

## Fiscal Year 2014 First Quarter Consolidated Financial Results (Japanese GAAP)

May 1, 2014

Name of Listed Company: GMO Internet, Inc.

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

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Date of Quarterly Report Release: May 12, 2014 Start Date of Dividend Payout: June 25, 2014

Supplementary documents available pertaining to quarterly financial results: Yes

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

(all amounts rounded down to the nearest million yen)

### 1. Consolidated First Quarter Financial Results in the Year Ending December 2014 (01.01.2014- 03.31.2014)

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

	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Three months ended								
March 31, 2014	27,026	18.5	2,255	-22.1	2,240	-21.6	945	-14.2
March 31, 2013	22,810	27.0	2,894	14.6	2,859	14.4	1,102	23.0

(Note) Comprehensive Income March 31, 2014: ¥1,201 million (-27.2%), March 31, 2013: ¥1,650 million (3.8%)

	Net Profit per Share	Net Profit per Share (Diluted)
Three months ended	¥	¥
March 31, 2014	8.02	7.77
March 31, 2013	9.36	9.22

#### (2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio
As of	¥ millions	¥ millions	%
March 31, 2014	423,991	36,986	5.9
Year Ended 12/2013	429,762	36,884	5.8

(Reference) Shareholders' Equity March 31, 2014: ¥25,111 million FYE12/2013: ¥24,989 million

### 2. Dividends

	Dividends per Share				
	End of Q1	End of Q2	End of Q3	End of Term	Total
	¥	¥	¥	¥	¥
Year Ended 12/2013	3.00	3.00	4.00	5.00	15.00
Year Ending 12/2014	4.00				
Year Ending 12/2014 (forecast)		4.00	4.00	4.00	16.00

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

### 3. Consolidated Results Forecast for the Year Ending December 2014 (01.01.2014 – 12.31.2014)

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

	Net Sales		Operating Profit		Ordinary Profit		Net Profit		Net Profit per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Full Year	105,000	12.1	12,500	13.6	12,500	14.2	5,500	4.9	46.68

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

The company does not issue mid-year guidance.

\*Notes

(1) Changes to significant subsidiaries in the current term: yes

Significant changes in subsidiaries in the current term (resulting in change in scope of consolidation):

New: 4 companies (GMO Venture Tsushin Startup Support Co. and 3 other companies)

Excluded: 0 companies

Please refer to page 10 for details.

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

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

1. Changes resulting from revisions to accounting policy: none

2. Changes other than those specified above: none

3. Changes in accounting estimates: none

4. Restatements: none

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

1. No. of Outstanding Shares at End of Term  
(Including Treasury Stock)

2. No. of treasury shares at end of term

3. Average no. of shares in the term

Q1 FYE 12/2014	117,806,777	FYE 12/2013	117,806,777
Q1 FYE 12/2014	1,811	FYE 12/2013	1,811
Q1 FYE 12/2014	117,804,966	Q1 FYE 12/2013	117,805,093

\*Quarterly Results Statement Audit

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

\* Note regarding the appropriate use of results forecasts and other items

Projections are based on information available at the time of release and may include judgments based on factors that contain risk and are largely indeterminable. Actual results may differ materially from these projections as a result of business environment and other factors. Please refer to page 9 for details regarding the assumptions on which forecasts are based.

Results Presentation for Investors and Analysts: Thursday May 1, 2014

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

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1. Qualitative Information related to Financial Results  
 (1) Consolidated Operating Results

Overview of Financial Results in the Three Months to March 2014

	Previous Q1	Current Q1	Change	% Change
Net Sales	22,810	27,026	4,216	18.5%
Operating Profit	2,894	2,255	-638	-22.1%
Ordinary Profit	2,859	2,240	-618	-21.6%
Net Profit	1,102	945	-157	-14.2%

(Unit: ¥millions)

In the first quarter of 2014, GMO Internet Group achieved its 14th consecutive quarter of double-digit growth. Profits fell due to factors including one-time sales promotion costs in the provider business. Under the corporate slogan "Internet for Everyone" GMO Internet Group is focused on directing resources into high growth Internet markets. Continued growth in the Internet market is largely centered around the mobile space, and spurred by increased usage of smartphones, tablets and other mobile devices, the progression of cloud technology, and the proliferation of social media such as Twitter, Facebook and LINE, as well as the emerging O2O and omni-channel markets. GMO Internet management views the growth in the market as an opportunity to grow consolidated profits.

