

Fiscal Year 2013 Third Quarter Consolidated Financial Results (Japanese GAAP)

October 30, 2013

Name of Listed Company: GMO Internet, Inc.

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

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Date of Quarterly Report Release: November 8, 2013 Start Date of Dividend Payout: December 24, 2013

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 Third Quarter Financial Results in the Year Ending December 2013 (01.01.2013- 09.30.2013)

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

	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Nine months ended September 30, 2013	69,993	29.5	8,613	30.8	8,549	30.2	3,756	38.6
September 30, 2012	54,057	19.7	6,584	17.1	6,564	25.2	2,710	2.5

(Note) Comprehensive Income September 30, 2013: ¥6,158 million (68.8%) , September 30, 2012: ¥3,648 million (-2.9%)

	Net Profit per Share	Net Profit per Share (Diluted)
Nine months ended	¥	¥
September 30, 2013	31.89	31.50
September 30, 2012	23.00	—

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio
As of	¥ millions	¥ millions	%
September 30, 2013	409,971	34,860	5.9
Year Ended 12/2012	275,960	30,418	7.6

(Reference) Shareholders' Equity September 30, 2013: ¥24,262 million FYE12/2012: ¥21,071 million

2. Dividends

	Dividends per Share				
	End of Q1	End of Q2	End of Q3	End of Term	Total
	¥	¥	¥	¥	¥
Year Ended 12/2012	3.00	3.00	3.00	4.00	13.00
Year Ending 12/2013	3.00	3.00	4.00		
Year Ending 12/2013 (forecast)				5.00	15.00

(Note) Revision to forecast during the most recent quarter: yes

3. Consolidated Results Forecast for the Year Ending December 2013 (01.01.2013 – 12.31.2013)

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

	Net Sales		Operating Profit		Ordinary Profit		Net Profit		Net Profit per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Full Year	92,000	23.7	11,000	20.2	11,000	19.9	5,000	10.7	42.44

(Note) Revision to forecast during the most recent quarter: yes

*Notes

(1) Changes to significant subsidiaries in the current term: yes

Significant changes in subsidiaries in the current term (resulting in change in scope of consolidation):

New: 0 companies

Excluded: 1 company (GMO Media Holdings, Inc.)

Note: Please refer to page 10 for details.

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

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

1. Changes resulting from revisions to accounting policy: yes

2. Changes other than those specified above: none

3. Changes in accounting estimates: yes

4. Restatements: none

Note: Change in method of depreciation as of Q1 FY2013, applied when a change in accounting method is inseparable from a change in accounting estimate. Please refer to page 10 for details.

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

1. No. of Outstanding Shares at End of Term
(Including Treasury Stock)

2. No. of treasury shares at end of term

3. Average no. of shares in the term

Q3 FYE 12/2013	117,806,777	FYE 12/2012	117,806,777
Q3 FYE 12/2013	1,811	FYE 12/2012	1,684
Q3 FYE 12/2013	117,805,056	Q3 FYE 12/2012	117,805,093

*Quarterly Results Statement Audit

This results statement is subject to review under the Financial Instruments and Exchange, at the time this results statement was filed the review was 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. Please refer to page 9 for details regarding the assumptions on which forecasts are based.

Results Presentation for Investors and Analysts: Wednesday October 30, 2013

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

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1. Qualitative Information related to Financial Results
 1. Qualitative Information - Consolidated Operating Results

General Conditions

Under the corporate slogan "Internet for Everyone", GMO Internet Group focuses on directing resources into high growth Internet markets. Continued growth in the Internet market is largely centered around the mobile space, fuelled by increased usage of smartphones, tablets and other mobile devices, as well as the progression of cloud technology, and proliferation of social media. GMO Internet management views growth in the market as an opportunity to expand consolidated profits.

In the first nine months of fiscal year 2013, the Group strove to maintain growth in its Web Infrastructure & Ecommerce, Internet Media, and Internet Securities segments, while boosting user numbers and membership base by providing "number one" services in each sub-segment. At the same time, the Group continued to invest aggressively into smartphone games, a business that is expected to grow into the fourth pillar of the Group amidst a rapidly developing market.

