

Financial results briefing for the 1Q of FY2014

(O c t o b e r 1 , 2 0 1 3 - D e c e m b e r 3 1 , 2 0 1 3)

Theme : Support the evolution and expansion of the EC market
in order to achieve strong, sustainable growth

F e b r u a r y 6 , 2 0 1 4

GMO Payment Gateway, Inc.

(3769: Tokyo Stock Exchange section-1)

GMO PAYMENT GATEWAY

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

A Cautionary Note About the Contents of this Document

The contents of this document are based on generally recognized economic and social conditions, as well as premises judged to be reasonable by GMO Payment Gateway as of February 6th , 2014.

However, please note that they are subject to change without prior notice in the event of changes in the business environment or other unforeseen occurrences.

Agenda

1. Conclusion and summary
2. Financial highlights
3. Present status/Future growth strategy
4. Results forecast for the term ending September 2014

1. Conclusion and summary

1.1 Conclusion and summary (1)

Net sales increased more than 25% due to the growth and expansion of the EC market

■ Actual results for the 1Q of FY2014 (October 2013 to December 2013)(consolidated)

		(previous corresponding period)	(y-o-y)
S a l e s :	1,645Million yen	1,311Million yen	+25.5%
Operating income :	577Million yen	479Million yen	+20.5%
Ordinary income :	601Million yen	480Million yen	+25.2%
N e t i n c o m e :	355Million yen	284Million yen	+25.1%
Ordinary income ratio :	36.6%	36.6%	
R O E :	25.2%	22.9%	

※ROE= (Net income/92days×365days) /Beginning and ending balance average shareholders' equity

■ Key points from the business results for the 1Q of FY2014

1. As the number and amount of processed payments have increased with the expansion of the existing EC market and the cultivation of new EC markets, our payment processing business is progressing steadily.

Net sales increased as the revenue of our merchant increased in light of the recovery trend in consumer spending.

Results of our sales strengthening activities focused on growing merchant in the new EC field.

2. "Online advertising service" and the "GMO Payment Later" service have been doing well and surpassing projections, and these services realized a synergy effect with the payment processing service.
3. Operating income made steady progress, Ordinary income increased 25.2% year on year due to an increase in non-operating income.

1.2 Conclusion and summary (2)

Results forecast and premises for FY 2014

■ Result forecast for the period ending September 30, 2014					(% year-on-year change)	
	[Sales]		[Operating income]		[Ordinary income]	[Net income]
Full year (Forecast)	6,934 Million yen	(20.3%)	2,475 Million yen	(20.8%)	2,460 Million yen	1,421 Million yen
Cumulative consolidated financial statements for the six months ending March 31, 2014	3,286 Million yen	(20.3%)	1,201 Million yen	(18.3%)	1,190 Million yen	680 Million yen
					(20.1%)	(16.8%)
					(16.6%)	(11.2%)

■ Premises for the results forecast/Tasks and measures

Tasks

(Short term)

- Strengthening relationships with large merchants, endeavor to acquire new merchant.
- Strengthening our stock-type revenue base.
- Create and provide our own high-value-added service.

(Long term)

- Build a merchant-oriented business model
- Alliances with overseas partners, MA

Measures

- Building a more efficient sales organization, providing highly value-added services.
- Strengthen the alliance with our partners, etc.
- Endeavor to acquire new merchant in new EC market or related to new EC service.
- Maximize synergetic effect between our core business and value-added service.
- Using new service/technology/application.
- Continuous recruiting of qualified personnel.

2. Financial highlights

2.1 Summary of the consolidated results

Both sales and gross income marked solid growth, and Ordinary income achieved a 25.2% growth rate due to non-operating income

(Million yen)	1Q of FY2013	Compared to the results for previous corresponding period			Compared to the cumulated forecast for 2Q, FY2014	Compared to the results for the previous corresponding period
		Results	Growth	Growth rate	Forecast	Growth rate
Sales	1,645	1,311	333	25.5%	3,286	+50.1%
Cost of sales	317	231	86	37.1%		
Gross income	1,327	1,079	247	23.0%		
SG&A	750	600	149	24.9%		
Operating income	577	479	98	20.5%	1,201	+48.1%
Ordinary income	601	480	121	25.2%	1,190	+50.6%
Net income	355	284	71	25.1%	680	+52.3%
Net income per share (Yen)	20.62	16.55	-	-	39.43	-

Non-operating income
such as commissions
received, exchange
earnings, earnings on
investment in silent
partnership, etc.

2.2 Summary of the consolidated balance sheets

No major changes

(Million yen)	Results for 1Q, FY2014	Results for 1Q, FY2013	Change
Current assets	22,422	16,927	5,494
Cash and deposits	20,948	15,996	4,952
Advance payments	393	262	131
Other current assets	1,108	693	414
Allowance for doubtful accounts	△28	△24	△4
Fixed assets	1,851	1,128	723
Tangible fixed assets	282	223	59
Intangible fixed assets	722	502	219
Software	543	380	163
Investments and other assets	846	402	444
Bonds of affiliates	11	11	0
Total assets	24,274	18,056	6,217

(Million yen)	Results for 1Q, FY2014	Results for 1Q, FY2013	Change
Current liabilities	18,525	13,064	5,461
Deposits	17,575	12,491	5,083
Other current liabilities	950	572	377
Non-current liabilities	160	67	93
Shareholders' equity	5,552	4,905	646
Valuation and translation adjustments	27	1	25
Subscription rights to shares	7	16	△8
Total net assets	5,587	4,924	662
Total of liabilities and net assets	24,274	18,056	6,217

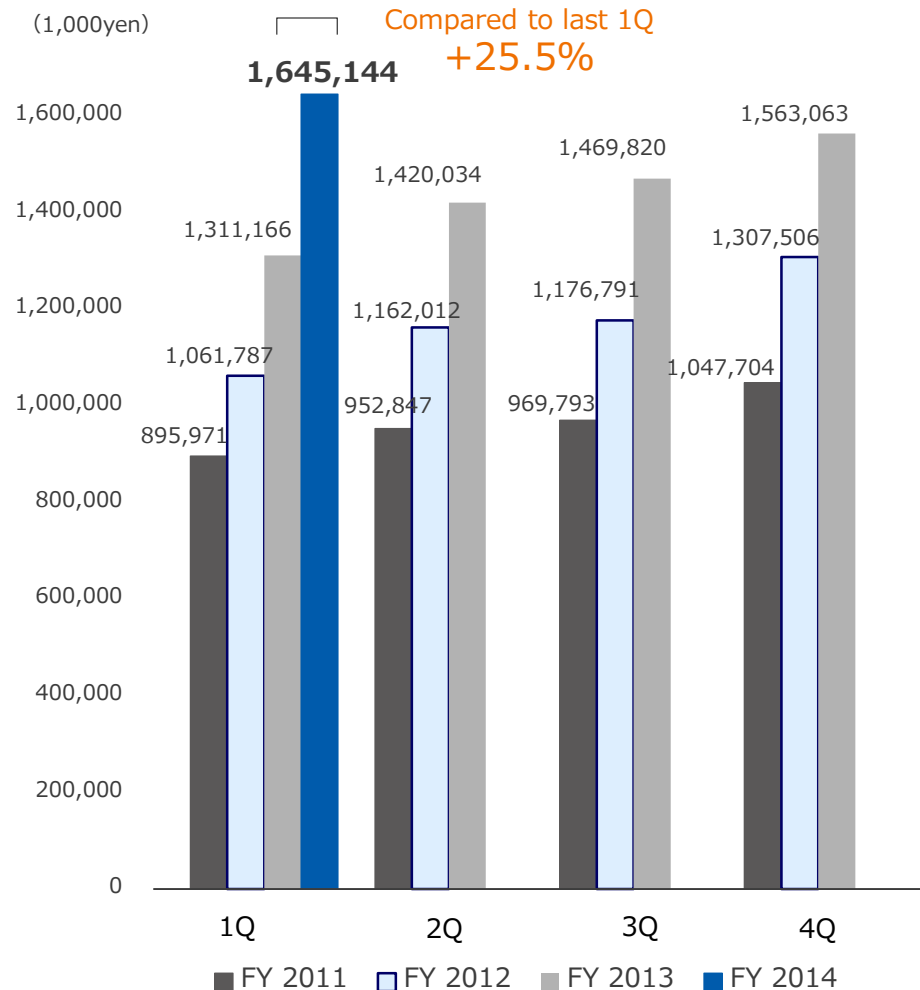
Deposits from the merchants under the "Merchant acquiring service agreement"

