

# Supplementary Information

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Financial results briefing for the Q3 of FY2019

August 7<sup>th</sup>, 2019

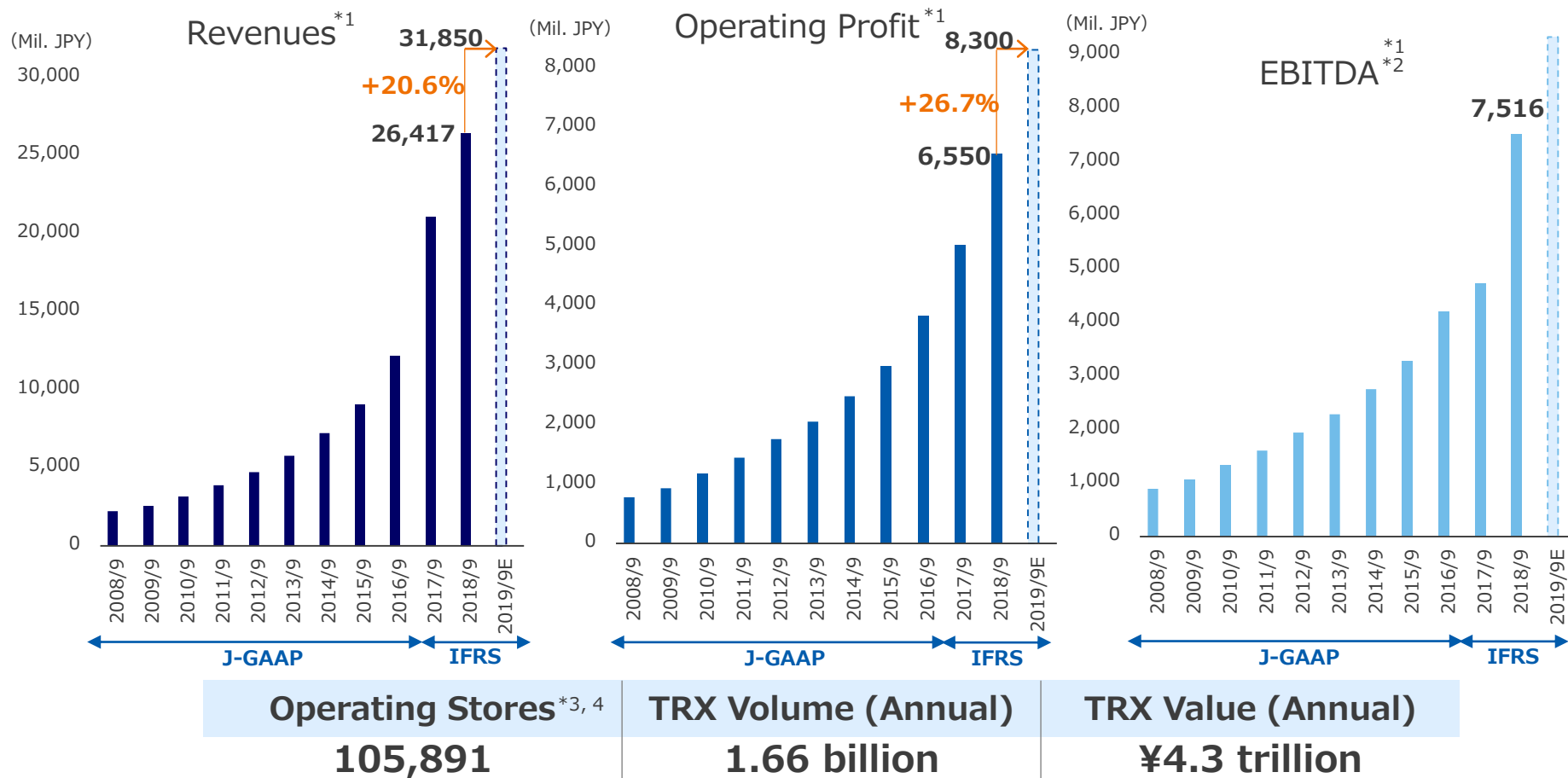
GMO Payment Gateway, Inc.  
(Code: 3769, TSE-1<sup>st</sup> Section)

**GMO** PAYMENT GATEWAY

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

# Track record of growth

## FY2019 revenue guidance ¥31.8bn, OP ¥8.3bn



(\*1) The group commenced voluntary adoption of IFRS in FY2018. The figures for the FY2017 have been re-calculated on the same basis. FY2019 figures show the earnings guidance.

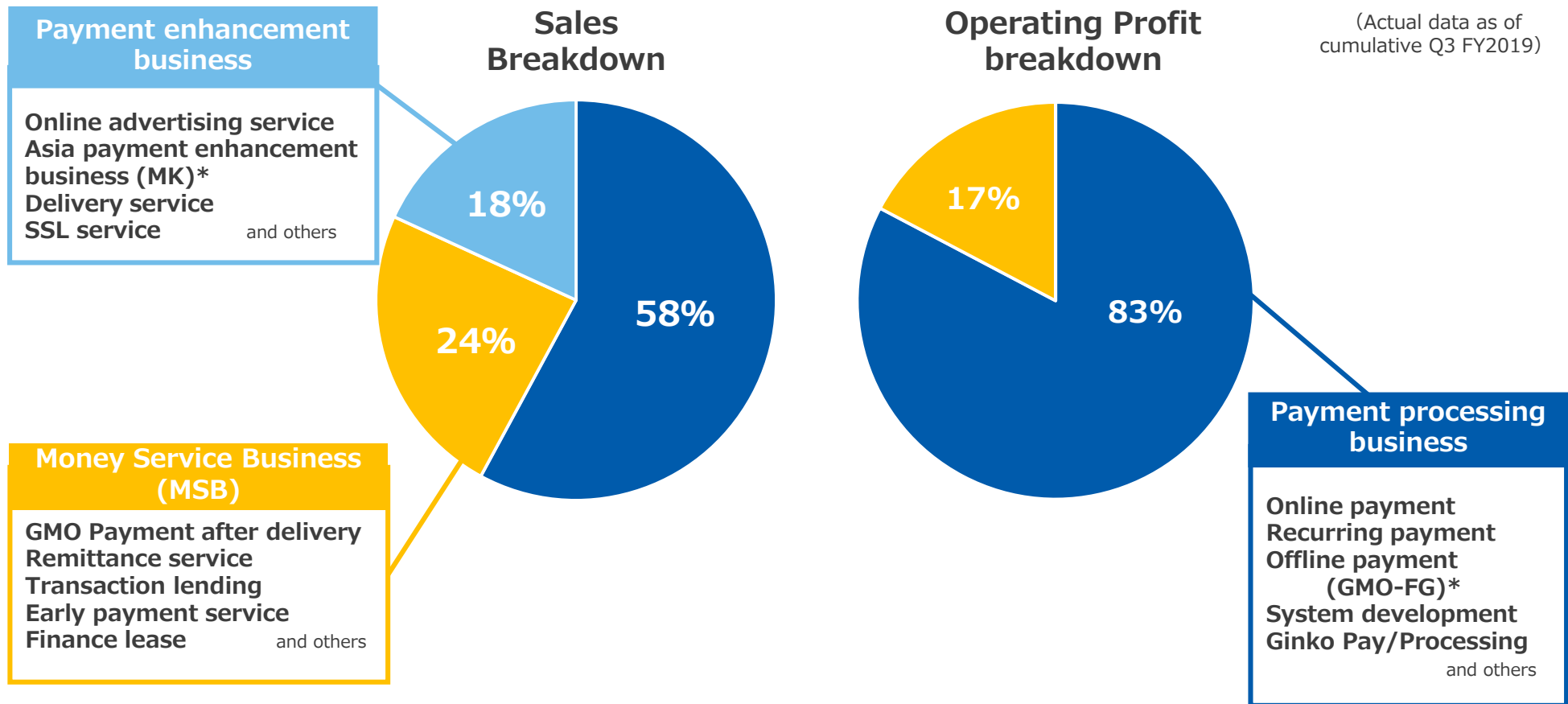
(\*2) EBITDA under J-GAAP is calculated as the sum total of operating profit, depreciation and amortization; and under IFRS is calculated as sum total of operating profit and depreciation.

(\*3) The number of operating stores is as of end-June 2019. Transaction Volume and transaction value are the figures of the period July 2018 to June 2019. Transaction volume and transaction value include the figures of GMO Financial Gate Group.