In the first nine months of fiscal year 2013 Net Sales reached ¥69,993 million (29.5% year-on-year increase), Operating Profit totaled ¥8,613 million (30.8% year-on-year increase), Ordinary Profit totaled ¥8,549 million (30.2% year-on-year increase), and Net Profit was ¥3,756 million (38.6% year-on-year increase). All of these results are third quarter record highs.

Overview of Financial Results in the Nine Months to September 2013

(Unit: ¥millions)

	Previous Q3	Current Q3	Change	% Change
Net Sales	54,057	69,993	15,936	29.5%
Operating Profit	6,584	8,613	2,029	30.8%
Ordinary Profit	6,564	8,549	1,984	30.2%
Net Profit	2,710	3,756	1,046	38.6%

Net Sales and Operating Profit by Segment in the Nine Months to September 2013

(Unit: ¥millions)

	Previous Q3	Current Q3	Change	% Change
Web Infrastructure & Ecommerce				
Net Sales	22,111	28,226	6,115	27.7%
Operating Profit	3,228	3,929	701	21.7%
Internet Media				
Net Sales	19,587	22,433	2,845	14.5%
Operating Profit	1,561	1,709	147	9.4%
Internet Securities				
Net Sales	11,688	16,377	4,689	40.1%
Operating Profit	3,266	3,594	327	10.0%
Social & Smartphone				
Net Sales	2,041	4,371	2,330	114.2%
Operating Profit	-1,534	-874	660	-
Incubation				
Net Sales	78	145	66	85.4%
Operating Profit	-81	20	101	-
Adjustment				
Net Sales	-1,449	-1,560	-111	-
Operating Profit	143	234	91	-
Total				
Net Sales	54,057	69,993	15,936	29.5%
Operating Profit	6,584	8,613	2,029	30.8%

Description of businesses in each segment

Business Segment		Main Operations
Web Infrastructure & Ecommerce	Domain registration	<ul style="list-style-type: none"> • Domain registration services include Onamae.com, MuuMuu Domain, VALUE-DOMAIN.COM. Provision of domain name registrations (.com, .net, .jp etc.)
	Web hosting	<ul style="list-style-type: none"> • Provision, operation, management, and maintenance of dedicated, shared, VPS and cloud-based web hosting services including GMO AppsCloud, ConoHa by GMO, GMO Cloud VPS, GMO Cloud Public, GMO Cloud Private, Lolipop, heteml, and Sqale.
	Ecommerce solutions	<ul style="list-style-type: none"> • SaaS based services for online store building including Color me shop! and MakeShop, and Jugem Cart. • Development and operation of online shopping malls including Calamel. • Web design, operational support and system consulting
	Security	<ul style="list-style-type: none"> • GlobalSign Quick Authentication SSL, enterprise SSL, and other SSL certificate issue services, code signing certificate services, PDF document signing services, client certificates and other digital certificate services
	Payment processing	<ul style="list-style-type: none"> • GMO Payment Gateway services including PG Multi-Payment Service and other non-face-to-face payment processing services for ecommerce and catalog sales businesses, payment processing services for the public sector and social apps markets
	Access (ISP)	<ul style="list-style-type: none"> • GMO TokuToku BB, interQ, MEMBERS, ZERO, and other access provider services.
Internet Media	Internet media & search media	<ul style="list-style-type: none"> • Development and operation of blog services yaplog! and JUGEM, Internet community services including freeml and Coordinsnap, and ebook publishing solutions Booklog and Puboo. • SEM Media JWord operation and sales of JWord, Japanese keywords. Sales of SEO (Search Engine Optimization) services • Ad Networks Distribution of contextual advertising to owned & operated media and search engine results pages.
	Advertising agencies	<ul style="list-style-type: none"> • Internet advertising, mobile advertising, search engine advertising, affiliate advertising • Advertising planning and production
	Other	<ul style="list-style-type: none"> • Provision of Internet research systems, management and operation of online research panel (GMO Research Cloud Panel)
Internet Securities	Internet securities	<ul style="list-style-type: none"> • Operation of online securities trading, forex trading services etc.
Social & Smartphone	Smartphone games	<ul style="list-style-type: none"> • Social apps development/operation support • G-Gee by GMO game apps market for smartphone devices
	Daily deals	<ul style="list-style-type: none"> • Operation of daily deals website Kumapon by GMO
Incubation	Venture capital	<ul style="list-style-type: none"> • Investment in private Internet ventures.

