

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

August 6, 2019

Exchange: First Section of Tokyo Stock Exchange

Name of listed company: GMO Payment Gateway, Inc.  
 Stock code: 3769 URL: <https://corp.gmo-pg.com/en/>  
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 Scheduled submission date of quarterly report: August 7, 2019 Scheduled date of commencement for dividend payment: -  
 Supplemental materials prepared for financial results: Yes  
 Information meeting arranged related to financial results: Yes (for institutional investors and analysts)

(Amounts rounded down to the nearest one million yen)

### 1. Consolidated Financial Statements for the Third Quarter, FY2019 (From October 1, 2018 to June 30, 2019)

#### (1) Consolidated Financial Statements (Cumulative)

(Percentages represent year-on-year % change)

	Revenue		Operating profit		Profit before income taxes		Profit after tax		Profit attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q3 FY2019	23,961	25.3	6,760	30.2	6,582	30.6	4,214	40.2	4,252	41.0	3,587	Δ29.8
Q3 FY2018	19,122	24.5	5,190	60.0	5,041	73.9	3,005	44.4	3,016	46.1	5,113	105.4

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Q3 FY2019	57.81		56.55	
Q3 FY2018	40.94		40.90	

(Note) On October 1, 2018, our company executed a 2-1 stock split. The values for FY2018 are calculated on the same base.

#### (2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of parent	Total equity attributable to owners of parent to total assets
	Million yen	Million yen	Million yen	%
Q3 FY2019	126,948	26,673	25,462	20.1
FY2018	116,858	26,020	24,796	21.2

### 2. Dividends

	Full-year dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2018	0.00	0.00	0.00	58.00	58.00
FY 2019	0.00	0.00	0.00		
FY 2019 (forecast)				35.00	35.00

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

(Note 2) On October 1, 2018, our company executed a 2-1 stock split. The values for FY2018 are calculated on the same base.

### 3. Consolidated Financial Forecast for the Fiscal Year Ending September 2019 (From October 1, 2018 to September 30, 2019)

(Full year % represents comparison with previous term)

	Revenue		Operating profit		Profit before income taxes		Profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	31,850	20.6	8,300	26.7	8,108	21.0	5,206	22.6	5,106	20.0	69.32

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

Notices:

- (1) Changes of important subsidiaries during the period (change of specific subsidiaries that leads to a change in the scope of consolidation): No  
Number of new subsidiaries: - (Name:      ), Number of excluded subsidiaries: - (Name:      )

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

[1] Changes in accounting policy required by IFRS.: Yes

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

[3] Changes in accounting estimations: No

- (3) Number of shares issued (common stock)

[1] Number of shares issued at the end of the term      Q3 FY2019: 74,301,000      FY 2018: 74,301,000  
(including treasury stock)

[2] Number of treasury shares at the end of the term      Q3 FY2019: 5,076      FY 2018: 5,000

[3] Average number of shares during the term      Q3 FY2019: 73,562,350      Q3 FY2018: 73,677,626  
(quarterly average)

(Note 1) Number of treasury shares at the end of the term includes the shares attributed to the directors' remuneration board incentive plan (BIP) trust and J-ESOP: 639,400 shares for FY2018 and 734,205 shares for Q3 FY2019.)

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

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

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

1. The above forecasts are outlooks based on information currently available, and include various uncertain factors. Actual performance may differ substantially from the forecasts due to changes in business conditions and other factors. For the assumption on which financial forecasts are based and matters to be considered in using financial forecasts, please refer to "(3) Review of consolidated earnings forecasts and other forecasts" under "1. Qualitative Information on Consolidated Financial Statements for the Quarter" on page 6 of the attachment.

2. Results Presentation Meeting for Institutional Investors and Analysts to be held on August 7, 2019. Supporting materials and a video of the presentation will be made available on the company's website after the event.

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## 1. Qualitative Information on Consolidated Financial Statements for the Quarter

### (1) Consolidated operating results

Forward-looking statements in the document are based on the judgement of the Group at the end of the quarter under review.

#### ① Consolidated operating results

The Group announces its earnings results for the cumulative Third Quarter of the consolidated fiscal year (October 1, 2018 to June 30, 2019) as follows.

