

Financial Results Briefing for Q1 FY2021

Promoting platforms for a New Normal world, topline returns to 25% growth trajectory

February 12, 2021

64th Investors Meeting

GMO PAYMENT GATEWAY

Agenda

1. Summary of Financial Results for Q1 FY2021
2. Key Initiatives and Growth Strategies
3. Financial Highlights
4. Reference Material

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 February 12, 2021.

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.

1. Summary of Financial Results for Q1 FY2021

1.1.1 Summary of P/L

Strong revenue and OP from online payment growth; Net Profit affected by hard comps from one-off factors in the previous term

IFRS (¥ mil.)	Q1 FY2020	Q1 FY2021	% YoY	1H FY2021 Guidance	Progress on 1H FY2021 Guidance (%)
Revenue	7,602	9,767	+28.5%	19,115	51.1%
Operating Profit	2,105	3,122	+48.3%	6,492	48.1%
Pre-tax Profit	2,758	3,038	+10.1%	6,240	48.7%
Profit Attributable to Owners of Parent	1,729	1,704	-1.4%	3,856	44.2%
EBITDA	2,454	3,569	+45.4%	-	-

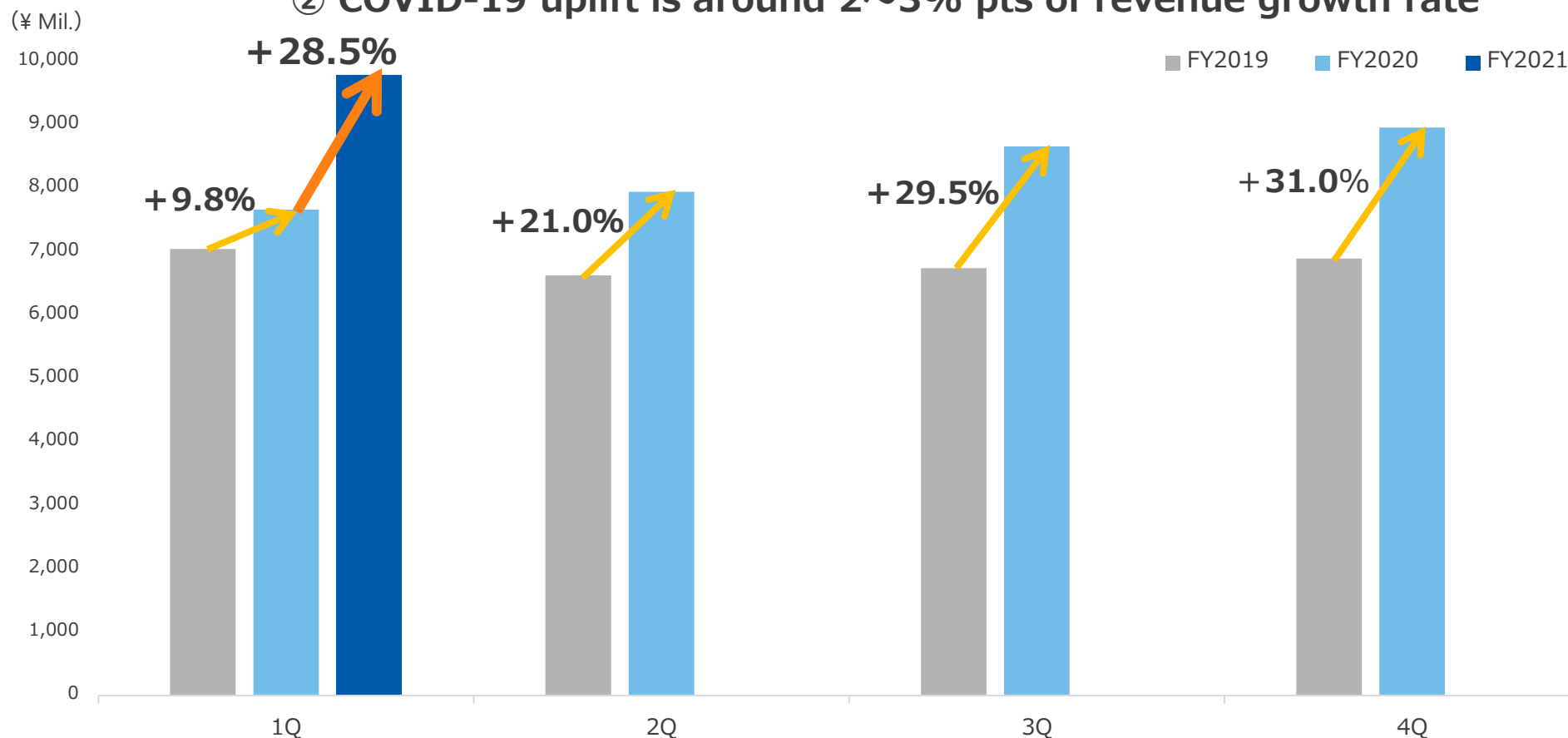
※ EBITDA = Operating Profit + Depreciation.

※ Due to the deconsolidation of MACROKIOSK in FY2020, the above figures for revenue, operating profit, pre-tax profit and EBITDA present the amounts for continued operations only and exclude the discontinued operations.

1.1.2 Growth trend of revenue

Revenue returns to 25% growth trajectory from monetization of key initiatives and adapting to COVID-19 conditions

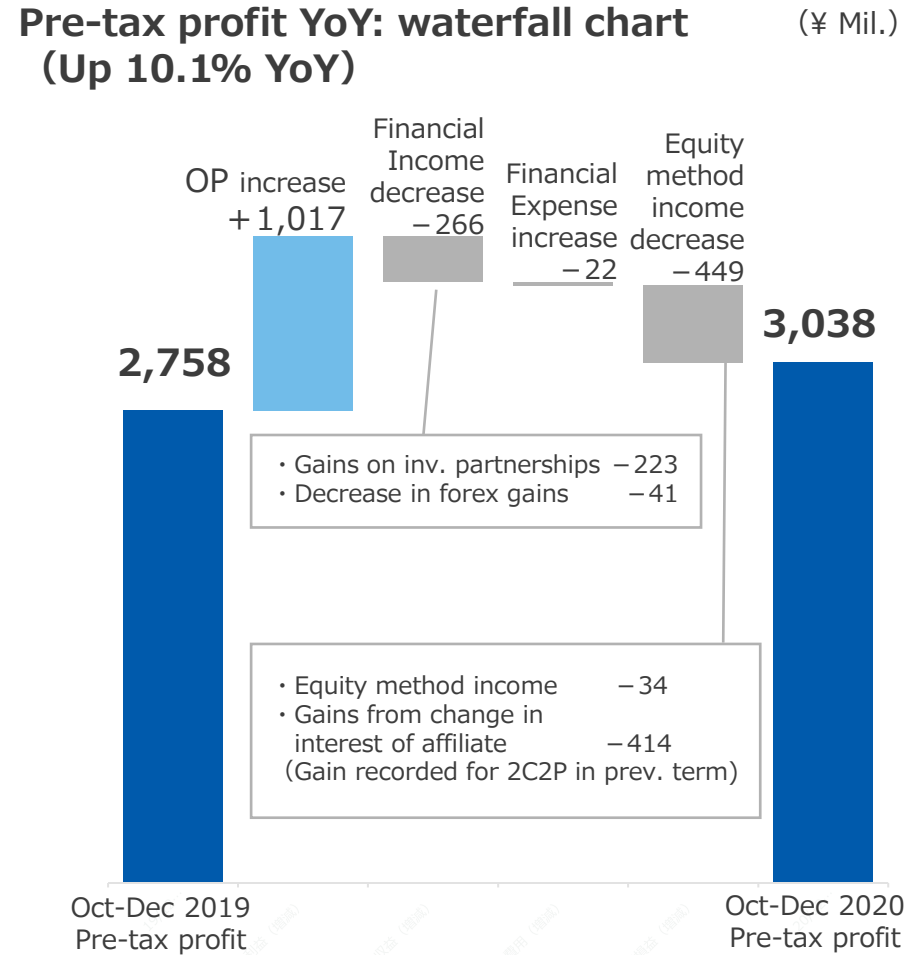
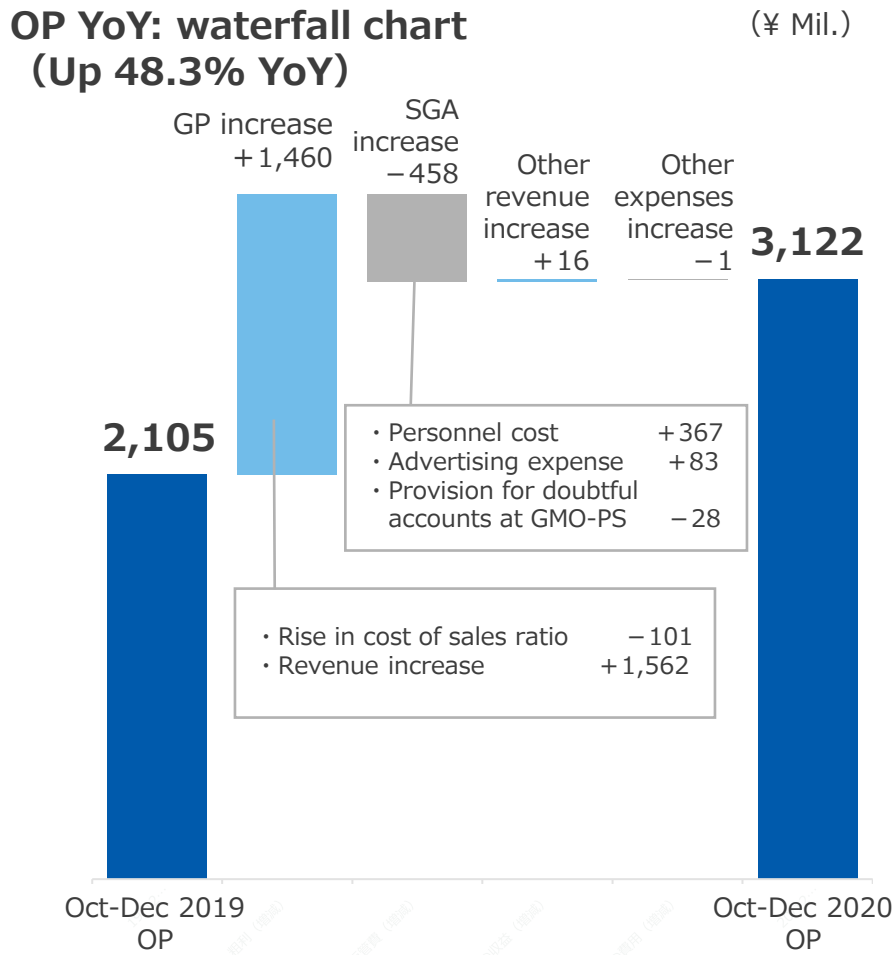
- Key points
- ① Revenue returns to 25% growth trajectory
 - ② COVID-19 uplift is around 2~3% pts of revenue growth rate



※ Due to the deconsolidation of MACROKIOSK in FY2020, the above figures present the amounts for continued operations only and exclude the discontinued operations.

1.1.3 OP and Pre-tax Profit Growth

OP grew 48.3% from controlling the credit related costs; other profit lines affected by one-off factors in previous term



1.2 Operating stores, TRX Volume and Value

Strong online payments from COVID-19 windfall and year-end seasonality; significant increase in TRX volume and value

	Q1 FY2021	% YoY	Factors
Operating stores	160,535	+37.0%	Increase in merchants at a large delivery service operator +121.4% Excl. above +17.4% (Annualized avg. excl. above +16.8%)
Consol. TRX volume	Approx. 840	+51.5%	Digital contents, Delivery service
o.w., online payment	Approx. 810	+50.6%	
Consol. TRX value	Approx. ¥2.0 tr.	+43.7%	Public dues (Hometown tax), Start of global major player project, delivery service led the growth. Temporary recovery in travel sector from GoTo measures
o.w., online payment	Approx. ¥1.7 tr.	+39.1%	

※ Operating stores figure is as of end of December 2020. TRX volume and value figures are for Q1 FY2021 (October to December 2020).

