

# Financial results briefing for the 2Q of FY2016 (October 1, 2015-March 31, 2016)

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Themes :      Achieving continued high growth as a result of our initiatives driving the expansion of the EC market

May 2, 2016

GMO Payment Gateway, Inc.

(3769: Tokyo Stock Exchange section-1)

The 45<sup>th</sup> IR Meeting

**GMO** PAYMENT GATEWAY

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

# A Cautionary Note About the Contents of this Document

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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 May 2, 2016.

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

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1. Summary of Financial Results for 2Q FY2016
2. Progress of the growth strategy
3. Financial highlights

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# **1. Summary of Financial Results for 2Q FY2016**

# 1.1 Summary

**OP up 32.3%(2Q, YoY), reflecting the continued strength of payment service & MSB**

(Million yen)	1H of FY2015	1Q of FY2016					2Q of FY2015	2Q of FY2016	
	Actual	Forecast	Actual	A/F%	Change	Change%	Actual	Actual	Change%
Sales	4,162	5,216	5,730	+9.9	1,567	37.7%	2,204	2,997	36.0%
Gross income	3,304		4,432		1,127	34.1%	1,728	2,314	33.9%
Operating income	1,487	1,741	1,879	+7.9	391	26.3%	762	1,008	32.3%
Ordinary income	1,530	1,742	1,918	+10.2	388	25.4%	772	994	28.7%
Net income	937	1,075	1,151	+7.1	214	22.9%	461	554	20.3%

	Number of operating stores	Amount of processed payments	Number of processed payments
<b>KPI</b>	<b>67,921</b>	<b>470 Billion Yen</b>	<b>228 Million</b>

## ■ Key points

1. Showing steady advances above OP growth forecast

Existing business (Foundation for 20% growth) : Major KPI in good shape, monetizing the large-scale projects

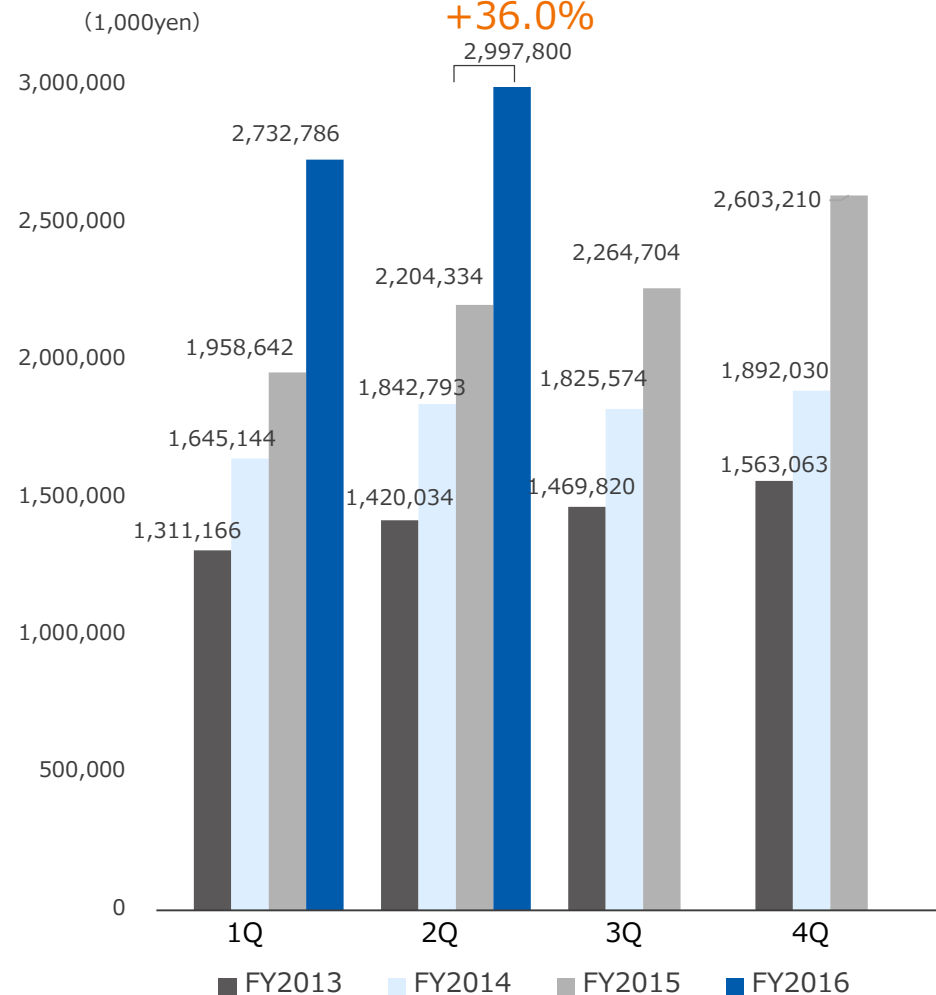
New business (To achieve more than 5% growth) : MSB continued to grow steadily

