

Financial results briefing for the Q4 of FY2016

(O c t o b e r 1 , 2 0 1 5 - S e p t e m b e r 3 0 , 2 0 1 6)

A favorable year: we enhanced our foundation for future growth through well-balanced investment and M&A

November 7, 2016

G M O Payment Gateway, Inc.
(3769: Tokyo Stock Exchange Section-1)

The 47th IR Meeting

GMO PAYMENT GATEWAY

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

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 November 7, 2016.

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. Performance overview of FY2016
2. Issues
3. Performance forecast of FY2017
4. Strategies for future growth
5. Financial highlights

1. Performance overview of FY2016

1.1 Performance overview①

Achieved our commitment of 25% OP growth

(Million yen)	FY2016 (Forecast)	FY2016 (Actual)	% Change	FY2015 (Actual)	% Change
Sales	11,413	12,113	+6.1%	9,030	+34.1%
Operating income	3,741	3,819	+2.1%	2,977	+28.3%
Operating income ratio	32.8%	31.5%	-1.3%	33.0%	-1.5%
Ordinary income	3,750	3,780	+0.8%	3,000	+26.0%
Net income	2,335	2,910	+24.7%	1,853	+57.1%
EBITDA		4,191		3,274	+28.0%
Dividend (Yen)	22.0	27.0	+5.0円	18.0	+9.0

KPI	Number of operating stores (end of period)	Amount of processed payments (FY2016)	Number of processed payments (FY2016)
	77,256	Approx.¥2 trillion	Approx. 900 Million

* EBITDA=Operating income + Depreciation + Amortization of goodwill

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1.2 Performance overview ②

Record highest revenue growth ratio, ¥27 dividends per share, up ¥5 per share

■ Points of FY2016

Sales : + 34.1% / **Highest revenue growth ratio since listed in 2005**

Good shape in payment processing business (up 20% in real terms)

Money service business is expanding (up 163%)

Operating income : + 28.3% / **Achieved our commitment of 25% OP growth**

The operating margin of payment processing business up from 56.2% to 58.7%

Increased profits in consolidated subsidiaries and online Advertising service

Ordinary income : + 26.0%

Exchange losses due to the strong yen

Net income : + 57.1%

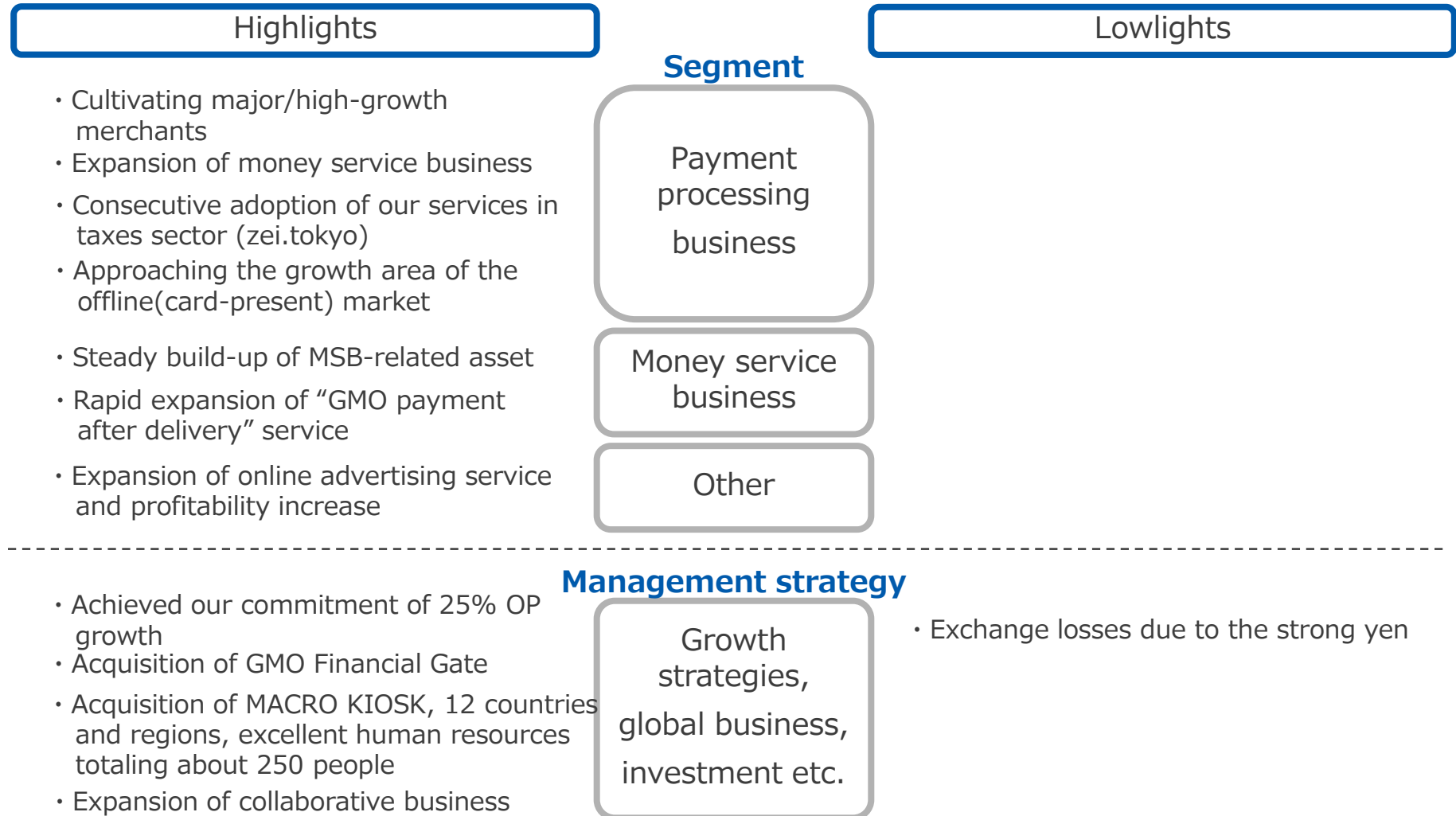
Gain on step acquisitions due to acquisition of GMO Financial Gate (¥ 395 million)

Income from securities sold (¥ 194 million)

Dividend : **¥27 per share as per basic dividend policy**
(consolidated payout ratio of 35%)