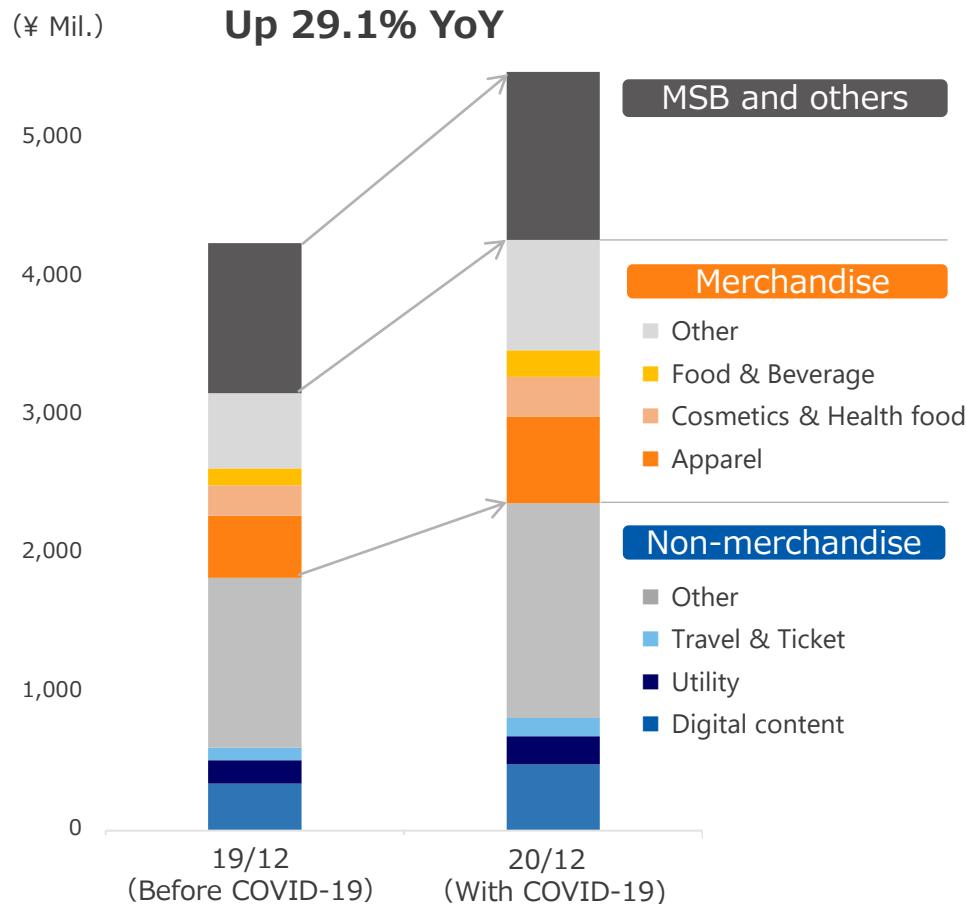
※ Operating stores figure is for GMO-PG and GMO Epsilon (EP). Consolidated TRX volume and value figures are the sum totals for GMO-PG, GMO-EP, GMO Payment Service (GMO-PS) and GMO Financial Gate (GMO-FG). The online payment figures are the sum totals for GMO-PG, GMO-EP and GMO-PS.

※ Operating stores exclude new merchants acquired for a certain project. If included, operating stores would be 214,404 stores for the same period (down 15.7%).

1.3.1 GMO-PG standalone performance

Online payments expanded from nesting demand and capturing the year-end seasonal consumption

GMO-PG standalone: Revenues for merchandise and non-merchandise revenue



MSB and others

Increase in remittance demand from cancellations

Remittance service +25.4%

Scaling down service as per plans

Finance Lease -71.2%

Online payment

Merchandise EC +42.6%

Nesting demand and year-end seasonal consumption

Apparel +39.6%

Food & Beverage +56.8%

Non-merchandise EC +28.2%

Digital content +40.9%

Public dues & taxes +174.2%

Travel +21.5%

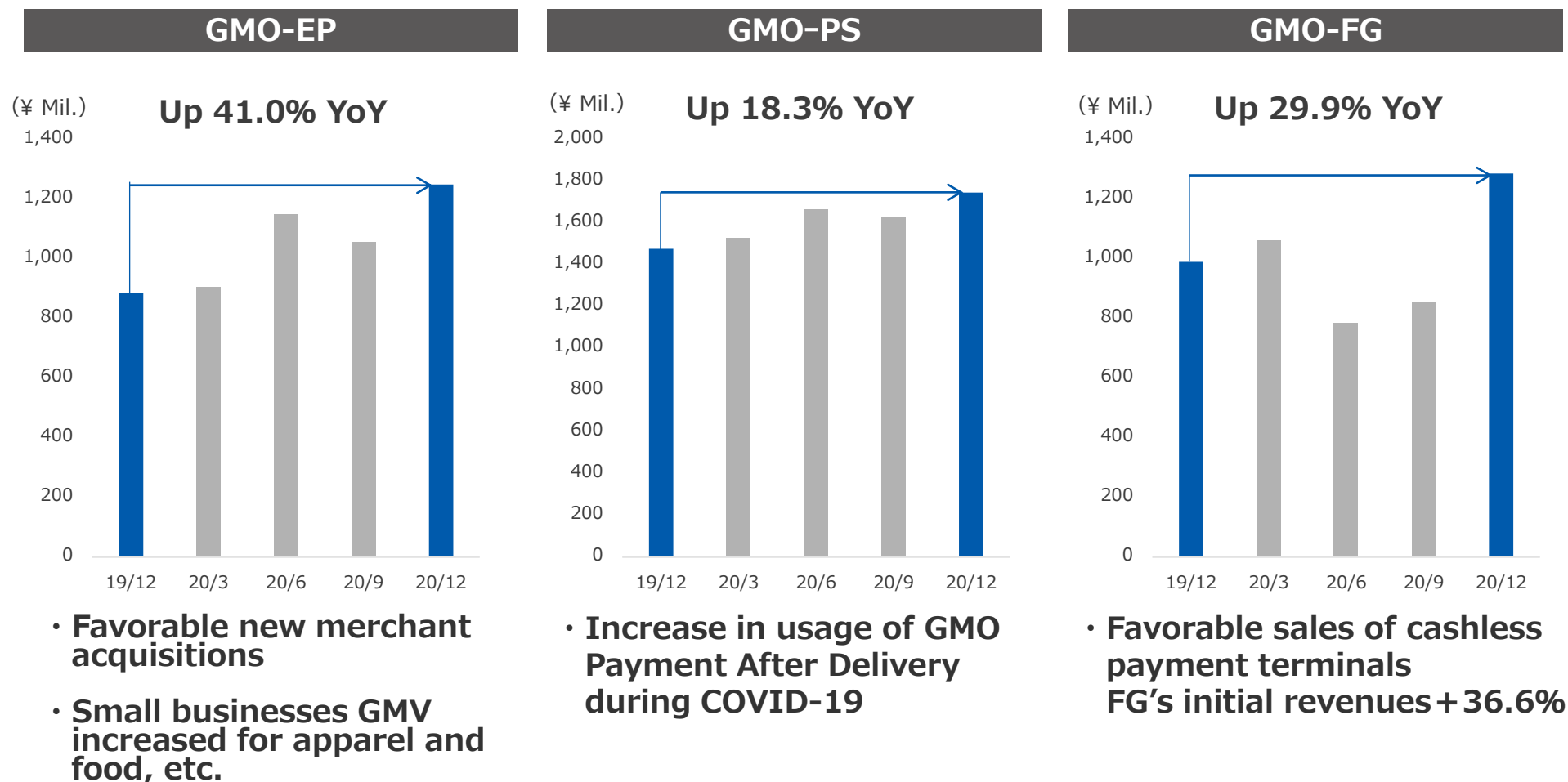
(Temporary recovery due to GoTo measures)

※ GMO-PG: GMO Payment Gateway, Inc.

MSB and others includes the Money Service Business (MSB) segment and Asia MSB business. US MSB is not included as it is a separate corporate entity.

1.3.2 Performance of GMO-EP, GMO-PS and GMO-FG

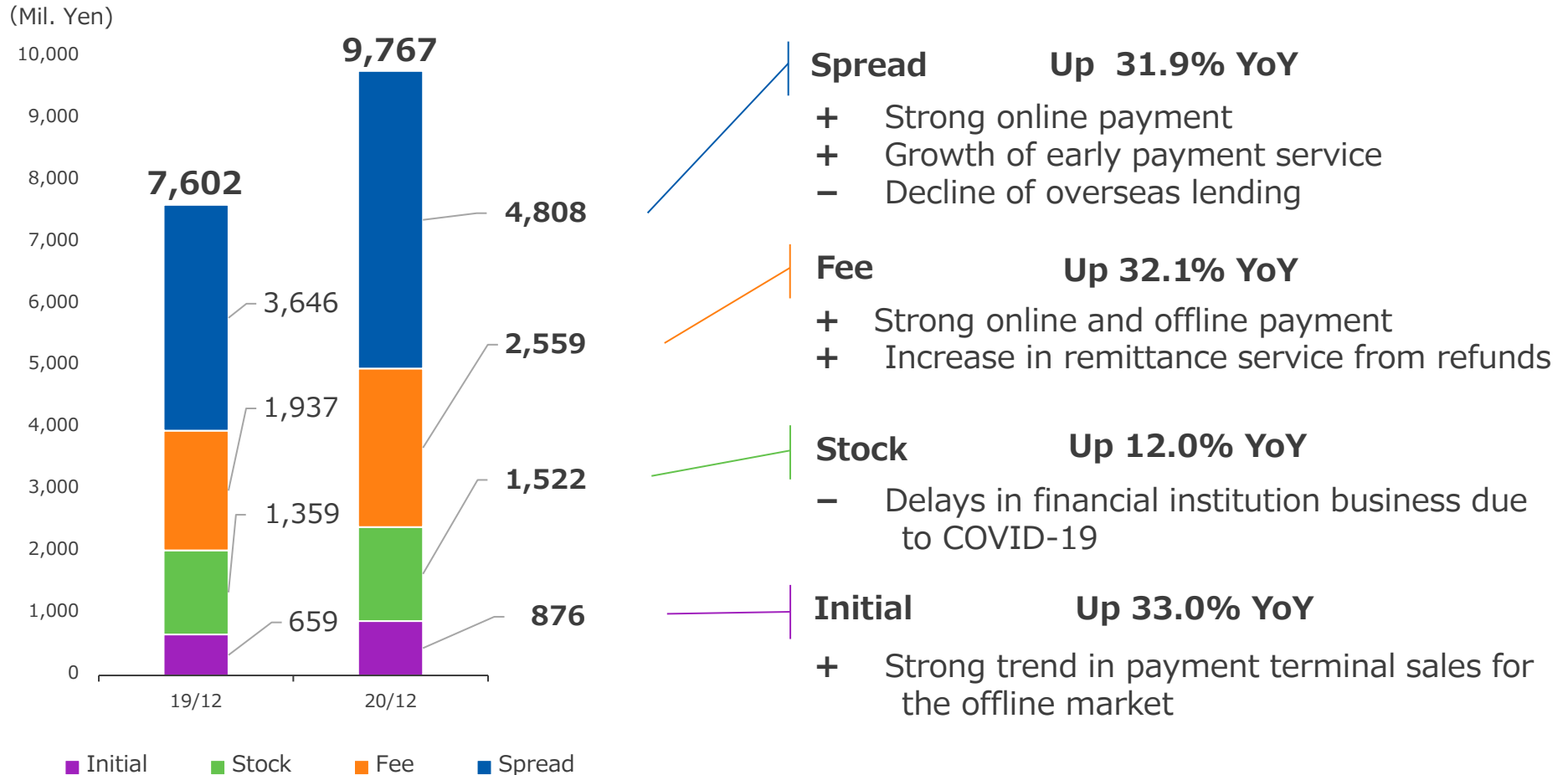
All companies on track driven by expanding online payments and cashless penetration



※ GMO-EP includes GMO Epsilon and GMO Medical Reservations Technology Co. Ltd.; GMO-PS stands for GMO Payment Service, Inc.; GMO-FG stands for GMO Financial Gate, Inc. and GCS

1.4 Revenue by business model (consolidated)

Fee and spread revenues grow from strong online payment at PG and EP

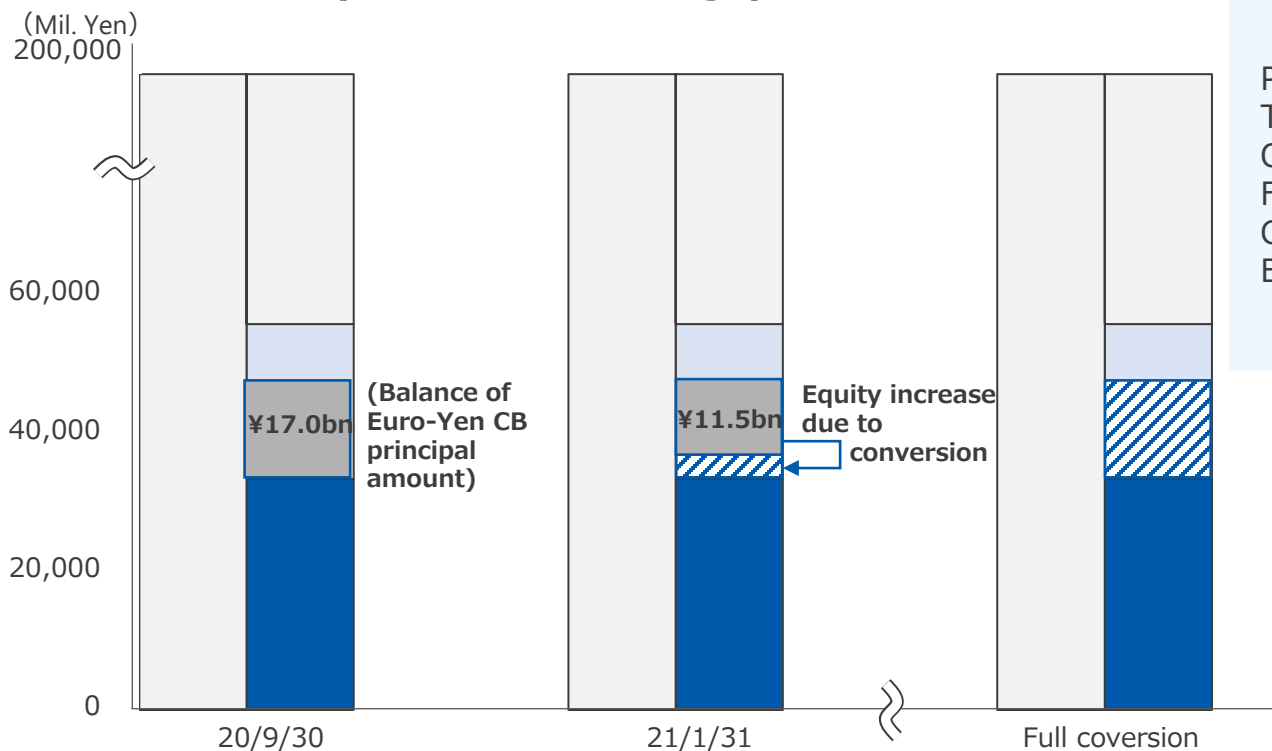


Due to the deconsolidation of MACROKIOSK in FY2020, the above figures present the amounts for continued operations only and exclude the discontinued operations.

