



## Summary of Consolidated Financial Statements for the Term Ended September 30, 2018 (IFRS)

November 12, 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  
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 Scheduled date for the holding of the ordinary general shareholders' meeting: December 16, 2018 Scheduled date of commencement for dividend payment: December 17, 2018  
 Scheduled submission date of securities report: December 17, 2018  
 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 Term Ended September 2018 (From October 1, 2017 to September 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	%
FY2018	26,417	25.5	6,550	65.9	6,700	86.8	4,246	74.8	4,255	75.8	6,085	124.7
FY2017	21,054	—	3,948	—	3,587	—	2,430	—	2,420	—	2,708	—

	Net profit per share	Diluted net profit per share	Return on equity	Return on assets	Operating profit ratio on net sales
	Yen	Yen	%	%	%
FY 2018	57.75	57.46	19.1	6.7	24.8
FY 2017	32.58	32.58	12.9	5.1	18.8

Reference: Equity in earnings of affiliates: FY 2018: Δ203 million yen FY 2017: Δ388 million yen

(Note) In October 1, 2018, our company executed a 2-1 stock split. The values for the FY2017 are calculated on the same base.

#### (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	Total equity attributable to owners of parent per share
	Million yen	Million yen	Million yen	%	yen
FY2018	116,858	26,020	24,796	21.1	336.65
FY2017	84,338	20,769	19,675	23.3	264.83

(Note) In October 1, 2018, our company executed a 2-1 stock split. The values for the FY2017 are calculated on the same base.

#### (3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Closing balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
FY 2018	4,701	Δ8,296	18,067	42,033
FY 2017	1,850	Δ2,012	2,627	27,533

## 2. Dividends

	Dividends per share					Amount of dividends (total)	Dividends payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1Q	2Q	3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2017	0.00	0.00	0.00	40.00	40.00	1,485	61.4	7.9
FY 2018	0.00	0.00	0.00	58.00	58.00	2,154	50.2	9.6
FY 2019 (forecast)	0.00	0.00	0.00	35.00	35.00		50.5	

(Note 1) In October 1, 2018, our company executed a 2-1 stock split. The values for the FY2019 (forecast) are calculated on the same base.

(Note 2) The Group started voluntary application of IFRS in the present consolidated fiscal year.

## 3. Consolidated Financial Forecast for the Fiscal Year Ending September 2019 (From October 1, 2018 to September 30, 2019)

(Percentages represent year-on-year change)

	Revenue		Operating profit		Profit before income taxes		Profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q of FY 2019 (cumulative)	15,202	21.1	4,150	26.9	4,052	27.4	2,469	26.9	2,424	23.5	32.91
Full year	31,850	20.6	8,300	26.7	8,108	21.0	5,206	22.6	5,106	20.0	69.32

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)	FY2018: 74,301,000	FY2017: 74,301,000
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[2] Number of treasury shares at the end of the term	FY2018: 5,000	FY2017: 5,000
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[3] Average number of shares during the term	FY2018: 73,680,448	FY2017: 74,296,000
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(Note 1) 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 and J-ESOP (639,400 shares for FY2018; 640,000 shares for FY2017.)

(Note 2) In October 1, 2018, our company executed a 2-1 stock split. The values for the FY2017 are calculated on the same base.

\* These financial statements are not subject to the 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 "(4) Outlook" under "1. Qualitative Information on Consolidated Financial Statements for the Period" on page 12 of the attachment.

3 Results Presentation for Investors and Analysts: November 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 period

### (1) Consolidated operating results

Forward-looking statements in the document are based on the judgement of the Group at the end of the period 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 full of the previous consolidated fiscal year under IFRS for comparative analysis.

#### ① Consolidated operating results

The earnings results for the current consolidated fiscal year (October 1, 2017 to September 30, 2018) as follows.

