GMO INTERNET

Fiscal Year 2011 Consolidated Financial Results (Japanese GAAP)

February 8, 2012

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 and Group CEO
Official Contact: Masashi Yasuda, CFO and Managing Director Contact Number: +81-3-5456-2555
Date of Annual General Shareholders Meeting: March 25, 2012 Start Date of Dividend Payout: March 12, 2012
Date of Annual Report Release: March 26, 2011
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 Results in the Fiscal Year Ended December 2011 (01.01.2011- 12.31.2011)

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

	Revenue		Operating Profit		Ordinary Profit		Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FYE 12/2011	61,691	38.7	7,525	31.4	7,016	22.3	4,286	94.0
FYE 12/2010	44,483	16.5	5,728	23.2	5,738	19.6	2,209	63.2

(Note) Comprehensive Income FYE 12/2011 ¥5,471 million (59.6%) FYE 12/2010 ¥3,428 million (-%)

	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 12/2011	37.77	-	31.7	3.8	12.2
FYE 12/2010	22.09	-	28.4	5.6	12.9

(Reference) Earnings/Loss on Equity Method Investment FYE 12/2011 -¥181 million FYE 12/2010 -¥16 million

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	¥ millions	¥ millions	%	¥
FYE 12/2011	205,055	26,125	9.0	156.87
FYE 12/2010	165,460	21,396	5.2	85.37

(Reference) Shareholders' Equity FYE 12/2011 ¥18,480 million FYE 12/2010 ¥8,537 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 12/2011	12,379	-6,012	-1,363	32,743
FYE 12/2010	6,362	8,723	-7,945	27,809

2. Dividends

	Dividends per Share					Total Dividend Payout	Payout Ratio (Consolidated)	Ratio of Dividends to Total Assets (Consolidated)
	End of Q1	End of Q2	End of Q3	End of Term	Total			
	¥	¥	¥	¥	¥	¥ millions	%	%
FYE 12/2010	-	2.00	-	5.00	7.00	700	31.7	9.0
FYE 12/2011	2.00	2.00	3.00	5.00	12.00	1,413	31.8	9.9
Year Ending 12/2012 (Forecast)	3.00	3.00	3.00	3.00	12.00		32.8	

3. Consolidated Results Forecast for the Year Ending December 2012 (01.01.2012 – 12.31.2012)

(Full year % represent previous term comparison; First half % represent previous first half comparison)

	Revenue		Operating Profit		Ordinary Profit		Net Profit		Net Profit per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
First Half	-		-		-		-		-
Full Year	64,000	3.7	8,400	11.6	8,200	16.9	4,300	0.3	36.50

(Note) No first half guidance issued.

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 Excluded: 0 companies

(2) Changes to accounting principles, procedures or representation

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

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

1. No. of outstanding shares at end of term (including treasury stock)	FYE 12/2011	117,806,777	FYE 12/2010	100,003,441
2. No. of treasury shares at end of term	FYE 12/2011	1,684	FYE 12/2010	1,506
3. Average no. of shares during term	FYE 12/2011	113,464,077	FYE 12/2010	100,001,935

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Results in the Fiscal Year Ended December 2011 (01.01.2011- 12.31.2011)

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

	Revenue		Operating Profit		Ordinary Profit		Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FYE 12/2011	12,352	10.0	814	-33.6	2,590	55.5	3,780	142.3
FYE 12/2010	11,228	-0.6	1,227	-30.2	1,666	-29.4	1,560	0.1

	Net Profit per Share	Net Profit per Share (Diluted)
	¥	¥
FYE 12/2011	33.32	-
FYE 12/2010	15.60	-

(2) Non-Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	¥ millions	¥ millions	%	¥
FYE 12/2011	39,521	14,233	36.0	120.81
FYE 12/2010	24,013	4,840	20.2	48.40

(Reference) Shareholders' Equity FYE 12/2011 ¥14,233 million FYE 12/2010 ¥4,840 million

*Status of auditing process

The company has been selected under the Financial Instruments and Exchange law for auditing. At the time of this statement was published 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 that contain risk and are largely indeterminable. Actual results may differ materially from these projections as a result of business environment and other factors.

An earnings presentation will take place on February 8, 2012, for analysts and institutional investors. A video of the presentation and the presentation slides (both in Japanese and English) will be available on our Investor Relations website (http://ir.gmo.jp/en/) shortly after the event.

*Change in Unit of Reporting

Consolidated financial statements have previously been represented in thousands of yen, however as of fiscal year 2011, line items and amounts are represented in millions of yen. Please note that for ease of comparison, the previous fiscal year accounts have been converted to millions of yen.

Please be aware that this document is an English translation of the FYE 12/2010 financial results statement (Kessan Tanshin) originally prepared in Japanese. Where discrepancies arise between the two documents, the latter shall prevail.

Contents

1. Operating Results

(1) Operating Results Analysis

General Business Conditions In fiscal year 2011, the Japanese economy was beginning to make a recovery and there were signs of improvement in consumer spending and capital investment. However the earthquake that hit eastern Japan on March 11 and the subsequent power shortages resulted in reduced productivity, and cutbacks in consumption that slowed economic activity.

Despite the economic environment, conditions in the Internet market, the arena in which the group operates, and in particular the ecommerce market, remained robust. In mobile telecommunications, rapidly expanding usage of mobile media devices has contributed to increased user interaction with social networking services, and going forward we expect this to spur growth in the social gaming and digital content markets. GMO Internet Group is investing in the development of new services in response to this trend and has adopted a new corporate logo and brand image in line with the business expansion. Under the corporate catch phrase “Internet for Everyone” and with a new brand logo the group continues striving to be Japan’s leading all-in provider of Internet services.

The Group’s Web Infrastructure & Ecommerce, Internet Media, and Internet Securities business segments continued to focus on improving service usability in order to grow user/membership base and strengthen revenues. Overall, the Group continues to focus on developing services in future high growth markets (social apps, smartphone content etc.) with the objective of achieving sustained long term growth.

The eastern Japan earthquake did not significantly impact business activities and the Group did not suffer any casualties. The impact of the disaster on consolidated revenue was minor, although certain businesses were affected. Details are outlined in the Segment Report. GMO Internet Group services, GMO TokuToku Point and Kumapon by GMO collected donations to support recovery in regions affected by the earthquake, and a portion of revenue in Internet Media and Search Media was also donated.

Revenue and profits rose significantly in the fiscal year. Revenue: ¥61.691 billion (38.7% year-on-year increase) Operating Profit: ¥7.525 billion (31.4% year-on-year increase) Ordinary Profit: ¥7.016 billion (22.3% year-on-year increase). Net profit before tax increased 9.5% year on year to ¥6.019 billion after recording ¥107 million yen in extraordinary profit including sale of fixed assets and extraordinary losses totaling ¥11.03 billion mainly including provisioning of ¥164 million against doubtful debt, a ¥162 million loss on retirement of fixed assets no longer used on business, and a ¥226 million yen impairment loss on fixed assets with reduced profitability.

Net profit rose 94.0% from the previous year to ¥4.286 billion. Corporate municipal and business taxes totaled ¥2.915 billion, and the impact of GMO CLICK Securities (formerly CLICK Securities) becoming a wholly-owned subsidiary was reflected in recoverable amount of deferred tax asset and as a result adjustment for tax etc. was -¥2,090 million and minority shareholder profits were ¥908 million.

In regard to non-consolidated results, revenue was up 10% from the previous fiscal year, and Operating Profit fell 33.6% due to an increase in operating expenses, however as a result of factors including dividends received from affiliated companies, ordinary profit grew 55.5% from the previous year to ¥2.590 billion. Net profit before tax came in at ¥880 million, impacted by extraordinary profits of ¥345 million and extraordinary losses including totaling ¥1.892 billion including bad debt provisioning against a loan to an affiliate (¥1.157 billion). As a result of adopting the consolidated tax system corporate taxes totaled -¥2.900 billion and net profit jumped 142.3% from the previous fiscal year to ¥3.780 billion.

(Unit: ¥millions)

	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year	Change	% Change
Revenue	44,483	61,691	17,207	38.7%
Operating Profit	5,728	7,525	1,797	31.4%
Ordinary Profit	5,738	7,016	1,277	22.3%
Net Profit	2,209	4,286	2,077	94.0%

Segment Report
Revenue and profit in each segment.

(Unit: ¥millions)

	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year	Change	% Change
Web Infrastructure & Ecommerce				
Revenue	20,371	24,361	3,989	19.6%
Segment Profit	3,032	3,076	44	1.5%
Internet Media				
Revenue	21,264	22,039	774	3.6%
Segment Profit	2,140	1,598	-541	-25.3%
Internet Securities				
Revenue	2,918	14,757	11,839	405.7%
Segment Profit	740	4,386	3,645	492.5%
Social Media & Smartphone Platform				
Revenue	72	1,932	1,859	2570.8%
Segment Profit	-331	-1,543	-1,212	-
Incubation				
Revenue	495	18	-477	-96.3%
Segment Profit	96	-148	-245	-
Adjustment				
Revenue	-639	-1,417	-777	-
Segment Profit	50	156	106	-
Total				
Revenue	44,483	61,691	17,207	38.7%
Segment Profit	5,728	7,525	1,797	31.4%

Description of businesses in each segment

Business Segment		Main Operations
Web Infrastructure & Ecommerce	Domain registration	Includes the services Onamae.com and MuuMuuDomain, VALUE-DOMAIN.COM for registration of .com, .net, .jp etc.domain names.
	Web hosting	･ Provision, operation, management, and maintenance of dedicated and shared web hosting services including Onamae.com Rental Server (SD), GMO AppsCloud, iSLE, RapidSite, GMO Cloud, IQ Cloud, Lolipop and heteml.
	Ecommerce solutions & web development	･ SaaS services for online store building including Color me shop! and MakeShop. ･ Development and operation of online shopping malls including Calamel. ･ Marugoto EC and other online store solutions and consulting services ･ Web creation, operational support and system consulting ･ SaaS 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 card-not-present credit card payment processing services for ecommerce and catalog sales businesses, payment processing services for the public sector and social apps industry.
	Provider (ISP)	･ GMO TokuToku BB, interQ, MEMBERS, ZERO, other access provider services.
Internet Media	Internet media & search media	･ Development and operation of blog services yaplog! and JUGEM, Internet community services including freeml and other Internet advertising media. ･ SEM Media JWord operation and sale of JWord, Japanese keywords. Sale of SEO (Search Engine Optimization) services ･ Ad Networks Distribution of contextual advertising to owned & operated media and search engine results pages.
	Advertising agencies	･ Internet advertising, mobile advertising, search engine advertising, affiliate advertising ･ Advertising design
	Other	･ Provision of Internet research systems, management and operation of online research panel.
Internet Securities	Internet securities	･ Operation of online securities trading, foreign currency trading services etc.
Social Media & Smartphone Platform	Social apps	･ Social apps development/operation support
	Smartphone game platform	･ GMO GameCenter game apps market for Android devices
	Group commerce	･ Operation of daily deals website, Kumapon by GMO
Incubation	Venture capital	･ Investment in private Internet ventures.

As of the current fiscal year, “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008) are applied.

This standard in applied retroactively to previous term revenue and operating profit comparisons.

Web Infrastructure & Ecommerce

In fiscal year 2011, the domain business continued to pursue a low-pricing strategy with the objective of growing domain registration market share. The segment was enhanced with the addition of VALUE-DOMAIN.COM and service operator, DigiRock, Inc. Domain registrations and renewals, increased a significant 67.3% from the previous fiscal year to 2.208 million, cumulative total registrations reached 3.021 million (77.4% year-on-year increase), while revenue rose 41.4% to ¥3.215 billion in the same period.

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. At the same time the business continued to promote high quality, low-cost shared service offerings. GMO AppsCloud, a cloud solution launched in August 2010 for operating and developing game apps, now hosts 347 titles. In addition, GMO Cloud rolled out its new IQ Cloud and GMO Cloud Public services providing a line up of comprehensive cloud solution packages featuring initial consultation, system planning and architecture through to operation and surveillance. Overall web hosting contracts increased 23.7% over the previous corresponding term to 622 thousand and revenue grew 15.8% year-on-year to ¥10.929 billion.

The ecommerce solutions and web development 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 54 thousand. As a result, the business reported revenue of ¥2.224 billion (16.5% year-on-year increase).

Revenue was strong in the security business as Japan, North America and Europe strengthened sales networks. At the end of the term Security posted revenue of ¥1.704 billion (7.7% year-on-year increase).

The payment processing business saw an increase in merchants and growth in recurring payments. This fiscal year, GMO Payment Gateway continued to expand its presence in the public sector with the launch of a new service that operates tax payment processing websites for government agencies and began operating a website that allows the Tokyo Metropolitan government to collect automobile taxes online. The company's public sector payment processing was also adopted by Osaka city for tax certificate payments and by Kobe city and Otsu prefecture for water utility payments. End of term Payment Processing revenue was ¥3.926 billion (21.6% year-on-year increase).

Results in the Web Infrastructure and Ecommerce segment, chiefly comprising the five product areas above, were as follows; revenue: ¥24.361 billion (19.6% year-on-year increase), operating profit: ¥3.076 billion (1.5% year-on-year increase).

Internet Media

According to Dentsu, Inc. Japan spent ¥774.7 billion on Internet advertising in 2010 (up 109.6% from the previous year) and there was growth right throughout the recovering market.

The Group’s Internet media & search media business operates online media properties including Booklog, freeml and blog services Jugem and Yaplog! The same business division sells SEO and other SEM media including JWord (Japanese search service) keywords. Due to factors including the impact on SEM media sales of the March 11 eastern Japan earthquake, Internet Media and Search Media revenue fell 8.7% year-on-year to ¥9.511 billion.

In the advertising agencies business, mobile advertising performed well. AdResult for Smartphone was introduced along with other initiatives in the burgeoning growth in the smartphone market. As a result the Internet advertising business reported revenue of ¥11.328 billion (16.7% year-on-year increase). Overall the Internet Media segment reported revenue of ¥22.039 billion (3.6% year-on-year increase), however due to a drop in SEM media sales operating profit fell 25.3% from the previous corresponding term to ¥1.598 billion.

Internet Securities

The foreign exchange trading business ran a reduced spread campaign on over-the-counter foreign exchange margin trading, introduced foreign exchange options trading, and reduced fees on Click365 transactions. At the same time new apps for smartphone users were developed and functionality was expanded on existing apps. As a result, in December 2011, the company's OTC foreign exchange transaction volume totaled ¥13.3 trillion (19.3% share [second highest] of all transactions conducted by significant players in the market according to Yano Research). According to Tokyo Financial Exchange data, CLICK 365 transactions accounted for 35.5% of all transactions in the same period. At the end of the term, foreign exchange trading accounts had further increased 39.7% from the previous term to 203,990. Forex Trade Hong Kong was established in Hong Kong and preparations are underway to launch retail securities trading services in this market.

The securities trading business ran campaigns offering no fees or significantly reduced fees on margin transactions with the objective of further boosting customer satisfaction. As a result of these measures, at the end of the consolidated fiscal year securities trading accounts risen 25.1% from the previous fiscal year to 125,759, and securities trading volume had grown 35.1% to ¥8.9837 trillion.

Due to GMO CLICK Securities being consolidated for a full year this fiscal year (in the previous fiscal year it was only consolidated in the 4th quarter) revenue increased 405.7% over the previous fiscal year to ¥14.757 billion and operating profit was up 492.5% year-on-year to ¥4.386 billion. GMO CLICK Securities was made a wholly owned subsidiary of GMO Internet via a stock swap executed on March 31, 2011 and the company became a wholly owned subsidiary on the same day. Goodwill arising from the stock swap will be amortized over a period of five years (equal amortization). The balance of goodwill related to GMO CLICK Securities at the end of the fiscal year is ¥2.497 billion.

