

Fiscal Year 2016 First Quarter Consolidated Financial Results (Japanese GAAP)

May 9, 2016

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 11, 2016 Start Date of Dividend Payout: June 24, 2016

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 2016 (01.01.2016- 03.31.2016)

(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, 2016	33,173	1.8	3,657	-5.0	3,552	-8.5	1,361	-26.9
March 31, 2015	32,583	20.6	3,850	70.7	3,882	73.3	1,862	96.9

(Note) Comprehensive Income March 31, 2016: ¥1,533 million (-24.0%), March 31, 2015: ¥2,017 million (68.0 %)

	Net Profit per Share	Net Profit per Share (Diluted)
Three months ended	¥	¥
March 31, 2016	11.63	11.22
March 31, 2015	15.80	15.33

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio
As of	¥ millions	¥ millions	%
March 31, 2016	560,766	58,948	6.4
March 31, 2015	554,626	62,156	7.1

(Reference) Shareholders' Equity March 31, 2016: ¥36,138 million FYE12/2015: ¥39,641 million

2. Dividends

	Dividends per Share				
	End of Q1	End of Q2	End of Q3	End of Term	Total
	¥	¥	¥	¥	¥
Year Ended 12/2015	6.00	5.00	7.00	20.00	38.00
Year Ending 12/2016	5.00				
Year Ending 12/2016 (forecast)		5.00	5.00	5.00	20.00

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

3. Consolidated Results Forecast for the Year Ending December 2016 (01.01.2016 – 12.31.2016)

(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	135,000	6.9	16,500	11.5	16,500	11.1	7,000	-47.8	59.42

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

Interim results forecasts not disclosed.

*Notes

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

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

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

1. Changes resulting from revisions to accounting policy: yes

2. Changes other than those specified above: none

3. Changes in accounting estimates: none

4. Restatements: none

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

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

Q1 FYE 12/2016	115,944,677	FYE 12/2015	117,806,777
Q1 FYE 12/2016	1,811	FYE 12/2015	1,811
Q1 FYE 12/2016	116,984,605	Q1 FYE 12/2015	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 8 for details.

Results Presentation for Investors and Analysts: May 9, 2016

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 2015

	Previous Q1	Current Q1	Change	% Change
Net Sales	32,583	33,173	590	1.8%
Operating Profit	3,850	3,657	-192	-5.0%
Ordinary Profit	3,882	3,552	-330	-8.5%
Net Profit	1,862	1,361	-501	-26.9%

(Unit: ¥millions)

In the first quarter of 2016, growth was sustained in the Internet Infrastructure segment as investment continued in C2C handmade market and the segment became an even stronger growth driver. However, in the Internet Securities segment, while FX trading volume remained high, there was a short-term rise in cover transaction costs. The Online Advertising & Media experienced reduced advertising demand over the previous corresponding term from a large-scale client, the Mobile Entertainment segment did not produce a hit title and there were no investments sold in the Incubation segment and as a result the quarter finished with an increase in revenue and a drop in profit.

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 new 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, in the first quarter the Group continued to operate under the theme of the previous fiscal year, "strengthening our strengths and enhancing weaker areas with No. 1 products". The Internet Infrastructure segment, already comprising multiple No. 1 products, invested ¥440 million in promoting C2C handmade market, minne with the objective of propelling the service to a strong No. 1 market. 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 with the objective of accelerating its shift toward a technology driven business. The Mobile Entertainment segment continued cost control efforts while maintaining the objective of producing a hit title.

First quarter consolidated net sales increased 1.8% year-on-year to ¥33,173 million. Over the same period operating profit decreased 5.0% to ¥3,657 million, and ordinary profit decreased 8.5% to ¥3,552 million, while net profit fell 26.9% to ¥1,361 million.

