

## Summary of Consolidated Financial Statements for the First Quarter, FY2019 (IFRS)

February 12, 2019

Exchange: First Section of Tokyo Stock Exchange

Name of listed company:	GMO Payment Gateway, Inc.		
Stock code:	3769	URL: <a href="https://corp.gmo-pg.com/en/">https://corp.gmo-pg.com/en/</a>	
Representative:	Issei Ainoura	President & Chief Executive Officer	
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Scheduled submission date of quarterly report	February 14, 2019	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, FY2019 (From October 1, 2018 to December 31, 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	%
Q1 FY2019	8,246	35.2	2,076	30.2	1,934	22.0	1,050	22.9	1,079	25.4	213	Δ79.7
Q1 FY2018	6,098	26.4	1,594	28.7	1,585	35.3	854	36.3	860	41.1	1,051	Δ4.7

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Q1 FY2019	14.67		14.39	
Q1 FY2018	11.58		11.58	

(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
	Million yen	Million yen	Million yen	%
Q1 FY2019	132,387	23,226	22,024	16.6
FY2018	116,858	26,020	24,796	21.2

### 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	58.00	58.00
FY 2018	0.00				
FY 2018 (forecast)		0.00	—	35.00	35.00

(Note 1) Revision to the most recently released dividend forecast: No

(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.

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

(Full year % represents previous term comparison; Interim % represents 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

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

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 FY2019: 74,301,000     FY 2018: 74,301,000  
(including treasury stock)

[2] Number of treasury shares at the end of the term     Q1 FY2019: 5,076     FY 2018: 5,000

[3] Average number of shares during the term     Q1 FY2019: 73,563,591     Q1 FY2018: 74,296,000

(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; 734,205 shares for 1Q FY2019.)

(Note 2) 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 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.

- 2 Results Presentation for Investors and Analysts: February 14, 2019. 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.

#### ① Consolidated operating results

The Group announces its earnings results for the cumulative first quarter of the cumulative consolidated fiscal year (October 1, 2018 to December 31, 2018) as follows.

(Unit: Thousand yen)

	First three months of the previous consolidated fiscal year (From October 1, 2017 to December 31, 2017)	First three months of the current consolidated fiscal year (From October 1, 2018 to December 31, 2018)	Rate of change (%)
Revenue	6,098,938	8,246,908	35.2
Operating profit	1,594,464	2,076,207	30.2
Profit before income taxes	1,585,482	1,934,930	22.0
Profit attributable to owners of parent	860,460	1,079,216	25.4

#### a. Revenue

The Group's revenue surged to ¥8,246 mil., up by 35.2 % year-on-year. The payment processing business revenue continued to grow thanks to the steady growth of Ecommerce market, coupled with expansion of the Group's service coverage in non-Ecommerce field. Our money service business (MSB) revenue also rose from the steady expansion of transaction value in "GMO payment after delivery," an after-the-fact type of payment service. The payment enhancement business revenue grew driven by Macro Kiosk's strong revenue growth, 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.

Effective from this First Quarter of the cumulative consolidated fiscal year 2019, we have reclassified the software development revenue from Initial to Stock. Additionally, with the adoption of IFRS 15, the software development revenue for the payment processing service is recognized as prorated over the life of the service provision period, compared to the previous lump sum method. The amount reclassified from Initial to Stock is ¥180 mil. for the First Quarter of the cumulative consolidated fiscal year (October to December 2018). There is no retroactive reclassification for the First Quarter of the previous cumulative consolidated fiscal year 2018 as the adjustment of the cumulative effect from initial application of IFRS 15 is made against Retained Earnings balance at the start of the First Quarter of this cumulative consolidated fiscal year 2019.

