

Summary of Consolidated Financial Statements for FY2021 (IFRS)

November 11, 2021

Exchange: Tokyo Stock Exchange

Name of listed company: GMO Payment Gateway, Inc.
 Stock code: 3769 URL: <https://www.gmo-pg.com/?wovn=en>
 Representative: Issei Ainoura President & Chief Executive Officer
 Contact: Ryu Muramatsu Director, Executive Vice President Tel: +81-3-3464-0182
 Scheduled date for the holding of the ordinary general shareholders' meeting December 19, 2021 Scheduled date of commencement for dividend payment December 20, 2021
 Scheduled submission date of securities report December 20, 2021
 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 FY2021 (From October 1, 2020 to September 30, 2021)

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

	Revenue		Operating profit		Profit before income taxes		Profit after tax		Profit attributable to owners of parent		Total comprehensive income	
	Mil. Yen	%	Mil. Yen	%	Mil. Yen	%	Mil. Yen	%	Mil. Yen	%	Mil. Yen	%
FY2021	41,667	26.1	12,987	25.0	13,285	20.9	8,982	16.8	8,818	15.7	9,982	20.9
FY2020	33,046	22.7	10,388	8.6	10,989	18.2	7,693	52.3	7,624	44.7	8,258	86.6

	Basic earnings per share	Diluted earnings per share	Return on equity using Profit attributable to owners of parent	Return on Assets using profit before income taxes	Operating profit margin
	Yen	Yen	%	%	%
FY2021	117.98	116.17	20.1	6.5	31.2
FY2020	103.62	101.04	26.2	6.6	31.4

Reference: Equity in earnings of affiliates: FY2021 17 Million yen FY2020 517 Million yen

(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	Total equity attributable to owners of parent per share
	Mil. Yen	Mil. Yen	Mil. Yen	%	Yen
FY2021	215,455	57,820	55,845	25.9	736.34
FY2020	192,022	33,453	31,734	16.5	431.25

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Closing balance of cash and cash equivalents
	Mil. Yen	Mil. Yen	Mil. Yen	Mil. Yen
FY2021	△6,343	2,230	12,781	104,523
FY2020	49,188	△4,493	△785	95,830

2. Dividends

	Annual dividend					Total Dividend Amount	Dividend Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Total			
FY2020	0.00	0.00	0.00	52.00	52.00	3,863	50.2	13.1
FY2021	0.00	0.00	0.00	59.00	59.00	4,516	50.0	10.1
FY2022 (forecast)	0.00	0.00	0.00	66.00	66.00		50.8	

3. Consolidated Financial Forecast for FY2022 (From October 1, 2021 to September 30, 2022)

(Percentages represent year-on-year change)

	Revenue		Operating profit		Profit before income taxes		Profit after tax		Profit attributable to owners of parent		Basic earnings per share
	Mil. Yen	%	Mil. Yen	%	Mil. Yen	%	Mil. Yen	%	Mil. Yen	%	Yen
2Q of FY2021 (cumulative)	23,438	17.9	8,117	23.1	7,738	16.6	4,880	14.7	4,795	15.0	63.23
Full Year	50,000	20.0	16,234	25.0	15,538	17.0	10,048	11.9	9,860	11.8	130.01

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.: No
 [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 FY2021: 76,557,545 FY 2020: 74,301,000
 (including treasury stock)
 [2] Number of treasury shares at the end of the term FY2021: 714,996 FY 2020: 714,781
 [3] Average number of shares during the term FY2021: 74,750,225 FY2020: 73,579,725
 (Note 1) Number of treasury shares at the end of the term includes the shares attributed to the directors' remuneration board incentive plan (BIP) trust and J-ESOP: 709,705 shares for FY2020 and 709,705 shares for FY2021.

Reference: Summary of Non-consolidated Financial Statements

1. Non-Consolidated Financial Statements for FY2021 (From October 1, 2020 to September 30, 2021)

(1) Non-consolidated Financial Statements (Percentages represent year-on-year % change)

	Revenue		Operating profit		Ordinary Profit		Net Profit	
	Mil. Yen	%	Mil. Yen	%	Mil. Yen	%	Mil. Yen	%
FY2021	22,743	20.4	8,499	25.3	9,700	22.2	6,860	28.9
FY2020	18,885	15.5	6,781	15.6	7,936	18.5	5,323	20.6

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2021	91.78	89.09
FY2020	72.36	69.27

(2) Non-consolidated Financial Position

	Total assets	Total equity	Equity ratio	Total equity per share
	Mil. Yen	Mil. Yen	%	Yen
FY2021	154,264	46,246	30.0	609.77
FY2020	134,678	25,856	19.2	351.37

Reference Owner's equity FY2021 46,246 Mil. yen FY2020 25,856 Mil. yen

Note: Non-consolidated financial results are based on J-GAAP standards.

- ※ These financial statements are not subject to the 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 "(5) Forecasts" under "1. Qualitative Information on Consolidated Financial Statements for the Fiscal Year" on page 11 of the attachment.
2. Results Presentation Meeting for Institutional Investors and Analysts is to be held on November 12, 2021. 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

(1) Consolidated operating results

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

① Consolidated operating results

The Group announces its earnings results for the current consolidated fiscal year 2021 (October 1, 2020 to September 30, 2021) as follows.