Net Sales and Operating Profit by Segment in the Three Months to March 2016

(Unit: ¥millions)

	Previous Q1	Current Q1	Change	% Change
Internet Infrastructure				
Net Sales	13,040	15,323	2,282	17.5%
Operating Profit	1,128	1,390	262	23.2%
Online Advertising & Media				
Net Sales	11,604	11,504	-99	-0.9%
Operating Profit	564	449	-114	-20.4%
Internet Securities				
Net Sales	7,522	6,734	-788	-10.5%
Operating Profit	2,187	2,079	-108	-5.0%
Mobile Entertainment				
Net Sales	1,279	690	-589	-46.1%
Operating Profit	-62	-222	-160	-
Incubation				
Net Sales	99	5	-94	-94.9%
Operating Profit	8	-49	-58	-
Other				
Net Sales	0	39	38	—
Operating Profit	-19	-32	-12	—
Adjustment				
Net Sales	-964	-1,122	-157	—
Operating Profit	43	43	0	—
Total				
Net Sales	32,583	33,173	590	1.8%
Operating Profit	3,850	3,657	-192	-5.0%

Segment results in the first quarter are as below. As of the first quarter standards for the allocation of expenses were revised in order to more appropriately represent performance in each segment. Reportable segments in the previous fiscal year are presented based on the new allocation standards.

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. Domain registration and renewals grew 4.3% to 1.12 million, and total domains under management rose 10.1% to 5.38 million. Net sales grew 26.5% year-on-year to ¥1,939 million.

ii. Hosting & Cloud

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

In the external environment we saw rising demand for cloud hosting services over traditional hosting. GMO AppsCloud, a cloud based hosting solution optimized for mobile game developers and operators grew along with general cloud hosting services.

Overall web hosting contracts increased 2.6% over the previous corresponding term to 770 thousand and net sales fell 1.5% year-on-year to ¥3,430 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 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 paid stores had increased 2.4% year-on-year to 74,000 and total transaction volume rose 11.3% to ¥62.7 billion, while in minne, transaction volume rose 221.9% to ¥1.97 billion. Ecommerce solutions reported net sales of ¥1,883 million (40.1% year-on-year increase).

iv. Security

As the global expansion of security brand GlobalSign progressed, direct sales targeting large corporations and active sales partners drove market share growth both in Japan and globally. Security reported net sales of ¥1,140 million (14.2% 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, with the expansion of transaction lending and early remittance services with the objective of supporting customers (merchants) in expanding sales. Overall at the end of the first quarter, number of merchants increased 24.7% over the previous corresponding term to 67 thousand and transaction volume grew 23.7% year-on-year to ¥470 billion. Continued growth of payment services as well as the money services business contributed to net sales growth of 35.1% year-on-year to ¥2,908 million.

vi. Provider

This sub-segment operates Internet Provider Services for consumers. In the current quarter, number of mobile wifi users grew 9.1% to 359 thousand as a result of recent cost effective marketing, and an expanding mobile Internet market. Net sales grew 28.8% year-on-year to ¥3,057 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 17.5% year-on-year to ¥15,323 million, while operating profit increased 23.2% year-on-year to ¥1,390 million even after ¥440 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.

In the first quarter, response to a changing market environment was progresses with continued development and sales of proprietary products. Net sales in online advertising reached ¥6,865 million. While there is always strong advertising demand in the first quarter, sales fell 7.7% due to a reduction in advertising from a particular large-scale client.

ii. Internet Media

This sub-segment provides advertising space within our own smartphone and PC content services and marketing support 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 10.4% to ¥3,883 million.

Overall, in the Online Advertising & Media segment, net sales totaled ¥11,504 million (0.9% year-on-year decrease). Operating profit fell 20.4% year-on-year to ¥449 million. The segment continued to invest in an accelerated technology shift with a focus on the development and sale of proprietary products.

3) Internet Securities

The Internet Securities segment operates consumer financial services. Through improving usability for customers, the segment has worked to increase number of accounts, customer assets held, and transaction volume. In the current quarter, number of FX accounts grew 9.5% year-on-year to 604,000, while number of Securities accounts grew 17.6% year-on-year to 284,000.

