

Supplementary information

Financial results briefing for the Q4 of FY2018

November 13, 2018

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

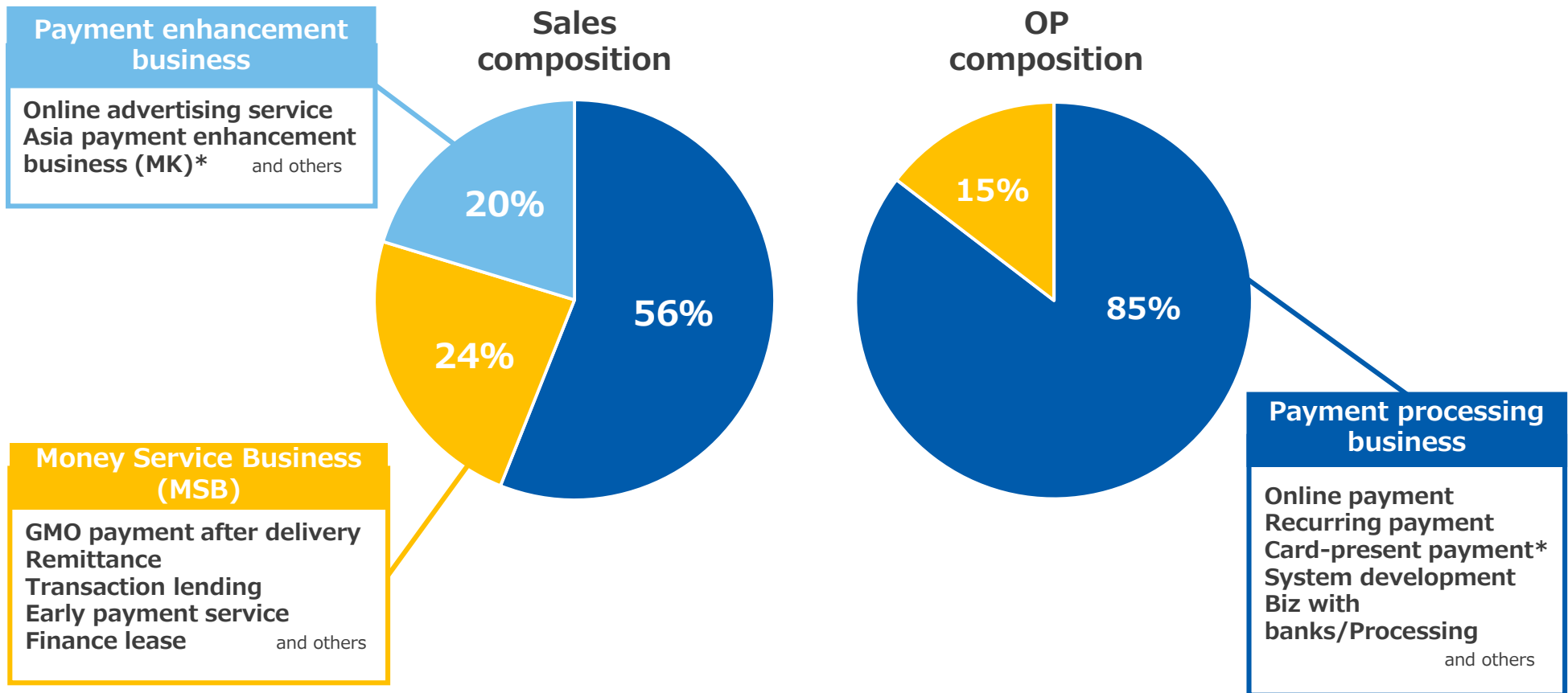
GMO PAYMENT GATEWAY

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

Three business segments

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

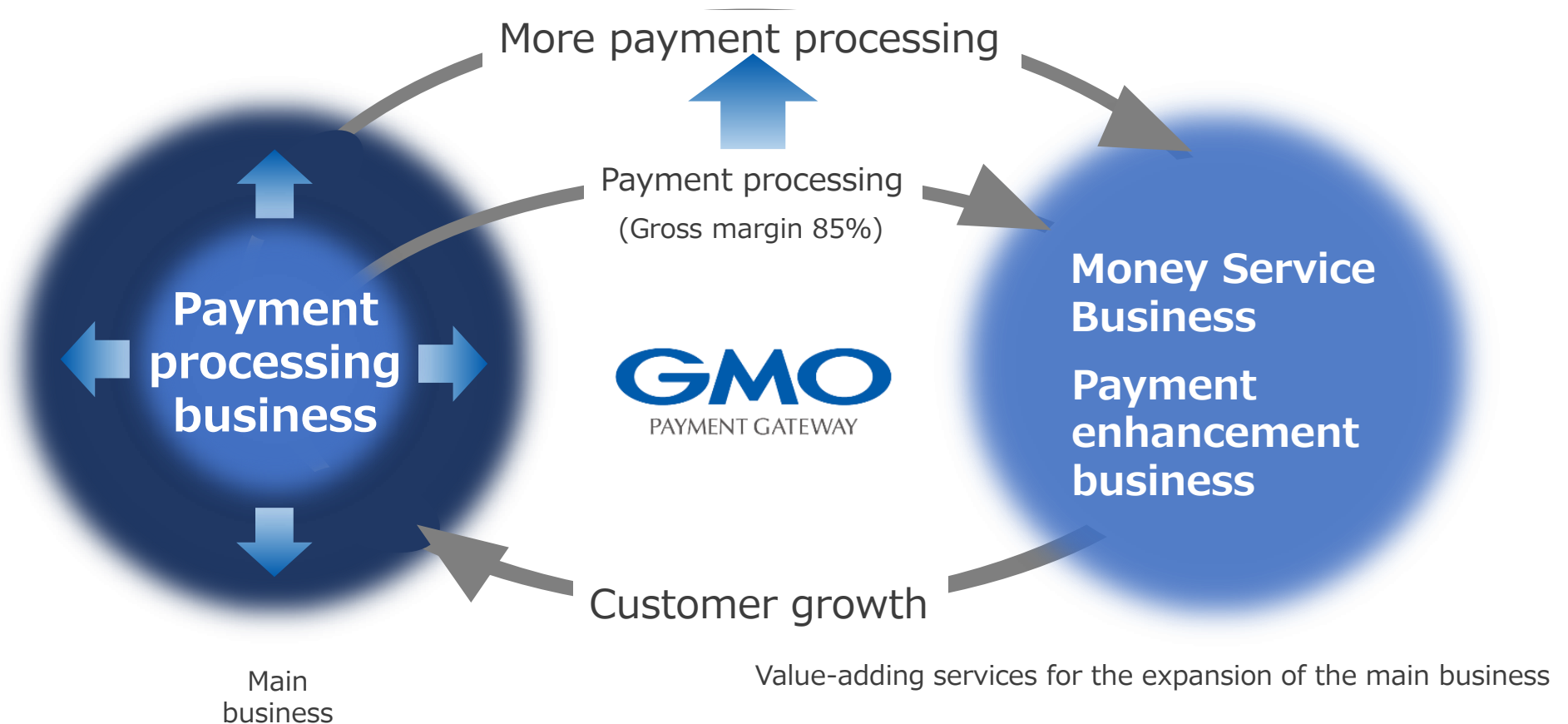
(Q1-4 FY2018 actual)



