

Fiscal Year 2022 First Quarter Consolidated Financial Results (Japanese GAAP)

May 12, 2022

Name of Listed Company: GMO Internet, Inc.

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

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Date of Quarterly Report Release: May 13, 2022 Start Date of Dividend Payout: June 16, 2022

Supplementary documents available pertaining to quarterly financial results: Yes

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

(all amounts rounded down to the nearest million yen)

1. First Quarter Financial Results in the Year Ending December 2022 (01.01.2022- 03.31.2022)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of the Parent	
Three months ended	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
March 31, 2022	56,065	-8.5	11,128	-10.8	12,099	-10.7	6,431	13.7
March 31, 2021	61,246	14.1	12,479	50.7	13,543	68.1	5,656	150.7

(Note) Comprehensive Income: March 31, 2022: 11,265 million (-13.3%), March 31, 2021: 12,988 million (374.1%)

	Net Profit per Share	Net Profit per Share (Diluted)
Three months ended	¥	¥
March 31, 2022	59.32	58.90
March 31, 2021	51.77	51.44

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio
As of	¥ millions	¥ millions	%
March 31, 2022	1,487,484	141,619	4.7
December 31, 2021	1,418,936	140,402	5.2

(Reference) Shareholders' Equity: March 31, 2022: ¥70,415 million; December 31, 2021: ¥73,548 million

2. Dividends

	Annual Dividends				
	End of Q1	End of Q2	End of Q3	End of Term	Total
	¥	¥	¥	¥	¥
Year Ended 12/2021	17.10	12.20	10.80	12.60	52.70
Year Ending 12/2022	19.60				
Year Ending 12/2022 (forecast)		—	—	—	—

3. Consolidated Results Forecast for the 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 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 accounts, and operating revenue on a monthly basis.

*Notes

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

(2) Special accounting treatments used in preparation of the quarterly consolidated financial statements:
None

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

1. Changes resulting from revisions to accounting standard, etc.: Yes

2. Changes other than those specified above: None

3. Changes in accounting estimates: None

4. Restatements: None

(4) Number of Outstanding Shares (Common Shares)

(Unit: shares)

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

Q1 FYE 12/2022	110,704,401	FYE 12/2021	111,893,046
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2. Treasury shares at period end

Q1 FYE 12/2022	3,686,216	FYE 12/2021	2,283,361
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3. Average number of shares during the period

Q1 FYE 12/2022	108,415,437	Q1 FYE 12/2021	109,252,032
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*Quarterly financial results are not subject to quarterly review by independent auditors.

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

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

On May 12, 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. Qualitative Information Related to Financial Results

(1) Operating results

◆ Overview of the Financial Results for the Three Months Ended March 31, 2022

(Unit: ¥millions)

	Previous Q1	Current Q1	Change	% Change
Net Sales	61,246	56,065	-5,181	-8.5%
Operating Profit	12,479	11,128	-1,350	-10.8%
Ordinary Profit	13,543	12,099	-1,443	-10.7%
Profit Attributable to Owners of the Parent	5,656	6,431	774	13.7%

Under the corporate slogan “Internet for Everyone” GMO Internet Group has consistently focused resources on the service to provide internet and service infrastructure since its foundation in 1995. With the increased usage of the Internet, the volume of information available on the Internet and the volume of transactions conducted over the Internet have increased exponentially, which has opened new business opportunities for the Group one after another, and as a result, the Group reported increases both in net sales and profit for the year ended December 31, 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 Digital Transformation (DX) and the spread of stay-at-home and online consumption.

Amidst such a business environment, (1) the Internet Infrastructure segment, a collective of No. 1 products, showed steady growth supported by strong performance mainly in Payment and Security partly due to the spread of online consumption. (2) The Online Advertising & Media segment enjoyed advertising demand at year-end, and our own media also showed strong growth. (3) In the Internet Finance segment, OTC FX faced a challenging environment in terms of profitability although transaction volume increased due to increased volatility and consolidation of Gaika ex byGMO. On the other hand, CFD showed strong growth as crude oil and commodity markets were highly volatile. (4) The Cryptoassets segment showed sluggish growth compared to FY2021 Q1 which enjoyed active trading, due to a significant decrease in transaction value caused by lower volatility.

