

Financial results briefing for the Q3 of FY2018

To raise our corporate value through the cycle of capital raise, investment and growth

August 10, 2018

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

The 54th 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 10, 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. Summary of financial results for Q3 of FY2018
2. Future actions to implement growth strategies
3. Financial highlights
4. Reference materials

1. Summary of financial results for Q3 of FY2018

1.1 Summary

OP up 60.0% (28.7% under J-GAAP), 80.2% vs. full-year plan

■ Earnings results

(Million yen)	<u>FY17 Q1-3 Actual</u>	<u>FY18 Q1-3 Actual</u>	<u>YoY change</u>	<u>FY18 full-year plan</u>	<u>Q1-3 Actual vs. Full year plan</u>
Revenue	15,362	19,122	+ 24.5%	26,107	73.2%
Operating profit (J-GAAP)	3,243 (3,937)	5,190 (5,068)	+ 60.0% (+ 28.7%)	6,475 (6,269)	80.2%
Profit attributable to owners of parent	2,064	3,016	+ 46.1%	3,933	76.7%
EBITDA*1	3,815	5,894	+ 54.5%	-	-

KPI ^{*2}	Operating stores (End of Q3)	Transaction value (Q3)	Transaction volume (Q3)
	93,450 stores ^{*3} (+5.7%)	860 billion yen (+24.6%)	348 million (+24.0%)

■ Financial results

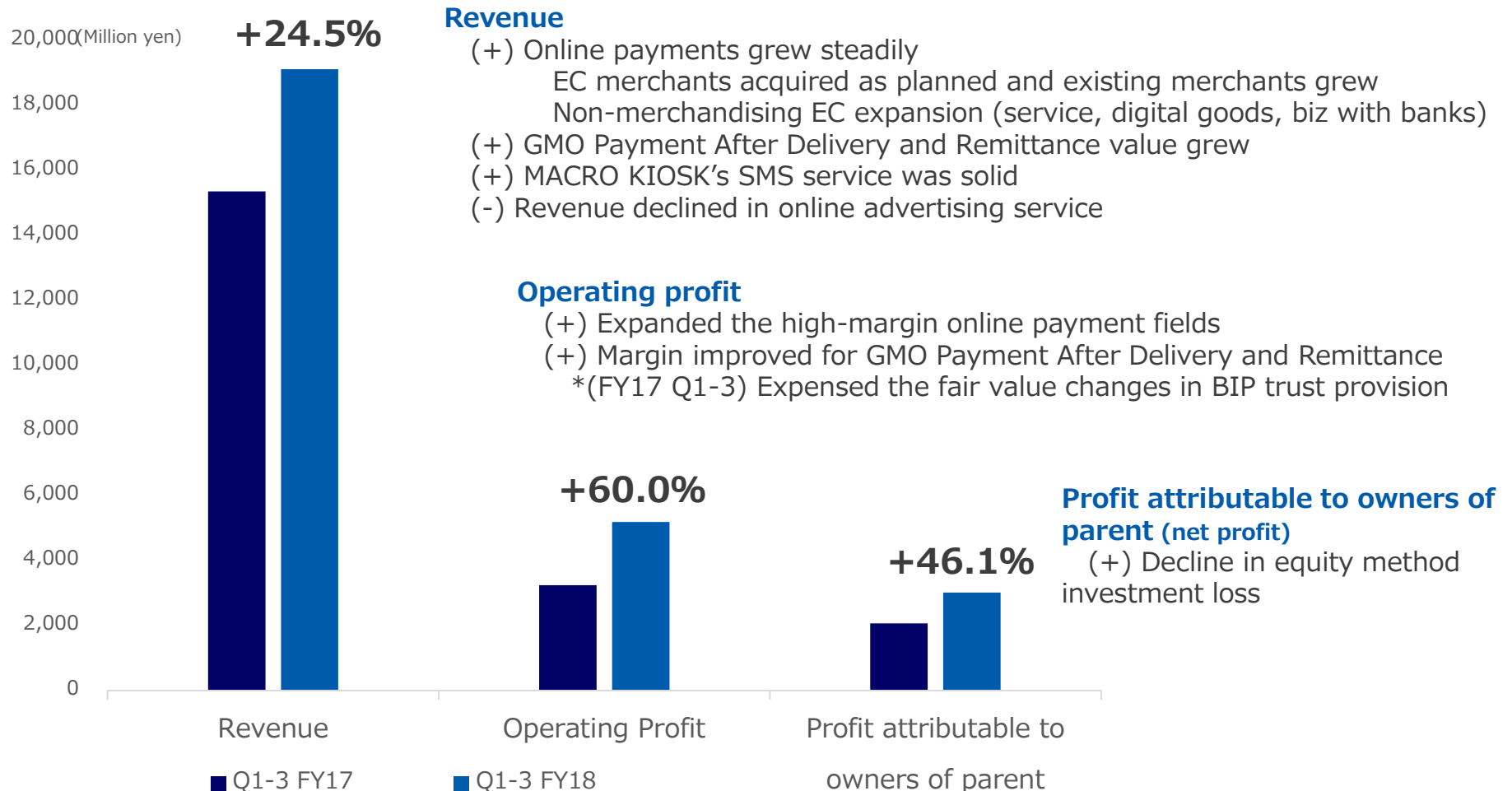
*1 EBITDA=OP+depreciation *2 Physical payments excluded. () shows year-on-year changes

*3 Growth rate slowed down after many merchants went idle with a partner's service termination (16.5%+ w/o this factor)

- Raised 17.5 billion yen through the issuance of JPY-denominated convertible bonds
- Stock split (1:2) Baseline date: Sep. 30 2018 (practically Sep. 28)

1.2 Factors that affected the cumulative results

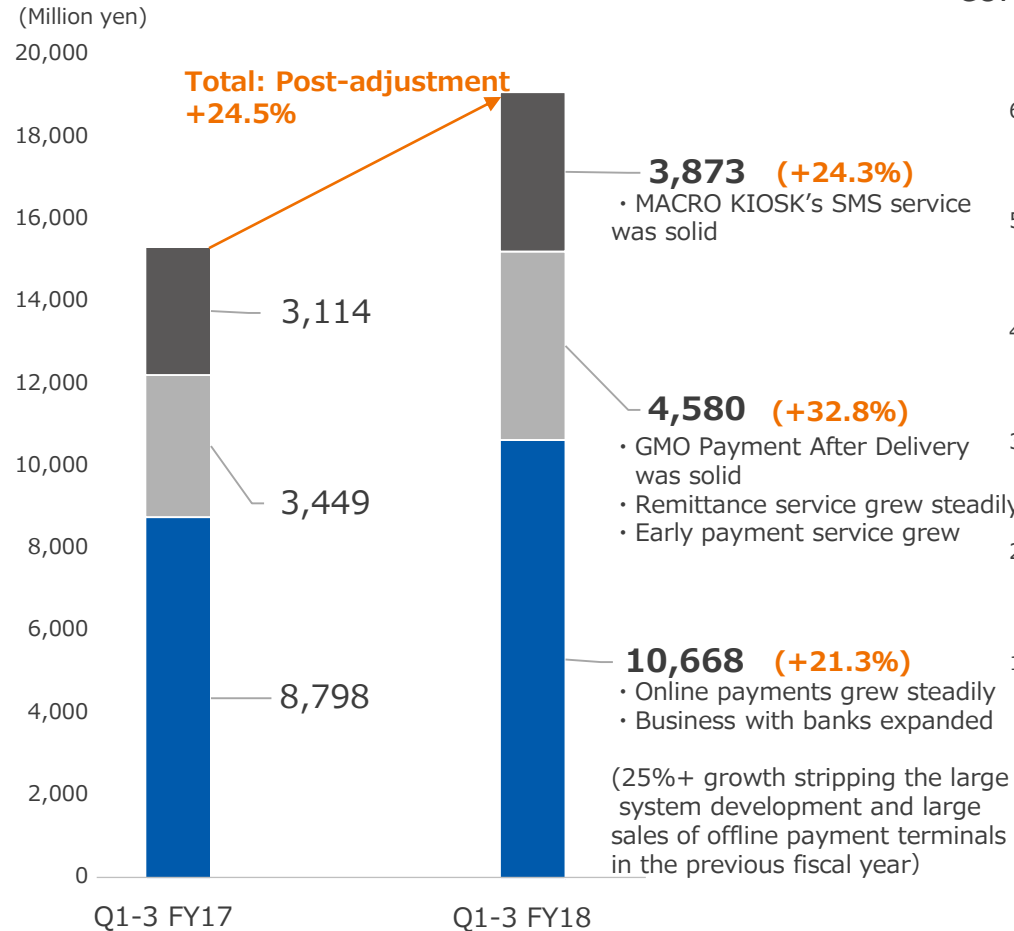
Financial statements disclosed under IFRS from Q1 FY2018



