

Financial results briefing for the 1Q of FY2015 (October 1, 2014 - December 31, 2014)

Themes : Ordinary income to grow 26% by recognizing
the EC market's structural change

February 6, 2015

GMO Payment Gateway, Inc.

(3769: Tokyo Stock Exchange section-1)

The 40th IR Meeting

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 February 6th , 2015.

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

1. Summary

1.1 Market changes

2015 is a year of change in the EC market, with the advent of a "New-fields-EC"

⇒ Service commerce/ digital EC/ CtoC will be the growth engine in place of the sale of Goods-EC

New-fields-EC

"New-fields-EC"

E-book (Company A) up 141%
Web content (Company B) up 114%
Car sharing (Company C) up 264%
Prior reservation service (Company D) up 123%
(Growth rate: Change between December 2012 and December 2014)

CtoC average of 5 companies up 1,968%
(Growth rate: Change between December 2012 and December 2014)

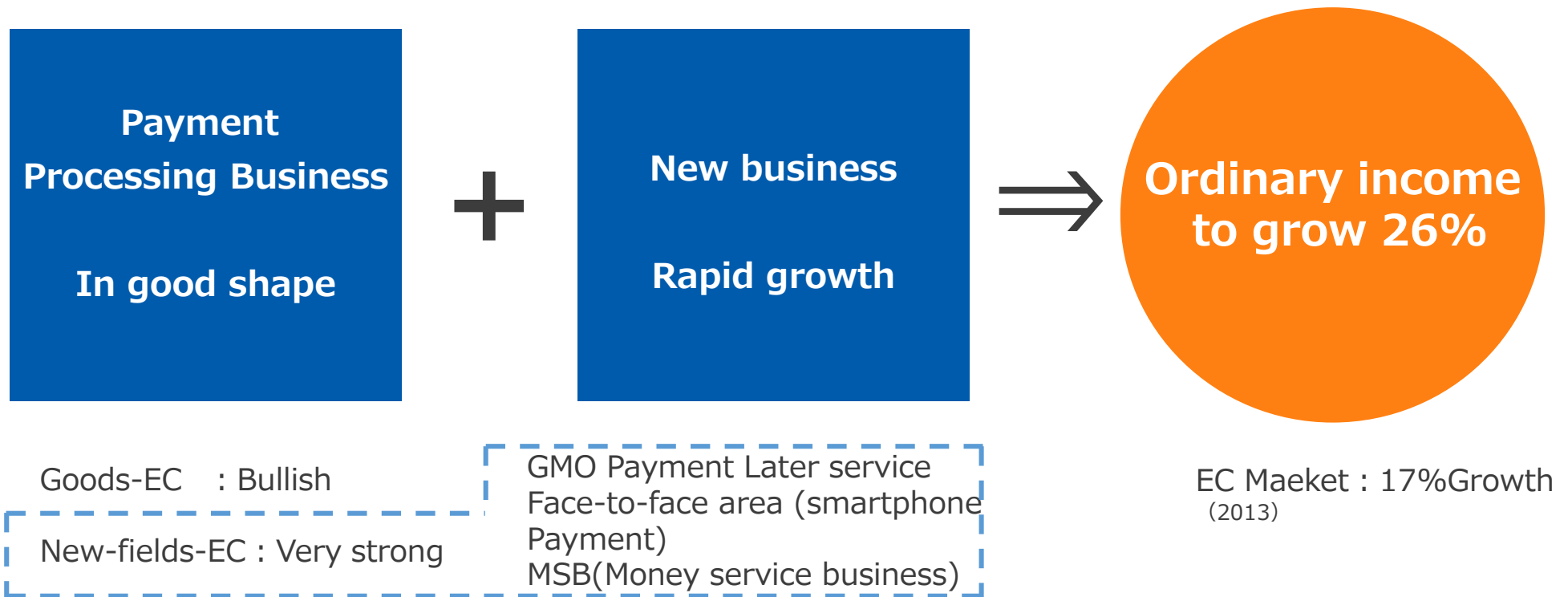
Growth rate of narrow definition EC
10~15%



Goods-EC

1.2 Our business performance

Ordinary income to grow 26%



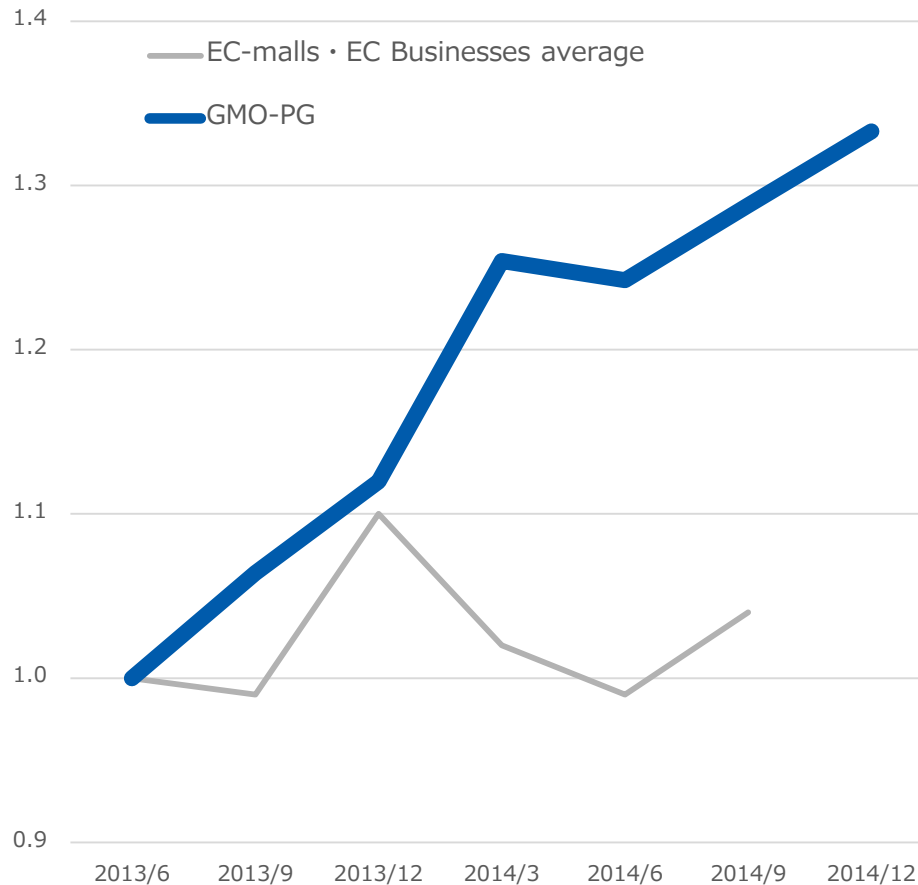
※※References : METI, [Market report in regard to EC 2013]

※Y-o-y growth

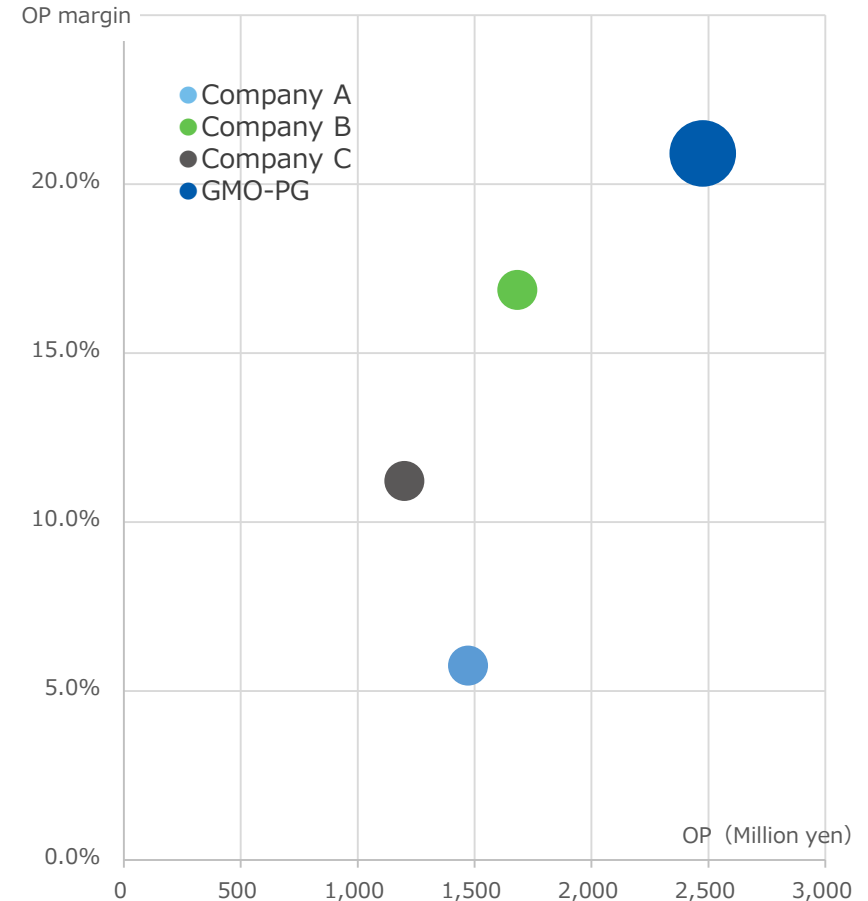
1.3 Comparison to market and other companies

Growth outperforms EC-related firms and other rivals

Revenue index of EC-related listed firms (quarterly)



Comparison of operating income / operating income growth rate of payment processing firms (FY2014)



※Estimated by GMO-PG

1.4 Source of unrivaled growth that outperforms the market

“System capability, “expansion to New-fields-EC” and “launch of new products” are the key

“System capability”

To incorporate new fields (mass processing and low unit price) into our growth,

1. Capability to process massive volume of payments and traffic that increases and decreases drastically (spike),
2. stability, and
3. ability to strengthen the system at low cost, are necessary.



