

Fiscal Year 2023 Consolidated Financial Results (Japanese GAAP)

February 13, 2024

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

Official Contact: Masashi Yasuda, Director, Executive Vice President and Group CFO,

Deputy to Group CEO, Head of Group Management Division

Contact Number: +81-3-5456-2555

Date of Annual General Shareholders Meeting: March 21, 2024 Start Date of Dividend Payout: March 7, 2024

Date of Annual Report Release: March 22, 2024

Supplementary documents available pertaining to financial results: Yes

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

1. Consolidated Results in the Fiscal Year Ended December 31, 2023 (01.01.2023 - 12.31.2023)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of the Parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FYE12/2023	258,643	5.3	42,471	-2.9	45,947	-0.2	14,191	7.4
FYE12/2022	245,696	1.7	43,746	6.3	46,025	6.1	13,209	-24.6

(Note) Comprehensive Income: FYE 12/2023 ¥ 30,874 million (-27.8%), FYE 12/2022 ¥ 42,783 million (33.7%)

	Net Profit per Share	Net Profit per Share (Diluted)	Ratio of Net Profit to Shareholders' Equity	Ratio of Ordinary Profit to Total Assets	Ratio of Operating Profit to Net Sales
	¥	¥	%	%	%
FYE12/2023	133.33	132.20	18.3	2.8	16.4
FYE12/2022	123.21	121.58	18.1	3.1	17.8

(Reference) Earnings/Loss on Equity Method Investment: FYE 12/2023 ¥-1,174 million, FYE 12/2022 ¥-414 million

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	¥ millions	¥ millions	%	¥
FYE12/2023	1,757,636	172,839	4.7	777.50
FYE12/2022	1,542,740	154,688	4.7	676.28

(Reference) Shareholders' Equity: FYE 12/2023 ¥82,541 million, FYE 12/2022 ¥72,176 million

(3) Consolidated Cash Flow

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Equivalents End of Term Balance
	¥ millions	¥ millions	¥ millions	¥ millions
FYE12/2023	14,914	-16,363	64,975	388,917
FYE12/2022	25,641	-2,828	62,442	322,229

2. Dividends

	Dividends per Share					Total Dividend Payout	Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	End of Q1	End of Q2	End of Q3	End of Term	Total			
FYE12/2022	¥ 19.60	¥ 28.00	¥ 0.00	¥ 0.00	¥ 47.60	¥ millions 5,085	% 38.6	% 7.1
FYE12/2023	12.20	7.50	10.20	14.20	44.10	4,689	33.1	6.1
FYE12/2024 (forecast)	—	—	—	—	—		—	

3. Consolidated Results Forecast for the Fiscal Year Ending December 31, 2024 (01.01.2024 – 12.31.2024)

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: Yes

(Transfer of specified subsidiaries resulting in change in scope of consolidation)

Exclusion: 2 (GMO-Z.com Bullion HK Limited, GMO-Z.com Pte. Ltd.)

(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) Number of outstanding shares (Common shares)

(Unit: shares)

1. No. of outstanding shares at end of term (including treasury shares)

FYE 12/2023	110,113,337	FYE 12/2022	110,704,401
FYE 12/2023	3,951,867	FYE 12/2022	3,979,562
FYE 12/2023	106,435,838	FYE 12/2022	107,206,488

2. Number of treasury shares at end of term

3. Average number of shares during term

(Reference) Summary of Non-Consolidated Financial Results

1. Non-consolidated Results in the Fiscal Year Ended December 31, 2023 (01.01.2023 - 12.31.2023)

(1) Non-consolidated Operating Results

(Percentages shown represent year-on-year % change)

	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FYE12/2023	65,161	3.4	947	-23.2	11,851	-24.4	7,698	28.3
FYE12/2022	63,007	-6.0	1,232	-71.2	15,669	6.7	6,001	-49.3

	Net Profit per Share	Net Profit per Share (Diluted)
	¥	¥
FYE12/2023	72.32	—
FYE12/2022	55.98	—

(2) Non-consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net assets per Share
	¥ millions	¥ millions	%	¥
FYE12/2023	261,827	23,827	9.1	224.44
FYE12/2022	220,777	20,613	9.3	193.14

(Reference) Shareholders' Equity: FYE 12/2023 ¥23,827 million, FYE 12/2022 ¥20,613 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 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, 2024, 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.

