

Supplementary information

Financial results briefing for the Q3 of FY2018

August 10, 2018

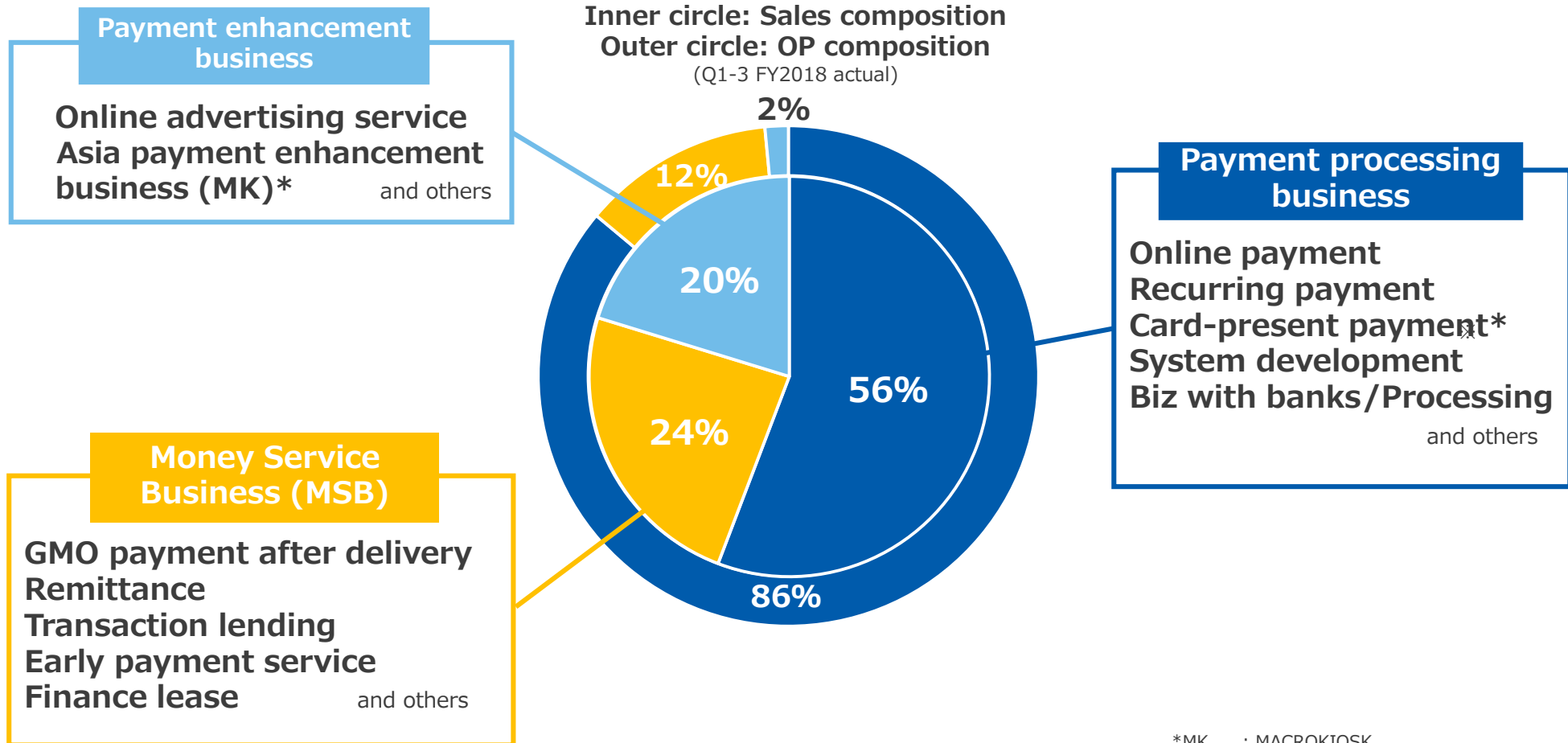
GMO Payment Gateway, Inc.
(3769: Tokyo Stock Exchange section - 1)

GMO PAYMENT GATEWAY

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

Three business segments

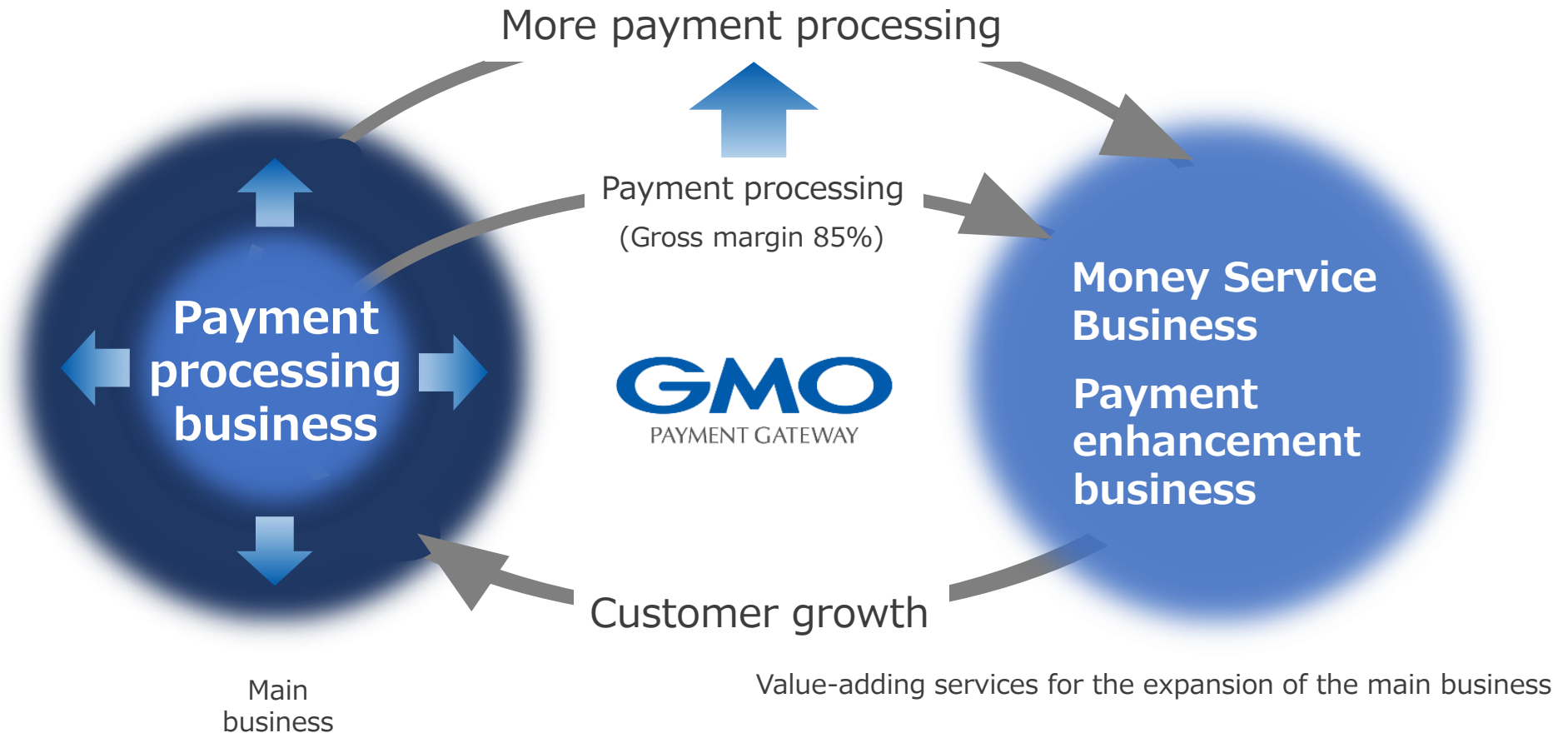
Continuing 25% OP growth based on payment processing and peripheral businesses



