

Fiscal Year 2024 First Quarter Consolidated Financial Results (Japanese GAAP)

May 10, 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

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Date of Quarterly Report Release: May 14, 2024 Start Date of Dividend Payout: June 17, 2024

Supplementary documents available pertaining to quarterly financial results: Yes

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

(all amounts rounded down to the nearest million yen)

1. First Quarter Financial Results in the Year Ending December 31, 2024 (01.01.2024 - 03.31.2024)

(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	%
Three months ended								
March 31, 2024	68,861	5.0	14,436	31.4	15,503	29.9	5,519	40.4
March 31, 2023	65,593	17.0	10,990	-1.2	11,933	-1.4	3,931	-38.9

(Note) Comprehensive Income: March 31, 2024: 12,385 million (72.2%), March 31, 2023: 7,193 million (-36.1%)

	Net Profit per Share	Net Profit per Share (Diluted)
Three months ended	¥	¥
March 31, 2024	51.99	51.59
March 31, 2023	36.83	36.52

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio
As of	¥ millions	¥ millions	%
March 31, 2024	1,937,332	183,099	4.5
December 31, 2023	1,757,636	172,839	4.7

(Reference) Shareholders' Equity: March 31, 2024: ¥86,688 million; December 31, 2023: ¥82,541 million

2. Dividends

	Annual Dividends				
	End of Q1	End of Q2	End of Q3	End of Term	Total
	¥	¥	¥	¥	¥
Year Ended 12/2023	12.20	7.50	10.20	14.20	44.10
Year Ending 12/2024	17.20				
Year Ending 12/2024 (forecast)		—	—	—	—

3. Consolidated Results Forecast for the 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 Co., Ltd., our subsidiary, discloses sales indicators, such as foreign exchange transaction volume, stock brokerage trading value, CFD trading value, cryptoasset trading value and the number of customer accounts, and operating revenue on a monthly basis.

*Notes

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

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

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

1. Changes resulting from revisions to accounting standard, etc.: None

2. Changes other than those specified above: None

3. Changes in accounting estimates: None

4. Restatements: None

(4) Number of Outstanding Shares (Common Shares)

(Unit: shares)

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

Q1 FYE 12/2024	109,176,555	FYE 12/2023	110,113,337
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2. Treasury shares at period end

Q1 FYE 12/2024	3,015,085	FYE 12/2023	3,951,867
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3. Average number of shares during the period

Q1 FYE 12/2024	106,161,470	Q1 FYE 12/2023	106,724,838
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*Quarterly financial results are not subject to quarterly review by independent auditors.

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

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

On May 10, 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.

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1. Qualitative Information Related to Financial Results

(1) Operating results

◆ Overview of the Financial Results for the Three Months Ended March 31, 2024

(Unit: ¥millions)

	Previous Q1	Current Q1	Change	% Change
Net Sales	65,593	68,861	3,267	5.0%
Operating Profit	10,990	14,436	3,445	31.4%
Ordinary Profit	11,933	15,503	3,569	29.9%
Profit Attributable to Owners of the Parent	3,931	5,519	1,588	40.4%

Under the corporate slogan “Internet for Everyone” GMO Internet Group has consistently focused resources on the service to provide internet and service infrastructure since its foundation in 1995. With the increased usage of the Internet, the volume of information available on the Internet and the volume of transactions conducted over the Internet have increased exponentially, which has opened new business opportunities for the Group one after another, and the Internet infrastructure business with the recurring business model has been leading revenue growth. Following the recent spread of COVID-19, the progress of Digital Transformation (DX) and the spread of online consumption have been becoming an irreversible trend, contributing to the increasing need for services provided by the Group and the further expansion of business opportunities for the Group.

Amidst such a business environment, (1) the Internet Infrastructure segment, a collective of No.1 services, showed steady growth mainly in Payment due to the widespread adoption and active use of cashless payment terminals, along with the expansion of customer base mainly in Domain. (2) The Online Advertising & Media segment reported profit increase due to sales expansion of in-house products and improvement in efficiency in the sales structure as well as strong growth in the number of visitors through in-house products and our own media in the internet media business despite budget reduction and a decrease in the number of customers in certain industries in the online advertising business. (3) In the Internet Finance segment, OTC FX reported sluggish sales due to a decline in market volatility attributable to the yen’s steady fall while CFD reported strong sales due to favorable movements in commodity index as well as stock price index. Although there was no additional recognition of allowance for doubtful debts in the securities business in Thailand during the three months ended March 31, 2024, profit decreased due to a decline in profitability in OTC FX. (4) The Cryptoassets segment reported profit for the three months ended March 31, 2024 as the cryptoasset market is back on a recovery track, which led to strong growth in the transaction volume.

