

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

August 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	August 10, 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 million yen)

1. Consolidated Financial Statements for the Third Quarter, FY2018 (From October 1, 2017 to June 30, 2018)

(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	%
Q3 FY2018	19,122	24.5	5,190	60.0	5,041	73.9	3,005	44.4	3,016	46.1	5,113	105.4
Q3 FY2017	15,362	—	3,243	—	2,898	—	2,080	—	2,064	—	2,489	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q3 FY2018	81.87	81.79
Q3 FY2017	55.58	55.57

(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	%
Q3 FY2018	113,991	25,118	23,999	21.1
FY2017	84,338	20,769	19,675	23.3

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	0.00	0.00		
FY 2018 (forecast)				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)

(Percentages represent 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
Full year	26,107	—	6,475	—	6,196	—	3,933	—	105.87

(Note 1) Revision of the most recently released financial forecast: No

(Note 2) 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) | Q3 FY2018: 37,150,500 | FY 2017 : 37,150,500 |
| [2] Number of treasury shares at the end of the term | Q3 FY2018: 2,500 | FY 2017 : 2,500 |
| [3] Average number of shares during the term | Q3 FY2018: 36,838,813 | Q3 FY2017 : 37,148,000 |

(Note) Number of treasury shares at the end of the term above does not include the shares attributed to the directors' remuneration board incentive plan trust (302,000 shares for Q3 FY2018; 320,000 shares for FY2017.)

* 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 has voluntarily been adopting IFRS on its consolidated financial statements since the consolidated fiscal year ending September 30, 2018, and disclosing IFRS-based condensed consolidated financial statements from the 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 11 of the attachment.

3 Results Presentation for Investors and Analysts: August 10, 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 nine months 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 cumulative third quarter of the cumulative consolidated fiscal year (October 1, 2017 to June 30, 2018) as follows.

(Unit: Thousand yen)

	First nine months of the previous consolidated fiscal year (From October 1, 2016 to June 30, 2017)	First nine months of the current consolidated fiscal year (From October 1, 2017 to June 30, 2018)	Rate of change (%)
Revenue	15,362,675	19,122,148	24.5
Operating profit	3,243,648	5,190,799	60.0
Profit before income taxes	2,898,808	5,041,554	73.9
Profit attributable to owners of parent	2,064,596	3,016,049	46.1

a. Revenue

The Group’s revenue surged to 19,122,148 thousand yen, up by 24.5% 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 the steady expansion of transaction value in GMO Payment After Delivery, an after-the-fact type of payment service. Further, our 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 nine months of the previous consolidated fiscal year (From October 1, 2016 to June 30, 2017)	First nine months of the current consolidated fiscal year (From October 1, 2017 to June 30, 2018)	Rate of change (%)
Initial (Initial revenue)	1,041,707	938,129	△9.9
Stock (Monthly revenue)	2,132,303	2,521,611	18.3
Fee (Transaction processing revenue)	5,470,135	7,502,910	37.2
Spread (Merchant acquiring service revenue)	6,718,528	8,159,496	21.4
Total	15,362,675	19,122,148	24.5

b. Operating profit

The Group's operating profit reached 5,190,799 thousand yen, up by 60.0% year-on-year, on track for the Group's earnings forecast for the consolidated full fiscal year.

Segment-wise, payment processing business was 6,056,207 thousand yen, a year-on-year increase of 23.6%, Money Service Business stood at 874,305 thousand yen, in contrast with the loss of 93,096 thousand yen in the same term previous year, and the payment enhancement business amounted to 106,546 thousand yen, a year-on-year drop of 53.4%.

c. Profit before income taxes

Factors in a. and b. were translated into profit before income taxes of 5,041,554 thousand yen, a year-on-year increase of 73.9%.

②Results by segment

Performance by reportable segment is explained below.