Amidst a healthy external environment, the Group strove to maintain growth in its customer base. The Internet Infrastructure segment in particular experienced a strong quarter, with expansion in the ecommerce market fuelling net sales growth in the ecommerce solutions and payment sub-segments. In the Mobile Entertainment segment, the consolidation of GMO Game Pot at the end of the previous fiscal year contributed to an increase in net sales.

From a cost perspective, temporary increases in spending on aggressive promotions in the Internet Infrastructure and Mobile Entertainment segments, as well as sales promotion costs in the provider sub-segment negatively impacted profits.

In the first three months of fiscal year 2014 Net Sales reached ¥27,026 million (18.5% year-on-year increase), Operating Profit totaled ¥2,255 million (22.1% year-on-year decrease), Ordinary Profit totaled ¥2,240 million (21.6% year-on-year decrease), and Net Profit was ¥945 million (14.2% year-on-year decrease).

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

\*Please note that the composition of business segments was revised as of the first quarter of this fiscal year. Figures in the column "Previous Q1" are revised to reflect the new segmentation in order to provide a useful comparison.

(Unit: ¥millions)

	Previous Q1	Current Q1	Change	% Change
<b>Internet Infrastructure</b>				
Net Sales	9,051	11,240	2,189	24.2%
Operating Profit	1,318	988	-329	-25%
<b>Online Advertising &amp; Media</b>				
Net Sales	7,853	9,107	1,254	16.0%
Operating Profit	659	500	-159	-24.1%
<b>Internet Securities</b>				
Net Sales	5,528	5,553	25	0.5%
Operating Profit	1,253	1,422	169	13.5%
<b>Mobile Entertainment</b>				
Net Sales	863	1,710	847	98.2%
Operating Profit	-402	-695	-293	-
<b>Incubation</b>				
Net Sales	41	16	-24	-59.2%
Operating Profit	6	-29	-35	-
<b>Adjustment</b>				
Net Sales	-527	-602	-75	-
Operating Profit	58	68	10	-
<b>Total</b>				
Net Sales	22,810	27,026	4,216	18.5%
Operating Profit	2,894	2,255	-638	-22.1%