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

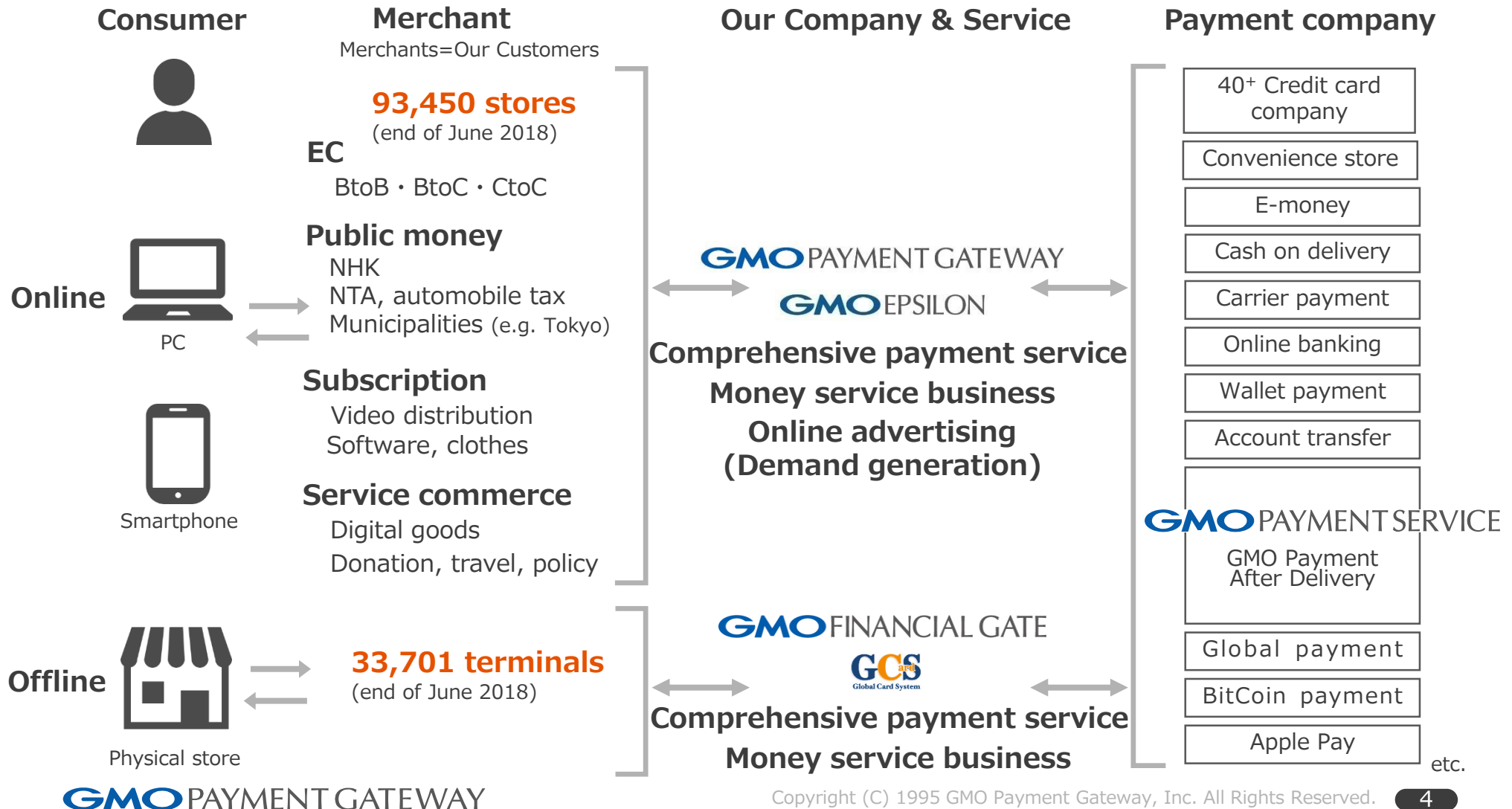
Our ecosystem

An ecosystem where our value-adding services benefit our main business so both continue to grow



Business outline - the role of our group

Connecting merchants and payment companies on contract, payment data and money flow



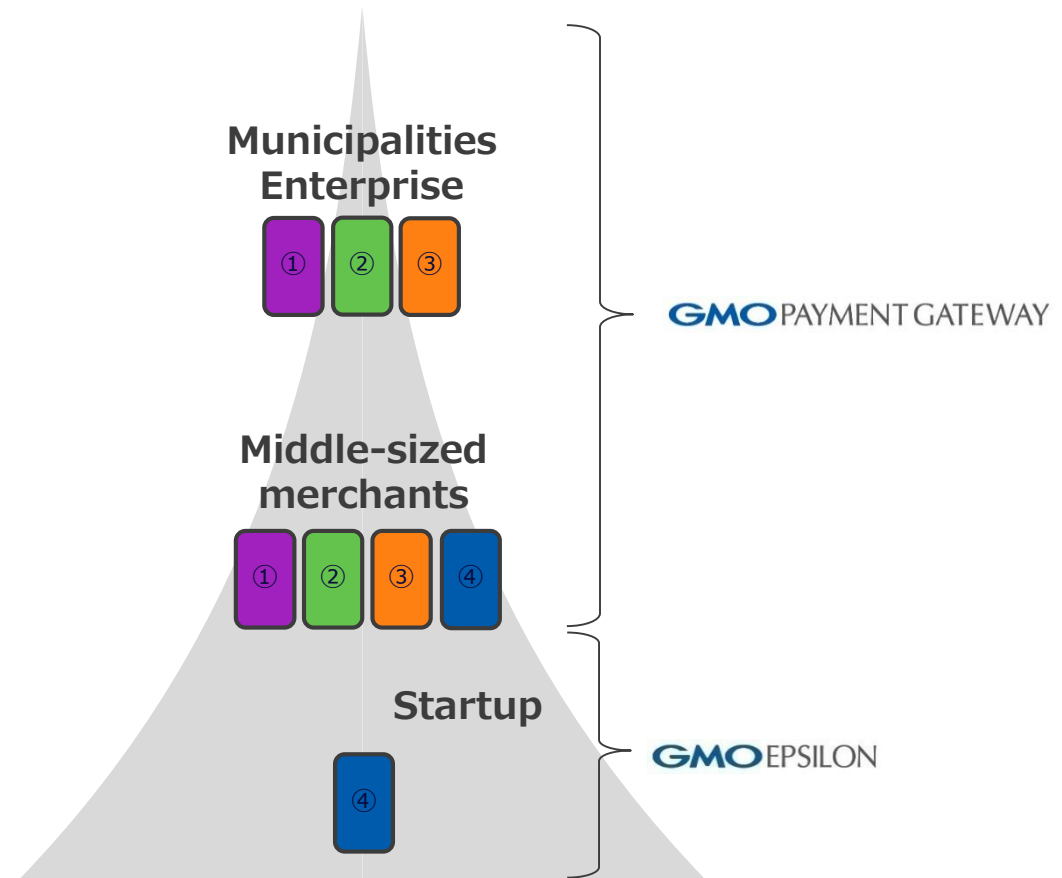
Revenue structure of credit card payment

