

Supplementary information

Financial results briefing for the 3Q of FY2017

August 1, 2017

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

GMO PAYMENT GATEWAY

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

Online payment

Our group business field is mainly online payment

Offline (card-present) payment



(Point)
Must present credit card
Must provide signature
Use terminals such as
POS terminal & CAT
terminal

Online payment



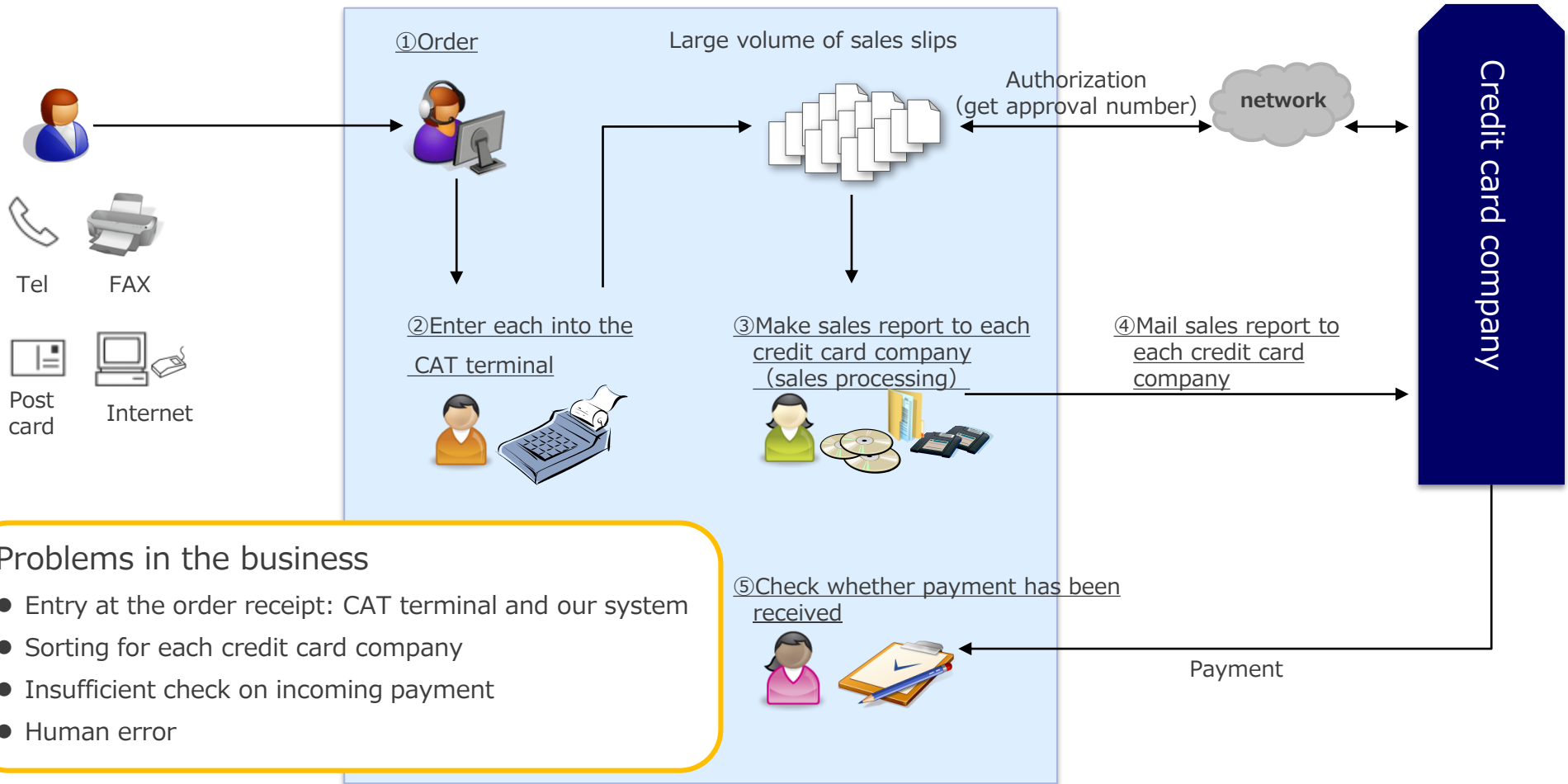
(Point)
No need to present credit card
Use postcard, telephone, fax
Use Internet
Use automatic payment
machine to register credit card
number in advance

Business outline of payment processing company(1)

Problems with online credit card payment in the early days of Ecommerce

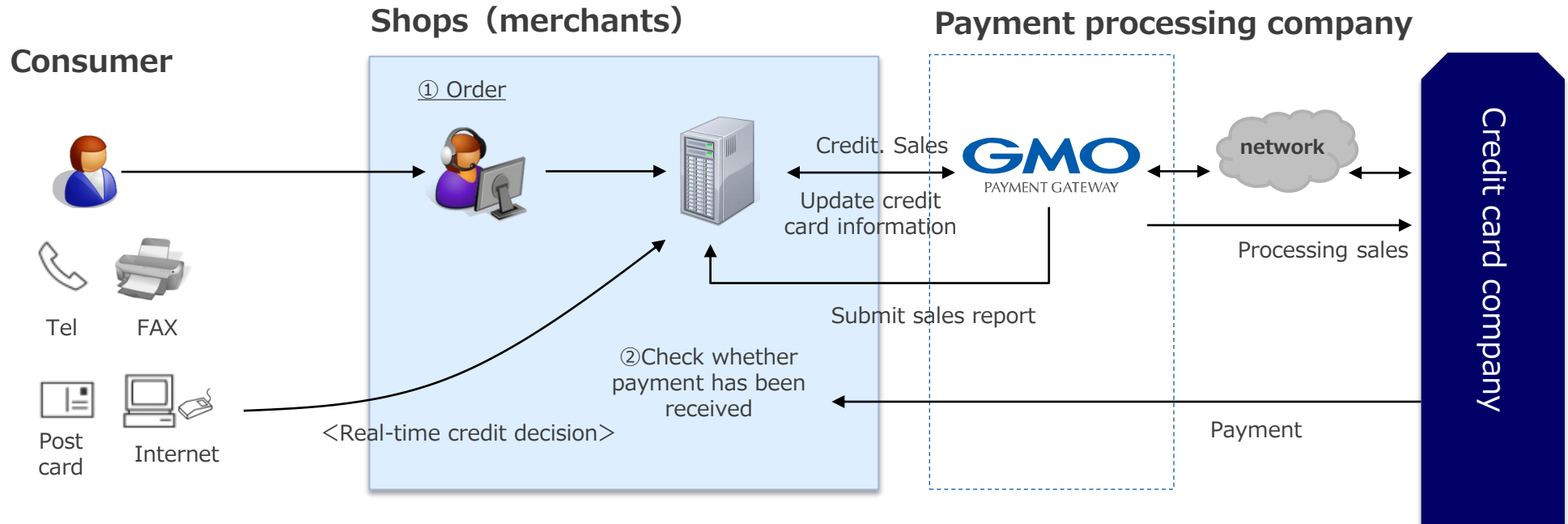
Consumer

Shops (merchants)



Business outline of payment processing company(2)

