

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

May 9, 2019

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 submission date of quarterly report	May 10, 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 Second Quarter, FY2019 (From October 1, 2018 to March 31, 2019)

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

	Revenue		Operating profit		Profit before income taxes		Profit after tax		Profit attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q2 FY2019	16,015	27.5	4,258	30.2	4,134	30.0	2,549	31.0	2,578	31.4	2,244	Δ1.0
Q2 FY2018	12,558	25.2	3,269	51.8	3,180	60.8	1,946	41.4	1,962	44.5	2,267	20.3

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Q2 FY2019	35.05		34.32	
Q2 FY2018	26.64		26.64	

(Note) On October 1, 2018, our company executed a 2-1 stock split. The values for FY2018 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	%
Q2 FY2019	122,907	25,294	24,084	19.6
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 2018	0.00	0.00	0.00	58.00	58.00
FY 2019	0.00	0.00			
FY 2019 (forecast)			0.00	35.00	35.00

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

(Note 2) On October 1, 2018, our company executed a 2-1 stock split. The values for FY2018 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 comparison with previous term)

	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
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.: Yes

[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 Q2 FY2019: 74,301,000 FY 2018: 74,301,000
(including treasury stock)

[2] Number of treasury shares at the end of the term Q2 FY2019: 5,076 FY 2018: 5,000

[3] Average number of shares during the term Q2 FY2019: 73,562,665 Q2 FY2018: 73,670,440
(quarterly average)

(Note 1) Number of treasury shares at the end of the term includes the shares attributed to the directors' remuneration board incentive plan (BIP) trust and J-ESOP: 639,400 shares for FY2018 and 734,205 shares for Q2 FY2019.)

(Note 2) On October 1, 2018, our company executed a 2-1 stock split. The shares issued at start of the previous term are calculated by assuming the post-split number of shares.

* 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 6 of the attachment.

2. Results Presentation Meeting for Institutional Investors and Analysts to be held on May 10, 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 second quarter of the consolidated fiscal year (October 1, 2018 to March 31, 2019) as follows.

(Unit: Thousand yen)

	First six months of the previous consolidated fiscal year (From October 1, 2017 to March 31, 2018)	First six months of the current consolidated fiscal year (From October 1, 2018 to March 31, 2019)	Rate of change (%)
Revenue	12,558,478	16,015,927	27.5
Operating profit	3,269,904	4,258,091	30.2
Profit before income taxes	3,180,037	4,134,331	30.0
Profit attributable to owners of parent	1,962,370	2,578,390	31.4

a. Revenue

The Group's revenue surged to ¥16,015 mil., up by 27.5% year-on-year. The Payment Processing Business revenue continued to grow thanks to the steady growth of the Ecommerce market, coupled with expansion of the Group's services to non-Ecommerce operators. Our Money Service Business (MSB) revenue also rose from the steady expansion of transaction value of "GMO Payment after delivery," a type of payment service after the collection/delivery of goods, and the Remittance service. The Payment Enhancement Business revenue grew, driven by robust revenue growth at Macro Kiosk, 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.

With the adoption of IFRS 15 effective from the start of this consolidated fiscal year 2019, 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 booked at point of delivery inspection. As such, the software development revenue has been reclassified from Initial to Stock. The amount reclassified from Initial to Stock is ¥355 mil. in the Second quarter of the cumulative consolidated fiscal year (October 2018 to March 2019). There is no retroactive reclassification applied as the adjustment of the cumulative effect from the initial application of IFRS 15 is made against Retained Earnings balance at the start of this consolidated fiscal year 2019.