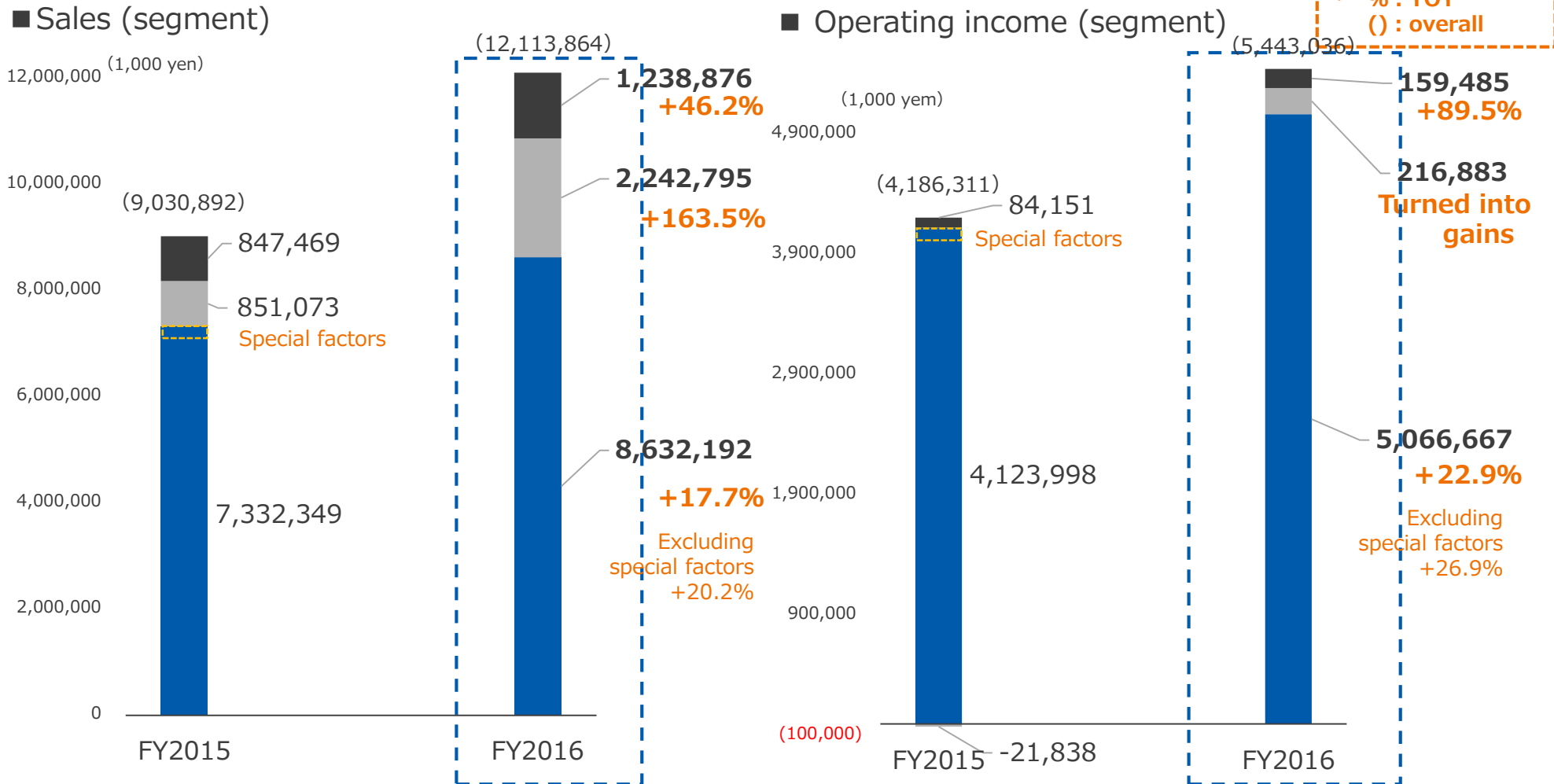
1.3 Activities in FY2016

Action plan for the next decade



1.4 Sales/Operating Income by Segment (Cumulative)

OP of payment processing business up 26.9% in real terms



■ Payment processing business ■ Money service business ■ Other

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2. Issues

2.1 Our approach to all payment methods

Press release outline

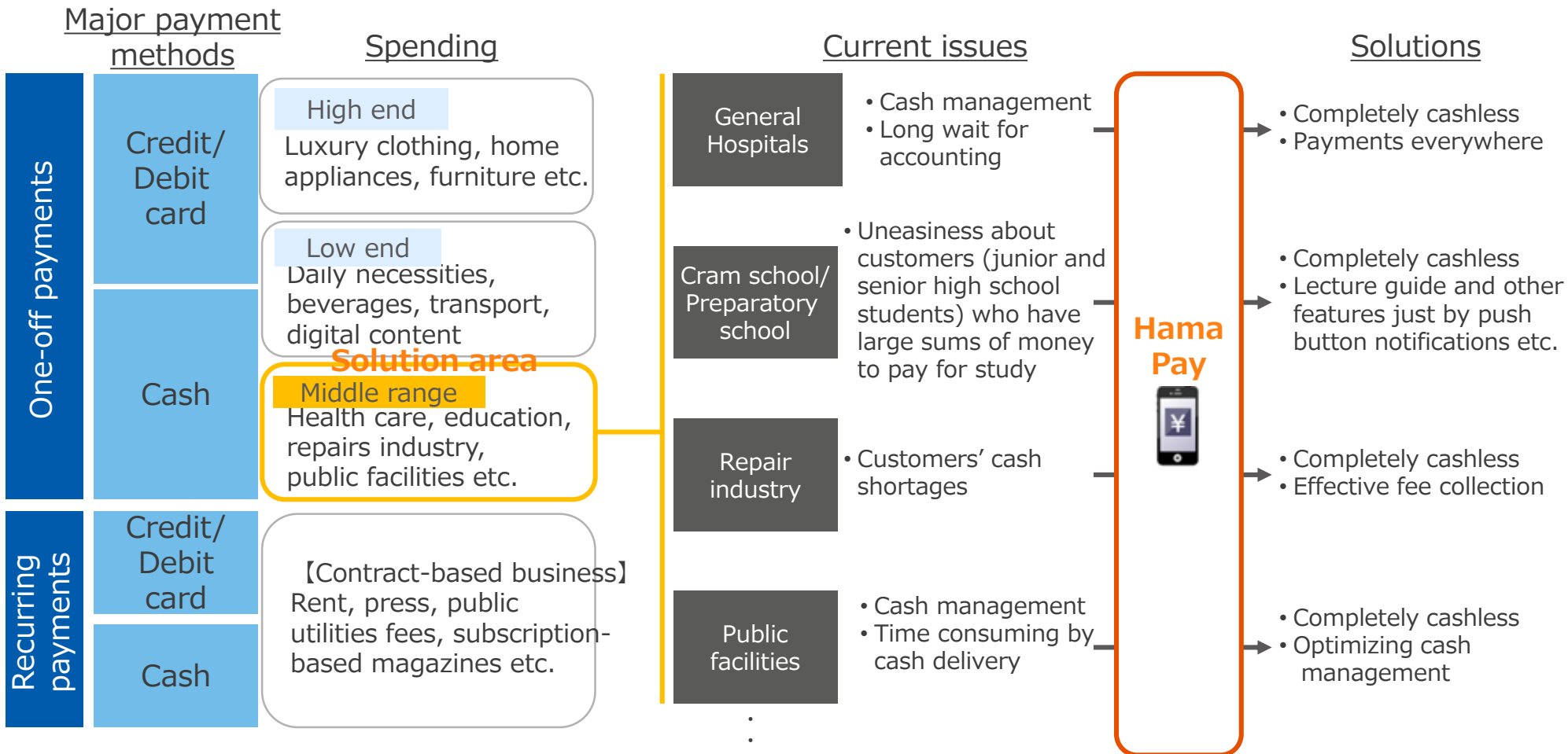
Lending	<ul style="list-style-type: none">● GMO-PG partners with Money Forward to offer Lending service to SMEs ⇒For companies and individual businesses that use Money Forward's billing and accounting software	
Payment after delivery	<ul style="list-style-type: none">● GMO-PS launches "GMO Payment after delivery" service for Japan's largest fashion shopping website "ZOZOTOWN"	4.4.2
Global Payment	<ul style="list-style-type: none">● Acquisition of MACRO KIOSK ⇒Expansion of business scope in SEA	4.3.1
Offline(card-present) payment	<ul style="list-style-type: none">● Acquisition of GMO Financial Gate ⇒Accelerating the cashless payments in the offline(card-present) market.	4.2
New payment methods	<ul style="list-style-type: none">● Apple Pay Coming to "PG Multi-Payment Service"	
Bank account transfer	<ul style="list-style-type: none">● GMO-PG and the Bank of Yokohama join their efforts to develop mobile payment solution "Hama Pay" ⇒To make payments instantly on the mobile banking app● Direct connection with major convenience stores	2.2
CVS payment		
Debit card	<ul style="list-style-type: none">● GMO-PG to develop a smart phone app for users of the "Hokkoku Visa Debit Card"	
Credit card	<ul style="list-style-type: none">● GMO-PG launches credit card solution for various taxes in Aichi Prefecture ⇒To support local governments by providing payment processing of various taxes after adoption in Tokyo Prefecture and Fukuoka city	

2.2 Payment solution provided by "Hama Pay"

Focusing on the area of cash payments, support new payment solutions provided by Bank of Yokohama

