

Fiscal Year 2019 First Quarter Consolidated Financial Results (Japanese GAAP)

May 9, 2019

Name of Listed Company: GMO Internet, Inc.

Exchange Listing: Tokyo Stock Exchange Stock Code: 9449 URL: <https://www.gmo.jp/en>

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Supplementary documents available pertaining to quarterly financial results: Yes

Quarterly results presentation: Yes (live stream only)

(all amounts rounded down to the nearest million yen)

1. First Quarter Financial Results in the Year Ending December 2019 (01.01.2019- 03.31.2019)

(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, 2019	46,863	7.2	5,000	-5.1	4,886	-0.9	2,024	-3.0
March 31, 2018	43,705	21.3	5,269	49.0	4,931	46.2	2,087	81.3

(Note) Comprehensive Income: March 31, 2019: 4,278 million (60.7%), March 31, 2018: ¥2,662 million (43.1%)

	Net Profit per Share	Net Profit per Share (Diluted)
Three months ended	¥	¥
March 31, 2019	17.59	17.36
March 31, 2018	18.14	17.96

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio
As of	¥ millions	¥ millions	%
March 31, 2019	771,614	97,978	6.9
December 31, 2018	752,454	96,421	7.0

(Reference) Shareholders' Equity: March 31, 2019: ¥53,012 million; December 31, 2018: ¥52,422 million

(Note) Effective January 1, 2019, the Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc., and the accounting standard, etc. is applied retrospectively to the figures for the year ended December 31, 2018.

2. Dividends

	Annual Dividends				
	End of Q1	End of Q2	End of Q3	End of Term	Total
	¥	¥	¥	¥	¥
Year Ended 12/2018	6.00	6.20	5.50	11.80	29.50
Year Ending 12/2019	6.00				
Year Ending 12/2019 (forecast)		—	—	—	—

3. Consolidated Results Forecast for the Year Ending December 31, 2019 (01.01.2019 – 12.31.2019)

As the Group's business "Internet Finance business" and "Cryptocurrency business" are affected by economic conditions, financial markets, cryptocurrency 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 margin transaction volume, stock brokerage trading price and the number of customer account, and operating revenue on a monthly basis.

*Notes

(1) Changes to significant subsidiaries in the current term: None

(2) Special accounting treatments used in preparation of the quarterly 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) No. of Outstanding Shares (Common Shares)

(Unit: shares)

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

Q1 FYE 12/2019	115,096,887	FYE 12/2018	115,096,887
Q1 FYE 12/2019	1,853	FYE 12/2018	4,004
Q1 FYE 12/2019	115,093,382	Q1 FYE 12/2018	115,086,683

2. Treasury shares at term end

3. Average number of shares during the period

*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 9, 2019, 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 (<http://ir.gmo.jp/en/>) promptly after the meeting.

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1. Qualitative Information related to Financial Results

Effective January 1, 2019, the Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc., and the accounting standard, etc. is applied retrospectively to the figures for the year ended December 31, 2018. The year-on-year comparison and analysis of financial position have been conducted using the figures to which the accounting standard, etc. is applied retrospectively.

(1) Consolidated Operating Results

◆ Overview of Financial Results for the Three Months Ended March 31, 2019

(Unit: ¥millions)

	Previous Q1	Current Q1	Change	% Change
Net Sales	43,705	46,863	3,158	7.2%
Operating Profit	5,269	5,000	-268	-5.1%
Ordinary Profit	4,931	4,886	-45	-0.9%
Profit Attributable to Owners of the Parent	2,087	2,024	-62	-3.0%

Under the corporate slogan “Internet for Everyone” GMO Internet Group focuses resources on high growth Internet markets. Continued high growth in the Internet market is spurred by increased usage and diversification of smartphones and other mobile devices, the usage of social media, the emergence of new technologies including cloud, artificial intelligence and blockchain, and new movements such as B2B, C2C, O2O and IoT. Under such circumstances, GMO Internet management views any growth in the volume of information available on the Internet or in the volume of transactions conducted over the Internet as an opportunity to grow profits as a group that provides Internet and service infrastructure.

