

# Financial results briefing for the term ending September 30, 2014

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Themes : Returned to 20% profit growth, pursue continuous growth in the next 10 years

November 5, 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**

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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 November 5th , 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

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1. Summary
2. Financial highlights
3. Future growth strategy
4. Results forecast for the term ending September 2015

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# 1. Summary

# 1.1 Initial forecasts and actual results①

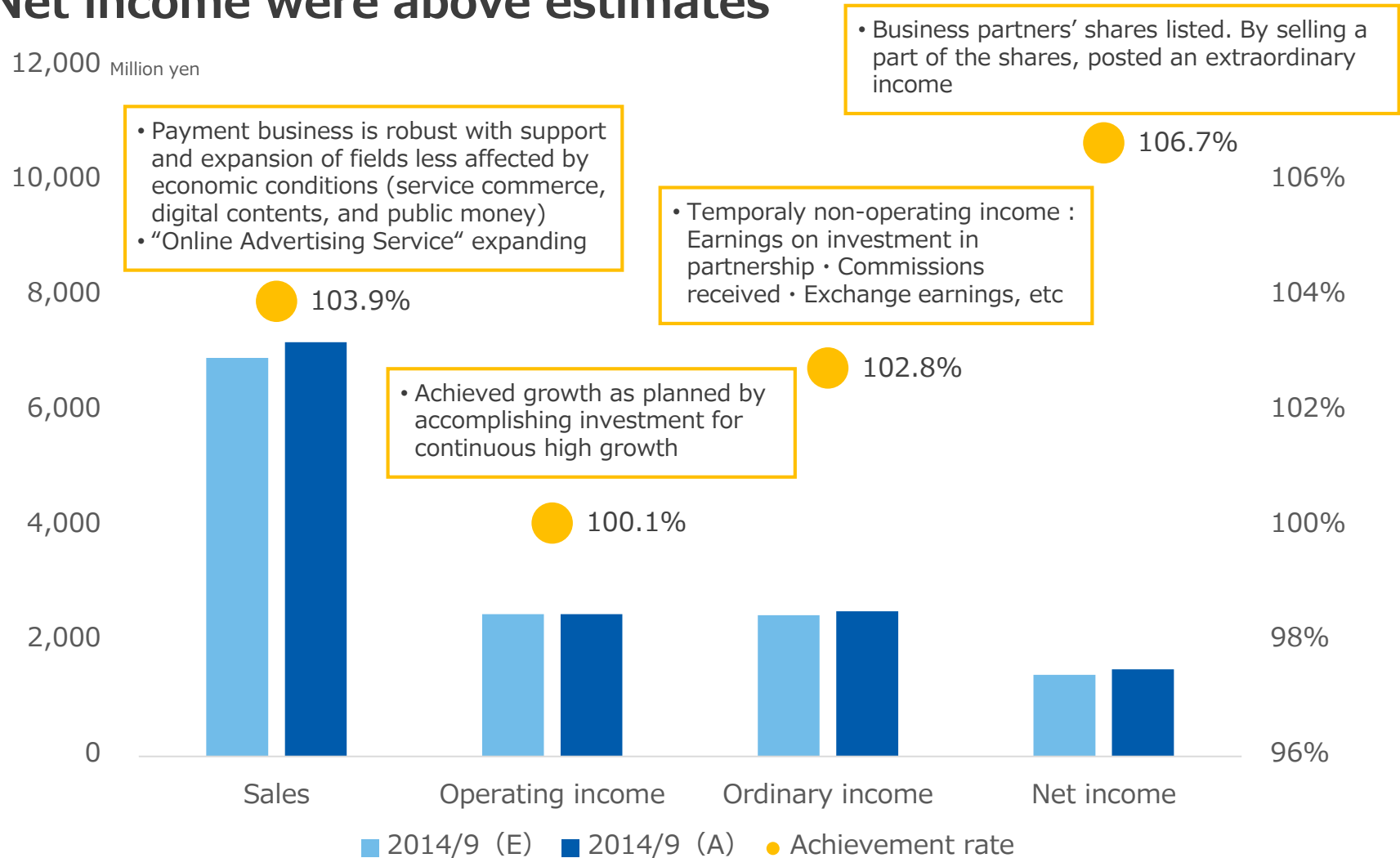
## Return to 20% growth, increased dividend per share from the initial forecast, ROE24.4%

■ Actual results for the term ending September 2014 (October 2013 to September 2014, consolidated)

(Million yen)	<u>FY2014</u>	<u>FY2013</u>	<u>% Change</u>	<u>FY2013 (Forecast)</u>	<u>% Change</u>
Sales :	7,205	5,764	+ 25.0%	6,934	+3.9%
Operating income :	2,476	2,048	+ 20.9%	2,475	+0.1%
Ordinary income :	2,527	2,047	+ 23.5%	2,460	+2.8%
Net income :	1,515	1,217	+ 24.5%	1,421	+6.7%
Ordinary income ratio :	35.1%	35.5%			
ROE :	24.4%	23.0%			
Net income per share(Yen) :	30.0	24.5	+5.5	28.5	+1.5

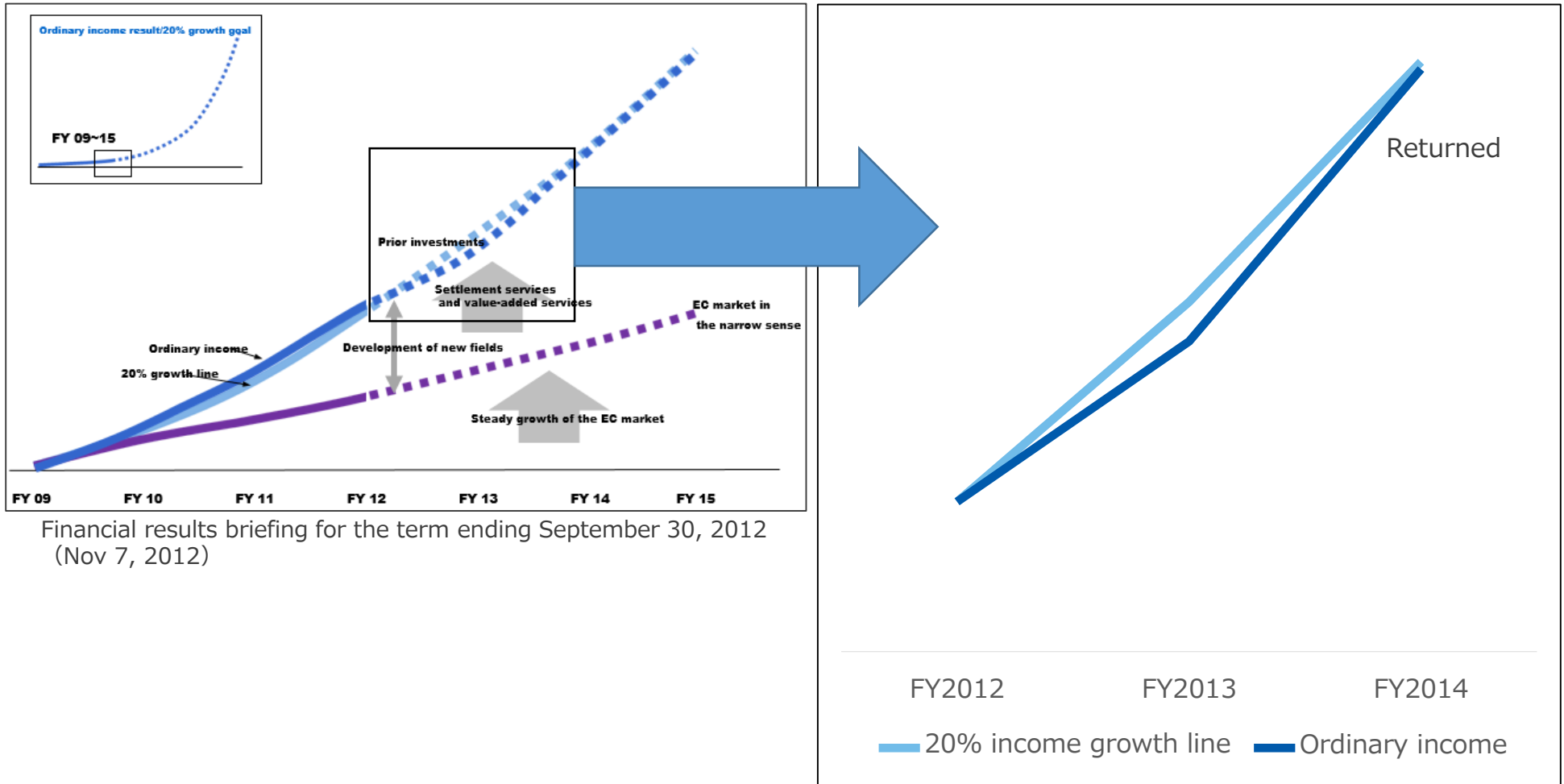
# 1.2 Initial forecasts and actual results②

Operation income was in line with initial plans, while Ordinary income and Net income were above estimates



