

Fiscal Year 2017 Third Quarter Consolidated Financial Results (Japanese GAAP)

November 6, 2017

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: November 14, 2017 Start Date of Dividend Payout: December 18, 2017

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 Third Quarter Financial Results in the Year Ending December 2017 (01.01.2017- 09.30.2017)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of the Parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Nine months ended								
September 30, 2017	112,409	12.5	11,989	-7.6	11,768	-6.5	3,784	-36.4
September 30, 2016	99,884	5.3	12,981	7.5	12,581	5.2	5,950	-30.4

(Note) Comprehensive Income September 30, 2017: ¥6,467 million (-6.9%), September 30, 2016: ¥6,943 million (-27.1%)

	Net Profit per Share	Net Profit per Share (Diluted)
Nine months ended	¥	¥
September 30, 2017	32.67	31.83
September 30, 2016	51.17	49.90

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio
As of	¥ millions	¥ millions	%
September 30, 2017	660,835	69,318	6.1
December 31, 2016	588,819	66,179	6.7

(Reference) Shareholders' Equity September 30, 2017: ¥40,083 million December 31, 2016: ¥39,527 million

2. Dividends

	Dividends per Share				
	End of Q1	End of Q2	End of Q3	End of Term	Total
	¥	¥	¥	¥	¥
Year Ended 12/2016	5.00	5.00	5.00	6.00	21.00
Year Ending 12/2017	5.00	6.00	6.00		
Year Ending 12/2017 (forecast)				6.00	23.00

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

3. Consolidated Results Forecast for the Year Ending December 2017 (01.01.2017 – 12.31.2017)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of the Parent		Net Profit per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Full Year	145,000	7.4	19,000	11.7	18,500	10.9	8,000	10.6	69.00

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

*Notes

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

New 1 (Company name) Shift-One Inc.

Exclusion 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 standard, etc.: 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)

Q3 FYE 12/2017	115,944,677	FYE 12/2016	115,944,677
Q3 FYE 12/2017	864,911	FYE 12/2016	1,811
Q3 FYE 12/2017	115,833,673	Q3 FYE 12/2016	116,288,845

2. Treasury shares at term end

3. Average number of shares during the period

* Quarterly financial results are not covered by quarterly review.

* 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: November 6, 2017

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 for the Nine Months Ended September 2017

	Previous Q3	Current Q3	Change	% Change
Net Sales	99,884	112,409	12,524	12.5%
Operating Profit	12,981	11,989	-991	-7.6%
Ordinary Profit	12,581	11,768	-813	-6.5%
Profit Attributable Owners of the Parent	5,950	3,784	-2,165	-36.4%

(Unit: ¥millions)

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 and diversification of smartphones, tablets and other mobile devices, the progression of cloud technology, the proliferation of Twitter, Facebook, LINE, Instagram and other forms of social media, as well as the emerging O2O 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 as a group that provides Internet and service infrastructure.

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”. (1) 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 market position. (2) The Internet Finance segment worked on improvement of profitability in our mainstay FX transactions in the domestic OTC market and enhancement of service convenience. (3) Online Advertising & Media segment focused on function enhancement and development of in-house products with the objective of accelerating its shift toward a technology driven business. (4) The Mobile Entertainment segment continued cost control efforts while maintaining the objective of developing new titles.

As a result, consolidated net sales for the nine months ended September 30, 2017 increased 12.5% year-on-year to ¥112,409 million. Over the same period, operating profit decreased 7.6% to ¥11,989 million, ordinary profit decreased 6.5% to ¥11,768 million, and profit attributable to owners of the parent decreased 36.4% to ¥3,784 million. Net sales increased and profits decreased year-on-year, mainly due to a decrease in the transaction volume of the high-margin GBP/JPY currency pair from Q3 FY2016 with the brisk trading boosted by Brexit, one-off drop in profitability in Internet Finance segment from February to March, and one-off losses (approximately ¥ 290 million) due to branding in other segments.

