Financial results briefing for the 3Q of FY2015

(October 1, 2014-June 30, 2015)

Themes : Strengthen the management foundation to be able to further accelerate developments for the next ten years

July 30, 2015

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

The 42nd IR Meeting

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 July 30, 2015.

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. Summary
2. Growth strategy
3. Financial highlights
4. Results forecast for the term ending September 2015

1. Summary

1.1 Highlight & Lowlight

The positions of our group companies regarding the latest issues

■ Business partnership with Sumitomo Mitsui Baking Corporation and issue of new shares by way of third-party allotment

・Establish a joint venture company that will provide credit card payment processing services and to be the overwhelming No. 1 in the industry by providing our company's services to the customer segments we have not been able to reach.

・Capital reinforcement (procurement of about 8 billion yen) for expanding our company's Money Service Businesses (MSB).

■ GMO Internet and Aozora Bank Consider Internet Banking Partnership

・In regard to the efforts in financial services, our company's involvement will be considered.

・Strategic compartmentalization between the alliance of "GMO-PG and SMBC" and that of "GMO INTERNET GRUOP and Aozora Bank" is clearly distinguishable.

■ FinTech area has attracted various type of company

・Behind preceding Europe and the US, many company from large ones to ventures have started their services in Japan.

・To realize true FinTech by providing services which only our group companies can offer one after another.

■ Payment related corporations have been listed and increased their capitals successively (domestic and foreign corporations from large-scale to small-scale)

・Because our company has been making essential responses based on the differences with competitors in terms of size and strategy, the impacts on our performances have been minimal.

1.2 FinTech

Our efforts in FinTech field

Factors of expansion

【External factors】

- **Significant improvements of the price-performance ratio of computing resources**
- **Evolution of technology (AI)**
- **Entries of new IT corporations**
- **Regional revitalization**
- **Explosive increase of data**
- **Spread of smartphones**

【Internal factors】

- **Sufficient amounts of data**
- **Customers vary in size and type of business**
- **Human resources have been able to be secured**

→ **FinTech**

Combining innovations in IT and Finance

GMO PAYMENT GATEWAY

<Changes brought by FinTech>

- Credit risk reduction
- Decrease in loan fees
- Lowering in remittance fees
- Improvement of Balance Sheet

<Our services related to FinTech>

- Payment after delivery
- Simplified Payment
- The smartphone payment
- Early payment service
- Remittance Service
- Transaction Lending
- Payment using a token
- mPOS
- Bitcoin

※ ▭ : MSB (Money service business)
Transaction Lending・Early payment service・Payment after delivery・Remittance Service,etc

1.3 Summary

Continuing good shape, increased income and revenue over 20%, net profit progression rate of 80.9%

Summary of the consolidated results

		YoY* % Increase		Progress
■Sales :	6,427Million Yen	(+21.0%	/	74.3%)
■Operating income :	2,300Million Yen	(+20.1%	/	77.3%)
■Ordinary income :	2,317Million Yen	(+20.2%	/	77.7%)
■Net income :	1,454Million Yen	(+29.1%	/	80.9%)

Progress of the business

■Payment processing services in good shape
■Major subsidiaries' strong performances
■Launched new services

April 01	"zei.tokyo" (Metropolitan Tax Credit Card Payment Site) started
April 15	New credit card payment service using a "token" started
April 28	"GMO-PG Remittance Service" started
May 01	Multi-currency credit card payment service started
May 21	"Inbound Marketing Service " started

Forecast

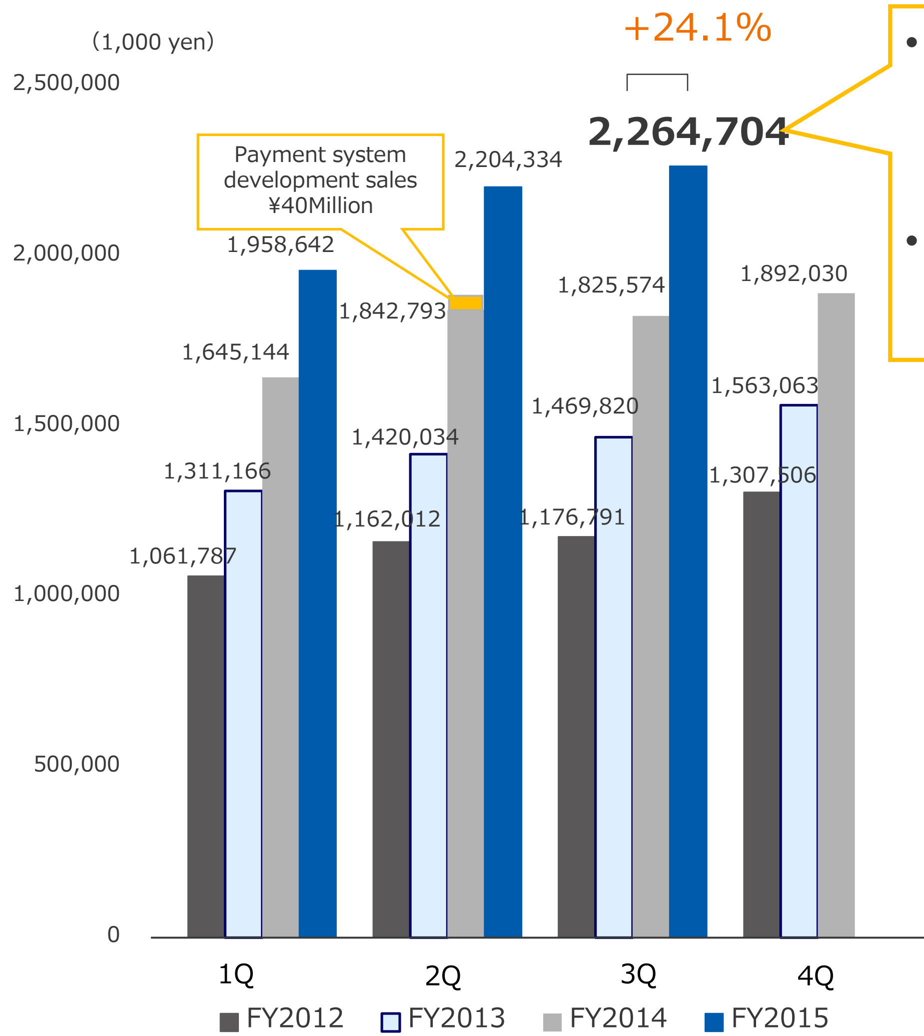
■Sales :	8,656Million Yen	(YoY +20.1%)
■Operating income :	2,974Million Yen	(YoY +20.1%)

・Although good performances are continued to be expected, because the investment phase will further continue with the increasing business opportunities, either current year's forecast or dividend forecast is not changed.

