

April 26, 2018

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(Correction and Numerical Data Correction) Notice on correction of “Summary of Consolidated Financial Statements for the First Quarter, FY2018 (IFRS)”

GMO Payment Gateway Group hereby announces a partial correction of its “Summary of Consolidated Financial Statements for the First Quarter, FY2018 (IFRS)” released February 9, 2018 as follows. Correct numerical figures are included herewith.

1. Reason for correction

Some of the contents in “Summary of Consolidated Financial Statements for the First Quarter, FY2018 (IFRS)” were incorrect.

2. Corrected parts

Since many parts were corrected, we have included both pre- and post-correction versions of the whole document with underlines to identify the changes.

(Before correction)

Summary of Consolidated Financial Statements for the First Quarter, FY2018 (IFRS)

February 9, 2018

Exchange: First Section of Tokyo Stock Exchange

Name of listed company: GMO Payment Gateway, Inc.
Stock code: 3769 URL: <https://corp.gmo-pg.com/en/>
Representative: Issei Ainoura President & Chief Executive Officer
Contact: Ryu Muramatsu Director, Executive Vice President Tel: +81-3-3464-0182
Scheduled submission date of quarterly report February 13, 2018 Scheduled date of commencement for dividend payment -
Supplemental materials prepared for financial results Yes
Information meeting arranged related to financial results Yes (for institutional investors and analysts)

(Amounts rounded down to the nearest one million yen)

1. Consolidated Financial Statements for the First Quarter, FY2018 (From October 1, 2017 to December 31, 2017)

(1) Consolidated Financial Statements (Cumulative) (Percentages represent year-on-year % change)

| | Revenue | | Operating profit | | Profit before income taxes | | Profit | | Profit attributable to owners of parent | | Total comprehensive income | |
|-----------|-------------|------|------------------|------|----------------------------|------|-------------|------|---|------|----------------------------|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Q1 FY2018 | 6,098 | 26.4 | 1,594 | 28.7 | 1,585 | 35.3 | 854 | 36.3 | 860 | 41.1 | 1,051 | Δ4.7 |
| Q1 FY2017 | 4,826 | — | 1,238 | — | 1,171 | — | 627 | — | 609 | — | 1,103 | — |

| | Basic earnings per share | Diluted earnings per share |
|-----------|--------------------------|----------------------------|
| | Yen | Yen |
| Q1 FY2018 | 23.16 | 23.16 |
| Q1 FY2017 | 16.41 | 16.41 |

(Note) In order to appropriately basic earnings per share and diluted earnings 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 | Total equity | Total equity attributable to owners of parent | Total equity attributable to owners of parent to total assets |
|-----------|---------------|---------------|---|---|
| | Million yen | Million yen | Million yen | % |
| Q1 FY2018 | <u>96,246</u> | <u>20,515</u> | <u>19,407</u> | <u>20.2</u> |
| FY2017 | <u>84,259</u> | <u>20,947</u> | <u>19,853</u> | <u>23.6</u> |

2. Dividends

| | Full-year dividend | | | | |
|--------------------|--------------------|-----------|-----------|----------|-------|
| | End of Q1 | End of Q2 | End of Q3 | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| FY 2017 | 0.00 | 0.00 | 0.00 | 40.00 | 40.00 |
| FY 2018 | 0.00 | | | | |
| FY 2018 (forecast) | | 0.00 | — | 49.00 | 49.00 |

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

3. Consolidated Financial Forecast for the Fiscal Year Ending September 2018 (From October 1, 2017 to September 30, 2018)

(Full year % represents previous term comparison; Interim % represents year-on-year change)

| | Revenue | | Operating profit | | Profit before income taxes | | Profit attributable to owners of parent | | Basic earnings per share |
|----------------------------|-------------|---|------------------|---|----------------------------|---|---|---|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| 2Q of FY 2018 (cumulative) | 11,967 | — | 3,011 | — | 2,903 | — | 1,825 | — | 49.12 |
| Full year | 26,107 | — | 6,475 | — | 6,196 | — | 3,933 | — | 105.87 |

(Note 1) Revision of the most recently released financial forecast: Yes

(Note 2) Previous-term and year-on-year changes are omitted since the Group started voluntary application of IFRS in the present consolidated fiscal year.

Notices:

- (1) Changes of important subsidiaries during the period (change of specific subsidiaries that leads to a change in the scope of consolidation): No

Number of new subsidiaries: - (Name:), number of excluded subsidiaries: - (Name:)

- (2) Changes in the accounting policy / changes in the accounting estimation

[1] Changes in accounting policy required by IFRS.: No

[2] Changes in accounting policy other than [1]: No

[3] Changes in accounting estimations: No

- (3) Number of shares issued (common stock)

| | | |
|--|-----------------------|---------------------|
| [1] Number of shares issued at the end of the term (including treasury stock) | Q1 FY2018: 37,150,500 | FY 2017: 37,150,500 |
|--|-----------------------|---------------------|

| | | |
|--|------------------|----------------|
| [2] Number of treasury shares at the end of the term | Q1 FY2018: 2,500 | FY 2017: 2,500 |
|--|------------------|----------------|

| | | |
|--|-----------------------|-----------------------|
| [3] Average number of shares during the term | Q1 FY2018: 37,148,000 | Q1 FY2017: 37,148,000 |
|--|-----------------------|-----------------------|

(Note) In order to appropriately disclose the number of treasury shares at the end of the term and average number of shares during the term (cumulative), 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 for a more accurate disclosure of basic earnings per share.

* These quarterly financial statements are not subject to the quarterly review procedures.

* Notes regarding the appropriate use of financial forecast and other important notes

1. The Group voluntarily adopts IFRS on its consolidated financial statements from the consolidated fiscal year ending September 30, 2018, and discloses IFRS-based condensed consolidated financial statements from its first quarter.

2. The above forecasts are outlooks based on information currently available, and include various uncertain factors. Actual performance may differ substantially from the forecasts due to changes in business conditions and other factors. For the assumption on which financial forecasts are based and matters to be considered in using financial forecasts, please refer to "(3) Review of consolidated earnings forecasts and other forecasts" under "1. Qualitative Information on Consolidated Financial Statements for the Quarter" on page 9 of the attachment.

3 Results Presentation for Investors and Analysts: February 13, 2018. Supporting materials and a video of the presentation will be made available on the company's website after the event.

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1. Qualitative Information on Consolidated Financial Statements for the Quarter

(1) Consolidated operating results

Forward-looking statements in the document are based on the judgement of the Group at the end of the quarter under review. The Group started adoption of International Financial Reporting Standards (hereinafter called as “IFRS”) in place of conventional JGAAP from cumulative first quarter of the current fiscal year. The group presents earnings figures for the first quarter and the full of the previous consolidated fiscal year under IFRS for comparative analysis.

① Consolidated operating results

The Group announces its earnings results for the first quarter of the cumulative consolidated fiscal year (October 1, 2017 to December 31, 2017) as follows.

(Unit: Thousand yen)

| | First three months of the previous consolidated fiscal year (From October 1, 2016 to December 31, 2016) | First three months of the current consolidated fiscal year (From October 1, 2017 to December 31, 2017) | Rate of change (%) |
|---|--|---|--------------------|
| Revenue | 4,826,686 | 6,098,938 | 26.4 |
| Operating profit | 1,238,899 | 1,594,464 | 28.7 |
| Profit before income taxes | 1,171,547 | 1,585,482 | 35.3 |
| Profit attributable to owners of parent | 609,762 | 860,460 | 41.1 |

a. Revenue

The Group’s revenue surged to 6,098,938 thousand yen, up by 26.4 % year-on-year. Steady growth of Ecommerce market, coupled with expansion of the Group’s service coverage in non-Ecommerce field, has led to an increased revenue in payment processing business. Our money service business revenue also rose with steady expansion of transaction value in “GMO payment after delivery,” an after-the-fact type of payment service. Further, payment enhancement business revenue grew, partly thanks to Macro Kiosk Berhad, the Group’s consolidated subsidiary that provides a comprehensive service of mobile payment, authentication and notification.

Our revenue breakdown by business model is as follows.

(Unit: Thousand yen)

| Business model | First three months of the previous consolidated fiscal year (From October 1, 2016 to December 31, 2016) | First three months of the current consolidated fiscal year (From October 1, 2017 to December 31, 2017) | Rate of change (%) |
|--|--|---|--------------------|
| Initial (Initial revenue) | 350,226 | 251,041 | Δ28.3 |
| Stock (Monthly revenue) | 690,168 | 795,869 | 15.3 |
| Fee (Transaction processing revenue) | 1,715,389 | 2,360,807 | 37.6 |
| Spread (Merchant acquiring service revenue) | 2,070,901 | 2,691,219 | 30.0 |
| Total | 4,826,686 | 6,098,938 | 26.4 |

b. Operating profit

The Group's operating profit reached 1,594,464 thousand yen, up by 28.7% year-on-year, on track for the Group's earnings forecast for the consolidated full fiscal year.

Segmentwise, payment processing business was 1,677,270 thousand yen, a year-on-year increase of 17.7%, Money Service Business stood at 387,503 thousand yen, a year-on-year increase of 135.5%, and payment enhancement business amounted to 47,734 thousand yen, a year-on-year drop of 56.9%.

c. Profit before income taxes

Factors in a. and b. were translated into profit before income taxes of 1,585,482 thousand yen, an increase of 35.3%.

②Results by segment

Performance by reportable segment is explained below.

(Unit: Thousand yen)

| Segment | First three months of the previous consolidated fiscal year (From October 1, 2016 to December 31, 2016) | First three months of the current consolidated fiscal year (From October 1, 2017 to December 31, 2017) | Rate of change (%) |
|------------------------------|--|---|--------------------|
| Payment Processing Business | | | |
| Revenue | 2,812,430 | 3,311,505 | 17.7 |
| Operating profit | 1,425,528 | 1,677,270 | 17.7 |
| Money Service Business | | | |
| Revenue | 964,546 | 1,525,907 | 58.2 |
| Operating profit | 164,567 | 387,503 | 135.5 |
| Payment Enhancement Business | | | |
| Revenue | 1,049,709 | 1,261,524 | 20.2 |
| Operating profit | 110,741 | 47,734 | Δ56.9 |
| Adjustments | | | |
| Revenue | — | — | — |
| Operating profit | Δ461,938 | Δ518,043 | — |
| Total | | | |
| Revenue | 4,826,686 | 6,098,938 | 26.4 |
| Operating profit | 1,238,899 | 1,594,464 | 28.7 |

a. Payment processing business

For our payment processing business, the Group's focus is on online payment, recurring payment and card-present payment.

Online payment and recurring payment left solid results with steady growth in Ecommerce market, acquisition of major Ecommerce merchants, and service expansion to a wider merchant base which is not limited to Ecommerce operators.

With respect to our card-present payment, the Group's consolidated subsidiary GMO Financial Gate, Inc. released embedded-type multi-payment terminal in January that it jointly developed with Nayax K.K. in an attempt to spread self-service type multi-payment method available on vending machines, etc. A decision was made to release the multi-payment terminal on beverage vending machines of Ito En, Ltd.

The Group's focus was also on services to support financial institutions and financial service providers that promote new businesses to create a cashless society. As part of such services that are tracking solidly, the Group started offering a payment solution for the above-mentioned entities, "GMO-PG Processing Platform."

As a result, the segment's revenue came in at 3,311,505 thousand yen, a year-on-year increase of 17.7%, and its operating profit totaled 1,677,270 thousand yen, a year-on-year increase of 17.7%.

b. Money Service Business

Money Service Business (MSB) includes "early payment service" to help merchants receive sales proceeds earlier and improve their cash flow, "transaction lending service" to lend growth capital to merchants based on payment and other data, and "GMO payment after delivery" that the Group's consolidated subsidiary GMO Payment Service, Inc. offers.

Points to note on this segment under the first quarter of the consolidated fiscal year under review includes the steady expansion of "GMO payment after delivery" by GMO Payment Service, Inc. and higher transaction value of remaining services in the segment.

These factors have led to a revenue of 1,525,907 thousand yen, up by 58.2% year-on-year and an operating profit of 387,503 thousand yen, up by 135.5%.

c. Payment enhancement business

Payment enhancement business includes services of mobile payment, authentication and notification comprehensively provided by our consolidated subsidiary Macro Kiosk Berhad and an online advertising service that raises the sales of Group's merchants by analyzing sales status while running their ads on their behalf based on sales data.

Under the first quarter, even with a headwind of a temporary factor in payment-related external environment, Macro Kiosk Berhad's revenue in its mainstay authentication and notification business grew by 38.5% year-on-year. The business was especially strong in emerging markets which remain to be the focus of Macro Kiosk Berhad. Still, revenue growth of Macro Kiosk Berhad did not push up its profit by a meaningful margin.

As for our online advertising service, a change in external environment for part of the service resulted in a decline in its ad-placement revenue that led to a year-on-year drop in the service's revenue.

As a result, the Group recorded a segment revenue at 1,261,524 thousand yen, a year-on-year increase of 20.2%, and a segment operating profit of 47,734 thousand yen, a decrease of 56.9%.

Please see below for the chart of major businesses and companies of such businesses by segment.

| Segment | Major service | Major companies of the service |
|------------------------------|---|--|
| Payment Processing Business | Payment processing service (Online billing and recurring billing) | GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary) |
| | Payment processing service (card present payment) | GMO Financial Gate, Inc. (consolidated subsidiary) |
| | System development | GMO Payment Gateway, Inc. |
| Money Service Business | GMO Payment after delivery | GMO Payment Service, Inc. (consolidated subsidiary) |
| | Remittance service | GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary) |
| | Transaction lending | GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary) |
| | Early payment service | GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary) |
| Payment Enhancement Business | Mobile payment, authentication and notification | Macro Kiosk Berhad (consolidated subsidiary) |
| | Online advertising service | GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary) |

(2) Status of consolidated financial position

① Assets, liabilities and net assets

a. Assets

Total assets at the end of the first quarter of the consolidated fiscal year under review were up 11,986,817 thousand yen from the end of the previous consolidated fiscal year at 96,246,770 thousand yen. An increase of cash and cash equivalents by 7,473,314 thousand yen and an increase of operating and other receivables by 4,054,401 thousand yen contributed to the larger assets.

b. Liabilities

Balance of liabilities at the end of the first quarter of the consolidated fiscal year under review stood at 75,731,335 thousand yen, higher than the end of the previous consolidated fiscal year by 12,418,980 thousand yen. Such increase mainly came from operating and other payables' expansion of 13,670,348 thousand yen.

c. Equity

Equity balance at the end of the first quarter of the consolidated fiscal year under review was 20,515,435 thousand yen, lower by 432,162 thousand yen than the end of the previous consolidated fiscal year. Payout of dividends from surplus for 1,485,920 thousand yen led to the smaller equity.

② Status of consolidated cash flows

Cash and cash equivalents (hereinafter called as "fund") increased by 7,473,314 thousand yen over the first quarter to 35,006,830 thousand yen. The state of cash flows over the three months under review is discussed below.

a. Cash flow of operating activities

Fund provided by operating activities in the first quarter amounted to 9,537,512 thousand yen, which contrasts with the provision of 6,603,857 thousand yen in the same period a year before. Despite an increase in operating and other receivables of 4,054,401 thousand yen, an increase in operating and other payables of 13,670,349 thousand yen have led to the fund expansion on the whole.

b. Cash flow of investing activities

The amount of fund used for investing activities over the consolidated first quarter under review totaled 381,621 thousand yen, which contrasts with the usage of 689,556 thousand yen in the same period previous year. This is due to the outflow of 258,664 thousand yen from an acquisition of intangible assets and purchase of investment securities for 148,934 thousand yen.

c. Cash flow of financing activities

The amount of fund used in financing activities over the consolidated first quarter under review totaled 1,705,941 thousand yen, which contrasts with the provision of 2,981,612 thousand yen in the same period previous year. This is due to the payout of dividends for 1,472,199 thousand yen.

(3) Review of consolidated earnings forecasts and other forecasts

The Group's core business is positioned in Ecommerce market in Japan. Japan's B2C Ecommerce for merchandizing continues to grow rapidly, helped by favorable changes in the group's external environment such as spreading smartphone usage and logistic reforms. At the same time, horizon of Ecommerce market is expanded, represented by expanding B2B and C2C Ecommerce.

For the fiscal year ending September 2018, the Group forecasts expansion in all its segments of payment processing business, Money Service Business and payment enhancement business by acquisition of large and growth merchants and financial institutions as well as large businesses, expansion of "GMO payment after delivery" and further growth of Macro Kiosk Berhad.

With respect to our earnings forecast for consolidated fiscal year ending September 30, 2018, we take back our consolidated earnings forecast under JGAAP we published on November 2, 2017, in accordance with IFRS adoption. Our forecast in the form of IFRS is as follows: revenue 26,107 million yen (-% year-on-year increase); operating profit 6,475 million yen (-% year-on-year increase); profit before income taxes 6,196 million yen (-% year-on-year increase); profit attributable to owners of parent 3,933 million yen (-% year-on-year increase). Please note that year-on-year changes are not presented since this is the first fiscal year that the Group adopts IFRS.

