

Fiscal Year 2023 Second Quarter Consolidated Financial Results (Japanese GAAP)

August 9, 2023

Name of Listed Company: GMO Internet Group, Inc.

Exchange Listing: Tokyo Stock Exchange

Stock Code: 9449

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

Representative: Masatoshi Kumagai, Founder, Chairman and Group CEO

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Date of Quarterly Report Release: August 10, 2023 Start Date of Dividend Payout: September 21, 2023

Supplementary documents available pertaining to quarterly financial results: Yes

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

(all amounts rounded down to the nearest million yen)

1. Second Quarter Financial Results in the Year Ending December 2023 (01.01.2023- 06.30.2023)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of the Parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Six months ended								
June 30, 2023	130,043	3.6	20,618	-33.4	22,536	-32.7	6,344	-59.1
June 30, 2022	125,556	4.2	30,941	36.8	33,482	41.8	15,505	59.8

(Note) Comprehensive Income: June 30, 2023: 18,497 million (-58.3%), June 30, 2022: 44,366 million (122.9%)

	Net Profit per Share	Net Profit per Share (Diluted)
	¥	¥
Six months ended		
June 30, 2023	59.47	58.80
June 30, 2022	143.97	143.08

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio
	¥ millions	¥ millions	%
As of			
June 30, 2023	1,669,248	169,322	4.8
December 31, 2022	1,542,740	154,688	4.7

(Reference) Shareholders' Equity: June 30, 2023: ¥79,369 million; December 31, 2022: ¥72,176 million

2. Dividends

	Annual Dividends				
	End of Q1	End of Q2	End of Q3	End of Term	Total
	¥	¥	¥	¥	¥
Year Ended 12/2022	19.60	28.00	0.00	0.00	47.60
Year Ending 12/2023	12.20	7.50			
Year Ending 12/2023 (forecast)			—	—	—

3. Consolidated Results Forecast for the 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 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)

Q2 FYE 12/2023	110,113,337	FYE 12/2022	110,704,401
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2. Treasury shares at period end

Q2 FYE 12/2023	3,768,567	FYE 12/2022	3,979,562
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3. Average number of shares during the period

Q2 FYE 12/2023	106,682,977	Q2 FYE 12/2022	107,696,104
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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 August 9, 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. Qualitative Information Related to Financial Results

(1) Operating results

◆ Overview of the Financial Results for the Six Months Ended June 30, 2023

(Unit: ¥millions)

	Previous Q2	Current Q2	Change	% Change
Net Sales	125,556	130,043	4,487	3.6%
Operating Profit	30,941	20,618	-10,322	-33.4%
Ordinary Profit	33,482	22,536	-10,946	-32.7%
Profit Attributable to Owners of the Parent	15,505	6,344	-9,161	-59.1%

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, 2022, marking its 14th straight yearly increase.

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, comprising many of Japan’s No.1 services, showed steady growth, with the expansion of customer base, mainly in Payment thanks to acquisition of large orders related to sales of cashless payment terminals. (2) In the Online Advertising & Media segment, while revenue increased mainly in in-house products and our own media, profit decreased due partly to a temporary increase in costs. (3) In the Internet Finance segment, OTC FX showed strong growth thanks to the efforts to improve profitability despite recognition of provision of allowance for doubtful debts in the securities business in Thailand. (4) The Cryptoassets segment continues to experience a severe environment as the trading in the overall cryptoasset market has been sluggish.

As a result, for the six months ended June 30, 2023, the Company recorded net sales of ¥130,043 million (up 3.6% year-on-year), operating profit of ¥20,618 million (down 33.4% year-on-year), ordinary profit of ¥22,536 million (down 32.7% year-on-year) and net profit attributable to owners of the parent of ¥6,344 million (down 59.1% year-on-year), an increase in net sales but a decrease in profit due to an absence of profit contribution from the Incubation segment reported a year ago.

