

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

May 12, 2020

Exchange: 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	May 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 million yen)

1. Consolidated Financial Statements for the Second Quarter, FY2020 (From October 1, 2019 to March 31, 2020)

(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	
	Mil. Yen	%	Mil. Yen	%	Mil. Yen	%	Mil. Yen	%	Mil. Yen	%	Mil. Yen	%
Q2 FY2020	18,386	14.8	4,704	10.5	5,247	26.9	3,455	35.6	3,408	32.2	3,580	59.5
Q2 FY2019	16,015	27.5	4,258	30.2	4,134	30.0	2,549	31.0	2,578	31.4	2,244	△1.0

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q2 FY2020	46.33	45.24
Q2 FY2019	35.05	34.32

(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
	Mil. Yen	Mil. Yen	Mil. Yen	%
Q2 FY2020	159,194	28,486	27,428	17.2
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			
FY2020 (forecast)			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
	Mil. Yen	%	Mil. Yen	%	Mil. Yen	%	Mil. Yen	%	Mil. Yen	%	Yen
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 Q2 FY2020: 74,301,000 FY 2019: 74,301,000
(including treasury stock)

[2] Number of treasury shares at the end of the term Q2 FY2020: 714,781 FY 2019: 739,281

[3] Average number of shares during the term Q2 FY2020: 73,573,232 Q2 FY2019: 73,562,665

(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; 709,705 shares for Q2 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 includes 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 May 14, 2020. Supporting materials and a video of the presentation will be made available on the company's website after the event.

○ **Table of contents of attachment**

1. Qualitative Information on Consolidated Financial Statements for the Quarter	2
(1) Consolidated operating result	2
(2) Status of consolidated financial position	8
(3) Review of consolidated earnings forecasts and other forecasts	9
2. Condensed Consolidated Financial Statements and Major Notes	10
(1) Condensed consolidated balance sheet	10
(2) Condensed consolidated statement of income and comprehensive income	12
(3) Condensed consolidated statement of changes in equity	14
(4) Condensed consolidated statement of cash flows	15
(5) Notes regarding the going concern assumptions	17
(6) Notes regarding condensed consolidated financial statements	18
② Cash and cash equivalents	18
③ Operating and other receivables	18
④ Deposits to subsidiaries and affiliates	18
⑤ Material Subsequent Events	19

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 second quarter of the consolidated fiscal year (October 1, 2019 to March 31, 2020) as follows.

(Unit: Thousand yen)

	Cumulative Q2 of the previous consolidated fiscal year (From October 1, 2018 to March 31, 2019)	Cumulative Q2 of the current consolidated fiscal year (From October 1, 2019 to March 31, 2020)	Rate of change (%)
Revenue	16,015,927	18,386,666	14.8
Operating profit	4,258,091	4,704,341	10.5
Profit before income taxes	4,134,331	5,247,684	26.9
Profit attributable to owners of parent	2,578,390	3,408,373	32.2

a. Revenue

The Group's revenue reached to ¥18,386 mil., up by 14.8% YoY. 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 favorable trends in transactions of GMO Payment After Delivery, 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 SMS-based authentication and notification service.

Note that, it has been resolved at the Board of Directors meeting held on April 30, 2020 to transfer all the shares of Macro Kiosk Berhad, a second-tier subsidiary held via a consolidated subsidiary, and has concluded the transfer agreement on the same date. For details, please refer to ⑤ Material Subsequent Events of the (6) Notes regarding condensed consolidated financial statements, found under 2. Condensed Consolidated Financial Statements and Major Notes.

Revenue breakdown by business model is as follows.

(Unit: Thousand Yen)

Business model	Cumulative Q2 of the previous consolidated fiscal year (From October 1, 2018 to March 31, 2019)	Cumulative Q2 of the current consolidated fiscal year (From October 1, 2019 to March 31, 2020)	Rate of change (%)
Initial (Initial revenue)	713,426	1,394,682	95.5
Stock (Fixed revenue)	2,411,444	2,777,546	15.2
Fee (Transaction processing revenue)	6,044,719	6,666,058	10.3
Spread (Merchant acquiring service revenue)	6,846,335	7,548,379	10.3
Total	16,015,927	18,386,666	14.8

b. Operating profit

Consolidated operating profit reached ¥4,704 mil., up by 10.5% YoY. Operating profit only grew by 10.5% YoY despite the revenue growth of 14.8% YoY due to unfavorable comps against the previous second quarter which benefited from a one-off decline in expenses from various corporate efforts to lower credit risks in the Money Service Business segment, despite continued efforts to keep expense at low levels during the period under review.