Please see "Notice of earnings forecast release (IFRS)" we have disclosed today for further details.

2. Condensed consolidated Financial Statements and Major Notes

(1) Condensed consolidated balance sheet

(Unit: Thousand yen)

| | Notes | Date of transition to IFRS (October 1, 2016) | End of previous consolidated fiscal year (September 30, 2017) | End of Q1 of current consolidated fiscal year (December 31, 2017) |
|---|-------|---|--|--|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | | 25,091,091 | 27,533,515 | 35,006,830 |
| Operating and other receivables | | 19,841,482 | 42,991,145 | 47,045,547 |
| Inventories | | 39,350 | 94,478 | 125,867 |
| Other financial assets | | 46,147 | 50,895 | 63,990 |
| Other current assets | | 430,194 | 408,993 | 462,619 |
| Total current assets | | <u>45,448,267</u> | <u>71,079,028</u> | <u>82,704,854</u> |
| Noncurrent assets | | | | |
| Tangible assets | | 400,648 | 461,558 | 448,353 |
| Goodwill and other intangible assets | | 4,193,386 | 4,766,089 | 4,896,717 |
| Investments accounted for using equity method | | 2,500,061 | 2,970,709 | 3,003,842 |
| Other financial assets | | 3,186,744 | 3,260,718 | 3,475,271 |
| Deferred tax assets | | 425,935 | <u>1,714,158</u> | <u>1,698,582</u> |
| Other noncurrent assets | | 9,066 | 7,688 | 19,146 |
| Total noncurrent assets | | <u>10,715,842</u> | <u>13,180,923</u> | <u>13,541,915</u> |
| Total assets | | <u>56,164,109</u> | <u>84,259,952</u> | <u>96,246,770</u> |

(Unit: Thousand yen)

| | Notes | Date of transition to IFRS (October 1, 2016) | End of previous consolidated fiscal year (September 30, 2017) | End of Q1 of current consolidated fiscal year (December 31, 2017) |
|--|-------|---|--|--|
| Liabilities and equity | | | | |
| Liabilities | | | | |
| Current liabilities | | | | |
| Operating and other payables | | 33,251,526 | 53,448,543 | 67,118,892 |
| Borrowings | | 43,860 | 820,596 | 813,715 |
| Other financial liabilities | | 64,284 | 73,549 | 69,038 |
| Income taxes payable, etc. | | 846,086 | 1,574,603 | 582,556 |
| Other current liabilities | | 1,329,808 | 1,992,034 | 1,872,908 |
| Total current liabilities | | 35,535,567 | 57,909,327 | 70,457,112 |
| Noncurrent liabilities | | | | |
| Borrowings | | 45,245 | 2,999,500 | 2,799,400 |
| Other financial liabilities | | 124,533 | 158,154 | 160,260 |
| Provision | | 44,842 | 63,358 | 63,654 |
| Deferred tax liabilities | | 264,606 | 230,045 | 296,609 |
| Other noncurrent liabilities | | 1,097,758 | 1,951,968 | 1,954,298 |
| Total noncurrent liabilities | | 1,576,987 | 5,403,027 | 5,274,222 |
| Total liabilities | | 37,112,554 | 63,312,355 | 75,731,335 |
| Equity | | | | |
| Capital stock | | 4,712,900 | 4,712,900 | 4,712,900 |
| Capital surplus | | 4,964,712 | 4,985,781 | 4,981,677 |
| Retained earnings | | 8,188,306 | 9,797,545 | 9,215,060 |
| Treasury stock | | △265,236 | △256,269 | △256,269 |
| Other items of equity | | 357,654 | 613,768 | 753,697 |
| Total equity attributable to owners of parent | | 17,958,338 | 19,853,726 | 19,407,066 |
| Minority interests | | 1,093,216 | 1,093,870 | 1,108,368 |
| Total equity | | 19,051,554 | 20,947,597 | 20,515,435 |
| Total liabilities and equity | | 56,164,109 | 84,259,952 | 96,246,770 |

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

Condensed consolidated statement of income

Cumulative first quarter of the consolidated year

(Unit: Thousand yen)

| Notes | First three months of previous consolidated fiscal year (From October 1, 2016 to December 31, 2016) | First three months of current consolidated fiscal year (From October 1, 2017 to December 31, 2017) |
|---|--|---|
| Revenue | 4,826,686 | 6,098,938 |
| Cost of revenue | Δ1,483,005 | Δ2,035,754 |
| Gross profit | 3,343,680 | 4,063,183 |
| Other income | 37,537 | 102,517 |
| Selling, general and administrative expenses | Δ2,132,179 | Δ2,494,932 |
| Other expense | Δ10,138 | Δ76,303 |
| Operating profit | 1,238,899 | 1,594,464 |
| Financial income | 24,686 | 59,401 |
| Financial expense | Δ18,361 | Δ11,107 |
| Equity method investment gains | Δ73,676 | Δ57,276 |
| Profit before income taxes | 1,171,547 | 1,585,482 |
| Income tax expenses | Δ544,339 | Δ730,875 |
| Profit | 627,207 | 854,607 |
| Profit attributable to | | |
| Owners of parent | 609,762 | 860,460 |
| Non-controlling interests | 17,445 | Δ5,853 |
| Profit | 627,207 | 854,607 |
| Earnings per share | | |
| Basic earnings per share (yen) | 16.41 | 23.16 |
| Diluted earnings per share (yen) | 16.41 | 23.16 |

Condensed consolidated statement of comprehensive income
Cumulative first quarter of the consolidated year

| | | (Unit: Thousand yen) | |
|--|-------|--|---|
| | Notes | First three months of previous consolidated fiscal year (From October 1, 2016 to December 31, 2016) | First three months of current consolidated fiscal year (From October 1, 2017 to December 31, 2017) |
| Profit | | 627,207 | 854,607 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Fair value of financial assets measured through other comprehensive income | | 216,273 | 85,553 |
| Shares of other comprehensive income of equity method affiliates | | 25,211 | 39,006 |
| Total of Items that will not be reclassified to profit or loss | | 241,485 | 124,560 |
| Items that will be reclassified to profit or loss | | | |
| Exchange differences on translation of foreign operations | | 80,392 | 87,022 |
| Shares of other comprehensive income of equity method affiliates | | 154,376 | △14,500 |
| Total of items that will be reclassified to profit or loss | | 234,769 | 72,522 |
| Other comprehensive income after income taxes | | 476,254 | 197,082 |
| Comprehensive income | | 1,103,462 | 1,051,689 |
| Comprehensive income attributable to | | | |
| Owners of parent | | 1,077,300 | 1,043,381 |
| Minority interests | | 26,161 | 8,307 |
| Total | | 1,103,462 | 1,051,689 |

(3) Condensed consolidated statement of changes in equity

First three months of the previous consolidated fiscal year (From October 1, 2016 to December 31, 2016)

(Unit: Thousand yen)

| Notes | Capital stock | Capital surplus | Retained earnings | Treasury stock | Other items of equity | Total equity attributable to owners of parent | Minority interests | Total assets |
|---|---------------|-----------------|-------------------|----------------|-----------------------|---|--------------------|--------------|
| Balance as of October 1, 2016 | 4,712,900 | 4,964,712 | 8,188,306 | △265,236 | 357,654 | 17,958,338 | 1,093,216 | 19,051,554 |
| Profit | — | — | 609,762 | — | — | 609,762 | 17,445 | 627,207 |
| Other comprehensive income | — | — | — | — | 467,538 | 467,538 | 8,715 | 476,254 |
| Comprehensive income | — | — | 609,762 | — | 467,538 | 1,077,300 | 26,161 | 1,103,462 |
| Dividends | — | — | △1,002,996 | — | — | △1,002,996 | — | △1,002,996 |
| Transfer from accumulated other comprehensive income to retained earnings | — | — | 9,459 | — | △9,459 | — | — | — |
| Changes in the interests in controlled subsidiary | — | △8,905 | — | — | — | △8,905 | 3,335 | △5,569 |
| Share-based payment transaction | — | 28 | — | — | △28 | — | 4,126 | 4,126 |
| Total transactions with owners | — | △8,876 | △993,536 | — | △9,488 | △1,011,901 | 7,462 | △1,004,438 |
| Balance as of December 31, 2016 | 4,712,900 | 4,955,835 | 7,804,532 | △265,236 | 815,704 | 18,023,737 | 1,126,840 | 19,150,577 |

First three months of the current consolidated fiscal year (From October 1, 2017 to December 31, 2017)

(Unit: Thousand yen)

| Notes | Capital stock | Capital surplus | Retained earnings | Treasury stock | Other items of equity | Total equity attributable to owners of parent | Minority interests | Total assets |
|---|---------------|-----------------|-------------------|----------------|-----------------------|---|--------------------|-------------------|
| Balance as of October 1, 2017 | 4,712,900 | 4,985,781 | <u>9,797,545</u> | △256,269 | 613,768 | <u>19,853,726</u> | 1,093,870 | <u>20,947,597</u> |
| Profit | — | — | 860,460 | — | — | 860,460 | △5,853 | 854,607 |
| Other comprehensive income | — | — | — | — | 182,921 | 182,921 | 14,161 | 197,082 |
| Comprehensive income | — | — | 860,460 | — | 182,921 | 1,043,381 | 8,307 | 1,051,689 |
| Dividends | — | — | △1,485,920 | — | — | △1,485,920 | — | △1,485,920 |
| Transfer from accumulated other comprehensive income to retained earnings | — | — | 42,974 | — | △42,974 | — | — | — |
| Changes in the interests in controlled subsidiary | — | △4,121 | — | — | — | △4,121 | — | △4,121 |
| Share-based payment transaction | — | 17 | — | — | △17 | — | 6,190 | 6,190 |
| Total transactions with owners | — | △4,104 | △1,442,945 | — | △42,991 | △1,490,041 | 6,190 | △1,483,851 |
| Balance as of December 31, 2017 | 4,712,900 | 4,981,677 | <u>9,215,060</u> | △256,269 | 753,697 | <u>19,407,066</u> | 1,108,368 | <u>20,515,435</u> |

(4) Condensed consolidated statement of cash flows

(Unit: Thousand yen)

| Notes | First three months of previous consolidated fiscal year (From October 1, 2016 to December 31, 2016) | First three months of current consolidated fiscal year (From October 1, 2017 to December 31, 2017) |
|--|--|---|
| Net cash provided by (used in) operating activities | | |
| Profit before income taxes | 1,171,547 | 1,585,482 |
| Depreciation | 150,591 | 224,410 |
| Financial income and expense | △6,324 | △48,293 |
| Equity method investment loss | 73,676 | 57,276 |
| Increase/decrease in inventories (△=increase) | △11,135 | △31,388 |
| Increase/decrease in operating and other receivables (△=increase) | △14,034,747 | △4,054,401 |
| Increase/decrease in operating and other payables | 20,062,235 | 13,670,349 |
| Other | 38,219 | △265,497 |
| Subtotal | 7,444,064 | 11,137,938 |
| Interest and dividends received | 1,790 | 3,388 |
| Interest paid | △6,168 | △3,169 |
| Income taxes paid | △835,828 | △1,600,643 |
| Net cash provided by (used in) operating activities | 6,603,857 | 9,537,512 |
| Net cash provided by (used in) investing activities | | |
| Payment for deposit of time deposits | △9,227 | — |
| Purchase of property, plants and equipment | △8,774 | △16,708 |
| Purchase of intangible assets | △273,065 | △258,664 |
| Purchase of investment securities | — | △148,934 |
| Proceeds from sales and redemption of investment securities | 30,947 | 58,245 |
| Purchase of stocks of subsidiaries and affiliates | △369,329 | — |
| Acquisition of other financial assets | △68,753 | △1,686 |
| Proceeds from sales of other financial assets | 2,934 | 96 |
| Others | 5,712 | △13,968 |
| Net cash provided by (used in) investing activities | △689,556 | △381,621 |

(Unit: Thousand yen)

| Notes | First three months of previous consolidated fiscal year (From October 1, 2016 to December 31, 2016) | First three months of current consolidated fiscal year (From October 1, 2017 to December 31, 2017) |
|--|--|---|
| Net cash provided by (used in) financing activities | | |
| Proceeds from short-term borrowings | 4,002,404 | — |
| Repayment of long-term borrowings | Δ7,937 | Δ207,688 |
| Proceeds from issuance of common stock | 250 | — |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | Δ5,819 | Δ4,121 |
| Dividends paid | Δ990,095 | Δ1,472,199 |
| Other | Δ17,189 | Δ21,931 |
| Net cash provided by (used in) financing activities | 2,981,612 | Δ1,705,941 |
| Increase and decrease in cash and cash equivalents (Δ=decrease) | 8,886,997 | 7,473,314 |
| Balance of cash and cash equivalents at the beginning of the period | 25,091,091 | 27,533,515 |
| Effect of exchange rate changes on cash and cash equivalents | Δ8,915 | 23,365 |
| Cash and cash equivalents at the end of period | 33,978,089 | 35,006,830 |

(5) Notes regarding the going concern assumptions

N/A

(6) Notes regarding condensed consolidated financial statements

5. First-time adoption of IFRS

The group discloses condensed consolidated financial statements under IFRS from the first quarter of the current consolidated fiscal year. The most recent consolidated financial statements under JGAAP is for the consolidated fiscal year ended on September 30, 2017, and transition date to IFRS is October 1, 2016.

(1) Exemptions on retrospective application

IFRS 1 requires an entity that adopts IFRS for the first time to apply IFRS retrospectively. However, IFRS 1 provides some exemptions. Exemptions adopted by the Group are as follows.

① Business combinations

Under IFRS 1, first-time adopters may choose to apply IFRS 3, “Business Combinations” (hereinafter called as “IFRS 3”) retrospectively or prospectively. The Group has chosen not to apply IFRS 3 retrospectively to business combinations that occurred before transition date. Therefore, business combinations that occurred before the transition date were treated under JGAAP and are not modified. The amount of goodwill that occurred as a result of business combination are presented in book value under JGAAP in principle. However, all goodwill denominated in foreign currencies are reconverted at the exchange rate of the closing date since IAS 21 “the effects of changes in foreign exchange rates” is retrospectively applied. Impairment test was performed on goodwill at the time of transition date, irrespective of sign of impairment.

② Exchange differences on translation of foreign operations

IFRS 1 allows first-time adopters to choose to deem the cumulative amount of exchange differences on translation of foreign operations to be zero as of the date of transition to IFRS. The Group has chosen to adopt this exemption.

③ Share-based payment

IFRS 1 allows first-time adopters to choose to adopt IFRS 2 “share-based payment” (hereinafter called “IFRS 2”) retrospectively or prospectively on share-based payments vested before IFRS transition date. The Group chose to not adopt IFRS 2 on share-based payments vested before the date of transition to IFRS.

④ Designation of financial instruments recognized before the date of transition

IFRS 1 allows classification under IFRS 9 to be determined based on the facts or status as of the date of transition, not of earlier date. It also allows equity assets to be designated as financial assets measured at a fair value through other comprehensive income. The Group applies this exemption and designates equity assets as financial assets measured at a fair value through other comprehensive income.

(2) Mandatory exceptions under IFRS 1

IFRS 1 prohibits retrospective application of IFRS on “estimates,” “derecognition of financial assets or liabilities,” “minority interests,” “classification and measurement of financial assets,” and others. As to these items, the Group adopts IFRS prospectively from the date of transition.

(3) Reconciliation chart

Please see below for the effects that transition from JGAAP to IFRS gives on the financial position, operating results and cash flows of the Group. Please note that “reclassification” of the reconciliation chart presents items that do not affect retained earnings or comprehensive income and that “difference in recognition and measurement” presents items that affect retained earnings and comprehensive income.

