

Financial results briefing for the Q3 of FY2019

Return to high growth despite macro headwinds, steady progress in securing post-FY2020 growth

August 7th, 2019

GMO Payment Gateway, Inc.
(Code: 3769; TSE-1st section)

The 58th 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 7, 2019.

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 FY2019
2. Future initiatives and growth strategy
3. Financial highlights
4. Reference materials

1. Summary of financial results for Q3 of FY2019

1.1 Financial Results Summary

Revenues up 25.3% YoY, OP up 30.2% YoY, brisk progress towards achieving full year guidance

(mil. JPY)	<u>Q3 FY2019 Actual</u>	<u>Q3 FY2019 Actual</u>	<u>% YoY</u>	<u>FY2019 Full Yr. guidance</u>	<u>% Progress vs. guidance</u>
Revenue	19,122	23,961	+ 25.3%	31,850	75.2%
Operating Profit	5,190	6,760	+ 30.2%	8,300	81.4%
Profit attributable to owners of Parent	3,016	4,252	+ 41.0%	5,106	83.3%
EBITDA ^{*1}	5,858	7,543	+ 28.7%	-	-

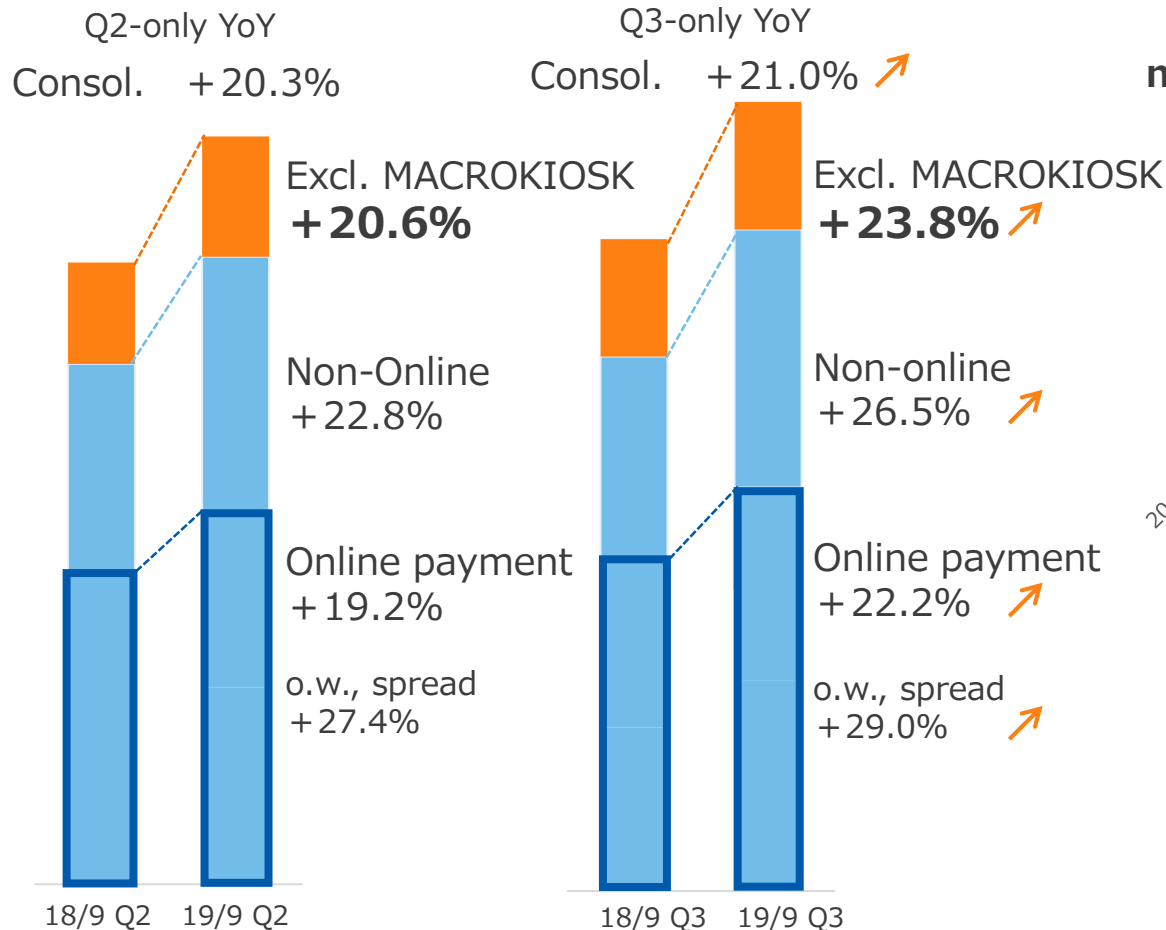
	Operating Stores (end-Q3)	TRX Volume (Q3 only)	TRX Value (Q3 only)
KPI^{*2}	105,891 stores^{*3} (+ 16.0%)	≒ 430 mil. (+ 26.1%)	≒ ¥1.09 trillion (+ 24.0%)

*1 EBITDA=OP+ Depreciation *2 Excludes offline figures, () indicates YoY changes. *3 Figure excludes a significant increase in operating stores from a specific merchant. If included, the total number of operating stores is 184,480 outlets by end-June 2019 (up 97.4% YoY)

1.2 Sequential revenue growth from Q2 to Q3

Q3-only revenue excl. MACROKIOSK is up 23.8%, a return to high revenue growth trajectory

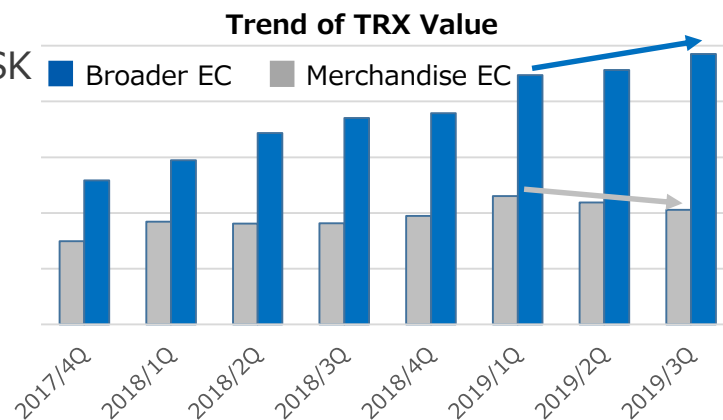
■ **YoY comps of Q3-only and Q2-only**



■ MACROKIOSK ■ Revenue excl. MACROKIOSK ■ Online payment revenue

■ **Factors for Q3-only revenue growth**

[1] Broader EC growth offsets merchandise EC decline



[2] Online payment revenue +22.2%

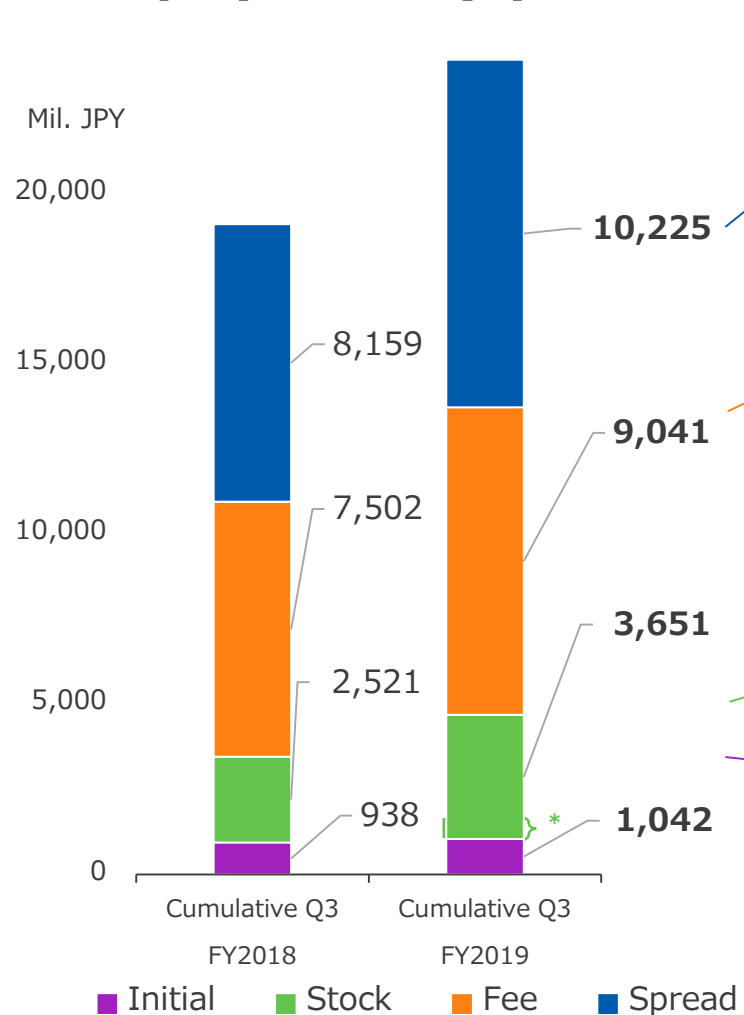
High growth of spread revenue +29.0%

[3] Non-online payment revenue

Normalized comps from Q3 as impact of change in revenue from a merchant ended in Q2

1.3 Revenue breakdown by business model

Revenue grew 25.3%, with particularly strong growth of core online payment (spread model)



Spread +25.3% YoY

- + Strong online payment (+32.2%)
- + Growth of GMO Payment after Delivery
- + Expansion of global lending

Fee +20.5% YoY

- Q2 contract termination of a large merchant
- Remittance service affected by client's service change
- EMS business slowdown at MACROKIOSK (Adj. Fee grew 23.8% excluding all 3 above factors)

Stock +44.8%, adj. +23.9% YoY*

- + Strong trend from new businesses to banks

Initial +11.1% YoY, adj. +59.5%*

- + Growth of offline payment (GMO-FG)

** With the adoption of IFRS 15, software development revenue is recognized as prorated over the service period. The adjusted growth rate shows the growth rate excluding the impact of IFRS 15.

