

Fiscal Year 2015 Second Quarter Consolidated Financial Results (Japanese GAAP)

July 30, 2015

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: August 10, 2015 Start Date of Dividend Payout: September 24, 2015

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 Second Quarter Financial Results in the Year Ending December 2015 (01.01.2015- 06.30.2015)

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

	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Six months ended								
June 30, 2015	63,571	21.2	8,491	71.0	8,370	69.6	7,096	160.6
June 30, 2014	52,454	12.4	4,964	-15.4	4,935	-16.1	2,723	13.6

(Note) Comprehensive Income June 30, 2015: ¥8,099 million (144.2%) , June 30, 2014: ¥3,317 million (-13.8%)

	Net Profit per Share	Net Profit per Share (Diluted)
Six months ended	¥	¥
June 30, 2015	60.23	59.61
June 30, 2014	23.11	22.71

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio
As of	¥ millions	¥ millions	%
June 30, 2015	555,055	54,063	6.3
Year Ended 12/2014	483,367	43,876	6.1

(Reference) Shareholders' Equity June 30, 2015: 34,950 million FYE12/2014: ¥29,233 million

2. Dividends

	Dividends per Share				
	End of Q1	End of Q2	End of Q3	End of Term	Total
	¥	¥	¥	¥	¥
Year Ended 12/2014	4.00	4.00	4.00	5.00	17.00
Year Ending 12/2015	6.00	5.00			
Year Ending 12/2015 (forecast)			7.00	8.00	26.00

(Note) Revision to forecast during the most recent quarter: yes

3. Consolidated Results Forecast for the Year Ending December 2015 (01.01.2015 – 12.31.2015)

(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	121,000	10.6	14,300	10.6	14,300	12.3	9,000	54.1	76.39

(Note) Revision to forecast during the most recent quarter: yes

*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: 6 companies (GMO Venture Partners⁴ Investment Limited Partnership and 5 other companies)

Excluded: 2 companies (GMO CLICK Investment, Inc. and 1 other company)

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

Q2 FYE 12/2015	117,806,777	FYE 12/2014	117,806,777
Q2 FYE 12/2015	1,811	FYE 12/2014	1,811
Q2 FYE 12/2015	117,804,966	Q2 FYE 12/2014	117,804,966

2. Treasury shares at end term end

3. Average number of shares in the term

*Quarterly Results Statement Audit

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

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

Projections are based on information available at the time of release and may include judgments based on factors that contain risk and are largely indeterminable. Actual results may differ materially from these projections as a result of business environment and other factors. Please refer to (3) Consolidated results forecast and other forward-looking information on page 9 for details.

Results Presentation for Investors and Analysts: July 30, 2015

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 Six Months to June 2015

	Previous H1	Current H1	Change	% Change
Net Sales	52,454	63,571	11,117	21.2%
Operating Profit	4,964	8,491	3,526	71.0%
Ordinary Profit	4,935	8,370	3,435	69.6%
Net Profit	2,723	7,096	4,373	160.6%

(Unit: ¥millions)

In the second quarter of 2015, the growth was sustained in the Internet Infrastructure segment while the Internet Securities segment - with continued high trading volumes - was particularly robust. Strong earnings in Internet Securities have enabled the Group to accelerate strategic investment in Internet Infrastructure and Online Advertising & Media segments, resulting in significant gains in sales and profit in the current quarter.

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

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

Second quarter consolidated net sales increased 21.2% year-on-year to ¥63,571 million. Over the same period operating profit increased 71.0% to ¥8,491 million, and ordinary profit increased 69.6% to ¥8,370 million, while net profit was up 160.6% to ¥7,096 million. All of these results are record highs. Profits from the sale of shares in GMO CLICK Holdings contributed to the sharp increase in net profit.

