

Supplementary information

Financial results briefing for the Q2 of FY2018

May 11, 2018

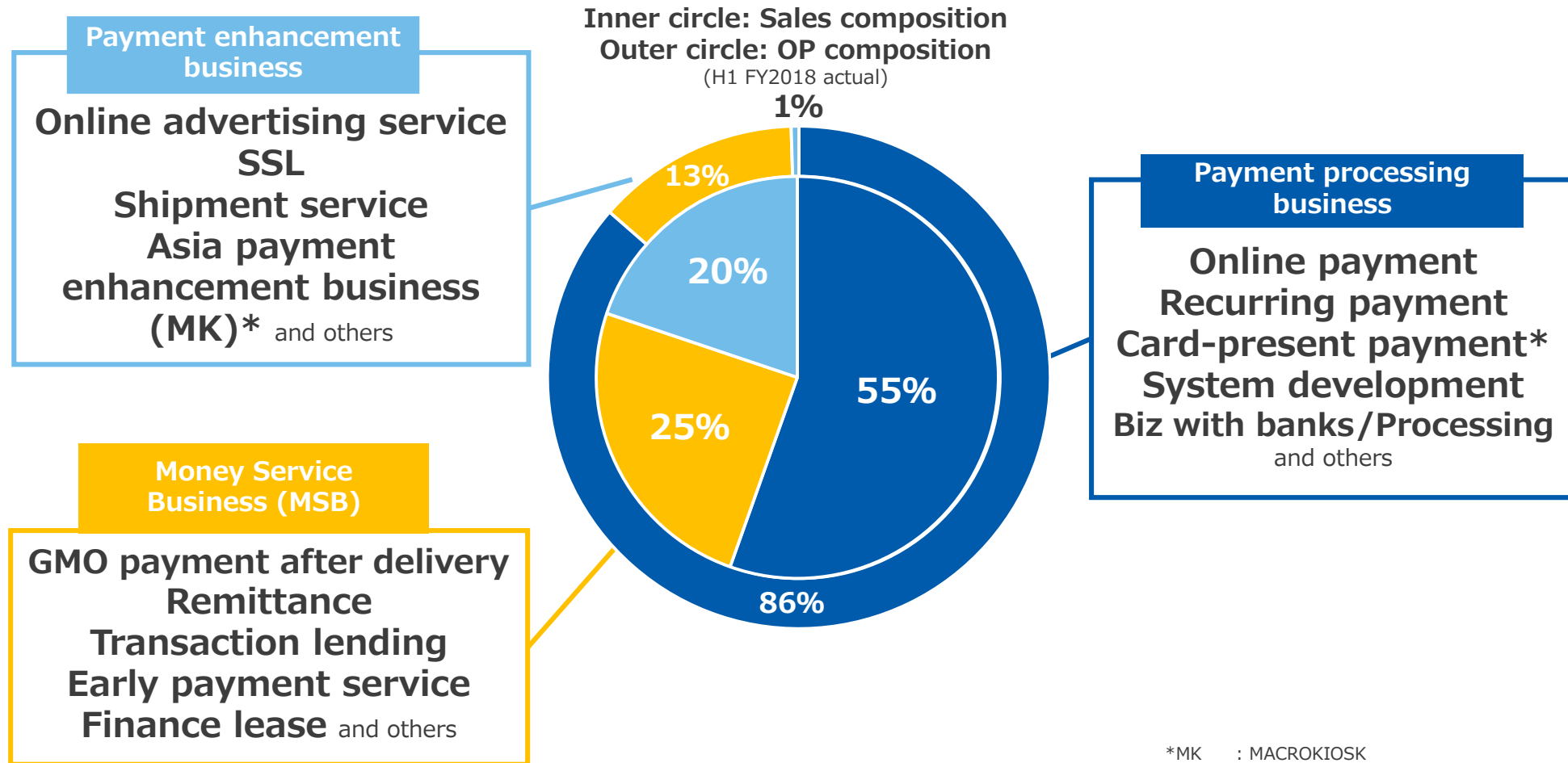
GMO Payment Gateway, Inc.
(3769: Tokyo Stock Exchange section - 1)

GMO PAYMENT GATEWAY

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

Three business segments

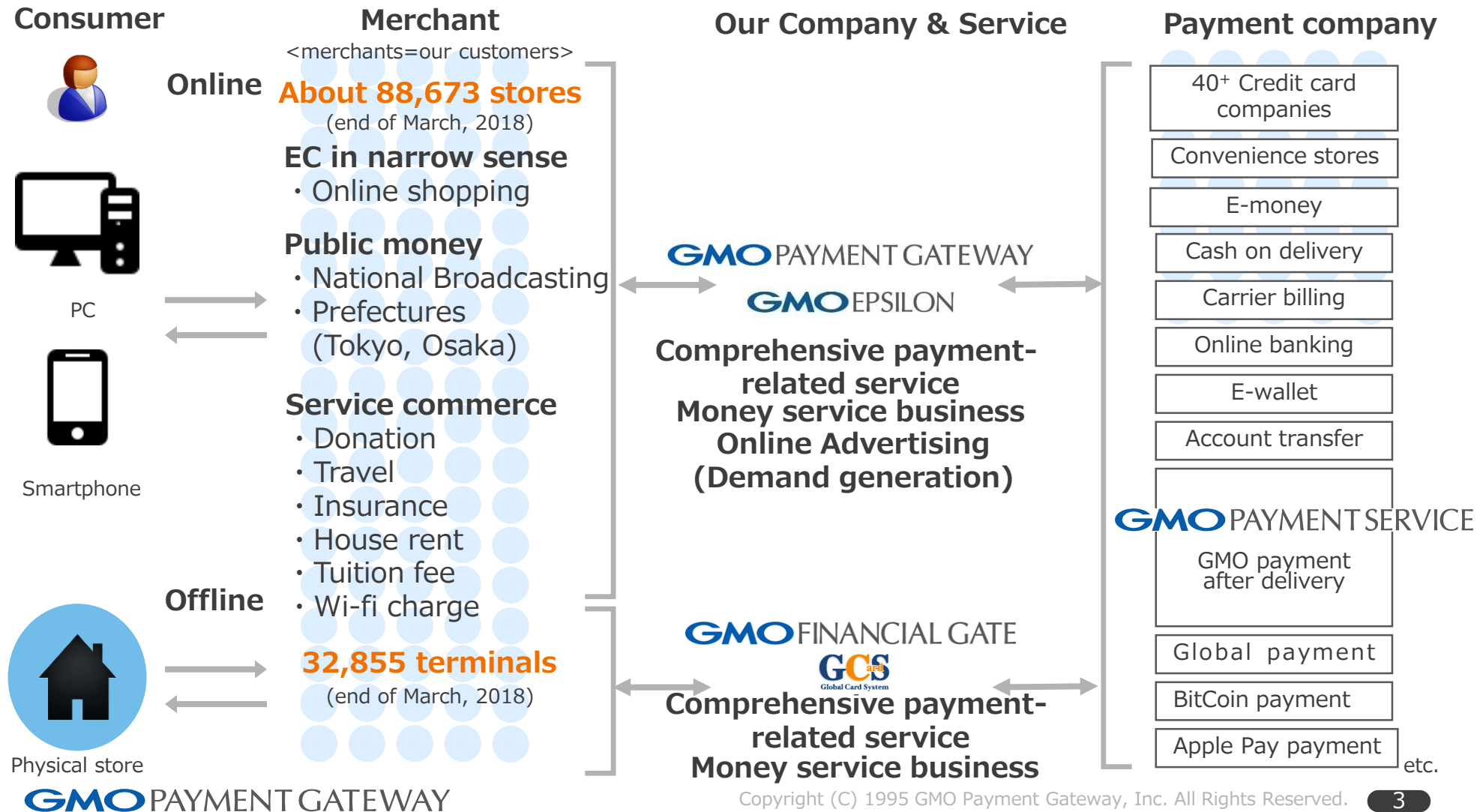
Continuing 25% OP growth based on payment processing and peripheral businesses



*MK : MACROKIOSK
 GMO-FG: GMO Financial Gate, Inc.