(Unit: Thousand yen)

	First nine months of the previous consolidated fiscal year (From October 1, 2017 to June 30, 2018)	First nine months of the current consolidated fiscal year (From October 1, 2018 to June 30, 2019)	Rate of change (%)
Revenue	19,122,148	23,961,206	25.3
Operating profit	5,190,799	6,760,039	30.2
Profit before income taxes	5,041,554	6,582,107	30.6
Profit attributable to owners of parent	3,016,049	4,252,580	41.0

#### a. Revenue

The Group's revenue surged to ¥23,961 mil., up by 25.3% year-on-year. The Payment Processing Business revenue continued to grow thanks to the steady growth of the E-Commerce (hereafter "EC") market, coupled with the expansion of the Group's services to non-EC operators. Our Money Service Business (MSB) revenue also rose from the steady expansion of transaction value of GMO Payment After Delivery, a type of payment service after the collection/delivery of goods, and the Remittance service. The Payment Enhancement Business revenue also grew, driven by the growth at Macro Kiosk, the Group's consolidated subsidiary that provides a comprehensive service of mobile payment and mobile authentication and notification.

Our revenue breakdown by business model is as follows.

With the adoption of IFRS 15 effective from the start of this consolidated fiscal year 2019, the software development revenue for the payment processing service is recognized as prorated over the life of the service provision period, compared to the previous lump sum method booked at point of delivery inspection. As such, the software development revenue has been reclassified from Initial to Stock. The amount reclassified from Initial to Stock is ¥527 mil. in the Third Quarter of the cumulative consolidated fiscal year (October 2018 to June 2019). There is no retroactive reclassification applied as the adjustment of the cumulative effect from the initial application of IFRS 15 is made against Retained Earnings balance at the start of this consolidated fiscal year 2019.

(Unit: Thousand JPY)

Business model	First nine months of the previous consolidated fiscal year (From October 1, 2017 to June 30, 2018)	First nine months of the current consolidated fiscal year (From October 1, 2018 to June 30, 2019)	Rate of change (%)
Initial (Initial revenue)	938,129	1,042,070	11.1
Stock (Monthly revenue)	2,521,611	3,651,520	44.8
Fee (Transaction processing revenue)	7,502,910	9,041,986	20.5
Spread (Merchant acquiring service revenue)	8,159,496	10,225,628	25.3
Total	19,122,148	23,961,206	25.3

## b. Operating profit

The Group's operating profit reached ¥6,760 mil., up by 30.2% YoY, on track to achieve the Group's consolidated fiscal year forecast. Note that the YoY growth of 30.2% in this Third Quarter is significantly lower than the 60.0% recorded in previous fiscal year's Third Quarter, but this is due to inclusion of expenses related to changes in the fair value of Provisions for Director's remuneration BIP Trust in the previous period (i.e. October 1, 2016 to June 30, 2017).

By segment, Payment Processing Business operating profit was ¥7,352 mil., up by 21.4% YoY; Money Service Business stood at ¥1,477 mil., up by 69.0% YoY; and, Payment Enhancement Business recorded an operating loss of ¥51 mil. (previous Third Quarter was an operating profit of ¥106 mil.).

## c. Profit before income taxes

Pre-tax profit was ¥6,582 mil. up by 30.6% YoY, from the reasons stated above in a. and b.

## ②Results by segment

Performance by reportable segment is explained below.

(Unit: Thousand yen)

Segment	First nine months of the previous consolidated fiscal year (From October 1, 2017 to June 30, 2018)	First nine months of the current consolidated fiscal year (From October 1, 2018 to June 30, 2019)	Rate of change (%)
Payment Processing Business			
Revenue	10,668,495	13,866,435	30.0
Operating profit	6,056,207	7,352,230	21.4
Money Service Business			
Revenue	4,580,622	5,744,779	25.4
Operating profit	874,305	1,477,868	69.0
Payment Enhancement Business			
Revenue	3,873,030	4,349,991	12.3
Operating profit	106,546	△51,994	—
Adjustments			
Revenue	—	—	—
Operating profit	△1,846,258	△2,018,064	—
Total			
Revenue	19,122,148	23,961,206	25.3
Operating profit	5,190,799	6,760,039	30.2

### a. Payment Processing Business

The payment processing business is primarily comprised of payment processing services for online payment, recurring payment and, offline payment.