As a result, for the three months ended March 31, 2022, the Company recorded net sales of ¥56,065 million (down 8.5% year-on-year), operating profit of ¥11,128 million (down 10.8% year-on-year), ordinary profit of ¥12,099 million (down 10.7% year-on-year) and net profit attributable to owners of the parent of ¥6,431 million (up 13.7% year-on-year). The impact of applying the accounting standard for revenue recognition was a decrease in net sales of ¥8,089 million and an increase in operating profit of ¥0 million, and operating results under the previous accounting standard would have been an increase in net sales and a decrease in profit from a year ago.

Net Sales and Operating Profit by Segment for the Three Months Ended March 31, 2022

(Unit: ¥millions)

	Previous Q1	Current Q1	Change	% Change
Internet Infrastructure				
Net Sales	33,912	34,759	846	2.5%
Operating Profit	4,744	6,283	1,538	32.4%
Online Advertising & Media				
Net Sales	13,672	7,892	-5,779	-42.3%
Operating Profit	642	927	284	44.4%
Internet Finance				
Net Sales	8,231	10,796	2,565	31.2%
Operating Profit	3,101	3,650	548	17.7%
Cryptoassets				
Net Sales	6,858	2,062	-4,795	-69.9%
Operating Profit	4,022	159	-3,862	-96.0%
Incubation				
Net Sales	222	536	314	141.2%
Operating Profit	74	252	177	238.8%
Other				
Net Sales	318	835	516	162.2%
Operating Profit	-80	-90	-9	—
Adjustment				
Net Sales	-1,968	-817	1,151	—
Operating Profit	-25	-53	-27	—
Total				
Net Sales	61,246	56,065	-5,181	-8.5%
Operating Profit	12,479	11,128	-1,350	-10.8%

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 security - 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, 2022, in light of the future business development of our service using authentication technologies to provide secure and safe Internet, including electronic authentication, cyber security and trademark management, we changed the name of a sub-segment and restructured segmentation. Namely, “Digital certificate and eSignature” was changed to “Security,” and the brand security business previously included in “Domain” was transferred to “Security.”

i. Domain

Positioned as a gateway to the Group’s infrastructure segment, the domain business has steadily grown its customer base with a low-pricing strategy mainly through the Company and GMO Pepabo. While the number of domain registration and renewals during the three months ended March 31, 2022 decreased to 1.28 million (down 7.3% year-on-year), the total number of domains under management as of March 31, 2022 significantly increased to 7.28 million (up 11.3% year-on-year) and strong overseas sales of .shop also contributed to earnings. As a result, net sales were ¥2,221 million (up 2.1% 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 March 31, 2022 was 1,093 thousand (up 9.8% year-on-year) and net sales were ¥4,484 million (up 14.7% year-on-year).

iii. Ecommerce solutions

Ecommerce solutions are offered mainly by GMO Pepabo and GMO MAKESHOP and comprises EC platforms that provide platforms for online stores, *minne*, a C2C handmade market, *SUZURI*, an original merchandise production/sales service, and O2O support service. All services showed strong performance partly due to the spread of stay-at-home and online consumption driven by the COVID-19 pandemic. In EC platform, while the number of paid stores as of March 31, 2022 decreased 0.7% year-on-year to 64 thousand, total transaction volume showed solid growth at ¥122.5 billion (up 7.9% year-on-year) mainly in *MakeShop* which offers high-price plans. For *minne*, the total transaction volume increased by 5.3% year-on-year to ¥4.1 billion through our efforts including issuing shopping coupons and hosting a handmade contest. The effect of the change in accounting standard was a decrease in net sales of ¥702 million, and as a result, net sales were ¥3,559 million (down 11.7% year-on-year).

iv. Security

This business offers security services to provide secure and safe Internet for everyone, including digital certification security such as SSL server certificates and *e-contract service GMO Sign* provided mainly through GMO GlobalSign Holdings and brand security provided by GMO BRAND SECURITY Inc. SSL server certificate service returned to a normal growth trend with the effect of the shortened certificate lifespan from two years to one year to improve security fully subsidized by the three months ended September 30, 2021. *e-contract service GMO Sign* has steadily expanded its customer base and increased the number of transmission. As a result, this sub-segment reported net sales of ¥2,534 million (up 27.5% year-on-year).

