



Summary of Consolidated Financial Statements for the Third Quarter FY2023 (Based on Japanese GAAP)

August 9, 2023

Name of listed company: GMO Financial Gate, Inc.

Exchange: Tokyo Stock Exchange Growth

Stock code: 4051

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

Representative: Kentaro Sugiyama President & Chief Executive Officer

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Scheduled submission date of quarterly report August 10, 2023

Scheduled date of commencement for dividend payment

Supplemental materials prepared for financial results : Yes

Information meeting arranged related to financial results : Yes (for institutional investors and analysts)
(Amounts rounded down to the nearest one million yen)

1. Consolidated Financial Statements for the Third Quarter, FY2023

(From October 1, 2022 to June 30, 2023)

(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	%
Q3 FY2023	12,003	61.2	976	73.2	973	72.9	613	71.3
Q3 FY2022	7,446	53.9	563	20.8	562	20.3	358	14.9

(*) Comprehensive profit Q3 FY2023 627Mil.Yen (74.0%) Q3 FY2022 360Mil.Yen (28.9%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q3 FY2023	74.20	73.74
Q3 FY2022	43.47	42.97

(Note) The Company conducted a 2-for-1 stock split for common stock on January 17, 2023. The effect of the stock split has been reflected in the calculation of basic earnings per share for the fiscal year ending September 30, 2023 (forecast).

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Mil.Yen	Mil.Yen	%
Q3 FY2023	8,617	4,962	55.5
FY2022	6,638	4,670	67.8

(Note) Equity Capital Q3 FY2023 4,780Mil.Yen FY2022 4,503Mil.Yen

2. Dividends

	Annual Dividend				
	End of Q1	End of Q2	End of Q3	End of Q4	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	—	0.00	—	58.00	58.00
FY2023	—	0.00	—	—	—
FY2023(forecast)	—	—	—	39.00	39.00

(Note)1. Revision to the most recently released dividend forecast : No

2. The Company conducted a 2-for-1 stock split for common stock on January 17, 2023. Accordingly, the year-end dividend for the fiscal year ending September 30, 2023 (forecast) considers the effect of this stock split.

3. Consolidated Financial Forecast for the Fiscal Year Ending September 2023

(October 1, 2022 to September 30, 2023)

(Percentages represent 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
FY2023 (Full year)	15,000	45.7	1,020	37.7	1,018	36.5	631	33.5	76.29

(Note)1. Revision to the most recently released financial forecast : Yes

2. The Company conducted a 2-for-1 stock split for common stock on January 17, 2023. The effect of the stock split has been reflected in the calculation of basic earnings per share for the fiscal year ending September 30, 2023 (forecast).

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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)

Q3 FY2023	8,305,340	FY2022	8,260,220
Q3 FY2023	19,188	FY2022	252
Q3 FY2023	8,265,280	Q3 FY2022	8,238,787

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

[3] Average number of shares during the term

(Notes) 1. The number of treasury shares at the end of the term includes the Company's shares held by Board Benefit Trust (BBT and J-ESOP) (FY2022: NA, Q3 FY2023: 18,800 shares)

2. The Company conducted a 2-for-1 stock split for common stock on January 17, 2023. The number of shares issued (common stock) has been calculated assuming the stock split had been conducted on October 1, 2021.

* 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 4 of Attached Materials.

Table of contents of attachments

1. Qualitative Information on Quarterly Consolidated Financial Statements.....	2
(1) Discussion of operating results.....	2
(2) Discussion of financial position.....	3
(3) Discussion of consolidated earnings forecasts and other forward-looking information.....	4
2. Quarterly Consolidated Financial Statements and Major Notes.....	5
(1) Quarterly consolidated balance sheet.....	5
(2) Quarterly consolidated statement of income and statement of comprehensive income.....	7
(3) Notes regarding the quarterly consolidated financial statements.....	9
(Notes regarding the going concern assumptions).....	9
(Changes of accounting policy).....	9
(Notes regarding significant changes in shareholders' equity).....	9
(Segment Information)	9
(Significant subsequent matter).....	9

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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 third quarter of the fiscal year ending September 2023.

