

## Fiscal Year 2016 First Quarter Consolidated Financial Results (Japanese GAAP)

May 9, 2016

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: May 11, 2016 Start Date of Dividend Payout: June 24, 2016

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 First Quarter Financial Results in the Year Ending December 2016 (01.01.2016- 03.31.2016)

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

|                    | Net Sales  |      | Operating Profit |      | Ordinary Profit |      | Net Profit |       |
|--------------------|------------|------|------------------|------|-----------------|------|------------|-------|
|                    | ¥ millions | %    | ¥ millions       | %    | ¥ millions      | %    | ¥ millions | %     |
| Three months ended |            |      |                  |      |                 |      |            |       |
| March 31, 2016     | 33,173     | 1.8  | 3,657            | -5.0 | 3,552           | -8.5 | 1,361      | -26.9 |
| March 31, 2015     | 32,583     | 20.6 | 3,850            | 70.7 | 3,882           | 73.3 | 1,862      | 96.9  |

(Note) Comprehensive Income March 31, 2016: ¥1,533 million (-24.0%), March 31, 2015: ¥2,017 million (68.0 %)

|                    | Net Profit per Share | Net Profit per Share (Diluted) |
|--------------------|----------------------|--------------------------------|
| Three months ended | ¥                    | ¥                              |
| March 31, 2016     | 11.63                | 11.22                          |
| March 31, 2015     | 15.80                | 15.33                          |

#### (2) Consolidated Financial Condition

|                | Total Assets | Net Assets | Shareholders' Equity Ratio |
|----------------|--------------|------------|----------------------------|
| As of          | ¥ millions   | ¥ millions | %                          |
| March 31, 2016 | 560,766      | 58,948     | 6.4                        |
| March 31, 2015 | 554,626      | 62,156     | 7.1                        |

(Reference) Shareholders' Equity March 31, 2016: ¥36,138 million FYE12/2015: ¥39,641 million

### 2. Dividends

|                                | Dividends per Share |           |           |             |       |
|--------------------------------|---------------------|-----------|-----------|-------------|-------|
|                                | End of Q1           | End of Q2 | End of Q3 | End of Term | Total |
|                                | ¥                   | ¥         | ¥         | ¥           | ¥     |
| Year Ended 12/2015             | 6.00                | 5.00      | 7.00      | 20.00       | 38.00 |
| Year Ending 12/2016            | 5.00                |           |           |             |       |
| Year Ending 12/2016 (forecast) |                     | 5.00      | 5.00      | 5.00        | 20.00 |

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

### 3. Consolidated Results Forecast for the Year Ending December 2016 (01.01.2016 – 12.31.2016)

(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 | 135,000    | 6.9 | 16,500           | 11.5 | 16,500          | 11.1 | 7,000      | -47.8 | 59.42                |

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

Interim results forecasts not disclosed.

\*Notes

(1) Changes to significant subsidiaries in the current term: none

(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: none

4. Restatements: none

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

1. Outstanding shares at term end (inc. treasury)

|                |             |                |             |
|----------------|-------------|----------------|-------------|
| Q1 FYE 12/2016 | 115,944,677 | FYE 12/2015    | 117,806,777 |
| Q1 FYE 12/2016 | 1,811       | FYE 12/2015    | 1,811       |
| Q1 FYE 12/2016 | 116,984,605 | Q1 FYE 12/2015 | 117,804,966 |

2. Treasury shares at end term end

3. Average number of shares in the term

\*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 (3) Consolidated results forecast and other forward-looking information on page 8 for details.

Results Presentation for Investors and Analysts: May 9, 2016

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) Consolidated Operating Results

Overview of Financial Results in the Three Months to March 2015

|                  | Previous Q1 | Current Q1 | Change | % Change |
|------------------|-------------|------------|--------|----------|
| Net Sales        | 32,583      | 33,173     | 590    | 1.8%     |
| Operating Profit | 3,850       | 3,657      | -192   | -5.0%    |
| Ordinary Profit  | 3,882       | 3,552      | -330   | -8.5%    |
| Net Profit       | 1,862       | 1,361      | -501   | -26.9%   |

(Unit: ¥millions)

In the first quarter of 2016, growth was sustained in the Internet Infrastructure segment as investment continued in C2C handmade market and the segment became an even stronger growth driver. However, in the Internet Securities segment, while FX trading volume remained high, there was a short-term rise in cover transaction costs. The Online Advertising & Media experienced reduced advertising demand over the previous corresponding term from a large-scale client, the Mobile Entertainment segment did not produce a hit title and there were no investments sold in the Incubation segment and as a result the quarter finished with an increase in revenue and a drop in profit.

Under the corporate slogan “Internet for Everyone” GMO Internet Group focuses resources on high growth Internet markets. Continued growth in the Internet is largely taking place in the mobile space, spurred by increased usage of smartphones, tablets and other mobile devices, the progression of cloud technology, the proliferation of Twitter, Facebook, LINE and other forms of social media, as well as the new O2O, omni-channel and C2C markets. The Internet of Things is also significant and the Group recognizes that IoT presents many new business opportunities. GMO Internet management views any growth in the volume of information available on the Internet or in the volume of transactions conducted over the Internet as an opportunity to grow profits.