i. Web Infrastructure & Ecommerce

The Web Infrastructure & Ecommerce segment provides fundamental Internet services required to operate a business or communicate information in an online environment. Domain registration, web hosting, security, ecommerce, and payment processing - the five major businesses in this segment – each hold the number one share in their respective markets in Japan. The following is a breakdown of results in each of the businesses comprising this segment.

Domain Registration

The domain business continued to expand its user base. In the nine months to September 2013 domain registration and renewals grew 10.6% to 2.81 million, and total domains under management rose 17.7% to 4.07 million, as the growth trend in the business was maintained. As a result the business reported net sales of ¥3,429 million (7.8% year-on-year increase).

Web Hosting

The web hosting business responded to growing sophistication and diversification of client needs through cloud-based, dedicated, shared and VPS offerings under a multiple brand strategy. Driving growth in this sub-segment is GMO AppsCloud, a cloud-based hosting service optimized for social game development and management. This is partly due to the growing mobile game market. Overall web hosting contracts increased 6.7% over the previous corresponding term to 710 thousand and net sales grew 10.5% year-on-year to ¥10,234 million.

Ecommerce Solutions

The ecommerce sub-segment operates SaaS based shopping cart solutions for ecommerce stores. At the end of the third quarter number of stores had grown 10.5% to 68,000 and trading volume was up 12.0% to ¥138.7 billion. This was a result of both market growth and expansion of customer base. As of the third quarter, earnings from GMO Commerce, a consulting services provider for Yahoo! Shopping ecommerce stores, are included ecommerce. The ecommerce sub-segment reported net sales of ¥2,563 million (32.3% year-on-year increase).

Security

In this sub-segment, sales via SSL partners grew, and SSL market share was expanded both in Japan and globally. Since May 2012, GlobalSign has been the fastest growing certificate authority brand in Japan. Globally certificate issues increased by a substantial 57.0% to 109 thousand. As a result the security business reported net sales of ¥1,949 million (32.4% year-on-year increase).

Payment Processing

Payment processing services are operated by GMO Payment Gateway and affiliates. In the third quarter focus remained on growing number of merchants, number of transactions, and transaction volume and enhancing value-add offerings aimed at helping merchants build revenues. Overall number of merchants increased 13.8% over the previous corresponding term to 44 thousand and net sales grew 22.2% year-on-year to ¥4,329 million.

Market share was expanded in each of the key Web Infrastructure & Ecommerce business in the period under review and overall results in the segment were as follows: Net Sales: ¥28,226 million (27.7% year-on-year increase), Operating Profit: ¥3,929 million (21.7% year-on-year increase).

ii. Internet Media

The Internet Media segment provides marketing solutions for online businesses. The segment comprises, search marketing services that optimize customer acquisition through major search engines such as Google and Yahoo!, net advertising, and a vast stable of owned and operated online properties. The following is a breakdown of results in each of the businesses comprising this segment.

Internet Media & Search Media

In addition to SEO solutions, this sub-segment is increasingly focused on smartphone media development and reward advertising. Net sales totaled ¥7,570 million (3.0% year-on-year increase).

Internet Advertising Agency

Internet advertising comprises media rep and agency business operations and is centered on GMO AD Partners. In the online advertising space we are seeing a continued shift from traditional display advertising to ad network advertising, as well as from feature phone to smartphone devices. In the third quarter, a drop in sales of feature phone products was offset by the continued strong performance of PC and smartphone listing ads, as well as display ad network products. The advertising agency business is also concentrating effort on developing proprietary products to improve profit margins. Net sales increased by a significant 20.6% from the previous year to ¥13,483 million.