(Unit: Thousand yen)

Business model	First three months of the previous consolidated fiscal year (From October 1, 2017 to December 31, 2017)	First three months of the current consolidated fiscal year (From October 1, 2018 to December 31, 2018)	Rate of change (%)
Initial (Initial revenue)	251,041	393,654	56.8
Stock (Monthly revenue)	795,869	1,184,653	48.9
Fee (Transaction processing revenue)	2,360,807	3,072,803	30.2
Spread (Merchant acquiring service revenue)	2,691,219	3,595,796	33.6
Total	6,098,938	8,246,908	35.2

b. Operating profit

The Group's operating profit reached ¥2,076 mil., up by 30.2% year-on-year, on track to achieve the Group's consolidated fiscal year forecast.

By segment, payment processing business operating profit was ¥2,428 mil., an increase of 44.8% YoY; Money Service Business stood at ¥645 mil., an increase of 66.7% YoY; and, payment enhancement business recorded a loss of ¥77 mil. (the previous First Quarter amount is a profit of ¥47mil.).

c. Profit before income taxes

Pre-tax profit was ¥1,934 mil. an increase of 22.0% year-on-year, from the reasons stated above in a. and b., as well as currency losses incurred the First Quarter, compared to the currency gains recorded in the previous First Quarter.

② Results 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, 2017 to December 31, 2017)	First three months of the current consolidated fiscal year (From October 1, 2018 to December 31, 2018)	Rate of change (%)
Payment Processing Business			
Revenue	3,311,505	4,737,738	43.1
Operating profit	1,677,270	2,428,285	44.8
Money Service Business			
Revenue	1,525,907	2,014,326	32.0
Operating profit	387,503	645,908	66.7
Payment Enhancement Business			
Revenue	1,261,524	1,494,843	18.5
Operating profit	47,734	△77,924	—
Adjustments			
Revenue	—	—	—
Operating profit	△518,043	△920,062	—
Total			
Revenue	6,098,938	8,246,908	35.2
Operating profit	1,594,464	2,076,207	30.2

a. Payment processing business

For the payment processing business, the main focus areas consist of online payment, recurring payment and, card-present payment.

Both the transaction volume and value has expanded significantly, thanks to the secular growth in online payment and recurring payment of the Ecommerce market coupled with the Installment Sales Act amendment that enabled the acquisition of large scale merchants since last year. Segment revenues benefited from the expanded service usage by non-Ecommerce customers, steady growth of existing Ecommerce merchants, as well as the efforts made to acquire large-scale and high-growth new merchants.

As part of the services to support financial institutions and financial service providers in their businesses areas to create a cashless society, the Group has been providing “Ginko Pay” platform system, mobile phone payment app service linked to the bank account, which was co-developed by the Bank of Yokohama and the Group. The Group’s focus is to expand the adoption of Ginko Pay to other financial institutions and other service providers. The Bank of Yokohama Ltd. and the Bank of Fukuoka Ltd. (which includes The Bank of Fukuoka the Kumamoto Bank Ltd. and, Shinwa Bank Ltd.) have launched services that utilize the Ginko Pay platform, and rollout of Ginko Pay-linked services are anticipated at Resona Group (the Group banks of Resona Bank Limited, Saitama Resona Bank Limited, The Kinki Osaka Bank Ltd) and Japan Post Bank Co. Ltd. Furthermore, The Bank of Okinawa and Hokuoku Financial Group (which includes The Hokkaido Bank and the Hokuoku Bank). As a result, segment revenues reached ¥4,737 mil. an increase of 43.1% and segment operating profit was ¥2,428 mil. an increase of 44.8%.

b. Money Service Business

Money Service Business (MSB) includes the Early Payment Service to help merchants receive sales proceeds earlier to 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.

For the period under review, GMO Payment After Delivery, Early Payment Service and the Remittance Service

all showed steady increase, and the overseas lending service which was launched in the previous year, also contributed to increase the segment revenue.

