



Summary of Consolidated Financial Statements for the Term Ending September 30, 2016

November 4, 2016

Exchange: First 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
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 Scheduled date for the holding of the ordinary general shareholders' meeting: December 18, 2016 Scheduled date of commencement for dividend payment: December 19, 2016
 Scheduled submission date of securities report: December 19, 2016
 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 2016 (From October 1, 2015 to September 30, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2016	12,113	34.1	3,819	28.3	3,780	26.0	2,910	57.1
FY2015	9,030	25.3	2,977	20.2	3,000	18.7	1,853	22.3

(Note) Comprehensive income: FY2016: 2,649 million yen (40.5%) FY2015: 1,885 million yen (19.1%)

	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 2016	78.36	78.36	17.0	7.8	31.5
FY 2015	52.60	52.57	16.1	9.0	33.0

Reference: Equity in earnings of affiliates: FY 2016: -15 million yen; FY 2015: 20 million yen

(Note) 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
FY2016	54,771	19,108	33.2	488.88
FY2015	41,831	16,186	38.7	435.78

Reference: Equity: FY2016: 18,160 million yen FY2015: 16,184 million yen

(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 2016	-748	-3,415	-654	25,187
FY 2015	3,709	-1,374	7,398	30,113

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 2015	—	0.00	—	18.00	18.00	668	34.2	5.7
FY 2016	0.00	0.00	0.00	27.00	27.00	1,002	34.5	5.8
FY 2017 (forecast)	0.00	0.00	0.00	37.00	37.00		49.8	

3. Consolidated Financial Forecast for the Fiscal Year Ending September 2017 (From October 1, 2016 to September 30, 2017)

(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		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q of FY 2017 (cumulative)	8,389	46.4	2,499	33.0	2,351	22.5	1,409	22.3	37.93
Full year	18,767	54.9	5,013	31.2	4,673	23.6	2,762	-5.1	74.35

Notices:

- (1) Changes of important subsidiaries during the period (change of specific subsidiaries that lead to a change in the scope of consolidation): Yes
New: 1 company (Company name) GMO Financial Gate, Inc.
- (2) Changes in the accounting policy / changes in the accounting estimation / restatement of corrections
 - [1] Changes associated with the revision of accounting policy, etc.: Yes
 - [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) FY2016: 37,150,500 FY 2015: 37,140,900
 - [2] Number of treasury stocks at the end of the term FY2016: 2,500 FY 2015: 2,500
 - [3] Average number of shares FY2016: 37,146,617 FY2015: 35,236,836

(Note) 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 2016
(From October 1, 2015 to September 30, 2016)**

(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 2016	9,144	35.5	2,397	29.7	2,777	25.5	2,100	40.1
FY 2015	6,749	23.7	1,847	25.0	2,213	20.9	1,498	21.5

	Net income per share		Diluted net income per share	
	Yen		Yen	
FY 2016	56.54		56.53	
FY 2015	42.53		42.51	

(Note) 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 2016	39,251		15,748		40.1		423.93	
FY 2015	32,206		14,461		44.9		389.36	

Reference: Shareholders' equity: FY 2016: 15,748 million yen, FY 2015: 14,460 million yen

* 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) Results Presentation for Investors and Analysts: November 7, 2016. Supporting materials and a video of the presentation will be made available on the company's website after the event.

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1. Qualitative Information 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 there were some concerns about overseas economic conditions such as the impact of China's economic decline, the decline in crude oil prices, and the fluctuations in exchange, the economy is gradually on the mend, with the economic and fiscal policy of the government and the monetary easing policy of the Bank of Japan as a background.

In regard to our core business, the BtoC EC market continues to grow, thanks to a favorable external environment such as broader use of smartphones as well as reforms in logistics, and e-commerce is also spreading in the market of sales of non-goods items such as services, as seen in new areas such as BtoB EC and CtoC EC.

In regard to the credit card field, credit card shopping is steadily growing, and people tend to make more purchases via the Internet. Also, use of credit cards in the field of payment via the internet for everyday living expenses continues to expand, such as payments for rent and medical costs, as well as utility charges and public funds. It is a certainty that opportunities to use credit cards will continue to increase.

Under such circumstances, the group has pressed on with its businesses in order to expand the scale of operations described below.

