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Summary of Consolidated Financial Statements for the Third Quarter FY2021 (Based on Japanese GAAP)

August 10, 2021

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
 Contact: Masamitsu Ikezawa Director & Administrative Division Executive Manager Tel: +81-3-6416-3881
 Scheduled submission date of quarterly report: August 11, 2021 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, FY2021

(From October 1, 2020 to June 30, 2021)

(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 FY2021	4,837	70.6	466	12.0	467	16.9	311	30.5
Q3 FY2020	2,834	—	416	—	400	—	238	—

(*) Comprehensive profit Q3 FY2021 279 Mil.Yen (27.7%) Q3 FY2020 219 Mil.Yen (—%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q3 FY2021	77.62	74.87
Q3 FY2020	66.43	—

(Notes)

1. Since GMO Financial Gate did not prepare quarterly consolidated financial statements for the third quarter of the fiscal year ended September 30, 2019, the percentage change from the same quarter of the previous fiscal year for the third quarter of the fiscal year ended September 30, 2020 is not shown.
2. Although shares with dilutive effect exist, diluted earnings per share for the third quarter of the fiscal year ended September 2020 is not presented herein as the company was not publicly listed at the time and we cannot determine the average share price for the period in question.
3. GMO Financial Gate conducted a 30-for-1 stock split for common stock on February 14, 2020. Quarterly net income per share has been calculated assuming the stock split was conducted at the beginning of the fiscal year ended September 2020.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Mil.Yen	Mil.Yen	%
Q3 FY2021	6,673	4,262	61.4
FY2020	6,124	4,018	62.4

(Note) Equity capital Q3 FY2021 4,095 Mil.Yen FY2020 3,819 Mil.Yen

2. Dividends

	Annual Dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2020	—	0.00	—	40.00	40.00
FY2021	—	0.00	—	—	—
FY2021(forecast)	—	—	—	47.00	47.00

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

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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)	6,500	76.1	589	30.1	587	36.9	368	26.1	91.22

(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 Third Quarter of the Fiscal Year Ending September 2021 and Revision of Consolidated earnings Forecasts*, published today (August 10, 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)	Q3 FY2021	4,083,670	FY2020	3,948,370
[2] Number of treasury shares at the end of the term	Q3 FY2021	29	FY2020	—
[3] Average number of shares during the term	Q3 FY2021	4,014,766	Q3 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 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 judgments as of the end of the cumulative consolidated third quarter of the fiscal year ending September 2021.

Financial results for the cumulative consolidated third quarter of the fiscal year ending September 2021 (October 1, 2020 to June 30, 2021) are as follows.

(Unit: Thousand Yen)

	Nine Months Ended June 30, 2020 (October 1, 2019 to June 30, 2020)	Nine Months Ended June 30, 2021 (October 1, 2020 to June 30, 2021)	Difference (%)
Revenue	2,834,885	4,837,219	70.6
Operating profit	416,469	466,636	12.0
Ordinary profit	400,084	467,782	16.9
Quarterly profit attributable to owners of parent	238,834	311,637	30.5

a. Revenue

We recorded revenue of ¥4,837,219 thousand (up 70.6% year on year) due to strong sales of payment terminals in addition to the expansion of the offline cashless payment market as a safe payment method despite the lingering effect of COVID-19.

Initial revenue grew at a faster pace than projected in the management target as sales of *stera* terminals launched in July 2020 continued to grow, and also there was a one-time increase in sales of payment terminals associated with a large-scale international event during the three months ended June 30, 2021. Stock-model revenue also showed steady growth with increases in the number of terminals in use and the number and amount of payments processed as a result of our efforts to develop new member merchants.

b. Operating profit

We recorded operating profit of ¥466,636 thousand (up 12.0% year on year). For the six months ended March 31, 2021, we posted a year-on-year decrease of 7.7% in operating profit due to an absence of a special factor of profit related to the point reward project for cashless payment which was recorded a year earlier. However, in the comparison of the three months ended June 30 alone, operating profit increased 2.1 times in 2021 from 2020 due to a steady increase in profit during the three months ended June 30, 2021 while profit for the three months ended June 30, 2020 was at a low level as it was largely affected by a nationwide state of emergency declared. As a result, for the nine months ended June 30, 2021, operating profit increased year on year as planned.

c. Quarterly profit attributable to owners of parent

We recorded profit attributable to owners of parent of ¥311,637 thousand (up 30.5% year on year). We recorded loss attributable to non-controlling shareholder of ¥31,671 thousand related to GMO DATA, Inc., our consolidated subsidiary in which we hold a 51% stake, contributing to an increase in profit attributable to owners of parent.

