

Fiscal Year 2021 Consolidated Financial Results (Japanese GAAP)

February 10, 2022

Name of Listed Company: GMO Internet, Inc.

Exchange Listing: Tokyo Stock Exchange

Stock Code: 9449

URL: <https://www.gmo.jp/en>

Representative: Masatoshi Kumagai, Founder and Group CEO

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Date of Annual General Shareholders Meeting: March 20, 2022 Start Date of Dividend Payout: March 7, 2022

Date of Annual Report Release: March 22, 2022

Supplementary documents available pertaining to financial results: Yes

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

1. Consolidated Results in the Fiscal Year Ended December 31, 2021 (01.01.2021- 12.31.2021)

(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	%
FYE12/2021	241,446	14.7	41,097	47.3	43,393	59.9	17,527	70.4
FYE12/2020	210,559	7.3	27,893	10.3	27,136	10.7	10,284	23.4

(Note) Comprehensive Income: FYE 12/2021 ¥ 32,008 million (83.0%), FYE 12/2020 ¥ 17,491 million (4.8%)

	Net Profit per Share	Net Profit per Share (Diluted)	Ratio of Net Profit to Shareholders' Equity	Ratio of Ordinary Profit to Total Assets	Ratio of Operating Profit to Net Sales
	¥	¥	%	%	%
FYE12/2021	159.69	158.48	28.2	3.5	17.0
FYE12/2020	93.00	91.75	19.6	2.8	13.2

(Reference) Earnings/Loss on Equity Method Investment: FYE 12/2021 ¥-693 million, FYE 12/2020 ¥-760 million

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	¥ millions	¥ millions	%	¥
FYE12/2021	1,418,936	140,402	5.2	670.99
FYE12/2020	1,070,544	100,114	4.8	465.94

(Reference) Shareholders' Equity: FYE 12/2021 ¥73,548 million, FYE 12/2020 ¥50,905 million

(3) Consolidated Cash Flow

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Equivalents End of Term Balance
	¥ millions	¥ millions	¥ millions	¥ millions
FYE12/2021	-23,783	-51,765	89,889	234,041
FYE12/2020	38,277	-15,995	37,518	218,676

2. Dividends

	Dividends per Share					Total Dividend Payout	Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	End of Q1	End of Q2	End of Q3	End of Term	Total			
FYE12/2020	¥ 6.60	¥ 6.20	¥ 7.40	¥ 10.60	¥ 30.80	¥ millions 3,391	% 33.1	% 6.5
FYE12/2021	17.10	12.20	10.80	12.60	52.70	5,785	33.0	9.3
FYE12/2022 (forecast)	—	—	—	—	—		—	

3. Consolidated Results Forecast for the Fiscal Year Ending December 31, 2022 (01.01.2022 – 12.31.2022)

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, cryptoassets trading value and the number of customer account, and operating revenue on a monthly basis.

*Notes

(1) Significant changes in subsidiaries during the current term (transfer of a subsidiary resulting in change in scope of consolidation): No

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

1. Changes resulting from revisions to accounting standards: No
2. Changes other than those specified above: No
3. Changes in accounting estimates: No
4. Restatements: No

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

(Unit: shares)

1. No. of outstanding shares at end of term (including treasury stock)	FYE 12/2021	111,893,046	FYE 12/2020	113,242,987
2. No. of treasury shares at end of term	FYE 12/2021	2,283,361	FYE 12/2020	3,990,955
3. Average no. of shares during term	FYE 12/2021	109,761,928	FYE 12/2020	110,587,569

(Reference) Summary of Non-Consolidated Financial Results

1. Non-consolidated Results in the Fiscal Year Ended December 31, 2021 (01.01.2021 - 12.31.2021)

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

	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FYE12/2021	66,872	4.1	4,208	—	14,681	103.7	11,828	68.0
FYE12/2020	64,251	14.7	5	-99.2	7,207	11.6	7,040	53.3

	Net Profit per Share	Net Profit per Share (Diluted)
	¥	¥
FYE12/2021	107.77	—
FYE12/2020	63.66	—

(2) Non-consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net assets per Share
	¥ millions	¥ millions	%	¥
FYE12/2021	165,115	29,870	18.1	272.51
FYE12/2020	111,893	20,184	18.0	184.75

(Reference) Shareholders' Equity: FYE 12/2021 ¥29,870 million, FYE 12/2020 ¥20,184 million

***Consolidated financial results are not subject to audit by independent auditors.**

***Notes regarding the appropriate use of results forecasts and other items**

Although the Company aims to pay dividends quarterly with a target payout ratio of 33% to net income attributable to the 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 February 10, 2022, 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. Overview of Operating Results, etc.

(1) Overview of operating results

◆ Overview of the financial results for the fiscal year ended December 31, 2021

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 fiscal year ended December 31, 2021, marking its 13th 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 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 earnings with strong 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 a recovery of the advertising market in addition to our efforts including product change in FY2020, revamp of sales approach and cost reduction. (3) The Internet Finance segment reported record high earnings due to profitability improvement in OTC FX and consolidation of Gaika ex byGMO, Inc. despite weak growth in the transaction volume compared to FY2020 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 supported by rising cryptoasset prices. In the Cryptoassets mining business, mining profitability increased, contributing to record high earnings.

As a result, for the fiscal year ended December 31, 2021, the Group recorded net sales of ¥241,446 million (up 14.7% year-on-year), operating profit of ¥41,097 million (up 47.3% year-on-year), ordinary profit of ¥43,393 million (up 59.9% year-on-year), and net profit attributable to owners of the parent of ¥17,527 million (up 70.4%), all hitting record highs.

(Unit: ¥millions)

	Previous Fiscal Year	Current Fiscal Year	Change	% Change
Net Sales	210,559	241,446	30,887	14.7%
Operating Profit	27,893	41,097	13,204	47.3%
Ordinary Profit	27,136	43,393	16,256	59.9%
Profit Attributable to Owners of the Parent	10,284	17,527	7,243	70.4%

Net sales and Operating profit by segment for the consolidated fiscal year ended December 31, 2021

(Unit: ¥millions)

	Previous Fiscal Year	Current Fiscal Year	Change	% Change
Internet Infrastructure				
Net Sales	131,273	138,762	7,489	5.7%
Operating Profit	16,287	19,232	2,945	18.1%
Online Advertising & Media				
Net Sales	46,862	52,071	5,209	11.1%
Operating Profit	422	1,186	764	181.1%
Internet Finance				
Net Sales	30,852	33,899	3,047	9.9%
Operating Profit	10,617	11,715	1,098	10.3%
Cryptoassets				
Net Sales	6,730	20,634	13,903	206.6%
Operating Profit	769	9,093	8,324	—
Incubation				
Net Sales	1,001	1,570	568	56.8%
Operating Profit	102	785	683	667.8%
Other				
Net Sales	1,087	1,592	504	46.4%
Operating Profit	-360	-621	-261	—
Adjustment				
Net Sales	-7,249	-7,084	164	—
Operating Profit	55	-295	-350	—
Total				
Net Sales	210,559	241,446	30,887	14.7%
Operating Profit	27,893	41,097	13,204	47.3%

