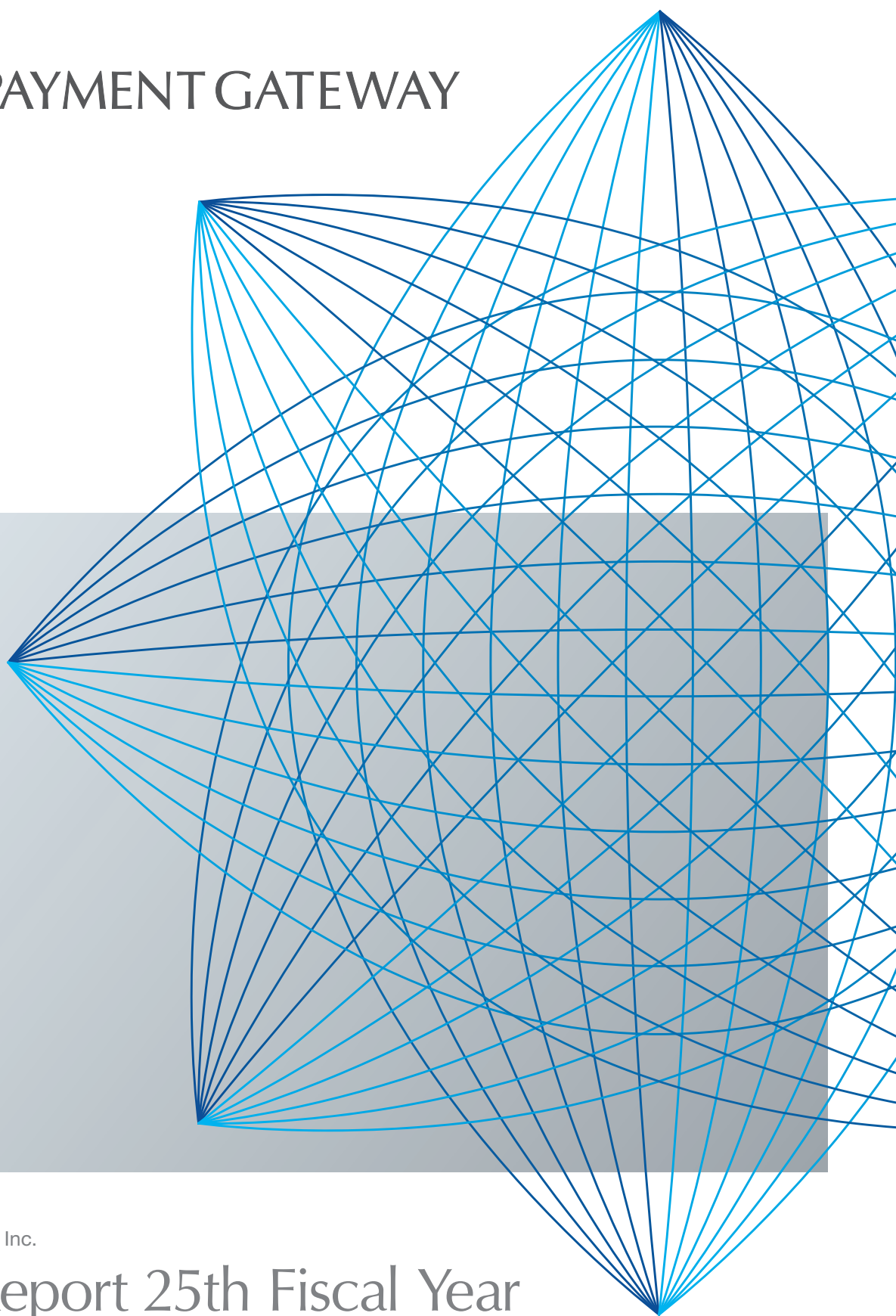


GMO PAYMENT GATEWAY



GMO Payment Gateway, Inc.

Annual Report 25th Fiscal Year

2017.10.1–2018.9.30



The mechanism of circulation, fundraising, investment, and growth.

We will further enhance our four strengths, while maintaining a growth rate in operating profit of at least 25% as a leading payment infrastructure company.

Issei Ainoura
President and Chief Executive Officer

Thirteen consecutive years of revenue and earnings growth since our initial listing in April 2005, through steady expansion of payment services, plus the creation of new business areas and services

Our core business of online payment services has maintained strong growth thanks to steady expansion of the B2C e-commerce market, as well as transactions between businesses (B2B) and between consumers (C2C) increasingly being conducted online.

With sales initiatives seizing on the opportunity provided by the revision of the Installment Sales Act we have acquired more major company clientele. Our merchant base has grown at an accelerated pace, as now more than 100,000 merchants are using our services, with 1.35 billion transactions annually totaling roughly 4 trillion yen.

Business opportunities are also increasing for card-present payment services, including efforts outlined in the “Cash-

less Vision” of the Ministry of Economy, Trade and Industry to promote the transition to cashless payments, and the revision of the Installment Sales Act. We are also providing more “Ginko Pay” systems for financial institutions.

Thanks also to growth in financial services such as GMO Payment After Delivery, Macro Kiosk Berhad, as well as the development of new business areas and creation of new services, our profits in FY2018 exceeded the initial plan and delivered our 13th consecutive year of revenue and earnings growth since our initial listing in April 2005.

We have accomplished these things due to the heartfelt support of our shareholders. Thank you very much for your support.

Marketing

The proposition and negotiation capabilities we have honed from the beginning
Supporting the growth of customers with our unsurpassed human resources



Development

Rock-solid system reliability even for concentrated, high-volume payments
Development capability to meet customer needs



Our Four Strengths



Support

Seeing from the customer perspective to offer support that goes as far as trying out solutions to problems that have not even occurred yet
Earned three stars under the monitoring section of the 2018 HDI rating benchmark



Investment

Identifying superior startups
Integrated support capability to contribute to growth of companies invested in

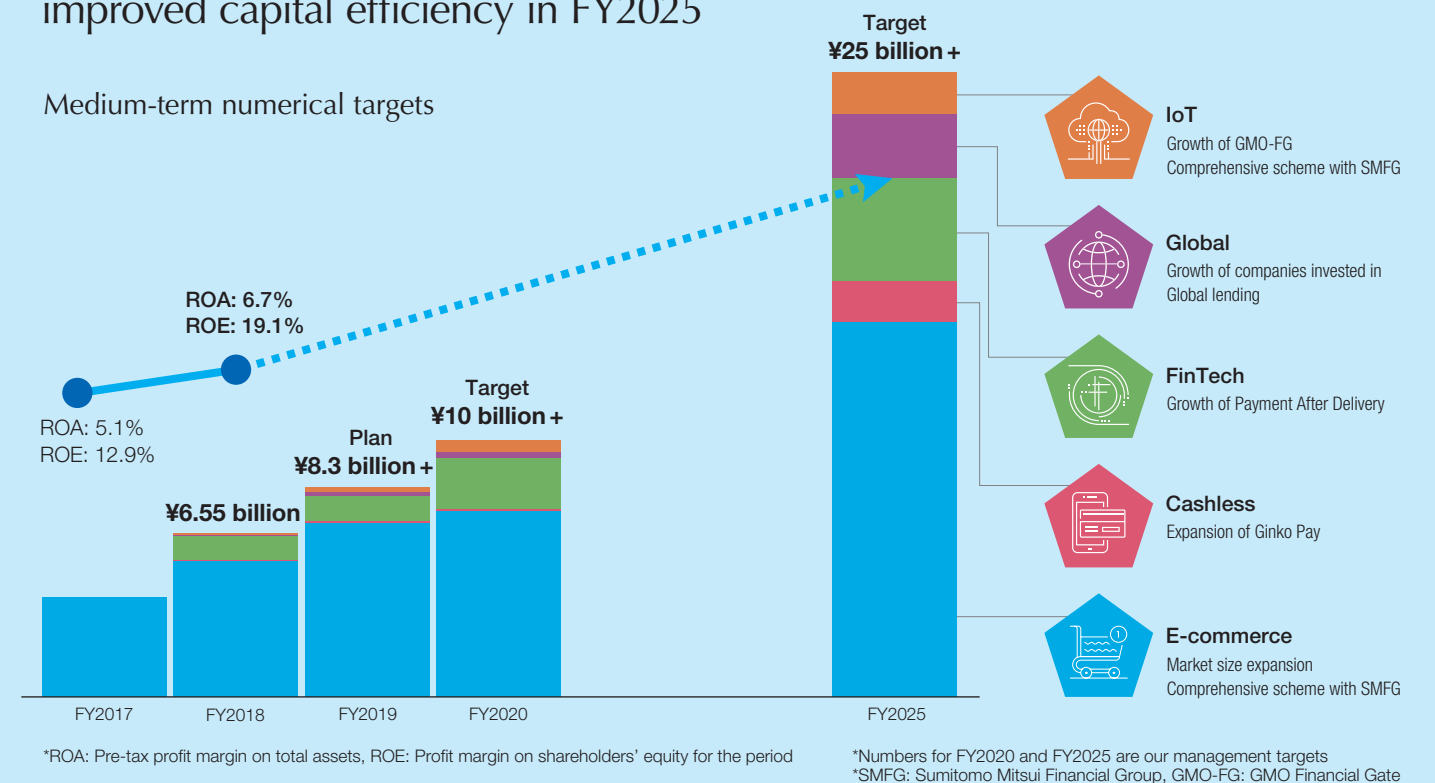


We aim to expand business in our five focus areas, and achieve even higher corporate value as we develop together with our customers



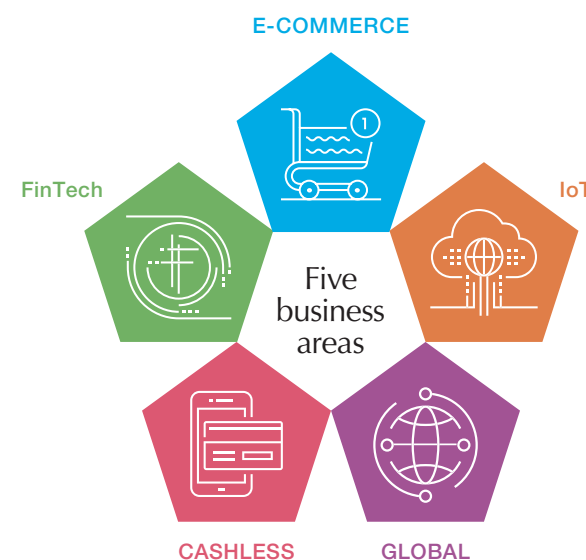
Aiming for ¥25 billion or more in operating profit and improved capital efficiency in FY2025

Medium-term numerical targets



Maintain a profit growth of at least 25% by reinforcing our ecosystem (recurring model) and deploying our business strategies in growth markets

We have achieved our continued high rate of growth by offering customers value-added services that help grow their sales through payment data analyses and inferences, and by both establishing and strengthening ecosystems with maximum recurrence of payment services. Based on this recurring model we will focus our efforts on business expansion in the five growth markets of e-commerce, FinTech, Cashless, IoT and Global, in order to maintain a growth rate in operating profit of at least 25%.



