

## Fiscal Year 2012 Consolidated Financial Results (Japanese GAAP)

February 6, 2013

Name of Listed Company: GMO Internet, Inc.

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

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Date of Annual General Shareholders Meeting: March 24, 2013 Start Date of Dividend Payout: March 11, 2013

Date of Annual Report Release: March 25, 2013

Supplementary documents available pertaining to quarterly financial results: Yes

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

(all amounts rounded down to the nearest million yen)

### 1. Consolidated Results in the Fiscal Year Ended December 2012 (01.01.2012- 12.31.2012)

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

	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FYE 12/2012	74,376	20.6	9,149	21.6	9,175	30.8	4,518	5.4
FYE 12/2011	61,691	38.7	7,525	31.4	7,016	22.3	4,286	94.0

(Note) Comprehensive Income: FYE 12/2012 ¥5,711 million (4.4%) , FYE12/2011 ¥5,471 million (59.6%)

	Net Profit per Share	Net Profit per Share (Diluted)	Ratio of Shareholders' Equity to Net Profit	Ratio of Total Assets to Ordinary Profit	Ratio of Sales to Operating Profit
FYE 12/2012	¥ 38.35	¥ 38.32	22.8%	3.8%	12.3%
FYE 12/2011	37.77	-	31.7%	3.8%	12.2%

(Reference) Earnings/Loss on Equity Method Investment: FYE 12/2012 ¥33 million, FYE 12/2011 -¥181 million

#### (2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
FYE 12/2012	¥ millions 275,960	¥ millions 30,418	7.6%	¥ 178.86
FYE 12/2011	205,055	26,125	9.0	156.87

(Reference) Shareholders' Equity: FYE 12/2012 ¥21,071 million, FYE 12/2011 ¥18,480 million

#### (3) Consolidated Cash Flow

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash And Equivalents End of Term Balance
FYE 12/2012	¥ millions 13,722	¥ millions -3,093	¥ millions -1,677	¥ millions 41,899
FYE 12/2011	12,379	-6,012	-1,363	32,743

### 2. Dividends

	Dividends per Share					Total Dividend Payout	Payout Ratio (Consolidated)	Ratio of Dividends to Total Assets (Consolidated)
	End of Q1	End of Q2	End of Q3	End of Term	Total			
FYE 12/2011	¥ 2.00	¥ 2.00	¥ 3.00	¥ 5.00	¥ 12.00	¥ millions 1,413	31.8%	9.9%
FYE 12/2012	3.00	3.00	3.00	4.00	13.00	1,531	33.9	7.7
FYE 12/2013 (tentative)	3.00	3.00	4.00	4.00	14.00		34.4	

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

(Full year % represent previous term comparison; First half % represent previous first half comparison)

	Net Sales		Operating Profit		Ordinary Profit		Net Profit		Net Profit per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
First Half	-		-		-		-		-
Full Year	83,000	11.6	10,500	14.8	10,500	14.4	4,800	6.2	40.74

(Note) No first half guidance issued.

\*Notes

(1) Significant changes in subsidiaries in the current term (transfer of a subsidiary resulting in change in scope of consolidation): Yes

1 new company (FX PRIME Corporation)

(2) 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

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

1. No. of outstanding shares at end of term (including treasury shares)

FYE 12/2012	117,806,777	FYE 12/2011	117,806,777
FYE 12/2012	1,684	FYE 12/2011	1,684
FYE 12/2012	117,805,093	FYE 12/2011	113,464,077

2. No. of treasury shares at end of term

3. Average no. of shares during term

(Reference) Summary of Non-Consolidated Financial Results

1. Non-consolidated Results in the Fiscal Year Ended December 2012 (01.01.2012 - 12.31.2012)

(1) Non-consolidated Operating Results (percentages shown represent year-on-year % change)

	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FYE 12/2012	15,774	27.7	1,133	39.1	3,144	21.4	4,336	14.7
FYE 12/2011	12,352	10.0	814	-33.6	2,590	55.5	3,780	142.3

	Net Profit per Share	Net Profit per Share (Diluted)
	¥	¥
FYE 12/2012	36.81	—
FYE 12/2011	33.32	—

(2) Non-consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	¥ millions	¥ millions	%	¥
FYE 12/2012	43,899	16,589	37.8	140.82
FYE 12/2011	39,521	14,233	36.0	120.81

(Reference) Shareholders' Equity: FYE 12/2012 ¥16,589 million, FYE 12/2011 ¥14,233 million

\*Quarterly Results Statement Audit

This results statement is subject to review under the Financial Instruments and Exchange, at the time this results statement was filed the review was ongoing.

\*Note regarding the Appropriate Use of Results Forecasts and Other Items

Projections are based on information available at the time of release and may include judgments based on factors that contain risk and are largely indeterminable. Actual results may differ materially from these projections as a result of business environment and other factors.

A presentation of results will be held for investors as follows. Supporting materials and a video of the presentation will be made available on the company's website in English after the event.

Results Presentation for Investors and Analysts: Wednesday February 6, 2013

## Contents

1. Operating Results.....	2
(1) Operating results analysis.....	2
(2) Consolidated financial condition.....	8
(3) Policy regarding distribution of dividends and dividend payouts in the current and following term.....	9
(4) Business risks .....	10
(5) Going concern assumption .....	20
2. The Corporate Group .....	21
3. Management Policy .....	23
(1) Basic management principles .....	23
(2) Management objectives and Indicators.....	23
(3) Medium to long term business strategies.....	23
(4) Company objectives.....	23
(5) Other significant Items regarding management .....	24
4. Consolidated Financial Statements .....	25
(1) Consolidated balance sheet.....	25
(2) Consolidated statement of income and comprehensive income .....	27
(3) Consolidated statement of changes in shareholders' equity etc. ....	30
(4) Consolidated statement of cash flows.....	33
(5) Notes regarding the going concern assumption .....	35
(6) Significant items concerning consolidated financial statements .....	35
(7) Additional information .....	38
(8) Notes to consolidated financial statements .....	38
Business combinations.....	38
Segment data.....	40
Per share data.....	45
Significant post balance sheet events .....	46

## 1. Operating Results

### (1) Operating Results Analysis

#### General Conditions

Under the corporate slogan “Internet for Everyone” GMO Internet Group is currently focusing resources into high growth Internet markets. In the most recent quarter, targeted markets continued to grow - in particular mobile, fuelled by increasing smartphone and tablet device usage, and advancements in Cloud technology. We believe the expansion of these markets provides increasing profit opportunities for the Group.

In the period under review, the Group strived to achieve further growth in its Web Infrastructure & Ecommerce, Internet Media, and Internet Securities segments by boosting user numbers and membership base through the provision of “number one” services. At the same time, aggressive investment was continued in social game and smartphone service development —both of these fields are expected to maintain a high level of growth in the immediate future.

In fiscal year 2012 consolidated Net Sales reached ¥74,376 million (20.6% year-on-year increase), Operating Profit totaled ¥9,149 million (21.6% year-on-year increase), Ordinary Profit totaled ¥9,175 million (30.8% year-on-year increase), and Net Profit was ¥4,518 million (5.4% year-on-year increase). All of these results are record highs.

#### Overview of Consolidated Business Performance

(Unit: ¥millions)

	Previous Fiscal Year	Current Fiscal Year	Change	% Change
Net Sales	61,691	74,376	12,684	20.6%
Operating Profit	7,525	9,149	1,623	21.6%
Ordinary Profit	7,016	9,175	2,159	30.8%
Net Profit	4,286	4,518	232	5.4%

#### Net Sales and Operating Profit by Segment

(Unit: ¥millions)

	Previous Fiscal Year	Current Fiscal Year	Change	% Change
Web Infrastructure & Ecommerce				
Net Sales	24,361	30,213	5,852	24.0%
Operating Profit	3,076	4,254	1,177	38.3%
Internet Media				
Net Sales	22,039	26,078	4,039	18.3%
Operating Profit	1,598	2,026	427	26.8%
Internet Securities				
Net Sales	14,757	16,525	1,767	12.0%
Operating Profit	4,386	4,440	54	1.2%
Social & Smartphone				
Net Sales	1,932	2,860	927	48.0%
Operating Profit	-1,543	-2,129	-585	-
Incubation				
Net Sales	18	604	586	3,127.8%
Operating Profit	-148	367	516	-
Adjustment				
Net Sales	-1,417	-1,905	-488	-
Operating Profit	156	189	32	-
Total				
Net Sales	61,691	74,376	12,684	20.6%
Operating Profit	7,525	9,149	1,623	21.6%

Description of businesses in each segment

Business Segment		Main Operations
Web Infrastructure & Ecommerce	Domain registration	<ul style="list-style-type: none"> <li>Domain (.com etc.) registration services, Onamae.com, MuuMuu Domain, VALUE-DOMAIN.COM and others</li> </ul>
	Web hosting	<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, RapidSite, GMO Cloud, IQ Cloud, Lolipop, heteml, and Sqale</li> </ul>
	Ecommerce solutions & web development	<ul style="list-style-type: none"> <li>SaaS based online store building solutions including Color me shop! MakeShop, and Jugem Cart</li> <li>Development and operation of online shopping malls including Calamel</li> <li>Web creation, operational support and system consulting</li> </ul>
	Security	<ul style="list-style-type: none"> <li>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</li> </ul>
	Payment processing	<ul style="list-style-type: none"> <li>Multi-payment service and other card-not-present payment processing services for ecommerce, catalog sales businesses, the public sector and social apps markets</li> </ul>
	Provider (ISP)	<ul style="list-style-type: none"> <li>GMO TokuToku BB, interQ, MEMBERS, ZERO, and other access provider services</li> </ul>
Internet Media	Internet media & search media	<ul style="list-style-type: none"> <li>Development and operation of blog services yaplog! and JUGEM, Internet community services including freeml and other Internet properties</li> <li>SEM Media JWord operation, and sales of JWord, Japanese keywords, sales of SEO (Search Engine Optimization) services</li> <li>Ad Networks Distribution of contextual advertising to owned &amp; operated media and search engine results pages</li> </ul>
	Advertising agencies	<ul style="list-style-type: none"> <li>Internet advertising, mobile advertising, search engine advertising, affiliate advertising</li> <li>Advertising design</li> </ul>
	Other	<ul style="list-style-type: none"> <li>Provision of Internet research systems, management and operation of online research panel (infoQ Network Panel), ebook publishing and sales platform ( Puboo)</li> </ul>
Internet Securities	Internet securities	<ul style="list-style-type: none"> <li>Operation of online securities trading, foreign currency trading services etc.</li> </ul>
Social Media & Smartphone Platform	Social games	<ul style="list-style-type: none"> <li>Social apps development/operation support</li> </ul>
	Smartphone games	<ul style="list-style-type: none"> <li>G-Gee by GMO game apps market for smartphone devices</li> </ul>
	Daily deals	<ul style="list-style-type: none"> <li>Operation of daily deals website Kumapon by GMO</li> </ul>
Incubation	Venture capital	<ul style="list-style-type: none"> <li>Investment in private Internet ventures</li> </ul>

Segment Report

i. Web Infrastructure & Ecommerce

The Web Infrastructure & Ecommerce segment provides Internet services that are fundamental to operating an online business or maintaining an online presence. Domain registration, web hosting, security, ecommerce, and payment processing - the five major businesses in this segment – each hold the number one share of their respective markets in Japan.