Net Sales and Operating Profit by Segment in the Nine Months Ended September 2017

(Unit: ¥millions)

	Previous Q3	Current Q3	Change	% Change
Internet Infrastructure				
Net Sales	47,737	61,260	13,523	28.3%
Operating Profit	4,948	5,975	1,026	20.7%
Online Advertising & Media				
Net Sales	33,003	33,290	287	0.9%
Operating Profit	1,084	736	-347	-32.0%
Internet Finance				
Net Sales	20,578	19,296	-1,282	-6.2%
Operating Profit	7,372	5,600	-1,772	-24.0%
Mobile Entertainment				
Net Sales	1,734	736	-998	-57.6%
Operating Profit	-371	-312	59	-
Incubation				
Net Sales	243	661	418	172.0%
Operating Profit	-82	285	367	-
Other				
Net Sales	135	1,024	888	654.8%
Operating Profit	-69	-348	-278	-
Adjustment				
Net Sales	-3,548	-3,860	-312	-
Operating Profit	99	53	-45	-
Total				
Net Sales	99,884	112,409	12,524	12.5%
Operating Profit	12,981	11,989	-991	-7.6%

◆ Overview of Financial Results in the Three Months to September 2017

(Unit: ¥millions)

	Previous Q3	Current Q3	Change	% Change
Net Sales	33,176	38,068	4,891	14.7%
Operating Profit	4,291	4,492	201	4.7%
Ordinary Profit	4,232	4,389	156	3.7%
Profit attributable to Owners of the Parent	2,342	1,832	-510	-21.8%

Net sales for the three months ended September 30, 2017 increased 14.7% year-on-year due to strong performance of the Internet Infrastructure segment, especially payment business, and improvement in profitability of the Internet Finance segment.

Operating profit increased 4.7% year-on-year mainly due to recording gains on sale of shares in the Incubation segment despite weak performance of the Online Advertising & Media segment due to the change in the ad distribution regulations.

Net Sales and Operating Profit by Segment in the Three Months to September 2017

(Unit: ¥millions)

	Previous Q3	Current Q3	Change	% Change
Internet Infrastructure				
Net Sales	16,531	21,080	4,548	27.5%
Operating Profit	1,962	2,023	61	3.1%
Online Advertising & Media				
Net Sales	11,134	10,715	-419	-3.8%
Operating Profit	417	286	-131	-31.5%
Internet Finance				
Net Sales	6,036	6,847	811	13.4%
Operating Profit	1,975	2,102	127	6.4%
Mobile Entertainment				
Net Sales	472	204	-268	-56.8%
Operating Profit	-79	-110	-30	-
Incubation				
Net Sales	210	337	126	60.2%
Operating Profit	3	188	185	-
Other				
Net Sales	51	52	0	1.0%
Operating Profit	-15	-14	1	-
Adjustment				
Net Sales	-1,260	-1,169	91	-
Operating Profit	27	16	-10	-
Total				
Net Sales	33,176	38,068	4,891	14.7%
Operating Profit	4,291	4,492	201	4.7%

Segments results for the second quarter are as follows. Effective January 1, 2017, the segment name of “Internet Securities” was changed to “Internet Finance.” This has limited impact on the segment’s profit and loss.

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, ecommerce solutions, payment and security - 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 has continued to actively grow customer base with a low-pricing strategy. Domain registration and renewals fell 3.8% to 1.23 million, and total domains under management rose 4.7% to 6.02 million. Net sales fell 1.4% to ¥2,015 million from Q3 FY2016 in which one-off sales associated with the commencement of “.shop” registration were recorded.

ii. Hosting & Cloud

The hosting & cloud business responded to growing 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.

As a result, the number of web hosting contracts at the end of the current quarter increased 2.7% year-on-year to 799 thousand and net sales for the current quarter rose 1.2% year-on-year to ¥3,494 million.

iii. Ecommerce solutions

Ecommerce solutions comprises SaaS based services for online stores, and C2C handmade market, minne, and O2O support service. In the tailwind of expansion of the market, the segment has provided support to EC business operators including the improvement of cart system features and ongoing industry seminars, events and other initiatives. For minne, in order to become overwhelmingly No.1, in addition to investment in promotion, we have held offline events, strengthened smartphone app features, and enhanced payment services.