(Unit: Thousand yen)

	Previous consolidated fiscal year (From October 1, 2016 to September 30, 2017)	Current consolidated fiscal year (From October 1, 2017 to September 30, 2018)	Rate of change (%)
Revenue	21,054,421	26,417,320	25.5
Operating profit	3,948,395	6,550,904	65.9
Profit before income taxes	3,587,058	6,700,079	86.8
Profit attributable to owners of parent	2,420,851	4,255,069	75.8

#### a. Revenue

The Group's revenue surged to 26,417,320 thousand yen, up by 25.5% 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 service of authentication, notification and mobile payment..

Our revenue breakdown by business model is as follows.

(Unit: Thousand yen)

Business model	Previous consolidated fiscal year (From October 1, 2016 to September 30, 2017)	Current consolidated fiscal year (From October 1, 2017 to September 30, 2018)	Rate of change (%)
Initial (Initial revenue)	1,368,868	1,501,377	9.7
Stock (Monthly revenue)	2,885,230	3,445,115	19.4
Fee (Transaction processing revenue)	7,527,812	10,364,887	37.7
Spread (Merchant acquiring service revenue)	9,272,510	11,105,940	19.8
Total	21,054,421	26,417,320	25.5

#### b. Operating profit

The Group's operating profit reached 6,550,904 thousand yen, up by 65.9% year-on-year, on track for the Group's earnings forecast for the consolidated full fiscal year.

Segment-wise, payment processing business was 8,064,804 thousand yen, a year-on-year increase of 26.7%,

Money Service Business stood at 1,377,684 thousand yen, a year-on-year increase of 847.4%, and the payment enhancement business amounted to Δ177,971 thousand yen, in contrast with the income of 204,701 thousand yen in the previous year. The segment loss of payment enhancement business includes an impairment loss of goodwill of 359.469 thousand yen relating to Marco Kiosk Berhad.

c. Profit before income taxes

Factors in a. and b. were translated into profit before income taxes of 6,700,079 thousand yen, a year-on-year increase of 86.8%. Since investment losses by equity method decreased while financial incomes increased on a year-on-year basis, the rate of increase of profit before income taxes for the current term exceeded that of operating profit.

②Results by segment

Performance by reportable segment is explained below.

(Unit: Thousand yen)

Segment	Previous consolidated fiscal year (From October 1, 2016 to September 30, 2017)	Current consolidated fiscal year (From October 1, 2017 to September 30, 2018)	Rate of change (%)
Payment Processing Business			
Revenue	11,899,839	14,801,499	24.4
Operating profit	6,364,768	8,064,804	26.7
Money Service Business			
Revenue	4,967,201	6,254,505	25.9
Operating profit	145,422	1,377,684	847.4
Payment Enhancement Business			
Revenue	4,187,381	5,361,315	28.0
Operating profit	204,701	△177,971	—
Adjustments			
Revenue	—	—	—
Operating profit	△2,766,496	△2,713,612	—
Total			
Revenue	21,054,421	26,417,320	25.5
Operating profit	3,948,395	6,550,904	65.9

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 that new merchants have successfully been acquired due to revisions of the Installment Sales Act, with steady growth of Ecommerce markets. In addition to the growth of existing merchants, a wider variety of business operators other than those in the Ecommerce markets have also used the Group's services, resulting in increase of the volume and value of payment processing which has contributed to expansion of revenue of this business segment.

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., the Bank of Fukuoka, Ltd., Kumamoto Bank, Ltd. and Shinwa Bank Ltd, that used our platform to deliver the service during the period under review. The Group has planned adoption of the platform by the three banks under Resona Group (Resona Bank, Limited, Saitama Resona Bank, Limited, and The Kinki Osaka Bank, Ltd.), and the Japan Post Bank Co., Ltd. Additionally, Tokyu Corporation, the Bank of Yokohama, Ltd., Japan Post Bank Co., Ltd. and the Group start to develop 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.

As a result, the segment's revenue came in at 14,801,499 thousand yen, a year-on-year increase of 24.4%, and its operating profit totaled 8,064,804 thousand yen, a year-on-year increase of 26.7%.

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 current 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 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. In addition, the Group cooperated with Sompo Japan Nipponkoa Insurance Inc. and start to provide GMO B2B Early Payment to providers who take out general commercial credit insurance of Sompo Japan Nipponkoa Insurance Inc. on September 2018.

