

Financial Results Briefing for Q1 FY2020

From Offline to Digital Data;
Sustainable Growth Through Expansion of Digital Transformation Platform

February 13, 2020

GMO Payment Gateway, Inc.

(3769; Tokyo Stock Exchange First Section)

The 60th IR Meeting

GMO PAYMENT GATEWAY

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

Safe Harbor Statement

The contents of this document are based on generally recognized economic and social conditions, as well as assumptions judged to be reasonable by GMO Payment Gateway as of February 13, 2020.

Please note that the contents are subject to change without prior notice in the event of changes in the business environment or other unforeseen occurrences.

Agenda

1. Summary of financial results for Q1 FY2020
2. Future initiatives and growth strategy
3. Financial highlights

1. Summary of financial results for Q1 FY2020

1.1 Financial Results Summary (IFRS)

Exceeded company plans; strong start to reach FY2020 OP ¥10.3bn guidance

(Mil. Yen)	Q1 FY2019 Actual	Q1 FY2020 Actual	% YoY	FY2020 1H Guidance (Full Year guidance)	% achievement vs. 1H guidance (vs. Full Year guidance)
Revenue	8,246	9,030	+9.5%	17,116 (36,618)	52.8% (24.7%)
Operating Profit	2,076	2,080	+0.2%	4,363 (10,376)	47.7% (20.1%)
Pre-tax Profit	1,934	2,728	+41.0%	4,122 (9,867)	66.2% (27.7%)
Profit Attributable to Owners of Parent	1,079	1,729	+60.2%	2,533 (6,110)	68.2% (28.3%)
EBITDA ^{※1}	2,320	2,429	+4.7%	-	-

KPI ^{※2}	Operating Stores (end-Q1) ^{※3}	TRX Volume (Cumulative 1Q)	TRX Value (Cumulative 1Q)
	121,700 (+23.0%)	Approx. 540mil. (+33.4%)	Approx. ¥1.2 tr. (+23.2%)

※1 EBITDA=Operating Profit + Depreciation.

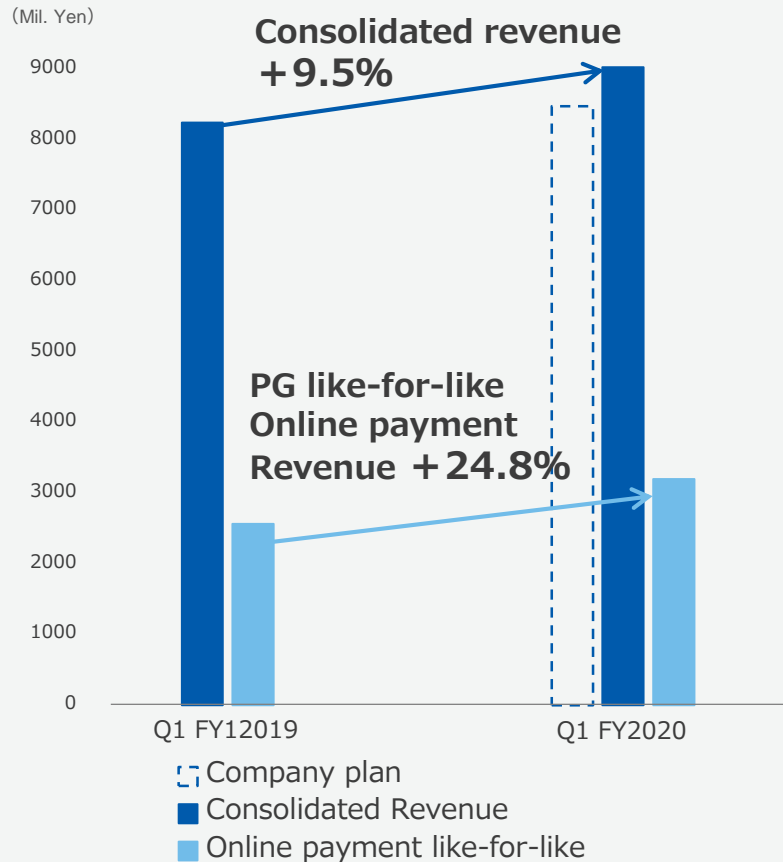
※2 Figures in parentheses are % YoY changes. Excludes offline transactions; if offline transactions are included the TRX volume is approx. 550 mil. (up 34.6% YoY) and TRX value is approx. ¥1.4 tr. (up 27.2% YoY).

※3 Figures exclude the recent increase in operating stores from a specific merchant. If included, the number of operating stores is 254,261 stores (up 126.3% YoY).

1.2.1 1Q Revenue: Factors behind the 9.5% YoY growth

Exceeded company plans: PG like-for-like online payment revenues grew strongly at approx. 25% YoY

■ Consol. revenue & PG like-for-like* online payment revenue



<Positive factors>

- PG like-for-like online payment revenue: Up 24.8% YoY
- Offline payment (GMO-FG & GCS): Up 58.7% YoY
- Services to financial institutions: Up 66.6% YoY
- GMO Payment After Delivery (2 week term): Up 24.3%
- Tackling this year's issues: EP progressing ahead of plan, MK progress on track

<Negative factors>

Impact of consumption tax hike and cashless points rebates
3 special factors affecting the growth rate:

- ① Contract cancellation of a large merchant in the previous Q2
- ② Contract termination of a merchant in the previous Q2
- ③ Change in contractual terms with a merchant this Q1

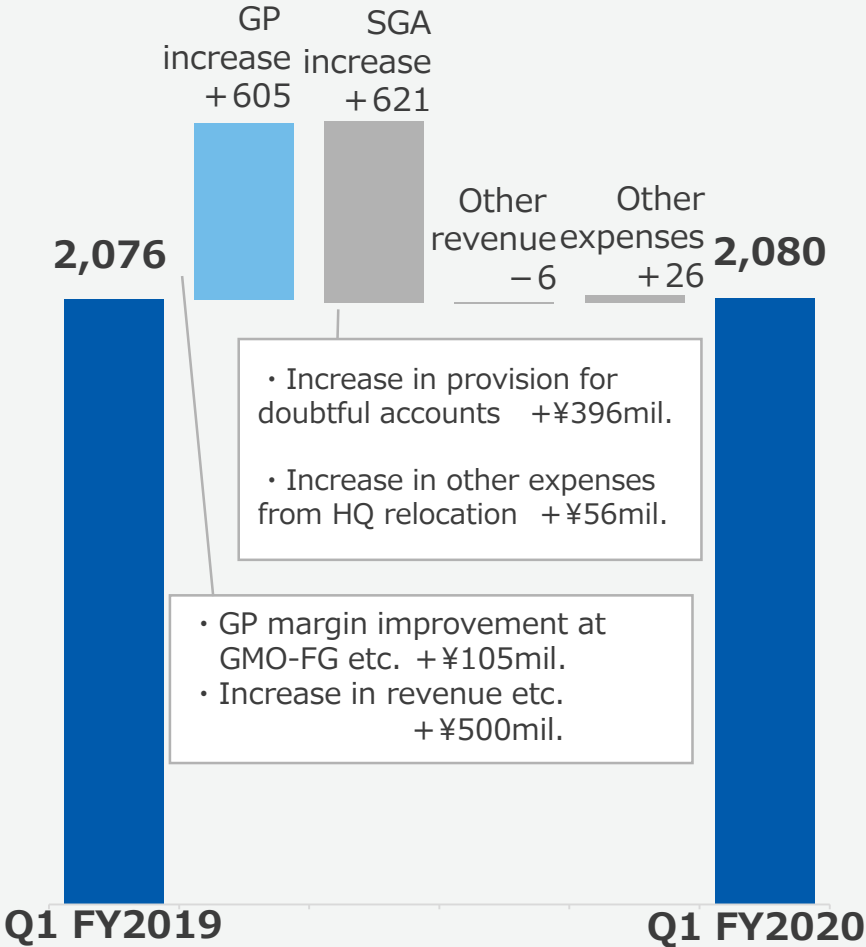
* PG like-for-like online payment revenue = PG parent online payment revenue - sum of the revenues of the 3 special factors stated above.

PG parent online payment revenue = GMO Payment Gateway's parent-only online payment processing revenue (sum total of stock, fee and spread revenues)

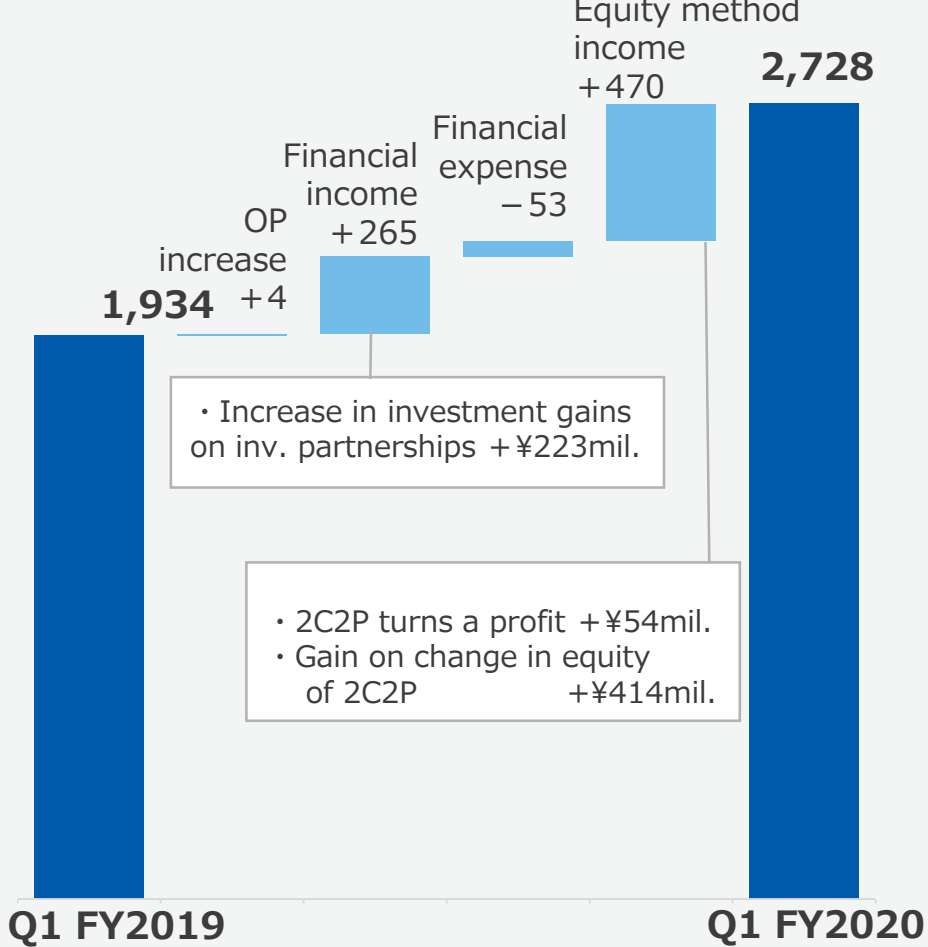
1.2.2 Factors affecting profits: OP & Pretax profit

