

3. Consolidated Results Forecast for the Fiscal Year Ending December 31, 2023 (01.01.2023 – 12.31.2023)

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): Yes

New: — Exclusion: 1 (GMO Click Global Markets, Inc.)

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

1. Changes resulting from revisions to accounting standards: Yes

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 12/2022	110,704,401	FYE 12/2021	111,893,046
2. No. of treasury shares at end of term	FYE 12/2022	3,979,562	FYE 12/2021	2,283,361
3. Average no. of shares during term	FYE 12/2022	107,206,488	FYE 12/2021	109,761,928

(Reference) Summary of Non-Consolidated Financial Results

1. Non-consolidated Results in the Fiscal Year Ended December 31, 2022 (01.01.2022 - 12.31.2022)

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

	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FYE12/2022	63,007	-6.0	1,232	-71.2	15,669	6.7	6,001	-49.3
FYE12/2021	67,038	4.3	4,275	—	14,681	103.7	11,828	68.0

	Net Profit per Share	Net Profit per Share (Diluted)
	¥	¥
FYE12/2022	55.98	—
FYE12/2021	107.77	—

(2) Non-consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net assets per Share
	¥ millions	¥ millions	%	¥
FYE12/2022	220,777	20,613	9.3	193.14
FYE12/2021	165,115	29,870	18.1	272.51

(Reference) Shareholders' Equity: FYE 12/2022 ¥20,613 million, FYE 12/2021 ¥29,870 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 13, 2023, 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, 2022

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 the Internet infrastructure business with the recurring business model has been leading revenue growth. While there are signs of economic recovery following the implementation of the countermeasures to prevent the spread of COVID-19, the progress of Digital Transformation (DX) and the spread of online consumption have been becoming an irreversible trend and there is an increasing need for services provided by the Group.

Amidst such a business environment, (1) the Internet Infrastructure segment, a collective of No. 1 products, showed steady growth mainly in Payment and Security, with the expansion of customer base. (2) In the Online Advertising & Media segment, transactions with customers in certain industries showed strong growth as economic activities are gradually resuming, and our own media also showed strong growth. (3) In the Internet Finance segment, OTC FX faced a challenging business environment in terms of profitability due to continued one-sided depreciation of the yen against the U.S. dollar although transaction volume increased due to consolidation of Gaika ex byGMO. CFD showed strong growth thanks to increased volatility in the commodity market. On the other hand, provision of allowance for doubtful debts was recorded in the securities business in Thailand. (4) The Cryptoassets segment showed sluggish growth compared to FY2021 which enjoyed active trading, due to a significant decrease in transaction value caused by lower volatility. (5) The Incubation segment sold some investment securities.

As a result, for the fiscal year ended December 31, 2022, the Group recorded net sales of ¥245,696 million (up 1.7% year-on-year), operating profit of ¥43,746 million (up 6.3% year-on-year) and ordinary profit of ¥46,025 million (up 6.1% year-on-year), marking its 14th straight yearly increase in both net sales and profit. Meanwhile, net profit attributable to owners of the parent was ¥13,209 million (down 24.6% year-on-year) mainly because provision of allowance for contract loss was recorded for shares of GMO Aozora net Bank, Ltd.

The impact of applying the Accounting Standard for Revenue Recognition was a decreases in net sales of ¥30,774 million and an increase in operating profit of ¥266 million, respectively, and operating reeffesults under the previous accounting standard would have also been increases in net sales and profit from a year ago. Also from the fiscal year ended December 31, 2022, earnings from the real estate leasing business are included in the calculation of operating profit, and accordingly the figures for the fiscal year ended December 31, 2021 were also reclassified to reflect the change.

(Unit: ¥millions)

	Previous FY	Current FY	Change	% Change
Net sales	241,612	245,696	4,083	1.7%
Operating profit	41,164	43,746	2,581	6.3%
Ordinary profit	43,393	46,025	2,631	6.1%
Profit attributable to owners of the parent	17,527	13,209	-4,318	-24.6%

Net sales and Operating profit by segment for the consolidated fiscal year ended December 31, 2022

(Unit: ¥millions)

	Previous FY	Current FY	Change	% Change
Internet Infrastructure				
Net sales	138,762	150,043	11,281	8.1%
Operating profit	19,232	21,986	2,753	14.3%
Online Advertising & Media				
Net sales	52,071	34,061	-18,009	-34.6%
Operating profit	1,186	2,188	1,001	84.4%
Internet Finance				
Net sales	33,899	42,552	8,652	25.5%
Operating profit	11,715	9,292	-2,422	-20.7%
Cryptoassets				
Net sales	20,634	6,212	-14,422	-69.9%
Operating profit	9,093	-342	-9,436	—
Incubation				
Net sales	1,570	13,393	11,823	753.1%
Operating profit	785	10,095	9,309	—
Other				
Net sales	1,758	3,562	1,804	102.7%
Operating profit	-554	-239	315	—
Adjustment				
Net sales	-7,084	-4,130	2,954	—
Operating profit	-295	765	1,060	—
Total				
Net sales	241,612	245,696	4,083	1.7%
Operating profit	41,164	43,746	2,581	6.3%