(Unit: Thousand JPY)

Business model	First six months of the previous consolidated fiscal year (From October 1, 2017 to March 31, 2018)	First six months of the current consolidated fiscal year (From October 1, 2018 to March 31, 2019)	Rate of change (%)
Initial (Initial revenue)	639,903	713,426	11.5
Stock (Monthly revenue)	1,628,013	2,411,444	48.1
Fee (Transaction processing revenue)	4,797,608	6,044,719	26.0
Spread (Merchant acquiring service revenue)	5,492,951	6,846,335	24.6
Total	12,558,478	16,015,927	27.5

b. Operating profit

The Group's operating profit reached ¥4,258 mil., up by 30.2% YoY, on track to achieve the Group's consolidated fiscal year forecast. Note that the YoY growth of 30.2% in this Second Quarter is significantly lower than the 51.8% recorded in previous Second Quarter, but this is due to inclusion of expenses related to changes in the fair value of Provisions for Director's remuneration BIP Trust in the previous period (i.e. October 1, 2016 to March 31, 2017).

By segment, Payment Processing Business operating profit was ¥4,724 mil., up by 22.5% YoY; Money Service Business stood at ¥987 mil., up by 69.3% YoY; and, Payment Enhancement Business recorded an operating loss of ¥31 mil. (the previous Second Quarter amount was an operating profit of ¥22mil.).

c. Profit before income taxes

Pre-tax profit was ¥4,134 mil. up by 30.0% YoY, from the reasons stated above in a. and b.

② Results by segment

Performance by reportable segment is explained below.

(Unit: Thousand yen)

Segment	First six months of the previous consolidated fiscal year (From October 1, 2017 to March 31, 2018)	First six months of the current consolidated fiscal year (From October 1, 2018 to March 31, 2019)	Rate of change (%)
Payment Processing Business			
Revenue	6,960,907	9,272,379	33.2
Operating profit	3,855,529	4,724,611	22.5
Money Service Business			
Revenue	3,106,201	3,833,603	23.4
Operating profit	583,400	987,978	69.3
Payment Enhancement Business			
Revenue	2,491,368	2,909,943	16.8
Operating profit	22,065	△31,280	—
Adjustments			
Revenue	—	—	—
Operating profit	△1,191,090	△1,423,217	—
Total			
Revenue	12,558,478	16,015,927	27.5
Operating profit	3,269,904	4,258,091	30.2

a. Payment Processing Business

The payment processing business primarily comprises of payment processing services for online payment, recurring payment and, card-present payment.

Secular growth of the Ecommerce market in online payment and recurring payment areas, coupled with the Installment Sales Act amendment that enabled the acquisition of large scale merchants since last year, continues to drive the growth in transaction volume and value, growing at 29.6% YoY and 24.9% YoY respectively, albeit at a slightly muted growth rate compared to the First Quarter.

We focused on expanding the participants and enrolling more financial institutions onto the Ginko Pay payment platform, the bank-account linked smart payment service co-developed by The Bank of Yokohama Ltd. and the Group, to enhance our support services aimed towards financial institutions and financial service providers that are promoting new businesses that enable a cashless society.

As a result, segment revenues reached ¥9,272 mil. up by 33.2% and segment profit (operating profit) was ¥4,724 mil. up by 22.5% YoY.

On May 8th 2019, Japan Post Bank Co. Ltd. launched its service using the Ginko Pay platform, the newest addition to the 4 other financial institutions that have already launched their respective services. Moreover, the 4 adopters of Ginko Pay (namely, Tokyu Corporation, The Bank of Yokohama Ltd., Japan Post Bank Co. Ltd. and the Group) have launched the first-ever Cash-out service than enables withdrawing cash from the ticket vending machine using the Ginko Pay platform, available at all Tokyu Line train stations from May 8, 2019.

b. Money Service Business

Money Service Business (hereafter, MSB) consists of the Early Payment Service to help merchants improve their cash flow by receive sales proceeds earlier according to the merchant's cash cycle needs, the Transaction Lending Service to lend growth capital to merchants based on their payment and other data, the Remittance Service, and the GMO Payment After Delivery offered by the Group's consolidated subsidiary GMO Payment Service, Inc..

For the cumulative Second quarter period of consolidated FY2019, GMO Payment after delivery and the Remittance Service showed a steady increase, and the lending service to overseas business operators, which was launched in the previous year, also contributed to increase the segment revenues.

As a result of the above, segment revenue reached to ¥3,833 mil. up by 23.4% YoY, and operating profit reached ¥987 mil. up by 69.3% YoY, boosted by the revenue growth as well as concerted effort to lower credit costs.

