



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

May 11, 2023

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 12, 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 Second Quarter, FY2023

(From October 1, 2022 to March 31, 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	%
Q2 FY2023	7,264	62.6	635	71.4	633	71.1	394	68.5
Q2 FY2022	4,468	58.7	370	16.3	370	16.0	234	10.6

(*) Comprehensive profit Q2 FY2023 398Mil.Yen(70.9%) Q2 FY2022 233Mil.Yen(23.2%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q2 FY2023	47.77	47.42
Q1 FY2022	28.45	28.09

(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	%
Q2 FY2023	8,493	4,732	53.7
FY2022	6,638	4,670	67.8

(Note) Equity Capital Q2 FY2023 4,561 Mil.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 : Yes

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)	13,620	32.3	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)

Q2 FY2023	8,305,340	FY2022	8,260,220
Q2 FY2023	19,188	FY2022	252
Q2 FY2023	8,254,844	Q2 FY2022	8,228,159

[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, Q2 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.

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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	4,468,335	7,264,812	62.6
Operating profit	370,952	635,642	71.4
Ordinary profit	370,591	633,973	71.1
Quarterly profit attributable to owners of parent	234,115	394,368	68.5

a. Revenue

We recorded revenue of ¥7,264,812 thousand (up 62.6% year on year).

During the three months ended March 31, 2023, the amount of payment processed at member merchants using our payment platform steadily increased as the impact of COVID-19 is fading and the move toward economic recovery is accelerating despite the general trend that the growth slows down in the three months ended March 31 every year in comparison to the three months ended December 31 at most member merchants due to seasonal factors. 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 as a result, the number and amount of payment processed, our KPIs, showed strong growth compared to the three months ended December 31, 2022.

Sales of stera terminals continued to make a large contribution to sales of payment terminals which account for most of initial sales. Especially in the three months ended March 31, 2023, initial sales significantly increased due to a further increase in shipping and installment of payment terminals in connection with a large project which has been contributing to revenue since the three months ended December 31, 2022 as well as an increase in sales from small and medium-sized projects.

Stock-model revenue, consisting of stock, fee and spread revenues, generally tends to grow at a slower pace in the three months ended March 31, which include the off-season from January to February, compared to the three months ended December 31, which include the peak season with year-end sales campaign. However, stock-model revenue for the three months ended March 31, 2023 exceeded that for the three months ended December 31, 2022, boosted by economic recovery at an accelerated pace and recovery in demand from inbound tourists. Spread revenue, which had previously shown slower growth than other stock-model revenues, showed growth in line with the plan as a result of initiatives for accelerating spread revenue.

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Revenue by business model for the six months ended March 31, 2023 is as follows.

(Unit: Thousand yen)

	Six Months Ended March 31, 2022	Six Months Ended March 31, 2023	Changes (%)
Initial	3,098,100	5,125,787	65.4
Stock-model	1,370,234	2,139,025	56.1
Stock	(392,376)	(543,371)	(38.5)
Fee	(520,919)	(1,059,585)	(103.4)
Spread	(456,938)	(536,069)	(17.3)
Total	4,468,335	7,264,812	62.6

(Note) Stock-model revenue consists of stock, fee and spread revenues. Figures in parentheses represent a breakdown of stock-model revenue.

b. Operating profit

We recorded operating profit of ¥635,642 thousand (up 71.4% year on year).

While profitability of initial sales primarily consisting of sale of payment terminals is low, increases in the number of active terminals and the number and amount of payments processed led to the growth in high-margin stock-model revenue, contributing to a profit increase. While we continued employment of human resources to support growth, return to officers and employees, and various growth investments in the three months ended March 31, 2023, we achieved solid growth in operating profit with a higher year-on-year growth rate than revenue through an appropriate cost management.

c. Profit attributable to owners of parent

We recorded profit attributable to owners of parent of ¥394,368 thousand (up 68.5% year on year).

(2) Discussion of financial position

(a) Summary of assets, liabilities and net assets

(Assets)

As of March 31, 2023, current assets increased ¥1,825,895 thousand from September 30, 2022 to ¥6,841,953 thousand. This was mainly because merchandise increased ¥1,624,512 thousand as we increased the payment terminal inventory to a certain level based on the sales forecast and trade accounts receivable increased ¥549,498 thousand due to strong sales of payment terminals while cash and cash equivalents decreased ¥328,838 thousand. Non-current assets increased ¥29,430 thousand from September 30, 2022 to ¥1,651,387 thousand mainly due to an increase in software in progress of ¥71,075 thousand despite a decrease in deferred tax assets of ¥48,004 thousand.