Revenues determined by merchant type/size

■ Our four revenue types

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

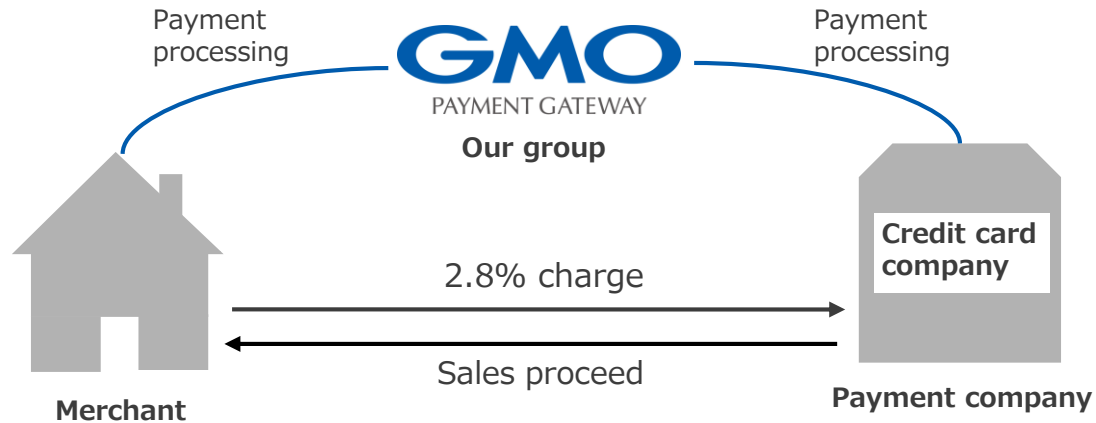
■ Revenues by merchant type/size



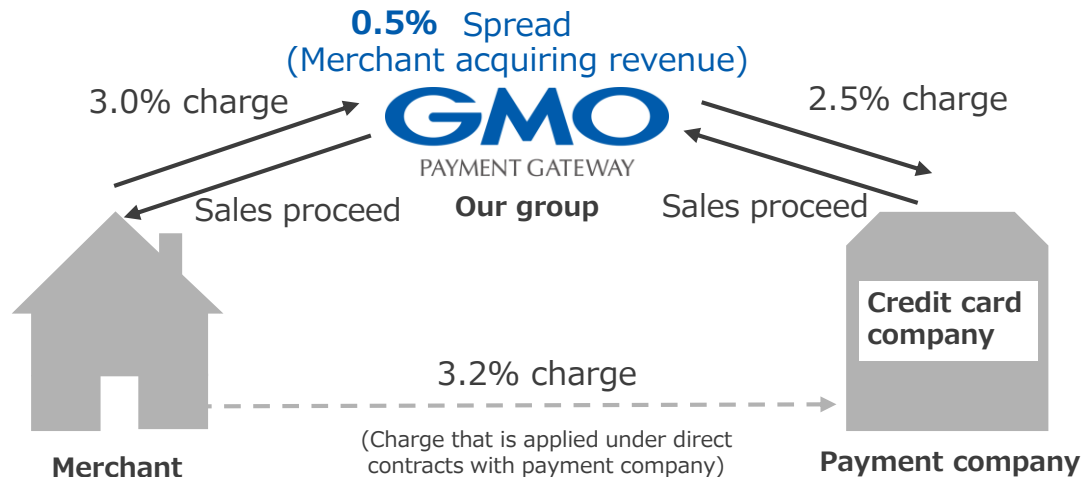
Two types of contracts

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

Direct contract
mainly for large companies and municipalities



Representative contract
mainly for SME's but covers some large companies

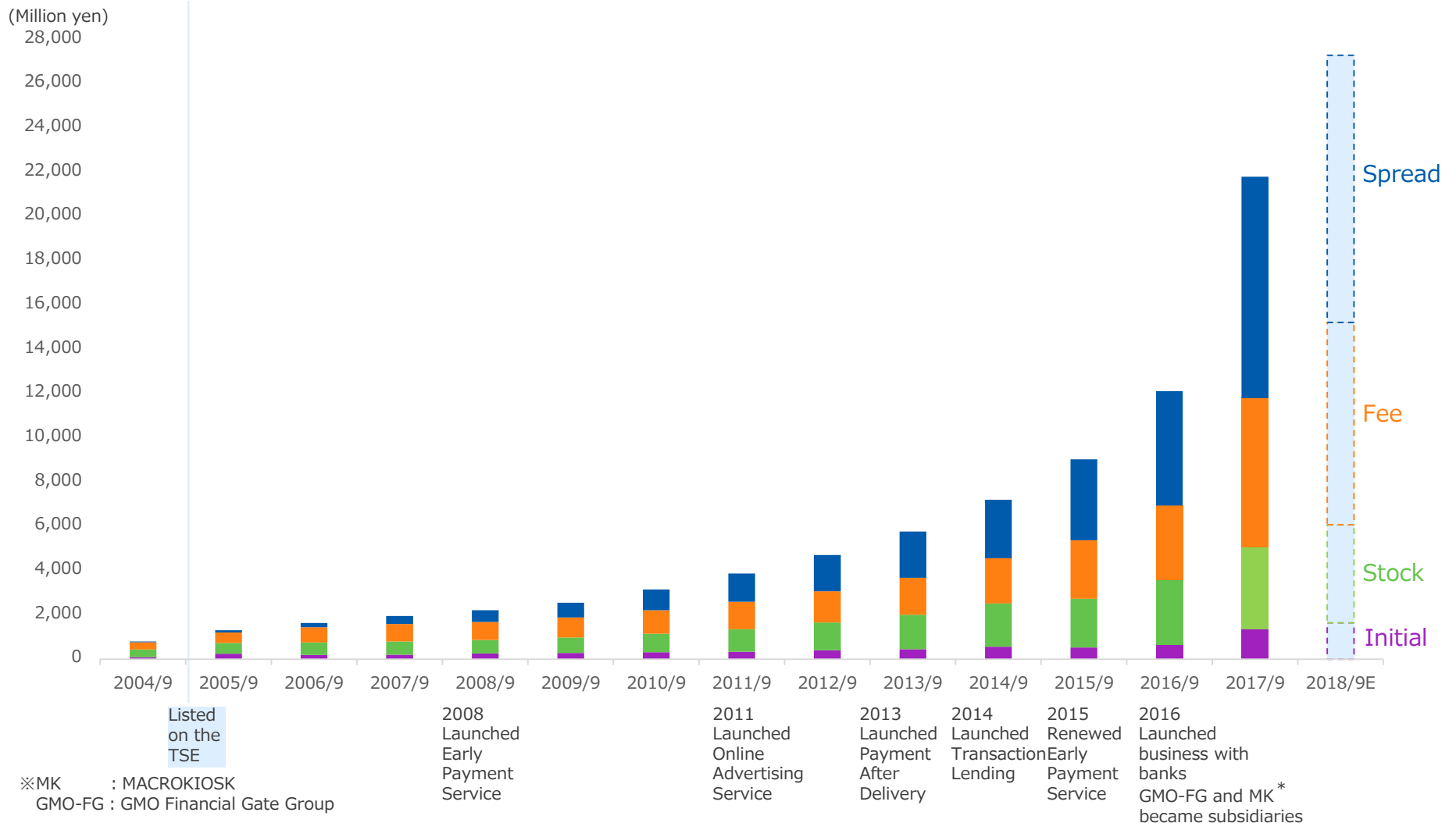


*Numbers are provided for illustration purposes only.

