits received reflected an increase in deposits in major merchant services provided by the payment processing business.

Fixed liabilities dropped ¥3.162 billion (30.2%) from the end of the previous fiscal year to ¥7.292 billion, mainly due to scheduled repayments of long term debt (¥3.544 billion).

Overall, liabilities total increased ¥2.099 billion (7.8%) from the end of the previous fiscal year to ¥28.877 billion.

Net assets increased ¥1.143 million (8.1%) from the end of the previous fiscal year to ¥15.288 billion.

Earned surplus increased overall by ¥990.54 million. Items impacting earned surplus include net profit (¥1.679 billion increase), and dividends paid (¥600.01 million decrease). Also, gaps in appraisals, conversions etc. increased by ¥3.756 million due to a rise in other gaps in appraisal of investment securities.

Cash Flow

In the nine months to September in the current fiscal year, consolidated cash flow provided by operating activities was ¥5.982 billion, while cash flow used in investing activities was ¥2.097 billion, and ¥1.707 billion was used in financing activities. Consolidated cash and cash equivalents stood at ¥22.879 billion at the end of the term.

The following is a summary of cash flow in the nine months to September of fiscal year 2010.

Cash flow provided by operating activities totaled ¥5.982 billion (¥4.723 billion in the previous corresponding quarter). Major items included net profit before tax and other adjustments amounting to ¥3.585 billion, non cash expenses including depreciation (¥811.15 million) and goodwill amortization (¥346.18 million), as well corporate and other tax payments (¥1.383 billion), income from the sale of bad receivables (¥560.00 million) and an increase of deposits received from major merchant services in the payment processing business (¥1.688 billion) due to an increase in transactions.

Cash flow used in investing activities was ¥2.097 billion (¥611.05 million was used in the previous corresponding term). Outflows included payment of a fixed term deposit (¥500.98 million), acquisition of tangible fixed assets (¥450.19 million), a payment of ¥733.24 million in the acquisition of investment securities (acquisition of shares in Acrodea, Inc. issued by private placement), and the acquisition of subsidiary shares (including acquisitions which resulted in changes to the consolidation) amounting to ¥1.265 billion. Income was recorded arising from the maturity of investment securities (¥700.00 million).

Cash flow used in financing activities was ¥1.707 billion (¥2.747 billion was used in the previous corresponding term). Significant items included income of ¥300.00 million (net amount) from short-term loans, and expenditure of ¥1.059 billion on repayment of long-term loans, ¥570.22 million on payment of dividends, and payment of dividends totaling ¥265.46 million to minority shareholders.

3. Qualitative Information - Consolidated Results Forecast

The full-year consolidated results forecast initially published on February 10, 2010 has been revised. Please see the disclosure statement Revision to Full-Year Results Forecast for the Fiscal Year Ending December 2010 (November 8, 2010) for details.

2. Other Information

(1) Changes to significant subsidiaries
None.

(2) Simplified accounting procedures or special accounting procedures applied
None.

(3) Changes to accounting principles, procedures or representation
None.

(4) Summary of notes regarding the going concern assumption
None.

3. Consolidated Financial Statements
(1) Quarterly Balance Sheet

(Unit: ¥thousands)

	3rd Quarter Current Fiscal Year (As of Sep 30, 2010)	End of Previous Fiscal Year (As of Dec 31, 2009)
Assets		
Current Assets		
Cash and deposits	23,140,258	20,891,573
Trade notes and accounts receivable	4,651,157	4,682,825
Securities	-	699,750
Operational investment securities	859,151	916,151
Deferred tax asset	817,165	786,942
Other	1,379,879	1,113,063
Provision for doubtful debts	-319,287	- 342,057
Provision for investments losses	-	- 9,038
Total Current Assets	30,528,326	28,739,211
Fixed Assets		
Tangible fixed assets	1,528,558	687,047
Intangible fixed assets		
Goodwill	2,203,645	1,188,169
Software	1,646,675	1,884,882
Other	186,497	247,393
Total intangible fixed assets	4,036,819	3,320,446
Investments and other assets		
Investment securities	1,274,857	683,040
Investment real estate	2,963,248	2,964,199
Bad receivables etc.	42,180	5,433,224
Deferred tax asset	2,176,098	2,170,667
Other	1,695,487	1,863,748
Provision for doubtful debts	-79,325	- 4,938,848
Total investments and other assets	8,072,547	8,176,032
Total Fixed Assets	13,637,924	12,183,525
Total Assets	44,166,250	40,922,737
Liabilities		
Current Liabilities		
Trade notes and accounts payable	1,480,830	1,366,771
Short term debt	5,372,104	2,503,880
Amount payable	2,169,968	2,153,114
Accrued corporate tax etc.	639,197	806,089
Allowance for bonuses	214,007	123,439
Allowance for bonuses to directors	150,552	104,937
Advance payment received	2,970,371	2,444,377
Deposits received	7,421,584	5,731,921
Other	1,165,872	1,087,313
Total Current Liabilities	21,584,487	16,321,845

