

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

November 14, 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: November 14, 2023

Start Date of Dividend Payout: December 18, 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. Third Quarter Financial Results in the Year Ending December 2023 (01.01.2023- 09.30.2023)

(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	%
Nine months ended								
September 30, 2023	192,545	5.1	30,085	-20.8	32,244	-24.0	9,633	-30.5
September 30, 2022	183,134	3.5	38,010	24.1	42,438	31.7	13,854	4.2

(Note) Comprehensive Income: September 30, 2023: 27,877 million (-37.8%), September 30, 2022: 44,790 million (74.4%)

	Net Profit per Share	Net Profit per Share (Diluted)
	¥	¥
Nine months ended		
September 30, 2023	90.42	89.72
September 30, 2022	129.03	127.89

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio
	¥ millions	¥ millions	%
As of			
September 30, 2023	1,706,559	174,833	4.8
December 31, 2022	1,542,740	154,688	4.7

(Reference) Shareholders' Equity: September 30, 2023: ¥81,804 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	10.20		
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 in significant subsidiaries in the current term: Yes
(Change in specific subsidiaries resulting in a change in scope of consolidation)
Exclusion: 1 (GMO-Z.com Bullion HK Limited)
- (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)	Q3 FYE 12/2023	110,113,337	FYE 12/2022	110,704,401
2. Treasury shares at period end	Q3 FYE 12/2023	3,951,867	FYE 12/2022	3,979,562
3. Average number of shares during the period	Q3 FYE 12/2023	106,528,121	Q3 FYE 12/2022	107,368,801

*Quarterly financial results are not subject to quarterly review by independent auditors.

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

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

On November 14, 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 Nine Months Ended September 30, 2023

(Unit: ¥millions)

	Previous Q3	Current Q3	Change	% Change
Net Sales	183,134	192,545	9,410	5.1%
Operating Profit	38,010	30,085	-7,924	-20.8%
Ordinary Profit	42,438	32,244	-10,194	-24.0%
Profit Attributable to Owners of the Parent	13,854	9,633	-4,221	-30.5%

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) in the Internet Infrastructure segment, a collective of No.1 services, Payment continued to show steady growth, mainly in the face-to-face payments. (2) In the Online Advertising & Media segment, while our own media maintains high pageviews, revenue decreased mainly due to a noticeable trend of advertising budget reduction in specific industries. (3) In the Internet Finance segment, OTC FX showed strong growth thanks to the profitability improvement measures, and CFD also showed strong growth mainly due to cross-selling measures leading to increased transactions. (4) The Cryptoassets segment continues to post operating loss due to continuing sluggish trading in the overall cryptoasset market despite the cost reduction efforts.

As a result, for the nine months ended September 30, 2023, the Company recorded net sales of ¥192,545 million (up 5.1% year-on-year), operating profit of ¥30,085 million (down 20.8% year-on-year), ordinary profit of ¥32,244 million (down 24.0% year-on-year) and net profit attributable to owners of the parent of ¥9,633 million (down 30.5% year-on-year), an increase in net sales but a decrease in profit due to an absence of profit contribution from sales of stocks in the Incubation segment which was reported a year ago.

Net Sales and Operating Profit by Segment for the Nine Months Ended September 30, 2023

(Unit: ¥millions)

	Previous Q3	Current Q3	Change	% Change
Internet Infrastructure				
Net Sales	109,499	127,188	17,688	16.2%
Operating Profit	16,622	19,131	2,508	15.1%
Online Advertising & Media				
Net Sales	25,291	25,926	634	2.5%
Operating Profit	2,212	1,511	-700	-31.7%
Internet Finance				
Net Sales	31,162	35,597	4,434	14.2%
Operating Profit	9,309	11,202	1,892	20.3%
Cryptoassets				
Net Sales	4,133	3,120	-1,013	-24.5%
Operating Profit	-1,059	-1,355	-295	—
Incubation				
Net Sales	13,392	690	-12,702	-94.8%
Operating Profit	10,318	-0	-10,318	—
Other				
Net Sales	2,604	3,458	854	32.8%
Operating Profit	-179	-338	-159	—
Adjustment				
Net Sales	-2,949	-3,436	-486	—
Operating Profit	786	-65	-851	—
Total				
Net Sales	183,134	192,545	9,410	5.1%
Operating Profit	38,010	30,085	-7,924	-20.8%