As a result, for the three months ended March 31, 2024, the Group recorded net sales of ¥68,861 million (up 5.0% year-on-year), operating profit of ¥14,436 million (up 31.4% year-on-year), ordinary profit of ¥15,503 million (up 29.9% year-on-year) and net profit attributable to owners of the parent of ¥5,519 million (up 40.4% year-on-year).

Net Sales and Operating Profit by Segment for the Three Months Ended March 31, 2024

(Unit: ¥millions)

	Previous Q1	Current Q1	Change	% Change
Internet Infrastructure				
Net Sales	42,161	45,041	2,879	6.8%
Operating Profit	6,994	9,215	2,221	31.8%
Online Advertising & Media				
Net Sales	8,904	8,959	55	0.6%
Operating Profit	668	746	78	11.8%
Internet Finance				
Net Sales	12,792	10,971	-1,821	-14.2%
Operating Profit	3,762	3,526	-236	-6.3%
Cryptoassets				
Net Sales	1,202	2,315	1,113	92.6%
Operating Profit	-338	954	1,292	—
Incubation				
Net Sales	195	897	702	360.1%
Operating Profit	108	440	331	305.3%
Other				
Net Sales	1,447	1,790	342	23.7%
Operating Profit	-122	-409	-286	—
Adjustment				
Net Sales	-1,110	-1,114	-4	—
Operating Profit	-80	-36	44	—
Total				
Net Sales	65,593	68,861	3,267	5.0%
Operating Profit	10,990	14,436	3,445	31.4%

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 continues to grow 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 March 31, 2024 was 2.39 million (up 49.7% year-on-year), the total number of domains under management as of March 31, 2024 was 9.47 million (up 31.8% year-on-year). As a result, net sales amounted to ¥2,594 million (up 13.2% 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. Due to a sagging demand for certain retail server, the number of web hosting contracts as of March 31, 2024 slightly declined to 1,113 thousand (down 0.4% year-on-year), and net sales were ¥5,195 million (up 8.0% year-on-year).

iii. Ecommerce solutions

Ecommerce solutions are offered mainly by GMO Pepabo and GMO MAKESHOP and comprises EC platforms that provide platforms for online stores, *minne*, a C2C handmade market, *SUZURI*, an

original merchandise production/sales service, and O2O support service. In EC platform, the number of paid stores as of March 31, 2024 decreased 9.4% year-on-year to 51 thousand, but the total transaction volume was ¥127.9 billion (up 5.9% year-on-year) due to a steady shift to high-price plans. For *minne*, on the other hand, the total transaction volume decreased by 16.2% year-on-year to ¥3.1 billion due to a continued decline in the circulation volume of low-priced products. As a result, net sales were ¥3,591 million (down 10.1% 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. While the number of contracts and contract transmission of *e-contract service GMO Sign* showed strong growth, net sales decreased by 3.9% year-on-year to ¥4,474 million due to an absence of contribution of a non-recurring project recorded a year ago.

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 services, online/recurring payments in the Ecommerce market showed strong growth, and the number of stores using a next-generation payment platform “*stera*” terminal showed favorable growth with the expansion of cashless payment market in the face-to-face transactions. As a result, the number of transactions and the transaction volume showed favorable growth, and net sales increased to ¥18,061 million (up 17.4% year-on-year).

vi. Provider

In this sub-segment, the Company offers Internet provider services for consumers. While the number of in-house fixed lines showed stable growth, the number of subscriptions at March 31, 2024 remained almost flat at 2.25 million (down 0.4% year-on-year) due to a change in sales mix, and as a result, net sales were ¥9,995 million (down 0.2% year-on-year).

Overall, the Internet Infrastructure segment recorded net sales of ¥45,041 million (up 6.8% year-on-year) and operating profit of ¥9,215 million (up 31.8% 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. While affiliate advertising showed favorable growth, the advertising agency service showed sluggish growth due to decreases in advertising demand and the number of customers in certain industries. As a result, net sales amounted to ¥4,351 million (down 6.0% year-on-year).

ii. Internet media

This sub-segment provides advertising space through operation of our own media and services mainly through GMO Media. Our own media enjoyed continued growth in pageviews, and the number of visitors through in-house products showed favorable growth. As a result, net sales amounted to ¥3,262 million (up 14.2% year-on-year).