2. The actions for the future steadily implemented such as strategic investments and overseas businesses

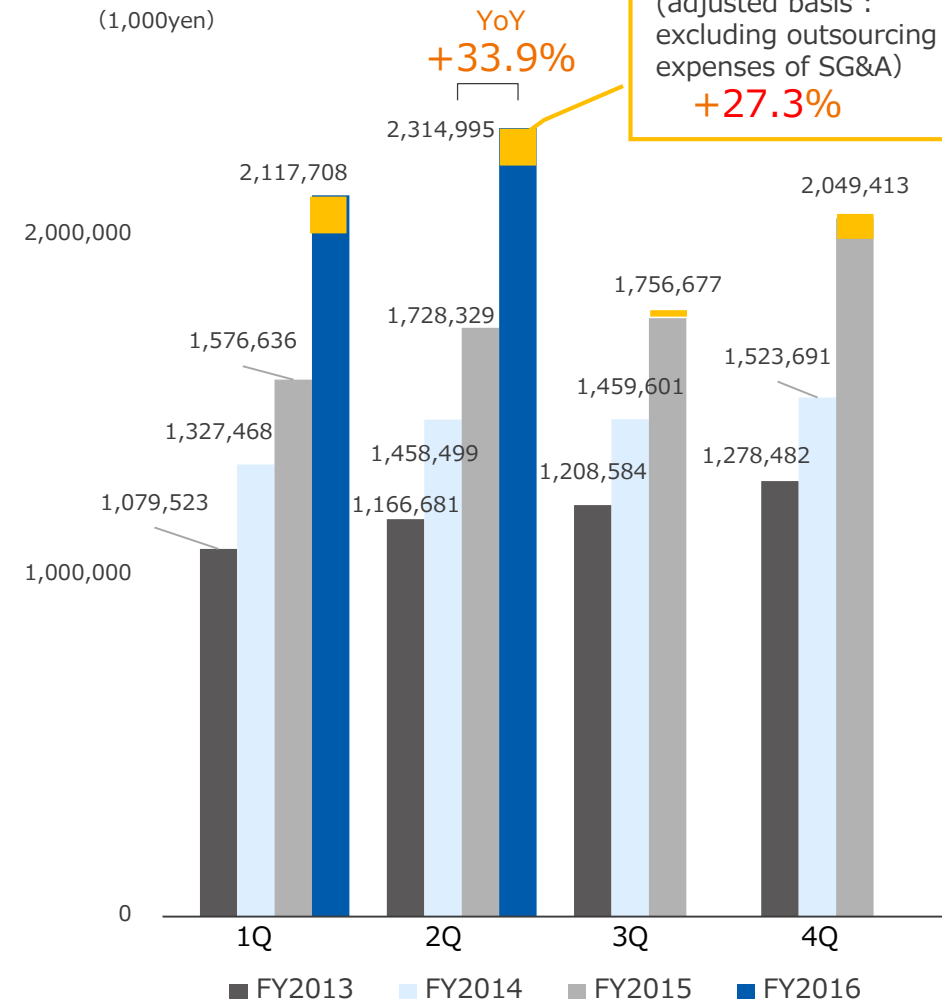
## 1.2 Sales/Gross income

Sales up 36.0%, gross income (adjusted basis) up 27.3%

### ■ Sales



### ■ Gross income

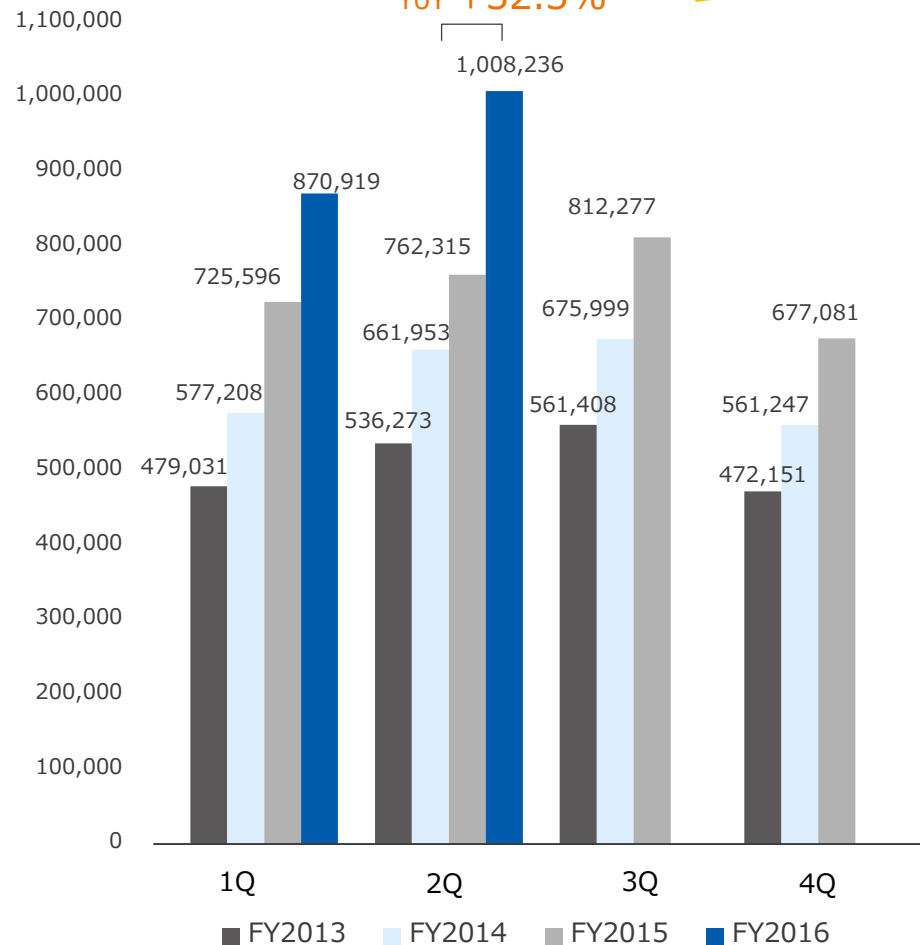