These factors have led to segment revenue of 6,254,505 thousand yen, up by 25.9% year-on-year .As a results that various corporate efforts to reduce credit risks decreased selling and general administrative expenses (SG&A), segment operating profit of 1,377,684 thousand yen, up by 847.4% year-on-year



c. Payment enhancement business

Payment enhancement business includes services of authentication and notification(EMS business) and a service of mobile payment(MPS business) 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 current consolidated fiscal year, As a result of Macro Kiosk Berhad's revenue in its mainstay authentication, notification and mobile payment business grew the revenue increased 28.0% year-on-year.

With respect to revenue by business, the revenue of EMS business as a core business of Macro Kiosk Berhad increased by about 37.1% on a year-on-year basis, with an expectation of its continuous growth in the future.

On the other hand, the revenue of MPS business decreased by about 14.1% on the same basis. In addition to these business situations, by taking market environment surrounding the Group and its competitors' activities into consideration, the Group considered that it would be likely to fail to achieve its original mid-term plan formulated in acquiring the ownership of such company as a subsidiary and therefore posted an impairment loss of goodwill of 359,469 thousand yen. However, the Group considers that such company has an important position or role for business development of the Group in South East Asian markets, and Macro Kiosk Berhad aims for continuous growth of its revenue and operating profit at an annual growth rate of 25% or more in the future, by strengthening EMS business as well as by appropriately reducing costs and expenses.

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 5,361,315 thousand yen, a year-on-year increase of 28.0%, and a segment operating loss of 177,971 thousand yen, that contrasts with the operating profit of 204,701 thousand yen in the same time previous year.

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 current consolidated fiscal year under review were up 32,520,324 thousand yen from the end of the previous consolidated fiscal year at 116,858,957 thousand yen. An increase of cash and cash equivalents by 14,499,608 thousand yen, an increase of advance payments by 5,461,523 thousand yen, an increase of accounts receivable - other by 3,302,055 thousand yen and an increase in deposit to subsidiaries and affiliates by 7,000,000 thousand yen contributed to the larger assets.

The Group has 5,000,000 thousand yen deposits to subsidiaries and affiliated companies included in the cash and cash equivalents at the end of the current consolidated fiscal year. 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 12,000,000 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 current consolidated fiscal year under review stood at 90,838,939 thousand yen, higher than the end of the previous consolidated fiscal year by 27,269,624 thousand yen. Such increase mainly came from accounts payable - trade by 1,180,759 thousand yen, an increase of accounts payable - other by 3,042,408 thousand yen, an increase of deposits received by 3,822,138 thousand yen, an increase of debt by 480,403 thousand yen and the addition of corporate bonds by 16,676,929 thousand yen.

#### c. Equity

Equity balance at the end of the current consolidated fiscal year under review was 26,020,018 thousand yen, higher by 5,250,700 thousand yen than the end of the previous consolidated fiscal year. Retained earnings increase of 3,256,180 thousand yen led to the larger equity.

### ② Status of consolidated cash flows

Cash and cash equivalents (hereinafter called as "fund") increased by 14,499,608 thousand yen over the current consolidated fiscal year to 42,033,124 thousand yen. The state of cash flows over the current consolidated fiscal year is presented below.

#### a. Cash flow of operating activities

Fund provided by operating activities in the current consolidated fiscal year amounted to 4,701,537 thousand yen, which contrasts with the provision of 1,850,553 thousand yen in the same period a year before. Despite an increase in advance payments by 5,461,523 thousand yen and an increase in accounts receivable - other by 3,317,499 thousand yen that dragged down the fund balance, an increase in profit before income taxes by 6,700,079 thousand yen and an increase in deposits received by 3,821,385 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 current consolidated fiscal year totaled 8,296,214 thousand yen, which contrasts with the usage of 2,012,253 thousand yen in the same period previous year. This is due to the outflow of 1,076,813 thousand yen from an acquisition of intangible assets, and the deposit to

subsidiaries and affiliated companies for 7,000,000 thousand yen, in spite of the sales of investment securities for 823,103 thousand yen.

c. Cash flow of financing activities

The amount of fund provided in financing activities over the current consolidated fiscal year totaled 18,067,432 thousand yen, which contrasts with the provision of 2,627,042 thousand yen in the same period previous year. This is due to the issuing corporate bonds for 17,437,403 thousand yen despite the payout of dividends for 1,483,765 thousand yen.