(Unit: Thousand yen)

Segment	First nine months of the previous consolidated fiscal year (From October 1, 2016 to June 30, 2017)	First nine months of the current consolidated fiscal year (From October 1, 2017 to June 30, 2018)	Rate of change (%)
Payment Processing Business	8,798,189	10,668,495	21.3
Revenue	4,900,648	6,056,207	23.6
Operating profit			
Money Service Business	3,449,526	4,580,622	32.8
Revenue	Δ93,096	874,305	—
Operating profit			
Payment Enhancement Business	3,114,958	3,873,030	24.3
Revenue	228,565	106,546	Δ53.4
Operating profit			
Adjustments	—	—	—
Revenue	Δ1,792,469	Δ1,846,258	—
Operating profit			
Total	15,362,675	19,122,148	24.5
Revenue	3,243,648	5,190,799	60.0
Operating profit			

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.

As part of the services to support financial institutions and financial service providers that promote new businesses to create a cashless society, the Group has been providing "Ginko Pay" platform system. Ginko Pay is a mobile phone payment service that links to bank accounts, and was developed jointly by the Bank of Yokohama and the Group. The Group's focus has been to add financial institutions and other partner operators to its existing client base of Ginko Pay. It is the Bank of Yokohama, Ltd. and the Bank of Fukuoka, Ltd. that used our platform to deliver the service during the period under review. The Group had previously announced the planned adoption of the platform by Kumamoto Bank, Ltd., Shinwa Bank, Ltd., and the three banks under Resona Group (Resona Bank, Limited, Saitama Resona Bank, Limited, and The Kinki Osaka Bank, Ltd.), and a new announcement on the Japan Post Bank Co., Ltd. was made on May 18, 2018. Additionally, Tokyu Corporation, the Bank of Yokohama, Ltd., Japan Post Bank Co., Ltd. and the Group decided to start the development of a cash out service in which end users can withdraw cash from bank accounts through ticket vending machines at the stations of Tokyu lines under the Ginko Pay platform, and the announcement was made on July 13, 2018.

As a result, the segment's revenue came in at 10,668,495 thousand yen, a year-on-year increase of 21.3%, and its operating profit totaled 6,056,207 thousand yen, a year-on-year increase of 23.6%.

b. Money Service Business

Money Service Business (MSB) includes the Early Payment Service to help merchants receive sales proceeds earlier and improve their cash flow, the Transaction Lending Service to lend growth capital to merchants based on payment and other data, the Remittance Service, and the GMO Payment After Delivery that the Group's consolidated subsidiary GMO Payment Service, Inc. offers.

Points to note under the cumulative third quarter of the consolidated fiscal year includes the steady expansion of GMO Payment After Delivery by GMO Payment Service, Inc., and the rise of transaction value in Early

Payment Service and Remittance Service. These contributed to the larger revenue and profit of the segment. In addition, the Group launched GMO B2B Early Payment and GMO B2B AR Guarantee on May 15, 2018. These are the services of buying accounts receivable to turn it into cash for our clients at an early point, and covering for uncollected accounts receivables, respectively. These are the attempts to support the growth of BtoB operators in multiple dimensions.

These factors have led to a segment revenue of 4,580,622 thousand yen, up by 32.8% year-on-year and a segment operating profit of 874,305 thousand yen that contrasts with the operating loss of 93,096 thousand yen in the same time previous year.

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 the Group's merchants by analyzing their sales status and running their ads on their behalf based on their sales data.

Under the cumulative third quarter, Macro Kiosk Berhad's revenue in its mainstay authentication, notification and mobile payment business grew, as was the case in the first half. The business was especially strong in emerging markets which remain to be the focus of Macro Kiosk Berhad. However, even with the 26.0% year-on-year revenue growth, Macro Kiosk Berhad's earnings declined due to the foreign exchange loss.

As for our online advertising service, an external environment factor for part of the service resulted in a year-on-year decline in its ad-placement value and consequently, the entire service's revenue.

As a result, the segment recorded a revenue at 3,873,030 thousand yen, a year-on-year increase of 24.3%, and a segment operating profit of 106,546 thousand yen, a year-on-year decrease of 53.4%.