(Unit: Thousand yen)

	FY2020 (From October 1, 2019 to September 30, 2020)	FY2021 (From October 1, 2020 to September 30, 2021)	Rate of Change (%)
Revenue	33,046,404	41,667,235	26.1
Operating profit	10,388,667	12,987,207	25.0
Profit before income taxes	10,989,321	13,285,643	20.9
Profit attributable to owners of parent	7,624,148	8,818,820	15.7

a. Revenue

The Group's revenue was ¥41,667 mil., up by 26.1% YoY. Overall impact from the COVID-19 pandemic was limited, and overall performance trended strongly from the expansion in cashless payments. The Payment Processing Business revenue grew, led by steady growth of E-Commerce (EC) market for online and recurring payments coupled with the expansion of the Group's services to the offline market. The Money Service Business (MSB) revenue grew not only from growth in GMO Payment After Delivery transactions, a type of deferred payment service, but also from the growth of Early Payment service. Payment Processing Business revenue was ¥30,812 mil. (up 33.7% YoY), Money Service Business (MSB) revenue was ¥10,151 mil. (up 7.8% YoY) and Payment Enhancement Business revenue was ¥717 mil. (up 19.2% YoY). For details, please refer to page 6 of "② Results by segment" found under "(1) Consolidated operating results" of "1. Qualitative Information on Consolidated Financial Statements".

The impact of COVID-19 to forecasts is stated under "(5) Forecasts" of "1. Qualitative Information on Consolidated Financial Statements."

Revenue breakdown by business model is as follows:

(Unit: Thousand yen)

Business model	FY2020 (From October 1, 2019 to September 30, 2020)	FY2021 (From October 1, 2020 to September 30, 2021)	Rate of Change (%)
Initial (Initial revenue)	2,380,734	5,314,553	123.2
Stock (Fixed revenue)	5,709,969	6,573,815	15.1
Fee (Transaction processing revenue)	8,931,712	10,865,687	21.7
Spread (Merchant acquiring service revenue)	16,023,987	18,913,179	18.0
Total	33,046,404	41,667,235	26.1

b. Operating profit

Operating profit reached ¥12,987 mil., up by 25.0% YoY, achieving the management target of 25% operating profit growth and the full-year forecasts for the fiscal year under review.

By segment, Payment Processing Business segment profit (operating profit) was ¥14,424 mil., up by 24.6% YoY; Money Service Business segment profit (operating profit) stood at ¥2,093 mil., up by 16.3% YoY; and Payment Enhancement Business segment loss (operating loss) of ¥106 mil. compared to the previous year's segment profit (operating profit) of ¥77 mil.

c. Profit before income taxes

Pre-tax profit was ¥13,285 mil. up by 20.9% YoY, and this growth rate differs from the operating profit growth rate of 25.0% YoY. This is due to equity method investment gains of ¥517 mil. recorded in the previous term.

② Results by segment

Performance by reportable segment is explained below.

(Unit: Thousand Yen)

Segment	FY2020 (From October 1, 2019 to September 30, 2020)	FY2021 (From October 1, 2020 to September 30, 2021)	Rate of Change (%)
Payment Processing Business			
Revenue	23,037,620	30,812,806	33.7
Segment profit (Δ =loss)	11,581,232	14,424,791	24.6
Money Service Business			
Revenue	9,416,169	10,151,451	7.8
Segment profit (Δ =loss)	1,799,806	2,093,180	16.3
Payment Enhancement Business			
Revenue	602,024	717,861	19.2
Segment profit (Δ =loss)	77,496	Δ 106,886	—
Adjustments			
Revenue	Δ 9,410	Δ 14,884	—
Segment profit (Δ =loss)	Δ 3,069,868	Δ 3,423,878	—
Total			
Revenue	33,046,404	41,667,235	26.1
Segment profit (Δ =loss)	10,388,667	12,987,207	25.0

a. Payment Processing Business

In the Payment Processing Business, efforts focused on expanding online and recurring billing services, offline payment processing service and, support services to financial institutions and financial service providers. In the online and recurring billing domain, we focused our efforts to expand usage of the Group's services by large and small-to-medium merchants across all sectors and to non-EC operators, given the backdrop of a steadily expanding E-commerce (EC) market.

The impact from the COVID-19 contagion was limited during the fiscal year under review. In the online and recurring billing domain, micropayment transactions increased from the rising adoption of cashless payment and expanding EC market as well as increased payment transactions for household goods, digital content, public utilities and taxes caused by nesting demand. As a result, transaction volume, including GMO Payment After Delivery (included in Money Service Business segment), grew 36.9% YoY and transaction value grew 36.3% YoY. Additionally, new projects commenced services, including SMS Choice of Payment, a service to digitalize payment of electric power bills promoted by TEPCO Energy Partner, Inc.

Despite the ongoing environment in which offline consumption remains susceptible to the adverse effects of COVID-19, offline domain contributed to expand this segment's transaction volume and value as well as to expand initial revenues from strong trends in payment terminal sales driven by cashless payment promotions by local/national governments, and the increase in sales of *stera* payment terminal, the next generation payment platform. Additionally, steady progress was made in receiving orders from the focus market of Unattended Market (UM), such as automated payment machines and ticket machines.

As a result, segment revenues reached ¥30,812 mil., up 33.7% YoY, and segment profit (operating profit) was ¥14,424 mil., up 24.6% YoY.

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 provide loans to merchants based on their payment and other related data; Lending service to overseas operators; Remittance service; Instant Salary byGMO, a service to receive salary instantly for work that is completed; and GMO Payment After Delivery offered by a consolidated subsidiary GMO Payment Service, Inc. In the consolidated fiscal year under review, this segment's revenue growth rates slowed due to taking a conservative stance on extending credit in consideration of COVID-19 effects despite the steady growth in transactions for GMO Payment After Delivery service as well as the hard comps against the same period of last year that saw strong nesting demand. Even so, this service contributed to increasing the segment profit by maintaining the credit related costs at a certain level. Early Payment service revenues trended strongly on the back of growth in Payment Processing Business segment. Lending service to overseas operators made progress in securing new potential customers that can generate stable revenues going forward and contributed to increasing the segment revenues. In the area of finance related service such as inter-corporate transaction, progress was made in the service expansion and collaboration with financial institutions.

As a result, segment revenue reached ¥10,151 mil., up 7.8% YoY and segment profit (operating profit) reached ¥2,093 mil., up 16.3% YoY.