1.5 Conversion status of Euro-yen CB

Conversions of Euro-yen CB continued following the share price increase from November (increase in equity)

Status of conversions (illustrated BS image)



Euro-Yen Convertible Bond (5-yr bond, zero coupon)

Payment Date: June 19, 2018
 Total issue amount: ¥17.0 bn
 Offer price: ¥103.0
 Funds raised: ¥17.5bn
 Conversion price: ¥7,533.6
 Effective conversion price with 130% call option: ¥9,793.6

Conversion rate	0.0%	32.1%	100.0%
Increase in net asset [※]	-	¥5,537 mil.	¥17,000 mil.
Capital	¥4,712 mil.	¥7,481 mil.	¥13,212 mil. (est.)

※ Figures are on a J=GAAP basis.

※ Increase in net asset shows the increase in capital and additional paid-in capital.

2. Key Initiatives and Growth Strategies

2.1 Strategy to achieve OP ¥25.0bn

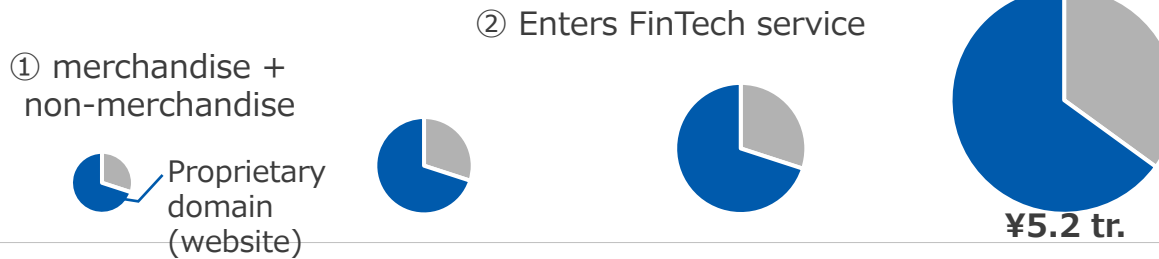
Target an OP of ¥25.0bn in 2025 by expanding scope of businesses and services

The 5 Strategies

- ① Expand footprint to non-merchandise and merchandise
- ② Entry into offline payment and FinTech service
- ③ Acquire customers in proprietary domain and large EC operators
- ④ Payment platform to sector leaders of each sector
- ⑤ M&A and investment/lending opportunities in US/Asia

● TRX value size

Online payment



Offline payment



Global

	2005	2010	2015	2020	2025
TRX value	¥0.3 tr.	¥0.8 tr.	¥2 tr.	¥5.8 tr.	¥18 tr.
OP	¥0.3 bn	¥1.0 bn	¥3.0 bn	¥10.3 bn	¥25.0 bn

※ The figures for OP and TRX value in year 2025 represent the management targets of GMO-PG group.

2.2 Broader EC

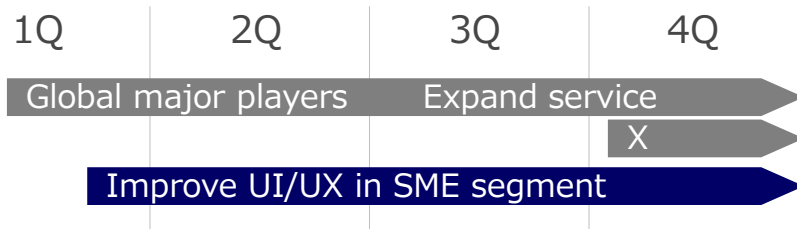
Expand merchandise/non-merchandise segments, make inroads to large EC operators, focus on SME segment

Broader EC market potential

	2020		2025	
TAM (Tril. Yen)	20	↗	45	(B2C EC)
	352	↗	408~	(B2B EC)
GMV (Tril. Yen)	5.2	↗	13~	
OP (Bil. Yen)	7.5	↗	18.0	

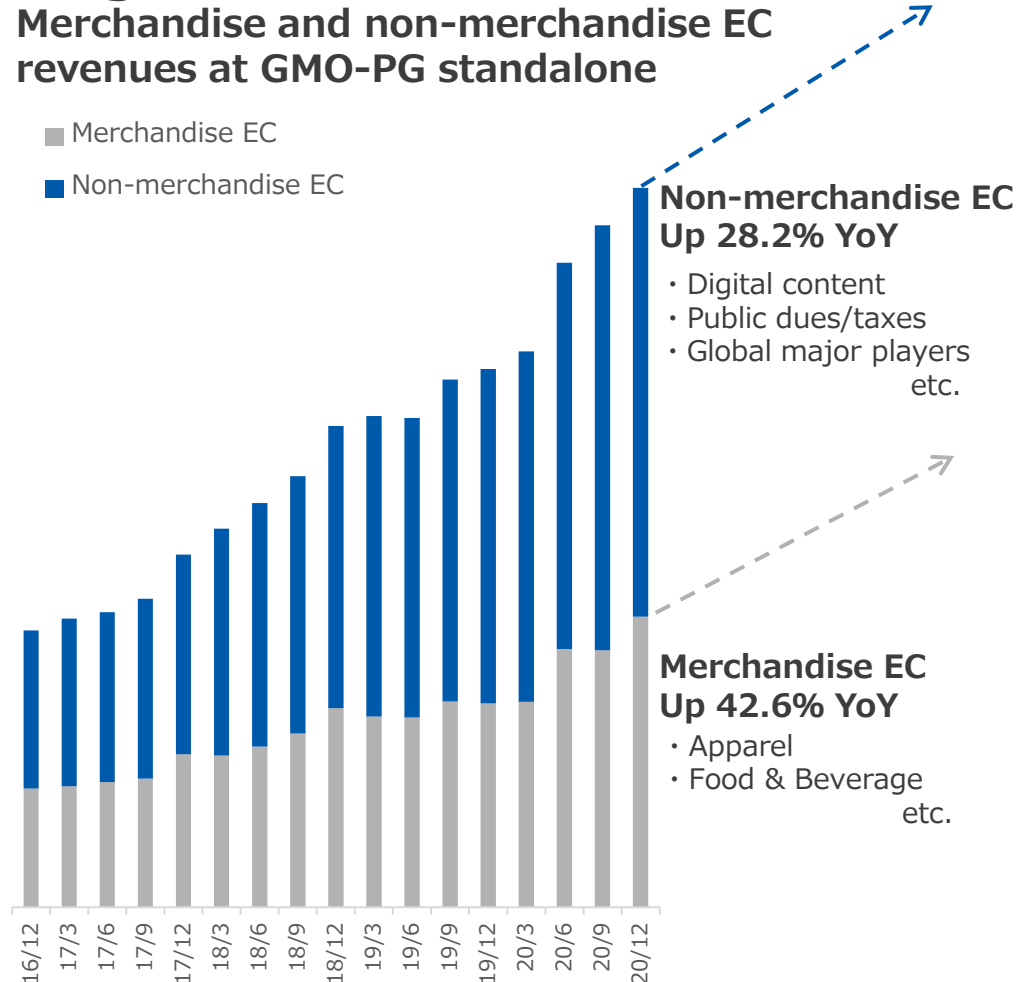
Growth scenario and progress

- 1) Expanded into non-merchandise EC in addition to merchandise EC
- 2) Inroads into global major players
- 3) Improving UI/UX in SME segment



※ TAM: Total Addressable Market, GMV: Transaction value.

Merchandise and non-merchandise EC revenues at GMO-PG standalone



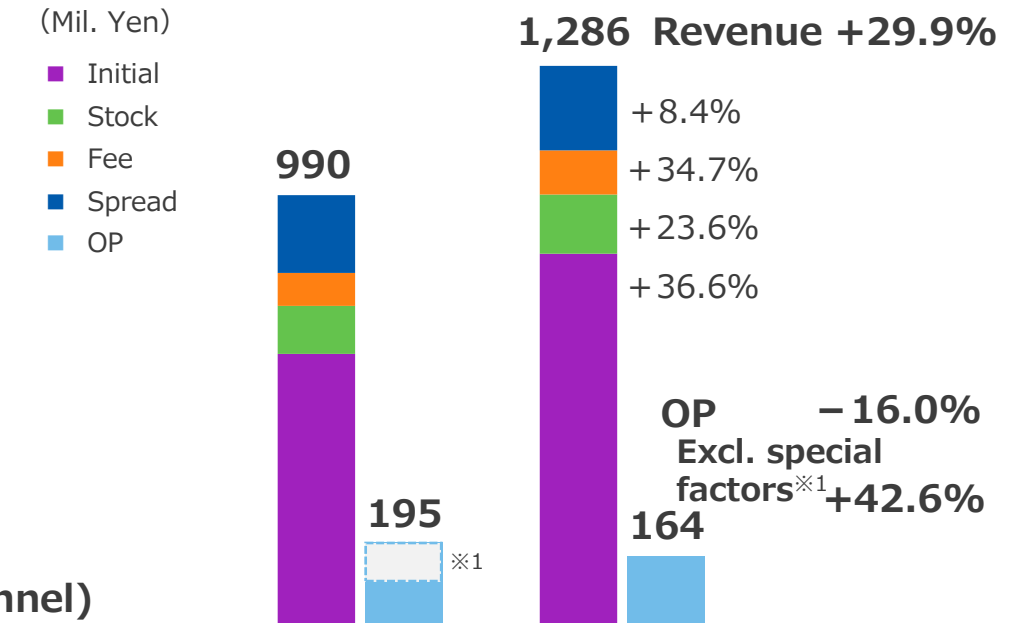
2.3 Offline payment/IoT

Making headway into the gigantic offline market by expanding stera and IoT, pursuing synergy with EC business

Offline payment and IoT potential

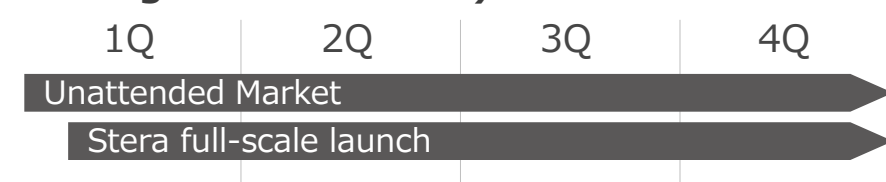
	2020		2025	
TAM (Tril. Yen)	87	→	118	(Cashless)
GMV (Tril. Yen)	0.6	→	5~	
OP (Bil. Yen)	0.5	→	2.0	(Includes FG group and others)

GMO-FG: Q1 earnings and YOY change



Growth scenario and progress

- 1) Expand next gen payment platform stera
- 2) Inroads into the Unattended Market
- 3) Synergy with EC business (O2O, omni-channel)
- 4) Inroads into medical sector (resilience against COVID-19)



	19/12	20/12	YOY Change
Operating terminals*2 ('000 units)	47.1	80.7	+71.5%
TRX volume (Mil. trx)	13.83	26.82	+93.9%
TRX value (Bil. Yen)	144.1	232.8	+61.5%

*1 Special factor: Profit of ¥80 mil. cashless point reward program.

*2 Operating payment terminals: Disclosure of sales of payment terminals and embedded-type payment terminals sold through sales alliance partner from this Fiscal Year.

