

Financial Results Briefing for Q2 FY2020

Initiatives Underway for the New Business Landscape During COVID-19

May 14, 2020

GMO Payment Gateway, Inc.

(3769; Tokyo Stock Exchange First Section)

The 61st IR Meeting

GMO PAYMENT GATEWAY

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

Safe Harbor Statement

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 May 14, 2020.

Please note that the contents 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 Q2 FY2020
2. Business Landscape during the COVID-19 Pandemic
3. Future Initiatives and Growth Strategy
4. Financial Highlights

1. Summary of Financial Results for Q2 FY2020

1.1 Financial Results Summary (IFRS)

Q2 standalone growth rates improved; Exceeded 1H guidance

(Mil. Yen)	FY2019 1H Actual	FY2020 1H Actual	% YoY	% achievement vs. 1H guidance (vs. Full Year guidance)	FY2020 Q2 standalone (% YoY)
Revenue	16,015	18,386	+ 14.8%	107.4% (50.2%)	9,356 (+ 20.4%)
Operating Profit	4,258	4,704	+ 10.5%	107.8% (45.3%)	2,623 (+ 20.3%)
Pre-tax Profit	4,134	5,247	+ 26.9%	127.3% (53.2%)	2,518 (+ 14.5%)
Profit Attributable to Owners of Parent	2,578	3,408	+ 32.2%	134.5% (55.8%)	1,679 (+ 12.0%)
EBITDA^{※1}	4,753	5,414	+ 13.9%	-	2,985 (+ 22.7%)
	Operating Stores^{※3} (End-Q2)		GMV Volume (Q2 Standalone)		GMV Value (Q2 Standalone)
KPI^{※2}	122,328 (+ 20.2%)		Approx. 580 mil. (+ 37.2%)		Approx. ¥1.2 tr. (+ 19.8%)

※1 EBITDA=Operating Profit + Depreciation.

※2 Figures in parentheses are % YoY changes. Excludes offline transactions; if offline transactions are included the GMV volume is approx. 590 mil. (up 38.1% YoY) and GMV value is approx. ¥1.3 tr. (up 24.9% YoY).

※3 Figures exclude the recent increase in operating stores from a specific merchant. If included, the number of operating stores is 281,500 stores (up 111.3% YoY) for the same period.

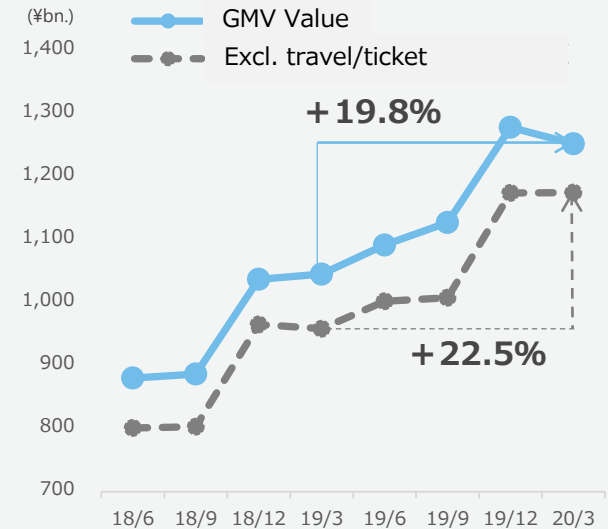
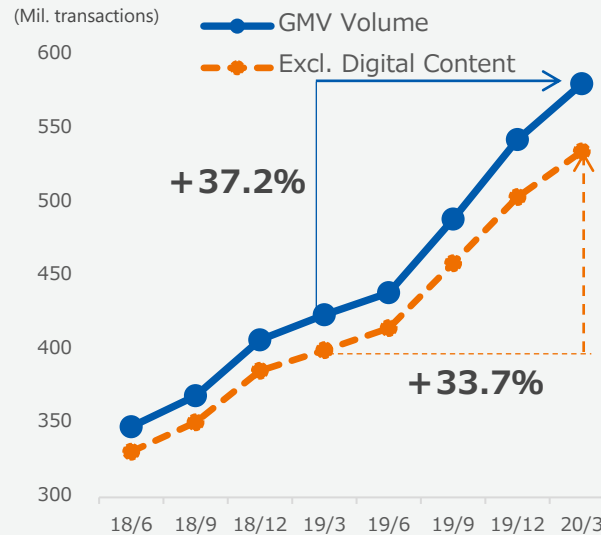
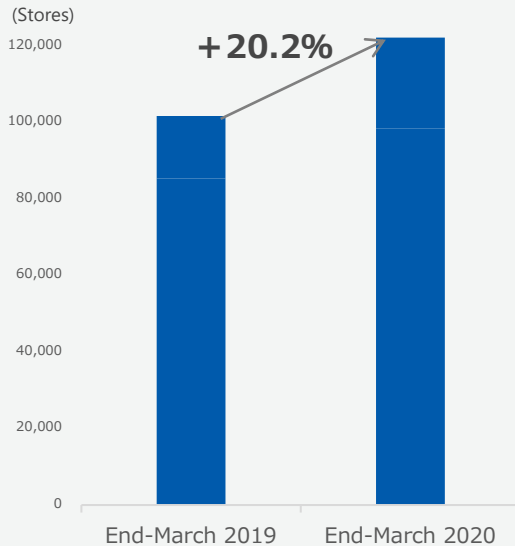
1.2 KPI Analysis (Q2 standalone/YoY)

Revenue driven by strong trend of operating stores and GMV volume even during COVID-19

Operating stores +20.2%
vs prev. Q2 +15.7%

GMV volume +37.2%
vs prev. Q2 +29.6%

GMV value +19.8%
vs prev. Q2 +24.9%



★ Surge in small-scale operators moving online
Delivery/Take-out
Daily good, sundries etc.

★ Growth acceleration of digital contents
Video streaming, e-books
• Strong trends in infrastructure sectors (e.g. local governments, utilities, telecom, public dues)

★ Decline of high-price payments, i.e. travel and ticket sales.
GMV value excl. travel/ticket up 22.55% YoY[※]
• Increase of micropayments e.g. digital contents

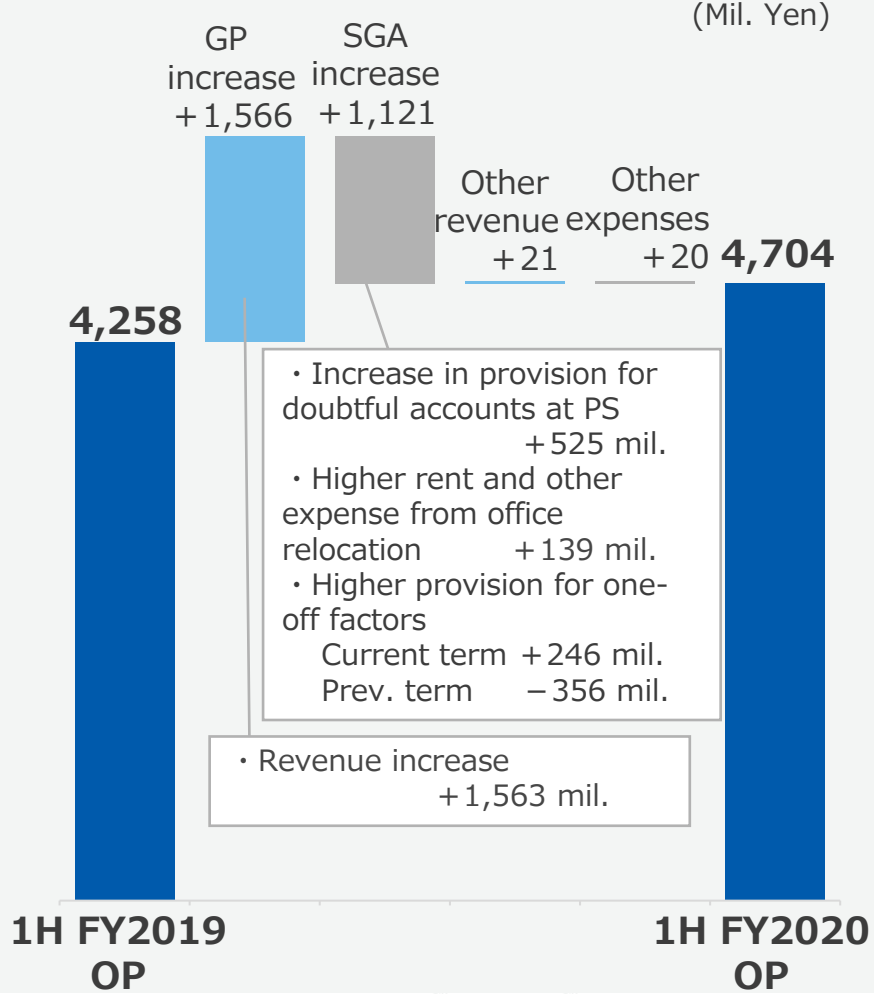
★ = Impact of COVID-19

※ Figures exclude a certain sector in the PG Multi-Payment service.

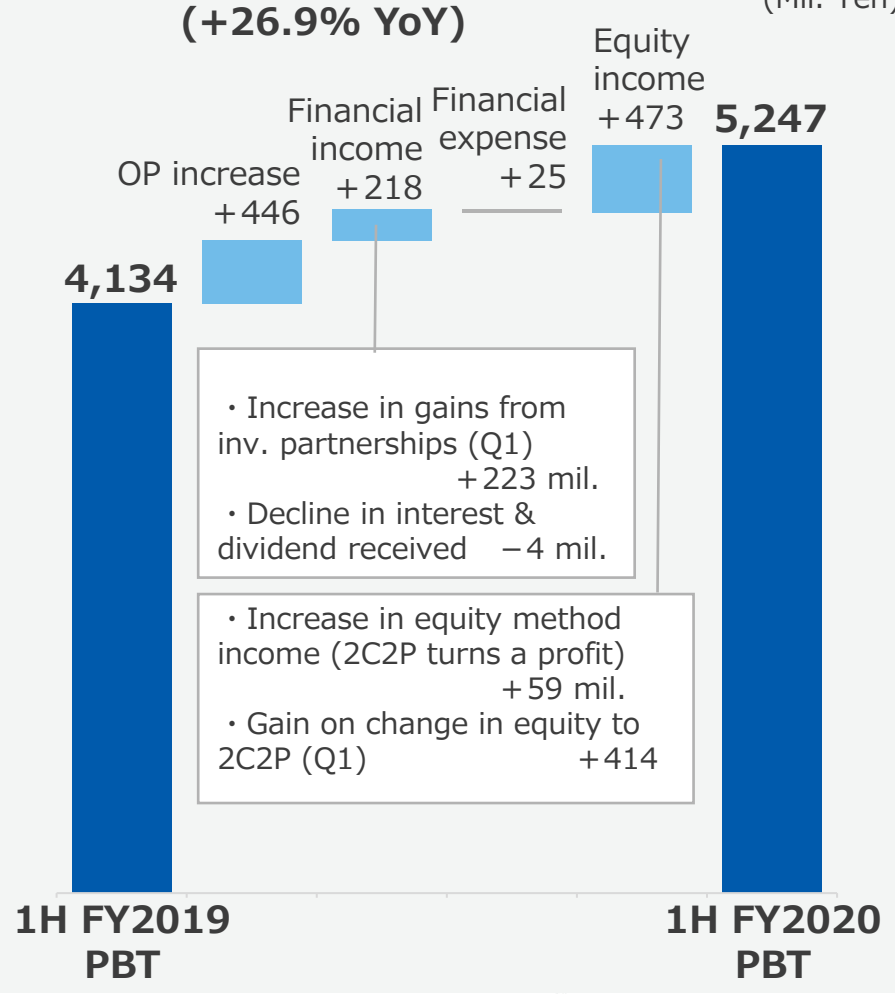
1.3 Factors affecting OP & Pretax Profit (Cumulative Q2 basis)

SG&A increase due to higher provisions; Pre-tax profit uplifted from increase in equity method income

■ OP waterfall chart (+10.5% YoY) (Mil. Yen)