1.3 Revenue/OP by segment

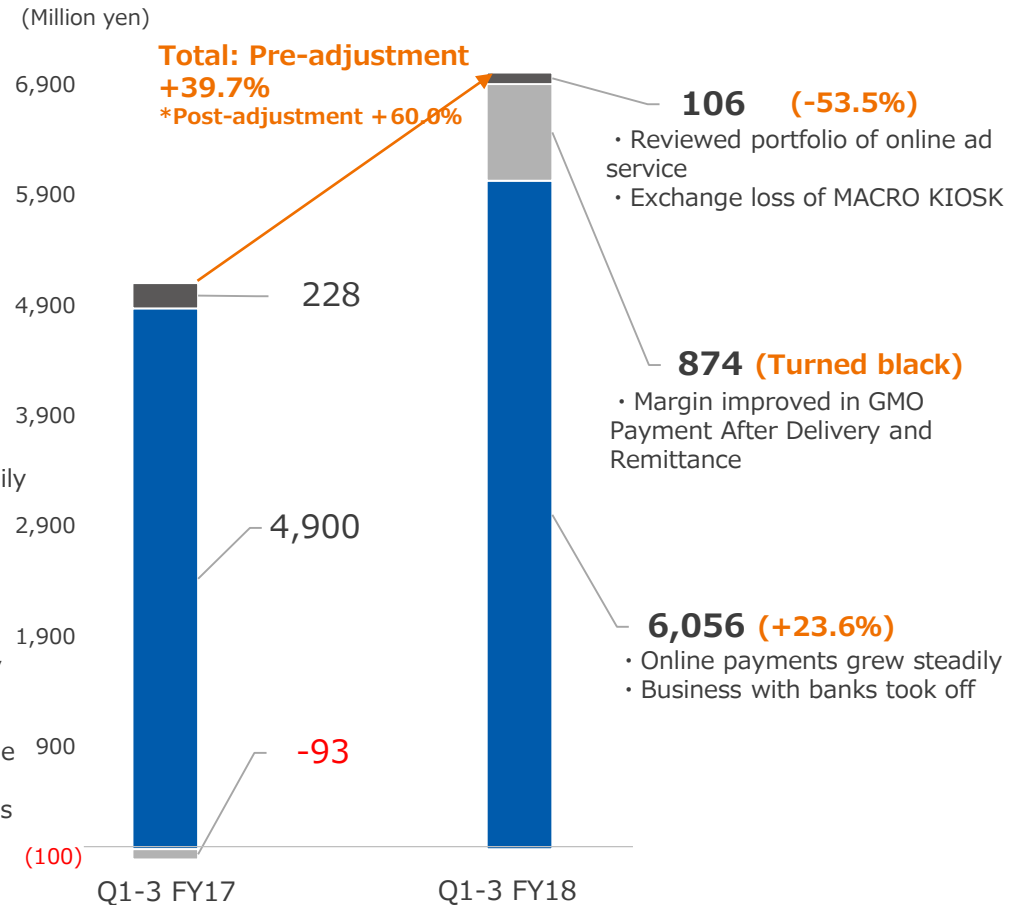
Payment processing profit up 23.6%, MSB turned black

■ Revenue by segment



■ OP by segment (before consolidation adjustment)

