

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

February 9, 2018

Exchange: First Section of Tokyo Stock Exchange

Name of listed company:	GMO Payment Gateway, Inc.		
Stock code:	3769	URL: https://corp.gmo-pg.com/en/	
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Scheduled submission date of quarterly report	February 13, 2018	Scheduled date of commencement for dividend payment	-
Supplemental materials prepared for financial results	Yes		
Information meeting arranged related to financial results	Yes (for institutional investors and analysts)		

(Amounts rounded down to the nearest one million yen)

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

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

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

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

(Note) In order to appropriately basic earnings per share and diluted earnings per share, in regard to the stock attributed to the directors' remuneration board incentive plan trust, it has the right to a claim of dividend, and is therefore, not included in treasury stock.

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of parent	Total equity attributable to owners of parent to total assets
	Million yen	Million yen	Million yen	%
Q1 FY2018	<u>96,325</u>	<u>20,337</u>	<u>19,228</u>	<u>20.0</u>
FY2017	<u>84,338</u>	<u>20,769</u>	<u>19,675</u>	<u>23.3</u>

2. Dividends

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

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

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

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

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

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

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

Notices:

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

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

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

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

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

[3] Changes in accounting estimations: No

(3) Number of shares issued (common stock)

[1] Number of shares issued at the end of the term (including treasury stock)	Q1 FY2018: 37,150,500	FY 2017: 37,150,500
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[2] Number of treasury shares at the end of the term	Q1 FY2018: 2,500	FY 2017: 2,500
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[3] Average number of shares during the term	Q1 FY2018: 37,148,000	Q1 FY2017: 37,148,000
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(Note) In order to appropriately disclose the number of treasury shares at the end of the term and average number of shares during the term (cumulative), in regard to the stock attributed to the directors' remuneration board incentive plan trust, it has the right to a claim of dividend, and is therefore not included in treasury stock for a more accurate disclosure of basic earnings per share.

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

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

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

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

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

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1. Qualitative Information on Consolidated Financial Statements for the Quarter

(1) Consolidated operating results

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

① Consolidated operating results

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

(Unit: Thousand yen)

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

a. Revenue

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

Our revenue breakdown by business model is as follows.

(Unit: Thousand yen)

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

b. Operating profit

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

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

c. Profit before income taxes

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

②Results by segment

Performance by reportable segment is explained below.

(Unit: Thousand yen)

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

a. Payment processing business

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

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

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

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

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

b. Money Service Business

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

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

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

c. Payment enhancement business

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

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

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

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

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

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

(2) Status of consolidated financial position

① Assets, liabilities and net assets

a. Assets

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

b. Liabilities

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

c. Equity

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

② Status of consolidated cash flows

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

a. Cash flow of operating activities

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

b. Cash flow of investing activities

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

c. Cash flow of financing activities

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

(3) Review of consolidated earnings forecasts and other forecasts

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

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

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

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

2. Condensed consolidated Financial Statements and Major Notes

(1) Condensed consolidated balance sheet

(Unit: Thousand yen)

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

(Unit: Thousand yen)

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

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

Condensed consolidated statement of income

Cumulative first quarter of the consolidated year

(Unit: Thousand yen)

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

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

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

(3) Condensed consolidated statement of changes in equity

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

(Unit: Thousand yen)

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

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

(Unit: Thousand yen)

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

(4) Condensed consolidated statement of cash flows

(Unit: Thousand yen)

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

(Unit: Thousand yen)

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

(5) Notes regarding the going concern assumptions

N/A

(6) Notes regarding condensed consolidated financial statements

5. First-time adoption of IFRS

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

(1) Exemptions on retrospective application

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

① Business combinations

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

② Exchange differences on translation of foreign operations

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

③ Share-based payment

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

④ Designation of financial instruments recognized before the date of transition

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

(2) Mandatory exceptions under IFRS 1

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

(3) Reconciliation chart

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

① Reconciliation of equity

Date of transition to IFRS (October 1, 2016)