Social Media & Smartphone Platform

In the game apps business, Gudram Master by GMO and Densetsu no Mamoribito by GMO continued to perform well. These two apps were developed as a part of the GMO Social Apps Initiative in the previous fiscal year.

The smartphone game platform business operates GMO GameCenter (G-Gee), a game apps market for the Android devices. Membership has grown steadily since the service was launched in October 2010, surpassing the 1 million member milestone in December 2011 and reaching 1.46 million in December of the same year. App downloads are also increasing at a steady rate. The smartphone market is growing exponentially and to keep pace with this level of growth it became necessary to direct further resources into this business. In order to achieve this, a partnership was formed with Acrodea, Inc, and the two company's respective smartphone businesses were carved out into new company, GMO GameCenter, Inc. The new company became a consolidated subsidiary and a contract was concluded with Acrodea, Inc, to jointly operate the company.

The group commerce business operates daily deals website, Kumapon by GMO. In the current fiscal year Kumapon by GMO focused on marketing with continued airing of television commercials and extensive search ad and targeted website advertising campaigns. At the same time, content was broadened with the inclusion of coupons for Michelin guide listed restaurants.

The Social Media & Smartphone Platform segment reported sales in the first quarter of ¥1.932 (25x increase over the previous fiscal year) and an operating loss of ¥1.543 billion (operating loss was ¥331 million in the previous fiscal year).

Incubation Business

In the incubation business, GMO VenturePartners helped Internet ventures expand business and build corporate value, and provided financing via investment funds managed by the company. In the current fiscal year, incubation business revenue was ¥18 million (96.3% year-on-year decrease), and an operating loss of ¥148 million was reported (operating loss was ¥96 million in the previous corresponding term).

Results Forecast for Fiscal Year 2012

While business environment is unpredictable, the ecommerce market is expected to grow and the Group will continue to focus management resources on the Web Infrastructure & Ecommerce, Internet Media and Internet Securities business segments achieving continued growth through synergy between the three segments.

Full year forecasts are as follows. The Internet Securities segment is highly subject to volatility in exchange rates, stock prices and other factors which could potentially impact business results. Therefore the Group only issues guidance for the full fiscal year.

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 (01.01.2012 – 12.31.2012)

	Fiscal Year Ending 12/2012	Percentage Change (Year-on-Year)	Fiscal Year Ended 12/2011
	¥ millions	%	¥ millions
Revenue	64,000	3.7%	61,691
Operating Profit	8,400	11.6%	7,525
Ordinary Profit	8,200	16.9%	7,016
Net Profit	4,300	0.3%	4,286

(Reference 1)

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

(Unit: ¥millions)

	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Revenue	13,886	14,464	15,050	15,657	16,518
Operating Profit	1,931	2,056	1,946	1,621	1,901
Ordinary Profit	1,926	1,916	1,834	1,491	1,773
Net Profit	530	1,188	793	661	1,643
Total Assets	165,460	179,241	186,135	196,053	205,055
Shareholders’ Equity	8,537	16,127	16,928	17,243	18,480

(Reference 2)

Table: Quarterly Changes by Segment

Revenue by segment

(Unit: ¥millions)

		Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Web Infrastructure & Ecommerce						
	Provider (ISP)	272	280	283	293	347
	Domain registration	594	692	692	885	945
	Web hosting	2,578	2,639	2,674	2,786	2,828
	Ecommerce solutions & web development	520	582	539	519	582
	Security	415	423	413	381	486
	Credit card payment processing	872	931	941	1,020	1,032
	Other	225	196	275	347	338
	Segment Sales Total	5,480	5,746	5,820	6,234	6,559
Internet Media						
	Internet media & search media	2,617	2,418	2,370	2,329	2,392
	Advertising agencies	2,649	2,648	2,615	2,747	3,317
	Other	291	264	257	337	340
	Segment Sales Total	5,558	5,331	5,243	5,414	6,050
Internet Securities						
	Segment Sales Total	2,918	3,484	3,908	3,719	3,645
Social Media & Smartphone Platform						
	Segment Sales Total	56	164	529	576	662
Incubation						
	Segment Sales Total	51	12	2	1	2
Sub total		14,065	14,738	15,504	15,946	16,920
Adjustment for inter segment transactions		-179	-273	-453	-288	-401
Consolidated Sales		13,886	14,464	15,050	15,657	16,518

II Operating Profit by Segment

	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Web Infrastructure & Ecommerce	848	966	703	628	778
Internet Media	526	454	361	376	407
Internet Securities	740	801	1,429	1,002	1,151
Social Media & Smartphone Platform	-198	-176	-516	-385	-464
Incubation	5	-7	-88	-14	-38
Sub total	1,922	2,037	1,889	1,607	1,834
Adjustment for inter segment transactions	9	18	57	13	66
Consolidated Operating Profit	1,931	2,056	1,946	1,621	1,901

(2) Analysis of Financial Condition

Assets, Liabilities, and Shareholders Equity.

Significant changes in the state of assets, liabilities and shareholders' equity on December 31, 2011 and December 31, 2010, are as follows.

Current assets increased ¥35.990 billion (24.0%) from the end of the previous fiscal year to ¥186.261 billion. Major contributing factors were a ¥8.412 billion rise in cash and deposits, as well as increases of ¥10.142 billion in deposits received, ¥6.442 billion in margin transaction assets, ¥6.721 billion in short term guarantee deposits and ¥1.300 billion in variation margin paid in the securities segment.

Fixed assets increased ¥3.605 billion (23.7%) from the end of the previous fiscal year to ¥18.794 billion. This was chiefly due to procurement of servers and other equipment boosting tangible fixed assets (¥1.780 billion), and increases of ¥587 million in goodwill and ¥1.286 billion in deferred tax asset due to GMO CLICK Securities and DigiRock becoming consolidated subsidiaries.

Overall, assets total increased ¥39.595 billion (23.9%) from the end of the previous fiscal year to ¥205.055 billion.

Current liabilities increased ¥25.835 billion (18.7%) from the end of the previous fiscal year to ¥164.047 billion. Major contributing factors included increases in margin transaction liability (¥2.500 billion) and security deposits received (¥24.553 billion), and deposits ¥3.166 billion in the securities segment as well as a decrease in short term loans (¥5.269 billion).

Fixed liabilities increased ¥8.825 billion (163.4%) from the end of the previous fiscal year to ¥14.226 billion. This was predominantly due to an increase in long term loans (¥7.778 billion).

Overall, liabilities total increased ¥34.865 billion (24.2%) from the end of the previous fiscal year to ¥178.929 billion.

Net assets increased ¥4.729 billion (22.1%) from the end of the previous fiscal year to ¥26.125 billion. The stock swap boosted earned surplus by ¥6.836 billion and ¥723 million was transferred from earned surplus to capital. Overall earned surplus increased by ¥2.238 billion yen. Items impacting earned surplus include net profit (¥4.286 billion increase), dividends paid (¥1.324 billion decrease), and a transfer to capital (¥723 million decrease). Minority equity decreased by ¥5.224 billion also as a result of the stock swap.

At the end of the fiscal year, consolidated cash flow provided by operating activities was ¥12.379 billion while cash flow used in investing activities was ¥6.012 billion, and ¥1.363 billion was used by financing activities. As a result, the balance of consolidated cash and cash equivalents stood at ¥32.743 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 ¥12.379 billion (¥6.362 billion provided in the previous fiscal year). Major items included net profit before tax and other adjustments amounting to ¥6.019 billion, depreciation (¥2.194 billion), and in the securities segment increases in deposits (¥10.142 billion) short term guarantee deposits (¥6.721 billion) and deposits and business guarantees received (¥24.720 billion), as well corporate and other tax payments (¥3.761 billion).

Cash flow used in investing activities was ¥6.012 billion (¥8.723 billion was provided in the previous fiscal year). Outflows included a ¥3.333 billion fixed deposit, acquisition of tangible fixed assets amounting to ¥729 million, and ¥902 million in the acquisition of intangible fixed assets.

Cash flow used by financing activities was ¥1.363 billion (¥7.945 billion was used in the previous fiscal year). Significant items included ¥5.269 billion payment of short-term loans (net amount), and ¥10.625 billion in income from long-term loans and repayment of long term loans (¥4.175 billion), ¥1.286 million on payment of dividends, and payment of dividends totaling ¥422 million to minority shareholders.

(Reference) Cash Flow Indicators

	Fiscal Year Ended 12/2007	Fiscal Year Ended 12/2008	Fiscal Year Ended 12/2009	Fiscal Year Ended 12/2010	Fiscal Year Ended 12/2011
Shareholders' Equity Ratio	12.0	17.0	17.2	5.2	9.0
Shareholders' Equity Ratio (Market Value) (%)	92.8	115.0	91.6	24.7	16.9
Ratio of Cash Flow to Interest Bearing Liabilities	2.1	2.8	1.6	2.8	1.8
Interest Coverage Ratio	16.1	15.4	27.2	30.4	43.9

(3) Policy regarding distribution of dividends and dividend payouts in the current and following term

As part of GMO Internet Group's commitment to returning profits to shareholders, our policy objective is to distribute 33% of consolidated net profit through dividend payouts after taking into consideration overall business performance and financial condition.

In line with the above policy, the company intends to pay an end of term dividend of 5 yen per share in the current term (a total dividend of 12 yen per share for the year and a 31.8% payout ratio). The dividend payout start date is scheduled for March 12, 2012.

In regard to the next term, the company expects to pay a dividend of 12 yen per share.

(4) Business Risks

The following section outlines risks relating to the group's business and financial condition that may be of material concern to investors when making investment decisions.

Recognizing the implications of these risks, the Group makes every effort to prevent the following scenarios, and has policy in place to deal efficiently with risk factors should they arise. However, the Group believes that the following risks must be given due consideration when making management decisions in regard to future business.

Some of the items below concern potential future events and unless otherwise stated represent the Group's best judgment at the current point in time. Please note that this should not be considered an exhaustive list of risks associated with investment in the company's stock.

I Risks associated with Business Environment

(i) Competition

The group provides a comprehensive range of services mainly in the following business segments. 1. Web Infrastructure & Ecommerce comprising chiefly of domain, web hosting, ecommerce solutions & web development, security, and payment processing service businesses, 2. Internet Media consisting of the Internet media & search media business and the Internet advertising agencies business, 3. Internet Securities and 4. Social Media & Smartphone Platform comprising game app development, smartphone game platform, G-Gee and daily deals website, Kumapon. We believe that the diversity of our operations provides a significant competitive advantage. However, the possibility exists of increased competition in the future from telecommunications companies, electric companies, and existing independent companies. It is also possible that a new group with the same business structure will emerge through a series of business partnerships and mergers. If in the future, competition for gaining new customers intensifies and revenue declines, it may become necessary to reduce fees and increase capital expenditure and advertising. This could potentially have a serious impact on business operations and performance.

(ii) Innovation in Technology

The progress of Internet related 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 which may negatively impact the Group's operations and results.

We believe it is essential to concentrate efforts on improving the ability of both our systems and our employees, 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, bank transfer, payment at a post office or convenience store and payment by credit card. 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 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. The amount of receivables deemed uncollectible is reserved in a provision for doubtful debt. An increase in the number of accounts in arrears, or the amount in arrears caused by economic conditions or bankruptcies could impact business performance.

II Risks associated with Compliance

i Laws and Ordinances

The most significant laws and ordinances that pertain to the Group and its operations are as follows. It is also possible however that the group will be subject to additional regulations 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 encourage development in telecommunications while at the same time protecting the interests of the public. As a designated telecommunications carrier, 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) Act on Control and Improvement of Amusement Business, etc.

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 healthy development of youth in society. The laws restrict the entry of minors into such places of business. In addition, these laws aim to ensure fair and reasonable conduct in the adult entertainment business and place direct controls on business operators.

These laws also apply to the server "space" the Group provides to users. Internet companies are accountable for their 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 concerned laws and ordinances. 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) Act on the Prohibition of 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 healthy development of an advanced information-oriented society. It prohibits unauthorized access to computers.

Under this law, as a company that controls the operation of computers connected to telecommunications lines, the Group is obligated to take measures that safeguard against unauthorized access. This law also applies to the Group as an operator of computers.

(d) Act on the Limitation of Liability for Damages of Specified Telecommunications Service Providers

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 disclosure of sender information and limits damages claims against providers, server operators and other telecommunications service providers. Certain company activities subject the Group, as a telecommunications carrier, to these laws. Where rights are infringed as a result of distribution of information, in some cases the scope of the Group's liability is limited under these laws. However the same laws also 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 which, if not appropriate, could result in claims or legal action brought against us by users, other related persons or organizations. The Group makes every effort to make appropriate judgments within the context of these laws; however in the event that an inappropriate judgment is made the group could face claims or legal action.

(e) Act on Specified Commercial Transactions

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 growth in 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 regarding Internet mail-orders sales, new types of transactions (and return of goods), junk mail issues, and leakage of credit card data, 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).

This amendment only allows email advertising to be sent on an opt-in basis.

The groups email advertising business, and the distribution of email advertising to customers are subject to these laws and as such may be restricted.

(f) Act on Regulation of Transmission of Specified Electronic Mail

These laws aim to cultivate a positive environment for email users and were enacted in 2002 in light of the necessity that had arisen to prevent damages related to mass sending of commercial email. One requirement of the law is that the sender's contact details must be contained within certain emails. In addition, an amendment to the law was enacted on May 30 2008 and came into effect on December 12 of the same year. The amendment pertains to strengthening global agreements, improving efficacy and a move from the previous opt-out system to an opt-in system for the sending of certain specified emails.

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.

(g) Act on the Protection of Personal Information

In a society where information communication continues to grow more sophisticated, personal information is increasingly transmitted digitally. In light of this, the Act on the Protection of Personal Information aims to ensure proper handling of personal information and protect the rights of individuals. Under this law, companies that handle personal information are obligated to specify use objective parameters of personal information, maintain reasonable methods of acquisition, maintain accurate and current personal data, and ensure safe storage. The law also restricts the disclosure or provision of personal information to third parties.

In accordance with these laws, the company is required to establish a procedure for adequately explaining and acquiring user permission when using personal information or passing it on to a third party.

In addition to these laws, the Group must also comply with Ministry of Internal Affairs and Communications supplementary regulations regarding business operations.

(h) Act on Establishment of Enhanced Environment for Youth's Safe and Secure Internet Use

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. Issued 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 will be obliged to provide filtering services, and take other actions that restrict access to information harmful to minors. The law will be amended within three years of implementation. Depending on the content of the amendments, the Group may become subject to further obligations.

The deletion or restriction of information under these laws also impacts the creative expression of the information provider, and therefore the Group must identify information harmful to minors and make critical judgments in regard to the necessity for removal or restriction of access. The Group makes every effort to reach appropriate judgments; however in the event that a judgment is inappropriate the Group could face claims or legal action brought by information providers, other related persons or organizations.

(i) Fund Settlement Act

Enacted on April 1, 2010, the Fund Settlement Act enables non-bank companies to issue a means of payment in advance and to conduct money transfers by registering as a Fund Transfer Company. The law seeks to ensure the proper conduct of fund transfer services, to protect consumers, to foster the provision of such services, and to improve the security, efficiency and convenience of fund settlement systems.

