

Financial results briefing for the 3Q of FY2017

Maintaining high growth despite the incident impact

August 1, 2017

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

The 50th IR Meeting

GMO PAYMENT GATEWAY

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

A cautionary note about the contents of the 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 August 1, 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
2. Summary of financial results for 3Q FY2017
3. Future actions to realize growth strategies
4. Financial highlights
5. Reference materials

1. Summary

1.1 Industry topics

Our position regarding recent issues

- A compilation of measures is being taken, to develop a world-level payment environment; for implementation of the revised Installment Sales Act in May 2018
 - The revised Act requires mandatory security measures, merchant inspections, and environment improvement accompanying the increasing penetration of FinTech companies
 - The revised Act requires merchants not to retain credit card information, strengthen security measures and introduce IC(EMV)-compatible terminals
- Online payments are steadily expanding in the B2B sector
 - Mainly in sales of parts and office supplies to corporations, wholesale and procurement, and web service, etc.
- Alibaba Gr. partners with CIMB to enable electronic payments in Malaysia
 - Significant growth in the use of electronic payments in Malaysia
 - Growing use of SMS services based on increased online banking payments combined with expanded Ecommerce market
- U.K.'s Worldpay agrees to an acquisition offer from U.S. Vantiv (¥1,130 billion)
 - Consolidation through large acquisitions is a major trend in the payments industry
 - France's Ingenico buys Sweden's Bambora (approx.¥200 billion), Visa invests in Sweden's Klarna

1.2 Business performance

OP +33% (cumulative), +30.4% (3Q alone)

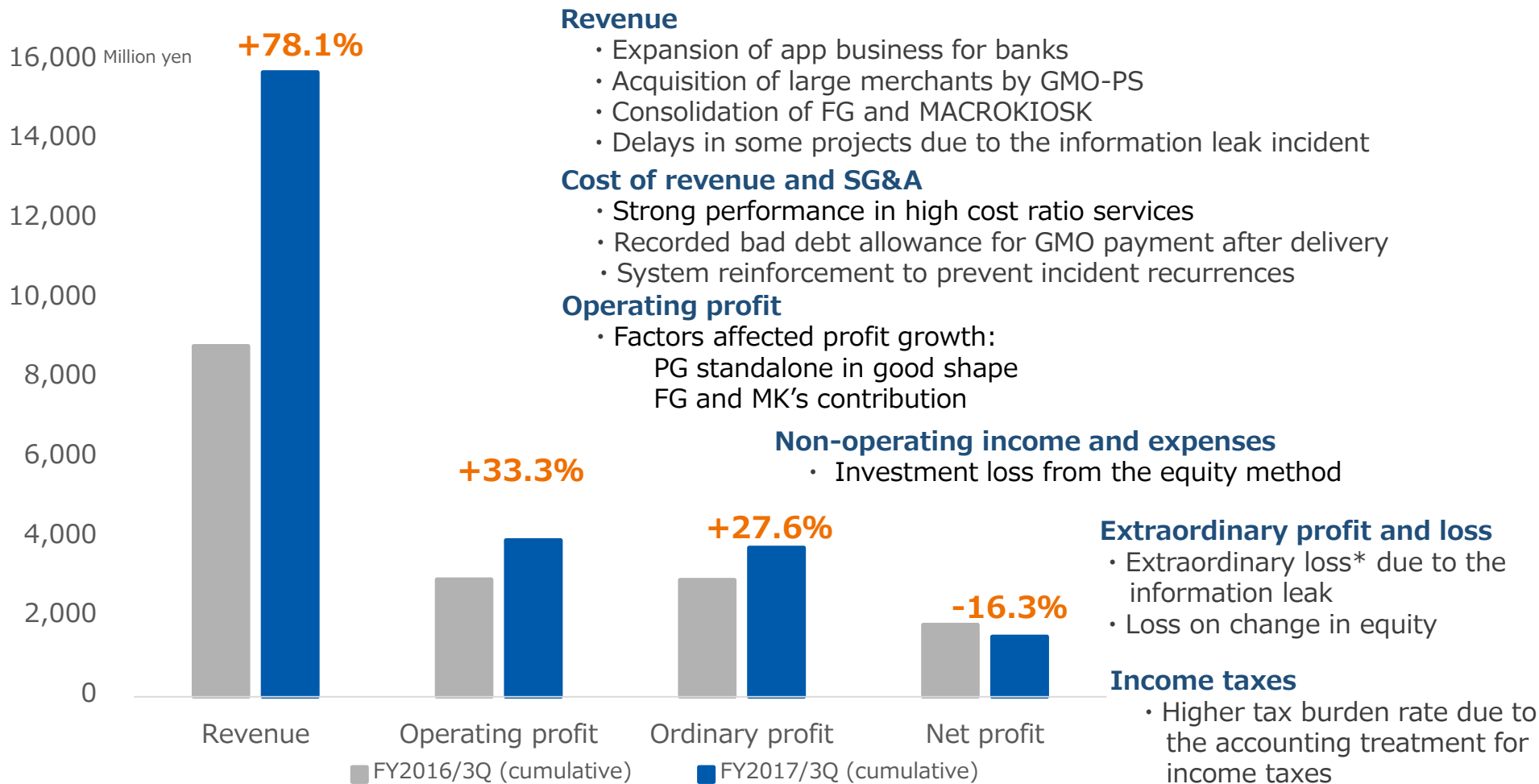
(Million yen)	3Q (cumulative)					3Q (Apr-Jun)		
	Actual	FY2016		FY2017		Actual	FY2016	
		Actual	Change (%)	Full-year forecast	Progress (%)		Actual	Change (%)
Revenue	15,708	8,820	78.1	20,370	77.1	5,716	3,089	85.0
Gross profit	10,961	6,822	60.7	-	-	3,892	2,389	62.9
Operating profit	3,937	2,953	33.3	5,013	78.5	1,400	1,074	30.4
Ordinary profit	3,753	2,941	27.6	4,673	80.3	1,383	1,022	35.3
Net profit	1,513	1,809	-16.3	2,762	54.8	429	657	-34.7
EBITDA	4,308	3,122	37.9	5,811	74.1	1,546	1,133	36.4

*EBITDA = OP + Depreciation + Amortization of goodwill

KPI	Number of operating stores (end of the 3Q)	Transaction value (3Q estimate)	Transaction volume (3Q estimate)
	88,425	Approx. 690 billion yen	Approx. 281 million

1.3 Factors that affected the cumulative results

Revenue +78.1% (YoY), net profit -16.3% with income tax impact



*No additional impact on financial results after the 2Q

PS : GMO Payment Service, FG : GMO Financial Gate/GCS

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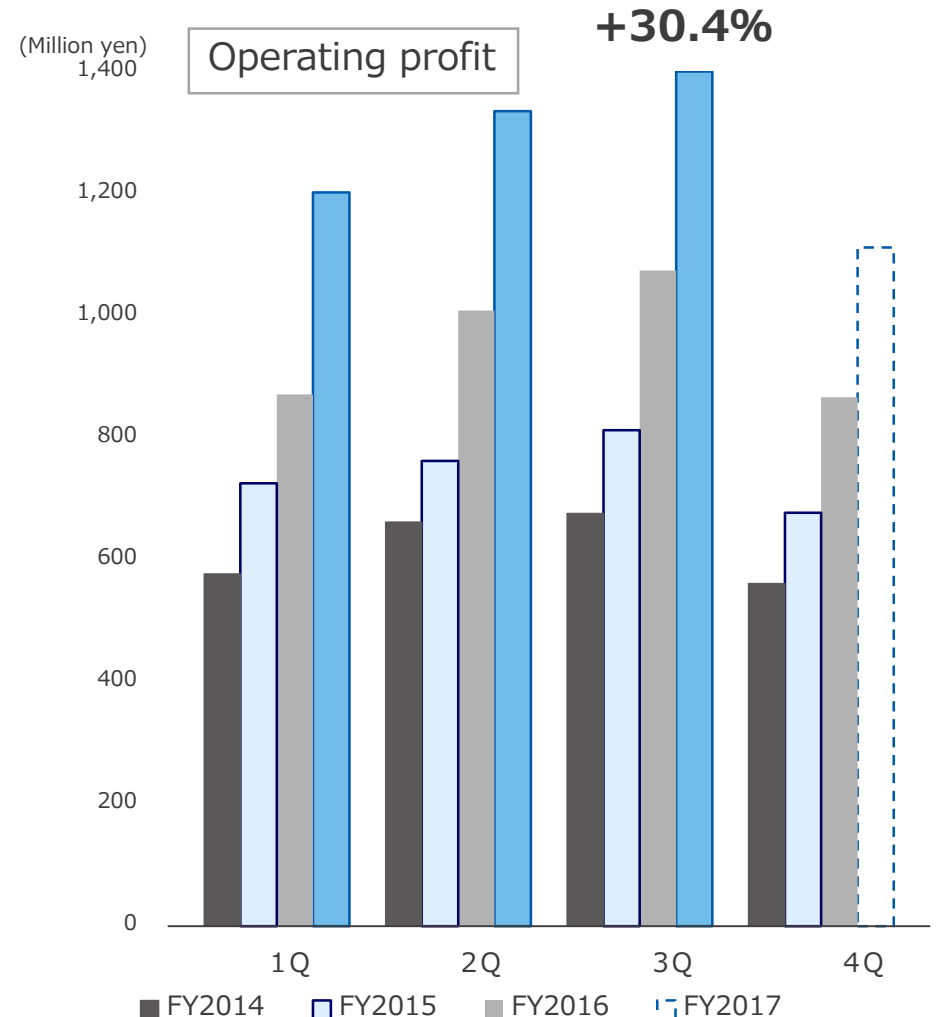
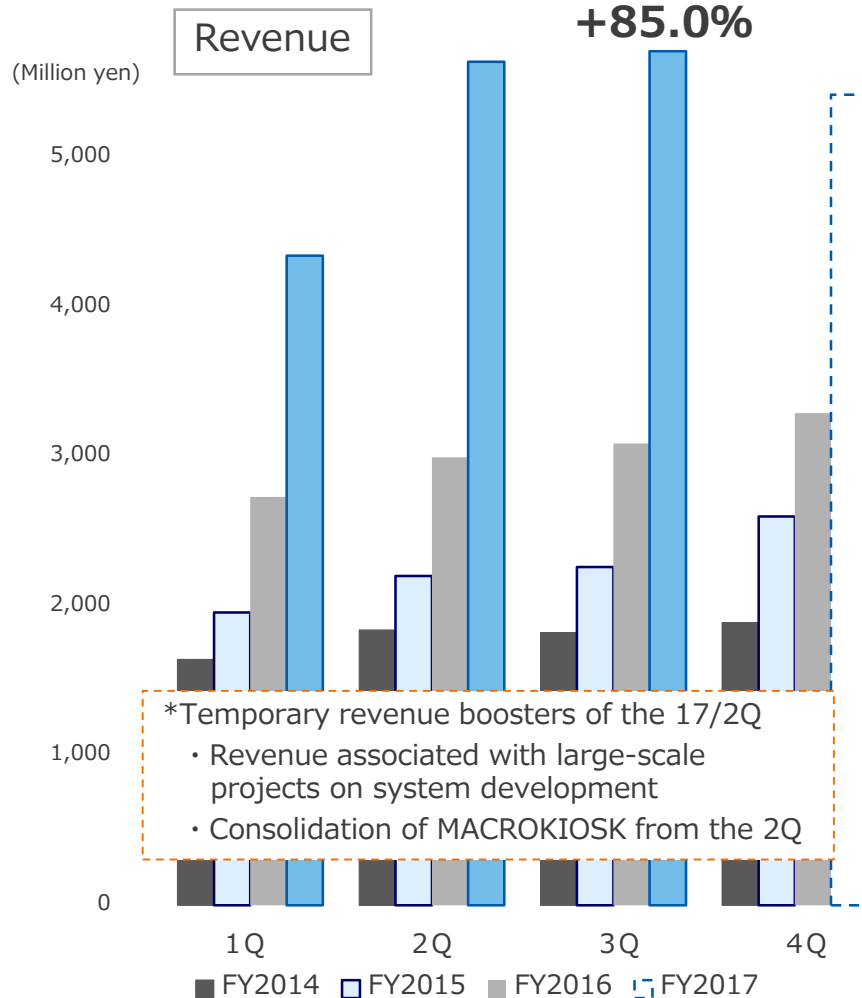
2. Summary of financial results for 3Q FY2017