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

#### Domain Registration

The domain business continued to pursue a low-pricing strategy with the objective of growing market share. In fiscal year 2012 domain name registrations and renewals grew 55.6% to 3.43 million, and total domains under management rose 18.8% to 3.58 million. GMO Internet Group achieved now holds 87.9% of the Japanese market, and is overwhelmingly the market leader. On a global market share basis the Group is now in the top 5 .com registrars worldwide measured by net increase in domain name registrations.

Net sales totaled ¥4,123 million (28.2% year-on-year increase).

#### Web Hosting

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

GMO AppsCloud, a cloud-based hosting solution optimized for game app developers and operators, continues to be attract gaming industry users. For the second consecutive year GMO AppsCloud received the top award in the GameBusiness.jp App Cloud Awards which recognize customer satisfaction in the social games hosting industry. By the end of 2012 GMO AppsCloud was hosting 1,043 game titles.

Overall web hosting contracts increased 8.8% over the previous corresponding term to 677,000 and net sales grew 15.2% year-on-year to ¥12,586 million.

#### Ecommerce Solutions & Web Development

New features were added to service offerings in this business designed to improve usability for both net shop operators and customers. Number of accounts rose 15.2% from the previous year to 63,000. Ecommerce Solutions and Web Development reported net sales of ¥2,699 million (21.3% year-on-year increase).

#### Security

In fiscal year 2012 we achieved the highest net growth among certificate authority brands in Japan, and captured the number one share in the domestic market for the first time. This was a result of efforts to strengthen sales strategy and increase market share. Also in the current term, implementation of smartphone SSL was further expanded. Going forward, the security business will continue to expand its customer base.

Net sales totaled ¥1,976 million (16.0% year-on-year increase).

#### Payment Processing

The payment processing business continued to focus on growing number of merchants, number of transactions, and transaction volume while expanding its offering of value-add services.

Net sales grew 22.9% year-on-year to ¥4,824 million.

As a result of synergies generated between the businesses, market share was expanded in each of the key Web Infrastructure & Ecommerce services in the period under review, and overall results in the segment were as follows: Net Sales: ¥30,213 million (24.0% year-on-year increase), Operating Profit: ¥4,254 million (38.3% year-on-year increase).

#### ii. Internet Media

The Internet Media segment provides marketing and customer acquisition solutions for online businesses. Other services in this segment include Search Engine Optimization (SEO), Japanese keyword search and advertising solution, JWord. In addition the Group operates media properties that attract over 23.5 million unique users a month and leverages those properties through advertising.

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

#### Internet Media & Search Media

In the Internet Media & Search Media business, smartphone capability was introduced for JWord Japanese keyword search service. Net sales increased 2% from the previous year to ¥9,698 million.

#### Advertising Agencies

PC/smartphone display ads and listing ads were strong while the Advertising Agencies business concentrated on its ad network products including proprietary developed, ADResult. Net sales in advertising agencies increased a significant 31.1% from the previous year to ¥14,853 million.

Overall, in the Internet Media segment, net sales totaled ¥26,078 million (18.3% year-on-year increase), and operating profit came in at ¥2,026 million (26.8% year-on-year increase).

#### iii Internet Securities

In the Internet Securities segment, number of accounts, customer assets held, and transaction volume continued to rise. FX Prime Corporation, a company listed on the JASDAQ Securities Exchange was consolidated into the Group following a successful tender offer in 2012, boosting total number of FX Trading accounts to 396,000 (GMO CLICK: 266,000 accounts, FX Prime: 129,000 accounts at the end of FY2012). There are also 154,000 securities accounts in GMO CLICK. Going forward, we expect that combining GMO CLICK's cost competitiveness with FX Prime's distinctive service lineup will lead to enhanced profits in this segment.

Total net sales in the Internet Securities segment totaled ¥16,525 million (12.0% year-on-year increase) and operating profit was ¥4,440 million (1.2% year-on-year increase).

#### iv. Social & Smartphone

The Social & Smartphone segment comprises new initiatives in high-growth markets including smartphone. The following is an overview of performance in each of the major businesses comprising this segment.

##### Social Games

Social games that emerged from the GMO Social Apps Development Initiative are making contributions to earnings and the business is concentrated on developing and operating games with the objective of further monetizing new titles.

##### Smartphone Games

The smartphone games business operates G-Gee, a game apps platform for Android devices. The service was launched in November 2010 with an initial focus on accumulating a broad user base. At the end of fiscal year 2012 membership totaled 24.62 million (6.64 million users in Japan and 17.98 million in other countries). In Japan several titles aimed at monetizing the service were introduced as the service began to shift from the customer acquisition phase to the monetization phase. G-Gee will continue launching new, quality games to further monetize the service.

##### Daily Deals

This is the operation of daily deals website Kumapon by GMO, a service that offers special deals and discounts on products and services to a limited number of purchasers. This fiscal year the daily deals business achieved a monthly profit, a result of high gross margins and an effort to reduce costs.

Overall in the Smartphone & Social segment, net sales grew 48.0% to ¥2,860 million, while an operating loss of ¥2,129 million was recorded (¥585 million greater than Operating Loss in the previous year) due to aggressive investment in the segment. While this is regarded as an investment in future profitability, the Smartphone & Social segment is committed to achieving profitability as early as possible, particularly in the smartphone business.

#### v. Incubation

The Incubation segment invests in expanding business and building enterprise value in Internet-related companies. In fiscal year 2012 net sales reached ¥604 million (3,217.8% year on year increase) due to the sale of shares owned, while the segment reported an operating profit of ¥367 million (¥148 million operating loss was reported in the previous corresponding period).

### Results Forecast for Fiscal Year 2013

The company discloses only a full year consolidated results forecast for the fiscal year 2013. This is because although the Group has constructed a solid business model, the business environment in the Internet market is subject to change rapidly, and in the Securities segment in particular there is a high risk that results will be impacted by finance markets, securities regulations and other external factors.

Projections are based on information available at the present time and include judgments based on factors that are largely indeterminable. Actual results may differ from forecasts below as a result of changes in the business environment and other influences.

### Consolidated Results Forecast (01.01.2013 - 12.31.2013)

	FYE 12/2013	% Change	FYE 12/2012
	¥ millions	%	¥ millions
Net Sales	83,000	11.6	74,376
Operating Profit	10,500	14.8	9,149
Ordinary Profit	10,500	14.4	9,175
Net Profit	4,800	6.2	4,518

(Reference)

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

(Unit: ¥millions)

	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Net Sales	16,518	17,960	18,005	18,091	20,319
Operating Profit	1,901	2,525	2,486	1,572	2,564
Ordinary Profit	1,773	2,500	2,481	1,582	2,611
Net Profit	1,643	896	996	817	1,808
Total Assets	205,055	231,168	224,121	256,677	275,960
Shareholders' Equity	18,480	18,823	19,287	19,690	21,071



(Reference)

Table: Quarterly Changes by Segment

I Net Sales by Segment

(Unit: ¥millions)

	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
<b>Web Infrastructure &amp; Ecommerce</b>					
Provider (ISP)	347	423	439	502	656
Domain registration	945	1,056	1,081	1,043	942
Web hosting	2,828	2,948	3,123	3,186	3,327
Ecommerce solutions & web development	582	653	607	676	761
Security	486	472	487	511	504
Payment processing	1,032	1,132	1,139	1,271	1,281
Other	338	328	432	590	629
Total	6,559	7,015	7,311	7,783	8,102
<b>Internet Media</b>					
Internet media & search media	2,392	2,426	2,464	2,459	2,347
Advertising agencies	3,317	3,743	3,581	3,854	3,673
Other	340	358	349	347	469
Total	6,050	6,529	6,396	6,662	6,490
<b>Internet Securities</b>					
Total	3,645	4,126	4,125	3,436	4,837
<b>Social Media &amp; Smartphone Platform</b>					
Total	662	676	675	689	818
<b>Incubation</b>					
Total	2	39	1	36	525
Sub total	16,920	18,387	18,510	18,608	20,775
Adjustment	-401	-427	-505	-516	-456
Net Sales	16,518	17,960	18,005	18,091	20,319

II Operating Profit by Segment

	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Web Infrastructure & Ecommerce	778	981	1,143	1,103	1,026
Internet Media	407	633	473	455	464
Internet Securities	1,151	1,309	1,372	584	1,174
Social Media & Smartphone Platform	-464	-427	-529	-578	-595
Incubation	-38	-26	-27	-27	448
Sub total	1,834	2,469	2,432	1,538	2,518
Adjustment	66	55	54	33	45
Operating Profit	1,901	2,525	2,486	1,572	2,564

## (2) Analysis of Financial Condition

### Assets, Liabilities and Net Assets

#### Assets

At the end of fiscal year 2012 (December 31, 2012), assets had increased ¥70,904 million (34.6%) from the end of the previous fiscal year to ¥275,960 million. Significant factors contributing to fluctuations in assets are as follows. Cash and deposits rose ¥9,436 million, Securities segment assets (Securities business deposits, margin trading assets, short term deposits and variation margin paid) increased ¥53,954 million after FX PRIME became a consolidated subsidiary, and tangible fixed assets rose ¥2,909 million due to spending on server equipment.

#### Liabilities

On December 31, 2012 liabilities had increased ¥66,612 million from the end of the previous fiscal year to ¥245,542 million. Fluctuations in liabilities are chiefly attributable to a ¥56,921 million increase in liabilities (Securities business deposits, margin transaction liabilities, guarantees and variation margin received) after FX PRIME Corporation joined the consolidation, expanding customer base.

#### Net Assets

On December 31, 2012 net assets had increased ¥4,292 million (16.4%) from the end of the previous fiscal year to ¥30,418 million. Main contributing factors include a ¥2,857 million increase in earnings surplus (¥4,518 million increase from net profit and ¥1,649 decrease due to payment of dividends), and a ¥1,705 million increase in minority equity arising from increased profits in consolidated subsidiaries.

## Cash Flow

At the end of fiscal year 2012 (December 31, 2012), cash and equivalents had increased ¥9,156 million from the end of the previous fiscal year to ¥41,899 million. The following is a summary of cash flow activity in the period under review.