Companies that issue advance means of payment or funds transfers are required to file the necessary notifications and pay a guarantee among other measures specified by the Act. The Financial Systems Council Financing Subcommittee has expressed that some kind of system consolidation needs to be established to protect the interests of consumers in regard to "point reward programss" under this law. Also in regard to services such as receiving agents, the supplementary resolution to a legislative bill for amendment to the Financial Instruments and Exchange Act, states that new retail funds settlement services that differ from existing services can be expected to develop and proliferate in the future and that a structure must be considered for the proper screening and oversight of companies issuing an advance means of payment or providing fund transfer services and the government must understand the nature of these service providers including providers of new services. In addition, a structure for fund settlement must be considered that ensures that funds are properly handled during the settlement process, and the government must strive to improve security efficiency and convenience of settlement systems. Going forward, any of the above structures and systems, if implemented may restrict operation of the Group's GMO TokuToku point system and the Group's payment processing services.

(j) Act against Unjustifiable Premiums and Misleading Representations

The purpose of this act is to prevent inducement of customers by means of unjustifiable premiums and misleading representations in connection with transactions of goods and services and to protect the interests of general consumers by restricting and prohibiting actions that inhibit the consumers' ability to make independent and rational purchase choices.

In 2011, the Group entered the group commerce market with the introduction of daily deals website, Kumapon. The Group strives to fairly represent product and service details and prices and avoid unjustly misleading users by selling coupons representing products and services of significantly higher quality than reality, or causing users to believe they are receiving savings on a seasonal or limited edition product by advertising a "regular price" when no "regular" or "list" price exists.

However, in the event that a customer purchases a product or service purchased that is faulty, if the advertising contained false claims, or if the user, the government or a judicial agency makes claims that product or service was represented inaccurately, a complaint may be brought against the Group by the purchaser, and in the event that compensation or damages were sought, trust in the Group may be damaged and business activities and operation may be significantly impacted.

(k) Gang Exclusion Ordinances

On October 10, 2011 the Gang Exclusion Ordinance was enacted by the Tokyo government and the same ordinance was enacted by other municipal governments. Under the ordinance, businesses that suspect new business contracts may support the activities of gangs or contribute to the operation of gangs, must endeavor to confirm whether the other party in the contract has gang ties. Business operators entering into written business contracts must include special clauses that void the agreement in the event a relationship to gangs is found to exist. Regulations place obligation on businesses. The Group strives to conduct evaluations of contract parties, provide written pledges and special clauses as required. However, if inquiries to the police and anti-gang agencies prove insufficient and the Group unintentionally enters into a transaction or other agreement with a gang – if it becomes necessary to break important contracts or pay compensation there could be considerable impact on the management and earnings of the Group or damage to public trust.

ii The Possibility of Litigation

The group operates services including provision of web infrastructure such as web hosting and domain names. As a provider of a wide range of information, products and services via the Internet in ecommerce, finance and other industries it is essential the Group operate stable infrastructure. 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, damages may be incurred by users or other third parties if an event arises that cannot be dealt with through the Group's normal crisis management system, such as major destruction caused by a natural disaster or unauthorized access to the company's servers or other facilities. Although our service agreement contracts contain an exemption clause, if legal action is brought against the Group as a result of this kind of incident it could severely impact the Group and its business performance as well as public trust. While no such lawsuit or other appeal has been brought against the company to date there is the possibility of such an occurrence in the future.

iii. Risks associated with Business Activities Abroad

The Group's security business (issue of digital certificates etc.), smartphone app distribution business and other businesses operate under North American, European and Korean laws as well as laws in other countries and regions. These business operations may be impacted by the revision of current laws or enactment of new laws pertaining to imports and exports, customs regulations, or product liability as well as other unforeseen enactments or revisions of laws in countries in which they operate. Fiscal risks include major lawsuits being brought against the company necessitating expenditure on consultation fees and other legal costs. Other factors including war, conflict, terrorism, and economic or political instability also have the potential to seriously impact the Group's business operations and results.

iv. Risks associated with information security

The Group makes every effort to ensure the security of information it manages, including personal information, through the establishment of internal regulations, internal network monitoring, requiring staff to sign agreements and other measures. However, information may be compromised by improper use of file-sharing software, infection by a previously unknown virus, hacking into the company's network, or unauthorized handling of information. The Group continually strives to strengthen its information management systems, but any information leakage etc. may seriously damage confidence in the Group and impact business operations and results.

iv) Damages Liability Arising from Transactions with Third Parties

The Group provides services that enable users to build simple web commerce sites, and operates services that allows users to advertise products and services via display advertising or email among other services. In 2011 game app development support, smartphone game platform (G-Gee) and daily deal (Kumapon) businesses were also established. In order to avoid confusion or the misunderstanding that the Group is the originator of the products and services sold or advertised via these service, or products and services that are sold via daily deal coupons, the Terms of Use of the above services require the service user to agree to be liable for transactions with customers who purchase products via their website, to be responsible for the content of advertisements and to make an effort to fairly and properly display the name of the service operator or provider on the company website etc.

However in the event that a product or service purchased by a customer is faulty or if the advertising contained false claims, or if the user, the government or a judicial agency makes claims that product or service was represented inaccurately, a complaint may be brought against the Group by the purchaser, and in the event that compensation or damages are sought, trust in the Group may be damaged and business activities and operation may be significantly impacted.

III Risks associated with the Internet Securities Segment

i) Items concerning Legal Regulations

GMO CLICK Securities is a licensed financial instruments business operator having received approval of Prime Minister of Japan under Article 29 of the Financial Instruments and Exchange Act, and is subject to the aforementioned act, other laws and Financial Services Agency regulation.

As a financial instruments business operator and member of self-regulatory organizations, Japan Securities Dealers Association and Financial Futures Association of Japan, and a trading participant on the Tokyo and Osaka stock exchanges, the company is also subject to the regulations of each of these organizations and exchanges.

GMO CLICK Securities operates under these laws and other regulations, and in the event of any violations resulting in damages claims, disposition or other measures, the Group's image, business, operating results, or financial condition may be impacted.

ii Risks related to Capital Adequacy Ratio

Pursuant to Article 46 paragraph 6 of the Financial Instruments and Exchange Act, financial instrument service operators are required to maintain a capital adequacy ratio of 120% or higher.

As of 31.12.2011 CLICK Securities' capital adequacy ratio was at 406.0%, a solid ratio for a financial instruments service operator. The company aims to strengthen its financial base through measures including capital increase financing, and maintaining internal reserves, and thereby strives to maintain and improve this ratio. However, a significant drop in capital adequacy ratio due to unforeseen circumstances could impact the Group’s business and operating results.

iii. Risks associate with Business Environment

GMO CLICK Securities offers products including spot trading and margin trading of securities, foreign exchange trading, futures, option transactions, and CFD transactions and the company's profits are impacted by the securities market, the foreign exchange market and other environmental factors. The Group’s operating results could be affected by a decline in trading volume in GMO CLICK Securities caused by a downturn in investor confidence in the stock markets or foreign exchange markets resulting from economic, political or judicial factors or amendments to tax regulations that lead to weakened investor climate. In addition, a reoccurrence of pricing wars could impact operating results if fees are reduced without being offset by an increase in transaction volume.

iv. Market Risks

GMO CLICK Securities retains a foreign exchange proprietary position in order to conduct transactions between customers in the foreign exchange margin transaction business. This position offsets trading with customers, and risks associated with subsequent fluctuations in exchange rates are avoided by cover transactions with counterparties.

However in the event of a GMO CLICK Securities systems malfunction, if the proprietary position is not appropriately resolved, or if cover transactions are not appropriately conducted due to drastic fluctuations in the foreign exchange market or a counterparty’s systems malfunction, a loss may be incurred due to the company’s position and this may impact the Group’s operating results and financial position.

v. Regulations concerning Security Deposits for Foreign Exchange Margin Transactions

The Financial Instruments and Exchange Cabinet Ordinance announced on August 3, 2009 places restrictions on financial instruments business operators engaged in provision of foreign exchange margin transactions in regard to foreign exchange margin transaction security deposits for retail customers (effective August 1, 2010). The enactment of the cabinet ordinance tightens the deposit obligation to over 4% of the transaction amount (leverage ratio of less than 25 times the deposit). However, in the first year from the date of enactment (August 1, 2010) during a transitional period the deposit obligation is over 2% of the transaction amount (leverage ratio of less than 50 times the deposit).

The tightening of these regulations may impact transaction volume and subsequently operating profit and net profit.

vi. Computer Systems

The majority of GMO CLICK Securities transactions occur over its systems and for this reason we recognize that stable systems operation is vital to our business.

GMO CLICK Securities is continuously carrying out system maintenance, improving applications, and strengthening hardware and network infrastructure. However, system malfunction caused by unforeseen circumstances could result in customers being unable to trade. This could result in loss of business opportunities or loss of customers due to negative publicity. Compensation claims from customers who suffer losses as a result of system malfunction could impact the Group’s operating results. Depending on extent of the malfunction, it could also impede business continuity.

7. Customer Margin Risk

GMO CLICK Securities retains a deposit (in cash or securities) from customers conducting margin trading of securities, stock index futures and options amounting to a certain percentage of the transaction. If a customer's evaluation loss increases due to market fluctuation after the opening of the transaction, or if the price of the collateral securities falls and the customer's deposit falls below the required amount, the company requests that the customer increase their deposit. However, if the customer does not respond to the request for payment the amount will be automatically billed against the customer's transaction and the transaction will be cancelled.. The customer is charged for the difference if the settlement loss exceeds the deposit amount after the forced payment. However if the customer doesn't respond to demand for payment, all or part of the amount may be written off as a bad debt loss.

IV Reliance on Chief Executive Officer

GMO Internet Group planning and operations are carried out by GMO Internet Group employees and executives. If unforeseen circumstance arises affecting a key member of the management team, in particular Group CEO, Masatoshi Kumagai, the group's ability to operate smoothly may be impacted.

(5) Notes regarding the Going Concern Assumption

None.

2. The Corporate Group

GMO Internet Group is a corporate group consisting of GMO Internet, Inc. and 57 consolidated subsidiaries.Under the corporate slogan *Internet for Everyone,* the group's operates Internet related services chiefly in the four business segments Web Infrastructure & Ecommerce, Internet Media, Internet Securities, and Social Media & Smartphone Platform.

The groups businesses are divided into the above four segments in addition to the Incubation segment. 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	GMO Internet, Inc. paperboy&co. Inc. DigiRock, Inc.
	Web hosting	Hosting services	GMO Internet, Inc. GMO Cloud K.K. paperboy&co. Inc. GMO Cloud USA, Inc. @YMC Corporation Wadax. Inc.
	Ecommerce Solutions & Web Production	Web site design, Operation support services, System consulting, Online shop construction support consulting and ASP services	GMO Internet, Inc. GMO System Consulting, Inc. paperboy&co. Inc. GMO Solution Partner, Inc. GMO MAKESHOP, Inc. GMO DIGITAL CONTENTS DISTRIBUTION, Inc. GMO Fast Translation, Inc.
	Security	Information security online. Authentication services for enterprise and consumers.	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. Social Appli Payment Processing Services, Inc.
	Provider (ISP)	Internet access provider	GMO Internet, Inc.
	Other businesses	Other	Communication Telecom, Inc.

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	GMO Internet, Inc. GMO AD Partners, Inc. GMO Media Holdings, Inc. GMO Media, Inc. JWord, Inc. GMO TECH, Inc. GMO Solution Partner, Inc. paperboy&co. Inc.
	Advertising agencies	Advertising sales, mainly Internet advertising media	GMO AD Partners, Inc. GMO Mobile, Inc. Seed Technology, Inc. GMO NIKKO, Inc.
	Other	Provision of Internet research systems, management and operation of online research panel.	GMO Research, Inc. GMO Japan Market Intelligence, Inc.
Internet Securities	Internet Securities	Operation of online securities trading, foreign currency trading services etc.	CLICK Securities, Inc. Shares, Inc.
Social Media & Smartphone Platform	Social apps	Game app development and operational support	GMO Internet, Inc.
	Smartphone game platform	G-Gee by GMO game apps market for Android devices	GMO GameCenter, Inc.
	Flash marketing	Online sale of coupons for discounted products and services	GMO Kumapon, Inc.
Incubation	Venture capital	Investment in private Internet ventures.	GMO VenturePartners, Inc. GMO VenturePartners Investment Limited Partnership Blog Business Fund Investment Limited Partnership

3. Management Policy

(1) Basic Management Principles

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, Internet Media, Internet Securities, and Social Media & Smartphone Platform segments generate synergy throughout the comprehensive Internet services group. The Group strives to make a contribution to society through the cultivation of Internet culture and development of the industry.

Management Philosophy – Group employees are committed to the following principles.

Basic 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 and Indicators

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

(3) Medium to Long Term Business Strategies

The group's marketing slogan is *Japan's leading all-in provider of Internet services.* Our Web Infrastructure & Ecommerce segment boasts 3.75 million contracts, the Internet Media segment provides Internet advertising support and attracts 27.55 million monthly users, while the Internet Securities segment has leveraged its technical strength to become one of Japan's leading FX trading services provider. We could be called the only group in Japan that develops and operates leading technology and is backed by a strong sales structure.

Going forward, management resources are committed to the five business segments (Web Infrastructure & Ecommerce, Internet Media, Internet Securities, Social Media & Smartphone Platform), supporting the growth of the Internet.

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

(4) Company Objectives

(i) Effective group management - fostering group synergy

The group is comprised of 57 consolidated subsidiaries, one important objective is to ensure the Group is effectively utilizing these vast management resources.

Going forward we will continue striving to improve Group management efficiency and cultivate synergy between business segments in order to ensure maximum usage of management resources.

(ii) Expanding consumer services and strengthening marketing

The majority of group services have until now been aimed at the enterprise market, however identifying industry trends the group is now focusing attention on consumer market initiatives including smartphone and social apps businesses. GMO CLICK Securities has already attained a high level of brand awareness in the consumer market and going forward the Group plans to strengthen its consumer marketing strategy by engaging in joint marketing activities.