Under the third cumulative quarter, the Company adopted a resolution to issue Japanese yen denominated zero coupon convertible bonds with stock acquisition rights due 2023 worth 17 billion yen at the board of directors' meeting on May 31, 2018 as a measure for the further growth of its businesses. The payment was completed on June 19, 2018. The Group's understanding is that it succeeded in securing necessary capital for the further growth of Money Service Business at low costs. Additionally, it recognizes that in the event of our share price going above the conversion price and the bonds' conversion into shares, we can accumulate further capital to cover the coming business growth and meet the changes in the business environments and reinforce our financial base.

As to our initiatives to improve customer satisfaction, the Company announced on June 21, 2018 that GMO Payment Gateway, Inc. became the first payment service provider to receive the highest rating, three stars, in the "monitoring" evaluation from HDI-Japan run by ThinkService K.K.

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 third quarter of the consolidated fiscal year under review were up 29,652,410 thousand yen from the end of the previous consolidated fiscal year at 113,991,044 thousand yen. An increase of cash and cash equivalents by 12,964,825 thousand yen, an increase of operating and other receivables by 7,968,258 thousand yen and an increase in deposit to subsidiaries and affiliates by 7,000,000 thousand yen contributed to the larger assets.

As stated under 1. Cash and cash equivalents, (6) Notes regarding condensed consolidated financial statements, 2. Condensed Consolidated Financial Statements and Major Notes, the Group has 8,000,000 thousand yen deposits to subsidiaries and affiliated companies included in the cash and cash equivalents at the end of the cumulative third quarter. Together with the 7,000,000 thousand yen deposits to subsidiaries and affiliated companies on the condensed consolidated balance sheet, the total balance of the Group's deposits to subsidiaries and affiliated companies stands at 15,000,000 thousand yen. These deposits are the Group's cash on hand deposited under the cash management system (CMS). CMS is the system that GMO Internet Group introduced to all its group companies for the management of their cash. Therefore, the Group does not need to wait until the predetermined CMS repayment date comes to withdraw capital. When the Group's capital demand surges in accordance with the favorable progress of the business, the Group can withdraw cash when needed by raising a request early enough to meet a predetermined requirement.

b. Liabilities

Balance of liabilities at the end of the third quarter of the consolidated fiscal year under review stood at 88,873,030 thousand yen, higher than the end of the previous consolidated fiscal year by 25,303,715 thousand yen. Such increase mainly came from operating and other payables' expansion by 8,242,995 thousand yen and the addition of corporate bonds by 16,659,772 thousand yen.

c. Equity

Equity balance at the end of the third quarter of the consolidated fiscal year under review was 25,118,013 thousand yen, higher by 4,348,695 thousand yen than the end of the previous consolidated fiscal year. Retained earnings increase of 2,286,971 thousand yen led to the larger equity.

② Status of consolidated cash flows

Cash and cash equivalents (hereinafter called as "fund") increased by 12,964,825 thousand yen over the cumulative third quarter to 40,498,341 thousand yen. The state of cash flows over the cumulative third quarter is presented below.

a. Cash flow of operating activities

Fund provided by operating activities in the cumulative third quarter amounted to 3,091,485 thousand yen, which contrasts with the provision of 1,504,544 thousand yen in the same period a year before. Despite an increase in operating and other receivables by 7,950,682 thousand yen that dragged down the fund balance, an increase in operating and other payables by 8,149,512 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 in the third cumulative quarter totaled 7,391,243 thousand yen, which contrasts with the usage of 1,396,200 thousand yen in the same period previous year. This is due to the outflow of 794,931 thousand yen from an acquisition of intangible assets, purchase of investment securities for 302,001 thousand yen and the deposit to subsidiaries and affiliated companies for 7,000,000 thousand yen, in

spite of the sales of investment securities for 757,416 thousand yen.

c. Cash flow of financing activities

The amount of fund provided in financing activities over the cumulative third quarter totaled 17,261,037 thousand yen, which contrasts with the provision of 2,854,897 thousand yen in the same period previous year. This is due to the issuing corporate bonds for 17,457,920 thousand yen despite the payout of dividends for 1,482,594 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, field of Ecommerce is expanding, represented by the rise of B2B and C2C Ecommerce markets.