The online payment and recurring payment areas grew thanks to the secular growth of the EC market and the concerted efforts to acquire large-scale merchants and non-EC merchants given the tailwinds from the Installment Sales Act amendment. As a result, transaction volume grew at 28.4% YoY and transaction value grew at 26.6% YoY.

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

As a result, segment revenues reached ¥13,866 mil. up by 30.0% YoY and segment profit (operating profit) was ¥7,352 mil. up by 21.4% YoY.

### b. Money Service Business

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

GMO Payment After Delivery and the Remittance Service showed a steady increase for the cumulative Third Quarter period under review, and the lending service to overseas business operators, launched in the previous year, also contributed to increase the segment revenue.

As a result of the above, segment revenue reached to ¥5,744 mil. up by 25.4% YoY, and operating profit reached ¥1,477 mil. up by 69.0% YoY, boosted by the revenue growth as well as concerted effort to lower credit costs.

### c. Payment Enhancement Business

Payment Enhancement Business consists of authentication and notification services via SMS (known as the EMS business) and the mobile payment services (known as the MPS business), provided by our consolidated subsidiary Macro Kiosk Berhad, and an online advertising service to expand sales of the Group's merchants by analyzing their sales status and running timely ads on their behalf based on the sales data.

In the cumulative Third Quarter period, Macro Kiosk Berhad's revenue grew 15.6% YoY. The EMS business was affected from the deceleration trend in Malaysia where the company is headquartered, and due to seasonality effects in the emerging markets of Vietnam etc., despite the continued efforts to expand further in these priority markets. As a result, the EMS business revenue grew 19.2% YoY in the cumulative Third Quarter, which was a lower growth rate than the 22.4% YoY growth achieved in the Second Quarter. The MPS business revenue was adversely affected from changing business environment, declining 12.2% YoY in the cumulative Third Quarter. Segment operating profit recorded a loss from strategic upfront investments to establish the business' foundations in these emerging markets and from foreign currency loss arising from transactions between subsidiaries.

Online advertising service revenue increased 1.1% YoY to reach ¥226 mil. posting a growth despite the slowdown of ad placements in some of the services adversely affected by external factors.

As a result of the above, segment revenue was ¥4,349 mil. an increase of 12.3% YoY, and segment loss was ¥51 mil. (previous Third Quarter was a profit of ¥106mil.).

(\*) Note that the Customer Support Services has been renamed Online Advertising Service from the First Quarter of fiscal 2019.

Please see below for the table of the major businesses and companies providing these businesses, by segment.

Segment	Major services	Major companies of each service
Payment Processing Business	Payment processing service (Online billing and recurring billing)	GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary)
	Payment processing service (offline 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 Third Quarter of this consolidated fiscal year under review was ¥126,948 mil, an increase of ¥10,089 mil. from the end of the previous consolidated fiscal year. The increase in total assets is mainly due to an increase in advance payment of ¥6,549 mil. and an increase in accrued income of ¥4,845 mil. As stated in “② Cash and cash equivalents” of (6) Notes regarding condensed consolidated financial statements, the Group has ¥800 mil. in deposits to subsidiaries and affiliated companies included in the balance of cash and cash equivalents at the end of the Third Quarter of this consolidated fiscal year. Together with the ¥7,000 mil. of deposits to subsidiaries and affiliated companies stated in the condensed consolidated balance sheet, the total balance of the Group’s deposits to subsidiaries and affiliated companies stands at ¥7,800 mil. These deposits are the Group’s cash on hand that is deposited in the cash management system (CMS) implemented and operated by GMO Internet. This allows the Group to withdraw necessary funds without having to wait until the predetermined CMS repayment date, by registering a cash withdrawal request taking into account the number of days prior to when cash is needed.

#### b. Liabilities

Balance of liabilities at the end of the Third Quarter of this consolidated fiscal year under review stood at ¥100,275 mil., an increase of ¥9,436 mil. from the end of the previous consolidated fiscal year, mainly due to an increase in borrowings of ¥2,798 mil. and deposits received of ¥6,481 mil.

#### c. Equity

Equity balance at the end of the Third quarter of this consolidated fiscal year under review was ¥26,673 mil., an increase of ¥653 mil. from the end of the previous consolidated fiscal year. Factors such as dividend paid out of retained earnings of ¥2,136 mil., share buybacks of ¥689 and other comprehensive income of ¥626 mil., reduced the Equity balance, while profits of ¥4,214 mil. increased the Equity balance.

