

Financial results briefing for the 1Q of FY2017 (October 1, 2016-December 31, 2016)

Growth acceleration toward 2020 target

February 6, 2017

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

The 48th IR Meeting

GMO PAYMENT GATEWAY

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

A Note About the Contents of this Document

The contents of this document are based on generally recognized economic and social conditions, as well as assumptions judged to be reasonable by GMO Payment Gateway as of February 6, 2017.

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 of Financial Results for 1Q FY2017
2. Performance Forecast of FY2017
3. Strategies for Future Growth
4. Financial Highlights
5. Reference Materials

1. Summary of Financial Results for 1Q FY2017

1.1 Summary^①

Strong start: OP up 38%, EBITDA up 42%

(Million yen)	Consolidated results of 1Q, FY2017 (cumulative)	Consolidated results of 1Q, FY2016 (cumulative)			Progress rate against plan	
		Actual	Change	Change%	1H	Actual
Sales	4,346	2,732	1,614	59.1%	51.8%	23.2%
Gross income	3,237	2,117	1,119	52.9%	-	-
Operating income	1,201	870	330	37.9%	48.1%	24.0%
Ordinary income	1,109	924	184	20.0%	47.2%	23.7%
Net income	597	596	0	0.1%	42.4%	21.6%
EBITDA	1,356	952	404	42.4%		

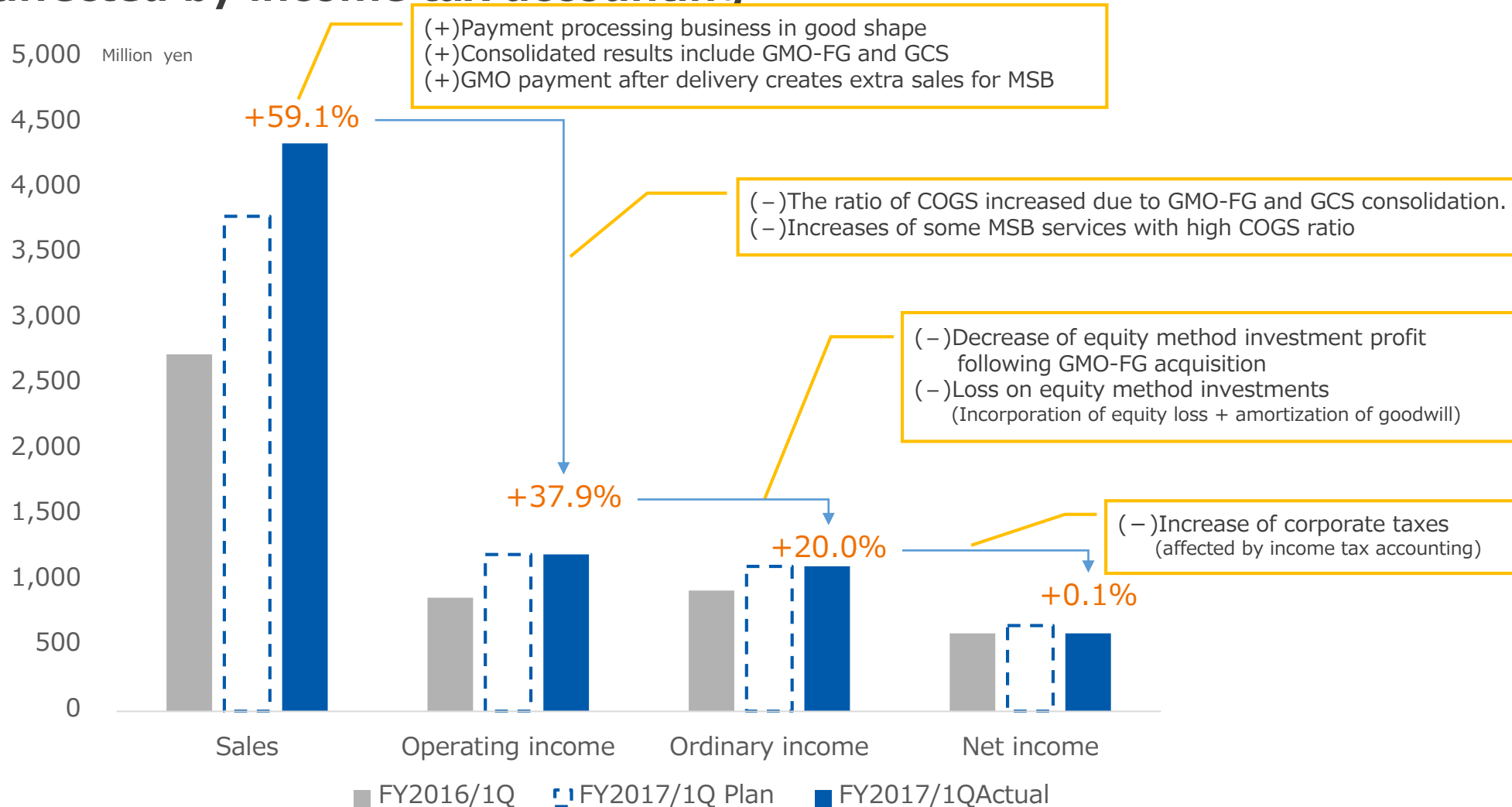
KPI	Number of operating stores (end of period)	Amount of processed payments (1Q estimate)	Number of processed payments (1Q estimate)
	81,990	Approx.570 Billion Yen	Approx. 249 Million

* EBITDA = Operating income + Depreciation + Amortization of goodwill

Copyright (C) 1995 GMO Payment Gateway, Inc. All Rights Reserved.

1.2 Summary②

OP and ordinary income growth as planned, net income affected by income tax accounting

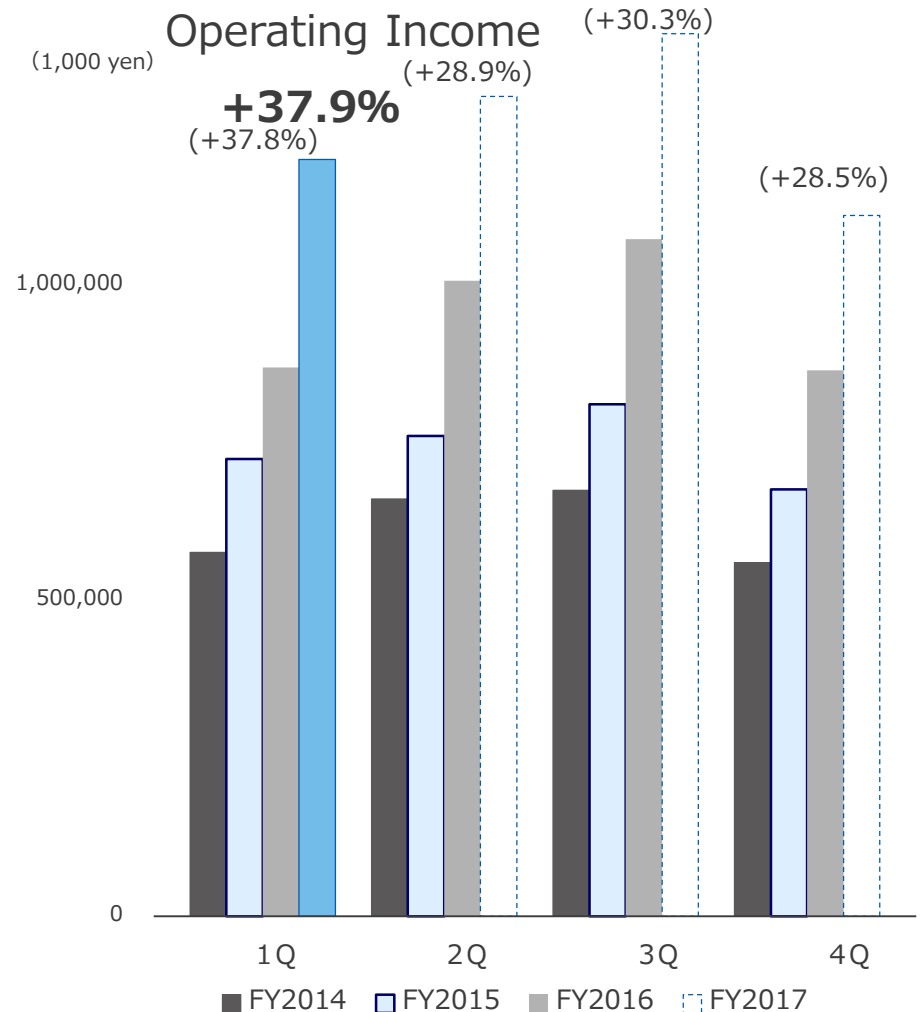
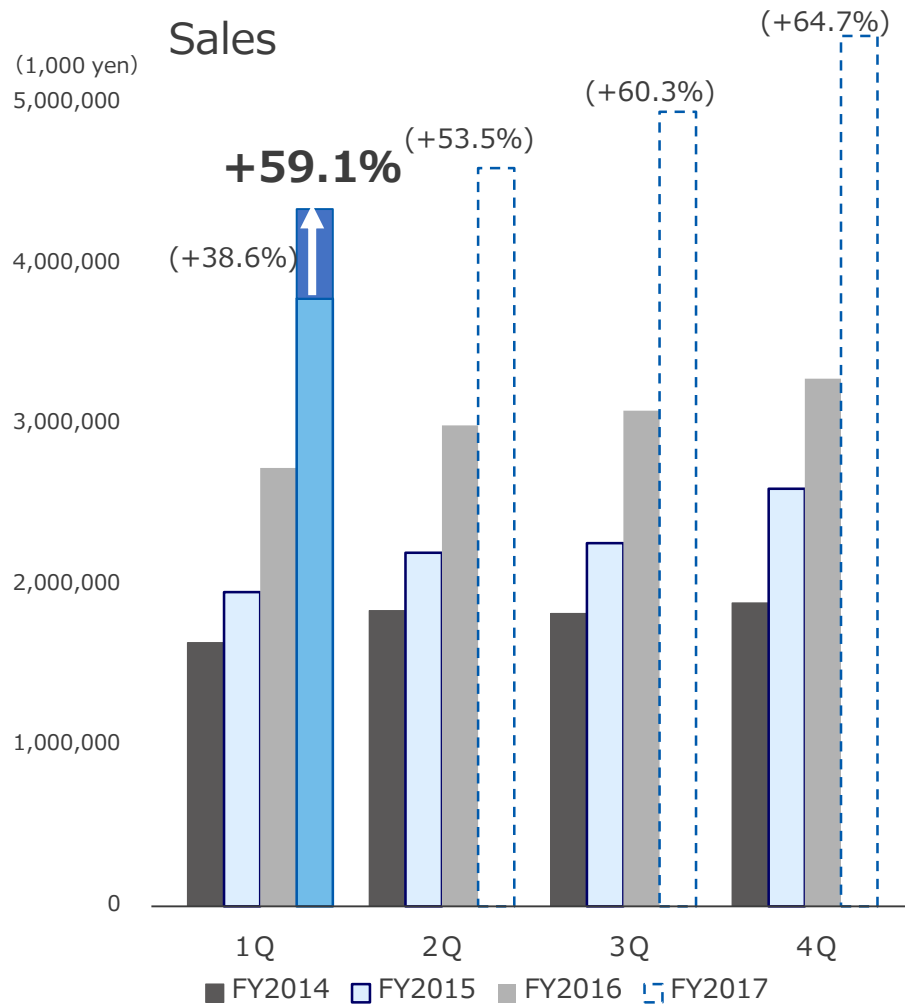


