

Fiscal Year 2017 First Quarter Consolidated Financial Results (Japanese GAAP)

May 15, 2017

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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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 2017 (01.01.2017- 03.31.2017)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of the parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Three months ended								
March 31, 2017	36,040	8.6	3,537	-3.3	3,372	-5.1	1,151	-15.4
March 31, 2016	33,173	1.8	3,657	-5.0	3,552	-8.5	1,361	-26.9

(Note) Comprehensive Income March 31, 2017: ¥1,860 million (21.3%), March 31, 2016: ¥1,533 million (-24.0 %)

	Net Profit per Share	Net Profit per Share (Diluted)
Three months ended	¥	¥
March 31, 2017	9.93	9.69
March 31, 2016	11.63	11.22

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio
As of	¥ millions	¥ millions	%
March 31, 2017	616,073	66,939	6.5
December 31, 2016	588,819	66,179	6.7

(Reference) Shareholders' Equity March 31, 2017: ¥39,896 million December 31, 2016: ¥39,527 million

2. Dividends

	Dividends per Share				
	End of Q1	End of Q2	End of Q3	End of Term	Total
	¥	¥	¥	¥	¥
Year Ended 12/2016	5.00	5.00	5.00	6.00	21.00
Year Ending 12/2017	5.00				
Year Ending 12/2017 (forecast)		6.00	6.00	6.00	23.00

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

3. Consolidated Results Forecast for the Year Ending December 2017 (01.01.2017 – 12.31.2017)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of the Parent		Net Profit per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Full Year	145,000	7.4	19,000	11.7	18,500	10.9	8,000	10.6	69.00

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

*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 standard, etc.: 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. Outstanding shares at term end (inc. treasury)

Q1 FYE 12/2017	115,944,677	FYE 12/2016	115,944,677
Q1 FYE 12/2017	1,811	FYE 12/2016	1,811
Q1 FYE 12/2017	115,942,866	Q1 FYE 12/2016	116,984,605

2. Treasury shares at term end

3. Average number of shares during the period

* Quarterly financial results are not covered by quarterly review.

* 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 15, 2017

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 for the Three Months Ended March 2017

	Previous Q1	Current Q1	Change	% Change
Net Sales	33,173	36,040	2,866	8.6%
Operating Profit	3,657	3,537	-120	-3.3%
Ordinary Profit	3,552	3,372	-180	-5.1%
Profit Attributable Owners of the Parent	1,361	1,151	-209	-15.4%

(Unit: ¥millions)

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 and diversification of smartphones, tablets and other mobile devices, the progression of cloud technology, the proliferation of Twitter, Facebook, LINE, Instagram and other forms of social media, as well as the emerging O2O 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 as a group that provides Internet and service infrastructure.

Amidst a healthy external environment, the Group continued to operate under the theme of “strengthening our strengths and enhancing weaker areas with No. 1 products”. (1) The Internet Infrastructure segment, already comprising multiple No. 1 products, invested in promoting C2C handmade market, minne with the objective of propelling the service to a strong No. 1 market position. (2) The Internet Finance segment, although the volume of FX transactions expanded, many of them were dollar-yen transactions, which are narrow spread currencies, and profitability declined temporarily, so we have worked on improving profitability through optimization of cover transactions. (3) Responding to changes in the market, the Online Advertising & Media segment focused on function enhancement and development of proprietary products with the objective of accelerating its shift toward a technology driven business. (4) The Mobile Entertainment segment continued cost control efforts while maintaining the objective of developing new titles.

First quarter consolidated net sales increased 8.6% year-on-year to ¥36,040 million. Over the same period operating profit decreased 3.3% to ¥3,537 million, and ordinary profit decreased 5.1% to ¥3,372 million, while net profit fell 15.4% to ¥1,151 million.