Business outline - The role of our group

We connect merchant and payment company in contract, payment information and money flow



Revenue structure of credit card payment

Revenues determined by merchant scale

■ Our four revenue types

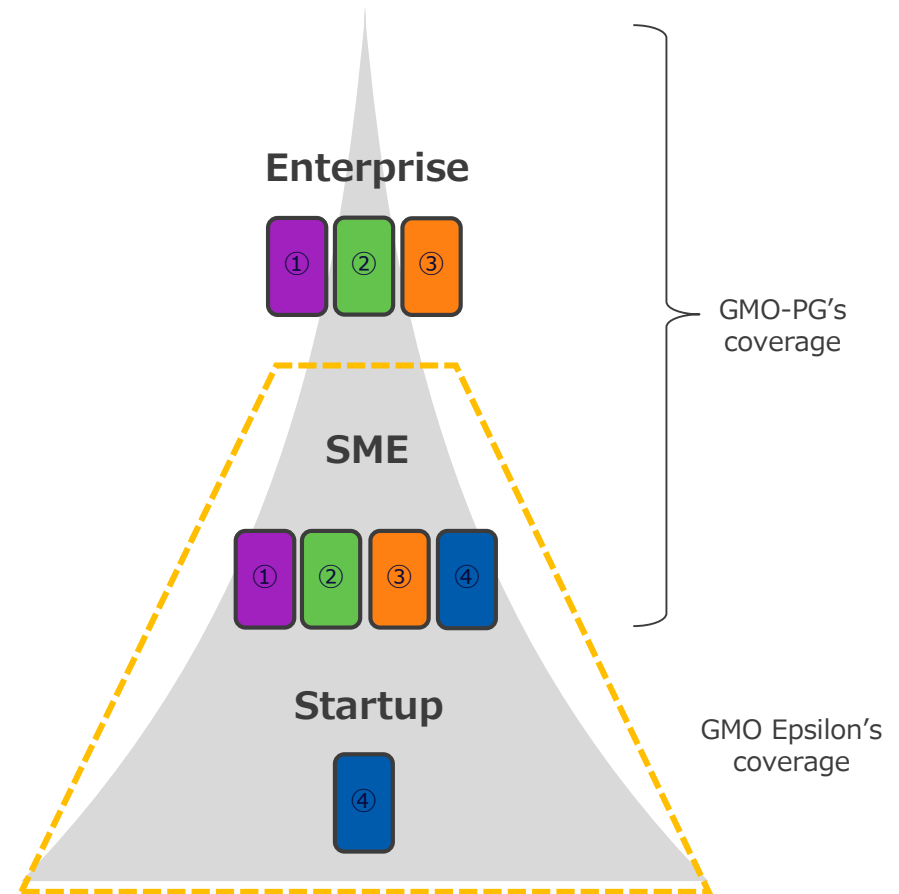
① Initial (Initial revenue)
Initial introduction fees
Coefficient: Number of new merchants acquired
Revenue: Number of new merchants acquired
× _Yen (at the time of introduction)

② Stock (Monthly revenue)
Customer support and maintenance fee
Coefficient: Number of merchants
Revenue : Operating merchants × _Yen

③ Fee (Transaction processing revenue)
Fee based on transaction volume
Coefficient: Number of payments processed
Revenue : Number of payments processed
× _Yen

④ Spread (Merchant acquiring service revenue)
Fee based on transaction value
Coefficient: Amount of payments processed
Revenue : Amount of payments processed
× _%