Description of businesses in each segment

Business Segment		Main Operations
Internet Infrastructure	Domain	<ul style="list-style-type: none"> <li>• Domain registration services include Onamae.com, MuuMuu Domain, VALUE-DOMAIN.COM. Provision of domain name registrations (.com, .net, .jp etc.)</li> </ul>
	Hosting & Cloud	<ul style="list-style-type: none"> <li>• Provision, operation, management, and maintenance of dedicated, shared, VPS and cloud-based web hosting services including Onamae.com Rental Server, GMO AppsCloud, ConoHa by GMO, GMO Cloud VPS, GMO Cloud Public, GMO Cloud Private, Lolipop, heteml, and Sqale.</li> </ul>
	Ecommerce Solutions	<ul style="list-style-type: none"> <li>• SaaS based services for online store building including Color me shop! and MakeShop, and Jugem Cart.</li> <li>• Development and operation of online shopping malls including Calamel.</li> <li>• Web design, operational support and system consulting</li> </ul>
	Security	<ul style="list-style-type: none"> <li>• 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</li> </ul>
	Payment	<ul style="list-style-type: none"> <li>• GMO Payment Gateway services including PG Multi-Payment Service and other non-face-to-face payment processing services for ecommerce and catalog sales businesses, payment processing services for the public sector and social apps markets</li> </ul>
	Provider	<ul style="list-style-type: none"> <li>• GMO TokuToku BB, interQ, MEMBERS, ZERO, and other Internet provider services.</li> </ul>
Online Advertising & Media	Online Advertising	<ul style="list-style-type: none"> <li>• Internet advertising, mobile advertising, search engine advertising, affiliate advertising</li> <li>• Advertising planning and production</li> </ul>
	Internet Media	<ul style="list-style-type: none"> <li>• Development and operation of blog services yaplog! and JUGEM, Internet community services including freeml, and ebook publishing service Puboo.</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> <li>• Daily Deals Operation of daily deals website, Kumapon by GMO</li> </ul>
	Other	<ul style="list-style-type: none"> <li>• Provision of Internet research systems, management and operation of online research panel (GMO Research Cloud Panel)</li> </ul>
Internet Securities	Internet Securities	<ul style="list-style-type: none"> <li>• Operation of online securities trading, forex trading services etc.</li> </ul>
Mobile Entertainment	Mobile Entertainment	<ul style="list-style-type: none"> <li>• Smartphone game development, operation &amp; support</li> <li>• Online game development and operation</li> </ul>
Incubation	Venture Capital	<ul style="list-style-type: none"> <li>• Investment in private Internet ventures.</li> </ul>

## Segment Report

Please note that the composition of business segments was revised as of the first quarter of this fiscal year. Previous year results below are revised to reflect the new segmentation in order to provide a useful comparison.

### i. Internet Infrastructure

Internet Infrastructure segment provides fundamental Internet services required to operate a business or communicate information in an online environment. Domain, hosting & cloud, security, ecommerce solutions, and payment - the five major businesses in this segment – each hold top share in their respective markets in Japan. In addition the segment includes consumer Internet provider services. The following is a breakdown of results in each of the businesses comprising this segment.

#### Domain

In the domain sub-segment, a gateway to many of the group's infrastructure products, we continued to grow customer base by pursuing a low-cost strategy. New Geographic Top Level Domain, .nagoya was launched in the first quarter.

In the three months to March 2014 domain registration and renewals grew 16.4% to 1.06 million, and total domains under management rose 15.7% to 4.37 million, as the growth trend in the business was maintained. Net sales grew 25.4% year-on-year to ¥1,428 million.

#### Hosting & Cloud

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

The external environment saw an increase in demand for cloud-hosting services. GMO AppsCloud, a cloud-based hosting solution optimized for game app developers and operators, continued to drive growth, and demand for general cloud hosting services also continued to increase.

Overall web hosting contracts increased 5.6% over the previous corresponding term to 724 thousand and net sales grew 2.4% year-on-year to ¥3,422 million.

#### Ecommerce Solutions

Ecommerce Solutions provides SaaS based services for online stores. In an expanding market, this business is focused on enhancing service functionality to grow customer base. In the first quarter of fiscal year 2014, number of paid stores grew 4.4% year-on-year to 69,000, and total trading volume grew 28.2% to ¥57.9 billion.

Ecommerce Solutions reported net sales of ¥192 million (41.0% year-on-year increase).

#### Security

In this sub-segment, sales via SSL partners grew, and SSL market share was expanded both in Japan and globally. Growth was especially strong in the international market and global certificate issues increased by a substantial 46.7% to 46 thousand in the first quarter of 2014.

Security reported net sales of ¥803 million (30.3% year-on-year increase).

#### Payment

Payment services are operated by GMO Payment Gateway and affiliates. In the first quarter focus remained on growing number of merchants, number of transactions, and transaction volume and enhancing value-add offerings aimed at helping merchants build revenues. Overall number of merchants increased 12.7% over the previous corresponding term to 47 thousand and transaction volume grew 25.4% year-on-year to ¥3,560 million. As a result of growth in both merchants and transaction volume, sales grew 30.0% year-on-year to ¥1,797 million.

