

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

May 12, 2022

Name of listed company: GMO Financial Gate, Inc.

Exchange: Tokyo Stock Exchange Growth

Stock code: 4051

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

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Scheduled submission date of quarterly report May 13, 2022

Scheduled date of commencement for dividend payment

Supplemental 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 Second Quarter, FY2022

(From October 1, 2021 to March 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	%
Q2 FY2022	4,468	58.7	370	16.3	370	16.0	234	10.6
Q2 FY2021	2,816	37.3	318	△7.7	319	△4.7	211	7.1

(*) Comprehensive profit Q2 FY2022 233Mil.Yen(23.2%) Q2 FY2021 189Mil.Yen(4.8%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q2 FY2022	56.91	56.18
Q1 FY2021	53.17	50.86

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Mil.Yen	Mil.Yen	%
Q2 FY2022	6,593	4,424	64.7
FY2021	7,136	4,376	59.1

(Note) Equity Capital Q2 FY2022 4,265 Mil.Yen FY2021 4,216Mil.Yen

2. Dividends

	Annual Dividend				
	End of Q1	End of Q2	End of Q3	End of Q4	Total
	Yen	Yen	Yen	Yen	Yen
FY2021	—	0.00	—	51.00	51.00
FY2022	—	0.00	—	—	—
FY2022(forecast)	—	—	—	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
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

Q2 FY2022	4,130,110	FY2021	4,106,320
Q1 FY2022	88	FY2021	65
Q1 FY2022	4,114,079	Q2 FY2021	3,980,328

* 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 6 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 second quarter of the fiscal year ending September 2022.

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

(Unit: Thousand Yen)

	Six Months Ended March 31, 2021 (October 1, 2020 to March 31, 2021)	Six Months Ended March 31, 2022 (October 1, 2021 to March 31, 2022)	Difference (%)
Revenue	2,816,315	4,468,335	58.7
Operating profit	318,912	370,952	16.3
Ordinary profit	319,549	370,591	16.0
Quarterly profit attributable to owners of parent	211,636	234,115	10.6

a. Revenue

We recorded revenue of ¥4,468,335 thousand (up 58.7% year on year).

During the three months ended March 31, 2022, the quasi-state of emergency remained in effect most of the period due to the spread of a new COVID-19 variant, which affected certain merchants, primarily restaurants, who were requested to shorten business hours. However, initial sales, centered on sales of payment terminals, steadily increased and stock-model revenue also showed steady growth with increased number of new installation, contributing to recording revenue in excess of the forecast for the six months ended March 31, 2022 of ¥4,052 million announced at the beginning of the year.

Revenue by business model for the six months ended March 31, 2022 is as follows.

(Unit: Thousand yen)

	Six months ended March 31, 2022 (October 1, 2021 to March 31, 2022)	Ratio (%)
Initial (Initial sales)	3,098,100	69.3
Stock (Fixed fee sales)	392,376	8.8
Fee (Processing fee sales)	520,919	11.7
Spread (Merchant sales)	456,938	10.2
Total	4,468,335	100.0

b. Operating profit

We recorded operating profit of ¥370,952 thousand (up 16.3% year on year).

During the three months ended March 31, 2022, although stock-model revenue, consisting of highly profitable stock, fee and spread revenues, showed sluggish growth due to the declaration of a quasi-state of emergency in addition to the negative impact of seasonality on TRX volume and value, operating profit increased through our ongoing efforts to promote sales and operation of payment terminals. We also secured a year-on-year increase in growth rate and recorded operating profit in excess of the forecast for the six months ended March 31, 2022 of ¥359 million announced at the beginning of the year through appropriate cost management while making necessary investments in various areas including continued employment of human resources to support growth.

c. Profit attributable to owners of parent

We recorded profit attributable to owners of parent of ¥234,115 thousand (up 10.6% year on year).

(2) Discussion of financial position

(a) Summary of assets, liabilities and net assets

(Assets)

As of March 31, 2022, current assets decreased ¥640,975 thousand from September 30, 2021 to ¥5,148,602 thousand. This was mainly because merchandise increased ¥908,602 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 ¥1,815,279 thousand as a result of shortening the deposit cycle applicable to merchants in a bid to enhance our competitive advantage in the offline cashless payment market. Non-current assets increased ¥98,012 thousand from September 30, 2021 to ¥1,444,554 thousand mainly due to an increase in software of ¥135,640 thousand despite decreases in goodwill and customer-related assets of ¥22,219 thousand and ¥21,405 thousand, respectively, due to amortization.