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, cybersecurity 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.” Accordingly, year-on-year comparison is performed using the figures under the new segmentation.

i. Domain

Positioned as a gateway to the Group’s infrastructure segment, the domain business has steadily grown its customer base mainly through the Company and GMO Pepabo. The number of domain registration and renewals during the fiscal year ended December 31, 2022 was 5.46 million (down 1.4% year-on-year) and total number of domains under management as of December 31, 2022 was 7.11 million (down 1.1% year-on-year) partly due to the trend of large customers despite strong sales in .shop in Japan and overseas. The effect of the change in accounting standard was a decrease in net sales of ¥483 million, and as a result, net sales were ¥8,975 million (down 11.4% 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 a steady growth in sales of retail server, the number of web hosting contracts as of December 31, 2022 was 1.10 million (up 3.4% year-on-year) and net sales were ¥18,450 million (up 14.0% year-on-year).

iii. Ecommerce solutions

Ecommerce solutions are offered mainly by GMO Pepabo and GMO MAKESHOP and comprise EC platforms that provide platforms for online stores, minne, a C2C handmade market, SUZURI, an original merchandise production/sales service, and O2O support service. In EC platform, the number of contracts of Color me shop for a free plan that allows to open an online store without a monthly fee increased, so while the number of paid stores as of December 31, 2022 decreased 8.5% year-on-year to 57 thousand, total transaction volume showed solid growth at ¥490.5 billion (up 5.0% year-on-year) mainly in MakeShop which offers high-price plans. For minne, the total transaction volume decreased by 0.7% year-on-year to ¥15.0 billion as a reaction to stay-at-home consumption as economic activities resumed. The effect of the change in accounting standard was a decrease in net sales of ¥2,740 million, and as a result, net sales were ¥15,202 million (down 8.9% 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, cybersecurity provided by GMO Cybersecurity by Ierae, and brand security provided by GMO BRAND SECURITY Inc. Results of GMO Cybersecurity by Ierae have been included in the consolidated results from the fiscal year ended December 31, 2022. SSL server certificate service returned to a favorable growth trend as the effect of the shortened certificate lifespan from two years to one year to improve security fully subsided. As a result, this sub-segment reported net sales of ¥12,749 million (up 78.0% 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, online/recurring payments in the Ecommerce market showed strong growth, and sales of a next-generation payment platform “stera” terminal in the face-to-face payments also increased in response to an expansion of cashless payment market. In finance-related services, the transaction volume of a deferred payment service “GMO Payment After Delivery” continued to show favorable growth. As a result, the number of transactions and the transaction volume increased, and net sales increased to ¥52,372 million (up 17.5% year-on-year).

vi. Provider

In this sub-segment, the Company offers Internet provider services for consumers. The mobile line service which had declined sharply started to show signs of flattening out due mainly to product improvement. The fixed line service also showed steady growth mainly in our in-house services. As a result, the number of subscriptions at December 31, 2022 was 2.25 million (up 1.2% year-on-year). The effect of the change in accounting standard was a decrease in net sales of ¥3,625 million, and as a result, net sales were ¥38,981 million (down 5.3% year-on-year).

Overall, the Internet Infrastructure segment recorded net sales of ¥150,043 million (up 8.1% year-on-year) and operating profit of ¥21,986 million (up 14.3% year-on-year). The effect of applying the Accounting Standard for Revenue Recognition was a decrease in net sales of ¥8,193 million and an increase in operating profit of ¥181 million.

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, demand for advertising showed solid growth due to further recovery in the market which was severely hit by the spread of COVID-19. The high-margin in-house affiliated ads also showed favorable growth. On the other hand, in-house AdTech 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, continued to show sluggish growth due

to competition in media buying. The effect of the change in accounting standard was a decrease in net sales of ¥22,351 million, and as a result, net sales amounted to ¥18,600 million (down 45.9% 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 ¥4,455 million, and as a result, net sales were ¥10,320 million (down 24.4% year-on-year).

Overall, the Online Advertising & Media segment recorded net sales of ¥34,061 million (down 34.6% year-on-year), and operating profit of ¥2,188 million (up 84.4% year-on-year). The effect of applying the Accounting Standard for Revenue Recognition was a decrease in net sales of ¥26,807 million and an increase in operating profit of ¥84 million, and operating results under the previous accounting standard would have been increases in both net sales and operating profit.

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, 2022, the number of OTC FX accounts increased to 1,426 thousand (up 3.9% year-on-year), the number of securities accounts increased to 505 thousand (up 5.4% year-on-year) and the number of CFD accounts increased to 185 thousand (up 12.6% year-on-year). In OTC FX, the transaction volume increased year on year due to the rapid depreciation of the yen against the U.S. dollar, but we continued to face a challenging environment in terms of profitability due to increased costs of cover transactions. CFD showed growth both in trading value and revenue thanks to increased volatility in the crude oil and commodity markets. Meanwhile, the securities business in Thailand recorded provision of allowance for doubtful debts of approximately ¥3.5 billion, resulting in a significant decrease in profit.