Financial results for the cumulative consolidated Third quarter of the fiscal year ending September 2023 (October 1, 2022 to June 30, 2023) are as follows.

(Unit: Thousand Yen)

	Nine Months Ended June 30, 2022 (October 1, 2021 to June 30, 2022)	Nine Months Ended June 30, 2023 (October 1, 2022 to June 30, 2023)	Difference (%)
Revenue	7,446,363	12,003,785	61.2
Operating profit	563,736	976,666	73.2
Ordinary profit	562,966	973,092	72.9
Quarterly profit attributable to owners of parent	358,129	613,308	71.3

a. Revenue

We recorded revenue of ¥12,003,785 thousand (up 61.2% year on year).

During the three months ended June 30, 2023, while there were concerns over the “ninth wave” of COVID-19, the impact appeared to have been limited, and the move toward economic recovery continued; and as a result, in the offline cashless payment market in which the Group operates, the amount of payment processed increased in various industries. As the number of foreign visitors to Japan continues to be on a recovery trend, demand from inbound tourists also appeared to have contributed to a certain extent, and the number and amount of payment processed, our KPIs, showed strong growth.

The next-generation payment terminal stera continued to make a large contribution to sales of payment terminals, which account for most of initial sales. In the three months ended June 30, 2023, initial sales increased from the previous quarter as, just like in the previous quarter, shipping of payment terminals related to a large project which has been ongoing since October 2022 continued to remain at a high level, and also sales from small and medium-sized projects significantly increased.

Recurring-model revenue*, consisting of stock, fee and spread revenues, for the three months ended June 30, 2023 showed strong growth, boosted by continued recovery trend in economic activities with the COVID-19 situation calming down and the recovery in inbound demand with the number of foreign visitors growing. Also, with additional contribution from a continued increase in the number of active terminals, recurring revenue significantly increased from the three months ended March 31, 2023 which was an off-season. Spread revenue, which had previously shown slower growth than other recurring-model revenues, is on a recovery trend as it is showing growth in line with the plan following the implementation of various initiatives.

* Effective April 1, 2023, we changed the term referring to the total of stock, fee and spread revenues from “stock-model revenue” to “recurring-model revenue.”

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Revenue by business model for the nine months ended June 30, 2023 is as follows. Recurring-model revenue consists of stock, fee and spread revenues, and figures in parentheses represent a breakdown of recurring revenue.

(Unit: Thousand yen)

	Nine Months Ended June 30, 2022	Nine Months Ended June 30, 2023	Changes (%)
Initial	5,234,799	8,587,433	64.0
Recurring-model	2,211,563	3,416,352	54.5
Stock	(621,446)	(877,758)	(41.2)
Fee	(882,183)	(1,702,705)	(93.0)
Spread	(707,934)	(835,888)	(18.1)
Total	7,446,363	12,003,785	61.2

b. Operating profit

We recorded operating profit of ¥976,666 thousand (up 73.2% year on year).

While profitability of initial sales primarily consisting of sale of payment terminals is low, initial sales for the three months ended June 30, 2023 exceeded the plan, and an increase in the absolute amount of gross profit contributed to growth of operating profit. Also, as strong growth in initial sales led to increases in the number of active terminals and the number and amount of payments processed, high-margin recurring-model revenue also showed solid growth, enabling us to achieve a high level of growth of operating profit while making sufficient investment for employment of human resources to support growth, return to officers and employees, and various growth investments.

c. Profit attributable to owners of parent

We recorded profit attributable to owners of parent of ¥613,308 thousand (up 71.3% year on year).