GMO Payment Gateway, Inc. completed the conversion into common stock on June 18, 2021 (which is two years earlier than the initial plan) for the Zero-Coupon Convertible Bonds due 2023 that was issued on June 19, 2018 for the purposes of funding for lending and working capital needs related to the MSB segment, as the requirements of the 130% call option clause set forth in the terms and conditions was fulfilled as of April 21, 2021.

Additionally, GMO-PG has issued Zero Coupon Convertible Bonds due 2026 on June 22, 2021, to the total face value amount of ¥20.0 billion. The purpose is to secure additional low-cost funds to achieve sustainable growth in the MSB segment, mainly to expand the overseas Lending, Transaction Lending, Early payment services that are likely to require increasing working capital and funds available for lending, as well as for execution of M&A strategies in payment and FinTech domains and/or investment funds (including investments made through proprietary Funds).

c. Payment Enhancement Business

Payment Enhancement Business comprises of online advertising service which provides analytics and advertisement management service based on merchants' sales trends to support their growth, and "Medical Kakumei byGMO" service, a reservation management system to enable operational efficiency at the reception counters offered exclusively to medical institutions by our consolidated subsidiary GMO Medical Reservations Technology Co. Ltd.

GMO Medical Reservations Technology Co. Ltd. offers a smartphone-based app to make reservations, fill in medical questionnaires and complete the reception and payment, as well as manage multiple patient registration cards of several medical institutions that adopt this service. The demand for this service increased on the back of COVID-19 causing the subsidiary's revenue to increase by 85.6% YoY and contributing to segment revenue growth. However, in light of the recent business operations, impairment loss of ¥166 mil. was recorded related to goodwill of GMO Medical Reservations Technology Co. Ltd. The SSL coupon and delivery service revenue declined due to the decline in transactions.

As a result of the above, segment revenue was ¥717 mil., up 19.2% YoY and segment loss (operating loss) was ¥106 mil. compared to segment profit (operating profit) of ¥77 mil. recorded in the previous fiscal year.

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)	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)
	Overseas Lending	GMO Payment Gateway, Inc.
	Early Payment service	GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary)
Payment Enhancement Business	Online Advertising	GMO Payment Gateway, Inc.
	Medical Kakumei byGMO	GMO Medical Reservations Technology Co., Ltd. (consolidated subsidiary)

(2) Status of consolidated financial position

Assets, liabilities and equity

a. Assets

Total assets at the end of the consolidated fiscal year under review increased by ¥23,433 mil. from the end of the previous fiscal year to reach ¥215,455 mil. This is mainly due to an increase in cash and cash equivalents of ¥8,693 mil. and advances paid of ¥14,281 mil.

The Group has ¥22,930 mil. in deposits to subsidiaries and affiliated companies included in the balance of cash and cash equivalents at the end of the consolidated fiscal year under review, as stated in ④ “Cash and cash equivalents” of (6) Notes regarding condensed consolidated financial statements. Together with the ¥2,000 mil. of deposits to subsidiaries and affiliated companies stated in the condensed consolidated balance sheet, the total balance of the deposits to subsidiaries and affiliated companies stands at ¥24,930 mil. These deposits are GMO Internet Inc.’s group-wide cash on hand that is deposited to the cash management system (CMS) implemented and managed by GMO Internet Inc. When the Group has greater need for funding for its business expansion, it can withdraw necessary funds without the need to wait until the preset CMS repayment date, by registering a request after taking into account the number of days required for processing the application.

b. Liabilities

Balance of liabilities at the end of the consolidated fiscal year under review stood at ¥157,635 mil., a decrease of ¥933 mil. from the end of the previous consolidated fiscal year, mainly due to an increase in corporate bonds of ¥2,778 mil., which was offset by the decrease in borrowings of ¥3,773 mil.

c. Equity

Equity balance at the end of the consolidated fiscal year under review was ¥57,820 mil., an increase of ¥24,366 mil. from the end of the previous consolidated fiscal year. This was mainly due to the decline in retained earnings of ¥3,826 mil. from dividend payouts, which was offset by recording the net profit of ¥8,982 mil., issuance of the new Zero-Coupon Convertible Bond of ¥1,006 mil. and the conversion of Zero-Coupon Convertible Bond of ¥17,040 mil.

(3) Status of consolidated cash flows for the current fiscal year

Overview of cash flow

Cash and cash equivalents (“funds”) at the end of the consolidated fiscal year under review increased by ¥8,693 mil. versus the balance at the start of the term, to reach ¥104,523 mil. The state of cash flows over the consolidated fiscal year under review is discussed below.

a. Cash flow from operating activities

Net funds used by operating activities amounted to ¥6,343 mil., which compares to ¥49,188 mil. in net funds provided in the previous fiscal year. This resulted from cash inflows from (i) profit before tax of ¥13,285 mil., which was offset by cash outflows from (ii) an increase in advances paid of ¥14,281 mil., (iii) corporate and income tax payment of ¥4,653 mil.

b. Cash flow from investing activities

Net funds provided by investing activities totaled ¥2,230 mil., which compares to net funds used of ¥4,493 mil. in the previous fiscal year. This is due to cash outflows from (i) acquisition of intangible assets of ¥1,677 mil., (ii) payment into deposits to subsidiaries and affiliated companies of ¥2,000 mil. which was offset by cash inflows from (iii) proceeds from withdrawals from deposits to subsidiaries and affiliated companies of ¥5,000 mil.

c. Cash flow from financing activities

Net funds provided by financing activities was ¥12,781 mil., which compares to net funds used of ¥785 mil. in the previous fiscal year. This is due to cash outflows from the (i) net reduction in short-term borrowings of ¥3,020 mil., (ii) dividend payouts of ¥3,826 mil., which was offset by cash inflows from issuance of corporate bonds of ¥21,057 mil.

(4) Basic policy on profit distribution and dividends for the current and next fiscal year

GMO Payment Gateway, Inc. places management priority on sustainably securing the necessary retained earnings for the purpose of future business expansion and for strengthening the organization, as well as to sustain a stable level of shareholder returns.