v. Payment

Payment services are mainly operated by GMO Payment Gateway and offer comprehensive payment-related service and finance-related services. In the payment-related service, despite the effect of the COVID-19 pandemic, online/recurring payments in the Ecommerce market and cashless payments continued to expand and the number of stores using a next-generation payment platform “*stera*” terminal in the face-to-face payments also showed a favorable growth. In finance-related services, a deferred payment service “GMO Payment After Delivery” showed favorable growth. As a result, the number of transactions and the transaction volume increased, and net sales increased to ¥12,025 million (up 17.4% year-on-year).

vi. Provider

In this sub-segment, the Company offers Internet provider services for consumers. The number of subscriptions on March 31, 2022, was 2.24 million (up 1.8% year-on-year) due to strong growth in the fixed-line service despite weak growth in mobile line service. The effect of the change in accounting standard was a decrease in net sales of ¥1,018 million, and as a result, net sales were ¥9,420 million (down 12.2% year-on-year).

Overall, the Internet Infrastructure segment recorded net sales of ¥34,759 million (up 2.5% year-on-year) and operating profit of ¥6,283 million (up 32.4% year-on-year). The effect of applying the Accounting Standard for Revenue Recognition was the decreases in net sales and operating profit of ¥2,285 million and ¥42 million, respectively, and operating results under the previous accounting standard would have been increases in both net sales and operating profit, hitting a quarterly record high.

2) Online Advertising & Media

The Online Advertising & Media segment provides marketing solutions for online businesses. The following is a breakdown of results in each of the businesses comprising this segment.

i. Online advertising

This sub-segment provides comprehensive Internet advertising services such as advertising agency and ad platform mainly through GMO AD Partners and GMO TECH. In the advertising agency service, transactions with customers in certain industries and business type continued to grow steadily thanks to an increase in advertising demand at year-end. On the other hand, 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, showed sluggish growth due to the impact from the stricter advertising review criteria. The effect of the change in accounting standard was a decrease in net sales of ¥5,497 million, and as a result, net sales amounted to ¥3,831 million (down 60.5% year-on-year).

ii. Internet media

This sub-segment provides advertising space through operation of our own media and the marketing support services mainly through GMO Media. Advertising revenue increased due to a favorable unit price movement and increased pageviews. The effect of the change in accounting standard was a decrease in net sales of ¥1,232 million, and as a result, net sales were ¥2,707 million (down 10.5% year-on-year).

Overall, the Online Advertising & Media segment recorded net sales of ¥7,892 million (down 42.3% year-on-year), and operating profit of ¥927 million (up 44.4% year-on-year). The effect of applying the Accounting Standard for Revenue Recognition was a decrease in net sales of ¥6,730 million and an increase in operating profit of ¥42 million, and operating results under the previous accounting standard would have been increases in both net sales and operating profit, hitting a quarterly record high.

3) Internet Finance

The Internet Finance segment provides online financial services for retail investors mainly through GMO Click Securities, a consolidated subsidiary of GMO Financial Holdings. The customer base expanded, with the number of OTC FX accounts increasing to 1,384 thousand (up 50.6% year-on-year) partly due to consolidation of Gaika ex byGMO and the number of securities accounts increasing to 487 thousand (up 5.1% year-on-year). The OTC FX posted an increase in net sales with contribution from Gaika ex byGMO despite an increase in cover transaction cost associated with rapid yen weakening against the U.S. dollar. CFD showed favorable growth thanks to highly volatile crude oil and commodity markets. The securities business in Thailand also continued to show steady growth.

Overall, the Internet Finance segment recorded net sales of ¥10,796 million (up 31.2% year-on-year) and operating profit of ¥3,650 million (up 17.7% year-on-year).

4) Cryptoassets

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

i. Cryptoassets mining

The Cryptoassets mining business runs mining centers. Profitability decreased year on year due to increased hash rates, and net sales amounted to ¥856 million (down 38.1% year-on-year).

ii. Cryptoassets exchange

This sub-segment is engaged primarily in spot trading and leveraged transactions of cryptoassets mainly through GMO Coin, a consolidated subsidiary of GMO Financial Holdings. The customer base expanded with the number of customer accounts as of March 31, 2022 increasing to 500 thousand

(up 33.7% year-on-year). We also added new altcoins to our service, becoming the leading company in Japan in terms of the number of types of cryptocurrencies handled in January 2022. On the other hand, net sales showed sluggish growth compared to FY2021 Q1 which enjoyed active trading, due to a significant decrease in transaction value caused by lower volatility. As a result, net sales decreased to ¥1,078 million (down 80.3% year-on-year).