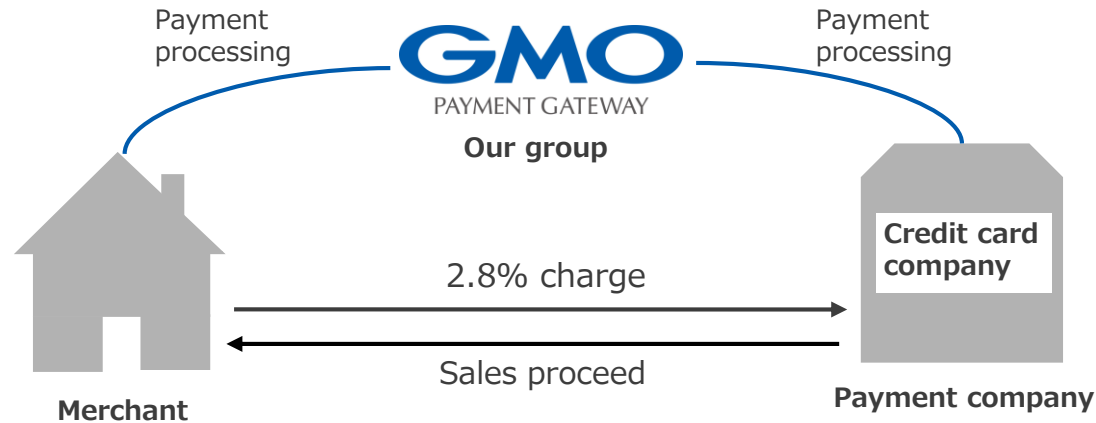
■ Revenues by merchant size



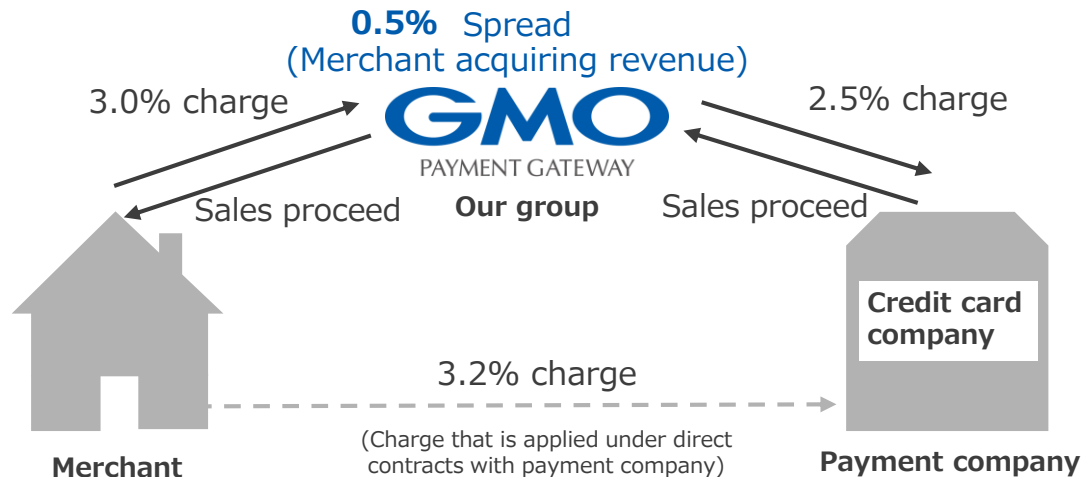
Two types of contracts

We introduced a new contract system and changed the flow of sales proceed

Direct contract
mainly for large companies



Representative contract
mainly for SME's

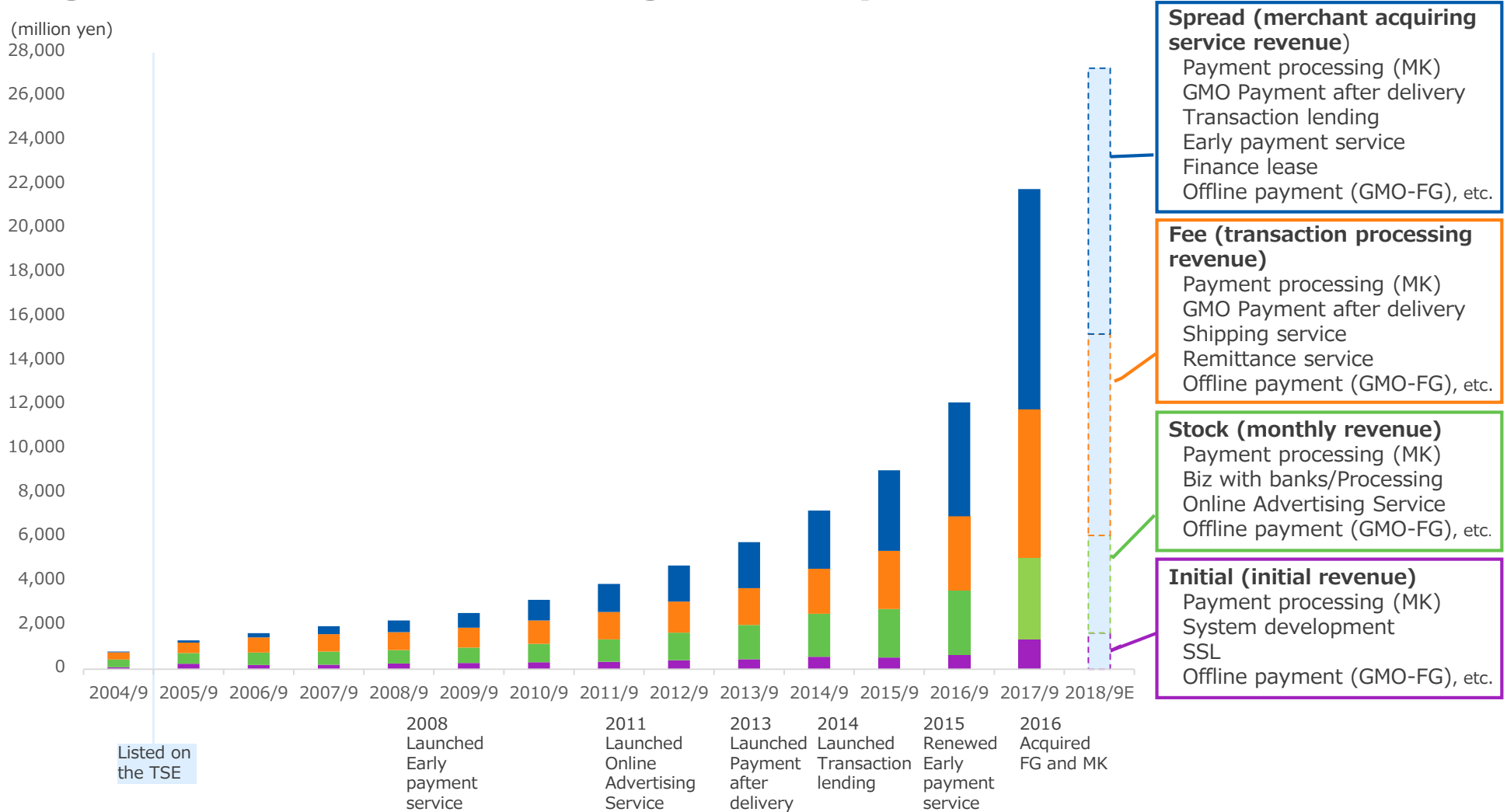


*Numbers are provided for illustration purposes only.

← Flow of sales proceed/charge

Revenue breakdown

Target a balanced revenue growth by various initiatives

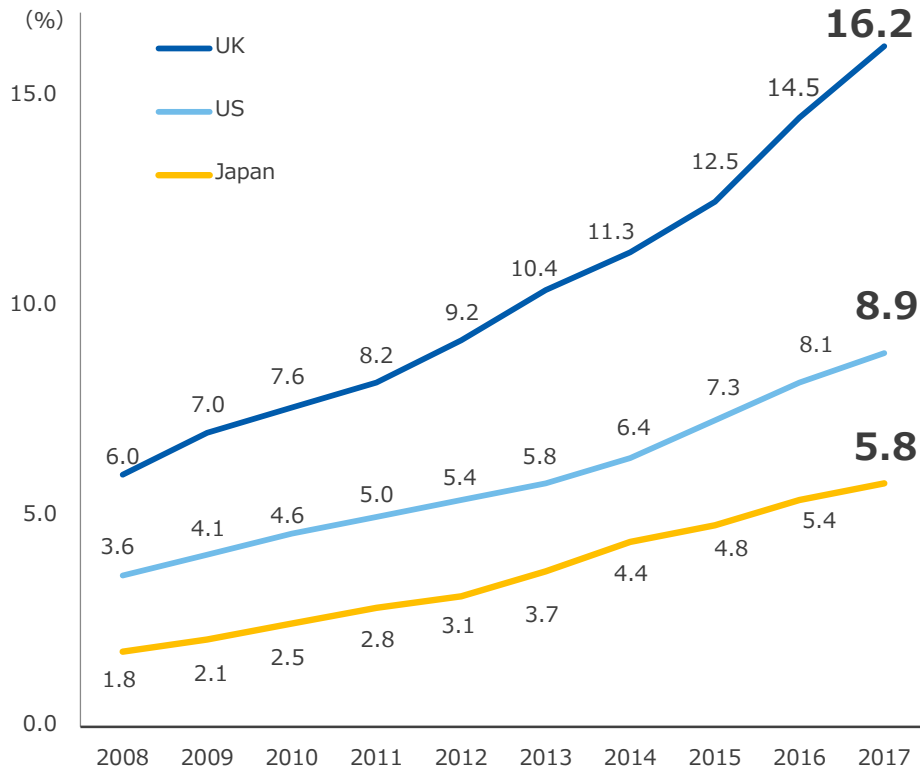


*MK: MACRO KIOSK, GMO-FG: GMO Financial Gate

Growth potential of Ecommerce market in Japan

Lower Ecommerce ratio and higher cash payment ratio than other advanced countries

■ Ecommerce ratio



References : METI. "FY2017 Building infrastructure for information- and service-oriented Japanese economy and society (Ecommerce market survey)"
 U.S. Bureau of the Census. "The 4th Quarter 2017 Retail Ecommerce Sales Report"
 Office for National Statistics "Retail Sales, February 2018"

