

Fiscal Year 2014 Second Quarter Consolidated Financial Results (Japanese GAAP)

August 1, 2014

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 Quarterly Report Release: August 8, 2014 Start Date of Dividend Payout: September 22, 2014

Supplementary documents available pertaining to quarterly financial results: Yes

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

(all amounts rounded down to the nearest million yen)

1. Consolidated Second Quarter Financial Results in the Year Ending December 2014 (01.01.2014- 06.30.2014)

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

	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Six months ended								
June 30, 2014	52,454	12.4	4,964	-15.4	4,935	-16.1	2,723	13.6
June 30, 2013	46,683	29.8	5,865	17.0	5,881	18.1	2,396	26.6

(Note) Comprehensive Income June 30, 2014: ¥3,317 million (-13.8%) , June 30, 2013: ¥3,847 million (52.2%)

	Net Profit per Share	Net Profit per Share (Diluted)
Six months ended	¥	¥
June 30, 2014	23.11	22.71
June 30, 2013	20.34	20.09

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio
As of	¥ millions	¥ millions	%
June 30, 2014	425,483	38,622	6.2
Year Ended 12/2013	429,762	36,884	5.8

(Reference) Shareholders' Equity June 30, 2014: ¥26,350 million FYE12/2013: ¥24,989 million

2. Dividends

	Dividends per Share				
	End of Q1	End of Q2	End of Q3	End of Term	Total
	¥	¥	¥	¥	¥
Year Ended 12/2013	3.00	3.00	4.00	5.00	15.00
Year Ending 12/2014	4.00	4.00			
Year Ending 12/2014 (forecast)			4.00	4.00	16.00

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

3. Consolidated Results Forecast for the Year Ending December 2014 (01.01.2014 – 12.31.2014)

(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	105,000	12.1	12,500	13.6	12,500	14.2	5,500	4.9	46.68

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

*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: 4 companies (GMO Venture Tsushin Startup Support Co. and 3 other companies)

Excluded: 0 companies

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: none

2. Changes other than those specified above: none

3. Changes in accounting estimates: none

4. Restatements: none

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

1. 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

Q2 FYE 12/2014	117,806,777	FYE 12/2013	117,806,777
Q2 FYE 12/2014	1,811	FYE 12/2013	1,811
Q2 FYE 12/2014	117,804,966	Q2 FYE 12/2013	117,805,091

*Quarterly Results Statement Audit

This results statement is subject to review under the Financial Instruments and Exchange Act, 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: Friday August 1, 2014

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

Contents

1. Qualitative Information related to Financial Results	2
(1) Consolidated operating results	2
(2) Consolidated financial condition	9
(3) Consolidated results forecast	9
2. Summary of Information related to Notes	10
(1) Changes to significant subsidiaries in the current term	10
(2) Special accounting treatments used in preparation of financial statements	10
(3) Changes in accounting policy, changes in accounting estimates, restatements	10
3. Consolidated Financial Statements	11
(1) Consolidated balance sheet	11
(2) Consolidated statement of income and comprehensive income	13
(3) Consolidated statement of cash flows	15
(4) Notes regarding the Consolidated Financial Statements	16
Notes regarding the going concern assumption	16
Notes regarding changes impacting shareholders' equity	16
Segment data.....	16

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

Overview of Financial Results in the Six Months to June 2014

(Unit: ¥millions)

	Previous H1	Current H1	Change	% Change
Net Sales	46,683	52,454	5,770	12.4%
Operating Profit	5,865	4,964	-900	-15.4%
Ordinary Profit	5,881	4,935	-945	-16.1%
Net Profit	2,396	2,723	326	13.6%

Under the corporate slogan “Internet for Everyone” GMO Internet Group is focused on directing resources into high growth Internet markets. Continued growth in the Internet market is largely centered around the mobile space, and spurred by increased usage of smartphones, tablets and other mobile devices, the progression of cloud technology, and the proliferation of social media such as Twitter, Facebook and LINE, as well as the emerging O2O and omni-channel markets. GMO Internet management views any growth in the volume of information available or transactions conducted over the Internet as an opportunity to grow consolidated profits.

