

Financial results briefing for the 2Q of FY2014 (October 1, 2013 - March 31, 2014)

Themes : Our activities that create new markets, and accelerating the improvement of Japan's EC ratio.

May 2, 2014

GMO Payment Gateway, Inc.
(3769: Tokyo Stock Exchange section-1)

GMO PAYMENT GATEWAY

<http://corp.gmo-pg.com/>

A Cautionary Note About the Contents of this Document

The contents of this document are based on generally recognized economic and social conditions, as well as premises judged to be reasonable by GMO Payment Gateway as of May 2nd, 2014.

However, please note that they are subject to change without prior notice in the event of changes in the business environment or other unforeseen occurrences.

Agenda

1. Growth strategy
2. Financial highlights
3. Results forecast for the term ending September 2014

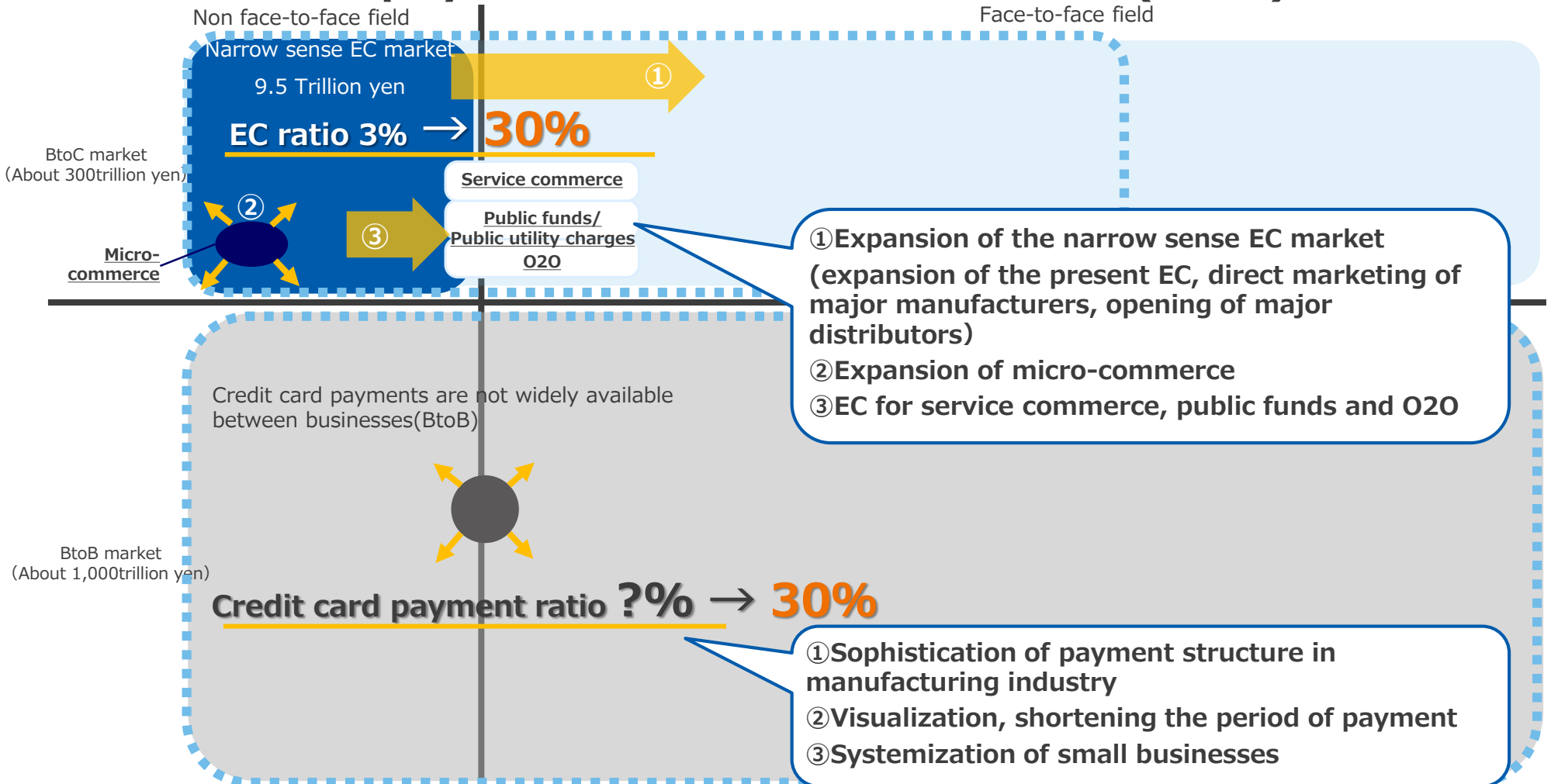
1. Growth strategy

1.1 Recent circumstances

- **Recent business environment**
 - Misunderstanding of concentration of major electronic shopping malls
 - Diversified fee structures for payment service
 - Changes in competitive situation in both face-to-face field and small business (long-tail) market
- **Progress of growth strategy**
 - Acquisition of large-scale merchants
 - Contributions to earnings from new merchants and new business
 - Exploitation of new growth areas
- **Our way of thinking about share price**

1.2 Two major changes in our business environment

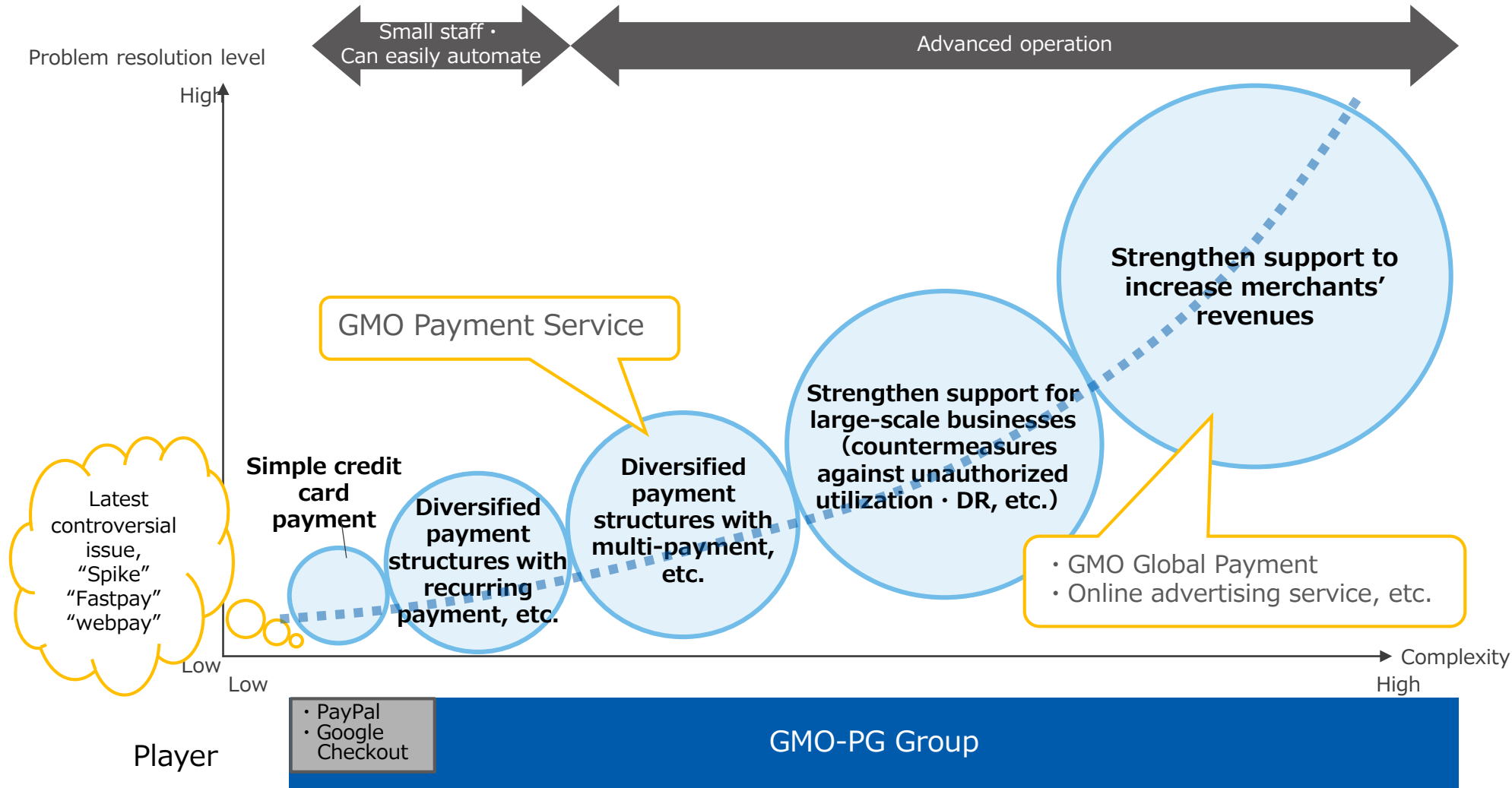
Improvement of Japan's BtoC - EC ratio, and widespread use of credit card payments between businesses (BtoB)