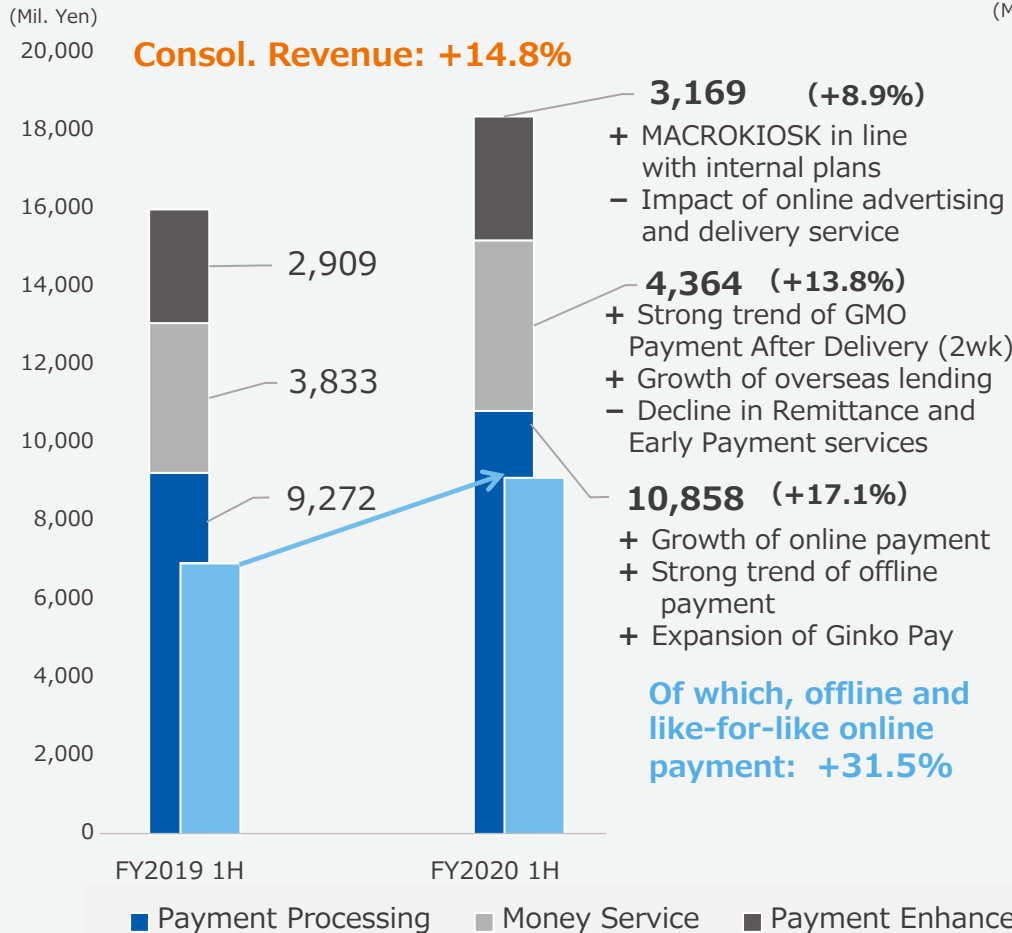
■ Pre-tax profit waterfall chart (+26.9% YoY) (Mil. Yen)



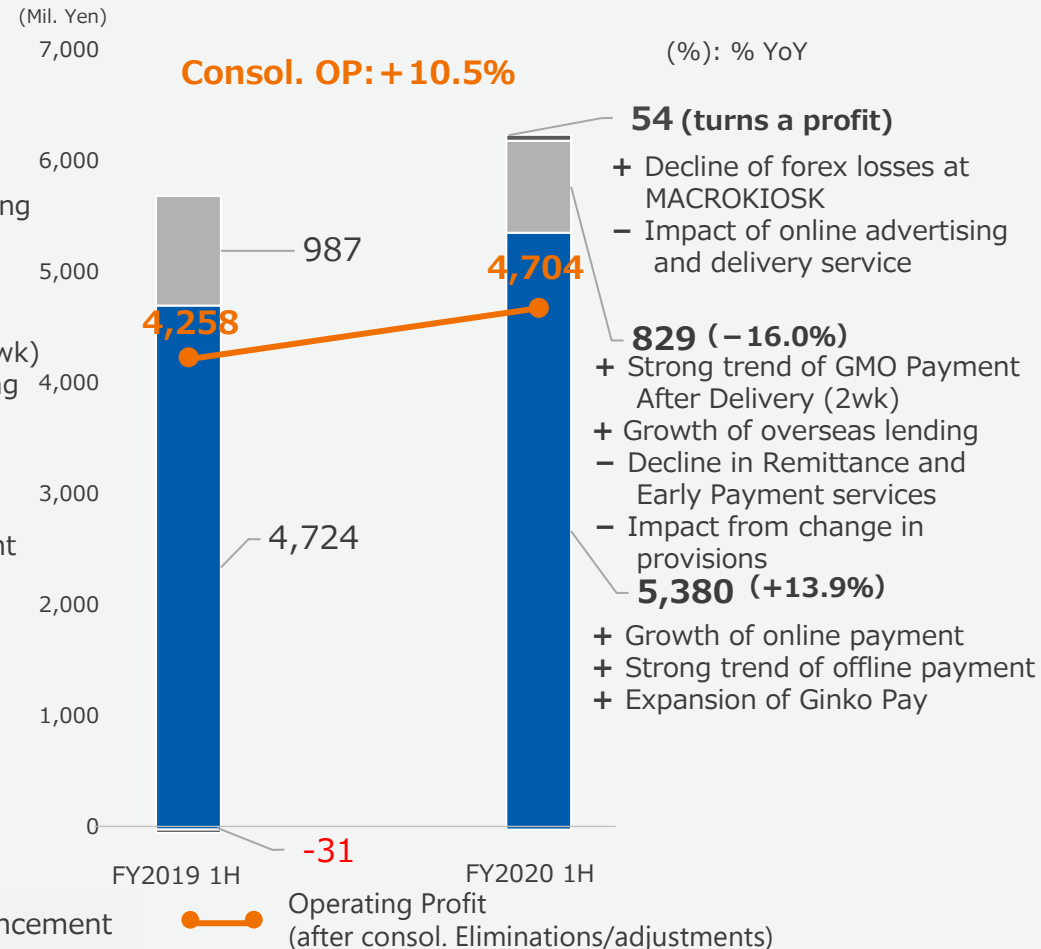
1.4.1 Segment revenue and OP YoY (cumulative Q2)

All segments outperformed company plans

■ Segment revenue



■ Segment operating profit

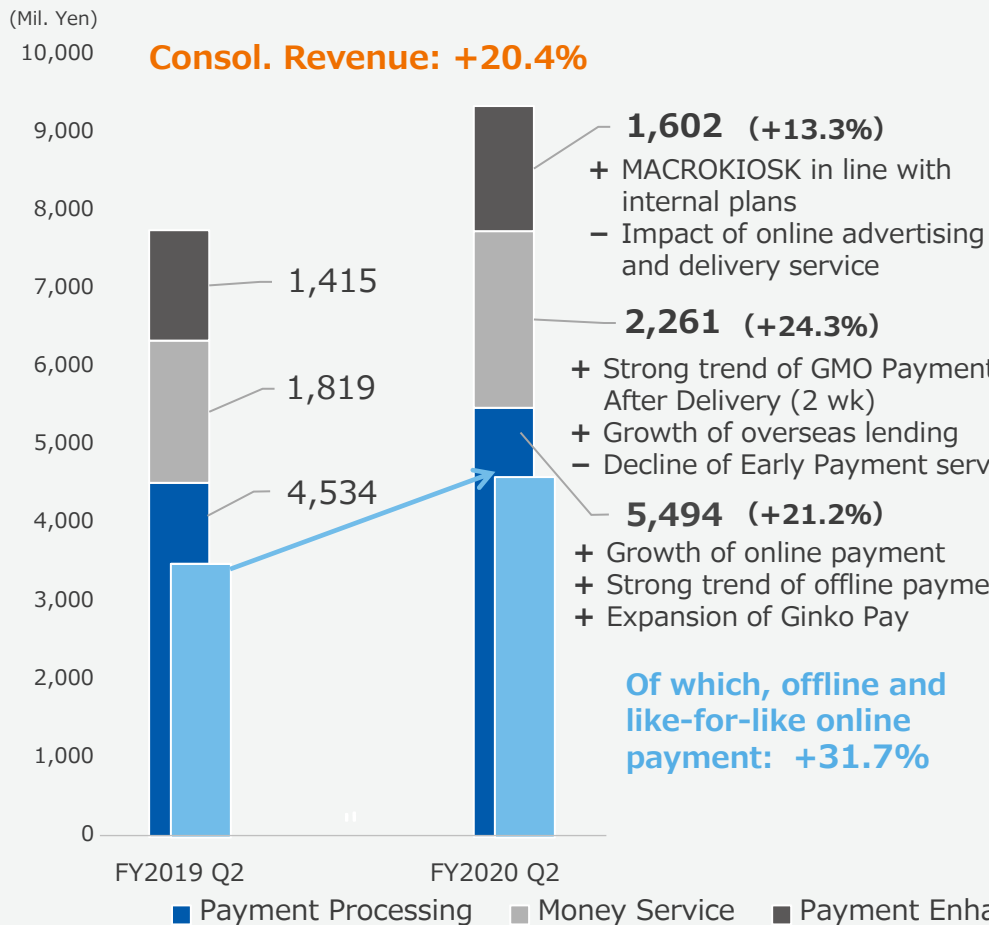


※ Like-for-like online payment excludes: ① Contract expiration of a large merchant in the previous Q2, ② contract termination of a certain merchant in the previous Q2, ③ change in contract terms to certain merchants in the current term's Q1.

1.4.2 Segment revenue and OP YoY (Q2 standalone)

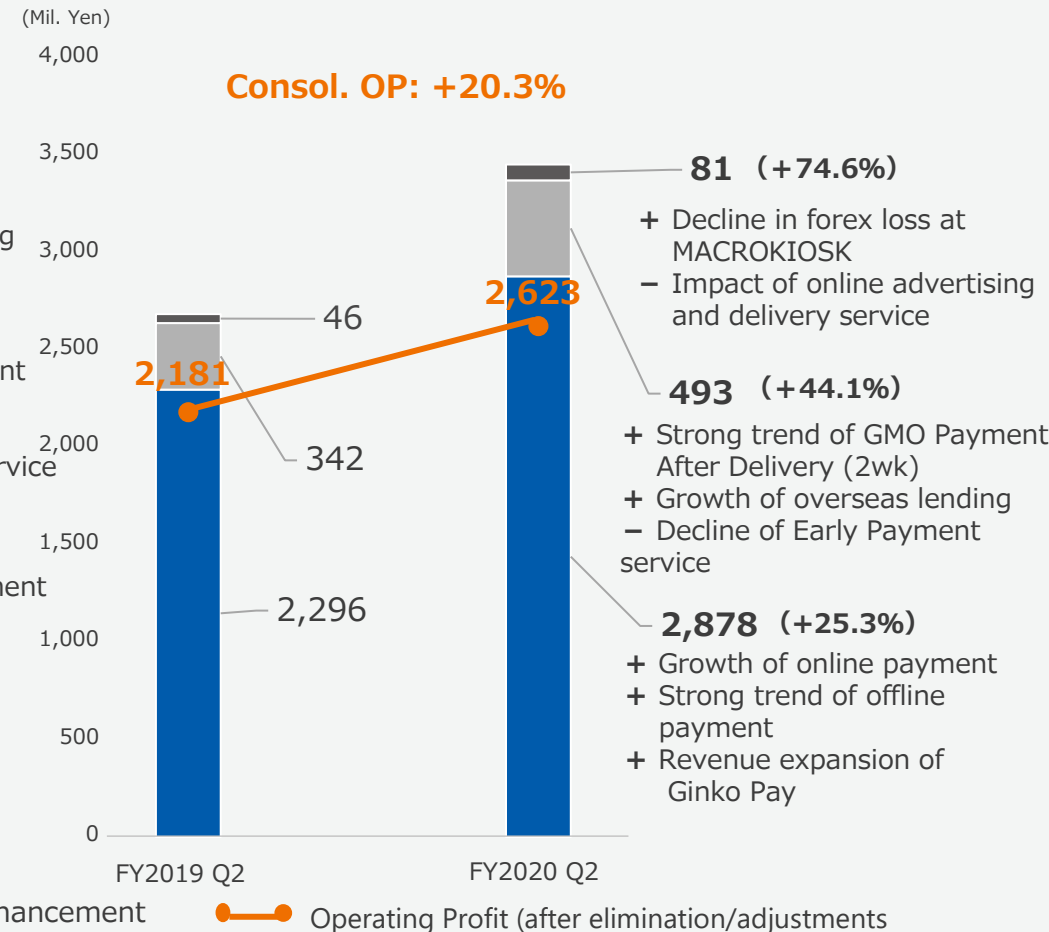
All segments outperformed company plans

■ Segment Revenue



■ Segment Operating Profit

(%): % YoY



※ Like-for-like online payment excludes: ① Contract expiration of a large merchant in previous Q2, ② contract termination of a particular merchant in previous Q2, ③ change in contract terms to certain merchants in the current term's Q1.

1.5 MACROKIOSK: Transfer of Shares and Waiver of Claims

3 reasons behind decision to divest: management, profitability and, area coverage

Reasons for divestiture and waiver of claims

- ① **Management challenges**
Difficulty to exercise management control over drastic changes in business environment
- ② **Uncertainty over profitability**
Negative capital continues; difficulty to achieve 25% growth
- ③ **Uncertainty of area coverage**
COVID-19 spread across Asia and widespread recession



- Cashflow improvement
- Resource focus on high-margin businesses
- Exit from uncontrollable risks

P/L Impact (estimated)

OP: Approx. ¥300 mil. reduction
Profit: Approx. ¥600 mil. reduction

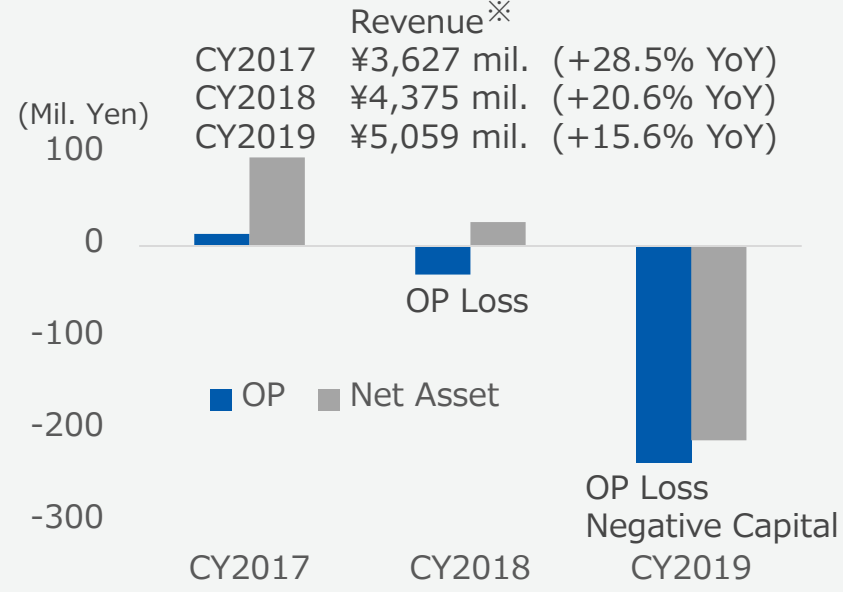
History

Consolidated Macro Kiosk on August 30, 2016
 Voting rights: 70%
 Acquisition price: approx. ¥1,121 mil.
 FY2018: Recorded impairment loss ¥359 mil.
 FY2019: Recorded impairment loss ¥992 mil.