The Group consists of GMO Payment Gateway, Inc. and its consolidated subsidiaries, GMO Epsilon, Inc., GMO PAYMENT SERVICE, Inc., GMO Financial Gate, Inc., GMO PAYMENT GATEWAY PTE. LTD. and MACRO KIOSK Berhad etc, and provides Payment Processing Business, Money Service Business, and Other business as a consolidated subsidiary of GMO Internet, Inc.

The Group offers a broad range of services such as online payment and recurring payment services that respond to our customers' business category, size and payment type. The number of merchants during the current consolidated fiscal year increased by 17,697 to 77,256 compared to the end of the previous consolidated fiscal year. The number and amount of processed payments steadily increased.

Changes in number of operating stores

	End of September 2012	End of September 2013	End of September 2014	End of September 2015	End of September 2016
Number of operating stores	38,949	44,328	49,725	59,559	77,256

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 in principle, though the number of operating stores does not include stores which are using the "GMO Payment after delivery service", "Online advertising service" and the number of merchants of MACRO KIOSK. Also it does not include number of terminals of GMO Financial Gate.

For online payment field, payment-processing service grew steadily. During the period under review, it was decided providing the "Apple Pay" in the "PG Multi-Payment Service". 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 online basis. GMO Epsilon's business results grew steadily, and recorded net sales of 2,242,573,000 yen (an increase of 20.2% year-on-year).

For recurring payment field, we have continued to attempt to develop this field to enable using credit card for paying utility charges, public funds and other monthly services closely connected with everyday life. We provide payment methods to public institutions, such as the Japan Pension Service, and local governments, such as the "Metropolitan Tax Credit Card Payment Site" (<https://zei.tokyo>) which the Tokyo Metropolitan government (TMG) has started since April 1, 2015.

For Money Service Business, Our subsidiary GMO Payment Service Inc. provides a "GMO Payment after delivery" service that allows the user to pay after receiving the goods. The "GMO Payment after delivery" service has been adopted by an increasing number of merchants as a payment service with high level of consumers' needs and has continued to perform favorably since its introduction in May 2013. We also provide "Money service business (MSB)" such as "early payment services", Transaction Lending service and "GMO-PG Remittance Service". During the period under review, we formed a partnership with Money Forward, Inc., a developer of money platforms, to offer lending services from a credit model that combines billing and accounting data.

For Others, we provide Online Advertising Service, SSL server certifications, shipping services.

With regard to overseas business, we established five overseas entities to provide Z.com Payment solutions to Japanese online businesses with a local presence and targeting local markets in South East Asia. We have continued to promote funding activities through the “GMO Global Payment Fund” to form capital alliances with prospective payment-related businesses; in addition, the financial results of local payment processing companies in which we invest our fund have performed steadily. With a view to incorporating the huge growth potential of South East Asia, which is the center of global growth, into our Group’s mid-to-long-term business growth, we will continue to introduce new measures while creating a synergistic effect between “Z.com Payment” and “GMO Global Payment Fund”. During the period under review, we acquired a substantial stake in MACRO KIOSK Berhad, the leading complete end-to-end mobile payment, authentication, notification(*2) and enterprise mobility solutions enabler based in Malaysia.

Also, prior investment in new businesses, appointment of talented personnel, strengthening of the foundation of the payment network, and further strengthening of security were carried out in order to aim for a corporate group that can continue to maintain the operating income growth of 25% or more over the medium-to-long term. During the period under review, we acquired 70% of the outstanding shares of MACRO KIOSK Berhad which has major Southeast Asian banks as its customer base and converted it to our subsidiary in order to expand our corporate group and incorporate into our business growth the spread of bank accounts and mobile payment which has been forecast in Southeast Asia over the long term. It will be used as the foundation for spreading in Southeast Asia our payment-related know-how accumulated in Japan. As for the field of offline payment, we increased our stake in GMO Financial Gate Inc. up to 65% and converted it to our subsidiary in order to incorporate innovative fields with especially marked growth into our business growth. For the above two companies, only their balance sheets were consolidated in the current consolidated fiscal year.

Consequently, the Group’s operating results for the current consolidated fiscal year were as follows: Net sales amounted to 12,113,864,000 yen (an increase of 34.1% on a year-on-year basis). Net sales consisted of an initial revenue of 640,111,000 yen (increase of 21.5% on a year-on-year basis), running revenue of 6,301,443,000 yen (increase of 30.2% on a year-on-year basis) and merchant acquiring service revenue of 5,172,308,000 yen (increase of 41.4% on a year-on-year basis).

