

## Fiscal Year 2021 Third Quarter Consolidated Financial Results (Japanese GAAP)

November 11, 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

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Date of Quarterly Report Release: November 12, 2021

Start Date of Dividend Payout: December 13, 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. Third Quarter Financial Results in the Year Ending December 2021 (01.01.2021- 09.30.2021)

#### (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	%
Nine months ended September 30, 2021	176,951	12.5	30,633	36.0	32,222	47.1	13,300	97.3
September 30, 2020	157,311	7.0	22,518	13.0	21,903	13.5	6,741	1.9

(Note) Comprehensive Income: September 30, 2021: ¥25,681 million (84.8%), September 30, 2020: ¥13,898 million (5.7%)

	Net Profit per Share	Net Profit per Share (Diluted)
Nine months ended September 30, 2021	¥ 121.31	¥ 120.49
September 30, 2020	60.71	59.77

#### (2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio
As of	¥ millions	¥ millions	%
September 30, 2021	1,369,409	140,360	5.3
December 31, 2020	1,070,544	100,114	4.8

(Reference) Shareholders' Equity: September 30, 2021: ¥73,094 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	10.80		
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)

Q3 FYE 12/2021	111,893,046	FYE 12/2020	113,242,987
Q3 FYE 12/2021	1,611,848	FYE 12/2020	3,990,955
Q3 FYE 12/2021	109,636,555	Q3 FYE 12/2020	111,034,552

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 November 11, 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 Nine Months Ended September 30, 2021

	Previous Q3	Current Q3	Change	% Change
Net Sales	157,311	176,951	19,640	12.5%
Operating Profit	22,518	30,633	8,114	36.0%
Ordinary Profit	21,903	32,222	10,318	47.1%
Profit Attributable to Owners of the Parent	6,741	13,300	6,558	97.3%

(Unit: ¥millions)

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) The Online Advertising & Media segment showed steady growth thanks to our efforts including product change in FY2020, revamp of sales approach and cost reduction. (3) The Internet Finance segment posted weak results in both FX and CFD compared to FY2020 Q3 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 nine months ended September 30, 2021, the Company recorded net sales of ¥176,951 million (up 12.5% year-on-year), operating profit of ¥30,633 million (up 36.0% year-on-year), ordinary profit of ¥32,222 million (up 47.1% year-on-year) and net profit attributable to owners of the parent of ¥13,300 million (up 97.3% year-on-year).

Net Sales and Operating Profit by Segment for the Nine Months Ended September 30, 2021

(Unit: ¥millions)

	Previous Q3 (cumulative)	Current Q3 (cumulative)	Change	% Change
Internet Infrastructure				
Net Sales	97,711	102,909	5,198	5.3%
Operating Profit	12,563	13,702	1,138	9.1%
Online Advertising & Media				
Net Sales	34,458	38,471	4,013	11.6%
Operating Profit	166	1,323	1,156	693.7%
Internet Finance				
Net Sales	24,764	22,531	-2,232	-9.0%
Operating Profit	8,985	7,859	-1,126	-12.5%
Cryptoassets				
Net Sales	3,951	16,259	12,307	311.5%
Operating Profit	550	7,852	7,302	—
Incubation				
Net Sales	1,001	962	-38	-3.9%
Operating Profit	404	473	69	17.1%
Other				
Net Sales	789	1,195	406	51.4%
Operating Profit	-210	-382	-172	—
Adjustment				
Net Sales	-5,365	-5,378	-13	—
Operating Profit	57	-195	-252	—
Total				
Net Sales	157,311	176,951	19,640	12.5%
Operating Profit	22,518	30,633	8,114	36.0%

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

(Unit: ¥millions)

	Previous Q3	Current Q3	Change	% Change
Net Sales	50,810	56,471	5,660	11.1%
Operating Profit	6,097	8,012	1,915	31.4%
Ordinary Profit	5,883	8,601	2,717	46.2%
Profit attributable to Owners of the Parent	2,560	3,597	1,037	40.5%

For the three months ended September 30, 2021, the Internet Infrastructure segment reported growth in both net sales and profit due to solid performance mainly in payment and ecommerce solutions, partly supported by the spread of online consumption which was triggered by the COVID-19 pandemic while making strategic investments in *e-contract service GMO Sign*. The Internet Finance also reported growth in both net sales and profit due to improved profitability despite a weak growth in the transaction volume. 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 in the cryptoassets exchange business, thanks to steady performance in the cryptoassets mining business. The Online Advertising & Media segment reported growth in both net sales and profit as our efforts including product change, revamp of sales approach and cost reduction paid off despite a reactionary decline after stay-at-home demand in customers in certain industries.