Higher SG&A due to increased provisioning; Pre-tax profit uplifted from higher equity method income

■ OP waterfall chart (Mil. Yen)



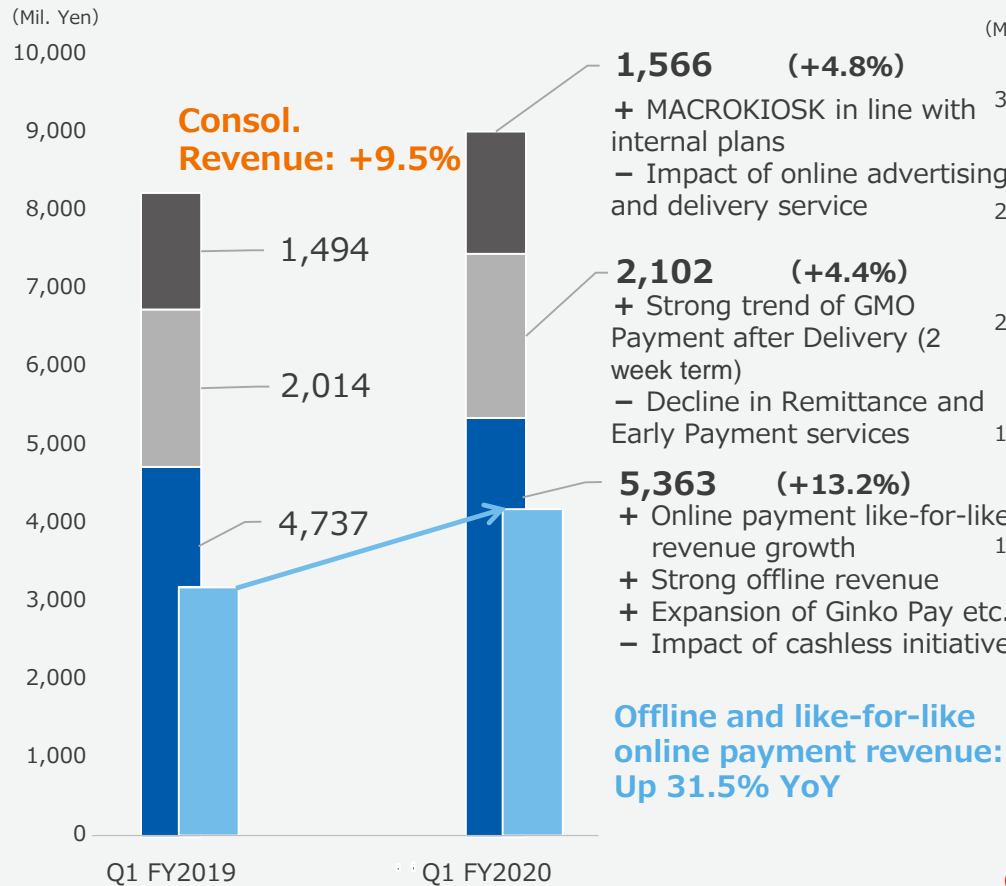
■ Pre-tax profit waterfall chart (Mil. Yen)



1.3 Segment revenue and OP YoY comparisons

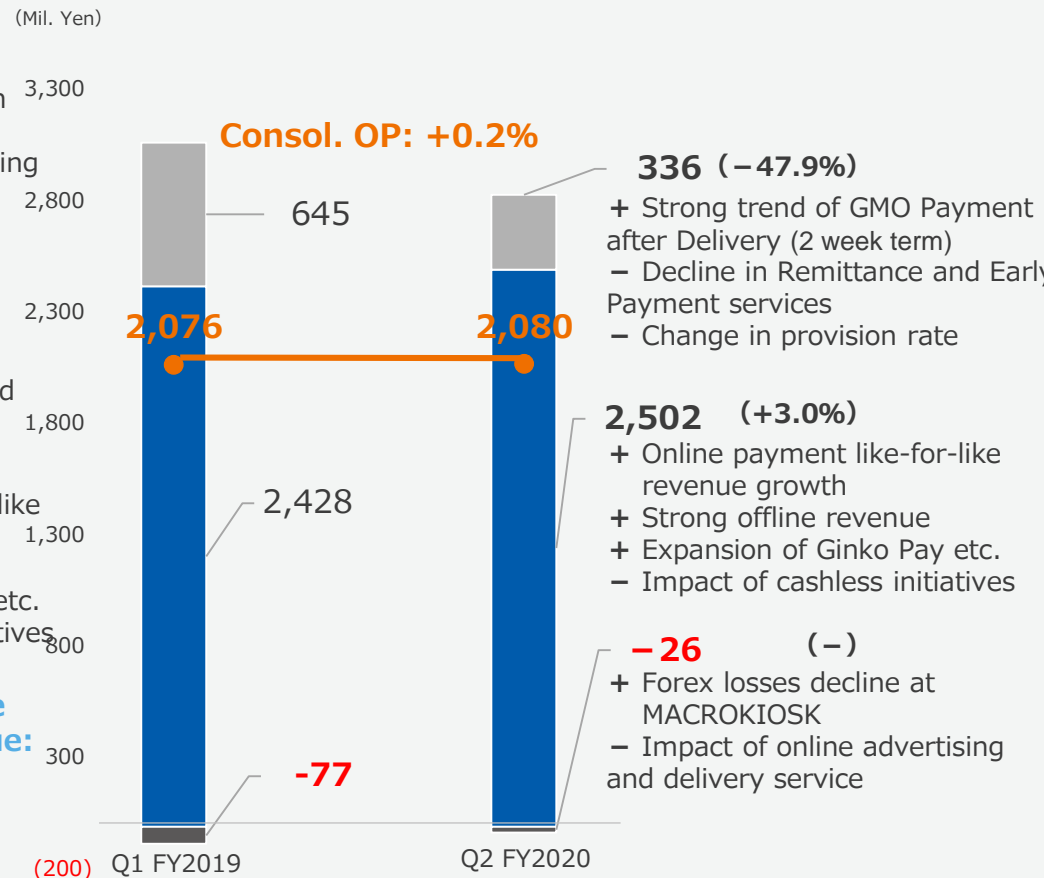
All segments exceeded company plans

■ Segment revenue



■ Segment OP

(): % YoY



■ Payment Processing Business ■ Money Service Business ■ Payment Enhancement Business —●— Consol. operating profit

1.4 Conclusions

Q1 results exceeded company plans; return to growth trajectory by executing on the priority initiatives

- 1. Q1 beat company plans, progressing ahead of plans**

Takeaways Online: steady progress in acquiring new merchants, business expansion with existing merchants

Offline: expanding cashless payments, making inroads into Unattended Market (UM)

Numerics TRX Volume +33.4%, TRX Value +23.2%

Consol. revenue, segment revenue and all profit lines achieved Q1 targets

Favorable business conditions in infrastructure & utility

- 2. Steady progress in the executing on the priority initiatives**

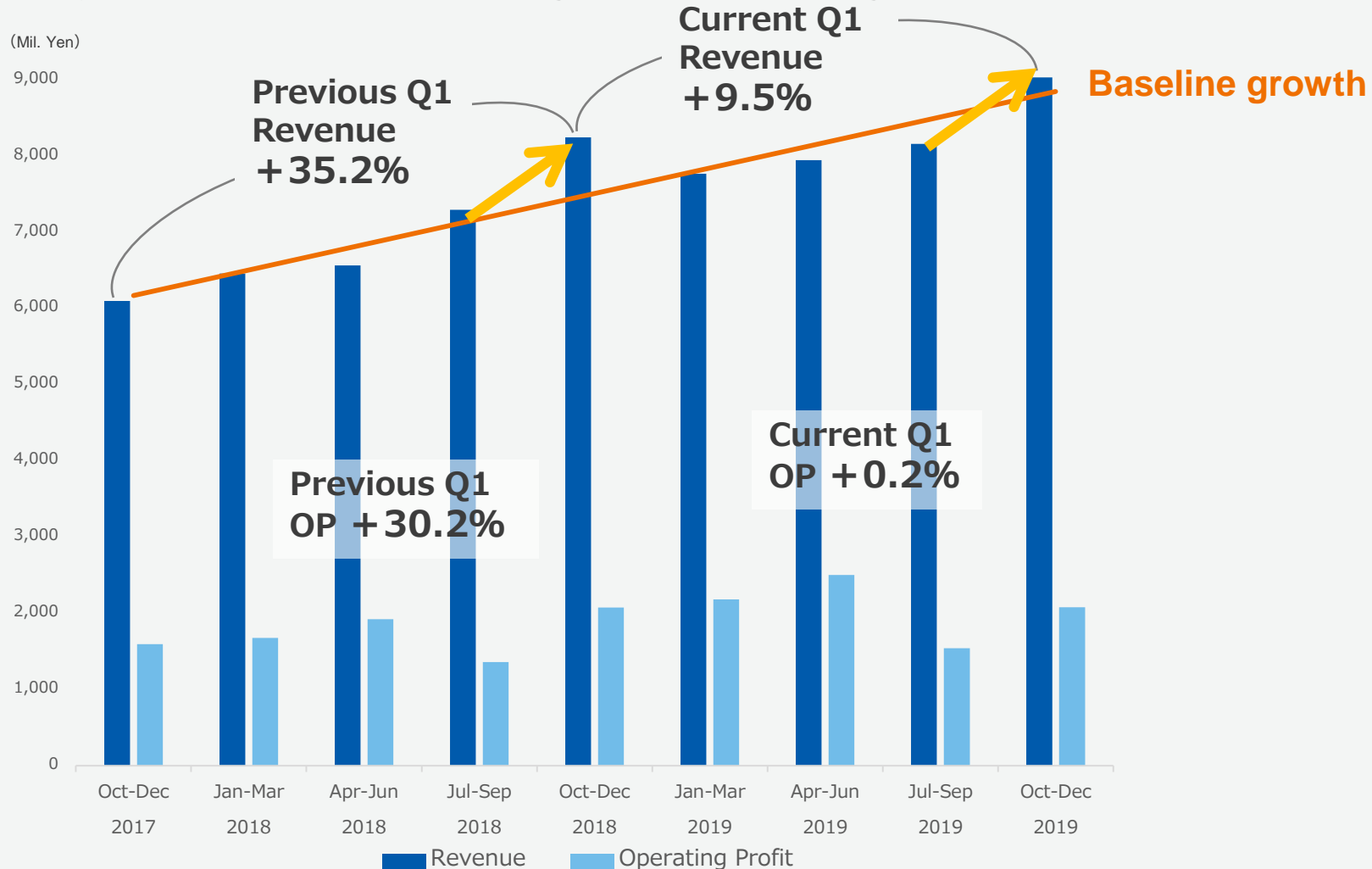
- 3. Benefits are emerging from addressing the 4 issues of this year**