← Flow of sales proceed/charge

Revenue breakdown

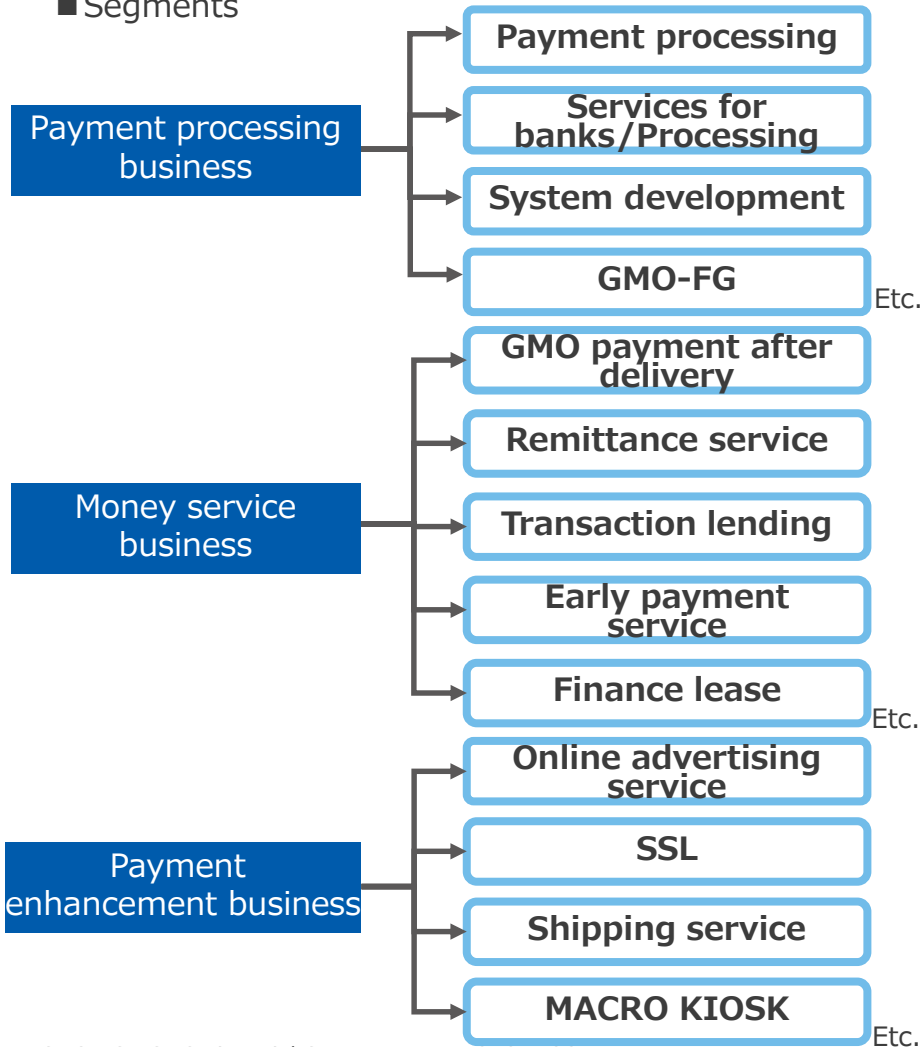
Target a balanced revenue growth by various initiatives



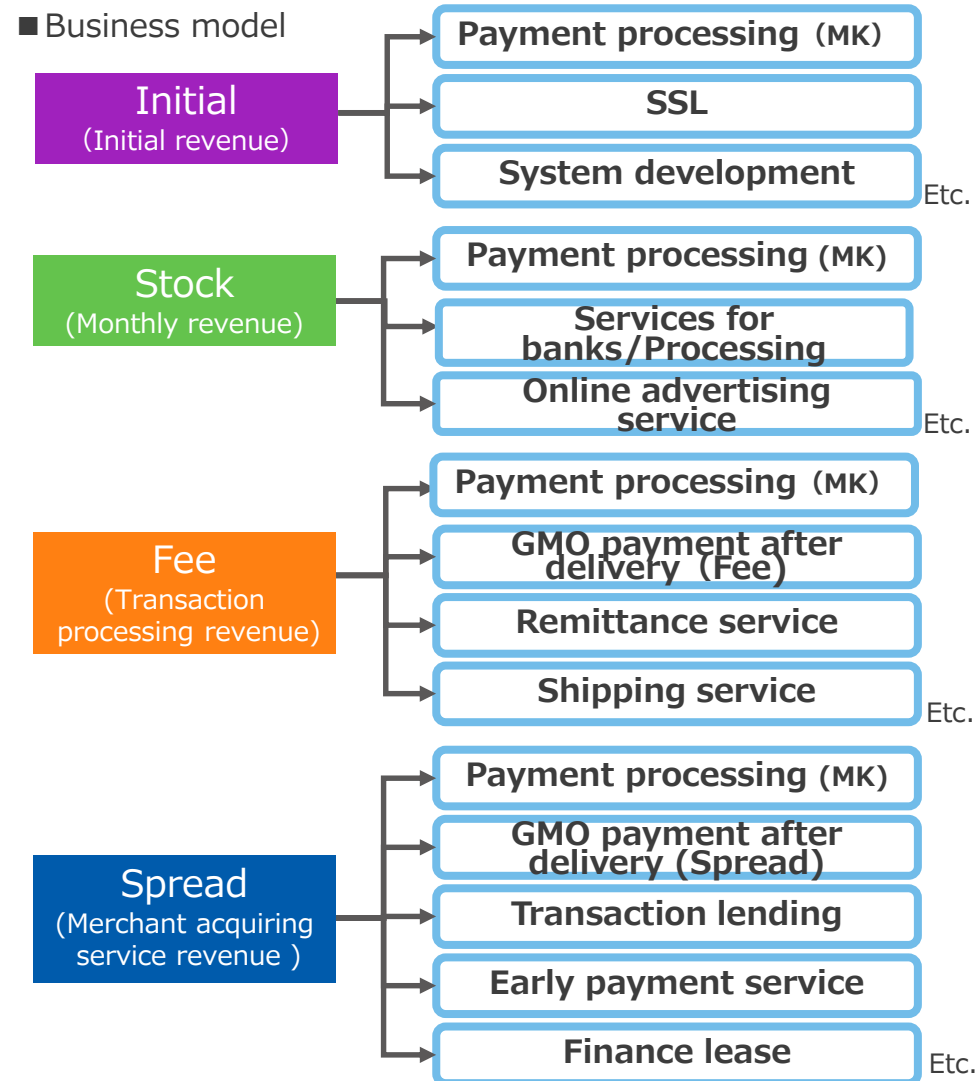
Summary chart of Segments and Revenue models

Reporting in 3 Segments and 4 revenue models

■ Segments



■ Business model

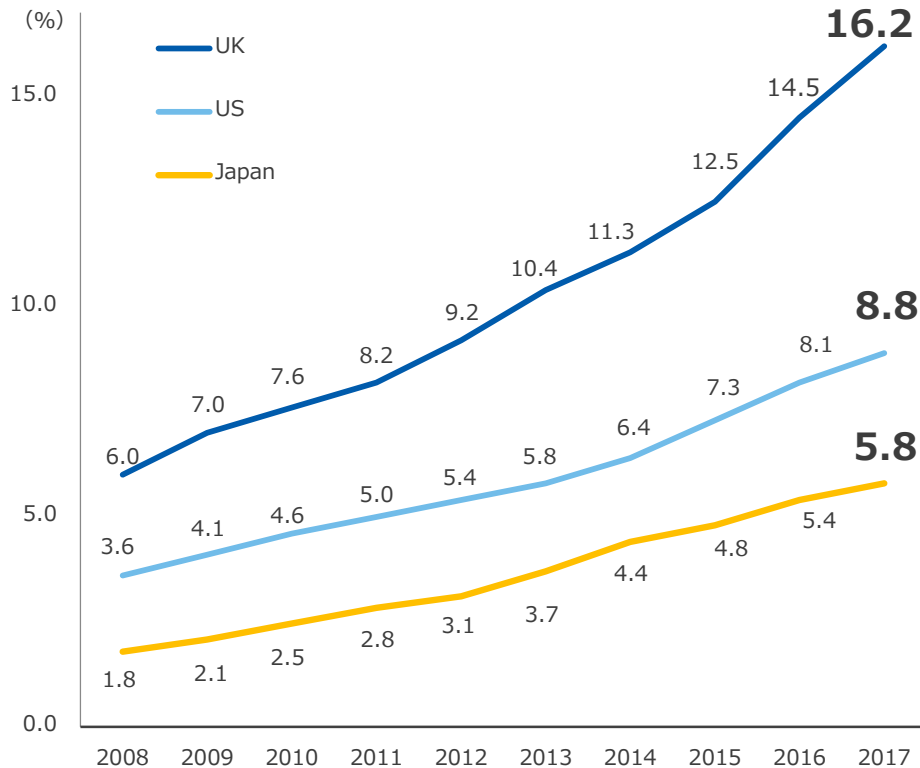


GMO-FG : GMO Financial Gate MK : MACRO KIOSK

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 1st Quarter 2018 Retail E-Commerce Sales Report";
 Office for National Statistics "Retail Sales, May 2018"