Overall, net sales in the Online Advertising & Media segment increased to ¥8,959 million (up 0.6% year-on-year), and operating profit increased to ¥746 million (up 11.8% 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 March 31, 2024, the number of OTC FX accounts increased to 1.50 million (up 4.5% year-on-year) and the number of securities accounts increased to 527 thousand (up 3.1% year-on-year). OTC FX reported sluggish sales due to a decline in market volatility attributable to the yen's steady fall while CFD reported sales increase due to active movements in commodity and stock price indexes. Although there was no recognition of allowance for doubtful debts in the securities business in Thailand during the three months ended March 31, 2024, profit decreased due to sluggish performance in OTC FX.

Overall, the Internet Finance segment recorded net sales of ¥10,971 million (down 14.2% year-on-year) and operating profit of ¥3,526 million (down 6.3% year-on-year).

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. As mining centers are currently not in operation, net sales were ¥0 million (down 100.0% year-on-year). Downside risks to earnings are limited as the fixed cost is reduced.

ii. Cryptoassets exchange

This sub-segment is engaged primarily in spot trading and leveraged transactions of cryptoassets mainly through GMO Coin, a consolidated subsidiary of GMO Financial Holdings. The customer base expanded with the number of customer accounts as of March 31, 2024 increasing to 626 thousand (up 12.1% year-on-year). The trading value showed favorable growth due to improved market conditions. As a result, net sales increased to ¥2,206 million (up 139.5% year-on-year).

Overall, the Cryptoassets segment reported net sales of ¥2,315 million (up 92.6% year-on-year) and operating profit of ¥954 million (operating loss of ¥338 million for the three months ended March 31, 2023).

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 ¥897 million (up 360.1% year-on-year), and operating profit was ¥440 million (up 305.3% year-on-year) due to sales of investment securities held.

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

(Unit: ¥millions)

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Net sales	65,593	64,450	62,501	66,097	68,861
Operating profit	10,990	9,627	9,466	12,386	14,436
Ordinary profit	11,933	10,603	9,707	13,703	15,503
Profit attributable to owners of the parent	3,931	2,412	3,288	4,558	5,519
Total assets	1,624,445	1,669,248	1,706,559	1,757,636	1,937,332
Shareholders' equity	75,439	79,369	81,804	82,541	86,688

(Reference2)

Quarterly Results by Segment/Business

I Net Sales by Segment

(Unit: ¥millions)

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Internet Infrastructure					
Provider (ISP)	10,011	10,191	10,020	9,998	9,995
Domain	2,291	2,388	2,470	2,534	2,594
Hosting & cloud	4,810	5,048	5,158	5,199	5,195
Ecommerce solutions	3,995	4,046	4,144	2,088	3,591
Security	4,658	3,573	3,955	6,024	4,474
Payment	15,386	16,302	15,876	17,541	18,061
Other	1,007	996	852	924	1,127
Total	42,161	42,548	42,478	44,311	45,041
Online Advertising & Media					
Online advertising	4,628	4,512	4,108	4,335	4,351
Internet media	2,856	2,792	3,272	3,105	3,262
Internet research & other	1,418	1,130	1,207	1,297	1,346
Total	8,904	8,435	8,587	8,738	8,959
Internet Finance					
Total	12,792	12,265	10,539	11,679	10,971
Cryptoassets					
Cryptoassets exchange	921	789	819	1,294	2,206
Cryptoassets mining	278	169	88	40	0
Cryptoassets payment	2	0	50	100	109
Total	1,202	958	958	1,434	2,315
Incubation					
Total	195	456	38	0	897
Sub total	65,255	64,664	62,602	66,165	68,185
Other	1,447	973	1,036	1,077	1,790
Adjustment	-1,110	-1,187	-1,138	-1,144	-1,114
Net Sales	65,593	64,450	62,501	66,097	68,861

II Operating Profit by Segment

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Internet Infrastructure	6,994	6,007	6,129	9,596	9,215
Online Advertising & Media	668	358	485	364	746
Internet Finance	3,762	3,834	3,605	2,553	3,526
Cryptoassets	-338	-484	-532	83	954
Incubation	108	3	-112	-140	440
Sub total	11,194	9,719	9,576	12,457	14,882
Other	-122	-92	-123	-58	-409
Adjustment	-80	0	14	-12	-36
Operating Profit	10,990	9,627	9,466	12,386	14,436

(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 service, 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 March 31, 2024, total assets increased ¥179,695 million from December 31, 2023 to ¥1,937,332 million. Major factors included an increase of ¥9,272 million in cash and deposits, an increase of ¥98,375 million in cryptoassets under custody, an increase of ¥16,706 million in tangible fixed assets, an increase of ¥16,586 million in investment securities, and an increase of ¥19,956 million in various assets due to fluctuations in customer assets in the Securities segment (deposits, margin transaction assets, loan secured by securities, short-term guarantee deposits, and variation margin paid).

