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3. Consolidated Financial Forecast for the Fiscal Year Ending September 2021 (October 1, 2020 to September 30, 2021)

(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
FY2021 (Full year)	5,249	42.2	589	30.1	587	36.9	368	26.1	91.27

(Note) Revision to the most recently released financial forecast: Yes

For more information on revised consolidated earnings forecasts, see *Notice Concerning Differences Between Consolidated Earnings Forecasts and Actual Results for the Cumulative Consolidated Second Quarter of the Fiscal Year Ending September 2021 and Revision of Consolidated earnings Forecasts*, published today (May 12, 2021).

Notes:

(1) Changes of important subsidiaries during the period (change of specific subsidiaries that leads to a change in the scope of consolidation) : No

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

(2) Adoption of 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. : No

[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)	Q2 FY2021	4,083,670	FY2020	3,948,370
[2] Number of treasury shares at the end of the term	Q2 FY2021	29	FY2020	—
[3] Average number of shares during the term	Q2 FY2021	3,980,328	Q2 FY2020	3,595,170

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

* Explanation of the appropriate use of earnings 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 7 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 judgments as of the end of the cumulative consolidated second quarter of the fiscal year ending September 2021.

Financial results for the cumulative consolidated second quarter of the fiscal year ending September 2021 (October 1, 2020 to March 31, 2021) are as follows.

(Unit: Thousand Yen)

	Six Months Ended March 31, 2020 (October 1, 2019 to March 31, 2020)	Six Months Ended March 31, 2021 (October 1, 2020 to March 31, 2021)	Difference (%)
Revenue	2,050,754	2,816,315	37.3
Operating profit	345,472	318,912	(7.7)
Ordinary profit	335,350	319,549	(4.7)
Quarterly profit attributable to owners of parent	197,613	211,636	7.1

a. Revenue

We recorded revenue in the amount of ¥2,816.315 million (up 37.3% year on year). In addition to the steady expansion of the offline payment market, we experienced steady sales of payment terminals.

With respect to initial sales, in addition to a steady increase supported mainly by progress in sales of *stera* terminals, which we began handling in July 2020. Also, with respect to stock sales, which reflects the total of sales categories excluding initial sales, we saw an expansion in the number of terminals in operation due to ongoing member merchant development across a variety of industries. In this connection, fixed fees and processing fees rose steadily, resulting in our securing considerable growth compared to the same period in the prior fiscal year before the declaration of a state of emergency due to the COVID-19 pandemic. Further, with respect to member merchant sales, many industries are susceptible to the impact of the COVID-19 pandemic among member merchants who impact our revenues. Particularly after another declaration of a state of emergency in January 2021, consumption at member merchants, mainly in the small restaurant industry, declined, leading to a lower increase compared to other sales categories.

b. Operating profit

We recorded operating profit in the amount of ¥318.912 million (down 7.7%). The main factor behind this decrease was the recording of a one-time special factor (recording of development profit stemming from the cashless/consumer return initiative driven by the Ministry of Economy, Trade and Industry) in the same period of the prior fiscal year.

Our progress was 112.3% compared our earnings forecasts for the cumulative second quarter of the fiscal year ending September 2021, published on November 11, 2020.

c. Quarterly profit attributable to owners of parent

We recorded a quarterly profit attributable to owners of parent in the amount of ¥211.636 million (up 7.1%). We also recorded a loss attributable to non-controlling shareholders of ¥22.238 million in connection with GMO Data Corporation, a 51%-owned consolidated subsidiary.