Payment processing service adds operational efficiency to credit card payment

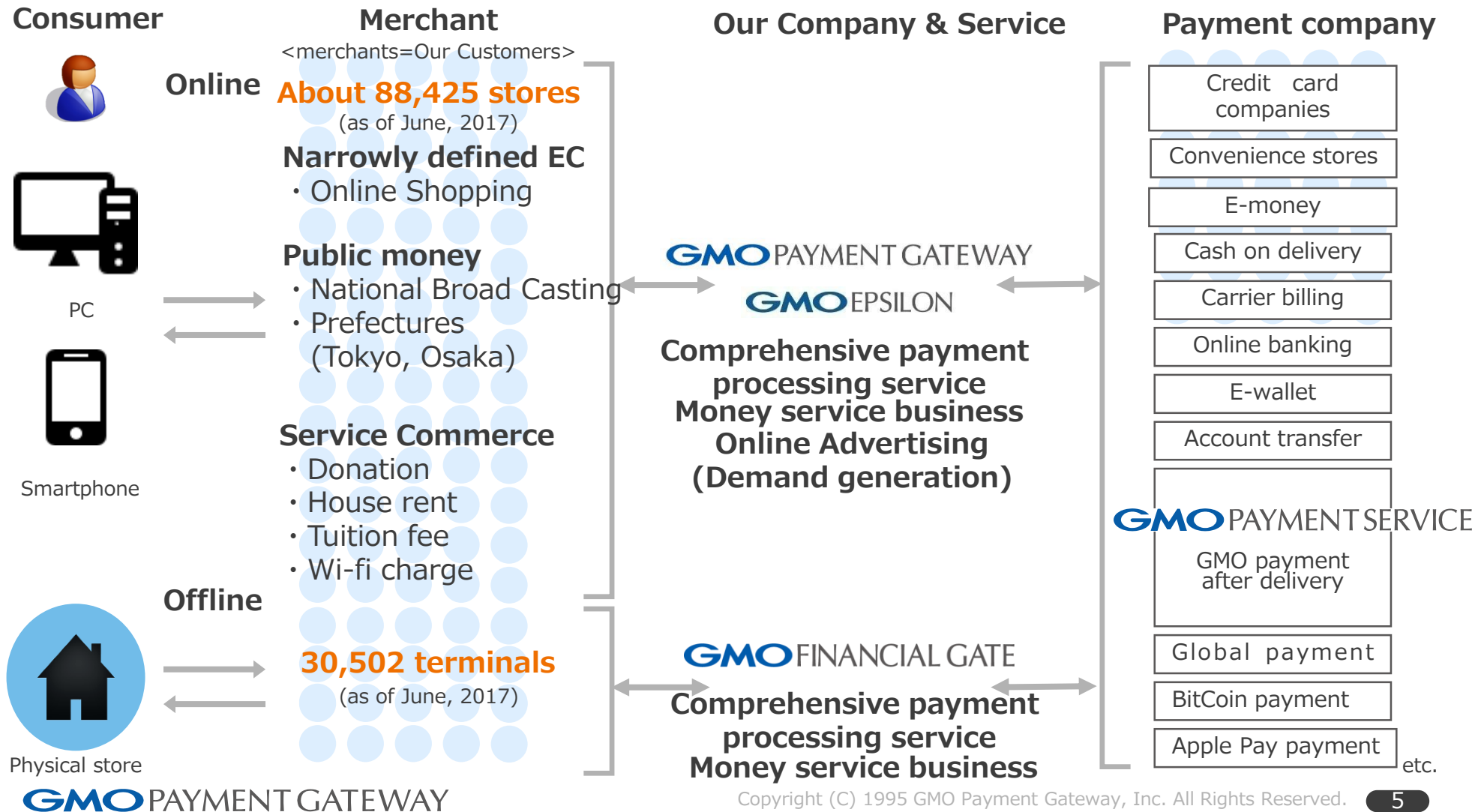


In the early days of Ecommerce, credit card payments were processed offline between merchants and credit card companies, causing burden on both sides.

To solve this problem, payment processing companies were established, making it easier to do business.

Business outline - The role of our group

We connect merchants and payment companies in contracts, payment information and money transactions