### Cash Flow from Operating Activities

Cash Flow provided by operating activities totaled ¥13,722 million. Major items included net profit before tax and other adjustments (¥9,447 million), depreciation (¥3,054 billion), a net increase in securities segment assets (increase in deposits, decrease in guarantee deposits and decreases in variation margin paid and received, and increase in guarantees received) totaling ¥2,169 million, and a ¥2,308 million outflow due to corporate tax payments etc.

### Cash Flow from Investing Activities

Cash outflow from investing activities totaled ¥3,093 million. Outflows included ¥1,383 million in acquisition of tangible fixed assets, and ¥1,881 million in acquisition of intangible fixed assets.

### Cash Flow from Financing Activities

Cash Flow used in financing activities totaled ¥1,677 million. Significant factors included a net decrease in short-term loans (¥1,925 million) and a net increase in long-term loans (¥3,717 million), while major outflows included payment of dividends totaling ¥2,110 million to minority shareholders.

## (Reference) Cash Flow Indicators

	FYE12/2008	FYE12/2009	FYE12/2010	FYE12/2011	FYE12/2012
Shareholders' Equity Ratio	17.0	17.2	5.2	9.0	7.6
Shareholders' Equity Ratio (Market Value) (%)	115.0	91.6	24.7	16.9	23.8
Ratio of Cash Flow to Interest Bearing Liabilities	2.8	1.6	2.8	1.8	1.9
Interest Coverage Ratio	15.4	27.2	30.4	42.9	41.4

### (3) Policy regarding distribution of dividends and dividend payouts in the current and following term

GMO Internet Group strives to maintain continuous growth by actively reinvesting in its businesses while returning profits to shareholders through dividend payouts. Our policy objective is to distribute 33% of consolidated net profit through dividend payouts after taking into consideration overall business performance and financial condition. The company pays dividends on a quarterly basis in order to promptly return profits to shareholders.

In line with the above policy, the company intends to pay an end of term dividend of 13 yen per share in the current term (33.9% payout ratio), and 14 yen per share in the following term (34.4% payout ratio). The dividend payout start date is scheduled for March 11, 2013.

#### (4) Business Risks

The following section outlines risks relating to the group's business and financial condition that may be of material concern to investors when making investment decisions.

The Group understands the risks that it operates under, makes every effort to mitigate against and manage risk efficiently, and has comprehensive risk management policy in place.

The Group believes that the following risk factors must be given due consideration when making management decisions in regard to future business.

Some of the items below concern potential future events and unless otherwise stated represent the Group's best judgment at the current point in time. Please note that this should not be considered an exhaustive list of risks associated with investment in the company's stock.

##### I Risks associated with Business Environment

###### i. Competition

The group provides a comprehensive range of services mainly in the following business segments; 1. Web Infrastructure & Ecommerce comprising chiefly of domain, web hosting, ecommerce solutions & web development, security, and payment processing service businesses, 2. Internet Media consisting of the Internet media & search media business and the Internet advertising agencies business, 3. Internet Securities and 4. Social Media & Smartphone Platform comprising game app development, smartphone game platform, G-Gee and daily deals website, Kumapon. We believe that there is a significant competitive advantage derived from the diversity of our operations. However, the possibility exists of increased competition in the future from telecommunications companies, electric companies, and other independent companies. It is also possible that a new group with the same business structure will emerge through business partnerships or mergers. If in the future, competition in gaining new customers intensifies and revenue declines, it may become necessary to reduce fees or increase capital expenditure and advertising. This could seriously impact business operations and performance.

###### ii. Innovation in Technology

The progress of Internet technology is rapid, and industry standards and customer needs are constantly evolving. As a result, new services, new technology, and new products are constantly emerging. If we are slow in taking up new technologies we risk the services and equipment we provide becoming stale, leading to reduced competitiveness which may negatively impact the Group's operations and results.

We believe it is essential to concentrate efforts on improving the ability of both our systems and our employees, and to pay close attention to developments, trends and new technologies.

###### iii. Uncollected Debt

The majority of Web Infrastructure & Ecommerce trade accounts receivable is made up of small accounts worth less than ¥10,000 a month. These accounts are mostly held by consumers, one-person business operators, and SMEs. For customer convenience a wide range of payment methods are made available including, bank transfer, payment at a post office or convenience store and payment by credit card. However, if the customer does not actively make a payment there is a delay in recovery of funds.

Regarding non-collection of receivables, the company has established a reserve for the entire amount of receivables in arrears that are over one year past the point of becoming uncollected receivables. This is calculated based on past bad debt. Receivables over two years past becoming uncollected debt that are not expected to be recovered are written off through the appropriation of bad debt reserves.

The company makes every effort possible to collect receivables by making demands via telephone, post, email etc. as well as delegating to attorneys and taking legal action. The amount of receivables deemed uncollectible is reserved in a provision for doubtful debt. An increase in the number of accounts in arrears, or the amount in arrears caused by economic conditions or bankruptcies could impact business performance.

#### iv. Acquisitions

The Group actively seeks both domestic and global merger and acquisition opportunities in order to advance into global markets, expand existing businesses, and acquire technologies or skills.

The Group conducts thorough due diligence into target company financial condition and contractual relationships in order to mitigate against and minimize risk. However, there are cases when time constraints do not allow for sufficient due diligence to be carried out. Therefore it is possible that unexpected or unaccounted for liabilities may arise after the completion of an acquisition.

In foreign markets in particular, it may not be possible to execute business plans as intended due to revisions of laws or regulations enacted by local government or because of arbitrary decisions made by the responsible regulatory bodies. This could potentially impact Group performance or make it difficult to recoup investments.

Further, it is possible that the loss of key personnel or customers in the target company could make it difficult to achieve objectives in terms of operating results or financial condition. These factors could also impact the performance of the Group.

In the case of mergers, the Group makes every effort to avoid a deterioration of relations with the partner company by devoting adequate time to discussions and conducting thorough negotiations in order to ensure that a strong and synergistic partnership can be built. However it is possible that expected synergies may not be realized due to differences in management policy that emerge after the launch of the partnership and this may also impact Group performance.

## II Risks associated with Compliance

### i Laws and Ordinances

The most significant laws and ordinances that pertain to the Group and its operations are as follows. It is also possible that the group will be subject to additional regulations as a result of new laws or revisions aimed at Internet users and related businesses, clarification of the application of existing laws or voluntary restraints that may be required of the industry.

#### (a) Telecommunications Business Law

In light of the public nature of the telecommunications business, the Telecommunications Business Law was enacted to ensure the smooth provision of telecommunications services and to protect the interests of users by maintaining proper and reasonable conduct in the industry. The law seeks to encourage development in telecommunications while at the same time protecting the interests of the

public. As a designated telecommunications carrier, in accordance with these laws, the company is subject to regulations pertaining to censorship restrictions, protection of confidential communications, telecommunications equipment and the connection of telecommunications equipment.

(b) Act on Control and Improvement of Amusement Business, etc.

These laws were enacted to regulate the business hours, locations, etc. of adult entertainment and related businesses with the aim of maintaining public morals and a healthy environment as well as preventing acts with the potential to impede the healthy development of youth in society. The laws restrict the entry of minors into such places of business. In addition, these laws aim to ensure fair and reasonable conduct in the adult entertainment business and place direct controls on business operators.

These laws also apply to the server "space" the Group provides to users. Internet companies are accountable for their servers (effective April 1, 1999). The company has an agreement with users concerning the content of websites created, operated etc. by the user. The agreement explicitly states that responsibility for web content lies with the user. In addition, we have made every effort to widely publicize the relevant laws and ordinances. We have also independently established our own regulations prohibiting the distribution of illegal and harmful information on the Internet. However, there is no guarantee that these measures will be sufficient to prevent a user, other related person or governing body lodging a claim or demanding damages in relation to a site operated by one of our users.

(c) Act on the Prohibition of Unauthorized Computer Access

This law was enacted to prevent computer crimes committed via telecommunications lines, to maintain order in telecommunications and to regulate access control. The law is also aimed at contributing to the healthy development of an advanced information-oriented society. It prohibits unauthorized access to computers.

Under this law, as a company that controls the operation of computers connected to telecommunications lines, the Group is obligated to take measures that safeguard against unauthorized access. This law also applies to the Group as an operator of computers.

(d) Act on the Limitation of Liability for Damages of Specified Telecommunications Service Providers

The aim of this law is to ensure the proper transmission of information in specific forms of telecommunication and was enacted in light of the increasing volume of information transmitted over the Internet. The law provides the right to demand disclosure of sender information and limits damages claims against providers, server operators and other telecommunications service providers. Certain activities subject the Group, as a telecommunications carrier, to these laws. Where rights are infringed as a result of distribution of information, in some cases the scope of the Group's liability is limited under these laws.

The same laws also impact our activities as senders of information. Regarding measures to prevent the distribution of information proscribed by these laws, the Group is required to make critical judgments which, if not appropriate, could result in claims or legal action brought against us by users, other related persons or organizations. The Group makes every effort to make appropriate judgments within the context of these laws; however in the event that an inappropriate judgment is made the group could face claims or legal action.

(e) Act on Specified Commercial Transactions

These laws were enacted to protect the interests of the purchaser by ensuring that specific commercial transactions (e.g. door-to-door sales, mail-order sales) are fair and just, to prevent any damage being incurred by the purchaser, and to ensure the smooth and proper distribution of goods, thereby contributing to growth in the national economy. The law regulates the display of business operators' names, prohibits unreasonable solicitation, and regulates false advertising. It also determines, cooling off periods, compensation for damages, and other civil matters.

In view of issues arising in recent years regarding Internet mail-orders sales, new types of transactions (and return of goods), junk mail issues, and leakage of credit card data, a revision to the Specified Commercial Transaction Laws was enacted on December 1, 2009 to strengthen regulations regarding transactions occurring over the Internet (provisions concerning email advertising were enacted on December 1, 2008). This amendment only allows email advertising to be sent on an opt-in basis.

The Groups email advertising business, and the distribution of email advertising to customers are subject to these laws and as such may be restricted.

(f) Act on Regulation of Transmission of Specified Electronic Mail

These laws aim to cultivate a positive environment for email users and were enacted in 2002 in light of the necessity that had arisen to prevent damages related to mass sending of commercial email. One requirement of the law is that the sender's contact details must be contained within certain emails.

In addition, an amendment to the law was enacted on May 30 2008 and came into effect on December 12 of the same year. The amendment pertains to strengthening global agreements, improving efficacy and a move from the previous opt-out system to an opt-in system for the sending of certain specified emails.

The groups email advertising business, and the distribution of email advertising to customers are subject to these laws. It is possible that the operation of this business and promotional email advertising will be restricted by these laws.