Concerning operating expenses, while the solid performance of “GMO Payment after delivery” service and “GMO-PG Remittance Service” saw a hike in cost of sales, we were able to take advantage of the scale merit of the revenue growth. As a result, cost of sales amounted to 2,769,578,000 yen (increase of 44.3% on a year-on-year basis). Selling, general and administrative expenses came to 5,524,779,000 yen (increase of 33.6% on a year-on-year basis) due to the increase of MSB related sales and increase in personnel expenses. The operating income grew 28.3% on a year-on-year basis to 3,819,506,000 yen.

With regard to non-operating income and loss, exchange losses of 72,010,000 yen have been posted and Ordinary income resulted 3,780,880,000 yen (increase of 26.0% on a year-on-year basis) and marking a ratio of ordinary income to net sales of 31.2%.

Under extraordinary income, we posted gain of 395,827,000 yen related to the phased acquisition of shares of GMO Financial Gate Inc. and gain on sales of investment securities of 194,057,000 on August 31, 2016, Profit attributable to owners of parent resulted 2,910,926,000 yen (increase of 57.1% on a year-on-year basis).

The Results of each segment is as mentioned below.

Effective from the first quarter of the fiscal year ending September 30, 2016, the classification of the reporting segments has been revised. The reporting segments consist of the “Payment Processing Business”, the “Money Service Business”, and the Others. Segment information for the previous fiscal year is based on the segment classification after the change.

For Payment Processing Business, the number and amount of processed payments steadily increased with the expansion of e-commerce market. System development orders from large-sized enterprises remained at a high level. The sales marked 8,632,192,000 yen (increase of 17.7% on a year-on-year basis) and the segment income (operating income) marked 5,066,667,000 yen (increase of 22.9% on a year-on-year basis).

For Money Service Business, Money service business (MSB) such as “GMO Payment after delivery”, “GMO-PG Remittance Service” steadily increased. As a result, the sales marked 2,242,795,000 yen (increase of 163.5% on a year-on-year basis) and the segment income (operating income) marked 216,883,000 yen (FY2015 segment lost marked 21,838,000 yen).

For Others, "GMO-PG Online Advertising Service" grew very well. Sales of SSL server certifications and shipping service grew steadily. As a result, the sales marked 1,239,088,000 yen (increase of 46.0% on a year-on-year) and the segment income marked 159,485,000(increase of 89.5% on a year-on-year basis).

(Forecasts for the next period)

In regard to our core business, the BtoC EC market continues to grow thanks to a favorable external environment such as broader use of smartphones as well as reforms in logistics, and e-commerce is also spreading in the market of sales of non-goods items such as services, as seen in new areas such as BtoB EC and CtoC EC.

For the term ending September 2017, 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 such as "Online Advertising Service" and "Money service business (MSB)" that increase added value associated with the merchants' use of the Group.

As for our new subsidiary MACRO KIOSK Berhad, we plan to make consolidated financial statements based on the provisional financial statements created by performing provisional settlement at the point of time three months before the closing date of our company because the closing date of MACRO KIOSK Berhad is December 31. For this reason, in the fiscal year ending on September 30, 2017, we plan to consolidate the income statement of MACRO KIOSK Berhad from the second quarter accounting period and incorporate their income and loss of nine months from October 1, 2016 to June 30, 2017. As for our other new subsidiary GMO Financial Gate Inc., the company has already secured stable income and is expected to contribute to achieving our management target of the 25% operating income growth. In regard to costs, we keep forecast for increase in sales cost ratio due to the sales growth of "Online Advertising Service" and "GMO-PG Remittance 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 31.2% growth in operating income and 26.7% operating income ratio.

(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 54,771,544,000 yen, up 12,939,807,000 yen as compared with the end of the previous consolidated fiscal year. This increase was mainly due to an increase of lease receivables (+4,997,492,000 yen), an increase of advance payments-trade (+4,085,527,000 yen), an increase of Goodwill (+2,246,989,000 yen), an increase of shares of subsidiaries and affiliates (+2,064,187,000 yen), and an increase of Accounts receivable-trade (+1,807,896,000 yen).