By segment, Payment Processing Business segment profit (operating profit) was ¥5,380 mil., up 13.9% YoY; Money Service Business segment profit (operating profit) was ¥829 mil., a decline of 16.0% YoY; and, Payment Enhancement Business recorded a segment profit (operating profit) was ¥54 mil. (previous second quarter was a loss of ¥31 mil.). For details please refer to ② Results by segment of the (1) Consolidated operating results, found under 1. Qualitative Information on Consolidated Financial Statements for the Quarter.

c. Profit before income taxes

Consolidated pre-tax profit reached ¥5,247 mil., up 26.9% YoY. The reason the pre-tax profit growth rate of 26.9% YoY was higher than the operating profit growth rate of 10.5% YoY, is due to gains on investment partnerships of ¥223 mil. that increased the financial income to ¥244mil. (versus the previous second quarter financial income of ¥25 mil.) and equity method investment gains of ¥421 mil. (versus the previous second quarter equity method loss of ¥52 mil.).

② Results by segment

Performance by reportable segment is explained below.

(Unit: Thousand yen)

Segment	Cumulative Q2 of the previous consolidated fiscal year (From October 1, 2018 to March 31, 2019)	Cumulative Q2 of the current consolidated fiscal year (From October 1, 2019 to March 31, 2020)	Rate of change (%)
Payment Processing Business			
Revenue	9,272,379	10,858,319	17.1
Operating profit	4,724,611	5,380,311	13.9
Money Service Business			
Revenue	3,833,603	4,364,228	13.8
Operating profit	987,978	829,669	△16.0
Payment Enhancement Business			
Revenue	2,909,943	3,169,278	8.9
Operating profit	△31,280	54,619	—
Adjustments			
Revenue	—	△5,160	—
Operating profit	△1,423,217	△1,560,259	—
Total			
Revenue	16,015,927	18,386,666	14.8
Operating profit	4,258,091	4,704,341	10.5

a. Payment Processing Business

The payment processing business mainly consists of payment processing for online billing, recurring billing, and, offline market, as well as support services to financial institutions and financial service providers.

In the online billing and recurring billing domain, we focused our efforts to large merchants and non-EC operators given the secular growth in EC market. The segment revenue growth was driven by the strong transaction volume growth of 35.4% YoY from increased transaction related to daily goods and digital contents impacted by COVID-19, rising penetration of cashless payments and, expanding EC market.

Transaction value, on the other hand, grew only by 21.5% YoY due to the impact from the spread of COVID-19 that significantly affected some merchants with high-value transactions such as travel and ticket sales.

In the offline market, strong sales trend of payment terminals continued 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 ¥10,858 mil., up 17.1% YoY and segment profit (operating profit) was ¥5,380 mil. up 13.9% YoY.

Note that segment revenues for Q2 standalone grew 21.2% YoY, much stronger than Q1 standalone growth rate of 13.2% YoY.

b. Money Service Business

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

In the cumulative Q2 period under review, GMO Payment After Delivery grew steadily despite some merchants that were adversely affected by spread of COVID-19. In addition, services such as lending to overseas operators and GMO B2B Early Payment and GMO AR Guarantee also grew. On the other hand, both Remittance service and Early Payment service posted a YoY decline despite efforts to offset the negative impact from a few merchants in the previous term.

The Electronic Invoice Early Payment service was launched on January 2020, which offers a one-click payment of invoices to business users (i.e. sellers who issue invoices) on the B2B Platform Invoicing, a

platform to digitalize invoices operated by Infomart Corporation.

