

Fiscal Year 2021 First Quarter Consolidated Financial Results (Japanese GAAP)

May 12, 2021

Name of Listed Company: GMO Internet, Inc.

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

Representative: Masatoshi Kumagai, CEO, Chairman of the Board and President, Founder and Group CEO

Official Contact: Masashi Yasuda, Deputy CEO Contact Number: +81-3-5456-2555

Date of Quarterly Report Release: May 14, 2021 Start Date of Dividend Payout: June 21, 2021

Supplementary documents available pertaining to quarterly financial results: Yes

Quarterly results briefing: Yes (live stream only and Q&A session for institutional investors)

(all amounts rounded down to the nearest million yen)

1. First Quarter Financial Results in the Year Ending December 2021 (01.01.2021- 03.31.2021)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of the Parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Three months ended								
March 31, 2021	61,246	14.1	12,479	50.7	13,543	68.1	5,656	150.7
March 31, 2020	53,699	14.6	8,283	65.7	8,056	64.9	2,256	11.4

(Note) Comprehensive Income: March 31, 2021: 12,988 million (374.1%), March 31, 2020: 2,739 million (-36.0%)

	Net Profit per Share	Net Profit per Share (Diluted)
	¥	¥
Three months ended		
March 31, 2021	51.77	51.44
March 31, 2020	19.92	19.63

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio
	¥ millions	¥ millions	%
As of			
March 31, 2021	1,170,590	120,876	5.3
December 31, 2020	1,070,544	100,114	4.8

(Reference) Shareholders' Equity: March 31, 2021: ¥62,546 million; December 31, 2020: ¥50,905 million

2. Dividends

	Annual Dividends				
	End of Q1	End of Q2	End of Q3	End of Term	Total
	¥	¥	¥	¥	¥
Year Ended 12/2020	6.60	6.20	7.40	10.60	30.80
Year Ending 12/2021	17.10				
Year Ending 12/2021 (forecast)		—	—	—	—

3. Consolidated Results Forecast for the Year Ending December 31, 2021 (01.01.2021 – 12.31.2021)

As the Group's business "Internet Finance business," "Cryptoassets business" and "Incubation business" are affected by economic conditions, financial markets, cryptoassets and other market conditions, it is difficult to forecast business performance, and therefore we do not disclose consolidated business results and dividend forecast. GMO Financial Holdings, Inc., our subsidiary, discloses sales indicators, such as foreign exchange transaction volume, stock brokerage trading value, CFD trading value, cryptoasset trading value and the number of customer account, and operating revenue on a monthly basis.

*Notes

(1) Changes to significant subsidiaries in the current term: No

(2) Special accounting treatments used in preparation of the quarterly consolidated 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) Number of Outstanding Shares (Common Shares)

(Unit: shares)

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

Q1 FYE 12/2021	111,893,046	FYE 12/2020	113,242,987
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2. Treasury shares at period end

Q1 FYE 12/2021	2,641,014	FYE 12/2020	3,990,955
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3. Average number of shares during the period

Q1 FYE 12/2021	109,252,032	Q1 FYE 12/2020	113,241,107
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*Quarterly financial results are not subject to quarterly review by independent auditors.

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

Although the Company aims to pay dividends quarterly with a payout ratio of 33% to net income attributable to owners of the parent, because it is difficult to forecast business performance, the amount of dividend forecast is yet to be determined at this time. We will promptly disclose dividend forecast when it becomes available.

On May 12, 2021, we plan to stream a financial results briefing live. The presentation and explanation (voice) along with explanatory materials used on the day will be posted on our company website (<https://ir.gmo.jp/en/>) promptly after the meeting.

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1. Qualitative Information Related to Financial Results

(1) Operating results

◆ Overview of the Financial Results for the Three Months Ended March 31, 2021

(Unit: ¥millions)

	Previous Q1	Current Q1	Change	% Change
Net Sales	53,699	61,246	7,546	14.1%
Operating Profit	8,283	12,479	4,196	50.7%
Ordinary Profit	8,056	13,543	5,487	68.1%
Profit Attributable to Owners of the Parent	2,256	5,656	3,400	150.7%

Under the corporate slogan “Internet for Everyone” GMO Internet Group has consistently focused resources on the service to provide internet and service infrastructure since its foundation in 1995. With the increased usage of the Internet, the volume of information available on the Internet and the volume of transactions conducted over the Internet have increased exponentially, which has opened new business opportunities for the Group one after another, and as a result, the Group reported increases both in net sales and profit for the year ended December 31, 2020, marking its 12th straight yearly increase.