Amidst such a healthy business environment, (1) the Internet Infrastructure segment, comprising multiple No. 1 products, reported record high sales for six consecutive quarters supported by strong performance in all businesses in the segments including Payment, Ecommerce solutions, and Provider with the total number of contracts exceeding 10 million. (2) The Online Advertising & Media segment has focused on function enhancement and development of proprietary products with the objective of responding to changes in the online advertising market but could not compensate for the effect of terminated sales of certain existing products. (3) The Internet Finance segment experienced slack growth due to a decline in transaction volume caused by a temporary decline in profitability and volatility of over-the-counter FX transactions attributable to a sudden fluctuation in exchange rates in the foreign exchange market early this year. (4) The Cryptocurrency segment continued to record operating loss due mainly to low volatility despite the absence of loss on valuation of proprietary positions which was temporarily recorded last year in Cryptocurrency exchange business.

As a result, for the three months ended March 31, 2019, the Company recorded net sales of ¥46,863 million (up 7.2% year-on-year), operating profit of ¥5,000 million (down 5.1% year-on-year), ordinary profit of ¥4,886 million (down 0.9% year-on-year) and net profit attributable to owners of the parent of ¥2,024 million (down 3.0% year-on-year).

Net Sales and Operating Profit by Segment for the Three Months Ended March 31, 2019

(Unit: ¥millions)

	Previous Q1	Current Q1	Change	% Change
Internet Infrastructure				
Net Sales	23,390	27,489	4,099	17.5%
Operating Profit	2,587	3,615	1,027	39.7%
Online Advertising & Media				
Net Sales	12,267	12,076	-190	-1.6%
Operating Profit	311	246	-64	-20.8%
Internet Finance				
Net Sales	8,151	6,397	-1,754	-21.5%
Operating Profit	3,303	1,469	-1,834	-55.5%
Cryptocurrency				
Net Sales	635	1,294	658	103.7%
Operating Profit	-735	-229	505	—
Incubation				
Net Sales	180	328	148	81.9%
Operating Profit	-54	114	169	—
Other				
Net Sales	139	414	274	197.3%
Operating Profit	-159	-193	-33	—
Adjustment				
Net Sales	-1,059	-1,137	-77	—
Operating Profit	16	-23	-39	—
Total				
Net Sales	43,705	46,863	3,158	7.2%
Operating Profit	5,269	5,000	-268	-5.1%

Segments results for the three months ended March 31, 2019 are as follows.

1) Internet Infrastructure

The Internet Infrastructure segment provides the basic Internet services required to operate a business or communicate information 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

Gateway to the Group's infrastructure segment, the domain business has continued to actively grow customer base with a low-pricing strategy. The number of domain registration and renewals during the three months ended March 31, 2019 was 1.41 million (up 14.4% year-on-year), and total number of domains under management as of March 31, 2019 was 6.52 million (up 7.6% year-on-year). Net sales were ¥2,234 million (up 6.1% 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. The number of web hosting contracts as of March 31, 2019 was 864 thousand (up 6.8% year-on-year) and net sales were ¥3,549 million (up 0.6% year-on-year).

iii. Ecommerce solutions

Ecommerce solutions comprises SaaS based services that provide systems for online stores, and C2C handmade market, *minne*, and O2O support service. In the SaaS based services, the number of paid stores as of March 31, 2019 decreased by 3.9% year-on-year to 71 thousand, but total transaction volume increased by 7.5% year-on-year to ¥74.8 billion through efforts to support sales expansion of EC business operators. *minne* showed a steady growth with total transaction volume of ¥3.1 billion (up 8.6% year-on-year) and returned to the black as a result of a shift from a large-scale promotion aiming at gaining recognition to efficient operation. As a result, net sales were ¥3,038 million (up 27.7% year-on-year).