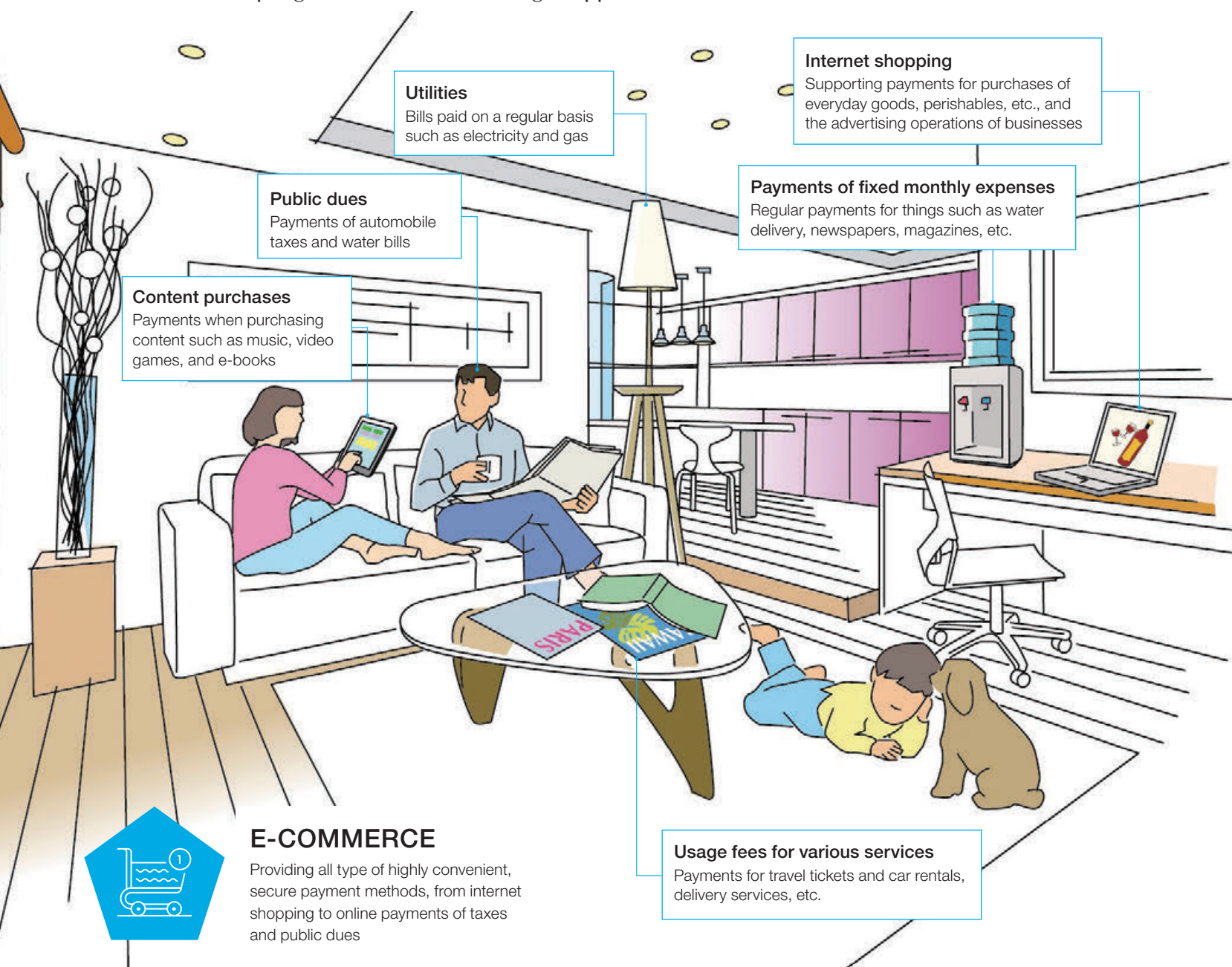
Strengthening our management structure and making effective use of capital raised from the market, we aim to achieve even higher corporate value while developing together with our customers on the path to progress in a new growth stage

Revenue and earnings in FY2018 significantly exceeded our initial plan, as revenue increased 25.5% from the previous period to ¥26.417 billion, while operating profit rose 65.9% to ¥6.550 billion and profit attributable to owners of the parent rose 75.8% to ¥4.255 billion.

We also raised ¥17.5 billion in June 2018 by exercising 2023 due euro-yen denominated convertible bonds with warrants. Making effective use of funds raised, we seek continued growth to achieve our medium-term management targets for consolidated operating profit of ¥10 billion in FY2020, ¥25 billion in FY2025, and ¥100 billion in FY2030.

In terms of shareholder returns, we have increased our dividend for 12 consecutive years since FY2006. We now pay out 58 yen per share, roughly 19 times more than our initial dividend. Employing the strategies outlined above, we will develop our business in a variety of business areas and regions, while bolstering our financial services and new value-added services to turn ourselves into the undisputed leader in comprehensive payment services. Please keep your eyes on us!

GMO Payment Gateway creates new value in payments with sights set firmly on the future, adapting to a world where change happens faster than ever before.



E-COMMERCE

Providing all type of highly convenient, secure payment methods, from internet shopping to online payments of taxes and public dues

FinTech

For merchants we develop payment methods that utilize finance technology, and services that support growth according to financing needs

IoT

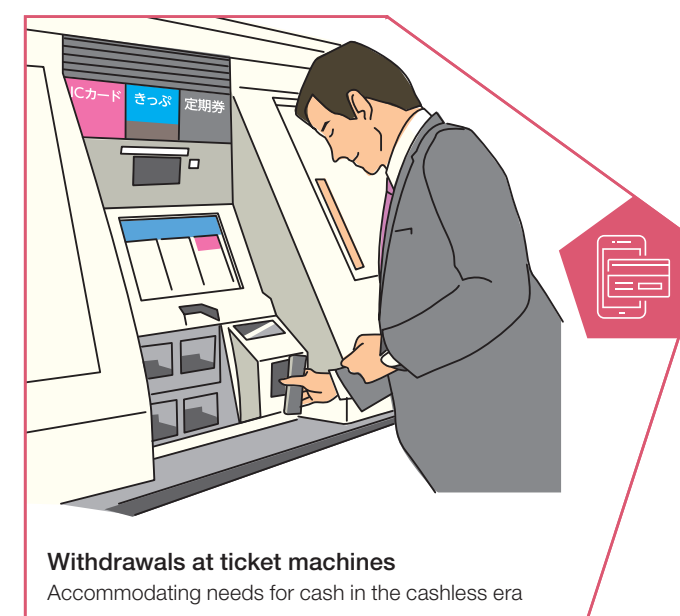
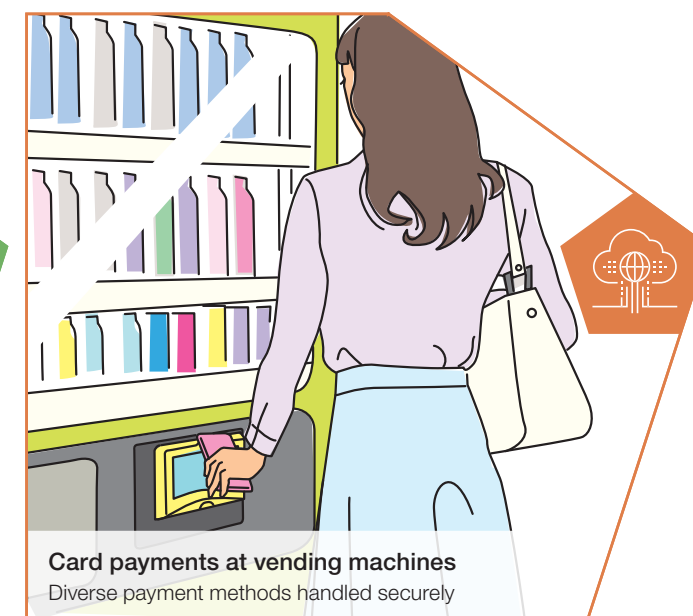
Providing highly-secure services in the area of card-present payments, where further growth is expected along with the promotion of cashless payments and increased inbound consumption

CASHLESS

Began offering services for financial institutions to accommodate more payments going cashless, which is anticipated to reach the same levels in Japan as in other countries

GLOBAL

Globally exporting our expertise, know-how, and services in payments and finance, while actively promoting partner strategies through investment



E-COMMERCE

Seeking strong growth that outstrips the growth of the e-commerce market by leaps and bounds by strengthening the recurring model and creating new markets for online payments

The e-commerce market is on a rapid growth trend thanks to favorable changes in the external environment for sales of products to consumers (B2C), including the spread of smartphones and improved logistics. At the same time, the e-commerce sphere itself has also expanded, including more e-commerce between businesses (B2B) and between consumers (C2C). Payments are also increasingly being conducted online in areas outside of e-commerce, including services other than product sales, public dues such as utility payments and taxes, and areas such as healthcare which are major components of people's lives.



Yuichi Hisada

Senior Managing Director, Head of Innovation Partners Division

By either determining the true needs of individual customers or offering services that quickly cater to the direction markets are heading, we have created markets where online payments can be made in realms beyond just e-commerce for the sales of products.

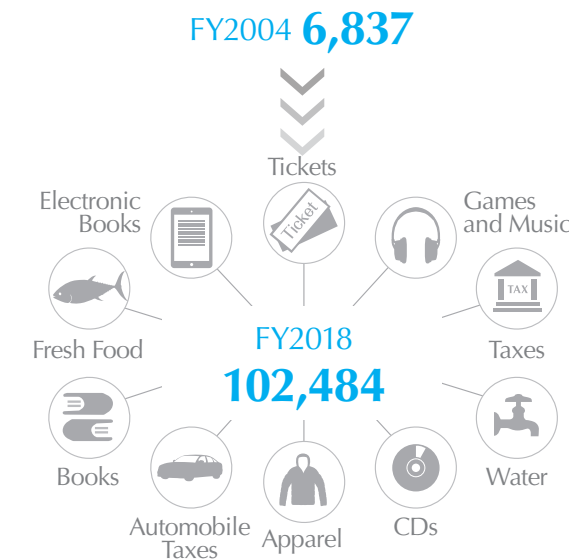
We have the top sales organization in the industry, with an approach focused strongly on being there with our customers

in person in order to brainstorm together with them about how they would like to change, or how they should change, and create tangible services as a result.