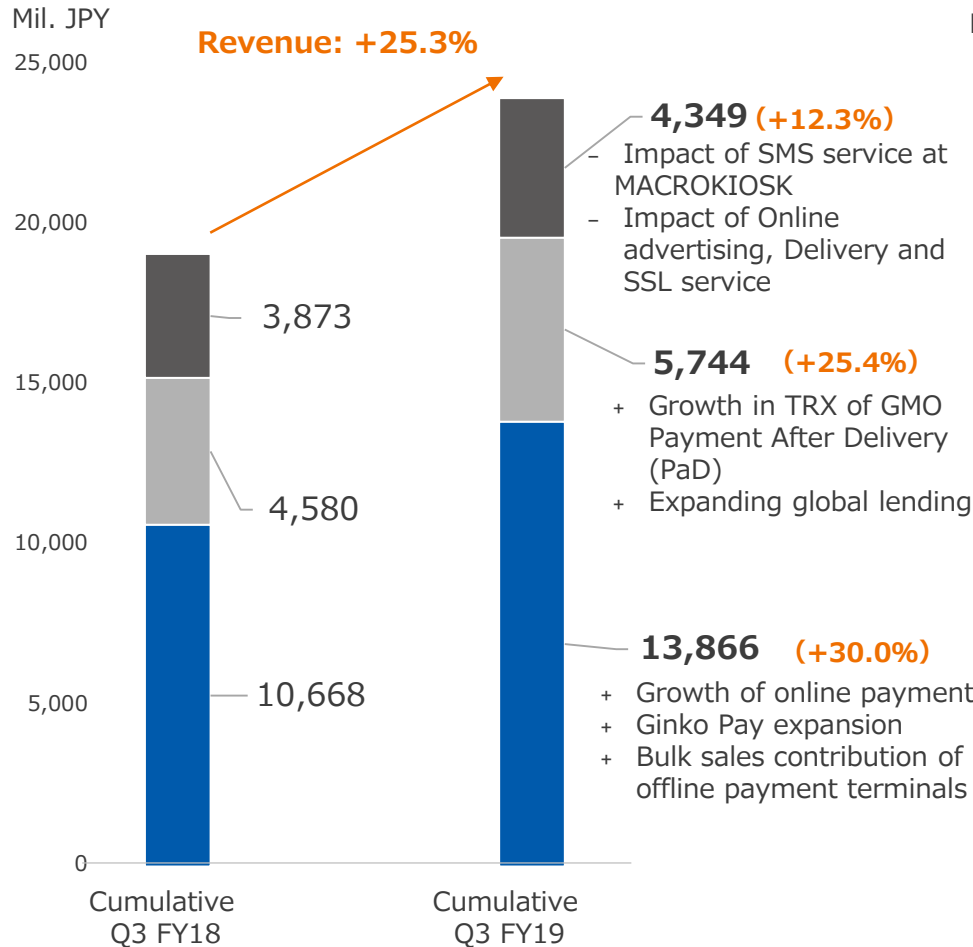
Adjustment amount to Initial revenue: ¥454 mil. (cumulative Q3)

Adjustment amount to Stock revenue: ¥527 mil. (cumulative Q3)

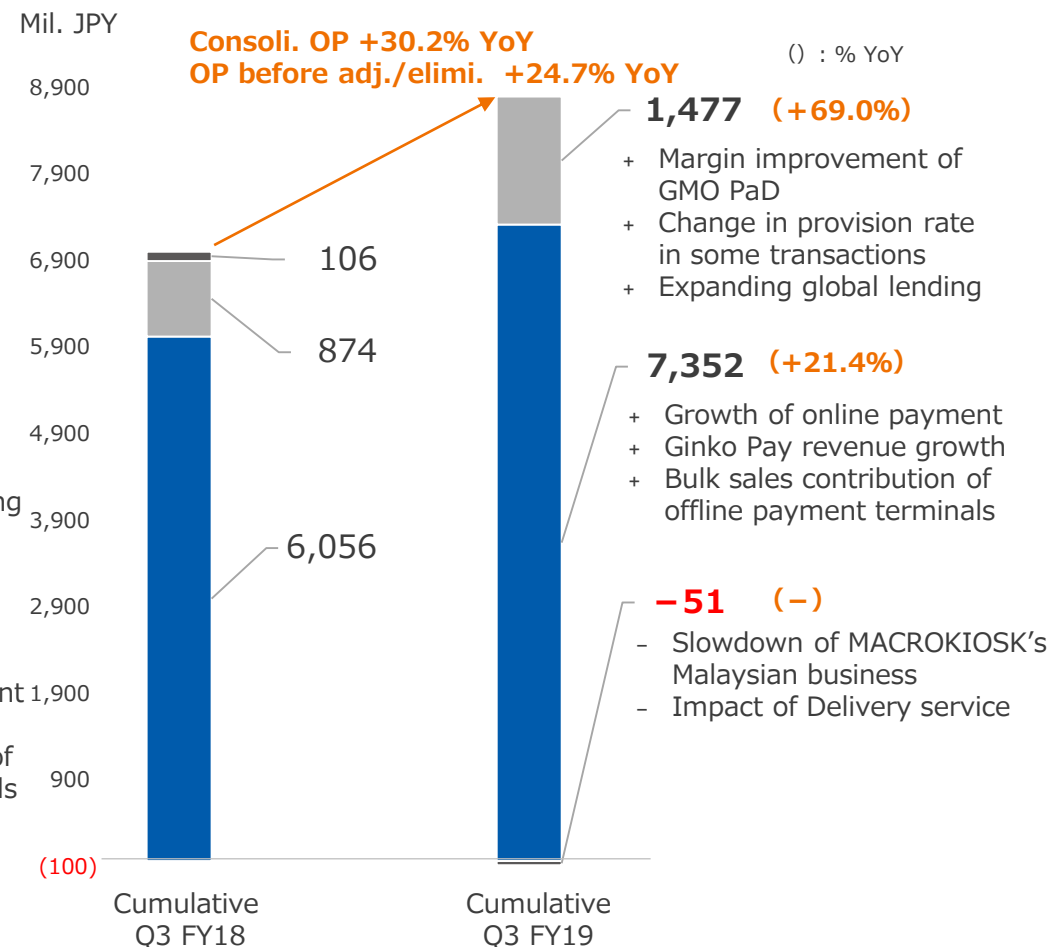
1.4 Cumulative Q3 Segment Revenue and OP

Strength of the Payment Processing & MSB segments offset the strategic upfront investments in the Payment Enhancement Business

■ Segment Revenue



■ Segment OP before adjustments & eliminations



■ Payment Processing ■ Money Service ■ Payment Enhancement

GMO PAYMENT GATEWAY

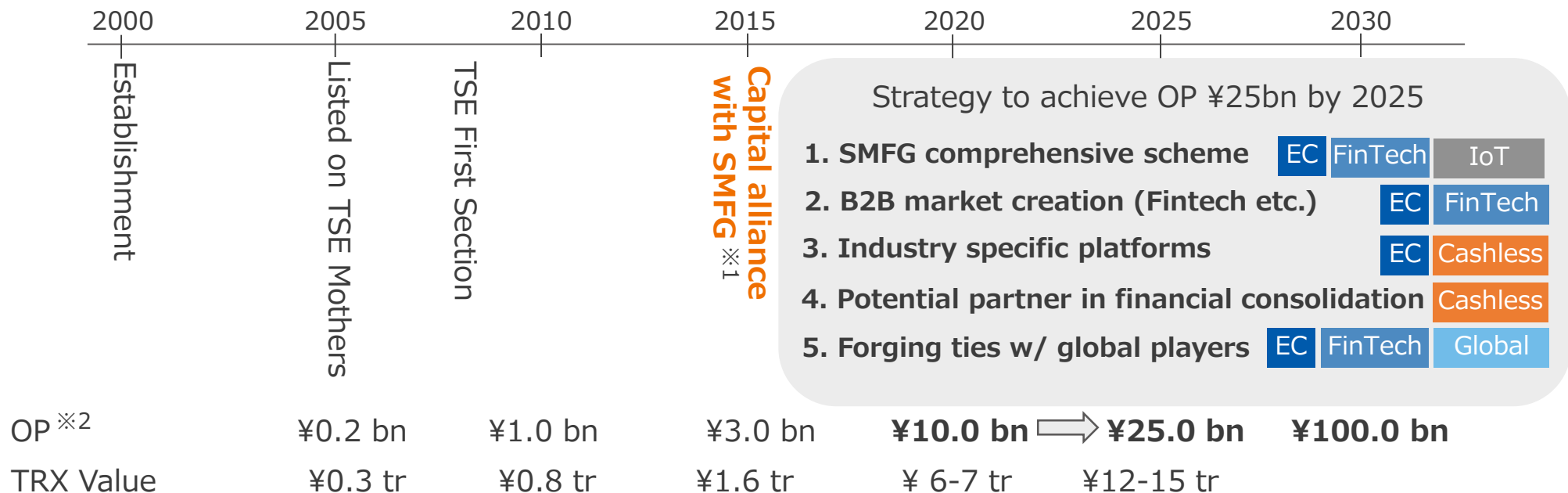
■ Payment Processing ■ Money Service ■ Payment Enhancement

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2. Future Initiatives and Growth Strategy

2.1. Merchant evolution and growth strategy towards 2025

Deploying initiatives to achieve OP ¥25.0bn, expanding scope and size of merchants



Evolution of our merchant base



※1 Refers to the capital and business alliance with SMFG Financial Group, SMBC, GMO Internet and GMO Payment Gateway

※2 Figures beyond 2020 represent our corporate targets for OP and transaction value

