

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

May 10, 2018

Exchange: First Section of Tokyo Stock Exchange

Name of listed company:	GMO Payment Gateway, Inc.		
Stock code:	3769	URL: <a href="https://corp.gmo-pg.com/en/">https://corp.gmo-pg.com/en/</a>	
Representative:	Issei Ainoura	President & Chief Executive Officer	
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Scheduled submission date of quarterly report	May 11, 2018	Scheduled date of commencement for dividend payment	-
Supplemental materials prepared for financial results	Yes		
Information meeting arranged related to financial results	Yes (for institutional investors and analysts)		

(Amounts rounded down to the million yen)

## 1. Consolidated Financial Statements for the Second Quarter, FY2018 (From October 1, 2017 to March 31, 2018)

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

	Revenue		Operating profit		Profit before income taxes		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
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
Q2 FY2017	10,028	—	2,153	—	1,977	—	1,375	—	1,357	—	1,884	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q2 FY2018	53.27	53.27
Q2 FY2017	36.55	36.54

(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 FY2018	93,325	21,688	20,573	22.0
FY2017	84,338	20,769	19,675	23.3

## 2. Dividends

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

(Percentages represent year-on-year change)

	Revenue		Operating profit		Profit before income taxes		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	26,107	—	6,475	—	6,196	—	3,933	—	105.87

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

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

Notices:

- (1) Changes of important subsidiaries during the period (change of specific subsidiaries that leads to a change in the scope of consolidation): No  
Number of new subsidiaries: - (Name:       ), number of excluded subsidiaries: - (Name:       )
- (2) Changes in the accounting policy / changes in the accounting estimation
- [1] Changes in accounting policy required by IFRS : No
- [2] Changes in accounting policy other than [1] : No
- [3] Changes in accounting estimations : No
- (3) Number of shares issued (common stock)
- |  |                       |                        |
|--|-----------------------|------------------------|
| [1] Number of shares issued at the end of the term<br>(including treasury stock) | Q2 FY2018: 37,150,500 | FY 2017 : 37,150,500   |
| [2] Number of treasury shares at the end of the term                             | Q2 FY2018: 2,500      | FY 2017 : 2,500        |
| [3] Average number of shares during the term                                     | Q2 FY2018: 36,835,219 | Q2 FY2017 : 37,148,000 |

(Note) Number of treasury shares at the end of the term above does not include the shares attributed to the directors' remuneration board incentive plan trust (302,000 shares for Q2 FY2018; 320,000 shares for FY2017.)

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

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

1. The Group has voluntarily been adopting IFRS on its consolidated financial statements since the consolidated fiscal year ending September 30, 2018, and disclosing IFRS-based condensed consolidated financial statements from the first quarter.

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

3 Results Presentation for Investors and Analysts: May 11, 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 six months and the full of the previous consolidated fiscal year under IFRS for comparative analysis.

#### ① Consolidated operating results

The Group announces its earnings results for the cumulative second quarter of the cumulative consolidated fiscal year (October 1, 2017 to March 31, 2018) as follows.

(Unit: Thousand yen)

	First six months of the previous consolidated fiscal year (From October 1, 2016 to March 31, 2017)	First six months of the current consolidated fiscal year (From October 1, 2017 to March 31, 2018)	Rate of change (%)
Revenue	10,028,773	12,558,478	25.2
Operating profit	2,153,582	3,269,904	51.8
Profit before income taxes	1,977,605	3,180,037	60.8
Profit attributable to owners of parent	1,357,747	1,962,370	44.5

#### a. Revenue

The Group’s revenue surged to 12,558,478 thousand yen, up by 25.2 % year-on-year. Steady growth of Ecommerce market, coupled with expansion of the Group’s service coverage in non-Ecommerce field, has led to an increased revenue in payment processing business. Our money service business revenue also rose with the steady expansion of transaction value in “GMO payment after delivery,” an after-the-fact type of payment service. Further, 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 six months of the previous consolidated fiscal year (From October 1, 2016 to March 31, 2017)	First six months of the current consolidated fiscal year (From October 1, 2017 to March 31, 2018)	Rate of change (%)
Initial (Initial revenue)	803,072	639,903	△20.3
Stock (Monthly revenue)	1,406,205	1,628,013	15.8
Fee (Transaction processing revenue)	3,538,870	4,797,608	35.6
Spread (Merchant acquiring service revenue)	4,280,625	5,492,951	28.3
Total	10,028,773	12,558,478	25.2

b. Operating profit

The Group's operating profit reached 3,269,904 thousand yen, up by 51.8 year-on-year, on track for the Group's earnings forecast for the consolidated full fiscal year.

Segment-wise, payment processing business was 3,855,529 thousand yen, a year-on-year increase of 18.9%, Money Service Business stood at 583,400 thousand yen, in contrast with the loss of 87,459 thousand yen in the same time previous year, and payment enhancement business amounted to 22,065 thousand yen, a year-on-year drop of 88.2%.

c. Profit before income taxes

Factors in a. and b. were translated into profit before income taxes of 3,180,037 thousand yen, an increase of 60.8%.

