

Financial results briefing for the Q2 of FY2018

Laying the groundwork for the next growth stage

May 11, 2018

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

The 53rd 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 May 11, 2018.

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 Q2 of FY2018
2. Full-year target for FY2018
3. Management target and requirements
4. Future actions to implement growth strategies
5. Financial highlights
6. Reference materials

1. Summary of financial results for Q2 of FY2018

1.1 Business performance

OP +51.8% (+31.4% under J-GAAP), TRX value +32.3%

(million yen)	<u>H1 FY17 actual</u>	<u>H1 FY18 actual</u>	<u>YoY change</u>	<u>H1 FY18 plan <full-year plan></u>	<u>H1 FY18 actual vs. plan <vs. full-year plan></u>
Revenue	10,028	12,558	+ 25.2%	11,967 <26,107>	104.9% <48.1%>
Operating profit (J-GAAP)	2,153 (2,536)	3,269 (3,334)	+ 51.8% (+ 31.4%)	3,011 <6,475>	108.6% <50.5%>
Profit attributable to owners of parent (net profit)	1,357	1,962	+ 44.5%	1,825 <3,933>	107.5% <49.9%>
EBITDA ^{*1}	2,516	3,727	+ 48.1%	-	-

	Operating stores (End of Q2)	Transaction value (Q2)	Transaction volume (Q2)
KPI ^{*2}	88,673 ^{*3} (+ 4.2%)	820 billion yen (+ 32.3%)	327 million (+ 25.0%)

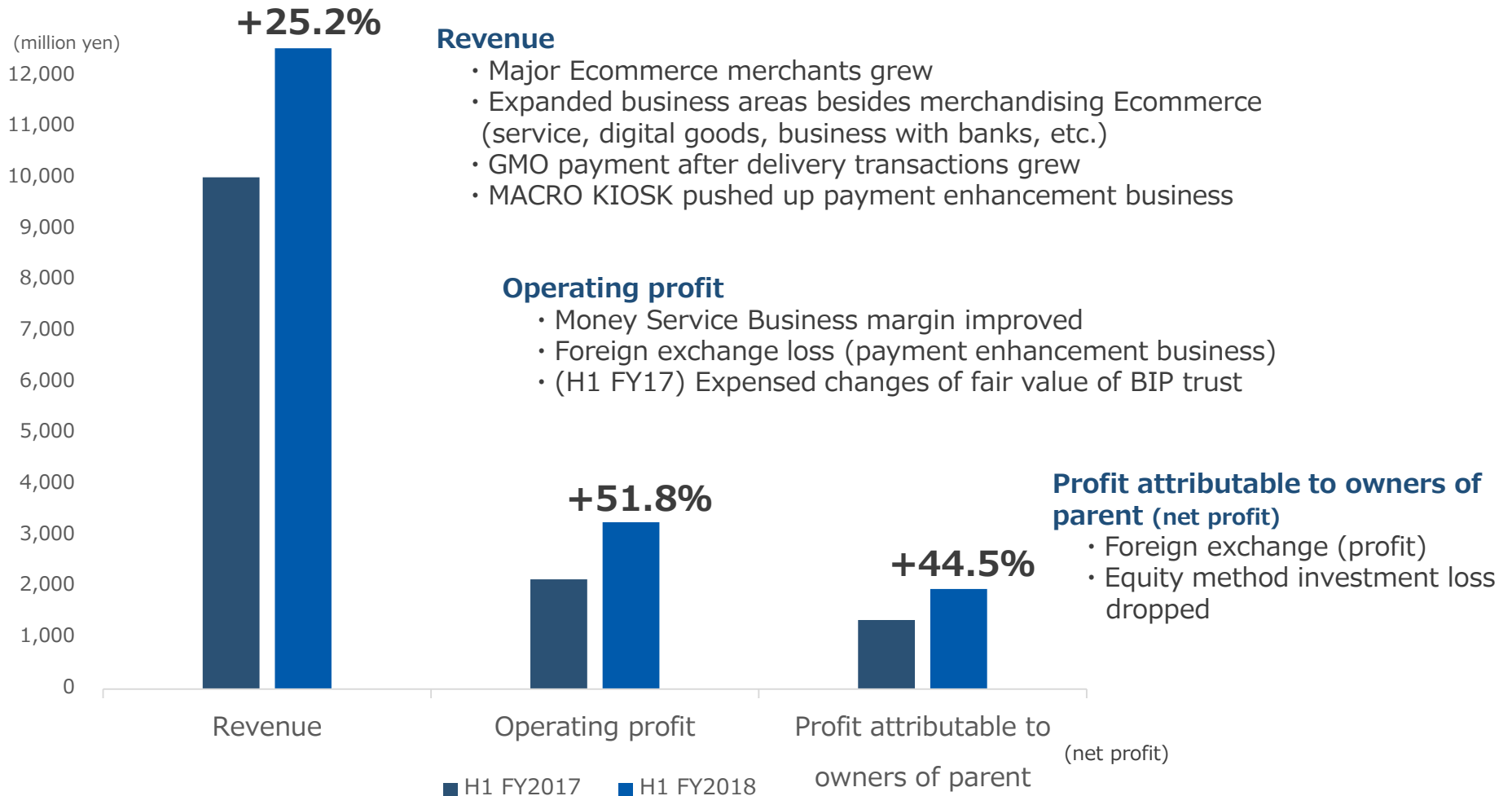
*1 EBITDA = OP + depreciation expenses

*2 Excludes offline payments. () represents year-on-year changes.

*3 Growth rate slowed down after a batch of merchants went idle with a partner's service termination (+15.4% without this factor)

1.2 Factors that affected the cumulative results

Financial statements disclosed under IFRS from Q1 FY2018



*GMO-PS: GMO Payment Service

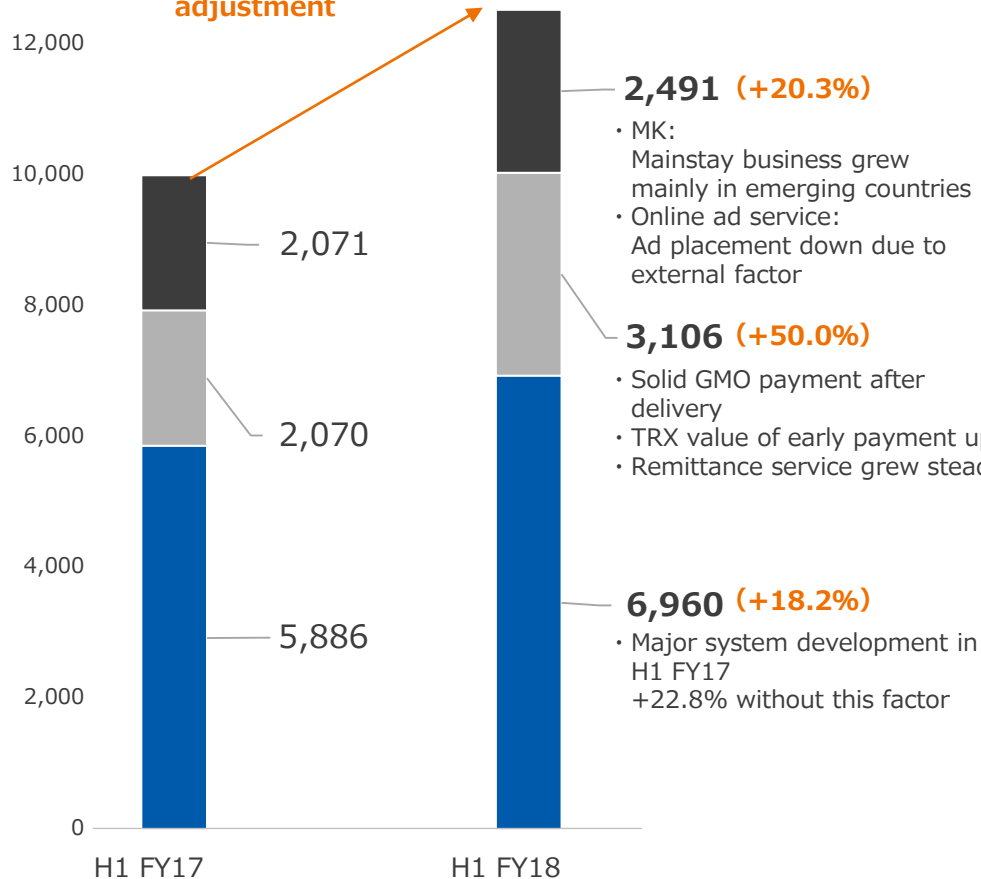
1.3 Revenue/OP by segment

Payment processing profit up 20%+ (net), MSB turned black

■ Revenue by segment

(million yen)