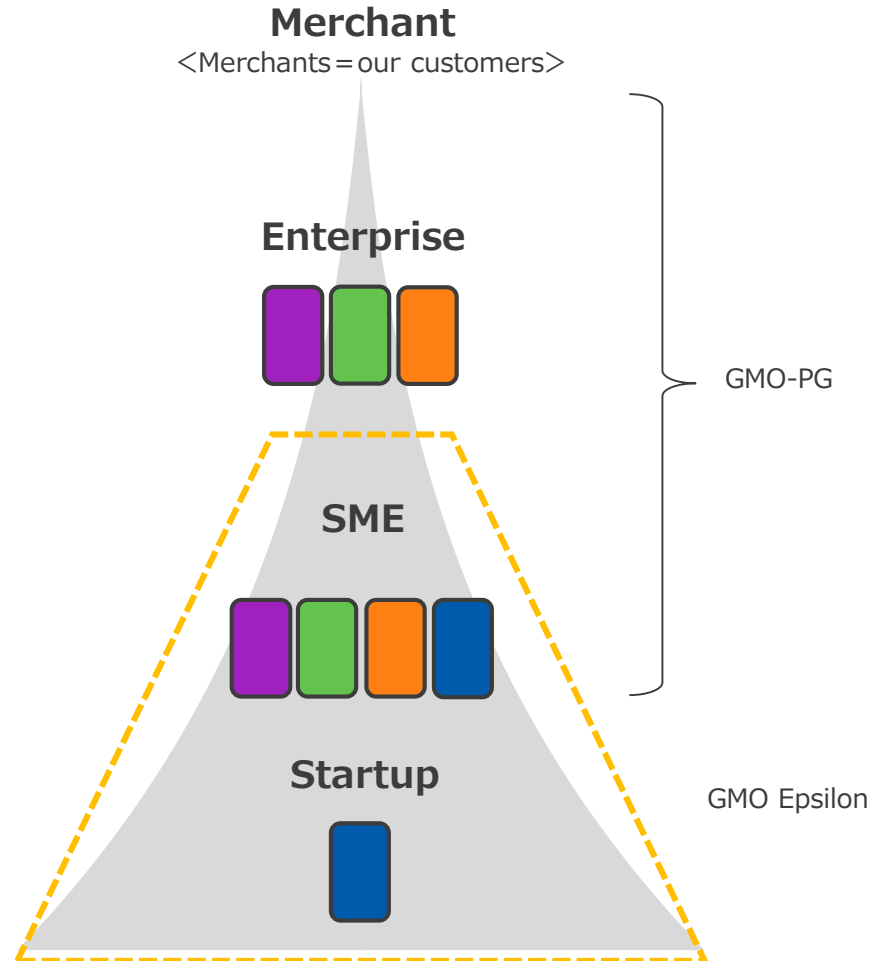


Revenue model of credit card payments

Revenue model by merchant scale

■ Revenue breakdown

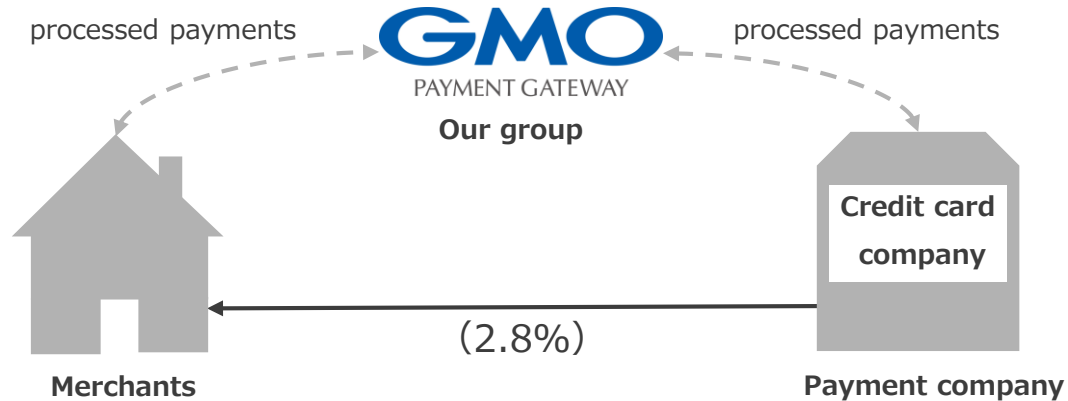
- 1 Initial (Initial revenue)**
Initial introduction fees
KPI: Number of new merchants acquired
Revenue: Number of new merchants acquired × _Yen (at the time of introduction)
- 2 Stock (Monthly revenue)**
Customer support and maintenance fee
KPI: Number of merchants
Revenue : Operating merchants × _Yen
- 3 Fee (Transaction processing revenue)**
Fee based on transaction volume
KPI: Number of payments processed
Revenue : Number of payments processed × _Yen
- 4 Spread (Merchant acquiring service revenue)**
Fee based on transaction value
KPI: Amount of payments processed
Revenue : Amount of payments processed × _%



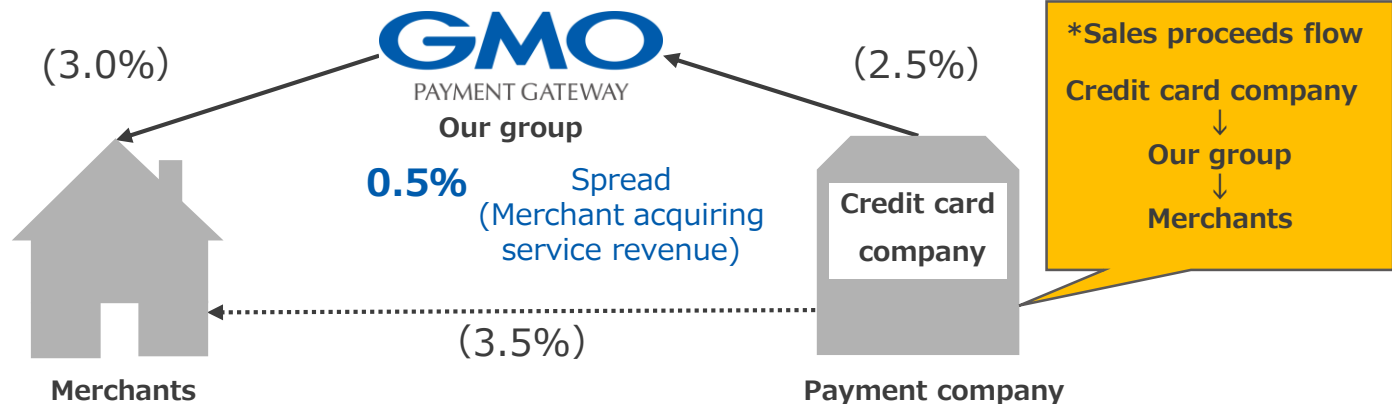
Two types of contract forms

Contract type and the flow of money

Direct contract with merchants



Representative contract with merchants

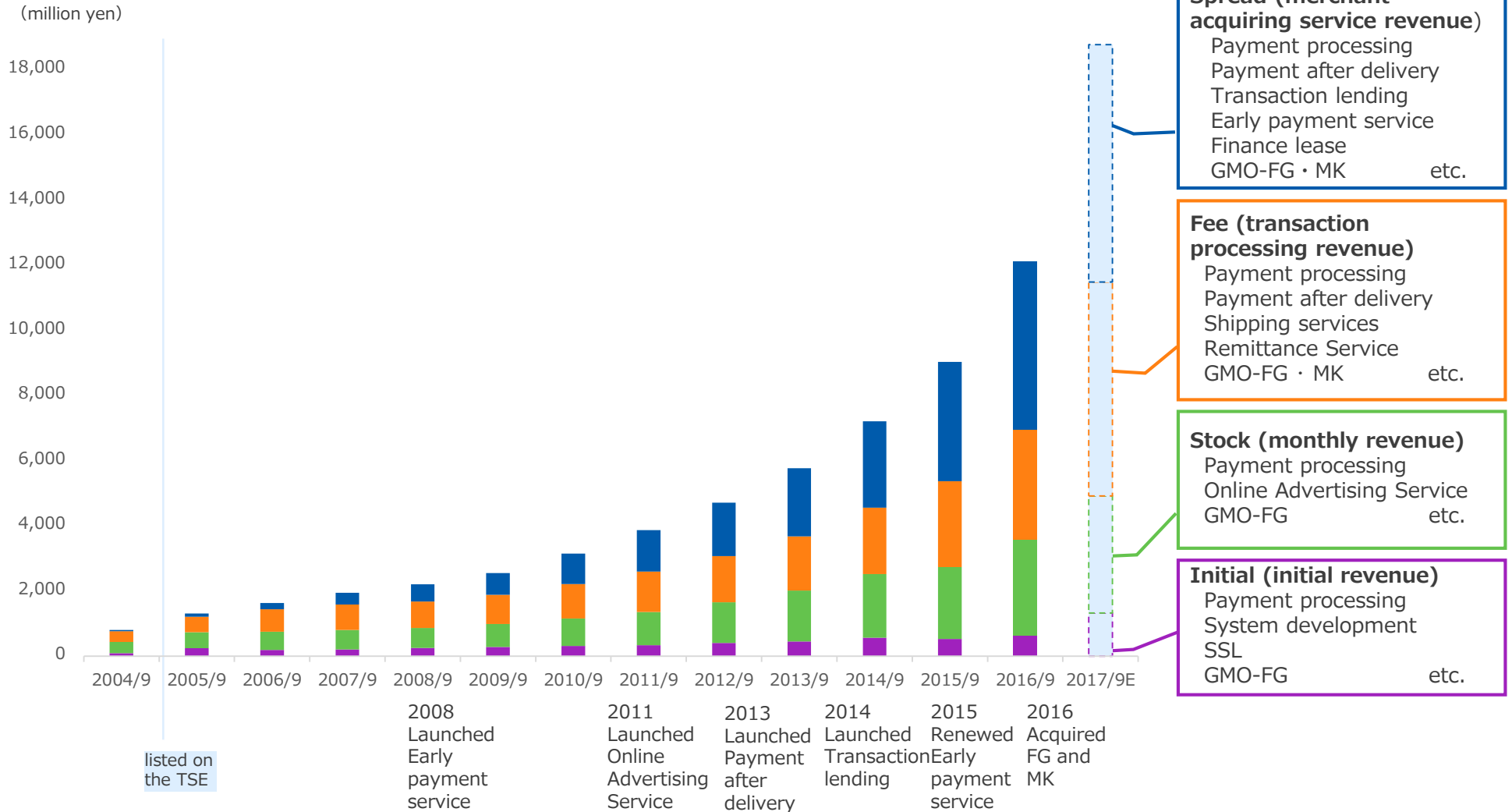


*Numbers are provided for illustration purposes only.

