

Supplementary information

Financial results briefing for the Q1 of FY2019

February 14, 2019

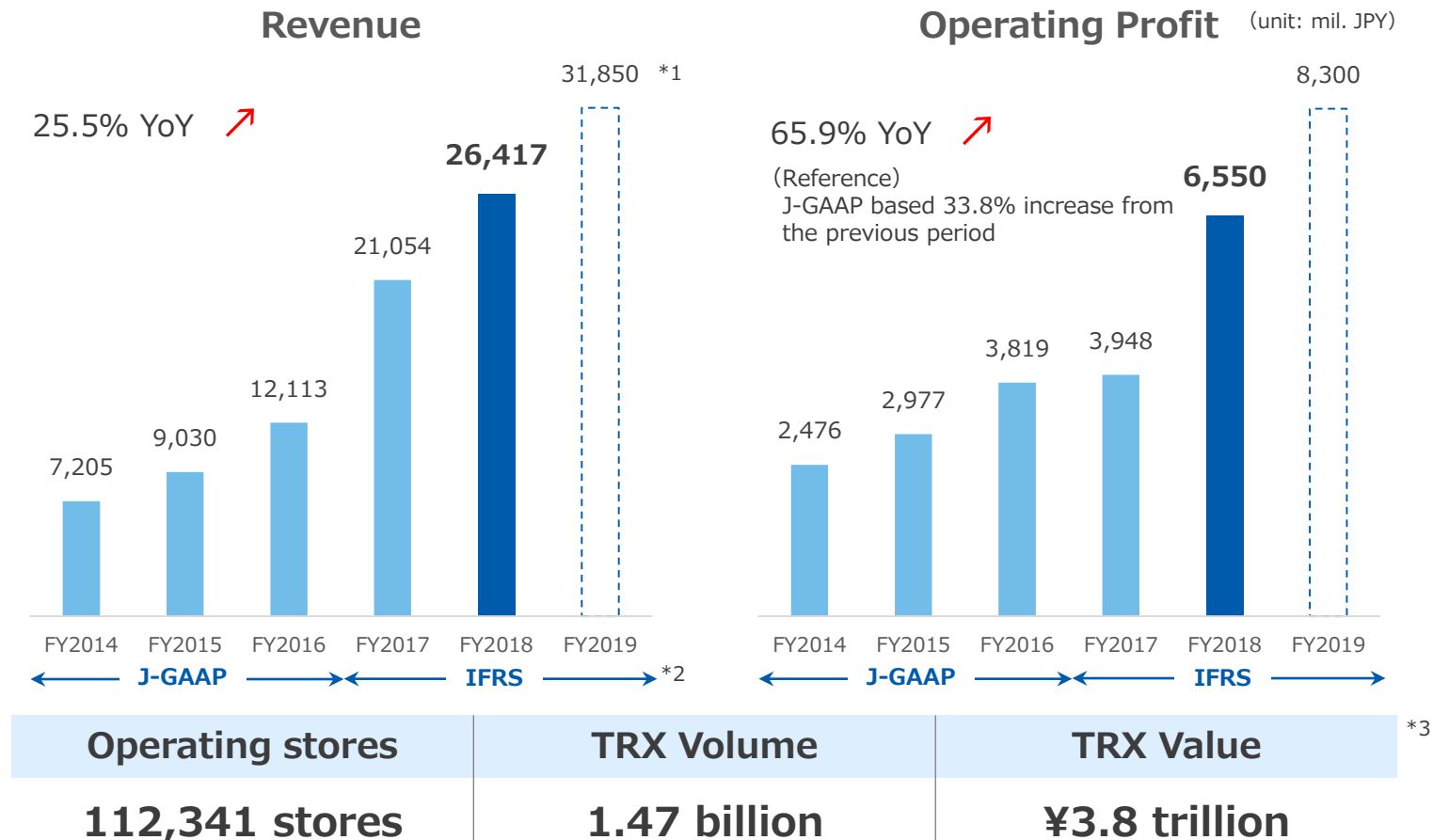
GMO Payment Gateway, Inc.
(3769: Tokyo Stock Exchange section - 1)

GMO PAYMENT GATEWAY

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

Business results and KPI

FY2018 (fiscal year ending September 2018) revenue reached ¥26.4bn and operating profit of ¥6.5bn



(*1) FY2019 figures are our forecast.

(*2) The group started voluntary application of IFRS in FY2018. The figures for the FY2017 are calculated on the same base.

(*3) The number of operating stores is at the end of December 2018.

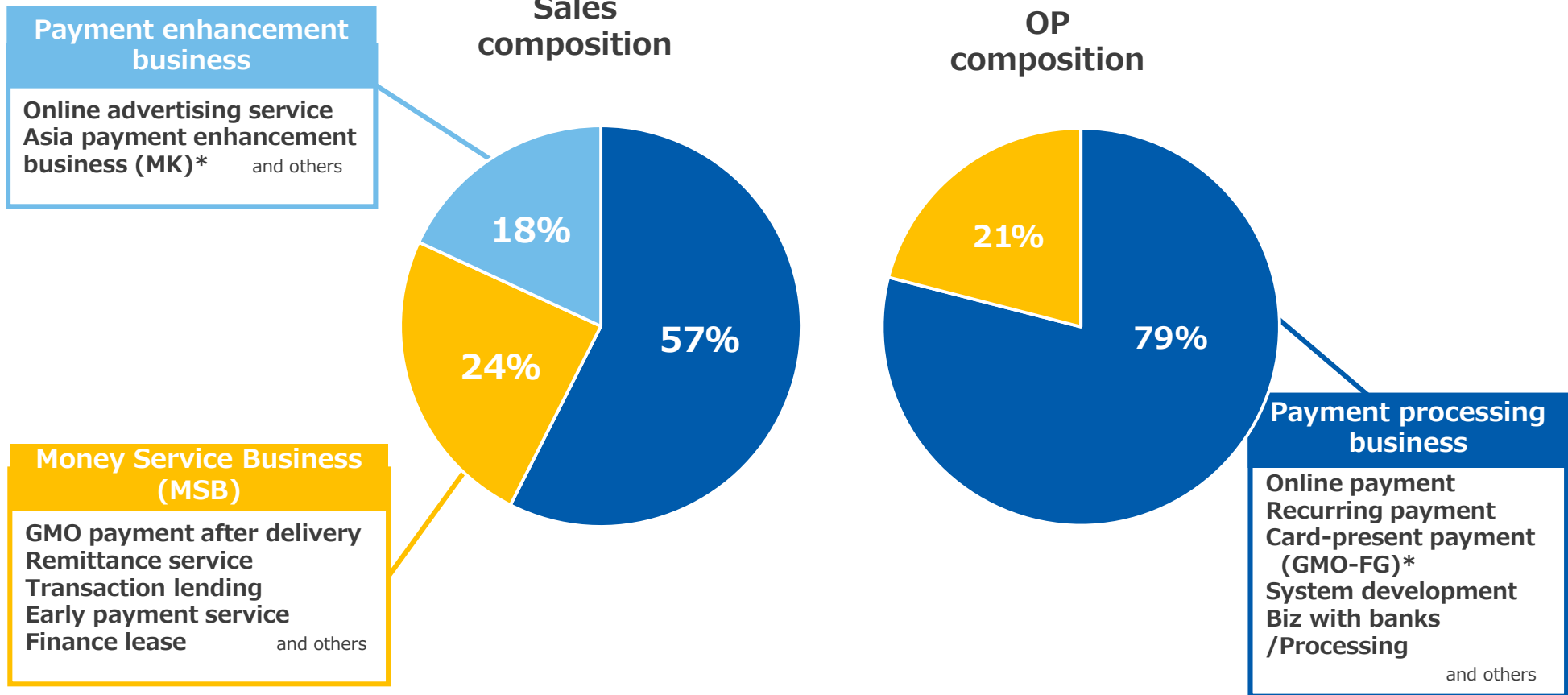
Transaction Volume and transaction value are the figures of January to December 2018.

Transaction Volume and transaction value include the figures of GMO Financial Gate Group.