- 4. Achieve OP ¥10.3bn; return topline to growth trajectory next FY**

(Reference) Growth trend of revenue and OP

Q1 returns to baseline growth rate after the impact of spike in growth in the previous Q1

■ Quarterly trend of revenue and operating profit (%: YoY change)



2. Future initiatives and growth strategy

2.1 Management targets and requisites

Achieve OP milestone of ¥25bn by continually realizing multi-billion-yen scale business projects



Management Requisite

Continually realize multi-billion yen businesses

Priority Initiatives

1. Industry-specific DX platform[※]

Finance Utility Telco Logistic

2. Offline payment (IoT)

3. FinTech

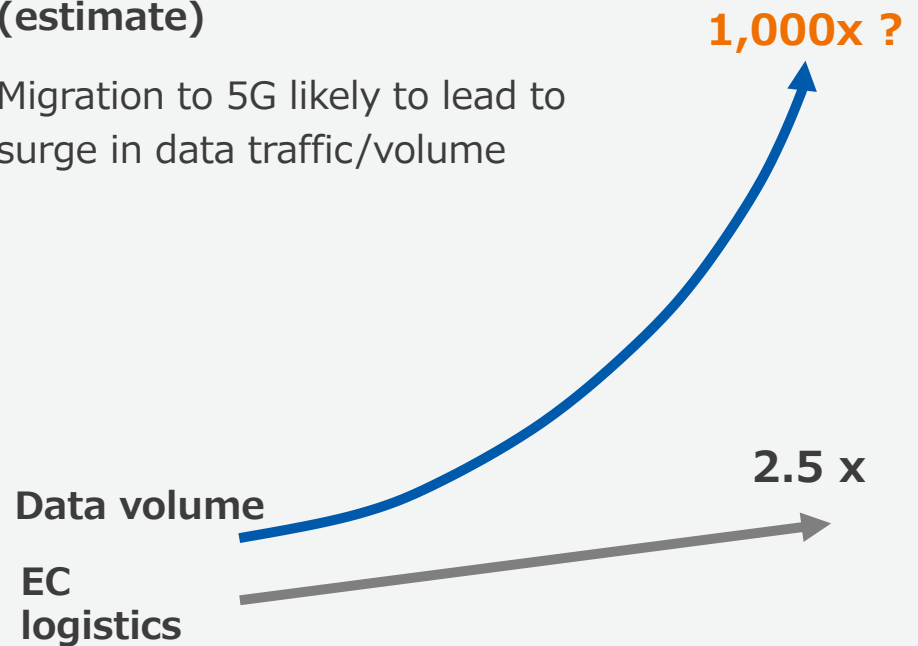
4. Global major players

5. B2B Payment business

6. Global business

■ 10-year growth of data & delivery parcels (estimate)

Migration to 5G likely to lead to surge in data traffic/volume



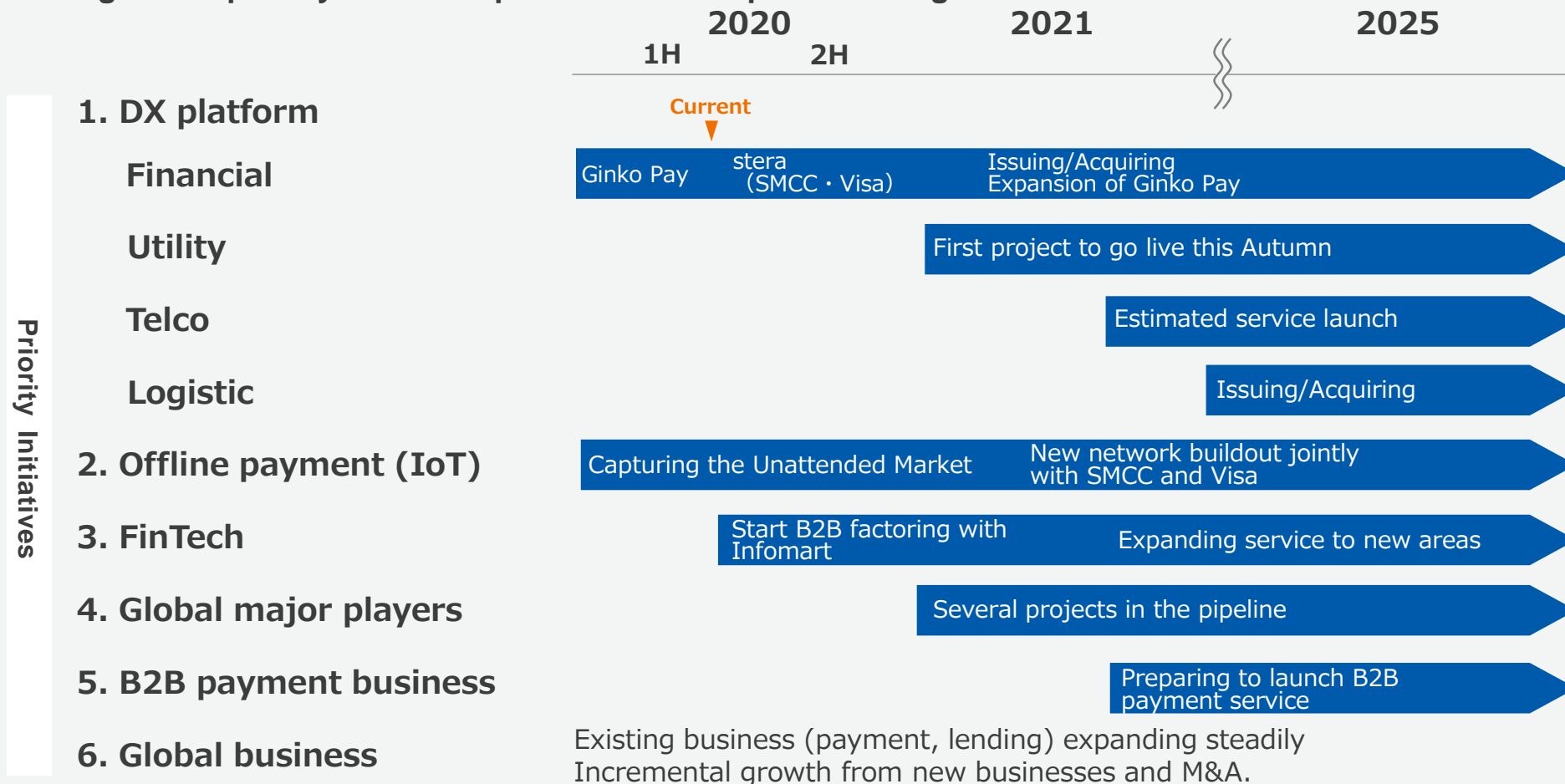
※ Digital Transformation (DX): To reform the business model, services and products of companies in response to customer and social needs by leveraging data and digital technology and thereby adapt to the drastic business changes underway. In addition, reform the work process, corporate organization, processes and protocols as well as corporate culture itself, in order to maintain or enhance competitive advantage.

Translated from the Japanese excerpt of Ministry of Economy, Trade and Industry's, "Guidelines for Promotion of Digital Transformations (DX Promotion Guidelines)."

2.2 Progress of priority initiatives

Initiatives to generate incremental ¥15bn OP to begin contribution from latter part of the year

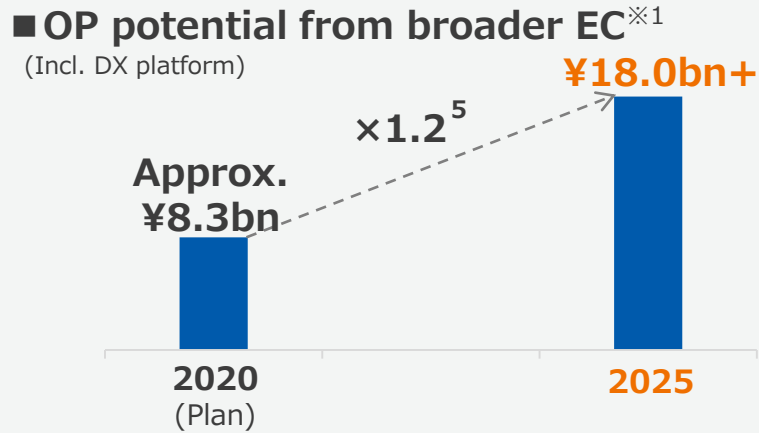
- Progress of priority initiatives post-2020 and expected timing of contribution to P/L



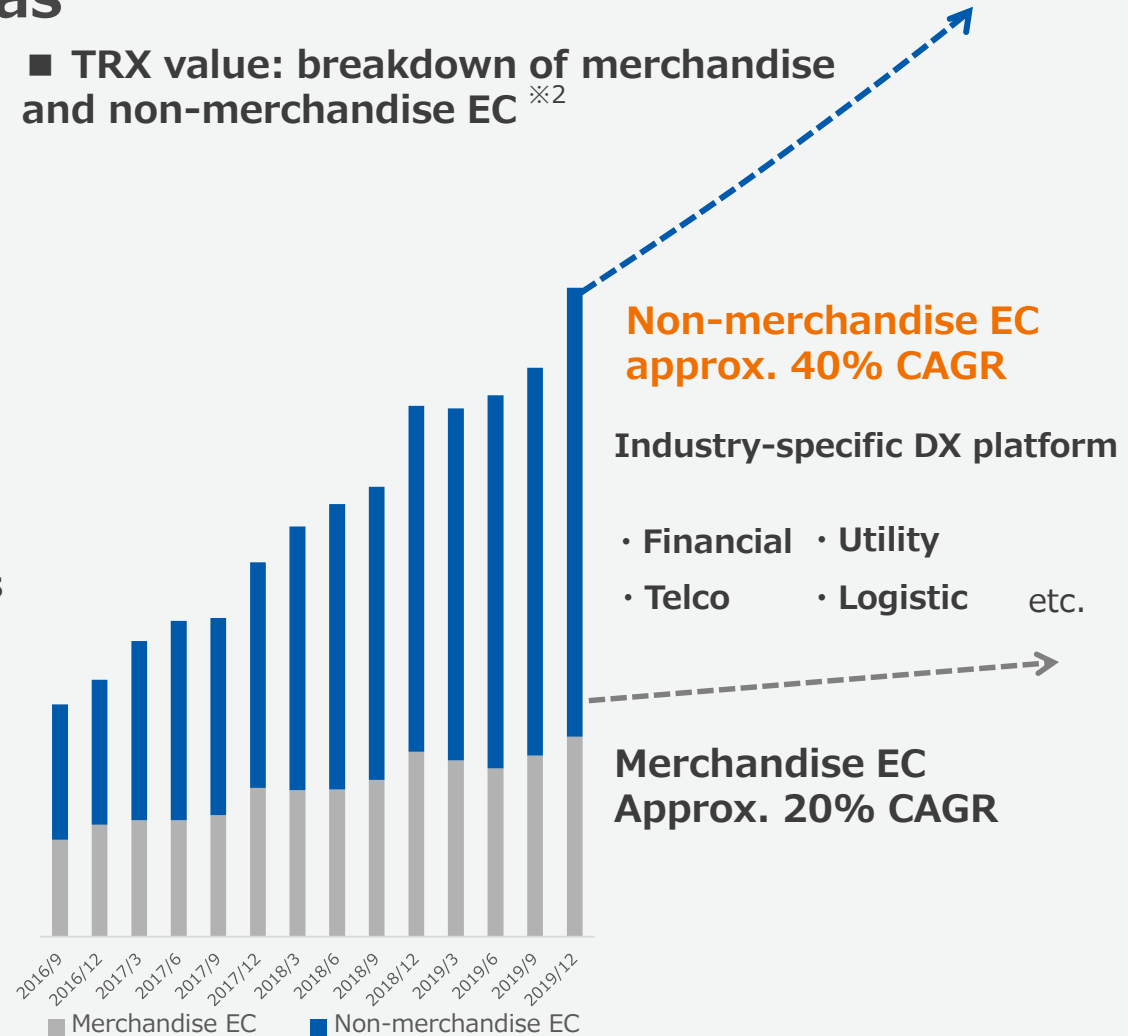
※SMCC refers to Sumitomo Mitsui Card Company, Limited, Visa refers to Visa Worldwide (Japan) Co. Ltd., and Infomart refers to Infomart Corporation, SMBC refers to Sumitomo Mitsui Banking Corporation, Toyota collectively refers to the three companies of Toyota Motor Corporation, Toyota Financial Service Corporation and Toyota Finance Corporation.

