



# Summary of Consolidated Financial Statements for the Term Ending September 30, 2014

October 30, 2014

Exchange: First Section of Tokyo Stock Exchange

Name of listed company:	GMO Payment Gateway, Inc.		
Stock code:	3769	URL: <a href="http://corp.gmo-pg.com/">http://corp.gmo-pg.com/</a>	
Representative:	Issei Ainoura	President & Representative	Director
Contact:	Ryu Muramatsu	Executive Vice President	Tel: +81-3-3464-0182
Scheduled date for the holding of the ordinary general shareholders' meeting	December 21, 2014	Scheduled date of commencement for dividend payment	December 22, 2014
Scheduled submission date of securities report	December 22, 2014		
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 Term Ending September 2014 (From October 1, 2013 to September 30, 2014)

(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	%
FY2014	7,205	25.0	2,476	20.8	2,527	23.5	1,515	24.5
FY2013	5,764	22.4	2,048	16.8	2,047	16.1	1,217	26.7

(Note) Comprehensive income: FY2014: -1,583 million yen (28.6%) FY2013: 1,230 million yen (28.1%)

	Net income per share	Diluted net income per share	Net income ratio to equity	Ordinary income ratio to total assets	Operating income ratio on net sales
	Yen	Yen	%	%	%
FY 2014	43.92	43.87	24.4	11.0	34.4
FY 2013	35.38	35.26	23.0	11.3	35.5

Reference: Equity in earnings of affiliates: FY 2014: -15 million yen; FY 2013: 11 million yen

- In October 1, 2014, our company executed a 2-1 stock split. The values for the FY2013 are calculated on the same base.
- 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
FY2014	24,613	6,815	27.7	197.15
FY2013	21,298	5,633	26.4	163.12

Reference: Equity: FY2014: 6,372 million yen FY2013: 5,623 million yen

(Note) In October 1, 2014, our company executed a 2-1 stock split. The values for the FY2013 are calculated on the same base.

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Closing balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
FY 2014	3,088	-666	-444	20,349
FY 2013	6,954	-755	-632	18,358

## 2. Dividends

	Dividends per share					Amount of dividends (total)	Dividends payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1Q	2Q	3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2013	—	0.00	—	24.50	24.50	422	34.6	8.0
FY 2014	—	0.00	—	30.00	30.00	518	34.2	8.3
FY 2015 (forecast)	—	0.00	—	18.00	18.00		34.6	

(Note) In October 1, 2014, our company executed a 2-1 stock split. The values for the FY2015(forecast) are calculated on the same base.

### 3. Consolidated Financial Forecast for the Fiscal Year Ending September 2015 (From October 1, 2014 to September 30, 2015)

(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 2015 (cumulative)	4,033	15.6	1,471	18.7	1,476	18.5	887	23.3	25.68
Full year	8,656	20.1	2,974	20.1	2,985	18.1	1,797	18.6	52.03

#### Notices:

- (1) Changes of important subsidiaries during the period (change of specific subsidiaries that lead to a change in the scope of consolidation): No
- (2) 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
- (3) Number of shares issued (common stock)
 

[1] Number of shares issued at the end of the term (including treasury stock)	FY2014: 34,538,400	FY 2013: 34,476,400
[2] Number of treasury stocks at the end of the term	FY2014: 2,278	FY 2013: 2,278
[3] Average number of shares	FY2014: 34,514,576	FY2013: 34,397,048

  - 1) In October 1, 2014, our company executed a 2-1 stock split. The number of end of the period shares issued, the number of end of the period treasury stock shares, and the average number of shares during the period are calculated on the assumption that the said stock split was implemented at the beginning of the previous fiscal year.
  - 2) In order to appropriately display the number of treasury stocks at the end of the term and average number of shares, 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.

#### (Reference) Summary of Non-consolidated Statements

### Non-consolidated Financial Statements for the Term Ending September 2014 (From October 1, 2013 to September 30, 2014)

#### (1) Non-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	%
FY 2014	5,456	23.8	1,478	22.0	1,831	26.6	1,233	29.5
FY 2013	4,408	22.2	1,211	15.7	1,447	20.1	952	35.5

	Net income per share	Diluted net income per share
	Yen	Yen
FY 2014	35.74	35.70
FY 2013	27.70	27.60

- 1) In October 1, 2014, our company executed a 2-1 stock split. The values for the FY2013 are calculated on the same base.
- 2) 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) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2014	19,206	5,449	28.4	157.72
FY 2013	17,217	4,564	26.5	132.13

**Reference:** Shareholders' equity: FY 2014: 5,447 million yen, FY 2013: 4,555 million yen

(Note) In October 1, 2014, our company executed a 2-1 stock split. The values for the FY2013 are calculated on the same base.

#### \* Display regarding the audit procedure's enforcement situation

This summary of consolidated statements is not subject to the Financial Instruments and Exchange Act's audit procedure, and therefore, at the time of display, the audit procedure regarding the financial statements is not completed.