# 1.3 Operating income/Ordinary income

## Operating income up 32.3%, Ordinary income up 28.7%

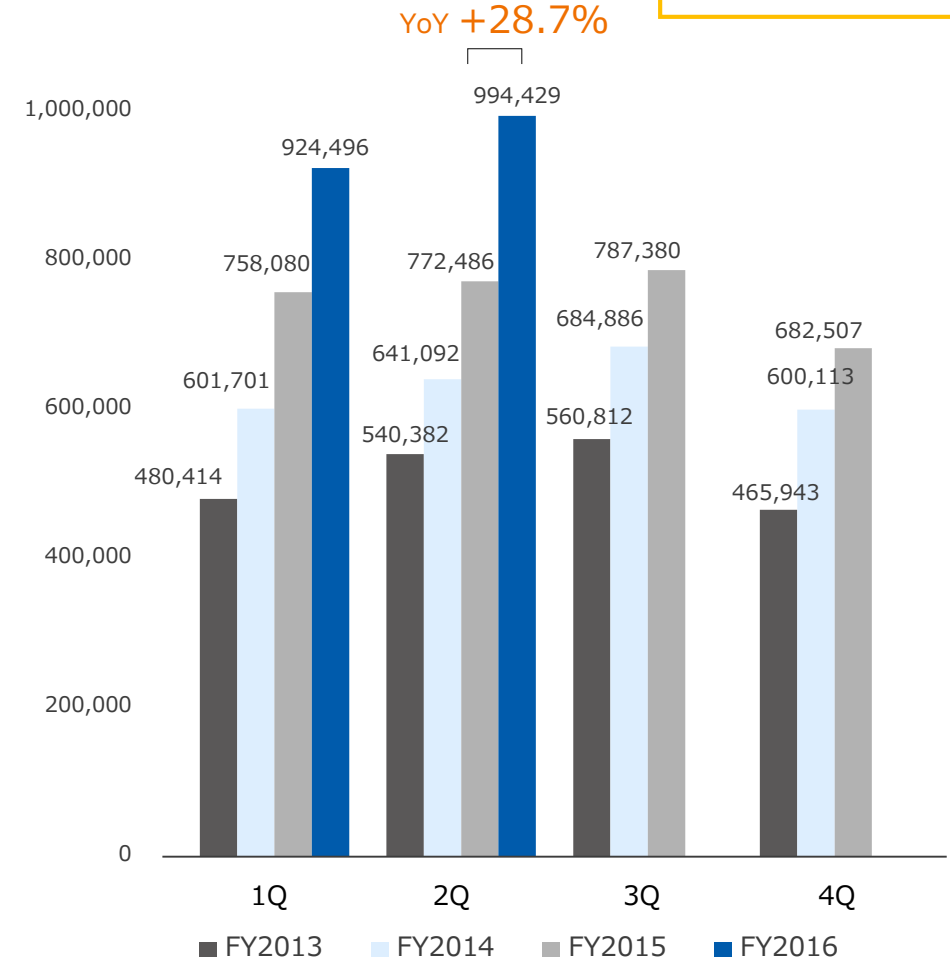
### ■ Operating income

(1,000yen)



### ■ Ordinary income

(1,000yen)

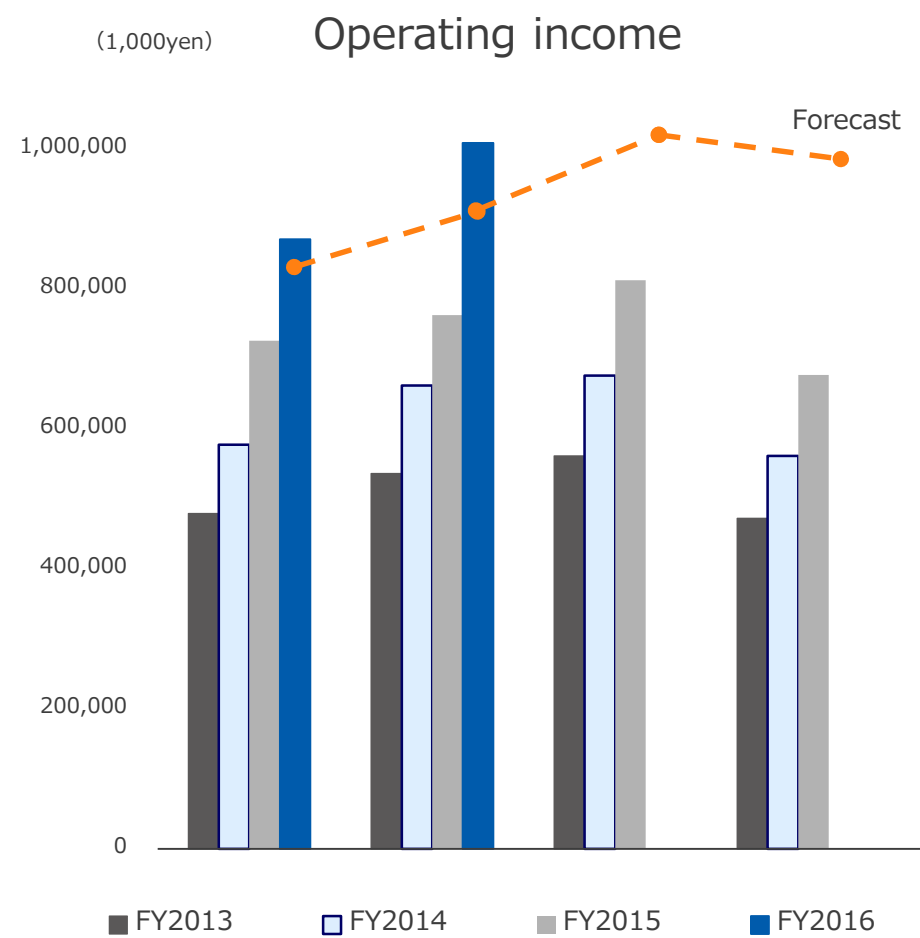
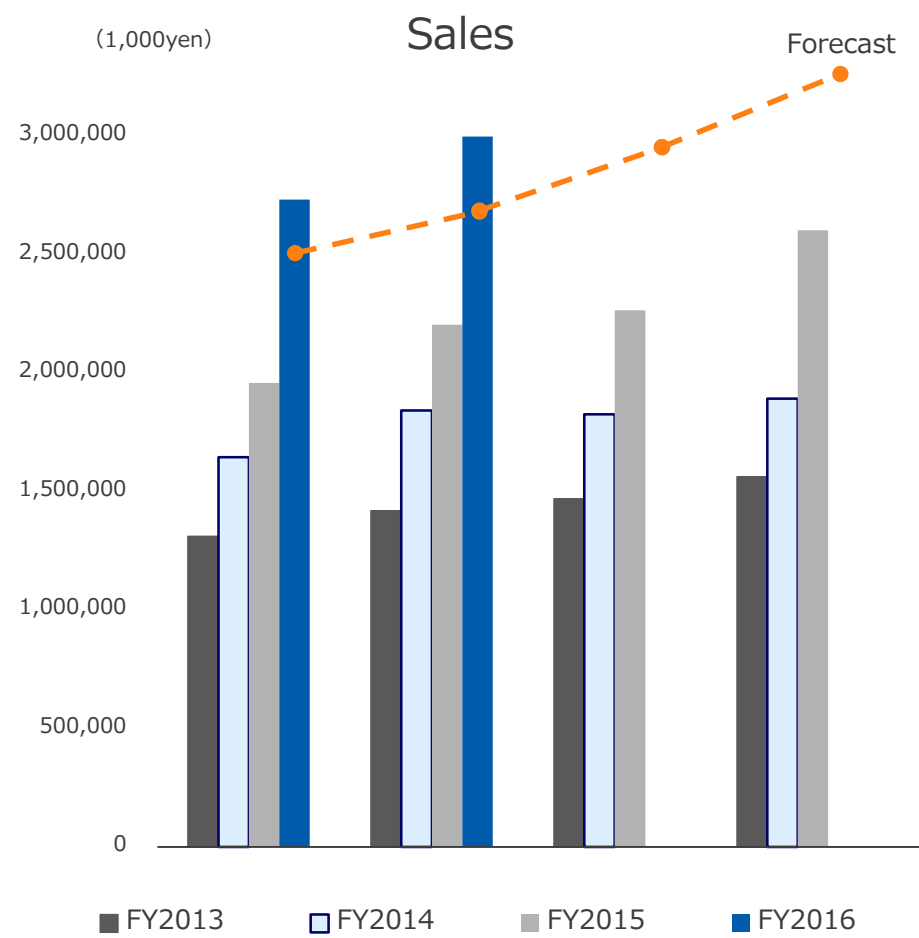