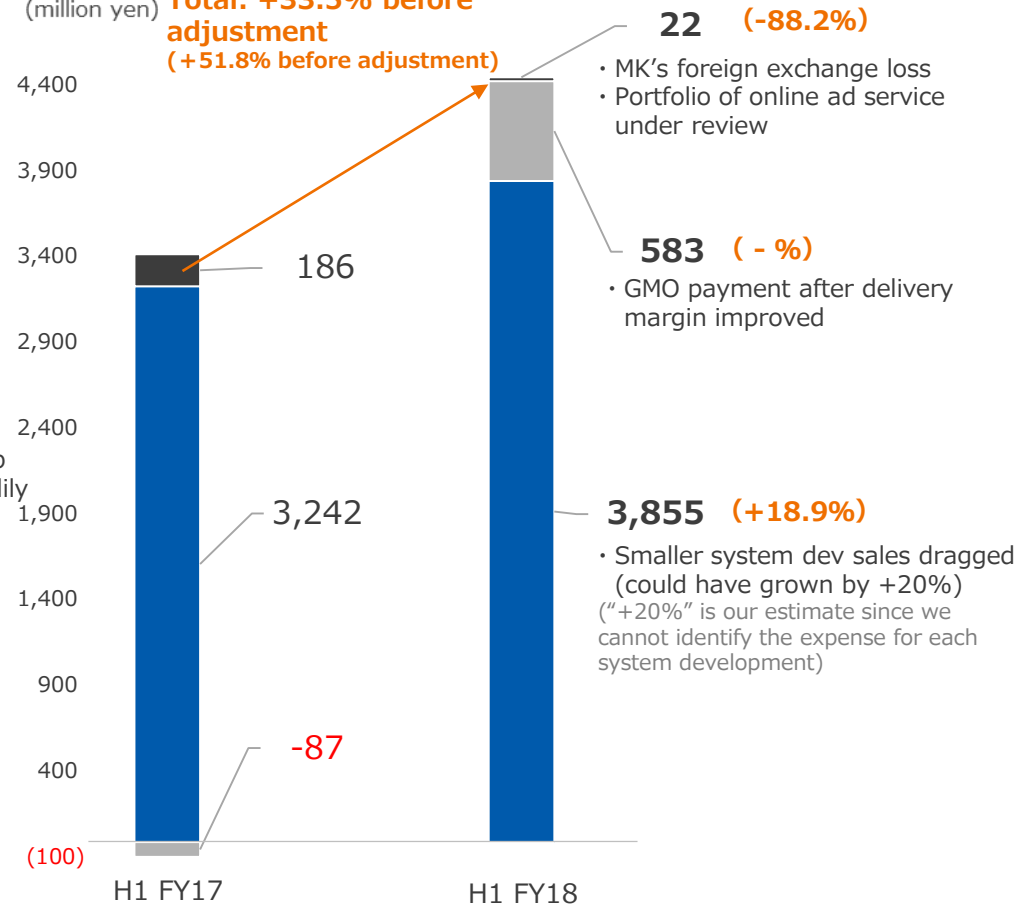
Total: +25.2% after adjustment



■ OP by segment (before consolidation adjustment)

(million yen)

Total: +33.5% before adjustment (+51.8% before adjustment)



* (): YoY change

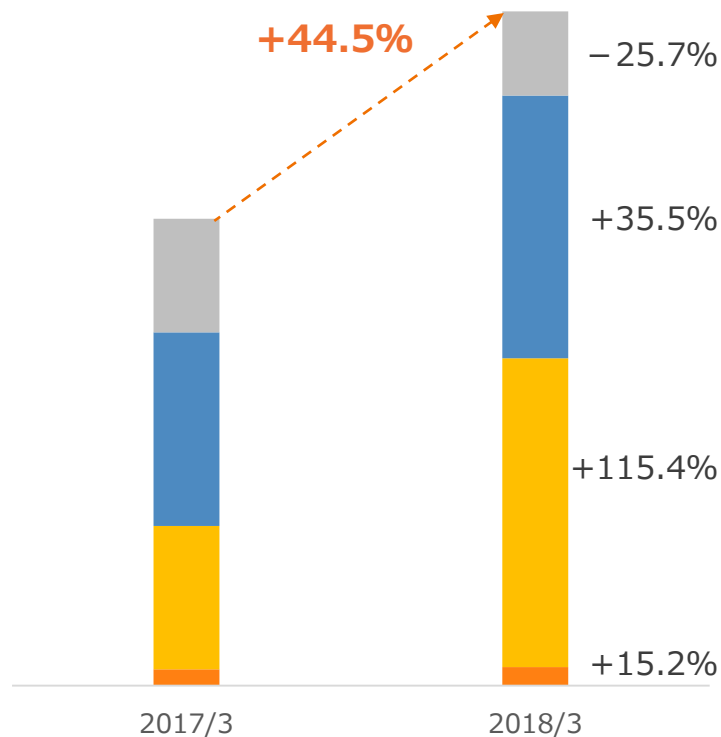
■ Payment processing ■ MSB ■ Payment enhancement

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1.4 Segment: Money Service Business (MSB)

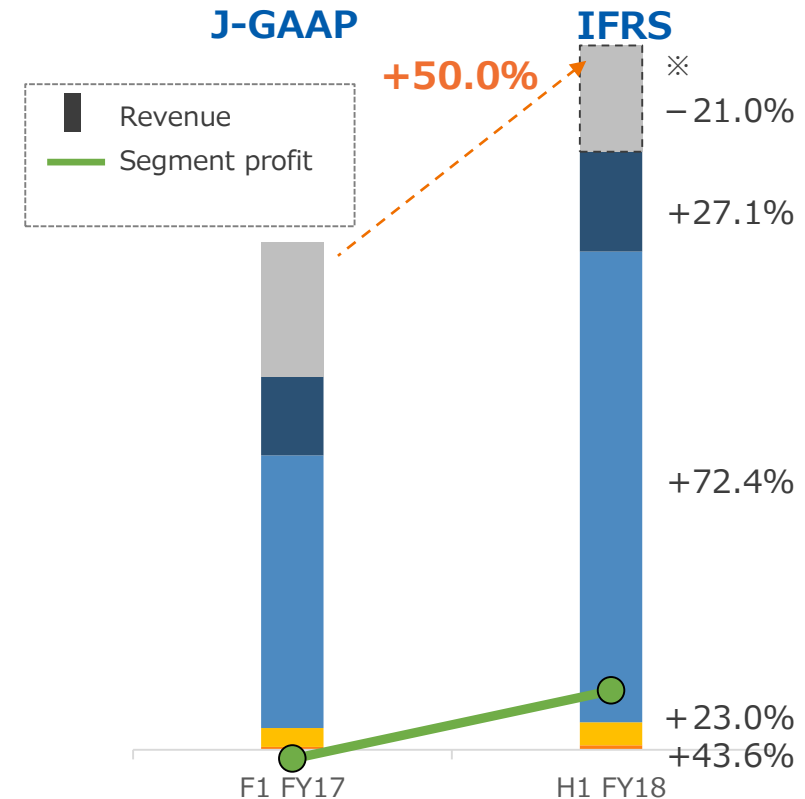
Asset +44.5%, MSB returned to profitability with better margin