Three business segments

Continuing 25% OP growth based on payment processing and peripheral businesses

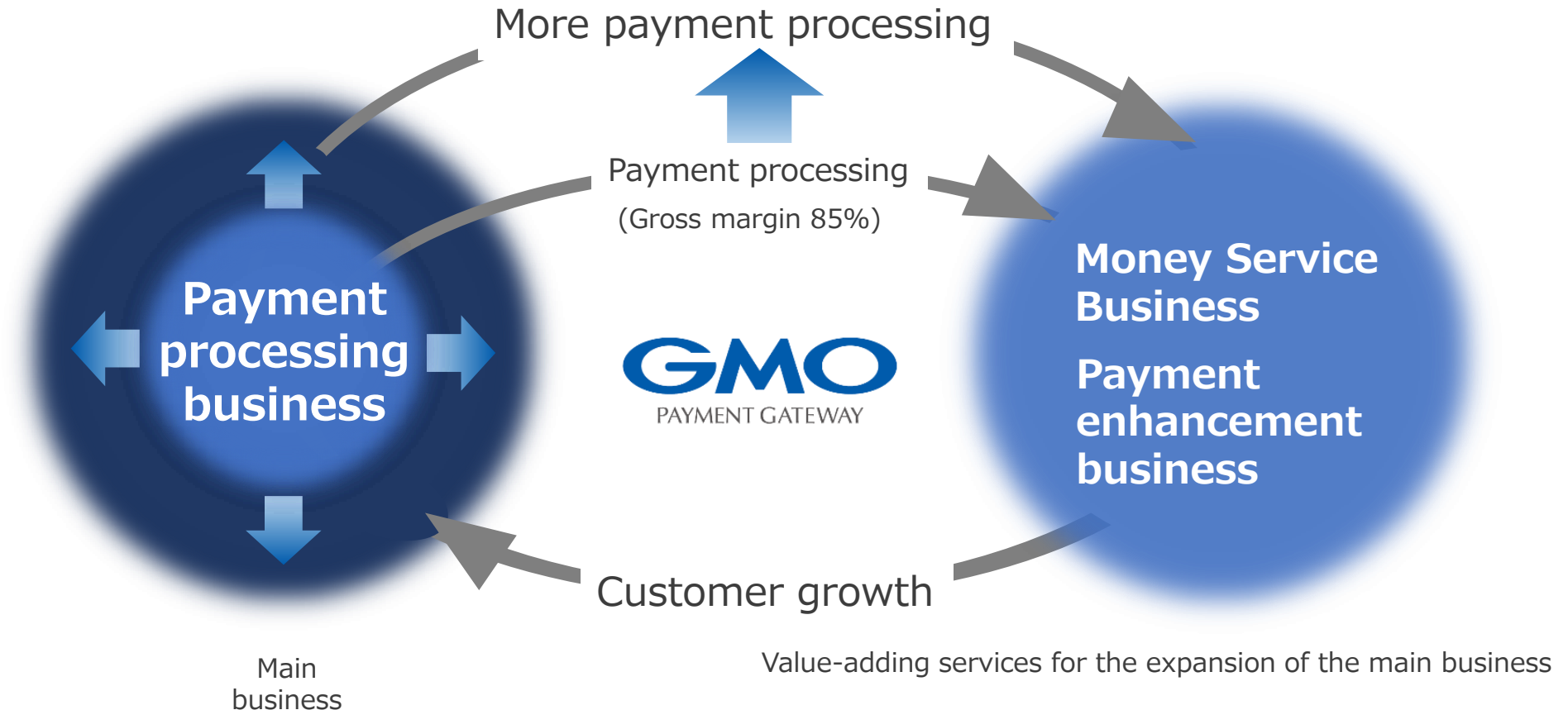
(Q1 FY2019 actual)



※MK : MACROKIOSK GMO-FG : GMO Financial Gate Group

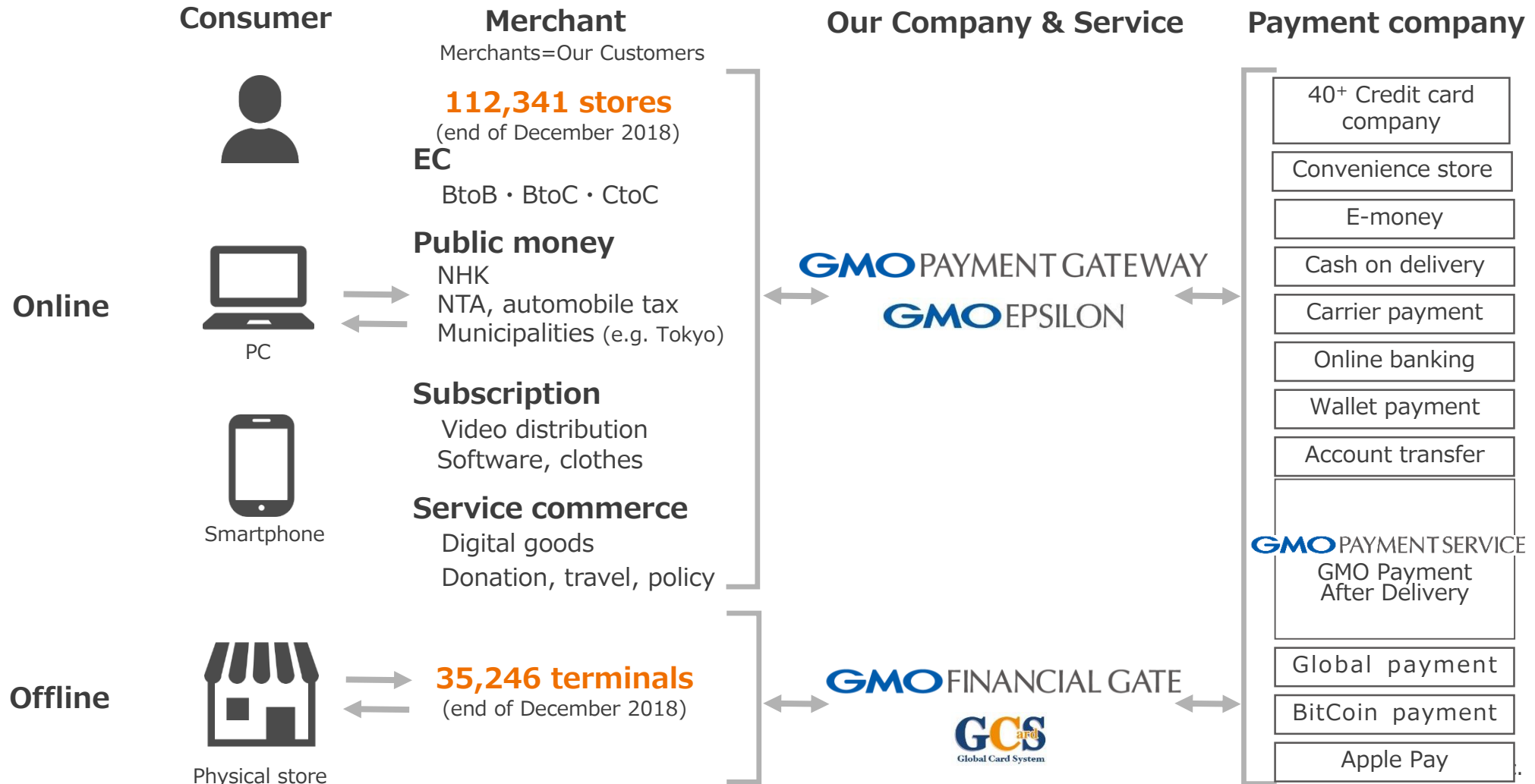
Our ecosystem

An ecosystem where our value-adding services benefit our main business so both continue to grow



Business outline - the role of our group

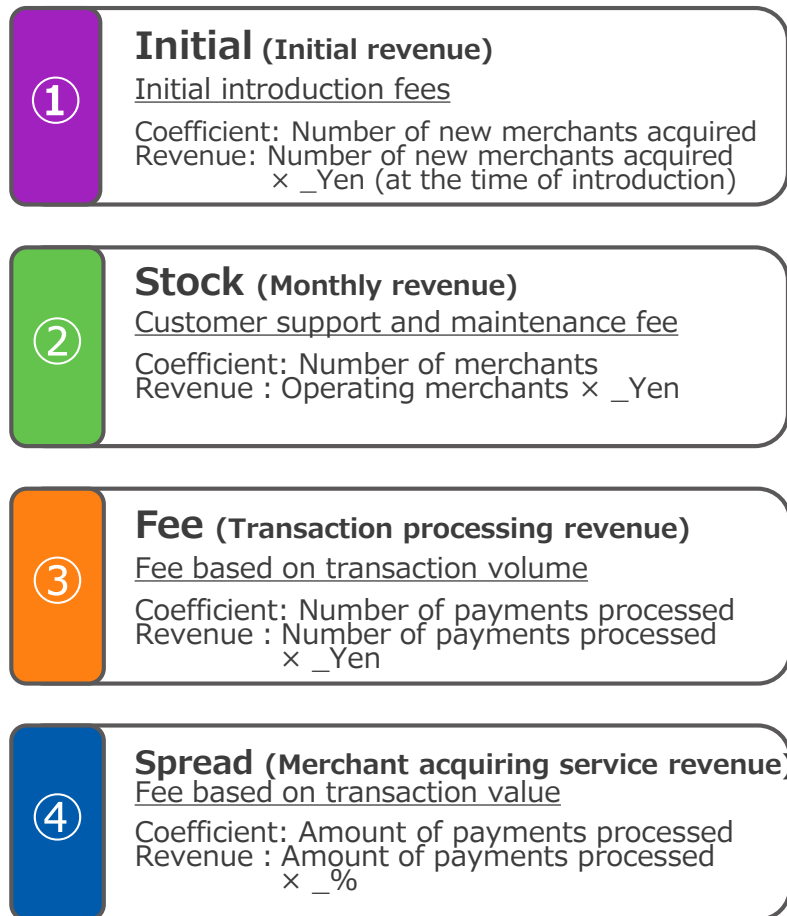
Connecting merchants and payment companies on contract, payment data and money flow



