



Summary of Consolidated Financial Statements for the Second Quarter, FY2017

May 1, 2017

Exchange: First Section of Tokyo Stock Exchange

Name of listed company: GMO Payment Gateway, Inc.
 Stock code: 3769 URL: <http://corp.gmo-pg.com/>
 Representative: Issei Ainoura President & Representative Director
 Contact: Ryu Muramatsu Executive Vice President Tel: +81-3-3464-0182
 Scheduled date of submission of quarterly report May 12, 2017 Scheduled date of commencement of dividend payment -
 Supplemental materials prepared for financial results Yes
 Information meeting arranged related to financial results Yes (for institutional investors and analysts)

(Amounts rounded down to the nearest one million yen)

1. Consolidated Financial Statements for the Second Quarter, FY2017 (Cumulative) (From October 1, 2016 to March 31, 2017)

(1) Consolidated Financial Statements (Percentages denote the increase or decrease from the previous period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q FY2017	9,992	74.4	2,536	35.0	2,370	23.5	1,084	Δ5.9
2Q FY2016	5,730	37.7	1,879	26.3	1,918	25.4	1,151	22.9

(Note) Comprehensive income: 2Q FY2017: 1,632 million yen (46.3%) 2Q FY2016: 1,115 million yen (15.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q FY2017	29.19	-
2Q FY2016	31.01	31.00

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

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2Q FY2017	74,290	19,702	25.2	504.05
FY2016	54,771	19,108	33.2	488.88

Reference: Equity: 2Q FY2017: 18,724 million yen FY2016: 18,160 million yen

2. Dividends

	Yearly dividends				
	1Q	2Q	3Q	Fiscal Year end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2016	0.00	0.00	0.00	27.00	27.00
FY 2017	0.00	0.00			
FY 2017 (forecast)			0.00	37.00	37.00

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

3. Consolidated Financial Forecast for the Fiscal Year Ending September 2017 (From 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
Full year	20,370	68.2	5,013	31.2	4,673	23.6	2,762	Δ5.1
								74.35

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

Notices:

- (1) Changes of important subsidiaries during the period (change in specified subsidiaries in accordance with changes in the scope of consolidation): No
 New subsidiaries: - (Name:), Excluded subsidiaries: - (Name:)
- (2) Application of special accounting procedures for the execution of the financial statements: No
- (3) Changes in accounting policy / changes or restatements in the accounting estimates
- [1] Changes in accounting policies associated with reforms to accounting standards, etc.: No
- [2] Changes in accounting policies other than [1]: No
- [3] Changes in accounting estimates: No
- [4] Restatements: No

(4) Number of shares issued (common stock)

[1] Number of shares outstanding at the end of term (including treasury stock)	2Q FY2017: 37,150,500	FY 2016: 37,150,500
[2] Number of treasury stocks at the end of term	2Q FY2017: 2,500	FY 2016: 2,500
[3] Average number of shares outstanding	2Q FY2017: 37,148,000	2Q FY2016: 37,145,234

(Note) In order to appropriately display the number of treasury stocks at the end of the term and average number of shares outstanding, stock attributed to the directors' remuneration board incentive plan trust has the right to a claim of dividend, and is therefore, not included in treasury stock.

* Implementation status of quarterly review procedures

These quarterly financial statements are not subject to the quarterly review procedures of the Financial Instruments and Exchange Act. At the time of disclosure of these quarterly financial statements, the quarterly financial statement review procedures of the Financial Instruments and Exchange Act had not been completed.

* Explanation of the proper use of earnings forecasts and other important notes

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 5 of the attachment.

Results Presentation for Investors and Analysts was given on May 1, 2017. Supporting materials and a video of the presentation will be made available on the company's website after the event.