1.4 Sales

Good shape in payment processing service and subsidiaries', sales up 24.1%

■ Sales

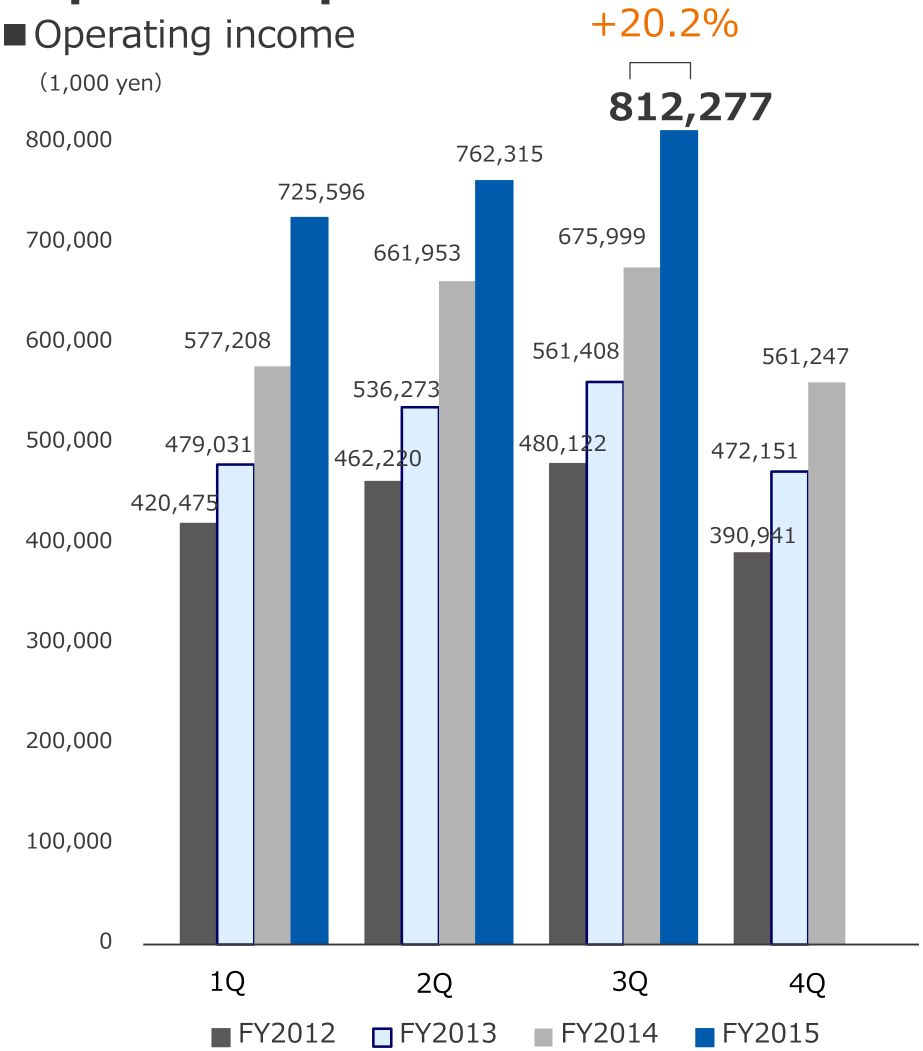


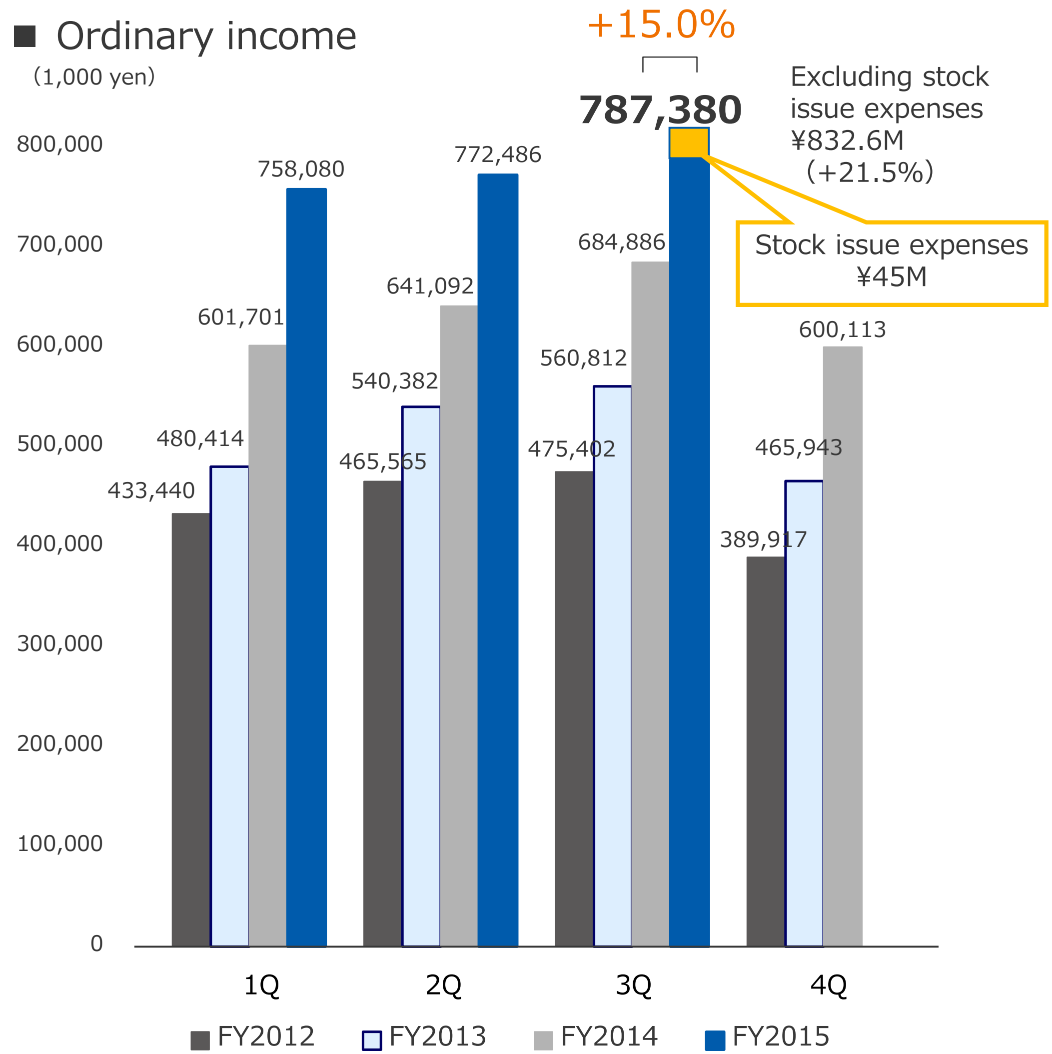
- Payment processing service
  Transaction processing revenue +29.6%
  Merchant acquiring service revenue +29.1%
- Payment after delivery +347.2%

(%:QonQ)

1.5 Operating/Ordinary income

Operating income up 20.2%, ordinary income excluding stock issue expenses up 21.5%

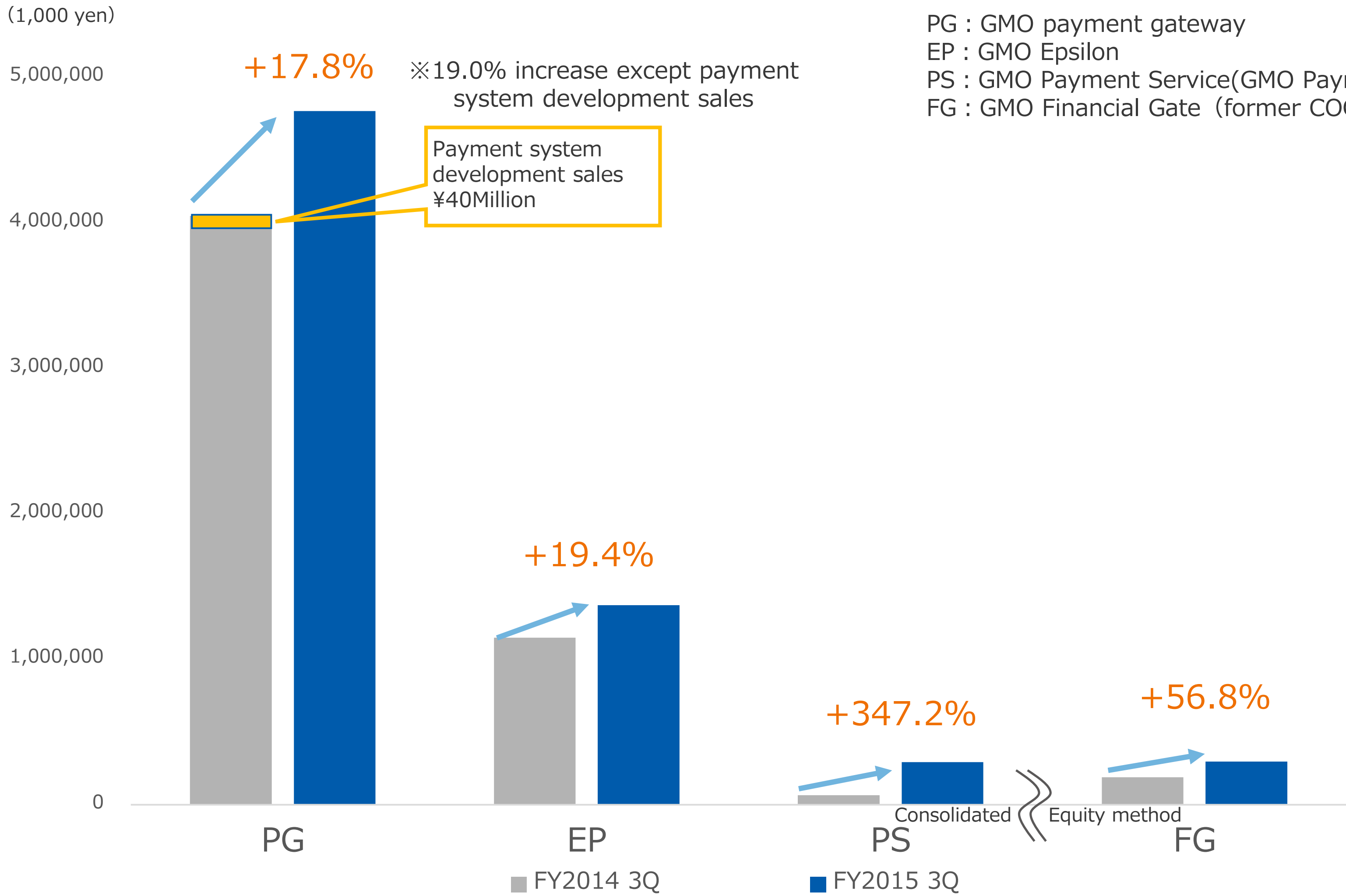




1.6.1　Sales（PG・EP・PS・FG）

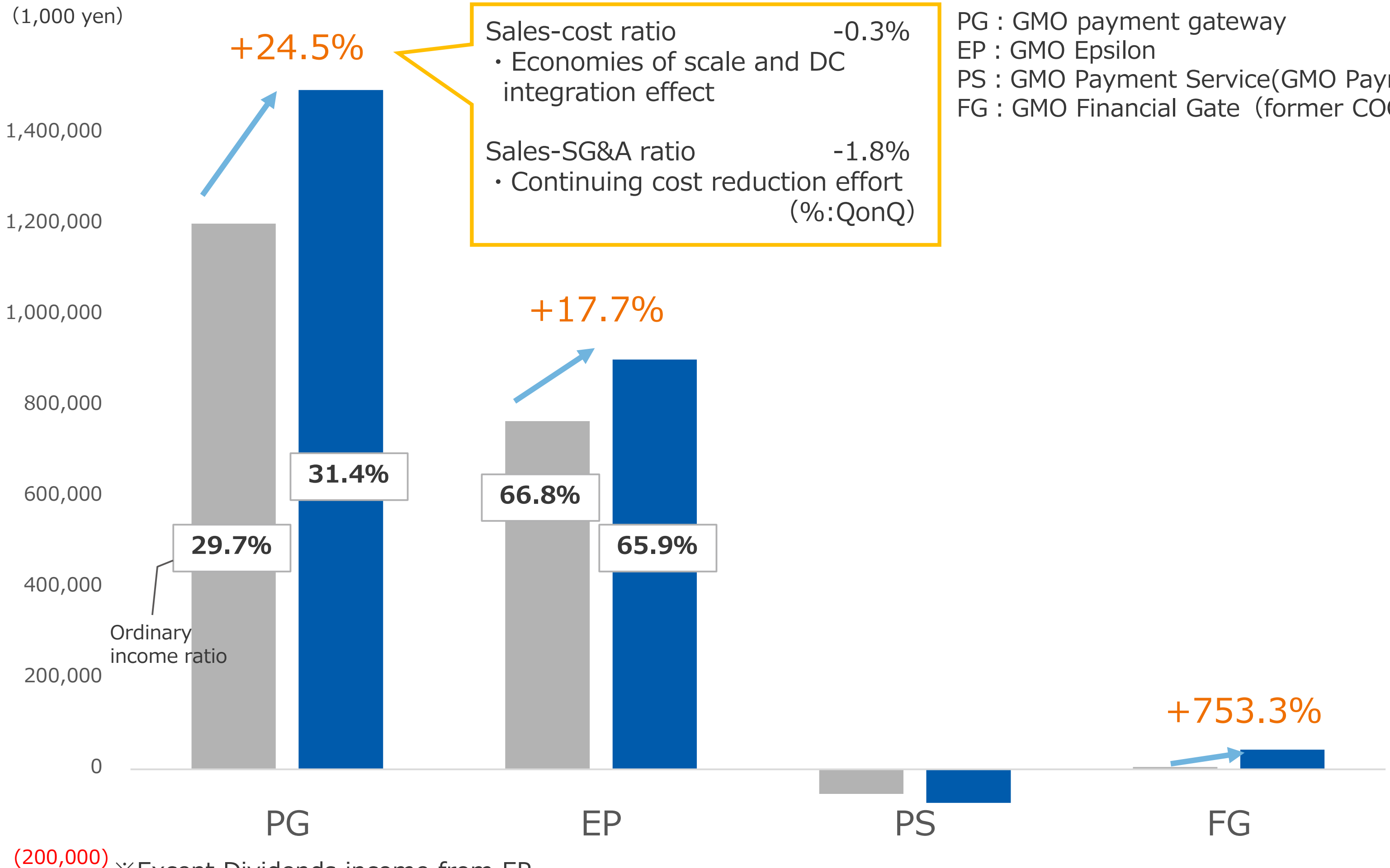
Group companies showed good shape, GMO Payment Service is driving forces behind the increased consolidated sales