Net Sales and Operating Profit by Segment for in the Three Months Ended March 2017

(Unit: ¥millions)

	Previous Q1	Current Q1	Change	% Change
Internet Infrastructure				
Net Sales	15,323	19,727	4,404	28.7%
Operating Profit	1,390	2,151	760	54.7%
Online Advertising & Media				
Net Sales	11,504	11,572	68	0.6%
Operating Profit	449	255	-194	-43.2%
Internet Finance				
Net Sales	6,734	5,578	-1,155	-17.2%
Operating Profit	2,079	1,221	-857	-41.2%
Mobile Entertainment				
Net Sales	690	299	-390	-56.7%
Operating Profit	-222	-81	141	—
Incubation				
Net Sales	5	70	65	—
Operating Profit	-49	-5	44	—
Other				
Net Sales	39	52	12	31.8%
Operating Profit	-32	-2	7	—
Adjustment				
Net Sales	-1,122	-1,260	-138	—
Operating Profit	43	20	-22	—
Total				
Net Sales	33,173	36,040	2,866	8.6%
Operating Profit	3,657	3,537	-120	-3.3%

Segments results for the three months ended March 31, 2017 are as follows. Effective January 1, 2017, the segment name of “Internet Securities” was changed to “Internet Finance.” This is simply a name change and has no impact on segment information.

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, ecommerce solutions, payment and security - 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 13.2% to 1.27 million, and total domains under management rose 11.7% to 6.01 million. Net sales grew 2.9% year-on-year to ¥1,995 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 2.7% over the previous corresponding term to 791 thousand and net sales rose 2.9% year-on-year to ¥3,532 million.

iii. Ecommerce solutions

Ecommerce solutions comprises SaaS based services for online stores, and C2C handmade market, minne, and O2O support service. In the tailwind of expansion of the market, the segment has continued to provide support to EC business operators including the improvement of cart system features and ongoing industry seminars, events and other initiatives. For minne, in order to become overwhelmingly No.1, in addition to investment in promotion, we have held offline events, strengthened smartphone app features, and enhanced payment services.

At the end of the quarter, number of paid stores had increased 1.2% year-on-year to 75,000 and total transaction volume rose 4.0% to ¥65.2 billion, while in minne, transaction volume rose 23.6% to ¥2.43 billion.

Ecommerce solutions reported net sales of ¥2,146 million (13.9% 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 ¥1,281 million (12.4% year-on-year increase). Over 60% of revenue in this sub-segment came from outside of Japan.

v. Payment

Payment services are operated by GMO Payment Gateway and affiliates. The market environment was favorable, and we continued to expand and progress into new fields beyond online sales. In the current quarter, attention was paid to the increase in the number of transactions and the transaction volume, with the expansion of money service business such as early payment services, transaction lending and payment after delivery services with the objective of supporting customers (merchants) in expanding sales.

Overall at the end of the first quarter, number of merchants increased 25.3% over the previous corresponding term to 85 thousand and transaction volume grew 29.6% year-on-year to ¥621 billion. In addition to the continued expansion of settlement services, sales rose 90.2% to ¥ 5,534 million, due to the sharp increase in post-payment handling volume at large customers and the impact of including MACRO KIOSK Inc. as a consolidated subsidiary.

vi. Provider

This sub-segment operates Internet Provider Services for consumers. In the current quarter, number of mobile Wi-Fi users grew 18.5% to 426 thousand as a result of recent cost effective marketing, and an expanding mobile Internet market. Net sales grew 29.8% year-on-year to ¥3,968 million.

The market share expanded in each other of the key Internet Infrastructure businesses, and overall net sales increased by 28.7% to ¥19,727 million, while operating profit increased significantly by 54.7% year on year and reached record high of ¥2,151 million after ¥230 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 such as advertising agency and ad platform. In this market, the shift from net advertising, which is a selling of funds to operational advertising via ad technology, continues. In GMO AD Partners, In-house products such

as AkaNe for advertisement for smartphones and TAXEL for recommendation widgets performed favorably. Net sales in online advertising increased 7.4% from the previous year to ¥73,73 million.

ii. Internet Media

This sub-segment provides advertising space within our own smartphone and PC content and marketing support services. Because one time item were recorded in previous year, net sales in this sub-segment decreased 13.0% to ¥3,379 million.

