GMO INTERNET

Fiscal Year 2013 First Quarter Consolidated Financial Results (Japanese GAAP)

May 7, 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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Supplementary documents available pertaining to quarterly financial results: Yes
Quarter results presentation: Yes (for institutional investors and analysts)

(all amounts rounded down to the nearest million yen)

1. Consolidated First Quarter Financial Results in the Year Ending December 2013 (01.01.2013- 03.31.2013)

(1) Consolidated Operating Results

(percentages represent year-on-year % change)

	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
Three months ended	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
March 31, 2013	22,810	27.0	2,894	14.6	2,859	14.4	1,102	23.0
March 31, 2012	17,960	24.2	2,525	22.8	2,500	30.5	896	-24.6

(Note) Comprehensive Income: March 31, 2013 ¥1,650 million (3.8%), March 31, 2012 ¥1.590 million (-14.6%)

	Net Profit per Share	Net Profit per Share (Diluted)
Three months ended	¥	¥
March 31, 2013	9.36	9.22
March 31, 2012	7.61	—

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio
As of	¥ millions	¥ millions	%
March 31, 2013	364,089	31,102	5.9
Year Ended 12/2012	275,960	30,418	7.6

(Reference) Shareholders' Equity: March 31, 2013 ¥21,451 million, Year Ended 12/2012 ¥21,071 million

2. Dividends

	Dividends per Share				
	End of Q1	End of Q2	End of Q3	End of Term	Total
	¥	¥	¥	¥	¥
Year Ended 12/2012	3.00	3.00	3.00	4.00	13.00
Year Ending 12/2013	3.00				
Year Ending 12/2013 (forecast)		3.00	4.00	4.00	14.00

(Note) Revision to forecast during the most recent quarter: none

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

(Full year % represent previous term 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) Revision to forecast during the most recent quarter: none
No first half guidance issued.

*Notes

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

Change in scope of consolidation:

New: 0 companies Excluded: 0 companies

(2) Special accounting treatments used in preparation of financial statements: none

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

1. Changes resulting from revisions to accounting policy: yes
2. Changes other than those specified above: none
3. Changes in accounting estimates: yes
4. Restatements: none

Note: Change in method of depreciation applied as of Q1 FY2013. Please refer to (3) Changes in accounting policy, changes in accounting estimates, restatements (page 9) for details.

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

1. No. of outstanding shares at end of term (including treasury shares)	Q1 FYE 12/2013	117,806,777	FYE12/2012	117,806,777
2. No. of treasury shares at end of term	Q1 FYE 12/2013	1,684	FYE12/2012	1,684
3. Average no. of shares in the term	Q1 FYE 12/2013	117,805,093	Q1 FYE 12/2012	117,805,093

*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. Please refer to Operating Results Analysis (page 2) for premises on which results forecasts are formulated.

Results Presentation for Investors and Analysts: Tuesday May 7, 2013

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

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1. Qualitative Information related to Financial Results

(1) Consolidated Operating Results

General Conditions

Under the corporate slogan “Internet for Everyone” GMO Internet Group is currently focused on developing 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. The Group believes the expansion of these markets opens increasing profit opportunities.

In the period under review, the Group strived to achieve further growth in its Web Infrastructure & Ecommerce, Internet Media, and Internet Securities segments, while boosting user numbers and membership base through the provision of “number one” services. At the same time, aggressive investment was in smartphone games, a business that is expected to grow into the Group’s “fourth pillar”.

In the first three months of fiscal year 2013 Net Sales reached a record high ¥22,810 million (27.0% year-on-year increase), Operating Profit totaled ¥2,894 million (14.4% year-on-year increase), Ordinary Profit totaled ¥2,859 million (14.6% year-on-year increase), also record highs, and Net Profit was ¥1,102 million (23.0% year-on-year increase).