PG : GMO payment gateway
EP : GMO Epsilon
PS : GMO Payment Service(GMO Payment after delivery)
FG : GMO Financial Gate（former COC, Face to Face)



1.6.2 Ordinary income（PG・EP・PS・FG）

The effects of investment, generating profits little by little



Sales-cost ratio -0.3%
・Economies of scale and DC integration effect

Sales-SG&A ratio -1.8%
・Continuing cost reduction effort
(%:QonQ)

PG : GMO payment gateway
EP : GMO Epsilon
PS : GMO Payment Service(GMO Payment after delivery)
FG : GMO Financial Gate（former COC, Face to Face)

※Except Dividends income from EP

2. Growth strategy

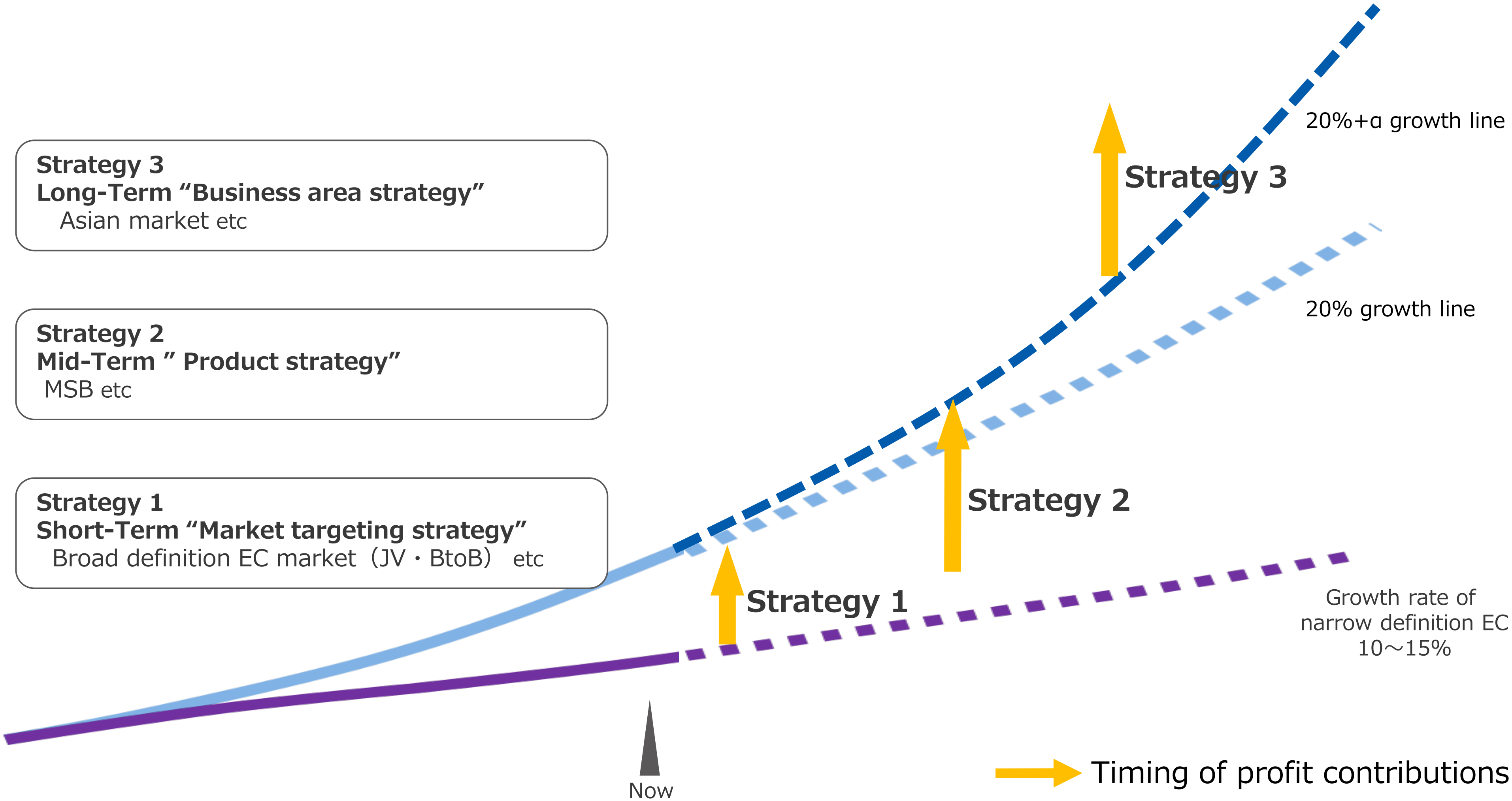
2.1 Targeted growth line and strategies

To aim at profit growth of “20%+α” by accelerating growth with recapitalization

Strategy 3
Long-Term “Business area strategy”
Asian market etc

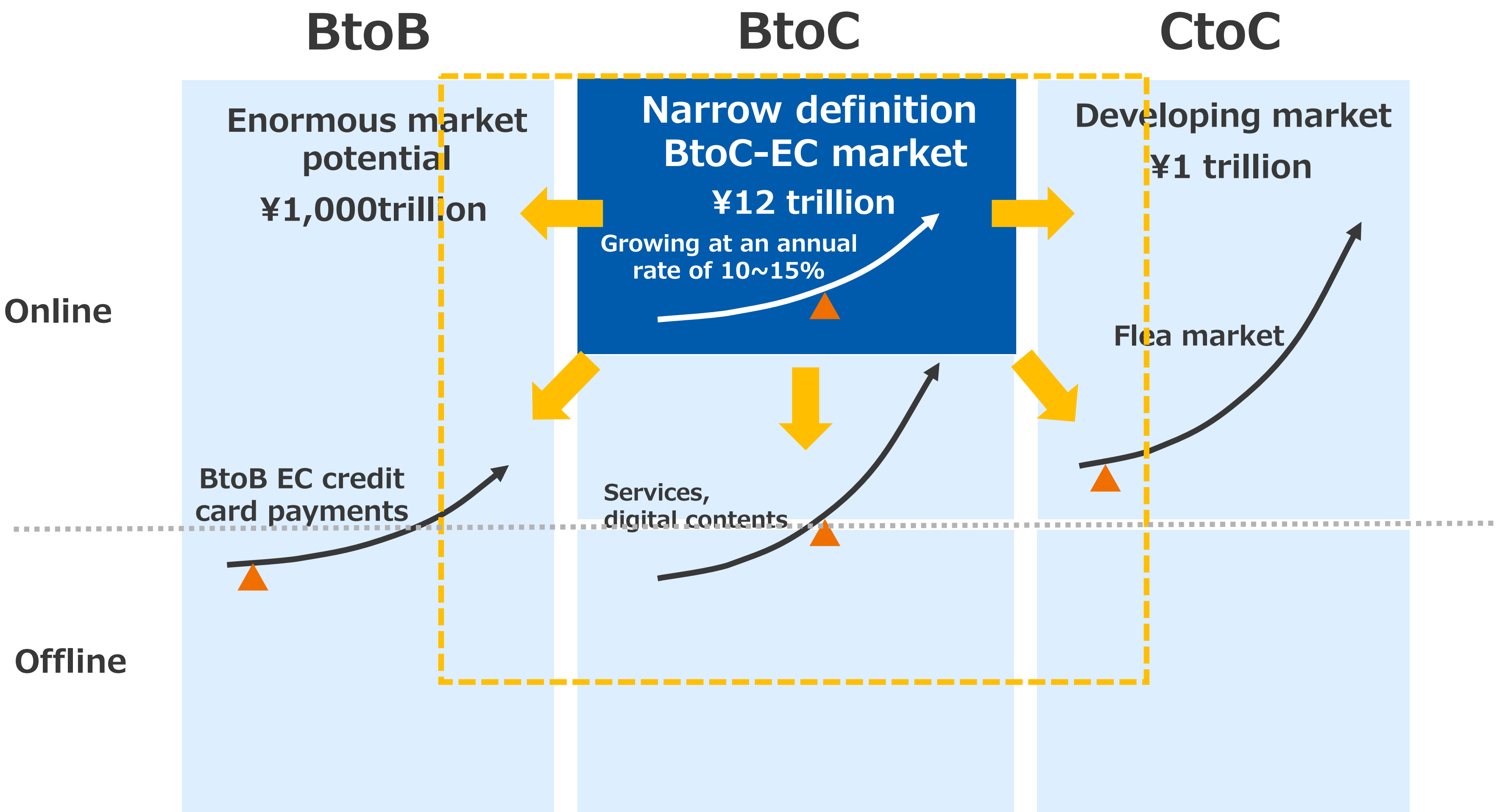
Strategy 2
Mid-Term ” Product strategy”
MSB etc

Strategy 1
Short-Term “Market targeting strategy”
Broad definition EC market（JV・BtoB） etc



2.2.1 Strategy 1 “Market targeting strategy” Broad definition EC market

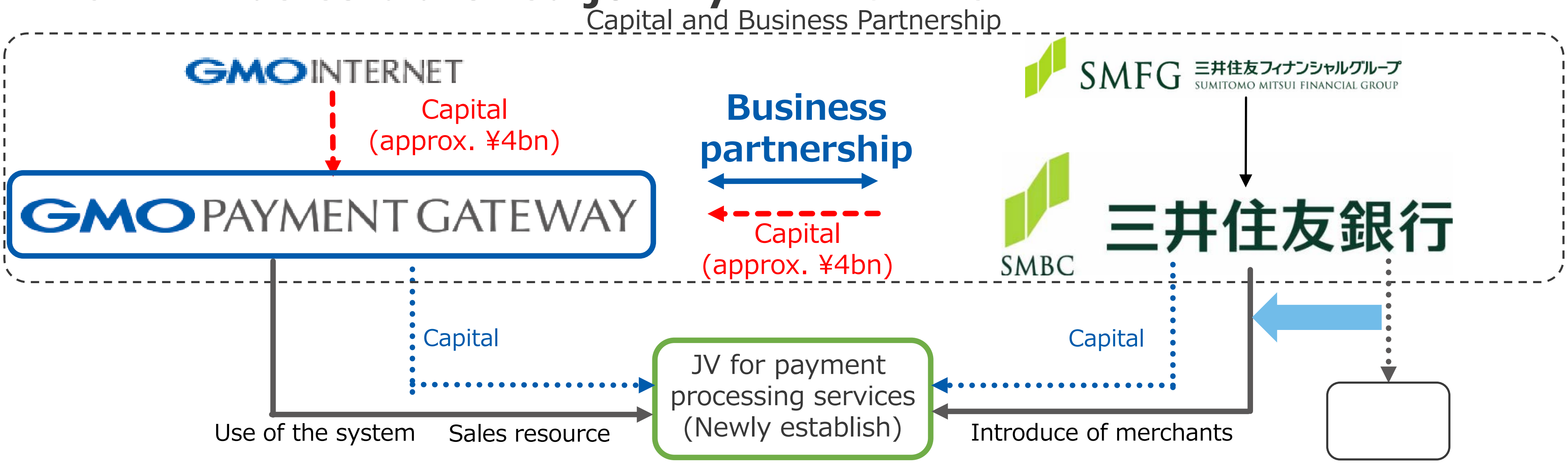
Spreading e-commerce is our growth opportunity