iv. Security

As the global expansion of security brand GlobalSign progressed, direct sales targeting large corporations and use of sales partners drove market share growth both in Japan and globally with the benefit of the penetration of Always-On SSL. Security reported net sales of ¥1,580 million (up 11.0% year-on-year), with overseas sales ratio of approximately 70%.

v. Payment

Payment services are mainly operated by GMO Payment Gateway and offer comprehensive payment-related service and finance-related services. In the settlement agency service, we are working on service expansion in online/recurring payments and face-to-face payments. During the three months ended March 31, 2019, in online/recurring payments service, the number of large merchants increased steadily as the EC market expands steadily partly due to the amendment of the Installment Sales Act. In finance-related services, such as “GMO Payment After Delivery,” early payment service and remittance service showed strong growth.

As a result of these efforts, the number of transactions and the transaction volume increased, and net sales increased significantly to ¥7,838 million (up 16.2% year-on-year).

vi. Provider

This sub-segment operates Internet provider services for consumers. Due to the expansion of product lineup, increased sales mainly through web marketing, and increased OEM sales, the number of subscriptions at March 31, 2019 was 1.52 million (up 43.3% year-on-year) and net sales amounted to ¥7,744 million (up 38.6% year-on-year).

The customer base expanded in each of the Internet Infrastructure businesses, and overall net sales amounted to ¥27,489 million (up 17.5% year-on-year). Operating profit showed a favorable growth and amounted to ¥3,615 million (up 39.7% year-on-year) due mainly to growth in highly profitable products in Payment and Security business.

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. During the three months ended March 31, 2019, although the advertising agency service managed to take in demands during the busy season of major customers, the overall result was weak due to the effect of tightening of the posting criteria to improve quality of in-house ad network products such as *AkaNe*, an ad network for smartphones, and *ReeMo*, an ad distribution platform (DSP) specialized in collecting users most likely to be interested in the contents. As a result, net sales was ¥8,341 million (up 0.0% year-on-year).

ii. Internet Media

This sub-segment provides advertising space within our own smartphone and PC content and marketing support services. Net sales were ¥2,934 million (down 6.9% year-on-year) due to the absence of sales from a large project which were recorded in FY2018 Q1 and sales termination of existing products for small and medium-size businesses.

Overall, the Online Advertising & Media segment recorded net sales of ¥12,076 million (down 1.6% year-on-year), and operating profit of ¥246 million (down 20.8% year-on-year). Focus in this segment remains on developing and sales of new proprietary products meeting market needs.

3) Internet Finance

The Internet Finance segment operates online financial services for retail investors. During the three months ended March 31, 2019, the segment has worked to increase customer base and transaction volume. The customer base continued to expand, with the number of OTC FX accounts increasing to 789 thousand (up 11.4% year-on-year) and the number of securities accounts increasing to 385 thousand (up 13.6% year-on-year). While big data analysis contributed to improvement in the profitability of the OTC FX trading which accounts for more than half of net sales and profit of the segment, the overall result was weak as it was not enough to set off a decline in transaction volume caused by a temporary decline in profitability and volatility attributable to a sudden fluctuation in exchange rates in the foreign exchange market early this year.

Overall, the Internet Finance segment recorded net sales of ¥6,397 million (down 21.5% year-on-year) and operating profit of ¥1,469 million (down 55.5% year-on-year).