1.3 Quarterly change and forecast

Sales growth over forecast, OP as planned

%: YoY
 (): forecast

■ FY2017 Forecast (Consolidated)

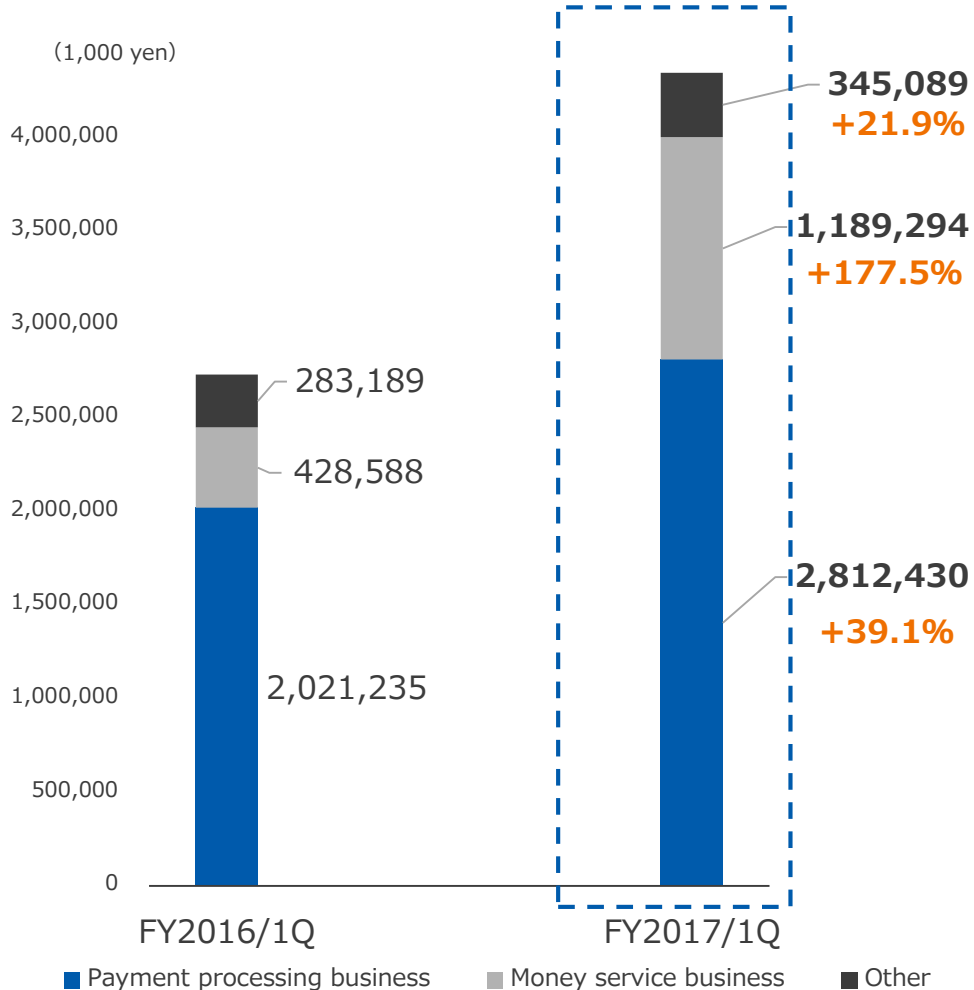


1.4 Sales/Operating income by Segment (Cumulative)

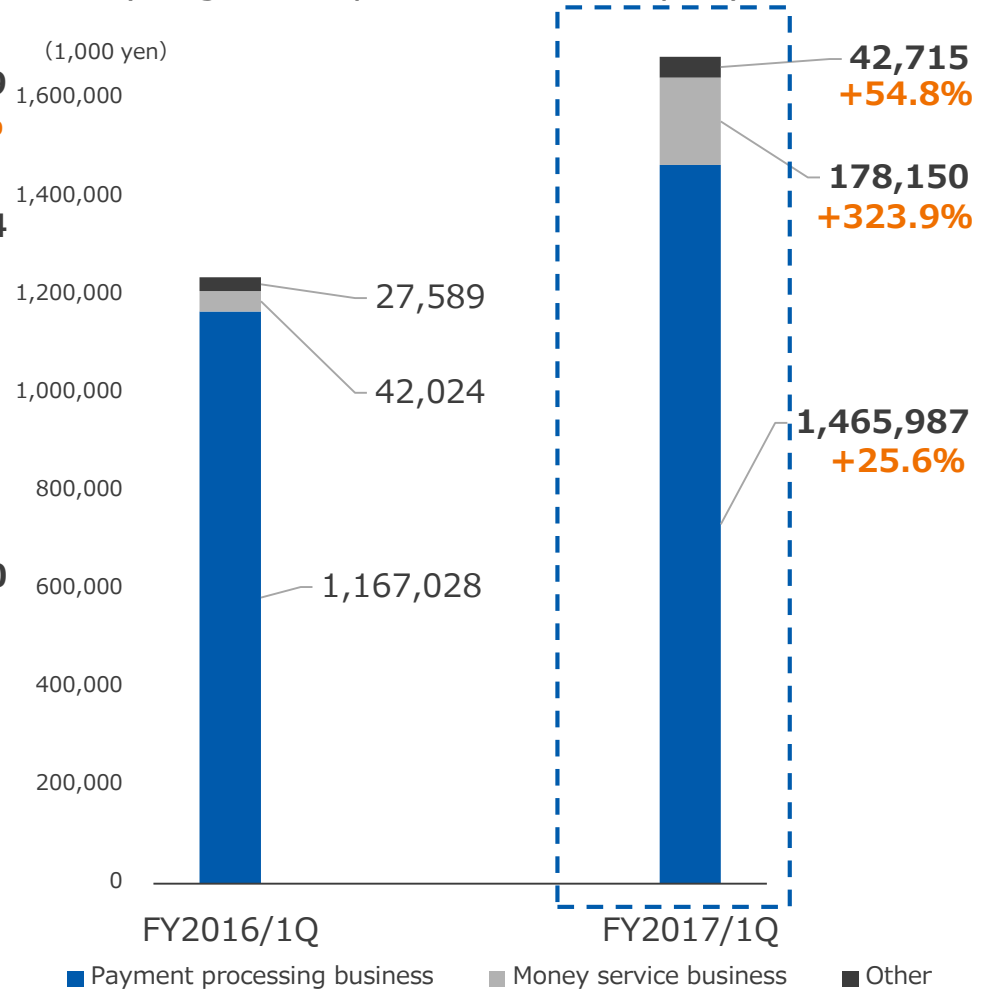
OP up more than 25% in all segments

* %: YoY

■ Sales by segment

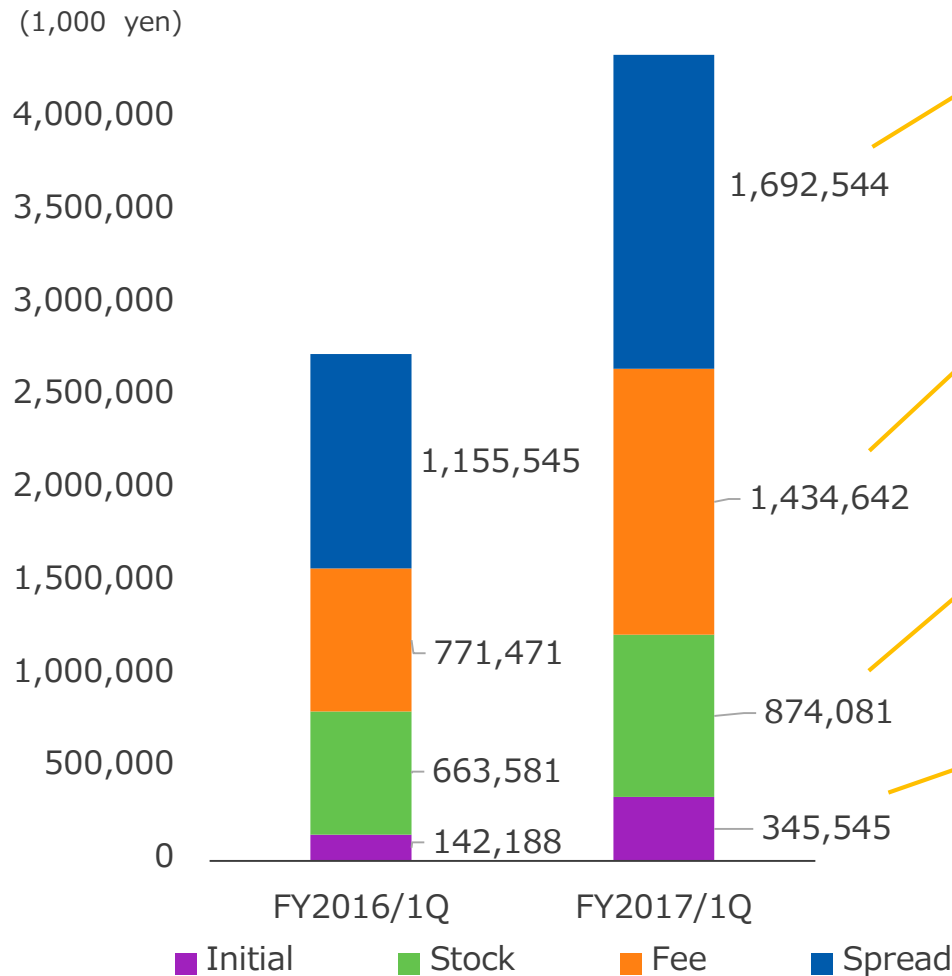


■ OP by segment (prior to intercompany eliminations)



1.5 Revenue Breakdown by Business Model(Cumulative)

Spread revenue up 46.5%、 Fee revenue up 86.0% due to GMO payment after delivery growth