2.2.1. The Broader EC: creating new markets ①

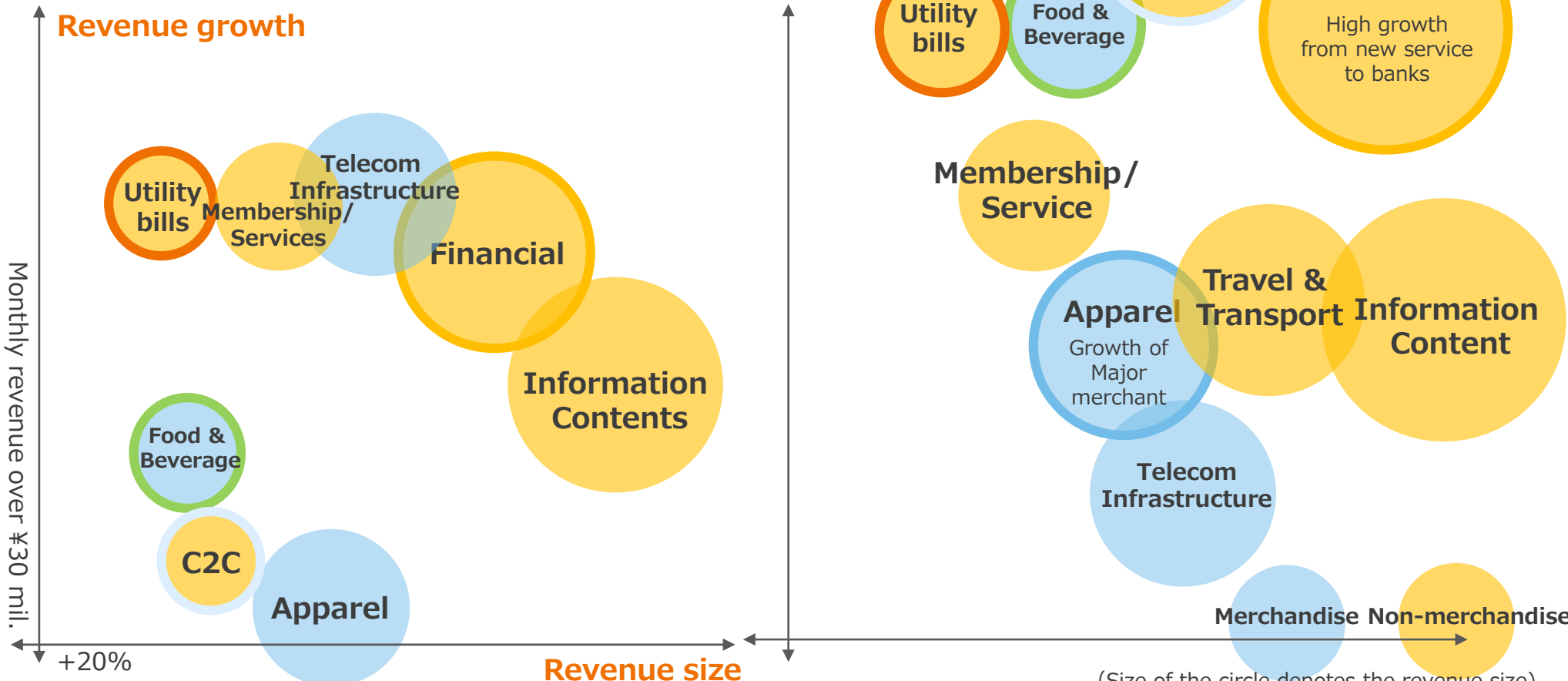
Non-merchandise EC areas to lead growth

■ Distribution of merchants by sector

Based on GMO-PG parent data; covering merchants with over ¥30 mil. monthly revenue and annual growth rate of over 20%

[2 years ago]

[Current]



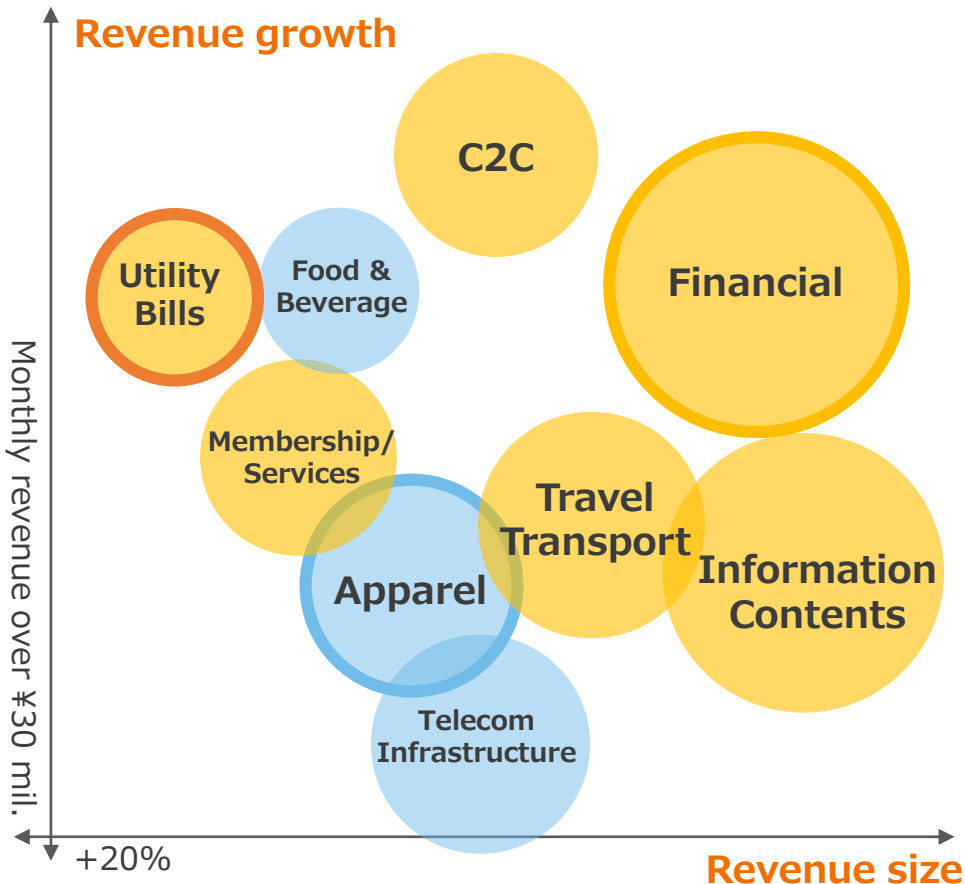
2.2.2 Broader EC: creating new markets ②

Focus on defensive new markets, and blue ocean areas

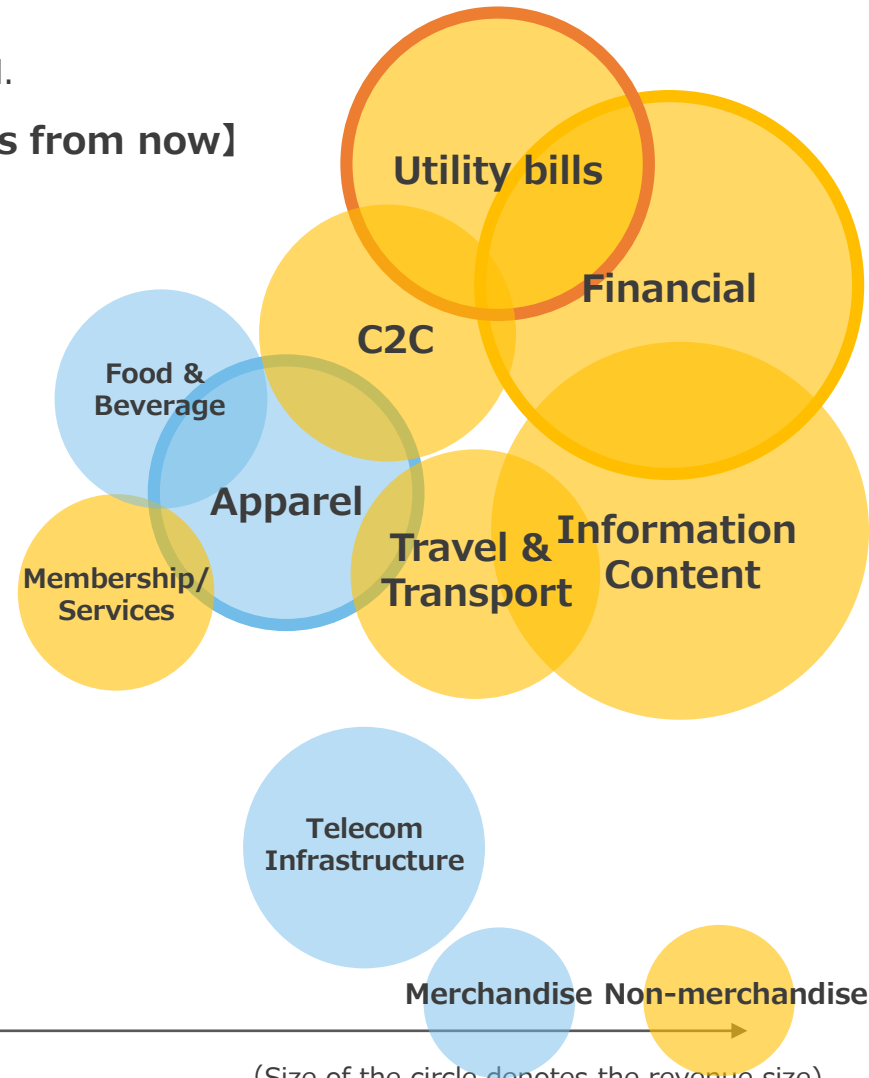
■ Distribution of merchants by sector

Based on GMO-PG parent data, covering merchants with over-¥30 mil. monthly revenue and annual growth rate of over-20%