②Results 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, 2016 to March 31, 2017)	First six months of the current consolidated fiscal year (From October 1, 2017 to March 31, 2018)	Rate of change (%)
Payment Processing Business			
Revenue	5,886,720	6,960,907	18.2
Operating profit	3,242,470	3,855,529	18.9
Money Service Business			
Revenue	2,070,489	3,106,201	50.0
Operating profit	△87,459	583,400	—
Payment Enhancement Business			
Revenue	2,071,563	2,491,368	20.3
Operating profit	186,282	22,065	△88.2
Adjustments			
Revenue	—	—	—
Operating profit	△1,187,710	△1,191,090	—
Total			
Revenue	10,028,773	12,558,478	25.2
Operating profit	2,153,582	3,269,904	51.8

a. Payment processing business

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

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

As part of the services to support financial institutions and financial service providers that promote new businesses to create a cashless society, the Group has been providing "Ginko Pay" platform system. Ginko Pay is a mobile phone payment service that links to bank accounts, and was developed jointly by the Bank of Yokohama and the Group. The Group has been adding its bank clients on top of the Bank of Yokohama that use the platform. In fact, under the fiscal period under review, the Bank of Fukuoka, Ltd. started receiving the service in March 2018. Additionally, Kumamoto Bank, Ltd. and Shinwa Bank, Ltd., and the three banks under Resona Group (Resona Bank, Limited, Saitama Resona Bank, Limited, and The Kinki Osaka Bank, Ltd.) signed the adoption of the service.

As a result, the segment's revenue came in at 6,960,907 thousand yen, a year-on-year increase of 18.2%, and its operating profit totaled 3,855,529 thousand yen, a year-on-year increase of 18.9%.

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, remittance service, and "GMO payment after delivery" that the Group's consolidated subsidiary GMO Payment Service, Inc. offers.

Points to note under the cumulative second quarter of the consolidated fiscal year includes the steady expansion of "GMO payment after delivery" by GMO Payment Service, Inc., and the rise of transaction value in early payment service and remittance service. These contributed to the larger revenue and profit of the segment. These factors have led to a segment revenue of 3,106,201 thousand yen, up by 50.0% year-on-year and a segment operating profit of 583,400 thousand yen that contrasts with the operating loss of 87,459 thousand yen in the same time previous year.

c. Payment enhancement business

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

Under the cumulative second quarter, even with the temporary headwind in the external environment striking its payment-related business, Macro Kiosk Berhad's revenue in its mainstay authentication and notification business grew, as was the case in the first quarter. 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 translate into earnings growth for the segment, due to the foreign exchange loss.

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

As a result, the segment recorded a revenue at 2,491,368 thousand yen, a year-on-year increase of 20.3%, and a segment operating profit of 22,065 thousand yen, a year-on-year decrease of 88.2%.

Additionally, the Group concluded a capital alliance agreement with Singapore's Jewel Paymentech Pte. Ltd. through its consolidated Singaporean subsidiary, GMO PAYMENT GATEWAY PTE. LTD. (renamed as "GMO-Z.COM PAYMENT GATEWAY PTE. LTD." in April 2018) under the second quarter. Jewel Paymentech Pte. Ltd. provides comprehensive, efficiency service that includes KYC\* for credit card merchant registration and examination, product and deal monitoring on Ecommerce, and payment fraud detection, targeting banks and Ecommerce operators in ASEAN countries by utilizing AI technology.

\*KYC: Abbreviation for "Know Your Customer", which is an array of personal identification procedures required by banks and card companies at the time of opening a bank account, issuing a credit card and registering merchants

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 second quarter of the consolidated fiscal year under review were up 8,987,209 thousand yen from the end of the previous consolidated fiscal year at 93,325,842 thousand yen. An increase of cash and cash equivalents by 4,225,219 thousand yen and an increase of operating and other receivables by 4,233,235 thousand yen contributed to the larger assets.

#### b. Liabilities

Balance of liabilities at the end of the second quarter of the consolidated fiscal year under review stood at 71,637,268 thousand yen, higher than the end of the previous consolidated fiscal year by 8,067,953 thousand yen. Such increase mainly came from operating and other payables' expansion of 6,119,130 thousand yen.

#### c. Equity

Equity balance at the end of the second quarter of the consolidated fiscal year under review was 21,688,574 thousand yen, higher by 919,256 thousand yen than the end of the previous consolidated fiscal year. Retained earnings increase of 522,098 thousand yen led to the larger equity.

### ② Status of consolidated cash flows

Cash and cash equivalents (hereinafter called as "fund") increased by 4,225,219 thousand yen over the cumulative second quarter to 31,758,735 thousand yen. The state of cash flows over the cumulative second quarter is presented below.

#### a. Cash flow of operating activities

Fund provided by operating activities in the cumulative second quarter amounted to 3,816,514 thousand yen, which contrasts with the provision of 2,008,845 thousand yen in the same period a year before. Despite an increase in operating and other receivables by 4,204,137 thousand yen that dragged down the fund balance, an increase in operating and other payables by 6,073,932 thousand yen have led to the fund expansion on the whole.