### ② Status of consolidated cash flows

Cash and cash equivalents (hereinafter called “funds”) decreased by ¥2,629 mil. from the balance at the start of the term to ¥39,403 mil. The cash flows by activity over the cumulative nine months under review is discussed below.

#### a. Cash flow from operating activities

Net funds used by operating activities in the cumulative Third Quarter of this consolidated fiscal year under review amounted to ¥1,886 mil., which compares to ¥3,091 mil. in funds provided during the same period of the previous year. This mainly resulted from cash inflows of (i) pretax profit of ¥6,582 mil., (ii) depreciation and amortization of ¥810 mil., (iii) decrease in trade receivables of ¥1,046 mil., (iv) increase in deposits received of ¥6,481 mil., that were netted out against cash outflows of (i) increase in advances paid of ¥6,549 mil., (ii) increase in accrued revenues of ¥4,845 mil., and (iii) security deposits paid of ¥3,119 mil. and, (iv) net amount of corporate tax payments and refunds of ¥2,735 mil.

#### b. Cash flow from investing activities

Net funds used by investing activities over the cumulative Third Quarter of this consolidated fiscal year under review totaled ¥533 mil., which compares to a net fund usage of ¥7,391 mil. in the same period of the previous year. This is mainly due to cash inflow from repayments for time deposits of ¥689 mil., which was netted against cash outflows of (i) acquisition of intangible assets ¥913 mil., and (ii) acquisition on investment securities ¥204 mil.



c. Cash flow from financing activities

Net funds used by financing activities over the cumulative Third Quarter of this consolidated fiscal year under review was a ¥103 mil., which compares to the provision of ¥17,261 mil. in the same period of the previous year. This is due to cash inflow from the net increase in short term borrowings of ¥3,399 mil., which was netted against the cash outflows of (i) repayment of long term borrowings of ¥600mil., (ii) share buybacks of ¥689 mil., and dividend payout of ¥2,133 mil.

(3) Review of consolidated earnings forecasts and other forecasts

The Group's core business is positioned within the EC market in Japan, and Japan's B2C EC for merchandizing continues to grow very rapidly, helped by favorable externalities such as high penetration of smartphone and reforms in the logistic/distribution industry. At the same time, the scope of the EC market is also expanding, driven by the digital/online migration occurring in the B2B and C2C fields.

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

The earnings forecast for consolidated fiscal year ending September 30, 2019 are as follows: revenue of ¥31,850 mil. (up 20.6% YoY), operating profit ¥8,300 mil. (up 26.7% YoY), profit before tax ¥8,108 mil. (up 21.0% YoY), profit ¥5,206 mil. (up 22.6% YoY), and profit attributable to owners of parent company ¥5,106 mil. (up 20.0% YoY).

## 2. Condensed Consolidated Financial Statements and Major Notes

### (1) Condensed consolidated balance sheet

		(Unit: Thousand Yen)	
	Notes	End of previous consolidated fiscal year (September 30, 2018)	End of Q3 of current consolidated fiscal year (June 30, 2019)
Assets			
Current assets			
Cash and cash equivalents	②	42,033,124	39,403,656
Operating and other receivables	③,⑤	13,236,930	12,114,478
Advances paid		22,267,745	28,817,543
Accrued revenue		15,717,965	20,563,927
Inventories		64,537	146,290
Deposits to subsidiaries and affiliates	④	7,000,000	7,000,000
Other financial assets		706,745	104,483
Other current assets		1,205,270	1,002,261
Total current assets		102,232,318	109,152,640
Noncurrent assets			
Tangible assets		450,918	592,506
Goodwill and other intangible assets		4,934,688	5,144,549
Investments accounted using equity method		2,938,426	2,739,656
Other financial assets		5,444,421	8,006,639
Deferred tax assets		833,886	1,223,373
Other noncurrent assets		24,297	88,855
Total noncurrent assets		14,626,639	17,795,581
Total assets		116,858,957	126,948,222