(g) Act on the Protection of Personal Information

In a society where information communication continues to grow more sophisticated, personal information is increasingly transmitted digitally. In light of this, the Act on the Protection of Personal Information aims to ensure proper handling of personal information and protect the rights of individuals. Under this law, companies that handle personal information are obligated to specify use objective parameters of personal information, maintain reasonable methods of acquisition, maintain accurate and current personal data, and ensure safe storage. The law also restricts the disclosure or provision of personal information to third parties.

In accordance with these laws, the company is required to establish a procedure for adequately explaining and acquiring user permission when using personal information or passing it on to a third party.

In addition to these laws, the Group must also comply with supplementary guidelines or rules established by regulatory agencies or related industry organizations regarding the protection of personal information.

(h) Act on Establishment of Enhanced Environment for Youth's Safe and Secure Internet Use

In consideration of the large volume of information harmful to youth being distributed over the

Internet, this law aims to protect the rights of young people and provide a safe Internet usage environment. Issued June 18, 2008, the legislation was implemented on April 1, 2009.

Under this law, the Group's access provider services, hosting services, message board services, and other server management related services will be obliged to provide filtering services, and take other actions that restrict access to information harmful to minors.

The deletion or restriction of information under these laws also impacts the creative expression of the information provider, and therefore the Group must identify information harmful to minors and make critical judgments in regard to the necessity for removal or restriction of access. The Group makes every effort to reach appropriate judgments; however in the event that a judgment is inappropriate the Group could face claims or legal action brought by information providers, other related persons or organizations.

#### (i) Fund Settlement Act

Enacted on April 1, 2010, the Fund Settlement Act enables non-bank companies to issue a means of payment in advance and to conduct money transfers by registering as a Fund Transfer Company.

The law seeks to ensure the proper conduct of fund transfer services, to protect consumers, to foster the provision of such services, and to improve the security, efficiency and convenience of fund settlement systems.

Companies that issue advance means of payment or funds transfers are required to file the necessary notifications and pay a guarantee among other measures specified by the Act. The Financial Systems Council Financing Subcommittee has expressed that some kind of system consolidation needs to be established to protect the interests of consumers in regard to "point reward programs" under this law. Also in regard to services such as receiving agents, the supplementary resolution to a legislative bill for amendment to the Financial Instruments and Exchange Act, states that new retail funds settlement services that differ from existing services can be expected to develop and proliferate in the future and that a structure must be considered for the proper screening and oversight of companies issuing an advance means of payment or providing fund transfer services and the government must understand the nature of these service providers including providers of new services. In addition, a structure for fund settlement must be considered that ensures that funds are properly handled during the settlement process, and the government must strive to improve security efficiency and convenience of settlement systems. Going forward, any of the above structures and systems, if implemented may restrict operation of the Group's GMO TokuToku point system and the Group's payment processing services.

#### (j) Act against Unjustifiable Premiums and Misleading Representations

The purpose of this act is to prevent inducement of customers by means of unjustifiable premiums and misleading representations in connection with transactions of goods and services and to protect the interests of general consumers by restricting and prohibiting actions that inhibit the consumers' ability to make independent and rational purchase choices.

In 2011, the Group entered the group commerce market with the introduction of daily deals website, Kumapon. The Group strives to fairly represent product and service details and prices to avoid unjustly misleading users by selling coupons representing products and services of significantly higher quality than reality, or causing users to believe they are receiving savings on a seasonal or limited edition product by advertising a "regular price" when no "regular" or "list" price exists.

However, in the event that a customer purchases a product or service purchased that is faulty, if the advertising contained false claims, or if the user, the government or a judicial agency makes claims



that product or service was represented inaccurately, a complaint may be brought against the Group by the purchaser, and in the event that compensation or damages were sought, trust in the Group may be damaged and business activities and operations may be significantly impacted.

#### (k) Gang Exclusion Ordinances

On October 10, 2011 the Gang Exclusion Ordinance was enacted by the Tokyo government and the same ordinance was enacted by other municipal governments. Under the ordinance, businesses that suspect new business contracts may support the activities of gangs or contribute to the operation of gangs, must endeavor to confirm whether the other party in the contract has gang ties. Business operators entering into written business contracts must include special clauses that void the agreement in the event a relationship to gangs is found to exist. Regulations place obligation on businesses. The Group strives to conduct evaluations of contract parties, provide written pledges and special clauses as required. However, if the police and anti-gang agencies prove insufficient and the Group unintentionally enters into a transaction or other agreement with a gang – if it becomes necessary to break important contracts or pay compensation there could be considerable impact on the management and earnings of the Group or damage to public trust.

#### ii. The Possibility of Litigation

The group operates services including provision of web infrastructure such as web hosting and domain names. As a provider of a wide range of information, products and services via the Internet in ecommerce, finance and other industries it is essential the Group operate stable infrastructure. The company strives to provide reliable services and systems. We have an uninterruptible power supply system, backup systems etc. that allow us to provide management, maintenance and customer support services 24 hours a day, 365 days a year to deal with any problems that may arise. However, damages may be incurred by users or other third parties if an event arises that cannot be dealt with through the Group's normal crisis management system, such as major destruction caused by a natural disaster or unauthorized access to the company's servers or other facilities. Although our service agreement contracts contain an exemption clause, if legal action is brought against the Group as a result of this kind of incident it could severely impact the Group and its business performance as well as public trust. While no such lawsuit or other appeal has been brought against the company to date there is the possibility of such an occurrence in the future.

#### iii. Risks associated with Business Activities Abroad

The Group's security business (issue of digital certificates etc.), smart phone app distribution business, domain name registration business and other businesses operate under North American, European, Vietnam and Korean laws as well as laws in other countries and regions. These business operations may be impacted by the revision of current laws or enactment of new laws pertaining to imports and exports, customs regulations, or product liability as well as other unforeseen enactments or revisions of laws, administrative orders, directions and policies in countries in which they operate. Fiscal risks include major lawsuits being brought against the company necessitating expenditure on consultation fees and other legal costs. Other factors including war, conflict, terrorism, and economic or political instability also have the potential to seriously impact the Group's business operations and results.

#### iv. Risks associated with Information Security

The Group makes every effort to ensure the security of information it manages, including personal information, through the establishment of internal regulations, internal network monitoring, requiring staff to sign agreements and other measures. However, information may be compromised by improper use of file-sharing software, infection by a previously unknown virus, hacking into the company's network, or unauthorized handling of information. The Group continually strives to strengthen its information management systems, but any information leakage etc. may seriously damage confidence in the Group and impact business operations and results.

#### iv. Damages Liability Arising from Transactions with Third Parties

The Group's services include ecommerce solutions that enable users to build simple web commerce sites, and services that allow users to advertise via display advertising or email among. In 2011 game app development support, smartphone game platform (G-Gee) and daily deal (Kumapon) businesses were also established. In order to avoid confusion or the misunderstanding that the Group is the originator of the products and services sold or advertised via these service, or products and services that are sold via daily deal coupons, the Terms of Use of the above services require the service user to agree to be liable for transactions with customers who purchase products via their website, to be responsible for the content of advertisements and to make an effort to fairly and properly display the name of the service operator or provider on the company website etc.

However, in the event that a product or service purchased by a customer is faulty, if advertising contains false claims or if the user, the government or a judicial agency makes claims that a product or service was represented inaccurately, a complaint may be brought against the Group by the purchaser, and in the event that compensation or damages are sought, trust in the Group may be damaged and business activities and operations may be materially impacted.

### III Risks associated with the Internet Securities Segment

#### i) Items concerning Legal Regulations

GMO CLICK Securities, and FX PRIME Corporation are licensed financial instruments business operators having received approval of Prime Minister of Japan under Article 29 of the Financial Instruments and Exchange Act, and the companies are subject to the aforementioned act, other laws and Financial Services Agency regulation.

As a financial instruments business operator and member of self-regulatory organizations, Japan Securities Dealers Association and Financial Futures Association of Japan, and a trading participant on the Tokyo and Osaka stock exchanges, GMO CLICK Securities is subject to the regulations of each of these organizations and exchanges. FX PRIME is a member of the Financial Futures Association of Japan, and a trading participant on the Osaka stock exchange and is subject to the regulations of each of these organizations and exchanges.

Both companies operate under these laws and other regulations, and in the event of any violations resulting in damages claims, disposition or other measures, the Group's image, business, operating results or financial condition may be impacted. In addition, unexpected new laws, rules, and voluntary regulations by related industry organizations or those unexpected revisions may damage the Group, and its business activities and operation may be also significantly impacted.

#### ii Risks related to Capital Adequacy Ratio

Pursuant to Article 46 paragraph 6 of the Financial Instruments and Exchange Act, financial instrument service operators are required to maintain a capital adequacy ratio of 120% or higher. As of December 31, 2012 CLICK Securities' capital adequacy ratio was at 299.4%, and FX PRIME at 409.9% - solid ratios for financial instruments service operators. Both companies aim to strengthen financial base through measures including capital increases and maintaining internal reserves, thereby striving to maintain and improve this ratio. However, a significant drop in capital adequacy ratio due to unforeseen circumstances could impact the Group's business and operating results.

#### iii. Risks associated with Business Environment

GMO CLICK Securities offers products including spot trading and margin trading of securities, foreign exchange trading, futures, option transactions, and CFD transactions, and FX PRIME offers foreign exchange trading. Both companies' profits are impacted by the securities market, the foreign exchange market and other environmental factors. The Group's operating results could be affected by a decline in trading volume caused by a downturn in investor confidence in the stock markets or foreign exchange markets resulting from economic, political or judicial factors or amendments to tax regulations that lead to weakened investor climate. In addition, a reoccurrence of pricing wars could impact operating results if fees are reduced without being offset by an increase in transaction volume.

#### iv. Market Risks

GMO CLICK Securities and FX PRIME take a foreign exchange proprietary position in to cover the opposite position in customer transaction in the foreign exchange margin transaction business. This minimizes future exchange fluctuation risk and offsets the customer positions as a cover transaction with a counterparty.

However, in the event of a systems malfunction, if the proprietary position is not appropriately resolved, or if cover transactions are not appropriately conducted due to drastic fluctuations in the foreign exchange market or a counterparty's systems malfunction, a loss may be incurred due to the company's position and this may impact the Group's operating results and financial position.

#### vi. Computer Systems

The majority of GMO CLICK Securities and FX PRIME transactions occur over their systems and for this reason we recognize that stable systems operation is vital to our business.

GMO CLICK Securities and FX PRIME Corporation are continuously carrying out system maintenance, improving applications, and strengthening hardware and network infrastructure. However, system malfunction caused by unforeseen circumstances could result in customers being unable to trade. This could lead to loss of business opportunities or loss of customers due to negative publicity. Compensation claims from customers who suffer losses as a result of system malfunction could impact the Group's operating results. Depending on extent of the malfunction, business continuity could also be impeded.