(Liabilities)

As of March 31, 2024, total liabilities increased ¥169,435 million from December 31, 2023 to ¥1,754,232 million. Major factors included an increase of ¥39,560 million in debt, an increase of ¥4,899 million in bonds, an increase of ¥98,375 million in deposits received for cryptoassets, an increase of ¥4,895 million in deposits received, and an increase of ¥17,659 million in various liabilities due to fluctuations in customer assets in the Securities segment (deposits received, margin transaction liability, guarantees received, variation margin received, and loans payable secured by securities).

(Net Assets)

As of March 31, 2024, total net assets increased ¥10,260 million from December 31, 2023 to ¥183,099 million. Major factors included an increase of ¥1,602 million in earned surplus (consisting of an increase from recording profit attributable to owners of the parent totaling ¥5,519 million, a decrease from dividend payments of ¥1,507 million, and a decrease from retirement of treasury stock of ¥2,410 million), a decrease of ¥2,410 million in treasury stock due to retirement, an increase of ¥1,452 million in foreign currency translation adjustments, and an increase of ¥6,111 million in non-controlling interests.

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

For the fiscal year ending December 31, 2024, 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, 2024.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2023)	1st Quarter Current Fiscal Year (As of Mar 31, 2024)
Assets		
Current Assets		
Cash and deposits	393,452	402,725
Trade notes, accounts receivable and contract assets	38,133	38,412
Operational investment securities	13,260	13,599
Cryptoassets under custody	156,511	254,887
Securities segment deposits	511,989	518,687
Securities segment margin transaction assets	127,497	137,234
Securities segment loan secured by securities	12,531	15,196
Securities segment short term guarantee deposits	70,719	66,897
Securities segment variation margin paid	98,051	102,729
Other	199,725	217,792
Allowance for doubtful debts	-7,616	-8,234
Total Current Assets	1,614,257	1,759,929
Fixed Assets		
Tangible fixed assets	46,836	63,543
Intangible fixed assets		
Goodwill	15,957	18,146
Software	15,367	15,735
Other	12,980	12,991
Total intangible fixed assets	44,305	46,873
Investments and other assets		
Investment securities	30,687	47,273
Deferred tax asset	3,872	3,773
Other	25,104	23,356
Allowance for doubtful debts	-7,427	-7,416
Total investments and other assets	52,236	66,986
Total Fixed Assets	143,379	177,403
Total Assets	1,757,636	1,937,332

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2023)	1st Quarter Current Fiscal Year (As of Mar 31, 2024)
Liabilities		
Current Liabilities		
Trade notes and accounts payable	15,124	14,353
Short term debt	197,322	203,652
Current portion of bonds	10,200	10,226
Amount payable	52,083	46,599
Deposits received for cryptoassets	156,511	254,887
Securities segment deposits received	61,555	63,083
Securities segment margin transaction liability	31,816	47,129
Securities segment guarantees received	560,407	557,581
Securities segment variation margin received	11,677	18,037
Securities segment loans payable secured by securities	15,698	12,983
Accrued corporate tax, etc.	7,957	7,507
Allowance for bonuses	2,422	2,474
Allowance for bonuses to directors	526	569
Advance payment received	1,264	998
Contract liabilities	23,053	23,718
Deposits received	130,175	135,071
Other	29,217	38,342
Total Current Liabilities	1,307,015	1,437,218
Fixed Liabilities		
Bonds	100,500	105,373
Convertible bonds with equity warrants	20,550	20,495
Long term debt	144,996	178,225
Deferred tax liability	1,145	785
Other	9,647	11,172
Total Fixed Liabilities	276,839	316,051
Statutory Reserve		
Financial instruments transaction liability reserve	942	962
Total Statutory Reserve	942	962
Total Liabilities	1,584,797	1,754,232
Net Assets		
Shareholders' Equity		
Capital stock	5,000	5,000
Capital surplus	31,866	31,869
Earned surplus	47,416	49,018
Treasury stock	-10,166	-7,756
Total Shareholders' Equity	74,115	78,131
Accumulated Other Comprehensive Income		
Other securities valuation differences	3,542	2,177
Deferred hedging profit/loss	-78	-35
Foreign currency translation adjustments	4,962	6,415
Total Accumulated Other Comprehensive Income	8,425	8,557
Equity Warrants	55	57
Non-controlling Interests	90,242	96,353
Total Net Assets	172,839	183,099
Total Liabilities and Net Assets	1,757,636	1,937,332