【Current】

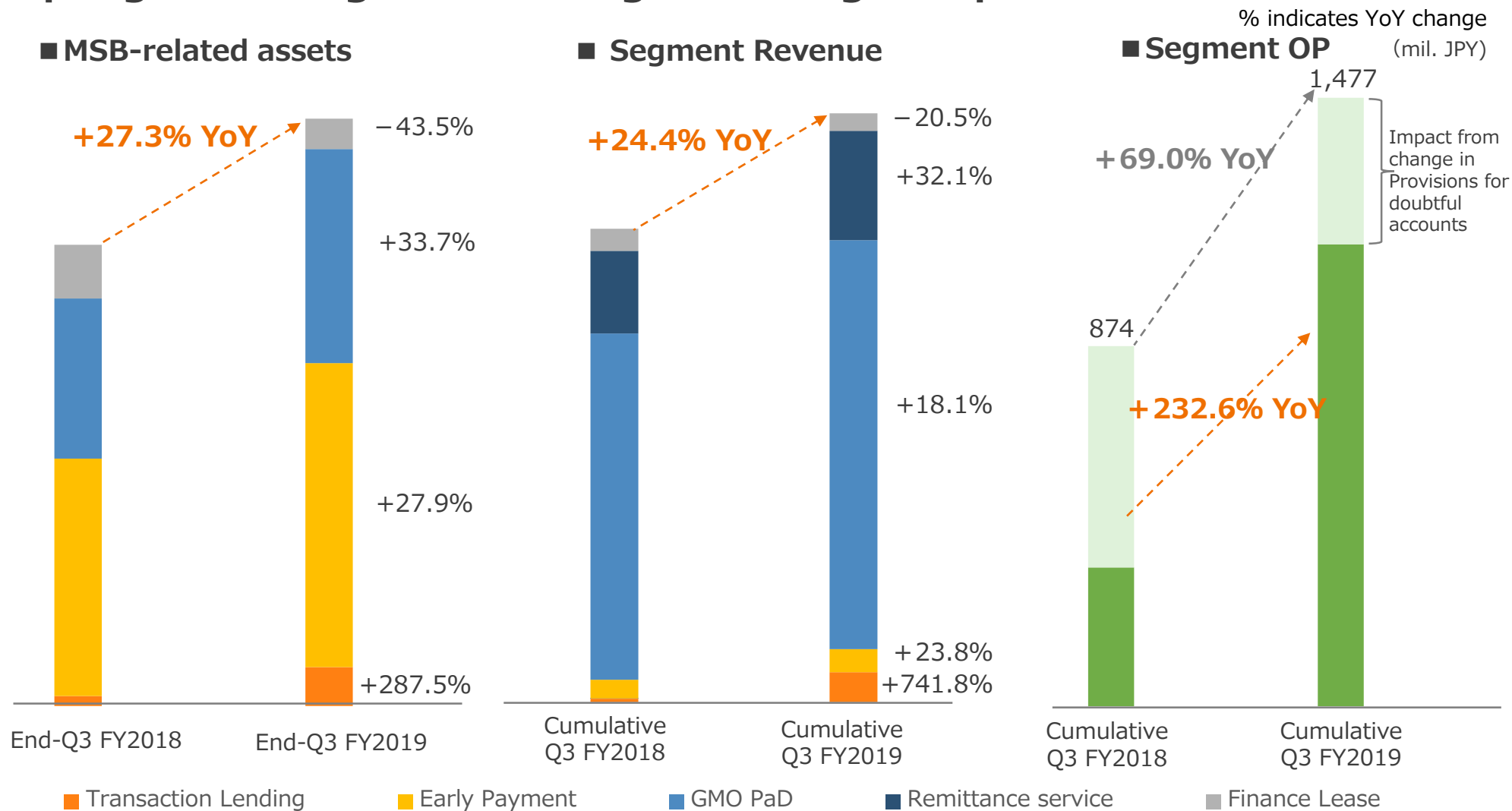


【3 Years from now】



2.3.1 FinTech: Assets and profit growth

Rapid growth of global lending and margin improvement of GMO PaD^{*1}



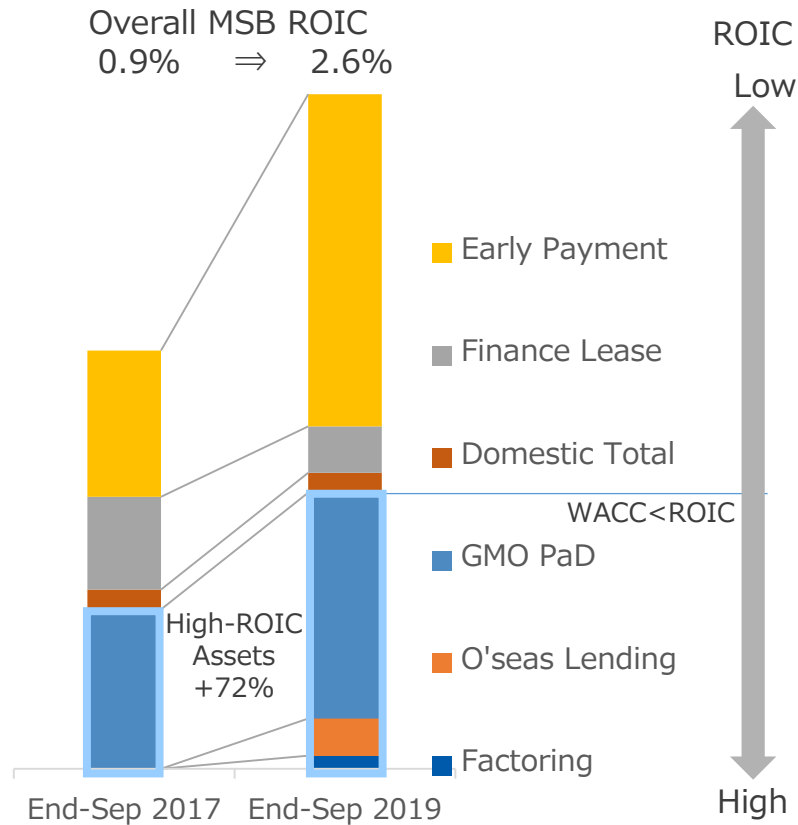
*2 Figure is net of GMO PaD assets (accrued revenue) and provision of doubtful account

*1 Stands for GMO Payment After Delivery

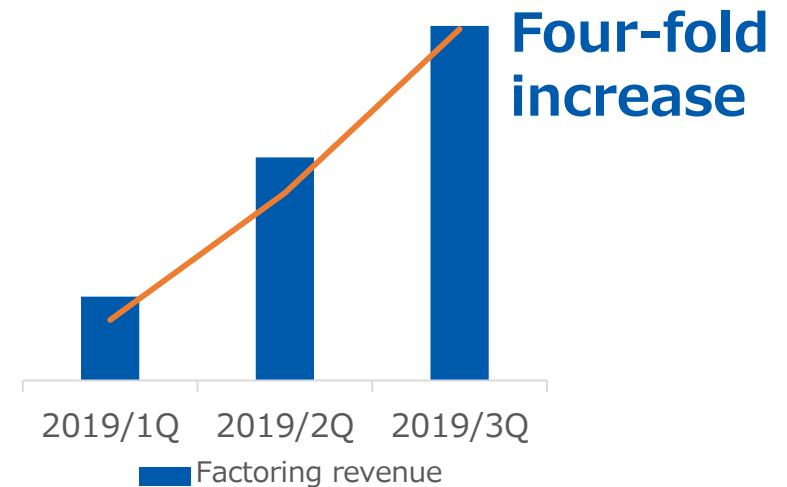
2.3.2 FinTech: Raising capital efficiency

Raising capital efficiency of MSB business from roll-out and expansion of high-ROIC services

■ MSB related asset and ROIC



■ Receivables purchased and factoring revenue trend



Rollout of B2B Factoring to Infomart from January 2020 (called GMO B2B Early Payment)

Info Mart Corporation

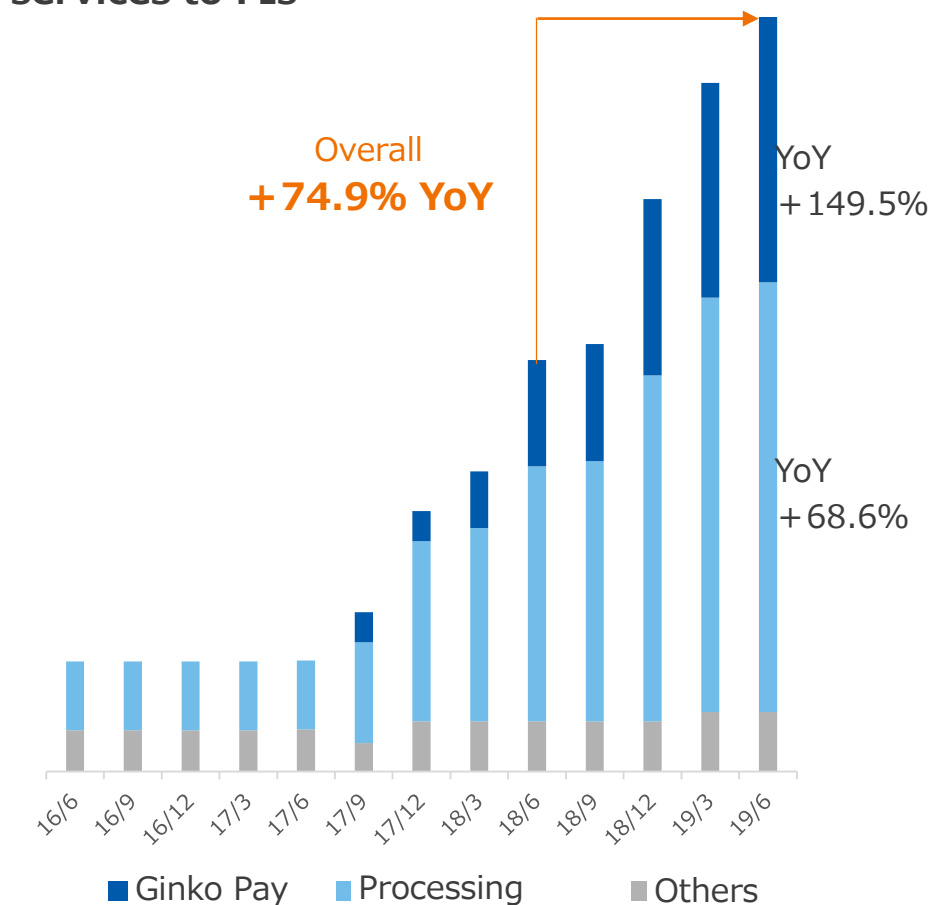


※The bar graph arranges business in decreasing order of ROIC from the bottom up.
 ROIC (Return over Invested Capital) = NOPAT ÷ Balance of Investments.
 Balance of Investments = monthly average investment amount during the computed period. Excludes Remittance service is excluded as it is not an asset-based business

2.4 Cashless: Expansion of Stock Revenue

Making multifaceted inroads into the cashless market by strengthening offline/online synergies

■ Quarterly Stock revenue from services to FIs



■ GMO-PG Group's strategy to the cashless payment market (offline and online)

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Purpose: Payment support to meet merchant's needs and value-added

- <Cashless services already launched>
 - Ginko Pay (QR code payment)
 - Issuing/Acquiring support to FIs
 - Payment at unmanned stores

Etc.