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

(Unit: ¥millions)

	Previous Q3	Current Q3	Change	% Change
Net Sales	57,578	62,501	4,922	8.5%
Operating Profit	7,069	9,466	2,397	33.9%
Ordinary Profit	8,955	9,707	751	8.4%
Profit attributable to Owners of the Parent	-1,651	3,288	4,940	—

During the three months ended September 30, 2023, the Internet Infrastructure segment showed solid growth driven by Payment and Security services. The Online Advertising & Media segment showed sluggish growth due to a trend of advertising budget reduction in specific industries while our own media maintained a desirable level of pageviews. The Internet Finance segment continued to report strong profit as profitability significantly improved thanks to the enhanced profitability improvement measures despite a decline in market volatility in OTC FX. The cryptoassets segment continued to experience a severe environment due to continued sluggish transaction volume.

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

(Unit: ¥millions)

	Previous Q3	Current Q3	Change	% Change
Internet Infrastructure				
Net Sales	38,074	42,478	4,404	11.6%
Operating Profit	4,753	6,129	1,376	29.0%
Online Advertising & Media				
Net Sales	8,886	8,587	-299	-3.4%
Operating Profit	737	485	-251	-34.2%
Internet Finance				
Net Sales	10,002	10,539	537	5.4%
Operating Profit	2,683	3,605	921	34.3%
Cryptoassets				
Net Sales	775	958	183	23.6%
Operating Profit	-821	-532	289	—
Incubation				
Net Sales	0	38	38	—
Operating Profit	-96	-112	-16	—
Other				
Net Sales	903	1,036	133	14.8%
Operating Profit	-85	-123	-37	—
Adjustment				
Net Sales	-1,063	-1,138	-75	—
Operating Profit	-101	14	115	—
Total				
Net Sales	57,578	62,501	4,922	8.5%
Operating Profit	7,069	9,466	2,397	33.9%

Segments results for the three months ended September 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 September 30, 2023 increased to 1.95 million (up 49.6% year-on-year), the total number of domains under management as of September 30, 2023 increased to 8.17 million (up 16.1% year-on-year) and large domain sales contributed to a sales increase, and as a result, net sales were ¥2,470 million (up 3.8% 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 September 30, 2023 was 1,124 thousand (up 2.5% year-on-year) and net sales were ¥5,158 million (up 9.9% 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 total transaction volume was ¥114.8 billion (down 1.9% year-on-year) due to a decrease in the number of paid stores as of September 30, 2023 to 52 thousand (down 10.2% year-on-year) and a reactionary decline in the stay-at-home consumption 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. For *Minne*, the total transaction volume decreased by 16.5% year-on-year to ¥2.8 billion due to a decline in the circulation volume of low-priced products. Meanwhile, *Makeshop* which offers high-priced plans showed stable growth. As a result, net sales were ¥4,144 million (up 7.7% 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. *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 ¥3,955 million (up 20.4% 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 ¥15,876 million (up 21.1% year-on-year).

vi. Provider

In this sub-segment, the Company offers Internet provider services for consumers. The number of subscriptions at September 30, 2023 was 2.26 million (up 0.5% year-on-year) and net sales were ¥10,020 million (up 0.1% year-on-year) due to stable growth in the fixed line service.

Overall, the Internet Infrastructure segment recorded net sales of ¥42,478 million (up 11.6% year-on-year) and operating profit of ¥6,129 million (up 29.0% year-on-year).

2) Online Advertising & Media

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

i. Online advertising

This sub-segment provides comprehensive Internet advertising services such as advertising agency and ad platform mainly through GMO AD Partners and GMO TECH. Net sales were ¥4,108 million (down 19.1% year-on-year) due to a trend of advertising budget reduction in specific industries.

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 ¥3,272 million (up 25.9% year-on-year) mainly due to a continuing strong growth in pageviews in our own media.

Overall, the Online Advertising & Media segment recorded net sales of ¥8,587 million (down 3.4% year-on-year) and operating profit of ¥485 million (down 34.2% year-on-year).

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 as of September 30, 2023 increasing to 1,475 thousand (up 4.5% year-on-year) and the number of securities accounts increasing to 520 thousand (up 4.1% year-on-year). In OTC FX, the transaction volume decreased year-on-year due to a decline in market volatility, but profitability significantly improved. CFD reported favorable growth due to active movements in commodity indexes and positive effects of the cross-selling measures.

