

Financial results briefing for the Q1 of FY2018

Sustainable growth through online payment expansion and a push for a cashless society

February 13, 2018

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

The 52nd 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 February 13, 2018.

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. Management goal and requirements for FY2018 and industry topics
2. Summary of financial results for Q1 of FY2018
3. Earnings forecast for FY2018
4. Future actions to implement growth strategies
5. Financial highlights
6. Reference materials

1. Management goal and requirements for FY2018 and industry topics

1.1 Management goal and requirements for FY2018

Leading a promotion and expansion of cashless payment for the development of the whole industry

■ Management goal

Ensuring a sequential growth (OP growth by 25%+)

■ Management requirements

1. Promotion for a cashless society

Promotion of business with banks

- Expansion of account transfer app
- Provision of new payment methods such as QR code payment

Taking advantage of REV Installment Sales Act to acquire large merchants/businesses

2. Profit expansion in Money Service Business

GMO payment after delivery and early payment

Lending to overseas entities in our sights

3. Reinforcement of global strategies

Implementing strategies to lift profit after 2020 (core: MACRO KIOSK)

1.2 Industry topics

Our position regarding recent industry news

Our actions / what these mean to us



REV Installment Sales Act to be in place from June 1, 2018

- GMO-PG addressing security measures and merchant examinations mandated under the Act
- GMO-FG promoting IC-compatible terminals in card-present payment



Worldpay partners with Klarna for credit payment in 6 European countries

Credit payment also from India's mobile payment "Paytm"

- Working to scale up and improve margin of GMO payment after delivery to potentially take it overseas



Mobile carriers enter QR code payments through mobile phones

- Supporting its penetration in JPN for a cashless society with our know-how



Various worldwide events surrounding cryptocurrencies

- Our payment transaction volume climbs with bigger cryptocurrency volatility

2. Summary of financial results for Q1 of FY2018

2.1 Business performance

Promising start with OP +28.7% and transaction value +36.1%

(million yen)	Q1 FY2017 (actual)	Q1 FY2018 (actual)	YoY change
Revenue	4,826	6,098	+26.4%
Operating profit	1,238	1,594	+28.7%
Profit attributable to owners of parent (Net profit)	609	860	+41.1%
EBITDA ^{*1}	1,389	1,818	+30.9%

*1 EBITDA=OP + Depreciation

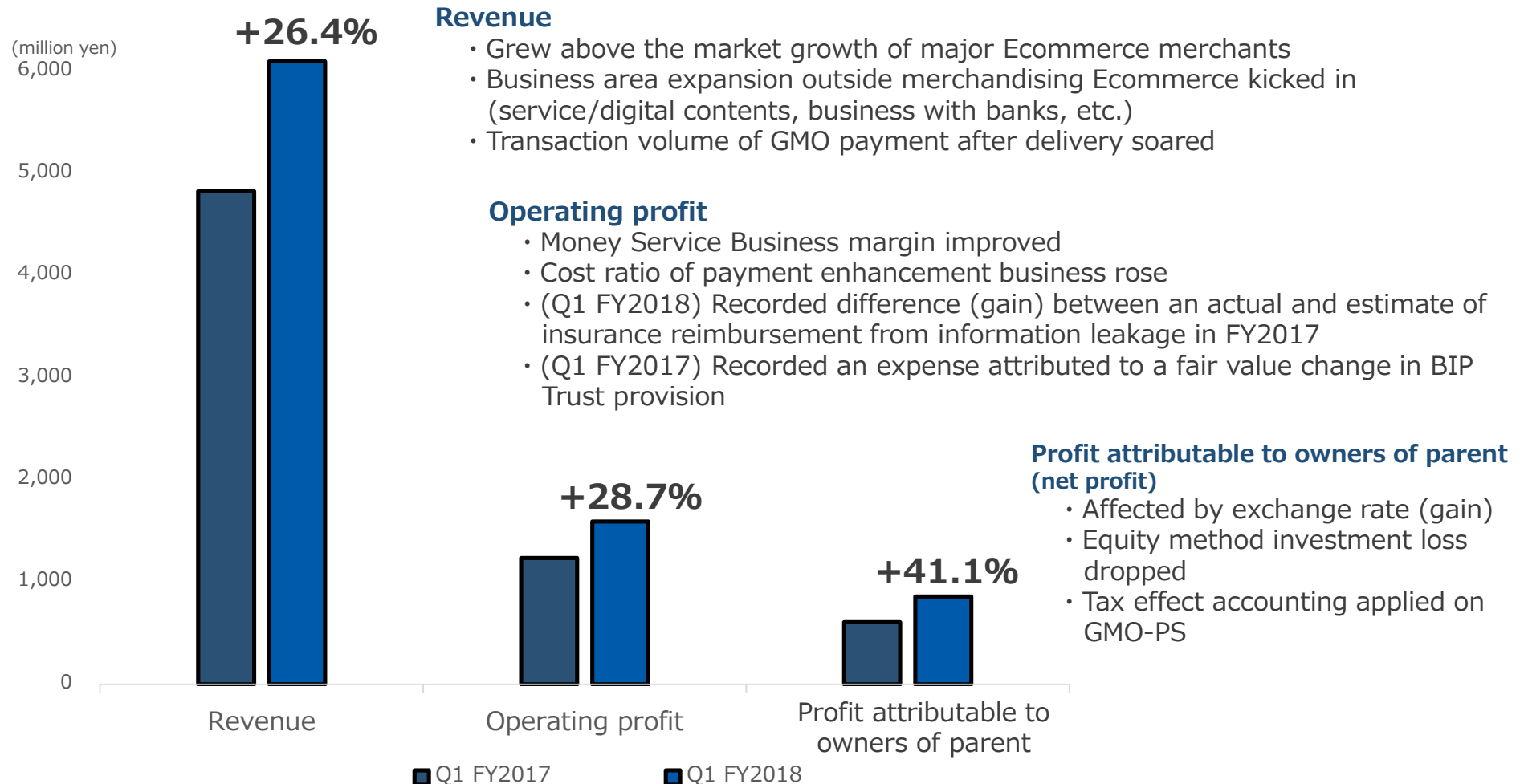
	Operating stores (end of Q1)	Transaction value (Q1)	Transaction volume (Q1)
KPI	86,136 ^{*2} (+5.1%)	770 billion yen (+36.1%)	313 million (+25.9%)

Card-present payment not included. Figures in brackets represent year-on-year change.

*2 Growth rate slowed down after an end of a service by our partner sent a batch of merchants idled (+19.5% net of this factor)

2.2 Factors that affected the cumulative results

Financial statements disclosed under IFRS from Q1 FY2018



*GMO-PS: GMO Payment Service, Inc.