As a result, total assets increased ¥1,855,326 thousand from September 30, 2022 to ¥8,493,340 thousand.

(Liabilities)

As of March 31, 2023, current liabilities increased ¥1,291,925 thousand from September 30, 2022 to ¥3,220,711 thousand. This was mainly because short-term loans payable and accounts payable increased ¥1,000,000 thousand and ¥492,692 thousand, respectively, while income taxes payable and allowance for employees' bonuses decreased ¥132,995 thousand and ¥119,140 thousand, respectively. Non-current liabilities increased ¥501,403 thousand from September 30, 2022 to ¥539,974 thousand mainly due to an increase in long-term loans payable of ¥500,000 thousand.

As a result, total liabilities increased ¥1,793,328 thousand from September 30, 2022 to ¥3,760,685 thousand.

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(Net assets)

As of March 31, 2023, total net assets increased ¥61,997 thousand from September 30, 2022 to ¥4,732,654 thousand. This was mainly because retained earnings increased ¥394,368 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.

(b) Cash flows

As of March 31, 2023, cash and cash equivalents ("cash") decreased ¥206,605 thousand from September 30, 2022 to ¥2,180,579 thousand.

The following is a summary of cash flows from each activity during the six months ended March 31, 2023.

(Cash flows from operating activities)

Cash used in operating activities during the six months ended March 31, 2023 was ¥1,196,051 thousand (cash used of ¥1,842,590 thousand for the six months ended March 31, 2022). While cash increased due to recording of profit before income taxes of ¥622,053 thousand, cash decreased due mainly to increases in inventory of ¥1,624,534 thousand and in trade receivables of ¥549,497 thousand and income taxes paid of ¥315,594 thousand.

(Cash flows from investing activities)

Cash used in investing activities during the six months ended March 31, 2023 was ¥293,544 thousand (cash used of ¥304,485 thousand for the six months ended March 31, 2022) mainly because cash decreased due to purchase of intangible fixed assets of ¥226,560 thousand and purchase of property, plant and equipment of ¥66,968 thousand.

(Cash flows from financing activities)

Cash provided by financing activities during the six months ended March 31, 2023 was ¥1,282,990 thousand (cash provided of ¥331,797 thousand for the six months ended March 31, 2022) mainly because cash increased due to an increase in short-term loans payable of ¥1,000,000 thousand and proceeds from long-term loans payable of ¥500,000 thousand while cash decreased due to payments of dividends of ¥239,539 thousand.

(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 November 14, 2022.

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. The economy is now returning to its pre-pandemic level, and such trend is expected to continue with the Japanese government downgrading the legal status of COVID-19 to "Class 5 infectious disease" from May 8, 2023. Although the future outlook remains uncertain due to price hikes, market speculation about changes to the monetary policy under the new Bank of Japan Governor, and specter of recession, we expect to record revenue of ¥13,620 million (up 32.3% year on year), operating profit of ¥1,020 million (up 37.7% year on year), ordinary profit of ¥1,018 million (up 36.5% year on year) and profit attributable to owners of parent of ¥631 million (up 33.6% 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 active terminals.

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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 Q2 of current consolidated fiscal year (March 31, 2023)
Assets		
Current assets		
Cash and cash equivalents	2,519,185	2,190,347
Trade accounts receivable	630,851	1,180,350
Merchandise	1,506,845	3,131,357
Other financial assets	362,240	350,660
Allowance of doubtful accounts	△3,065	△10,762
Total current assets	5,016,057	6,841,953
Non-current assets		
Property, plant and equipment	79,685	93,903
Intangible fixed assets		
Software	989,279	995,168
Software in progress	103,872	174,948
Customer-related assets	85,621	64,216
Goodwill	177,753	155,534
Other intangible fixed assets	60	60
Total intangible fixed assets	1,356,587	1,389,927
Investments and other assets		
Lease deposits	47,801	47,417
Bankruptcy rehabilitation claims	1,021	1,019
Deferred tax assets	137,863	89,858
Other investments and other	19	30,280
Allowance for doubtful accounts	△1,021	△1,019
Total investments and other assets	185,683	167,556
Total non-current assets	1,621,956	1,651,387
Total assets	6,638,014	8,493,340