As a result of the above, segment revenue reached to ¥2,014 mil. an increase of 32.0% year-on-year, and operating profit reached ¥645 mil. an increase of 66.7% year-on-year, boosted both by revenue growth as well as lowered credit costs and corporate-wide efforts to reduce expenses.

c. Payment enhancement business

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

Under the first quarter in review, Macro Kiosk Berhad's revenue grew 20.5% year-on-year, with its mainstay EMS business growing 22.2% year-on-year that's to expanding the service coverage to emerging economies of Vietnam in addition to the existing focus market of Malaysia. The MPS business grew a sluggish 8.5% year-on-year due to headwinds from external factors. Despite the continued growth in segment revenue, the segment operating profit recorded a loss from strategic upfront investment to establish out business foundations and foreign currency loss from increased amount of transactions between subsidiary.

Online advertising service revenue increased 9.0% year-on-year despite the slowdown of ad placements in some of the services that were adversely affected by external factors.

As a result of the above, segment revenue was ¥1,494 mil. and increase of 18.5% year-on-year, and segment loss was ¥77 mil. (previous First Quarter was a profit of ¥47mil.)

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 was up ¥15,528 mil. from the end of the previous consolidated fiscal year at ¥132,387 mil. The increase in total assets is mainly due to cash and cash equivalents increasing by ¥7,523 mil., increase in advance payment of ¥2,009 mil. and increase in accrued income of ¥6,847 mil.

The Group has ¥5,000 mil., 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 mil., 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 mil., 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 first quarter of the consolidated fiscal year under review stood at ¥109,161 mil., higher than the end of the previous consolidated fiscal year by ¥18,322 mil. This increase is mainly due to increase in accrued expenses of ¥6,197 mil., and increase in deposits received of ¥12,100mil.

#### c. Equity

Equity balance at the end of the first quarter of the consolidated fiscal year under review was ¥23,226 mil., lower by ¥2,793 mil. from the end of the previous consolidated fiscal year. Dividend paid out of retained earnings amounted to ¥2,136 mil.

### ② Status of consolidated cash flows

Cash and cash equivalents (hereinafter called "fund") increased by ¥7,523 mil. versus the balance at the start of the term, to ¥49,556 mil. The state of cash flows over the three months under review is discussed below.

#### a. Cash flow from operating activities

Net funds provided by operating activities in the first quarter amounted to ¥9,997 mil., which compares to ¥9,537 mil. in the same period a year before. This resulted from the net effect of cash outflows of (i) increase in advances paid ¥2,009 mil., (ii) increase in accrued revenues ¥6,847 mil. (iii) corporate and income tax payment of ¥1,541 mil., and cash inflows of (i) profit before tax of ¥1,934 mil., (ii) increase in accrued expenses ¥6,255 mil., and (iii) increase in deposits received of ¥11,948 mil.

#### b. Cash flow from investing activities

Net funds provided by investing activities over the consolidated first quarter under review totaled ¥316 mil., which compares to a net fund usage of ¥381 mil. in the same period previous year. This is due to the net impact of the cash outflow of ¥330 mil. from the acquisition of intangible assets and cash inflow from repayments for compulsory deposits of ¥689 mil.

#### c. Cash flow from financing activities

Net funds used by financing activities over the consolidated first quarter under review was a ¥2,733 mil., which compares to ¥1,705 mil. in the same period of the previous year. This is due to cash outflow from share



buybacks of ¥689 mil. and dividend payout of ¥2,118 mil..

(3) Review of consolidated earnings forecasts and other forecasts

The Group's core business is positioned within the Ecommerce market in Japan, and Japan's B2C Ecommerce for merchandizing continues to grow very rapidly, helped by favorable externalities such as increased penetration of smartphone and logistic/distribution industry reforms. At the same time, scope of Ecommerce market itself is expanding from the online migration of B2B and C2C Ecommerce.

For the fiscal year ending September 2019, the Group forecasts across the board growth in all its segments of payment processing business, Money Service Business and payment enhancement business, through acquisition of large and high-growth merchants and financial institutions, expansion of GMO payment after delivery.