■ Area of "Hama Pay" solution

■ Solutions



3. Performance forecast for FY2017

3.1 Performance forecast overview

Operating income up 31.2%、 planning +10 yen for dividends

■ FY2017 forecast

	(Million yen, % yoy)									
	Net sales		Operating income		Ordinary income		Net income		EBITDA	
Full year	18,767	(54.9%)	5,013	(31.2%)	4,673	(23.6%)	2,762	(-5.1%)	5,811	(38.7%)
2Q of FY 2016	8,389	(46.4%)	2,499	(33.0%)	2,351	(22.5%)	1,409	(22.3%)		
Dividends forecast	37 yen		(+10 yen)							

* EBITDA=Operating income + Depreciation + Amortization of goodwill

■ Points

● Net sales

- We plan to consolidate the income statement of MACRO KIOSK from the second quarter accounting period and incorporate their income and losses over nine months from October 1, 2016 to June 30, 2017.
- The part of "GMO payment after delivery" offered to ZOZOTOWN (11/1 press release) is not considered in the forecast

● SG&A

- Goodwill amortization due to the increase from group companies (total of ¥230 million)

● Non-operation expenses

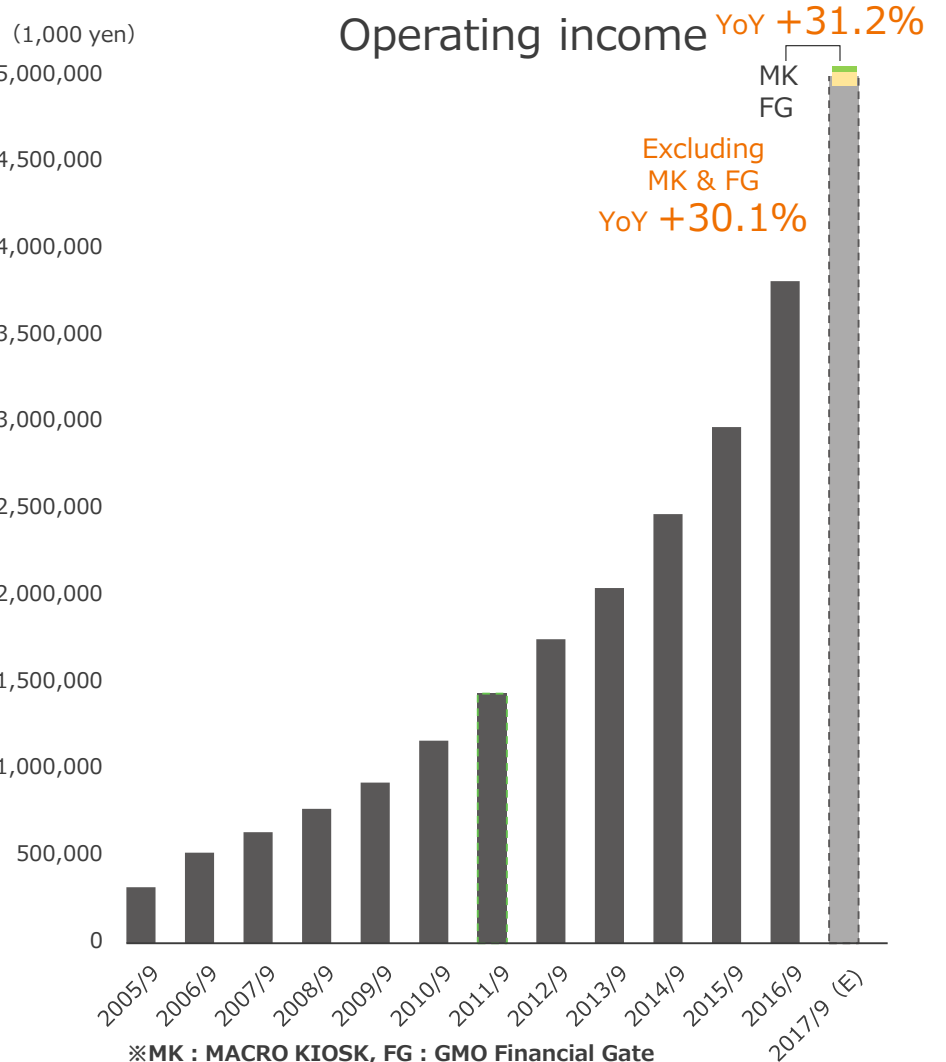
- Goodwill from equity-method affiliate is expected (About ¥160 million)

● Dividends Forecast

- Based on our successful business plan, we expect dividend payout ratio of 50% relative to net income in order to further strengthen shareholder returns by maintaining consecutive increases of dividends from the beginning of our dividend payments. Thereby we will contribute to increasing our medium-to-long-term corporate value.

3.2.1 Forecast

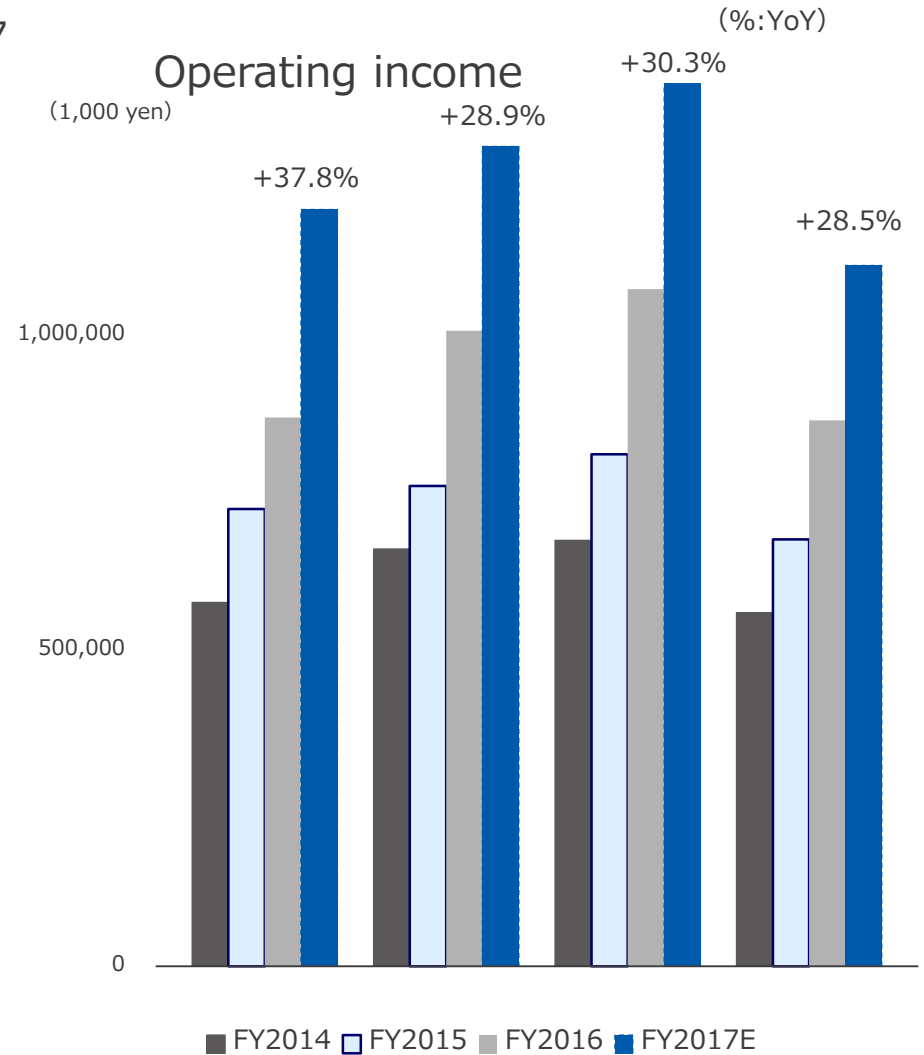
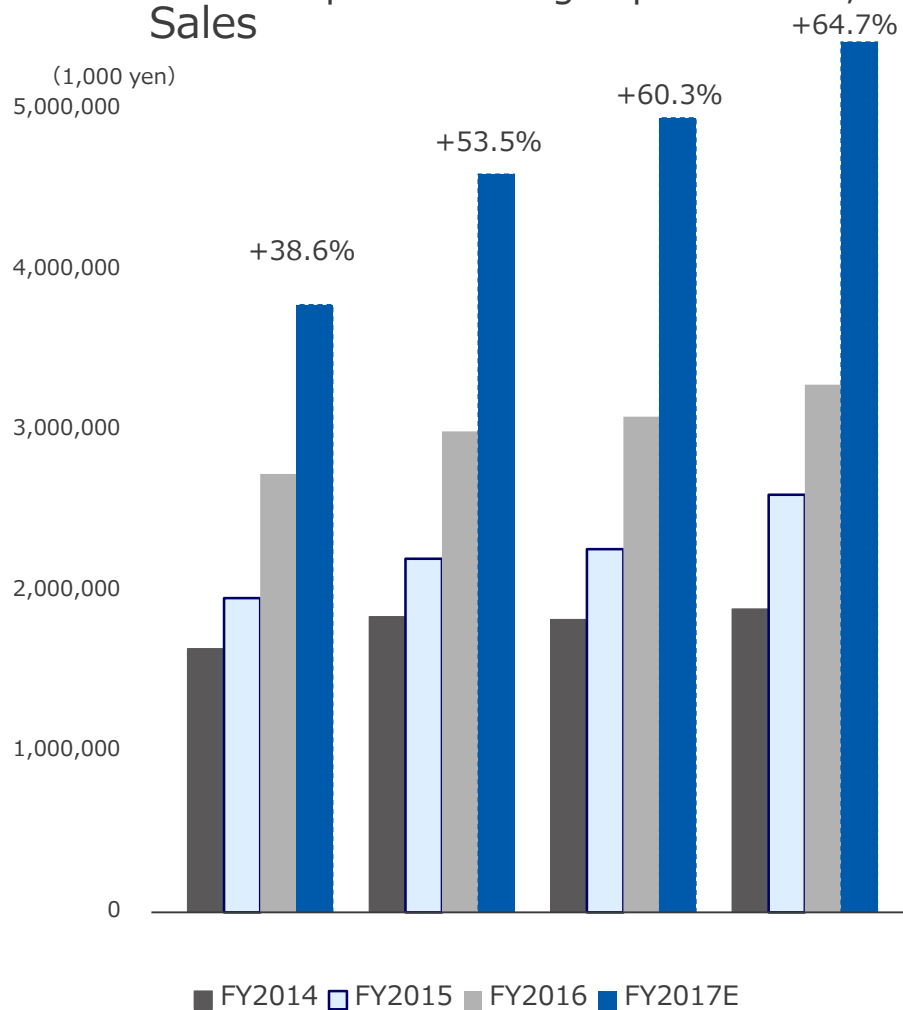
Sales up 54.9%, Operating income up 31.2%