While the spread of COVID-19 has led to increased economic uncertainty in Japan, there is an increasing need for services provided by the Group with the progress of Digital Transformation (DX) and the spread of stay-at-home and online consumption.

Amidst such a business environment, (1) the Internet Infrastructure segment, comprising multiple No. 1 products, reported record high quarterly sales supported by strong performance mainly in Payment and Ecommerce solutions partly due to the spread of online consumption. (2) In the Online Advertising & Media segment, the Online Advertising segment showed strong growth by taking on advertising demand at year-end. (3) The Internet Finance segment reported quarterly sales as high as FY2020 Q1 which posted strong results due to market fluctuation, with solid performance in FX and CFD. (4) In the Cryptoassets segment, the Cryptoassets exchange business showed favorable growth in transaction volume, and the Cryptoassets mining business achieved record high quarterly sales exceeding the previous record by a wide margin due to an increased mining profitability.

As a result, for the three months ended March 31, 2021, the Company recorded net sales of ¥61,246 million (up 14.1% year-on-year), operating profit of ¥12,479 million (up 50.7% year-on-year), ordinary profit of ¥13,543 million (up 68.1% year-on-year) and net profit attributable to owners of the parent of ¥5,656 million (up 150.7% year-on-year), all achieving quarterly record highs.

Net Sales and Operating Profit by Segment for the Three Months Ended March 31, 2021

(Unit: ¥millions)

	Previous Q1	Current Q1	Change	% Change
Internet Infrastructure				
Net Sales	31,313	33,912	2,598	8.3%
Operating Profit	3,871	4,744	872	22.5%
Online Advertising & Media				
Net Sales	12,331	13,672	1,340	10.9%
Operating Profit	176	642	465	264.0%
Internet Finance				
Net Sales	9,156	8,231	-925	-10.1%
Operating Profit	3,395	3,101	-294	-8.7%
Cryptoassets				
Net Sales	1,435	6,858	5,422	377.8%
Operating Profit	426	4,022	3,595	843.7%
Incubation				
Net Sales	739	222	-517	-69.9%
Operating Profit	448	74	-374	-83.4%
Other				
Net Sales	289	318	29	10.1%
Operating Profit	-85	-80	4	—
Adjustment				
Net Sales	-1,566	-1,968	-402	—
Operating Profit	49	-25	-74	—
Total				
Net Sales	53,699	61,246	7,546	14.1%
Operating Profit	8,283	12,479	4,196	50.7%

1) Internet Infrastructure

The Internet Infrastructure segment provides basic and service infrastructure for customers operating business in an online environment. Domain, hosting & cloud, ecommerce solutions, payment and digital certificate - the five major businesses in this segment – are all developed and offered in-house and each holds 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.

Effective January 1, 2021, in light of the future business development of our trust service using authentication technologies, mainly digital certificate and electronic seal, we changed the name of a sub-segment and restructured segmentation, namely, “Security” was changed to “Digital certificate and eSignature,” and *e-contract service GMO Sign* previously included in “Hosting & cloud” was transferred to that sub-segment.

i. Domain

Positioned as a gateway to the Group’s infrastructure segment, the domain business has continued to actively grow customer base with a low-pricing strategy mainly through the Company and GMO Pepabo. The number of domain registration and renewals during the three months ended March 31, 2021 was 1.39 million (down 2.0% year-on-year), and total number of domains under management as of March 31, 2021 was 6.54 million (down 6.6% year-on-year). However, net sales were ¥2,469 million (up 3.1% year-on-year) due to increased option sales.

ii. Hosting & cloud

The hosting & cloud business responds to growing diversification of client needs through shared, dedicated, VPS and cloud-based offerings under a multi-brand strategy mainly through the Company, GMO GlobalSign Holdings and GMO Pepabo. Thanks to the favorable growth of retail service, the number of web hosting contracts as of March 31, 2021 was 995 thousand (up 11.2% year-on-year) and net sales were ¥3,909 million (up 4.5% year-on-year).