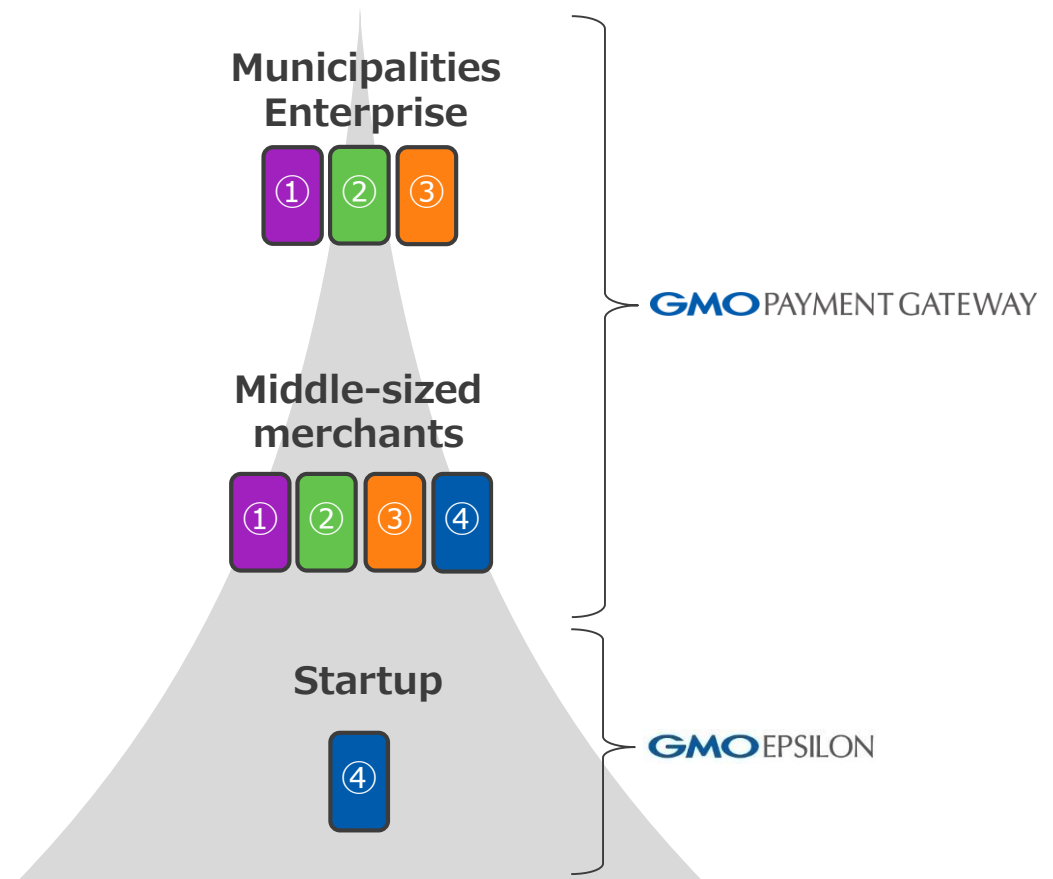
Revenue structure of credit card payment