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

We consider that returning stable profit to our shareholders while continuing to secure retained earnings necessary to expand business and to reinforce corporate robustness is our major management mission. We are planning to pay 58 yen per share as dividend for the fiscal year under review.

As for the dividend for the next term, considering the strong expectations for our business expansion, we are planning a dividend payout of 35 yen per share in a bid to further strengthen shareholder returns by continuing the consecutive dividend increase and to enhance corporate value in the medium-to-long term.

The Group executed a 2-for-1 stock split of common stock as of October 1, 2018 for the purpose of expanding the base of investors as well as of enhancing liquidity of its stocks, by creating an environment where all of the investors can make investments more easily. The expected dividend for the next term is the amount after considering such split

We are committed to continue to effectively use our retained earnings for further enhancement of our corporate strength and proactive business expansion.

(4) Outlook

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 broadening, represented by enlarging B2B and C2C Ecommerce.

For the accounting period ending September 2019, The Group forecasts its revenue increase through activities such as acquisition of major merchants and merchants with growth potential in online payment, recurring payment and card-present payment fields in the payment processing business, and promotion of support services to financial institutions and financial service providers, as well as due to the growth of Macro Kiosk Berhad in the payment enhancement business.

Consequently, our earnings forecast for consolidated accounting period ending September 30, 2019 are as follows: revenue 31,850 million yen (20.6% year-on-year increase); operating profit 8,300 million yen (26.7% year-on-year increase); Profit before income taxes 8,108 million yen (21.0% year-on-year increase); Profit attributable to owners of parent 5,106 million yen (20.0% year-on-year increase).

## 2. Management Policy

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

The management principle of the group is to “pursue both spiritual and material prosperity for our partners by contributing to society.”

■We contribute to the progress of our society with a strong intention to create and develop markets, and with transparency in expanding businesses.

■We define our partners as our employees of high morals, customers and business partners.

■Our employees possess richness of spirit, advanced problem-solving abilities, and a high level of professionalism. They always pursue richness of spirit when they exchange values with our customers.

Based on the management principle, our mission is to become the best payment infrastructure in Japan and to contribute to safe and easy use of payment processing services for merchants and consumers. We are expanding our businesses according to the following management policy:

#### ●Be responsive to society’s diverse and changing needs

Spirit of innovation : We strive to maintain/support technical superiority of our products

Flexibility : Our project proposals are appropriate for the growing market’s speed.

#### ●Establish the value of existence

Uniqueness : We strive to maintain the value of our company’s existence through customer-oriented services.

Profitability : We surpass competitors by pursuing revenue growth, and establish an unwavering position in the Industry.

Independence / Education: Our training program is designed to cultivate business people with a high level of self-sufficiency who will become model employees in all aspects: performance results, attitude, and mindset.

#### ●Pursue all possible conditions for making profit

Sociability : With a focus on healthy business, we will continue to actively develop untapped markets in the area of various payment processing solutions.

Rationality : We always make business judgments quickly and impartially considering important economic rationality.

#### ●Be responsible to shareholders

We strive to maximize the shareholder value by considering capital efficiency.

In actively conducting IR activities we always provide our shareholders with appropriate information.

### (2) Target management index

The group’s main management goal is a 25% growth in operating profit.

After the investments necessary to maintain a 25% CAGR in the medium-to long-term, operating profit increased 65.9% in the fiscal year ended September 30, 2018. We forecast operating profit to grow 26.7% in the fiscal year ending September 30, 2019.