For the fiscal year ending September 2018, the Group forecasts revenue expansion in all its segments of payment processing business, Money Service Business and payment enhancement business by acquisition of large and growth merchants, financial institutions and large businesses, the expansion of GMO Payment After Delivery, further growth of Macro Kiosk Berhad, and others.

In terms of profits, the Group is expecting a rise in cost-to-revenue ratio in response to the growing high cost-ratio services including the GMO Payment After Delivery and Remittance Service, and has the plans for upfront investments for growth. Still, the Group is on track for its consolidated full-year forecast in terms of operating profit, by the expansion of the high gross-margin payment processing business and the margin improvement in Money Service Business.

Our earnings forecast for the consolidated fiscal year ending September 30, 2018 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 in which the Group adopts IFRS.

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 Q3 of current consolidated fiscal year (June 30, 2018)
Assets				
Current assets				
Cash and cash equivalents	1	25,091,091	27,533,515	40,498,341
Operating and other receivables	2	19,841,482	42,991,145	50,959,404
Inventories		39,350	94,478	43,849
Other financial assets		46,147	50,895	62,467
Other current assets		430,194	408,993	672,719
Total current assets		45,448,267	71,079,028	92,236,782
Noncurrent assets				
Tangible assets		400,648	461,558	435,967
Goodwill and other intangible assets		4,193,386	4,766,089	5,036,516
Investments accounted for using equity method		2,500,061	2,970,709	2,867,448
Deposits to subsidiaries and affiliates	3	—	—	7,000,000
Other financial assets		3,186,744	3,260,718	5,444,783
Deferred tax assets		425,935	1,792,840	956,203
Other noncurrent assets		9,066	7,688	13,342
Total noncurrent assets		10,715,842	13,259,604	21,754,261
Total assets		56,164,109	84,338,633	113,991,044

(Unit: Thousand yen)

	Notes	Date of transition to IFRS (October 1, 2016)	End of previous consolidated fiscal year (September 30, 2017)	End of Q3 of current consolidated fiscal year (June 30, 2018)
Liabilities and equity				
Liabilities				
Current liabilities				
Operating and other payables	4	33,251,526	53,448,543	61,691,539
Borrowings		43,860	820,596	2,800,400
Other financial liabilities		64,284	73,549	69,066
Income taxes payable, etc.		846,086	1,574,603	900,915
Other current liabilities		1,329,808	1,992,034	1,753,125
Total current liabilities		35,535,567	57,909,327	67,215,047
Noncurrent liabilities				
Corporate bonds		—	—	16,659,772
Borrowings		45,245	2,999,500	2,399,200
Other financial liabilities		124,533	158,154	162,059
Provision		44,842	63,358	64,055
Deferred tax liabilities		264,606	230,045	266,658
Other noncurrent liabilities		1,097,758	2,208,928	2,106,236
Total noncurrent liabilities		1,576,987	5,659,987	21,657,983
Total liabilities		37,112,554	63,569,315	88,873,030
Equity				
Capital stock		4,712,900	4,712,900	4,712,900
Capital surplus		4,964,712	4,985,781	5,674,448
Retained earnings		8,188,306	9,619,266	11,906,238
Treasury stock		△265,236	△256,269	△242,111
Other items of equity		357,654	613,768	1,947,648
Total equity attributable to owners of parent		17,958,338	19,675,447	23,999,123
Minority interests		1,093,216	1,093,870	1,118,890
Total equity		19,051,554	20,769,318	25,118,013
Total liabilities and equity		56,164,109	84,338,633	113,991,044