Revenues determined by merchant type/size

■ Our four revenue types



■ Revenues by merchant type/size

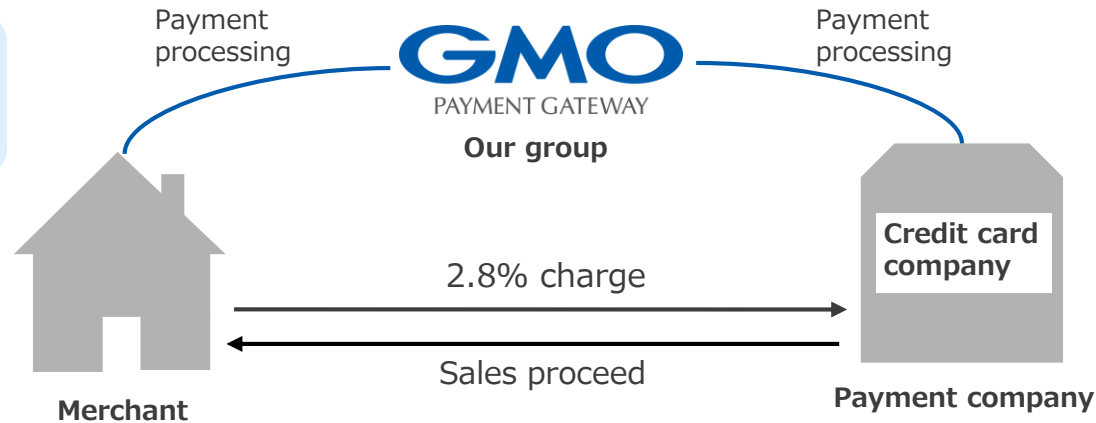


Two types of contracts

We introduced a new contract system and changed the flow of sales proceed

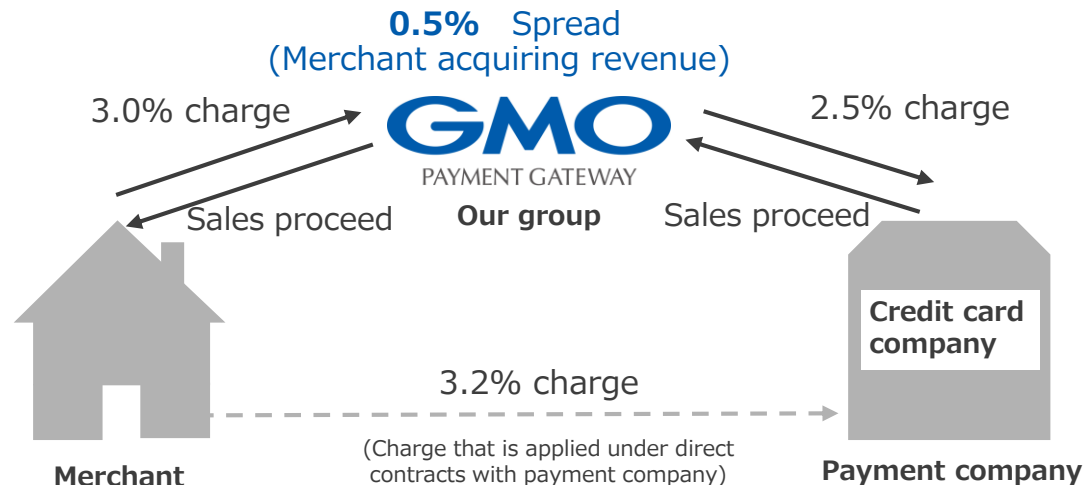
Direct contract

mainly for large companies and municipalities



Representative contract

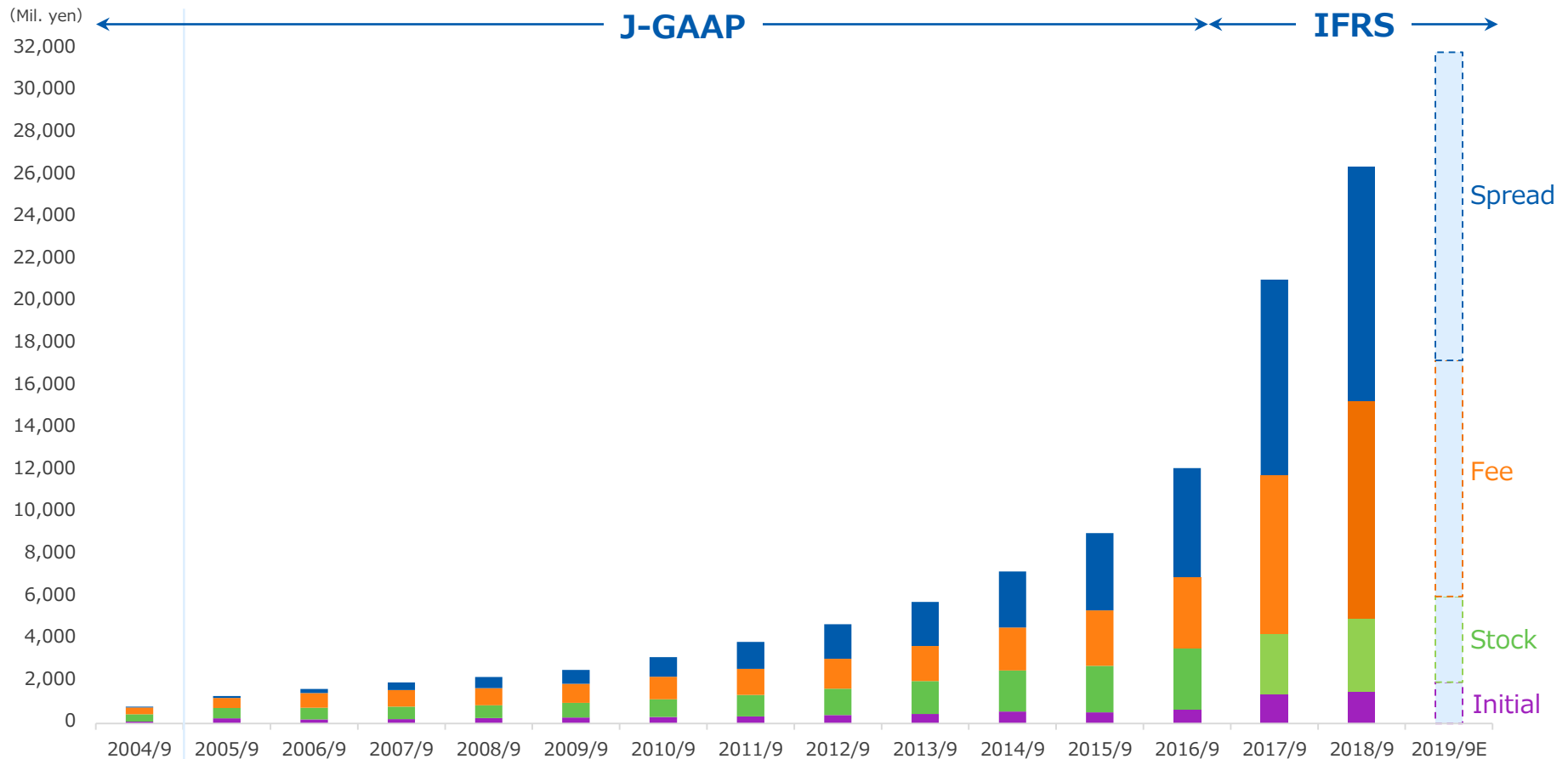
mainly for SME's but covers some large companies



*Numbers are provided for illustration purposes only.

Revenue breakdown

Target a balanced revenue growth by various initiatives



TSE Listing

2008
Launched
Early
Payment
Service

2011
Launched
Online
Advertising
Service

2013
Launched
Payment
After
Delivery

2014
Launched
Transaction
Lending

2015
Renewed
Early
Payment
Service

2016
Launched
business with
banks

GMO-FG and MK*
Became subsidiaries

※MK : MACROKIOSK GMO-FG : GMO Financial Gate Group

Summary chart of Segments and Revenue models

Reporting in 3 Segments and 4 revenue models

■ Segments

Payment processing business	Payment processing
	Services for banks/Processing
	System development
	GMO-FG
Money service business	GMO payment after delivery
	Remittance service
	Transaction lending
	Early payment service
	Finance lease
Payment enhancement business	Online advertising service
	SSL
	Shipping service
	MACRO KIOSK

■ Business model

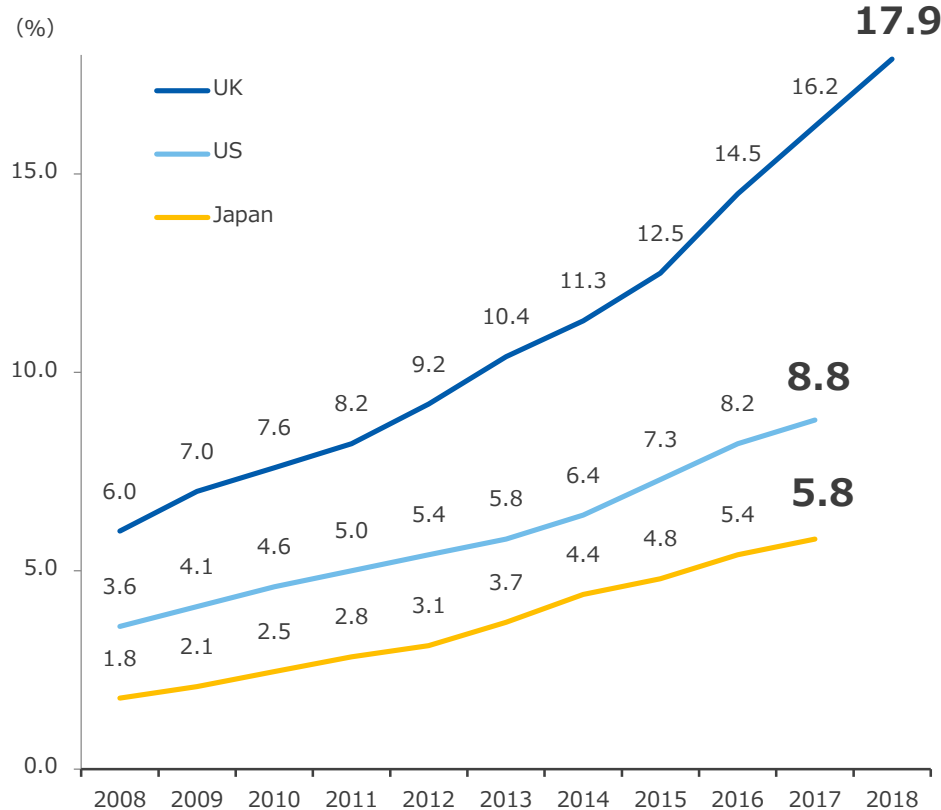
Initial (Initial revenue)	Payment processing (MK)
	SSL
	System development
Stock (Monthly revenue)	Payment processing (MK)
	Services for banks/Processing
	Online advertising service
Fee (Transaction processing revenue)	Payment processing (MK)
	GMO payment after delivery (Fee)
	Remittance service
	Shipping service
Spread (Merchant acquiring service revenue)	Payment processing (MK)
	GMO payment after delivery (Spread)
	Transaction lending
	Early payment service
	Finance lease

※MK : MACROKIOSK GMO-FG : GMO Financial Gate Group

Growth potential of Ecommerce market in Japan

Lower Ecommerce ratio and higher cash payment ratio than other advanced countries

■ Ecommerce ratio



References : METI. "FY2017 Building infrastructure for information- and service-oriented Japanese economy and society (Ecommerce market survey)"
U.S. Bureau of the Census. "The 3rd Quarter 2018 Retail E-Commerce Sales Report";
Office for National Statistics "Retail Sales, January 2019"