2.3 Revenue/OP by segment

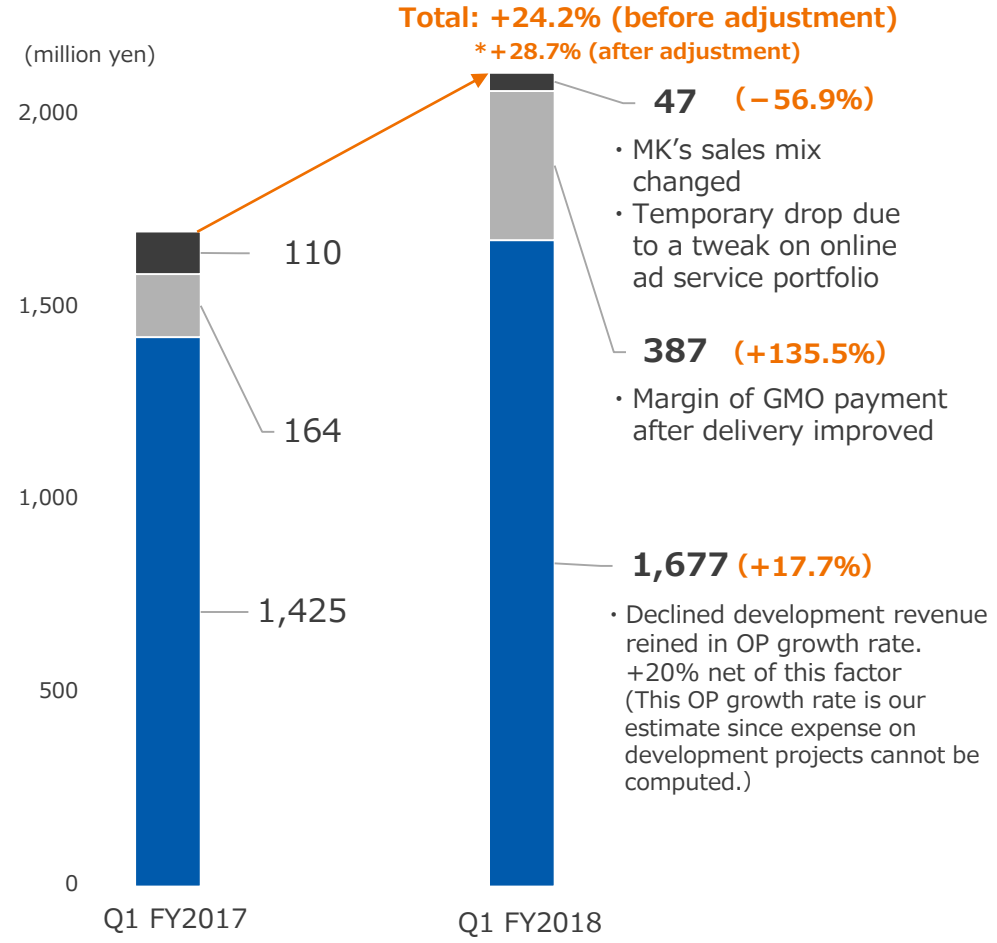
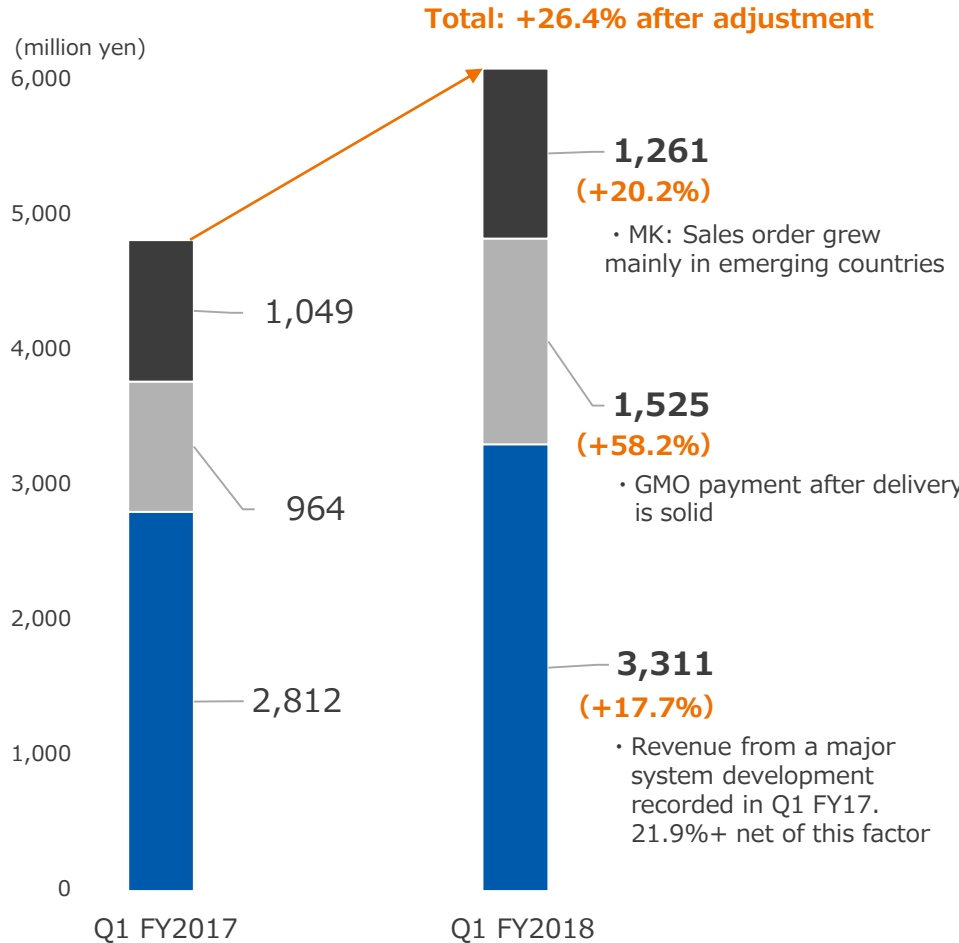
Payment processing business OP +20% (real-term)

Money Service Business OP +135%

*** () represents year-on-year change**

■ Revenue by segment

■ OP by segment (before consolidation adjustment)