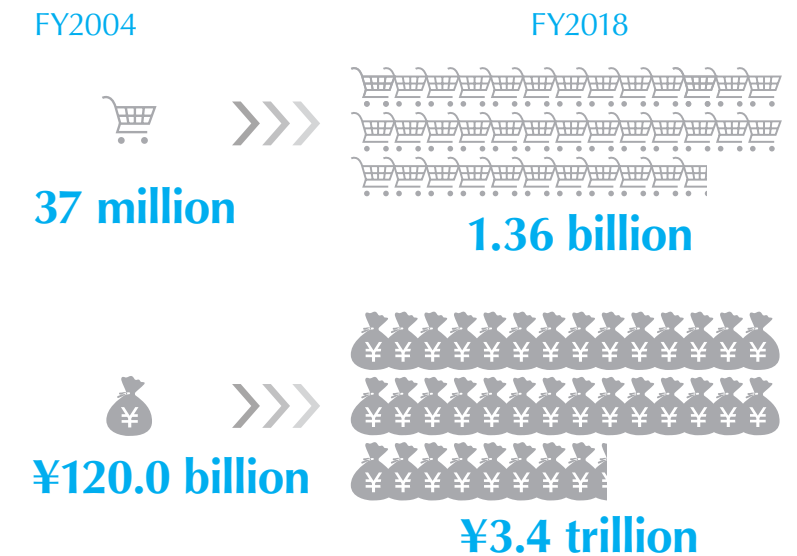
We want to continue being a partner in providing innovation and satisfaction to everyone involved in our business.



Number of Merchants

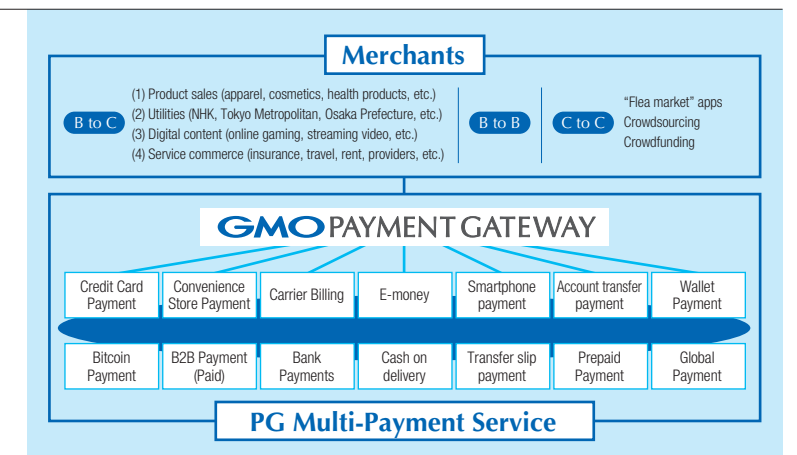


Transaction Volume & Value



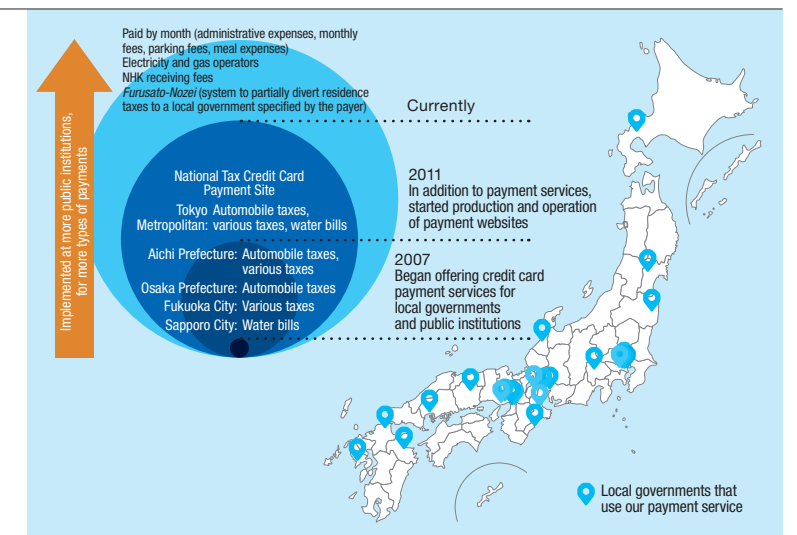
PG Multi-Payment Service, the standard for e-commerce payments

PG Multi-Payment Service is a payment platform that allows all-in-one implementation of a variety of payment methods including credit cards and convenience stores. It helps online sellers and e-commerce businesses increase their sales by offering a safe, secure payment environment before, during, and after the payment, while also being compatible with implementation plans for credit card transaction security measures.



Developing fields of online payments other than e-commerce (public dues, utilities, etc.)

Since the revision of the Local Autonomy Act in Japan in 2006 we have been developing the field of credit card payments for utilities and public dues. Many local governments and public offices now use these services, and we have strived to provide payment environments that are both convenient and secure. Having developed a wide range of fields in online payments beyond e-commerce, we will achieve business growth that outstrips the growth of e-commerce market.



FinTech

Improving capital efficiency by expanding services and bolstering profitability, and accelerating business expansion by investing funds

We provide financial services that can only be offered by a payment services company, including the GMO Payment After Delivery payment service to pay for goods after receiving them using convenience stores, banks, post offices, and other such means, in addition to Transaction Lending financial services for merchants which use payment data and other information to offer growth funding, as well as Early Payment Service, GMO-PG Remittance Service, and other such services which help improve the cash flow of merchants.



Katsunari Mukai

Managing Executive Officer, President and CEO of GMO Payment Service

Payment After Delivery can be used even by those without credit cards, allows buyers to check products themselves before paying for them, and unlike Cash-on-Delivery it does not require buyers to be home to pick up their products. Thanks to these advantages its use is becoming more widespread, as the market for Payment After Delivery increased at a yearly rate of 44% from 2013 to 2016 and is forecasted to reach at least ¥1.3 trillion in 2022*.

Since establishment in January 2013, GMO Payment Service has been accumulating expertise and know-how in Payment After Delivery. Our services have also been offered since November 2016 on Zozotown, the largest online fashion shopping website in Japan, and we continue to grow at a pace exceeding the expansion of the market.

We will continue striving to grow the market for Payment After Delivery, with our sights also set on global expansion.

*Calculated by GMO Payment Service based on "Online Payment/Settlement Service Providers 2018" by Yano Research Institute Ltd.

Developing B2B FinTech services

The domestic B2B e-commerce (electronic transactions between companies) market in Japan grew 9% year-on-year to ¥317.2 trillion in 2017, and it remains on a growth trend*. We utilize FinTech to provide services that multi-directionally support the growth of B2B e-commerce operators. These services include GMO B2B Early Payment which mitigates payment default risk, converting accounts receivable into funds at an early stage through AR financing to improve

and bolster cash flow, and GMO B2B AR Guarantee which insures the recovery of accounts receivable. Partnering with Sompo Japan Nipponkoa Insurance Inc., we have also begun providing GMO B2B Early Payment to operators who join their commercial credit insurance.

*"FY2017 Survey of Infrastructure Development Status for Data-driven Society in Japan (E-Commerce Market Survey)", Ministry of Economy, Trade and Industry



Sophistication of services through the use of AI (artificial intelligence)

We actively promote the use of AI (artificial intelligence) to make our FinTech services more sophisticated. Specifically, we deployed AI to improve the default rate of GMO Payment After Delivery services, and successfully improved profitability.

We are also providing mock data created based on our extensive collection of payment- and financial service-related data to the University of Tokyo Data Science School, an educational program for graduate students run by the University of Tokyo Graduate School of Information and Science Technology which aims to develop data scientists versed in sophisticated technologies. The program used this data as learning material for performing analyses and deriving the resulting business implications.

We will continue supporting R&D and human resources development

and training for advanced information technologies in order to deliver innovations in payments and financial services.

Collaboration with the University of Tokyo Graduate School of Information and Science Technology

Began supporting the development and training of data scientists



GMO PAYMENT GATEWAY

Execute timely fund raising and business investment to boost corporate value

Our Money Service Business engages in diverse business opportunities created through the integration of financial and information technologies, and we consider it to be a key driver of growth. In taking on even more business, we decided that a capital injection to strengthen our financial foundation was necessary in order to handle the higher capital requirements we expect business expansion to entail, and to

take on a certain level of credit risk for services such as GMO Payment After Delivery and Transaction Lending. To secure low-cost funding that facilitates sustainable growth and make our financial position even more solid, we raised ¥17.5 billion by exercising 2023 due euro-yen denominated convertible bonds with warrants.

	Funds raised	Investments	Growth
April 4, 2005 IPO	Listed on the TSE Mothers Raised ¥1.2 billion	• Made investments to strengthen existing systems (shift from credit card payment to multi-payment)	• Established a business foundation for continued rapid growth • Shifted toward being an integrated payment processing company
June 25, 2015 Allocation of new shares to third parties	Raised ¥8.0 billion	• FinTech services (begin remittance and lending, bolster, improve Early Payment Service) • Established joint venture • Began investment in North America and ASEAN	• Expanded into financial services, accelerated profit growth through group company expansion • Invested in 17 companies in 10 countries
June 19, 2018 Euro-yen denominated convertible bonds	Raised ¥17.5 billion	• Business expansion in five focus areas • Increased working capital and loans, etc., along with expansion of FinTech (global lending) • Made investment in new financial services	• Became the top comprehensive payments/financial services company in Asia • Expanded FinTech

IoT

Staying a step ahead of the move to cashless payments and the revision of the Installment Sales Act, while aiming for business expansion and rapid growth

In the card present market, credit card shopping is robust while the Japanese government is also pushing more cashless transactions. Under these circumstances, we expect the 2020 Tokyo Olympics and Paralympics to add even more momentum to cashless payments—including methods other than credit cards. We believe this will present new business opportunities for our group, and that our business field will see continued expansion as a result.



Kentaro Sugiyama

President and CEO, GMO Financial Gate, Inc.

In the field of card-present payments which we handle, credit card transaction volume itself is soaring domestically, while we also expect the cashless payment market to expand in the runup to the 2020 Tokyo Olympics and Paralympics due to factors including accelerated changes to payment terminals that can handle highly-secure IC chip cards as the revision to the Installment Sales Act goes into effect.