As a result, segment revenue reached ¥4,364 mil., up 13.8% YoY and segment profit (operating profit) reached ¥829 mil., a decline of 16.0% YoY due to the decline of few services and unfavorable comps against the previous second quarter which benefited from a one-off decline in expenses resulting from corporate efforts to lower credit risks despite efforts to control expense levels even after this one-off reduction.

c. Payment Enhancement Business

Payment Enhancement Business comprises of mobile payment services 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 Q2 under review, Macro Kiosk Berhad’s revenue grew only 12.6% YoY, resulting in segment revenue of ¥3,169 mil. (up 8.9% YoY) and segment profit (operating profit) of ¥54 mil. (compared to operation loss of ¥31 mil. in the previous Q2).

Note that, it has been resolved at the Board of Directors meeting held on April 30, 2020 to transfer all the shares of Macro Kiosk Berhad, a second-tier subsidiary held via a consolidated subsidiary, and has concluded the transfer agreement on the same date. For details, please refer to ⑤ Material Subsequent Events of the (6) Notes regarding condensed consolidated financial statements, found under 2. Condensed Consolidated Financial Statements and Major Notes.

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

Segment	Major service	Major companies of the services
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

① Assets, liabilities and net assets

a. Assets

Total assets at the end of the consolidated second quarter under review increased by ¥19,203 mil. from the end of the previous fiscal year to reach ¥159,194 mil. This is mainly due to an increase in cash and cash equivalents of ¥10,293 mil., an increase in advance payment of ¥1,033 mil., and an increase in accrued revenues of ¥3,010 mil. and the increase of tangible fixed assets of ¥3,385 mil.

The Group has ¥1,800 mil. in deposits made to subsidiaries and affiliated companies included in the balance of cash and cash equivalents at the end of the consolidated second 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 ¥6,800 mil. These deposits comprise the available cash on hand that is managed by GMO Internet's cash management system (CMS) and available to the entire Group. As a result, this allows the GMO-PG Group to withdraw necessary funds according to our business developments by registering a request taking into account the designated number of days prior to when cash is needed, without the need to wait until the CMS maturity date.

b. Liabilities

Balance of liabilities at the end of the consolidated second quarter under review stood at ¥130,707 mil., an increase of ¥18,256 mil. from the end of the previous consolidated fiscal year, mainly due to an increase in accrued expenses of ¥2,142 mil., deposits received of ¥13,101 mil. and the increase in other financial liabilities of ¥3,316 mil.

c. Equity

Equity balance at the end of the consolidated second quarter under review was ¥28,486 mil., an increase of ¥947 mil. from the end of the previous consolidated fiscal year. This was mainly due to the increase in net profit of ¥3,455 mil. and other comprehensive profit of ¥125 mil., which was partially offset by the decline in retained earnings of ¥2,648 mil. from dividend payouts.

② Status of consolidated cash flows

Cash and cash equivalents ("funds") at the end of the consolidated second quarter under review increased by ¥10,293 mil. versus the balance at the start of the term, to ¥62,306 mil. The state of cash flows over the cumulative second quarter under review is discussed below.

a. Cash flow from operating activities

Net funds provided by operating activities over the consolidated second quarter under review amounted to ¥16,379 mil., which compares to ¥3,839 mil. in the same period of the previous year. This resulted from cash outflows of (i) increase in advances paid of ¥1,033 mil., (ii) increase in accrued revenues of ¥2,943 mil., (iii) corporate and income tax payment of ¥1,793 mil. which partially offset the cash inflows of (i) profit before tax of ¥5,247 mil., (ii) increase in accrued expenses of ¥2,175 mil., and (iii) increase in deposits received of ¥13,101 mil.

b. Cash flow from investing activities

Net funds used by investing activities over the consolidated second quarter under review totaled ¥1,831 mil., which compares to ¥61,656 mil. in the same period of the previous year. This is due to cash outflow of ¥766 mil. from acquisition of intangible assets and ¥909 mil. from purchase of investment securities.

c. Cash flow from financing activities

Net funds used by financing activities over the consolidated second quarter under review was a ¥4,246 mil., which compares to ¥2,574 mil. in the same period of the previous year, due to net reduction of short-term borrowings of ¥1,000 mil. and dividend payout of ¥2,647 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 market for merchandizing continues to grow very rapidly, helped by favorable externalities such as increased penetration of smartphone and reforms in the logistic/distribution industry. At the same time, the 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 in the Money Service Business (MSB) segment, on IoT in the offline market and on global expansion as well.