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

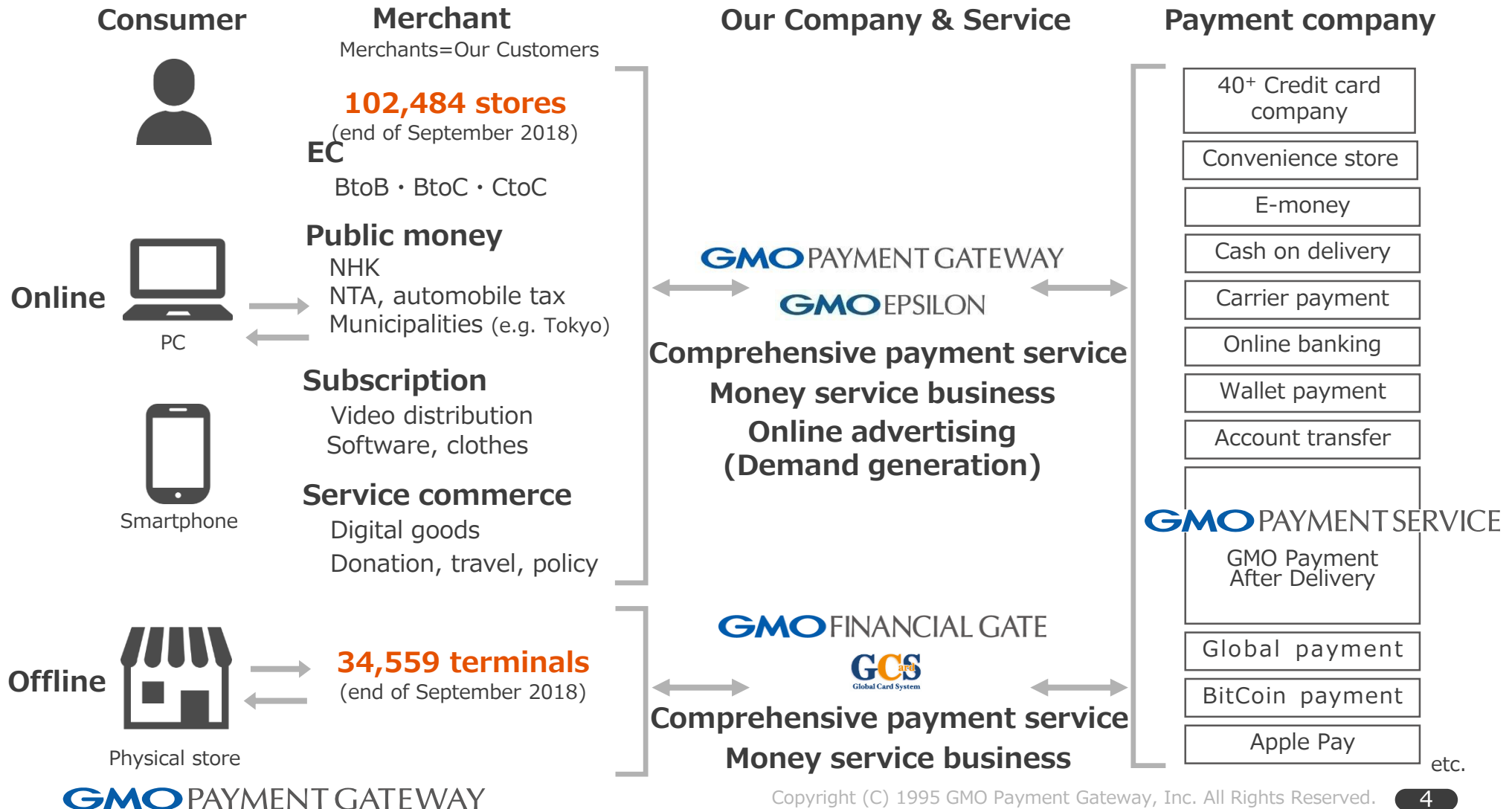
Our ecosystem

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



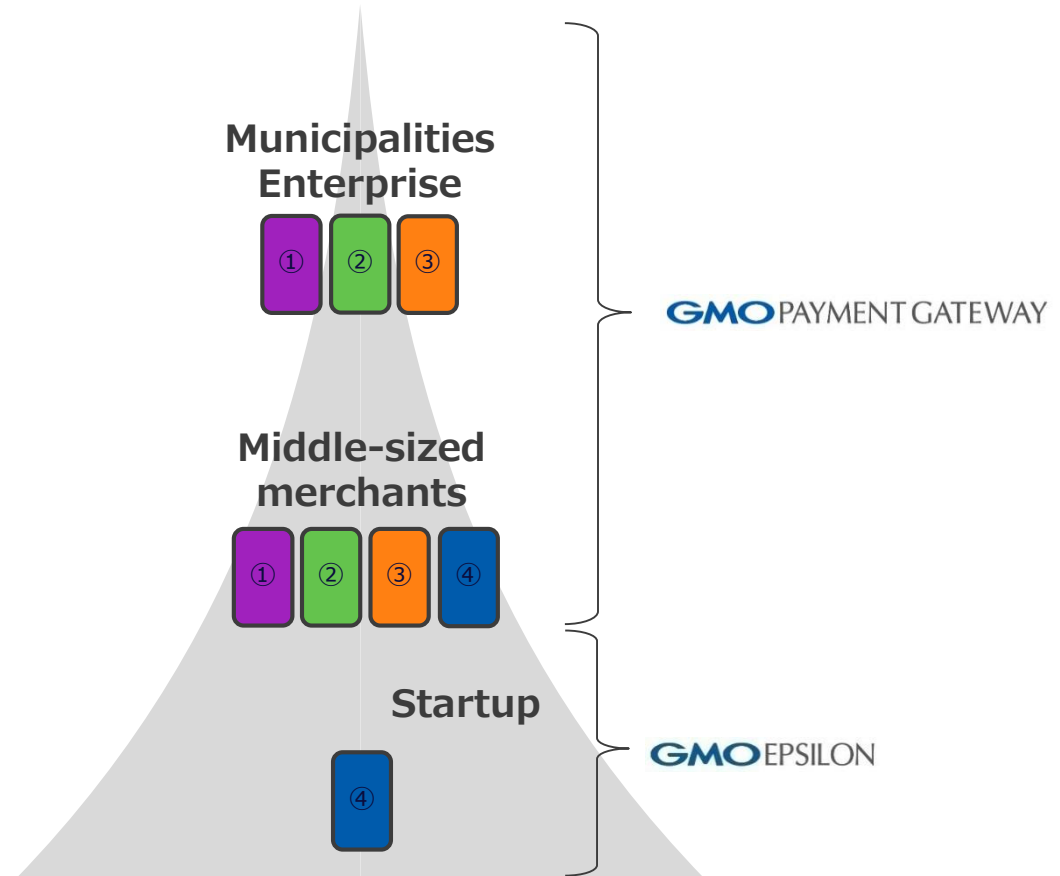
Revenue structure of credit card payment