#### Provider

In the Internet Service Provider business, number of mobile wifi users grew a significant 46.0% in the first quarter to 253 thousand as a result of recent aggressive marketing. Sales grew 96.8% year-on-year to ¥1,629 million.

In this sub-segment we ran a cashback promotional campaign and sales promotion costs were applied to expected net sales. The cashback amount was raised in response to intensifying competition in the market and the number of accounts that received a cashback also increased. As a result, sales promotion costs increased leading to a temporary decline in Internet provider profits.

Market share was expanded in each of the key Internet Infrastructure businesses in the period under review and overall Net Sales increased 24.2% year-on-year to ¥11,240 million, while Operating Profit fell 25.0% year-on-year to ¥988 million as a result of the above factors.

#### ii. Online Advertising & Media

The Online Advertising & Media segment provides marketing solutions for online businesses. The daily deals business has been transferred to this segment as of the first quarter of this year. The following is a breakdown of results in each of the businesses comprising this segment.

##### Online Advertising

Internet advertising comprises media rep and agency business operations and is driven by GMO AD Partners (JASDAQ 4784). In the online advertising market, we saw a shift away from traditional display advertising and toward ad networks, while in the mobile ad space the shift from feature phone to smartphone continued. In the first quarter of the current fiscal year, listing and ad network products, smartphone affiliate advertising, and reward advertising performed well. The business is concentrating effort on developing proprietary products in order to improve profit margins. Net sales in online advertising increased by a significant 22.8% from the previous year to ¥5,509 million.

##### Internet Media

This sub-segment provides advertising space on our own media properties and SEO services. In addition to existing media services, Internet Media is increasingly focused on smartphone media development. Net sales increased 5.0% to ¥3,029 million.

Overall, in the Online Advertising & Media, Net Sales totaled ¥9,107 million (16.0% year-on-year increase), and Operating Profit decreased 24.1% year-on-year to ¥500 million.

#### iii. Internet Securities

The Internet Securities segment focused on increasing number of accounts, customer assets held, and transaction volume. In the first three months of the year, focus was on offering industry-low spreads as well as aggressive marketing. Number of securities accounts grew 23.2% year-on-year to 204,000, while number of FX accounts grew 15.5% year-on-year to 480,000.

Net Sales in the Internet Securities segment totaled ¥5,553 million (0.5% year-on-year increase) and Operating Profit was ¥1,422 million (13.5% year-on-year increase).

#### vi. Mobile Entertainment

This segment comprises smartphone and online game development and operation. GMO Game Pot, acquired at the end of last year, is included in this segment as of the current quarter.

GooglePlay, AppStore and other app markets are growing rapidly as usage of smartphone and tablet devices increases.

In the first quarter, existing titles including Minerva Knights and Excalibur maintained positions in the Google Play sales rankings. New title, LINE Dream Garden, launched on February 12 in partnership



with LINE, made a strong start and became a key game title in this segment.

Overall in the Mobile Entertainment segment, with the consolidation of GMO Game Pot, Net Sales grew 98.2% to ¥1,710 million, while aggressive investment in promotion and the revision of certain games resulted in an operating loss of ¥695 million (¥402 operating loss in the previous corresponding term). The Group is making every effort to achieve profitability in this segment as early as possible through improved cost composition.

v. Incubation Segment

The Incubation segment invests in expanding business and building enterprise value in Internet-related companies. In the first quarter revenue reached ¥16 million following the sale of shares held by the company (59.2% year-on-year decrease), while the segment reported an operating loss of ¥29 million (¥6 million operating profit was reported in the previous corresponding period).