Growth rate differences arose due to exchange rate fluctuations

# 1.4 Forecasts and results

## Quarterly forecasts and actual results

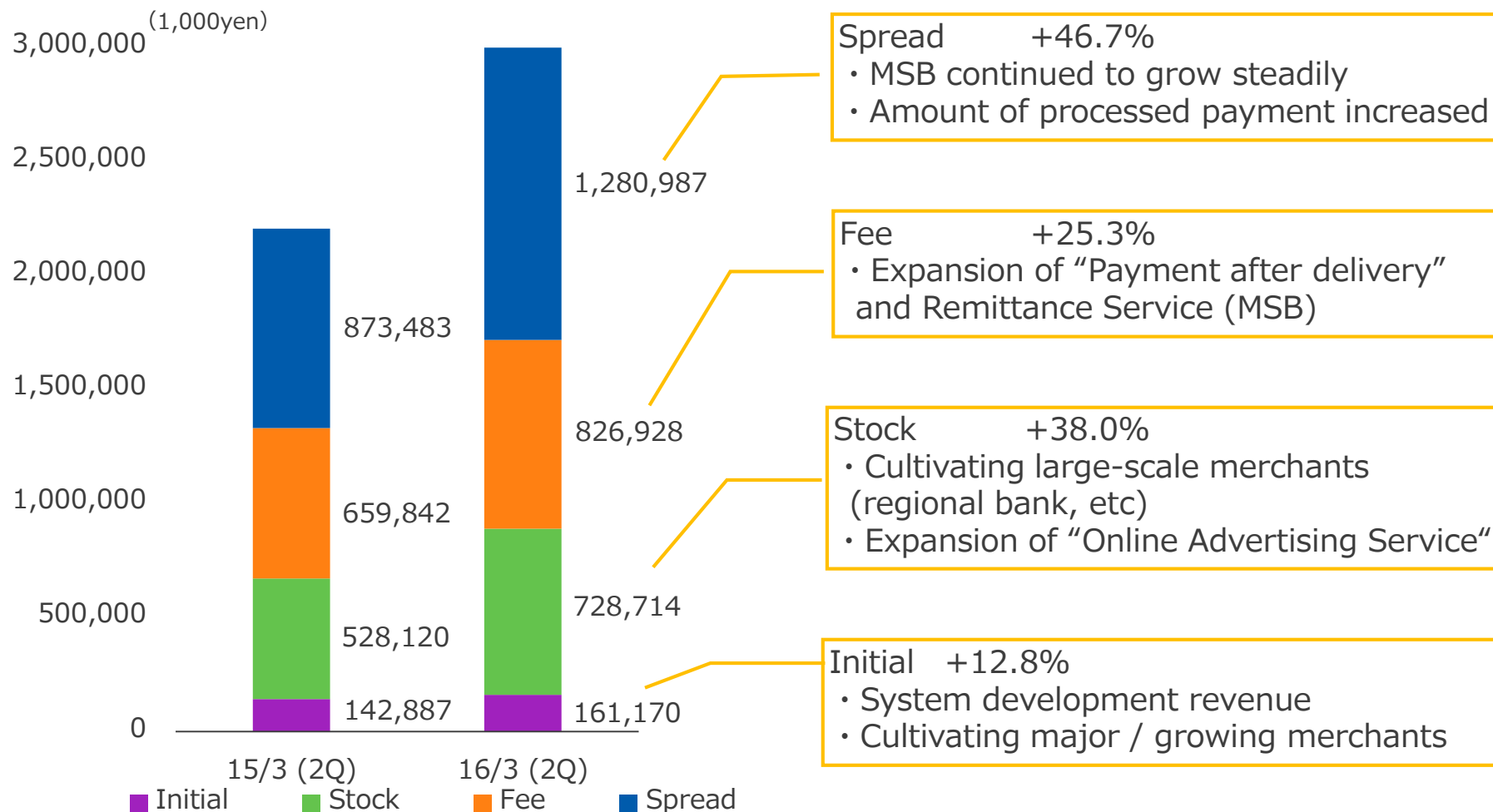
■ Forecast for the period ending September 30, 2016