■ Card usage to private final consumption expenditure

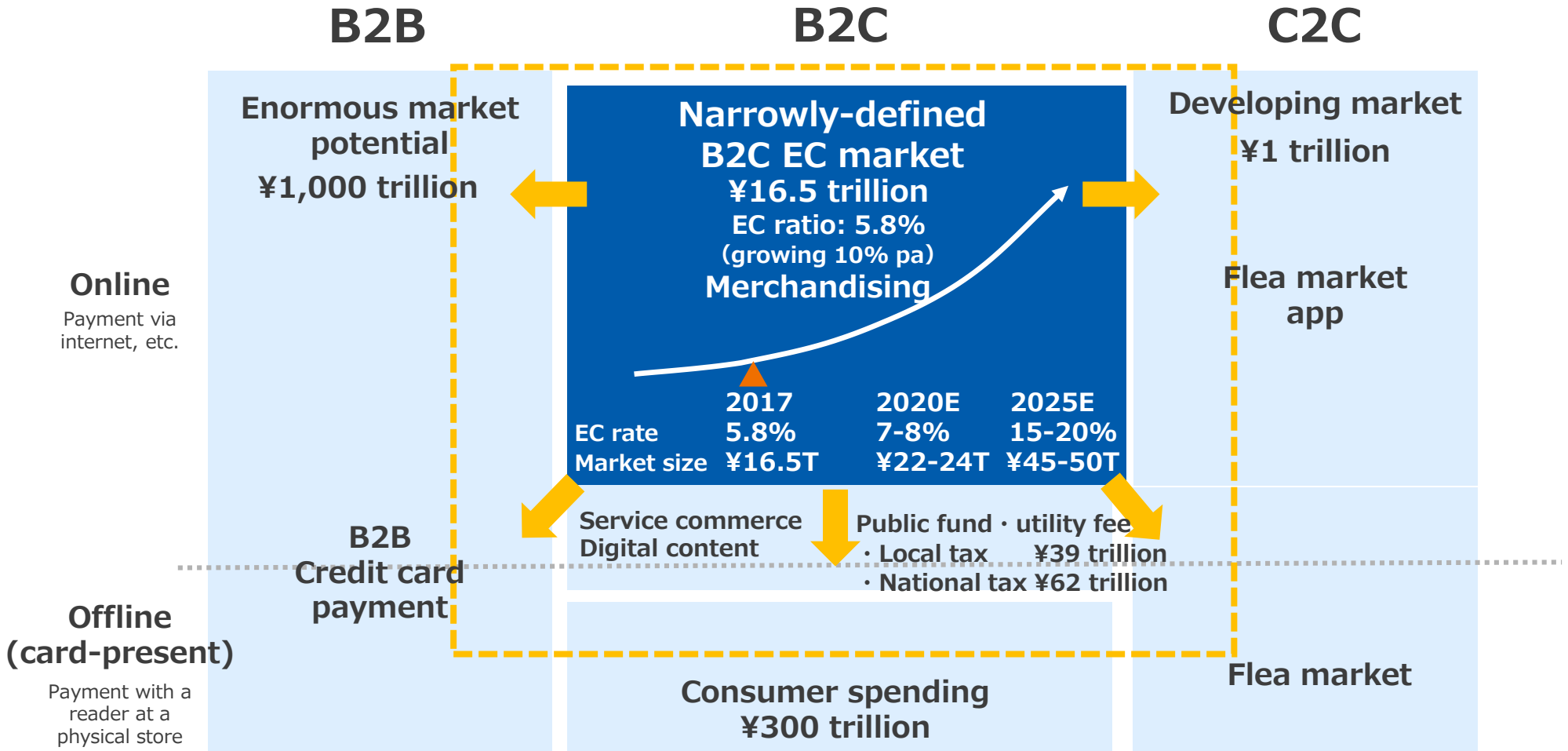
| (2017) | Credit card usage rate | Debit card usage rate | Credit+Debit usage to private final consumption expenditure rate |
|-------------------------|------------------------|-----------------------|--|
| South Korea | 74 % | 19 % | 93 % |
| UK | 12 % | 53 % | 65 % |
| US | 31 % | 25 % | 56 % |
| Australia (2016) | 26 % | 20 % | 46 % |
| Japan (2016) | 17% | - | 17 % |

*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 CPI countries - Figures for 2017"
 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)". Figures 2020 and after are our estimates.

*MIC "Breakdown of national tax and local tax revenue (FY2018 Budget and Local Government Finance Plan)"

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

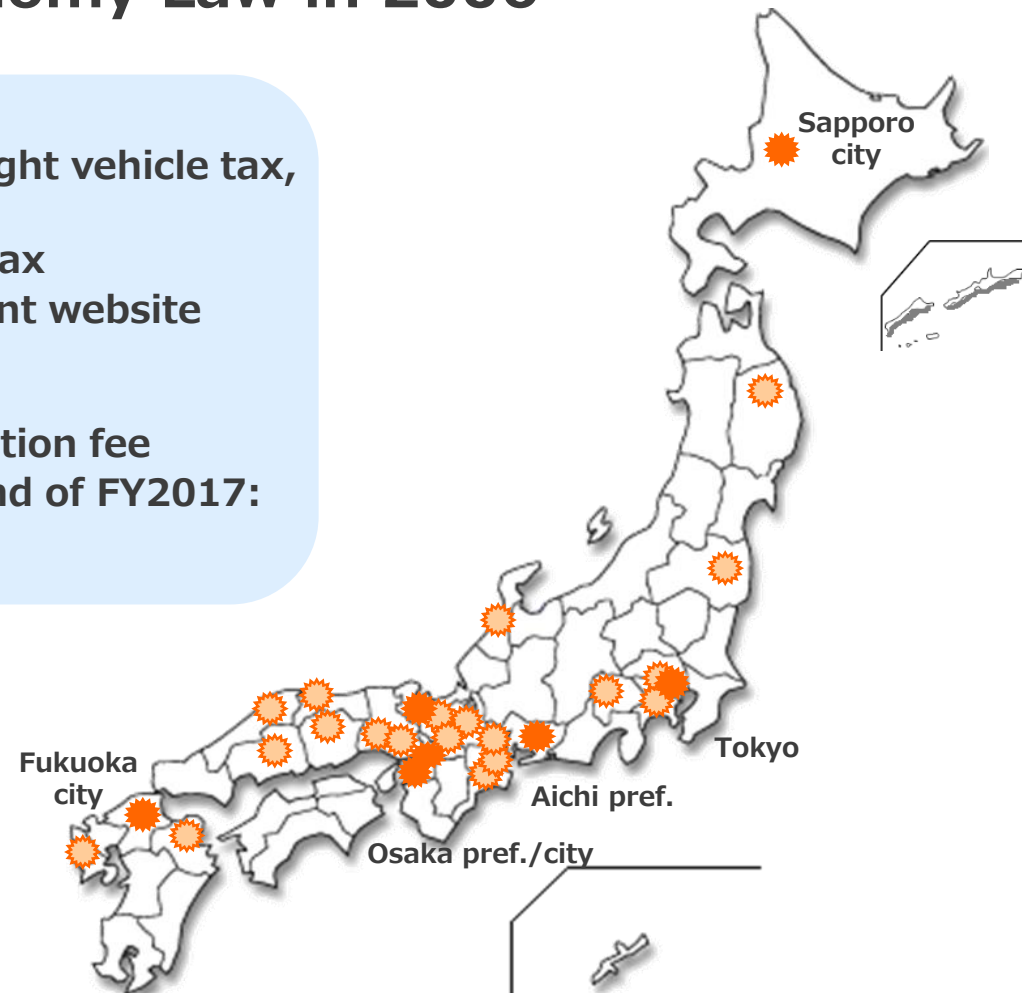
Payment processing: Public due & utility payments