Summary of Financial Results in the Three Months to March 2013

(Unit: ¥millions)

	Previous Q1	Current Q1	Change	% Change
Net Sales	17,960	22,810	4,850	27.0%
Operating Profit	2,525	2,894	369	14.6%
Ordinary Profit	2,500	2,859	359	14.4%
Net Profit	896	1,102	206	23.0%

Net Sales and Operating Profit by Segment in the Three Months to March 2013

(Unit: ¥millions)

	Previous Q1	Current Q1	Change	% Change
Web Infrastructure & Ecommerce				
Net Sales	7,015	9,051	2,035	29.0%
Operating Profit	981	1,318	336	34.3%
Internet Media				
Net Sales	6,529	7,488	959	14.7%
Operating Profit	633	659	26	4.2%
Internet Securities				
Net Sales	4,126	5,528	1,402	34.0%
Operating Profit	1,309	1,253	-55	-4.3%
Social & Smartphone P				
Net Sales	676	1,261	584	86.4%
Operating Profit	-427	-402	24	-
Incubation				
Net Sales	39	41	1	3.7%
Operating Profit	-26	6	33	-
Adjustment				
Net Sales	-427	-560	-133	-
Operating Profit	55	58	3	-
Total				
Net Sales	17,960	22,810	4,850	27.0%
Operating Profit	2,525	2,894	369	14.6%

Description of businesses in each segment

Business Segment		Main Operations
Web Infrastructure & Ecommerce	Domain registration	・Domain registration services, Onamae.com, MuuMuu Domain, VALUE-DOMAIN.COM and others
	Web hosting	・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
	Ecommerce solutions	・SaaS based services for online store building including Color me shop! and MakeShop, and Jugem Cart. ・Development and operation of online shopping malls including Calamel. ・Web design, operational support and system consulting
	Security	・GlobalSign Quick Authentication SSL, enterprise SSL, and other SSL certificate issue services, code signing certificate services, PDF document signing services, client certificates and other digital certificate services
	Payment processing	・GMO Payment Gateway services including PG Multi-Payment Service and other card-not-present payment processing services for ecommerce and catalog sales businesses, payment processing services for the public sector and social apps markets
	Provider (ISP)	・GMO TokuToku BB, interQ, MEMBERS, ZERO, and other access provider services
Internet Media	Internet media & search marketing	・Development and operation of blog services yaplog! and JUGEM, Internet community services including freeml, and ebook publishing solutions Booklog and Puboo ・SEM Media JWord operation and sales of JWord, Japanese keywords. Sale of SEO (Search Engine Optimization) services ・Ad Networks Distribution of contextual advertising to owned & operated media and search engine results pages
	Advertising agencies	・Internet advertising, mobile advertising, search engine advertising, affiliate advertising ・Advertising design
	Other	・Provision of Internet research systems, management and operation of online research panel (infoQ Network Panel)
Internet Securities	Internet securities	・Operation of online securities trading, foreign currency trading services etc.
Social & Smartphone	Smartphone games	・Social apps development/operation support ・G-Gee game apps market for smartphone devices
	Daily deals	・Operation of daily deals website Kumapon
Incubation	Venture capital	・Investment in private Internet ventures.

Segment Report

i. Web Infrastructure & Ecommerce

The Web Infrastructure & Ecommerce segment provides fundamental Internet services required to operate a business or communicate information in an online environment. Domain registration, web hosting, security, ecommerce, and payment processing - the five major businesses in this segment – each hold the number one share in the respective markets in Japan.

Domain Registration
The domain business continued to pursue a low-pricing strategy with the objective of growing domain name registration market share. In the three months to March 2013 domain registration and renewals grew 8.3% to 910,000, and total domains under management rose 18.7% to 3.77 million. The Group now holds 90.1% of the domestic market. At the end of the first quarter the domain business reported net sales of ¥1,138 million (7.7% 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 multiple brand strategy.
GMO AppsCloud, a cloud- based hosting solution optimized for game app developers and operators, continues to attract gaming industry users and now hosts over 1,000 games. For the second consecutive year GMO AppsCloud received the top award in the GameBusiness.jp App Cloud Awards recognizing customer satisfaction in the social games hosting industry.
Overall web hosting contracts increased 7.2% over the previous corresponding term to 686 thousand and net sales grew 13.4% year-on-year to ¥3,342 million.

Ecommerce Solutions
New features were added to existing solutions designed to improve usability for both net shop operators and customers, and number of accounts rose 15.3% from the previous year to 66,000 accounts. The business reported net sales of ¥845 million (29.5% year-on-year increase).

