

November 17, 2014

Company Name: GMO Internet, Inc.
(TSE First Section, Code: 9449)
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Consolidated Subsidiary (GMO AD Partners, Inc.) to Establish New Subsidiary in Corporate Split (Simple Split)

GMO Internet, Inc. consolidated subsidiary, GMO AD Partners, Inc. (JASDAQ Standard: 4784) today convened a Board of Directors meeting at which the following was resolved: (1) To convert to a holding company structure as of January 1, 2015; (2) To spin out the company's Internet advertising business in an absorption-type split into new wholly-owned subsidiary (indirect subsidiary of GMO Internet) GMO AD Marketing, Inc. in order to become a holding company; (3) Establish a new subsidiary.

Please note that some details have been omitted from this disclosure statement as the advertising business to be split off will be entirely succeeded to a wholly-owned subsidiary of the company.

1. Objective of Converting to a Holding Company Structure

The market environment in which the Internet advertising business of the GMO Ad Partners Group operates is rapidly evolving and competition is intensifying. GMO AD Partners has continued to strengthen its business with initiatives including expansion through an active M&A strategy, and a structural reorganization aimed at improving business efficiency and financial condition throughout each of the companies in the consolidated group.

Converting to a holding company structure will enable better distribution of decision-making power, greater autonomy, and stronger, more agile management.

Further, the holding company structure is expected to be an effective structure for executing strategic capital and business partnerships.

i) Enhancing Group Management

Through the establishment of a holdings company the group aims to improve corporate value by enhancing group management strategy and planning, optimizing distribution of management functions, enhancing communication and information sharing between group companies by consolidating these functions under the holding company, and encouraging and supporting autonomous growth throughout the group.

ii) Business Growth as a product of Autonomous Management

Delegating responsibility to each company for their respective businesses enables faster decision-making and swifter response to changes in the market environment. Our objective is to optimize group revenue by allowing each company to focus on pursuing growth opportunities with the support of the holdings company.

2. Overview of Conversion to Holding Company Structure

(1) Schedule

Board of Directors resolution (Decision to convert to holdings company structure, approval of absorption-type split agreement, decision to establish subsidiary.)	November 17, 2014
Subsidiary established (successor company in absorption-type split)	November 25, 2014 (tentative)
Execution of absorption-type split agreement	November 26, 2014 (tentative)
Effective date of absorption-type split	January 1, 2015 (tentative)

(2) Method of conversion

GMO AD Partners will execute a corporate split in which the company's advertising business will be split off and absorbed into newly established wholly-owned subsidiary GMO AD Marketing (the successor company). The company will remain a listed company after execution of the corporate split.

(3) Details of allocation in relation to the absorption-type split

Not applicable

(4) New Equity Warrants or Equity Warrants with Bonds issued in relation to the absorption-type split

Not applicable

(5) Increase or reduction in capital as a result of the absorption-type split

Not applicable

(6) Rights and obligations of the successor company

The rights and obligation to be transferred to GMO AD Marketing from GMO AD Partners include all rights and obligations associated with the Internet advertising business (with the exception of those stipulated in the absorption-type split agreement).

All rights and obligation associated with employment contracts of staff engaged in the Internet advertising business will be succeeded to GMO AD Marketing (with the exception of those stipulated in the absorption-type split agreement).

GMO AD Partners debt obligations will be transferred to GMO AD Marketing in a concomitant assumption.

(7) Assumption of debt obligations

After the corporate split, assets are expected to exceed liabilities in both GMO AD Partners and the successor company. Further, in regard to revenue after the corporate split, debt allocated to GMO AD Partners and the successor company is currently not expected to cause problems for either company.