As the end of the current quarter, the number of paid stores increased 0.8% year-on-year to 76,000 and total transaction volume for the current quarter rose 4.8% year-on-year to ¥66.2 billion, while in minne, transaction volume rose 21.1% year-on-year to ¥2.5 billion. Ecommerce solutions reported net sales of ¥2,167 million (up 7.3% year-on-year).

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. Net sales decreased 7.0% year-on-year to ¥1,282 million as one-off sales to a major customer were recorded in Q3 FY2016, but the business maintained strong momentum. Overseas sales account for over 70% of the total revenue in this sub-segment.

v. Payment

Payment services are operated by GMO Payment Gateway and affiliates. The market environment was favorable, and we continued to expand and progress into new fields beyond online sales. In the current quarter, attention was paid to the increase in the number of transactions and the transaction volume, with the expansion of money service business such as early payment services, transaction lending and payment after delivery services with the objective of supporting customers (merchants) in expanding sales.

At the end of the current quarter, the number of merchants increased 6.6% year-on-year to 82 thousand and the number of transaction and the transaction volume also increased steadily. Sales rose 86.9% to ¥5,951 million due to a sharp increase in post-payment handling volume with large customers and the impact of including MACRO KIOSK Inc. as a consolidated subsidiary, in addition to the continued expansion of existing settlement services.

vi. Provider

This sub-segment operates Internet Provider Services for consumers. The number of mobile Wi-Fi users at the end of the current quarter increased 38.0% year-on-year to 528 thousand and net sales grew 36.3% to ¥4,766 million as a result of recent cost effective and efficient marketing and an expanding mobile Internet market.

The market share expanded in all of the key Internet Infrastructure businesses, and overall net sales increased 27.5% year-on-year to ¥21,080 million. Despite one-off sales recorded in Q3 FY2016 in Domain and Security businesses, operating profit increased year-on-year by 3.1% to ¥2,023 million.

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 such as advertising agency and ad platform. In this market, the shift from net advertising, which is a selling of funds, to operational advertising via ad technology continues. In the current quarter, in-house ad technology products such as AkaNe for advertisement for smartphones and TAXEL for recommendation widgets performed favorably, but orders from certain customers in advertisement agency business decreased. As a result, net sales in online advertising increased 0.2% year-on-year to ¥6,818 million.

ii. Internet Media

This sub-segment provides advertising space within our own smartphone and PC content and marketing

support services. Despite solid performance of ecommerce media “PointTown,” net sales in this sub-segment decreased 13.0% to ¥3,160 million due mainly to a decrease in banner advertisement as a consequence of the change in regulations for ad network advertisement.

Overall, in the Online Advertising & Media segment, net sales totaled ¥10,715 million (down 3.8% year-on-year). Operating profit decreased 31.5% year-on-year to ¥286 million. We will continue to focus on development and sales of in-house products.

3) Internet Finance

The Internet Finance segment operates online financial services for retail investors. In the current quarter, the segment has worked to increase customer base, and transaction volume. In the current quarter, the number of FX accounts grew 8.6% year-on-year to 678,000, and the number of Securities accounts grew 8.9% year-on-year to 323,000. For the FX, which account for the majority of sales and profit of the segment, profitability improved through position management and optimization of cover transactions, but the transaction volume remained below the level of previous year partly due to effects of exchange rates.

In the cryptocurrency sector where the transaction volume has been increasingly rapidly, GMO Coin is registered with Financial Services Agency as a cryptocurrency exchange operator.

Overall, net sales in the Internet Finance segment totaled ¥6,847 million (up 13.4% year-on-year) and operating profit was ¥2,102 million (up 6.4% year-on-year).

4) Mobile Entertainment

This segment comprises smartphone and online game development and operations. In this quarter, existing titles, having been on the market for some time, continued to experience a slight drop in sales. Meanwhile, we have been working on developing new titles, but there was no major release.