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
× _%

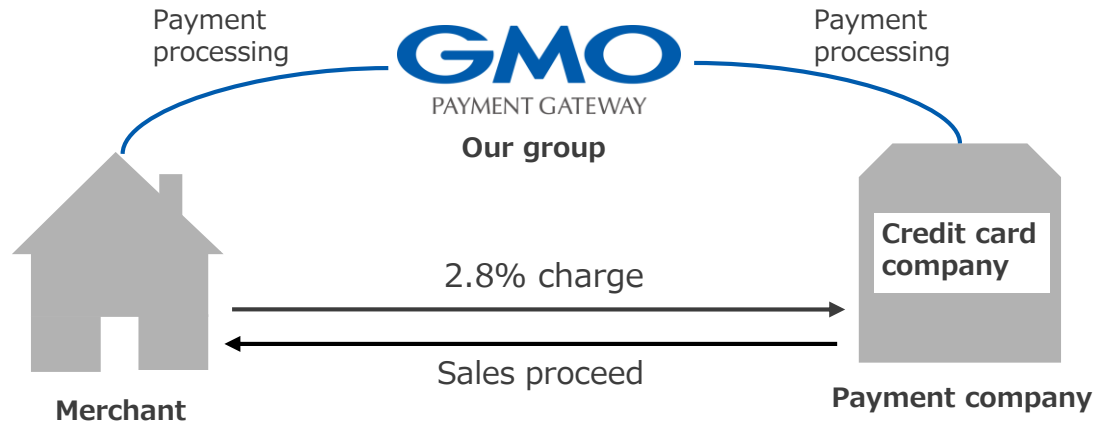
■ Revenues by merchant type/size



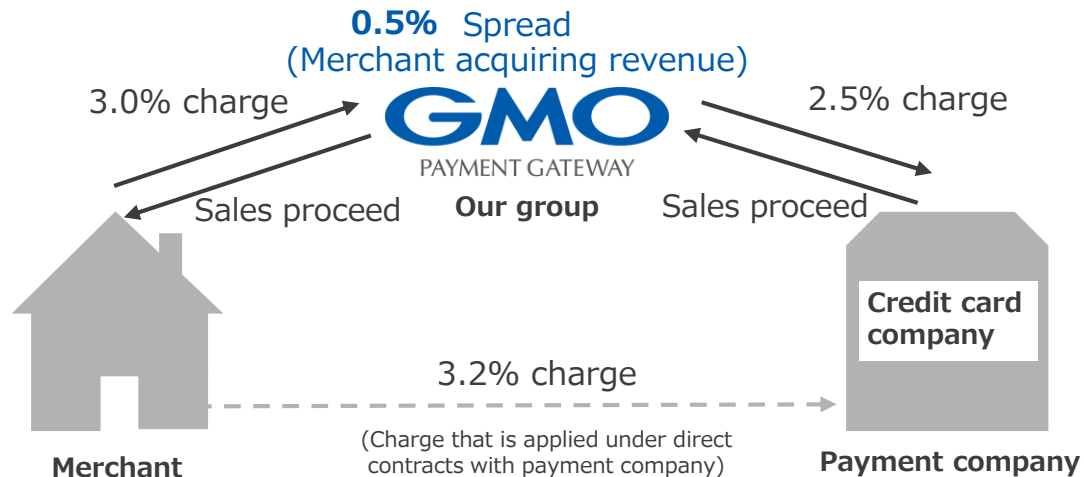
Two types of contracts

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

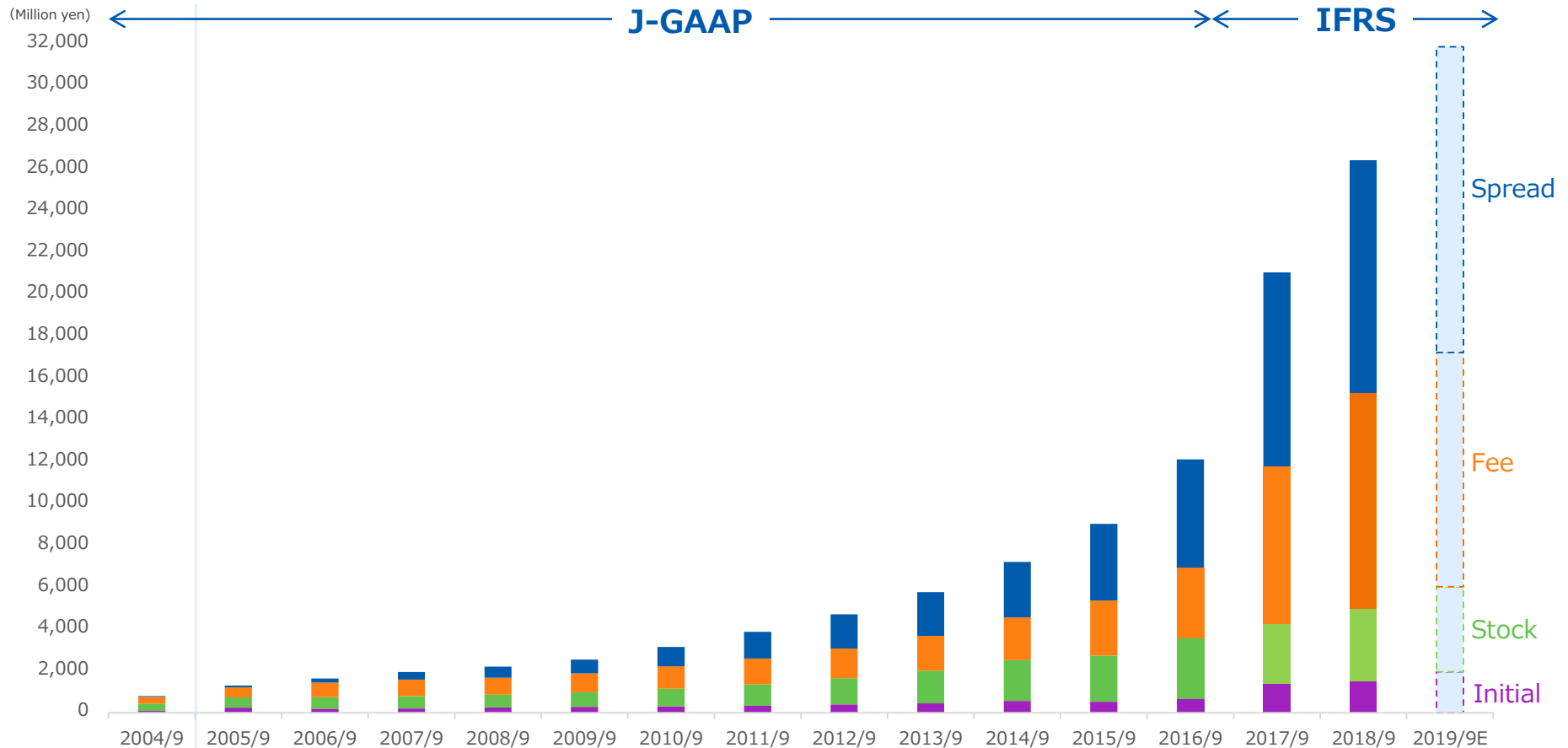


*Numbers are provided for illustration purposes only.

← Flow of sales proceed/charge

Revenue breakdown

Target a balanced revenue growth by various initiatives



Listed on the TSE

2008 Launched Early Payment Service

2011 Launched Online Advertising Service

2013 Launched Payment After Delivery

2014 Launched Transaction Lending

2015 Renewed Early Payment Service

2016 Launched business with banks

GMO-FG and MK* became subsidiaries

※MK : MACROKIOSK
GMO-FG : GMO Financial Gate Group

Summary chart of Segments and Revenue models

Reporting in 3 Segments and 4 revenue models