		(Unit: Thousand Yen)	
	Notes	End of previous consolidated fiscal year (September 30, 2018)	End of Q3 of current consolidated fiscal year (June 30, 2019)
Liabilities and equity			
Liabilities			
Current liabilities			
Operating and other payables		4,663,264	4,624,921
Accrued expenses	⑤	15,740,072	16,285,233
Deposits received	⑤	41,228,933	47,710,562
Borrowings		4,101,400	7,500,400
Other financial liabilities		98,852	108,077
Income taxes payable, etc.		1,530,203	1,017,264
Provisions		7,388	363,069
Other current liabilities		2,030,282	1,718,044
Total current liabilities		69,400,397	79,327,573
Noncurrent liabilities			
Corporate bonds		16,676,929	16,728,421
Borrowings		2,199,100	1,598,800
Other financial liabilities		185,223	248,866
Provision		64,055	64,055
Deferred tax liabilities		205,749	163,470
Other noncurrent liabilities		2,107,484	2,144,001
Total noncurrent liabilities		21,438,542	20,947,615
Total liabilities		90,838,939	100,275,189
Equity			
Capital stock		4,712,900	4,712,900
Capital surplus		5,758,448	5,824,467
Retained earnings		12,875,446	14,797,908
Treasury stock		△491,893	△1,181,846
Other items of equity		1,941,305	1,309,169
Total equity attributable to owners of parent		24,796,206	25,462,599
Minority interests		1,223,811	1,210,434
Total equity		26,020,018	26,673,033
Total liabilities and equity		116,858,957	126,948,222

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

## Condensed consolidated statement of income

		(Unit: Thousand yen)	
	Notes	First nine months of previous consolidated fiscal year (From October 1, 2017 to June 30, 2018)	First nine months of current consolidated fiscal year (From October 1, 2018 to June 30, 2019)
Revenue	⑥	19,122,148	23,961,206
Cost of revenue		△6,498,893	△8,630,184
Gross profit		12,623,254	15,331,021
Other income		148,539	102,128
Selling, general and administrative expenses		△7,472,840	△8,537,413
Other expense		△108,153	△135,697
Operating profit		5,190,799	6,760,039
Financial income		29,695	38,052
Financial expense		△53,058	△206,718
Equity method investment gains or loss		△125,882	△9,266
Profit before income taxes		5,041,554	6,582,107
Income tax expenses		△2,036,232	△2,367,556
Profit		3,005,321	4,214,550
Profit attributable to:			
Owners of parent		3,016,049	4,252,580
Non-controlling interests		△10,727	△38,030
Profit		3,005,321	4,214,550
Earnings per share			
Basic earnings per share (yen)		40.94	57.81
Diluted earnings per share (yen)		40.90	56.55

Condensed consolidated statement of comprehensive income

		(Unit: Thousand yen)	
	Notes	First nine months of previous consolidated fiscal year (From October 1, 2017 to June 30, 2018)	First nine months of current consolidated fiscal year (From October 1, 2018 to June 30, 2019)
Profit		3,005,321	4,214,550
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Fair value of financial assets measured through other comprehensive income		2,034,931	△476,673
Share of other comprehensive income of equity method affiliates		72,076	△49,001
Total of Items that will not be reclassified to profit or loss		2,107,008	△525,675
Items that will be reclassified to profit or loss			
Exchange differences on translation of foreign operations		58,301	△34,598
Share of other comprehensive income of equity method affiliates		△57,284	△66,589
Total of items that will be reclassified to profit or loss		1,016	△101,187
Other comprehensive income after income taxes		2,108,024	△626,862
Comprehensive income		5,113,346	3,587,687
Comprehensive income attributable to:			
Owners of parent		5,106,897	3,621,452
Non-controlling interests		6,448	△33,764
Total		5,113,346	3,587,687