Net Sales and Operating Profit by Segment in the Six Months to June 2015

(Unit: ¥millions)

	Previous H1	Current H1	Change	% Change
Internet Infrastructure				
Net Sales	22,675	26,371	3,695	16.3%
Operating Profit	2,353	2,127	-226	-9.6%
Online Advertising & Media				
Net Sales	17,342	20,680	3,338	19.2%
Operating Profit	900	654	-246	-27.4%
Internet Securities				
Net Sales	10,346	15,360	5,014	48.5%
Operating Profit	2,482	5,213	2,731	110.0%
Mobile Entertainment				
Net Sales	3,370	2,336	-1,033	-30.7%
Operating Profit	-822	-162	659	-
Incubation				
Net Sales	20	771	751	3,612.2%
Operating Profit	-98	504	602	-
Other				
Net Sales	-	3	3	-
Operating Profit	-	-40	-40	-
Adjustment				
Net Sales	-1,301	-1,953	-652	-
Operating Profit	148	195	46	-
Total				
Net Sales	52,454	63,571	11,117	21.2%
Operating Profit	4,964	8,491	3,526	71.0%

Overview of Financial Results in the Three Months to June 2015

(Unit: ¥millions)

	Previous Q2	Current Q2	Change	% Change
Net Sales	25,427	30,988	5,560	21.9%
Operating Profit	2,709	4,640	1,931	71.3%
Ordinary Profit	2,695	4,488	1,792	66.5%
Net Profit	1,777	5,234	3,456	194.4%

In the three months to June, the Infrastructure segment performed well amidst an expanding Internet market. Internet Securities was also strong as trading volumes in the segment remained high.

In Infrastructure, the Group invested in the promotion of C2C handmade market, minne, and in Online Advertising & Media there was also strategic investment in recruitment and product development with the objective of accelerating a technology shift in the segment. However, due to strong results in the Internet Securities segment, operating, ordinary and net profits all reached record highs. Profits from the sale of shares in GMO CLICK Holdings contributed to a sharp increase in net profit.

Net Sales and Operating Profit by Segment in the Three Months to June 2015

(Unit: ¥millions)

	Previous Q2	Current Q2	Change	% Change
Internet Infrastructure				
Net Sales	11,434	13,330	1,896	16.6%
Operating Profit	1,365	1,105	-260	-19.0%
Online Advertising & Media				
Net Sales	8,234	9,076	841	10.2%
Operating Profit	399	134	-265	-66.4%
Internet Securities				
Net Sales	4,792	7,838	3,046	63.6%
Operating Profit	1,059	2,926	1,866	176.1%
Mobile Entertainment				
Net Sales	1,659	1,056	-602	-36.3%
Operating Profit	-126	-95	30	-
Incubation				16,674.7%
Net Sales	4	672	668	
Operating Profit	-69	494	563	-
Other				
Net Sales	-	2	2	-
Operating Profit	-	-20	-20	-
Adjustment				
Net Sales	-698	-989	-291	-
Operating Profit	79	96	17	-
Total				
Net Sales	25,427	30,988	5,560	21.9%
Operating Profit	2,709	4,640	1,931	71.3%

Segment Report

1) Internet Infrastructure

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

i. Domain

Gateway to the Group's infrastructure segment, the domain business continued to actively grow customer base with a low-pricing strategy. Current growth in registration volume is strong. Domain registration and renewals grew 10.8% to 1.14 million, and total domains under management rose 15.4% to 5.17 million. Net sales grew 6.6% year-on-year to ¥1,516 million. While year-on-year comparisons show higher growth in volumes than in revenue, this is due to one-time sales of new domains in the previous corresponding quarter.

ii. Hosting & Cloud

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

In the external environment we saw rising demand for cloud hosting services over traditional hosting. GMO AppsCloud, a cloud based hosting solution optimized for mobile game developers and operators grew along with general cloud hosting services. Overall web hosting contracts increased 3.4% over the previous corresponding term to 753 thousand and net sales grew 1.7% year-on-year to ¥3,436 million.

iii. Ecommerce Solutions

Ecommerce Solutions comprises SaaS based services for online stores and C2C handmade market, minne. In an expanding market, focus was on growing customer transaction volume through enhancement of service functionality. Significant investment was channeled into TV commercials, live events and other promotion of minne, as well as improving the C2C market's smartphone app. At the end of the quarter, number of stores had increased 4.0% year-on-year to 73,000 and total transaction volume rose 11.8% to ¥58.2 billion.

Ecommerce Solutions reported net sales of ¥1,442 million (28.4% year-on-year increase).

iv. Security

In this sub-segment, sales expanded both in Japan and globally as a result of active sales partners and enhanced direct sales that targeted large corporations.