GMO FINANCIAL GATE

Purpose: Business expansion through expanded payment terminal sales

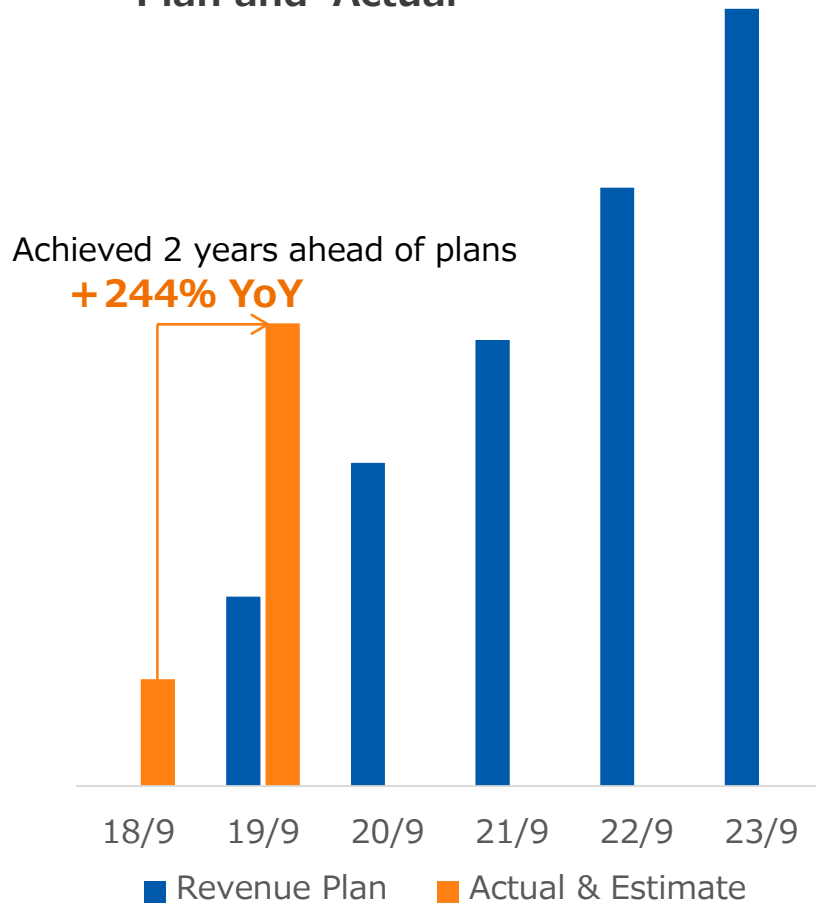
- <Cashless services already launched>
 - Multi-payment terminal
 - Automated sales machines/services
 - Payment processing centers for Next-Gen payment platform

Etc.

2.5 IoT : Unattended Markets

Reinforce sales in this high-growth market; aim to expand services to major merchants

■ Unattended Markets revenue:
Plan and Actual



■ Focus Areas

Vending Machine Up 33% YoY

- Several large merchants to go live next FY

Fare Adjustment/ Self checkout Up 170% YoY

- Firm orders of major
- Lateral expansion to related sectors

Ticket Machine Up 650% YoY

- Building relationship with large manufacturers
- Several large merchants to go live next FY

- ☆ Enables data monetization with the expansion of unattended markets
- ☆ Potential to maximize value-added of payment processing centers

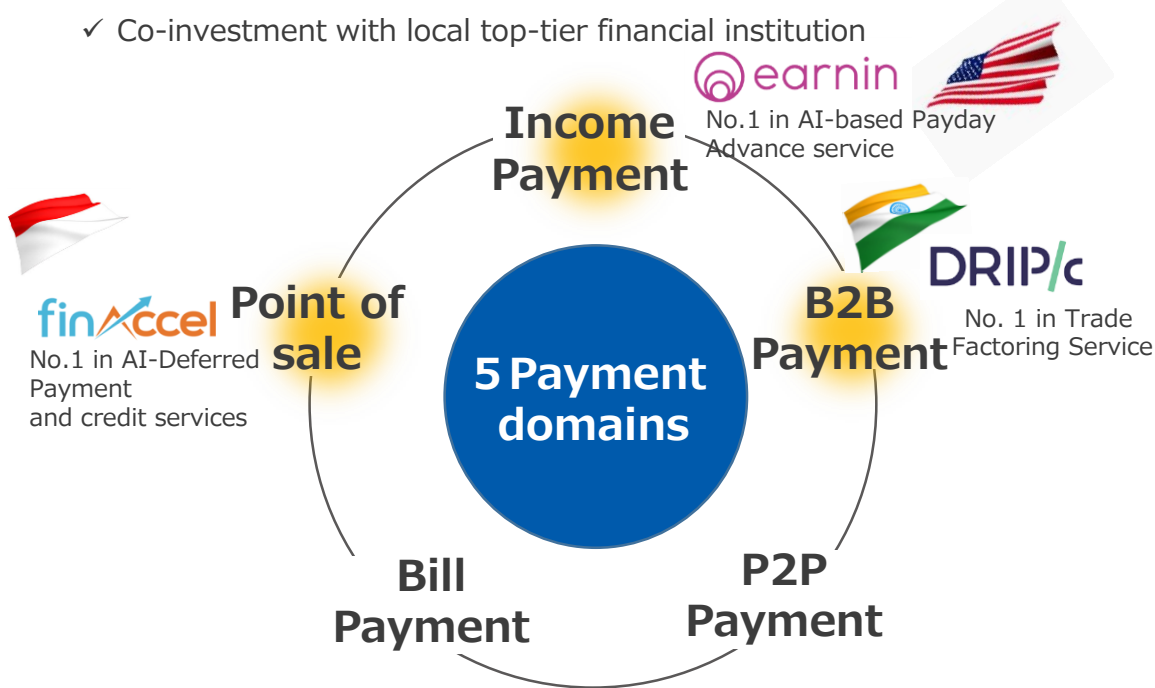
2.6.1 Global: The five new payment areas

Making steady inroads in the “AI x New Payment” domain

- Our presence in the 5 new payment domains (Overseas & Japan) GMO-PG’s domain

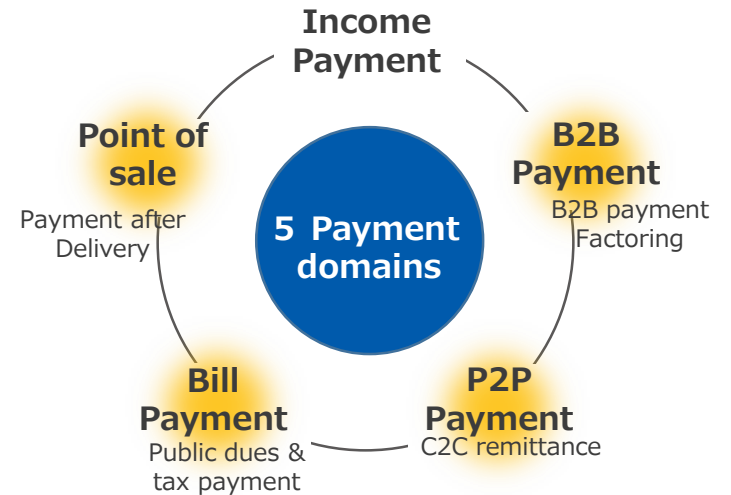
Overseas

- ✓ Investment into top-rated Fintech/Payment corporates
- ✓ Loans (structured finance) that are to revenue-creating, knowledge-deepening and relationship-strengthening
- ✓ Co-investment with local top-tier financial institution



Japan

Broad business domain coverage of the Group



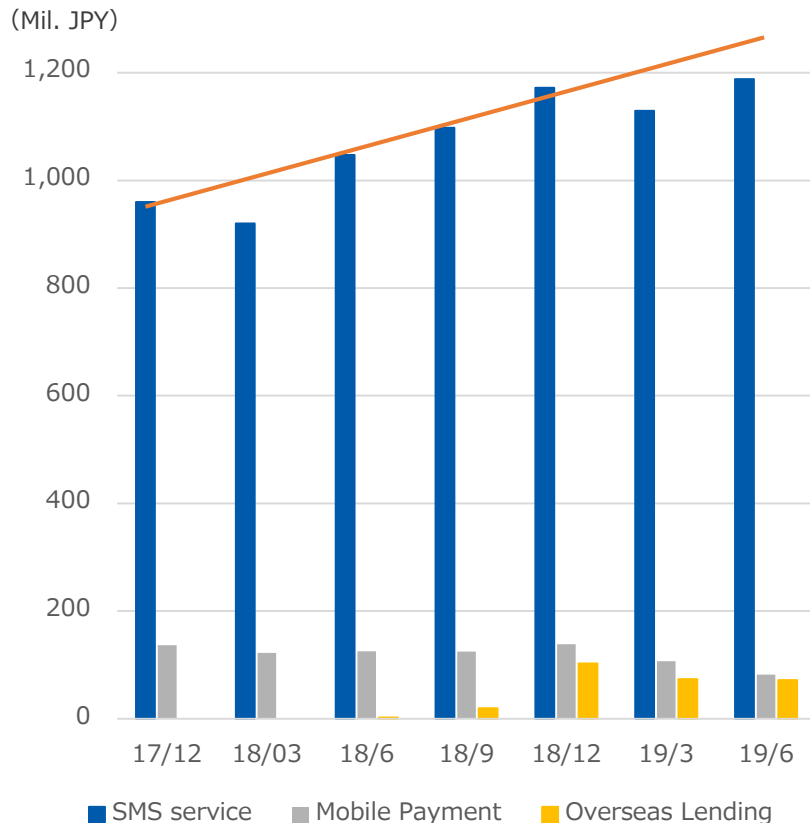
To build a business footprint that spans across FinTech & Payment to realize a symbiotic FinTech Payment cycle