#### \* Explanation regarding the proper use of financial forecasts and other important notes

- 1) The above forecasts are outlooks based on the information currently available, and includes various uncertain factors. Actual performance may differ materially from the forecasts due to changes in business conditions and other factors.
- 2). In October 1, 2014 our company executed a 2-1 stock split.

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# 1. Qualitative Information regarding Financial Performance

## (1) Analysis of consolidated operating results

(Operating results for the current period)

Regarding the economic environment in Japan during the period under review, although the reaction to the rush of demand after the consumption tax hike is diminishing, recovery of the Japanese economy remains slow.

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 services, digital contents and social applications markets along with the growing popularity of smartphones and tablets and a new movement impacting EC (e-commerce) businesses such as omni-channel, O2O and CtoC-EC sites that 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 for everyday living expenses continues to expand, such as payments for rent and medical costs, as well as utility charges and public funds. In addition, credit card payment in BtoB-EC started in Japan, it is a certainty that opportunities to use credit cards will continue to increase.

Under such circumstances,

①The 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.

### a Growth of the online payment field

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

The number of merchants during the current consolidated fiscal year increased by 5,397 to 49,725 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 September 2014
Number of operating stores	26,488	32,062	38,949	44,328	49,725

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 of processed payments steadily increased. Regarding the total amount of payments, the merchant acquiring service, which contributes to our sales, also shows a steady growth.

GMO Epsilon, Inc., our consolidated subsidiary, sells and provides the "Multi-Payment Service" and is contributing to an increase in the number of operating stores and merchants acquiring service revenue. 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's business results grew steadily, and we recorded net sales of 1,557 million yen (an increase of 19.9% year-on-year).

### b Development of the recurring payment field

We provide payment methods to public institutions, such as the Japan Pension Service, and local governments, such as the Tokyo Prefectural government.

Since payment by credit card is increasing for utility charges, public funds 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 this period, we launched management services such as data processing, development of a web application acceptance system and provision of responses to inquiries, in regard to credit card payment of agency group trust insurance special contract for Japan Housing Finance Agency from August, 2014.

### c Expansion of value-added services and new fields

As a value-added service making the best of the Group's merchant base, we have 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 services and early payment services. In particular, the Online Advertising Service is steadily expanding the number of sales and the number of merchants implementing this service. We also started to assist Japanese EC businesses aiming for overseas expansion to deliver web advertisements throughout Southeast Asia.

Our subsidiary company GMO Payment Service is providing "GMO payment after delivery" service which allows the user to pay after receiving the goods. The GMO Payment Service has increased the number of merchants and the number of processed payments.

During this period, with the beginning of BtoB credit card payment, we provided payment services to BtoB and developed/operated credit card payment systems dedicated to BtoB.

We launched the new smartphone payment service "GMO Pallet" that allows simple payments using only a smartphone app at actual stores. "GMO Pallet" is a new smartphone payment service that does not require customers to take their credit cards out of their wallets when making payments. The Group has been promoting this service toward diffusion of O2O business.

With regard to overseas business, we continued to invest management resources on Taiwan/Hong Kong and Southeast Asia, growing business centers in the world. GMO-PG established five overseas entities to provide GMO-PG Global Payment solutions to Japanese non-face-to-face businesses with a local presence and targeting local markets in South East Asia. We also established "GMO Global Payment Fund" and facilitated creation of wide range of business opportunities through investment on prospective payment-related businesses in this area and deployment of the overseas payment service "GMO-PG Global Payment."

Note: On September 30, 2014, we transferred all the shares of Social Appli Payment Service, Inc., our consolidated subsidiary, to MTI Ltd.

②The Group focused on reinforcing its management base for medium-term growth.

We strengthen our management bases in order to allow for a steady increase in ordinary income by more than 20% in the medium and long term through investments in new business fields, hiring and promoting talented people, the transfer of the data center, reinforcing the settlement network base, further enhancing security.

Consequently, the Group's revenue and profit continued to increase, and the rate of growth also increased for the current consolidated fiscal year, as we recorded net sales of 7,205,542,000 yen (increase of 25.0% on a year-on-year basis), operating income of 2,476,408,000 yen (increase of 20.9% on a year-on-year basis), ordinary income of 2,527,793,000 yen (increase of 23.5% on a year-on-year basis), and net income of 1,515,788,000 yen (increase of 24.5% on a year-on-year basis).

Net sales consisted of an initial revenue of 566,799,000 yen (increase of 25.6% on a year-on-year basis), running revenue of 3,991,284,000 yen (increase of 23.8% on a year-on-year basis) and merchant acquiring service revenue of 2,647,458,000 yen (increase of 26.7% on a year-on-year basis)

Concerning the operating expenses, in order to steadily grow ordinary income by more than 20% in the medium and long term, we made a prior investment, as planned, for parallel operation to relocate the data center etc. Due to the costs associated with the merchant sales improvement service "Online Advertising Service", which has a high sales-cost ratio, expenses totaled 1,436,281,000 yen (an increase of 39.3% on a year-on-year basis). Selling, general and administrative expenses were 3,292,851,000 yen (an increase of 22.7% on a year-on-year basis) due to the recruiting of talented people.