(Reference)

Changes in Operating Results and Financial Condition by Quarter

(Unit: ¥millions)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Net Sales	22,810	23,873	23,310	23,710	27,026
Operating Profit	2,894	2,971	2,748	2,386	2,255
Ordinary Profit	2,859	3,022	2,667	2,392	2,240
Net Profit	1,102	1,293	1,360	1,487	945
Total Assets	364,089	363,002	409,971	429,762	423,991
Shareholders' Equity	21,451	22,802	24,262	24,989	25,111

(Reference)

Table: Quarterly Results by Segment

(Unit: ¥millions)

## I Net Sales by Segment

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Internet Infrastructure					
Provider	827	1,112	1,256	1,450	1,629
Domain	1,138	1,184	1,106	1,186	1,428
Hosting & Cloud	3,342	3,465	3,427	3,450	3,422
Ecommerce Solutions	845	749	774	853	1,192
Security	616	658	674	716	803
Payment	1,382	1,426	1,519	1,601	1,797
Other	898	838	980	693	966
Total	9,051	9,436	9,738	9,950	11,240
Online Advertising & Media					
Online Advertising	4,485	4,609	4,382	4,744	5,509
Internet Media	2,884	2,904	2,838	2,740	3,029
Other	482	461	432	558	569
Total	7,853	7,975	7,653	8,043	9,107
Internet Securities					
Total	5,528	5,685	5,162	5,054	5,553
Mobile Entertainment					
Total	863	1,231	1,147	1,113	1,710
Incubation					
Total	41	42	61	5	16
Sub total	23,338	24,372	23,764	24,166	27,629
Adjustment	-527	-499	-454	-456	-602
Net Sales	22,810	23,873	23,310	23,710	27,026

## II Operating Profit by Segment

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Internet Infrastructure	1,318	1,327	1,284	1,352	988
Online Advertising & Media	659	592	447	267	500
Internet Securities	1,253	1,170	1,169	1,184	1,422
Mobile Entertainment	-402	-170	-291	-326	-695
Incubation	6	3	11	-104	-29
Sub total	2,835	2,923	2,620	2,372	2,186
Adjustment	58	47	128	13	68
Operating Profit	2,894	2,971	2,748	2,386	2,255

## (2) Consolidated Financial Condition

### Assets, Liabilities and Shareholders' Equity

#### Assets

At the end of first quarter of fiscal year 2014 (March 31, 2014), assets had decreased ¥5,771 million (1.3%) from the end of the previous fiscal year to ¥423,991 million. Significant factors included a ¥2,844 million (4.9%) increase in cash, and a ¥9,362 million (2.8%) decrease in assets due to fluctuations in customer assets in the securities segment (securities segment deposits, margin transaction assets, short term guarantee deposits and variation margin paid).

#### Liabilities

On March 31, 2014 liabilities had decreased ¥5,873 million (1.5%) from the end of the previous fiscal year to ¥387,004 million. Fluctuations in liabilities are chiefly attributable to a ¥18,248 million (74.9%) increase in interest bearing liabilities due to an increase in transaction volume in the securities segment at the end of March resulting in increased liquidity on hand and a decrease in securities segment liabilities (securities segment deposits, margin transaction liabilities, guarantees and variation margin received) of ¥23,790 million (7.4%) due to fluctuations in customer assets held.

#### Net Assets

At the end of the first quarter of fiscal year 2014 net assets had increased ¥102 million (0.3%) from the end of the previous fiscal year to ¥36,986 million. Movements in net assets included a ¥212 million (1.3%) increase in earnings surplus, and a decrease of ¥90 million (23.2%) in other comprehensive income as a result of exchange rate fluctuations.

#### Cash Flow

At the end of the first quarter of fiscal year 2014 (March 31, 2014), cash and equivalents had increased ¥2,846 million (5.4%) from the end of the previous fiscal year to ¥55,669 million. The following is a summary of cash flow activity in the period under review.