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

(Unit: ¥millions)

	Previous Q3	Current Q3	Change	% Change
Internet Infrastructure				
Net Sales	32,815	34,335	1,520	4.6
Operating Profit	4,017	4,021	3	0.1
Online Advertising & Media				
Net Sales	11,385	12,058	673	5.9
Operating Profit	43	251	207	473.2
Internet Finance				
Net Sales	6,540	7,386	846	12.9
Operating Profit	1,776	2,628	851	48.0
Cryptoassets				
Net Sales	1,666	3,677	2,011	120.7
Operating Profit	384	1,482	1,097	285.3
Incubation				
Net Sales	28	64	36	129.3
Operating Profit	-59	-33	26	—
Other				
Net Sales	244	437	193	79.2
Operating Profit	-65	-197	-131	—
Adjustment				
Net Sales	-1,869	-1,489	379	—
Operating Profit	0	-141	-141	—
Total				
Net Sales	50,810	56,471	5,660	11.1
Operating Profit	6,097	8,012	1,915	31.4

Segments results for the three months ended September 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 September 30, 2021 was 1.49 million (up 22.0% year-on-year), total number of domains under management as of September 30, 2021 was 6.89 million (up 2.7% year-on-year) and option sales increased, and as a result, net sales were ¥2,449 million (up 3.1% year-on-year).

##### 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 September 30, 2021 was 1,052 thousand (up 12.4% year-on-year) and net sales were ¥4,107 million (up 7.8% 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. EC platform showed solid growth, with the number of paid stores as of September 30, 2021 of 68 thousand (up 6.3% year-on-year) and total transaction volume of ¥114.0 billion (up 7.0% year-on-year), mainly in high-price plans partly due to an introduction by *Color me shop* in Q2 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 6.2% year-on-year to ¥3.5 billion due to a decline in orders compared to FY2020 Q3 which enjoyed an increase in stay-at-home consumption. As a result, net sales were ¥4,197 million (up 6.1% 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 ¥1,660 million (up 5.5% year-on-year).

#### v. Payment

Payment services are mainly operated by GMO Payment Gateway and offer comprehensive payment-related services and finance-related services. The payment-related services 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 partly due to increased cashless 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 ¥11,323 million (up 27.3% year-on-year).

#### vi. Provider

In this sub-segment, the Company offers Internet provider services for consumers. The number of subscriptions at September 30, 2021 was 2.22 million (up 4.8% year-on-year) due to solid growth in the fiber-optic line service despite weak growth in mobile line service, and net sales amounted to ¥10,002 million (down 8.2% year-on-year).

Overall, the Internet Infrastructure segment recorded net sales of ¥34,335 million (up 4.6% year-on-year) and operating profit of ¥4,021 million (up 0.1% year-on-year).

### 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, there was a reactionary decline after stay-at-home demand in customers in certain industries. 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, there was a temporary decline in the transaction volume due to introduction of stricter advertising review criteria. Affiliate ads reported strong results due to an increase in demand from customers in certain industries. As a result, net sales amounted to ¥7,759 million (down 5.0% 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 September 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. The unit price of ad networks also remained high. As a result, net sales were ¥3,302 million (up 35.5% year-on-year).

Overall, the Online Advertising & Media segment recorded net sales of ¥12,058 million (up 5.9% year-on-year) and operating profit of ¥251 million (up 473.2% 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. As of September 30, 2021, the number of OTC FX accounts increased to 938 thousand (up 4.1% year-on-year) and the number of securities accounts increased to 475 thousand (up 5.2% year-on-year). The OTC FX showed improvement in profitability from the temporary decline in FY2020 Q3 attributable to the low spread strategy aimed at increasing domestic shares while low volatility resulted in weak growth in the transaction volume.

