

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

August 10, 2021

Name of Listed Company: GMO Internet, Inc.

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

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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. Second Quarter Financial Results in the Year Ending December 2021 (01.01.2021- 06.30.2021)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of the Parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Six months ended								
June 30, 2021	120,480	13.1	22,620	37.8	23,620	47.4	9,703	132.0
June 30, 2020	106,500	10.9	16,420	49.9	16,019	50.4	4,181	3.6

(Note) Comprehensive Income: June 30, 2021: 19,904 million (113.5%), June 30, 2020: 9,324 million (26.4%)

	Net Profit per Share	Net Profit per Share (Diluted)
	¥	¥
Six months ended		
June 30, 2021	88.76	88.27
June 30, 2020	37.35	36.77

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio
	¥ millions	¥ millions	%
As of			
June 30, 2021	1,134,787	136,417	6.2
December 31, 2020	1,070,544	100,114	4.8

(Reference) Shareholders' Equity: June 30, 2021: ¥70,700 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	12.20			
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 Co., Ltd., our subsidiary, discloses sales indicators, such as foreign exchange transaction volume, stock brokerage trading volume, CFD trading value, cryptoassets 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: None

(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 term end (inc. treasury)

Q2 FYE 12/2021	111,893,046	FYE 12/2020	113,242,987
Q2 FYE 12/2021	1,611,848	FYE 12/2020	3,990,955
Q2 FYE 12/2021	109,308,892	Q2 FYE 12/2020	111,931,475

2. Treasury shares at term end

3. Average number of shares during the period

*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 August 10, 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 (<http://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 Six Months Ended June 30, 2021

(Unit: ¥millions)

	Previous Q2	Current Q2	Change	% Change
Net Sales	106,500	120,480	13,980	13.1%
Operating Profit	16,420	22,620	6,199	37.8%
Ordinary Profit	16,019	23,620	7,600	47.4%
Profit Attributable to Owners of the Parent	4,181	9,703	5,521	132.0%

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 solid performance mainly in Payment and Ecommerce solutions partly due to the spread of online consumption. (2) In the Online Advertising & Media segment, our efforts, including product change in FY2020, revamp of sales approach and cost reduction, are paying off, and also transactions with customers in certain industries and business type, which have been increasing since last year, continued to show steady growth. (3) The Internet Finance segment posted weak results in both FX and CFD compared to FY2020 Q2 which enjoyed booming markets. (4) In the Cryptoassets segment, the Cryptoassets exchange business carried out aggressive marketing activities aimed at enhancing its market recognition and increasing market share while enjoying a strong growth in transaction volume due to rising cryptoasset prices. In the Cryptoassets mining business, mining profitability increased.

As a result, for the six months ended June 30, 2021, the Company recorded net sales of ¥120,480 million (up 13.1% year-on-year), operating profit of ¥22,620 million (up 37.8% year-on-year), ordinary profit of ¥23,620 million (up 47.4% year-on-year) and net profit attributable to owners of the parent of ¥9,703 million (up 132.0% year-on-year).

Net Sales and Operating Profit by Segment for the Six Months Ended June 30, 2021

(Unit: ¥millions)

	Previous Q2 (cumulative)	Current Q2 (cumulative)	Change	% Change
Internet Infrastructure				
Net Sales	64,895	68,573	3,677	5.7%
Operating Profit	8,546	9,680	1,134	13.3%
Online Advertising & Media				
Net Sales	23,073	26,413	3,340	14.5%
Operating Profit	122	1,071	948	772.5%
Internet Finance				
Net Sales	18,223	15,144	-3,079	-16.9%
Operating Profit	7,209	5,231	-1,978	-27.4%
Cryptoassets				
Net Sales	2,285	12,581	10,296	450.5%
Operating Profit	165	6,369	6,204	—
Incubation				
Net Sales	973	898	-74	-7.7%
Operating Profit	464	506	42	9.2%
Other				
Net Sales	545	757	212	39.0%
Operating Profit	-145	-185	-40	—
Adjustment				
Net Sales	-3,496	-3,888	-392	—
Operating Profit	57	-53	-111	—
Total				
Net Sales	106,500	120,480	13,980	13.1%
Operating Profit	16,420	22,620	6,199	37.8%

