

Fiscal Year 2017 Second Quarter Consolidated Financial Results (Japanese GAAP)

July 31, 2017

Name of Listed Company: GMO Internet, Inc.

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

Representative: Masatoshi Kumagai, Group CEO and Founder

Official Contact: Masashi Yasuda, Vice-President and Chief Financial Officer Contact Number: +81-3-5456-2555

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Supplementary documents available pertaining to quarterly financial results: Yes

Quarter results presentation: Yes (for institutional investors and analysts)

(all amounts rounded down to the nearest million yen)

1. Consolidated Second Quarter Financial Results in the Year Ending December 2017 (01.01.2017- 06.30.2017)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of the Parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Six months ended								
June 30, 2017	74,340	11.4	7,497	-13.7	7,379	-11.6	1,952	-45.9
June 30, 2016	66,707	4.9	8,690	2.3	8,349	-0.3	3,607	-49.2

(Note) Comprehensive Income June 30, 2017: ¥3,029 million (-21.5%), June 30, 2016: ¥3,861 million (-52.3 %)

	Net Profit per Share	Net Profit per Share (Diluted)
Six months ended	¥	¥
June 30, 2017	16.83	16.31
June 30, 2016	30.97	30.05

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio
As of	¥ millions	¥ millions	%
June 30, 2017	605,014	67,773	6.6
December 31, 2016	588,819	66,179	6.7

(Reference) Shareholders' Equity June 30, 2017: ¥40,218 million December 31, 2016: ¥39,527 million

2. Dividends

	Dividends per Share				
	End of Q1	End of Q2	End of Q3	End of Term	Total
	¥	¥	¥	¥	¥
Year Ended 12/2016	5.00	5.00	5.00	6.00	21.00
Year Ending 12/2017	5.00	6.00			
Year Ending 12/2017 (forecast)			6.00	6.00	23.00

(Note) Revision to forecast during the most recent quarter: No

3. Consolidated Results Forecast for the Year Ending December 2017 (01.01.2017 – 12.31.2017)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of the Parent		Net Profit per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Full Year	145,000	7.4	19,000	11.7	18,500	10.9	8,000	10.6	69.00

(Note) Revision to forecast during the most recent quarter: No

*Notes

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

(2) Special accounting treatments used in preparation of financial statements: None

(3) Changes in accounting policy, changes in accounting estimates, restatements

1. Changes resulting from revisions to accounting standard, etc.: None

2. Changes other than those specified above: None

3. Changes in accounting estimates: None

4. Restatements: None

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

1. Outstanding shares at term end (inc. treasury)

Q2 FYE 12/2017	115,944,677	FYE 12/2016	115,944,677
Q2 FYE 12/2017	1,811	FYE 12/2016	1,811
Q2 FYE 12/2017	115,942,866	Q2 FYE 12/2016	116,463,736

2. Treasury shares at term end

3. Average number of shares during the period

* Quarterly financial results are not covered by quarterly review.

* 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 materially from these projections as a result of business environment and other factors. Please refer to (3) Consolidated results forecast and other forward-looking information on page 9 for details.

Results Presentation for Investors and Analysts: July 31, 2017

Supporting materials and a video of the presentation will be made available on the company's website in English after the event.

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1. Qualitative Information related to Financial Results
 (1) Consolidated Operating Results

Overview of Financial Results for the Six Months Ended June 2017

(Unit: ¥millions)

	Previous Q2	Current Q2	Change	% Change
Net Sales	66,707	74,340	7,632	11.4%
Operating Profit	8,690	7,497	-1,192	-13.7%
Ordinary Profit	8,349	7,379	-970	-11.6%
Profit Attributable Owners of the Parent	3,607	1,952	-1,655	-45.9%

Under the corporate slogan “Internet for Everyone” GMO Internet Group focuses resources on high growth Internet markets. Continued growth in the Internet is largely taking place in the mobile space, spurred by increased usage and diversification of smartphones, tablets and other mobile devices, the progression of cloud technology, the proliferation of Twitter, Facebook, LINE, Instagram and other forms of social media, as well as the emerging O2O and C2C markets. The Internet of Things is also significant and the Group recognizes that IoT presents many new business opportunities. GMO Internet management views any growth in the volume of information available on the Internet or in the volume of transactions conducted over the Internet as an opportunity to grow profits as a group that provides Internet and service infrastructure.