← Sales proceeds flow

Revenue breakdown

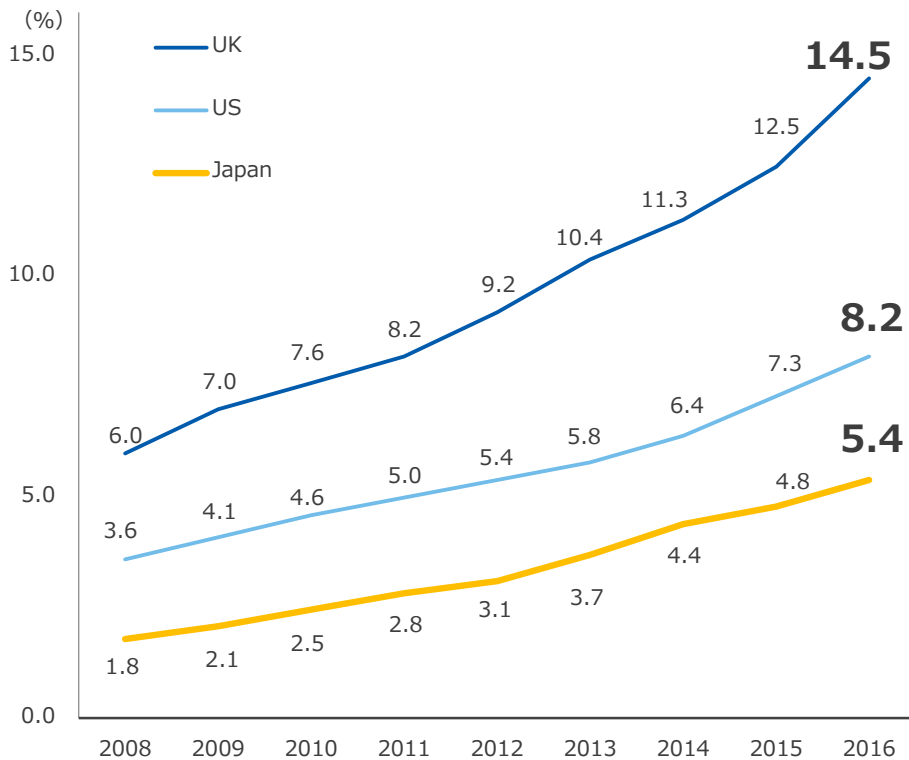
Action plans to realize balanced growth



Growth potential of the EC market in Japan

Low Ecommerce ratio and high cash payment ratio

■ Ecommerce ratio



■ Card usage ratio

(2015)	Credit card usage rate (A)	Debit card usage rate (B)	Card usage rate (A+B)
UK	11 %	40 %	51 %
US	25 %	19 %	45 %
Korea	67 %	17 %	84 %
Australia	31 %	22 %	53 %
Japan	17 %	-	17 %

*Ratio=(Amount handled by CC or DC) / (Private final consumption expenditure)

References : METI. "FY2016 Building infrastructure for information- and service-oriented Japanese economy and society (Ecommerce market survey)"

U.S. Bureau of the Census. "The 4th Quarter 2015 Retail Ecommerce Sales Report"

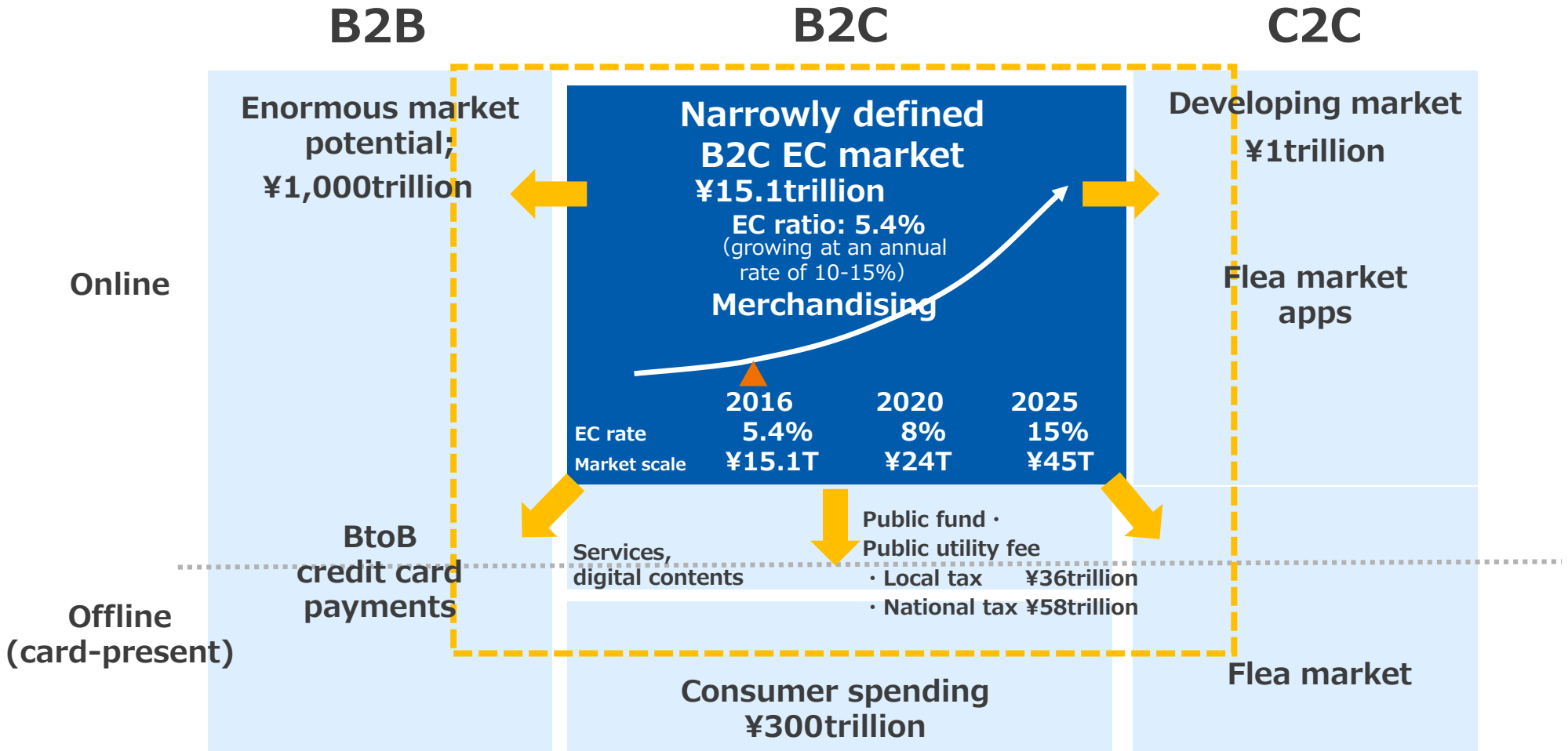
Office for National Statistics "Retail Sales, March 2016"