Note that, it has been resolved at the Board of Directors meeting held on April 30, 2020 to waive all claims and to transfer all the shares of Macro Kiosk Berhad held via a consolidated subsidiary, and has concluded the transfer agreement on the same date. For details, please refer to ⑤ Material Subsequent Events of the (6) Notes regarding condensed consolidated financial statements, found under 2. Condensed Consolidated Financial Statements and Major Notes. As a result, revenues are forecast to fall short of the earnings guidance provided on November 12, 2019, however, the earnings guidance does not include this impact as the amount of impact to consolidated financial statements is undetermined at present.

Regarding the impact from the spread of COVID-19, business activities have been switched to remote work from home from January 27, 2020, and we have not experienced any noticeable decline in productivity or efficiency due to this. Regarding the impact to our financial performance, the nature of online business makes it resilient although private consumption itself may stagnate. Along with the offline-to-online trend in the offline market, the overall impact to GMO-PG group's revenues is minimal at present.

Earnings guidance announced on November 12, 2019 for the Fiscal Year ending September 2020 is as follows.

(Unit: Yen Million)

	Forecast for Fiscal Year ending September 2020	Rate of change (%)
Revenues	36,618	14.0
Operating Profit	10,376	25.0
Profit Before Tax	9,867	22.8
Profit	6,216	23.0
Profit Attributable to Owners of Parent	6,110	16.0

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 Q2 of current consolidated fiscal year (March 31, 2020)
Assets			
Current assets			
Cash and cash equivalents	②	52,013,447	62,306,643
Operating and other receivables	③	13,663,112	13,326,210
Advances paid		32,496,862	33,530,110
Accrued revenue		21,566,393	24,577,323
Inventories		207,280	216,803
Deposits to subsidiaries and affiliates	④	—	5,000,000
Other financial assets		165,584	176,915
Other current assets		956,398	959,760
Total current assets		121,069,081	140,093,766
Non-current assets			
Tangible assets	①	517,509	3,903,471
Goodwill and other intangible assets		4,359,129	4,682,854
Investments accounted for using equity method		3,001,692	3,751,694
Deposits to subsidiaries and affiliates	④	5,000,000	—
Other financial assets		4,803,089	5,595,751
Deferred Tax Assets		1,124,014	1,042,005
Other non-current assets		116,082	124,785
Total non-current assets		18,921,518	19,100,561
Total assets		139,990,599	159,194,328

		(Unit: Thousand yen)	
	Notes	End of previous consolidated fiscal year (September 30, 2019)	End of Q2 of current consolidated fiscal year (March 31, 2020)
Liabilities and Equity			
Liabilities			
Current liabilities			
Operating and other payables		4,688,856	5,335,759
Accrued expenses		16,118,112	18,260,687
Deposits received		50,834,374	63,935,762
Borrowings		15,800,400	14,800,400
Other financial liabilities	①	108,534	424,490
Income taxes payable, etc.		1,569,616	1,591,753
Provisions		396,631	528,946
Other current liabilities		2,229,923	2,437,462
Total current liabilities		91,746,449	107,315,262
Non-current liabilities			
Corporate bonds		16,745,648	16,780,102
Borrowings		1,398,700	998,500
Other financial liabilities	①	223,363	3,223,468
Provision		35,848	129,677
Deferred tax liabilities		85,604	73,253
Other non-current liabilities		2,215,686	2,187,712
Total non-current liabilities		20,704,851	23,392,714
Total liabilities		112,451,301	130,707,976
Equity			
Capital stock		4,712,900	4,712,900
Capital surplus		5,847,480	5,956,527
Retained earnings	①	15,884,444	16,573,141
Treasury stock		△1,181,846	△1,149,341
Other items of equity		1,231,655	1,335,462
Total equity attributable to owners of parent		26,494,633	27,428,689
Non-controlling interests	①	1,044,664	1,057,661
Total equity		27,539,297	28,486,351
Total liabilities and equity		139,990,599	159,194,328