Security
In the security business GlobalSign was the highest growing certificate authority brands in Japan, and held on to the number one share in the domestic market, a result of continued efforts to strengthen sales strategy and increase market share. In the first quarter of 2013 the business announced it would provide free digital certificates to all political parties ahead of the government's expected decision to lift a ban on online political election campaigning. This is expected to increase brand value and contribute to business performance in the mid to long term. Net sales of ¥616 million (30.4% year-on-year increase) were reported at the end of the current quarter.

Payment Processing
Payment processing continues to expand operations leveraging the brand power of GMO Payment Gateway, the only payment processing company listed on the first section of the Tokyo Stock Exchange. The business continued to focus on growing number of merchants, number of transactions, and transaction volume while expanding its offering of value-add services. Revenue of ¥1,382 million (22.1% year-on-year increase) was reported at the end of the current quarter.

The fixed revenue stream from each of these key Web Infrastructure & Ecommerce businesses continued to grow, and synergies throughout the segment boosted net sales by 29.0% to ¥9,051 million and operating profit by 34.3% to ¥1,318 million.

ii. Internet Media
The Internet Media segment provides marketing and customer acquisition solutions for online businesses. The segment comprises, Internet Media & Search Marketing, services optimize customer acquisition through major search engines such as Google and Yahoo!, Net Advertising and a vast stable of owned and operated online properties. The following is a breakdown of results in each of the businesses comprising this segment.

Internet Media & Search Marketing
In the Internet Search Marketing business, smartphone capability was introduced for JWord Japanese keyword search service. The business reported revenue of ¥2,514 million (3.6% year-on-year increase).

Advertising Agency
The advertising agency business is a comprehensive media rep and agency operation lead by GMO AD Partners (JASDAQ). In the first quarter PC/smartphone listing ads were strong. Focus was on proprietary products and building ad platforms using leading ad technology. Net sales in advertising agencies increased by a significant 20.0% from the previous year to ¥4,491 million.

Overall, in the Internet Media segment, Net Sales totaled ¥7,488 million (14.7% year-on-year increase), and Operating Profit came in at ¥659 million (4.2% year-on-year increase).

iii. Internet Securities
The Internet Securities segment continues to focus on growing number of accounts, customer assets held, and transaction volume. In the previous fiscal year JASDAQ listed company, FX Prime became a consolidated subsidiary, and at the end of the first quarter the Group had a total of 165,000 securities accounts (GMO CLICK Securities) and 415,000 FX accounts (GMO CLICK Securities: 282,000, FX Prime: 133,000).
In 2012, GMO CLICK Securities achieved the highest transaction volume in the industry worldwide (Source: Forex Magnates).
While segment revenue grew significantly as a result of active securities and FX markets, profit growth was curbed by an operating loss in FX Prime, and investment in global expansion of operations.
Net sales in the Internet Securities segment totaled ¥5,528 million (34.0% year-on-year increase) and operating profit was ¥1,253 million (4.3% year-on-year decrease).

iv. Social & Smartphone
The Social & Smartphone segment comprises new initiatives in high-growth markets including smartphone. This segment previously comprised of the three businesses, Social Games, Smartphone Games, and Daily Deals. However, as of the first quarter of fiscal 2013, due to overlap between the two, the Social Apps and Smartphone Game Platform will now be reported as a single business, Smartphone Games. Further, as of the first quarter, the Group will disclose the breakdown of sales and operating profit in the two businesses. The following is an overview of performance in each business comprising this segment.

Smartphone Games
This sub segment comprises social apps development/operation and game app platform G-Gee. Since G-Gee was launched in November 2010, focus has remained on growing user base. At the end of the first quarter, G-Gee membership totaled 31.45 million (7.7 million users in Japan, and 23.75 million users in countries other than Japan). In the previous fiscal year several titles aimed at monetizing the service were introduced on Google Play in Japan as the business shifted from the customer acquisition phase to the monetization phase. In the first quarter of this year in-house developed games such as Minerva Knights were positioned in the top of Google Play sales rankings contributing to increased consumer awareness. Overall, the Smartphone Games business reported sales of ¥863 million (197.9% year-on-year increase) and an operating loss of ¥402 million (operating loss in the previous fiscal year was ¥364 million).