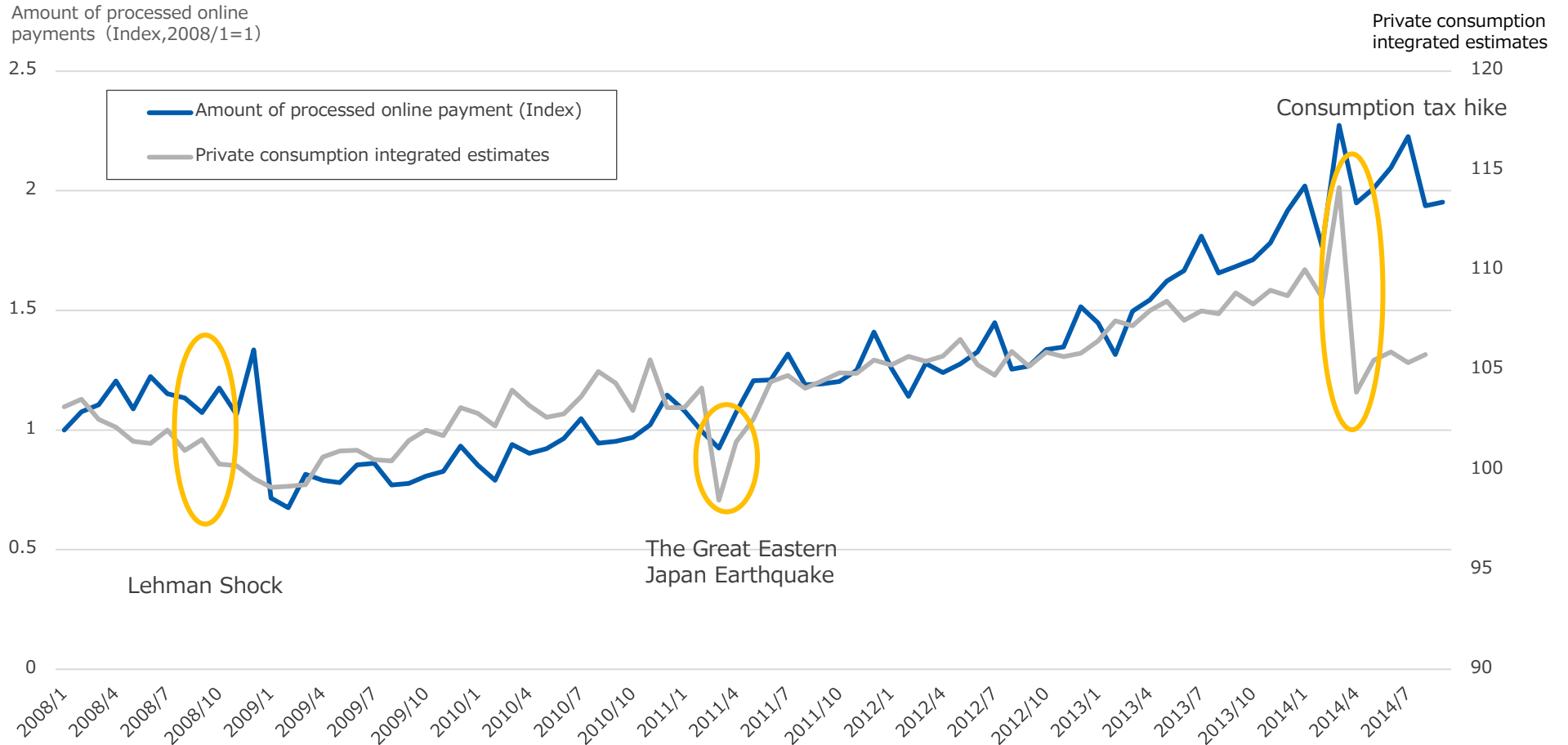
# 1.3 Review on the announced plan

## Returned to the 20% profit growth trend as promised



# (reference) Economic impact of the consumption tax hike

## EC Market growth has leveled off after consumption tax hike





# 1.4 High Lights and Low Lights

## Realization of fruits from prior investment and further actions toward the next 10 years

### High Lights

- BtoB (VISA Business Pay) service started
- Growth of CtoC-EC market
- “GMO Payment Later service” overachieved the initial sales target
- “Online Advertising Service” expanding
- “Transaction lending service” started
- Launch of an overseas service in Southeast Asia, establishment of a payment-specialized fund
- Yielded substantial results from collaboration-type business (Business partners expanded operations and their shares listed)
- COC achieve profitability
- Data center unification completed

Processing service

Value-added service

Oversea · Investment

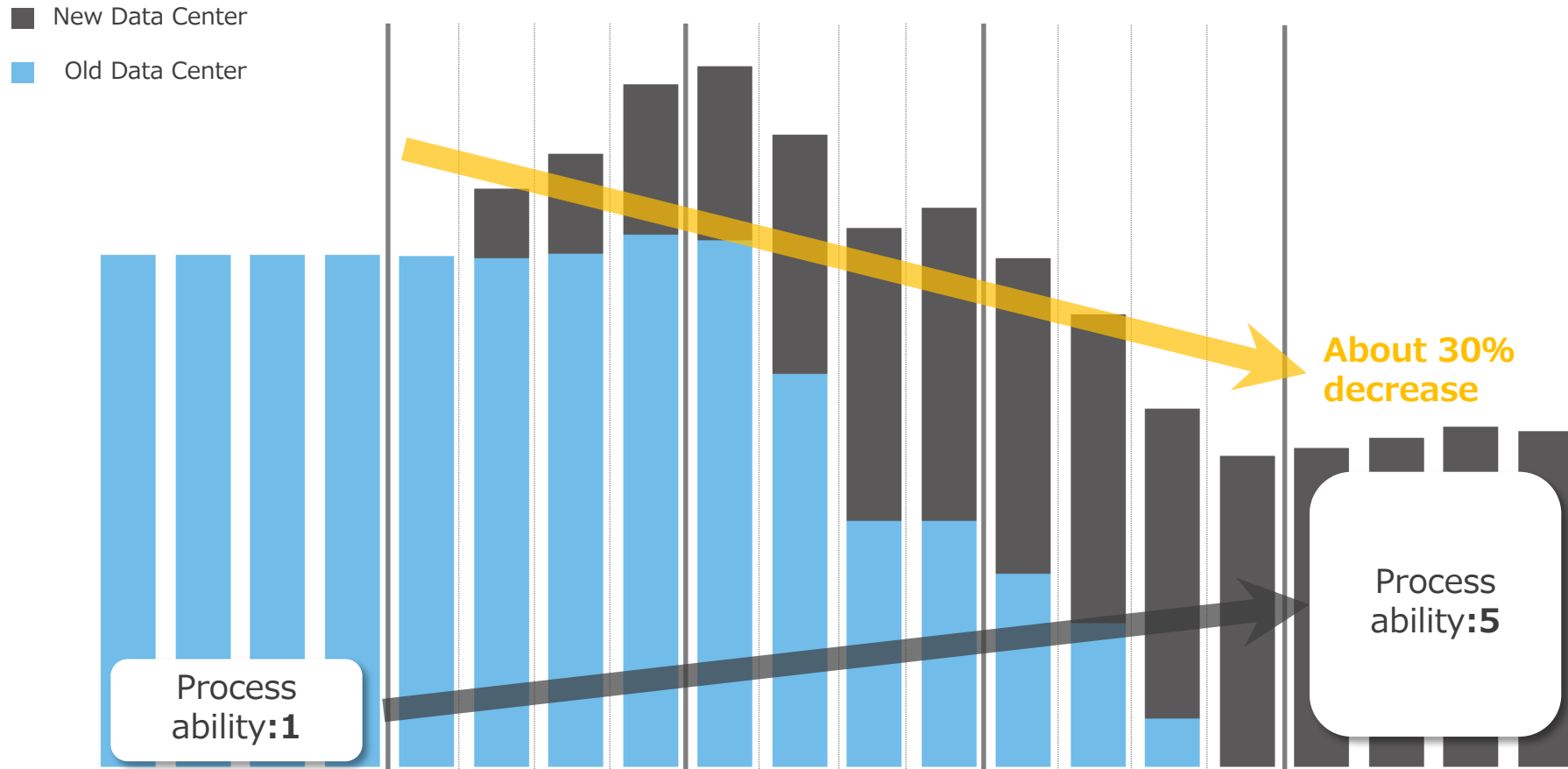
Business foundation

### Low Lights

- Negative impact of the consumption tax hike (Narrow definition EC market)

# 1.5 Unification of data center completed

## 30% cost decrease and 5 times increase in process ability



※Change of the data center parallel operation running costs (with exception of infrastructure costs)

# 1.6 Recent Topics

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Topics	Expected changes	Impact on our business performance
Apple Pay · LINE Pay (Sep)	Diversifying payment methods Growing consumer demand	Prevalence of new convenient payment means revitalizes the EC market. Although this is basically positive, enhancement of relationships with partners become more important
Rakuten acquired US online retailer (Sep) Softbank invested 30% for Indian online retailer (Oct)	Intense competition between firms in the global EC market	Although currently no influence is seen, we recognize promotion of overseas strategies as urgent in view of 10 years later
Ministry of Economy, Trade, and Industry eyes the possibility of revision of the Installment Sales Act (Sep)	Increased disparity between the companies	Major companies that can respond have advantage, and the survival of the fittest becomes more vivid in this business sector
GMO-PG start bitcoin payment services (Nov)	Structural change to payment-related business will be brought about by destructive innovation	Although immediate influence is small, we expect upside future potential

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## 2. Financial highlights

## 2.1 Summary of the consolidated results

### Sales cost ratio increasing due to the product sales mix

Cost of sales ratio deteriorated due to increase sales of both "Online Advertising Service" and of large-scale development items

(Million yen)	FY2014		FY2013	
	Results	Sales composition	Result	Sales composition
<b>Sales</b>	<b>7,205</b>	<b>100%</b>	5,764	100%
<b>Cost of sales</b>	<b>1,436</b>	<b>19.9%</b>	1,030	17.9%
<b>Gross income</b>	<b>5,769</b>	<b>80.1%</b>	4,733	82.1%
<b>SG&amp;A</b>	<b>3,292</b>	<b>45.7%</b>	2,684	46.6%
<b>Operating income</b>	<b>2,476</b>	<b>34.4%</b>	2,048	35.5%
<b>Ordinary income</b>	<b>2,527</b>	<b>35.1%</b>	2,047	35.5%
<b>Net income</b>	<b>1,515</b>	<b>21.0%</b>	1,217	21.1%
<b>Net income per share(Yen)</b>	<b>43.92</b> ※		70.76	-

※In October 1, 2014, our company executed a 2-1 stock split.