■ Segments

Payment processing business	Payment processing
	Services for banks/Processing
	System development
	GMO-FG
Money service business	GMO payment after delivery
	Remittance service
	Transaction lending
	Early payment service
	Finance lease
Payment enhancement business	Online advertising service
	SSL
	Shipping service
	MACRO KIOSK

■ Business model

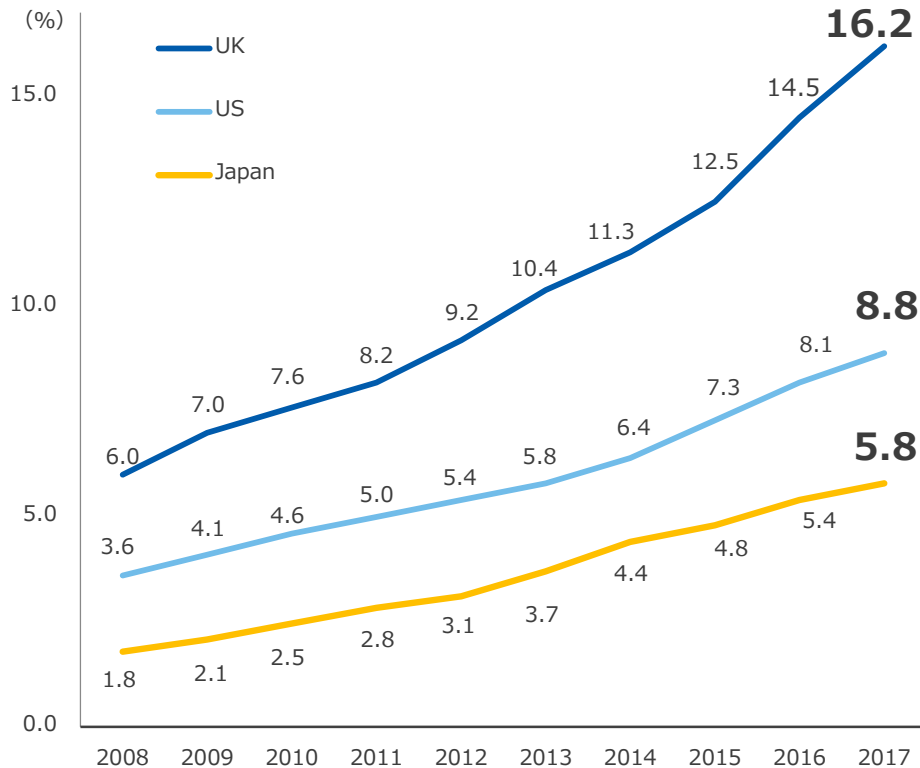
Initial (Initial revenue)	Payment processing (MK)
	SSL
	System development
Stock (Monthly revenue)	Payment processing (MK)
	Services for banks/Processing
	Online advertising service
Fee (Transaction processing revenue)	Payment processing (MK)
	GMO payment after delivery (Fee)
	Remittance service
	Shipping service
Spread (Merchant acquiring service revenue)	Payment processing (MK)
	GMO payment after delivery (Spread)
	Transaction lending
	Early payment service
	Finance lease