① Reconciliation of equity

Date of transition to IFRS (October 1, 2016)

| Presentation under JGAAP | JGAAP | Reclassification (1) | Difference in recognition and measurement | IFRS | Notes | Presentation under IFRS |
|--|-------------------|----------------------|---|-------------------|----------|---|
| | Thousand yen | Thousand yen | Thousand yen | Thousand yen | | |
| Assets | | | | | | Assets |
| Current assets | | | | | | Current assets |
| Cash and deposits | 25,231,522 | △43,986 | △96,444 | 25,091,091 | (10) | Cash and cash equivalents |
| Accounts receivable-trade | 3,924,904 | 15,140,397 | 776,179 | 19,841,481 | (3),(10) | Operating and other receivables |
| Lease receivable | 7,291,439 | △7,291,439 | — | — | | |
| | — | 559,836 | △513,689 | 46,147 | (10) | Other financial assets |
| Inventories | 39,350 | — | — | 39,350 | | Inventories |
| Advance payments-trade | 6,388,955 | △6,388,955 | — | — | | |
| Prepaid expenses | 118,723 | △118,723 | — | — | | |
| Deferred tax assets | 300,169 | △300,169 | — | — | | |
| Accounts receivable-other | 1,742,612 | △1,742,612 | — | — | | |
| Other | 839,372 | △442,405 | 33,227 | 430,194 | (10) | Other current assets |
| Allowance for doubtful accounts | △327,887 | 327,887 | — | — | | |
| Total current assets | 45,549,162 | △300,169 | 199,273 | 45,448,267 | | Total current assets |
| Noncurrent assets | | | | | | Noncurrent assets |
| Tangible assets | 352,280 | — | 48,367 | 400,648 | (2),(10) | Tangible assets |
| Intangible assets | 4,143,749 | — | 49,637 | 4,193,386 | (4),(10) | Goodwill and other intangible assets |
| Investment securities | 2,251,124 | △2,251,124 | — | — | (5) | |
| Shares of subsidiaries and affiliates | 2,203,234 | 309,174 | △12,348 | 2,500,061 | (6),(10) | Investments accounted for using equity method |
| Investments in other securities of subsidiaries and affiliates | 309,174 | △309,174 | — | — | | |
| Long-term loans receivable from directors and employees | 962 | 2,562,598 | 623,183 | 3,186,744 | (10) | Other financial assets |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 31,468 | △31,468 | — | — | | |
| Long-term prepaid expenses | 8,285 | △8,285 | — | — | | |
| Lease and guarantee deposits | 231,035 | △231,035 | — | — | | |
| Deferred tax assets | 57,294 | 300,169 | 68,472 | 425,935 | (10) | Deferred tax assets |
| Other | 80,437 | △72,151 | 780 | 9,066 | | Other noncurrent assets |
| Allowance for doubtful accounts | △31,468 | 31,468 | — | — | | |
| Total noncurrent assets | 9,637,579 | 300,169 | 778,093 | 10,715,842 | | Total noncurrent assets |
| Total assets | 55,186,742 | — | 977,366 | 56,164,109 | | Total assets |

| Presentation under JGAAP | JGAAP | Reclassification (1) | Difference in recognition and measurement | IFRS | Notes | Presentation under IFRS |
|--|-------------------|----------------------|---|-------------------|-------------|---|
| | Thousand yen | Thousand yen | Thousand yen | Thousand yen | | |
| Liabilities | | | | | | Liabilities |
| Current liabilities | | | | | | Current liabilities |
| Accounts payable-trade | 2,726,492 | <u>30,347,994</u> | <u>177,039</u> | 33,251,526 | (10) | Operating and other payables |
| | — | 68,513 | Δ24,652 | 43,860 | (10) | Borrowings |
| Lease payable | 64,846 | Δ64,846 | — | — | | |
| Accounts payable-other | 2,784,175 | Δ2,784,175 | — | — | | |
| Income taxes payable | 901,767 | — | <u>Δ55,680</u> | 846,086 | (10) | Income taxes payable, etc. |
| Accrued consumption taxes | 78,482 | Δ78,482 | — | — | | |
| | — | 64,846 | Δ561 | 64,284 | (10) | Other financial liabilities |
| Advances received | 447,442 | Δ447,442 | — | — | | |
| Deposits received | 27,634,302 | Δ27,634,302 | — | — | | |
| Unearned revenue | 62 | Δ62 | — | — | | |
| Provision for bonuses | 478,808 | Δ478,808 | — | — | | |
| Provision for bonuses for directors | 125,000 | Δ125,000 | — | — | | |
| Other | 89,369 | 1,121,409 | 119,030 | 1,329,808 | (8),(10) | Other current liabilities |
| Total current liabilities | <u>35,330,748</u> | <u>Δ10,356</u> | <u>215,175</u> | <u>35,535,567</u> | | Total current liabilities |
| Noncurrent liabilities | | | | | | Noncurrent liabilities |
| Long-term borrowings | 30,150 | — | 15,095 | 45,245 | (10) | Borrowings |
| Lease payable | 115,984 | 7,397 | 1,150 | 124,533 | (10) | Other financial liabilities |
| Long-term lease and guarantee deposited | 7,397 | Δ7,397 | — | — | | |
| Provision for directors' remuneration Board Incentive Plan Trust | 170,000 | Δ170,000 | — | — | | |
| | — | — | 44,842 | 44,842 | | Provision |
| | — | 264,606 | — | 264,606 | (10) | Deferred tax liabilities |
| Other | 263,343 | Δ84,250 | 918,665 | 1,097,758 | (7),(8)(10) | Other noncurrent liabilities |
| Total noncurrent liabilities | <u>586,876</u> | <u>10,356</u> | <u>979,754</u> | <u>1,576,987</u> | | Total noncurrent liabilities |
| Total liabilities | <u>35,917,624</u> | <u>—</u> | <u>1,194,930</u> | <u>37,112,554</u> | | Total liabilities |
| Net assets | | | | | | Equity |
| Capital stock | 4,712,900 | — | — | 4,712,900 | | Capital stock |
| Capital surplus | 4,964,712 | — | — | 4,964,712 | | Capital surplus |
| Retained earnings | 8,893,549 | — | Δ705,242 | 8,188,306 | (11) | Retained earnings |
| Treasury stock | Δ265,236 | — | — | Δ265,236 | | Treasury stock |
| Subscription rights to shares | 1,066 | Δ1,066 | — | — | | |
| Total accumulated other comprehensive income | Δ145,167 | 1,066 | 501,754 | 357,654 | (9),(10) | Other items of equity |
| | <u>18,161,825</u> | <u>—</u> | <u>Δ203,487</u> | <u>17,958,338</u> | | Total equity attributable to owners of parent |
| Minority interests | 1,107,292 | — | Δ14,076 | 1,093,216 | (10) | Minority interests |
| Total net assets | <u>19,269,118</u> | <u>—</u> | <u>Δ217,563</u> | <u>19,051,554</u> | | Total equity |
| Total liabilities and net assets | <u>55,186,742</u> | <u>—</u> | <u>977,366</u> | <u>56,164,109</u> | | Total liabilities and equity |

(Note) Review of acquisition cost allocation

JGAAP amounts on the reconciliation chart above are based on the consolidated balance sheets (JGAAP) as of September 30, 2016 on which acquisition cost allocation associated with business combinations was not finalized. Instead, tentative accounting treatment was conducted based on reasonable information available at the time of creation of the said financial statements.

Allocation of the said acquisition costs were finalized in the following consolidated fiscal year in accordance with

JGAAP, and is reflected to JGAAP amounts on the above reconciliation chart. JGAAP amounts on the reconciliation chart are on 5. **【Accounting status】** of Securities Report of the previous consolidated fiscal year.

First quarter of the previous consolidated fiscal year (December 31, 2016)

| Presentation under JGAAP | JGAAP | Reclassification (1) | Difference in recognition and measurement | IFRS | Notes | Presentation under IFRS |
|--|-------------------|----------------------|---|-------------------|----------|---|
| | Thousand yen | Thousand yen | Thousand yen | Thousand yen | | |
| Assets | | | | | | Assets |
| Current assets | | | | | | Current assets |
| Cash and deposits | 34,256,834 | △53,214 | △225,530 | 33,978,089 | (10) | Cash and cash equivalents |
| Accounts receivable-trade | 5,143,984 | 27,435,036 | 1,297,208 | 33,876,229 | (3),(10) | Operating and other receivables |
| Lease receivable | 7,696,856 | △7,696,856 | — | — | | |
| | — | 729,374 | △673,584 | 55,789 | (10) | Other financial assets |
| Inventories | 50,635 | — | — | 50,635 | | Inventories |
| Advance payments-trade | 8,795,573 | △8,795,573 | — | — | | |
| Prepaid expenses | 149,997 | △149,997 | — | — | | |
| Deferred tax assets | 196,825 | △196,825 | — | — | | |
| Accounts receivable-other | 11,527,272 | △11,527,272 | — | — | | |
| Other | 855,007 | △546,528 | 30,756 | 339,235 | (10) | Other current assets |
| Allowance for doubtful accounts | △605,030 | 605,030 | — | — | | |
| Total current assets | 68,067,956 | △196,825 | 428,849 | 68,299,980 | | Total current assets |
| Noncurrent assets | | | | | | Noncurrent assets |
| Tangible assets | 335,312 | — | 44,143 | 379,456 | (2),(10) | Tangible assets |
| Intangible assets | 4,287,356 | — | 139,958 | 4,427,315 | (4),(10) | Goodwill and other intangible assets |
| Investment securities | 2,442,604 | △2,442,604 | — | — | (5) | |
| Shares of subsidiaries and affiliates | 2,413,479 | 303,808 | 246,821 | 2,964,108 | (6),(10) | Investments accounted for using equity method |
| Investments in other securities of subsidiaries and affiliates | 303,808 | △303,808 | — | — | | |
| Long-term loans receivable from directors and employees | 840 | 2,809,046 | 627,015 | 3,436,901 | (10) | Other financial assets |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 31,598 | △31,598 | — | — | | |
| Long-term prepaid expenses | 10,518 | △10,518 | — | — | | |
| Lease and guarantee deposits | 286,545 | △286,545 | — | — | | |
| Deferred tax assets | 81,583 | 196,825 | 175,138 | 453,547 | (10) | Deferred tax assets |
| Other | 79,896 | △69,377 | 1,170 | 11,688 | | Other noncurrent assets |
| Allowance for doubtful accounts | △31,598 | 31,598 | — | — | | |
| Total noncurrent assets | 10,241,945 | 196,825 | 1,234,247 | 11,673,018 | | Total noncurrent assets |
| Total assets | 78,309,902 | — | 1,663,096 | 79,972,998 | | Total assets |

| Presentation under JGAAP | JGAAP | Reclassification (1) | Difference in recognition and measurement | IFRS | Notes | Presentation under IFRS |
|--|-------------------|----------------------|---|-------------------|-----------------|---|
| | Thousand yen | Thousand yen | Thousand yen | Thousand yen | | |
| Liabilities | | | | | | Liabilities |
| Current liabilities | | | | | | Current liabilities |
| Accounts payable-trade | 3,203,818 | <u>49,723,590</u> | <u>386,353</u> | 53,313,762 | (10) | Operating and other payables |
| Short-term borrowings | 4,050,617 | 17,560 | <u>Δ20,514</u> | 4,047,662 | (10) | Borrowings |
| | — | <u>22,443</u> | <u>38,808</u> | 61,251 | (10) | Other financial liabilities |
| Accounts payable-other | 13,204,995 | Δ13,204,995 | — | — | | |
| Income taxes payable | 331,043 | <u>39,590</u> | <u>56,755</u> | <u>427,389</u> | (10) | Income taxes payable, etc. |
| Accrued consumption taxes | 152,610 | Δ152,610 | — | — | | |
| Advances received | 461,995 | Δ461,995 | — | — | | |
| Deposits received | 36,827,228 | Δ36,827,228 | — | — | | |
| Provision for bonuses | 331,899 | Δ331,899 | — | — | | |
| Other | 113,671 | 1,173,595 | 123,712 | 1,410,979 | (8),(10) | Other current liabilities |
| Total current liabilities | <u>58,677,878</u> | <u>Δ1,948</u> | <u>585,115</u> | <u>59,261,045</u> | | Total current liabilities |
| Noncurrent liabilities | | | | | | Noncurrent liabilities |
| | — | 25,920 | 12,603 | 38,523 | (10) | Borrowings |
| | — | 103,332 | 925 | 104,258 | (10) | Other financial liabilities |
| Provision for directors' remuneration Board Incentive Plan Trust | 170,000 | Δ170,000 | — | — | | |
| | — | — | 44,964 | 44,964 | | Provision |
| | — | <u>278,978</u> | <u>3,848</u> | 282,827 | (10) | Deferred tax liabilities |
| Other | 417,398 | Δ238,231 | 911,634 | 1,090,801 | (7),(8) (10) | Other noncurrent liabilities |
| Total noncurrent liabilities | <u>587,398</u> | <u>0</u> | <u>973,977</u> | <u>1,561,375</u> | | Total noncurrent liabilities |
| Total liabilities | <u>59,265,276</u> | <u>Δ1,948</u> | <u>1,559,092</u> | <u>60,822,421</u> | | Total liabilities |
| Net assets | | | | | | Equity |
| Capital stock | 4,712,900 | — | — | 4,712,900 | | Capital stock |
| Capital surplus | 4,955,835 | — | — | 4,955,835 | | Capital surplus |
| Retained earnings | 8,476,423 | — | Δ671,890 | 7,804,532 | (11) | Retained earnings |
| Treasury stock | Δ265,236 | — | — | Δ265,236 | | Treasury stock |
| Subscription rights to shares | 1,037 | Δ1,037 | — | — | | |
| Total accumulated other comprehensive income | 43,583 | 1,685 | 770,435 | 815,704 | (9),(10) | Other items of equity |
| | <u>17,924,544</u> | <u>647</u> | <u>98,545</u> | <u>18,023,737</u> | | Total equity attributable to owners of parent |
| Minority interests | 1,120,080 | Δ647 | 7,406 | 1,126,840 | (10) | Minority interests |
| Total net assets | <u>19,044,625</u> | <u>0</u> | <u>105,952</u> | <u>19,150,577</u> | | Total equity |
| Total liabilities and net assets | <u>78,309,902</u> | <u>Δ1,948</u> | <u>1,665,044</u> | <u>79,972,998</u> | | Total liabilities and equity |

(Note) Review of acquisition cost allocation

JGAAP amounts on the reconciliation chart above are based on the consolidated balance sheets (JGAAP) as of December 31, 2016 on which acquisition cost allocation associated with business combinations was not finalized. Instead, tentative accounting treatment was conducted based on reasonable information available at the time of creation of the said financial statements.

Allocation of the said acquisition costs were finalized in the consolidated fiscal year of the quarterly closing date in accordance with JGAAP, and is reflected to JGAAP amounts on the above reconciliation chart.

As a result, intangible assets, other under noncurrent liabilities, and minority interests under JGAAP on the above reconciliation chart are larger by 431,725 thousand yen, 278,978 thousand yen, and 158,821 thousand yen respectively, and shares of subsidiaries and affiliates and retained earnings above are smaller by 5,250 thousand yen and 11,325 thousand yen respectively compared to those on the consolidated balance sheet (JGAAP) as of December 31, 2016.

Most recent date of creating consolidated financial statements (September 30, 2017)

| Presentation under JGAAP | JGAAP | Reclassification (1) | Difference in recognition and measurement | IFRS | Notes | Presentation under IFRS |
|--|-------------------|----------------------|---|--------------------------|----------|---|
| | Thousand yen | Thousand yen | Thousand yen | Thousand yen | | |
| Assets | | | | | | Assets |
| Current assets | | | | | | Current assets |
| Cash and deposits | 27,623,466 | Δ48,292 | Δ41,658 | 27,533,515 | (10) | Cash and cash equivalents |
| Accounts receivable-trade | 6,254,193 | 35,519,416 | 1,217,536 | 42,991,145 | (3),(10) | Operating and other receivables |
| Lease receivable | 6,426,827 | Δ6,426,827 | — | — | | |
| | — | 1,267,515 | Δ1,216,619 | 50,895 | (10) | Other financial assets |
| Inventories | 94,478 | — | — | 94,478 | | Inventories |
| Advance payments-trade | 16,806,222 | Δ16,806,222 | — | — | | |
| Prepaid expenses | 173,200 | Δ173,200 | — | — | | |
| Deferred tax assets | 1,251,001 | Δ1,251,001 | — | — | | |
| Accounts receivable-other | 14,678,576 | Δ14,678,576 | — | — | | |
| Other | 1,433,354 | Δ1,047,601 | 23,240 | 408,993 | (10) | Other current assets |
| Allowance for doubtful accounts | Δ2,393,788 | 2,393,788 | — | — | | |
| Total current assets | 72,347,531 | Δ1,251,001 | Δ17,501 | 71,079,028 | | Total current assets |
| Noncurrent assets | | | | | | Noncurrent assets |
| Tangible assets | 399,588 | — | 61,969 | 461,558 | (2),(10) | Tangible assets |
| Intangible assets | 4,505,631 | — | 260,458 | 4,766,089 | (4),(10) | Goodwill and other intangible assets |
| Investment securities | 2,704,216 | Δ2,704,216 | — | — | (5) | |
| Shares of subsidiaries and affiliates | 2,318,656 | 420,998 | 231,055 | 2,970,709 | (6),(10) | Investments accounted for using equity method |
| Investments in other securities of subsidiaries and affiliates | 420,998 | Δ420,998 | — | — | | |
| Long-term loans receivable from directors and employees | 467 | 3,108,972 | 151,279 | 3,260,718 | (10) | Other financial assets |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 49,359 | Δ49,359 | — | — | | |
| Long-term prepaid expenses | 6,907 | Δ6,907 | — | — | | |
| Lease and guarantee deposits | 325,555 | Δ325,555 | — | — | | |
| Deferred tax assets | 16,848 | 1,251,001 | <u>446,308</u> | <u>1,714,158</u> | (10) | Deferred tax assets |
| Other | 79,200 | Δ72,292 | 780 | 7,688 | | Other noncurrent assets |
| Allowance for doubtful accounts | Δ49,359 | 49,359 | — | — | | |
| Total noncurrent assets | 10,778,069 | 1,251,001 | <u>1,151,852</u> | <u>13,180,923</u> | | Total noncurrent assets |
| Total assets | 83,125,601 | — | <u>1,134,350</u> | <u>84,259,952</u> | | Total assets |