## 2.2 Summary of the consolidated balance sheets

### Change in increasing pace of deposit due to diversification of closing/payment cycles

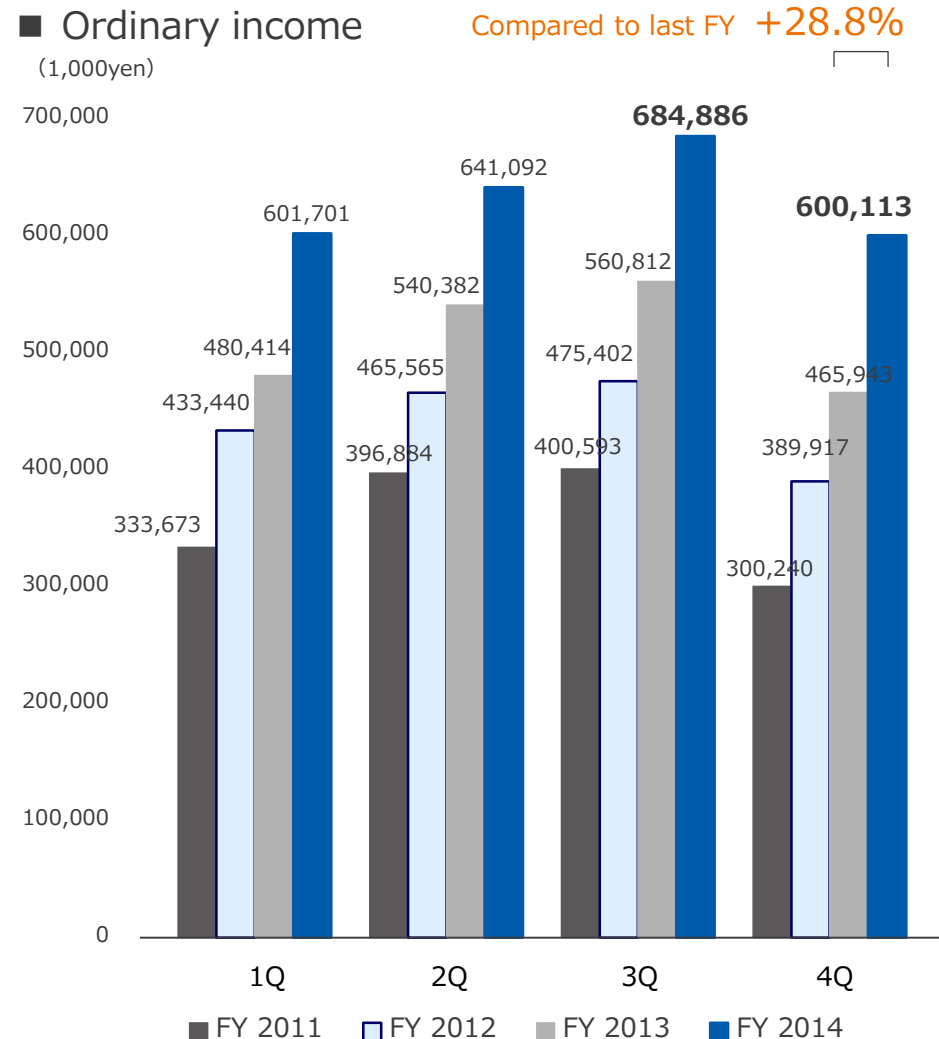
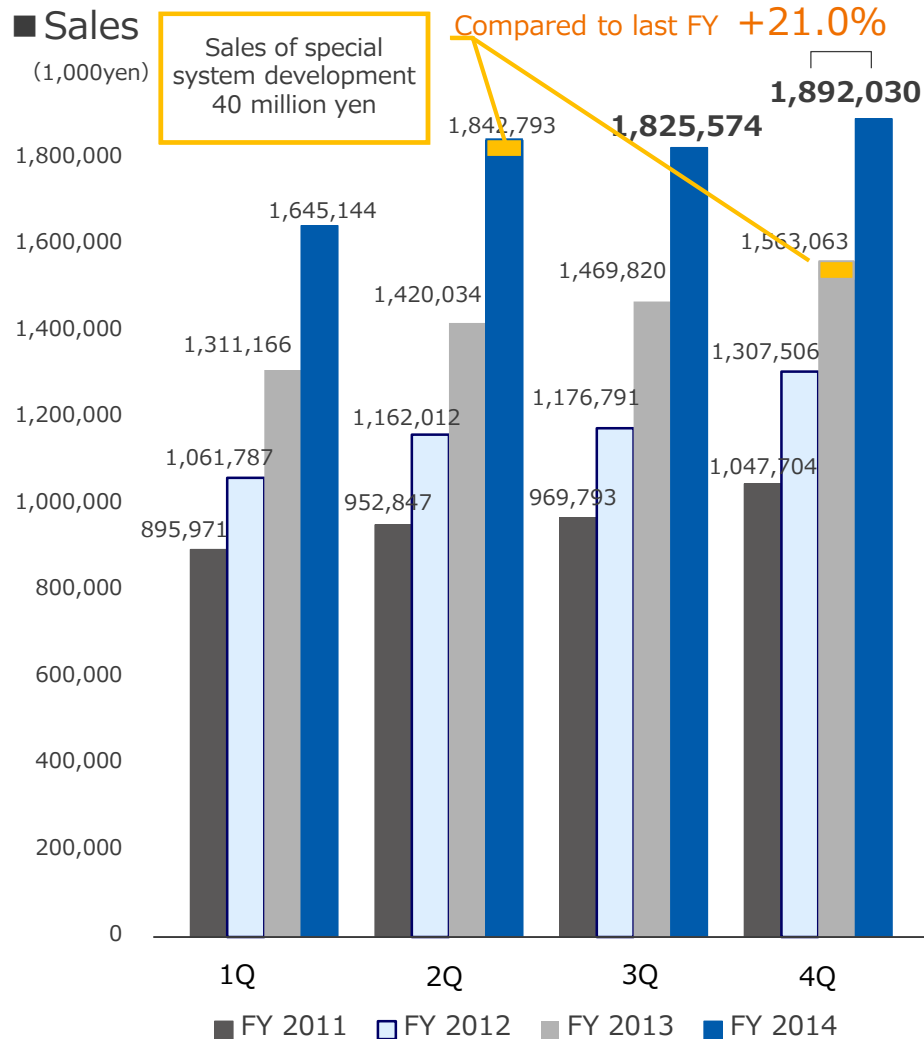
(Million yen)	FY2014	FY2013	Change
Current assets	<b>22,476</b>	19,670	2,805
Cash and deposits	<b>20,386</b>	18,393	1,992
Advance payments	<b>585</b>	379	205
Other current assets	<b>1,560</b>	923	637
Allowance for doubtful accounts	<b>△56</b>	△25	△30
Fixed assets	<b>2,137</b>	1,627	509
Tangible fixed assets	<b>231</b>	262	△30
Intangible fixed assets	<b>764</b>	668	95
Software	<b>661</b>	455	206
Investments and other assets	<b>1,140</b>	695	444
Bonds of affiliates	<b>11</b>	11	0
Total assets	<b>24,613</b>	21,298	3,314

(Million yen)	FY2014	FY2013	Change
Current liabilities	<b>17,624</b>	15,537	2,087
Deposits	<b>15,589</b>	14,337	1,252
Other current liabilities	<b>2,034</b>	1,199	835
Non-current liabilities	<b>173</b>	127	45
Shareholders' equity	<b>6,727</b>	5,609	1,117
Total Accumulated other comprehensive income	<b>81</b>	13	67
Subscription rights to shares	<b>3</b>	10	△6
Total net assets	<b>6,815</b>	5,633	1,181
Total of liabilities and net assets	<b>24,613</b>	21,298	3,314

Deposits from merchants under the "Merchant acquiring service agreement"

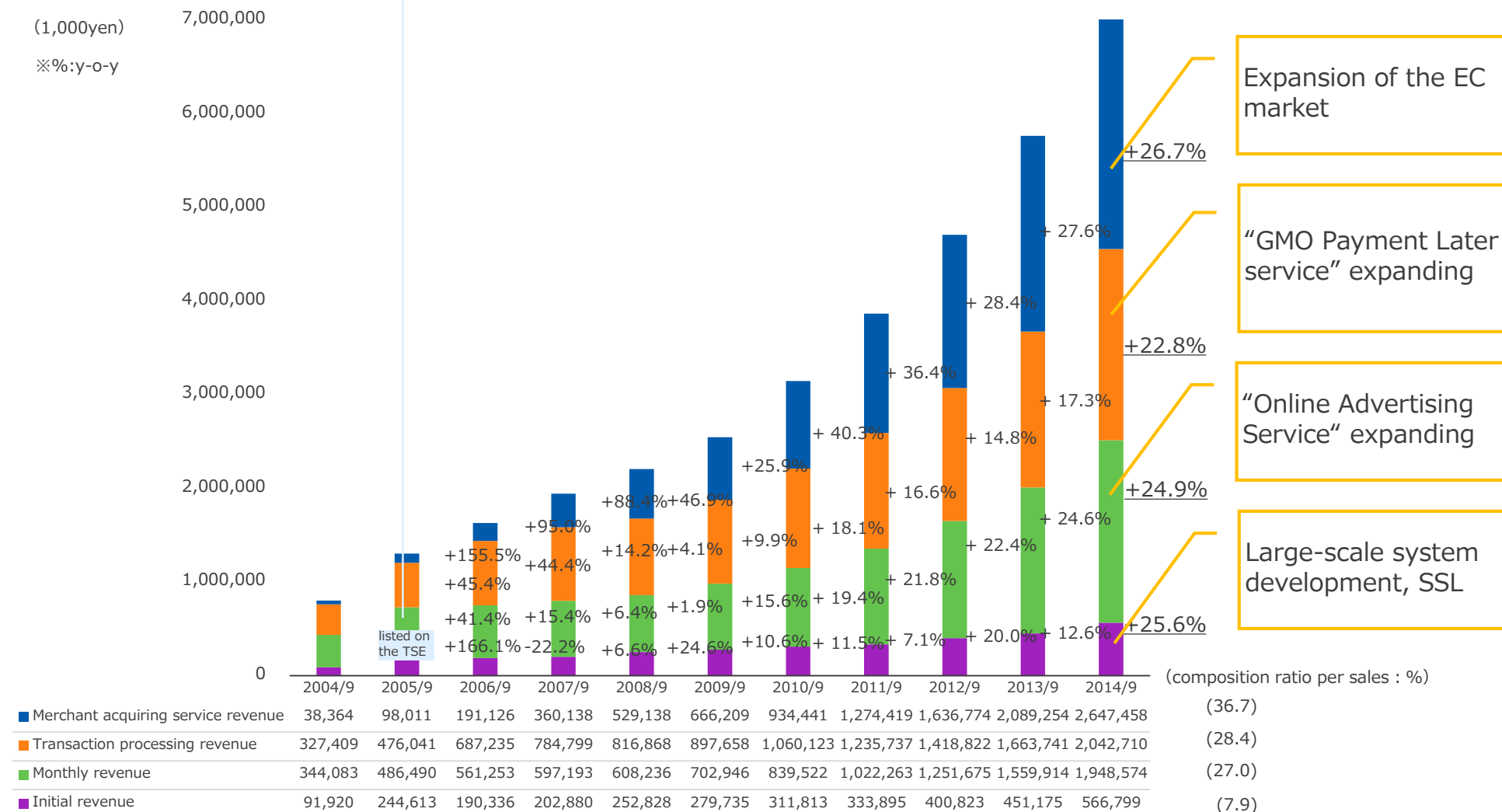
## 2.3 Sales/ Ordinary income (Quarterly changes)