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

Local governments etc. : Local Taxes (Automobile tax, light vehicle tax, fixed assets tax, etc.)
Water bill, gas bill, hometown tax
National tax credit card payment website

NHK : National broadcasting subscription fee
Credit card usage rate at the end of FY2017:
14.9% (yoy + 1.2%)

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



*Japan Broadcasting Corporation "Business Report for FY2017"

Offline (card-present) payment

IoT services to go full scale to take in cashless & inbound demands

■ Offline payment

GMO Financial Gate delivers payment terminals for physical store payments

Revised Installment Sales Act:

Replacement demands for IC chip equipped terminals from the conventional magnetic ones

Tokyo Olympics:

Cashless payment demands to surge as more foreign visitors come to Japan

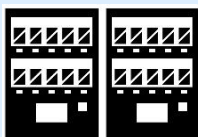
Embedded EMV *
terminals



*EMV: Unified standard for credit cards with IC chip determined by Visa and MasterCard

Future target and potential

Vending machine
(Drink/food)



Ticket vending machine
(Railway company)



Auto payment machine
(Parking, hotel, hospital)



Office coffee machine



Self check out, EV charger, goods selling machine, laundromat, touch pad for orders



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

Payment processing: Ginko Pay

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

■ Ginko Pay

A smartphone app system that allows for immediate payments such as direct debit targeting financial institutions



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-)



Definition of Money Service Business (MSB)

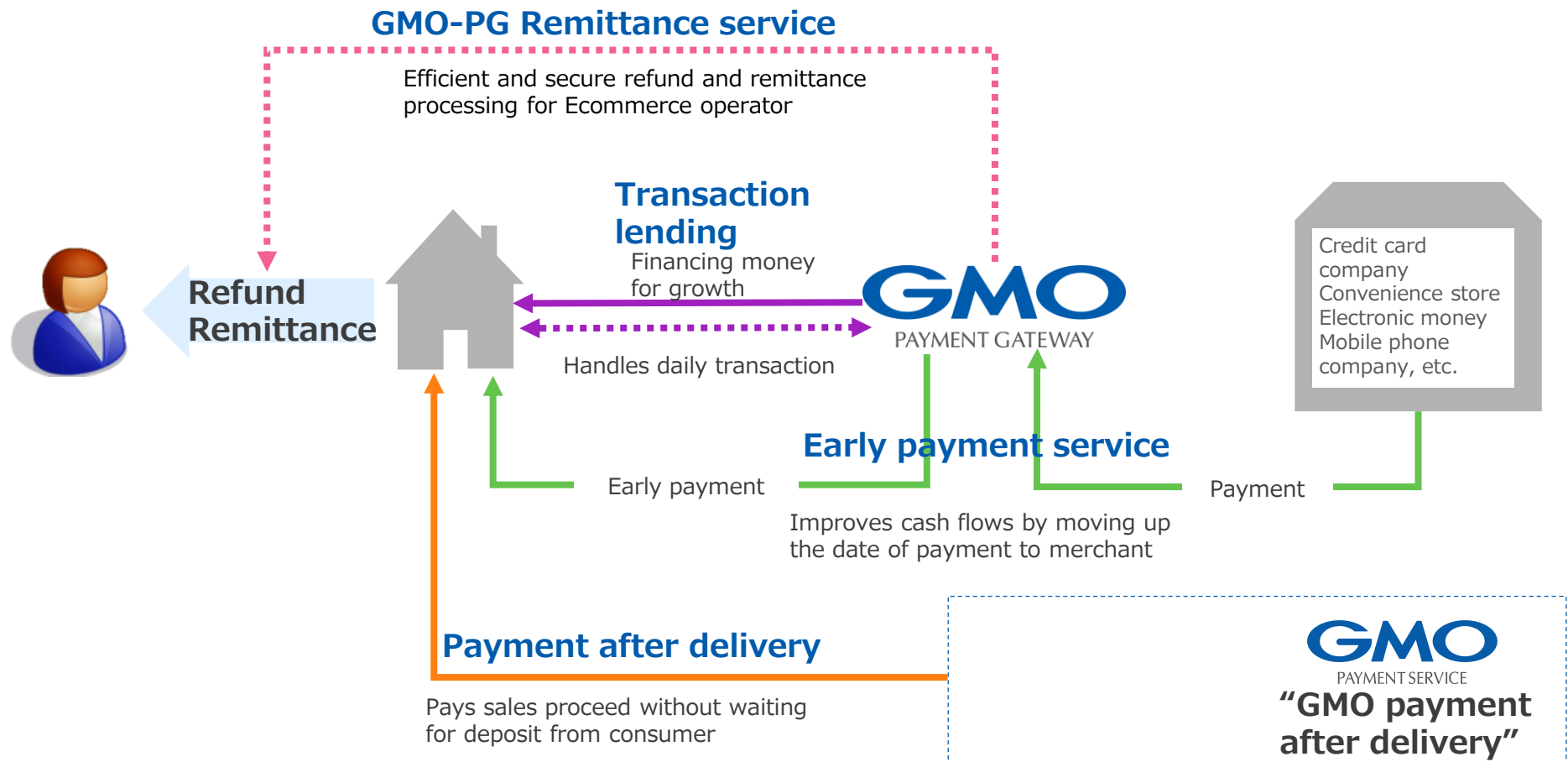
Financial service that only payment service providers can deliver