The group will continue to deliver online payment infrastructure, contributing to the creation of a more convenient and secure Ecommerce environment and improvement of Japan’s Ecommerce ratio. We will also endeavor to expand our operations by developing new businesses, capital/ business tie-ups with partners, founding new subsidiaries, and expanding services globally.

### (3) Challenges to be addressed by the Company

#### ①Strengthening the information security

We provide credit card payment processing services, and process and manage material information such as credit card numbers. As part of the process to strengthen risk management system and prevention of information leaks, we obtained certifications of ISO/IEC 27001:2013 (Japanese Standards, JIS Q27001: 2014), the global standards for information security management, for all of our business offices for the first time as a listed payment processing services company. Consequently, our information security management system has been objectively assessed to be appropriate and safe in compliance with strict international standards.

With regards to PCI DSS which was jointly established by five international credit card companies: JCB; American Express; Discover; MasterCard; and VISA, after obtaining the first certification in December 2008, we have passed annual recertification review nine times and have obtained the latest certification in December 2017.

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

② Strengthening the system development capabilities

The group's business fields are deeply related to the Internet and we recognize that to provide customers with competitive products, it is important to adopt competitive technologies and services in a timely manner.

At present, our internal personnel incorporate changes in the system environment or requests from customers into our system designs and outsource programming work to provide efficient and quality services. We will try to continue to secure highly-skilled developers and further strengthen system development capabilities and services.

③ Strengthening the collaboration business

We recognize that to ensure stable growth, it is essential to establish mutually-beneficial business collaborations with corporations covering many merchants, payment companies or Ecommerce website builders to efficiently acquire new merchants.

The Company is fond of employing the above-mentioned business style, and it will continue to seek more of such business collaborations, which are and will be tracked by its management team.

④ Expansion of business portfolio

As its management strategy, the group has always strived to expand its business domains; we have stretched online payment fields of our coverage from mainly in B2C Ecommerce to public dues, utility charges, service commerce, B2B and C2C market space; we have also started a new type of payment service with the founding of GMO Payment Service Inc. In the previous fiscal year, we strengthened our overseas operations by acquiring Macro Kiosk Berhad, and expanded offline payment business by turning GMO Financial Gate Inc. into our subsidiary. We will continue to stretch our multifaceted business portfolio with its core being payment processing service, and strive to consecutively boost profits.

### 3. Basic Stance on Accounting Standard Selection

The group plans to voluntarily adopt International Financial Reporting Standards (IFRS) from the current fiscal year considering its engagement in global business expansion. Migration to IFRS should improve convenience on the part of our various stakeholders including domestic/overseas shareholders and investors, making comparison of our financial data with overseas peers easier and allowing for more expanded disclosure.

#### 4. Condensed Consolidated Financial Statements

##### (1) Condensed consolidated balance sheet

(Unit: Thousand yen)

	Date of transition to IFRS (October 1, 2016)	End of previous consolidated fiscal year (September 30, 2017)	End of current consolidated fiscal year (September 30, 2018)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	25,091,091	27,533,515	42,033,124
Operating and other receivables	11,984,007	13,769,014	13,236,930
Advance payments	6,388,955	16,806,222	22,267,745
Accounts receivable - other	1,468,519	12,415,909	15,717,965
Inventories	39,350	94,478	64,537
Deposits to subsidiaries and affiliates	—	—	7,000,000
Other financial assets	46,147	50,895	706,745
Other current assets	430,194	408,993	1,205,270
<b>Total current assets</b>	<b>45,448,267</b>	<b>71,079,028</b>	<b>102,232,318</b>
<b>Noncurrent assets</b>			
Tangible assets	400,648	461,558	450,918
Goodwill and other intangible assets	4,193,386	4,766,089	4,934,688
Investments accounted for using equity method	2,500,061	2,970,709	2,938,426
Other financial assets	3,186,744	3,260,718	5,444,421
Deferred tax assets	425,935	1,792,840	833,886
Other noncurrent assets	9,066	7,688	24,297
<b>Total noncurrent assets</b>	<b>10,715,842</b>	<b>13,259,604</b>	<b>14,626,639</b>
<b>Total assets</b>	<b>56,164,109</b>	<b>84,338,633</b>	<b>116,858,957</b>