*Estimated by GMO-PG with reference from CPSS Red Book

THE WORLD BANK "Household final consumption expenditure (current USD)"

Our approach to broadly-defined EC market

Bringing in online payments into new markets



*METI "Ecommerce market survey"

Expansion of public funds and utility payments

We have been cultivating tax card payments since the revision of the Local Autonomy Law in 2006

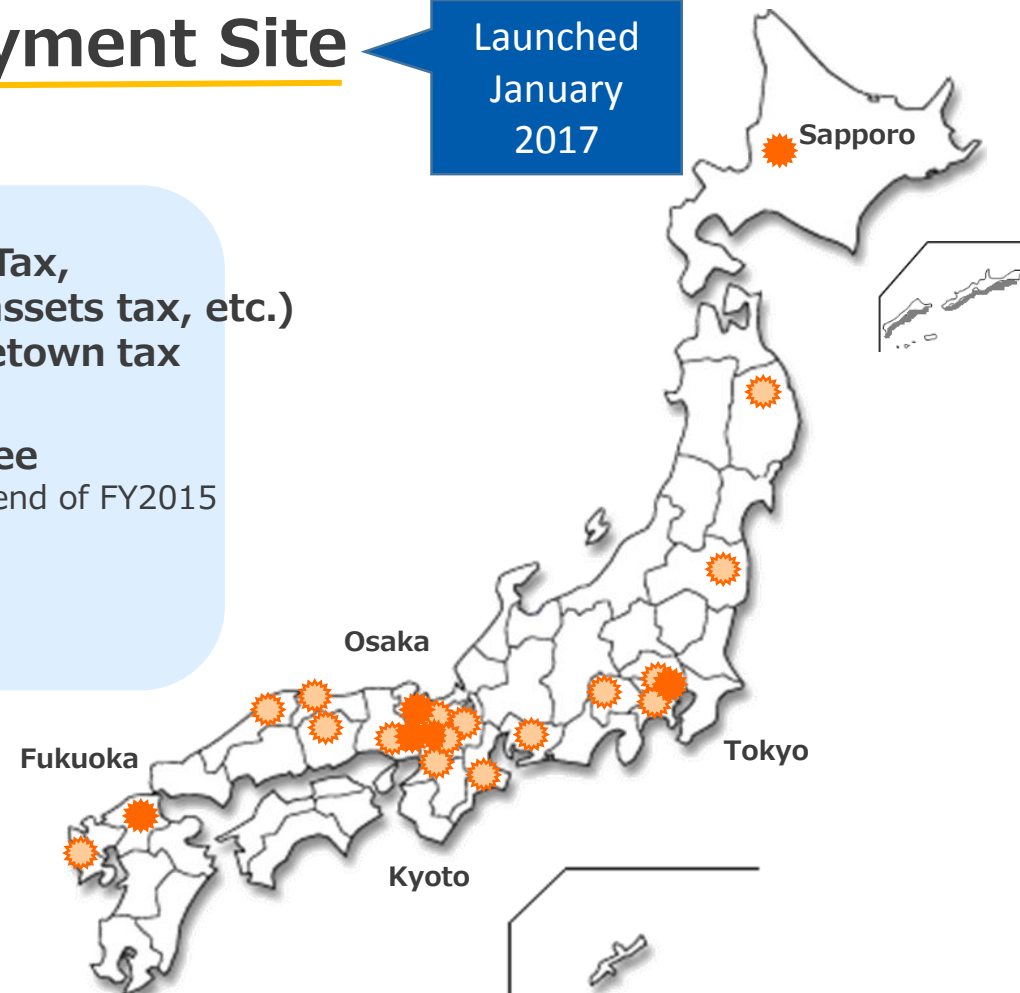
National Tax Credit Card Payment Site

Launched
January
2017

Local governments : Local Tax (Automobile Tax, Light vehicle tax, Fixed assets tax, etc.)
Water bill, Gas bill, hometown tax

NHK : Broadcast subscription fee
(Credit card usage rate at the end of FY2015 : 12.8%)

Great potential for expansion
Maintenance fees, Cram school tuition fees
Parking fees, school meal charges, etc.