(iii) Improving customer satisfaction

Given that competition in the Internet sector will only increase moving forward, 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 satisfactionby 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

Internet technology and services are continuously evolving and we believe it is essential to maintain visionary services that are both cost effective and employ leading technology. The Group considers our engineers 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 regarding Management

None.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2010)	Current Fiscal Year (As of Dec 31, 2011)
Assets		
Current Assets		
Cash and deposits	*3 27,869	*3 36,281
Trade notes and accounts receivable	4,906	5,664
Operational investment securities	658	922
Securities segment deposits	67,087	77,229
Securities segment margin transaction assets	20,912	27,534
Securities segment short term guarantee deposits	16,797	23,519
Securities segment variation margin paid	8,629	9,930
Deferred tax asset	811	1,543
Other	2,966	4,382
Provision for doubtful debts	-368	-566
Total Current Assets	150,270	186,261
Fixed Assets		
Tangible fixed assets		
Buildings and structures (net amount)	*1 277	*1 461
Tools and equipment (net amount)	*1 905	*1 1,202
Lease assets (net amount)	*1 1,370	*1 2,668
Other (net amount)	*1 4	*1 5
Total tangible fixed assets	2,557	4,337
Intangible fixed assets		
Goodwill	4,071	4.659
Software	2,436	2,722
Other	190	235
Total intangible fixed assets	6,698	7,617
Investments and other assets		
Investment securities	*2 1,317	*2 1,479
Deferred tax asset	2,334	3,620
Other	2,479	1,977
Provision for doubtful debts	-197	-239
Total investments and other assets	5,933	6,839
Total Fixed Assets	15,189	18,794
Total Assets	165,460	205,055

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2010)	Current Fiscal Year (As of Dec 31, 2011)
Liabilities		
Current liabilities		
Trade notes and accounts payable	*3 1,627	*3 1,839
Short term debt	*7 10,894	*7 5,625
Current portion of long term debt	*6 3,913	*6 2,584
Amount payable	3,491	3,702
Securities segment deposits received	6,222	6,390
Securities segment margin transaction liability	18,698	21,199
Securities segment guarantees received	77,254	101,807
Securities segment variation margin Received	954	1,265
Accrued corporate tax etc.	1,171	1,040
Allowance for bonuses	279	359
Allowance for bonuses to directors	201	347
Advance payment received	2,928	3,247
Deposits received	8,455	11,622
Other	2,120	3,016
Total Current Liabilities	138,211	164,047
Fixed Liabilities		
Long term debt	*6 3,407	*6 11,186
Tax liability carried forward	17	43
Lease obligations	—	2,106
Other	1,975	889
Total Fixed Liabilities	5,400	14,226
Statutory Reserve		
Financial instruments transaction liability reserve	*5 451	*5 656
Total Statutory Reserve	451	656
Total Liabilities	144,064	178,929
Net Assets		
Shareholders' Equity		
Capital stock	1,276	2,000
Capital reserve	-	6,836
Earned surplus	7,412	9,651
Treasury stock	-0	-0
Total Shareholders' Equity	8,688	18,487
Other Comprehensive Income		
Other gaps in evaluation of securities	-22	150
Hedging profit/loss carried forward	-19	-1
Foreign currency translation account	-109	-155
Total Other Comprehensive Income	-151	-6
Equity Warrants	15	26
Minority Equity	12,842	7,618
Total Net Assets	21,396	26,125
Liabilities, Net Assets Total	165,460	205,055

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Profit & Loss Statement

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2010-12.31.2010)	Current Fiscal Year (01.01.2011-12.31.2011)
Net Sales	44,483	61,691
Cost of Sales	19,773	24,285
Gross Profit on Sales	24,710	37,406
Sales, General & Administrative Expenses	*1 *2 18,981	*1 *2 29,880
Operating Profit	5,728	7,525
Non Operating Revenue		
Interest received	29	7
Dividends received	69	33
Profit on investment partnership	182	38
Property rent received	57	13
Currency translation gain	26	2
Gain on expired points	-	45
Other	60	41
Total Non Operating Revenue	424	182
Non Operating Expenses		
Interest paid	209	288
Equity method investment loss	16	181
Stock issues costs	1	11
Commission paid	77	140
Other	111	70
Total Non Operating Expenses	415	691
Ordinary Profit	5,738	7,016
Extraordinary Profit		
Gain on sale of fixed assets	—	*3 56
Gain on sale of investment securities	41	3
Gain on change in equity investees	*4 0	*4 6
Gain on sale of affiliated company stock	0	-
Gain on step acquisition	248	-
Return on cancelled insurance contract	-	25
Other	11	15
Total Extraordinary Profit	301	107
Extraordinary Loss		
Loss on disposal of fixed assets	*5 61	*5 162
Loss on evaluation of investment securities	55	62
Loss on sale of investment securities	5	-
Loss on sale of affiliated company stock	61	-
Impairment loss	*6 186	*6 226
Provision for securities transaction liability Reserve	38	205
Provision for doubtful debt	-	164
Office relocation expenses	71	124
Other	67	158
Total Extraordinary Loss	547	1,103
Net Profit before Adjustment for Tax etc. and Gain or Loss arising from Silent Partnership	5,492	6,019
Gain or Loss arising from Silent Partnership	-3	-
Net Profit before Adjustment for Tax etc.	5,496	6,019

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2010-12.31.2010)	Current Fiscal Year (01.01.2011-12.31.2011)
Corporate, Municipal and Enterprise Taxes	1,930	2,915
Corporate Tax etc. Adjustment	32	-2,090
Total Corporate Taxes etc.	1,962	824
Net Profit before Minority Interests	-	5,194
Minority Interests	1,324	908
Net Profit	2,209	4,286

Statement of comprehensive income

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2010-12.31.2010)	Current Fiscal Year (01.01.2011-12.31.2011)
Net Profit before Minority Equity	-	5,194
Other Comprehensive Income		
Other gaps in appraisal of securities	-	336
Hedging profit/loss carried forward	-	17
Currency translation adjustment account	-	-77
Total other comprehensive income		*2 276
Comprehensive Income	-	*1 5,471
(Breakdown)		
Comprehensive income attributable to parent company shareholders	-	4,431
Comprehensive income attributable to minority shareholders	-	1,039

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

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2010-12.31.2010)	Current Fiscal Year (01.01.2011-12.31.2011)
Shareholders' Equity		
Capital Stock		
Balance at end of previous term	1,276	1,276
Changes during term		
Transfer from earnings surplus to capital	—	723
Total changes during term	—	723
Balance at end of current term	1,276	2,000
Capital Reserve		
Balance at end of previous term	—	—
Changes during term		
Increase due to stock swap	—	6,836
Total changes during term	—	6,836
Balance at end of current term	—	6,836
Earned surplus		
Balance at end of previous term	5,891	7,412
Changes during term		
Net profit	2,209	4,286
Dividends from surplus	-600	-1,324
Decrease in earned surplus due to increase in consolidated subsidiaries	-88	-
Transfer from earnings surplus to capital	—	-723
Total changes during term	1,521	2,238
Balance at end of current term	7,412	9,651
Treasury stock		
Balance at end of previous term	-0	-0
Changes during term		
Acquisition of treasury stock	—	-0
Total changes during term	—	-0
Balance at end of current term	-0	-0
Total shareholders' equity		
Balance at end of previous term	7,167	8,688
Changes during term		
Net profit	2,209	4,286
Dividends from surplus	-600	-1,324
Acquisition of treasury stock	—	-0
Increase due to stock swap	—	6,836
Decrease in surplus due to increase in consolidated subsidiaries	-88	-
Transfer from earnings surplus to capital	—	-
Total changes during term	1,521	9,798
Balance at end of current term	8,688	18,487

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2010-12.31.2010)	Current Fiscal Year (01.01.2011-12.31.2011)
Other Comprehensive Income		
Other gaps in appraisal of securities		
Balance at end of previous term	-15	-22
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	-6	172
Total changes during term	-6	172
Balance at end of current term	-22	150
Hedging profit/loss carried forward		
Balance at end of previous term	4	-19
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	-24	17
Total changes during term	-24	17
Balance at end of current term	-19	-1
Currency translation adjustment account		
Balance at end of previous term	-109	-109
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	0	-45
Total changes during term	0	-45
Balance at end of current term	-109	-155
Total other comprehensive income		
Balance at end of previous term	-120	-151
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	-30	144
Total changes during term	-30	144
Balance at end of current term	-151	-6
Equity warrants		
Balance at end of previous term	4	15
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	10	11
Total changes during term	10	11
Balance at end of current term	15	26
Minority Equity		
Balance at end of previous term	7,093	12,842
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	5,749	-5,224
Total changes during term	5,749	-5,224
Balance at end of current term	12,842	7,618
Total Assets		
Balance at end of previous term	14,145	21,396
Changes during term		
Net profit	2,209	4,286
Dividends from surplus	-600	-1,324
Acquisition of treasury stock	-	-0
Increase due to stock swap	-	6,836
Transfer from earned surplus to capital	-	-
Decrease in surplus due to increase in consolidated subsidiaries	-88	-
Changes in items other than shareholders' equity in the current term (net amount)	5,729	-5,068
Total changes during term	7,250	4,729
Balance at end of current term	21,396	26,125

(4) Consolidated Statement of Cash Flows

(Unit: ¥millions)

	Previous Fiscal Year (01.01.10-12.31.10)	Current Fiscal Year (01.01.11-12.31.11)
Cash Flow from Operating Activities		
Net Profit before tax etc.	5,496	6,019
Depreciation expenses	1,308	2,194
Impairment loss	186	226
Amortization of goodwill	625	1,234
Change in provision for doubtful debts (-represents decrease)	-4,849	239
Change in financial instruments transaction liability reserve (-represents decrease)	38	205
Change in provision for bonuses (- represents decrease)	122	226
Change in provision for retirement benefits (- represents decrease)	-0	-
Interest and dividends received	-98	-41
Interest paid	209	288
Loss on disposal of fixed assets	61	162
Gain or loss on sale of investment securities (- represents gain)	-35	-3
Gain or loss on sale of affiliated company stock (- represents gain)	60	-
Loss on evaluation of investment securities	55	62
Change in provision for investment loss (- represents decrease)	-9	-
Gain or loss on change in equity investees (- represents gain)	2	-6
Change in accounts receivable (-represents increase)	-133	-427
Change in purchase debts (- represents decrease)	216	-75
Change in deposits received (- represents decrease)	2,723	3,158
Change in deposits in securities segment (- represents increase)	1,879	-10,142
Change in short term guarantee deposits in securities segment (-represents increase)	-7,976	-6,721
Change in margin variation paid and received in securities segment	-1,394	-989
Changes in deposits and guarantees received in securities segment (- represents increase)	5,397	24,720
Other	4,619	-3,946
Sub total	8,505	16,383
Interest and dividends received	96	44
Interest paid	-209	-288
Income from sale etc. of bad receivables	560	-
Corporate tax etc. paid	-2,590	-3,761
Cash Flow from Operating Activities	6,362	12,379

(Unit: ¥millions)

	Previous Fiscal Year (01.01.10-12.31.10)	Current Fiscal Year (01.01.11-12.31.11)
Cash Flow from Investing Activities		
Payment of fixed term deposit	-500	-3,333
Income from return of fixed term deposit	600	-
Expenditure on acquisition of tangible fixed assets	-560	-729
Income accrued on sale of tangible fixed assets	4	38
Expenditure on acquisition of intangible fixed assets	-453	-902
Income accrued on sale of intangible fixed assets	59	63
Income accrued on redemption of securities	700	-
Expenditure on acquisition of investment Securities	-773	-299
Income accrued on sale of investment Securities	71	19
Expenditure on acquisition of subsidiary stock	-701	-454
Income accrued on the acquisition of subsidiary stock resulting in change in scope of consolidation	7,593	-
Expenditure on the acquisition of subsidiary stock resulting in change in scope of consolidation	-	-445
Income accrued on sale of subsidiary stock	0	-
Expenditure on transfer of business	-93	-70
Income accrued on sale of investment real estate	2,644	-
Other	133	102
Cash Flow from Investing Activities	8,723	-6,012
Cash Flow from Financing Activities		
Income accrued on short term loans	19,400	69,570
Expenditure on repayment of short term loans	-22,336	-74,839
Income accrued on long term loans	210	10,625
Expenditure on repayment of long term loans	-3,979	-4,175
Repayment of finance lease obligations	-203	-630
Expenditure on repayment to investment partner	-115	-217
Revenue accrued from minority interests	7	23
Payment of dividends	-593	-1,286
Payment of dividends to minority shareholders	-333	-422
Other	-1	-10
Cash Flow from Financing Activities	-7,945	-1,363
Currency Translation Adjustment on Cash and Equivalents	-104	-69
Change in Cash and Equivalents (- represents decrease)	7,036	4,933
Balance of Cash and Equivalents at Beginning of Term	20,723	27,809
Increase in Cash and Equivalents following Increase in Consolidation	49	-
Balance of Cash and Equivalents at End of Term	27,809	32,743

(5) Notes regarding the Going Concern Assumption

None.

(6) Significant Items concerning Consolidated Financial Statements

Item	Previous Consolidated Fiscal Year (01.01.2010 – 12.31.2010)	Current Consolidated Fiscal Year (01.01.2011 – 12.31.2011)
1. Items concerning the scope of consolidation	(1) No. of consolidated subsidiaries: 57(including 2 partnerships) Significant consolidated subsidiaries GMO AD Partners, Inc, GMO Hosting & Security, Inc. GMO Payment Gateway, Inc, paperboy&co. Inc CLICK Securities, Inc. The following companies were included in the consolidation in the current fiscal year for the following reasons; CLICK Securities and 5 other companies following stock acquisitions, GMO Registry, Inc. and one other company as a result of their increased significance to the consolidation, and 7 companies including Social Appli Payment Service Inc. were newly established and added to the consolidation. In addition the following companies were excluded from the consolidation; GMO Games, Inc. and 3 other companies were sold and are no longer subsidiaries, GMO Managed Hosting was absorbed by GMO Hosting & Security. (2) Major Non- consolidated Subsidiaries Patent Incubation Capital, Inc. Reasons for exclusion from the consolidation All 9 non-consolidated subsidiaries are small-scale companies. None of the companies' total assets, sales, net profit (equal to the equity share) and earned surplus (equal to the equity share) totals have a significant impact on consolidated financial statements.	(1) No. of consolidated subsidiaries: 57(including 2 partnerships) Significant consolidated subsidiaries GMO AD Partners, Inc, GMO CLOUD K.K. (formerly GMO Hosting & Security, Inc.), GMO Payment Gateway, Inc, paperboy&co. Inc, GMO CLICK Securities, Inc. (formerly CLICK Securities, Inc.) The following companies were included in the consolidation in the current fiscal year for the following reasons; DigiRock, Inc. and 2 other companies following stock acquisitions, GMO GameCenter, Inc. and 4 other companie were newly established and added to the consolidation. In addition the following companies were excluded from the consolidation; BOM, Inc. and 6 other companies were liquidated, and Sanow, Inc. was absorbed by GMO AD Partners. (2) Major Non- consolidated Subsidiaries Patent Incubation Capital, Inc. Reasons for exclusion from the consolidation All 17 non-consolidated subsidiaries are small-scale companies. None of the companies' total assets, sales, net profit (equal to the equity share) and earned surplus (equal to the equity share) totals have a significant impact on consolidated financial statements.
2. Items concerning application of equity method	(1) Number of companies to which the equity method is applied: 3 Main equity method companies: Acrodea, Inc, Stock was acquired in Acrodea, Inc. and 2 other companies and the companies were accounted for using the equity method. (2) Major Non-Consolidated Subsidiaries and Affiliated Companies not Accounted for by Equity Method Patent Incubation Capital The net profit and loss (equal to the equity share), and earned surplus (equal to the equity share), etc. of each of the 9 non-consolidated subsidiaries and 3 affiliated companies including HUMEIA REGISTRY Co. Ltd, have immaterial impact on overall performance and are therefore excluded from the equity method.	(1) Number of companies to which the equity method is applied: 2 Main equity method companies: SuperAppli, Inc. Acrodea, Inc. is no longer accounted for by the equity method due to its decreased significance. (2) Major Non-Consolidated Subsidiaries and Affiliated Companies not Accounted for by Equity Method Patent Incubation Capital The net profit and loss (equal to the equity share), and earned surplus (equal to the equity share), etc. of each of the 17 non-consolidated subsidiaries and 4 affiliated companies including HUMEIA REGISTRY Co. Ltd, has immaterial impact on overall performance and are therefore excluded from 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. Close of fiscal year: September 30 GMO Payment Gateway, Inc. Epsilon, Inc. Companies Close of fiscal year: March 31 CLICK Securities, Inc. and 2 other companies Close of 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 statements provided by the subsidiaries on Nov 30. Consolidated financial statements are based on provisional financial statements provided by other subsidiaries on the closing date of the consolidated fiscal year. Consolidated statements adjusted as necessary to reflect significant transactions that occur after these dates.	The closing date of the fiscal year differs from the consolidated fiscal year in the following consolidated subsidiaries. Close of fiscal year: September 30 GMO Payment Gateway, Inc. Epsilon, Inc. Companies Close of fiscal year: March 31 CLICK Securities, Inc. and 3 other companies Close of 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 statements provided by the subsidiaries on Nov 30. Consolidated financial statements are based on provisional financial statements provided by other subsidiaries on the closing date of the consolidated fiscal year. Consolidated statements adjusted as necessary to reflect significant transactions that occur after these dates.