Table of contents of attachment

1. Qualitative Information on Consolidated Financial Statements for the Quarter	2
(1) Qualitative information on consolidated operating results	2
(2) Qualitative information on the consolidated financial condition	5
(3) Description of forecast information including consolidated earnings forecasts	6
(4) Challenges to be addressed by our company	7
2. Items concerning summary information (Notes)	8
(1) Changes of important subsidiaries	8
(2) Application of special accounting procedures for drafting of the financial statements	8
(3) Changes in accounting policy/ changes or restatements in the accounting estimates	8
(4) Additional information	8
3. Consolidated quarterly financial statements	9
(1) Consolidated quarterly balance sheet	9
(2) Consolidated quarterly statement of income and consolidated quarterly statement of comprehensive income	11
(3) Consolidated statements of cash flows	13
(4) Notes for consolidated quarterly financial statements	14
(Notes regarding the Going Concern Assumption)	14
(Notes for the consolidated quarterly profit and loss statement)	14
(Notes in cases of extreme variation in the amount of shareholders' equity)	14

1. Qualitative Information on Consolidated Financial Statements for the Quarter

(1) Qualitative information on consolidated operating results

① Consolidated operating results

Regarding the economic environment in Japan during the period under review, corporate earnings, employment, and income environments are trending toward improvement, supported by the economic and fiscal policy of the government and the monetary easing measures by the Bank of Japan. However, the pace of economic recovery still remains moderate due to uncertain situations in the future, with a sharp fluctuation in financial and capital markets influenced by the transition to the new administration in the United States and the issue of the United Kingdom leaving the EU.

In regard to our core business, the B to C e-commerce market continues to grow, thanks to a favorable external environment such as broader use of smartphones as well as reforms in logistics. The scope of e-commerce itself is also growing in the markets for non-tangible items such as services, as seen in the new areas such as B to B and C to C e-commerce. In addition, the transition to online payments outside of the e-commerce field is steadily proceeding, including services other than product sales, public dues such as utility bills and taxes, and fields which are closely linked to living such as medical care.

Meanwhile, performance has been strong in credit card shopping within the card-present market, that the principal market of GMO Financial Gate Co., Ltd., which became a consolidated subsidiary in the previous consolidated fiscal year. As the Tokyo Olympics and Paralympics in 2020 draw closer, we expect a transition to more cashless payments including means other than credit cards. We expect this to create new business opportunities, expanding the business domain of our group even further.

With regard to overseas business, we established five overseas entities to provide Z.com Payment solutions to Japanese online businesses with local presence in markets in South East Asia. We have continued to promote funding activities through the "GMO Global Payment Fund" to form capital alliances with prospective payment-related businesses; in addition, the financial results of local payment processing companies in which we invest our funds have performed steadily. In the previous consolidated fiscal year, we acquired a substantial stake in Macro Kiosk Berhad, the leading complete end to end mobile payment, authentication, notification and enterprise mobility solutions enabler based in Malaysia. With a view to incorporating the huge growth potential of South East Asia, which is the center of global growth, into our Group's mid-to-long-term business growth, we will continue to introduce new measures while creating a synergistic effect between "Z.com Payment" and "GMO Global Payment Fund".

Under such circumstances, the group's operating results for the consolidated cumulative second quarter of the current consolidated fiscal year were as follows. Performance of our group for the cumulative second quarter of this consolidated fiscal year saw net sales of 9,992,048 thousand yen (increase of 74.4% on a year-on-year basis); from winning of large-scale merchants by our consolidated subsidiary GMO Payment Services 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 due to winning large-scale businesses.

Looking at operating expenses in terms of cost of sales, despite the advantages of economies of scale we gained from our revenue growth, sales cost ratio rose due to strong performance in high sales cost ratio products in "GMO-PG remittance service", "GMO payment after delivery" service, and payment terminals sales in GMO Financial Gate, Inc. cost of sales amounted to 2,922,522 thousand yen (increase of 125.2% on a year-on-year basis). Selling, general and administrative expenses came to 4,532,806 thousand yen (increase of 77.5% on a year-on-year basis) due to the increases of MSB related sales and an increase in personnel expenses. Operating income grew 35.0% on a year-on-year basis to 2,536,719 thousand yen.

With regard to non-operating income and loss, investment loss from the equity method of 193,145 thousand yen resulted in ordinary income of 2,370,005 thousand yen (increase of 23.5% on a year-on-year basis) .

With regards to extraordinary profit or loss, expenditures concerning information leakage and unauthorized access that had been announced on 10th March 2017 were recognized as an extraordinary expense of 270,046 thousand yen of information security countermeasure cost, while received insurance reimbursement of 160,000 thousand yen from insurance regarding this information leakage was recognized as an extraordinary income.