Overall, the Cryptoassets segment reported year-on-year decreases in both net sales and operating profit at ¥2,062 million (down 69.9% year-on-year) and ¥159 million (down 96.0% year-on-year), respectively.

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 ¥536 million (up 141.2% year-on-year), and operating profit was ¥252 million (up 238.8% year-on-year) due to sales of shareholdings.

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

(Unit: ¥millions)

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Net sales	61,246	59,233	56,471	64,494	56,065
Operating profit	12,479	10,141	8,012	10,464	11,128
Ordinary profit	13,543	10,076	8,601	11,171	12,099
Profit attributable to owners of the parent	5,656	4,046	3,597	4,227	6,431
Total assets	1,170,590	1,134,787	1,369,409	1,418,936	1,487,484
Shareholders' equity	62,546	70,700	73,094	73,548	70,415

(Reference2)

Table: Quarterly Results by Segment

I Net Sales by Segment

(Unit: ¥millions)

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Internet Infrastructure					
Provider (ISP)	10,728	10,593	10,002	9,825	9,420
Domain	2,175	2,179	2,132	2,188	2,221
Hosting & cloud	3,909	3,946	4,107	4,226	4,484
Ecommerce solutions	4,032	4,195	4,197	4,262	3,559
Security	1,988	2,050	1,978	2,599	2,534
Payment	10,239	10,979	11,323	12,013	12,025
Other	838	716	593	736	512
Total	33,912	34,661	34,335	35,852	34,759
Online Advertising & Media					
Online advertising	9,688	8,328	7,759	8,602	3,831
Internet media	3,026	3,526	3,302	3,788	2,707
Internet research & other	957	886	996	1,208	1,353
Total	13,672	12,741	12,058	13,599	7,892
Internet Finance					
Total	8,231	6,913	7,386	11,368	10,796
Cryptoassets					
Cryptoassets exchange	5,474	4,142	2,023	1,740	1,078
Cryptoassets mining	1,383	1,537	1,653	1,864	856
Cryptoassets payment	—	42	0	770	127
Total	6,858	5,723	3,677	4,375	2,062
Incubation					
Total	222	675	64	607	536
Sub total	62,896	60,715	57,523	65,804	56,047
Other	318	439	437	396	835
Adjustment	-1,968	-1,920	-1,489	-1,705	-817
Net Sales	61,246	59,233	56,471	64,494	56,065

II Operating Profit by Segment

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Internet Infrastructure	4,744	4,936	4,021	5,530	6,283
Online Advertising & Media	642	429	251	-136	927
Internet Finance	3,101	2,129	2,628	3,856	3,650
Cryptoassets	4,022	2,347	1,482	1,241	159
Incubation	74	432	-33	311	252
Sub total	12,585	10,274	8,350	10,803	11,272
Other	-80	-105	-197	-239	-90
Adjustment	-25	-28	-141	-99	-53
Operating Profit	12,479	10,141	8,012	10,464	11,128

(Reference3)