As part of our multifaceted offerings to support the growth of BtoB EC operators, we will commence the new service “Electronic Invoice Early Payment” in January 2020 (press statement released on April 25, 2019) together with Infomart Corporation (hereafter, ‘Infomart’). The Electronic Invoice Early Payment service allows business operators (viz. issuers of invoices) to monetize their invoices with a single click, and will be available to users of Infomart’s BtoB Platform Invoicing.

c. Payment Enhancement Business

Payment Enhancement Business comprises of mobile payment services (the “MPS business” and authentication and notification services via SMS (the “the EMS business”), 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.

In the cumulative Second quarter period, Macro Kiosk Berhad’s revenue grew 19.5% YoY, with its mainstay EMS business continuing its strong growth from the previous quarter by growing 22.4% YoY, thanks to expanding the service coverage to emerging economies including Vietnam in addition to the main market of Malaysia. However, the MPS business revenue declined 1.9% YoY due to headwinds from external factors. Segment operating profit recorded a loss from strategic upfront investments to establish the business’ foundations and from foreign currency loss arising from transactions between subsidiaries.

Online advertising service revenue increased 7.4% YoY to reach ¥161 mil. 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 ¥2,909 mil. an increase of 16.8% YoY, and segment loss was ¥31 mil. (the previous Second Quarter was a profit of ¥22mil.).

(*) Note that the “customer support services” has been renamed “online advertising service.”

Please see below for the table of the major businesses and companies providing these 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 Second quarter of the consolidated fiscal year under review was up ¥6,048 mil. from the end of the previous consolidated fiscal year at ¥122,907 mil. The increase in total assets is mainly due to an increase in advance payment of ¥4,143 mil. and an increase in accrued income of ¥2,856 mil.

The Group has ¥3,000 mil. deposits to subsidiaries and affiliated companies included in the balance of cash and cash equivalents at the end of the Second quarter of this consolidated fiscal year, as stated in “② Cash and cash equivalents” of (6) Notes regarding condensed consolidated financial statements. Together with the ¥7,000 mil. of 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 ¥10,000 mil. These deposits are the Group’s cash on hand that is deposited under the cash management system (CMS) implemented and managed by GMO Internet. As a result, this allows the Group to withdraw necessary funds without having to wait until the predetermined CMS repayment date is reached, by registering a request taking into account the designated number of days prior to when cash is needed.

b. Liabilities

Balance of liabilities at the end of the Second quarter of the consolidated fiscal year under review stood at ¥97,613 mil., an increase of ¥6,774 mil. from the end of the previous consolidated fiscal year, mainly due to an increase in deposits received of ¥6,969 mil.

c. Equity

Equity balance at the end of the Second quarter of the consolidated fiscal year under review was ¥25,294 mil., lower by ¥726 mil. from the end of the previous consolidated fiscal year. Dividend paid out of retained earnings of ¥2,136 mil., and share buybacks of ¥689 reduced the Equity balance despite the increase in profits attributable to owners of parent company of ¥2,578 mil.

② Status of consolidated cash flows

Cash and cash equivalents (hereinafter called “funds”) increased by ¥1,169 mil. from the balance at the start of the term, to ¥43,202 mil. The cash flows by activity over the cumulative six months under review is discussed below.

a. Cash flow from operating activities

Net funds provided by operating activities in the cumulative Second quarter of the consolidated fiscal year under review amounted to ¥3,839 mil., which compares to ¥3,816 mil. in the same period of the previous year. This resulted from cash outflows of (i) increase in advances paid of ¥4,143 mil., (ii) increase in accrued revenues of ¥2,856 mil., (iii) decrease in accrued expenses of ¥1,085 mil. and (iv) income tax payment and tax refunds of ¥1,490 mil., that were netted out against cash inflows of (i) profit before tax of ¥4,134 mil., (ii) decrease in trade receivables ¥1,447 mil., and (iii) increase in deposits received of ¥6,969 mil.

