



Summary of Consolidated Financial Statements for the First Quarter, FY2014

February 4, 2014

Exchange: 1st section of Tokyo Stock Exchange

Name of listed company: GMO Payment Gateway, Inc.
 Stock code: 3769 URL: <http://corp.gmo-pg.com/>
 Representative: Issei Ainoura President & Representative Director
 Contact: Ryu Muramatsu Executive Vice President Tel: +81-3-3464-0182
 Scheduled date of submission of quarterly report: February 12, 2014 Scheduled date of commencement of 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, FY2014 (From October 1, 2013 to December 31, 2013)

(1) Consolidated Financial Statements (Percentages denote the increase or decrease from the previous period)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q FY2014	1,645	25.5	577	20.5	601	25.2	355	25.1
1Q FY2013	1,311	23.5	479	13.9	480	10.8	284	14.8

(Note) Comprehensive income: 1Q FY2014: 368 million yen (28.8%) 1Q FY2013: 286 million yen (15.6%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
1Q FY2014	20.62		20.58	
1Q FY2013	16.55		16.49	

In order to appropriately display the net income per share, in regard to the stock attributed to the directors' remuneration board incentive plan trust, it has the right to a claim of dividend, and is therefore, not included in treasury stock.

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%	Yen		
1Q FY2014	24,274		5,587		23.0	323.45		
FY FY2013	21,298		5,633		26.4	326.24		

Reference: Equity: 1Q FY2014: 5,579 million yen FY2013: 5,623 million yen

2. Dividends

	Yearly dividends				
	1Q	2Q	3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2013	—	0.00	—	24.50	24.50
FY 2014	—				
FY 2014 (forecast)		0.00	—	28.50	28.50

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

3. Consolidated Financial Forecast for the Fiscal Year Ending September 2014 (From October 1, 2013 to September 30, 2014)

(For the full year, percentages denote an increase or decrease as compared with the previous period. For the first six months of the period under review, they denote an increase or decrease as compared with the second quarter of the previous year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q of FY 2014 (cumulative)	3,286	20.3	1,201	18.3	1,190	16.6	680	11.2	39.43
Full year	6,934	20.3	2,475	20.8	2,460	20.1	1,421	16.8	82.39

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

Notices:

- (1) Changes of important subsidiaries during the period (change of specific subsidiaries that lead to a change in the scope of consolidation): No
Number of new subsidiaries: __ (Name:); number of excluded subsidiaries: __ (Name:)
- (2) Application of special accounting procedures for the execution of the financial statements: No
- (3) Changes in the accounting policy/ changes in the accounting estimation/ restatement of corrections
- [1] Changes associated with the revision of accounting policy, etc.: No
- [2] Changes other than [1]: No
- [3] Changes in accounting estimations: No
- [4] Restatement of corrections: No

- (4) Number of shares issued (common stock)
- | | | |
|---|-----------------------|-----------------------|
| [1] Number of shares issued at the end of the term (including treasury stock) | 1Q FY2014: 17,250,200 | FY 2013: 17,238,200 |
| [2] Number of treasury stock at the end of the term | 1Q FY2014: 1,139 | FY 2013: 1,139 |
| [3] Average number of shares | 1Q FY2014: 17,240,045 | 1Q FY2013: 17,180,824 |

In order to appropriately display the net income per share, in regard to the stock attributed to directors' remuneration board incentive plan trust, it has the right to a claim of dividend, and is therefore, not included in treasury stock.

- * Indication of the implementation status of quarterly review procedures
These quarterly financial statements are not subject to the quarterly review procedures of the Financial Instruments and Exchange Act. At the time of disclosure of these quarterly financial statements, the quarterly financial statement review procedures of the Financial Instruments and Exchange Act had not been completed.
- * Explanation of the proper use of financial forecasts and other important notes
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 4 in the attachment.