#### b. Cash flow of investing activities

The amount of fund used for investing activities in the second cumulative quarter totaled 788,201 thousand yen, which contrasts with the usage of 1,047,473 thousand yen in the same period previous year. This is due to the outflow of 538,256 thousand yen from an acquisition of intangible assets and purchase of investment securities for 264,918 thousand yen.

#### c. Cash flow of financing activities

The amount of fund provided in financing activities over the cumulative second quarter totaled 1,228,873 thousand yen, which contrasts with the provision of 2,890,562 thousand yen in the same period previous year. This is due to the net increase in short-term borrowings of 3,200,000 thousand yen, despite the payout of dividends for 1,482,368 thousand yen.



### (3) Review of consolidated earnings forecasts and other forecasts

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

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

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

Our earnings forecast for the consolidated fiscal year ending September 30, 2018 is as follows: revenue 26,107 million yen (-% year-on-year increase); operating profit 6,475 million yen (-% year-on-year increase); profit before income taxes 6,196 million yen (-% year-on-year increase); profit attributable to owners of parent 3,933 million yen (-% year-on-year increase). Please note that year-on-year changes are not presented since this is the first fiscal year in which the Group adopts IFRS.

## 2. Condensed consolidated Financial Statements and Major Notes

### (1) Condensed consolidated balance sheet

(Unit: Thousand yen)

	Notes	Date of transition to IFRS (October 1, 2016)	End of previous consolidated fiscal year (September 30, 2017)	End of Q2 of current consolidated fiscal year (March 31, 2018)
<b>Assets</b>				
Current assets				
Cash and cash equivalents		25,091,091	27,533,515	31,758,735
Operating and other receivables	1	19,841,482	42,991,145	47,224,381
Inventories		39,350	94,478	80,478
Other financial assets		46,147	50,895	62,376
Other current assets		430,194	408,993	467,255
Total current assets		<u>45,448,267</u>	<u>71,079,028</u>	<u>79,593,227</u>
Noncurrent assets				
Tangible assets		400,648	461,558	417,218
Goodwill and other intangible assets		4,193,386	4,766,089	4,979,051
Investments accounted for using equity method		2,500,061	2,970,709	3,017,157
Other financial assets		3,186,744	3,260,718	3,611,135
Deferred tax assets		425,935	1,792,840	1,692,097
Other noncurrent assets		9,066	7,688	15,955
Total noncurrent assets		<u>10,715,842</u>	<u>13,259,604</u>	<u>13,732,615</u>
Total assets		<u><u>56,164,109</u></u>	<u><u>84,338,633</u></u>	<u><u>93,325,842</u></u>

(Unit: Thousand yen)

	Notes	Date of transition to IFRS (October 1, 2016)	End of previous consolidated fiscal year (September 30, 2017)	End of Q2 of current consolidated fiscal year (March 31, 2018)
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
<b>Current liabilities</b>				
Operating and other payables	2	33,251,526	53,448,543	59,567,674
Borrowings		43,860	820,596	4,005,705
Other financial liabilities		64,284	73,549	62,851
Income taxes payable, etc.		846,086	1,574,603	1,093,362
Other current liabilities		1,329,808	1,992,034	1,797,303
<b>Total current liabilities</b>		<b>35,535,567</b>	<b>57,909,327</b>	<b>66,526,897</b>
<b>Noncurrent liabilities</b>				
Borrowings		45,245	2,999,500	2,599,300
Other financial liabilities		124,533	158,154	146,431
Provision		44,842	63,358	64,055
Deferred tax liabilities		264,606	230,045	205,592
Other noncurrent liabilities		1,097,758	2,208,928	2,094,991
<b>Total noncurrent liabilities</b>		<b>1,576,987</b>	<b>5,659,987</b>	<b>5,110,370</b>
<b>Total liabilities</b>		<b>37,112,554</b>	<b>63,569,315</b>	<b>71,637,268</b>
<b>Equity</b>				
Capital stock		4,712,900	4,712,900	4,712,900
Capital surplus		4,964,712	4,985,781	5,096,959
Retained earnings		8,188,306	9,619,266	10,141,365
Treasury stock		△265,236	△256,269	△242,111
Other items of equity		357,654	613,768	864,077
<b>Total equity attributable to owners of parent</b>		<b>17,958,338</b>	<b>19,675,447</b>	<b>20,573,192</b>
Minority interests		1,093,216	1,093,870	1,115,382
<b>Total equity</b>		<b>19,051,554</b>	<b>20,769,318</b>	<b>21,688,574</b>
<b>Total liabilities and equity</b>		<b>56,164,109</b>	<b>84,338,633</b>	<b>93,325,842</b>

## (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, 2016 to March 31, 2017)	First six months of current consolidated fiscal year (From October 1, 2017 to March 31, 2018)
Revenue		10,028,773	12,558,478
Cost of revenue		△3,106,569	△4,178,763
Gross profit		6,922,203	8,379,715
Other income		230,335	120,498
Selling, general and administrative expenses		△4,724,116	△5,090,210
Other expense		△274,839	△140,098
Operating profit		2,153,582	3,269,904
Financial income		13,005	35,004
Financial expense		△62,463	△30,522
Equity method investment gains or loss		△126,518	△94,349
Profit before income taxes		1,977,605	3,180,037
Income tax expenses		△601,730	△1,233,894
Profit		1,375,875	1,946,143
Profit attributable to			
Owners of parent		1,357,747	1,962,370
Non-controlling interests		18,127	△16,227
Profit		1,375,875	1,946,143
Earnings per share			
Basic earnings per share (yen)		36.55	53.27
Diluted earnings per share (yen)		36.54	53.27