※Reference : METI, [Market report in regard to EC 2013]

1.3 Product strategy of GMO-PG group

Provide a payment platform and various solutions for our merchants to increase merchants' revenue



1.4 Expansion of the narrow sense EC market

Cultivation of non-supported area for internet sales and credit card payments is underway

Internet sales · Credit card payment : General

Internet sales · Credit card payment : Popular

Internet sales · credit card payment : non-supported

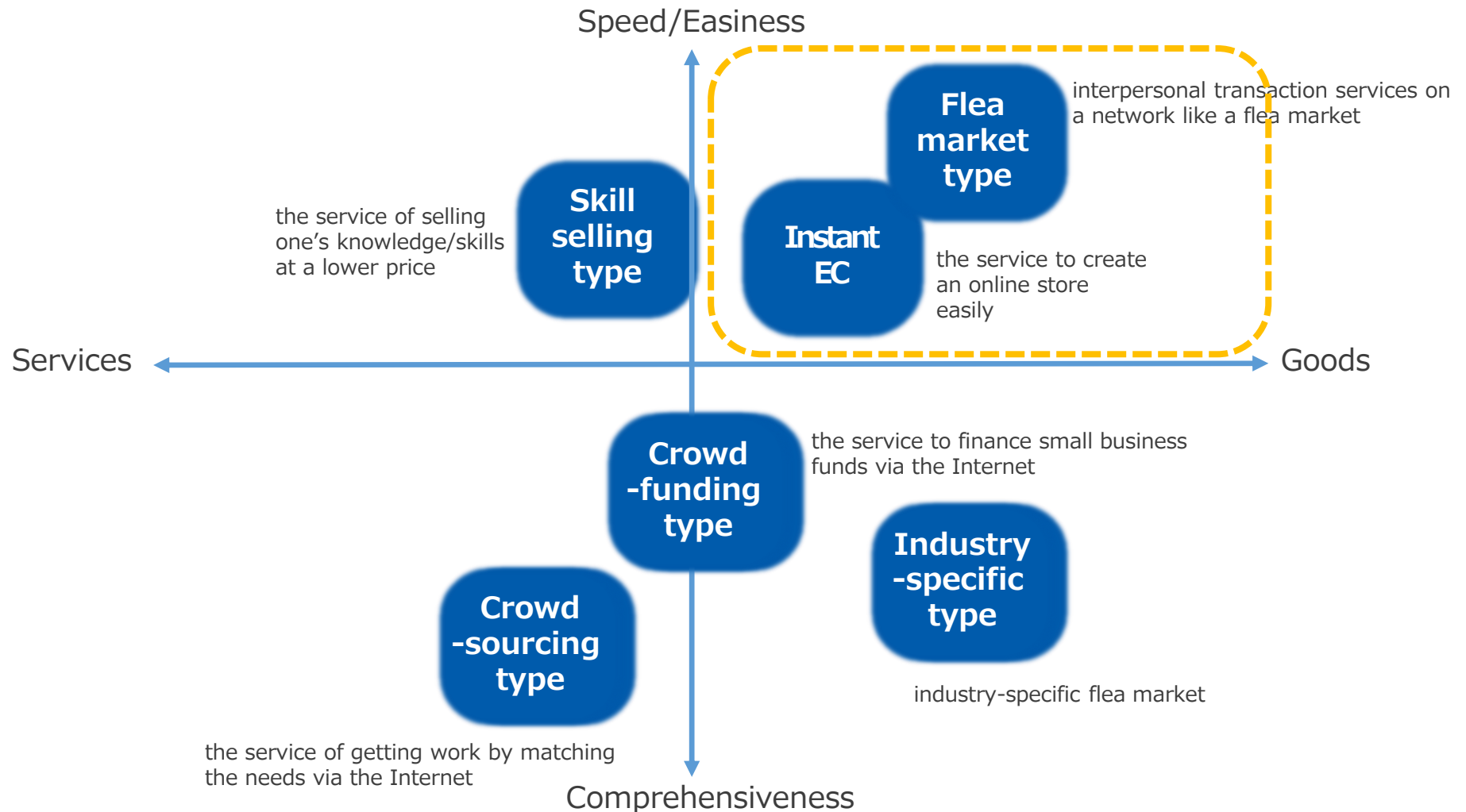
Major manufacturer
Major distributors
Traditional business entity

Retail or small manufacturer of popular items like apparel or shoes, secondary distribution

Retail or small manufacturer of standardized products like books, ticket, secondary distribution

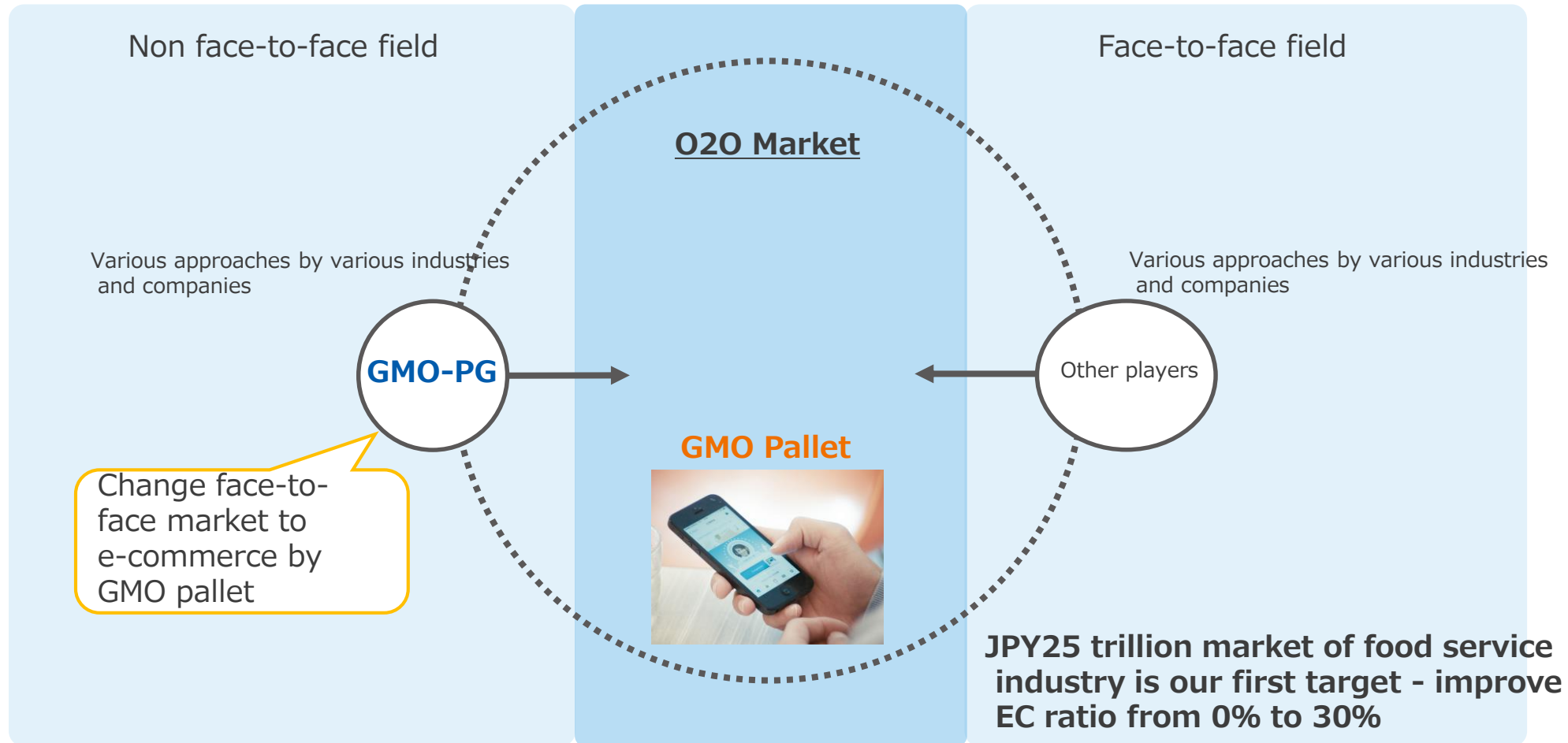
1.5 The rise of “Micro-commerce” (Small BtoC, CtoC)

Strategy to capture the EC market which has been expanding to the individual field