(\*4) Operating stores excludes a significant increase from a specific merchant. If included, the total number of operating stores is 184,480 by end-June 2019 (up 97.4% YoY)

# Three business segments

Sustain an over-25% OP growth from the expansion of the mainstay payment processing and its peripheral businesses

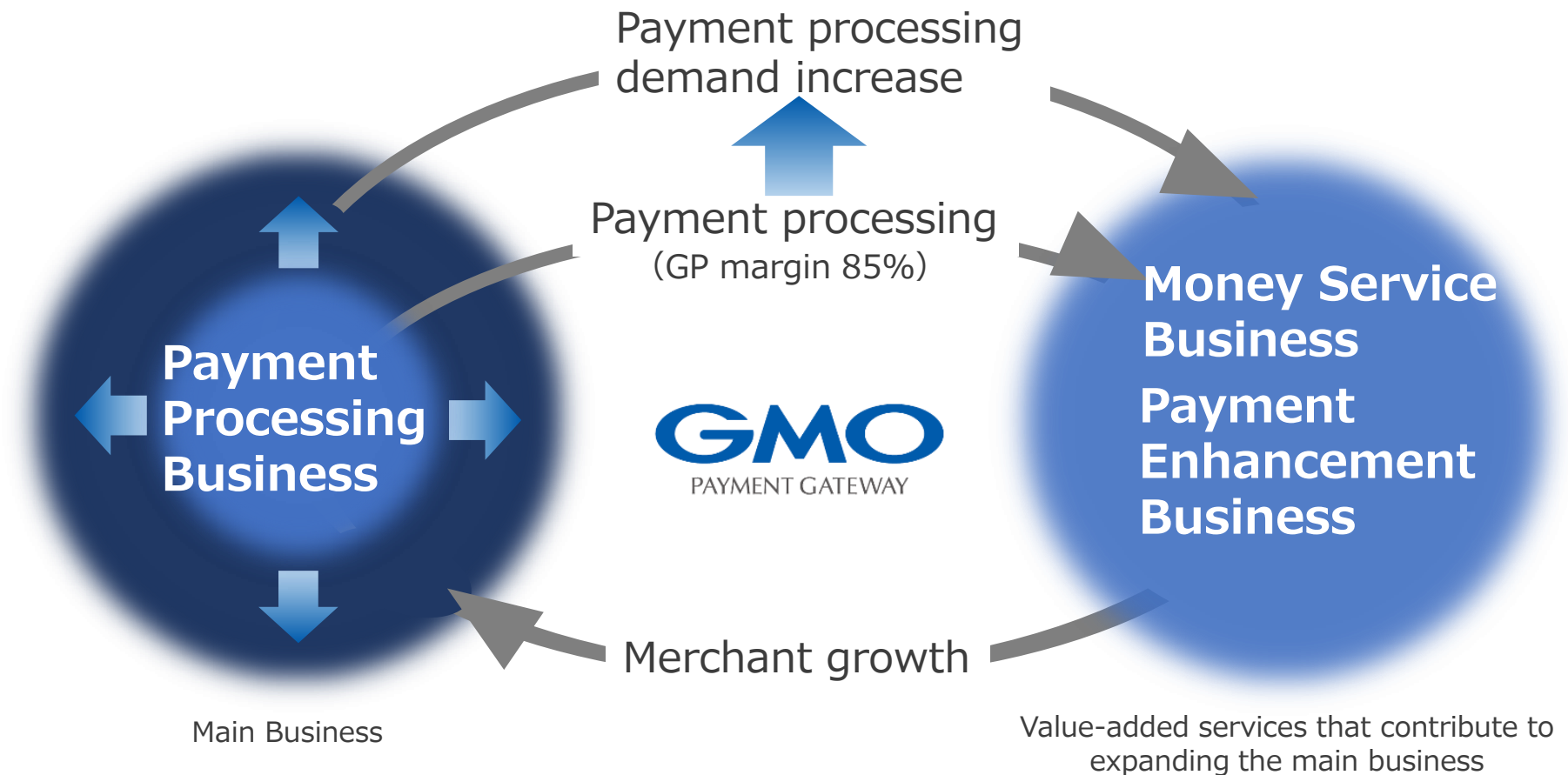


※MK: MACROKIOSK, GMO-FG : GMO Financial Gate Group

We have renamed the "customer support service" to "online advertising services," effective from October 1<sup>st</sup> 2018.

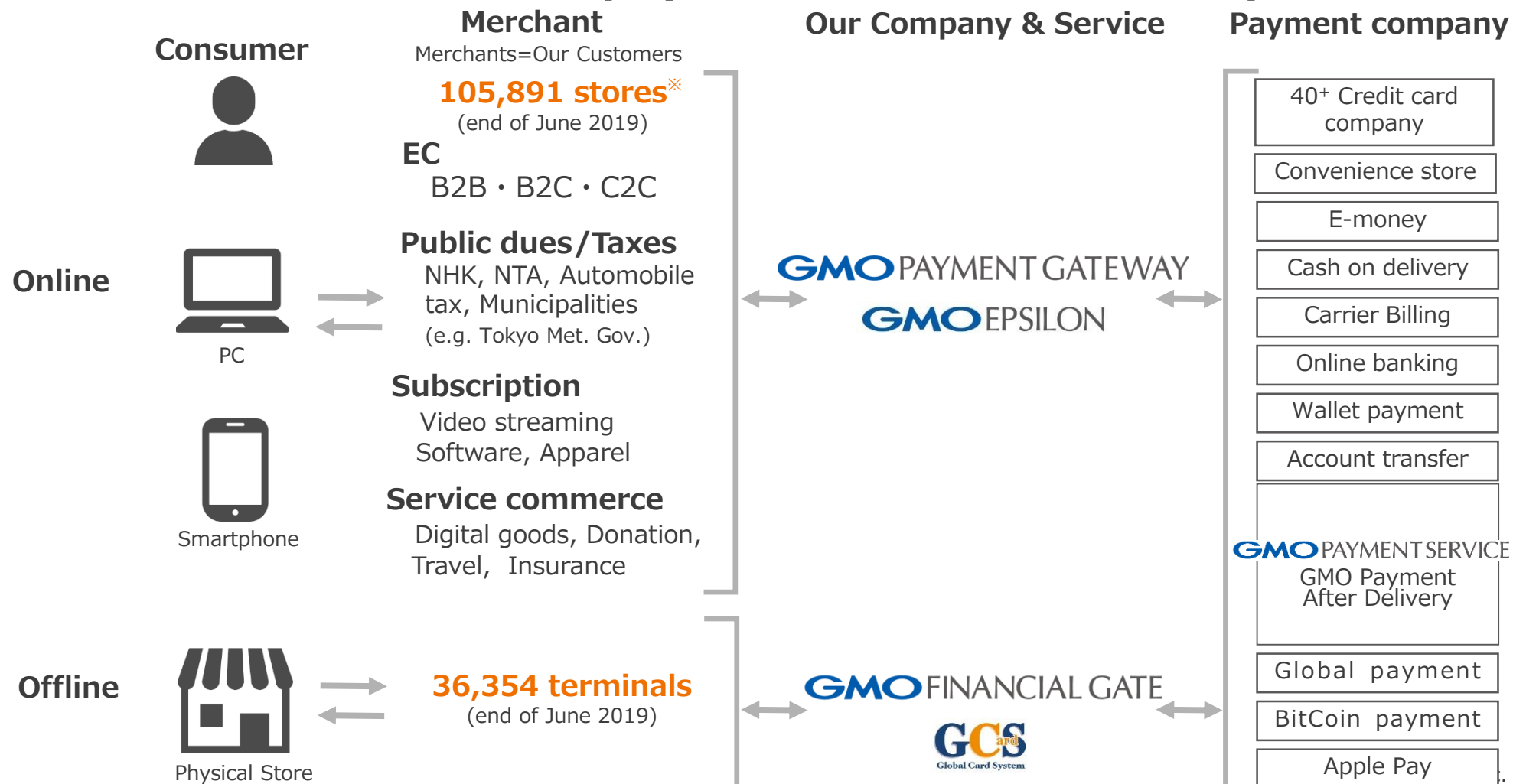
# Mutually Enhancing business model

A mutually enhancing system between the main business and the value-added services that enables a symbiotic growth