Net Sales and Operating Profit by Segment for the Six Months Ended June 30, 2023

(Unit: ¥millions)

	Previous Q2	Current Q2	Change	% Change
Internet Infrastructure				
Net Sales	71,425	84,709	13,284	18.6%
Operating Profit	11,869	13,001	1,132	9.5%
Online Advertising & Media				
Net Sales	16,405	17,339	934	5.7%
Operating Profit	1,474	1,026	-448	-30.4%
Internet Finance				
Net Sales	21,160	25,058	3,897	18.4%
Operating Profit	6,626	7,597	970	14.7%
Cryptoassets				
Net Sales	3,357	2,161	-1,196	-35.6%
Operating Profit	-238	-823	-584	—
Incubation				
Net Sales	13,392	651	-12,741	-95.1%
Operating Profit	10,414	112	-10,302	-98.9%
Other				
Net Sales	1,700	2,421	721	42.4%
Operating Profit	-93	-215	-122	—
Adjustment				
Net Sales	-1,886	-2,297	-411	—
Operating Profit	887	-79	-967	—
Total				
Net Sales	125,556	130,043	4,487	3.6%
Operating Profit	30,941	20,618	-10,322	-33.4%

◆ Overview of Financial Results for the Three Months ended June 30, 2023

(Unit: ¥millions)

	Previous Q2	Current Q2	Change	% Change
Net Sales	69,490	64,450	-5,040	-7.3%
Operating Profit	19,812	9,627	-10,184	-51.4%
Ordinary Profit	21,382	10,603	-10,779	-50.4%
Profit attributable to Owners of the Parent	9,074	2,412	-6,661	-73.4%

During the three months ended June 30, 2023, the Internet Infrastructure segment showed solid growth due to strong growth in Payment and Security services despite strategic investment in e-contract service *GMO Sign* and recognition of provision of allowance for doubtful debts in ecommerce solutions service. The Online Advertising & Media segment showed sluggish growth as the transaction volume in certain major customers did not increase as expected while our own media maintained a desirable level of pageviews. The Internet Finance segment reported strong growth thanks to favorable FX market environment and internal measures focusing on profitability despite recognition of provision of allowance for doubtful debts in the securities business in Thailand. The cryptoassets segment continues to experience a severe environment due to continued sluggish transaction volume.

Net Sales and Operating Profit by Segment for the Three Months ended June 30, 2023

(Unit: ¥millions)

	Previous Q2	Current Q2	Change	% Change
Internet Infrastructure				
Net Sales	36,666	42,548	5,881	16.0%
Operating Profit	5,586	6,007	421	7.5%
Online Advertising & Media				
Net Sales	8,512	8,435	-77	-0.9%
Operating Profit	547	358	-189	-34.6%
Internet Finance				
Net Sales	10,363	12,265	1,901	18.3%
Operating Profit	2,975	3,834	858	28.9%
Cryptoassets				
Net Sales	1,294	958	-336	-26.0%
Operating Profit	-397	-484	-86	—
Incubation				
Net Sales	12,856	456	-12,399	-96.4%
Operating Profit	10,162	3	-10,158	-100.0%
Other				
Net Sales	865	973	108	12.6%
Operating Profit	-3	-92	-89	—
Adjustment				
Net Sales	-1,068	-1,187	-119	—
Operating Profit	941	0	-940	—
Total				
Net Sales	69,490	64,450	-5,040	-7.3%
Operating Profit	19,812	9,627	-10,184	-51.4%

Segments results for the three months ended June 30, 2023 are as follows.

1) Internet Infrastructure

The Internet Infrastructure segment provides basic and service infrastructure for customers operating business in an online environment. Domain, hosting & cloud, ecommerce solutions, payment and 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.

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. The number of domain registration and renewals during the three months ended June 30, 2023 increased to 1.75 million (up 32.2% year-on-year), the total number of domains under management as of June 30, 2023 increased to 7.58 million (up 7.1% year-on-year) and overseas domain sales showed strong growth. As a result, net sales were ¥2,388 million (up 6.4% 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 the favorable growth in sales of retail server, the number of web hosting contracts as of June 30, 2023 was 1,115 thousand (up 1.8% year-on-year) and net sales were ¥5,048 million (up 10.5% 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. In EC platform, the number of paid stores as of June 30, 2023 decreased 10.2% year-on-year to 53 thousand despite an increase in the number of users of the free plan of *Color me shop* that allows to open an online store without a monthly fee, and the total transaction volume was ¥118.8 billion (down 0.2% year-on-year) due to the impact of the change in the consumption trends. *minne* was also affected by the change in the consumption trends, and the total transaction volume decreased by 11.6% year-on-year to ¥3.2 billion. On the other hand, *Makeshop* which offers high-price plans showed solid growth, and net sales were ¥4,046 million (up 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, 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 three months ended June 30, 2022. *e-contract service GMO Sign* showed steady growth in the number of contracts with large increases in the number of customers and contract transmission. As a result, this sub-segment reported net sales of ¥3,573 million (up 15.6% 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, the number of transactions and the transaction volume showed favorable growth due to steady expansion of the Ecommerce market in online/recurring payments and an increase in the number of stores using the next-generation payment platform “*stera*” terminal in the face-to-face payments. As a result, net sales increased to ¥16,302 million (up 28.8% year-on-year).