The year-end dividend for the fiscal year ending September 2021 was initially forecast as ¥54 per share as disclosed in the “Summary of Consolidated Financial statements for FY 2020” released on November 11, 2020. However, year-end dividend is planned to be raised by ¥5 per share to ¥59 per share in light of returning profits to shareholders and as this fiscal year’s results is likely to exceed the initial forecasts. (See note below).

Based on the strong business plans for the next fiscal year, the year-end dividend for next fiscal year is forecast at ¥66 per share to raise the medium-to-long term corporate value by enhancing return of profits to shareholders and in keeping with the continued increase in the dividend amount since dividend payouts commenced. Funds for internal reserves is intended to be utilized effectively for aggressive business expansion and for strengthening corporate capability.

The revision to dividends is summarized in the table below

	Annual dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Total
Previous plan (as of November 11, 2020)	Yen —	Yen —	Yen —	Yen 54.00	Yen 54.00
Current forecast	—	—	—	59.00	59.00
FY2021	0.00	0.00	0.00		
Previous Fiscal Year (FY2020)	0.00	0.00	0.00	52.00	52.00

(Note) This is planned to be raised as a resolution matter at the Board of Directors meeting scheduled for November 22, 2021.

(5) Forecasts

The Group's core business is positioned within the E-Commerce (EC) market in Japan, and Japan's B2C EC for merchandizing continues to grow very rapidly, helped by favorable externalities such as the increased penetration of smartphones and logistic/distribution industry reforms. The online migration of payments for non-merchandise services such as public dues and taxes, medical expenses and other sectors closely tied to daily life is making steady progress; and the "new normal" lifestyle brought about by COVID-19 has also increased penetration of online consumption. In addition, EC migration of inter-company transactions (the B2B domain) and transactions between individuals (C2C domain) is expanding the scope of EC itself. The business scope of our consolidated subsidiary GMO Financial Gate, Inc., which addresses the offline market, is set to expand from the emerging business opportunities in the offline market from accelerating penetration of cashless payments of credit cards and other payment methods.

The business environment for the fiscal year ending September 2022 lacks visibility on private consumption despite the subsiding of COVID-19. However, its impact to the Group's revenues is likely to be minimal as of this writing, given the Company's business characteristic to be less susceptible to changes in the macro-economic conditions that stems from exposure to a wide variety of merchants and industries and the ongoing shift towards online payment and cashless payment. We forecast revenue growth in all segments through our efforts to acquire large and high-growth merchants and financial institutions, make large project wins, expand the DX service platforms and the expansion of priority initiatives such as *stera*, the next generation payment platform.

The earnings forecast for consolidated fiscal year ending September 2022 are as follows: revenue of ¥50,000 mil. (up 20.0% YoY), operating profit of ¥16,234 mil. (up 25.0% YoY), profit before tax of ¥15,538 mil. (up 17.0% YoY), profit of ¥10,048 mil. (up 11.9% YoY), and profit attributable to owners of parent company of ¥9,860 mil. (up 11.8% YoY).

2. Management Policy

(1) Basic policy of the corporate management

The management principle of the group is to “pursue both spiritual and material prosperity for our partners by contributing to the advancement and progress of society.”

- We contribute to the advancement and progress of our society with a strong intention to create and develop markets, and to uphold integrity, fairness and transparency in expanding business.
- We define our partners as our employees of high morals, customers and business partners.
- Our employees possess richness of spirit, advanced problem-solving abilities, and a high level of professionalism, and pursue richness of spirit through their exchanges of values with customers.

Based on this management principle, our mission is to become the infrastructure of the payment process in Japan and to contribute to a safe and convenient payment environment for both merchants and consumers. Based on this mission, our basic policy in pursuing our business is as follows.

- Be adaptive to the changing times
 - Spirit of innovation: We strive to maintain/support technical superiority of our products.
 - Flexibility: Our project proposals are appropriate for the growing market’s speed
- Establish our raison d’etre
 - Uniqueness: We strive to maintain the value of our existence through customer-oriented services.
 - Profitability: We surpass competitors by pursuing revenue growth and establish an unwavering position in the industry.
 - Independence and Education: We strive to become a business person with high self-reliance, and to be the exemplar for achievement and results, mindset and attitude.
- Pursue all possible conditions for making profit
 - Sociability: With a focus on healthy business, we will continue to actively develop untapped markets in the area of various payment processing solutions.
 - Rationality: We make prompt business judgements from an impartial position while always keeping in mind economic rationality.
- Be responsible to shareholders
 - We strive to maximize the shareholder value by considering capital efficiency.
 - By actively conducting IR activities we strive to provide our shareholders with appropriate information.

(2) Targeted Management Performance Indicators

The Group emphasizes an operating profit growth rate of 25% as a management performance indicator.

The Group continues to invest in order to achieve the 25% operating profit growth rate in the medium-to-long term and was thereby able to achieve FY2021 operating profit growth of 25.0% YoY and is also forecasting growth of 25.0% YoY for the FY2022.

As a Group involved in providing the online payment infrastructure to the E-Commerce market, we will continue to contribute to expand the EC market in the regions and countries where we operate and to raise Japan’s EC penetration by enhancing the security and convenience of the EC environment. In addition, the Group will continue its efforts to scale up by launching into new businesses, forging alliances with other partner companies, establishing subsidiaries and through overseas expansion.

(3) Priority issues to be addressed

① Strengthening the information security

The GMO-PG consolidated subsidiaries group mainly provides credit card payment processing services and thus manages material information such as credit card numbers.

As part of the process to strengthen risk management system and for the prevention of information leaks, the Company is the first listed payment processing services company to obtain certifications of ISO/IEC 27001:2013 (Japanese Standards, JIS Q27001: 2014), the global standard for information security management, for all of the Company's offices. Consequently, our information security management system has been objectively assessed to be appropriate and safe in compliance with strict international standards.