Due to the earnings on investment in partnership and exchange earnings, non-operating income totaled 87,503,000 yen. Ratio of ordinary income to net sales was 35.1%.

In an effort to enhancement of collaboration-type business, we have promoted capital and business alliance by obtaining a part of shares of important affiliated stores and important business partners. Two companies listed because of expansion of operations including transactions with us. By selling a part of the shares, we posted an extraordinary income of 32,357,000 yen.

(Forecasts for the next period)

Forecasts for the Term Ending September 2015 (From October 1, 2014 to September 30, 2015)

We expect the non-face-to-face business transaction market, on which the Group's business is based, to grow by the market of sales of goods and the market of sales of non-goods like member services, digital contents and social applications markets along with the growing popularity of smartphones and tablets and a new movement impacting EC (e-commerce) businesses such as omni-channel, O2O and CtoC-EC sites that have gradually been gaining popularity among consumers. In addition, credit card payment in BtoB-EC started in Japan, it is a certainty that opportunities to use credit cards will continue to increase.

For the term ending September 2015, we expect initial revenue, running revenue and merchant acquiring service revenue to increase steadily. We believe this will be achieved by accelerating the acquisition pace of 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, we keep forecast for increase in sales cost ratio due to the sales growth of "Online Advertising Service", which has a high sales-cost ratio. We also forecast investment cost on the subsidiary companies, overseas businesses, and other investment on new businesses. We expect 18.1% growth in ordinary income and 34.5% ordinary income ratio.

For the reasons mentioned above, the consolidated financial forecast for the full fiscal year ending September 2015 is as follows.

	FY 2015	Increase or decrease from the same period of the previous year	FY 2014
	Million yen	%	Million yen
Net sales	8,656	20.1	7,205
Operating income	2,974	20.1	2,476
Ordinary income	2,985	18.1	2,527
Net income	1,797	18.6	1,515

\* The above forecasts are outlooks based on information currently available, and include various uncertainties. Actual performance may differ from the forecasts due to changes in business conditions and other factors.

## (2) Analysis of financial position

### ① Assets, liabilities and net assets

#### (Assets)

The balance of total assets at the end of the current consolidated fiscal year was 24,613,058,000 yen, up 3,314,819,000 yen when compared with the end of the previous consolidated fiscal year. This increase was mainly because of an increase in cash and deposits of 1,992,242,000 yen, which primarily resulted from the recording of net income before income taxes and others, and an increase in deposits received for merchants in accordance with the merchant acquiring service contract. In addition, an increase in Accounts receivable-other (434,880,000 yen) and in investment securities (229,574,000 yen) can also be mentioned as a cause of the increase.

Since most of the deposits received for merchants will be paid by the tenth of the following month, the balance of deposits received and cash and deposits will decrease.

#### (Liabilities)

The balance of liabilities at the end of the current consolidated fiscal year was 17,797,678,000 yen, up 2,133,259,000 yen as compared with the end of the previous consolidated fiscal year. This increase was mainly because of an increase in deposits received of 1,252,290,000 yen, which resulted primarily from the increase in deposits received for merchants in accordance with the merchant acquiring service contract. In addition, an increase in Accounts payable-other (465,264,000 yen) can also be mentioned as a cause of the increase.

#### (Net assets)

The balance of net assets at the end of the current consolidated fiscal year was 6,815,379,000 yen, up 1,181,559,000 yen as compared with the end of the previous consolidated fiscal year. The increase was mainly attributable to net income of 1,515,788,000 yen, although there was a decrease of 422,307,000 yen as a result of a distribution of surplus.

### ② Cash Flows

At the end of the current consolidated fiscal year, cash and cash equivalents (the "Funds") for the current consolidated fiscal year totaled 20,349,309,000 yen, up 1,990,965,000 yen when compared with the balance at the beginning of the period. Cash flows for the current consolidated fiscal year are as follows.

#### (Cash flow from operating activities)

The Funds obtained as a result of operating activities for the current consolidated fiscal year were 3,088,604,000 yen (6,954,257,000 yen was obtained for the same period of the previous year). This was mainly due to the recording of net income before income taxes and others of 2,540,417,000 yen, and an increase in deposits received of 1,252,307,000 yen after a payment of income taxes of 908,152,000 yen.

(Cash flow from investing activities)

The Funds used as a result of investing activities for the current consolidated fiscal year were 666,417,000 yen (755,003,000 yen was used for the same period of the previous year). This was mainly due to the investments in other securities of subsidiaries and affiliates of 250,000,000 yen and purchase of intangible fixed assets of 294,676,000 yen.

(Cash flow from financing activities)

The Funds used as a result of financing activities for the current consolidated fiscal year totaled 444,357,000 yen (632,002,000 yen was used for the same period of the previous year). This was primarily attributable to the dividend payment of 421,129,000 yen.

The trend of the Group's cash flow indices is as follows.