Overall, in the Online Advertising & Media segment, net sales totaled ¥11,572 million (0.6% year-on-year increase). Due to the effect of canceling sales of consolidated subsidiary GMO NIKKO Inc, (¥232 million), operating profit decreased 43.2% year-on-year to ¥255 million. Focus in this segment remains on developing new products to accelerate the shift toward a technology driven business.

3) Internet Finance

The Internet Finance segment operates online financial services for retail investors. In the current quarter, the segment has worked to increase customer base, and transaction volume. In the current quarter, number of FX accounts grew 7.5% year-on-year to 649,000, while number of Securities accounts grew 9.3% year-on-year to 311,000. As for the FX revenue, which accounts for the majority of sales and profit of the segment, profitability declined temporarily especially in January and February despite an increased transaction volume due to the influence of the President Trump of the United States because, most of them were dollar-yen transactions, which are narrow spread currencies.

Overall, net sales in the Internet Finance segment totaled ¥5,578 million (17.2% year-on-year decrease) and operating profit was ¥1,221 million (41.2% year-on-year decrease).

4) Mobile Entertainment

This segment comprises smartphone and online game development and operations. In this quarter, existing titles, having been on the market for some time, continued to experience a slight drop in sales. Meanwhile, we have been working on developing new titles, but there was no major release.

In the Mobile Entertainment segment, net sales fell 56.7% to ¥299 million, and operating loss was ¥81 million (¥222 million of operating loss in the previous corresponding term) . Having internalized all operations, we are building expertise and running a cost efficient business with the continued aim of producing a hit title.

5) Incubation Segment

This segments is engaged in investing in Internet related companies aimed at capital gains, supporting business expansion, and supporting corporate value improvement.

During the current quarter, the net sales was ¥7,000 million, and operating loss was ¥5 million (¥49 million of operating loss in the previous corresponding term).

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

(Unit: ¥millions)

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Net Sales	33,173	33,533	33,176	35,142	36,040
Operating Profit	3,657	5,032	4,291	4,035	3,537
Ordinary Profit	3,552	4,796	4,232	4,104	3,372
Profit Attributable to Owners of the Parent	1,361	2,246	2,342	1,284	1,151
Total Assets	560,766	522,346	555,133	588,819	616,073
Shareholders' Equity	36,138	37,295	38,220	39,527	39,896

(Reference2)

Table: Quarterly Results by Segment

I Net Sales by Segment

(Unit: ¥millions)

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Internet Infrastructure					
Provider(ISP)	3,057	3,272	3,497	3,653	3,968
Domain	1,939	1,949	2,045	1,910	1,995
Hosting & Cloud	3,430	3,445	3,451	3,554	3,523
Ecommerce Solutions	1,883	1,973	2,021	2,299	2,146
Security	1,140	1,127	1,378	1,255	1,281
Payment	2,908	2,983	3,184	4,243	5,534
Other	962	1,131	952	759	1,268
Total	15,323	15,882	16,531	17,677	19,727
Online Advertising & Media					
Online Advertising	6,865	6,112	6,806	6,983	7,373
Internet Media	3,883	3,540	3,633	3,400	3,379
Internet Research & Other	754	711	695	798	819
Total	11,504	10,363	11,134	11,182	11,572
Internet Finance					
Total	6,734	7,808	6,036	6,771	5,578
Mobile Entertainment					
Total	690	572	472	403	299
Incubation					
Total	5	27	210	205	70
Sub total	34,256	34,654	34,385	36,240	37,249
Other	39	44	51	59	52
Adjustment	-1,122	-1,165	-1,260	-1,158	-1,260
Net Sales	33,173	33,533	33,176	35,142	36,040