(3) Condensed consolidated statement of changes in equity

Cumulative nine months of the previous consolidated fiscal year (From October 1, 2017 to June 30, 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	Δ256,269	613,768	19,675,447	1,093,870	20,769,318
Profit	—	—	3,016,049	—	—	3,016,049	Δ10,727	3,005,321
Other comprehensive income	—	—	—	—	2,090,848	2,090,848	17,176	2,108,024
Comprehensive income	—	—	3,016,049	—	2,090,848	5,106,897	6,448	5,113,346
Sale of treasury stock	—	73,760	—	14,157	—	87,918	—	87,918
Dividend	—	—	Δ1,485,920	—	—	Δ1,485,920	—	Δ1,485,920
Issuance of convertible bonds	—	543,488	—	—	—	543,488	—	543,488
Transfer from other components of equity to retained earnings	—	—	756,842	—	Δ756,842	—	—	—
Changes in the interests in controlled subsidiary	—	Δ30,707	—	—	—	Δ30,707	—	Δ30,707
Share-based payment transaction	—	102,125	—	—	Δ125	102,000	18,570	120,570
Total transactions with owners	—	688,666	Δ729,077	14,157	Δ756,967	Δ783,221	18,570	Δ764,650
Balance as of June 30, 2018	4,712,900	5,674,448	11,906,238	Δ242,111	1,947,648	23,999,123	1,118,890	25,118,013

Cumulative nine months of the current consolidated fiscal year (From October 1, 2018 to June 30, 2019)

(Unit: Thousand yen)

Notes	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other items of equity	Total equity attributable to owners of parent	Minority interests	Total assets
Balance as of October 1, 2018	4,712,900	5,758,448	12,875,446	Δ491,893	1,941,305	24,796,206	1,223,811	26,020,018
Cumulative effects of changes in accounting changes	—	—	Δ195,085	—	—	Δ195,085	—	Δ195,085
Restated Balance	4,712,900	5,758,448	12,680,361	Δ491,893	1,941,305	24,601,121	1,223,811	25,824,933
Profit	—	—	4,252,580	—	—	4,252,580	Δ38,030	4,214,550
Other Comprehensive income	—	—	—	—	Δ631,128	Δ631,128	4,266	Δ626,862
Comprehensive income	—	—	4,252,580	—	Δ631,128	3,621,452	Δ33,764	3,587,687
Purchase of treasury stock	—	—	—	Δ689,952	—	Δ689,952	—	Δ689,952
Dividends	—	—	Δ2,136,041	—	—	Δ2,136,041	—	Δ2,136,041
Transfer from other components of equity to retained earnings	—	—	1,006	—	Δ1,006	—	—	—
Share-based payment transaction	—	66,019	—	—	—	66,019	20,386	86,406
Total transactions with owners	—	66,019	Δ2,135,034	Δ689,952	Δ1,006	Δ2,759,974	20,386	Δ2,739,587
Balance as of June 30, 2019	4,712,900	5,824,467	14,797,908	Δ1,181,846	1,309,169	25,462,599	1,210,434	26,673,033

## (4) Condensed consolidated statement of cash flows

(Unit: Thousand yen)

	Notes	First nine months of previous consolidated fiscal year (From October 1, 2017 to June 30, 2018)	First nine months of current consolidated fiscal year (From October 1, 2018 to June 30, 2019)
Net cash provided by (used in) operating activities			
Profit before income taxes		5,041,554	6,582,107
Depreciation & Amortization		703,480	810,018
Financial income and expense		23,362	168,665
Equity method investment loss		125,882	9,266
Increase/decrease in inventories (△=increase)		50,628	△81,753
Increase/decrease in operating and other receivables (△=increase)		878,479	1,046,826
In/Decrease in advances paid (△=increase)		△5,731,882	△6,549,797
Accrued revenues (△=increase)		△3,097,280	△4,845,962
In/Decrease in operating payables (△=decrease)		849,339	48,651
In/Decrease in accrued expenses (△=decrease)		3,676,787	528,574
In/Decrease in deposits received (△=decrease)		3,758,069	6,481,777
Other		△162,958	△229,794
Subtotal		6,115,464	3,968,578
Interest and dividends received		9,025	38,052
Interest paid		△29,211	△38,360
Security Deposits paid		△30,000	△3,119,940
Information security expenses paid		△67,041	—
Income taxes paid/refunded		△2,906,751	△2,735,313
Net cash provided by (used in) operating activities		3,091,485	△1,886,982
Net cash provided by (used in) investing activities			
Proceeds from withdrawal of time Deposits		—	689,374
Purchase of property, plants and equipment		△49,538	△119,838
Purchase of intangible assets		△794,931	△913,122
Purchase of investment securities		△302,001	△204,318
Proceeds from sales of investment securities		757,416	41,040
Proceeds from Investment Partnership		24,160	110,805
Deposits paid to affiliated companies		△7,000,000	—
Acquisition of other financial assets		△7,923	△92,167
Proceeds from sales of other financial assets		1,071	8,077
Others		△19,496	△52,859
Net cash provided by (used in) investing activities		△7,391,243	△533,010