Spread YoY+46.5%

- MSB has continued to steadily grow (Early payment · FL)
- Amount of processed payments has increased (up to 2 trillion yen in FY2017)

Fee YoY+86.0%

- Strong expansion of MSB (GMO payment after delivery, Remittance Service)

Stock YoY+31.7%

- Expansion of business with large-scale merchants (banks, etc.)
- Expansion of "Online Advertising Service"

Initial YoY+143.0%

- System development and services for large-sized enterprises
- Cultivating major/high-growth merchants
- Sales of payment terminals (GMO-FG)

2. Performance Forecast for FY2017

2.1 Forecast (Summary)

OP forecast remains unchanged, up 31.2% excluding GMO payment after delivery growth

■ FY2017 forecast

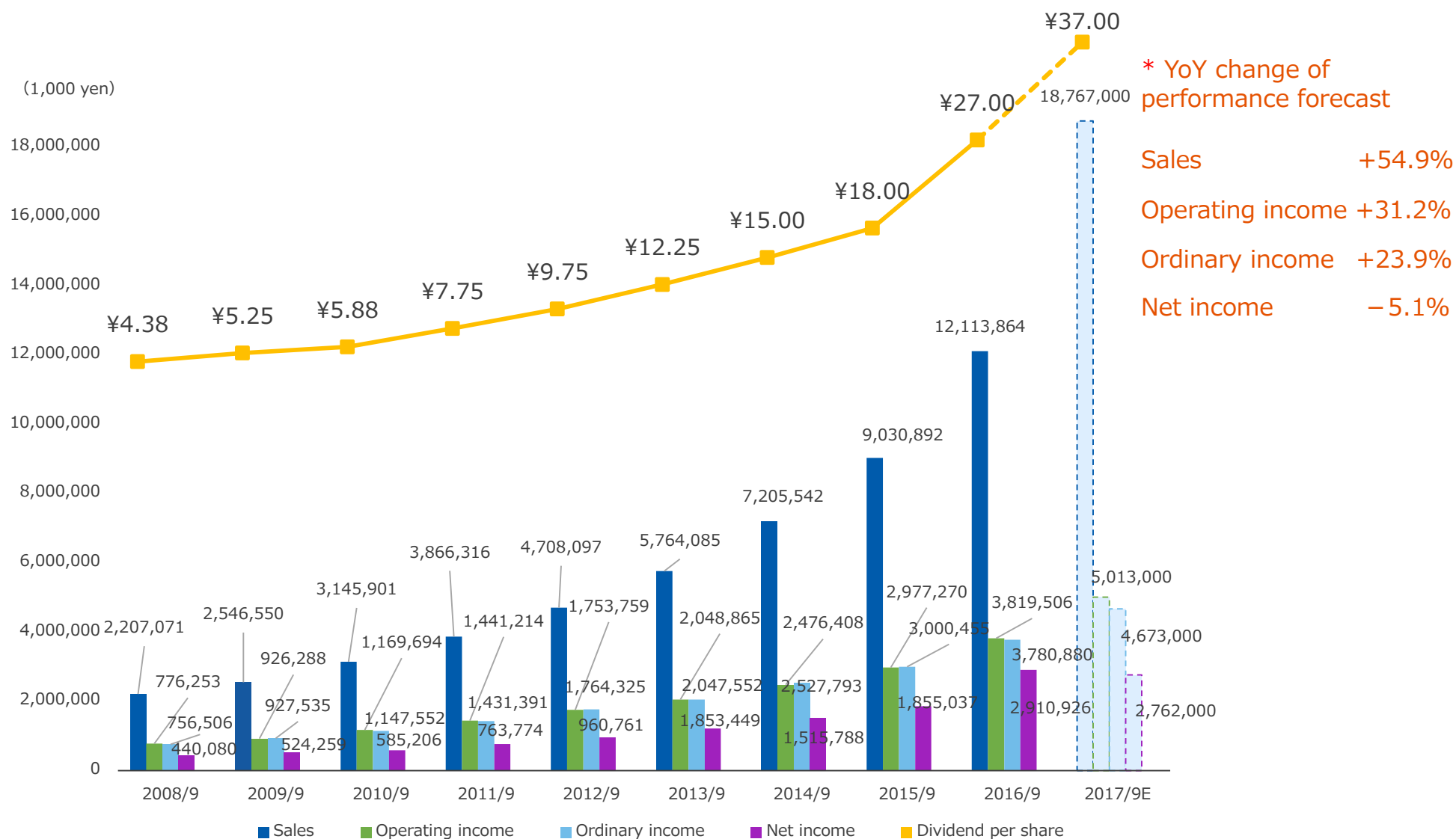
	(Million yen, % yoy)									
	Sales		Operating income		Ordinary income		Net income		EBITDA	
Full year	18,767	(54.9%)	5,013	(31.2%)	4,673	(23.6%)	2,762	(-5.1%)	5,811	(38.7%)
2Q of FY 2017	8,389	(46.4%)	2,499	(33.0%)	2,351	(22.5%)	1,409	(22.3%)		
Dividends forecast	37 yen		(+10 yen)							

* EBITDA=Operating income + Depreciation + Amortization of goodwill

■ Points

- **Sales**
 - We plan to consolidate the income statement of MACROKIOSK from the second quarter accounting period and incorporate their income and losses over the 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 amortization from equity-method affiliate is expected (About ¥160 million)

2.2 Changes in Consolidated Performance (FY2017 Forecast)



3. Strategies for Future Growth

3.1 Industry topics

Our position regarding recent issues

- **Development of FinTech environment: to revise Law of Financial Services Agency, plan to introduce a registration system for “online payment processing service providers” (Nikkei, Jan 27th, 2017)**
 - Positive law revision for major companies with strong financial structure and security infrastructure
 - Expansion of business opportunities through collaboration with financial institutions

- **Establishment of revised Installment Sales Act: to be enforced in 2018**
 - It is necessary to strengthen security to prevent data leakage incidents and adopt more effective fraud prevention systems
 - Major E-commerce enterprises need to consider the usage of payment processing service from the principle of self-sufficiency

- **Expansion of payment methods by smartphone: “Apple Pay”, etc.**
 - Full scale expansion of market for card-present cashless payments
 - Started approach to growth areas of card-present market by acquiring GMO-FG and GCS.

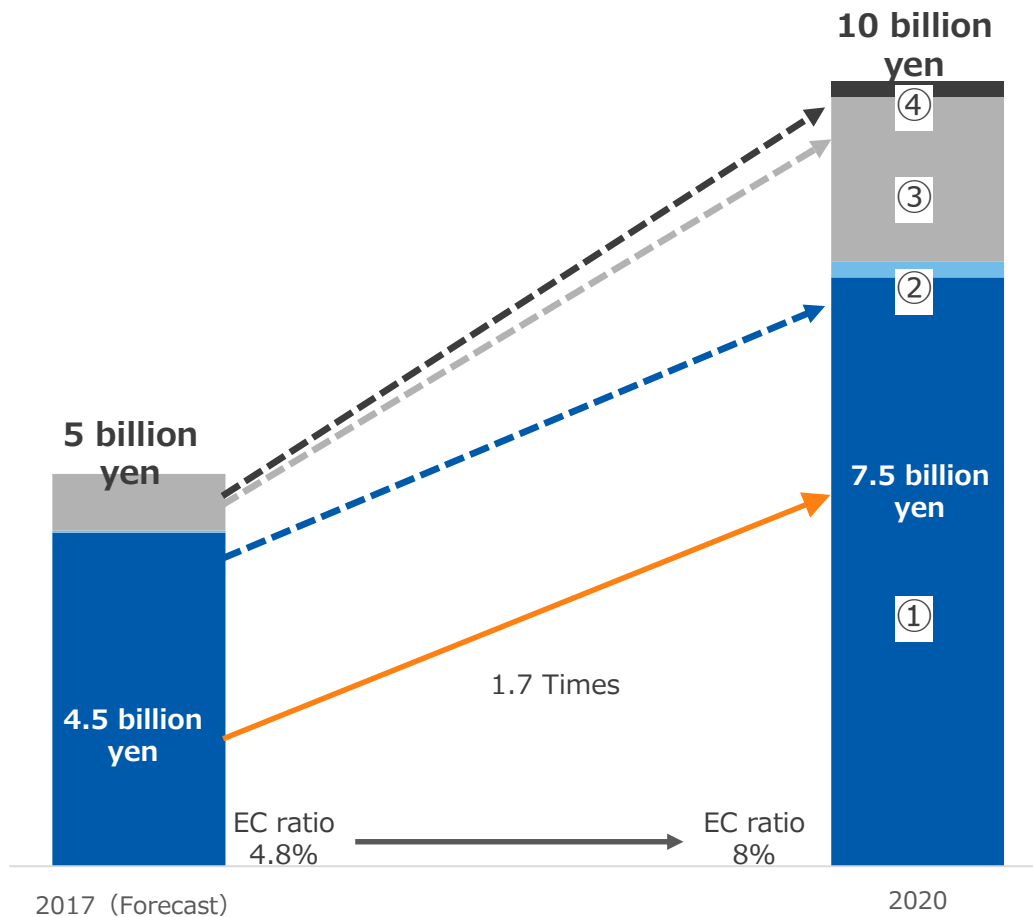
GMO-FG: GMO Financial Gate, Inc.; GCS: Global Card System, Inc.

3.2 Mid-term goals

Measures to achieve OP of 10 billion yen by 2020

OP goals

■ Payment processing business ■ Card-present area ■ MSB ■ Global business



Environment · Measures

④ Global business

Environment: Competition for leadership with global major players

Measures: Acquired MK (strategic moves toward Asian E-commerce market at the time of its expansion)

③ MSB

Environment: Expansion of FinTech services.

Measures: Strengthening of Early payment service, TL Expansion of GMO payment after delivery (supporting sales increase for merchants)

② Card present area

Environment: Moving toward cashless payments by Tokyo 2020 Olympics.