b. Cash flow from investing activities

Net funds provided by investing activities over the cumulative Second quarter of the consolidated fiscal year under review totaled ¥61 mil., which compares to a net fund usage of ¥788 mil. in the same period of the previous year. This is due to cash inflow from repayments for time deposits of ¥689 mil., which was netted against cash outflow from the acquisition of intangible assets ¥568 mil., and acquisition on investment securities ¥101 mil.

c. Cash flow from financing activities

Net funds used by financing activities over the cumulative Second quarter of the consolidated fiscal year under review was a ¥2,574 mil., which compares to the provision of ¥1,228 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 ¥2,133 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 BtoC 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 Ecommerce migration of BtoB and CtoC fields.

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

The earnings forecast for consolidated fiscal year ending September 30, 2019 are as follows: revenue of ¥31,850 mil. (up 20.6% YoY), operating profit ¥8,300 mil. (up 26.7% YoY), profit before tax ¥8,108 mil. (up 21.0% YoY), profit ¥5,206 mil. (up 22.6% YoY), and profit attributable to owners of parent company ¥5,106 mil. (up 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 Q2 of current consolidated fiscal year (March 31, 2019)
Assets			
Current assets			
Cash and cash equivalents	②	42,033,124	43,202,369
Operating and other receivables	③,⑤	13,236,930	11,778,263
Advances paid		22,267,745	26,411,148
Accrued revenue		15,717,965	18,574,747
Inventories		64,537	54,825
Deposits to subsidiaries and affiliates	④	7,000,000	7,000,000
Other financial assets		706,745	42,430
Other current assets		1,205,270	1,010,714
Total current assets		102,232,318	108,074,499
Noncurrent assets			
Tangible assets		450,918	575,575
Goodwill and other intangible assets		4,934,688	5,066,113
Investments accounted using equity method		2,938,426	2,830,641
Other financial assets		5,444,421	5,184,895
Deferred tax assets		833,886	1,088,990
Other noncurrent assets		24,297	86,321
Total noncurrent assets		14,626,639	14,832,539
Total assets		116,858,957	122,907,039

		(Unit: Thousand Yen)	
	Notes	End of previous consolidated fiscal year (September 30, 2018)	End of Q2 of current consolidated fiscal year (March 31, 2019)
Liabilities and equity			
Liabilities			
Current liabilities			
Operating and other payables		4,663,264	4,760,761
Accrued expenses	⑤	15,740,072	14,646,675
Deposits received	⑤	41,228,933	48,198,355
Borrowings		4,101,400	4,800,400
Other financial liabilities		98,852	119,993
Income taxes payable, etc.		1,530,203	1,460,566
Provisions		7,388	363,608
Other current liabilities		2,030,282	2,110,863
Total current liabilities		69,400,397	76,461,224
Noncurrent liabilities			
Corporate bonds		16,676,929	16,711,241
Borrowings		2,199,100	1,798,900
Other financial liabilities		185,223	266,159
Provision		64,055	64,055
Deferred tax liabilities		205,749	178,417
Other noncurrent liabilities		2,107,484	2,133,029
Total noncurrent liabilities		21,438,542	21,151,803
Total liabilities		90,838,939	97,613,027
Equity			
Capital stock		4,712,900	4,712,900
Capital surplus		5,758,448	5,793,266
Retained earnings		12,875,446	13,122,711
Treasury stock		△491,893	△1,181,846
Other items of equity		1,941,305	1,636,980
Total equity attributable to owners of parent		24,796,206	24,084,012
Minority interests		1,223,811	1,209,999
Total equity		26,020,018	25,294,011
Total liabilities and equity		116,858,957	122,907,039