Overall, in the Internet Media segment, net sales totaled ¥22,433 million (14.5% year-on-year increase), and operating profit came in at ¥1,709 million (9.4% year-on-year increase).

iii. Internet Securities

The Internet Securities segment focused on increasing number of accounts, customer assets held, and transaction volume. In the first nine months of the year new account acquisition was strong and number of securities accounts totaled 189,000 (28.0% YoY increase), while number of FX accounts totaled 454,000 (19.6% YoY increase). GMO CLICK Securities trading volume exceeded ¥100 trillion a month in both June and July, and remains strong as a result of investor reaction to monetary policy easing in Japan.

Approximately 80% of trading volume is accounted for by the low-spread JPY/USD currency pair, and as a result profit contribution is limited. Further cover transaction costs increased due to the weaker yen and profitability in the FX business was temporarily impacted. However, profits recovered in August after increasing spreads and implementing other measures.

Total net sales in the Internet Securities segment totaled ¥16,377 million (40.1% year-on-year increase) and operating profit was ¥3,594 million (10.0% year-on-year increase).

vi. Social & Smartphone

This segment comprises consumer services and in particular targets the fast-growing smartphone market. The following is an overview of performance in each of the Social & Smartphone sub-segments.

Smartphone Games

This sub segment comprises social apps development/operation and game app platform G-Gee. GooglePlay, AppStore and other app markets are growing rapidly as a result of the proliferation of smartphone and tablet devices. Competition is intensifying as online and console game developers enter the market alongside traditional social game developers.

In the first nine months of the year, Minerva Knights and other G-Gee titles maintained top positions in the Google Play revenue rankings. Overall, the smartphone games business reported sales of ¥3,243 million (303.4% year-on-year increase) and an operating loss of ¥864 million (operating loss in the previous fiscal year was ¥1,423 million).

Daily Deals

This sub-segment operates daily deals website, Kumapon by GMO. Kumapon has been focused on recovering leading investment, and as a result new customer acquisition has been negatively impacted. Kumapon reported sales of ¥1,128 million (8.8% year-on-year decrease) and an operating loss of ¥10 million (operating loss in the previous fiscal year was ¥110 million).

Overall in the Social & Smartphone segment, Net Sales grew 114.2% to ¥4,371 million, while aggressive investment in the new segment resulted in an operating loss of ¥874 million (¥1,534 operating loss in the previous corresponding term). The Group is making every effort to achieve profitability in this segment as early as possible.

v. Incubation Segment

The Incubation segment invests in expanding business and building enterprise value in Internet-related companies. In the third quarter revenue reached ¥145 million following the sale of shares held by the company (85.4% year-on-year increase), while the segment reported an operating profit of ¥20 million (¥81 million operating loss was reported in the previous corresponding period).

(Reference)

Changes in Operating Results and Financial Condition by Quarter

(Unit: ¥millions)

	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Net Sales	18,091	20,319	22,810	23,873	23,310
Operating Profit	1,572	2,564	2,894	2,971	2,748
Ordinary Profit	1,582	2,611	2,859	3,022	2,667
Net Profit	817	1,808	1,102	1,293	1,360
Total Assets	256,677	275,960	364,089	363,002	409,971
Shareholders' Equity	19,690	21,071	21,451	22,802	24,262

(Reference)

Table: Quarterly Results by Segment

(Unit: ¥millions)