2.3.1 DX Platform

Achieve ¥18bn OP by 2025 from the broader EC domain by expanding into non-EC areas



■ TRX value: breakdown of merchandise and non-merchandise EC^{※2}



- Growth strategy
- Acquire large and high-growth merchants
 - Expand non-merchandise EC businesses

<DX Platform strategy>

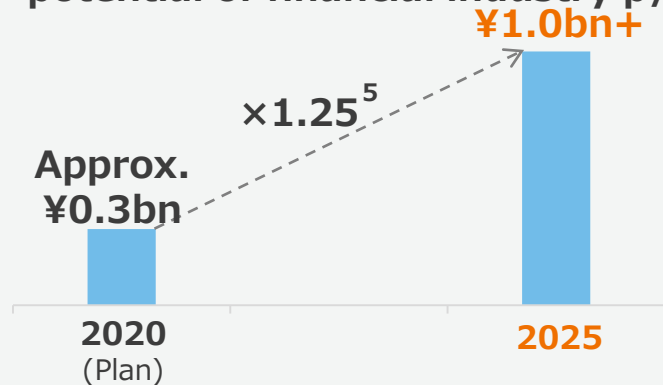
- ① Construct industry-specific DX platforms
- ② Target new industries created and/or seeing growth acceleration from 5G

※1 Excludes the financial industry DX platform
 ※2 TRX value for the Multi-Payment service of GMO Payment Gateway Inc.

2.3.2 DX platform: Financial industry

Expand the financial industry p/f and rollout to enterprises to accelerate growth

■ OP potential of financial industry p/f



■ Growth Strategy

Expand the financial industry platform

• Ginko Pay

Offer platform system for proprietary QR code payment services of financial institutions

• Issuing/Acquiring

Offer payment solutions to financial institutions (expected to rollout to enterprises)

• stera

Next generation payment platform jointly developed with SMCC and Visa

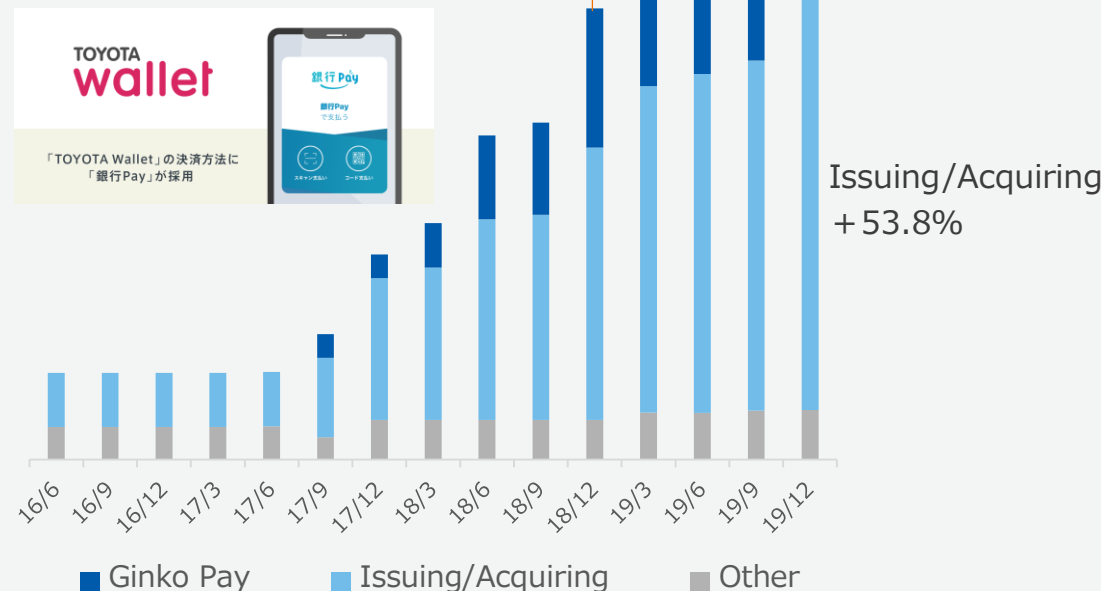
■ Quarterly trend of stock revenue: expanding our financial service business

NEW

Platform system provided for Enterprise-version Pay by SMBC



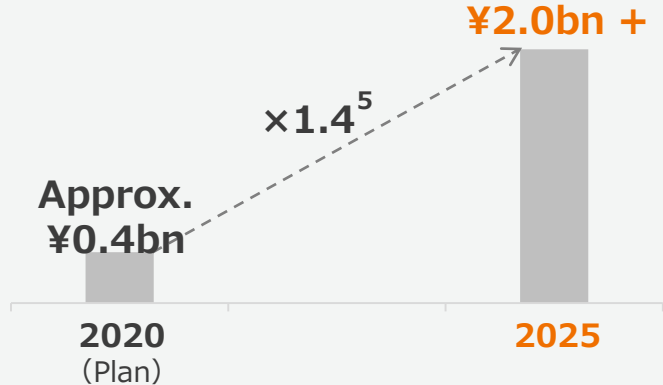
Enterprise-version Pay selected as one of the payment methods on TOYOTA Wallet (from November 19, 2019)



2.4 Offline Payment (IoT)

Realize high growth in the huge offline payment market through stera and capturing the Unattended Market

■ OP potential of offline payment (IoT)



■ Growth Strategy stera (SMCC · Visa)

Replace existing network and buildout the new network scheme with SMCC and Visa

Reinforcing sales to the Unattended Market

Ticket Vending Machine Fare Adjustment/Auto Pay



Market size: ¥1.826 tr.



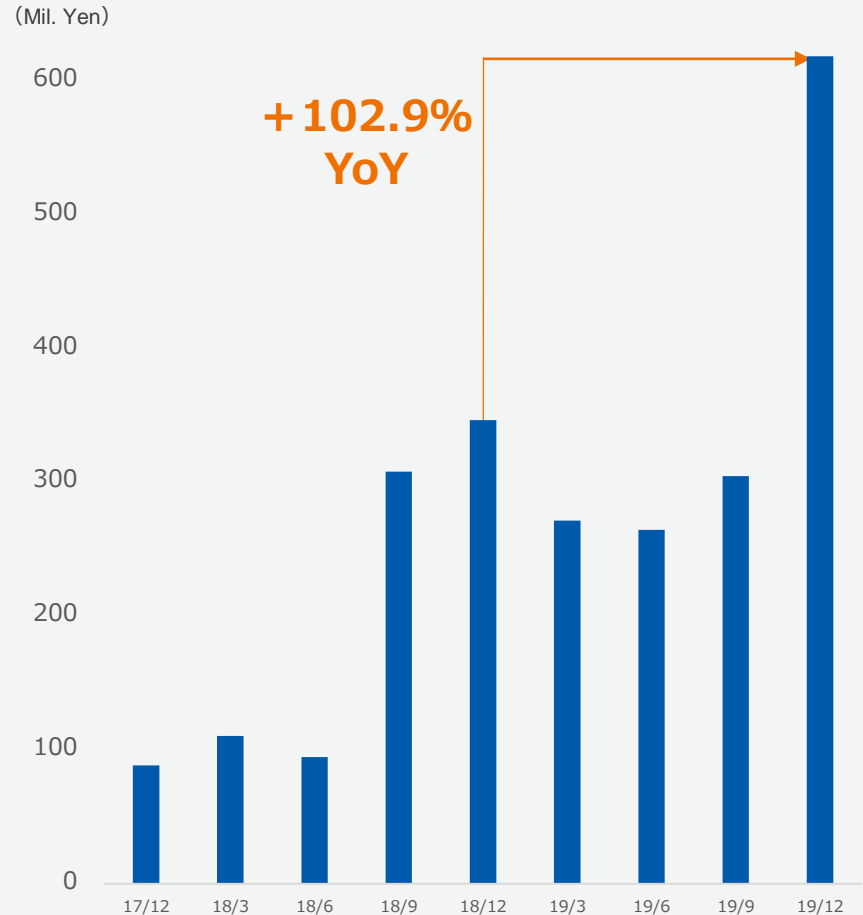
Market size: ¥1 tr.

NEW

Office Pay® by GMO, making payments using company ID, launched from December 20, 2019.