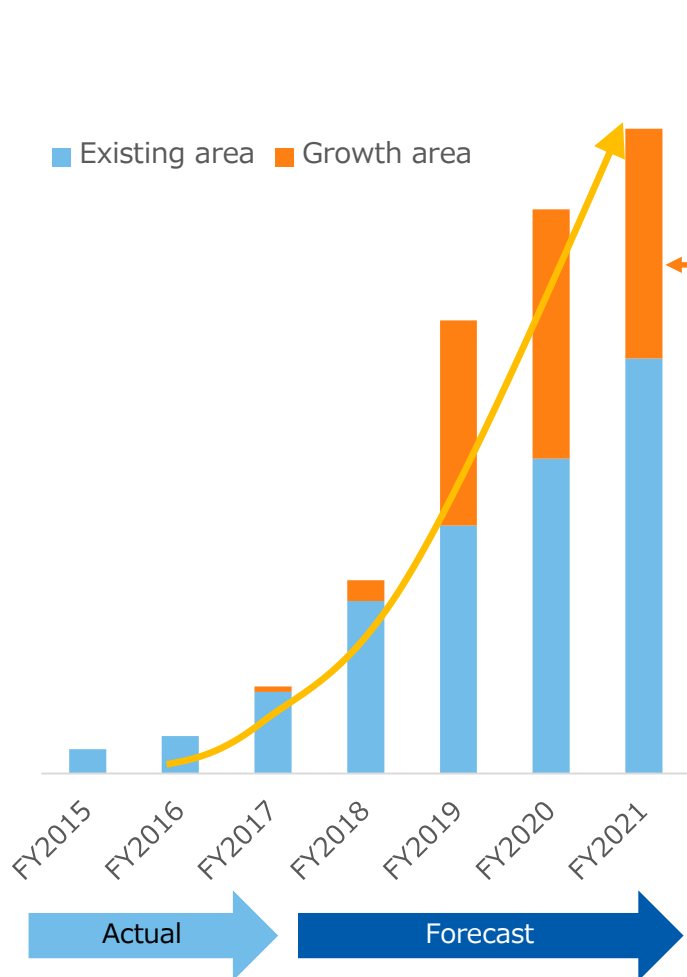


*Nippon Housou Kyoukai Business Report for FY2015

Offline(card-present) payment market

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

OP (Actual & Forecast) of GMO-FG group



EMV • cashless
Mobile payment

Compatible devices
Target

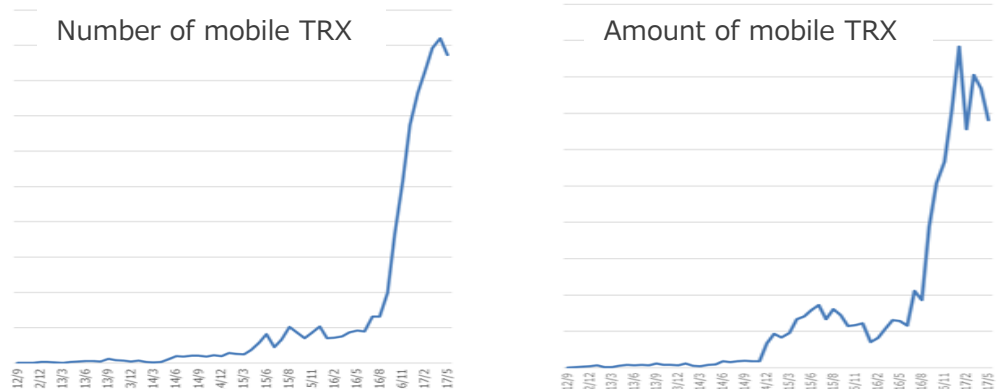
Embedded EMV terminals

without PIN with PIN with PIN

2,500K units **960K units** **200K units** **157K units**

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

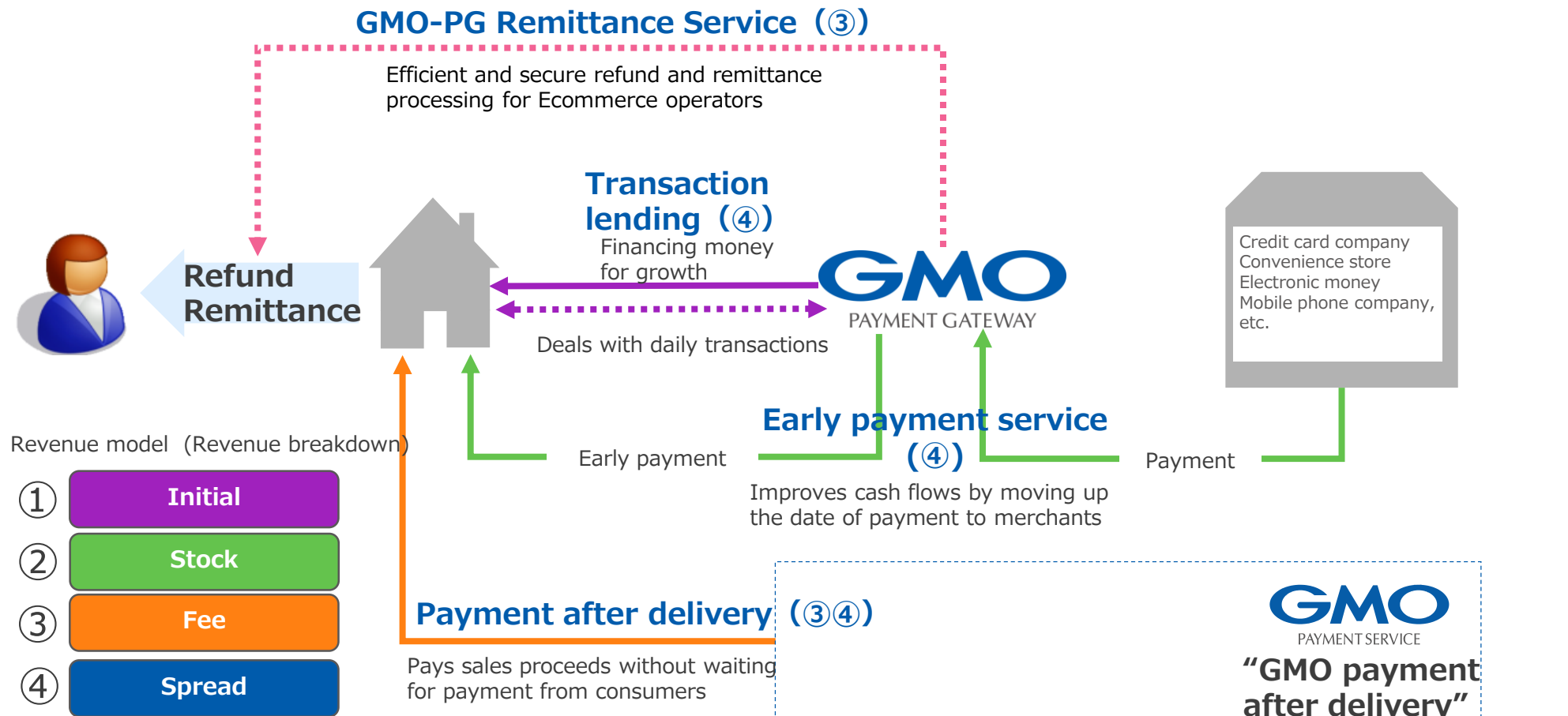
Beverage maker **Railway company** **Gas station** **Parking lot company**



Definition of Money Service Business (MSB)

Financial services that only payment processing companies can provide

Consumer Merchant GMO-PG group Payment company

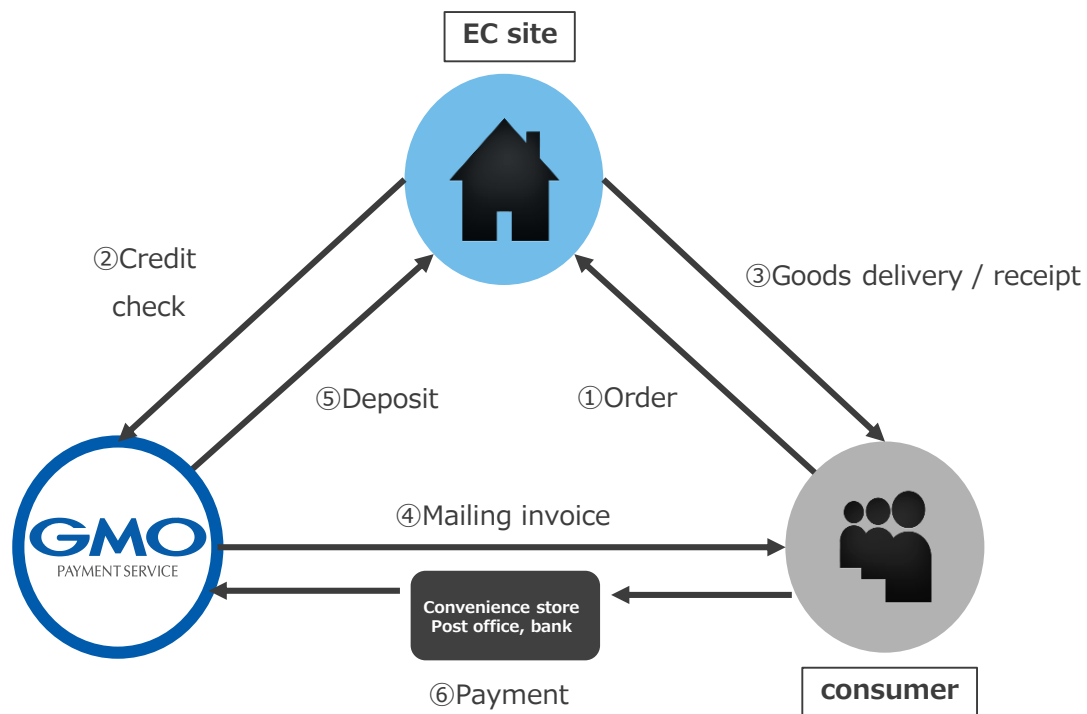


GMO Payment after delivery

Provided by GMO Payment Service, our subsidiary

No need for credit card

(Buyers can pay at post offices and CVS's after receiving goods)