(Unit: Thousand yen)

	Date of transition to IFRS (October 1, 2016)	End of previous consolidated fiscal year (September 30, 2017)	End of current consolidated fiscal year (September 30, 2018)
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable-trade	2,785,256	3,482,504	4,663,264
Accounts payable-other	2,902,451	12,697,663	15,740,072
Deposits received	27,634,302	37,406,795	41,228,933
Borrowings	43,860	820,596	4,101,400
Other financial liabilities	64,284	73,549	98,852
Income taxes payable, etc	846,086	1,574,603	1,530,203
Provision	—	—	7,388
Other current liabilities	1,259,325	1,853,615	2,030,282
<b>Total current liabilities</b>	<b>35,535,567</b>	<b>57,909,327</b>	<b>69,400,397</b>
<b>Noncurrent liabilities</b>			
Corporate bonds	—	—	16,676,929
Borrowings	45,245	2,999,500	2,199,100
Other financial liabilities	124,533	158,154	185,223
Provision	44,842	63,358	64,055
Deferred tax liabilities	264,606	230,045	205,749
Other noncurrent liabilities	1,097,758	2,208,928	2,107,484
<b>Total noncurrent liabilities</b>	<b>1,576,987</b>	<b>5,659,987</b>	<b>21,438,542</b>
<b>Total liabilities</b>	<b>37,112,554</b>	<b>63,569,315</b>	<b>90,838,939</b>
<b>Equity</b>			
Capital stock	4,712,900	4,712,900	4,712,900
Capital surplus	4,964,712	4,985,781	5,758,448
Retained earnings	8,188,306	9,619,266	12,875,446
Treasury stock	△265,236	△256,269	△491,893
Other items of equity	357,654	613,768	1,941,305
<b>Total equity attributable to owners of parent</b>	<b>17,958,338</b>	<b>19,675,447</b>	<b>24,796,206</b>
Minority interests	1,093,216	1,093,870	1,223,811
<b>Total equity</b>	<b>19,051,554</b>	<b>20,769,318</b>	<b>26,020,018</b>
<b>Total liabilities and equity</b>	<b>56,164,109</b>	<b>84,338,633</b>	<b>116,858,957</b>

(2) Condensed consolidated statement of income

Condensed consolidated statement of income

	(Unit: Thousand yen)	
	Previous consolidated fiscal year (From October 1, 2016 to September 30, 2017)	Current consolidated fiscal year (From October 1, 2017 to September 30, 2018)
Revenue	21,054,421	26,417,320
Cost of revenue	△6,530,238	△9,080,227
Gross profit	14,524,183	17,337,092
Other income	235,743	165,290
Selling, general and administrative expenses	△10,536,010	△10,470,657
Other expense	△275,520	△480,820
Operating profit	3,948,395	6,550,904
Financial income	71,285	415,961
Financial expense	△43,692	△63,370
Equity method investment gains or loss	△388,930	△203,416
Profit before income taxes	3,587,058	6,700,079
Income tax expenses	△1,156,785	△2,453,113
Profit	2,430,273	4,246,965
Profit attributable to		
Owners of parent	2,420,851	4,255,069
Non-controlling interests	9,421	△8,104
Profit	2,430,273	4,246,965
Earnings per share		
Basic earnings per share (yen)	32.58	57.75
Diluted earnings per share (yen)	32.58	57.46