1) Internet Infrastructure

The Internet Infrastructure segment offers services that allow customers, such as individuals, businesses, or local governments, to provide information online and services behind the customers' business activity. 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 fiscal year ended December 31, 2021 was 5.54 million (up 6.5% year-on-year), total number of domains under management as of December 31, 2021 was 7.19 million (up 9.3% year-on-year) and option sales increased, and as a result, net sales were ¥10,129 million (up 6.1% 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 December 31, 2021 was 1,070 thousand (up 11.5% year-on-year) and net sales were ¥16,189 million (up 6.8% 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 mainly in *MakeShop* which offers high-price plans, with the number of paid stores as of December 31, 2021 of 70 thousand (up 9.6% year-on-year) and total transaction volume of ¥467.1 billion (up 11.7% 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 continued introduction of new items and the sale in addition to aggressive promotion activities. Meanwhile, the total transaction volume of *minne* was ¥15.1 billion, a slight increase of 1.5% from FY2020 which enjoyed increased stay-at-home consumption. As a result, net sales were ¥16,688 million (up 12.2% 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 ¥7,161 million (up 12.6% 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 the finance-related services, a deferred payment service *GMO Payment After Delivery* showed solid growth. As a result, the number and amount of payments processed increased, and net sales increased to ¥44,556 million (up 19.1% year-on-year).

vi. Provider

In this sub-segment, the Company offers Internet provider services for consumers. The number of subscriptions at December 31, 2021 was 2.23 million (up 3.6% 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 ¥41,150 million (down 1.3% year-on-year).

Overall, the Internet Infrastructure segment recorded net sales of ¥138,762 million (up 5.7% year-on-year) and operating profit of ¥19,232 million (up 18.1% year-on-year), hitting a record high.

2) Online Advertising & Media

The Online Advertising & Media segment provides the comprehensive online advertising and offers the contents and media through the Internet. 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. The advertising agency service showed a slight increase due to a reactionary decline after stay-at-home demand and a gradual recovery in the face-to-face economy while the advertising market is on a gradual recovery trend compared to FY2020 which was hit hard by COVID-19. 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, profitability improved thanks to changes in product mix despite the impact from the stricter advertising review criteria introduced in Q3. As a result, net sales amounted to ¥34,379 million (up 3.6% 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. The vertical media such as programming educational portal *coeteko* and aesthetic medical ticket purchase site *KIREIPASS* showed a strong growth with the number of visitors recovering from FY2020 which suffered from the drawn-out stay-at-home period. The unit price also rose, and as a result, net sales were ¥13,643 million (up 32.3% year-on-year).

Overall, the Online Advertising & Media segment recorded net sales of ¥52,071 million (up 11.1% year-on-year), and operating profit of ¥1,186 million (up 181.1% year-on-year), achieving a significant increase while making advance investment.

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 December 31, 2021, the number of OTC FX accounts increased to 1,372 thousand (up 50.8% year-on-year) partly due to Gaika ex byGMO joining the Group, the number of securities accounts increased to 479 thousand (up 5.0% year-on-year) and the number of CFD accounts increased to 164 thousand (up 11.2% year-on-year). The OTC FX showed improvement in profitability from the temporary decline in FY2020 attributable to the low spread strategy aimed at increasing domestic shares while the transaction volume slightly decreased from FY2020 which enjoyed booming markets, due to COVID-19.

Overall, the Internet Finance segment recorded net sales of ¥33,899 million (up 9.9% year-on-year) and operating profit of ¥11,715 million (up 10.3% year-on-year).

4) Cryptoassets

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

i. Cryptoassets mining

The Cryptoassets mining business runs mining centers. Profitability improved significantly from a year earlier due to increased hash rates and a rise in the bitcoin price, and net sales amounted to ¥6,439 million (up 381.3%

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. Thanks to continued aggressive marketing activities, the customer base has steadily expanded with the number of customer accounts as of December 31, 2021 increasing to 474 thousand (up 39.2% year-on-year). Also, the transaction volume significantly increased year-on-year due to increased volatility caused by fluctuations in cryptoassets prices, and net sales increased to ¥13,380 million (up 148.1% year-on-year).

Overall, the Cryptoassets segment recorded net sales of ¥20,634 million (up 206.6% year-on-year) and operating profit of ¥9,093 million (operating profit of ¥769 million for the fiscal year ended December 31, 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 ¥1,570 million (up 56.8% year-on-year), and operating profit was ¥785 million (up 667.8% year-on-year) due to sale of shares.

(Reference 1) Changes in Operating Results and Financial Condition by Quarter

(Unit: ¥millions)

	Q4 2020	2021 1Q	2021 2Q	2021 3Q	2021 4Q
Net Sales	53,248	61,246	59,233	56,471	64,494
Operating Profit	5,374	12,479	10,141	8,012	10,464
Ordinary Profit	5,233	13,543	10,076	8,601	11,171
Profit Attributable to Owners of the Parent	3,542	5,656	4,046	3,597	4,227
Total Assets	1,070,544	1,170,590	1,134,787	1,369,409	1,418,936
Shareholders' Equity	50,905	62,546	70,700	73,094	73,548

(Reference 2) Quarterly Results by Segment/Business

(Unit: ¥millions)

I Net Sales by Segment

	Q4 2020	2021 1Q	2021 2Q	2021 3Q	2021 4Q
Internet Infrastructure					
Provider (ISP)	11,043	10,728	10,593	10,002	9,825
Domain	2,345	2,469	2,492	2,449	2,718
Hosting & cloud	3,881	3,909	3,946	4,107	4,226
Ecommerce solutions	3,973	4,032	4,195	4,197	4,262
Digital certificate and eSignature	1,486	1,695	1,736	1,660	2,069
Payment	9,740	10,239	10,979	11,323	12,013
Other	1,091	838	716	593	736
Total	33,562	33,912	34,661	34,335	35,852
Online Advertising & Media					
Online advertising	8,636	9,688	8,328	7,759	8,602
Internet media	2,783	3,026	3,526	3,302	3,788
Internet research and other	983	957	886	996	1,208
Total	12,403	13,672	12,741	12,058	13,599
Internet Finance					
Total	6,087	8,231	6,913	7,386	11,368
Cryptoassets					
Cryptoassets exchange	2,150	5,474	4,142	2,023	1,740
Cryptoassets mining	629	1,383	1,537	1,653	1,864
Cryptoassets payment	—	—	42	0	770
Total	2,779	6,858	5,723	3,677	4,375
Incubation					
Total	—	222	675	64	607
Sub total	54,833	62,896	60,715	57,523	65,804
Other	298	318	439	437	396
Adjustment	-1,883	-1,968	-1,920	-1,489	-1,705
Net Sales	53,248	61,246	59,233	56,471	64,494