2.1 Quarterly results

Maintaining strong growth: Revenue +85% (YOY), OP +30% (YOY)

■ FY2017 Quarterly results (consolidated)

%: YoY change



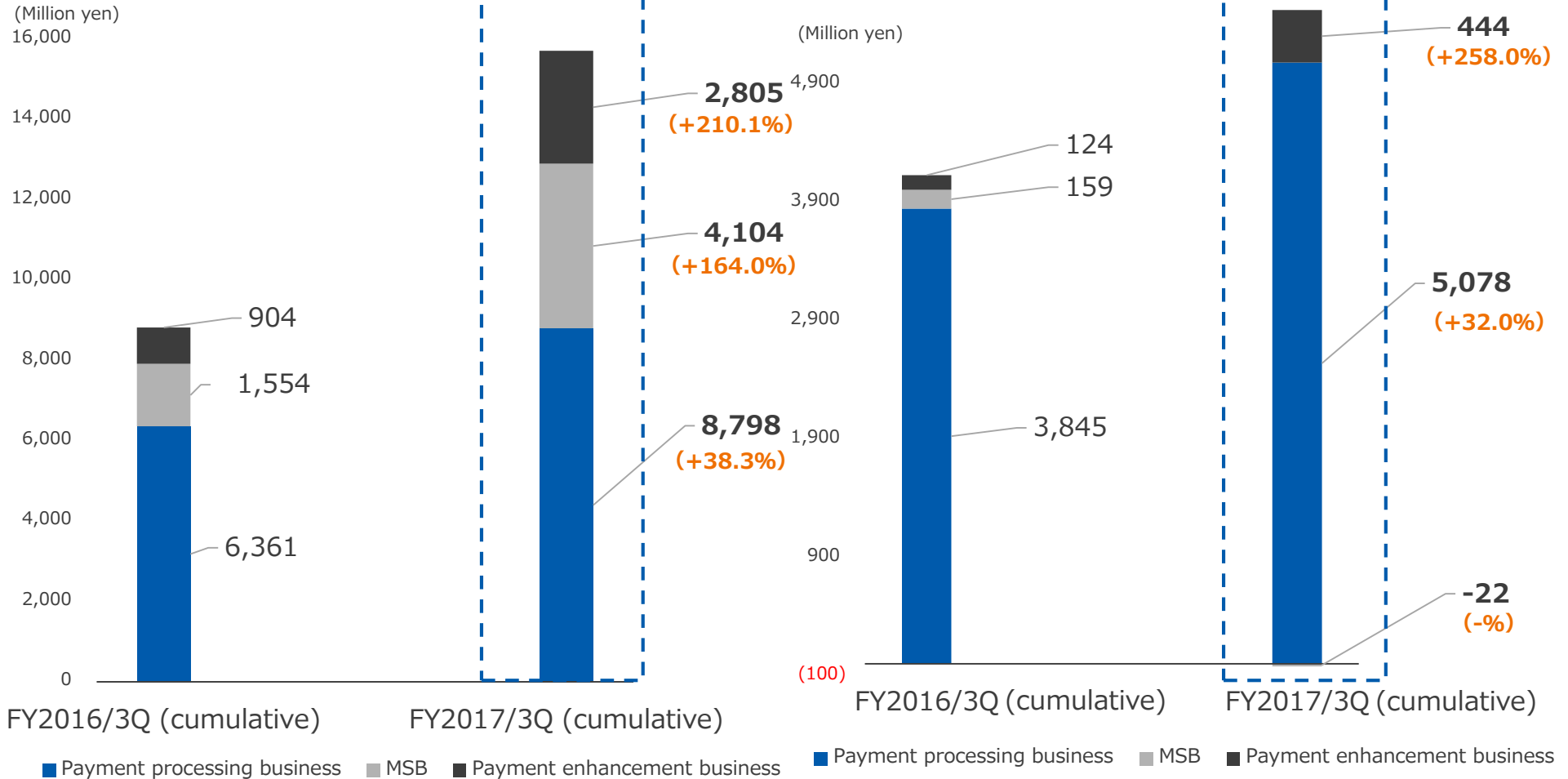
2.2 Revenue/OP by segment (Cumulative)

Significant growth in revenue across all segments;
 OP of the payment processing business up 32%

* (%) : YoY

■ Revenue by segment

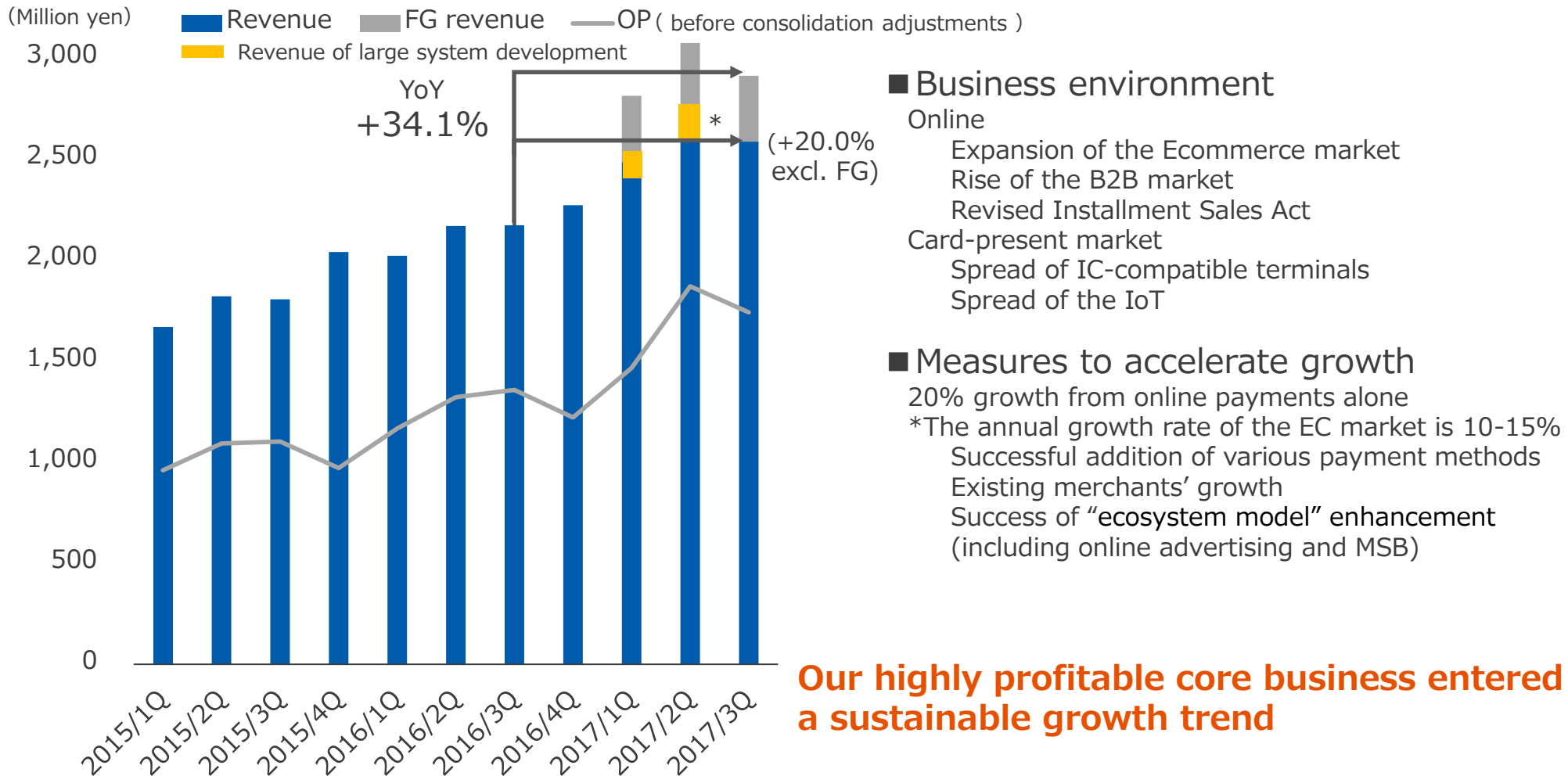
■ OP by segment (before consolidation adjustments)



