

Summary of Consolidated Financial Statements for the First Quarter of FY2020 (IFRS)

February 12, 2020

Exchange: First Section of Tokyo Stock Exchange

| | | | |
|---|--|---|---|
| Name of listed company: | GMO Payment Gateway, Inc. | | |
| Stock code: | 3769 | URL: | https://corp.gmo-pg.com/en/ |
| Representative: | Issei Ainoura | President & Chief Executive Officer | |
| Contact: | Ryu Muramatsu | Director, Executive Vice President | Tel: +81-3-3464-0182 |
| Scheduled submission date of quarterly report | February 13, 2019 | 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 First Quarter, FY2020 (From October 1, 2019 to December 31, 2019)

(1) Consolidated Financial Statements (Cumulative) (Percentages represent year-on-year % change)

| | Revenue | | Operating profit | | Profit before income taxes | | Profit | | Profit attributable to owners of parent | | Total comprehensive income | |
|-----------|-------------|------|------------------|------|----------------------------|------|-------------|------|---|------|----------------------------|-------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Q1 FY2020 | 9,030 | 9.5 | 2,080 | 0.2 | 2,728 | 41.0 | 1,754 | 67.1 | 1,729 | 60.2 | 1,989 | 832.9 |
| Q1 FY2019 | 8,246 | 35.2 | 2,076 | 30.2 | 1,934 | 22.0 | 1,050 | 22.9 | 1,079 | 25.4 | 213 | △79.7 |

| | Basic earnings per share | Diluted earnings per share |
|-----------|--------------------------|----------------------------|
| | Yen | Yen |
| Q1 FY2020 | 23.51 | 22.95 |
| Q1 FY2019 | 14.67 | 14.39 |

(2) Consolidated Financial Position

| | Total assets | Total equity | Total equity attributable to owners of parent | Total equity attributable to owners of parent to total assets |
|-----------|--------------|--------------|---|---|
| | Million yen | Million yen | Million yen | % |
| Q1 FY2020 | 171,904 | 26,767 | 25,735 | 15.0 |
| FY2019 | 139,990 | 27,539 | 26,494 | 18.9 |

2. Dividends

| | Full-year dividend | | | | |
|-------------------|--------------------|-----------|-----------|----------|-------|
| | End of Q1 | End of Q2 | End of Q3 | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| FY2019 | 0.00 | 0.00 | 0.00 | 36.00 | 36.00 |
| FY2020 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| FY2020 (forecast) | 0.00 | 0.00 | 0.00 | 42.00 | 42.00 |

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

3. Consolidated Financial Forecast for the Fiscal Year Ending September 2020 (From October 1, 2019 to September 30, 2020)

(Full year % represents previous term comparison; Interim % represents year-on-year change)

| | Revenue | | Operating profit | | Profit before income taxes | | Profit | | Profit attributable to owners of parent | | Basic earnings per share |
|----------------------------|-------------|------|------------------|------|----------------------------|------|-------------|------|---|------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| 2Q of FY 2020 (cumulative) | 17,116 | 6.9 | 4,363 | 2.5 | 4,122 | △0.3 | 2,597 | 1.9 | 2,533 | △1.7 | 34.44 |
| Full year | 36,618 | 14.0 | 10,376 | 25.0 | 9,867 | 22.8 | 6,216 | 23.0 | 6,110 | 16.0 | 83.06 |

(Note) Revision of the most recently released financial forecast: No

Notices:

- (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) Changes in the accounting policy / changes in the accounting estimation
 - [1] Changes in accounting policy required by IFRS.: Yes
 - [2] Changes in accounting policy other than [1]: No
 - [3] Changes in accounting estimations: No
- (3) Number of shares issued (common stock)
 - [1] Number of shares issued at the end of the term Q1 FY2020: 74,301,000 FY 2019: 74,301,000
(including treasury stock)
 - [2] Number of treasury shares at the end of the term Q1 FY2020: 739,281 FY 2019: 739,281
 - [3] Average number of shares during the term Q1 FY2020: 73,561,719 Q1 FY2019: 73,563,591

(Note 1) Number of treasury shares at the end of the term above include the shares attributed to the directors' remuneration board incentive plan trust and J-ESOP (734,205 shares for FY2019; 734,205 shares for 1Q FY2020.)