■ Card usage to private final consumption expenditure

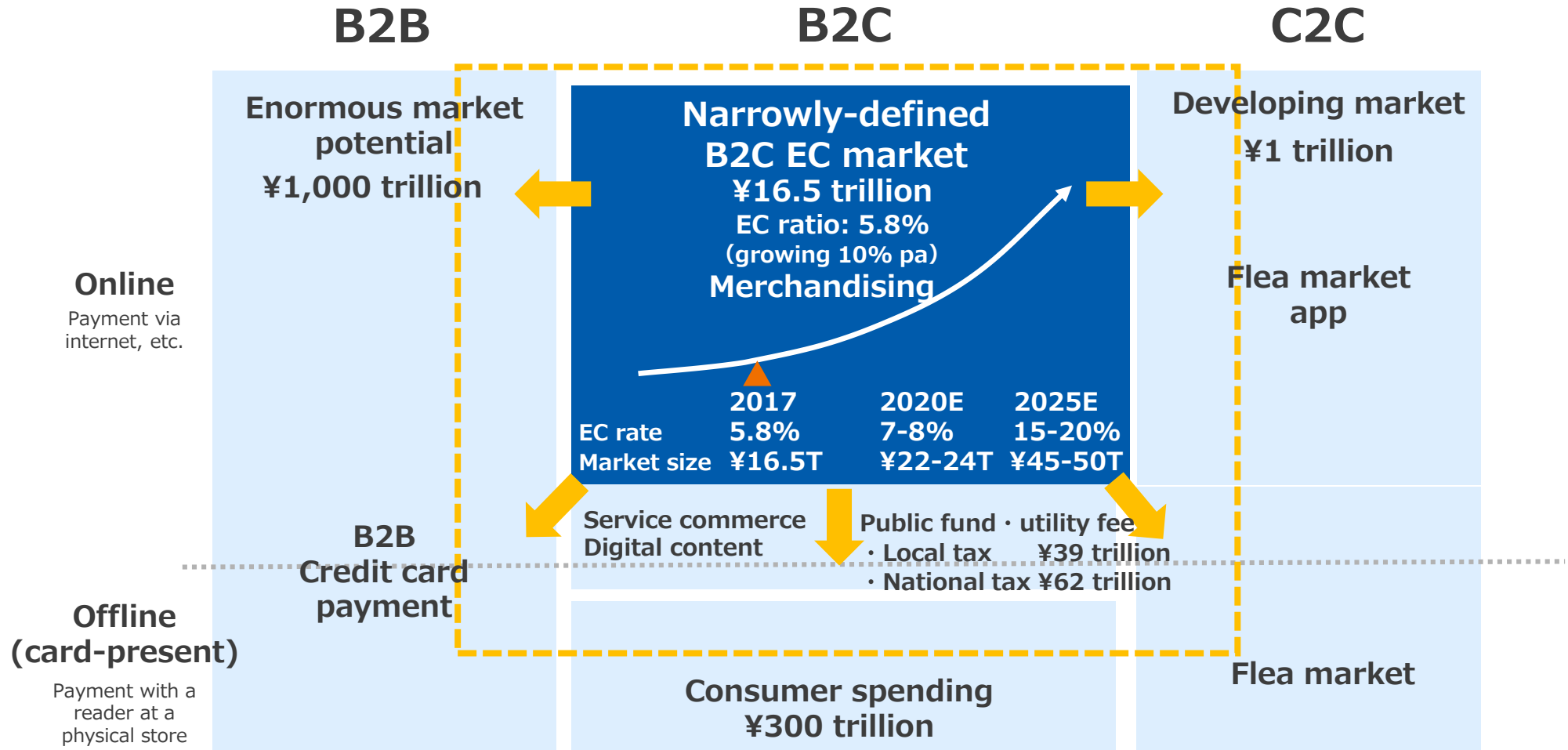
(2017)	Credit Card usage rate	Debit card	Credit+Debit * usage to private final consumption expenditure rate
South Korea	74 %	19 %	93 %
UK	12 %	53 %	65 %
Australia	31 %	25 %	56 %
US (2016)	26 %	20 %	46 %
Japan (2016年)	17%	-	17 %

*Rate=(Amount handled by CC or DC) / Private final consumption expenditure

*Estimated by GMO-PG with reference from CPSS Red Book "Statistics on payment, clearing and settlement systems in the CPMI countries - Figures for 2017"
THE WORLD BANK "Household final consumption expenditure (current USD)"

Cashless field expansion

Cashless payment trends in Japan is our growth accelerator



*References : METI. "FY2017 Building infrastructure for information- and service-oriented Japanese economy and society (Ecommerce market survey)". Figures 2020 and after are our estimates.

*MIC "Breakdown of national tax and local tax revenue (FY2018 Budget and Local Government Finance Plan)"

*THE WORLD BANK "Household final consumption expenditure (current USD)"

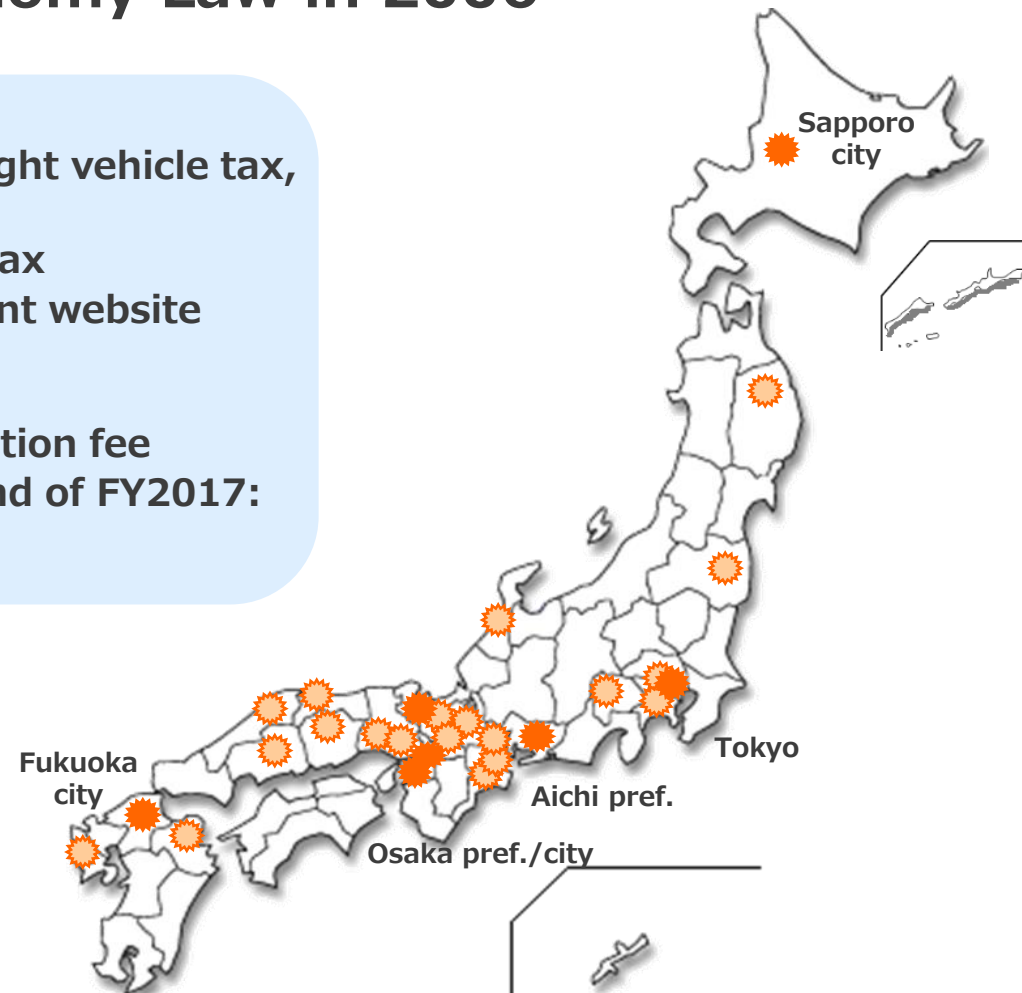
Payment processing: Public due & utility payments

We have been cultivating card payments in this field since the revision of the Local Autonomy Law in 2006

Local governments etc. : Local Taxes (Automobile tax, light vehicle tax, fixed assets tax, etc.)
Water bill, gas bill, hometown tax
National tax credit card payment website

NHK : National broadcasting subscription fee
Credit card usage rate at the end of FY2017:
14.9% (yoy + 1.2%)

Expansion expected to continue
Maintenance fee, cram school tuition fee
parking fee, school meal charge, etc.



*Japan Broadcasting Corporation "Business Report for FY2017"

Offline (card-present) payment

IoT services to go full scale to take in cashless & inbound demands

■ Offline payment

GMO Financial Gate delivers payment terminals for physical store payments

Revised Installment Sales Act:

Replacement demands for IC chip equipped terminals from the conventional magnetic ones

Tokyo Olympics:

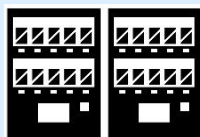
Cashless payment demands to surge as more foreign visitors come to Japan



*EMV: Unified standard for credit cards with IC chip determined by Visa and MasterCard

Future target and potential

Vending machine
(Drink/food)



Ticket vending machine
(Railway company)



Auto payment machine
(Parking, hotel, hospital)



Office coffee machine



Self check out, EV charger, goods selling machine, laundromat, touch pad for orders



*These illustrations do not necessarily imply plans for future implementations.