Daily Deals
This is the operation of daily deals website Kumapon, a service that offers special deals and discounts on products and services to a limited number of purchasers. In the period under review, the Daily Deals business was focused on high margin products and cost reduction. Overall, the

Smartphone Games business reported sales of ¥397 million (2.9% year-on-year increase) and an operating profit of ¥32 thousand (operating loss in the previous fiscal year was ¥62 million).

Overall, the Social & Smartphone segment reported ¥1,261 million in net sales, a significant 86.4% year-on-year increase, and an operating loss of ¥402 million. Operating loss was reduced ¥192 million from the previous corresponding term and focus in the segment is on achieving profitability in the near term.

v. Incubation

The Incubation segment invests in expanding business and building enterprise value in Internet-related companies. In the first quarter revenue reached ¥41 million (3.7% year-on-year increase) following the sale of shares held by the company, while the segment reported an operating profit of ¥6 million (¥26 million operating loss was reported in the previous corresponding period).

(Reference)

Changes in Operating Results and Financial Condition by Quarter

(Unit: ¥millions)

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
Net Sales	17,960	18,005	18,091	20,319	22,810
Operating Profit	2,525	2,486	1,572	2,564	2,894
Ordinary Profit	2,500	2,481	1,582	2,611	2,859
Net Profit	896	996	817	1,808	1,102
Total Assets	231,168	224,121	256,677	275,960	364,089
Shareholders' Equity	18,823	19,287	19,690	21,071	21,451

(Reference)

Table: Quarterly Results by Segment

I Net Sales by Segment (Unit: ¥millions)

		Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
Web Infrastructure & Ecommerce						
	Provider (ISP)	423	439	502	656	827
	Domain registration	1,056	1,081	1,043	942	1,138
	Web hosting	2,948	3,123	3,186	3,327	3,342
	Ecommerce solutions	653	607	676	761	845
	Security	472	487	511	504	616
	Payment processing	1,132	1,139	1,271	1,281	1,382
	Other	328	432	590	629	898
	Total	7,015	7,311	7,783	8,102	9,051
Internet Media						
	Internet media & search marketing	2,426	2,464	2,459	2,347	2,514
	Advertising agency	3,743	3,581	3,854	3,673	4,491
	Other	358	349	347	469	482
	Total	6,529	6,396	6,662	6,490	7,488
Internet Securities						
	Total	4,126	4,125	3,436	4,837	5,528
Social & Smartphone						
	Smartphone games	289	246	267	435	863
	Daily deals	386	428	421	383	397
	Total	676	675	689	818	1,261
Incubation						
	Total	39	1	36	525	41
Sub total		18,387	18,510	18,608	20,775	23,371
Adjustment		-427	-505	-516	-456	-560
Net Sales		17,960	18,005	18,091	20,319	22,810

II Operating Profit by Segment

		Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
Web Infrastructure & Ecommerce		981	1,143	1,103	1,026	1,318
Internet Media		633	473	455	464	659
Internet Securities		1,309	1,372	584	1,174	1,253
Social & Smartphone						
	Smartphone games	-364	-484	-574	-600	-402
	Daily deals	-62	-44	-4	5	0
	Total	-427	-529	-578	-595	-402
Incubation		-26	-27	-27	448	6
Sub total		2,469	2,432	1,538	2,518	2,835
Adjustment		55	54	33	45	58
Operating Profit		2,525	2,486	1,572	2,564	2,894

(2) Consolidated Financial Condition

Assets, Liabilities and Shareholders' Equity

Assets

At the end of the first quarter of fiscal year 2013 (March 31, 2013), assets had increased ¥88,129 million (31.9%) from the end of the previous fiscal year to ¥364,089 million. Contributing factors included a ¥7,092 million rise in cash and deposits and an increase of ¥81,717 million in securities segment assets (securities segment deposits, margin transaction assets, short term deposits and variation margin paid) due to significant growth in customer base.

Liabilities

At the end of the first quarter, liabilities had increased ¥87,445 million (35.6%) from the end of the previous fiscal year to ¥332,987 million. Significant factors included a ¥25,700 million rise in short term debt and an increase of ¥63,041 million in securities segment liabilities (securities segment deposits, margin transaction liabilities and, guarantees received) due to significant growth in customer base.