Measures: Acquired GMO-FG and GCS; Approach to growth area (Smartphone/IoT/Inbound)

① Payment processing business

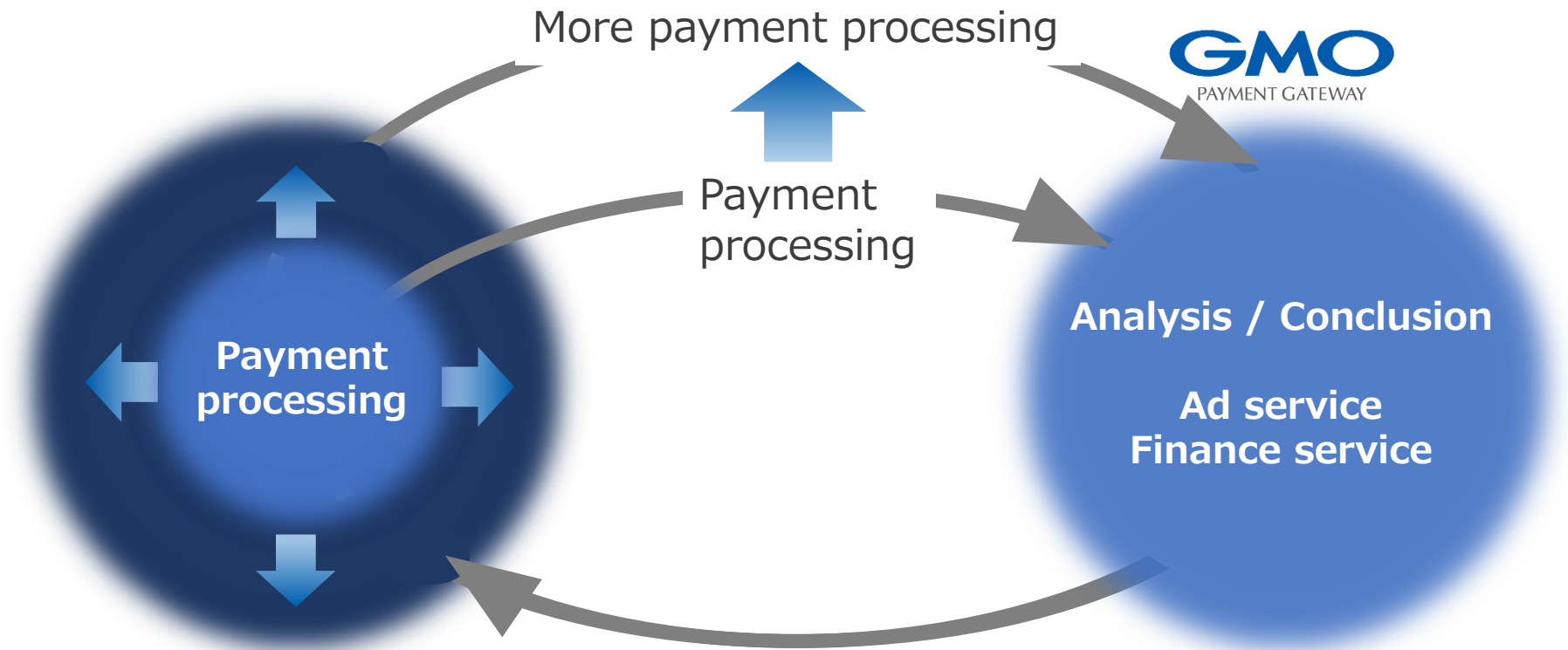
Environment: Steady expansion of E-commerce market

Measures: Adding various payment solutions
Expanding businesses for financial institutions
Expanding the area of public funds (taxes, etc) B2B (creating & strengthening of ecosystem)

GMO-FG: GMO Financial Gate, GCS: Global Card System, MK: MACROKIOSK

3.3 Ecosystem model

All services involve in increasing our merchants' sales and our payment processing

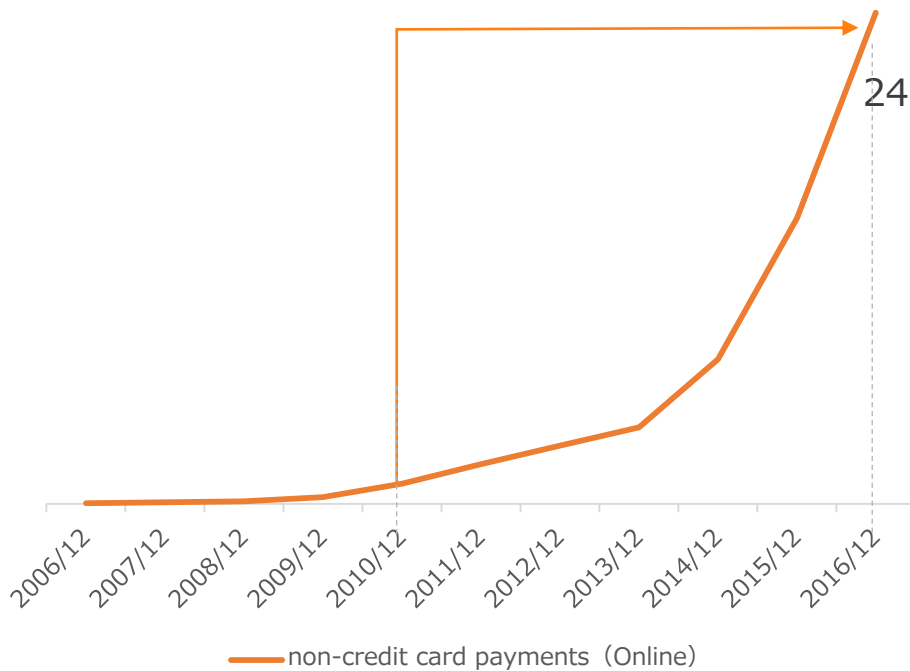


3.4 Payment processing business: Methods expansion

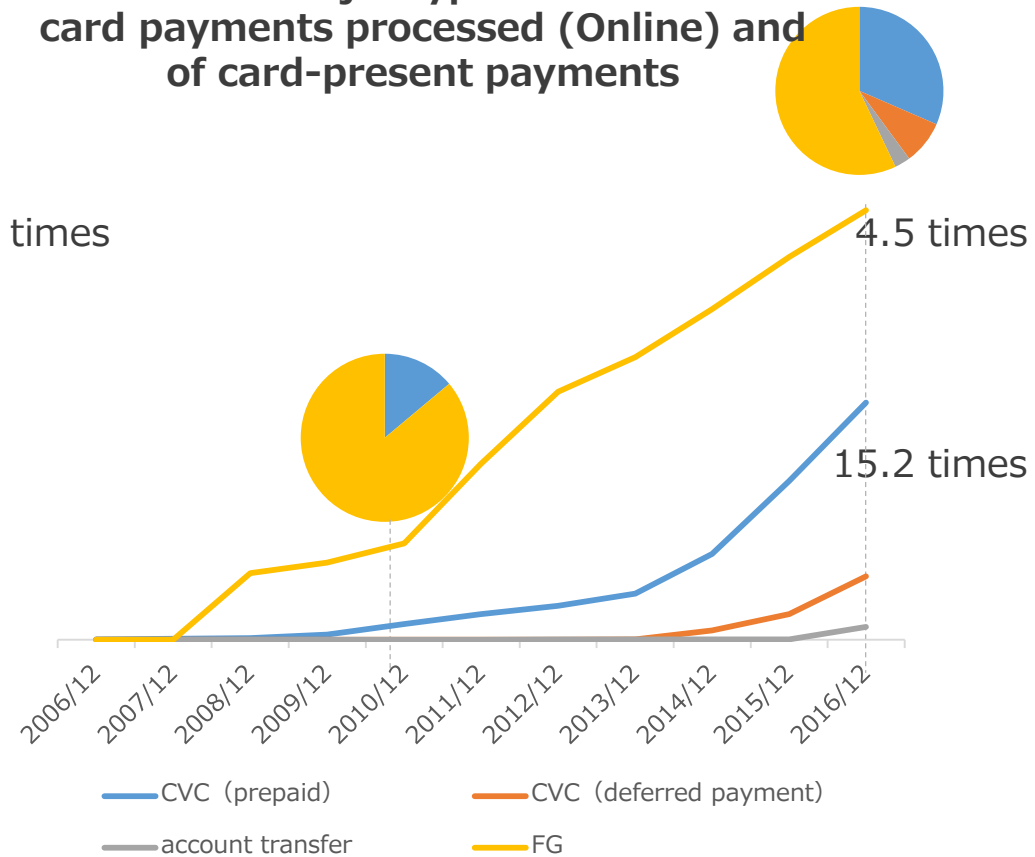
Expanding services other than online credit card payments

(Scale factor: comparison to 2010)

Changes in amount of non-credit card payments processed (Online)

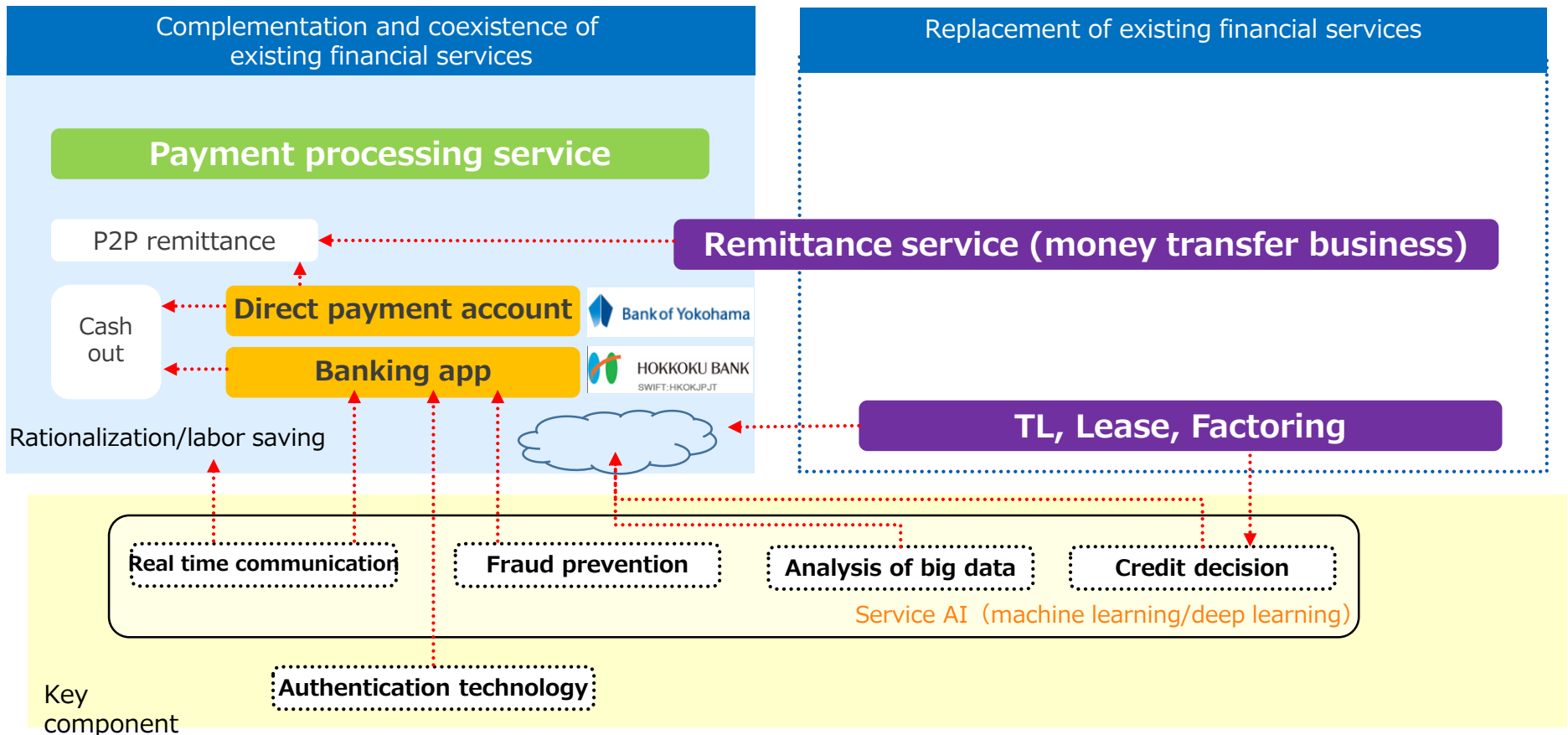


Amount of major types of non-credit card payments processed (Online) and of card-present payments