Contents

1. Overview of Operating Results, etc.	2
(1) Overview of operating results	2
(2) Overview of financial condition	8
(3) Overview of cash flows	9
(4) Future outlook.....	10
(5) Basic policy on profit sharing and dividends for the current and next fiscal year	10
2. Policy Regarding Choice of Accounting Standards	10
3. Consolidated Financial Statements and Major Notes	11
(1) Consolidated balance sheet.....	11
(2) Consolidated statements of income and comprehensive income	13
(3) Consolidated statement of changes in shareholders' equity, etc.	15
(4) Consolidated statement of cash flows	17
(5) Notes to consolidated financial statements.....	19
(Notes regarding going concern assumption).....	19
(Changes in accounting policies).....	19
(Changes in presentation method)	19
(Segment information).....	20
(Per share information).....	24
(Significant subsequent events)	25

1. Overview of Operating Results, etc.

(1) Overview of operating results

◆ Overview of the financial results for the fiscal year ended December 31, 2023

Under the motto “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. Following 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, showed steady growth mainly in Payment and Security, with the expansion of customer base mainly in the face-to-face payments. (2) In the Online Advertising & Media segment, while our own media maintained high pageviews and the number of visitors through in-house products increased, the advertising agency service experienced sluggish sales mainly due to a decline in advertising demand in certain industries. (3) In the Internet Finance segment, OTC FX showed strong growth thanks to increased volatility in the exchange rates and the positive effects of profitability improvement measures. CFD showed solid growth mainly due to volatile market conditions affected by the global situations and the marketing activity for additional tradable assets. On the other hand, provision of allowance for doubtful debts of approximately ¥3.1 billion was recorded in the securities business in Thailand. (4) The Cryptoassets segment showed sluggish growth as the trading value significantly decreased due to sluggish market.

As a result, for the fiscal year ended December 31, 2023, the Group recorded net sales of ¥258,643 million (up 5.3% year-on-year), operating profit of ¥42,471 million (down 2.9% year-on-year) and ordinary profit of ¥45,947 million (down 0.2% year-on-year), and net profit attributable to owners of the parent of ¥14,191 million (up 7.4% year-on-year).

(Unit: ¥millions)

	Previous FY	Current FY	Change	% Change
Net sales	245,696	258,643	12,946	5.3%
Operating profit	43,746	42,471	-1,274	-2.9%
Ordinary profit	46,025	45,947	-77	-0.2%
Profit attributable to owners of the parent	13,209	14,191	982	7.4%

Net sales and operating profit by segment for the consolidated fiscal year ended December 31, 2023

(Unit: ¥millions)

	Previous FY	Current FY	Change	% Change
Internet Infrastructure				
Net sales	150,043	171,500	21,456	14.3%
Operating profit	21,986	28,728	6,741	30.7%
Online Advertising & Media				
Net sales	34,061	34,665	603	1.8%
Operating profit	2,188	1,875	-312	-14.3%
Internet Finance				
Net sales	42,552	47,277	4,724	11.1%
Operating profit	9,292	13,756	4,463	48.0%
Cryptoassets				
Net sales	6,212	4,554	-1,657	-26.7%
Operating profit	-342	-1,271	-929	—
Incubation				
Net sales	13,393	690	-12,702	-94.8%
Operating profit	10,095	-140	-10,235	—
Other				
Net sales	3,562	4,535	973	27.3%
Operating profit	-239	-397	-158	—
Adjustment				
Net sales	-4,130	-4,580	-450	—
Operating profit	765	-78	-844	—
Total				
Net sales	245,696	258,643	12,946	5.3%
Operating profit	43,746	42,471	-1,274	-2.9%

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 mainly through the Company and GMO Pepabo. The number of domain registration and renewals during the fiscal year ended December 31, 2023 was 7.19 million (up 31.6% year-on-year) and total number of domains under management as of December 31, 2023 was 8.66 million (up 21.6% year-on-year) mainly thanks to contribution of enhanced promotion and overseas domain sales. As a result, net sales were ¥9,685 million (up 7.9% 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 continued strong growth in sales of retail server, the number of web hosting contracts as of December 31, 2023 was 1.11 million (up 1.0% year-on-year) and net sales were ¥20,217 million (up 9.6% 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, while the number of paid stores as of December 31, 2023 decreased 10.4% year-on-year to 51 thousand, total transaction volume decreased only slightly by 0.6% year-on-year to ¥487.6 billion thanks to a shift to high-price plans by *MakeShop* which offers high-price service. As a result, net sales were ¥14,274 million (down 6.1% year-on-year).

iv. Security

This business offers security services to provide secure and safe Internet for everyone, including cipher 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. The number of contracts and contract transmission of *e-contract service GMO Sign* showed steady growth, and a large project capturing market demands in brand security made contribution to net sales. As a result, this sub-segment reported net sales of ¥18,212 million (up 42.9% year-on-year).

v. Payment

Payment services are mainly operated by GMO Payment Gateway and offer comprehensive payment-related services and finance-related services. In the payment-related services, online/recurring payments in the Ecommerce market showed strong growth, and the number of stores using a next-generation payment platform “*stera*” terminal also significantly increased with the expansion of cashless payment market in the face-to-face transactions, resulting in a favorable growth in the number of transactions and the transaction volume. As a result, net sales were ¥65,107 million (up 24.3% year-on-year).

vi. Provider

In this sub-segment, the Company offers Internet provider services for consumers. Net sales showed solid growth mainly in the fixed line service due to an increase in the ratio of in-house line service despite a change in product sales mix. As a result, the number of subscriptions at December 31, 2023 was 2.26 million (up 0.5% year-on-year), and net sales were ¥40,221 million (up 3.2% year-on-year).