* (): year-on-year changes

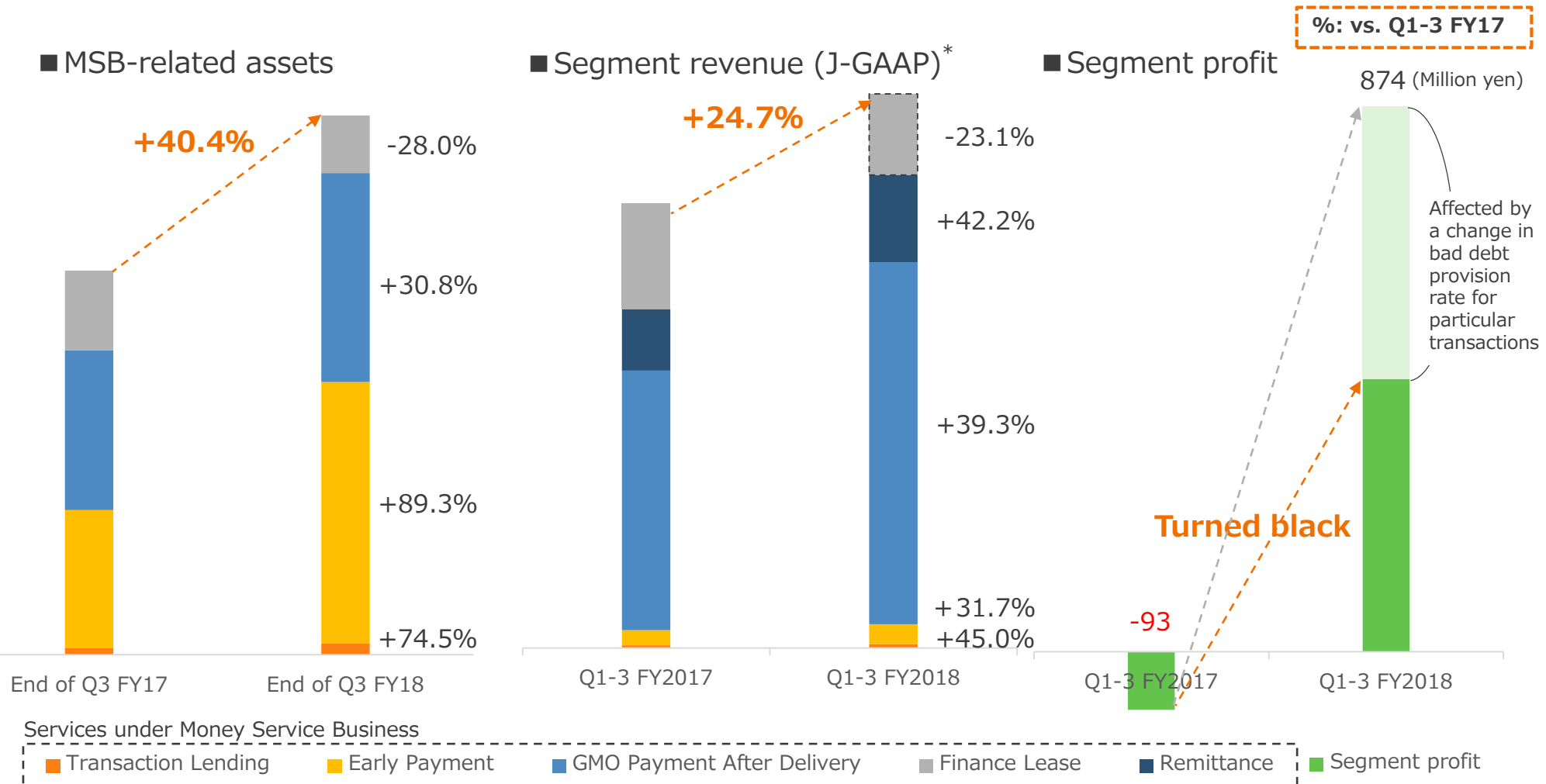


■ Payment processing ■ MSB ■ Payment enhancement

■ Payment processing ■ MSB ■ Payment enhancement

1.4 Segment: Money Service Business (MSB)

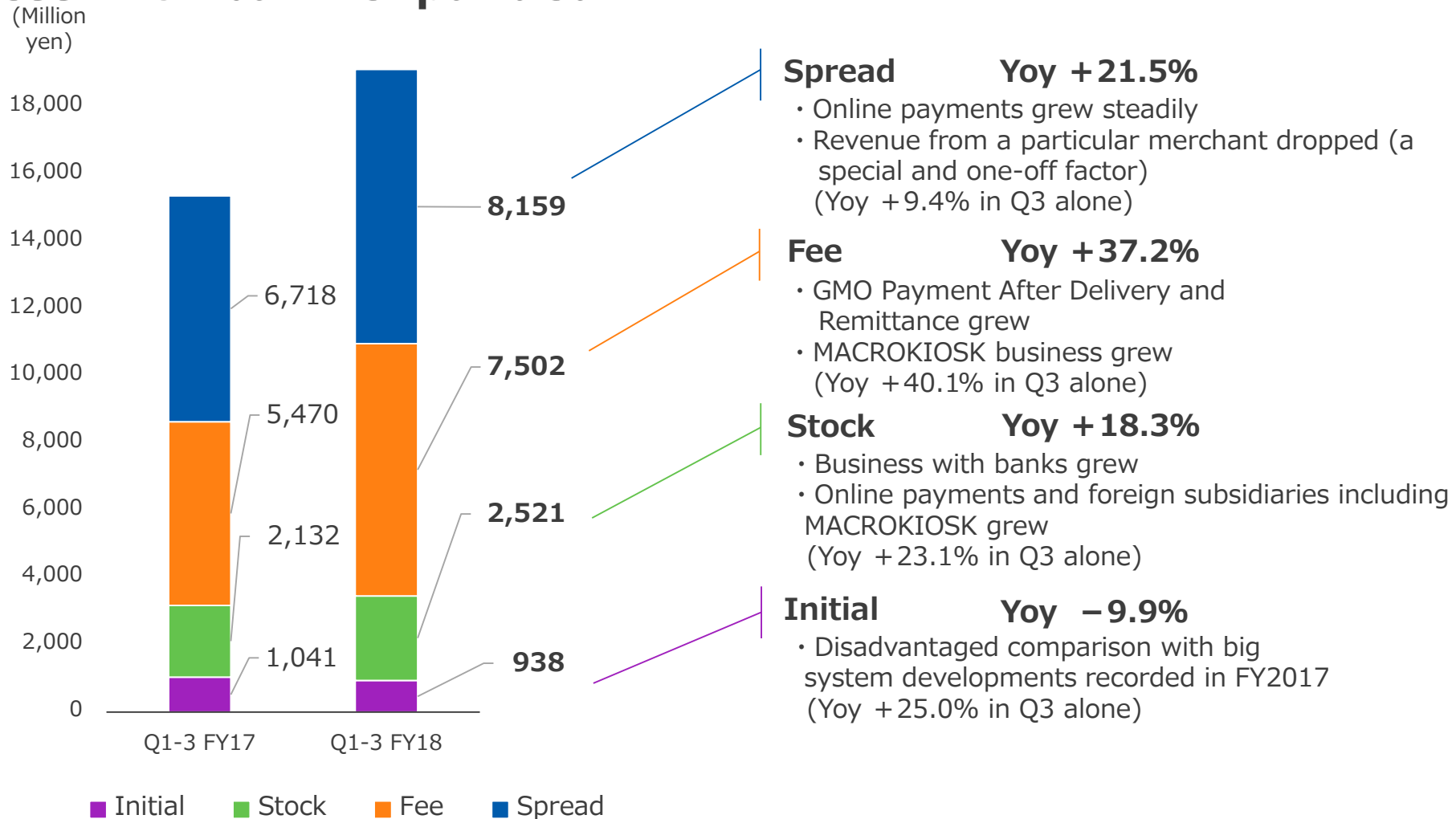
Asset up 40%, enjoyed segment profit with improved margin



*Segment revenue chart is under J-GAAP for yoy comparison

1.5.1 Revenue breakdown by business model

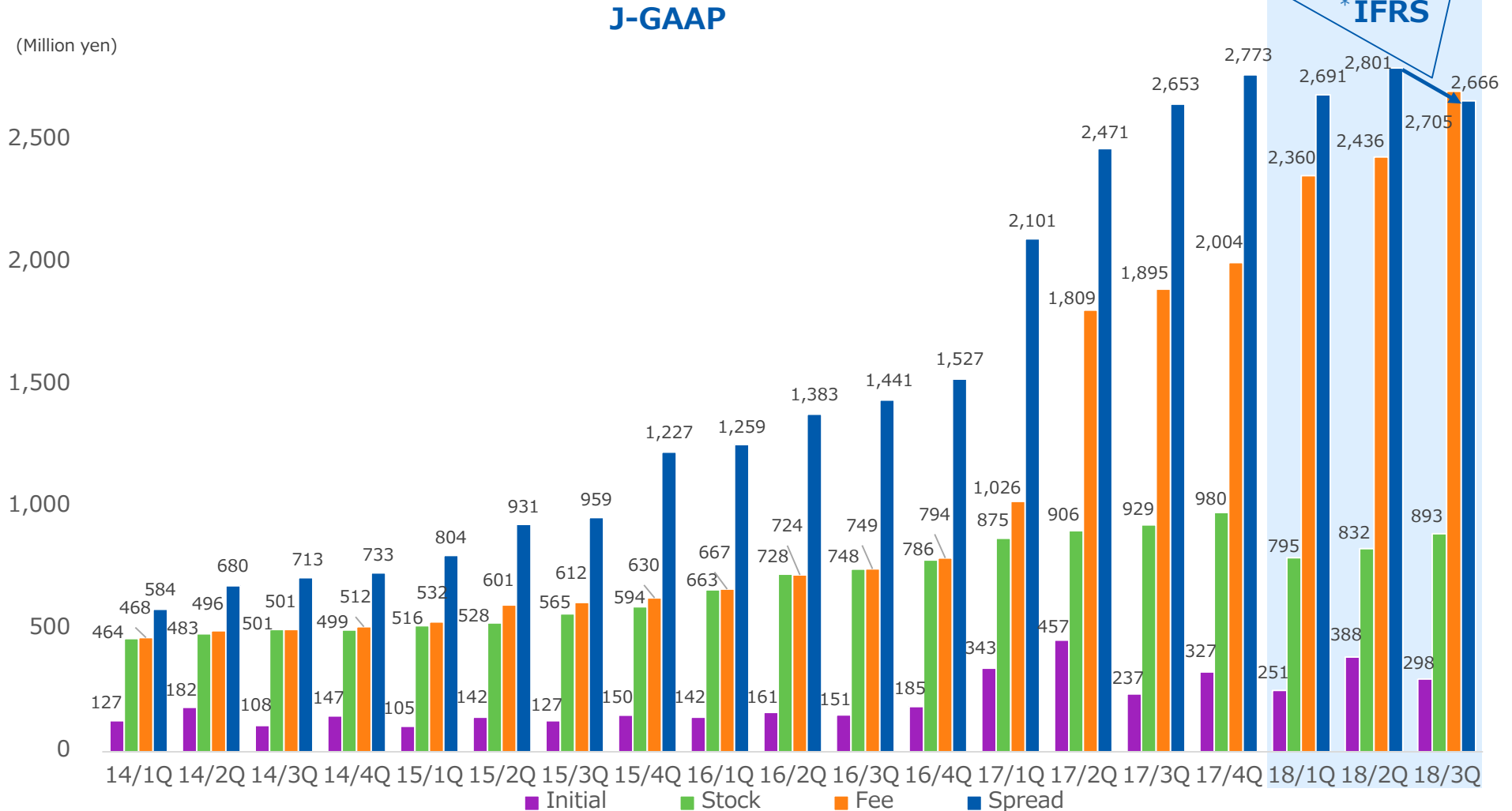
Fee & Spread grew steadily while stock increased as the business with bank expanded



1.5.2 Revenue breakdown (Quarterly)

Quarterly trends of revenue items

Revenue from a particular merchant dropped (a special and one-off factor)



*Online Ad Service (stock) and Finance Lease (spread) recorded in net under IFRS while gross under J-GAAP