(2) Discussion of financial position

(Assets)

As of June 30, 2021, current assets increased ¥424,304 thousand from September 30, 2020 to ¥5,448,388 thousand. This was mainly because cash and cash equivalents and trade accounts receivables increased ¥648,413 thousand and ¥200,779 thousand, respectively, despite a decrease of ¥331,248 thousand in merchandise. Non-current assets increased ¥124,777 thousand from September 30, 2020 to ¥1,225,558 thousand mainly due to an increase in software of ¥204,959 thousand despite decreases in goodwill of ¥33,328 thousand and in customer-related assets of ¥32,108 thousand due to amortization.

As a result, total assets increased ¥549,081 thousand from September 30, 2020 to ¥6,673,947 thousand.

(Liabilities)

As of June 30, 2021, current liabilities increased ¥321,627 thousand from September 30, 2020 to ¥2,368,388 thousand. This was mainly because advance received included in other current liabilities and deposits received increased ¥235,539 thousand and ¥161,656 thousand, respectively, despite a decrease of ¥112,532 thousand in income taxes payable. Non-current liabilities decreased ¥16,513 thousand from September 30, 2020 to ¥43,423 thousand mainly due to decreases in deferred tax liabilities of ¥9,831 thousand and in long-term lease obligations included in other non-current liabilities of ¥6,182 thousand.

As a result, total liabilities increased ¥305,113 thousand from September 30, 2020 to ¥2,411,812 thousand.

(Net Assets)

As of June 30, 2021, total net assets increased ¥243,967 thousand from September 30, 2020 to ¥4,262,134 thousand. This was mainly because retained earnings increased ¥311,637 thousand due to recording of profit attributable to owners of parent while retained earnings decreased ¥157,934 thousand due to distribution of dividend from surplus.

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

We revised the consolidated earnings forecasts for the year ending September 30, 2021 from those previously released on May 12, 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.

As described in “(1) Discussion of operating results, a. Revenue,” we posted revenue of ¥4,837 million for the nine months ended June 30, 2021, achieving 92.2% of the revenue forecast before revision of ¥5,249 million and largely exceeding the amount prorated for the number of days from October 1, 2020 due to a growth in sales of stera terminals and a steady increase in stock-model revenue. Accordingly, we carefully re-examined sales forecast for payment terminals and the impact on stock-model revenue of the declaration of a state of emergency amid the COVID-19 crisis for the three months ending September 30, 2021 and reviewed the earnings forecasts for the year ending September 30, 2021; and as a result, we upwardly revised the revenue forecast to ¥6,500 million.

In terms of profit forecast for the year ending September 30, 2021, we decided to leave the original forecast unchanged for the following reasons: in light of the fact that the upward revision of revenue during the nine months ended June 30, 2021 and for the full-year forecasts was mainly attributable to a growth in sales of stera terminals with a low gross margin ratio and that the government implemented quasi-emergency measures and declared another state of emergency in response to resurgence of COVID-19, we must make a careful assessment of the payment trends among member merchants for the three month ending September 30, 2021; the growth of stock-model revenue with a relatively high profit ratio may remain weak; we plan to incur recruiting cost to enhance our management structure as a growth investment for the next fiscal year and beyond; and we plan to return our accomplishment to employees in the form of bonuses reflecting the business performance.