Overall, the Internet Infrastructure segment recorded net sales of ¥171,500 million (up 14.3% year-on-year) and operating profit of ¥28,728 million (up 30.7% 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. The advertising agency service showed sluggish growth due to a decrease in advertising demand in certain industries and the slow response to such decrease. As a result, net sales amounted to ¥17,584 million (down 5.5% year-on-year).

ii. Internet Media

This sub-segment provides advertising space through operation of our own media and the marketing support services mainly through GMO Media. Our own media enjoyed continued growth in pageviews, and the number of visitors through in-house products increased. As a result, net sales were ¥12,026 million (up 16.5% year-on-year).

Overall, the Online Advertising & Media segment recorded net sales of ¥34,665 million (up 1.8% year-on-year) and operating profit of ¥1,875 million (down 14.3% 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. As of December 31, 2023, the number of OTC FX accounts increased to 1,491 thousand (up 4.5% year-on-year), the number of securities accounts increased to 523 thousand (up 3.6% year-on-year), and the number of CFD accounts increased to 200 thousand (up 8.2% year-on-year). OTC FX showed strong growth due to highly volatile market conditions and the positive effects of

profitability improvement measures. CFD trading maintained a high level of trading value and revenue mainly due to increased volatility in commodity prices affected by the global situations. Meanwhile, the securities business in Thailand recorded provision of allowance for doubtful debts of approximately ¥3.1 billion, weighing on profit.

Overall, the Internet Finance segment recorded net sales of ¥47,277 million (up 11.1% year-on-year) and operating profit of ¥13,756 million (up 48.0% 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 remained sluggish due to external factors including continued increase in hash rates. As a result, net sales amounted to ¥577 million (down 67.3% year-on-year).

ii. Cryptoassets exchange

This sub-segment is engaged primarily in spot trading and leveraged transactions of cryptoassets mainly through GMO Coin, a consolidated subsidiary of GMO Financial Holdings. The customer base has steadily expanded with the number of customer accounts as of December 31, 2023 increasing to 601 thousand (up 9.9% year-on-year). Trading value remained sluggish due to market conditions. As a result, net sales were ¥3,824 million (down 7.9% year-on-year).

Overall, the Cryptoassets segment recorded net sales of ¥4,554 million (down 26.7% year-on-year) and operating loss of ¥1,271 million (operating loss of ¥342 million for the fiscal year ended December 31, 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 ¥690 million (down 94.8% year-on-year), and operating loss was ¥140 million (operating profit of ¥10,095 million for the fiscal year ended December 31, 2022) due to sale of some investment securities.

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

(Unit: ¥millions)

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Net sales	62,561	65,593	64,450	62,501	66,097
Operating profit	5,736	10,990	9,627	9,466	12,386
Ordinary profit	3,586	11,933	10,603	9,707	13,703
Profit attributable to owners of the parent (- represents loss)	-644	3,931	2,412	3,288	4,558
Total assets	1,542,740	1,624,445	1,669,248	1,706,559	1,757,636
Shareholders' equity	72,176	75,439	79,369	81,804	82,541

(Reference 2) Quarterly Results by Segment/Business

(Unit: ¥millions)

I Net Sales by Segment

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Internet Infrastructure					
Provider (ISP)	9,944	10,011	10,191	10,020	9,998
Domain	2,130	2,291	2,388	2,470	2,534
Hosting & cloud	4,703	4,810	5,048	5,158	5,199
Ecommerce solutions	4,173	3,995	4,046	4,144	2,088
Security	3,838	4,658	3,573	3,955	6,024
Payment	14,579	15,386	16,302	15,876	17,541
Other	1,174	1,007	996	852	924
Total	40,544	42,161	42,548	42,478	44,311
Online Advertising & Media					
Online advertising	4,755	4,628	4,512	4,108	4,335
Internet media	2,613	2,856	2,792	3,272	3,105
Internet research and other	1,401	1,418	1,130	1,207	1,297
Total	8,770	8,904	8,435	8,587	8,738
Internet Finance					
Total	11,389	12,792	12,265	10,539	11,679
Cryptoassets					
Cryptoassets exchange	1,654	921	789	819	1,294
Cryptoassets mining	270	278	169	88	40
Cryptoassets payment	154	2	0	50	100
Total	2,079	1,202	958	958	1,434
Incubation					
Total	0	195	456	38	0
Sub total	62,783	65,255	64,664	62,602	66,165
Other	958	1,447	973	1,036	1,077
Adjustment	-1,181	-1,110	-1,187	-1,138	-1,144
Net Sales	62,561	65,593	64,450	62,501	66,097