| Presentation under JGAAP | JGAAP | Reclassification on (1) | Difference in recognition and measurement | IFRS | Notes | Presentation under IFRS |
|--|-------------------|-------------------------|---|-------------------|-----------------|---|
| | Thousand yen | Thousand yen | Thousand yen | Thousand yen | | |
| Liabilities | | | | | | Liabilities |
| Current liabilities | | | | | | Current liabilities |
| Accounts payable-trade | 3,521,081 | <u>49,826,701</u> | <u>100,760</u> | 53,448,543 | (10) | Operating and other payables |
| | — | 827,286 | △6,690 | 820,596 | (10) | Borrowings |
| Lease payable | 74,918 | <u>△118,898</u> | <u>117,529</u> | 73,549 | (10) | Other financial liabilities |
| Accounts payable-other | 12,558,354 | △12,558,354 | — | — | | |
| Income taxes payable | 1,693,502 | 118,898 | <u>△237,797</u> | 1,574,603 | (10) | Income taxes payable, etc. |
| Accrued consumption taxes | 711,427 | △711,427 | — | — | | |
| Advances received | 491,722 | △491,722 | — | — | | |
| Deposits received | 37,406,767 | △37,406,767 | — | — | | |
| Unearned revenue | 11,886 | △11,886 | — | — | | |
| Provision for bonuses | 410,197 | △410,197 | — | — | | |
| Provision for bonuses for directors | 57,900 | △57,900 | — | — | | |
| Other | 882,799 | 994,267 | 114,967 | <u>1,992,033</u> | (8),(10) | Other current liabilities |
| Total current liabilities | <u>57,820,557</u> | — | 88,769 | <u>57,909,327</u> | | Total current liabilities |
| Noncurrent liabilities | | | | | | Noncurrent liabilities |
| Long-term borrowings | 2,999,500 | — | — | 2,999,500 | (10) | Borrowings |
| Lease payable | 158,075 | — | 79 | 158,154 | (10) | Other financial liabilities |
| Provision for directors' remuneration Board Incentive Plan Trust | 210,495 | △210,495 | — | — | | |
| | — | — | 63,358 | 63,358 | | Provision |
| | — | 232,777 | △2,732 | 230,045 | (10) | Deferred tax liabilities |
| Other | 250,780 | △22,282 | <u>1,723,470</u> | <u>1,951,968</u> | (7),(8) (10) | Other noncurrent liabilities |
| Total noncurrent liabilities | <u>3,618,851</u> | — | <u>1,784,176</u> | <u>5,403,027</u> | | Total noncurrent liabilities |
| Total liabilities | <u>61,439,408</u> | — | <u>1,872,946</u> | <u>63,312,355</u> | | Total liabilities |
| Net assets | | | | | | Equity |
| Capital stock | 4,712,900 | — | — | 4,712,900 | | Capital stock |
| Capital surplus | 4,934,784 | — | 50,997 | 4,985,781 | | Capital surplus |
| Retained earnings | 10,837,387 | — | <u>△1,039,842</u> | <u>9,797,545</u> | (11) | Retained earnings |
| Treasury stock | △256,269 | — | — | △256,269 | | Treasury stock |
| Subscription rights to shares | 923 | △923 | — | — | | |
| Total accumulated other comprehensive income | 364,344 | 1,937 | 247,486 | 613,768 | (9),(10) | Other items of equity |
| | <u>20,594,071</u> | 1,013 | <u>△741,358</u> | <u>19,853,726</u> | | Total equity attributable to owners of parent |
| Minority interests | 1,092,121 | △1,013 | 2,762 | 1,093,870 | (10) | Minority interests |
| Total net assets | <u>21,686,192</u> | — | <u>△738,595</u> | <u>20,947,597</u> | | Total equity |
| Total liabilities and net assets | <u>83,125,601</u> | — | <u>1,134,350</u> | <u>84,259,952</u> | | Total liabilities and equity |

Notes regarding the reconciliation of equity

(1) Adjustment of line items

The Group has reclassified line items to comply with IFRS rules. Major changes are noted below.

- For cash and deposits under JGAAP, time deposits with a deposit term of three months or longer are included under other financial assets (current) under IFRS.
- "Accounts receivable-trade," "lease receivable," "advance payments-trade," "accounts receivable-other" and "allowance for doubtful accounts" under JGAAP are combined together and included in "operating and other receivables" under IFRS.
- "Investments accounted for using equity method" under "shares of subsidiaries and affiliates" under JGAAP is presented as an independent item under IFRS.
- "Investment securities" under JGAAP is included in "other financial assets" under IFRS.
- "Accounts payable-trade," "accounts payable-other" and "deposits received" under JGAAP are combined together and included in "operating and other payables" under IFRS.
- Deferred tax assets and deferred tax liabilities are reclassified into noncurrent assets or noncurrent liabilities.
- Subscription rights to shares was an independent item under JGAAP, and is included in other items of equity under IFRS.

(2) Tangible assets

The Group principally applied declining balance method for depreciation of tangible assets (excluding lease assets) under JGAAP, and applies straight line method under IFRS.

(3) Financial instruments (loan agreement)

Lease transactions to clients and a series of transactions under consignment agreements were accounted for as separate transactions under JGAAP. However, under IFRS, the Group treats them together as financial instruments (loan agreement) in accounting treatment in light of their overall economic effect.

(4) Goodwill

The Group amortized goodwill evenly over a period of 10-20 years under JGAAP. From the date of transition to IFRS onward, the Group has stopped such amortization and instead performs impairment test every fiscal year.

(5) Equity instruments

In principle, the Group measures unlisted equity instruments at acquisition price under JGAAP, and measures at fair value under IFRS. Therefore, there are changes in other financial assets (noncurrent). Further, gain/loss on sales of equity instruments and impairment loss were recognized as net gain/loss under JGAAP. For the financial assets designated to be measured at a fair value through other comprehensive income under IFRS, changes in the fair value of such financial assets are recognized as part of other comprehensive income and are reclassified into retained earnings.

(6) Investments accounted for using equity method

Goodwill in equity method affiliate is amortized under JGAAP, and is not amortized under IFRS.

(7) Share-based payment transaction by directors' remuneration Board Incentive Plan Trust

For share-based payment transaction by directors' remuneration Board Incentive Plan Trust, under JGAAP, the Group recognized expenses and provision at fair value based on the share price of the time the Trust purchased the Group's shares. Under IFRS, they are recognized as cash-settled share-based payment transactions. The Group recognizes the fair value of payment amount as liabilities, and records changes in the fair value of such liabilities as net gain/loss until the right to receive the remuneration is vested under no condition.

(8) Accrued paid leave

Accrued paid leave was not accounted for as liabilities under JGAAP, and is recorded as liabilities on transition to IFRS.

(9) Reclassification of exchange differences on translation of foreign operations

The Group has adopted exemptions under IFRS 1 on first-time adoption, and has reclassified the entire cumulative exchange differences on translation as of the transition date into retained earnings.

(10) Alignment of reporting periods

For a consolidated subsidiary whose closing date is different from that of its parent company with a gap of three months or less, under JGAAP, the Group adjusted and consolidated material transactions during the gap period based on the financial statements of the subsidiary. Under IFRS, the subsidiary's financial statements are created based on its provisional closing at its parent company's closing date and consolidated.

(11) Reconciliation of retained earnings

| | Date of transition to IFRS (October 1, 2016) | First quarter of the previous consolidated fiscal year (December 31, 2016) | Previous consolidated fiscal year (September 30, 2017) |
|--|--|---|--|
| | Thousand yen | Thousand yen | Thousand yen |
| Reconciliation of goodwill amount | — | 61,238 | 322,064 |
| Reconciliation of operating loans | 72,347 | 59,779 | 70,340 |
| Reconciliation of directors' remuneration Board Incentive Plan Trust | △615,945 | △649,899 | <u>△1,229,522</u> |
| Reconciliation of accrued paid leave | △91,079 | △91,079 | △98,406 |
| Reclassification on cumulative exchange differences on translation of foreign operations | △97,162 | △97,162 | △97,162 |
| Other | 26,598 | 45,233 | △7,155 |
| Total | <u>△705,242</u> | <u>△671,890</u> | <u>△1,039,842</u> |

② Reconciliation of comprehensive income

First quarter of the previous consolidated fiscal year (October 1, 2016 to December 31, 2016)

| Line item under JGAAP | JGAAP | Reclassification (1) | Difference in recognition and measurement | IFRS | Notes | Line item under IFRS |
|---|--------------|----------------------|---|--------------|--------------------|---|
| | Thousand yen | Thousand yen | Thousand yen | Thousand yen | | |
| Revenue | 4,346,814 | — | 479,872 | 4,826,686 | (2),(8) | Revenue |
| Cost of revenue | Δ1,109,296 | — | Δ373,709 | Δ1,483,005 | (2),(8) | Cost of revenue |
| Gross profit | 3,237,517 | — | 106,162 | 3,343,680 | | Gross profit |
| | — | 13,706 | 23,830 | 37,537 | (8) | Other income |
| Selling, general and administrative expenses | Δ2,045,646 | — | Δ86,532 | Δ2,132,179 | (3),(4) (6),(8) | Selling, general and administrative expenses |
| | — | Δ28,443 | 18,304 | Δ10,138 | (8) | Other expense |
| Operating profit | 1,191,871 | Δ14,736 | 61,765 | 1,238,899 | | Operating profit |
| Non-operating profit | 37,298 | Δ37,298 | — | — | | |
| Non-operating expenses | Δ134,656 | 134,656 | — | — | | |
| Extraordinary profit | — | — | — | — | | |
| Extraordinary loss | Δ45 | 45 | — | — | | |
| | — | 23,592 | 1,093 | 24,686 | (8) | Financial income |
| | — | Δ5,716 | Δ12,644 | Δ18,361 | (8) | Financial expense |
| | — | Δ110,163 | 36,486 | Δ73,676 | (4),(5) (8) | Equity method investment gains |
| Profit before income taxes | 1,094,468 | Δ9,622 | 86,701 | 1,171,547 | | Profit before income taxes |
| Corporate, inhabitant and enterprise taxes | Δ396,328 | Δ105,136 | Δ42,874 | Δ544,339 | (7),(8) | Income tax expenses |
| Income taxes-deferred | Δ105,136 | 105,136 | — | — | | |
| Net profit | 593,002 | Δ9,622 | 43,826 | 627,207 | | Profit |
| Other comprehensive income | | | | | | Other comprehensive income |
| Foreign currency translation adjustment | 16,778 | — | 63,613 | 80,392 | | Exchange differences on translation of foreign operations |
| Other valuation difference on available-for-sale securities | 206,813 | — | 9,460 | 216,273 | | Changes in fair value of financial assets measured through other comprehensive income |
| Amount corresponding to the equity holdings of the equity method affiliates | Δ34,842 | — | 214,430 | 179,588 | | Shares of other comprehensive income of equity method affiliates |
| Total other comprehensive income | 188,749 | — | 287,504 | 476,254 | | Other comprehensive income after income taxes |
| Comprehensive income | 781,752 | Δ9,622 | 331,331 | 1,103,462 | | Comprehensive income |

Previous consolidated fiscal year (October 1, 2016 to September 30, 2017)

| Line item under JGAAP | JGAAP | Reclassification (1) | Difference in recognition and measurement | IFRS | Notes | Line item under IFRS |
|---|--------------|----------------------|---|--------------|--------------------|---|
| | Thousand yen | Thousand yen | Thousand yen | Thousand yen | | |
| Revenue | 21,794,783 | — | △740,361 | 21,054,421 | (2),(8) | Revenue |
| Cost of revenue | △6,687,176 | — | 156,937 | △6,530,238 | (2),(8) | Cost of revenue |
| Gross profit | 15,107,607 | — | △583,424 | 14,524,183 | | Gross profit |
| | — | 238,476 | △2,733 | 235,743 | (8) | Other income |
| Selling, general and administrative expenses | △10,092,156 | — | △186,894 | △10,279,050 | (3),(4) (6),(8) | Selling, general and administrative expenses |
| | — | △283,835 | 8,315 | △275,520 | (8) | Other expense |
| Operating profit | 5,015,450 | △45,358 | △764,736 | 4,205,355 | | Operating profit |
| Non-operating profit | 110,555 | △110,555 | — | — | | |
| Non-operating expenses | △386,051 | 386,051 | — | — | | |
| Extraordinary profit | 188,161 | △188,161 | — | — | | |
| Extraordinary loss | △457,561 | 457,561 | — | — | | |
| | — | 69,207 | 2,077 | 71,285 | (8) | Financial income |
| | — | △28,799 | △14,892 | △43,692 | (8) | Financial expense |
| | — | △539,944 | 151,014 | △388,930 | (5),(8) | Equity method investment gains |
| Profit before income taxes | 4,470,554 | — | △626,536 | 3,844,018 | | Profit before income taxes |
| Corporate, inhabitant and enterprise taxes | △2,472,115 | 984,104 | 252,545 | △1,235,466 | (7),(8) | Income tax expenses |
| Income taxes-deferred | 984,104 | △984,104 | — | — | | |
| Profit before minority interests | 2,982,543 | — | △373,991 | 2,608,551 | | Profit |
| Other comprehensive income | | | | | | Other comprehensive income |
| Foreign currency translation adjustment | 92,460 | — | 31,380 | 123,840 | | Exchange differences on translation of foreign operations |
| Other valuation difference on available-for-sale securities | 225,503 | — | △316,789 | △91,285 | | Changes in fair value of financial assets measured through other comprehensive income |
| Amount corresponding to the equity holdings of the equity-method affiliates | 190,147 | — | 55,831 | 245,979 | | Shares of other comprehensive income of equity method affiliates |
| Total other comprehensive income | 508,111 | — | △229,577 | 278,534 | | Other comprehensive income after income taxes |
| Comprehensive income | 3,490,654 | — | △603,568 | 2,887,086 | | Comprehensive income |

Notes regarding Reconciliation of income and comprehensive income

(1) Adjustment of line items

The Group has reclassified some line items to comply with IFRS rules. Major reclassifications are as follows.

- Out of line items presented under JGAAP as "non-operating profit," "non-operating expenses," "extraordinary profit" or "extraordinary loss," the Group records finance-related gain/loss as "financial income" or "financial expense," and presents remaining line items as "other income," "other expense," "equity method investment gains" or other line items under IFRS.
- Under JGAAP, the Group recorded "corporate, inhabitant and enterprise taxes" and "income taxes-deferred" separately. Under IFRS, the Group combines and presents them as "income tax expenses."

(2) Adjustment on revenue

Under JGAAP, the Group presented revenue and cost of revenue on gross for its first-party transactions. Under IFRS, the Group presents net values for the transactions in which we are engaged as agents.

(3) Change in depreciation method

The Group basically adopted declining balance method for depreciation of tangible noncurrent assets (excluding lease assets) under JGAAP, and adopts straight line method under IFRS. The Group has adjusted cost of revenue and selling, general and administrative expenses that include depreciation expenses, and has recalculated gain/loss from tangible asset sales that was previously recorded based on the conventional depreciation method.

(4) Adjustment on goodwill amount

Goodwill is amortized under JGAAP, and is not amortized under IFRS.

(5) Adjustment on the amount of Investments accounted for using equity method

The Group amortized goodwill in equity method affiliate under JGAAP, and does not amortize it under IFRS.

(6) Accrued paid leave

Accrued paid leave was not accounted for under JGAAP. Under IFRS, it is recorded as personnel expenses.

(7) Income tax expenses

The Group is in the process of reviewing collectability of all deferred tax assets on transition to IFRS.

(8) Alignment of reporting periods

For a consolidated subsidiary whose closing date is different from that of its parent company with a gap of three months or less, under JGAAP, the Group adjusted and consolidated material transactions during the gap period based on the financial statements of the subsidiary. Under IFRS, the subsidiary's financial statements are created based on its provisional closing at its parent company's closing date for consolidation.

③ Adjustment of cash flows

First quarter of the previous consolidated fiscal year (October 1, 2016 to December 31, 2016) and previous consolidated fiscal year (October 1, 2016 to September 30, 2017)

In the consolidated statements of cash flows for the first quarter of the previous consolidated fiscal year disclosed in accordance with IFRS, cash flows from operating activities decreased by 81,434 thousand yen, cash flows from investing activities decreased by 32,798 thousand yen, and cash flows from financing activities decreased by 1,671 thousand yen, compared with the consolidated statements of cash flows prepared in accordance with JGAAP.

In the consolidated statements of cash flows for the previous consolidated fiscal year disclosed in accordance with IFRS, cash flows from operating activities increased by 100,598 thousand yen, cash flows from investing activities decreased by 27,631 thousand yen, and cash flows from financing activities decreased by 8,525 thousand yen, compared with the consolidated statements of cash flows prepared in accordance with JGAAP.