2. Future actions to implement growth strategies

2.1 Capital raise, investment and then growth

Timely capital raise and business investments for the bigger corporate value

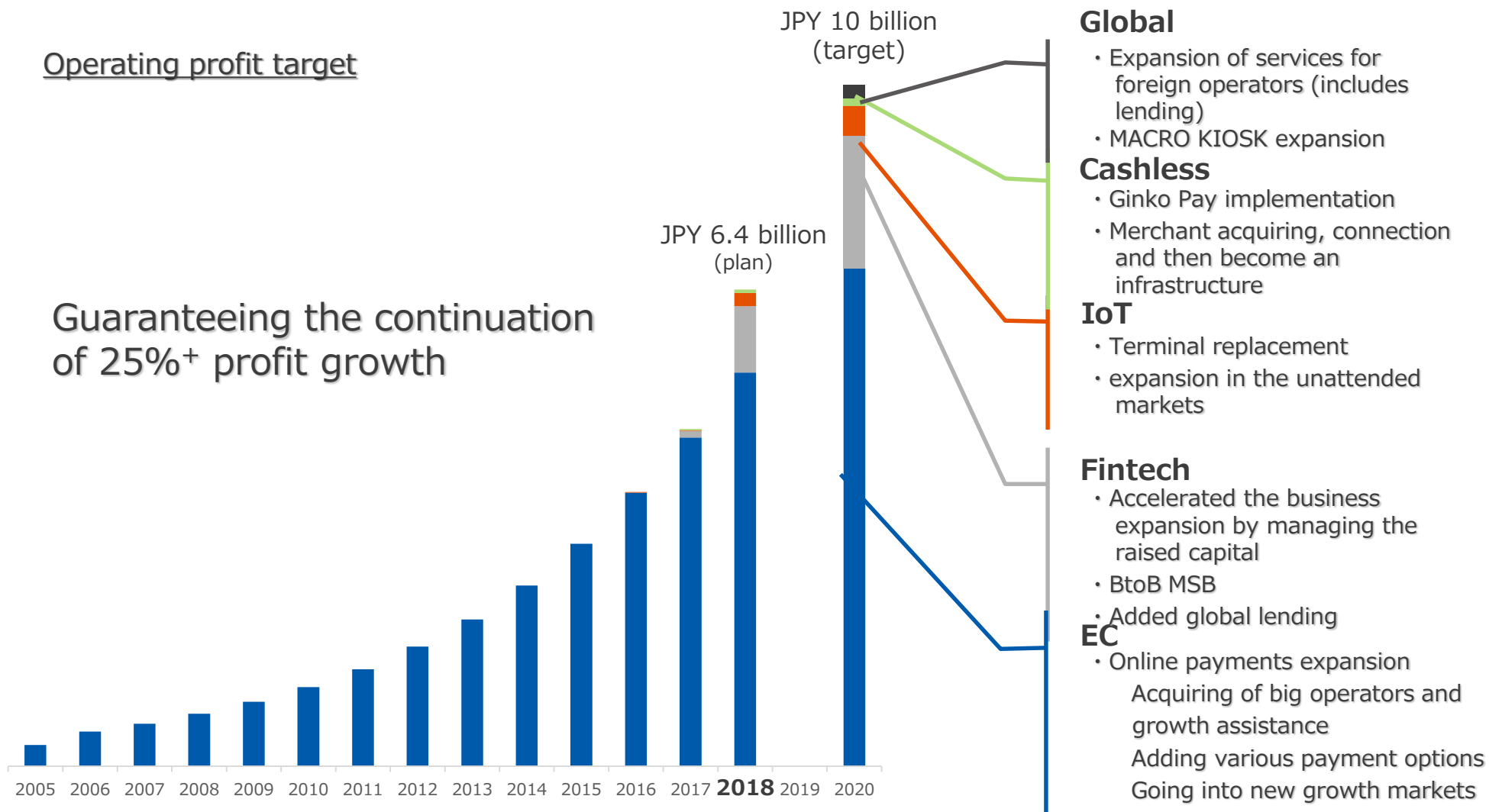
	Capital raise	Investment	Growth
IPO	Listed on TSE Mothers Apr. 4, 2005 1.2 billion yen	<ul style="list-style-type: none">• System reinforcement (transition from card payment to multi-payment)	<ul style="list-style-type: none">• Established business foundation for high growth continuation• Aimed to be a comprehensive PSP
Third-party allotment	Jun 25, 2015 8 billion yen	<ul style="list-style-type: none">• FinTech services Started remittance and lending Expanded Early Payment Service• Established JV• Invested in NA and ASEAN	<ul style="list-style-type: none">• Profit growth acceleration with financial services and adding affiliates/subsidiaries• Invested in 17 companies in 10 countries
CB	June 19, 2018 17.5 billion yen	<ul style="list-style-type: none">• Business expansion in 5 focal areas (EC, FinTech, Cashless, IoT and global)• Bigger need for working/lending capital with FinTech expansion (Global lending)• Investments into new financial services	<ul style="list-style-type: none">• To be the Asia's No.1 company in comprehensive payment and financial services• FinTech expansion (Target for 2020) 60 billion yen+ assets 20% Profit contribution

2.2 Operating profit target for 2020

Expand in 5 areas to deliver JPY 10 billion OP in FY2020

Operating profit target

Guaranteeing the continuation of 25%+ profit growth



2.3.1 EC: Measures for the 2025 target

Aim for a faster growth than EC market with growth measures

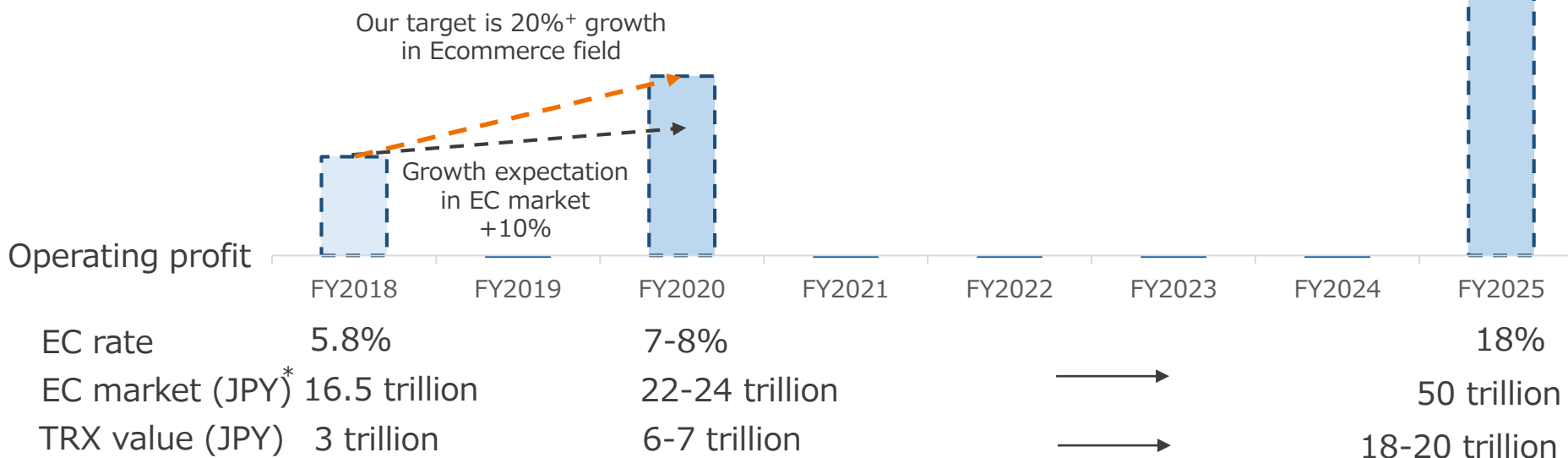
Growth measures

BtoC

- ① Acquiring of leading companies and innovations
- ② Actions in response to new payment options
- ③ Innovation by the fusion of existing services

BtoB

- ① Payment among major corporate group companies
- ② Diversification of BtoB services (Early Payment Service, AR guarantee)



*METI "FY17 Ecommerce market survey", Figures of and after FY2020 are our estimates

2.3.2 EC: Status of growth measures

Our online payment business grew 25% to go above our target

■ Growth measures

① Acquiring leading companies:

The number of merchants with ARPU of JPY 1 mil+/month doubled in 2 years



② Diversification of payment methods:

