

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

October 31, 2014

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 7, 2014 Start Date of Dividend Payout: December 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 Third Quarter Financial Results in the Year Ending December 2014 (01.01.2014- 09.30.2014)

(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, 2014	79,909	14.2	8,564	-0.6	8,464	-1.0	3,972	5.7
September 30, 2013	69,993	29.5	8,613	30.8	8,549	30.2	3,756	38.6

(Note) Comprehensive Income September 30, 2014: ¥6,022 million (-2.2%) , September 30, 2013: ¥6,158 million (68.8%)

	Net Profit per Share	Net Profit per Share (Diluted)
Nine months ended	¥	¥
September 30, 2014	33.72	33.19
September 30, 2013	31.89	31.50

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio
As of	¥ millions	¥ millions	%
September 30, 2014	471,724	41,071	5.8
Year Ended 12/2013	429,762	36,884	5.8

(Reference) Shareholders' Equity September 30, 2014: ¥27,543 million FYE 12/2013: ¥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	4.00		
Year Ending 12/2014 (forecast)				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: 1 company (Social Appli Payment Service, Inc.)

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

Q3 FYE 12/2014	117,806,777	FYE 12/2013	117,806,777
Q3 FYE 12/2014	1,811	FYE 12/2013	1,811
Q3 FYE 12/2014	117,804,966	Q3 FYE 12/2013	117,805,056

*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.

Results Presentation for Investors and Analysts: October 31, 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 and Other Forward-Looking Information	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 Nine Months to September 2014

(Unit: ¥millions)

	Previous Q3	Current Q3	Change	% Change
Net Sales	69,993	79,909	9,915	14.2%
Operating Profit	8,613	8,564	-49	-0.6%
Ordinary Profit	8,549	8,464	-85	-1.0%
Net Profit	3,756	3,972	215	5.7%

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 increased sales by to maintaining growth in its customer base. The Internet Infrastructure segment in particular performed well in the period under review, with expansion in the ecommerce market fuelling net sales growth in the ecommerce solutions and payment sub-segments.

Operating profit fell slightly due to aggressive investment in the promotion of new domain, .tokyo, and one-time costs expensed in the first quarter in the Provider sub-segment. However Net Profit increased as tax burden was optimized, due to internal reorganization and improved profit generation in the Group.

Net Sales and Operating Profit by Segment in the Nine Months to September 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 Q3	Current Q3	Change	% Change
Internet Infrastructure				
Net Sales	28,226	34,191	5,964	21.1%
Operating Profit	3,929	3,508	-420	-10.7%
Online Advertising & Media				
Net Sales	23,482	25,810	2,328	9.9%
Operating Profit	1,699	1,281	-417	-24.6%
Internet Securities				
Net Sales	16,377	16,004	-373	-2.3%
Operating Profit	3,594	3,774	179	5.0%
Mobile Entertainment				
Net Sales	3,243	4,911	1,668	51.5%
Operating Profit	-864	-999	-135	-
Incubation				
Net Sales	145	1,282	1,137	782.5%
Operating Profit	20	731	711	3,441.9%
Adjustment				
Net Sales	-1,481	-2,290	-809	-
Operating Profit	234	267	33	-
Total				
Net Sales	69,993	79,909	9,915	14.2%
Operating Profit	8,613	8,564	-49	-0.6%

Overview of Financial Results in the Three Months to September 2014

(Unit: ¥millions)

	Previous Q3	Current Q3	Change	% Change
Net Sales	23,310	27,455	4,144	17.8%
Operating Profit	2,748	3,599	850	31.0%
Ordinary Profit	2,667	3,528	860	32.3%
Net Profit	1,360	1,248	-111	-8.2%

In the three months to September, the Internet Infrastructure segment continued to achieve strong revenue growth in an expanding Internet market. In the Internet Securities segment, trading activity picked up since August with the rapidly weakening yen driving in trading volume, and Group net sales increased overall.