In the Mobile Entertainment segment, net sales fell 56.8% to ¥204 million, and operating loss was ¥110 million (¥79 million of operating loss in Q3 FY2016). Through an organization restructuring (please refer to “Notice of Absorption (Simple-Form) Merger of Consolidated Subsidiary” released on October 23, 2017), we will continue to aim at producing hit titles while ensuring thorough cost control, aiming to perform all functions in-house and accumulating operation know-how.

5) Incubation Segment

This segment is engaged in investing in Internet related companies aimed at capital gains, supporting business expansion, and supporting corporate value improvement. For the current quarter, net sales was ¥337 million (up 60.2% year-on-year), and operating profit increased significantly to ¥188 million due to sale of shares.

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

(Unit: ¥millions)

	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Net Sales	33,176	35,142	36,040	38,299	38,068
Operating Profit	4,291	4,035	3,537	3,960	4,492
Ordinary Profit	4,232	4,104	3,372	4,006	4,389
Profit Attributable to Owners of the Parent	2,342	1,284	1,151	800	1,832
Total Assets	555,133	588,819	616,073	605,014	660,835
Shareholders' Equity	38,220	39,527	39,896	40,218	40,083

(Reference2)

Table: Quarterly Results by Segment

I Net Sales by Segment

(Unit: ¥millions)

	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Internet Infrastructure					
Provider(ISP)	3,497	3,653	3,968	4,455	4,766
Domain	2,045	1,910	1,995	2,046	2,015
Hosting & Cloud	3,451	3,554	3,532	3,533	3,494
Ecommerce Solutions	2,021	2,299	2,146	2,109	2,167
Security	1,378	1,255	1,281	1,291	1,282
Payment	3,184	4,243	5,534	5,590	5,951
Other	952	759	1,268	1,424	1,401
Total	16,531	17,677	19,727	20,452	21,080
Online Advertising & Media					
Online Advertising	6,806	6,983	7,373	7,160	6,818
Internet Media	3,633	3,400	3,379	3,056	3,160
Internet Research & Other	695	798	819	785	736
Total	11,134	11,182	11,572	11,001	10,715
Internet Finance					
Total	6,036	6,771	5,578	6,869	6,847
Mobile Entertainment					
Total	472	403	299	232	204
Incubation					
Total	210	205	70	253	337
Sub total	34,385	36,240	37,249	38,810	39,185
Other	51	59	52	919	52
Adjustment	-1,260	-1,158	-1,260	-1,430	-1,169
Net Sales	33,176	35,142	36,040	38,299	38,068

II Operating Profit by Segment

	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Internet Infrastructure	1,962	1,650	2,151	1,800	2,023
Online Advertising & Media	417	208	255	195	286
Internet Finance	1,975	2,238	1,221	2,275	2,102
Mobile Entertainment	-79	-125	-81	-121	-110
Incubation	3	52	-5	102	188
Sub total	4,279	4,024	3,541	4,252	4,490
Other	-15	-37	-24	-309	-14
Adjustment	27	48	20	16	16

Operating Profit	4,291	4,035	3,537	3,960	4,492
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(Reference3)

Description of businesses in each segment

Business Segment		Main Operations
Internet Infrastructure	Domain	<ul style="list-style-type: none"> • Domain registry services: “.shop” “.tokyo” • Domain registrations services: Onamae.com, MuuMuu Domain, VALUE-DOMAIN
	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, Z.com Cloud, GMO Cloud VPS, GMO Cloud Altus, GMO Cloud Private, KaKing, LOLIPOP, heteml, and 30days Album
	Ecommerce Solutions	<ul style="list-style-type: none"> • SaaS based services for online store building including Color me shop!, MakeShop. • Operation of online shopping mall Calamel • Operation of handmade marketplace, minne, tetote • Operation of ecommerce/O2O support services etc. • Web design, operational support and system consulting etc.
	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, comprehensive payment processing services for the public sector, and finance-related service including early payment service, transaction lending, GMO payment after delivery
	Provider	<ul style="list-style-type: none"> • GMO TokuToku BB, interQ MEMBERS, ZERO, other Internet provider services.
Online Advertising & Media	Online Advertising	<ul style="list-style-type: none"> • Listing and mobile 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 and pointtown, 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 Finance	Internet Finance	<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