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

Presentation under JGAAP	JGAAP	Reclassification (1)	Difference in recognition and measurement	IFRS	Notes	Presentation under IFRS
	Thousand yen	Thousand yen	Thousand yen	Thousand yen		
Liabilities						Liabilities
Current liabilities						Current liabilities
Accounts payable-trade	2,726,492	<u>30,403,674</u>	<u>121,359</u>	33,251,526	(10)	Operating and other payables
	—	68,513	Δ24,652	43,860	(10)	Borrowings
Lease payable	64,846	Δ64,846	—	—		
Accounts payable-other	2,784,175	Δ2,784,175	—	—		
Income taxes payable	901,767	<u>Δ55,680</u>	—	846,086		Income taxes payable, etc.
Accrued consumption taxes	78,482	Δ78,482	—	—		
	—	64,846	Δ561	64,284	(10)	Other financial liabilities
Advances received	447,442	Δ447,442	—	—		
Deposits received	27,634,302	Δ27,634,302	—	—		
Unearned revenue	62	Δ62	—	—		
Provision for bonuses	478,808	Δ478,808	—	—		
Provision for bonuses for directors	125,000	Δ125,000	—	—		
Other	89,369	1,121,409	119,030	1,329,808	(8),(10)	Other current liabilities
Total current liabilities	<u>35,330,748</u>	<u>Δ10,356</u>	<u>215,175</u>	<u>35,535,567</u>		Total current liabilities
Noncurrent liabilities						Noncurrent liabilities
Long-term borrowings	30,150	—	15,095	45,245	(10)	Borrowings
Lease payable	115,984	7,397	1,150	124,533	(10)	Other financial liabilities
Long-term lease and guarantee deposited	7,397	Δ7,397	—	—		
Provision for directors' remuneration Board Incentive Plan Trust	170,000	Δ170,000	—	—		
	—	—	44,842	44,842		Provision
	—	264,606	—	264,606	(10)	Deferred tax liabilities
Other	263,343	Δ84,250	918,665	1,097,758	(7),(8)(10)	Other noncurrent liabilities
Total noncurrent liabilities	<u>586,876</u>	<u>10,356</u>	<u>979,754</u>	<u>1,576,987</u>		Total noncurrent liabilities
Total liabilities	<u>35,917,624</u>	<u>—</u>	<u>1,194,930</u>	<u>37,112,554</u>		Total liabilities
Net assets						Equity
Capital stock	4,712,900	—	—	4,712,900		Capital stock
Capital surplus	4,964,712	—	—	4,964,712		Capital surplus
Retained earnings	8,893,549	—	Δ705,242	8,188,306	(9),(11)	Retained earnings
Treasury stock	Δ265,236	—	—	Δ265,236		Treasury stock
Subscription rights to shares	1,066	Δ1,066	—	—		
Total accumulated other comprehensive income	Δ145,167	1,066	501,754	357,654	(9),(10)	Other items of equity
	<u>18,161,825</u>	<u>—</u>	<u>Δ203,487</u>	<u>17,958,338</u>		Total equity attributable to owners of parent
Minority interests	1,107,292	—	Δ14,076	1,093,216	(10)	Minority interests
Total net assets	<u>19,269,118</u>	<u>—</u>	<u>Δ217,563</u>	<u>19,051,554</u>		Total equity
Total liabilities and net assets	<u>55,186,742</u>	<u>—</u>	<u>977,366</u>	<u>56,164,109</u>		Total liabilities and equity

(Note) Review of acquisition cost allocation

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

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

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

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

Presentation under JGAAP	JGAAP	Reclassification (1)	Difference in recognition and measurement	IFRS	Notes	Presentation under IFRS
	Thousand yen	Thousand yen	Thousand yen	Thousand yen		
Assets						Assets
Current assets						Current assets
Cash and deposits	34,256,834	Δ53,214	Δ225,530	33,978,089	(10)	Cash and cash equivalents
Accounts receivable-trade	5,143,984	27,435,036	1,297,208	33,876,229	(3),(10)	Operating and other receivables
Lease receivable	7,696,856	Δ7,696,856	—	—		
	—	729,374	Δ673,584	55,789	(10)	Other financial assets
Inventories	50,635	—	—	50,635		Inventories
Advance payments-trade	8,795,573	Δ8,795,573	—	—		
Prepaid expenses	149,997	Δ149,997	—	—		
Deferred tax assets	196,825	Δ196,825	—	—		
Accounts receivable-other	11,527,272	Δ11,527,272	—	—		
Other	855,007	Δ546,528	30,756	339,235	(10)	Other current assets
Allowance for doubtful accounts	Δ605,030	605,030	—	—		
Total current assets	68,067,956	Δ196,825	428,849	68,299,980		Total current assets
Noncurrent assets						Noncurrent assets
Tangible assets	335,312	—	44,143	379,456	(2),(10)	Tangible assets
Intangible assets	4,287,356	—	139,958	4,427,315	(4),(10)	Goodwill and other intangible assets
Investment securities	2,442,604	Δ2,442,604	—	—		
Shares of subsidiaries and affiliates	2,413,479	303,808	246,821	2,964,108	(6),(10)	Investments accounted for using equity method
Investments in other securities of subsidiaries and affiliates	303,808	Δ303,808	—	—		
Long-term loans receivable from directors and employees	840	2,809,046	627,015	3,436,901	(5),(10)	Other financial assets
Claims provable in bankruptcy, claims provable in rehabilitation and other	31,598	Δ31,598	—	—		
Long-term prepaid expenses	10,518	Δ10,518	—	—		
Lease and guarantee deposits	286,545	Δ286,545	—	—		
Deferred tax assets	81,583	196,825	175,138	453,547	(10)	Deferred tax assets
Other	79,896	Δ69,377	1,170	11,688		Other noncurrent assets
Allowance for doubtful accounts	Δ31,598	31,598	—	—		
Total noncurrent assets	10,241,945	196,825	1,234,247	11,673,018		Total noncurrent assets
Total assets	78,309,902	—	1,663,096	79,972,998		Total assets

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

(Note) Review of acquisition cost allocation

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

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

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

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

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

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

Notes regarding the reconciliation of equity

(1) Adjustment of line items

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

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

(2) Tangible assets

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

(3) Financial instruments (loan agreement)

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

(4) Goodwill

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

(5) Equity instruments

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

(6) Investments accounted for using equity method

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

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

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

(8) Accrued paid leave

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

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

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

(10) Alignment of reporting periods

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

(11) Reconciliation of retained earnings

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

② Reconciliation of comprehensive income

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

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

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

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

Notes regarding Reconciliation of income and comprehensive income

(1) Adjustment of line items

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

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

(2) Adjustment on revenue

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

(3) Change in depreciation method

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

(4) Adjustment on goodwill amount

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

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

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

(6) Accrued paid leave

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

(7) Income tax expenses

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

(8) Alignment of reporting periods

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

③ Adjustment of cash flows

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

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

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

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