Table of contents of attachment

- 1. Qualitative Information on Consolidated Financial Statements for the Quarter 2
 - (1)Qualitative information on consolidated operating results 2
 - (2)Qualitative information on the consolidated financial condition 3
 - (3) Review of consolidated earnings forecasts and other forecasts 4

- 2. Items concerning summary information (Notes) 4
 - (1)Changes of important subsidiaries 4
 - (2)Application of special accounting procedures for the execution of the financial statements 4
 - (3)Changes in the accounting policy/ changes in the accounting estimation/ restatement of corrections 4

- 3. Consolidated quarterly financial statements 5
 - (1)Consolidated quarterly balance sheet 5
 - (2)Consolidated quarterly statements of income and consolidated quarterly statement of comprehensive income 7
 - (3)Consolidated statements of cash flows 9
 - (4)Notes to consolidated quarterly financial statement 10
 - (Notes regarding the premise for continuance) 10
 - (Note when there is a significant fluctuation in the amount of shareholders' equity) 10

1. Qualitative Information on Consolidated Financial Statements for the Quarter

(1) Qualitative information on consolidated operating results

Regarding the economic environment in Japan during the period under review, the Japanese economy is expected to show a gradual recovery as a whole, but the pace will likely remain slow for the time being due to sluggish improvement in parts of the global economy.

In regard to our core business, the non-face-to-face business transaction market is driven by the market of sales of goods and the market of sales of non-goods like member service, digital contents and social applications market along with the growing popularity of smartphones and tablets and a new movement impacting EC(e-commerce) businesses such as omni-channel and O2O. In the EC markets, CtoC-EC and BtoC-EC sites that can easily exhibit goods have gradually been gaining popularity among consumers

In regard to the credit card field, credit card shopping is steadily growing, and people tend to make more purchases via the Internet. Also, the non-face-to-face use of credit cards in the field of payment closely connected with life continues to expand, such as payments including rent and medical costs, as well as utility charges and public money.

Under such circumstances, the Group has pressed on with its businesses based on the three goals described below, in order to expand the scale of operations, which is a factor for increasing revenues. The Group, consisting of GMO Payment Gateway, Inc. (the Company), its consolidated subsidiaries GMO Epsilon Inc., Social Appli Payment Service, Inc., GMO Payment Service, Inc., and GMO PAYMENT GATEWAY PTE. LTD., provide payment services for credit cards, etc. as consolidated subsidiaries of GMO Internet, Inc.

[1] Growth of the online payment field

Through new merchant acquisitions and the expansion of services in regard to existing merchants, we tried to increase the number of merchants, number of processed payments and amount of processed payments, which are the Group's indicators for sales.

The number of merchants during the 1st quarter of the current consolidated fiscal year increased by 1,780 to 46,108 compared to the end of the previous consolidated fiscal year. This was the result of the active acquisition of new merchants using the PG Multi-Payment Service and the "Multi-payment Service" of GMO Epsilon, Inc.

Changes in number of operating stores

	End of September 2010	End of September 2011	End of September 2012	End of September 2013	End of December 2013
Number of operating stores	26,488	32,062	38,949	44,328	46,108

Note: Number of operating stores means the number of IDs assigned to each store to use the service. It shows the number of stores (merchants) which have an agreement with the Group, are connected to the system and are able to process payments at any time.

The number and amount of processed payments steadily increased as the economy recovered.

GMO Epsilon, Inc., our consolidated subsidiary, sells and provides the "Multi-Payment Service." This service provides a package of various payment methods, such as credit cards, to small-scale companies via its website, on a non-face-to-face basis. GMO Epsilon, Inc. has started selling and providing optional services, such as chargeback guarantee, etc.

Furthermore, GMO Epsilon, Inc. made steady efforts to expand support services and concluded a business alliance with both freee K.K., provider of automatic cloud accounting software, and LANCERS.INC, Japan's largest crowd-sourcing service provider.

[2] Development of the recurring payment field

We provide payment methods to public institutions, like the Japan Pension Service, and Local Governments, like Tokyo Prefecture.