Total amount of loans

Approx. ¥10 mil.
 Used to support long-dated AR services and expansion to neighboring countries

Financial results



※ Converted using 1 Malaysian Ringgit = 25 JPY

1.6 FY2020 Guidance

Impact to consolidated earnings unconfirmed due to undetermined closure date of share transfer and deconsolidation

- Impact of share transfer of MACROKIOSK (estimates as of April 30th)[※]

OP: Approx. ¥300 mil. reduction

Loss on sales of subsidiary shares

Profit: Approx. ¥600 mil. reduction

In addition to this, net profit attributable to owners of parent will be impacted from waiver of claims

※ Estimate assumes share transfer to conclude by end of March 2020. Revenue reduction is likely but has not been computed.

Impact to consolidated earnings unconfirmed due to undetermined closure date of share transfer and deconsolidation at present. Details on the impact to guidance figures are currently being reviewed and will be promptly disclosed once confirmed.

- FY2020 Earnings guidance announced on November 12, 2019 (Unit: Mil. Yen, % YoY)

	FY2019 Actual	FY2020 Guidance	% YoY
Revenue	32,121	36,618	+ 14.0%
OP	8,301	10,376	+ 25.0%
Pretax profit	8,039	9,867	+ 22.8%
Profit	5,052	6,216	+23.0%
Profit attributable to owners of parent	5,267	6,110	+ 16.0%
Earnings per share	¥36	¥42	+¥6

1.7 Subsidiary earnings: proportion, actual and forecast

Reviewing Q3 and Q4 guidance due to current lack of clarity on COVID-19 impact

	% of consol. revenue	% of consol. OP	1Q	2Q	3Q	4Q
Consol.	100%	100%	→	+	Reviewing impact of MK and COVID-19	
PG parent	60%	73%	→	→		
EP	12%	20%	-	→	+	
PS	18%	4%	→	+	→	
FG	10%	3%	+	+	+	
MK	—%	—%	→	→	Date of deconsolidation undetermined	

Revenue increase of over 14% YoY^{※2}
 Up to +14% YoY
 % YoY decline

※1 Estimate for Q3 and beyond is as of May 14th.
 ※2 +14% is the FY2020 revenue growth rate guidance

2. Business Landscape during the COVID-19

2.1 Our response to the COVID-19 pandemic

Reinforce systems on the presumption of prolonged COVID-19 impact, switched to remote work from end of January.

■ Response to COVID-19

Date	Ratio of remote work	Response
Jan. 27th	70%	Switched to remote-working
Early March	80%	Start of operation according to Group Rules
April 7th	90%	Stricter implementation of remote work with the declaration of State of Emergency
May~current	↓	Revise operations and organization presuming a prolonged COVID-19

■ Undertakings that were reinforced assuming remote-working and prolonged COVID-19

- **Systems Division: ratio of remote-work reached 98% from the initial 78%**
Switch to email/chat-based support operations instead of telephone-based
- **Fully online: BoD meetings, periodic meetings and, training for new grad recruits**
- **Revised operations and organization effective June assuming prolonged COVID-19 impact**

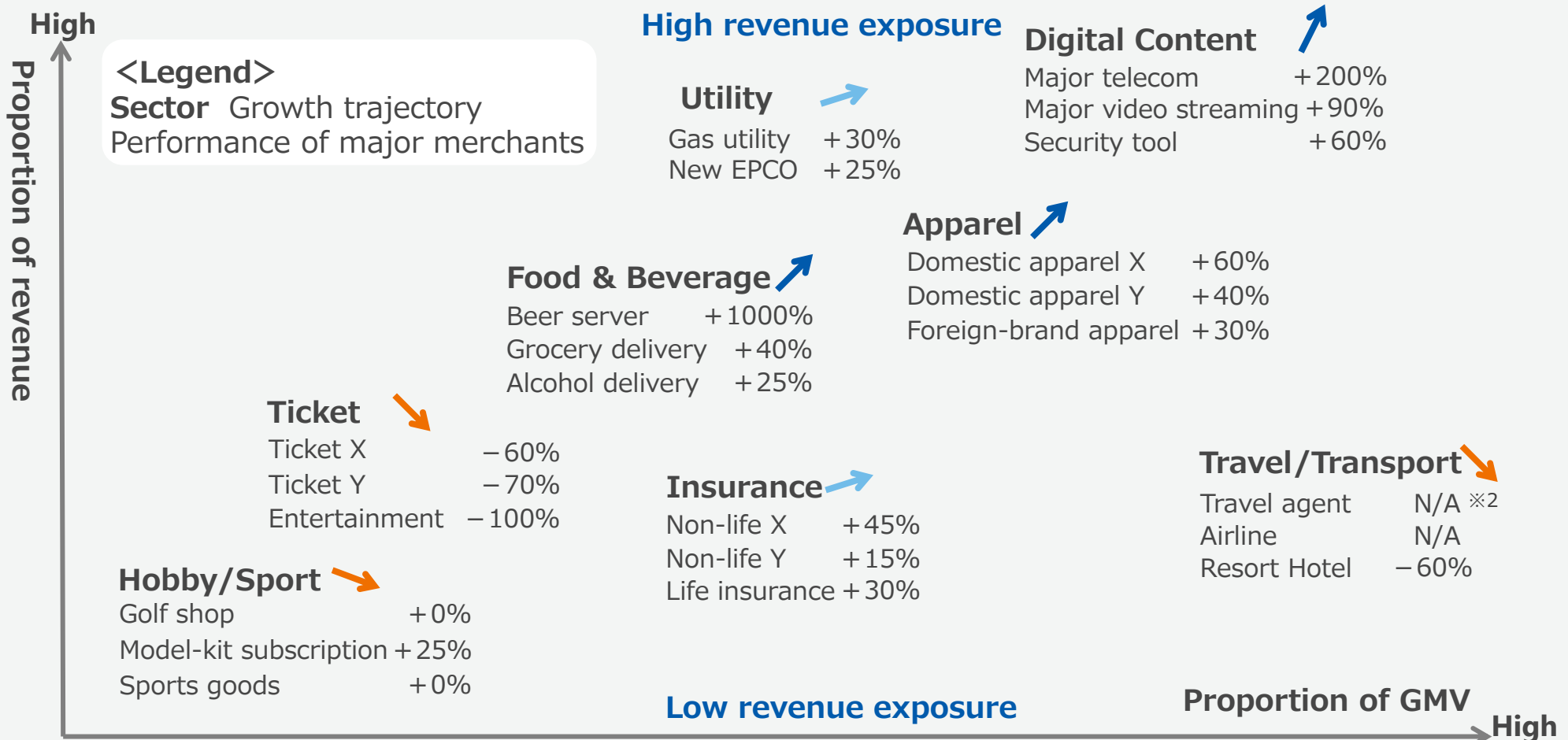
Online Unchanged stance on strengthening sales to large-sized operators
Increased personnel with expertise in utility sector
Considering revising the office layout

Offline Proposals of take-out/delivery service to adversely affected offline stores
Strengthened proposals on strategy including self-checkout to COVID-19 resilient sectors

2.2 March revenues and GMV: performance by sector and revenue exposure

Sectors with high revenue exposure are growing; high growth is achievable even during COVID-19

■ Scatter diagram of revenue and GMV by merchant's sector※1



※1 This shows the relative position of GMV value and revenue of each sector within the PG Multi Payment Service, which accounts for around 80% of GMV. The %age figures show the approximate YoY performance of GMV value for the month of March of major merchants.

※2 % YoY changes cannot be computed due to cancellations.

2.3 Sectors transformed by COVID-19 and our response

Development of Digital Transformation (DX) platforms that adapt to the industry changes caused by COVID-19

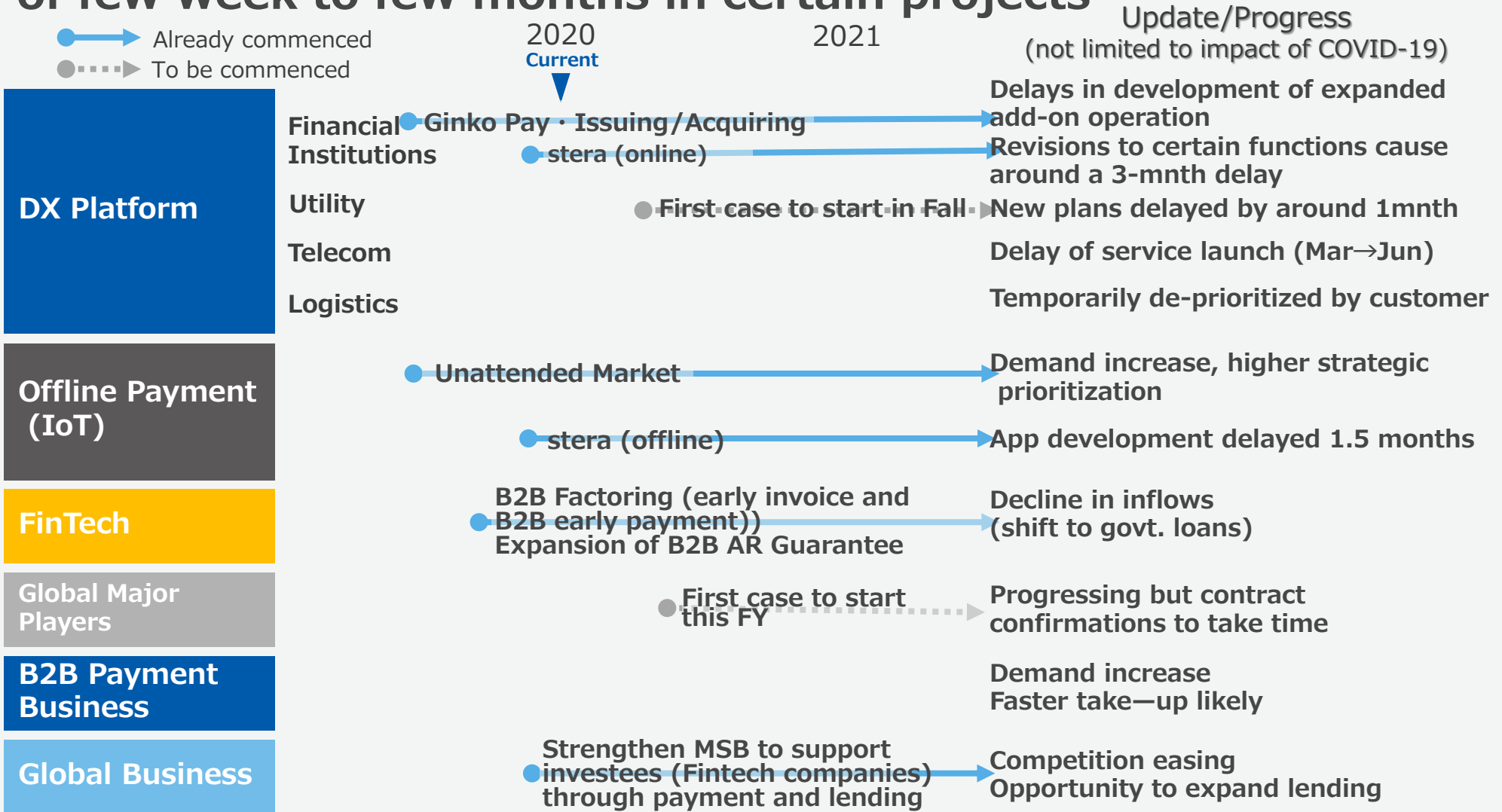
■ Impact of COVID-19 by sector and our response

	<u>Sector</u>	<u>Changes caused by COVID-19</u>	<u>Our response</u>
<p>Demand change caused by COVID-19</p>	Digital content	Surge from nesting demand, increase in new entrants	Approach to new entrants Responding to high EC demand
	Telecom	Surge in data traffic; consumer content business expands	Supporting new economies through payment
	Apparel	O2O, acceleration of omnichannel systems	Strengthen sales collaboration between online and offline Promote O2O/omnichannel systems
	Dining/Food/Beverage	Massive increase in delivery/take-out and subscription services	Lateral deployment of in-development services Collaboration to win major projects
	Utility	Online payment expands; rising need for smart meter	Remote consultation, testing services Making inroads to new entrants
	Healthcare/Pharmaceutical	Stronger momentum toward online medical service and dispensaries	Making inroads to new entrants, e.g. online educational service providers
	Education	Initiative to build framework for online schooling	Promote O2O business that leverage latest technologies (VR/AR)
	Hobby/Sports	Increased demand for VR/AR technology-based businesses	Proposals on transition to autonomous/unmanned service
	Ticket	Cancellation of events and live performances	
	Travel/Transport	Demand plummeted from movement restrictions	