vi. Provider

In this sub-segment, the Company offers Internet provider services for consumers. The number of subscriptions at June 30, 2023 was 2.27 million (up 0.4% year-on-year) and net sales were ¥10,191 million (up 6.1% year-on-year) due to stable growth in the fixed line service.

Overall, the Internet Infrastructure segment recorded net sales of ¥42,548 million (up 16.0% year-on-year) and operating profit of ¥6,007 million (up 7.5% year-on-year) despite recognition of provision of allowance for doubtful debts of approximately ¥1.1 billion for certain customers in the factoring business in a consolidated subsidiary of GMO Pepabo.

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. Net sales were ¥4,512 million (down 8.6% year-on-year) mainly because the transaction volume in certain major customers did not increase as expected.

ii. Internet media

This sub-segment provides advertising space through operation of our own media and the marketing support services mainly through GMO Media. Net sales were ¥2,792 million (up 16.3% year-on-year) mainly due to a steady growth in pageviews in our own media.

Overall, the Online Advertising & Media segment recorded net sales of ¥8,435 million (down 0.9% year-on-year), and operating profit of ¥358 million (down 34.6% year-on-year) mainly due to an increase in headcount as a result of human resource investment made in FY2022.

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 continues to expand, with the number of OTC FX accounts increasing to 1,455 thousand (up 4.1% year-on-year) and the number of securities accounts increasing to 516 thousand (up 4.5% year-on-year). The OTC FX improved profitability compared to FY2022 Q2 through enhanced efforts to improve profitability despite a year-on-year decrease in the transaction volume. CFD maintained the transaction volume at the high level.

Overall, the Internet Finance segment recorded net sales of ¥12,265 million (up 18.3% year-on-year) and operating profit of ¥3,834 million (up 28.9% year-on-year) despite recognition of provision of allowance for doubtful debts of approximately ¥1.0 billion related to the securities business in Thailand.

4) Cryptoassets

The Cryptoassets segment operates businesses 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 decreased year-on-year due to external factors including increased hash rates, and net sales amounted to ¥169 million (down 57.0% year-on-year).

ii. Cryptoassets exchange

This sub-segment is engaged primarily in spot trading and leveraged transactions of cryptoassets mainly through GMO Coin, a consolidated subsidiary of GMO Financial Holdings. The customer base expanded with the number of customer accounts as of June 30, 2023 increasing to 574 thousand (up 9.1% year-on-year). On the other hand, because of a decline in the trading value due to the sluggish trends in the cryptoasset market, net sales decreased to ¥789 million (down 11.4% year-on-year).

Overall, the Cryptoassets segment reported net sales of ¥958 million (down 26.0% year-on-year) and operating loss of ¥484 million (operating loss of ¥397 million for the three months ended June 30, 2022).

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 ¥456 million (down 96.4% year-on-year), and operating profit was ¥3 million (down 100.0% year-on-year) due to sales of shareholdings.

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

(Unit: ¥millions)

	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Net sales	69,490	57,578	62,561	65,593	64,450
Operating profit	19,812	7,069	5,736	10,990	9,627
Ordinary profit	21,382	8,955	3,586	11,933	10,603
Profit attributable to owners of the parent (- represents loss)	9,074	-1,651	-644	3,931	2,412
Total assets	1,433,731	1,545,403	1,542,740	1,624,445	1,669,248
Shareholders' equity	78,904	74,209	72,176	75,439	79,369

(Reference2)