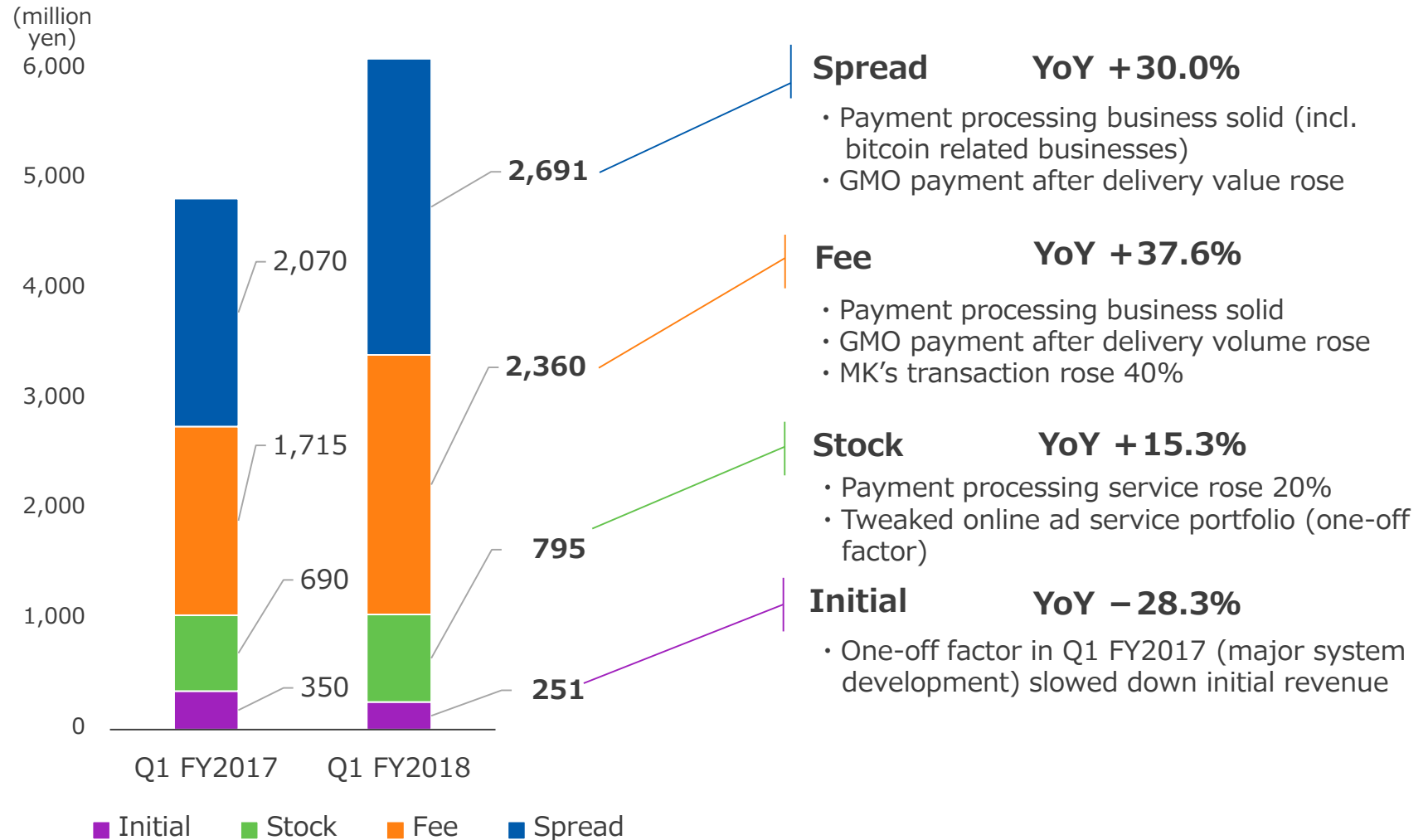


■ Payment processing ■ MSB ■ Payment enhancement

■ Payment processing ■ MSB ■ Payment enhancement

2.4 Revenue breakdown by business model

Fee and spread solid with higher transaction value and volume



*MK: Macro Kiosk

3. Earnings forecast for FY2018

3.1 Full-year forecast

Released IFRS-based forecast; targeting OP growth of 54%

■ FY2018 ending September 2018

(Unit: million yen; % represents change vs. previous year)

(million yen)	<u>FY2017</u> (actual)	<u>FY2018</u> (forecast)	<u>Change</u> *2	<u>Cumulative</u> <u>Q2 FY2018</u> (forecast)
Revenue	21,054	26,107	+24%	11,967
Operating profit (JGAAP)	4,205 (5,015) *1	6,475 (6,269)	+54% (+25%)	3,011
Profit attributable to owners of parent	2,599	3,933	+51%	1,825
Full-year dividend	40.0 yen	49.0 yen	+9.0 yen	-

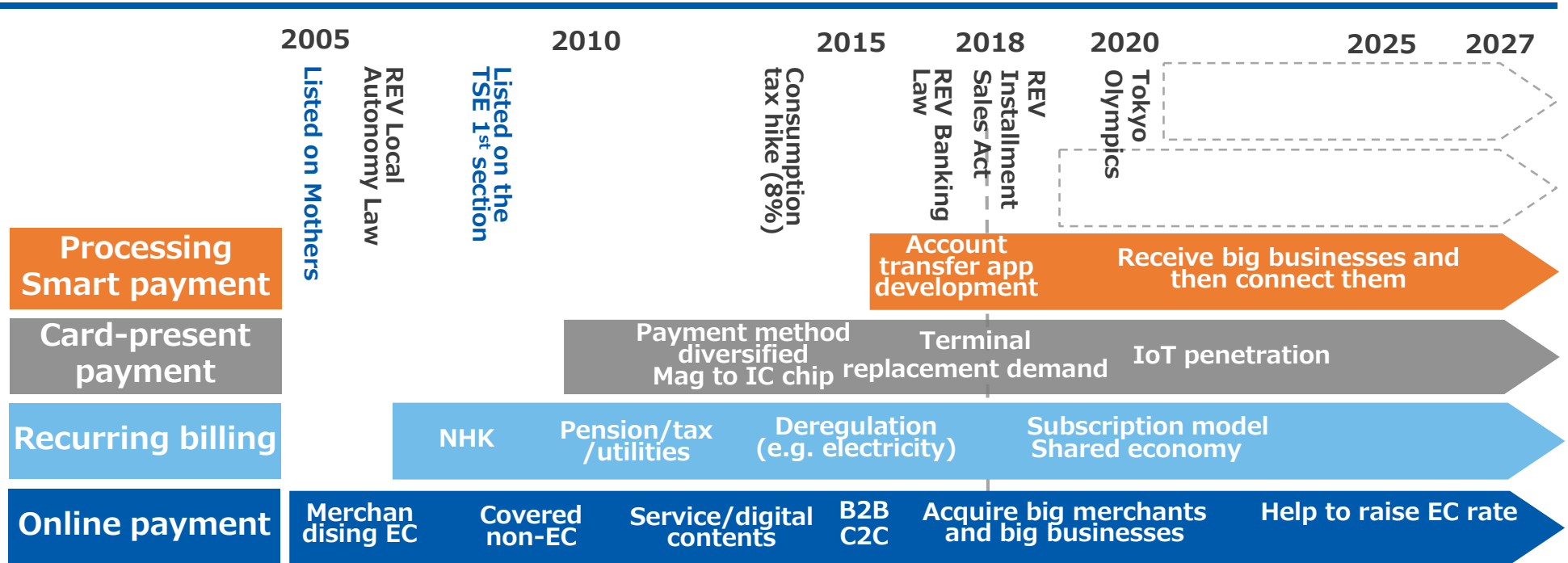
*1 Gap between JGAAP and IFRS: largely due to a fair value change in BIP Trust provision (SG&A upped in FY2017)

*2 Changes are pre-audit figures

YoY changes are omitted on summary of consolidated financial statements, etc. since IFRS adoption started in FY2018.

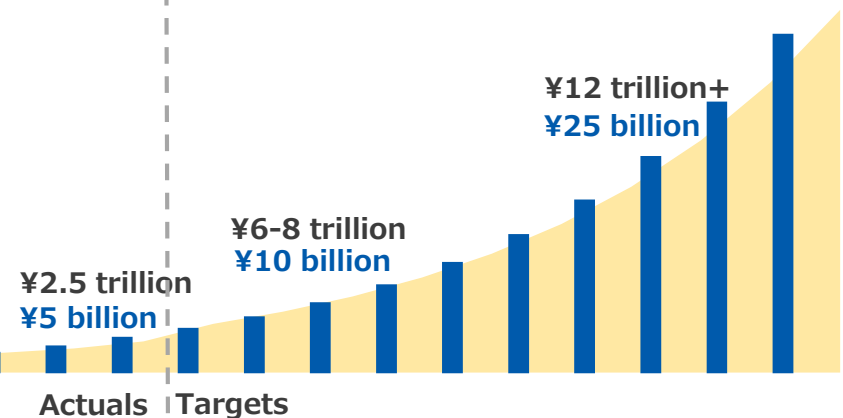
4. Future actions to implement growth strategies

4.1 Business expansion around cashless payment



Cashless payment ratio	2015	→	2027
	18%		40%
B2C EC market	2016	→	2020
	¥15 trillion		¥25 trillion (estimate)