iii. Ecommerce solutions

Ecommerce solutions comprises EC platforms that provide platforms for online stores, *minne*, a C2C handmade market, *SUZURI*, an original merchandise production/sales service, and O2O support service. All services showed strong performance partly due to the spread of stay-at-home and online consumption driven by the COVID-19 pandemic. EC platform showed strong growth, with the number of paid stores as of March 31, 2021 of 64 thousand (up 1.2% year-on-year) and total transaction volume of ¥113.6 billion (up 40.4% year-on-year). For *minne*, the total transaction volume increased by 17.1% year-on-year to ¥3.9 billion partly thanks to a new life support campaign targeting those, for example, entering school. *SUZURI* showed strong growth in the total transaction volume thanks to efforts including continued introduction of new items and s spring sale. As a result, net sales were ¥4,032 million (up 24.1% year-on-year).

iv. Digital certificate and eSignature

This business offers services including SSL server certificates and *e-contract service GMO Sign* mainly through GMO GlobalSign Holdings. SSL server certificate service showed solid growth despite an impact from the shortening of certificate lifespan from two years to one year for the purpose of improving security. *E-contract service GMO Sign*, positioned as the Group’s strategic product, steadily expanded its customer base and increased the number of transmission. As a result, this sub-segment reported net sales of ¥1,695 million (up 2.9% year-on-year).

v. Payment

Payment services are mainly operated by GMO Payment Gateway and offer comprehensive payment-related service and finance-related services. The payment-related service showed favorable growth due to solid growth of online/recurring payments in the Ecommerce market as well as an increase in the number of stores using a next-generation payment platform “*stera*” terminal in the face-to-face payments. In finance-related services, a deferred payment service “GMO Payment After Delivery” showed favorable growth. As a result, the number of transactions and the transaction volume increased, and net sales increased to ¥10,239 million (up 10.1% year-on-year).

vi. Provider

In this sub-segment, the Company offers Internet provider services for consumers. Due to strong growth in the fixed line service, the number of subscriptions at March 31, 2021 was 2.20 million (up 13.3% year-on-year) and net sales amounted to ¥10,728 million (up 16.0% year-on-year).

Overall, the Internet Infrastructure segment recorded net sales of ¥33,912 million (up 8.3% year-on-year) and operating profit of ¥4,744 million (up 22.5% year-on-year), hitting a quarterly record high.

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 mainly through GMO AD Partners and GMO TECH. In the advertising agency service, transactions with customers in certain industries and business type continued to grow steadily thanks to an increase in advertising demand at year-end. For in-house ad network products such as *AkaNe*, an ad network for smartphones, and *ReeMo*, an ad distribution platform (DSP) specialized in collecting users most likely to be interested in the contents, the traffic volume and advertising revenue increased due to increased internet usage. As a result, net sales amounted to ¥9,688 million (up 12.8% year-on-year).

ii. Internet media

This sub-segment provides advertising space through operation of our own media and the marketing support services mainly through GMO Media. Advertising revenue showed steady growth with a recovery in advertisement unit price due to an increase in advertising demand at year-end. As a result, net sales were ¥3,026 million (up 6.5% year-on-year).

Overall, the Online Advertising & Media segment recorded net sales of ¥13,672 million (up 10.9% year-on-year), and operating profit of ¥642 million (up 264.0% year-on-year). Focus in this segment remains on developing and sales of new proprietary products meeting market needs.

3) Internet Finance

The Internet Finance segment provides online financial services for retail investors mainly through GMO Click Securities, a consolidated subsidiary of GMO Financial Holdings. The customer base continued to expand, with the number of OTC FX accounts increasing to 919 thousand (up 5.4% year-on-year) and the number of securities accounts increasing to 463 thousand (up 7.8% year-on-year). The OTC FX posted solid results although both transaction volume and revenue declined from Q1 of FY2020 which posted strong results due to market fluctuation. CFD showed strong growth both in trading value and revenue. The expansion of the securities business in Thailand also contributed to the revenue growth.

Overall, the Internet Finance segment recorded net sales of ¥8,231 million (down 10.1% year-on-year) and operating profit of ¥3,101 million (down 8.7% year-on-year).