2.3 Sales/Ordinary income (Quarterly changes)

1Q sales and ordinary income both marked more than +25% y-o-y

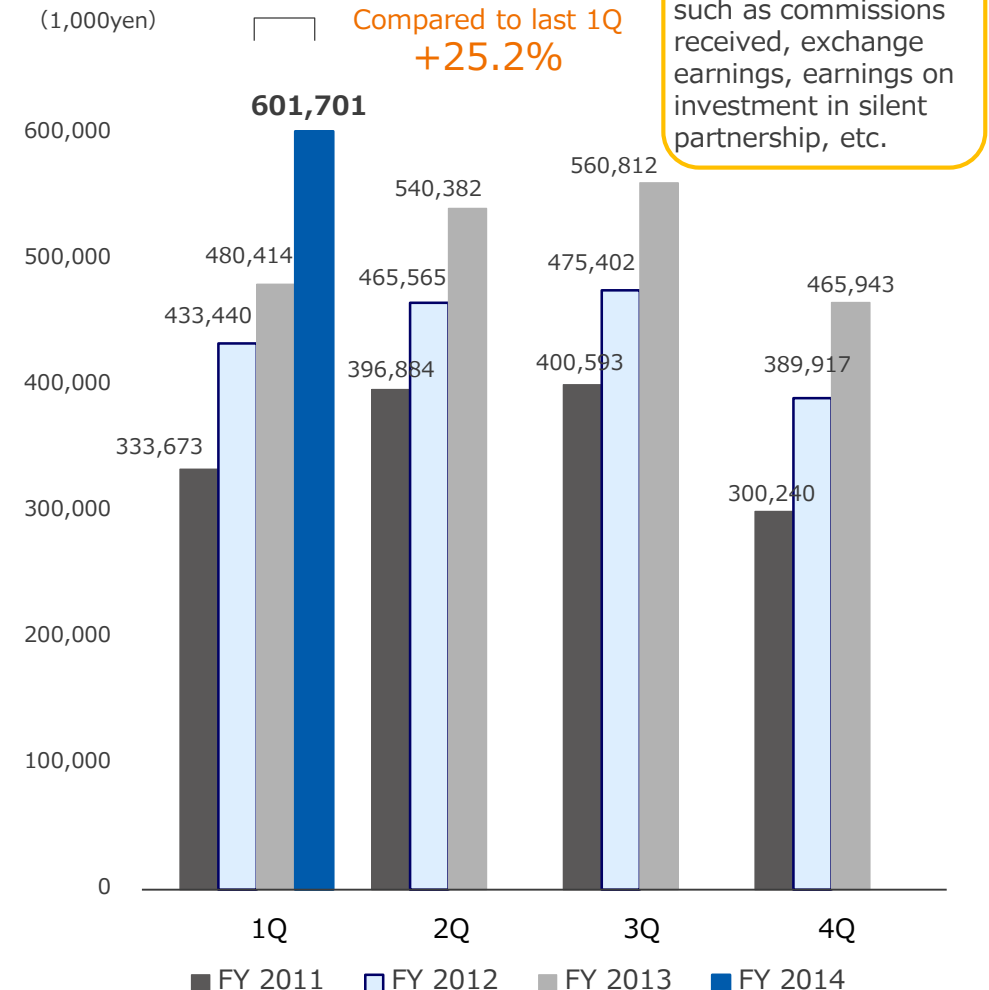
■ Sales

(1,000yen)



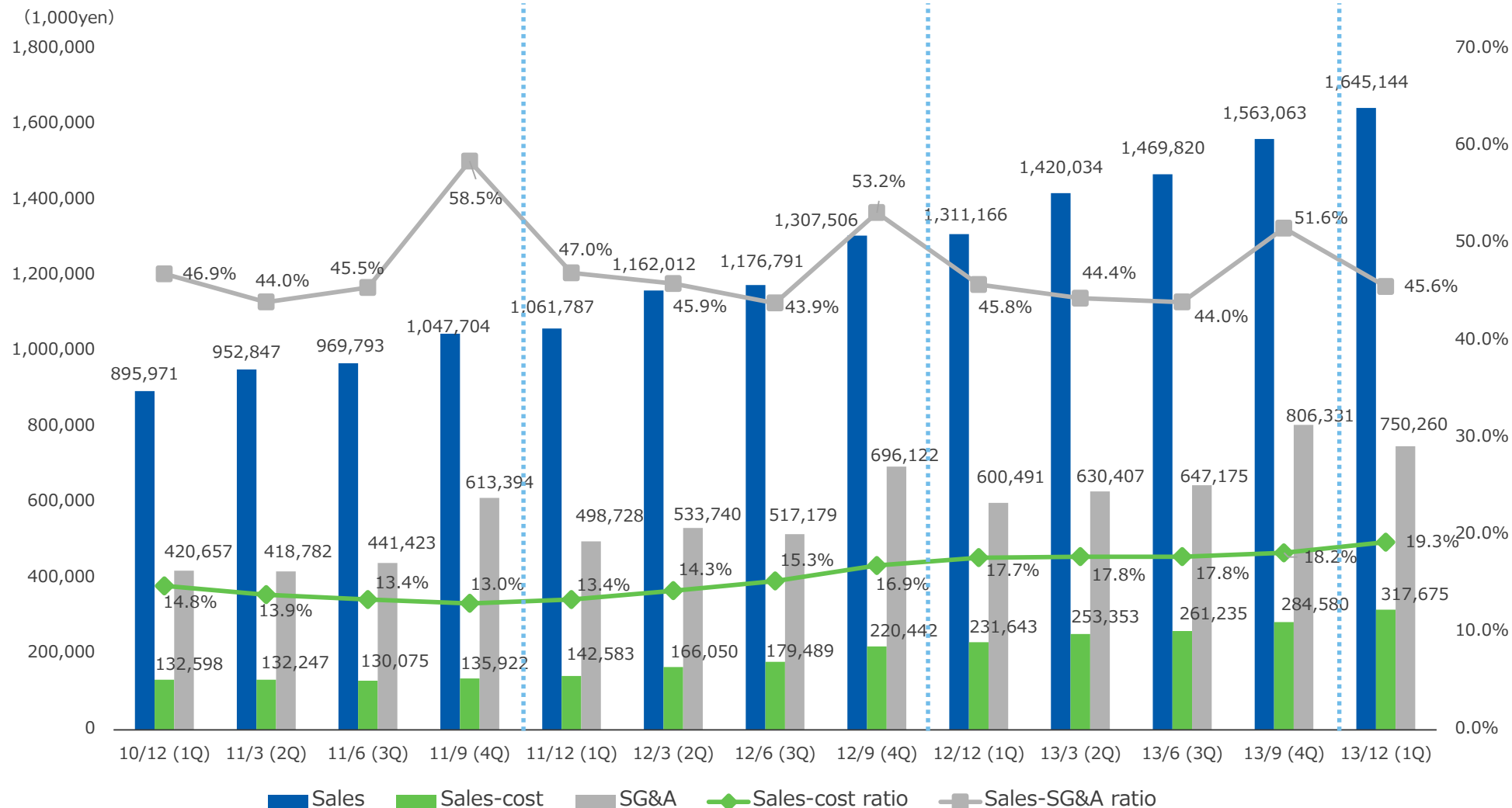
■ Ordinary income

(1,000yen)



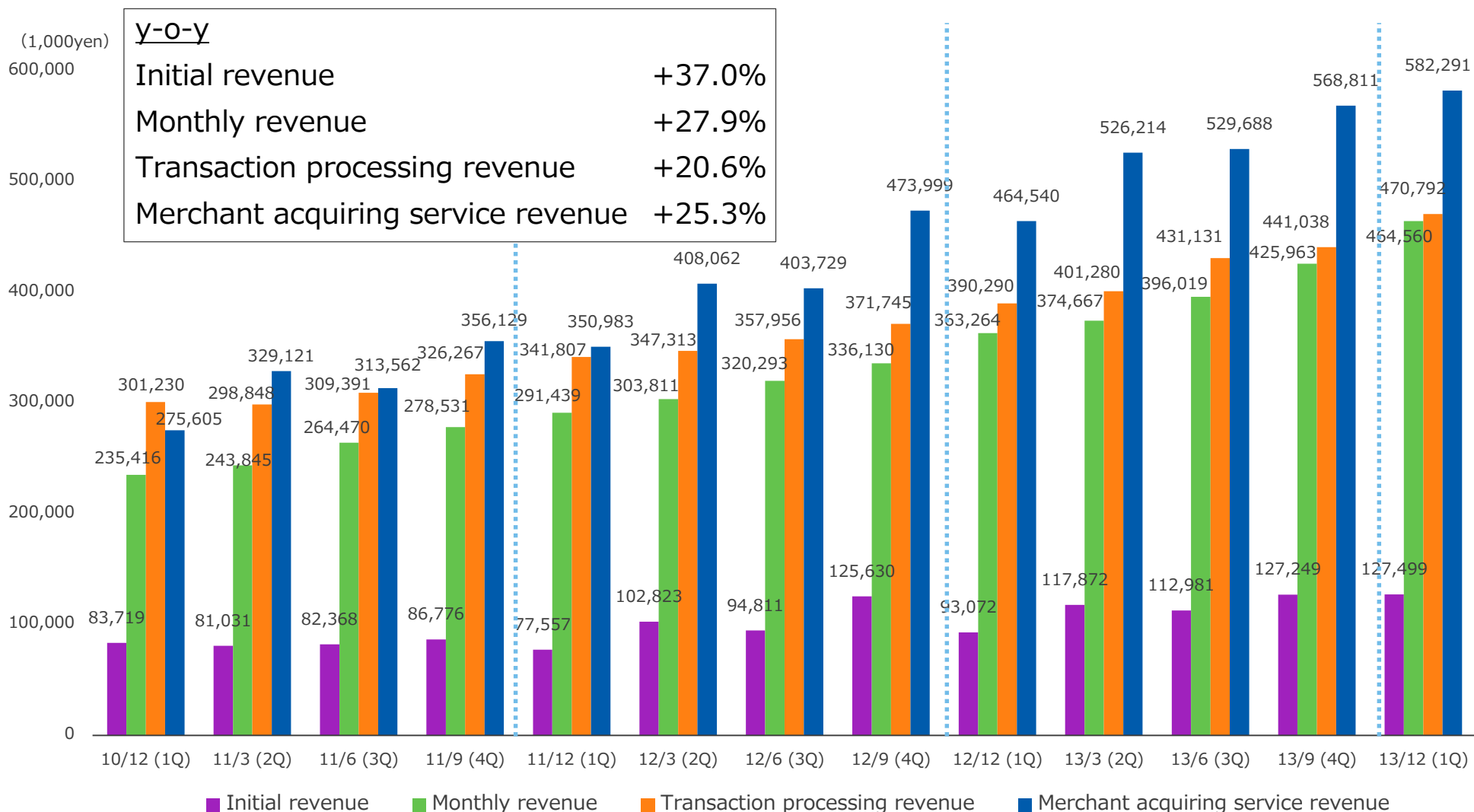
2.4 Cost of sales ratio/SG&A ratio (Quarterly changes)

The cost of sales ratio ameliorated due to an increase in the sales of value-added services that exceeded the initial plan