3. Future initiatives and growth strategy

3.1 Progress of Priority Initiatives

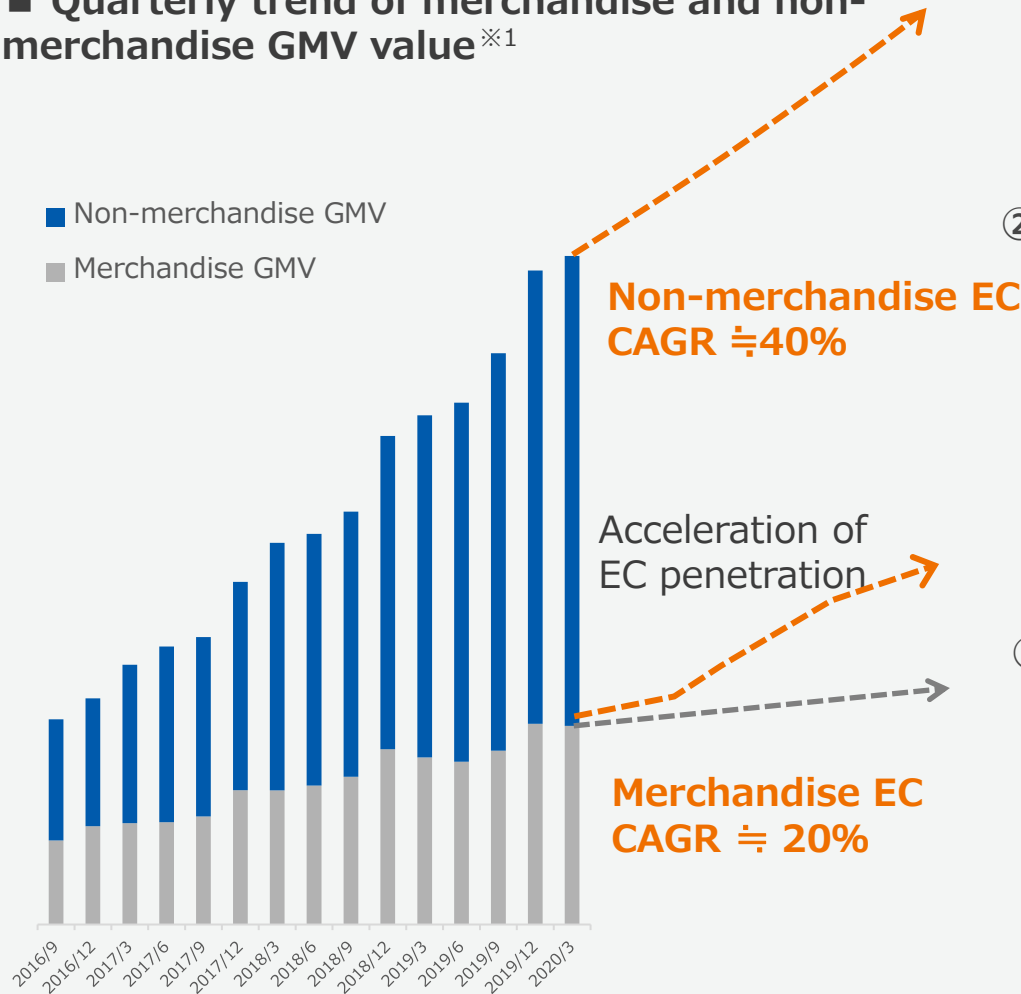
Vector of initiatives remains unchanged; acknowledged delays of few week to few months in certain projects



3.2.1 DX Platform: The Broader EC

Revamp sales structure; capture new demand through industry-specific DX platform

■ Quarterly trend of merchandise and non-merchandise GMV value ※1



① Growth strategy so far

Acquiring large and high-growth merchants

Expanding non-merchandise EC

Structuring industry-specific DX platforms

② Impact of COVID-19

Surge in digital content demand, online shift in healthcare and education

Increase in merchandise EC store openings

Recognized need for partial revision of stera's function causing a 3-month delay ※2

New plans targeting utilities delayed by 1mth
No change in overall demand

③ Growth strategy during COVID-19

Enhance collaboration with local governments/educational institutions

Omnichannel proposal to "offline" sectors
i.e., healthcare/education/retail O2O/B2B etc.

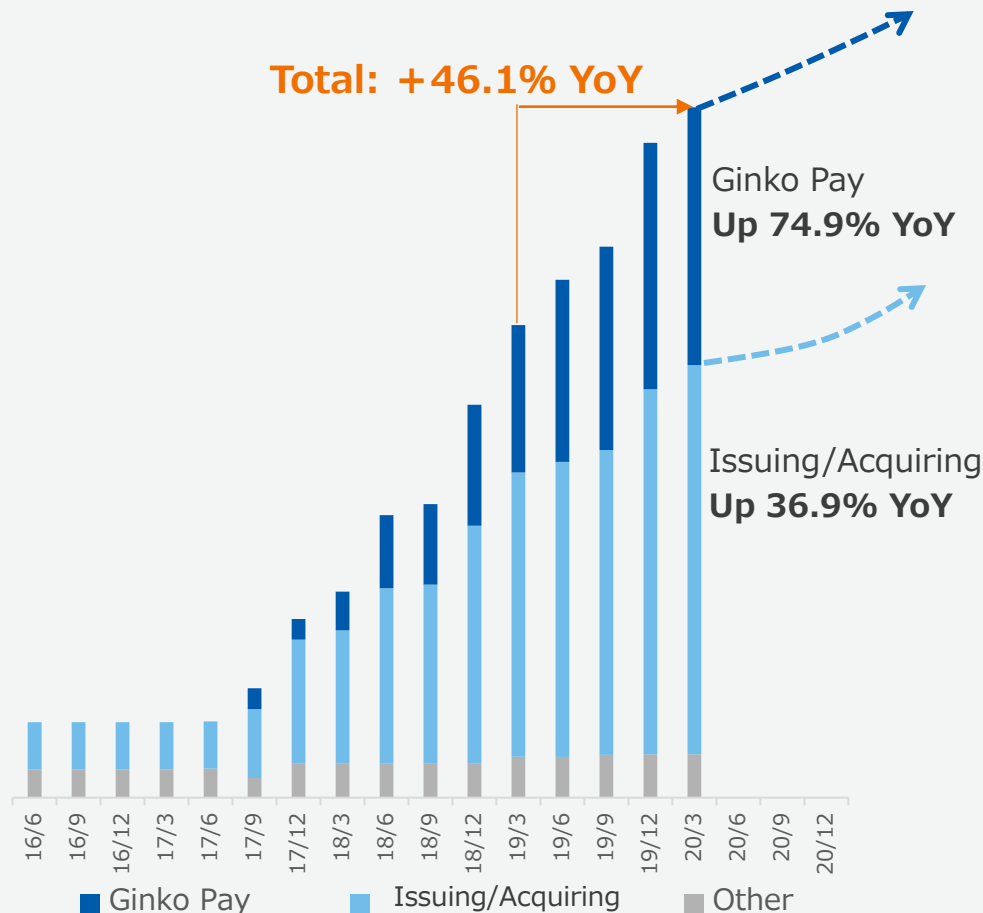
※1 GMV value for Multi-Payment Service offered by GMO Payment Gateway

※2 Not due to COVID-19

3.2.2 DX Platform: Financial Institutions

Promoting strategy to capture rising cashless demand during COVID-19

■ Quarterly trend of stock revenue for financial institution businesses



① Growth strategy so far

Expand the financial institution platform

Ginko Pay, Issuing/Acquiring, stera

② Impact of COVID-19

Increase in cashless demand

Decrease in inbound transactions

Increased inquiries for issuing/acquiring

Requests from existing clients for add-ons
However, delay in developing add-on operations

New merchant acquisitions temporarily slowed

③ Growth strategy during COVID-19

Basic strategy is unchanged

Revise pipeline of issuing/acquiring and formulate alternative plan

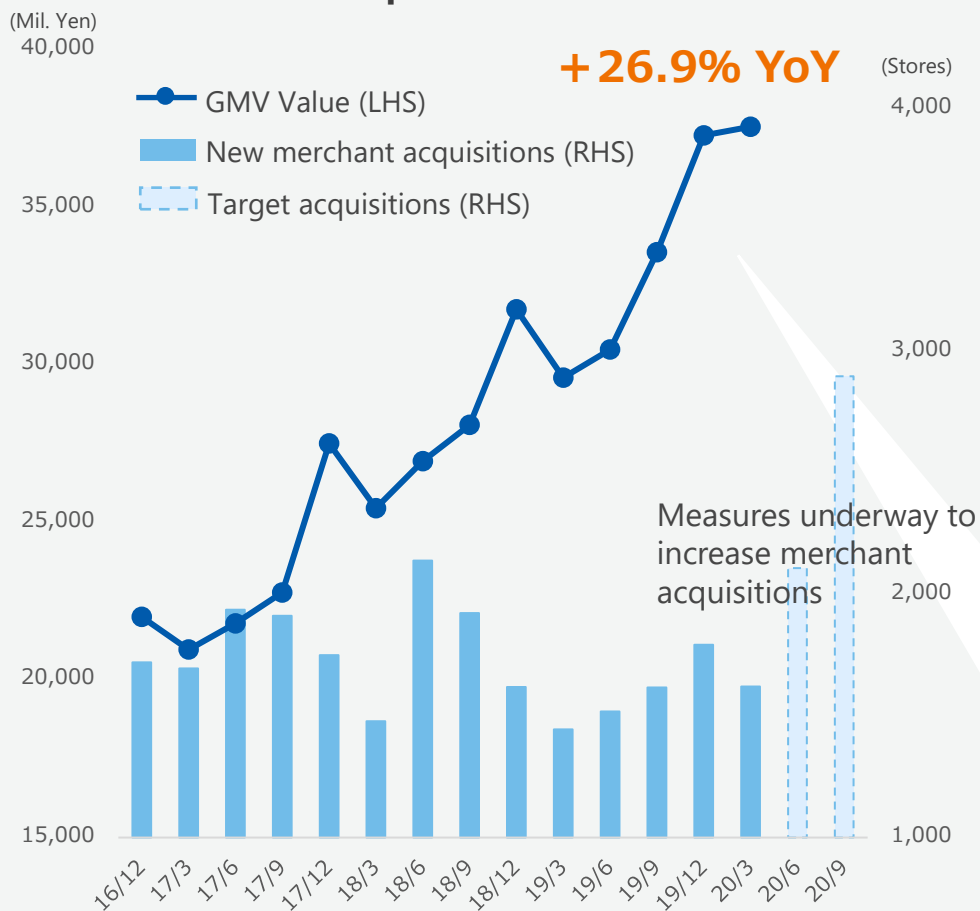
Expand merchant base for GCP for the post-COVID-19 phase

※ GCP stands for GMO Cashless Platform

3.2.3 Progress of Initiatives at GMO Epsilon

Focus on new merchant acquisitions to return to 25% growth track; GMV recovering from nesting demand

■ **GMO-EP: Quarterly trend of GMV value and new merchant acquisitions**



- ① **Growth strategy so far**
Acceleration of new merchant acquisitions and rollout of new businesses
Strengthen MSB through collaboration with partners
- ② **Impact of COVID-19**
Increase in new applications and GMV value due to nesting demand
- ③ **Growth strategy during COVID-19**
Basic strategy is unchanged
Select targets based on industry's risk level

Robust GMV value driven by nesting demand
<Top sectors in GMV value growth for March 2020>