I Net Sales by Segment

	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Web Infrastructure & Ecommerce					
Access (ISP)	502	656	827	1,112	1,256
Domain registration	1,043	942	1,138	1,184	1,106
Web hosting	3,186	3,327	3,342	3,465	3,427
Ecommerce solutions	676	761	845	749	967
Security	511	504	616	658	674
Payment processing	1,271	1,281	1,382	1,426	1,519
Other	590	629	898	838	787
Total	7,783	8,102	9,051	9,436	9,738
Internet Media					
Internet media & search media	2,459	2,347	2,514	2,532	2,523
Advertising agencies	3,854	3,673	4,491	4,610	4,382
Other	347	469	482	462	434
Total	6,662	6,490	7,488	7,604	7,339
Internet Securities					
Total	3,436	4,837	5,528	5,685	5,162
Social & Smartphone					
Smartphone games	267	435	863	1,231	1,147
Daily deals	421	383	397	392	338
Total	689	818	1,261	1,624	1,486
Incubation					
Total	36	525	41	42	61
Sub total	18,608	20,775	23,371	24,393	23,789
Adjustment	-516	-456	-560	-520	-479
Net Sales	18,091	20,319	22,810	23,873	23,310

II Operating Profit by Segment

	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Web Infrastructure & Ecommerce					
	1,103	1,026	1,318	1,327	1,284
Internet Media					
	455	464	659	593	455
Internet Securities					
	584	1,174	1,253	1,170	1,169
Social & Smartphone					
Smartphone games	-574	-600	-402	-170	-291
Daily deals	-4	5	0	-1	-8
Total	-578	-595	-402	-171	-300
Incubation					
	-27	448	6	3	11
Sub total	1,538	2,518	2,835	2,923	2,620
Adjustment	33	45	58	47	128
Operating Profit	1,572	2,564	2,894	2,971	2,748

2. Qualitative Information - Consolidated Financial Condition

Assets, Liabilities and Shareholders' Equity

Assets

At the end of the third quarter of fiscal year 2013 (September 30, 2013), assets had increased ¥134,010 (48.6%) from the end of the previous fiscal year to ¥409,971 million. Contributing factors included a ¥13,883 million (30.4%) increase in cash, and a ¥119,378 million (62.2%) rise in customer assets in the securities segment (securities segment deposits, margin transaction assets, short term deposits and variation margin paid).

Liabilities

At the end of the third quarter, liabilities had increased ¥129,568 million (52.8%) from the end of the previous fiscal year to ¥375,110 million. Liquidity on hand rose due to a rise in transactions related to the shareholder benefits program in the Securities segment at the end of September. This drove interest bearing liabilities up ¥17,632 million (83.2%). Other contributing factors included an increase of ¥107,020 million (57.1%) in securities segment liabilities (securities segment deposits received, margin transaction liabilities, guarantees and variation margin received) due to an expanding customer base.

Net Assets

At the end of the third quarter, net assets had increased ¥4,442 million (14.6%) from the end of the previous fiscal year to ¥34,860 million. Fluctuations in net assets were chiefly attributable to a ¥2,134 million (17.1%) increase in earnings surplus, an increase in minority equity of ¥1,251 million (13.4%) driven by profit increases in consolidated subsidiaries, an increase of ¥1,056 million in investment securities and other comprehensive income.

Cash Flow

At the end of the third quarter of fiscal year 2013 (September 30, 2013), cash and equivalents had increased ¥13,048 million (31.1%) from the end of the previous fiscal year to ¥54,947 million. The following is a summary of cash flow activity in the third quarter.

Cash Flow from Operating Activities

Operating activities generated ¥989 million (¥437 million was generated in the previous corresponding term). Major inflows included net profit before tax and other adjustments (¥7,729 million) and depreciation (¥3,242 million). There was a net increase in securities segment assets (increase in deposits, increase in guarantee deposits and decreases in variation margin paid and received, and increase in short term deposits and guarantees received) totaling ¥6,249 million, and a ¥2,822 million outflow due to corporate tax payments etc.

Cash Flow from Investing Activities

Outflow from investing activities total ¥3,130 million (¥1,419 million outflow in the previous corresponding term). This is mainly attributable to the acquisition of servers and other tangible fixed assets totaling ¥965 million, software license updates and other intangible asset acquisitions totaling ¥862 million and outflow from the sale and acquisition of investment securities totaling ¥458 million.