4) Cryptoassets

The Cryptoassets segment operates businesses pertaining to “mining” and “exchange” of cryptoassets. Performance of each business is as follows.

i. Cryptoassets mining

The Cryptoassets mining business runs mining centers. While the Company's hash rates remained the same level as December 2020, profitability increased due to a rise in the bitcoin price, and therefore net sales amounted to ¥1,383 million (up 515.3% year-on-year).

ii. Cryptoassets exchange

This sub-segment is engaged primarily in spot trading and leveraged transactions of cryptoassets mainly through GMO Coin, a consolidated subsidiary of GMO Financial Holdings. The customer base expanded with the number of customer accounts as of March 31, 2021 increasing to 374 thousand (up 20.2% year-on-year). The transaction volume significantly increased, over four times year-on-year, due to high volatility triggered by a rise in the price of cryptoassets, and net sales increased to ¥5,474 million (up 352.2% year-on-year).

Overall, the Cryptoassets segment recorded net sales of ¥6,858 million (up 377.8% year-on-year) and operating profit of ¥4,022 million (up 843.7% year-on-year), exceeding the previous quarterly record profit by a wide margin.

5) Incubation

This segment is engaged in investing in domestic and overseas internet related companies aimed at capital gains, supporting business expansion, and supporting corporate value improvement mainly through GMO Venture Partners. Net sales were ¥222 million (down 69.9% year-on-year), and operating profit was ¥74 million (down 83.4% year-on-year) due to sales of shareholdings.

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

(Unit: ¥millions)

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Net sales	53,699	52,800	50,810	53,248	61,246
Operating profit	8,283	8,137	6,097	5,374	12,479
Ordinary profit	8,056	7,963	5,883	5,233	13,543
Profit attributable to owners of the parent	2,256	1,925	2,560	3,542	5,656
Total assets	902,495	941,795	978,555	1,070,544	1,170,590
Shareholders' equity	54,309	46,516	48,185	50,905	62,546

(Reference2)

Table: Quarterly Results by Segment

I Net Sales by Segment

(Unit: ¥millions)

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Internet Infrastructure					
Provider (ISP)	9,248	10,524	10,892	11,043	10,728
Domain	2,394	2,427	2,375	2,345	2,469
Hosting & cloud	3,740	3,726	3,810	3,881	3,909
Ecommerce solutions	3,250	3,687	3,956	3,973	4,032
Digital certificate and eSignature	1,647	1,651	1,574	1,486	1,695
Payment	9,303	9,471	8,896	9,740	10,239
Other	1,729	2,093	1,308	1,091	838
Total	31,313	33,582	32,815	33,562	33,912
Online Advertising & Media					
Online advertising	8,587	7,799	8,165	8,636	9,688
Internet media	2,840	2,248	2,437	2,783	3,026
Internet research & other	903	694	781	983	957
Total	12,331	10,742	11,385	12,403	13,672
Internet Finance					
Total	9,156	9,067	6,540	6,087	8,231
Cryptoassets					
Cryptoassets exchange	1,210	629	1,402	2,150	5,474
Cryptoassets mining	224	220	263	629	1,383
Total	1,435	849	1,666	2,779	6,858
Incubation					
Total	739	233	28	—	222
Sub total	54,976	54,475	52,435	54,833	62,896
Other	289	255	244	298	318
Adjustment	-1,566	-1,930	-1,869	-1,883	-1,968
Net Sales	53,699	52,800	50,810	53,248	61,246

II Operating Profit by Segment

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Internet Infrastructure	3,871	4,674	4,017	3,723	4,744
Online Advertising & Media	176	-53	43	255	642
Internet Finance	3,395	3,813	1,776	1,631	3,101
Cryptoassets	426	-260	384	219	4,022
Incubation	448	15	-59	-302	74
Sub total	8,319	8,189	6,162	5,527	12,585
Other	-85	-59	-65	-150	-80
Adjustment	49	8	0	-2	-25
Operating Profit	8,283	8,137	6,097	5,374	12,479

(Reference3)