*These quarterly financial statements are not subject to the quarterly review procedures.

* Notes regarding the appropriate use of financial forecast and other important notes

1. The above forecasts are outlooks based on information currently available, and include various uncertain factors. Actual performance may differ substantially from the forecasts due to changes in business conditions and other factors. For the assumption on which financial forecasts are based and matters to be considered in using financial forecasts, please refer to “(3) Review of consolidated earnings forecasts and other forecasts” under “1. Qualitative Information on Consolidated Financial Statements for the Quarter” on page 9 of the attachment.
- 2 Results Presentation for Investors and Analysts to be held on February 13, 2020. Supporting materials and a video of the presentation will be made available on the company's website after the event.

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1. Qualitative Information on Consolidated Financial Statements for the Quarter

(1) Consolidated operating results

Forward-looking statements in the document are based on the judgement of the Group at the end of the quarter under review.

① Consolidated operating results

The Group announces its earnings results for the cumulative first quarter of the cumulative consolidated fiscal year (October 1, 2019 to December 31, 2019) as follows.

(Unit: Thousand yen)

| | First three months of the previous consolidated fiscal year (From October 1, 2018 to December 31, 2018) | First three months of the current consolidated fiscal year (From October 1, 2019 to December 31, 2019) | Rate of change (%) |
|---|--|---|--------------------|
| Revenue | 8,246,908 | 9,030,314 | 9.5 |
| Operating profit | 2,076,207 | 2,080,505 | 0.2 |
| Profit before income taxes | 1,934,930 | 2,728,844 | 41.0 |
| Profit attributable to owners of parent | 1,079,216 | 1,729,329 | 60.2 |

a. Revenue

The Group's revenue reached to ¥9,030 mil., up by 9.5 % year-on-year. The Payment Processing Business revenue continued to grow thanks to the steady growth of E-Commerce (EC) market, coupled with the expansion of the Group's service coverage to non-EC operators. The Money Service Business (MSB) revenue grew from the favorable trends seen in GMO Payment After Delivery transactions, a type of deferred payment service. The Payment Enhancement Business revenue grew thanks to the growth at Macro Kiosk, the Group's consolidated subsidiary that provides a comprehensive service of mobile payment and mobile authentication and notification.

Our revenue breakdown by business model is as follows.

(Unit: Thousand Yen)

| Business model | First three months of the previous consolidated fiscal year (From October 1, 2018 to December 31, 2018) | First three months of the current consolidated fiscal year (From October 1, 2019 to December 31, 2019) | Rate of change (%) |
|--|--|---|--------------------|
| Initial (Initial revenue) | 393,654 | 666,573 | 69.3 |
| Stock (Fixed revenue) | 1,184,653 | 1,362,889 | 15.0 |
| Fee (Transaction processing revenue) | 3,072,803 | 3,230,686 | 5.1 |
| Spread (Merchant acquiring service revenue) | 3,595,796 | 3,770,165 | 4.8 |
| Total | 8,246,908 | 9,030,314 | 9.5 |

b. Operating profit

The consolidated operating profit reached ¥2,080 mil., up by 0.2% YoY. Operating profit only grew by 0.2% YoY despite the revenue growth of 9.5% YoY due to unfavorable comps against the previous first quarter which benefited from a one-off decline in expenses related to lower credit risks resulting from various corporate efforts and the efforts to control expenses after this one-off expense reduction.

By segment, Payment Processing Business segment profit (operating profit) was ¥2,502 mil., up 3.0% YoY; Money Service Business segment profit (operating profit) stood at ¥336 mil., a decline of 47.9% YoY; and, Payment Enhancement Business recorded a segment loss (operating loss) of ¥26 mil. (previous first quarter was a loss of ¥77mil.). For details please refer to ② Results by segment of the (1) Consolidated operating results.

c. Profit before income taxes

Pre-tax profit reached ¥2,728 mil., up 41.0% YoY. The reason the pre-tax profit growth rate of 41.0% YoY was higher than the operating profit growth rate of 0.2% YoY, is due to gains on investment partnerships of ¥223mil. that increased the financial income to ¥278mil. (versus the previous Q1 financial income of ¥12mil.) and equity method investment gains of ¥427mil. (versus the previous first quarter equity method loss of ¥43mil.).