Amidst a healthy external environment, the Group continued to operate under the theme of “strengthening our strengths and enhancing weaker areas with No. 1 products”. (1) The Internet Infrastructure segment, already comprising multiple No. 1 products, invested in promoting C2C handmade market, minne with the objective of propelling the service to a strong No. 1 market position. (2) The Internet Finance segment, although the volume of FX transactions expanded, many of them were dollar-yen transactions, which is a low-margin currency pair, and profitability declined temporarily, so we have worked on improving profitability through position management and optimization of cover transactions. (3) Online Advertising & Media segment focused on function enhancement and development of proprietary products with the objective of accelerating its shift toward a technology driven business. (4)The Mobile Entertainment segment continued cost control efforts while maintaining the objective of developing new titles.

Second quarter consolidated net sales increased 11.4% year-on-year to ¥74,340 million. Over the same period operating profit decreased 13.7% to ¥7,497 million, and ordinary profit decreased 11.6% to ¥7,379 million, while net profit fell 45.9% to ¥1,952 million. Net sales were up and profits were down compared to the same period last year mainly due to BREXIT (which led to increase in FX transaction in Q2 FY2016 but to year-on-year loss in Internet Finance in Q2 FY2017), one-off drop in profitability in Internet Finance segment from February to March, and one-off losses (approximately ¥290 million) due to branding in other segments.

Net Sales and Operating Profit by Segment in the Six Months Ended June 2017

(Unit: ¥millions)

	Previous Q2	Current Q2	Change	% Change
Internet Infrastructure				
Net Sales	31,206	40,180	8,974	28.8%
Operating Profit	2,986	3,951	965	32.3%
Online Advertising & Media				
Net Sales	21,868	22,574	706	3.2%
Operating Profit	666	450	-215	-32.4%
Internet Finance				
Net Sales	14,542	12,448	-2,093	-14.4%
Operating Profit	5,397	3,497	-1,900	-35.2%
Mobile Entertainment				
Net Sales	1,262	537	-730	-57.9%
Operating Profit	-292	-202	90	-
Incubation				
Net Sales	32	324	291	895.0%
Operating Profit	-85	96	182	-
Other				
Net Sales	39	971	887	-
Operating Profit	-54	-334	-280	-
Adjustment				
Net Sales	-2,287	-2,690	-403	-
Operating Profit	71	36	-34	-
Total				
Net Sales	66,707	74,340	7,632	11.4%
Operating Profit	8,690	7,497	-1,192	-13.7%

◆ Overview of Financial Results in the Three Months to June 2017

(Unit: ¥millions)

	Previous Q2	Current Q2	Change	% Change
Net Sales	33,533	38,299	4,765	14.2%
Operating Profit	5,032	3,960	-1,072	-21.3%
Ordinary Profit	4,796	4,006	-790	-16.5%
Profit attributable to Owners of the Parent	2,246	800	-1,446	-64.4%

For net sales, in the three months to June, the Infrastructure segment performed well amidst an expanding Internet market. Internet Finance segment was also growing through putting effort into improving profitability effectively in the previous quarter.

On the profit side, in the Internet Finance segment, profits were down compared to the same period last year mainly due to the UK's exit from EU (which led to increase in FX transaction in Q2 FY2016 but to year-on-year loss in Internet Finance in Q2 FY2017), and one-off losses (approximately ¥ 290 million) due to branding in other segments.

Net Sales and Operating Profit by Segment in the Three Months to June 2017

(Unit: ¥millions)

	Previous Q2	Current Q2	Change	% Change
Internet Infrastructure				
Net Sales	15,882	20,452	4,569	28.8%
Operating Profit	1,595	1,800	204	12.8%
Online Advertising & Media				
Net Sales	10,363	11,001	637	6.2%
Operating Profit	216	195	-21	-9.8%
Internet Finance				
Net Sales	7,808	6,869	-938	-12.0%
Operating Profit	3,318	2,275	-1,042	-31.4%
Mobile Entertainment				
Net Sales	572	232	-339	-59.3%
Operating Profit	-69	-121	-51	-
Incubation				
Net Sales	27	253	226	822.1%
Operating Profit	-35	102	138	-
Other				
Net Sales	44	919	875	-
Operating Profit	-21	-309	-287	-
Adjustment				
Net Sales	-1,165	-1,430	-264	-
Operating Profit	28	16	-12	-
Total				
Net Sales	33,533	38,299	4,765	14.2%
Operating Profit	5,032	3,960	-1,072	21.3%

Segments results for the second quarter are as follows. Effective January 1, 2017, the segment name of “Internet Securities” was changed to “Internet Finance.” This has limited impact on the segment’s profit and loss.