(Liabilities)

The balance of liabilities at the end of the current consolidated fiscal year was 35,663,374,000yen, up 10,017,988,000 yen as compared with the end of the previous consolidated fiscal year. This increase was mainly caused by an increase in deposits received of 6,449,996,000 yen and an increase of accounts payable-trade (+1,740,642,000 yen). Increase in deposits received is accordance with the merchant acquiring service agreement.

(Net assets)

The balance of net assets at the end of the current consolidated fiscal year was 19,108,169,000 yen, up 2,921,818,000 yen as compared with the end of the previous consolidated fiscal year. The increase was mainly caused by increase in profit attributable to owners of parent of 2,910,926,000 yen and increase in profit attributable to non-controlling owners of 946,344,000 yen, with a decrease of 668,491,000 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 25,187,536,000 yen, down 4,926,069,000 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 used as a result of operating activities for the current consolidated fiscal year were 748,659,000 yen (3,709,772,000 yen was obtained for the same period of the previous year).

This was mainly due to the recording of 4,337,643,000 yen for Income before income taxes, increase of deposits (+5,463,265,000 yen), with payment of income taxes of 1,463,600,000 yen, 4,997,492,000 yen for increased lease receivables and 4,077,361,000 yen for increased advance payments-trade.

(Cash flow from investing activities)

The Funds used as a result of investing activities for the current consolidated fiscal year were 3,415,138,000 yen (1,374,094,000 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 1,519,870,000 yen and shares of subsidiaries and affiliates of 1,727,629,000 yen.

(Cash flow from financing activities)

The Funds used as a result of financing activities totaled 654,646,000 yen (7,398,573,000 yen was obtained in the corresponding period of the previous fiscal year). This was mainly due to the cash dividends paid of 599,399,000 yen.

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

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Equity ratio (%)	33.4	26.4	27.7	38.7	33.2
Equity ratio on a market value basis (%)	163.9	216.2	348.0	408.4	356.8
Cash flows to interest bearing liabilities ratio (%)	5.4	1.8	4.5	3.0	-
Interest coverage ratio (times)	121.4	960.3	1,843.7	2,058.7	-

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.
- The cash flows to interest bearing liabilities ratio and interest coverage ratio are omitted for the FY2016, because that fiscal year's operating cash flow was negative.

(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 27.0 yen for the current consolidated fiscal year.

As for the dividend for the next term, based on our successful business plan, we expect 37.0 yen with a dividend payout ratio of 50% to the profit attributable to owners of parent in order to further strengthen shareholder returns by continuing the consecutive increase of dividend from the start of dividend payments and thereby contribute to increasing the medium-to-long-term corporate value.

2. Business group

(1) Affiliates

The Group consists of the Company and its consolidated subsidiaries, GMO Epsilon, Inc. GMO PAYMENT SERVICE, Inc., GMO Financial Gate Inc., GMO PAYMENT GATEWAY PTE. LTD. and MACRO KIOSK Berhad etc and provides Payment Processing Business, Money Service Business, and Other business 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"

Name	Location	Details of business	Capital stock	The holding/held ratio of voting rights (%)	Segment by type of related business
(Parent company) GMO Internet, Inc. *1	Shibuya, Tokyo	Comprehensive Internet business	5,000 Million yen	Not owning 51.65	
(Subsidiary) GMO Epsilon, Inc. *2	Shibuya, Tokyo	Various payment processing services	98 Million yen	100.00	Payment Processing Business
GMO PAYMENT SERVICE, Inc.,	Shibuya, Tokyo	Payment after Delivery	100 Million yen	100.00	Money Service Business
GMO Financial Gate ,Inc. *2,4	Shibuya, Tokyo	Various payment processing services	1,173 Million yen	65.00	Payment Processing Business
GMO PAYMENT GATEWAY PTE. LTD.	Singapore	Headquarter of the region Payment processing services	47,426 Thousand Singapore Dollars	100.00	Payment Processing Business
MACRO KIOSK Berhad *5	Malaysia	Others related to payment	5,000 Thousand Malaysia Ringgit	70.00 (70.00) *3	Others
Others 19 companies					
(Affiliates) GMO Global Payment Fund	Shibuya, Tokyo	Investment Business	1,503 Million yen	-	
SMBC GMO Payment	Shibuya, Tokyo	Various payment processing services	312 Million yen	20.00	
2C2P Pte. Ltd.	Singapore	Various payment processing services	9,618 Thousand US Dollars	35.05 (35.05) *3	
Others 1 company					

Notes:*1 Filed Annual Securities Report.