■ Card usage to private final consumption expenditure

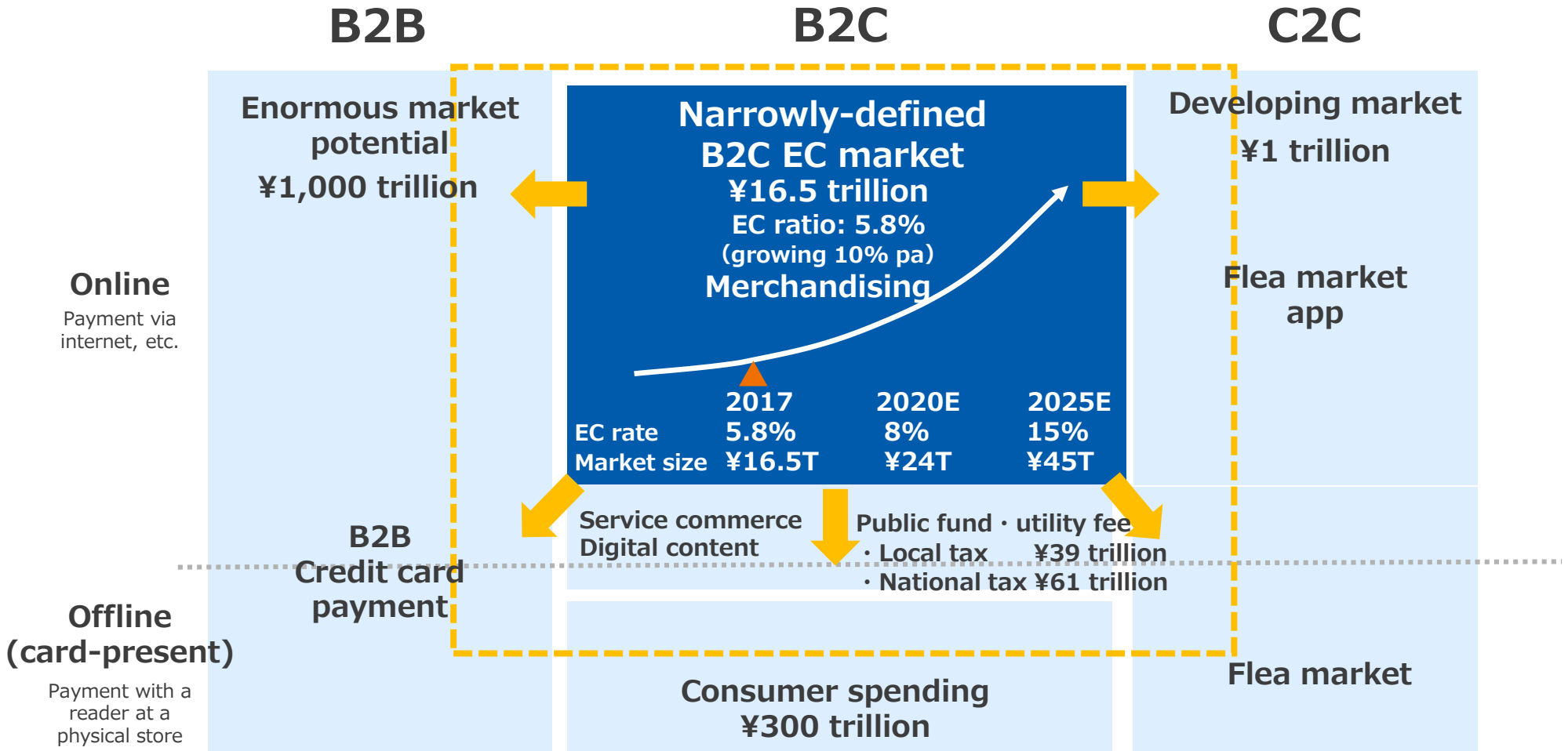
(2016)	Credit card usage rate	Debit card usage rate	Credit+Debit usage to private final consumption expenditure rate
UK	12 %	56 %	68 %
US	26 %	20 %	46 %
South Korea	77 %	20 %	97 %
Australia	32 %	27 %	59 %
Japan	18 %	-	18 %

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

*Estimated by GMO-PG with reference from CPSS Red Book "Statistics on payment, clearing and settlement systems in the CPMI countries - Figures for 2016"
 THE WORLD BANK "Household final consumption expenditure (current USD)"

Cashless field expansion

Cashless payment trends in Japan is our growth accelerator



*References : METI. "FY2017 Building infrastructure for information- and service-oriented Japanese economy and society (Ecommerce market survey)"

*MIC "Breakdown of national tax and local tax revenue (Budget and Local Government Finance Plan)"

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

Expansion of public fund and utility payment

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

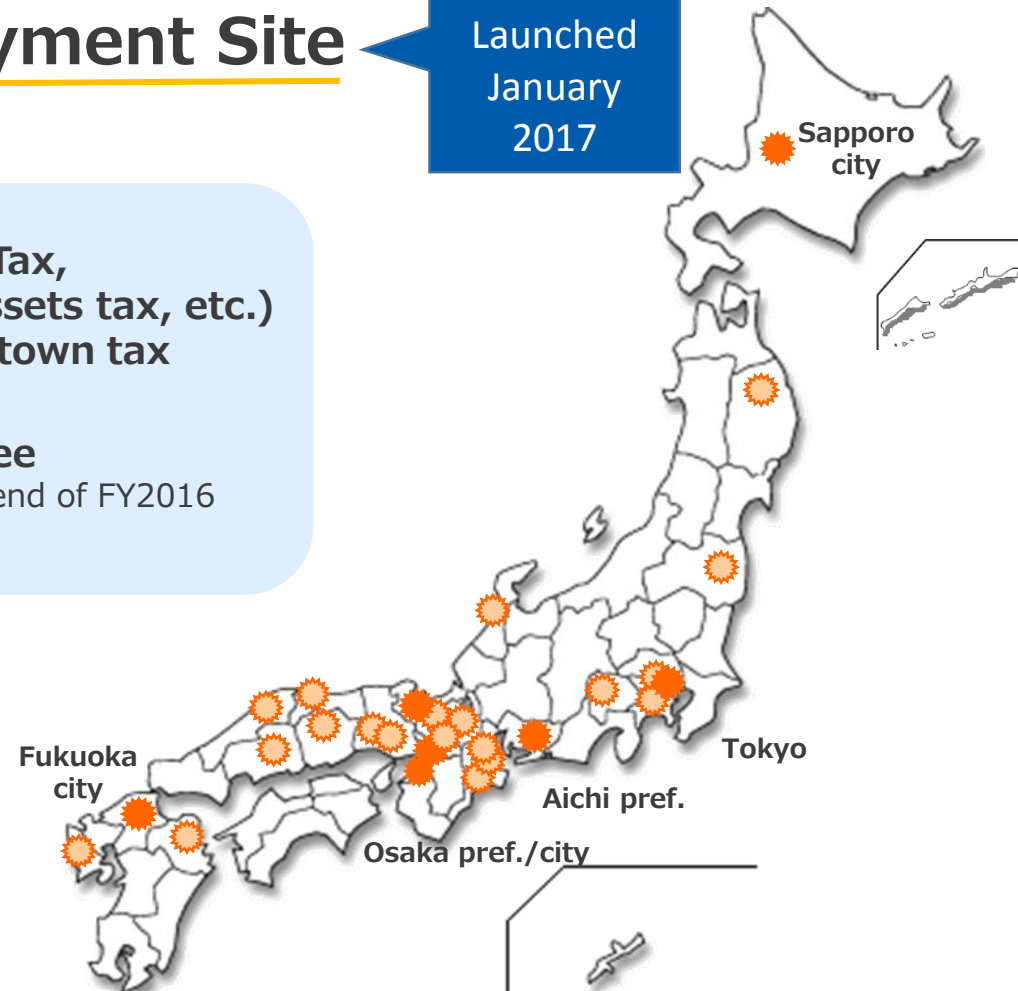
National Tax Credit Card Payment Site

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 FY2016 : 13.7%)

Expansion expected to continue
Maintenance fee, cram school tuition fee
parking fee, school meal charge, etc.