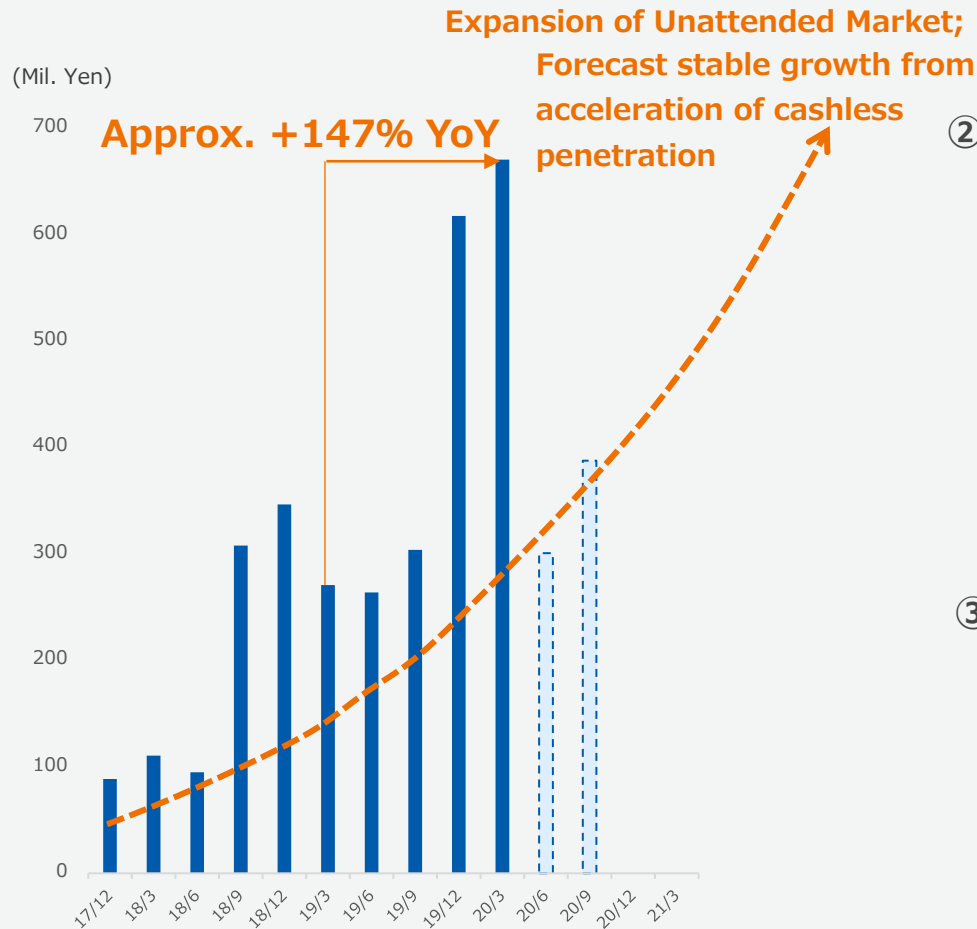
Alcohol	+70%
Book/Magazine/Comics	+50%
Gardening/DIY	+35%
Healthcare/Contact lens/Aged care	+30%
Kitchen/Daily goods/Stationary	+25%

※ all approximations

3.3 Offline Payment (IoT)

Rebuild society with unmanned payment technology during the COVID-19 phase

■ Quarterly trend of initial revenues in offline market※



① Growth strategy so far

Strengthen marketing to Unattended Market (UM) stera

② Impact of COVID-19

Postponement of GMO-FG listing
Increased demand of UM

Increased demand of payment terminals in the offline market due to rapid cashless penetration
stera app development delayed by 1.5 months

Risk of supply delays for payment terminals (currently recovering)

③ Growth strategy during COVID-19

Basic strategy unchanged (incl. IPO of GMO-FG)
Promote delivery/take-out (O2O, omnichannel)
Expansion of UM (self-checkout, autopay, etc.)

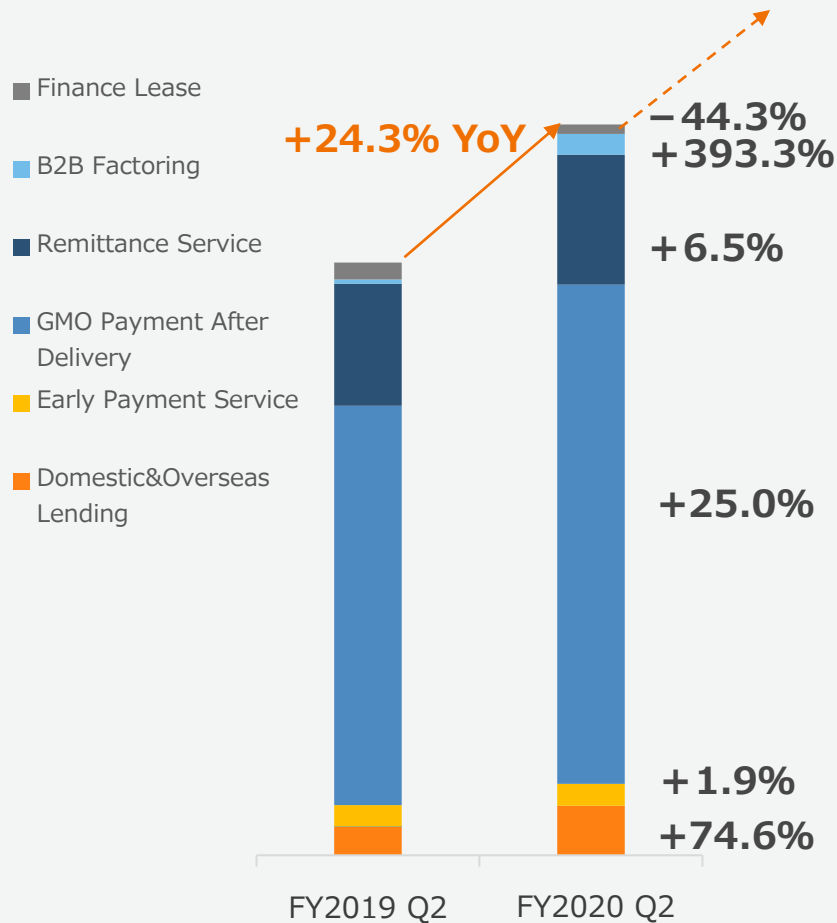
Use of existing terminals for stera;
Setup a remote system development structure

※ Initial revenues for offline payment include development and payment terminal sales.

3.4 FinTech

Improve capital efficiency and expand earnings through high-margin services and Payment After Delivery

■ Segment revenues (Q2 standalone)



① Growth strategy so far

Shift asset to high-margin services[※]

- Payment After Delivery (PaD), overseas Lending
- B2B Factoring (Invoice Early Payment, B2B Early Payment)
- B2B AR Guarantee

② Impact of COVID-19

Increased demand for PaD, Lending, C/F support services

PaD (2wk): Q2 standalone +43.3% YoY

Temporary increase in Remittance demand

Higher remittance service use for cancellation refunds

Increase in credit risk

Decline in inflows for B2B Factoring

Demand shift to govt. loans

③ Growth strategy during COVID-19

Provide credit that incorporates change in credit risk

Diversifying clients in PaD service, marketing to new sectors

※ Defined as services where ROIC > WACC. ROIC = Est NOPAT ÷ Monthly avg. BS balance

3.5.1 Global: Business portfolio after MK divestiture

Business promotion with a healthy asset base; prudently expand high-margin business

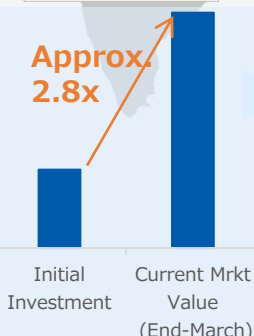
Global business footprint

- 📍 Payment Processing Business
- 📍 Money Service Business

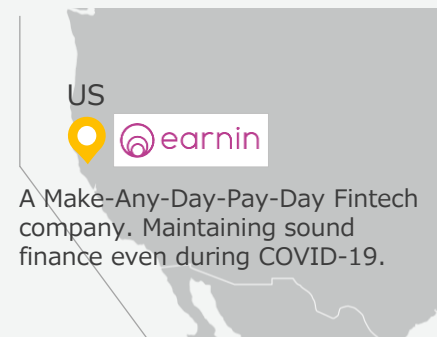


2C2P

- Positive profit
- Revenue up 57.3% YoY
- Equity value and market value up 2.8x



※ Company names and logos shown are for major investees and borrowers.



Deferred Payment Fintech company. Loan balance increased 3x YoY.

※ Current term % growth rates are estimates.

Global business: Previous term and outlook; BS exposure (excl. Payment Enhancement Business)

(Unit: Mil. Yen)	Payment Processing 📍			Money Service Business 📍			Total		
	FY2019	FY2020 Est.	% YoY	FY2019	FY2020 Est.	% YoY	FY2019	FY2020 Est.	% YoY
Revenue	40	50	+25%	387	533	+38%	427	583	+37%
OP	-117	-111	-	194	304	+31%	77	143	+86%
2C2P equity method income	-19	419	-						
Profit adj. for equity method income	-136	308	-						
Asset	Cumulative equity investment into 2C2P			Avg. loan balance					
Equity	2,198	2,198	2C2P adj. equity return 14%	2,900	4,300	+48%	2,900	4,300	+48%
						MSB adj. asset return 7%	2,198	2,198	-

※ Excludes MK and other companies included in Payment Enhancement Business. No occurrence of NPL and delinquencies in interest and repayment since launch of global lending business. 2C2P adjusted equity return related to 2C2P = OP adj. for equity income ÷ Equity investment. MSB adjusted asset return = OP of global MSB ÷ Est. avg. loan balance

3.5.2 Global: MSB for Fintech Support (Lending)

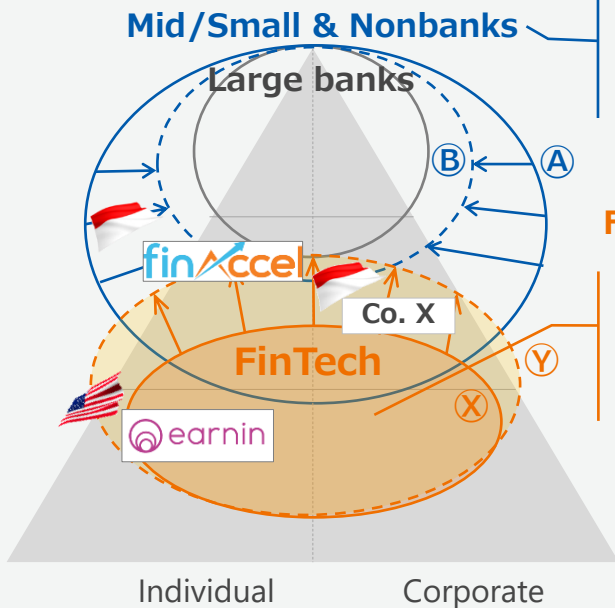
Credit crunch in US and Asia;
Fintech Companies growing on back of working capital squeeze

■ Growth strategy

Strengthen FinTech supporting MSBs

Support leading Fintech companies in the mid/small-businesses space amidst the shrinking footprint of incumbent players

Expanded addressable market of Fintech companies in the credit score pyramid



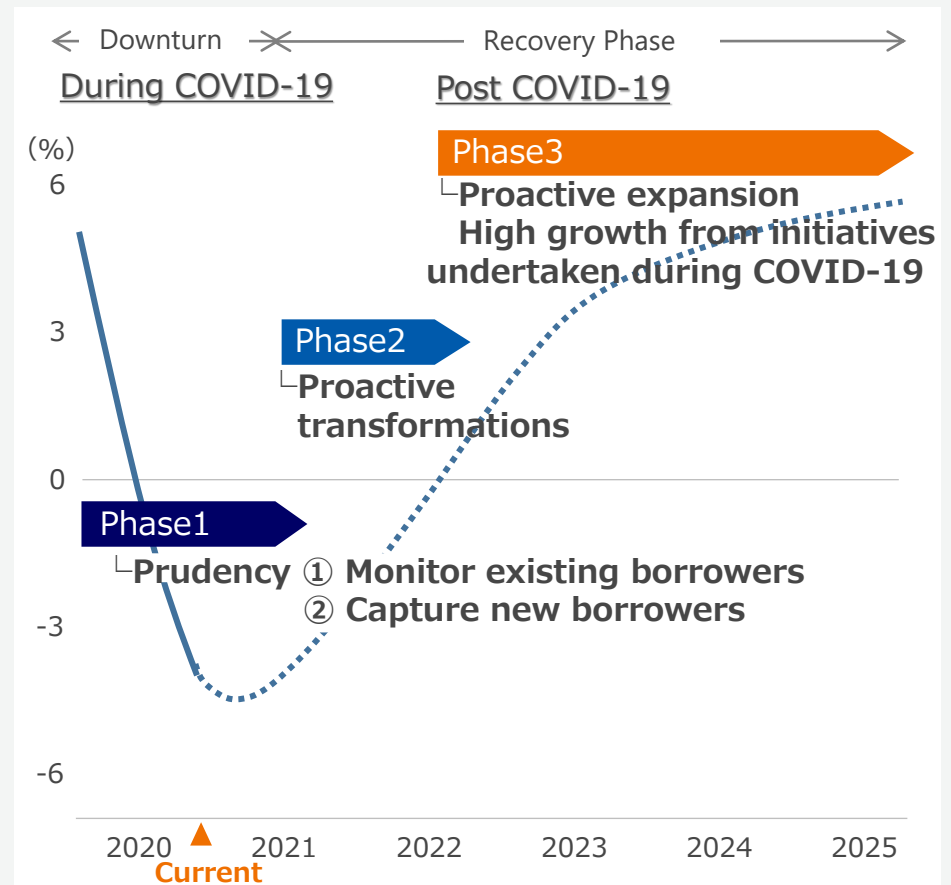
Mid/Small-sized banks & nonbanks

Shrink from (A)→(B)
Increase in NPLs
Attrition caused by monetary policy

FinTech Companies

Expand from (X)→(Y)
Opportunity to fill the "vacuum" created by attrition of large and mid/small-sized banks