*MSB: Money Service Business

2.3 Payment processing business

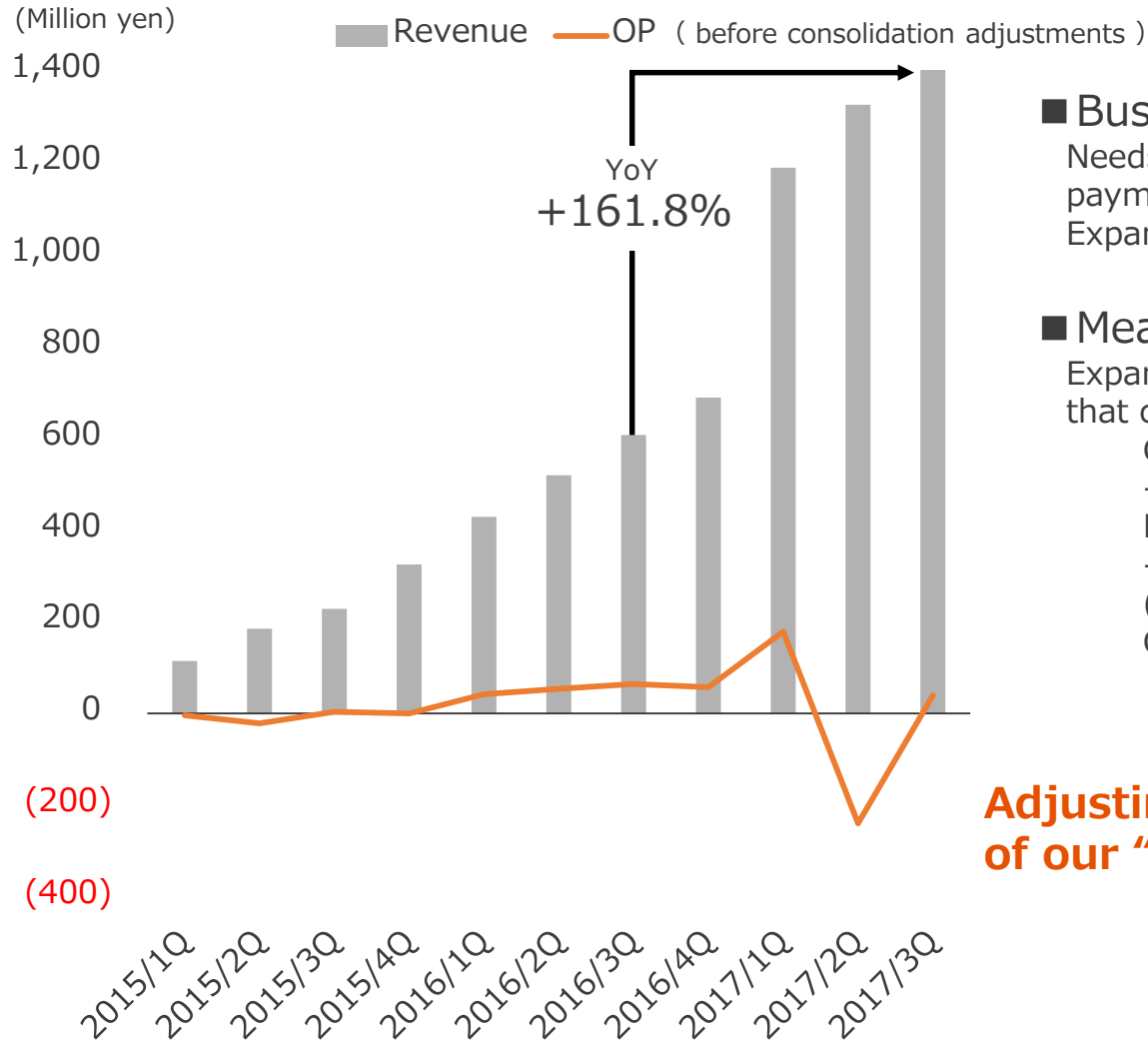
Revenue +34% (YoY): 20% growth from online payments net of FG



*Recorded revenue of large system development for 1Q-2Q of FY2017

2.4 MSB

Returned to operating profitability in 3Q; measures in place to keep the same for the full year



■ Business environment

Needs for new services (remittance, early payment, and deferred payment)
Expansion of services by FinTech companies

■ Measures to accelerate growth

Expanding payment and value-added services that contribute to our merchants' growth

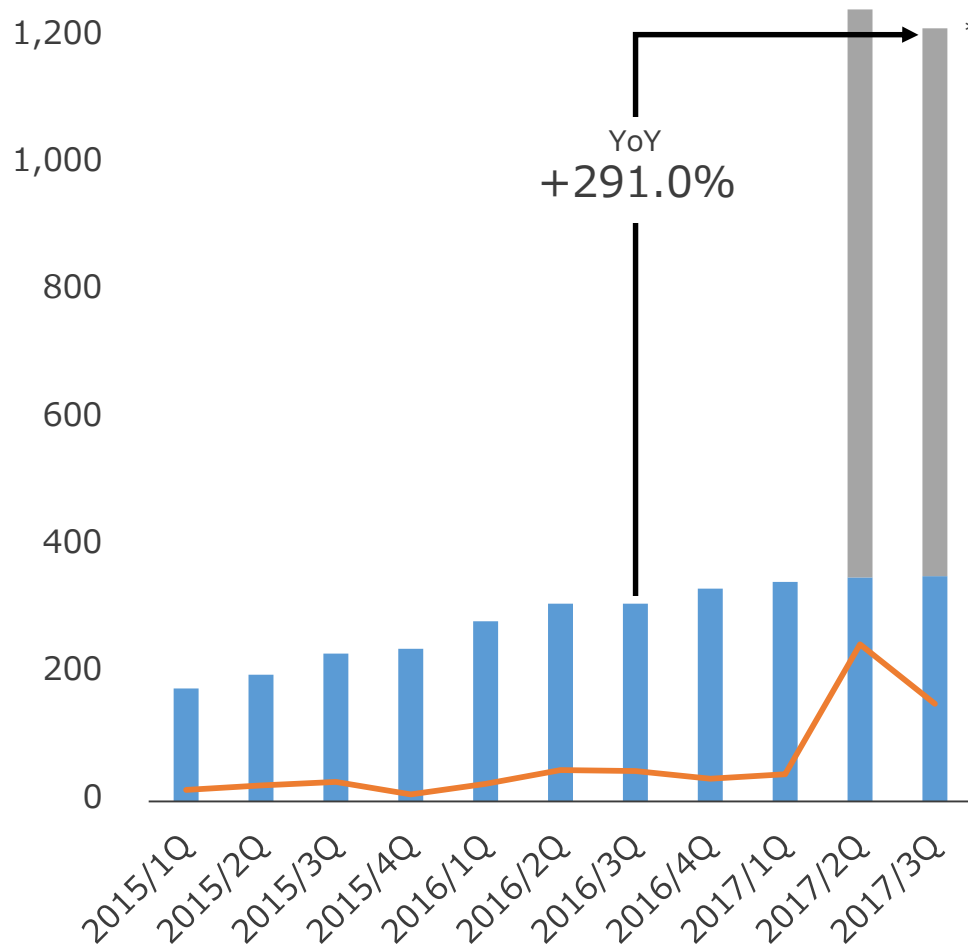
- GMO payment after delivery
 - > Keeping "adjusting the credit check process"
- Early payment service
 - > Synergies of payment processing businesses (ecosystem model)
- GMO-PG Remittance Service

Adjusting the credit check process of our "payment after delivery" service

2.5 Payment enhancement business

Started PL consolidation of MACROKIOSK from the 2Q

(Million yen) Revenue MK revenue OP (before consolidation adjustments)



- Business environment
 - Global market :
 - Asian consumption and EC market in the expansion stage
 - Online advertising :
 - Expansion of the online advertising market