II Operating Profit by Segment

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Internet Infrastructure	5,363	6,994	6,007	6,129	9,596
Online Advertising & Media	-24	668	358	485	364
Internet Finance	-17	3,762	3,834	3,605	2,553
Cryptoassets	717	-338	-484	-532	83
Incubation	-223	108	3	-112	-140
Sub total	5,816	11,194	9,719	9,576	12,457
Other	-60	-122	-92	-123	-58
Adjustment	-20	-80	0	14	-12
Operating Profit	5,736	10,990	9,627	9,466	12,386

(Reference 3) Description of businesses in each segment

Business Segment	Main Operations	
Internet Infrastructure	Domain	<ul style="list-style-type: none"> • Domain registry services including “.shop” and “.tokyo” • Domain registrations services: Onamae.com, MuuMuu Domain, and VALUE-DOMAIN
	Hosting & cloud	<ul style="list-style-type: none"> • Provision, operation, management, and maintenance of shared, VPS, dedicated and cloud-based web hosting services including Onamae.com Rental Server, ConoHa by GMO, Z. com Cloud, 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) Overview of Financial Condition

Assets, Liabilities and Net Assets

(Assets)

As of December 31, 2023, total assets increased ¥214,895 million from December 31, 2022 to ¥1,757,636 million. Major factors included an increase of ¥51,482 million in cash and deposits, an increase of ¥12,315 million in owned cryptoassets, an increase of ¥94,759 million in cryptoassets under custody, and an increase of ¥10,354 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 December 31, 2023, liabilities increased ¥196,745 million from December 31, 2022 to ¥1,584,797 million. Major factors included an increase of ¥22,926 million in debt, an increase of ¥59,700 million in bonds, an increase of ¥94,777 million in deposits received for cryptoassets, a decrease of ¥247 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 ¥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 December 31, 2023, net assets increased ¥18,150 million from December 31, 2022 to ¥172,839 million. Major factors included an increase of ¥9,685 million in earned surplus (consisting of an increase from recording profit attributable to owners of the parent totaling ¥14,191 million, a decrease from dividend payments of ¥3,182 million, a decrease of ¥1,510 million due to retirement of treasury stock), an increase of ¥2,076 million in foreign currency translation adjustments, and an increase of ¥7,772 million in non-controlling interests.

(3) Overview of Cash Flows

Cash Flows

As of December 31, 2023, cash and equivalents increased ¥66,688 million from December 31, 2022 to ¥388,917 million. The following is a summary of cash flow activity during the fiscal year ended December 31, 2023.

(Cash Flow from Operating Activities)

Inflow in operating activities was ¥14,914 million (¥25,641 million of inflow in FY2022). Major outflow included payment of corporate taxes, etc. (¥15,279 million), a decrease in owned cryptoassets (¥12,315 million). Major inflow included net profit before adjustment for tax, etc. (¥42,983 million).

(Cash Flow from Investing Activities)

Outflow from investing activities totaled ¥16,363 million (¥2,828 million of outflow in FY2022). Major inflow included sales of investment securities (¥20,666 million). Major outflow included acquisition of investment securities (¥26,636 million) and acquisition of tangible fixed assets (¥15,726 million).

(Cash Flow from Financing Activities)

Inflow from financing activities totaled ¥64,975 million (¥62,442 million of inflow in FY2022). Major outflow included repayment of long term debt (¥21,518 million) and changes in short term debt (¥19,847 million). Major inflow included proceeds from new long term debt (¥61,700 million) and proceeds from issuance of bonds (¥59,336 million).

(Reference) Cash Flow Indicators

	FY2019	FY2020	FY2021	FY2022	FY2023
Shareholders' equity ratio (%)	6.2	4.8	5.2	4.7	4.7
Shareholders' equity ratio (market value) (%)	27.0	31.3	21.4	17.1	15.5
Ratio of interest-bearing liabilities to cash flow (years)	17.8	4.8	—	15.4	29.3
Interest coverage ratio (times)	9.6	33.5	—	10.2	3.6

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 fiscal 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 that have a material impact on business results, 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 ¥44.10 per share (dividend payout ratio: 33.1%) for the fiscal year ended December 31, 2023.

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 and Major Notes

(1) Consolidated balance sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2022)	Current Fiscal Year (As of Dec 31, 2023)
Assets		
Current Assets		
Cash and deposits	341,970	393,452
Trade notes, accounts receivable and contract assets	33,963	38,133
Operational investment securities	11,724	13,260
Owned cryptoassets	4,730	17,046
Cryptoassets under custody	61,751	156,511
Securities segment deposits	486,478	511,989
Securities segment margin transaction assets	143,065	127,497
Securities segment loan secured by securities	12,695	12,531
Securities segment short term guarantee deposits	73,975	70,719
Securities segment variation margin paid	94,219	98,051
Other	152,029	182,679
Allowance for doubtful debts	-8,590	-7,616
Total Current Assets	1,408,015	1,614,257
Fixed Assets		
Tangible fixed assets		
Buildings and structures (net)	13,871	14,074
Tools and equipment (net)	6,242	6,317
Land	20,805	20,805
Lease assets (net)	3,959	4,415
Other (net)	944	1,224
Total tangible fixed assets	45,825	46,836
Intangible fixed assets		
Goodwill	17,708	15,957
Software	11,472	15,367
Other	16,756	12,980
Total intangible fixed assets	45,936	44,305
Investments and other assets		
Investment securities	29,780	30,687
Deferred tax asset	4,053	3,872
Other	9,791	25,104
Allowance for doubtful debts	-662	-7,427
Total investments and other assets	42,963	52,236
Total Fixed Assets	134,725	143,379
Total Assets	1,542,740	1,757,636