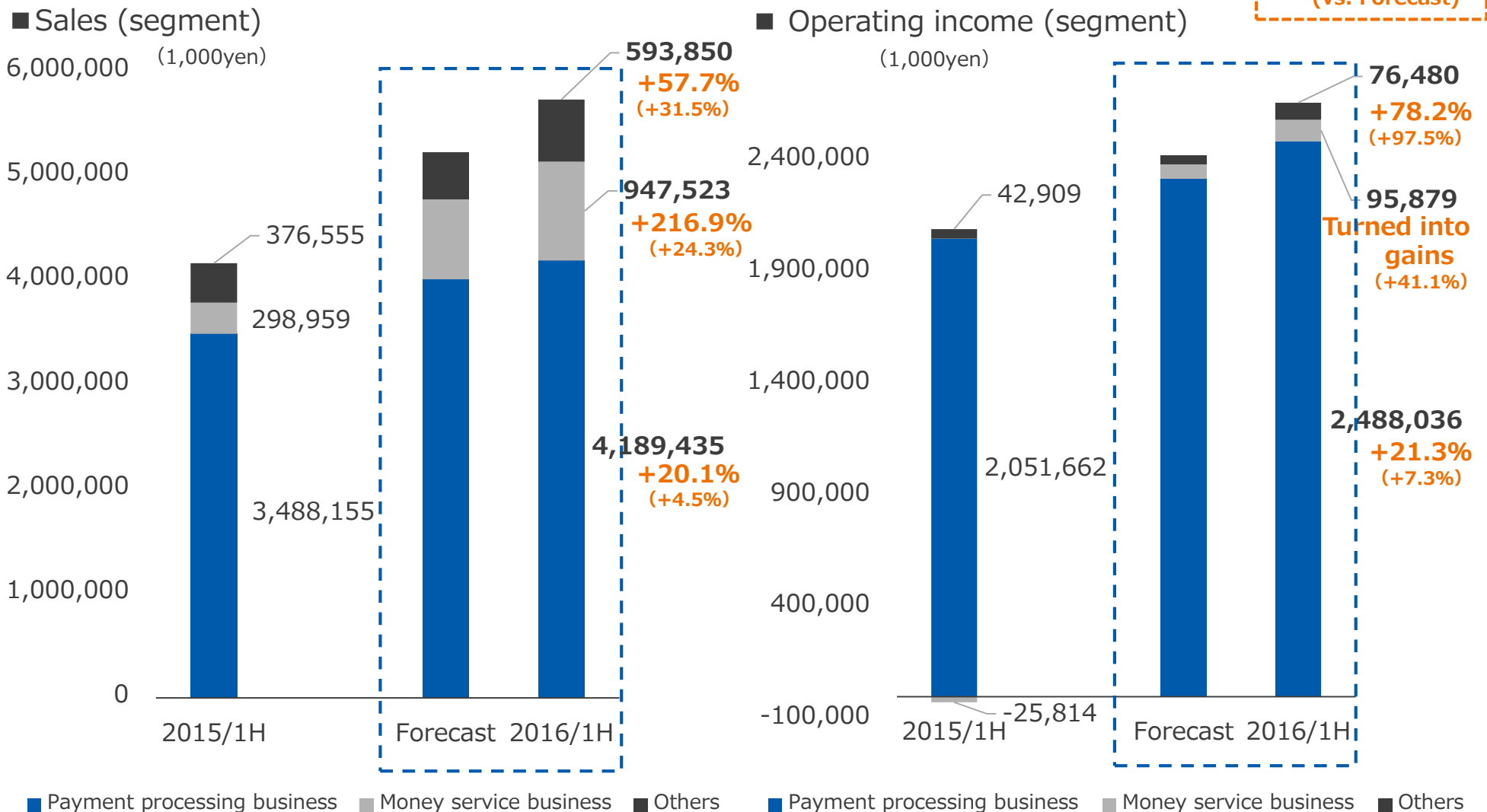
# 1.5 Revenue breakdown

## Up over 25% in three major revenue models



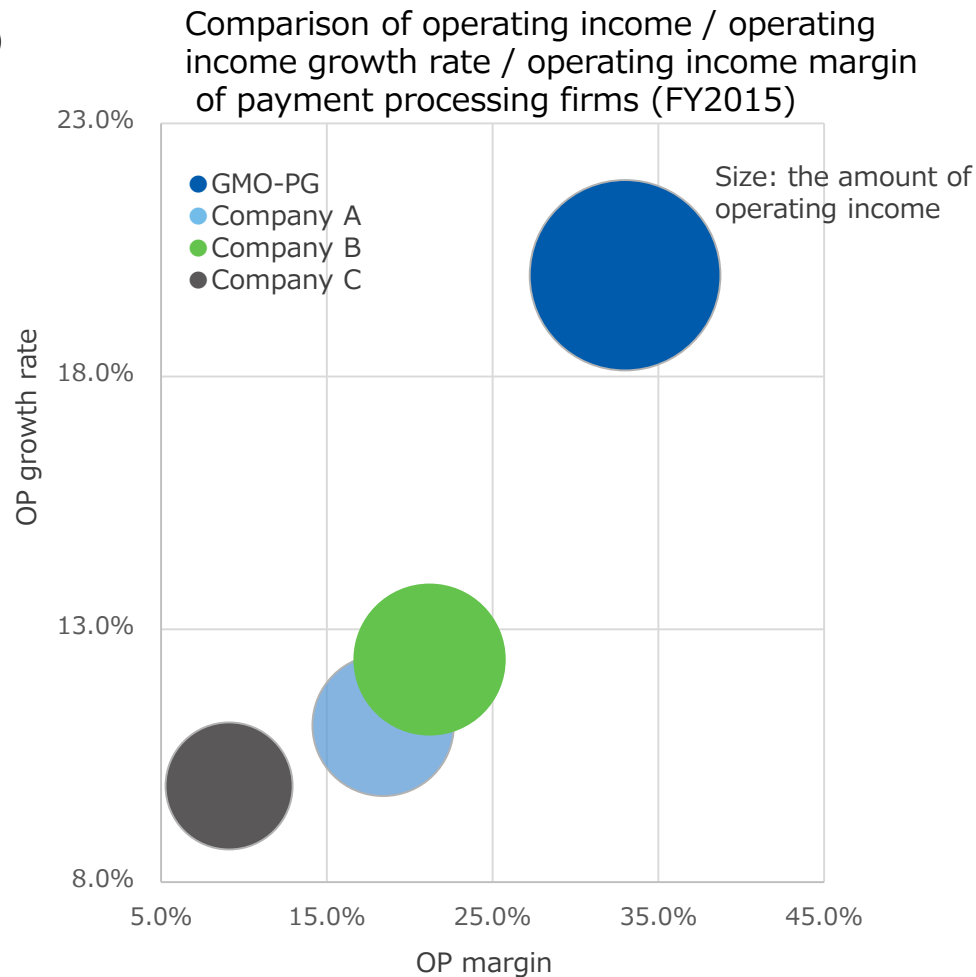
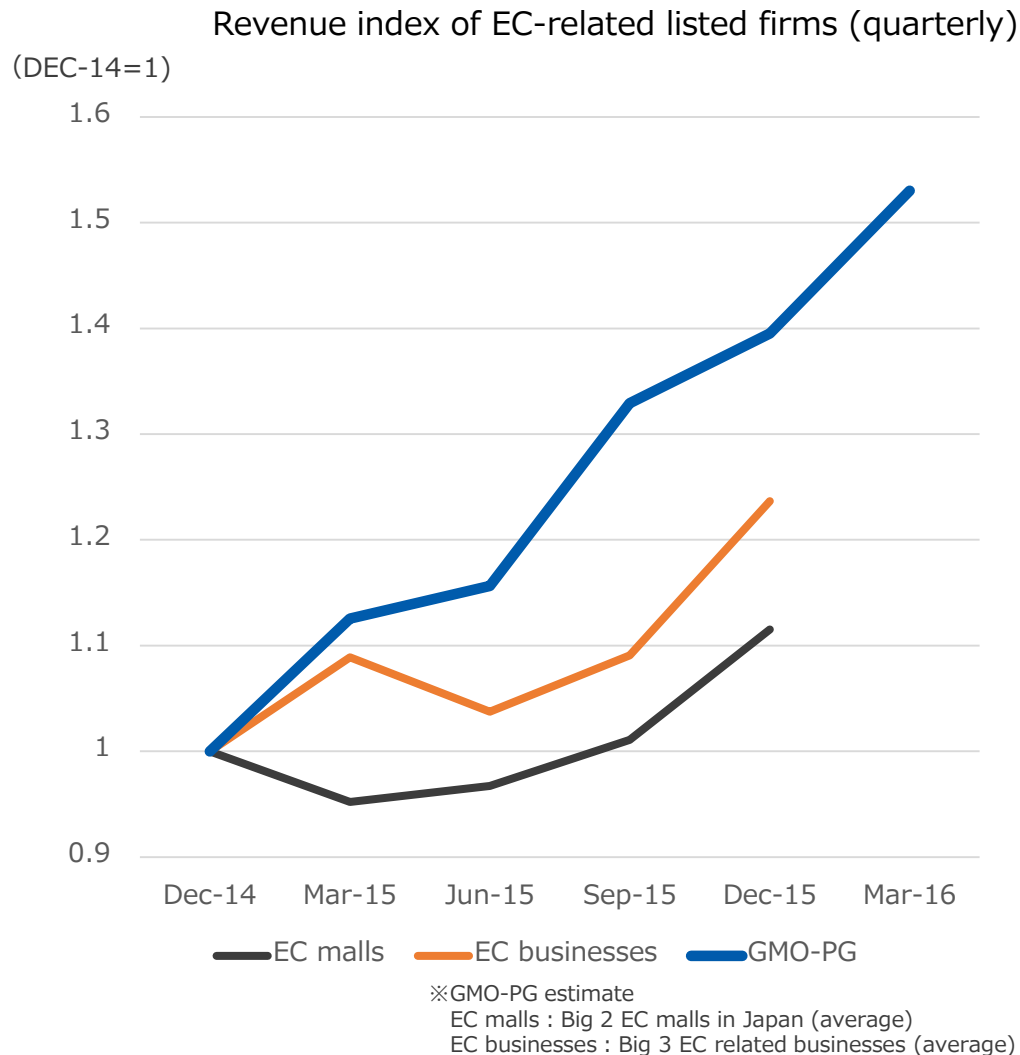
# 1.6 Sales/Operating income by Segment