*2 The company falls under specific subsidiaries.

*3 Figures in () in ownership ratio of voting rights indicate indirect ownership ratio included in the total.

*4 only their balance sheets were consolidated in the current consolidated fiscal year.

*5 only their balance sheets were consolidated in the current consolidated fiscal year.

(2) Business details

The Group provides Payment Processing Business, Money Service Business and Other business.

① Type of service

a. Payment Processing Business

GMO Payment Gateway, Inc. and GMO Epsilon, Inc. provide companies that sell products on a online 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. Money Service Business

We provide “Money service business (MSB)” such as “early payment services”, Transaction Lending service and “GMO-PG Remittance Service”. Our subsidiary GMO Payment Service Inc. provides a “GMO Payment after delivery” service that allows the user to pay after receiving the goods.

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

a. Payment Processing Business

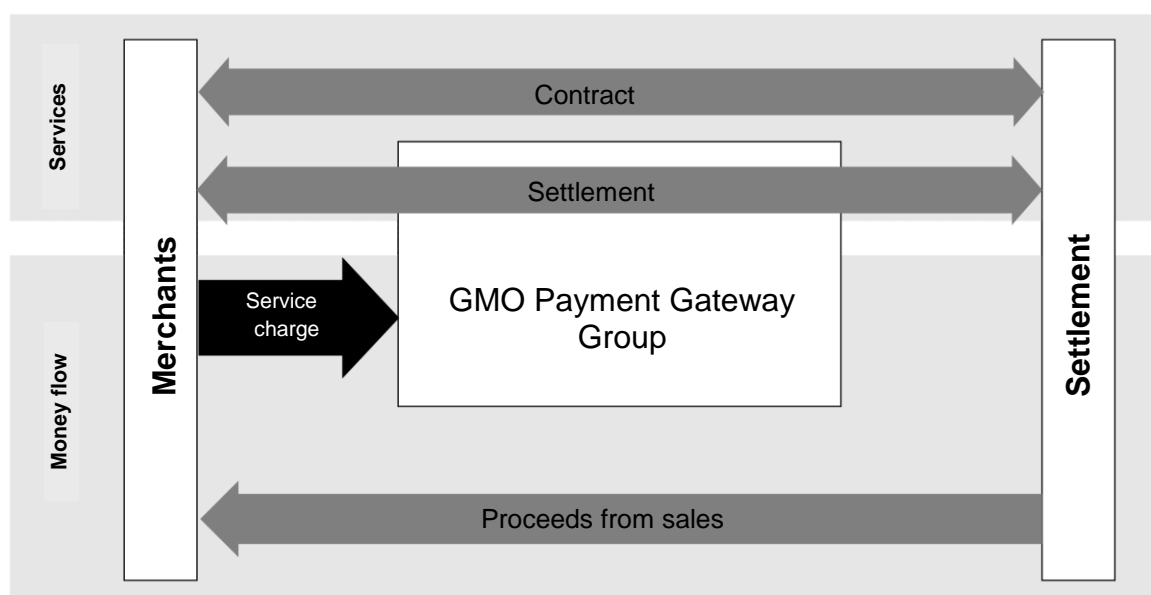
The Group’s business models are classified broadly into two categories depending on the type of contract entered into between merchants and credit card companies, or others.

(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.