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Equity ratio (%)	32.0	31.2	33.4	26.4	27.7
Equity ratio on a market value basis (%)	129.8	229.9	163.9	216.2	348.0
Cash flows to interest bearing liabilities ratio (%)	0.5	0.6	5.4	1.8	4.5
Interest coverage ratio (times)	728.9	230.1	121.4	960.3	1,843.7

Notes:

- Method of calculating the abovementioned indices  
 Equity ratio: Shareholders' equity ÷ total assets  
 Equity ratio on a market value basis: Total market value of shares ÷ total assets  
 Cash flows to interest bearing liabilities ratio: interest bearing liabilities ÷ operating cash flows  
 Interest coverage ratio: Operating cash flows ÷ interest payments
- Each indices was calculated based on consolidated financial values.
- The total market value of shares was calculated by multiplying the closing share price at the end of the term by the number of shares issued at the end of the term (other than treasury stock)
- As operating cash flows and interest payments, "net cash provided by (used in) operating activities" and "interest expenses paid" recorded in the consolidated statements of cash flows were used.

(3) Basic policy on profit sharing and distribution for the current and next terms

We consider that returning a stable profit to our shareholders is a major mission of our management. Therefore, we accumulate an internal reserve that is necessary for future business development and the enhancement of business quality, and also for continuing to provide a stable return of profit to the shareholders. Thus, we established a basic dividend policy, setting the target dividend payout ratio at "roughly 35% of the consolidated net income" and started to pay term-end dividends in the term that ended September 30, 2006.

The dividend per share is 30.0 yen for the current consolidated fiscal year. In order to realize better investment environments for investors and realize further expansion of our investor base and improvement of liquidity of our shares, we executed a 2-1 stock split. For next fiscal year, we plan a yearend dividend of 18.0 yen per share (the yearend dividend taking into account the stock split).

In addition, we plan on continuing to effectively use the retained earnings for enhancing business quality and active business development.

Further, although the restriction on dividend frequency was removed, and other changes were made as the Companies Act became effective, we do not plan to make any special changes to the provisions of the Articles of Incorporation concerning dividends, payment of quarterly dividends or other matters.

## 2. Business group

### (1) Affiliates

The Group consists of the Company and its consolidated subsidiaries, GMO Epsilon, Inc. GMO PAYMENT SERVICE, Inc., GMO PAYMENT GATEWAY PTE. LTD. and provides credit card payment processing services as a consolidated subsidiary of GMO Internet, Inc.

GMO Internet, Inc., the parent Company, provides internet infrastructure, EC business, internet media and internet brokering under the motto “Internet for everybody”

Classification	Name	Details of business	Segment by type of related business
Parent	GMO Internet, Inc.	Comprehensive Internet business	—
Subsidiary	GMO Epsilon, Inc.	Various payment processing services	—
Subsidiary	GMO PAYMENT SERVICE, Inc.,	Payment Later service	—
Subsidiary	GMO PAYMENT GATEWAY PTE. LTD.	The headquarters for global business Global payment processing services	—

Note: On September 30, 2014, we transferred all the shares of Social Appli Payment Service, Inc., our consolidated subsidiary, to MTI Ltd.

### (2) Business details

The Group provides companies that sell products on a non-face-to-face basis with a payment processing service and, related to the payment-processing business, the means through which payment processing by credit cards and other methods can be efficiently made.

#### ①Type of service

##### a. Payment processing service

GMO Payment Gateway, Inc. and GMO Epsilon, Inc. provide companies that sell products on a non-face-to-face basis, including by way of consumer electronic commerce (B-to-C EC), with a payment processing service through which payment processing by credit cards, convenience store payment, prepaid cards, Pay-easy, electronic money, PayPal, Carrier billing, Internet banks and Cash on delivery can be made efficiently.

GMO PAYMENT GATEWAY PTE. LTD., provides payment processing services globally.

##### b. Related to the payment-processing business

As value-added services making the best of the Group’s merchant base, we made steady efforts to expand services in areas related to the payment-processing business, such as the “GMO-PG customer attraction support service”, SSL server certification business, shipping service, and early crediting service, etc.

Our consolidated subsidiary, “GMO PAYMENT SERVICE” launched its Payment Later service.

#### ②Contract types entered into between the merchant and the credit card company

The Group’s business models are classified broadly into two categories depending on the type of contract entered into between merchants and credit card companies, or others.