# Payment Processing Business: Our Role

Connecting merchants and payment companies along the functions of “contract”, “payment data,” and “money flow”



※ Excludes a significant one-off increase in operating stores from a specific merchant. If included, the total number of operating stores is 184,480 by end-June 2019 (up 97.4% YoY)

# Revenue structure of credit card payment

## Business model is determined by merchant type/size

### ■ The four business models

①

#### **Initial (Initial revenue)**

Initial introduction fees

Coefficient: Number of new merchants acquired  
Revenue: Number of new merchants acquired  
× \_Yen (at the time of introduction)

②

#### **Stock (fixed monthly revenue)**

Customer support and maintenance fee

Coefficient: Number of merchants  
Revenue : Operating merchants × \_Yen

③

#### **Fee (Transaction processing revenue)**

Fee based on transaction volume

Coefficient: Number of payments processed  
Revenue : Number of payments processed × \_Yen

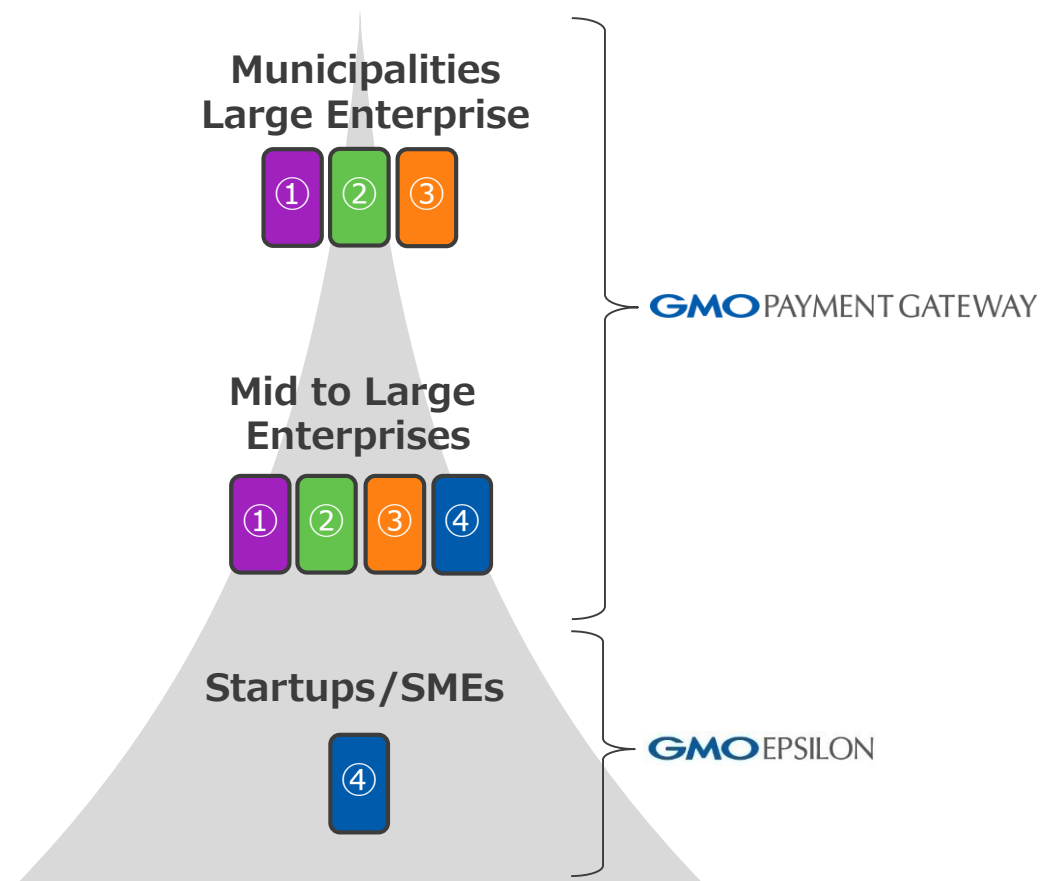
④

#### **Spread (Merchant acquiring service revenue)**

Fee based on transaction value

Coefficient: Amount of payments processed  
Revenue : Amount of payments processed × \_%