Amidst a healthy external environment, the Group strove to maintain growth in its customer base. The Internet Infrastructure segment in particular experienced a strong first half, with expansion in the ecommerce market fuelling net sales growth in the ecommerce solutions and payment sub-segments. Operating profit fell due to a temporary increase in spending on aggressive promotions, predominantly in the Internet Infrastructure segment, however Net Profit increased as tax payable decreased.

Net Sales and Operating Profit by Segment in the Six Months to June 2014

*The composition of business segments was revised as of the first quarter of this fiscal year.

Previous terms are revised to reflect the new segmentation and provide a useful comparison.

(Unit: ¥millions)

	Previous H1	Current H1	Change	% Change
Internet Infrastructure				
Net Sales	18,488	22,675	4,187	22.6%
Operating Profit	2,645	2,353	-291	-11.0%
Online Advertising & Media				
Net Sales	15,829	17,342	1,513	9.6%
Operating Profit	1,252	900	-351	-28.1%
Internet Securities				
Net Sales	11,214	10,346	-868	-7.7%
Operating Profit	2,424	2,482	57	2.4%
Mobile Entertainment				
Net Sales	2,095	3,370	1,275	60.9%
Operating Profit	-572	-822	-249	-
Incubation				
Net Sales	83	20	-62	-75.1%
Operating Profit	9	-98	-107	-
Adjustment				
Net Sales	-1,027	-1,301	-273	-
Operating Profit	106	148	41	-
Total				
Net Sales	46,683	52,454	5,770	12.4%
Operating Profit	5,865	4,964	-900	-15.4%

Overview of Financial Results in the Three Months to June 2014

(Unit: ¥millions)

	Previous Q2	Current Q2	Change	% Change
Net Sales	23,873	25,427	1,554	6.5%
Operating Profit	2,971	2,709	-262	-8.8%
Ordinary Profit	3,022	2,695	-326	-10.8%
Net Profit	1,293	1,777	483	37.4%

In the three months to June, the Internet Infrastructure segment achieved over 20% revenue growth for the 10th consecutive quarter as market conditions remained positive in the Internet arena. In the Internet Securities segment, trading activity quietened somewhat and as a result net sales fell.

Following aggressive spending on promotion in the Internet Infrastructure segment and investment in product development and sales growth, operating profit was also down from the previous year. However, net profit increased from the previous corresponding quarter demonstrating an improvement in the Group's ability to generate profits, with a reduced tax burden and a reduction in extraordinary losses.

Net Sales and Operating Profit by Segment in the Three Months to June 2014

(Unit: ¥millions)

	Previous Q2	Current Q2	Change	% Change
Internet Infrastructure				
Net Sales	9,436	11,434	1,998	21.2%
Operating Profit	1,327	1,365	38	2.9%
Online Advertising & Media				
Net Sales	7,975	8,234	258	3.2%
Operating Profit	592	399	-192	-32.5%
Internet Securities				
Net Sales	5,685	4,792	-893	-15.7%
Operating Profit	1,170	1,059	-111	-9.5%
Mobile Entertainment				
Net Sales	1,231	1,659	427	34.7%
Operating Profit	-170	-126	43	-
Incubation				
Net Sales	42	4	-38	-90.6%
Operating Profit	3	-69	-72	-
Adjustment				
Net Sales	-499	-698	-198	-
Operating Profit	47	79	31	-
Total				
Net Sales	23,873	25,427	1,554	6.5%
Operating Profit	2,971	2,709	-262	-8.8%

Segment Report

Please note that the composition of business segments was revised as of the first quarter of this fiscal year. Previous year results below are revised to reflect the new segmentation in order to provide a useful comparison.

i. Internet Infrastructure

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

provider services. The following is a breakdown of results in each of the businesses comprising this segment.