Cash Flow from Financing Activities

Inflow from financing activities total ¥14,762 million (¥7,847 million inflow in the previous corresponding term). Significant items included a net increase of ¥17,614 million in liabilities (increase in short term debt, repayment of long term debt) driven by an increase in liquidity on hand due to a rise in transactions related to the shareholder benefits program in the securities segment at the end of September, as well as dividend payments totaling ¥1,178 million.

3. Qualitative Information - Consolidated Earnings Results Forecasts

Consolidated earnings results for the current fiscal year (initially announced on February 6, 2013), have been revised upward. Please refer to the separate disclosure statement *Upward Revision of Fiscal Year 2013 Consolidated Earnings and Dividend Forecasts* (October 30, 2013) for details.

2. Summary of Information Related to Other Items

(1) Changes to significant subsidiaries in the current term

In the third quarter of the current fiscal year, consolidated subsidiary GMO Media Holdings, Inc. was absorbed by GMO Internet, Inc. and excluded from the consolidation.

(2) Special accounting treatments used in preparation of financial statements

None

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

Changes to Accounting Policy Change in Method of Depreciation

Due to a revision in corporate tax laws, all tangible fixed assets acquired by GMO Internet and consolidated subsidiaries in Japan will be depreciated in accordance with the revised corporate tax law. The impact of this change is immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2012)	3rd Quarter Current Fiscal Year (As of Sep 30, 2013)
Assets		
Current Assets		
Cash and deposits	45,718	59,602
Trade notes and accounts receivable	6,435	7,602
Operational investment securities	661	776
Securities segment deposits	122,914	191,340
Securities segment margin transaction assets	41,060	82,348
Securities segment short term guarantee deposits	17,824	22,954
Securities segment variation margin paid	10,188	14,723
Deferred tax asset	1,816	2,402
Other	8,259	7,296
Provision for doubtful debts	-429	-593
Total Current Assets	254,450	388,453
Fixed Assets		
Tangible fixed assets	7,246	7,562
Intangible fixed assets		
Goodwill	3,551	3,187
Software	3,761	3,913
Other	507	586
Total intangible fixed assets	7,821	7,687
Investments and other assets		
Investment securities	1,533	2,884
Deferred tax asset	3,163	1,675
Other	2,100	2,065
Provision for doubtful debts	-355	-357
Total investments and other assets	6,441	6,267
Total Fixed Assets	21,510	21,517
Total Assets	275,960	409,971
Liabilities		
Current liabilities		
Trade notes and accounts payable	2,283	2,593
Short term debt	8,792	27,150
Amount payable	6,141	9,275
Securities segment deposits received	11,245	24,072
Securities segment margin transaction liability	35,702	70,880
Securities segment guarantees received	136,616	196,836
Securities segment variation margin received	4,018	2,813
Accrued corporate tax etc.	1,470	922
Allowance for bonuses	336	404
Allowance for bonuses to directors	219	69
Advance payment received	3,479	3,780
Deposits received	13,118	14,754
Other	4,506	4,410
Total Current Liabilities	227,932	357,965

	(Unit: ¥millions)	
	Previous Fiscal Year (As of Dec 31, 2012)	3rd Quarter Current Fiscal Year (As of Sep 30, 2013)
Fixed Liabilities		
Long term debt	12,401	11,676
Deferred tax liability	25	31
Other	4,354	4,128
Total Fixed Liabilities	16,781	15,836
Statutory Reserve		
Financial instruments transaction liability reserve	828	1,309
Total Statutory Reserve	828	1,309
Total Liabilities	245,542	375,110
Net Assets		
Shareholders' Equity		
Capital stock	3,000	100
Capital surplus	5,836	8,736
Earned surplus	12,509	14,643
Treasury stock	-0	-0
Total Shareholders' Equity	21,344	23,479
Other Comprehensive Income		
Other securities valuation differences	-199	683
Hedging profit/loss carried forward	-52	-42
Foreign currency translation account	-21	141
Total Other Comprehensive Income	-273	782
Equity Warrants	22	22
Minority Equity	9,323	10,575
Total Net Assets	30,418	34,860
Liabilities, Net Assets Total	275,960	409,971