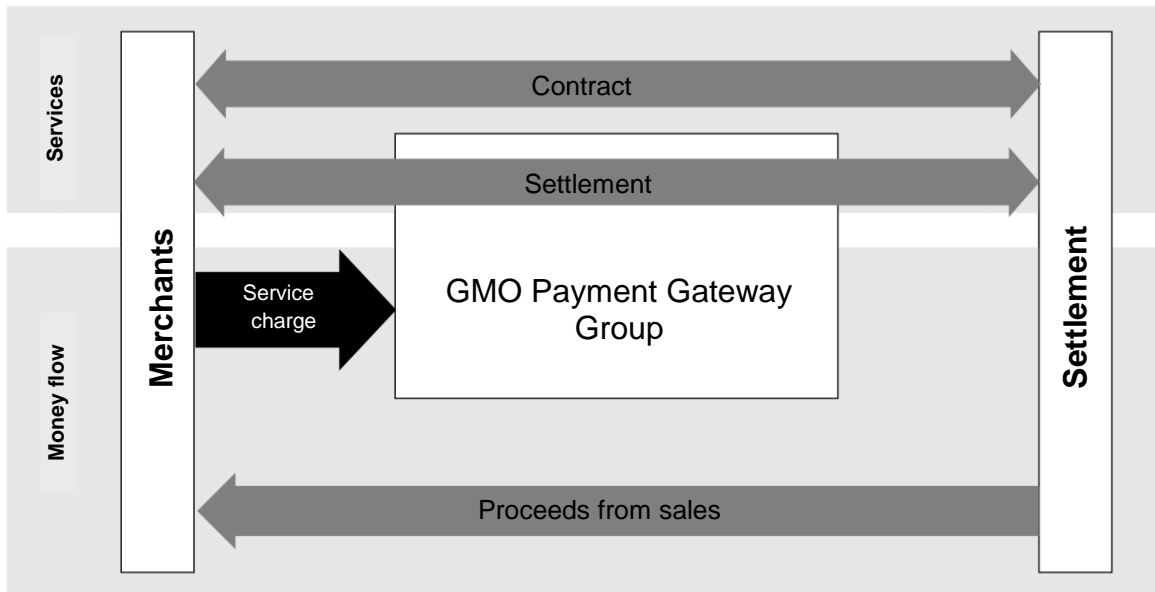
##### a. Direct merchant contract

The group provided a payment system and mainly ties up payment information and settlement between merchants and various payment businesses. Merchants make a contract with various payment businesses individually, then, the merchant’s proceeds are paid directly to the merchant by each credit card company.

GMO-PG will receive the service fees below from the merchant:

- Initial introduction costs for the license of connective software to use the system, initial setting, connection test, and support, all of which are received upon introduction of the services: These revenues are recorded as initial revenue.
- Customer support fees, monthly fixed fees, and transaction fees to be charged according to the number of data processing tasks: These revenues are recorded as running revenue.



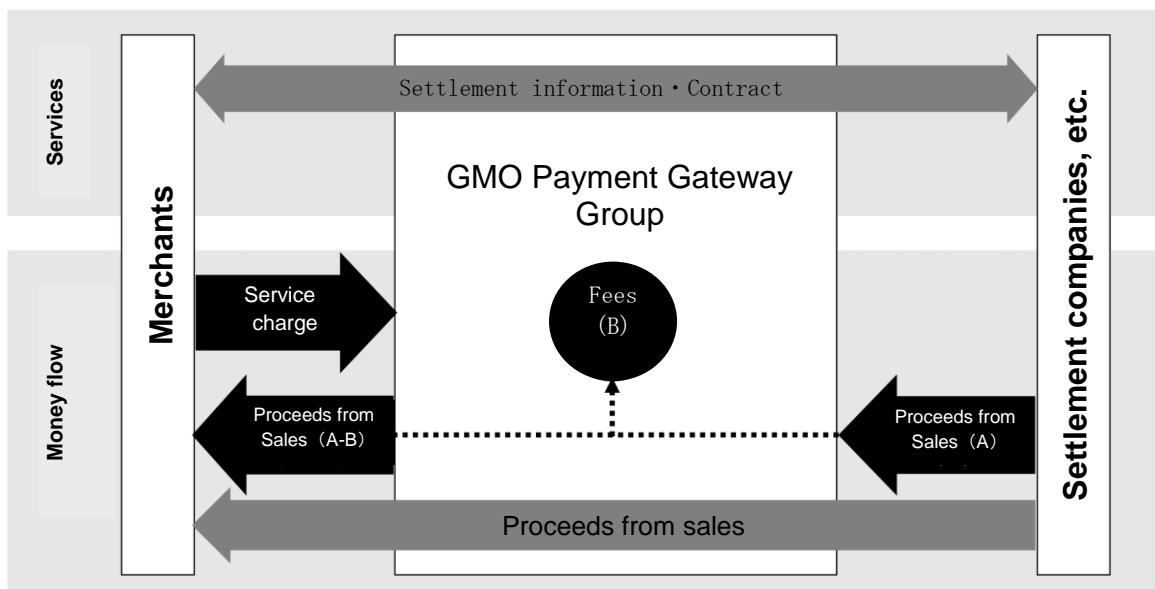


b. The representative merchant contract (merchant acquiring service)

The group provides a payment system and mainly ties up payment information and settlement between the merchant and various payment businesses. The group makes a representative merchant contract (merchant service) that is concluded as a package with several payment companies like credit card companies. Merchant proceeds are paid to the group from each credit card company or other payment company, and are then paid to the merchants by the group in a lump sum.

The group receives the following fees from merchants as a service charge in addition to the fees mentioned in (a) direct merchant contract.

- Fees for proceeds from the merchant acquiring service revenue which are received when paying the proceeds from sales in a lump sum. These revenues are recognized as merchant acquiring service revenue.



c. Payment Later service

GMO PAYMENT SERVICE, Inc., provides “GMO Payment Later service,” which is an after-payment means, to our merchants. In this service, GMO PAYMENT SERVICE, Inc., performs credit examination of consumers and

sends billing statements to them, as a payment service provider. GMO PAYMENT SERVICE, Inc., temporarily pays the merchants proceeds from the sales on behalf of the consumers, and collects payment from consumers. GMO PAYMENT SERVICE, Inc., receives the following as service fees from the merchants.