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

Condensed consolidated statement of income

		(Unit: Thousand yen)	
	Notes	Cumulative Q2 of previous consolidated fiscal year (From October 1, 2018 to March 31, 2019)	Cumulative Q2 of current consolidated fiscal year (From October 1, 2019 to March 31, 2020)
Revenue		16,015,927	18,386,666
Cost of revenue		△5,811,604	△6,615,569
Gross profit		10,204,322	11,771,096
Other income		73,939	95,002
Selling, general and administrative expenses		△5,890,733	△7,012,262
Other expense		△129,436	△149,495
Operating profit		4,258,091	4,704,341
Financial income		25,851	244,851
Financial expense		△96,775	△122,565
Equity method investment gains or loss		△52,835	421,058
Profit before income taxes		4,134,331	5,247,684
Income tax expenses		△1,585,183	△1,792,230
Profit		2,549,148	3,455,453
Profit attributable to			
Owners of parent		2,578,390	3,408,373
Non-controlling interests		△29,242	47,080
Profit		2,549,148	3,455,453
Earnings per share			
Basic earnings per share (yen)		35.05	46.33
Diluted earnings per share (yen)		34.32	45.24

Condensed consolidated statement of comprehensive income

		(Unit: Thousand yen)	
	Notes	Cumulative Q2 of previous consolidated fiscal year (From October 1, 2018 to March 31, 2019)	Cumulative Q2 of current consolidated fiscal year (From October 1, 2019 to March 31, 2020)
Profit		2,549,148	3,455,453
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Fair value of financial assets measured through other comprehensive income		△ 287,897	△ 160,035
Shares of other comprehensive income of equity method affiliates		△ 42,986	238,696
Total of Items that will not be reclassified to profit or loss		△ 330,883	78,661
Items that will be reclassified to profit or loss			
Exchange differences on translation of foreign operations		△ 11,396	△ 57,720
Shares of other comprehensive income of equity method affiliates		37,894	104,139
Total of items that will be reclassified to profit or loss		26,497	46,418
Other comprehensive income after income taxes		△ 304,386	125,080
Comprehensive income		2,244,762	3,580,534
Comprehensive income attributable to			
Owners of parent		2,274,065	3,538,305
Non-controlling interests		△ 29,303	42,228
Total		2,244,762	3,580,534

(3) Condensed consolidated statement of changes in equity

Cumulative second quarter of the previous consolidated fiscal year (From October 1, 2018 to March 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	Non-controlling 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	—	—	2,578,390	—	—	2,578,390	△29,242	2,549,148
Other comprehensive income	—	—	—	—	△304,324	△304,324	△61	△304,386
Quarterly comprehensive income	—	—	2,578,390	—	△304,324	2,274,065	△29,303	2,244,762
Purchase of treasury stock	—	—	—	△689,952	—	△689,952	—	△689,952
Dividends	—	—	△2,136,041	—	—	△2,136,041	—	△2,136,041
Share-based payment transaction	—	34,818	—	—	—	34,818	15,491	50,310
Total transactions with owners	—	34,818	△2,136,041	△689,952	—	△2,791,175	15,491	△2,775,683
Balance as of March 31, 2019	4,712,900	5,793,266	13,122,711	△1,181,846	1,636,980	24,084,012	1,209,999	25,294,011

Cumulative second quarter of the current consolidated fiscal year (From October 1, 2019 to March 31, 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 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	—	—	3,408,373	—	—	3,408,373	47,080	3,455,453
Other comprehensive income	—	—	—	—	129,932	129,932	△4,851	125,080
Quarterly comprehensive income	—	—	3,408,373	—	129,932	3,538,305	42,228	3,580,534
Disposal of treasury stock	—	33,085	—	32,504	—	65,590	—	65,590
Dividends	—	—	△2,648,221	—	—	△2,648,221	—	△2,648,221
Transfer from other components of equity to retained earnings	—	—	25,788	—	△25,788	—	—	—
Changes in the interests in controlled subsidiary	—	△9,528	—	—	—	△9,528	—	△9,528
Share-based payment transaction	—	85,490	—	—	△22	85,468	9,740	95,208
Other increase/decrease	—	—	—	—	△313	△313	—	△313
Total transactions with owners	—	109,047	△2,622,433	32,504	△26,125	△2,507,006	9,740	△2,497,265
Balance as of March 31, 2020	4,712,900	5,956,527	16,573,141	△1,149,341	1,335,462	27,428,689	1,057,661	28,486,351