Amidst a healthy external environment, in the first quarter the Group continued to operate under the theme of the previous fiscal year, “strengthening our strengths and enhancing weaker areas with No. 1 products”. The Internet Infrastructure segment, already comprising multiple No. 1 products, invested ¥440 million in promoting C2C handmade market, minne with the objective of propelling the service to a strong No. 1 market. The Internet Securities segment continued to expand customer base through a cost leadership strategy. Responding to changes in the market, the Online Advertising & Media segment focused on product development with the objective of accelerating its shift toward a technology driven business. The Mobile Entertainment segment continued cost control efforts while maintaining the objective of producing a hit title.

First quarter consolidated net sales increased 1.8% year-on-year to ¥33,173 million. Over the same period operating profit decreased 5.0% to ¥3,657 million, and ordinary profit decreased 8.5% to ¥3,552 million, while net profit fell 26.9% to ¥1,361 million.

Net Sales and Operating Profit by Segment in the Three Months to March 2016

(Unit: ¥millions)

|                            | Previous Q1 | Current Q1 | Change | % Change |
|----------------------------|-------------|------------|--------|----------|
| Internet Infrastructure    |             |            |        |          |
| Net Sales                  | 13,040      | 15,323     | 2,282  | 17.5%    |
| Operating Profit           | 1,128       | 1,390      | 262    | 23.2%    |
| Online Advertising & Media |             |            |        |          |
| Net Sales                  | 11,604      | 11,504     | -99    | -0.9%    |
| Operating Profit           | 564         | 449        | -114   | -20.4%   |
| Internet Securities        |             |            |        |          |
| Net Sales                  | 7,522       | 6,734      | -788   | -10.5%   |
| Operating Profit           | 2,187       | 2,079      | -108   | -5.0%    |
| Mobile Entertainment       |             |            |        |          |
| Net Sales                  | 1,279       | 690        | -589   | -46.1%   |
| Operating Profit           | -62         | -222       | -160   | -        |
| Incubation                 |             |            |        |          |
| Net Sales                  | 99          | 5          | -94    | -94.9%   |
| Operating Profit           | 8           | -49        | -58    | -        |
| Other                      |             |            |        |          |
| Net Sales                  | 0           | 39         | 38     | —        |
| Operating Profit           | -19         | -32        | -12    | —        |
| Adjustment                 |             |            |        |          |
| Net Sales                  | -964        | -1,122     | -157   | —        |
| Operating Profit           | 43          | 43         | 0      | —        |
| Total                      |             |            |        |          |
| Net Sales                  | 32,583      | 33,173     | 590    | 1.8%     |
| Operating Profit           | 3,850       | 3,657      | -192   | -5.0%    |

Segment results in the first quarter are as below. As of the first quarter standards for the allocation of expenses were revised in order to more appropriately represent performance in each segment. Reportable segments in the previous fiscal year are presented based on the new allocation standards.

### Segment Report

#### 1) Internet Infrastructure

The Internet Infrastructure segment provides the basic 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.

##### i. Domain

Gateway to the Group's infrastructure segment, the domain business continued to actively grow customer base with a low-pricing strategy. Domain registration and renewals grew 4.3% to 1.12 million, and total domains under management rose 10.1% to 5.38 million. Net sales grew 26.5% year-on-year to ¥1,939 million.

## ii. 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 rising demand for cloud hosting services over traditional hosting. 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 2.6% over the previous corresponding term to 770 thousand and net sales fell 1.5% year-on-year to ¥3,430 million.

## iii. Ecommerce solutions

Ecommerce solutions comprises SaaS based services for online stores and C2C handmade market, minne. In an expanding market, focus was on growing customer transaction volume through enhancement of service functionality. Significant investment was channeled into live events and other promotion of minne, as well as improving the C2C market's smartphone app. At the end of the quarter, number of paid stores had increased 2.4% year-on-year to 74,000 and total transaction volume rose 11.3% to ¥62.7 billion, while in minne, transaction volume rose 221.9% to ¥1.97 billion. Ecommerce solutions reported net sales of ¥1,883 million (40.1% year-on-year increase).

## iv. Security

As the global expansion of security brand GlobalSign progressed, direct sales targeting large corporations and active sales partners drove market share growth both in Japan and globally. Security reported net sales of ¥1,140 million (14.2% year-on-year increase).

## v. Payment

Payment services are operated by GMO Payment Gateway and affiliates. The market environment was favorable as ecommerce continued to expand and progress into new fields beyond online sales. In the current quarter, focus remained on growing number of merchants, number of transactions and transaction volume, with the expansion of transaction lending and early remittance services with the objective of supporting customers (merchants) in expanding sales. Overall at the end of the first quarter, number of merchants increased 24.7% over the previous corresponding term to 67 thousand and transaction volume grew 23.7% year-on-year to ¥470 billion. Continued growth of payment services as well as the money services business contributed to net sales growth of 35.1% year-on-year to ¥2,908 million.

## vi. Provider

This sub-segment operates Internet Provider Services for consumers. In the current quarter, number of mobile wifi users grew 9.1% to 359 thousand as a result of recent cost effective marketing, and an expanding mobile Internet market. Net sales grew 28.8% year-on-year to ¥3,057 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 17.5% year-on-year to ¥15,323 million, while operating profit increased 23.2% year-on-year to ¥1,390 million even after ¥440 million was invested in the promotion of C2C handmade market, minne.