As of September 30, 2017, total assets increased ¥72,016 million (12.2%) from December 31, 2016 to ¥660,835 million. Major factors included an increase of ¥49,118 million (12.1%) in various assets due to fluctuations in customer assets in the Finance segment (deposits, margin transaction assets, short-term guarantee deposits, and variation margin paid) and an increase of ¥3,406 million (3.8%) in cash and deposits.

Liabilities

As of September 30, 2017, liabilities increased ¥68,877 million (13.2%) from December 31, 2016 to ¥591,516 million. Major factors included an increase of ¥45,990 million (12.7%) in various liabilities due to fluctuations in customer assets in the Finance segment (deposits received, margin transaction liability, guarantees received, variation margin received, and debt secured by securities) and an increase of ¥18,894 million (26.4%) in interest-bearing debt.

Net Assets

As of September 30, 2017, net assets increased ¥3,139 million (4.7%) from December 31, 2016 to ¥69,318 million. Major factors included an increase of ¥1,182 million in treasury stock as a result of acquisition of treasury stock, an increase of ¥1,826 million (5.5%) in earnings surplus (consisting mainly of an increase from recording profit attributable to owners of the parent totaling ¥3,784 million and a decrease from dividend payments of ¥1,971 million), and an increase of ¥2,589 million (9.7%) in non-controlling minority equity as a result of growth of consolidated subsidiaries.

Cash Flow

As of September 30, 2017, cash and equivalents decreased ¥956 million (1.1%) from December 31, 2016 to ¥91,083 million. The following is a summary of cash flow activity in the third quarter.

Cash Flow from Operating Activities

Outflow from operating activities was ¥1,763 million (¥9,475 million of outflow in the previous corresponding term). Major components of inflow included net profit before adjustment for tax, etc. (¥11,096 million) and depreciation (¥3,709 million). Major components of outflow included an increase in various assets due to increased customer assets in the Internet Finance segment (¥3,127 million), payment of corporate tax, etc. (¥2,745 million), and a decrease in trade payables (¥8,203 million).

Cash Flow from Investing Activities

Outflow from investing activities totaled ¥11,458 million (¥9,276 million of outflow in the previous corresponding term). Major components of outflow included placement of fixed term deposits (¥3,949 million), acquisition of intangible fixed assets including software license renewal (¥7,361 million), and acquisition of server and other tangible fixed assets (¥1,368 million), and due to the inflow of ¥1,601 million in cash inflows through the payment of time deposits

Cash Flow from Financing Activities

Outflow from financing activities totaled ¥13,929 million (¥39,263 million of inflow in the previous corresponding term). Major components include outflow from dividend payments (¥1,971 million), and inflow from net increase in interest-bearing debt (¥18,864 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 2016 Consolidated Results Statement on February 6, 2017).

2. Summary of Information Related to Notes

(1) Changes to significant subsidiaries in the current term

Shift-One Inc. became a consolidated subsidiary from the third quarter of FY2017 as a result of acquisition of additional shares.

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

None

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

None

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2016)	3rd Quarter Current Fiscal Year (As of Sep 30, 2017)
Assets		
Current Assets		
Cash and deposits	90,282	93,688
Trade notes and accounts receivable	15,947	16,333
Operational investment securities	3,551	3,766
Securities segment deposits	256,481	279,408
Securities segment margin transaction assets	84,439	104,725
Securities segment short term guarantee deposits	41,264	44,285
Securities segment variation margin paid	24,502	27,387
Deferred tax asset	1,564	2,810
Other	37,034	50,975
Provision for doubtful debts	-1,164	-2,904
Total Current Assets	553,903	620,477
Fixed Assets		
Tangible fixed assets	7,630	7,827
Intangible fixed assets		
Goodwill	3,857	2,849
Software	4,327	4,965
Other	7,438	13,071
Total intangible fixed assets	15,623	20,885
Investments and other assets		
Investment securities	7,832	7,720
Deferred tax asset	1,175	920
Other	2,995	3,367
Provision for doubtful debts	-341	-363
Total investments and other assets	11,661	11,644
Total Fixed Assets	34,915	40,358
Total Assets	588,819	660,835