3.2.2 Forecast (Quarterly)

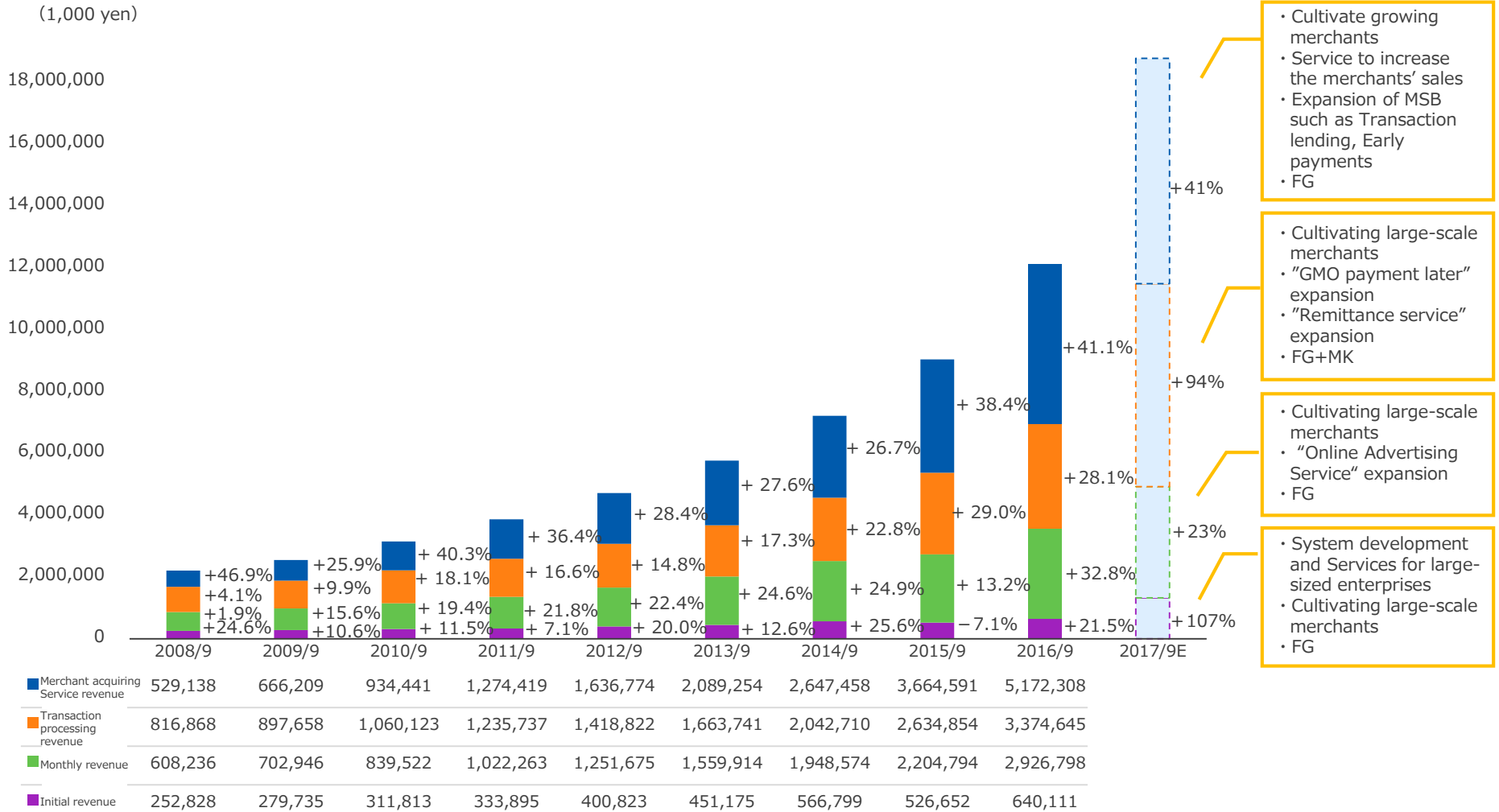
Quarterly forecasts

■ Forecast for the period ending September 30, 2017



3.2.3 Revenue Breakdown by Business Model

Action plans to realize growth in all business models



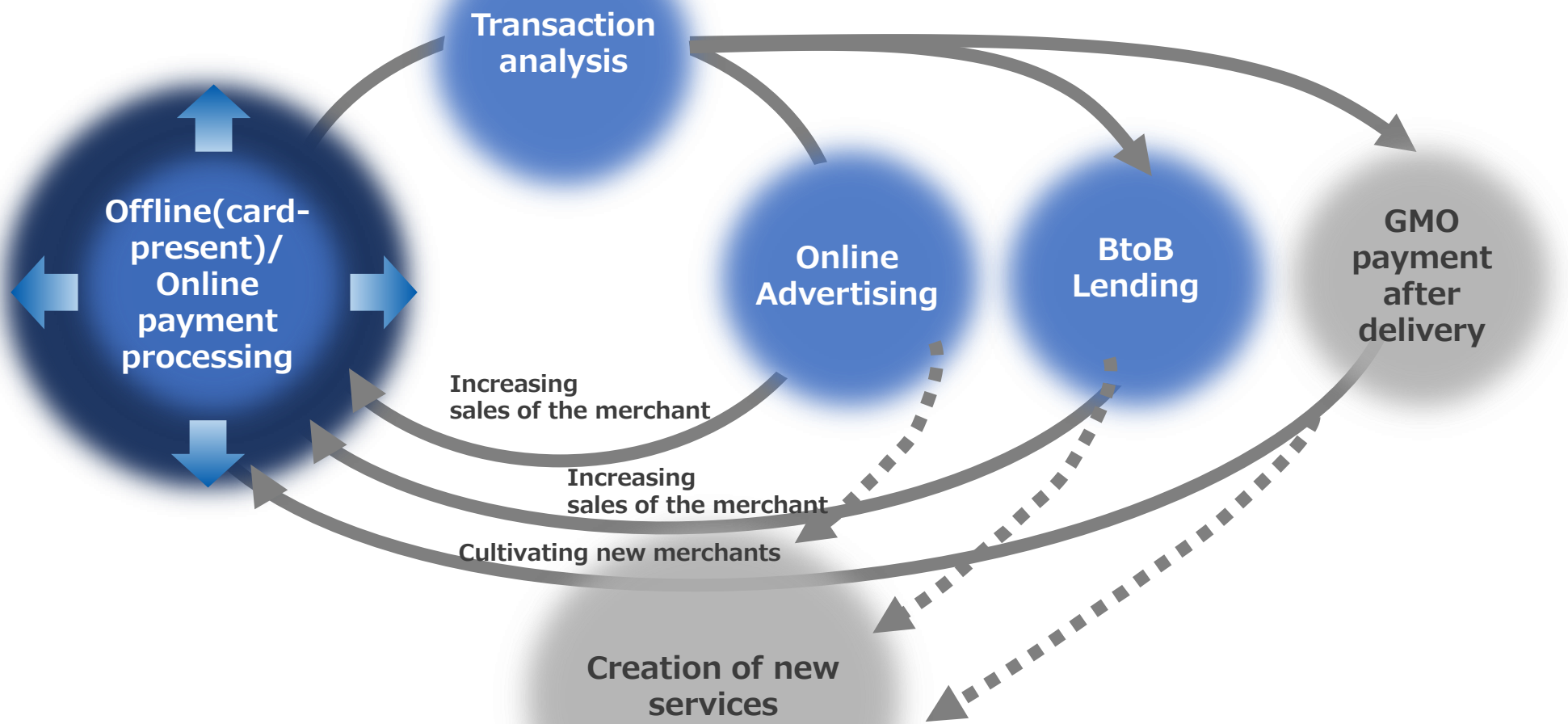
*MK : MACRO KIOSK, FG : GMO Financial Gate

*%: YoY

4. Strategies for future growth

4.1 Ecosystem of our business

All our services for increasing our Merchant's sales, and our Payment Processing



4.2 Our approach to offline(card-present) payments

Expanded our business in the offline(card-present) market by making GMO Financial Gate our subsidiary

■ Market changes and new areas of growth

■ Capital structure and business area

Market changes

- Security strengthening due to growing consumption from foreign visitors
- Expanding cashless payments before upcoming Tokyo Olympics
- IoT devices / Technology adoption

Growing area of offline(card-present) payments

- Demand for switching to EMV compatible terminals
- Expansion of installation of new devices for cashless payments
- Payments & IoT Monetization