■ MSB-related assets



■ MSB-related revenue

*(): H1 FY18/H1 FY17

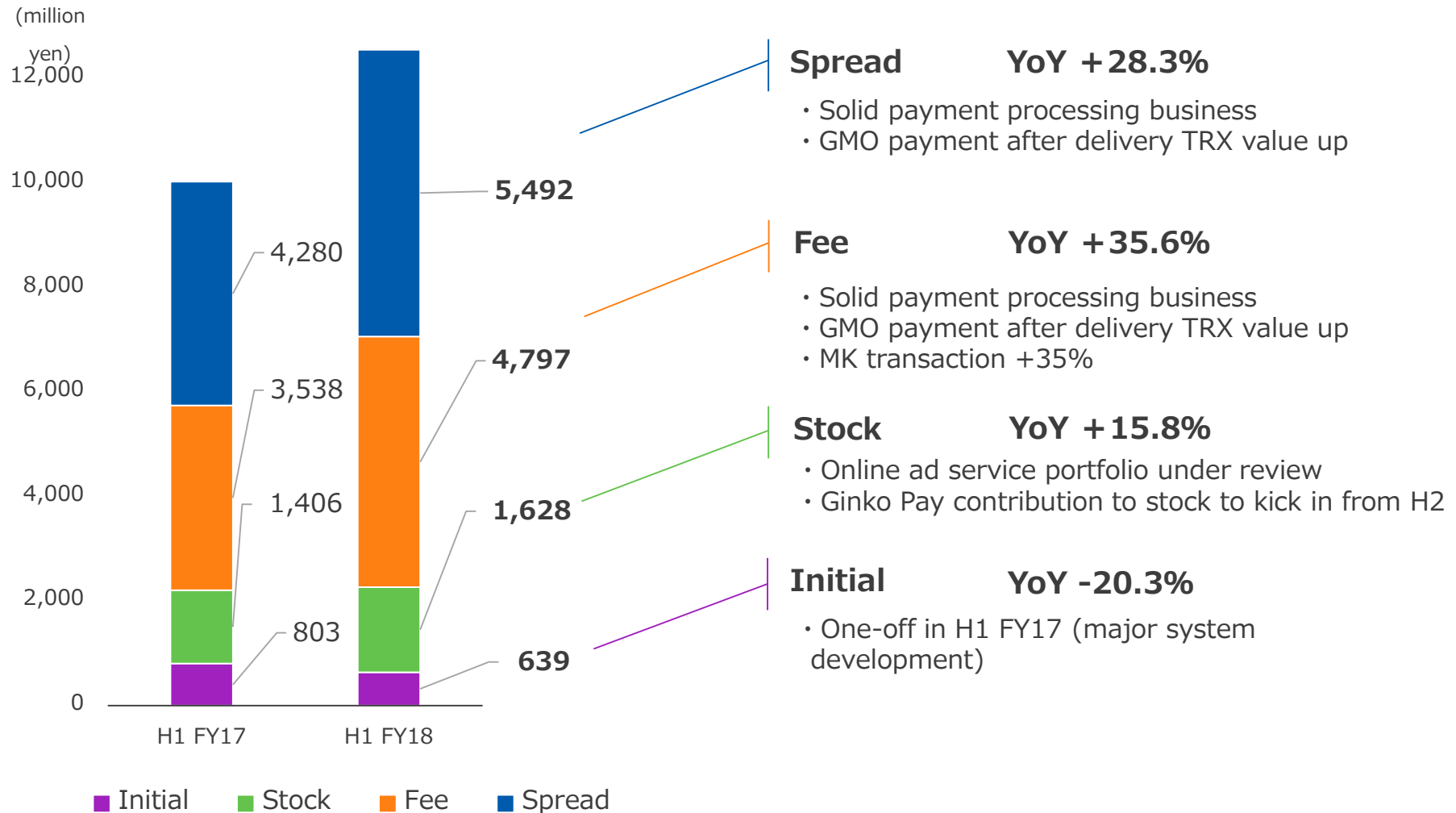


Transaction lending Early payment GMO payment after delivery Finance lease Remittance Segment profit

*H1 FY18 finance lease is for YoY comparison purpose only
(Revenue recorded in net under IFRS; this bar is gross-based)

1.5 Revenue breakdown by business model

Fee and spread solid with higher transaction value and volume



※MK : MACROKIOSK

2. Earnings target for FY2018

2.1 Full-year forecast

Released IFRS-based forecast; targeting OP growth of 64%

■ FY2018 ending September 2018

(Unit: million yen; % represents change vs. previous year)

(million yen)	<u>FY2017</u> (actual)	<u>FY2018</u> (forecast)	<u>Change</u> ^{*2}	<u>H1 FY2018</u> (forecast)
Revenue	21,054	26,107	+24%	11,967
Operating profit (JGAAP)	3,948 (5,015)	6,475 (6,269) ^{*1}	+64% (+25%)	3,011
Profit attributable to owners of parent	2,430	3,933	+62%	1,825
Full-year dividend	40.0 yen	49.0 yen	+9.0 yen	-

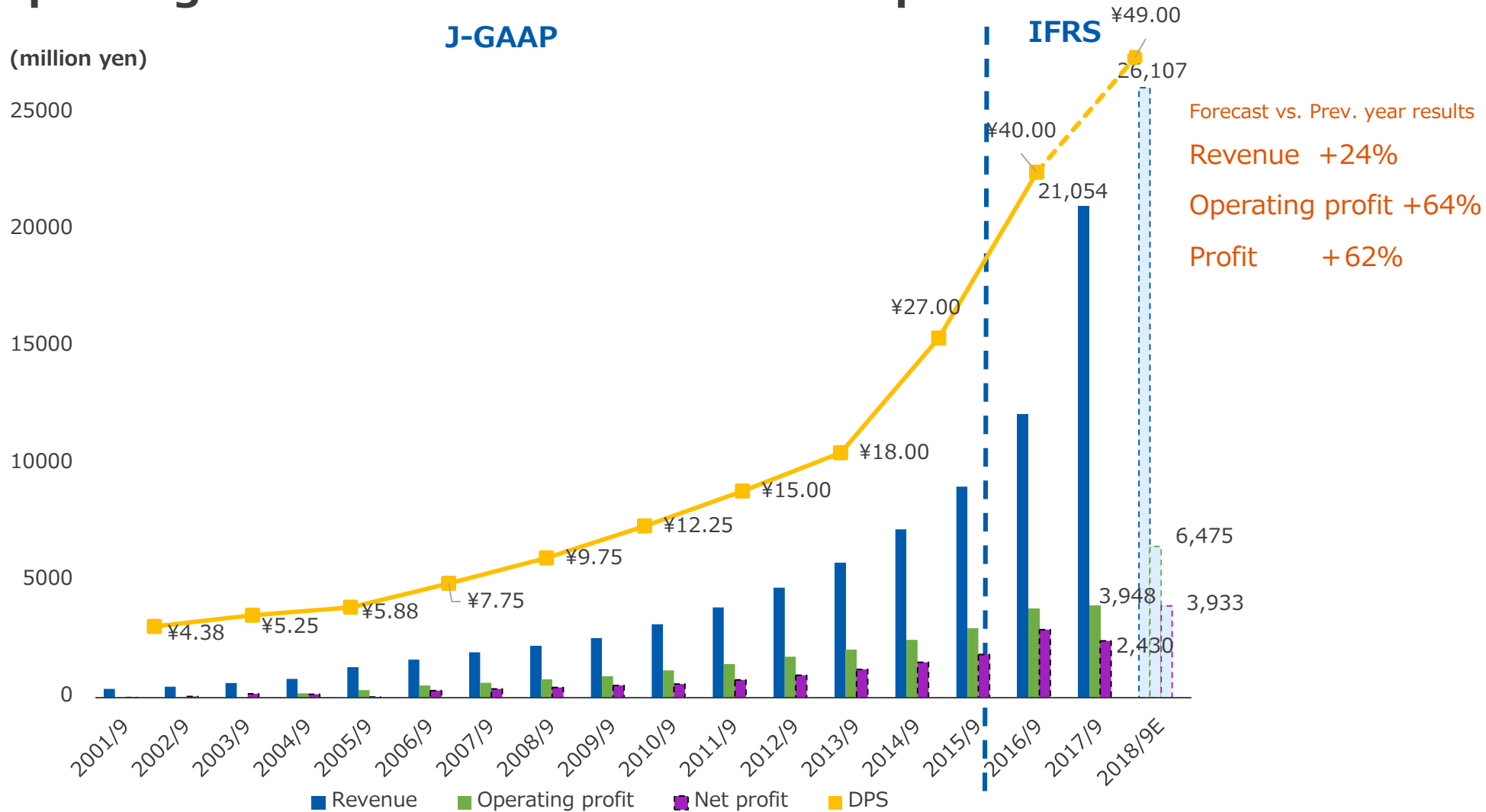
*1 Gap between JGAAP and IFRS: largely due to a fair value change in BIP Trust provision (pushed up SG&A and down profit in FY17)

*2 YoY changes are pre-audit figures

YoY changes are omitted on summary of consolidated financial statements, etc. since IFRS adoption started in FY2018.