#### vii. Customer Margin Risk

GMO CLICK Securities retains a deposit (in cash or securities) from customers conducting margin trading of securities, stock index futures or options amounting to a certain percentage of the transaction. If a customer's evaluation loss increases due to market fluctuation after the opening of a transaction, or if the price of the collateral securities falls and the customer's deposit falls below the required amount, the company requests that the customer increase their deposit. However, if the customer does not respond to the request for payment the amount will be automatically billed against the customer's transaction and the transaction will be cancelled. The customer is charged for the difference if the settlement loss exceeds the deposit amount after the forced payment. However if the customer doesn't respond to demand for payment, all or part of the amount may be written off as a bad debt loss.

#### IV Reliance on Chief Executive Officer

GMO Internet Group planning and operations are carried out by GMO Internet Group employees and executives. If unforeseen circumstances arise affecting a key member of the management team, in particular Group CEO, Masatoshi Kumagai, the Group's ability to operate smoothly may be impacted.

#### V Risks related to Intangible Assets

##### i. Intellectual property risks

The Group protects its business legally by registering or obtaining permission to use intellectual property including patents, utility model rights, design rights and copyrights. However, if for any reason the Group's intellectual property cannot be legally protected, or a registration becomes invalid or is revoked through legal processes, the Group's businesses may be affected. Further, while the Group makes every effort not to infringe on rights held by third parties through investigating pre-registration rights, if there is an unintentional oversight in investigation it is possible that a patent infringement or other legal action may be filed against the Group. This could potentially materially impact the Group's performance if restrictions are imposed on the Group's business or the Group is required to pay a settlement, damages or other legal costs.

##### ii. Brand Risks

The Group has made a significant investment in establishing the "GMO" brand under its "number one" strategy through advertising and promotion. However, if business plans are not executed as intended and an incident arises with a third party in the course of business or if fraudulent or improper activity committed by a Group employee is detected, the Group's performance may be impeded as a result of damage to brand trust or the ability to attract customers.

## VI Capital Market Risks

### i. Interest Rate Fluctuation Risks

The Group predominantly procures business funding in the form of loans from financial institutions. As of December 2012 consolidated interest-bearing liabilities stood at ¥21,194 million. The Group conducts interest rate swap transactions against part of its interest-bearing debt in order to stabilize interest rates and manage exposure to fluctuations. However, it is conceivable that financial market movements could impact Group performance.

### ii. Exchange Rate Risks

On consolidated financial statements, revenue, costs, assets and liabilities in foreign subsidiaries are translated into Japanese yen. Some of the Group's businesses incur expenses that are paid to companies outside Japan in foreign currencies. The Group endeavors to minimize exposure to exchange rate fluctuation risks through hedge transactions using forward contract trades and other derivatives. However fluctuations in foreign exchange markets could potentially have a significant impact on Group performance.

## VII Capital Procurement Risks

There are financial covenants attached to loan contracts, syndicate loan contracts, commitment line contracts and other loan contracts between the Group and various financial institutions. If the Group's financial condition deteriorates and the Group fails to meet the covenants, the Group may be forced to forfeit profits, pay a higher interest rate, be subject to an accelerated repayment schedule, or be required to put up additional guarantees.

## VIII System Risks

The Group specializes in an extensive range of Internet services and relies on outside sources for certain critical business functions such as Internet connectivity and data center maintenance and management. Natural disaster, disease, radioactive contamination, Internet traffic congestion for any reason, system malfunction outside the scope of our control, malicious attacks on the Group's servers, and hardware or software malfunction are all potential risk factors that could potentially cause full or partial malfunction of Group systems, loss of overwriting of important data, data leakage to a third party or a suspension of trading. Such incidences could impact Group performance due to lost profit opportunities, damage claims or administrative directives from regulatory bodies ordering a suspension of business or other action.

## IX Natural Disaster Risks

Earthquakes, tsunamis, typhoons, bad weather, power outages, fire, disease, radioactive contamination, intense solar storms, meteorite showers and other natural disasters could impact the Group's business operation or continuity.

Further, political change, war, acts of terrorism, coup d'états, foreign military attack or occupation, confiscation of Group property by a government, illegal repossession of Group property by a third party or other acts may also impact the Group's business operation or continuity.

The Group makes every effort to mitigate against risks to business continuity however large-scale physical damage could impede the Group's ability to continue operations.

(5) Notes regarding the Going Concern Assumption  
None.

## 2. The Corporate Group

GMO Internet Group comprises GMO Internet, Inc. and 65 consolidated subsidiaries. The Group operates chiefly in five business segments; Web Infrastructure & Ecommerce, Internet Media, Internet Securities, Social & Smartphone, and Incubation.

The following table shows the business areas in each segment and the Group companies operating in each business area.

Business Segment		Main Operations	Main Companies
Web Infrastructure & Ecommerce	Domain registration	Domain registration services	GMO Internet, Inc. paperboy&co. Inc. DigiRock, Inc.
	Web hosting	Hosting services	GMO Internet, Inc. GMO CLOUD, Inc. paperboy&co. Inc. GMO CLOUD AMERICA INC. GMO Business Support, Inc. GMO CLOUD West, Inc.
	Ecommerce solutions & web production	Web site design, operation support services, system consulting, online shop support, consultation and SaaS solutions	GMO Internet, Inc. GMO SystemConsulting, Inc. paperboy&co. Inc. GMO SolutionPartner, Inc. GMO MAKESHOP, Inc. GMO Fast Translation, Inc.
	Security	Information security, authentication services for enterprise and consumers.	GlobalSign K.K. GMO GlobalSign Ltd. GlobalSign NV GMO GlobalSign, Inc. and 3 other companies
	Payment processing	Card not present payment processing services	GMO Payment Gateway, Inc. Epsilon, Inc. Social Appli Payment Processing Services, Inc.
	Provider (ISP)	Internet access provider	GMO Internet, Inc.
	Other businesses	Other	Communication Telecom, Inc.
	Internet Media	Internet media & search media	Internet media development and operation, blogs, Internet communities etc. contextual advertising, JWord (Japanese keyword search) operation and sales, SEO and search engine advertising
Advertising agencies		Advertising sales, mainly Internet advertising media	GMO AD Partners, Inc. GMO Mobile, Inc. Seed Technology, Inc. GMO NIKKO, Inc. GMO Searchteria, Inc.
Other		Provision of Internet research systems, management and operation of online research panel	GMO Research, Inc.

Internet Securities	Internet securities	Operation of online securities trading, foreign currency trading services etc.	GMO CLICK Securities, Inc. FX Prime Corporation
Social & Smartphone	Social apps	Game app development and operational support	GMO Internet, Inc.
	Smartphone games	G-Gee by GMO game apps for smartphone devices	GMO GameCenter, Inc.
	Daily deals	Online sale of coupons for discounted products and services	GMO Kumapon, Inc.
Incubation	Venture capital	Investment in private Internet ventures.	GMO VenturePartners, Inc. GMO VenturePartners Investment Limited Partnership Blog Business Fund Investment Limited Partnership



### 3. Management Policy

#### (1) Basic Management Principles

Under the corporate slogans *Internet for Everyone*, Japan's Leading All-in Provider of Internet Service, the Group is focused on the provision of Internet infrastructure and services. The Group strives to make a contribution to society through the cultivation of Internet culture and development of the industry.

#### (2) Management Objectives and Indicators

GMO Internet Group is always focused on growing profits. The Group considers the ratio of sales to ordinary profit, and the percentage change in ordinary profit to be gauges of profitability and important management indicators. Currently, we do not make public announcements regarding mid-term objectives however we are continuously aiming for further improvement.

#### (3) Medium to Long-Term Business Strategies

The Group's Web Infrastructure & Ecommerce, Internet Media, Internet Securities, and Social & Smartphone business segments operate under the marketing slogan is *Japan's leading all-in provider of Internet services*.

In each of the four segments the Group aims to maintain a solid stable of number one products. We expect the current growth in mobile devices and services to continue and the Group as a whole will continue striving to make a contribution to the development of the Internet.

#### (4) Company Issues

##### (i) Effective group management - fostering group synergy

The group is comprised of 65 consolidated subsidiaries, one important objective is to ensure that Group companies are able to make timely and autonomous decisions while at the same time generating and leveraging synergies within the Group.

Going forward we will continue striving to improve Group management efficiency and cultivate synergy between business segments in order to ensure the most effective usage of management resources.

##### (ii) Expansion of services for mobile devices, evolution of the Internet environment

The mobile Internet is growing, driven by increasing usage of smartphones and other mobile devices. The majority of the Group's customers operate Internet businesses, and ensuring that the products and services we provide are mobile ready and optimized is also an important issue.

As Japan's Leading All-in Internet Services Provider, the Group will continue strengthening its in-house development capabilities and striving to stay ahead of new technologies in order to ensure that our products and services continue to meet the evolving needs of our customers.

##### (iii) Global growth

Currently, only Security and a limited number of Group businesses operate in markets outside of Japan. We believe it is important to establish a position as an "All-in Provider of Internet Services" globally and direct focus toward high-growth international markets.

The Web Infrastructure & Ecommerce, Internet Securities and Social & Smartphone segments are stepping up focus on global markets.

##### (iv) Maintaining technology advantage - attracting and retaining highly skilled engineers

Internet technology is always evolving and the market is highly competitive. Management must constantly ensure that the Group is developing cost competitive services that take advantage of leading technology. Key to this effort is maintaining a strong, knowledgeable technical workforce. The Group considers its engineers and creators to be a vital resource and places a high priority on recruitment, retention and training of staff.

(5) Other Significant Items regarding Management  
None.