Item	Previous Consolidated Fiscal Year (01.01.2010 – 12.31.2010)	Current Consolidated Fiscal Year (01.01.2011 – 12.31.2011)
4. Items concerning accounting standards	(1) Method and standards for the evaluation of assets (i) Marketable Securities Available for sale securities Contract base market value method 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 fiscal year. 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. (ii) Derivatives transactions Current market value (2) Depreciation of major depreciable assets (i)Tangible fixed assets (excluding lease 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 (ii)Tangible fixed assets (excluding lease assets) Fixed rate method Computer software used by the company is amortized using the straight line method over an estimated useful life of (usually) five years. (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 Finance lease transactions that do not transfer ownership and have an inception date prior to December 31, 2008 are accounted for as ordinary leases transactions. (3) Significant deferred assets Stock issuance costs Stated as the full amount of the expense at the time of spending (4) The 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 sold. 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. (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. (iii) Allowance for director bonuses An amount is reserved for the payment of bonuses to directors based on salary forecasts. (iv) Financial Transaction Liability Reserve This reserve is provided in accordance with Article 46 of the Financial Instruments and Exchange Laws and Article 175 of the related Cabinet Ordinance concerning securities companies in order to provide for losses arising from securities transactions in some consolidated subsidiaries.	(1) Method and standards for the evaluation of assets (i) Marketable Securities Available for sale securities (no change from previous year) Bonds held to maturity (no change from the previous year) Other marketable securities (including operating investment securities) Securities with a market value: (no change from the previous year) Securities with no market value: (no change from the previous year) (ii) Derivatives transactions (no change from the previous year) (2) Depreciation of major depreciable assets (i)Tangible fixed assets (excluding lease assets) (no change from the previous year) (ii)Tangible fixed assets (excluding lease assets) (no change from the previous year) (iii) Lease Assets Finance lease transactions that do not transfer ownership (no change from the previous year) (3) Significant deferred assets Stock issuance costs (no change from the previous year) (4) The calculation of significant reserves (i) Allowance for doubtful debt (no change from the previous year) (ii) Allowance for bonuses (no change from the previous year) (iii) Allowance for director bonuses (no change from the previous year) (iv) Financial Transaction Liability Reserve (no change from the previous year)

Item	Previous Consolidated Fiscal Year (01.01.2010 – 12.31.2010)	Current Consolidated Fiscal Year (01.01.2011 – 12.31.2011)
	(5) Hedge Accounting Method (i) Hedge Accounting Method When conditions for appropriation treatment are met appropriation treatment is used for foreign exchange contracts. (ii) Hedging Instruments and Hedged Items Hedging Instruments: Foreign exchange contracts Hedged items: Foreign currency debt, Foreign currency forecast transaction (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 Effectiveness of Hedge Accounting Transactions The effectiveness of each relevant derivative transaction is evaluated by assessing the amount of debt/credit, hedge transaction conditions and other factors on an individual basis. (6) Goodwill and negative goodwill GlobalSign NV: amortized over 7 years In all other cases 5 year equal amortization. 1 time amortization on small amounts at the time they occur. (7)Scope of 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 3 months of the date of acquisition. (8) Other Significant Items Relating to the Preparation of the Consolidated Financial Statement (i)Accounting treatment of consumption tax etc. Consumption tax is separately accounted for by excluding it from each transaction amount. Consumption tax not accounted for by the exclusion method is accounted for as an expense in the current consolidated fiscal year. However, consumption tax not excluded relating to fixed assets is reported as a long term advance payment and amortized uniformly over 5 years. (ii) Accounting treatment of foreign exchange margin transactions In regard to foreign exchange margin transactions, the settlement gain or loss on transactions, gains or losses on appraisal and the swap point on outstanding positions is recorded as revenue. Gain or loss on appraisal is the difference between the market value and the exchange rate in the outstanding position on foreign exchange margin transactions calculated on each transaction statement. These are totaled and the amount reported as “Securities segment variation margin paid” or “Securities segment variation margin received” on the consolidated balance sheet. In addition, assets deposited by customers are reported separately on the consolidated balance sheet as “Deposits in the securities segment” in accordance with Article 43 paragraph 3.1 of Financial Instruments and Exchange laws and Article 143 paragraph 1.1 of the related Cabinet Office Ordinance.	(5) Hedge Accounting Method (i) Hedge Accounting Method (no change from the previous year) (ii) Hedging Instruments and Hedged Items (no change from the previous year) (iii) Hedge Policy (no change from the previous year) (iv) Method of Evaluating Effectiveness of Hedge Accounting Transactions (no change from the previous year) (vi) Method of goodwill and negative goodwill amortization (no change from previous year) (7) Scope of the Consolidated Cash Flow Statement (no change from the previous year) (8) Other Significant Items Relating to the Preparation of the Consolidated Financial Statement (i) Accounting treatment of consumption tax etc. (no change from the previous year) (ii) Accounting treatment of foreign exchange margin transactions (no change from the previous year) (iii) Application of consolidated taxation system Consolidated taxation system applied as of the current fiscal year.

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

Changes to Accounting Policy

Previous Consolidated Fiscal Year (01.01.2010 – 12.31.2010)	Current Consolidated Fiscal Year (01.01.2011 – 12.31.2011)
Adoption of New Accounting Standard for Business Combinations Accounting Standard for Business Combinations (ASBJ Statement No.21), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22), Partial amendments to Accounting Standard for Research and Development Costs (ASBJ Statement No.23), Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7 (Revised 2008)), Revised Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No.16 (Revised 2008)), and Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10 (Revised 2008)) were applied from the current fiscal year.	
	Application of Accounting Standards for Asset Retirement Obligations As of the current fiscal year Accounting Standards for Asset Retirement Obligations (ASBJ Statement No. 18 March 31, 2010) and Guidance on Accounting Standards for Asset Obligations (ASBJ Guidance No. 21 March 31, 2010) are applied. The impact of this change on profit and loss is immaterial.

Changes in Method of Presentation

Previous Consolidated Fiscal Year (01.01.2010 – 12.31.2010)	Current Consolidated Fiscal Year (01.01.2011 – 12.31.2011)
Consolidated Balance Sheet 1. Current Assets The line items “Inventory assets” and “Accrued income” on the balance statement of the previous consolidated fiscal year are now included in Current Assets “Other” due to their decreased significance. In the current fiscal year inventory assets were ¥88 million and accrued income was ¥108 million. 2. Fixed Assets The line items “Intangible lease assets”, “Investment real estate”, “Long term loans receivable”, “Investments”, “Security deposits”, and “doubtful debt” on the balance statement of the previous consolidated fiscal year are now included in Fixed Assets “Other” due to their decreased significance. In the current fiscal year individual amounts were as follows: Intangible lease assets (¥63 million) Investment in real estate (¥318 million) Long term loans receivable (¥171 million), Investments (¥215 million), Security deposits (¥1,036 million), and Doubtful debt (¥160 million).	Consolidated Balance Sheet 1. Fixed Liabilities “Lease obligations” reported under the line item “Other” in the previous fiscal year, are reported as a separate line item in the current fiscal year due to increased significance. (“Lease obligations” amounted to ¥1,176 million in the previous fiscal year.)

Previous Consolidated Fiscal Year (01.01.2010 – 12.31.2010)	Current Consolidated Fiscal Year (01.01.2011 – 12.31.2011)
3. Current Liabilities The line item “Lease obligations” on the balance statement of the previous consolidated fiscal year is now included in Current Liabilities “Other” due to its decreased significance. In the current consolidated fiscal year Lease obligations totaled ¥426 million. 4. Fixed Liabilities The line items “Long term amount payable” and “Lease obligations” on the balance statement of the previous consolidated fiscal year are now included in Fixed Liabilities “Other” due to decreased significance. In the current fiscal year Long term amount payable was ¥257 million and Lease obligations amounted to ¥1,176 million.	—
	Consolidated Statements of Income 1. As of the current fiscal year "Net profit before minority interests” is presented, in line with Cabinet Ordinance No. 5 (03.24.2009) which partially revises regulations for financial statements based on “Accounting Standards for Consolidated Financial Statements. (ASBJ Statement No. 22) 2. Due to increased significance the following items are now reported as individual line items“ Gain on expiry of points” (¥24 million in the year prior, and previously included as “Other” under “Non-operating Income”), “Refund on cancelled insurance contracts” (¥4 million in the year prior, and previously included as “Other” under “Extraordinary Profit”), and “Provision for doubtful debt” (¥19 million in the year prior, and previously included as “Other” under “Extraordinary Losses.”)
Consolidated Cash Flow Statement 1. Due to their decreased significance the line items “gain or loss on currency translation (-=gain)” (-¥5 million in the current fiscal year), “stock issue costs” (¥1 million in the current fiscal year) and “Change in operating investment securities (- = increase) (¥109 million in the current fiscal year) under Cash Flow from Operating Cash Flow are now included in “other”. 2. From the current consolidated fiscal year Cash Flow from Investing Activities line items, “expenditure on loans” (-¥113 million in current fiscal year), and “income from recovery of loans” (¥76 million in current fiscal year), are now included in the line item “other” due to their decreased significance.	—

Additional information

Previous Consolidated Fiscal Year (01.01.2010 – 12.31.2010)	Current Consolidated Fiscal Year (01.01.2011 – 12.31.2011)
—	Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement no. 25 (6/30/2010) has been applied as of the current fiscal year. The line items and amounts Other Comprehensive Income and Other Comprehensive Income Total correspond to the items “Other Gaps in Appraisals, Conversions etc.” and “Other Gaps in Appraisals, Conversions etc. Total” respectively.

(8) Notes to Consolidated Financial Statements

Consolidated Balance Sheet Notes

Previous Consolidated Fiscal Year (As of 12.31.2010)	Current Consolidated Fiscal Year (As of 12.31.2011)
*1 Tangible Fixed Assets Accumulated Depreciation ¥2,027 million	*1 Tangible Fixed Assets Accumulated Depreciation ¥3,154 million
*2 Contribution from non consolidated subsidiaries and affiliated companies Investment Securities ¥855 million	*2 Contribution from non consolidated subsidiaries and affiliated companies Investment Securities ¥387 million
*3 Collateral Assets Collateral Assets Assets pledged as collateral Cash and Deposits ¥720 million Secured liabilities Trade notes and accounts payable ¥3 million Bank guaranteed amount ¥2,500 million In addition to the above, stock held by the company in GMO Hosting & Security Inc., GMO Payment Gateway Inc., paperboy&co.Inc., and CLICK Securities, Inc. is pledged as collateral against the company's short term debt (¥5,000 million), current portion of long term debt (¥3,831million) and long term debt (¥3,250 million).	*3 Collateral Assets Collateral Assets Assets pledged as collateral Cash and Deposits ¥3,353 millions Secured liabilities Trade notes and accounts payable ¥ 8 millions Bank guaranteed amount ¥10,000 millions In addition to the above, stock held by the company in GMO CLOUD K.K., GMO Payment Gateway Inc., paperboy&co. Inc., and GMO CLICK Securities, Inc. and GMO AD Partners stock held by GMO AD Holdings, Inc. is pledged as collateral against current portion of long term debt (¥2,524 million) and long term debt (¥11,089 million).
(2) Fair market value of pledged securities Securities lending on margin transactions ¥8,051 millions Securities pledged against margin transaction loans ¥11,077 millions Marketable securities held as deposits ¥7,400 millions	(2) Fair market value of pledged securities Securities lending on margin transactions ¥9,643 millions Securities pledged against margin transaction loans ¥11,656 millions Marketable securities held as deposits ¥12,309 millions
(3) Fair market value of pledged securities received Securities pledged against margin transaction loans receivable ¥17,274 millions Securities lending on margin transactions ¥ 3,690 millions Marketable securities received as deposits ¥23,640 millions	(3) Fair market value of pledged securities received Securities pledged against margin transaction loans receivable ¥21,191 millions Securities lending on margin transactions ¥4,972 millions Marketable securities received as deposits ¥32,433 millions
(4) Secured Liabilities The following non consolidated subsidiary holds the following secured loan from a financial institution. Consumer Open Center Ltd. ¥50 million	(4) Secured Liabilities The following non consolidated subsidiary holds the following secured loan from a financial institution. Consumer Open Center Ltd. ¥95 million
*5 Regulations regarding Special Law Reserves Financial instruments transaction liability reserve Financial Instruments and Exchange Act Article 46 paragraph 5.	*5 Regulations regarding Special Law Reserves Financial instruments transaction liability reserve Financial Instruments and Exchange Act Article 46 paragraph 5.
*6 Financial Covenants The following financial covenants are attached to three long term loan contracts. (1) On 12.31.2010 the balance of long term debt arising from a monetary loan for consumption executed on 04.07.2008 was ¥4,250 million (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, consolidated leverage ratio [(interest bearing liabilities + excess liabilities – cash and deposits) / (operating profit + depreciation + amortization of goodwill)] must be 5x or less	*6 Financial Covenants The following financial covenants are attached to two long term loan contracts. (1) On 12.31.2011 the balance of long term debt arising from a monetary loan for consumption executed on 04.07.2008 was ¥3,250 million (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, consolidated leverage ratio [(interest bearing liabilities + excess liabilities – cash and deposits) / (operating profit + depreciation + amortization of goodwill)] must be 5x or less

Previous Consolidated Fiscal Year (As of 12.31.2010)	Current Consolidated Fiscal Year (As of 12.31.2011)
(2) On 12.31.10 the balance of long term debt arising from a monetary loan for consumption executed on 06.03.2008 was ¥2,831 million (of which ¥2,831 million is scheduled to be repaid within a year). The following covenants were attached to loans	(2) On 12.31.11 the balance of long term debt arising from a monetary loan for consumption executed on 10.27.2011 was ¥8,000 million (of which ¥1,000 million is scheduled to be repaid within a year). The following covenants were attached to the loan.
(i) On the last day of the quarter in each financial year non-consolidated and consolidated fiscal statements must maintain positive net assets.	(i) On the final day of each fiscal year and on the final day of each second quarter Net Assets total on both consolidated and non consolidated balance sheets must be higher than 75% of Net Assets on the final day of the fiscal year ending December 2010 or on the final day of the most recent fiscal year whichever is the highest.
(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.	(ii) At the end of each fiscal year and at the end of each second quarter, consolidated and non-consolidated statements of income must not show operating losses.
(3) On 31.12.2010 the balance of short term debt arising from a monetary loan for consumption executed on 10.27.2010 was ¥5,000 million. The following covenants were attached to the loan.	(iii) At the end of each fiscal year and at the end of each second quarter, consolidated and non-consolidated statements of income must not show ordinary losses.
(i)At the end of each quarter and each fiscal year, consolidated and non-consolidated total net profit must exceed 75% of net profit on the last day of the 2009 fiscal year.	(iv) On the final day of each fiscal year and each second quarter, consolidated leverage ratio may not exceed 3x. Consolidated leverage ratio is calculated as follows
(ii) An ordinary loss must not be recorded at the end of the consolidated or non-consolidated fiscal year.	Consolidated leverage ratio = A÷BA= Interest bearing liabilities (short term debt excluding short term debt in GMO CLICK Securities, Commercial papers, current portion of long term debt, long term debt, bonds, bonds with equity warrants, bonds to be redeemed within the year, equity warrants to be redeemed within the year, lease obligations and discount drafts) + debt guarantees B= Operating profit + depreciation expenses + goodwill amortization (The total amounts on the final day of each quarter in the most recently completed fiscal year.)
(iii) In regard to non-consolidated financial statements, on the last day of the quarter and each fiscal year, leverage ratio [(interest bearing liabilities + deposits + dept guarantees – cash and deposits) / (operating profit + depreciation + amortization of goodwill + interest received + dividends received + business contribution)] must not exceed 7x.	(v) The borrowers leverage ratio (excluding financial divisions) must not exceed 5x. on the final day of each fiscal year and each second quarter. Consolidated leverage ratio (excluding financial divisions) is calculated as follows
(iv) At the end of each quarter and fiscal year, the non-consolidated balance sheet must maintain a total of less than ¥7.5 billion yen in current portion of long term debt, bonds to be redeemed within a year, long term debt, and bonds	Leverage Ratio (excluding financial division) = C÷D C =Interest bearing liabilities (short term debt, commercial papers, current portion of long term debt, long term debt bonds, bonds with equity warrants, bonds to be redeemed within the year, equity warrants to be redeemed within the year, lease obligations and discount drafts) + debt guarantees(all excluding financial divisions) D= Operating profit + depreciation expenses + goodwill amortization (The total amounts on the final day of each quarter in the most recently completed fiscal year.)