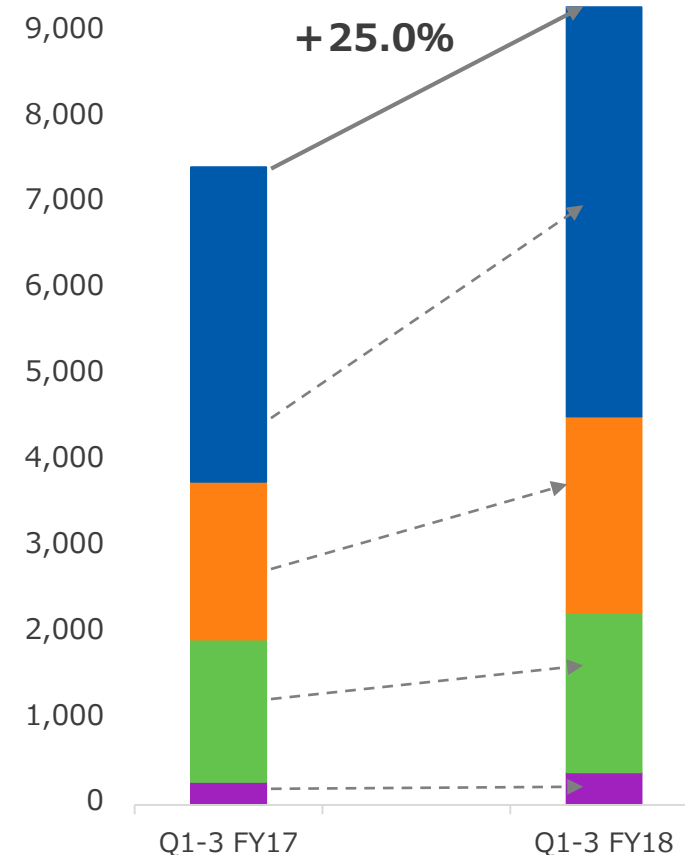
	2018/2016
Credit card	x1.6
Non-credit card	x3.1
CVS (upfront)	x1.9
Carrier billing	x3.2
Account transfer	x292.1
GMO Payment After Delivery	x6.1 (TRX value base)

③ Development of new growth markets:

BtoB: 4% of PG standalone GMV
 O2O and Subscription
 Inbound services
 Industries not fully on Ecommerce yet
 Health care, education, etc.

■ Online payment (excl. system development, Bank Business and offline payment)

■ Spread ■ Fee ■ Stock ■ Initial (Million yen)



2.4 FinTech: Service expansion and margin improvement

Use the raised capital to accelerate business growth based on profitability and capital efficiency

■ Growth measures

① **GMO Payment After Delivery expansion**

Introduction to new merchants

Further improvement of default rate

② **Expansion of lending business home/abroad**

Start of global lending service

(Indonesia, US)

③ **Diversification and development of new/existing services**

Launch of BtoB MSB services (2018/5/15)

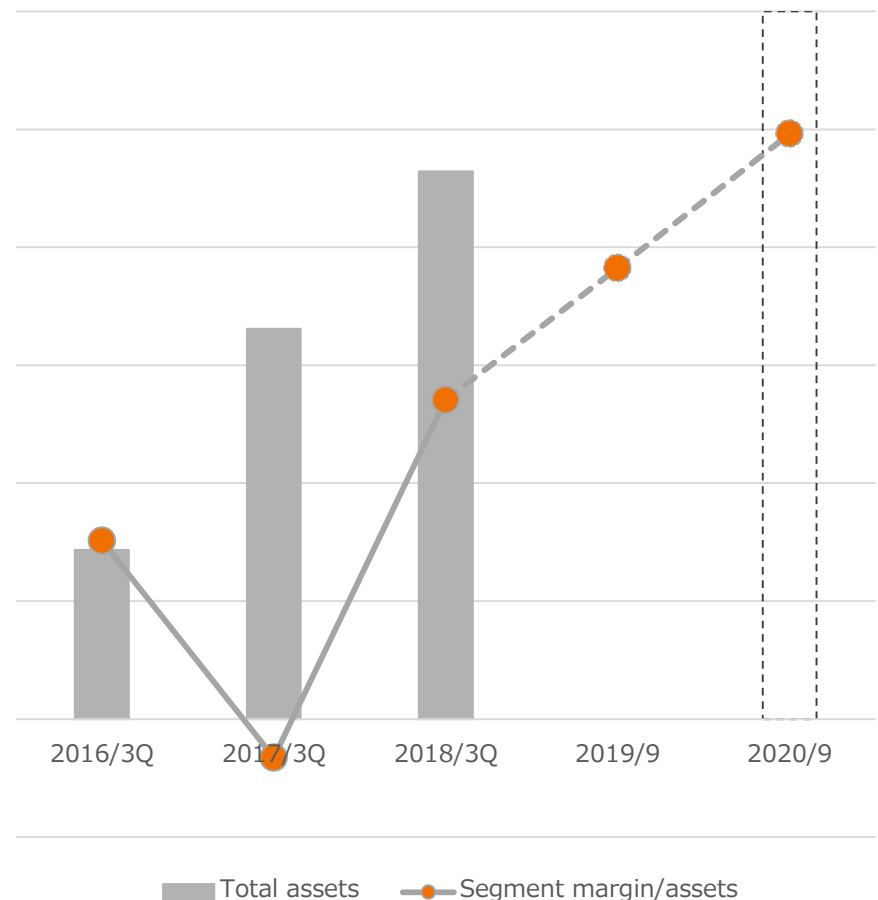
- GMO BtoB Early Payment Service

- GMO BtoB AR Guarantee

Margin improvement of Remittance service

Accelerate business expansion with the capital raised through CB

■ Asset expansion and margin improvement



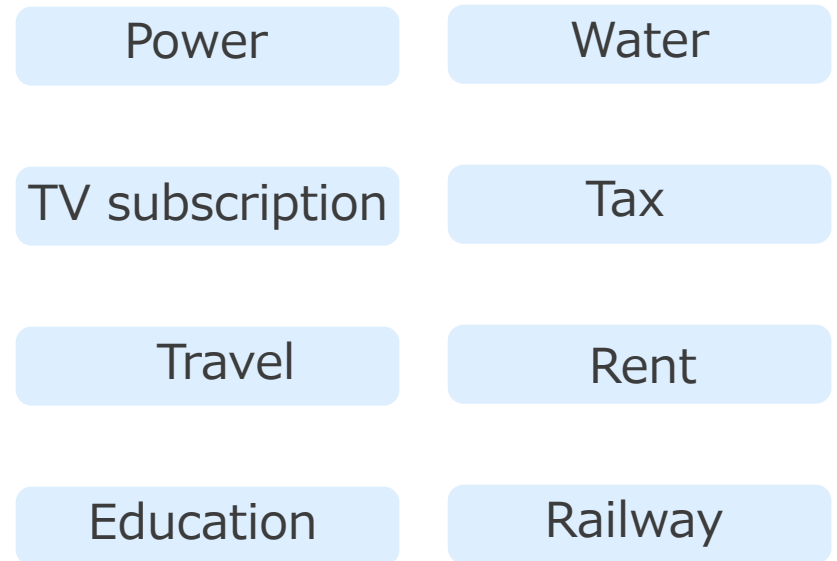
2.5.1 Cashless: Ginko Pay to become an infrastructure

Target is to turn Ginko Pay into an infrastructure by adding more banks and connecting with existing services

Banks



Existing services



etc.