② Results by segment

Performance by reportable segment is explained below.

(Unit: Thousand yen)

| Segment | First three months of the previous consolidated fiscal year (From October 1, 2018 to December 31, 2018) | First three months of the current consolidated fiscal year (From October 1, 2019 to December 31, 2019) | Rate of change (%) |
|------------------------------|--|---|--------------------|
| Payment Processing Business | | | |
| Revenue | 4,737,738 | 5,363,714 | 13.2 |
| Operating profit | 2,428,285 | 2,502,263 | 3.0 |
| Money Service Business | | | |
| Revenue | 2,014,326 | 2,102,490 | 4.4 |
| Operating profit | 645,908 | 336,618 | Δ47.9 |
| Payment Enhancement Business | | | |
| Revenue | 1,494,843 | 1,566,641 | 4.8 |
| Operating profit | Δ77,924 | Δ26,821 | — |
| Adjustments | | | |
| Revenue | — | Δ2,532 | — |
| Operating profit | Δ920,062 | Δ731,555 | — |
| Total | | | |
| Revenue | 8,246,908 | 9,030,314 | 9.5 |
| Operating profit | 2,076,207 | 2,080,505 | 0.2 |

a. Payment processing business

For the payment processing business, the main focus consists of online payment, recurring payment services and, expanding the support services to financial institutions and financial service providers.

In the online payment and recurring payment domain, both the transaction volume and value has expanded significantly at 33.4% YoY and 23.2% YoY respectively, thanks to the secular growth in EC market coupled with the efforts to acquire large merchants and expand our services to non-EC operators. However, while the acquisitions of large new merchants trended favorably, there were few contract cancellations and revenue changes that caused the YoY growth rate to be subdued compared to the previous term.

In the offline market, sales of payment terminals was strong thanks to the high demand for IC chip-embedded credit card terminals on the back of amendments to the Installment Sales Act. In addition, order wins progressed favorably in the Unattended Market such as automated payment machines and ticket machines.

As a result, segment revenues reached ¥5,363 mil., up 13.2% YoY and segment profit (operating profit) was ¥2,502 mil. up 3.0% YoY.

For the Ginko Pay platform services, we are pleased to announce that Sumitomo Mitsui Banking Corporation has adopted this service from the quarter under review. In addition, this service was selected as one of the payment methods on TOYOTA WALLET, a smartphone e-wallet app mounted with multiple payment methods launched on November 19, 2019 by Toyota Motor Corporation, Toyota Financial Service Corporation and Toyota Finance Corporation.

b. Money Service Business

Money Service Business (MSB) consists of Early Payment Service to help merchants improve their cash flow by receiving sales proceeds earlier according to the merchant's cash cycle needs; Transaction Lending Service to lend growth capital to merchants based on their payment and other related data; Remittance Service; and GMO Payment After Delivery offered by the consolidated subsidiary GMO Payment Service, Inc.

In the first quarter under review, MSB topline growth was driven by favorable trends in GMO Payment After Delivery and growth of Transaction Lending to overseas operators. On the other hand, both Remittance service and Early Payment service posted a YoY decline from the previous term due to the impact of few merchants.

As a result, segment revenue reached ¥2,102 mil., up 4.4% YoY and segment profit (operating profit) reached ¥336 mil., a decline of 47.9% YoY due to the slowdown of few services and unfavorable comps against the previous first quarter which benefited from a one-off decline in expenses related to lower credit risks resulting from various corporate efforts and efforts to control expense levels after this one-off expense reduction.

c. Payment Enhancement Business

Payment Enhancement Business comprises of mobile payment services (the “MPS business”) and authentication and notification services via SMS (the “the EMS business”), provided by our consolidated subsidiary Macro Kiosk Berhad, and the online advertising service.

In the consolidated first quarter under review, Macro Kiosk Berhad’s revenue grew 8.1% YoY, with its mainstay EMS business growing 10.9% YoY, thanks to implementing growth acceleration measures such as expanding the service coverage to emerging economies including Vietnam, which is positioned as a priority market in addition to the home market of Malaysia.