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2022)	Current Fiscal Year (As of Dec 31, 2023)
Liabilities		
Current liabilities		
Trade notes and accounts payable	14,430	15,124
Short term debt	201,324	184,133
Current portion of bonds	—	10,200
Current portion of long term debt	20,693	13,188
Amount payable	47,075	52,083
Deposits received for cryptoassets	61,734	156,511
Securities segment deposits received	53,573	61,555
Securities segment margin transaction liability	35,929	31,816
Securities segment guarantees received	554,407	560,407
Securities segment variation margin received	11,259	11,677
Securities segment debt secured by securities	26,233	15,698
Accrued corporate tax etc.	7,324	7,957
Allowance for bonuses	2,293	2,422
Allowance for bonuses to directors	657	526
Allowance for contract loss	6,341	—
Advance payment received	3,195	1,264
Contract liabilities	18,314	23,053
Deposits received	122,657	130,175
Other	20,202	29,217
Total Current Liabilities	1,207,649	1,307,015
Fixed Liabilities		
Bonds	51,000	100,500
Convertible bonds with equity warrants	20,770	20,550
Long term debt	97,373	144,996
Deferred tax liability	1,319	1,145
Other	8,988	9,647
Total Fixed Liabilities	179,451	276,839
Statutory Reserve		
Financial instruments transaction liability reserve	949	942
Total Statutory Reserve	949	942
Total Liabilities	1,388,051	1,584,797
Net Assets		
Shareholders' Equity		
Capital stock	5,000	5,000
Capital surplus	33,280	31,866
Earned surplus	37,730	47,416
Treasury stock	-10,166	-10,166
Total Shareholders' Equity	65,843	74,115
Accumulated Other Comprehensive Income		
Other securities valuation differences	3,397	3,542
Deferred hedging profit/loss	48	-78
Foreign currency translation adjustments	2,886	4,962
Total Accumulated Other Comprehensive Income	6,332	8,425
Equity Warrants	43	55
Non-Controlling Interests	82,469	90,242
Total Net Assets	154,688	172,839
Total Liabilities and Net Assets	1,542,740	1,757,636

(2) Consolidated statements of income and comprehensive income

Consolidated statement of income

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2022-12.31.2022)	Current Fiscal Year (01.01.2023-12.31.2023)
Net Sales	245,696	258,643
Cost of Sales	95,809	105,512
Gross Profit on Sales	149,886	153,130
Sales, General & Administrative Expenses	106,139	110,658
Operating Profit	43,746	42,471
Non-Operating Revenue		
Interest received	584	1,428
Dividends received	1,099	1,100
Foreign exchange gain	1,371	525
Gain on sale of investment securities	—	3,702
Gain on investments in partnership	195	506
Other	1,877	1,052
Total Non-Operating Revenue	5,128	8,317
Non-Operating Expenses		
Interest paid	922	1,853
Commission paid	477	558
Equity method investment loss	414	1,174
Loss on derivatives	648	96
Bond issuance cost	32	466
Provision of allowance for doubtful accounts	—	315
Other	354	376
Total Non-Operating Expenses	2,850	4,842
Ordinary Profit	46,025	45,947
Extraordinary Profit		
Gain on sale of investment securities	21,127	81
Gain on sale of subsidiaries' shares	—	24
Reversal of financial instruments transaction liability reserve	—	7
Other	1,060	2
Total Extraordinary Profit	22,187	115
Extraordinary Loss		
Impairment loss	3,290	1,907
Loss on valuation of investment securities	507	994
Provision of allowance for contract loss	6,341	—
Provision of financial instruments transaction liability reserve	25	—
Other	386	176
Total Extraordinary Loss	10,552	3,078
Net Profit Before Adjustment for Tax etc.	57,660	42,983
Corporate, Municipal and Enterprise Taxes	19,498	16,722
Corporate Tax etc. Adjustment	-1,530	7
Total Corporate Taxes etc.	17,967	16,729
Net Profit	39,692	26,254
Profit Attributable to Non-Controlling Interests	26,482	12,062
Profit Attributable to Owners of the Parent	13,209	14,191

Consolidated statement of comprehensive income

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2022-12.31.2022)	Current Fiscal Year (01.01.2023-12.31.2023)
Net Profit	39,692	26,254
Other Comprehensive Income		
Other securities valuation differences	-1,192	268
Deferred hedging profit/loss	69	-190
Foreign currency translation adjustments	4,464	4,477
Share of other comprehensive income of affiliates accounted for using equity method	-250	64
Total other comprehensive income	3,090	4,620
Comprehensive Income	42,783	30,874
(Breakdown)		
Comprehensive income attributable to Owners of the Parent	15,394	16,285
Comprehensive income attributable to Non- controlling Interests	27,389	14,589

(3) Consolidated statement of changes in shareholders' equity, etc.