2.2 Consolidated earnings transitions

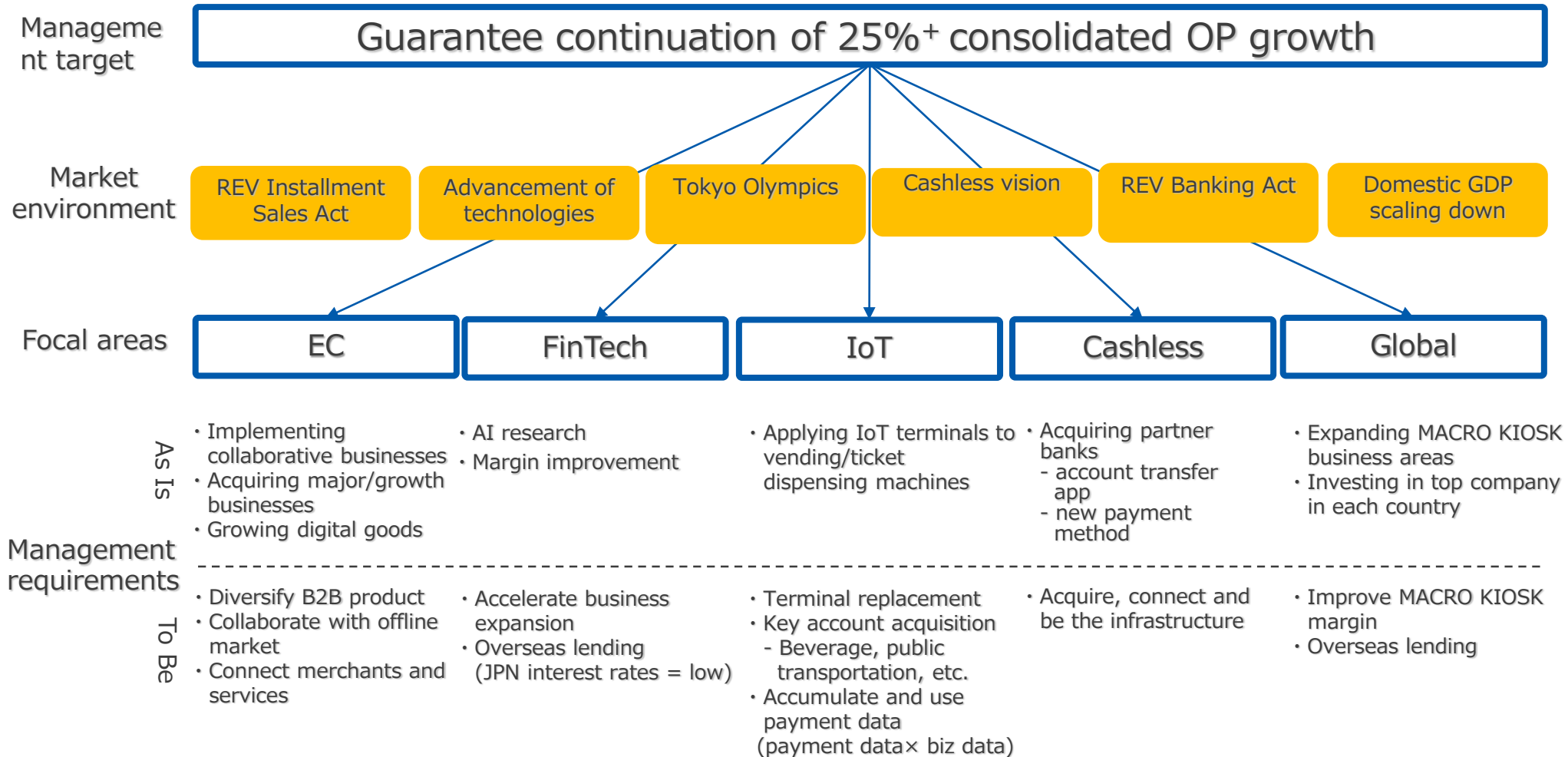
Expecting a JPY49 DPS for the current period



3. Management target and requirements

3.1 Management target and requirements

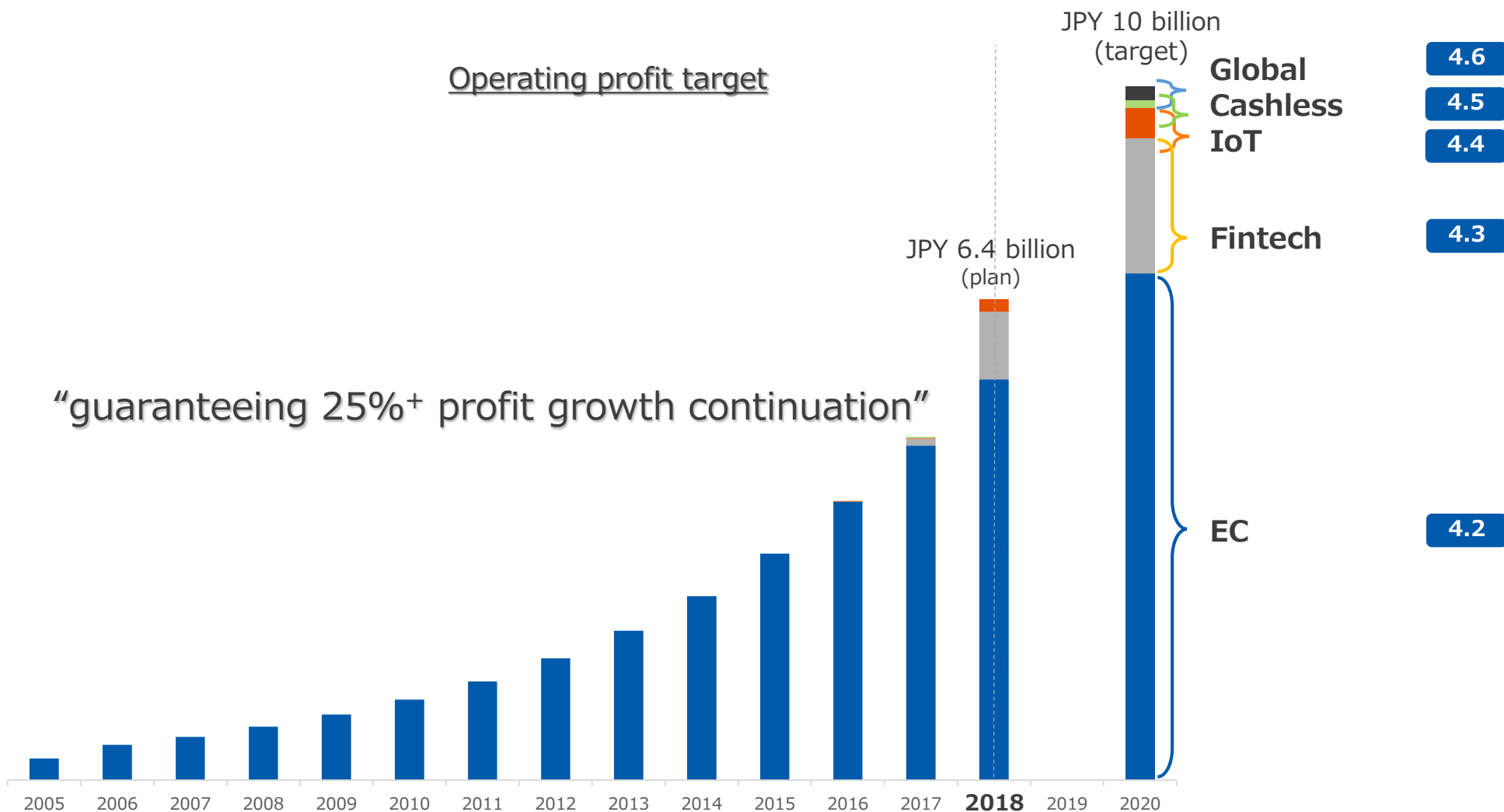
Guarantee 25%+ growth continuation by covering the 5 areas