(Unit: Thousand yen)			
	Notes	First nine months of previous consolidated fiscal year (From October 1, 2017 to June 30, 2018)	First nine months of current consolidated fiscal year (From October 1, 2018 to June 30, 2019)
Net cash provided by (used in) financing activities			
Increase and decrease of short-term borrowings		2,000,000	3,399,000
Repayment of long-term borrowings		△621,101	△600,300
Proceeds from corporate bond issue		17,457,920	—
Purchase of treasury stock		—	△689,952
Dividends paid		△1,482,594	△2,133,724
Other		△93,186	△78,135
Net cash provided by (used in) financing activities		17,261,037	△103,111
Effect of exchange rate changes on cash and cash equivalents		3,546	△106,362
Increase and decrease in cash and cash equivalents (△=decrease)		12,964,825	△2,629,467
Balance of cash and cash equivalents at the beginning of the period	②	27,533,515	42,033,124
Cash and cash equivalents at the end of period	②	40,498,341	39,403,656



(5) Notes regarding the going concern assumptions

N/A

(6) Notes regarding condensed consolidated financial statements

② Cash and cash equivalents

Breakdown of cash and cash equivalents are as follows.

(Unit: Thousand yen)

	End of previous consolidated fiscal year (September 30, 2018)	End of Q3 of current consolidated fiscal year (June 30, 2019)
Cash and cash equivalents	37,033,124	38,603,656
Deposits to subsidiaries and affiliates	5,000,000	800,000
Total	42,033,124	39,403,656

③ Operating and other receivables

Breakdown of operating and other receivables are as follows.

(Unit: Thousand yen)

	End of previous consolidated fiscal year (September 30, 2018)	End of Q3 of current consolidated fiscal year (June 30, 2019)
Accounts receivable-trade	7,262,587	5,313,675
Operating loans	6,063,545	6,553,475
Other	14,613	348,098
Allowance for doubtful accounts	△103,815	△100,771
Total	13,236,930	12,114,478

④ Deposits to subsidiaries and affiliates

Our deposits to subsidiaries and affiliates are the deposits made under the CMS scheme of the GMO Internet Group.

⑤ Treatment of Financial Assets and Liabilities

The Group has the legally enforceable right over some of its financial assets and liabilities to recognize the value of the assets and liabilities as a net amount, or to offset the financial assets and liabilities when the transaction of realization of the asset and settlement of liabilities is structured and intended to occur simultaneously. For these reasons, the net amount of the financial assets and liabilities is recognized in the condensed financial statements.

The following table shows the amount used to deduct (offset) the financial assets and liabilities for the same trade partner.

As of the Third Quarter of consolidated fiscal year (June 30, 2019)

(Unit: Thousand yen)

	Gross Amount of Financial Assets	Amount deducted (netted) in the Condensed Financial Statement	Net amount shown in Condensed Financial Statement
Financial Asset Operating and Other Receivables	4,619,993	△2,730,943	1,889,049
Total	4,619,993	△2,730,943	1,889,049

(Unit: Thousand yen)

	Gross Amount of Financial Liabilities	Amount deducted (netted) in the Condensed Financial Statement	Net amount shown in Condensed Financial Statement
Financial Asset Accrued Expenses	16,085,495	△638,676	15,446,819
Deposits Received	44,128,138	△2,092,267	42,035,870
Total	60,213,633	△2,730,943	57,482,690

⑦ Important events after the reporting period

The Board has voted on the borrowing of funds on June 17<sup>th</sup>, 2019, as follows:

a. Reason for the Borrowing

The loan will be provided for the working capital arising from new transactions with a large-scale merchant.

b. Outline of Borrowing

( i ) Lenders                      Syndicate of three financial institutions

( ii ) Borrowing Amount              ¥8,000 mil.

( iii ) Interest Rate                      Market-linked variable interest rate

( iv ) Commencement Date              July 1<sup>st</sup> 2019 to July 2<sup>nd</sup>, 2019

( v ) Repayment Period                      Within one year (\*1)

( vi ) Collateral                      Unsecured and non-guaranteed

(\*1) The repayment period will be extended unless explicitly stated otherwise by the borrower and/or the bank.