(Unit: ¥thousands)

	3rd Quarter Current Fiscal Year (As of Sep 30, 2010)	End of Previous Fiscal Year (As of Dec 31, 2009)
Fixed Liabilities		
Long term debt	6,059,214	9,603,250
Long term amount payable	388,309	427,553
Tax liability carried forward	15,816	4,720
Allowance for retirement benefits	-	1,402
Other	829,545	418,685
Total Fixed Liabilities	7,292,885	10,455,612
Total Liabilities	28,877,373	26,777,457
Net Assets		
Shareholders' Equity		
Capital stock	1,276,834	1,276,834
Earned surplus	6,882,161	5,891,618
Treasury stock	-625	- 625
Total Shareholders' Equity	8,158,371	7,167,827
Gaps in Appraisals, Conversions etc.		
Other gaps in evaluation of securities	-3,166	- 15,632
Hedging profit/loss carried forward	-27,842	4,830
Foreign currency translation adjustment	-85,549	- 109,512
Total Gaps in Appraisals, Conversions, etc.	-116,558	- 120,315
Equity Warrants	11,027	4,728
Minority Equity	7,236,037	7,093,038
Total Net Assets	15,288,877	14,145,279
Liabilities, Net Assets Total	44,166,250	40,922,737

(2) Consolidated Statement of Income
 Nine months to September, 2010

(Unit: ¥thousands)

	3rd Quarter Previous Fiscal Year (9 months to Sep, 2009)	3rd Quarter Current Fiscal Year (9 months to Sep, 2010)
Sales	28,656,273	30,597,991
Cost of Sales	12,959,697	14,264,667
Gross Profit on Sales	15,696,576	16,333,324
Sales, General & Administrative Expenses	12,174,798	12,536,572
Operating Profit	3,521,777	3,796,751
Non Operating Revenue		
Interest received	219,858	26,946
Dividends received	1,327	69,369
Property rent received	-	52,423
Other	206,112	82,740
Total Non Operating Revenue	427,298	231,480
Non Operating Expenses		
Interest paid	199,455	149,218
Other	87,443	67,560
Total Non Operating Expenses	286,899	216,778
Ordinary Profit	3,662,176	3,811,453
Extraordinary Profit		
Gain on sale of fixed assets	3,013	-
Gain on sale of investment securities	8,943	41,004
Gain on sale of affiliated company stock	19,164	463
Gain on change in equity investees	10,632	788
Other	14,079	5,162
Total Extraordinary Profit	55,833	47,418
Extraordinary Loss		
Loss on disposal of fixed assets	14,680	43,424
Impairment loss	52,908	70,107
Business withdrawal loss	13,153	-
Office relocation expenses	29,470	15,187
Loss on evaluation of investment securities	-	49,165
Loss on sale of affiliated company stock	-	61,160
Other	6,642	37,731
Total Extraordinary Loss	116,856	276,776
Net Profit before Adjustment for Tax etc. and Gain or Loss arising from Silent Partnership	3,601,153	3,582,096
Gain or Loss arising from Silent Partnership	-	-3,198
Net Profit before Adjustment for Tax etc.	3,601,153	3,585,294
Corporate, Municipal and Enterprise Taxes	1,138,831	1,258,424
Corporate Tax etc. Adjustment	-33,306	-16,263
Total Corporate Taxes etc.	1,105,525	1,242,160
Minority Interests	648,726	663,944
Net Profit	1,846,902	1,679,189

(3) Consolidated Statement of Cash Flows

(Unit: ¥thousands)