Overall, the Internet Finance segment recorded net sales of ¥42,552 million (up 25.5% year-on-year) and operating profit of ¥9,292 million (down 20.7% 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 declined significantly from a year earlier due to increased hash rates and a fall in bitcoin prices, and net sales amounted to ¥1,763 million (down 72.6% 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 marketing activities, the customer base has steadily expanded with the number of customer accounts as of December 31, 2022 increasing to 547 thousand (up 15.3% year-on-year). Meanwhile, the transaction value decreased due to the trend in the stagnant cryptoassets market, and revenue significantly decreased year on year compared to FY2021 which enjoyed the brisk market. As a result, net sales were ¥4,150 million (down 69.0% year-on-year).

Overall, the Cryptoassets segment recorded net sales of ¥6,212 million (down 69.9% year-on-year) and operating loss of ¥342 million (operating profit of ¥9,093million for the fiscal year ended December 31, 2021).

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 ¥13,393 million (up 753.1% year-on-year), and operating profit was ¥10,095 million (operating profit of ¥785 million for the fiscal year ended December 31, 2021) due to sale of some foreign investment securities.

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

(Unit: ¥millions)

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Net sales	64,660	56,065	69,490	57,578	62,561
Operating profit	10,531	11,128	19,812	7,069	5,736
Ordinary profit	11,171	12,099	21,382	8,955	3,586
Profit attributable to owners of the parent (- represents loss)	4,227	6,431	9,074	-1,651	-644
Total assets	1,418,936	1,487,484	1,433,731	1,545,403	1,542,740
Shareholders' equity	73,548	70,415	78,904	74,209	72,176

(Reference 2) Quarterly Results by Segment/Business

(Unit: ¥millions)

I Net Sales by Segment

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Internet Infrastructure					
Provider (ISP)	9,825	9,420	9,606	10,009	9,944
Domain	2,188	2,221	2,244	2,379	2,130
Hosting & cloud	4,226	4,484	4,569	4,693	4,703
Ecommerce solutions	4,262	3,559	3,622	3,846	4,173
Security	2,599	2,534	3,090	3,285	3,838
Payment	12,013	12,025	12,657	13,108	14,579
Other	736	512	874	749	1,174
Total	35,852	34,759	36,666	38,074	40,544
Online Advertising & Media					
Online advertising	8,602	3,831	4,937	5,076	4,755
Internet media	3,788	2,707	2,401	2,598	2,613
Internet research and other	1,208	1,353	1,174	1,211	1,401
Total	13,599	7,892	8,512	8,886	8,770
Internet Finance					
Total	11,368	10,796	10,363	10,002	11,389
Cryptoassets					
Cryptoassets exchange	1,740	1,078	890	527	1,654
Cryptoassets mining	1,864	856	394	241	270
Cryptoassets payment	770	127	10	6	154
Total	4,375	2,062	1,294	775	2,079
Incubation					
Total	607	536	12,856	0	0
Sub total	65,804	56,047	69,693	57,738	62,783
Other	562	835	865	903	958
Adjustment	-1,705	-817	-1,068	-1,063	-1,181
Net Sales	64,660	56,065	69,490	57,578	62,561

II Operating Profit by Segment

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Internet Infrastructure	5,530	6,283	5,586	4,753	5,363
Online Advertising & Media	-136	927	547	737	-24
Internet Finance	3,856	3,650	2,975	2,683	-17
Cryptoassets	1,241	159	-397	-821	717
Incubation	311	252	10,162	-96	-223
Sub total	10,803	11,272	18,874	7,256	5,816
Other	-171	-90	-3	-85	-60
Adjustment	-99	-53	941	-101	-20
Operating Profit	10,531	11,128	19,812	7,069	5,736

(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 registration 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 factoring service for freelancers “FREENANCE” • 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” • Cybersecurity service including vulnerability assessment of web and smartphone applications, penetration test and security incident response • 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, Sokkyu by GMO, 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) Overview of Financial Condition

Assets, Liabilities and Net Assets

(Assets)

As of December 31, 2022, total assets increased ¥123,804 million from December 31, 2021 to ¥1,542,740 million. Major factors included an increase of ¥101,834 million in cash and deposits, an increase of ¥49,212 million in various assets due to fluctuations in customer assets in the Securities segment (deposits, margin transaction assets, loan secured by securities, short-term guarantee deposits and variation margin paid) and a decrease of ¥54,221 million in cryptoassets under custody.

(Liabilities)

As of December 31, 2022, liabilities increased ¥109,518 million from December 31, 2021 to ¥1,388,051 million. Major factors included an increase of ¥37,858 million in short-term debt, an increase of ¥52,858 million in long-term debt (including current portion), an increase of ¥48,033 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) and a decrease of ¥54,427 million in deposits received for cryptoassets.

(Net Assets)

As of December 31, 2022, net assets increased ¥14,286 million from December 31, 2021 to ¥154,688 million. Major factors included an increase of ¥1,974 million in earned surplus (consisting of an increase from recording profit attributable to owners of the parent totaling ¥13,209 million, a decrease from dividend payments of ¥6,466 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 ¥15,666 million in non-controlling interests, a decrease of ¥4,482 million due to acquisition and retirement of treasury stock and an increase of ¥2,297 million in foreign currency translation adjustments.