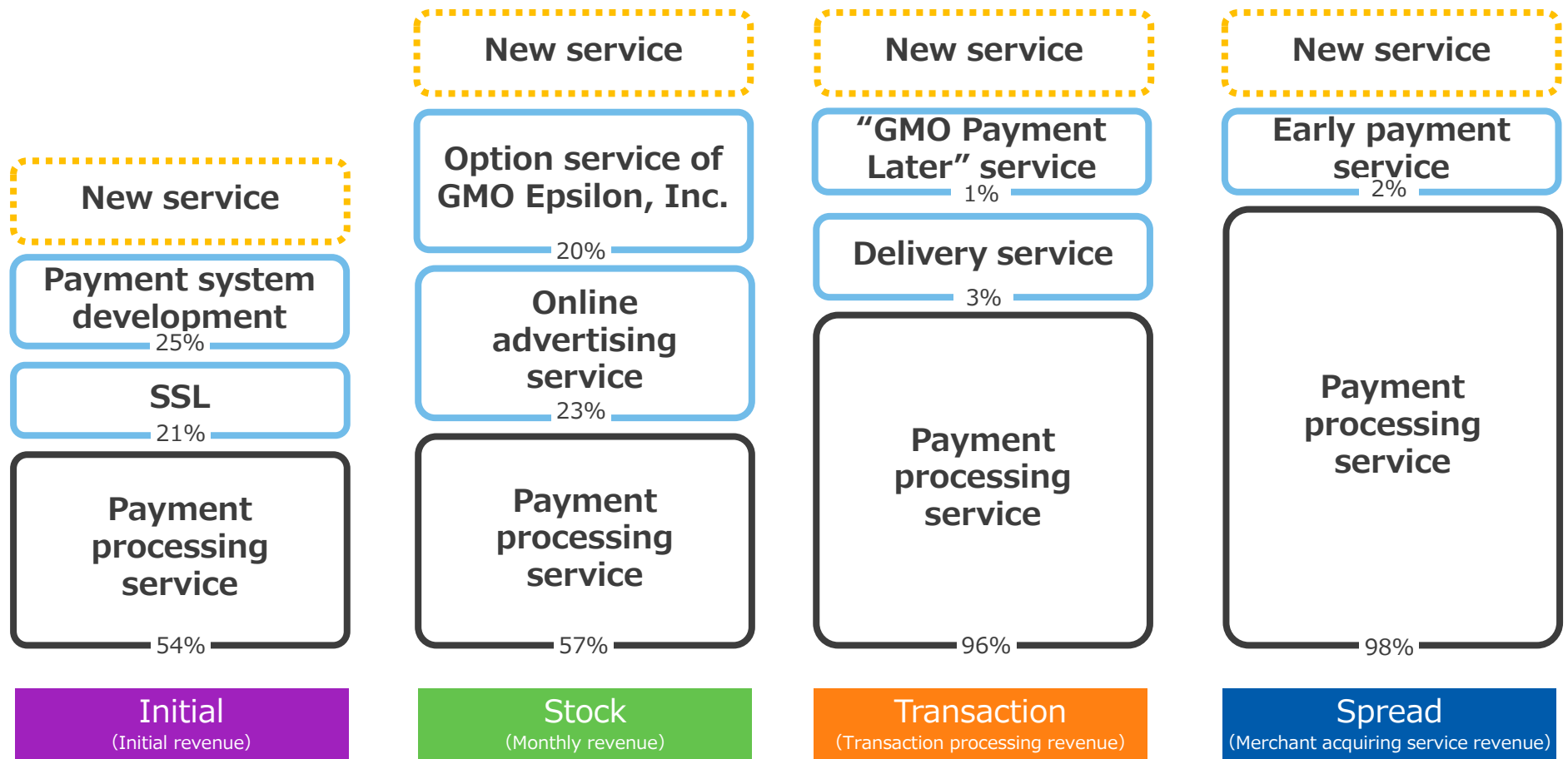
2.5 Sales results for each segment (Quarterly changes)

Overall segment sales increased over 20%



2.6 Sales results for each segment (1)

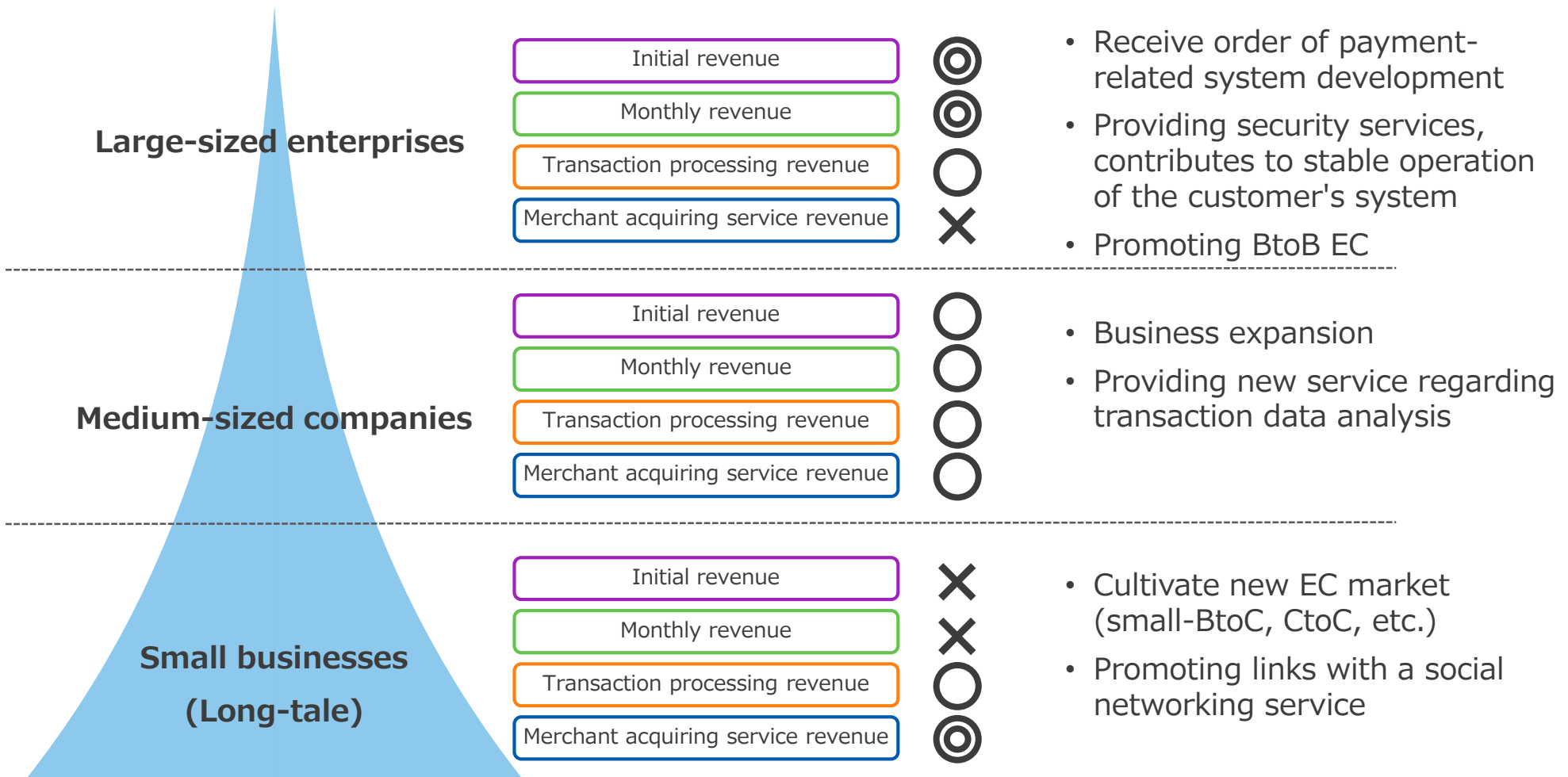
Balanced growth in all segments



※ Image of the revenue structure (%: Sales composition of 1Q,FY2014)

2.7 Sales results for each segment (2)

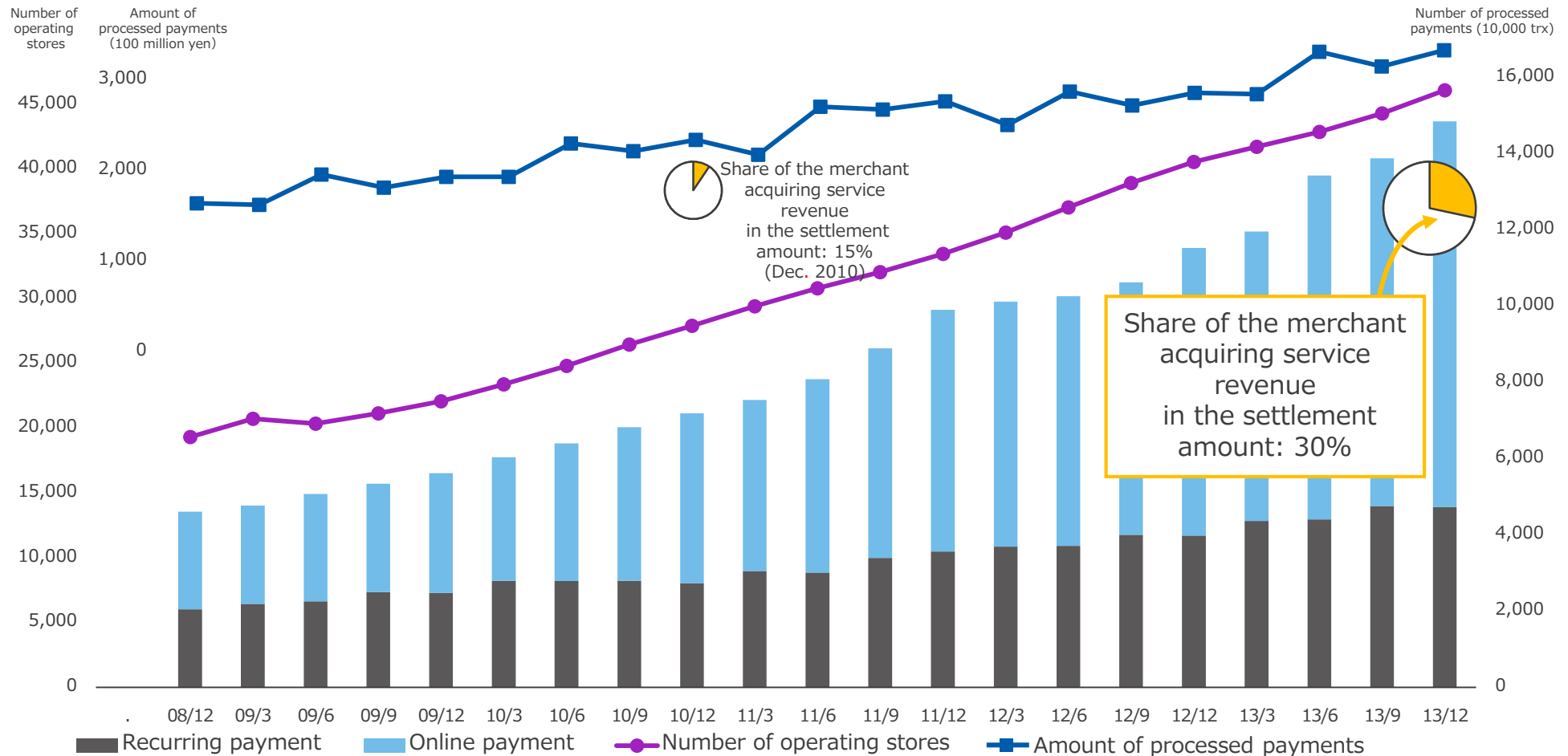
Future growth strategy for merchant scale or segment