1) Internet Infrastructure

The Internet Infrastructure segment provides the basic Internet services required to operate a business or communicate information in an online environment. Domain, hosting & cloud, ecommerce solutions, payment and security - the five major businesses in this segment – each hold top share in their respective markets in Japan. In addition the segment includes consumer Internet provider services. The following is a breakdown of results in each of the businesses comprising this segment.

i. Domain

Gateway to the Group’s infrastructure segment, the domain business continued to actively grow customer base with a low-pricing strategy. Domain registration and renewals fell 7.3% to 1.27 million, and total domains under management rose 9.8% to 6.11 million. Net sales grew 5.0% year-on-year to ¥2,046 million.

ii. Hosting & Cloud

The hosting & cloud business responded to growing diversification of client needs through cloud-based, dedicated, shared and VPS offerings under a multi-brand strategy.

In the external environment we saw rising demand for cloud hosting services over traditional hosting. GMO AppsCloud, a cloud based hosting solution optimized for mobile game developers and operators grew along with general cloud hosting services. GMO Internet launched Software as a service (SaaS) pay-per-sale platform “KaKing” in Q2 FY2017.

Overall web hosting contracts increased 2.6% over the previous corresponding term to 796 thousand and

net sales rose 2.6% year-on-year to ¥3,533 million.

iii. Ecommerce solutions

Ecommerce solutions comprises SaaS based services for online stores, and C2C handmade market, minne, and O2O support service. In the tailwind of expansion of the market, the segment has provided support to EC business operators including the improvement of cart system features and ongoing industry seminars, events and other initiatives. For minne, in order to become overwhelmingly No.1, in addition to investment in promotion, we have held offline events, strengthened smartphone app features, and enhanced payment services.

At the end of the quarter, number of paid stores had increased 0.4% year-on-year to 75,000 and total transaction volume rose 1.2% to ¥66.1 billion, while in minne, transaction volume rose 22.1% to ¥2.49 billion.

Ecommerce solutions reported net sales of ¥2,109 million (6.9% year-on-year increase).

iv. Security

As the global expansion of security brand GlobalSign progressed, direct sales targeting large corporations and active sales partners drove market share growth both in Japan and globally.

Security reported net sales of ¥1,291 million (14.6% year-on-year increase). Over 60% of revenue in this sub-segment came from outside of Japan.

v. Payment

Payment services are operated by GMO Payment Gateway and affiliates. The market environment was favorable, and we continued to expand and progress into new fields beyond online sales. In the current quarter, attention was paid to the increase in the number of transactions and the transaction volume, with the expansion of money service business such as early payment services, transaction lending and payment after delivery services with the objective of supporting customers (merchants) in expanding sales.

Overall at the end of the second quarter, number of merchants increased 21.8% over the previous corresponding term to 88 thousand and the number of transaction and the transaction volume steadily increased. In addition to the continued expansion of existing settlement services, sales rose 87.4% to ¥5,590 million, due to the sharp increase in post-payment handling volume at large customers and the impact of including MACRO KIOSK Inc. as a consolidated subsidiary.

vi. Provider

This sub-segment operates Internet Provider Services for consumers. In the current quarter, number of mobile Wi-Fi users grew 27.1% to 474 thousand as a result of recent cost effective and efficient marketing, and an expanding mobile Internet market. Net sales grew 36.2% year-on-year to ¥4,455 million.

The market share expanded in each other of the key Internet Infrastructure businesses, and overall net sales increased by 28.8% to ¥20,452 million. Despite ¥380 million investment in the promotion of C2C handmade market, minne, and one-off costs (approximately ¥80 million) that were incurred in commissioned projects, operating profit increased significantly by 12.8% year on year to ¥1,800 million.

2) Online Advertising & Media

The Online Advertising & Media segment provides marketing solutions for online businesses. The following is a breakdown of results in each of the businesses comprising this segment.

i. Online Advertising

This sub-segment provides comprehensive Internet advertising services such as advertising agency and ad platform. In this market, the shift from net advertising, which is a selling of funds to operational advertising via ad technology, continues. In GMO AD Partners, effective industry specific strategies and in-house ad technology products such as AkaNe for advertisement for smartphones and TAXEL for recommendation widgets performed favorably. Net sales in online advertising increased 17.2% from the previous year to ¥7,160 million.

ii. Internet Media

This sub-segment provides advertising space within our own smartphone and PC content and marketing support services. Ad network advertisement distribution regulation was changed, so net sales in this sub-segment decreased 13.7% to ¥3,056 million.