Net Assets

At the end of the first quarter, net assets had increased ¥684 million (2.2%) from the end of the previous fiscal year to ¥31,102 million. Earnings surplus increased ¥293 million. (Net profit contributed a ¥1,102 million increase, the transfer of JWord to GMO AD Partners increased minority equity by ¥338 million, and ¥471 million was paid out in stock dividends.

Cash Flow

At the end of the first quarter of fiscal year 2013 (March 31, 2013), cash and equivalents had increased ¥7,092 million from the end of the previous fiscal year to ¥48,991 million. The following is a summary of cash flow activity in the first quarter.

Cash Flow from Operating Activities

Cash outflow from operating activities totaled ¥15,345 million (¥3,785 million outflow in the previous corresponding term). Major items included net profit before tax and other adjustments (¥2,645 million), depreciation (¥1,024 million), a net increase in securities segment assets (increase in deposits, increase in guarantee deposits and decreases in variation margin paid and received, and increase in short term deposits and guarantees received) totaling ¥16,228 million, and a ¥1,335 million outflow due to corporate tax payments etc.

Cash Flow from Investing Activities

Cash outflow from investing activities totaled ¥1,128 million (¥924 million outflow in the previous corresponding term). Significant outflows included acquisition of tangible fixed assets (¥361 million), and acquisition of intangible fixed assets (¥310 million).

Cash Flow from Financing Activities

Cash flow provided by financing activities totaled ¥23,510 million (¥8,424 million provided in the previous corresponding term). Significant inflows included a net increase in short-term loans (¥25,700 million), while major outflows included a net decrease in long-term loans (¥959 million) and payment of dividends totaling ¥471 million.

(3) Consolidated Results Forecasts

There is no revision to the full year consolidated results forecast issued on February 6, 2013.

2. Summary of Information related to Notes
(1) Changes to significant subsidiaries in the current term: none

(2) Special accounting treatments used in preparation of financial statements: none

(3) Changes in accounting policy, changes in accounting estimates, restatements
Changes to Accounting Policy
Change in Method of Depreciation
Due to a revision in corporate tax laws, all tangible fixed assets acquired after January 1, 2013 by GMO Internet and consolidated subsidiaries in Japan will be depreciated in accordance with the revised corporate tax law. The impact of this change is immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2012)	1st Quarter Current Fiscal Year (As of Mar 31, 2013)
Assets		
Current Assets		
Cash and deposits	45,718	52,810
Trade notes and accounts receivable	6,435	7,843
Operational investment securities	661	712
Securities segment deposits	122,914	152,646
Securities segment margin transaction assets	41,060	83,716
Securities segment short term guarantee deposits	17,824	26,154
Securities segment variation margin paid	10,188	9,553
Deferred tax asset	1,816	2,047
Other	8,259	7,095
Provision for doubtful debts	-429	-475
Total Current Assets	254,450	342,103
Fixed Assets		
Tangible fixed assets	7,246	7,404
Intangible fixed assets		
Goodwill	3,551	3,747
Software	3,761	3,732
Other	507	548
Total intangible fixed assets	7,821	8,028
Investments and other assets		
Investment securities	1,533	1,746
Deferred tax asset	3,163	2,837
Other	2,100	2,314
Provision for doubtful debts	-355	-345
Total investments and other assets	6,441	6,552
Total Fixed Assets	21,510	21,986
Total Assets	275,960	364,089
Liabilities		
Current liabilities		
Trade notes and accounts payable	2,283	2,723
Short term debt	8,792	32,645
Amount payable	6,141	6,636
Securities segment deposits received	11,245	14,703
Securities segment margin transaction liability	35,702	77,432
Securities segment guarantees received	136,616	154,471
Securities segment variation margin received	4,018	3,904
Accrued corporate tax etc.	1,470	1,269
Allowance for bonuses	336	448
Allowance for bonuses to directors	219	273
Advance payment received	3,479	3,644
Deposits received	13,118	11,736
Other	4,506	4,455
Total Current Liabilities	227,932	314,345