Consumer

Merchant

GMO-PG group

Payment company

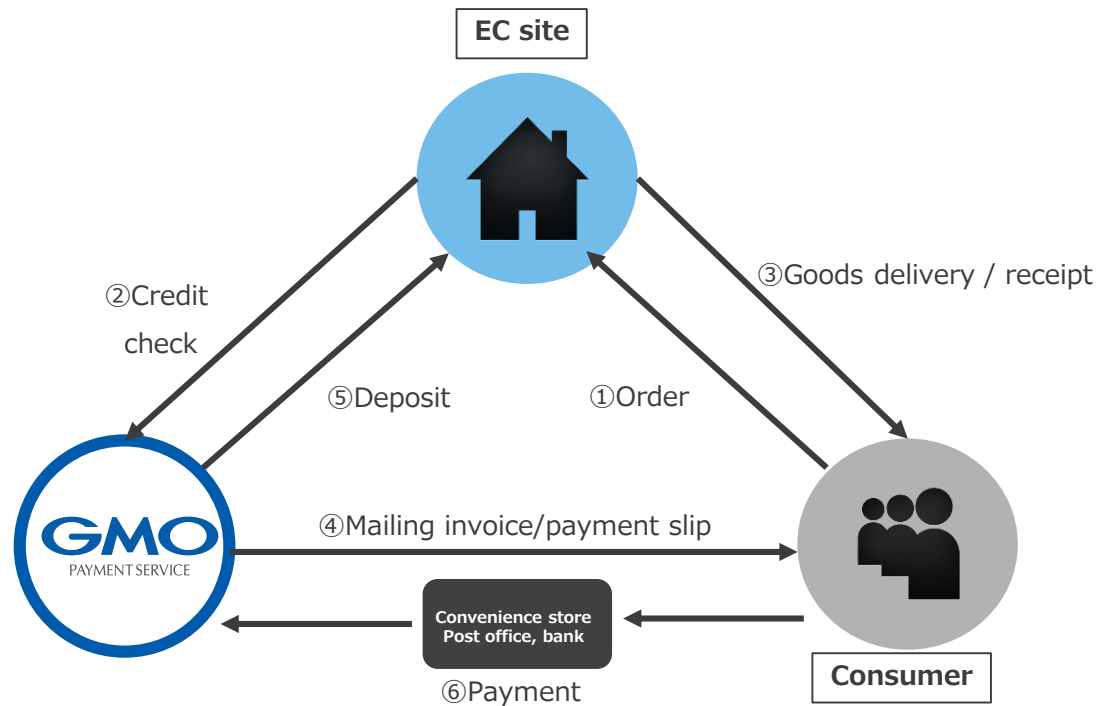


MSB: GMO Payment after delivery

Provided by GMO Payment Service, our subsidiary

■ GMO Payment After Delivery

Buyer can pay at post office or CVS after receiving goods
Payment terms is 2 weeks.



Payment services with 2weeks+ payment terms are also delivered.

Overseas strategies

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

■ Investment target

Asia: Top payment-related company

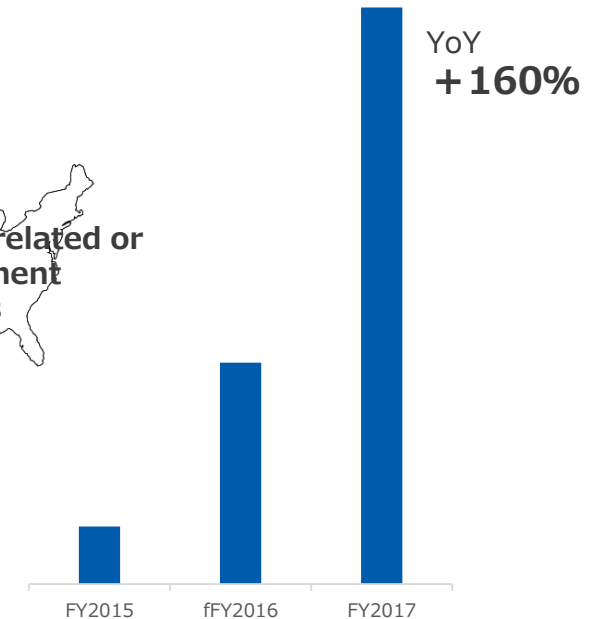
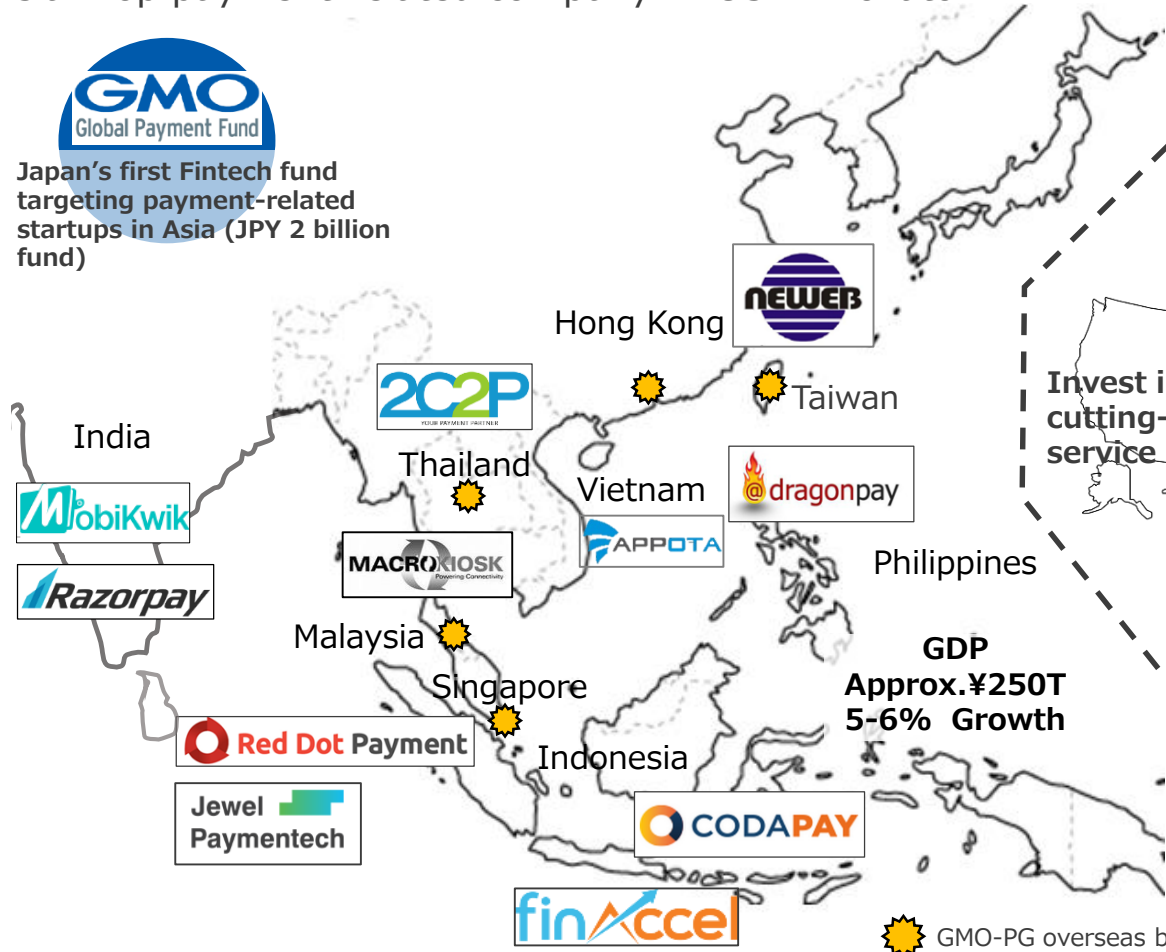
US: Innovator

■ 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

Payment enhancement: Mobile payment and authentication



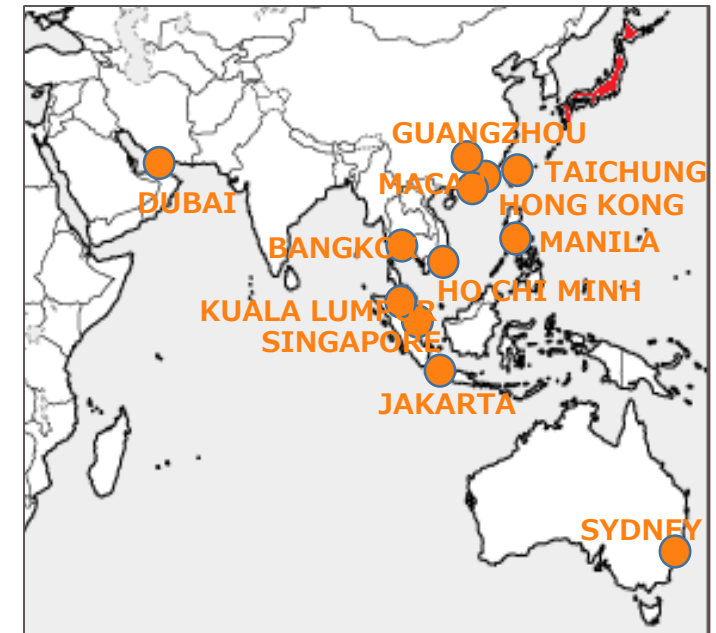
Focus on investment in MACROKIOSK, acquiring of Asian banks and big companies

| | |
|--------------------------|--|
| Company name | Macro Kiosk Berhad |
| Location | Malaysia and 11 other countries in Asia |
| Headcount | 255 |
| 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: Going 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 June 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 (J-GAAP)