With regards to income taxes, 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 cumulative second quarter, 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, the net profit for this quarter attributable to owners of parent company has become 1,084,316 thousand yen (decrease of 5.9% on a year-on-year basis)

② Results by segment

Performance by reportable segment is explained below.

In order to facilitate appropriate understanding of business performance by our group, our business segment categorization methodology has been reviewed, and several business segments that had previously been included in “Other” have been aggregated as “Payment Enhancement Business” and were added on as a reporting segment. And Macro Kiosk Berhad, which started being included in the consolidated profit and loss statement from the second quarter of this fiscal year, is included in Payment Enhancement Business category.

Segment	First six months of the previous consolidated fiscal year (From October 1, 2015 to March 31, 2016)	First six months of the current consolidated fiscal year (From October 1, 2016 to March 31, 2017)	Rate of change (%)
Payment Processing Business			
Sales (thousand yen)	4,189,434	5,886,720	40.5
Operating income(thousand yen)	2,488,036	3,336,554	34.1
Money Service Business			
Sales (thousand yen)	947,523	2,515,380	165.5
Operating income(thousand yen)	95,879	△61,565	-
Payment Enhancement Business			
Sales (thousand yen)	593,850	1,589,947	167.7
Operating income(thousand yen)	76,479	289,337	278.3
Adjustments			
Sales (thousand yen)	△221	-	-
Operating income(thousand yen)	△781,239	△1,027,607	-
Total			
Sales (thousand yen)	5,730,587	9,992,048	74.4
Operating income(thousand yen)	1,879,155	2,536,719	35.0

a. Payment Processing Business

In the Payments Processing Business, online payments grew steadily, including the B to C, B to B, and C to C e-commerce markets. With the aim of supporting further expansion of e-commerce in B to B transactions, provision of “Payment package for B to B e-commerce” has started in the cumulative second quarter of this consolidated fiscal year, which aggregates payment methods required for B to B e-commerce businesses. This package was launched in April 2017, with “Paid” service added on, which is a one-stop service provided by RACCOON CO., LTD. that collectively handles matters from credit exposure management, which arises in clearing of credit sale in B to B e-commerce, to payment collections.

In the field of recurring payments, we have continued working to attempt to develop this field to enable the use of credit cards for paying utility charges, public dues and other monthly services closely connected with everyday life. We provide payment methods to public institutions, such as the Japan Pension Service, and local governments.

Our number of merchants during the current consolidated cumulative first quarter increased by 7,867 to 85,123 compared to the end of the previous consolidated fiscal year. The number and amount of processed payments steadily increased.

Changes in number of operating stores

	End of September 2013	End of September 2014	End of September 2015	End of September 2016	End of March 2017
Number of operating stores	44,328	49,725	59,559	77,256	85,123

Note: Number of operating stores means the number of IDs assigned to each store to use the service. It shows the number of stores (merchants) which have an agreement with the Group, are connected to the system, and in principle are able to process payments at any time, though the number of operating stores does not include stores which are using the GMO Payment after delivery service or Online advertising service.

Regarding the card-present market business, payment processing services provided by GMO Financial Gate Co., Ltd., which

became a consolidated subsidiary in the previous consolidated fiscal year, showed strong performance and contributed to earnings growth in the second quarter of the current consolidated cumulative period.

Sales were 5,886,720 thousand yen (increase of 40.5% on a year-on-year basis) and income for the segment (operating income) was 3,336,554 thousand yen (increase of 34.1% on year-on-year basis).

b. Money Service Business

For Money Service Business, our subsidiary GMO Payment Service Inc. provides a “GMO Payment after delivery” service that allows the user to pay after receiving the goods. The “GMO Payment after delivery” service has been adopted by an increasing number of merchants as a payment service that meets a high level of consumer needs and has continued to perform favorably since its introduction in May 2013. We also provide “Money service business (MSB)” such as “early payment services”, transaction Lending service and “GMO-PG Remittance Service”.

Sales were 2,515,380 thousand yen (increase of 165.5% on a year-on-year basis) and loss for the segment (operating loss) was 61,566 thousand yen (segment (operating income) was 95,879 thousand yen on the previous year) due to the increase of selling, general and administrative expenses related to growth of the MSB.

c. Payment Enhancement Business

For Payment Enhancement Business, we provide services which Macro Kiosk Berhad provides such as mobile payment, authentication, notification and enterprise mobility solution, Online Advertising Service, SSL server certifications, and shipping services.