### ■ Revenues by merchant type/size

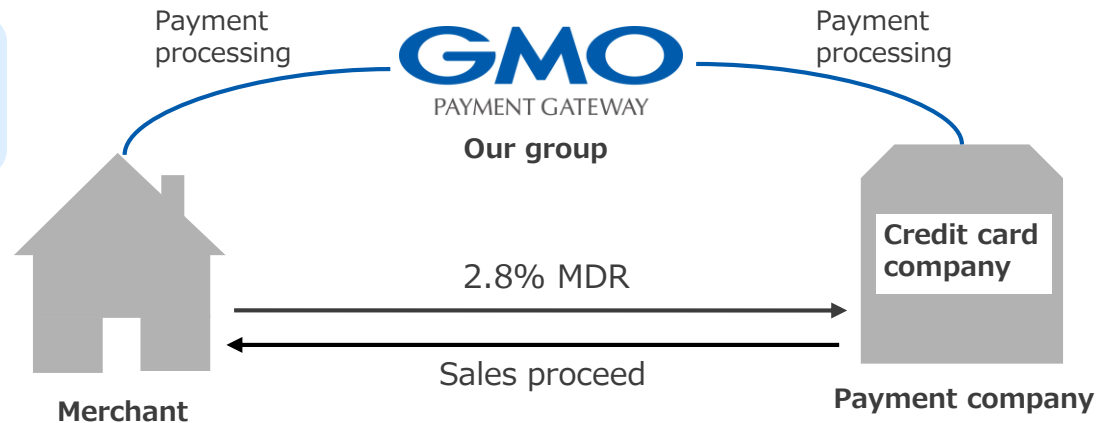


# Payment Processing Biz: Two types of contracts

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

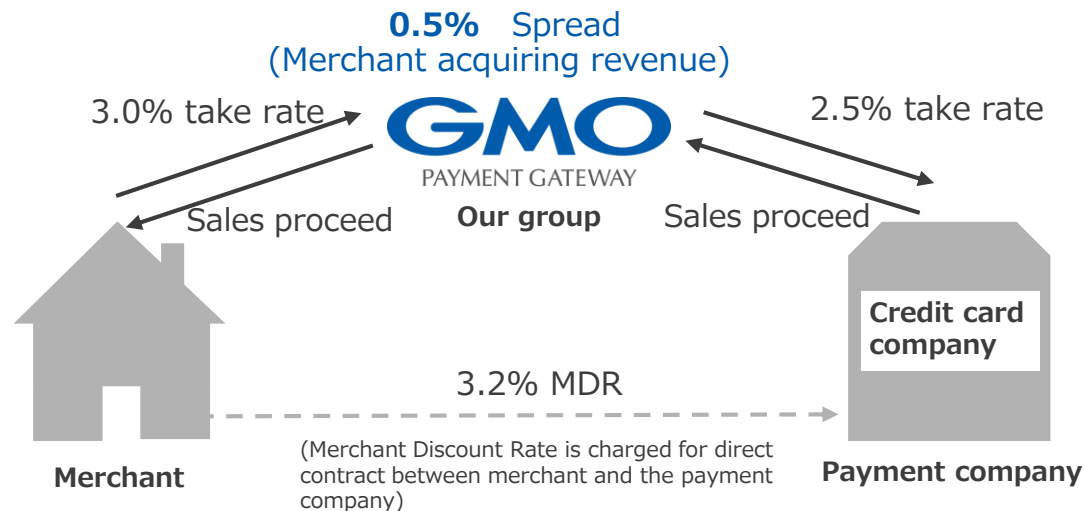
## Direct contract

mainly for large companies and municipalities



## Representative contract

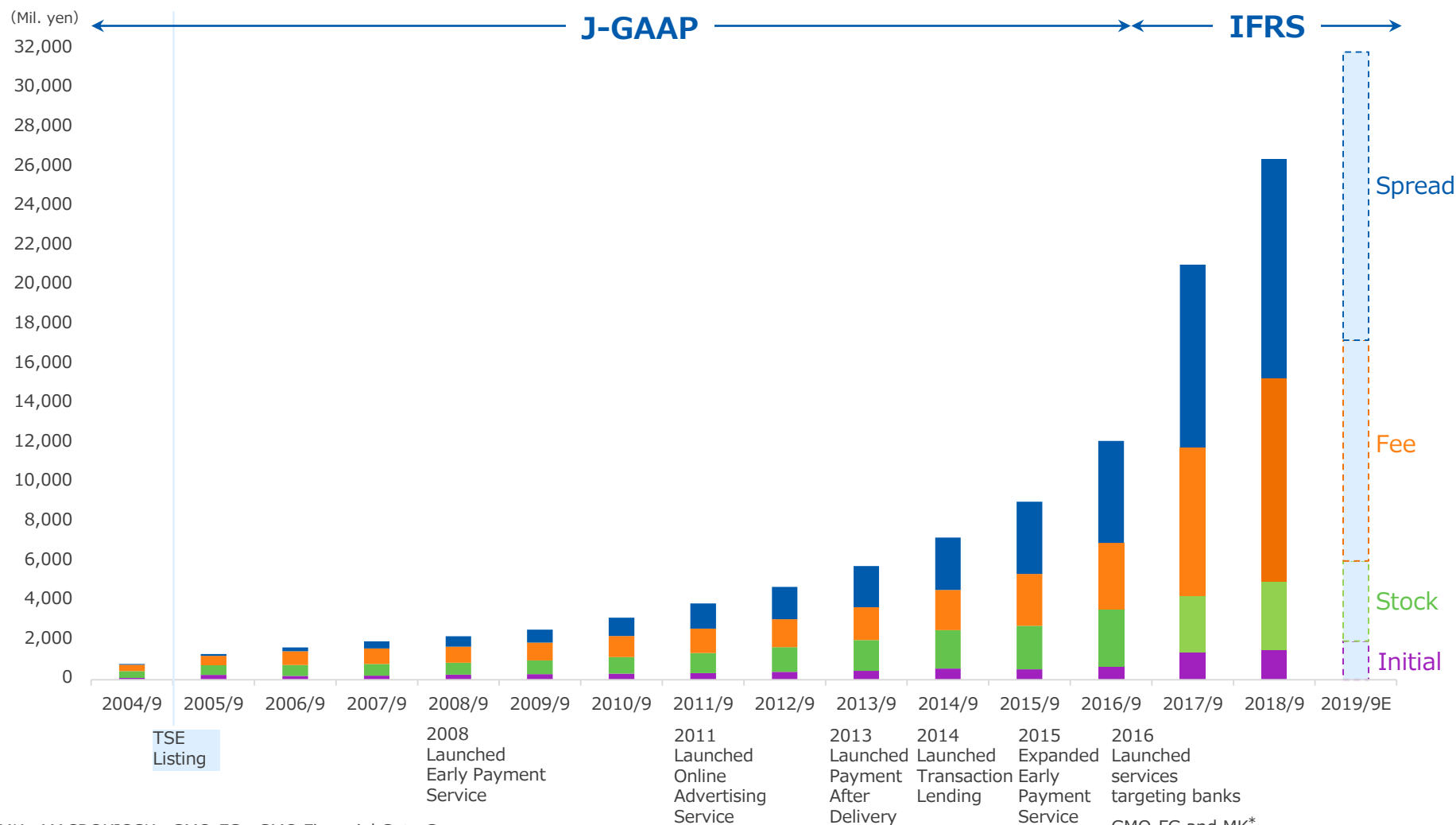
mainly for SME's but covers some large companies



\*Numbers are provided for illustration purposes only.

# Revenue trend by business model

## Aim for an all-round balanced revenue growth



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

We have renamed the "customer support service" to "online advertising services," effective from October 1<sup>st</sup> 2018.

**GMO PAYMENT GATEWAY**

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# Summary of Segments and Business models

We disclose in 3 reporting segments and disclose 4 business 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
Payment enhancement business	Finance lease
	Online advertising service
	SSL
	Shipping service
	MACRO KIOSK

## ■ Business model

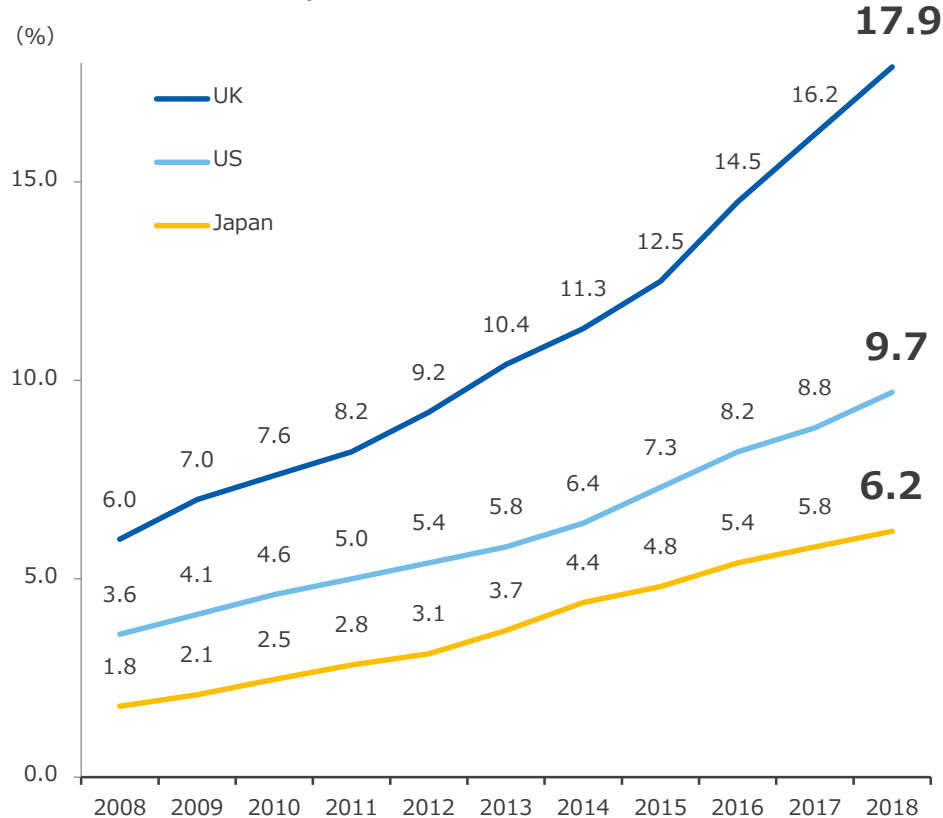
Initial (Initial revenue)	Payment processing (MK)
	SSL
	System development
Stock (Monthly revenue)	Payment processing (MK)
	Services for banks/Processing
	Online advertising service
Fee (Transaction processing revenue)	Payment processing (MK)
	GMO payment after delivery (Fee)
	Remittance service
Spread (Merchant acquiring service revenue )	Shipping service
	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 EC market in Japan

## Japan: Low E-Commerce penetration and high cash-use versus other developed countries

### ■ E-Commerce penetration rates



Figures are GMO-PG estimates.

Sources : METI. "FY2018 Survey of Infrastructure Development Status for Data-driven Society in Japan (E-Commerce market survey)"

U.S. Bureau of the Census "The 1st Quarter 2019 Retail E-Commerce Sales Report";  
Office for National Statistics "Retail Sales Index internet sales, June 2019"

### ■ Card usage in private final consumption expenditure

(2017)	Credit Card penetration (A)	Debit card penetration (B)	Usage rate* (A) + (B)
South Korea	76 %	19 %	95 %
UK	12 %	55 %	67 %
Australia	30 %	25 %	55 %
US	25 %	19%	44 %
Japan	18%	-	18 %

\* Usage Rate = (Total Transaction amount of CCs and DCs) / Private Final Consumption Expenditure