Condensed consolidated statement of comprehensive income

		(Unit: Thousand yen)	
	Notes	First six months of previous consolidated fiscal year (From October 1, 2016 to March 31, 2017)	First six months of current consolidated fiscal year (From October 1, 2017 to March 31, 2018)
Profit		1,375,875	1,946,143
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Fair value of financial assets measured through other comprehensive income		182,061	108,040
Shares of other comprehensive income of equity method affiliates		54,492	51,925
Total of Items that will not be reclassified to profit or loss		236,554	159,966
Items that will be reclassified to profit or loss			
Exchange differences on translation of foreign operations		44,893	91,670
Shares of other comprehensive income of equity method affiliates		226,874	69,805
Total of items that will be reclassified to profit or loss		271,768	161,475
Other comprehensive income after income taxes		508,322	321,442
Comprehensive income		1,884,197	2,267,585
Comprehensive income attributable to			
Owners of parent		1,863,847	2,258,454
Minority interests		20,350	9,131
Total		1,884,197	2,267,585

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

First six months of the previous consolidated fiscal year (From October 1, 2016 to March 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, 2016	4,712,900	4,964,712	8,188,306	△265,236	357,654	17,958,338	1,093,216	19,051,554
Profit	—	—	1,357,747	—	—	1,357,747	18,127	1,375,875
Other comprehensive income	—	—	—	—	506,099	506,099	2,223	508,322
Comprehensive income	—	—	1,357,747	—	506,099	1,863,847	20,350	1,884,197
Disposal of treasury stock	—	50,997	—	8,966	—	59,964	—	59,964
Dividends	—	—	△1,002,996	—	—	△1,002,996	—	△1,002,996
Transfer from accumulated other comprehensive income to retained earnings	—	—	12,828	—	△12,828	—	—	—
Changes in the interests in controlled subsidiary	—	△30,070	—	—	—	△30,070	3,360	△26,710
Share-based payment transaction	—	142	—	—	△142	—	10,317	10,317
Total transactions with owners	—	21,069	△990,167	8,966	△12,971	△973,102	13,677	△959,425
Balance as of March 31, 2017	4,712,900	4,985,781	8,555,887	△256,269	850,782	18,849,082	1,127,244	19,976,326

First six months of the current 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
Disposal of treasury stock	—	73,760	—	14,157	—	87,918	—	87,918
Dividends	—	—	△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

## (4) Condensed consolidated statement of cash flows

(Unit: Thousand yen)

Notes	First six months of previous consolidated fiscal year (From October 1, 2016 to March 31, 2017)	First six months of current consolidated fiscal year (From October 1, 2017 to March 31, 2018)
Net cash provided by (used in) operating activities		
Profit before income taxes	1,977,605	3,180,037
Depreciation	362,537	457,650
Financial income and expense	△6,102	△4,309
Equity method investment gain/loss (△=gains)	126,518	94,349
Increase/decrease in inventories (△=increase)	△85,063	13,999
Increase/decrease in operating and other receivables (△=increase)	△14,465,941	△4,204,137
Increase/decrease in operating and other payables (△=decrease)	14,541,359	6,073,932
Other	568,803	23,756
Subtotal	3,019,717	5,635,279
Interest and dividends received	3,276	6,010
Interest paid	△14,016	△18,260
Payment on information security countermeasure expense	—	△67,041
Income taxes paid	△1,000,131	△1,739,473
Net cash provided by (used in) operating activities	2,008,845	3,816,514
Net cash provided by (used in) investing activities		
Purchase of property, plants and equipment	△29,994	△35,392
Purchase of intangible assets	△585,062	△538,256
Purchase of investment securities	△11,244	△264,918
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	△68,221	△1,863
Proceeds from sales of other financial assets	3,152	796
Others	△17,720	△6,812
Net cash provided by (used in) investing activities	△1,047,473	△788,201

(Unit: Thousand yen)

Notes	First six months of previous consolidated fiscal year (From October 1, 2016 To March 31, 2017)	First six months of current consolidated fiscal year (From October 1, 2017 to March 31, 2018)
Net cash provided by (used in) financing activities		
Proceeds from short-term borrowings ( $\Delta$ =decrease)	4,002,404	3,200,000
Repayment of long-term borrowings	$\Delta$ 58,468	$\Delta$ 415,662
Proceeds from issuance of common stock	250	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	$\Delta$ 26,960	$\Delta$ 30,707
Dividends paid	$\Delta$ 1,000,529	$\Delta$ 1,482,368
Other	$\Delta$ 26,133	$\Delta$ 42,387
Net cash provided by (used in) financing activities	2,890,562	1,228,873
Effect of exchange rate changes on cash and cash equivalents	37,123	$\Delta$ 31,967
Increase and decrease in cash and cash equivalents ( $\Delta$ =decrease)	3,889,057	4,225,219
Balance of cash and cash equivalents at the beginning of the period	25,091,091	27,533,515
Cash and cash equivalents at the end of period	28,980,148	31,758,735



(5) Notes regarding the going concern assumptions

N/A

(6) Notes regarding condensed consolidated financial statements

1. Operating and other receivables

Breakdown of operating and other receivables are as follows.