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2016)	3rd Quarter Current Fiscal Year (As of Sep 30, 2017)
Liabilities		
Current Liabilities		
Trade notes and accounts payable	7,822	7,505
Short term debt	62,764	74,773
Amount payable	21,251	20,838
Securities segment deposits received	39,859	44,031
Securities segment margin transaction liability	47,583	54,296
Securities segment guarantees received	267,796	288,056
Securities segment variation margin received	4,105	3,528
Securities segment loans payable secured by securities	2,134	17,557
Accrued corporate tax etc.	1,666	4,306
Allowance for bonuses	931	935
Allowance for bonuses to directors	74	56
Advance payment received	6,315	6,923
Deposits received	37,407	38,369
Other	7,115	7,909
Total Current Liabilities	506,828	569,090
Fixed Liabilities		
Long term debt	8,748	15,633
Deferred tax liability	102	401
Other	4,797	4,437
Total Fixed Liabilities	13,647	20,472
Statutory Reserve		
Financial instruments transaction liability reserve	2,162	1,954
Total Statutory Reserve	2,162	1,954
Total Liabilities	522,639	591,516
Net Assets		
Shareholders' Equity		
Capital stock	5,000	5,000
Capital surplus	544	564
Earned surplus	33,328	35,155
Treasury stock	-2	-1,185
Total Shareholders' Equity	38,870	39,535
Other Comprehensive Income		
Other securities valuation differences	299	249
Hedging profit/loss carried forward	65	2
Foreign currency translation account	291	297
Total Other Comprehensive Income	656	548
Equity Warrants	80	73
Non-controlling Minority Equity	26,571	29,161
Total Net Assets	66,179	69,318
Liabilities, Net Assets Total	588,819	660,835

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

Quarterly Consolidated Statement of Income
3rd Quarter

(Unit: ¥millions)

	3rd Quarter Previous Fiscal Year (9 months to Sep, 2016)	3rd Quarter Current Fiscal Year (9 months to Sep, 2017)
Net Sales	99,884	112,409
Cost of Sales	49,232	57,810
Gross Profit on Sales	50,651	54,599
Sales, General & Administrative Expenses	37,670	42,609
Operating Profit	12,981	11,989
Non Operating Revenue		
Dividends received	60	63
Other	204	267
Total Non Operating Revenue	265	331
Non Operating Expenses		
Interest paid	88	119
Commissions paid	106	30
Equity method investment losses	24	291
Loss on currency translation	342	-
Other	104	111
Total Non Operating Expenses	664	553
Ordinary Profit	12,581	11,768
Extraordinary Profit		
Gain on sale of stock in affiliates	105	-
Gains on step acquisitions	395	-
Insurance Income	-	170
Reversal of reserve for securities transaction liability	115	208
Other	203	18
Total Extraordinary Profit	819	396
Extraordinary Loss		
Impairment loss	240	246
Information security expenses	-	255
Loss on change in equity	-	186
Other	53	380
Total Extraordinary Loss	294	1,068
Net Profit before Adjustment for Tax etc.	13,107	11,096
Corporate, Municipal and Enterprise Taxes	4,757	5,604
Corporate Tax etc. Adjustment	14	-965
Total Corporate Taxes etc.	4,772	4,638
Net Profit	8,334	6,458
Profit attributable to Non-controlling Interests	2,383	2,673
Profit attributable to Owners of the Parent	5,950	3,784

Quarterly Consolidated Statement of Comprehensive Income

(Unit: ¥millions)