※経済産業省「平成26年度電子商取引に関する市場調査」

2.2.2 Strategy 1 “Market targeting strategy” Establish a Joint Venture company

To provide our services to merchants of the joint venture which will be established jointly with SMBC



【Objective】
Establish a joint venture company（being overwhelming position of No. 1 in Japan）

【Impact on BS・PL 】
(FY2015)
BS Increase in capital stock Approx. ¥4bn（Capital stock ¥4.7bn）
PL Stock issue expense ¥45million（Non-operating expenses）

(FY2016~)
BS Investment in establishment of joint venture
PL Inclusion of JV’s profit and loss

2.2.3 Strategy 1 “Market targeting strategy” BtoB Market

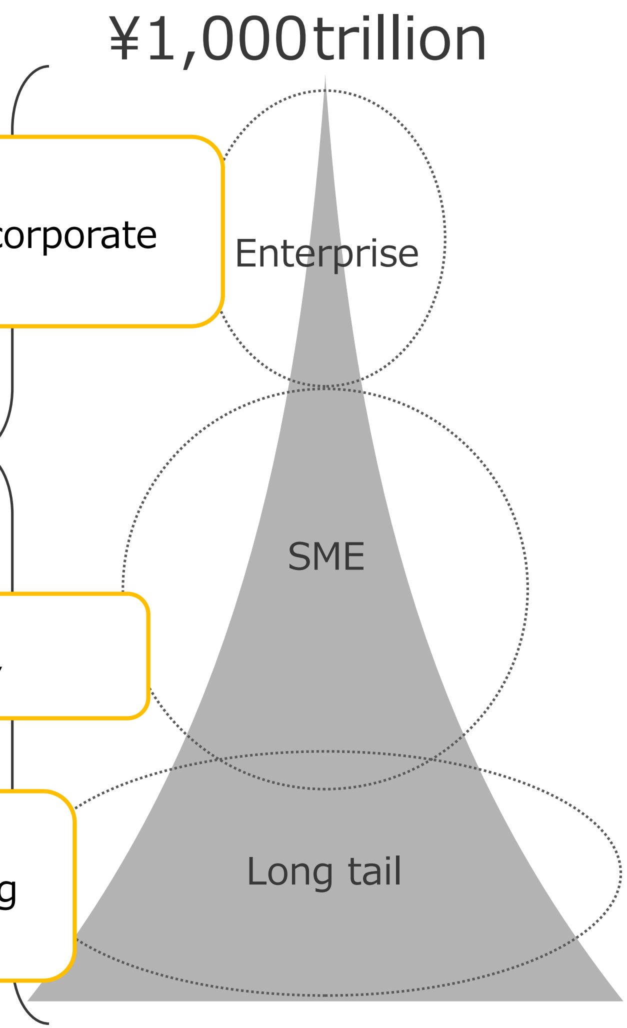
To promote the use of credit cards for BtoB transactions with four channels strategy

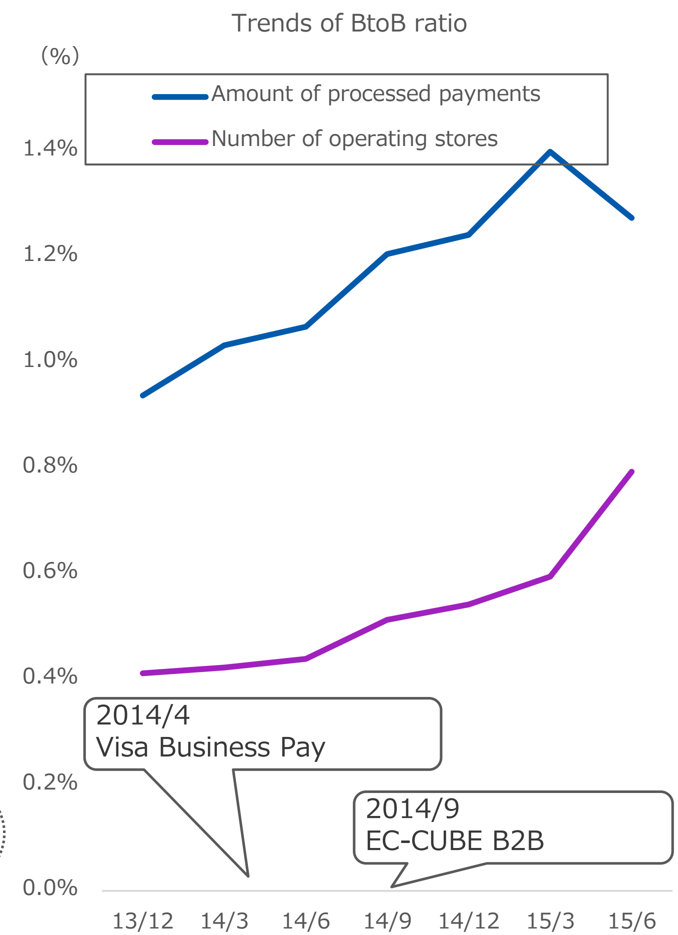
Channel 1 :
Provision of systems to massive corporate families

Channel 2 :
Visa Business Pay
（Enterprise～Long tail）

Channel 3 :
Direct sales of “PG Multipayment”

Channel 4 :
Connection with the B2B shopping cart,「EC-CUBE」「MakeShop」





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

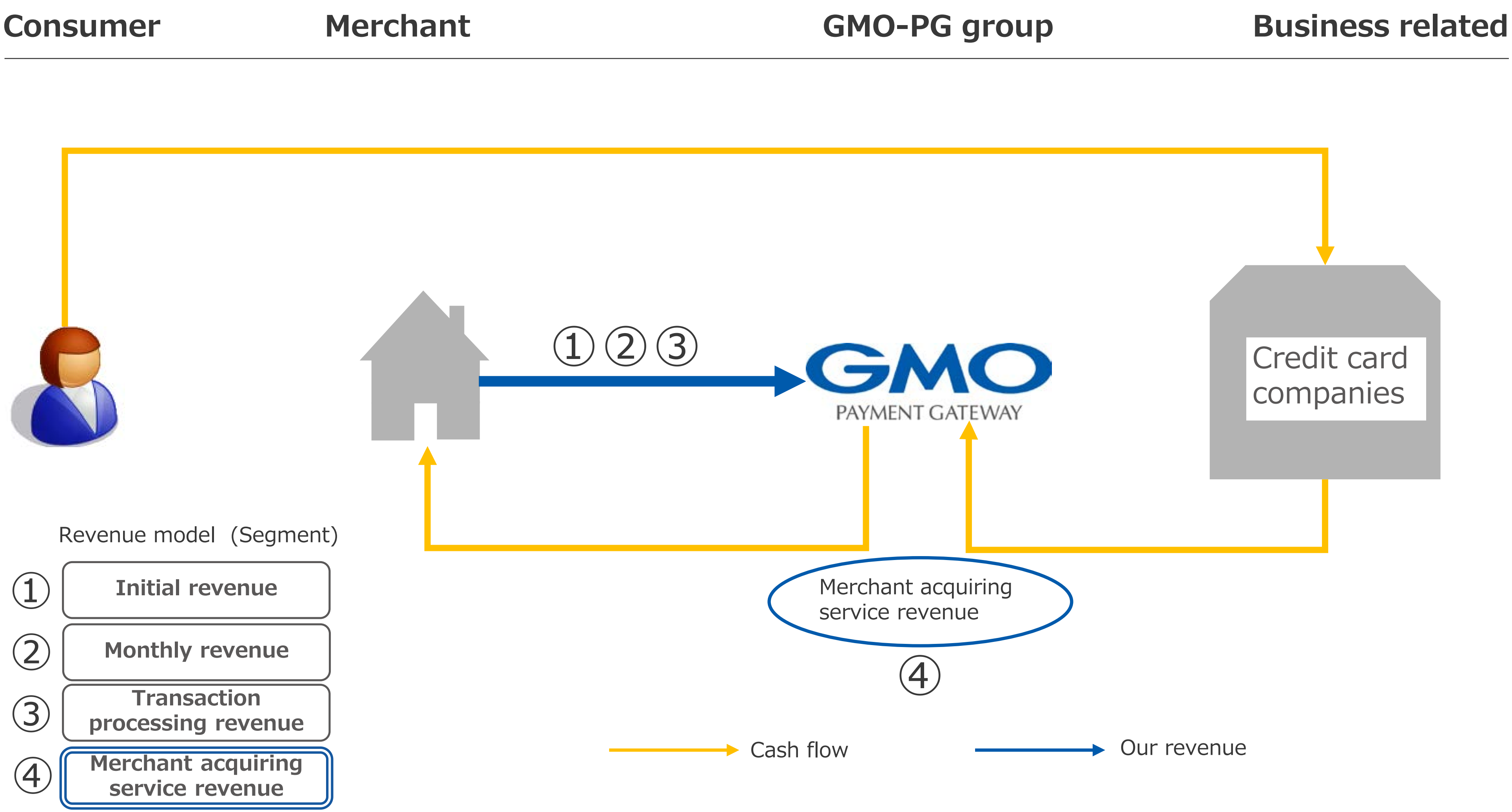
2.3.1 Strategy 2" Product strategy" MSB

To develop businesses in stages

	STEP1	STEP2	STEP3	STEP4	STEP5
Services	Representative contract (Spread)	Early payment	Payment due twice	×2 Lending	Transaction lending
		2015/8 : Offering optimal payment cycle			
Due date	The end of the month	The end of the month	Twice	—	—
Payment term	After 40 days	After 30 days	After 15 days	—	—
Charge amount	Sales	Sales	Sales	Sales ×2	Sales ×N