2.4 Industry specific platforms

Rollout platforms to process several billions of transactions to sector leaders addressing large markets

	Utilities	Financial Institutions	Telecom	Retail
Market Size	Electric power bills ¥20 tr.	IT investment ¥2 tr.	GMV several tril. yen	Retail mrkt ¥145 tr.
Service offering	SMS Sentaku-Barai (SMS Choice of Payment)	Ginko Pay Issuing/Acquiring	Payment platform	Issuing/Acquiring
Value to customer PL	Reduce postal and telecom expenses	New revenue opportunity	Low-cost operation and revenue expansion	New revenue opportunity
Value to customer BS	Reduce provision and receivables	Control asset growth		Control asset growth
Growth scenario	<ul style="list-style-type: none"> 1) Rollout to largest company 2) Expand within sector 3) Leverage to sectors using payslips 	<ul style="list-style-type: none"> 1) PF customized to a particular client 2) Expand within sector to other large companies 3) Expand outside sector and service diversification 	<ul style="list-style-type: none"> 1) Start payment for voice charges 2) Expand to commerce and PAY areas 3) Expand footprint within eco-system 	<ul style="list-style-type: none"> 1) PF development for large retailers 2) Expand within sector
Current status	Revenue contribution from Q1	Ginko Pay adopted by 10 banks Growth approx. 20% YoY	Service start this Spring	Partial start from Q2

※ Market size is based on our estimates.

2.5 FinTech

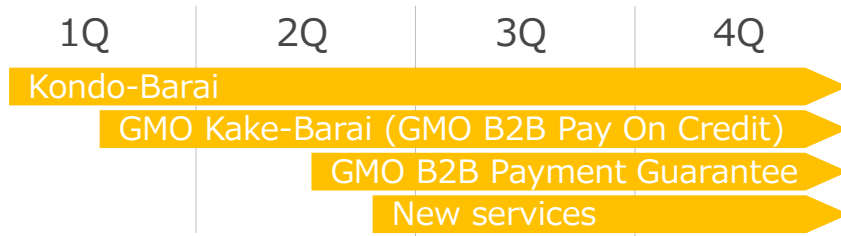
Aim for profit increase through high-margin services and controlling credit related costs

FinTech potential

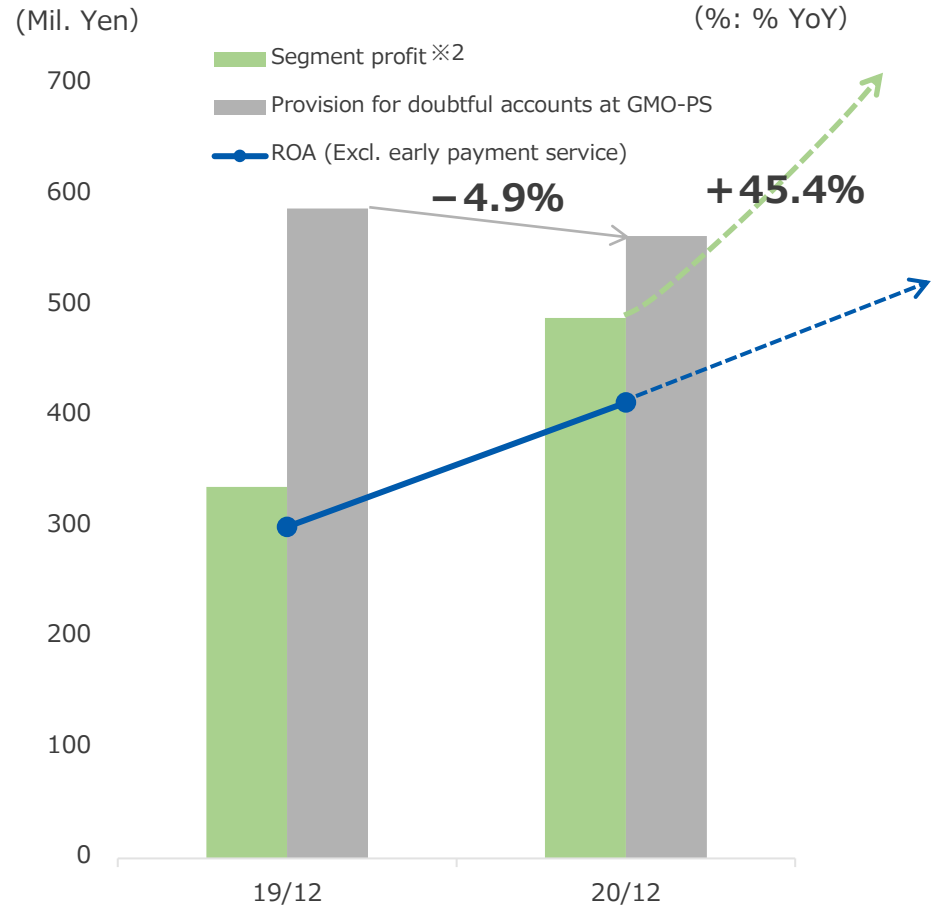
	2020		2025
TAM (Tril. Yen)	1	→	3 (Deferred Payment)
	2.5	→	8 (Early Payment, Transaction lending)
OP (Bil. Yen)	1.8	→	3.0

Growth scenario and progress

- 1) Asset shift into high-margin service^{※1}
- 2) Expand GMO Payment After Delivery
- 3) Financial services to B2B market
GMO Kake-Barai, B2B Payment Guarantee, etc.
- 4) Creating new services



Segment profit, bad loan provision and ROA (Quarter profit & asset)



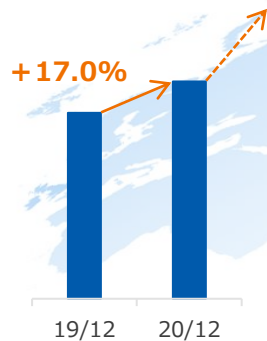
※1 High-margin services are services where ROIC > WACC, and include Payment After Delivery, overseas lending, B2B factoring (early invoice payment), B2B Early Payment, B2B AR Guarantee, etc.
 ※2 Segment profit of MSB segment includes global lending, early payment service, GMO Payment After Delivery, Remittance service, B2B factoring, B2B AR Guarantee, Kondo-Barai and finance lease.

2.6 Global

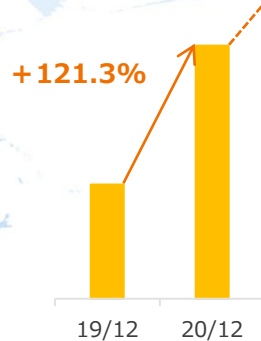
Executing on strategy to achieve medium term plans while paying close attention to timing of economic recovery in each country

Results for Q1 FY2021

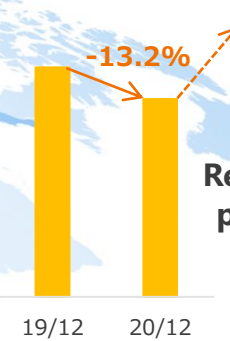
Asia payment revenue (% YoY)



Asia MSB revenue (% YoY)



US MSB revenue (% YoY)



Rebuilding portfolio

MSB strategy for FY2021

Indonesia

- Strengthen support to existing prime partners

India

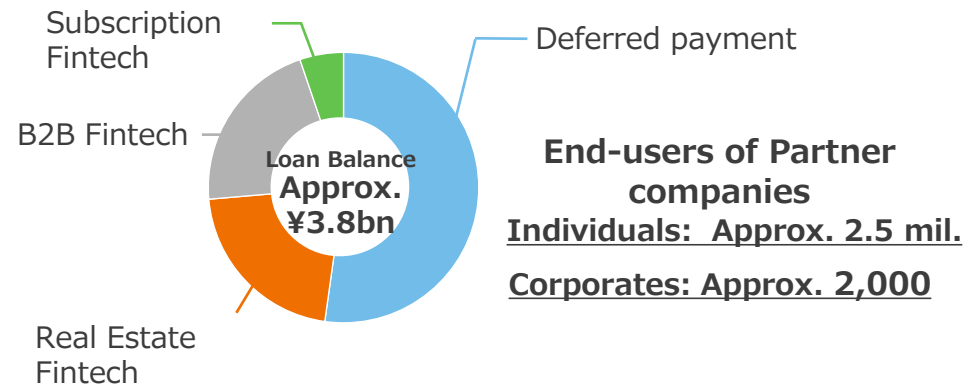
- Granted lending license, ascertaining timing to start marketing

USA

- Rebuilding stable base by diversifying loan portfolio

Breakdown of loans to Fintech partners (Asia & USA)

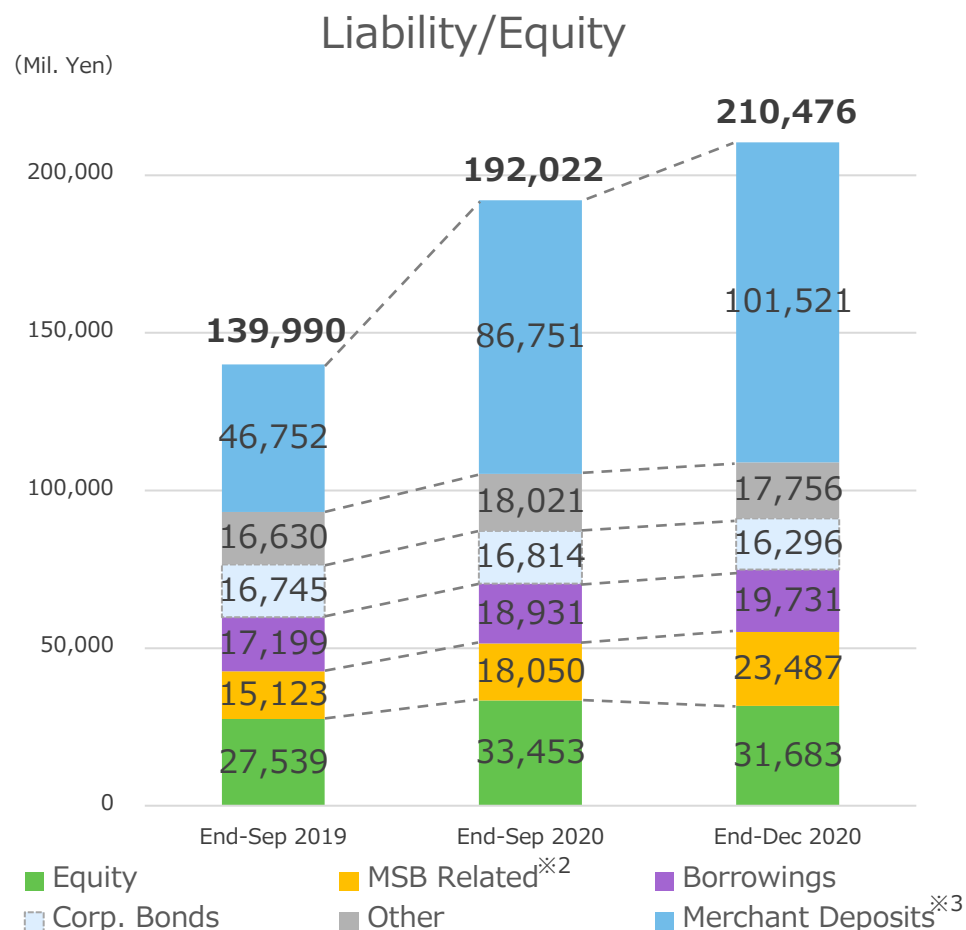
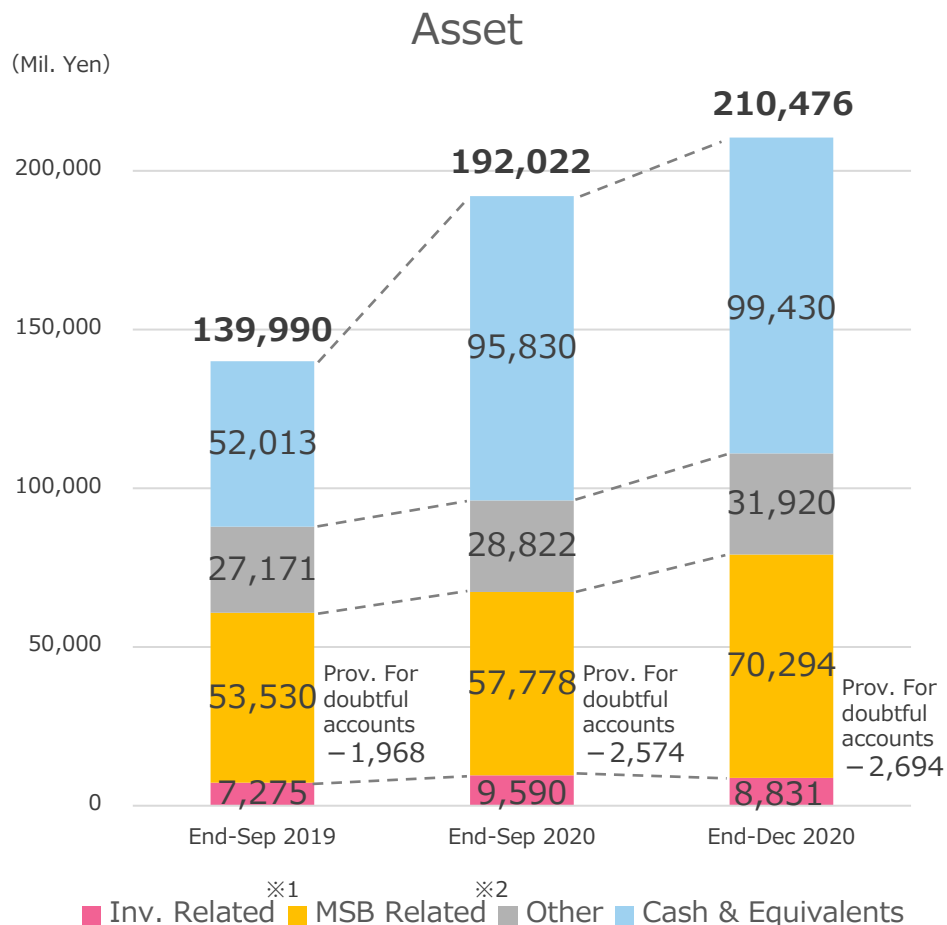
※As of December 31, 2020