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income
1st Quarter

(Unit: ¥millions)

	1st Quarter Previous Fiscal Year (3 months to March 2023)	1st Quarter Current Fiscal Year (3 months to March 2024)
Net Sales	65,593	68,861
Cost of Sales	27,180	28,404
Gross Profit on Sales	38,412	40,456
Sales, General & Administrative Expenses	27,421	26,020
Operating Profit	10,990	14,436
Non Operating Revenue		
Interest received	307	390
Dividends received	325	46
Foreign exchange gain	66	818
Gain on investments in partnership	292	567
Other	764	822
Total Non Operating Revenue	1,757	2,645
Non Operating Expenses		
Interest paid	342	623
Equity method investment losses	73	577
Bond issuance cost	154	24
Commission paid	184	205
Other	58	147
Total Non Operating Expenses	814	1,579
Ordinary Profit	11,933	15,503
Extraordinary Profit		
Gain on sale of investment securities	44	52
Reversal of financial instruments transaction liability reserve	1	—
Other	0	2
Total Extraordinary Profit	46	55
Extraordinary Loss		
Loss on disposal of fixed assets	14	296
Provision of financial instruments transaction liability reserve	—	20
Other	0	0
Total Extraordinary Loss	14	316
Net Profit before Adjustment for Tax, etc.	11,965	15,241
Corporate, Municipal and Enterprise Taxes	4,437	4,972
Corporate Tax etc. Adjustment	21	-178
Total Corporate Taxes, etc.	4,458	4,794
Net Profit	7,507	10,447
Profit attributable to Non-controlling Interests	3,575	4,927
Profit attributable to Owners of the Parent	3,931	5,519

Quarterly consolidated statement of comprehensive income
1st Quarter

(Unit: ¥millions)

	1st Quarter Previous Fiscal Year (3 months to March 2023)	1st Quarter Current Fiscal Year (3 months to March 2024)
Net Profit	7,507	10,447
Other Comprehensive Income		
Other securities valuation differences	-1,056	-1,325
Deferred hedging profit/loss	-228	71
Foreign currency translation adjustments	884	3,234
Share of other comprehensive income of associates accounted for using equity method	86	-42
Total other comprehensive income	-313	1,938
Comprehensive Income	7,193	12,385
(Breakdown)		
Comprehensive income attributable to owners of the parent	3,283	5,651
Comprehensive income attributable to non-controlling interests	3,909	6,734

- (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, 2024, the Company retired 936,782 shares of treasury stock, which resulted in decreases in earned surplus and treasury stock of ¥2,410 million, respectively.

As a result, earned surplus and treasury stock as of March 31, 2024 were ¥49,018 million and ¥7,756 million, respectively.

(Segment Information, etc.)

【Segment information】

I 1st Quarter of Previous Fiscal Year (01.01.2023-03.31.2023)

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

2.

(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	41,809	8,261	12,787	1,202	195	64,255	1,337	—	65,593
Intersegment transactions or transfer	351	642	5	—	—	999	110	-1,110	—
Total	42,161	8,904	12,792	1,202	195	65,255	1,447	-1,110	65,593
Segment Profit/Loss	6,994	668	3,762	-338	108	11,194	-122	-80	10,990

*Notes

- i. “Other” represents real estate leasing and other businesses not included in reportable segments.
- ii. Segment profit/loss adjustment (¥-80 million) is an elimination of intersegment transactions.
- iii. Segment profit/loss is based on operating profit in the quarterly consolidated statement of income.

II 1st Quarter of Current Fiscal Year (01.01.2024-03.31.2024)

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	44,628	8,442	10,965	2,315	897	67,249	1,611	—	68,861
Intersegment transactions or transfer	412	517	6	—	—	935	178	-1,114	—
Total	45,041	8,959	10,971	2,315	897	68,185	1,790	-1,114	68,861
Segment Profit/Loss	9,215	746	3,526	954	440	14,882	-409	-36	14,436

*Notes

- i. “Other” represents real estate leasing and other businesses not included in reportable segments.
- ii. Segment profit/loss adjustment (¥-36 million) is an elimination of intersegment 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 change in goodwill)

The Internet Infrastructure segment acquired shares of Flatt Security Inc. and included the company in the scope of consolidation, which resulted in the recognition of goodwill. The resulting increase in goodwill during the three months ended March 31, 2024 was ¥1,627 million.

(Significant subsequent event)
Not applicable.