II Operating Profit by Segment

	Q4 2020	2021 1Q	2021 2Q	2021 3Q	2021 4Q
Internet Infrastructure	3,723	4,744	4,936	4,021	5,530
Online Advertising & Media	255	642	429	251	-136
Internet Finance	1,631	3,101	2,129	2,628	3,856
Cryptoassets	219	4,022	2,347	1,482	1,241
Incubation	-302	74	432	-33	311
Sub total	5,527	12,585	10,274	8,350	10,803
Other	-150	-80	-105	-197	-239
Adjustment	-2	-25	-28	-141	-99
Operating Profit	5,374	12,479	10,141	8,012	10,464

(Reference 3) 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 operation of EC platform to set up net shop offered by 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. • Operation of OMAKASE, reservation management service for restaurants • 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, and 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) Overview of Financial Condition

Assets, Liabilities and Net Assets

(Assets)

As of December 31, 2021, total assets increased ¥348,392 million from December 31, 2020 to ¥1,418,936 million. Major factors included an increase of ¥166,747 million in various assets due to fluctuations in customer assets in the Finance segment, etc. (deposits, margin transaction assets, loan secured by securities, short term guarantee deposits, and variation margin paid), an increase of ¥19,390 million in cash and deposits, and an increase of ¥72,552 million in cryptoassets under custody.

(Liabilities)

As of December 31, 2021, liabilities increased ¥308,103 million from December 31, 2020 to ¥1,278,533 million. Major factors included an increase of ¥124,264 million in various liabilities due to fluctuations in customer assets in the Finance segment, etc. (deposits received, margin transaction liability, guarantees received, variation margin received, and debt secured by securities), an increase of ¥72,740 million in deposits received for cryptoassets, an increase of ¥49,291 million in bonds and convertible bonds with equity warrants, and an increase of ¥36,986 million in debt.

(Net Assets)

As of December 31, 2021, net assets increased ¥40,288 million from December 31, 2020 to ¥140,402 million. Major factors included an increase of ¥8,796 million in earned surplus (consisting mainly of an increase from recording profit attributable to owners of the parent totaling ¥17,527 million and decreases from dividend payments of ¥5,562 million and retirement of treasury stock of ¥3,168 million), an increase of ¥6,753 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, and an increase of ¥17,661 million in non-controlling interests.

(3) Overview of Cash Flows

Cash Flow

As of December 31, 2021, cash and equivalents increased ¥15,364 million from December 31, 2020 to ¥234,041 million. The following is a summary of cash flow activity during the fiscal year ended December 31, 2021.

(Cash Flow from Operating Activities)

Outflow in operating activities was ¥23,783 million (¥38,277 million of inflow in FY2020). Major inflow included net profit before adjustment for tax, etc. (¥43,715 million) and an increase in accounts payable (¥3,848 million). Major outflow included payment of corporate taxes, etc. (¥14,597 million), a decrease in trade payables (¥5,089 million), an increase in owned cryptoassets (¥6,834 million) and an increase in various assets due to increased customer assets in the Internet Finance segment (¥44,182 million).

(Cash Flow from Investing Activities)

Outflow from investing activities totaled ¥51,765 million (¥15,995 million of outflow in FY2020). Major outflow included acquisition of tangible fixed assets (¥4,690 million), acquisition of investment property (¥28,391 million), and acquisition of subsidiary stock resulting in change in scope of consolidation (¥16,066 million).

(Cash Flow from Financing Activities)

Inflow from financing activities totaled ¥89,889 million (¥37,518 million of inflow in FY2020). Major outflow included dividend payments (¥5,558 million) and dividend payments to non-controlling interests (¥5,452 million). Major inflow included issuance of bonds and convertible bonds with equity warrants (¥65,832 million) and changes in long and short term debt (¥36,681 million).

(Reference) Cash Flow Indicators

	FYE12/2017	FYE12/2018	FYE12/2019	FYE12/2020	FYE12/2021
Shareholders' equity ratio (%)	5.8	7.0	6.2	4.8	5.2
Shareholders' equity ratio (market value) (%)	29.5	22.5	27.0	31.3	21.4
Ratio of cash flow to Interest-bearing liabilities (years)	17.5	8.7	17.8	4.8	-
Interest coverage ratio (times)	11.5	19.3	9.6	33.5	-

Shareholders' equity ratio (%) : Shareholders' equity / Total assets

Shareholders' equity ratio (market Value) : Market capitalization / Total assets

Ratio of cash flow to Interest-bearing liabilities: Interest-bearing liabilities / Cash flow

Interest coverage ratio: Cash flow / Interest payment

(*1) All financial indicators are calculated on a consolidated basis.

(*2) Market capitalization is calculated based on the number of outstanding shares excluding treasury stock.

(*3) Cash flow refers to operating cash flow.

(*4) Interest-bearing liabilities include all liabilities on the consolidated balance sheet on which interest is payable.

(*5) Ratio of cash flow to interest-bearing liabilities and interest coverage ratio are not presented as operating cash flow is negative for FYE 12/2021.

(4) Future outlook

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. Instead, GMO Financial Holdings Co., Ltd., 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.

Meanwhile, we expect other businesses mainly "Internet Infrastructure" to grow steadily on the grounds that online consumption maintains high-level growth even after the increase in stay-at-home demand driven by the spread of COVID-19 and that the customer base continues expanding, while making investments to our electronic contract service "Electronic Seal GMO Sign" having the potential for further market growth.

(5) Basic policy on profit sharing and dividends for the current and next fiscal years

GMO Internet demonstrates a clear commitment toward returning value to shareholders through its dividend policy. Under the policy, the Company aims to return 50% of profits to shareholders. The Company's target dividend payout ratio is a minimum of 33% of consolidated net profit (net profit attributable to owners of the parent) while we will aim to allocate 50% of consolidated net profit (net profit attributable to owners of the parent) net of total dividends to the acquisition of treasury stock after taking into consideration business results and financial condition, and taking a flexible approach in accordance with share price. We have also adopted a quarterly dividend system to enable prompt profit return to shareholders.

The Company will pay annual dividend of ¥52.7 per share (dividend payout ratio: 33.0 %) for the fiscal year ended December 31, 2021.

As it is difficult to forecast business results as explained above, we will not disclose dividend forecast for the next fiscal year but intend to pay dividends in accordance with the above policy.

2. Policy Regarding Choice of Accounting Standards

GMO Internet Group prepares its consolidated financial statements based on Japanese GAAP in consideration of comparability between periods and with other companies.