Table: Quarterly Results by Segment

I Net Sales by Segment		(Unit: ¥millions)				
	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	
Internet Infrastructure						
Provider (ISP)	9,606	10,009	9,944	10,011	10,191	
Domain	2,244	2,379	2,130	2,291	2,388	
Hosting & cloud	4,569	4,693	4,703	4,810	5,048	
Ecommerce solutions	3,622	3,846	4,173	3,995	4,046	
Security	3,090	3,285	3,838	4,658	3,573	
Payment	12,657	13,108	14,579	15,386	16,302	
Other	874	749	1,174	1,007	996	
Total	36,666	38,074	40,544	42,161	42,548	
Online Advertising & Media						
Online advertising	4,937	5,076	4,755	4,628	4,512	
Internet media	2,401	2,598	2,613	2,856	2,792	
Internet research & other	1,174	1,211	1,401	1,418	1,130	
Total	8,512	8,886	8,770	8,904	8,435	
Internet Finance						
Total	10,363	10,002	11,389	12,792	12,265	
Cryptoassets						
Cryptoassets exchange	890	527	1,654	921	789	
Cryptoassets mining	394	241	270	278	169	
Cryptoassets payment	10	6	154	2	0	
Total	1,294	775	2,079	1,202	958	
Incubation						
Total	12,856	0	0	195	456	
Sub total	69,693	57,738	62,783	65,255	64,664	
Other	865	903	958	1,447	973	
Adjustment	-1,068	-1,063	-1,181	-1,110	-1,187	
Net Sales	69,490	57,578	62,561	65,593	64,450	

II Operating Profit by Segment

	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Internet Infrastructure	5,586	4,753	5,363	6,994	6,007
Online Advertising & Media	547	737	-24	668	358
Internet Finance	2,975	2,683	-17	3,762	3,834
Cryptoassets	-397	-821	717	-338	-484
Incubation	10,162	-96	-223	108	3
Sub total	18,874	7,256	5,816	11,194	9,719
Other	-3	-85	-60	-122	-92
Adjustment	941	-101	-20	-80	0
Operating Profit	19,812	7,069	5,736	10,990	9,627

(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"> • Operation of EC platform to set up net shop offered by Color me shop and MakeShop. • Operation of C2C handmade marketplace “minne” • Operation of production/sales service of original merchandise including SUZURI and canvath • Operation of ecommerce/O2O support services, etc. • 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, 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 research panel including GMO Research Cloud Panel
Internet Finance	Internet finance	<ul style="list-style-type: none"> • Operation of online securities trading, FX trading, CFD trading, etc.
Cryptoassets	Cryptoassets exchange	<ul style="list-style-type: none"> • Spot trading and leveraged transactions of cryptoassets, etc.
	Cryptoassets mining	<ul style="list-style-type: none"> • Operation of mining centers
	Cryptoassets payment	<ul style="list-style-type: none"> • Issuance and redemption of stablecoin “GYEN” and “ZUSD”
Incubation	Venture capital	<ul style="list-style-type: none"> • Investment in private Internet startups

(2) Financial condition

Assets, Liabilities and Net Assets

(Assets)

As of June 30, 2023, total assets increased ¥126,507 million from December 31, 2022 to ¥1,669,248 million. Major factors included an increase of ¥31,468 million in various assets due to fluctuations in customer assets in the Securities segment (deposits, margin transaction assets, loan secured by securities, short-term guarantee deposits and variation margin paid), an increase of ¥52,699 million in cryptoassets under custody and an increase of ¥13,141 million in cash and deposits.

(Liabilities)

As of June 30, 2023, liabilities increased ¥111,874 million from December 31, 2022 to ¥1,499,925 million. Major factors included an increase of ¥52,259 million in deposits received for cryptoassets, an increase of ¥41,800 in bonds and an increase of ¥28,136 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 June 30, 2023, net assets increased ¥14,633 million from December 31, 2022 to ¥169,322 million. Major factors included an increase of ¥3,532 million in earned surplus (consisting of an increase from recording profit attributable to owners of the parent totaling ¥6,344 million, a decrease from dividend payments of ¥1,302 million and a decrease from retirement of treasury stock of ¥1,510 million), an increase of ¥7,433 million in non-controlling interests and an increase of ¥2,309 million in foreign currency translation adjustments.