(Unit: Thousand yen)

	Date of transition to IFRS (October 1, 2016)	End of previous consolidated fiscal year (September 30, 2017)	End of Q2 of current consolidated fiscal year (March 31, 2018)
Accounts receivable-trade	4,083,117	6,154,731	6,658,786
Advance payments-trade	6,388,955	16,806,222	19,902,203
Accounts receivable-other	1,742,612	14,676,213	16,932,665
Operating loans	7,909,406	7,746,188	6,751,485
Allowance for doubtful accounts	△327,887	△2,393,788	△3,051,996
Other	45,278	1,578	31,236
Total	19,841,482	42,991,145	47,224,381

2. Operating and other payables

Breakdown of operating and other payables are as follows.

(Unit: Thousand yen)

	Date of transition to IFRS (October 1, 2016)	End of previous consolidated fiscal year (September 30, 2017)	End of Q2 of current consolidated fiscal year (March 31, 2018)
Accounts payable-trade	2,785,256	3,482,504	4,162,461
Accounts payable-other	2,902,451	12,697,663	14,167,674
Deposits received	27,563,819	37,268,376	41,237,538
Total	33,251,526	53,448,543	59,567,674

### 3. 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		
<b>Assets</b>						<b>Assets</b>
<b>Current assets</b>						<b>Current assets</b>
Cash and deposits	25,231,522	△43,986	△96,444	25,091,091	(11)	Cash and cash equivalents
Accounts receivable-trade	3,924,904	15,140,397	776,179	19,841,482	(3),(11)	Operating and other receivables
Lease receivable	7,291,439	△7,291,439	—	—		
	—	559,836	△513,689	46,147	(11)	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	(11)	Other current assets
Allowance for doubtful accounts	△327,887	327,887	—	—		
<b>Total current assets</b>	<b>45,549,162</b>	<b>△300,169</b>	<b>199,273</b>	<b>45,448,267</b>		<b>Total current assets</b>
<b>Noncurrent assets</b>						<b>Noncurrent assets</b>
Tangible assets	352,280	—	48,367	400,648	(2),(11)	Tangible assets
Intangible assets	4,143,749	—	49,637	4,193,386	(4),(11)	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	(4),(6)(11)	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),(11)	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	(11)	Deferred tax assets
Other	80,437	△72,151	780	9,066		Other noncurrent assets
Allowance for doubtful accounts	△31,468	31,468	—	—		
<b>Total noncurrent assets</b>	<b>9,637,579</b>	<b>300,169</b>	<b>778,093</b>	<b>10,715,842</b>		<b>Total noncurrent assets</b>
<b>Total assets</b>	<b>55,186,742</b>	<b>—</b>	<b>977,366</b>	<b>56,164,109</b>		<b>Total assets</b>

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	30,403,674	121,359	33,251,526	(11)	Operating and other payables
	—	68,513	△24,652	43,860	(11)	Borrowings
Lease payable	64,846	△64,846	—	—		
Accounts payable-other	2,784,175	△2,784,175	—	—		
Income taxes payable	901,767	△55,680	—	846,086		Income taxes payable, etc.
Accrued consumption taxes	78,482	△78,482	—	—		
	—	64,846	△561	64,284	(11)	Other financial liabilities
Advances received	447,442	△447,442	—	—		
Deposits received	27,634,302	△27,634,302	—	—		
Unearned revenue	62	△62	—	—		
Provision for bonuses	478,808	△478,808	—	—		
Provision for bonuses for directors	125,000	△125,000	—	—		
Other	89,369	1,121,409	119,030	1,329,808	(8),(11)	Other current liabilities
Total current liabilities	35,330,748	△10,356	215,175	35,535,567		Total current liabilities
Noncurrent liabilities						Noncurrent liabilities
Long-term borrowings	30,150	—	15,095	45,245	(11)	Borrowings
Lease payable	115,984	7,397	1,150	124,533	(11)	Other financial liabilities
Long-term lease and guarantee deposited	7,397	△7,397	—	—		
Provision for directors' remuneration Board Incentive Plan Trust	170,000	△170,000	—	—		
	—	—	44,842	44,842		Provision
	—	264,606	—	264,606	(11)	Deferred tax liabilities
Other	263,343	△84,250	918,665	1,097,758	(7),(8)(11)	Other noncurrent liabilities
Total noncurrent liabilities	586,876	10,356	979,754	1,576,987		Total noncurrent liabilities
Total liabilities	35,917,624	—	1,194,930	37,112,554		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	—	△705,242	8,188,306	(10),(12)	Retained earnings
Treasury stock	△265,236	—	—	△265,236		Treasury stock
Subscription rights to shares	1,066	△1,066	—	—		
Total accumulated other comprehensive income	△145,167	1,066	501,754	357,654	(10),(11)	Other items of equity
	18,161,825	—	△203,487	17,958,338		Total equity attributable to owners of parent
Minority interests	1,107,292	—	△14,076	1,093,216	(11)	Minority interests
Total net assets	19,269,118	—	△217,563	19,051,554		Total equity
Total liabilities and net assets	55,186,742	—	977,366	56,164,109		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.