(2) Consolidated Statement of Income

Quarter Consolidated Statement

(Unit: ¥millions)

	3rd Quarter Previous Fiscal Year (9 months to Sep, 2012)	3rd Quarter Current Fiscal Year (9 months to Sep, 2013)
Net Sales	54,057	69,993
Cost of Sales	22,678	30,171
Gross Profit on Sales	31,379	39,822
Sales, General & Administrative Expenses	24,794	31,208
Operating Profit	6,584	8,613
Non Operating Revenue		
Interest received	6	5
Dividends received	30	24
Gain on currency translation	-	52
Equity method investment profits	22	66
Profit on investment in silent partnership	183	-
Other	137	195
Total Non Operating Revenue	379	344
Non Operating Expenses		
Interest paid	244	249
Other	154	159
Total Non Operating Expenses	399	409
Ordinary Profit	6,564	8,549
Extraordinary Profit		
Gain on sale of investment securities	160	16
Gain on sale of affiliated company stock	150	-
Negative goodwill	532	-
Gain on change in equity	6	7
Other	8	1
Total Extraordinary Profit	858	25
Extraordinary Loss		
Loss on disposal of fixed assets	126	33
Impairment loss	64	250
Office relocation expenses	76	51
Provision to securities transaction liability reserve	144	480
Other	36	29
Total Extraordinary Loss	447	845
Net Profit before Adjustment for Tax etc.	6,975	7,729
Corporate, Municipal and Enterprise Taxes	2,435	2,157
Corporate Tax etc. Adjustment	733	618
Total Corporate Taxes etc.	3,168	2,775
Net Profit before Minority Equity	3,806	4,953
Minority Interests	1,096	1,196
Net Profit	2,710	3,756

Consolidated Statement of Comprehensive Income

(Unit: ¥millions)

	3rd Quarter Previous Fiscal Year (9 months to Sep, 2012)	3rd Quarter Current Fiscal Year (9 months to Sep, 2013)
Net Profit before Minority Equity	3,806	4,953
Other Comprehensive Income		
Other securities valuation differences	-86	921
Hedging profit/loss carried forward	-70	9
Currency translation adjustment account	-1	274
Total other comprehensive income	-158	1,205
Comprehensive Income	3,648	6,158
(Breakdown)		
Comprehensive income attributable to parent company shareholders	2,517	4,813
Comprehensive income attributable to minority shareholders	1,131	1,345

(3) Consolidated Statement of Cash Flows

(Unit: ¥millions)

	3rd Quarter Previous Fiscal Year (9 months to Jun, 2013)	3rd Quarter Current Fiscal Year (9 months to Sep, 2013)
Cash Flow from Operating Activities		
Net profit before adjustment for tax etc.	6,975	7,729
Depreciation expenses	2,112	3,242
Impairment loss	64	250
Amortization of goodwill	968	1,035
Gain or loss on sale of investment securities (- represents gain)	-160	-16
Gain or loss on sale of affiliated company stock (- represents gain)	-150	-
Interest and dividends received	-36	-29
Interest paid	244	249
Change in accounts receivable (-represents increase)	-354	-720
Change in purchase debts (- represents decrease)	250	381
Change in deposits in securities segment (- represents increase)	-32,861	-68,425
Change in short term guarantee deposits in securities segment (-represents increase)	4,519	-5,130
Change in margin variation paid and received in securities segment	-3,869	-5,740
Changes in deposits and guarantees received in securities segment (- represents decrease)	29,710	73,047
Change in deposits (-represents decrease)	-2,180	1,621
Other	-2,819	-3,473
Sub total	2,412	4,012
Interest and dividends received	20	41
Interest paid	-239	-250
Corporate tax etc. paid	-1,755	-2,822
Cash Flow from Operating Activities	437	989
Cash Flow from Investing Activities		
Expenditure on acquisition of tangible fixed assets	-944	-965
Expenditure on acquisition of intangible fixed assets	-1,024	-862
Expenditure on acquisition of investment securities	-105	-509
Income accrued on the sale of investment securities	185	51
Expenditure on acquisition of affiliated company stock	-248	-261
Income accrued on the sale of affiliated company stock	157	-
Expenditure on acquisition of subsidiary stock resulting in change in scope of consolidation	-150	-11
Income accrued on acquisition of subsidiary stock resulting in change in scope of consolidation	1,312	-
Other	-551	-572
Cash Flow from Investing Activities	-1,419	-3,130
Cash Flow from Financing Activities		
Income accrued on short term loans	46,900	97,300
Expenditure on repayment of short term loans	-37,525	-77,100
Income accrued on long term loans	2,800	2,000
Expenditure on repayment of long term loans	-1,944	-4,585
Payment of dividends	-1,295	-1,178
Payment of dividends to minority shareholders	-318	-593
Other	-768	-1,080
Cash Flow from Financing Activities	7,847	14,762
Currency Translation Adjustment on Cash and Equivalents	11	240
Change in Cash and Equivalents (- represents decrease)	6,877	12,862
Balance of Cash and Equivalents at Beginning of Term	32,743	41,899
Increase in Cash and Equivalents following Increase in Consolidation	36	185
Balance of Cash and Equivalents at End of Term	39,656	54,947