Investment in the promotion of new domain .tokyo has reached its peak and both the Internet Infrastructure and Internet Securities segment remained strong and operating profit increased significantly in the Incubation segment following the sale of securities. As a result net sales, operating profit, and ordinary profit all reached record highs. Net profit fell slightly due to an increase in minority shareholder profits following an increase in the profits of consolidated subsidiaries.

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

(Unit: ¥millions)

	Previous Q3	Current Q3	Change	% Change
Internet Infrastructure				
Net Sales	9,738	11,515	1,777	18.2%
Operating Profit	1,284	1,154	-129	-10.1%
Online Advertising & Media				
Net Sales	7,653	8,467	814	10.6%
Operating Profit	447	380	-66	-14.8%
Internet Securities				
Net Sales	5,162	5,657	495	9.6%
Operating Profit	1,169	1,291	121	10.4%
Mobile Entertainment				
Net Sales	1,147	1,541	393	34.3%
Operating Profit	-291	-177	114	-
Incubation				
Net Sales	61	1,261	1,199	1,945.0%
Operating Profit	11	829	818	7,388.1%
Adjustment				
Net Sales	-454	-989	-535	-
Operating Profit	128	119	-8	-
Total				
Net Sales	23,310	27,455	4,144	17.8%
Operating Profit	2,748	3,599	850	31.0%

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 launched in general availability, and was promoted aggressively. As a result of promotions, .tokyo achieved 10,000 registrations in the first 24 hours of general availability driving an increase in cross selling with other infrastructure products. In addition, the promotion increased brand awareness and registrations in domains other than .tokyo also grew, and the sub-segment achieved record high registration and renewal volume.

Domain registration and renewals grew 16.1% to 1.09 million, and total domains under management rose 15.2% to 4.69 million. Net sales grew 22.2% year-on-year to ¥1,351 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 a shift in demand from traditional hosting to cloud-hosting services. GMO AppsCloud, a cloud-based hosting solution optimized for mobile game developers and operators, grew along with general cloud hosting services.

Overall web hosting contracts increased 3.8% over the previous corresponding term to 737 thousand and net sales fell 0.2% year-on-year to ¥3,418 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. At the end of the current quarter, number of paid stores had grown 4.4% year-on-year to 71,000, and total transaction volume grew 11.3% to ¥52.3 billion.

Ecommerce Solutions reported net sales of ¥1,232 million (59.1% 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 30.0% to 53 thousand.

Security reported net sales of ¥724 million (7.4% year-on-year increase), over 60% of sales 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 12.2% over the previous corresponding term to 49 thousand and transaction volume grew 12.7% year-on-year to ¥355 billion. As a result of growth in transaction volume primarily in large-scale stores, sales grew 20.7% year-on-year to ¥1,833 million.

Provider

In the Internet Service Provider business, number of mobile wifi users grew 34.6% to 279 thousand as a result of recent aggressive marketing, and an expanding mobile Internet market. Sales grew 64.6% year-on-year to ¥2,067 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 18.2% year-on-year to ¥11,515 million, while Operating Profit decreased 10.1% year-on-year to ¥1,154 million after approximately ¥310 million was invested in aggressive promotion of the domain business.

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 comprising a comprehensive line-up of online advertising services. 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 nine months of the current fiscal year, listing and ad network products, smartphone affiliate advertising, social 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 continuing to concentrate effort on developing proprietary products to improve profit margins. Net sales in online advertising increased 12.0% from the previous year to ¥4,906 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 continued to grow user base. Net sales increased 7.3% to ¥3,045 million.

Internet Research and Other Businesses

In this sub-segment, Internet research provider, GMO Research, Inc. was listed on the TSE MOTHERS market in October. GMO Research provides an integrated research platform for market research companies. Based on one of Asia's largest research panels, GMO Research continued to grow its business both in Japan and internationally. In the current quarter net sales grew 19.2% to ¥515 million.

Overall, in the Online Advertising & Media segment, net sales totaled ¥8,467 million (10.6% year-on-year increase). Operating profit decreased 14.8% year-on-year to ¥380 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 15.3% year-on-year to 218,000, while number of FX accounts grew 13.5% year-on-year to 515,000.