As a result of the above, segment revenue was ¥1,566 mil., up 4.8 % YoY and segment loss (operating loss) was ¥26 mil., which shrunk from the previous first quarter’s segment loss of ¥77mil.

Please see below for the table of the major businesses and companies providing these businesses by segment.

| Segment | Major service | Major companies of the service |
|------------------------------|--|--|
| Payment Processing Business | Payment processing service (Online billing and recurring billing) | GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary) |
| | Payment processing service (Offline payment) | GMO Financial Gate, Inc. (consolidated subsidiary) |
| Money Service Business | GMO Payment After Delivery | GMO Payment Service, Inc. (consolidated subsidiary) |
| | Remittance service | GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary) |
| | Transaction lending | GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary) |
| | Early Payment service | GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary) |
| Payment Enhancement Business | Mobile payment, authentication and notification | Macro Kiosk Berhad (consolidated subsidiary) |

(2) Status of consolidated financial position

Assets, liabilities and net assets

a. Assets

Total assets at the end of the consolidated first quarter under review increased by ¥31,913 mil. from the end of the previous fiscal year end to reach ¥171,904 mil. This is mainly due to an increase in cash and cash equivalents of ¥13,125 mil., an increase in advance payment of ¥6,690 mil., and an increase in accrued revenues of ¥5,615 mil. and the increase of tangible fixed assets of ¥5,496 mil.

The Group has ¥2,800 mil. deposits to subsidiaries and affiliated companies included in the balance of cash and cash equivalents at the end of the consolidated first quarter under review, as stated in ② “Cash and cash equivalents” of (6) Notes regarding condensed consolidated financial statements. Together with the ¥5,000 mil. of deposits to subsidiaries and affiliated companies stated in the condensed consolidated balance sheet, the total balance of the Group’s deposits to subsidiaries and affiliated companies stands at ¥7,800 mil. These deposits are GMO Internet’s Group-wide cash on hand that is deposited under the cash management system (CMS) implemented and managed by GMO Internet. As a result, this allows the Group to withdraw necessary funds without the need to wait until the predetermined CMS repayment date, by registering a request taking into account the designated number of days prior to when cash is needed.

b. Liabilities

Balance of liabilities at the end of the consolidated first quarter under review stood at ¥145,137 mil., an increase of ¥32,685 mil. from the end of the previous consolidated fiscal year, mainly due to an increase in accrued expenses of ¥5,360 mil., deposits received of ¥21,947 mil. and the increase in other financial liabilities of ¥5,419 mil.

c. Equity

Equity balance at the end of the consolidated first quarter under review was ¥26,767 mil., a decline of ¥772 mil. from the end of the previous consolidated fiscal year. This was mainly due to the decline in retained earnings of ¥2,648 mil. from dividend payouts, which was partially offset against recording the net profit of ¥1,754 mil. and other comprehensive profit of ¥234 mil.

② Status of consolidated cash flows

Cash and cash equivalents (“funds”) at the end of the consolidated first quarter under review increased by ¥13,125 mil. versus the balance at the start of the term, to ¥65,139 mil. The state of cash flows over the three months under review is discussed below.

a. Cash flow from operating activities

Net funds provided by operating activities over the consolidated first quarter under review amounted to ¥16,985 mil., which compares to ¥9,997 mil. in the same period of the previous year. This resulted from cash inflows of (i) profit before tax of ¥2,728 mil., (ii) increase in accrued expenses of ¥5,401 mil., and (iii) increase in deposits received of ¥21,947 mil. which offset the cash outflows of (i) increase in advances paid of ¥6,690 mil., (ii) increase in accrued revenues of ¥5,591 mil. (iii) corporate and income tax payment of ¥1,749 mil.

b. Cash flow from investing activities

Net funds used by investing activities over the consolidated first quarter under review totaled ¥963 mil., which compares to a net fund provision of ¥316 mil. in the same period of the previous year. This is due to cash outflow of ¥398 mil. from acquisition of intangible assets and ¥356 mil. from purchase of investment securities.

c. Cash flow from financing activities

Net funds used by financing activities over the consolidated first quarter under review was a ¥2,952 mil., which compares to ¥2,733 mil. in the same period of the previous year, due to dividend payout of ¥2,634 mil.