	3rd Quarter Previous Fiscal Year (9 months to Sep, 2016)	3rd Quarter Current Fiscal Year (9 months to Sep, 2017)
Net Profit	8,334	6,458
Other Comprehensive Income		
Other securities valuation differences	-390	-121
Hedging profit/loss carried forward	-73	-62
Currency translation adjustment account	-926	-29
Share of other comprehensive income of associates accounted for using equity method	-	222
Total other comprehensive income	-1,390	8
Comprehensive Income	6,943	6,467
(Breakdown)		
Comprehensive income attributable to owners of the parent	5,271	3,676
Comprehensive income attributable to non-controlling interests	1,672	2,790

(3) Consolidated Statement of Cash Flows

(Unit: ¥millions)

	3rd Quarter Previous Fiscal Year (9 months to Sep, 2016)	3rd Quarter Current Fiscal Year (9 months to Sep, 2017)
Cash Flow from Operating Activities		
Net profit before adjustment for tax etc.	13,107	11,096
Depreciation expenses	3,192	3,709
Impairment loss	240	246
Amortization of goodwill	584	612
Gain and loss on change in equity (-represents income)	-	186
Interest paid	88	119
Gain on sale of stock in affiliates (-represents increase)	-105	-
Insurance income	-	-170
Information security countermeasure cost	-	255
Change in accounts receivable (-represents increase)	-33	250
Change in provision for doubtful debts(- represents decrease)	25	1,761
Change in purchase debts (- represents decrease)	-3,227	-8,203
Change in amount payable (- represents decrease)	-1,305	-267
Change in deposits received (- represents decrease)	-2,554	960
Change in deposits in securities segment (- represents increase)	21,303	-22,927
Change in short term guarantee deposits in securities segment (-represents increase)	3,033	-3,020
Change in margin variation paid and received in securities segment	-9,060	-3,461
Changes in deposits and guarantees received in securities segment (- represents decrease)	-13,891	24,431
Changes in margin trading assets and liabilities	-8,015	-13,572
Changes in loans payable secured in securities segment(- represents decrease)	-	15,422
Other	-4,855	-5,993
Sub total	-1,475	1,436
Interest and dividends received	95	93
Interest paid	-339	-347
Payment on information security countermeasure	-	-200
Corporate tax etc. paid	-7,755	-2,745
Cash Flow from Operating Activities	-9,475	-1,763
Cash Flow from Investing Activities		
Expenditure on payment of fixed term deposit	-0	-3,949
Return of fixed term deposit	900	1,601
Expenditure on acquisition of tangible fixed assets	-1,111	-1,368
Expenditure on acquisition of intangible fixed assets	-6,566	-7,361
Expenditure on acquisition of investment securities	-3,619	-414
Income accrued on the sale of investment securities	202	15
Expenditure on the acquisition of subsidiary stock resulting in change in scope of consolidation	-1,191	-24
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	1,074	20
Income from the sale of subsidiary stock resulting in change in scope of consolidation	804	-
Other	231	22
Cash Flow from Investing Activities	-9,276	-11,458

(Unit: ¥millions)

	3rd Quarter Previous Fiscal Year (9 months to Sep, 2016)	3rd Quarter Current Fiscal Year (9 months to Sep, 2017)
Cash Flow from Financing Activities		
Net increase or decrease in short term loans (- represents decrease)	40,100	12,750
Income accrued on long term loans	8,500	9,083
Expenditure on repayment of long term loans	-505	-2,969
Redemption of bonds	-2,600	-
Gain on sale and leasebacks	1,850	-
Repayment of finance lease and installment obligations	-1,424	-1,363
Payment received from partners in investment funds	880	375
Expenditure on repayment to investment funds	-21	-202
Revenue accrued from non-controlling interests	235	169
Acquisition of treasury stock	-2,236	-1,182
Payment of dividends	-3,518	-1,971
Payment of dividends to non-controlling interests	-659	-747
Expenditure on acquisition of subsidiary stock without change In scope of consolidation	-1,119	-17
Other	-219	5
Cash Flow from Financing Activities	39,263	13,929
Currency Translation Adjustment on Cash and Equivalents	-946	249
Change in Cash and Equivalents (- represents decrease)	19,564	956
Balance of Cash and Equivalents at Beginning of Term	74,929	90,125
Increase in Cash and Equivalents following Increase in Consolidation	-	1
Balance of Cash and Equivalents at End of Term	94,493	91,083

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

Notes regarding significant changes impacting shareholders' equity
 Acquisition and retirement of treasury stock

Following a Board of Directors decision on February 6, 2017, GMO Internet acquired 863,100 treasury shares at a total cost of ¥1,182 million between August 10 and September 8, 2017.