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

For the fiscal year ending December 31, 2023, 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, 2023.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2022)	2nd Quarter Current Fiscal Year (As of June 30, 2023)
Assets		
Current Assets		
Cash and deposits	341,970	355,111
Trade notes, accounts receivable and contract assets	33,963	33,329
Operational investment securities	11,724	12,934
Cryptoassets under custody	61,751	114,451
Securities segment deposits	486,478	511,116
Securities segment margin transaction assets	143,065	141,288
Securities segment loan secured by securities	12,695	10,786
Securities segment short term guarantee deposits	73,975	73,006
Securities segment variation margin paid	94,219	105,706
Other	156,759	161,753
Provision for doubtful debts	-8,590	-6,246
Total Current Assets	1,408,015	1,513,238
Fixed Assets		
Tangible fixed assets	45,825	58,241
Intangible fixed assets		
Goodwill	17,708	16,727
Software	11,472	12,141
Other	16,756	17,053
Total intangible fixed assets	45,936	45,922
Investments and other assets		
Investment securities	29,780	33,515
Deferred tax asset	4,053	4,356
Other	9,791	21,808
Provision for doubtful debts	-662	-7,833
Total investments and other assets	42,963	51,846
Total Fixed Assets	134,725	156,010
Total Assets	1,542,740	1,669,248

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2022)	2nd Quarter Current Fiscal Year (As of June 30, 2023)
Liabilities		
Current Liabilities		
Trade notes and accounts payable	14,430	12,563
Short term debt	222,018	179,673
Current portion of bonds	—	10,200
Amount payable	47,075	44,206
Deposits received for cryptoassets	61,734	113,994
Securities segment deposits received	53,573	62,436
Securities segment margin transaction liability	35,929	30,867
Securities segment guarantees received	554,407	574,623
Securities segment variation margin received	11,259	15,219
Securities segment loans payable secured by securities	26,233	26,391
Accrued corporate tax, etc.	7,324	11,092
Allowance for bonuses	2,293	1,710
Allowance for bonuses to directors	657	347
Allowance for contract loss	6,341	6,341
Advance payment received	3,195	3,694
Contract liabilities	18,314	20,573
Deposits received	122,657	110,082
Other	20,202	22,953
Total Current Liabilities	1,207,649	1,246,972
Fixed Liabilities		
Corporate bonds	51,000	82,600
Convertible bonds with equity warrants	20,770	20,660
Long term debt	97,373	138,014
Deferred tax liability	1,319	1,353
Other	8,988	9,378
Total Fixed Liabilities	179,451	252,006
Statutory Reserve		
Financial instruments transaction liability reserve	949	946
Total Statutory Reserve	949	946
Total Liabilities	1,388,051	1,499,925
Net Assets		
Shareholders' Equity		
Capital stock	5,000	5,000
Capital surplus	33,280	33,795
Earned surplus	37,730	41,262
Treasury stock	-10,166	-9,672
Total Shareholders' Equity	65,843	70,385
Accumulated Other Comprehensive Income		
Other securities valuation differences	3,397	3,950
Deferred hedging profit (loss)	48	-162
Foreign currency translation adjustments	2,886	5,195
Total Accumulated Other Comprehensive Income	6,332	8,983
Equity Warrants	43	50
Non-controlling Interests	82,469	89,902
Total Net Assets	154,688	169,322
Liabilities, Net Assets Total	1,542,740	1,669,248

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income
2nd Quarter (cumulative)

(Unit: ¥millions)

	2nd Quarter Previous Fiscal Year (6 months to June 2022)	2nd Quarter Current Fiscal Year (6 months to June 2023)
Net Sales	125,556	130,043
Cost of Sales	45,468	54,300
Gross Profit on Sales	80,087	75,743
Sales, General & Administrative Expenses	49,146	55,124
Operating Profit	30,941	20,618
Non Operating Revenue		
Dividends received	589	402
Foreign exchange gain	2,148	780
Gain on sale of investment securities	18	750
Gain on investments in partnership	152	450
Other	420	1,286
Total Non Operating Revenue	3,330	3,670
Non Operating Expenses		
Interest paid	396	826
Bond issuance cost	30	305
Equity method investment losses	229	139
Other	132	480
Total Non Operating Expenses	788	1,751
Ordinary Profit	33,482	22,536
Extraordinary Profit		
Gain on sale of investment securities	19,830	57
Reversal of financial instruments transaction liability reserve	—	3
Other	13	0
Total Extraordinary Profit	19,844	61
Extraordinary Loss		
Provision of financial instruments transaction liability reserve	13	—
Compensation for customer's loss	241	—
Loss on valuation of investment securities	—	892
Impairment loss	340	320
Other	22	21
Total Extraordinary Loss	617	1,234
Net Profit before Adjustment for Tax, etc.	52,709	21,363
Corporate, Municipal and Enterprise Taxes	9,365	9,097
Corporate Tax etc. Adjustment	4,050	-483
Total Corporate Taxes, etc.	13,415	8,614
Net Profit	39,293	12,749
Profit Attributable to Non-controlling Interests	23,788	6,404
Profit Attributable to Owners of the Parent	15,505	6,344