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

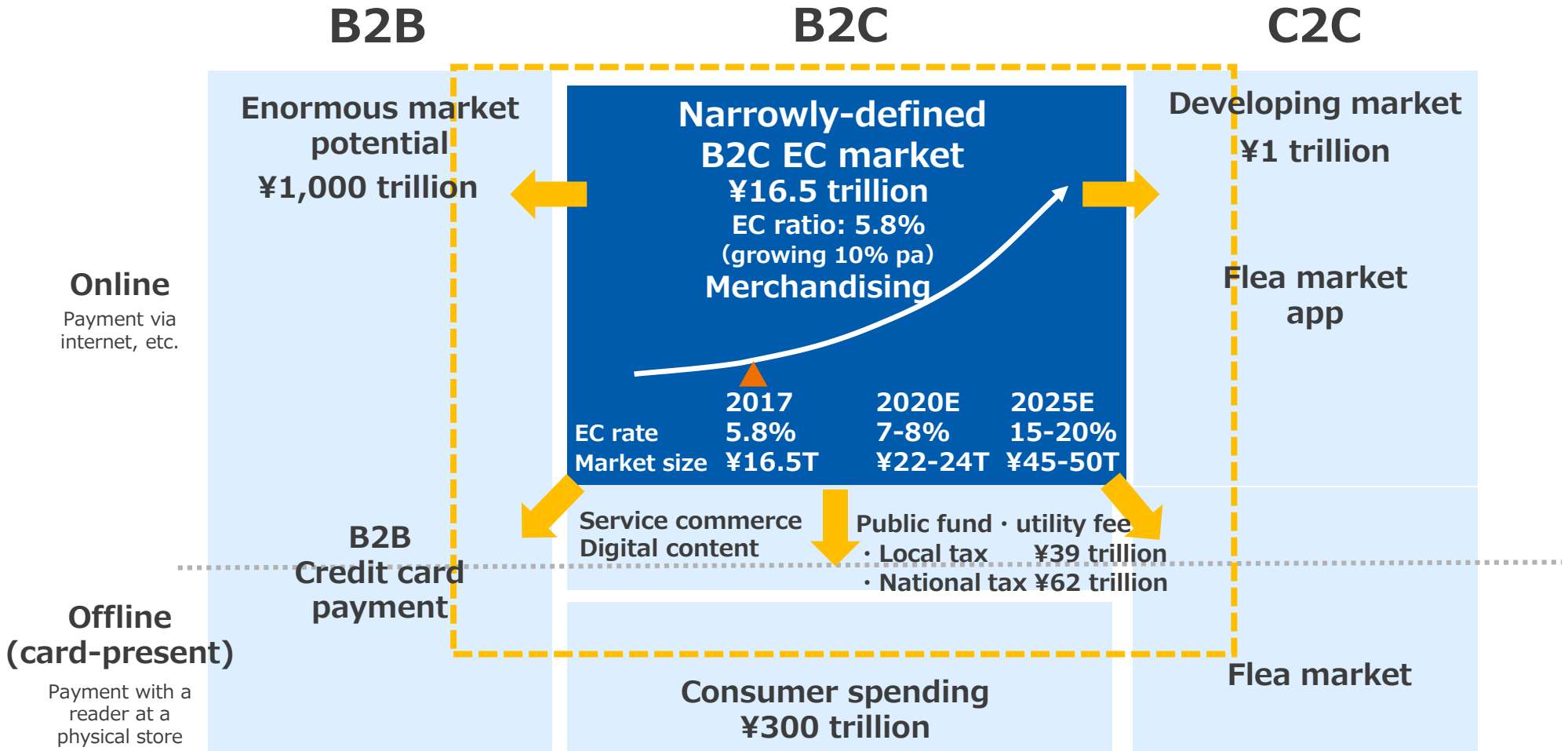
(2017)	Credit card usage rate	Debit card usage rate	Credit+Debit usage to private final consumption expenditure rate
South Korea	74 %	19 %	93 %
UK	12 %	53 %	65 %
US	31 %	25 %	56 %
Australia (2016)	26 %	20 %	46 %
Japan (2016)	17%	-	17 %

*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)"

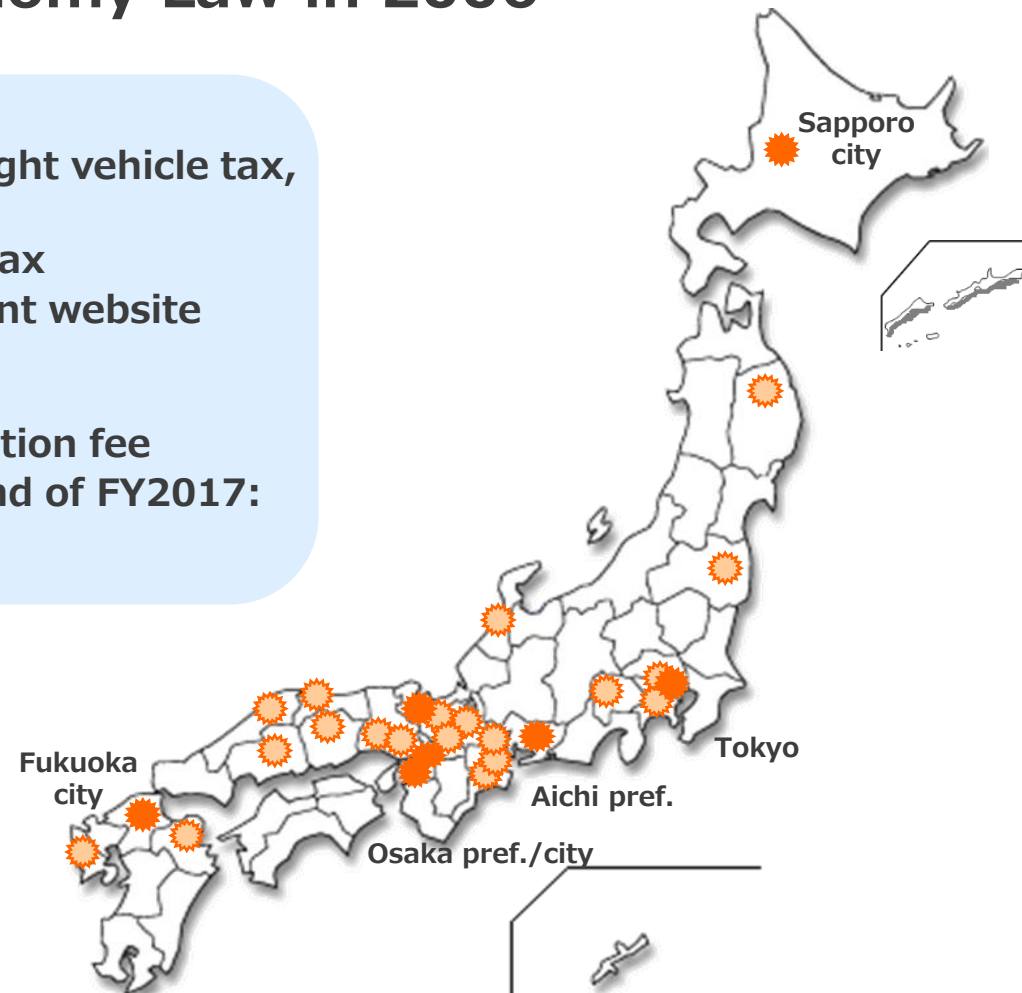
Payment processing: Public due & utility payments

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

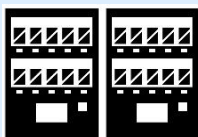
Embedded EMV *
terminals



*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

	<u>Services</u>	<u>Revenue types</u>	<u>MSB-related assets</u> <u>(Breakdown of operating and</u> <u>other receivables are as follows)</u>
☑	Remittance service Efficient and secure refund and remittance processing for Ecommerce operator	Fee	—
☑	Transaction lending Handles daily transaction	Spread	Short-term loans receivable
☑	Early payment service Improves cash flows by moving up the date of payment to merchant	Spread	Advance payments-trade
☑	Payment after delivery Pays sales proceed without waiting for deposit from consumer	Spread Fee	Accounts receivable-other