1.6 O2O strategy : Scenario of changing face-to-face market to E-commerce

Change face-to-face market to be able to pay by smartphone



※Reference : Fuji keizai, [Food service industry market report 2013, No.1,2] , estimated by GMO-PG

1.7 Strategic services “GMO Pallet”

Smartphone payment without credit card

1 : Customer payment by smartphone



①Customer : checks into shop



②Shop : input s amount

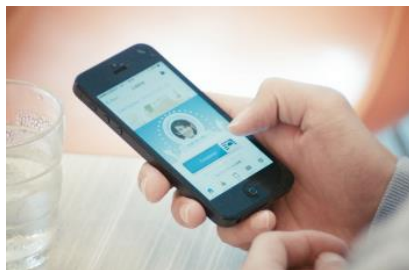


③Customer : confirms amount, input s password (transaction completed)



④Customer : receives receipt

2 : Customer payment by shop's mobile terminal (smartphone, tablet)



①Customer : checks into shop



②Shop : input s amount



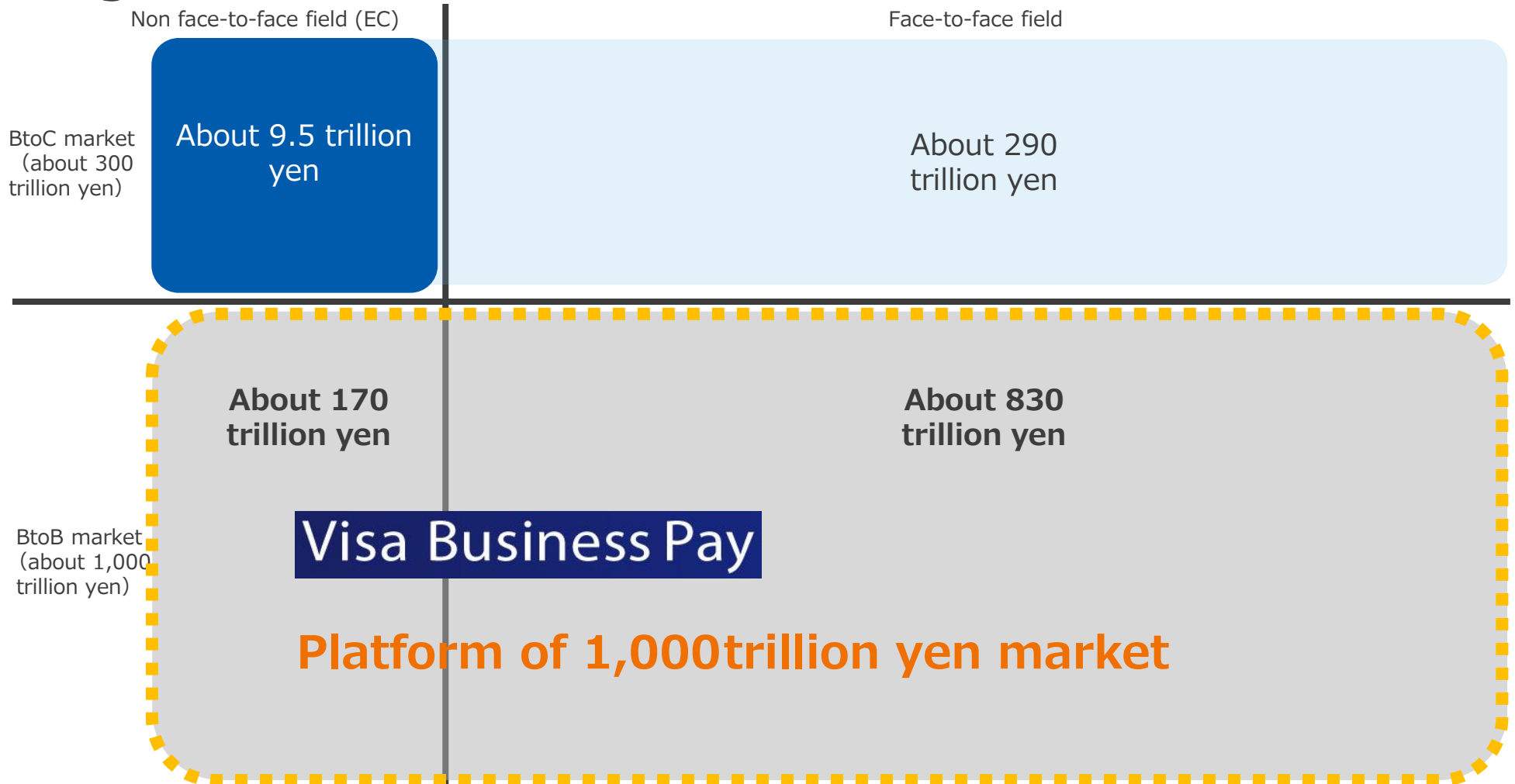
③Customer : confirms amount, inputs password (transaction completed)



④Customer : receives the receipt

1.8 Widespread use of credit card payments between businesses (BtoB)

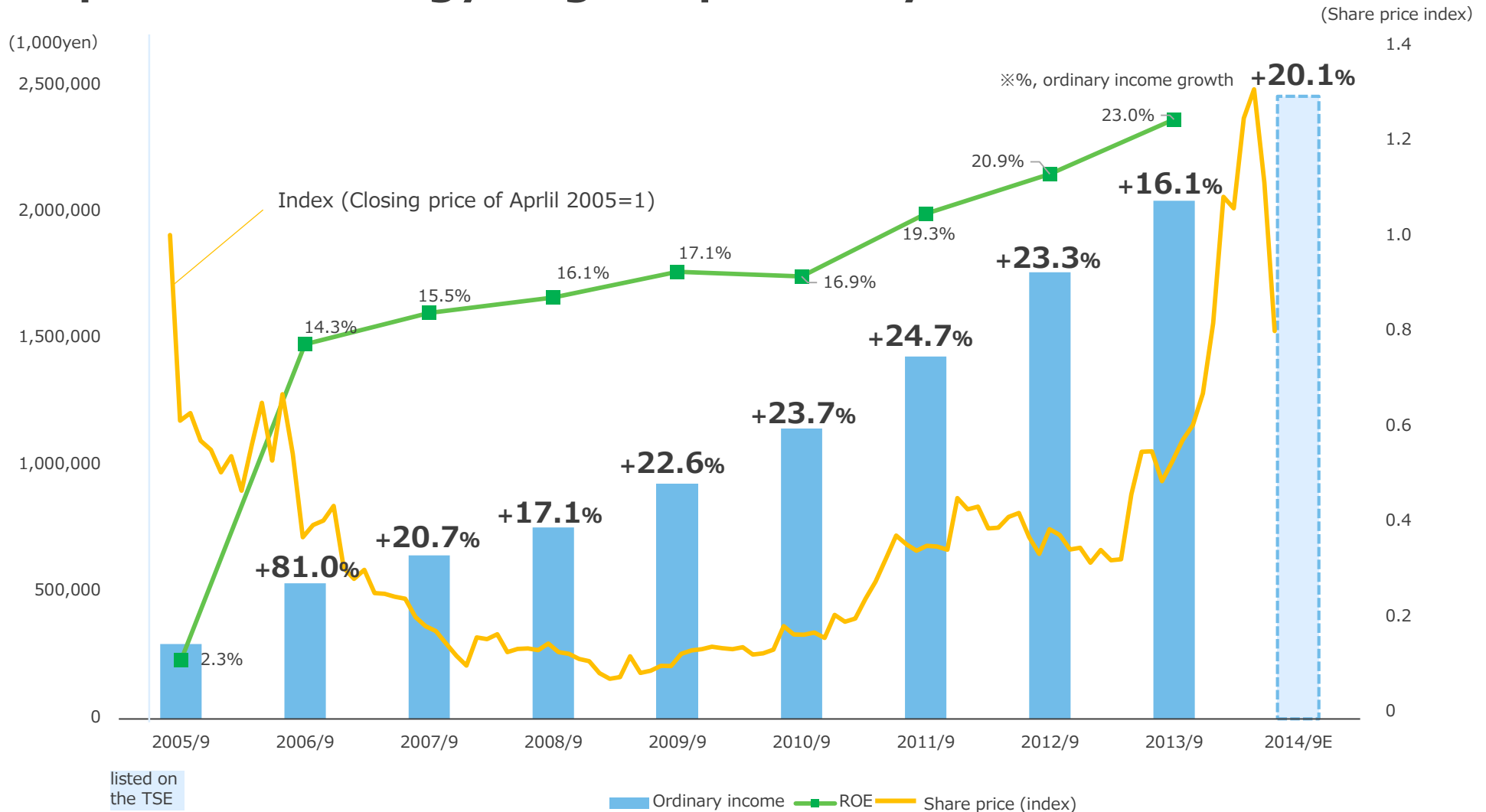
Support credit card payment processing of untapped mega market



※Reference : METI, [Market report in regard to EC 2013]

1.9 Movement of share price

Implement strategy to grow profits by more than 20%



1.10 Forecasts

Achieve growth for over 10 billion yen in ordinary income by creating new markets and improving Japan's EC ratio

	2014	Around 2020	20XX
EC ratio	3%	10%	30%
EC market scale	¥10 Trillion	Around ¥25 Trillion	
Market share (GMO-PG Group)	13%	20%	
Amount of processed payments (GMO-PG Group)	¥1.3 Trillion <small>(Forecast: FY2014)</small>	¥5 Trillion	
Ordinary income of GMO-PG	¥2.5 billion <small>(Forecast: 2014)</small>	Approx. ¥10 billion	

(Growth potential)

2.5times

x

1.5times

+a =

More than 4times

※References : METI, [Market report in regard to EC 2013] , NRI[IT market navigator 2014], estimated by GMO-PG.