Description of businesses in each segment

Business Segment		Main Operations
Internet Infrastructure	Domain	<ul style="list-style-type: none"> • Domain registry services including “shop” and “tokyo” • Domain registrations services: Onamae.com, MuuMuu Domain, and VALUE-DOMAIN
	Hosting & cloud	<ul style="list-style-type: none"> • Provision, operation, management, and maintenance of shared, VPS, dedicated and cloud-based web hosting services including Onamae.com Rental Server, ConoHa by GMO, Z. com Cloud, GMO Cloud VPS, GMO Cloud ALTUS, GMO Cloud Private, Lolipop!, heteml, and 30days Album
	Ecommerce solutions	<ul style="list-style-type: none"> • SaaS based services for online store building including Color me shop and 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.
	Security	<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 “e-contract service GMO Sign” • Brand security service including brand protection measures, detection and elimination of fake products, provision of trademark management system, and acquisition and management of domain name
	Payment	<ul style="list-style-type: none"> • PG Multi-Payment Service for mail order and ecommerce business, comprehensive payment processing services for public sector, and finance-related service including early payment service, transaction lending, and GMO payment after delivery
	Provider	<ul style="list-style-type: none"> • GMO TokuToku BB and other Internet provider services.
Online Advertising & Media	Online advertising	<ul style="list-style-type: none"> • Comprehensive online advertising service including listing, mobile and ad networks, reward advertising, affiliate advertising. • Advertising planning and production
	Internet media	<ul style="list-style-type: none"> • Operation of online media such as community site for teenage girls “prican,” programming educational portal “coeteko,” point site “Point Town,” game platform “gesoten,” joint purchase coupon site “Kumapon” and aesthetic medical ticket purchase site “KIREIPASS,” life information site for career women “michill” and ad distribution to own media • SEM Media: Sales of SEO.
	Internet research & other	<ul style="list-style-type: none"> • Provision of Internet research systems, management and operation of online research panel including GMO Research Cloud Panel
Internet Finance	Internet finance	<ul style="list-style-type: none"> • Operation of online securities trading, FX trading, CFD trading, etc.
Cryptoassets	Cryptoassets exchange	<ul style="list-style-type: none"> • Spot trading and leveraged transactions of cryptoassets, etc.
	Cryptoassets mining	<ul style="list-style-type: none"> • Operation of mining centers
	Cryptoassets payment	<ul style="list-style-type: none"> • Issuance and redemption of stablecoin “GYEN” and “ZUSD”
Incubation	Venture capital	<ul style="list-style-type: none"> • Investment in private Internet startups

(2) Financial condition

Assets, Liabilities and Net Assets

Assets

As of March 31, 2022, total assets increased ¥68,548 million from December 31, 2021 to ¥1,487,484 million. Major factors included an increase of ¥48,921 million in cash and deposits, an increase of ¥6,387 million in cryptoassets under custody and an increase of ¥5,933 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).

Liabilities

As of March 31, 2022, liabilities increased ¥67,331 million from December 31, 2021 to ¥1,345,865 million. Major factors included an increase of ¥41,134 million in debt, an increase of ¥6,294 million in deposits received for cryptoassets and an increase of ¥25,455 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).

Net Assets

As of March 31, 2022, net assets increased ¥1,216 million from December 31, 2021 to ¥141,619 million. Major factors included an increase of ¥281 million in earned surplus (consisting of an increase from recording profit attributable to owners of the parent totaling ¥6,431 million, a decrease from dividend payments of ¥1,381 million, a decrease from retirement of treasury stock of ¥2,352 million and a decrease of ¥2,416 million in the beginning balance of earned surplus as a result of application of Accounting Standard for Revenue Recognition), an increase of ¥4,364 million in non-controlling interests, a decrease of ¥3,854 million due to acquisition and retirement of treasury stock and an increase of ¥1,041 million in foreign currency translation adjustments.

(3) Consolidated results forecast and other forward-looking information

For the fiscal year ending December 31, 2022, the Group plans to increase both net sales and operating profit, mainly in Internet Infrastructure segment. Meanwhile, there are certain factors that cannot be reasonably predicted at this point, including: (1) fluctuation of cryptoasset prices and global hash rate trends in Cryptoassets business, (2) potential impact of economic situations and market conditions in Internet Finance segment, and (3) when and how much capital gains will be realized in Incubation segment. Accordingly, we do not disclose the consolidated results forecast for the fiscal year ending December 31, 2022.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2021)	1st Quarter Current Fiscal Year (As of Mar 31, 2022)
Assets		
Current Assets		
Cash and deposits	240,136	289,057
Trade notes and accounts receivable	27,382	—
Trade notes, accounts receivable and contract assets	—	33,724
Operational investment securities	8,449	8,009
Cryptoassets under custody	115,973	122,360
Securities segment deposits	478,489	484,695
Securities segment margin transaction assets	134,732	124,723
Securities segment loan secured by securities	9,626	14,681
Securities segment short term guarantee deposits	67,862	66,240
Securities segment variation margin paid	70,512	76,815
Other	143,655	137,987
Provision for doubtful debts	-3,835	-4,061
Total Current Assets	1,292,984	1,354,234
Fixed Assets		
Tangible fixed assets	44,788	44,796
Intangible fixed assets		
Goodwill	14,251	21,788
Software	10,181	11,030
Other	15,132	14,590
Total intangible fixed assets	39,566	47,408
Investments and other assets		
Investment securities	28,605	28,268
Deferred tax asset	2,328	4,096
Other	11,362	9,378
Provision for doubtful debts	-699	-699
Total investments and other assets	41,597	41,044
Total Fixed Assets	125,952	133,250
Total Assets	1,418,936	1,487,484