3.5 Payment processing business: Services for financial institutions

Delivering value as a “Rebundling player” of FinTech

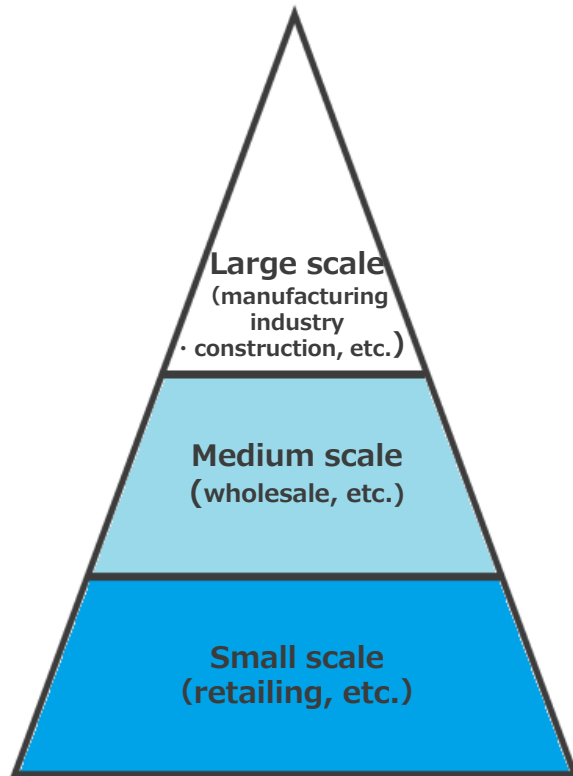


Expansion of FinTech services focusing on “Banking app”

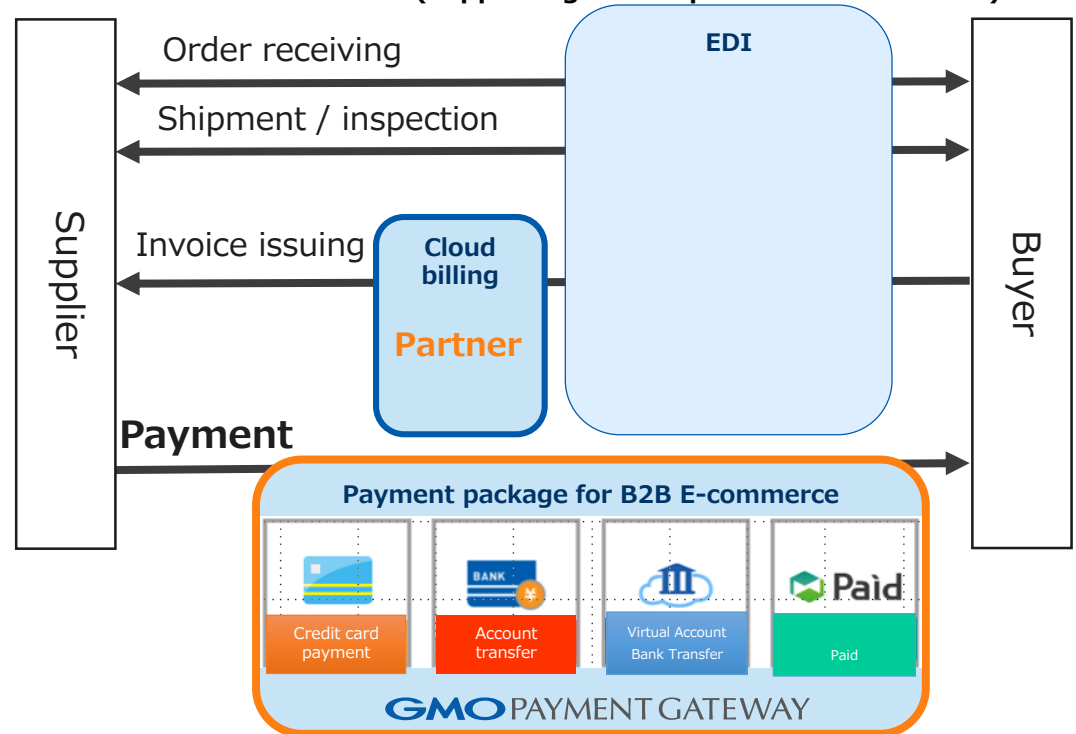
3.6 Payment processing business: B2B

New measures to accelerate B2B market cultivation

B2B EC market : 288 tr. yen*



- Added "Paid" in "Payment package for B2B E-commerce" (service launch is April 2017)
- Collaboration with external partners and expansion of partnership
 - Partnership with cloud billing business
 - Collaboration with Zuora (supporting subscription-based business)

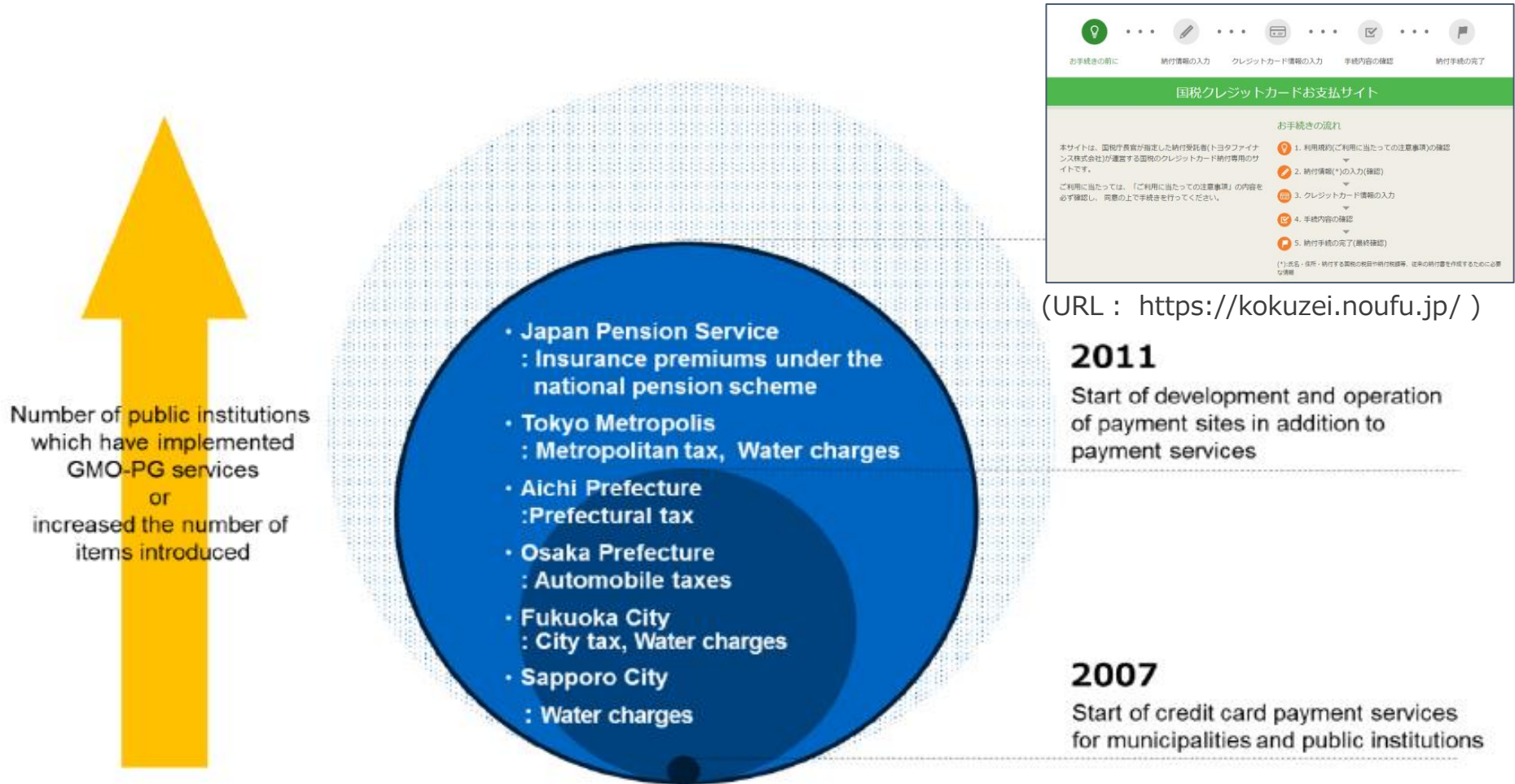


*Reference: METI "Results of the E-Commerce Market Survey Complied (2015)