Description of businesses in each segment

Business Segment		Main Operations
Internet Infrastructure	Domain	<ul style="list-style-type: none"> • Domain registry services including “shop” and “tokyo” • Domain registrations services: Onamae.com, MuuMuu Domain, and VALUE-DOMAIN
	Hosting & cloud	<ul style="list-style-type: none"> • Provision, operation, management, and maintenance of shared, VPS, dedicated and cloud-based web hosting services including Onamae.com Rental Server, ConoHa by GMO, Z. com Cloud, GMO Cloud VPS, GMO Cloud ALTUS, GMO Cloud Private, Lolipop!, heteml, and 30days Album
	Ecommerce solutions	<ul style="list-style-type: none"> • SaaS based services for online store building including Color me shop and MakeShop. • Operation of C2C handmade marketplace “minne” • Operation of production/sales service of original merchandise including SUZURI and canvath • Operation of ecommerce/O2O support services, etc. • Web design, operational support and system consulting, etc.
	Digital certificate and eSignature	<ul style="list-style-type: none"> • DomainSSL, OrganizationSSL, and other SSL certificates, code signing certificates, PDF document signing, client certificates and other digital certificate services • e-contract service GMO Sign
	Payment	<ul style="list-style-type: none"> • PG Multi-Payment Service for mail order and ecommerce business, comprehensive payment processing services for public sector, and finance-related service including early payment service, transaction lending, and GMO payment after delivery
	Provider	<ul style="list-style-type: none"> • GMO TokuToku BB and other Internet provider services.
Online Advertising & Media	Online advertising	<ul style="list-style-type: none"> • Comprehensive online advertising service including listing, mobile and ad networks, reward advertising, affiliate advertising. • Advertising planning and production
	Internet media	<ul style="list-style-type: none"> • Operation of online media such as community site for teenage girls “prican,” programming educational portal “coeteko,” point site “Point Town,” game platform “gesoten,” joint purchase coupon site “Kumapon” and aesthetic medical ticket purchase site “KIREIPASS” and ad distribution to own media • SEM Media: Sales of SEO.
	Internet research & other	<ul style="list-style-type: none"> • Provision of Internet research systems, management and operation of online research panel including GMO Research Cloud Panel
Internet Finance	Internet finance	<ul style="list-style-type: none"> • Operation of online securities trading, FX trading, CFD trading, etc.
Cryptoassets	Cryptoassets exchange	<ul style="list-style-type: none"> • Spot trading and leveraged transactions of cryptoassets, etc.
	Cryptoassets mining	<ul style="list-style-type: none"> • Operation of mining centers
Incubation	Venture capital	<ul style="list-style-type: none"> • Investment in private Internet startups

(2) Consolidated Financial Condition
Assets, Liabilities and Net Assets

Assets

As of March 31, 2021, total assets increased ¥100,046 million (9.3%) from December 31, 2020 to ¥1,170,590 million. Major factors included an increase of ¥55,574 million (128.0%) in cryptoassets under custody and an increase of ¥35,044 million (5.9%) in various assets due to fluctuations in customer assets in the Securities segment (deposits, margin transaction assets, loan secured by securities, short-term guarantee deposits and variation margin paid).

Liabilities

As of March 31, 2021, liabilities increased ¥79,284 million (8.2%) from December 31, 2020 to ¥1,049,714 million. Major factors included an increase of ¥55,574 million (128.0%) in deposits received for cryptoassets and an increase of ¥19,198 million (3.8%) in various liabilities due to fluctuations in customer assets in the Securities segment (deposits received, margin transaction liability, guarantees received, variation margin received, and loans payable secured by securities).

Net Assets

As of March 31, 2021, net assets increased ¥20,762 million (20.7%) from December 31, 2020 to ¥120,876 million. Major factors included an increase of ¥1,330 million (4.9%) in earned surplus (consisting of an increase from recording profit attributable to owners of the parent totaling ¥5,656 million, a decrease from dividend payments of ¥1,158 million and a decrease from retirement of treasury stock of ¥3,168 million), an increase of ¥3,415 million (12.4%) in capital surplus associated with a change in ownership ratio resulting from conversion of convertible bonds with equity warrants at our consolidated subsidiary GMO Payment Gateway, an increase of ¥9,127 million (18.6%) in non-controlling interests, an increase of ¥3,168 million due to retirement of treasury stock and an increase of ¥2,855 million (241.0%) in other securities valuation differences.

Cash Flow

The disclosure is omitted as quarterly consolidated statement of cash flows for the three months ended March 31, 2021 is not prepared.