Sales are accumulating at a particularly solid pace in the field of embedded devices in the “Unattended Market” (all-inclusive title for vending and service machines), which we see as a new growth engine and are focusing our efforts accordingly. We are also steadily acquiring new merchants through regional financial institutions.

We seek to deliver continued rapid growth by staying a step ahead of change and expanding our stable forms of business even further.

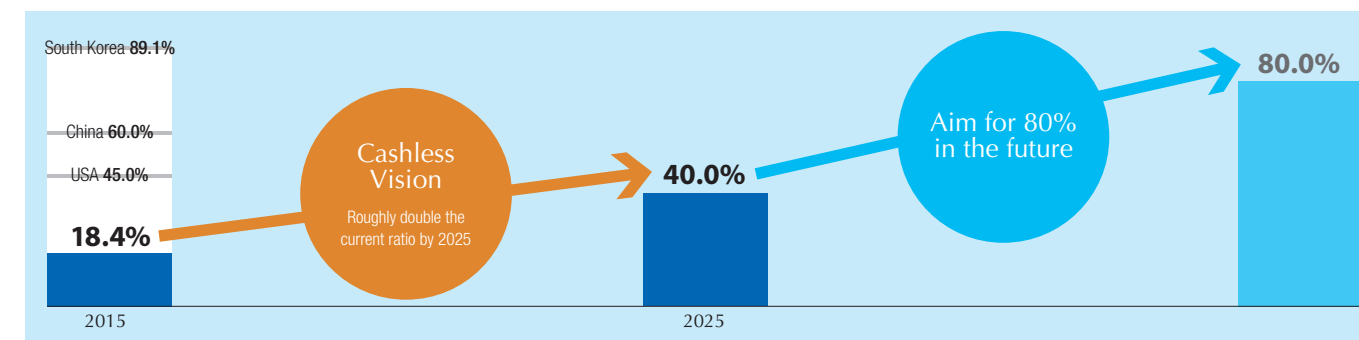


Development of the cashless market

In April 2018 the Ministry of Economy, Trade and Industry announced its “Cashless Vision” to raise the current 18.4% ratio of cashless payments to 40% by 2025. This vision pointed to the importance of IoT and FinTech for solving problems in order to increase the ratio of

cashless payments. We thus believe that the needs for our services are expanding.

*From the “Cashless Vision” by the Ministry of Economy, Trade and Industry, announced in April 2018



Began providing embedded payment devices for vending machines

Offering Japan's first contactless Visa payment system for beverage vending machines

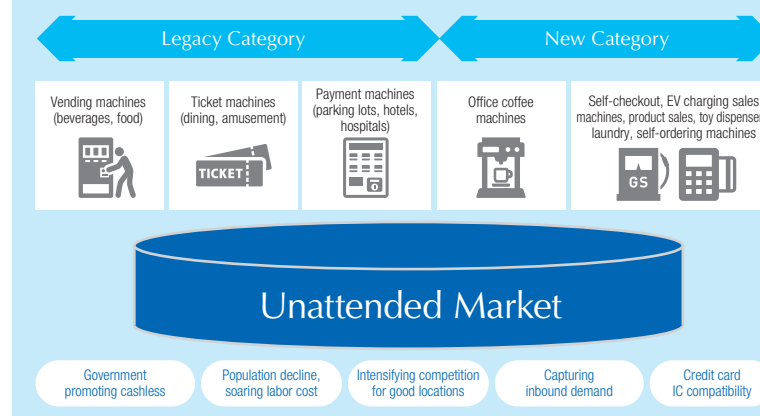
Seizing upon the shift to more cashless payments in the future we are developing a series of embedded payment devices for vending machines and automatic service machines (beverage vending machines, ticket machines, laundromats, coffee machines, etc.). The first offering we have developed is an embedded multi-payment device created jointly with Nayax KK featuring contactless Visa touch payment which enables purchases just by holding up a credit card or mobile device. We are working to implement self-service contactless payments to the overall “Unattended Market” (all-inclusive title for vending and service machines) including ticket machines, laundromats, and coffee machines in addition to beverage vending machines.



“Unattended Market” (all-inclusive title for vending and service machines)

Payment solutions that are compatible with credit card IC chips and cater to payments by inbound tourists are preferred in the “Unattended Market” (all-inclusive title for vending and service machines), while the market is also expected to expand thanks to intensified efforts to secure good locations for retail (penetration into offices, etc.) and changes in the environment such as population decline.

Unattended Market



CASHLESS

Establishing the cashless infrastructure of Japan by providing payment solutions to financial institutions, and expanding Ginko Pay while combining it with services

The Japanese government is working on a variety of initiatives to raise the ratio of cashless payments in the country from 20% in 2016, which is much lower than other countries, to 40% in 2025.

We are working to grow the Ginko Pay platform system developed jointly with the Bank of Yokohama Ltd., and GMO-PG Processing Platform. These are geared towards financial institutions engaged in new types of business that contribute to the creation of a cashless society, and we are focusing our efforts on adding more participating business operators.



Masaru Yoshioka

Managing Executive Officer,
Executive Manager of Management Department of Strategic Business, Innovation Partners Division

Our strength in the field of financial services is our ability to comprehend a wide variety of rules for doing business while also being equipped with high level expertise in system development, and in addition to developing our own FinTech services, being able to provide beneficial services and support to financial institutions such as banks and credit card companies as an innovation partner. Ginko Pay is one such service, and we aim not only to expand its usable area by having it

implemented in large numbers of financial institutions, but also to expand its applications. One application is the ability to withdraw cash from ticket machines, the first time this has ever been possible in Japan.

We will expand our range of business and services from e-commerce and online payments to cashless, as we also contribute to even broader growth for business operators.



Increasing implementation of Ginko Pay which supports the cashless business of financial institutions

Ginko Pay is a smartphone payment service linked to bank accounts which was developed jointly with the Bank of Yokohama. This new payment method that leverages the strength of banks in combination with the convenience of smartphones helps support the revitalization of local economies.

Users who have accounts at financial institutions that have implemented Ginko Pay can execute procedures through a smartphone app to withdraw money from their accounts and complete payments without needing to use cash.

Ginko Pay can also not only be deployed as a bank-specific smartphone payment service, but it can also be offered as a service that goes beyond banks and communities through mutual links between banks that have implemented it (multi-bank).

Initiatives to go cashless will be accelerating even more. Catering to this trend, we will have Ginko Pay implemented at even more banks, and support financial institutions in the move to cashless.

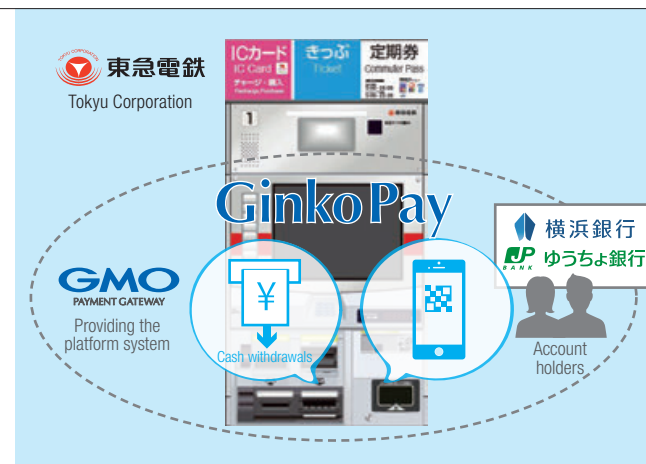
Implemented
at more banks



Launching development to create Japan's first ever cash withdrawal service at ticket machines

Together with Tokyu Corporation, Bank of Yokohama, and Japan Post Bank, we are launching development to create a cash withdrawal service at ticket machines. This service uses the platform system of Ginko Pay to allow cash withdrawals from ticket machines at Tokyu Corporation railway stations simply by holding up the QR code displayed on Bank of Yokohama's "Hama Pay" or Japan Post Bank's "Yucho Pay" (which is scheduled for launch in February 2019).

This will allow users with accounts at Bank of Yokohama and Japan Post Bank to withdraw money from ticket machines at Tokyu Line stations they pass through regularly in their daily lives. Since this cash withdrawal service offers a new usage application for the ticket machines owned by railway companies, we are also organizing plans to provide it to railway line operators other than Tokyu.



GMO Medical Reservations Technology seeks greater efficiency in medical settings through cashless payments

There is a heightening need for more diversity and automation in payments for medical expenses. To address these needs Medical Reservations Technology Co., Ltd. which engages in making the work operations at medical reception desks more efficient, entered into a capital alliance with our group company GMO Epsilon, and in August 2018 joined GMO Internet Group, and changed its name to GMO Medical Reservations Technology Co., Ltd.

In the future we plan to add even more efficiency and convenience to operations in medical settings by harnessing synergies between the accumulated expertise from development and operations for various reservation systems, and the payment solutions that GMO Epsilon provides.



GLOBAL

From laying the groundwork to a period of expansion, aiming to be the comprehensive payment services leader in Asia

While providing Z.com Payment to Japanese e-commerce operators and other businesses in the ASEAN region, we are also investing in promising FinTech companies through GMO Global Payment Fund, plus utilizing the group for support through consolidated subsidiary Macro Kiosk Berhad which provides authentication services to banks that employ scale-first strategies. Doing so, we are driving our global business as we come upon a transition from the groundwork phase to a period of business expansion in the region that is the center of growth in the world.



Ryu Muramatsu

Director, Executive Vice President,
Head of Corporate Value Creation Strategy Division and President of GMO-Z.com Payment Gateway Pte. Ltd.

Our global business is in the advance investment stage, but we are making steady progress. Macro Kiosk Berhad has more than doubled its customer base in two years from 22 banks to 48, while authentication transaction volume in mobile banking has grown at increasingly faster rates of 20% and 30% over the same two years.