For more information, please see “Notice Concerning Revision of the Consolidated Earnings Forecasts for the Year Ending September 30, 2021” released today (August 10, 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 Q3 of current consolidated fiscal year (March 31, 2021)
Assets		
Current assets		
Cash and cash equivalents	2,946,028	3,594,441
Trade accounts receivables	313,409	514,188
Merchandise	1,431,692	1,100,444
Other financial assets	334,732	241,614
Allowance for doubtful accounts	(1,777)	△2,301
Total current assets	5,024,084	5,448,388
Non-current assets		
Property, plant and equipment	58,898	51,907
Intangible fixed assets		
Software	431,270	636,229
Software in progress	77,588	96,236
Customer-related assets	171,243	139,135
Goodwill	266,630	233,301
Other intangible fixed assets	5,880	3,381
Total intangible fixed assets	952,613	1,108,285
Investments and other assets		
Lease deposits	24,488	23,856
Bankruptcy rehabilitation claims	251	1,085
Deferred tax assets	61,297	41,490
Other investments and other assets	3,484	18
Allowance for doubtful accounts	(251)	△1,085
Total investments and other assets	89,269	65,365
Total non-current assets	1,100,781	1,225,558
Total assets	6,124,865	6,673,947

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	(Unit: Thousand yen)	
	End of previous consolidated fiscal year (September 30, 2020)	End of Q3 of current consolidated fiscal year (June 30, 2021)
Liabilities		
Current liabilities		
Accounts payable	499,574	492,057
Income taxes payable	158,334	45,802
Deposits received	1,064,278	1,225,935
Allowance for employees' bonuses	95,300	48,320
Allowance for directors' bonuses	38,500	15,740
Other current liabilities	190,773	540,533
Total current liabilities	2,046,761	2,368,388
Non-current liabilities		
Deferred tax liabilities	52,434	42,603
Other non-current liabilities	7,501	820
Total non-current liabilities	59,936	43,423
Total liabilities	2,106,698	2,411,812
Net assets		
Shareholders' equity		
Capital stock	1,533,123	1,594,330
Capital surplus	1,546,234	1,607,441
Retained earnings	740,576	894,279
Treasury stock	—	△478
Total shareholders' equity	3,819,934	4,095,572
Share options	0	—
Non-controlling interests	198,233	166,562
Total net assets	4,018,167	4,262,134
Total liabilities and net assets	6,124,865	6,673,947

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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 FY2020 (From October 1, 2019 to June 30, 2020)	Q3 FY2021 (From October 1, 2020 to June 30, 2021)
Revenue	2,834,885	4,837,219
Cost of goods sold	1,537,238	3,330,792
Gross profit	1,297,646	1,506,427
Selling, general and administrative expense	881,176	1,039,790
Operating profit	416,469	466,636
Non-operating income		
Interest income	101	60
Other non-operating income	75	1,209
Total non-operating income	177	1,270
Non-operating expenses		
Interest expense	201	122
Stock listing-related expenses	16,358	—
Other non-operating expenses	2	2
Total non-operating expenses	16,563	124
Ordinary profit	400,084	467,782
Extraordinary loss		
Office relocation expense	2,548	—
Loss on retirement of fixed assets		898
Total extraordinary loss	2,548	898
Profit before income taxes	397,536	466,883
Corporation income tax, resident tax, business tax	184,773	176,942
Corporation income taxes deferred	△6,451	9,974
Total corporation income taxes	178,321	186,917
Profit	219,214	279,966
Profit attributable to non-controlling shareholder	△19,620	△31,671
Profit attributable to owners of parent	238,834	311,637

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Quarterly consolidated statement of comprehensive income
(Q3 cumulative)

	(Unit: Thousand yen)	
	Q3 FY2020 (From October 1, 2019 to June 30, 2020)	Q3 FY2021 (From October 1, 2020 to June 30, 2021)
Profit	219,214	279,966
Comprehensive income	219,214	279,966
(Breakdown)		
Comprehensive income attributable to owners of parent	238,834	311,637
Comprehensive income attributable to non-controlling shareholder	(19,620)	(31,671)

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(3) 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]

Q3 FY2020 (From October 1, 2019 to June 30, 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.

Q3 FY2021 (From October 1, 2020 to June 30, 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.