(4) Notes regarding the Going Concern Assumption
None

(5) Segment Data

I Previous third quarter (01.01.2012 - 09.30.2012)

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

(Unit: ¥millions)

	Segment						Adjustment (*1)	Consolidated P/L (*2)
	Web Infrastructure & Ecommerce	Internet Media	Internet Securities	Social & Smartphone	Incubation	Total		
Net Sales								
Sales to unaffiliated customers	21,734	18,519	11,688	2,036	78	54,057	—	54,057
Internal transactions	376	1,068	—	4	—	1,449	-1,449	—
Total	22,111	19,587	11,688	2,041	78	55,506	-1,449	54,057
Operating profit/loss (-)	3,228	1,561	3,266	-1,534	-81	6,441	143	6,584

(notes)

1. The segment profit or loss adjustment (¥143 million) is an adjustment for internal segment transactions.
2. Segment profit is based on the Operating Profit (or Loss) line item in the consolidated Statement of Income.

2. Information relating to depreciation of fixed assets and goodwill

Significant negative goodwill

In the Internet Securities segment negative goodwill in the amount of ¥532 million was recognized, generated by GMO CLICK Holdings' acquisition of FX PRIME Corporation (Now FX Prime by GMO Corporation).

II Current third quarter (01.01.2013-09.30.2013)

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

(Unit: ¥millions)

	Segment						Adjustment (*1)	Consolidated P/L (*2)
	Web Infrastructure & Ecommerce	Internet Media	Internet Securities	Social & Smartphone	Incubation	Total		
Net Sales								
Sales to unaffiliated customers	27,759	21,344	16,377	4,366	145	69,993	—	69,993
Internal transaction s	467	1,088	—	5	—	1,560	-1,560	—
Total	28,226	22,433	16,377	4,371	145	71,554	-1,560	69,993
Operating profit/loss (-)	3,929	1,709	3,594	-874	20	8,379	234	8,613

(notes)

1. The segment profit or loss adjustment (¥234 million) is an adjustment for internal segment transactions.
2. Segment profit is based on the Operating Profit (or Loss) line item in the consolidated Statement of Income.

2. Information relating to depreciation of fixed assets and goodwill

Significant items relating to impairment of fixed assets

Fixed assets were impaired in the Social & Smartphone and Internet Securities segments. In the third quarter impairment losses totaled ¥194 million and ¥44 million respectively.

(6) Notes regarding significant changes in shareholders' equity

On February 18, 2013, the GMO Internet Board of Directors announced it would put forward a proposal to the Annual General Shareholders Meeting to reduce capital. The AGSM approved the proposal on March 24, 2013 and the capital reduction came into effect on April 30, 2013. Capital was reduced ¥2,900 million to the same amount was added to other capital surplus.