Domain

In the domain sub-segment, a gateway to many of the group's infrastructure products, we continued to grow customer base by pursuing a low-cost strategy. New Geographic Top Level Domains, .tokyo and .yokohama were launched during the second quarter.

The growth trend in this business was maintained in the six months to June 2014. Domain registration and renewals grew 7.8% to 1.03 million, and total domains under management rose 14.3% to 4.48 million. Net sales grew 20.0% year-on-year to ¥1,421 million.

Hosting & Cloud

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

In the external environment we saw an increase in demand for cloud-hosting services. GMO AppsCloud, a cloud-based hosting solution optimized for game app developers and operators, continued to drive growth, and demand for general cloud hosting services also continued to increase. Overall web hosting contracts increased 4.7% over the previous corresponding term to 729 thousand and net sales fell 2.5% year-on-year to ¥3,378 million.

Ecommerce Solutions

Ecommerce Solutions provides SaaS based services for online stores. In an expanding market, this business is focused on growing customer base through enhancement of service functionality and the cultivation of new marketplaces such as the minne marketplace for handmade goods, and the Kiteco smartphone flea market. At the end of the current quarter, number of paid stores had grown 3.7% year-on-year to 70,000, and total transaction volume grew 11.9% to ¥52 billion.

Ecommerce Solutions reported net sales of ¥1,123 million (49.8% 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. Growth was especially strong in the international market and global certificate issues increased 25.8% to 46 thousand.

Security reported net sales of ¥901 million (36.9% year-on-year increase) almost 70% of which came from outside of Japan.

Payment

Payment services are operated by GMO Payment Gateway and affiliates. In the current 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 13.2% over the previous corresponding term to 48 thousand and transaction volume grew 13.2% year-on-year to ¥3,76 million. As a result of growth in both merchants and transaction volume, sales grew 24.4% year-on-year to ¥1,774 million.

Provider

In the Internet Service Provider business, number of mobile wifi users grew a significant 39.2% in the first six months of the year to 267 thousand as a result of recent aggressive marketing. Sales grew 67.0% year-on-year to ¥1,857 million.

Market share was expanded in each of the key Internet Infrastructure businesses in the period under review and overall Net Sales increased a significant 21.2% year-on-year to ¥11,434 million, while Operating Profit increased 2.9% year-on-year to ¥1,365 million. This single-digit profit growth is a result of aggressive spending on promotion in the Internet Infrastructure segment.

ii. Online Advertising & Media

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

Online Advertising

Internet advertising comprises media rep and agency business operations and is driven by GMO AD Partners (JASDAQ 4784). In the online advertising market, we saw a shift away from traditional display advertising and toward ad networks, while in the mobile ad space the shift from feature phone to smartphone continued. In the first half of the current fiscal year, listing and ad network products, smartphone affiliate advertising, and reward advertising performed well. Ad delivery optimization products such as Demand Side Platform (DSP) and Supply Side Platform (SSP) products also contributed to revenue. This business segment is concentrating effort on developing proprietary products to improve profit margins. Net sales in online advertising increased 1.9% from the previous year to ¥4,696 million.

Internet Media

This sub-segment provides advertising space on our own media properties and SEO services. In addition to existing media services, Internet Media is increasingly focused on smartphone media development. In the current quarter, fashion app, CoordiSnap reached 1 million downloads. Net sales increased 4.1% to ¥3,023 million.

Overall, in the Online Advertising & Media segment, net sales totaled ¥8,234 million (3.2% year-on-year increase). Operating profit decreased 32.5% year-on-year to ¥399 million as the segment invested in in-house product development and sales expansion.

iii. Internet Securities

The Internet Securities segment worked to increase number of accounts, customer assets held, and transaction volume. In the current quarter, focus was on aggressive marketing and maintaining industry-low spreads. Number of securities accounts grew 16.7% year-on-year to 210,000, while number of FX accounts grew 12.9% year-on-year to 495,000.