As a result, total assets decreased ¥542,962 thousand from September 30, 2021 to ¥6,593,157 thousand.

(Liabilities)

As of March 31, 2022, current liabilities decreased ¥584,379 thousand from September 30, 2021 to ¥2,135,303 thousand. This was mainly because accounts payable and deposits received decreased ¥110,281 thousand and ¥931,014 thousand, respectively, despite an increase in short-term loans payable of ¥500,000 thousand. Non-current liabilities decreased ¥6,797 thousand from September 30, 2021 to ¥33,229 thousand mainly due to a decrease in deferred tax liabilities of ¥6,554 thousand.

As a result, total liabilities decreased ¥591,176 thousand from September 30, 2021 to ¥2,168,532 thousand.

(Net assets)

As of March 31, 2022, total net assets increased ¥48,213 thousand from September 30, 2021 to ¥4,424,624 thousand. This was mainly because retained earnings increased ¥234,115 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.

(b) Cash flows

As of March 31, 2022, cash and cash equivalents ("cash") decreased ¥1,815,278 thousand from September 30, 2021 to ¥1,618,341 thousand.

The following is a summary of cash flows from each activity during the six months ended March 31, 2022.

(Cash flows from operating activities)

Cash used in operating activities during the six months ended March 31, 2022 was ¥1,842,590 thousand (cash provided of ¥130,842 thousand for the six months ended March 31, 2021). While cash increased due to recording of profit before income taxes of ¥370,591 thousand, cash decreased due mainly to a decrease in deposits received of ¥931,014 thousand, an increase in inventory of ¥908,580 thousand and an increase in trade receivables of ¥149,415 thousand.

(Cash flows from investing activities)

Cash used in investing activities during the six months ended March 31, 2022 was ¥304,485 thousand (¥205,303 thousand for the six months ended March 31, 2021) mainly because cash decreased due to purchase of intangible fixed assets of ¥299,608 thousand.

(Cash flows from financing activities)

Cash provided by financing activities during the six months ended March 31, 2022 was ¥331,797 thousand (cash used of ¥21,175 thousand for the six months ended March 31, 2021) mainly because cash increased due to an increase in short-term loans payable of ¥500,000 thousand while cash decreased due to payments of dividends of ¥188,449 thousand.

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(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 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 merchants, enhancement of payment processing centers, and acquisitions of new 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

	End of previous consolidated fiscal year (September 30, 2021)	(Unit: Thousand yen) End of Q2 of current consolidated fiscal year (March 31, 2022)
Assets		
Current assets		
Cash and cash equivalents	3,433,620	1,618,341
Trade accounts receivable	521,859	671,264
Merchandise	1,614,846	2,523,448
Other financial assets	222,334	339,027
Allowance of doubtful accounts	△3,082	△3,479
Total current assets	5,789,578	5,148,602
Non-current assets		
Property, plant and equipment	60,281	52,876
Intangible fixed assets		
Software	646,884	782,524
Software in progress	192,938	220,878
Customer-related assets	128,432	107,027
Goodwill	222,192	199,972
Other intangible fixed assets	2,549	888
Total intangible fixed assets	1,192,997	1,311,291
Investments and other assets		
Lease deposits	23,645	23,224
Bankruptcy rehabilitation claims	995	1,006
Deferred tax assets	69,597	57,143
Other investments and other	19	19
Allowance for doubtful accounts	△995	△1,006
Total investments and other assets	93,262	80,386
Totale non-current assets	1,346,541	1,444,554
Total assets	7,136,119	6,593,157

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	(Unit: Thousand yen)	
	End of previous consolidated fiscal year (September 30, 2021)	End of Q2 of current consolidated fiscal year (March 31, 2022)
Liabilities		
Current liabilities		
Account payable	1,092,309	982,028
Short term borrowing	—	500,000
Income taxes payable	144,166	147,188
Contract liabilities	—	12,439
Deposits received	1,129,466	198,451
Allowance for employees' bonuses	89,733	58,130
Allowance for directors' bonuses	20,000	30,800
Other current liabilities	244,006	206,265
Total current liabilities	2,719,682	2,135,303
Non-current liabilities		
Deferred tax liabilities	39,326	32,771
Other non-current liabilities	700	457
Total non-current liabilities	40,026	33,229
Total liabilities	2,759,709	2,168,532
Net assets		
Shareholders' equity		
Capital stock	1,605,446	1,617,987
Capital surplus	1,618,557	1,631,098
Retained earnings	994,020	1,018,716
Treasury stock	△1,252	△1,971
Total shareholders' equity	4,216,771	4,265,829
Non-controlling interests	159,639	158,794
Total net assets	4,376,410	4,424,624
Total liabilities and net assets	7,136,119	6,593,157