2.3.2 Strategy 2" Product strategy" MSB (Representative contract model)

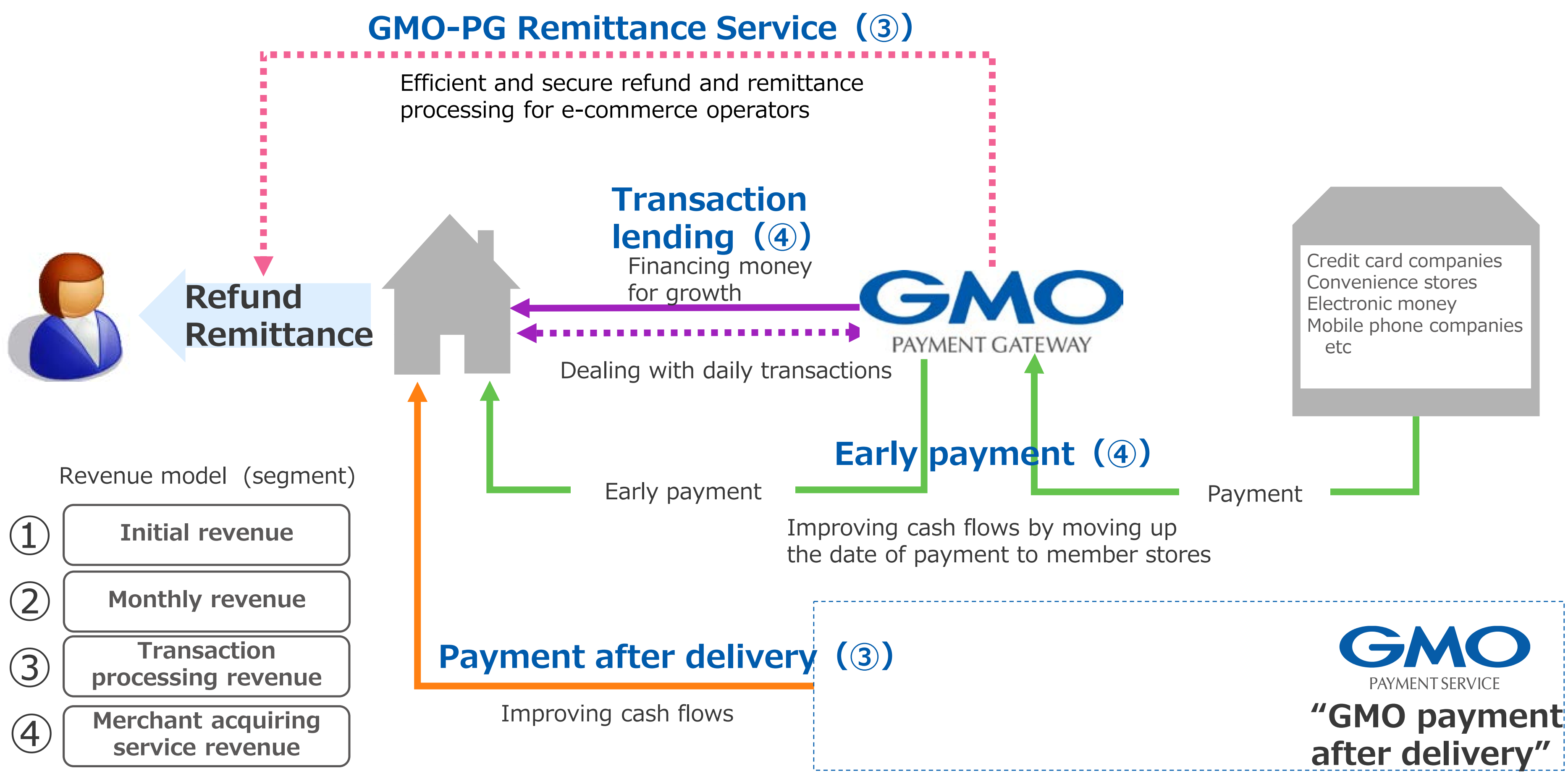
To realize the expansion into financial businesses with money flow derived from the representative contract model



2.3.3 Strategy 2” Product strategy” MSB (Definition)

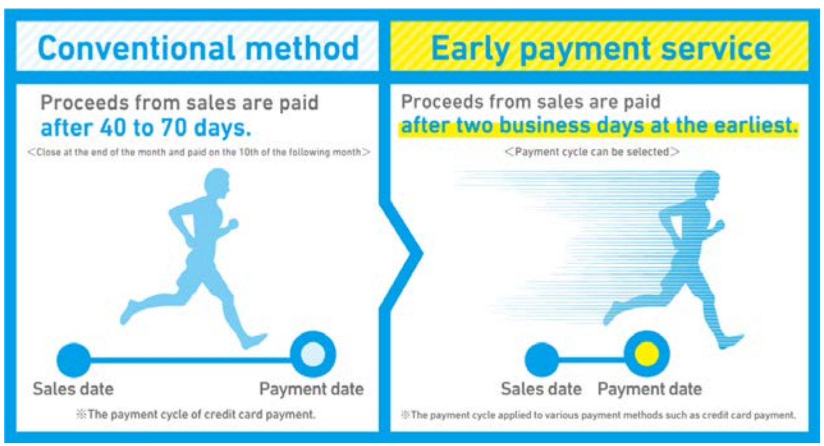
Services only payment processing agencies can provide

Consumer **Merchant** **GMO-PG group** **Business related**



2.3.4 Strategy 2" Product strategy" MSB (Early payment service)

Improving cash flows by moving up the date of payment



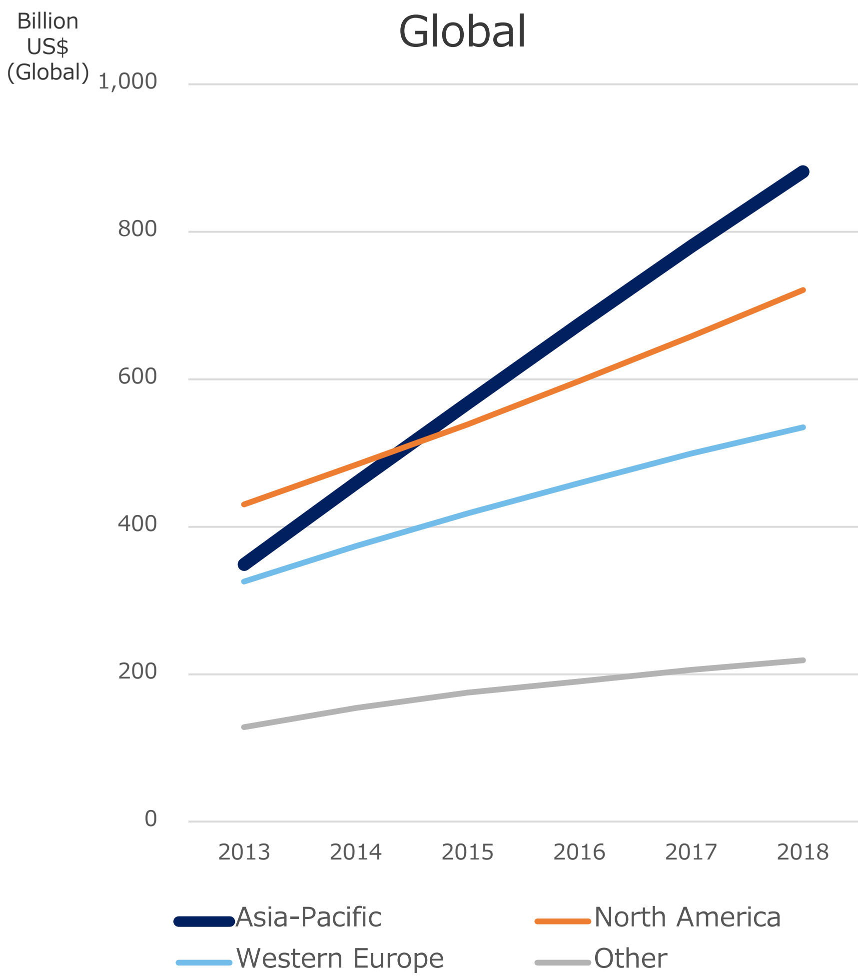
Marchants can select the number of payment due, due date and payment term from predefined number of times and date for each payment methods

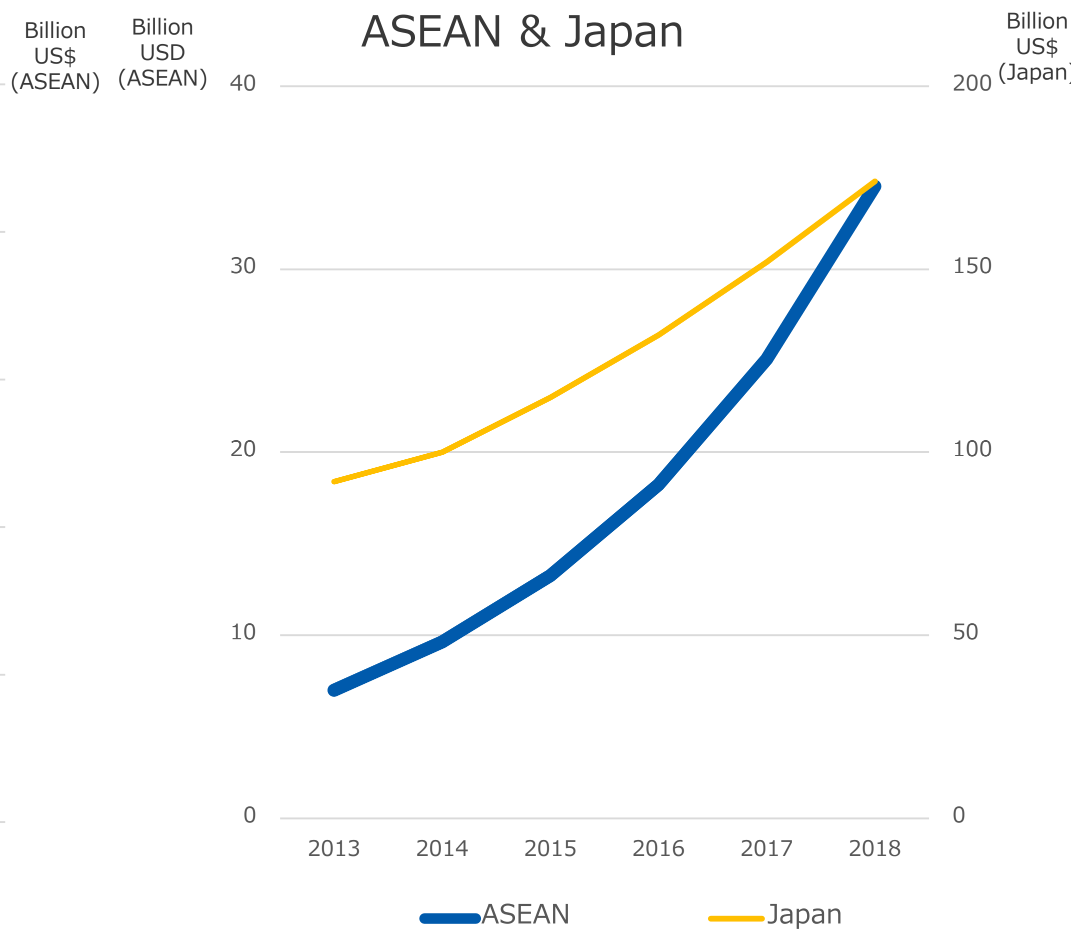
<u>Offering optimal payment cycle to meet the cash-flow needs of EC merchants</u>

The shortest payment term of two business days among all payment services offered to EC merchants