Overall, in the Online Advertising & Media segment, net sales totaled ¥11,001 million (6.2% year-on-year

increase). Operating profit decreased 9.8% year-on-year to ¥195 million. Focus in this segment remains on developing new products to accelerate the shift toward a technology driven business.

3) Internet Finance

The Internet Finance segment operates online financial services for retail investors. In the current quarter, the segment has worked to increase customer base, and transaction volume. In the current quarter, number of FX accounts grew 7.7% year-on-year to 662,000, while number of Securities accounts grew 9.0% year-on-year to 317,000. For the FX, which accounts for the majority of sales and profit of the segment, profitability has declined temporarily in the previous quarter due to rise in transactions of low-margin dollar-yen currency pair but profitability has improved through position management and optimization of cover transactions.

Overall, net sales in the Internet Finance segment totaled ¥6,869 million (12.0% year-on-year decrease) and operating profit was ¥2,275 million (31.4% year-on-year decrease). Although the net sales and profits were up compared to the previous quarter, figures in Internet Finance dropped compared to the same period last year mainly due to the UK's exit from EU (which led to increase in FX transaction in Q2 FY2016 but to year-on-year loss in Internet Finance in Q2 FY2017).

4) Mobile Entertainment

This segment comprises smartphone and online game development and operations. In this quarter, existing titles, having been on the market for some time, continued to experience a slight drop in sales. Meanwhile, we have been working on developing new titles, but there was no major release.

In the Mobile Entertainment segment, net sales fell 59.3% to ¥232 million, and operating loss was ¥121 million (¥69 million of operating loss in the previous corresponding term). Having internalized all operations, we are building expertise and running a cost efficient business with the continued aim of producing a hit title.

5) Incubation Segment

This segments is engaged in investing in Internet related companies aimed at capital gains, supporting business expansion, and supporting corporate value improvement.

During the current quarter, the net sales was ¥253 million (822.1% year-on-year increase), and operating profit was ¥102 million (operating loss of ¥35 million in the previous corresponding term).

(Unit: ¥millions)

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Net Sales	33,533	33,176	35,142	36,040	38,299
Operating Profit	5,032	4,291	4,035	3,537	3,960
Ordinary Profit	4,796	4,232	4,104	3,372	4,006
Profit Attributable to Owners of the Parent	2,246	2,342	1,284	1,151	800
Total Assets	522,346	555,133	588,819	616,073	605,014
Shareholders' Equity	37,295	38,220	39,527	39,896	40,218

(Reference2)

Table: Quarterly Results by Segment

I Net Sales by Segment

(Unit: ¥millions)

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Internet Infrastructure					
Provider(ISP)	3,272	3,497	3,653	3,968	4,455
Domain	1,949	2,045	1,910	1,995	2,046
Hosting & Cloud	3,445	3,451	3,554	3,532	3,533
Ecommerce Solutions	1,973	2,021	2,299	2,146	2,109
Security	1,127	1,378	1,255	1,281	1,291
Payment	2,983	3,184	4,243	5,534	5,590
Other	1,131	952	759	1,268	1,424
Total	15,882	16,531	17,677	19,727	20,452
Online Advertising & Media					
Online Advertising	6,112	6,806	6,983	7,373	7,160
Internet Media	3,540	3,633	3,400	3,379	3,056
Internet Research & Other	711	695	798	819	785
Total	10,363	11,134	11,182	11,572	11,001
Internet Finance					
Total	7,808	6,036	6,771	5,578	6,869
Mobile Entertainment					
Total	572	472	403	299	232
Incubation					
Total	27	210	205	70	253
Sub total	34,654	34,385	36,240	37,249	38,810
Other	44	51	59	52	919
Adjustment	-1,165	-1,260	-1,158	-1,260	-1,430
Net Sales	33,533	33,176	35,142	36,040	38,299