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

Condensed consolidated statement of income

		(Unit: Thousand yen)	
	Notes	First nine months of previous consolidated fiscal year (From October 1, 2016 to June 30, 2017)	First nine months of current consolidated fiscal year (From October 1, 2017 to June 30, 2018)
Revenue		15,362,675	19,122,148
Cost of revenue		△4,758,223	△6,498,893
Gross profit		10,604,451	12,623,254
Other income		223,934	148,539
Selling, general and administrative expenses		△7,304,237	△7,472,840
Other expense		△280,499	△108,153
Operating profit		3,243,648	5,190,799
Financial income		53,520	29,695
Financial expense		△51,836	△53,058
Equity method investment gains or loss		△346,523	△125,882
Profit before income taxes		2,898,808	5,041,554
Income tax expenses		△817,964	△2,036,232
Profit		2,080,844	3,005,321
Profit attributable to			
Owners of parent		2,064,596	3,016,049
Non-controlling interests		16,247	△10,727
Profit		2,080,844	3,005,321
Earnings per share			
Basic earnings per share (yen)		55.58	81.87
Diluted earnings per share (yen)		55.57	81.79

Condensed consolidated statement of comprehensive income

		(Unit: Thousand yen)	
	Notes	First nine months of previous consolidated fiscal year (From October 1, 2016 To June 30, 2017)	First nine months of current consolidated fiscal year (From October 1, 2017 to June 30, 2018)
Profit		2,080,844	3,005,321
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Fair value of financial assets measured through other comprehensive income		101,045	2,034,931
Shares of other comprehensive income of equity method affiliates		71,690	72,076
Total of Items that will not be reclassified to profit or loss		172,736	2,107,008
Items that will be reclassified to profit or loss			
Exchange differences on translation of foreign operations		82,966	58,301
Shares of other comprehensive income of equity method affiliates		152,854	△57,284
Total of items that will be reclassified to profit or loss		235,821	1,016
Other comprehensive income after income taxes		408,557	2,108,024
Comprehensive income		2,489,401	5,113,346
Comprehensive income attributable to			
Owners of parent		2,465,726	5,106,897
Minority interests		23,675	6,448
Total		2,489,401	5,113,346

(3) Condensed consolidated statement of changes in equity

First nine months of the previous consolidated fiscal year (From October 1, 2016 to June 30, 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, 2016	4,712,900	4,964,712	8,188,306	△265,236	357,654	17,958,338	1,093,216	19,051,554
Profit	—	—	2,064,596	—	—	2,064,596	16,247	2,080,844
Other comprehensive income	—	—	—	—	401,130	401,130	7,427	408,557
Comprehensive income	—	—	2,064,596	—	401,130	2,465,726	23,675	2,489,401
Disposal of treasury stock	—	50,997	—	8,966	—	59,964	—	59,964
Dividends	—	—	△1,002,996	—	—	△1,002,996	△40,288	△1,043,284
Transfer from accumulated other comprehensive income to retained earnings	—	—	20,903	—	△20,903	—	—	—
Changes in the interests in controlled subsidiary	—	△30,070	—	—	—	△30,070	3,360	△26,710
Share-based payment transaction	—	142	—	—	△142	—	16,507	16,507
Total transactions with owners	—	21,069	△982,092	8,966	△21,045	△973,102	△20,420	△993,523
Balance as of June 30, 2017	4,712,900	4,985,781	9,270,810	△256,269	737,738	19,450,961	1,096,470	20,547,432

First nine months of the current consolidated fiscal year (From October 1, 2017 to June 30, 2018)

(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	9,619,266	△256,269	613,768	19,675,447	1,093,870	20,769,318
Profit	—	—	3,016,049	—	—	3,016,049	△10,727	3,005,321
Other comprehensive income	—	—	—	—	2,090,848	2,090,848	17,176	2,108,024
Comprehensive income	—	—	3,016,049	—	2,090,848	5,106,897	6,448	5,113,346
Disposal of treasury stock	—	73,760	—	14,157	—	87,918	—	87,918
Dividends	—	—	△1,485,920	—	—	△1,485,920	—	△1,485,920
Floitation of convertible bonds with stock acquisition rights	—	543,488	—	—	—	543,488	—	543,488
Transfer from accumulated other comprehensive income to retained earnings	—	—	756,842	—	△756,842	—	—	—
Changes in the interests in controlled subsidiary	—	△30,707	—	—	—	△30,707	—	△30,707
Share-based payment transaction	—	102,125	—	—	△125	102,000	18,570	120,570
Total transactions with owners	—	688,666	△729,077	14,157	△756,967	△783,221	18,570	△764,650
Balance as of June 30, 2018	4,712,900	5,674,448	11,906,238	△242,111	1,947,648	23,999,123	1,118,890	25,118,013