However in the FX sub-segment, the main contributor earnings in this segment, market activity was low driving trading volume down 44.6% to ¥160.9 trillion.

Net sales in the Internet Securities segment totaled ¥4,792 million (15.7% year-on-year decrease) and Operating Profit was ¥1,059 million (9.5% year-on-year decrease).

vi. Mobile Entertainment

This segment comprises smartphone and online game development and operation. GMO Game Pot, joined the Group at the end of the previous year and was consolidated as of the first quarter this year. GooglePlay, AppStore and other app markets are growing rapidly as usage of smartphone and tablet devices increases.

In the first half, existing titles including Minerva Knights and Excalibur maintained positions in the Google Play sales rankings. LINE Dream Garden, a partnership with LINE, reached 1 million downloads in just four months and became an important contributor to segment revenue.

Overall in the Mobile Entertainment segment, net sales grew 34.7% to ¥1,659 million, however this was not great enough to cover losses and the segment reported an operating loss of ¥126 million (¥170 million operating loss in the previous corresponding term). The Group is making every effort to achieve profitability in this segment as early as possible through improved cost composition.

v. Incubation Segment

The Incubation segment invests in expanding business and building enterprise value in Internet-related companies. In the first half revenue was ¥4 million following the sale of shares held by the company (90.6% year-on-year decrease), while the segment reported an operating loss of ¥69 million (¥3 million operating profit was reported in the previous corresponding period).

(Reference)

Changes in Operating Results and Financial Condition by Quarter

(Unit: ¥millions)

	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014
Net Sales	23,873	23,310	23,710	27,026	25,427
Operating Profit	2,971	2,748	2,386	2,255	2,709
Ordinary Profit	3,022	2,667	2,392	2,240	2,695
Net Profit	1,293	1,360	1,487	945	1,777
Total Assets	363,002	409,971	429,762	423,991	425,483
Shareholders' Equity	22,802	24,262	24,989	25,111	26,350

(Reference)

Table: Quarterly Results by Segment

(Unit: ¥millions)

I Net Sales by Segment

	Q2 2013	Q3 2013	Q4 2013	Q1 2013	Q2 2014
Internet Infrastructure					
Provider	1,112	1,256	1,450	1,629	1,857
Domain	1,184	1,106	1,186	1,428	1,421
Hosting & Cloud	3,465	3,427	3,450	3,422	3,378
Ecommerce Solutions	749	774	853	1,192	1,123
Security	658	674	716	803	901
Payment	1,426	1,519	1,601	1,797	1,774
Other	838	980	693	966	976
Total	9,436	9,738	9,950	11,240	11,434
Online Advertising & Media					
Online Advertising	4,609	4,382	4,744	5,509	4,696
Internet Media	2,904	2,838	2,740	3,029	3,023
Other	461	432	558	569	514
Total	7,975	7,653	8,043	9,107	8,234
Internet Securities					
Total	5,685	5,162	5,054	5,553	4,792
Mobile Entertainment					
Total	1,231	1,147	1,113	1,710	1,659
Incubation					
Total	42	61	5	16	4
Sub total	24,372	23,764	24,166	27,629	26,125
Adjustment	-499	-454	-456	-602	-698
Net Sales	23,873	23,310	23,710	27,026	25,427

II Operating Profit by Segment

	Q2 2013	Q3 2013	Q4 2013	Q1 2013	Q2 2014
Internet Infrastructure	1,327	1,284	1,352	988	1,365
Online Advertising & Media	592	447	267	500	399
Internet Securities	1,170	1,169	1,184	1,422	1,059
Mobile Entertainment	-170	-291	-326	-695	-126
Incubation	3	11	-104	-29	-69
Sub total	2,923	2,620	2,372	2,186	2,629
Adjustment	47	128	13	68	79
Operating Profit	2,971	2,748	2,386	2,255	2,709