For the consolidated cumulative second quarter, services of Macro Kiosk Berhad and “GMO-PG Online Advertising Service” showed solid growth.

Sales were 1,589,947 thousand yen (increase of 167.7% on a year-on-year basis) and income for the segment (operating income) was 289,337 thousand yen (increase of 278.3% on year-on-year basis).

③ Results by Business model

Performance by business model is explained below.

Starting from the first quarter of this consolidated accounting period, we changed the layout for sales per business model and separated “running revenue” into “stock (monthly revenue)” and “fee (transaction processing revenue)”

In order to disclose suitable management indicators that are founded on reality, our aggregation category for each item has been reviewed from the second quarter of this consolidated fiscal year. In line with this change, commissions from “GMO payment after delivery” relating to revenues that are charged at a rate against handling amounts have been recognized as spread (merchant acquiring service revenue), which had been previously recognized as fee (transaction processing revenue). For comparison against the second quarter of the previous fiscal year, figures from the previous fiscal year quarter have been adjusted to the revised aggregation category.

Business model	First six months of the previous consolidated fiscal year (From October 1, 2015 to March 31, 2016)	First six months of the current consolidated fiscal year (From October 1, 2016 to March 31, 2017)	Rate of change (%)
Initial (thousand yen) (Initial revenue)	303,359	805,682	165.6
Stock (thousand yen) (Monthly revenue)	1,392,295	1,779,016	27.8
Fee (thousand yen) (Transaction processing revenue)	1391,951	2,834,614	103.6
Spread (thousand yen) (Merchant acquiring service revenue)	2,642,981	4,572,735	73.0
Total (thousand yen)	5,730,587	9,992,048	74.4

(2) Qualitative information regarding the consolidated financial condition

[1] Assets

The balance of total assets at the end of the second quarter of the current consolidated fiscal year was 74,290,005 thousand yen, up 19,518,461 thousand yen as compared with the end of the previous consolidated fiscal year. This increase was mainly due to an increase of cash and deposits (+3,772,946 thousand yen), an increase of advance payments-trade (+2,852,025 thousand yen) and an increase of accounts receivable-other(+10,751,392 thousand yen). The main factors for the increase in accounts receivable-other is the increase of transactions for GMO payment after delivery service.

[2] Liabilities

The balance of liabilities at the end of the second quarter of the current consolidated fiscal year was 54,587,832 thousand yen, up 18,924,458 thousand yen as compared with the end of the previous consolidated fiscal year. This increase was mainly caused by an increase in short-term borrowings of 3,979,485 thousand yen, an increase in accounts payable-other of 8,449,833 thousand yen and deposits received of 5,414,674 thousand yen, which was an effect of the increase in deposits received from merchants in accordance with the merchant acquiring service agreement.

[3] Net assets

The balance of net assets at the end of the second quarter of the current consolidated fiscal year was 19,702,173 thousand yen up 594,003 thousand yen as compared with the end of the previous consolidated fiscal year. The increase was mainly caused by increase in profit attributable to owners of parent of 1,084,316 thousand yen ,increase of valuation difference on available-for-sale securities of 169,232 thousand yen, and the increase of foreign currency translation adjustment of 335,615 thousand yen.

[4] Cash Flows

At the end of the second quarter of the current consolidated fiscal year, cash and cash equivalents ("Funds") were 28,952,405 thousand yen, up 3,764,869 thousand yen as compared with the balance at the beginning of the period. Cash flows at the end of the cumulative second quarter of the current consolidated fiscal year were as follows.

Net cash provided by (used in) operating activities

Cash provided by operating activities during the cumulative second quarter of the current consolidated fiscal year amounted to 1,919,044 thousand yen (gain of 3,451,868 thousand yen from the same period the previous fiscal year).

This was mainly due to increases in accounts receivable-trade of 1,442,504 thousand yen, in advance payments-trade of 2,852,025 thousand yen, accounts receivable-other of 10,591,377 thousand yen, record of income before income taxes of 2,260,850 thousand yen , in accounts of allowance of 772,034 thousand yen, in accounts payable-other of 8,441,911 thousand yen, and an increase in deposits of 5,414,674 thousand yen.