### 4Q sales and ordinary income both marked over 20% growth



# 2.4 Sales results for each segment (FY 2014)

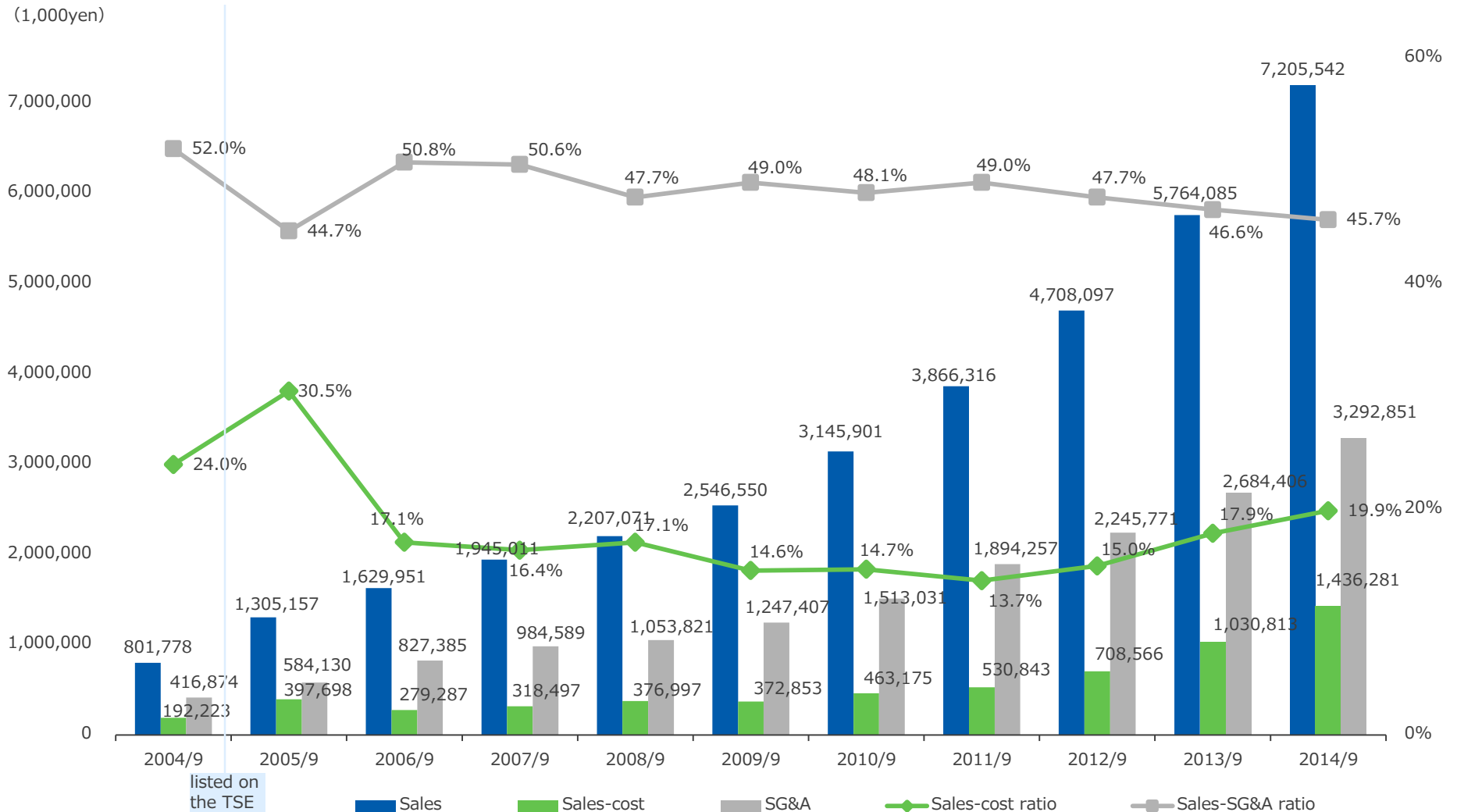
## Over 20% sales growth in all segments





# 2.5 Sales-cost ratio/SG&A to sales ratio(FY2014)

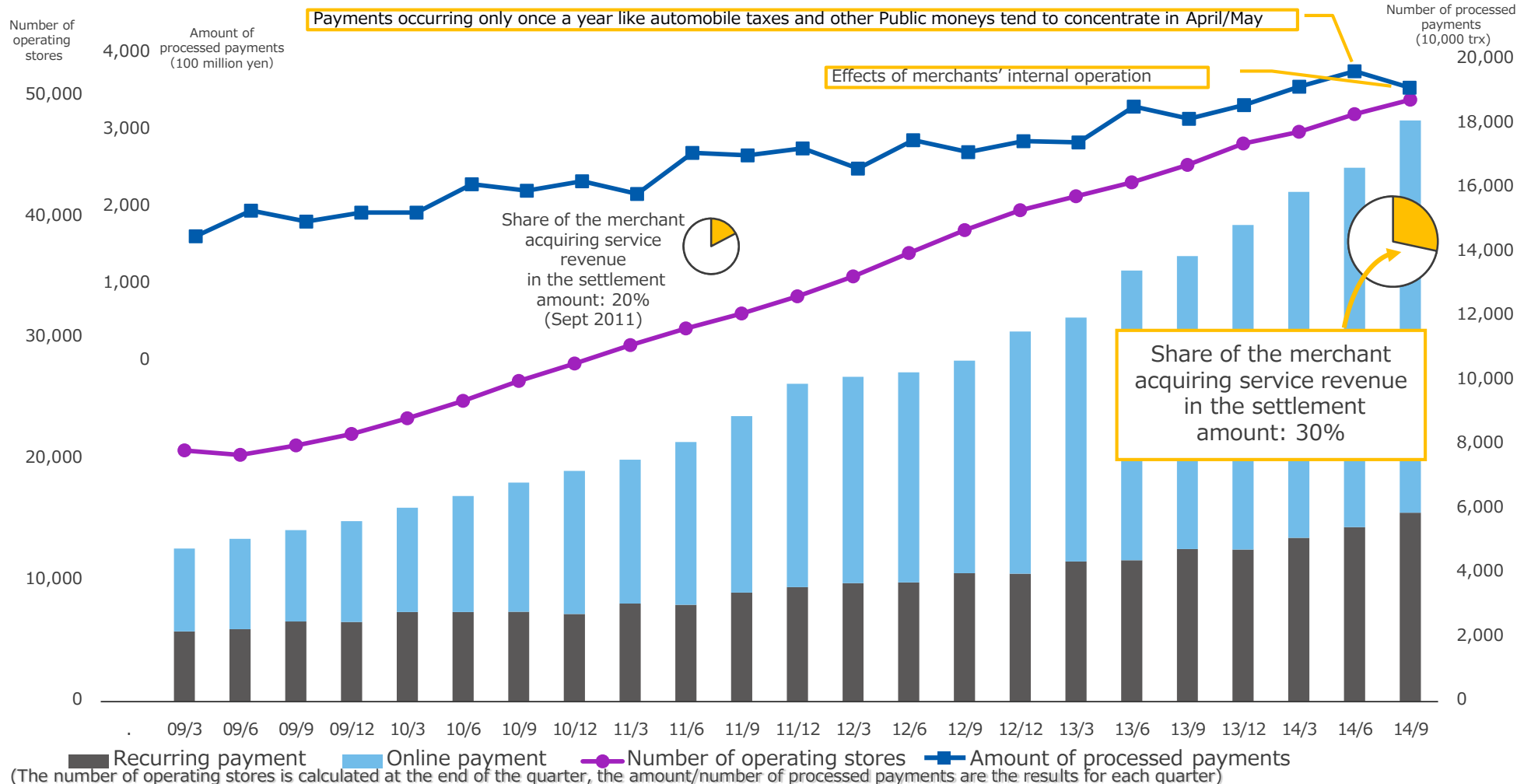
## Sales-cost ratio rose, curtailment of SG&A expenses



# 2.6 Transition of the major factors (Quarterly changes)

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

Number of operating stores 49,725 / Amount of processed payments 350 billion yen / Number of processed payments 178 million



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## 3. Future growth strategy