■ GDP forecast for US & Asia[※] and Initiatives

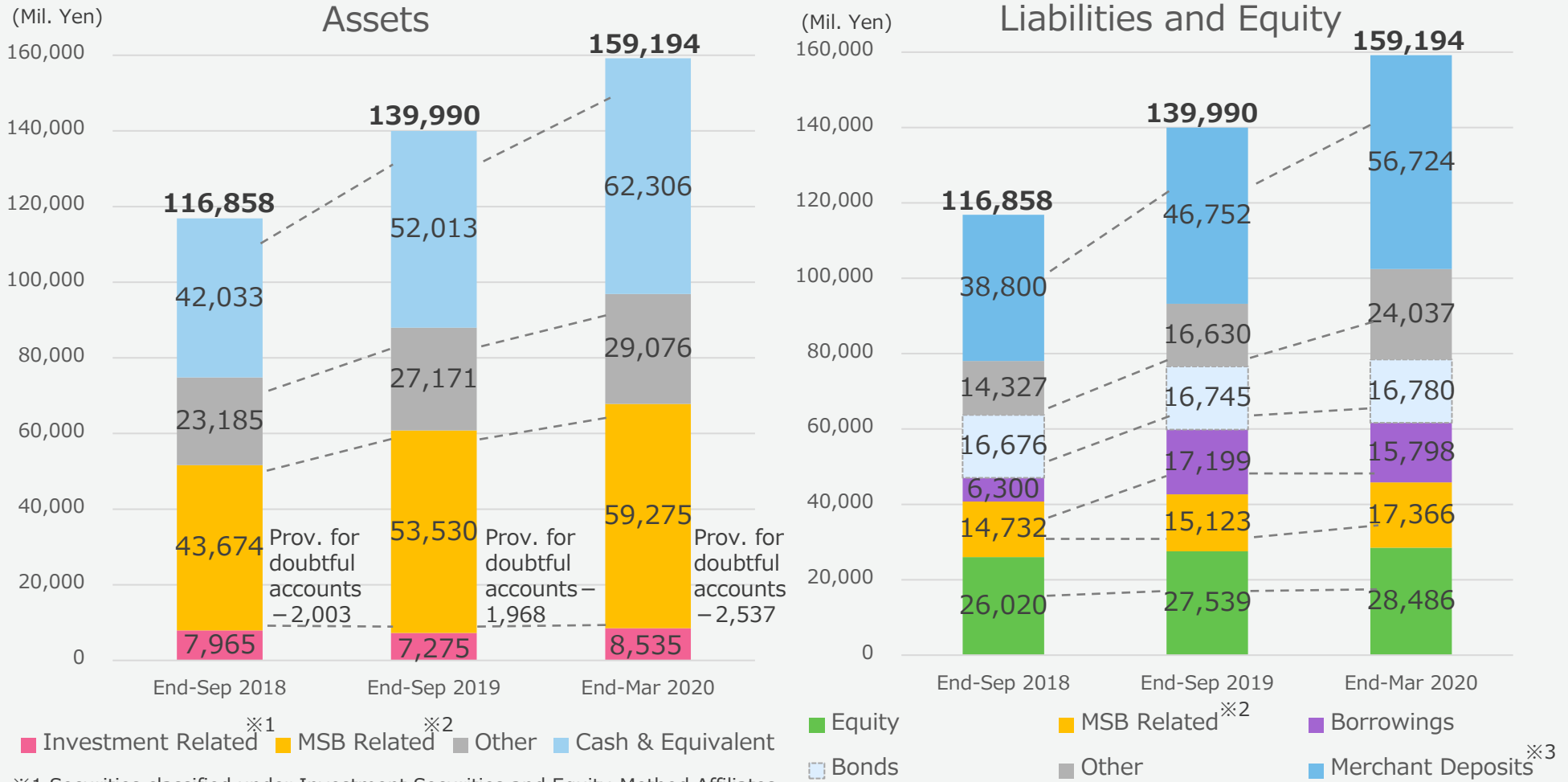


※ GDP forecast for Asian countries excluding Japan, South Korea, Taiwan, Hong Kong and Singapore. Figures for 2022 and beyond are GMO-PG's forecast by referencing IMF's "World Economic Outlook, April 2020: The Great Lockdown"

4. Financial Highlights

4.1 Balance Sheet Changes

Increase in deposits received and MSB-related assets



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

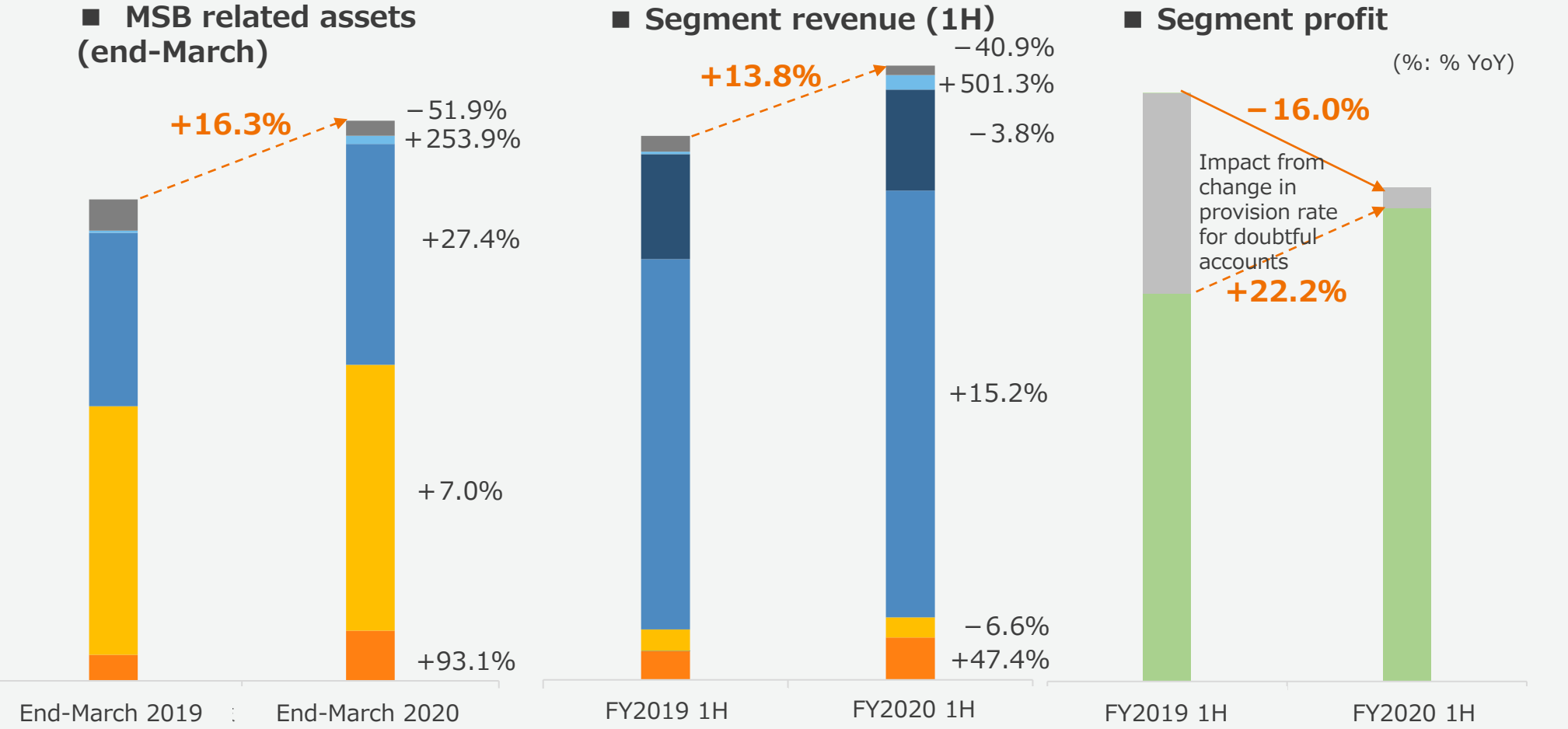
※2 MSB Related Asset = Lease assets, Short term loans, Advance payment, Accrued revenue (net of provision for doubtful accounts)

MSB Related Liabilities = Accrued expenses

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

4.2.1 FinTech: Assets & profit growth (cumulative basis)

Steady growth of high-margin services; YoY decline from reversals of provisions booked in the previous year



■ Domestic & Overseas Lending
 ■ Early Payment Service
 ■ GMO Payment After Delivery
 ■ Remittance
 ■ B2B Factoring
 ■ Finance Lease

※ Figures are net of GMO Payment After Delivery assets (accrued revenue) and provision for doubtful accounts.

4.2.2 FinTech: Assets & profit growth (Q2 standalone)

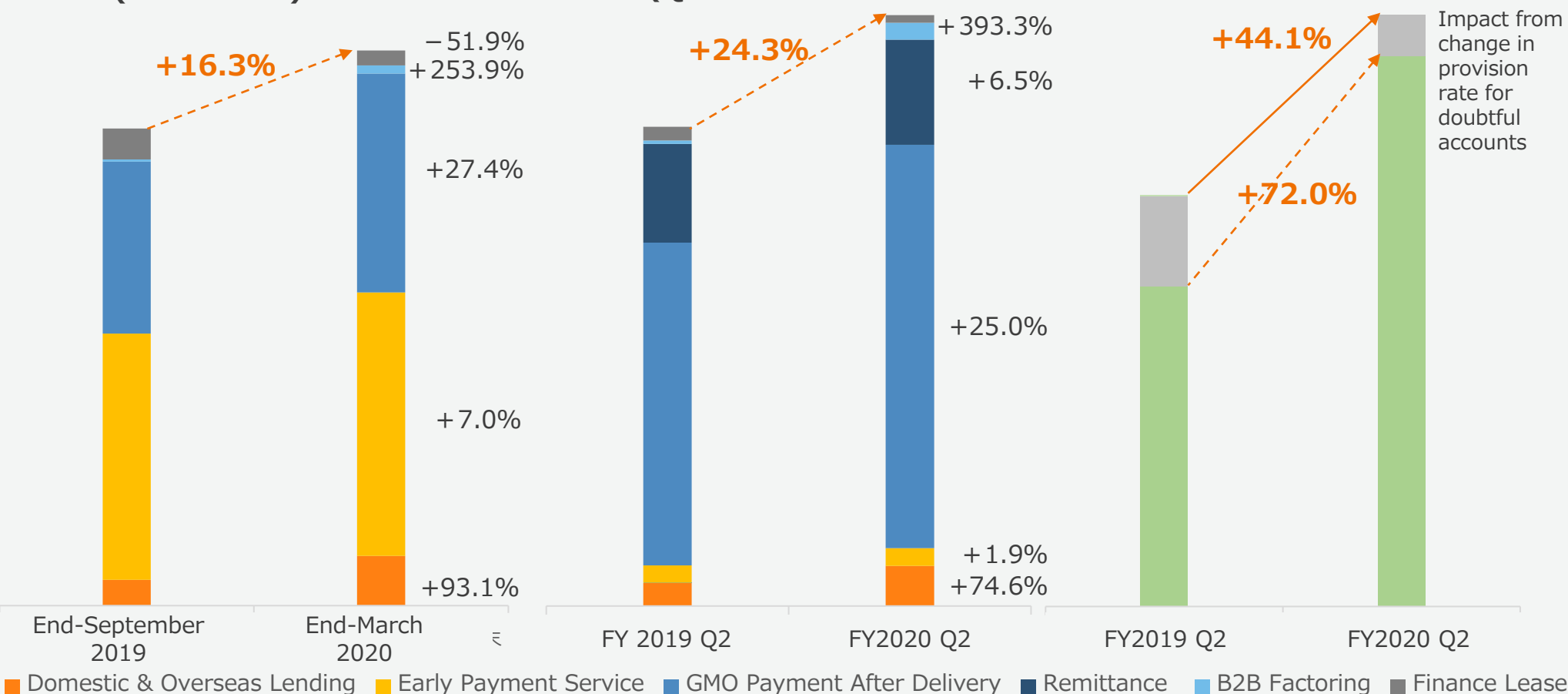
Steady growth of high-margin services; YoY decline from reversals of provisions booked in the previous year

(%: YoY change)

■ MSB related assets (end-March)