The earnings forecast for consolidated fiscal year ending September 30, 2019 are: revenue of ¥31,850 mil. (an increase 20.6% year-on-year), operating profit ¥8,300 mil. (an increase of 26.7% year-on-year), profit before tax ¥8,108 mil. (an increase of 21.0% year-on-year) and profit attributable to owners of parent company ¥5,106 mil. (an increase of 20.0% YoY).

## 2. Condensed Consolidated Financial Statements and Major Notes

### (1) Condensed consolidated balance sheet

(Unit: Thousand yen)

	Notes	End of previous consolidated fiscal year (September 30, 2018)	End of Q1 of current consolidated fiscal year (December 31, 2018)
<b>Assets</b>			
Current assets			
Cash and cash equivalents	②	42,033,124	49,556,828
Operating and other receivables	③,⑤	13,236,930	13,757,221
Advances paid		22,267,745	24,277,714
Accrued revenue		15,717,965	22,565,740
Inventories		64,537	79,469
Deposits to subsidiaries and affiliates	④	7,000,000	7,000,000
Other financial assets		706,745	60,132
Other current assets		1,205,270	1,074,545
Total current assets		102,232,318	118,371,652
Noncurrent assets			
Tangible assets		450,918	527,539
Goodwill and other intangible assets		4,934,688	4,970,680
Investments accounted for using equity method		2,938,426	2,859,881
Other financial assets		5,444,421	4,278,859
Deferred tax assets		833,886	1,291,043
Other noncurrent assets		24,297	87,750
Total noncurrent assets		14,626,639	14,015,754
Total assets		116,858,957	132,387,407

			(Unit: Thousand yen)	
	Notes	End of previous consolidated fiscal year (September 30, 2018)	End of Q1 of current consolidated fiscal year (December 31, 2018)	
Liabilities and equity				
Liabilities				
Current liabilities				
Operating and other payables		4,663,264	5,136,819	
Accrued expenses	⑤	15,740,072	21,937,117	
Deposits received	⑤	41,228,933	53,329,460	
Borrowings		4,101,400	4,400,400	
Other financial liabilities		98,852	104,419	
Income taxes payable, etc.		1,530,203	578,951	
Provisions		7,388	7,773	
Other current liabilities		2,030,282	2,354,348	
Total current liabilities		69,400,397	87,849,291	
Noncurrent liabilities				
Corporate bonds		16,676,929	16,694,085	
Borrowings		2,199,100	1,999,000	
Other financial liabilities		185,223	235,654	
Provision		64,055	64,055	
Deferred tax liabilities		205,749	187,764	
Other noncurrent liabilities		2,107,484	2,131,168	
Total noncurrent liabilities		21,438,542	21,311,728	
Total liabilities		90,838,939	109,161,019	
Equity				
Capital stock		4,712,900	4,712,900	
Capital surplus		5,758,448	5,762,065	
Retained earnings		12,875,446	11,623,537	
Treasury stock		△491,893	△1,181,846	
Other items of equity		1,941,305	1,108,276	
Total equity attributable to owners of parent		24,796,206	22,024,933	
Minority interests		1,223,811	1,201,454	
Total equity		26,020,018	23,226,387	
Total liabilities and equity		116,858,957	132,387,407	

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

## Condensed consolidated statement of income

		(Unit: Thousand yen)	
	Notes	First three months of previous consolidated fiscal year (From October 1, 2017 to December 31, 2017)	First three months of current consolidated fiscal year (From October 1, 2018 to December 31, 2018)
Revenue		6,098,938	8,246,908
Cost of revenue		△2,035,754	△3,004,380
Gross profit		4,063,183	5,242,528
Other income		102,517	39,902
Selling, general and administrative expenses		△2,494,932	△3,098,993
Other expense		△76,303	△107,230
Operating profit		1,594,464	2,076,207
Financial income		59,401	12,792
Financial expense		△11,107	△111,034
Equity method investment gains or loss		△57,276	△43,034
Profit before income taxes		1,585,482	1,934,930
Income tax expenses		△730,875	△884,655
Profit		854,607	1,050,275
Profit attributable to			
Owners of parent		860,460	1,079,216
Non-controlling interests		△5,853	△28,941
Profit		854,607	1,050,275
Earnings per share			
Basic earnings per share (yen)		11.58	14.67
Diluted earnings per share (yen)		11.58	14.39