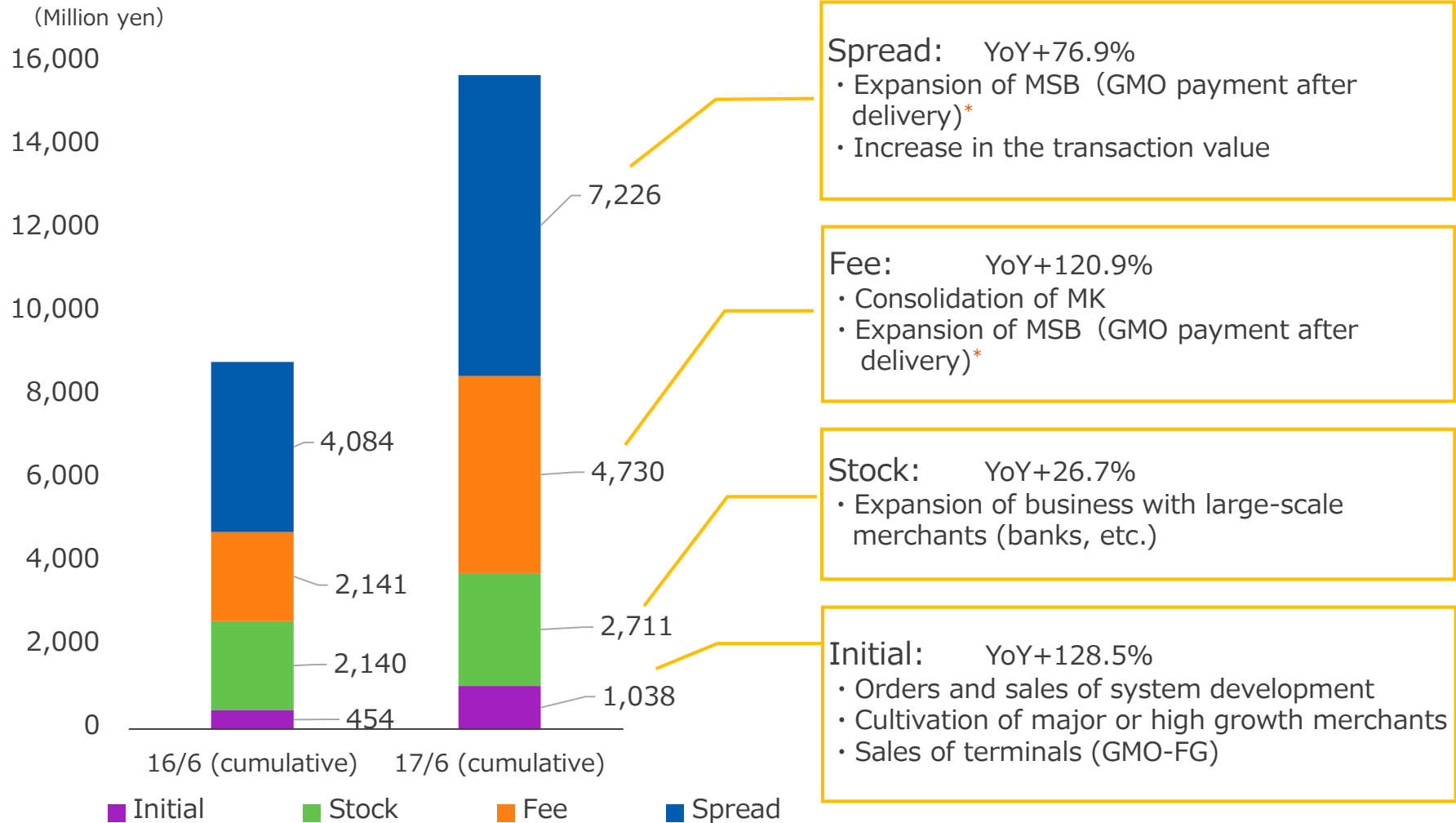
- Measures to accelerate growth
 - Global market
 - MACROKIOSK is in good shape
 - Expanding online banking in Malaysia
 - Cultivating large-scale merchants across Asia
 - Online advertising
 - Synergies of payment processing businesses (ecosystem model)

Our payment-related services, including global business, are contributing to expansion of EC and payment market

*Drop due to the seasonal factor

2.6 Revenue breakdown by business model (cumulative)

More than 25% revenue growth in all business models



*"GMO payment after delivery" revenue, which had been recorded as a part of fee revenue, has been divided into fee revenue and spread revenue since the 2Q of FY2017

2.7 Full-year forecast

Keeping our full-year forecast revised in 2Q

■ FY2017

(Million yen, % YoY)

	Revenue	Operating profit	Ordinary profit	Net profit	EBITDA
Full year	20,370 (68.2%)	5,013 (31.2%)	4,673 (23.6%)	2,762 (-5.1%)	5,811 (38.7%)

Dividends forecast

37 yen(+10 yen)

■ Points

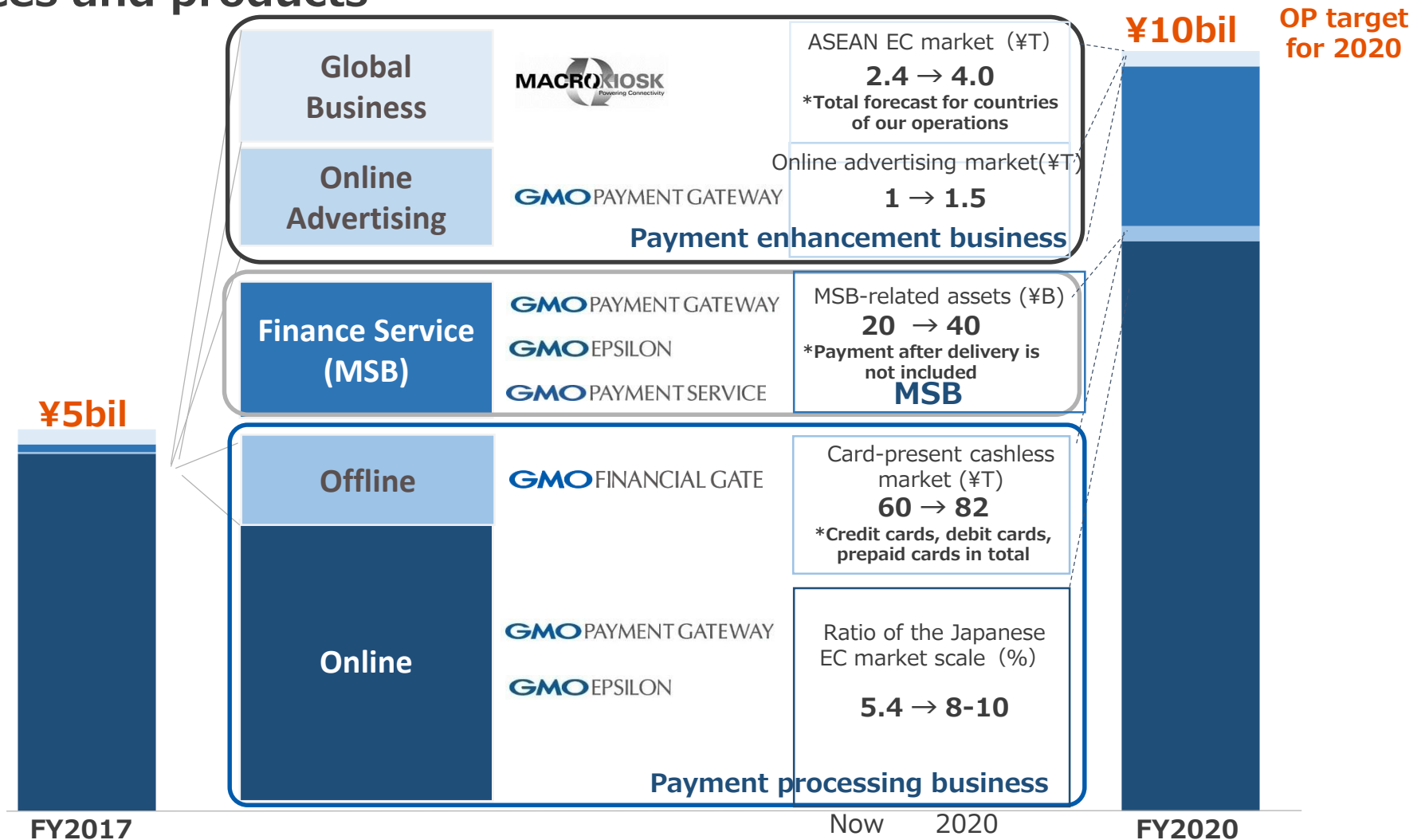
* EBITDA = OP + Depreciation + Amortization of goodwill

- **Revenue**
 - Consolidated the income statement of MK from the 17/2Q (2016/10/1 - 2017/6/30)
 - 3-4Q revenue of the new deferred payment service launched on Nov.1, 2016 is not included in the full-year forecast
- **SG&A**
 - Plan to amortize goodwill from the increase in group companies (total of ¥230 million/yr)
- **Non-operating expenses**
 - Plan to amortize goodwill of equity-method affiliates (approx. ¥160 million/yr)
- **Net profit**
 - FY2016 recorded extraordinary profit (approx. ¥590 million*)
 - *Recorded gain on sales of investment securities of ¥194M and gain on step acquisitions of ¥395M
 - Deferred tax assets of GMO-PS related to the temporary difference is assumed to be recorded at the end of FY2017

3. Future actions to realize growth strategies

3.1 Mid-term goals

OP goal for 2020 can be achieved by growth of our existing services and products



3.2 FY2017 results and future actions

Gaining results through strategic investments; Action plan for 2020

Results and tasks

High Lights

- Expansion of app business for banks
- Rapid expansion of “GMO payment after delivery”
- Approach to major mail-order businesses and Ecommerce with in-house payment processing
- Proactive approach to the B2B market
- Acceleration of global business profitability
- Approach to the card-present market

Low Lights

- Information leak incident
- Increase in allowance for doubtful accounts

Action plan for 2020

- Expansion of app solutions and partner banks
- Establishing the profit structure and acquiring new customers
- Promoting projects and strengthening sales activities
- Merchant size-based approach to promote strategies
- Service expansion to neighboring countries
- Spread of the IoT and smart payment solutions
- Proactive implementation of recurrence prevention measures
- Adjusting the credit check process, etc.