(8) Outline of Companies in Transaction

	Split Company	Successor Company
(1) Company Name	GMO AD Partners, Inc.	GMO AD Marketing, Inc.
(2) Address	26-1 Sakuragaokacho, Shibuya, Japan	26-1 Sakuragaokacho, Shibuya, Japan
(3) CEO	Shintaro Takahashi	Shintaro Takahashi
(4) Business Description	Online advertising and media content development	Online advertising
(5) Capital	JPY 1,301,568,500	JPY 50,000,000
(6) Date Established	September 8, 1999	November 25, 2014 (tentative)
(7) Outstanding Shares	16,757,200 shares	1,000 shares
(8) Fiscal Year	December	December
(9) Major Shareholders and Ownership Ratio	GMO AD Holdings, Inc. 45.54% NetIRD Inc. 15.91% GMO Internet, Inc. 9.29%	GMO AD Partners, Inc. 100%

(10) Related Party Relationships						
Capital Relationship	GMO AD Marketing to be established as wholly-owned subsidiary of GMO AD Partners.					
Executive Relationship	Boards of directors and auditors to be appointed from GMO AD Partners to the successor company. All rights and obligation associated with employment contracts of staff engaged in the Internet advertising business will be succeeded to GMO AD Marketing (with the exception of those stipulated in the absorption-type split agreement).					
Transactional Relationship	None (GMO AD Marketing is not yet operating)					
(11) Operating Results and Financial Condition in the 3 Most Recent Fiscal Term						
Fiscal Term	GMO AD Partners, Inc. (consolidated)			GMO AD Marketing, Inc.		
	FYE12/2011	FYE12/2012	FYE12/2013	FYE12/2011	FYE12/2012	FYE12/2013
Net Assets	3,853	4,162	4,664	—	—	—
Total Assets	6,088	6,727	8,449	—	—	—
Net Assets per Share (JPY)	260.08	279.33	285.29	—	—	—
Net Sales	12,253	15,368	18,923	—	—	—
Operating Profit	335	546	659	—	—	—
Ordinary Profit	430	764	653	—	—	—
Net Profit	238	357	180	—	—	—
Net Profit per Share (JPY)	3,219.21	24.47	12.28	—	—	—
Dividend per Share (JPY)	1,150	8.6	4.3	—	—	—

(Unit: JPY millions, except where otherwise stated)

*GMO AD Partners executed a stock split on December 1, 2011 at a ratio of 1:200 (common shares). Net Assets and Net Profit per Share for the FYE12/2011 term are calculated as if the stock split was executed at the beginning of the term.

(9) Outline of the Business to be Split Off

i) Description of Business

Online advertising

ii) Operating Results (FYE12/2013)

Net Sales JPY 6,052,272

iii) Assets and Liabilities Split

Net Assets		Liabilities	
Item	Book Value	Item	Book Value
Current Assets	JPY 1,072,588,000	Current Liabilities	JPY 1,105,699,000
Fixed Assets	JPY 49,561,000	Fixed Liabilities	JPY 16,450,000
Total	JPY 1,122,149,000	Total	JPY 1,122,149,000

*Based on Balance Sheet condition as of September 30, 2014. Actual assets and liabilities may vary slightly on the effective date of the transaction.

3. Status after the Stock Swap

	Split Company	Successor Company
(1) Company Name	GMO AD Partners, Inc.	GMO AD Marketing, Inc.
(2) Address	26-1 Sakuragaokacho, Shibuya, Japan	26-1 Sakuragaokacho, Shibuya, Japan
(3) CEO	Shintaro Takahashi	Shintaro Takahashi
(4) Business Description	Online advertising and media content development	Online advertising
(5) Capital	JPY 1,301,568,500	JPY 50,000,000
(6) Fiscal Term	December	December

4. Outlook

As this is a transaction between a consolidated subsidiary and its wholly-owned subsidiary, impact on consolidated results is expected to be immaterial.

(Reference) Consolidated Results Forecast (published February 6, 2014)

	Consolidated Net Sales	Consolidated Operating Profit	Consolidated Ordinary Profit	Consolidated Net Profit
Current Forecast (FYE12/2014)	JPY 105,000 million	JPY 12,500 million	JPY 12,500 million	JPY 5,500 million
Previous Term Results (FYE12/2013)	JPY 93,704 million	JPY 11,000 million	JPY 10,941 million	JPY 5,244 million