(3) Review of consolidated earnings forecasts and other forecasts

The Group's core business is positioned within the EC market in Japan, and Japan's B2C EC for merchandizing continues to grow very rapidly, helped by favorable externalities such as increased penetration of smartphone and logistic/distribution industry reforms. At the same time, scope of EC market itself is expanding from the online migration of B2B and C2C transactions. We are committed to achieving over 25% operating profit growth in the medium to long term by focusing on FinTech for the Money Service Business (MSB) segment, on IoT in the offline market and on global expansion as well.

For the consolidated fiscal year ending September 2020, the Group forecasts across-the-board growth in all its segments through the acquisition of large and high-growth merchants and financial institutions, making large-project wins, and the early monetization of new services such as the next-generation platform stera and finance-related services with Infomart Inc., despite the conservative assumptions on the revenue contribution from the likely changes at few customers.

The earnings forecast for consolidated fiscal year ending September 30, 2020 are: revenue of ¥36,618 mil. (up 14.0% YoY), operating profit ¥10,376 mil. (up 25.0% year-on-year), profit before tax ¥9,867 mil. (up 22.8% year-on-year) and profit attributable to owners of parent company ¥6,110 mil. (up 16.0% YoY).

2. Condensed Consolidated Financial Statements and Major Notes

(1) Condensed consolidated balance sheet

(Unit: Thousand yen)

| | Notes | End of previous consolidated fiscal year (September 30, 2019) | End of Q1 of current consolidated fiscal year (December 31, 2019) |
|--|-------|---|---|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | ② | 52,013,447 | 65,139,321 |
| Operating and other receivables | ③ | 13,663,112 | 13,275,785 |
| Advances paid | | 32,496,862 | 39,187,282 |
| Accrued revenue | | 21,566,393 | 27,181,602 |
| Inventories | | 207,280 | 184,173 |
| Deposits to subsidiaries and affiliates | ④ | — | 5,000,000 |
| Other financial assets | | 165,584 | 288,058 |
| Other current assets | | 956,398 | 949,572 |
| Total current assets | | 121,069,081 | 151,205,796 |
| Non-current assets | | | |
| Tangible assets | ① | 517,509 | 6,013,903 |
| Goodwill and other intangible assets | | 4,359,129 | 4,477,368 |
| Investments accounted for using equity method | | 3,001,692 | 3,684,364 |
| Deposits to subsidiaries and affiliates | ④ | 5,000,000 | — |
| Other financial assets | | 4,803,089 | 5,383,768 |
| Deferred Tax Assets | | 1,124,014 | 1,012,035 |
| Other non-current assets | | 116,082 | 127,069 |
| Total non-current assets | | 18,921,518 | 20,698,511 |
| Total assets | | 139,990,599 | 171,904,308 |

| | | (Unit: Thousand yen) | |
|--|-------|---|---|
| | Notes | End of previous consolidated fiscal year (September 30, 2019) | End of Q1 of current consolidated fiscal year (December 31, 2019) |
| Liabilities and equity | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Operating and other payables | | 4,688,856 | 5,314,125 |
| Accrued expenses | | 16,118,112 | 21,478,860 |
| Deposits received | | 50,834,374 | 72,781,940 |
| Borrowings | | 15,800,400 | 15,800,400 |
| Other financial liabilities | ① | 108,534 | 445,737 |
| Income taxes payable, etc. | | 1,569,616 | 810,865 |
| Provisions | | 396,631 | 394,356 |
| Other current liabilities | | 2,229,923 | 2,408,987 |
| Total current liabilities | | 91,746,449 | 119,435,273 |
| Non-current liabilities | | | |
| Corporate bonds | | 16,745,648 | 16,762,875 |
| Borrowings | | 1,398,700 | 1,198,600 |
| Other financial liabilities | ① | 223,363 | 5,305,396 |
| Provision | | 35,848 | 129,593 |
| Deferred tax liabilities | | 85,604 | 79,967 |
| Other non-current liabilities | | 2,215,686 | 2,225,368 |
| Total non-current liabilities | | 20,704,851 | 25,701,801 |
| Total liabilities | | 112,451,301 | 145,137,074 |
| Equity | | | |
| Capital stock | | 4,712,900 | 4,712,900 |
| Capital surplus | | 5,847,480 | 5,866,006 |
| Retained earnings | ① | 15,884,444 | 14,894,096 |
| Treasury stock | | △1,181,846 | △1,181,846 |
| Other items of equity | | 1,231,655 | 1,444,322 |
| Total equity attributable to owners of parent | | 26,494,633 | 25,735,480 |
| Minority interests | ① | 1,044,664 | 1,031,753 |
| Total equity | | 27,539,297 | 26,767,233 |
| Total liabilities and equity | | 139,990,599 | 171,904,308 |