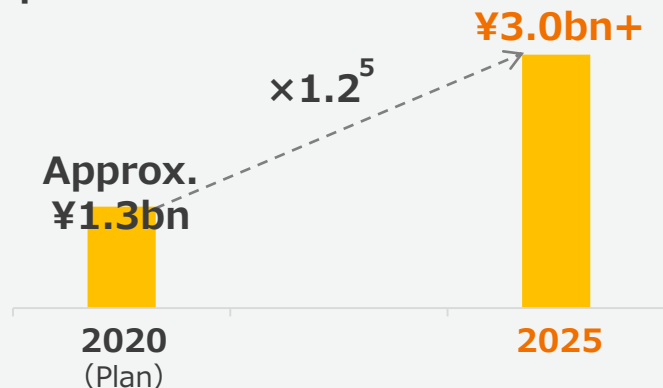
■ Quarterly trend of Initial revenue from Offline market



2.5 FinTech: Expanding high-margin services

Expand high margin services and further raise the capital efficiency

■ OP potential of FinTech



■ Growth Strategy

Expand the high-margin services

- GMO Payment After Delivery
- Overseas Lending
- B2B Factoring

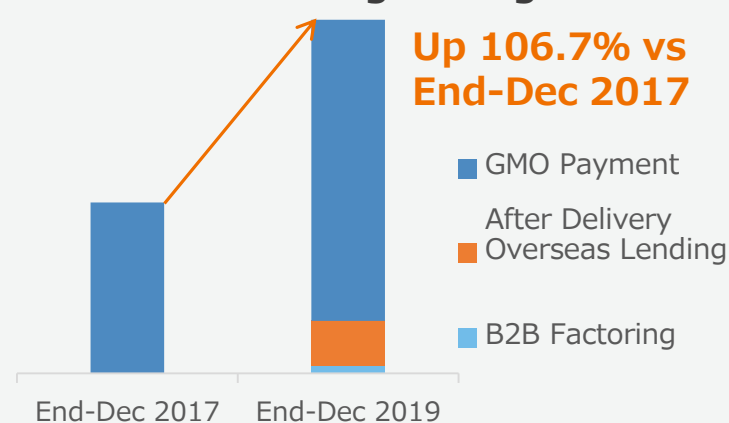
Support cash needs by early cash conversion of invoice (accounts receivable)

NEW

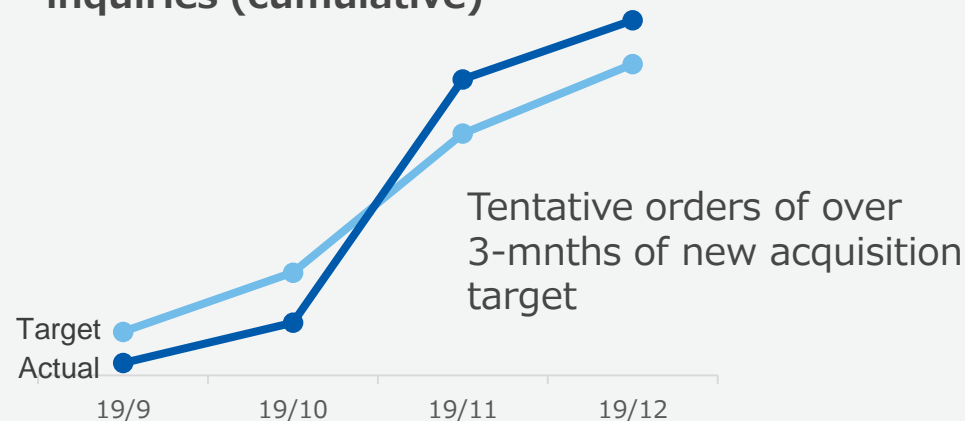
Info Mart Corporation

Launched Electronic Invoice Early Payment together with Infomart (from January 30, 2020)

■ Asset balance of high-margin services[※]



■ Monthly trend of Infomart B2B Factoring inquiries (cumulative)



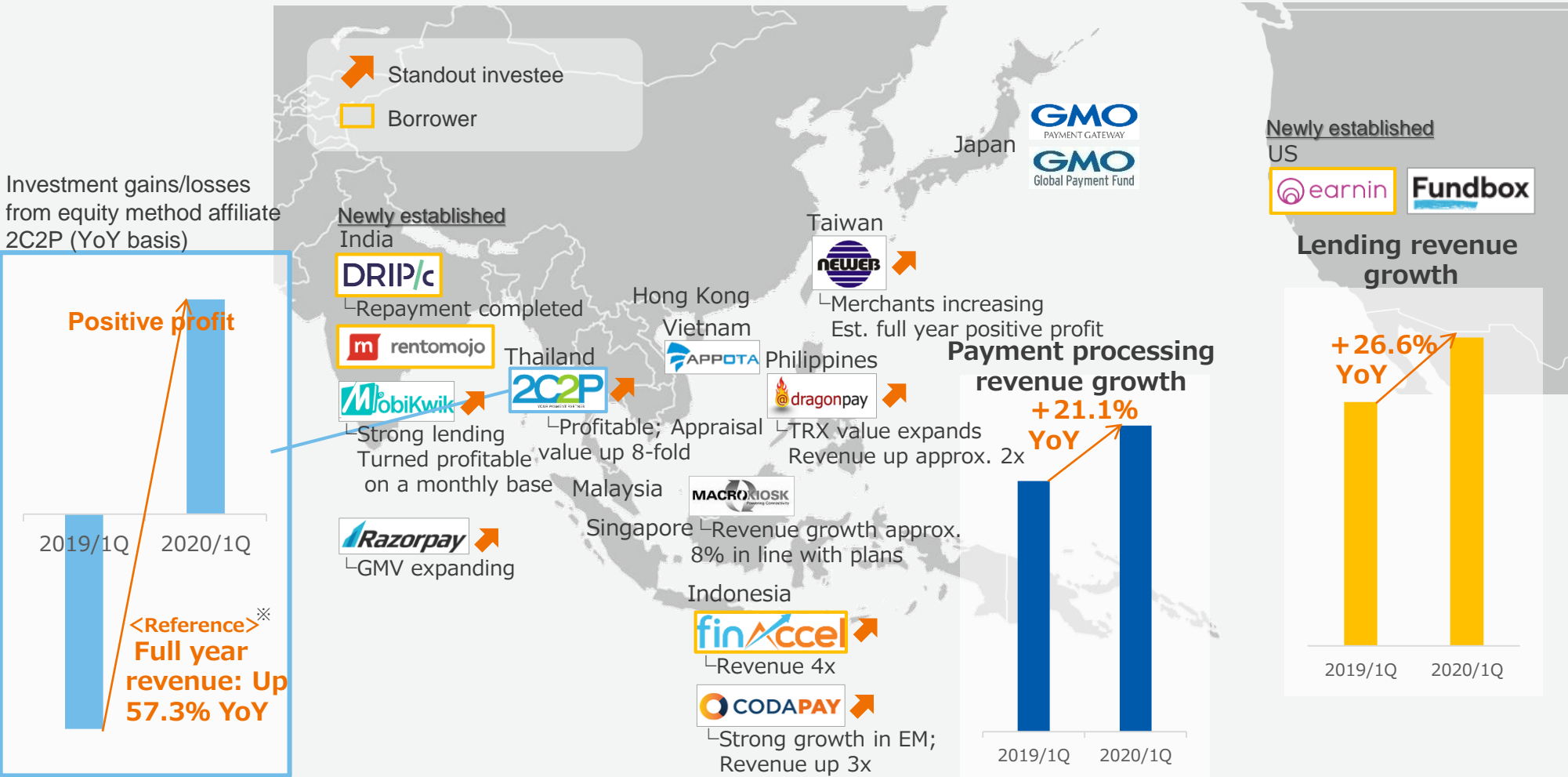
※ Those financial services offered by GMO-PG consolidated subsidiaries where the ROIC exceeds the WACC.

ROIC = Annual estimated NOPAT ÷ Monthly average BS asset balance

2.6 Global Business

Financial results of investees are strong especially at 2C2P; accelerating growth of payment processing and lending

Investments and Borrowers of GMO-PG and GMO Global Payment Fund; Revenue trend by service

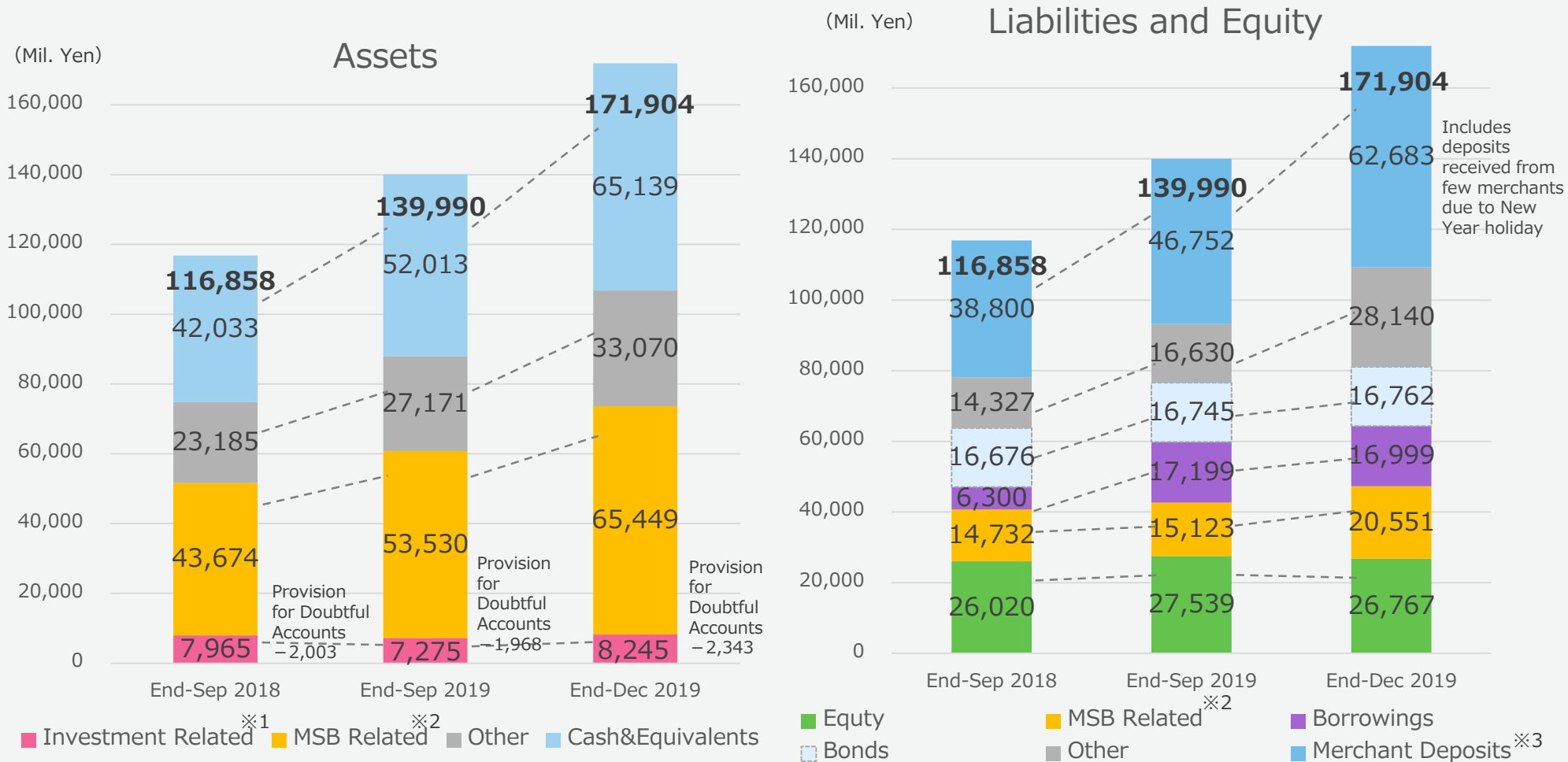


* Based on Jan. to Dec. 2019 cumulative revenue of 2C2P.