Source: CB INSIGHTS “Payments Trends to Watch in 2019”

2.6.2 Global: Revenue trend by business line

MK: Lending grows, focusing on neighboring new markets despite headwinds

■ Quarterly revenue trend of MacroKiosk and Lending



MacroKiosk's Revenue

Q3-only: Up 8.2% YoY

- Deceleration of Malaysian business offset by expansion into neighboring growth markets (incl. impact from Islamic holidays)
- Focus on emerging market growth and CPaaS fields

■ EMS Business revenue

Q3-only: Up 13.5% YoY

■ MPS Business revenue

Q3-only: Down 32.6% YoY

■ Overseas Lending revenue

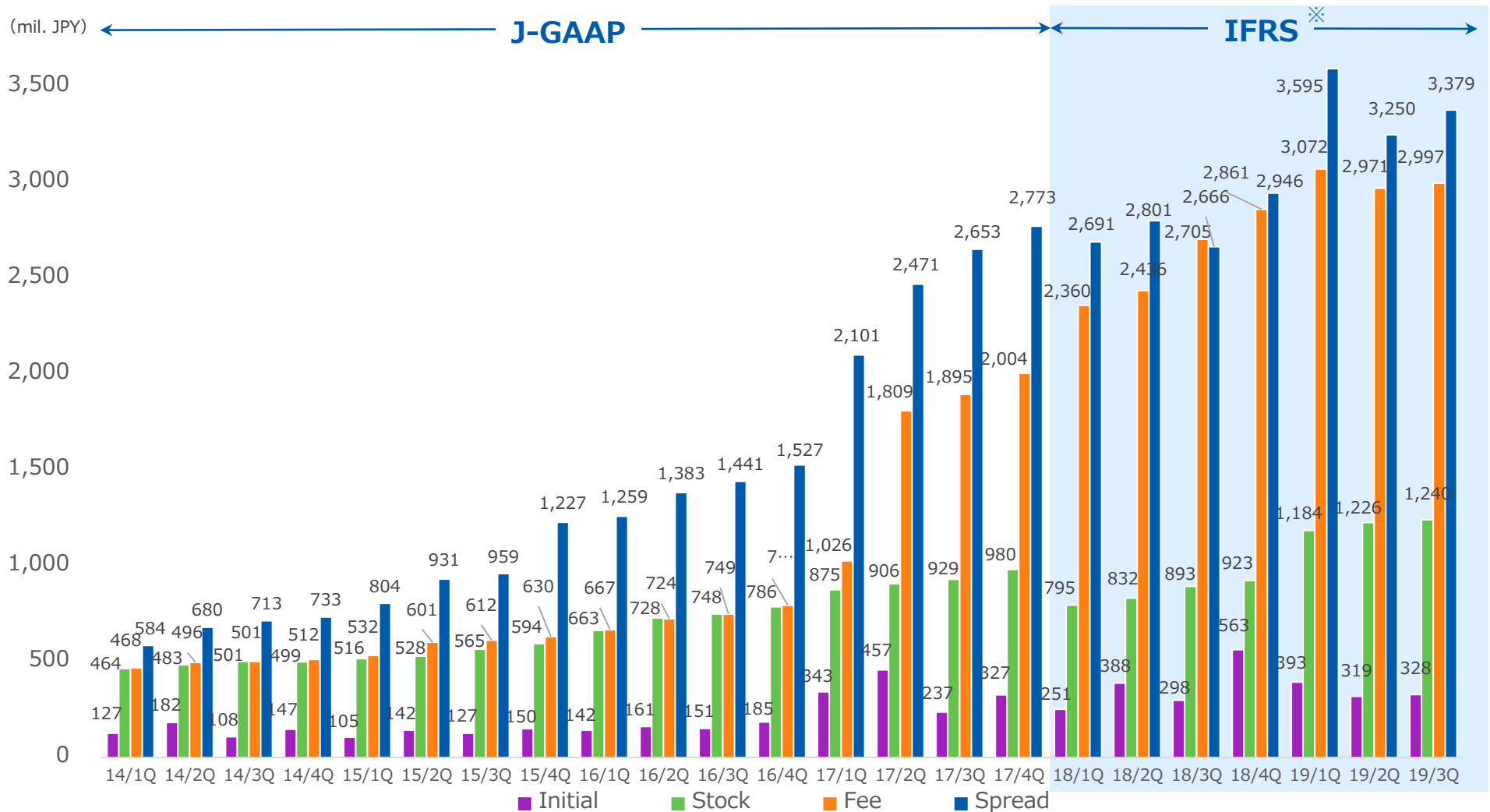
Q3-only: Up 3,351.6% YoY

※CPaaS : Communications Platform as a Service
 EMS Business : Authentication and notification via SMS
 MPS Business : Mobile Payment Service

3. Financial Highlights

3.1 Revenue by business model

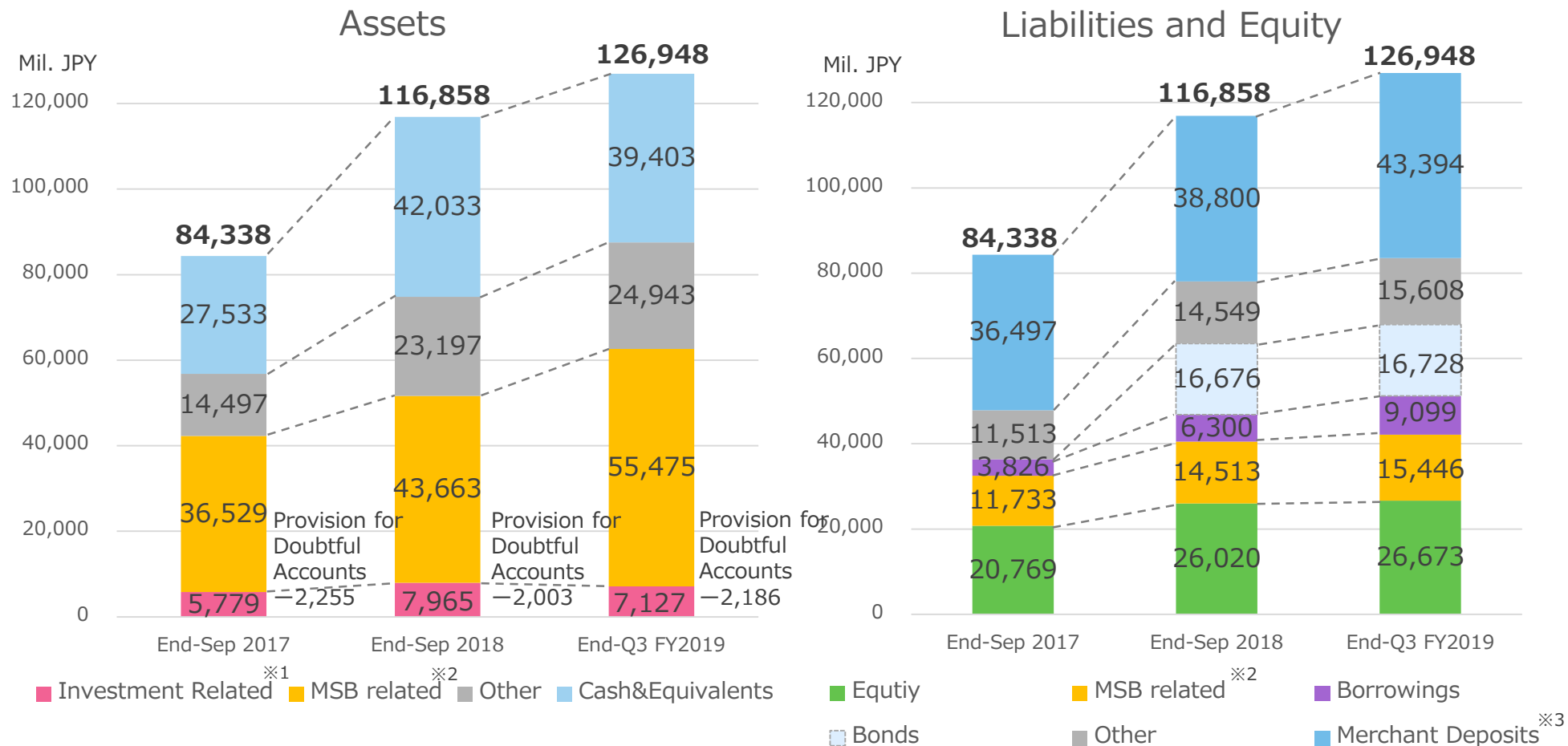
Quarterly trend of revenue by business model



※Online advertising service (stock) and finance leas (spread) revenues are recognized as a net amount with IFRS adoption rather than gross method.