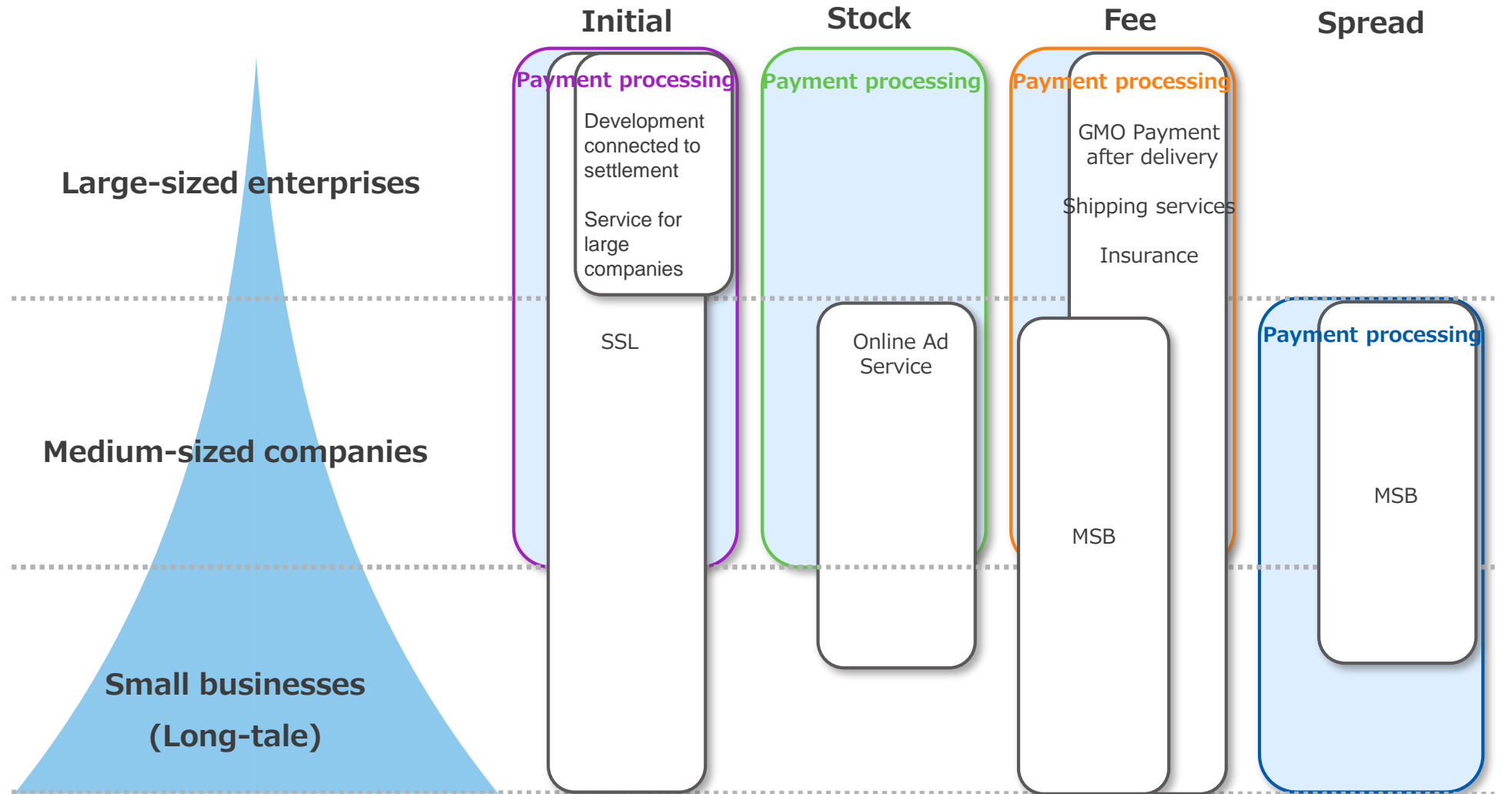
Satoru Isozaki, Executive Vice President
(General Manager of System Division)

Our dominance lies in our superior team comprising over 70 payment processing professionals to realize the above-mentioned conditions