Transaction value
Operating profit

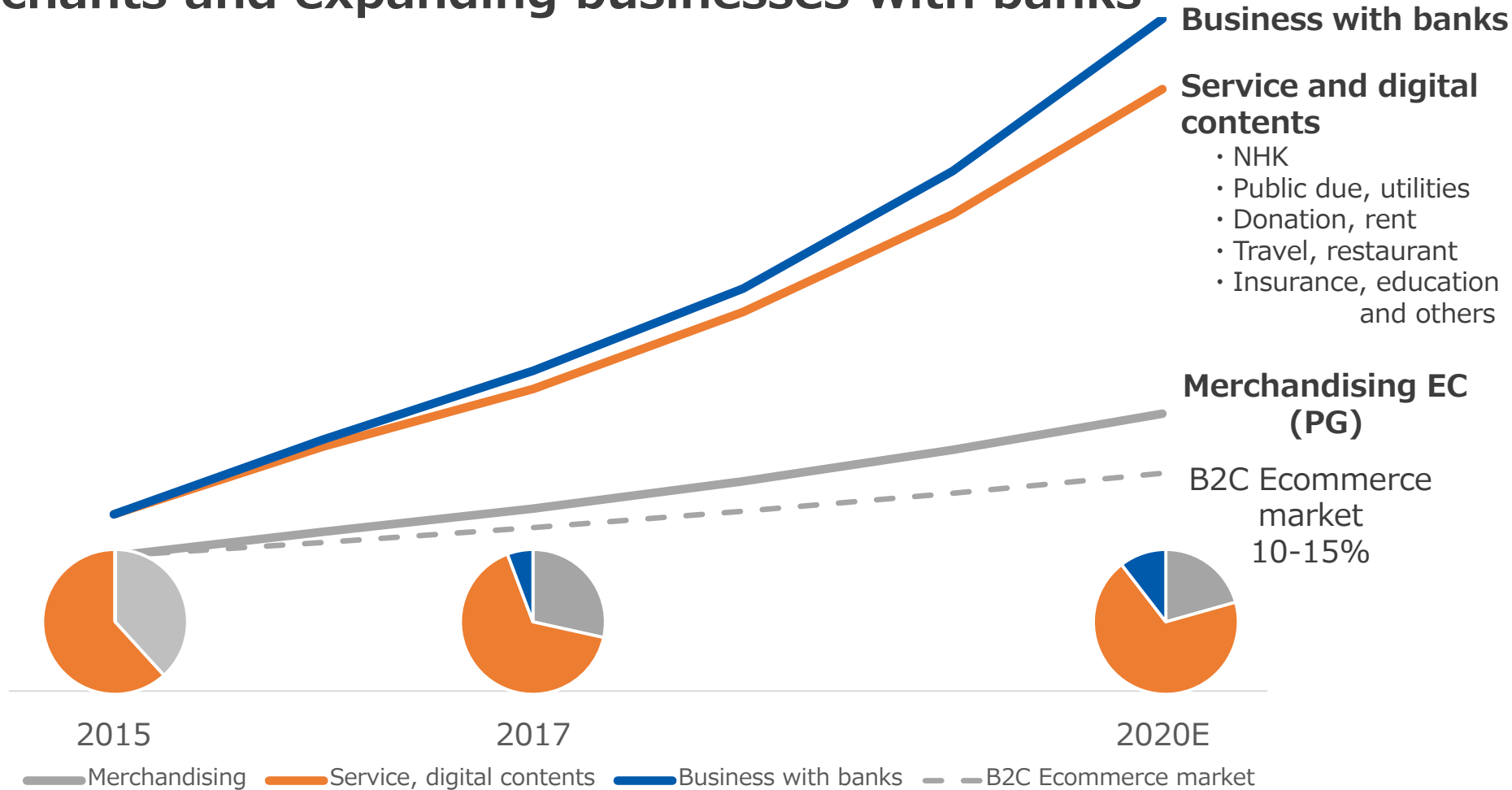


*Ministry of Economy, Trade and Industry "FinTech vision"

*Ministry of Economy, Trade and Industry "FY2016 Building infrastructure for information- and service- oriented Japanese economy and society (Ecommerce market survey)"

4.2 Payment processing business: customer base diversification

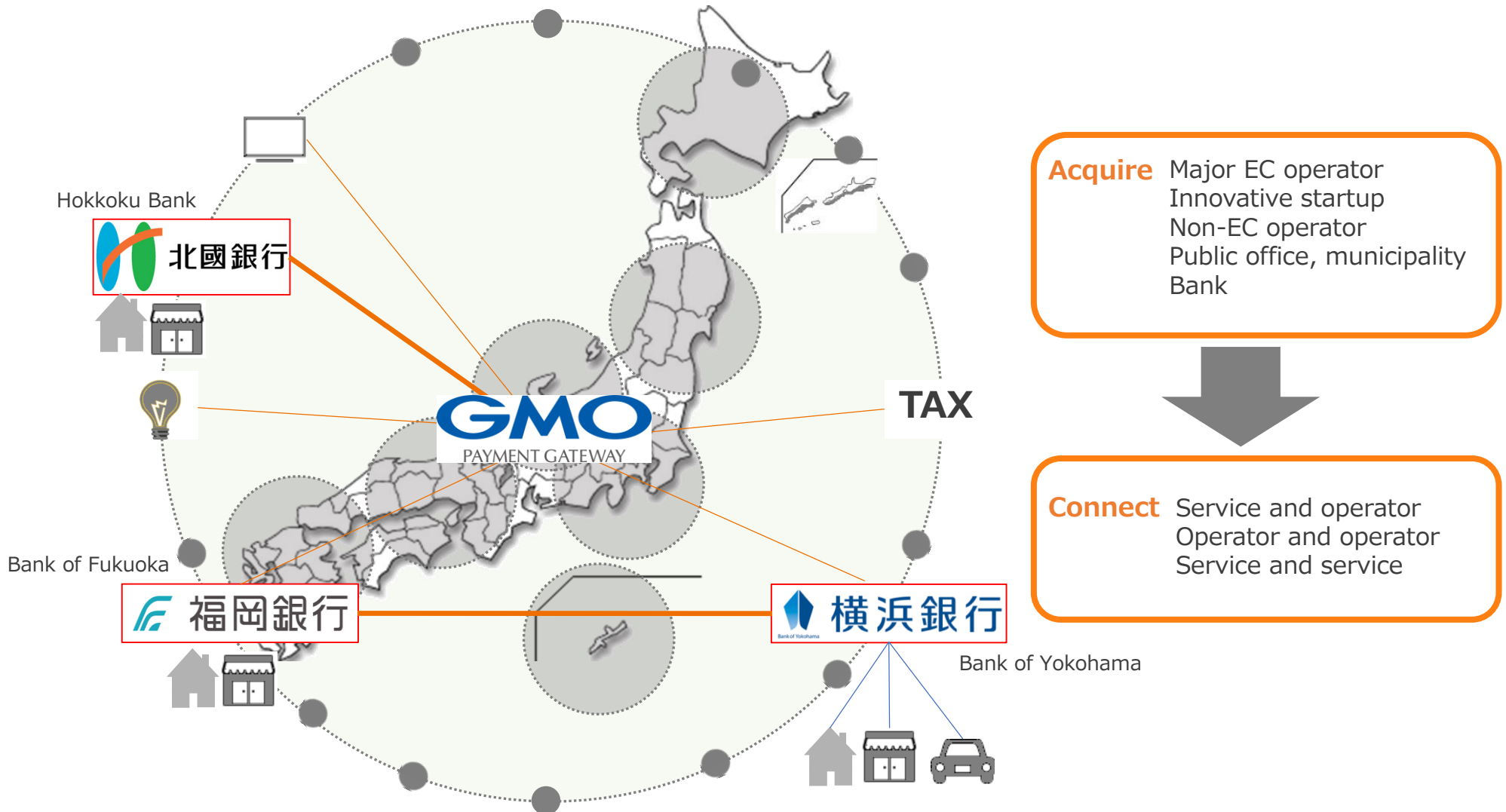
Far outpacing market growth by taking in major/growing merchants and expanding businesses with banks



*Revenue mix from PG's top 100 merchants (excl. finance lease, agent and others)
Share of agent and others in PG's top 100 merchants is approx. 30% 2020E: target

4.3 Payment processing business: processing and smart payment

Drive cashless payments by “acquiring” and “connecting”