Previous Consolidated Fiscal Year (As of 12.31.2010)	Current Consolidated Fiscal Year (As of 12.31.2011)
*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 ¥20,000 millions Overdraft loans executed ¥7,565 millions Balance ¥12,434 millions	*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 ¥20,800 millions Overdraft loans executed ¥5,400 millions Balance ¥15,400 millions

Notes to Consolidated Profit and Loss Statement

Previous Consolidated Fiscal Year (01.01.2010 – 12.31.2010)	Current Consolidated Fiscal Year (01.01.2011 – 12.31.2011)
*1 Major Items and Amounts in Selling, General and Administrative Expenses Advertising Expenses ¥1,307 million Salaries ¥6,138 million Transfer to allowance for bonuses ¥306 million Transfer to allowance for Director bonuses ¥148 million Transfer to allowance for doubtful debt ¥146 million Commissions paid ¥1,140 million Amortization of goodwill ¥625 million Depreciation expenses ¥577 million	*1 Major Items and Amounts in Selling, General and Administrative Expenses Advertising Expenses ¥3,030 million Salaries ¥7,607 million Transfer to allowance for bonuses ¥333 million Transfer to allowance for Director bonuses ¥354 million Transfer to allowance for doubtful debt ¥294 million Commissions paid ¥3,029 million Amortization of goodwill ¥1,234 million Depreciation expenses ¥1,082 million
*2 General administrative expenses include ¥7 million in research and development	*2 General administrative expenses include ¥1 million in research and development
–	*3 Gain on sale of fixed assets (¥56 million) includes sale of intangible fixed assets.
*4 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. ¥0 million	*4 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: GMO Payment Gateway, Inc. ¥5 million
*5 Loss on retirement of fixed assets (¥61 million) includes software (¥39 million), buildings and structures (¥10 million), tools and equipment (¥8 million), and other tangible fixed assets (¥2 million).	*5 Loss on retirement of fixed assets (¥162 million) includes software (¥110 million), buildings and structures (¥26 million), tools and equipment (¥3 million), and other tangible fixed assets (¥21 million).

Previous Consolidated Fiscal Year (01.01.2010 – 12.31.2010)	Current Consolidated Fiscal Year (01.01.2011 – 12.31.2011)

Previous Consolidated Fiscal Year (01.01.2010 – 12.31.2010)

*6 Impairment loss

Impairment losses were recognized on the following assets

Use	Type	Location
Web Infrastructure & Ecommerce	Buildings and structures	Shibuya ku, Tokyo
	Tools and equipment	Shibuya ku, Tokyo
	Software	Shibuya ku, Tokyo
	Goodwill	—
	Other	—
Internet Media	Software	Shibuya ku, Tokyo
	Other	—

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

Revenue in the Web Infrastructure and Ecommerce segment is no longer expected to reach the level assumed in the business plan at the time of acquisition of the goodwill, therefore goodwill is reduced to the recoverable amount and an impairment loss is recognized. The recoverable amount is measured based on the revised business plan for the assets group to which the goodwill is related.

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 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. Impairment loss breakdown: Goodwill: ¥65 million, Software ¥66 million, buildings and structures ¥0 million, tools and equipment ¥0 million, other ¥53 million.

Current Consolidated Fiscal Year (01.01.2011 – 12.31.2011)

*6 Impairment loss

Impairment losses were recognized on the following assets

Use	Type	Location
Web Infrastructure & Ecommerce	Tools and equipment	Shibuya ku, Tokyo
	Software	Shibuya ku, Tokyo
	Other	—
Internet Media	Software	Shibuya ku, Tokyo
Social Media & Smartphone Platform	Software	Shibuya ku, Tokyo
Investment Real Estate	Other	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 the Web 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 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.

Impairment loss breakdown: Software ¥60 million, Tools and equipment ¥7 million, Investments and other assets: ¥157 million.

Items related to Statement of Comprehensive Income Current Consolidated Fiscal Term (01.01.2011 – 12.31.2011)

*1 Comprehensive Income in the most recent fiscal year

Comprehensive Income Attributable to Parent Company Shareholders	¥2,178 million
Comprehensive Income Attributable to Minority Shareholders	¥1,250 million
Total	¥3,428 million

*2 Other Comprehensive Income in the most Recent Consolidated fiscal year

Comprehensive Income Attributable to Parent Company Shareholders	-¥30 million
Comprehensive Income Attributable to Minority Shareholders	-¥73 million
Total	-¥104 million

Notes regarding the Statement of Consolidated Shareholders' Equity
Previous Consolidated Fiscal Year (01.01.2010-31.12.2011)
1. Items relating to outstanding shares

Type of Stock	End of Previous Fiscal Year	Increase	Decrease	End of Current Fiscal Year
Common Stock	100,003,441	—	—	100,003,441

2. Items regarding treasury stock

Type of Stock	End of Previous Fiscal Year	Increase	Decrease	End of Current Fiscal Year
Common Stock	1,506	—	—	1,506

3. Items regarding shares warrants

Company Name	Breakdown	Entitled Share Type	Number of Concerned Shares			End of Current Fiscal Year (¥millions)
			End of Previous Fiscal Year	Increase	Decrease	
Consolidated Subsidiary	—	—	—	—	—	15
Total						15

4. Items regarding dividends

(1) Dividend Payments

Decision	Type of Stock	Total Payout (¥millions)	Dividend per Share (¥)	Date of Record	Effective Date
Annual General Shareholders Meeting (03.26.2010)	Common Stock	400	4	12.31.2009	03.29.2010
Board of Directors Meeting (08.05.2010)	Common Stock	200	2	06.30.2010	09.27.2010

(2) Items concerning dividends with a date of record in the current consolidated year that will be paid out in the following fiscal year.

Decision	Type of Stock	Source of Dividend	Total Payout (¥millions)	Dividend per Share (¥)	Date of Record	Effective Date
Annual General Shareholders Meeting (03.25.2011)	Common Stock	Earned Surplus	500	5	12.31.2010	03.28.2011

Current Consolidated Fiscal Year (01.01.2011 -12.31.2011)

1. Items relating to outstanding shares

Type of Stock	End of Previous Fiscal Year	Increase	Decrease	End of Current Fiscal Year
Common Shares	100,003,441	17,803,336	–	117,806,777

Summary of reason for change

Increase is a result of the stock issued for stock swap with GMO CLICK Securities, Inc. (formerly CLICK Securities, Inc.) making the company a wholly owned subsidiary on March 23, 2011.

2. Items regarding treasury stock

Type of Stock	End of Previous Fiscal Year	Increase	Decrease	End of Current Fiscal Year
Common Stock	1,506	178	–	1,684

3. Items regarding shares warrants

Company Name	Breakdown	Entitled Share Type	Number of Concerned Shares			End of Current Fiscal Year (¥millions)
			End Previous Fiscal Year	Increase	Decrease	
Consolidated Subsidiary	–	–	–	–	–	26
Total						26

4. Items regarding dividends

(1) Dividend Payments

Decision	Type of Stock	Total Payout (¥millions)	Dividend per Share (¥)	Date of Record	Effective Date
Balance on 03.25.2011	Common Stock	500	5	12.31.2010	03.28.2011
05.09. 2011 Board of Directors Meeting	Common Stock	235	2	03.31.2011	06.24.2011
08.08. 2011 Board of Directors Meeting	Common Stock	235	2	06.30.2011	09.28.2011
11.08. 2011 Board of Directors Meeting	Common Stock	353	3	09.30.2011	12.31.2011

(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	Total Payout (¥millions)	Dividend per Share (¥)	Date of Record	Effective Date	Decision
02.08.2012 Board of Directors Meeting	Common Stock	Earned Surplus	589	5	12.31.2011	03.12.2012

Consolidated Cash Flow Statement

<table>
<tr><th>Previous Consolidated Fiscal Year
(01.01.2010 – 12.31.2010)</th><th>Current Consolidated Fiscal Year
(01.01.2011 – 12.31.2011)</th></tr>
<tr><td>1. Difference between Cash and Cash Equivalents End of Term Balance and items listed on the consolidated balance sheet (¥millions)
Cash and cash accounts 27,869
Fixed term deposits with a term of over 3 months -60
Cash and Cash Equivalents 27,809

2. Breakdown of assets and liabilities in newly acquired subsidiaries
The following shows the relationship between the acquisition price and income (net amount) from the acquisition of stock in CLICK Securities, and a breakdown of the company's assets and liabilities at the time of acquisition (¥millions).
Current assets 120,652
Fixed assets 2,114
Goodwill 2,134
Current liabilities - 112,751
Fixed liabilities - 586
Special law reserve fund total - 412
Minority interests - 5,406
Subsidiary stock acquisition cost 5,745
Gain on step acquisition -248
Acquisition cost up to time of acquisition of control -203
Cash and equivalents in CLICK Securities, Inc. -13,625
Balance: Income related to the acquisition of CLICK Securities, Inc. -8,331</td>
<td>1. Difference between Cash and Cash Equivalents End of Term Balance and items listed on the consolidated balance sheet (¥millions)
Cash and cash accounts 36,281
Fixed term deposits with a term of over 3 months -205
Restricted amount -3,333
Cash and Cash Equivalents 32,743

—</td></tr>
</table>

Marketable Securities
Previous Consolidated Fiscal Year
Available for sale securities
Valuation difference on available for sale securities in the consolidated fiscal year: ¥9 million

2. Bonds held to maturity (12.31.2010)

(Unit: ¥millions)

Item	Consolidated Balance Sheet Amount	Market Value	Difference
Items where market value exceeded balance sheet amount			
i. Government bonds	10	11	0
ii. Bonds	—	—	—
iii. Other	—	—	—
Sub total	11	11	0
Items where balance sheet amount exceeded market value			
i. Government bonds	—	—	—
ii. Bonds	—	—	—
iii. Other	—	—	—
Sub total	—	—	—
Total	11	11	0

3. Other marketable securities (12.31.2010)

(Unit: ¥millions)

Item	Consolidated Balance Sheet Amount	Acquisition Cost	Difference
Items where balance sheet amount exceeded acquisition cost			
Securities	18	11	7
Bonds	—	—	—
Other	—	—	—
Sub total	18	11	7
Items where acquisition cost exceeded balance sheet amount			
Securities	3	5	-1
Bonds	—	—	—
Other	—	—	—
Sub total	3	5	-1
Total	22	16	6

4. Marketable securities sold during the current consolidated fiscal term (01.01.2010 – 12.31.2010)

(Unit: ¥millions)

Item	Sale Price	Total Gain on Sale	Total Loss on Sale
Securities	469	336	6
Other	40	39	—
Total	509	376	6

5. Marketable securities impaired

Impairment loss on other marketable securities was ¥259 million in the consolidated fiscal year.

Consolidated Fiscal Year

Available for sale securities (12.31.2011)

Valuation difference on available for sale securities in the consolidated fiscal year: ¥ - million

2. Bonds held to maturity (12.31.2011)

(Unit: ¥millions)

Item	Consolidated Balance Sheet Amount	Market Value	Difference
Items where market value exceeded balance sheet amount			
i. Government bonds	10	10	0
ii. Bonds	—	—	—
iii. Other	—	—	—
Sub total	10	10	0
Items where balance sheet amount exceeded market value			
i. Government bonds	—	—	—
ii. Bonds	—	—	—
iii. Other	—	—	—
Sub total	—	—	—
Total	10	10	0

3. Other marketable securities (12.31.2011)

(Unit: ¥millions)

Item	Consolidated Balance Sheet Amount	Acquisition Cost	Difference
Items where balance sheet amount exceeded acquisition cost			
Securities	—	—	—
Bonds	—	—	—
Other	—	—	—
Sub total	—	—	—
Items where acquisition cost exceeded balance sheet amount			
Securities	449	447	-1
Bonds	—	—	—
Other	—	—	—
Sub total	449	447	-1
Total	449	447	-1

4. Marketable Securities Sold during the Current Consolidated Fiscal Term (01.01.2011 – 12.31.2011)

(Unit: ¥millions)

Item	Sale Price	Total Gain on Sale	Total Loss on Sale
Securities	16	13	19
Other	—	—	—
Total	16	13	19

5. Marketable securities impaired

Impairment loss on other marketable securities was ¥119 million in the consolidated fiscal year.

Derivative Transactions
Previous consolidated accounting term (01.01.2010 – 12.31.2010)

Derivative transactions (hedge accounting not applied)
(1) Currency trading

(Unit: ¥millions)

Item	Type	Contract Amount	Amount Over 1 Year	Market Value	Valuation Difference
OTC	Foreign Exchange Transactions				
	Short position	227,391	—	8,199	8,199
	Long Position	219,713	—	-521	-521
Total		—	—	7,677	7,677

(note) Calculation of market value: based on actual position at end of fiscal year

(2) Securities trading

(Unit: ¥millions)

Item	Type	Contract Amount	Amount Over 1 Year	Market Value	Valuation Difference
Market Transactions	Stock Index Futures Transactions				
	Short position	57	—	0	0
	Long Position	142	—	0	0
OTC	Index based CFD Transactions				
	Short position	206	—	1	1
	Long Position	120	—	0	0
	Equity based CFD Transactions				
	Short position	10	—	0	0
	Long Position	0	—	-0	-0
Total		—	—	1	1

(note) Calculation of market value: Stock Index Future transactions are based on the settlement index determined by the Financial Instruments Exchange and on closing price. Index based and equity based CFD transactions are based on closing price on the relevant exchange.

(3) Commodities trading

(Unit: ¥millions)

Item	Type	Contract Amount	Amount Over 1 Year	Market Value	Valuation Difference
Market Transactions	Commodities Futures				
	Short position	89	—	-0	-0
	Long Position	69	—	2	2
OTC	Commodity CFD Transactions				
	Short position	140	—	-2	-2
	Long Position	175	—	0	0
Total		—	—	0	0

(note) Calculation of market value: Commodity future transactions are based on the settlement index determined by the Financial Instruments Exchange and on closing price. Commodity CFD transactions are based on closing price on the relevant exchange.

2. Derivative transactions (hedge accounting applied)
Currency trading

(Unit: ¥millions)

Hedge Accounting Method	Derivative Transaction Type	Main Hedged Items	Contract Amount	Amount Over 1 Year	Market Value
Exchange Forward Contract Appropriation	Exchange Forward Contracts				
	Long Position	Advance payments	342	—	-25
Total			342	—	-25

(note) Market price calculation is based on the price stated by the financial institution.

Current Consolidated Fiscal Term (01.01.2011 – 12.31.2011)

Derivative transactions (hedge accounting not applied)

(1) Currency trading

(Unit: ¥millions)

Item	Type	Contract Amount	Amount Over 1 Year	Market Value	Valuation Difference
OTC	Foreign Exchange Transactions				
	Short position	206,532	－	10,031	10,031
	Long Position	197,864	－	-1,364	-1,364
	Coupon swaps	683	245	-178	-178
Total		－	－	8,489	8,489

(note) Calculation of market value: based on actual position at end of fiscal year

(2) Securities trading

(Unit: ¥millions)

Item	Type	Contract Amount	Amount Over 1 Year	Market Value	Valuation Difference
Market Transactions	Stock Index Futures Transactions				
	Short position	209	－	0	0
	Long Position	287	－	0	-0
OTC	CFD Transactions				
	Short position	946	－	-10	-10
	Long Position	873	－	2	2
	Equity based CFD Transactions				
	Short position	40	－	0	0
	Long Position	4	－	0	0
Total		－	－	-6	-6

(note) Calculation of market value: Stock Index Future transactions are based on the settlement index determined by the Financial Instruments Exchange and on closing price. Index based and equity based CFD transactions are based on closing price on the relevant exchange.