- A customer support fee, a fixed monthly fee as a management fee, and a fee for the service use (which is posted as running sales)

### 3. Management policy

#### (1) Basic management policy of the Company

The management principle of the Group is to “pursue both spiritual and material gains for compeers by contributing to the progress and development of communities.”

- We will contribute to the progress and development of communities through a commitment to creating and cultivating markets, and through business development based on sincerity and equity.
- “Compeers” means executives and employees with creative ideas and mutual respect, our customers, and our partner business operators.
- Executives and employees of the Company will pursue both spiritual and material gains by making the most of their spirit, problem-solving abilities, and high level of professionalism, and by exchanging value with customers.

Based on this management principle, the Group considers that its mission is to become the infrastructure for payment processing in Japan, and to contribute to the realization of payment processing system that is safe and convenient for consumers and companies. As a result, it has promoted its business in accordance with the following basic policies.

- Adaptation to trends
  - Advanced efforts We try to ensure the technical advantage of our products.
  - Flexibility We expeditiously make proposals in the growing market.
- Establishment of existing value
  - Uniqueness We try to ensure the meaning of our existence by providing services from the standpoint of our customers.
  - Profitability We beat our competitors by pursuing improvements in profitability and firmly establishing our position in the industry.
  - Independence and education With the aim of being highly self-contained businesspeople, we set a good example to others in terms of results, attitude and mindset.
- Pursuit of profit conditions
  - Sociality We are committed to developing a sound business, and continue to actively develop unexplored markets for various payment methods.
  - Reasonableness We quickly and fairly make management judgments by always keeping economy and reasonability in mind.
- Responsibilities to shareholders
  - We try to improve shareholder value while being conscious of capital efficiency. We actively conduct IR activities and provide shareholders and investors with information in a timely and appropriate manner.

#### (2) Target management index and medium-to long-term management strategy

Our group’s main management goal is a 20% growth in ordinary profit.

The operating income for the current consolidated fiscal year increased 20.9%. Due to the making of investments necessary to maintain a yearly growth of 20% in the medium-to long-term, next year’s operating income growth rate is expected to be 20.1%.

The ordinary income growth in this consolidated fiscal year was 23.5% due to the non-operating income. Therefore, we expect 18.1% for the term ending in September 2015.

Our group is shouldering the non face-to-face commercial transaction market infrastructure, contributing to the creation of a more convenient and secure EC environment and the improvement of Japan’s EC ratio. We also endeavor to expand in new fields by developing new businesses, capital/ business tie-up with partners, founding new subsidiaries, and expanding services globally.

#### (3) Challenges to be addressed by our company

We put emphasis on the following three challenges to be addressed as a condition for the realization of the measures mentioned above.

##### ① Strengthening the information security

We provides credit card payment processing services, and process and manage important information, such as credit card numbers and other information.

As part of the process to strengthen the risk management system and prevention of information leaks, we obtained certifications of ISO/IEC 27001:2005 (Japanese Standards, JIS Q27001: 2006), the global standards for information security management for all of the business offices of the Company for the first time as a listed payment processing services company. Consequently, the information security management system of the

Company has been objectively determined to be appropriate and safe in compliance with strict international standards.

Further, we are in full compliance with the global security standard in the credit industry “PCIDSS Ver.2.0” which was jointly established by five international credit card companies: JCB; American Express; Discover; MasterCard; and VISA, and the services of the Company satisfy the basic requirements: “construction and maintenance of safe network”; “protection of card member information”; “maintenance program for management of vulnerabilities”; “introduction of firm access control method”; “regular monitoring and testing of network”; and “possession of an information security policy.”

Meanwhile, with respect to the handling of personal information, we obtained the privacy mark that certifies the companies which have improved the system for taking appropriate protection measures for personal information in compliance with the Japanese Industrial Standards “JIS Q 15001 :2006 Personal Information Protection Management System – Requirements.” We have independently established and operate the personal information protection management system at a high level of protection in a manner that goes beyond mere compliance with the laws.

We will endeavor to provide better services by continuing to provide a thorough internal education and monitoring system to establish and improve management measures in accordance with the established security policy, and to make an effort to maintain and improve reliability

Further, in order to prevent computer intrusions by fraudulent means, computer viruses, cyber attacks, etc., we take appropriate countermeasures such as security measures against fraudulent intrusions from outside/inside, 24-hour system monitoring, and preparation and operation of office regulations.

#### ②Strengthening of system development capabilities

We constantly see the appearance of new technologies and new services in communications, including the Internet. The Group is deeply related to the Internet in the business field, and recognizes that to provide customers with competitive products, it is important to adopt technologies and services in a timely manner.

At present, internal personnel respond to changes in the system environment, accept requests from customers and design systems, and we outsource programming to provide efficient high-quality services. We will try to continue to secure highly skilled development personnel and further strengthen system development capabilities and services.