2.8 Transition of the major factors (Quarterly changes)

The number of operating stores increased as planned, and the number of processed payments grew immensely

Number of operating stores 46,108/ Amount of processed payments 330 billion yen/ Number of processed payments 148 million

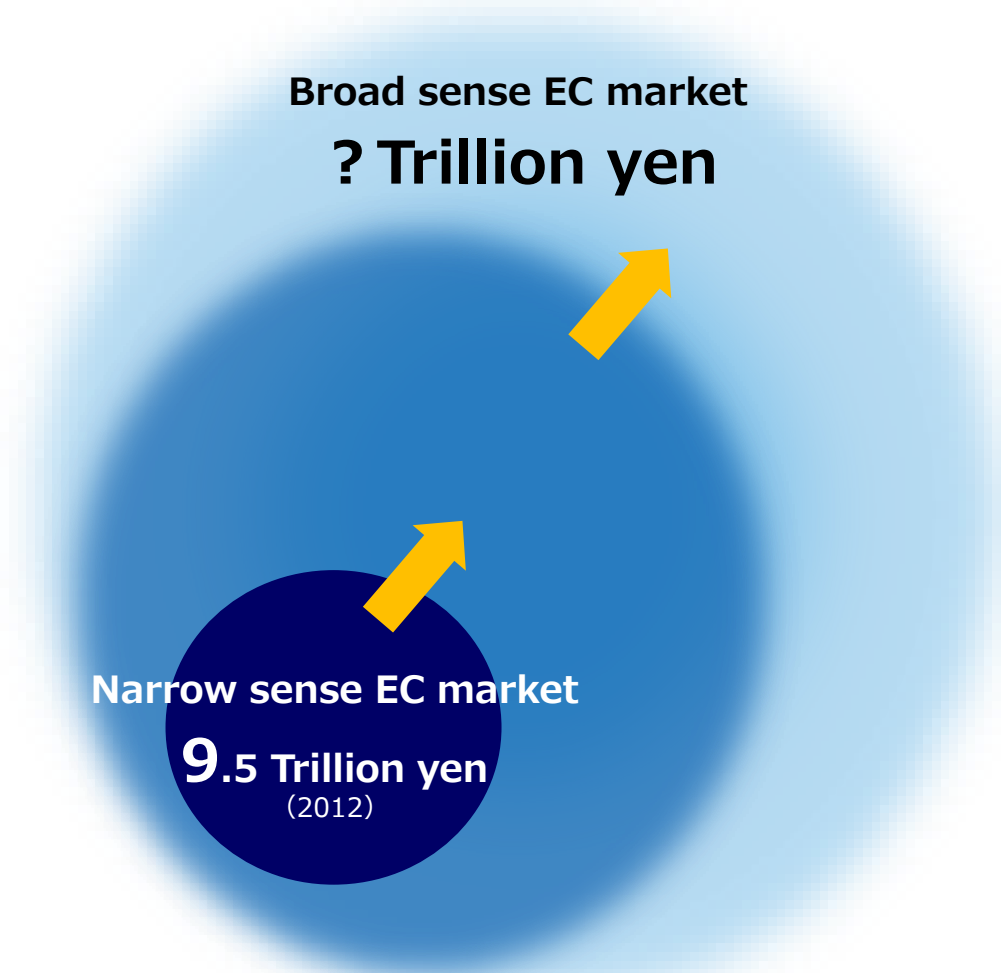


(The number of operating stores is calculated at the end of the quarter, the amount/number of processed payments are the results for each quarter)

3. Present status/ Future growth strategy

3.1 Potential of the EC market

Compared with major countries, the EC ratio in Japan is very low



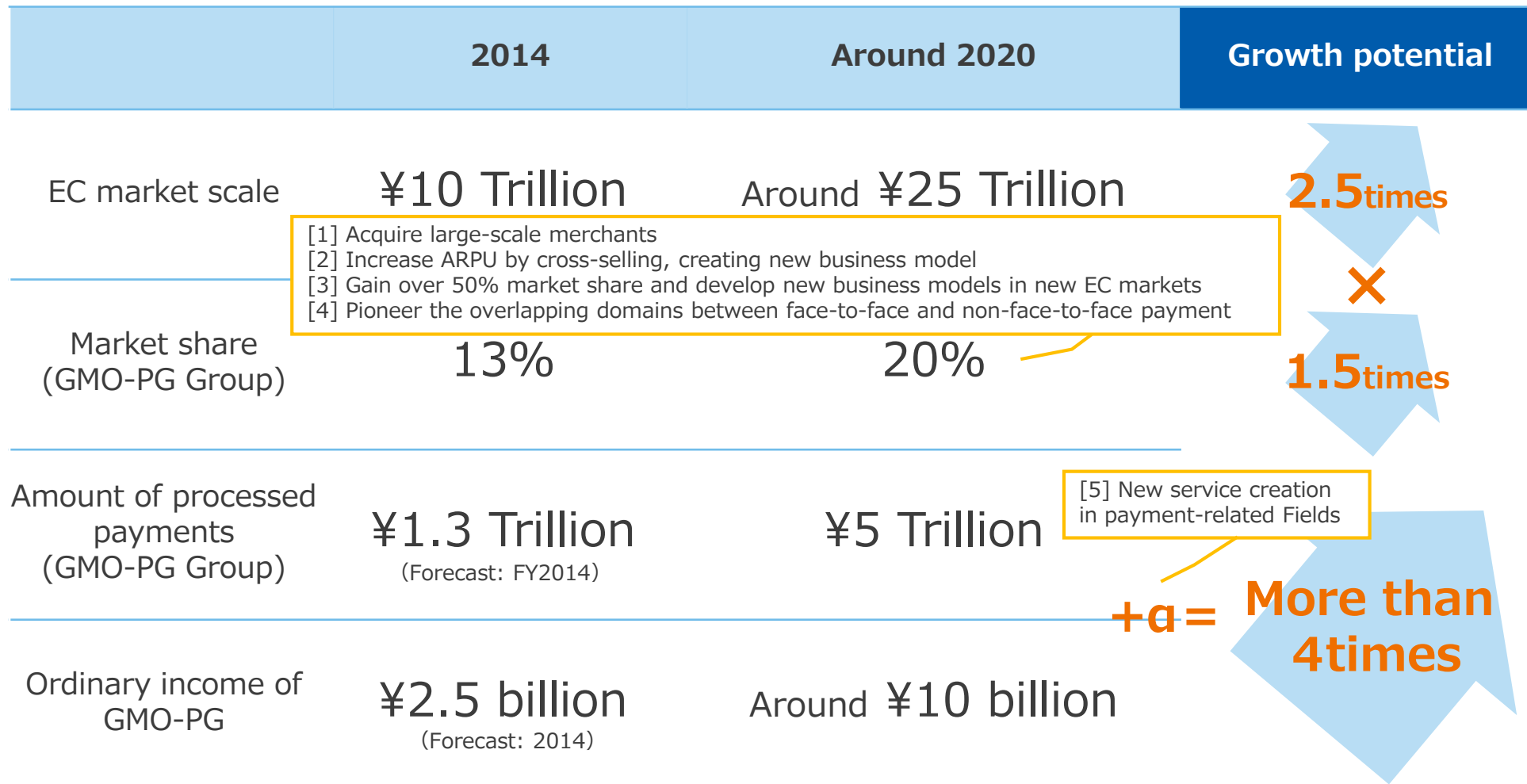
Country		EC rate comparison
USA	(2013)	5.7%*
UK	(2013)	10.4%
China	(2012)	6.2%**
Taiwan	(2012)	7.5%
Japan	(2012)	3.1%

*Adjusted, preliminary estimate. **EC ratio of BtoC and CtoC

※References : METI, [Market report in regard to EC 2013] , American Bureau of the Census 「QUARTERLY RETAIL E-COMMERCE SALES 3rd Quarter 2013」
Office for National Statistics 「RSI Tables December 2013」 、 iresearch, estimated by GMO-PG.