2. Financial highlights

2.1 Summary of Consolidated Results

Despite increase in cost of sales, gross income achieved 24.0% growth

(Million yen)	FY2014 (ending September 2014)			Compared to the accumulated results for 2Q FY2013		Compared to the accumulated forecast for 2Q FY2014	
	1Q	2Q	2Q accumulated results	Results	% Change	2Q Forecast	Progress
Sales	1,645	1,842	3,487	2,731	27.7%	3,286	+106.1%
Cost of sales	317	384	701	484	44.7%	-	-
Gross income	1,327	1,458	2,785	2,246	24.0%	-	-
SG&A	750	796	1,546	1,230	25.7%	-	-
Operating income	577	661	1,239	1,015	22.0%	1,201	+103.2%
Ordinary income	601	641	1,242	1,020	21.7%	1,190	+104.4%
Net income	355	363	719	611	17.5%	680	+105.8%
Net income per share (Yen)	20.62	20.08	41.70	35.62	-	39.43	-

2.2 Summary of Consolidated Balance Sheets

No major changes

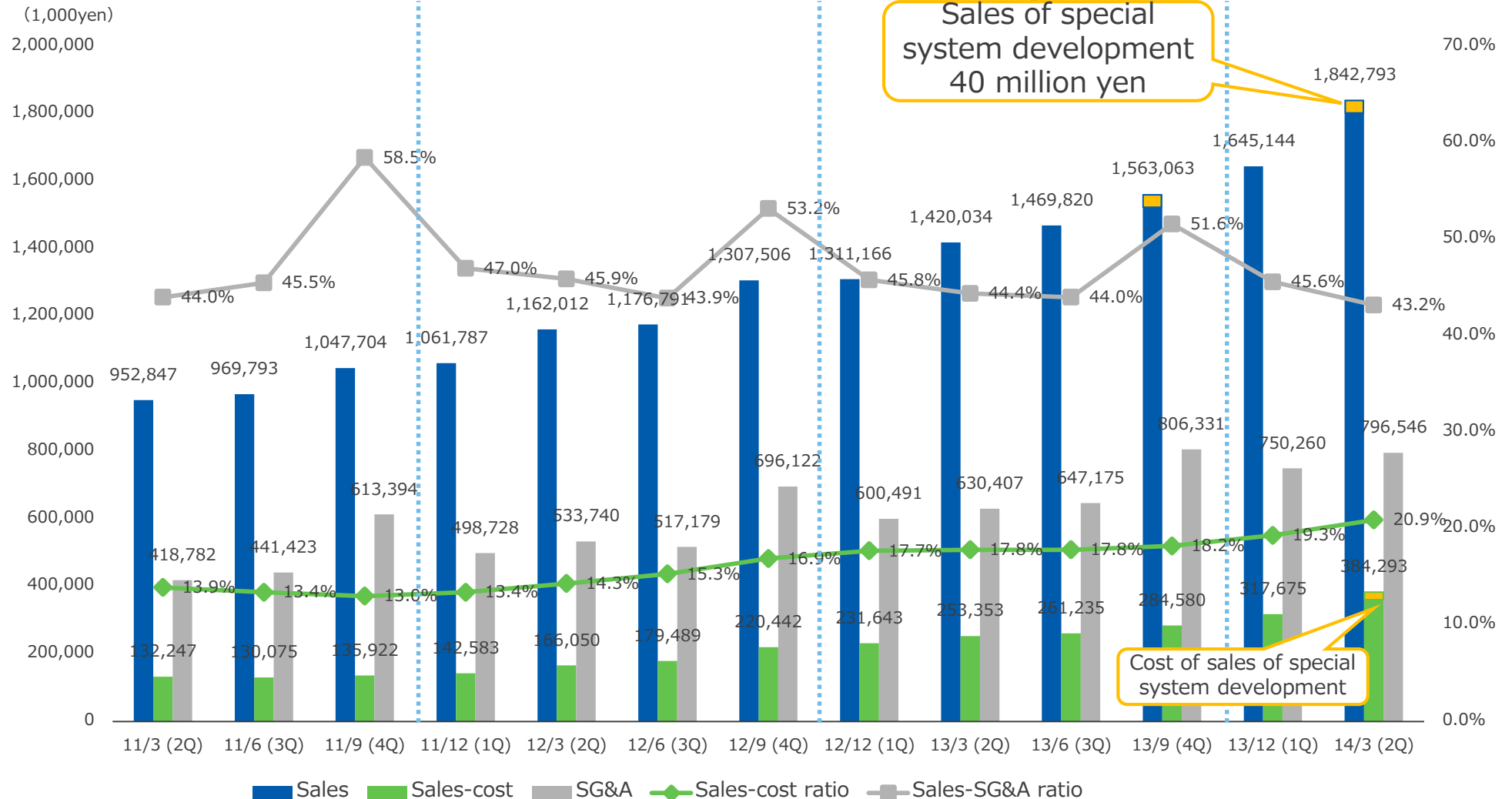
(Million yen)	Results for 2Q, FY2014	Results for 2Q, FY2013	Change
Current assets	21,464	15,700	5,763
Cash and deposits	19,544	14,376	5,168
Advance payments	680	222	457
Other current assets	1,273	1,126	146
Allowance for doubtful accounts	△33	△25	△8
Fixed assets	1,891	1,244	646
Tangible fixed assets	264	244	20
Intangible fixed assets	743	555	187
Software	537	385	151
Investments and other assets	882	445	437
Bonds of affiliates	11	11	0
Total assets	23,355	16,945	6,409

(Million yen)	Results for 2Q, FY2014	Results for 2Q, FY2013	Change
Current liabilities	17,223	11,842	5,381
Deposits	15,731	10,944	4,787
Other current liabilities	1,492	898	593
Non-current liabilities	167	96	71
Shareholders' equity	5,927	4,990	937
Valuation and translation adjustments	32	5	27
Subscription rights to shares	4	11	△7
Total net assets	5,965	5,007	957
Total of liabilities and net assets	23,355	16,945	6,409

Deposits from merchants under the
"Merchant acquiring service agreement"