Since payments by credit card are increasing with regard to utility charges, public money and other

monthly services closely connected with everyday life, we provide payment methods for automobile tax payment sites of the cities of Tokyo and Osaka, and water bill payment methods for the cities of Tokyo, Fukuoka, Sapporo and Kobe. We have continued to attempt to develop this field. During the 1st quarter of the current consolidated period, the Adachi Ward of Tokyo decided to adopt our PG Multi-Payment Service, the convenience store payment services, to receive payments for facility charges from November, 2013.

[3] Expansion of value-added services and new fields

As a value-added service making the best out of the Group's merchant base, we made steady efforts to expand services in areas related to the payment-processing business, such as the Online Advertising Service, providing SSL server certifications, shipping service and early payment service etc.

In particular, the Online Advertising Service is steadily expanding the number of sales and merchants implementing this service. GMO-PG was awarded the Gold Award as part of the Google contest, Excellent Performer Award, for the January to June 2013 period for the second year in a row.

Our subsidiary, Social Appli Payment Service, Inc. is providing member certification and payment platform "mopita" for smartphones.

Our subsidiary company GMO Payment Service launched its new "GMO Payment Later" service and increased the number of merchants and sales.

With regard to the overseas business, we established the Global Payment Fund, which is dedicated to payment ventures, with GMO VenturePartners

South East Asia is expected to be one of the fastest growing markets in the world, and the Global Payment Fund actively invests in payment startups, GMO Payment Gateway is expanding its global payment solution, GMO-PG Global Payment, throughout East and South East Asian countries. On December 2013, the fund invested in Coda Payments PTE LTD, a provider of direct carrier billing (DCB) services.

In regard to the operating expenses, due to the costs associated with the merchant sales improvement service, which has a high sales-cost ratio, expenses totaled 317,675,000 yen (increase of 37.1% on a year-on-year basis). Selling, general and administrative expenses were 750,260,000 yen (increase of 24.9% on a year-on-year basis). Non-operating income totaled 35,600,000 yen due to the commissions received, exchange earnings, and earnings on investment in silent partnership.

Consequently, the Group's operating results for the cumulative 1st quarter of the current consolidated fiscal year were as follows: Net sales amounted to 1,645,144,000 yen (increase of 25.5% on a year-on-year basis); operating income grew 20.5% on a year-on-year basis to 577,208,000 yen; ordinary income increased to 601,701,000 yen (increase of 25.2% on a year-on-year basis); and, net income reached 355,557,000 yen (increase of 25.1% on a year-on-year basis).

In addition, net sales consisted of an initial revenue of 127,499,000 yen (increase of 37.0% on a year-on-year basis), running revenue of 935,353,000 yen (increase of 24.1% on a year-on-year basis) and merchant acquiring service revenue of 582,291,000 yen (increase of 25.3% on a year-on-year basis).

Ratio of ordinary income to net sales was 36.6%.

(2) Qualitative information regarding the consolidated financial condition

[1] Assets

The balance of total assets at the end of the 1st quarter of the current consolidated fiscal year was 24,274,000,000 yen, up 2,975,761,000 yen as compared with the end of the previous consolidated fiscal year. This increase was mainly due to an increase of cash and deposits (2,554,870,000), mainly caused by the increase of deposits of merchants, in accordance with the merchant acquiring service agreement.

The deposits of merchants will mostly be paid out on the 10th of the next month, therefore the deposit balance will decrease with receipt of deposits.

[2] Liabilities

The balance of liabilities at the end of the 1st quarter of the current consolidated fiscal year was 18,686,829,000 yen, up 3,022,410,000 yen as compared with the end of the previous consolidated fiscal year. This increase was mainly caused by an increase in deposits received of 3,237,958,000 yen, which was an effect of the increase in deposits received from merchants in accordance with the merchant acquiring service agreement.