Security reported net sales of ¥1,137 million (26.2% year-on-year increase).

v. Payment

Payment services are operated by GMO Payment Gateway and affiliates. The market environment was favorable as ecommerce continued to expand and progress into new fields beyond online sales. In the current quarter, focus remained on growing number of merchants, number of transactions and transaction volume. Ancillary offerings including financial services, and marketing support services were enhanced. Overall number of merchants increased 18.6% over the previous corresponding term to 57 thousand and transaction volume grew 17.8% year-on-year to ¥443 billion. An increase in transaction volume per merchant, primarily driven by larger-size ecommerce stores contributed to net sales growth of 22.5% year-on-year to ¥2,174 million.

vi. Provider

This sub-segment operates Internet Provider Services for consumers. In the current quarter, number of mobile wifi users grew 25.8% to 337 thousand as a result of recent cost-effective marketing, and an expanding mobile Internet market. Net sales grew 39.1% year-on-year to ¥2,584 million.

Market share was expanded in each of the key Internet Infrastructure businesses in the period under review and overall net sales increased a significant 16.6% year-on-year to ¥13,330 million, while operating profit decreased 19.0% year-on-year to ¥1,105 million after ¥300 million was invested in the promotion of C2C handmade market, minne.

2) Online Advertising & Media

The Online Advertising & Media segment provides marketing solutions for online businesses. The following is a breakdown of results in each of the businesses comprising this segment.

i. Online Advertising

This sub-segment provides comprehensive Internet advertising services. Trends in the online advertising market include a shift from managed advertising placement toward listing and other ad network products, as well as a shift from feature phone to smartphone advertising. In the second quarter, GMO AD Partners focused on product development and staff recruitment aimed at advancing a transition towards a technology driven business in the face of an evolving market environment. GMO TECH reward and ad network product continued to perform well. Net sales in online advertising increased 11.7% from the previous year to ¥5,246 million.

ii. Internet Media

This sub-segment provides Search Engine Optimization (SEO) services and advertising space within our own smartphone and PC content services. In particular the smartphone app business is growing as fashion sharing network, CoordiSnap, and camera app, Girls Camera expand user base both in Japan and internationally. Net sales in this sub-segment increased 9.1% to ¥3,300 million.

Overall, in the Online Advertising & Media segment, net sales totaled ¥9,076 million (10.2% year-on-year increase). Operating profit fell 66.4% year-on-year to ¥134 million as the segment responded to changes in the online ad market and investment in developing new, high-margin products impacted growth. Going forward, focus in this segment will be on developing new products to accelerate the shift toward a technology driven business.

iii. Internet Securities

The Internet Securities segment operates consumer financial services. Under a cost leadership strategy, the segment has worked to increase number of accounts, customer assets held, and transaction volume. In the current quarter, number of FX accounts grew 14.6% year-on-year to 567,000, while number of Securities accounts grew 20.1% year-on-year to 253,000. FX volatility has remained relatively high and trading volume in GMO CLICK Securities and FX Prime by GMO reached ¥354 trillion in the second quarter - double the volume of the same quarter in the previous year.

Overall performance was strong and net sales in the Internet Securities segment totaled ¥7,838 million (63.6% year-on-year increase) and Operating Profit was ¥2,926 million (176.1% year-on-year increase).

vi. Mobile Entertainment

This segment comprises smartphone and online game development and operations. In the mobile game market, GooglePlay, AppStore and other app markets are growing as usage of smartphone and tablet devices increases.

In the second quarter, Minerva Knights and other titles maintained positions in the Google Play sales rankings. However, there was no progress made with the release of new titles and as development and operations were internalized, overall number of games has been reduced.

In the Mobile Entertainment segment, net sales fell 36.3% to ¥1,056 million, and operating loss was ¥95 million (¥126 million operating loss in the previous corresponding term). Having reduced costs and internalized all operations and development, we are in a position to run a cost efficient business with the potential to produce a hit title.

v. Incubation Segment

The Incubation segment invests in expanding business and building enterprise value in Internet-related companies. In the current quarter, revenue reached ¥672 million (16,674.7% year-on-year increase) following the sale of investment securities, while the segment reported an operating profit of ¥494 million (¥69 million operating loss reported in the previous corresponding term).