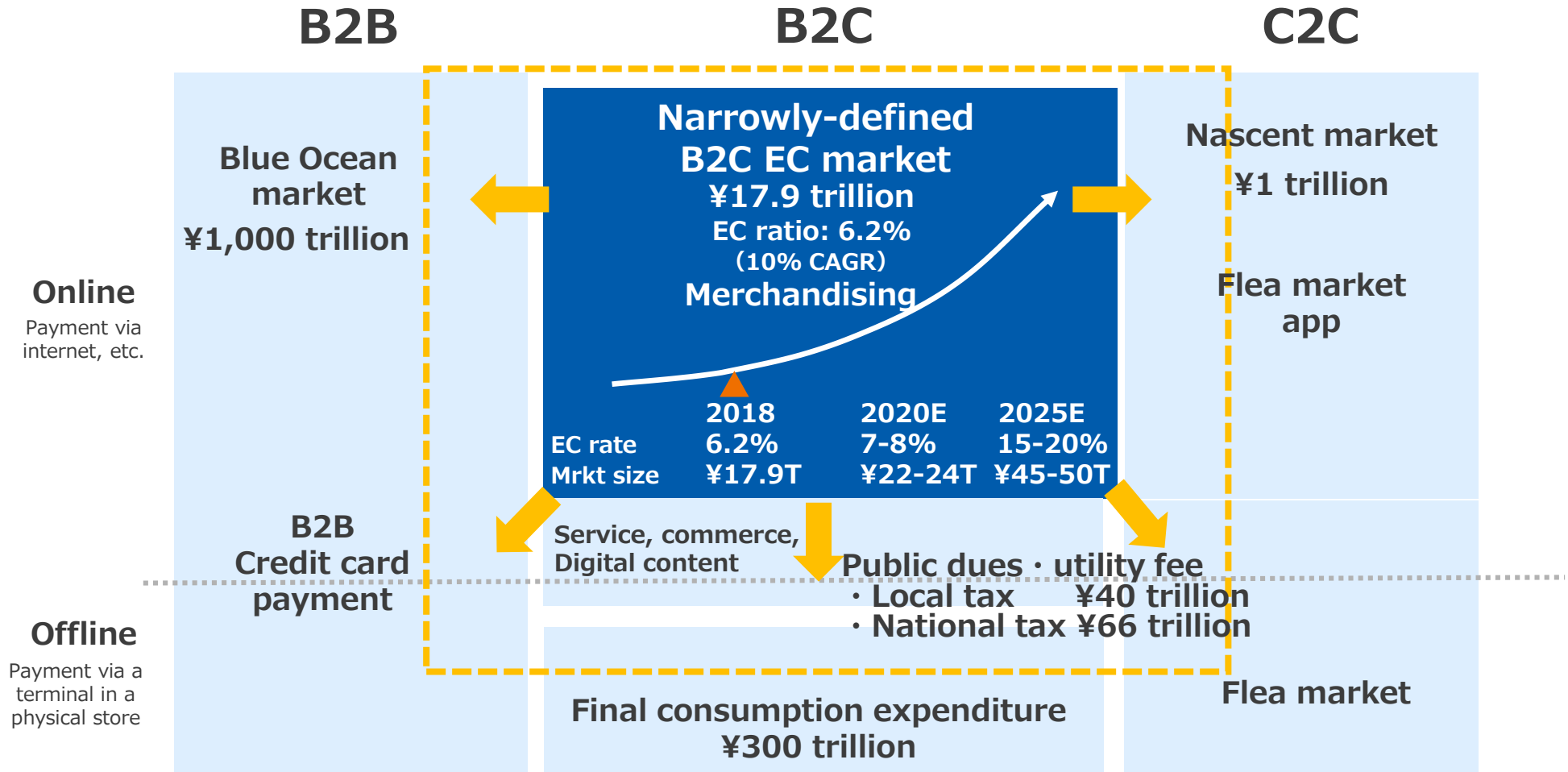
\* Figures are GMO-PG Estimates.

Sources: 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)"

# Expanding Scope of Cashless Payment

Group-wide growth driven by cashless penetration in Japan



\* References : METI. "FY2018 Survey of Infrastructure Development Status for Data-driven Society in Japan (E-Commerce Market Survey)". Figures for 2020 and after are our estimates.

\* Ministry of Internal Affairs and Communication, "Breakdown of national tax and local tax revenue (FY2019 Budget and Local Government Finance Plan)"

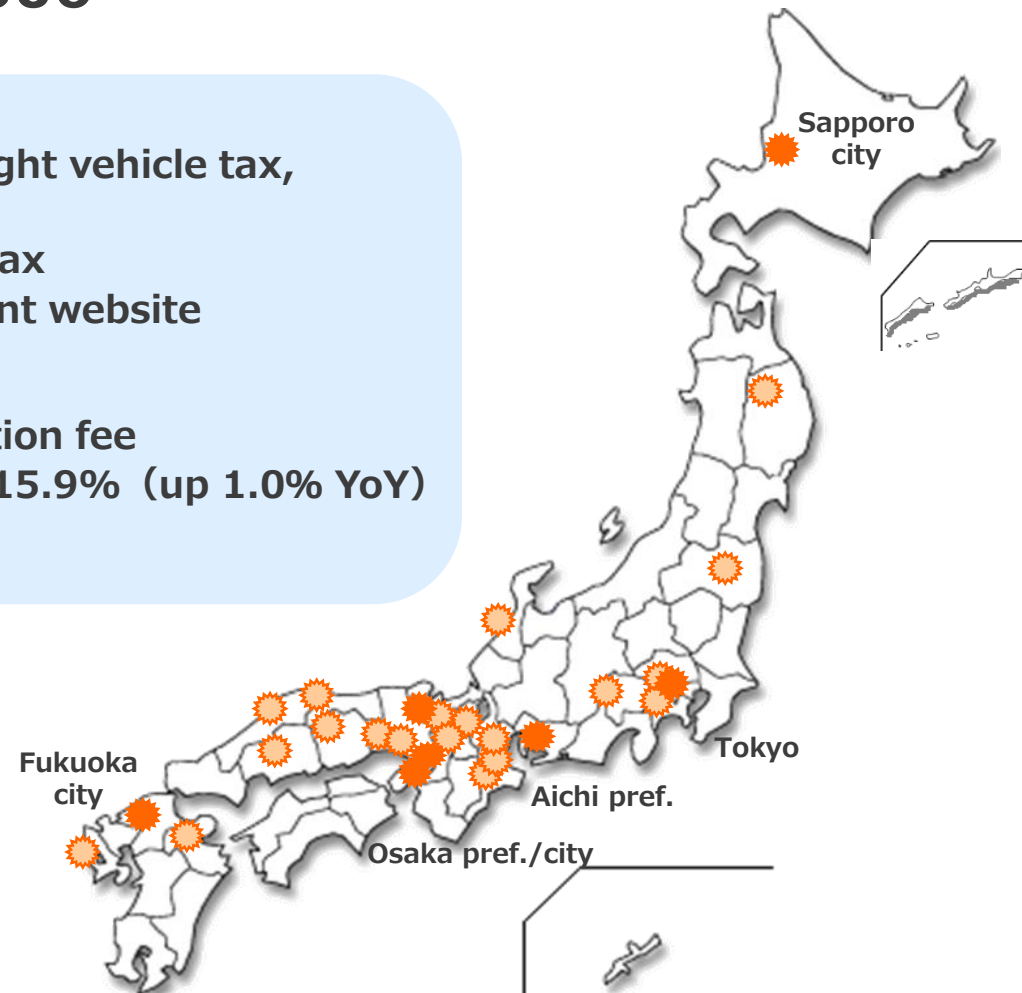
\* THE WORLD BANK "Household final consumption expenditure (current USD)"

# Payment processing: Public dues & utility payments

## Pioneering the use of card payments since the amendment 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 End-FY2018 credit card usage: 15.9% (up 1.0% YoY)

Expansion to continue:  
Building maintenance fee, cram school tuition fee, parking fee, school meal charge, etc.