4.4 Payment processing business: card-present payment

Taking in cashless payment/inbound demand
Full-fledged deployment of IoT services

EMV and cashless-payment compatible terminals

Spread of cashless payments in workplace commerce

Compatible terminals

Embedded EMV terminals

with PIN	with PIN	with PIN	without PIN
ingenico GROUP		ingenico GROUP	NAYAX
Railway companies	Gas stations	Parking lot companies	Beverage makers
960Kunits	200Kunits	1,570Kunits	2,500Kunits

Employee card payment

Ito-En

Resona debit payment

Employee card payment data
Debit payment data
Purchase data

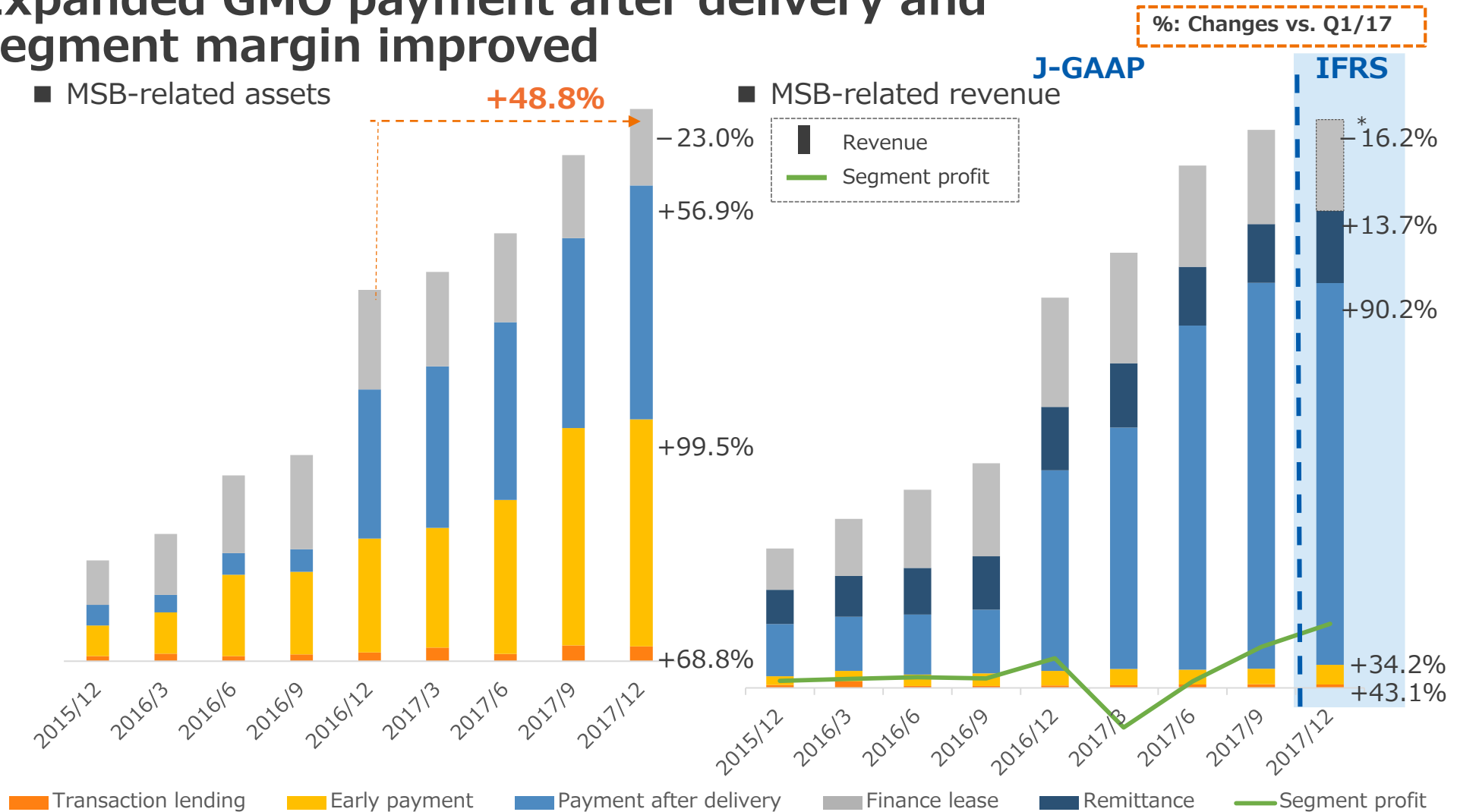
GMO FINANCIAL GATE

リそな銀行 RESONA

These illustrations do not necessarily imply plans of future implementations.

4.5 Money Service Business (MSB)

Expanded GMO payment after delivery and segment margin improved



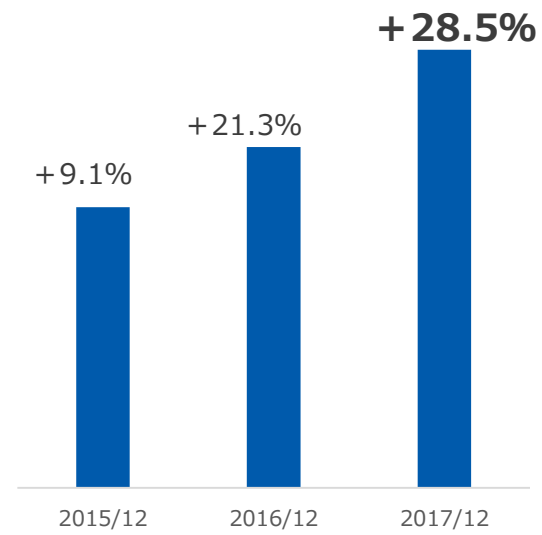
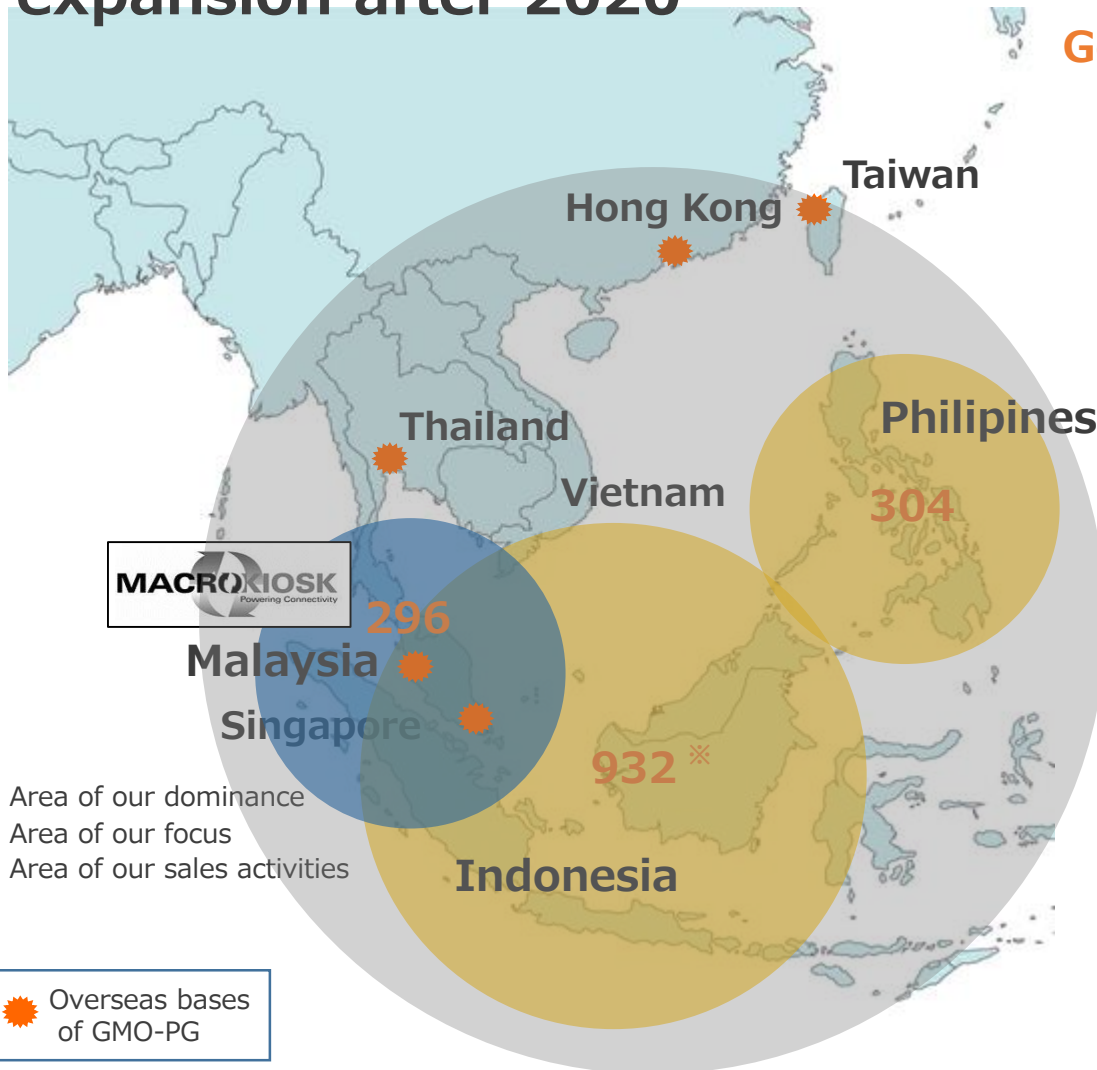
*Q1 bar of finance lease is for YoY comparison purpose only