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

For the fiscal year ending December 31, 2021, the Group plans to increase both net sales and profits, mainly in Internet Infrastructure segment. Meanwhile, there are certain factors that cannot be reasonably predicted at this point, including: (1) fluctuation of cryptoasset prices and global hash rate trends in Cryptoassets business, (2) potential impact of economic situations and market conditions in Internet Finance segment, and (3) when and how much capital gains will be realized in Incubation segment. Accordingly, we do not disclose the consolidated results forecast for the fiscal year ending December 31, 2021.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2020)	1st Quarter Current Fiscal Year (As of Mar 31, 2021)
Assets		
Current Assets		
Cash and deposits	220,745	224,757
Trade notes and accounts receivable	24,955	26,221
Operational investment securities	7,617	8,253
Cryptoassets under custody	43,421	98,996
Securities segment deposits	372,163	390,223
Securities segment margin transaction assets	100,723	118,489
Securities segment loan secured by securities	9,703	14,239
Securities segment short term guarantee deposits	61,762	58,067
Securities segment variation margin paid	50,121	48,497
Other	117,392	115,273
Provision for doubtful debts	-3,380	-3,358
Total Current Assets	1,005,226	1,099,662
Fixed Assets		
Tangible fixed assets	14,488	15,006
Intangible fixed assets		
Goodwill	657	635
Software	7,924	8,170
Other	6,418	6,580
Total intangible fixed assets	14,999	15,386
Investments and other assets		
Investment securities	18,838	26,581
Deferred tax asset	5,808	3,978
Other	11,689	10,475
Provision for doubtful debts	-506	-499
Total investments and other assets	35,830	40,535
Total Fixed Assets	65,318	70,928
Total Assets	1,070,544	1,170,590

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2020)	1st Quarter Current Fiscal Year (As of Mar 31, 2021)
Liabilities		
Current Liabilities		
Trade notes and accounts payable	10,512	11,271
Short term debt	179,947	193,834
Accounts payable	41,102	37,116
Deposits received for cryptoassets	43,421	98,996
Securities segment deposits received	50,555	51,562
Securities segment margin transaction liability	28,487	39,308
Securities segment guarantees received	405,252	404,935
Securities segment variation margin received	3,239	5,731
Securities segment loans payable secured by securities	21,570	26,764
Accrued corporate tax, etc.	5,765	5,030
Allowance for bonuses	2,748	2,618
Allowance for bonuses to directors	1,022	1,040
Advance payment received	11,161	11,659
Deposits received	107,468	98,614
Other	21,089	24,153
Total Current Liabilities	933,345	1,012,638
Fixed Liabilities		
Convertible bonds with equity warrants	16,698	7,759
Long term debt	11,739	20,614
Deferred tax liability	163	238
Other	7,289	7,302
Total Fixed Liabilities	35,891	35,915
Statutory Reserve		
Financial instruments transaction liability reserve	1,192	1,160
Total Statutory Reserve	1,192	1,160
Total Liabilities	970,429	1,049,714
Net Assets		
Shareholders' Equity		
Capital stock	5,000	5,000
Capital surplus	27,574	30,990
Earned surplus	26,959	28,289
Treasury stock	-9,366	-6,198
Total Shareholders' Equity	50,167	58,081
Accumulated Other Comprehensive Income		
Other securities valuation differences	1,184	4,040
Deferred hedging profit/loss	-9	27
Foreign currency translation adjustments	-437	396
Total Accumulated Other Comprehensive Income	738	4,464
Equity Warrants	67	61
Non-controlling Interests	49,140	58,268
Total Net Assets	100,114	120,876
Liabilities, Net Assets Total	1,070,544	1,170,590

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income
1st Quarter

(Unit: ¥millions)