(3) Commodities trading

(Unit: ¥millions)

Item	Type	Contract Amount	Amount Over 1 Year	Market Value	Valuation Difference
Market Transactions	Commodity Futures				
	Short position	8	―	0	0
	Long Position	458	―	0	0
OTC	Commodity CFD Transactions				
	Short position	711	―	-1	-1
	Long Position	238	―	-1	-1
Total		―	―	-3	-3

(note) Calculation of market value: Commodity future transactions are based on the settlement index determined by the Financial Instruments Exchange and on closing price. Commodity CFD transactions are based on closing price on the relevant exchange.

2. Derivative transactions (hedge accounting applied)
Currency Transactions

(Unit: ¥millions)

Hedge Accounting Method	Derivative Transaction Type	Main Hedged Items	Contract Amount	Amount Over 1 Year	Market Value
Exchange Forward Contract Appropriation	Exchange Forward Contracts				
	Long Position	Advance payment, accounts payable	249	―	-3
Total			249	―	-3

(note) Market price calculation is based on the price stated by the financial institution.

Tax Effect Accounting

Previous Consolidated Fiscal Year (As of 12.31.2010)		Consolidated Fiscal Year (As of 12.31.2011)	
1. Significant causes of deferred tax assets/ liability		1. Significant causes of deferred tax assets/ liability	
Deferred tax asset		Deferred tax asset	
Provision for doubtful debts	¥193 million	Provision for doubtful debts	¥217 million
Loss carried forward	¥13,822 million	Loss carried forward	¥10,550 million
Excess depreciation	¥114 million	Excess depreciation	¥144 million
Loss on appraisal of investments in securities	¥167 million	Loss on appraisal of investments in securities	¥197 million
Loss on appraisal of stock in affiliated companies	¥7million	Loss on appraisal of stock in affiliated companies	¥42 million
Accrued enterprise tax	¥95 million	Accrued enterprise tax	¥169 million
Impairment loss	¥135 million	Impairment loss	¥113 million
Other	¥423 million	Other	¥530 million
Deferred tax asset sub total	¥14,960 million	Deferred tax asset sub total	¥11,966 million
Valuation reserve	-¥11,803 million	Valuation reserve	-¥6,707 million
Deferred tax asset total	¥3,157 million	Deferred tax asset total	¥5,258 million
Deferred Tax Liability		Deferred Tax Liability	
Other gaps in appraisal of securities	-¥29 million	Other gaps in appraisal of securities	-¥80 million
Other	¥ - million	Other	-¥58 million
Deferred tax liability sub total	-¥29 million	Deferred tax liability sub total	-¥139 million
Deferred tax asset (net amount)	¥3,127 million	Deferred tax asset (net amount)	¥5,119 million
2. Main items causing difference between statutory tax rate and effective tax rate		2. Main items causing discrepancy between statutory tax rate and effective tax rate	
Statutory tax rate	40.69%	Statutory tax rate	40.69%
(Reconciliation)		(Reconciliation)	
Entertainment expenses (non deductible)	1.80%	Entertainment expenses (non deductible)	2.52%
Dividends received (non deductible)	-4.72%	Dividends received and other items in which profit is never included	-16.55%
Dividends received from consolidated subsidiaries	5.12%	Dividends received from consolidated subsidiaries	16.86%
Amortization of goodwill (new)	3.38%	Amortization of goodwill (new)	7.30%
		Director bonuses (non deductible)	4.23%
Increase/decrease in valuation reserve	-9.64%	Increase/decrease in valuation reserve	-42.20%
Other	-0.92%	Other	0.85%
Effective enterprise etc. tax burden	35.71%	Effective enterprise etc. tax burden	13.70%

Notes regarding Business Combinations

Previous consolidated accounting term (01.01.2010 – 12.31.2010)

Business combination by acquisition

1. Name of company acquired, reason for business combination, date of business combination, legal form and name of business after acquisition, and percentage of voting rights required.

(1) Name of company acquired and business description

Name of company acquired: CLICK Securities, Inc.

Business description: Internet securities business

(2) Main purposes of business combination

Objectives of the combination include leveraging the high-profile CLICK Securities brand, to conduct joint marketing activities, to improve the group's brand recognition, to distribute GMO TokuToku points to CLICK Securities customers, to boost circulation of GMO TokuToku points by offering free points to members who sign up for securities accounts and through other similar campaigns and to drive further growth of corporate value.

(3) Date of business combination

10.29.2010

(4) Legal form of business combination and company name after combination

Legal form of business combination Stock acquisition

Company name after combination: no change

(5) Percentage of voting rights acquired

36.9%

2. Term in which acquired business is included in consolidated financial statements.

October 1 – December 31, 2010

3. Breakdown: cost of acquisition of acquired company

Acquisition cost	Stock in CLICK Securities, Inc.	¥5,273 million
Direct expenses	Advisory expenses	¥20 million
Cost of acquisition		¥5,294 million

4. Amount of goodwill recognized, cause, method and term of amortization

Amount of goodwill recognized

¥2,134 million

(2) Cause

Goodwill is recognized on future earnings capacity, expected business expansion

(3) Method and term of amortization

Uniformly amortized over 5 years

5. Amount and breakdown of assets and liabilities undertaken on date of combination.

Current assets	¥120,652 million
Fixed assets	¥2,114 million
Total Assets	¥122,767 million
Current liabilities	¥112,751 million
Fixed liabilities	¥586 million
Special law reserve	¥412 million
Total Liabilities	¥113,750 million

6. Estimated impact on consolidated statement of income in the current fiscal year if the business combination is complete on the first day of the consolidated fiscal year.

No amount is listed due to the difficulty of calculating an estimation.

Please be aware that these notes are unaudited.

Current Consolidated Fiscal Year(01.01.2011-12.31.2011)
Common control transactions etc.

(1) Name of company acquired in business combination, reason for business combination, date of business combination, legal form and name of business after acquisition, and percentage of voting rights required.

i. Name of company acquired in business combination and business description

Name of company acquired: CLICK Securities, Inc. (now GMO CLICK Securities, Inc.)

Business description: Internet securities business

ii. Date of business combination: March 31, 2011

iii. Legal form of business combination: GMO Internet becomes wholly-owning parent and GMO CLICK Securities becomes wholly-owned subsidiary in stock swap

iv. Company name after combination: On April 1, 2011 CLICK Securities changed its name to GMO CLICK Securities (Inc.)

v. Summary of Transaction Objectives

Further consolidating GMO Internet Group and GMO CLICK Securities resources enables more efficient decision making in regard to management of GMO CLICK Securities, and a structure that facilitates more efficient allocation of management resources.

(2) Summary of accounting treatment

Common control transaction in accordance with Accounting Standard for Business Combinations (ASBJ Statement No.21, 12/26/2008), and Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10 ,12/26/2008).

(3) Notes regarding additional acquisition of subsidiary stock

i. Acquisition cost and breakdown

Acquisition value: ¥6,836 million

Direct expenses: ¥11 million

Acquisition cost: ¥6,848 million

ii. Type of shares and ratio of exchange

Ratio of 1:1.99 CLICK Securities common shares to GMO Internet common shares

iii. Calculation of exchange ratio

In the interest of reaching a fair and just price both companies requested calculations from independent entities. (GMO Internet from Daiwa Institute of Research, and CLICK Securities from AGS Consulting.) The above ratio was agreed to following discussions between the two companies using the quotations provided as a reference.

iv. Stock issue and valuation

Stock Issue: 17,803,336

Valuation: ¥6,836 million

(4) Amount of goodwill recognized, cause, method and term of amortization

i. Total goodwill ¥1,001 million

ii. Cause

Difference between increased equity in GMO CLICK Securities and acquisition cost

iii. Method and term of amortization

5 year equal amortization

Segment Data
Data by segment
Previous consolidated fiscal year (01.01.2010 – 12.31.2010)

Item	Web Infrastructure & Ecommerce (¥millions)	Internet Media (¥ millions)	Internet Securities	Other (¥millions)	Total (¥millions)	Intercompany and Group Wide (¥millions)	Consolidated (¥millions)
I Sales and Operating Gain or Loss							
Revenue							
(1) Sales to unaffiliated customers	20,159	20,909	2,918	497	44,483	–	44,483
(2) Inter-segment sales and transfer	212	426	0	–	639	(639)	–
Total	20,371	21,335	2,918	497	45,123	(639)	44,483
Operating expenses	17,357	19,434	2,178	474	39,445	(689)	38,755
Operating profit	3,014	1,900	740	22	5,678	50	5,728
II Assets, Depreciation Expenses, Impairment loss, and Capital expenditure							
Assets	32,733	9,513	121,922	1,095	165,264	195	165,460
Depreciation expenses	842	283	159	0	1,286	–	1,286
Impairment loss	173	12	–	–	186	–	186
Capital expenditure	890	145	148	33	1,217	–	1,217

(notes)

1. Operations are segmented for internal management purposes
2. CLICK Securities, Inc. and two other companies joined the consolidation and the Internet Securities segment was established in the current fiscal year.
3. Main products in each segment
   (1) Web Infrastructure & Ecommerce
   Internet access provider, domain registration, web hosting, e-commerce solutions, web development, security, payment processing, other
   (2) Internet Media
   Internet media & search media, Internet advertising agencies, other
   (3) Internet Securities: Internet securities business
   (4) Other: Venture capital, Flash marketing
4. Inter-company and group wide assets (¥1,306 million) are mainly investment securities.

Segment data by location

In the current fiscal year (01.01.2010 - 12.31.2010) Japan accounted for over 90% of revenue across all segments, and over 90% of assets in all segments and therefore location data has been omitted.

Global Revenue

In the previous fiscal year (01.01.2010-12.31.2010), revenue from outside Japan accounted for less than 10% of total consolidated revenue, therefore this segment data has been omitted.

Segment Data

1. Overview of Reportable Segments

Segment reporting enables an overview of financial condition in each segment of GMO Internet Group. Segmentation is periodically reviewed in order to enable the Board of Directors to make decisions regarding allocation of management resources and evaluate business performance.

GMO Internet Group operates a comprehensive line up of Internet related services. The group's operations are divided into five business segments according to service type. The five segments are: Web Infrastructure & Ecommerce, Internet Media, Internet Securities, Social Media & Smartphone Platform, and Incubation.

The Web Infrastructure & Ecommerce segment provides businesses and individuals with the tools required to communicate over the Internet. Services include domain registration, web hosting, Internet security, ecommerce solutions and web development, and payment processing services. The Internet Media segment provides Internet marketing solutions. In addition to operating media properties including blog and online community services, this segment operates Japanese keyword search service JWord and sells SEM media, Search Engine Optimization, as well as Internet advertsing. The Social Media & Smartphone Platform segment provides social apps development support and operates smartphone game platform GMO GameCenter, and group commerce website, Kumapon by GMO. The Internet Securities segment operates online securities and foreign exchange trading services. The Incubation segment invests primarily in unlisted Internet related businesses.

2. Calculation of revenue, profit or loss, assets and liabilities in reportable segments

All items relating to accounting treatment in reportable segments are listed in the section "Significant items concerning consolidated financial statements" Please note the company does not report assets by segment.

3. Notes regarding revenue, profit or loss, and other items in reportable segments

Previous consolidated fiscal year (01.01.2010 – 12.31.2010)

(Unit: ¥millions)

	Segment						Adjustment	Total
	Web Infrastructure & Ecommerce	Internet Media	Internet Securities	Social Media & Smartphone Platform	Incubation	Total		
Revenue								
Sales to unaffiliated customers	20,159	20,838	2,918	72	495	44,483	—	44,483
Internal transactions	212	426	—	—	—	639	-639	—
Total	20,371	21,264	2,918	72	495	45,123	-639	44,483
Segment Profit	3,032	2,140	740	-331	96	5,678	50	5,728
Other items								
Depreciation expenses	842	283	159	0	—	1,286	—	1,286

(notes)

1. Segment profit adjustment (¥50 million) is an adjustment for internal segment transactions.
2. Segment profit is based on the Operating Profit line item in the consolidate statement of income.
3. Assets and liabilities are not reported by segment.

Current Consolidated Fiscal Term (01.01.2011 – 12.31.2011)

(Unit: ¥millions)

	Segment						Adjustment	Total
	Web Infrastructure & Ecommerce	Internet Media	Internet Securities	Social Media & Smartphone Platform	Incubation	Total		
Revenue								
Sales to unaffiliated customers	24,042	20,944	14,757	1,928	18	61,691	—	61,691
Internal transaction s	319	1,094	—	3	—	1,417	-1,417	—
Total	24,361	22,039	14,757	1,932	18	63,109	-1,417	61,691
Segment Profit	3,076	1,598	4,386	-1,543	-148	7,368	156	7,525
Other items								
Depreciation expenses	1,281	226	600	77	—	2,185	—	2,185

(notes)

1. The segment profit adjustment (¥156 million) is an adjustment for internal segment transactions.
2. Segment profit is based on the Operating Profit line item in the consolidate statement of income.
3. Assets and liabilities are not reported by segment.

Additional information

"Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008) are applied from the current fiscal year.

Related Information

Current Consolidated Fiscal Year (01.01.2011 – 12.31.2011)

1. Data classified by product/service

This section is omitted because it is identical to the Segment Data section.

2. Data classified by geographic region

i. Revenue

This section is omitted because sales to customers in Japan account for over 90% of revenue stated on the consolidated statement of income

ii. Tangible Fixed Assets

This section is omitted because over 90% of tangible fixed assets stated on the consolidated balance sheet are located in Japan.

3. Data classified by major customer

No customer accounts for more than 10% of revenue stated on the consolidated statement of income and therefore this section is omitted.

Impairment loss on fixed assets by reportable segment

Current Consolidated Fiscal Year (01.01.2011 – 12.31.2011)

(Unit: ¥millions)

	Segment						Adjustment	Total
	Web Infrastructure & Ecommerce	Internet Media	Internet Securities	Social Media & Smartphone Platform	Incubation	Total		
Impairment loss	26	1	–	52	–	80	145	226

Goodwill amortization and unamortized balance by reportable segment

Current Consolidated Fiscal Year (01.01.2011 – 12.31.2011)

(Unit: ¥millions)

	Segment						Adjustment	Total
	Web Infrastructure & Ecommerce	Internet Media	Internet Securities	Social Media & Smartphone Platform	Incubation	Total		
Amortization in current term	561	60	604	8	–	1,234	–	1,234
Balance at end of term	1,796	199	2,590	71	–	4,659	–	4,659

Data regarding profit arising from negative goodwill by reportable segment

None.