3. Financial Highlights

3.1 Balance Sheet Changes

Increase in deposits received and MSB-related assets



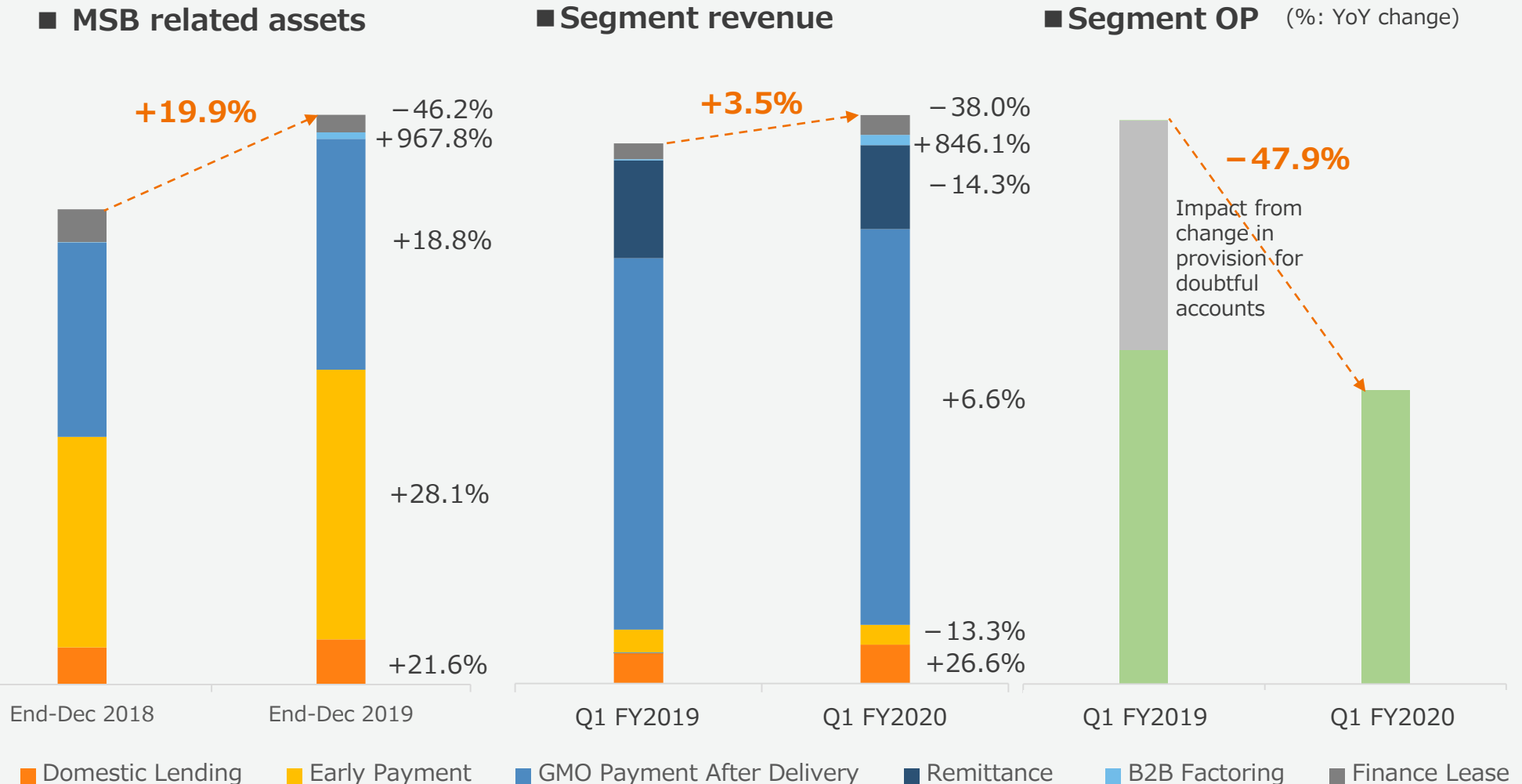
※1 Securities classified under Investment Securities and Equity-Method Affiliates

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

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

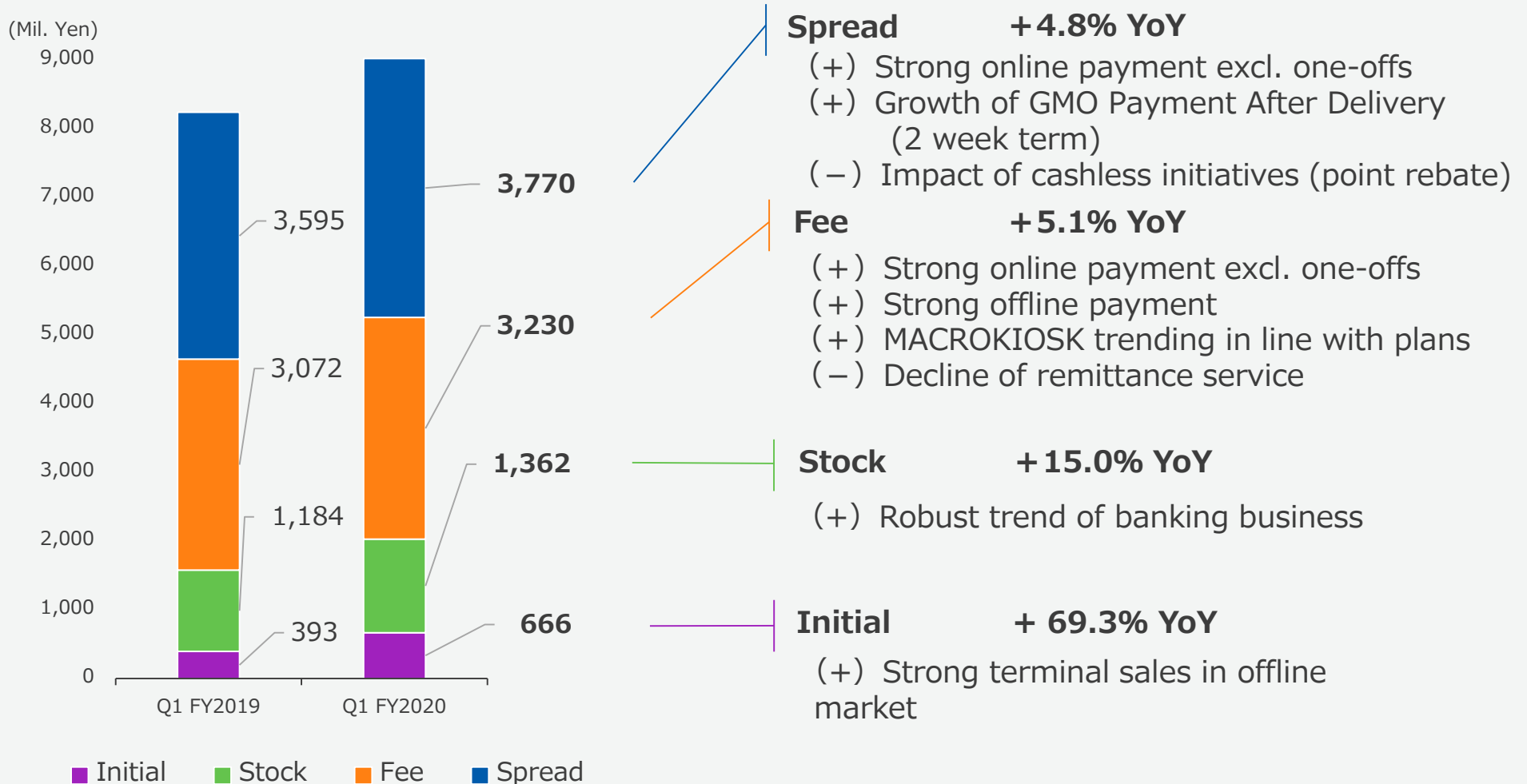
3.2 FinTech : Assets and profit growth

Steady growth of high-margin services; YoY decline from reversals of provisions booked in the previous year

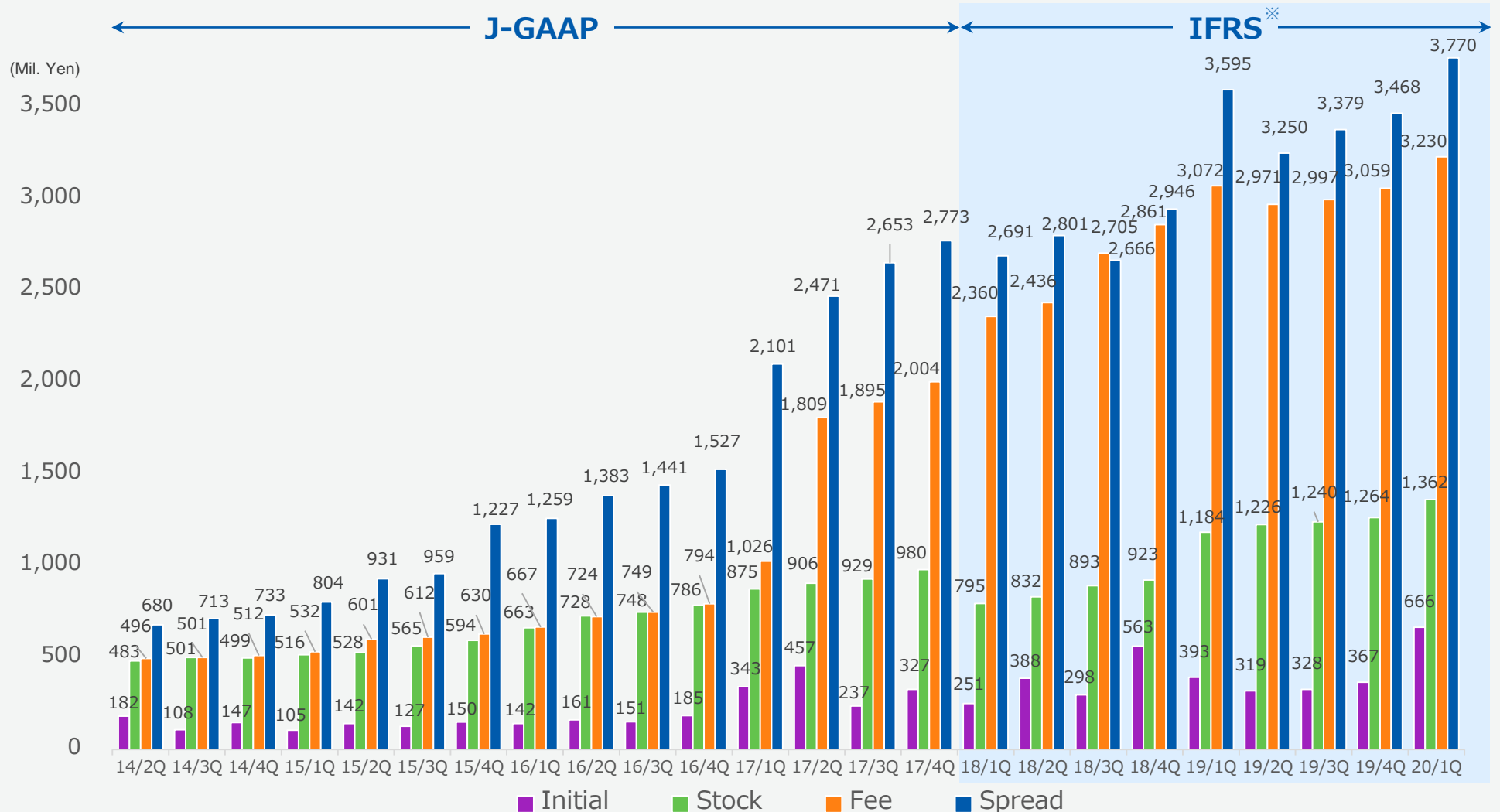


※ Figures are net of GMO Payment After Delivery assets (accrued revenue) and provision of doubtful accounts.