II Operating Profit by Segment

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Internet Infrastructure	1,595	1,962	1,650	2,151	1,800
Online Advertising & Media	216	417	208	255	195
Internet Securities	3,318	1,975	2,238	1,221	2,275
Mobile Entertainment	-69	-79	-125	-81	-121
Incubation	-35	3	52	-5	102
Sub total	5,025	4,279	4,024	3,541	4,252
Other	-21	-15	-37	-24	-309
Adjustment	28	27	48	20	16
Operating Profit	5,032	4,291	4,035	3,537	3,960

(Reference3)

Description of businesses in each segment

Business Segment		Main Operations
Internet Infrastructure	Domain	<ul style="list-style-type: none"> • Domain registry services: “.shop” “.tokyo” • Domain registrations services: Onamae.com, MuuMuu Domain, VALUE-DOMAIN
	Hosting & Cloud	<ul style="list-style-type: none"> • Provision, operation, management, and maintenance of dedicated, shared, VPS and cloud-based web hosting services including Onamae.com Rental Server, GMO AppsCloud, ConoHa by GMO, GMO Cloud VPS, GMO Cloud Altus, GMO Cloud Private, LOLIPOP, heteml, and 30days Album
	Ecommerce Solutions	<ul style="list-style-type: none"> • SaaS based services for online store building including Color me shop!, MakeShop. • Operation of online shopping mall Calamel • Operation of handmade marketplace, minne, tetote • Operation of ecommerce/O2O support services etc. • Web design, operational support and system consulting etc.
	Security	<ul style="list-style-type: none"> • DomainSSL, OrganizationSSL, other SSL certificates, code signing certificates, PDF document signing, client certificates and other digital certificate services
	Payment	<ul style="list-style-type: none"> • GMO Payment Gateway services including PG Multi-Payment Service, comprehensive payment processing services for the public sector, and finance-related service including early payment service, transaction lending, GMO payment after delivery
	Provider	<ul style="list-style-type: none"> • GMO TokuToku BB, interQ MEMBERS, ZERO, other Internet provider services.
Online Advertising & Media	Online Advertising	<ul style="list-style-type: none"> • Listing and mobile ad networks, search engine advertising, affiliate advertising, reward advertising. • Advertising planning and production
	Internet Media	<ul style="list-style-type: none"> • Development and operation of blog services yaplog! and JUGEM, Internet community services including freeml, Smartphone apps including fashion sharing app, Coordisnap. Operation of daily deals website, Kumapon by GMO, Ad distribution to own media and search engine results pages • SEM Media: JWord, sales of JWord, Japanese keywords.
	Internet Research & Other	<ul style="list-style-type: none"> • Provision of Internet research systems, management and operation of online research panel (GMO Research Cloud Panel)
Internet Finance	Internet Finance	<ul style="list-style-type: none"> • Operation of online securities trading, FX trading services etc.
Mobile Entertainment	Mobile Entertainment	<ul style="list-style-type: none"> • Smartphone game development, operation & support • Online game development and operation
Incubation	Venture Capital	<ul style="list-style-type: none"> • Investment in private Internet startups.

(2) Consolidated Financial Condition
Assets, Liabilities and Shareholders' Equity

Assets

As of June 30, 2017, total assets increased ¥16,195 million (2.8%) from December 31, 2016 to ¥605,014 million. Major factors included a decrease of ¥12,716 million (14.1%) in cash and deposits, and an increase of ¥24,691 million (6.1%) in various assets due to fluctuations in customer assets in the Finance segment (deposits, margin transaction assets, short-term guarantee deposits, and variation margin paid).

Liabilities

As of June 30, 2017, liabilities increased ¥14,601 million (2.8%) from December 31, 2016 to ¥537,241 million. Major factors included a decrease of ¥4,525 million (6.3%) in interest-bearing debt and an increase of ¥22,734 million (6.3%) in various liabilities due to fluctuations in customer assets in the Finance segment (deposits received, margin transaction liability, guarantees received, variation margin received, and debt secured by securities).

Net Assets

As of June 30, 2017, net assets increased ¥1,593 million (2.4%) from December 31, 2016 to ¥67,773 million. Major factors included an increase of ¥689 million (2.1%) in earnings surplus (consisting mainly of an increase from recording profit attributable to owners of the parent totaling ¥1,952 million and a decrease from dividend payments of ¥1,275 million).

Cash Flow

As of June 30, 2017, cash and equivalents decreased ¥15,355 million (17.0%) from December 31, 2016 to ¥74,771 million. The following is a summary of cash flow activity in the second quarter.