4) Cryptocurrency

The Cryptocurrency segment operates business pertaining to “mining” and “exchange” of cryptocurrency. Performance of each business is as follows.

i. Cryptocurrency exchange

In this business, GMO Coin, a consolidated subsidiary of GMO Financial Holdings, is engaged in spot trading and leveraged transactions of cryptocurrency. During the three months ended March 31, 2019, the customer base expanded with the number of customer accounts increasing to 245 thousand (up 70.1% year-on-year), but the growth in transaction volume was weak due to low volatility in cryptocurrencies. Meanwhile, because a temporary loss on valuation of proprietary positions was recorded in FY2018 Q1, net sales for the current quarter increased by 163.1% year-on-year to ¥507 million.

ii. Cryptocurrency mining

In this business, the Company and its consolidated subsidiaries in Europe are engaged in cryptocurrency mining business for bitcoin, etc. Net sales increased by 77.7% year-on-year to ¥786 million but decreased compared to the three months ended December 31, 2018 due to a decline in hash rates which represent production capacity as the business is currently in a transition period of business restructuring.

Overall, the Cryptocurrency segment recorded net sales of ¥1,294 million (up 103.7% year-on-year) but recorded net loss of ¥229 million (loss of ¥735 million for the three months ended March 31, 2018) for two consecutive years due mainly to low volatility despite the absence of loss on valuation of proprietary positions which was temporarily recorded last year.

5) Incubation

This segment is engaged in investing in internet related companies aimed at capital gains, supporting business expansion, and supporting corporate value improvement. During the three months ended March 31, 2019, net sales were ¥328 million (up 81.9% year-on-year), and operating profit was ¥114 million (loss of ¥54 million for the three months ended March 31, 2018).

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

(Unit: ¥millions)

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Net sales	43,705	47,564	45,894	48,013	46,863
Operating profit	5,269	6,514	5,535	4,468	5,000
Ordinary profit	4,931	6,405	5,172	2,626	4,886
Profit (loss) attributable to owners of the parent	2,087	2,144	1,917	-26,856	2,024
Total assets	758,493	753,112	779,900	752,454	771,614
Shareholders' equity	44,891	47,559	48,550	52,422	53,012

(Reference2)

Table: Quarterly Results by Segment

I Net Sales by Segment

(Unit: ¥millions)

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Internet Infrastructure					
Provider (ISP)	5,586	6,460	6,902	7,333	7,744
Domain	2,104	2,141	2,100	2,132	2,234
Hosting & Cloud	3,527	3,519	3,614	3,604	3,549
Ecommerce Solutions	2,379	2,510	2,620	3,019	3,038
Security	1,423	1,484	1,503	1,573	1,580
Payment	6,748	6,819	7,304	8,182	7,838
Other	1,619	1,887	1,418	1,283	1,504
Total	23,390	24,823	25,465	27,129	27,489
Online Advertising & Media					
Online Advertising	8,339	7,058	7,895	8,282	8,341
Internet Media	3,152	3,235	2,842	2,832	2,934
Internet Research & Other	774	718	728	934	800
Total	12,267	11,012	11,466	12,049	12,076
Internet Finance					
Total	8,151	7,560	7,493	7,512	6,397
Cryptocurrency					
Cryptocurrency exchange	192	1,420	1,369	1,053	507
Cryptocurrency mining	442	1,237	1,249	1,280	786
Total	635	2,657	2,619	2,334	1,294
Incubation					
Total	180	2,018	107	7	328
Sub total	44,625	48,072	47,152	49,033	47,586
Other	139	851	142	394	414
Adjustment	-1,059	-1,358	-1,400	-1,415	-1,137
Net Sales	43,705	47,564	45,894	48,013	46,863

II Operating Profit by Segment

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Internet Infrastructure	2,587	2,766	2,930	3,157	3,615
Online Advertising & Media	311	65	59	326	246
Internet Finance	3,303	2,605	2,585	2,263	1,469
Cryptocurrency	-735	255	104	-986	-229
Incubation	-54	1,564	-71	-216	114
Sub total	5,412	7,257	5,608	4,545	5,216
Other	-159	-759	-91	-96	-193
Adjustment	16	15	18	19	-23
Operating Profit	5,269	6,514	5,535	4,468	5,000