II Operating Profit by Segment

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
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Internet Infrastructure	1,390	1,595	1,962	1,650	2,151
Online Advertising & Media	449	216	417	208	255
Internet Securities	2,079	3,318	1,975	2,238	1,221
Mobile Entertainment	-222	-69	-79	-125	-81
Incubation	-49	-35	3	52	-5
Sub total	3,647	5,025	4,279	4,024	3,541
Other	-32	-21	-15	-37	-24
Adjustment	43	28	27	48	20
Operating Profit	3,657	5,032	4,291	4,035	3,537

(Reference3)

Description of businesses in each segment

Business Segment		Main Operations
Internet Infrastructure	Domain	<ul style="list-style-type: none"> • Domain registry services: “shop” “tokyo” • Domain registrations services: Onamae.com, MuuMuu Domain, VALUE-DOMAIN
	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 Altus, GMO Cloud Private, Lolipop, heteml, Sqale and 30days Album
	Ecommerce Solutions	<ul style="list-style-type: none"> • SaaS based services for online store building including Color me shop! MakeShop. • Operation of online shopping mall Calamel • Operation of handmade marketplace, minne, tetote • Operation of ecommerce/O2O support services etc. • Web design, operational support and system consulting etc.
	Security	<ul style="list-style-type: none"> • DomainSSL, OrganizationSSL, other SSL certificates, code signing certificates, PDF document signing, client certificates and other digital certificate services
	Payment	<ul style="list-style-type: none"> • GMO Payment Gateway services including PG Multi-Payment Service, comprehensive payment processing services for the public sector, and finance-related service including early payment service, transaction lending, GMO payment after delivery
	Provider	<ul style="list-style-type: none"> • GMO TokuToku BB, interQ MEMBERS, ZERO, other Internet provider services.
Online Advertising & Media	Online Advertising	<ul style="list-style-type: none"> • Listing and mobile ad networks, 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, Smartphone apps including fashion sharing app, Coordisnap. Operation of daily deals website, Kumapon by GMO, Ad distribution to own media and search engine results pages • SEM Media: JWord, sales of JWord, Japanese keywords.
	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 Finance	Internet Finance	<ul style="list-style-type: none"> • Operation of online securities trading, FX 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	• Investment in private Internet startups.
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(2) Consolidated Financial Condition
Assets, Liabilities and Shareholders' Equity

Assets

As of March 31, 2017, total assets increased ¥27,254 million (4.6%) from December 31, 2016 to ¥616,073 million. Major factors included an increase of ¥2,265 million (2.5%) in cash and deposits, and an increase of ¥21,146 million (5.2%) in various assets due to fluctuations in customer assets in the Finance Securities segment (deposits, margin transaction assets, short-term guarantee deposits, and variation margin paid).

Liabilities

As of March 31, 2017, liabilities increased ¥26,495 million (5.1%) from December 31, 2016 to ¥549,134 million. Major factors included an increase of ¥25,151 million (35.2%) in interest-bearing debt and an increase of ¥4,111 million (1.1%) in various liabilities due to fluctuations in customer assets in the Securities Finance segment (deposits received, margin transaction liability, guarantees received, variation margin received, and debt secured by securities).

Net Assets

As of March 31, 2017, net assets increased ¥759 million (1.1%) from December 31, 2016 to ¥66,939 million. Major factors included an increase of ¥473 million (1.4%) in earnings surplus (consisting mainly of an increase from recording profit attributable to owners of the parent totaling ¥1,151 million and a decrease from dividend payments of ¥695 million), and an increase of ¥395 million (1.5%) in non-controlling minority equity due to a growth in consolidated subsidiaries.

Cash Flow

As of March 31, 2017, cash and equivalents decreased ¥369 million (0.4%) from December 31, 2016 to ¥89,757 million. The following is a summary of cash flow activity in the period under review.