Connecting banks and services → infrastructure

2.5.2 Cashless: New development of Ginko Pay

Put more banks/companies onboard, connect them and be an infrastructure

■ Expansion of business with banks



■ Japan's 1st cash out service at train stations with Ginko Pay system

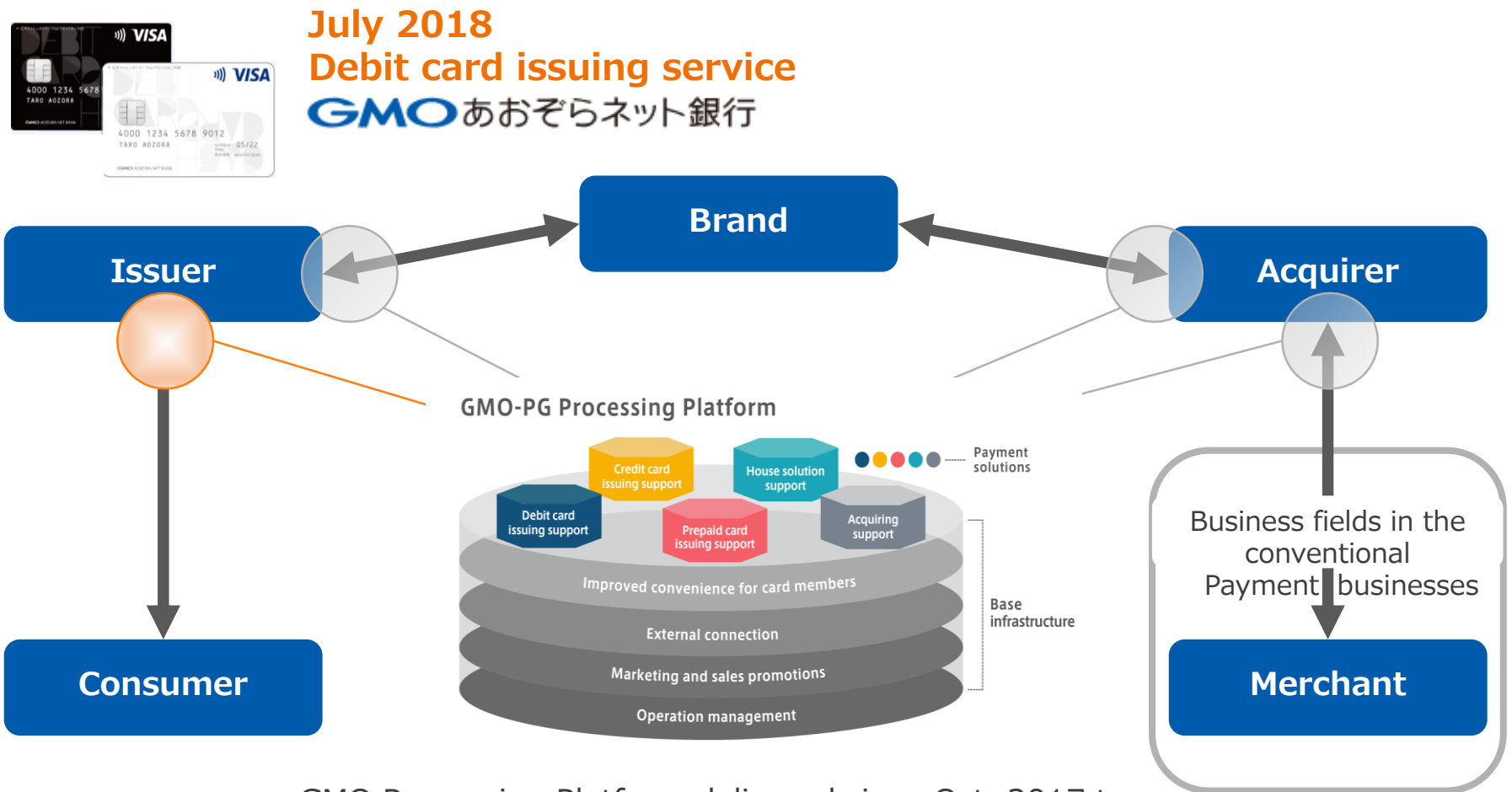
Tokyu Corporation, Bank of Yokohama and GMO-PG to start the development of a cash out service through ticket vending machines at train stations (2019 spring-)



Service expansion outside Tokyu line on discussion

2.5.3 Cashless: Processing

Payment solution delivered to GMO Aozora Net Bank



GMO Processing Platform delivered since Oct. 2017 to financial institutions and financial service providers

2.6 IoT: Monetization in offline payment field

Aim for a high growth taking advantage of Installment Sales Act revision, 2020 Tokyo Olympics and others

■ Growth measures

① Terminal replacement demands with the Installment Sales Act revision

Mag tape to IC chip
Data non-retention

② Unattended Markets (automated selling machines)



Drink/Food vending machines
JPY2T



Ticket vending machines
JPY2T



Auto payment machines
JPY6.9B
(Assumption)

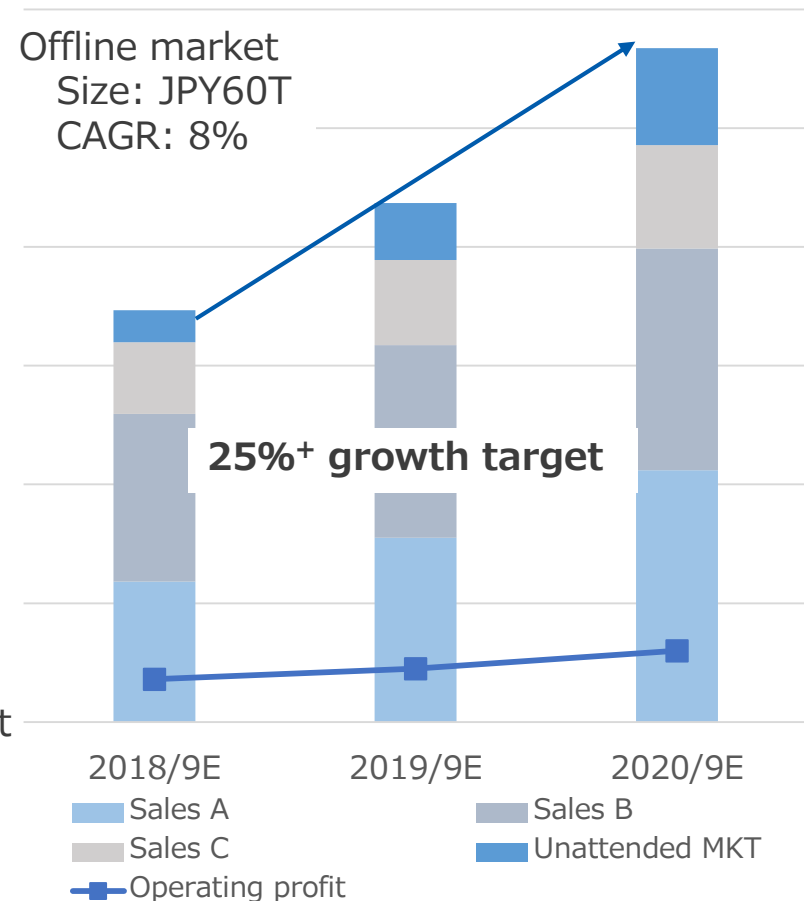


Office coffee machine
JPY446.4B
(Assumption)

③ Payment data × Biz data

Develop an ecosystem of offline payment market

■ Business plan of FG/GCS



2.7.1 Global business and FinTech

Launch of global lending service in ASEAN and US

Annual sales by country (excludes MACROKIOSK)

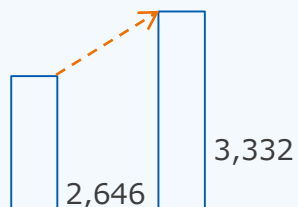
(As of Aug 10, 2018)