With regards to PCI DSS, a global security standard in the credit card industry that was jointly established by five international credit card companies (JCB, American Express, Discover, MasterCard, and VISA), after obtaining the first certification in December 2008, we have passed annual re-certification review twelve times and have obtained the latest certification in December 2020.

With respect to the handling of personal information, we have obtained the privacy mark that certifies the companies which have improved the system for taking appropriate protection measures for personal information in compliance with the Japanese Industrial Standards "JIS Q 15001:2017 Personal Information Protection Management System – Requirements." We also independently established and operate the personal information protection management system at a high level of protection in a manner that goes beyond mere compliance with the laws.

② Strengthening the system development capabilities

The group's business fields are deeply related to the Internet and we recognize that to provide customers with competitive products, it is important to adopt competitive technologies and services in a timely manner.

At present, our internal personnel incorporate changes in the system environment or requests from customers into our system designs and outsource programming work to provide efficient and quality services. We will try to continue to secure highly skilled developers and further strengthen system development capabilities and services.

③ Strengthening the collaboration business

We acknowledge that in order to ensure stable growth, it is essential to establish mutually beneficial business collaborations with corporations covering many merchants, payment companies or E-Commerce website builders to efficiently acquire new merchants.

The Company's characteristic is to employ the above-mentioned business style, and will continue to seek further business collaborations that the management will be responsible for its management and progress.

④ Expansion of business portfolio

As its management strategy, the group has always strived to expand its business domains; we have expanded the online payment from the B2C EC areas and into public dues, utility charges, service commerce, B2B and C2C market space; we have also started a new type of payment service with the founding of GMO Payment Service Inc. The overseas expansion is strengthened through the consolidated subsidiaries spread over 7 overseas locations. We will continue to expand revenues by further broadening and diversifying the business portfolio while keeping the payment processing service at the core.

⑤ Promotion of sustainability management

Based on our management principle of the Group to "pursue both spiritual and material prosperity for our partners by contributing to the advancement and progress of society," we will continue to endeavor to advance sustainability management by undertaking SDG activities by providing services that support online, cashless, paperless and digital transformation (DX) migration that are centered on payment, as well as drive social innovation through payment and financial technology.

3. Basic Stance on Accounting Standard Selection

The group has voluntarily adopted the International Financial Reporting Standards (IFRS) from first quarter of the fiscal year ending September 2018, in consideration of the Group's focus to expand its comprehensive payment service globally, and the need to improve international comparability of financial information and expand disclosure, for the purpose of enhancing the convenience and usefulness to all stakeholders involved.

4. Condensed Consolidated Financial Statements and Major Notes

(1) Condensed consolidated balance sheet

(Unit: Thousand Yen)

	Notes	End of FY2020 (September 30, 2020)	End FY2021 (September 30, 2021)
Assets			
Current assets			
Cash and cash equivalents	④	95,830,807	104,523,965
Operating and other receivables	⑤	10,782,296	10,308,474
Advances paid		31,039,748	45,321,043
Accrued revenue		23,585,142	24,893,665
Inventories		1,440,999	1,664,548
Deposits to subsidiaries and affiliates	⑥	5,000,000	2,000,000
Other financial assets		1,163,608	455,403
Other current assets		537,329	335,983
Total current assets		169,379,933	189,503,084
Noncurrent assets			
Property, plant and equipment		3,714,793	3,948,522
Goodwill and other intangible assets		4,854,253	5,521,782
Investments accounted using equity Method		3,740,933	4,593,784
Operating and other receivables	⑤	1,975,100	4,231,100
Other financial assets		6,711,766	6,005,805
Deferred tax assets		1,530,494	1,529,043
Other noncurrent assets		115,346	122,769
Total noncurrent assets		22,642,689	25,952,808
Total assets		192,022,622	215,455,892

(Unit: Thousand Yen)

	Notes	End of FY2020 (September 30, 2020)	End FY2021 (September 30, 2021)
Liabilities and equity			
Liabilities			
Current liabilities			
Operating and other payables		4,296,647	5,230,945
Accrued expenses		19,385,695	20,537,297
Deposits received		87,059,213	84,593,904
Borrowings		18,800,400	15,138,420
Other financial liabilities		400,217	621,363
Income taxes payable, etc.		2,491,098	2,602,652
Provisions		352,812	327,157
Other current liabilities		3,383,652	3,662,794
Total current liabilities		136,169,737	132,714,534
Noncurrent liabilities			
Corporate bonds		16,814,650	19,593,627
Borrowings		131,400	20,095
Other financial liabilities		3,013,338	2,889,479
Provision		260,843	130,180
Deferred tax liabilities		54,170	78,148
Other noncurrent liabilities		2,124,966	2,209,447
Total noncurrent liabilities		22,399,369	24,920,978
Total liabilities		158,569,106	157,635,512
Equity			
Capital stock		4,712,900	13,323,135
Capital surplus		5,675,561	15,191,927
Retained earnings		20,725,465	26,546,151
Treasury stock		△1,149,341	△1,152,444
Other items of equity		1,769,560	1,937,175
Total equity attributable to owners of parent		31,734,145	55,845,946
Non-controlling interests		1,719,369	1,974,433
Total equity		33,453,515	57,820,379
Total liabilities and equity		192,022,622	215,455,892

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

Condensed consolidated statement of income

(Unit: Thousand yen)