2.4.1 Strategy 3 "Business area strategy" Asian market①

EC market in Asia is larger than North America, ASEAN grows fast

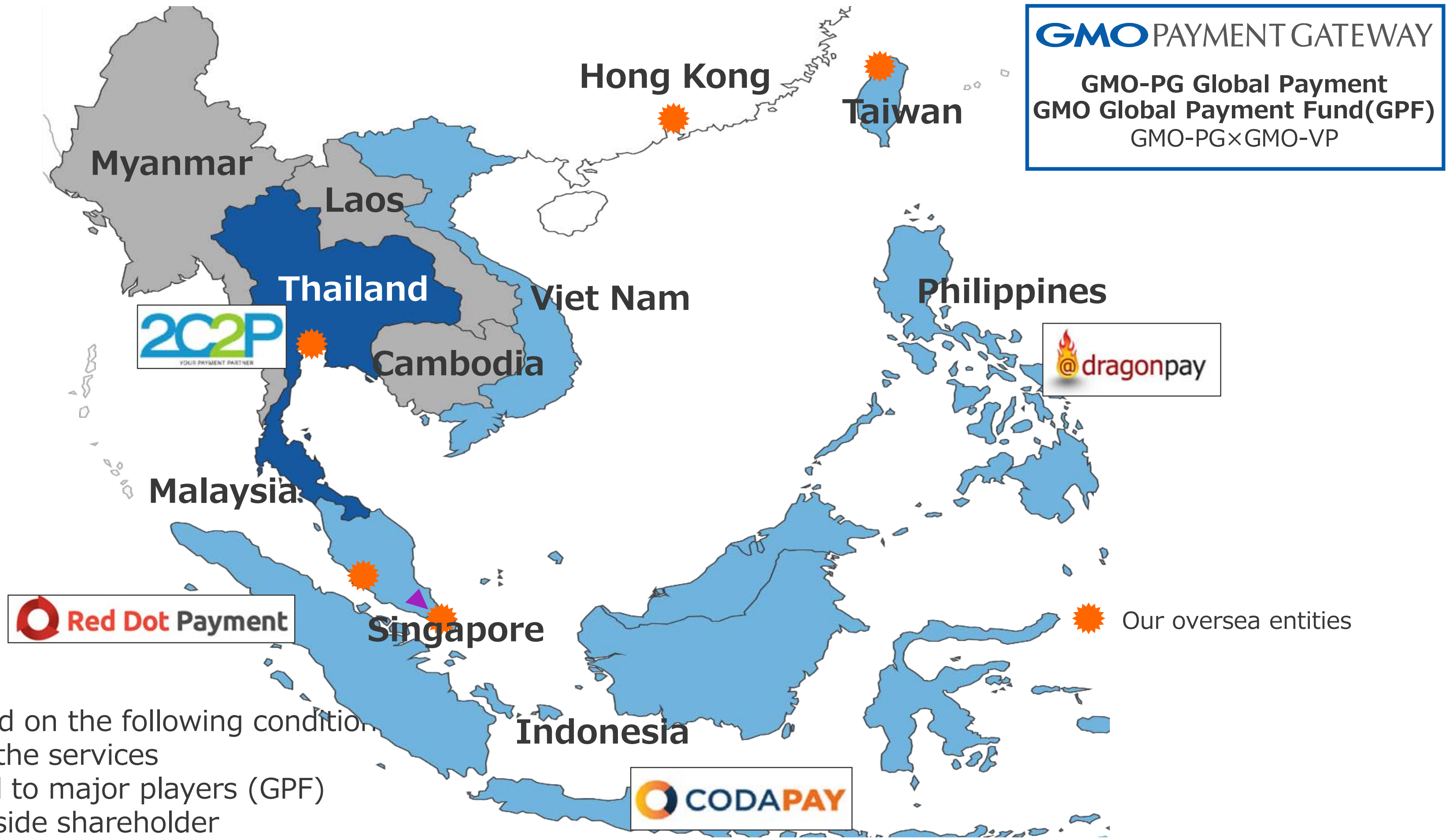




Reference :eMarketer（2014）, An analysis on e-commerce market in south-east Asia released by Frost & Sullivan (July 4th, 2014)

2.4.2 Strategy 3 "Business area strategy" Asian market②

The progress of our global strategy

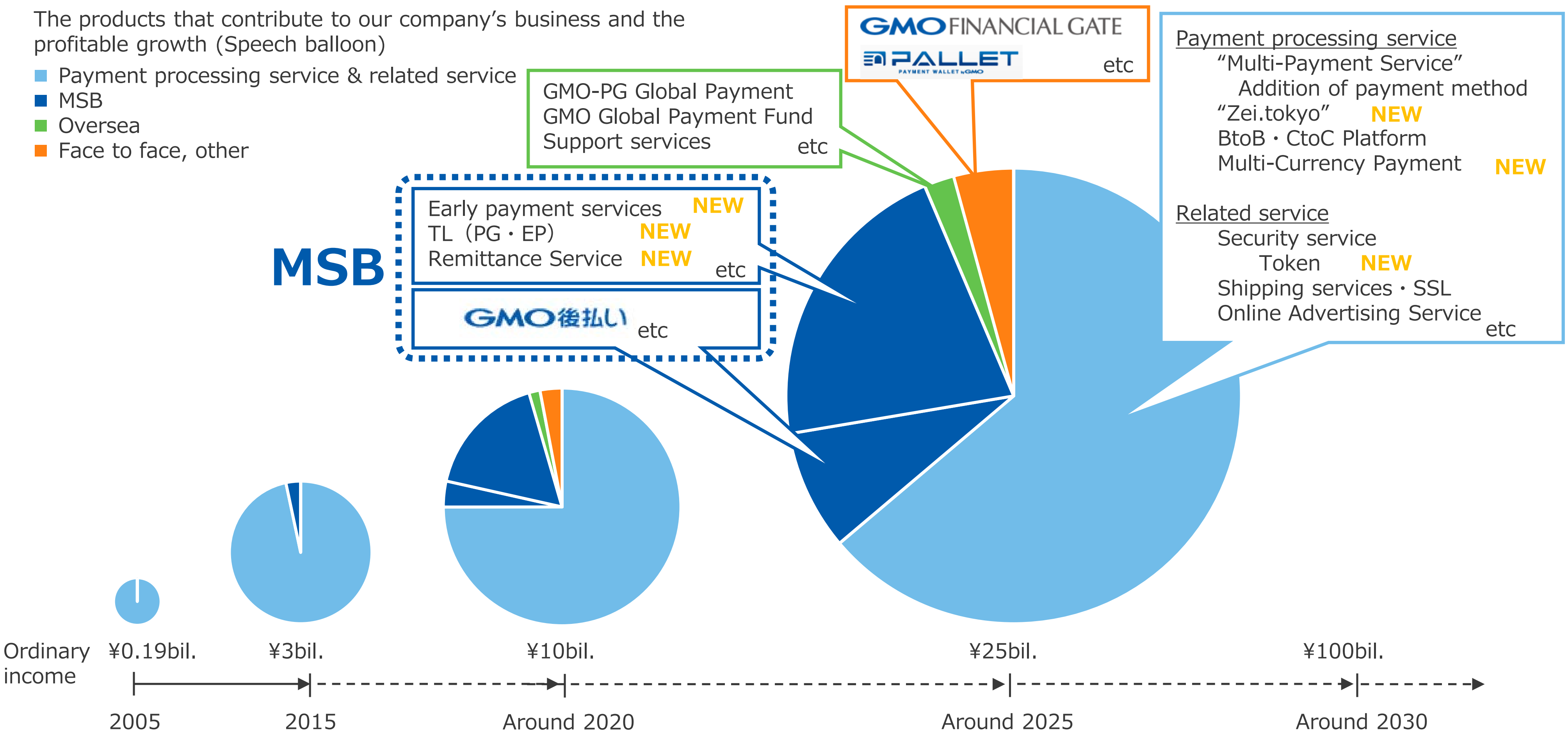


Classification based on the following condition
①Already started the services
②Already invested to major players (GPF)
③(PG)Largest outside shareholder

■ Already implemented all of ①, ②and ③
■ Already implemented one out of ①, ②and ③
■ Already implemented two out of ①, ②and ③
■ Covered by the partner companies we invested to

2.5 Portfolio of income（Image)

Growing with the target of the ordinary income of 10 billion yen around the fiscal year 2020 as a passing point



※Ordinary income : 2005:actual, 2015:forecast, Other numbers:targets
MSB : Money service business
NEW : Results of FY2015

3. Financial highlights

3.1 Summary of the consolidated results

Sales and income up over 20%, OP margin up 0.3 point

(Million yen)	FY2015 3Q				FY2014 3Q		FY2015	
	Results	Sales composition	Growth	Change	Results	Sales Composition	Forecast	Progress
Sales	**6,427**	**100.0** %	1,114	+21.0 %	5,313	100.0 %	8,656	74.3 %
Cost of sales	**1,366**	**21.3**	298	+27.9	1,067	20.1	-	-
Gross income	**5,061**	**78.7**	816	+19.2	4,245	79.9	-	-
SG&A	**2,761**	**43.0**	431	+18.5	2,330	43.9	-	-
Operating income	**2,300**	**35.8**	385	+20.1	1,915	36.0	2,974	77.3
Ordinary income	**2,317**	**36.1**	390	+20.2	1,927	36.3	2,985	77.7
Net income	**1,454**	**22.6**	327	+29.1	1,126	21.2	1,797	80.9
Net income per share(Yen)	**42.04**	**-**	9.38	-	32.66	-	51.00	-

※In October 1, 2014, our company executed a 2-1 stock split. The values for the FY2014 are calculated on the same base.