Description of businesses in each segment

Business Segment		Main Operations
Internet Infrastructure	Domain	<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 .nagoya, .tokyo, .yokohama etc.)
	Hosting & Cloud	<ul style="list-style-type: none"> • Provision, operation, management, and maintenance of dedicated, shared, VPS and cloud-based web hosting services including Onamae.com Rental Server, GMO AppsCloud, ConoHa by GMO, GMO Cloud VPS, GMO Cloud Public, GMO Cloud Private, Lolipop, heteml, Sqale and 30-days Album.
	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. • Operation of handmade marketplace, minne • 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	<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
	Provider	<ul style="list-style-type: none"> • GMO TokuToku BB, interQ, MEMBERS, ZERO, and other Internet provider services.
Online Advertising & Media	Online Advertising	<ul style="list-style-type: none"> • Internet advertising, mobile advertising, search engine advertising, affiliate advertising, reward advertising • Advertising planning and production
	Internet Media	<ul style="list-style-type: none"> • Development and operation of blog services yaplog! and JUGEM, Internet community services including freeml, and ebook publishing service Puboo. Development and operation of Smartphone apps including fashion sharing app, Coordisnap. • 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 • Daily Deals Operation of daily deals website, Kumapon by GMO
	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.
Mobile Entertainment	Mobile Entertainment	<ul style="list-style-type: none"> • Smartphone game development, operation & support • Online game development and operation
Incubation	Venture Capital	<ul style="list-style-type: none"> • Investment in private Internet ventures.

(2) Consolidated Financial Condition

Assets, Liabilities and Shareholders' Equity

Assets

At the end of second quarter of fiscal year 2014 (June 30, 2014), assets had decreased ¥4,279 million (1.0%) from the end of the previous fiscal year to ¥425,483 million. Significant factors included a ¥1,747 million (3.0%) decrease in cash, and a ¥671 million (0.2%) decrease in assets due to fluctuations in customer assets in the securities segment (securities segment deposits, margin transaction assets, short term guarantee deposits and variation margin paid).

Liabilities

On June 30, 2014 liabilities had decreased ¥6,017 million (1.5%) from the end of the previous fiscal year to ¥386,861 million. Fluctuations in liabilities are chiefly attributable to fluctuations in customer assets in the Securities segment resulting in a decrease in assets of ¥5,211 million (1.6%) (securities segment deposits, margin transaction liabilities, guarantees and variation margin received).

Net Assets

At the end of the second quarter of fiscal year 2014 net assets had increased ¥1,738 million (4.7%) from the end of the previous fiscal year to ¥38,622 million. Movements in net assets included a ¥1,518 million (9.6%) increase in earnings surplus (net profit totaling ¥2,723 million and dividend payments of ¥1,060 million), and an increase in minority interest (3.2%) to ¥377 million due to a rise in profits from consolidated subsidiaries.

Cash Flow

At the end of the second quarter of fiscal year 2014 (June 30, 2014), cash and equivalents had decreased ¥2,495 million (4.7%) from the end of the previous fiscal year to ¥50,327 million. The following is a summary of cash flow activity in the period under review.

Cash Flow from Operating Activities

Cash flow generated from operating activities was ¥2,161 million (¥6,437 million inflow in the previous corresponding term). Major items included net profit before tax and other adjustments (¥5,316 million), depreciation (¥2,236 million), goodwill amortization (¥780 million), and an increase in assets due to an increase in customer assets received (an increase in guarantee deposits, changes in variation margin paid and received, a decrease and changes in margin transaction assets and liabilities) totaling ¥4,539 million, and an ¥1,368 million outflow due to corporate tax payments etc.