In the FX sub-segment, the main contributor earnings in this segment, market activity picked up toward the end of Augusts due to a rapid weakening of the yen, and trading volume in the month of September reached ¥90 trillion for the first time this year. However, due to low levels of trading in July through to mid-August trading volume for the quarter was down 27.4% year-on-year to ¥180.5 trillion. Overall performance was strong and net sales in the Internet Securities segment totaled ¥5,657 million (9.6% year-on-year increase) and Operating Profit was ¥1,291 million (10.4% year-on-year increase).

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. In the mobile game market, GooglePlay, AppStore and other app markets are growing as usage of smartphone and tablet devices increases.

In the first nine months of the year, existing titles including Minerva Knights and Excalibur maintained positions in the Google Play sales rankings. LINE Dream Garden, a partnership with LINE, became an important contributor to segment revenue.

Overall in the Mobile Entertainment segment, net sales grew 34.3% to ¥1,541 million, and operating loss was ¥177 million (¥291 million operating loss in the previous corresponding term). Internalizing development and other cost control measures were implemented in the segment; however creating new hit titles to expand sales is a current challenge in this segment. Going forward, we aim to focus existing resources on turning the segment profitable as soon as possible.

v. Incubation Segment

The Incubation segment invests in expanding business and building enterprise value in Internet-related companies. In the first nine months of the year revenue was ¥1,261 million as a result of the sale of shares held by the company and other factors (1,945.0% year-on-year increase), while the segment reported an operating profit of ¥829 million (7,388.1% year-on-year increase).

(Reference 1)

Changes in Operating Results and Financial Condition by Quarter

(Unit: ¥millions)

	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Net Sales	23,310	23,710	27,026	25,427	27,455
Operating Profit	2,748	2,386	2,255	2,709	3,599
Ordinary Profit	2,667	2,392	2,240	2,695	3,528
Net Profit	1,360	1,487	945	1,777	1,248
Total Assets	409,971	429,762	423,991	425,483	471,724
Shareholders' Equity	24,262	24,989	25,111	26,350	27,543

(Reference 2)

Table: Quarterly Results by Segment

(Unit: ¥millions)

I Net Sales by Segment

	Q3 2013	Q4 2013	Q1 2013	Q2 2014	Q3 2014
Internet Infrastructure					
Provider	1,256	1,450	1,629	1,857	2,067
Domain	1,106	1,186	1,428	1,421	1,351
Hosting & Cloud	3,427	3,450	3,422	3,378	3,418
Ecommerce Solutions	774	853	1,192	1,123	1,232
Security	674	716	803	901	724
Payment	1,519	1,601	1,797	1,774	1,833
Other	980	693	966	976	888
Total	9,738	9,950	11,240	11,434	11,515
Online Advertising & Media					
Online Advertising	4,382	4,744	5,509	4,696	4,906
Internet Media	2,838	2,740	3,029	3,023	3,045
Internet Research & Other	432	558	569	514	515
Total	7,653	8,043	9,107	8,234	8,467
Internet Securities					
Total	5,162	5,054	5,553	4,792	5,657
Mobile Entertainment					
Total	1,147	1,113	1,710	1,659	1,541
Incubation					
Total	61	5	16	4	1,261
Sub total	23,764	24,166	27,629	26,125	28,445
Adjustment	-454	-456	-602	-698	-989
Net Sales	23,310	23,710	27,026	25,427	27,455

II Operating Profit by Segment

	Q3 2013	Q4 2013	Q1 2013	Q2 2014	Q3 2014
Internet Infrastructure	1,284	1,352	988	1,365	1,154
Online Advertising & Media	447	267	500	399	380
Internet Securities	1,169	1,184	1,422	1,059	1,291
Mobile Entertainment	-291	-326	-695	-126	-177
Incubation	11	-104	-29	-69	829
Sub total	2,620	2,372	2,186	2,629	3,479
Adjustment	128	13	68	79	119
Operating Profit	2,748	2,386	2,255	2,709	3,599

(Reference 3)