Payment processing: Ginko Pay

Get more banks/companies onboard, connect them and be an infrastructure

■ Ginko Pay

A smartphone app system that allows for immediate payments such as direct debit targeting financial institutions



Tokyu Corporation, Bank of Yokohama and GMO-PG to start the development of a cash out service through ticket vending machines at train stations (2019 spring-)



Definition of Money Service Business (MSB)

Financial service that only payment service providers can deliver

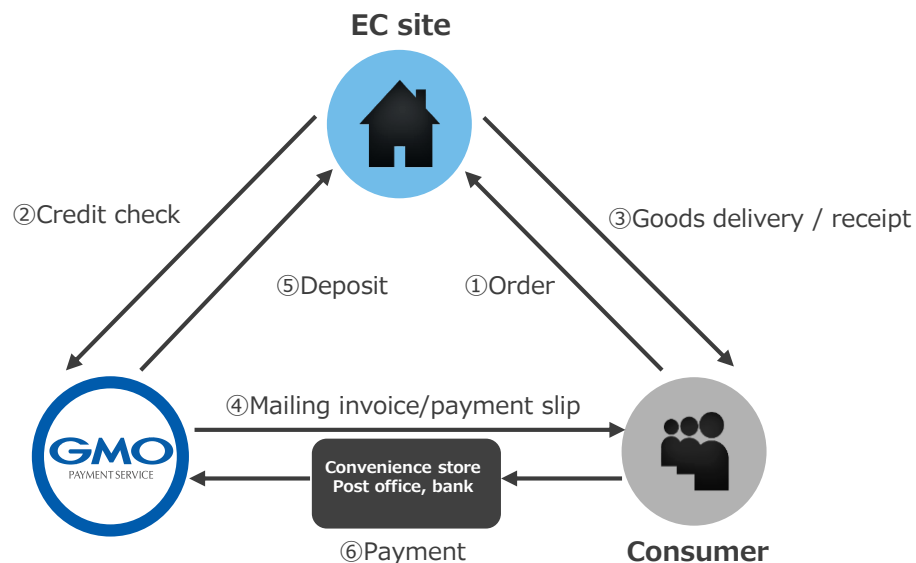
	<u>Services</u>	<u>Revenue types</u>	<u>MSB-related assets</u> (Breakdown of operating and other receivables are as follows)
☒	Remittance service Efficient and secure refund and remittance processing for Ecommerce operator	Fee	—
☒	Transaction lending Handles daily transaction	Spread	Short-term loans receivable
☒	Early payment service Improves cash flows by moving up the date of payment to merchant	Spread	Advance payments-trade
☒	Payment after delivery Pays sales proceed without waiting for deposit from consumer	Spread Fee	Accounts receivable-other

MSB: GMO Payment after delivery

Provided by GMO Payment Service, our subsidiary

■ GMO Payment After Delivery

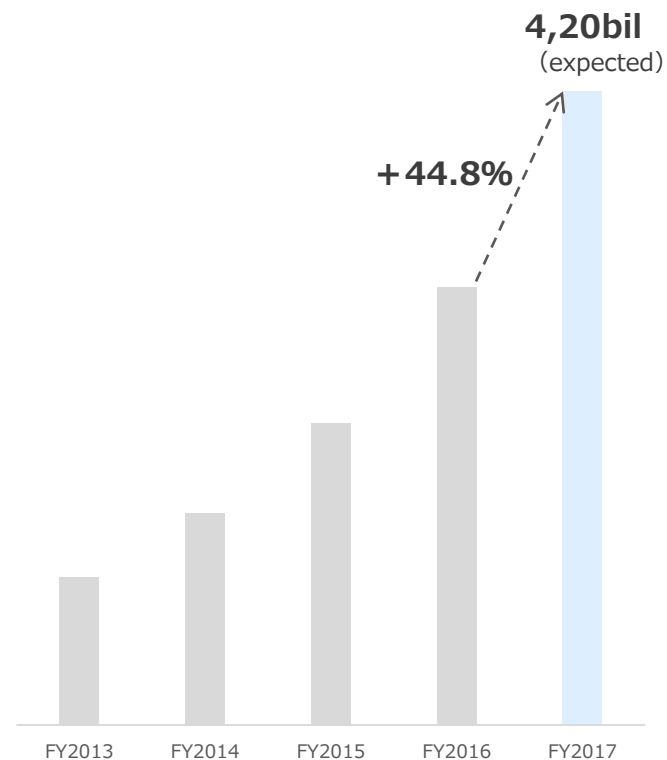
Buyer can pay at post office or CVS after receiving goods
Payment terms is 2 weeks.



**Payment services with 2weeks+
payment terms are also delivered.**

■ Market size of deferred payment

Annual growth rate of 40% or more
Market size for 2017: ¥420 billion (expected)



※ (source) "Current situation and future forecast of online payment service providers 2018" issued by Yano Research Institute Ltd.

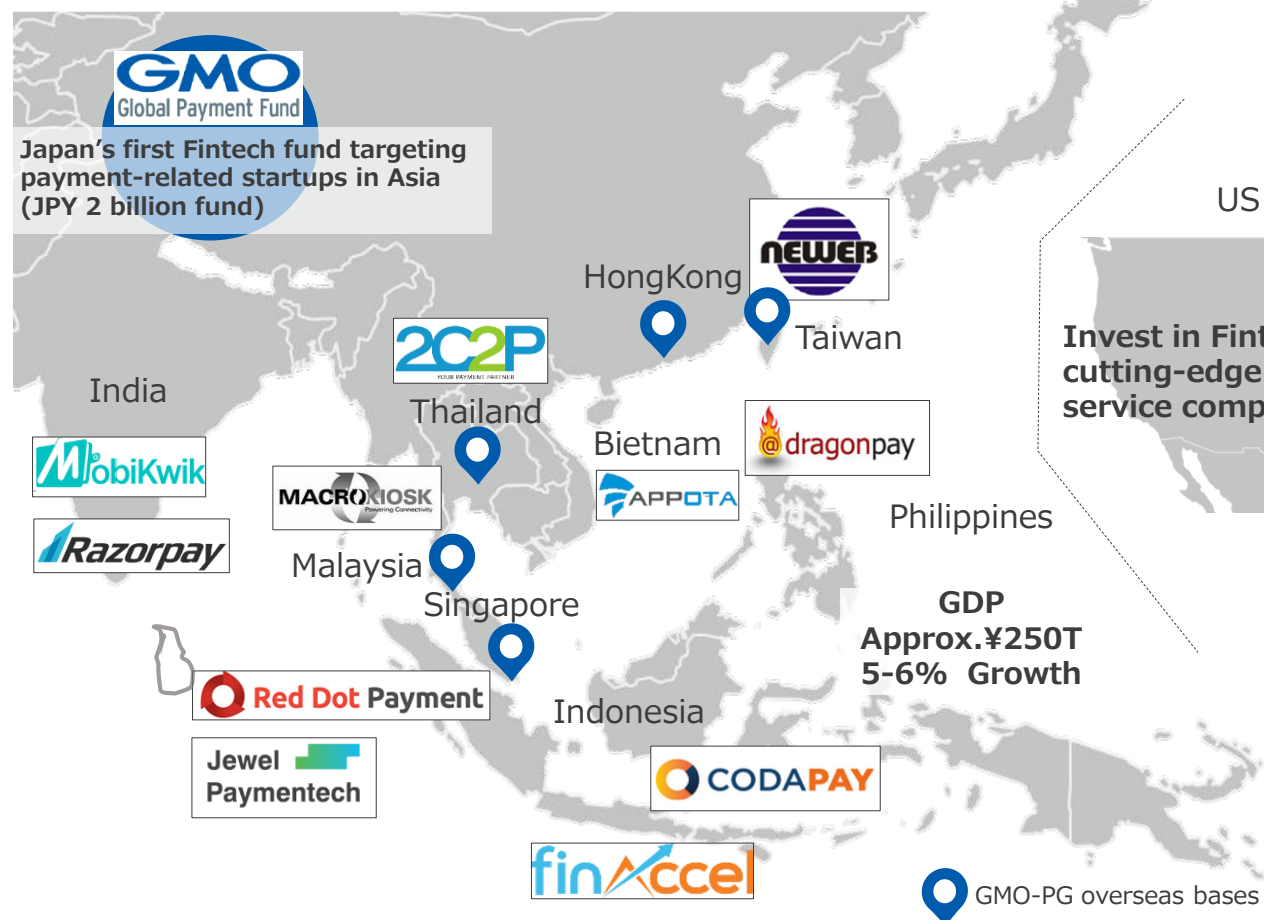
Overseas strategies

Target 50% overseas sales ratio by assisting JPN companies foray into Asian market and our investment strategies