3.2 Forecasts and strategy

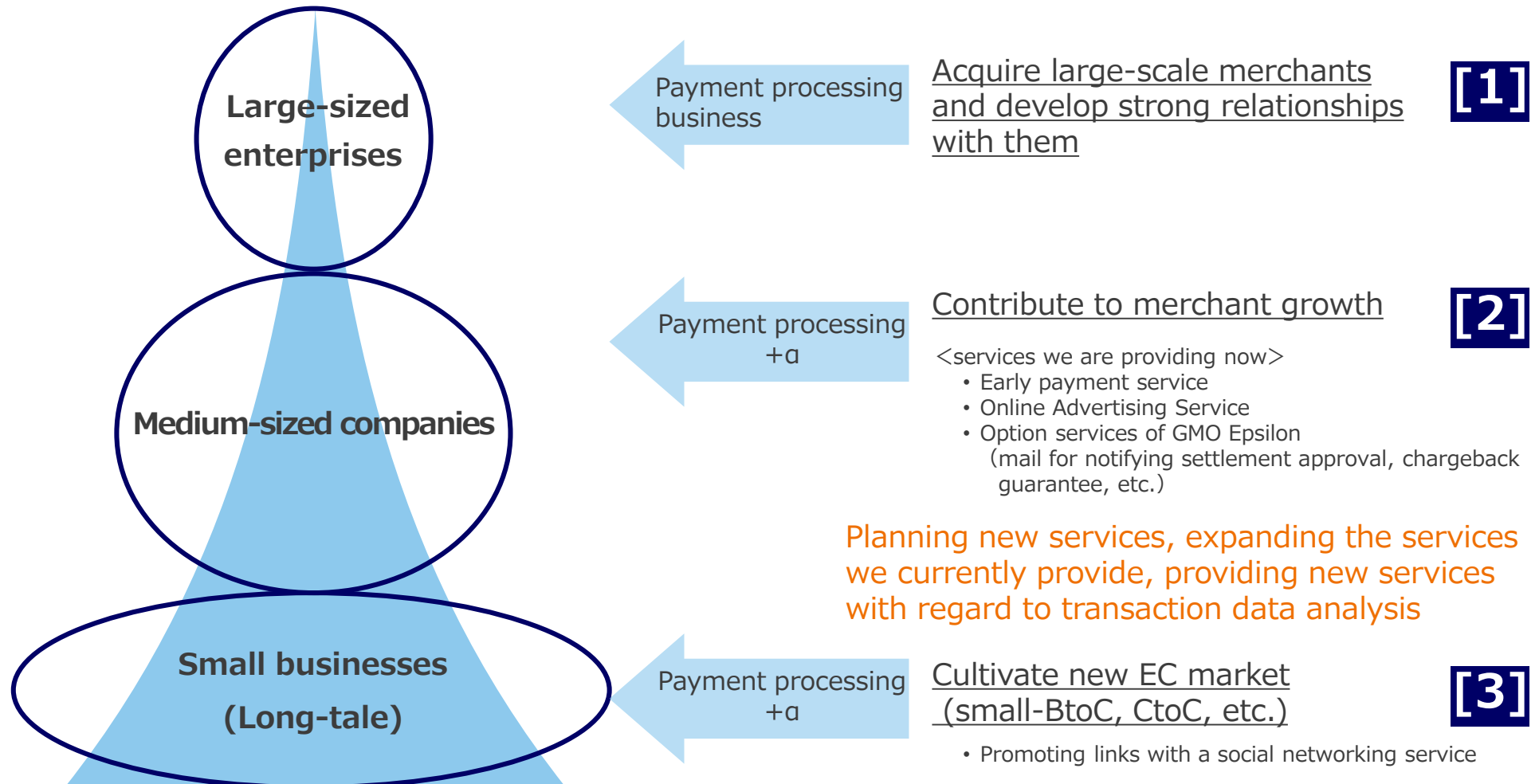
GMO-PG aims to expand its share in growing EC markets and achieve sustainable, high growth



※References : METI, [Market report in regard to EC 2013] , NRI[IT market navigator 2014], estimated by GMO-PG.

3.3 Strategy by merchant segment

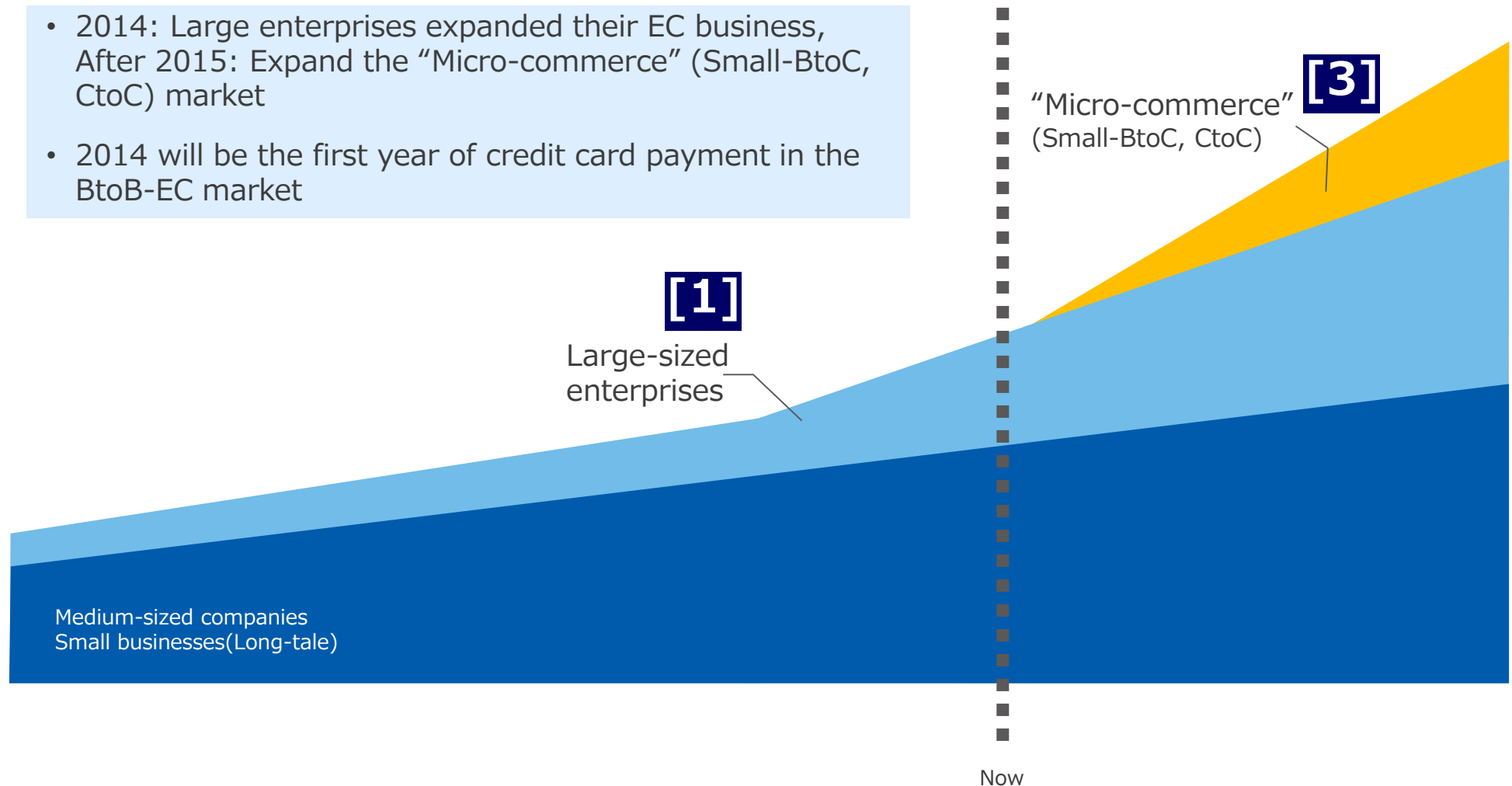
Create a new business and rebuild the business model according to the scale of the merchant



3.4 The next driving force of the EC market

Strategic moves for a new/growing fields in the EC market

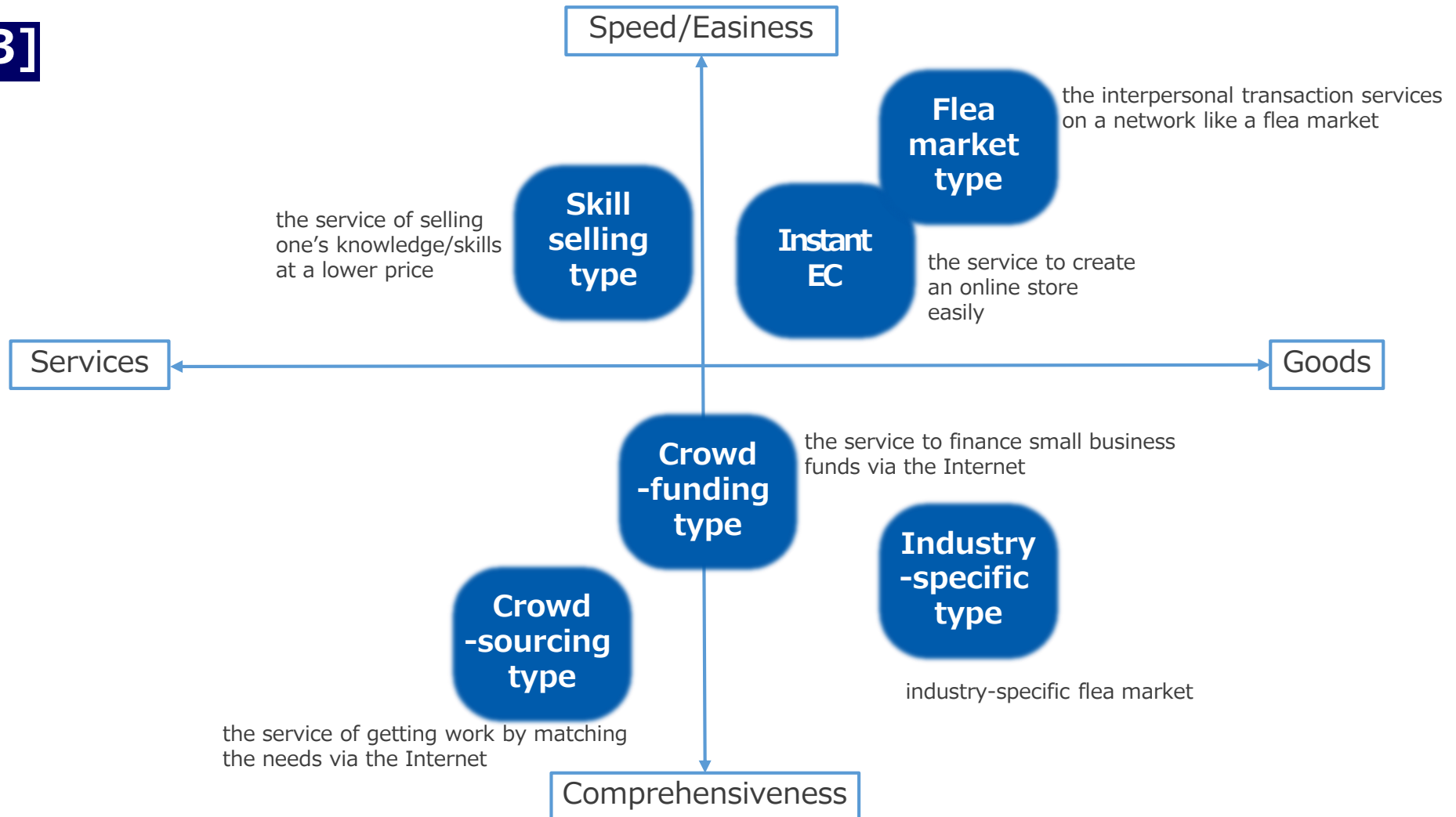
- 2014: Large enterprises expanded their EC business,
After 2015: Expand the “Micro-commerce” (Small-BtoC, CtoC) market
- 2014 will be the first year of credit card payment in the BtoB-EC market