(3) Overview of Cash Flows

Cash Flows

As of December 31, 2022, cash and equivalents increased ¥88,187 million from December 31, 2021 to ¥322,229 million. The following is a summary of cash flow activity during the fiscal year ended December 31, 2022.

(Cash Flow from Operating Activities)

Inflow in operating activities was ¥25,641 million (¥23,783 million of outflow in FY2021). Major inflow included net profit before adjustment for tax, etc. (¥57,660 million) and an increase in deposits received (¥11,742 million). Major outflow included a decrease due to recognition of gain on sale of investment securities (¥21,127 million) and payment of corporate taxes, etc. (¥18,697 million).

(Cash Flow from Investing Activities)

Outflow from investing activities totaled ¥2,828 million (¥51,765 million of outflow in FY2021). Major inflow included sales of investment securities (¥24,509 million). Major outflow included placement of fixed term deposit (¥10,813 million), acquisition of subsidiary stock resulting in change in scope of consolidation (¥6,561 million), acquisition of intangible fixed assets (¥6,085 million) and acquisition of tangible fixed assets (¥4,316 million).

(Cash Flow from Financing Activities)

Inflow from financing activities totaled ¥62,442 million (¥89,889 million of inflow in FY2021). Major outflow included repayment of long term debt (¥10,262 million), dividend payments (¥6,467 million), dividend payments to non-controlling interests (¥9,209 million) and acquisition of treasury stock (¥7,517 million). Major inflow included proceeds from new long term debt (¥62,270 million), changes in short term debt (¥34,187 million).

(Reference) Cash Flow Indicators

	FY2018	FY2019	FY2020	FY2021	FY2022
Shareholders' equity ratio (%)	7.0	6.2	4.8	5.2	4.7
Shareholders' equity ratio (market value) (%)	22.5	27.0	31.3	21.4	17.1
Ratio of interest-bearing liabilities to cash flow (years)	8.7	17.8	4.8	—	15.4
Interest coverage ratio (times)	19.3	9.6	33.5	—	10.2

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

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

Ratio of interest-bearing liabilities to cash flow: 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) For the year ended December 31, 2021, ratio of cash flow to Interest-bearing liabilities and interest coverage ratio are not calculated as the Group reported negative operating cash flow.

(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 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 in our e-contract service "e-contract service GMO Sign" having the potential for further market growth.

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

The Company 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 ¥47.60 per share (dividend payout ratio: 38.6%) for the fiscal year ended December 31, 2022.

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

The 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.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2021)	Current Fiscal Year (As of Dec 31, 2022)
Assets		
Current Assets		
Cash and deposits	240,136	341,970
Trade notes, accounts receivable and contract assets	—	33,963
Trade notes and accounts receivable	27,382	—
Operational investment securities	8,449	11,724
Owned cryptoassets	16,296	4,730
Cryptoassets under custody	115,973	61,751
Securities segment deposits	478,489	486,478
Securities segment margin transaction assets	134,732	143,065
Securities segment loan secured by securities	9,626	12,695
Securities segment short term guarantee deposits	67,862	73,975
Securities segment variation margin paid	70,512	94,219
Other	127,359	152,029
Allowance for doubtful debts	-3,835	-8,590
Total Current Assets	1,292,984	1,408,015
Fixed Assets		
Tangible fixed assets		
Buildings and structures (net)	13,584	13,871
Tools and equipment (net)	6,046	6,242
Land	20,781	20,805
Lease assets (net)	3,526	3,959
Other (net)	850	944
Total tangible fixed assets	44,788	45,825
Intangible fixed assets		
Goodwill	14,251	17,708
Software	10,181	11,472
Other	15,132	16,756
Total intangible fixed assets	39,566	45,936
Investments and other assets		
Investment securities	28,605	29,780
Deferred tax asset	2,328	4,053
Other	11,362	9,791
Allowance for doubtful debts	-699	-662
Total investments and other assets	41,597	42,963
Total Fixed Assets	125,952	134,725
Total Assets	1,418,936	1,542,740

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2021)	Current Fiscal Year (As of Dec 31, 2022)
Liabilities		
Current liabilities		
Trade notes and accounts payable	11,921	14,430
Short term debt	163,465	201,324
Current portion of long term debt	9,530	20,693
Amount payable	45,228	47,075
Deposits received for cryptoassets	116,161	61,734
Securities segment deposits received	55,392	53,573
Securities segment margin transaction liability	30,554	35,929
Securities segment guarantees received	519,131	554,407
Securities segment variation margin received	7,677	11,259
Securities segment debt secured by securities	20,614	26,233
Accrued corporate tax etc.	4,731	7,324
Allowance for bonuses	2,948	2,293
Allowance for bonuses to directors	1,452	657
Allowance for contract loss	—	6,341
Advance payment received	11,082	3,195
Contract liabilities	—	18,314
Deposits received	110,817	122,657
Other	34,272	20,202
Total Current Liabilities	1,144,982	1,207,649
Fixed Liabilities		
Bonds	45,000	51,000
Convertible bonds with equity warrants	20,990	20,770
Long term debt	55,678	97,373
Deferred tax liability	1,568	1,319
Other	9,390	8,988
Total Fixed Liabilities	132,627	179,451
Statutory Reserve		
Financial instruments transaction liability reserve	924	949
Total Statutory Reserve	924	949
Total Liabilities	1,278,533	1,388,051
Net Assets		
Shareholders' Equity		
Capital stock	5,000	5,000
Capital surplus	34,328	33,280
Earned surplus	35,756	37,730
Treasury stock	-5,684	-10,166
Total Shareholders' Equity	69,400	65,843
Accumulated Other Comprehensive Income		
Other securities valuation differences	3,559	3,397
Deferred hedging profit/loss	—	48
Foreign currency translation adjustments	588	2,886
Total Accumulated Other Comprehensive Income	4,147	6,332
Equity Warrants	52	43
Non-Controlling Interests	66,802	82,469
Total Net Assets	140,402	154,688
Total Liabilities and Net Assets	1,418,936	1,542,740