Second quarter of the previous consolidated fiscal year (March 31, 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		
<b>Assets</b>						<b>Assets</b>
<b>Current assets</b>						<b>Current assets</b>
Cash and deposits	29,004,469	△52,063	27,742	28,980,148	(11)	Cash and cash equivalents
Accounts receivable-trade	5,602,333	27,736,124	1,170,535	34,508,993	(3),(11)	Operating and other receivables
Lease receivable	7,311,754	△7,311,754	—	—		
	—	1,103,202	△1,048,678	54,524	(11)	Other financial assets
Inventories	124,522	—	—	124,522		Inventories
Advance payments-trade	9,240,981	△9,240,981	—	—		
Prepaid expenses	149,865	△149,865	—	—		
Deferred tax assets	221,078	△221,078	—	—		
Short-term borrowings	1,050,678	△1,050,678	—	—		
Accounts receivable-other	12,494,004	△12,494,004	—	—		
Other	192,643	135,434	38,300	366,378	(11)	Other current assets
Allowance for doubtful accounts	△1,324,585	1,324,585	—	—		
<b>Total current assets</b>	<b>64,067,745</b>	<b>△221,078</b>	<b>187,901</b>	<b>64,034,568</b>		<b>Total current assets</b>
<b>Noncurrent assets</b>						<b>Noncurrent assets</b>
Tangible assets	362,937	—	47,261	410,198	(2),(11)	Tangible assets
Intangible assets	4,383,270	—	35,049	4,418,319	(4),(11)	Goodwill and other intangible assets
Investment securities	2,415,345	△2,415,345	—	—		
Shares of subsidiaries and affiliates	2,468,556	300,328	264,525	3,033,410	(4),(6)(11)	Investments accounted for using equity method
Investments in other securities of subsidiaries and affiliates	300,328	△300,328	—	—		
Long-term loans receivable from directors and employees	716	2,827,957	627,024	3,455,698	(5),(11)	Other financial assets
Claims provable in bankruptcy, claims provable in rehabilitation and other	33,397	△33,397	—	—		
Long-term prepaid expenses	8,701	△8,701	—	—		
Lease and guarantee deposits	333,362	△333,362	—	—		
Deferred tax assets	142,361	221,078	138,716	502,155	(9),(11)	Deferred tax assets
Other	79,250	△70,548	780	9,481		Other noncurrent assets
Allowance for doubtful accounts	△33,397	33,397	—	—		
<b>Total noncurrent assets</b>	<b>10,494,829</b>	<b>221,078</b>	<b>1,113,358</b>	<b>11,829,266</b>		<b>Total noncurrent assets</b>
<b>Total assets</b>	<b>74,562,574</b>	<b>—</b>	<b>1,301,259</b>	<b>75,863,834</b>		<b>Total assets</b>

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	3,416,801	44,268,115	100,761	47,785,679	(11)	Operating and other payables
Short-term borrowings	4,030,102	—	△2,038	4,028,064	(11)	Borrowings
	—	57,916	1,922	59,839	(11)	Other financial liabilities
Accounts payable-other	11,234,008	△11,234,008	—	—		
Income taxes payable	1,074,870	△86,247	△431,948	556,674	(9)	Income taxes payable, etc.
Accrued consumption taxes	340,237	△340,237	—	—		
Advances received	451,910	△451,910	—	—		
Deposits received	33,048,977	△33,048,977	—	—		
Provision for bonuses	252,215	△252,215	—	—		
Provision for information security countermeasure	251,637	—	—	251,637		Provision
Provision for bonuses for directors	100,000	△100,000	—	—		
Other	82,913	1,187,563	125,631	1,396,108	(8),(11)	Other current liabilities
Total current liabilities	54,283,674	—	△205,671	54,078,003		Total current liabilities
Noncurrent liabilities						Noncurrent liabilities
	—	12,603	△6,014	6,588	(11)	Borrowings
	—	92,076	5,332	97,408	(11)	Other financial liabilities
Provision for directors' remuneration Board Incentive Plan Trust	185,495	△185,495	—	—		
	—	—	45,086	45,086		Provision
	—	275,272	△7,335	267,937	(11)	Deferred tax liabilities
Other	393,934	△194,456	1,193,005	1,392,483	(7),(8),(11)	Other noncurrent liabilities
Total noncurrent liabilities	579,430	—	1,230,073	1,809,504		Total noncurrent liabilities
Total liabilities	54,863,105	—	1,024,402	55,887,507		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	8,958,584	—	△402,697	8,555,887	(10),(12)	Retained earnings
Treasury stock	△256,269	—	—	△256,269		Treasury stock
Subscription rights to shares	923	△923	—	—		
Total accumulated other comprehensive income	215,339	923	634,519	850,782	(10),(11)	Other items of equity
	18,566,263	—	282,819	18,849,082		Total equity attributable to owners of parent
Minority interests	1,133,206	—	△5,962	1,127,244	(11)	Minority interests
Total net assets	19,699,469	—	276,857	19,976,326		Total equity
Total liabilities and net assets	74,562,574	—	1,301,259	75,863,834		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 March 31, 2017 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 415,166 thousand yen, 275,272 thousand yen, and 156,527 thousand yen respectively, and shares of subsidiaries and affiliates and retained earnings above are smaller by 142,597 thousand yen and 16,285 thousand yen respectively compared to those on the consolidated balance sheet (JGAAP) as of March 31, 2017.