3.3.1 Revenue by business model

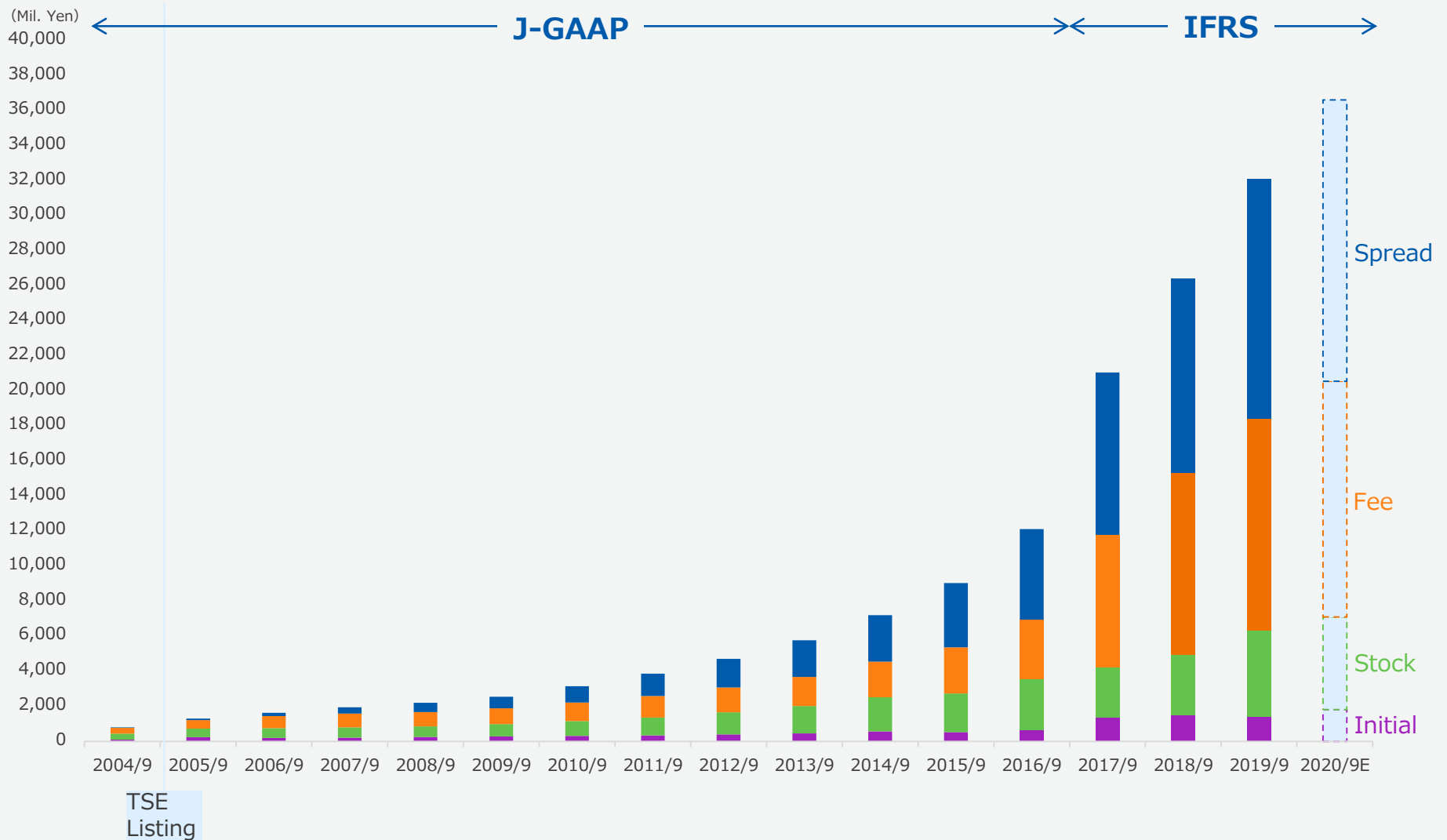


3.3.2 Quarterly trend of revenue by business model



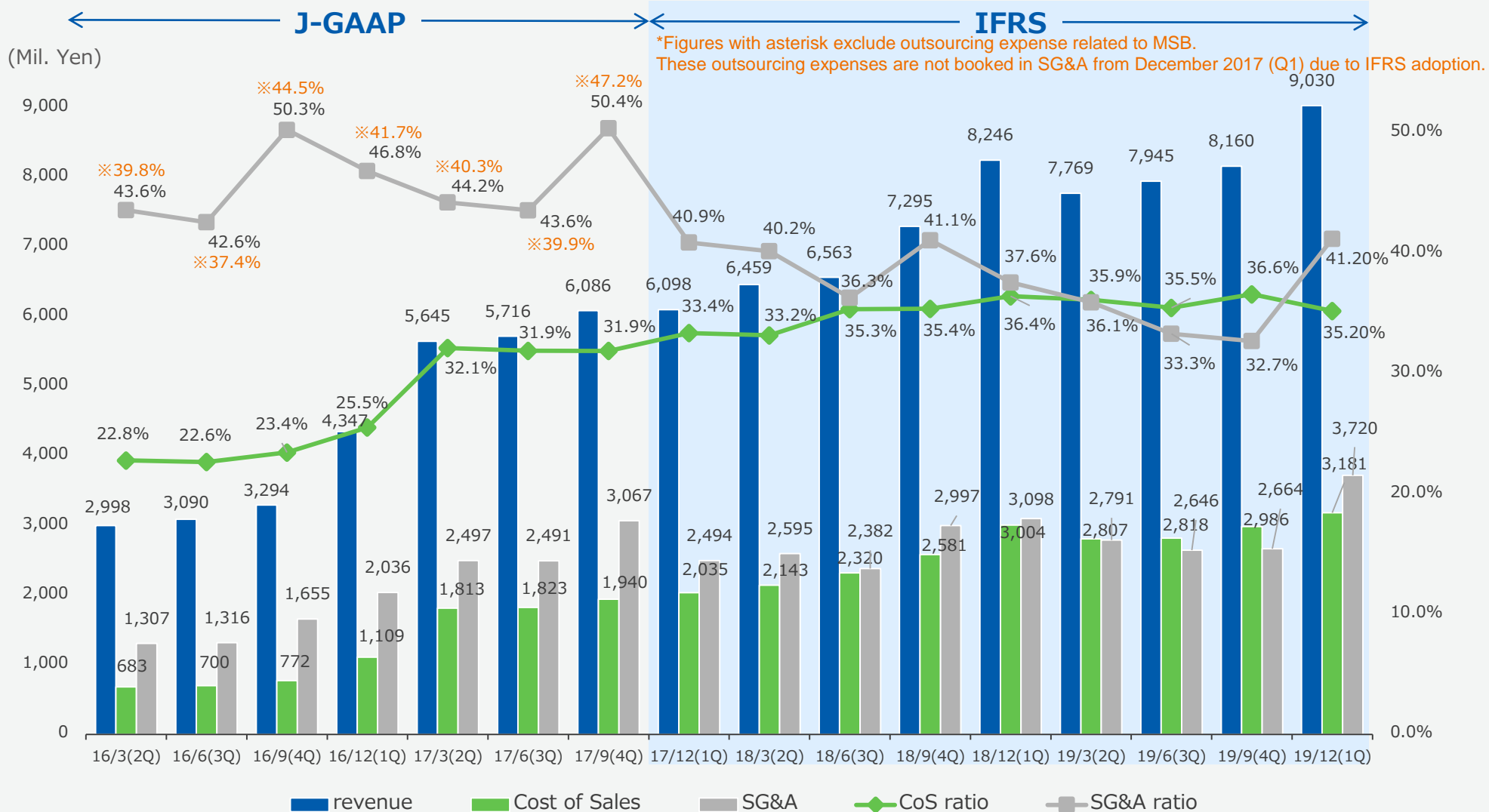
※Online advertising service (stock) and finance lease (spread) revenues are recognized as a net amount with the IFRS adoption rather than the gross method.

3.3.3 Revenue trend by business model (annual)



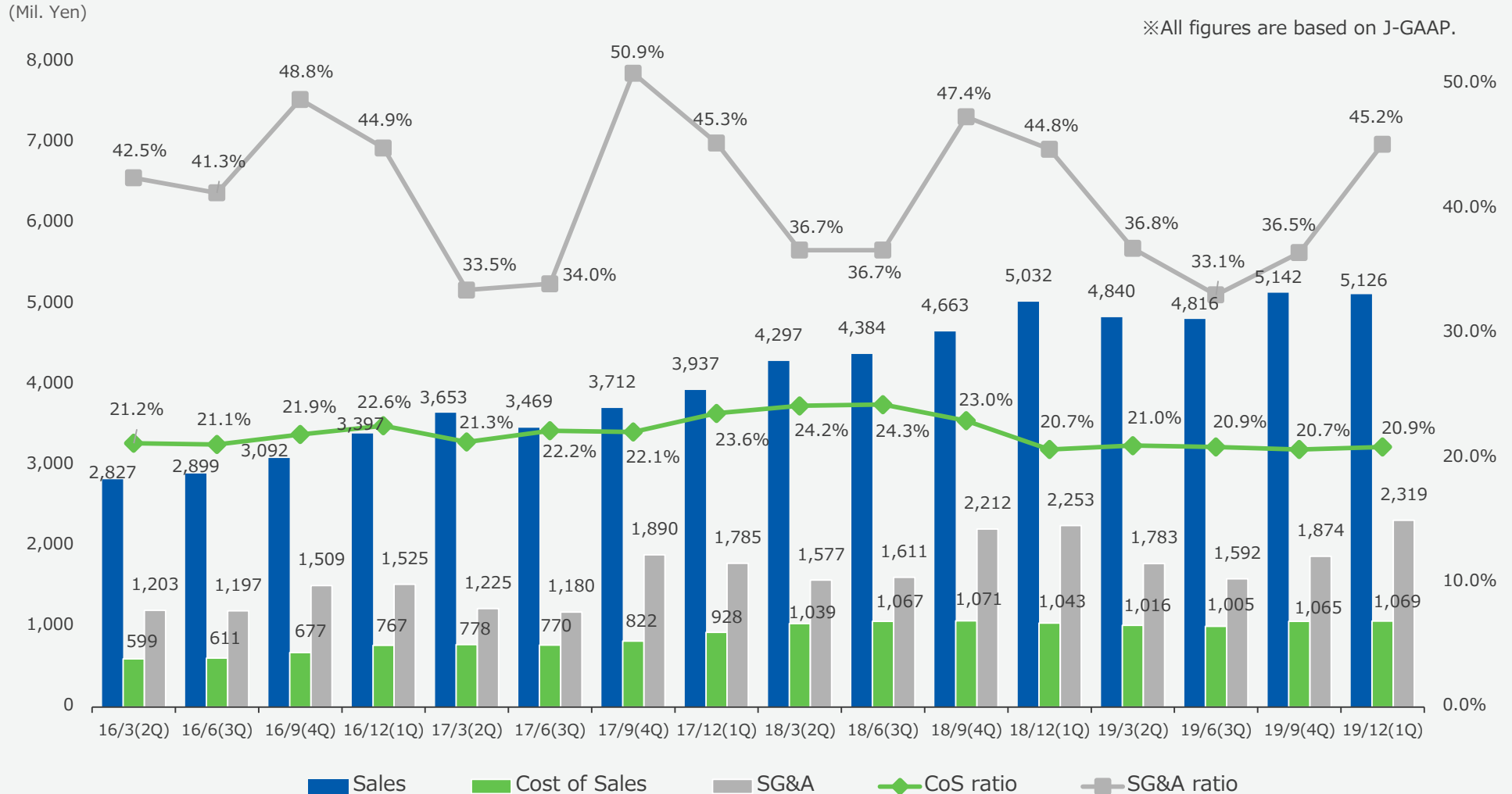
3.4.1 Quarterly trend of CoS and SGA ratio