Our actions

- **Acquisition of GMO-FG and GCS**
- **Establish management system covering the growing area of offline(card-present) payments**



Online market (e-commerce)

65% capital ↓



Enterprise

Offline (card-present) market

100% capital ↓



SMEs

*GMO-FG : GMO Financial Gate, GCS : Global Card System

4.3.1 Global business expansion

Mission of Global Business

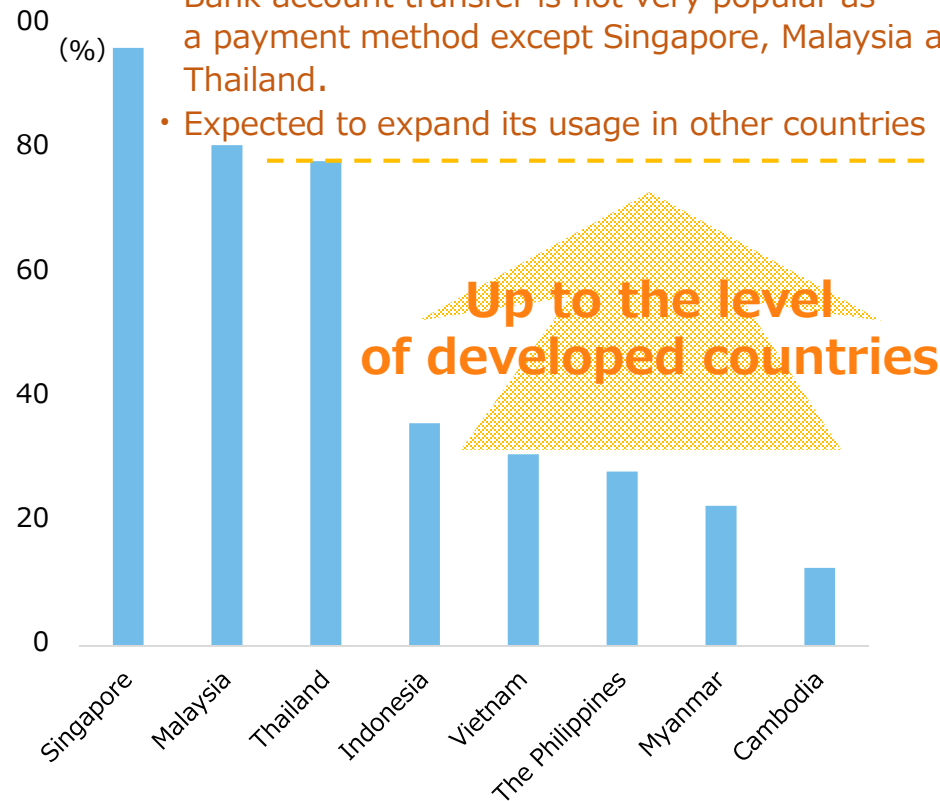
To offer a convenient payment method for the ASEAN economic zone which has more than 600 million people

Current and future potential of ASEAN

Purpose of MacroKiosk(MK) acquisition

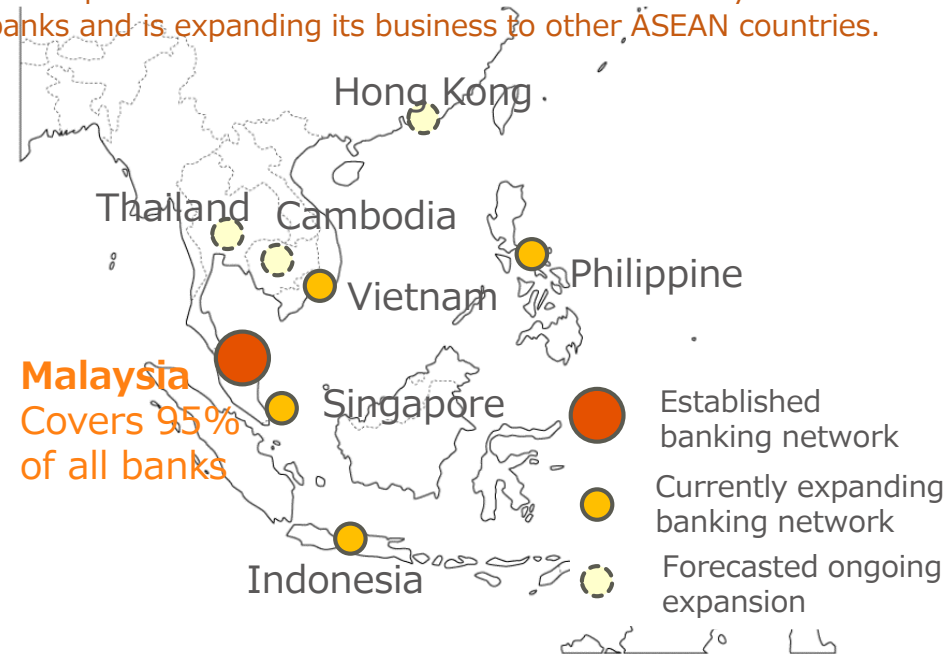
Bank account ownership rate in ASEAN countries

- Bank account transfer is not very popular as a payment method except Singapore, Malaysia and Thailand.
- Expected to expand its usage in other countries



Overview of MK's business spread

- Building network with ASEAN banks is essential to realizing our growth mission.
- We acquired MK because MK covers 95% of all Malaysian banks and is expanding its business to other ASEAN countries.