(2) Discussion of financial position

a. Assets, liabilities, and net assets

Assets

As of the end of the consolidated second quarter, current assets amounted to ¥5,428.836 million, an increase of ¥404.752 million compared with the end of the prior consolidated fiscal year. This increase was mainly due to an increase in merchandise of ¥424.284 million, which was offset in part by a decrease in cash and deposits of ¥95.637 million. Non-current assets as of the end of the consolidated second quarter amounted to ¥1,185.416 million, an increase of ¥84.635 million compared with the end of the prior consolidated fiscal year. This increase was mainly due to an increase in software in progress of ¥171.140 million, offset in part by decreases of ¥22.219 million in goodwill and ¥21.405 million in customer-related assets due to depreciation and amortization. As a result, total assets as of the end of the consolidated second quarter amounted to ¥6,614.253 million, an increase of ¥489.387 million compared with the end of the prior consolidated fiscal year.

Liabilities

As of the end of the consolidated second quarter, current Liabilities amounted to ¥2,393.753 million, an increase of ¥346.991 million compared with the end of the prior consolidated fiscal year. This increase was mainly due to increases of ¥314.812 million in advances received (included under other current liabilities), ¥125.086 million in accounts payable-trade, and ¥45.904 million in deposits received. These amounts were offset in part by decreases of ¥63.991 million in income taxes payable, ¥46.0 million in provision for bonuses, and ¥22.760 million in provision for directors' bonuses. Non-current liabilities as of the end of the consolidated second quarter amounted to ¥48.933 million, a decrease of ¥11.003 million compared with the end of the prior consolidated fiscal year. This decrease was mainly due to a decrease of ¥6.554 million in deferred tax liabilities. As a result, total liabilities as of the end of the consolidated second quarter amounted to ¥2,442.686 million, an increase of ¥335.988 million compared with the end of the prior consolidated fiscal year.

Net Assets

Net assets as of the end of the consolidated second quarter amounted to ¥4,171.566 million, an increase of ¥153.399 million compared with the end of the prior consolidated fiscal year. This increase was mainly due to the company recorded ¥211.636 million in profit attributable to owners of parent, resulting in an increase in retained earnings of the same amount. This increase was offset in part by ¥157.934 million in dividends from surplus, resulting in a decrease in retained earnings of the same amount.

b. Cash flows

Cash and cash equivalents (Cash) as of the end of the consolidated second quarter amounted to ¥2,850.391 million, a decrease of ¥95.637 million compared with the end of the prior consolidated fiscal year.

The following details the circumstances of company cash flows for the cumulative consolidated second quarter of the fiscal year under review.

Cash flows from operating activities

Net cash from operating activities amounted to ¥130.842 million, compared with net cash proceeds of ¥242.971 million during the same period in the prior fiscal year. This result was mainly due to increased Cash stemming from an increase in inventories of ¥424.327 million, an increase in trade accounts receivable of ¥130.243 million, a decrease in income taxes paid of ¥138.519 million, and decreased Cash stemming from the recording of quarterly profit before income taxes of ¥318.650 million, and increase in accounts payable of ¥125.085 million, an increase in deposits received of ¥45.903 million, and an increase in advances received of ¥314.812 million.

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Cash flows from investing activities

Net cash used in investing activities amounted to ¥205.303 million, compared with net cash used in the amount of ¥91.904 million during the same period in the prior fiscal year. This result was mainly due to Cash decreases stemming from the purchase of intangible assets in the amount of ¥201.070 million.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥21.175 million, compared with net cash used of ¥11.425 million in the same period during the prior fiscal year. This result was mainly due to a decrease in Cash stemming from cash dividends paid in the amount of ¥139.040 million, offset in part by an increase in Cash stemming from proceeds from issuance of shares resulting from exercise of subscription rights to shares in the amount of ¥122.413 million.

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

GMO Financial Gate revised our full-year consolidated earnings forecasts. We announced our initial earnings forecasts on November 11, 2020.

The offline payment market in which the GMO Financial Gate Group operates is experiencing a transition to cashless payments based on government-led promotion and a diversifying variety of cashless payment methods. Further, the with-COVID-19 era has become a tailwind pushing cashless payments as a safe payment method. Given these trends, more member merchants are adopting cashless payments. In this environment, the GMO Financial Gate Group is focusing on the sale of payment terminals meeting the needs of member merchants, expanding our payment processing center, acquiring new member merchants, and finding new alliance partners.