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2021-12.31.2021)	Current Fiscal Year (01.01.2022-12.31.2022)
Net Sales	241,612	245,696
Cost of Sales	112,729	95,809
Gross Profit on Sales	128,883	149,886
Sales, General & Administrative Expenses	87,718	106,139
Operating Profit	41,164	43,746
Non-Operating Revenue		
Interest received	231	584
Dividends received	757	1,099
Currency translation gain	1,540	1,371
Gain on investments in partnership	462	195
Gain on deposit settlement	193	—
Other	837	1,877
Total Non-Operating Revenue	4,023	5,128
Non-Operating Expenses		
Interest paid	500	922
Commission paid	76	477
Equity method investment loss	693	414
Bond issuance cost	267	32
Loss on derivatives	—	648
Other	256	354
Total Non-Operating Expenses	1,794	2,850
Ordinary Profit	43,393	46,025
Extraordinary Profit		
Gain on sale of investment securities	649	21,127
Reversal of financial instruments transaction liability reserve	268	—
Other	221	1,060
Total Extraordinary Profit	1,139	22,187
Extraordinary Loss		
Loss on valuation of investment securities	30	507
Impairment loss	725	3,290
Provision of allowance for contract loss	—	6,341
Provision of financial instruments transaction liability reserve	—	25
Other	62	386
Total Extraordinary Loss	818	10,552
Net Profit Before Adjustment for Tax etc.	43,715	57,660
Corporate, Municipal and Enterprise Taxes	13,737	19,498
Corporate Tax etc. Adjustment	1,521	-1,530
Total Corporate Taxes etc.	15,259	17,967
Net Profit	28,456	39,692
Profit Attributable to Non-Controlling Interests	10,928	26,482
Profit Attributable to Owners of the Parent	17,527	13,209

Consolidated Statement of Comprehensive Income

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2021-12.31.2021)	Current Fiscal Year (01.01.2022-12.31.2022)
Net Profit	28,456	39,692
Other Comprehensive Income		
Other securities valuation differences	2,231	-1,192
Deferred hedging profit/loss	9	69
Foreign currency translation adjustments	1,281	4,464
Share of other comprehensive income of affiliates accounted for using equity method	29	-250
Total other comprehensive income	3,552	3,090
Comprehensive Income	32,008	42,783
(Breakdown)		
Comprehensive income attributable to Owners of the Parent	20,937	15,394
Comprehensive income attributable to Non- controlling Interests	11,071	27,389

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

Previous 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
Cumulative effects of changes in accounting policies					—
Restated 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		680		2,417	3,097
Transfer from earned surplus to capital surplus		3,168	-3,168		—
Changes in the parent's interests due to transactions with non-controlling interests		6,072			6,072
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
Cumulative effects of changes in accounting policies							—
Restated 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							3,097
Transfer from earned surplus to capital surplus							—
Changes in the parent's interests due to transactions with non-controlling interests							6,072
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

Current Fiscal Year (01.01.2022 – 12.31.2022)

(Unit: ¥millions)

	Shareholders' equity				
	Capital	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Beginning balance	5,000	34,328	35,756	-5,684	69,400
Cumulative effects of changes in accounting policies			-2,416		-2,416
Restated balance	5,000	34,328	33,340	-5,684	66,984
Changes during the year					
Dividends			-6,466		-6,466
Profit attributable to owners of the parent			13,209		13,209
Acquisition of treasury stock				-7,515	-7,515
Retirement of treasury stock		-3,032		3,032	—
Disposition of treasury stock					—
Transfer from earned surplus to capital surplus		2,352	-2,352		—
Changes in the parent's interests due to transactions with non-controlling interests		-367			-367
Changes in items other than shareholders' equity during the year (net)					
Total changes during the year	—	-1,048	4,390	-4,482	-1,140
Ending balance	5,000	33,280	37,730	-10,166	65,843

(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	3,559	—	588	4,147	52	66,802	140,402
Cumulative effects of changes in accounting policies							-2,416
Restated balance	3,559	—	588	4,147	52	66,802	137,986
Changes during the year							
Dividends							-6,466
Profit attributable to owners of the parent							13,209
Acquisition of treasury stock							-7,515
Retirement of treasury stock							—
Disposition of treasury stock							—
Transfer from earned surplus to capital surplus							—
Changes in the parent's interests due to transactions with non-controlling interests							-367
Changes in items other than shareholders' equity during the year (net)	-161	48	2,297	2,184	-8	15,666	17,842
Total changes during the year	-161	48	2,297	2,184	-8	15,666	16,702
Ending balance	3,397	48	2,886	6,332	43	82,469	154,688