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	(Unit: Thousand yen)	
	End of previous consolidated fiscal year (September 30, 2022)	End of Q2 of current consolidated fiscal year (March 31, 2023)
Liabilities		
Current liabilities		
Account payable	814,649	1,307,341
Short term borrowing	—	1,000,000
Income taxes payable	253,018	120,023
Contract liabilities	34,343	61,978
Deposits received	173,421	297,227
Allowance for employees' bonuses	241,500	122,360
Allowance for directors' bonuses	59,300	61,790
Other current liabilities	352,552	249,989
Total current liabilities	1,928,785	3,220,711
Non-current liabilities		
Long term borrowing	—	500,000
Provision for employee stock ownership plan trust	166	2,345
Provision for management board benefit trust	11,977	17,966
Deferred tax liabilities	26,217	19,663
Other non-current liabilities	210	—
Total non-current liabilities	38,571	539,974
Total liabilities	1,967,356	3,760,685
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	1,411,953
Treasury stock	△2,627	△123,529
Total shareholders' equity	4,503,581	4,561,398
Non-controlling interests	167,075	171,255
Total net assets	4,670,657	4,732,654
Total liabilities and net assets	6,638,014	8,493,340

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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 FY2022 (October 1, 2021 to March 31, 2022)	Q2 FY2023 (October 1, 2022 to March 31, 2023)
Revenue	4,468,335	7,264,812
Cost of goods sold	3,258,241	5,518,271
Gross profit	1,210,093	1,746,541
Selling, general and administrative expenses	839,141	1,110,898
Operating profit	370,952	635,642
Non-operating income		
Interest income	12	11
Other non-operating income	101	3
Total non-operating income	114	14
Non-operating expense		
Interest expense	475	1,651
Other non-operating expense	—	32
Total non-operating expense	475	1,684
Ordinary profit	370,591	633,973
Extraordinary loss		
Loss on retirement of non-current assets	—	11,920
Total extraordinary loss	—	11,920
Profit before income taxes	370,591	622,053
Corporation income tax, resident tax, business tax	131,420	182,054
Corporation income taxes deferred	5,900	41,450
Total corporation income taxes	137,320	223,505
Profit	233,270	398,548
Profit attributable to non-controlling shareholder (△)	△844	4,180
Profit attributable to owners of parent	234,115	394,368

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Quarterly consolidated statement of comprehensive income
(Q2 cumulative)

	(Unit: Thousand yen)	
	Q2 FY2022 (October 1, 2021 to March 31, 2022)	Q2 FY2023 (October 1, 2022 to March 31, 2023)
Profit	233,270	398,548
Comprehensive income	233,270	398,548
(Breakdown)		
Comprehensive income attributable to owners of parent	234,115	394,368
Comprehensive income attributable to non-controlling shareholder	△844	4,180

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(3) Quarterly consolidated statement of cash flows

	(Unit :Thousand Yen)	
	Q2 FY2022 (From October 1, 2021 to March 31, 2022)	Q2 FY2023 (From October 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	370,591	622,053
Depreciation	142,721	187,930
Amortization of goodwill	22,219	22,219
Increase(decrease) in allowance for employees' bonuses	△31,603	△119,140
Increase(decrease) in allowance for directors' bonuses	10,800	2,490
Increase(decrease) in provision for share-based remuneration	—	2,178
Increase(decrease) in provision for share-based remuneration for directors	—	5,988
Increase(decrease) in allowance for doubtful accounts	407	7,696
Loss on retirement of non-current assets	—	11,920
Interest income	△12	△11
Interest expense	475	1,651
Decrease(increase) in trade accounts receivables	△149,415	△549,497
Decrease(increase) in inventories	△908,580	△1,624,534
Increase(decrease) in trade payables	△110,280	492,692
Increase(decrease) in deposits received	△931,014	123,806
Other, net	△131,282	△66,260
Subtotal	△1,714,975	△878,816
Interest income received	12	11
Interest expense paid	△475	△1,651
Income taxes paid	△127,152	△315,594
Net cash provided by (used in) operating activities	△1,842,590	△1,196,051
Cash flows from investing activities		
Purchase of property, plant and equipment	△4,857	△66,968
Purchase of intangible fixed assets	△299,608	△226,560
Other, net	△18	△15
Net cash provided by (used in) investing activities	△304,485	△293,544
Cash flows from financing activities		
Net increase(decrease) in short term borrowing	500,000	1,000,000
Proceeds from long term borrowing	—	500,000
Proceeds from issuance of shares resulting from exercise of share acquisition rights	25,080	23,890
Purchase of treasury shares	△718	△1,137
Dividend paid	△188,449	△239,539
Other, net	△4,116	△223
Net cash provided by (used in) financing activities	331,797	1,282,990
Net increase(decrease) in cash and cash equivalents	△1,815,278	△206,605
Cash and cash equivalents at beginning of period	3,433,620	2,387,185
Cash and cash equivalents at end of period	1,618,341	2,180,579

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(4) 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