Previous 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	—
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

	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							—
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

Current Fiscal Year (01.01.2023 – 12.31.2023)

(Unit: ¥millions)

	Shareholders' equity				
	Capital	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Beginning balance	5,000	33,280	37,730	-10,166	65,843
Changes during the year					
Dividends			-3,182		-3,182
Profit attributable to owners of the parent			14,191		14,191
Acquisition of treasury stock				-1,510	-1,510
Retirement of treasury stock		-1,510		1,510	—
Increase in earned surplus due to a decrease in consolidated subsidiaries			186		186
Transfer from earned surplus to capital surplus		1,510	-1,510		—
Changes in the parent's interests due to transactions with non-controlling interests		-1,413			-1,413
Changes in items other than shareholders' equity during the year (net)					
Total changes during the year	—	-1,413	9,685	-0	8,271
Ending balance	5,000	31,866	47,416	-10,166	74,115

	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	3,397	48	2,886	6,332	43	82,469	154,688
Changes during the year							
Dividends							-3,182
Profit attributable to owners of the parent							14,191
Acquisition of treasury stock							-1,510
Retirement of treasury stock							—
Increase in earned surplus due to a decrease in consolidated subsidiaries							186
Transfer from earned surplus to capital surplus							—
Changes in the parent's interests due to transactions with non-controlling interests							-1,413
Changes in items other than shareholders' equity during the year (net)	144	-127	2,076	2,093	11	7,772	9,878
Total changes during the year	144	-127	2,076	2,093	11	7,772	18,150
Ending balance	3,542	-78	4,962	8,425	55	90,242	172,839

(4) Consolidated statement of cash flows

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2022-12.31.2022)	Current Fiscal Year (01.01.2023-12.31.2023)
Cash Flow from Operating Activities		
Net profit before adjustment for tax etc.	57,660	42,983
Depreciation expenses	11,339	11,646
Impairment loss	3,290	1,907
Amortization of goodwill	2,327	1,934
Interest and dividends received	-1,683	-2,529
Interest paid	2,480	4,196
Gain or loss on derivatives (- represents gain)	648	96
Commission paid	477	558
Bond issuance cost	32	466
Equity method investment gain or loss (- represents gain)	414	1,174
Gain or loss on investments in partnership (- represents gain)	-195	-506
Gain or loss on valuation of investment securities (- represents gain)	507	994
Gain or loss on sale of investment securities (- represents gain)	-21,127	-3,784
Changes in allowance for doubtful debts (- represents decrease)	4,705	5,413
Changes in financial instruments transaction liability reserve (- represents decrease)	25	-7
Changes in allowance for bonuses (- represents decrease)	-1,607	-10
Changes in allowance for contract loss (- represents decrease)	6,341	-6,341
Changes in trade receivables (- represents increase)	2,110	-1,403
Changes in trade payables (- represents decrease)	-9,230	-7,248
Changes in amount payable (- represents decrease)	844	4,604
Changes in deposits received (- represents decrease)	11,742	7,505
Changes in securities segment deposits (- represents increase)	-7,989	-25,510
Changes in securities segment guarantee deposits (- represents increase)	-6,113	3,256
Changes in securities segment margin variation paid and received	-20,125	-3,413
Changes in securities segment deposits and guarantees received (- represents decrease)	33,457	13,982
Changes in securities segment margin transaction assets and liabilities	-2,957	15,357
Changes in securities segment debt secured by securities (- represents decrease)	5,619	-10,535
Changes in securities segment loan secured by securities (- represents increase)	-3,069	163
Changes in owned cryptoassets (- represents increase)	11,565	-12,315
Other	-35,748	-11,127
Sub total	45,741	31,508
Interest and dividends received	1,115	2,875
Interest paid	-2,518	-4,189
Corporate tax etc. paid	-18,697	-15,279
Cash Flow from Operating Activities	25,641	14,914

(Unit: ¥millions)