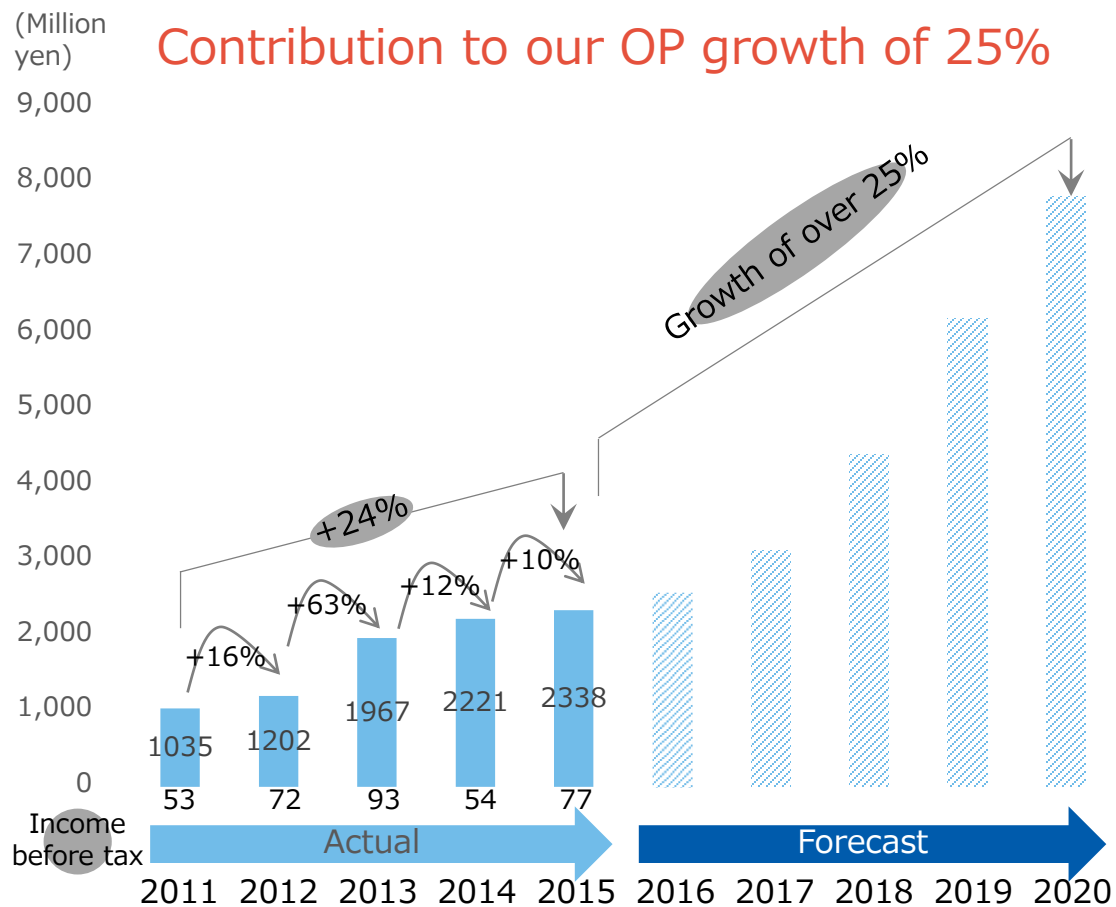


※Reference : THE WORLD BANK 「World Development Indicators」

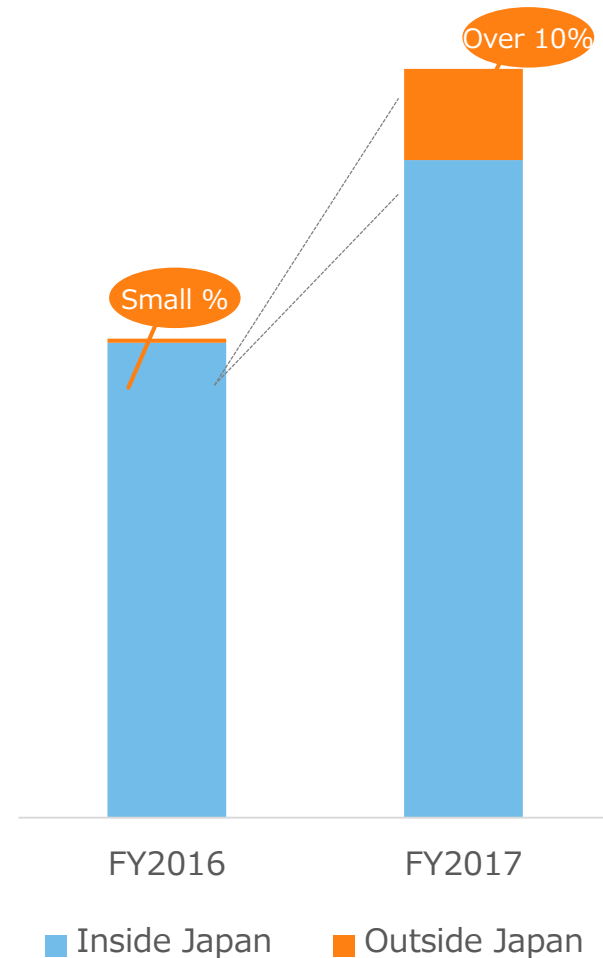
4.3.2 Global business expansion

MK's contribution to our growth: their sales ratio of our global business is up to over 10%.