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2021)	1st Quarter Current Fiscal Year (As of Mar 31, 2022)
Liabilities		
Current Liabilities		
Trade notes and accounts payable	11,921	12,302
Short term debt	172,995	215,489
Amount payable	45,228	38,599
Deposits received for cryptoassets	116,161	122,456
Securities segment deposits received	55,392	50,186
Securities segment margin transaction liability	30,554	37,124
Securities segment guarantees received	519,131	522,603
Securities segment variation margin received	7,677	10,739
Securities segment loans payable secured by securities	20,614	38,170
Accrued corporate tax, etc.	4,731	5,104
Allowance for bonuses	2,948	1,840
Allowance for bonuses to directors	1,452	517
Advance payment received	11,082	—
Contract liabilities	—	20,308
Deposits received	110,817	110,042
Other	34,272	27,877
Total Current Liabilities	1,144,982	1,213,362
Fixed Liabilities		
Corporate bonds	45,000	45,000
Convertible bonds with equity warrants	20,990	20,935
Long term debt	55,678	54,319
Deferred tax liability	1,568	1,762
Other	9,390	9,560
Total Fixed Liabilities	132,627	131,576
Statutory Reserve		
Financial instruments transaction liability reserve	924	926
Total Statutory Reserve	924	926
Total Liabilities	1,278,533	1,345,865
Net Assets		
Shareholders' Equity		
Capital stock	5,000	5,000
Capital surplus	34,328	33,725
Earned surplus	35,756	36,038
Treasury stock	-5,684	-9,538
Total Shareholders' Equity	69,400	65,225
Accumulated Other Comprehensive Income		
Other securities valuation differences	3,559	3,560
Foreign currency translation adjustments	588	1,629
Total Accumulated Other Comprehensive Income	4,147	5,189
Equity Warrants	52	37
Non-controlling Interests	66,802	71,166
Total Net Assets	140,402	141,619
Liabilities, Net Assets Total	1,418,936	1,487,484

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income
1st Quarter

(Unit: ¥millions)

	1st Quarter Previous Fiscal Year (3 months to March 2021)	1st Quarter Current Fiscal Year (3 months to March 2022)
Net Sales	61,246	56,065
Cost of Sales	28,309	21,788
Gross Profit on Sales	32,937	34,276
Sales, General & Administrative Expenses	20,458	23,148
Operating Profit	12,479	11,128
Non Operating Revenue		
Dividends received	160	299
Foreign exchange gain	988	789
Gain on investments in partnership	83	61
Other	209	207
Total Non Operating Revenue	1,442	1,358
Non Operating Expenses		
Interest paid	111	177
Equity method investment losses	217	154
Other	49	55
Total Non Operating Expenses	377	387
Ordinary Profit	13,543	12,099
Extraordinary Profit		
Gain from business transfer	46	—
Gain on sale of investment securities	—	2,489
Reversal of financial instruments transaction liability reserve	32	—
Other	6	11
Total Extraordinary Profit	85	2,501
Extraordinary Loss		
Provision of financial instruments transaction liability reserve	—	2
Loss on disposal of fixed assets	8	3
Total Extraordinary Loss	8	5
Net Profit before Adjustment for Tax, etc.	13,620	14,596
Corporate, Municipal and Enterprise Taxes	4,348	4,320
Corporate Tax etc. Adjustment	540	-329
Total Corporate Taxes, etc.	4,889	3,991
Net Profit	8,731	10,604
Profit attributable to Non-controlling Interests	3,074	4,173
Profit attributable to Owners of the Parent	5,656	6,431

Quarterly consolidated statement of comprehensive income
1st Quarter

(Unit: ¥millions)

	1st Quarter Previous Fiscal Year (3 months to March 2021)	1st Quarter Current Fiscal Year (3 months to March 2022)
Net Profit	8,731	10,604
Other Comprehensive Income		
Other securities valuation differences	3,428	-954
Deferred hedging profit/loss	36	—
Foreign currency translation adjustments	905	1,572
Share of other comprehensive income (loss) of associates accounted for using equity method	-113	42
Total other comprehensive income	4,257	661
Comprehensive Income	12,988	11,265
(Breakdown)		
Comprehensive income attributable to owners of the parent	9,383	7,473
Comprehensive income attributable to non-controlling interests	3,605	3,792

(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 resolutions at the Board of Directors meetings held on February 12, 2021 and February 10, 2022, the Company acquired 1,287,200 shares of treasury stock for ¥3,261 million and 1,304,300 shares of treasury stock for ¥3,625 million, respectively.