	Previous Fiscal Year (01.01.2022-12.31.2022)	Current Fiscal Year (01.01.2023-12.31.2023)
Cash Flow from Investing Activities		
Placement of fixed term deposit	-10,813	-9,999
Withdrawal of fixed term deposit	2,279	23,547
Acquisition of tangible fixed assets	-4,316	-15,726
Acquisition of intangible fixed assets	-6,085	-6,715
Acquisition of investment securities	-3,938	-26,636
Proceeds from sale of investment securities	24,509	20,666
Acquisition of subsidiary stock resulting in change in scope of consolidation	-6,561	-55
Origination of loans receivable	-1,305	-883
Collection of loans receivable	1,621	147
Payment of deposit money	-5,489	-1,669
Collection of deposit money	7,087	1,004
Other	184	-43
Cash Flow from Investing Activities	-2,828	-16,363
Cash Flow from Financing Activities		
Net changes in short term debts (- represents decrease)	34,187	-19,847
Proceeds from new long term debt	62,270	61,700
Repayment of long term debt	-10,262	-21,518
Proceeds from issuance of bonds	5,967	59,336
Payment of installment and lease obligations	-1,785	-1,969
Payment from investment partners	2,281	772
Payment to investment partners	-7,036	-230
Payment from non-controlling interests	344	50
Acquisition of treasury stock	-7,517	-1,510
Acquisition of subsidiaries' treasury stock	-201	-0
Payment of dividends	-6,467	-3,187
Payment of dividends to non-controlling interests	-9,209	-5,927
Acquisition of subsidiary stock without change in scope of consolidation	-127	-2,592
Other	—	-100
Cash Flow from Financing Activities	62,442	64,975
Currency Translation Adjustment on Cash and Equivalents	2,933	3,162
Changes in Cash and Equivalents (- represents decrease)	88,187	66,688
Balance of Cash and Equivalents at Beginning of Year	234,041	322,229
Balance of Cash and Equivalents at End of Year	322,229	388,917

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

(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 consolidated financial statements.

(Changes in presentation method)

(Consolidated statement of cash flows)

“Proceeds from acquisition of subsidiary stock resulting in change in scope of consolidation” which was separately presented in “Cash flows from investing activities” for the fiscal year ended December 31, 2022 is included in “Other” from the fiscal year ended December 31, 2023 as the amount became immaterial. The consolidated financial statements for the fiscal year ended December 31, 2022 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, 2022, “Proceeds from acquisition of subsidiary stock resulting in change in scope of consolidation” of ¥212 million in “Cash flows from investing activities” was reclassified to “Other.”

(Segment information, etc.)

(Segment information)

1. Overview of reportable segments

Method to determine reportable segments

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

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 CFD trading service. The Cryptoassets segment engages in cryptoassets exchange, cryptoassets trading service, 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 in accordance with those adopted in preparing the consolidated financial statements. Reportable segment profit is based on operating profit. Inter-segment sales and transfers are based on the same transaction conditions as those applied to external customers. The Company does not allocate assets and liabilities to reportable segments.

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

Previous Fiscal Year (01.01.2022 – 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.

Current Fiscal Year (01.01.2023– 12.31.2023)

(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	170,011	32,138	47,252	4,554	690	254,647	3,995	—	258,643
Inter-segment sales and transfers	1,488	2,526	24	—	—	4,040	540	-4,580	—
Total	171,500	34,665	47,277	4,554	690	258,687	4,535	-4,580	258,643
Segment profit/loss (-represents loss)	28,728	1,875	13,756	-1,271	-140	42,948	-397	-78	42,471
Other items									
Depreciation	8,200	447	2,508	120	2	11,279	367	—	11,646

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

2. Adjustment for Segment profit/loss (¥-78 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 (01.01.2022 – 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.

Current Fiscal Year (01.01.2023 – 12.31.2023)

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 (01.01.2022 – 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.

Current Fiscal Year (01.01.2023 – 12.31.2023)

(Unit: ¥millions)

	Reportable segment						Other (Note)	Corporate/ elimination	Total
	Internet Infrastructure	Online Advertising & Media	Internet Finance	Cryptoassets	Incubation	Total			
Impairment loss	193	1,327	329	56	—	1,907	—	—	1,907

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

Previous 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

Current Fiscal Year (01.01.2023 – 12.31.2023)

(Unit: ¥millions)

	Reportable segment						Other (Note)	Corporate/ elimination	Total
	Internet Infrastructure	Online Advertising & Media	Internet Finance	Cryptoassets	Incubation	Total			
Amortization during the year	1,000	8	924	—	—	1,934	—	—	1,934
Balance at end of year	6,712	31	9,018	—	—	15,761	195	—	15,957

(Note) "Other" relates to Data Analytics 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 (01.01.2022 – 12.31.2022)	Current Consolidated Fiscal Year (01.01.2023 – 12.31.2023)
Net assets per share	676.28	777.50
Net profit per share	123.21	133.33
Net profit per share (diluted)	121.58	132.20