*Japan Broadcasting Corporation "Business Report for FY2016"

Offline (card-present) payment

Take in cashless & inbound demands, IoT services to go into full swing

Target

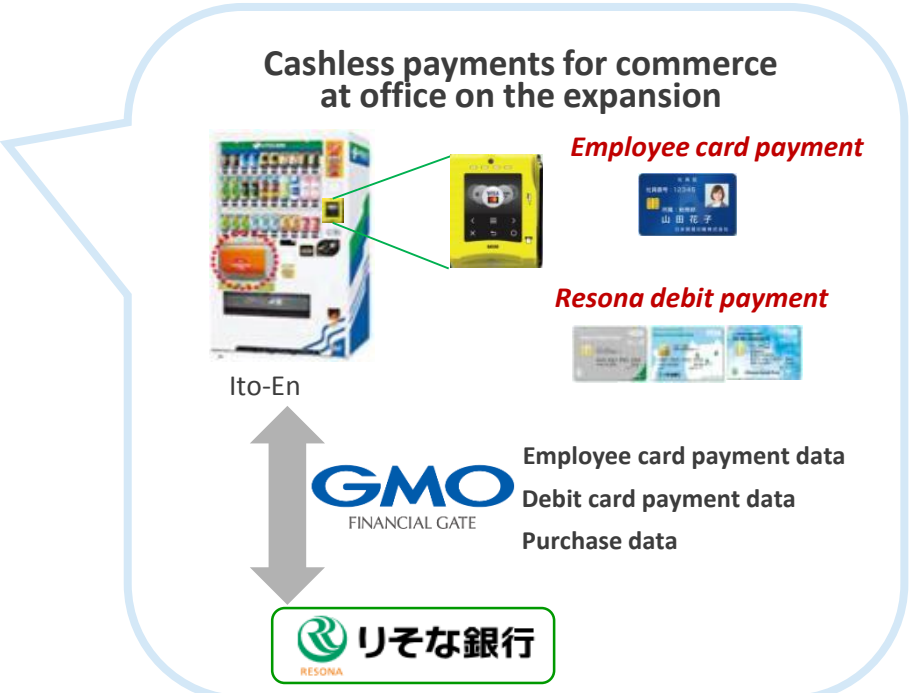
<p>Railway company</p> <p>Ticket machine 960K units</p>	<p>Beverage maker</p> <p>Vending machine 2,500K units</p>
<p>Gas station</p> <p>1,570K units</p>	<p>Parking lot company</p> <p>200K units</p>

*These illustrations do not necessarily imply plans for future implementations.

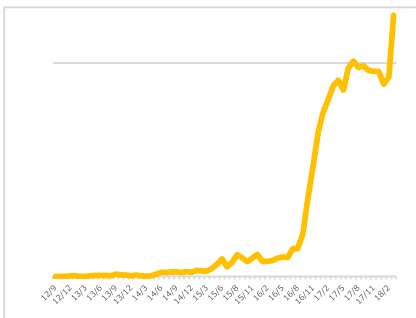
Compatible terminals

Embedded EMV terminals

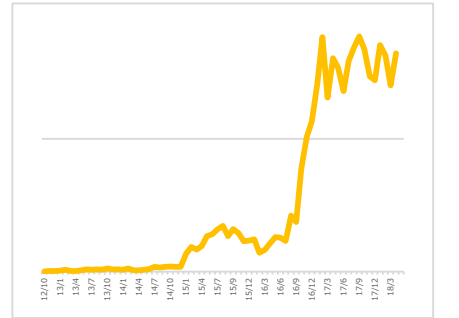
with PIN	with PIN	with PIN	without PIN



Smartphone payment TRX volume



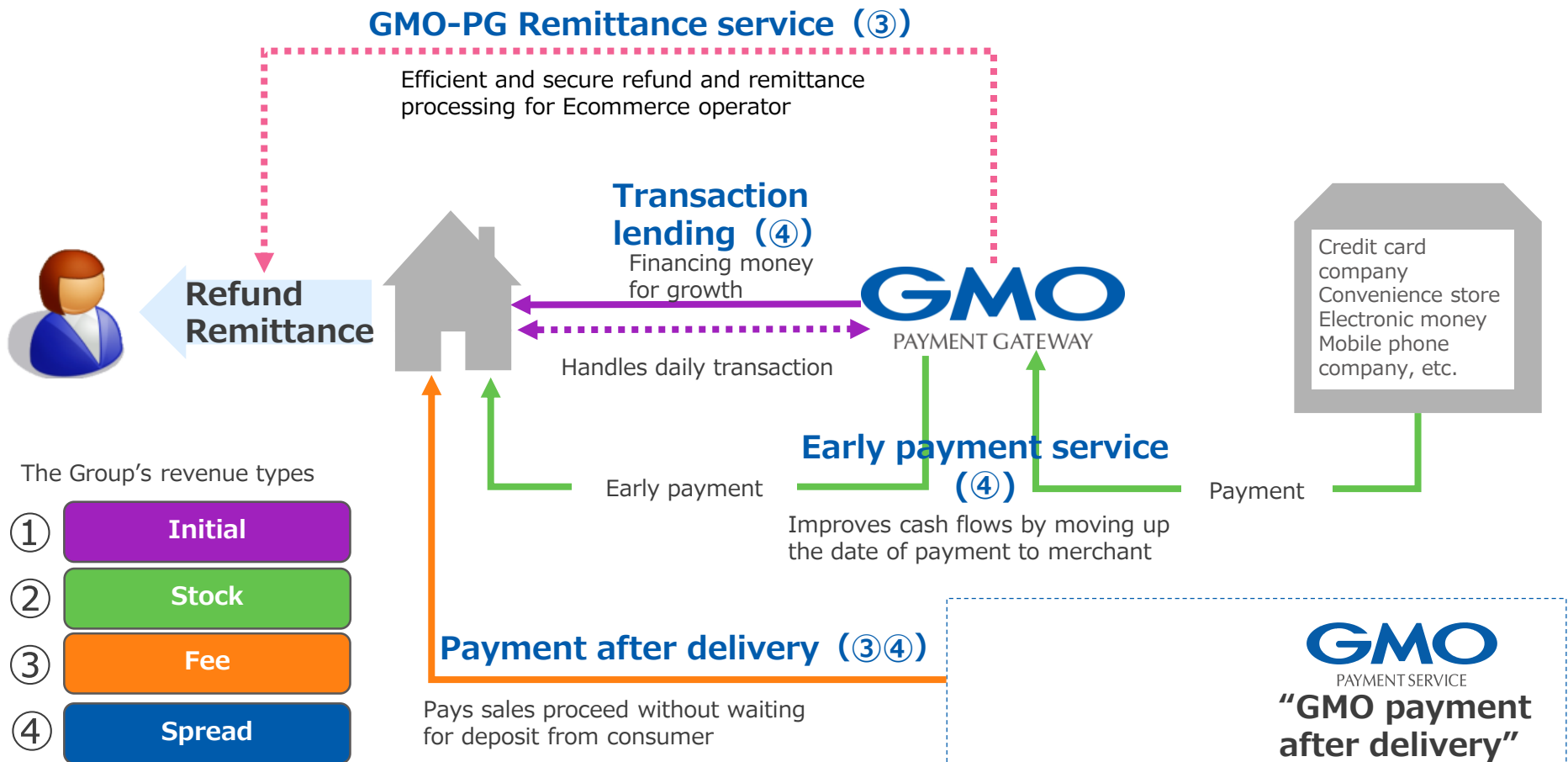
Smartphone payment TRX value (¥)