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		
<b>Assets</b>						<b>Assets</b>
<b>Current assets</b>						<b>Current assets</b>
Cash and deposits	27,623,466	△48,292	△41,658	27,533,515	(11)	Cash and cash equivalents
Accounts receivable-trade	6,254,193	35,519,416	1,217,536	42,991,145	(3),(11)	Operating and other receivables
Lease receivable	6,426,827	△6,426,827	—	—		
	—	1,267,515	△1,216,619	50,895	(11)	Other financial assets
Inventories	94,478	—	—	94,478		Inventories
Advance payments-trade	16,806,222	△16,806,222	—	—		
Prepaid expenses	173,200	△173,200	—	—		
Deferred tax assets	1,251,001	△1,251,001	—	—		
Accounts receivable-other	14,678,576	△14,678,576	—	—		
Other	1,433,354	△1,047,601	23,240	408,993	(11)	Other current assets
Allowance for doubtful accounts	△2,393,788	2,393,788	—	—		
<b>Total current assets</b>	<b>72,347,531</b>	<b>△1,251,001</b>	<b>△17,501</b>	<b>71,079,028</b>		<b>Total current assets</b>
<b>Noncurrent assets</b>						<b>Noncurrent assets</b>
Tangible assets	399,588	—	61,969	461,558	(2),(11)	Tangible assets
Intangible assets	4,505,631	—	260,458	4,766,089	(4),(11)	Goodwill and other intangible assets
Investment securities	2,704,216	△2,704,216	—	—		
Shares of subsidiaries and affiliates	2,318,656	420,998	231,055	2,970,709	(4),(6) (11)	Investments accounted for using equity method
Investments in other securities of subsidiaries and affiliates	420,998	△420,998	—	—		
Long-term loans receivable from directors and employees	467	3,108,972	151,279	3,260,718	(5),(11)	Other financial assets
Claims provable in bankruptcy, claims provable in rehabilitation and other	49,359	△49,359	—	—		
Long-term prepaid expenses	6,907	△6,907	—	—		
Lease and guarantee deposits	325,555	△325,555	—	—		
Deferred tax assets	16,848	1,251,001	524,989	1,792,840	(11)	Deferred tax assets
Other	79,200	△72,292	780	7,688		Other noncurrent assets
Allowance for doubtful accounts	△49,359	49,359	—	—		
<b>Total noncurrent assets</b>	<b>10,778,069</b>	<b>1,251,001</b>	<b>1,230,533</b>	<b>13,259,604</b>		<b>Total noncurrent assets</b>
<b>Total assets</b>	<b>83,125,601</b>	<b>—</b>	<b>1,213,031</b>	<b>84,338,633</b>		<b>Total assets</b>

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	49,945,600	△18,138	53,448,543	(11)	Operating and other payables
	—	827,286	△6,690	820,596	(11)	Borrowings
Lease payable	74,918	—	△1,369	73,549	(11)	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	1,992,034	(8),(11)	Other current liabilities
Total current liabilities	57,820,557	—	88,769	57,909,327		Total current liabilities
Noncurrent liabilities						Noncurrent liabilities
Long-term borrowings	2,999,500	—	—	2,999,500	(11)	Borrowings
Lease payable	158,075	—	79	158,154	(11)	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	(11)	Deferred tax liabilities
Other	250,780	△22,282	1,980,430	2,208,928	(7),(8) (11)	Other noncurrent liabilities
Total noncurrent liabilities	3,618,851	—	2,041,136	5,659,987		Total noncurrent liabilities
Total liabilities	61,439,408	—	2,129,906	63,569,315		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	—	△1,218,121	9,619,266	(10), (12)	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	(10), (11)	Other items of equity
	20,594,071	1,013	△919,637	19,675,447		Total equity attributable to owners of parent
Minority interests	1,092,121	△1,013	2,762	1,093,870	(11)	Minority interests
Total net assets	21,686,192	—	△916,874	20,769,318		Total equity
Total liabilities and net assets	83,125,601	—	1,213,031	84,338,633		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) Income tax payables and others

Income tax payables and others at quarterly closings were calculated in the same way as annual closings under J-GAAP, while the Group calculates them based on estimated average effective tax rate for each fiscal year under IFRS.

(10) 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.

(11) 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.