# 3.1 External environment

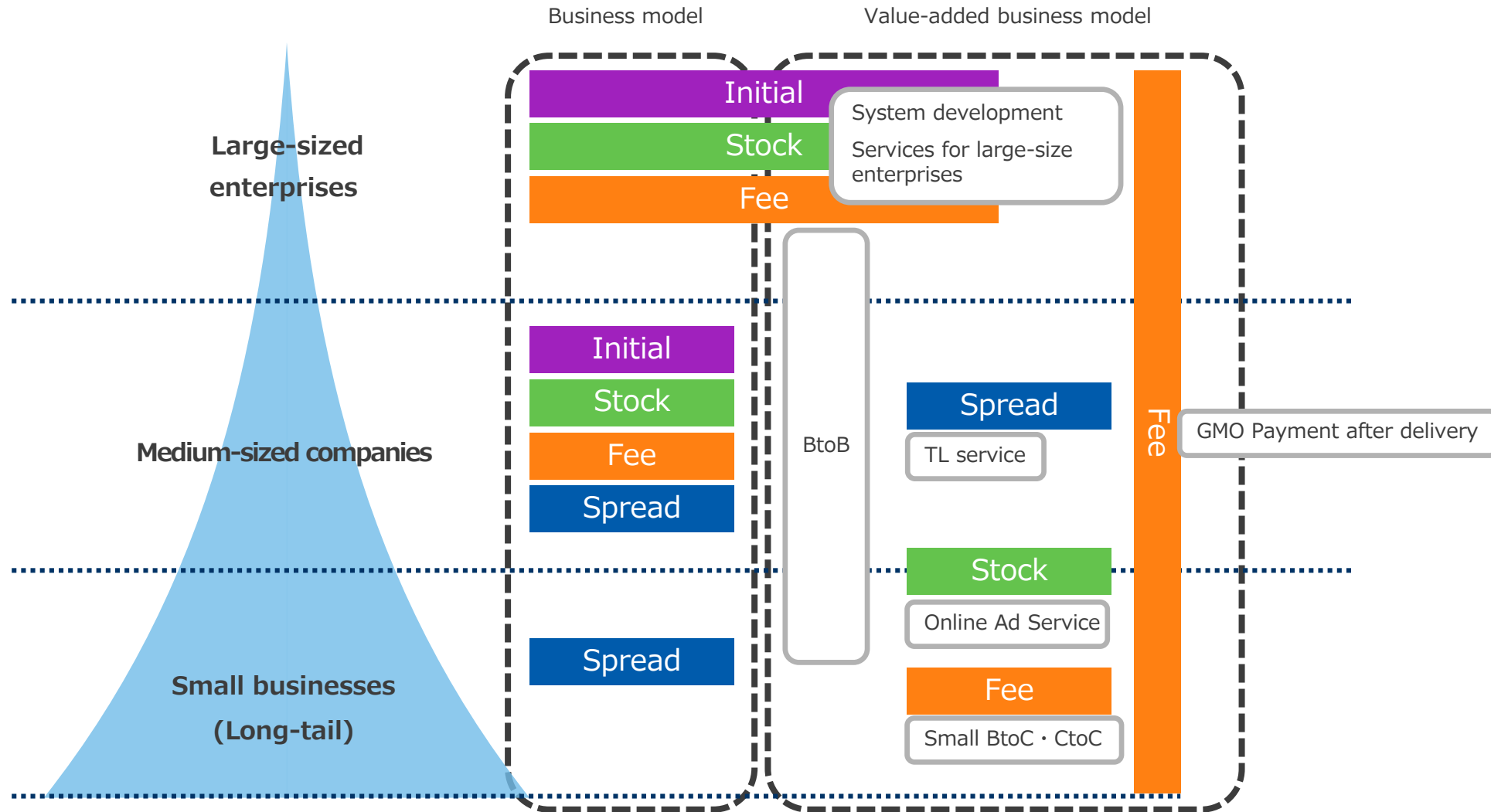
## Our opportunities and threats

Opportunities		Threats	
• Expanding CtoC-EC	S	• Unclear economic climate after tax hike in Japan	S
• Credit card payments of BtoB-EC started	M	• New competitors	M
• Rise of emerging markets, particularly in South-east Asia	M	• Limited scope for growth in Japan's domestic market	L
• Credit card payments of Taxes	M	• Price competition (Stripe-like new services)	L
• Improvement of Japan's EC ratio	L	• Destructive innovation, Bitcoin etc.	L