#### ③Strengthening of the collaboration business

We recognize that to ensure stable growth, it is essential to establish business collaborations from which a company with many merchants, as well as ourselves, can benefit, and to promote the efficient acquisition of new merchants.

This form of business is a feature of our strategy, and we will continue to actively promote this kind of business collaboration with companies which have many merchants, payment companies, EC site construction service companies.

#### 4. Consolidated financial statements

##### (1) Consolidated balance sheet

(Unit: Thousand yen)

	Summary of balance sheet at the end of the previous consolidated fiscal year (September 30, 2013)	Summary of balance sheet at the end of the current consolidated fiscal year (September 30, 2014)
<b>Assets</b>		
Current assets		
Cash and deposits	18,393,932	20,386,175
Accounts receivable-trade	652,397	792,588
Merchandise	385	2,165
Supplies	381	531
Advance payments-trade	379,736	585,395
Prepaid expenses	58,767	58,823
Deferred tax assets	123,786	150,097
Accounts receivable-other	69,197	504,077
Other	18,130	52,343
Allowance for doubtful accounts	△25,772	△56,177
Total current assets	19,670,940	22,476,019
Noncurrent assets		
Tangible assets		
Buildings	94,596	89,836
Accumulated depreciation	△25,795	△32,537
Buildings, net	68,801	57,298
Tools, furniture and fixtures	293,069	205,616
Accumulated depreciation	△202,111	△144,540
Tools, furniture and fixtures, net	90,957	61,075
Lease assets	148,626	176,284
Accumulated depreciation	△45,464	△62,711
Lease assets, net	103,162	113,573
Total tangible assets	262,920	231,947
Intangible assets		
Goodwill	41,423	30,694
Lease assets	14,191	16,785
Right of trademark	426	272
Software	455,527	661,723
Other	157,044	54,992
Total intangible assets	668,612	764,469
Investments and other assets		
Investment securities	421,165	650,739
Shares of subsidiaries and affiliates	2,010	2,507
Bonds of subsidiaries and affiliates	11,000	11,000
Investments in other securities of subsidiaries and affiliates	35,296	264,442
Long-term loans receivable from directors and employees	3,746	1,910
Claims provable in bankruptcy, claims provable in rehabilitation and other	11,904	12,434
Long-term prepaid expenses	6,114	7,722
Lease and guarantee deposits	155,476	149,210
Deferred tax assets	59,248	51,384
Allowance for doubtful accounts	△10,198	△10,729
Total investments and other assets	695,764	1,140,621
Total noncurrent assets	1,627,298	2,137,039
Total assets	21,298,239	24,613,058

(Unit: Thousand yen)

	Summary of balance sheet at the end of the previous consolidated fiscal year (September 30, 2013)	Summary of balance sheet at the end of the current consolidated fiscal year (September 30, 2014)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	188,761	229,278
Lease obligations	34,090	41,747
Accounts payable-other	227,045	692,310
Income taxes payable	477,216	644,375
Accrued consumption taxes	66,046	171,628
Advances received	8,842	7,850
Deposits received	14,337,566	15,589,857
Unearned revenue	1,372	1,256
Provision for bonuses	156,000	206,137
Provision for directors' bonuses	35,420	34,840
Other	4,648	5,056
Total current liabilities	15,537,011	17,624,339
Noncurrent liabilities		
Lease obligations	90,756	97,084
Long-term lease and guarantee deposited	6,650	6,254
Provision for directors' remuneration Board Incentive Plan Trust	30,000	70,000
Total noncurrent liabilities	127,407	173,339
Total liabilities	15,664,418	17,797,678
<b>Net assets</b>		
Shareholders' equity		
Capital stock	696,111	708,118
Capital surplus	956,032	968,040
Retained earnings	4,222,226	5,315,707
Treasury stock	△264,723	△264,723
Total shareholders' equity	5,609,646	6,727,143
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,968	64,821
Foreign currency translation adjustment	5,748	16,685
Total Accumulated other comprehensive income	13,717	81,506
Subscription rights to shares	10,456	3,774
Minority interests	—	2,956
Total net assets	5,633,820	6,815,379
Total liabilities and net assets	21,298,239	24,613,058

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

(Unit: Thousand yen)

	FY2013 (From October 1, 2012 to September 30, 2013)	FY2014 (From October 1, 2013 to September 30, 2014)
Net sales	5,764,085	7,205,542
Cost of sales	1,030,813	1,436,281
Gross profit	4,733,271	5,769,260
Selling, general and administrative expenses	2,684,406	3,292,851
Operating income	2,048,865	2,476,408
Non-operating income		
Interest income	3,074	7,905
Dividends income	16	4,263
Earnings on investment in partnership	—	21,367
Earnings on reversal of dividends payable	1,172	770
Rent income	14,497	13,941
Commissions received	—	19,118
Exchange earnings	23,259	16,495
Other	1,993	3,641
Total non-operating income	44,013	87,503
Non-operating expenses		
Interest expenses	7,241	1,675
Equity in losses of affiliates	11,407	15,836
Loss on investment in silent partnership	5,176	4,521
Loss on investment in partnership	4,990	—
Rent expenses	14,201	13,659
Other	2,310	426
Total non-operating expenses	45,326	36,119
Ordinary income	2,047,552	2,527,793
Extraordinary income		
Income from securities sold	16,770	32,357
Total extraordinary income	16,770	32,357
Extraordinary loss		
Loss on retirement of noncurrent assets	5,991	14,330
Loss on valuation of investment securities	12,298	—
Other	—	5,402
Total extraordinary loss	18,289	19,732
Income before income taxes	2,046,032	2,540,417
Corporate, inhabitant and enterprise taxes	872,859	1,075,020
Income taxes-deferred	△43,853	△49,929
Total income taxes	829,006	1,025,091
Income before minority interests	1,217,025	1,515,326
Minority interest in loss(△)	—	△462
Net income	1,217,025	1,515,788