Cash Flow from Operating Activities

Outflow from operating activities was ¥3,408 million (¥15,047 million of outflow in the previous corresponding term). Major components of inflow included net profit before adjustment for tax, etc. (¥6,842 million) and depreciation (¥2,304 million). Major components of outflow included an increase in various assets due to increased customer assets in the Internet Finance segment (¥1,956 million), payment of corporate tax, etc. (¥3,203 million), and a decrease in trade payables (¥3,133 million).

Cash Flow from Investing Activities

Outflow from investing activities totaled ¥5,151 million (¥7,814 million of outflow in the previous corresponding term). Major components of outflow included placement of fixed term deposits (¥2,638 million), acquisition of intangible fixed assets including software license renewal (¥1,638 million), and acquisition of server and other tangible fixed assets (¥801 million).

Cash Flow from Financing Activities

Outflow from financing activities totaled ¥6,999 million (¥24,954 million of inflow in the previous corresponding term). Major components include outflow from dividend payments (¥1,269 million), and outflow from net decrease in interest-bearing debt (¥4,549 million).

(3) Qualitative Information - Consolidated Results Forecast and Other Forward-Looking Information

There is no revision to the results forecast for the current fiscal year (previously published in the 2016 Consolidated Results Statement on February 6, 2017).

2. Summary of Information Related to Notes

(1) Changes to significant subsidiaries in the current term
None

(2) Special accounting treatments used in preparation of financial statements
None

(3) Changes in accounting policy, changes in accounting estimates, restatements
None

3. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2016)	2nd Quarter Current Fiscal Year (As of Jun 30, 2017)
Assets		
Current Assets		
Cash and deposits	90,282	77,565
Trade notes and accounts receivable	15,947	15,894
Operational investment securities	3,551	3,775
Securities segment deposits	256,481	263,186
Securities segment margin transaction assets	84,439	99,658
Securities segment short term guarantee deposits	41,264	42,285
Securities segment variation margin paid	24,502	26,249
Deferred tax asset	1,564	1,515
Other	37,034	42,490
Provision for doubtful debts	-1,164	-2,501
Total Current Assets	553,903	570,119
Fixed Assets		
Tangible fixed assets	7,630	7,643
Intangible fixed assets		
Goodwill	3,857	3,556
Software	4,327	4,796
Other	7,438	7,337
Total intangible fixed assets	15,623	15,689
Investments and other assets		
Investment securities	7,832	7,397
Deferred tax asset	1,175	1,065
Other	2,995	3,470
Provision for doubtful debts	-341	-371
Total investments and other assets	11,661	11,560
Total Fixed Assets	34,915	34,894
Total Assets	588,819	605,014

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2016)	2nd Quarter Current Fiscal Year (As of Jun 30, 2017)
Liabilities		
Current Liabilities		
Trade notes and accounts payable	7,822	7,682
Short term debt	62,764	50,850
Amount payable	21,251	19,851
Securities segment deposits received	39,859	42,282
Securities segment margin transaction liability	47,583	51,710
Securities segment guarantees received	267,796	277,880
Securities segment variation margin received	4,105	2,734
Securities segment loans payable secured by securities	2,134	9,606
Accrued corporate tax etc.	1,666	2,012
Allowance for bonuses	931	413
Allowance for bonuses to directors	74	9
Advance payment received	6,315	6,842
Deposits received	37,407	35,329
Other	7,115	7,268
Total Current Liabilities	506,828	514,473
Fixed Liabilities		
Long term debt	8,748	16,137
Deferred tax liability	102	179
Other	4,797	4,445
Total Fixed Liabilities	13,647	20,763
Statutory Reserve		
Financial instruments transaction liability reserve	2,162	2,004
Total Statutory Reserve	2,162	2,004
Total Liabilities	522,639	537,241
Net Assets		
Shareholders' Equity		
Capital stock	5,000	5,000
Capital surplus	544	721
Earned surplus	33,328	34,018
Treasury stock	-2	-2
Total Shareholders' Equity	38,870	39,737
Other Comprehensive Income		
Other securities valuation differences	299	175
Hedging profit/loss carried forward	65	8
Foreign currency translation account	291	297
Total Other Comprehensive Income	656	480
Equity Warrants	80	75
Non-controlling Minority Equity	26,571	27,479
Total Net Assets	66,179	67,773
Liabilities, Net Assets Total	588,819	605,014

(2) Consolidated Statement of Income

Quarterly Consolidated Statement of Income
2nd Quarter

(Unit: ¥millions)