Cash Flow from Operating Activities

Outflow from operating activities was ¥20,286 million (¥29,783 million of outflow in the previous corresponding term). Major components of inflow included net profit before adjustment for tax, etc. (¥3,312 million) and depreciation (¥1,122 million). Major components of outflow included an increase in various assets due to increased customer assets in the Internet Finance segment (¥17,035 million), a decrease in deposits received (¥3,608 million), and payment of corporate tax, etc. (¥1,865 million).

Cash Flow from Investing Activities

Outflow from investing activities totaled ¥3,747 million (¥589 million of outflow in the previous corresponding term). Major components of outflow included placement of fixed term deposits (¥2,635 million), acquisition of intangible fixed assets including software license renewal (¥786 million), and acquisition of server and other tangible fixed assets (¥306 million).

Cash Flow from Financing Activities

Inflow from financing activities totaled ¥23,588 million (¥38,852 million of inflow in the previous corresponding term). Major components include outflow from dividend payments (¥700 million), and inflow from net increase in interest-bearing debt to improve liquidity (¥25,105 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 2016 Consolidated Results Statement on February 6, 2017).

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
None

3. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2016)	1st Quarter Current Fiscal Year (As of Mar 31, 2017)
Assets		
Current Assets		
Cash and deposits	90,282	92,547
Trade notes and accounts receivable	15,947	17,170
Operational investment securities	3,551	3,572
Securities segment deposits	256,481	260,470
Securities segment margin transaction assets	84,439	100,259
Securities segment short term guarantee deposits	41,264	41,283
Securities segment variation margin paid	24,502	25,821
Deferred tax asset	1,564	1,766
Other	37,034	39,893
Provision for doubtful debts	-1,164	-1,859
Total Current Assets	553,903	580,925
Fixed Assets		
Tangible fixed assets		
	7,630	7,405
Intangible fixed assets		
Goodwill	3,857	3,741
Software	4,327	4,436
Other	7,438	7,420
Total intangible fixed assets	15,623	15,598
Investments and other assets		
Investment securities	7,832	7,827
Deferred tax asset	1,175	1,191
Other	2,995	3,489
Provision for doubtful debts	-341	-365
Total investments and other assets	11,661	12,143
Total Fixed Assets	34,915	35,148
Total Assets	588,819	616,073

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2016)	1st Quarter Current Fiscal Year (As of Mar 31, 2017)
Liabilities		
Current Liabilities		
Trade notes and accounts payable	7,822	8,511
Short term debt	62,764	85,535
Amount payable	21,251	20,735
Securities segment deposits received	39,859	36,163
Securities segment margin transaction liability	47,583	56,632
Securities segment guarantees received	267,796	266,398
Securities segment variation margin received	4,105	2,613
Securities segment loans payable secured by securities	2,134	3,784
Accrued corporate tax etc.	1,666	2,011
Allowance for bonuses	931	852
Allowance for bonuses to directors	74	135
Advance payment received	6,315	6,586
Deposits received	37,407	33,798
Other	7,115	7,340
Total Current Liabilities	506,828	531,098
Fixed Liabilities		
Long term debt	8,748	11,128
Deferred tax liability	102	97
Other	4,797	4,754
Total Fixed Liabilities	13,647	15,981
Statutory Reserve		
Financial instruments transaction liability reserve	2,162	2,054
Total Statutory Reserve	2,162	2,054
Total Liabilities	522,639	549,134
Net Assets		
Shareholders' Equity		
Capital stock	5,000	5,000
Capital surplus	544	528
Earned surplus	33,328	33,802
Treasury stock	-2	-2
Total Shareholders' Equity	38,870	39,328
Other Comprehensive Income		
Other securities valuation differences	299	251
Hedging profit/loss carried forward	65	37
Foreign currency translation account	291	278
Total Other Comprehensive Income	656	567
Equity Warrants	80	76
Non-controlling Minority Equity	26,571	26,966
Total Net Assets	66,179	66,939
Liabilities, Net Assets Total	588,819	616,073