Condensed consolidated statement of comprehensive income

		(Unit: Thousand yen)	
	Notes	First three months of previous consolidated fiscal year (From October 1, 2017 to December 31, 2017)	First three months of current consolidated fiscal year (From October 1, 2018 to December 31, 2018)
Profit		854,607	1,050,275
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Fair value of financial assets measured through other comprehensive income		85,553	△808,994
Shares of other comprehensive income of equity method affiliates		39,006	△53,448
Total of Items that will not be reclassified to profit or loss		124,560	△862,442
Items that will be reclassified to profit or loss			
Exchange differences on translation of foreign operations		87,022	△41,142
Shares of other comprehensive income of equity method affiliates		△14,500	66,544
Total of items that will be reclassified to profit or loss		72,522	25,401
Other comprehensive income after income taxes		197,082	△837,041
Comprehensive income		1,051,689	213,234
Comprehensive income attributable to			
Owners of parent		1,043,381	246,188
Minority interests		8,307	△32,953
Total		1,051,689	213,234

## (3) Condensed consolidated statement of changes in equity

First three months of the previous 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	9,619,266	△256,269	613,768	19,675,447	1,093,870	20,769,318
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	9,036,781	△256,269	753,697	19,228,787	1,108,368	20,337,156

First three months of the current consolidated fiscal year (From October 1, 2018 to December 31, 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, 2018	4,712,900	5,758,448	12,875,446	△491,893	1,941,305	24,796,206	1,223,811	26,020,018
Profit	—	—	△195,085	—	—	△195,085	—	△195,085
Other comprehensive income	4,712,900	5,758,448	12,680,361	△491,893	1,941,305	24,601,121	1,223,811	25,824,933
Comprehensive income	—	—	1,079,216	—	—	1,079,216	△28,941	1,050,275
Dividends	—	—	—	—	△833,028	△833,028	△4,012	△837,041
Transfer from accumulated other comprehensive income to retained earnings	—	—	1,079,216	—	△833,028	246,188	△32,953	213,234
Changes in the interests in controlled subsidiary	—	—	—	△689,952	—	△689,952	—	△689,952
Share-based payment transaction	—	—	△2,136,041	—	—	△2,136,041	—	△2,136,041
Total transactions with owners	—	3,617	—	—	—	3,617	10,596	14,213
Balance as of December 31, 2017	—	3,617	△2,136,041	△689,952	—	△2,822,376	10,596	△2,811,780
Balance as of October 1, 2018	4,712,900	5,762,065	11,623,537	△1,181,846	1,108,276	22,024,933	1,201,454	23,226,387

## (4) Condensed consolidated statement of cash flows

(Unit: Thousand yen)

Notes	First three months of previous consolidated fiscal year (From October 1, 2017 to December 31, 2017)	First three months of current consolidated fiscal year (From October 1, 2018 to December 31, 2018)
Net cash provided by (used in) operating activities		
Profit before income taxes	1,585,482	1,934,930
Depreciation & Amortization	224,410	258,253
Financial income and expense	△48,293	98,634
Equity method investment loss	57,276	43,034
Increase/decrease in inventories (△=increase)	△31,388	△14,932
Increase/decrease in operating and other receivables (△=increase)	△181,430	△560,481
In/Decrease in advances paid (△=increase)	△738,034	△2,009,969
Accrued revenues (△=increase)	△3,134,935	△6,847,775
In/Decrease in payables (△=decrease)	753,845	524,075
In/Decrease in accrued expenses (△=decrease)	4,081,996	6,255,031
In/Decrease in deposits received (△=decrease)	8,986,412	11,948,748
Other	△417,401	△62,693
Subtotal	11,137,938	11,566,857
Interest and dividends received	3,388	12,792
Interest paid	△3,169	△11,296
Security Deposits paid	—	△29,940
Income taxes paid	△1,600,643	△1,541,289
Net cash provided by (used in) operating activities	9,537,512	9,997,123
Net cash provided by (used in) investing activities		
Payment for deposit of time deposits	—	689,374
Purchase of property, plants and equipment	△16,708	△43,347
Purchase of intangible assets	△258,664	△330,541
Purchase of investment securities	△148,934	△1,580
Proceeds from sales and redemption of investment securities	58,245	—
Acquisition of other financial assets	△1,686	△12,856
Proceeds from sales of other financial assets	96	933
Others	△13,968	14,044
Net cash provided by (used in) investing activities	△381,621	316,026