These differences are principally due to the alignment of reporting periods. For a consolidated subsidiary whose closing date is different from that of its parent company with a gap of three months or less, under JGAAP, the Group adjusted and consolidated material transactions during the gap period based on the financial statements of the subsidiary. Under IFRS, the subsidiary's financial statements are created based on its provisional closing at its parent company's closing date and consolidated.

(After correction)

Summary of Consolidated Financial Statements for the First Quarter, FY2018 (IFRS)

February 9, 2018

Exchange: First Section of Tokyo Stock Exchange

Name of listed company: GMO Payment Gateway, Inc.
Stock code: 3769 URL: <https://corp.gmo-pg.com/en/>
Representative: Issei Ainoura President & Chief Executive Officer
Contact: Ryu Muramatsu Director, Executive Vice President Tel: +81-3-3464-0182
Scheduled submission date of quarterly report February 13, 2018 Scheduled date of commencement for dividend payment -
Supplemental materials prepared for financial results Yes
Information meeting arranged related to financial results Yes (for institutional investors and analysts)

(Amounts rounded down to the nearest one million yen)

1. Consolidated Financial Statements for the First Quarter, FY2018 (From October 1, 2017 to December 31, 2017)

(1) Consolidated Financial Statements (Cumulative) (Percentages represent year-on-year % change)

| | Revenue | | Operating profit | | Profit before income taxes | | Profit | | Profit attributable to owners of parent | | Total comprehensive income | |
|-----------|-------------|------|------------------|------|----------------------------|------|-------------|------|---|------|----------------------------|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Q1 FY2018 | 6,098 | 26.4 | 1,594 | 28.7 | 1,585 | 35.3 | 854 | 36.3 | 860 | 41.1 | 1,051 | Δ4.7 |
| Q1 FY2017 | 4,826 | — | 1,238 | — | 1,171 | — | 627 | — | 609 | — | 1,103 | — |

| | Basic earnings per share | Diluted earnings per share |
|-----------|--------------------------|----------------------------|
| | Yen | Yen |
| Q1 FY2018 | 23.16 | 23.16 |
| Q1 FY2017 | 16.41 | 16.41 |

(Note) In order to appropriately basic earnings per share and diluted earnings 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 | Total equity | Total equity attributable to owners of parent | Total equity attributable to owners of parent to total assets |
|-----------|---------------|---------------|---|---|
| | Million yen | Million yen | Million yen | % |
| Q1 FY2018 | <u>96,325</u> | <u>20,337</u> | <u>19,228</u> | <u>20.0</u> |
| FY2017 | <u>84,338</u> | <u>20,769</u> | <u>19,675</u> | <u>23.3</u> |

2. Dividends

| | Full-year dividend | | | | |
|--------------------|--------------------|-----------|-----------|----------|-------|
| | End of Q1 | End of Q2 | End of Q3 | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| FY 2017 | 0.00 | 0.00 | 0.00 | 40.00 | 40.00 |
| FY 2018 | 0.00 | | | | |
| FY 2018 (forecast) | | 0.00 | — | 49.00 | 49.00 |

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

3. Consolidated Financial Forecast for the Fiscal Year Ending September 2018 (From October 1, 2017 to September 30, 2018)

(Full year % represents previous term comparison; Interim % represents year-on-year change)

| | Revenue | | Operating profit | | Profit before income taxes | | Profit attributable to owners of parent | | Basic earnings per share |
|----------------------------|-------------|---|------------------|---|----------------------------|---|---|---|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| 2Q of FY 2018 (cumulative) | 11,967 | — | 3,011 | — | 2,903 | — | 1,825 | — | 49.12 |
| Full year | 26,107 | — | 6,475 | — | 6,196 | — | 3,933 | — | 105.87 |

(Note 1) Revision of the most recently released financial forecast: Yes

(Note 2) Previous-term and year-on-year changes are omitted since the Group started voluntary application of IFRS in the present consolidated fiscal year.

Notices:

(1) Changes of important subsidiaries during the period (change of specific subsidiaries that leads to a change in the scope of consolidation): No

Number of new subsidiaries: - (Name:), number of excluded subsidiaries: - (Name:)

(2) Changes in the accounting policy / changes in the accounting estimation

[1] Changes in accounting policy required by IFRS.: No

[2] Changes in accounting policy other than [1]: No

[3] Changes in accounting estimations: No

(3) Number of shares issued (common stock)

[1] Number of shares issued at the end of the term Q1 FY2018: 37,150,500 FY 2017: 37,150,500
(including treasury stock)

[2] Number of treasury shares at the end of the term Q1 FY2018: 2,500 FY 2017: 2,500

[3] Average number of shares during the term Q1 FY2018: 37,148,000 Q1 FY2017: 37,148,000

(Note) In order to appropriately disclose the number of treasury shares at the end of the term and average number of shares during the term (cumulative), 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 for a more accurate disclosure of basic earnings per share.

* These quarterly financial statements are not subject to the quarterly review procedures.

* Notes regarding the appropriate use of financial forecast and other important notes

1. The Group voluntarily adopts IFRS on its consolidated financial statements from the consolidated fiscal year ending September 30, 2018, and discloses IFRS-based condensed consolidated financial statements from its first quarter.

2. The above forecasts are outlooks based on information currently available, and include various uncertain factors. Actual performance may differ substantially from the forecasts due to changes in business conditions and other factors. For the assumption on which financial forecasts are based and matters to be considered in using financial forecasts, please refer to "(3) Review of consolidated earnings forecasts and other forecasts" under "1. Qualitative Information on Consolidated Financial Statements for the Quarter" on page 9 of the attachment.

3 Results Presentation for Investors and Analysts: February 13, 2018. Supporting materials and a video of the presentation will be made available on the company's website after the event.

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1. Qualitative Information on Consolidated Financial Statements for the Quarter

(1) Consolidated operating results

Forward-looking statements in the document are based on the judgement of the Group at the end of the quarter under review. The Group started adoption of International Financial Reporting Standards (hereinafter called as “IFRS”) in place of conventional JGAAP from cumulative first quarter of the current fiscal year. The group presents earnings figures for the first quarter and the full of the previous consolidated fiscal year under IFRS for comparative analysis.

① Consolidated operating results

The Group announces its earnings results for the first quarter of the cumulative consolidated fiscal year (October 1, 2017 to December 31, 2017) as follows.

(Unit: Thousand yen)

| | First three months of the previous consolidated fiscal year (From October 1, 2016 to December 31, 2016) | First three months of the current consolidated fiscal year (From October 1, 2017 to December 31, 2017) | Rate of change (%) |
|---|--|---|--------------------|
| Revenue | 4,826,686 | 6,098,938 | 26.4 |
| Operating profit | 1,238,899 | 1,594,464 | 28.7 |
| Profit before income taxes | 1,171,547 | 1,585,482 | 35.3 |
| Profit attributable to owners of parent | 609,762 | 860,460 | 41.1 |

a. Revenue

The Group’s revenue surged to 6,098,938 thousand yen, up by 26.4 % year-on-year. Steady growth of Ecommerce market, coupled with expansion of the Group’s service coverage in non-Ecommerce field, has led to an increased revenue in payment processing business. Our money service business revenue also rose with steady expansion of transaction value in “GMO payment after delivery,” an after-the-fact type of payment service. Further, payment enhancement business revenue grew, partly thanks to Macro Kiosk Berhad, the Group’s consolidated subsidiary that provides a comprehensive service of mobile payment, authentication and notification.

Our revenue breakdown by business model is as follows.

(Unit: Thousand yen)

| Business model | First three months of the previous consolidated fiscal year (From October 1, 2016 to December 31, 2016) | First three months of the current consolidated fiscal year (From October 1, 2017 to December 31, 2017) | Rate of change (%) |
|--|--|---|--------------------|
| Initial (Initial revenue) | 350,226 | 251,041 | Δ28.3 |
| Stock (Monthly revenue) | 690,168 | 795,869 | 15.3 |
| Fee (Transaction processing revenue) | 1,715,389 | 2,360,807 | 37.6 |
| Spread (Merchant acquiring service revenue) | 2,070,901 | 2,691,219 | 30.0 |
| Total | 4,826,686 | 6,098,938 | 26.4 |

b. Operating profit

The Group's operating profit reached 1,594,464 thousand yen, up by 28.7% year-on-year, on track for the Group's earnings forecast for the consolidated full fiscal year.

Segmentwise, payment processing business was 1,677,270 thousand yen, a year-on-year increase of 17.7%, Money Service Business stood at 387,503 thousand yen, a year-on-year increase of 135.5%, and payment enhancement business amounted to 47,734 thousand yen, a year-on-year drop of 56.9%.

c. Profit before income taxes

Factors in a. and b. were translated into profit before income taxes of 1,585,482 thousand yen, an increase of 35.3%.

②Results by segment

Performance by reportable segment is explained below.

(Unit: Thousand yen)

| Segment | First three months of the previous consolidated fiscal year (From October 1, 2016 to December 31, 2016) | First three months of the current consolidated fiscal year (From October 1, 2017 to December 31, 2017) | Rate of change (%) |
|------------------------------|--|---|--------------------|
| Payment Processing Business | | | |
| Revenue | 2,812,430 | 3,311,505 | 17.7 |
| Operating profit | 1,425,528 | 1,677,270 | 17.7 |
| Money Service Business | | | |
| Revenue | 964,546 | 1,525,907 | 58.2 |
| Operating profit | 164,567 | 387,503 | 135.5 |
| Payment Enhancement Business | | | |
| Revenue | 1,049,709 | 1,261,524 | 20.2 |
| Operating profit | 110,741 | 47,734 | Δ56.9 |
| Adjustments | | | |
| Revenue | — | — | — |
| Operating profit | Δ461,938 | Δ518,043 | — |
| Total | | | |
| Revenue | 4,826,686 | 6,098,938 | 26.4 |
| Operating profit | 1,238,899 | 1,594,464 | 28.7 |

a. Payment processing business

For our payment processing business, the Group's focus is on online payment, recurring payment and card-present payment.

Online payment and recurring payment left solid results with steady growth in Ecommerce market, acquisition of major Ecommerce merchants, and service expansion to a wider merchant base which is not limited to Ecommerce operators.

With respect to our card-present payment, the Group's consolidated subsidiary GMO Financial Gate, Inc. released embedded-type multi-payment terminal in January that it jointly developed with Nayax K.K. in an attempt to spread self-service type multi-payment method available on vending machines, etc. A decision was made to release the multi-payment terminal on beverage vending machines of Ito En, Ltd.

The Group's focus was also on services to support financial institutions and financial service providers that promote new businesses to create a cashless society. As part of such services that are tracking solidly, the Group started offering a payment solution for the above-mentioned entities, "GMO-PG Processing Platform."

As a result, the segment's revenue came in at 3,311,505 thousand yen, a year-on-year increase of 17.7%, and its operating profit totaled 1,677,270 thousand yen, a year-on-year increase of 17.7%.

b. Money Service Business

Money Service Business (MSB) includes "early payment service" to help merchants receive sales proceeds earlier and improve their cash flow, "transaction lending service" to lend growth capital to merchants based on payment and other data, and "GMO payment after delivery" that the Group's consolidated subsidiary GMO Payment Service, Inc. offers.

Points to note on this segment under the first quarter of the consolidated fiscal year under review includes the steady expansion of "GMO payment after delivery" by GMO Payment Service, Inc. and higher transaction value of remaining services in the segment.

These factors have led to a revenue of 1,525,907 thousand yen, up by 58.2% year-on-year and an operating profit of 387,503 thousand yen, up by 135.5%.

c. Payment enhancement business

Payment enhancement business includes services of mobile payment, authentication and notification comprehensively provided by our consolidated subsidiary Macro Kiosk Berhad and an online advertising service that raises the sales of Group's merchants by analyzing sales status while running their ads on their behalf based on sales data.

Under the first quarter, even with a headwind of a temporary factor in payment-related external environment, Macro Kiosk Berhad's revenue in its mainstay authentication and notification business grew by 38.5% year-on-year. The business was especially strong in emerging markets which remain to be the focus of Macro Kiosk Berhad. Still, revenue growth of Macro Kiosk Berhad did not push up its profit by a meaningful margin.

As for our online advertising service, a change in external environment for part of the service resulted in a decline in its ad-placement revenue that led to a year-on-year drop in the service's revenue.

As a result, the Group recorded a segment revenue at 1,261,524 thousand yen, a year-on-year increase of 20.2%, and a segment operating profit of 47,734 thousand yen, a decrease of 56.9%.

Please see below for the chart of major businesses and companies of such businesses by segment.

| Segment | Major service | Major companies of the service |
|------------------------------|---|--|
| Payment Processing Business | Payment processing service (Online billing and recurring billing) | GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary) |
| | Payment processing service (card present payment) | GMO Financial Gate, Inc. (consolidated subsidiary) |
| | System development | GMO Payment Gateway, Inc. |
| Money Service Business | GMO Payment after delivery | GMO Payment Service, Inc. (consolidated subsidiary) |
| | Remittance service | GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary) |
| | Transaction lending | GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary) |
| | Early payment service | GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary) |
| Payment Enhancement Business | Mobile payment, authentication and notification | Macro Kiosk Berhad (consolidated subsidiary) |
| | Online advertising service | GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary) |

(2) Status of consolidated financial position

① Assets, liabilities and net assets

a. Assets

Total assets at the end of the first quarter of the consolidated fiscal year under review were up 11,986,817 thousand yen from the end of the previous consolidated fiscal year at 96,325,451 thousand yen. An increase of cash and cash equivalents by 7,473,314 thousand yen and an increase of operating and other receivables by 4,054,401 thousand yen contributed to the larger assets.

b. Liabilities

Balance of liabilities at the end of the first quarter of the consolidated fiscal year under review stood at 75,988,295 thousand yen, higher than the end of the previous consolidated fiscal year by 12,418,980 thousand yen. Such increase mainly came from operating and other payables' expansion of 13,670,348 thousand yen.

c. Equity

Equity balance at the end of the first quarter of the consolidated fiscal year under review was 20,337,156 thousand yen, lower by 432,162 thousand yen than the end of the previous consolidated fiscal year. Payout of dividends from surplus for 1,485,920 thousand yen led to the smaller equity.

② Status of consolidated cash flows

Cash and cash equivalents (hereinafter called as "fund") increased by 7,473,314 thousand yen over the first quarter to 35,006,830 thousand yen. The state of cash flows over the three months under review is discussed below.

a. Cash flow of operating activities

Fund provided by operating activities in the first quarter amounted to 9,537,512 thousand yen, which contrasts with the provision of 6,603,857 thousand yen in the same period a year before. Despite an increase in operating and other receivables of 4,054,401 thousand yen, an increase in operating and other payables of 13,670,349 thousand yen have led to the fund expansion on the whole.

b. Cash flow of investing activities

The amount of fund used for investing activities over the consolidated first quarter under review totaled 381,621 thousand yen, which contrasts with the usage of 689,556 thousand yen in the same period previous year. This is due to the outflow of 258,664 thousand yen from an acquisition of intangible assets and purchase of investment securities for 148,934 thousand yen.

c. Cash flow of financing activities

The amount of fund used in financing activities over the consolidated first quarter under review totaled 1,705,941 thousand yen, which contrasts with the provision of 2,981,612 thousand yen in the same period previous year. This is due to the payout of dividends for 1,472,199 thousand yen.

(3) Review of consolidated earnings forecasts and other forecasts

The Group's core business is positioned in Ecommerce market in Japan. Japan's B2C Ecommerce for merchandizing continues to grow rapidly, helped by favorable changes in the group's external environment such as spreading smartphone usage and logistic reforms. At the same time, horizon of Ecommerce market is expanded, represented by expanding B2B and C2C Ecommerce.

For the fiscal year ending September 2018, the Group forecasts expansion in all its segments of payment processing business, Money Service Business and payment enhancement business by acquisition of large and growth merchants and financial institutions as well as large businesses, expansion of "GMO payment after delivery" and further growth of Macro Kiosk Berhad.

With respect to our earnings forecast for consolidated fiscal year ending September 30, 2018, we take back our consolidated earnings forecast under JGAAP we published on November 2, 2017, in accordance with IFRS adoption. Our forecast in the form of IFRS is as follows: revenue 26,107 million yen (-% year-on-year increase); operating profit 6,475 million yen (-% year-on-year increase); profit before income taxes 6,196 million yen (-% year-on-year increase); profit attributable to owners of parent 3,933 million yen (-% year-on-year increase). Please note that year-on-year changes are not presented since this is the first fiscal year that the Group adopts IFRS.

Please see "Notice of earnings forecast release (IFRS)" we have disclosed today for further details.