	1st Quarter Previous Fiscal Year (3 months to March 2020)	1st Quarter Current Fiscal Year (3 months to March 2021)
Net Sales	53,699	61,246
Cost of Sales	26,321	28,309
Gross Profit on Sales	27,377	32,937
Sales, General & Administrative Expenses	19,094	20,458
Operating Profit	8,283	12,479
Non Operating Revenue		
Dividends received	50	160
Foreign exchange gain	—	988
Gain on investments in partnership	160	83
Other	168	209
Total Non Operating Revenue	379	1,442
Non Operating Expenses		
Interest paid	77	111
Equity method investment losses	247	217
Foreign exchange loss	206	—
Other	74	49
Total Non Operating Expenses	606	377
Ordinary Profit	8,056	13,543
Extraordinary Profit		
Gain on sale of businesses	—	46
Reversal of provision for doubtful debts	37	—
Reversal of financial instruments transaction liability reserve	7	32
Other	4	6
Total Extraordinary Profit	49	85
Extraordinary Loss		
Cancellation penalty	321	—
Impairment loss	81	—
Loss on disposal of fixed assets	6	8
Other	11	—
Total Extraordinary Loss	421	8
Net Profit before Adjustment for Tax, etc.	7,684	13,620
Corporate, Municipal and Enterprise Taxes	2,882	4,348
Corporate Tax etc. Adjustment	102	540
Total Corporate Taxes, etc.	2,984	4,889
Net Profit	4,699	8,731
Profit attributable to Non-controlling Interests	2,443	3,074
Profit attributable to Owners of the Parent	2,256	5,656

Quarterly consolidated statement of comprehensive income
1st Quarter

(Unit: ¥millions)

	1st Quarter Previous Fiscal Year (3 months to March 2020)	1st Quarter Current Fiscal Year (3 months to March 2021)
Net Profit	4,699	8,731
Other Comprehensive Income		
Other securities valuation differences	-1,220	3,428
Deferred hedging profit/loss	5	36
Foreign currency translation adjustments	-989	905
Share of other comprehensive income (loss) of associates accounted for using equity method	244	-113
Total other comprehensive income	-1,960	4,257
Comprehensive Income	2,739	12,988
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,105	9,383
Comprehensive income attributable to non-controlling interests	1,634	3,605

- (3) Notes regarding the quarterly consolidated financial statements
(Notes regarding the going concern assumption)
Not applicable.

(Notes regarding changes impacting shareholders' equity)

Pursuant to the resolution at the Board of Directors meeting held on February 12, 2021, the Company retired 1,349,941 shares of treasury stock on February 26, 2021. As a result of the retirement, earned surplus and treasury stock decreased by ¥3,168 million, respectively.

As a result, earned surplus and treasury stock as of March 31, 2021 were ¥28,289 million and ¥6,198 million, respectively.

(Segment Information)

I 1st Quarter of Previous Fiscal Year (01.01.2020-03.31.2020)

1. Information relating to net sales, profit or loss by reportable segment.

(Unit: ¥millions)

	Reportable Segment						Other (*i)	Adjustment (*ii)	Consolidated P/L (*iii)
	Internet Infrastructure	Online Ad & Media	Internet Finance	Cryptoassets	Incubation	Total			
Net Sales									
Sales to unaffiliated customers	31,103	11,023	9,167	1,409	739	53,442	257	—	53,699
Internal transactions or transfer	210	1,308	-10	26	—	1,534	32	-1,566	—
Total	31,313	12,331	9,156	1,435	739	54,976	289	-1,566	53,699
Segment Profit/Loss	3,871	176	3,395	426	448	8,319	-85	49	8,283

*Notes

- “Other” represents mobile entertainment and other businesses not included in reportable segments.
- Segment profit/loss adjustment (¥49 million) is an elimination of inter-segment transactions.
- Segment profit/loss is based on the operating profit/loss line item in the quarterly consolidated statement of income.

II 1st Quarter of Current Fiscal Year (01.01.2021-03.31.2021)

1. Information relating to net sales, profit or loss by reportable segment.

(Unit: ¥millions)

	Reportable Segment						Other (*i)	Adjustment (*ii)	Consolidated P/L (*iii)
	Internet Infrastructure	Online Ad & Media	Internet Finance	Cryptoassets	Incubation	Total			
Net Sales									
Sales to unaffiliated customers	33,669	12,015	8,231	6,858	222	60,997	249	—	61,246
Internal transactions or transfer	242	1,656	—	—	—	1,899	68	-1,968	—
Total	33,912	13,672	8,231	6,858	222	62,896	318	-1,968	61,246
Segment Profit/Loss	4,744	642	3,101	4,022	74	12,585	-80	-25	12,479

*Notes

- “Other” represents mobile entertainment and other businesses not included in reportable segments.
- Segment profit/loss adjustment (¥-25 million) is an elimination of inter-segment transactions.
- Segment profit/loss is based on the operating profit/loss line item in the quarterly consolidated statement of income.

(Significant subsequent event)
Not applicable.