4. Future actions to implement growth strategies

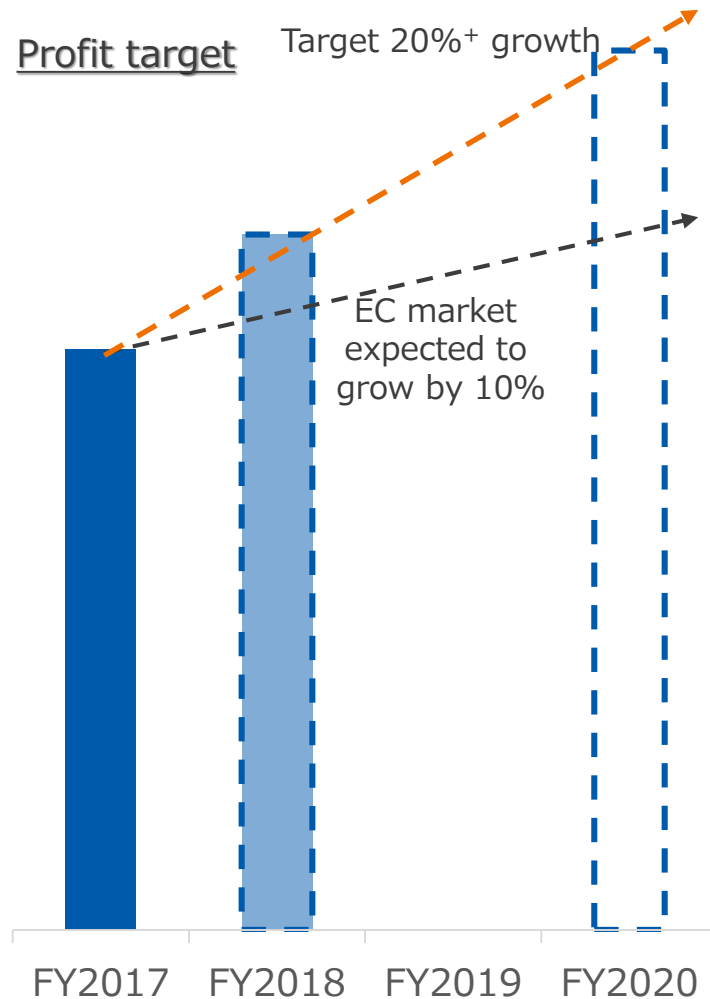
4.1 Operating profit target for 2020

Expand in 5 areas to deliver JPY 10 billion OP in FY2020



4.2 EC: Deliver 20%+ profit growth continuation

Acquire and connect “winners”, and put non-B2C EC payments online



Market outlook

	Present	2020 [*]
EC rate	5.8%	7~8%
EC market	¥16.5T	¥22-24T
TRX value	¥3T	→

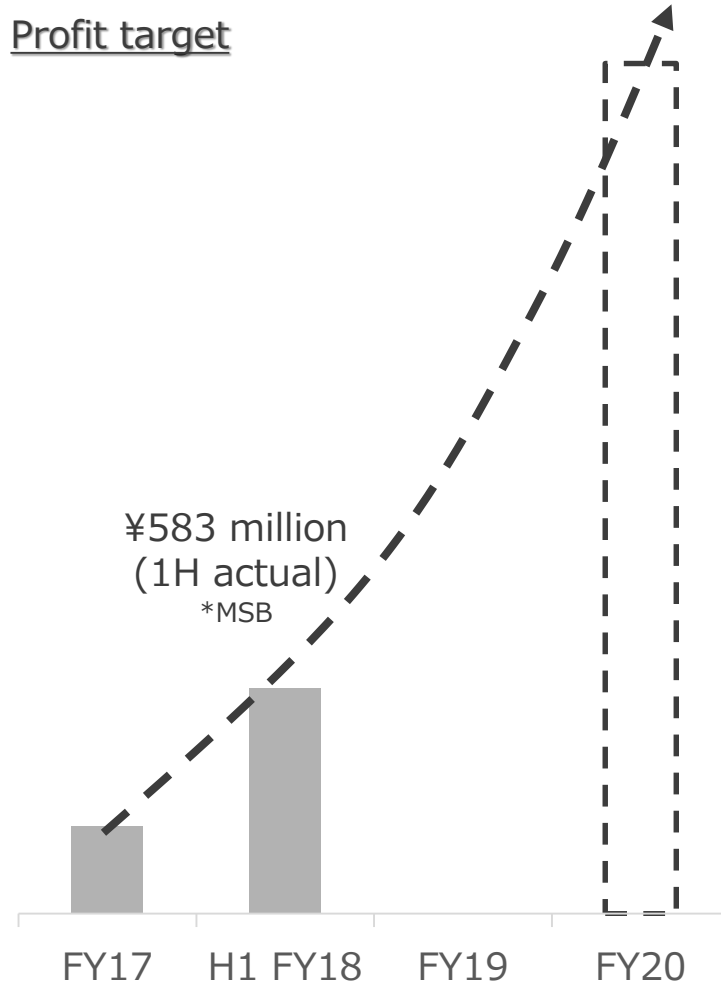
^{*}2020 figures are our estimates

Our initiative and strategies

- B2B market to expand steadily
 - Diversify our products
 - Expand services to clients within same industry
- Services dedicated to pre-EC industries
 - Healthcare, construction, education, etc.
- New growth markets
 - O2O, subscription
 - Services for inbound visitors

4.3 FinTech: MSB profit expansion

MSB margin improvement and acceleration of business expansion while monitoring capital efficiency



Market outlook

	Present	2020*
Credit payment market	¥400B	¥1-1.2T
MSB balance	¥43.4B	↗

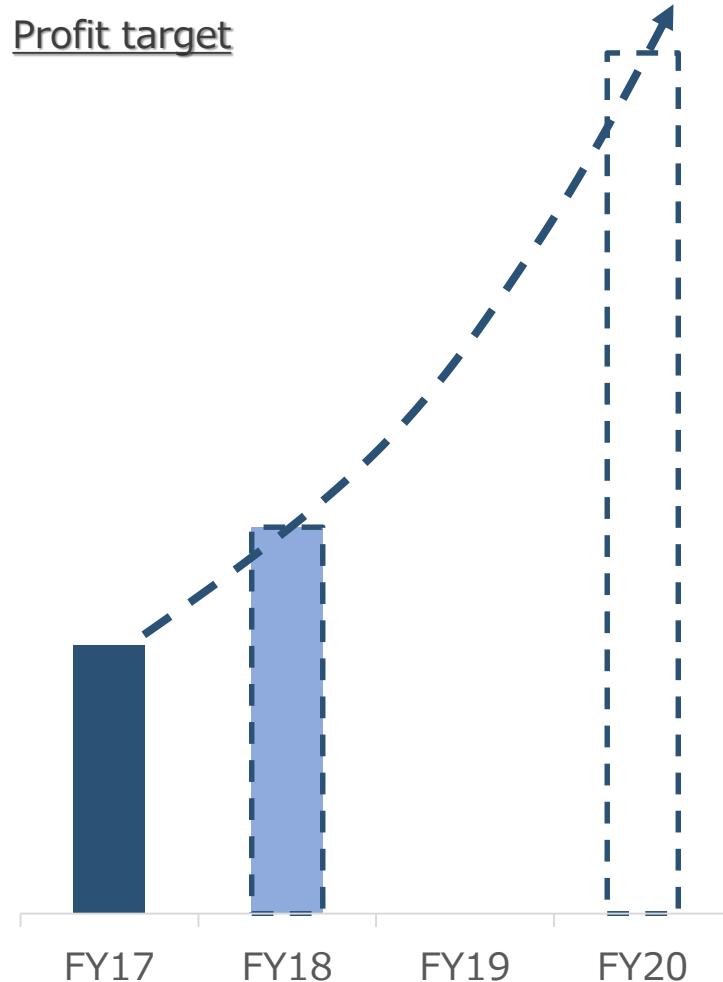
*2020 figure is our estimate

Our initiative and strategies

- Move on from investment to profit collection stage
 - Invest in high capital efficiency or margin services
 - Healthy expansion of relevant assets
- Synergy with payments (ecosystem)
 - Early payment, transaction lending
- Take in high-growth C2C market
 - Remittance
- Foreign lending to take off

4.4 IoT: Seize chances for growth acceleration

IC terminal replacement on law revision and Tokyo Olympics



Market outlook

	Present	2020 [*]
Offline Cashless market	¥58T	¥87T

Total of credit, debit and prepaid cards

^{*}2020 figure is our estimate

Our initiative and strategies

- Replacement demands of offline terminals
From magnetic tape to IC chip
- IoT terminal resales expansion and more data accumulation/utilization
Target: beverage maker, public transport, etc.
Connect payment and business data for higher business efficiency
- Government target (40% in 2025)
“Cashless vision” by METI