(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, GMO AppsCloud, ConoHa by GMO, Z. com Cloud, GMO Cloud VPS, GMO Cloud Altus, GMO Cloud Private, KaKing, Lolipop!, heteml, and 30days Album
	Ecommerce Solutions	<ul style="list-style-type: none"> • SaaS based services for online store building including Color me shop and 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. • 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
	Payment	<ul style="list-style-type: none"> • PG Multi-Payment Service for mail order and ecommerce business, comprehensive payment processing services for the public sector, and finance-related service including early payment service, transaction lending, and GMO payment after delivery
	Provider	<ul style="list-style-type: none"> • GMO TokuToku BB and other Internet provider services.
Online Advertising & Media	Online Advertising	<ul style="list-style-type: none"> • Comprehensive online advertising service including listing, mobile and ad networks, reward advertising, affiliate advertising. • Advertising planning and production
	Internet Media	<ul style="list-style-type: none"> • Development and operation of blog services yaplog! and JUGEM, Internet community services including freeml and pointtown, Smartphone apps including fashion sharing app, Coordisnap. Operation of daily deals website, Kumapon by GMO, and Ad distribution to own media • SEM Media: Sales of SEO.
	Internet Research & Other	<ul style="list-style-type: none"> • Provision of Internet research systems, management and operation of online research panel (GMO Research Cloud Panel)
Internet Finance	Internet Finance	<ul style="list-style-type: none"> • Operation of online securities trading, FX trading services, etc.
Cryptocurrency	Cryptocurrency exchange	<ul style="list-style-type: none"> • Spot trading and leveraged transactions of cryptocurrency
	Cryptocurrency mining	<ul style="list-style-type: none"> • Operation of mining centers
Incubation	Venture Capital	<ul style="list-style-type: none"> • Investment in private Internet startups.

(2) Consolidated Financial Condition
Assets, Liabilities and Net Assets

Assets

As of March 31, 2019, total assets increased ¥19,159 million (2.5%) from December 31, 2018 to ¥771,614 million. Major factors included an increase of ¥2,306 million (22.5%) in tangible fixed assets, an increase of ¥1,864 million (9.0%) in trade notes and accounts receivable, an increase of ¥23,229 million (5.1%) in various assets due to fluctuations in customer assets in the Securities segment (deposits, margin transaction assets, loan secured by securities, short-term guarantee deposits, and variation margin paid), and a decrease of ¥8,400 million (5.8%) in cash and deposits.

Liabilities

As of March 31, 2019, liabilities increased ¥17,603 million (2.7%) from December 31, 2018 to ¥673,636 million. Major factors included an increase of ¥21,200 million (23.5%) in debt, an increase of ¥16,493 million (4.2%) in various liabilities due to fluctuations in customer assets in the Securities segment (deposits received, margin transaction liability, guarantees received, variation margin received, and loans payable secured by securities), a decrease of ¥10,244 million (28.2%) in amount payable, a decrease of ¥4,693 million (64.8%) in accrued corporate tax, etc., and a decrease of ¥4,299 million (7.7%) in deposits received.

Net Assets

As of March 31, 2019, net assets increased ¥1,556 million (1.6%) from December 31, 2018 to ¥97,978 million. Major factors included an increase of ¥666 million (4.5%) in earned surplus (consisting mainly of an increase from recording profit attributable to owners of the parent totaling ¥2,024 million and a decrease from dividend payments of ¥1,358 million) and an increase of ¥963 million (2.2%) in non-controlling interests.

Cash Flow

The disclosure is omitted as quarterly consolidated statement of cash flows for the three months ended March 31, 2019 is not prepared.

(3) Qualitative Information - Consolidated Results Forecast and Other Forward-Looking Information

For the fiscal year ending December 31, 2019, the Group plans to increase both net sales and profits, mainly in Internet Infrastructure segment. Meanwhile, there are certain factors that cannot be reasonably predicted at this point, including: (1) Fluctuation of cryptocurrency price and hash rate trends in Cryptocurrency 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, 2019.

