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Summary of Consolidated Financial Statements for the First Quarter FY2022 (Based on Japanese GAAP)

February 10, 2022

Name of listed company: GMO Financial Gate, Inc.

Exchange: Tokyo Stock Exchange Mothers

Stock code: 4051

URL <https://gmo-fg.com/>

Representative: Kentaro Sugiyama President & Chief Executive Officer

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Scheduled submission date of February 14, 2022
quarterly reportScheduled date of commencement _
for dividend paymentSupplemental materials prepared for : Yes
financial resultsInformation meeting arranged related to : Yes (for institutional investors and analysts)
financial results

(Amounts rounded down to the nearest one million yen)

1. Consolidated Financial Statements for the First Quarter, FY2022

(From October 1, 2021 to December 31, 2022)

(1) Consolidated Financial Statements (Cumulative) (Percentages represent year-on-year % change)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Mil.Yen	%	Mil.Yen	%	Mil.Yen	%	Mil.Yen	%
Q1 FY2022	2,141	66.5	210	28.6	210	28.6	138	26.1
Q1 FY2021	1,285	—	163	—	163	—	110	—

(*) Comprehensive profit Q1 FY2022 138Mil.Yen (38.8%) Q1 FY2022 99Mil.Yen(-%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q1 FY2022	33.84	33.34
Q1 FY2021	27.91	26.50

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Mil.Yen	Mil.Yen	%
Q1 FY2022	5,879	4,304	70.5
FY2021	7,136	4,376	59.1

(Note) Equity Capital Q1 FY2022 4,145 Mil.Yen FY2021 4,216Mil. Yen

2. Dividends

	Annual Dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2021	—	0.00	—	51.00	51.00
FY2022	—				
FY2022 (forecast)		0.00	—	57.00	57.00

(Note) Revision to the most recently released dividend forecast : No

3. Consolidated Financial Forecast for the Fiscal Year Ending September 2022

(October 1, 2021 to September 30, 2022)

(Percentages represent quarter-on-quarter / year-on-year % change)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Mil.Yen	%	Mil.Yen	%	Mil.Yen	%	Mil.Yen	%	Yen
Q2 FY2022 (Cumulative)	4,052	43.9	359	12.9	359	12.6	226	7.2	55.16
FY2022 (Full year)	8,550	20.6	737	25.1	737	19.0	461	12.1	111.90

(Note) Revision to the most recently released financial forecast : No

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Notes:

(1) Changes of important subsidiaries during the period : No

(change of specific subsidiaries that leads to a change in the scope of consolidation)

Number of new subsidiaries -(Name) ; Number of excluded subsidiaries: - (Name)

(2) Adoption if the accounting method peculiar to quarterly financial statements : No

(3) Changes in the accounting policy / changes in the accounting estimation

[1] Changes in accounting policy required by accounting criteria : Yes

[2] Changes in accounting policy other than [1] : No

[3] Changes in accounting estimations : No

[4] Restatement of prior period financial statements : No

(4) Number of shares issued (common stock)

[1] Number of shares issued at the end of the term
(including treasury stock)

[2] Number of treasury shares at the end of the term

[3] Average number of shares during the term

Q1 FY2022	4,106,320	FY2021	4,106,320
Q1 FY2022	88	FY2021	65
Q1 FY2022	4,106,242	Q1 FY2021	3,948,635

* Quarterly financial statements are not subject the review by certified public accountants or financial statement auditors.

* Explanation of the appropriate use of forecasts and other special notes

The forward-looking statements, including business results forecasts, contained in this document are based on information available to the company at the time of preparation and on certain assumptions deemed reasonable by the company. Forward-looking statements are not intended as a promise of actual results by the company. Actual results may differ materially due to a variety of factors. For more regarding assumptions related to earnings forecasts and precautions concerning the use of earnings forecasts, see 1. Qualitative Information on Quarterly Consolidated Financial Statements (3) Discussion of consolidated earnings forecasts and other forward-looking information on page 3 of Attached Materials.