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 payment processing services for the public sector
	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
	Internet Research & Other	<ul style="list-style-type: none"> • Provision of Internet research systems, management and operation of online research panel (GMO Research Cloud Panel)
Internet 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 third quarter of fiscal year 2014 (September 30, 2014), assets had increased ¥41,961 million (9.8%) from the end of the previous fiscal year to ¥471,724 million. Significant factors included a ¥14,144 million (24.6%) increase in cash, and a ¥28,336 million (8.6%) increase 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

At the end of the third quarter liabilities had increased ¥37,773 million (9.6%) from the end of the previous fiscal year to ¥430,652 million. Fluctuations in liabilities are chiefly attributable to fluctuations in customer assets in the Securities segment resulting in an increase in liabilities of ¥17,052 million (5.3%) (securities segment deposits, margin transaction liabilities, guarantees and variation margin received).

Net Assets

At the end of the third quarter net assets had increased ¥4,187 million (11.4%) from the end of the previous fiscal year to ¥41,071 million. Movements in net assets included a ¥2,285 million (14.5%) increase in earnings surplus (net profit totaling ¥3,972 million and dividend payments of ¥1,531 million), and an increase in minority interest (13.8%) to 1,633 million due to a rise in profits from consolidated subsidiaries.

Cash Flow

At the end of the third quarter of fiscal year 2014 (September 30, 2014), cash and equivalents had increased ¥13,396 million (25.4%) from the end of the previous fiscal year to ¥66,220 million. The following is a summary of cash flow activity in the period under review.

Cash Flow from Operating Activities

Cash flow used in operating activities was ¥1,967 million (¥989 million generated in the previous corresponding term). Major items included net profit before tax and other adjustments (¥8,548 million), depreciation (¥3,318 million), goodwill amortization (¥1,170 million), and an increase in assets due to an increase in customer assets received (an increase in guarantee deposits, an increase in short term guarantee deposits, a decrease in deposits received, changes in variation margin paid and received, an increase in guarantee deposits received and changes in margin transaction assets and liabilities) totaling ¥11,283 million, and a ¥2,439 million outflow due to corporate tax payments etc.

Cash Flow from Investing Activities

Outflow from investing activities total ¥3,253 million (¥3,130 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 (¥565 million) software license updates and the acquisition of other intangible fixed assets (¥1,194 million).

Cash Flow from Financing Activities

Inflow from financing activities totaled ¥18,390 million (¥14,762 million in the previous corresponding term). Significant items included an increase in liquidity on hand due to an increase in transactions exercising shareholder benefits at the end of September in the Securities segment, a net increase (¥21,603 million) in interest bearing liabilities (increase in short term loans and repayment of long term loans, dividend payments (¥1,545 million) and dividend payments to minority shareholders (¥384 million).

3. Qualitative Information - Consolidated Results Forecasts and Other Forward-Looking Information

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 Limited, GMO DATA CENTER KOREA and GMO GlobalSign Philippines were consolidated due to increased significance to earnings. In the third quarter, Social Apps Payment Processing Service, Inc. was excluded from the consolidation after selling holdings in the company.

(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)	3rd Quarter Current Fiscal Year (As of Sep 30, 2014)
Assets		
Current Assets		
Cash and deposits	57,481	71,625
Trade notes and accounts receivable	8,420	8,600
Operational investment securities	843	1,719
Securities segment deposits	196,553	217,567
Securities segment margin transaction assets	96,406	99,398
Securities segment short term guarantee deposits	22,691	24,925
Securities segment variation margin paid	14,584	16,680
Deferred tax asset	3,016	2,872
Other	8,322	8,594
Provision for doubtful debts	-473	-446
Total Current Assets	407,848	451,540
Fixed Assets		
Tangible fixed assets	8,491	7,618
Intangible fixed assets		
Goodwill	3,670	3,190
Software	4,070	4,597
Other	587	471
Total intangible fixed assets	8,327	8,259
Investments and other assets		
Investment securities	1,887	1,717
Deferred tax asset	1,452	692
Other	2,026	2,263
Provision for doubtful debts	-271	-367
Total investments and other assets	5,095	4,306
Total Fixed Assets	21,914	20,183
Total Assets	429,762	471,724
Liabilities		
Current liabilities		
Trade notes and accounts payable	3,152	3,063
Short term debt	13,447	37,463
Amount payable	7,165	7,658
Securities segment deposits received	28,127	26,953
Securities segment margin transaction liability	82,134	89,829
Securities segment guarantees received	206,848	217,741
Securities segment variation margin received	6,205	5,844
Accrued corporate tax etc.	1,134	1,166
Allowance for bonuses	405	596
Allowance for bonuses to directors	200	35
Advance payment received	3,788	4,014
Deposits received	18,321	16,062
Other	4,930	6,118
Total Current Liabilities	375,862	416,548