Definition of Money Service Business (MSB)

Financial service that only payment service providers can deliver

Consumer Merchant GMO-PG group Payment company

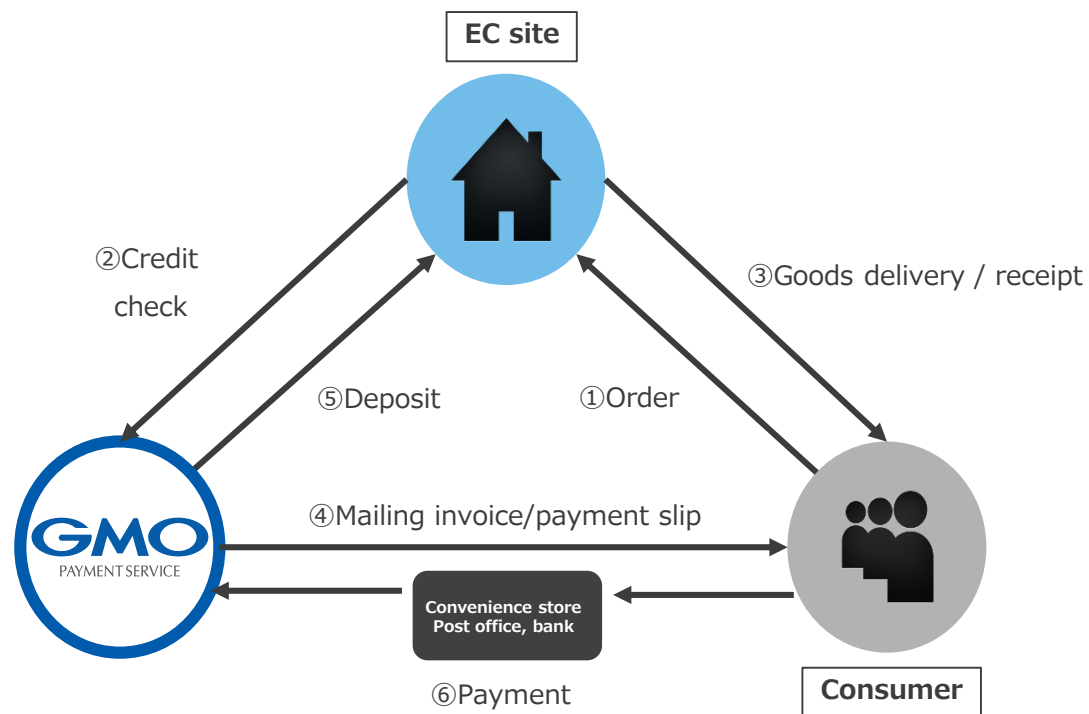


GMO Payment after delivery

Provided by GMO Payment Service, our subsidiary

Credit payment without credit card

(Buyer can pay at post office or CVS after receiving goods)



Overseas strategies

Target 50% overseas sales ratio by assisting JPN companies foray into Asian market and investment strategies

■ Investment target

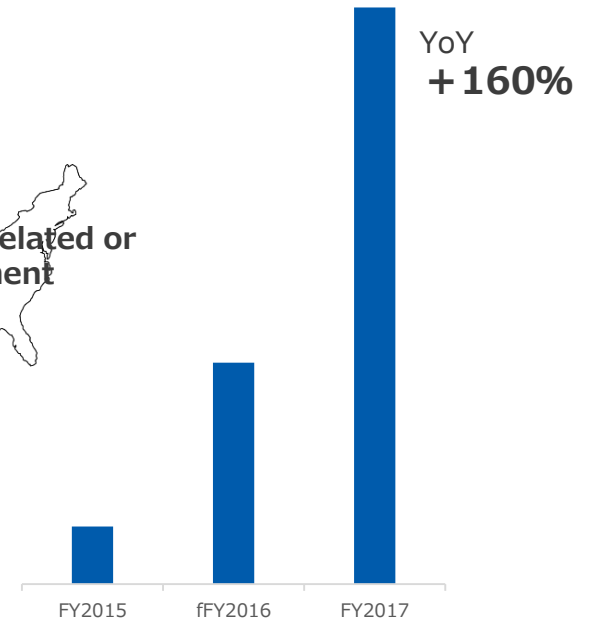
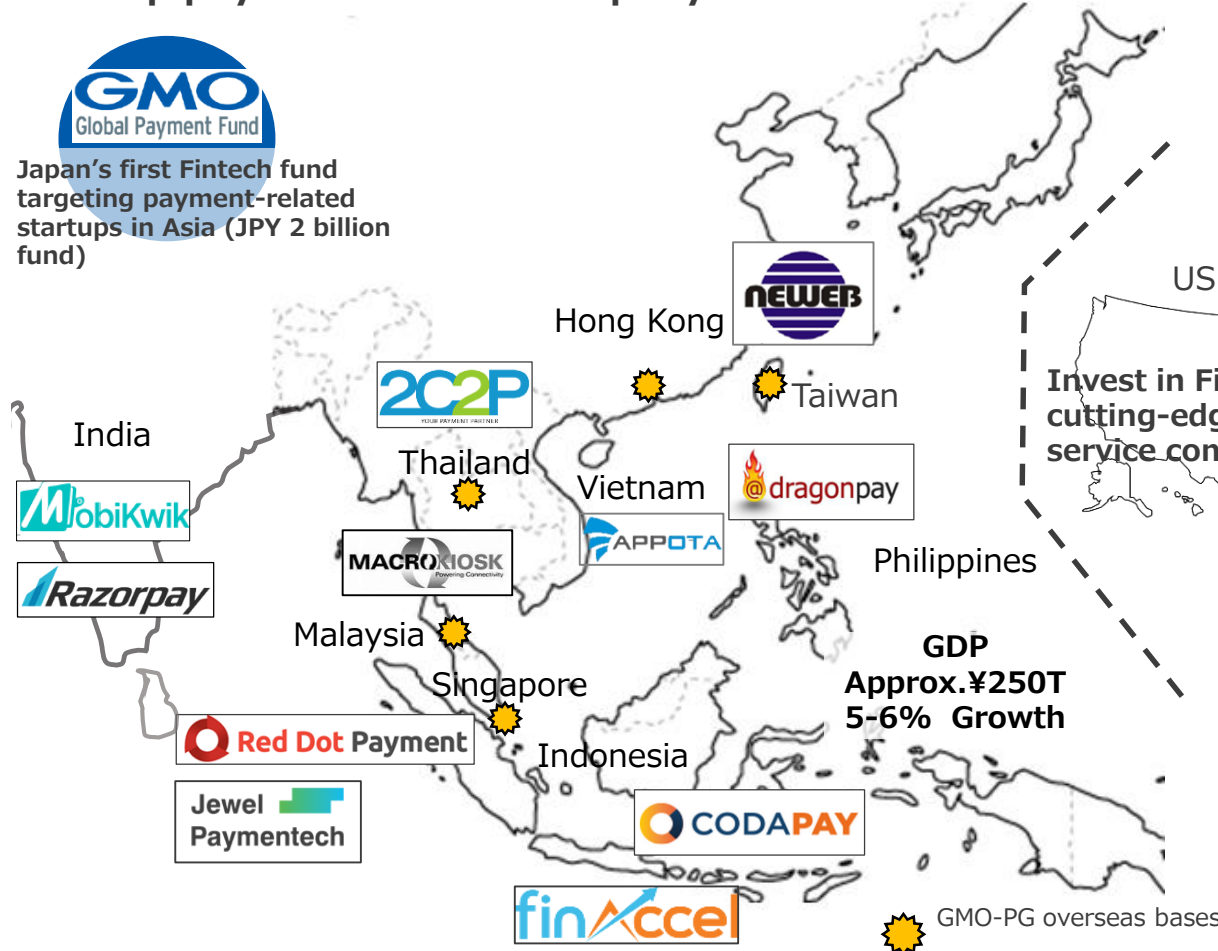
Asia: Top payment-related company