MSB: GMO Payment after delivery

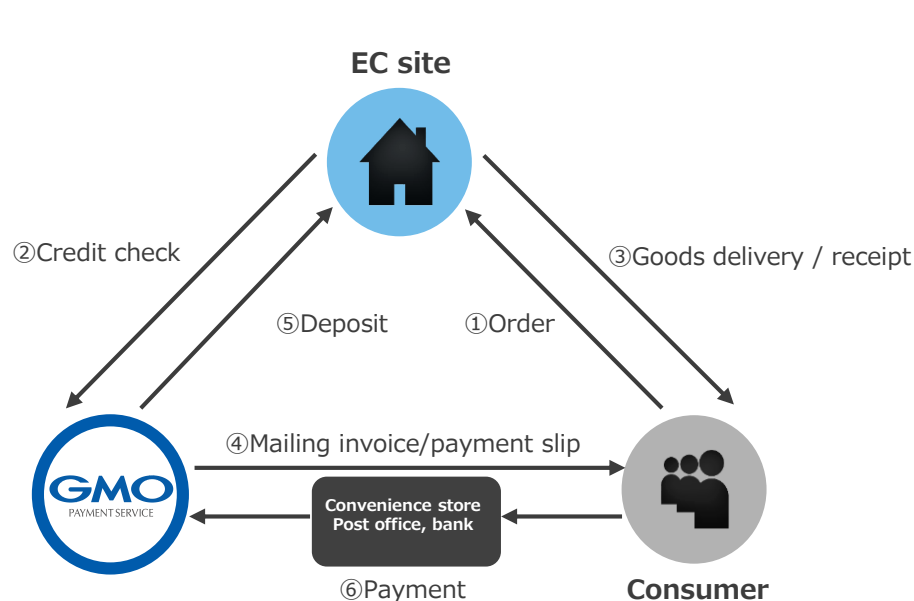
Provided by GMO Payment Service, our subsidiary

■ GMO Payment After Delivery

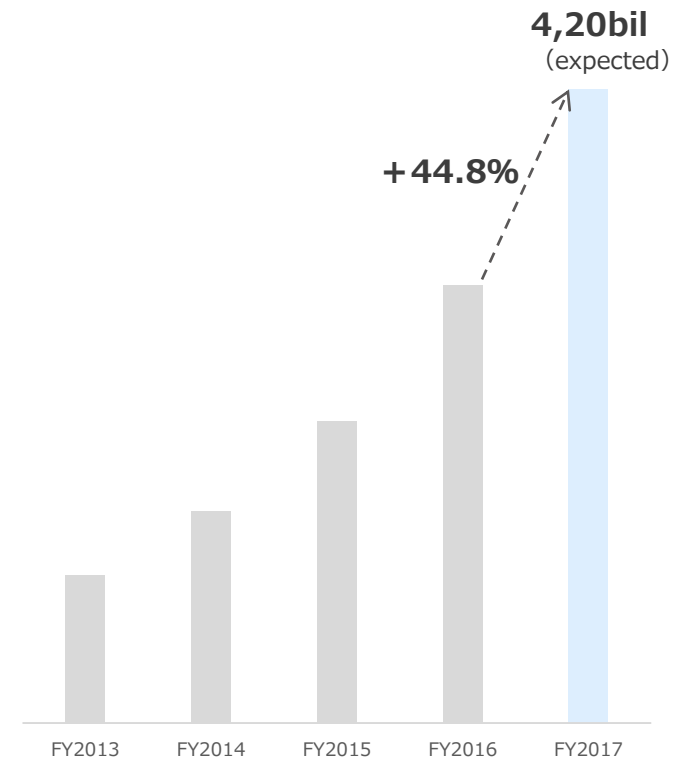
Buyer can pay at post office or CVS after receiving goods
Payment terms is 2 weeks.

■ Market size of deferred payment

Annual growth rate of 40% or more
Market size for 2017: ¥420 billion (expected)



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



※ (source) "Current situation and future forecast of online payment service providers 2018" issued by Yano Research Institute Ltd.

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

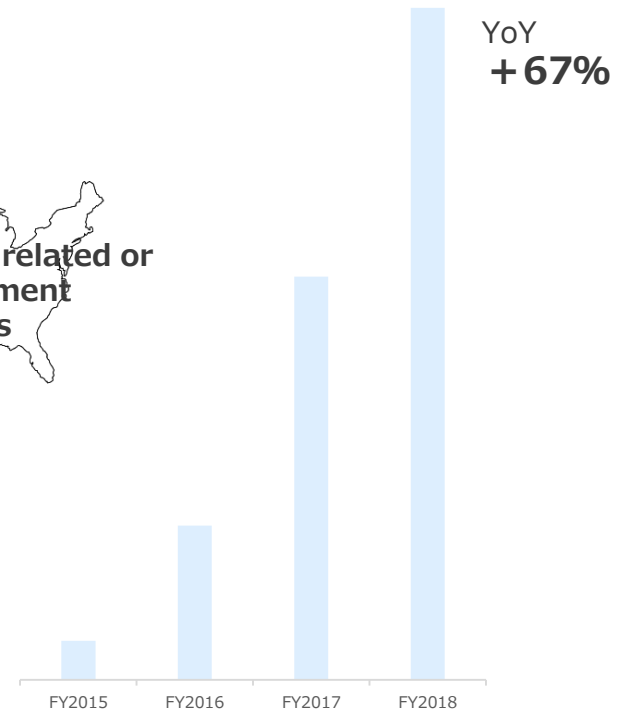
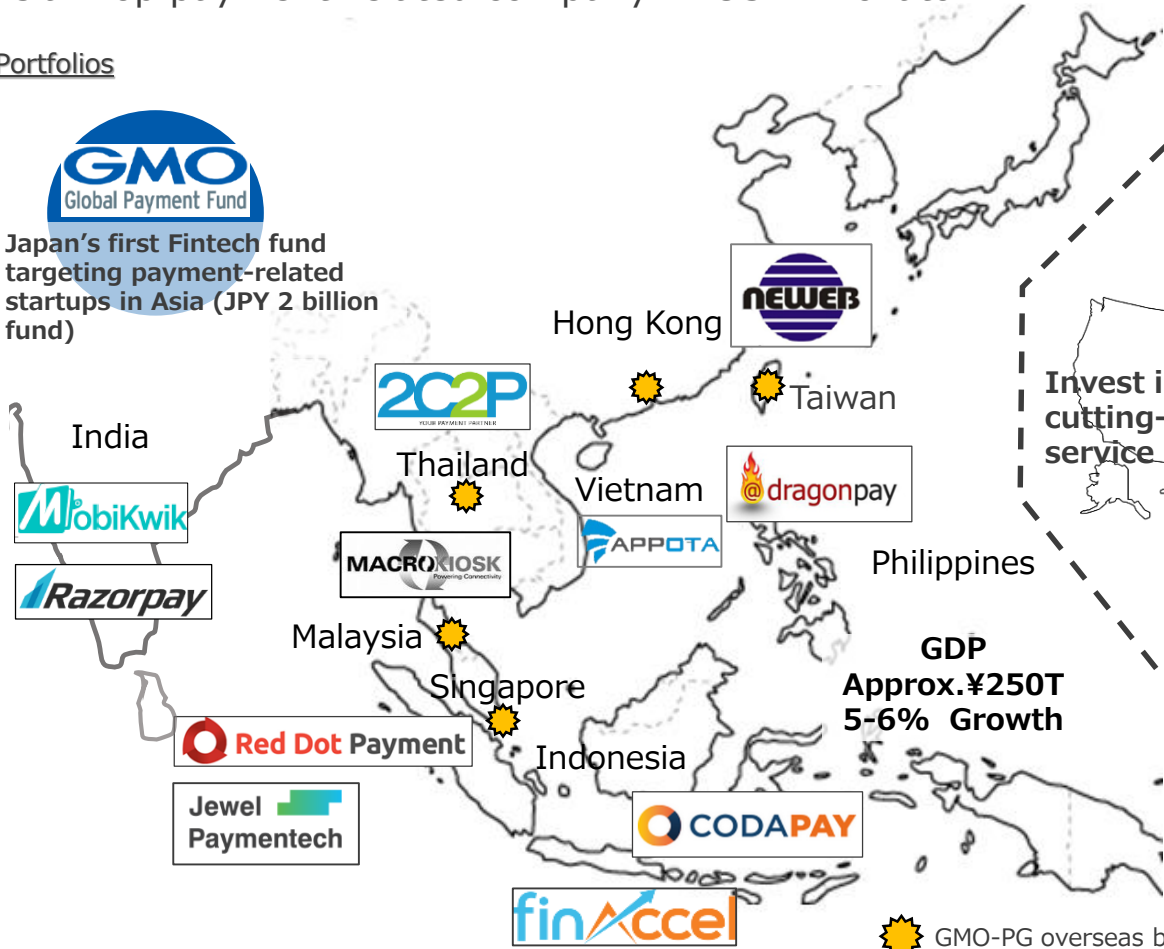
Payment processing business