※ S:Short-term, M:Mid-term, L:Long-term

# 3.2 Policy

## Balanced growth in all segments



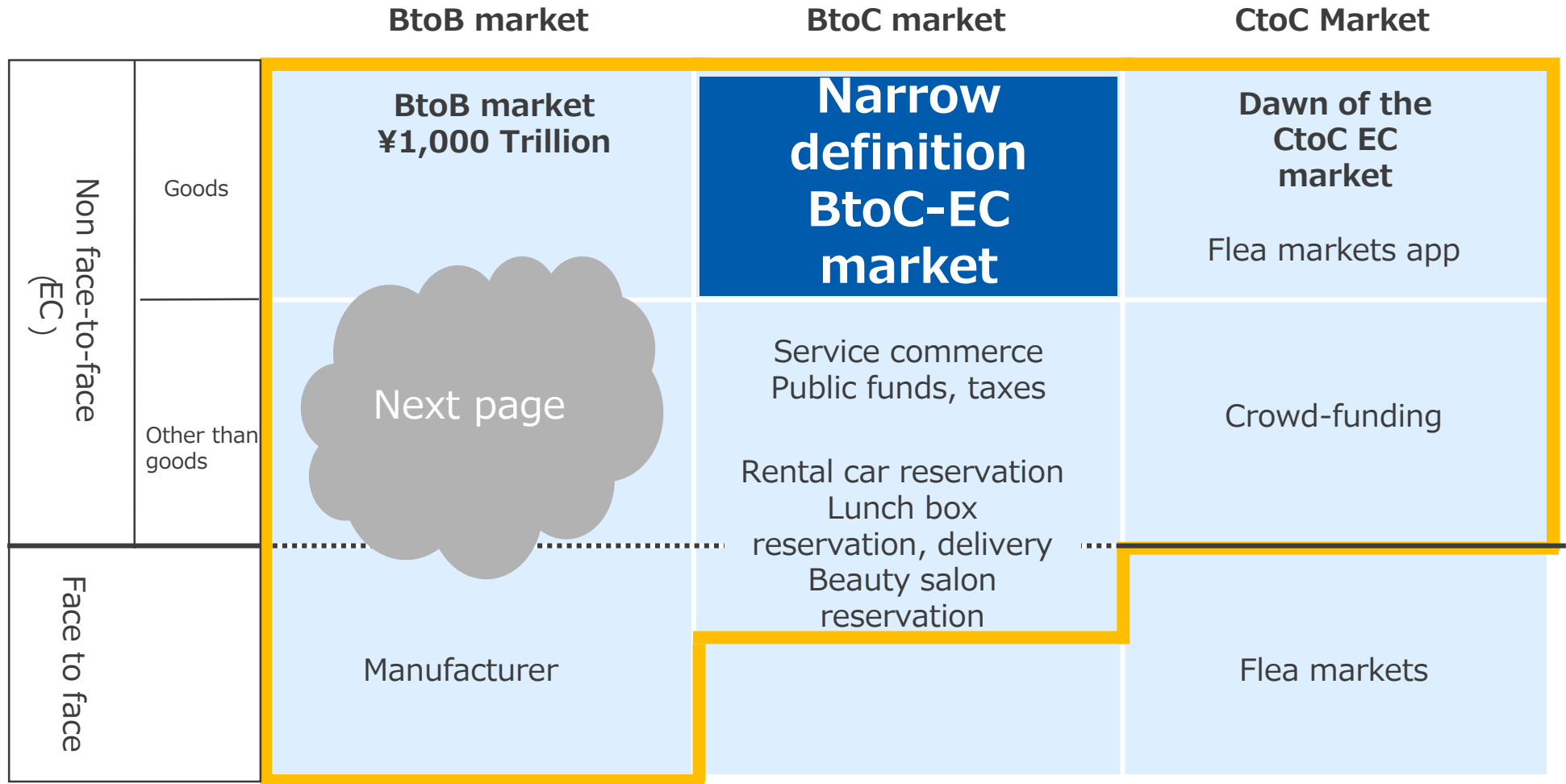
# 3.3 Management strategy

Sustaining more than 20% income growth is our mission



# 3.3 Strategy ① Short-Term “Market targeting”

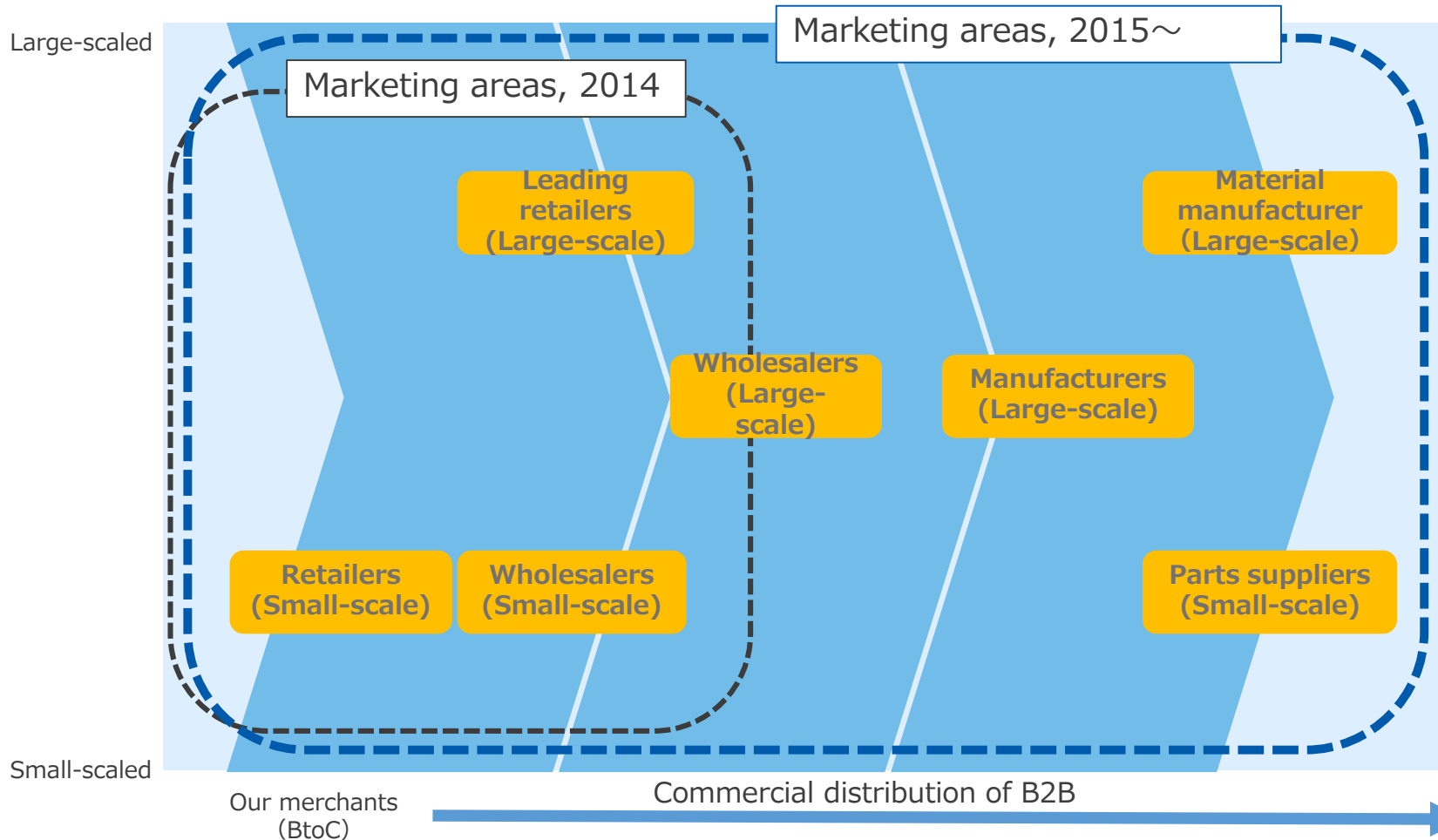
## Challenging larger market



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

# 3.3 Strategy ① Short-Term “Market targeting”

## BtoB : Development of the untapped mega market





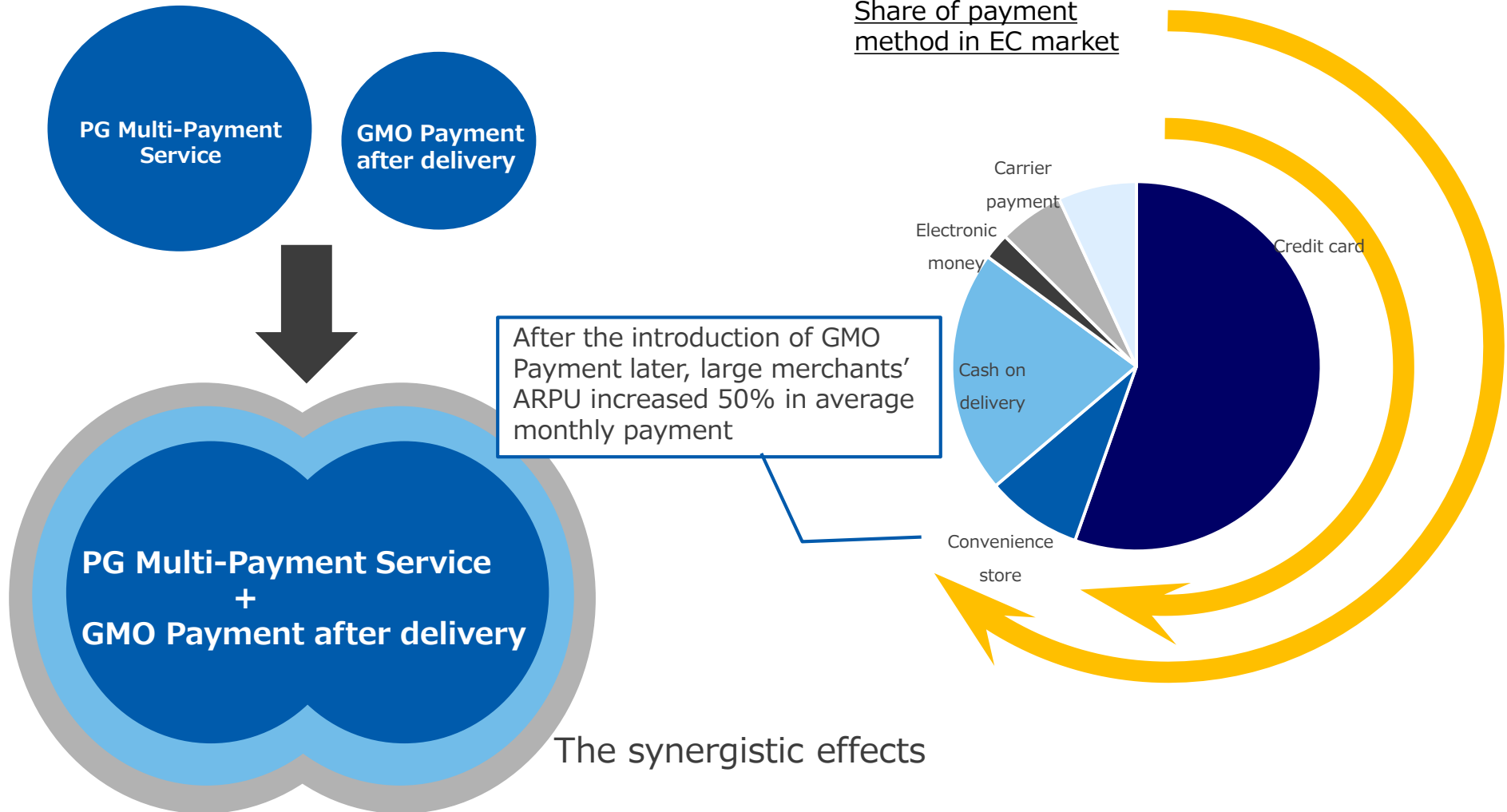
# 3.3 Strategy②Mid-Term "Product strategy"

## GMO Payment Later service: Increasing ARPU of merchants

Sales activities of GMO-PG

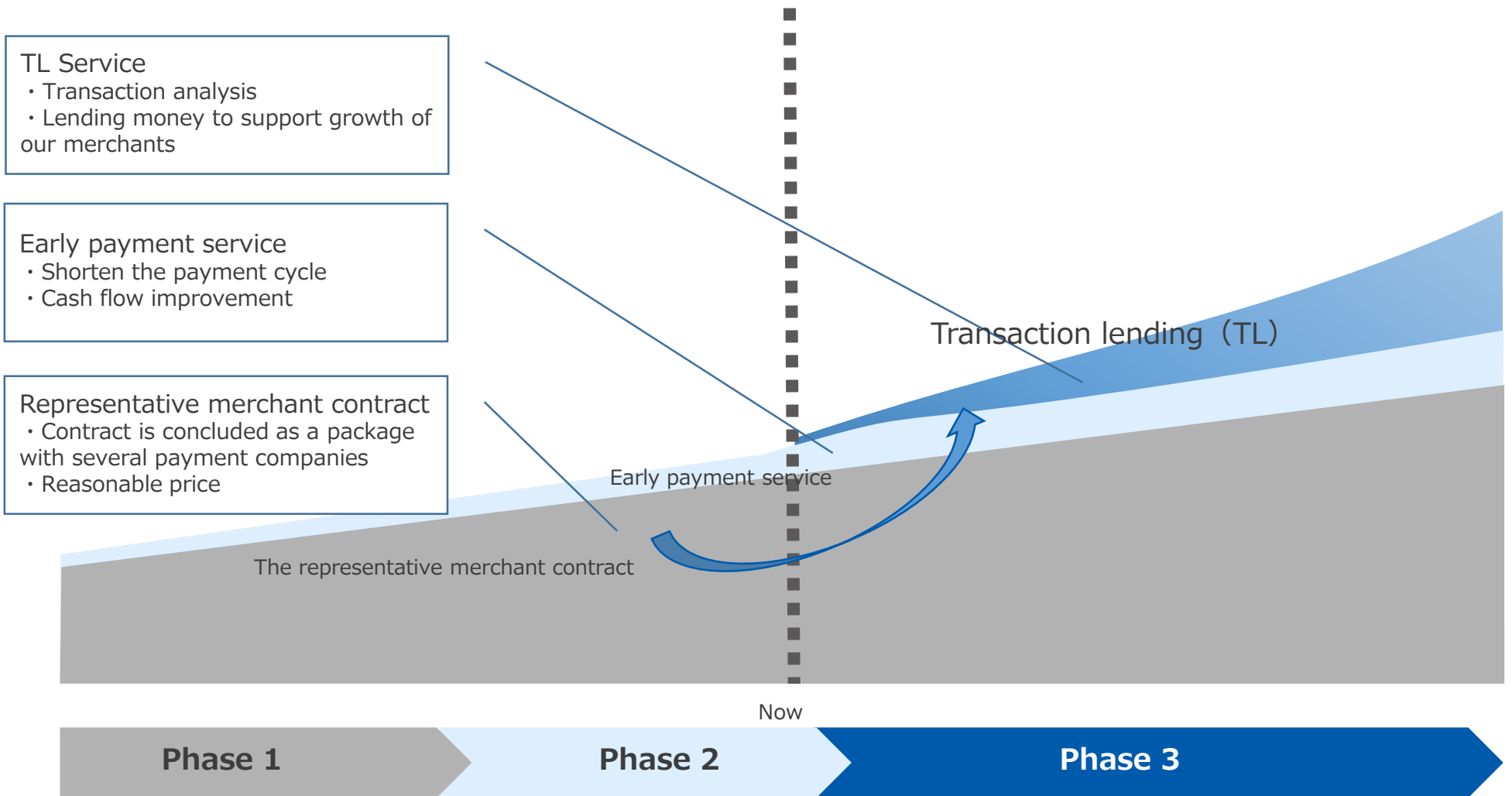
Sales activities of GMO-PS

Share of payment method in EC market



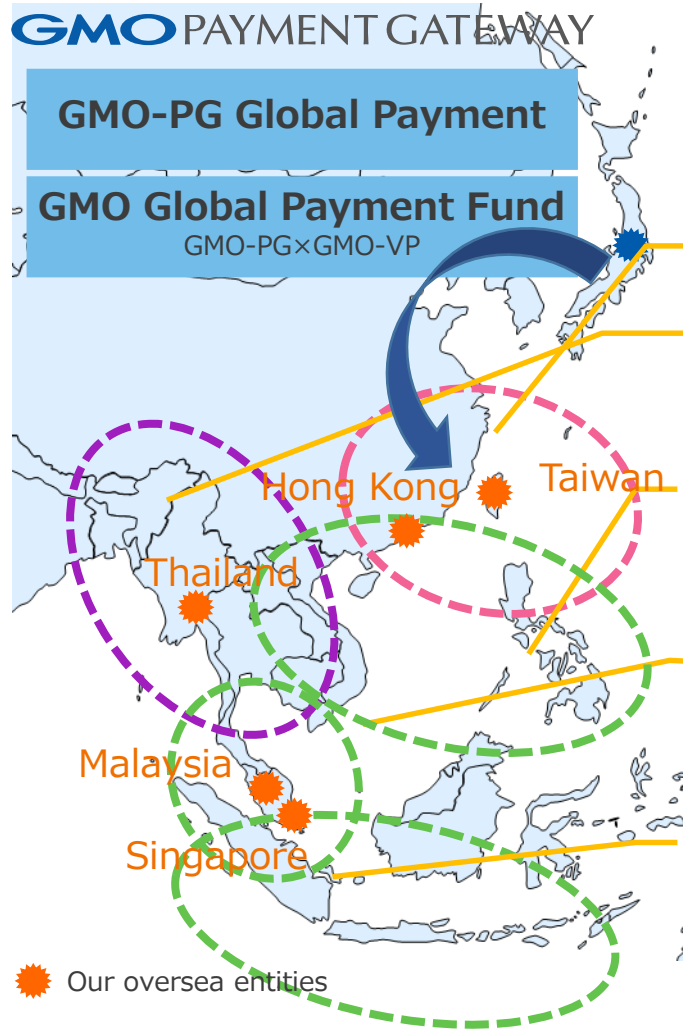
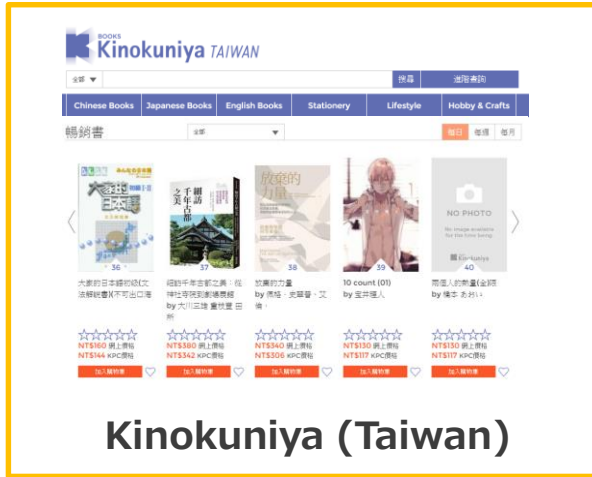
# 3.3 Strategy②Mid-Term "Product strategy"