(4) Consolidated Statement of Cash Flows

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2021-12.31.2021)	Current Fiscal Year (01.01.2022-12.31.2022)
Cash Flow from Operating Activities		
Net profit before adjustment for tax etc.	43,715	57,660
Depreciation expenses	8,817	11,339
Impairment loss	725	3,290
Amortization of goodwill	699	2,327
Interest and dividends received	-989	-1,683
Interest paid	500	2,480
Gain or loss on derivatives (- represents gain)	—	648
Commission paid	76	477
Bond issuance cost	267	32
Equity method investment gain or loss (- represents gain)	693	414
Gain or loss on investments in partnership (- represents gain)	-462	-195
Gain or loss on valuation of investment securities (- represents gain)	30	507
Gain or loss on sale of investment securities (- represents gain)	-1,033	-21,127
Changes in allowance for doubtful debts (- represents decrease)	482	4,705
Changes in financial instruments transaction liability reserve (- represents decrease)	-268	25
Changes in allowance for bonuses (- represents decrease)	622	-1,607
Changes in allowance for contract loss (- represents decrease)	—	6,341
Changes in trade receivables (- represents increase)	-2,361	2,110
Changes in trade payables (- represents decrease)	-5,089	-9,230
Changes in amount payable (- represents decrease)	3,848	844
Changes in deposits received (- represents decrease)	3,202	11,742
Changes in securities segment deposits (- represents increase)	-12,599	-7,989
Changes in securities segment guarantee deposits (- represents increase)	-6,059	-6,113
Changes in securities segment margin variation paid and received	628	-20,125
Changes in securities segment deposits and guarantees received (- represents decrease)	6,668	33,457
Changes in securities segment margin transaction assets and liabilities	-31,941	-2,957
Changes in securities segment debt secured by securities (- represents decrease)	-956	5,619
Changes in securities segment loan secured by securities (- represents increase)	77	-3,069
Changes in owned cryptoassets (- represents increase)	-6,834	11,565
Other	-10,824	-35,748
Sub total	-8,362	45,741
Interest and dividends received	724	1,115
Interest paid	-1,548	-2,518
Corporate tax etc. paid	-14,597	-18,697
Cash Flow from Operating Activities	-23,783	25,641

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2021-12.31.2021)	Current Fiscal Year (01.01.2022-12.31.2022)
Cash Flow from Investing Activities		
Placement of fixed term deposit	-2,438	-10,813
Withdrawal of fixed term deposit	2,061	2,279
Acquisition of tangible fixed assets	-33,082	-4,316
Acquisition of intangible fixed assets	-3,806	-6,085
Acquisition of investment securities	-9,955	-3,938
Proceeds from sale of investment securities	11,191	24,509
Origination of loans receivable	-5	-1,305
Collection of loans receivable	67	1,621
Payment of deposit money	-5,862	-5,489
Collection of deposit money	5,951	7,087
Acquisition of subsidiary stock resulting in change in scope of consolidation	-16,066	-6,561
Proceeds from acquisition of subsidiary stock resulting in change in scope of consolidation	35	212
Other	145	-28
Cash Flow from Investing Activities	-51,765	-2,828
Cash Flow from Financing Activities		
Net changes in short term debts (- represents decrease)	-6,121	34,187
Proceeds from new long term debt	79,328	62,270
Repayment of long term debt	-36,524	-10,262
Acquisition of treasury stock	-1,904	-7,517
Acquisition of subsidiaries' treasury stock	-168	-201
Proceeds from issuance of bonds	44,808	5,967
Proceeds from issuance of convertible bonds with equity warrants	21,023	—
Gain on sale and leasebacks	993	—
Payment of installment and lease obligations	-1,029	-1,785
Payment from investment partners	877	2,281
Payment to investment partners	-198	-7,036
Payment from non-controlling interests	273	344
Payment of dividends	-5,558	-6,467
Payment of dividends to non-controlling interests	-5,452	-9,209
Acquisition of subsidiary stock without change in scope of consolidation	-458	-127
Cash Flow from Financing Activities	89,889	62,442
Currency Translation Adjustment on Cash and Equivalents	1,023	2,933
Changes in Cash and Equivalents (- represents decrease)	15,364	88,187
Balance of Cash and Equivalents at Beginning of Year	218,676	234,041
Balance of Cash and Equivalents at End of Year	234,041	322,229

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

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition)

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 fiscal year ended December 31, 2022 decreased by ¥30,774 million, cost of sales decreased by ¥28,074 million, sales, general and administrative expenses decreased by ¥2,956 million, and operating profit, ordinary profit and net profit before adjustment for tax etc. increased by ¥266 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 revenue” which was included in “Other” in “Current liabilities” are presented as “Advance payment received” (¥3,195 million) and “Contract liabilities” (¥18,314 million), respectively, for the fiscal year ended December 31, 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.