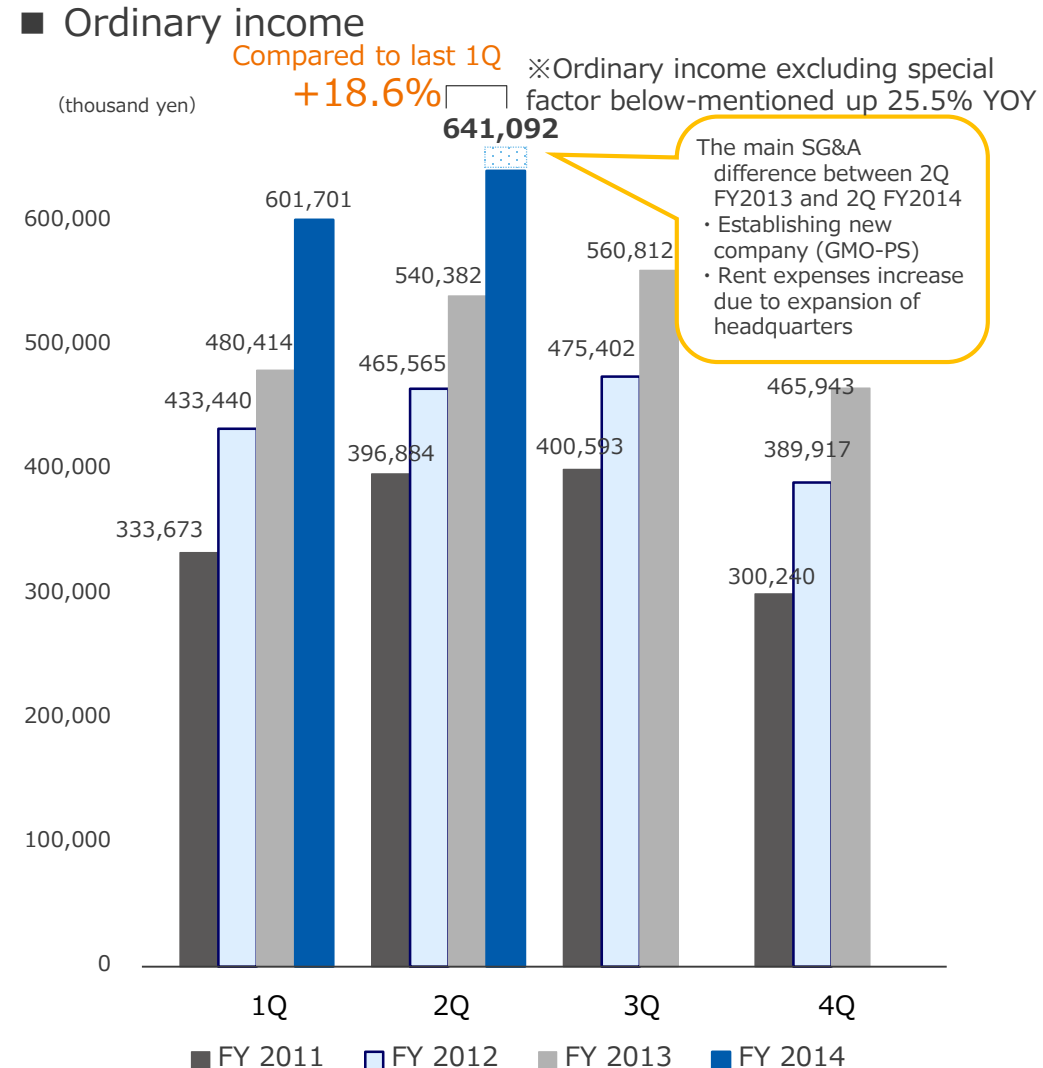
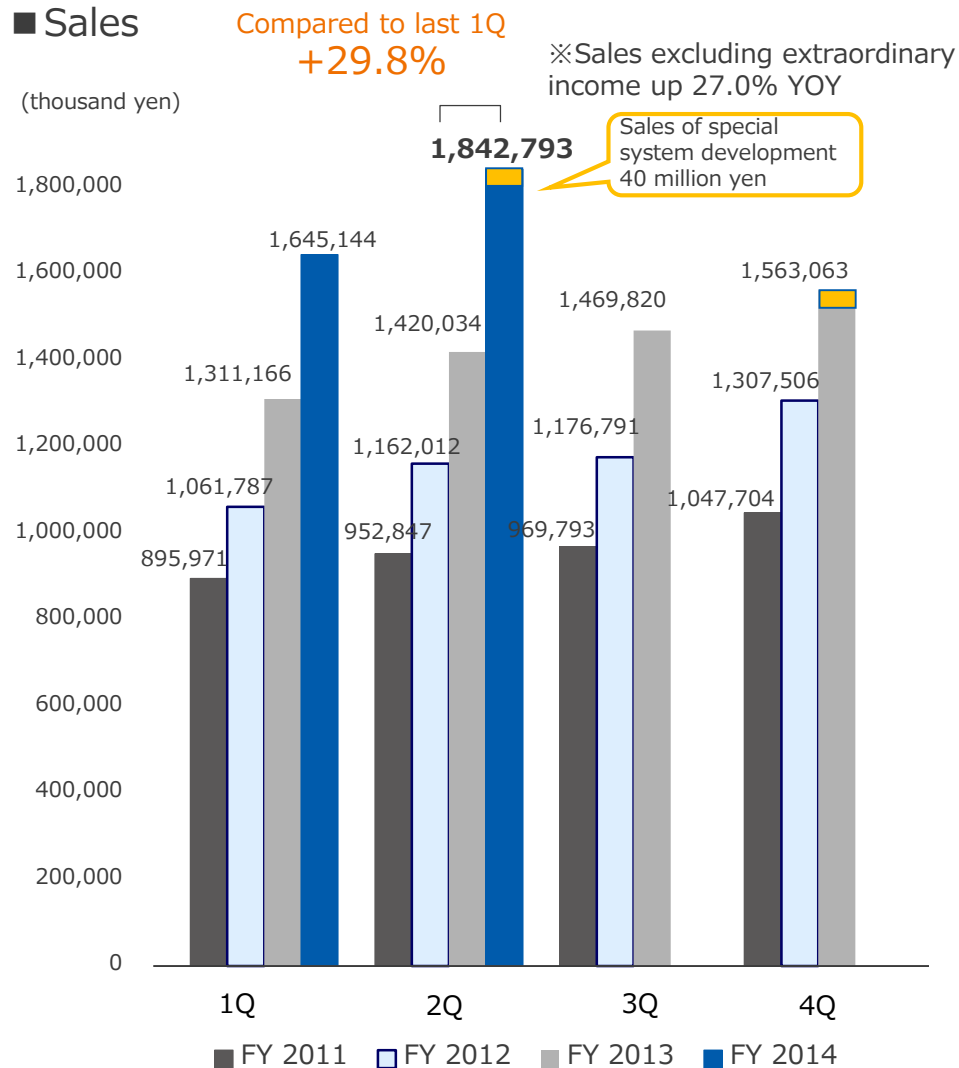
2.3 Cost of sales ratio/SG&A ratio (Quarterly changes)

Cost of sales ratio deteriorated due to increase in the sales of value-added services that exceeded initial plan



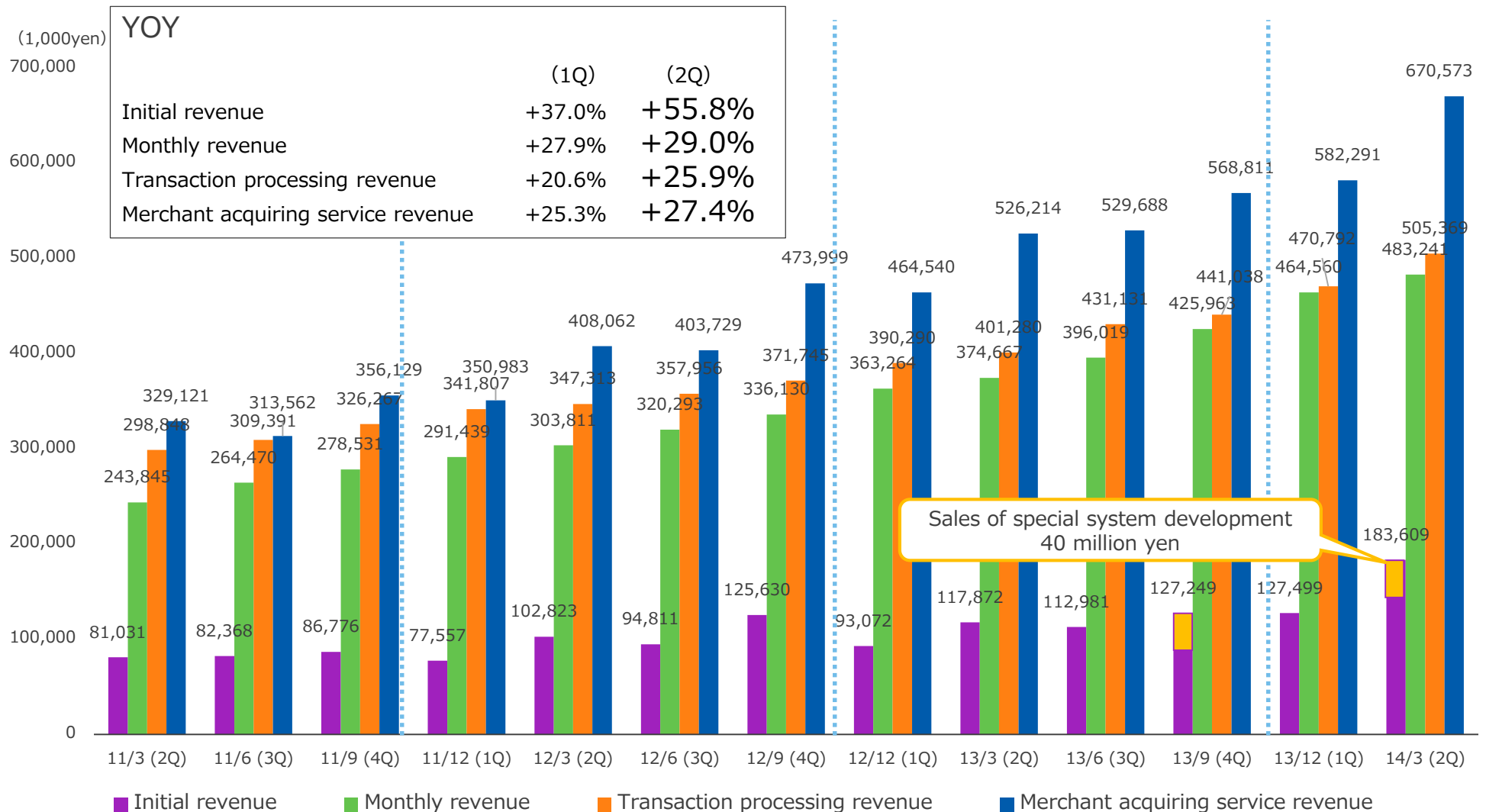
2.4 Sales/Ordinary income (Quarterly changes)