Net cash provided by (used in) investing activities

Cash used in investment activities totaled 1,063,179 thousand yen (1,788,483 thousand yen was used in the same period of the previous fiscal year.) This was mainly due to the investments in other securities of subsidiaries and affiliates of 369,329 thousand yen, and purchase of intangible fixed assets of 585,062 thousand yen.

Net cash provided by (used in) financing activities

Cash used in financing activities totaled 2,890,245 thousand yen (625,703 thousand yen was used in the same period of the previous fiscal year). This was primarily attributable to the payment of 1,000,529 thousand yen in dividends and an increase of 4,002,404 thousand yen in proceeds from short-term borrowings.

(3) Description of forecast information including consolidated earnings forecasts

For the term ending September 2017, we believe this will be achieved by accelerating the pace of new merchant acquisitions, strengthening our development of large-scale merchants through the provision of higher quality services, and increasing revenue per merchant through providing services such as “Online Advertising Service” and “Money service business (MSB)” that increase added value associated with the merchants' use of the Group. Regarding Macro Kiosk Berhad, since its fiscal year end is on December 31, we plan to consolidate the financial statements based on the provisional settlement of accounts which is three months before the accounting closing date of our company. For this reason the income statement of Macro Kiosk Berhad has been consolidated from this second quarter of the consolidated accounting period ending in September 2017, and we plan to incorporate the income and expenses for the nine months from October 1, 2016, to June 30, 2017.

With regards to consolidated earnings forecast, the earnings forecast announced on 4th November 2016 has been adjusted. Under such circumstances, consolidated financial forecast for the Fiscal Year Ending September 2017 will be down below. The net sales 20,370 million yen (increase of 68.2% on year-on-year basis), operating income 5,013 million yen (increase of 31.2% on year-on-year basis), ordinary income 4,673 million yen (increase of 23.6% on year-on-year basis), profit attributable to owners of parent 2,762 million yen (decrease of 5.1% on year-on-year basis).

For further details, please refer to “Notice of differences between forecast of consolidated financial results and actual results for the cumulative second quarter of FY2017 ending September 2017, and revision to the full-year consolidated financial results forecasts” that was announced on 1st May, 2017.

(4) Challenges to be addressed by our company

Within items from “Challenges to be addressed by our company,” published in Summary of Consolidated Financial Statements for the Term Ending September 30, 2016 and announced on 4th November 2016, below had material changes during the cumulative second quarter of this consolidated fiscal year.

① Strengthening the information security

We provides credit card payment processing services, and process and manage important information, such as credit card numbers and other information.

As part of the process to strengthen the risk management system and prevention of information leaks, we obtained certifications of ISO/IEC 27001:2013 (Japanese Standards, JIS Q27001: 2014), the global standards for information security management for all of the business offices of the Company for the first time as a listed payment processing services company. Consequently, the information security management system of the Company has been objectively determined to be appropriate and safe in compliance with strict international standards.

With regards to PCI DSS which was jointly established by five international credit card companies: JCB; American Express; Discover; MasterCard; and VISA, after obtaining the first certification in December 2008, we have passed annual recertification review eight times and have obtained the latest certification in December 2016.

Meanwhile, with respect to the handling of personal information, we obtained the privacy mark that certifies the companies which have improved the system for taking appropriate protection measures for personal information in compliance with the Japanese Industrial Standards “JIS Q 15001 :2006 Personal Information Protection Management System – Requirements.” We have independently established and operate the personal information protection management system at a high level of protection in a manner that goes beyond mere compliance with the laws.

Despite the fact that we have handled our information security as above, between 8th and 9th March 2017, unauthorized external accesses exploiting vulnerability of Apache Struts 2 that is the application framework have been confirmed in two websites of our consignment merchants, and occurrence of incidents resulting in leakage of credit card information as well as personal information of users of the websites have been confirmed.

We have concluded that objective, professional, fair and transparent investigation, examination and determination would be required for ascertaining factual situations, investigation into causes of incidents, and setting out countermeasures for recurrence prevention of this matter; Recurrence Prevention Committee, which includes external experts, was established on 14th March 2017, and a report was published on 1st May, 2017, regarding findings from investigations carried out up to 30th April 2017. For further details, please refer to “Notice of the Investigation Report of the Recurrence Prevention Committee” that was announced on 1st May, 2017..