Regarding the application of IFRS, we will take appropriate actions in consideration of domestic and international trends.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2020)	Current Fiscal Year (As of Dec 31, 2021)
Assets		
Current Assets		
Cash and deposits	220,745	240,136
Trade notes and accounts receivable	24,955	27,382
Operational investment securities	7,617	8,449
Owned cryptoassets	9,461	16,296
Cryptoassets under custody	43,421	115,973
Securities segment deposits	372,163	478,489
Securities segment margin transaction assets	100,723	134,732
Securities segment loan secured by securities	9,703	9,626
Securities segment short term guarantee deposits	61,762	67,862
Securities segment variation margin paid	50,121	70,512
Other	107,931	127,359
Provision for doubtful debts	-3,380	-3,835
Total Current Assets	1,005,226	1,292,984
Fixed Assets		
Tangible fixed assets		
Buildings and structures (net)	5,032	5,692
Tools and equipment (net)	5,874	6,046
Lease assets (net)	3,081	3,526
Other (net)	500	1,126
Total tangible fixed assets	14,488	16,390
Intangible fixed assets		
Goodwill	657	14,251
Software	7,924	10,181
Other	6,418	15,132
Total intangible fixed assets	14,999	39,566
Investments and other assets		
Investment securities	18,838	28,605
Deferred tax asset	5,808	2,328
Other	11,689	39,760
Provision for doubtful debts	-506	-699
Total investments and other assets	35,830	69,995
Total Fixed Assets	65,318	125,952
Total Assets	1,070,544	1,418,936

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2020)	Current Fiscal Year (As of Dec 31, 2021)
Liabilities		
Current liabilities		
Trade notes and accounts payable	10,512	11,921
Short term debt	169,312	163,465
Current portion of long term debt	10,634	9,530
Amount payable	41,102	45,228
Deposits received for cryptoassets	43,421	116,161
Securities segment deposits received	50,555	55,392
Securities segment margin transaction liability	28,487	30,554
Securities segment guarantees received	405,252	519,131
Securities segment variation margin received	3,239	7,677
Securities segment debt secured by securities	21,570	20,614
Accrued corporate tax etc.	5,765	4,731
Provision for bonuses	2,748	2,948
Provision for bonuses to directors	1,022	1,452
Advance payment received	11,161	11,082
Deposits received	107,468	110,817
Other	21,089	34,272
Total Current Liabilities	933,345	1,144,982
Fixed Liabilities		
Bonds	—	45,000
Convertible bonds with equity warrants	16,698	20,990
Long term debt	11,739	55,678
Deferred tax liability	163	1,568
Other	7,289	9,390
Total Fixed Liabilities	35,891	132,627
Statutory Reserve		
Financial instruments transaction liability reserve	1,192	924
Total Statutory Reserve	1,192	924
Total Liabilities	970,429	1,278,533
Net Assets		
Shareholders' Equity		
Capital stock	5,000	5,000
Capital surplus	27,574	34,328
Earned surplus	26,959	35,756
Treasury stock	-9,366	-5,684
Total Shareholders' Equity	50,167	69,400
Accumulated Other Comprehensive Income		
Other securities valuation differences	1,184	3,559
Deferred hedging profit/loss	-9	—
Foreign currency translation adjustments	-437	588
Total Accumulated Other Comprehensive Income	738	4,147
Equity Warrants	67	52
Non-Controlling Interests	49,140	66,802
Total Net Assets	100,114	140,402
Total Liabilities and Net Assets	1,070,544	1,418,936

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2020-12.31.2020)	Current Fiscal Year (01.01.2021-12.31.2021)
Net Sales	210,559	241,446
Cost of Sales	104,883	112,630
Gross Profit on Sales	105,675	128,815
Sales, General & Administrative Expenses	77,782	87,718
Operating Profit	27,893	41,097
Non-Operating Revenue		
Interest received	286	231
Dividends received	90	757
Currency translation gain	—	1,540
Gain on investments in partnership	284	462
Gain on deposit settlement	134	193
Other	449	1,003
Total Non-Operating Revenue	1,245	4,189
Non-Operating Expenses		
Interest paid	390	500
Currency translation loss	658	—
Equity method investment loss	760	693
Bond issuance cost	—	267
Other	191	431
Total Non-Operating Expenses	2,002	1,892
Ordinary Profit	27,136	43,393
Extraordinary Profit		
Gain on business transfer	45	149
Gain on sale of investment securities	7,796	649
Reversal of financial instruments transaction liability reserve	38	268
Other	1,283	71
Total Extraordinary Profit	9,163	1,139
Extraordinary Loss		
Loss on valuation of investment securities	1,143	30
Impairment loss	3,787	725
Loss on sale of stock in subsidiaries and affiliates	462	—
Other	980	62
Total Extraordinary Loss	6,373	818
Net Profit Before Adjustment for Tax etc.	29,926	43,715
Corporate, Municipal and Enterprise Taxes	10,865	13,737
Corporate Tax etc. Adjustment	393	1,521
Total Corporate Taxes etc.	11,258	15,259
Net Profit	18,667	28,456
Profit Attributable to Non-Controlling Interests	8,383	10,928
Profit Attributable to Owners of the Parent	10,284	17,527

Consolidated Statement of Comprehensive Income

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2020-12.31.2020)	Current Fiscal Year (01.01.2021-12.31.2021)
Net Profit	18,667	28,456
Other Comprehensive Income		
Other securities valuation differences	364	2,231
Deferred hedging profit/loss	-16	9
Foreign currency translation adjustments	-1,677	1,281
Share of other comprehensive income of affiliates accounted for using equity method	152	29
Total other comprehensive income	-1,176	3,552
Comprehensive Income	17,491	32,008
(Breakdown)		
Comprehensive income attributable to Owners of the Parent	9,041	20,937
Comprehensive income attributable to Non- controlling Interests	8,449	11,071

(3) Consolidated Statement of Changes in Shareholders' Equity, etc.