#### Cash Flow from Operating Activities

Outflow from operating activities was ¥13,456 million (¥15,345 million in the previous corresponding term). Major items included net profit before tax and other adjustments (¥2,613 million), depreciation (¥1,185 million), goodwill amortization (¥382 million), and an increase in assets due to an increase in customer assets received (an increase in guarantee deposits, changes in variation margin paid and received, a decrease and changes in margin transaction assets and liabilities) totaling ¥14,428 million, and an ¥873 million outflow due to corporate tax payments etc.

#### Cash Flow from Investing Activities

Outflow from investing activities total ¥668 million (¥1,128 million outflow in the previous corresponding term). Contributing factors chiefly included acquisition of server equipment and other fixed assets (¥254 million) software license updates and the acquisition of other intangible fixed assets (¥343 million).

#### Cash Flow from Financing Activities

Inflow from financing activities totaled ¥16,900 million (¥23,510 million inflow in the previous corresponding term). Significant items included a net increase (¥18,248 million) in interest bearing liabilities as a result of increased liquidity due to increased trading volume in the securities market at the end of March. Major outflows included dividend payments (¥589 million) and dividend payments to minority shareholders (¥351 million).

## 3. Qualitative Information - Consolidated Results Forecasts

There is no revision to the results forecast for the current fiscal year (initially announced on February 6, 2014).

## 2. Summary of Information Related to Other Items

### (1) Changes to significant subsidiaries in the current term

In the first quarter of the current fiscal year, GMO Venture Tsushin Startup Support Co. GMO CLICK Bullion Limitd, GMO DATA CENTER KOREA and GMO GlobalSign Philippines were consolidated.

### (2) Special accounting treatments used in preparation of financial statements

None

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

None

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2013)	1st Quarter Current Fiscal Year (As of Mar 31, 2014)
<b>Assets</b>		
Current Assets		
Cash and deposits	57,481	60,326
Trade notes and accounts receivable	8,420	9,581
Operational investment securities	843	1,025
Securities segment deposits	196,553	193,960
Securities segment margin transaction assets	96,406	88,201
Securities segment short term guarantee deposits	22,691	25,478
Securities segment variation margin paid	14,584	13,233
Deferred tax asset	3,016	3,161
Other	8,322	8,536
Provision for doubtful debts	-473	-455
<b>Total Current Assets</b>	<b>407,848</b>	<b>403,049</b>
Fixed Assets		
Tangible fixed assets	8,491	8,106
Intangible fixed assets		
Goodwill	3,670	3,910
Software	4,070	4,169
Other	587	597
<b>Total intangible fixed assets</b>	<b>8,327</b>	<b>8,677</b>
Investments and other assets		
Investment securities	1,887	1,482
Deferred tax asset	1,452	871
Other	2,026	2,127
Provision for doubtful debts	-271	-323
<b>Total investments and other assets</b>	<b>5,095</b>	<b>4,158</b>
<b>Total Fixed Assets</b>	<b>21,914</b>	<b>20,942</b>
<b>Total Assets</b>	<b>429,762</b>	<b>423,991</b>
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	3,152	3,776
Short term debt	13,447	32,508
Amount payable	7,165	7,205
Securities segment deposits received	28,127	18,932
Securities segment margin transaction liability	82,134	77,244
Securities segment guarantees received	206,848	199,040
Securities segment variation margin received	6,205	4,308
Accrued corporate tax etc.	1,134	966
Allowance for bonuses	405	684
Allowance for bonuses to directors	200	281
Advance payment received	3,788	3,904
Deposits received	18,321	16,346
Other	4,930	5,814
<b>Total Current Liabilities</b>	<b>375,862</b>	<b>371,014</b>