(2) Discussion of financial position

(Assets)

As of June 30, 2023, current assets increased ¥1,909,388 thousand from September 30, 2022 to ¥6,925,446 thousand. This was mainly because merchandise increased ¥1,226,647 thousand as we increased the payment terminal inventory to a certain level based on the sales forecast, and trade accounts receivable increased ¥553,623 thousand and cash and cash equivalents increased ¥260,592 thousand due to strong sales of payment terminals. Non-current assets increased ¥70,170 thousand from September 30, 2022 to ¥1,692,127 thousand mainly due to an increase in software of ¥91,694 thousand despite a decrease in goodwill of ¥33,328 thousand. As a result, total assets increased ¥1,979,559 thousand from September 30, 2022 to ¥8,617,573 thousand.

(Liabilities)

As of June 30, 2023, current liabilities increased ¥185,993 thousand from September 30, 2022 to ¥2,114,779 thousand. This was mainly because accounts payable increased ¥215,583 thousand. Non-current liabilities increased ¥1,502,209 thousand from September 30, 2022 to ¥1,540,780 thousand mainly due to an increase in long-term loans payable of ¥1,500,000 thousand.

As a result, total liabilities increased ¥1,688,203 thousand from September 30, 2022 to ¥3,655,560 thousand.

(Net assets)

As of June 30, 2023, total net assets increased ¥291,355 thousand from September 30, 2022 to ¥4,962,013 thousand. This was mainly because retained earnings increased ¥613,308 thousand due to recording of profit attributable to owners of parent while retained earnings decreased ¥239,539 thousand due to distribution of dividend from surplus and treasury stock increased ¥120,902 thousand.

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

We have revised the consolidated earnings forecasts for the fiscal year ending September 30, 2023 announced on May 11, 2023.

The outlook of the Japanese economy remains uncertain due to factors including rising prices, market speculation about changes to the monetary policy, and specter of recession. In the meanwhile, 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 circumstances, the Group has been focusing on increasing the number and amount of payments processed through provision of the next-generation payment terminals with an aim to increase our share in the offline cashless payment market. By steadily carrying out the strategy towards the market share increase, we were able to provide more next-generation payment terminals than we planned during the three months ended June 30, 2023 and steadily increase the number of active terminals and the number and amount of payments processed, which the Group considers key figures, which contributed to strong growth in revenue. In light of such results, we carefully examined the forecast of initial revenue (sales forecast of payment terminals) and recurring-model revenue for the three months ending September 30, 2023, and as a result, we upwardly revised the consolidated revenue forecast for the fiscal year ending September 30, 2023 to ¥15,000 million, an increase by ¥1,400 million from the previous forecast.

Consolidated profit forecast remains unchanged from the forecast announced on May 11, 2023 as we plan to use the estimated excess of consolidated profit over the forecast for investment in growth in future periods, including recruiting activities to enhance management structure, return of profits to employees in the form of bonus, improvement of operational infrastructure to reinforce systems.

Please refer to “Announcement of Revisions to Consolidated Financial Forecast for the Fiscal Year Ending September 30, 2023” released today (August 9) for more detail.

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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, 2022)	End of Q3 of current consolidated fiscal year (June 30, 2023)
Assets		
Current assets		
Cash and cash equivalents	2,519,185	2,779,777
Trade accounts receivable	630,851	1,184,474
Merchandise	1,506,845	2,733,492
Other financial assets	362,240	238,558
Allowance of doubtful accounts	△3,065	△10,857
Total current assets	5,016,057	6,925,446
Non-current assets		
Property, plant and equipment	79,685	89,357
Intangible fixed assets		
Software	989,279	1,080,973
Software in progress	103,872	113,267
Customer-related assets	85,621	53,513
Goodwill	177,753	144,424
Other intangible fixed assets	60	60
Total intangible fixed assets	1,356,587	1,392,239
Investments and other assets		
Lease deposits	47,801	47,225
Bankruptcy rehabilitation claims	1,021	1,019
Deferred tax assets	137,863	130,818
Other investments and other	19	32,486
Allowance for doubtful accounts	△1,021	△1,019
Total investments and other assets	185,683	210,530
Totale non-current assets	1,621,956	1,692,127
Total assets	6,638,014	8,617,573