We will establish a firm position as an industry standard B2B payment platform

3.7 Payment processing business: Taxes

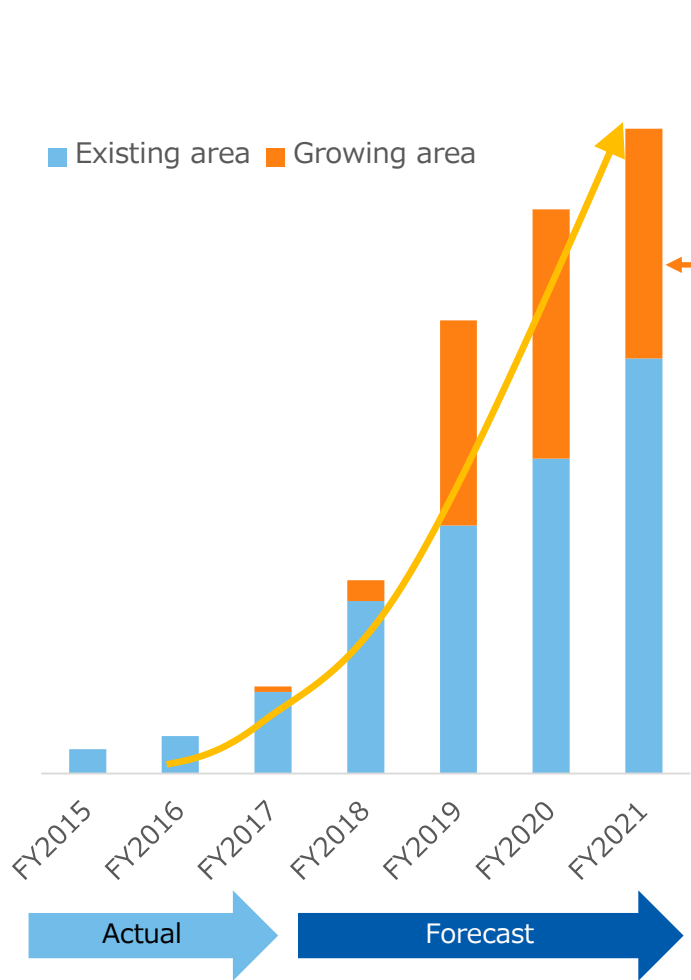
Started operation of “National tax payment website”



3.8 Payment processing business: Card-present market

Focus on a new growth area of card-present market: Payments + IoT

■ GMO-FG Group, OP (Actual & Forecast)



EMV • cashless

Available devices

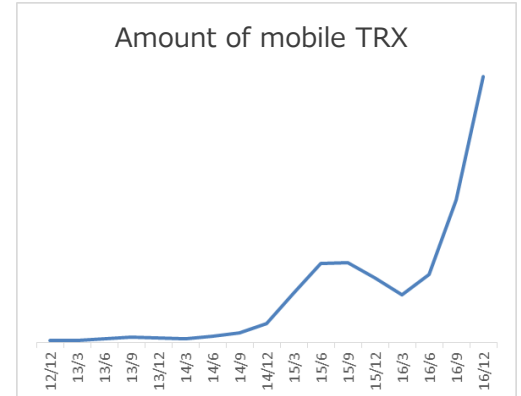
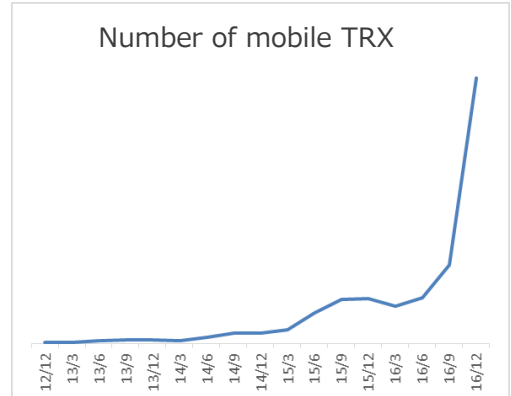
Target

Mobile payment



2,500K units	960K units	200K units	157K units
Beverage maker	Railway company	Gas station	Parking company

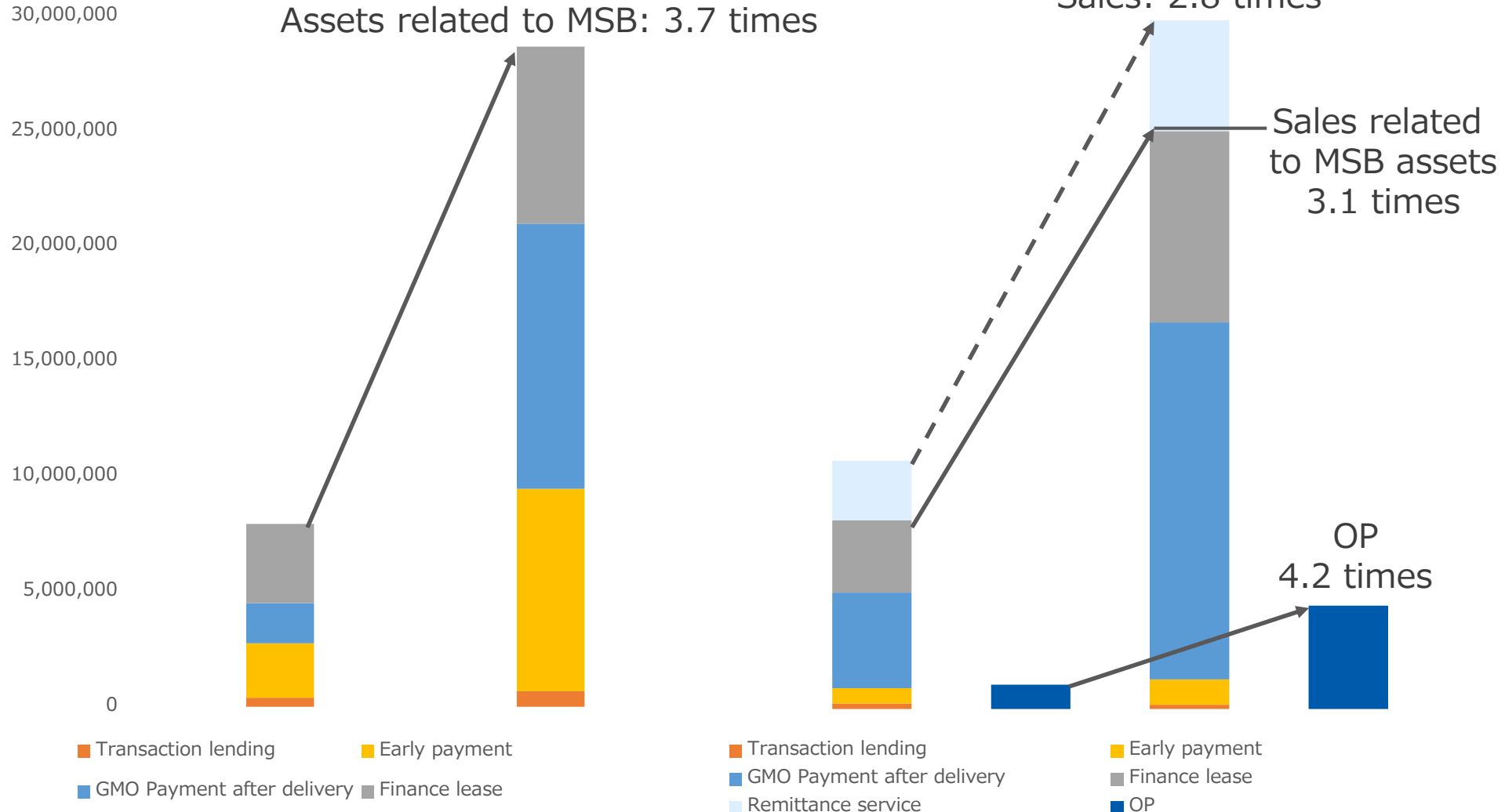
These pictures are merely illustrations, and do not intend to suggest implementation.