2. Future growth strategy

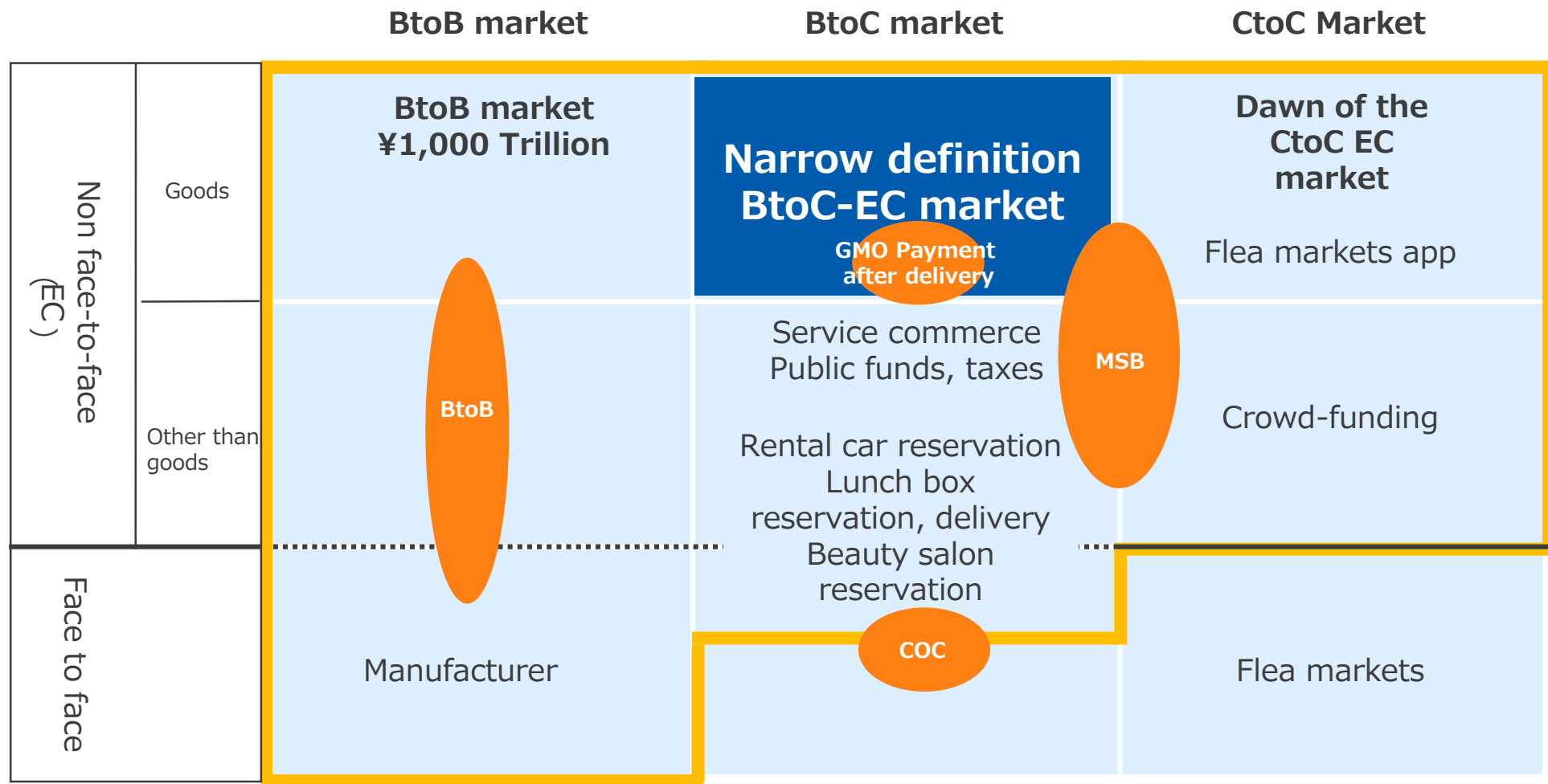
2.1 Management direction

Well-balanced growth of the four profit models while launching new services



2.2 Broad definition EC market

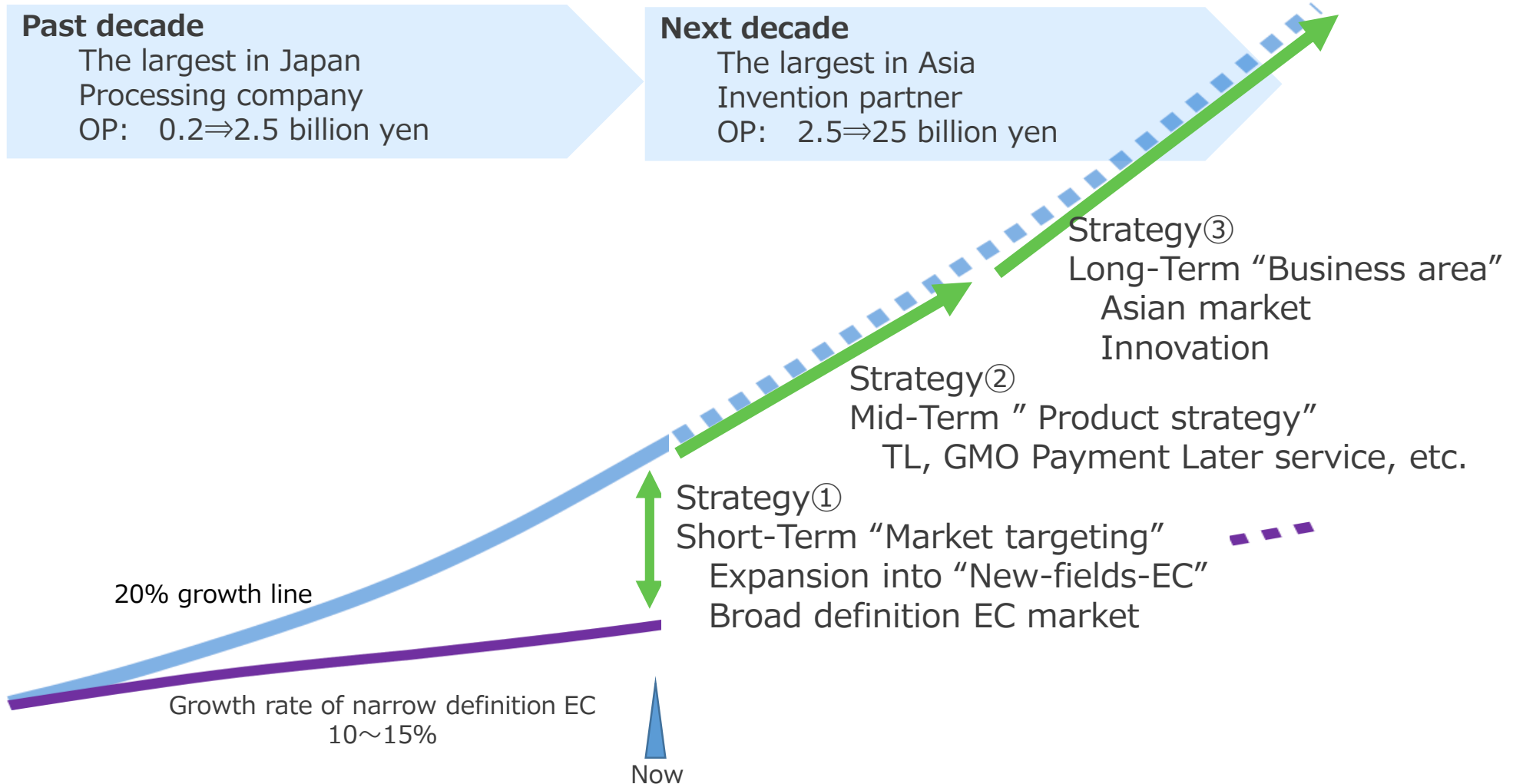
Initiatives to conquer the EC market in a broad definition is well under way, contributing to accelerated growth



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

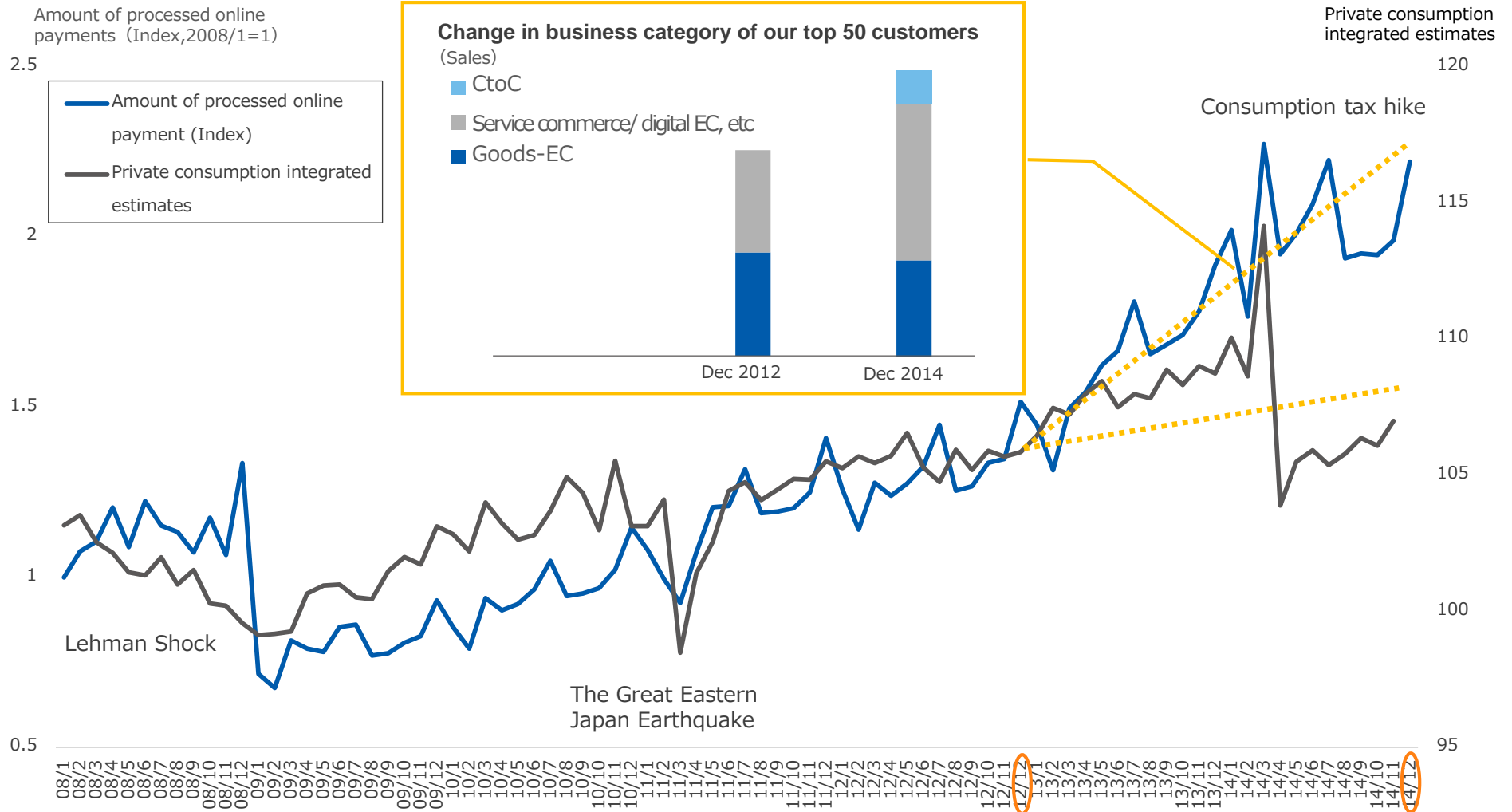
2.3 Growth strategy

Sustaining more than 20% income growth is our mission



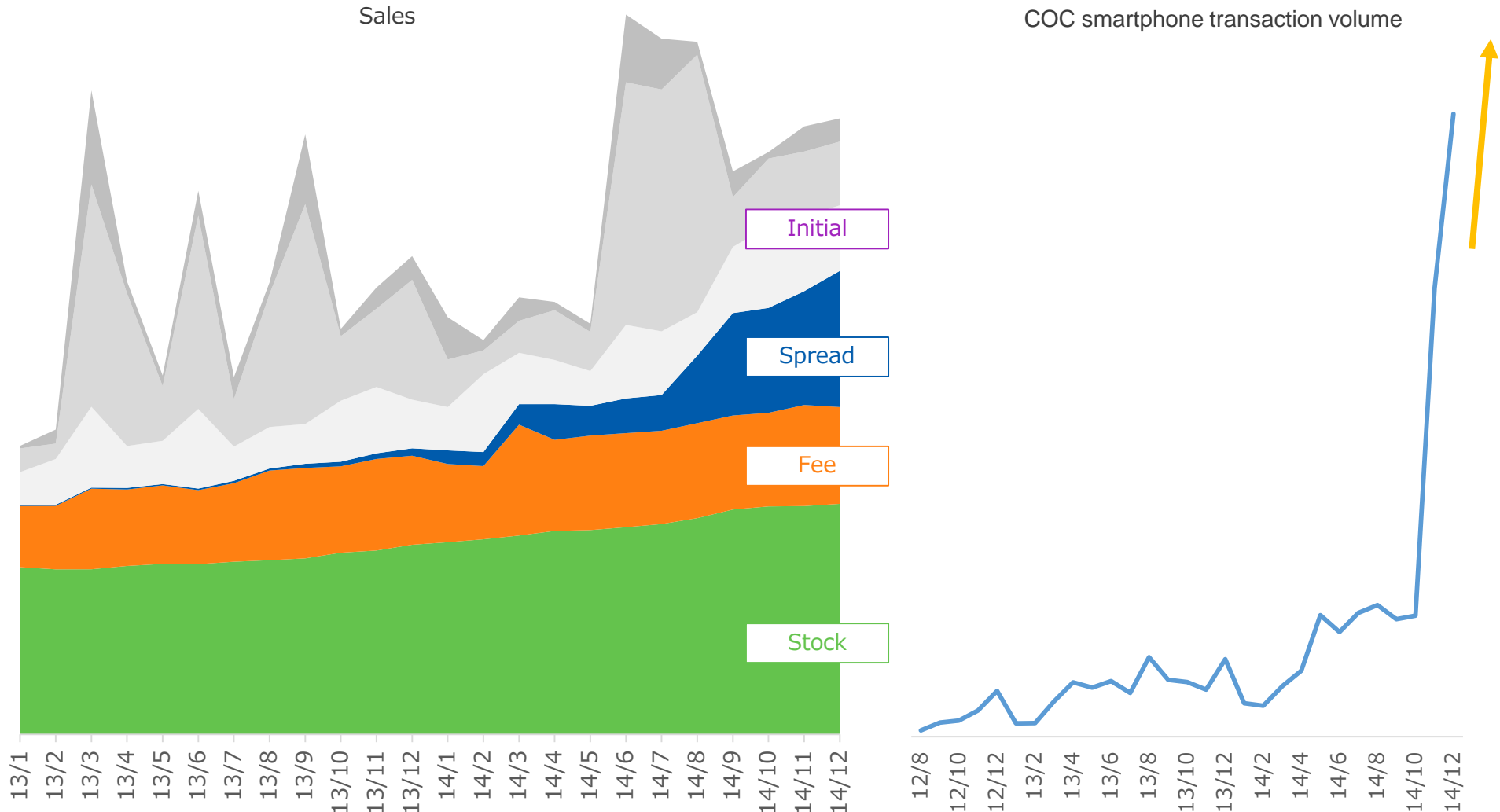
2.3.1 Strategy ① Expansion into “New-fields-EC”