(4) Condensed consolidated statement of cash flows

(Unit: Thousand yen)

Notes	First nine months of previous consolidated fiscal year (From October 1, 2016 to June 30, 2017)	First nine months of current consolidated fiscal year (From October 1, 2017 to June 30, 2018)
Net cash provided by (used in) operating activities		
Profit before income taxes	2,898,808	5,041,554
Depreciation	572,288	703,480
Financial income and expense	△1,683	23,362
Equity method investment gain/loss (△=gains)	346,523	125,882
Increase/decrease in inventories (△=increase)	△32,194	50,628
Increase/decrease in operating and other receivables (△=increase)	△17,014,613	△7,950,682
Increase/decrease in operating and other payables (△=decrease)	15,937,117	8,149,512
Other	776,270	△28,274
Subtotal	3,482,516	6,115,464
Interest and dividends received	16,174	9,025
Interest paid	△21,414	△29,211
Payment for deposit of guaranteed deposit money	△20,000	△30,000
Payment on information security countermeasure expense	△215,235	△67,041
Income taxes paid	△1,737,496	△2,906,751
Net cash provided by (used in) operating activities	1,504,544	3,091,485
Net cash provided by (used in) investing activities		
Purchase of property, plants and equipment	△99,486	△49,538
Purchase of intangible assets	△766,607	△794,931
Purchase of investment securities	△27,687	△302,001
Proceeds from sales and redemption of investment securities	30,947	757,416
Purchase of stocks of subsidiaries and affiliates	△369,329	—
Purchase of other stocks of subsidiaries and affiliates	△125,000	—
Payment for deposit of deposit to subsidiaries and affiliates	—	△7,000,000
Gain from liquidation of subsidiary	27,225	—
Acquisition of other financial assets	△68,359	△7,923
Proceeds from sales of other financial assets	3,152	1,071
Others	△1,055	4,664
Net cash provided by (used in) investing activities	△1,396,200	△7,391,243

(Unit: Thousand yen)

	Notes	First nine months of previous consolidated fiscal year (From October 1, 2016 To June 30, 2017)	First nine months of current consolidated fiscal year (From October 1, 2017 To June 30, 2018)
Net cash provided by (used in) financing activities			
Net increase/decrease in short-term borrowings (△=decrease)		△7,741	2,000,000
Proceeds from long-term borrowings		4,000,000	—
Repayment of long-term borrowings		△56,950	△621,101
Proceeds from issuance of corporate bonds		—	17,457,920
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		△26,960	△30,707
Dividends paid		△1,001,161	△1,482,594
Other		△52,288	△62,478
Net cash provided by (used in) financing activities		2,854,897	17,261,037
Effect of exchange rate changes on cash and cash equivalents		△5,335	3,546
Increase/decrease in cash and cash equivalents (△=decrease)		2,957,904	12,964,825
Balance of cash and cash equivalents at the beginning of the period	1	25,091,091	27,533,515
Cash and cash equivalents at the end of the quarter	1	28,048,996	40,498,341

(5) Notes regarding the going concern assumptions

N/A

(6) Notes regarding condensed consolidated financial statements

1. Cash and cash equivalents

Breakdown of cash and cash equivalents are as follows.

(Unit: Thousand yen)

	Date of transition to IFRS (October 1, 2016)	End of previous consolidated fiscal year (September 30, 2017)	End of Q3 of current consolidated fiscal year (June 30, 2018)
Cash and cash equivalents	25,091,091	27,533,515	32,498,341
Deposits to subsidiaries and affiliates	—	—	8,000,000
Total	25,091,091	27,533,515	40,498,341

2. Operating and other receivables

Breakdown of operating and other receivables are as follows.