(2) Consolidated Statement of Income

Quarterly Consolidated Statement of Income
1st Quarter

(Unit: ¥millions)

	1st Quarter Previous Fiscal Year (3 months to Mar, 2016)	1st Quarter Current Fiscal Year (3 months to Mar, 2017)
Net Sales	33,173	36,040
Cost of Sales	16,720	18,762
Gross Profit on Sales	16,453	17,278
Sales, General & Administrative Expenses	12,795	13,741
Operating Profit	3,657	3,537
Non Operating Revenue		
Dividends received	5	37
Other	111	57
Total Non Operating Revenue	117	95
Non Operating Expenses		
Interest paid	25	41
Commissions paid	38	7
Equity method investment losses	22	128
Loss on currency translation	98	25
Other	38	58
Total Non Operating Expenses	222	260
Ordinary Profit	3,552	3,372
Extraordinary Profit		
Gain on sale of stock in affiliates	74	—
Insurance Income	—	160
Reversal of reserve for securities transaction liability	—	108
Other	4	11
Total Extraordinary Profit	79	279
Extraordinary Loss		
Information security expenses	—	255
Provision for securities transaction liability reserve	98	—
Other	216	84
Total Extraordinary Loss	314	339
Net Profit before Adjustment for Tax etc.	3,317	3,312
Corporate, Municipal and Enterprise Taxes	1,681	1,667
Corporate Tax etc. Adjustment	-267	-192
Total Corporate Taxes etc.	1,413	1,474
Net Profit	1,903	1,838
Profit attributable to Non-controlling Interests	542	686
Profit attributable to Owners of the Parent	1,361	1,151

Quarterly Consolidated Statement of Comprehensive Income

(Unit: ¥millions)

	1st Quarter Previous Fiscal Year (3 months to Mar, 2016)	1st Quarter Current Fiscal Year (3 months to Mar, 2017)
Net Profit	1,903	1,838
Other Comprehensive Income		
Other securities valuation differences	-98	-70
Hedging profit/loss carried forward	-71	-28
Currency translation adjustment account	-199	-116
Share of other comprehensive income(loss) of associates accounted for using equity method	—	236
Total other comprehensive income	-369	22
Comprehensive Income	1,533	1,860
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,093	1,062
Comprehensive income attributable to non-controlling interests	440	798

(3) Consolidated Statement of Cash Flows

(Unit: ¥millions)

	1st Quarter Previous Fiscal Year (3 months to Mar, 2016)	1st Quarter Current Fiscal Year (3 months to Mar, 2017)
Cash Flow from Operating Activities		
Net profit before adjustment for tax etc.	3,317	3,312
Depreciation expenses	1,088	1,122
Impairment loss	207	1
Amortization of goodwill	219	180
Interest paid	25	41
Gain on sale of stock in affiliates (-represents increase)	-74	—
Change in accounts receivable (-represents increase)	-786	-966
Change in provision for doubtful debts(- represents decrease)	34	719
Change in purchase debts (- represents decrease)	243	182
Change in amount payable (- represents decrease)	-1,866	-355
Change in deposits received (- represents decrease)	-1,919	-3,608
Change in deposits in securities segment (- represents increase)	9,398	-3,989
Change in short term guarantee deposits in securities segment (-represents increase)	1,539	-18
Change in margin variation paid and received in securities segment	-4,465	-2,810
Changes in deposits and guarantees received in securities segment (- represents decrease)	-20,760	-5,094
Changes in margin trading assets and liabilities	-3,639	-6,771
Changes in loans payable secured in securities segment(- represents decrease)	—	1,649
Other	-6,000	-1,946
Sub total	-23,439	-18,352
Interest and dividends received	19	50
Interest paid	-99	-118
Corporate tax etc. paid	-6,263	-1,865
Cash Flow from Operating Activities	-29,783	-20,286
Cash Flow from Investing Activities		
Expenditure on payment of fixed term deposit	-0	-2,635
Return of fixed term deposit	900	—
Expenditure on acquisition of tangible fixed assets	-570	-306
Expenditure on acquisition of intangible fixed assets	-393	-786
Expenditure on acquisition of investment securities	-546	-34
Income accrued on the sale of investment securities	0	15
Income from the sale of subsidiary stock resulting in change in scope of consolidation	90	-
Other	-69	-0
Cash Flow from Investing Activities	-589	-3,747