[3] Net assets

The balance of net assets at the end of the 1st quarter of the current consolidated fiscal year was 5,587,171,000 yen, down 46,649,000 yen as compared with the end of the previous consolidated

fiscal year. The decrease was mainly attributable to net income of 355,557,000 yen, with a decrease of 422,307,000 yen as a result of a distribution of surplus.

[4] Cash Flows

At the end of the 1st quarter of the current consolidated fiscal year, cash and cash equivalents (the "Funds") was 20,909,154,000 yen, up 2,550,810,000 yen as compared with the balance at the beginning of the period. Cash flows at the end of the cumulative 1st quarter of the current consolidated fiscal year are as follows.

Net cash provided by (used in) operating activities

Cash provided by operating activities during the cumulative 1st quarter of the current consolidated fiscal year amounted to 3,164,190,000 yen (provided 3,683,270,000 yen for the corresponding period of the previous fiscal year). This was mainly due to income before income taxes of 598,892,000 yen and an increase in deposits received of 3,185,928,000 yen, after a payment of income taxes of 469,155,000 yen.

Net cash provided by (used in) investing activities

Cash used in investment activities totaled 223,103,000 yen (150,968,000 yen was used in the corresponding period of the previous fiscal year.) This was mainly due to the acquisition of securities of subsidiaries and affiliates (125,000,000 yen) and the acquisition of intangible assets (84,978,000 yen).

Net cash provided by (used in) financing activities

Cash used in financing activities totaled 397,983,000 yen (315,736,000 yen was used in the corresponding period of the previous fiscal year). This was primarily attributable to the dividend payment of 394,351,000 yen.

(3) Review of consolidated earnings forecasts and other forecasts

We expect the non-face-to-face business transaction market, on which the Group's business is based, to grow as a result of an increase in the use of the Internet and the diversification of payment methods. In particular, the increase in fields closely connected with everyday life, such as rent and medical costs, as well as utility charges for electricity, gas and water and public money, including, auto tax, fixed property tax and national pension premiums, will allow for an increase in the range of activities in the medium to long term.

For the term ending September 2014, we expect initial revenue, running revenue and merchant acquiring service revenue to increase steadily. We believe this will be achieved by accelerating the pace of acquiring new merchants, strengthening the development of large-scale merchants through the provision of higher quality services, and increasing revenue per merchant through providing services that increase added value associated with the merchants' use of the Group.

In regard to costs, a part of the costs resulting from parallel operation caused by the data center integration are postponed to this period, and strategic investments are continued, although we expect a 20.1% growth in ordinary income and a 35.5% ordinary income ratio.

From the above, there are no changes in the forecasted consolidated financial performance announced on 30th October 2013.

2. Items concerning summary information (Notes)

(1) Changes of important subsidiaries

N/A

(2) Application of special accounting procedures for the execution of the financial statements

N/A

(3) Changes in the accounting policy/ changes in the accounting estimation/ restatement of corrections

N/A

3. Consolidated quarterly financial statements

(1) Consolidated quarterly balance sheet

(Unit: Thousand yen)

	Summary of balance sheet at the end of the previous consolidated fiscal year (September 30, 2013)	End of the 1 st quarter of the current consolidated fiscal year (December 31, 2013)
Assets		
Current assets		
Cash and deposits	18,393,932	20,948,802
Accounts receivable-trade	652,397	713,805
Merchandise	385	719
Supplies	381	458
Advance payments-trade	379,736	393,826
Prepaid expenses	58,767	68,011
Deferred tax assets	123,786	73,801
Accounts receivable-other	69,197	223,698
Other	18,130	27,919
Allowance for doubtful accounts	△25,772	△28,837
Total current assets	19,670,940	22,422,206
Noncurrent assets		
Tangible assets		
Buildings, net	68,801	66,218
Tools, furniture and fixtures, net	90,957	84,036
Other	103,162	132,711
Total tangible assets	262,920	282,966
Intangible assets		
Goodwill	41,423	38,741
Right of trademark	426	388
Software	455,527	543,908
Other	171,235	139,100
Total intangible assets	668,612	722,137
Investments and other assets		
Investment securities	421,165	448,935
Shares of subsidiaries and affiliates	2,010	1,597
Bonds of subsidiaries and affiliates	11,000	11,000
Investments in other securities of subsidiaries and affiliates	35,296	160,888
Long-term loans receivable from directors and employees	3,746	2,250
Claims provable in bankruptcy, claims provable in rehabilitation and other	11,904	11,758
Long-term prepaid expenses	6,114	8,525
Lease and guarantee deposits	155,476	153,879
Deferred tax assets	59,248	57,906
Allowance for doubtful accounts	△10,198	△10,053
Total investments and other assets	695,764	846,689
Total noncurrent assets	1,627,298	1,851,794
Total assets	21,298,239	24,274,000