Previous Fiscal Year (01.01.2020 – 12.31.2020)

(Unit: ¥millions)

	Shareholders' equity				
	Capital	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Beginning balance	5,000	27,332	19,474	-3	51,803
Changes during the year					
Dividends			-2,799		-2,799
Profit attributable to owners of the parent			10,284		10,284
Acquisition of treasury stock				-9,363	-9,363
Retirement of treasury stock					—
Disposition of treasury stock					—
Changes in the parent's interests due to transactions with non-controlling interests		242			242
Changes in items other than shareholders' equity during the year (net)					—
Total changes during the year	—	242	7,485	-9,363	-1,635
Ending balance	5,000	27,574	26,959	-9,366	50,167

(Unit: ¥millions)

	Accumulated other comprehensive income				Equity warrants	Non-controlling interests	Total net assets
	Other securities valuation differences	Deferred hedging profit/loss	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Beginning balance	968	6	1,005	1,981	78	48,405	102,269
Changes during the year							
Dividends							-2,799
Profit attributable to owners of the parent							10,284
Acquisition of treasury stock							-9,363
Retirement of treasury stock							—
Disposition of treasury stock							—
Changes in the parent's interests due to transactions with non-controlling interests							242
Changes in items other than shareholders' equity during the year (net)	216	-16	-1,443	-1,243	-11	735	-519
Total changes during the year	216	-16	-1,443	-1,243	-11	735	-2,154
Ending balance	1,184	-9	-437	738	67	49,140	100,114

Current Fiscal Year (01.01.2021 – 12.31.2021)

(Unit: ¥millions)

	Shareholders' equity				
	Capital	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Beginning balance	5,000	27,574	26,959	-9,366	50,167
Changes during the year					
Dividends			-5,562		-5,562
Profit attributable to owners of the parent			17,527		17,527
Acquisition of treasury stock				-1,903	-1,903
Retirement of treasury stock			-3,168	3,168	—
Disposition of treasury stock				2,417	2,417
Changes in the parent's interests due to transactions with non-controlling interests		6,753			6,753
Changes in items other than shareholders' equity during the year (net)					—
Total changes during the year	—	6,753	8,796	3,682	19,232
Ending balance	5,000	34,328	35,756	-5,684	69,400

(Unit: ¥millions)

	Accumulated other comprehensive income				Equity warrants	Non-controlling interests	Total net assets
	Other securities valuation differences	Deferred hedging profit/loss	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Beginning balance	1,184	-9	-437	738	67	49,140	100,114
Changes during the year							
Dividends							-5,562
Profit attributable to owners of the parent							17,527
Acquisition of treasury stock							-1,903
Retirement of treasury stock							—
Disposition of treasury stock							2,417
Changes in the parent's interests due to transactions with non-controlling interests							6,753
Changes in items other than shareholders' equity during the year (net)	2,374	9	1,025	3,409	-15	17,661	21,055
Total changes during the year	2,374	9	1,025	3,409	-15	17,661	40,288
Ending balance	3,559	—	588	4,147	52	66,802	140,402

(4) Consolidated Statement of Cash Flows

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2020-12.31.2020)	Current Fiscal Year (01.01.2021-12.31.2021)
Cash Flow from Operating Activities		
Net profit before adjustment for tax etc.	29,926	43,715
Depreciation expenses	8,053	8,817
Impairment loss	3,787	725
Amortization of goodwill	605	699
Interest and dividends received	-377	-989
Interest paid	390	500
Bond issuance cost	—	267
Equity method investment gain or loss (- represents gain)	760	693
Gain or loss on valuation of investment securities (- represents gain)	1,143	30
Gain or loss on sale of investment securities (- represents gain)	-7,796	-1,033
Gain or loss on sale of stock in subsidiaries and affiliates (- represents gain)	462	—
Changes in provision for doubtful debts (- represents decrease)	-3,308	482
Changes in financial instruments transaction liability reserve (- represents decrease)	-38	-268
Changes in provision for bonuses (- represents decrease)	1,965	622
Changes in trade receivables (- represents increase)	-1,448	-2,361
Changes in trade payables (- represents decrease)	-4,944	-5,089
Changes in amount payable (- represents decrease)	4,427	3,848
Changes in deposits received (- represents decrease)	31,092	3,202
Changes in securities segment deposits (- represents increase)	-64,126	-12,599
Changes in securities segment guarantee deposits (- represents increase)	-9,855	-6,059
Changes in securities segment margin variation paid and received	-12,456	628
Changes in securities segment deposits and guarantees received (- represents decrease)	65,059	6,668
Changes in securities segment margin transaction assets and liabilities	-9,487	-31,941
Changes in securities segment debt secured by securities (- represents decrease)	6,720	-956
Changes in securities segment loan secured by securities (- represents increase)	-172	77
Changes in owned cryptoassets (- represents increase)	-5,679	-6,834
Other	9,260	-11,209
Sub total	43,967	8,362
Interest and dividends received	278	724
Interest paid	-1,140	-1,548
Corporate tax etc. paid	-4,827	-14,597
Cash Flow from Operating Activities	38,277	-23,783

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2020-12.31.2020)	Current Fiscal Year (01.01.2021-12.31.2021)
Cash Flow from Investing Activities		
Placement of fixed term deposit	-1,410	-2,438
Withdrawal of fixed term deposit	108	2,061
Acquisition of tangible fixed assets	-3,506	-4,690
Acquisition of intangible fixed assets	-3,980	-3,806
Acquisition of investment securities	-10,319	-9,955
Proceeds from sale of investment securities	1,034	11,191
Origination of loans receivable	-1,646	-5
Collection of loans receivable	1,619	67
Payment of deposit money	-3,509	-5,862
Collection of deposit money	5,643	5,951
Acquisition of subsidiary stock resulting in change in scope of consolidation	—	-16,066
Proceeds from acquisition of subsidiary stock resulting in change in scope of consolidation	—	35
Sale of subsidiary stock resulting in change in scope of consolidation	-968	—
Acquisition of investment property	—	-28,391
Other	940	145
Cash Flow from Investing Activities	-15,995	-51,765
Cash Flow from Financing Activities		
Net changes in short term debts (- represents decrease)	55,358	-6,121
Proceeds from new long term debt	8,709	79,328
Repayment of long term debt	-5,747	-36,524
Acquisition of treasury stock	-9,363	-1,904
Acquisition of subsidiaries' treasury stock	-2,929	-168
Proceeds from issuance of bonds	—	44,808
Proceeds from issuance of convertible bonds with equity warrants	—	21,023
Gain on sale and leasebacks	778	993
Payment of installment and lease obligations	-2,356	-1,029
Payment from investment partners	—	877
Payment to investment partners	-2,062	-198
Payment from non-controlling interests	1,388	273
Payment of dividends	-2,803	-5,558
Payment of dividends to non-controlling interests	-4,758	-5,452
Acquisition of subsidiary stock without change in scope of consolidation	-430	-458
Proceeds from sale of subsidiary stock without change in scope of consolidation	1,735	—
Cash Flow from Financing Activities	37,518	89,889
Currency Translation Adjustment on Cash and Equivalents	-838	1,023
Changes in Cash and Equivalents (- represents decrease)	58,961	15,364
Balance of Cash and Equivalents at Beginning of Year	159,715	218,676
Balance of Cash and Equivalents at End of Year	218,676	234,041

(5) Notes to consolidated financial statements
(Notes regarding going concern assumption)
Not applicable

(Significant items concerning the preparation of the consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries and names of significant consolidated subsidiaries

Number of consolidated subsidiaries: 106 (including 5 partnerships)

Names of significant consolidated subsidiaries

GMO AD Partners, Inc.
GMO GlobalSign Holdings K.K.
GMO Payment Gateway, Inc.
GMO Pepabo, Inc.
GMO Financial Holdings, Inc.
GMO TECH, Inc.
GMO Research, Inc.
GMO Media, Inc.
GMO Financial Gate, Inc.