	(Unit: ¥millions)	
	Previous Fiscal Year (As of Dec 31, 2013)	3rd Quarter Current Fiscal Year (As of Sep 30, 2014)
Fixed Liabilities		
Long term debt	10,910	8,497
Deferred tax liability	38	26
Other	4,618	3,750
Total Fixed Liabilities	15,567	12,274
Statutory Reserve		
Financial instruments transaction liability reserve	1,449	1,829
Total Statutory Reserve	1,449	1,829
Total Liabilities	392,878	430,652
Net Assets		
Shareholders' Equity		
Capital stock	100	100
Capital surplus	8,736	8,736
Earned surplus	15,765	18,050
Treasury stock	-0	-0
Total Shareholders' Equity	24,600	26,886
Other Comprehensive Income		
Other securities valuation differences	53	288
Hedging profit/loss carried forward	-50	-45
Foreign currency translation account	385	414
Total Other Comprehensive Income	388	657
Equity Warrants	19	19
Minority Equity	11,875	13,508
Total Net Assets	36,884	41,071
Liabilities, Net Assets Total	429,762	471,724

(2) Consolidated Statement of Income

Quarter Consolidated Statement

(Unit: ¥millions)

	3rd Quarter Previous Fiscal Year (9 months to Sep, 2013)	3rd Quarter Current Fiscal Year (9 months to Sep, 2014)
Net Sales	69,993	79,909
Cost of Sales	30,171	37,443
Gross Profit on Sales	39,822	42,466
Sales, General & Administrative Expenses	31,208	33,901
Operating Profit	8,613	8,564
Non Operating Revenue		
Interest received	5	8
Dividends received	24	43
Gain on currency translation	52	53
Equity method investment profits	66	7
Gain on expired points	64	61
Other	130	103
Total Non Operating Revenue	344	278
Non Operating Expenses		
Interest paid	249	223
Other	159	154
Total Non Operating Expenses	409	378
Ordinary Profit	8,549	8,464
Extraordinary Profit		
Gain on change in equity	7	727
Other	18	305
Total Extraordinary Profit	25	1,033
Extraordinary Loss		
Impairment loss	250	378
Provision to securities transaction liability Reserve	480	380
Other	114	189
Total Extraordinary Loss	845	948
Net Profit before Adjustment for Tax etc.	7,729	8,548
Corporate, Municipal and Enterprise Taxes	2,157	2,324
Corporate Tax etc. Adjustment	618	760
Total Corporate Taxes etc.	2,775	3,085
Net Profit before Minority Equity Adjustment	4,953	5,463
Minority Interests	1,196	1,491
Net Profit	3,756	3,972

Consolidated Statement of Comprehensive Income

(Unit: ¥millions)

	3rd Quarter Previous Fiscal Year (9 months to Sep, 2013)	3rd Quarter Current Fiscal Year (9 months to Sep, 2014)
Net Profit before Minority Equity Adjustment	4,953	5,463
Other Comprehensive Income		
Other securities valuation differences	921	505
Hedging profit/loss carried forward	9	4
Currency translation adjustment account	274	48
Total other comprehensive income	1,205	558
Comprehensive Income	6,158	6,022
(Breakdown)		
Comprehensive income attributable to parent company shareholders	4,813	4,240
Comprehensive income attributable to minority shareholders	1,345	1,781

(3) Consolidated Statement of Cash Flows

(Unit: ¥millions)