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

Condensed consolidated statement of income

| | | (Unit: Thousand yen) | |
|---|-------|--|---|
| | Notes | First three months of previous consolidated fiscal year (From October 1, 2018 to December 31, 2018) | First three months of current consolidated fiscal year (From October 1, 2019 to December 31, 2019) |
| Revenue | | 8,246,908 | 9,030,314 |
| Cost of revenue | | Δ3,004,380 | Δ3,181,902 |
| Gross profit | | 5,242,528 | 5,848,412 |
| Other income | | 39,902 | 32,956 |
| Selling, general and administrative expenses | | Δ3,098,993 | Δ3,720,184 |
| Other expense | | Δ107,230 | Δ80,678 |
| Operating profit | | 2,076,207 | 2,080,505 |
| Financial income | | 12,792 | 278,538 |
| Financial expense | | Δ111,034 | Δ57,602 |
| Equity method investment gains or loss | | Δ43,034 | 427,402 |
| Profit before income taxes | | 1,934,930 | 2,728,844 |
| Income tax expenses | | Δ884,655 | Δ974,231 |
| Profit | | 1,050,275 | 1,754,613 |
| Profit attributable to | | | |
| Owners of parent | | 1,079,216 | 1,729,329 |
| Non-controlling interests | | Δ28,941 | 25,283 |
| Profit | | 1,050,275 | 1,754,613 |
| Earnings per share | | | |
| Basic earnings per share (yen) | | 14.67 | 23.51 |
| Diluted earnings per share (yen) | | 14.39 | 22.95 |

Condensed consolidated statement of comprehensive income

| | | (Unit: Thousand yen) | |
|--|-------|--|---|
| | Notes | First three months of previous consolidated fiscal year (From October 1, 2018 to December 31, 2018) | First three months of current consolidated fiscal year (From October 1, 2019 to December 31, 2019) |
| Profit | | 1,050,275 | 1,754,613 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Fair value of financial assets measured through other comprehensive income | | Δ808,994 | Δ70,311 |
| Shares of other comprehensive income of equity method affiliates | | Δ53,448 | 250,627 |
| Total of Items that will not be reclassified to profit or loss | | Δ862,442 | 180,315 |
| Items that will be reclassified to profit or loss | | | |
| Exchange differences on translation of foreign operations | | Δ41,142 | 41,113 |
| Shares of other comprehensive income of equity method affiliates | | 66,544 | 13,270 |
| Total of items that will be reclassified to profit or loss | | 25,401 | 54,383 |
| Other comprehensive income after income taxes | | Δ837,041 | 234,699 |
| Comprehensive income | | 213,234 | 1,989,312 |
| Comprehensive income attributable to | | | |
| Owners of parent | | 246,188 | 1,968,122 |
| Minority interests | | Δ32,953 | 21,190 |
| Total | | 213,234 | 1,989,312 |

(3) Condensed consolidated statement of changes in equity

First three months of the previous consolidated fiscal year (From October 1, 2018 to December 31, 2018)