2. Condensed consolidated Financial Statements and Major Notes

(1) Condensed consolidated balance sheet

(Unit: Thousand yen)

| | Notes | Date of transition to IFRS (October 1, 2016) | End of previous consolidated fiscal year (September 30, 2017) | End of Q1 of current consolidated fiscal year (December 31, 2017) |
|---|-------|---|--|--|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | | 25,091,091 | 27,533,515 | 35,006,830 |
| Operating and other receivables | | 19,841,482 | 42,991,145 | 47,045,547 |
| Inventories | | 39,350 | 94,478 | 125,867 |
| Other financial assets | | 46,147 | 50,895 | 63,990 |
| Other current assets | | 430,194 | 408,993 | 462,619 |
| Total current assets | | <u>45,448,267</u> | <u>71,079,028</u> | <u>82,704,854</u> |
| Noncurrent assets | | | | |
| Tangible assets | | 400,648 | 461,558 | 448,353 |
| Goodwill and other intangible assets | | 4,193,386 | 4,766,089 | 4,896,717 |
| Investments accounted for using equity method | | 2,500,061 | 2,970,709 | 3,003,842 |
| Other financial assets | | 3,186,744 | 3,260,718 | 3,475,271 |
| Deferred tax assets | | 425,935 | <u>1,792,840</u> | <u>1,777,263</u> |
| Other noncurrent assets | | 9,066 | 7,688 | 19,146 |
| Total noncurrent assets | | <u>10,715,842</u> | <u>13,259,604</u> | <u>13,620,596</u> |
| Total assets | | <u>56,164,109</u> | <u>84,338,633</u> | <u>96,325,451</u> |

(Unit: Thousand yen)

| | Notes | Date of transition to IFRS (October 1, 2016) | End of previous consolidated fiscal year (September 30, 2017) | End of Q1 of current consolidated fiscal year (December 31, 2017) |
|---|-------|---|--|--|
| Liabilities and equity | | | | |
| Liabilities | | | | |
| Current liabilities | | | | |
| Operating and other payables | | 33,251,526 | 53,448,543 | 67,118,892 |
| Borrowings | | 43,860 | 820,596 | 813,715 |
| Other financial liabilities | | 64,284 | 73,549 | 69,038 |
| Income taxes payable, etc. | | 846,086 | 1,574,603 | 582,556 |
| Other current liabilities | | 1,329,808 | 1,992,034 | 1,872,908 |
| Total current liabilities | | <u>35,535,567</u> | <u>57,909,327</u> | <u>70,457,112</u> |
| Noncurrent liabilities | | | | |
| Borrowings | | 45,245 | 2,999,500 | 2,799,400 |
| Other financial liabilities | | 124,533 | 158,154 | 160,260 |
| Provision | | 44,842 | 63,358 | 63,654 |
| Deferred tax liabilities | | 264,606 | 230,045 | 296,609 |
| Other noncurrent liabilities | | 1,097,758 | <u>2,208,928</u> | <u>2,211,258</u> |
| Total noncurrent liabilities | | <u>1,576,987</u> | <u>5,659,987</u> | <u>5,531,182</u> |
| Total liabilities | | <u>37,112,554</u> | <u>63,569,315</u> | <u>75,988,295</u> |
| Equity | | | | |
| Capital stock | | 4,712,900 | 4,712,900 | 4,712,900 |
| Capital surplus | | 4,964,712 | 4,985,781 | 4,981,677 |
| Retained earnings | | 8,188,306 | <u>9,619,266</u> | <u>9,036,781</u> |
| Treasury stock | | △265,236 | △256,269 | △256,269 |
| Other items of equity | | 357,654 | 613,768 | 753,697 |
| Total equity attributable to owners of parent | | 17,958,338 | <u>19,675,447</u> | <u>19,228,787</u> |
| Minority interests | | 1,093,216 | 1,093,870 | 1,108,368 |
| Total equity | | <u>19,051,554</u> | <u>20,769,318</u> | <u>20,337,156</u> |
| Total liabilities and equity | | <u>56,164,109</u> | <u>84,338,633</u> | <u>96,325,451</u> |

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

Condensed consolidated statement of income

Cumulative first quarter of the consolidated year

(Unit: Thousand yen)

| Notes | First three months of previous consolidated fiscal year (From October 1, 2016 to December 31, 2016) | First three months of current consolidated fiscal year (From October 1, 2017 to December 31, 2017) |
|---|--|---|
| Revenue | 4,826,686 | 6,098,938 |
| Cost of revenue | Δ1,483,005 | Δ2,035,754 |
| Gross profit | 3,343,680 | 4,063,183 |
| Other income | 37,537 | 102,517 |
| Selling, general and administrative expenses | Δ2,132,179 | Δ2,494,932 |
| Other expense | Δ10,138 | Δ76,303 |
| Operating profit | 1,238,899 | 1,594,464 |
| Financial income | 24,686 | 59,401 |
| Financial expense | Δ18,361 | Δ11,107 |
| Equity method investment gains | Δ73,676 | Δ57,276 |
| Profit before income taxes | 1,171,547 | 1,585,482 |
| Income tax expenses | Δ544,339 | Δ730,875 |
| Profit | 627,207 | 854,607 |
| Profit attributable to | | |
| Owners of parent | 609,762 | 860,460 |
| Non-controlling interests | 17,445 | Δ5,853 |
| Profit | 627,207 | 854,607 |
| Earnings per share | | |
| Basic earnings per share (yen) | 16.41 | 23.16 |
| Diluted earnings per share (yen) | 16.41 | 23.16 |

Condensed consolidated statement of comprehensive income
Cumulative first quarter of the consolidated year

| | | (Unit: Thousand yen) | |
|--|-------|--|---|
| | Notes | First three months of previous consolidated fiscal year (From October 1, 2016 to December 31, 2016) | First three months of current consolidated fiscal year (From October 1, 2017 to December 31, 2017) |
| Profit | | 627,207 | 854,607 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Fair value of financial assets measured through other comprehensive income | | 216,273 | 85,553 |
| Shares of other comprehensive income of equity method affiliates | | 25,211 | 39,006 |
| Total of Items that will not be reclassified to profit or loss | | 241,485 | 124,560 |
| Items that will be reclassified to profit or loss | | | |
| Exchange differences on translation of foreign operations | | 80,392 | 87,022 |
| Shares of other comprehensive income of equity method affiliates | | 154,376 | △14,500 |
| Total of items that will be reclassified to profit or loss | | 234,769 | 72,522 |
| Other comprehensive income after income taxes | | 476,254 | 197,082 |
| Comprehensive income | | 1,103,462 | 1,051,689 |
| Comprehensive income attributable to | | | |
| Owners of parent | | 1,077,300 | 1,043,381 |
| Minority interests | | 26,161 | 8,307 |
| Total | | 1,103,462 | 1,051,689 |

(3) Condensed consolidated statement of changes in equity

First three months of the previous consolidated fiscal year (From October 1, 2016 to December 31, 2016)

(Unit: Thousand yen)

| Notes | Capital stock | Capital surplus | Retained earnings | Treasury stock | Other items of equity | Total equity attributable to owners of parent | Minority interests | Total assets |
|---|---------------|-----------------|-------------------|----------------|-----------------------|---|--------------------|--------------|
| Balance as of October 1, 2016 | 4,712,900 | 4,964,712 | 8,188,306 | △265,236 | 357,654 | 17,958,338 | 1,093,216 | 19,051,554 |
| Profit | — | — | 609,762 | — | — | 609,762 | 17,445 | 627,207 |
| Other comprehensive income | — | — | — | — | 467,538 | 467,538 | 8,715 | 476,254 |
| Comprehensive income | — | — | 609,762 | — | 467,538 | 1,077,300 | 26,161 | 1,103,462 |
| Dividends | — | — | △1,002,996 | — | — | △1,002,996 | — | △1,002,996 |
| Transfer from accumulated other comprehensive income to retained earnings | — | — | 9,459 | — | △9,459 | — | — | — |
| Changes in the interests in controlled subsidiary | — | △8,905 | — | — | — | △8,905 | 3,335 | △5,569 |
| Share-based payment transaction | — | 28 | — | — | △28 | — | 4,126 | 4,126 |
| Total transactions with owners | — | △8,876 | △993,536 | — | △9,488 | △1,011,901 | 7,462 | △1,004,438 |
| Balance as of December 31, 2016 | 4,712,900 | 4,955,835 | 7,804,532 | △265,236 | 815,704 | 18,023,737 | 1,126,840 | 19,150,577 |

First three months of the current consolidated fiscal year (From October 1, 2017 to December 31, 2017)

(Unit: Thousand yen)

| Notes | Capital stock | Capital surplus | Retained earnings | Treasury stock | Other items of equity | Total equity attributable to owners of parent | Minority interests | Total assets |
|---|---------------|-----------------|-------------------|----------------|-----------------------|---|--------------------|-------------------|
| Balance as of October 1, 2017 | 4,712,900 | 4,985,781 | <u>9,619,266</u> | △256,269 | 613,768 | <u>19,675,447</u> | 1,093,870 | <u>20,769,318</u> |
| Profit | — | — | 860,460 | — | — | 860,460 | △5,853 | 854,607 |
| Other comprehensive income | — | — | — | — | 182,921 | 182,921 | 14,161 | 197,082 |
| Comprehensive income | — | — | 860,460 | — | 182,921 | 1,043,381 | 8,307 | 1,051,689 |
| Dividends | — | — | △1,485,920 | — | — | △1,485,920 | — | △1,485,920 |
| Transfer from accumulated other comprehensive income to retained earnings | — | — | 42,974 | — | △42,974 | — | — | — |
| Changes in the interests in controlled subsidiary | — | △4,121 | — | — | — | △4,121 | — | △4,121 |
| Share-based payment transaction | — | 17 | — | — | △17 | — | 6,190 | 6,190 |
| Total transactions with owners | — | △4,104 | △1,442,945 | — | △42,991 | △1,490,041 | 6,190 | △1,483,851 |
| Balance as of December 31, 2017 | 4,712,900 | 4,981,677 | <u>9,036,781</u> | △256,269 | 753,697 | <u>19,228,787</u> | 1,108,368 | <u>20,337,156</u> |

(4) Condensed consolidated statement of cash flows

(Unit: Thousand yen)

| Notes | First three months of previous consolidated fiscal year (From October 1, 2016 to December 31, 2016) | First three months of current consolidated fiscal year (From October 1, 2017 to December 31, 2017) |
|--|--|---|
| Net cash provided by (used in) operating activities | | |
| Profit before income taxes | 1,171,547 | 1,585,482 |
| Depreciation | 150,591 | 224,410 |
| Financial income and expense | △6,324 | △48,293 |
| Equity method investment loss | 73,676 | 57,276 |
| Increase/decrease in inventories (△=increase) | △11,135 | △31,388 |
| Increase/decrease in operating and other receivables (△=increase) | △14,034,747 | △4,054,401 |
| Increase/decrease in operating and other payables | 20,062,235 | 13,670,349 |
| Other | 38,219 | △265,497 |
| Subtotal | 7,444,064 | 11,137,938 |
| Interest and dividends received | 1,790 | 3,388 |
| Interest paid | △6,168 | △3,169 |
| Income taxes paid | △835,828 | △1,600,643 |
| Net cash provided by (used in) operating activities | 6,603,857 | 9,537,512 |
| Net cash provided by (used in) investing activities | | |
| Payment for deposit of time deposits | △9,227 | — |
| Purchase of property, plants and equipment | △8,774 | △16,708 |
| Purchase of intangible assets | △273,065 | △258,664 |
| Purchase of investment securities | — | △148,934 |
| Proceeds from sales and redemption of investment securities | 30,947 | 58,245 |
| Purchase of stocks of subsidiaries and affiliates | △369,329 | — |
| Acquisition of other financial assets | △68,753 | △1,686 |
| Proceeds from sales of other financial assets | 2,934 | 96 |
| Others | 5,712 | △13,968 |
| Net cash provided by (used in) investing activities | △689,556 | △381,621 |

(Unit: Thousand yen)

| Notes | First three months of previous consolidated fiscal year (From October 1, 2016 to December 31, 2016) | First three months of current consolidated fiscal year (From October 1, 2017 to December 31, 2017) |
|--|--|---|
| Net cash provided by (used in) financing activities | | |
| Proceeds from short-term borrowings | 4,002,404 | — |
| Repayment of long-term borrowings | Δ7,937 | Δ207,688 |
| Proceeds from issuance of common stock | 250 | — |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | Δ5,819 | Δ4,121 |
| Dividends paid | Δ990,095 | Δ1,472,199 |
| Other | Δ17,189 | Δ21,931 |
| Net cash provided by (used in) financing activities | 2,981,612 | Δ1,705,941 |
| Increase and decrease in cash and cash equivalents (Δ=decrease) | 8,886,997 | 7,473,314 |
| Balance of cash and cash equivalents at the beginning of the period | 25,091,091 | 27,533,515 |
| Effect of exchange rate changes on cash and cash equivalents | Δ8,915 | 23,365 |
| Cash and cash equivalents at the end of period | 33,978,089 | 35,006,830 |

(5) Notes regarding the going concern assumptions

N/A

(6) Notes regarding condensed consolidated financial statements

5. First-time adoption of IFRS

The group discloses condensed consolidated financial statements under IFRS from the first quarter of the current consolidated fiscal year. The most recent consolidated financial statements under JGAAP is for the consolidated fiscal year ended on September 30, 2017, and transition date to IFRS is October 1, 2016.

(1) Exemptions on retrospective application

IFRS 1 requires an entity that adopts IFRS for the first time to apply IFRS retrospectively. However, IFRS 1 provides some exemptions. Exemptions adopted by the Group are as follows.

① Business combinations

Under IFRS 1, first-time adopters may choose to apply IFRS 3, "Business Combinations" (hereinafter called as "IFRS 3") retrospectively or prospectively. The Group has chosen not to apply IFRS 3 retrospectively to business combinations that occurred before transition date. Therefore, business combinations that occurred before the transition date were treated under JGAAP and are not modified. The amount of goodwill that occurred as a result of business combination are presented in book value under JGAAP in principle. However, all goodwill denominated in foreign currencies are reconverted at the exchange rate of the closing date since IAS 21 "the effects of changes in foreign exchange rates" is retrospectively applied. Impairment test was performed on goodwill at the time of transition date, irrespective of sign of impairment.

② Exchange differences on translation of foreign operations

IFRS 1 allows first-time adopters to choose to deem the cumulative amount of exchange differences on translation of foreign operations to be zero as of the date of transition to IFRS. The Group has chosen to adopt this exemption.

③ Share-based payment

IFRS 1 allows first-time adopters to choose to adopt IFRS 2 "share-based payment" (hereinafter called "IFRS 2") retrospectively or prospectively on share-based payments vested before IFRS transition date. The Group chose to not adopt IFRS 2 on share-based payments vested before the date of transition to IFRS.

④ Designation of financial instruments recognized before the date of transition

IFRS 1 allows classification under IFRS 9 to be determined based on the facts or status as of the date of transition, not of earlier date. It also allows equity assets to be designated as financial assets measured at a fair value through other comprehensive income. The Group applies this exemption and designates equity assets as financial assets measured at a fair value through other comprehensive income.

(2) Mandatory exceptions under IFRS 1

IFRS 1 prohibits retrospective application of IFRS on "estimates," "derecognition of financial assets or liabilities," "minority interests," "classification and measurement of financial assets," and others. As to these items, the Group adopts IFRS prospectively from the date of transition.

(3) Reconciliation chart

Please see below for the effects that transition from JGAAP to IFRS gives on the financial position, operating results and cash flows of the Group. Please note that "reclassification" of the reconciliation chart presents items that do not affect retained earnings or comprehensive income and that "difference in recognition and measurement" presents items that affect retained earnings and comprehensive income.