(Unit: Thousand yen)

	Notes	First three months of previous consolidated fiscal year (From October 1, 2017 to December 31, 2017)	First three months of current consolidated fiscal year (From October 1, 2018 to December 31, 2018)
Net cash provided by (used in) financing activities			
Proceeds from short-term borrowings		—	299,000
Repayment of long-term borrowings		△207,688	△200,100
Payment for stock buyback		—	△689,952
Dividends paid		△1,472,199	△2,118,666
Other		△26,053	△24,226
Net cash provided by (used in) financing activities		△1,705,941	△2,733,945
Increase and decrease in cash and cash equivalents (△=decrease)		23,365	△55,499
Balance of cash and cash equivalents at the beginning of the period		7,473,314	7,523,704
Effect of exchange rate changes on cash and cash equivalents	②	27,533,515	42,033,124
Cash and cash equivalents at the end of period	②	35,006,830	49,556,828

(5) Notes regarding the going concern assumptions

N/A

(6) Notes regarding condensed consolidated financial statements

② Cash and cash equivalents

Breakdown of cash and cash equivalents are as follows.

(Unit: Thousand yen)

	End of previous consolidated fiscal year (September 30, 2018)	End of Q1 of current consolidated fiscal year (December 31, 2018)
Cash and cash equivalents	37,033,124	44,556,828
Deposits to subsidiaries and affiliates	5,000,000	5,000,000
Total	42,033,124	49,556,828

③ Operating and other receivables

Breakdown of operating and other receivables are as follows.

(Unit: Thousand yen)

	End of previous consolidated fiscal year (September 30, 2018)	End of Q1 of current consolidated fiscal year (December 31, 2018)
Accounts receivable-trade	7,262,587	5,753,548
Operating loans	6,063,545	8,015,682
Other	14,613	83,174
Allowance for doubtful accounts	△103,815	△95,184
Total	13,236,930	13,757,221

④ Deposits to subsidiaries and affiliates

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

⑤ Treatment of Financial Assets and Liabilities

The Group has the legally enforceable right over some of its financial assets and liabilities to set off the recognized value of the assets and liabilities as a net amount, or the Group can offset the financial assets and liabilities when the transaction of realization of the asset and settlement of liabilities is structured to occur simultaneously. For these reasons, the net amount of the financial assets and liabilities is recognized in the condensed financial statements.

The following table shows the amount used to deduct (offset) the financial assets and liabilities for the same trade partner.

As of the first quarter of consolidated fiscal year (December 31, 2018)

(Unit: Thousand yen)

	Gross Amount of Financial Assets	Amount deducted (netted) in the Condensed Financial Statement	Net amount shown in Condensed Financial Statement
Financial Asset			
Operating and Other Receivables	4,986,183	△2,971,471	2,014,711
Total	4,986,183	△2,971,471	2,014,711

(Unit: Thousand yen)

	Gross Amount of Financial Liabilities	Amount deducted (netted) in the Condensed Financial Statement	Net amount shown in Condensed Financial Statement
Financial Asset			
Accrued Expenses	21,844,863	△897,694	20,947,169
Deposits received	50,583,189	△2,073,777	48,509,412
Total	72,428,053	△2,971,471	69,456,581