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1. Qualitative Information on Quarterly Consolidated Financial Statements

(1) Discussion of operating results

Forward-looking statements in this document reflect GMO Financial Gate Group judgements as of the end of the cumulative consolidated first quarter of the fiscal year ending September 2022.

Financial results for the cumulative consolidated first quarter of the fiscal year ending September 2022 (October 1, 2021 to December 31, 2021) are as follows.

(Unit: Thousand Yen)

	Three Months Ended December 31, 2020 (October 1, 2021 to December 31, 2020)	Three Months Ended December 31, 2021 (October 1, 2021 to December 31, 2021)	Difference (%)
Revenue	1,285,793	2,141,482	66.5
Operating profit	163,502	210,295	28.6
Ordinary profit	163,539	210,360	28.6
Quarterly profit attributable to owners of parent	110,204	138,957	26.1

a. Revenue

We recorded revenue of ¥2,141,482 thousand (up 66.5% year on year). After the COVID-19 state of emergency and quasi-state of emergency were lifted in October 2021, the number and amount of payments processed increased in restaurants and leisure-related member merchants vulnerable to COVID-19. Although the impact of COVID-19 varies depending on the type of business, “cashless payment” is recognized as a safe payment method not involving the use of physical cash amid the COVID-19 crisis, contributing to stable expansion of the offline cashless payment market.

Initial revenue, consisting mainly of payment terminal sales, grew thanks to continued growth of sales of stera terminals. For stock-model revenue, the number of stera terminals in use increased steadily and also the number of payment terminals in use in the IoT domain increased at hotels and leisure facilities where demand is recovering after the state of emergency was lifted. The number of payment terminals in use is steadily increasing through our effort to meet needs for cashless payments of member merchants in all industry sectors, leading to increases in the number and amount of payments processed and a steady growth of stock-model revenue.

b. Operating profit

We recorded operating profit of ¥210,295 thousand (up 28.6% year on year). Despite its low profitability, sale of stera terminals drove a revenue increase and contributed to a steady profit increase. Sale and installment of payment terminals contributed to a steady increase in the number of terminals in use, which led to increases in the number and amount of payments processed and the resulting increase in stock-model revenue with relatively high profit margin. We also achieved a year-on-year increase in growth rate as well as 28.5% toward the full-year profit plan through continued employment of human resources to support growth and appropriate cost management.

c. Profit attributable to owners of parent

We recorded profit attributable to owners of parent of ¥138,957 thousand (up 26.1% year on year), achieving 30.1% toward the full-year profit plan.

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(2) Discussion of financial position

(Assets)

As of December 31, 2021, current assets decreased ¥1,319,240 thousand from September 30, 2021 to ¥4,470,337 thousand. This was mainly because merchandise increased ¥561,919 thousand as we increased the payment terminal inventory to a safe level considering the situation of the semiconductor market, and cash and cash equivalents decreased ¥2,008,370 thousand as a result of shortening the deposit cycle applicable to member merchants in a bid to enhance our competitive advantage in the offline cashless payment market. Non-current assets increased ¥62,569 thousand from September 30, 2021 to ¥1,409,111 thousand mainly due to an increase in software in progress of ¥110,218 thousand despite decreases in goodwill and customer-related assets of ¥11,109 thousand and ¥10,702 thousand, respectively, due to amortization.

As a result, total assets decreased ¥1,256,670 thousand from September 30, 2021 to ¥5,879,449 thousand.

(Liabilities)

As of December 31, 2021, current liabilities decreased ¥1,181,208 thousand from September 30, 2021 to ¥1,538,473 thousand. This was mainly because accounts payable and deposits received decreased ¥343,789 thousand and ¥683,510 thousand, respectively. Non-current liabilities decreased ¥3,397 thousand from September 30, 2021 to ¥36,628 thousand mainly due to a decrease in deferred tax liabilities of ¥3,277 thousand.