As a result, treasury stock increased by ¥1,182 million to ¥1,185 million as of September 30, 2017.

Segment Information

I 3rd Quarter of Previous Fiscal Year (01.01.2016-09.30.2016)

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 Finance	Mobile Entertainment	Incubation	Total			
Net Sales									
Sales to unaffiliated customers	47,223	30,039	20,577	1,665	243	99,748	135	—	99,884
Internal transactions	514	2,963	0	69	—	3,548	—	-3,548	—
Total	47,737	33,003	20,578	1,734	243	103,297	135	-3,548	99,884
Segment Profit/Loss	4,948	1,084	7,372	-371	-82	12,951	-69	99	12,981

*Notes

- "Other" represents culture incubation and other businesses not included in reportable segments.
- The segment profit or loss adjustment (¥99 million) is an elimination of inter-segment transactions.
- Segment profit is based on the Operating Profit (or Loss) line item in the Quarterly 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. Information relating to impairment loss on fixed assets or goodwill by reportable segment (Significant impairment loss on fixed assets)

The Mobile Entertainment segment recorded impairment loss on fixed assets of ¥188 million for the nine months ended September 30, 2016.

Significant change in goodwill

In the Internet Infrastructure segment, goodwill increased ¥2,584 million as a result of inclusion of 22 companies including MACRO KIOSK Berhad in the scope of consolidation following the acquisition of their shares. The amount of goodwill is a preliminary amount as the allocation of acquisition cost has not been completed. Also, goodwill decreased by ¥701 million as a result of excluding GMO GlobalSign Oy from the scope of consolidation following the sale of its shares.

II 3rd Quarter of Current Fiscal Year (01.01.2017-09.30.2017)

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 Finance	Mobile Entertainment	Incubation	Total			
Net Sales									
Sales to unaffiliated customers	60,787	30,011	19,294	706	661	111,462	946	–	112,409
Internal transactions	472	3,278	1	29	–	3,782	77	-3,860	–
Total	61,260	33,290	19,296	736	661	115,245	1,024	-3,860	112,409
Segment Profit/Loss	5,975	736	5,600	-312	285	12,284	-348	53	11,989

*Notes

- i. "Other" represents culture incubation and other businesses not included in reportable segments.
- ii. The segment profit or loss adjustment (¥53 million) is an elimination of inter-segment transactions.
- iii. Segment profit is based on the Operating Profit (or Loss) line item in the Quarterly Consolidated Statement of Income.
- iv. Effective January 1, 2017, the segment name of "Internet Securities" was changed to "Internet Finance." This modification does not have a material impact on operating profit of the segment. The segment information for the third quarter of the previous fiscal year is presented with the new reportable segment name.

2. Information relating to impairment loss on fixed assets or goodwill by reportable segment
(Significant impairment loss on fixed assets)

The Mobile Entertainment segment recorded impairment loss on fixed assets of ¥192 million for the nine months ended September 30, 2017.

(Significant post balance sheet events)

(Retirement of treasury stock)

Following the resolution at the Board of Directors meeting held on October 23, 2017, based on the articles of incorporations pursuant to Article 178 of the Companies Act, the Company canceled treasury stock as described below.

- (1) Reason for retirement of treasury stock: To enhance shareholder returns and improve capital efficiency
- (2) Type of shares subject to be retired: GMO Internet common shares
- (3) Total number of shares to be retired: 847,790 shares (0.73% of total number of shares issued and outstanding before the retirement)
- (4) Date of retirement: October 30, 2017
- (5) Total number of shares issued and outstanding after the retirement: 115,096,887 shares