We will continue to take note of findings by Recurrence Prevention Committee and will endeavor to recover trusts from our customers, by promoting security enhancement through steady, all-out implementation of technical and organizational enhancements across the entire company.

Moreover, we have been collecting information on fraudulent uses relating to this matter, but have not confirmed any incident as of this point in time.

2. Items concerning summary information (Notes)

(1) Changes of important subsidiaries N/A

(2) Application of special accounting procedures for the drafting of financial statements

N/A

(3) Changes in accounting policy / changes or restatements in the accounting estimates

N/A

(4) Additional information

(Application of Guidelines for applying recoverability of deferred tax)

"Guidelines for Applying Recoverability of Deferred Tax Assets" (Business Accounting Principles Guideline No. 26 issued on March 28, 2016)

(Recognition basis for important provisions)

Provision for information security countermeasure

Upon leakage of information from unauthorized accesses, we have recognized estimated amounts in order to provide for expenditures required on sending letters of apology to our customers, handling of inquiries, and investigations into unauthorized accesses as well as information leakage.

3. Consolidated quarterly financial statements

(1) Consolidated quarterly balance sheet

(Unit: Thousand yen)

	Summary of balance sheet at the end of the previous consolidated fiscal year (September 30, 2016)	End of the second quarter of the current consolidated fiscal year (March 31, 2017)
Assets		
Current assets		
Cash and deposits	25,231,522	29,004,469
Accounts receivable-trade	3,924,904	5,602,333
Lease receivables	7,291,439	7,311,754
Merchandise	38,377	123,765
Supplies	972	757
Advance payments-trade	6,388,955	9,240,981
Prepaid expenses	118,723	149,865
Deferred tax assets	300,169	221,078
Short-term loans receivable	515,689	1,050,678
Accounts receivable-other	1,742,612	12,494,004
Other	323,887	192,643
Allowance for doubtful accounts	(327,887)	(1,324,585)
Total current assets	45,549,162	64,067,745
Noncurrent assets		
Tangible assets		
Buildings, net	83,143	99,871
Tools, furniture and fixtures	122,782	133,636
Other	146,354	129,429
Total tangible assets	352,280	362,937
Intangible assets		
Goodwill	2,271,697	2,286,827
Right of trademark	212	176
Software	1,079,334	1,310,491
Other	346,971	370,608
Total intangible assets	3,698,215	3,968,104
Investments and other assets		
Investment securities	2,251,124	2,415,345
Shares of subsidiaries and affiliates	2,203,234	2,611,154
Investments in other securities of subsidiaries and affiliates	309,174	300,328
Long-term loans receivable from directors and employees	962	716
Claims provable in bankruptcy, claims provable in rehabilitation and other	31,468	33,397
Long-term prepaid expenses	8,285	8,701
Lease and guarantee deposits	231,035	333,362
Deferred tax assets	87,629	142,361
Other	80,437	79,250
Allowance for doubtful accounts	(31,468)	(33,397)
Total investments and other assets	5,171,884	5,891,219
Total noncurrent assets	9,222,381	10,222,260
Total assets	54,771,544	74,290,005

(Unit: Thousand yen)

	Summary of balance sheet at the end of the previous consolidated fiscal year (September 30, 2016)	End of the second quarter of the current consolidated fiscal year (March 31, 2017)
Liabilities		
Current liabilities		
Accounts payable-trade	2,726,492	3,416,801
Short-term borrowings	50,617	4,030,102
Accounts payable-other	2,784,175	11,234,008
Income taxes payable	901,767	1,074,870
Accrued consumption taxes	78,482	340,237
Advances received	447,442	451,910
Deposits received	27,634,302	33,048,977
Provision for bonuses	478,808	252,215
Provision for information security countermeasure	—	251,637
Provision for others	125,000	100,000
Other	103,660	82,913
Total current liabilities	35,330,748	54,283,674
Noncurrent liabilities		
Provision for directors' remuneration Board Incentive Plan Trust	170,000	185,495
Other	162,626	118,662
Total noncurrent liabilities	332,626	304,157
Total liabilities	35,663,374	54,587,832
Net assets		
Shareholders' equity		
Capital stock	4,712,900	4,712,900
Capital surplus	4,964,712	4,933,388
Retained earnings	8,893,549	8,974,870
Treasury stock	(265,236)	(265,269)
Total shareholders' equity	18,305,926	18,364,889
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(48,004)	121,227
Foreign currency translation adjustment	(97,162)	238,452
Total Accumulated other comprehensive income	(145,167)	359,680
Subscription rights to shares	1,066	923
Minority interests	946,344	976,679
Total net assets	19,108,169	19,702,173
Total liabilities and net assets	54,771,544	74,290,005