① Reconciliation of equity

Date of transition to IFRS (October 1, 2016)

| Presentation under JGAAP | JGAAP | Reclassification (1) | Difference in recognition and measurement | IFRS | Notes | Presentation under IFRS |
|--|-------------------|----------------------|---|-------------------|----------|---|
| | Thousand yen | Thousand yen | Thousand yen | Thousand yen | | |
| Assets | | | | | | Assets |
| Current assets | | | | | | Current assets |
| Cash and deposits | 25,231,522 | △43,986 | △96,444 | 25,091,091 | (10) | Cash and cash equivalents |
| Accounts receivable-trade | 3,924,904 | 15,140,397 | 776,179 | 19,841,481 | (3),(10) | Operating and other receivables |
| Lease receivable | 7,291,439 | △7,291,439 | — | — | | |
| | — | 559,836 | △513,689 | 46,147 | (10) | Other financial assets |
| Inventories | 39,350 | — | — | 39,350 | | Inventories |
| Advance payments-trade | 6,388,955 | △6,388,955 | — | — | | |
| Prepaid expenses | 118,723 | △118,723 | — | — | | |
| Deferred tax assets | 300,169 | △300,169 | — | — | | |
| Accounts receivable-other | 1,742,612 | △1,742,612 | — | — | | |
| Other | 839,372 | △442,405 | 33,227 | 430,194 | (10) | Other current assets |
| Allowance for doubtful accounts | △327,887 | 327,887 | — | — | | |
| Total current assets | 45,549,162 | △300,169 | 199,273 | 45,448,267 | | Total current assets |
| Noncurrent assets | | | | | | Noncurrent assets |
| Tangible assets | 352,280 | — | 48,367 | 400,648 | (2),(10) | Tangible assets |
| Intangible assets | 4,143,749 | — | 49,637 | 4,193,386 | (4),(10) | Goodwill and other intangible assets |
| Investment securities | 2,251,124 | △2,251,124 | — | — | | |
| Shares of subsidiaries and affiliates | 2,203,234 | 309,174 | △12,348 | 2,500,061 | (6),(10) | Investments accounted for using equity method |
| Investments in other securities of subsidiaries and affiliates | 309,174 | △309,174 | — | — | | |
| Long-term loans receivable from directors and employees | 962 | 2,562,598 | 623,183 | 3,186,744 | (5),(10) | Other financial assets |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 31,468 | △31,468 | — | — | | |
| Long-term prepaid expenses | 8,285 | △8,285 | — | — | | |
| Lease and guarantee deposits | 231,035 | △231,035 | — | — | | |
| Deferred tax assets | 57,294 | 300,169 | 68,472 | 425,935 | (10) | Deferred tax assets |
| Other | 80,437 | △72,151 | 780 | 9,066 | | Other noncurrent assets |
| Allowance for doubtful accounts | △31,468 | 31,468 | — | — | | |
| Total noncurrent assets | 9,637,579 | 300,169 | 778,093 | 10,715,842 | | Total noncurrent assets |
| Total assets | 55,186,742 | — | 977,366 | 56,164,109 | | Total assets |

| Presentation under JGAAP | JGAAP | Reclassification (1) | Difference in recognition and measurement | IFRS | Notes | Presentation under IFRS |
|--|-------------------|----------------------|---|-------------------|-------------|---|
| | Thousand yen | Thousand yen | Thousand yen | Thousand yen | | |
| Liabilities | | | | | | Liabilities |
| Current liabilities | | | | | | Current liabilities |
| Accounts payable-trade | 2,726,492 | <u>30,403,674</u> | <u>121,359</u> | 33,251,526 | (10) | Operating and other payables |
| | — | 68,513 | △24,652 | 43,860 | (10) | Borrowings |
| Lease payable | 64,846 | △64,846 | — | — | | |
| Accounts payable-other | 2,784,175 | △2,784,175 | — | — | | |
| Income taxes payable | 901,767 | <u>△55,680</u> | — | 846,086 | | Income taxes payable, etc. |
| Accrued consumption taxes | 78,482 | △78,482 | — | — | | |
| | — | 64,846 | △561 | 64,284 | (10) | Other financial liabilities |
| Advances received | 447,442 | △447,442 | — | — | | |
| Deposits received | 27,634,302 | △27,634,302 | — | — | | |
| Unearned revenue | 62 | △62 | — | — | | |
| Provision for bonuses | 478,808 | △478,808 | — | — | | |
| Provision for bonuses for directors | 125,000 | △125,000 | — | — | | |
| Other | 89,369 | 1,121,409 | 119,030 | 1,329,808 | (8),(10) | Other current liabilities |
| Total current liabilities | <u>35,330,748</u> | <u>△10,356</u> | <u>215,175</u> | <u>35,535,567</u> | | Total current liabilities |
| Noncurrent liabilities | | | | | | Noncurrent liabilities |
| Long-term borrowings | 30,150 | — | 15,095 | 45,245 | (10) | Borrowings |
| Lease payable | 115,984 | 7,397 | 1,150 | 124,533 | (10) | Other financial liabilities |
| Long-term lease and guarantee deposited | 7,397 | △7,397 | — | — | | |
| Provision for directors' remuneration Board Incentive Plan Trust | 170,000 | △170,000 | — | — | | |
| | — | — | 44,842 | 44,842 | | Provision |
| | — | 264,606 | — | 264,606 | (10) | Deferred tax liabilities |
| Other | 263,343 | △84,250 | 918,665 | 1,097,758 | (7),(8)(10) | Other noncurrent liabilities |
| Total noncurrent liabilities | <u>586,876</u> | <u>10,356</u> | <u>979,754</u> | <u>1,576,987</u> | | Total noncurrent liabilities |
| Total liabilities | <u>35,917,624</u> | <u>—</u> | <u>1,194,930</u> | <u>37,112,554</u> | | Total liabilities |
| Net assets | | | | | | Equity |
| Capital stock | 4,712,900 | — | — | 4,712,900 | | Capital stock |
| Capital surplus | 4,964,712 | — | — | 4,964,712 | | Capital surplus |
| Retained earnings | 8,893,549 | — | △705,242 | 8,188,306 | (9),(11) | Retained earnings |
| Treasury stock | △265,236 | — | — | △265,236 | | Treasury stock |
| Subscription rights to shares | 1,066 | △1,066 | — | — | | |
| Total accumulated other comprehensive income | △145,167 | 1,066 | 501,754 | 357,654 | (9),(10) | Other items of equity |
| | <u>18,161,825</u> | <u>—</u> | <u>△203,487</u> | <u>17,958,338</u> | | Total equity attributable to owners of parent |
| Minority interests | 1,107,292 | — | △14,076 | 1,093,216 | (10) | Minority interests |
| Total net assets | <u>19,269,118</u> | <u>—</u> | <u>△217,563</u> | <u>19,051,554</u> | | Total equity |
| Total liabilities and net assets | <u>55,186,742</u> | <u>—</u> | <u>977,366</u> | <u>56,164,109</u> | | Total liabilities and equity |

(Note) Review of acquisition cost allocation

JGAAP amounts on the reconciliation chart above are based on the consolidated balance sheets (JGAAP) as of September 30, 2016 on which acquisition cost allocation associated with business combinations was not finalized. Instead, tentative accounting treatment was conducted based on reasonable information available at the time of creation of the said financial statements.

Allocation of the said acquisition costs were finalized in the following consolidated fiscal year in accordance with

JGAAP, and is reflected to JGAAP amounts on the above reconciliation chart. JGAAP amounts on the reconciliation chart are on 5. **【Accounting status】** of Securities Report of the previous consolidated fiscal year.

First quarter of the previous consolidated fiscal year (December 31, 2016)

| Presentation under JGAAP | JGAAP | Reclassification (1) | Difference in recognition and measurement | IFRS | Notes | Presentation under IFRS |
|--|-------------------|----------------------|---|-------------------|----------|---|
| | Thousand yen | Thousand yen | Thousand yen | Thousand yen | | |
| Assets | | | | | | Assets |
| Current assets | | | | | | Current assets |
| Cash and deposits | 34,256,834 | △53,214 | △225,530 | 33,978,089 | (10) | Cash and cash equivalents |
| Accounts receivable-trade | 5,143,984 | 27,435,036 | 1,297,208 | 33,876,229 | (3),(10) | Operating and other receivables |
| Lease receivable | 7,696,856 | △7,696,856 | — | — | | |
| | — | 729,374 | △673,584 | 55,789 | (10) | Other financial assets |
| Inventories | 50,635 | — | — | 50,635 | | Inventories |
| Advance payments-trade | 8,795,573 | △8,795,573 | — | — | | |
| Prepaid expenses | 149,997 | △149,997 | — | — | | |
| Deferred tax assets | 196,825 | △196,825 | — | — | | |
| Accounts receivable-other | 11,527,272 | △11,527,272 | — | — | | |
| Other | 855,007 | △546,528 | 30,756 | 339,235 | (10) | Other current assets |
| Allowance for doubtful accounts | △605,030 | 605,030 | — | — | | |
| Total current assets | 68,067,956 | △196,825 | 428,849 | 68,299,980 | | Total current assets |
| Noncurrent assets | | | | | | Noncurrent assets |
| Tangible assets | 335,312 | — | 44,143 | 379,456 | (2),(10) | Tangible assets |
| Intangible assets | 4,287,356 | — | 139,958 | 4,427,315 | (4),(10) | Goodwill and other intangible assets |
| Investment securities | 2,442,604 | △2,442,604 | — | — | | |
| Shares of subsidiaries and affiliates | 2,413,479 | 303,808 | 246,821 | 2,964,108 | (6),(10) | Investments accounted for using equity method |
| Investments in other securities of subsidiaries and affiliates | 303,808 | △303,808 | — | — | | |
| Long-term loans receivable from directors and employees | 840 | 2,809,046 | 627,015 | 3,436,901 | (5),(10) | Other financial assets |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 31,598 | △31,598 | — | — | | |
| Long-term prepaid expenses | 10,518 | △10,518 | — | — | | |
| Lease and guarantee deposits | 286,545 | △286,545 | — | — | | |
| Deferred tax assets | 81,583 | 196,825 | 175,138 | 453,547 | (10) | Deferred tax assets |
| Other | 79,896 | △69,377 | 1,170 | 11,688 | | Other noncurrent assets |
| Allowance for doubtful accounts | △31,598 | 31,598 | — | — | | |
| Total noncurrent assets | 10,241,945 | 196,825 | 1,234,247 | 11,673,018 | | Total noncurrent assets |
| Total assets | 78,309,902 | — | 1,663,096 | 79,972,998 | | Total assets |

| Presentation under JGAAP | JGAAP | Reclassification (1) | Difference in recognition and measurement | IFRS | Notes | Presentation under IFRS |
|--|-------------------|----------------------|---|-------------------|-----------------|---|
| | Thousand yen | Thousand yen | Thousand yen | Thousand yen | | |
| Liabilities | | | | | | Liabilities |
| Current liabilities | | | | | | Current liabilities |
| Accounts payable-trade | 3,203,818 | <u>49,763,181</u> | <u>346,762</u> | 53,313,762 | (10) | Operating and other payables |
| Short-term borrowings | 4,050,617 | 17,560 | <u>Δ20,514</u> | 4,047,662 | (10) | Borrowings |
| | — | <u>62,033</u> | <u>Δ782</u> | 61,251 | (10) | Other financial liabilities |
| Accounts payable-other | 13,204,995 | Δ13,204,995 | — | — | | |
| Income taxes payable | 331,043 | <u>Δ39,590</u> | <u>135,936</u> | 427,389 | | Income taxes payable, etc. |
| Accrued consumption taxes | 152,610 | Δ152,610 | — | — | | |
| Advances received | 461,995 | Δ461,995 | — | — | | |
| Deposits received | 36,827,228 | Δ36,827,228 | — | — | | |
| Provision for bonuses | 331,899 | Δ331,899 | — | — | | |
| Other | 113,671 | 1,173,595 | 123,712 | 1,410,979 | (8),(10) | Other current liabilities |
| Total current liabilities | <u>58,677,878</u> | <u>Δ1,948</u> | <u>585,115</u> | <u>59,261,045</u> | | Total current liabilities |
| Noncurrent liabilities | | | | | | Noncurrent liabilities |
| | — | 25,920 | 12,603 | 38,523 | (10) | Borrowings |
| | — | 103,332 | 925 | 104,258 | (10) | Other financial liabilities |
| Provision for directors' remuneration Board Incentive Plan Trust | 170,000 | Δ170,000 | — | — | | |
| | — | — | 44,964 | 44,964 | | Provision |
| | — | <u>280,926</u> | <u>1,900</u> | 282,827 | (10) | Deferred tax liabilities |
| Other | 417,398 | Δ238,231 | 911,634 | 1,090,801 | (7),(8) (10) | Other noncurrent liabilities |
| Total noncurrent liabilities | <u>587,398</u> | <u>1,948</u> | <u>972,028</u> | <u>1,561,375</u> | | Total noncurrent liabilities |
| Total liabilities | <u>59,265,276</u> | <u>—</u> | <u>1,557,144</u> | <u>60,822,421</u> | | Total liabilities |
| Net assets | | | | | | Equity |
| Capital stock | 4,712,900 | — | — | 4,712,900 | | Capital stock |
| Capital surplus | 4,955,835 | — | — | 4,955,835 | | Capital surplus |
| Retained earnings | 8,476,423 | — | Δ671,890 | 7,804,532 | (9),(11) | Retained earnings |
| Treasury stock | Δ265,236 | — | — | Δ265,236 | | Treasury stock |
| Subscription rights to shares | 1,037 | Δ1,037 | — | — | | |
| Total accumulated other comprehensive income | 43,583 | 1,685 | 770,435 | 815,704 | (9),(10) | Other items of equity |
| | <u>17,924,544</u> | <u>647</u> | <u>98,545</u> | <u>18,023,737</u> | | Total equity attributable to owners of parent |
| Minority interests | 1,120,080 | Δ647 | 7,406 | 1,126,840 | (10) | Minority interests |
| Total net assets | <u>19,044,625</u> | <u>—</u> | <u>105,952</u> | <u>19,150,577</u> | | Total equity |
| Total liabilities and net assets | <u>78,309,902</u> | <u>—</u> | <u>1,663,096</u> | <u>79,972,998</u> | | Total liabilities and equity |

(Note) Review of acquisition cost allocation

JGAAP amounts on the reconciliation chart above are based on the consolidated balance sheets (JGAAP) as of December 31, 2016 on which acquisition cost allocation associated with business combinations was not finalized. Instead, tentative accounting treatment was conducted based on reasonable information available at the time of creation of the said financial statements.

Allocation of the said acquisition costs were finalized in the consolidated fiscal year of the quarterly closing date in accordance with JGAAP, and is reflected to JGAAP amounts on the above reconciliation chart.

As a result, intangible assets, other under noncurrent liabilities, and minority interests under JGAAP on the above reconciliation chart are larger by 431,725 thousand yen, 278,978 thousand yen, and 158,821 thousand yen respectively, and shares of subsidiaries and affiliates and retained earnings above are smaller by 5,250 thousand yen and 11,325 thousand yen respectively compared to those on the consolidated balance sheet (JGAAP) as of December 31, 2016.

Most recent date of creating consolidated financial statements (September 30, 2017)

| Presentation under JGAAP | JGAAP | Reclassification (1) | Difference in recognition and measurement | IFRS | Notes | Presentation under IFRS |
|--|-------------------|----------------------|---|--------------------------|----------|---|
| | Thousand yen | Thousand yen | Thousand yen | Thousand yen | | |
| Assets | | | | | | Assets |
| Current assets | | | | | | Current assets |
| Cash and deposits | 27,623,466 | Δ48,292 | Δ41,658 | 27,533,515 | (10) | Cash and cash equivalents |
| Accounts receivable-trade | 6,254,193 | 35,519,416 | 1,217,536 | 42,991,145 | (3),(10) | Operating and other receivables |
| Lease receivable | 6,426,827 | Δ6,426,827 | — | — | | |
| | — | 1,267,515 | Δ1,216,619 | 50,895 | (10) | Other financial assets |
| Inventories | 94,478 | — | — | 94,478 | | Inventories |
| Advance payments-trade | 16,806,222 | Δ16,806,222 | — | — | | |
| Prepaid expenses | 173,200 | Δ173,200 | — | — | | |
| Deferred tax assets | 1,251,001 | Δ1,251,001 | — | — | | |
| Accounts receivable-other | 14,678,576 | Δ14,678,576 | — | — | | |
| Other | 1,433,354 | Δ1,047,601 | 23,240 | 408,993 | (10) | Other current assets |
| Allowance for doubtful accounts | Δ2,393,788 | 2,393,788 | — | — | | |
| Total current assets | 72,347,531 | Δ1,251,001 | Δ17,501 | 71,079,028 | | Total current assets |
| Noncurrent assets | | | | | | Noncurrent assets |
| Tangible assets | 399,588 | — | 61,969 | 461,558 | (2),(10) | Tangible assets |
| Intangible assets | 4,505,631 | — | 260,458 | 4,766,089 | (4),(10) | Goodwill and other intangible assets |
| Investment securities | 2,704,216 | Δ2,704,216 | — | — | (5) | |
| Shares of subsidiaries and affiliates | 2,318,656 | 420,998 | 231,055 | 2,970,709 | (6),(10) | Investments accounted for using equity method |
| Investments in other securities of subsidiaries and affiliates | 420,998 | Δ420,998 | — | — | | |
| Long-term loans receivable from directors and employees | 467 | 3,108,972 | 151,279 | 3,260,718 | (5),(10) | Other financial assets |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 49,359 | Δ49,359 | — | — | | |
| Long-term prepaid expenses | 6,907 | Δ6,907 | — | — | | |
| Lease and guarantee deposits | 325,555 | Δ325,555 | — | — | | |
| Deferred tax assets | 16,848 | 1,251,001 | <u>524,989</u> | <u>1,792,840</u> | (10) | Deferred tax assets |
| Other | 79,200 | Δ72,292 | 780 | 7,688 | | Other noncurrent assets |
| Allowance for doubtful accounts | Δ49,359 | 49,359 | — | — | | |
| Total noncurrent assets | 10,778,069 | 1,251,001 | <u>1,230,533</u> | <u>13,259,604</u> | | Total noncurrent assets |
| Total assets | 83,125,601 | — | <u>1,213,031</u> | <u>84,338,633</u> | | Total assets |