Work with each country' top FinTech players using AI

Payment enhancement business

MACROKIOSK Revenue

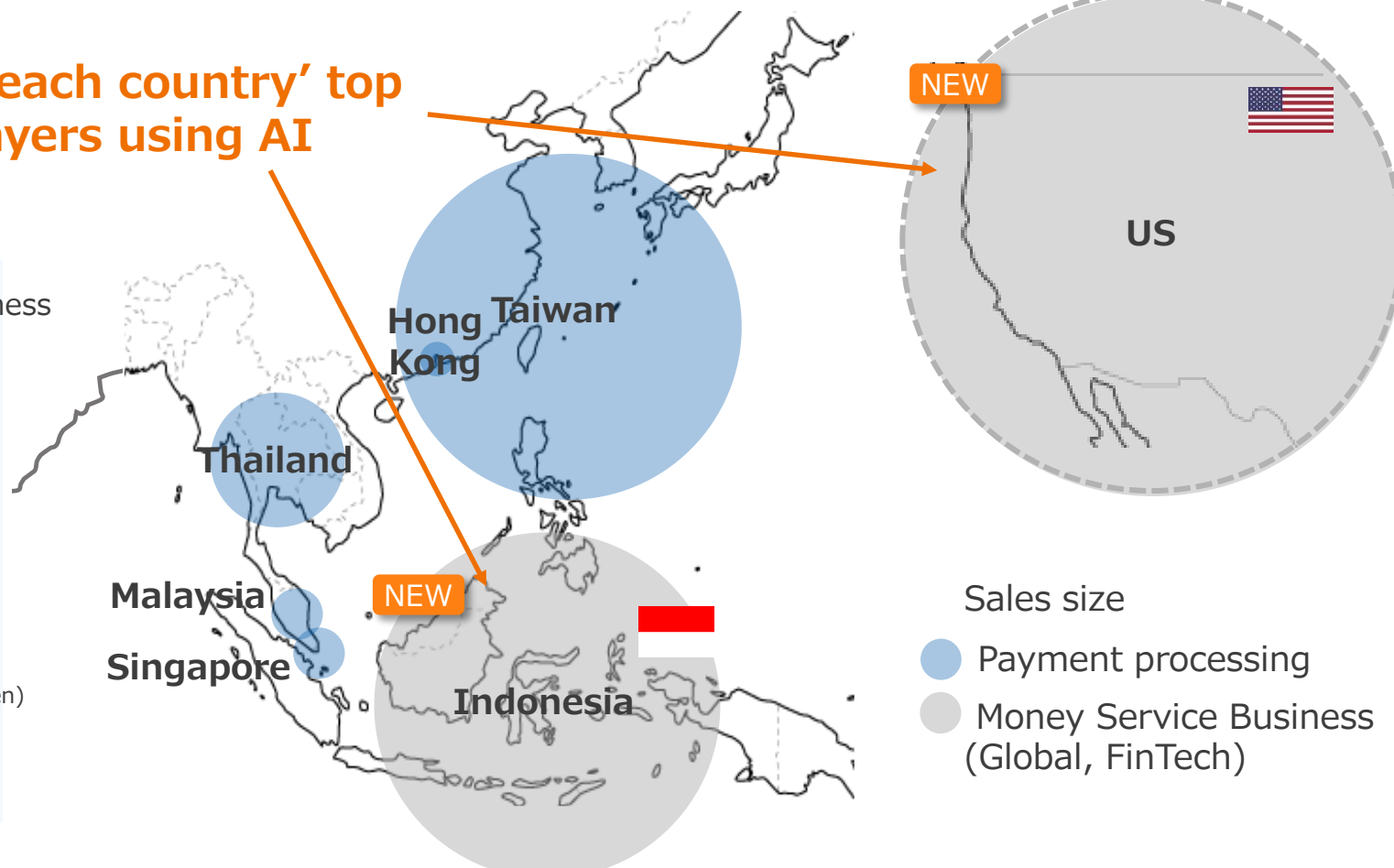
+26.0%



(Million yen)

Q1-3 FY17Q1-3 FY18

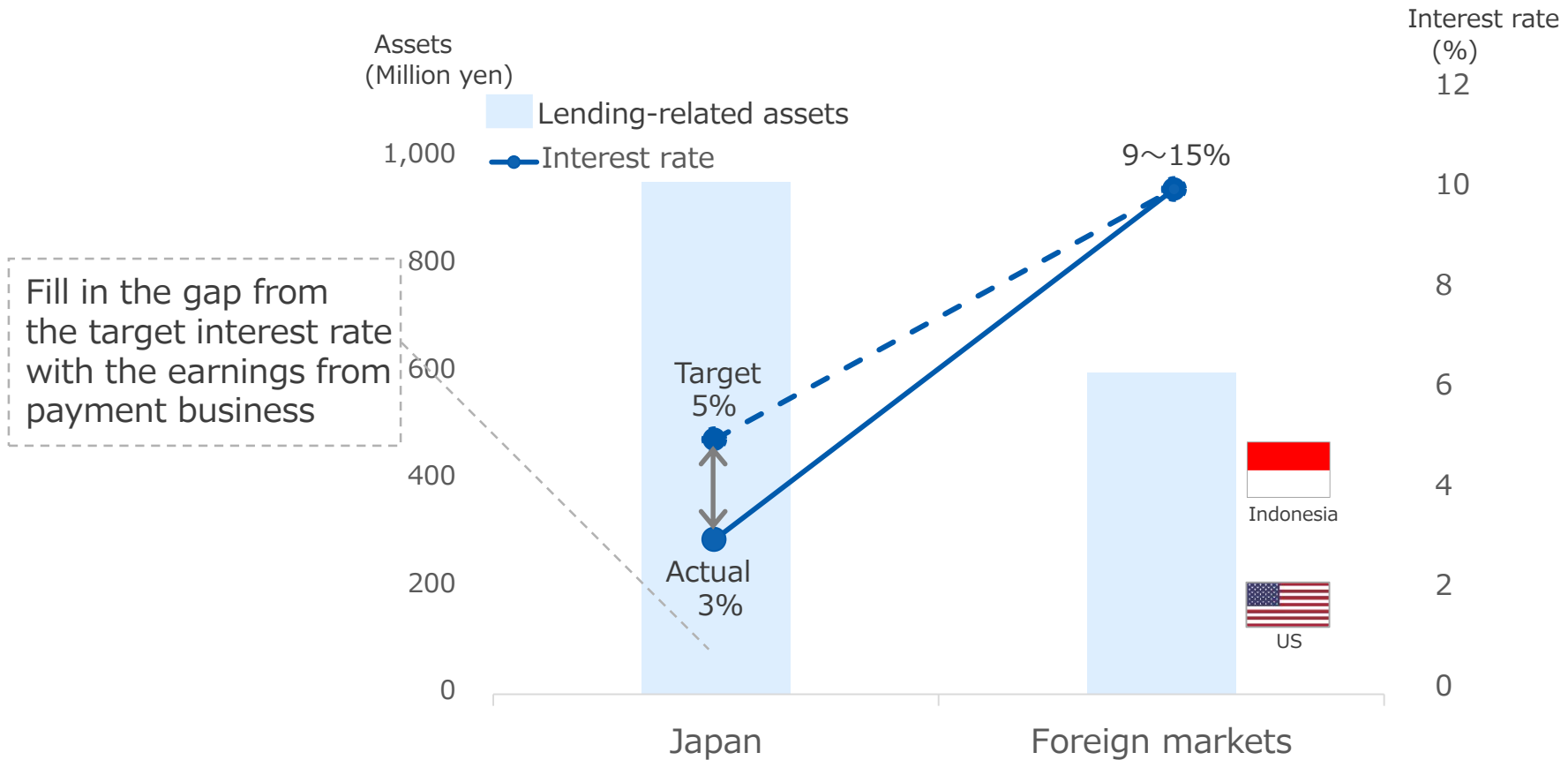
(under J-GAAP)



2.7.2 Global business and FinTech

Building assets targeting the foreign markets with high spread margin

Lending-related assets home and abroad and interest rates (as of Aug. 10, 2018)



3. Financial highlights

3.1 Changes in our balance sheet

Increase in MSB-related deposits and assets

(Unit: million yen)

Current assets

Noncurrent assets

Liabilities

Deposits

Net assets

(under representative merchant service)

Others MSB-related^{*2}

Net assets

End of^{*1}
Q4/16

End of
Q4/17

End of
Q3/18

35,663

27,634

19,108

63,569

37,406

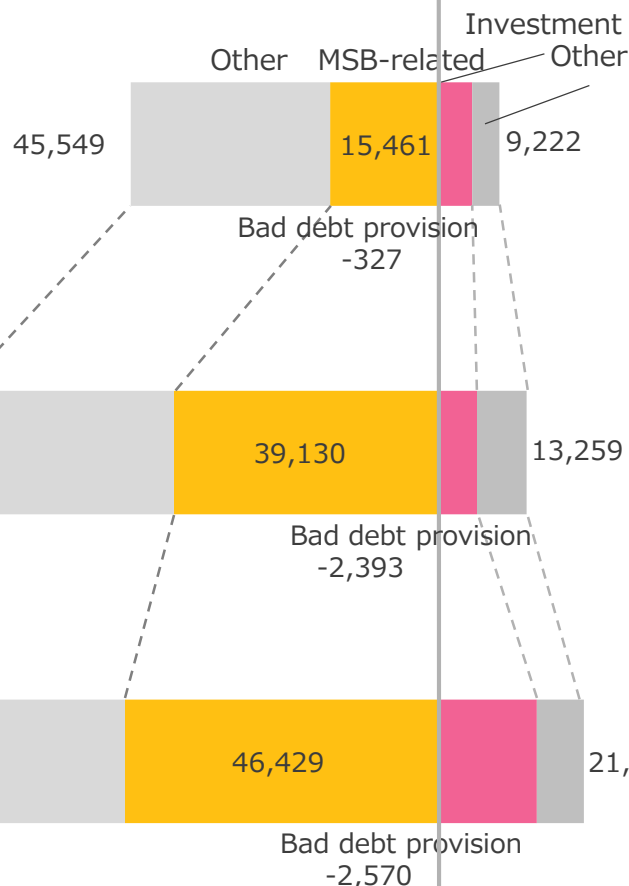
20,769

Interest-bearing debts
(short+long)

88,873

41,164

25,118



35,663

27,634

19,108

63,569

37,406

20,769

Interest-bearing debts
(short+long)