Service commerce/ digital EC/ CtoC will be the growth engine



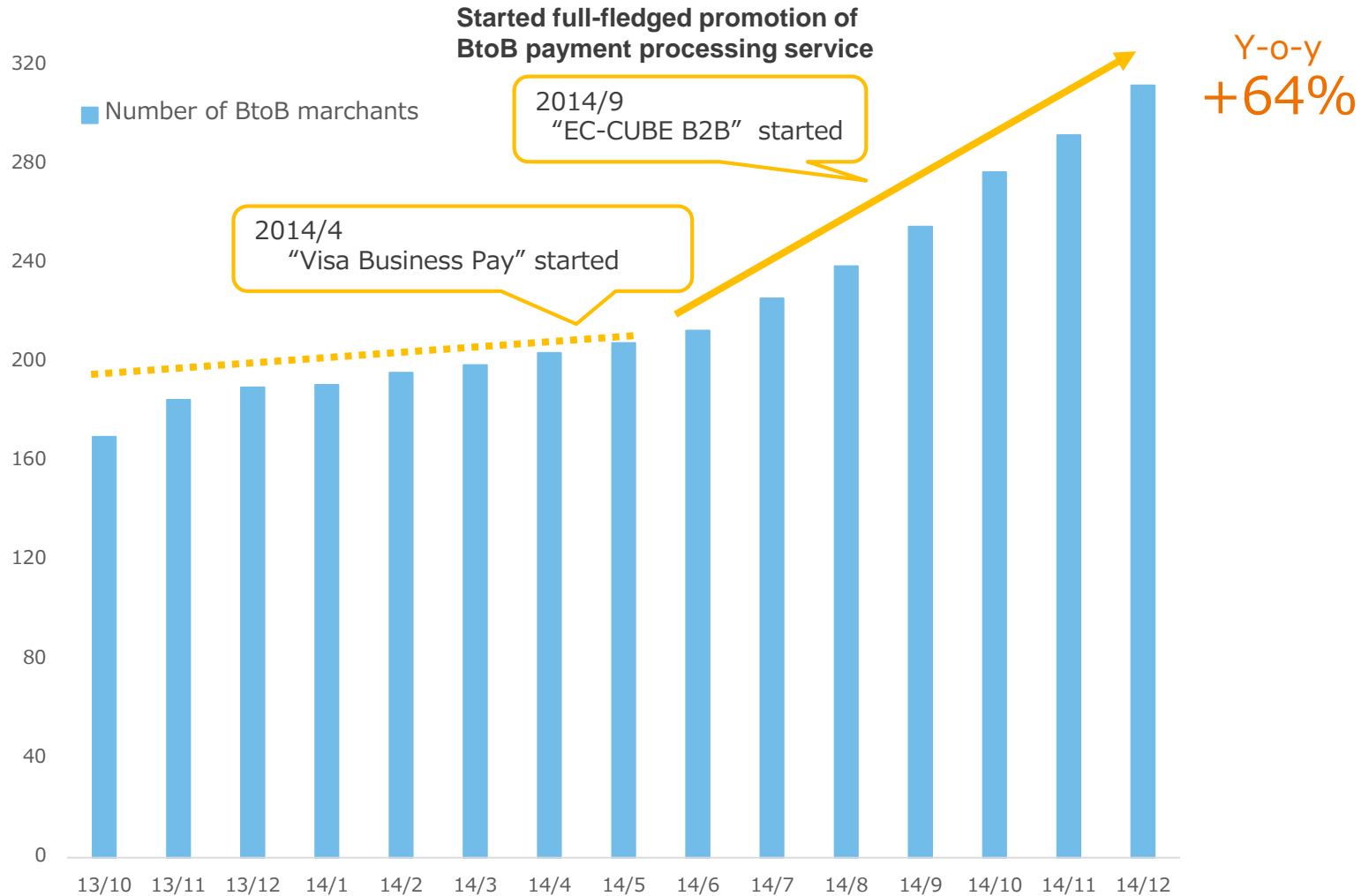
2.3.1 Strategy ① Expansion into “New-fields-EC” Face-to-face area: COC

Increase in spread revenue and growing smartphone payments in the face-to-face area have started making contributions to growth



2.3.1 Strategy ① Expansion into “New-fields-EC” BtoB

Results of full-fledged marketing promotion are showing promise



2.3.1 Fields in the near future

Regional revitalization

Cabinet Secretariat
Bill to revitalize towns,
people and jobs
(Fiscal years 2015 – 2019)
To solve population issue
and secure growth potential

Expected change

Integration of regional banks
Redevelopment of the areas
surrounding stations
Enhancement of added value
of regional industry

Our stance

Promote cashless payment
Assist vitalization of local
firms
Expand face-to-face market

New regulations in the electricity field

2016 Liberalization of entry
into electricity retail business
Number of registered firms:
483 (as of January 14)

Free choice of electricity
companies
Diversified needs in payment
method
Promptness of fee settlement
will be important.

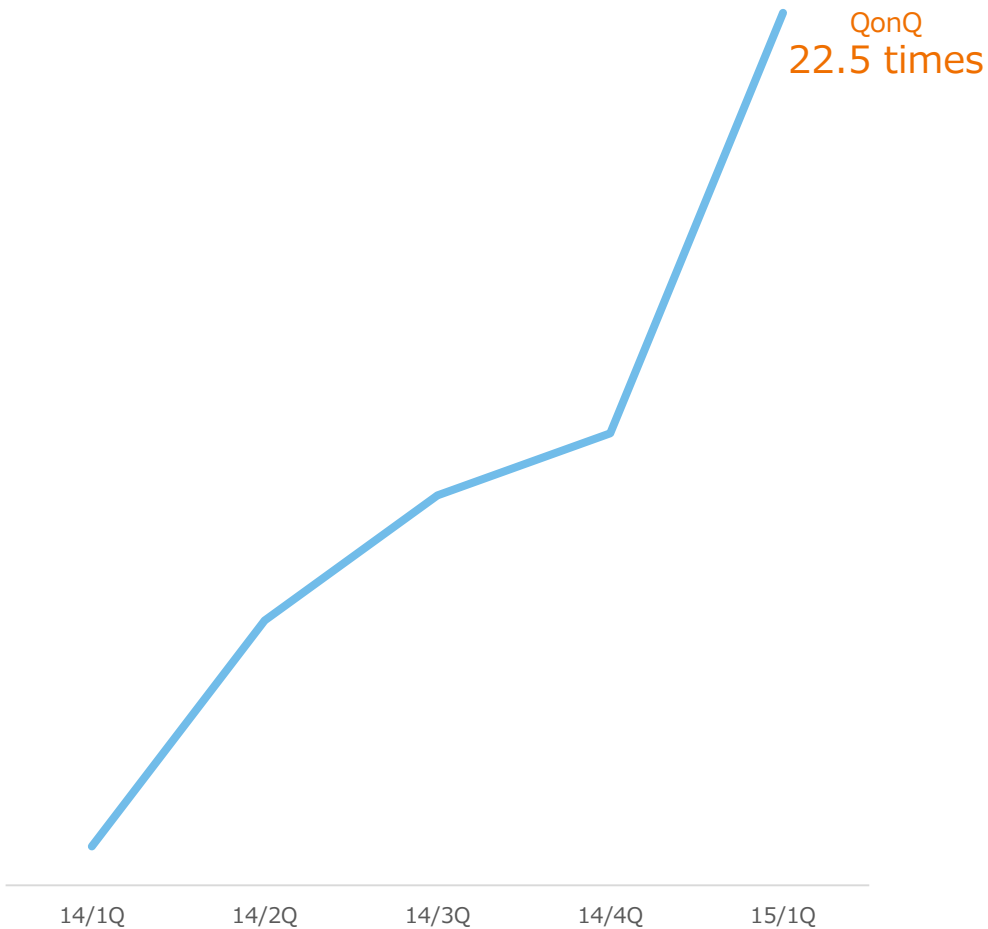
Introduce credit card
settlement
Collaborate with system
vendor