## 2) 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.

### i. Online Advertising

This sub-segment provides comprehensive Internet advertising services. Trends in the online advertising market include a shift from managed advertising placement toward listing and other ad network products.

In the first quarter, response to a changing market environment was progresses with continued development and sales of proprietary products. Net sales in online advertising reached ¥6,865 million. While there is always strong advertising demand in the first quarter, sales fell 7.7% due to a reduction in advertising from a particular large-scale client.

#### ii. Internet Media

This sub-segment provides advertising space within our own smartphone and PC content services and marketing support services. In particular the smartphone app business is growing as fashion sharing network, CoordiSnap, and camera app, Girls Camera expand user base both in Japan and internationally. Net sales in this sub-segment increased 10.4% to ¥3,883 million.

Overall, in the Online Advertising & Media segment, net sales totaled ¥11,504 million (0.9% year-on-year decrease). Operating profit fell 20.4% year-on-year to ¥449 million. The segment continued to invest in an accelerated technology shift with a focus on the development and sale of proprietary products.

#### 3) Internet Securities

The Internet Securities segment operates consumer financial services. Through improving usability for customers, the segment has worked to increase number of accounts, customer assets held, and transaction volume. In the current quarter, number of FX accounts grew 9.5% year-on-year to 604,000, while number of Securities accounts grew 17.6% year-on-year to 284,000.

FX trading volume almost met the record high volume of the previous corresponding quarter at ¥376 trillion, as the Bank of Japan introduced negative interest rates contributing to continued volatility in the markets. However, as a result of this higher volatility, trading volume increased sharply from the previous quarter, cover transaction costs rose putting short-term downward pressure on profitability. Overall, net sales in the Internet Securities segment totaled ¥6,734 million (10.5% year-on-year decrease) and operating profit was ¥2,079 million (5.0% year-on-year decrease).

#### 4) Mobile Entertainment

This segment comprises smartphone and online game development and operations.

In the first quarter, revenue from major titles including Minerva Knights continued on a downward trend having now been on the market for some time. Further, television commercials for in-house developed title “Chain Heroes” did not achieve the expected lift in revenue.

In the Mobile Entertainment segment, net sales fell 46.1% to ¥690 million, and operating loss was ¥222 million (¥62 million operating loss in the previous corresponding term). Having reduced costs and internalized all operations and development, we are in a position to run a cost efficient business with the potential to produce a hit title.

#### 5) Incubation Segment

The Incubation segment invests in expanding business and building enterprise value in Internet-related companies. In the current quarter, there were no sales of investments and revenue was ¥5 million (94.9% year-on-year decrease) following the sale of investment securities, while the segment reported an operating loss of ¥49 million (¥8 million operating profit reported in the previous corresponding term).

#### (Reference1) Changes in Operating Results and Financial Condition by Quarter

(Unit: ¥millions)

|                  | Q1 2015 | Q2 2015 | Q3 2015 | Q4 2015 | Q1 2016 |
|------------------|---------|---------|---------|---------|---------|
| Net Sales        | 32,583  | 30,988  | 31,263  | 31,502  | 33,173  |
| Operating Profit | 3,850   | 4,640   | 3,584   | 2,728   | 3,657   |
| Ordinary Profit  | 3,882   | 4,488   | 3,585   | 2,901   | 3,552   |
| Net Profit       | 1,862   | 5,234   | 1,457   | 4,865   | 1,361   |
| Total Assets     | 548,045 | 555,055 | 547,192 | 554,626 | 560,766 |

|                      |        |        |        |        |        |
|----------------------|--------|--------|--------|--------|--------|
| Shareholders' Equity | 30,141 | 34,950 | 35,682 | 39,641 | 36,138 |
|----------------------|--------|--------|--------|--------|--------|

(Reference2)

Table: Quarterly Results by Segment

I Net Sales by Segment

(Unit: ¥millions)

|                            | Q1 2015 | Q2 2015 | Q3 2015 | Q4 2015 | Q1 2016 |
|----------------------------|---------|---------|---------|---------|---------|
| Internet Infrastructure    |         |         |         |         |         |
| Provider                   | 2,372   | 2,584   | 2,751   | 2,941   | 3,057   |
| Domain                     | 1,532   | 1,516   | 1,490   | 1,727   | 1,939   |
| Hosting & Cloud            | 3,482   | 3,436   | 3,465   | 3,539   | 3,430   |
| Ecommerce Solutions        | 1,344   | 1,442   | 1,635   | 1,887   | 1,883   |
| Security                   | 998     | 1,137   | 1,031   | 1,174   | 1,140   |
| Payment                    | 2,152   | 2,174   | 2,521   | 2,649   | 2,908   |
| Other                      | 1,156   | 1,039   | 1,246   | 979     | 962     |
| Total                      | 13,040  | 13,330  | 14,141  | 14,899  | 15,323  |
| Online Advertising & Media |         |         |         |         |         |
| Online Advertising         | 7,439   | 5,246   | 5,587   | 6,237   | 6,865   |
| Internet Media             | 3,516   | 3,300   | 3,263   | 3,427   | 3,883   |
| Internet Research & Other  | 647     | 529     | 705     | 669     | 754     |
| Total                      | 11,604  | 9,076   | 9,556   | 10,333  | 11,504  |
| Internet Securities        |         |         |         |         |         |
| Total                      | 7,522   | 7,838   | 7,681   | 6,762   | 6,734   |
| Mobile Entertainment       |         |         |         |         |         |
| Total                      | 1,279   | 1,056   | 981     | 780     | 690     |
| Incubation                 |         |         |         |         |         |
| Total                      | 99      | 672     | 8       | 12      | 5       |
| Sub total                  | 33,546  | 31,974  | 32,370  | 32,788  | 34,256  |
| Other                      | 0       | 2       | 2       | 1       | 39      |
| Adjustment                 | -964    | -989    | -1,109  | -1,288  | -1,122  |
| Net Sales                  | 32,583  | 30,988  | 31,263  | 31,502  | 33,173  |