In response to the impact of COVID-19, we have taken advantage of remote meetings and other appropriate business activities, avoiding any particular declines in productivity. The January 2021 declaration of a state of emergency had a negative impact on member merchant sales due to weak consumer activity, particularly in the small restaurant industry. However, we continued our efforts to develop new member merchants across a variety of industries. As a result, fixed fees and processing fees rose steadily, supported by stable growth in the number of payments processed and the amount of payments processed among member merchants who were more resistant to the effects of the COVID-19 pandemic.

Based on the preceding factors, we have made an upward revision to consolidated revenue for the fiscal year ending September 2021, raising our forecast from ¥4,800 million to ¥5,249 million.

On the other hand, we have decided to leave our forecast for full-year consolidated profits unchanged. We made this decision in light of the current situation in which we see certain priority measures in infection prevention and another issuance of a declaration of a state of emergency associated with a reemergence of COVID-19 infections. Given these developments, we must make a careful assessment of payment settlement trends among member merchants in the third quarter and beyond.

For more information, see *Notice Concerning Differences Between Consolidated Earnings Forecasts and Actual Results for the Cumulative Consolidated Second Quarter of the Fiscal Year Ending September 2021 and Revision of Consolidated earnings Forecasts*, published today (May 12, 2021).

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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, 2020)	End of Q2 of current consolidated fiscal year (March 31, 2021)
Assets		
Current assets		
Cash and cash equivalents	2,946,028	2,850,391
Trade accounts receivables	313,409	442,803
Merchandise	1,431,692	1,855,976
Other financial assets	334,732	281,768
Allowance for doubtful accounts	(1,777)	(2,103)
Total current assets	5,024,084	5,428,836
Non-current assets		
Property, plant and equipment	58,898	55,208
Intangible fixed assets		
Software	431,270	413,254
Software in progress	77,588	248,728
Customer-related assets	171,243	149,838
Goodwill	266,630	244,411
Other intangible fixed assets	5,880	4,214
Total intangible fixed assets	952,613	1,060,447
Investments and other assets		
Lease deposits	24,488	24,066
Bankruptcy rehabilitation claims	251	1,100
Deferred tax assets	61,297	45,675
Other investments and other assets	3,484	18
Allowance for doubtful accounts	(251)	(1,100)
Total investments and other assets	89,269	69,760
Total non-current assets	1,100,781	1,185,416
Total assets	6,124,865	6,614,253

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	(Unit: Thousand yen)	
	End of previous consolidated fiscal year (September 30, 2020)	End of Q2 of current consolidated fiscal year (March 31, 2021)
Liabilities		
Current liabilities		
Accounts payable	499,574	624,660
Income taxes payable	158,334	94,343
Deposits received	1,064,278	1,110,182
Allowance for employees' bonuses	95,300	49,300
Allowance for directors' bonuses	38,500	15,740
Other current liabilities	190,773	499,526
Total current liabilities	2,046,761	2,393,753
Non-current liabilities		
Deferred tax liabilities	52,434	45,880
Other non-current liabilities	7,501	3,053
Total non-current liabilities	59,936	48,933
Total liabilities	2,106,698	2,442,686
Net assets		
Shareholders' equity		
Capital stock	1,533,123	1,594,330
Capital surplus	1,546,234	1,607,441
Retained earnings	740,576	794,278
Treasury stock	—	(478)
Total shareholders' equity	3,819,934	3,995,571
Share options	0	—
Non-controlling interests	198,233	175,994
Total net assets	4,018,167	4,171,566
Total liabilities and net assets	6,124,865	6,614,253