## Exceeded the forecast



# 1.7 Relative comparison

## Growth outperforms other competitors related to EC



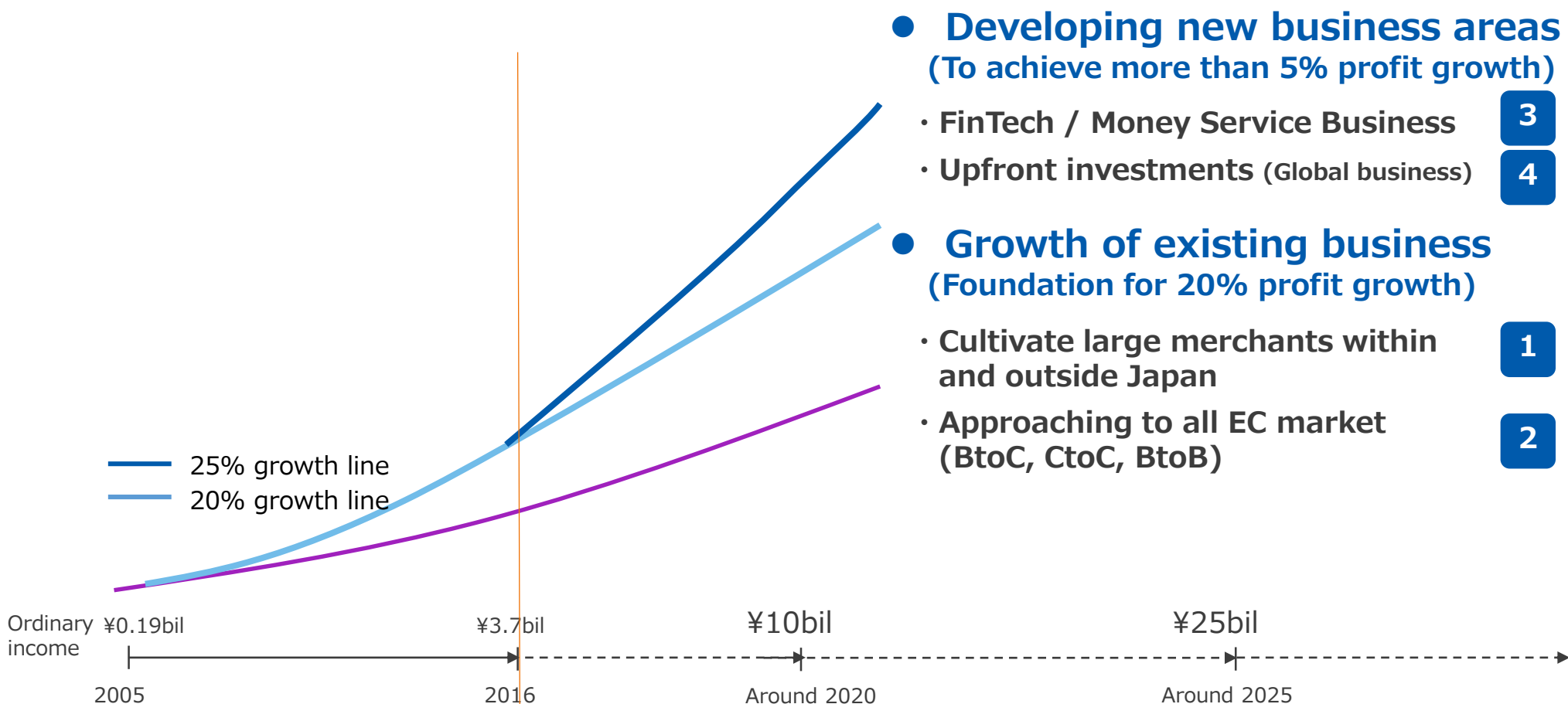
※Source: Prepared by GMO-PG

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## 2. Progress of the growth strategy