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

Item	Previous Consolidated Fiscal Year (01.01.2022 – 12.31.2022)	Current Consolidated Fiscal Year (01.01.2023 – 12.31.2023)
(1) Net profit per share		
Profit attributable to owners of the parent (¥millions)	13,209	14,191
Amount not attributable to common shareholders (¥millions)	—	—
Net profit attributable to owners of the parent related to common stock (¥millions)	13,209	14,191
Average number of common stock outstanding during the period (shares)	110,929,104	110,228,311
Average number of treasury stock during the period (shares)	-3,722,616	-3,792,474
Average number of stock during the period (shares)	107,206,488	106,435,838
(2) Net profit per share (diluted)		
Adjustment to net profit attributable to owners of the parent (¥millions)	-174	-120
(including adjustment for dilutive shares in consolidated subsidiaries) (¥millions)	(-174)	(-120)
Increase in number of common stock (shares)	—	—
Dilutive shares not included in the calculation of net profit per share (diluted) because of their anti-dilutive effect.	1. Consolidated subsidiaries i. GMO AD Partners, Inc. Stock Options 6th Round Common stock: 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: 35 shares	1. Consolidated subsidiaries i. GMO AD Partners, Inc. Stock Options 6th Round Common stock: 241,000 shares ii. GMO Financial Holdings, Inc. Equity Warrants 2nd Round Common stock: 1,775,000 shares iii. GMO CONNECT, Inc. Equity Warrants 1st Round Common stock: 35 shares Equity Warrants 2nd Round Common stock: 42 shares

(Significant subsequent events)

(Acquisition of trust beneficiary rights (fixed assets))

At the Board of Directors meeting held on November 29, 2023, it was resolved to acquire trust beneficiary rights (fixed assets) from TOKYU CORPORATION, TOKYU BUS CORPORATION and CT Realty Limited. We signed the sales and purchase agreement on November 30, 2023 and acquired the trust beneficiary rights (fixed assets) on January 31, 2024.

(1) Reason for acquisition of trust beneficiary rights (fixed assets)

To secure long-term stable revenue and enhance GMO Internet Group's brand value

(2) Details of the acquisition

(i) Name and type of assets: 35% of the trust beneficiary rights (fixed assets) set for Setagaya Business Square

(ii) Location: Yoga, Setagaya-ku, Tokyo

(iii) Acquisition cost: ¥15,206 million

(iv) Funding method: Borrowings from financial institutions

(3) Impact on for the consolidated financial statements

We do not expect this share acquisition to have a material impact on our consolidated financial results for the fiscal year 2024.

(Share acquisition and conversion to a consolidated subsidiary through third-party allotment)

At the Board of Directors meeting held on February 13, 2024, it was resolved to acquire shares of Flatt Security Inc. from its existing shareholders and through subscription to a third-party allotment of shares to make the company our consolidated subsidiary. The share transfer agreement and the share subscription agreement were entered into on the same day.

(1) Name and business description of the subject company

(i) Name of the subject company: Flatt Security Inc. ("Flatt Security")

(ii) Business description: Cyber security-related service

(2) Reason for share acquisition and subscription to a third-party allotment

While DX has advanced in all areas including business, cyberattacks targeting corporate and organizational information assets are repeated on a daily basis, and the leakage of information and business interruptions caused by these attacks have become serious social issues. Under the slogan "Safe and Secure Internet for Everyone," the security business in the Internet Infrastructure segment, our core business, offers security services to provide safe and secure Internet for everyone, including "digital certification security," "cybersecurity," and "brand security" to meet the ever-accelerating security needs.

Since the launch of its security business in 2019, Flatt Security, a team of professionals of product security, has supported product security initiatives of various companies across industries under the corporate slogan "Deliver next-generation security to developers and accelerate product development around the world." The company provides customer-oriented accompanying style product security services by taking advantage of insights acquired through the in-house development of security products, provision of various support to product development companies, and thorough feedback from users.

By welcoming Flatt Security, a group of highly talented security engineers with strong product development capabilities and abundant knowledge and know-how about product security of any industry, into the Group, we expect to achieve great synergy between our core Internet Infrastructure business, such as "Domain," "Hosting & cloud," and "Payment," and the company's security products. We also anticipate business development through collaboration with GMO Cyber Security by Ierae, Inc., which operates a cybersecurity business.

(3) Timing of share acquisition and subscription to a third-party allotment

February 29, 2024 (plan)

(4) Number of shares to be acquired, acquisition cost and shareholding ratio after the transfer

(i) Number of shares to be acquired: 1,535,619 shares

(ii) Acquisition cost: ¥2,332 million

(iii) Shareholding ratio after the acquisition: 66.6%

(Acquisition of treasury stock)

At the Board of Directors meeting held on February 13, 2024, 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 of treasury stock
To improve shareholder returns and capital efficiency
- (2) Details of the acquisition
 - (i) Class of shares to be acquired: Common stock of the Company
 - (ii) Total number of shares to be acquired: 1.10 million shares (maximum)
 - (iii) Total cost of share acquisition: ¥2,410 million (maximum)
 - (iv) Acquisition period: From February 14, 2024 to February 7, 2025
 - (v) Acquisition method: Market purchase at the Tokyo Stock Exchange

(Retirement of treasury stock)

At the Board of Directors meeting held on February 13, 2024, 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 of treasury stock: To improve shareholder returns and capital efficiency
- (ii) Class of shares to be retired: Common stock of the Company
- (iii) Total number of shares to be retired: 936,782 shares (percentage to total number of outstanding shares before retirement: 0.85%)
- (iv) Scheduled date of retirement: March 18, 2024
- (v) Total number of outstanding shares after retirement: 109,176,555 shares