(Reference)

Changes in Operating Results and Financial Condition by Quarter

(Unit: ¥millions)

	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Net Sales	25,427	27,455	29,458	32,583	30,988
Operating Profit	2,709	3,599	4,367	3,850	4,640
Ordinary Profit	2,695	3,528	4,270	3,882	4,488
Net Profit	1,777	1,248	1,868	1,862	5,234
Total Assets	425,483	471,724	483,367	548,045	555,055
Shareholders' Equity	26,350	27,543	29,233	30,141	34,950

(Reference)

Table: Quarterly Results by Segment

(Unit: ¥millions)

I Net Sales by Segment

	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Internet Infrastructure					
Provider	1,857	2,067	2,094	2,372	2,584
Domain	1,421	1,351	1,374	1,532	1,516
Hosting & Cloud	3,378	3,418	3,436	3,482	3,436
Ecommerce Solutions	1,123	1,232	1,163	1,344	1,442
Security	901	724	1,048	998	1,137
Payment	1,774	1,833	1,896	2,152	2,174
Other	976	888	978	1,156	1,039
Total	11,434	11,515	11,991	13,040	13,330
Online Advertising & Media					
Online Advertising	4,696	4,906	5,739	7,439	5,246
Internet Media	3,023	3,045	3,139	3,516	3,300
Internet Research & Other	514	515	619	647	529
Total	8,234	8,467	9,498	11,604	9,076
Internet Securities					
Total	4,792	5,657	6,986	7,522	7,838
Mobile Entertainment					
Total	1,659	1,541	1,485	1,279	1,056
Incubation					
Total	4	1,261	487	99	672
Sub total	26,125	28,445	30,448	33,546	31,974
Other	-	-	-	0	2
Adjustment	-698	-989	-990	-964	-989
Net Sales	25,427	27,455	29,458	32,583	30,988

II Operating Profit by Segment

	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Internet Infrastructure	1,365	1,154	1,283	1,021	1,105
Online Advertising & Media	399	380	354	519	134
Internet Securities	1,059	1,291	2,469	2,287	2,926
Mobile Entertainment	-126	-177	-108	-66	-95
Incubation	-69	829	281	9	494
Sub total	2,629	3,479	4,279	3,772	4,564
Other	-	-	-	-19	-20
Adjustment	79	119	87	98	96
Operating Profit	2,709	3,599	4,367	3,850	4,640

Description of businesses in each segment

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

(2) Consolidated Financial Condition

Assets, Liabilities and Shareholders' Equity

Assets

At the end of the second quarter of fiscal year 2015 (June 30, 2015), assets had increased ¥71,687 million (14.8%) from the end of the previous fiscal year to ¥555,055 million. Significant factors included a ¥11,152 million (16.0%) increase in cash, and a ¥57,735 million (15.7%) increase in assets due to fluctuations in customer assets (deposits, short-term deposits, margin transaction assets and variation paid) in the Securities segment.

Liabilities

At the end of the second quarter liabilities had increased ¥61,500 million (14.0%) from the end of the previous fiscal year to ¥500,991 million. Fluctuations in liabilities are chiefly attributable to fluctuations in customer assets in the Securities segment resulting in an increase in liabilities of ¥52,799 million (14.8%), an increase of ¥3,402 million (15.8%) in customer deposits due to growth in the payment business.

Net Assets

At the end of the second quarter, net assets had increased ¥10,187 million (23.2%) from the end of the previous fiscal year to ¥54,063 million. Movements in net assets included an increase of ¥5,794 million (29.8%) increase in earnings surplus (net profit totaling ¥7,096 million and dividend payments of ¥1,295 million), and an increase of ¥4,460 million (30.5%) in dividends paid to minority shareholders due to increase in capital and profit in consolidated subsidiaries.

Cash Flow

At the end of the second quarter of fiscal year 2015 (June 30, 2015), cash and equivalents had increased ¥14,607 million (22.5%) from the end of the previous fiscal year to ¥79,645 million. The following is a summary of cash flow activity in the period under review.

Cash Flow from Operating Activities

Cash flow generated in operating activities was ¥5,880 million (¥2,161 million generated in the previous corresponding term). Major items included net profit before tax and other adjustments (¥12,931 million), depreciation (¥2,158 million), goodwill amortization (¥814 million), and an increase in deposits (¥3,352 million) primarily due to growth in the payment sub-segment. Customer assets in the Internet Securities segment increased contributing to an increase of ¥4,935 million in assets, and ¥1,831 million was paid out in corporate tax payments.