(This revenue is recorded in net figure under IFRS; This data was computed against the conventional standard)

4.6 Overseas strategies: Payment enhancement business (MACRO KIOSK)

Our topline-weighted approach on track toward profit expansion after 2020

Going after scale first, and then profit on track to stretch profit after 2020



MACRO KIOSK accelerated revenue growth after joining our Group in August 2016

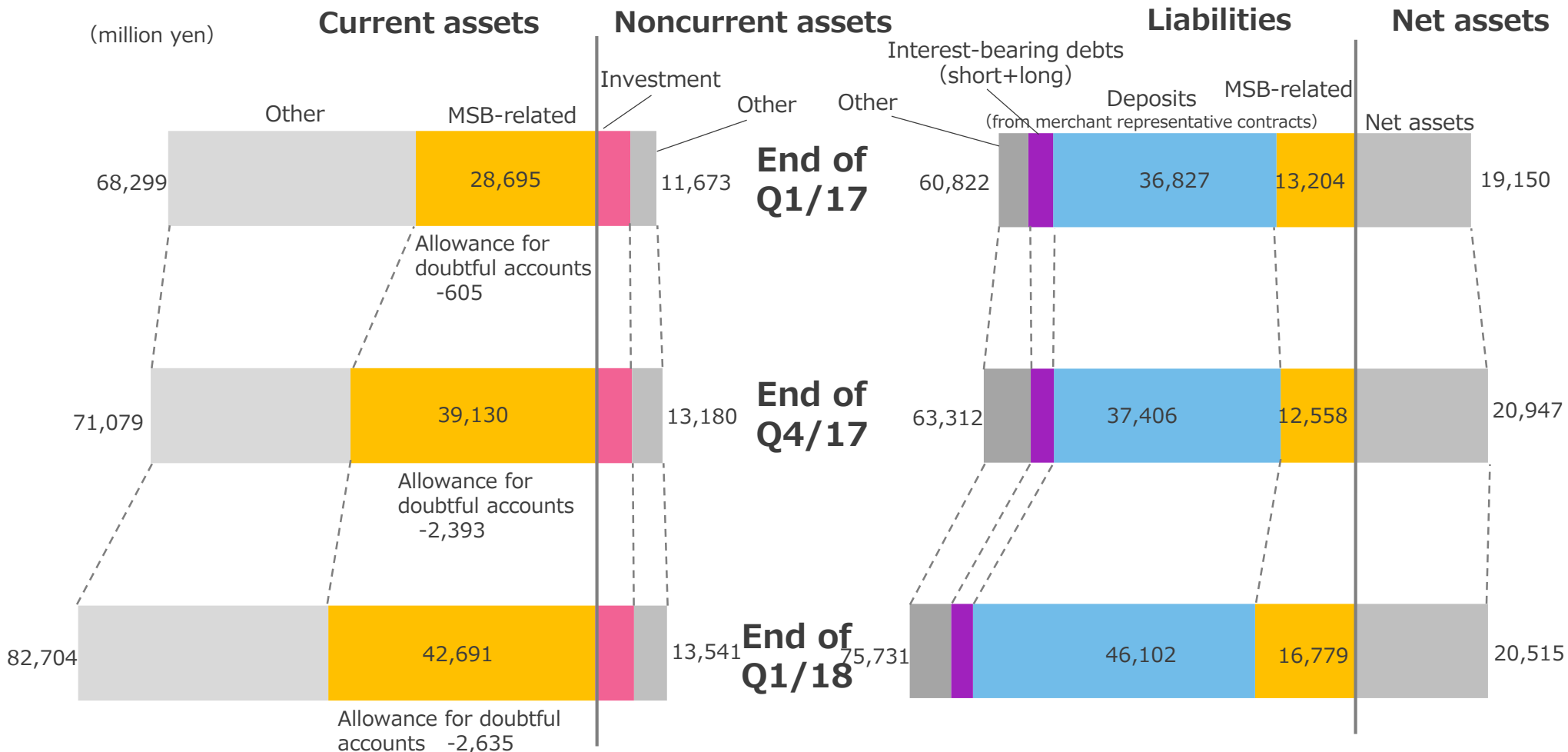
Progress in Q1

- Expanded with a focus on high-GDP countries
- Mainstay authentication and notification service upped 40% YoY with an advancement in acquisition of super-major customer in an area of our focus