	(Unit: ¥millions)	
	Previous Fiscal Year (As of Dec 31, 2013)	1st Quarter Current Fiscal Year (As of Mar 31, 2014)
<b>Fixed Liabilities</b>		
Long term debt	10,910	10,097
Deferred tax liability	38	18
Other	4,618	4,288
<b>Total Fixed Liabilities</b>	<b>15,567</b>	<b>14,404</b>
<b>Statutory Reserve</b>		
Financial instruments transaction liability reserve	1,449	1,586
<b>Total Statutory Reserve</b>	<b>1,449</b>	<b>1,586</b>
<b>Total Liabilities</b>	<b>392,878</b>	<b>387,004</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Capital stock	100	100
Capital surplus	8,736	8,736
Earned surplus	15,765	15,977
Treasury stock	-0	-0
<b>Total Shareholders' Equity</b>	<b>24,600</b>	<b>24,813</b>
<b>Other Comprehensive Income</b>		
Other securities valuation differences	53	73
Hedging profit/loss carried forward	-50	-67
Foreign currency translation account	385	293
<b>Total Other Comprehensive Income</b>	<b>388</b>	<b>298</b>
Equity Warrants	19	17
Minority Equity	11,875	11,856
<b>Total Net Assets</b>	<b>36,884</b>	<b>36,986</b>
<b>Liabilities, Net Assets Total</b>	<b>429,762</b>	<b>423,991</b>

## (2) Consolidated Statement of Income

## Quarter Consolidated Statement

(Unit: ¥millions)

	1st Quarter Previous Fiscal Year (3 months to Mar, 2013)	1st Quarter Current Fiscal Year (3 months to Mar, 2014)
Net Sales	22,810	27,026
Cost of Sales	9,539	12,940
Gross Profit on Sales	13,270	14,086
Sales, General & Administrative Expenses	10,376	11,830
Operating Profit	2,894	2,255
Non Operating Revenue		
Interest received	3	3
Dividends received	2	4
Gain on currency translation	26	25
Equity method investment profits	22	4
Gain on expired points	21	25
Other	23	48
Total Non Operating Revenue	100	111
Non Operating Expenses		
Interest paid	90	75
Other	45	51
Total Non Operating Expenses	135	126
Ordinary Profit	2,859	2,240
Extraordinary Profit		
Gain on change in equity	5	704
Other	16	16
Total Extraordinary Profit	22	720
Extraordinary Loss		
Impairment loss	8	130
Provision to securities transaction liability reserve	139	136
Other	88	79
Total Extraordinary Loss	235	347
Net Profit before Adjustment for Tax etc.	2,645	2,613
Corporate, Municipal and Enterprise Taxes	1,044	804
Corporate Tax etc. Adjustment	102	473
Total Corporate Taxes etc.	1,146	1,278
Net Profit before Minority Equity Adjustment	1,499	1,335
Minority Interests	396	389
Net Profit	1,102	945

Consolidated Statement of Comprehensive Income

(Unit: ¥millions)

	1st Quarter Previous Fiscal Year (3 months to Mar, 2013)	1st Quarter Current Fiscal Year (3 months to Mar, 2014)
Net Profit before Minority Equity Adjustment	1,499	1,335
Other Comprehensive Income		
Other securities valuation differences	91	19
Hedging profit/loss carried forward	-16	-17
Currency translation adjustment account	77	-135
Total other comprehensive income	151	-133
Comprehensive Income	1,650	1,201
(Breakdown)		
Comprehensive income attributable to parent company shareholders	1,189	855
Comprehensive income attributable to minority shareholders	461	345



## (3) Consolidated Statement of Cash Flows

(Unit: ¥millions)