(2) Consolidated quarterly statements of income and consolidated quarterly statement of comprehensive income

(Consolidated quarterly statements of income)
(Consolidated cumulative second quarter)

(Unit: Thousand yen)

	First six months of the previous consolidated fiscal year (From October 1, 2015 to March 31, 2016)	First six months of the current consolidated fiscal year (From October 1, 2016 to March 31, 2017)
Net sales	5,730,587	9,992,048
Cost of sales	1,297,883	2,922,522
Gross profit	4,432,703	7,069,526
Selling, general and administrative expenses	2,553,548	4,532,806
Operating income	1,879,155	2,536,719
Non-operating income		
Interest income	3,119	1,929
Dividends income	6,327	9,425
Equity income of affiliates	22,861	—
Gain on investments in partnership	7,672	—
Earnings on reversal of dividends payable	933	1,159
Rent costs	8,852	618
Commissions received	11,755	10,117
Exchange earnings	—	20,007
Other	4,705	5,929
Total non-operating income	66,230	49,186
Non-operating expenses		
Interest expenses	1,677	13,563
Equity in losses of affiliates	—	193,145
Loss on investment in partnership	—	8,259
Rent Costs	8,689	515
Foreign exchange losses	16,022	—
Other	70	416
Total non-operating expenses	26,459	215,900
Ordinary income	1,918,926	2,370,005
Extraordinary income		
Gain on sales of investment securities	—	936
Insurance reimbursement	—	160,000
Total extraordinary income	—	160,936
Extraordinary expense		
Loss on retirement of noncurrent assets	2,574	45
Information security countermeasure cost	—	270,046
Total extraordinary expense	2,574	270,091
Income before income taxes	1,916,352	2,260,850
Corporate, inhabitant and enterprise taxes	717,420	1,134,143
Income taxes-deferred	47,176	(979)
Total income taxes	764,596	1,133,163
Net income	1,151,756	1,127,687
Profit attributable to non-controlling interests	—	43,370
Profit attributable to owners of parent	1,151,756	1,084,316

(Consolidated quarterly statements of comprehensive income)
(Consolidated cumulative second quarter)

(Unit: Thousand yen)

	First six months of the previous consolidated fiscal year (From October 1, 2015 to March 31, 2016)	First six months of the current consolidated fiscal year (From October 1, 2016 to March 31, 2017)
Net income	1,151,756	1,127,687
Other comprehensive income		
Valuation difference on available-for-sale securities	(21,991)	169,232
Foreign currency translation adjustment	(14,006)	98,616
Amount corresponding to the equity holdings of the equity-method affiliates	—	236,968
Total other comprehensive income	(35,998)	504,847
Comprehensive income	1,115,757	1,632,535
Details		
Parent company shareholders' comprehensive income	1,115,757	1,670,789
Non-controlling interests' comprehensive income	—	(38,254)

(3) Consolidated statements of cash flows

(Unit: Thousand yen)