3.3.1 Payment processing business : business for banks

Expanding mobile payment services among regional financial institutions

Focusing on “mobile banking”
to expand FinTech services



Expansion of app solutions

Increase of partner banks and multi-bank payments

OEM expansion of our smart payment service

APM* integration, Cash out

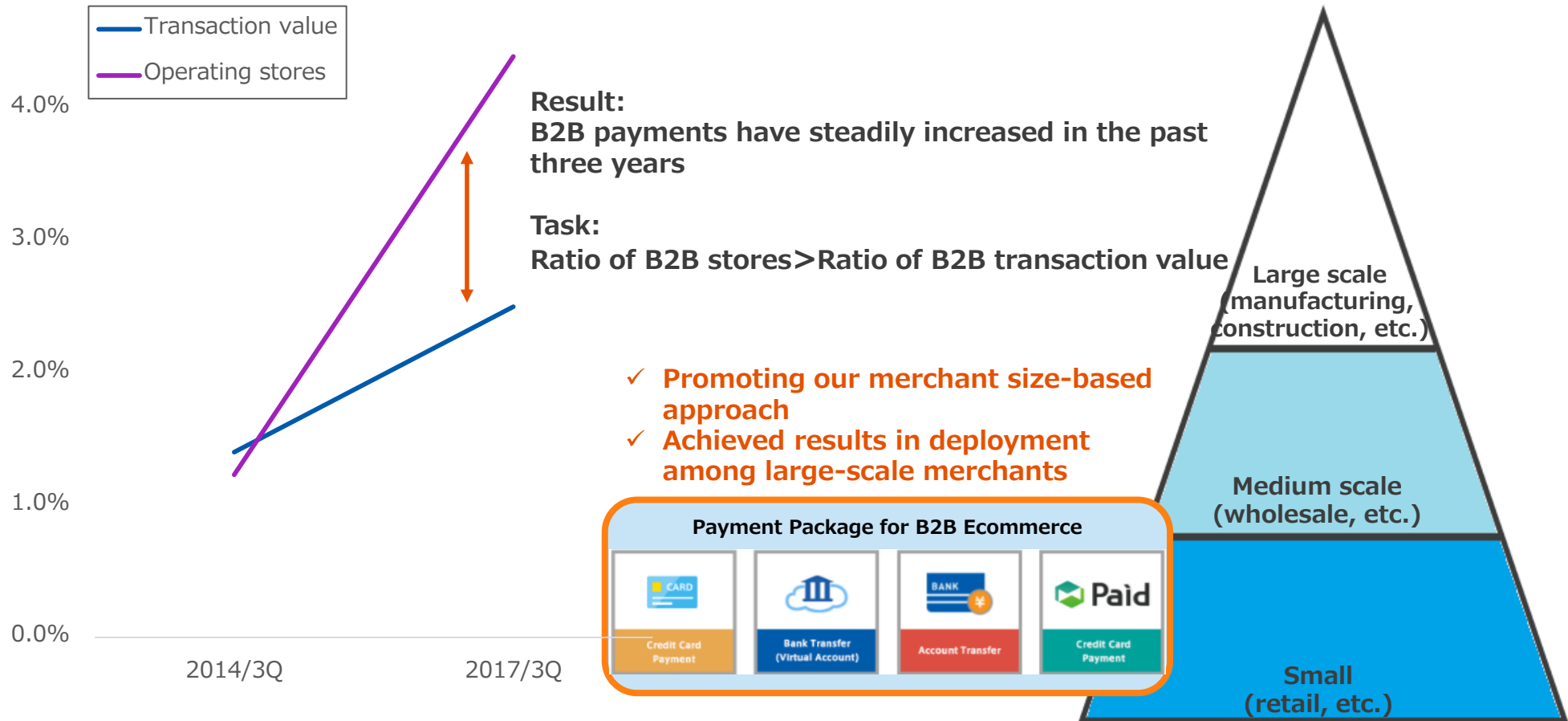
Started discussions with Almex (U-NEXT group) from July 2017

*APM: Automated Payment Machine

3.3.2 Payment processing business : B2B

Towards becoming an industry-standard B2B payment platform

B2B ratio in payments processed by GMO-PG (non-consolidated)

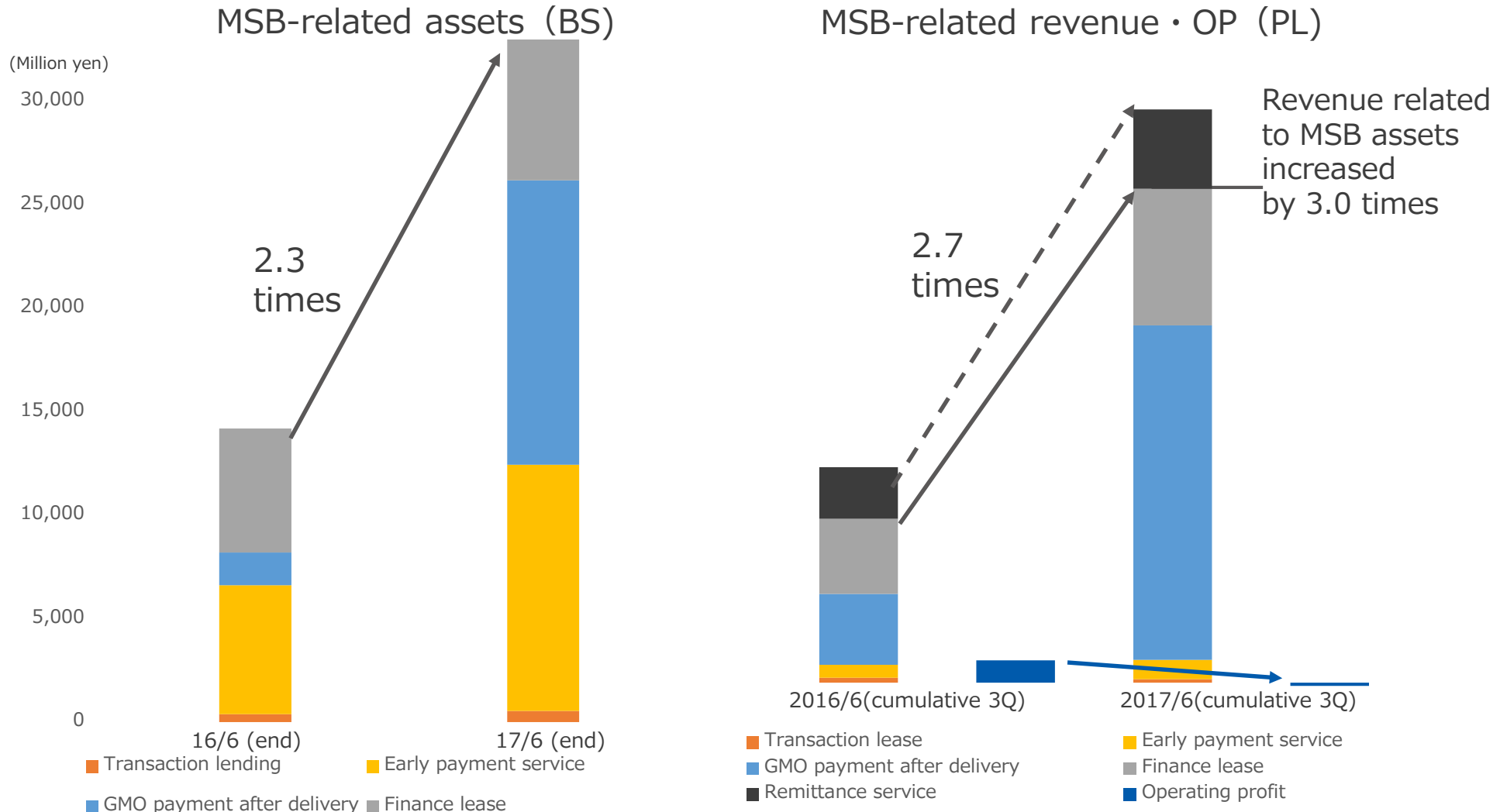


* The transaction value is a 3Q figure (cumulative), the number of stores is a figure based on the end-of-quarter calculation.

* Reference: METI "The 2015 Ecommerce market survey"

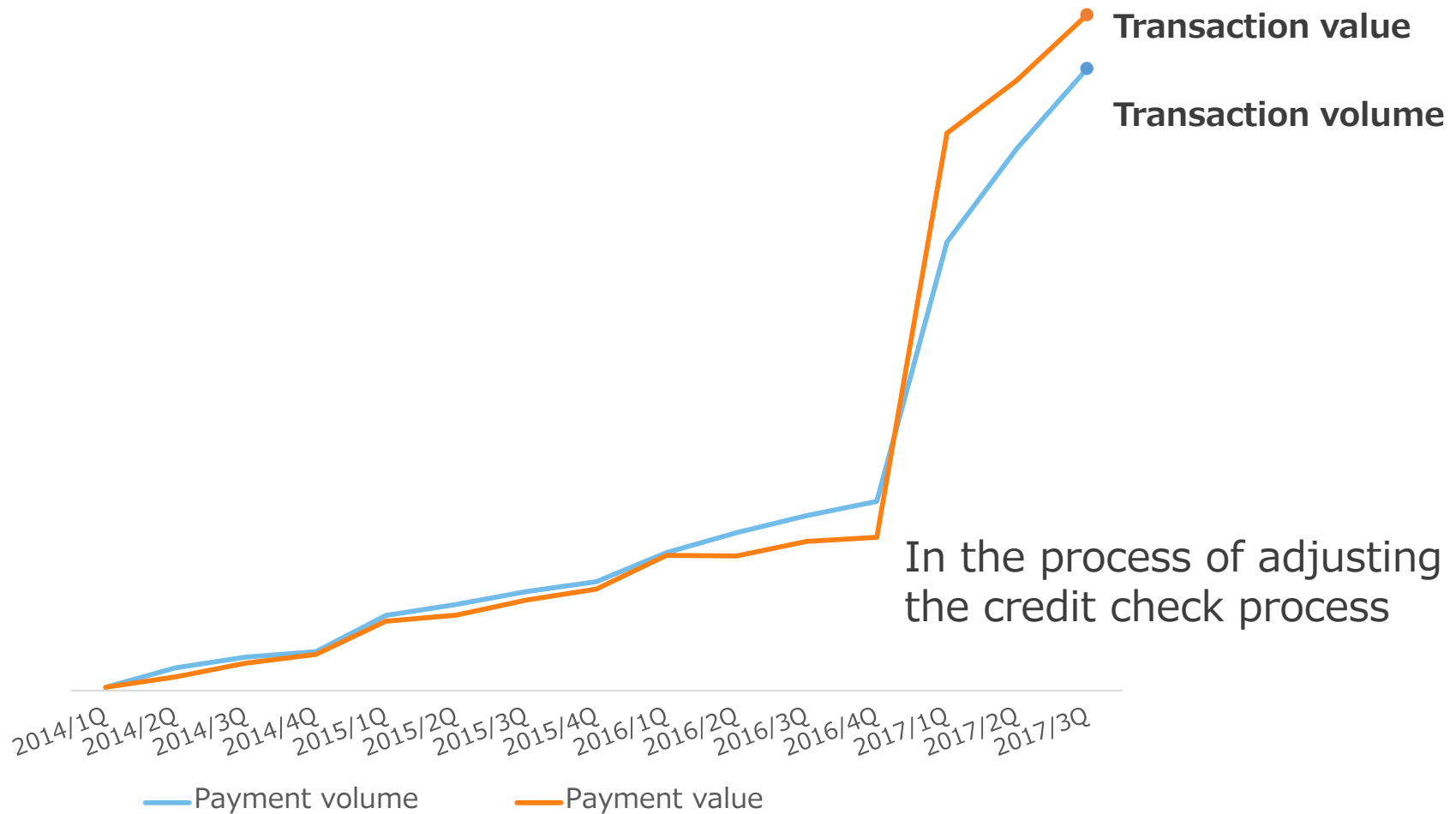
3.4.1 MSB : assets and segments performance