Sales up +29.8% YOY due to the special system development



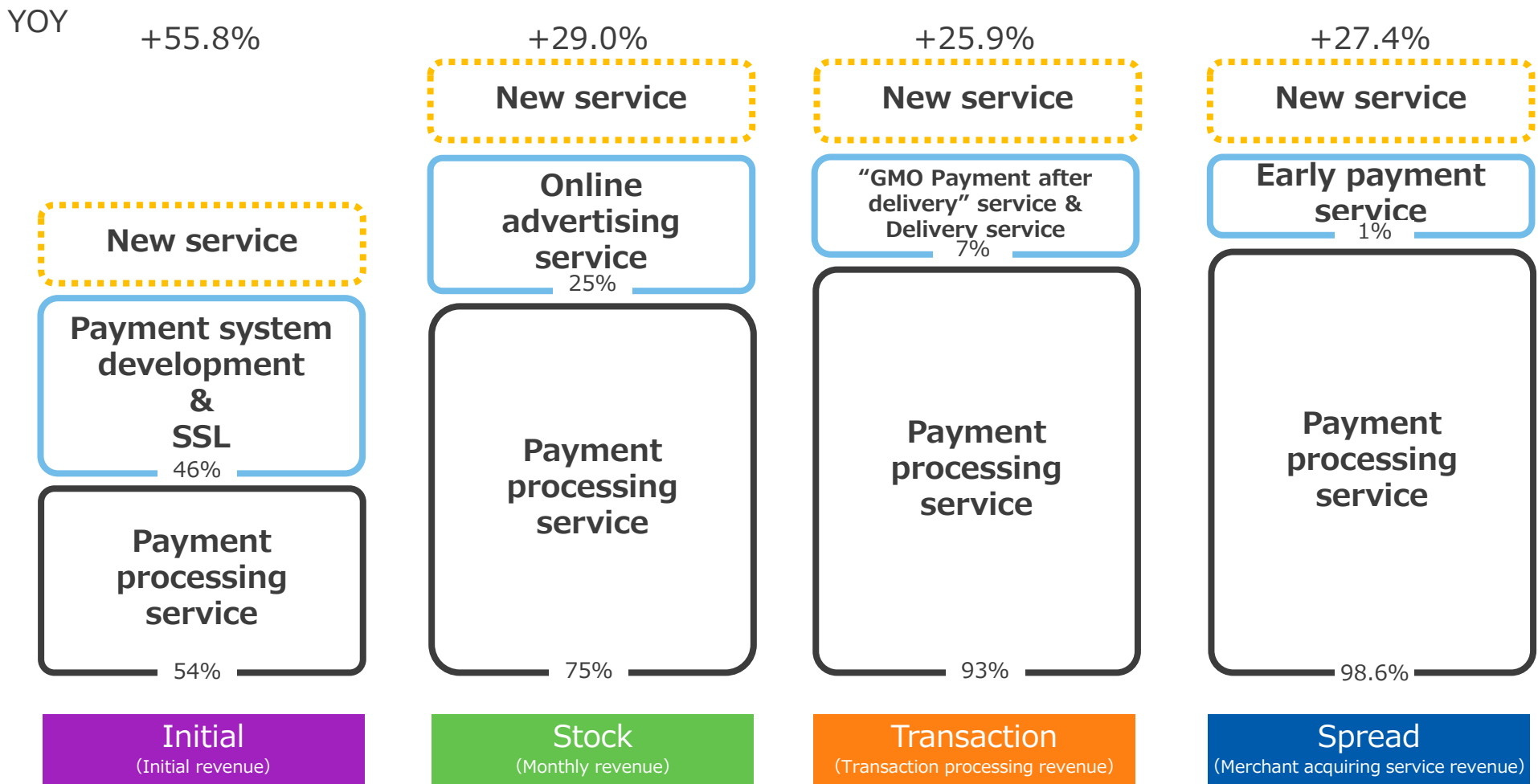
2.5 Sales results for each segment (Quarterly changes)

Overall segment sales increased over 20%



2.7 Sales results for each segment

Balanced growth in all segments

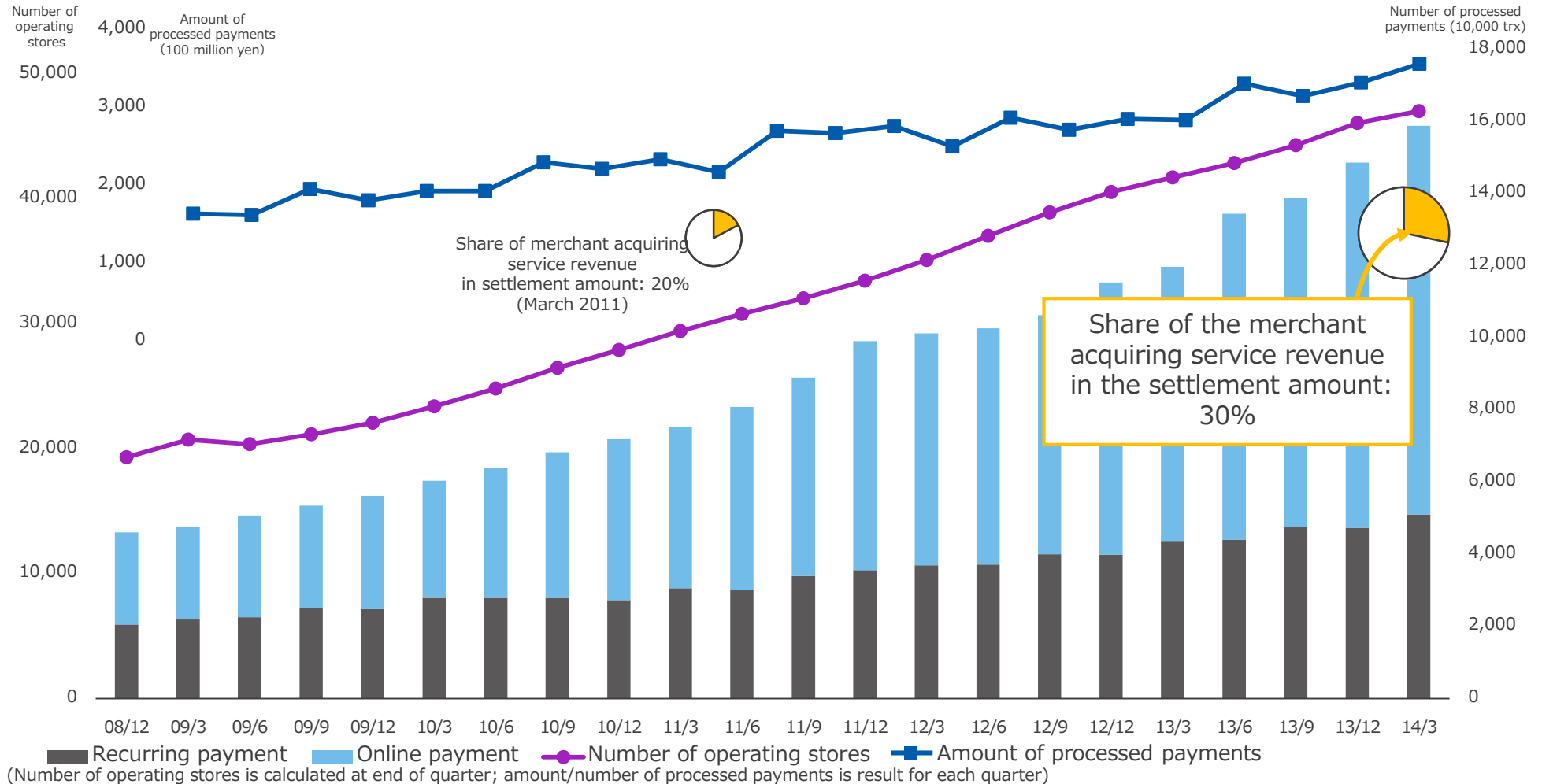


※ Image of the revenue structure (%: Sales composition of 2Q, FY2014)