(Unit: Thousand yen)

	Summary of balance sheet at the end of the previous consolidated fiscal year (September 30, 2013)	End of the 1 st quarter of the current consolidated fiscal year (December 31, 2013)
Liabilities		
Current liabilities		
Accounts payable-trade	188,761	226,358
Accounts payable-other	227,045	321,607
Income taxes payable	477,216	147,413
Accrued consumption taxes	66,046	55,795
Advances received	8,842	18,383
Deposits received	14,337,566	17,575,525
Provision for bonuses	156,000	105,249
Other provisions	35,420	—
Other	40,111	75,621
Total current liabilities	15,537,011	18,525,953
Noncurrent liabilities		
Provision for directors' remuneration Board Incentive Plan Trust	30,000	33,750
Other	97,407	127,126
Total noncurrent liabilities	127,407	160,876
Total liabilities	15,664,418	18,686,829
Net assets		
Shareholders' equity		
Capital stock	696,111	700,767
Capital surplus	956,032	960,689
Retained earnings	4,222,226	4,155,475
Treasury stock	△264,723	△264,723
Total shareholders' equity	5,609,646	5,552,209
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,968	14,873
Foreign currency translation adjustment	5,748	12,208
Total Accumulated other comprehensive income	13,717	27,081
Subscription rights to shares	10,456	7,880
Total net assets	5,633,820	5,587,171
Total liabilities and net assets	21,298,239	24,274,000

(2) Consolidated quarterly statements of income and consolidated quarterly statement of comprehensive income

(Consolidated quarterly statements of income)

(Cumulative 1st quarter of the consolidated fiscal year)

(Unit: Thousand yen)

	First three months of the previous consolidated fiscal year (From October 1, 2012 to December 31, 2012)	First three months of the current consolidated fiscal year (From October 1, 2013 to December 31, 2013)
Net sales	1,311,166	1,645,144
Cost of sales	231,643	317,675
Gross profit	1,079,523	1,327,468
Selling, general and administrative expenses	600,491	750,260
Operating income	479,031	577,208
Non-operating income		
Interest income	113	1,940
Dividends income	16	4,143
Earnings on investment in silent partnership	1,672	6,575
Gain on investment in partnership	—	409
Earnings on reversal of dividends payable	1,172	770
Rent income	3,624	3,450
Commissions received	—	7,862
Exchange earnings	7,457	7,805
Other	4	2,643
Total non-operating income	14,061	35,600
Non-operating expenses		
Interest expenses	1,601	355
Equity in losses of affiliates	6,146	7,367
Loss on investment in partnership	1,374	—
Rent expenses	3,550	3,379
Other	5	5
Total non-operating expenses	12,678	11,107
Ordinary income	480,414	601,701
Extraordinary loss		
Loss on retirement of noncurrent assets	—	2,808
Loss on valuation of investment securities	3,783	—
Total extraordinary loss	3,783	2,808
Income before income taxes	476,631	598,892
Corporate, inhabitant and enterprise taxes	142,936	195,831
Income taxes-deferred	49,426	47,503
Total income taxes	192,362	243,334
Income before minority interests	284,268	355,557
Net income	284,268	355,557