	Notes	FY2020 (From October 1, 2019 to September 30, 2020)	FY2021 (From October 1, 2020 to September 30, 2021)
Continuing Operations			
Revenue		33,046,404	41,667,235
Cost of revenue		△9,199,819	△13,568,862
Gross profit		23,846,584	28,098,372
Other income		159,805	263,671
Selling, general and administrative expenses		△13,424,141	△15,031,509
Other expense		△193,581	△343,327
Operating profit		10,388,667	12,987,207
Financial income		336,467	484,137
Financial expense		△253,029	△202,868
Equity method investment gain/loss (△=loss)		517,217	17,166
Profit before income taxes		10,989,321	13,285,643
Corporate and income tax expenses		△3,116,722	△4,302,682
Profit from continuing operations		7,872,598	8,982,961
Discontinued Operations			
Profit/Loss from discontinued operations (△=loss)		△179,198	—
Profit		7,693,400	8,982,961
Profit attributable to			
Owners of parent		7,624,148	8,818,820
Non-controlling interests		69,252	164,140
Profit		7,693,400	8,982,961
Earnings per share			
Basic earnings per share (yen) (△=loss)	⑧		
Continuing operations		105.94	117.98
Discontinuing operations		△2.32	—
Total		103.62	117.98
Diluted earnings per share (yen) (△=loss)			
Continuing operations	⑧	103.29	116.17
Discontinuing operations		△2.25	—
Total		101.04	116.17

Condensed consolidated statement of comprehensive income

(Unit: Thousand yen)

	Notes	FY2020 (From October 1, 2019 to September 30, 2020)	FY2021 (From October 1, 2020 to September 30, 2021)
Profit		7,693,400	8,982,961
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Fair value of financial assets measured through other comprehensive income		570,848	102,291
Shares of other comprehensive income of equity method affiliates		248,757	546,271
Total of Items that will not be reclassified to profit or loss		819,605	648,563
Items that will be reclassified to profit or loss			
Exchange differences on translation of foreign operations		△279,897	271,534
Shares of other comprehensive income of equity method affiliates		25,696	79,260
Total of items that will be reclassified to profit or loss		△254,201	350,794
Other comprehensive income after income taxes		565,404	999,357
Comprehensive income		8,258,805	9,982,318
Comprehensive income attributable to			
Owners of parent		8,187,844	9,814,824
Non-controlling interests		70,960	167,494
Total		8,258,805	9,982,318

(3) Condensed consolidated statement of changes in equity

Previous consolidated fiscal year (From October 1, 2019 to September 30, 2020)

(Unit: Thousand yen)

Notes	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other items of equity	Total equity attributable to owners of parent	Non-controlling interests	Total Equity
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	—	—	△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	—	—	7,624,148	—	—	7,624,148	69,252	7,693,400
Other comprehensive income	—	—	—	—	563,696	563,696	1,707	565,404
Comprehensive income	—	—	7,624,148	—	563,696	8,187,844	70,960	8,258,805
Disposal of treasury shares	—	33,085	—	32,504	—	65,590	—	65,590
Dividends	—	—	△2,648,221	—	—	△2,648,221	—	△2,648,221
Transfer from other items of equity to retained earnings	—	—	25,454	—	△25,454	—	—	—
Share-based payment transaction	—	136,503	—	—	△22	136,480	19,480	155,960
Changes in the interest in controlled subsidiary	—	△32,573	—	—	—	△32,573	454,713	422,139
Change from sales of consolidated subsidiary	—	△308,934	—	—	—	△308,934	168,522	△140,412
Other increase/decrease	—	—	△63,115	—	△313	△63,429	—	△63,429
Total transactions with owners	—	△171,919	△2,685,882	32,504	△25,791	△2,851,088	642,716	△2,208,372
Balance as of September 30, 2020	4,712,900	5,675,561	20,725,465	△1,149,341	1,769,560	31,734,145	1,719,369	33,453,515

Current consolidated fiscal year (From October 1, 2020 to September 30, 2021)

(Unit: Thousand yen)

Notes	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other items of equity	Total equity attributable to owners of parent	Non-controlling interests	Total Equity
Balance as of October 1, 2020	4,712,900	5,675,561	20,725,465	△1,149,341	1,769,560	31,734,145	1,719,369	33,453,515
Profit	—	—	8,818,820	—	—	8,818,820	164,140	8,982,961
Other comprehensive income	—	—	—	—	996,004	996,004	3,353	999,357
Comprehensive income	—	—	8,818,820	—	996,004	9,814,824	167,494	9,982,318
Purchase of treasury stock	—	—	—	△3,102	—	△3,102	—	△3,102
Dividends	—	—	△3,826,483	—	—	△3,826,483	—	△3,826,483
Dividends paid to non-controlling interests	—	—	—	—	—	—	△63,671	△63,671
Issuance of convertible bond-type bonds with stock acquisition rights	—	1,006,926	—	—	—	1,006,926	—	1,006,926
Conversion of convertible bond-type bonds with stock acquisition rights	8,610,235	8,430,623	—	—	—	17,040,858	—	17,040,858
Transfer from other items of equity to retained earnings	—	—	828,349	—	△828,349	—	—	—
Share-based payment transaction	—	103,656	—	—	△39	103,616	—	103,616
Changes in the interest in controlled subsidiary	—	△29,165	—	—	—	△29,165	151,240	122,075
Changes in ownership interest in associates	—	12,880	—	—	—	12,880	—	12,880
Other increase/decrease	—	△8,555	—	—	—	△8,555	—	△8,555
Total transactions with owners	8,610,235	9,516,366	△2,998,133	△3,102	△828,389	14,296,976	87,569	14,384,545
Balance as of September 30, 2021	13,323,135	15,191,927	26,546,151	△1,152,444	1,937,175	55,845,946	1,974,433	57,820,379

(4) Condensed consolidated statement of cash flows

(Unit: Thousand yen)