5. Financial highlights

5.1 Changes in our balance sheet

Deposits received and MSB-related assets increased



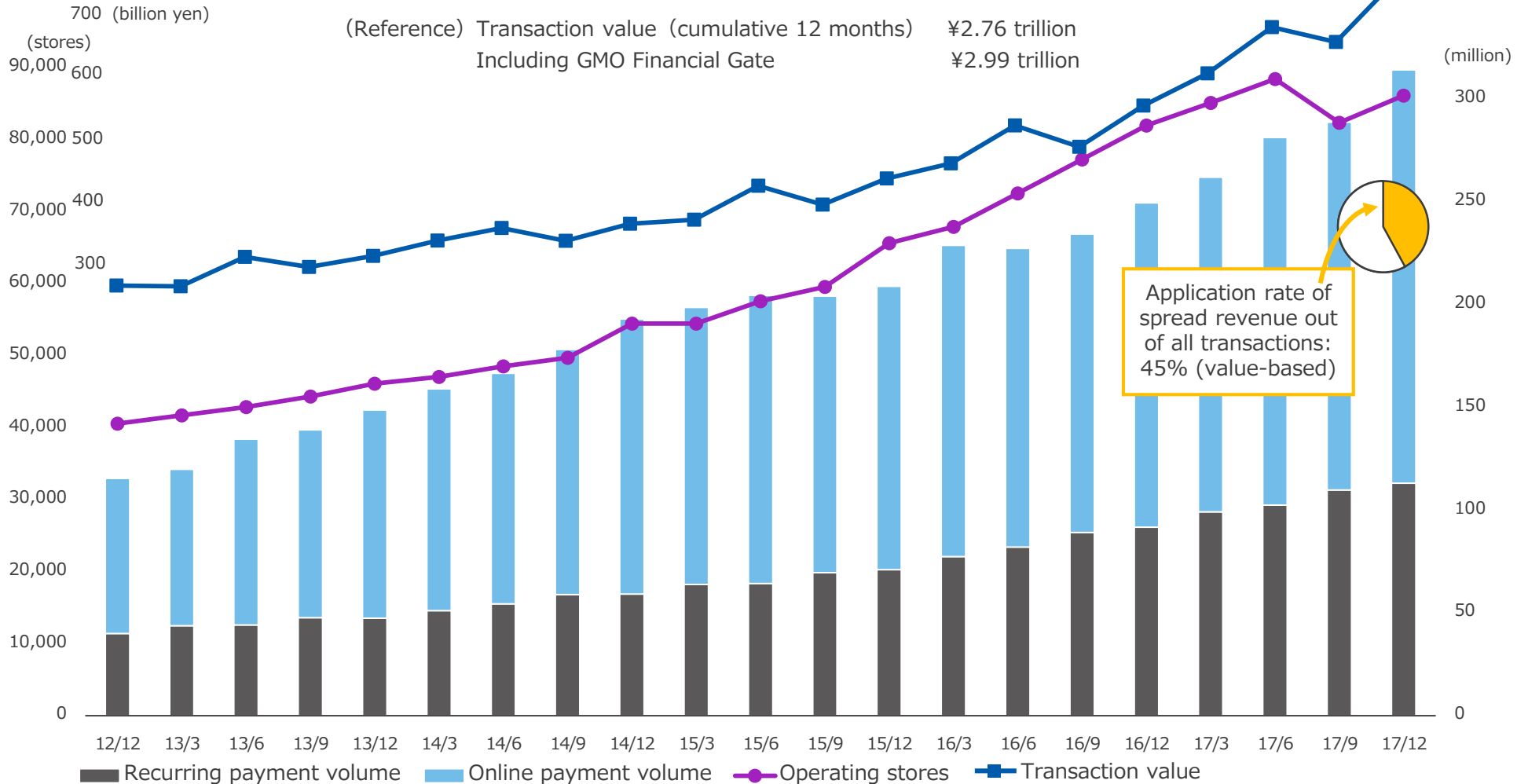
*MSB-related assets: lease receivable, short-term loans receivable, advance payments-trade and accounts payable-other

*MSB-related liabilities: accounts payable-other

5.2 Major KPIs (Quarterly)

Annual transaction value reaches ¥3 trillion

Operating stores: 86,136; Transaction: ¥770 billion (value), 313 million (volume)



*17/9 operating store number dropped QoQ due to a batch of merchants going idled in response to the end of a service of a partner

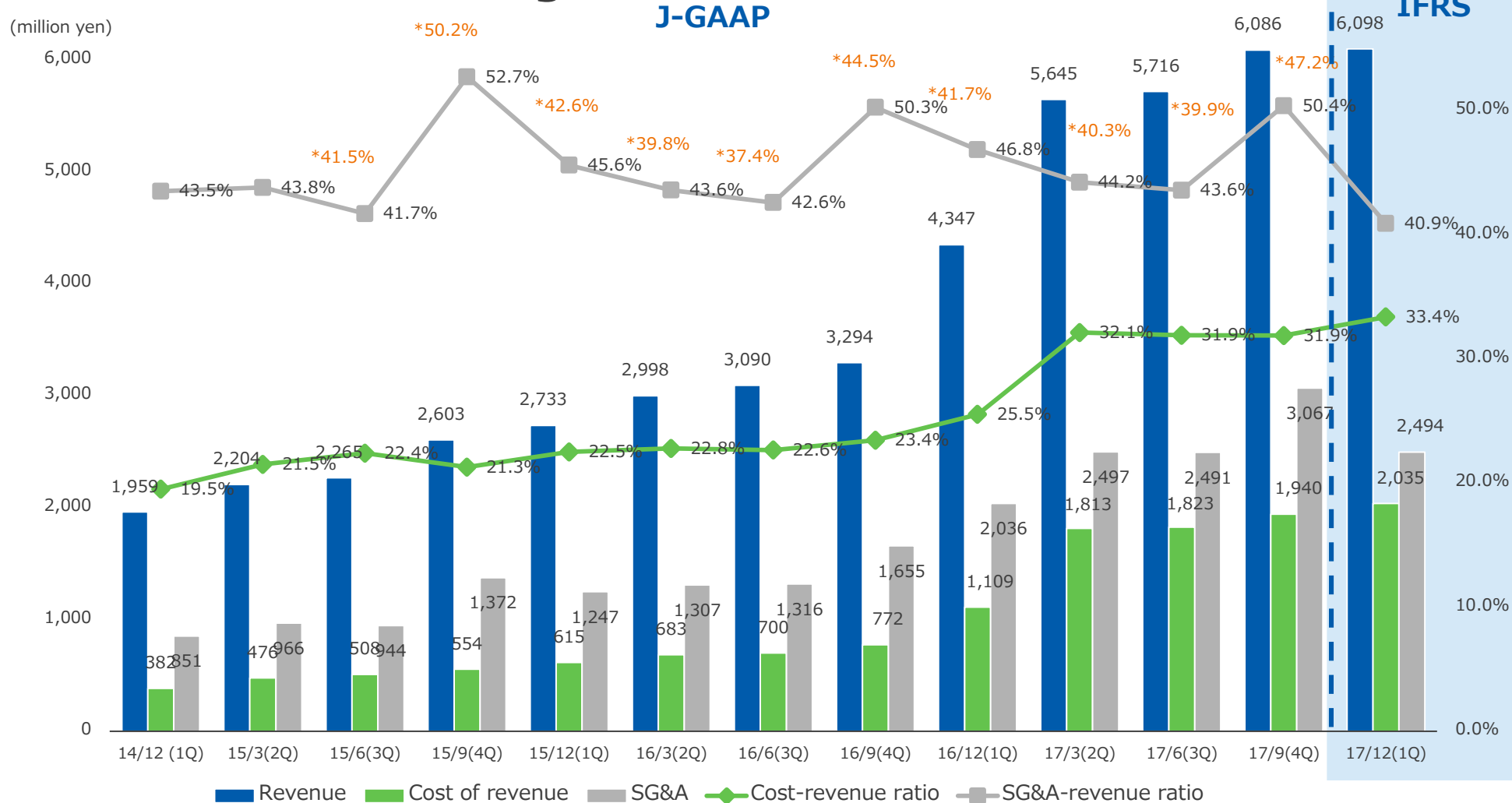
*Number of operating stores represents end-of-quarter figure, transaction value/volume represents figure during quarter