(Application of Accounting Standard for Fair Value Measurement)

On January 1, 2022, the Company applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, “Accounting Standard for Fair Value Measurement”), etc., and the new accounting policies specified in the Accounting Standard for Fair Value Measurement, etc. are applied prospectively pursuant to the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). The impact on the Consolidated Financial Statements is insignificant.

(Changes in presentation method)

(Changes in the real estate business)

Real estate leasing revenue and costs were previously recorded in “Non operating revenue” and “Non operating expenses” but are recorded in “Net sales” and “Cost of sales” from the fiscal year ended December 31, 2022.

The Company acquired multiple trust beneficiary rights in December 2021. We also determined that the real estate leasing business will generate long-term and stable revenue and decided to operationalize the business as a new profit center from the fiscal year ended December 31, 2022. Accordingly, we changed the presentation method to more appropriately present a true picture of the business operation.

Following such change, “Land” which was included in “Other” in “Tangible fixed assets” for the fiscal year ended December 31, 2021 is separately presented from the fiscal year ended December 31, 2022 as it became material. The consolidated financial statements for the fiscal year ended December 31, 2021 were reclassified to reflect this change in presentation.

As a result, in the consolidated balance sheet as of December 31, 2021, “Buildings and structures (net)” of ¥5,692 million and “Other (net)” of ¥1,126 million which were presented in “Tangible fixed assets” and “Other” of ¥39,760 million which was presented in “Investments and other assets” were reclassified to “Buildings and structures (net)” of ¥13,584 million, “Land” of ¥20,781 million and “Other (net)” of ¥850 million in “Tangible fixed assets” and “Other” of ¥11,362 million in “Investments and other assets.” Also, “Other” of ¥165 million which was presented in “Non operating revenue” in the consolidated statement of income for the fiscal year ended December 31, 2021 was reclassified to “Net sales.” “Other” of ¥98 million presented in “Non operating expenses” was reclassified to “Cost of sales.” And “Outflow in investment property” of ¥-28,391 million which was presented in “Cash Flow from Investing Activities” in the consolidated statement of cash flows for the fiscal year ended December 31, 2021 was reclassified to “Acquisition of intangible fixed assets.”

(Consolidated statement of income)

“Commission paid” which was included in “Other” in “Non operating expenses” for the fiscal year ended December 31, 2021 is separately presented from the fiscal year ended December 31, 2022 as it became material. The consolidated financial statements for the fiscal year ended December 31, 2021 were reclassified to reflect this change in presentation.

As a result, in the consolidated statement of income for the fiscal year ended December 31, 2021, “Commission paid” of ¥76 million which was included in “Other” in “Non operating expenses” is now separately presented.

“Gain on business transfer” was presented separately in “Extraordinary profit” for the fiscal year ended December 31, 2021, but it is included in “Other” from the fiscal year ended December 31, 2022 as it became immaterial. The consolidated financial statements for the fiscal year ended December 31, 2021 were reclassified to reflect this change in presentation.

As a result, in the consolidated statement of income for the fiscal year ended December 31, 2021, “Gain on business transfer” of ¥149 million which was presented in “Extraordinary profit” was reclassified to “Other.”

(Consolidated statement of cash flows)

“Commission paid” and “Gain on investments in partnership (- represents gain)” which were included in “Other” in “Cash flows from operating activities” are presented separately from the fiscal year ended December 31, 2022 as they became material. The consolidated financial statements for the fiscal year ended December 31, 2021 were reclassified to reflect this change in presentation.

As a result, in the consolidated statement of cash flows for the fiscal year ended December 31, 2021, “Other” of ¥-11,209 million in “Cash flows from operating activities” was reclassified to “Commission paid” of ¥76 million, “Gain on investments in partnership (- represents gain)” of ¥-462 million, and “Other” of ¥-10,824 million.

(Additional information)

(Recognition of allowance for doubtful debt in a consolidated subsidiary)

With regard to an issue of substitute securities which was received as a collateral from a customer in a margin trading at a consolidated subsidiary engaging in securities business in Thailand, the value declined significantly because transactions suspected of being unfair occurred in the Thai securities market.

Based on the assessment of the recoverability of loans on margin transactions of ¥7,994 million to the customer who deposited the securities as a collateral based on the most recent available information, and as a result, we recorded provision of allowance for doubtful debts of ¥3,527 million as sales, general & administrative expenses.

(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.

The 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, Security, 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 businesses. 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 introduced to prepare 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.

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 or loss accordingly.

As a result of this change, compared to the previous method, for the fiscal year ended December 31, 2022, in the Internet Infrastructure segment, net sales decreased by ¥8,193 million and segment profit increased by ¥181 million; in the Online Advertising & Media segment, net sales decreased by ¥26,807 million and segment profit increased by ¥84 million; and in the Internet Finance segment, net sales decreased by ¥23 million and there was no impact on segment profit. There was no impact on the Cryptoassets and Incubation segments. Also, "Adjustment" for internal transactions or transfer decreased by ¥4,250 million and there was no impact on the adjustment for segment profit.

Also, as described in "3. Consolidated Financial Statements and Major Notes, (5) Notes to consolidated financial statements (Changes in presentation method)," real estate leasing revenue and costs are recorded in "Net sales" and "Cost of sales" from the fiscal year ended December 31, 2022.