※参考：新電力PPSポータルサイト

2.3.2 Strategy②” Product strategy” GMO Payment after delivery

Still at the investment stage, but amount of loss is shrinking

Number of processed payments



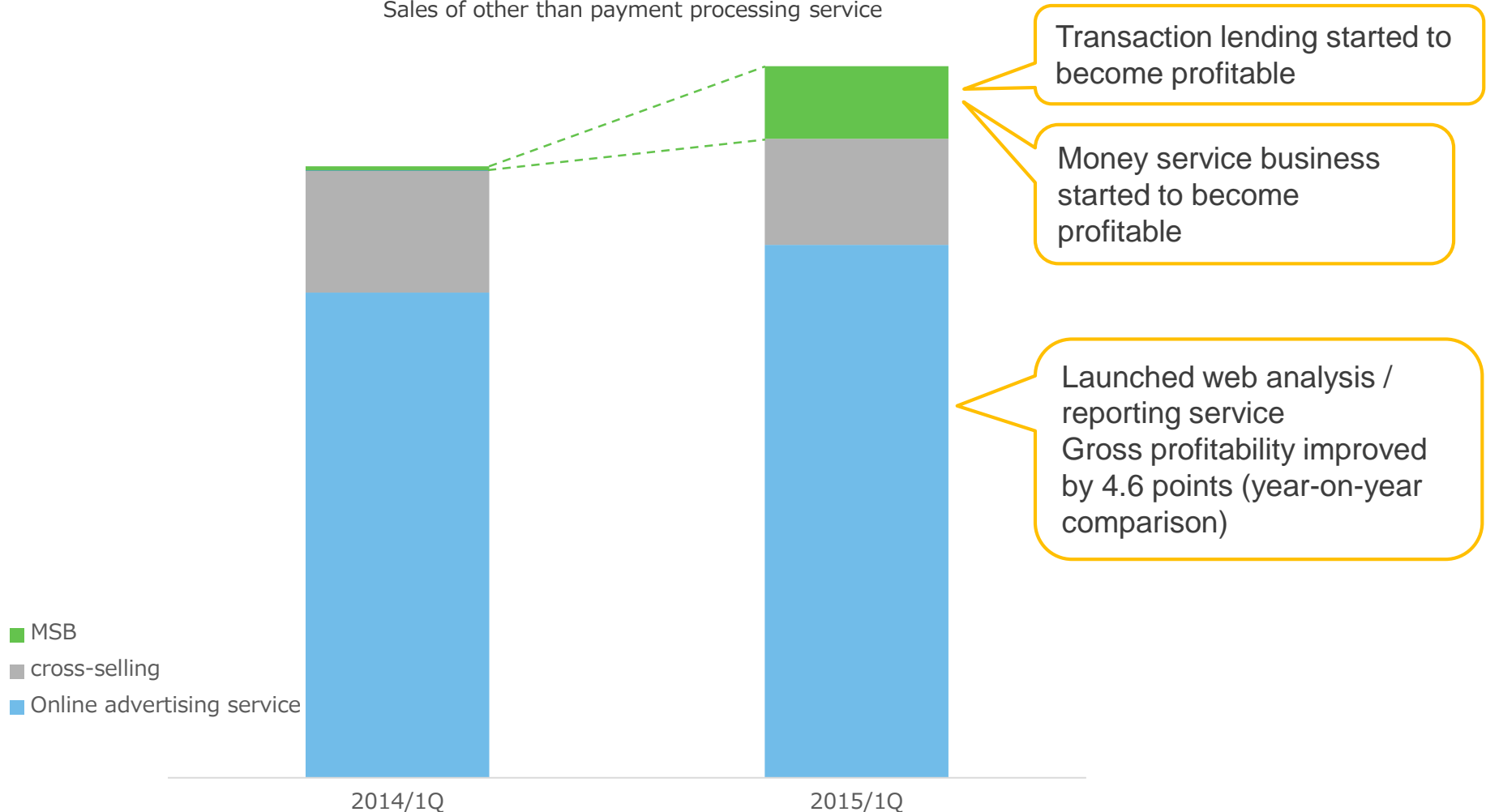
Sales



2.3.2 Strategy②” Product strategy” Other than payment processing service

New service other than settlements started to contribute to sales growth

Sales of other than payment processing service



2.3.3 Strategy③“Business area”

Expand to the world's growth center

(1) Accelerate support to Japanese merchants' “Cross border EC”

Expand mainly in the travel / female consumer market where Japan has strengths

Full-fledged cross border EC

Track record in the area of cosmetics, fashion, accessories and digital content

日本女明星御用

底妝讓你徹底改變
超乎想像的極致裸肌美



妝前飾底乳
MAKEUP BASE
FACE RESPONDER
商品介紹 >

彩妆粉底組
TRICKY PACT
商品介紹 >

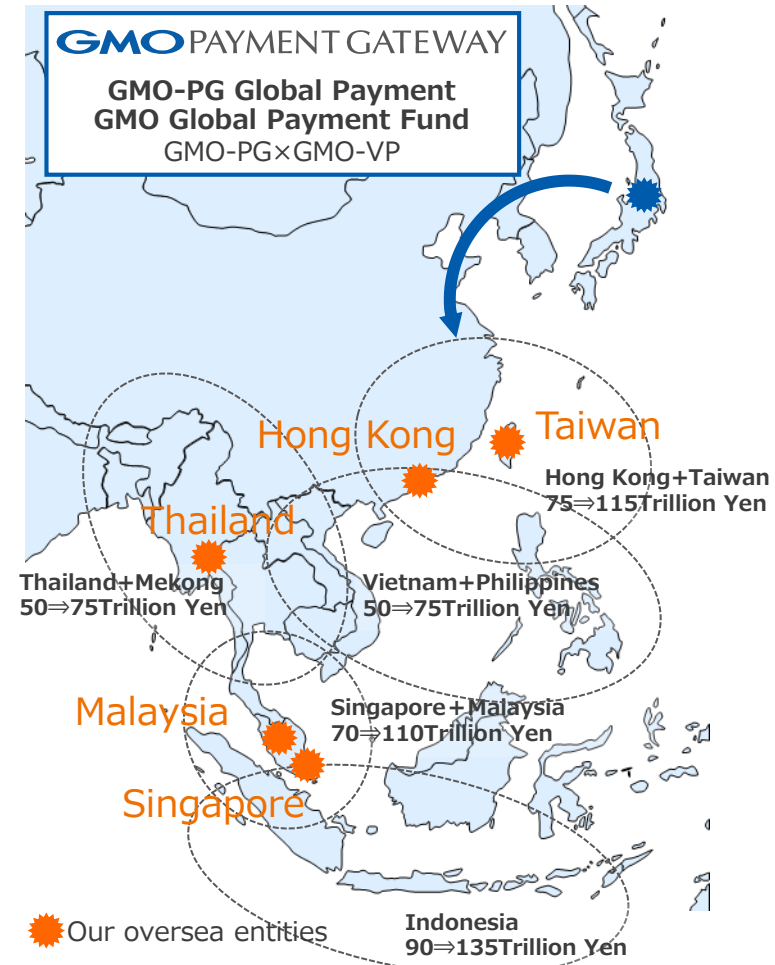


Focus on the travel market as number of overseas travelers exceeds 20 million

Large travel agency / inbound and outbound measures by travel business

Inbound and outbound measures by airline companies

Provide full support on settlement and attracting customers



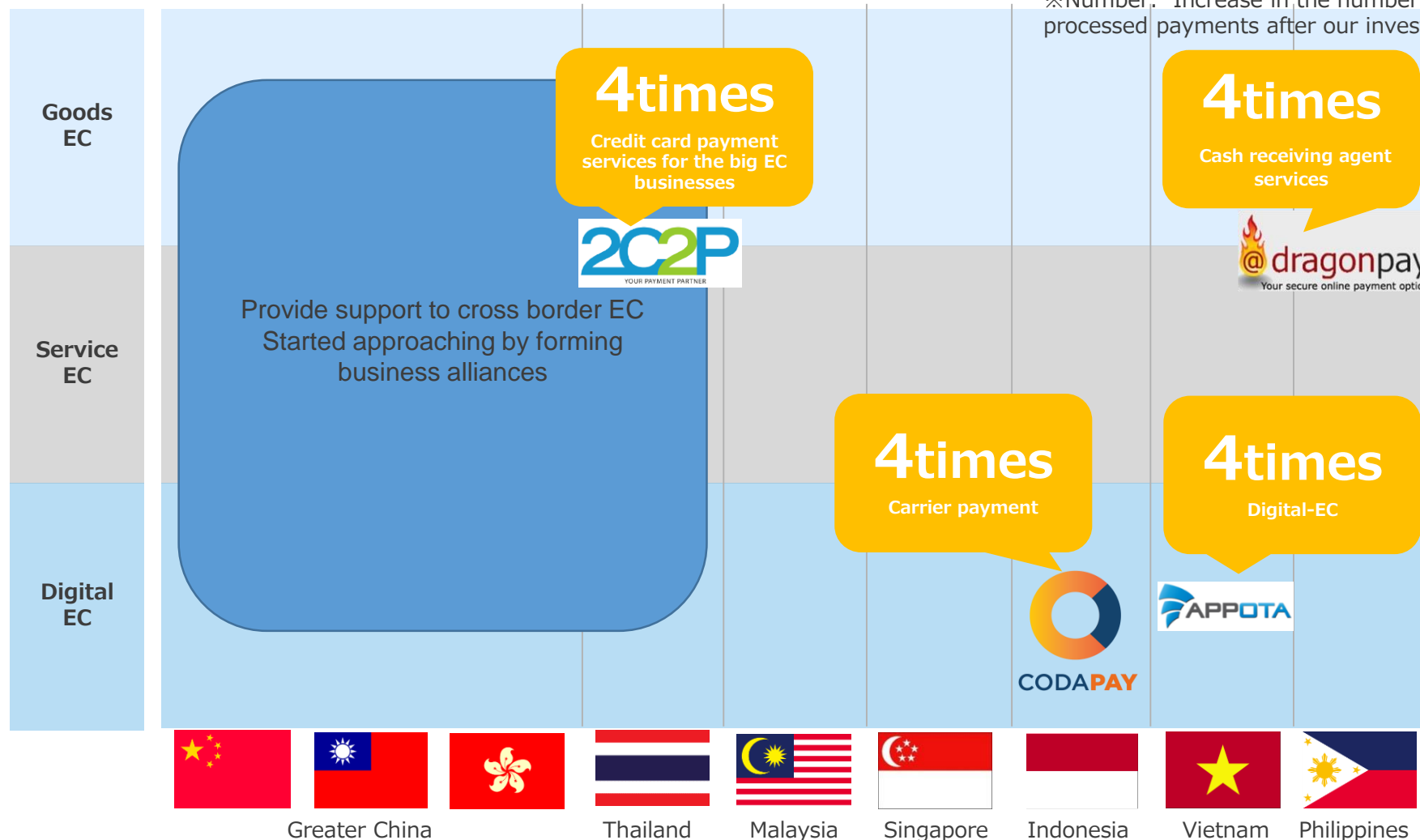
※Economic area
GDP⇒GDP of 2022, our forecasts