## 2.1 Quantitative performance targets

Sustaining more than 25% income growth is our mission

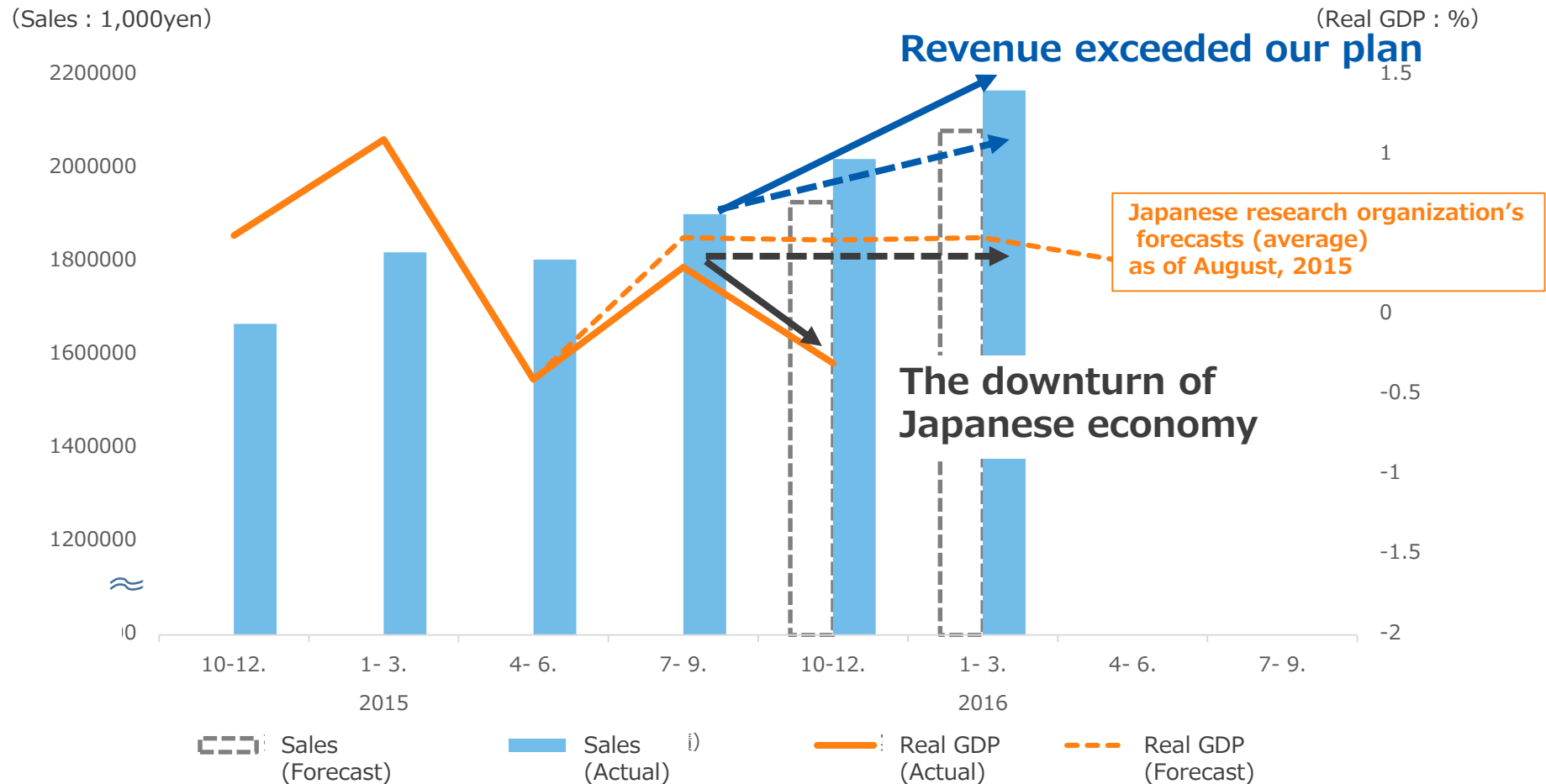


※Ordinary income : 2005:actual, 2016:forecast, Other number: targets

## 2.2 Economic trends and our results

### Economy slowdown but our performance have been favorable

Real GDP and our sales of payment processing business (Forecast vs actual)



## 2.3.1 Existing business : Online payment

### Cultivating major/growing merchants

1

#### Positive factors

- ✓ Cultivating major merchants  
(Project with system development, etc)