4.5 Cashless: Expanding business with banks

Acquire banks, connect services and be their infrastructure

■ Advantages of connecting banks

Bank

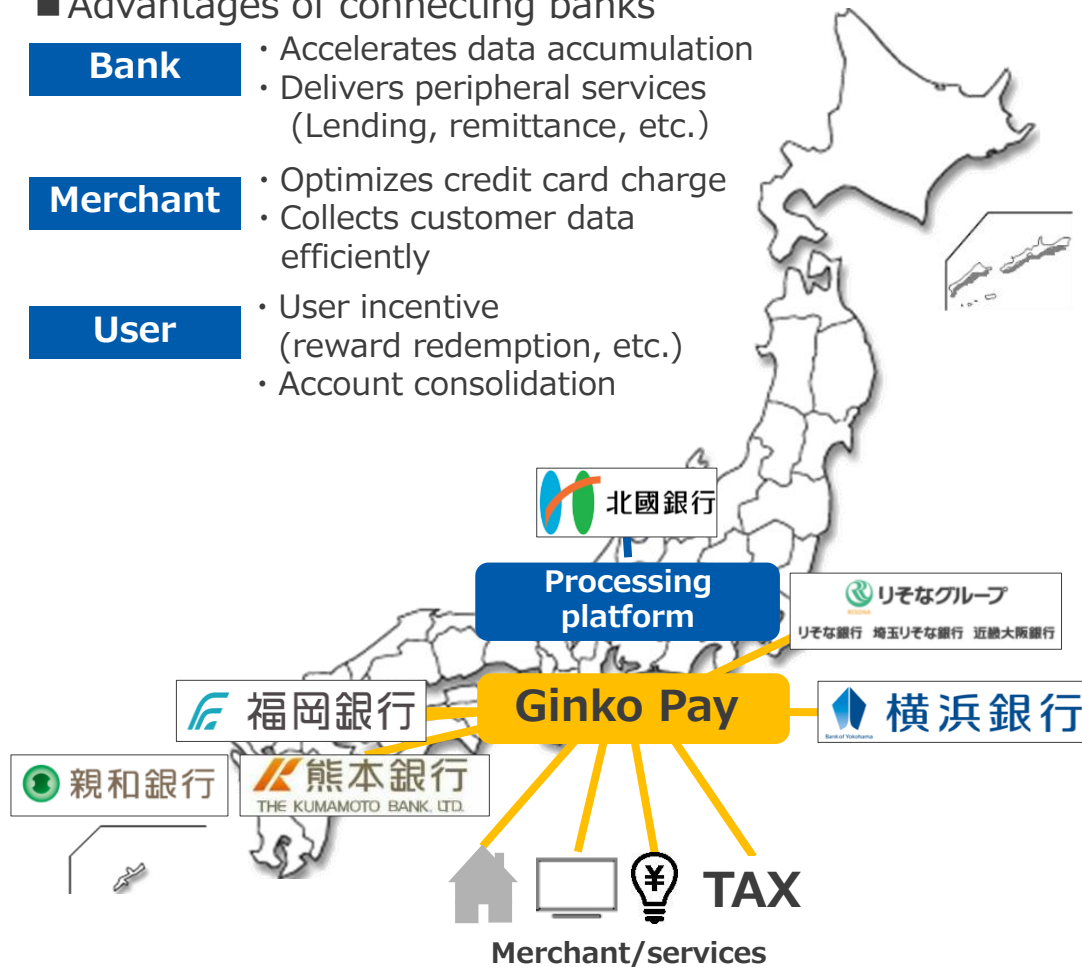
- Accelerates data accumulation
- Delivers peripheral services (Lending, remittance, etc.)

Merchant

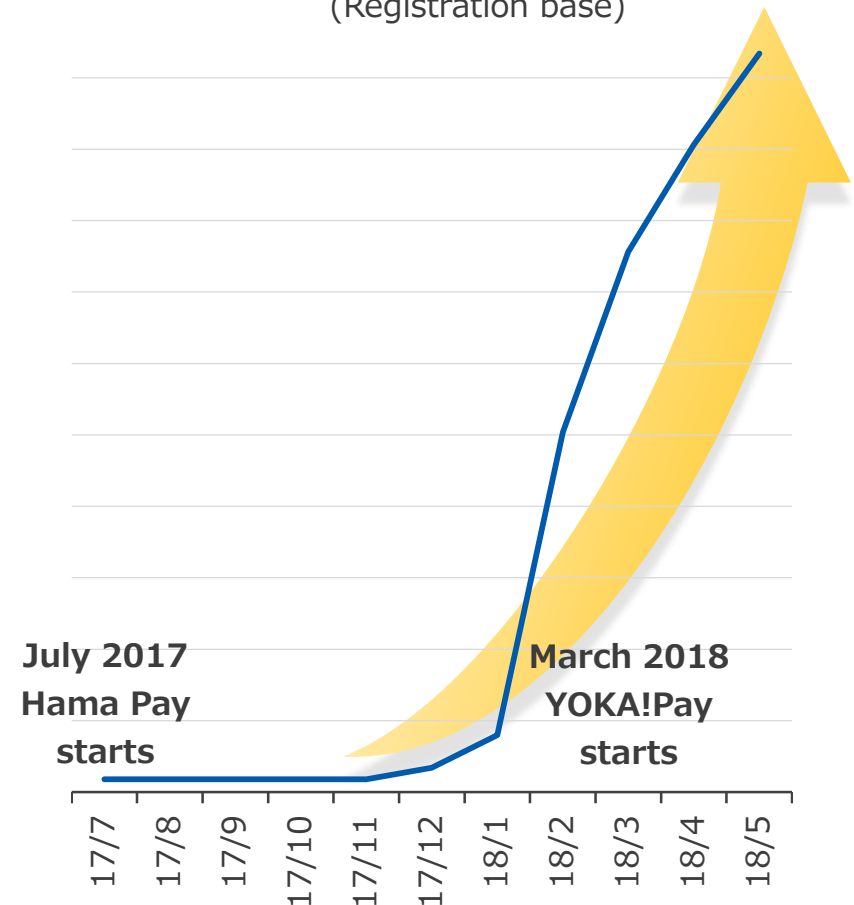
- Optimizes credit card charge
- Collects customer data efficiently

User

- User incentive (reward redemption, etc.)
- Account consolidation











No. of merchants under Ginko Pay
(Registration base)



4.6 Global: Focal businesses in Asia

Optimize approaches by country

■ Strategy portfolio by country (Asia)

Country	GDP* (Trillion yen)	Dev stage	Approach	Main investment/business Portfolio
Taiwan	60	Late	<u>Payment processing (Assist JPN companies with TW entry)</u>	
Malaysia	30	Late	<u>Payment enhancement (Acquisition of banks/large companies and R&D base)</u>	
Singapore	30	Late	Control, research and investment (Invest, R&D into promising companies)	
Thailand	50	Middle	Payment processing (Incorporate results of equity method affiliate)	
India	250	Early	Invest in local promising companies as a base	
Indonesia	100	Early	<u>Payment enhancement (transactions at banks and large companies)</u>	
Vietnam	20	Early	Invest in local promising companies as a base	
Philippines	30	Early	<u>Payment enhancement (transactions at banks and large companies)</u>	

Invested Mar.
2018
Detects fraud
with AI

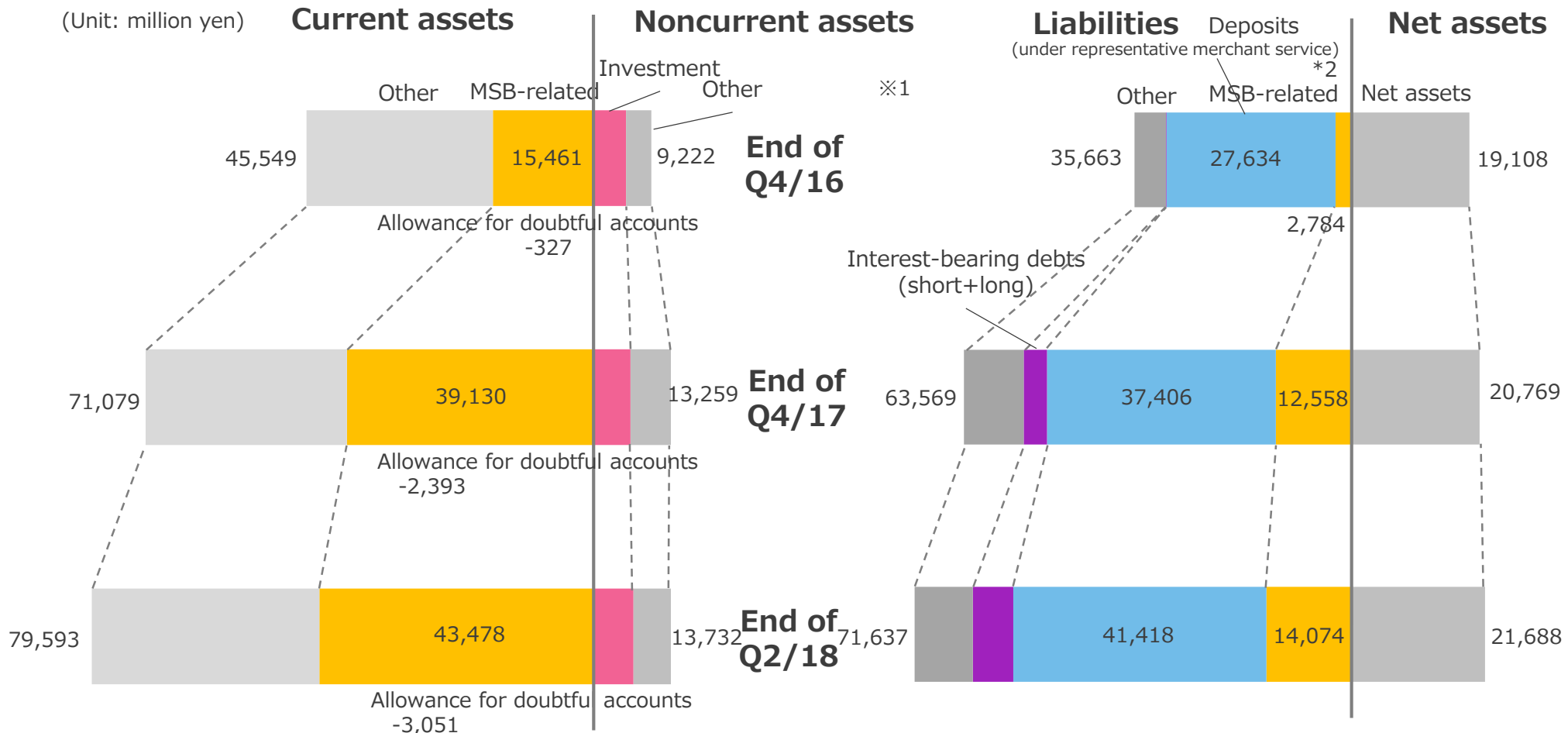
*Nominal GDP

Underlined are approaches by our consolidated subsidiaries or entities that deliver our products