FX trading volume almost met the record high volume of the previous corresponding quarter at ¥376 trillion, as the Bank of Japan introduced negative interest rates contributing to continued volatility in the markets. However, as a result of this higher volatility, trading volume increased sharply from the previous quarter, cover transaction costs rose putting short-term downward pressure on profitability. Overall, net sales in the Internet Securities segment totaled ¥6,734 million (10.5% year-on-year decrease) and operating profit was ¥2,079 million (5.0% year-on-year decrease).

4) Mobile Entertainment

This segment comprises smartphone and online game development and operations.

In the first quarter, revenue from major titles including Minerva Knights continued on a downward trend having now been on the market for some time. Further, television commercials for in-house developed title “Chain Heroes” did not achieve the expected lift in revenue.

In the Mobile Entertainment segment, net sales fell 46.1% to ¥690 million, and operating loss was ¥222 million (¥62 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.

5) Incubation Segment

The Incubation segment invests in expanding business and building enterprise value in Internet-related companies. In the current quarter, there were no sales of investments and revenue was ¥5 million (94.9% year-on-year decrease) following the sale of investment securities, while the segment reported an operating loss of ¥49 million (¥8 million operating profit reported in the previous corresponding term).

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

(Unit: ¥millions)

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Net Sales	32,583	30,988	31,263	31,502	33,173
Operating Profit	3,850	4,640	3,584	2,728	3,657
Ordinary Profit	3,882	4,488	3,585	2,901	3,552
Net Profit	1,862	5,234	1,457	4,865	1,361
Total Assets	548,045	555,055	547,192	554,626	560,766

Shareholders' Equity	30,141	34,950	35,682	39,641	36,138
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(Reference2)

Table: Quarterly Results by Segment

I Net Sales by Segment

(Unit: ¥millions)

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Internet Infrastructure					
Provider	2,372	2,584	2,751	2,941	3,057
Domain	1,532	1,516	1,490	1,727	1,939
Hosting & Cloud	3,482	3,436	3,465	3,539	3,430
Ecommerce Solutions	1,344	1,442	1,635	1,887	1,883
Security	998	1,137	1,031	1,174	1,140
Payment	2,152	2,174	2,521	2,649	2,908
Other	1,156	1,039	1,246	979	962
Total	13,040	13,330	14,141	14,899	15,323
Online Advertising & Media					
Online Advertising	7,439	5,246	5,587	6,237	6,865
Internet Media	3,516	3,300	3,263	3,427	3,883
Internet Research & Other	647	529	705	669	754
Total	11,604	9,076	9,556	10,333	11,504
Internet Securities					
Total	7,522	7,838	7,681	6,762	6,734
Mobile Entertainment					
Total	1,279	1,056	981	780	690
Incubation					
Total	99	672	8	12	5
Sub total	33,546	31,974	32,370	32,788	34,256
Other	0	2	2	1	39
Adjustment	-964	-989	-1,109	-1,288	-1,122
Net Sales	32,583	30,988	31,263	31,502	33,173

II Operating Profit by Segment

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Internet Infrastructure	1,128	1,216	1,005	961	1,390
Online Advertising & Media	564	219	267	151	449
Internet Securities	2,187	2,803	2,477	2,198	2,079
Mobile Entertainment	-62	-92	-132	-467	-222
Incubation	8	481	-39	-118	-49
Sub total	3,827	4,627	3,578	2,724	3,647
Other	-19	-20	-26	-25	-32
Adjustment	43	33	32	28	43
Operating Profit	3,850	4,640	3,584	2,728	3,657

(Reference3)

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, tetote • 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, point rewards service, PointTown, and group discount website, Kumapon. Development and operation of smartphone apps including fashion sharing app, Coordisnap. Ad distribution to own media. • 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 first quarter of fiscal year 2016 (March 31, 2016), assets had increased ¥6,140 million (1.1%) from the end of the previous fiscal year to ¥560,766 million. Significant factors included a ¥7,340 million (9.7%) increase in cash. Current assets increased mostly due to the acquisition of .shop reported under the pre-payment line item. Assets in the Securities segment decreased ¥10,393 million (2.5%) due to fluctuations in customer assets (deposits, short-term deposits, margin transaction assets and variation paid).