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

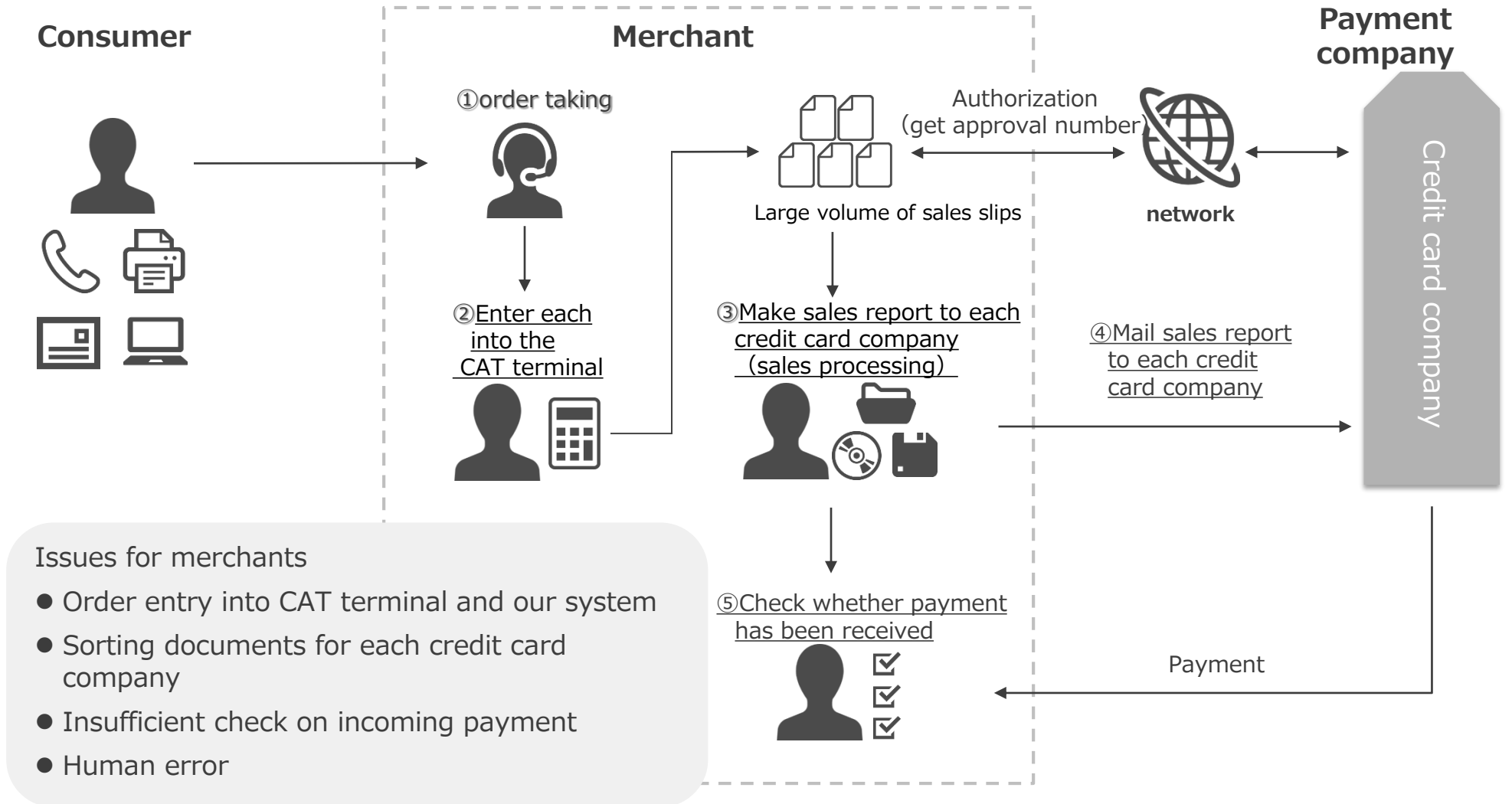
| | | |
|-----------------------------|--|-----------------------|
| ■ Name | GMO Payment Gateway, Inc. (3769; Tokyo Stock Exchange 1 st section) | |
| ■ Date of establishment | March 1995 | |
| ■ Location | Humax Shibuya Building 7F, 1-14-6, Dogenzaka, Shibuya-ku, Tokyo Japan | |
| ■ Capital stock | 4,712 million yen | |
| ■ Major shareholders | GMO Internet, Inc., Sumitomo Mitsui Banking Corporation, Issei Ainoura ,etc | |
| ■ Management team | 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 |
| ■ 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. | |
| ■ Equity affiliates | SMBC GMO Payment, Inc., 2C2P Pte. Ltd., etc. | |

(As of end of June 2018)

Appendix

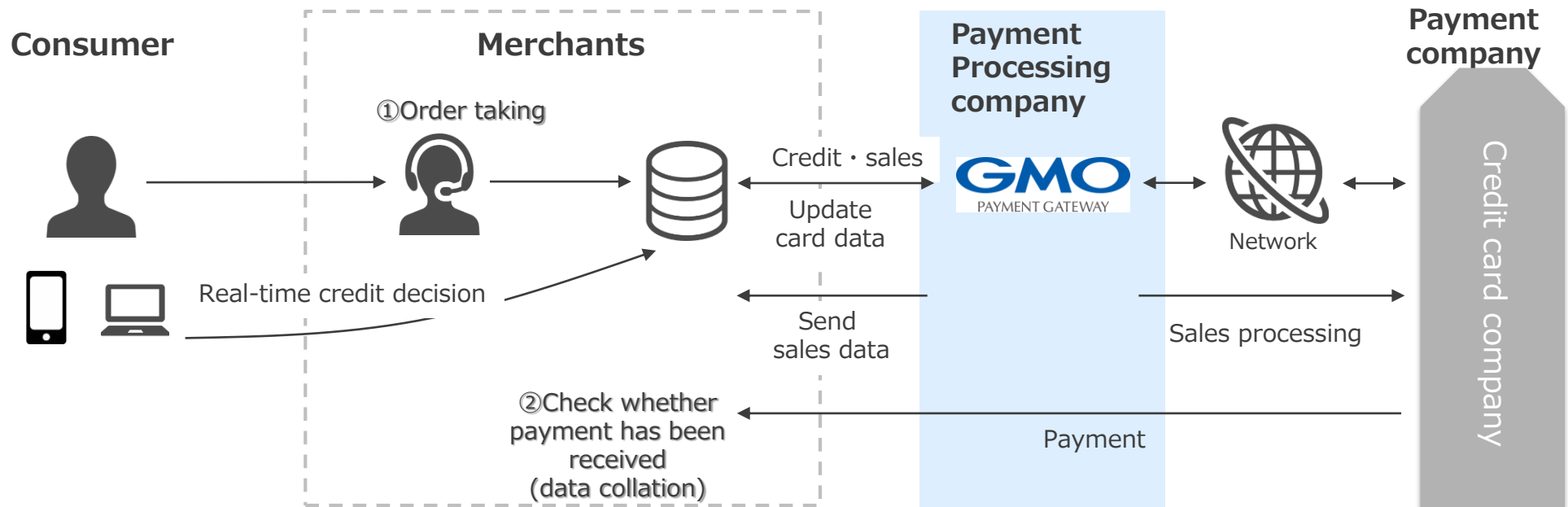
Business outline of payment processing company (1)

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



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.