5. Financial highlights

5.1 Changes in our balance sheet

Increase in MSB-related deposits and assets



*MSB-related assets: lease receivable, short-term loans receivable, advance payments-trade and accounts payable-other

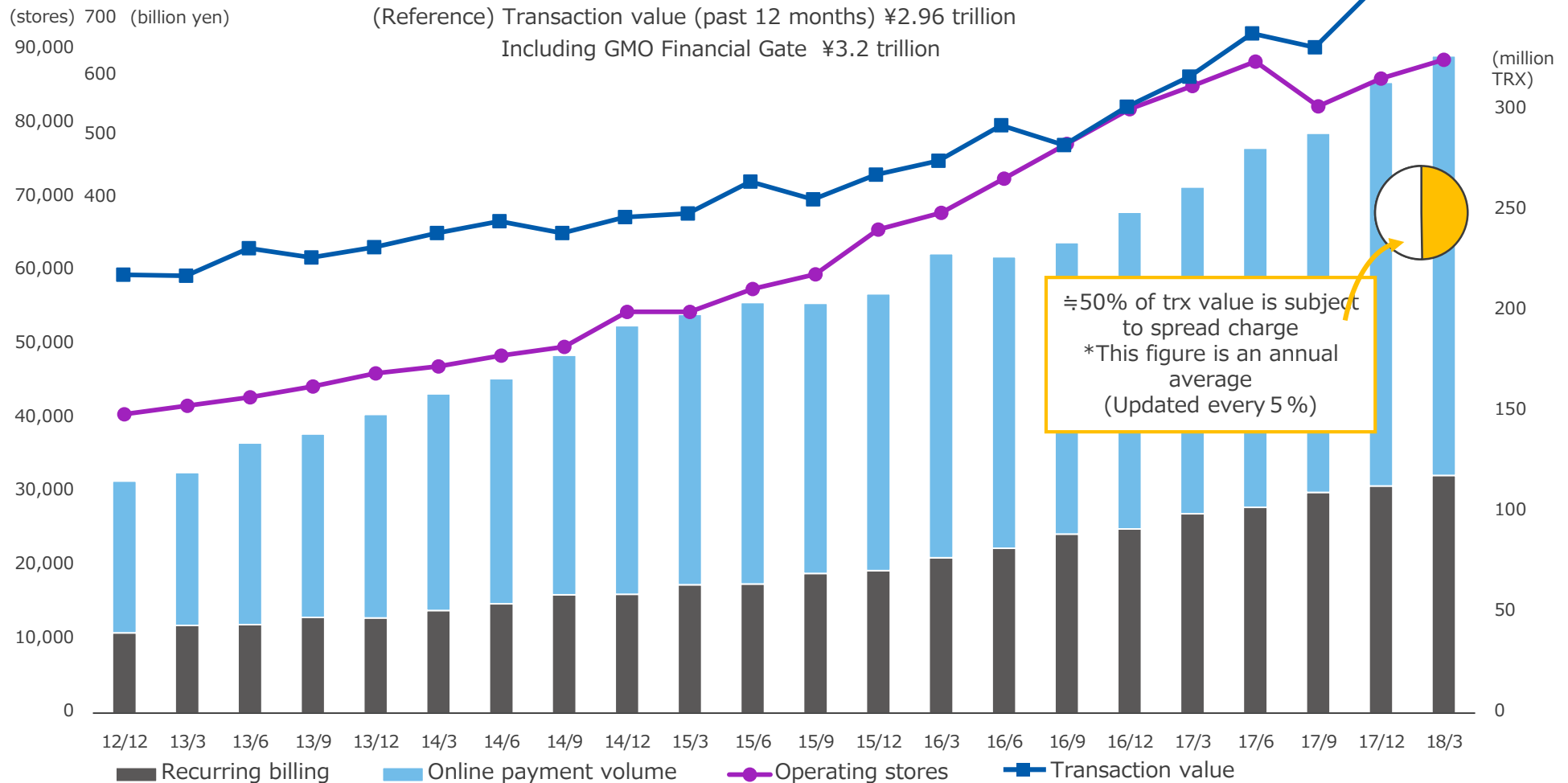
*1 J-GAAP was applied for FY2016

*2 MSB-related liabilities: accounts payable-other

5.2 Major KPIs (Quarterly)

Annual transaction value reaches ¥3.2 trillion

Operating stores: 88,673; Transaction: ¥820 billion (value), 327 million (volume)



*Number of operating stores represents end-of-quarter figure, transaction value/volume represents figure during quarter

*17/9 operating store number dropped QoQ due to a batch of merchants that went idle after a partner's service termination