■ Investment target

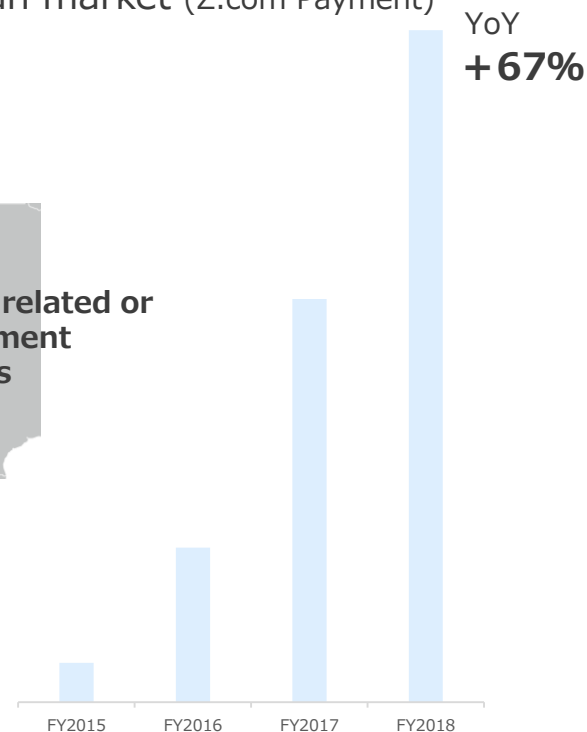
Asia: Top payment-related company US: Innovator

Portfolios



■ Payment processing business

Providing payment services to Japanese companies that entered Asian market (Z.com Payment)



Transaction value in Asia soaring

Payment enhancement: Mobile payment and authentication



Focus on investment in MACROKIOSK, acquiring of Asian banks and big companies

Company name Macro Kiosk Berhad

Location Malaysia and 11 other countries in Asia

Headcount 253

Financial results Revenue :4,563 million yen

GMO-PG's stake 70%

Acquisition cost Approx. 1,121 million yen

Business model

- SMS mobile solution (about 90%)**
delivered to 95% of Malaysian banks
- Carrier billing gateway (about 10%)**
delivered to 50+ major carriers in 12 countries

Strategy: Going after scale, then profit

<Specific actions>

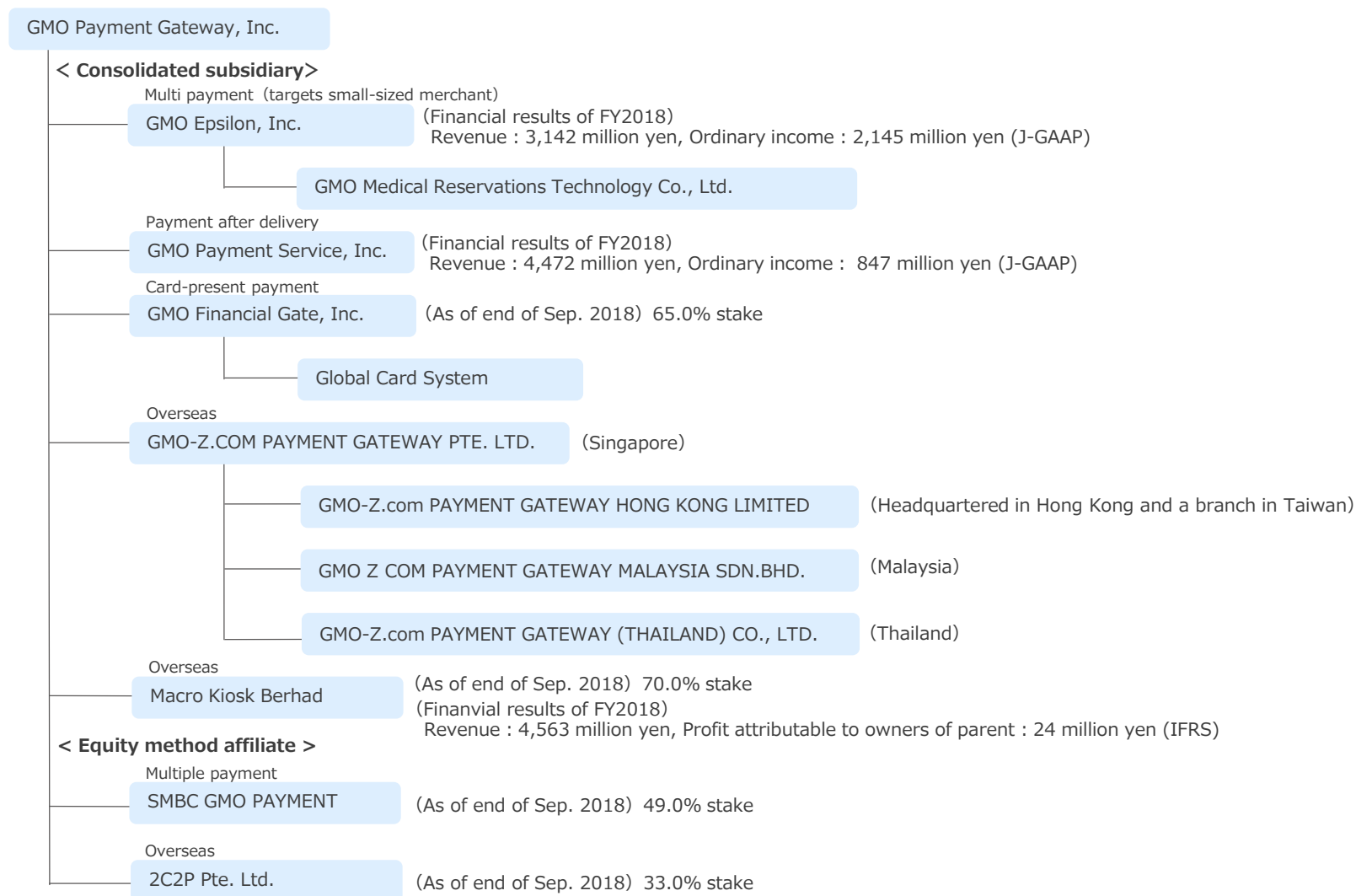
- ①Payment-related business
Set up sales teams in India and Europe
- ②Business expansion in new countries
Provide payment service, collaborating with 2C2P, our equity method affiliate
- ③Development of new products
- ④Entry into new areas by M&A



(as of the end of September 2018)