The following companies were included in the consolidation during the fiscal year ended December 31, 2021 for the following reasons: GMO OMAKASE Inc. (former OMAKASE Co., Ltd.), Gaika ex byGMO, Inc. (former YJFX, Inc.) and two other companies due to acquisition of shares; and Adam by GMO, GMO Office Support, Inc. and four other companies due to establishment. The following companies were excluded from the consolidation during the fiscal year ended December 31, 2021 for the following reasons: GMO Mobility Cloud K.K. due to a merger into another group company, GMO-Z.com USA, Inc. and GMO-Z. com Investment Pte. Ltd. due to completion of their respective liquidation proceedings.

(2) Names of significant non-consolidated subsidiaries

Patent Incubation Capital, Inc.

Reasons for exclusion from the consolidation

All 21 non-consolidated subsidiaries are small-scale companies, and none of their total assets, sales, net profit (corresponding to the equity share) and earned surplus (corresponding to the equity share) have a significant impact on the consolidated financial statements.

2. Application of the equity method

(1) Number of companies to which the equity method is applied: 4

Names of significant equity method affiliates:

GMO Aozora Net Bank, Ltd.

(2) Major non-consolidated subsidiaries and affiliates not accounted for by equity method

Patent Incubation Capital, Inc.

Net profit or loss (corresponding to the equity share) and earned surplus (corresponding to the equity share), etc. of 21 non-consolidated subsidiaries and three affiliates (HUMEIA REGISTRY Co. Ltd, and two other companies) have insignificant impact on overall performance, individually and collectively, and therefore they are excluded from the scope of application of the equity method.

3. Fiscal years, etc. of consolidated subsidiaries

The following consolidated subsidiaries have different year-end from the consolidated fiscal year-end.

Fiscal year-end: September 30

GMO Payment Gateway, Inc.

GMO Epsilon, Inc. and 13 other companies

Fiscal year-end: March 31

GMO Globalsign Certificate Services Private Limited and three other companies

Fiscal year-end: May 31

GMO Venture Partners 4 Investment Limited Partnership and two other companies

Fiscal year-end: August 31

BUFFFORT Inc.

The consolidated financial statements are prepared based on the financial statements with a provisional closing as of the consolidated fiscal year-end.

4. Accounting policies

(1) Valuation criteria and method for major assets

(i) Marketable securities

Available-for-sale securities

Market value method (cost of sales is determined by moving average method)

Bonds held to maturity

Amortized cost (straight-line) method

Other marketable securities (including operational investment securities)

Securities with a market value:

Stated at market value at year-end. All valuation differences are included directly in net assets and cost of sales is determined by the moving average method.

Securities with no market value:

Stated at cost determined by the moving average method

(ii) Derivatives transactions

Market value method

(2) Depreciation of major depreciable assets

(i) Tangible fixed assets (excluding lease assets)

Declining-balance method. Leasehold improvements acquired after April 1, 2016 are depreciated using the straight-line method.

Useful life:

Buildings and structures: 3-50 years

Tools and equipment: 2-20 years

(ii) Intangible fixed assets (excluding lease assets)

Straight-line method. Computer software for internal use is amortized using the straight-line method over an estimated useful life (generally five years). Useful life of customer related assets is based on the period during which they continue to affect the calculation (nine years).

(iii) Lease assets

Finance lease transactions that do not transfer ownership

Depreciated using the straight-line method over the lease term with the residual value of zero.

(3) Accounting for material deferred assets

Bond issuance cost

Bond issuance cost is fully expensed upon payment.

(4) Calculation criteria of material reserves

(i) Allowance for doubtful debts

In order to provide for credit loss, allowance for estimated uncollectible amount is recorded based on the credit loss ratio for performing accounts and based on individual assessment of collectibility for non-performing accounts.

(ii) Allowance for bonuses

In order to provide for the bonus payment to employees, the estimated bonus amount attributable to the current year is recorded.

(iii) Allowance for Director bonuses

In order to provide for the bonus payment to directors, the estimated bonus amount attributable to the current year is recorded.

(iv) Financial instruments transaction liability reserve

This reserve is provided in some consolidated subsidiaries in accordance with Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of the "Cabinet Office Ordinance on Financial Instruments Business, etc." in order to provide for potential losses arising from securities transaction related incidents.

(5) Hedge accounting

(i) Hedge accounting

Generally deferred hedge treatment is applied. However, the appropriation treatment is used for forward exchange contracts where certain conditions are met.

(ii) Hedging instruments and hedged items

Hedging instrument: Forward exchange contracts

Hedged items: debt and forecast transactions denominated in foreign currency

(iii) Hedging policy

The Company enters into forward exchange contracts to hedge exchange rate fluctuation risk. Hedged items are identified on an individual contract basis.

(iv) Method of hedge effectiveness evaluation

The effectiveness of each derivative transaction and hedged item is evaluated by assessing the amount of debt/credit, hedge transaction conditions and other factors on an individual basis.

(6) Method and period of goodwill amortization

Goodwill is amortized over a reasonable period within 20 years using the straight-line method.

(7) Scope of cash and equivalents in the consolidated statement of cash flows

Cash and equivalents stated in the consolidated statement of cash flows consist of cash on hand, demand deposits and short-term investments that are readily convertible to cash with low risk of price fluctuation and with original maturities of three months or less.

(8) Other significant matters relating to the preparation of the consolidated financial statements

(i) Accounting for consumption taxes

Transactions subject to national and local consumption taxes are stated net of consumption taxes.

Nondeductible national and local consumption taxes related to assets are reported as long-term prepaid expense (included in Other in Investments and other assets) and amortized over 5 years.

(ii) Accounting for foreign exchange margin transactions

In regard to foreign exchange margin transactions, the settlement gain or loss on transactions, valuation gains or losses and the swap point on open positions are reported as net sales.

Valuation gain or loss is the difference between the quoted price and market value for the open position in foreign exchange margin transactions calculated on each transaction statement. They are aggregated and the net amount is reported as "Securities segment variation margin paid" or "Securities segment variation margin received" on the consolidated balance sheet.

In addition, customer assets (deposits) in Japan are managed separately in accordance with Article 143, Paragraph 1, Item 1 of the "Cabinet Office Ordinance on Financial Instruments Business, etc." pursuant to Article 43-3, Paragraph 1 of the Financial Instruments and Exchange Act, and customer assets in overseas consolidated subsidiaries are managed separately from proprietary assets in accordance with local laws.