(Unit: Thousand yen)

| Notes | Capital stock | Capital surplus | Retained earnings | Treasury stock | Other items of equity | Total equity attributable to owners of parent | Minority interests | Total assets |
|--|---------------|-----------------|-------------------|----------------|-----------------------|---|--------------------|--------------|
| Balance as of October 1, 2018 | 4,712,900 | 5,758,448 | 12,875,446 | △491,893 | 1,941,305 | 24,796,206 | 1,223,811 | 26,020,018 |
| Cumulative effects of accounting changes | — | — | △195,085 | — | — | △195,085 | — | △195,085 |
| Restated Balance | 4,712,900 | 5,758,448 | 12,680,361 | △491,893 | 1,941,305 | 24,601,121 | 1,223,811 | 25,824,933 |
| Profit | — | — | 1,079,216 | — | — | 1,079,216 | △28,941 | 1,050,275 |
| Other comprehensive income | — | — | — | — | △833,028 | △833,028 | △4,012 | △837,041 |
| Quarterly comprehensive income | — | — | 1,079,216 | — | △833,028 | 246,188 | △32,953 | 213,234 |
| Purchase of treasury stock | — | — | — | △689,952 | — | △689,952 | — | △689,952 |
| Dividends | — | — | △2,136,041 | — | — | △2,136,041 | — | △2,136,041 |
| Share-based payment transaction | — | 3,617 | — | — | — | 3,617 | 10,596 | 14,213 |
| Total transactions with owners | — | 3,617 | △2,136,041 | △689,952 | — | △2,822,376 | 10,596 | △2,811,780 |
| Balance as of December 31, 2018 | 4,712,900 | 5,762,065 | 11,623,537 | △1,181,846 | 1,108,276 | 22,024,933 | 1,201,454 | 23,226,387 |

First three months of the current consolidated fiscal year (From October 1, 2019 to December 31, 2019)

(Unit: Thousand yen)

| Notes | Capital stock | Capital surplus | Retained earnings | Treasury stock | Other items of equity | Total equity attributable to owners of parent | Minority interests | Total assets |
|---|---------------|-----------------|-------------------|----------------|-----------------------|---|--------------------|--------------|
| Balance as of October 1, 2019 | 4,712,900 | 5,847,480 | 15,884,444 | △1,181,846 | 1,231,655 | 26,494,633 | 1,044,664 | 27,539,297 |
| Cumulative effects of accounting changes | ① | — | △97,243 | — | — | △97,243 | △38,971 | △136,214 |
| Restated Balance | 4,712,900 | 5,847,480 | 15,787,200 | △1,181,846 | 1,231,655 | 26,397,389 | 1,005,692 | 27,403,082 |
| Profit | — | — | 1,729,329 | — | — | 1,729,329 | 25,283 | 1,754,613 |
| Other comprehensive income | — | — | — | — | 238,792 | 238,792 | △4,093 | 234,699 |
| Quarterly comprehensive income | — | — | 1,729,329 | — | 238,792 | 1,968,122 | 21,190 | 1,989,312 |
| Dividends | — | — | △2,648,221 | — | — | △2,648,221 | — | △2,648,221 |
| Transfer from accumulated other comprehensive income to retained earnings | — | — | 25,788 | — | △25,788 | — | — | — |
| Changes in the interests in controlled subsidiary | — | △9,528 | — | — | — | △9,528 | — | △9,528 |
| Total transactions with owners | — | 28,055 | — | — | △22 | 28,032 | 4,870 | 32,902 |
| Other increase/decrease | — | — | — | — | △313 | △313 | — | △313 |
| Total transactions with owners | — | 18,526 | △2,622,433 | — | △26,125 | △2,630,031 | 4,870 | △2,625,161 |
| Balance as of December 31, 2019 | 4,712,900 | 5,866,006 | 14,894,096 | △1,181,846 | 1,444,322 | 25,735,480 | 1,031,753 | 26,767,233 |