\*Japan Broadcasting Corporation "Business Report for FY2018"

# Payment processing business: Offline payment market

## Rollout of IoT services by leveraging cashless & inbound demand

### ■ Offline payment

GMO Financial Gate delivers payment terminals for offline payments

Installment Sales Act amendment:

Replacement demand from the conventional magnetic strips to IC chip equipped terminals

Tokyo 2020 Olympics & Paralympics Games:

Cashless payment demand to surge from huge influx of foreign visitors to Japan

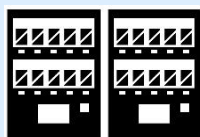
Embedded EMV terminals\*



\*EMV: Unified standard for IC-embedded credit cards 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**



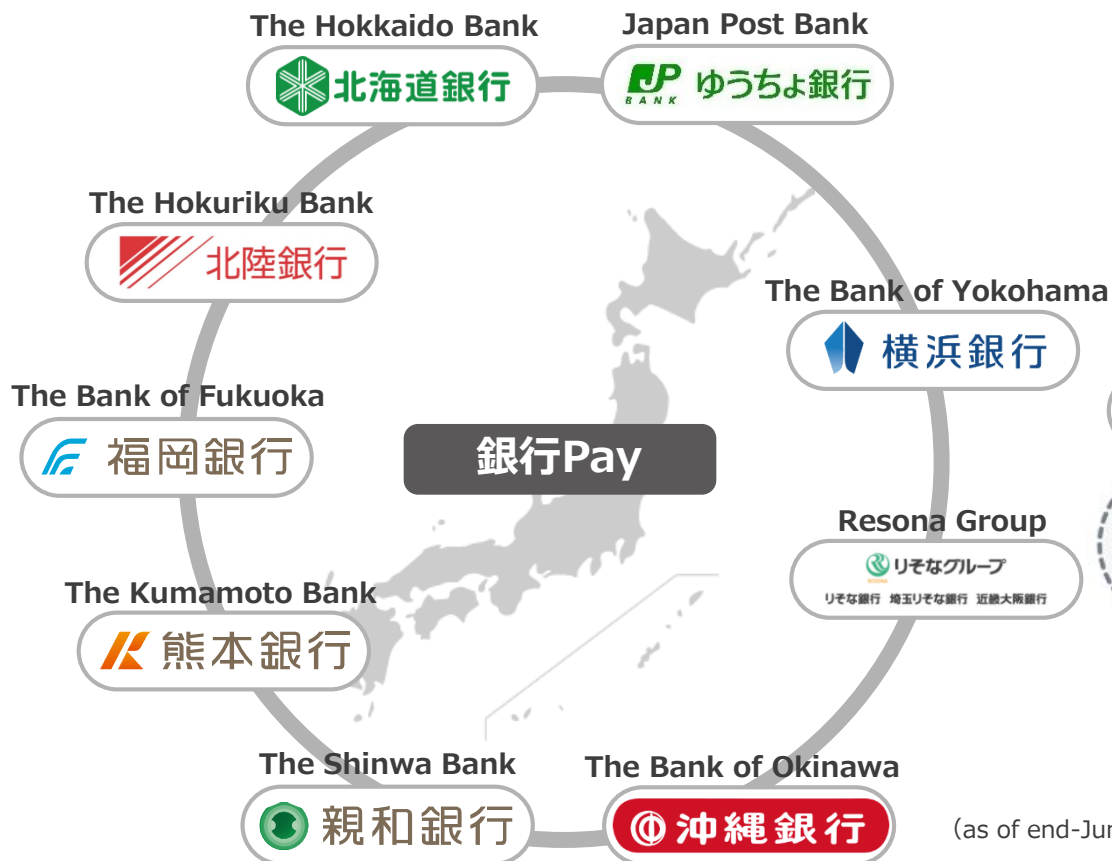
\*These illustrations do not necessarily imply plans for future implementations.

# Payment processing business: Ginko Pay

## Expand Ginko Pay adopters, inter-connect the respective services to build-out a payment infrastructure

### ■ Ginko Pay

A service targeting financial institutions; Ginko Pay is a smartphone app system that allows for immediate & direct debit from the bank account.



Tokyu Corporation, The Bank of Yokohama, Japan Post Bank and GMO-PG launched a cash withdrawal service from ticket vending machines at train stations (Started May 8<sup>th</sup> 2019)



(as of end-June 2019)

# Outline of Money Service Business (MSB)

## Financial services that only payment service providers can deliver

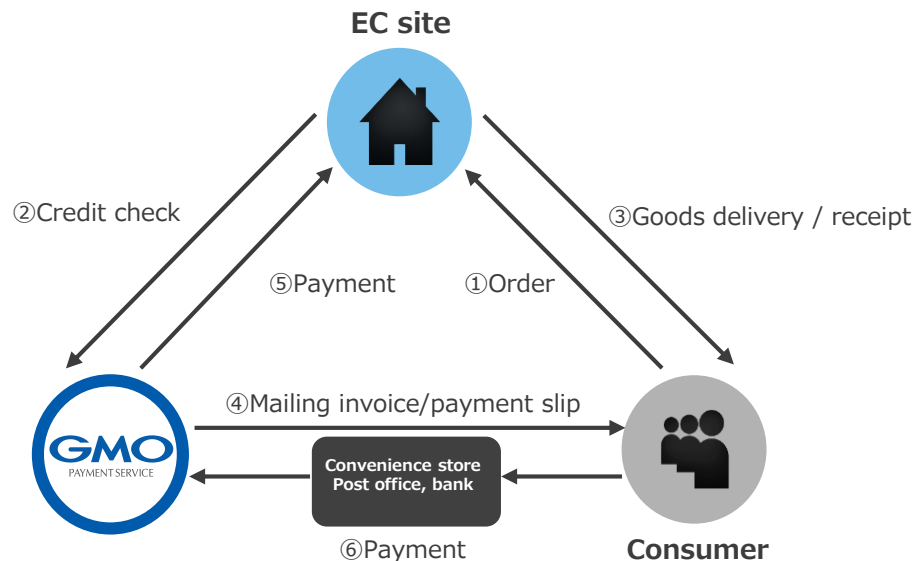
	<u>Services</u>	<u>Revenue types</u>	<u>MSB-related assets</u> <u>(Breakdown of operating and</u> <u>other receivables are as follows)</u>
☑	<b>Remittance service</b> Efficient and secure refund and remittance processing for Ecommerce operator	Fee	—
☑	<b>Transaction lending</b> Handles daily transaction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

# MSB: GMO Payment After Delivery

## Provided by subsidiary GMO Payment Service

### ■ GMO Payment After Delivery

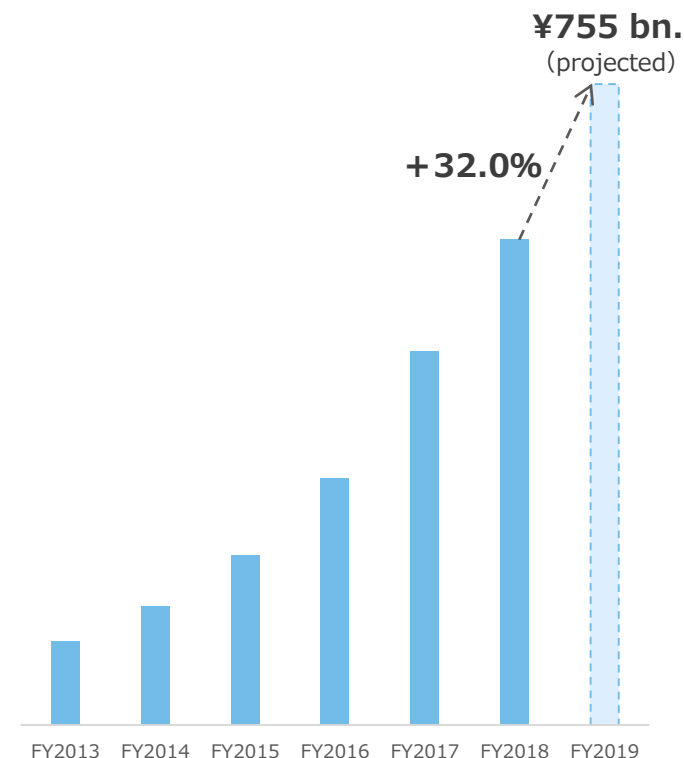
Buyer pays at a post office or CVS after receiving the goods.  
Payment term is 2 weeks.



**Payment services of over 2 week  
payment terms also launched.**

### ■ Deferred Payment market size

Strong Deferred Payment market momentum  
FY2019 market size: ¥755 billion (projected)



※ Source: "Current situation and future forecast of online payment service providers 2018," and, "Domestic Cashless Payment Market 2019" by Yano Research Institute Ltd.