	Notes	FY2020 (From October 1, 2019 to September 30, 2020)	FY2021 (From October 1, 2020 to September 30, 2021)
Cash flow from operating activities			
Profit before income taxes		10,989,321	13,285,643
Profit before income taxes from discontinued operations (Δ =loss)		Δ 158,338	—
Depreciation & Amortization		1,520,087	1,896,633
Impairment Loss		115,793	187,990
Gain/loss from sale of subsidiary (Δ =gain)		172,466	—
Financial income and expense (Δ =gain)		Δ 65,801	Δ 281,269
Equity method investment gain/loss (Δ =gain)		Δ 517,217	Δ 17,166
Increase/decrease in inventories (Δ =increase)		Δ 1,233,718	Δ 223,548
Increase/decrease in operating and other receivables (Δ =increase)		Δ 530,571	Δ 1,504,832
In/Decrease in advances paid (Δ =increase)		1,457,114	Δ 14,281,294
In/Decrease in accrued revenues (Δ =increase)		Δ 2,019,481	Δ 653,790
In/Decrease in operating payables (Δ =decrease)		1,379,751	933,682
In/Decrease in accrued expenses (Δ =decrease)		3,429,921	832,303
In/Decrease in deposits received (Δ =decrease)		36,225,413	Δ 2,471,198
In/Decrease in other current liabilities (Δ =decrease)		1,272,825	238,652
Other		353,731	461,288
Subtotal		52,391,298	Δ 1,596,905
Interest and dividends received		38,529	45,253
Interest paid		Δ 169,235	Δ 138,185
Payments into deposit funds		Δ 30,000	—
Corporate income taxes paid		Δ 3,041,766	Δ 4,653,399
Cash flow from operating activities		49,188,824	Δ6,343,236
Cash flow from investing activities			
Purchase of property, plants and equipment		Δ 428,158	Δ 245,055
Purchase of intangible assets		Δ 1,508,408	Δ 1,677,505
Purchase of investment securities		Δ 884,250	Δ 103,625
Proceeds from sale of investment securities		—	499,642
Proceeds from redemption of investments partnerships		405,487	178,886
Payments into deposits to subsidiaries and affiliates		—	Δ 2,000,000
Proceeds from withdrawal of deposits to subsidiaries and affiliates		—	5,000,000
Purchase of other financial assets		Δ 1,153,708	Δ 403
Proceeds from sales of other financial assets		116,863	700,555
Purchase of shares of subsidiaries resulting in change in scope of consolidation		Δ 968,256	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation		—	Δ 108,566
Others		Δ 72,876	Δ 12,929
Cash flow from investing activities		Δ4,493,307	2,230,999

(Unit: Thousand yen)

	Notes	FY2020 (From October 1, 2019 to September 30, 2020)	FY2021 (From October 1, 2020 to September 30, 2021)
Cash flow from financing activities			
In/Decrease in short-term borrowings (Δ =decrease)		3,000,000	Δ 3,020,000
Repayment of long-term borrowings		Δ 1,267,300	Δ 803,910
Proceeds from issuance of bonds		—	21,057,055
Cash dividends paid		Δ 2,648,164	Δ 3,826,280
Dividends paid to non-controlling interests		—	Δ 63,493
Capital contributions from non-controlling interests		431,668	144,646
Other		Δ 301,311	Δ 706,323
Cash flow from financing activities		Δ785,107	12,781,695
Effect of exchange rate changes on cash and cash equivalents		Δ 93,050	23,700
Increase and decrease in cash and cash equivalents (Δ =decrease)		43,817,359	8,693,158
Balance of cash and cash equivalents at the beginning of the period	④	52,013,447	95,830,807
Cash and cash equivalents at the end of period	④	95,830,807	104,523,965

(5) Notes regarding the going concern assumptions

N/A

(6) Notes regarding condensed consolidated financial statements

① Reporting Entity

GMO Payment Gateway, Inc. (“the Company”) is a corporation (“*kabushiki kaisha*”) domiciled in Japan and listed on the Tokyo Stock Exchange. The registered address of its head office is 2-3 Dogenzaka 1-chome, Shibuya-ku, Tokyo, Japan. The condensed consolidated financial statements for the fiscal year ending September 30, 2021, is comprised of the Company and its subsidiaries (the “Group”) and equity interest by the Group in affiliates. The ultimate parent of the Group is GMO Internet, Inc. The Company’s Group is engaged in the businesses of Payment Processing Business, Money Service Business and Payment Enhancement Business. (see ⑦ Segment Information).

② Basis of preparation

a. Compliance of consolidated financial statements to IFRS

The consolidated financial statements of GMO-PG consolidated subsidiaries satisfies all the criteria of a “Designated International Accounting Standards Specified Company” under Article 1-2 of the Regulation On Terminology, Forms, and Preparation Methods of Consolidated Financial Statements. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to the provision of Article 93 of the Regulation for Consolidated Financial Statements.

b. Basis of measurement

The consolidated financial statements of GMO-PG consolidated subsidiaries is presented based on the accounting principles stated under “③ Significant Accounting Principles”. The balance of assets and liabilities, unless otherwise stated, have been prepared on a historical cost basis.

c. Functional and presentation currency

The consolidated financial statements of GMO-PG consolidated subsidiaries are presented in Japanese Yen (“JPY”), which is the functional currency. All figures in JPY are rounded to the nearest thousand JPY.

③ Significant Accounting Policies

The significant accounting principles applied to the consolidated financial statements of the Group are the same as that applied to consolidated financial statements in the previous fiscal year.

④ Cash and cash equivalents

Breakdown of cash and cash equivalents are as follows.

(Unit: Thousand yen)

	End of previous consolidated fiscal year (September 30, 2020)	End of current consolidated fiscal year (September 30, 2021)
Cash and cash equivalents	94,880,807	81,593,965
Deposits to subsidiaries and affiliates	950,000	22,930,000
Total	95,830,807	104,523,965

⑤ Operating and other receivables

Breakdown of operating and other receivables are as follows.