3.5 The rise of “Micro-commerce” (Small-BtoC, CtoC)

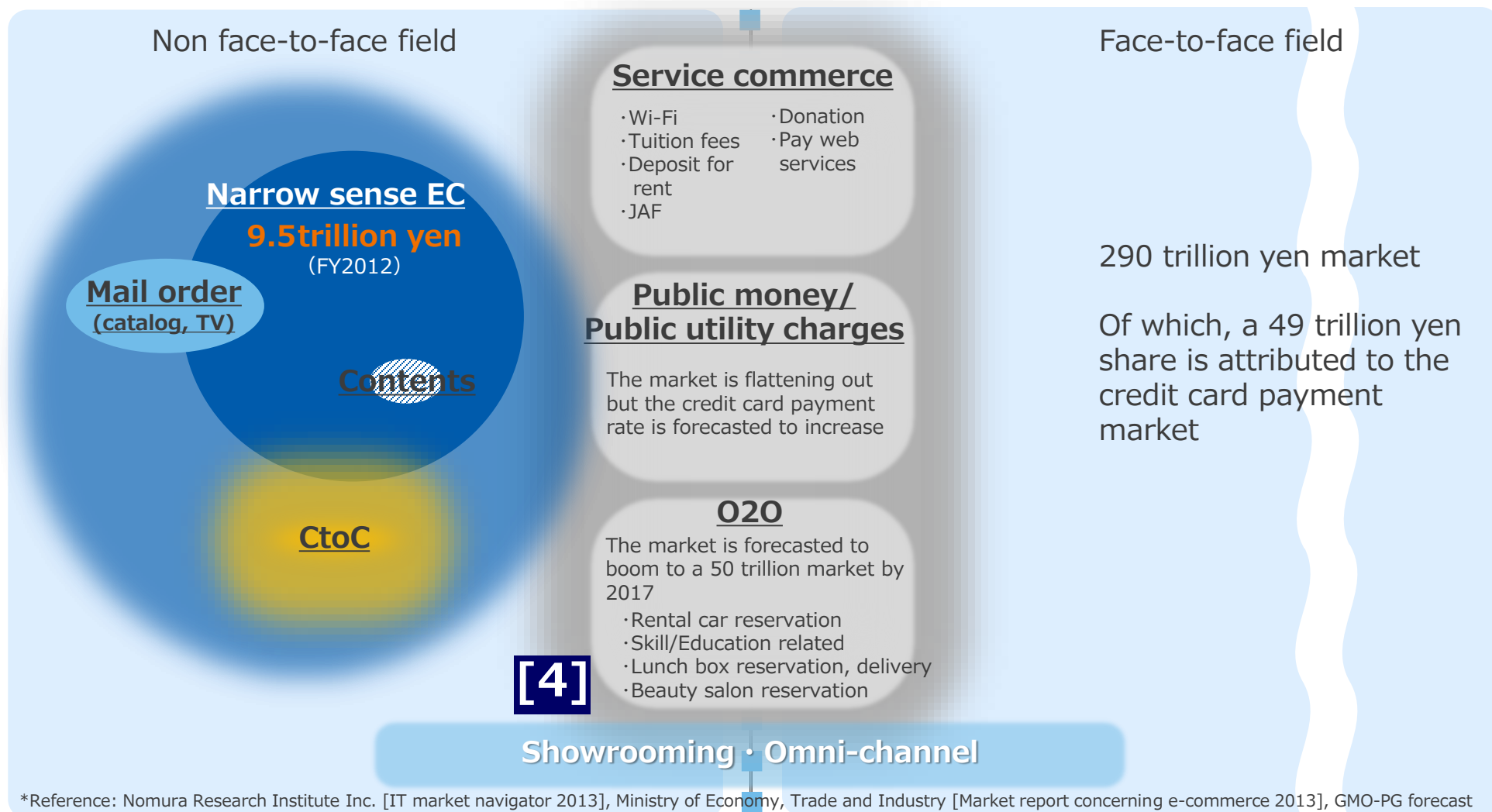
The strategy to capture the EC market which has been expanding to the individual field

[3]



3.6 Business reinforcement of the service commerce field

In a narrow sense, new fields beyond the EC market are expanding



3.7 Expansion of O2O(Online to Offline) EC areas

Expansion of the EC area through the realization of a fusion between the online and “real” market

[4]



Cooperation between the online and “real” shop

- Stock levels check can be made available on the web
- Order via the Internet and pick up the items in “real” shop



The utilization of location information

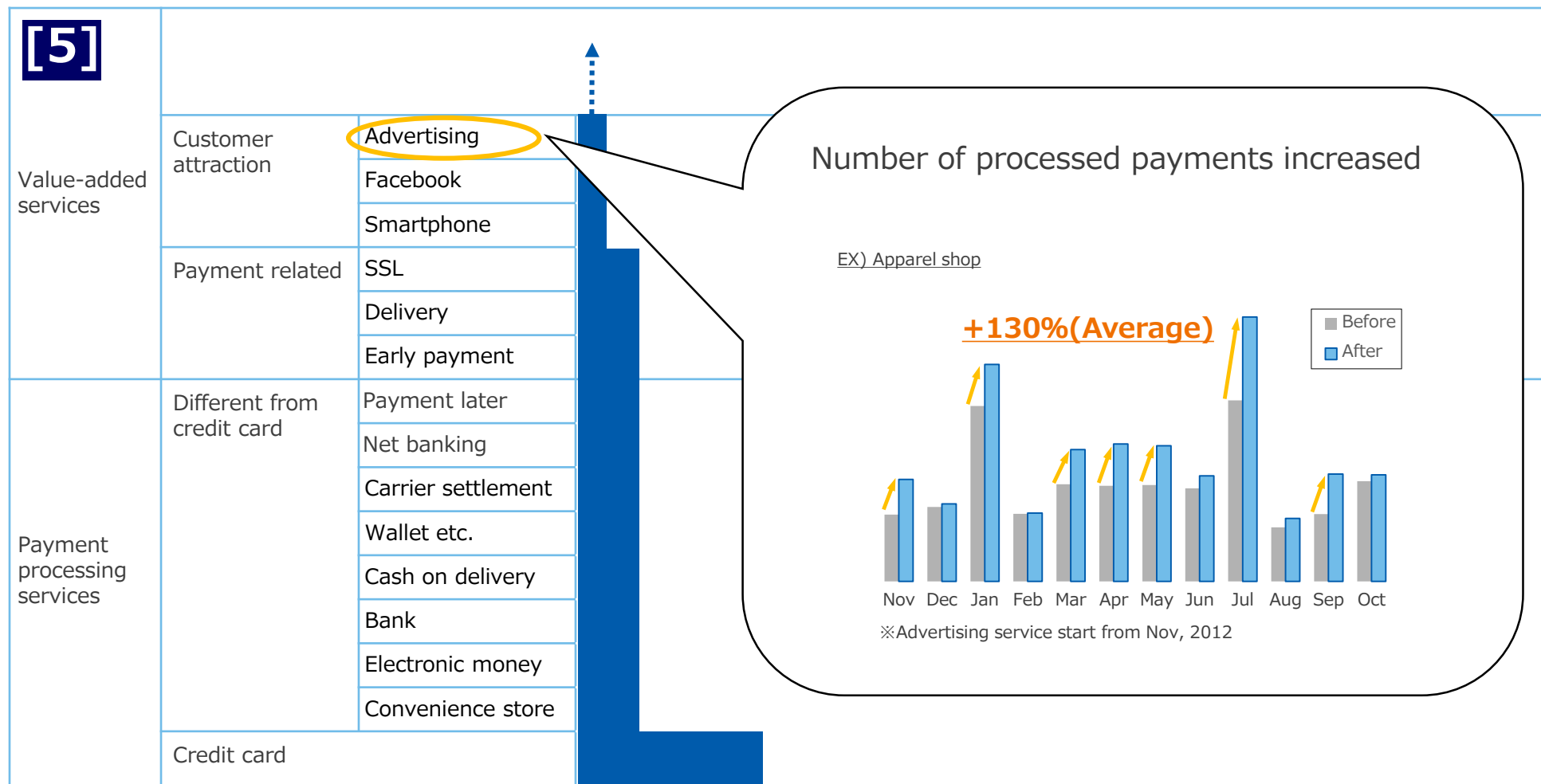
- A coupon/information delivery service for the user who visited particular shop/event by utilizing location information
- Recognize the location and offered services

(EX)

- Bookstore : Stock levels check via Internet & Order → Pick up the items in “real” shop
- Apparel shops : Stock level checks via Internet & Purchase → Pick up the items in “real” shop
- Photo print shop : Order via Internet & Payment → Pick up the items in “real” shop
- Taxi allocation service : Allocate a taxi via Internet → Take a taxi & Payment