Overall, the Internet Finance segment recorded net sales of ¥10,539 million (up 5.4% year-on-year) and operating profit of ¥3,605 million (up 34.3% year-on-year) due to a reversal of provision for doubtful debts of approximately ¥0.5 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 ¥88 million (down 63.2% 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 September 30, 2023 increasing to 586 thousand (up 9.1% year-on-year). Meanwhile, the trading value decreased due to the sluggish trends in the cryptoasset market. As a result, net sales amounted to ¥819 million (up 55.3% year-on-year).

Overall, the Cryptoassets segment reported net sales of ¥958 million (up 23.6% year-on-year) and operating loss of ¥532 million (operating loss of ¥821 million for the three months ended September 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 ¥38 million (net sales were ¥0 million for the three months ended September 30, 2022), and operating loss was ¥112 million (operating loss of ¥96 million for the three months ended September 30, 2022) due to sales of shareholdings.

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

(Unit: ¥millions)

	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Net sales	57,578	62,561	65,593	64,450	62,501
Operating profit	7,069	5,736	10,990	9,627	9,466
Ordinary profit	8,955	3,586	11,933	10,603	9,707
Profit attributable to owners of the parent (- represents loss)	-1,651	-644	3,931	2,412	3,288
Total assets	1,545,403	1,542,740	1,624,445	1,669,248	1,706,559
Shareholders' equity	74,209	72,176	75,439	79,369	81,804

(Reference2)

Table: Quarterly Results by Segment

I Net Sales by Segment

(Unit: ¥millions)

	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Internet Infrastructure					
Provider (ISP)	10,009	9,944	10,011	10,191	10,020
Domain	2,379	2,130	2,291	2,388	2,470
Hosting & cloud	4,693	4,703	4,810	5,048	5,158
Ecommerce solutions	3,846	4,173	3,995	4,046	4,144
Security	3,285	3,838	4,658	3,573	3,955
Payment	13,108	14,579	15,386	16,302	15,876
Other	749	1,174	1,007	996	852
Total	38,074	40,544	42,161	42,548	42,478
Online Advertising & Media					
Online advertising	5,076	4,755	4,628	4,512	4,108
Internet media	2,598	2,613	2,856	2,792	3,272
Internet research & other	1,211	1,401	1,418	1,130	1,207
Total	8,886	8,770	8,904	8,435	8,587
Internet Finance					
Total	10,002	11,389	12,792	12,265	10,539
Cryptoassets					
Cryptoassets exchange	527	1,654	921	789	819
Cryptoassets mining	241	270	278	169	88
Cryptoassets payment	6	154	2	0	50
Total	775	2,079	1,202	958	958
Incubation					
Total	0	0	195	456	38
Sub total	57,738	62,783	65,255	64,664	62,602
Other	903	958	1,447	973	1,036
Adjustment	-1,063	-1,181	-1,110	-1,187	-1,138
Net Sales	57,578	62,561	65,593	64,450	62,501

II Operating Profit by Segment

	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Internet Infrastructure	4,753	5,363	6,994	6,007	6,129
Online Advertising & Media	737	-24	668	358	485
Internet Finance	2,683	-17	3,762	3,834	3,605
Cryptoassets	-821	717	-338	-484	-532
Incubation	-96	-223	108	3	-112
Sub total	7,256	5,816	11,194	9,719	9,576
Other	-85	-60	-122	-92	-123
Adjustment	-101	-20	-80	0	14
Operating Profit	7,069	5,736	10,990	9,627	9,466

(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, Cloud VPS by GMO, ALTUS by GMO, 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, 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 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 September 30, 2023, total assets increased ¥163,818 million from December 31, 2022 to ¥1,706,559 million. Major factors included an increase of ¥17,848 million in cash and deposits, an increase of ¥47,389 million in cryptoassets under custody, and an increase of ¥56,680 million in various assets due to fluctuations in customer assets in the Securities segment (deposits, margin transaction assets, loan secured by securities, short-term guarantee deposits and variation margin paid).