Cash Flow from Investing Activities

Outflow from investing activities total ¥1,999 million (¥1,866 million outflow in the previous corresponding term). Contributing factors chiefly included a fixed term deposit (¥750 million) acquisition of server equipment and other fixed assets (¥307 million) software license updates and the acquisition of other intangible fixed assets (¥858 million).

Cash Flow from Financing Activities

Outflow from financing activities totaled ¥2,734 million (¥3,908 million in the previous corresponding term). Significant items included a net decrease (¥474 million) in interest bearing liabilities, dividend payments (¥1,060 million) and dividend payments to minority shareholders (¥370 million).

3. Qualitative Information - Consolidated Results Forecasts

There is no revision to the results forecast for the current fiscal year (initially announced on February 6, 2014).

2. Summary of Information Related to Other Items

(1) Changes to significant subsidiaries in the current term

In the first quarter of the current fiscal year, GMO Venture Tsushin Startup Support Co. GMO CLICK Bullion Limitd, GMO DATA CENTER KOREA and GMO GlobalSign Philippines were consolidated.

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

None

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

None

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2013)	2nd Quarter Current Fiscal Year (As of Jun 30, 2014)
Assets		
Current Assets		
Cash and deposits	57,481	55,734
Trade notes and accounts receivable	8,420	8,900
Operational investment securities	843	1,192
Securities segment deposits	196,553	209,346
Securities segment margin transaction assets	96,406	77,662
Securities segment short term guarantee deposits	22,691	27,865
Securities segment variation margin paid	14,584	14,690
Deferred tax asset	3,016	2,949
Other	8,322	6,695
Provision for doubtful debts	-473	-464
Total Current Assets	407,848	404,572
Fixed Assets		
Tangible fixed assets	8,491	7,711
Intangible fixed assets		
Goodwill	3,670	3,581
Software	4,070	4,444
Other	587	510
Total intangible fixed assets	8,327	8,537
Investments and other assets		
Investment securities	1,887	1,482
Deferred tax asset	1,452	1,244
Other	2,026	2,277
Provision for doubtful debts	-271	-341
Total investments and other assets	5,095	4,662
Total Fixed Assets	21,914	20,911
Total Assets	429,762	425,483
Liabilities		
Current liabilities		
Trade notes and accounts payable	3,152	3,306
Short term debt	13,447	14,585
Amount payable	7,165	7,007
Securities segment deposits received	28,127	25,067
Securities segment margin transaction liability	82,134	70,651
Securities segment guarantees received	206,848	219,087
Securities segment variation margin received	6,205	3,298
Accrued corporate tax etc.	1,134	1,249
Allowance for bonuses	405	229
Allowance for bonuses to directors	200	50
Advance payment received	3,788	4,015
Deposits received	18,321	17,479
Other	4,930	5,951
Total Current Liabilities	375,862	371,980

	(Unit: ¥millions)	
	Previous Fiscal Year (As of Dec 31, 2013)	2nd Quarter Current Fiscal Year (As of Jun 30, 2014)
Fixed Liabilities		
Long term debt	10,910	9,297
Deferred tax liability	38	26
Other	4,618	3,857
Total Fixed Liabilities	15,567	13,182
Statutory Reserve		
Financial instruments transaction liability reserve	1,449	1,698
Total Statutory Reserve	1,449	1,698
Total Liabilities	392,878	386,861
Net Assets		
Shareholders' Equity		
Capital stock	100	100
Capital surplus	8,736	8,736
Earned surplus	15,765	17,283
Treasury stock	-0	-0
Total Shareholders' Equity	24,600	26,119
Other Comprehensive Income		
Other securities valuation differences	53	73
Hedging profit/loss carried forward	-50	-64
Foreign currency translation account	385	221
Total Other Comprehensive Income	388	230
Equity Warrants	19	19
Minority Equity	11,875	12,252
Total Net Assets	36,884	38,622
Liabilities, Net Assets Total	429,762	425,483