◆ Overview of Financial Results for the Three Months ended June 30, 2021

(Unit: ¥millions)

	Previous Q2	Current Q2	Change	% Change
Net Sales	52,800	59,233	6,433	12.2%
Operating Profit	8,137	10,141	2,003	24.6%
Ordinary Profit	7,963	10,076	2,113	26.5%
Profit attributable to Owners of the Parent	1,925	4,046	2,121	110.2%

For the three months ended June 30, 2021, the Internet Infrastructure segment reported record high quarterly earnings due to solid performance mainly in payment and ecommerce solutions, partly supported by the spread of online consumption since FY2020 Q2 which was triggered by the COVID-19 pandemic while making strategic investments in *e-contract service GMO Sign*. The Cryptoassets segment contributed to earnings as the “third pillar of business” after the Internet Infrastructure and the Internet Finance segments while making an aggressive marketing investment, thanks to continuing high transaction volume in the cryptoassets exchange business since FY2021 Q1 and steady performance in the cryptoassets mining business. The Online Advertising & Media segment showed a significant improvement in performance from FY2020 Q2 which posted a loss as our efforts including product change, revamp of sales approach and cost reduction are paying off, and also transactions with customers in certain industries and business type, which have been increasing since last year, continued to show steady growth.

Meanwhile, the Internet Finance segment recorded decreases in both net sales and operating profit compared to FY2020 Q2 which enjoyed booming markets.

Profit attributable to owners of the parent increased significantly because, in addition to the factors described above, there was a special factor of excluding a payment overseas subsidiary from the scope of consolidation in FY2020 Q2.

Net Sales and Operating Profit by Segment for the Three Months ended June 30, 2021

(Unit: ¥millions)

	Previous Q2	Current Q2	Change	% Change
Internet Infrastructure				
Net Sales	33,582	34,661	1,078	3.2
Operating Profit	4,674	4,936	261	5.6
Online Advertising & Media				
Net Sales	10,742	12,741	1,999	18.6
Operating Profit	-53	429	482	—
Internet Finance				
Net Sales	9,067	6,913	-2,153	-23.8
Operating Profit	3,813	2,129	-1,684	-44.2
Cryptoassets				
Net Sales	849	5,723	4,873	573.5
Operating Profit	-260	2,347	2,608	—
Incubation				
Net Sales	233	675	442	189.1
Operating Profit	15	432	416	—
Other				
Net Sales	255	439	183	71.7
Operating Profit	-59	-105	-45	—
Adjustment				
Net Sales	-1,930	-1,920	9	—
Operating Profit	8	-28	-36	—
Total				
Net Sales	52,800	59,233	6,433	12.2
Operating Profit	8,137	10,141	2,003	24.6

Segments results for the three months ended June 30, 2021 are as follows.

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 June 30, 2021 was 1.34 million (up 0.4% year-on-year), and total number of domains under management as of June 30, 2021 was 6.57 million (down 5.0% year-on-year). However, net sales were ¥2,492 million (up 2.7% 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 June 30, 2021 was 1,025 thousand (up 11.9% year-on-year) and net sales were ¥3,946 million (up 5.9% year-on-year).