Cash Flow from Investing Activities

Inflow from investing activities totaled ¥7,484 million (¥1,999 million outflow in the previous corresponding term). Contributing factors chiefly included a gain on the sale of shares in GMO CLICK Holdings (¥5,770 million), a net decrease in fixed deposits (¥3,453 million), the acquisition of server equipment and other fixed assets (¥517 million) software license updates, the acquisition of other intangible fixed assets (¥1,065 million).

Cash Flow from Financing Activities

Inflow from financing activities totaled ¥1,042 million (¥2,734 million outflow in the previous corresponding term). Significant items include repayment of long term debt (¥9,472 million), dividend payments (¥1,286 million), dividend payments to minority shareholders (¥393 million), changes in short and long term debt to increase liquidity-on-hand (¥6,989 million), and a capital increase in a subsidiary (¥3,885 million).

3. Qualitative Information - Consolidated Results Forecasts and Other Forward-Looking Information

The results forecast for the current fiscal year (initially published in the 2015 Consolidated Results Statement on February 5, 2015), is revised. Please refer to the separate disclosure titled Notice of Upward Revision to Full Year Earnings and Dividend Forecasts for details.

2. Summary of Information Related to Other Items

(1) Changes to significant subsidiaries in the current term

In the second quarter of the current fiscal year, GMO Venture Partners4 Investment Limited Partnership was newly established, and GMO AD Marketing, Inc. GMO Research PTE. LTD (Singapore), GMO Research, Inc. (Shanghai), Social Ad & Commerce Technology Fund Investment Partnership, and GMO Culture Incubation, Inc. were added to the consolidation due to their increased significance. GMO CLICK Investment Inc. and Gyokuhokan, Inc. were excluded from the consolidation after holdings in the companies were sold off.

(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, 2014)	2nd Quarter Current Fiscal Year (As of June 30, 2015)
Assets		
Current Assets		
Cash and deposits	69,548	80,701
Trade notes and accounts receivable	9,587	9,864
Operational investment securities	1,415	1,870
Securities segment deposits	227,981	253,912
Securities segment margin transaction assets	94,522	111,179
Securities segment short term guarantee deposits	30,378	39,816
Securities segment variation margin paid	15,311	21,022
Deferred tax asset	1,967	1,720
Other	11,035	14,360
Provision for doubtful debts	-482	-739
Total Current Assets	461,267	533,707
Fixed Assets		
Tangible fixed assets	7,527	6,931
Intangible fixed assets		
Goodwill	3,946	3,129
Software	4,258	4,538
Other	1,225	1,140
Total intangible fixed assets	9,431	8,808
Investments and other assets		
Investment securities	2,366	2,617
Deferred tax asset	848	966
Other	2,269	2,367
Provision for doubtful debts	-343	-343
Total investments and other assets	5,141	5,608
Total Fixed Assets	22,100	21,347
Total Assets	483,367	555,055
Liabilities		
Current liabilities		
Trade notes and accounts payable	4,123	3,537
Short term debt	22,309	24,664
Bonds to be redeemed within one-year	—	2,600
Amount payable	8,380	12,184
Securities segment deposits received	30,175	36,211
Securities segment margin transaction liability	83,811	99,654
Securities segment guarantees received	232,637	267,339
Securities segment variation margin received	10,180	6,398
Accrued corporate tax etc.	1,424	3,485
Allowance for bonuses	315	526
Allowance for bonuses to directors	209	128
Advance payment received	4,381	4,848
Deposits received	21,480	24,883
Other	6,640	6,072
Total Current Liabilities	426,068	492,535

	(Unit: ¥millions)	
	Previous Fiscal Year (As of Dec 31, 2014)	2nd Quarter Current Fiscal Year (As of June 30, 2015)
Fixed Liabilities		
Long term debt	7,692	2,720
Deferred tax liability	80	56
Other	3,682	3,489
Total Fixed Liabilities	11,454	6,266
Statutory Reserve		
Financial instruments transaction liability reserve	1,967	2,189
Total Statutory Reserve	1,967	2,189
Total Liabilities	439,491	500,991
Net Assets		
Shareholders' Equity		
Capital stock	100	5,000
Capital surplus	8,736	3,836
Earned surplus	19,448	25,242
Treasury stock	-0	-0
Total Shareholders' Equity	28,283	34,077
Other Comprehensive Income		
Other securities valuation differences	256	203
Hedging profit/loss carried forward	-10	6
Foreign currency translation account	703	663
Total Other Comprehensive Income	949	872
Equity Warrants	20	29
Minority Equity	14,623	19,083
Total Net Assets	43,876	54,063
Liabilities, Net Assets Total	483,367	555,055