	First six months of the previous consolidated fiscal year (From October 1, 2015 to March 31, 2016)	First six months of the current consolidated fiscal year (From October 1, 2016 to March 31, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes	1,916,352	2,260,850
Depreciation	167,763	274,748
Amortization of goodwill	1,300	92,517
Increase and decrease in provision	115,925	772,034
Interest and dividends income	(9,447)	(11,354)
Interest expenses	1,677	13,563
Foreign exchange gains and losses	15,760	(5,491)
Equity in gains and losses of affiliates	(22,861)	193,145
Gains and losses on investment in partnership	(7,672)	8,259
Gains and losses on investment securities	—	(936)
Loss on retirement of noncurrent assets	2,574	45
Insurance reimbursement	—	(160,000)
Information security countermeasure cost	—	270,046
Increase and decrease in accounts receivable	(575,661)	(1,442,504)
Increase and decrease in lease receivables	(2,419,322)	(20,314)
Increase and decrease in inventories	(2,008)	(85,063)
Increase and decrease in advance payments-trade	(888,126)	(2,852,025)
Increase and decrease in accounts receivable-other	(198,127)	(10,591,377)
Increase and decrease in purchase debts	283,304	545,381
Increase and decrease in accounts payable-other	592,110	8,441,911
Increase and decrease in deposits received	5,739,215	5,414,674
Other	(61,490)	(198,054)
Subtotal	4,651,265	2,920,057
Interest and dividends income received	3,479	2,406
Interest expenses paid	(1,677)	(13,292)
Payment on deposit money	(350,000)	—
Income taxes paid	(851,198)	(990,126)
Net cash provided by (used in) operating activities	3,451,868	1,919,044
Net cash provided by (used in) investing activities		
Purchase of property, plants and equipment	(8,409)	(25,466)
Purchase of intangible assets	(281,369)	(585,062)
Purchase of investment securities	(1,373,026)	(11,244)
Proceeds from sales or redemption of investment securities	—	30,947
Purchase of stocks of subsidiaries and affiliates	(124,950)	(369,329)
Distributions from an investment partnership	30,328	10,072
Payment on leasehold deposits	(1,004)	(88,455)
Others	(30,051)	(24,640)
Net cash provided by (used in) investing activities	(1,788,483)	(1,063,179)
Net cash provided by (used in) financing activities		
Proceeds from short-term borrowings	—	4,002,404
Repayment of long-term borrowings	—	(51,417)
Proceeds from issuance of common stock	2,749	250
Cash dividends paid	(597,859)	(1,000,529)
Proceeds from stock issuance to minority shareholders	(6,076)	(26,960)
Other	(24,517)	(33,501)
Net cash provided by (used in) financing activities	(625,703)	2,890,245
Translation differences of cash and cash equivalents	23,366	18,758
Increase and decrease in cash and cash equivalents	1,014,314	3,764,869
Balance of cash and cash equivalents at the beginning of the period	30,113,605	25,187,536
Cash and cash equivalents at the end of period	31,127,920	28,952,405

(4) Notes for the consolidated quarterly financial statement

(Notes regarding the Going Concern Assumption)

N/A

(Notes for the consolidated quarterly profit and loss statement)

Information security countermeasure cost

We found there were unauthorized external access to the payment site of consignment merchants, Tokyo Metropolitan Government credit card payment site for metropolitan tax and credit card payment site for group life insurance rider of Japan Housing Finance Agency which led to information leakage.

From this, we have recognized information security countermeasure cost of 270,046 thousand yen (18,409 thousand yen on expenditures for information security countermeasure and 251,637 thousand yen on provision for information security countermeasure) as an extraordinary expense, as payments required for sending letters of apology to our customers, handling of inquiries and investigations into unauthorized accesses as well as information leakage.

Also for this incident, we received insurance reimbursement of 160,000 thousand yen.

With regards to those costs, while there are possibilities that the amount may vary going forward due to discovery of new facts or occurrence of additional measures, a reasonable estimation as of now has been carried out.

In addition, we will be recognizing occurrence of expenditures relating to reissuance of credit cards and fraudulent uses of credit cards when we receive bills from operating bodies of the above two websites, which they will be doing when various credit card issuers bill the said expenditures to those operating bodies. Therefore while the likelihood of occurrences of those expenditures is considerably high, we cannot directly ascertain the status of such occurrences. We are working closely together with various credit card companies, but occurrence of the said expenditures have not been recognized as at the end of the cumulative second quarter of this consolidated fiscal year, and as we are also unable to reasonably estimate the probability of future occurrence, we have not recognized expenditures relating to credit card reissuance and fraudulent use of credit cards in the cumulative second quarter of this consolidated fiscal year. Since those costs are expected to be eligible for insurance reimbursement to a certain extent, their impact on the profit and loss of the company is believed to be negligible even if those are to take place.

(Notes in cases of extreme variation in the amount of shareholders' equity)

N/A