US: Innovator

■ Payment processing business
Providing payment services to Japanese companies that entered Asian market (Z.com Payment)



Japan's first Fintech fund targeting payment-related startups in Asia (JPY 2 billion fund)



Transaction value in Asia soaring

MACRO KIOSK (Payment enhancement)



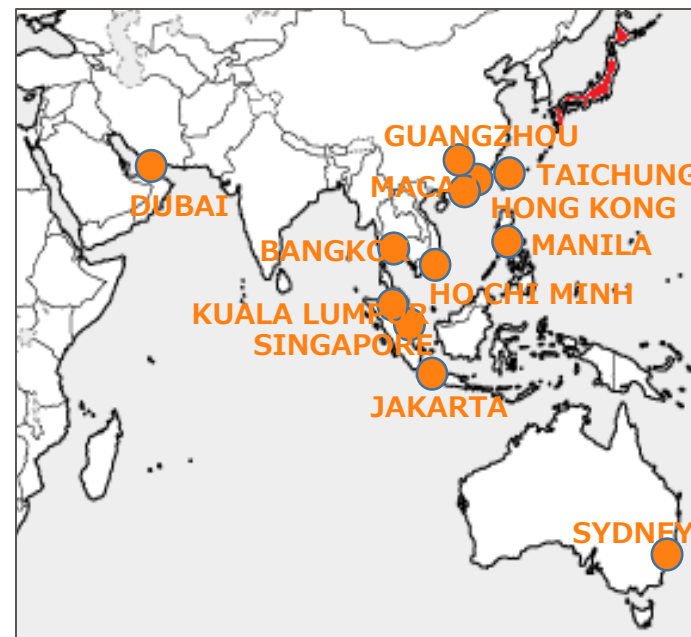
Acquiring Asian banks and major merchants and strategic investment in MACROKIOSK

Company name	Macro Kiosk Berhad
Location	Malaysia and 11 other countries in Asia
Headcount	247
Financial results	Revenue :2,646 million yen (Nine-month results consolidated to GMO-PG Group under FY2017)
GMO-PG's stake	70%
Acquisition cost	Approx. 1,121 million yen
Business model	SMS mobile solution (80%) delivered to 95% of Malaysian banks Carrier billing gateway (20%) delivered to 50+ major carriers in 12 countries

Strategy: Go after scale, then profit

<Specific actions>

- ① Payment-related business
Set up sales teams in India and Europe
- ② Business expansion in new countries
Provide payment service, collaborating with 2C2P, our equity method affiliate
- ③ Development of new products
- ④ Entry into new areas by M&A



(as of the end of March 2018)

GMO-PG Group

GMO Payment Gateway's subsidiaries and equity affiliates

GMO Payment Gateway, Inc.

< Consolidated subsidiary >

Multi payment (targets small-sized merchant)

GMO Epsilon, Inc. (Financial results of FY2017 under JGAAP)

Payment after delivery Revenue : 2,617 million yen, Operating profit : 1,807 million yen

GMO Payment Service, Inc.

Card-present payment

GMO Financial Gate, Inc. (As of end of Sep. 2017) 65.0% stake

Global Card System

Overseas

GMO-Z.com Payment Gateway Pte. Ltd. (Singapore)

GMO-Z.com Payment Gateway Hong Kong Limited (Headquartered in Hong Kong and a branch in Taiwan)

GMO Z com Payment Gateway Malaysia Sdn.Bhd. (Malaysia)

GMO-Z.com Payment Gateway (Thailand) Co., Ltd. (Thailand)

Overseas

Macro Kiosk Berhad (As of end of Sep. 2017) 70.0% stake

< Equity-method affiliate >

Multiple payment

SMBC GMO Payment (As of end of Sep. 2017) 49.0% stake

Overseas

2C2P Pte. Ltd. (As of end of Sep. 2017) 32.0% stake

Company outline

■ Name	GMO Payment Gateway, Inc. (3769; Tokyo Stock Exchange section-1)																																																								
■ Date of establishment	March 1995																																																								
■ Location	Humax Shibuya Building 7F, 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																																																								
■ Management team	<table> <tr> <td>Chairman & Director</td> <td>Masatoshi Kumagai</td> </tr> <tr> <td>President & Chief Executive Officer</td> <td>Issei Ainoura</td> </tr> <tr> <td>Director, Executive Vice President</td> <td>Ryu Muramatsu</td> </tr> <tr> <td>Director, Executive Vice President</td> <td>Satoru Isozaki</td> </tr> <tr> <td>Senior Managing Director</td> <td>Yuichi Hisada</td> </tr> <tr> <td>Director</td> <td>Tomoyuki Murakami</td> </tr> <tr> <td>Director</td> <td>Shinichi Sugiyama</td> </tr> <tr> <td>Director</td> <td>Yusuke Arai</td> </tr> <tr> <td>Director</td> <td>Masashi Yasuda</td> </tr> <tr> <td>Director</td> <td>Masaru Yoshioka</td> </tr> <tr> <td>Director</td> <td>Takehito Kaneko</td> </tr> <tr> <td>Senior executive officer</td> <td>Takeishi Yoshii</td> </tr> <tr> <td>Senior executive officer</td> <td>Takashi Mitani</td> </tr> <tr> <td>Executive officer</td> <td>Katsunari Mukai</td> </tr> <tr> <td>Executive officer</td> <td>Yoshikazu Yanagishima</td> </tr> <tr> <td>Executive officer</td> <td>Kazunari Taguchi</td> </tr> <tr> <td>Executive officer</td> <td>Tatsuhito Muramatsu</td> </tr> <tr> <td>Executive officer</td> <td>Kiyonobu Inayama</td> </tr> <tr> <td>Executive officer</td> <td>Shingo Ito</td> </tr> <tr> <td>Executive officer</td> <td>Yoshinori Inoguchi</td> </tr> <tr> <td>Executive officer</td> <td>Hirofumi Tozawa</td> </tr> <tr> <td>Executive officer</td> <td>Yasunori Hatada</td> </tr> <tr> <td>External Director</td> <td>Masaya Onagi</td> </tr> <tr> <td>External Director</td> <td>Akio Sato</td> </tr> <tr> <td>Full-time auditor</td> <td>Yasuhiro Kanda</td> </tr> <tr> <td>Auditor</td> <td>Takashi Iinuma</td> </tr> <tr> <td>External Auditor</td> <td>Kazutaka Yoshida</td> </tr> <tr> <td>External Auditor</td> <td>Kazuhiko Okamoto</td> </tr> </table>	Chairman & Director	Masatoshi Kumagai	President & Chief Executive Officer	Issei Ainoura	Director, Executive Vice President	Ryu Muramatsu	Director, Executive Vice President	Satoru Isozaki	Senior Managing Director	Yuichi Hisada	Director	Tomoyuki Murakami	Director	Shinichi Sugiyama	Director	Yusuke Arai	Director	Masashi Yasuda	Director	Masaru Yoshioka	Director	Takehito Kaneko	Senior executive officer	Takeishi Yoshii	Senior executive officer	Takashi Mitani	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	Executive officer	Hirofumi Tozawa	Executive officer	Yasunori Hatada	External Director	Masaya Onagi	External Director	Akio Sato	Full-time auditor	Yasuhiro Kanda	Auditor	Takashi Iinuma	External Auditor	Kazutaka Yoshida	External Auditor	Kazuhiko Okamoto
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■ Managing underwriter	(Main) Nomura Securities, Co. Ltd., (Sub) Mizuho Securities, Co. Ltd., Daiwa Securities Co. Ltd.																																																								
■ Auditor	Deloitte Touche Tohmatsu LLC																																																								
■ Consolidated subsidiaries	GMO Epsilon, Inc., GMO Payment Service, Inc., GMO Financial Gate, Inc., GMO-Z.com Payment Gateway Pte. Ltd. (Singapore), Macro Kiosk Berhad, etc.																																																								
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(As of end of March 2018)