Overall, the Internet Finance segment recorded net sales of ¥7,386 million (up 12.9% year-on-year)



and operating profit of ¥2,628 million (up 48.0% year-on-year).

The figure above does not reflect the earnings of Gaika ex byGMO, Inc. (completed acquiring shares on September 27, 2021) and its consolidated subsidiary as an estimated date of acquisition is the end of the consolidated accounting period for the 3rd quarter of the Fiscal Year 2021.

#### 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 ¥1,653 million (up 526.8% 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. Thanks to aggressive marketing activities to raise market recognition and increase market share during the quarter, the customer base has expanded with the number of customer accounts as of September 30, 2021 increasing to 444 thousand (up 35.5% year-on-year). The transaction volume increased year-on-year, and net sales increased to ¥2,023 million (up 44.2% year-on-year).

Overall, the Cryptoassets segment recorded net sales of ¥3,677 million (up 120.7% year-on-year) and operating profit of ¥1,482 million (up 285.3% year-on-year) 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 ¥64 million (up 129.3% year-on-year), and operating loss was ¥33 million (loss of ¥59 million for the three months ended September 30, 2020).

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

(Unit: ¥millions)

	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Net sales	50,810	53,248	61,246	59,233	56,471
Operating profit	6,097	5,374	12,479	10,141	8,012
Ordinary profit	5,883	5,233	13,543	10,076	8,601
Profit attributable to owners of the parent	2,560	3,542	5,656	4,046	3,597
Total assets	978,555	1,070,544	1,170,590	1,134,787	1,369,409
Shareholders' equity	48,185	50,905	62,546	70,700	73,094

(Reference2)

Table: Quarterly Results by Segment

I Net Sales by Segment		(Unit: ¥millions)				
	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	
Internet Infrastructure						
Provider (ISP)	10,892	11,043	10,728	10,593	10,002	
Domain	2,375	2,345	2,469	2,492	2,449	
Hosting & Cloud	3,810	3,881	3,909	3,946	4,107	
Ecommerce Solutions	3,956	3,973	4,032	4,195	4,197	
Digital certificate and eSignature	1,574	1,486	1,695	1,736	1,660	
Payment	8,896	9,740	10,239	10,979	11,323	
Other	1,308	1,091	838	716	593	
Total	32,815	33,562	33,912	34,661	34,335	
Online Advertising & Media						
Online Advertising	8,165	8,636	9,688	8,328	7,759	
Internet Media	2,437	2,783	3,026	3,526	3,302	
Internet Research & Other	781	983	957	886	996	
Total	11,385	12,403	13,672	12,741	12,058	
Internet Finance						
Total	6,540	6,087	8,231	6,913	7,386	
Cryptoassets						
Cryptoassets exchange	1,402	2,150	5,474	4,142	2,023	
Cryptoassets mining	263	629	1,383	1,537	1,653	
Cryptoassets payment	—	—	—	42	0	
Total	1,666	2,779	6,858	5,723	3,677	
Incubation						
Total	28	—	222	675	64	
Sub total	52,435	54,833	62,896	60,715	57,523	
Other	244	298	318	439	437	
Adjustment	-1,869	-1,883	-1,968	-1,920	-1,489	
Net Sales	50,810	53,248	61,246	59,233	56,471	

## II Operating Profit by Segment

	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Internet Infrastructure	4,017	3,723	4,744	4,936	4,021
Online Advertising & Media	43	255	642	429	251
Internet Finance	1,776	1,631	3,101	2,129	2,628
Cryptoassets	384	219	4,022	2,347	1,482
Incubation	-59	-302	74	432	-33
Sub total	6,162	5,527	12,585	10,274	8,350
Other	-65	-150	-80	-105	-197
Adjustment	0	-2	-25	-28	-141
Operating Profit	6,097	5,374	12,479	10,141	8,012

(Reference3)