3. Financial Highlights

3.1 Balance Sheet Changes

Increase in deposits received and MSB-related assets



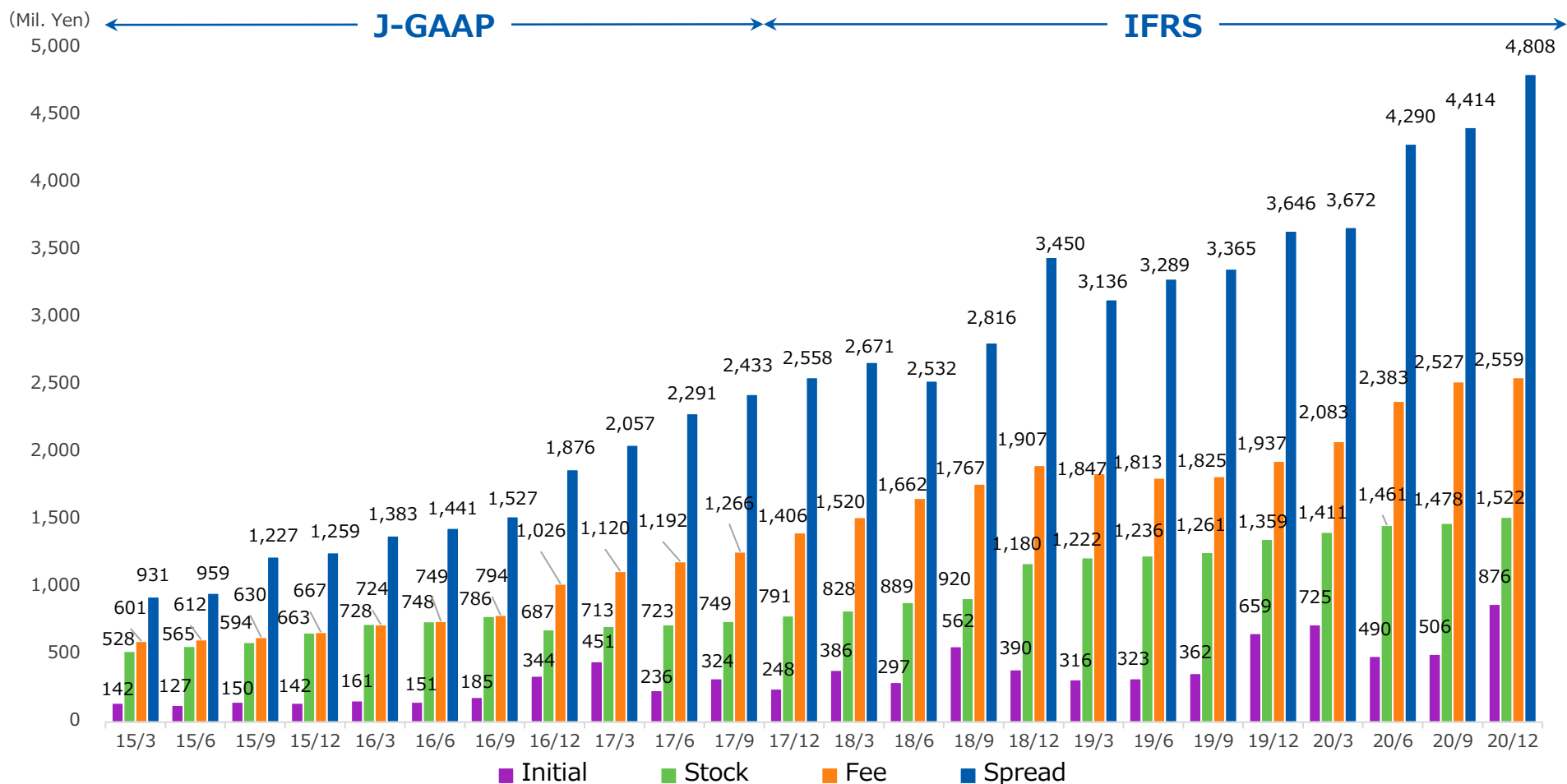
※1 Securities classified under investment securities and equity-method affiliates.

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

MSB Related Liabilities = Accrued expenses

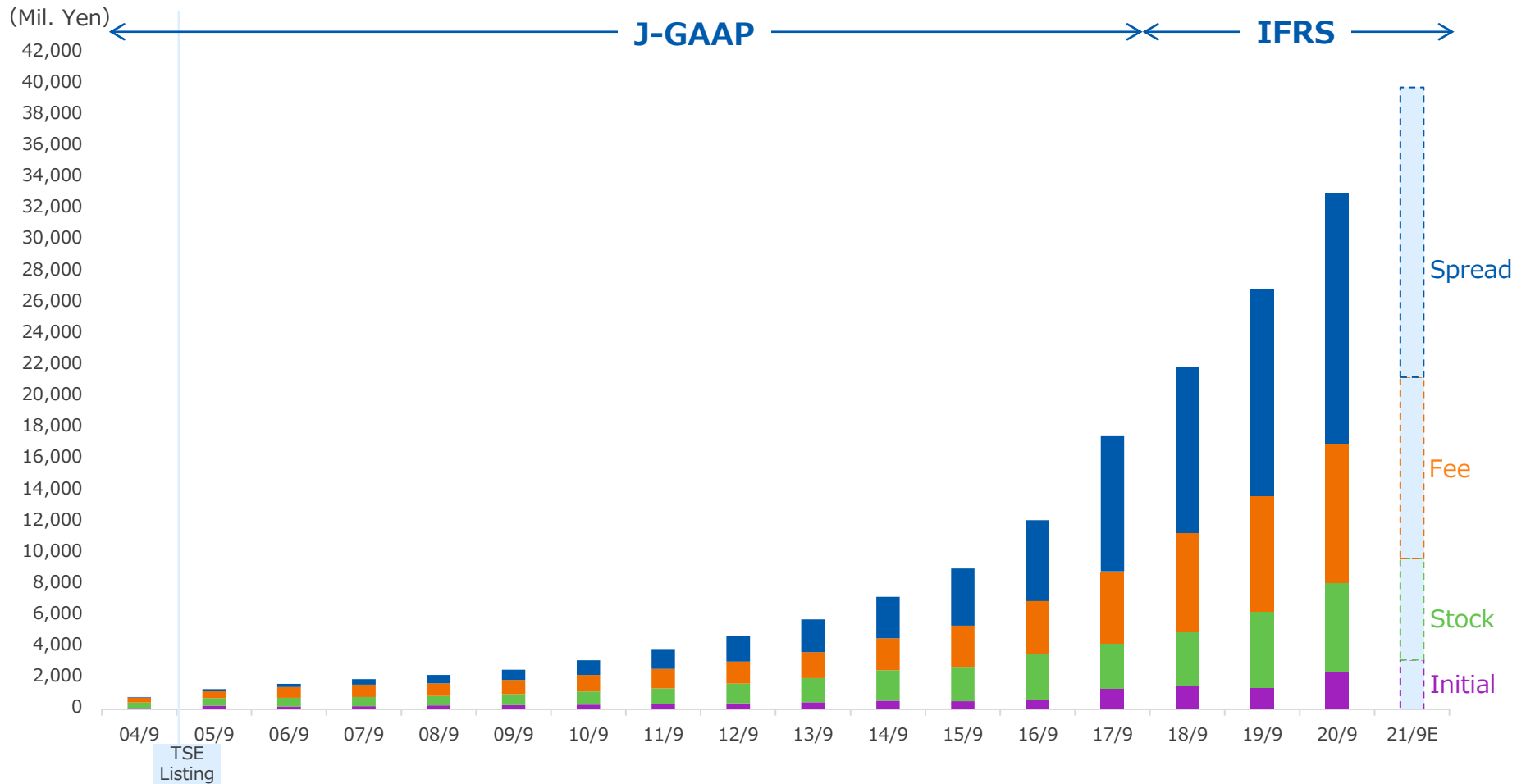
※3 Deposits received from merchants under the Representative Contract. ※4 Some figures are shown in net amounts of financial assets and liabilities.

3.2.1 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 from FY Ending September 2018. The figures for revenues by business model present the continuing operations only and exclude MACROKIOSK, due to its deconsolidation in May 2020.

3.2.2 Revenue trend by business model (annual)

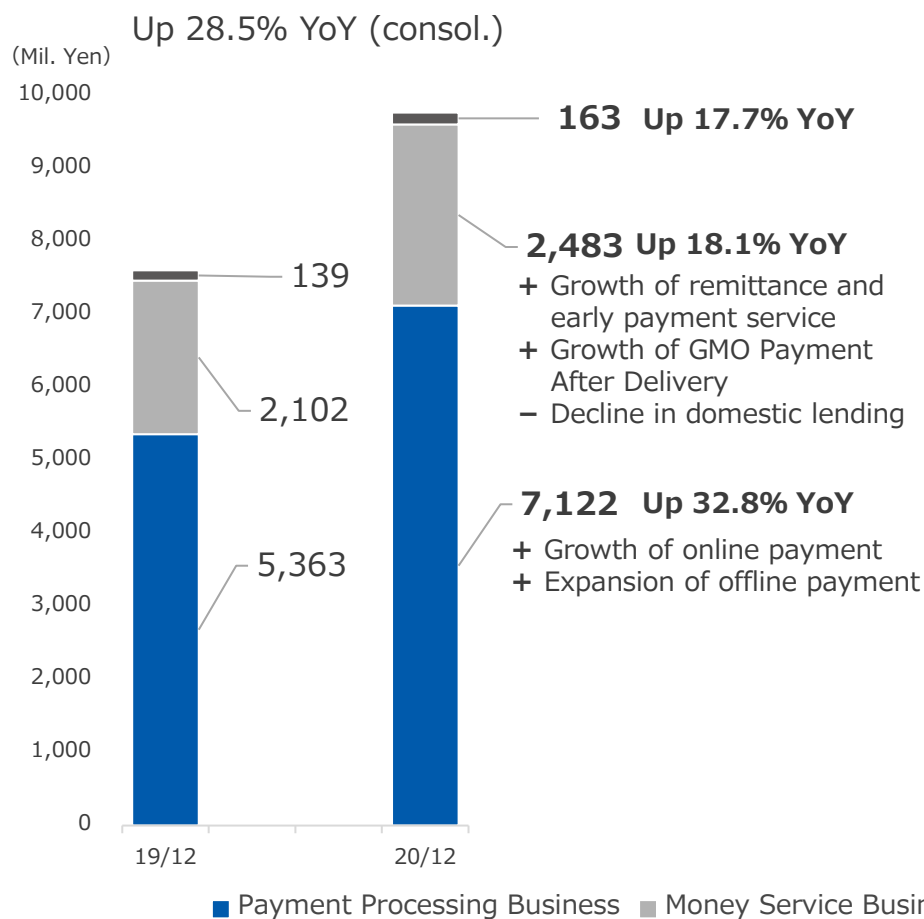


※ Online advertising service (stock) and finance lease (spread) revenues are recognized as a net amount with the IFRS adoption rather than the gross method from FY Ending September 2018. The figures for revenues by business model present the continuing operations only and exclude MACROKIOSK, due to its deconsolidation in May 2020.