(Liabilities)

As of September 30, 2023, liabilities increased ¥143,673 million from December 31, 2022 to ¥1,531,725 million. Major factors included an increase of ¥30,859 million in debt, an increase of ¥41,700 million in corporate bonds, an increase of ¥47,415 million in deposits received for cryptoassets, an increase of ¥45,417 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), a decrease of ¥21,788 million in deposits received, and a decrease of ¥6,341 million in allowance for contract loss due to deduction from acquisition cost of class shares of GMO Aozora Net Bank, Ltd.

(Net Assets)

As of September 30, 2023, net assets increased ¥20,144 million from December 31, 2022 to ¥174,833 million. Major factors included an increase of ¥6,023 million in earned surplus (consisting of an increase from recording profit attributable to owners of the parent totaling ¥9,633 million, a decrease from dividend payments of ¥2,099 million and a decrease from retirement of treasury stock of ¥1,510 million), an increase of ¥2,814 million in foreign currency translation adjustments and an increase of ¥10,507 million in non-controlling interests.

(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)	3rd Quarter Current Fiscal Year (As of September 30, 2023)
Assets		
Current Assets		
Cash and deposits	341,970	359,819
Trade notes, accounts receivable and contract assets	33,963	32,438
Operational investment securities	11,724	13,300
Cryptoassets under custody	61,751	109,141
Securities segment deposits	486,478	523,518
Securities segment margin transaction assets	143,065	144,412
Securities segment loan secured by securities	12,695	14,487
Securities segment short-term guarantee deposits	73,975	77,310
Securities segment variation margin paid	94,219	107,386
Other	156,759	185,074
Provision for doubtful debts	-8,590	-6,351
Total Current Assets	1,408,015	1,560,537
Fixed Assets		
Tangible fixed assets	45,825	46,062
Intangible fixed assets		
Goodwill	17,708	16,242
Software	11,472	12,726
Other	16,756	16,566
Total intangible fixed assets	45,936	45,535
Investments and other assets		
Investment securities	29,780	38,545
Deferred tax asset	4,053	4,146
Other	9,791	19,058
Provision for doubtful debts	-662	-7,327
Total investments and other assets	42,963	54,422
Total Fixed Assets	134,725	146,021
Total Assets	1,542,740	1,706,559

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2022)	3rd Quarter Current Fiscal Year (As of September 30, 2023)
Liabilities		
Current Liabilities		
Trade notes and accounts payable	14,430	13,496
Short-term debt	222,018	208,220
Current portion of bonds	—	10,200
Amount payable	47,075	41,481
Deposits received for cryptoassets	61,734	109,149
Securities segment deposits received	53,573	59,511
Securities segment margin transaction liability	35,929	40,479
Securities segment guarantees received	554,407	569,675
Securities segment variation margin received	11,259	16,152
Securities segment loans payable secured by securities	26,233	41,001
Accrued corporate tax, etc.	7,324	12,299
Allowance for bonuses	2,293	2,582
Allowance for bonuses to directors	657	645
Allowance for contract loss	6,341	—
Advance payment received	3,195	3,542
Contract liabilities	18,314	20,646
Deposits received	122,657	100,869
Other	20,202	25,043
Total Current Liabilities	1,207,649	1,274,998
Fixed Liabilities		
Corporate bonds	51,000	82,500
Convertible bonds with equity warrants	20,770	20,605
Long-term debt	97,373	142,030
Deferred tax liability	1,319	1,601
Other	8,988	9,045
Total Fixed Liabilities	179,451	255,782
Statutory Reserve		
Financial instruments transaction liability reserve	949	944
Total Statutory Reserve	949	944
Total Liabilities	1,388,051	1,531,725
Net Assets		
Shareholders' Equity		
Capital stock	5,000	5,000
Capital surplus	33,280	31,961
Earned surplus	37,730	43,753
Treasury stock	-10,166	-10,166
Total Shareholders' Equity	65,843	70,548
Accumulated Other Comprehensive Income		
Other securities valuation differences	3,397	5,615
Deferred hedging profit (loss)	48	-61
Foreign currency translation adjustments	2,886	5,700
Total Accumulated Other Comprehensive Income	6,332	11,255
Equity Warrants	43	53
Non-controlling Interests	82,469	92,976
Total Net Assets	154,688	174,833
Liabilities, Net Assets Total	1,542,740	1,706,559

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income
3rd Quarter (cumulative)

(Unit: ¥millions)