3.8 The synergy

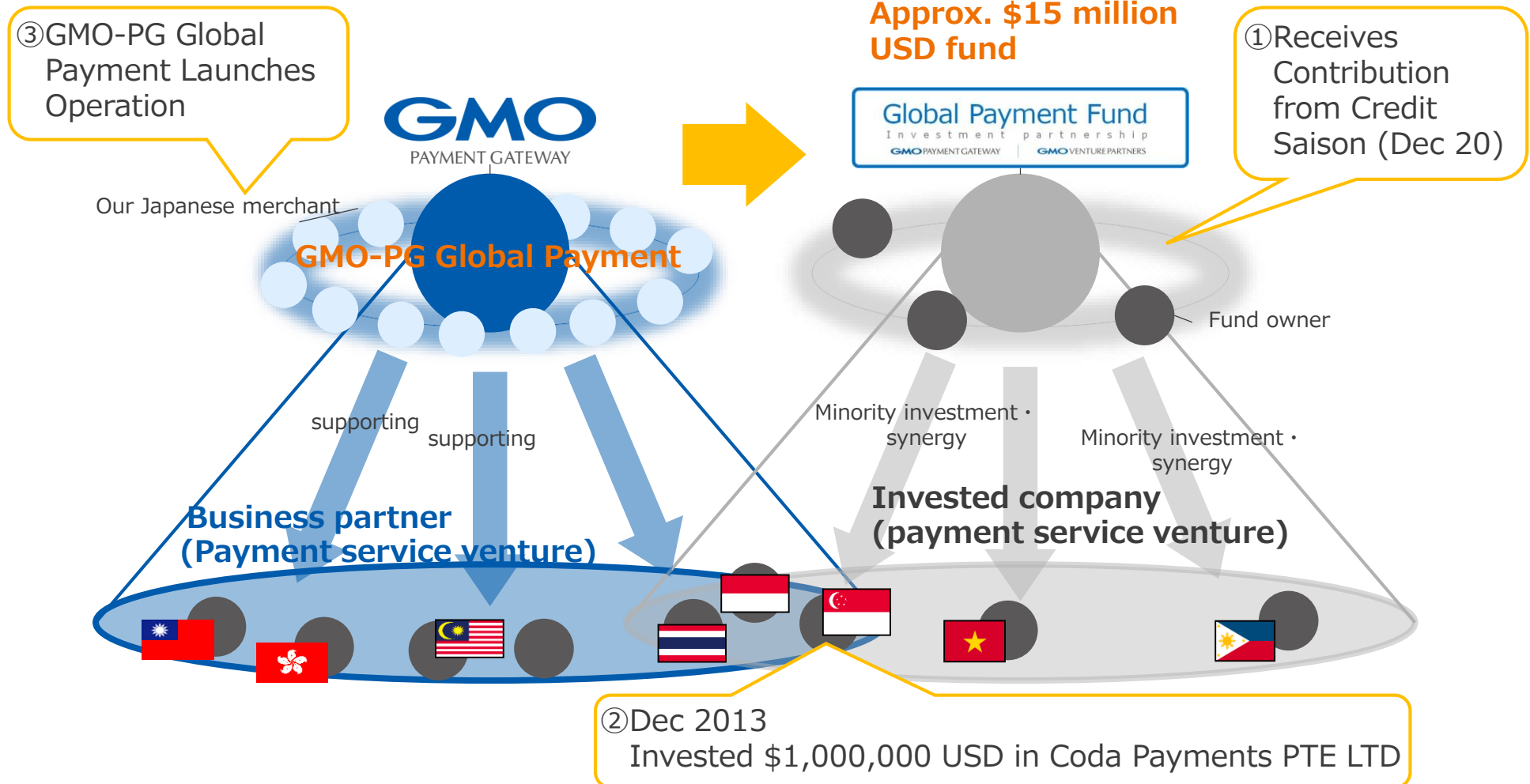
The improvement of ARPU



Number of operating stores 46,108

3.9 Overseas development strategy according to country

Through two strategic service entities,
Capital and business alliance could be promoted

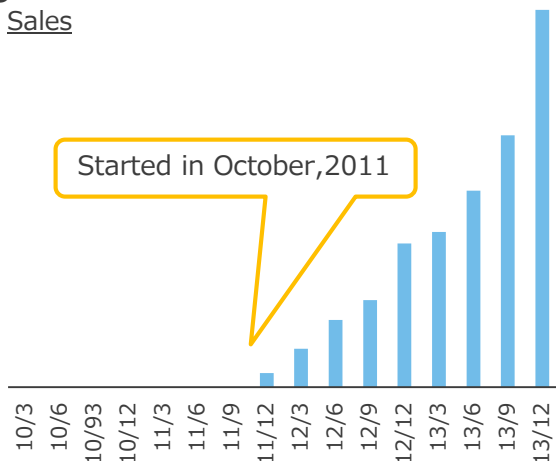


3.10 The progress of new business

GMO-PG group's new business and the status of profits

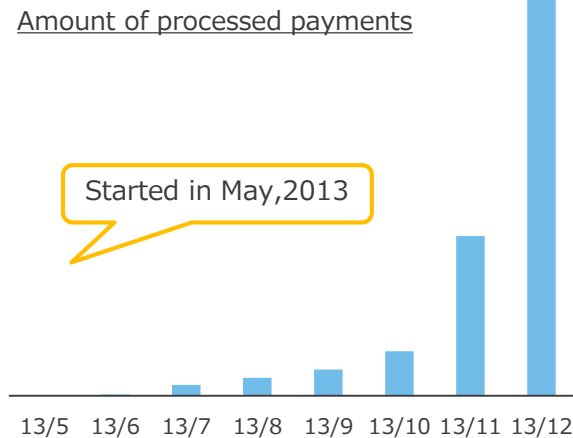
■ Online Advertising Service (GMO-PG)