#### 4. Consolidated Financial Statements

##### (1) Consolidated Balance Sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2011)	Current Fiscal Year (As of Dec 31, 2012)
<b>Assets</b>		
Current Assets		
Cash and deposits	36,281	45,718
Trade notes and accounts receivable	5,664	6,435
Operational investment securities	922	661
Securities segment deposits	77,229	122,914
Securities segment margin transaction assets	27,354	41,060
Securities segment short term guarantee deposits	23,519	17,824
Securities segment variation margin paid	9,930	10,188
Deferred tax asset	1,543	1,816
Other	4,382	8,259
Provision for doubtful debts	-566	-429
<b>Total Current Assets</b>	<b>186,261</b>	<b>254,450</b>
Fixed Assets		
Tangible fixed assets		
Buildings and structures	461	769
Tools and equipment	1,202	1,676
Lease assets	2,668	4,570
Other	5	231
<b>Total tangible fixed assets</b>	<b>4,337</b>	<b>7,246</b>
Intangible fixed assets		
Goodwill	4,659	3,551
Software	2,722	3,761
Other	235	507
<b>Total intangible fixed assets</b>	<b>7,617</b>	<b>7,821</b>
Investments and other assets		
Investment securities	1,479	1,533
Deferred tax asset	3,620	3,163
Other	1,977	2,100
Provision for doubtful debts	-239	-355
<b>Total investments and other assets</b>	<b>6,839</b>	<b>6,441</b>
<b>Total Fixed Assets</b>	<b>18,794</b>	<b>21,510</b>
<b>Total Assets</b>	<b>205,055</b>	<b>275,960</b>
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	1,839	2,283
Short term debt	5,625	3,700
Current portion of long term debt	2,584	5,092
Amount payable	3,702	6,141
Securities segment deposits received	6,390	11,245
Securities segment margin transaction liability	21,199	35,702
Securities segment guarantees received	101,807	136,616
Securities segment variation margin Received	1,265	4,018
Accrued corporate tax etc.	1,040	1,470
Allowance for bonuses	359	336
Allowance for bonuses to directors	347	219
Advance payment received	3,247	3,479
Deposits received	11,622	13,118
Other	3,016	4,506
<b>Total Current Liabilities</b>	<b>164,047</b>	<b>227,932</b>

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2011)	Current Fiscal Year (As of Dec 31, 2012)
<b>Fixed Liabilities</b>		
Long term debt	11,186	12,401
Tax liability carried forward	43	25
Lease obligations	2,106	3,419
Other	889	934
<b>Total Fixed Liabilities</b>	<b>14,226</b>	<b>16,781</b>
<b>Statutory Reserve</b>		
Financial instruments transaction liability reserve	656	828
<b>Total Statutory Reserve</b>	<b>656</b>	<b>828</b>
<b>Total Liabilities</b>	<b>178,929</b>	<b>245,542</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Capital stock	2,000	3,000
Capital reserve	6,836	5,836
Earned surplus	9,651	12,509
Treasury stock	-0	-0
<b>Total Shareholders' Equity</b>	<b>18,487</b>	<b>21,344</b>
<b>Other Comprehensive Income</b>		
Other gaps in evaluation of securities	150	-199
Hedging profit/loss carried forward	-1	-52
Foreign currency translation account	-155	-21
<b>Total Other Comprehensive Income</b>	<b>-6</b>	<b>-273</b>
Equity Warrants	26	22
Minority Equity	7,618	9,323
<b>Total Net Assets</b>	<b>26,125</b>	<b>30,418</b>
<b>Liabilities, Net Assets Total</b>	<b>205,055</b>	<b>275,960</b>

## (2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

## Consolidated Profit &amp; Loss Statement

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2011-12.31.2011)	Current Fiscal Year (01.01.2012-12.31.2012)
Net Sales	61,691	74,376
Cost of Sales	24,285	30,915
Gross Profit on Sales	37,406	43,460
Sales, General & Administrative Expenses	29,880	34,311
Operating Profit	7,525	9,149
Non Operating Revenue		
Interest received	7	7
Dividends received	33	60
Equity method investment gain	-	33
Profit on investment partnership	38	187
Property rent received	13	17
Currency translation gain	2	16
Expired points gain	45	70
Other	41	140
Total Non Operating Revenue	182	534
Non Operating Expenses		
Interest paid	288	331
Equity method investment loss	181	-
Stock issues costs	11	0
Commission paid	140	79
Other	70	96
Total Non Operating Expenses	691	507
Ordinary Profit	7,016	9,175
Extraordinary Profit		
Gain on sale of fixed assets	56	1
Gain on sale of investment securities	3	160
Gain on change in equity investees	6	7
Gain on sale of affiliated company stock	-	150
Negative goodwill gain	-	532
Return on cancelled insurance contract	25	-
Other	15	16
Total Extraordinary Profit	107	869
Extraordinary Loss		
Loss on disposal of fixed assets	162	165
Loss on evaluation of investment securities	62	13
Loss on sale of investment securities	-	12
Impairment loss	226	107
Provision for securities transaction liability reserve	205	171
Provision for doubtful debt	164	-
Office relocation expenses	124	76
Other	158	49
Total Extraordinary Loss	1,103	597
Net Profit before Adjustment for Tax etc.	6,019	9,447

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2011-12.31.2011)	Current Fiscal Year (01.01.2012-12.31.2012)
Corporate, Municipal and Enterprise Taxes	2,915	3,189
Corporate Tax etc. Adjustment	-2,090	276
Total Corporate Taxes etc.	824	3,466
Net Profit before Minority Interests	5,194	5,980
Minority Interests	908	1,461
Net Profit	4,286	4,518

Statement of comprehensive income

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2011-12.31.2011)	Current Fiscal Year (01.01.2012-12.31.2012)
Net Profit before Minority Equity	5,194	5,980
Other Comprehensive Income		
Other gaps in appraisal of securities	336	-431
Hedging profit/loss carried forward	17	-50
Currency translation adjustment account	-77	213
Total other comprehensive income	276	-268
Comprehensive Income	5,471	5,711
(Breakdown)		
Comprehensive income attributable to parent company shareholders	4,431	4,251
Comprehensive income attributable to minority shareholders	1,039	1,459

## (3) Consolidated Statement of Changes in Shareholders' Equity, etc.

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2011-12.31.2011)	Current Fiscal Year (01.01.2012-12.31.2012)
<b>Shareholders' Equity</b>		
<b>Capital Stock</b>		
Balance at beginning of term	1,276	2,000
Changes during term		
Transfer from capital reserve to capital	-	1,000
Transfer from earnings surplus to capital	723	-
Total changes during term	723	1,000
Balance at end of current term	2,000	3,000
<b>Capital Reserve</b>		
Balance at beginning of term	-	6,836
Changes during term		
Increase due to stock swap	6,836	-
Transfer from capital reserve to capital	-	-1,000
Total changes during term	6,836	-1,000
Balance at end of current term	6,836	5,836
<b>Earned surplus</b>		
Balance at beginning of term	7,412	9,651
Changes during term		
Net profit	4,286	4,518
Dividends	-1,324	-1,649
Decrease in earned surplus due to increase in consolidated subsidiaries	-	-11
Transfer from earnings surplus to capital	-723	-
Total changes during term	2,238	2,857
Balance at end of current term	9,651	12,509
<b>Treasury stock</b>		
Balance at beginning of term	-0	-0
Changes during term		
Acquisition of treasury stock	-0	-
Total changes during term	-0	-
Balance at end of current term	-0	-0
<b>Total shareholders' equity</b>		
Balance at beginning of term	8,688	18,487
Changes during term		
Net profit	4,286	4,518
Dividends	-1,324	-1,649
Acquisition of treasury stock	-0	-
Increase due to stock swap	6,836	-
Decrease in earned surplus due to increase in consolidated subsidiaries	-	-11
Transfer from capital reserve to capital	-	-
Transfer from earnings surplus to capital	-	-
Total changes during term	9,798	2,857
Balance at end of current term	18,487	21,344



(Unit: ¥millions)

	Previous Fiscal Year (01.01.2011-12.31.2011)	Current Fiscal Year (01.01.2012-12.31.2012)
<b>Other Comprehensive Income</b>		
Other gaps in appraisal of securities		
Balance at beginning of term	-22	150
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	172	-349
Total changes during term	172	-349
Balance at end of current term	150	-199
Hedging profit/loss carried forward		
Balance at beginning of term	-19	-1
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	17	-50
Total changes during term	17	-50
Balance at end of current term	-1	-52
Currency translation adjustment account		
Balance at beginning of term	-109	-155
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	-45	133
Total changes during term	-45	133
Balance at end of current term	-155	-21
Total other comprehensive income		
Balance at beginning of term	-151	-6
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	144	-266
Total changes during term	144	-266
Balance at end of current term	-6	-273
Equity warrants		
Balance at beginning of term	15	26
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	11	-3
Total changes during term	11	-3
Balance at end of current term	26	22
Minority Equity		
Balance at beginning of term	12,842	7,618
Changes during term		
Changes in items other than shareholders' equity in the current term (net amount)	-5,224	1,705
Total changes during term	-5,224	1,705
Balance at end of current term	7,618	9,323

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2011-12.31.2011)	Current Fiscal Year (01.01.2012-12.31.2012)
<b>Net Assets</b>		
Balance at beginning of term	21,396	26,125
<b>Changes during term</b>		
Net profit	4,286	4,518
Dividends	-1,324	-1,649
Acquisition of treasury stock	-0	-
Increase due to stock swap	6,836	-
Decrease in earned surplus due to increase in consolidated subsidiaries	-	-11
Transfer from capital reserve to capital	-	-
Transfer from earned surplus to capital	-	-
Changes in items other than shareholders' equity in the current term (net amount)	-5,068	1,434
Total changes during term	4,729	4,292
Balance at end of current term	26,125	30,418

## (4) Consolidated Statement of Cash Flows

(Unit: ¥millions)

	Previous Fiscal Year (01.01.11-12.31.11)	Current Fiscal Year (01.01.12-12.31.12)
<b>Cash Flow from Operating Activities</b>		
Net Profit before tax etc.	6,019	9,447
Depreciation expenses	2,194	3,054
Impairment loss	226	107
Amortization of goodwill	1,234	1,294
Change in provision for doubtful debts (-represents decrease)	239	-20
Change in financial instruments transaction liability reserve (-represents decrease)	205	171
Change in provision for bonuses (- represents decrease)	226	-151
Interest and dividends received	-41	-67
Interest paid	288	331
Loss on disposal of fixed assets	162	165
Gain or loss on sale of investment securities (- represents gain)	-3	-147
Gain or loss on sale of affiliated company stock (- represents gain)	-	-150
Loss on valuation of investment securities	62	13
Gain or loss on change in equity investees (- represents gain)	-6	-0
Change in accounts receivable (-represents increase)	-427	-443
Change in purchase debts (- represents decrease)	-75	221
Change in amount payable (- represents decrease)	-44	2,108
Change in deposits received (- represents decrease)	3,158	1,484
Change in deposits in securities segment (- represents increase)	-10,142	-45,685
Change in short term guarantee deposits in securities segment (-represents increase)	-6,721	5,695
Change in margin variation paid and received in securities segment	-989	2,494
Changes in deposits and guarantees received in securities segment (- represents decrease)	24,720	39,665
Other	-3,901	-3,270
Sub total	16,383	16,317
Interest and dividends received	44	45
Interest paid	-288	-331
Corporate tax etc. paid	-3,761	-2,308
<b>Cash Flow from Operating Activities</b>	<b>12,379</b>	<b>13,722</b>
<b>Cash Flow from Investing Activities</b>		
Payment of fixed term deposit	-3,333	-580
Income from return of fixed term deposit	-	250
Expenditure on acquisition of tangible fixed assets	-729	-1,383
Income accrued on sale of tangible fixed assets	38	0
Expenditure on acquisition of intangible fixed assets	-902	-1,881
Income accrued on sale of intangible fixed assets	63	0
Expenditure on acquisition of investment securities	-299	-134
Income accrued on sale of investment securities	19	186
Expenditure on acquisition of subsidiary stock	-454	-351
Income accrued on sale of subsidiary stock	-	157
Income accrued on the acquisition of subsidiary stock resulting in change in scope of consolidation	-	1,312
Expenditure on the acquisition of subsidiary stock resulting in change in scope of consolidation	-445	-150
Expenditure on transfer of business	-70	-473
Other	102	44
<b>Cash Flow from Investing Activities</b>	<b>-6,012</b>	<b>-3,093</b>