iii. Ecommerce solutions

Ecommerce solutions are offered mainly by GMO Pepabo and GMO MAKESHOP and 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 solid performance partly due to the spread of stay-at-home and online consumption driven by the COVID-19 pandemic. EC platform showed solid growth, with the number of paid stores as of June 30, 2021 of 66 thousand (up 3.8% year-on-year) and total transaction volume of ¥113.8 billion (up 1.2% year-on-year), partly due to an introduction by *Color me shop* of a new plan with no initial or monthly fee in addition to the existing plan charging a monthly fee. *SUZURI* showed strong growth in the total transaction volume thanks to efforts including continued introduction of new items and the sale. Meanwhile, the total transaction volume of *minne* decreased by 10.5% year-on-year to ¥3.7 billion due to a decline in orders compared to FY2020 Q2 which enjoyed an increase in stay-at-home consumption. As a result, net sales were ¥4,195 million (up 13.8% 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 ¥1,736 million (up 5.2% 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 saw solid growth of the ecommerce market in the online/recurring payments as well as a significant 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 solid growth. As a result, the number of transactions and the transaction volume increased, and net sales increased to ¥10,979 million (up 15.9% year-on-year).

vi. Provider

In this sub-segment, the Company offers Internet provider services for consumers. Due to solid growth in the fixed line service, the number of subscriptions at June 30, 2021 was 2.21 million (up 6.0% year-on-year), and net sales amounted to ¥10,593 million (up 0.6% year-on-year).

Overall, the Internet Infrastructure segment recorded net sales of ¥34,661 million (up 3.2% year-on-year) and operating profit of ¥4,936 million (up 5.6% 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, which have been increasing since last year, continued to grow steadily. 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 ¥8,328 million (up 6.8% 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. During the three months ended June 30, 2021, the number of visitors through vertical media such as programming educational portal *coeteko* and aesthetic medical ticket purchase site *KIREIPASS* showed a strong growth. As a result, net sales were ¥3,526 million (up 56.8% year-on-year).

Overall, the Online Advertising & Media segment recorded net sales of ¥12,741 million (up 18.6% year-on-year) and operating profit of ¥429 million (loss of ¥53 million for the three months ended June 30, 2020). 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 929 thousand (up 4.4% year-on-year) and the number of securities accounts increasing to 470 thousand (up 5.8% year-on-year). Meanwhile, the OTC FX and CFD posted decreases year-on-year in both transaction volume and revenue due to low market volatility. The securities business in Thailand showed a solid growth.

Overall, the Internet Finance segment recorded net sales of ¥6,913 million (down 23.8% year-on-year) and operating profit of ¥2,129 million (down 44.2% year-on-year).

4) Cryptoassets

The Cryptoassets segment operates businesses pertaining to “mining,” “exchange” and “payment” of cryptoassets. Performance of each business is as follows. “Cryptoassets payment business” was added effective April 1, 2021 as the business became fully operational.

i. Cryptoassets mining

The Cryptoassets mining business runs mining centers. As the Company’s hash rates have increased since December 2020, profitability increased due to a rise in the bitcoin price, and therefore net sales amounted to ¥1,537 million (up 598.2% 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 June 30, 2021 increasing to 424 thousand (up 33.0% year-on-year). The transaction volume increased, over 2.6 times year-on-year, due to high volatility triggered by fluctuations in the price of cryptoassets, and net sales increased to ¥4,142 million (up 558.0% year-on-year).

Overall, the Cryptoassets segment recorded net sales of ¥5,723 million (up 573.5% year-on-year) and operating profit of ¥2,347 million (loss of ¥260 million for the three months ended June 30, 2020) while making an aggressive marketing investment in the cryptoassets exchange business.

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 ¥675 million (up 189.1% year-on-year), and operating profit was ¥432 million (profit of ¥15 million for the three months ended June 30, 2020) due to sales of shareholdings.

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

(Unit: ¥millions)

	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Net sales	52,800	50,810	53,248	61,246	59,233
Operating profit	8,137	6,097	5,374	12,479	10,141
Ordinary profit	7,963	5,883	5,233	13,543	10,076
Profit attributable to owners of the parent	1,925	2,560	3,542	5,656	4,046
Total assets	941,795	978,555	1,070,544	1,170,590	1,134,787
Shareholders' equity	46,516	48,185	50,905	62,546	70,700

(Reference2)

Table: Quarterly Results by Segment

I Net Sales by Segment

(Unit: ¥millions)