Also, pursuant to the resolution at the Board of Directors meeting held on February 10, 2022, the Company retired 1,188,645 shares, which resulted in decreases in capital reserve, earned surplus, and treasury stock of ¥680 million, ¥2,352 million, and ¥3,032 million, respectively.

As a result, capital reserve, earned surplus, and treasury stock as of March 31, 2022, were ¥33,725 million, ¥36,038 million, and ¥9,538 million, respectively.

(Changes in accounting policies)

(Adoption of the Accounting Standard for Revenue Recognition, etc.)

On January 1, 2022, the Company applied "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No.29, March 31, 2020, "Accounting Standard for Revenue Recognition"), etc., and recognizes revenue at an amount that it expects to receive in exchange for the promised goods or services when the control of the goods or services is transferred to a customer.

Accordingly, we identified performance obligations in the contracts with customers and changed the method to recognize certain initial cost revenue in the Internet Infrastructure segment from recognizing at the commencement of service to recognizing over the service contract period. In addition, the method to recognize revenue for services which the Group is deemed to have provided as an agent was changed from recognizing at gross amount to recognizing at net amount.

We applied the Accounting Standard for Revenue Recognition, etc. from January 1, 2022 pursuant to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, with the cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to January 1, 2022, adjusted to the beginning balance of earned surplus as of January 1, 2022.

As a result, net sales for the three months ended March 31, 2022, decreased by ¥8,089 million, cost of sales decreased by ¥7,260 million, sales, general and administrative expenses decreased by ¥828 million, and operating profit, ordinary profit, and net profit before adjustment for tax, etc. increased by ¥0 million, respectively. Also, the beginning balance of earned surplus decreased by ¥2,416 million.

As a result of the application of the Accounting Standard for Revenue Recognition, etc., "Trade notes and accounts receivable" which was presented in "Current Assets" on the consolidated balance sheet as of December 31, 2021, is included in "Trade notes, accounts receivable and contract assets" from January 1, 2022. Also, "Advance payment received" which was presented in "Current liabilities" and "Unearned revenues" that were presented as "Other" in "Current liabilities" are included in "Contract liabilities" from January 1, 2022.

Pursuant to the transitional treatment stipulated by Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Group did not reclassify figures for the year ended December 31, 2021 to conform to the new presentation method. Also, pursuant to the transitional treatment provided for in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue arising from contracts with customers for the three months ended March 31, 2021 is not presented.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the "Fair Value Measurement Accounting Standard"), etc. has been applied from the

beginning of the first quarter. Accordingly, the new accounting policies specified in the Fair Value Accounting Standard, etc. are applied into the future according to the transitional measures prescribed in the paragraph 19 of the Fair Value Measurement Accounting Standard and the paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There will be no material impact on Quarterly Consolidated Financial Statements.

(Segment Information)

I 1st Quarter of Previous Fiscal Year (01.01.2021-03.31.2021)

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

(Unit: ¥millions)

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

*Notes

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

II 1st Quarter of Current Fiscal Year (01.01.2022-03.31.2022)

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

(Unit: ¥millions)

	Reportable Segment						Other (*)	Adjustment (*ii)	Consolidated P/L (*iii)
	Internet Infrastructure	Online Ad & Media	Internet Finance	Cryptoassets	Incubation	Total			
Net Sales									
Sales to unaffiliated customers	34,489	7,432	10,791	2,062	536	55,312	752	—	56,065
Internal transactions or transfer	269	460	5	—	—	734	82	-817	—
Total	34,759	7,892	10,796	2,062	536	56,047	835	-817	56,065
Segment Profit/Loss	6,283	927	3,650	159	252	11,272	-90	-53	11,128

*Notes

- "Other" represents real estate leasing, mobile entertainment and other businesses not included in reportable segments.
- Segment profit/loss adjustment (¥-53 million) is an elimination of inter-segment transactions.
- Segment profit/loss is based on operating profit in the quarterly consolidated statement of income.