## (Consolidated statements of comprehensive income)

(Unit: Thousand yen)

	FY2013 (From October 1, 2012 to September 30, 2013)	FY2014 (From October 1, 2013 to September 30, 2014)
Income before minority interests	1,217,025	1,515,326
Other comprehensive income		
Other valuation difference on available-for-sale securities	8,086	56,852
Foreign currency translation adjustment	5,748	11,162
Total other comprehensive income	13,834	68,015
Comprehensive income	1,230,860	1,583,341
(Details)		
Parent company shareholders' comprehensive income	1,230,860	1,583,578
Minority's comprehensive income	—	△236



## (3) Consolidated statements of cash flows

(Unit: Thousand yen)

	FY2013 (From October 1, 2012 to September 30, 2013)	FY2014 (From October 1, 2013 to September 30, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes	2,046,032	2,540,417
Depreciation	221,720	267,291
Amortization of goodwill	10,728	10,728
Increase and decrease in provision (△decrease)	73,841	120,575
Interest and dividends income	△3,091	△12,169
Interest expenses	7,241	1,675
Foreign exchange gains and losses (△gains)	△23,259	△16,438
Equity in gains and losses of affiliates (△gains)	11,407	15,836
Gains and losses on investments in silent partnership (△gains)	5,176	4,521
Gains and losses on investment in partnership (△gains)	4,990	△21,367
Gain and loss on investment securities sold (△gains)	△16,770	△32,357
Loss on retirement of noncurrent assets	5,991	14,330
Gains and losses on valuation of investment securities (△gains)	12,298	—
Increase and decrease in accounts receivable (△Increase)	△120,098	△154,370
Increase and decrease in inventories (△increase)	△100	△1,846
Increase and decrease in advance payments-trade (△increase)	△170,646	△205,659
Increase and decrease in accounts receivable-other (△increase)	79,048	△435,530
Increase and decrease in purchase debts (△decrease)	40,880	78,316
Increase and decrease in accounts payable-other (△increase)	58,378	470,054
Increase and decrease in deposits received (△decrease)	5,479,767	1,252,307
Other	24,022	93,875
Subtotal	7,747,558	3,990,191
Interest and dividends income received	3,242	8,240
Interest expenses paid	△7,241	△1,675
Income taxes paid	△789,303	△908,152
Net cash provided by (used in) operating activities	6,954,257	3,088,604
Net cash provided by (used in) investing activities		
Purchase of property, plants and equipment	△83,559	△13,299
Purchase of intangible assets	△309,993	△294,676
Purchase of investment securities	△365,863	△106,726
Proceeds from sales of investment securities	40,500	32,241
Purchase of other securities of subsidiaries and affiliates	—	△250,000
Payment on leasehold deposits	△32,557	△8,897
Proceeds from guarantee deposits received	2,044	—
Sales of subsidiary shares accompanying changes in the scope of consolidation	—	△26,899
Other	△5,573	1,840
Net cash provided by (used in) investing activities	△755,003	△666,417
Net cash provided by (used in) financing activities		
Proceeds from issuance of common stock	25,908	17,333
Purchase of treasury stock	△260,812	—
Cash dividends paid	△334,360	△421,129
Proceeds from stock issuance to minority	—	3,192

shareholders		
Other	△62,736	△43,754
Net cash provided by (used in) financing activities	△632,002	△444,357
Translation differences of cash and cash equivalents	16,871	13,135
Increase and decrease in cash and cash equivalents(△decrease)	5,584,123	1,990,965
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	18,358,343	20,349,309

(Information by segment)

Sales performance

Sales performance for the current consolidated fiscal year is as follows.

Item	FY2013		FY2014		Increase (decrease)	
	Amount (thousand)	Compositi on ratio (%)	Amount (thousand)	Compositi on ratio (%)	Amount (thousand)	Compositi on ratio (%)
Initial revenue	451,175	7.8	566,799	7.9	115,623	25.6
Running revenue	3,223,655	55.9	3,991,284	55.4	767,629	23.8
Merchant acquiring service revenue	2,089,254	36.3	2,647,458	36.7	558,204	26.7
Total	5,764,085	100.0	7,205,542	100.0	1,441,457	25.0

Note: Amounts in this table do not include consumption tax or other taxes.