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

Portfolios



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 253

Financial results Revenue :4,563 million yen

GMO-PG's stake 70%

Acquisition cost Approx. 1,121 million yen

Business model

- SMS mobile solution (about 90%)**
delivered to 95% of Malaysian banks
- Carrier billing gateway (about 10%)**
delivered to 50+ major carriers in 12 countries

Strategy: Going after scale, then profit

<Specific actions>

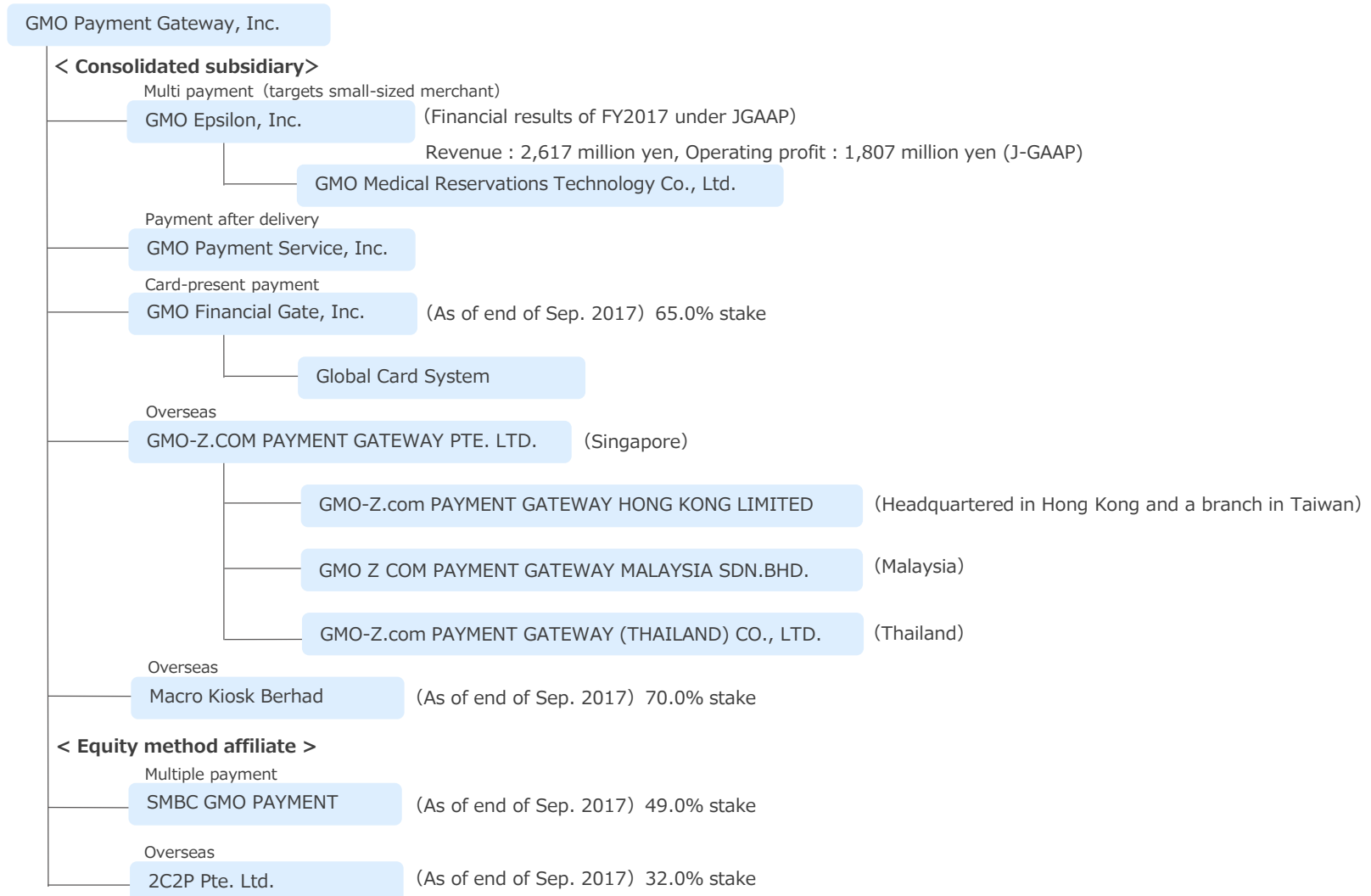
- ① Payment-related business
Set up sales teams in India and Europe
- ② Business expansion in new countries
Provide payment service, collaborating with 2C2P, our equity method affiliate
- ③ Development of new products
- ④ Entry into new areas by M&A



(as of the end of September 2018)