## Transaction lending (TL) Service



# 3.3 Strategy③ Long-Term “Business area”

## Global strategy : Economic area (SEA+East Asia)



**Hong Kong+Taiwan**  
75⇒115Trillion Yen

**Thailand+Mekong**  
50⇒75Trillion Yen

**Vietnam+Philippines**  
50⇒75Trillion Yen

**Singapore+Malaysia**  
70⇒110Trillion Yen

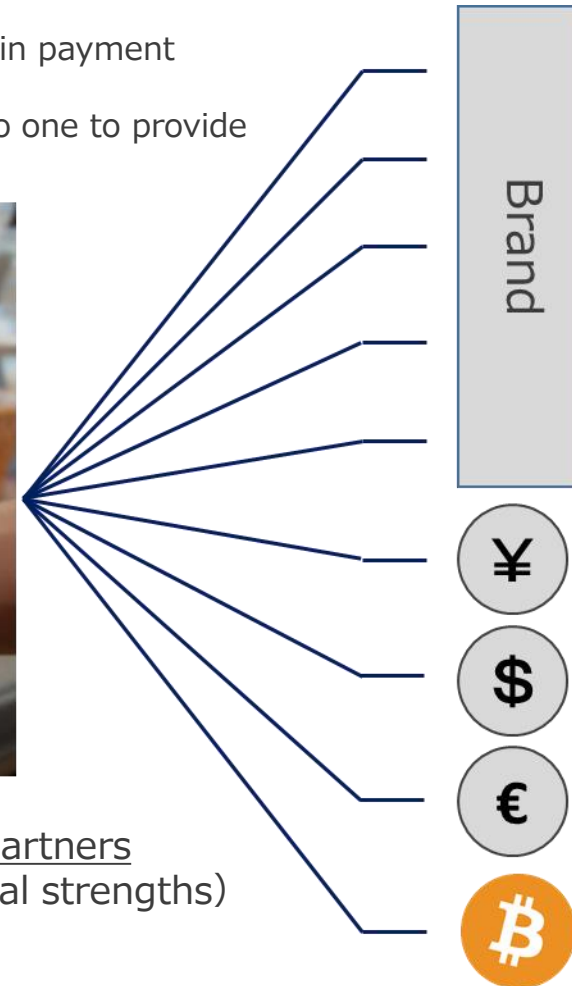
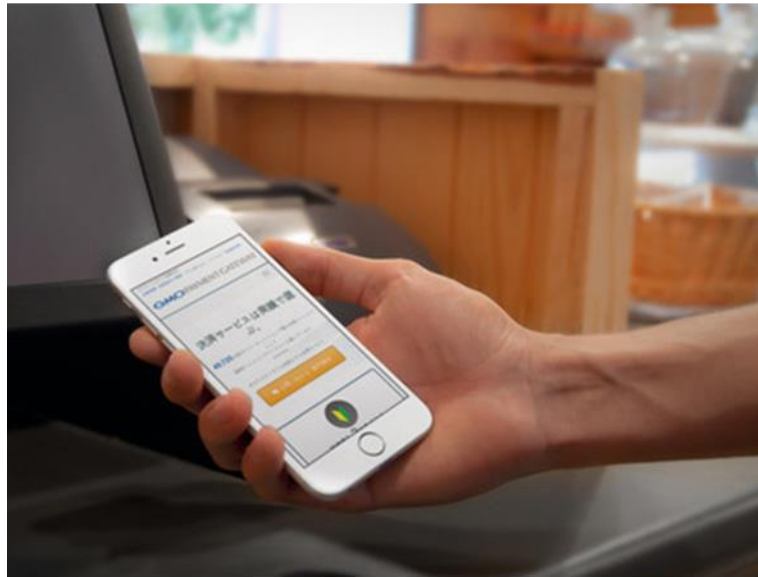
**Indonesia**  
90⇒135Trillion Yen

Economic area  
GDP⇒GDP of 2022, our forecasts

# 3.3 Strategy③ Long-Term “Business area”

## Responding to technological advances : Bitcoin

Accept Bitcoin, which is gaining acceptance in advanced countries in payment solutions, and accumulate knowledge on advanced technologies.  
Our existence value lies in consolidating many payment means into one to provide it as a secure safe payment means.



The reasons for the selection: bitFlyer, Inc. as strategic partners  
Technological capabilities (planning abilities, Operational strengths)  
Capital (Funding capabilities)  
Management Capability  
Good relationship with government officials

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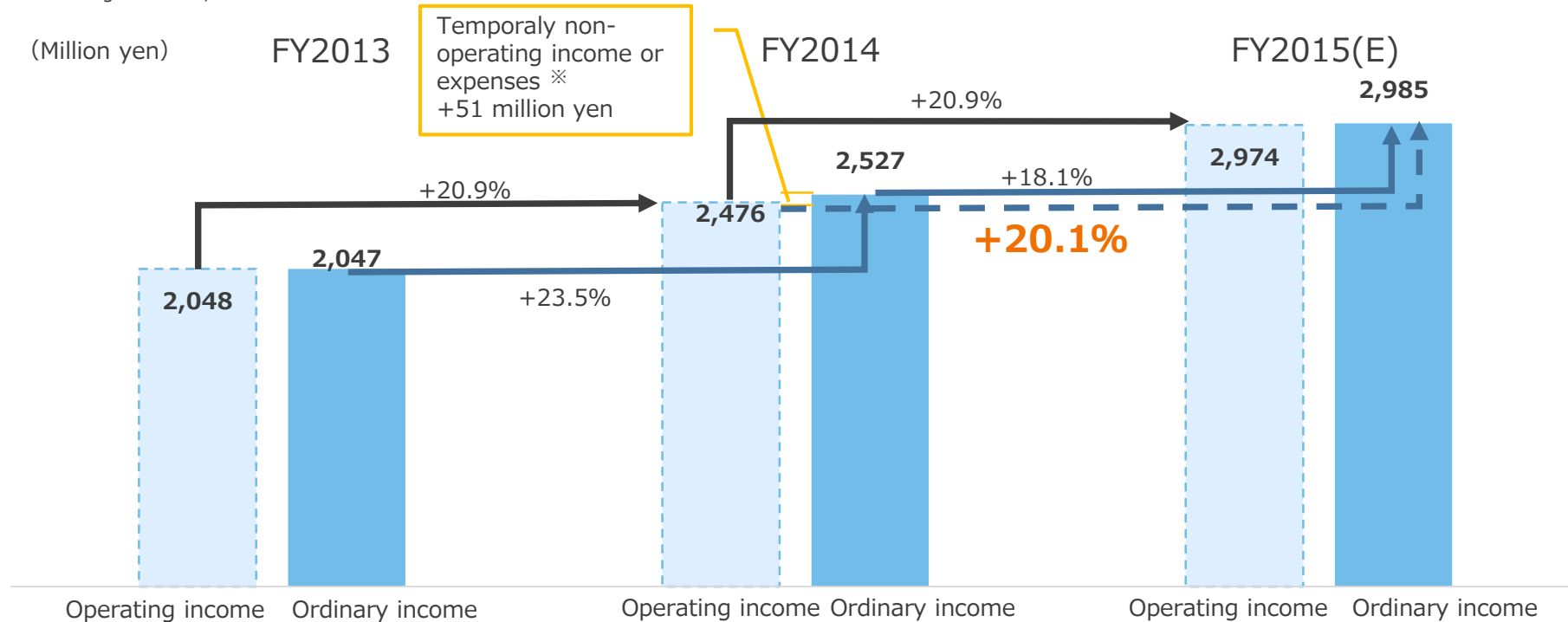
## **4. Results forecast for the term ending September 2015**

# 4.1 Results forecast for FY 2015

## Operating income increase 20%

■ Result forecast for the period ending September 30, 2015

(Million Yen)	[Sales]	(% Year-on-year change)	[Operating income]	(% Year-on-year change)	[Ordinary income]	(% Year-on-year change)	[Net income]	(% Year-on-year change)
Full year (Forecast)	8,656	(20.1%)	2,974	(20.1%)	2,985	(18.1%)	1,797	(18.6%)
Cumulative consolidated financial statements for the six months ending March 31, 2015	4,033	(15.6%)	1,471	(18.7%)	1,473	(18.5%)	887	(23.3%)



※Temporarily non-operating income or expenses : Earnings on investment in partnership · Commissions received · Exchange earnings, etc

## 4.2 Management strategy and action plans

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### Strategy to sustaining more than 20% income growth

- Action plans

Strategy①Short-Term “Market targeting”

Broad definition EC market

BtoB, CtoC, Face-to-face area, O2O, Service commerce, Utilities, Taxes

Strategy②Mid-Term “ Product strategy”