	3rd Quarter Previous Fiscal Year (9 months to Sep 2009)	3rd Quarter Current Fiscal Year (9 months to Sep 2010)
Cash Flow from Operating Activities		
Net Profit before Adjustment for Tax etc.	3,601,153	3,585,294
Depreciation expenses	670,223	811,153
Amortization of goodwill	656,210	346,186
Gain or loss on sale of investment securities (- represents gain)	-8,943	-41,004
Gain or loss on sale of affiliated company stock (- represents gain)	-19,164	60,697
Interest and dividends received	-221,186	-96,316
Interest paid	199,455	149,218
Change in accounts receivable (- represents increase)	163,734	200,148
Change in purchase debts (- represents decrease)	-332,572	66,247
Change in deposits received (- represents decrease)	-	1,688,943
Other	1,091,817	89,896
Sub total	5,800,729	6,860,466
Interest and dividends received	226,810	95,828
Interest paid	-201,271	-150,156
Corporate tax etc. paid	-1,102,450	-1,383,245
Income from sale etc. of bad receivables	-	560,000
Cash Flow from Operating Activities	4,723,818	5,982,893
Cash Flow from Investing Activities		
Payment of fixed term deposit	-	-500,986
Income from return of fixed term deposit	-	400,000
Expenditure on acquisition of tangible fixed assets	-174,029	-450,197
Income accrued on sale of tangible fixed assets	3,037	-
Expenditure on acquisition of intangible fixed assets	-478,868	-197,395
Income accrued on sale of intangible fixed assets	2,105	-
Income accrued on redemption of securities	-	700,000
Expenditure on acquisition of investment securities	-14,850	-733,243
Income accrued on sale of investment securities	171,148	45,596
Expenditure on acquisition of subsidiary stock	-134,953	-528,550
Income accrued on sale of subsidiary stock	22,050	463
Expenditure on the acquisition of subsidiary stock resulting in change in scope of consolidation	-	-737,114
Income accrued on the sale of subsidiary stock resulting in change in scope of consolidation	-	3,184
Other	-6,695	-99,272
Cash Flow from Investing Activities	-611,054	-2,097,516
Cash Flow from Financing Activities		
Income accrued on short term loans	3,700,000	4,700,000
Expenditure on repayment of short term loans	-3,111,648	-4,400,000
Expenditure on repayment of long term loans	-1,042,371	-1,059,130
Expenditure on redemption of bonds	-1,000,000	-
Expenditure on acquisition of treasury stock	-199,843	-
Payment of dividends	-868,463	-570,224
Payment of dividends to minority shareholders	-234,922	-265,461
Other	9,389	-112,577
Cash Flow from Financing Activities	-2,747,858	-1,707,393
Currency Translation Adjustment on Cash and Equivalents	-2,973	-71,951
Change in Cash and Equivalents (- represents decrease)	1,361,930	2,106,032
Balance of Cash and Equivalents at Beginning of Term	18,456,132	20,723,683
Increase in Cash and Equivalents following Increase in Consolidation	26,639	49,556
Balance of Cash and Equivalents at End of Term	19,844,702	22,879,272

(4) Notes regarding the Going Concern Assumption
None.

(5) Segment Data

Data by segment

Nine months to September, Fiscal Year 2010

	Web Infrastructure & Ecommerce (¥thousands)	Internet Media (¥thousands)	Other Businesses (¥thousands)	Total (¥thousands)	Inter-segment transactions (¥thousands)	Consolidated (¥thousands)
Sales						
(1) Sales to unaffiliated customers	13,708,600	14,927,308	20,364	28,656,273	—	28,656,273
(2) Inter-segment sales and transfers	180,857	347,935	—	528,793	(528,793)	—
Total	13,889,458	15,275,243	20,364	29,185,066	(528,793)	28,656,273
Operating Profit/ Loss (-)	1,974,418	1,581,848	-72,614	3,483,652	38,124	3,521,777

(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, ecommerce solutions & web development, security, payment processing, other

(2) Internet Media

Internet media & search media, Internet advertising agencies, other

(3) Other Businesses

Venture capital

Nine months to September, Fiscal Year 2009

	Web Infrastructure & Ecommerce (¥thousands)	Internet Media (¥thousands)	Other Businesses (¥thousands)	Total (¥thousands)	Inter-segment transactions (¥thousands)	Consolidated (¥thousands)
Sales						
(1) Sales to unaffiliated customers	14,748,411	15,408,509	441,070	30,597,991	—	30,597,991
(2) Inter-segment sales and transfers	142,824	314,178	2,862	459,865	(459,865)	—
Total	14,891,236	15,722,688	443,932	31,057,857	(459,865)	30,597,991
Operating Profit	2,177,190	1,488,099	90,659	3,755,949	40,802	3,796,751

(note) 1 Operations are segmented for internal management purposes

2. Main products in each segment

(1) Web Infrastructure & Ecommerce

Internet access provider, domain registration, web hosting, ecommerce solutions & web development, security, payment processing, other

(2) Internet Media

Internet media & search media, Internet advertising agencies, other

(3) Other Businesses

Venture capital

2. Segment data by location

Nine months to September 2009 and nine months to September 2010.

Japan accounted for over 90% of consolidated sales in all segments. Details of sales by location have therefore been omitted.

Global sales data

Nine months to September 2009 and nine months to September 2010.

Overseas transactions accounted for less than 10% of consolidated sales. Global sales data has therefore been omitted.

(6) Significant Changes in Shareholders' Equity

None.