2.3.3 Strategy③“Business area”

Expand to the world's growth center

(2) Reaching local EC market by providing support to local payment processing firms

※Number: Increase in the number of processed payments after our investment



3. Financial highlights

3.1 Summary of the consolidated results

Operating income up 25.7%, achievement ratio of 1H targets is 49% for net sales and 52% for ordinary income

(Million yen)	1Q of FY2015	Compared to the results for previous corresponding period			Compared to the cumulated forecast for 2Q(1H), FY2015	
		Results	Growth	Growth rate	Forecast	Progress
Sales	1,958	1,645	313	19.1%	4,033	48.6%
Cost of sales	382	317	64	20.3%	-	-
Gross income	1,576	1,327	249	18.8%	-	-
SG&A	851	750	100	13.4%	-	-
Operating income	725	577	148	25.7%	1,471	49.3%
Ordinary income	758	601	156	26.0%	1,473	51.5%
Net income	476	355	120	33.9%	887	53.7%
Net income per share(Yen)	13.78	10.31	-	-	25.68	-

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

3.2 Summary of the consolidated balance sheets

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

(Million yen)	Results for 1Q, FY2015	Results for 1Q, FY2014	Change
Current assets	27,092	22,422	4,670
Cash and deposits	23,849	20,948	2,900
Advance payments	969	393	575
Other current assets	2,302	1,108	1,194
Allowance for doubtful accounts	△28	△28	0
Fixed assets	2,662	1,851	810
Tangible fixed assets	215	282	△67
Intangible fixed assets	785	722	63
Software	669	543	125
Investments and other assets	1,660	846	814
Bonds of affiliates	11	11	0
Total assets	29,754	24,274	5,480

Increase in investment securities and investments in other securities of subsidiaries and affiliates

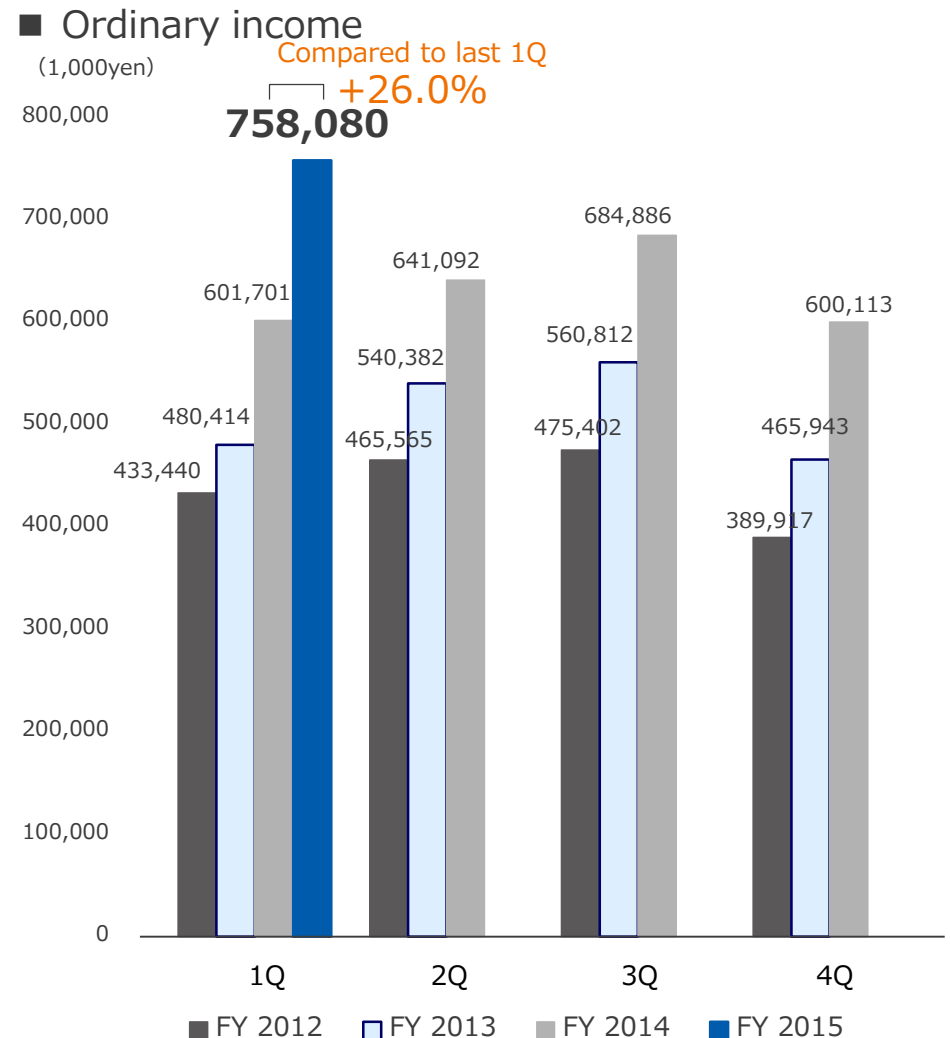
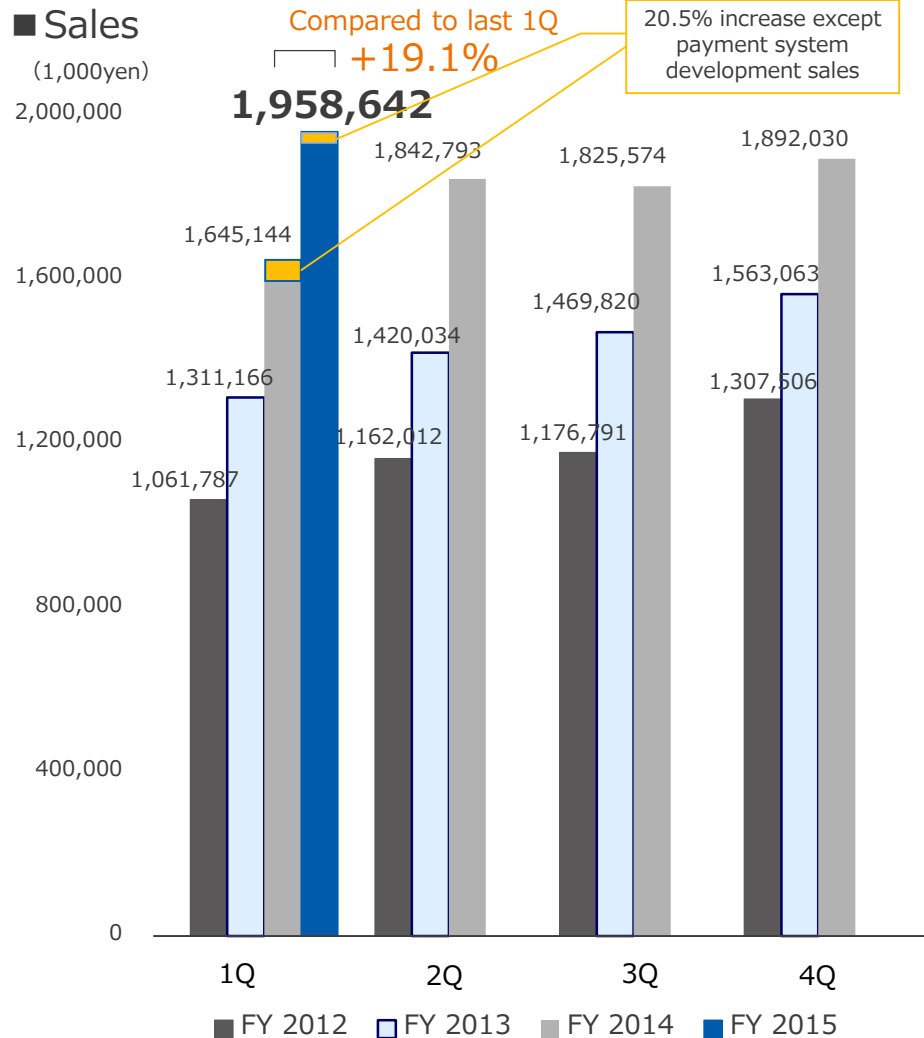
(Million yen)	Results for 1Q, FY2015	Results for 1Q, FY2014	Change
Current liabilities	22,775	18,525	4,249
Deposits	20,822	17,575	3,246
Other current liabilities	1,953	950	1,002
Non-current liabilities	167	160	6
Shareholders' equity	6,684	5,552	1,132
Valuation and translation adjustments	120	27	93
Subscription rights to shares	3	7	△4
Total net assets	6,811	5,587	1,224
Total of liabilities and net assets	29,754	24,274	5,480

Deposits by merchants through representative merchant service

*Discrepancy occurs with the pace of merchants' sales growth due to change in merchants' cutoff date and payment cycle

