

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	
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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				
FY2020 (forecast)		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		△808,994	△70,311
Shares of other comprehensive income of equity method affiliates		△53,448	250,627
Total of Items that will not be reclassified to profit or loss		△862,442	180,315
Items that will be reclassified to profit or loss			
Exchange differences on translation of foreign operations		△41,142	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		△837,041	234,699
Comprehensive income		213,234	1,989,312
Comprehensive income attributable to			
Owners of parent		246,188	1,968,122
Minority interests		△32,953	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		△200,100	△200,100
Payment for stock buyback		△689,952	—
Dividends paid		△2,118,666	△2,634,495
Other		△24,226	△117,465
Net cash provided by (used in) financing activities		△2,733,945	△2,952,060
Effect of exchange rate changes on cash and cash equivalents		△55,499	56,335
Increase and decrease in cash and cash equivalents (△=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.