3.2 Balance Sheet Changes

Increase in deposits received and MSB-related assets



※1 Securities classified under Investment Securities and Equity-Method Affiliates

※2 MSB Related Asset : Lease assets, Short term loans, Advance payment, Accrued revenue (net of provisions for doubtful accounts)

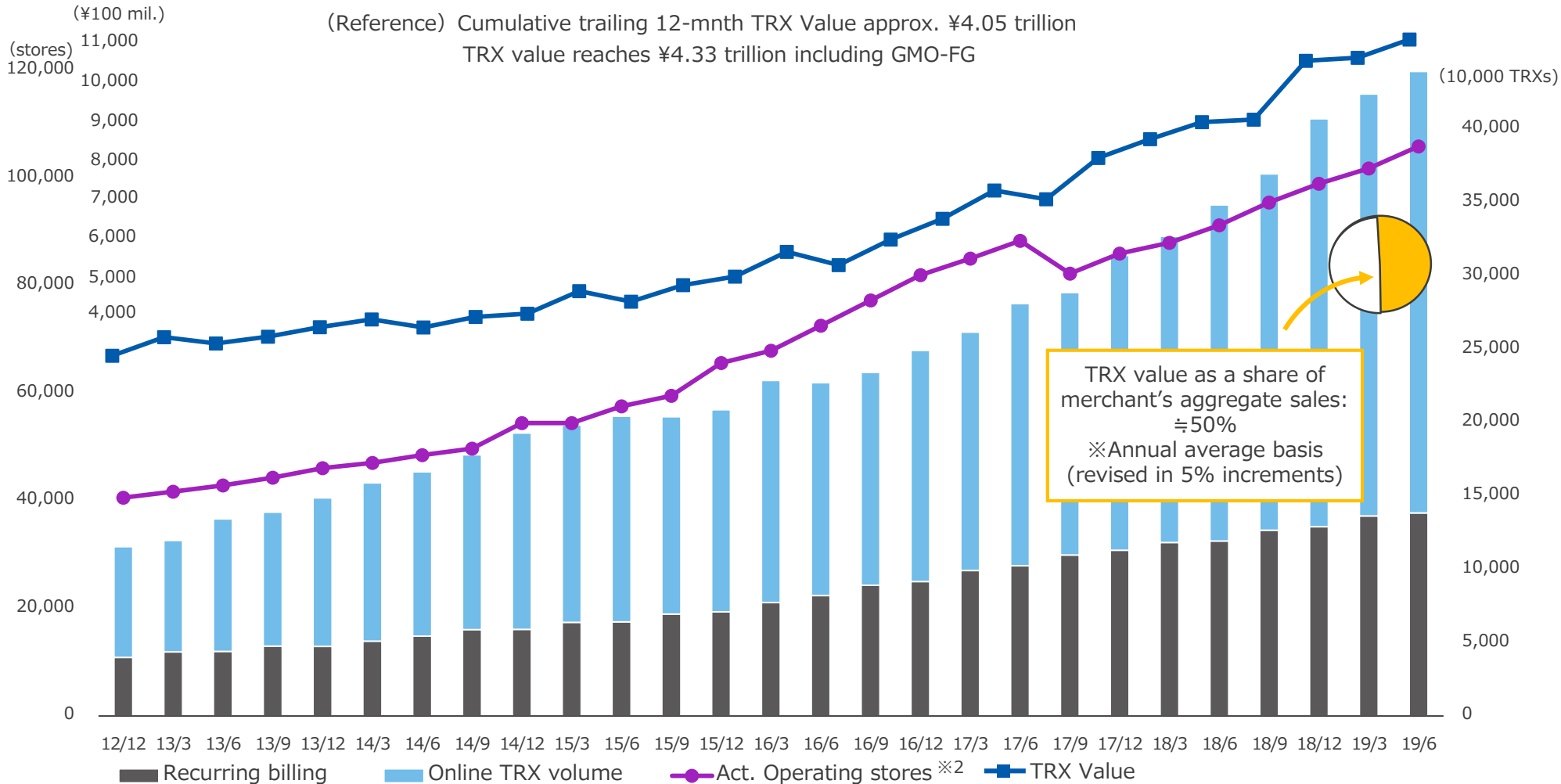
MSB related Liabilities : Accrued expenses

※3 Deposits received from merchants under the Representative Contract. ※4 Some figures are shown in net amounts of financial asset and liabilities.

3.3 Major Quarterly KPIs

Group-wide annual TRX value reaches ¥4.3 trillion

Operating stores: 105,891 stores, TRX volume approx. 430 mil., TRX value approx. ¥1.09 trillion. ^{※1}



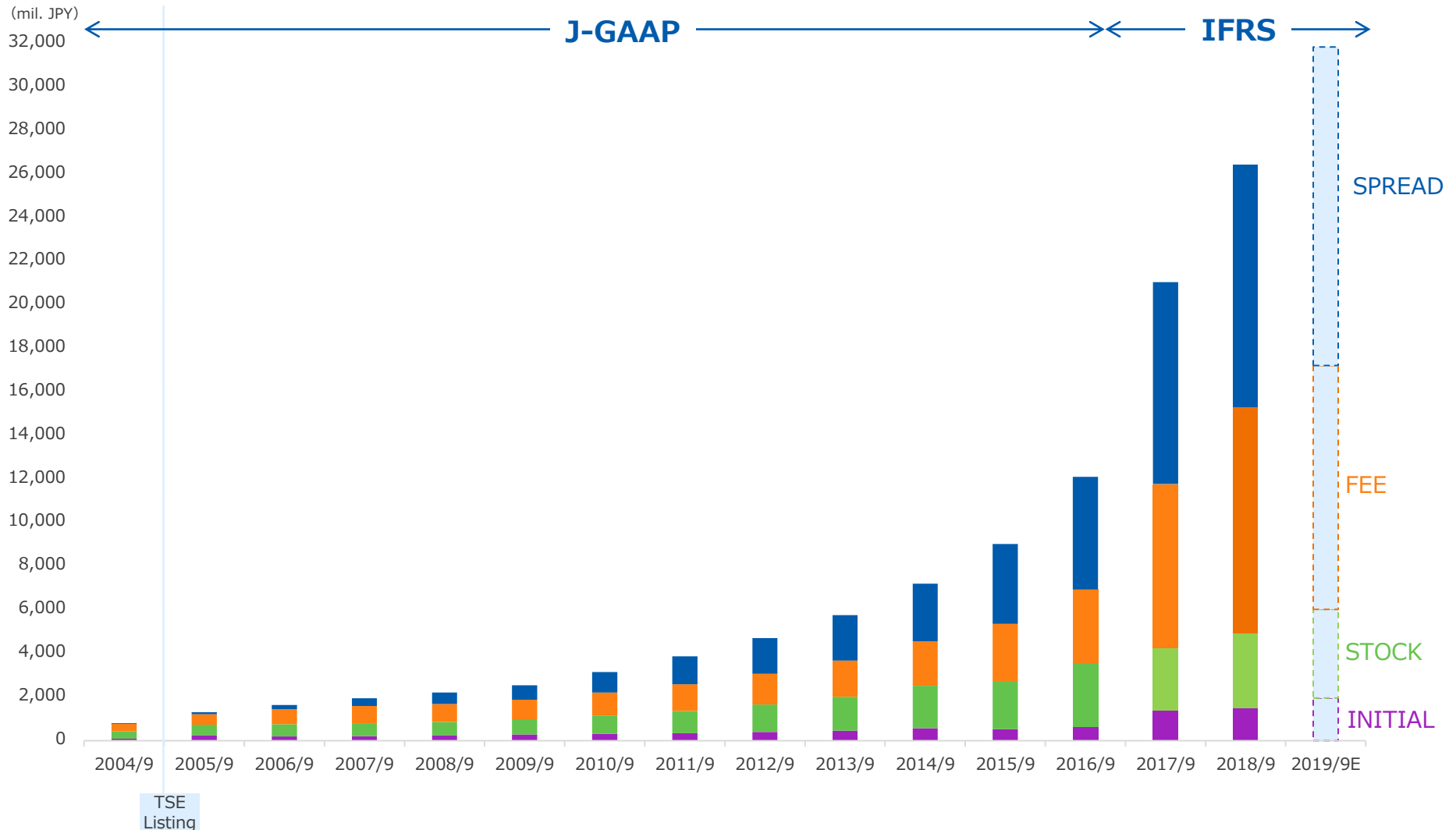
^{※1} Number of operating stores is measured on an end-of-quarter basis, while TRX value and volume are the total for the respective quarter.

^{※2} Figure excludes a significant increase in operating stores from a specific merchant. If included, operating stores would be 184,480 outlets by end-June 2019 (up 97.4% YoY)

4. Reference materials

4.1 Revenue trend by business model (annual)

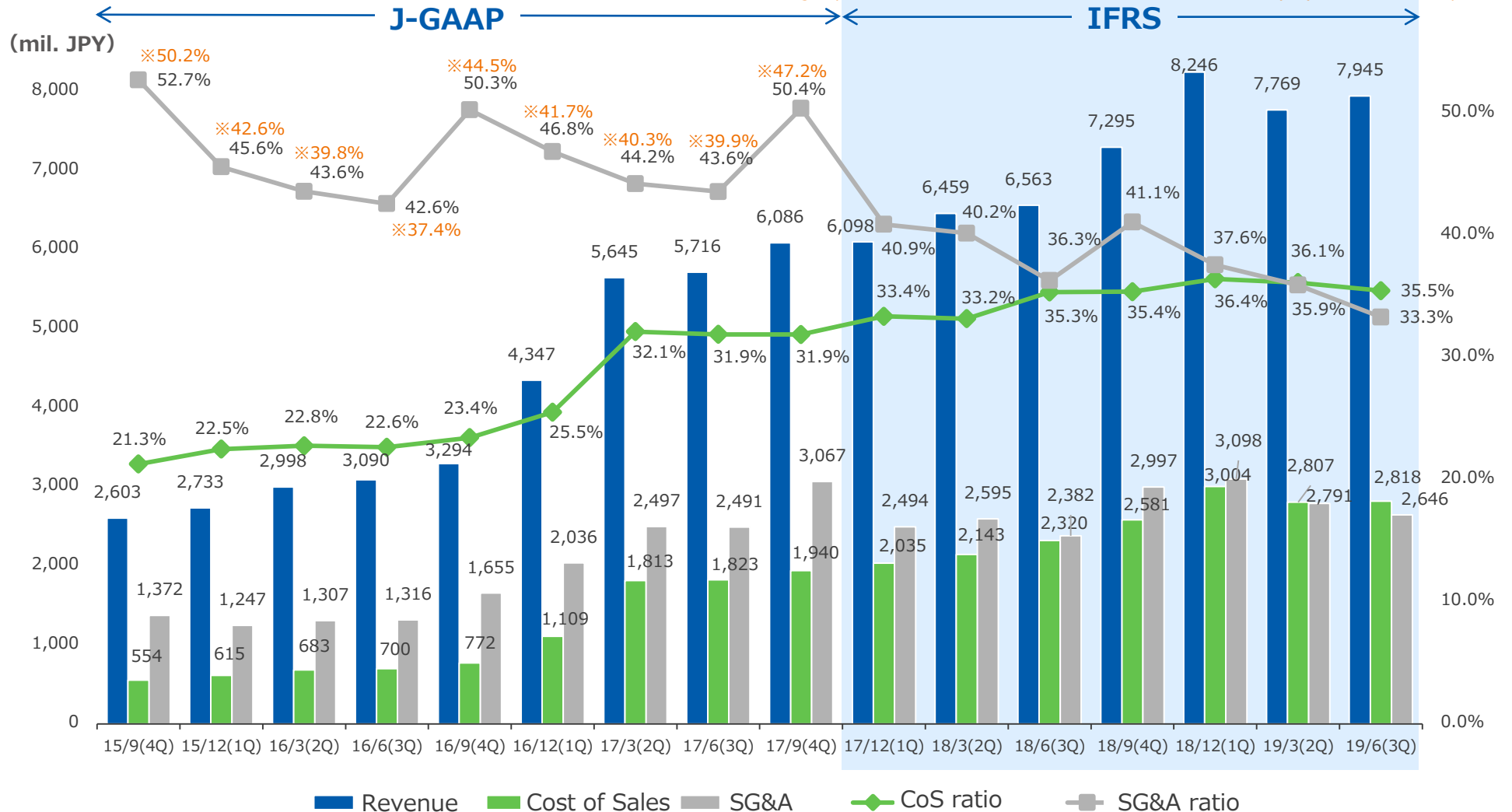
Pursue balanced growth of each business model