(12) Reconciliation of retained earnings

	Date of transition to IFRS (October 1, 2016)	Second quarter of the previous consolidated fiscal year (March 31, 2017)	Previous consolidated fiscal year (September 30, 2017)
	Thousand yen	Thousand yen	Thousand yen
Reconciliation of goodwill amount	—	160,268	322,064
Reconciliation of operating loans	72,347	70,115	70,340
Reconciliation of directors' remuneration Board Incentive Plan Trust	△615,945	△861,700	△1,407,801
Reconciliation of accrued paid leave	△91,079	△98,406	△98,406
Reclassification on cumulative exchange differences on translation of foreign operations	△97,162	△97,162	△97,162
Reconciliation of income tax payables and others	—	430,968	—
Other	26,598	△6,781	△7,155
Total	△705,242	△402,697	△1,218,121

② Reconciliation of comprehensive income

First six months of the previous consolidated fiscal year (October 1, 2016 to March 31, 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	9,992,048	—	36,724	10,028,773	(2),(8)	Revenue
Cost of revenue	△2,922,522	—	△184,047	△3,106,569	(2),(8)	Cost of revenue
Gross profit	7,069,526	—	△147,322	6,922,203		Gross profit
	—	235,955	△5,620	230,335	(8)	Other income
Selling, general and administrative expenses	△4,564,616	—	△159,499	△4,724,116	(3),(4) (6),(8)	Selling, general and administrative expenses
	—	△281,423	6,583	△274,839	(8)	Other expense
Operating profit	2,504,909	△45,467	△305,858	2,153,582		Operating profit
Non-operating profit	103,317	△103,317	—	—		
Non-operating expenses	△275,601	275,601	—	—		
Extraordinary profit	160,936	△160,936	—	—		
Extraordinary loss	△270,091	270,091	—	—		
	—	12,290	714	13,005	(8)	Financial income
	—	△49,603	△12,860	△62,463	(8)	Financial expense
	—	△198,658	72,139	△126,518	(5),(8)	Equity method investment gains
Profit before income taxes	2,223,470	—	△245,865	1,977,605		Profit before income taxes
Corporate, inhabitant and enterprise taxes	△1,134,449	10,607	522,112	△601,730	(7),(8)	Income tax expenses
Income taxes-deferred	10,607	△10,607	—	—		
Net profit	1,099,628	—	276,247	1,375,875		Profit
Other comprehensive income						Other comprehensive income
Foreign currency translation adjustment	98,646	—	△53,753	44,893		Exchange differences on translation of foreign operations
Other valuation difference on available-for-sale securities	169,232	—	12,828	182,061		Changes in fair value of financial assets measured through other comprehensive income
Amount corresponding to the equity holdings of the equity method affiliates	303,755	—	△22,388	281,367		Shares of other comprehensive income of equity method affiliates
Total other comprehensive income	571,634	—	△63,312	508,322		Other comprehensive income after income taxes
Comprehensive income	1,671,262	—	212,934	1,884,197		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	—	△740,361	21,054,421	(2),(8)	Revenue
Cost of revenue	△6,687,176	—	156,937	△6,530,238	(2),(8)	Cost of revenue
Gross profit	15,107,607	—	△583,424	14,524,183		Gross profit
	—	238,476	△2,733	235,743	(8)	Other income
Selling, general and administrative expenses	△10,092,156	—	△443,854	10,536,010	(3),(4) (6),(8)	Selling, general and administrative expenses
	—	△283,835	8,315	△275,520	(8)	Other expense
Operating profit	5,015,450	△45,358	△1,021,696	3,948,395		Operating profit
Non-operating profit	110,555	△110,555	—	—		
Non-operating expenses	△386,051	386,051	—	—		
Extraordinary profit	188,161	△188,161	—	—		
Extraordinary loss	△457,561	457,561	—	—		
	—	69,207	2,077	71,285	(8)	Financial income
	—	△28,799	△14,892	△43,692	(8)	Financial expense
	—	△539,944	151,014	△388,930	(5),(8)	Equity method investment gains/losses
Profit before income taxes	4,470,554	—	△883,496	3,587,058		Profit before income taxes
Corporate, inhabitant and enterprise taxes	△2,472,115	984,104	331,226	△1,156,785	(7),(8)	Income tax expenses
Income taxes-deferred	984,104	△984,104	—	—		
Profit before minority interests	2,982,543	—	△552,269	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	—	△316,789	△91,285		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	—	△229,577	278,534		Other comprehensive income after income taxes
Comprehensive income	3,490,654	—	△781,847	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/losses" 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.

Tax expenses during each fiscal year were calculated at each quarterly closings in the same way as annual closings, while income tax expenses are calculated based on estimated average annual effective tax rate under IFRS.

### (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 six months of the previous consolidated fiscal year (October 1, 2016 to March 31, 2017) and previous consolidated fiscal year (October 1, 2016 to September 30, 2017)

In the consolidated statements of cash flows for the first six months of the previous consolidated fiscal year disclosed in accordance with IFRS, cash flows from operating activities is larger by 89,800 thousand yen, cash flows from investing activities is larger by 15,705 thousand yen, and cash flows from financing activities is larger by 317 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 is larger by 100,598 thousand yen, cash flows from investing activities is smaller 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.