As a result, total liabilities decreased ¥1,184,606 thousand from September 30, 2021 to ¥1,575,102 thousand.

(Net assets)

As of December 31, 2021, total net assets decreased ¥72,064 thousand from September 30, 2021 to ¥4,304,346 thousand. This was mainly because retained earnings increased ¥138,957 thousand due to recording of profit attributable to owners of parent while retained earnings decreased ¥209,419 thousand due to distribution of dividend from surplus.

(3) Discussion of consolidated earnings forecasts and other forward-looking information

There is no change in the consolidated earnings forecasts for the year ending September 30, 2022 from those previously released on November 11, 2021.

In the offline cashless payment market in which the Group operates, the number of member merchants adopting the cashless payment is on the rise against a backdrop of the government-led promotion and diversifying payment methods as well as a shift to safe payment methods amid the COVID-19 crisis. Under such environment, the Group is focusing on sales of payment terminals meeting the needs of member merchants, enhancement of payment processing centers, and acquisitions of new member merchants and alliance partners.

For the year ending September 30, 2022, although the future outlook remains uncertain due to the spread of COVID-19 Omicron variant, we expect to record revenue of ¥8,550 million (up 20.6% year on year), operating profit of ¥737 million (up 25.1% year on year), ordinary profit of ¥737 million (up 19.0% year on year) and profit attributable to owners of parent of ¥461 million (up 12.1% year-on-year) by steadily carrying out our growth strategies, including growth in sales of next-generation payment terminal stera, sales and installment of payment terminals in the IoT domain, accumulation of stock-model revenue through an increase in the number of terminals in use.

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2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

	(Unit: Thousand yen)	
	End of previous consolidated fiscal year (September 30, 2021)	End of Q1 of current consolidated fiscal year (December 31, 2021)
Assets		
Current assets		
Cash and cash equivalents	3,433,620	1,425,249
Trade accounts receivable	521,859	546,202
Merchandise	1,614,846	2,176,765
Other financial assets	222,334	324,992
Allowance of doubtful accounts	△3,082	△2,872
Total current assets	5,789,578	4,470,337
Non-current assets		
Property, plant and equipment	60,281	56,718
Intangible fixed assets		
Software	646,884	653,593
Software in progress	192,938	303,156
Customer-related assets	128,432	117,730
Goodwill	222,192	211,082
Other intangible fixed assets	2,549	1,719
Total intangible fixed assets	1,192,997	1,287,281
Investments and other assets		
Lease deposits	23,645	23,434
Bankruptcy rehabilitation claims	995	1,005
Deferred tax assets	69,597	41,657
Other investments and other	19	19
Allowance for doubtful accounts	△995	△1,005
Total investments and other assets	93,262	65,111
Total non-current assets	1,346,541	1,409,111
Total assets	7,136,119	5,879,449

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	(Unit: Thousand yen)	
	End of previous consolidated fiscal year (September 30, 2021)	End of Q1 of current consolidated fiscal year (December 31, 2021)
Liabilities		
Current liabilities		
Account payable	1,092,309	748,520
Income taxes payable	144,166	55,107
Deposits received	1,129,466	445,955
Allowance for employees' bonuses	89,733	28,700
Allowance for directors' bonuses	20,000	—
Other current liabilities	244,006	260,189
Total current liabilities	2,719,682	1,538,473
Non-current liabilities		
Deferred tax liabilities	39,326	36,048
Other non-current liabilities	700	579
Total non-current liabilities	40,026	36,628
Total liabilities	2,759,709	1,575,102
Net assets		
Shareholders' equity		
Capital stock	1,605,446	1,605,446
Capital surplus	1,618,557	1,618,557
Retained earnings	994,020	923,558
Treasury stock	△ 1,252	△ 1,971
Total shareholders' equity	4,216,771	4,145,590
Non-controlling interests	159,639	158,755
Total net assets	4,376,410	4,304,346
Total liabilities and net assets	7,136,119	5,879,449