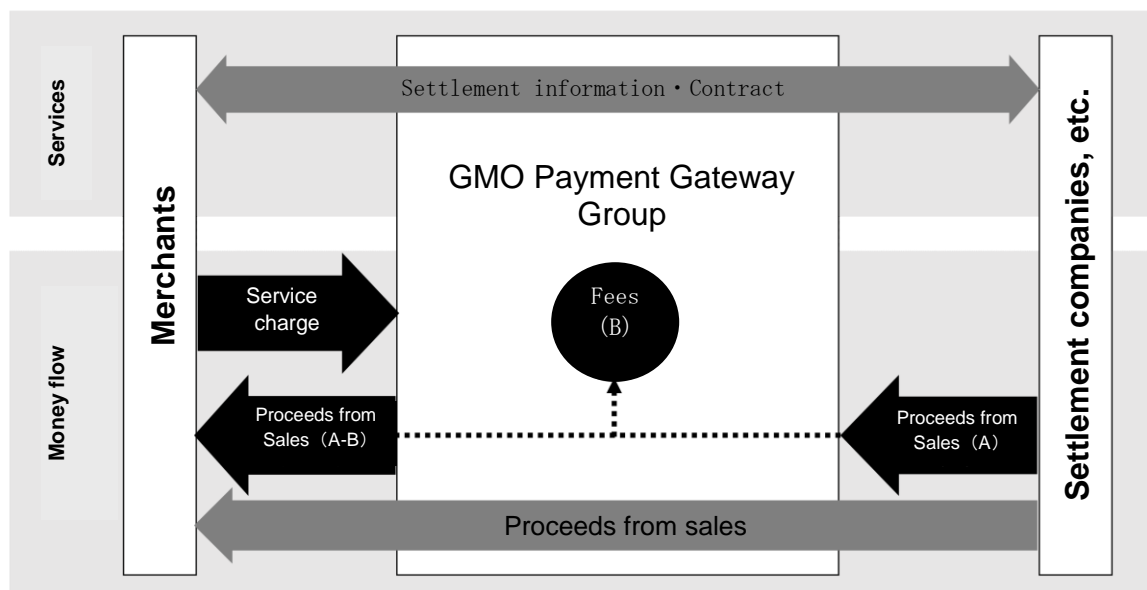


(b). The representative merchant contract (merchant acquiring service)

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.



b. Money Service Business

GMO payment after delivery

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 25% growth in operating income.

The operating income for the current consolidated fiscal year increased 28.3%. Due to the making of investments necessary to maintain a yearly growth of 25% in the medium-to long-term, next year’s operating income growth rate is expected to be 31.2%.

Our group is shouldering the online 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 27001:2013 (Japanese Standards, JIS Q27001: 2014), 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.3.1” 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.

④Expansion of business portfolio

As a management strategy, we entered the fields of consumer e-commerce (B to C EC), public money, utility charges, service commerce, online charging in the B to B market and the C to C EC market, and payment service by founding GMO Payment Service Inc. Thus, our corporate group has always strived to expand our new business domains. In the current consolidated fiscal year, we strengthened our overseas expansion by making MACRO KIOSK Berhad our subsidiary, and we expanded our business in the offline payment market by making GMO Financial Gate Inc. our subsidiary. Thereby, we have further advanced our management strategy. We will continue to advance expansion of our multifaceted business portfolio with the payment processing service as its core and strive to continually increase profits.

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, 2015)	Summary of balance sheet at the end of the current consolidated fiscal year (September 30, 2016)
Assets		
Current assets		
Cash and deposits	30,152,630	25,231,522
Accounts receivable-trade	2,117,007	3,924,904
Lease receivables	2,293,947	7,291,439
Merchandise	1,062	38,377
Supplies	617	972
Advance payments-trade	2,303,428	6,388,955
Prepaid expenses	67,830	118,723
Deferred tax assets	220,805	300,169
Accounts receivable-other	1,156,824	1,742,612
Others	341,591	839,372
Allowance for doubtful accounts	△186,253	△327,887
Total current assets	38,469,492	45,549,162
Noncurrent assets		
Tangible assets		
Buildings	113,953	144,694
Accumulated depreciation	△40,393	△61,551
Buildings, net	73,559	83,143
Tools, furniture and fixtures	216,042	504,090
Accumulated depreciation	△166,668	△381,308
Tools, furniture and fixtures, net	49,373	122,782
Lease assets	191,110	306,340
Accumulated depreciation	△98,545	△159,985
Lease assets, net	92,564	146,354
Total tangible assets	215,497	352,280
Intangible assets		
Goodwill	24,707	2,271,7697
Lease assets	12,217	17,450
Right of trademark	119	212
Software	751,499	1,079,334
Others	146,267	329,521
Total intangible assets	934,811	3,698,215
Investments and other assets		
Investment securities	1,437,144	2,251,124
Shares of subsidiaries and affiliates	139,047	2,2013,234
Investments in other securities of subsidiaries and affiliates	343,047	309,174
Long-term loans receivable from directors and employees	1,443	962
Claims provable in bankruptcy, claims provable in rehabilitation and other	25,545	31,468
Long-term prepaid expenses	2,570	8,285
Lease and guarantee deposits	223,818	231,035
Deferred tax assets	64,863	87,629
Others	-	80,437
Allowance for doubtful accounts	△25,545	△31,468
Total investments and other assets	2,211,935	5,171,884
Total noncurrent assets	3,362,243	9,222,381
Total assets	41,831,736	54,771,544