	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Internet Infrastructure					
Provider (ISP)	10,524	10,892	11,043	10,728	10,593
Domain	2,427	2,375	2,345	2,469	2,492
Hosting & Cloud	3,726	3,810	3,881	3,909	3,946
Ecommerce Solutions	3,687	3,956	3,973	4,032	4,195
Digital certificate and eSignature	1,651	1,574	1,486	1,695	1,736
Payment	9,471	8,896	9,740	10,239	10,979
Other	2,093	1,308	1,091	838	716
Total	33,582	32,815	33,562	33,912	34,661
Online Advertising & Media					
Online Advertising	7,799	8,165	8,636	9,688	8,328
Internet Media	2,248	2,437	2,783	3,026	3,526
Internet Research & Other	694	781	983	957	886
Total	10,742	11,385	12,403	13,672	12,741
Internet Finance					
Total	9,067	6,540	6,087	8,231	6,913
Cryptoassets					
Cryptoassets exchange	629	1,402	2,150	5,474	4,142
Cryptoassets mining	220	263	629	1,383	1,537
Cryptoassets payment	—	—	—	—	42
Total	849	1,666	2,779	6,858	5,723
Incubation					
Total	233	28	—	222	675
Sub total	54,475	52,435	54,833	62,896	60,715
Other	255	244	298	318	439
Adjustment	-1,930	-1,869	-1,883	-1,968	-1,920
Net Sales	52,800	50,810	53,248	61,246	59,233

II Operating Profit by Segment

	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Internet Infrastructure	4,674	4,017	3,723	4,744	4,936
Online Advertising & Media	-53	43	255	642	429
Internet Finance	3,813	1,776	1,631	3,101	2,129
Cryptoassets	-260	384	219	4,022	2,347
Incubation	15	-59	-302	74	432
Sub total	8,189	6,162	5,527	12,585	10,274
Other	-59	-65	-150	-80	-105
Adjustment	8	0	-2	-25	-28
Operating Profit	8,137	6,097	5,374	12,479	10,141

(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
	Cryptoassets payment	<ul style="list-style-type: none"> • Issuance and redemption of stablecoin “GYEN” and “ZUSD”
Incubation	Venture capital	<ul style="list-style-type: none"> • Investment in private Internet startups

(2) Financial condition

Assets, liabilities and net assets

Assets

As of June 30, 2021, total assets increased ¥64,242 million from December 31, 2020 to ¥1,134,787 million. Major factors included an increase of ¥39,309 million in cryptoassets under custody, an increase of ¥29,052 million 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), an increase of ¥8,337 million in investment securities, and a decrease of ¥6,727 million in cash and deposits.

Liabilities

As of June 30, 2021, liabilities increased ¥27,940 million from December 31, 2020 to ¥998,369 million. Major factors included an increase of ¥39,309 million in deposits received for cryptoassets, an increase of ¥29,401 million in bonds and convertible bonds with equity warrants, an increase of ¥11,243 million in long term debt, an increase of ¥8,442 million 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), a decrease of ¥35,521 million in short term debt, and a decrease of ¥20,016 million in deposits received.

Net assets

As of June 30, 2021, net assets increased ¥36,302 million from December 31, 2020 to ¥136,417 million. Major factors included an increase of ¥3,508 million in earned surplus (consisting of an increase from recording profit attributable to owners of the parent totaling ¥9,703 million and decreases from dividend payments of ¥3,026 million and retirement of treasury stock of ¥3,168 million), an increase of ¥6,982 million 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 ¥16,514 million in non-controlling interests, and an increase of ¥5,585 million due to retirement of treasury stock, etc.

(3) 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 the 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 the Cryptoassets business, (2) potential impact of economic situations and market conditions in the Internet Finance segment, and (3) when and how much capital gains will be realized in the Incubation segment. Accordingly, we do not disclose the consolidated results forecast for the fiscal year ending December 31, 2021.

3. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2020)	2nd Quarter Current Fiscal Year (As of June 30, 2021)
Assets		
Current Assets		
Cash and deposits	220,745	214,017
Trade notes and accounts receivable	24,955	24,592
Operational investment securities	7,617	8,100
Cryptoassets under custody	43,421	82,731
Securities segment deposits	372,163	385,593
Securities segment margin transaction assets	100,723	120,683
Securities segment loan secured by securities	9,703	6,758
Securities segment short term guarantee deposits	61,762	60,933
Securities segment variation margin paid	50,121	49,558
Other	117,392	110,116
Provision for doubtful debts	-3,380	-3,399
Total Current Assets	1,005,226	1,059,685
Fixed Assets		
Tangible fixed assets	14,488	15,104
Intangible fixed assets		
Goodwill	657	4,053
Software	7,924	8,632
Other	6,418	6,494
Total intangible fixed assets	14,999	19,180
Investments and other assets		
Investment securities	18,838	27,176
Deferred tax asset	5,808	3,360
Other	11,689	10,782
Provision for doubtful debts	-506	-502
Total investments and other assets	35,830	40,815
Total Fixed Assets	65,318	75,101
Total Assets	1,070,544	1,134,787

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2020)	2nd Quarter Current Fiscal Year (As of June 30, 2021)
Liabilities		
Current Liabilities		
Trade notes and accounts payable	10,512	9,691
Short term debt	179,947	144,426
Accounts payable	41,102	35,568
Deposits received for cryptoassets	43,421	82,731
Securities segment deposits received	50,555	52,481
Securities segment margin transaction liability	28,487	25,514
Securities segment guarantees received	405,252	412,360
Securities segment variation margin received	3,239	4,472
Securities segment loans payable secured by securities	21,570	22,718
Accrued corporate tax, etc.	5,765	5,814
Allowance for bonuses	2,748	2,215
Allowance for bonuses to directors	1,022	1,380
Advance payment received	11,161	11,711
Deposits received	107,468	87,451
Other	21,089	22,126
Total Current Liabilities	933,345	920,666
Fixed Liabilities		
Bonds	—	25,000
Convertible bonds with equity warrants	16,698	21,100
Long term debt	11,739	22,983
Deferred tax liability	163	308
Other	7,289	7,225
Total Fixed Liabilities	35,891	76,617
Statutory Reserve		
Financial instruments transaction liability reserve	1,192	1,085
Total Statutory Reserve	1,192	1,085
Total Liabilities	970,429	998,369
Net Assets		
Shareholders' Equity		
Capital stock	5,000	5,000
Capital surplus	27,574	34,557
Earned surplus	26,959	30,467
Treasury stock	-9,366	-3,781
Total Shareholders' Equity	50,167	66,244
Accumulated Other Comprehensive Income		
Other securities valuation differences	1,184	4,182
Deferred hedging profit/loss	-9	13
Foreign currency translation adjustments	-437	260
Total Accumulated Other Comprehensive Income	738	4,456
Equity Warrants	67	60
Non-controlling Interests	49,140	65,655
Total Net Assets	100,114	136,417
Total Liabilities and Net Assets	1,070,544	1,134,787

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income
2nd Quarter (cumulative)

(Unit: ¥millions)