Description of businesses in each segment

Business Segment		Main Operations
Internet Infrastructure	Domain	<ul style="list-style-type: none"> <li>• Domain registry services including “shop” and “tokyo”</li> <li>• Domain registrations services: Onamae.com, MuuMuu Domain, and VALUE-DOMAIN</li> </ul>
	Hosting & cloud	<ul style="list-style-type: none"> <li>• 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</li> </ul>
	Ecommerce solutions	<ul style="list-style-type: none"> <li>• SaaS based services for online store building including Color me shop and MakeShop.</li> <li>• Operation of C2C handmade marketplace “minne”</li> <li>• Operation of production/sales service of original merchandise including SUZURI and canvath</li> <li>• Operation of ecommerce/O2O support services, etc.</li> <li>• Web design, operational support and system consulting, etc.</li> </ul>
	Digital certificate and eSignature	<ul style="list-style-type: none"> <li>• DomainSSL, OrganizationSSL, and other SSL certificates, code signing certificates, PDF document signing, client certificates and other digital certificate services</li> <li>• e-contract service GMO Sign</li> </ul>
	Payment	<ul style="list-style-type: none"> <li>• 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</li> </ul>
	Provider	<ul style="list-style-type: none"> <li>• GMO TokuToku BB and other Internet provider services.</li> </ul>
Online Advertising & Media	Online advertising	<ul style="list-style-type: none"> <li>• Comprehensive online advertising service including listing, mobile and ad networks, reward advertising, affiliate advertising.</li> <li>• Advertising planning and production</li> </ul>
	Internet media	<ul style="list-style-type: none"> <li>• 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</li> <li>• SEM Media: Sales of SEO.</li> </ul>
	Internet research & other	<ul style="list-style-type: none"> <li>• Provision of Internet research systems, management and operation of online research panel including GMO Research Cloud Panel</li> </ul>
Internet Finance	Internet finance	<ul style="list-style-type: none"> <li>• Operation of online securities trading, FX trading, CFD trading, etc.</li> </ul>
Cryptoassets	Cryptoassets exchange	<ul style="list-style-type: none"> <li>• Spot trading and leveraged transactions of cryptoassets, etc.</li> </ul>
	Cryptoassets mining	<ul style="list-style-type: none"> <li>• Operation of mining centers</li> </ul>
	Cryptoassets payment	<ul style="list-style-type: none"> <li>• Issuance and redemption of stablecoin “GYEN” and “ZUSD”</li> </ul>
Incubation	Venture capital	<ul style="list-style-type: none"> <li>• Investment in private Internet startups</li> </ul>

## (2) Financial condition

### Assets, liabilities and net assets

#### Assets

As of September 30, 2021, total assets increased ¥298,865 million from December 31, 2020 to ¥1,369,409 million. Major factors included an increase of ¥62,116 million in cryptoassets under custody, an increase of ¥170,308 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), and an increase of ¥35,595 million in cash and deposits.

#### Liabilities

As of September 30, 2021, liabilities increased ¥258,619 million from December 31, 2020 to ¥1,229,049 million. Major factors included an increase of ¥62,116 million in deposits received for cryptoassets, an increase of ¥29,346 million in bonds and convertible bonds with equity warrants, an increase of ¥10,891 million in long term debt, an increase of ¥154,084 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), an increase of ¥22,339 million in short term debt, and a decrease of ¥18,848 million in deposits received.

#### Net assets

As of September 30, 2021, net assets increased ¥40,245 million from December 31, 2020 to ¥140,360 million. Major factors included an increase of ¥5,760 million in earned surplus (consisting of an increase from recording profit attributable to owners of the parent totaling ¥13,300 million and decreases from dividend payments of ¥4,371 million and retirement of treasury stock of ¥3,168 million), an increase of ¥6,758 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 ¥18,066 million in non-controlling interests, and an increase of ¥5,585 million due to retirement of treasury stock.