■ Forecast of MK's performance

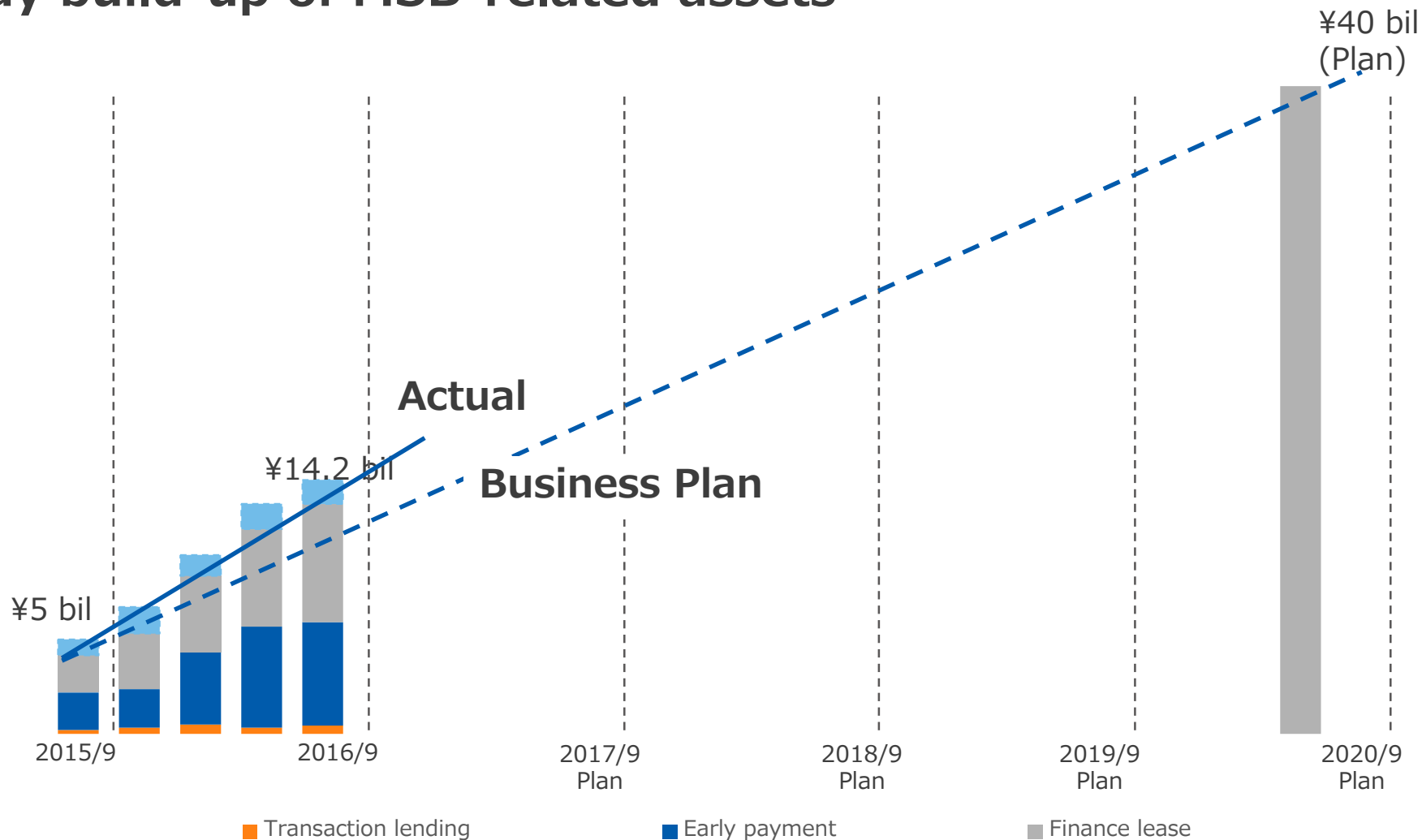


■ Their sales ratio of our global business



4.4.1 Expansion of Money service business(MSB)

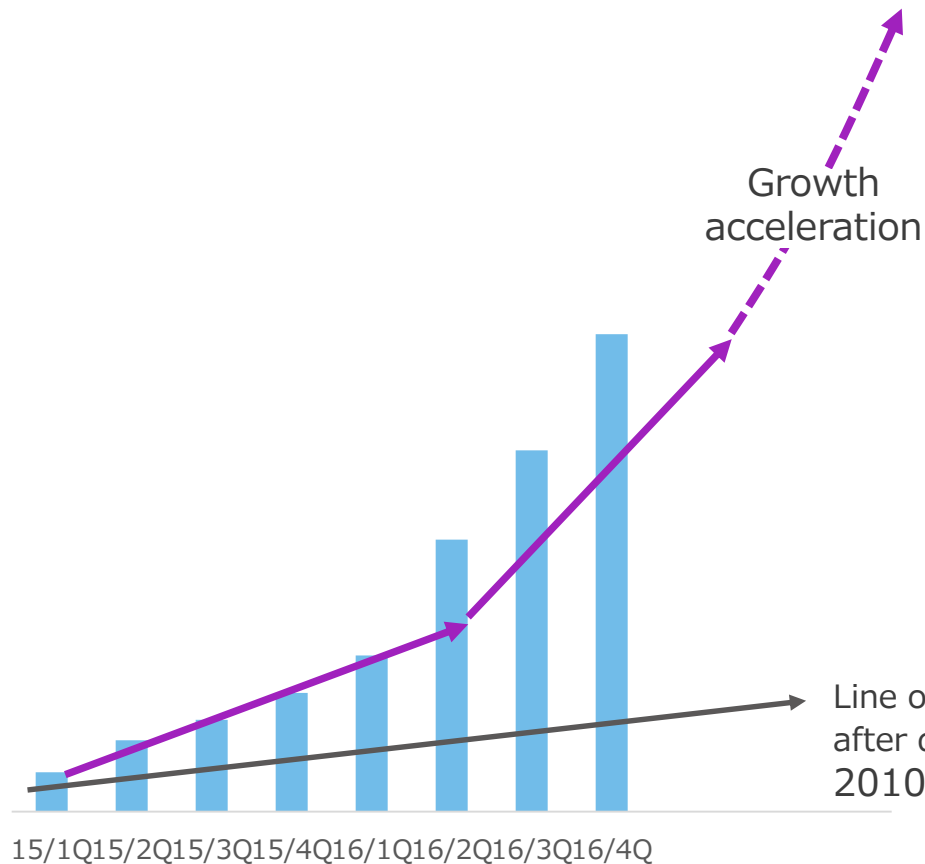
Steady build-up of MSB-related assets



4.4.2 MSB: GMO Payment after delivery

Adoption by ZOZOTOWN to boost growth

■ Amount of "GMO Payment after delivery" payments processed



GMO-PG launches "GMO Payment after delivery" service for Japan's largest fashion shopping website "ZOZOTOWN"



- ✓ The number/amount of processed payments increased rapidly
- ✓ Increase in the number of payment after delivery users
- ✓ Increase in the number of stores that adopted payment after delivery service

Line of the organic growth of market for payment after delivery service

2010 to 2014: Annual average growth of **40.4%**

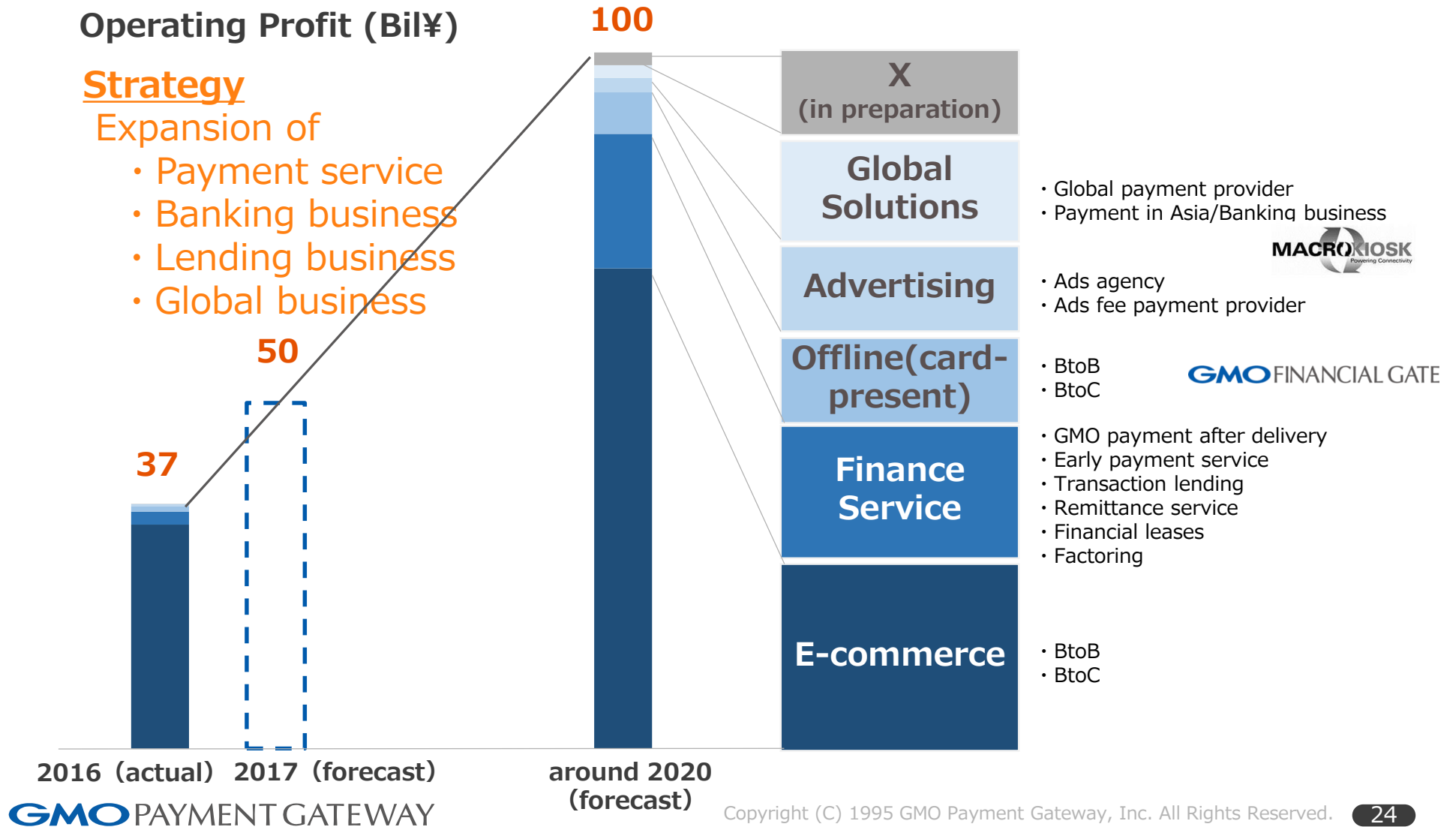
2020: Scale of 550 billion yen (forecast)