CoS ratio fluctuates with changes in revenue mix

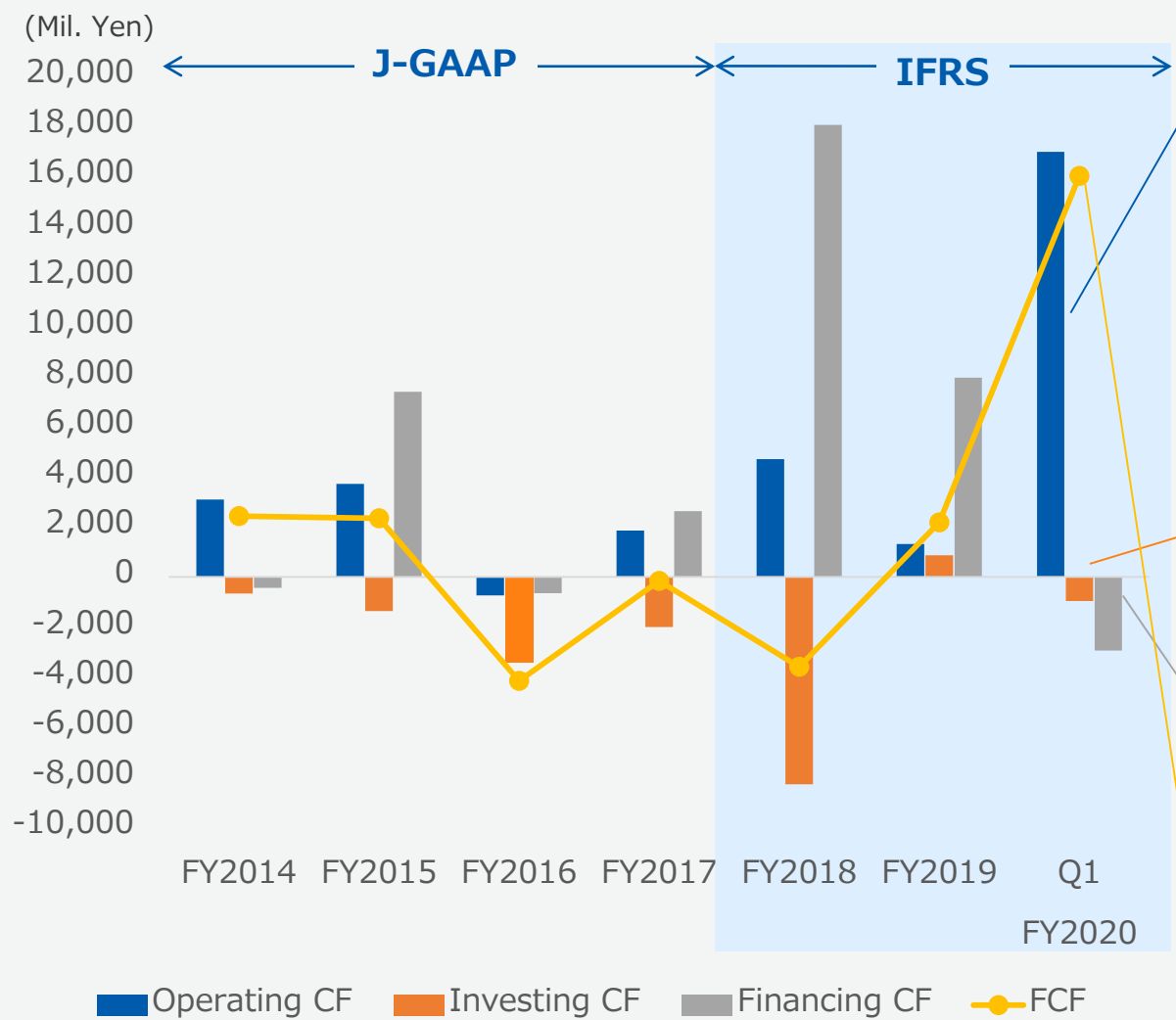


3.4.2 Quarterly trend of PG and EP's CoS and SGA ratio

CoS ratio fluctuates with changes in revenue mix



3.5 Consolidated CF Statement



■ Q1 FY2020 changes

	(Mil. Yen)
Operating CF:	+ ¥16,985
Pretax profit	+ ¥2,728
Chgs in rcvbls	+ ¥448
Advances paid	- ¥6,690
Accrued income	- ¥5,591
Chgs in payables	+ ¥577
Accrued expenses	+ ¥5,401
Deposits received	+ ¥21,947 ^{※1}
Investing CF:	- ¥963
Acq. of intangibles	- ¥398
Acq. of inv. securities	- ¥356
Financing CF:	- ¥2,952
LT debt repayment	- ¥200
Dividend payout	- ¥2,634
FCF:	+ ¥16,021^{※2}
Cash & Equivalents:	¥65,139

※1 Includes deposits received from few merchants due to New Year holiday.

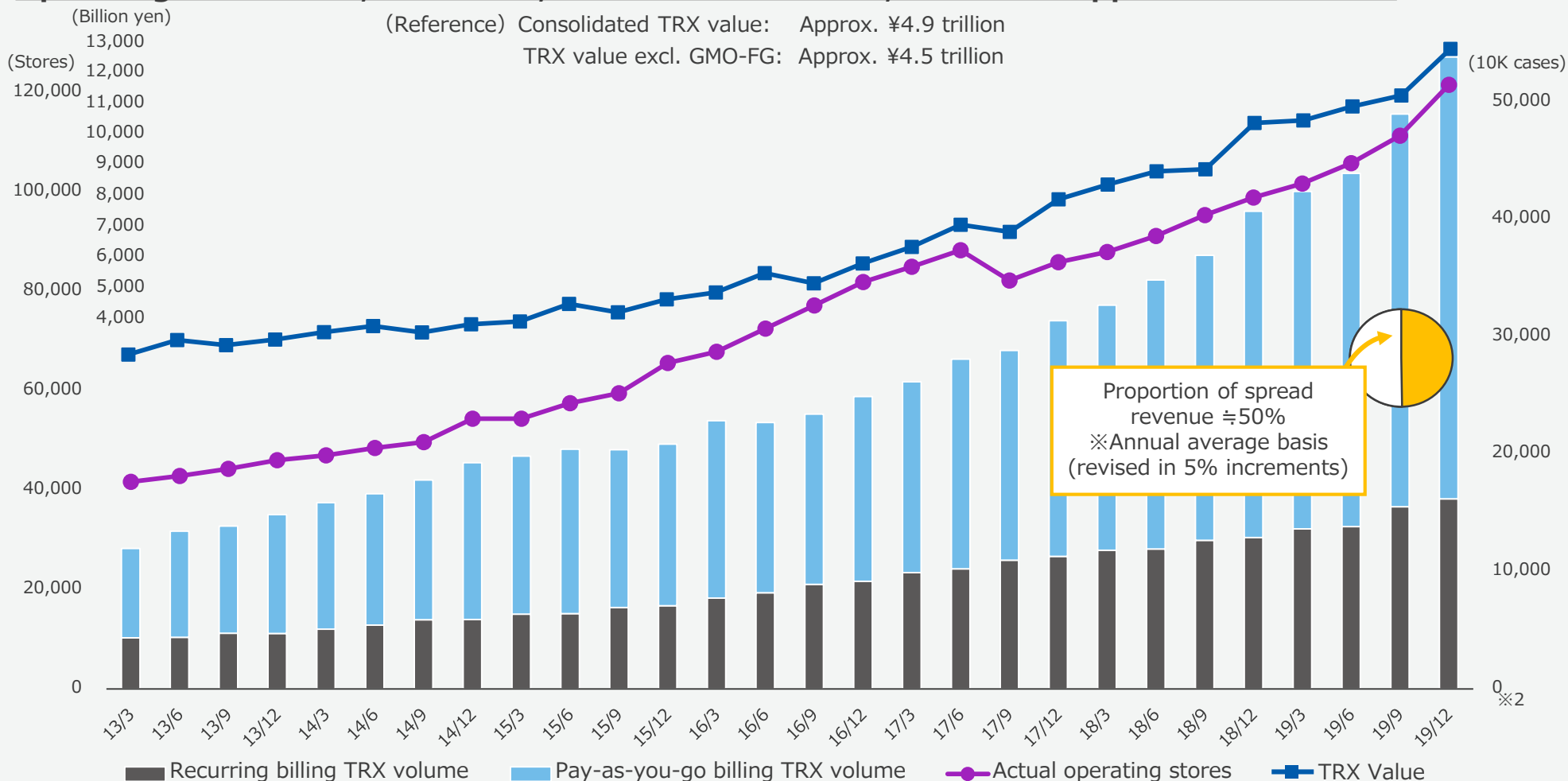
※2 FCF is calculated as Operating CF less Investing CF. Only major items of the cash flow statement are shown on this page.

3.6 Major Quarterly KPIs

Group-wide annual TRX value reaches ¥4.9 trillion

Operating stores: 121,700 stores, TRX volume 540 mil., TRX value approx. ¥1.2 trillion. ^{※1}

(Reference) Consolidated TRX value: Approx. ¥4.9 trillion
 TRX value excl. GMO-FG: Approx. ¥4.5 trillion



※1 Operating stores are measured on an end-of-quarter basis. TRX value and volume are the total for the respective quarter.

※2 Figure excludes a significant increase in operating stores from a specific merchant. If included, operating stores would be 254,261 outlets by end-Dec 2019 (up 126.3% YoY).

Thank You Very Much

GMO PAYMENT GATEWAY

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(3769; Tokyo Stock Exchange, Section 1)

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