GMO-PG Group

GMO Payment Gateway's subsidiaries and equity affiliates



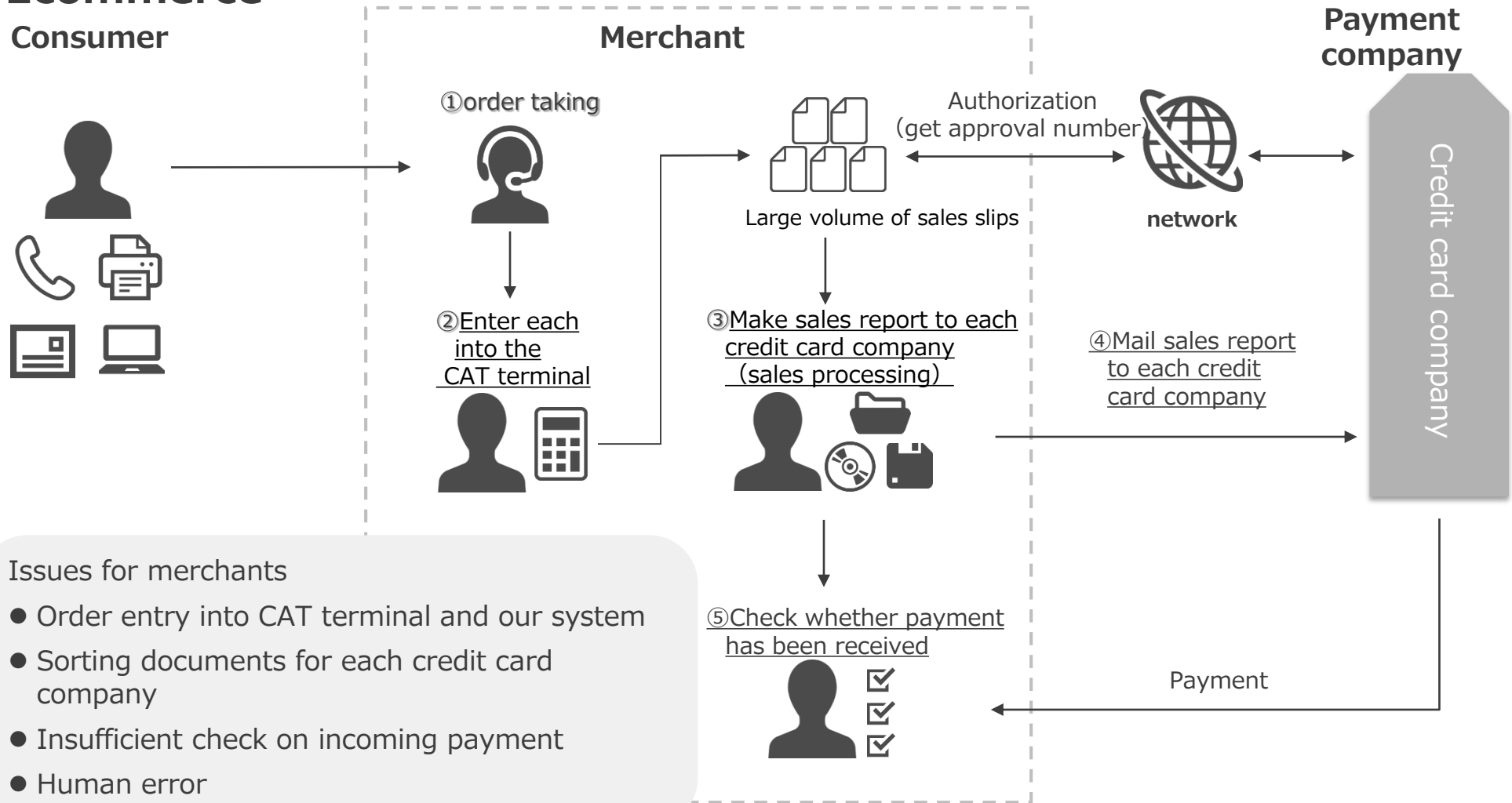
Company outline

■ Name	GMO Payment Gateway, Inc. (3769; Tokyo Stock Exchange 1st section)																																																														
■ Date of establishment	March 1995																																																														
■ Location	Humax Shibuya Building 7F, 1-14-6, Dogenzaka, Shibuya-ku, Tokyo Japan																																																														
■ Capital stock	4,712 million yen																																																														
■ Major shareholders	GMO Internet, Inc., Sumitomo Mitsui Banking Corporation, Issei Ainoura ,etc																																																														
■ Management team	<table> <tr> <td>Chairman & Director</td><td>Masatoshi Kumagai</td></tr> <tr> <td>President & Chief Executive Officer</td><td>Issei Ainoura</td></tr> <tr> <td>Director, Executive Vice President</td><td>Ryu Muramatsu</td></tr> <tr> <td>Director, Executive Vice President</td><td>Satoru Isozaki</td></tr> <tr> <td>Senior Managing Director</td><td>Yuichi Hisada</td></tr> <tr> <td>Director</td><td>Masashi Yasuda</td></tr> <tr> <td>Director</td><td>Takehito Kaneko</td></tr> <tr> <td>Director</td><td>Hiroyuki Nishiyama</td></tr> <tr> <td>Director</td><td>Hirofumi Yamashita</td></tr> <tr> <td>External Director</td><td>Masaya Onagi</td></tr> <tr> <td>External Director</td><td>Akio Sato</td></tr> <tr> <td>Managing Executive Officer</td><td>Tomoyuki Murakami</td></tr> <tr> <td>Managing Executive Officer</td><td>Shinichi Sugiyama</td></tr> <tr> <td>Managing Executive Officer</td><td>Yusuke Arai</td></tr> <tr> <td>Managing Executive Officer</td><td>Masaru Yoshioka</td></tr> <tr> <td>Managing Executive Officer</td><td>Takeshi Yoshii</td></tr> <tr> <td>Managing Executive Officer</td><td>Takashi Mitani</td></tr> <tr> <td>Managing Executive Officer</td><td>Katsunari Mukai</td></tr> <tr> <td>Executive officer</td><td>Yoshikazu Yanagishima</td></tr> <tr> <td>Executive officer</td><td>Kazunari Taguchi</td></tr> <tr> <td>Executive officer</td><td>Tatsuhito Muramatsu</td></tr> <tr> <td>Executive officer</td><td>Kiyonobu Inayama</td></tr> <tr> <td>Executive officer</td><td>Shingo Ito</td></tr> <tr> <td>Executive officer</td><td>Yoshinori Inoguchi</td></tr> <tr> <td>Executive officer</td><td>Hirofumi Tozawa</td></tr> <tr> <td>Executive officer</td><td>Yasunori Hatada</td></tr> <tr> <td>Executive officer</td><td>Mariko Takeda</td></tr> <tr> <td>Auditor</td><td>Takashi Iinuma</td></tr> <tr> <td>External Auditor</td><td>Kazutaka Yoshida</td></tr> <tr> <td>External Auditor</td><td>Kazuhiko Okamoto</td></tr> <tr> <td>External Auditor</td><td>Yumi Hokazono</td></tr> </table>	Chairman & Director	Masatoshi Kumagai	President & Chief Executive Officer	Issei Ainoura	Director, Executive Vice President	Ryu Muramatsu	Director, Executive Vice President	Satoru Isozaki	Senior Managing Director	Yuichi Hisada	Director	Masashi Yasuda	Director	Takehito Kaneko	Director	Hiroyuki Nishiyama	Director	Hirofumi Yamashita	External Director	Masaya Onagi	External Director	Akio Sato	Managing Executive Officer	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	Executive officer	Yoshikazu Yanagishima	Executive officer	Kazunari Taguchi	Executive officer	Tatsuhito Muramatsu	Executive officer	Kiyonobu Inayama	Executive officer	Shingo Ito	Executive officer	Yoshinori Inoguchi	Executive officer	Hirofumi Tozawa	Executive officer	Yasunori Hatada	Executive officer	Mariko Takeda	Auditor	Takashi Iinuma	External Auditor	Kazutaka Yoshida	External Auditor	Kazuhiko Okamoto	External Auditor	Yumi Hokazono
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(As of end of January 2019)

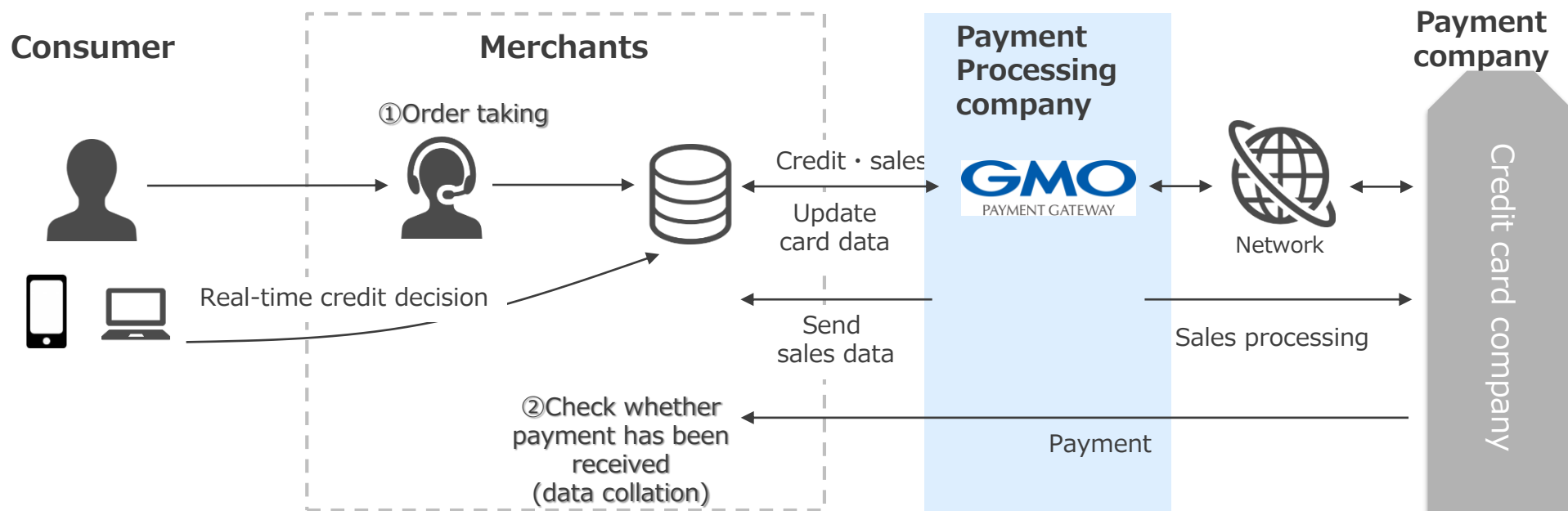
Business outline of payment processing company (1)

Problems with online credit card payment in the early days of Ecommerce



Business outline of payment processing company (2)

Payment processing service adds operational efficiency to credit card payment



In the early days of Ecommerce, credit card payment was processed offline between merchant and credit card company, causing burden on both sides. Payment processing companies were established to eliminate the burden on both parties.