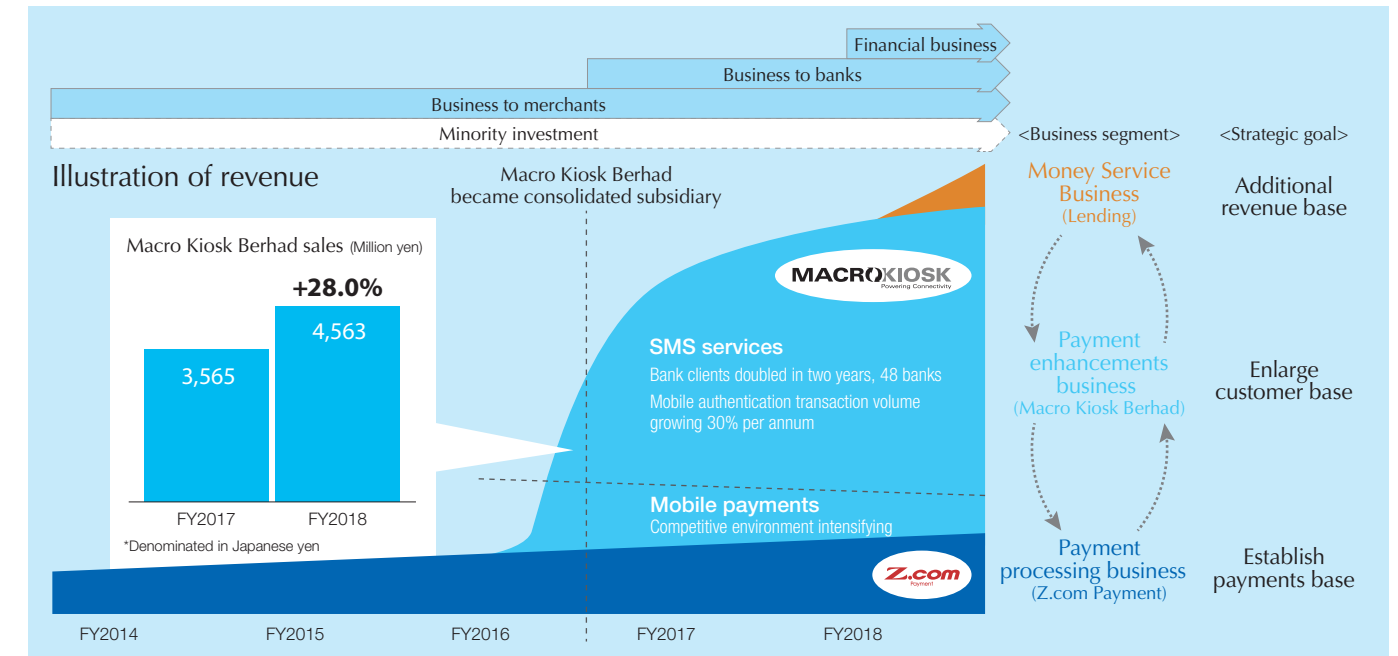
We have also launched our lending services to fill the gap between supply and demand for business capital by companies in Southeast Asia, and to offer financial support to FinTech partners as interest rates rise in the United States. We will continue executing our strategy with the aim of being the leader in Asia.



Aim to establish an ecosystem (recurring model) in global business

The strategic goal for our overseas business is to establish a payments base through the growth of Z.com Payment, enlarge our customer base through Macro Kiosk Berhad, and add to our revenue base through the global lending services we launched in 2018. We will seek

additional profit growth by linking the three business segments and establishing the same ecosystem (recurring model) overseas that we have established in Japan.



Expand the three business segments in global locations

We are working to expand the regional areas and business fields of the three segments of payment processing, money service, and payment enhancements businesses, in order to harness potential growth in areas of Southwest Asia, where rapid growth is ongoing.

Having launched services of our payment processing business mainly in ASEAN and our Money Service Business in North America, we are also planning to enter countries such as India.



Corporate governance

Fundamental approach

Under the management principles of “Seeking both material and spiritual wealth by contributing to the progress and development of society,” our group builds governance systems that can effectively, efficiently turn these principles into reality. The fundamental approach to corporate governance in our group is to devise and implement governance systems for healthy business development, while simultaneously ensuring both the efficiency and legitimacy of management. We consider governance to be one of the most important issues in management.

On December 16, 2018 we responded to changes in the surrounding

environment by establishing an Executive Committee to handle the decision-making function for the execution of important operations, in order strengthen the management oversight function due to the separation between oversight and execution. We are working to accelerate the decision making of management and improve governance, while also reinforcing the oversight function of the Board of Directors. To achieve our corporate governance objectives, we are also committed to conducting more transparent management by providing timely disclosures for shareholders and investors, and investor relations activities.

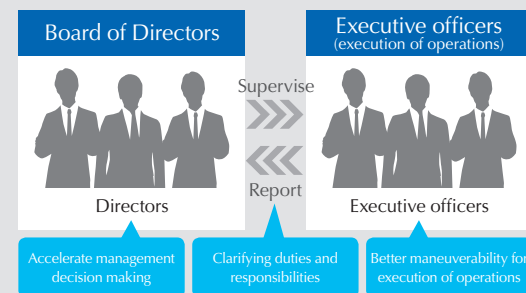
Strengthening of the Board of Directors’ supervisory function regarding business execution and enhancement of the management structure (enacted December 16, 2018)

Purpose

We established an Executive Committee in order to properly deal with changes in the surrounding environment, and we are working to accelerate management decision making and improve governance, while also reinforcing the oversight function of the Board of Directors.

Overview of the new management structure

- 1 Executive officers execute their duties (establishing an Executive Committee to deliberate respective duties) as the persons responsible for the execution of operations, based on management policies decided by the Board of Directors
- 2 Appointments and dismissals of executive officers are decided by the Board of Directors
- 3 The duties of executive officers are decided by the Board of Directors
- 4 The term of office for executive officers continues until the Board of Directors meeting immediately after the end of the annual meeting of shareholders for the last fiscal year ending within one year after the executive officer’s election.
- 5 Directors are able to serve as executive officers simultaneously



Board of auditors

Our board of auditors is comprised of four members (of whom three are external auditors). Auditors oversee the execution of duties of directors by conducting audits according to the audit plan formulated by the board of auditors, and by attending important Board of Directors meetings, etc.



Takashi Iinuma
Auditor



Kazutaka Yoshida
External Auditor



Kazuhiko Okamoto
External Auditor



Yumi Hokazono
External Auditor

Compliance

Fundamental approach

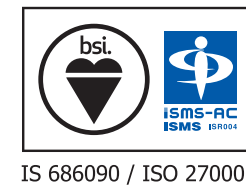
In our group of companies, we consider the scope of compliance to include a) ordinances, b) ethics and social norms, c) rules, regulations, and procedures, and d) management vision. With an awareness of “adapting to the demands of society” (known as full-set compliance) which includes observance of ordinances, we are actively boosting the compliance mentality of all our employees. In its yearly audit plan, our internal audit office also reviews our state of compliance with ordinances, articles of incorporation, company rules, and other such regu-

lations. When the circumstances are found to require improvements, we take corrective measures, and follow up to ensure the corrections are being made. In addition to the normal reporting systems based on chains of command, we are building and operating an internal notification system for incidents where compliance violations are thought to have occurred within our company.

Information Security (as of September 30, 2018)

Certified ISO27001 compliant

With a scope that encompasses all of our business locations, we have been certified as compliant with the ISO/IEC 27001:2013 global information security standard (within Japan, the JIS Q27001:2014 standard).



Privacy Mark certified

As recognition that we are taking the appropriate measures to safeguard personal information, we have received Privacy Mark certification which signifies compliance with the Japanese Industrial Standard “JIS Q 15001: 2006 personal information protection management systems requirements” for the handling of personal information.



Fully PCI DSS compliant

The services we provide are in full compliance with version 3.2 of the PCI DSS global security standard for the credit card industry, which was jointly formulated by the five global credit card brands JCB, American Express, Discover, MasterCard, and Visa. As such, we are delivering peace of mind to all of our customers, in addition to secure credit card payments.



Incident handling complete

We have implemented all of the recurrence prevention measures listed in the Recurrence Prevention Committee Findings Report published on May 1, 2017 for the incident that occurred on March 8 and 9, 2017.

Organizational security management measures

- ① Enhancement of our company-wide risk governance system
- ② Enhancement of our IT risk management system
- ③ Improvement of our internal audit and management review system
- ④ Improvement of our system development processes

Technological safety measures

- ① PCI DSS re-audit of all our systems
- ② Stop using Apache Struts 2
- ③ Split databases
- ④ Detect unauthorized access at the SQL level

As a result, we have completed our PCI DSS re-audit, and on January 25, 2018 finished implementing recurrence prevention measures. We will continue working to improve our information security and enhance our risk management systems.

Earned three stars under the monitoring section of the HDI rating benchmark, a first ever in the payment processing industry



In the monitoring section of the HDI rating benchmark, awarded by HDI-Japan which was established under the same concept as HDI, the world’s largest membership group in the support services industry, we earned three stars—the highest possible rating. It was the first time the rating has ever been awarded to a company in the payment processing industry. Our customer support has received particular praise for “service that values the perspectives of the merchants (customers),” and “proactiveness that goes as far as trying out solutions to problems that have not even occurred yet in addition to those readily apparent.” GMO-PG will continue seeking to provide customer support as a partner that assists the growth of our customers as we work to improve and enhance our support systems to be a useful, reliable presence for large numbers of merchants.

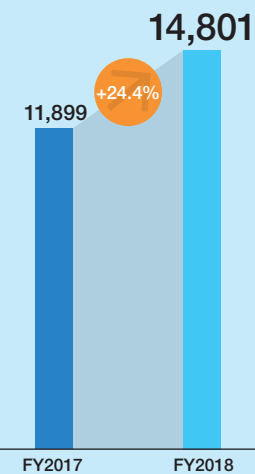
Payment Processing Business

In addition to the steady growth of the e-commerce market, we have also been doing well at acquiring new merchants thanks to the effects of the Installment Sales Act revision. In addition to the growth of our existing merchants, use of our services by business operators other than those in e-commerce has also expanded, resulting in bigger transaction volume and total value, thus contributing to increased revenues.

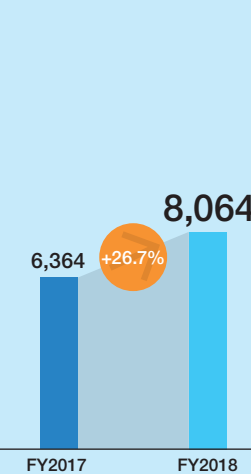
With dedicated efforts to roll out the bank account-linked payment service Ginko Pay platform system developed jointly with the Bank of Yokohama Ltd. to other financial institutions and businesses and expand the number of user business operators, we successfully launched services using the Ginko Pay platform system for the Bank of Fukuoka, the Kumamoto Bank, and the Shinwa Bank, Ltd.