They are reported as "Securities segment deposits" on the consolidated balance sheet.

(iii) Application of consolidated tax payment system

The Company and its certain consolidated subsidiaries have applied the consolidated tax payment system.

(Changes in presentation method)

(Consolidated statement of income)

“Gain on change in equity” was presented separately in “Extraordinary Profit” for the fiscal year ended December 31, 2020, but it is included in “Other” from the fiscal year ended December 31, 2021 as it became immaterial. The consolidated financial statements for the fiscal year ended December 31, 2020 were reclassified to reflect this change in presentation.

As a result, ¥31 million of “Gain on change in equity” presented in “Extraordinary Profit” in the consolidated statement of income for the fiscal year ended December 31, 2020 was reclassified to “Other.”

(Consolidated Statements of Cash Flows)

“Gain or loss on change in equity (- represents gain)” of Cash flows from operating activities are included in “Other” for the fiscal year ended December 31, 2021, due to a decrease in materiality. For the purpose of reflecting this change in method of presentation, the Company reclassified Consolidated Financial Statements for the fiscal year ended December 31, 2020.

As a result, -31 million yen presented as “Gain or loss on change in equity (- represents gain)” of Cash flows from operating activities for the fiscal year ended December 31, 2020, was classified as “Other”.

(Segment information, etc.)

Segment information

1. Overview of Reportable Segments

Method to determine reportable segments

The Company’s reportable segments are components of the Group for which separate financial information is available that are reviewed by the Board of Directors regularly to make decisions regarding the allocation of management resources and evaluate operating performance.

GMO Internet Group operates a comprehensive line up of Internet related services. The Group’s operation is divided according to service type into five reportable segments: Internet Infrastructure, Online Advertising & Media, Internet Finance, Cryptoassets, and Incubation.

The Internet Infrastructure segment provides services that comprise the business base for customers with online businesses. Services include domain, hosting & cloud, ecommerce solutions, digital certificate and eSignature, payment and provider. The Online Advertising & Media segment provides marketing solutions for customers with online businesses, and includes online advertising, Internet media and Internet research sub-segments. The Internet Finance segment operates online securities transaction service, foreign exchange margin transaction service and cryptoassets trading service. The Cryptoassets segment engages in cryptoassets exchange, mining and payment business. The Incubation segment invests primarily in unlisted Internet related businesses.

2. Calculation of Net Sales, Profit or Loss, Assets, Liabilities and Other Items by Reportable Segment

Accounting policies for the reportable business segments are consistent with those described in the section “Significant items concerning the preparation of the consolidated financial statements.” Reportable segment profit is based on operating profit. Inter-segment sales and transfers are based on the same transaction conditions as those applied to external customers. The Company does not allocate assets and liabilities to reportable segments.

3. Net Sales, Profit or Loss, Assets, Liabilities and Other Items by Reportable Segment

Previous Fiscal Year (01.01.2020 – 12.31.2020)

(Unit: ¥millions)

	Reportable segment						Other (*1)	Adjustment (*2)	Total (*3)
	Internet Infrastructure	Online Advertising & Media	Internet Finance	Cryptoassets	Incubation	Total			
Net Sales									
Sales to unaffiliated customers	130,438	40,629	30,860	6,723	1,001	209,651	907	—	210,559
Inter-segment sales and transfers	835	6,233	-7	7	—	7,068	180	-7,249	—
Total	131,273	46,862	30,852	6,730	1,001	216,720	1,087	-7,249	210,559
Segment profit/loss (-represents loss)	16,287	422	10,617	769	102	28,198	-360	55	27,893
Other items									
Depreciation	6,173	350	875	529	3	7,931	122	—	8,053

(notes) 1. "Other" represents Mobile entertainment, Culture incubation and other businesses not included in reportable segments.

2. Segment profit/loss adjustment (¥55 million) is an elimination of inter-segment transactions.

3. Segment profit/loss is adjusted to operating profit presented on the consolidated statement of income.

Current Fiscal Year (01.01.2021 – 12.31.2021)

(Unit: ¥millions)

	Reportable segment						Other (*1)	Adjustment (*2)	Total (*3)
	Internet Infrastructure	Online Advertising & Media	Internet Finance	Cryptoassets	Incubation	Total			
Net Sales									
Sales to unaffiliated customers	137,564	46,477	33,899	20,634	1,570	240,146	1,299	—	241,446
Inter-segment sales and transfers	1,197	5,594	—	—	—	6,792	292	-7,084	—
Total	138,762	52,071	33,899	20,634	1,570	246,939	1,592	-7,084	241,446
Segment profit/loss (-represents loss)	19,232	1,186	11,715	9,093	785	42,014	-621	-295	41,097
Other items									
Depreciation	7,057	240	1,302	136	2	8,739	77	—	8,817

(notes) 1. "Other" represents Mobile entertainment and other businesses not included in reportable segments.

2. Segment profit/loss adjustment (¥-295 million) is an elimination of inter-segment transactions.

3. Segment profit/loss is adjusted to operating profit presented on the consolidated statement of income.

(Related Information)

Previous Fiscal Year (01.01.2020 – 12.31.2020)

1. Information by product and service

This section is omitted as the relevant information is disclosed in the Segment information section.

2. Information by geographic region

(1) Net Sales

This section is omitted as sales to external customers in Japan account for over 90% of net sales stated on the consolidated statement of income.

(2) Tangible fixed assets

This section is omitted as the balance of tangible fixed assets located in Japan accounts for over 90% of tangible fixed assets stated on the consolidated balance sheet.

3. Information by major customer

This section is omitted as no external customer accounts for more than 10% of net sales stated on the consolidated statement of income.

Current Fiscal Year (01.01.2021 – 12.31.2021)

1. Information by product and service

This section is omitted as the relevant information is disclosed in the Segment information section.

2. Information by geographic region

(1) Net Sales

This section is omitted as sales to external customers in Japan account for over 90% of net sales stated on the consolidated statement of income.

(2) Tangible fixed assets

This section is omitted as the balance of tangible fixed assets located in Japan accounts for over 90% of tangible fixed assets stated on the consolidated balance sheet.

3. Information by major customer

This section is omitted as no external customer accounts for more than 10% of net sales stated on the consolidated statement of income.

(Information relating to impairment loss on fixed assets by reportable segment)

Previous Fiscal Year (01.01.2020 – 12.31.2020)

(Unit: ¥millions)

	Reportable segment						Other (Note)	Corporate/elimination	Total
	Internet Infrastructure	Online Advertising & Media	Internet Finance	Cryptoassets	Incubation	Total			
Impairment loss	1,850	88	97	1,482	—	3,519	268	—	3,787

(Note) "Other" relates to Mobile entertainment business, etc.