(4) Condensed consolidated statement of cash flows

		(Unit: Thousand yen)	
	Notes	Cumulative Q2 of previous consolidated fiscal year (From October 1, 2018 to March 31, 2019)	Cumulative Q2 of current consolidated fiscal year (From October 1, 2019 to March 31, 2020)
Net cash provided by (used in) operating activities			
Profit before income taxes		4,134,331	5,247,684
Depreciation & Amortization		525,842	734,761
Impairment Loss		—	89,272
Financial income and expense		70,924	△122,285
Equity method investment loss		52,835	△421,058
Increase/decrease in inventories (△=increase)		9,711	△9,523
Increase/decrease in operating and other receivables (△=increase)		1,447,643	305,239
In/Decrease in advances paid (△=increase)		△4,143,402	△1,033,247
Accrued revenues (△=increase)		△2,856,782	△2,943,858
In/Decrease in operating payables (△=decrease)		112,446	682,440
In/Decrease in accrued expenses (△=decrease)		△1,085,264	2,175,539
In/Decrease in deposits received (△=decrease)		6,969,499	13,101,268
In/Decrease in provisions		356,219	132,314
Other		△207,871	292,335
Subtotal		5,386,134	18,230,884
Interest and dividends received		25,851	20,990
Interest paid		△22,441	△78,697
Increase in Deposits		△59,940	—
Income taxes paid/refunded		△1,490,051	△1,793,330
Net cash provided by (used in) operating activities		3,839,552	16,379,846
Net cash provided by (used in) investing activities			
Payment from time deposits		689,374	—
Purchase of property, plants and equipment		△72,668	△349,008
Purchase of intangible assets		△568,789	△766,698
Purchase of investment securities		△101,562	△909,028
Proceeds from sales and redemption of investment partnerships		110,805	297,233
Acquisition of other financial assets		△89,401	△101,937
Proceeds from sales of other financial assets		7,262	49,387
Others		△36,677	△50,986
Net cash provided by (used in) investing activities		△61,656	△1,831,038

(Unit: Thousand yen)		
	Notes	
	Cumulative Q2 of previous consolidated fiscal year (From October 1, 2018 to March 31, 2019)	Cumulative Q2 of current consolidated fiscal year (From October 1, 2019 to March 31, 2020)
Net cash provided by (used in) financing activities		
In/decrease in short-term borrowings	699,000	△1,000,000
Repayment of long-term borrowings	△400,200	△400,200
Payment for stock buyback	△689,952	—
Dividends paid	△2,133,237	△2,647,589
Other	△50,376	△198,212
Net cash provided by (used in) financing activities	△2,574,766	△4,246,002
Effect of exchange rate changes on cash and cash equivalents	△33,884	△9,609
In/decrease in cash and cash equivalents (△=decrease)	1,169,245	10,293,195
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 43,202,369	62,306,643

(5) Notes regarding the going concern assumptions

None.

(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 Q2 of current consolidated fiscal year (March 31, 2020)
Cash and cash equivalents	49,213,447	60,506,643
Deposits to subsidiaries and affiliates	2,800,000	1,800,000
Total	52,013,447	62,306,643

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 Q2 of current consolidated fiscal year (March 31, 2020)
Accounts receivable - trade	5,663,939	6,217,804
Operating loans	7,514,754	6,690,051
Other	590,916	526,030
Allowance for doubtful accounts	△106,498	△107,676
Total	13,663,112	13,326,210

④ Deposits to subsidiaries and affiliates

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

⑤ Material Subsequent Events

(Waiver of claims to subsidiary and transfer of subsidiary shares)

GMO Payment Gateway, Inc. (GMO-PG) has resolved at the Board of Directors meeting held on April 30, 2020 to waive claims (“the Waiver”) to Macro Kiosk Berhad (Macro Kiosk) and have also resolved to transfer all the shares held through our subsidiary (“the Transfer”) and have concluded the transfer agreement on the same date. As a result of the Transfer, Macro Kiosk will be deconsolidated from the consolidated financial statements.

a. Reasons for the Transfer and Waiver

GMO-PG group acquired the shares and consolidated Macro Kiosk on August 2016 in order to expand our comprehensive payment services globally, and we have pursued business expansion mainly centered in Southeast Asia.