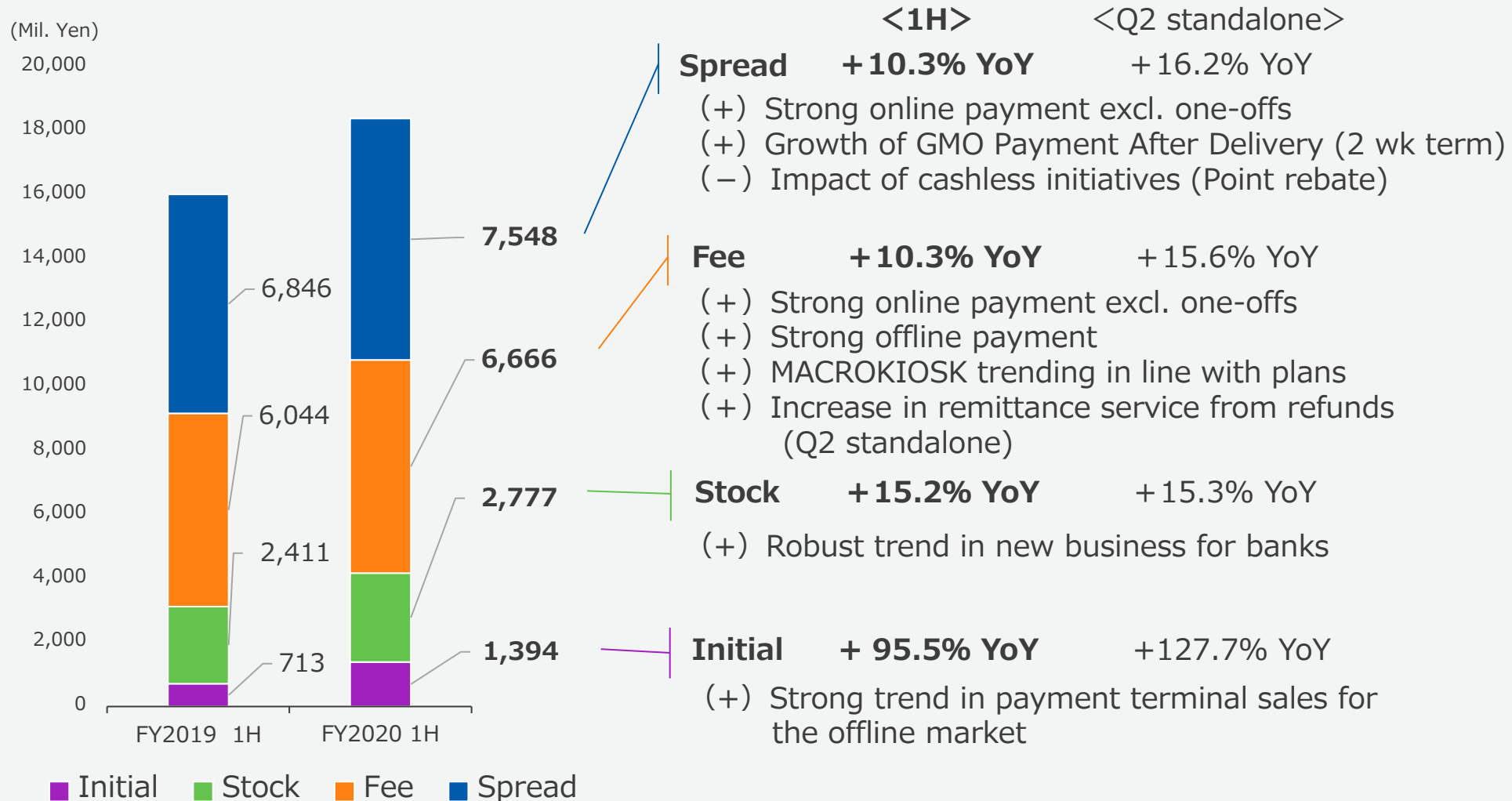
■ Segment revenue (Q2 standalone)

■ Segment profit

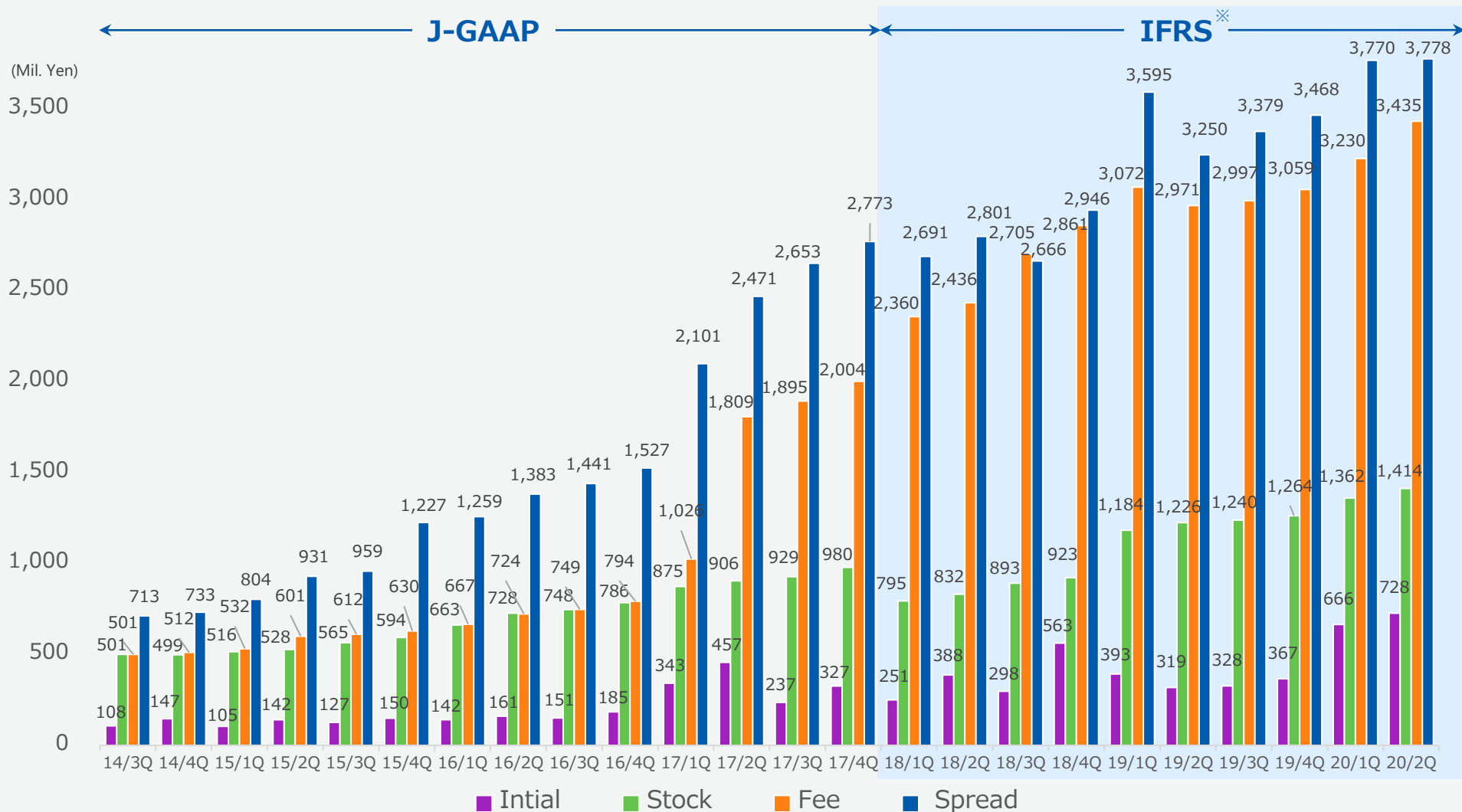


※ Figures are net of GMO Payment After Delivery assets (accrued revenue) and provision of doubtful accounts.