3.2 Summary of the consolidated balance sheets

¥4billion capital increase through third-party allotment

(Million yen)	**Results for 3Q, FY2015**	Results for 3Q, FY2014	Change
Current assets	**39,868**	22,967	16,900
Cash and deposits	**34,934**	21,029	13,905
Advance payments	**1,567**	619	947
Accounts receivable	**998**	504	494
Allowance for doubtful accounts	**△159**	△34	△125
Other current assets	**2,527**	1,001	1,525
Fixed assets	**3,030**	1,932	1,098
Tangible fixed assets	**218**	249	△31
Intangible fixed assets	**861**	761	99
Software	**664**	616	47
Investments and other assets	**1,951**	921	1,030
Total assets	**42,898**	24,899	17,999

Increase of early payment service

Increase of payment later

(Million yen)	**Results for 3Q, FY2015**	Results for 3Q, FY2014	Change
Current liabilities	**26,895**	18,346	8,549
Deposits	**24,243**	16,982	7,260
Accounts payable	**1,763**	515	1,248
Other current liabilities	**888**	849	39
Non-current liabilities	**179**	174	5
Shareholders' equity	**15,668**	6,338	9,329
Valuation and translation adjustments	**4,710**	708	4,002
Subscription rights to shares	**153**	33	119
Total net assets	**15,823**	6,378	9,445
Total of liabilities and net assets	**42,898**	24,899	17,999

Deposits by merchants through representative merchant service
*Discrepancy occurs with the pace of merchants' sales growth due to change in merchants' cutoff date and payment cycle

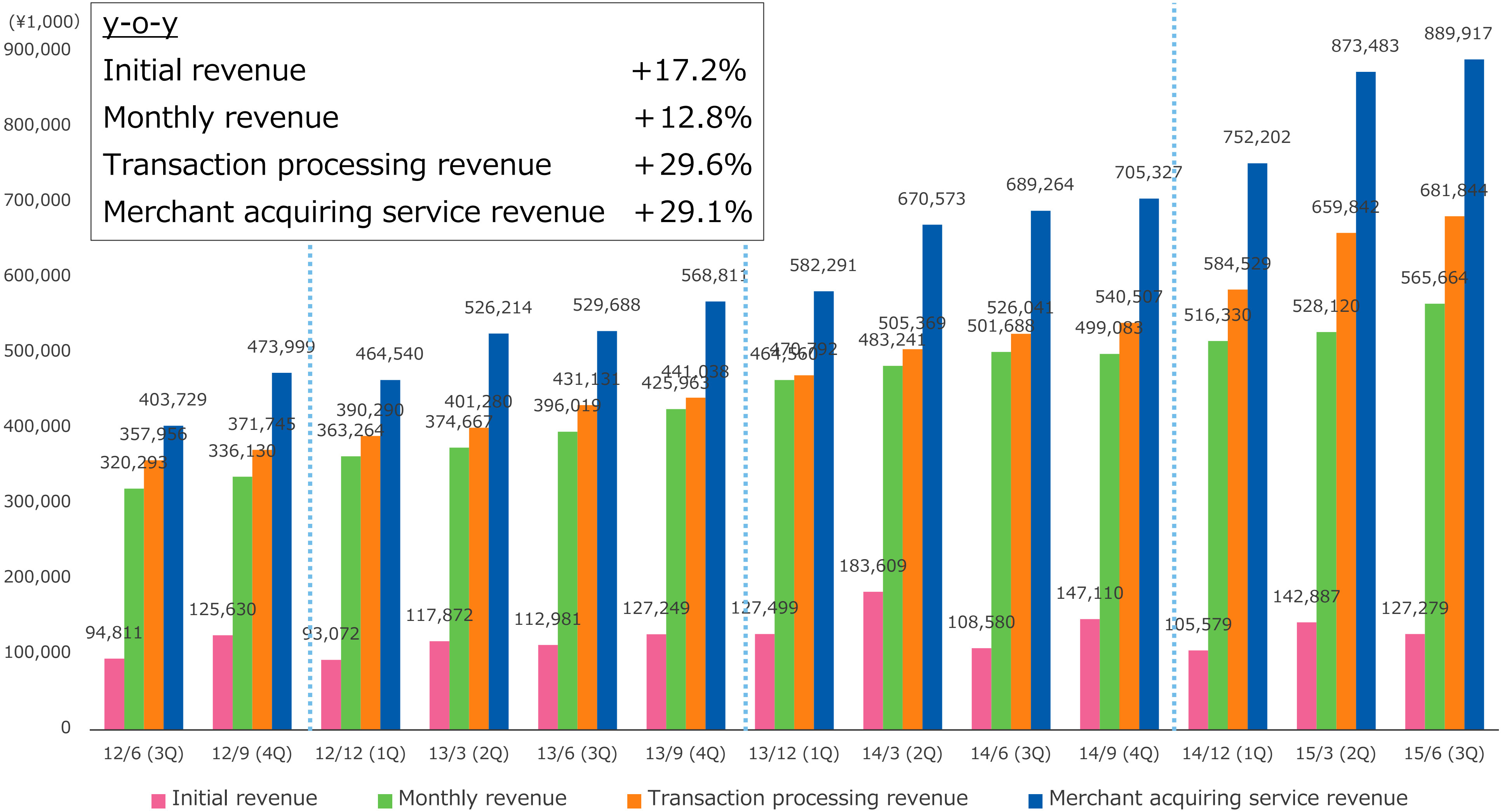
Third-party allotment

Increase in investment securities and investments in other securities of subsidiaries and affiliates

3.3 Sales results for each segment

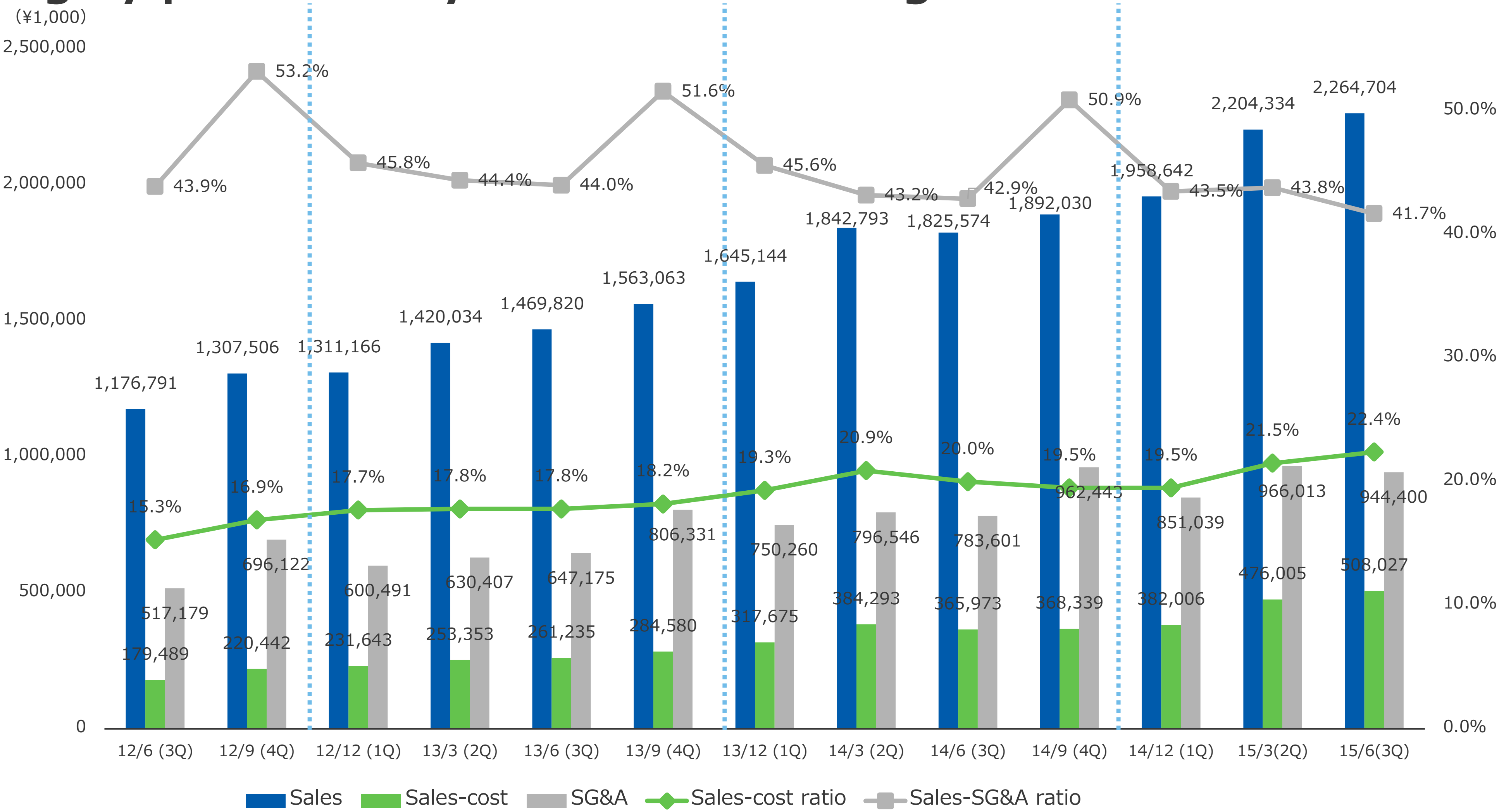
Transaction processing revenue and merchant acquiring service revenue are in good shape. Initial revenue up 17.2%

y-o-y	
Initial revenue	+17.2%
Monthly revenue	+12.8%
Transaction processing revenue	+29.6%
Merchant acquiring service revenue	+29.1%



3.4　Cost of sales ratio/SG&A ratio

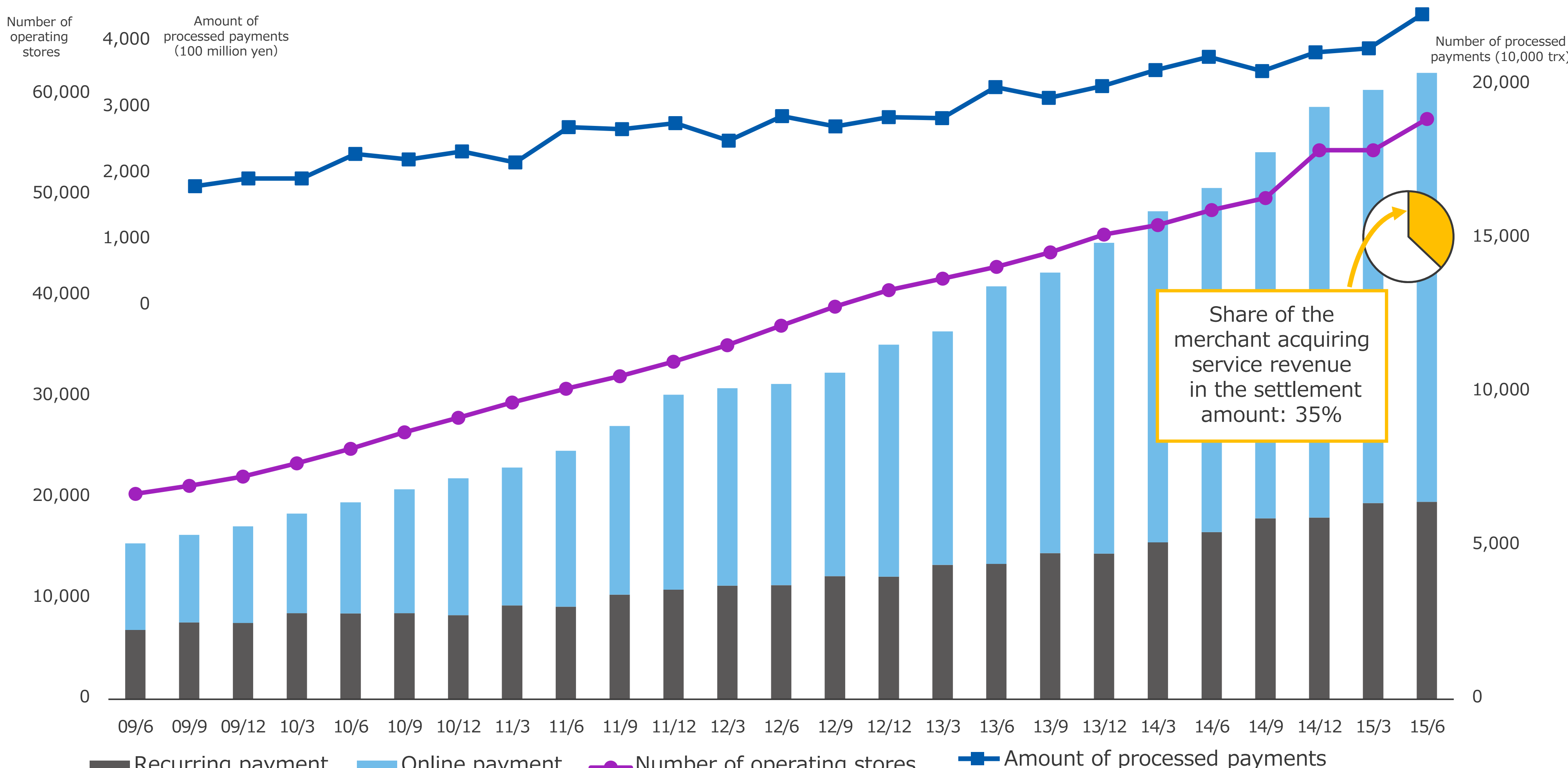
The sales-cost ratio increased due to the sales mix, but remain highly profitable by the various management measures