Macro Kiosk steadily grew by expanding its competitive services offered in Malaysia to the neighboring emerging markets. However, changes in the competitive landscape and market conditions have made it difficult to achieve the medium-term plans formulated at the time of the acquisition. As a result, we recorded an impairment loss of the entire book value of goodwill, technical assets, software and customer-related assets in the Fiscal Years ending September 2018 and 2019.

Despite reviewing the growth strategy of Macro Kiosk, we now foresee a prolonged time to generate synergy benefits making it and it is difficult to formulate a medium term plan that could achieve management’s KPI target of 25% operating profit growth, foresee a cashflow improvement and a resolution to the negative capital situation, due the earnings deterioration and changes in market conditions that were unforeseeable at the time of acquisition in August 2016. Thus, we could not negate the possibility of further cash injections. In addition, the spread of COVID-19 in Malaysia and throughout Asia from January 2020 and the resulting widespread recession have materially increased uncertainty and risks that are difficult to control. Following a broad assessment of these factors, the decision was made to transfer all the shares of Macro Kiosk to the three founding members and current management of Mr. Goh Chee Ken, Mr. Goh Chee Heng and Mr. Goh Chee Seng.

Pursuant to the Transfer, all claims to Macro Kiosk from GMO-PG are to be waived.

b. Outline of the recipient of the Transfer

(i) Goh Chee Ken

① Name	Goh Chee Ken
② Address	State of Selangor, Malaysia
③ Relationship with the listed company	Director of Macro Kiosk

(ii) Goh Chee Heng

① Name	Goh Chee Heng
② Address	State of Selangor, Malaysia
③ Relationship with the listed company	Director of Macro Kiosk

(iii) Goh Chee Seng

① Name	Goh Chee Seng
② Address	State of Selangor, Malaysia
③ Relationship with the listed company	Director of Macro Kiosk

c. Schedule

(i) Date of Resolution and

Conclusion of Agreement of Transfer of Shares April 30, 2020

(ii) Transfer of Shares and Waiver of Claims

After May 2020 (Planned)

d. Outline of consolidated subsidiary to be transferred: Macro Kiosk

Company Name	Macro Kiosk Berhad
Business Description	SMS mobile solution business, Carrier billing business
Business Relationship Between GMO-PG and Macro Kiosk	GMO-PG provides loans to Macro Kiosk

e. Number of shares to be transferred, transfer price and share ownership before and after the Transfer

Number of shares held before the Transfer	3,500,000 shares (Voting rights: 3,500,000 units; ownership ratio 70%)
Number of shares to be transferred	3,500,000 shares
Number of shares held after the Transfer	0 shares (Voting rights: 0 units, ownership ratio: 0%)

(Note) The transfer price is undisclosed due to confidentiality agreements with the recipient. The transfer price was determined through discussions with the recipient, following thorough assessment of the validity of the transfer price that took into consideration the current negative capital situation and estimated decline in future profitability of Macro Kiosk.

f. Contents of the Waiver

Type of claim	Loans and Accrued Interest
Value of claims to be waived	Approximately ¥1.0 billion

g. Reported segment which includes Macro Kiosk

Payment Enhancement Business segment.

h. Future Outlook

The estimated impact to consolidated profit and loss statement for Fiscal Year ending September 2020 is as follows: a ¥300 mil. reduction to Operating Profit from recording a loss on sale of subsidiary shares and, a ¥600 mil. reduction to Profit Attributable to Owners of the Parent due to waiver of claims of approximately ¥1.0 bn which caused some of Macro Kiosk's profit to be reclassified as their minority interest.

Note that due to COVID-19, the exact date of the Transfer cannot be determined and there is a likelihood

that transfer proceedings could take more time than usual. The amounts related to the Transfer and the Waiver have been assumed to occur by the end of March 2020.

In addition, Macro Kiosk will be excluded from the scope of consolidation due to the Transfer, however given the undetermined date of the Transfer, the amount from this impact has not been confirmed.