II Operating Profit by Segment

|                            | Q1 2015 | Q2 2015 | Q3 2015 | Q4 2015 | Q1 2016 |
|----------------------------|---------|---------|---------|---------|---------|
| Internet Infrastructure    | 1,128   | 1,216   | 1,005   | 961     | 1,390   |
| Online Advertising & Media | 564     | 219     | 267     | 151     | 449     |
| Internet Securities        | 2,187   | 2,803   | 2,477   | 2,198   | 2,079   |
| Mobile Entertainment       | -62     | -92     | -132    | -467    | -222    |
| Incubation                 | 8       | 481     | -39     | -118    | -49     |
| Sub total                  | 3,827   | 4,627   | 3,578   | 2,724   | 3,647   |
| Other                      | -19     | -20     | -26     | -25     | -32     |
| Adjustment                 | 43      | 33      | 32      | 28      | 43      |
| Operating Profit           | 3,850   | 4,640   | 3,584   | 2,728   | 3,657   |

(Reference3)

Description of businesses in each segment

| Business Segment           |                           | Main Operations  |
|----------------------------|---------------------------|--|
| Internet Infrastructure    | Domain                    | <ul style="list-style-type: none"> <li>• Domain registration services include Onamae.com, MuuMuu Domain, VALUE DOMAIN. Provision of domain name registrations (.com, .net, .jp .nagoya, .tokyo, .yokohama etc.)</li> </ul>   |
|                            | Hosting & Cloud           | <ul style="list-style-type: none"> <li>• 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 Altus, GMO Cloud Private, Lolipop, heteml, Sqale and 30days Album</li> </ul>  |
|                            | Ecommerce Solutions       | <ul style="list-style-type: none"> <li>• SaaS based services for online store building including Color me shop! MakeShop, and Jugem Cart</li> <li>• Operation of online shopping mall Calamel etc.</li> <li>• Operation of handmade marketplace, minne, tetote</li> <li>• Operation of ecommerce/O2O support services</li> <li>• Web design, operational support and system consulting</li> </ul>                            |
|                            | Security                  | <ul style="list-style-type: none"> <li>• DomainSSL, OrganizationSSL, other SSL certificates, code signing certificates, PDF document signing, client certificates and other digital certificate services</li> </ul>  |
|                            | Payment                   | <ul style="list-style-type: none"> <li>• GMO Payment Gateway services including PG Multi-Payment Service and payment processing services for the public sector</li> </ul>  |
|                            | Provider                  | <ul style="list-style-type: none"> <li>• GMO TokuToku BB, interQ MEMBERS, ZERO, and other Internet provider services.</li> </ul>   |
| Online Advertising & Media | Online Advertising        | <ul style="list-style-type: none"> <li>• Listing and mobile (GMO SmaAD) ad networks, search engine advertising, affiliate advertising, reward advertising</li> <li>• Advertising planning and production</li> </ul>  |
|                            | Internet Media            | <ul style="list-style-type: none"> <li>• Development and operation of blog services yaplog! and JUGEM, Internet community services including freeml, point rewards service, PointTown, and group discount website, Kumapon. Development and operation of smartphone apps including fashion sharing app, Coordisnap. Ad distribution to own media.</li> <li>• SEM Media: JWord, sales of JWord, Japanese keywords.</li> </ul> |
|                            | Internet Research & Other | <ul style="list-style-type: none"> <li>• Provision of Internet research systems, management and operation of online research panel (GMO Research Cloud Panel)</li> </ul>   |
| Internet Securities        | Internet Securities       | <ul style="list-style-type: none"> <li>• Operation of online securities trading, FX trading services etc.</li> </ul>   |
| Mobile Entertainment       | Mobile Entertainment      | <ul style="list-style-type: none"> <li>• Smartphone game development, operation &amp; support</li> <li>• Online game development and operation</li> </ul>  |
| Incubation                 | Venture Capital           | <ul style="list-style-type: none"> <li>• Investment in private Internet startups.</li> </ul>   |

## (2) Consolidated Financial Condition Assets, Liabilities and Shareholders' Equity

### Assets

At the end of the first quarter of fiscal year 2016 (March 31, 2016), assets had increased ¥6,140 million (1.1%) from the end of the previous fiscal year to ¥560,766 million. Significant factors included a ¥7,340 million (9.7%) increase in cash. Current assets increased mostly due to the acquisition of .shop reported under the pre-payment line item. Assets in the Securities segment decreased ¥10,393 million (2.5%) due to fluctuations in customer assets (deposits, short-term deposits, margin transaction assets and variation paid).

### Liabilities

At the end of the first quarter liabilities had increased ¥9,348 million (1.9%) from the end of the previous fiscal year to ¥501,817 million. Fluctuations in liabilities are chiefly attributable to an increase in interest bearing debt of ¥42,119 million (105.8%) and fluctuations in customer assets in the Securities segment resulting in a decrease in liabilities of ¥28,320 million (7.4%).