Revenue up by 2.7 times in line with increase in MSB assets



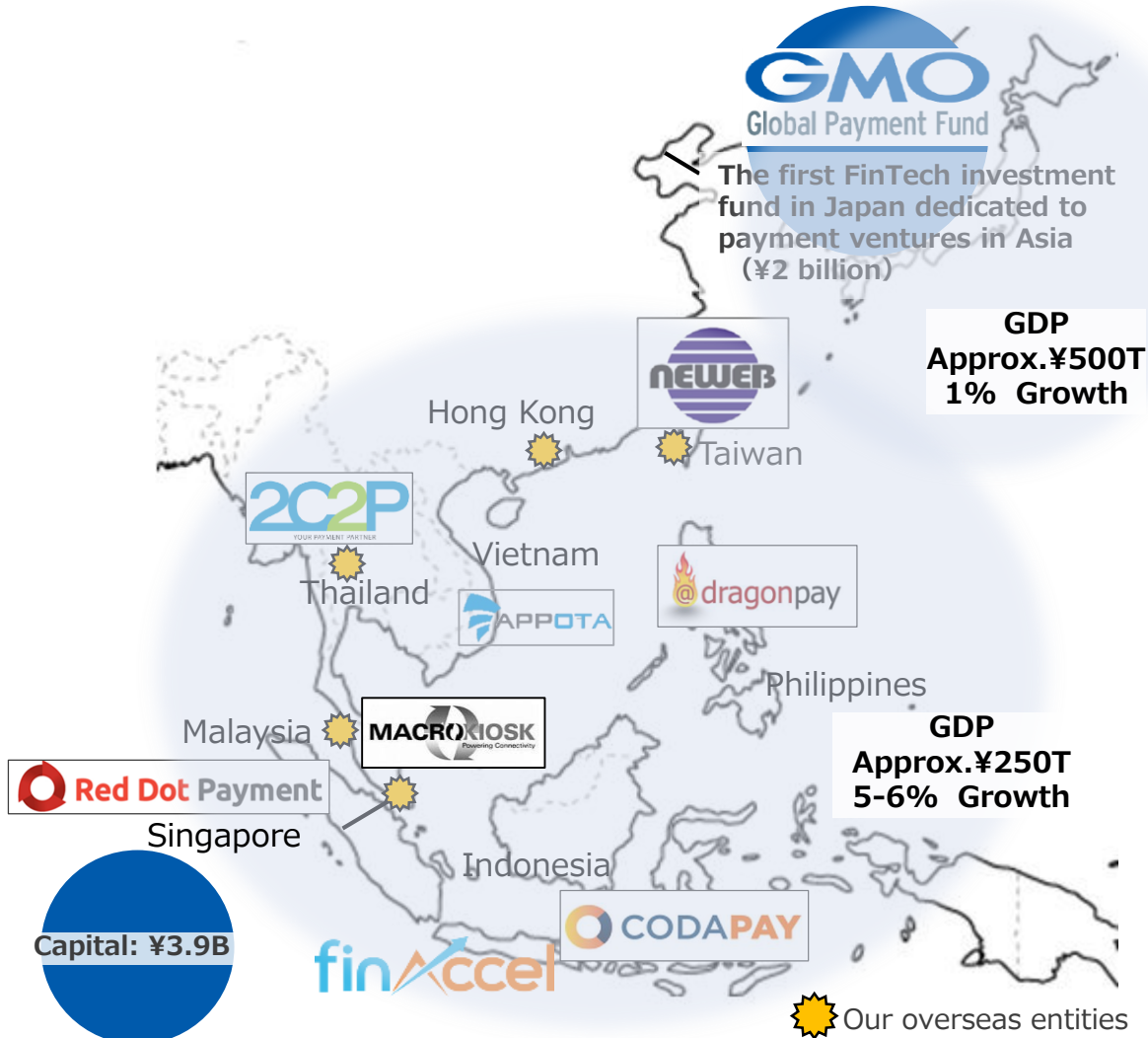
3.4.2 MSB : GMO payment after delivery

New service significantly increased payments;
Original service also showed solid growth



3.5.1 Business in Asia

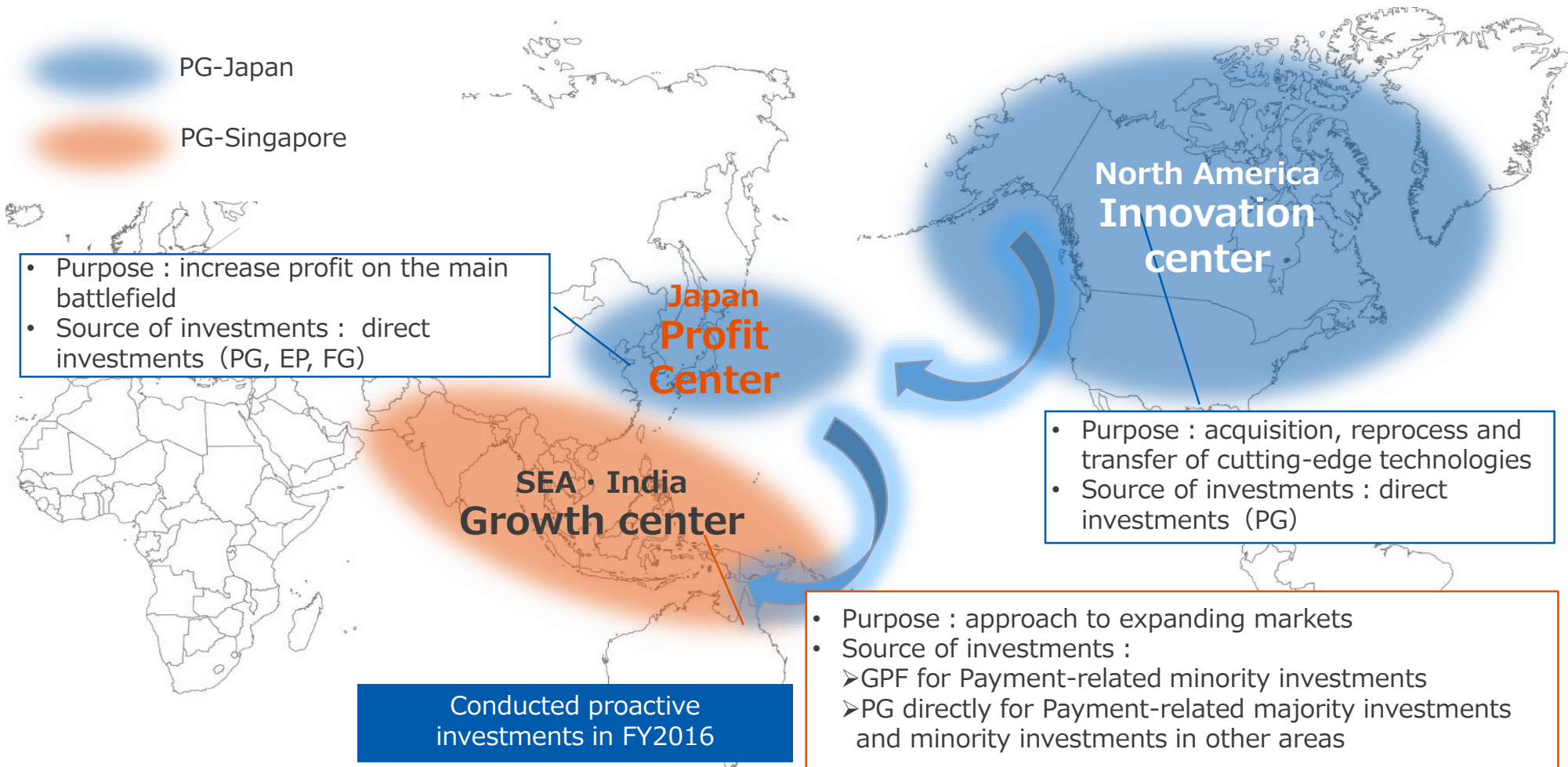
Steady growth of group companies, partners and portfolios



- Global business: progress and results
 - Progress in acquiring major merchants and banks across Philippines and Indonesia
 - Online banking keeps growing in Malaysia
 - Continuing proactively assisting merchants with advancing into Taiwan
 - Deferred payments have rapidly risen in Indonesia
 - Growing penetration of smartphone has significantly triggered payment market in Myanmar

3.5.2 Global investment strategies

Global synergy : Connecting investments in growing SEA and North America



4. Financial highlights

4.1 Consolidated Balance Sheet

Increase in assets followed by MSB and expansions

(Million yen)	End of 3Q'17	End of 3Q'16	Change	(Million yen)	End of 3Q'17	End of 3Q'16	Change
Current assets	65,731	47,680	18,050	Current liabilities	52,202	35,459	16,742
Cash and deposits	28,260	30,493	△2,232	Short-term borrowings	28	0	28
Lease receivable	6,865	6,004	860	Long-term borrowings due within one year	800	0	800
Short-term loan receivables	547	387	159	Deposits received	34,367	29,940	4,427
Advance payments	11,906	6,280	5,626	Accounts payable	11,495	2,820	8,674
Accounts receivable	13,756	1,677	12,078	Other current liabilities	5,510	2,698	2,812
Allowance for doubtful accounts	△1,988	△289	△1,698	Noncurrent liabilities	3,545	224	3,321
Other current assets	6,382	3,126	3,256	Long-term borrowings	3,204	0	3,204
Noncurrent assets	9,949	5,085	4,863	Other noncurrent liabilities	341	224	116
Tangible assets	389	206	182	Shareholders' equity	18,794	17,206	1,588
Intangible assets	4,029	1,178	2,850	Capital stock	4,712	4,712	0
Goodwill	2,203	22	2,181	Total cumulative other comprehensive income	151	△124	276
Software	1,288	930	358	Total net assets	19,932	17,082	2,850
Investments and other assets	5,530	3,699	1,830	Total liabilities and net assets	75,680	52,766	22,914
Investment securities	2,300	2,668	△367				
Shares of subsidiaries and affiliates	2,279	284	1,994				
Total assets	75,680	52,766	22,914				