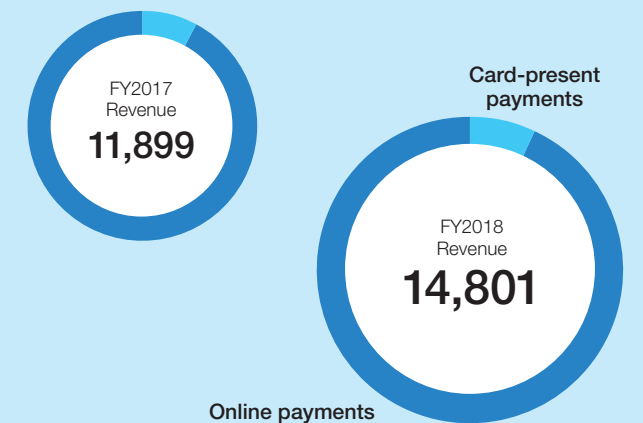
Revenue (Million yen)



Segment profit (Million yen)



Revenue mix of major businesses (Million yen)



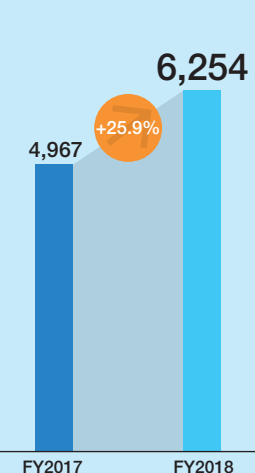
Money Service Business

(MSB)

Transaction value has increased for Early Payment Service and GMO Payment After Delivery, while services such as Transaction Lending and GMO-PG Remittance Service have also achieved steady growth. Additionally, we launched lending services for overseas business operators, which have contributed to increased revenue. In terms of money service that multi-directionally supports the growth of B2B e-commerce operators, we began providing GMO B2B Early Payment and B2B AR Guarantee in May 2018. Partnering with Sampo Japan Nipponkoa Insurance Inc., starting in September 2018 we also began providing GMO B2B Early Payment to operators who join their commercial credit insurance.



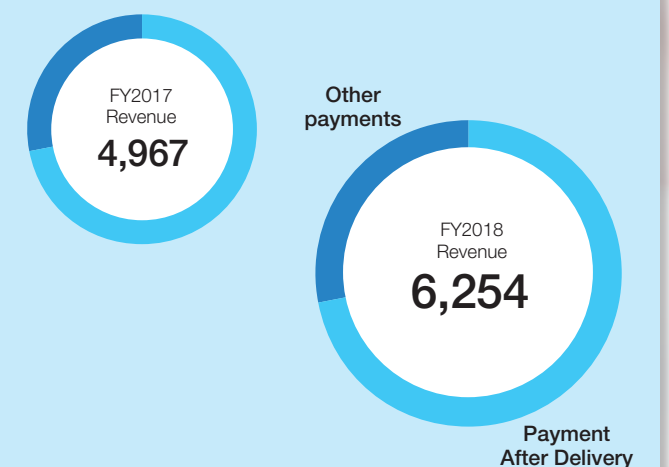
Revenue (Million yen)



Segment profit (Million yen)



Revenue mix of major businesses (Million yen)



Payment Enhancements Business

GMO-PG Online Advertising Services, Marco Kiosk Berhad, etc.

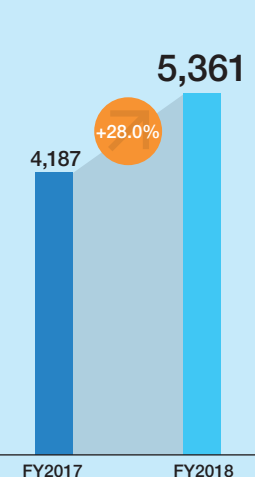
While consolidated subsidiary Marco Kiosk Berhad has had steady growth in its Enterprise Mobility Solutions (EMS) business mainly in emerging countries where it is concentrating its efforts, Mobile Payment Services (MPS) business declined.

Although the company subsequently recorded roughly ¥359.5 million in impairment loss on goodwill, it remains critically important to the expansion of our group in Southeast Asia and is plotting growth of at least 25% per annum in both revenue and operating profit.

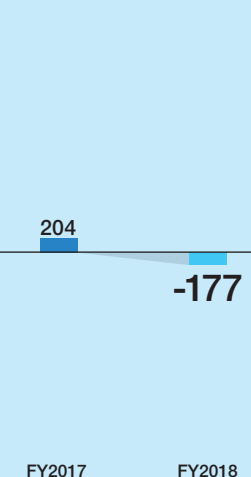
GMO-PG Online Advertising Services have experienced a decrease in revenue due to a downward trend in amounts spent of running advertisements.



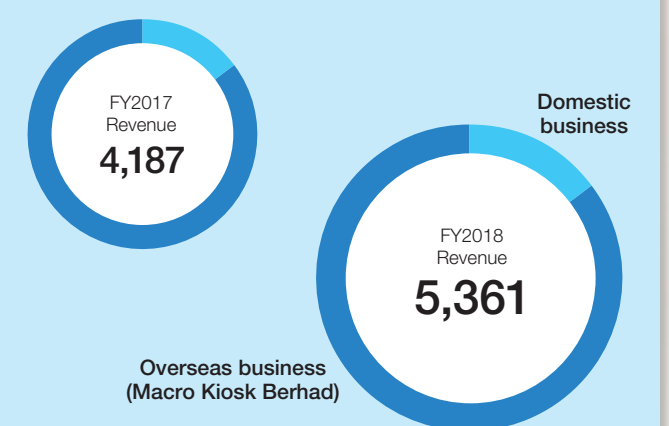
Revenue (Million yen)



Segment profit (Million yen)



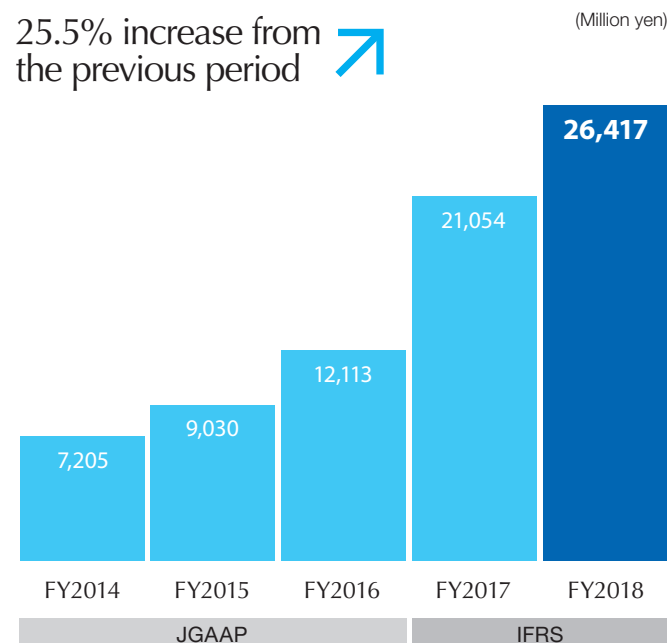
Revenue mix of major businesses (Million yen)



Delivered our 13th consecutive year of revenue and earnings growth since our initial listing in April 2005, and achieved at least 25% growth despite strategic investments and absorbing goodwill impairment

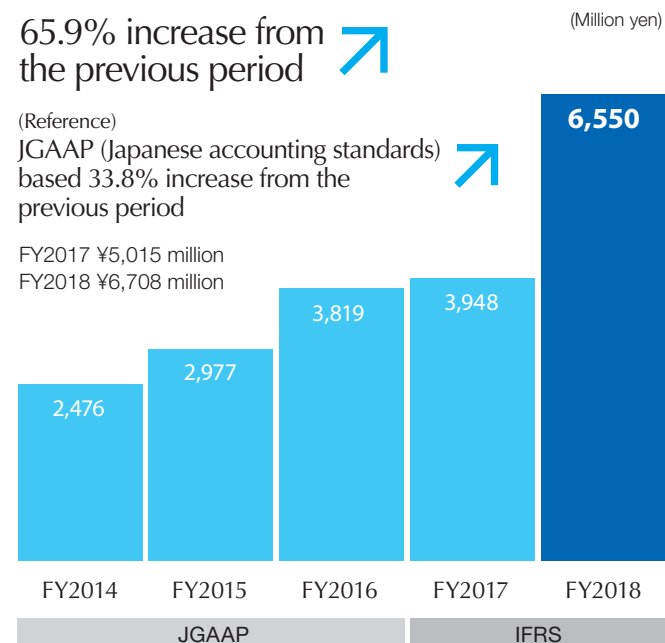
Revenue

25.5% increase from the previous period ↗



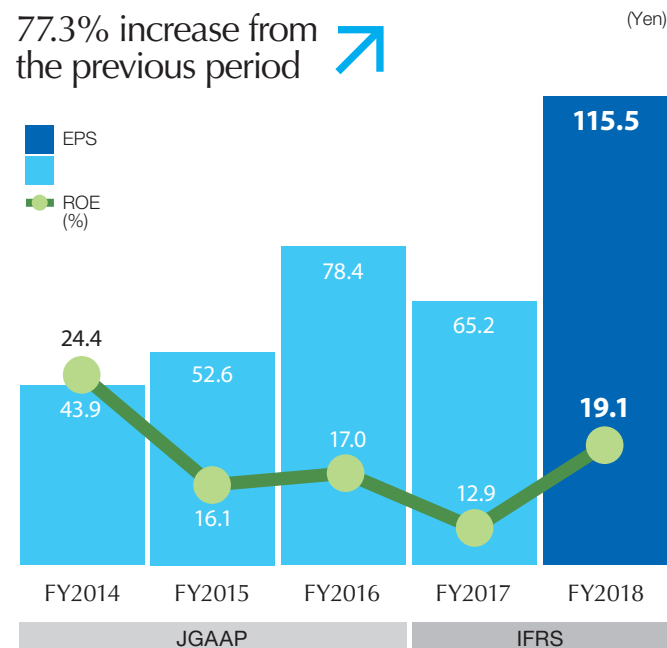
Operating profit

65.9% increase from the previous period ↗



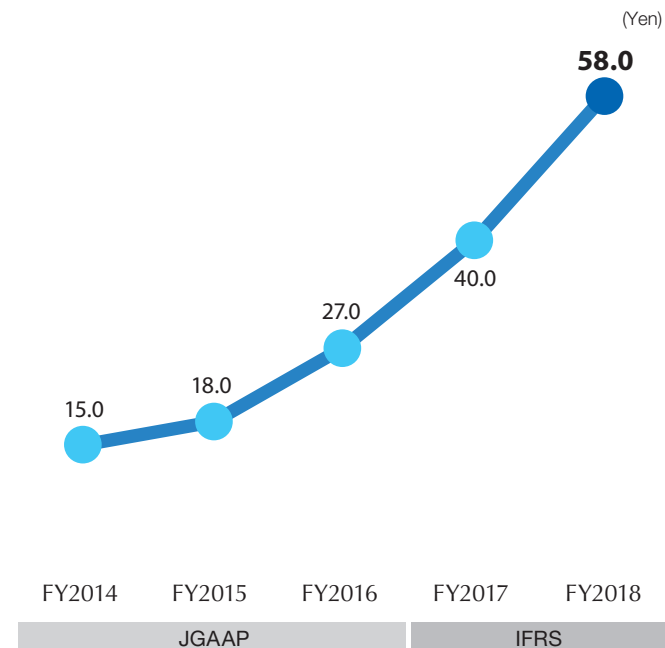
EPS (Basic earnings per share) **ROE** (Return on equity attributable to owners of parent)

77.3% increase from the previous period ↗



Starting in FY2018 we have been applying IFRS (International accounting standards). EPS in FY2017 during which we applied Japanese standards was ¥79.4. In FY2015 ROE declined from the previous period, but this was a result of increased equity due to the allocation of new shares to third parties carried out in June 2015.