	1st Quarter Previous Fiscal Year (3 months to Mar, 2013)	1st Quarter Current Fiscal Year (3 months to Mar, 2014)
<b>Cash Flow from Operating Activities</b>		
Net profit before adjustment for tax etc.	2,645	2,613
Depreciation expenses	1,024	1,185
Impairment loss	8	130
Amortization of goodwill	347	382
Gain or loss on change in equity investees (- represents gain)	-5	-704
Interest and dividends received	-5	-8
Interest paid	90	75
Change in accounts receivable (-represents increase)	-1,228	-976
Change in purchase debts (- represents decrease)	908	375
Change in deposits received (- represents decrease)	-1,382	-1,982
Change in deposits in securities segment (- represents increase)	-29,731	2,592
Change in short term guarantee deposits in securities segment (-represents increase)	-8,330	-2,787
Change in margin variation paid and received in securities segment	521	-545
Changes in deposits and guarantees received in securities segment (- represents decrease)	21,311	-17,002
Changes in margin transaction assets and liabilities	-925	3,314
Other	825	822
Sub total	-13,925	-12,512
Interest and dividends received	5	7
Interest paid	-90	-77
Corporate tax etc. paid	-1,335	-873
<b>Cash Flow from Operating Activities</b>	<b>-15,345</b>	<b>-13,456</b>
<b>Cash Flow from Investing Activities</b>		
Expenditure on acquisition of tangible fixed assets	-361	-254
Expenditure on acquisition of intangible fixed assets	-310	-343
Expenditure on acquisition of investment securities	-168	-80
Income accrued on the sale of investment securities	51	14
Expenditure on acquisition of affiliated company stock	-260	—
Other	-78	-4
<b>Cash Flow from Investing Activities</b>	<b>-1,128</b>	<b>-668</b>
<b>Cash Flow from Financing Activities</b>		
Income accrued on short term loans	43,200	53,900
Expenditure on repayment of short term loans	-17,500	-34,816
Income accrued on long term loans	2,000	—
Expenditure on repayment of long term loans	-2,959	-834
Payment of dividends	-471	-589
Payment of dividends to minority shareholders	-353	-351
Other	-404	-407
<b>Cash Flow from Financing Activities</b>	<b>23,510</b>	<b>16,900</b>
Currency Translation Adjustment on Cash and Equivalents	55	-49
<b>Change in Cash and Equivalents (- represents decrease)</b>	<b>7,092</b>	<b>2,726</b>
Balance of Cash and Equivalents at Beginning of Term	41,899	52,823
Increase in Cash and Equivalents following Increase in Consolidation	-	119
<b>Balance of Cash and Equivalents at End of Term</b>	<b>48,991</b>	<b>55,669</b>

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

Notes regarding changes impacting shareholders' equity  
None

Segment Data

I 1st Quarter of Previous 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)
	Internet Infrastructure	Online Ad & Media	Internet Securities	Mobile Entertainment	Incubation	Total		
Net Sales								
Sales to unaffiliated customers	8,874	7,502	5,528	863	41	22,810	—	22,810
Internal transactions	177	350	—	—	—	527	-527	—
Total	9,051	7,853	5,528	863	41	23,338	-527	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.

II 1st Quarter of Current Fiscal Year (01.01.2014-03.31.2014)  
Information relating to Revenue, Profit and Loss in each Segment.

(Unit: ¥millions)

	Segment						Adjustment (*1)	Consolidated P/L (*2)
	Internet Infrastructure	Online Ad & Media	Internet Securities	Mobile Entertainment	Incubation	Total		
Net Sales								
Sales to unaffiliated customers	11,049	8,695	5,553	1,710	16	27,026	—	27,026
Internal transactions	190	411	—	—	—	602	-602	—
Total	11,240	9,107	5,553	1,710	16	27,629	-602	27,026
Segment Profit/Loss (-)	988	500	1,422	-695	-29	2,186	68	2,255

\*Notes

1. The segment profit or loss adjustment (¥68 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.

Notes regarding changes to reportable segments

The following changes have been made to reportable segments following a revision of operational structure within the Group.

The five business segments Web Infrastructure & Ecommerce, Internet Media, Internet Securities, Social & Smartphone, and Incubation have been renamed as of the first quarter to Internet Infrastructure, Online Advertising & Media, Internet Securities, Mobile Entertainment, and Incubation. The Daily Deals sub-segment, formerly reported as part of the Social & Smartphone segment, is now reported under Online Advertising & Media.

Segment data for the previous first quarter is presented based on the new segmentation.