(Unit: Thousand yen)

	Summary of balance sheet at the end of the previous consolidated fiscal year (September 30, 2015)	Summary of balance sheet at the end of the current consolidated fiscal year (September 30, 2016)
Liabilities		
Current liabilities		
Accounts payable-trade	985,850	2,726,492
Lease obligations	45,267	64,846
Accounts payable-other	1,911,844	2,784,175
Income taxes payable	795,544	901,767
Accrued consumption taxes	73,108	78,482
Advances received	48,698	447,442
Deposits received	21,184,305	27,634,302
Unearned revenue	1,573	62
Provision for bonuses	337,334	478,808
Provision for directors' bonuses	58,700	125,000
Others	5,959	89,369
Total current liabilities	25,448,186	35,330,748
Noncurrent liabilities		
Lease obligations	67,060	115,984
Long-term lease and guarantee deposited	10,138	7,397
Provision for directors' remuneration Board Incentive Plan Trust	120,000	170,000
Others	-	39,243
Total noncurrent liabilities	197,198	332,626
Total liabilities	25,645,385	35,663,374
Net assets		
Shareholders' equity		
Capital stock	4,711,021	4,712,900
Capital surplus	4,970,942	4,964,712
Retained earnings	6,651,114	8,893,549
Treasury stock	△265,236	△265,236
Total shareholders' equity	16,067,842	18,305,926
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	134,960	△48,004
Foreign currency translation adjustment	△18,578	△97,162
Total Accumulated other comprehensive income	116,382	△145,167
Subscription rights to shares	2,126	1,066
Minority interests	-	946,344
Total net assets	16,186,351	19,108,169
Total liabilities and net assets	41,831,736	54,771,544

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

(Unit: Thousand yen)

	FY2015 (From October 1, 2014 to September 30, 2015)	FY2016 (From October 1, 2015 to September 30, 2016)
Net sales	9,030,892	12,113,864
Cost of sales	1,919,836	2,769,578
Gross profit	7,111,055	9,344,285
Selling, general and administrative expenses	4,133,784	5,524,779
Operating income	2,977,270	3,819,506
Non-operating income		
Interest income	7,716	5,088
Dividends income	5,271	6,719
Equity income of affiliates	20,724	—
Earnings on investment in silent partnership	1,218	—
Earnings on investment in partnership	—	12,425
Earnings on reversal of dividends payable	1,050	933
Rent income	13,978	18,363
Commissions received	15,586	21,842
Exchange earnings	22,030	—
Others	4,385	9,683
Total non-operating income	91,961	75,056
Non-operating expenses		
Interest expenses	1,802	4,986
Equity in losses of affiliates	—	15,375
Loss on investment in partnership	3,541	—
Rent expenses	13,674	18,035
Stock issue expense	45,317	—
Exchange Losses	—	72,010
Others	4,441	3,274
Total non-operating expenses	68,777	113,682
Ordinary income	3,000,455	3,780,880
Extraordinary income		
Income from securities sold	30,766	194,057
Change in equity	26,196	—
Gain on step acquisitions	—	395,827
Total extraordinary income	56,962	589,884
Extraordinary loss		
Gain on change in equity	—	21,096
Loss on retirement of noncurrent assets	2,148	9,407
Loss on disaster	—	1,807
Total extraordinary loss	2,148	33,121
Income before income taxes	3,055,268	4,337,643
Corporate, inhabitant and enterprise taxes	1,295,625	1,492,877
Income taxes-deferred	△91,075	△66,160
Total income taxes	1,204,550	1,426,717
Income before minority interests	1,850,718	2,910,926
Minority interest in loss(△)	△2,730	—
Net income	1,853,449	2,910,926

(Consolidated statements of comprehensive income)

(Unit: Thousand yen)