Dividends



We have decided our dividend for FY2018 to be 58 yen, up by 18 yen from the year before in accordance with our basic principles for continuing a stable shareholder return while maintaining retained earnings necessary for future business expansion and enhancement of our corporate structure.

Consolidated financial statements

Consolidated statement of income

	FY2018 from Oct. 1, 2017 to Sept. 30, 2018	FY2017 from Oct. 1, 2016 to Sept. 30, 2017
Revenue ①	26,417	21,054
Cost of sales	(9,080)	(6,530)
Gross profit	17,337	14,524
Other income	165	235
Selling, general and administrative expenses	(10,470)	(10,536)
Other expenses	(480)	(275)
Operating profit ②	6,550	3,948
Financial income	415	71
Financial expenses	(63)	(43)
Investment gains or losses from equity method ("??" indicates loss)	(203)	(388)
Profit before income tax ③	6,700	3,587
Income tax expenses	(2,453)	(1,156)
Profit	4,246	2,430

Profit attributable to		
Owners of parent	4,255	2,420
Non-controlling interest	(8)	9
Profit	4,246	2,430

Changes in figures due to the application of IFRS

Starting in the first quarter of FY2018 we began optional application of IFRS in order to better accommodate various stakeholders such as shareholders and investors in Japan and worldwide by making comparison of our financial data with overseas peers easier, and by allowing for more expanded disclosures. Main changes to figures resulting from the application of IFRS are as follows.

Consolidated statement of income: Points to consider

① Revenue

In addition to the steady growth of the e-commerce market, revenues for the payment processing business have also increased because we are providing more of our group services to customers other than e-commerce business operators. Transaction volume in GMO Payment After Delivery has also been strong, while revenues increased in Money Service Business (MSB) as well and were also strong for Macro Kiosk Berhad which provides authentication and notification services through SMS authentication in addition to mobile payments. Revenues also increased in our payment enhancements business, producing total overall revenues of ¥26,417 million (25.5% increase from the previous period).

② Operating profit

While we enjoyed the benefits of economies of scale that go along with higher revenue, our cost of sales ratio rose due to factors including GMO-PG Remittance Service which has a high cost of sales ratio, GMO Payment After Delivery, and sales of payment terminals for GMO Financial Gate. Some of the expansion of our Money Service Business (MSB) also brought about higher selling costs and more staff meant higher labor costs, but overall operating profit totaled ¥6,550 million (65.9% increase from the previous period), with a 24.8% ratio of operating profit to sales.

③ Profit before income tax

While financial income increased from the previous period, investment losses from equity method decreased, so profit before income tax for the period increased at a rate of 86.8%, exceeding the 65.9% rate of increase for operating profit.

Revenue

- Difference accompanying change in basis for calculating sales (gross→net)
- Difference accompanying unification of reporting period

Operating profit

- Goodwill is not amortized
- Cost calculation accompanying changes in the fair value of the provision for directors' remuneration board incentive plan trust (FY2017)

Consolidated balance sheet

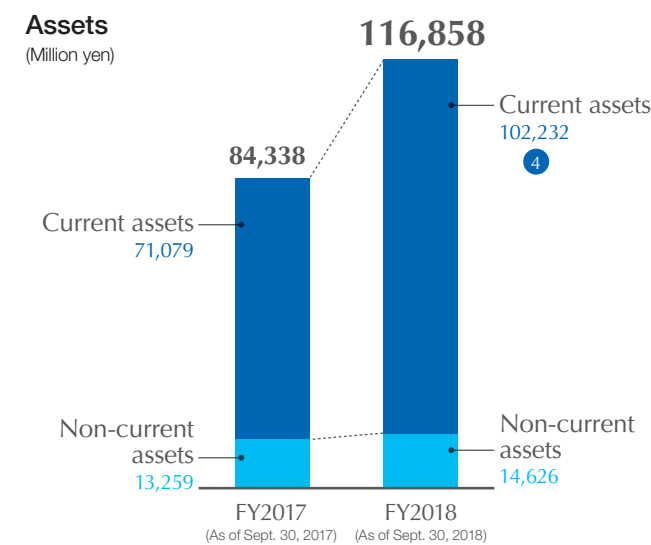
	(Million yen)			(Million yen)	
	FY2018 As of Sept. 30, 2018	FY2017 As of Sept. 30, 2017		FY2018 As of Sept. 30, 2018	FY2017 As of Sept. 30, 2017
Assets			Liabilities and equity		
Current assets			Liabilities		
Cash and cash equivalents ④	42,033	27,533	Current liabilities		
Operating receivables and other receivables	13,236	13,769	Accounts payable-trade ⑤	4,663	3,482
Advance payments-trade ④	22,267	16,806	Accounts payable-other ⑤	15,740	12,697
Accounts receivable-other ④	15,717	12,415	Deposits received ⑤	41,228	37,406
Inventory	64	94	Borrowings ⑤	4,101	820
Deposits to affiliates and subsidiaries ④	7,000	—	Other financial liabilities	98	73
Other financial assets	706	50	Income taxes payable,etc	1,530	1,574
Other current assets	1,205	408	Provision	7	—
Total current assets	102,232	71,079	Other current liabilities	2,030	1,853
Non-current assets			Total current liabilities	69,400	57,909
Tangible assets	450	461	Non-current liabilities		
Goodwill and intangible assets	4,934	4,766	Corporate bonds ⑤	16,676	—
Investments accounted for using equity method	2,938	2,970	Borrowings	2,199	2,999
Other financial assets	5,444	3,260	Other financial liabilities	185	158
Deferred tax assets	833	1,792	Provision	64	63
Other non-current assets	24	7	Deferred tax liabilities	205	230
Total non-current assets	14,626	13,259	Other non-current liabilities	2,107	2,208
			Total non-current liabilities	21,438	5,659
			Total liabilities	90,838	63,569
			Equity		
			Capital stock	4,712	4,712
			Capital surplus	5,758	4,985
			Retained earnings	12,875	9,619
			Treasury stock	(491)	(256)
			Other items of equity	1,941	613
			Total equity attributable to owners of parent	24,796	19,675
			Minority interests	1,223	1,093
			Total equity	26,020	20,769
Total assets	116,858	84,338	Total liabilities and equity	116,858	84,338

Consolidated balance sheet: Points to consider

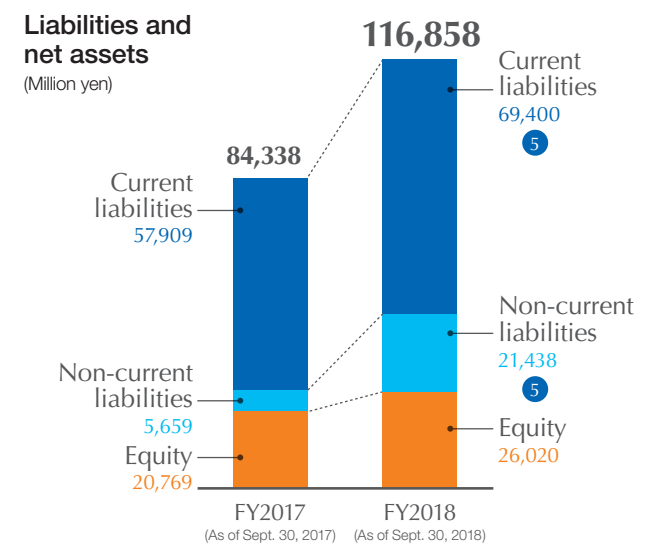
The progress of our activities during this period has resulted in ¥116,858 million in total assets at the end of the period, an increase of ¥32,520 million from the end of the previous period.

Assets ④ Current assets

Cash and cash equivalents, accounts receivable-other accompanying increased transaction volume for GMO Payment After Delivery, advance payments-trade accompanying the expansion of Early Payment Service, and deposits to affiliates and subsidiaries all increased. Deposits to affiliates and subsidiaries are from use of the cash management system implemented by GMO Internet Group.


Liabilities ⑤ Current liabilities

Accounts payable-trade, accounts payable-other accompanying increased transaction volume for GMO Payment After Delivery, deposits received accompanying revenues from contracts with representative merchants, borrowings, and corporate bonds that accompany fund raising all increased. For deposits received, it should be noted that the sales amounts (amounts remitted from credit card companies to merchants through our company) paid to merchants with representative merchant contracts are recorded at the end of every month.



Consolidated statement of cash flows

Capital decreased due to increases in advance payments-trade and accounts receivable-other from Money Service Business (MSB), but in addition to increased deposits received due to robust business activities and expansion of our payment processing business, revenues increased from securities sold and there was also revenue from the

issuance of convertible bonds. Cash and cash equivalents for the period ending September 2018 rose to ¥42,033 million, an increase of ¥14,499 million from the end of the previous period.

	(Million yen)	
	FY2018 from Oct. 1, 2017 to Sept. 30, 2018	FY2017 from Oct. 1, 2016 to Sept. 30, 2017
Net cash provided by (used in) operating activities	4,701	1,850
Net cash provided by (used in) investing activities	(8,296)	(2,012)
Net cash provided by (used in) financing activities	18,067	2,627
Translation differences of cash and cash equivalents	26	(22)
Increase (decrease) in cash and cash equivalents	14,499	2,442
Balance of cash and cash equivalents at the beginning of the period	27,533	25,091
Balance of cash and cash equivalents at the end of the period	42,033	27,533

Board of Directors & Executive Committee Members



Member of the Board



Executive Committee Member



Masatoshi Kumagai
Chairman and Director

Issei Ainoura
President and Chief Executive Officer



Ryu Muramatsu
Director, Executive Vice President, Head of Corporate Value Creation Strategy Division and President of GMO-Z.com Payment Gateway Pte. Ltd.