(2) Consolidated Statement of Income

Quarter Consolidated Statement of Income

(Unit: ¥millions)

	2nd Quarter Previous Fiscal Year (6 months to June, 2014)	2nd Quarter Current Fiscal Year (6 months to June, 2015)
Net Sales	52,454	63,571
Cost of Sales	24,878	29,869
Gross Profit on Sales	27,575	33,702
Sales, General & Administrative Expenses	22,611	25,210
Operating Profit	4,964	8,491
Non Operating Revenue		
Interest received	6	11
Dividends received	24	51
Gain on currency translation	35	64
Equity method investment profits	9	19
Other	138	122
Total Non Operating Revenue	213	269
Non Operating Expenses		
Interest paid	151	116
Commissions paid	18	138
Other	72	135
Total Non Operating Expenses	242	390
Ordinary Profit	4,935	8,370
Extraordinary Profit		
Gain on sale of shares in affiliated companies	159	4,786
Gain on change in equity	722	633
Other	123	179
Total Extraordinary Profit	1,004	5,598
Extraordinary Loss		
Impairment loss	267	613
Provision to securities transaction liability reserve	249	222
Other	107	202
Total Extraordinary Loss	624	1,038
Net Profit before Adjustment for Tax etc.	5,316	12,931
Corporate, Municipal and Enterprise Taxes	1,505	4,656
Corporate Tax etc. Adjustment	308	151
Total Corporate Taxes etc.	1,813	4,807
Net Profit before Minority Equity Adjustment	3,502	8,124
Minority Interests	778	1,027
Net Profit	2,723	7,096

Consolidated Statement of Comprehensive Income

(Unit: ¥millions)

	2nd Quarter Previous Fiscal Year (6 months to June, 2014)	2nd Quarter Current Fiscal Year (6 months to June, 2015)
Net Profit before Minority Equity Adjustment	3,502	8,124
Other Comprehensive Income		
Other securities valuation differences	12	-82
Hedging profit/loss carried forward	-13	16
Currency translation adjustment account	-184	42
Total other comprehensive income	-185	-24
Comprehensive Income	3,317	8,099
(Breakdown)		
Comprehensive income attributable to parent company shareholders	2,565	7,019
Comprehensive income attributable to minority shareholders	751	1,079

(3) Consolidated Statement of Cash Flows

(Unit: ¥millions)

	2nd Quarter Previous Fiscal Year (6 months to June, 2014)	2nd Quarter Current Fiscal Year (6 months to June, 2015)
Cash Flow from Operating Activities		
Net profit before adjustment for tax etc.	5,316	12,931
Depreciation expenses	2,236	2,158
Impairment loss	267	613
Amortization of goodwill	780	814
Gain or loss on change in equity investees (- represents gain)	-721	-587
Interest and dividends received	-30	-63
Interest paid	151	116
Gain on sale of shares in affiliated company (-represents increase)	-159	-4,698
Change in accounts receivable (-represents increase)	-189	253
Change in purchase debts (- represents decrease)	-158	-1,319
Change in amount payable (- represents decrease)	-489	2,542
Change in deposits received (- represents decrease)	-849	3,352
Change in deposits in securities segment (- represents increase)	-12,793	-25,930
Change in short term guarantee deposits in securities segment (-represents increase)	-5,173	-9,437
Change in margin variation paid and received in securities segment	-3,012	-9,492
Changes in deposits and guarantees received in securities segment (- represents decrease)	9,178	40,737
Changes in margin transaction assets and liabilities	7,260	-813
Other	2,039	-3,265
Sub total	3,653	7,912
Interest and dividends received	28	77
Interest paid	-151	-277
Corporate tax etc. paid	-1,368	-1,831
Cash Flow from Operating Activities	2,161	5,880
Cash Flow from Investing Activities		
Expenditure on payment of fixed term deposit	-750	-160
Return of fixed term deposit	-	3,613
Expenditure on acquisition of tangible fixed assets	-307	-517
Expenditure on acquisition of intangible fixed assets	-858	-1,065
Expenditure on acquisition of investment securities	-108	-568
Income accrued on the sale of investment securities	243	214
Income from sale of shares in affiliated company	-	5,770
Expenditure on the acquisition of subsidiary stock resulting In change in scope of consolidation	-	-101
Income from the sale of subsidiary stock resulting in change in scope of consolidation	-	272
Other	-217	27
Cash Flow from Investing Activities	-1,999	7,484