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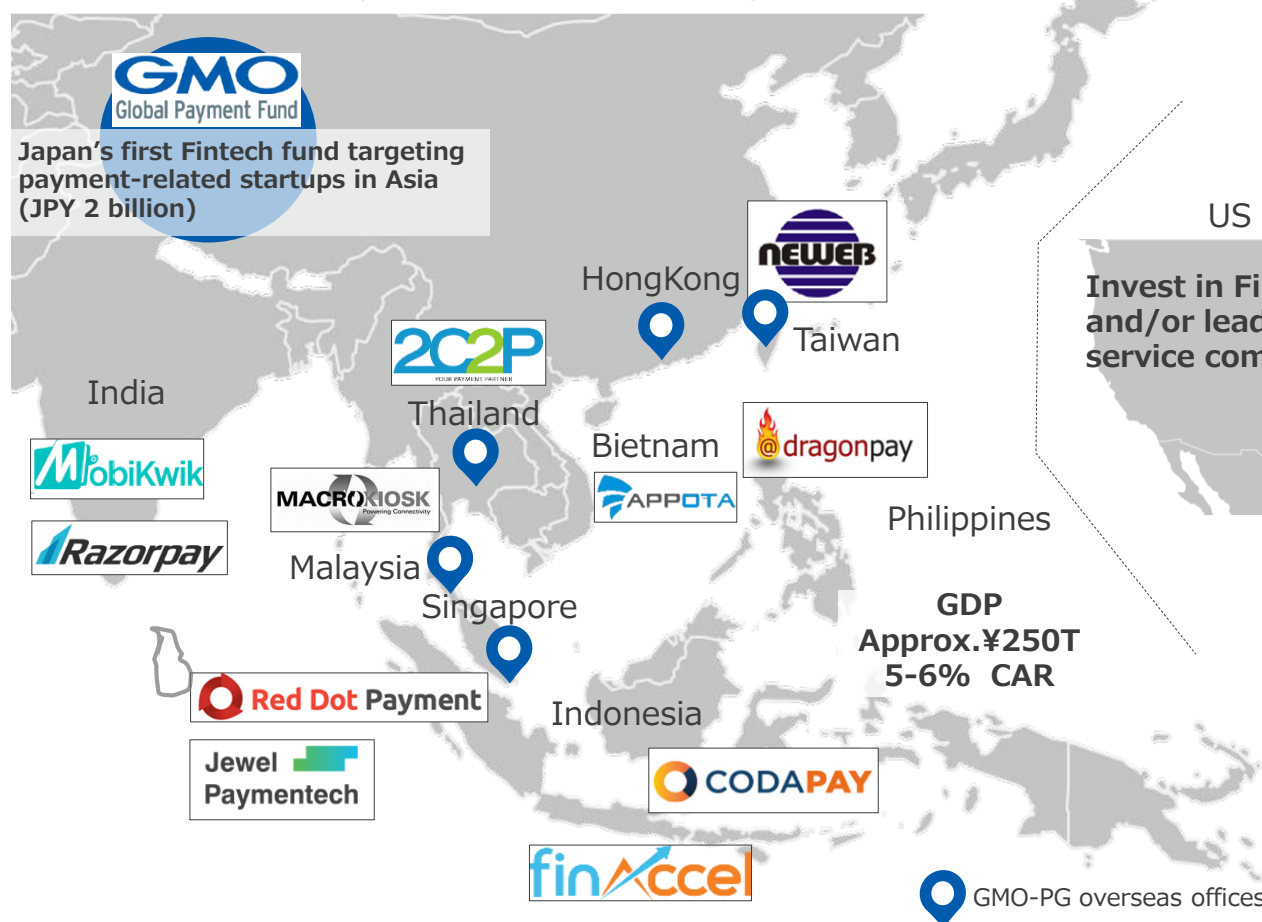
# Payment Enhancement: Overseas strategy

## Expand customer footprint through strategic investments and assisting JPN companies foray into the Asian market

### ■ Investment Strategy

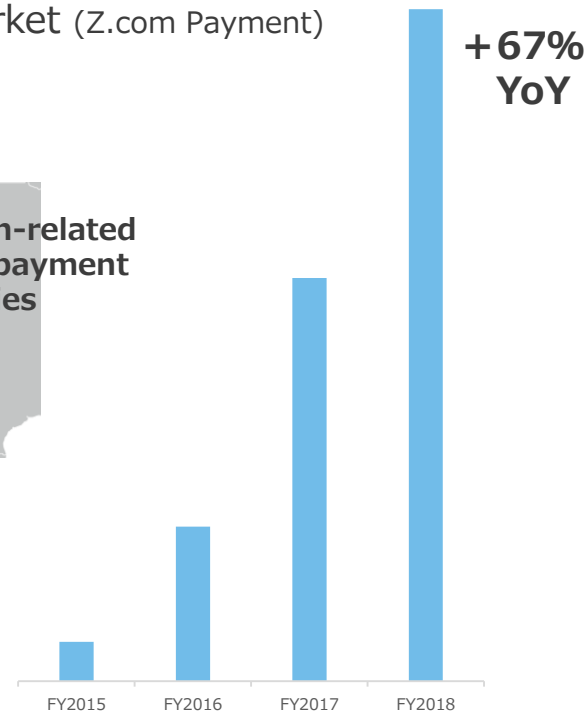
Asia: Top payment-related company      US: Innovation capital

Portfolios of Investments by GMO-PG and GMO Global Payment Fund



### ■ Payment processing business

Providing payment services to Japanese companies that have entered or are entering the Asian market (Z.com Payment)



Transaction value in Asia surging

# Payment Enhancement: Mobile payment and authentication



## Focus on Asian banks and large enterprises through the equity stake in Macro Kiosk

**Company name** Macro Kiosk Berhad

**Location** Malaysia and 11 other countries in Asia

**Headcount** 253

**Financial results** Revenue ¥4,563 million (FY2018 Actual)

**GMO-PG's stake** 70%

**Acquisition cost** Approx. 1,121 million yen

**Business Overview** **SMS mobile solution (composition≒90%)**  
delivered to 95% of Malaysian banks

**Carrier billing gateway (composition≒10%)**  
delivered to 50+ major carriers in 12 countries

### Strategy: Build Scale First, Then Profit

<Specific actions>

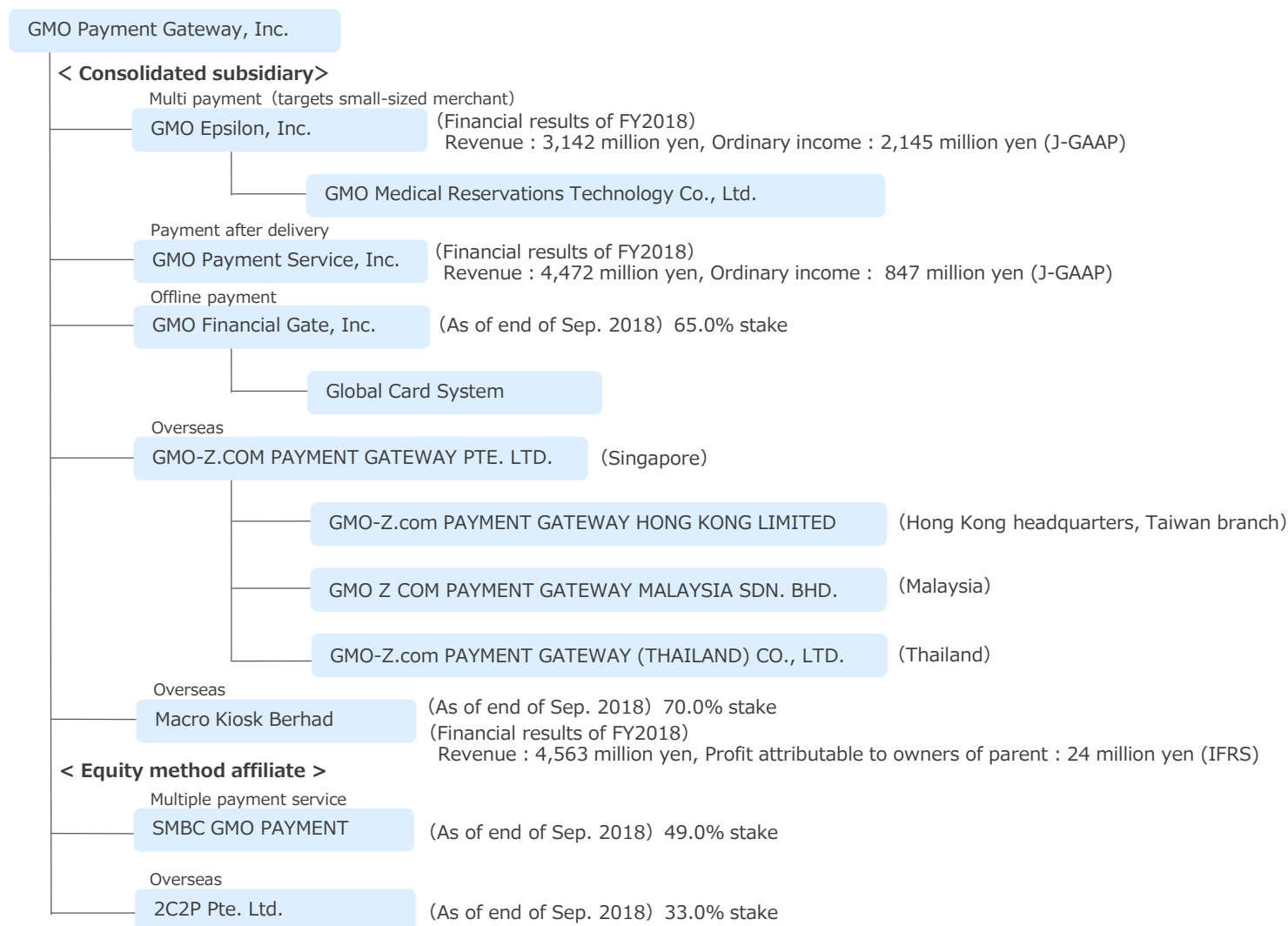
- ①Payment-related business  
Set up sales teams in India and Europe
- ②Business expansion in new countries  
Provide payment service, collaborate with 2C2P, an equity method affiliate
- ③Development of new products
- ④Entry into new markets by M&A