Satoru Isozaki
Director, Executive Vice President, Head of Corporate Support Division



Yuichi Hisada
Senior Managing Director, Head of Innovation Partners Division



Masashi Yasuda
Director



Takehito Kaneko
Director



Hiroyuki Nishiyama
Director



Hirofumi Yamashita
Director



Masaya Onagi
External Director



Akio Sato
External Director



Tomoyuki Murakami
Managing Executive Officer, President and Chief Executive Officer and COO of SMBC GMO Payment



Shinichi Sugiyama
Managing Executive Officer, Head of Systems Division



Yusuke Arai
Managing Executive Officer, President and Chief Executive Officer of GMO Epsilon, Inc.



Masaru Yoshioka
Managing Executive Officer, Executive Manager of Management Department of Strategic Business, Innovation Partners Division



Takeshi Yoshii
Managing Executive Officer, Executive Manager of Management Department of Sales #2, Innovation Partners Division



Takashi Mitani
Managing Executive Officer, CTO, Executive Manager of Management Department of IT Service and General Manager of IT Service Department, Systems Division



Katsunari Mukai
Managing Executive Officer, President and Chief Executive Officer of GMO Payment Service, Inc.

Company Information

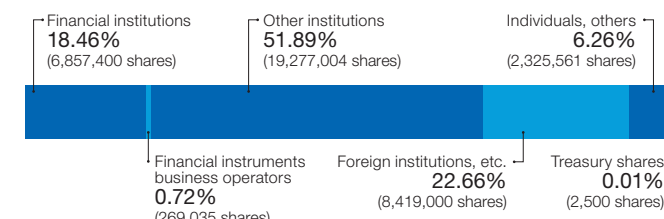
Company overview (as of September 30, 2018)

Name	GMO Payment Gateway, Inc. Stock listing First section of the Tokyo Stock Exchange (Securities code: 3769)
Establishment	March 1995
Head office	Humax Shibuya Bldg. 7F 1-14-6 Dogenzaka, Shibuya-ku, Tokyo, Japan
Capital stock	4,712 million yen
Capital surplus	¥5,758 million
Number of employees	756 (consolidated)
Business outline	Integrated payment related services, and financial services
Memberships	Japan Consumer Credit Association Japan Multi-Payment Network Protection Association (JAMPA) EC Payment Forum Japan E-Commerce Consultant Association (JECCICA)
Major subsidiaries	GMO Epsilon, Inc. GMO Payment Service, Inc. GMO Financial Gate, Inc. GMO-Z.com Payment Gateway Pte. Ltd. Macro Kiosk Berhad
Number of group companies	25 (+ 3 by equity method)

Stock status (as of September 30, 2018)

Total number of authorized shares:	102,400,000
Total number of issued shares:	37,150,500
Number of shareholders:	3,589

Shareholders and numbers of shares



(Note) On October 1, 2018 the company executed a 2-for-1 stock split of common shares, but the figures in the charts are the figures before the split.

Notes for shareholders

Business year	October 1 through September 30 of the following year
Base dates for dividends of surplus	December 31, March 31, June 30, September 30
Annual meeting of shareholders	Annually in December
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corp.
Administrator contact information	Mitsubishi UFJ Trust and Banking Corp. Stock Transfer Agency Department 1-1 Nikkocho, Fuchu-shi, Tokyo 0120-232-711 (toll-free)
Stock listing	Tokyo Stock Exchange
Method of public notices	Through electronic public notices Notices published at https://corp.gmo-pg.com/ir/ (However, when electronic public notices cannot be published due to an accident or any other inevitable circumstances, we will publish them in the Nihon Keizai Shimbun newspaper)

Members of the Board (as of December 16, 2018)

Masatoshi Kumagai	Chairman & Director
Issei Ainoura	President & Chief Executive Officer
Ryu Muramatsu	Executive Vice President
Satoru Isozaki	Executive Vice President
Yuichi Hisada	Senior Managing Director
Masashi Yasuda	Director
Takehito Kaneko	Director
Hiroyuki Nishiyama	Director
Hiroshi Yamashita	Director
Masaya Onagi	External Director
Akio Sato	External Director
Takashi Mitani	Auditor
Kazutaka Yoshida	External Auditor
Kazuhiro Okamoto	External Auditor
Yumi Hokazono	External Auditor
Tomoyuki Murakami	Managing Executive Officer
Shinichi Sugiyama	Managing Executive Officer
Yusuke Arai	Managing Executive Officer
Masaru Yoshioka	Managing Executive Officer
Takeshi Yoshii	Managing Executive Officer
Takashi Mitani	Managing Executive Officer
Katsunari Mukai	Managing Executive Officer

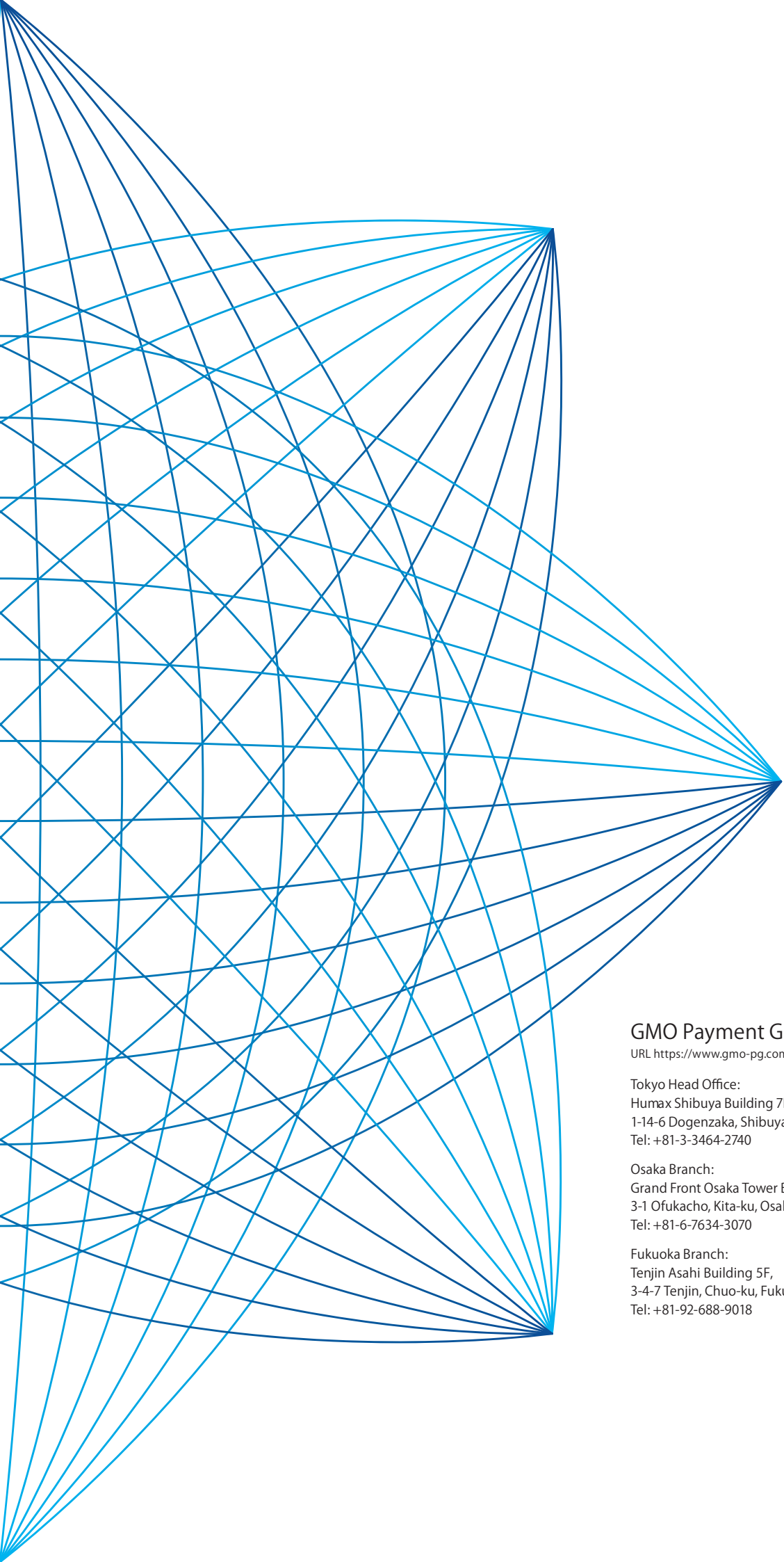
Major shareholders (as of September 30, 2018)

Name of shareholder	Shares owned	Stock ownership ratio (%)
GMO Internet, Inc.	19,186,100	51.64
Japan Trustee Services Bank, Ltd. (Trust account)	2,160,300	5.81
Sumitomo Mitsui Banking Corporation	1,250,800	3.36
The Master Trust Bank of Japan, Ltd. (Trust account)	961,500	2.58
Issei Ainoura	700,100	1.88
State Street London Care of State Street Bank and Trust, Boston SSBTC A/C UK London Branch Clients – United Kingdom	502,700	1.35
Northern Trust Co. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT Treaty Account	473,200	1.27
Pictet & Cie (Europe) S.A., Luxembourg Ref: UCITS	430,000	1.15
CIP as Depositary for Standard Life Investment Company Global Smaller Companies Fund	381,718	1.02
J.P. Morgan Chase Bank 385632	345,673	0.93

(Note) We calculate stock ownership ratio after deducting treasury shares (2,500 shares) from total number of issued shares.

(Note) On October 1, 2018 the company executed a 2-for-1 stock split of common shares, but the figures in the charts are the figures before the split.

*At the annual meeting of shareholders held on December 20, 2015, it was decided that the board of directors would be the decision-making body for dividends of surplus, and that the record dates for these dividends would be December 31, March 31, June 30, and September 30. As a result, we are able to distribute dividends of surplus on four occasions throughout the year. However, in order to ensure the retained earnings that our business structure requires, our plan calls for the year-end dividend to be the single dividend of surplus distributed during the year.



GMO Payment Gateway, Inc.

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

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3-1 Ofukacho, Kita-ku, Osaka 530-0011
Tel: +81-6-7634-3070

Fukuoka Branch:

Tenjin Asahi Building 5F,
3-4-7 Tenjin, Chuo-ku, Fukuoka 810-0001
Tel: +81-92-688-9018