Liabilities

At the end of the first quarter liabilities had increased ¥9,348 million (1.9%) from the end of the previous fiscal year to ¥501,817 million. Fluctuations in liabilities are chiefly attributable to an increase in interest bearing debt of ¥42,119 million (105.8%) and fluctuations in customer assets in the Securities segment resulting in a decrease in liabilities of ¥28,320 million (7.4%).

Net Assets

At the end of the first quarter, net assets had decreased ¥3,208 million (5.2%) from the end of the previous fiscal year to ¥58,948 million. Movements in net assets included a decrease of ¥995 million (3.3%) in earnings surplus (profit attributable to owners of the parent totaling ¥1,361 million and dividend payments of ¥2,356 million), and a ¥2,239 million (58.4%) decrease in capital stock following the retirement of treasury shares.

Cash Flow

At the end of the first quarter of fiscal year 2016 (March 31, 2016), cash and equivalents had increased ¥8,242 million (11.0 %) from the end of the previous fiscal year to ¥83,171 million. The following is a summary of cash flow activity in the period under review.

Cash Flow from Operating Activities

Outflow in operating activities was ¥29,783 million (¥15,594 million generated in the previous corresponding term). Major items included net profit before tax and other adjustments (¥3,317 million) and depreciation (¥1,088 million). Customer assets in the Internet Securities segment increased contributing to an increase of ¥17,927 million in assets (Decreases in deposits and securities deposits and increases in guarantee deposits, increases in variation paid and received, increases in margin trading assets and liabilities), ¥6,263 million was paid out in corporate tax payments, and an advance payment of ¥4,946 million was made in the acquisition of new domain, .shop..

Cash Flow from Investing Activities

Inflow from investing activities totaled ¥589 million (¥2,727 million inflow in the previous corresponding term). Contributing factors chiefly included the acquisition of server equipment and other tangible fixed assets (¥570 million) software license updates, the acquisition of other intangible fixed assets (¥393 million), acquisition of investment securities (¥546 million) and a net decrease in fixed deposits (¥899 million).

Cash Flow from Financing Activities

Inflow from financing activities totaled ¥38,852 million (¥27,707 million inflow in the previous corresponding term). Significant items include dividend payments (¥2,343 million outflow), the acquisition of treasury shares (¥2,236 million outflow) and a net increase in interest bearing debt (increase in short term debt and repayment of long term debt) totaling ¥42,120 million.

(3) Qualitative Information - Consolidated Results Forecast and Other Forward-Looking Information

There is no revision to the results forecast for the current fiscal year (previously published in the 2015 Consolidated Results Statement on February 8, 2016).

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

Application of Standards relating to Business Combinations

In the first quarter of the current consolidated fiscal year, the following accounting standards were applied: Accounting Standards related to Business Combinations (Accounting Standard No. 21, 9/13/2013, hereafter "Business Combination Accounting Standards"), Accounting Standards related to Consolidated Financial Reporting (Accounting Standard No. 22, 9/13/2013, hereafter "Consolidation Accounting Standards"), and Accounting Standards related to Business Divisions (Accounting Standard No. 7, 9/13/2013, hereafter "Business Division Accounting Standards"). Changes in the company's equity method interests in subsidiaries where the company maintains a controlling share is reported as Capital Stock, and the method of reporting expenses in the consolidated fiscal years in which acquisition related expenses occur has also been revised. Further, in regard to business combinations that occurred after the beginning of the first quarter, due to provisional accounting treatment being permanently adopted, there was a change in distributed costs related to acquisition costs reflected in the financial statements of the consolidated fiscal term in which the business combination occurred. In addition, there was a change in presentation of net profit, and the line item previously reported as minority equity is now presented as non-controlling minority interests. In order to reflect these changes, the current and previous fiscal years are presented using the new standards.