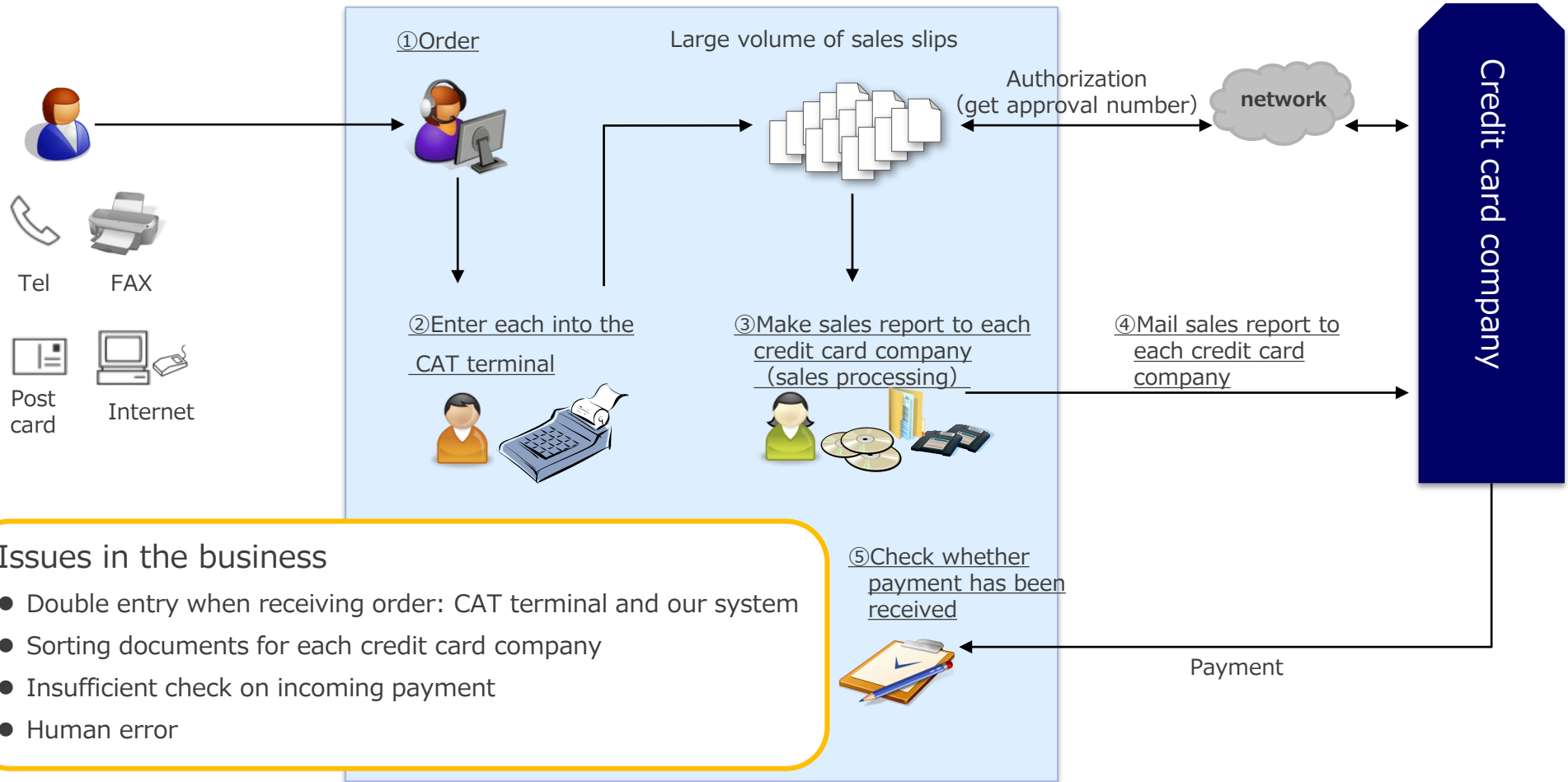
Appendix

Business outline of payment processing company (1)

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

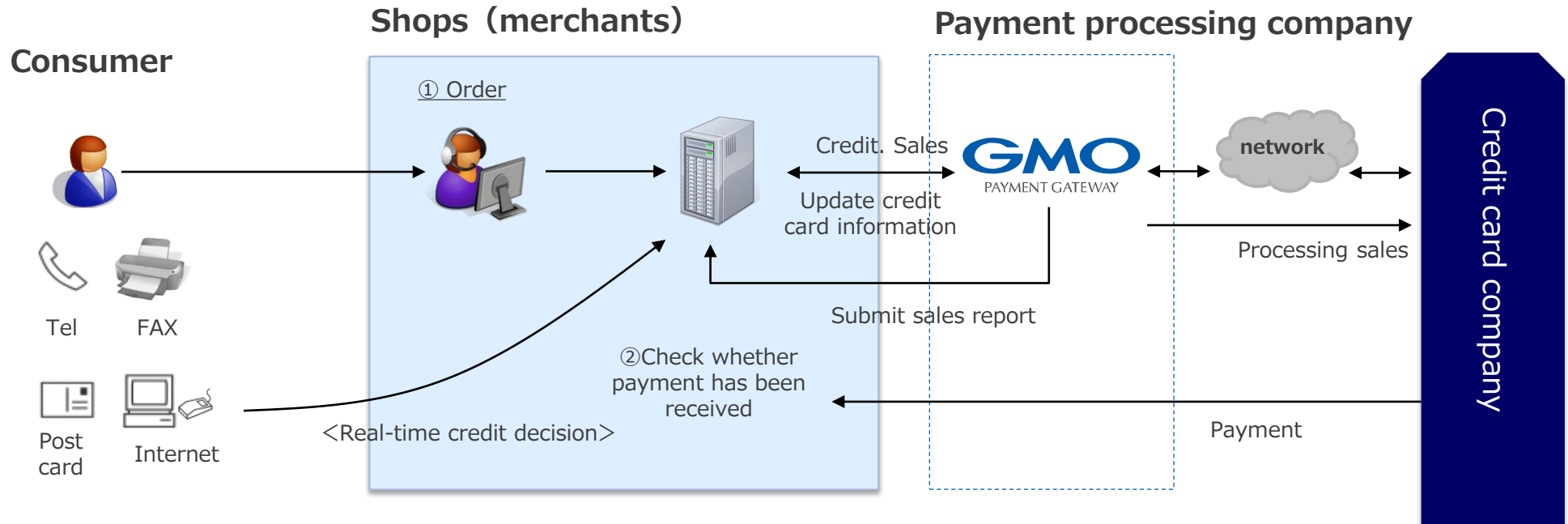
Consumer

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 payment was processed offline between merchant and credit card company, causing burden on both sides. Payment processing companies were established to eliminate the burden on both parties.