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Notice of Difference between Financial Results Forecasts and Actual Results for First Half of Fiscal Year 2017 and Revisions of Financial Results Forecasts for Fiscal Year 2017

GMO Payment Gateway, Inc. announces herewith the differences between the actual results and its consolidated financial results forecasts for the first half of fiscal 2017 ending March 31, 2017, which were announced on November 4, 2016. Also, GMO Payment Gateway revised its consolidated financial results forecasts for the full fiscal 2017 based on actual performance.

1. Differences in consolidated results

Differences in consolidated results in first half of fiscal 2017 (October 1, 2016 to March 31, 2017)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
	(million yen)	(million yen)	(million yen)	(million yen)	(yen)
Previous Forecasts (A)	8,389	2,499	2,351	1,409	37.93
Actual results(B)	9,992	2,536	2,370	1,084	29.19
Amount of change (B-A)	1,603	37	19	△324	
Change (%)	19.1	1.5	0.8	△23.0	
(Reference) Results in first half of FY2016	5,730	1,879	1,918	1,151	31.01

Reasons for the differences

Regarding the consolidated financial results in the first half of fiscal 2017, the net sales exceed 19% from the previous forecasts due to the winning of large-scale merchants by our consolidated subsidiary GMO Payment Service Inc. as well as business expansion of Macro Kiosk Berhad that started being included in the consolidated profit and loss statement from the second quarter of this fiscal year, in addition to increase in the number and amount of processed payments and expansion of payment services.

On the other hand, expenditures concerning information leak due to unauthorized access that had been announced on March 10, 2017 were recognized as an extraordinary expense of 270 million yen information security countermeasure cost, while received insurance reimbursement of 160 million yen from insurance regarding this information leak was recognized as an extraordinary income.

And, while temporary differences have increased with GMO Payment Service Inc. business volume expansion, since it is difficult to reasonably estimate future taxable income as at the end of this first half of fiscal 2017, it has been decided not to recognize deferred tax asset on these temporary differences, which resulted in higher tax burden ratio from income taxes. Consequently, profit attributable to owners of parent company has fall below 23.0%

2. Revised consolidated forecasts

Revised consolidated forecasts for fiscal 2017 (October 1, 2016 to September 30, 2017)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
	(million yen)	(million yen)	(million yen)	(million yen)	(yen)
Previous Forecasts (A)	18,767	5,013	4,673	2,762	74.35
New forecasts (B)	20,370	5,013	4,673	2,762	74.35
Amount of change (B-A)	1,603	—	—	—	
Change (%)	8.5	—	—	—	
(Reference) Results in FY2016	12,113	3,819	3,780	2,910	78.36

Reasons for the revisions

For the consolidated financial results in the first half of fiscal 2017, we would revise the forecast for net sales. Furthermore, with regards to deferred tax asset relating to temporary differences at GMO Payment Service Inc., even though that balance is not recognized as at the end of the first half of fiscal 2017, the earnings forecast has been calculated based on an assumption that the situation will allow for reasonable estimation of future taxable income by the end of this consolidated fiscal year, so that deferred tax asset will be recognized then.

*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.