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	(Unit: Thousand yen)	
	End of previous consolidated fiscal year (September 30, 2022)	End of Q3 of current consolidated fiscal year (June 30, 2023)
Liabilities		
Current liabilities		
Account payable	814,649	1,030,233
Income taxes payable	253,018	95,254
Contract liabilities	34,343	73,958
Deposits received	173,421	362,194
Allowance for employees' bonuses	241,500	251,120
Allowance for directors' bonuses	59,300	61,790
Other current liabilities	352,552	240,228
Total current liabilities	1,928,785	2,114,779
Non-current liabilities		
Long term borrowing	—	1,500,000
Provision for employee stock ownership plan trust	166	3,434
Provision for management board benefit trust	11,977	20,960
Deferred tax liabilities	26,217	16,385
Other non-current liabilities	210	—
Total non-current liabilities	38,571	1,540,780
Total liabilities	1,967,356	3,655,560
Net assets		
Shareholders' equity		
Capital stock	1,617,987	1,629,932
Capital surplus	1,631,098	1,643,043
Retained earnings	1,257,124	1,630,894
Treasury stock	△2,627	△123,529
Total shareholders' equity	4,503,581	4,780,339
Non-controlling interests	167,075	181,673
Total net assets	4,670,657	4,962,013
Total liabilities and net assets	6,638,014	8,617,573

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

Quarterly consolidated statement of income

(Q3 cumulative)

	(Unit: Thousand yen)	
	Q3 FY2022 (October 1, 2021 to June 30, 2022)	Q3 FY2023 (October 1, 2022 to June 30, 2023)
Revenue	7,446,363	12,003,785
Cost of goods sold	5,511,729	9,103,131
Gross profit	1,934,633	2,900,654
Selling, general and administrative expenses	1,370,897	1,923,987
Operating profit	563,736	976,666
Non-operating income		
Interest income	14	12
Other non-operating income	103	3
Total non-operating income	117	16
Non-operating expense		
Interest expense	886	3,557
Other non-operating expense	—	32
Total non-operating expense	886	3,590
Ordinary profit	562,966	973,092
Extraordinary loss		
Loss on retirement of non-current assets	—	11,920
Total extraordinary loss	—	11,920
Profit before income taxes	562,966	961,172
Corporation income tax, resident tax, business tax	215,460	336,052
Corporation income taxes deferred	△13,275	△2,786
Total corporation income taxes	202,184	333,265
Profit	360,782	627,906
Profit attributable to non-controlling shareholder	2,652	14,598
Profit attributable to owners of parent	358,129	613,308

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Quarterly consolidated statement of comprehensive income
(Q3 cumulative)

	(Unit: Thousand yen)	
	Q3 FY2022 (October 1, 2021 to June 30, 2022)	Q3 FY2023 (October 1, 2022 to June 30, 2023)
Profit	360,782	627,906
Comprehensive income	360,782	627,906
(Breakdown)		
Comprehensive income attributable to owners of parent	358,129	613,308
Comprehensive income attributable to non-controlling shareholder	2,652	14,598

(3) Notes regarding the quarterly consolidated financial statements

(Notes regarding going concern assumptions)

Not applicable

(Changes of accounting policy)

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

The "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 31, June 17, 2021. Hereinafter referred to as "Accounting Standard for Calculation of Fair Value") is applied from the beginning of the first quarter current fiscal year, and the transitional treatment prescribed in Paragraph 27-2 of the Accounting Standard for Calculation of Fair Value is applied. In accordance with the treatment, the new accounting policy stipulated by the fair value accounting standard will be applied prospectively. There is 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