4.3.1 Revenue by business model (cumulative and Q2 standalone basis)

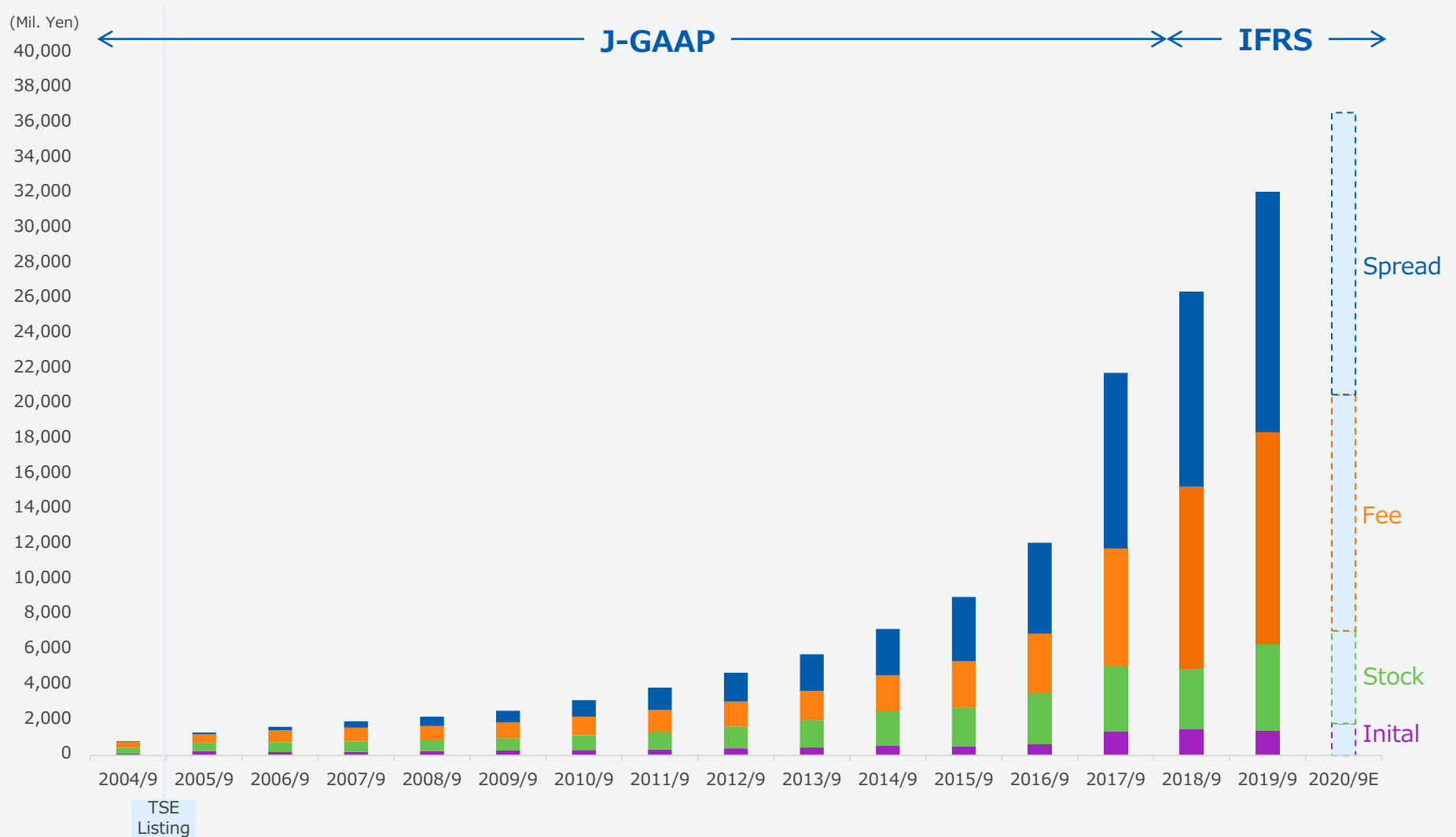


4.3.2 Quarterly trend of revenue by business model



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

4.3.3 Revenue trend by business model (annual)

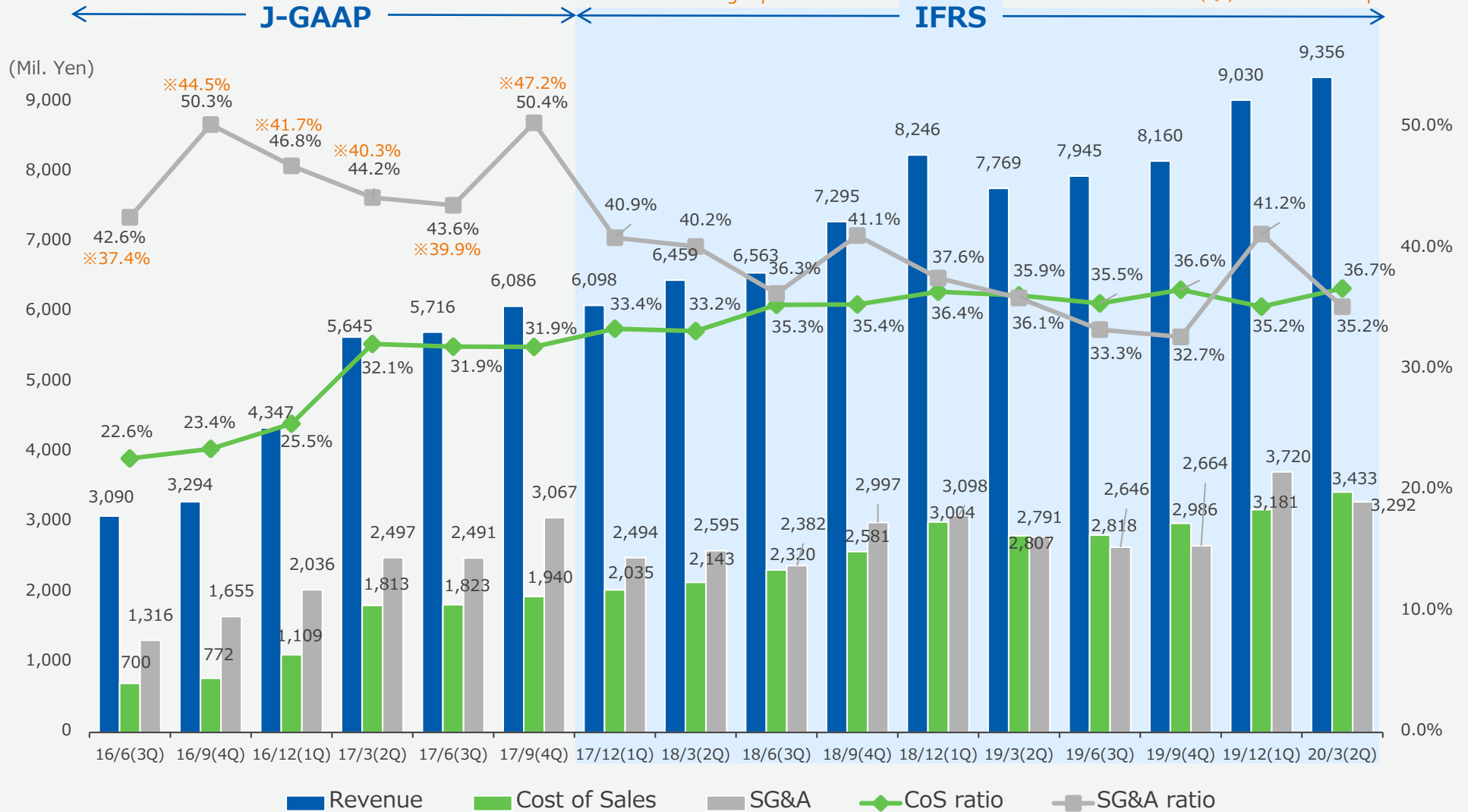


4.4.1 Quarterly trend of CoS and SGA ratio

CoS ratio fluctuates with changes in revenue mix

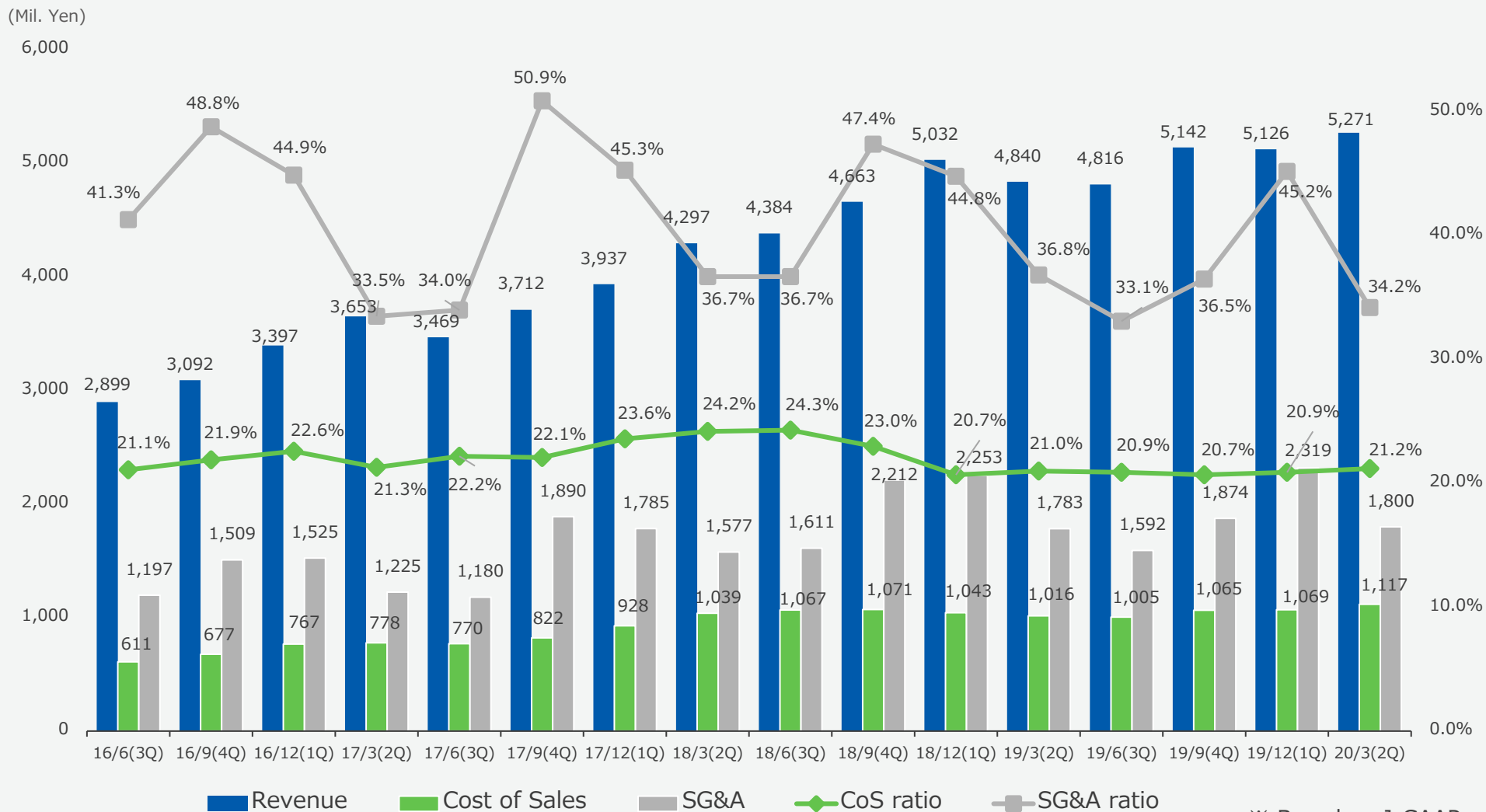
*Figures with asterisk exclude outsourcing expense related to MSB.

These outsourcing expenses are not booked in SG&A from December 2017 (Q1) due to IFRS adoption.



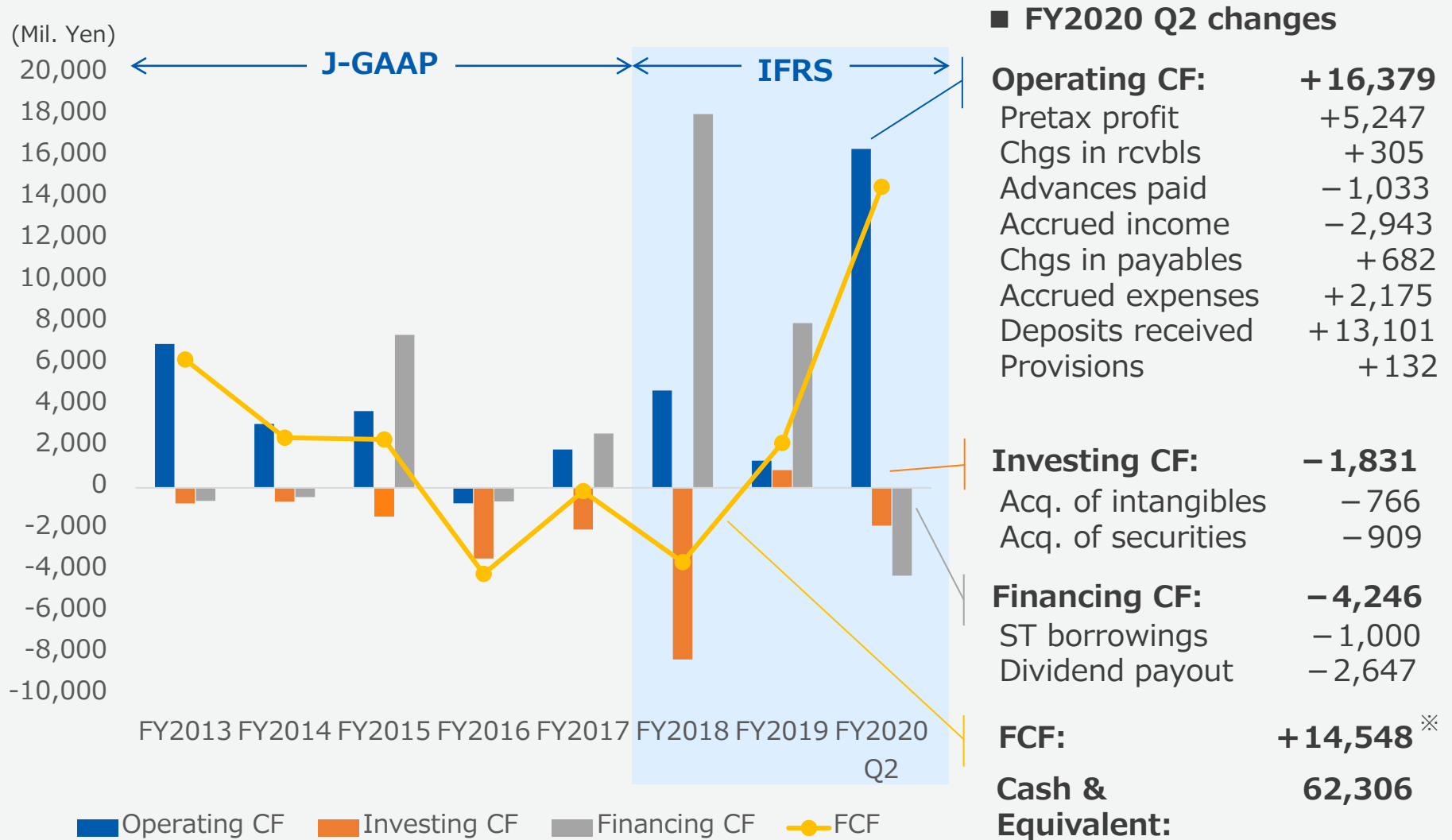
4.4.2 Quarterly trend of PG and EP's CoS and SGA ratio

CoS ratio fluctuates with changes in revenue mix



※ Based on J-GAAP

4.5 Consolidated Cashflow Statement

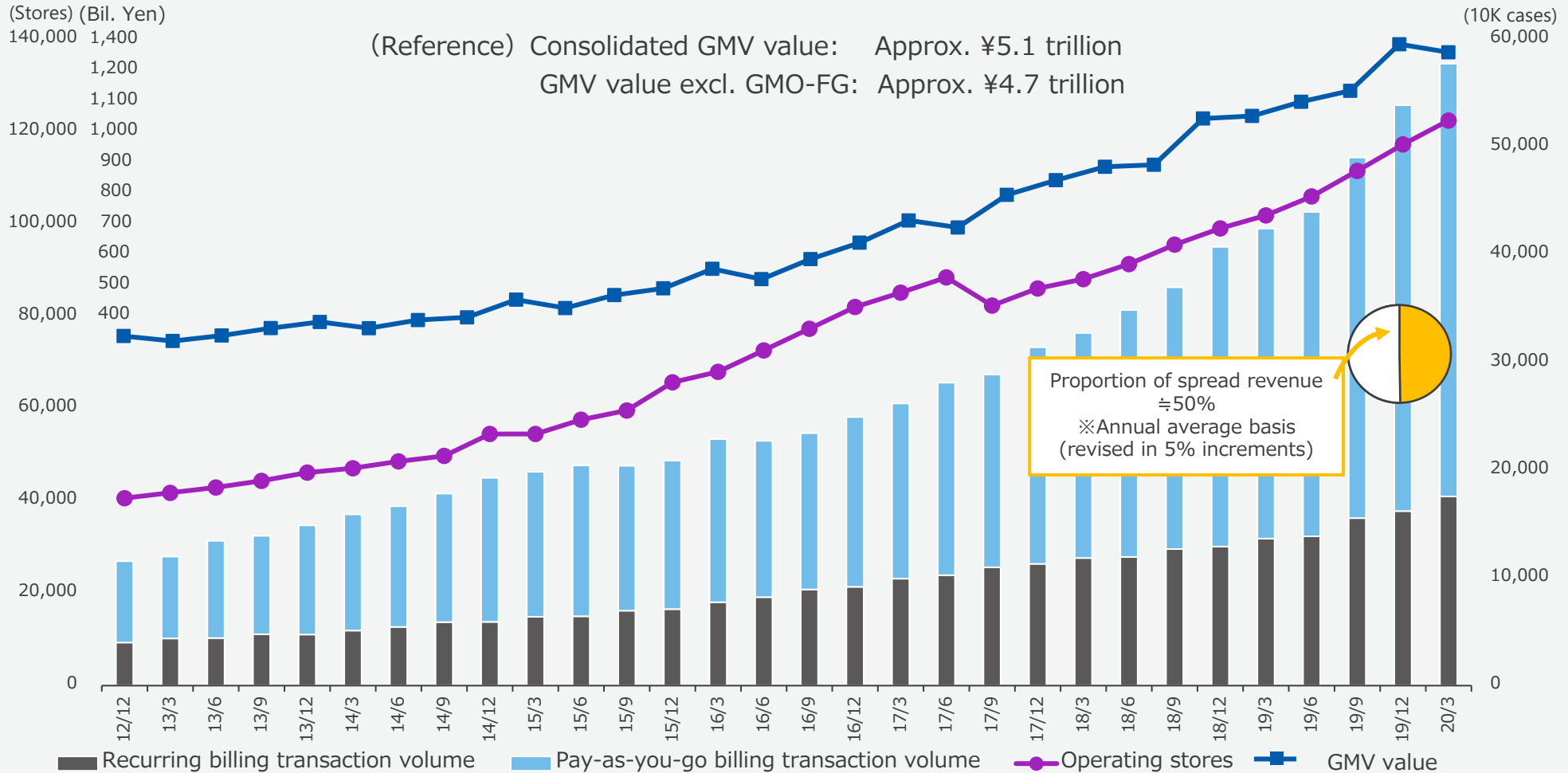


※ FCF is calculated as Operating CF less Investing CF. Only major items of the cash flow statement are shown on this page.

4.6 Major Quarterly KPIs

Group-wide annual GMV value reaches ¥5.1 trillion

Operating stores: 122,328 stores^{※1}, GMV volume 580 mil., GMV value approx. ¥1.2 trillion^{※2}



※1 Figure excludes a significant increase in operating stores from a specific merchant. If included, operating stores would be 281,500 outlets as of end-Mar 2020 (up 111.3% YoY).

※2 Operating stores are measured on an end-of-quarter basis. GMV value and volume are the total for the respective quarter.

Thank You Very Much

GMO PAYMENT GATEWAY

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

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

For inquiries please contact our IR team at the telephone number below:
Corporate Value Creation Strategy Division (IR Department)
TEL: +81-3-3464-0182
E-mail : ir-contact@gmo-pg.com