Related to Finance Lease

Increase in the TL balance

Increase in Early Payment Service (BS balance after consolidation (offset))

Increase in GMO payment after delivery

Increase in subsidiaries and affiliates

Increase in investment securities of subsidiaries and affiliates

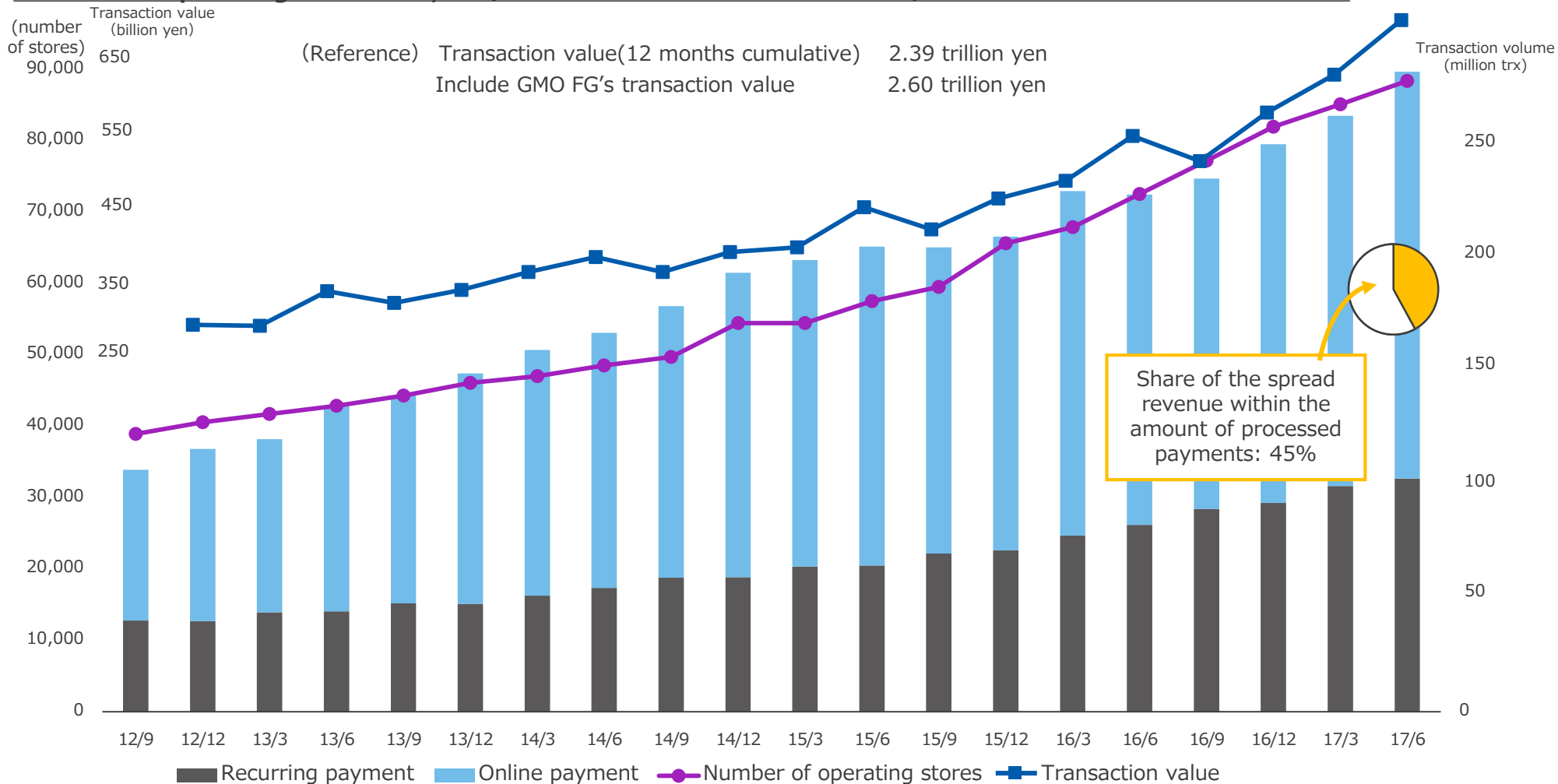
Deposits by merchants through representative merchant service

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

4.2 Major KPIs (Quarterly change)

Annual transaction value amounted to 2.4 trillion yen

Number of operating stores: 88,425/Transaction value: ¥690 billion/Transaction volume: 281 million

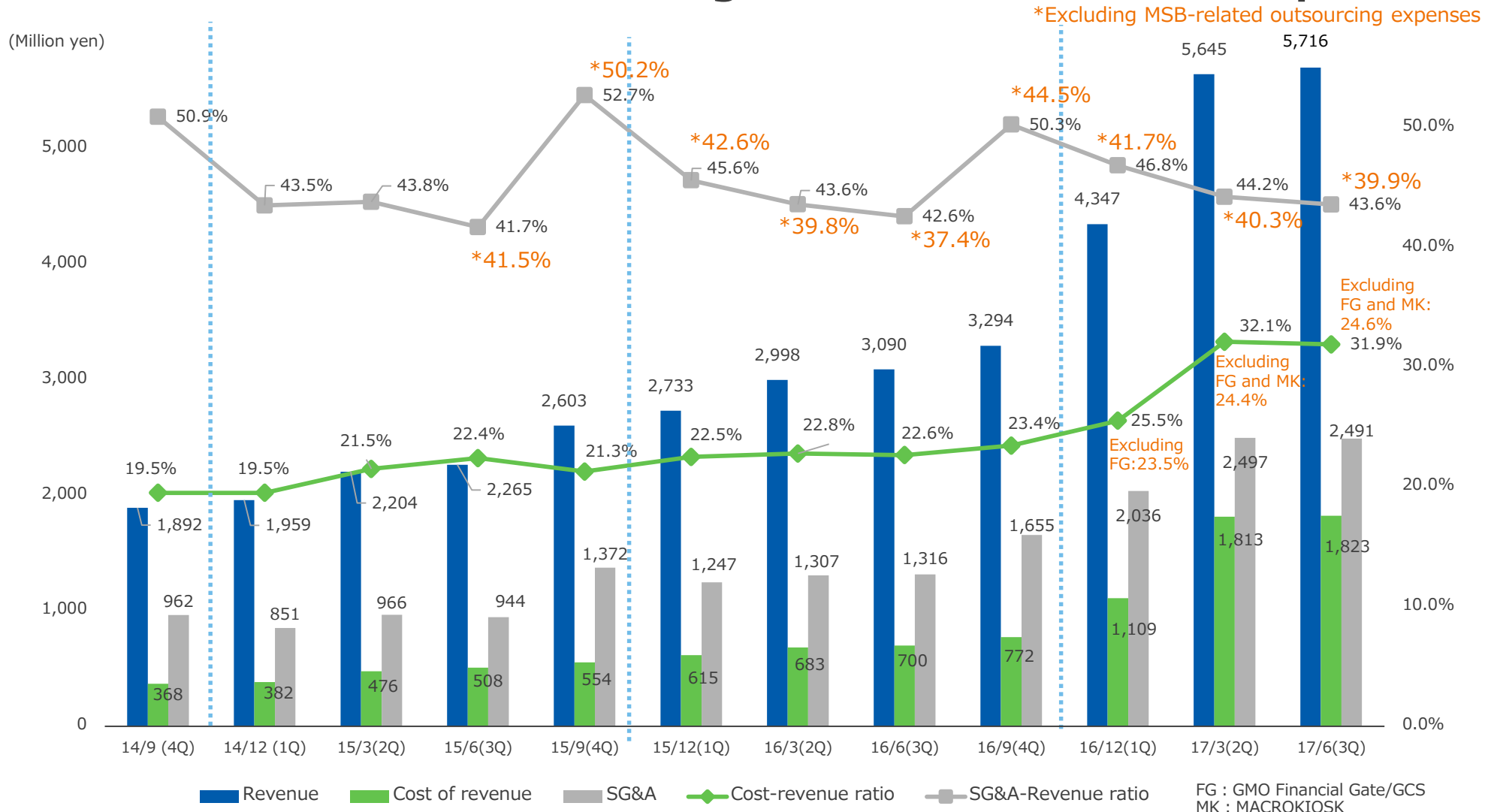


(The number of operating stores is calculated at the end of the quarter, transaction value/volume are the results for each quarter)