6. Reference materials

6.1 Cost of revenue ratio/SG&A ratio (Quarterly)

Cost of revenue ratio changed due to sales mix change

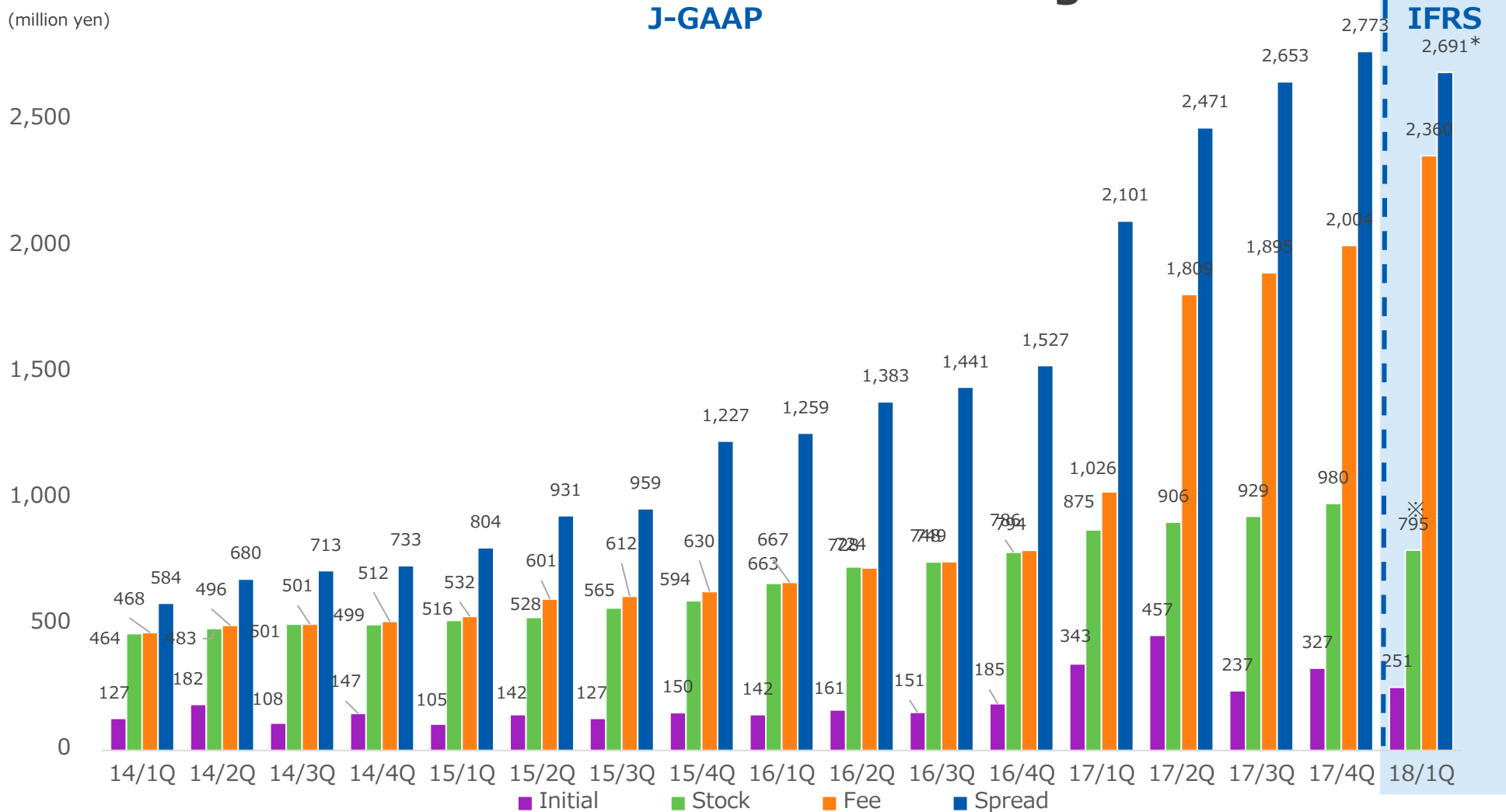
*Figures with asterisk do not take into account outsourcing expense
Not included in SG&A under IFRS from Q1/18



6.2 Revenue breakdown (Quarterly)

Revenue of some services recorded in net figure under IFRS

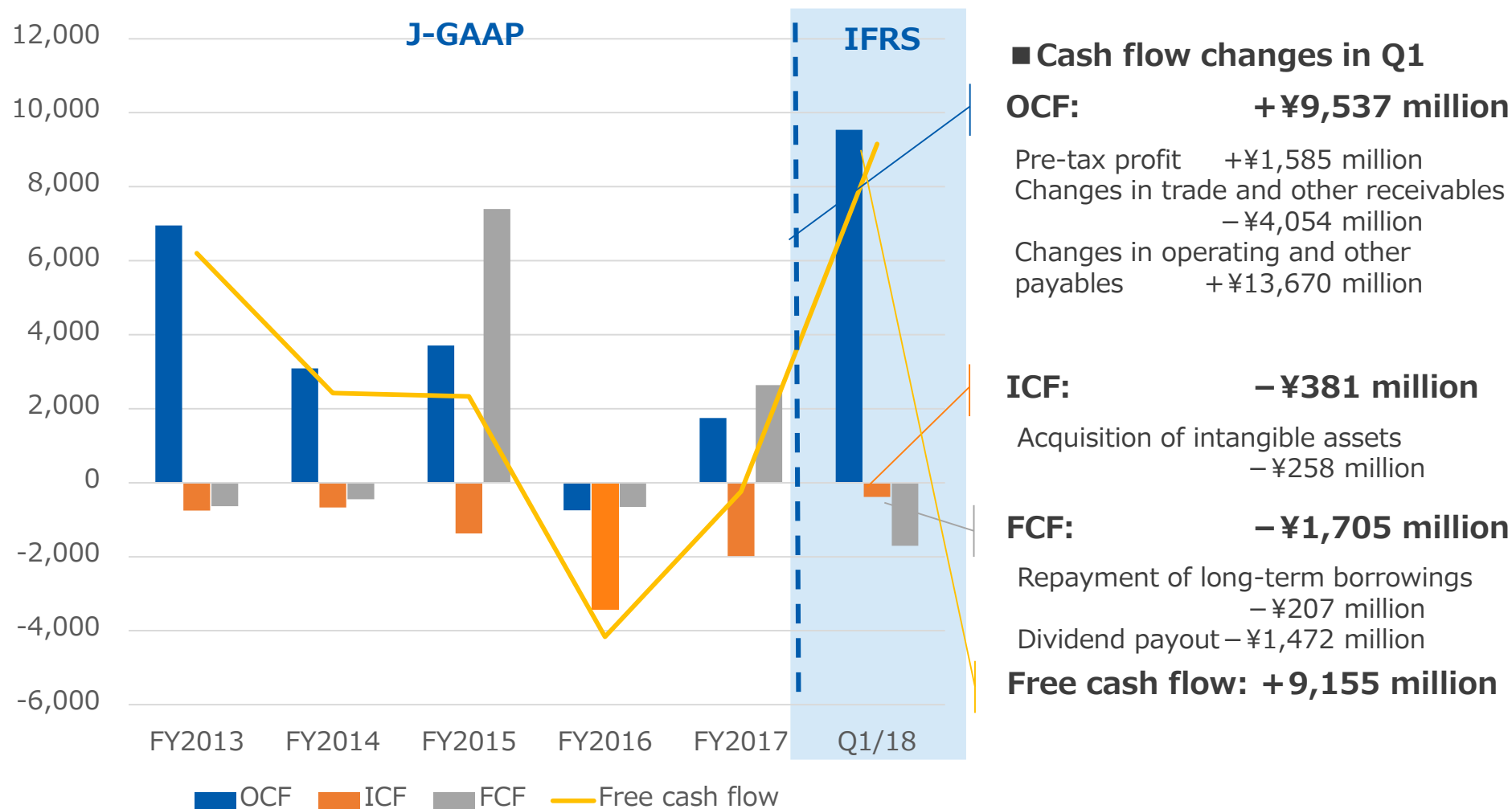
(million yen)



*Revenue of online ad service (stock) and finance lease (spread) are now recorded on a net basis on transition to IFRS

6.3 Consolidated cash flows

Positive OCF with earnings and deposit growth



Thank you very much!

GMO PAYMENT GATEWAY

GMO Payment Gateway Inc.
(T S E : 3 7 6 9)

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

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

Investor relations office TEL:+81-3-3464-0182