	3rd Quarter Previous Fiscal Year (9 months to Sep, 2013)	3rd Quarter Current Fiscal Year (9 months to Sep, 2014)
Cash Flow from Operating Activities		
Net profit before adjustment for tax etc.	7,729	8,548
Depreciation expenses	3,242	3,318
Impairment loss	250	378
Amortization of goodwill	1,035	1,170
Gain or loss on change in equity investees (- represents gain)	-7	-726
Interest and dividends received	-29	-52
Interest paid	249	223
Change in accounts receivable (-represents increase)	-720	149
Change in purchase debts (- represents decrease)	381	-423
Change in deposits received (- represents decrease)	1,621	-2,267
Change in deposits in securities segment (- represents increase)	-68,425	-21,014
Change in short term guarantee deposits in securities segment (-represents increase)	-5,130	-2,233
Change in margin variation paid and received in securities segment	-5,740	-2,457
Changes in deposits and guarantees received in securities segment (- represents decrease)	73,047	9,719
Changes in margin transaction assets and liabilities	-6,109	4,702
Other	2,626	1,609
Sub total	4,021	646
Interest and dividends received	41	48
Interest paid	-250	-223
Corporate tax etc. paid	-2,822	-2,439
Cash Flow from Operating Activities	989	-1,967
Cash Flow from Investing Activities		
Expenditure on payment of fixed term deposit	-900	-750
Return of fixed term deposit	100	-
Expenditure on acquisition of tangible fixed assets	-965	-565
Expenditure on acquisition of intangible fixed assets	-862	-1,194
Expenditure on acquisition of investment securities	-509	-209
Income accrued on the sale of investment securities	51	267
Expenditure on acquisition of affiliated company stock	-261	-
Expenditure on acquisition of subsidiary stock resulting in change in scope of consolidation	-11	-
Other	227	-801
Cash Flow from Investing Activities	-3,130	-3,253
Cash Flow from Financing Activities		
Income accrued on short term loans	97,300	112,470
Expenditure on repayment of short term loans	-77,100	-88,406
Income accrued on long term loans	2,000	-
Expenditure on repayment of long term loans	-4,585	-2,460
Payment of dividends	-1,178	-1,545
Payment of dividends to minority shareholders	-593	-384
Other	-1,080	-1,282
Cash Flow from Financing Activities	14,762	18,390
Currency Translation Adjustment on Cash and Equivalents	240	107
Change in Cash and Equivalents (- represents decrease)	12,862	13,277
Balance of Cash and Equivalents at Beginning of Term	41,899	52,823
Increase in Cash and Equivalents following Increase in Consolidation	185	119
Balance of Cash and Equivalents at End of Term	54,947	66,220

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

Notes regarding changes impacting shareholders' equity
 None

Segment Data

I 3rd Quarter of Previous Fiscal Year (01.01.2013-09.30.2013)

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	27,759	22,472	16,377	3,239	145	69,993	-	69,993
Internal transactions	467	1,010	-	3	-	1,481	-1,481	-
Total	28,226	23,482	16,377	3,243	145	71,475	-1,481	69,993
Segment Profit/Loss (-)	3,929	1,699	3,594	-864	20	8,379	234	8,613

*Notes

- i. The segment profit or loss adjustment (¥234 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 nine months of the fiscal year, impairment loss in the two segments totaled ¥194 million and ¥44 million respectively.

II 3rd Quarter of Current Fiscal Year (01.01.2014-09.30.2014)

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	33,598	24,122	16,003	4,902	1,282	79,909	-	79,909
Internal transactions	592	1,688	0	9	-	2,290	-2,290	-
Total	34,191	25,810	16,004	4,911	1,282	82,200	-2,290	79,909
Segment Profit/Loss (-)	3,508	1,281	3,774	-999	731	8,296	267	8,564

*Notes

1. The segment profit or loss adjustment (¥267 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 third 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, Online Advertising & Media, and Internet Infrastructure segments. At the end of the first nine months of the fiscal year, the losses totaled ¥279 million, ¥53 million and ¥45 million in each segment respectively.