	2nd Quarter Previous Fiscal Year (6 months to Jun, 2016)	2nd Quarter Current Fiscal Year (6 months to Jun, 2017)
Net Sales	66,707	74,340
Cost of Sales	32,515	38,692
Gross Profit on Sales	34,192	35,647
Sales, General & Administrative Expenses	25,502	28,150
Operating Profit	8,690	7,497
Non Operating Revenue		
Dividends received	32	34
Other	152	189
Total Non Operating Revenue	185	223
Non Operating Expenses		
Interest paid	53	81
Commissions paid	66	15
Equity method investment losses	17	180
Loss on currency translation	324	-
Other	63	64
Total Non Operating Expenses	526	342
Ordinary Profit	8,349	7,379
Extraordinary Profit		
Gain on sale of stock in affiliates	74	-
Insurance Income	-	160
Reversal of reserve for securities transaction liability	8	158
Other	4	10
Total Extraordinary Profit	87	328
Extraordinary Loss		
Information security expenses	-	255
Loss on change in equity	-	186
Other	239	423
Total Extraordinary Loss	239	865
Net Profit before Adjustment for Tax etc.	8,197	6,842
Corporate, Municipal and Enterprise Taxes	3,145	3,306
Corporate Tax etc. Adjustment	170	277
Total Corporate Taxes etc.	3,315	3,584
Net Profit	4,882	3,257
Profit attributable to Non-controlling Interests	1,274	1,305
Profit attributable to Owners of the Parent	3,607	1,952

Quarterly Consolidated Statement of Comprehensive Income

(Unit: ¥millions)

	2nd Quarter Previous Fiscal Year (6 months to Jun, 2016)	2nd Quarter Current Fiscal Year (6 months to Jun, 2017)
Net Profit	4,882	3,257
Other Comprehensive Income		
Other securities valuation differences	-320	-170
Hedging profit/loss carried forward	-121	-57
Currency translation adjustment account	-578	-149
Share of other comprehensive income of entities accounted for using equity method	-	149
Total other comprehensive income	-1,020	-227
Comprehensive Income	3,861	3,029
(Breakdown)		
Comprehensive income attributable to owners of the parent	2,855	1,776
Comprehensive income attributable to non-controlling interests	1,005	1,253

(3) Consolidated Statement of Cash Flows

(Unit: ¥millions)

	2nd Quarter Previous Fiscal Year (6 months to Jun, 2016)	2nd Quarter Current Fiscal Year (6 months to Jun, 2017)
Cash Flow from Operating Activities		
Net profit before adjustment for tax etc.	8,197	6,842
Depreciation expenses	2,119	2,304
Amortization of goodwill	386	388
Gain and loss on change in equity (-represents income)	-	186
Interest paid	53	81
Gain on sale of stock in affiliates (-represents increase)	-74	-
Insurance income	-	-160
Information security countermeasure cost	-	255
Change in accounts receivable (-represents increase)	753	553
Change in provision for doubtful debts(- represents decrease)	3	1,367
Change in purchase debts (- represents decrease)	-3,261	-3,133
Change in amount payable (- represents decrease)	-1,952	-1,278
Change in deposits received (- represents decrease)	652	-2,078
Change in deposits in securities segment (- represents increase)	26,247	-6,705
Change in short term guarantee deposits in securities segment (-represents increase)	-1,668	-1,020
Change in margin variation paid and received in securities segment	-8,345	-3,117
Changes in deposits and guarantees received in securities segment (- represents decrease)	-18,442	12,507
Changes in margin trading assets and liabilities	-8,447	-11,092
Changes in loans payable secured in securities segment(- represents decrease)	-	7,471
Other	-3,348	-3,184
Sub total	-7,126	187
Interest and dividends received	64	55
Interest paid	-222	-246
Payment on information security countermeasure	-	-200
Corporate tax etc. paid	-7,762	-3,203
Cash Flow from Operating Activities	-15,047	-3,408
Cash Flow from Investing Activities		
Expenditure on payment of fixed term deposit	-0	-2,638
Return of fixed term deposit	900	-
Expenditure on acquisition of tangible fixed assets	-805	-801
Expenditure on acquisition of intangible fixed assets	-5,856	-1,638
Expenditure on acquisition of investment securities	-1,993	-108
Income accrued on the sale of investment securities	0	15
Expenditure on the acquisition of subsidiary stock resulting in change in scope of consolidation	-424	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	20
Income from the sale of subsidiary stock resulting in change in scope of consolidation	90	-
Other	275	0
Cash Flow from Investing Activities	-7,814	-5,151