In the calculation of cash flow in the first quarter of the current fiscal year, cash flow related to the acquisition or sale of subsidiary stock that does not result in a change in the scope of consolidation is reported as Cash Flow from Financing Activities. Acquisition expenses for subsidiary stock that does result in a change in scope of consolidation and expenses relating to the sale or acquisition of subsidiary stock that does not result in a change in the scope of consolidation are reported as Cash Flow from Operating Activities.

In regard to business combination accounting standards, transitional handling as defined in Business Combination Accounting Standard No. 58-2 (4), Consolidated Accounting Standard 44-5 (4) and Business Division Accounting Standard 57-4 (4) will be applied from the first quarter of the current fiscal year onward.

Impact of these changes on financial reporting in the first quarter of the current fiscal year is immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2015)	1st Quarter Current Fiscal Year (As of Mar 31, 2016)
Assets		
Current Assets		
Cash and deposits	75,979	83,320
Trade notes and accounts receivable	12,528	13,731
Operational investment securities	2,236	2,407
Securities segment deposits	254,894	245,496
Securities segment margin transaction assets	98,229	95,960
Securities segment short term guarantee deposits	45,547	44,008
Securities segment variation margin paid	24,390	27,204
Deferred tax asset	1,621	1,839
Other	16,767	23,671
Provision for doubtful debts	-848	-876
Total Current Assets	531,347	536,764
Fixed Assets		
Tangible fixed assets	6,592	7,098
Intangible fixed assets		
Goodwill	2,224	2,003
Software	4,657	4,444
Other	1,318	1,366
Total intangible fixed assets	8,200	7,814
Investments and other assets		
Investment securities	4,329	4,607
Deferred tax asset	1,448	1,544
Other	3,079	3,315
Provision for doubtful debts	-371	-377
Total investments and other assets	8,486	9,089
Total Fixed Assets	23,278	24,002
Total Assets	554,626	560,766

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2015)	1st Quarter Current Fiscal Year (As of Mar 31, 2016)
Liabilities		
Current Liabilities		
Trade notes and accounts payable	5,304	6,168
Short term debt	34,529	76,822
Bonds to be redeemed within one-year	2,600	2,600
Amount payable	12,043	10,223
Securities segment deposits received	31,562	27,855
Securities segment margin transaction liability	71,590	65,681
Securities segment guarantees received	273,518	256,464
Securities segment variation margin received	4,083	2,432
Accrued corporate tax etc.	5,849	2,041
Allowance for bonuses	673	1,068
Allowance for bonuses to directors	814	579
Advance payment received	5,221	5,691
Deposits received	29,704	27,783
Other	6,745	6,739
Total Current Liabilities	484,240	492,152
Fixed Liabilities		
Long term debt	2,698	2,524
Deferred tax liability	56	55
Other	3,091	4,604
Total Fixed Liabilities	5,846	7,184
Statutory Reserve		
Financial instruments transaction liability reserve	2,382	2,480
Total Statutory Reserve	2,382	2,480
Total Liabilities	492,469	501,817
Net Assets		
Shareholders' Equity		
Capital stock	5,000	5,000
Capital surplus	3,836	1,597
Earned surplus	30,189	29,194
Treasury stock	-0	-2
Total Shareholders' Equity	39,024	35,789
Other Comprehensive Income		
Other securities valuation differences	217	173
Hedging profit/loss carried forward	13	-57
Foreign currency translation account	385	234
Total Other Comprehensive Income	617	349
Equity Warrants	49	57
Non-controlling Minority Equity	22,465	22,752
Total Net Assets	62,156	58,948
Liabilities, Net Assets Total	554,626	560,766

(2) Consolidated Statement of Income

Quarterly Consolidated Statement of Income
1st Quarter

(Unit: ¥millions)