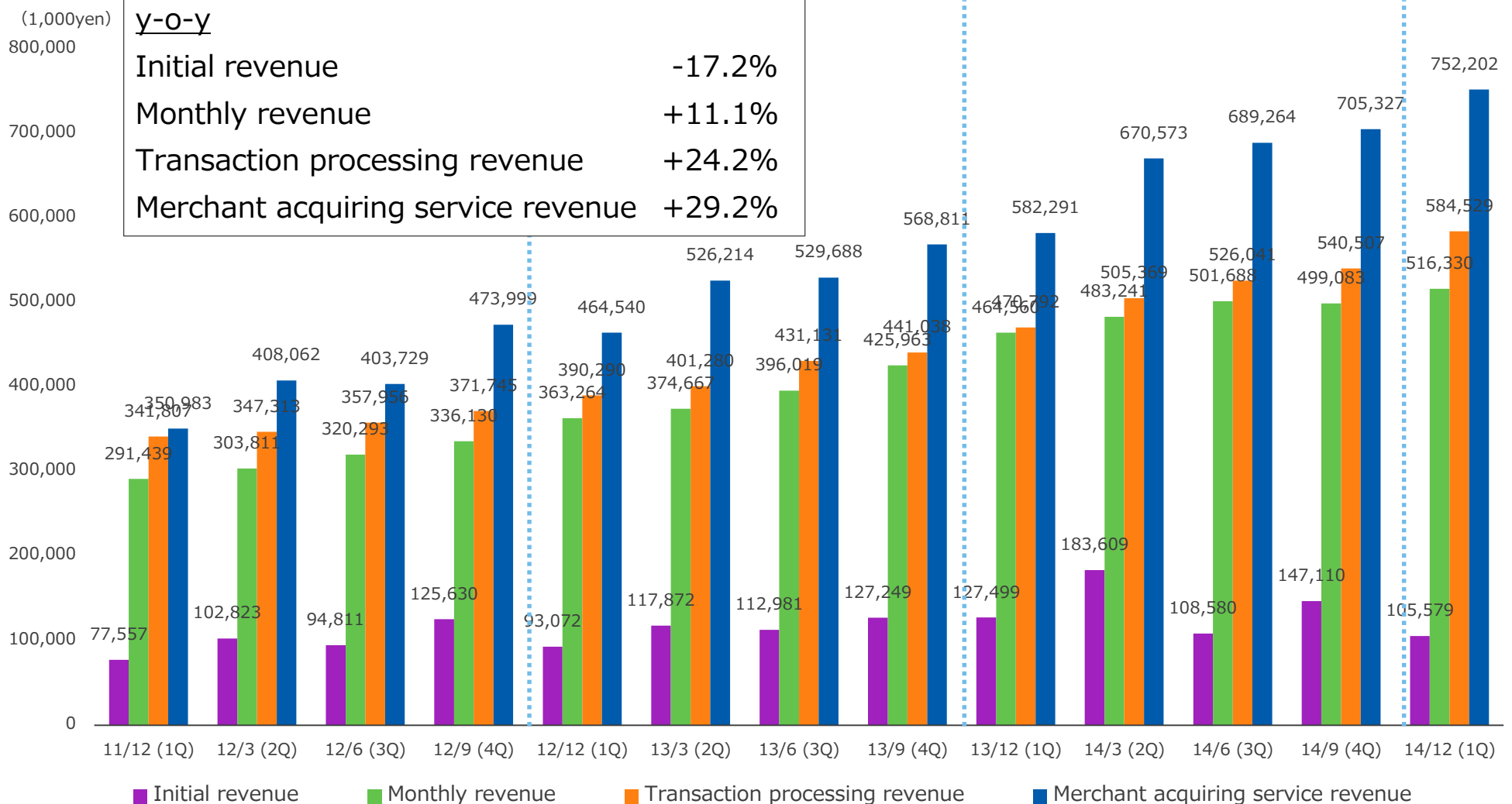
3.3 Sales/Ordinary income (Quarterly changes)

Ordinary income grew by 26.0%, exceeding sales growth rate



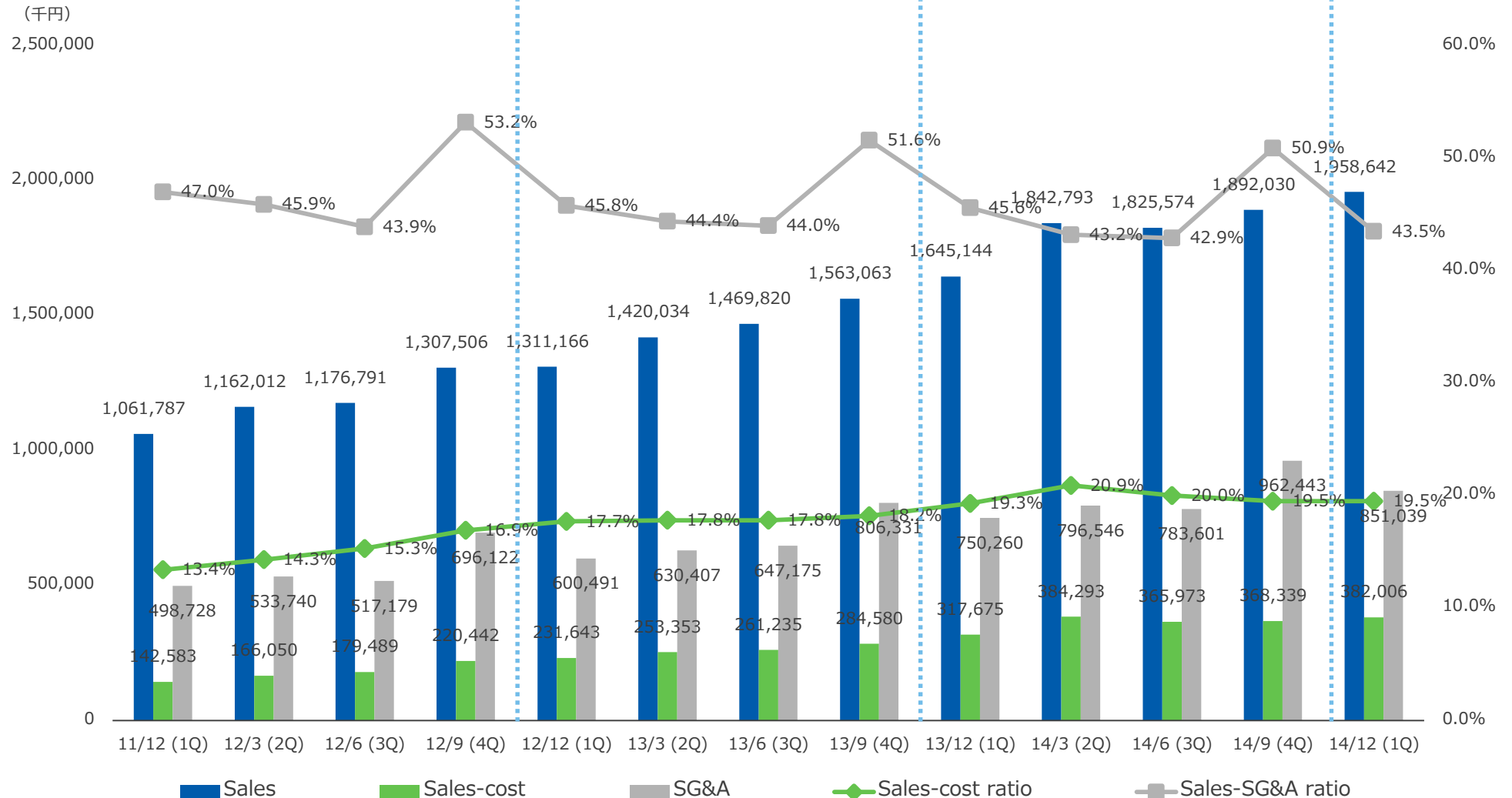
3.4 Sales results for each segment (Quarterly changes)

Transaction processing revenue and merchant acquiring service revenue are in good shape



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

Higher cost-to-sales ratio due to sales mix has been absorbed by DC integration effect, among others