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

Quarterly consolidated statement of income

(Q2 cumulative)

	(Unit: Thousand yen)	
	Q2 FY2021 (October 1, 2020 to March 31, 2021)	Q2 FY2022 (October 1, 2021 to March 31, 2022)
Revenue	2,816,315	4,468,335
Cost of goods sold	1,836,706	3,258,241
Gross profit	979,608	1,210,093
Selling, general and administrative expenses	660,695	839,141
Operating profit	318,912	370,952
Non-operating income		
Interest income	59	12
Other non-operating income	665	101
Total non-operating income	725	114
Non-operating expense		
Interest expense	87	475
Other non-operating expense	2	—
Total non-operating expense	89	475
Ordinary profit	319,549	370,591
Extraordinary loss		
Loss on retirement of non-current assets	898	—
Total extraordinary loss	898	—
Profit before income taxes	318,650	370,591
Corporation income tax, resident tax, business tax	120,184	131,420
Corporation income taxes deferred	9,067	5,900
Total corporation income taxes	129,252	137,320
Profit	189,398	233,270
Profit attributable to non-controlling shareholder (△)	△22,238	△844
Profit attributable to owners of parent	211,636	234,115

Translation

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Quarterly consolidated statement of comprehensive income
(Q2 cumulative)

	(Unit: Thousand yen)	
	Q2 FY2021 (October 1, 2020 to March 31, 2021)	Q2 FY2022 (October 1, 2021 to March 31, 2022)
Profit	189,398	233,270
Comprehensive income	189,398	233,270
(Breakdown)		
Comprehensive income attributable to owners of parent	211,636	234,115
Comprehensive income attributable to non-controlling shareholder	△22,238	△844

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(3) Quarterly consolidated statement of cash flows

	(Unit : Thousand Yen)	
	Q2 FY2021 (From October 1, 2020 to March 31, 2021)	Q2 FY2022 (From October 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Profit before income taxes	318,650	370,591
Depreciation	101,503	142,721
Amortization of goodwill	22,219	22,219
Increase(decrease) in allowance for employees' bonuses	(46,000)	(31,603)
Increase(decrease) in allowance for directors' bonuses	(22,760)	10,800
Increase(decrease) in allowance for doubtful accounts	1,174	407
Interest income	(59)	(12)
Interest expense	87	475
Decrease(increase) in trade accounts receivables	(130,243)	(149,415)
Decrease(increase) in inventories	(424,327)	(908,580)
Increase(decrease) in trade payables	125,085	(110,280)
Increase(decrease) in deposits received	45,903	(931,014)
Other, net	278,156	(131,282)
Subtotal	269,389	(1,714,975)
Interest income received	59	12
Interest expense paid	(87)	(475)
Income taxes paid	(138,519)	(127,152)
Net cash provided by (used in) operating activities	130,842	(1,842,590)
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,368)	(4,857)
Purchase of intangible fixed assets	(201,070)	(299,608)
Other, net	3,135	(18)
Net cash provided by (used in) investing activities	(205,303)	(304,485)
Cash flows from financing activities		
Net increase(decrease) in short term borrowing	—	500,000
Proceeds from share issuance by exercising share options	122,413	25,080
Purchase of treasury shares	(478)	(718)
Dividend paid	(139,040)	(188,449)
Other, net	(4,070)	(4,116)
Net cash provided by (used in) financing activities	(21,175)	331,797
Net increase(decrease) in cash and cash equivalents	(95,636)	(1,815,278)
Cash and cash equivalents at beginning of period	2,946,028	3,433,620
Cash and cash equivalents at end of period	2,850,391	1,618,341

(4) 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 six months ended March 31, 2022 decreased by ¥12,439 thousand, and operating profit, ordinary profit and profit attributable to owners of parent decreased by ¥12,439 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 six months ended March 31, 2022 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