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

Condensed consolidated statement of income

		(Unit: Thousand yen)	
	Notes	First six months of previous consolidated fiscal year (From October 1, 2017 to March 31, 2018)	First six months of current consolidated fiscal year (From October 1, 2018 to March 31, 2019)
Revenue	⑥	12,558,478	16,015,927
Cost of revenue		Δ4,178,763	Δ5,811,604
Gross profit		8,379,715	10,204,322
Other income		120,498	73,939
Selling, general and administrative expenses		Δ5,090,210	Δ5,890,733
Other expense		Δ140,098	Δ129,436
Operating profit		3,269,904	4,258,091
Financial income		35,004	25,851
Financial expense		Δ30,522	Δ96,775
Equity method investment gains or loss		Δ94,349	Δ52,835
Profit before income taxes		3,180,037	4,134,331
Income tax expenses		Δ1,233,894	Δ1,585,183
Profit		1,946,143	2,549,148
Profit attributable to			
Owners of parent		1,962,370	2,578,390
Noncontrolling interests		Δ16,227	Δ29,242
Profit		1,946,143	2,549,148
Earnings per share			
Basic earnings per share (yen)		26.64	35.05
Diluted earnings per share (yen)		26.64	34.32

Condensed consolidated statement of comprehensive income

		(Unit: Thousand yen)	
	Notes	First six months of previous consolidated fiscal year (From October 1, 2017 to March 31, 2018)	First six months of current consolidated fiscal year (From October 1, 2018 to March 31, 2019)
Profit		1,946,143	2,549,148
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Fair value of financial assets measured through other comprehensive income		108,040	Δ287,897
Share of other comprehensive income of equity method affiliates		51,925	Δ42,986
Total of Items that will not be reclassified to profit or loss		159,966	Δ330,883
Items that will be reclassified to profit or loss			
Exchange differences on translation of foreign operations		91,670	Δ11,396
Share of other comprehensive income of equity method affiliates		69,805	37,894
Total of items that will be reclassified to profit or loss		161,475	26,497
Other comprehensive income after income taxes		321,442	Δ304,386
Comprehensive income		2,267,585	2,244,762
Comprehensive income attributable to			
Owners of parent		2,258,454	2,274,065
Noncontrolling interests		9,131	Δ29,303
Total		2,267,585	2,244,762

(3) Condensed consolidated statement of changes in equity

Cumulative six months of the previous consolidated fiscal year (From October 1, 2017 to March 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, 2017	4,712,900	4,985,781	9,619,266	△256,269	613,768	19,675,447	1,093,870	20,769,318
Profit	—	—	1,962,370	—	—	1,962,370	△16,227	1,946,143
Other comprehensive income	—	—	—	—	296,083	296,083	25,358	321,442
Comprehensive income	—	—	1,962,370	—	296,083	2,258,454	9,131	2,267,585
Sale of treasury stock	—	73,760	—	14,157	—	87,918	—	87,918
Dividend	—	—	△1,485,920	—	—	△1,485,920	—	△1,485,920
Transfer from accumulated other comprehensive income to retained earnings	—	—	45,648	—	△45,648	—	—	—
Changes in the interests in controlled subsidiary	—	△30,707	—	—	—	△30,707	—	△30,707
Share-based payment transaction	—	68,125	—	—	△125	68,000	12,380	80,380
Total transactions with owners	—	111,178	△1,440,271	14,157	△45,774	△1,360,709	12,380	△1,348,329
Balance as of March 31, 2018	4,712,900	5,096,959	10,141,365	△242,111	864,077	20,573,192	1,115,382	21,688,574

Cumulative six months of the current consolidated fiscal year (From October 1, 2018 to March 31, 2019)

(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
Cumulative effects of changes in accounting changes	—	—	△195,085	—	—	△195,085	—	△195,085
Restated Balance	4,712,900	5,758,448	12,680,361	△491,893	1,941,305	24,601,121	1,223,811	25,824,933
Profit	—	—	2,578,390	—	—	2,578,390	△29,242	2,549,148
Other Comprehensive income	—	—	—	—	△304,324	△304,324	△61	△304,386
Comprehensive income	—	—	2,578,390	—	△304,324	2,274,065	△29,303	2,244,762
Purchase of treasury stock	—	—	—	△689,952	—	△689,952	—	△689,952
Dividends	—	—	△2,136,041	—	—	△2,136,041	—	△2,136,041
Share-based payment transaction	—	34,818	—	—	—	34,818	15,491	50,310
Total transactions with owners	—	34,818	△2,136,041	△689,952	—	△2,791,175	15,491	△2,775,683
Balance as of March 31, 2019	4,712,900	5,793,266	13,122,711	△1,181,846	1,636,980	24,084,012	1,209,999	25,294,011