GMO-PG Group

GMO Payment Gateway's subsidiaries and equity affiliates



Company outline

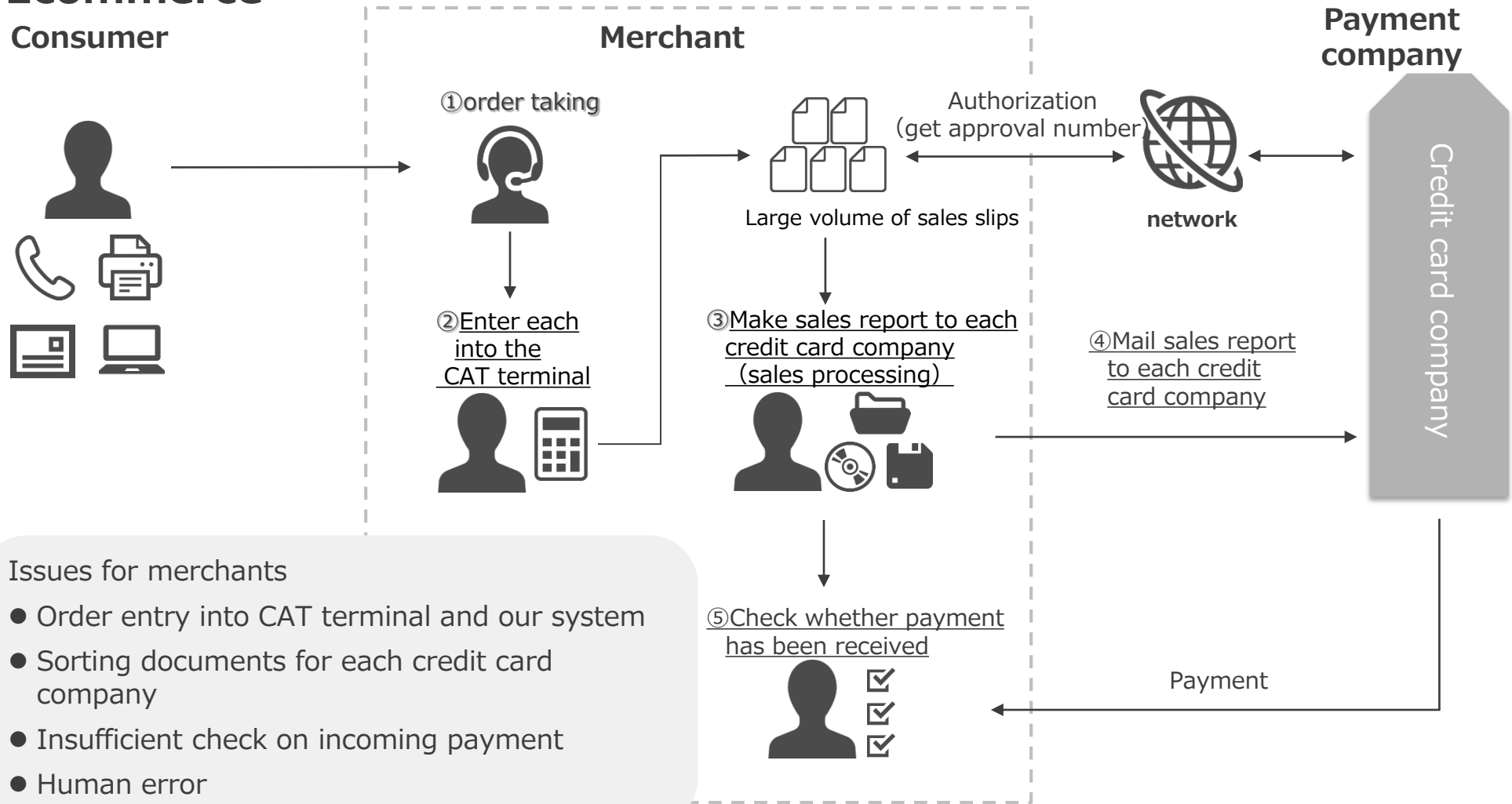
■ Name	GMO Payment Gateway, Inc. (3769; Tokyo Stock Exchange 1 st section)	
■ Date of establishment	March 1995	
■ Location	Humax Shibuya Building 7F, 1-14-6, Dogenzaka, Shibuya-ku, Tokyo Japan	
■ Capital stock	4,712 million yen	
■ Major shareholders	GMO Internet, Inc., Sumitomo Mitsui Banking Corporation, 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 September 2018)

Appendix

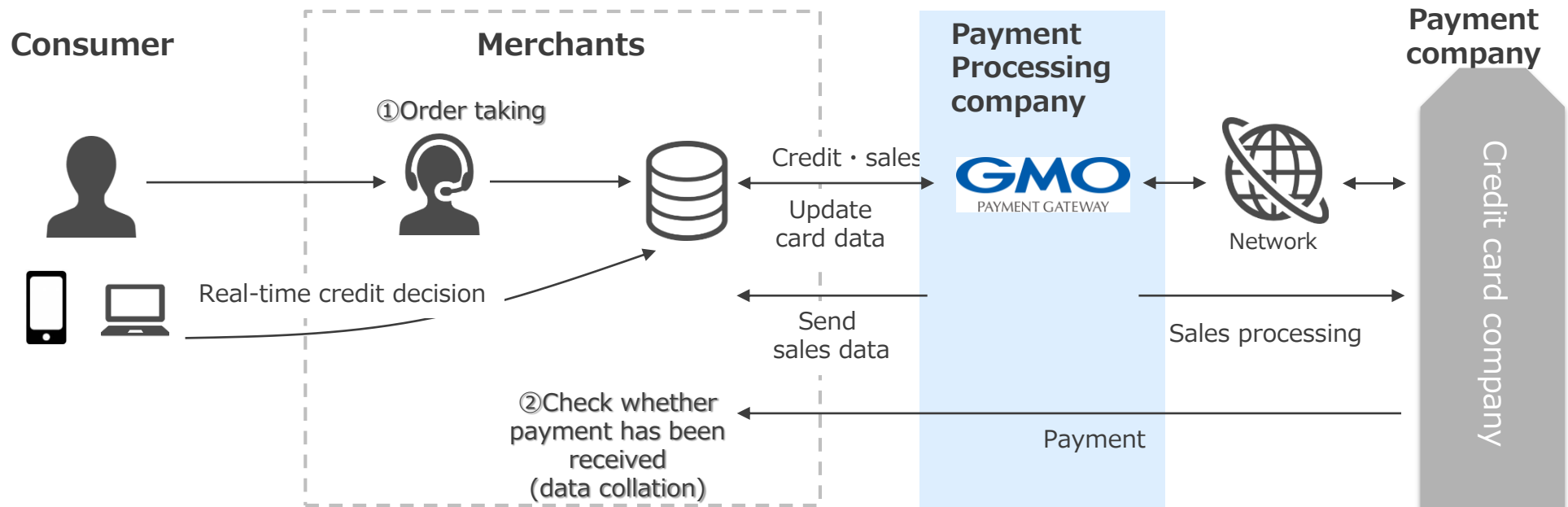
Business outline of payment processing company (1)

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.