* Processed payments amount of PS is up 70%

■ Processed payments amount of "GMO Payment after delivery"

4.5 Breakdown of Operating Income Trends

Business expansion strategy: from Payments to Fintech, global



5. Financial highlights

5.1 Consolidated Balance Sheets

MSB growth reflected in current assets

(Million yen)	Results for Q4, FY2016	Results for Q4, FY2015	Change	(Million yen)	Results for Q4, FY2016	Results for Q4, FY2015	Change
Current assets	45,549	38,469	7,079	Current liabilities	35,330	25,448	9,882
Cash and deposits	25,231	30,152	(4,921)	Deposits received	27,634	21,184	6,449
Lease receivables	7,291	2,293	4,997	Deposits by merchants through representative merchant service			
Advance payments	6,388	2,303	4,085	Related to Finance Lease			
Accounts receivable	1,742	1,156	585	Increase of Early Payment Service	2,784	1,911	872
Allowance for doubtful accounts	(327)	(186)	(141)	Accounts payable			
Other current assets	5,222	2,748	2,473	Increase of Payment after delivery	4,912	2,352	2,560
Noncurrent assets	9,222	3,362	5,860	Other current liabilities			
Tangible assets	352	215	136	Noncurrent liabilities	332	197	135
Intangible assets	3,698	934	2,763	Short-term loan receivables (=TL-related asset) is included in "Other current assets"			
Software	1,079	751	327	Shareholders' equity	18,305	16,067	2,238
Investments and other assets	5,171	2,211	2,959	Capital stock	4,712	4,711	1
Total assets	54,771	41,831	12,939	Total cumulative other comprehensive income	(145)	116	(261)
				Total net assets	19,108	16,186	2,921
				Total liabilities and net assets	54,771	41,831	12,939

* Borrowed ¥4 billion in October 2016 due to the expansion of MSB business

5.2 Consolidated statement of cash flows

Cash and cash equivalents decreased temporarily because of the growth of MSB related assets and MA activities

(Unit: Million yen)

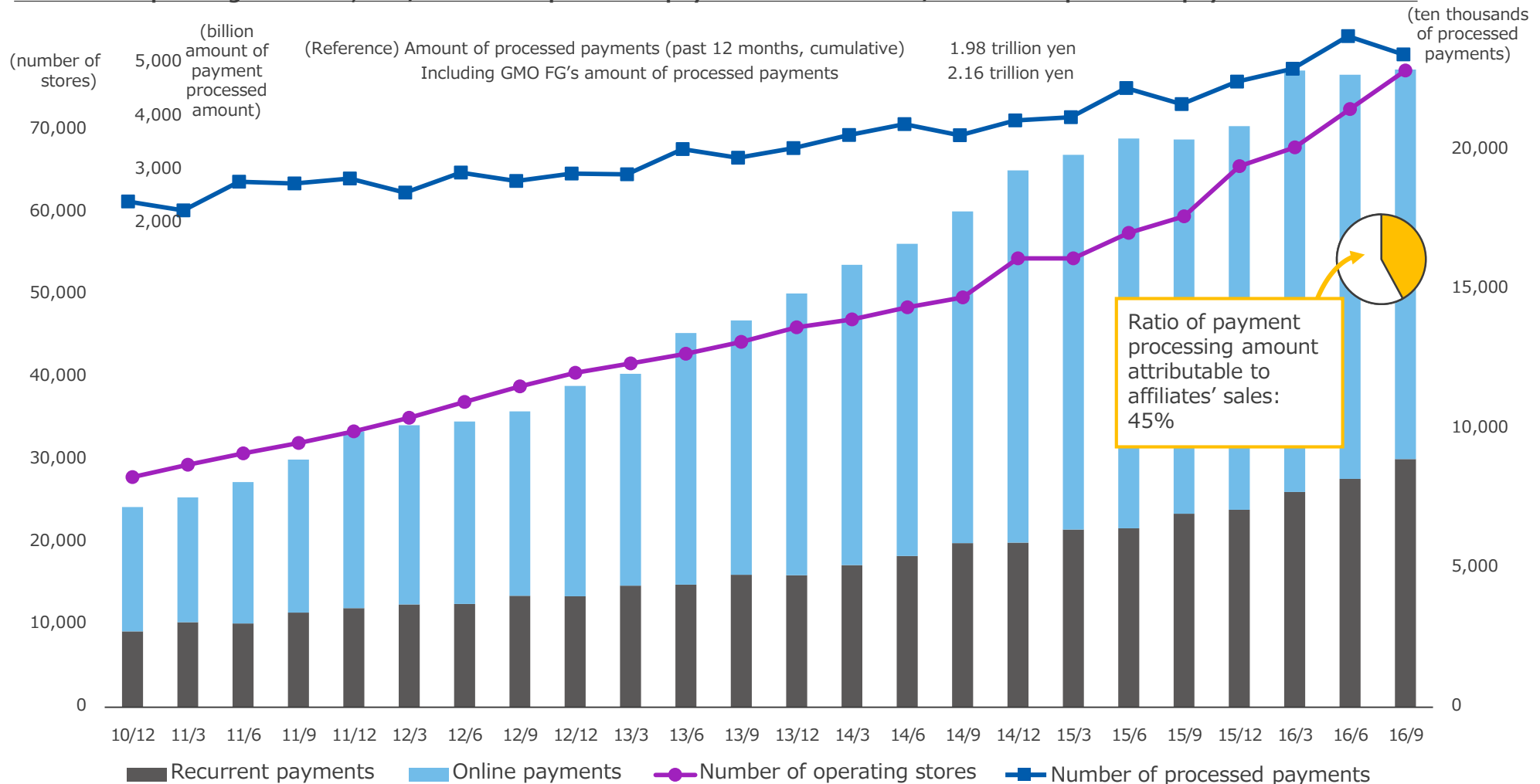
	FY2015	FY2016
Net cash provided by operating activities	3,709	-748
Net cash provided by investing activities	-1,374	-3,415
Net cash provided by financing activities	7,398	-654
Translation differences of cash and cash equivalents	30	-107
Increase and decrease in cash and cash equivalents	9,764	-4,926
Cash and cash equivalents at the end of period	30,113	25,187

*** Borrowed ¥4 billion in October 2016 due to the expansion of MSB business**

5.3 Changes to Major KPI (Quarterly Change)

Amount of processed payments almost ¥2 trillion

Number of operating stores 77,256 / Amount of processed payments ¥500 billion / Number of processed payments 234 million



Thank you very much!

GMO PAYMENT GATEWAY

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