88,873

41,164

25,118

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

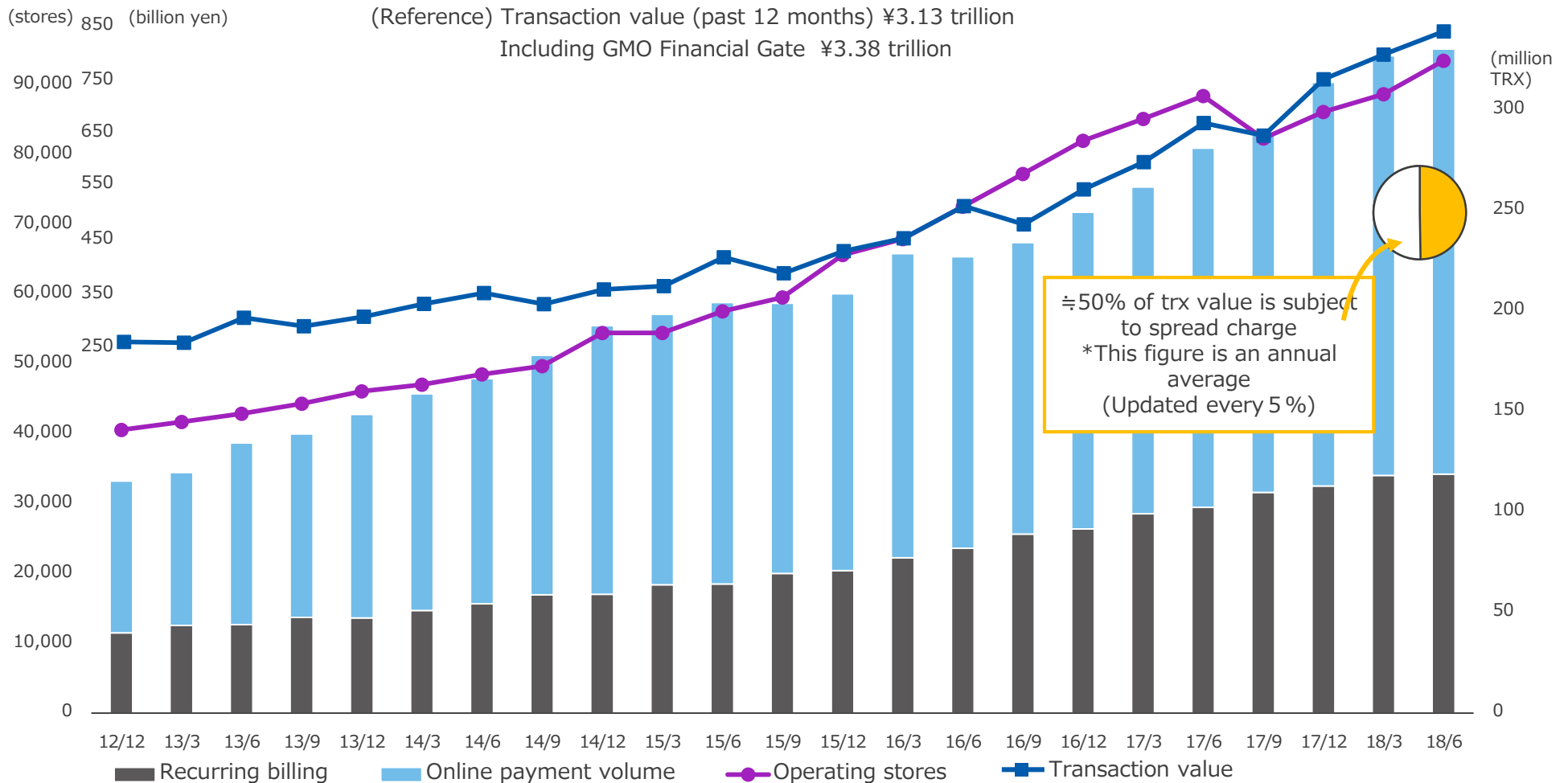
*1 J-GAAP was applied for FY2016

*2 MSB-related liabilities: accounts payable-other

3.2 Major KPIs (Quarterly)

Annual transaction value reaches ¥3.3 trillion

Operating stores: 93,450; Transaction: ¥860 billion (value), 348 million (volume)



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

*17/9 operating store number dropped QoQ due to a batch of merchants that went idle after a partner's service termination

4. Reference materials

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

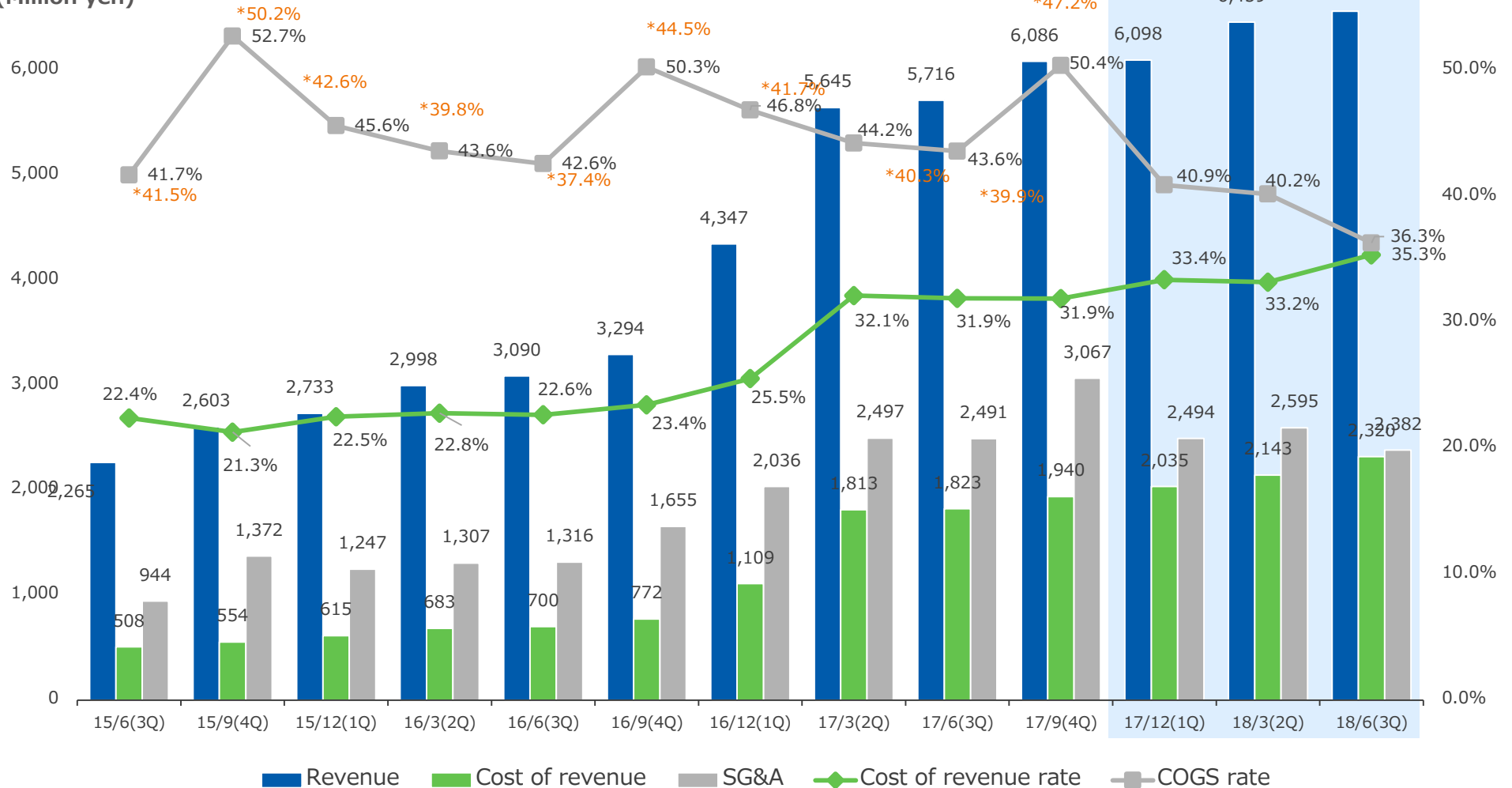
Cost of revenue ratio changed due to sales mix change

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

J-GAAP

IFRS

(Million yen)



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