3.3 Segment results (consolidated)

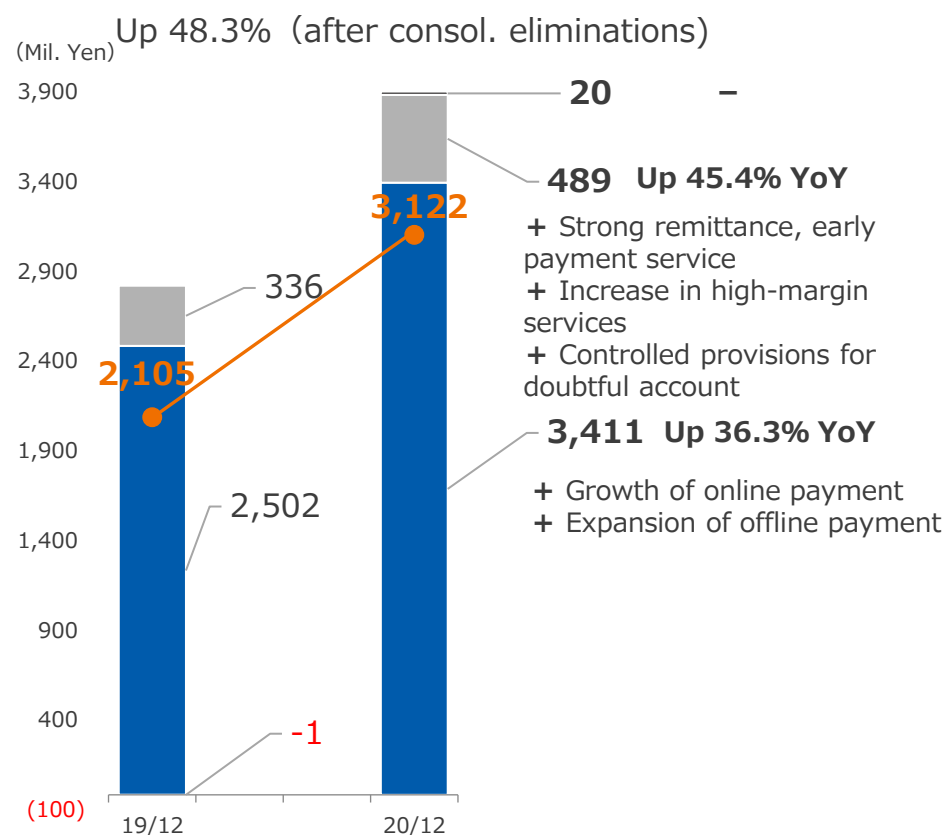
Profits at all segments increased from revenue growth and cost management benefits

Segment revenue



Segment operating profit

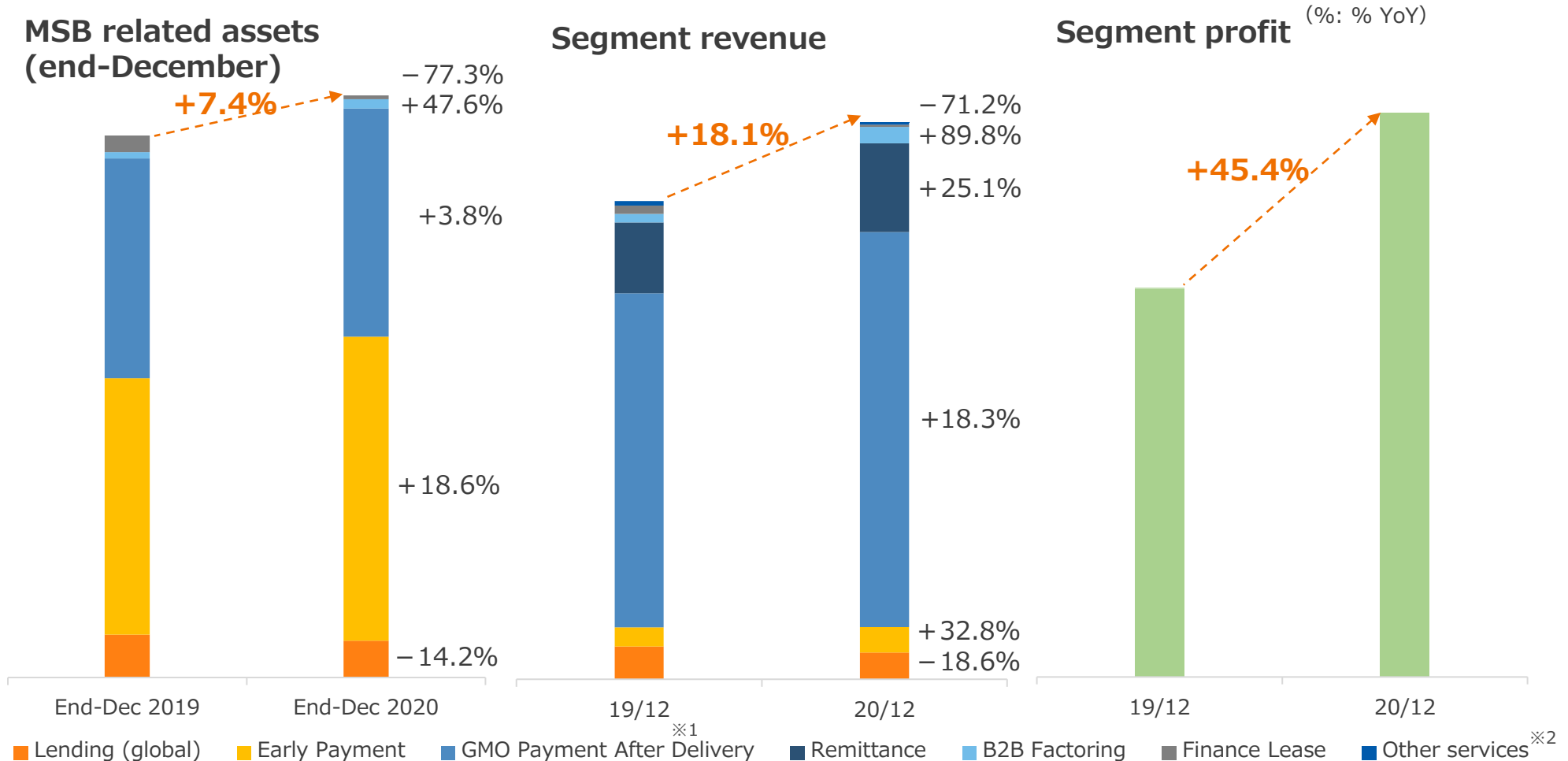
(Mil. Yen)



※ Due to the deconsolidation of MACROKIOSK in FY2020, the above figures present the amounts for continued operations only and exclude the discontinued operations.

3.4 FinTech: Assets & profit growth

Profit increased from expansion of high-margin services and control of credit-related costs

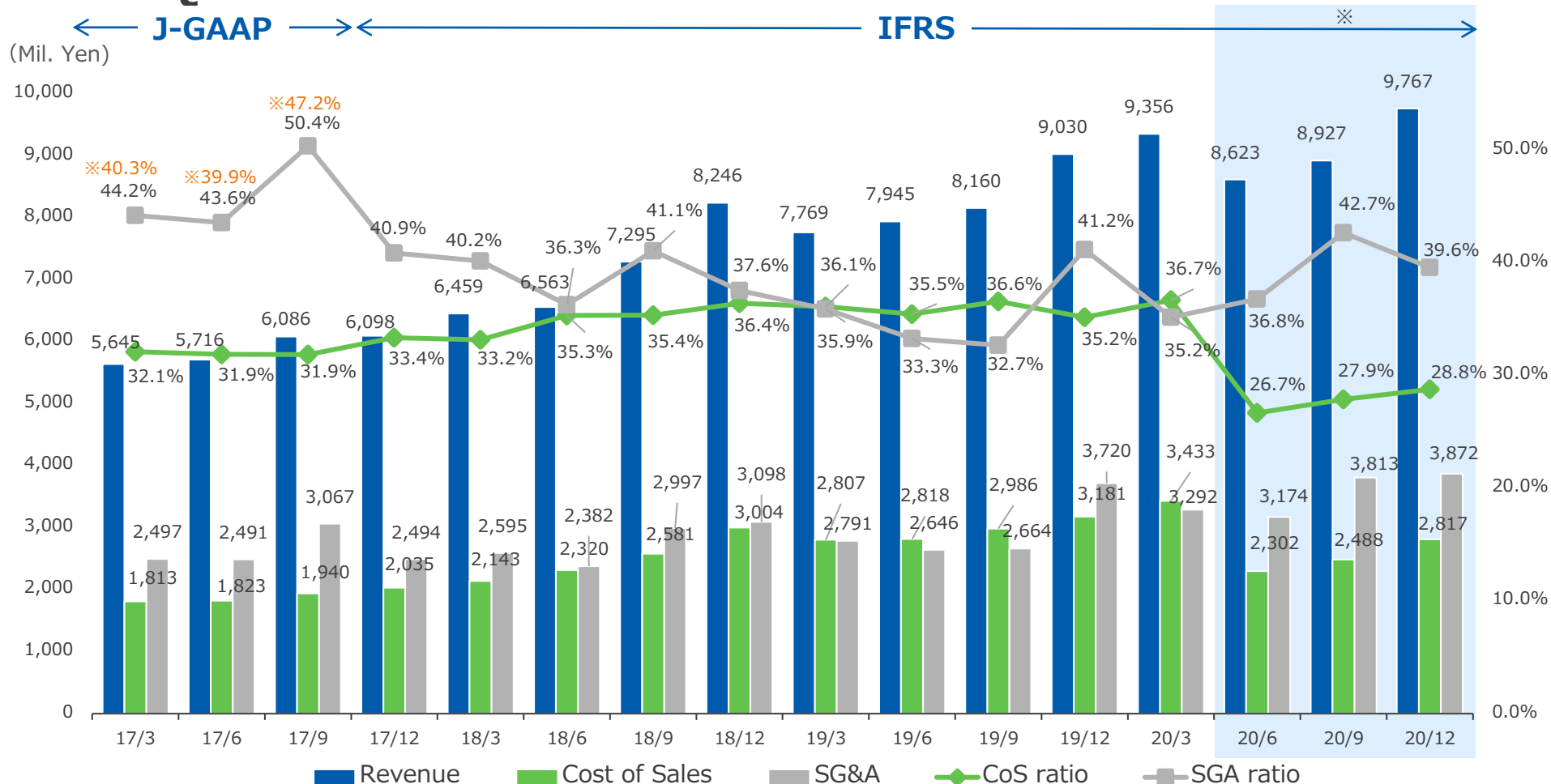


※1 Figures for GMO Payment After Delivery assets (accrued revenue) are net of provision for doubtful accounts.

※2 B2B AR Guarantee (launched May 2018), "Kondo Barai" (launched June 2020). YoY figures are not displayed.

3.5.1 Quarterly trend of CoS and SGA ratio

CoS ratio fluctuates with changes in revenue mix; decline from Q3 FY2020 is due to deconsolidation of MK

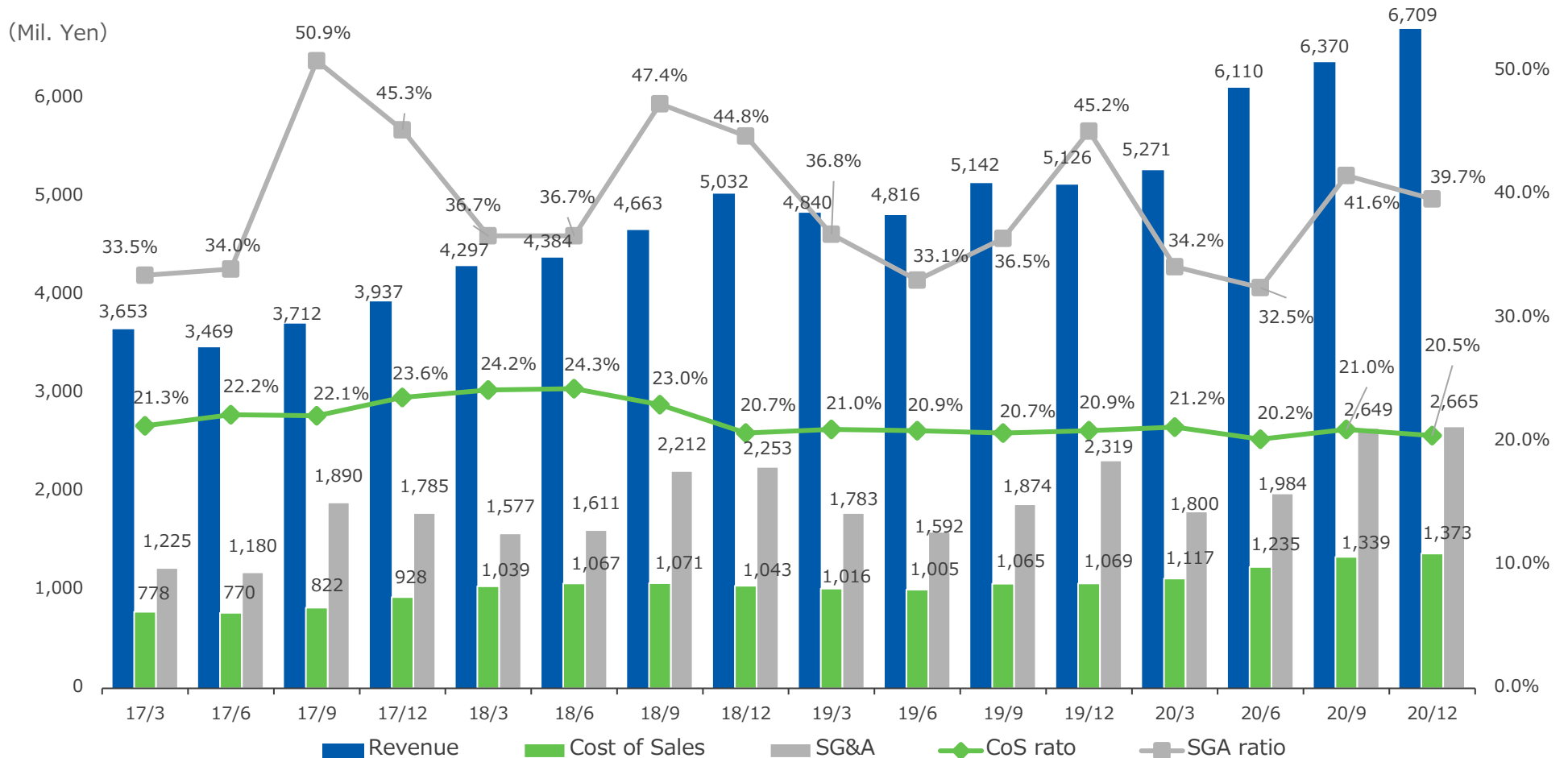


※ Figures with asterisk exclude outsourcing expense related to MSB. These outsourcing expenses are not recorded in SG&A from December 2017 (Q1) due to IFRS adoption.