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

(Unit: ¥millions)

	2nd Quarter Previous Fiscal Year (6 months to June 2022)	2nd Quarter Current Fiscal Year (6 months to June 2023)
Net Profit	39,293	12,749
Other Comprehensive Income		
Other securities valuation differences	-929	981
Deferred hedging loss	-9	-307
Foreign currency translation adjustments	6,181	4,975
Share of other comprehensive income (loss) of associates accounted for using equity method	-169	98
Total other comprehensive income	5,072	5,748
Comprehensive Income	44,366	18,497
(Breakdown)		
Comprehensive income attributable to owners of the parent	18,739	8,995
Comprehensive income attributable to non-controlling interests	25,626	9,502

(3) Notes regarding the quarterly consolidated financial statements

(Notes regarding the going concern assumption)

Not applicable.

(Notes regarding changes impacting shareholders' equity)

Pursuant to the resolution at the Board of Directors meeting held on February 13, 2023, the Company retired 591,064 shares of treasury stock, which resulted in decreases in earned surplus and treasury stock of ¥1,510 million, respectively. We also acquired 380,000 shares of treasury stock for ¥1,015 million pursuant to the resolution at the Board of Directors meeting held on that day.

As a result, earned surplus and treasury stock as of June 30, 2023 were ¥41,262 million and ¥9,672 million, respectively.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

On January 1, 2023, the Company applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan ("ASBJ") Guidance No.31, June 17, 2021, "Implementation Guidance on Accounting Standard for Fair Value Measurement"), and the new accounting policies stipulated in the Implementation Guidance on Accounting Standard for Fair Value Measurement are applied prospectively pursuant to the transitional treatment stipulated by Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. The application had no impact on the quarterly consolidated financial statements.

(Additional information)

(Application of Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

Effective January 1, 2023, the Company and its certain domestic consolidated subsidiaries transitioned from the consolidated taxation system to the group tax sharing system and accordingly follow "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Issues Task Force (PITF) No.42, August 12, 2021, "PITF No.42") for accounting treatment and disclosure of corporate tax, local corporate tax and tax effect accounting. Based on Paragraph 32 (1) of PITF No.42, the Company believes that there is no impact of the changes in accounting policies as a result of the application of PITF No.42.

(Segment information)

I 2nd Quarter of Previous Fiscal Year (01.01.2022-06.30.2022)

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

(Unit: ¥millions)

	Reportable Segment						Other (*i)	Adjustment (*ii)	Consolidated P/L (*iii)
	Internet Infrastructure	Online Ad & Media	Internet Finance	Cryptoassets	Incubation	Total			
Net Sales									
Sales to unaffiliated customers	70,856	15,257	21,148	3,357	13,392	124,012	1,543	—	125,556
Internal transactions or transfer	569	1,147	12	—	—	1,729	156	-1,886	—
Total	71,425	16,405	21,160	3,357	13,392	125,741	1,700	-1,886	125,556
Segment Profit/Loss	11,869	1,474	6,626	-238	10,414	30,147	-93	887	30,941

*Notes

- i. "Other" represents real estate leasing and other businesses not included in reportable segments.
- ii. Segment profit/loss adjustment (¥887 million) is an elimination of inter-segment transactions.
- iii. Segment profit/loss is based on operating profit in the quarterly consolidated statement of income.

2. Information on impairment losses on fixed assets or goodwill, etc. by reporting segment
(Significant impairment loss on fixed assets)

For the six months ended June 30, 2022, the Online Ad & Media segment, the Cryptoassets segment and Other recognized impairment loss on fixed assets of ¥34 million, ¥12 million and ¥293 million, respectively.

(Significant change in goodwill)

In the Internet Infrastructure segment, the amount of goodwill recognized as a result of the business combination with GMO Cybersecurity by Ierae, Inc. at the end of the three months ended March 31, 2022 was a provisional amount as the allocation of acquisition cost was not completed. During the three months ended June 30, 2022, the allocation of acquisition cost was completed, and the tentative accounting treatment was determined, which resulted in the change in the amount of goodwill from ¥7,724 million (provisional amount) to ¥7,606 million.