3.9 MSB (Money Service Business: MSB)

Growth in sales, OP, and assets related to MSB

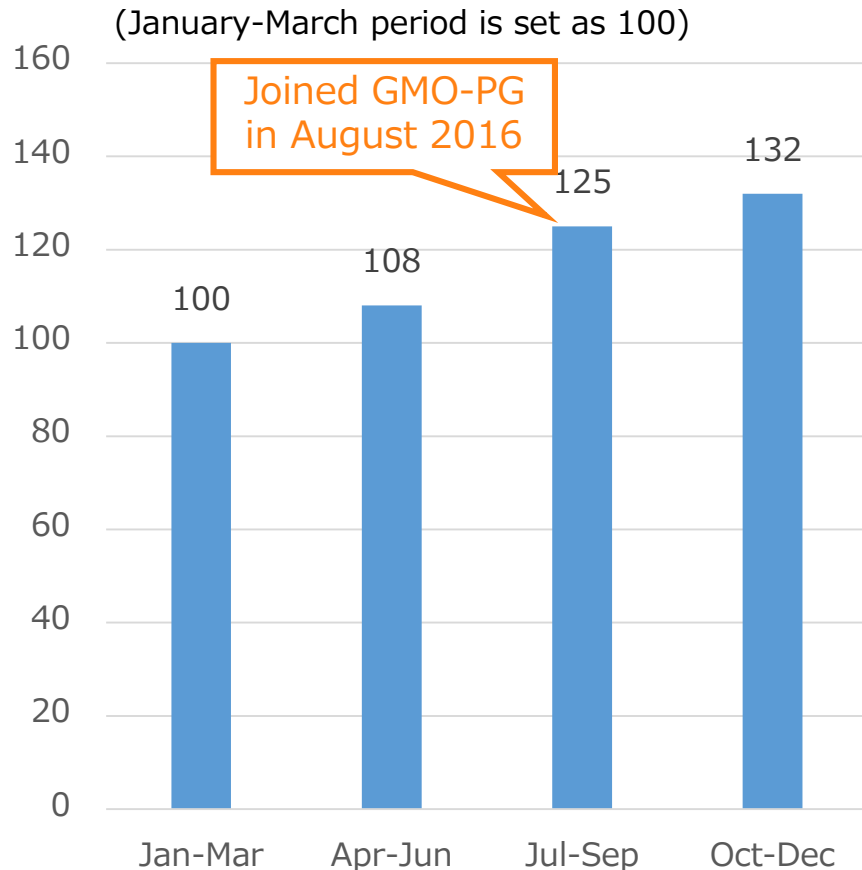
(1,000 yen)
30,000,000



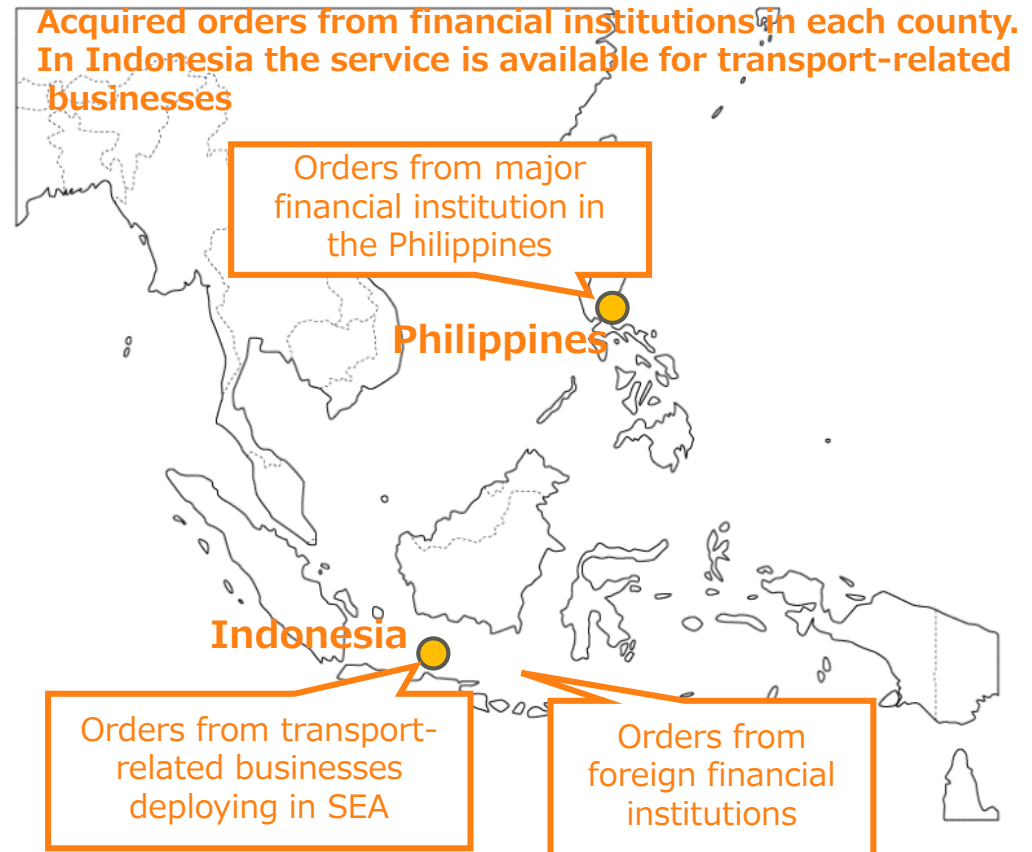
3.10 Business expansion: MACROKIOSK

Increased number of mobile transactions as the usage of online accounts grows. Acquired orders from finance and transport related businesses in Indonesia and the Philippines.

■ MK 2016: Changes in SMS traffic



■ MK October-December 2016: major orders



4. Financial Highlights

4.1 Consolidated Balance Sheet

Short-term debt of 4 billion yen due to MSB expansion

(Million yen)	Results for 1Q, FY2017	Results for 1Q, FY2016	Change	(Million yen)	Results for 1Q, FY2017	Results for 1Q, FY2016	Change
Current assets	68,067	44,807	23,260	Current liabilities	58,677	33,764	24,913
Cash and deposits	34,256	33,772	483	Short-term debt	4,050	0	4,000
Lease receivable	7,696	3,440	4,256	Deposits received	36,827	29,278	7,549
Advance payments	8,795	2,373	6,422	Related to Finance Lease			
Accounts receivable	11,527	1,590	9,936	Increase in Early Payment Service			
Allowance for doubtful accounts	(605)	(223)	(381)	Increase in payment after delivery			
Other current assets	6,396	3,853	2,543	Accounts payable	13,204	2,671	10,533
Noncurrent assets	9,815	5,306	4,509	Other current liabilities	4,596	1,815	2,781
Tangible assets	335	214	120	Noncurrent liabilities	308	211	97
Intangible assets	3,855	1,009	2,845	Shareholders' equity	17,891	15,995	1,895
Goodwill	2,238	24	2,214	Capital stock	4,712	4,712	0
Software	1,245	737	508	Total cumulative other comprehensive income	43	140	(97)
Investments and other assets	5,624	4,082	1,542	Total net assets	18,897	16,137	2,759
Investment securities	2,442	2,837	(394)	Increase in investment securities of subsidiaries and affiliates			
Shares of subsidiaries and affiliates	2,418	279	2,139	Total liabilities and net assets	77,883	50,113	27,769
Total assets	77,883	50,113	27,769				

Related to Finance Lease

Increase in Early Payment Service

Increase in payment after delivery

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

Short-term loan receivables (=TL-related assets) is included in "Other current assets"

4.2 Cash flow chart

**Borrowed approx. 4 billion yen at the end of October
due to MSB expansion**

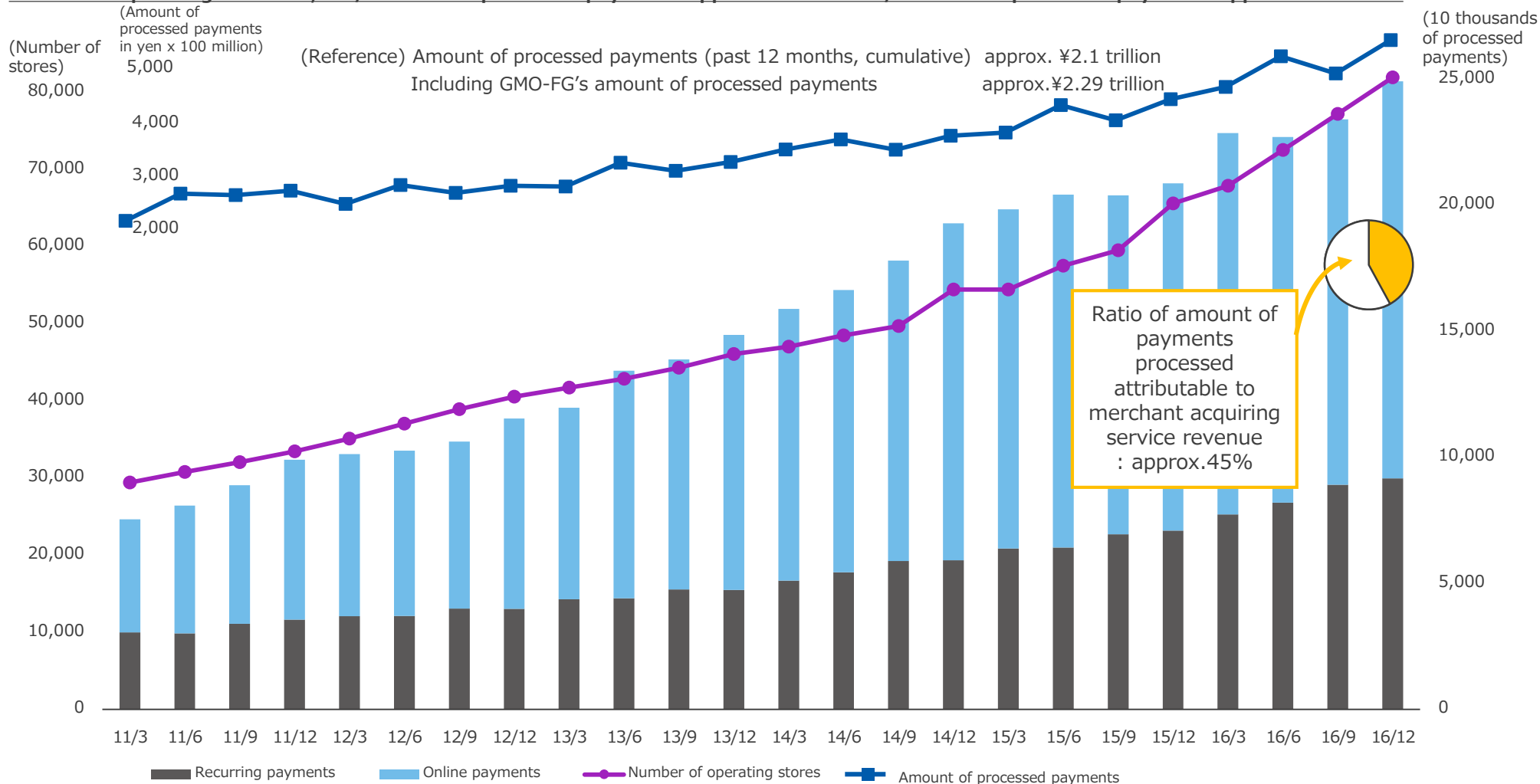
(Million yen)

	FY2016	FY 2017 1 Q
Operating activities CF	-748	6,685
Investing activities CF	-3,415	-656
Financing activities CF	-654	2,983
Effect of exchange rate changes on cash	-107	4
Cash increase/decrease	-4,926	9,016
Cash at the end of the period	25,187	34,203

4.3 Changes to major KPI (Quarterly change)

Annual amount of processed payments exceeded 2 trillion yen

Number of operating stores 81,990/ Amount of processed payments approx. ¥570 billion/ Number of processed payments approx. 249 million