3.5 Transition of the major factors

Share of the merchant acquiring service revenue in the amount of processed payments became 35%

Number of operating stores 57,569, /Amount of processed payments ¥440billion, /Number of processed payments 204million

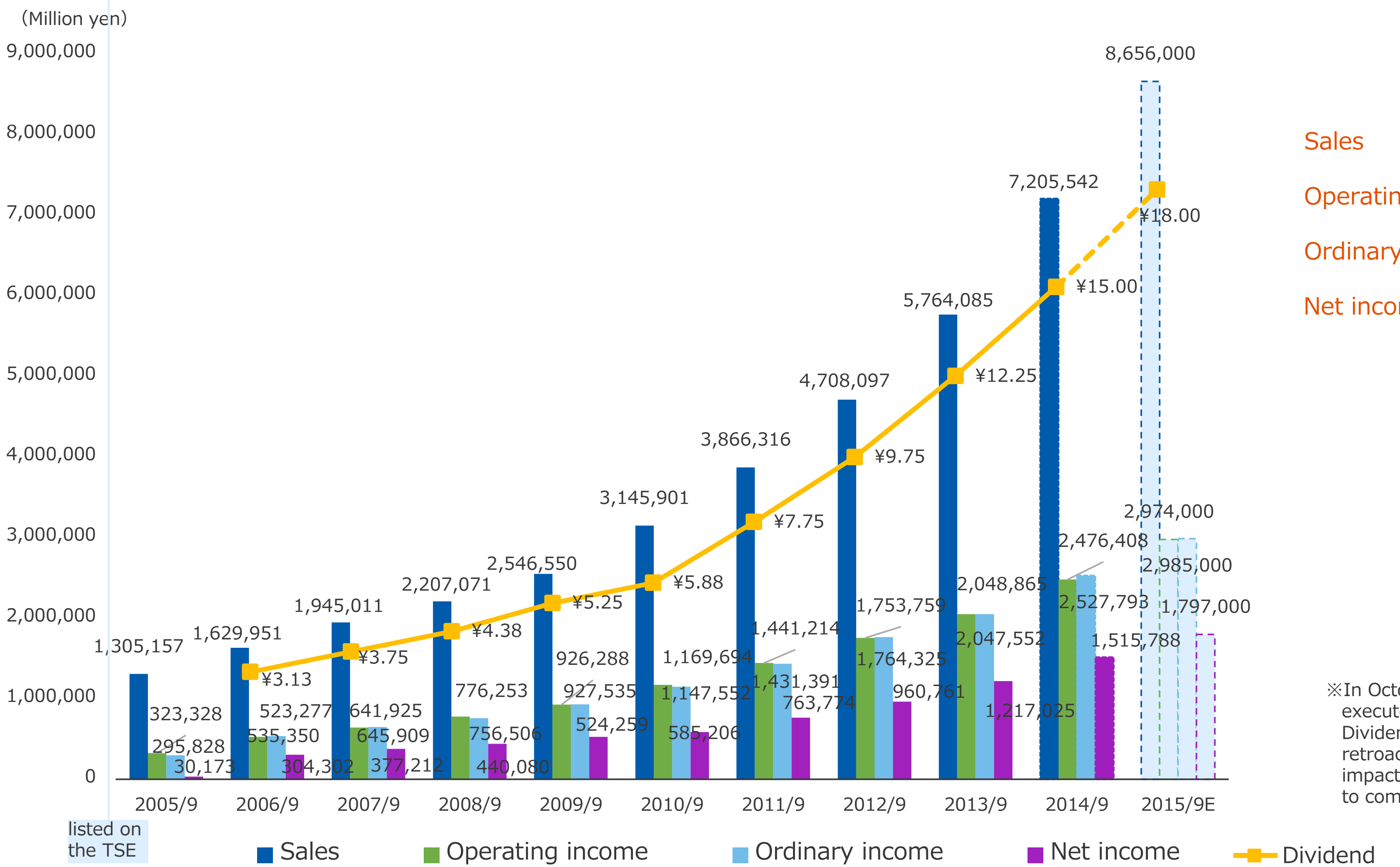


(The number of operating stores is calculated at the end of the quarter, the amount/number of processed payments are the results for each quarter)

4. Results forecast for the term ending September 2015

4.1 Summary of the consolidated results (Forecast)

Repeat operating income growth rate forecast of 20% as investment phase will still continue



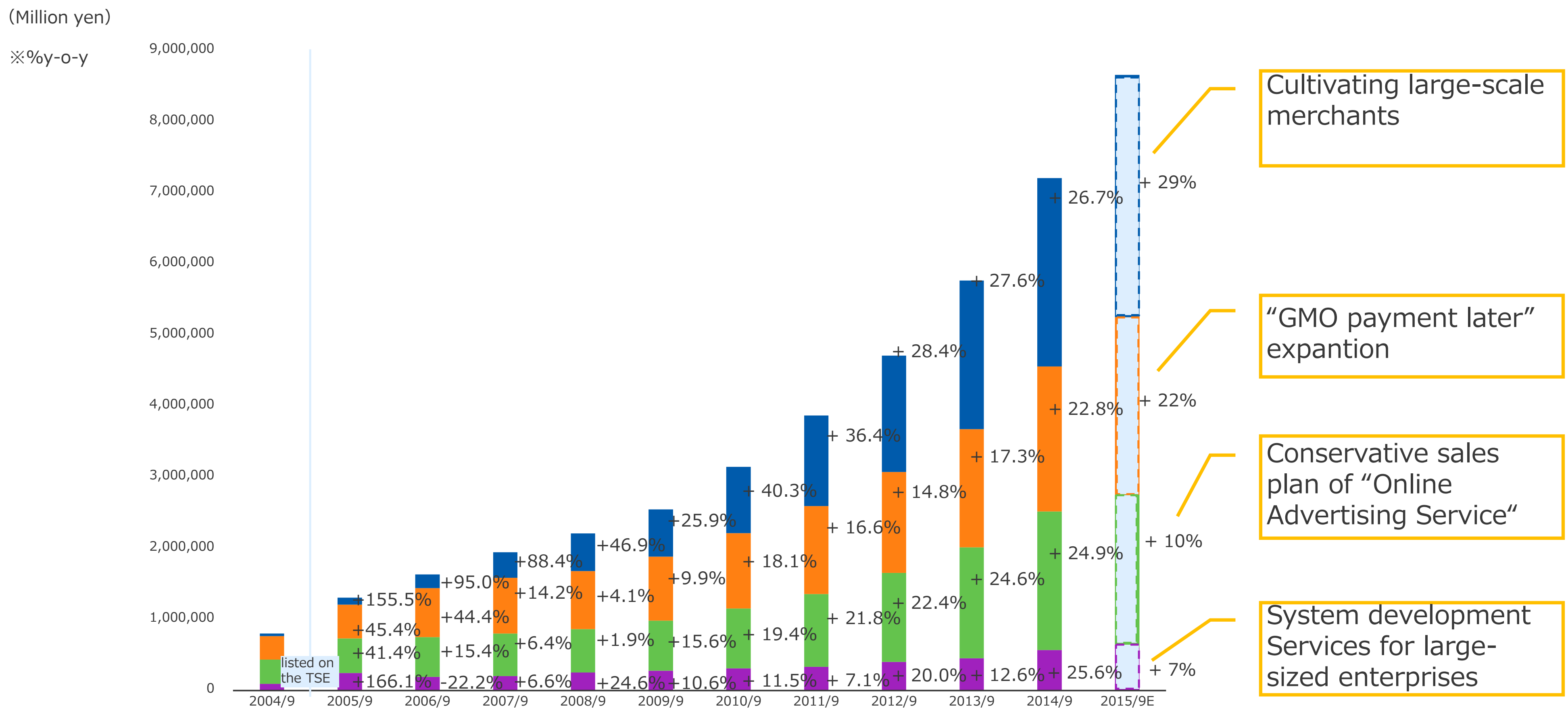
※% yoy

Sales	+20.1%
Operating income	+20.1%
Ordinary income	+18.1%
Net income	+18.6%

※In October 1, 2014, our company executed a 2-1 stock split. Dividend information that have been retroactively revised in light of the impact of this split to make it easier to compare between periods.

4.2 Sales for each segment (Forecast)

Action plans to realize the balanced growth in all segments



	2004/9	2005/9	2006/9	2007/9	2008/9	2009/9	2010/9	2011/9	2012/9	2013/9	2014/9
Merchant acquiring service revenue	38,364	98,011	191,126	360,138	529,138	666,209	934,441	1,274,419	1,636,774	2,089,254	2,647,458
Transaction processing revenue	327,409	476,041	687,235	784,799	816,868	897,658	1,060,123	1,235,737	1,418,822	1,663,741	2,042,710
Monthly revenue	344,083	486,490	561,253	597,193	608,236	702,946	839,522	1,022,263	1,251,675	1,559,914	1,948,574
Initial revenue	91,920	244,613	190,336	202,880	252,828	279,735	311,813	333,895	400,823	451,175	566,799

Thank you very much!

GMO PAYMENT GATEWAY

GMO Payment Gateway Inc.
(TSE:3769)

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

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

IR/PR Group TEL:03-3464-0182