	1st Quarter Previous Fiscal Year (3 months to Mar, 2015)	1st Quarter Current Fiscal Year (3 months to Mar, 2016)
Net Sales	32,583	33,173
Cost of Sales	15,930	16,720
Gross Profit on Sales	16,653	16,453
Sales, General & Administrative Expenses	12,802	12,795
Operating Profit	3,850	3,657
Non Operating Revenue		
Gain on currency translation	56	-
Investment business partnership profits	-	33
Other	126	84
Total Non Operating Revenue	183	117
Non Operating Expenses		
Interest paid	63	25
Commissions paid	42	38
Equity method investment losses	0	22
Loss on currency translation	-	98
Other	45	38
Total Non Operating Expenses	151	222
Ordinary Profit	3,882	3,552
Extraordinary Profit		
Gain on sale of stock in affiliates	-	74
Other	27	4
Total Extraordinary Profit	27	79
Extraordinary Loss		
Impairment loss	60	207
Provision to securities transaction liability reserve	127	98
Other	118	9
Total Extraordinary Loss	306	314
Net Profit before Adjustment for Tax etc.	3,603	3,317
Corporate, Municipal and Enterprise Taxes	1,718	1,681
Corporate Tax etc. Adjustment	-389	-267
Total Corporate Taxes etc.	1,329	1,413
Net Profit	2,274	1,903
Profit attributable to Non-controlling Interests	412	542
Profit attributable to Owners of the Parent	1,862	1,361

Consolidated Statement of Comprehensive Income

(Unit: ¥millions)

	1st Quarter Previous Fiscal Year (3 months to Mar, 2015)	1st Quarter Current Fiscal Year (3 months to Mar, 2016)
Net Profit	2,274	1,903
Other Comprehensive Income		
Other securities valuation differences	-45	-98
Hedging profit/loss carried forward	-18	-71
Currency translation adjustment account	-193	-199
Total other comprehensive income	-256	-369
Comprehensive Income	2,017	1,533
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,533	1,093
Comprehensive income attributable to non-controlling interests	484	440

(3) Consolidated Statement of Cash Flows

(Unit: ¥millions)

	1st Quarter Previous Fiscal Year (3 months to Mar, 2015)	1st Quarter Current Fiscal Year (3 months to Mar, 2016)
Cash Flow from Operating Activities		
Net profit before adjustment for tax etc.	3,603	3,317
Depreciation expenses	1,079	1,088
Impairment loss	60	207
Amortization of goodwill	415	219
Interest paid	63	25
Gain on sale of stock in affiliates (-represents increase)	88	-74
Change in accounts receivable (-represents increase)	-1,921	-786
Change in purchase debts (- represents decrease)	982	243
Change in amount payable (- represents decrease)	159	-1,866
Change in deposits received (- represents decrease)	1,434	-1,919
Change in deposits in securities segment (- represents increase)	-10,058	9,398
Change in short term guarantee deposits in securities segment (-represents increase)	-5,893	1,539
Change in margin variation paid and received in securities segment	-7,948	-4,465
Changes in deposits and guarantees received in securities segment (- represents decrease)	4,023	-20,760
Changes in margin transaction assets and liabilities	-429	-3,639
Other	294	-5,966
Sub total	-14,047	-23,439
Interest and dividends received	56	19
Interest paid	-143	-99
Corporate tax etc. paid	-1,459	-6,263
Cash Flow from Operating Activities	-15,594	-29,783
Cash Flow from Investing Activities		
Expenditure on payment of fixed term deposit	-150	-0
Return of fixed term deposit	3,333	900
Expenditure on acquisition of tangible fixed assets	-194	-570
Expenditure on acquisition of intangible fixed assets	-559	-393
Expenditure on acquisition of investment securities	-40	-546
Income accrued on the sale of investment securities	58	0
Income from the sale of subsidiary stock resulting in change in scope of consolidation	272	90
Other	8	-69
Cash Flow from Investing Activities	2,727	-589