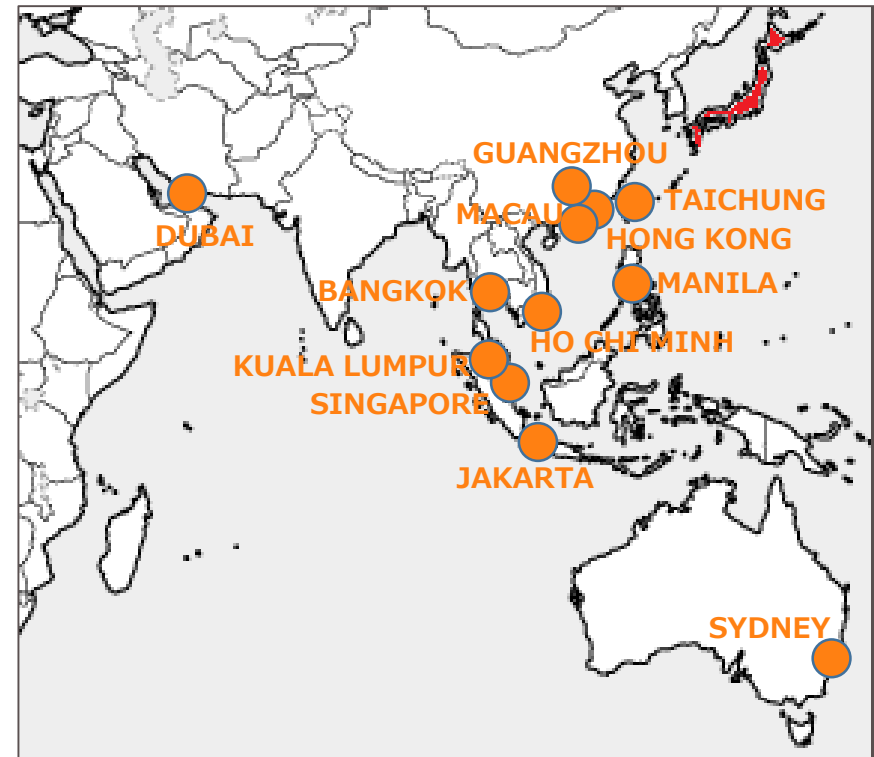
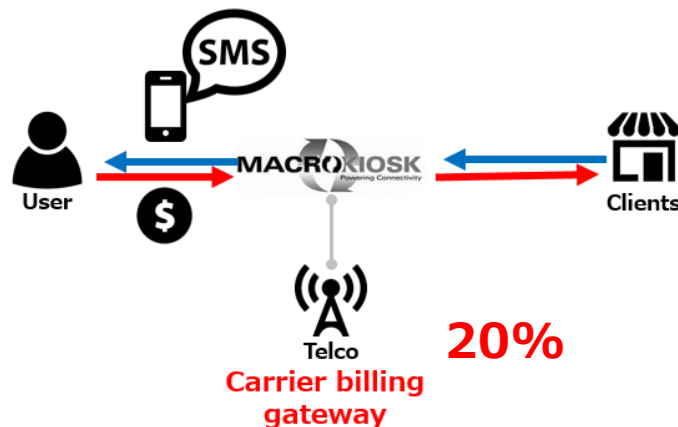
Strategies for Asia

Strategic Investment in MACROKIOSK

Company name	Macro Kiosk Berhad
Location	Malaysia and 11 countries across Asia
Headcount	231 (Malaysia:176, Asia:56)
Financial results (FY2015)	Revenue :2,338 million yen PBT :77 million yen
GMO-PG's stake	70%
Acquisition cost	Approx. 1,121 million yen
Business model	

- Advantage**
- I . Stable revenue model
 - II . Strong client base
(Banks, aviation, etc.)
 - III . Development capabilities
 - IV . Taking in talented management and staff

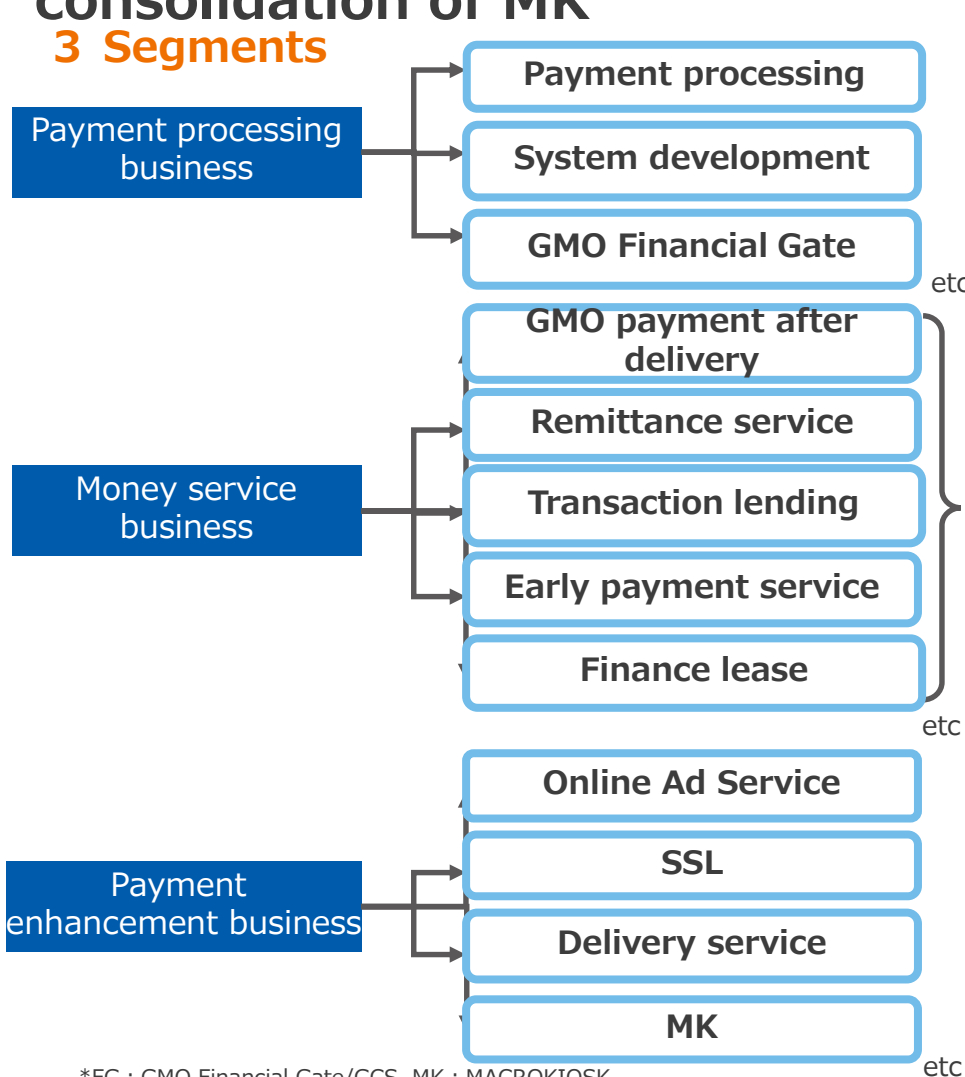
80% of the services is for financial institutions