### Net Assets

At the end of the first quarter, net assets had decreased ¥3,208 million (5.2%) from the end of the previous fiscal year to ¥58,948 million. Movements in net assets included a decrease of ¥995 million (3.3%) in earnings surplus (profit attributable to owners of the parent totaling ¥1,361 million and dividend payments of ¥2,356 million), and a ¥2,239 million (58.4%) decrease in capital stock following the retirement of treasury shares.

### Cash Flow

At the end of the first quarter of fiscal year 2016 (March 31, 2016), cash and equivalents had increased ¥8,242 million (11.0 %) from the end of the previous fiscal year to ¥83,171 million. The following is a summary of cash flow activity in the period under review.

#### Cash Flow from Operating Activities

Outflow in operating activities was ¥29,783 million (¥15,594 million generated in the previous corresponding term). Major items included net profit before tax and other adjustments (¥3,317 million) and depreciation (¥1,088 million). Customer assets in the Internet Securities segment increased contributing to an increase of ¥17,927 million in assets (Decreases in deposits and securities deposits and increases in guarantee deposits, increases in variation paid and received, increases in margin trading assets and liabilities), ¥6,263 million was paid out in corporate tax payments, and an advance payment of ¥4,946 million was made in the acquisition of new domain, .shop..

#### Cash Flow from Investing Activities

Inflow from investing activities totaled ¥589 million (¥2,727 million inflow in the previous corresponding term). Contributing factors chiefly included the acquisition of server equipment and other tangible fixed assets (¥570 million) software license updates, the acquisition of other intangible fixed assets (¥393 million), acquisition of investment securities (¥546 million) and a net decrease in fixed deposits (¥899 million).

#### Cash Flow from Financing Activities

Inflow from financing activities totaled ¥38,852 million (¥27,707 million inflow in the previous corresponding term). Significant items include dividend payments (¥2,343 million outflow), the acquisition of treasury shares (¥2,236 million outflow) and a net increase in interest bearing debt (increase in short term debt and repayment of long term debt) totaling ¥42,120 million.

## (3) Qualitative Information - Consolidated Results Forecast and Other Forward-Looking Information

There is no revision to the results forecast for the current fiscal year (previously published in the 2015 Consolidated Results Statement on February 8, 2016).

## 2. Summary of Information Related to Notes

- (1) Changes to significant subsidiaries in the current term  
None
- (2) Special accounting treatments used in preparation of financial statements  
None
- (3) Changes in accounting policy, changes in accounting estimates, restatements

### Application of Standards relating to Business Combinations

In the first quarter of the current consolidated fiscal year, the following accounting standards were applied: Accounting Standards related to Business Combinations (Accounting Standard No. 21, 9/13/2013, hereafter "Business Combination Accounting Standards"), Accounting Standards related to Consolidated Financial Reporting (Accounting Standard No. 22, 9/13/2013, hereafter "Consolidation Accounting Standards"), and Accounting Standards related to Business Divisions (Accounting Standard No. 7, 9/13/2013, hereafter "Business Division Accounting Standards"). Changes in the company's equity method interests in subsidiaries where the company maintains a controlling share is reported as Capital Stock, and the method of reporting expenses in the consolidated fiscal years in which acquisition related expenses occur has also been revised. Further, in regard to business combinations that occurred after the beginning of the first quarter, due to provisional accounting treatment being permanently adopted, there was a change in distributed costs related to acquisition costs reflected in the financial statements of the consolidated fiscal term in which the business combination occurred. In addition, there was a change in presentation of net profit, and the line item previously reported as minority equity is now presented as non-controlling minority interests. In order to reflect these changes, the current and previous fiscal years are presented using the new standards.

In the calculation of cash flow in the first quarter of the current fiscal year, cash flow related to the acquisition or sale of subsidiary stock that does not result in a change in the scope of consolidation is reported as Cash Flow from Financing Activities. Acquisition expenses for subsidiary stock that does result in a change in scope of consolidation and expenses relating to the sale or acquisition of subsidiary stock that does not result in a change in the scope of consolidation are reported as Cash Flow from Operating Activities.

In regard to business combination accounting standards, transitional handling as defined in Business Combination Accounting Standard No. 58-2 (4), Consolidated Accounting Standard 44-5 (4) and Business Division Accounting Standard 57-4 (4) will be applied from the first quarter of the current fiscal year onward.

Impact of these changes on financial reporting in the first quarter of the current fiscal year is immaterial.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