## (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

	Previous Fiscal Year (As of Dec 31, 2020)	3rd Quarter Current Fiscal Year (As of Sep 30, 2021)
(Unit: ¥millions)		
<b>Assets</b>		
Current Assets		
Cash and deposits	220,745	256,341
Trade notes and accounts receivable	24,955	24,442
Operational investment securities	7,617	8,707
Cryptoassets under custody	43,421	105,537
Securities segment deposits	372,163	494,463
Securities segment margin transaction assets	100,723	130,142
Securities segment loan secured by securities	9,703	10,903
Securities segment short term guarantee deposits	61,762	61,600
Securities segment variation margin paid	50,121	67,672
Other	117,392	117,443
Provision for doubtful debts	-3,380	-3,701
Total Current Assets	1,005,226	1,273,552
Fixed Assets		
Tangible fixed assets	14,488	15,931
Intangible fixed assets		
Goodwill	657	20,138
Software	7,924	9,706
Other	6,418	7,605
Total intangible fixed assets	14,999	37,449
Investments and other assets		
Investment securities	18,838	28,101
Deferred tax asset	5,808	4,002
Other	11,689	11,016
Provision for doubtful debts	-506	-644
Total investments and other assets	35,830	42,475
Total Fixed Assets	65,318	95,857
Total Assets	1,070,544	1,369,409

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2020)	3rd Quarter Current Fiscal Year (As of Sep 30, 2021)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade notes and accounts payable	10,512	9,935
Short term debt	179,947	202,286
Accounts payable	41,102	35,090
Deposits received for cryptoassets	43,421	105,537
Securities segment deposits received	50,555	58,260
Securities segment margin transaction liability	28,487	38,892
Securities segment guarantees received	405,252	530,033
Securities segment variation margin received	3,239	5,737
Securities segment loans payable secured by securities	21,570	30,266
Accrued corporate tax, etc.	5,765	6,603
Allowance for bonuses	2,748	3,272
Allowance for bonuses to directors	1,022	1,610
Advance payment received	11,161	10,865
Deposits received	107,468	88,619
Other	21,089	24,209
<b>Total Current Liabilities</b>	<b>933,345</b>	<b>1,151,223</b>
<b>Fixed Liabilities</b>		
Bonds	—	25,000
Convertible bonds with equity warrants	16,698	21,045
Long term debt	11,739	22,631
Deferred tax liability	163	870
Other	7,289	7,272
<b>Total Fixed Liabilities</b>	<b>35,891</b>	<b>76,819</b>
<b>Statutory Reserve</b>		
Financial instruments transaction liability reserve	1,192	1,006
<b>Total Statutory Reserve</b>	<b>1,192</b>	<b>1,006</b>
<b>Total Liabilities</b>	<b>970,429</b>	<b>1,229,049</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Capital stock	5,000	5,000
Capital surplus	27,574	34,333
Earned surplus	26,959	32,720
Treasury stock	-9,366	-3,781
<b>Total Shareholders' Equity</b>	<b>50,167</b>	<b>68,272</b>
<b>Accumulated Other Comprehensive Income</b>		
Other securities valuation differences	1,184	4,760
Deferred hedging profit/loss	-9	4
Foreign currency translation adjustments	-437	56
<b>Total Accumulated Other Comprehensive Income</b>	<b>738</b>	<b>4,821</b>
Equity Warrants	67	58
Non-controlling Interests	49,140	67,207
<b>Total Net Assets</b>	<b>100,114</b>	<b>140,360</b>
<b>Total Liabilities and Net Assets</b>	<b>1,070,544</b>	<b>1,369,409</b>

## (2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income  
3rd Quarter (cumulative)

(Unit: ¥millions)