※ Figures only present the continuing operation from Q3 FY2020 and onwards and exclude MACROKIOSK (reclassified as discontinued operation) due to its deconsolidation in May 2020.

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

Cost of sales ratio for online payment business trending stably



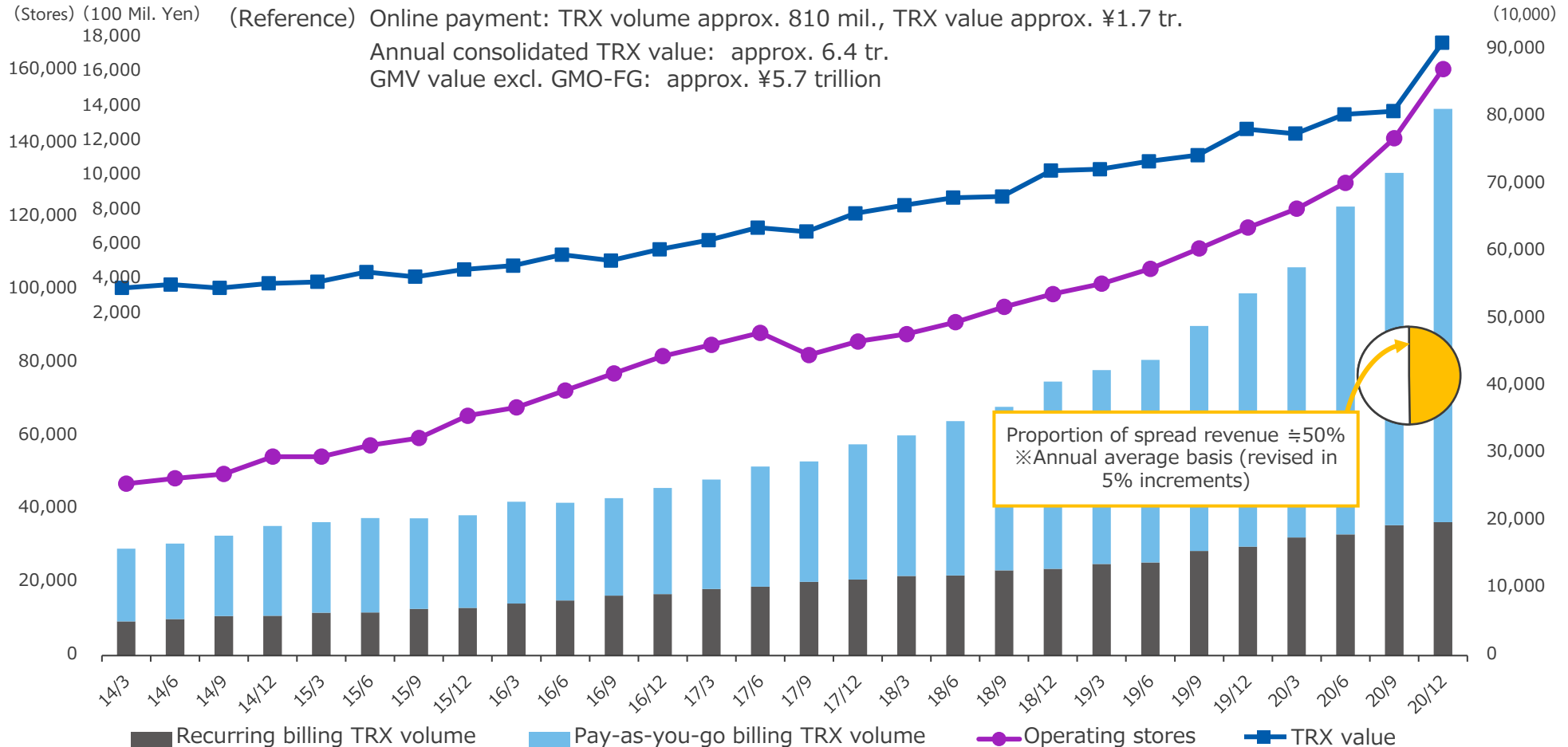
3.6 Quarterly trend of operating stores, transaction volume and value

Group-wide annual GMV value reaches ¥6.4 trillion

Operating stores: 160,535 stores^{※1}, GMV volume approx. 840 mil., GMV value approx. ¥2.0 trillion^{※2}

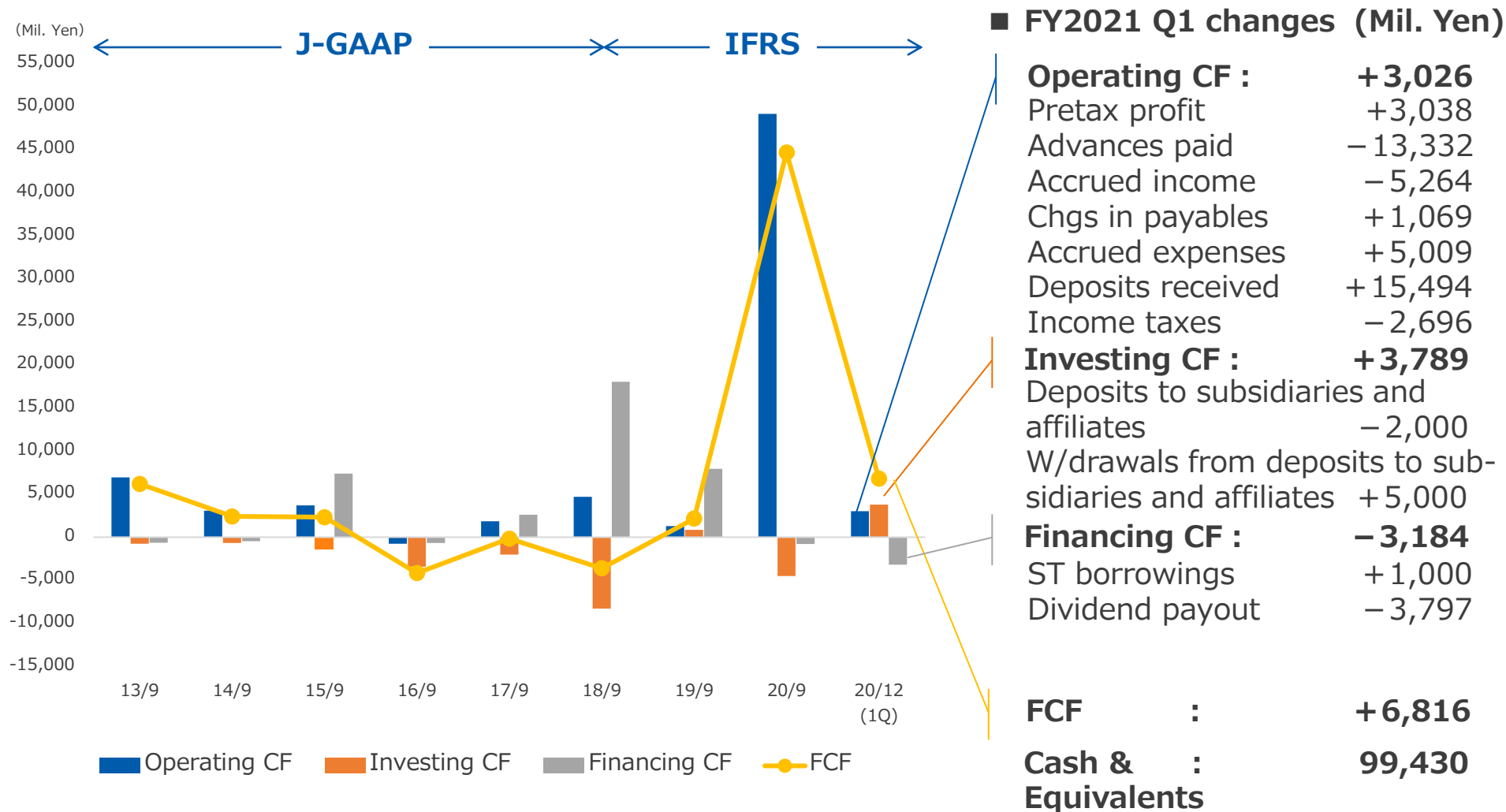
(Stores) (100 Mil. Yen) (Reference) Online payment: TRX volume approx. 810 mil., TRX value approx. ¥1.7 tr.

Annual consolidated TRX value: approx. 6.4 tr.
GMV value excl. GMO-FG: approx. ¥5.7 trillion



※1 Figure excludes a significant increase in operating stores from a specific merchant. If included, operating stores would be 214,404 outlets as of end-December 2020 (down 15.7% YoY).
 ※2 Operating stores are measured on an end-of-quarter basis. GMV value and volume are the total for the respective quarter.

3.7 Consolidated Cashflow Statement

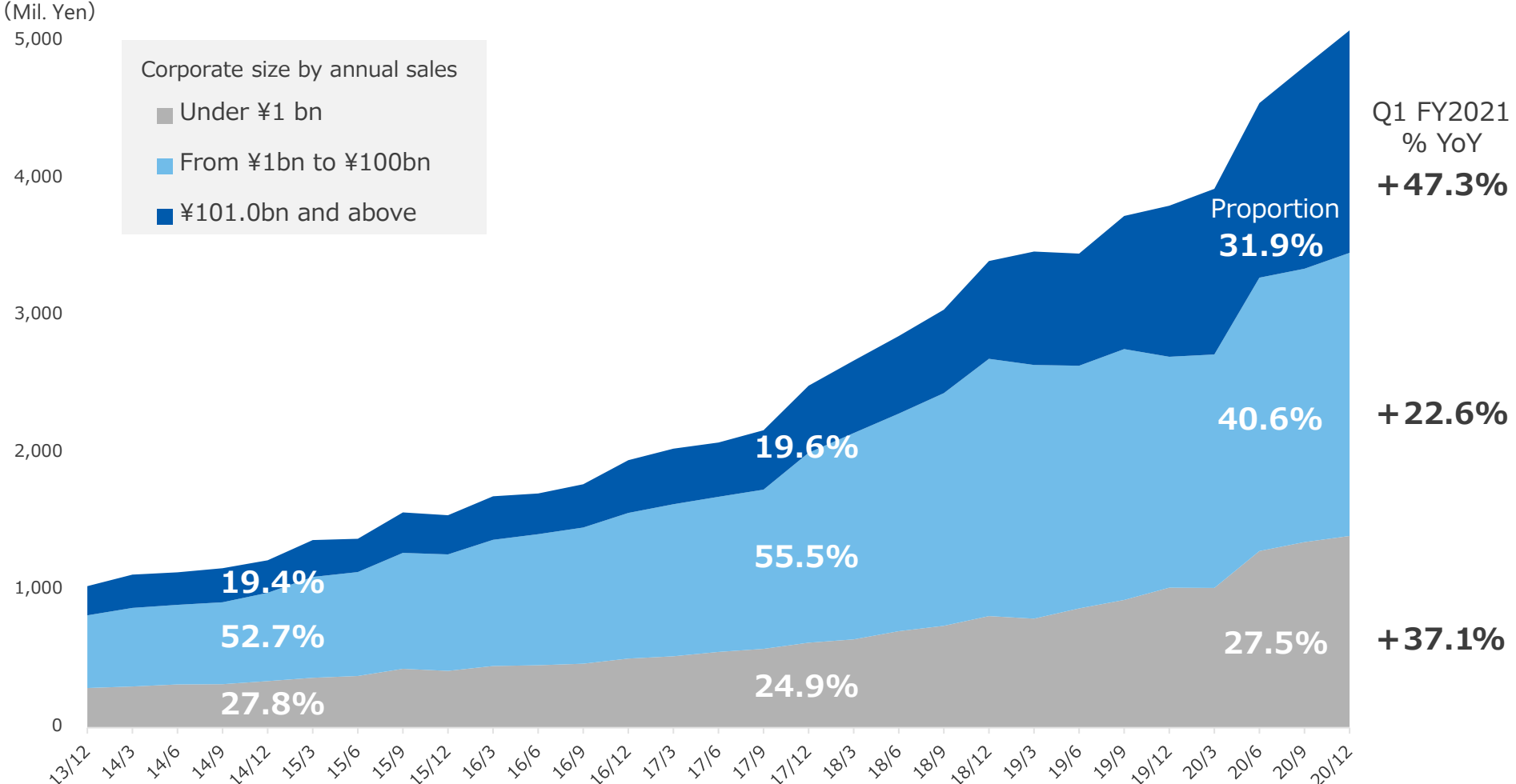


※ FCF is calculated as the sum total of Operating CF and Investing CF. Only major items of the cash flow statement are shown on this page.