2.8 Transition of major factors (Quarterly changes)

Number of operating stores increased as planned, and number of processed payments grew immensely

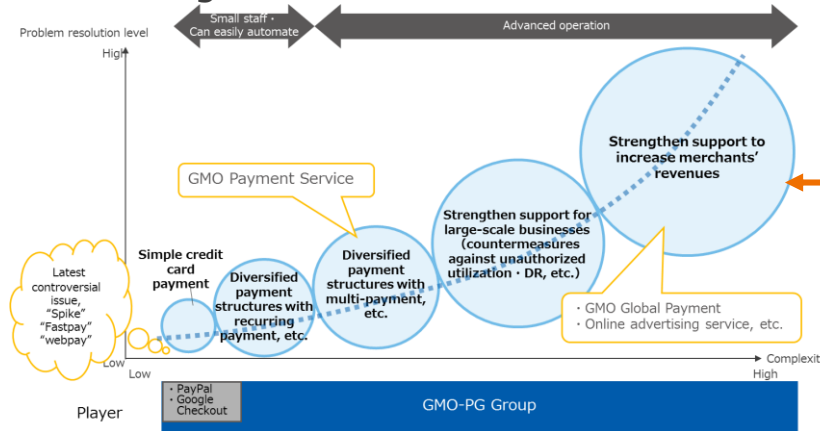
Number of operating stores 47,056/Amount of processed payments ¥350 billion/ Number of processed payments 158million



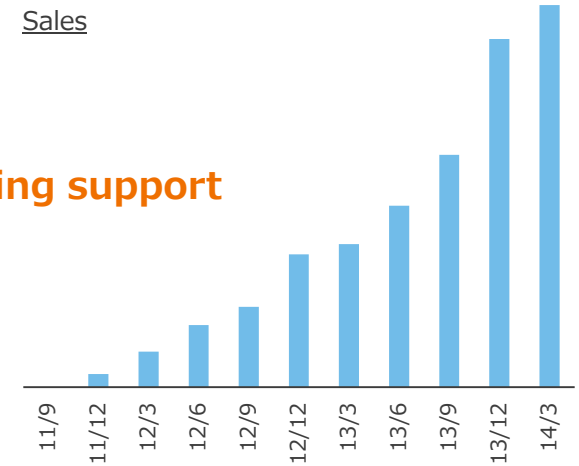
2.8 Progress of concentrating new business

GMO-PG group's new business and status of profits

■ Online advertising service (GMO-PG)