	3rd Quarter Previous Fiscal Year (9 months to Sep 2020)	3rd Quarter Current Fiscal Year (9 months to Sep 2021)
Net Sales	157,311	176,951
Cost of Sales	77,665	83,947
Gross Profit on Sales	79,645	93,004
Sales, General & Administrative Expenses	57,127	62,371
Operating Profit	22,518	30,633
Non Operating Revenue		
Dividends received	51	610
Foreign exchange gain	—	1,028
Gain on investments in partnership	255	283
Other	524	966
Total Non Operating Revenue	832	2,888
Non Operating Expenses		
Interest paid	272	351
Equity method investment losses	551	551
Foreign exchange loss	480	—
Other	142	395
Total Non Operating Expenses	1,447	1,299
Ordinary Profit	21,903	32,222
Extraordinary Profit		
Gain on business transfer	—	149
Gain on sale of fixed assets	110	14
Gain on sale of investment securities	—	620
Reversal of provision for doubtful debts	37	—
Compensation received	216	—
Reversal of financial instruments transaction liability reserve	29	185
Other	36	0
Total Extraordinary Profit	430	969
Extraordinary Loss		
Cancellation penalty	308	—
Loss on valuation of investment securities	5	5
Impairment loss	226	195
Loss on disposal of fixed assets	39	16
Loss on sale of stock in subsidiaries and affiliates	462	—
Other	47	30
Total Extraordinary Loss	1,089	248
Net Profit before Adjustment for Tax, etc.	21,244	32,943
Corporate, Municipal and Enterprise Taxes	7,686	10,474
Corporate Tax etc. Adjustment	-92	1,029
Total Corporate Taxes, etc.	7,593	11,503
Net Profit	13,651	21,440
Profit Attributable to Non-controlling Interests	6,909	8,139
Profit Attributable to Owners of the Parent	6,741	13,300

Quarterly consolidated statement of comprehensive income  
3rd Quarter (cumulative)

(Unit: ¥millions)

	3rd Quarter Previous Fiscal Year (9 months to Sep 2020)	3rd Quarter Current Fiscal Year (9 months to Sep 2021)
Net Profit	13,651	21,440
Other Comprehensive Income		
Other securities valuation differences	1,272	3,818
Deferred hedging profit/loss	-6	14
Foreign currency translation adjustments	-1,193	339
Share of other comprehensive income of associates accounted for using equity method	175	70
Total other comprehensive income	247	4,241
Comprehensive Income	13,898	25,681
(Breakdown)		
Comprehensive income attributable to owners of the parent	6,186	17,384
Comprehensive income attributable to non-controlling interests	7,712	8,297



- (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 September 30, 2021, capital surplus was ¥34,333 million, earned surplus was ¥32,720 million, and treasury stock was ¥3,781 million.

(Segment information)

I 3rd Quarter of Previous Fiscal Year (01.01.2020-09.30.2020)

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	97,111	29,813	24,767	3,946	1,001	156,641	669	—	157,311
Internal transactions or transfer	599	4,645	-3	4	—	5,245	119	-5,365	—
Total	97,711	34,458	24,764	3,951	1,001	161,887	789	-5,365	157,311
Segment Profit/Loss	12,563	166	8,985	550	404	22,670	-210	57	22,518

\*Notes

- i. "Other" represents mobile entertainment and other businesses not included in reportable segments.
- ii. Segment profit or loss adjustment (¥57 million) is an elimination of inter-segment transactions.
- iii. 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 ¥133 million and ¥92 million in "Internet Infrastructure" and "Internet Finance" segments, respectively, for the nine months ended September 30, 2020.

II 3rd Quarter of Current Fiscal Year (01.01.2021-09.30.2021)

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	102,105	34,123	22,531	16,259	962	175,981	969	—	176,951
Internal transactions or transfer	804	4,348	—	—	—	5,153	225	-5,378	—
Total	102,909	38,471	22,531	16,259	962	181,135	1,195	-5,378	176,951
Segment Profit/Loss	13,702	1,323	7,859	7,852	473	31,211	-382	-195	30,633

\*Notes

- i. "Other" represents mobile entertainment and other businesses not included in reportable segments.
- ii. Segment profit or loss adjustment (¥-195 million) is an elimination of inter-segment transactions.
- iii. 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 "Other" segments. The amount of impairment loss was ¥131 million and ¥64 million, respectively, for the nine months ended September 30, 2021.

Material change in goodwill

"Internet Infrastructure" segment recorded goodwill as a result of acquiring shares of Gaika ex by GMO and including the company in the scope of consolidation. The resulting increase in goodwill during the nine months ended September 30, 2021 was ¥16,616 million, which is a provisional amount as the allocation of the acquisition cost has not been completed.

(Significant subsequent event)

Not applicable.