	3rd Quarter Previous Fiscal Year (9 months to September 2022)	3rd Quarter Current Fiscal Year (9 months to September 2023)
Net Sales	183,134	192,545
Cost of Sales	69,873	80,703
Gross Profit on Sales	113,261	111,842
Sales, General & Administrative Expenses	75,250	81,756
Operating Profit	38,010	30,085
Non Operating Revenue		
Interest received	324	1,032
Dividends received	857	874
Foreign exchange gain	2,628	1,155
Gain on sale of investment securities	61	1,029
Gain on investments in partnership	256	462
Other	1,575	771
Total Non Operating Revenue	5,702	5,325
Non Operating Expenses		
Interest paid	658	1,332
Bond issuance cost	32	305
Equity method investment losses	324	753
Other	258	775
Total Non Operating Expenses	1,274	3,166
Ordinary Profit	42,438	32,244
Extraordinary Profit		
Gain on sale of investment securities	20,527	69
Reversal of financial instruments transaction liability reserve	—	5
Other	16	1
Total Extraordinary Profit	20,543	76
Extraordinary Loss		
Impairment loss	341	329
Loss on valuation of investment securities	500	650
Compensation for customer's loss	241	—
Provision for contract loss	6,341	—
Provision of financial instruments transaction liability reserve	21	—
Other	92	156
Total Extraordinary Loss	7,537	1,136
Net Profit before Adjustment for Tax, etc.	55,443	31,184
Corporate, Municipal and Enterprise Taxes	12,531	13,203
Corporate Tax etc. Adjustment	3,915	-904
Total Corporate Taxes, etc.	16,446	12,298
Net Profit	38,997	18,885
Profit Attributable to Non-controlling Interests	25,143	9,252
Profit Attributable to Owners of the Parent	13,854	9,633

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

(Unit: ¥millions)

	3rd Quarter Previous Fiscal Year (9 months to September 2022)	3rd Quarter Current Fiscal Year (9 months to September 2023)
Net Profit	38,997	18,885
Other Comprehensive Income		
Other securities valuation differences	-1,050	2,870
Deferred hedging loss	-66	-155
Foreign currency translation adjustments	7,087	6,236
Share of other comprehensive income (loss) of associates accounted for using equity method	-176	41
Total other comprehensive income	5,793	8,992
Comprehensive Income	44,790	27,877
(Breakdown)		
Comprehensive income attributable to owners of the parent	17,185	14,556
Comprehensive income attributable to non-controlling interests	27,604	13,321

(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 563,300 shares of treasury stock for ¥1,509 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 September 30, 2023 were ¥43,753 million and ¥10,166 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 3rd Quarter of Previous Fiscal Year (01.01.2022-09.30.2022)

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	108,563	23,528	31,162	4,133	13,392	180,781	2,353	—	183,134
Internal transactions or transfer	935	1,763	—	—	—	2,698	250	-2,949	—
Total	109,499	25,291	31,162	4,133	13,392	183,479	2,604	-2,949	183,134
Segment Profit/Loss	16,622	2,212	9,309	-1,059	10,318	37,403	-179	786	38,010

*Notes

- i. "Other" represents real estate leasing and other businesses not included in reportable segments.
- ii. Segment profit/loss adjustment (¥786 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 reportable segment
(Significant impairment loss on fixed assets)

For the nine months ended September 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 finalized, which resulted in the change in the amount of goodwill from ¥7,724 million (provisional amount) to ¥7,606 million.

II 3rd Quarter of Current Fiscal Year (01.01.2023-09.30.2023)

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	126,114	23,955	35,579	3,120	690	189,459	3,085	—	192,545
Internal transactions or transfer	1,073	1,970	18	—	—	3,062	373	-3,436	—
Total	127,188	25,926	35,597	3,120	690	192,522	3,458	-3,436	192,545
Segment Profit/Loss	19,131	1,511	11,202	-1,355	-0	30,490	-338	-65	30,085

*Notes

- i. "Other" represents real estate leasing and other businesses not included in reportable segments.
- ii. Segment profit/loss adjustment (¥-65 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 reportable segment
(Significant impairment loss on fixed assets)

For the nine months ended September 30, 2023, the Internet Finance segment recognized impairment loss on fixed assets of ¥329 million.

(Significant subsequent event)

Not applicable.