(Unit: ¥millions)

|   | Previous Fiscal Year<br>(As of Dec 31, 2015) | 1st Quarter<br>Current Fiscal Year<br>(As of Mar 31, 2016) |
|---|--|--|
| <b>Assets</b>                                       |  |  |
| Current Assets                                      |  |  |
| Cash and deposits                                   | 75,979                                       | 83,320   |
| Trade notes and accounts receivable                 | 12,528                                       | 13,731   |
| Operational investment securities                   | 2,236  | 2,407  |
| Securities segment deposits                         | 254,894                                      | 245,496  |
| Securities segment margin transaction assets        | 98,229                                       | 95,960   |
| Securities segment short term<br>guarantee deposits | 45,547                                       | 44,008   |
| Securities segment variation margin paid            | 24,390                                       | 27,204   |
| Deferred tax asset                                  | 1,621  | 1,839  |
| Other   | 16,767                                       | 23,671   |
| Provision for doubtful debts                        | -848   | -876   |
| <b>Total Current Assets</b>                         | <b>531,347</b>                               | <b>536,764</b>   |
| Fixed Assets  |  |  |
| Tangible fixed assets                               | 6,592  | 7,098  |
| Intangible fixed assets                             |  |  |
| Goodwill  | 2,224  | 2,003  |
| Software  | 4,657  | 4,444  |
| Other   | 1,318  | 1,366  |
| <b>Total intangible fixed assets</b>                | <b>8,200</b>                                 | <b>7,814</b>   |
| Investments and other assets                        |  |  |
| Investment securities                               | 4,329  | 4,607  |
| Deferred tax asset                                  | 1,448  | 1,544  |
| Other   | 3,079  | 3,315  |
| Provision for doubtful debts                        | -371   | -377   |
| <b>Total investments and other assets</b>           | <b>8,486</b>                                 | <b>9,089</b>   |
| <b>Total Fixed Assets</b>                           | <b>23,278</b>                                | <b>24,002</b>  |
| <b>Total Assets</b>                                 | <b>554,626</b>                               | <b>560,766</b>   |

(Unit: ¥millions)

|   | Previous Fiscal Year<br>(As of Dec 31, 2015) | 1st Quarter<br>Current Fiscal Year<br>(As of Mar 31, 2016) |
|---|--|--|
| <b>Liabilities</b>                                  |  |  |
| Current Liabilities                                 |  |  |
| Trade notes and accounts payable                    | 5,304  | 6,168  |
| Short term debt                                     | 34,529                                       | 76,822   |
| Bonds to be redeemed within one-year                | 2,600  | 2,600  |
| Amount payable                                      | 12,043                                       | 10,223   |
| Securities segment deposits received                | 31,562                                       | 27,855   |
| Securities segment margin transaction liability     | 71,590                                       | 65,681   |
| Securities segment guarantees received              | 273,518                                      | 256,464  |
| Securities segment variation margin received        | 4,083  | 2,432  |
| Accrued corporate tax etc.                          | 5,849  | 2,041  |
| Allowance for bonuses                               | 673  | 1,068  |
| Allowance for bonuses to directors                  | 814  | 579  |
| Advance payment received                            | 5,221  | 5,691  |
| Deposits received                                   | 29,704                                       | 27,783   |
| Other   | 6,745  | 6,739  |
| <b>Total Current Liabilities</b>                    | <b>484,240</b>                               | <b>492,152</b>   |
| Fixed Liabilities                                   |  |  |
| Long term debt                                      | 2,698  | 2,524  |
| Deferred tax liability                              | 56   | 55   |
| Other   | 3,091  | 4,604  |
| <b>Total Fixed Liabilities</b>                      | <b>5,846</b>                                 | <b>7,184</b>   |
| Statutory Reserve                                   |  |  |
| Financial instruments transaction liability reserve | 2,382  | 2,480  |
| <b>Total Statutory Reserve</b>                      | <b>2,382</b>                                 | <b>2,480</b>   |
| <b>Total Liabilities</b>                            | <b>492,469</b>                               | <b>501,817</b>   |
| <b>Net Assets</b>                                   |  |  |
| Shareholders' Equity                                |  |  |
| Capital stock                                       | 5,000  | 5,000  |
| Capital surplus                                     | 3,836  | 1,597  |
| Earned surplus                                      | 30,189                                       | 29,194   |
| Treasury stock                                      | -0   | -2   |
| <b>Total Shareholders' Equity</b>                   | <b>39,024</b>                                | <b>35,789</b>  |
| Other Comprehensive Income                          |  |  |
| Other securities valuation differences              | 217  | 173  |
| Hedging profit/loss carried forward                 | 13   | -57  |
| Foreign currency translation account                | 385  | 234  |
| <b>Total Other Comprehensive Income</b>             | <b>617</b>                                   | <b>349</b>   |
| Equity Warrants                                     | 49   | 57   |
| Non-controlling Minority Equity                     | 22,465                                       | 22,752   |
| <b>Total Net Assets</b>                             | <b>62,156</b>                                | <b>58,948</b>  |
| <b>Liabilities, Net Assets Total</b>                | <b>554,626</b>                               | <b>560,766</b>   |

## (2) Consolidated Statement of Income

Quarterly Consolidated Statement of Income  
1st Quarter

(Unit: ¥millions)