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2012)	1st Quarter Current Fiscal Year (As of Mar 31, 2013)
Fixed Liabilities		
Long term debt	12,401	13,289
Deferred tax liability	25	27
Other	4,354	4,356
Total Fixed Liabilities	16,781	17,674
Statutory Reserve		
Financial instruments transaction liability reserve	828	967
Total Statutory Reserve	828	967
Total Liabilities	245,542	332,987
Net Assets		
Shareholders' Equity		
Capital stock	3,000	3,000
Capital surplus	5,836	5,836
Earned surplus	12,509	12,802
Treasury stock	-0	-0
Total Shareholders' Equity	21,344	21,638
Other Comprehensive Income		
Other securities valuation differences	-199	-135
Hedging profit/loss carried forward	-52	-69
Foreign currency translation account	-21	18
Total Other Comprehensive Income	-273	-186
Equity Warrants	22	20
Minority Equity	9,323	9,630
Total Net Assets	30,418	31,102
Liabilities, Net Assets Total	275,960	364,089

(2) Consolidated Statement of Income

Quarter Consolidated Statement

(Unit: ¥millions)

	1st Quarter Previous Fiscal Year (3 months to Mar, 2012)	1st Quarter Current Fiscal Year (3 months to Mar, 2013)
Net Sales	17,960	22,810
Cost of Sales	7,459	9,539
Gross Profit on Sales	10,500	13,270
Sales, General & Administrative Expenses	7,975	10,376
Operating Profit	2,525	2,894
Non Operating Revenue		
Interest received	4	3
Dividends received	16	2
Gain on currency translation	0	26
Gain on expired points	25	21
Equity method investment profits	6	22
Other	23	23
Total Non Operating Revenue	77	100
Non Operating Expenses		
Interest paid	80	90
Other	22	45
Total Non Operating Expenses	102	135
Ordinary Profit	2,500	2,859
Extraordinary Profit		
Gain on sale of investment securities	0	16
Gain on sale of affiliated company stock	150	-
Gain on change in equity	5	5
Other	2	-
Total Extraordinary Profit	158	22
Extraordinary Loss		
Loss on disposal of fixed assets	74	19
Office relocation expenses	40	40
Provision to securities transaction liability reserve	55	139
Other	16	35
Total Extraordinary Loss	187	235
Net Profit before Adjustment for Tax etc.	2,471	2,645
Corporate, Municipal and Enterprise Taxes	878	1,044
Corporate Tax etc. Adjustment	257	102
Total Corporate Taxes etc.	1,136	1,146
Net Profit before Minority Equity	1,335	1,499
Minority Interests	438	396
Net Profit	896	1,102

Consolidated Statement of Comprehensive Income

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2012-3.31.2012)	Current Fiscal Year (01.01.2013-3.31.2013)
Net Profit before Minority Equity	1,335	1,499
Other Comprehensive Income		
Other securities valuation differences	186	91
Hedging profit/loss carried forward	-36	-16
Currency translation adjustment account	104	77
Total other comprehensive income	254	151
Comprehensive Income	1,590	1,650
(Breakdown)		
Comprehensive income attributable to parent company shareholders	943	1,189
Comprehensive income attributable to minority shareholders	646	461

(3) Consolidated Statement of Cash Flows

(Unit: ¥millions)