Current Fiscal Year (01.01.2021 – 12.31.2021)

(Unit: ¥millions)

	Reportable segment						Other (Note)	Corporate/elimination	Total
	Internet Infrastructure	Online Advertising & Media	Internet Finance	Cryptoassets	Incubation	Total			
Impairment loss	473	—	43	144	—	661	64	—	725

(Note) "Other" relates to Mobile entertainment business, etc.

(Information regarding goodwill amortization and unamortized balance by reportable segment)

Previous Fiscal Year (01.01.2020 – 12.31.2020)

(Unit: ¥millions)

	Reportable segment						Other (Note)	Corporate/elimination	Total
	Internet Infrastructure	Online Advertising & Media	Internet Finance	Cryptoassets	Incubation	Total			
Amortization during the year	506	37	—	—	—	543	62	—	605
Balance at end of year	651	3	—	—	—	654	2	—	657

(Note) "Other" relates to Mobile entertainment business, etc.

Current Fiscal Year (01.01.2021 – 12.31.2021)

(Unit: ¥millions)

	Reportable segment						Other (Note)	Corporate/elimination	Total
	Internet Infrastructure	Online Advertising & Media	Internet Finance	Cryptoassets	Incubation	Total			
Amortization during the year	455	12	231	—	—	698	1	—	699
Balance at end of year	3,327	54	10,868	—	—	14,250	1	—	14,251

(Note) "Other" relates to Mobile entertainment business, etc.

(Information regarding profit arising from negative goodwill by reportable segment)

Not applicable

(Per share information)

(Unit: yen)

Item	Previous Consolidated Fiscal Year (01.01.2020– 12.31.2020)	Current Consolidated Fiscal Year (01.01.2021 – 12.31.2021)
Net assets per share	465.94	670.99
Net profit per share	93.00	159.69
Net profit per share (diluted)	91.75	158.48

(Notes) Calculation of net profit per share and net profit per share (diluted) is based on the following:

Item	Previous Consolidated Fiscal Year (01.01.2020– 12.31.2020)	Current Consolidated Fiscal Year (01.01.2021 – 12.31.2021)
Net profit per share		
Profit attributable to owners of the parent (¥millions)	10,284	17,527
Amount not attributable to common shareholders (¥millions)	—	
Net profit attributable to owners of the parent related to common stock (¥millions)	10,284	17,527
Average number of common shares outstanding during the period (shares)	113,242,987	112,100,160
Average number of treasury stock during the period (shares)	-2,655,418	-2,338,232
Average number of shares during the period (shares)	110,587,569	109,761,928
Net profit per share (diluted)		
Net profit adjustment attributable to owners of the parent (¥millions)	-137	-132
(including adjustment for dilutive shares in consolidated subsidiaries) (¥millions)	(-137)	(-132)
Increase in no. of common shares (shares)	—	—
Dilutive shares not included in the calculation of net profit per share (diluted) because of their anti-dilutive effect.	1. Consolidated Subsidiaries i. GMO AD Partners, Inc. Stock Options 6th Round Common stock: 300,100 shares ii. GMO Financial Holdings, Inc. Equity Warrants 2nd Round Common stock: 2,315,000 shares iii. GMO TECH, Inc. Equity Warrants 1st Round Common stock: 7,530 shares iv. GMO Epsilon, Inc. 2010 Stock Options Common stock: 72 shares v. GMO Media, Inc. Equity Warrants 1st Round Common stock: 92,200 shares	1. Consolidated Subsidiaries i. GMO Financial Holdings, Inc. Equity Warrants 2nd Round Common stock: 2,285,000 shares ii. GMO TECH, Inc. Equity Warrants 1st Round Common stock: 7,530 shares iii. GMO Epsilon, Inc. 2010 Stock Options Common stock: 67 shares iv. GMO CONNECT, Inc. Equity Warrants 1st Round Common stock: 40 shares

(Significant Subsequent Events)

(Subsidiarization through share acquisition)

At the Board of Directors meeting held on January 24, 2022, it was resolved to acquire shares of Ierae Security, Inc. ("Ierae Security") and make the company a subsidiary of GMO Internet, Inc., and the share transfer agreement was signed on that date.

(1) Name and business description of the acquiree

- (i) Name of the acquiree: Ierae Security, Inc. (to be changed to "GMO Cyber Security by Ierae Security, Inc." subject to approval at the annual general meeting of shareholders of the company to be held in March 2022)
- (ii) Business description: vulnerability assessment of web and smartphone applications, penetration test, unauthorized use (cheating) assessment, IoT vulnerability assessment, vehicle vulnerability assessment, forensic investigation, CSIRT support, cloud security assessment, cloud security advisory

(2) Reason for share acquisition

Under the slogan "Society without victims," Ierae Security engages in the cyber security business including security vulnerability assessment services for web and smartphone applications and IoT devices. The company was established in February 2013 mainly by white hat hackers with excellent achievements in hacking contests for security technologies in Japan and overseas and has grown into one of the largest white hat organizations in Japan, with 82 white hat hackers as of December 2021. As cyber threats have become increasingly sophisticated in recent years, the technical capabilities of white hat hackers who are familiar with attackers' methods and conduct security vulnerability assessment from an attacker's point of view have earned recognition, and the company is expanding its customer base mainly with leading companies and security vendors in Japan and overseas.

We decided to acquire the company's shares as we believe that Ierae Security's technical capabilities in the cyber security domain, together with our customer base in the Internet Infrastructure segment and the Group's management know-how, technical capabilities and brand power, can create synergy effects, which will contribute to an increase in long-term corporate value of both companies.

(3) Name of the counterparty of share acquisition

Yuya Kuratomi and others

(4) Date of share acquisition

February 28, 2022 (plan)

(5) Number of shares to be acquired, acquisition cost and the ratio of voting rights after acquisition

- (i) Number of shares to be acquired: 1,108,638 shares
- (ii) Acquisition cost: Cost for shares and advisory fee, etc. ¥9,262 million (estimate)
- (iii) Ratio of voting rights after acquisition: 50.0%

(Acquisition of Treasury Stock)

At the Board of Directors meeting held on February 10, 2022, it was resolved to acquire treasury stock in accordance with the Company's Articles of Incorporation pursuant to the provisions of Article 459, Paragraph 1 of the Companies Act of Japan. Details are as follows:

- (1) Reason for acquisition: To improve shareholder returns and capital efficiency
- (2) Class of shares to be acquired: Common stock of GMO Internet, Inc.
- (3) Total number of shares to be acquired: 3 million shares (maximum) (2.74% of outstanding shares excluding treasury stock)
- (4) Total cost of share acquisition: JPY 5 billion (maximum)
- (5) Acquisition period: From February 15, 2022 to February 10, 2023
- (6) Acquisition method: Market purchase at the Tokyo Stock Exchange