	2nd Quarter Previous Fiscal Year (6 months to Jun, 2016)	2nd Quarter Current Fiscal Year (6 months to Jun, 2017)
Cash Flow from Financing Activities		
Net increase or decrease in short term loans (- represents decrease)	23,200	-11,052
Income accrued on long term loans	8,500	9,052
Expenditure on repayment of long term loans	-347	-2,549
Redemption of bonds	-2,600	-
Gain on sale and leasebacks	1,850	-
Repayment of finance lease and installment obligations	-932	-906
Payment received from partners in investment funds	880	375
Expenditure on repayment to investment funds	-	-202
Revenue accrued from non-controlling interests	218	141
Acquisition of treasury stock	-2,236	-
Payment of dividends	-2,928	-1,269
Payment of dividends to non-controlling interests	-460	-541
Expenditure on acquisition of subsidiary stock without change In scope of consolidation	-	-15
Other	-188	-31
Cash Flow from Financing Activities	24,954	-6,999
Currency Translation Adjustment on Cash and Equivalents	-734	203
Change in Cash and Equivalents (- represents decrease)	1,358	-15,355
Balance of Cash and Equivalents at Beginning of Term	74,929	90,125
Increase in Cash and Equivalents following Increase in Consolidation	-	0
Balance of Cash and Equivalents at End of Term	76,287	74,771

(4) Notes regarding the Quarterly Consolidated Financial Statements
 Notes regarding the going concern assumption
 None

Notes regarding changes impacting shareholders' equity
 None

Segment Information

I 2nd Quarter of Previous Fiscal Year (01.01.2016-06.30.2016)

1. Information relating to Revenue, Profit and Loss in each Segment.

(Unit: ¥millions)

	Segment						Other (*i)	Adjustment (*ii)	Consolidated P/L (*iii)
	Internet Infrastructure	Online Ad & Media	Internet Finance	Mobile Entertainment	Incubation	Total			
Net Sales									
Sales to unaffiliated customers	30,856	19,982	14,541	1,210	32	66,623	83	—	66,707
Internal transactions	349	1,885	0	51	—	2,287	—	-2,287	—
Total	31,206	21,868	14,542	1,262	32	68,911	83	-2,287	66,707
Segment Profit/Loss	2,986	666	5,397	-292	-85	8,672	-54	71	8,690

*Notes

- i. "Other" represents culture incubation and other businesses not included in reportable segments.
- ii. The segment profit or loss adjustment (¥71 million) is an elimination of inter-segment transactions.
- iii. Segment profit is based on the Operating Profit (or Loss) line item in the Quarterly Consolidated Statement of Income.

2. Items relating to fixed asset impairment losses, and goodwill
 (Significant impairment losses related to fixed assets)

Impairment loss on fixed assets was recorded in the Mobile Entertainment segment. The amount of impairment loss recorded for the second quarter was ¥188 million.

II 2nd Quarter of Current Fiscal Year (01.01.2017-06.30.2017)

1. Information relating to Revenue, Profit and Loss in each Segment.

(Unit: ¥millions)

	Segment						Other (*i)	Adjustment (*ii)	Consolidated P/L (*iii)
	Internet Infrastructure	Online Ad & Media	Internet Finance	Mobile Entertainment	Incubation	Total			
Net Sales									
Sales to unaffiliated customers	39,858	20,287	12,447	506	324	73,425	915	—	74,340
Internal transactions	321	2,286	1	25	—	2,634	56	-2,690	—
Total	40,180	22,574	12,448	532	324	76,059	971	-2,690	74,340
Segment Profit/Loss	3,951	450	3,497	-202	96	7,794	-334	36	7,497

*Notes

- i. "Other" represents culture incubation and other businesses not included in reportable segments.
- ii. The segment profit or loss adjustment (¥36 million) is an elimination of inter-segment transactions.
- iii. Segment profit is based on the Operating Profit (or Loss) line item in the Quarterly Consolidated Statement of Income.

iv. Effective January 1, 2017, the segment name of "Internet Securities" was changed to "Internet Finance." This modification does not have a material impact on operating profit of the segment. The segment information for the second quarter of the previous fiscal year is presented with the new reportable segment name.