GMO Payment Gateway, Inc. (3769) Summary of Consolidated Financial Statements for the First Quarter, FY2014

(Consolidated quarterly statements of comprehensive income)
 (Cumulative 1st quarter of the consolidated fiscal year)

(Unit: Thousand yen)

	First three months of the previous consolidated fiscal year (From October 1, 2011 to December 31, 2011)	First three months of the current consolidated fiscal year (From October 1, 2012 to December 31, 2012)
Income before minority interests	284,268	355,557
Other comprehensive income		
Other valuation difference on available-for-sale securities	481	6,280
Foreign currency translation adjustment	1,576	6,460
Share of other comprehensive income of associates accounted for using equity method	—	624
Total other comprehensive income	2,058	13,364
Comprehensive income	286,326	368,922
(Details)		
Parent company shareholders' comprehensive income	286,326	368,922
Minority's comprehensive income	—	—

(3) Consolidated statements of cash flows

(Unit: Thousand yen)

	First three months of the previous consolidated fiscal year (From October 1, 2011 to December 31, 2011)	First three months of the current consolidated fiscal year (From October 1, 2012 to December 31, 2012)
Net cash provided by (used in) operating activities		
Income before income taxes	476,631	598,892
Depreciation	51,063	61,569
Amortization of goodwill	2,682	2,682
Increase and decrease in provision(Δdecrease)	Δ101,979	Δ79,502
Interest and dividends income	Δ129	Δ6,084
Interest expenses	1,601	355
Foreign exchange gains and losses(Δgains)	Δ7,457	Δ7,805
Equity in gains and losses of affiliates(Δgains)	6,146	7,367
Gains and losses on investments in silent partnership(Δgains)	Δ1,672	Δ6,575
Gains and losses on investment in partnership(Δgains)	1,374	Δ409
Loss on retirement of noncurrent assets	—	2,808
Gains and losses on valuation of investment securities(Δgains)	3,783	—
Increase and decrease in accounts receivable(ΔIncrease)	13,866	Δ61,259
Increase and decrease in inventories(ΔIncrease)	Δ613	Δ411
Increase and decrease in advance payments-trade(Δincrease)	Δ52,970	Δ14,090
Increase and decrease in accounts receivable-other(Δincrease)	98,211	Δ154,743
Increase and decrease in purchase debts(Δdecrease)	13,021	37,596
Increase and decrease in deposits received(Δdecrease)	3,594,164	3,185,928
Other	Δ27,638	65,628
Subtotal	4,070,085	3,631,946
Interest and dividends income received	48	1,755
Interest expenses paid	Δ1,601	Δ355
Income taxes paid	Δ385,262	Δ469,155
Net cash provided by (used in) operating activities	3,683,270	3,164,190
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	Δ9,457	Δ1,387
Purchase of intangible assets	Δ54,750	Δ84,978
Purchase of investment securities	Δ84,888	Δ9,217
Purchase of other securities of subsidiaries and affiliates	—	Δ125,000
Other	Δ1,871	Δ2,520
Net cash provided by (used in) investing activities	Δ150,968	Δ223,103
Net cash provided by (used in) financing activities		
Proceeds from issuance of common stock	127	6,736
Cash dividends paid	Δ310,317	Δ394,351
Other	Δ5,545	Δ10,368
Net cash provided by (used in) financing activities	Δ315,735	Δ397,983
Translation differences of cash and cash equivalents	5,865	7,707
Increase and decrease in cash and cash equivalents(Δdecrease)	3,222,432	2,550,810
Balance of cash and cash equivalents at the beginning of the period	12,774,220	18,358,343
Cash and cash equivalents at the end of period	15,996,652	20,909,154

(4) Notes to the consolidated quarterly financial statement

(Notes regarding the premise for continuance)

N/A

(Note when there is a significant fluctuation in the amount of shareholders' equity)

N/A