5. Reference Materials

5.1 Summary of Consolidated Results

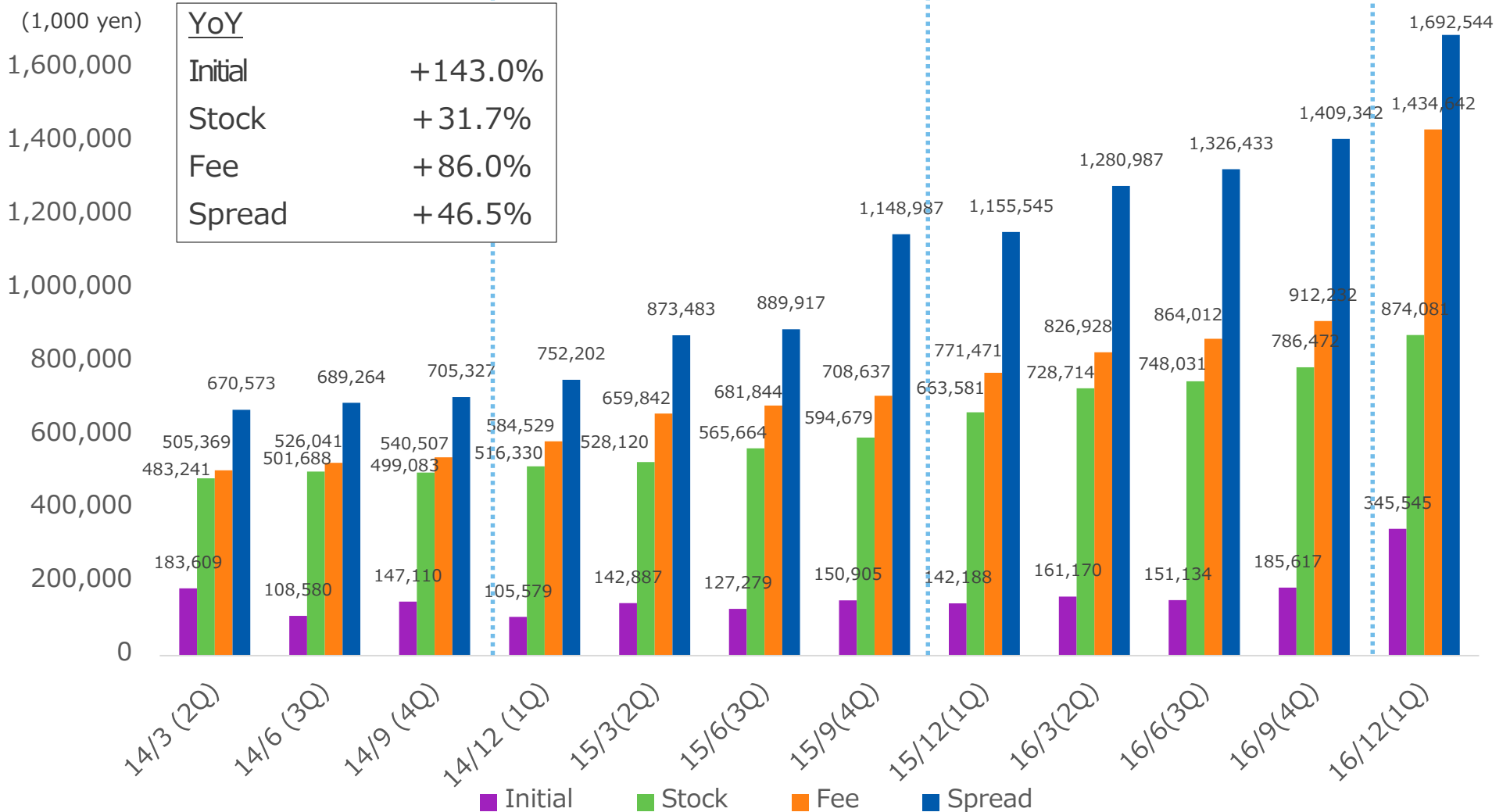
OP up 38%, EBITDA up 42%

(Million yen)	1Q of FY2017		YoY		1Q of FY2016	
	Actual	Proportion of sales (%)	Change	YoY change(%)	Actual	Proportion of sales (%)
Sales	4,346	100%	1,614	+59.1%	2,732	100%
COGS	1,109	25.5%	494	+80.4%	615	22.5%
Gross income	3,237	74.5%	1,119	+52.9%	2,117	77.5%
SG&A	2,036	46.8%	789	+63.3%	1,246	45.6%
Operating income	1,201	27.6%	330	+37.9%	870	31.9%
Ordinary income	1,109	25.5%	184	+20.0%	924	33.8%
Net income	597	13.7%	0	+0.1%	596	21.8%
Net income per share (yen)	16.08	-	-	-	16.07	-
EBITDA	1,356	-	404	42.4%	952	-

* EBITDA=Operating income + Depreciation + Amortization of goodwill

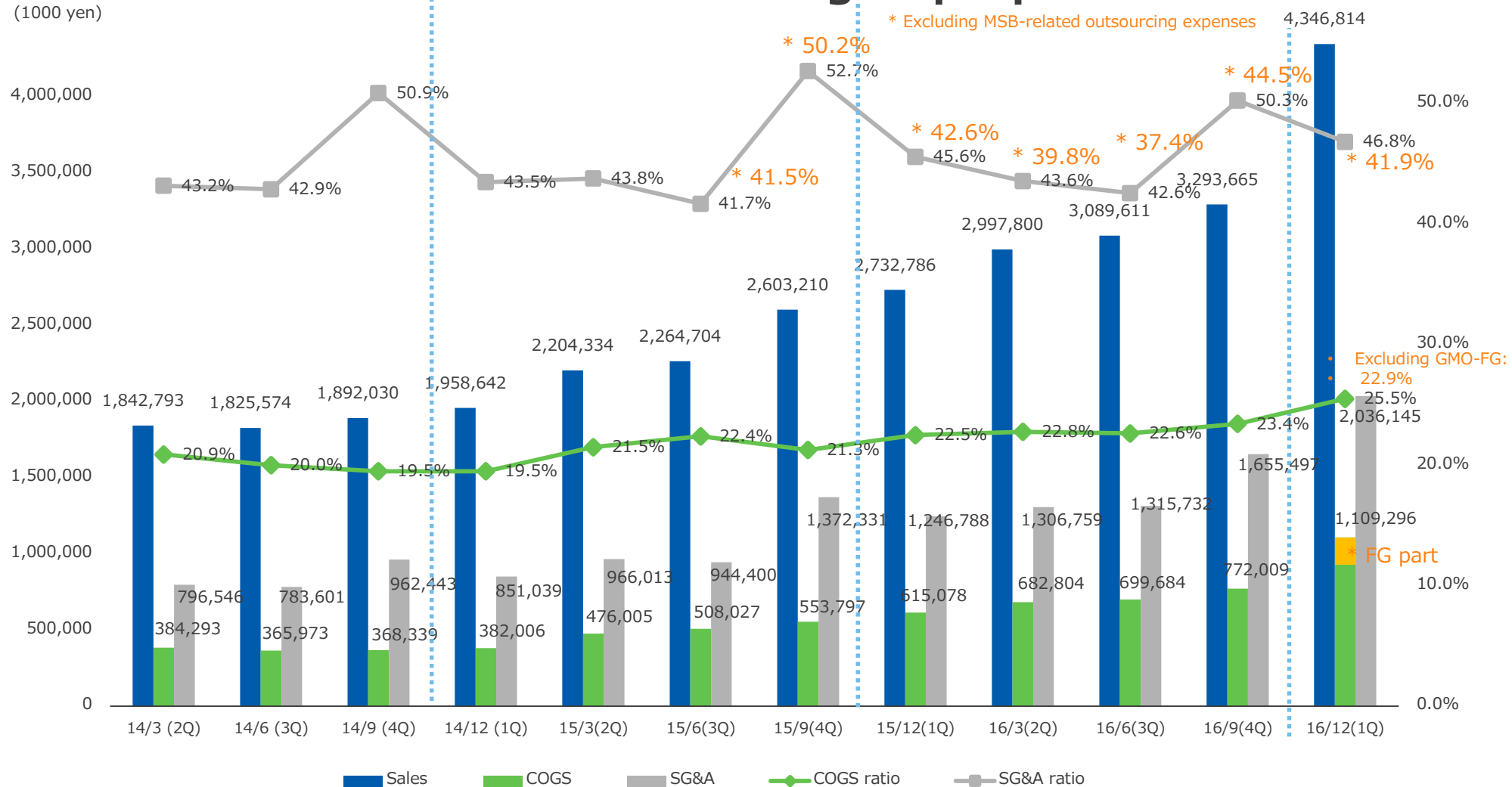
5.2 Revenue Breakdown by Business Model (Quarterly Change)

Substantial increases in all categories



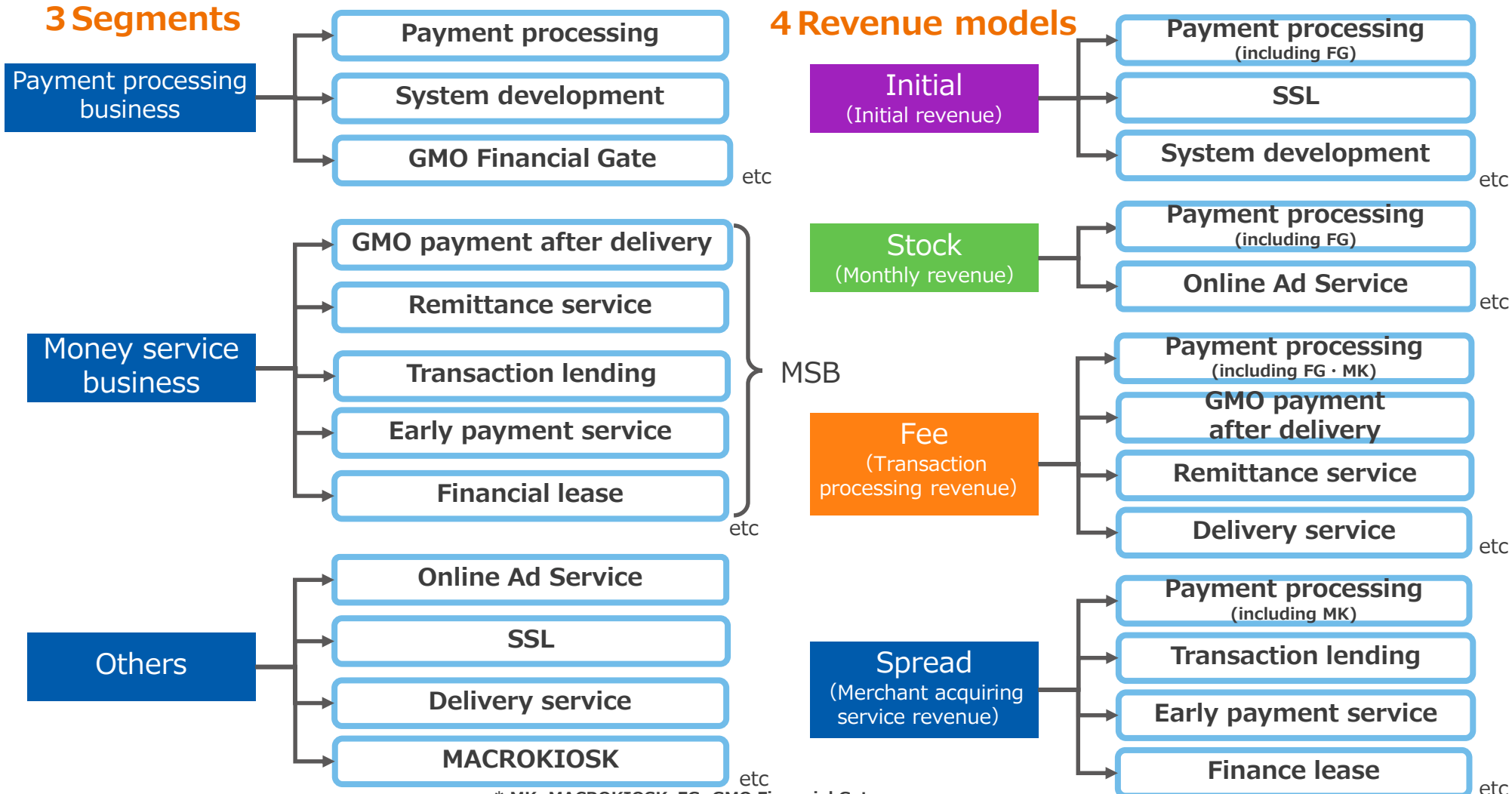
5.3 COGS Ratio/SG&A Ratio (Quarterly Change)

The COGS ratio fluctuates according to proportion of sales



5.4 Segment/ Revenue model/ Service

3 Segments, 4 Revenue models



* MK: MACROKIOSK, FG: GMO Financial Gate

Thank you very much!

GMO PAYMENT GATEWAY

G M O Payment Gateway, Inc.
(T S E 3 7 6 9)

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

For more information, please contact the Corporate Value Creation Strategy Division

Investor Relations Office Phone: +81-3-3464-0182