(2) Consolidated Statement of Income

Quarter Consolidated Statement

(Unit: ¥millions)

	2nd Quarter Previous Fiscal Year (6 months to Jun, 2013)	2nd Quarter Current Fiscal Year (6 months to Jun, 2014)
Net Sales	46,683	52,454
Cost of Sales	19,918	24,878
Gross Profit on Sales	26,764	25,575
Sales, General & Administrative Expenses	20,899	22,611
Operating Profit	5,865	4,964
Non Operating Revenue		
Interest received	5	6
Dividends received	19	24
Gain on currency translation	59	35
Equity method investment profits	48	9
Gain on expired points	43	43
Other	83	94
Total Non Operating Revenue	259	213
Non Operating Expenses		
Interest paid	173	151
Other	70	90
Total Non Operating Expenses	243	242
Ordinary Profit	5,881	4,935
Extraordinary Profit		
Gain on change in equity	7	722
Other	17	282
Total Extraordinary Profit	25	1,004
Extraordinary Loss		
Impairment loss	250	267
Provision to securities transaction liability reserve	341	249
Other	96	107
Total Extraordinary Loss	688	624
Net Profit before Adjustment for Tax etc.	5,218	5,316
Corporate, Municipal and Enterprise Taxes	1,515	1,505
Corporate Tax etc. Adjustment	464	308
Total Corporate Taxes etc.	1,980	1,813
Net Profit before Minority Equity Adjustment	3,238	3,502
Minority Interests	841	778
Net Profit	2,396	2,723

Consolidated Statement of Comprehensive Income

(Unit: ¥millions)

	2nd Quarter Previous Fiscal Year (6 months to Jun, 2013)	2nd Quarter Current Fiscal Year (6 months to Jun, 2014)
Net Profit before Minority Equity Adjustment	3,238	3,502
Other Comprehensive Income		
Other securities valuation differences	346	12
Hedging profit/loss carried forward	24	-13
Currency translation adjustment account	237	-184
Total other comprehensive income	609	-185
Comprehensive Income	3,847	3,317
(Breakdown)		
Comprehensive income attributable to parent company shareholders	2,898	2,565
Comprehensive income attributable to minority shareholders	948	751

(3) Consolidated Statement of Cash Flows

(Unit: ¥millions)

	2nd Quarter Previous Fiscal Year (6 months to Mar, 2013)	2nd Quarter Current Fiscal Year (6 months to Jun, 2014)
Cash Flow from Operating Activities		
Net profit before adjustment for tax etc.	5,218	5,316
Depreciation expenses	2,087	2,236
Impairment loss	250	267
Amortization of goodwill	703	780
Gain or loss on change in equity investees (- represents gain)	-7	-721
Interest and dividends received	-25	-30
Interest paid	173	151
Change in accounts receivable (-represents increase)	-953	-189
Change in purchase debts (- represents decrease)	593	-158
Change in deposits received (- represents decrease)	-531	-849
Change in deposits in securities segment (- represents increase)	-44,337	-12,793
Change in short term guarantee deposits in securities segment (-represents increase)	-5,365	-5,173
Change in margin variation paid and received in securities segment	-2,918	-3,012
Changes in deposits and guarantees received in securities segment (- represents decrease)	59,090	9,178
Changes in margin transaction assets and liabilities	-4,727	7,260
Other	-1,148	1,390
Sub total	8,101	3,508
Interest and dividends received	27	28
Interest paid	-170	-151
Corporate tax etc. paid	-1,521	-1,368
Cash Flow from Operating Activities	-6,437	2,161
Cash Flow from Investing Activities		
Expenditure on payment of fixed term deposit	-	-751
Return of fixed term deposit	100	-
Expenditure on acquisition of tangible fixed assets	-741	-307
Expenditure on acquisition of intangible fixed assets	-606	-858
Expenditure on acquisition of investment securities	-434	-108
Income accrued on the sale of investment securities	51	243
Expenditure on acquisition of affiliated company stock	-260	-
Other	-98	-217
Cash Flow from Investing Activities	-1,866	-1,999
Cash Flow from Financing Activities		
Income accrued on short term loans	68,400	78,570
Expenditure on repayment of short term loans	-68,500	-77,396
Income accrued on long term loans	2,000	-
Expenditure on repayment of long term loans	-3,769	-1,648
Payment of dividends	-824	-1,060
Payment of dividends to minority shareholders	-514	-370
Other	-700	-829
Cash Flow from Financing Activities	-3,908	-2,734
Currency Translation Adjustment on Cash and Equivalents	192	-42
Change in Cash and Equivalents (- represents decrease)	853	-2,615
Balance of Cash and Equivalents at Beginning of Term	41,899	52,823
Increase in Cash and Equivalents following Increase in Consolidation	-	119
Balance of Cash and Equivalents at End of Term	42,753	50,327