|   | 1st Quarter<br>Previous Fiscal Year<br>(3 months to Mar, 2015) | 1st Quarter<br>Current Fiscal Year<br>(3 months to Mar, 2016) |
|---|--|---|
| Net Sales   | 32,583   | 33,173  |
| Cost of Sales   | 15,930   | 16,720  |
| Gross Profit on Sales                                 | 16,653   | 16,453  |
| Sales, General & Administrative Expenses              | 12,802   | 12,795  |
| Operating Profit                                      | 3,850  | 3,657   |
| Non Operating Revenue                                 |  |   |
| Gain on currency translation                          | 56   | -   |
| Investment business partnership profits               | -  | 33  |
| Other   | 126  | 84  |
| Total Non Operating Revenue                           | 183  | 117   |
| Non Operating Expenses                                |  |   |
| Interest paid   | 63   | 25  |
| Commissions paid                                      | 42   | 38  |
| Equity method investment losses                       | 0  | 22  |
| Loss on currency translation                          | -  | 98  |
| Other   | 45   | 38  |
| Total Non Operating Expenses                          | 151  | 222   |
| Ordinary Profit                                       | 3,882  | 3,552   |
| Extraordinary Profit                                  |  |   |
| Gain on sale of stock in affiliates                   | -  | 74  |
| Other   | 27   | 4   |
| Total Extraordinary Profit                            | 27   | 79  |
| Extraordinary Loss                                    |  |   |
| Impairment loss                                       | 60   | 207   |
| Provision to securities transaction liability reserve | 127  | 98  |
| Other   | 118  | 9   |
| Total Extraordinary Loss                              | 306  | 314   |
| Net Profit before Adjustment for Tax etc.             | 3,603  | 3,317   |
| Corporate, Municipal and Enterprise Taxes             | 1,718  | 1,681   |
| Corporate Tax etc. Adjustment                         | -389   | -267  |
| Total Corporate Taxes etc.                            | 1,329  | 1,413   |
| Net Profit  | 2,274  | 1,903   |
| Profit attributable to Non-controlling Interests      | 412  | 542   |
| Profit attributable to Owners of the Parent           | 1,862  | 1,361   |

Consolidated Statement of Comprehensive Income

(Unit: ¥millions)

|  | 1st Quarter<br>Previous Fiscal Year<br>(3 months to Mar, 2015) | 1st Quarter<br>Current Fiscal Year<br>(3 months to Mar, 2016) |
|--|--|---|
| Net Profit   | 2,274  | 1,903   |
| Other Comprehensive Income                                     |  |   |
| Other securities valuation differences                         | -45  | -98   |
| Hedging profit/loss carried forward                            | -18  | -71   |
| Currency translation adjustment account                        | -193   | -199  |
| Total other comprehensive income                               | -256   | -369  |
| Comprehensive Income   | 2,017  | 1,533   |
| (Breakdown)  |  |   |
| Comprehensive income attributable to owners of the parent      | 1,533  | 1,093   |
| Comprehensive income attributable to non-controlling interests | 484  | 440   |

## (3) Consolidated Statement of Cash Flows

(Unit: ¥millions)

|  | 1st Quarter<br>Previous Fiscal Year<br>(3 months to Mar, 2015) | 1st Quarter<br>Current Fiscal Year<br>(3 months to Mar, 2016) |
|--|--|---|
| <b>Cash Flow from Operating Activities</b>   |  |   |
| Net profit before adjustment for tax etc.  | 3,603  | 3,317   |
| Depreciation expenses  | 1,079  | 1,088   |
| Impairment loss  | 60   | 207   |
| Amortization of goodwill   | 415  | 219   |
| Interest paid  | 63   | 25  |
| Gain on sale of stock in affiliates (-represents increase)                                   | 88   | -74   |
| Change in accounts receivable (-represents increase)   | -1,921   | -786  |
| Change in purchase debts (- represents decrease)   | 982  | 243   |
| Change in amount payable (- represents decrease)   | 159  | -1,866  |
| Change in deposits received (- represents decrease)  | 1,434  | -1,919  |
| Change in deposits in securities segment<br>(- represents increase)                          | -10,058  | 9,398   |
| Change in short term guarantee deposits in<br>securities segment (-represents increase)      | -5,893   | 1,539   |
| Change in margin variation paid and<br>received in securities segment                        | -7,948   | -4,465  |
| Changes in deposits and guarantees received<br>in securities segment (- represents decrease) | 4,023  | -20,760   |
| Changes in margin transaction assets and liabilities   | -429   | -3,639  |
| Other  | 294  | -5,966  |
| Sub total  | -14,047  | -23,439   |
| Interest and dividends received  | 56   | 19  |
| Interest paid  | -143   | -99   |
| Corporate tax etc. paid  | -1,459   | -6,263  |
| Cash Flow from Operating Activities  | -15,594  | -29,783   |
| <b>Cash Flow from Investing Activities</b>   |  |   |
| Expenditure on payment of fixed term deposit   | -150   | -0  |
| Return of fixed term deposit   | 3,333  | 900   |
| Expenditure on acquisition of tangible fixed assets  | -194   | -570  |
| Expenditure on acquisition of intangible fixed assets  | -559   | -393  |
| Expenditure on acquisition of investment securities  | -40  | -546  |
| Income accrued on the sale of investment securities  | 58   | 0   |
| Income from the sale of subsidiary stock resulting in change<br>in scope of consolidation    | 272  | 90  |
| Other  | 8  | -69   |
| Cash Flow from Investing Activities  | 2,727  | -589  |