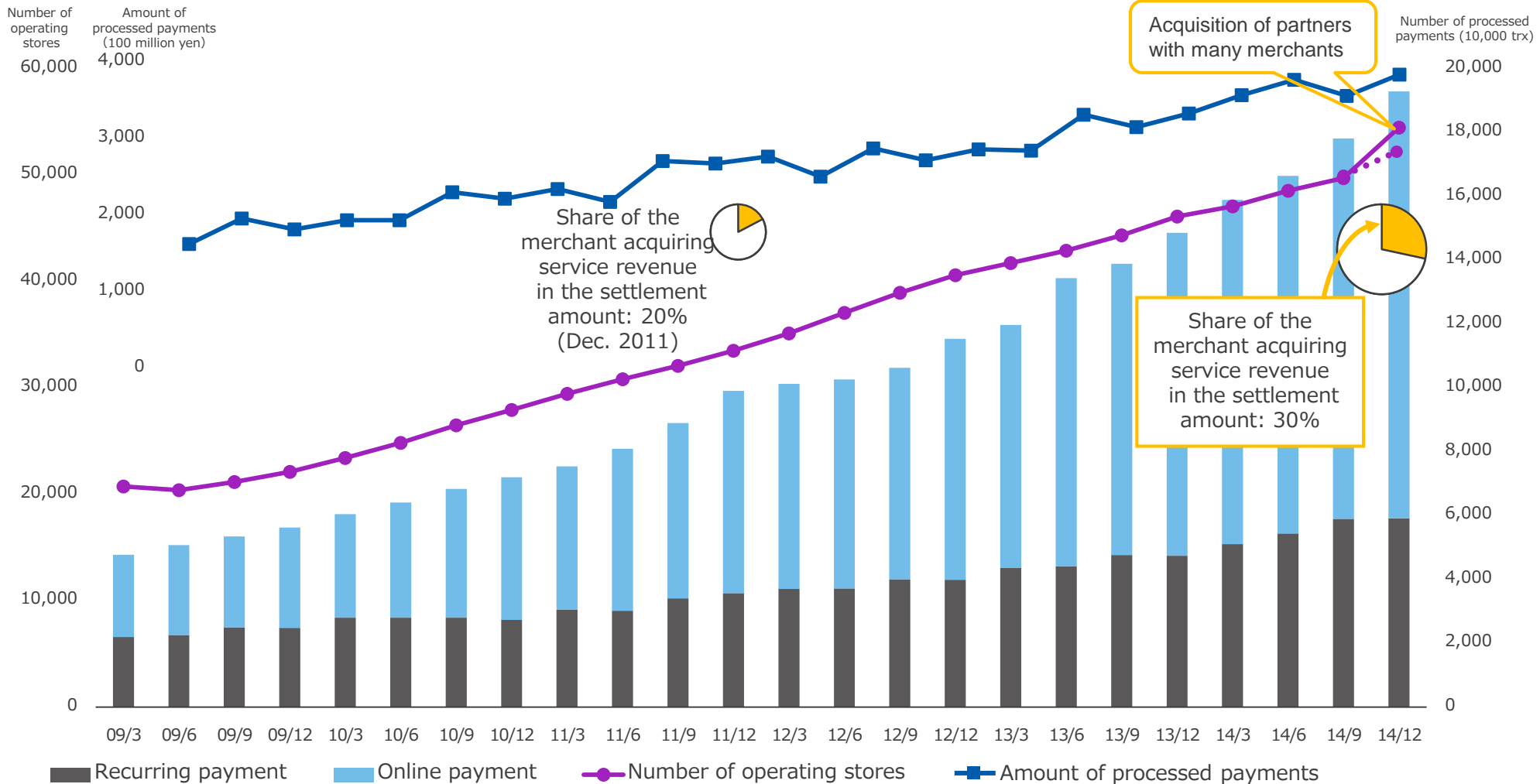


3.6 Transition of the major factors (Quarterly changes)

Number of operating stores rose rapidly thanks to a large project

Settlement volume also grew sharply fuelled by new fields

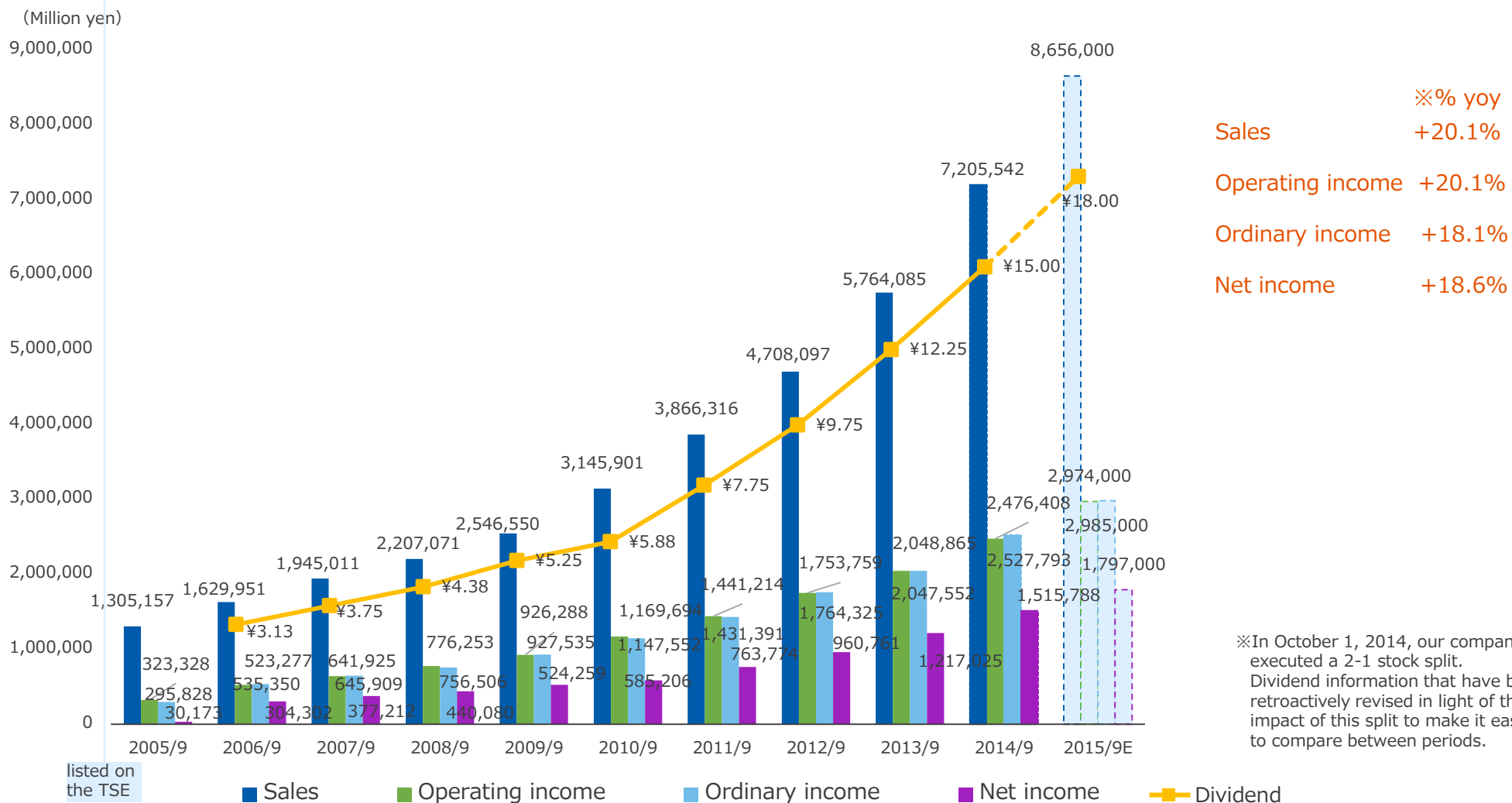
Number of operating stores 54,469/ Amount of processed payments 380billion yen/ Number of processed payments 192Million



4. Results forecast for the term ending September 2015

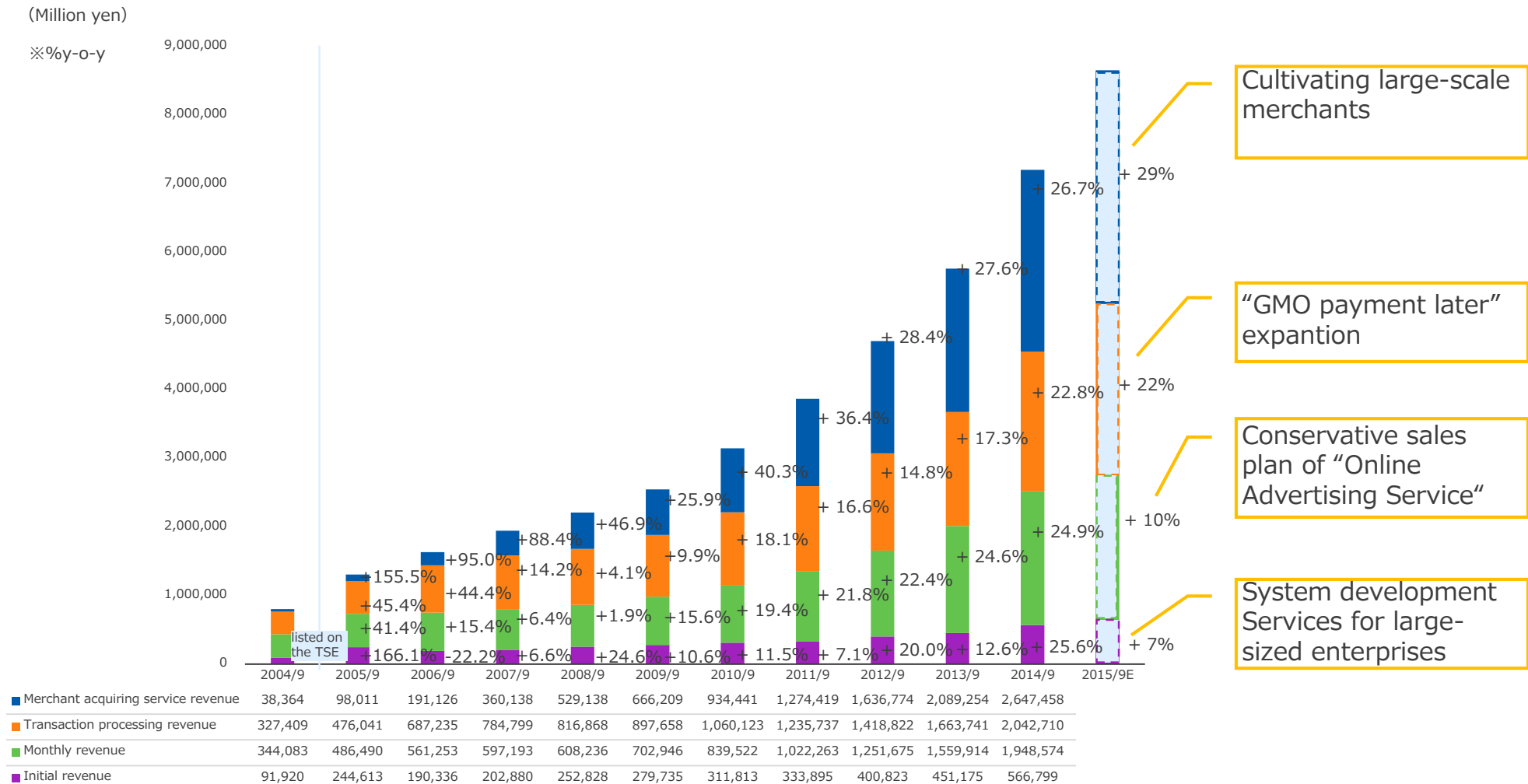
4.1 Summary of the consolidated results (Forecast)

Repeat operating income growth rate of 20% as investment phase will still continue



4.2 Sales for each segment (Forecast)

Action plans to realize the balanced growth in all segments



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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