(Unit: ¥millions)

	Previous Fiscal Year (01.01.11-12.31.11)	Current Fiscal Year (01.01.12-12.31.12)
<b>Cash Flow from Financing Activities</b>		
Income accrued on short term loans	69,570	54,000
Expenditure on repayment of short term loans	-74,839	-55,925
Income accrued on long term loans	10,625	6,450
Expenditure on repayment of long term loans	-4,175	-2,732
Repayment of finance lease obligations	-630	-1,261
Expenditure on repayment to investment partner	-217	-157
Revenue accrued from minority interests	23	59
Payment of dividends	-1,286	-1,649
Payment of dividends to minority shareholders	-422	-461
Other	-10	-
<b>Cash Flow from Financing Activities</b>	<b>-1,363</b>	<b>-1,677</b>
<b>Currency Translation Adjustment on Cash and Equivalents</b>	<b>-69</b>	<b>169</b>
<b>Change in Cash and Equivalents (- represents decrease)</b>	<b>4,933</b>	<b>9,120</b>
<b>Balance of Cash and Equivalents at Beginning of Term</b>	<b>27,809</b>	<b>32,743</b>
Increase in Cash and Equivalents following Increase in Consolidation	-	36
<b>Balance of Cash and Equivalents at End of Term</b>	<b>32,743</b>	<b>41,899</b>

(5) Notes regarding the Going Concern Assumption

None.

(6) Significant Items concerning the consolidated financial statements

1. Items concerning the scope of consolidation

(1) Number of consolidated subsidiaries: 65 (including 3 partnerships)

Names of significant consolidated subsidiaries

GMO AD Partners, Inc.

GMO CLOUD, Inc.

GMO PaymentGateway, Inc.

paperboy&co. Inc.

GMO CLICK Securities, Inc.

FX PRIME Corporation

FX PRIME Corporation was made a consolidated subsidiary after shares in the company were acquired during the current fiscal year.

(2) Names of significant non- consolidated subsidiaries

Patent Incubation Capital, Inc.

Reasons for exclusion from the consolidation

All 22 non-consolidated subsidiaries are small-scale companies. The companies' total assets, sales, net profit (equal to the equity share) and earned surplus (equal to the equity share) are immaterial to the consolidated financial statements.

2. Items concerning application of equity method

(1) Number of companies to which the equity method is applied: 2

Names of significant equity method affiliates:

SuperAppli, Inc.

(2) Major non-consolidated subsidiaries and affiliates not accounted for by the equity method

Patent Incubation Capital

The net profit and loss (equal to the equity share), and earned surplus (equal to the equity share), etc. of each of the 22 non-consolidated subsidiaries and 4 affiliates (HUMEIA REGISTRY Co. Ltd, and 3 other companies) is immaterial to consolidated results. For this reason the equity method is not applied.

3. Items concerning the fiscal years, etc. of subsidiaries

The closing date of the fiscal year differs from the consolidated fiscal year in the following consolidated subsidiaries.

Close of fiscal year: September 30

GMO Payment Gateway, Inc.

Epsilon, Inc. and 2 other companies

Close of fiscal year: March 31

GMO CLICK Securities, Inc. and 6 other companies

Close of fiscal year: May 31

GMO Venture Partners Investment Limited Partnership and 2 other companies

In regard to GMO Venture Partners Investment Limited Partnership and 2 other companies, consolidated financial statements are based on provisional statements provided by the subsidiaries on November 30. All other companies provide provisional statement on the closing date of the consolidated fiscal year.

Consolidated statements are adjusted as necessary to reflect any significant transactions after this date.

#### 4. Items concerning accounting standards

##### (1) Method and standards for the evaluation of assets

###### (i) Marketable securities

###### Available for sale securities

Contract base market value method

###### Bonds held to maturity

Amortized cost (straight-line) method

###### Other marketable securities (including operating investment securities)

Securities with a market value:

Stated at actual market value on the closing day of the fiscal year.

Unrealized gains and losses on these securities are reported as a component of net assets. The cost of securities sold is determined by the moving average method.

Securities with no market value:

Stated at cost determined by the moving average method

###### (ii) Derivatives transactions

Current market value

##### (2) Depreciation of major depreciable assets

###### (i) Tangible fixed assets (excluding lease assets)

###### (A) Assets acquired prior to March 31, 2007

Former fixed rate method

###### (B) Assets acquired after April 1, 2007

Fixed rate method.

Useful life:

Buildings and structures: 8-22 years

Tools and equipment: 2-20 years

###### (ii) Intangible fixed assets (excluding lease assets)

Fixed rate method. Computer software used by the company is amortized using the straight line method over an estimated useful life of (usually) five years.

###### (iii) Lease assets

Finance lease transactions that do not transfer ownership are calculated on the assumption that the useful life is equal to the lease term, and the residual value equals zero.

Finance lease transactions that do not transfer ownership and have an inception date prior to December 31, 2008 are accounted for as ordinary leases transactions.

##### (3) Significant deferred assets

###### Stock issuance costs

Stated as the full amount of the expense at the time of spending

##### (4) The calculation of significant reserves

###### (i) Allowance for doubtful debt

The allowance for doubtful debt is a provision for loss resulting from bad debt occurring on trade accounts receivable. For general accounts receivable doubtful debt is individually considered to determine the likely recoverable amount using the loan loss ratio and the amount considered unlikely to be redeemed is reserved.

###### (ii) Allowance for bonuses

The company follows the Japanese practice of paying bonuses to employees, generally twice a year. The current portion of the expected bonus payment is reserved to provide for employee bonuses.

(iii) Allowance for director bonuses

An amount is reserved for the payment of bonuses to directors based on salary forecasts.

(iv) Financial transaction liability reserve

This reserve is provided in accordance with Article 46 of the Financial Instruments and Exchange Laws and Article 175 of the related Cabinet Ordinance concerning securities companies in order to provide for losses arising from securities transactions in some consolidated subsidiaries.

(5) Hedge accounting method

(i) Hedge accounting method

Generally deferred hedge treatment is applied. However, where conditions for appropriation treatment are met appropriation treatment is used for foreign exchange contracts.

(ii) Hedging Instruments and hedged Items

(a) Hedging Instruments: foreign exchange contracts

Hedged items: foreign currency debt, foreign currency forecast transactions

(b) Hedging Instruments: interest rate swaps

Hedged items: interest on loans

(iii) Hedging policy

The Company trades currency to mitigate exchange rate fluctuation risk. Interest rate swap transactions are conducted to minimize risk arising from interest rate fluctuations. Individual contracts are drawn for each hedge item.

(iv) Method of evaluating effectiveness of hedge transactions

The effectiveness of each derivative transaction is evaluated by assessing amount of debt/credit, hedge transaction conditions and other factors on an individual basis.

(6) Goodwill amortization and amortization term

Goodwill in GlobalSign NV is amortized over 7 years. In all other cases goodwill is amortized equally over 5 years, with the exception of small amounts which are amortized 1 time as they occur.

(7) Scope of consolidated cash flow statement

Funds (cash and equivalents) stated in the consolidated cash flow statements are cash on hand, deposits that can be drawn on as needed and short term investments that can be readily converted, bear minimal price fluctuation risk and whose date of maturity falls within 3 months of the date of acquisition.

(8) Other significant Items relating to preparation of consolidated financial statements

(i) Accounting treatment of consumption tax etc.

Consumption tax is separately accounted for by excluding it from each transaction amount.

Consumption tax not accounted for by the exclusion method is accounted for as an expense in the current consolidated fiscal year. However, consumption tax not excluded relating to fixed assets is reported as a long term advance payment and amortized equally over 5 years.

(ii) Accounting treatment of foreign exchange margin transactions

In regard to foreign exchange margin transactions, the settlement gain or loss on transactions, gains or losses on appraisal and the swap point on outstanding positions is recorded as net sales.

Gain or loss on appraisal is the difference between the market value and the exchange rate in the outstanding position on foreign exchange margin transactions calculated on each transaction statement. These are totaled and the amount reported as "Securities segment variation margin paid" or "Securities segment variation margin received" on the consolidated balance sheet.

In addition, assets deposited by customers are reported separately on the consolidated balance sheet as "Deposits in the securities segment" in accordance with Article 43 paragraph 3.1 of the Financial Instruments and Exchange laws and Article 143 paragraph 1.1 of the related Cabinet Office Ordinance.

(iii) Application of consolidated tax payment structure

The consolidated tax payment structure is applied.

(7) Additional information

Application of Accounting Standard for Accounting Changes and Error Corrections

The Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24, 12.4.2009) and the accompanying Implementation Guidance (ASBJ Guidance No. 24, 12.4.2009) is applied to all accounting changes and error corrections from the current fiscal year.

(8) Notes to Consolidated Financial Statements

Matters relating to business combinations

Business combination by acquisition

1. Summary of business combination

(1) Name of company acquired and business description

Name of company acquired: FX PRIME Corporation

Business description: Financial instruments transactions and ancillary businesses

(2) Main purposes of business combination

FX PRIME Corporation was established in September 2003 and in December of the same year launched its online foreign currency trading service. In September 2008 the company was listed on the JASDAQ securities exchange. Since it was first established FX PRIME Corporation has emphasized compliance and system stability. In January 2009 it acquired ISMS (Information Security Global Standard) certification ISO/IEC27001:2005, in September 2009 it announced compliance with Quality Management standard ISO 10002, and in November of the same year it acquired ITSMS (IT Service Management Systems Global Standard) ISO/IEC 20000-1:2005 certification. The Company's strengths include strong management, fixed spreads, proprietary loss cut tools, provision of extensive financial information, stable systems, branding and trust as a publicly listed company.

In an industry environment where competition surrounding trading conditions is increasingly severe – a trend that is expected to continue – GMO CLICK Holdings believes it is necessary to enhance qualitative factors such as brand and trust as well as quantitative factors such as trading conditions in order to continue acquiring new customers. GMO CLICK Holdings believes that making FX Prime a consolidated subsidiary allows it to combine the strengths of the two companies, FX Prime's brand recognition, trust as a publicly listed company, and system stability, together with GMO CLICK Holdings' competitive trading conditions, to further grow both companies' customer bases and improve profitability. The move is also aimed at contributing to the continued improvement of corporate value in both companies.