|  | 1st Quarter<br>Previous Fiscal Year<br>(3 months to Mar, 2015) | 1st Quarter<br>Current Fiscal Year<br>(3 months to Mar, 2016) |
|--|--|---|
| <b>Cash Flow from Financing Activities</b>                           |  |   |
| Income accrued on short term loans                                   | 94,800   | 96,148  |
| Expenditure on repayment of short term loans                         | -64,410  | -53,849   |
| Expenditure on repayment of long term loans                          | -797   | -179  |
| Payment received from partners in investment funds                   | 260  | 55  |
| Returns to partners in investment funds                              | -647   | -   |
| Acquisition of treasury stock  | -  | -2,236  |
| Payment of dividends   | -597   | -2,343  |
| Payment of dividends to non-controlling interests                    | -326   | -318  |
| Gain on sale and leasebacks  | -  | 1,850   |
| Other  | -573   | -275  |
| <b>Cash Flow from Financing Activities</b>                           | <b>27,707</b>  | <b>38,852</b>   |
| Currency Translation Adjustment on Cash and Equivalents              | -285   | -236  |
| Change in Cash and Equivalents (- represents decrease)               | 14,555   | 8,242   |
| Balance of Cash and Equivalents at Beginning of Term                 | 65,038   | 74,929  |
| Increase in Cash and Equivalents following Increase in Consolidation | 161  | -   |
| <b>Balance of Cash and Equivalents at End of Term</b>                | <b>79,755</b>  | <b>83,171</b>   |

(4) Notes regarding the Consolidated Financial Statements

Notes regarding the going concern assumption

None

Notes regarding changes impacting shareholders' equity

Acquisition and retirement of treasury stock

Following a Board of Directors decision on February 8, 2016, GMO Internet acquired 1,800,000 treasury shares at a total cost of ¥2,148 million between February 9 and February 24, 2016 and further following a Board of Directors decision on March 3, 2016, GMO Internet acquired 62,100 treasury shares at a total cost of ¥85 million on March 4, 2016. After a Board of Directors decision on March 7, 1,862,100 treasury shares were retired on March 11, 2016.

As a result, at the end of the first quarter of the consolidated fiscal year, capital stock decreased ¥2,233 million and treasury stock increased by ¥1 million.

## Segment Data

I 1st Quarter of Previous Fiscal Year (01.01.2015-03.31.2015)

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

(Unit: ¥millions)

|                                 | Segment                    |                      |                        |                         |            |        | Other<br>(*i) | Adjustment<br>(*ii) | Consolidated<br>P/L (*iii) |
|---------------------------------|----------------------------|----------------------|------------------------|-------------------------|------------|--------|---------------|---------------------|----------------------------|
|                                 | Internet<br>Infrastructure | Online Ad<br>& Media | Internet<br>Securities | Mobile<br>Entertainment | Incubation | Total  |               |                     |                            |
| Net Sales                       |                            |                      |                        |                         |            |        |               |                     |                            |
| Sales to unaffiliated customers | 12,838                     | 10,852               | 7,522                  | 1,268                   | 99         | 32,582 | 0             | —                   | 32,583                     |
| Internal transactions           | 201                        | 751                  | 0                      | 10                      | —          | 964    | —             | -964                | —                          |
| Total                           | 13,040                     | 11,604               | 7,522                  | 1,279                   | 99         | 33,546 | 0             | -964                | 32,583                     |
| Segment Profit/Loss             | 1,128                      | 564                  | 2,187                  | -62                     | 8          | 3,827  | -19           | 43                  | 3,850                      |

### \*Notes

- i. The Other item represents culture incubation and other businesses not included in reportable segments
- ii. The segment profit or loss adjustment (¥43 million) is an adjustment for internal segment transactions
- iii. Segment profit is based on the Operating Profit (or Loss) line item in the consolidated Statement of Income

II 1st Quarter of Current Fiscal Year (01.01.2016-03.31.2016)

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

(Unit: ¥millions)

|                                 | Segment                    |                      |                        |                         |            |        | Other<br>(*i) | Adjustment<br>(*ii) | Consolidated<br>P/L (*iii) |
|---------------------------------|----------------------------|----------------------|------------------------|-------------------------|------------|--------|---------------|---------------------|----------------------------|
|                                 | Internet<br>Infrastructure | Online Ad<br>& Media | Internet<br>Securities | Mobile<br>Entertainment | Incubation | Total  |               |                     |                            |
| Net Sales                       |                            |                      |                        |                         |            |        |               |                     |                            |
| Sales to unaffiliated customers | 15,141                     | 10,589               | 6,733                  | 664                     | 5          | 33,134 | 39            | —                   | 33,173                     |
| Internal transactions           | 181                        | 914                  | 0                      | 25                      | —          | 1,122  | —             | -1,122              | —                          |
| Total                           | 15,323                     | 11,504               | 6,734                  | 690                     | 5          | 34,256 | 39            | -1,122              | 33,173                     |
| Segment Profit/Loss             | 1,390                      | 449                  | 2,079                  | -222                    | -49        | 3,647  | -32           | 43                  | 3,657                      |

### \*Notes

- i. The Other item represents culture incubation and other businesses not included in reportable segments
- ii. The segment profit or loss adjustment (¥43 million) is an adjustment for internal segment transactions.
- iii. Segment profit is based on the Operating Profit (or Loss) line item in the consolidated Statement of Income.

### 2. Items relating to changes in reportable segments (Changes in the calculation method of segment profit/loss)

In the first quarter of the current consolidated fiscal year, standards for the allocation of expenses were changed in order to more appropriately represent performance in each segment. Reportable segments in the previous fiscal year are presented based on the new allocation standards.

### 3. Items relating to fixed asset impairment losses, and goodwill

(Significant impairment losses related to fixed assets)

Impairment loss on fixed assets was reported in the Mobile Entertainment segment. The amount of impairment loss reported at the end of the first quarter was ¥188 million.