(4) Condensed consolidated statement of cash flows

(Unit: Thousand yen)

Notes	First six months of previous consolidated fiscal year (From October 1, 2017 to December 31, 2018)	First six months of current consolidated fiscal year (From October 1, 2018 to December 31, 2019)
Net cash provided by (used in) operating activities		
Profit before income taxes	3,180,037	4,134,331
Depreciation & Amortization	457,650	525,842
Financial income and expense	△4,309	70,924
Equity method investment loss	94,349	52,835
Increase/decrease in inventories (△=increase)	13,999	9,711
Increase/decrease in operating and other receivables (△=increase)	473,781	1,447,643
In/Decrease in advances paid (△=increase)	△3,095,981	△4,143,402
Accrued revenues (△=increase)	△1,581,937	△2,856,782
In/Decrease in operating payables (△=decrease)	630,811	112,446
In/Decrease in accrued expenses (△=decrease)	1,473,957	△1,085,264
In/Decrease in deposits received (△=decrease)	4,012,264	6,969,499
Other	△19,344	148,348
Subtotal	5,635,279	5,386,134
Interest and dividends received	6,010	25,851
Interest paid	△18,260	△22,441
Security Deposits paid	—	△59,940
Information security expenses paid	△67,041	—
Income taxes paid/refunded	△1,739,473	△1,490,051
Net cash provided by (used in) operating activities	3,816,514	3,839,552
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	—	689,374
Purchase of property, plants and equipment	△35,392	△72,668
Purchase of intangible assets	△538,256	△568,789
Purchase of investment securities	△264,918	△101,562
Proceeds from sales of investment securities	58,245	—
Proceeds from Investment Partnership	9,550	110,805
Acquisition of other financial assets	△1,863	△89,401
Proceeds from sales of other financial assets	796	7,262
Others	△16,363	△36,677
Net cash provided by (used in) investing activities	△788,201	△61,656

(Unit: Thousand yen)

	Notes	First six months of previous consolidated fiscal year (From October 1, 2017 to December 31, 2018)	First six months of current consolidated fiscal year (From October 1, 2018 to December 31, 2019)
Net cash provided by (used in) financing activities			
Increase and decrease of short-term borrowings		3,200,000	699,000
Repayment of long-term borrowings		△415,662	△400,200
Purchase of treasury stock		—	△689,952
Dividends paid		△1,482,368	△2,133,237
Other		△73,095	△50,376
Net cash provided by (used in) financing activities		1,228,873	△2,574,766
Effect of exchange rate changes on cash and cash equivalents		△31,967	△33,884
Increase and decrease in cash and cash equivalents (△=decrease)		4,225,219	1,169,245
Balance of cash and cash equivalents at the beginning of the period	②	27,533,515	42,033,124
Cash and cash equivalents at the end of period	②	31,758,735	43,202,369

(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 Q2 of current consolidated fiscal year (March 31, 2019)
Cash and cash equivalents	37,033,124	40,202,369
Deposits to subsidiaries and affiliates	5,000,000	3,000,000
Total	42,033,124	43,202,369

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 Q2 of current consolidated fiscal year (March 31, 2019)
Accounts receivable-trade	7,262,587	5,563,591
Operating loans	6,063,545	6,054,794
Other	14,613	249,914
Allowance for doubtful accounts	△103,815	△90,037
Total	13,236,930	11,778,263

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 recognize the value of the assets and liabilities as a net amount, or to offset the financial assets and liabilities when the transaction of realization of the asset and settlement of liabilities is structured and intended 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 second quarter of consolidated fiscal year (March 31, 2019)

(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	4,447,594	△2,555,617	1,891,976
Total	4,447,594	△2,555,617	1,891,976

(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	14,336,652	△585,609	13,751,043
Deposits Received	45,688,590	△1,970,008	43,718,581
Total	60,025,242	△2,555,617	57,469,624