2. Summary of Information Related to Notes

(1) Changes to significant subsidiaries in the current term

None

(2) Special accounting treatments used in preparation of the quarterly financial statements

None

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

None

3. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2018)	1st Quarter Current Fiscal Year (As of Mar 31, 2019)
Assets		
Current Assets		
Cash and deposits	144,096	135,695
Trade notes and accounts receivable	20,725	22,590
Operational investment securities	7,006	7,234
Cryptocurrency received	13,903	14,202
Securities segment deposits	269,696	281,378
Securities segment margin transaction assets	81,551	86,775
Securities segment loan secured by securities	7,558	24,152
Securities segment short term guarantee deposits	57,579	55,648
Securities segment variation margin paid	40,282	31,941
Other	70,702	69,232
Provision for doubtful debts	-2,570	-2,783
Total Current Assets	710,532	726,068
Fixed Assets		
Tangible fixed assets	10,240	12,546
Intangible fixed assets		
Goodwill	1,843	1,751
Software	5,818	6,016
Other	8,451	8,175
Total intangible fixed assets	16,113	15,942
Investments and other assets		
Investment securities	7,617	8,666
Deferred tax asset	4,971	4,961
Other	7,168	7,632
Provision for doubtful debts	-4,189	-4,204
Total investments and other assets	15,567	17,056
Total Fixed Assets	41,922	45,545
Total Assets	752,454	771,614

(Unit: ¥millions)

	Previous Fiscal Year (As of Dec 31, 2018)	1st Quarter Current Fiscal Year (As of Mar 31, 2019)
Liabilities		
Current Liabilities		
Trade notes and accounts payable	10,833	10,155
Short term debt	80,820	102,534
Amount payable	36,363	26,119
Cryptocurrency received	13,903	14,202
Securities segment deposits received	43,131	39,656
Securities segment margin transaction liability	24,995	46,847
Securities segment guarantees received	309,449	302,257
Securities segment variation margin received	5,589	3,016
Securities segment loans payable secured by securities	12,714	20,593
Accrued corporate tax, etc.	7,240	2,547
Allowance for bonuses	1,684	1,232
Allowance for bonuses to directors	752	279
Advance payment received	7,644	8,749
Deposits received	55,881	51,581
Other	9,886	10,922
Total Current Liabilities	620,892	640,697
Fixed Liabilities		
Convertible bonds with equity warrants	17,450	17,425
Long term debt	9,522	9,008
Deferred tax liability	274	270
Other	6,306	4,735
Total Fixed Liabilities	33,553	31,439
Statutory Reserve		
Financial instruments transaction liability reserve	1,587	1,498
Total Statutory Reserve	1,587	1,498
Total Liabilities	656,033	673,636
Net Assets		
Shareholders' Equity		
Capital stock	5,000	5,000
Capital surplus	30,981	30,726
Earned surplus	14,678	15,345
Treasury stock	-7	-2
Total Shareholders' Equity	50,651	51,069
Accumulated Other Comprehensive Income		
Other securities valuation differences	789	1,051
Deferred hedging profit/loss	0	3
Foreign currency translation adjustments	981	888
Total Accumulated Other Comprehensive Income	1,771	1,943
Equity Warrants	77	81
Non-controlling Interests	43,920	44,884
Total Net Assets	96,421	97,978
Liabilities, Net Assets Total	752,454	771,614