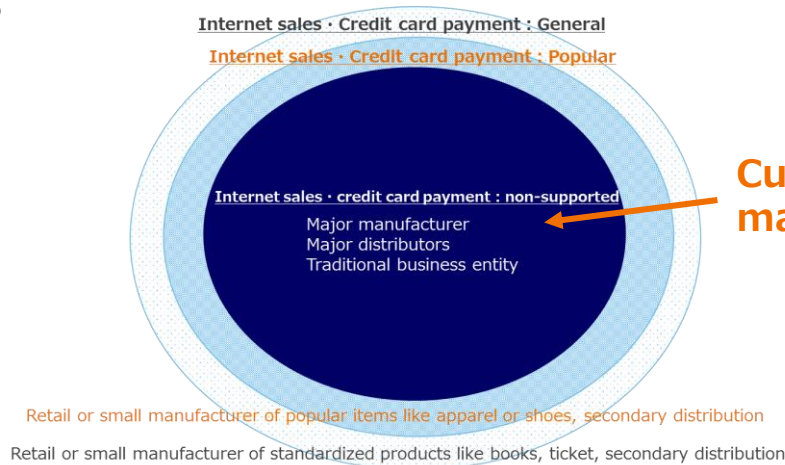


Sales



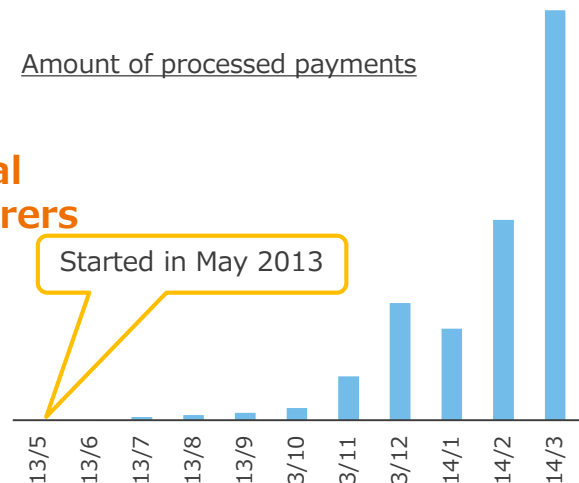
Expanding support

■ GMO-PS



Cultivating several major manufacturers

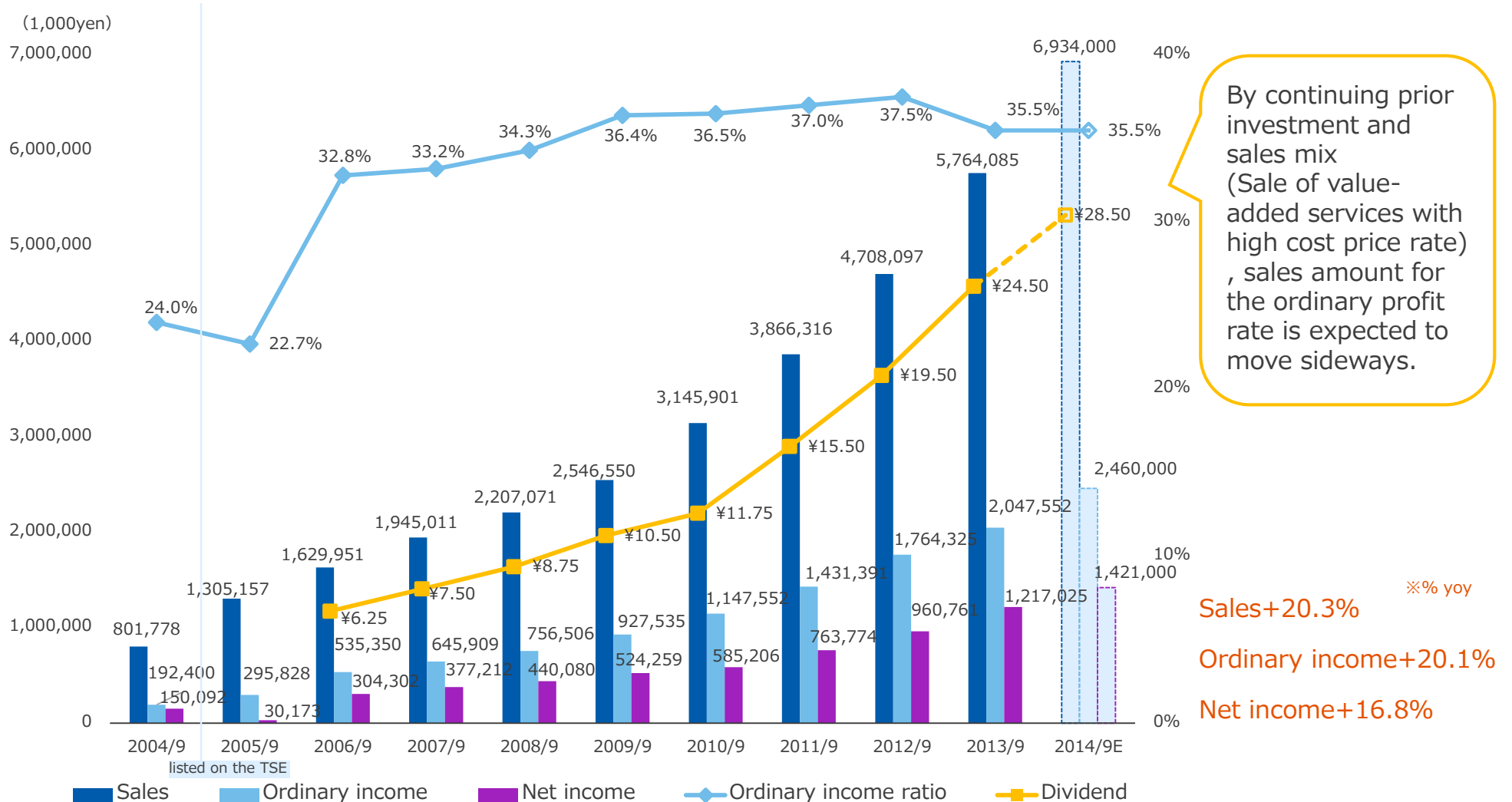
Amount of processed payments



3. Results forecast for the term ending September 2014

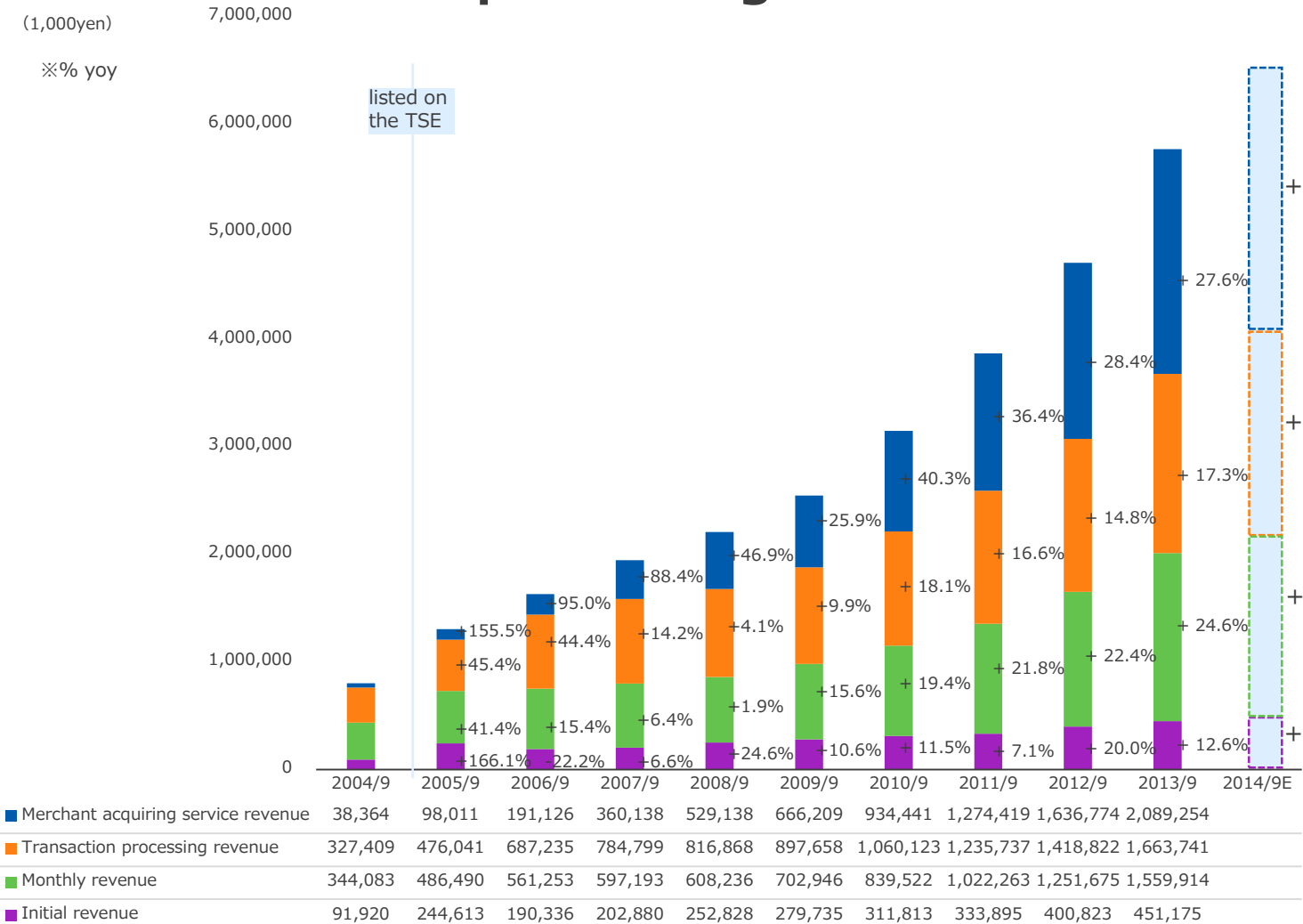
3.1 Summary of Consolidated Results (Forecast)

Investment continues though ordinary profit growth rate returns to 20%



3.2 Sales for Each Segment (Forecast)

Planning for merchant acquiring service revenue to be +25% and transaction processing revenue to be +23%



Because of expansion of the ECmarket, we forecast that merchant acquiring service revenue is going stay in good shape.

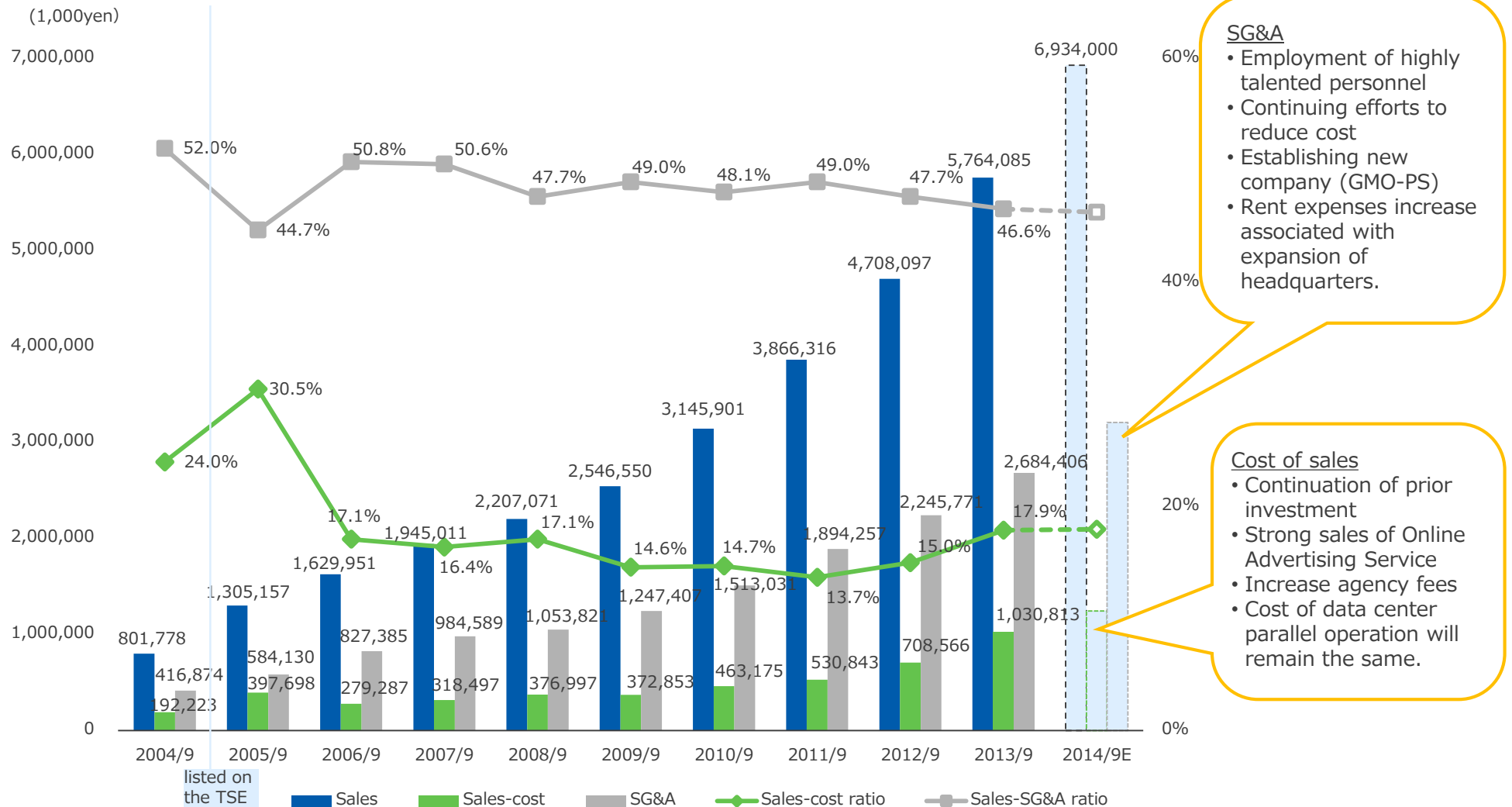
In accordance with the economic recovery, we forecast an increase in the transactions of large-scale merchants and an enlargement sale for GMO-PS.

The Online Advertising Service's sales estimated conservatively. Focusing on expanding steady revenues.

Devote to acquiring the large and medium-scale merchants, cross sell and order of large-scale development items.

3.3 Cost of sales ratio and SG&A ratio (Forecast)

Find balance between cost of sales ratio and SG&A ratio



Thank you very much!

GMO PAYMENT GATEWAY

GMO Payment Gateway Inc.
(T S E : 3 7 6 9)

URL <http://corp.gmo-pg.com/>

For more information, please contact the Company Value Creation Planning Office

IR/PR Group TEL:03-3464-0182