2. Information on changes in reportable segments, etc.

As described in Changes in accounting policies, following the application of the Accounting Standard for Revenue Recognition, etc. on January 1, 2022, the Group changed the accounting treatment for revenue recognition and also the method to measure segment profit (loss) accordingly.

Compared to the previous method, in the Internet Infrastructure segment, net sales and segment profit decreased by ¥2,285 million and ¥42 million, respectively; in the Online Advertising & Media segment, net sales decreased by ¥6,730 million and segment profit increased by 42 million; and in the Internet Finance segment, net sales decreased by ¥5 million and there was no impact on segment profit. There was no impact on the Cryptoassets and Incubation segments. Internal transactions or transfer in "Adjustment" decreased by ¥931 million, which did not affect the segment profit.

3. Information on impairment losses on fixed assets by reporting segment
(Significant change in goodwill)

The Internet Infrastructure segment acquired shares of GMO Cybersecurity by Ierae, Inc. and included the company in the scope of consolidation, which resulted in the recognition of goodwill. The resulting increase in goodwill during the three months ended March 31, 2022 was ¥7,724 million. The amount of goodwill is a provisionally calculated amount as the allocation of acquisition cost has not been completed.

(Significant subsequent event)

(Change in a company accounted for using the equity method)

At the Board of Directors meeting held on April 18, 2022, our consolidated subsidiary GMO Payment Gateway, Inc. ("GMO-PG") resolved to transfer all of the shares of its equity method affiliate 2C2P Pte. Ltd. ("2C2P") held by GMO-Z.COM PAYMENT GATEWAY PTE. LTD. (GMO-Z PG SG), a consolidated subsidiary of GMO-PG.

As a result of the share transfer, 2C2P will be excluded from equity method affiliates.

(1) Reasons for the Transfer of Shares

In order to expand the payment processing business in the Asian region, GMO-PG acquired shares of 2C2P, a company providing payment processing business mainly in Thailand, through the consolidated subsidiary GMO-Z PG SG and made 2C2P an equity method affiliate in August 2016. 2C2P has steadily improved its business performance in Southeast Asia, and GMO-PG has recently received an offer from a global payment processing company based in China to acquire the shares owned in 2C2P.

GMO-PG has agreed to the sale and executed an agreement for the transfer of shares based on the decision that the transfer would be beneficial for the future growth of GMO-PG as well as 2C2P and by taking a comprehensive view that the price of the share transfer is valid and reasonable, and that the acquiror's policy is to further enhance 2C2P by making it a subsidiary. The transfer of shares will be completed once all the preconditions and terms are fulfilled (estimated timing of closure is June 2022).

GMO-PG will continue its policy to expand the Payment Processing Business and the Money Service Business overseas, particularly in Southeast Asia. The funds received from the share transfer will strengthen the financial soundness of GMO-PG as well as be used for growth investments including overseas lending operations in order to further our efforts to achieve sustainable growth and enhance the corporate value.

(2) Name of the equity method affiliate to be transferred

2C2P Pte. Ltd.

(3) Timing of the transfer

June 2022 (plan)

(4) Name of the counterparty in the share transfer

ADVANCED NEW TECHNOLOGIES (SINGAPORE) HOLDING PTE.LTD.

(5) Number of shares to be transferred and the percentage of shareholding before and after the transfer

Shares owned before the change	3,292,272 shares (ownership of voting rights: 29.34%)
Number of shares to be transferred	3,292,272 shares
Shares owned after the transfer	0 shares (ownership of voting rights: 0%)

(Note): The amount of the transfer price is not disclosed due to non-disclosure obligations agreed to between the parties. Note that the transfer price will not be identical to the amount calculated by dividing the gain on sale from share transfer with the ownership proportion of voting rights.

(6) Outlook

Due to the transfer of shares, the fiscal year ending December 2022 is estimated to record a

gain on sales of investments in securities of ¥17.0bn. Part of the transfer value is stored in an escrow account as set forth in the share transfer agreement, and the Company expects to post a gain on sale, etc. of approximately ¥1.0bn by the fiscal year ending December 2024, when conditions are met.

Note that the transfer price, etc. are estimates as of this writing and the actual amounts may vary. The foreign exchange rate assumed is 1 USD = 122.41JPY (as of March 31, 2022).