	1st Quarter Previous Fiscal Year (3 months to Mar, 2012)	1st Quarter Current Fiscal Year (3 months to Mar, 2013)
Cash Flow from Operating Activities		
Net profit before adjustment for tax etc.	2,471	2,645
Depreciation expenses	640	1,024
Amortization of goodwill	315	347
Gain or loss on sale of investment securities (- represents gain)	-0	-12
Gain or loss on sale of affiliated company stock (- represents gain)	-150	-
Interest and dividends received	-21	-5
Interest paid	80	90
Change in accounts receivable (-represents increase)	-471	-1,228
Change in purchase debts (- represents decrease)	262	908
Change in deposits in securities segment (- represents increase)	-15,096	-29,731
Change in short term guarantee deposits in securities segment (-represents increase)	4,752	-8,330
Change in margin variation paid and received in securities segment	2,687	521
Changes in deposits and guarantees received in securities segment (- represents decrease)	2,055	21,311
Other	-283	-1,467
Sub total	-2,758	-13,925
Interest and dividends received	12	5
Interest paid	-80	-90
Corporate tax etc. paid	-960	-1,335
Cash Flow from Operating Activities	-3,785	-15,345
Cash Flow from Investing Activities		
Expenditure on acquisition of tangible fixed assets	-378	-361
Expenditure on acquisition of intangible fixed assets	-377	-310
Expenditure on acquisition of investment securities	-75	-168
Income accrued on the sale of investment securities	177	51
Expenditure on acquisition of affiliated company stock	-52	-260
Income accrued on the sale of affiliated company stock	157	-
Expenditure on acquisition of subsidiary stock resulting in change in scope of consolidation	-86	-
Other	-289	-78
Cash Flow from Investing Activities	-924	-1,128
Cash Flow from Financing Activities		
Income accrued on short term loans	20,200	43,200
Expenditure on repayment of short term loans	-10,035	-17,500
Income accrued on long term loans	-	2,000
Expenditure on repayment of long term loans	-646	-2,959
Payment of dividends	-597	-471
Payment of dividends to minority shareholders	-273	-353
Other	-223	-404
Cash Flow from Financing Activities	8,424	23,510
Currency Translation Adjustment on Cash and Equivalents	98	55
Change in Cash and Equivalents (- represents decrease)	3,813	7,092
Balance of Cash and Equivalents at Beginning of Term	32,743	41,899
Increase in Cash and Equivalents following Increase in Consolidation	36	-
Balance of Cash and Equivalents at End of Term	36,592	48,991

(4) Notes regarding the Going Concern Assumption
None

(5) Segment Data
1st Quarter of Previous Fiscal Year (01.01.2012-03.31.2012)
Information relating to Revenue, Profit and Loss in each Segment.

(Unit: ¥millions)

	Segment						Adjustment (*1)	Consolidated P/L (*2)
	Web Infrastructure &Ecommerce	Internet Media	Internet Securities	Social & Smartphone	Incubation	Total		
Net Sales								
Sales to unaffiliated customers	6,912	6,207	4,126	674	39	17,960	—	17,960
Internal transactions	103	321	—	2	—	427	-427	—
Total	7,015	6,529	4,126	676	39	18,387	-427	17,960
Segment Profit/Loss (-)	981	633	1,309	-427	-26	2,469	55	2,525

*Notes

1. The segment profit or loss adjustment (¥55 million) is an adjustment for internal segment transactions.
2. Segment profit is based on the Operating Profit (or Loss) line item in the consolidated Statement of Income.

1st Quarter of Current Fiscal Year (01.01.2013-03.31.2013)
Information relating to Revenue, Profit and Loss in each Segment.

(Unit: ¥millions)

	Segment						Adjustment (*1)	Consolidated P/L (*2)
	Web Infrastructure & Ecommerce	Internet Media	Internet Securities	Social & Smartphone	Incubation	Total		
Net Sales								
Sales to unaffiliated customers	8,874	7,105	5,528	1,261	41	22,810	—	22,810
Internal transactions	177	383	—	—	—	560	-560	—
Total	9,051	7,488	5,528	1,261	41	23,371	-560	22,810
Segment Profit/Loss (-)	1,318	659	1,253	-402	6	2,835	58	2,894

*Notes

1. The segment profit or loss adjustment (¥58 million) is an adjustment for internal segment transactions.
2. Segment profit is based on the Operating Profit (or Loss) line item in the consolidated Statement of Income.

(6) Notes regarding significant changes in shareholders' equity
None

(7) Significant post balance sheet events

Capital Reduction

On February 18, 2013, the GMO Internet Board of Directors announced it would put forward a proposal to the Annual General Shareholders Meeting to reduce capital. The AGSM approved the proposal on March 24, 2013 and the capital reduction came into effect on April 30, 2013.

1. Reason for Capital Reduction

The objective of the capital reduction is to enable a more flexible capital management policy that takes into account the Group's overall financial strategy.

2. Details of Capital Reduction

(1) Amount of capital reduction

Capital stock (JPY 3,000,000,000) was reduced by JPY 2,900,000,000 to JPY 100,000,000

(2) Method of capital reduction

Without any change in the total number of issued shares, JPY 2,900,000,000 was transferred to Capital Surplus.