Segment information for the fiscal year ended December 31, 2021 is prepared under the new presentation method and presented as Previous Fiscal Year in "3 Net Sales, Profit or Loss, Assets, Liabilities and Other Items by Reportable Segment."

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

Previous 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	1,465	—	241,612
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	1,758	-7,084	241,612
Segment profit/loss (-represents loss)	19,232	1,186	11,715	9,093	785	42,014	-554	-295	41,164
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. Adjustment for Segment profit/loss (¥-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.

Current Fiscal Year (01.01.2022 – 12.31.2022)

(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	148,686	31,642	42,552	6,212	13,393	242,486	3,209	—	245,696
Inter-segment sales and transfers	1,357	2,419	—	—	—	3,777	353	-4,130	—
Total	150,043	34,061	42,552	6,212	13,393	246,263	3,562	-4,130	245,696
Segment profit/loss (-represents loss)	21,986	2,188	9,292	-342	10,095	43,220	-239	765	43,746
Other items									
Depreciation	7,908	319	2,606	79	2	10,917	421	—	11,339

(notes) 1. "Other" represents Real estate leasing and other businesses not included in reportable segments.

2. Adjustment for Segment profit/loss (¥765 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 (01.01.2021 – 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.

Current Fiscal Year (01.01.2022 – 12.31.2022)

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 (01.01.2021 – 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.

Current Fiscal Year (01.01.2022 – 12.31.2022)

(Unit: ¥millions)

	Reportable segment						Other (Note)	Corporate/ elimination	Total
	Internet Infrastructure	Online Advertising & Media	Internet Finance	Cryptoassets	Incubation	Total			
Impairment loss	2,715	74	—	—	—	2,790	500	—	3,290

(Note) "Other" relates to Real estate Tech business, etc.

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

Previous 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.

Current Fiscal Year (01.01.2022 – 12.31.2022)

(Unit: ¥millions)

	Reportable segment						Other (Note)	Corporate/ elimination	Total
	Internet Infrastructure	Online Advertising & Media	Internet Finance	Cryptoassets	Incubation	Total			
Amortization during the year	1,387	12	925	—	—	2,325	1	—	2,327
Balance at end of year	7,711	53	9,943	—	—	17,708	—	—	17,708

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

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

There was no significant profit arising from negative goodwill.

(Per share information)

(Unit: yen)

Item	Previous Consolidated Fiscal Year (01.01.2021 – 12.31.2021)	Current Consolidated Fiscal Year (01.01.2022 – 12.31.2022)
Net assets per share	670.99	676.28
Net profit per share	159.69	123.21
Net profit per share (diluted)	158.48	121.58

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

Item	Previous Consolidated Fiscal Year (01.01.2021 – 12.31.2021)	Current Consolidated Fiscal Year (01.01.2022 – 12.31.2022)
Net profit per share		
Profit attributable to owners of the parent (¥millions)	17,527	13,209
Amount not attributable to common shareholders (¥millions)	—	—
Net profit attributable to owners of the parent related to common stock (¥millions)	17,527	13,209
Average number of common shares outstanding during the period (shares)	112,100,160	110,929,104
Average number of treasury stock during the period (shares)	-2,338,232	-3,722,616
Average number of shares during the period (shares)	109,761,928	107,206,488
Net profit per share (diluted)		
Adjustment to net profit attributable to owners of the parent (¥millions)	-132	-174
(including adjustment for dilutive shares in consolidated subsidiaries) (¥millions)	(-132)	(-174)
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 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	1. Consolidated subsidiaries i. GMO AD Partners, Inc. Stock Options 6th Round Common stock: 252,000 shares ii. GMO Financial Holdings, Inc. Equity Warrants 2nd Round Common stock: 2,165,000 shares iii. GMO TECH, Inc. Equity Warrants 1st Round Common stock: 7,530 shares iv. GMO Media, Inc. Equity Warrants 2nd Round Common stock: 66,800 shares v. GMO CONNECT, Inc. Equity Warrants 1st Round Common stock: 40 shares

(Significant subsequent events)

(Acquisition of treasury stock)

At the Board of Directors meeting held on February 13, 2023, 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) Details of the acquisition
 - (i) Class of shares to be acquired: Common stock
 - (ii) Total number of shares to be acquired: 700,000 shares (maximum)
 - (iii) Total cost of share acquisition: JPY 1,510 million (maximum)
 - (iv) Acquisition period: From February 14, 2023, to February 9, 2024
 - (v) Acquisition method: Market purchase at the Tokyo Stock Exchange

(Retirement of treasury stock)

At the Board of Directors meeting held on February 13, 2023, it was resolved to retire treasury stock in accordance with the Company's Articles of Incorporation pursuant to the provisions of Article 178 of the Companies Act of Japan. Details are as follows:

- (i) Reason for retirement: To improve shareholder returns and capital efficiency
- (ii) Class of shares to be retired: Common stock of GMO Internet Group, Inc.
- (iii) Total number of shares to be retired: 591,064 shares (0.53% of shares prior to retirement)
- (iv) Retirement date: March 13, 2023
- (v) Total number of shares after retirement: 110,113,337 shares