(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 2018)	1st Quarter Current Fiscal Year (3 months to March 2019)
Net Sales	43,705	46,863
Cost of Sales	21,698	24,381
Gross Profit on Sales	22,007	22,482
Sales, General & Administrative Expenses	16,738	17,481
Operating Profit	5,269	5,000
Non Operating Revenue		
Dividends received	45	43
Foreign exchange gain	—	12
Other	125	165
Total Non Operating Revenue	171	220
Non Operating Expenses		
Interest paid	79	33
Commissions paid	40	11
Equity method investment loss	132	241
Foreign exchange loss	207	—
Other	49	47
Total Non Operating Expenses	508	334
Ordinary Profit	4,931	4,886
Extraordinary Profit		
Reversal of reserve for securities transaction liability	74	88
Gain from reversal of loss on cryptocurrency mining business restructuring	—	766
Insurance proceeds	31	—
Other	13	177
Total Extraordinary Profit	119	1,032
Extraordinary Loss		
Loss on evaluation of investment securities	—	429
Impairment loss	25	284
Information security expenses	46	—
Other	59	42
Total Extraordinary Loss	131	755
Net Profit before Adjustment for Tax, etc.	4,919	5,163
Corporate, Municipal and Enterprise Taxes	2,330	1,932
Corporate Tax etc. Adjustment	-397	-207
Total Corporate Taxes, etc.	1,932	1,724
Net Profit	2,986	3,439
Profit attributable to Non-controlling Interests	899	1,414
Profit attributable to Owners of the Parent	2,087	2,024

Quarterly consolidated statement of comprehensive income

(Unit: ¥millions)

	1st Quarter Previous Fiscal Year (3 months to March 2018)	1st Quarter Current Fiscal Year (3 months to March 2019)
Net Profit	2,986	3,439
Other Comprehensive Income		
Other securities valuation differences	-194	767
Deferred hedging profit/loss	-0	3
Foreign currency translation adjustments	-215	94
Share of other comprehensive income (loss) Of associates accounted for using equity method	85	-26
Total other comprehensive income	-324	839
Comprehensive Income	2,662	4,278
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,902	2,197
Comprehensive income attributable to non-controlling interests	760	2,081

(3) Notes regarding the quarterly consolidated financial statements
 Notes regarding the going concern assumption
 None

Notes regarding changes impacting shareholders' equity
 None

Segment Information

I 1st Quarter of Previous Fiscal Year (01.01.2018-03.31.2018)

1. Information relating to revenue, 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	Crypto- currency	Incubation	Total			
Net Sales									
Sales to unaffiliated customers	23,241	11,386	8,151	635	180	43,595	110	—	43,705
Internal transactions or transfer	148	880	0	—	—	1,030	29	-1,059	—
Total	23,390	12,267	8,151	635	180	44,625	139	-1,059	43,705
Segment Profit/Loss	2,587	311	3,303	-735	-54	5,412	-159	16	5,269

*Notes

- "Other" represents mobile entertainment, culture incubation and other businesses not included in reportable segments.
- The segment profit or loss adjustment (¥16 million) is an elimination of inter-segment transactions.
- Segment profit or loss is based on the operating profit (or loss) line item in the quarterly consolidated statement of income.

II 1st Quarter of Current Fiscal Year (01.01.2019-03.31.2019)

1. Information relating to revenue, 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	Crypto- currency	Incubation	Total			
Net Sales									
Sales to unaffiliated customers	27,297	11,223	6,401	1,290	328	46,542	321	—	46,863
Internal transactions or transfer	192	852	-4	4	—	1,044	92	-1,137	—
Total	27,489	12,076	6,397	1,294	328	47,586	414	-1,137	46,863
Segment Profit/Loss	3,615	246	1,469	-229	114	5,216	-193	-23	5,000

*Notes

- "Other" represents mobile entertainment, culture incubation and other businesses not included in reportable segments.
- The segment profit or loss adjustment (¥-23 million) is an elimination of inter-segment transactions.
- Segment profit or loss is based on the operating profit (or loss) line item in the quarterly consolidated statement of income.

2. Data relating to impairment loss on fixed assets and goodwill by reportable segment

Material impairment loss on fixed assets

Impairment loss on fixed assets were recognized in “Other” segment. The amount of impairment loss was ¥259 million for the three months ended March 31, 2019.

Additional information

For the three months ended March 31, 2019 (01.01.2019-03.31.2019)
Effective January 1, 2019, the Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc., and deferred tax assets are presented in Investment and other assets and deferred tax liabilities are presented in Fixed liabilities.