II 2nd Quarter of Current Fiscal Year (01.01.2023-06.30.2023)

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

(Unit: ¥millions)

	Reportable Segment						Other (*i)	Adjustment (*ii)	Consolidated P/L (*iii)
	Internet Infrastructure	Online Ad & Media	Internet Finance	Cryptoassets	Incubation	Total			
Net Sales									
Sales to unaffiliated customers	84,007	15,986	25,044	2,161	651	127,851	2,192	—	130,043
Internal transactions or transfer	702	1,352	13	—	—	2,068	229	-2,297	—
Total	84,709	17,339	25,058	2,161	651	129,919	2,421	-2,297	130,043
Segment Profit/Loss	13,001	1,026	7,597	-823	112	20,914	-215	-79	20,618

*Notes

- i. "Other" represents real estate leasing and other businesses not included in reportable segments.
- ii. Segment profit/loss adjustment (¥-79 million) is an elimination of inter-segment transactions.
- iii. Segment profit/loss is based on operating profit in the quarterly consolidated statement of income.

2. Information on impairment losses on fixed assets or goodwill, etc. by reporting segment
(Significant impairment loss on fixed assets)

For the six months ended June 30, 2023, the Internet Finance segment recognized impairment loss on fixed assets of ¥320 million.

(Significant subsequent event)

(Acquisition of shares of GMO Aozora Net Bank based on the Shareholders Agreement)

The Company and its consolidated subsidiary GMO Financial Holdings, Inc. (the “Group”) resolved at the Board of Directors meeting held on June 19, 2023 to acquire class shares of GMO Aozora Net Bank owned by Aozora Bank, Ltd. based on the “Shareholders Agreement” entered into with Aozora Bank, Ltd. on June 24, 2016 and the “Agreement Concerning Amendment of Shareholders Agreement and Succession of Status” between the three companies including GMO Financial Holdings, Inc. on July 21, 2016 (the “Agreements”), and acquired the shares on July 18, 2023.

1. Reason for acquisition

Pursuant to the terms of the Agreements concerning the acquisition of the class shares, the Group decided to acquire the class shares as five years have elapsed since GMO Aozora Net Bank officially commenced its Internet banking business.

2. Overview of the equity-method affiliate whose shares were additionally acquired

(1) Name	GMO Aozora Net Bank, Ltd.	
(2) Location	1-2-3 Dogenzaka, Shibuya-ku, Tokyo	
(3) Name & title of representative	Takehito Kaneko, Chairman and Representative Director Takeshi Yamane, President and Representative Director	
(4) Business description	Internet banking business	
(5) Capital	¥21,629 million (as of March 31, 2023)	
(6) Date of establishment	February 28, 1994	
(7) Major shareholders and voting rights ratio	Aozora Bank, Ltd.:	85.12%
	GMO Internet Group, Inc.:	7.43%
	GMO Financial Holdings, Inc.:	7.43%

3. Overview of the counterparty of the share acquisition

(1) Name	Aozora Bank, Ltd.
(2) Location	6-1-1 Kojimachi, Chiyoda-ku, Tokyo
(3) Name & title of representative	Kei Tanikawa, CEO
(4) Business description	Banking business
(5) Capital	¥100,000 million (as of March 31, 2023)
(6) Date of establishment	April 1, 1957
(7) Consolidated net assets	¥431,119 million (as of March 31, 2023)
(8) Consolidated total assets	¥7,184,070 million (as of March 31, 2023)

4. Number of shares acquired, acquisition price, and shareholdings before and after the acquisition

(1)	Number of shares held before acquisition	74,260 shares (common stock) (Number of voting rights: 74,260, % of voting rights held: 14.87%)
(2)	Number of shares acquired	348,710 shares (Class A shares) 1,894 shares (Class B shares) (Number of voting rights: 0)
(3)	Acquisition price	¥9,753 million (Note) (Note) The acquisition price is net of allowance for contract loss of ¥6,341 million recorded on the consolidated balance sheet, and the amount paid to acquire the class shares is ¥16,095 million.
(4)	Number of shares held after acquisition	424,864 shares (common stock) (74,260 common shares, 348,710 Class A shares, 1,894 Class B shares) (Number of voting rights: 74,260, % of voting rights held: 14.87%)

The impact of this share transfer on the consolidated results for the fiscal year ending December 31, 2023 is expected to be insignificant.