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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 FY2020 (From October 1, 2019 to March 31, 2020)	Q2 FY2021 (From October 1, 2020 to March 31, 2021)
Revenue	2,050,754	2,816,315
Cost of goods sold	1,127,211	1,836,706
Gross profit	923,542	979,608
Selling, general and administrative expense	578,069	660,695
Operating profit	345,472	318,912
Non-operating income		
Interest income	72	59
Other non-operating income	59	665
Total non-operating income	131	725
Non-operating expenses		
Interest expense	144	87
Stock listing-related expenses	10,107	—
Other non-operating expenses	2	2
Total non-operating expenses	10,254	89
Ordinary profit	335,350	319,549
Extraordinary loss		
Office relocation expense	2,548	—
Loss on retirement of fixed assets	—	898
Total extraordinary loss	2,548	898
Profit before income taxes	332,801	318,650
Corporation income tax, resident tax, business tax	154,910	120,184
Corporation income taxes deferred	(2,806)	9,067
Total corporation income taxes	152,103	129,252
Profit	180,698	189,398
Profit attributable to non-controlling shareholder	(16,914)	(22,238)
Profit attributable to owners of parent	197,613	211,636

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Quarterly consolidated statement of comprehensive income
(Q2 cumulative)

	(Unit: Thousand yen)	
	Q2 FY2020 (From October 1, 2019 to March 31, 2020)	Q2 FY2021 (From October 1, 2020 to March 31, 2021)
Profit	180,698	189,398
Comprehensive income	180,698	189,398
(Breakdown)		
Comprehensive income attributable to owners of parent	197,613	211,636
Comprehensive income attributable to non-controlling shareholder	(16,914)	(22,238)

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(3) Quarterly consolidated statement of cash flows

(Unit: Thousand yen)

	Q2 FY2020 (From October 1, 2019 to March 31, 2020)	Q2 FY2021 (From October 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Profit before income taxes	332,801	318,650
Depreciation	92,861	101,503
Amortization of goodwill	22,219	22,219
Increase (decrease) in allowance for employees' bonuses	(40,738)	(46,000)
Increase (decrease) in allowance for directors' bonuses	51,250	(22,760)
Increase (decrease) in allowance for doubtful accounts	616	1,174
Stock listing-related expenses	10,107	—
Interest income	(72)	(59)
Interest expense	144	87
Decrease (increase) in trade accounts receivables	(101,151)	(130,243)
Decrease (increase) in inventories	(39,397)	(424,327)
Increase (decrease) in trade payables	261,936	125,085
Increase (decrease) in deposits received	(228,453)	45,903
Other, net	(39,652)	278,156
Subtotal	322,472	269,389
Interest income received	72	59
Interest expenses paid	(144)	(87)
Income taxes paid	(79,429)	(138,519)
Net cash provided by (used in) operating activities	242,971	130,842
Cash flows from investing activities		
Purchase of property, plant and equipment	(25,280)	(7,368)
Purchase of intangible fixed assets	(42,248)	(201,070)
Proceeds from collection of lease deposits	(24,409)	—
Other, net	34	3,135
Net cash provided by (used in) investing activities	(91,904)	(205,303)
Cash flows from financing activities		
Proceeds from share issuance by exercising share options	—	122,413
Purchase of treasury shares	—	(478)
Dividend paid	—	(139,040)
Stock listing-related expenses	(5,881)	—
Other, net	(5,543)	(4,070)
Net cash provided by (used in) financing activities	(11,425)	(21,175)
Net increase (decrease) in cash and cash equivalents	139,641	(95,636)
Cash and cash equivalents at beginning of period	3,135,493	2,946,028
Cash and cash equivalents at end of period	3,275,135	2,850,391

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(4) Notes regarding the quarterly consolidated financial statements

(Notes regarding the going concern assumptions)

Not applicable

(Notes regarding significant changes in shareholders' equity)

Not applicable

(Segment information)

[Segment information]

Q2 FY2020 (From October 1, 2019 to March 31, 2020)

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.

Q2 FY2021 (From October 1, 2020 to March 31, 2021)

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.