	1st Quarter Previous Fiscal Year (3 months to Mar, 2016)	1st Quarter Current Fiscal Year (3 months to Mar, 2017)
Cash Flow from Financing Activities		
Net increase or decrease in short term loans (- represents decrease)	42,299	22,292
Income accrued on long term loans	—	3,035
Expenditure on repayment of long term loans	-179	-222
Gain on sale and leasebacks	1,850	—
Repayment of finance lease and installment obligations	-419	-466
Payment received from partners in investment funds	55	—
Revenue accrued from non-controlling interests	175	94
Acquisition of treasury stock	-2,236	—
Payment of dividends	-2,343	-700
Payment of dividends to non-controlling interests	-318	-429
Expenditure on acquisition of subsidiary stock without change In scope of consolidation	—	-15
Other	-32	0
Cash Flow from Financing Activities	38,852	23,588
Currency Translation Adjustment on Cash and Equivalents	-236	76
Change in Cash and Equivalents (- represents decrease)	8,242	-369
Balance of Cash and Equivalents at Beginning of Term	74,929	90,125
Increase in Cash and Equivalents following Increase in Consolidation	-	0
Balance of Cash and Equivalents at End of Term	83,171	89,757

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

Notes regarding changes impacting shareholders' equity
 None

Segment Information

I 1st Quarter of Previous Fiscal Year (01.01.2016-03.31.2016)

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

(Unit: ¥millions)

	Segment						Other (*i)	Adjustment (*ii)	Consolidated P/L (*iii)
	Internet Infrastructure	Online Ad & Media	Internet Finance	Mobile 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. "Other" represents culture incubation and other businesses not included in reportable segments.
- ii. The segment profit or loss adjustment (¥43 million) is an elimination of inter-segment transactions.
- iii. Segment profit is based on the Operating Profit (or Loss) line item in the Quarterly Consolidated Statement of Income.

2. Items relating to fixed asset impairment losses, and goodwill
 (Significant impairment losses related to fixed assets)

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

II 1st Quarter of Current Fiscal Year (01.01.2017-03.31.2017)

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

(Unit: ¥millions)

	Segment						Other (*i)	Adjustment (*ii)	Consolidated P/L (*iii)
	Internet Infrastructure	Online Ad & Media	Internet Finance	Mobile Entertainment	Incubation	Total			
Net Sales									
Sales to unaffiliated customers	19,562	10,521	5,578	285	70	36,018	22	—	36,040
Internal transactions	165	1,050	0	13	—	1,230	29	-1,260	—
Total	19,727	11,572	5,578	299	70	37,249	52	-1,260	36,040
Segment Profit/Loss	2,151	255	1,221	-81	-5	3,541	-24	20	3,537

*Notes

- i. "Other" represents culture incubation and other businesses not included in reportable segments.
- ii. The segment profit or loss adjustment (¥20 million) is an elimination of inter-segment transactions.
- iii. Segment profit is based on the Operating Profit (or Loss) line item in the Quarterly Consolidated Statement of Income.
- iv. Effective January 1, 2017, the segment name of "Internet Securities" was changed to "Internet Finance." This is simply a name change and has no impact on segment information. The segment information for the first quarter of the previous fiscal year is presented with the new reportable segment name.