(as of the end of September 2018)

# GMO-PG Group

## GMO Payment Gateway's consolidated subsidiaries and affiliates



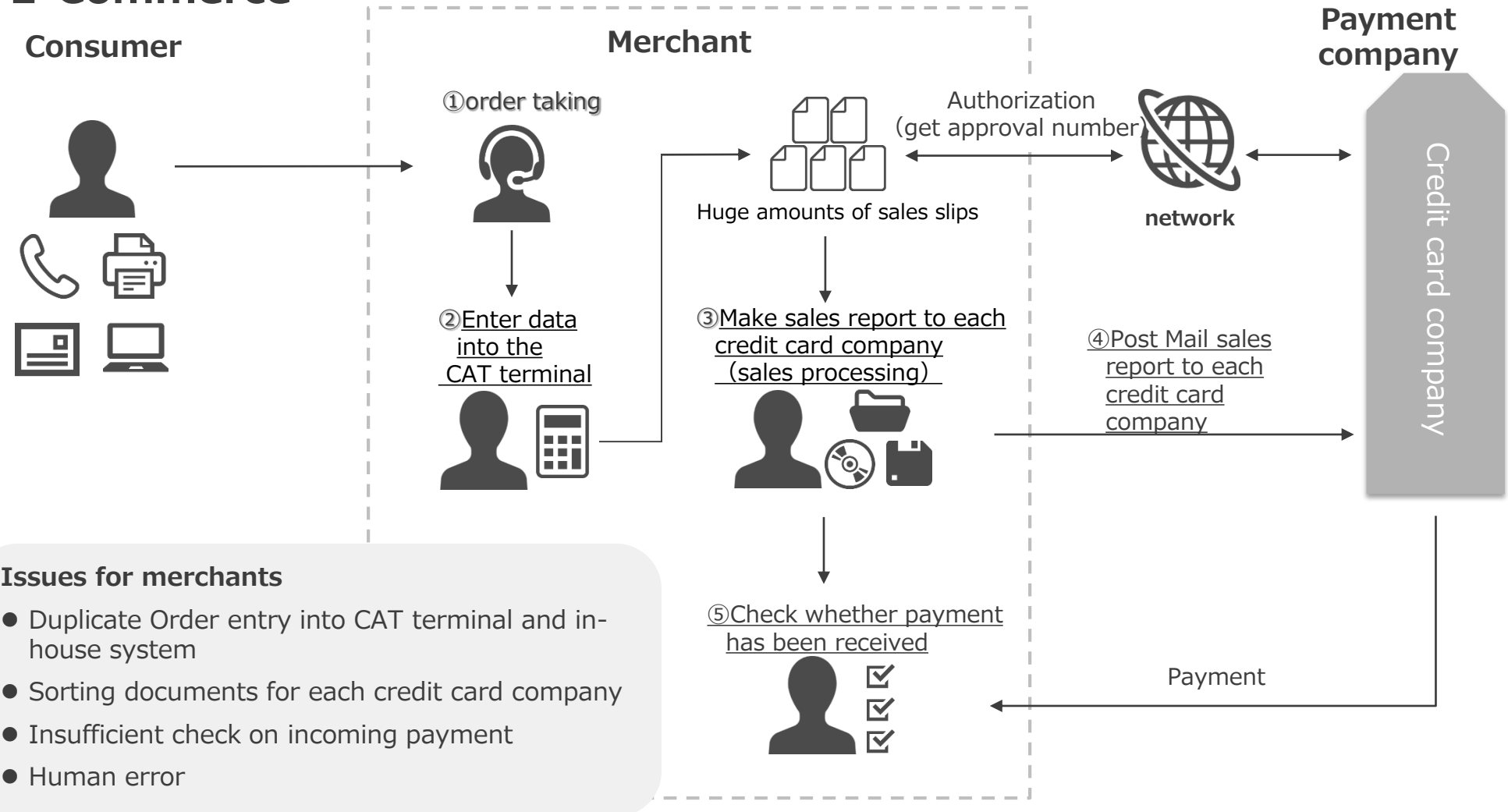
# Company outline

■ 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 &amp; Director</td><td>Masatoshi Kumagai</td></tr> <tr> <td>President &amp; 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)

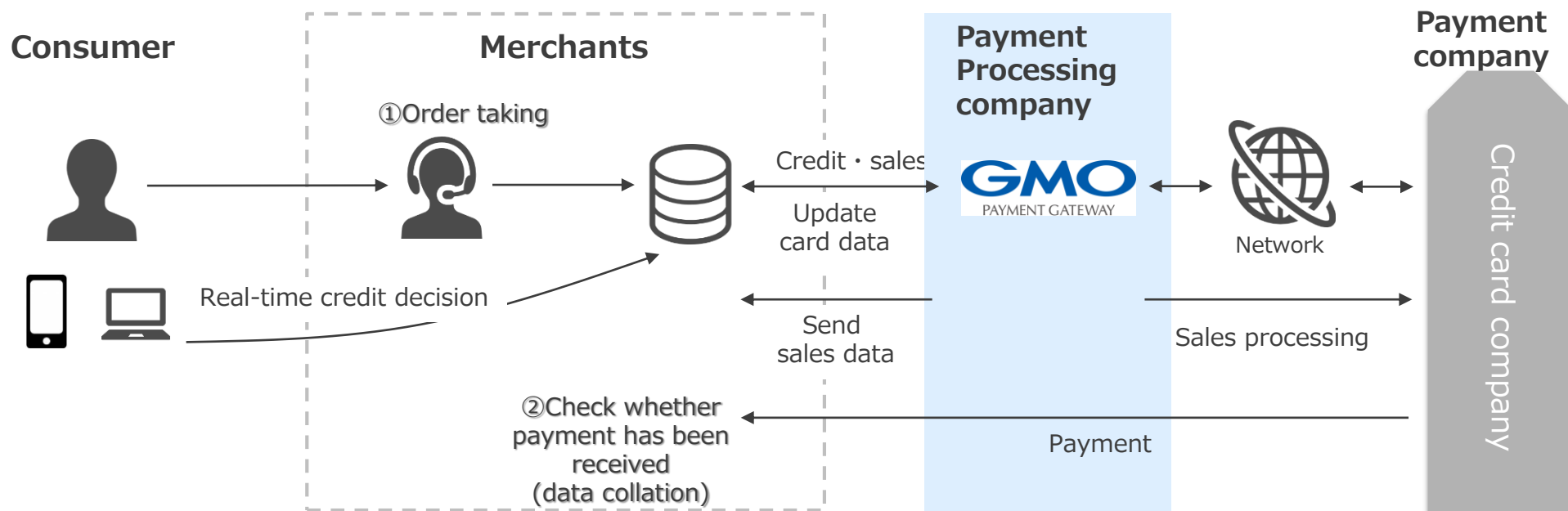
# Business outline of payment processing company (1)

## Problems with online credit card payment in the early days of E-Commerce



# Business outline of payment processing company (2)

## Payment processing service adds operational efficiency to credit card payment



In the early days of E-Commerce, credit card payment was processed offline between merchant and credit card company, a burden for both sides.

Payment processing companies were established to eliminate the burden for both the parties.