(Unit: Thousand yen)

	End of previous consolidated fiscal year (September 30, 2020)	End of current consolidated fiscal year (September 30, 2021)
Accounts receivable - trade	5,187,311	5,740,246
Operating loans	6,040,284	8,846,384
Other	1,628,262	92,408
Allowance for doubtful accounts	△98,461	△139,464
Total	12,757,396	14,539,574
Current assets	10,782,296	10,308,474
Non-current assets	1,975,100	4,231,100
Total	12,757,396	14,539,574

⑥ Deposits to subsidiaries and affiliates

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

⑦ Segment Information

(1) Overview of segment information

The reporting segments of the Group are based on operation segments for which separate financial information is available and which the Board of Directors regularly reviews to determine the allocation of management resources and evaluate its performance. The Group has business units and subsidiaries according to the product and/or service, and each business unit and subsidiaries carries out the business activities for the respective products and/or services and formulates comprehensive strategies covering Japan and overseas.

Therefore, the Group is comprised of the products and services grouped according to the explanation above and these business segments are further categorized by characteristics and similarity in the markets they are sold into, to be classified under the three reportable segments of Payment Processing Business, Money Service Business and Payment Enhancement Business.

The main products and services included in the reportable segments are as shown below:

Reportable Segment	Main products and services
Payment Processing Business	Mainly consists of payment processing for online billing, recurring billing and for offline payment processing.
Money Service Business	Mainly consists of GMO Payment After Delivery, Money Services such as Remittance, Transaction Lending to provide loans for growth, overseas lending, Early Payment service to improve merchant's cash cycle.
Payment Enhancement Business	Mainly consists of online advertising service aimed at increasing revenues at merchants, and Medical Kakumei byGMO, a reservation management system exclusively for medical institutions.

(2) Segment information

Accounting principles applied to the reportable segments are the same as that of consolidated financial statements.

Performance of segments is as shown below and income for the reportable segments is reconciled as operating profit or loss. Intersegment transactions are based on equivalent prices at arm's length transactions.

Previous fiscal year: FY2020 (From October 1, 2019 to September 30, 2020)

(Unit: Thousand yen)

	Payment Processing Business	Money Service Business	Payment Enhancement Business	Total	Adjustments (Note)	Consolidated
Revenues						
Sales to external customers	23,028,517	9,416,169	601,716	33,046,404	—	33,046,404
Intersegment revenue	9,102	—	307	9,410	△9,410	—
Total	23,037,620	9,416,169	602,024	33,055,814	△9,410	33,046,404
Segment profit (△=loss)	11,581,232	1,799,806	77,496	13,458,535	△3,069,868	10,388,667
Financial income	—	—	—	—	—	336,467
Financial expense	—	—	—	—	—	△253,029
Equity method investment gains (△=loss)	—	—	—	—	—	517,217
Profit before income taxes of continuing operations	—	—	—	—	—	10,989,321
Other items						
Depreciation & amortization	1,230,150	95,237	22,843	1,348,232	171,839	1,520,071
Impairment Loss	—	—	—	—	—	—

(Note) Adjustment of segment profit of △¥3,069 mil. consists of general corporate expenses not allocated to any reportable segment of △¥3,185 mil. and elimination of intersegment transactions of ¥115 mil. General corporate expenses consist of general and administrative expenses not allocated to any reportable segment.

Current fiscal year: FY2021 (From October 1, 2020 to September 30, 2021)

(Unit: Thousand yen)

	Payment Processing Business	Money Service Business	Payment Enhancement Business	Total	Adjustments (Note)	Consolidated
Revenues						
Sales to external customers	30,798,812	10,151,451	716,970	41,667,235	—	41,667,235
Intersegment revenue	13,993	—	890	14,884	△14,884	—
Total	30,812,806	10,151,451	717,861	41,682,119	△14,884	41,667,235
Segment profit (△=loss)	14,424,791	2,093,180	△106,886	16,411,085	△3,423,878	12,987,207
Financial income	—	—	—	—	—	484,137
Financial expense	—	—	—	—	—	△202,868
Equity method investment gains (△=loss)	—	—	—	—	—	17,166
Profit before income taxes of continuing operations	—	—	—	—	—	13,285,643
Other items						
Depreciation & amortization	1,522,821	138,594	29,628	1,691,044	205,589	1,896,633
Impairment Loss	21,414	—	166,576	187,990	—	187,990

(Note) Adjustment of segment profit of △¥3,423 mil. consists of general corporate expenses not allocated to any reportable segment of △¥3,543 mil. and elimination of intersegment transactions of ¥119 mil. General corporate expenses consist of general and administrative expenses not allocated to any reportable segment.

⑧ Per Share Information

(1) Basic earnings per share

The basis for calculation of basic earnings per shares is as follows.

(Unit: Thousand yen)

	FY2020 (From October 1, 2019 to September 30, 2020)	FY2021 (From October 1, 2020 to September 30, 2021)
Profit attributable to owners of parent (Δ =loss)	7,624,148	8,818,820
Continuing operations	7,794,879	8,818,820
Discontinued operations	Δ 170,731	—
Average number of shares	73,579,725 shares	74,750,225 shares
Basic earnings per share (Δ =loss)	¥103.62	¥117.98
Continuing operations	¥105.94	¥117.98
Discontinued operations	¥ Δ 2.32	¥—

(2) Diluted earnings per share

The basis for calculation of diluted earnings per shares is as follows.

(Unit: Thousand yen)

	FY2020 (From October 1, 2019 to September 30, 2020)	FY2021 (From October 1, 2020 to September 30, 2021)
Profit attributable to owners of parent (Δ =loss)	7,624,148	8,818,820
Adjustment to profit	38,272	30,053
Profit attributable to owners of parent after dilution (Δ =loss)	7,662,420	8,848,873
Continuing operations	7,833,151	8,848,873
Discontinued operations	Δ 170,731	—
Average number of shares	73,579,725 shares	74,750,225 shares
Effect of dilutive securities		
Convertible bond-type bonds with subscription rights	2,253,894 shares	1,423,657 shares
Number of shares after effect of dilutive shares	75,833,619 shares	76,173,882 shares
Diluted earnings per share (Δ =loss)	¥101.04	¥116.17
Continuing operations	¥103.29	¥116.17
Discontinued operations	¥ Δ 2.25	¥—

⑨ Significant subsequent events

None.