(4) Condensed consolidated statement of cash flows

(Unit: Thousand yen)

| Notes | First three months of previous consolidated fiscal year (From October 1, 2018 to December 31, 2018) | First three months of current consolidated fiscal year (From October 1, 2019 to December 31, 2019) |
|--|--|---|
| Net cash provided by (used in) operating activities | | |
| Profit before income taxes | 1,934,930 | 2,728,844 |
| Depreciation & Amortization | 258,253 | 356,193 |
| Impairment Loss | — | 54,125 |
| Financial income and expense | 98,634 | △220,936 |
| Equity method investment loss | 43,034 | △427,402 |
| Increase/decrease in inventories (△=increase) | △14,932 | 23,107 |
| Increase/decrease in operating and other receivables (△=increase) | △560,481 | 448,863 |
| In/Decrease in advances paid (△=increase) | △2,009,969 | △6,690,419 |
| Accrued revenues (△=increase) | △6,847,775 | △5,591,958 |
| In/Decrease in operating payables (△=decrease) | 524,075 | 577,494 |
| In/Decrease in accrued expenses (△=decrease) | 6,255,031 | 5,401,424 |
| In/Decrease in deposits received (△=decrease) | 11,948,748 | 21,947,537 |
| Other | △62,693 | 158,760 |
| Subtotal | 11,566,857 | 18,765,632 |
| Interest and dividends received | 12,792 | 10,699 |
| Interest paid | △11,296 | △41,032 |
| Increase in Deposits | △29,940 | — |
| Income taxes paid/refunded | △1,541,289 | △1,749,884 |
| Net cash provided by (used in) operating activities | 9,997,123 | 16,985,415 |
| Net cash provided by (used in) investing activities | | |
| Payment for deposit of time deposits | 689,374 | — |
| Purchase of property, plants and equipment | △43,347 | △191,343 |
| Purchase of intangible assets | △330,541 | △398,531 |
| Purchase of investment securities | △1,580 | △356,914 |
| Proceeds from sales and redemption of investment partnerships | 39,378 | 118,757 |
| Acquisition of other financial assets | △12,856 | △76,337 |
| Proceeds from sales of other financial assets | 933 | 4,646 |
| Others | △25,334 | △64,094 |
| Net cash provided by (used in) investing activities | 316,026 | △963,816 |

(Unit: Thousand yen)

| | Notes | First three months of previous consolidated fiscal year (From October 1, 2018 to December 31, 2018) | First three months of current consolidated fiscal year (From October 1, 2019 to December 31, 2019) |
|---|-------|--|---|
| Net cash provided by (used in) financing activities | | | |
| Proceeds from short-term borrowings | | 299,000 | — |
| Repayment of long-term borrowings | | Δ200,100 | Δ200,100 |
| Payment for stock buyback | | Δ689,952 | — |
| Dividends paid | | Δ2,118,666 | Δ2,634,495 |
| Other | | Δ24,226 | Δ117,465 |
| Net cash provided by (used in) financing activities | | Δ2,733,945 | Δ2,952,060 |
| Effect of exchange rate changes on cash and cash equivalents | | Δ55,499 | 56,335 |
| Increase and decrease in cash and cash equivalents (Δ=decrease) | | 7,523,704 | 13,125,873 |
| Balance of cash and cash equivalents at the beginning of the period | ② | 42,033,124 | 52,013,447 |
| Cash and cash equivalents at the end of period | ② | 49,556,828 | 65,139,321 |

(5) Notes regarding the going concern assumptions

N/A

(6) Notes regarding condensed consolidated financial statements

② Cash and cash equivalents

Breakdown of cash and cash equivalents are as follows.

(Unit: Thousand yen)

| | End of previous consolidated fiscal year (September 30, 2019) | End of Q1 of current consolidated fiscal year (December 31, 2019) |
|---|--|--|
| Cash and cash equivalents | 49,213,447 | 62,339,321 |
| Deposits to subsidiaries and affiliates | 2,800,000 | 2,800,000 |
| Total | 52,013,447 | 65,139,321 |

③ Operating and other receivables

Breakdown of operating and other receivables are as follows.

(Unit: Thousand yen)

| | End of previous consolidated fiscal year (September 30, 2019) | End of Q1 of current consolidated fiscal year (December 31, 2019) |
|---------------------------------|--|--|
| Accounts receivable-trade | 5,663,939 | 6,198,647 |
| Operating loans | 7,514,754 | 6,982,158 |
| Other | 590,916 | 196,388 |
| Allowance for doubtful accounts | △106,498 | △101,408 |
| Total | 13,663,112 | 13,275,785 |

④ Deposits to subsidiaries and affiliates

Our deposits to subsidiaries and affiliates are the deposits under the CMS (cash management system) of GMO Internet Group.