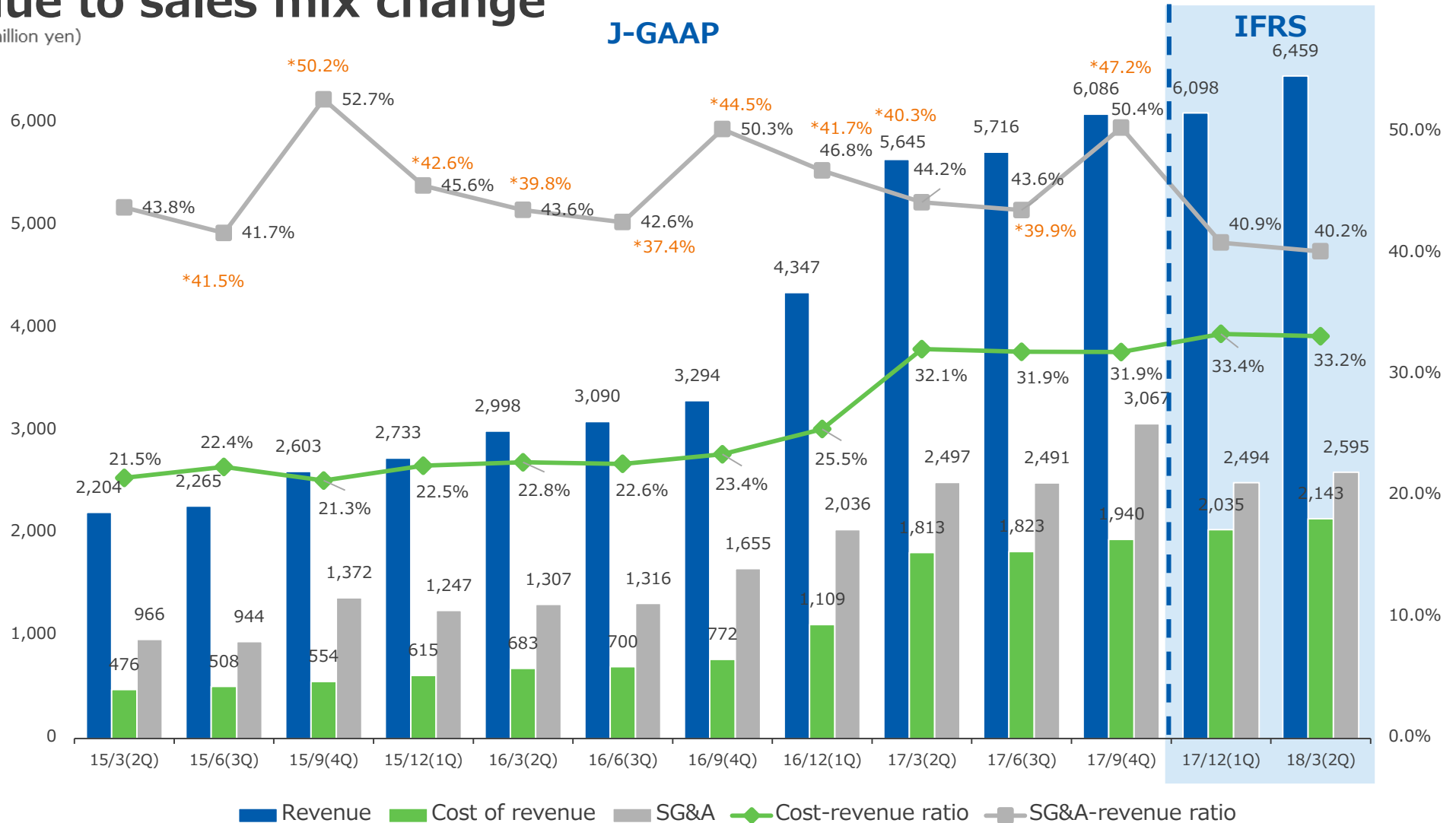
6. Reference materials

6.1 Cost of revenue ratio/SG&A ratio (Quarterly)

Cost of revenue ratio changed due to sales mix change

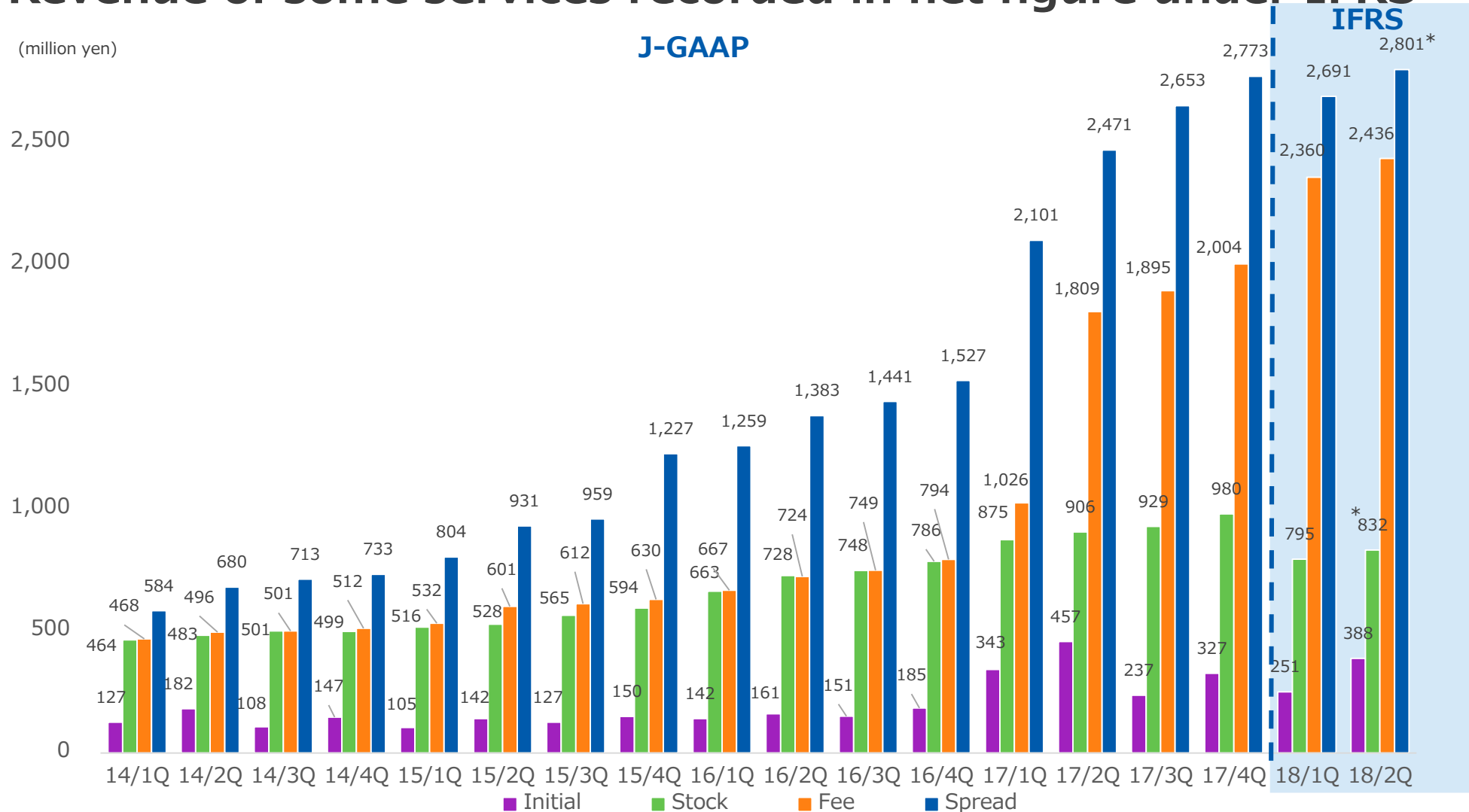
(million yen)

*Figures with asterisk do not take into account outsourcing expense
Not included in SG&A under IFRS from Q1/18



6.2 Revenue breakdown (Quarterly)

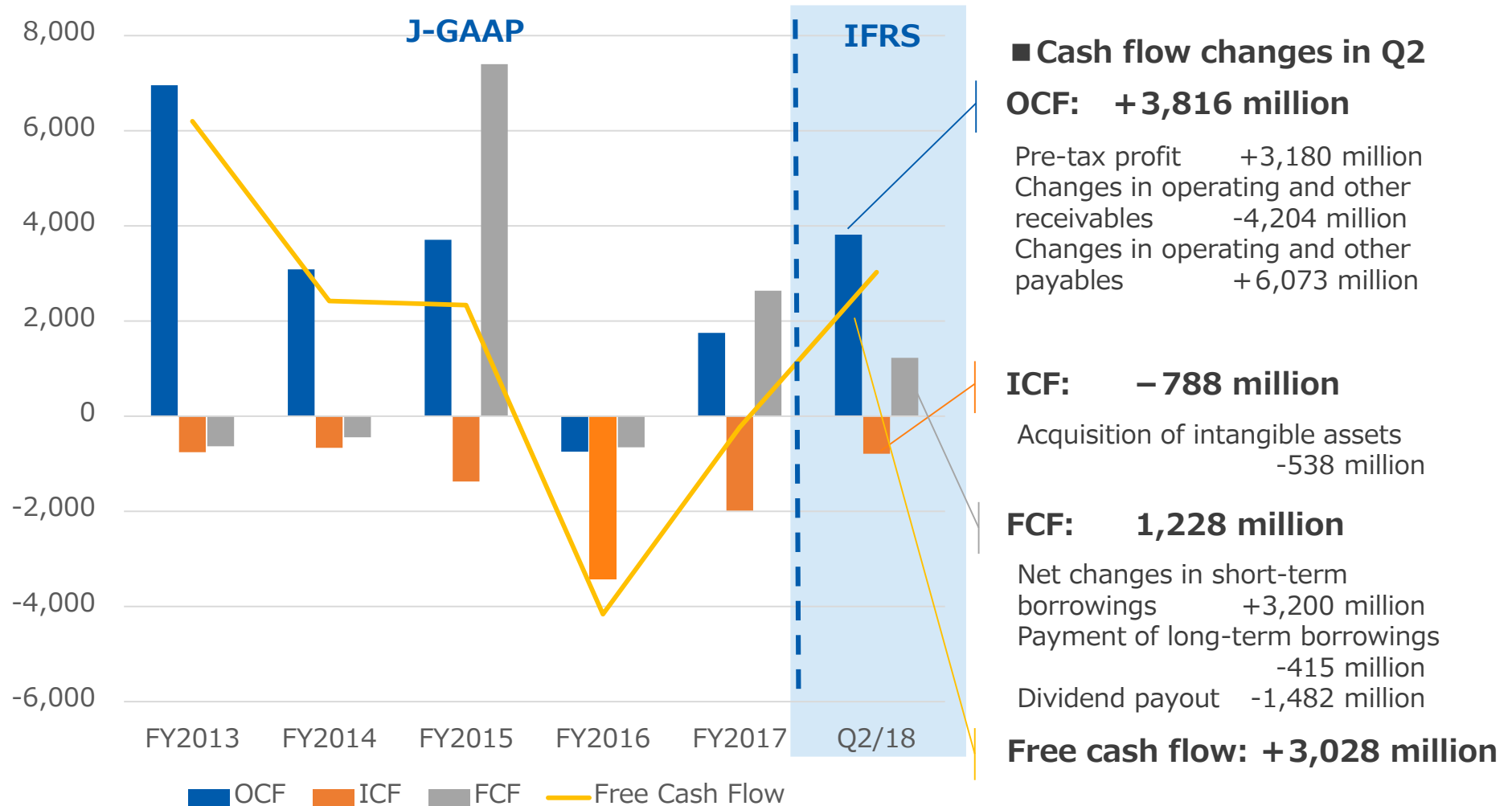
Revenue of some services recorded in net figure under IFRS



*Revenue of online ad service (stock) and finance lease (spread) are now recorded on a net basis on transition to IFRS

6.3 Consolidated cash flows

Positive OCF with earnings and deposit growth



Thank you very much!

GMO PAYMENT GATEWAY

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