TL service

GMO Payment Later service, etc

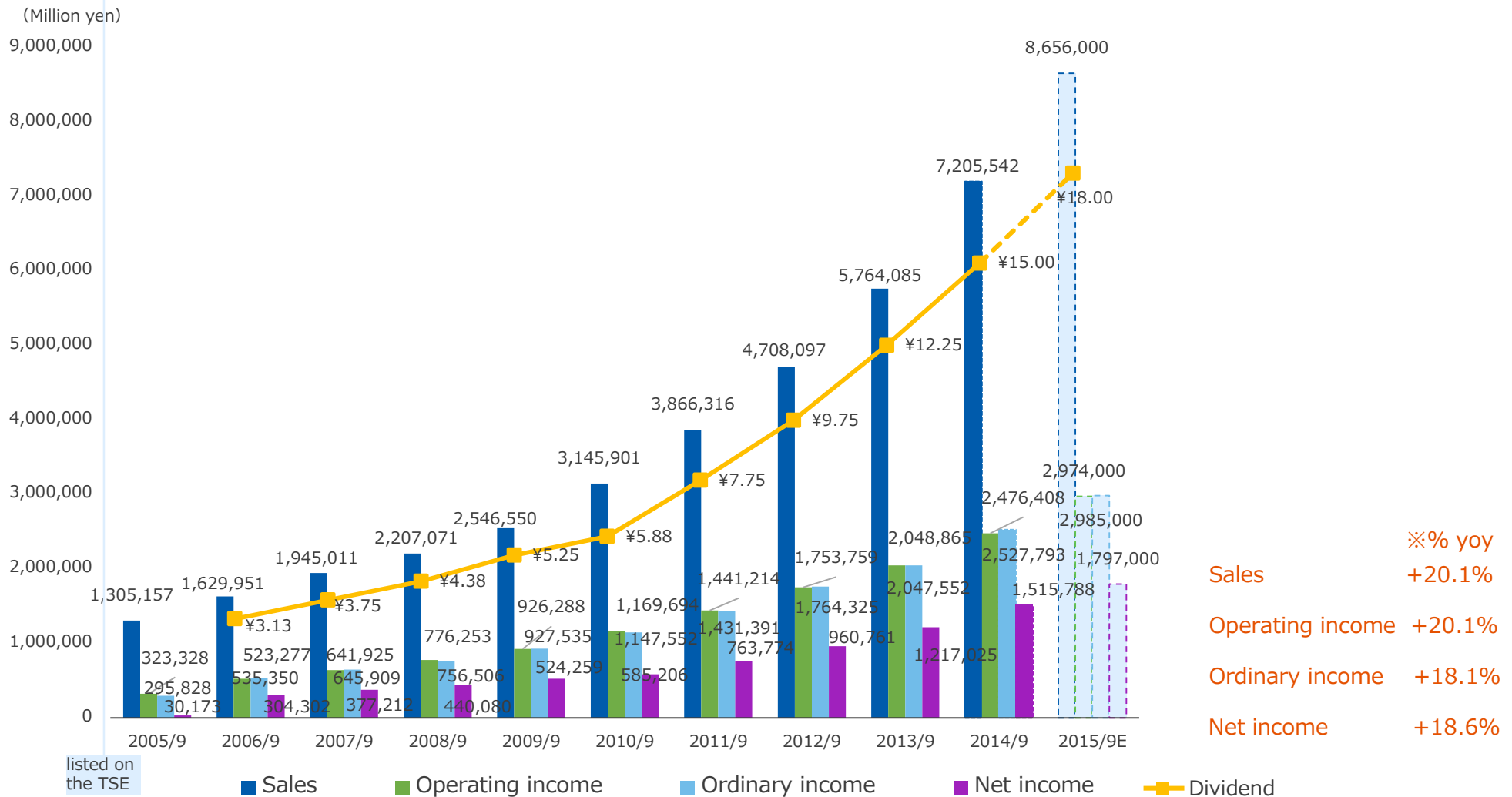
Strategy③Long-Term “Business area”

Asian market

Innovation (Bitcoin)

# 4.3 Summary of the consolidated results (Forecast)

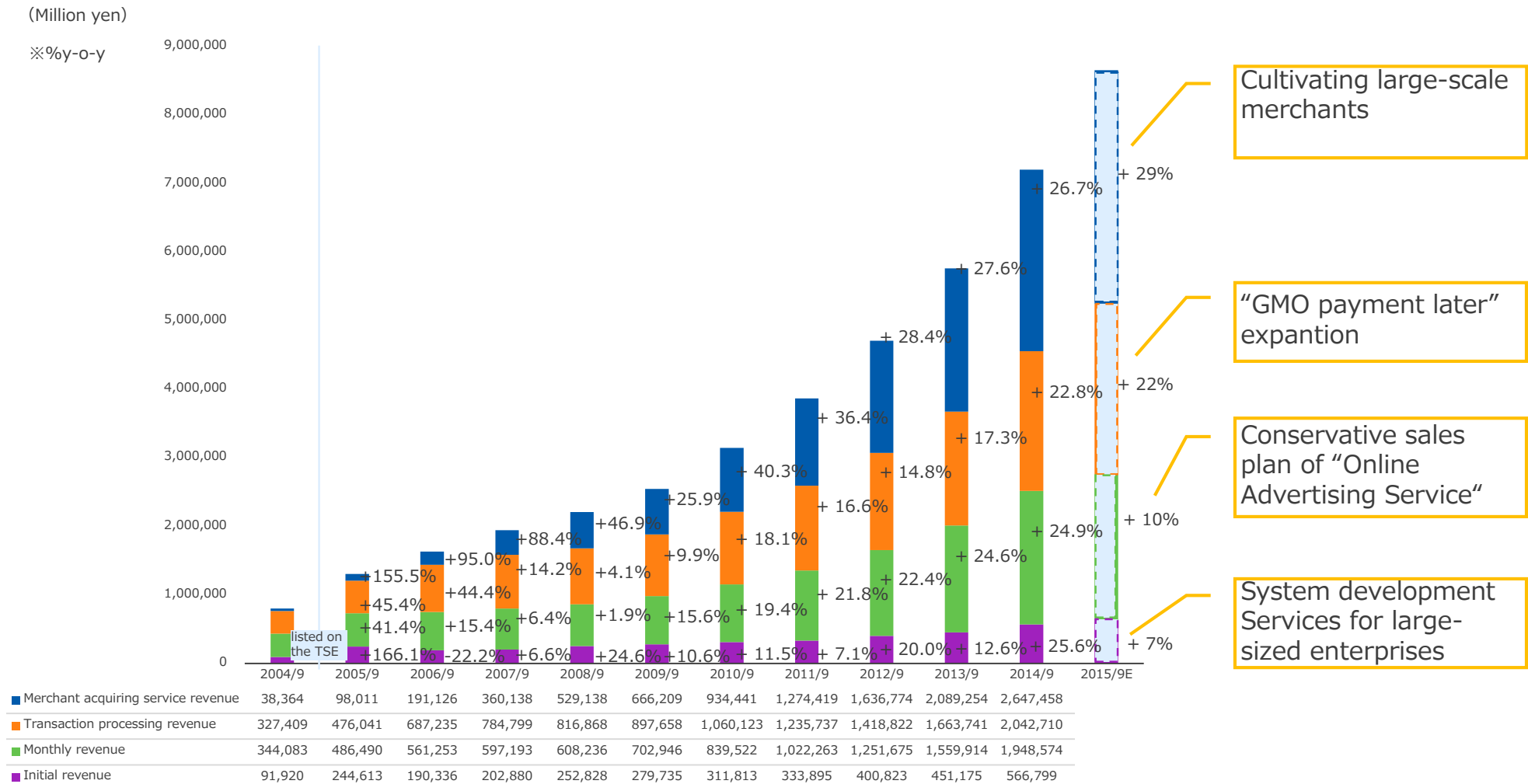
## Investment continues though the Operating income growth over 20%





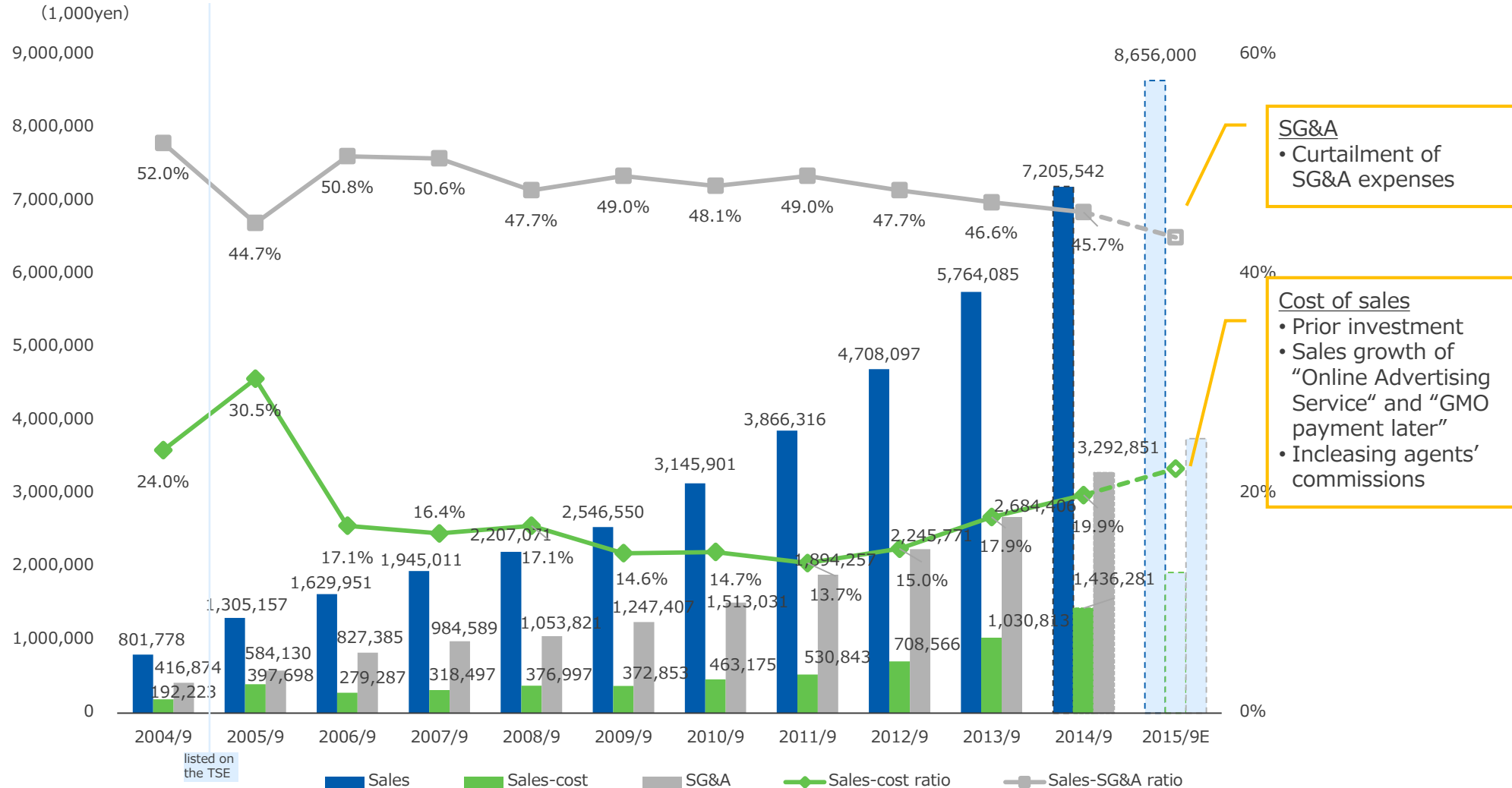
# 4.4 Sales for each segment (Forecast)

## Action plans to realize the balanced growth in all segments



# 4.5 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

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

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