	1st Quarter Previous Fiscal Year (3 months to Mar, 2015)	1st Quarter Current Fiscal Year (3 months to Mar, 2016)
Cash Flow from Financing Activities		
Income accrued on short term loans	94,800	96,148
Expenditure on repayment of short term loans	-64,410	-53,849
Expenditure on repayment of long term loans	-797	-179
Payment received from partners in investment funds	260	55
Returns to partners in investment funds	-647	-
Acquisition of treasury stock	-	-2,236
Payment of dividends	-597	-2,343
Payment of dividends to non-controlling interests	-326	-318
Gain on sale and leasebacks	-	1,850
Other	-573	-275
Cash Flow from Financing Activities	27,707	38,852
Currency Translation Adjustment on Cash and Equivalents	-285	-236
Change in Cash and Equivalents (- represents decrease)	14,555	8,242
Balance of Cash and Equivalents at Beginning of Term	65,038	74,929
Increase in Cash and Equivalents following Increase in Consolidation	161	-
Balance of Cash and Equivalents at End of Term	79,755	83,171

(4) Notes regarding the Consolidated Financial Statements

Notes regarding the going concern assumption

None

Notes regarding changes impacting shareholders' equity

Acquisition and retirement of treasury stock

Following a Board of Directors decision on February 8, 2016, GMO Internet acquired 1,800,000 treasury shares at a total cost of ¥2,148 million between February 9 and February 24, 2016 and further following a Board of Directors decision on March 3, 2016, GMO Internet acquired 62,100 treasury shares at a total cost of ¥85 million on March 4, 2016. After a Board of Directors decision on March 7, 1,862,100 treasury shares were retired on March 11, 2016.

As a result, at the end of the first quarter of the consolidated fiscal year, capital stock decreased ¥2,233 million and treasury stock increased by ¥1 million.

Segment Data

I 1st Quarter of Previous Fiscal Year (01.01.2015-03.31.2015)

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

(Unit: ¥millions)

	Segment						Other (*i)	Adjustment (*ii)	Consolidated P/L (*iii)
	Internet Infrastructure	Online Ad & Media	Internet Securities	Mobile Entertainment	Incubation	Total			
Net Sales									
Sales to unaffiliated customers	12,838	10,852	7,522	1,268	99	32,582	0	—	32,583
Internal transactions	201	751	0	10	—	964	—	-964	—
Total	13,040	11,604	7,522	1,279	99	33,546	0	-964	32,583
Segment Profit/Loss	1,128	564	2,187	-62	8	3,827	-19	43	3,850

*Notes

- i. The Other item represents culture incubation and other businesses not included in reportable segments
- ii. The segment profit or loss adjustment (¥43 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

II 1st Quarter of Current Fiscal Year (01.01.2016-03.31.2016)

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

(Unit: ¥millions)

	Segment						Other (*i)	Adjustment (*ii)	Consolidated P/L (*iii)
	Internet Infrastructure	Online Ad & Media	Internet Securities	Mobile Entertainment	Incubation	Total			
Net Sales									
Sales to unaffiliated customers	15,141	10,589	6,733	664	5	33,134	39	—	33,173
Internal transactions	181	914	0	25	—	1,122	—	-1,122	—
Total	15,323	11,504	6,734	690	5	34,256	39	-1,122	33,173
Segment Profit/Loss	1,390	449	2,079	-222	-49	3,647	-32	43	3,657

*Notes

- i. The Other item represents culture incubation and other businesses not included in reportable segments
- ii. The segment profit or loss adjustment (¥43 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. Items relating to changes in reportable segments (Changes in the calculation method of segment profit/loss)

In the first quarter of the current consolidated fiscal year, standards for the allocation of expenses were changed in order to more appropriately represent performance in each segment. Reportable segments in the previous fiscal year are presented based on the new allocation standards.

3. Items relating to fixed asset impairment losses, and goodwill

(Significant impairment losses related to fixed assets)

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