	2nd Quarter Previous Fiscal Year (6 months to June 2020)	2nd Quarter Current Fiscal Year (6 months to June 2021)
Net Sales	106,500	120,480
Cost of Sales	51,971	56,421
Gross Profit on Sales	54,528	64,059
Sales, General & Administrative Expenses	38,108	41,438
Operating Profit	16,420	22,620
Non Operating Revenue		
Dividends received	50	383
Foreign exchange gain	—	986
Gain on investments in partnership	131	143
Other	322	422
Total Non Operating Revenue	505	1,935
Non Operating Expenses		
Interest paid	168	222
Equity method investment losses	357	356
Foreign exchange loss	275	—
Other	105	356
Total Non Operating Expenses	906	935
Ordinary Profit	16,019	23,620
Extraordinary Profit		
Gain on business transfer	—	126
Gain on sale of fixed assets	106	13
Reversal of provision for doubtful debts	37	—
Reversal of financial instruments transaction liability reserve	18	106
Other	38	—
Total Extraordinary Profit	201	247
Extraordinary Loss		
Cancellation penalty	311	—
Impairment loss	192	—
Loss on disposal of fixed assets	16	15
Loss on sale of stock in subsidiaries and affiliates	476	—
Other	19	—
Total Extraordinary Loss	1,015	15
Net Profit before Adjustment for Tax, etc.	15,205	23,851
Corporate, Municipal and Enterprise Taxes	5,321	7,115
Corporate Tax etc. Adjustment	499	1,145
Total Corporate Taxes, etc.	5,821	8,260
Net Profit	9,384	15,591
Profit Attributable to Non-controlling Interests	5,202	5,888
Profit Attributable to Owners of the Parent	4,181	9,703

Quarterly consolidated statement of comprehensive income
2nd Quarter (cumulative)

(Unit: ¥millions)

	2nd Quarter Previous Fiscal Year (6 months to June 2020)	2nd Quarter Current Fiscal Year (6 months to June 2021)
Net Profit	9,384	15,591
Other Comprehensive Income		
Other securities valuation differences	366	3,525
Deferred hedging profit/loss	2	23
Foreign currency translation adjustments	-587	694
Share of other comprehensive income (loss) of associates accounted for using equity method	158	69
Total other comprehensive income	-59	4,313
Comprehensive Income	9,324	19,904
(Breakdown)		
Comprehensive income attributable to owners of the parent	3,860	13,421
Comprehensive income attributable to non-controlling interests	5,464	6,482

- (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, both earned surplus and treasury stock decreased by ¥3,168 million.

Also, pursuant to the resolution at the Board of Directors meeting held on May 24, 2021, the Company issued shares on June 21, 2021, with the Company as a share issuing parent company and OMAKASE Co., Ltd. as a share issuing subsidiary. As a result, capital surplus increased by ¥680 million and treasury stock decreased by ¥2,417 million.

In addition, capital surplus increased by ¥6,302 million due mainly to the conversion of convertible bonds with equity warrants at our consolidated subsidiary GMO Payment Gateway.

As a result of these transactions, as of June 30, 2021, capital surplus was ¥34,557 million, earned surplus was ¥30,467 million, and treasury stock was ¥3,781 million.

(Segment information)

I 2nd Quarter of Previous Fiscal Year (01.01.2020-06.30.2020)

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	64,495	20,071	18,175	2,310	973	106,027	473	—	106,500
Internal transactions or transfer	400	3,002	47	-25	—	3,424	71	-3,496	—
Total	64,895	23,073	18,223	2,285	973	109,452	545	-3,496	106,500
Segment Profit/Loss	8,546	122	7,209	165	464	16,508	-145	57	16,420

*Notes

- “Other” represents mobile entertainment and other businesses not included in reportable segments.
- The segment profit or loss adjustment (¥57 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.

2. Data relating to impairment loss on fixed assets or goodwill by reportable segment

Material impairment loss on fixed assets

Impairment loss on fixed assets was recognized in “Internet Infrastructure” and “Internet Finance” segments. The amount of impairment loss was ¥99 million and ¥92 million in “Internet Infrastructure” and “Internet Finance” segments, respectively, for the six months ended June 30, 2020.

II 2nd Quarter of Current Fiscal Year (01.01.2021-06.30.2021)

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	68,032	23,209	15,144	12,581	898	119,866	614	—	120,480
Internal transactions or transfer	541	3,203	—	—	—	3,745	143	-3,888	—
Total	68,573	26,413	15,144	12,581	898	123,611	757	-3,888	120,480
Segment Profit/Loss	9,680	1,071	5,231	6,369	506	22,860	-185	-53	22,620

*Notes

- “Other” represents mobile entertainment and other businesses not included in reportable segments.
- The segment profit or loss adjustment (¥-53 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.