4. Reference Material

4.1 GMO-PG: Revenue breakdown by size of merchant

Growth led by increasing proportion of large merchants



※ Figures are based on quarterly trend of revenue at GMO Payment Gateway, grouped by corporate size as measured by annual sales.
 ※ Proportion: figures shown are for Q1 FY2015, Q1 FY2018 and Q1 FY2021. % YoY shows the YoY change for Q1 FY2020.

4.2 Current status of BaaS

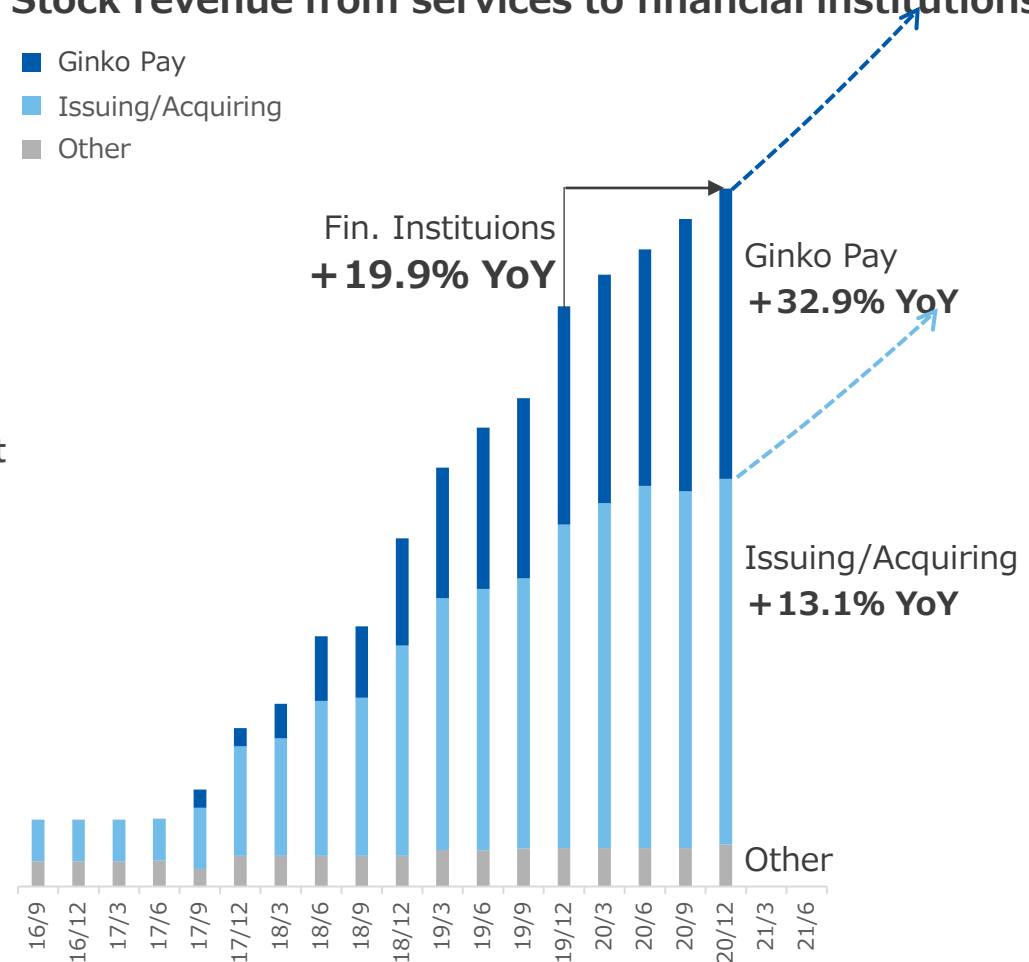
Aim to achieve ¥1.0bn in 2025 through lateral deployment within the sector and diversification of service

BaaS potential

	2020	2025	
TAM (Tril. Yen)	2	2~	(IT investment by financial institutions)
OP (Bil. Yen)	0.5	1.0	

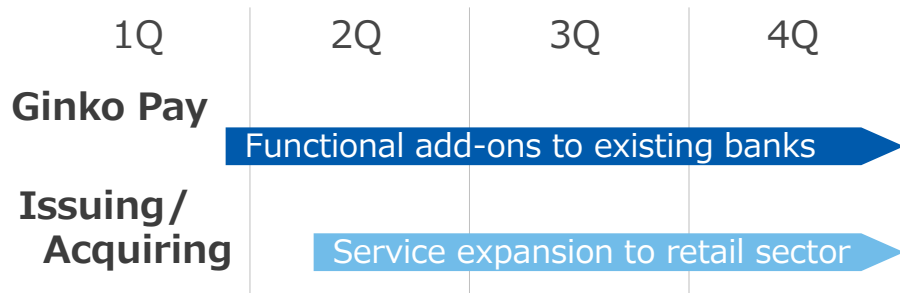
Stock revenue from services to financial institutions

- Ginko Pay
- Issuing/Acquiring
- Other



Growth scenario and progress

- 1) Develop platform customized for a particular client
- 2) Horizontal deployment with the sector
- 3) Expand outside the sector and diversify service



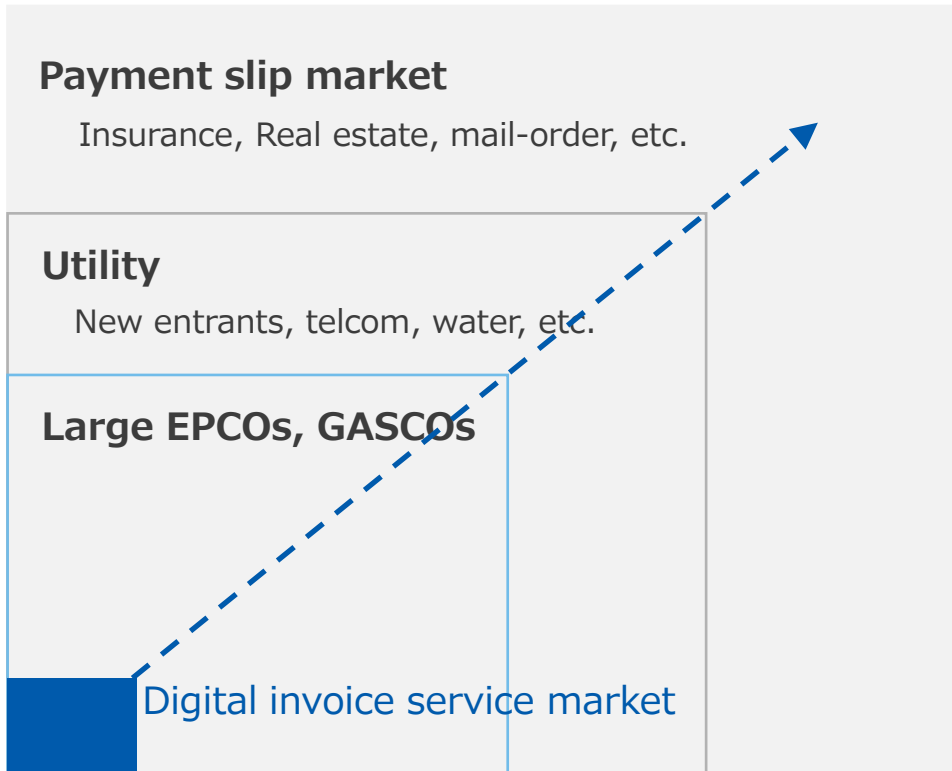
※ BaaS : Bank as a Service

4.3 Digital invoice service

Value proposition of cost reduction, AR reduction and CF improvement by digitalization of payment slips

TAM of digital invoice service

Payment slip and postal expenses can be reduced and digitalized by implementing our service

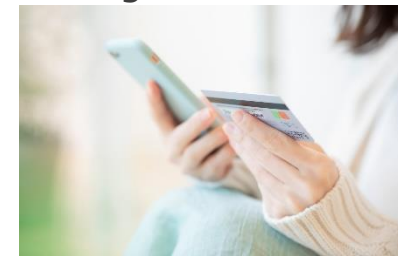


Value realization

Payment slip



Digital invoice



Printing, enveloping and postal expenses

Cost

Cut by half
 PL: telecom and freightage cost reduction
 Max. reduction in payment slips: 12 mil. slips

1 week~

Lead time

1 Day
 BS: reduce receivable (CF improvement)

Monthly

Default rate improves

Daily
 BS: reduce receivables, provisions

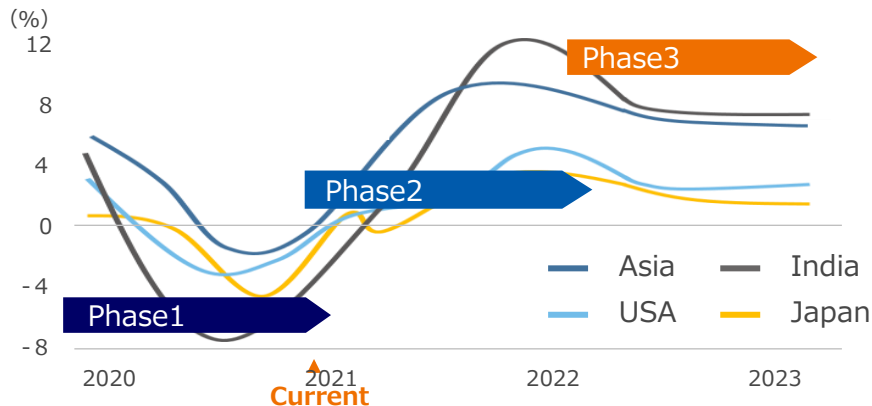
4.4 Global MSB

Phased-based strategy to address TAMs in respective countries; current ROIC

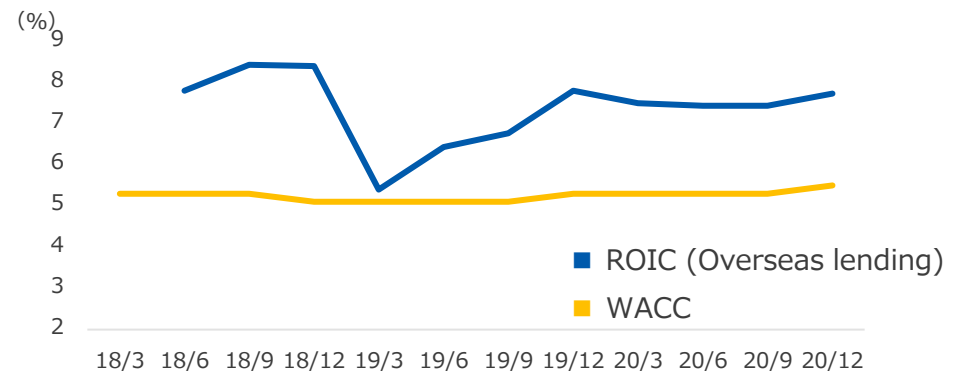
TAM by market (Tril. Yen)

	Indonesia		India		USA	
	2020	2025	2020	2025	2020	2025
B2B Credit	17.0	17.0x	15.0	49.0	12.3	12.3x
B2C	3.5	10.1	6.4	18.8	66.9	66.9x

Phase-based strategy (Global GDP forecast)



Overseas lending: ROIC and WACC



※ Data referenced from IMF "World Economic Outlook, January 2021, The Japan Research Institute, Limited reports on prospects for US Economy, "Monthly Report of Prospect for Japan's Economy," "Asia Monthly".

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