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

Notes regarding changes impacting shareholders' equity
None

Segment Data

I 2nd Quarter of Previous Fiscal Year (01.01.2013-06.30.2013)

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

(Unit: ¥millions)

	Segment						Adjustment (*1)	Consolidated P/L (*2)
	Internet Infrastructure	Online Ad & Media	Internet Securities	Mobile Entertainment	Incubation	Total		
Net Sales								
Sales to unaffiliated customers	18,153	15,137	11,214	2,093	83	46,683	—	46,683
Internal transactions	334	691	—	1	—	1,027	-1,027	—
Total	18,488	15,829	11,214	2,095	83	47,710	-1,027	46,683
Segment Profit/Loss (-)	2,645	1,252	2,424	-572	9	5,759	106	5,865

*Notes

- i. The segment profit or loss adjustment (¥106 million) is an adjustment for internal segment transactions.
- ii. Segment profit is based on the Operating Profit (or Loss) line item in the consolidated Statement of Income.

2. Items relating to impairment loss on fixed assets and goodwill by segment

Significant impairment losses on fixed assets

Impairment losses on fixed assets were reported in the Mobile Entertainment and the Internet Securities segments. At the end of the first six months of the fiscal year, impairment loss in the two segments totaled ¥194 million and ¥44 million respectively.

II 2nd Quarter of Current Fiscal Year (01.01.2014-06.30.2014)

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

(Unit: ¥millions)

	Segment						Adjustment (*1)	Consolidated P/L (*2)
	Internet Infrastructure	Online Ad & Media	Internet Securities	Mobile Entertainment	Incubation	Total		
Net Sales								
Sales to unaffiliated customers	22,285	16,438	10,346	3,363	20	52,454	—	52,454
Internal transactions	389	904	—	6	—	1,301	-1,301	—
Total	22,675	17,342	10,346	3,370	20	53,755	-1,301	52,454
Segment Profit/Loss (-)	2,353	900	2,482	-822	-98	4,816	148	4,964

*Notes

1. The segment profit or loss adjustment (¥148 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. Notes regarding changes to reportable segments

The following changes have been made to reportable segments following a revision of operational structure within the Group.

The five business segments Web Infrastructure & Ecommerce, Internet Media, Internet Securities, Social & Smartphone, and Incubation have been renamed as of the first quarter to Internet Infrastructure, Online Advertising & Media, Internet Securities, Mobile Entertainment, and Incubation. The Daily Deals sub-segment, formerly reported as part of the Social & Smartphone segment, is now reported under Online Advertising & Media.

Segment data for the previous second quarter is presented based on the new segmentation.

3. Items relating to impairment loss on fixed assets and goodwill by segment

Significant impairment losses on fixed assets

Impairment losses on fixed assets were reported in the Mobile Entertainment, and Internet Infrastructure segments. At the end of the first six months of the fiscal year, the losses totaled ¥207 million and ¥45 million in each segment respectively.