(3) Date of business combination

September 20, 2012

(4) Legal form of business combination

Stock acquisition

(5) Name of business acquired

FX PRIME Corporation

(6) Percentage of voting rights acquired

Percentage of voting rights held immediately before the acquisition 0%

Percentage of voting rights acquired on the day of the acquisition 77.9%

Percentage of voting rights held after the acquisition 77.9%

(7) Background to decision to acquire the company

Stock acquisition to convert cash in consolidated subsidiary into fixed assets



2. Period from which acquired company's earnings will be consolidated

October 1 – December 31, 2012

3. Cost of acquisition of acquired company and cost breakdown

The total acquisition cost was ¥2,754 million. (Stock acquisition cost: ¥2,587 million, acquisition related expenses: ¥166 million)

4. Goodwill amount recognized and reason goodwill occurred

(1) Negative goodwill amount recognized

¥532 million

(2) Reason goodwill occurred

The market price of net assets in the company exceeded the acquisition price at the time of the business combination.

## Segment Data

### Segment Data

#### 1. Overview of Reportable Segments

Segment reporting enables an overview of financial condition in each segment of GMO Internet Group.

Segmentation is periodically reviewed in order to enable the Board of Directors to make decisions regarding allocation of management resources and evaluate business performance.

GMO Internet Group operates a comprehensive line up of Internet related services. The group's operations are divided into five business segments according to service type. The five segments are: Web Infrastructure & Ecommerce, Internet Media, Internet Securities, Social & Smartphone, and Incubation.

The Web Infrastructure & Ecommerce segment provides businesses and individuals with the tools required to communicate over the Internet. Services include domain registration, web hosting, Internet security, ecommerce solutions & web development, and payment processing services. The Internet Media segment provides Internet marketing solutions. In addition to media properties including blog and online community services, this segment operates Japanese keyword search service JWord and sells SEM media, Search Engine Optimization, as well as Internet advertising. The Social & Smartphone segment provides social apps development support, operates smartphone game platform GMO GameCenter, and daily deals website, Kumapon by GMO. The Internet Securities segment operates online securities and foreign exchange trading services. The Incubation segment invests primarily in unlisted Internet related businesses.

#### 2. Calculation of Net Sales, Profit or Loss, Assets and Liabilities in Reportable Segments

All items relating to accounting treatment in reportable segments are listed in the section "Significant items concerning consolidated financial statements". Profit in reportable segments is operating profit. Revenue and transfers between segments are based on the same transaction conditions as are applied to ordinary transactions with external customers. Please note the Company does not report assets and liabilities by segment.

3. Notes regarding revenue, profit or loss, assets and liabilities in reportable segments  
Previous accounting term (01.01.2011 – 12.31.2011)

(Unit: ¥millions)

	Segment						Adjustment	Total
	Web Infrastructure & Ecommerce	Internet Media	Internet Securities	Social & Smartphone	Incubation	Total		
Net Sales								
Sales to unaffiliated customers	24,042	20,944	14,757	1,928	18	61,691	—	61,691
Internal transactions and transfers	319	1,094	—	3	—	1,417	-1,417	—
Total	24,361	22,039	14,757	1,932	18	63,109	-1,417	61,691
Segment Profit	3,076	1,598	4,386	-1,543	-148	7,368	156	7,525
Other items								
Depreciation expenses	1,281	226	600	77	—	2,185	—	2,185

\*Notes

1. The segment profit adjustment (¥156 million) is an adjustment for internal segment transactions.
2. Segment profit is based on the Operating Profit line item in the consolidate statement of income.
3. Assets and liabilities are not reported by segment.

Current accounting term (01.01.2012 – 12.31.2012)

(Unit: ¥millions)

	Segment						Adjustment	Total
	Web Infrastructure & Ecommerce	Internet Media	Internet Securities	Social & Smartphone	Incubation	Total		
Net Sales								
Sales to unaffiliated customers	29,702	24,690	16,525	2,853	604	74,376	—	74,376
Internal transactions and transfers	511	1,387	—	6	—	1,905	-1,905	—
Total	30,213	26,078	16,525	2,860	604	76,282	-1,905	74,376
Segment Profit	4,254	2,026	4,440	-2,129	367	8,959	189	9,149
Other items								
Depreciation expenses	1,835	224	839	154	—	3,054	—	3,054

\*Notes

1. The segment profit adjustment (¥189 million) is an adjustment for internal segment transactions.
2. Segment profit is based on the Operating Profit line item in the consolidate statement of income.
3. Assets and liabilities are not reported by segment.

## Related Information

Previous accounting term (01.01.2011 – 12.31.2011)

### 1. Data classified by product/service

This section is omitted because it is identical to the Segment Data section.

### 2. Data classified by geographic region

#### (1) Net sales

This section is omitted because sales to customers in Japan account for over 90% of net sales stated on the consolidated statement of income.

#### (2) Tangible fixed assets

This section is omitted because over 90% of tangible fixed assets stated on the consolidated balance sheet are located in Japan.

### 3. Data classified by major customer

No customer accounts for more than 10% of revenue stated on the consolidated statement of income and therefore this section is omitted.

Current accounting term (01.01.2012 – 12.31.2012)

### 1. Data classified by product/service

This section is omitted because it is identical to the Segment Data section.

### 2. Data classified by geographic region

#### (1) Net Sales

This section is omitted because sales to customers in Japan account for over 90% of net sales stated on the consolidated statement of income.

#### (2) Tangible fixed assets

This section is omitted because over 90% of tangible fixed assets stated on the consolidated balance sheet are located in Japan.

### 3. Data classified by major customer

No customer accounts for more than 10% of revenue stated on the consolidated statement of income and therefore this section is omitted.

Data relating to impairment loss on fixed assets by reportable segment  
 Previous accounting term (01.01.2011 – 12.31.2011)

(Unit: ¥millions)

	Segment						Adjustment	Total
	Web Infrastructure & Ecommerce	Internet Media	Internet Securities	Social & Smartphone	Incubation	Total		
Impairment loss	26	1	—	52	—	80	145	226

\*Note: Adjustment amount is an adjustment for company-wide assets

Current accounting term (01.01.2012 – 12.31.2012)

(Unit: ¥millions)

	Segment						Adjustment	Total
	Web Infrastructure & Ecommerce	Internet Media	Internet Securities	Social & Smartphone	Incubation	Total		
Impairment loss	14	18	41	33	—	107	—	107

Data relating to goodwill amortization and unamortized balance by reportable segment  
Previous accounting term (01.01.2011 – 12.31.2011)

(Unit: ¥millions)

	Segment						Adjustment	Total
	Web Infrastructure & Ecommerce	Internet Media	Internet Securities	Social & Smartphone	Incubation	Total		
Amortization in current term	561	60	604	8	—	1,234	—	1,234
Balance at end of term	1,796	199	2,590	71	—	4,659	—	4,659

Current accounting term (01.01.2012 – 12.31.2012)

(Unit: ¥millions)

	Segment						Adjustment	Total
	Web Infrastructure & Ecommerce	Internet Media	Internet Securities	Social & Smartphone	Incubation	Total		
Amortization in current term	531	94	647	20	—	1,294	—	1,294
Balance at end of term	1,297	257	1,912	84	—	3,551	—	3,551

Data regarding profit arising from negative goodwill by reportable segment

Previous accounting term (01.01.2011 – 12.31.2011)

None.

Current accounting term (01.01.2012 – 12.31.2012)

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

Per Share Data

Item	Previous Consolidated Fiscal Year (01.01.2011 – 12.31.2011)	Current Consolidated Fiscal Year (01.01.2012 – 12.31.2012)
Shareholders' Equity per Share	156.87	178.86
Net Profit per Share	37.77	38.35
Net Profit per Share (diluted)	—	38.32
	As no residual securities exist to dilute existing shares, no net profit per share (diluted) is reported in this term.	

\*Note: Calculation of net profit per share and net profit per share (diluted) is based on the following:

Item	Previous Consolidated Fiscal Year (01.01.2011 – 12.31.2011)	Current Consolidated Fiscal Year (01.01.2012 – 12.31.2012)
Net profit per share		
Net profit (¥millions)	4,286	4,518
Non-common stock (¥millions)	—	—
Net profit allocated to common stock (¥millions)	4,286	4,518
Average number of common shares outstanding in the period	113,465,690	117,806,777
Average number of treasury shares in the period	-1,613	-1,684
Average number of shares outstanding in the period	113,464,077	117,805,093
Net profit per share (diluted)		
Net income adjustment	—	-3
Increase in no. of common shares	—	—
Residual securities that do not dilute net profit per share and are not included in the calculation of net profit per share (diluted)	<p>1. The Company 2005 Equity Warrants Common shares: 10,000</p> <p>2. Consolidated Subsidiaries</p> <p>i. GMO AD Partners, Inc. 3.24.2007 Stock Options Common shares: 73 Stock Options 4th Round Common shares: 1,710</p> <p>ii. GMO Cloud K.K. 2005 Stock Options Common shares: 440</p> <p>iii. GlobalSign K.K. 2006 Stock Options Common shares: 651</p> <p>iv. GMO Payment Gateway, Inc. 2004 Stock Options 6th Round Common shares: 60,800 2008 Stock Options 9th Round Common shares: 85,600 2008 Stock Options 10th Round Common shares: 4,800</p> <p>v. paperboy&amp;co. Inc. Stock Options 1st Round Common shares: 36,100</p> <p>vi. GMO Research, Inc. 2007 Stock Options 1st Round Common shares: 420 2008 Stock Options 2nd Round Common shares: 90</p> <p>vii. Epsilon, Inc. 2010 Stock Options Common shares: 196</p> <p>viii. Social Appli Payment Processing Services, Inc. 2010 Stock Options Common shares: 71</p>	<p>1. The Company 2005 Equity Warrants Common shares: 10,000</p> <p>2. Consolidated Subsidiaries</p> <p>i. GMO AD Partners, Inc. Stock Options 5th Round Common shares: 985</p> <p>ii. GlobalSign K.K. 2006 Stock Options Common shares: 651</p> <p>iii. GMO Payment Gateway, Inc. 2004 Stock Options 6th Round Common shares: 28,800 2008 Stock Options 9th Round Common shares: 66,400 2008 Stock Options 10th Round Common shares: 4,600</p> <p>iv. paperboy&amp;co. Inc. Stock Options 1st Round Common shares: 34,500</p> <p>v. GMO Research, Inc. 2008 Stock Options 2nd Round Common shares: 90</p> <p>vi. Epsilon, Inc. 2010 Stock Options Common shares: 196</p> <p>vii. Social Appli Payment Processing Services, Inc. 2010 Stock Options Common shares: 71</p>

Significant Post Balance Sheet Events  
None.