5. Reference materials

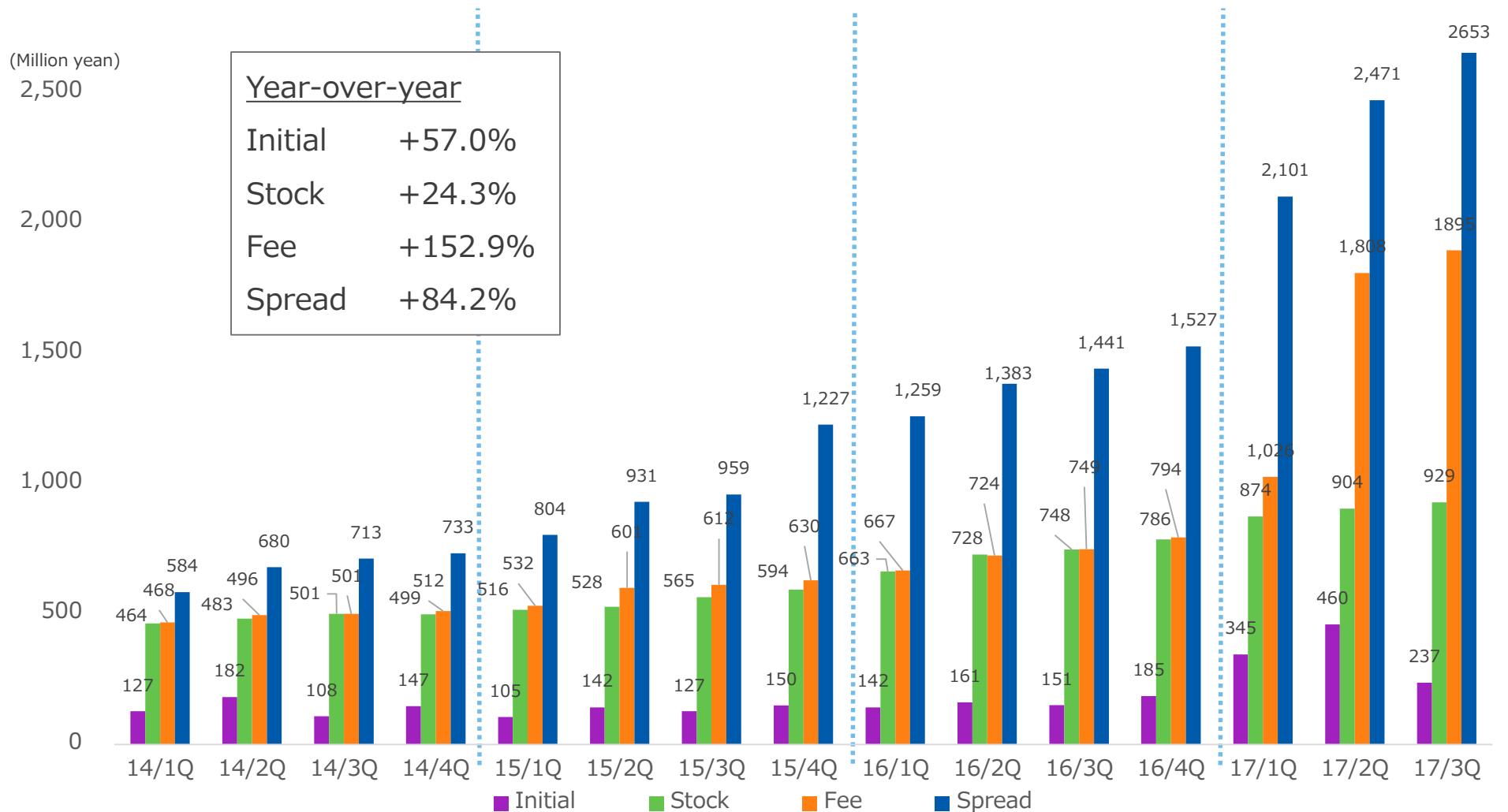
5.2 Cost of revenue ratio/SG&A ratio (Quarterly change)

The cost of revenue ratio changed due to the sales composition



5.3 Revenue breakdown (Quarterly)

Significant revenue increase in all business models

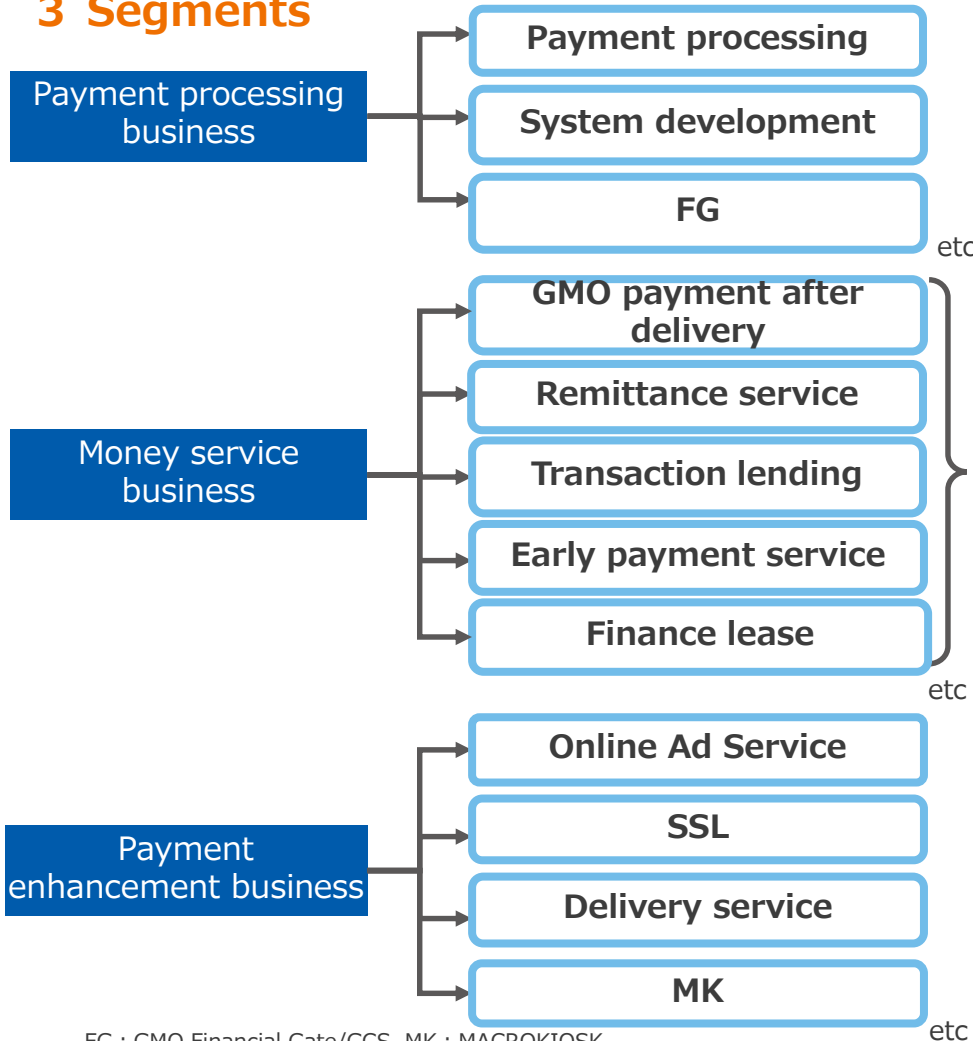


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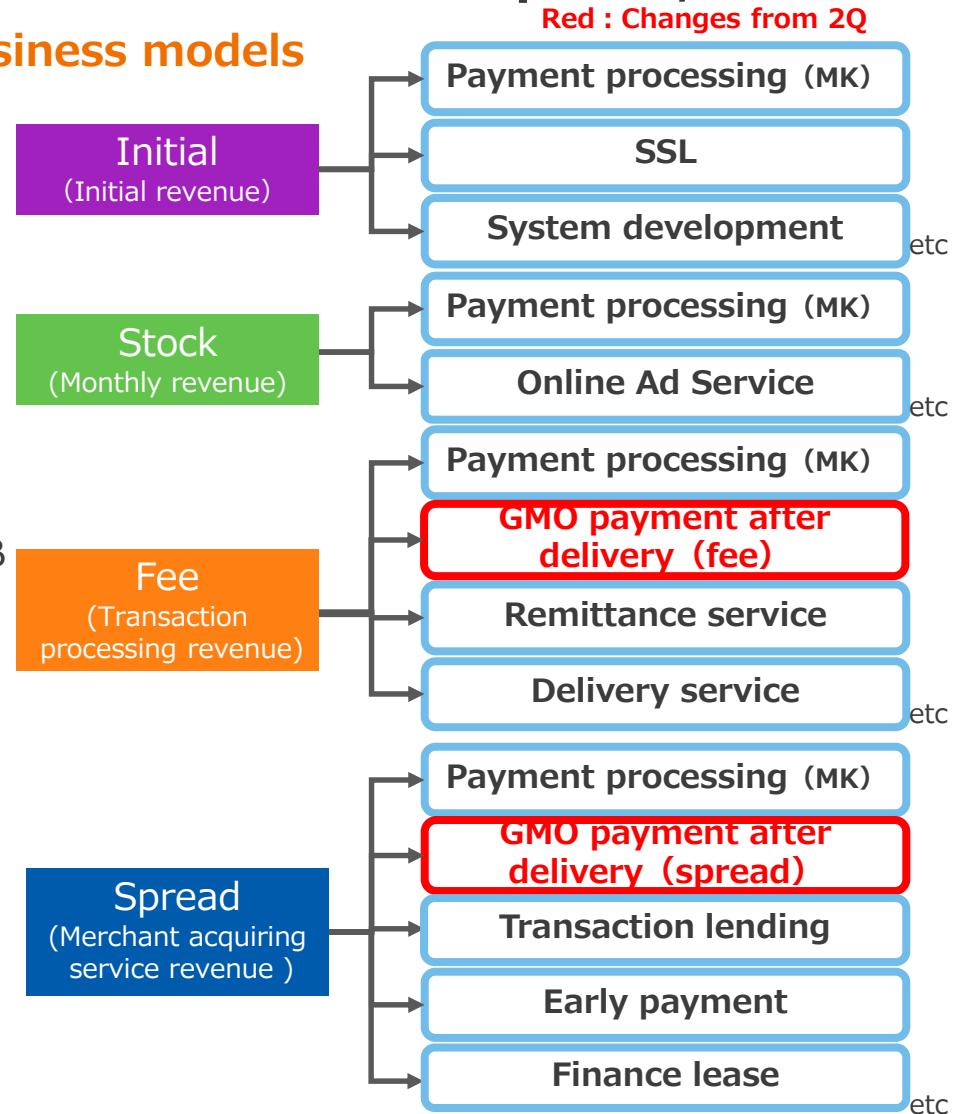
5.4 Changes in segments and Revenue models

“GMO payment after delivery” is divided into fee and spread,
consolidation of MK

3 Segments



4 business models



Thank you very much!

GMO PAYMENT GATEWAY

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