## (3) Condensed consolidated statement of cash flows

	(Unit: Thousand yen)	
	Previous consolidated fiscal year (From October 1, 2016 to September 30, 2017)	Current consolidated fiscal year (From October 1, 2017 to September 30, 2018)
Net cash provided by (used in) operating activities		
Profit before income taxes	3,587,058	6,700,079
Depreciation	782,553	965,935
Impairment loss	—	359,469
Financial income and expense (△=gains)	△27,592	△336,379
Equity method investment gain/loss (△=gains)	388,930	203,416
Increase/decrease in inventories (△=increase)	△55,029	29,940
Increase/decrease in operating and other receivables (△=increase)	△1,686,437	572,142
Increase/decrease in advance payments (△=gains)	△10,417,266	△5,461,523
Increase/decrease in accounts receivable - other(△=gains)	△10,787,374	△3,317,499
Increase/decrease in accounts payable - trade (△=increase)	574,451	1,139,789
Increase/decrease in accounts payable - other (△=increase)	9,868,300	2,995,397
Increase/decrease in deposits received (△=increase)	9,772,492	3,821,385
Other	1,858,238	46,679
Subtotal	3,858,323	7,718,835
Interest and dividends received	21,973	23,943
Interest paid	△29,549	△39,929
Payment for deposit of guaranteed deposit money	△20,000	△30,000
Payment on information security countermeasure expense	△227,555	△67,041
Income taxes paid	△1,752,639	△2,904,269
Net cash provided by (used in) operating activities	1,850,553	4,701,537
Net cash provided by (used in) investing activities		
Increase in rested deposits	—	△655,422
Purchase of property, plants and equipment	△101,717	△77,500
Purchase of intangible assets	△1,089,470	△1,076,813
Purchase of investment securities	△221,236	△333,519
Proceeds from sales and redemption of investment securities	30,947	823,103
Purchase of stocks of subsidiaries and affiliates	△466,122	—
Purchase of other stocks of subsidiaries and affiliates	△125,000	—
Payment for deposit of deposit to subsidiaries and affiliates	—	△7,000,000
Collection of long-term loans receivable	—	79,200
Gain from liquidation of subsidiary	27,225	—
Acquisition of other financial assets	△70,791	△9,699
Proceeds from sales of other financial assets	3,271	1,070
Others	639	△46,632
Net cash provided by (used in) investing activities	△2,012,253	△8,296,214

	(Unit: Thousand yen)	
	Previous consolidated fiscal year (From October 1, 2016 to September 30, 2017)	Current consolidated fiscal year (From October 1, 2017 to September 30, 2018)
Net cash provided by (used in) financing activities		
Net increase/decrease in short-term borrowings (△=decrease)	—	3,300,000
Proceeds from long-term borrowings	4,000,000	—
Repayment of long-term borrowings	△271,840	△821,156
Proceeds from issuance of corporate bonds	—	17,437,403
Purchase of treasury shares	—	△249,782
Dividends paid	△1,001,247	△1,483,765
Other	△99,870	△115,267
Net cash provided by (used in) financing activities	2,627,042	18,067,432
Effect of exchange rate changes on cash and cash equivalents	△22,918	26,852
Increase/decrease in cash and cash equivalents (△=decrease)	2,442,424	14,499,608
Balance of cash and cash equivalents at the beginning of the period	25,091,091	27,533,515
Cash and cash equivalents at the end of the quarter	27,533,515	42,033,124

## 5. Others

Changes of directors (planned to be effective December 16, 2018)

① Change of representative director

N/A

② Other changes of directors

The Group plans to newly establish a management meeting as a decision-making body for execution of important operations in order to enhance its management supervision function by separation of supervision and execution. Accordingly, the following officers will be relocated. The management meeting will consist of part of directors and executive officers including representative director, in pursuit of appropriate and quick decision-making as well as efficient execution of operations.

• A new director candidate

Director Hiroyuki Nishiyama (Current Director, Executive Vice President of GMO Internet, Inc.)

Director Hiroshi Yamashita (Current Senior Managing Director of GMO Internet, Inc.)

• An incumbent director to retire

Director Tomoyuki Murakami (Planned to be Managing Executive Officer)

Director Shinichi Sugiyama (Planned to be Managing Executive Officer)

Director Yusuke Arai (Planned to be Managing Executive Officer)

Director Masaru Yoshioka (Planned to be Managing Executive Officer)

• A new auditor candidate

Auditor Yumi Hokazono (Current President of Yumi Hokazono certified public accountant office )

• An incumbent auditor to retire

Auditor Yasuhiro Kanda