	2nd Quarter Previous Fiscal Year (6 months to June, 2014)	2nd Quarter Current Fiscal Year (6 months to June, 2015)
Cash Flow from Financing Activities		
Income accrued on short term loans	78,570	114,799
Expenditure on repayment of short term loans	-77,396	-109,809
Income accrued on long term loans	—	2,000
Expenditure on repayment of long term loans	-1,648	-9,472
Income from issuing bond	—	2,600
Payment received from partners in investment funds	10	260
Returns to partners in investment funds	—	-647
Return of dividends from minority shareholders	50	3,885
Payment of dividends	-1,060	-1,286
Payment of dividends to minority shareholders	-370	-393
Other	-890	-893
Cash Flow from Financing Activities	-2,734	1,042
Currency Translation Adjustment on Cash and Equivalents	-42	-20
Change in Cash and Equivalents (- represents decrease)	-2,615	14,386
Balance of Cash and Equivalents at Beginning of Term	52,823	65,038
Increase in Cash and Equivalents following Increase in Consolidation	119	220
Balance of Cash and Equivalents at End of Term	50,327	79,645

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

Notes regarding changes impacting shareholders' equity
None

Segment Data

I 2nd Quarter of Previous Fiscal Year (01.01.2014-06.30.2014)

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

(Unit: ¥millions)

	Segment						Other	Adjustment (*1)	Consolidated P/L (*2)
	Internet Infrastructure	Online Ad & Media	Internet Securities	Mobile Entertainment	Incubation	Total			
Net Sales									
Sales to unaffiliated customers	22,285	16,438	10,346	3,363	20	52,454	-	-	52,454
Internal transactions	389	904	-	6	-	1,301	-	-1,301	-
Total	22,675	17,342	10,346	3,370	20	53,755	-	-1,301	52,454
Segment Profit/Loss	2,353	900	2,482	-822	-98	4,816	-	148	4,964

*Notes

- i. The segment profit or loss adjustment (¥148 million) is an adjustment for internal segment transactions.
- ii. Segment profit is based on the Operating Profit (or Loss) line item in the consolidated Statement of Income.

2. Notes regarding Fixed Assets, Depreciation and Goodwill Reportable Segments

(Significant impairment losses on fixed assets)

Impairment losses on fixed assets are reported in the Mobile Entertainment and Internet Infrastructure segments.

Amount of impairment loss in each segment in the second quarter is as follows;

Mobile Entertainment: ¥207 million, Internet Infrastructure: ¥45 million

II 2nd Quarter of Current Fiscal Year (01.01.2015-06.30.2015)

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

(Unit: ¥millions)

	Segment						Other (*1)	Adjustment (*2)	Consolidated P/L (*3)
	Internet Infrastructure	Online Ad & Media	Internet Securities	Mobile Entertainment	Incubation	Total			
Net Sales									
Sales to unaffiliated customers	25,967	19,149	15,360	2,317	771	63,568	3	-	63,571
Internal transactions	403	1,531	-	18	-	1,953	-	-1,953	-
Total	26,371	20,680	15,360	2,336	771	65,521	3	-1,953	63,571
Segment Profit/Loss	2,127	654	5,213	-162	504	8,336	-40	195	8,491

*Notes

- i. Other includes businesses not included in reportable segments. Culture incubation is in this line item.

- ii. The segment profit or loss adjustment (¥195 million) is an adjustment for internal segment transactions.
- iii. Segment profit is based on the Operating Profit (or Loss) line item in the consolidated Statement of Income.

2. Notes regarding Fixed Assets, Depreciation and Goodwill Reportable Segments

(Significant impairment losses on fixed assets)

Impairment losses on fixed assets are reported in the Mobile Entertainment, Internet Infrastructure, and Online Advertising & Media segments. Amount of impairment loss in each segment in the second quarter is as follows; Mobile Entertainment: ¥382 million, Internet Infrastructure: ¥138 million, Online Advertising & Media: ¥91 million.