	FY2015 (From October 1, 2014 to September 30, 2015)	FY2016 (From October 1, 2015 to September 30, 2016)
Income before minority interests	1,850,718	2,910,926
Other comprehensive income		
Other valuation difference on available-for-sale securities	70,139	△182,965
Foreign currency translation adjustment	△35,489	△78,584
Total other comprehensive income	34,650	△261,549
Comprehensive income	1,885,369	2,649,376
(Details)		
Parent company shareholders' comprehensive income	1,888,325	2,676,425
Minority's comprehensive income	△2,956	△27,049

(3) Consolidated statements of cash flows

(Unit: Thousand yen)

	FY2015 (From October 1, 2014 to September 30, 2015)	FY2016 (From October 1, 2015 to September 30, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes	3,055,268	4,337,643
Depreciation	291,319	369,197
Amortization of goodwill	5,987	2,600
Increase and decrease in provision (Δ decrease)	349,948	365,975
Interest and dividends income	Δ 12,987	Δ 11,807
Interest expenses	1,802	4,986
Foreign exchange gains and losses (Δ gains)	Δ 22,255	68,922
Equity in gains and losses of affiliates (Δ gains)	Δ 20,724	15,375
Gains and losses on investments in silent partnership (Δ gains)	Δ 1,218	—
Gains and losses on investment in partnership (Δ gains)	3,541	Δ 12,425
Gain and loss on investment securities sold (Δ gains)	Δ 30,766	Δ 194,057
Gains and losses on changes in equity (Δ gains)	Δ 26,196	21,906
Stock issue expense	45,317	—
Loss on retirement of noncurrent assets	2,148	9,407
Loss on disaster	—	1,807
Gain on step acquisitions	—	Δ 395,827
Increase and decrease in accounts receivable (Δ Increase)	Δ 1,337,793	Δ 801,433
Increase and decrease in lease receivables (Δ gains)	Δ 2,293,947	Δ 4,997,492
Increase and decrease in inventories (Δ increase)	1,135	Δ 2,126
Increase and decrease in advance payments-trade (Δ increase)	Δ 1,718,032	Δ 4,077,361
Increase and decrease in accounts receivable-other (Δ increase)	Δ 653,421	Δ 566,500
Increase and decrease in purchase debts (Δ decrease)	756,183	420,883
Increase and decrease in accounts payable-other (Δ decrease)	1,197,466	696,391
Increase and decrease in deposits received (Δ decrease)	5,594,448	5,463,265
Others	Δ 274,149	Δ 25,253
Subtotal	<u>4,913,076</u>	<u>694,088</u>
Interest and dividends income received	8,734	5,839
Interest expenses paid	Δ 1,802	Δ 4,986
Payment on deposit money	Δ 50,010	Δ 350,000
Distributions from deposit money	—	370,000
Income taxes paid	Δ 1,160,226	Δ 1,463,600
Net cash provided by (used in) operating activities	<u>3,709,772</u>	<u>748,659</u>
Net cash provided by (used in) investing activities		
Purchase of property, plants and equipment	Δ 38,966	Δ 29,109
Purchase of intangible assets	Δ 377,887	Δ 509,159
Purchase of investment securities	Δ 1,016,185	Δ 1,519,870
Proceeds from sales or redemption of investment securities	263,159	202,318
Purchase of stocks of subsidiaries and affiliates	Δ 63,000	Δ 1,727,696
Purchase of other securities of subsidiaries and affiliates	Δ 125,000	—
Distributions from an investment partnership	30,092	30,328
Payment on leasehold deposits	Δ 31,623	Δ 1,212
Losses on the purchase of subsidiary shares	—	Δ 770,095

accompanying changes in the scope of consolidation		
Gains on the purchase of subsidiary shares accompanying changes in the scope of consolidation	—	1,056,596
Others	△14,683	△97,238
Net cash provided by (used in) investing activities	△1,374,094	△3,415,138
Net cash provided by (used in) financing activities		
Proceeds from issuance of common stock	7,958,839	2,749
Purchase of treasury stock	△513	—
Cash dividends paid	△517,241	△599,399
Proceeds from stock issuance to minority shareholders	—	△8,160
Other	△42,511	△49,835
Net cash provided by (used in) financing activities	7,398,573	△654,646
Translation differences of cash and cash equivalents	30,044	△107,624
Increase and decrease in cash and cash equivalents(△decrease)	9,764,296	4,926,069
Balance of cash and cash equivalents at the beginning of the period	20,349,309	30,113,605
Cash and cash equivalents at the end of period	30,113,605	25,187,536