4.2.1 Quarterly trend of CoS and SGA ratio

CoS ratio fluctuates with changes in sales mix

*Figures with asterisk exclude outsourcing expense related to MSB.
 These outsourcing expenses are not booked in SG&A from December 2017 (Q1) due to IFRS adoption.

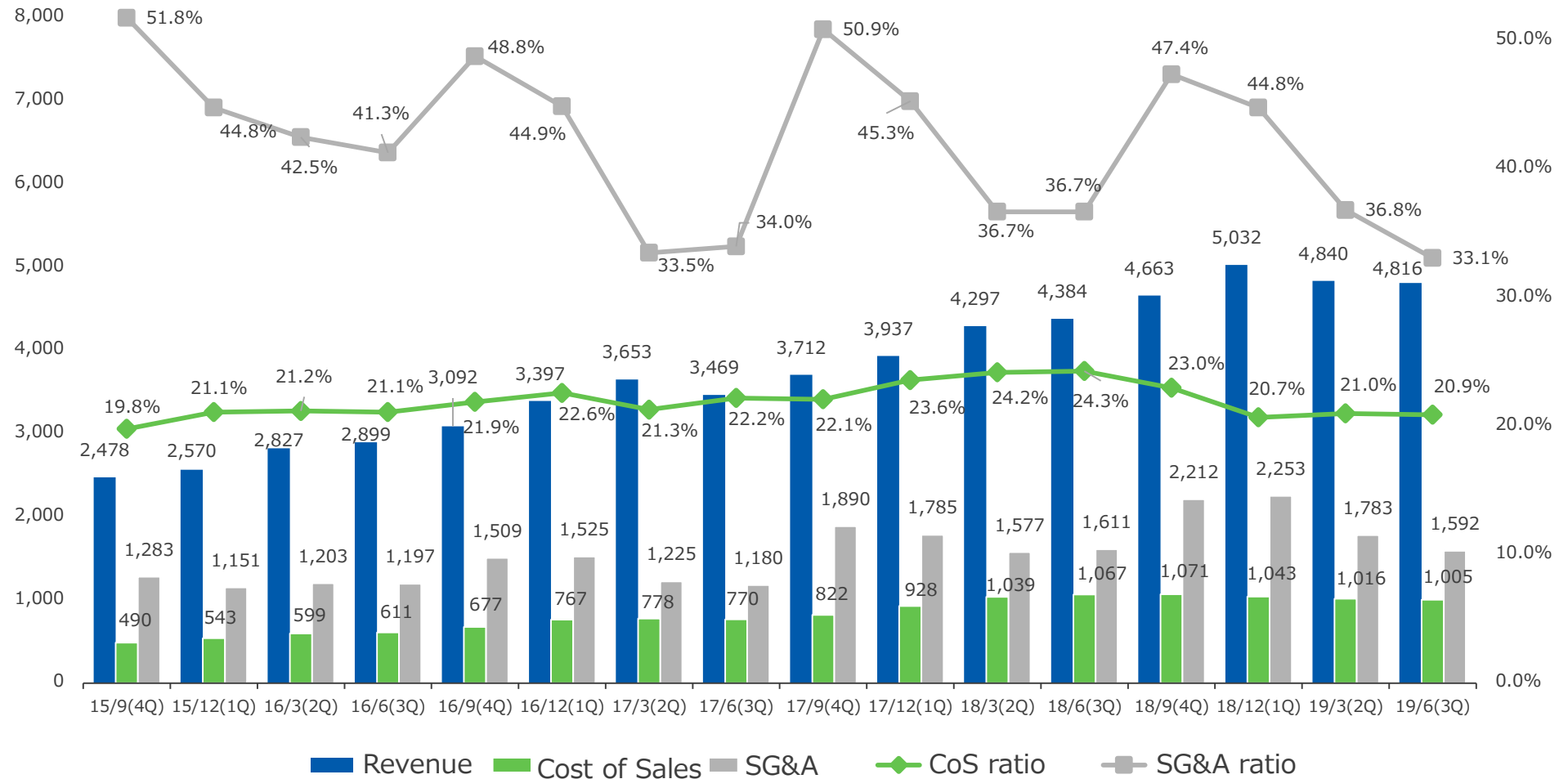


4.2.2 Quarterly trend of PG and EP's CoS and SGA ratio

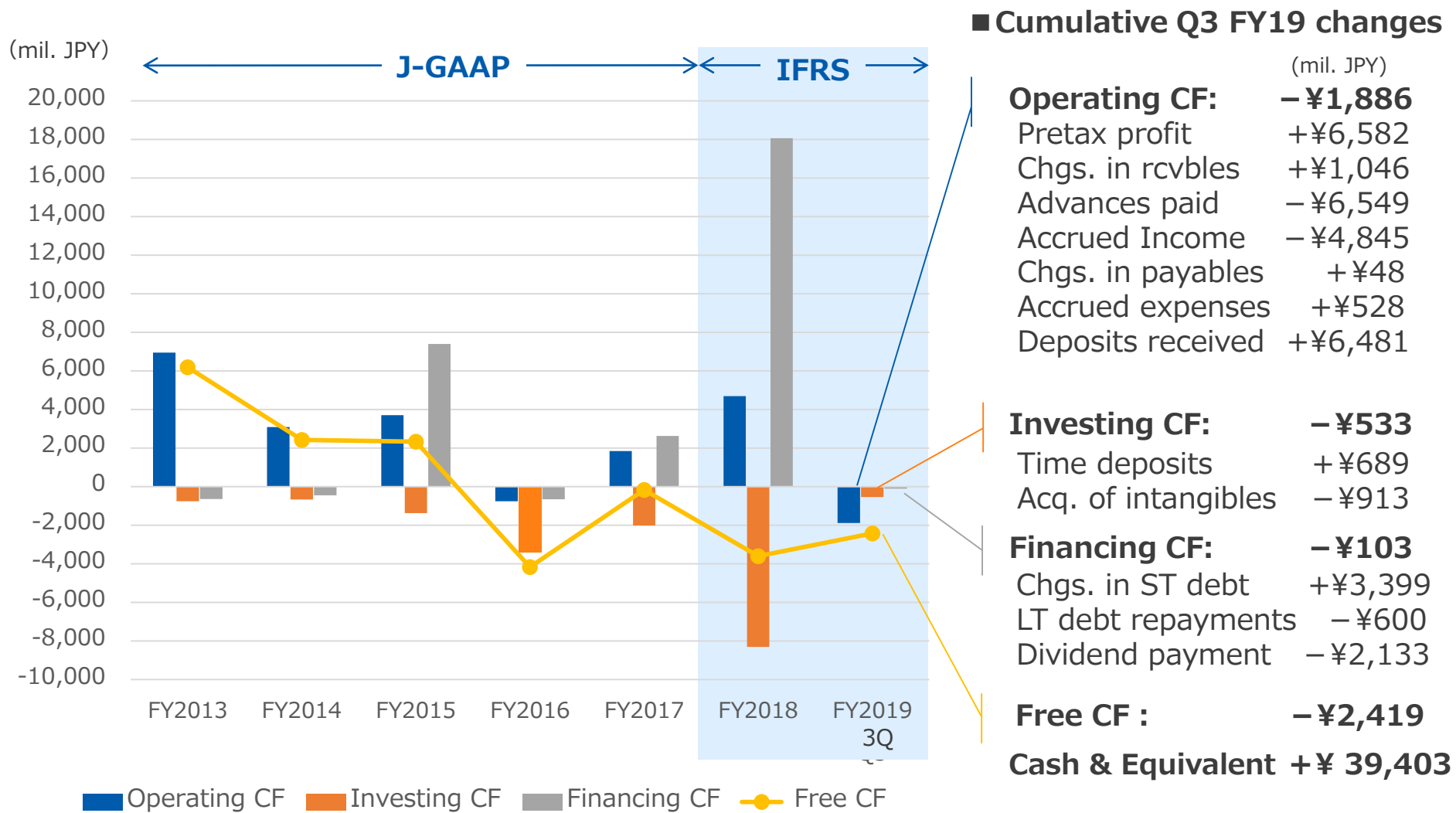
CoS ratio fluctuates with changes in sales mix

*All figures are based on J-GAAP
PG: GMO-PG, EP: GMO Epsilon

(mil. JPY)



4.3 Consolidated CF Statement



Thank You Very Much

GMO PAYMENT GATEWAY

GMO Payment Gateway, Inc.
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URL : <https://corp.gmo-pg.com/en/ir/>

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