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(4) Quarterly consolidated statement of income and statement of comprehensive income

Quarterly consolidated statement of income

(Q1 cumulative)

	(Unit: Thousand yen)	
	Q1 FY2021 (October 1, 2020 to December 31, 2020)	Q1 FY2022 (October 1, 2021 to December 31, 2021)
Revenue	1,285,793	2,141,482
Cost of goods sold	819,605	1,537,613
Gross profit	466,187	603,869
Selling, general and administrative expense	302,684	393,574
Operating profit	163,502	210,295
Non-operating income		
Interest income	26	1
Other non-operating income	58	87
Total non-operating income	85	88
Non-operating expenses		
Interest expense	46	23
Other non-operating expenses	2	—
Total non-operating expenses	48	23
Ordinary profit	163,539	210,360
Profit before income taxes	163,539	210,360
Corporation income tax, resident tax, business taz	30,717	47,624
Corporation income taxes deferred	33,333	24,662
Total corporation income taxes	64,050	72,286
Profit	99,489	138,073
Profit attributable to non-controlling shareholder (△)	△10,715	△883
Profit attributable to owners of parent	110,204	138,957

Quarterly consolidated statement of comprehensive income

(Q1 cumulative)

	(Unit: Thousand yen)	
	Q1 FY2021 (October 1, 2020 to December 31, 2020)	Q1 FY2022 (October 1, 2021 to December 31, 2021)
Profit	99,489	138,073
Comprehensive income	99,489	138,073
(Breakdown)		
Comprehensive income attributable to owners of parent	110,204	138,957
Comprehensive income attributable to non-controlling shareholder	△10,715	△883

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(5) Notes regarding the quarterly consolidated financial statements

(Notes regarding going concern assumptions)

Not applicable

(Changes in accounting policies, etc.)

(Application of accounting standard for revenue recognition, etc.)

Effective October 1, 2021, the Company applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. and recognizes revenue at an amount that it expects to receive in exchange for the promised goods or services when the control of the goods or services is transferred to a customer. As a result, the Group changed the method of revenue recognition applied to projects to develop center functions for the purpose of acquiring specific member merchants from recognizing the total amount of consideration received from a customer as revenue at a point in time to recognizing over a period of time as a performance obligation is satisfied.

We applied the Accounting Standard for Revenue Recognition, etc. from October 1, 2021 pursuant to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, with the cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to October 1, 2021, adjusted to the beginning balance of retained earnings as of October 1, 2021. However, in accordance with the method provided for in Paragraph 86 of the Accounting Standard for Revenue Recognition, we did not apply the new accounting policy retrospectively to the contracts for which substantially all revenue was recognized under the previous method prior to October 1, 2021.

As a result, revenue for the three months ended December 31, 2021 decreased by ¥10,385 thousand, and operating profit, ordinary profit and profit attributable to owners of parent decreased by ¥10,385 thousand, respectively. There was no impact on the beginning balance of retained earnings as of October 1, 2021.

Pursuant to the transitional treatment provided for in Paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue arising from contracts with customers in the three months ended December 31, 2020 is not presented.

(Application of accounting standard for fair value measurement, etc.)

Effective October 1, 2021, the Company applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), etc., and the new accounting policy provided for in the Accounting Standard for Fair Value Measurement, etc. is applied prospectively pursuant to the transitional treatment provided for in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There was no impact on the quarterly consolidated financial statements.

(Notes regarding significant changes in shareholders' equity)

Not applicable

(Segment information)

[Segment information]

Segment information has been omitted as the GMO Financial Gate Group has only one business segment, namely the face-to-face payment processing services business, which is not material in terms of segment information disclosure.

(Significant subsequent matter)

Not applicable