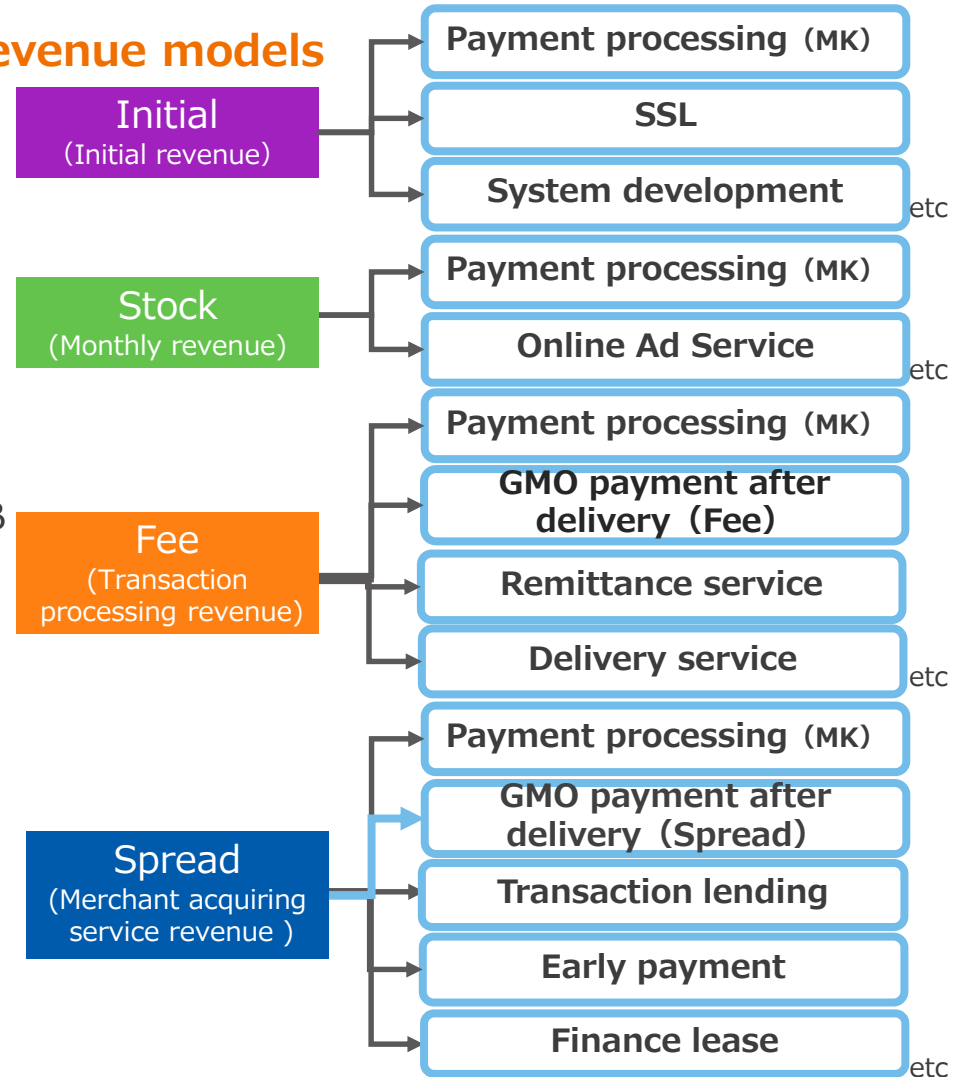
Changes in Segments and Revenue models

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

3 Segments



4 Revenue models



MSB

GMO-PG Group

GMO Payment Gateway's subsidiaries and equity affiliates

GMO Payment Gateway, Inc.

< Consolidated subsidiary >

Multiple payment (small scale)

GMO Epsilon, Inc.

(Financial results of FY2016)

Revenue : 2,242 million yen, Ordinary profit : 1,504 million yen

Payment after delivery

GMO Payment Service, Inc.

Card-present payment

GMO Financial Gate, Inc.

(As of the end of September 2016) 65.0% stake

Overseas

GMO PAYMENT GATEWAY PTE. LTD.

(Singapore)

GMO PAYMENT GATEWAY HONG KONG LIMITED

(Hong Kong, Taiwan)

GMO PAYMENT GATEWAY MALAYSIA SDN. BHD.

(Malaysia)

GMO PAYMENT GATEWAY (THAILAND) CO.,LTD.

(Thailand)

Overseas

Macro Kiosk Berhad

(As of the end of September 2016) 70.0% stake

< Equity-method affiliate >

Multiple payment

SMBC GMO PAYMENT

(As of the end of December 2016) 49.0% stake

Company outline

■ Name	GMO Payment Gateway, Inc. (3769; Tokyo Stock Exchange section-1)	
■ Date of establishment	March 1995	
■ Location	1-14-6, Dogenzaka, Shibuya-ku, Tokyo, Japan	
■ Capital stock	4,712 million yen	
■ Major shareholders	GMO Internet, Inc., Sumitomo Mitsui Banking Corporation, Issei Ainoura ,etc	
■ Members of the Board	Chairman & Director	Masatoshi Kumagai
	President & Representative Director	Issei Ainoura
	Executive Vice President	Ryu Muramatsu
	Executive Vice President	Satoru Isozaki
	Senior Managing Director	Yuichi Hisada
	Director	Yasuhiko Kimura
	Director	Tomoyuki Murakami
	Director	Shinichi Sugiyama
	Director	Yusuke Arai
	Director	Masashi Yasuda
	Director	Masaru Yoshioka
	Senior executive officer	Takeshi Yoshii
	Executive officer	Katsunari Mukai
	Executive officer	Yoshikazu Yanagishima
	Executive officer	Kazunari Taguchi
	Executive officer	Tatsuhito Muramatsu
	Executive officer	Kiyonobu Inayama
	Executive officer	Shingo Ito
	Executive officer	Yoshinori Inoguchi
	External Director	Masaya Onagi
External Director	Akio Sato	
Auditor	Yasuhiro Kanda	
Auditor	Takashi Iinuma	
External Auditor	Kazutaka Yoshida	
External Auditor	Kazuhiko Okamoto	
■ Managing underwriter	(Main) Nomura Holdings, Inc., (Sub) Mizuho Holdings, Inc.	
■ Auditor	Deloitte Touche Tohmatsu LLC	
■ Consolidated subsidiaries	GMO Epsilon, Inc. GMO Payment Service, Inc., GMO Financial Gate, Inc. GMO PAYMENT GATEWAY PTE. LTD. (Singapore), Macro Kiosk Berhad, etc.	
■ Equity affiliates	SMBC GMO PAYMENT, Inc. etc.	

(As of June,2017)