| Presentation under JGAAP | JGAAP | Reclassification on (1) | Difference in recognition and measurement | IFRS | Notes | Presentation under IFRS |
|--|-------------------|----------------------------|---|-------------------|-----------------|--|
| | Thousand yen | Thousand yen | Thousand yen | Thousand yen | | |
| Liabilities | | | | | | Liabilities |
| Current liabilities | | | | | | Current liabilities |
| Accounts payable-trade | 3,521,081 | <u>49,945,600</u> | <u>△18,138</u> | 53,448,543 | (10) | Operating and other payables |
| | — | 827,286 | △6,690 | 820,596 | (10) | Borrowings |
| Lease payable | 74,918 | — | <u>△1,369</u> | 73,549 | (10) | Other financial liabilities |
| Accounts payable-other | 12,558,354 | △12,558,354 | — | — | | |
| Income taxes payable | 1,693,502 | 118,898 | — | 1,574,603 | | Income taxes payable, etc. |
| Accrued consumption taxes | 711,427 | △711,427 | — | — | | |
| Advances received | 491,722 | △491,722 | — | — | | |
| Deposits received | 37,406,767 | △37,406,767 | — | — | | |
| Unearned revenue | 11,886 | △11,886 | — | — | | |
| Provision for bonuses | 410,197 | △410,197 | — | — | | |
| Provision for bonuses for directors | 57,900 | △57,900 | — | — | | |
| Other | 882,799 | 994,267 | 114,967 | <u>1,992,034</u> | (8),(10) | Other current liabilities |
| Total current liabilities | <u>57,820,557</u> | — | 88,769 | <u>57,909,327</u> | | Total current liabilities |
| Noncurrent liabilities | | | | | | Noncurrent liabilities |
| Long-term borrowings | 2,999,500 | — | — | 2,999,500 | (10) | Borrowings |
| Lease payable | 158,075 | — | 79 | 158,154 | (10) | Other financial liabilities |
| Provision for directors' remuneration Board Incentive Plan Trust | 210,495 | △210,495 | — | — | | |
| | — | — | 63,358 | 63,358 | | Provision |
| | — | 232,777 | △2,732 | 230,045 | (10) | Deferred tax liabilities |
| Other | 250,780 | △22,282 | <u>1,980,430</u> | <u>2,208,928</u> | (7),(8) (10) | Other noncurrent liabilities |
| Total noncurrent liabilities | <u>3,618,851</u> | — | <u>2,041,136</u> | <u>5,659,987</u> | | Total noncurrent liabilities |
| Total liabilities | 61,439,408 | — | <u>2,129,906</u> | <u>63,569,315</u> | | Total liabilities |
| Net assets | | | | | | Equity |
| Capital stock | 4,712,900 | — | — | 4,712,900 | | Capital stock |
| Capital surplus | 4,934,784 | — | 50,997 | 4,985,781 | | Capital surplus |
| Retained earnings | 10,837,387 | — | <u>△1,218,121</u> | <u>9,619,266</u> | (9),(11) | Retained earnings |
| Treasury stock | △256,269 | — | — | △256,269 | | Treasury stock |
| Subscription rights to shares | 923 | △923 | — | — | | |
| Total accumulated other comprehensive income | 364,344 | 1,937 | 247,486 | 613,768 | (9),(10) | Other items of equity |
| | <u>20,594,071</u> | 1,013 | <u>△919,637</u> | <u>19,675,447</u> | | Total equity attributable to owners of parent |
| Minority interests | 1,092,121 | △1,013 | 2,762 | 1,093,870 | (10) | Minority interests |
| Total net assets | <u>21,686,192</u> | — | <u>△916,874</u> | <u>20,769,318</u> | | Total equity |
| Total liabilities and net assets | <u>83,125,601</u> | — | <u>1,213,031</u> | <u>84,338,633</u> | | Total liabilities and equity |

Notes regarding the reconciliation of equity

(1) Adjustment of line items

The Group has reclassified line items to comply with IFRS rules. Major changes are noted below.

- For cash and deposits under JGAAP, time deposits with a deposit term of three months or longer are included under other financial assets (current) under IFRS.
- "Accounts receivable-trade," "lease receivable," "advance payments-trade," "accounts receivable-other" and "allowance for doubtful accounts" under JGAAP are combined together and included in "operating and other receivables" under IFRS.
- "Investments accounted for using equity method" under "shares of subsidiaries and affiliates" under JGAAP is presented as an independent item under IFRS.
- "Investment securities" under JGAAP is included in "other financial assets" under IFRS.
- "Accounts payable-trade," "accounts payable-other" and "deposits received" under JGAAP are combined together and included in "operating and other payables" under IFRS.
- Deferred tax assets and deferred tax liabilities are reclassified into noncurrent assets or noncurrent liabilities.
- Subscription rights to shares was an independent item under JGAAP, and is included in other items of equity under IFRS.

(2) Tangible assets

The Group principally applied declining balance method for depreciation of tangible assets (excluding lease assets) under JGAAP, and applies straight line method under IFRS.

(3) Financial instruments (loan agreement)

Lease transactions to clients and a series of transactions under consignment agreements were accounted for as separate transactions under JGAAP. However, under IFRS, the Group treats them together as financial instruments (loan agreement) in accounting treatment in light of their overall economic effect.

(4) Goodwill

The Group amortized goodwill evenly over a period of 10-20 years under JGAAP. From the date of transition to IFRS onward, the Group has stopped such amortization and instead performs impairment test every fiscal year.

(5) Equity instruments

In principle, the Group measures unlisted equity instruments at acquisition price under JGAAP, and measures at fair value under IFRS. Therefore, there are changes in other financial assets (noncurrent). Further, gain/loss on sales of equity instruments and impairment loss were recognized as net gain/loss under JGAAP. For the financial assets designated to be measured at a fair value through other comprehensive income under IFRS, changes in the fair value of such financial assets are recognized as part of other comprehensive income and are reclassified into retained earnings.

(6) Investments accounted for using equity method

Goodwill in equity method affiliate is amortized under JGAAP, and is not amortized under IFRS.

(7) Share-based payment transaction by directors' remuneration Board Incentive Plan Trust

For share-based payment transaction by directors' remuneration Board Incentive Plan Trust, under JGAAP, the Group recognized expenses and provision at fair value based on the share price of the time the Trust purchased the Group's shares. Under IFRS, they are recognized as cash-settled share-based payment transactions. The Group recognizes the fair value of payment amount as liabilities, and records changes in the fair value of such liabilities as net gain/loss until the right to receive the remuneration is vested under no condition.

(8) Accrued paid leave

Accrued paid leave was not accounted for as liabilities under JGAAP, and is recorded as liabilities on transition to IFRS.

(9) Reclassification of exchange differences on translation of foreign operations

The Group has adopted exemptions under IFRS 1 on first-time adoption, and has reclassified the entire cumulative exchange differences on translation as of the transition date into retained earnings.

(10) Alignment of reporting periods

For a consolidated subsidiary whose closing date is different from that of its parent company with a gap of three months or less, under JGAAP, the Group adjusted and consolidated material transactions during the gap period based on the financial statements of the subsidiary. Under IFRS, the subsidiary's financial statements are created based on its provisional closing at its parent company's closing date and consolidated.

(11) Reconciliation of retained earnings

| | Date of transition to IFRS (October 1, 2016) | First quarter of the previous consolidated fiscal year (December 31, 2016) | Previous consolidated fiscal year (September 30, 2017) |
|--|--|---|--|
| | Thousand yen | Thousand yen | Thousand yen |
| Reconciliation of goodwill amount | — | 61,238 | 322,064 |
| Reconciliation of operating loans | 72,347 | 59,779 | 70,340 |
| Reconciliation of directors' remuneration Board Incentive Plan Trust | △615,945 | △649,899 | <u>△1,407,801</u> |
| Reconciliation of accrued paid leave | △91,079 | △91,079 | △98,406 |
| Reclassification on cumulative exchange differences on translation of foreign operations | △97,162 | △97,162 | △97,162 |
| Other | 26,598 | 45,233 | △7,155 |
| Total | <u>△705,242</u> | <u>△671,890</u> | <u>△1,218,121</u> |

② Reconciliation of comprehensive income

First quarter of the previous consolidated fiscal year (October 1, 2016 to December 31, 2016)

| Line item under JGAAP | JGAAP | Reclassification (1) | Difference in recognition and measurement | IFRS | Notes | Line item under IFRS |
|---|--------------|----------------------|---|--------------|--------------------|---|
| | Thousand yen | Thousand yen | Thousand yen | Thousand yen | | |
| Revenue | 4,346,814 | — | 479,872 | 4,826,686 | (2),(8) | Revenue |
| Cost of revenue | Δ1,109,296 | — | Δ373,709 | Δ1,483,005 | (2),(8) | Cost of revenue |
| Gross profit | 3,237,517 | — | 106,162 | 3,343,680 | | Gross profit |
| | — | 13,706 | 23,830 | 37,537 | (8) | Other income |
| Selling, general and administrative expenses | Δ2,045,646 | — | Δ86,532 | Δ2,132,179 | (3),(4) (6),(8) | Selling, general and administrative expenses |
| | — | Δ28,443 | 18,304 | Δ10,138 | (8) | Other expense |
| Operating profit | 1,191,871 | Δ14,736 | 61,765 | 1,238,899 | | Operating profit |
| Non-operating profit | 37,298 | Δ37,298 | — | — | | |
| Non-operating expenses | Δ134,656 | 134,656 | — | — | | |
| Extraordinary profit | — | — | — | — | | |
| Extraordinary loss | Δ45 | 45 | — | — | | |
| | — | 23,592 | 1,093 | 24,686 | (8) | Financial income |
| | — | Δ5,716 | Δ12,644 | Δ18,361 | (8) | Financial expense |
| | — | Δ110,163 | 36,486 | Δ73,676 | (4),(5) (8) | Equity method investment gains |
| Profit before income taxes | 1,094,468 | Δ9,622 | 86,701 | 1,171,547 | | Profit before income taxes |
| Corporate, inhabitant and enterprise taxes | Δ396,328 | Δ105,136 | Δ42,874 | Δ544,339 | (7),(8) | Income tax expenses |
| Income taxes-deferred | Δ105,136 | 105,136 | — | — | | |
| Net profit | 593,002 | Δ9,622 | 43,826 | 627,207 | | Profit |
| Other comprehensive income | | | | | | Other comprehensive income |
| Foreign currency translation adjustment | 16,778 | — | 63,613 | 80,392 | | Exchange differences on translation of foreign operations |
| Other valuation difference on available-for-sale securities | 206,813 | — | 9,460 | 216,273 | | Changes in fair value of financial assets measured through other comprehensive income |
| Amount corresponding to the equity holdings of the equity method affiliates | Δ34,842 | — | 214,430 | 179,588 | | Shares of other comprehensive income of equity method affiliates |
| Total other comprehensive income | 188,749 | — | 287,504 | 476,254 | | Other comprehensive income after income taxes |
| Comprehensive income | 781,752 | Δ9,622 | 331,331 | 1,103,462 | | Comprehensive income |

Previous consolidated fiscal year (October 1, 2016 to September 30, 2017)

| Line item under JGAAP | JGAAP | Reclassification (1) | Difference in recognition and measurement | IFRS | Notes | Line item under IFRS |
|---|--------------|----------------------|---|--------------|--------------------|---|
| | Thousand yen | Thousand yen | Thousand yen | Thousand yen | | |
| Revenue | 21,794,783 | — | Δ740,361 | 21,054,421 | (2),(8) | Revenue |
| Cost of revenue | Δ6,687,176 | — | 156,937 | Δ6,530,238 | (2),(8) | Cost of revenue |
| Gross profit | 15,107,607 | — | Δ583,424 | 14,524,183 | | Gross profit |
| | — | 238,476 | Δ2,733 | 235,743 | (8) | Other income |
| Selling, general and administrative expenses | Δ10,092,156 | — | Δ443,854 | Δ10,536,010 | (3),(4) (6),(8) | Selling, general and administrative expenses |
| | — | Δ283,835 | 8,315 | Δ275,520 | (8) | Other expense |
| Operating profit | 5,015,450 | Δ45,358 | Δ1,021,696 | 3,948,395 | | Operating profit |
| Non-operating profit | 110,555 | Δ110,555 | — | — | | |
| Non-operating expenses | Δ386,051 | 386,051 | — | — | | |
| Extraordinary profit | 188,161 | Δ188,161 | — | — | | |
| Extraordinary loss | Δ457,561 | 457,561 | — | — | | |
| | — | 69,207 | 2,077 | 71,285 | (8) | Financial income |
| | — | Δ28,799 | Δ14,892 | Δ43,692 | (8) | Financial expense |
| | — | Δ539,944 | 151,014 | Δ388,930 | (5),(8) | Equity method investment gains |
| Profit before income taxes | 4,470,554 | — | Δ883,496 | 3,587,058 | | Profit before income taxes |
| Corporate, inhabitant and enterprise taxes | Δ2,472,115 | 984,104 | 331,226 | Δ1,156,785 | (7),(8) | Income tax expenses |
| Income taxes-deferred | 984,104 | Δ984,104 | — | — | | |
| Profit before minority interests | 2,982,543 | — | Δ552,269 | 2,430,273 | | Profit |
| Other comprehensive income | | | | | | Other comprehensive income |
| Foreign currency translation adjustment | 92,460 | — | 31,380 | 123,840 | | Exchange differences on translation of foreign operations |
| Other valuation difference on available-for-sale securities | 225,503 | — | Δ316,789 | Δ91,285 | | Changes in fair value of financial assets measured through other comprehensive income |
| Amount corresponding to the equity holdings of the equity-method affiliates | 190,147 | — | 55,831 | 245,979 | | Shares of other comprehensive income of equity method affiliates |
| Total other comprehensive income | 508,111 | — | Δ229,577 | 278,534 | | Other comprehensive income after income taxes |
| Comprehensive income | 3,490,654 | — | Δ781,847 | 2,708,807 | | Comprehensive income |

Notes regarding Reconciliation of income and comprehensive income

(1) Adjustment of line items

The Group has reclassified some line items to comply with IFRS rules. Major reclassifications are as follows.

- Out of line items presented under JGAAP as "non-operating profit," "non-operating expenses," "extraordinary profit" or "extraordinary loss," the Group records finance-related gain/loss as "financial income" or "financial expense," and presents remaining line items as "other income," "other expense," "equity method investment gains" or other line items under IFRS.
- Under JGAAP, the Group recorded "corporate, inhabitant and enterprise taxes" and "income taxes-deferred" separately. Under IFRS, the Group combines and presents them as "income tax expenses."

(2) Adjustment on revenue

Of the Group's transactions recorded on gross under JGAAP, the transactions in which we are judged to have been engaged as agents were recorded on net under IFRS.

(3) Change in depreciation method

The Group basically adopted declining balance method for depreciation of tangible noncurrent assets (excluding lease assets) under JGAAP, and adopts straight line method under IFRS. The Group has adjusted cost of revenue and selling, general and administrative expenses that include depreciation expenses, and has recalculated gain/loss from tangible asset sales that was previously recorded based on the conventional depreciation method.

(4) Adjustment on goodwill amount

Goodwill is amortized under JGAAP, and is not amortized under IFRS.

(5) Adjustment on the amount of Investments accounted for using equity method

The Group amortized goodwill in equity method affiliate under JGAAP, and does not amortize it under IFRS.

(6) Accrued paid leave

Accrued paid leave was not accounted for under JGAAP. Under IFRS, it is recorded as personnel expenses.

(7) Income tax expenses

Income tax expenses were recorded due to the temporary difference in connection with adjustment of other items on the statements of financial position.

(8) Alignment of reporting periods

For a consolidated subsidiary whose closing date is different from that of its parent company with a gap of three months or less, under JGAAP, the Group adjusted and consolidated material transactions during the gap period based on the financial statements of the subsidiary. Under IFRS, the subsidiary's financial statements are created based on its provisional closing at its parent company's closing date for consolidation.

③ Adjustment of cash flows

First quarter of the previous consolidated fiscal year (October 1, 2016 to December 31, 2016) and previous consolidated fiscal year (October 1, 2016 to September 30, 2017)

In the consolidated statements of cash flows for the first quarter of the previous consolidated fiscal year disclosed in accordance with IFRS, cash flows from operating activities decreased by 81,434 thousand yen, cash flows from investing activities decreased by 32,798 thousand yen, and cash flows from financing activities decreased by 1,671 thousand yen, compared with the consolidated statements of cash flows prepared in accordance with JGAAP.

In the consolidated statements of cash flows for the previous consolidated fiscal year disclosed in accordance with IFRS, cash flows from operating activities increased by 100,598 thousand yen, cash flows from investing activities decreased by 27,631 thousand yen, and cash flows from financing activities decreased by 8,525 thousand yen, compared with the consolidated statements of cash flows prepared in accordance with JGAAP.

These differences are principally due to the alignment of reporting periods. For a consolidated subsidiary whose closing date is different from that of its parent company with a gap of three months or less, under JGAAP, the Group adjusted and consolidated material transactions during the gap period based on the financial statements of the subsidiary. Under IFRS, the subsidiary's financial statements are created based on its provisional closing at its parent company's closing date and consolidated.