(Unit: Thousand yen)

	Date of transition to IFRS (October 1, 2016)	End of previous consolidated fiscal year (September 30, 2017)	End of Q3 of current consolidated fiscal year (June 30, 2018)
Accounts receivable-trade	4,083,117	6,154,731	6,972,764
Advance payments-trade	6,388,955	16,806,222	22,538,104
Accounts receivable-other	1,742,612	14,676,213	17,990,087
Operating loans	7,909,406	7,746,188	6,012,284
Allowance for doubtful accounts	△327,887	△2,393,788	△2,570,247
Other	45,278	1,578	16,411
Total	19,841,482	42,991,145	50,959,404

3. Deposits to subsidiaries and affiliates

Our deposits to subsidiaries and affiliates are the deposits under the CMS of the GMO Internet Group.

4. Operating and other payables

Breakdown of operating and other payables are as follows.

(Unit: Thousand yen)

	Date of transition to IFRS (October 1, 2016)	End of previous consolidated fiscal year (September 30, 2017)	End of Q3 of current consolidated fiscal year (June 30, 2018)
Accounts payable-trade	2,785,256	3,482,504	4,367,733
Accounts payable-other	2,902,451	12,697,663	16,432,043
Deposits received	27,563,819	37,268,376	40,891,762
Total	33,251,526	53,448,543	61,691,539

5. Subsequent events

The Group adopted a resolution of the stock split at the board of directors' meeting held on August 9, 2018 as follows.

(1) Purpose of the stock split

The purpose of the stock split is to lower the share value by trading lot. The Group thinks that lowering minimum investment value makes it easier for investors to purchase our stock, attracts a wider range of investors and improves the liquidity of the Group's shares.

(2) Outline of the stock split

① Stock split method

With Sunday, September 30, 2018 as a baseline date (Friday, September 28, 2018 will be the actual baseline date since September 30 is a non-operating day for the shareholder register administrator), each common share owned by shareholders listed on recorded on the Group's final shareholder register as of the baseline date will be split into two.

② The number of shares to increase with the stock split

a. Total outstanding shares before the stock split	37,150,500 shares
b. The number of shares to increase with the stock split	37,150,500 shares
c. Total outstanding shares after the stock split	74,301,000 shares
d. The number of authorized shares after the stock split	102,400,000 shares

Please note that the total outstanding shares and the number of shares to increase may go up before the baseline date for the stock split when the stock acquisition rights of the Group's convertible bonds are exercised.

③ Stock split dates

a. Official announcement date of the baseline date	Friday, September 14, 2018
b. Baseline date	Sunday, September 30, 2018
c. Effective date	Monday, October 1, 2018

④ Others

- There will be no change to the capital stock value with the stock split.
- Effective date of the stock split will be Monday, October 1, 2018 while the baseline date for the year-end dividend payout for the fiscal year ending September, 2018 will be Sunday, September 30, 2018. Therefore, shareholders' dividend value for FY2018 will be determined based on the number of shares held before the stock split. Further, there will be no changes to the year-end dividend payout forecast with the stock split.

⑤ Effects of the stock split on earnings per share

Earnings per share would have been as follows if the stock split had been executed at the beginning of the previous consolidated fiscal year.

	First nine months of previous consolidated fiscal year (From October 1, 2016 To June 30, 2017)	First nine months of current consolidated fiscal year (From October 1, 2017 To June 30, 2018)
Basic Earnings per share (Japanese yen)	27.79	40.94
Diluted earnings per share (Japanese yen)	27.79	40.90

(3) Adjustment on the conversion price of the Japanese yen denominated zero coupon convertible bonds with stock acquisition rights due 2023

With the stock split, the Group will adjust the conversion price of the Japanese yen denominated zero coupon convertible bonds with stock acquisition rights due 2023 as follows for October 1, 2018 onward.

Name of the securities	Conversion price before adjustment	Conversion price after adjustment
GMO Payment Gateway, Inc. Zero Coupon Convertible Bonds due 2023	15,106 Japanese yen	7,553 Japanese yen