Information regarding Affiliated Parties

Previous consolidated fiscal year (01.01.2010 – 12.31.2010)

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) Director or major shareholder (individual only) of the company:

Type	Name	Location	Asset or Investment (¥millions)	Nature of Business or Occupation	% of voting rights	Relationship	Transaction Details	Value (¥millions)	Account	End of Term Balance (¥millions)
Director	Masatoshi Kumagai	–	–	CEO, GMO Internet	(Direct) 12.7%	Company and Group CEO	Acquisition of subsidiary stock	5,273	–	–
Director	Masakazu Iwakura	–	–	Auditor,GMO Internet, Partner in Nishimura & Asahi	(Direct) 0.0%	Attorney' fee	Consignment of business	47	–	–
Companies` whose directors hold a majority stake	COSMEDIA Co. Ltd	Minato ku, Tokyo	10	Service company	none	Tenant	Income from real estate leasing etc.	19	–	–
							Return of deposit	12	–	–
	CLICK Securities, Inc.	Shibuya ku, Tokyo	3,030	Securities business	(Indirect) 3.9%	none	Advertising sales	56	Trade notes, accounts receivable	59
	Kumagai Masatoshi Office Ltd.	Minato ku, Tokyo	10	Service company	(Direct) 34.1%	none	Sale of Investment real estate	2,682	–	–

(notes) 1. Consumption tax is included in the end of term balance but not in the above individual amounts.

2. During the current fiscal year CLICK Securities, Inc. became a consolidated subsidiary following a stock acquisition. Therefore only details of transactions that occurred between Jan. 1, 2010 and Sep. 30, 2010 (the day prior to the deemed acquisition date) are shown and the end of term balance reported is the balance as of Sep. 30, 2010.

3. Transaction with Masakazu Iwakura are transactions between GMO Internet and Nishimura & Asahi law firm.

4. Transaction conditions and policy for determining transaction conditions

Securities: Independent valuation is consulted when determining the transaction price.

Attorney fees: determined with reference to relevant laws.

Real estate rent: General terms and conditions based on market prices.

Advertising sales, transactions: conditions are the same as the general conditions applied to transactions with unaffiliated parties.

In regard to the sale of real estate, real estate appraisals are consulted when determining transaction price. After transfer of the property, if the cost of removing a tenant exceeds a certain amount determined by court ruling the cost burden shall be determined by discussion between the two parties.

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

Director or major shareholder (individual only) of the company:

Type	Name	Location	Asset or Investment (¥millions)	Nature of Business or Occupation	% of voting rights	Relationship	Transaction Details	Value (¥millions)	Account	End of Term Balance (¥millions)
Director	Mitsuru Aoyama	–	–	Director, GMO Internet	–	Monetary loan	Loan repayment Interest received	70	Other	15
Director	Shintaro Takahashi	–	–	Director, GMO Internet	(Direct) 0.0%	Monetary loan	Monetary loan	33	Other	33

(note) 1. Consumption tax is not included in the above amounts

2. Transaction conditions and policy for determining transaction conditions In regard to monetary loans, interest is fairly determined in consideration of market interest rates and other factors.

2. Notes regarding the parent company or significant affiliated companies

None.

Current Consolidated Fiscal Year (01.01.2011 – 12.31.2011)

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) Director or major shareholder (individual only) of the company:

Type	Name	Location	Asset or Investment (¥millions)	Nature of Business or Occupation	% of voting rights	Relationship	Transaction Details	Value (¥millions)	Account	End of Term Balance (¥millions)
Director	Masatoshi Kumagai	–	–	CEO, GMO Internet	(Direct) 15.3%	Company and Group CEO	Acquisition of subsidiary stock	2,053	–	–
	Masakazu Iwakura	–	–	Auditor, GMO Internet, Partner in Nishimura & Asahi	(Direct) 0.0%	Attorney fees	Consignment of business	38	–	–

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

2. Transactions with Masakazu Iwakura are transactions between GMO Internet and Nishimura & Asahi law firm.

3. Transaction conditions and policy for determining transaction conditions

Sale of securities: an independent valuation is consulted when determining the transaction price.

In regard to attorney's fees, laws regarding attorney's fees are referred to when determining transaction price.

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

Director or major shareholder (individual only) of the company:

Type	Name	Location	Asset or Investment (¥millions)	Nature of Business or Occupation	% of voting rights (%)	Relationship	Transaction Details	Value (¥millions)	Account	End of Term Balance (¥millions)
Director	Shintaro Takahashi	–	–	Director of GMO Internet	(Direct) 0.0%	Monetary loan	Loan repayment	3	Other	29
							Interest received	0		-

(note) 1 Consumption tax is not included in the above amounts

2. Transaction conditions and policy for determining transaction conditions

In regard to monetary loans, interest is determined fairly based on market interest rates and other factors.

2. Notes regarding the parent company or significant affiliated companies

None.

Per Share Data

Item	Previous Consolidated Fiscal Year (01.01.2010 – 12.31.2010)	Consolidated Fiscal Year (01.01.2011 – 12.31.2011)
Shareholders' Equity Per Share	¥85.37	¥156.87
Net Profit per Share	¥22.09	¥37.77
Net Profit per Share (diluted)	―	―
	No net profit per share (diluted) is reported in the term as no residual stock exists to dilute existing shares,	No net profit per share (diluted) is reported in the term as no residual stock exists to dilute existing shares,

(note) Calculation Basis

1. Net profit per share and diluted net profit per share

Item	Previous Consolidated Fiscal Year (01.01.2010 – 12.31.2010)	Consolidated Fiscal Year (01.01.2011 – 12.31.2011)
Net Profit per Share		
Net profit (¥millions)	2,209	4,286
Non-common stock (¥millions)	―	―
Net profit allocated to common stock (¥millions)	2,209	4,286
Average number of common shares outstanding in the period	100,003,441	113,465,690
Average number of treasury shares in the period	-1,506	-1,613
Average number of shares outstanding in the period	100,001,935	113,464,077
Net profit per share (diluted)		
Net profit adjustment	―	―
Increase in no. of common shares	―	―
Residual securities that do 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. 03.24.2005 Stock options 102 common shares Stock options 4th series 1,920 common shares (ii) GMO Hosting & Security, Inc. 2005 Stock options 440 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 472 common shares 2009 Stock options 10th series 24 common shares (v) paperboy&co. Inc. Stock options 1st series 37,350 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. 03.24.2005 Stock options 102 common shares Stock options 4th series 1,920 common shares (ii) GMOCLOUD K.K.. 2005 Stock options 440 common shares (iii) GlobalSign K.K. 2006 Stock options 651 common shares (iv) GMO Payment Gateway, Inc. 2004 Stock options 6th series 304 common shares 2009 Stock options 9th series 428 common shares 2009 Stock options 10th series 24 common shares (v) paperboy&co. Inc. Stock options 1st series 36,100 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

None.

5. Non-Consolidated Financial Statements etc.

(1) Balance Sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2010)	Current Fiscal Year (As of Dec 31, 2011)
Assets		
Current Assets		
Cash and deposits	5,383	5,300
Accounts receivable	972	1,103
Products	8	7
Inventory assets	11	64
Advance payment	56	185
Prepaid expenses	135	236
Short term loans	829	2,128
Accrued corporate tax etc,	55	673
Deferred tax asset	425	1,039
Other	186	371
Provision for doubtful debts	-434	-1,398
Total Current Assets	7,629	9,710
Fixed Assets		
Tangible fixed assets		
Buildings	114	268
Accumulated depreciation	-56	-97
Buildings (net amount)	57	170
Structures	0	0
Accumulated depreciation	- 0	-0
Structures (net amount)	0	0
Tools and equipment	22	201
Accumulated depreciation	- 18	-36
Tools and equipment	4	164
Lease assets	1,247	2,849
Accumulated depreciation	- 134	-592
Lease assets (net amount)	1,113	2,257
Total tangible fixed assets	1,175	2,593
Intangible fixed assets		
Trademark rights	1	0
Software	83	45
Nominal software account	―	1
Telephone subscription	10	10
Right of utilization	2	2
Lease assets	17	35
Total intangible fixed assets	114	95
Investments and other assets		
Investment securities	229	290
Affiliated company stock	11,322	22,053
Investments	0	0
Employee long-service bonuses	3	1
Long term loans to affiliated companies	239	364
Equity warrants in affiliated companies	14	-
Other securities in affiliated companies	402	420
Security deposit	359	456
Investment real estate	322	189
Accumulated depreciation	- 3	-
Investment real estate (net amount)	318	189
Deferred tax asset	2,203	3,429
Other	31	58

(Unit: millions)

	Previous Fiscal Year (As of Dec 31, 2010)	Current Fiscal Year (As of Dec 31, 2011)
Provision for doubtful debts	- 30	-142
Total investments and other assets	15,092	27,122
Total fixed assets	16,383	29,810
Assets total	24,013	39,521
Liabilities		
Current Liabilities		
Short term debt	6,900	3,900
Current portion of long term debt	3,831	2,524
Lease liabilities	302	657
Amount payable	1,344	1,631
Expenses	22	27
Payment received	243	386
Deposit received	1,937	2,373
Provision for bonuses	32	38
Provision for bonuses to Directors	78	102
Other	59	79
Total Current Liabilities	14,751	11,719
Fixed Liabilities		
Long term debt	3,250	11,089
Long term deposits	194	232
Silent partnership investment	73	235
Lease liabilities	902	1,807
Asset retirement liabilities	-	79
Other	-	125
Total fixed assets	4,420	13,568
Liabilities Total	19,172	25,288
Net Assets		
Shareholders' equity		
Capital stock	1,276	2,000
Capital reserve		
Capital surplus	-	6,836
Total capital surplus		6,836
Earned surplus	-	
Earned reserve	150	200
Earned surplus carried forward	3,430	5,113
Total earned surplus	3,580	5,313
Treasury stock	- 0	-0
Total shareholders' equity	4,857	14,,149
Gaps in Appraisals, Conversions etc		
Other gaps in appraisal of Securities	- 1	85
Hedging profit/loss carried Forward	-15	-2
Total gaps in appraisals, conversions etc	- 16	83
Total Net Assets	4,840	14,233
Total Liabilities, Net Assets	24,013	39,521

(ii) Statement of Income

(Unit:¥millions)

	Previous Fiscal Year (01.01.2010-12.31.2010)	Current Fiscal Year (01.01.2011-12.31.2011)
Sales	11,228	12,352
Cost of sales	6,222	6,895
Gross profit on sales	5,006	5,366
Sales General and Administrative Expenses		
Sales promotion expenses	54	122
Advertising expenses	362	422
Business outsourcing expenses	212	282
Allocation to provision for doubtful	25	33
Director remuneration	300	382
Salaries and bonuses	1,322	1,402
Allocation to provision for bonuses	27	21
Allocation to provision for Director bonuses	78	102
Welfare expenses	215	240
Travel and transport expenses	64	77
Rent	279	285
Depreciation expenses	22	37
Communication expenses	99	89
Commissions paid	266	466
Other	444	584
Total Selling General and Administrative Expenses	3,778	4,551
Operating Profit	1,227	814
Non Operating Revenue		
Interest received	44	35
Dividends received	480	2,061
Shared expenses	101	95
Commissions received	17	16
Property rent received	49	-
Other	79	19
Total Non Operating Revenue	772	2,229
Non Operating Expenses		
Interest paid	200	270
Commissions paid	77	139
Other	55	43
Total Non Operating Expenses	334	454
Ordinary Profit	1,666	2,590
Extraordinary Profit		
Gain on sale of affiliated company stock	23	-
Gain on sale of investment securities	39	-
Debt waiver	-	345
Total Extraordinary Profit	63	345

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2010-12.31.2010)	Current Fiscal Year (01.01.2011-12.31.2011)
Extraordinary Loss		
Loss on retirement of fixed assets	0	44
Loss on evaluation of investment securities	0	212
Loss on evaluation of affiliated company Stock	4	163
Impairment loss	67	128
Provision for doubtful debts	180	1,157
Other	6	186
Total Extraordinary Loss	259	1,892
Net profit before tax adjustment and dividend to silent partnership	1,470	1,043
Silent partnership dividend	-105	162
Net profit before adjustment for tax	1,576	880
Corporate, municipal and enterprise taxes	3	-1,003
Adjustment for corporate tax etc.	12	-1,896
Total corporate tax etc.	15	-2,900
Net Profit	1,560	3,780

Cost of Sales Statement

Item	Note	Previous Business Fiscal Year (01.01.10-12.31.10)		Current Business Fiscal Year (01.01.11-12.31.11)	
		Amount (¥millions)	Composition (%)	Amount (¥millions)	Composition (%)
I Cost of product sales		3	0.1	3	0.1
II Labor costs		457	7.3	496	7.1
III Expenses	*1	5,761	92.6	6,486	92.8
Cost of Sales		6,222	100.0	6,985	100.0

Previous Business Fiscal Year (01.01.10-12.31.10)		Current Business Fiscal Year (01.01.11-12.31.11)	
*1 Breakdown of major expenses (¥millions)		*1 Breakdown of major expenses (¥millions	
Commissions paid	3,304	Commissions paid	3,265
Outsourcing expenses	978	Outsourcing expenses	883
Land rent	595	Land rent	817
Communication expenses	376	Communication expenses	612
Rent	107	Rent	95

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

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2010-12.31.2010)	Current Fiscal Year (01.01.2011-12.31.2011)
Shareholders' Equity		
Capital stock		
Balance at end of previous term	1,276	1,276
Changes during term		
Transfer from earned surplus to capital stock	–	723
Total changes during term	–	723
Balance at end of current term	1,276	2,000
Capital surplus		
Capital reserve		
Balance at end of previous term	–	–
Changes during term		
Increase due to stock swap	–	6,836
Total changes during term	–	6,836
Balance at end of current term	–	6,836
Capital surplus total		
Balance at end of previous term	–	–
Changes during term		
Increase due to stock swap	–	6,836
Total changes during term	–	6,836
Balance at end of current term	–	6,836
Earned surplus		
Earned reserve		
Balance at end of previous term	90	150
Changes during term		
Earnings reserve fund	60	50
Total changes during term	60	50
Balance at end of current term	150	200
Other earned surplus		
Earned surplus carried forward		
Balance at end of previous term	2,530	3,430
Changes during term		
Dividends from surplus	-600	-1,324
Earned reserve fund	-60	-50
Transfer from earned surplus to capital	-	-723
Net profit	1,560	3,780
Total changes during term	900	1,682
Balance at end of current term	3,430	5,113
Total earned surplus		
Balance at end of previous term	2,620	3,580
Changes during term		
Dividends from surplus	-600	-1,324
Transfer from earned surplus to capital	-	-723
Net profit	1,560	3,780
Total changes during term	960	1,732
Balance at end of current term	3,580	5,313
Treasury stock		
Balance at end of previous term	-0	-0
Changes during term		
Acquisition of treasury stock	-	-0
Total changes during term	-	-0
Balance at end of current term	-0	-0

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2010-12.31.2010)	Current Fiscal Year (01.01.2011-12.31.2011)
Total shareholders' equity		
Balance at end of previous term	3,896	4,857
Changes during term		
Dividends from surplus	-600	-1,324
Increase due to stock swap	-	6,836
Acquisition of treasury stock	-	-0
Net profit	1,560	3,780
Total changes during term	960	9,292
Balance at end of current term	4,857	14,149
Gaps in appraisals, conversions, etc.		
Other gaps in appraisal of securities		
Balance at end of previous term	-7	-1
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	6	86
Total changes during term	6	86
Balance at end of current term	-1	85
Hedging profit/loss carried forward		
Balance at end of previous term	4	-15
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	-20	13
Total changes during term	-20	13
Balance at end of current term	-15	-2
Total gaps in appraisals, conversions, etc.		
Balance at end of previous term	-3	-16
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	-13	100
Total changes during term	-13	100
Balance at end of current term	-16	83
Net assets total		
Balance at end of previous term	3,893	4,840
Changes during term		
Dividends from surplus	-600	-1,324
Acquisition of treasury stock	-	-0
Net profit	1,560	3,780
Increase due to stock swap	-	6,836
Changes in items other than shareholders' equity in the current term (net amount)	-13	100
Total changes during term	946	9,392
Balance at end of current term	4,840	14,233

(5) Notes regarding the Going Concern Assumption

None