Sales



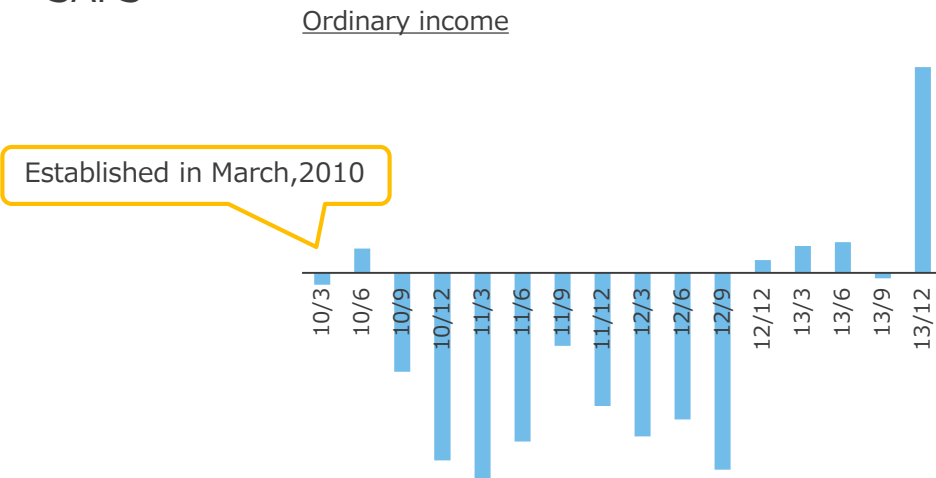
■ GMO-PS

Amount of processed payments



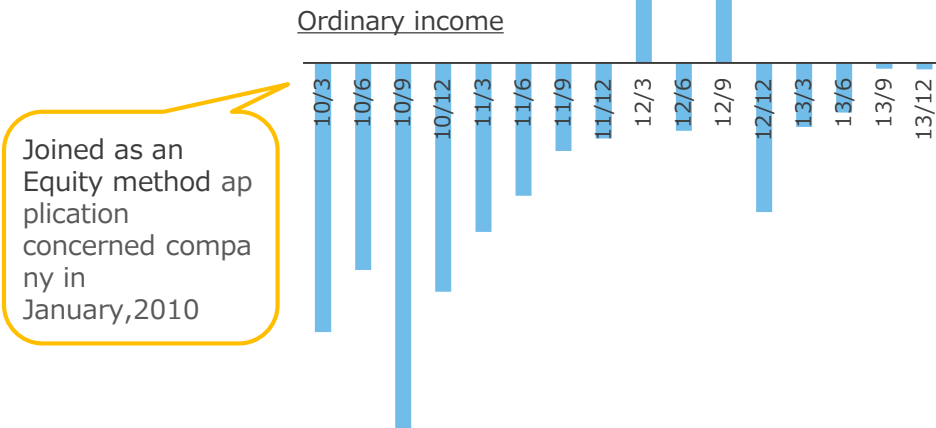
■ SAPS

Ordinary income



■ COC

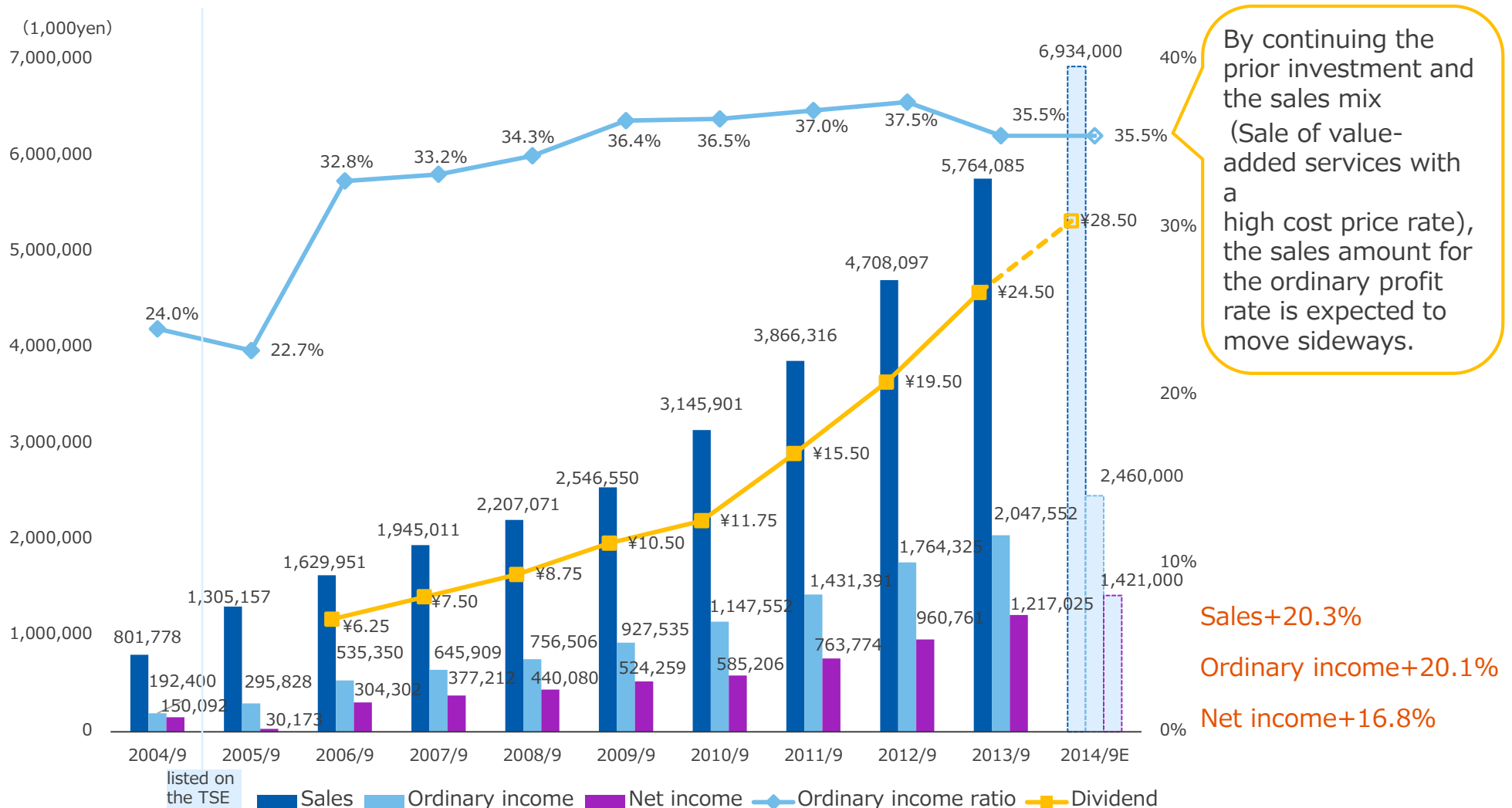
Ordinary income



4. Results forecast for the term ending September 2014

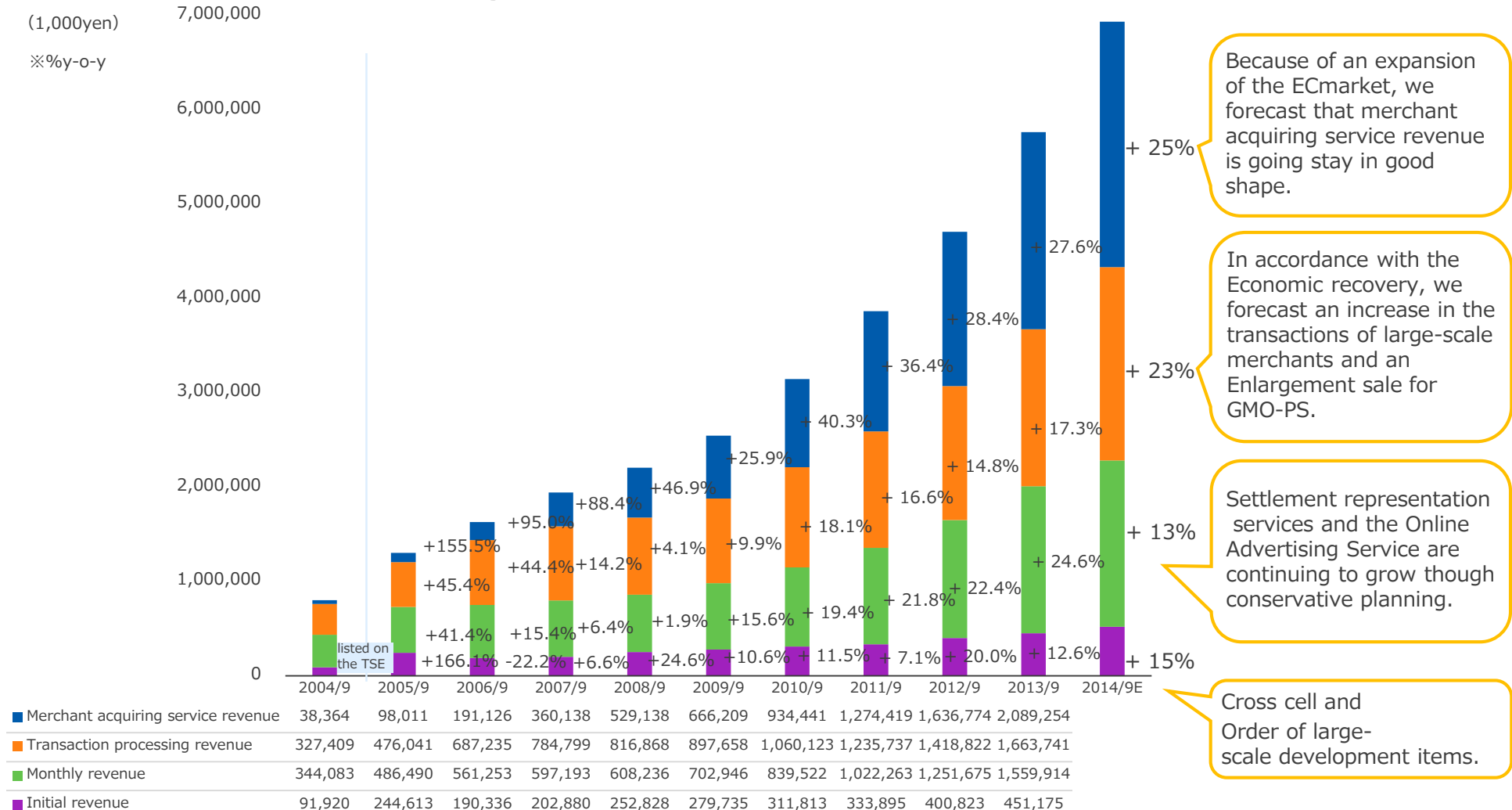
4.1 Summary of the consolidated results (Forecast)

Investment continues though the Ordinary profit growth rate returns to 20%



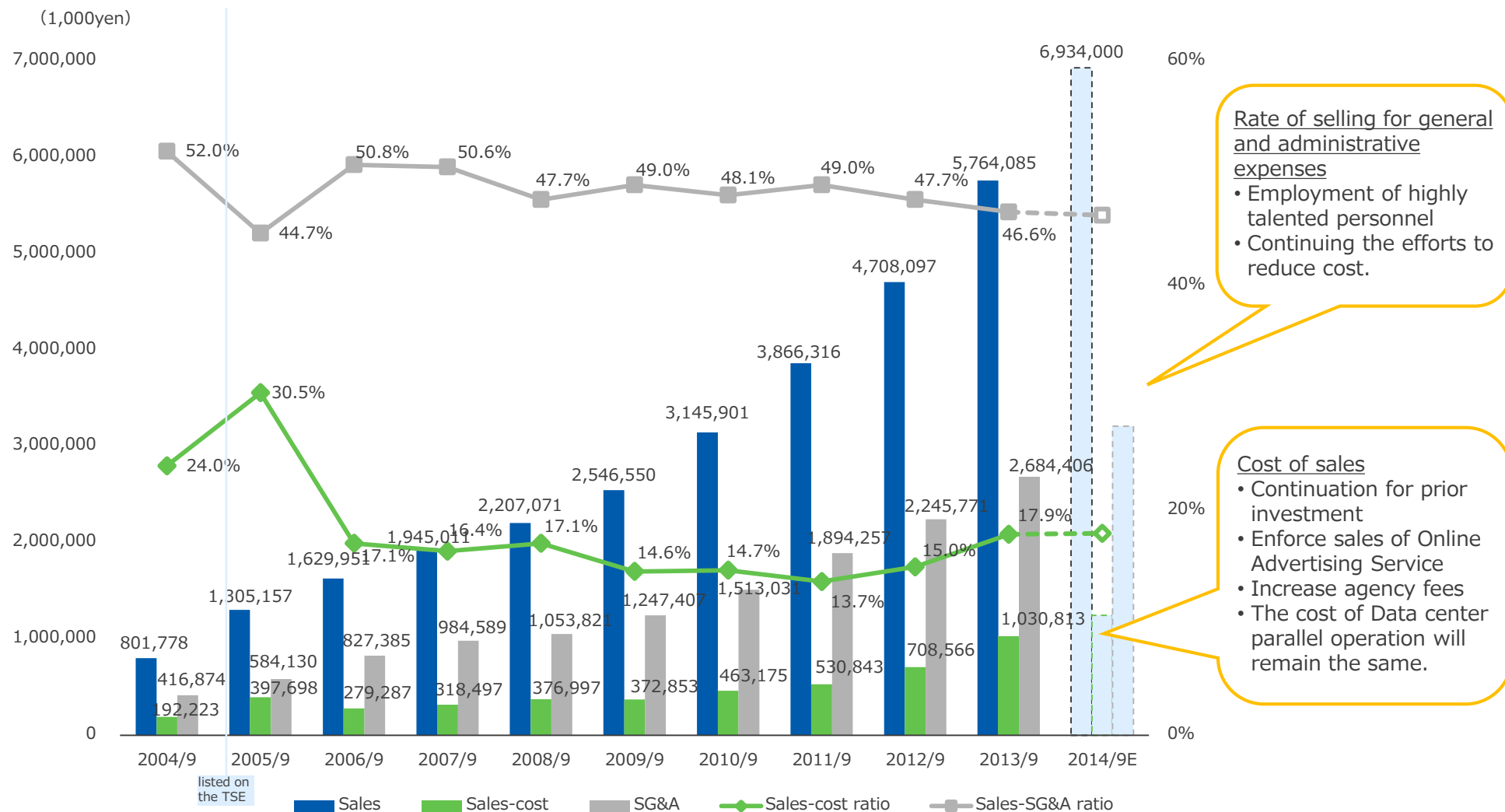
4.2 Sales for each segment (Forecast)

Planning for merchant acquiring service revenue to be +25% and Transaction processing revenue to be +23%



4.3 Cost rate of sales/ Rate of SG&A expenses (Forecast)

Sales amount cost price rate will undergo sideways movement, and the rate of selling for general and administrative expenses will decrease



Thank you very much!

GMO PAYMENT GATEWAY

GMO Payment Gateway Inc.
(T S E : 3 7 6 9)

URL <http://corp.gmo-pg.com/>

For more information, please contact the Company Value Creation Planning Office

IR/PR Group TEL:03-3464-0182