The sales composition ratio of new merchants

Mar.2015      Mar.2016

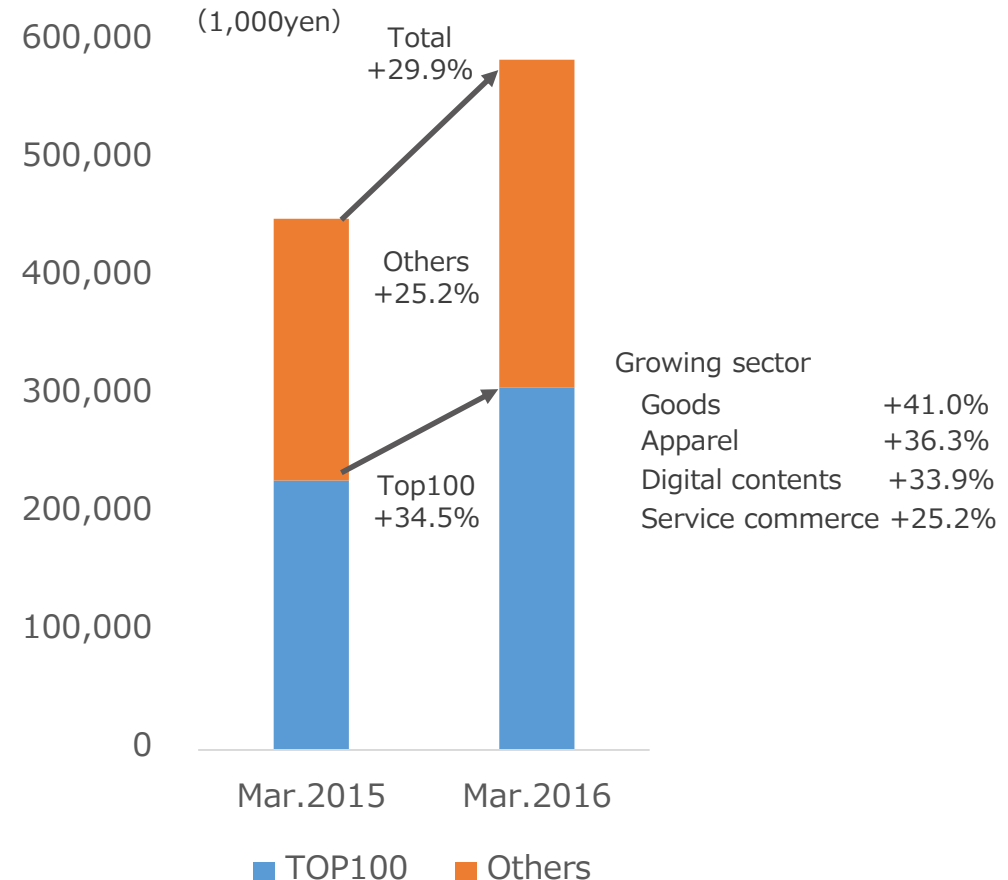
**1.0% → 3.5%**

- ✓ Growth of our merchants  
(Cultivating growing merchants)  
(Expanding our value-added service)

Comparable 79 merchants of the Top100

Sales growth ratio (average) : **+57.6%**

Sales composition by scale of merchants  
(compared with the same period)



※non-consolidated sales analysis, ex MSB related sales

## 2.3.2 Existing business : Tax, utility payments

### Our services chosen by local government

2

#### National tax, etc

- Japan Pension Service  
: Insurance premiums under the national pension scheme
- Tokyo Metropolis  
: Automobile taxes  
Water charges and etc.
- Osaka Prefecture  
: Automobile taxes
- Fukuoka City / Sapporo City  
: Water charges

#### Promoting marketing activities for future adoption

**2016**

Apr Taxes of Fukuoka City  
Automobile taxes of Oita  
May Automobile taxes of Fukushima

**2015**

Apr “zei.tokyo” started

**2011**

Start of development and operation of payment sites in addition to payment services

**2007**

Start of credit card payment services for municipalities and public institutions

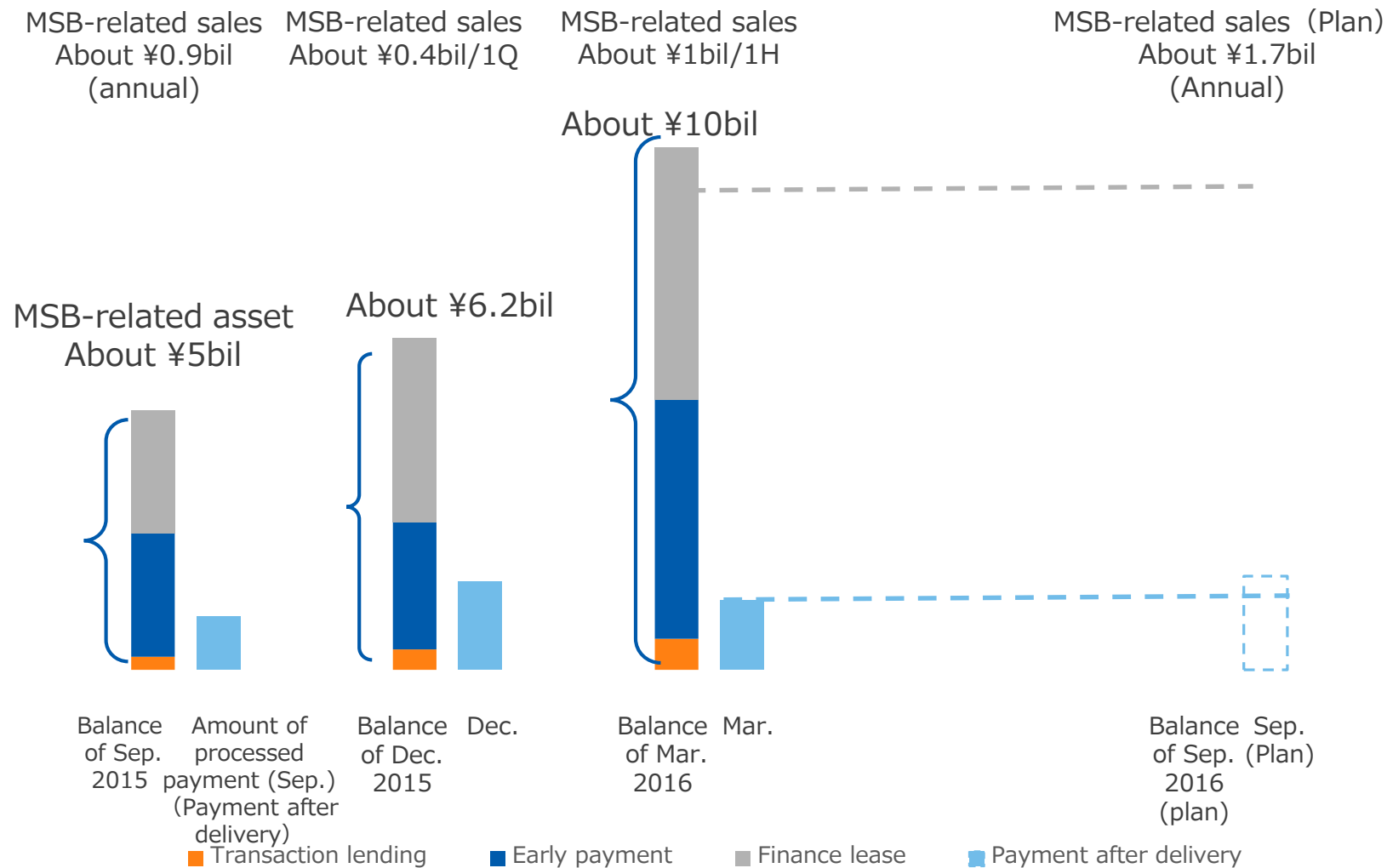
Number of public institutions  
which have implemented  
GMO-PG services  
or  
increased the number of  
items introduced



## 2.4.1 New business : MSB

### MSB-related asset increased more than annual plan

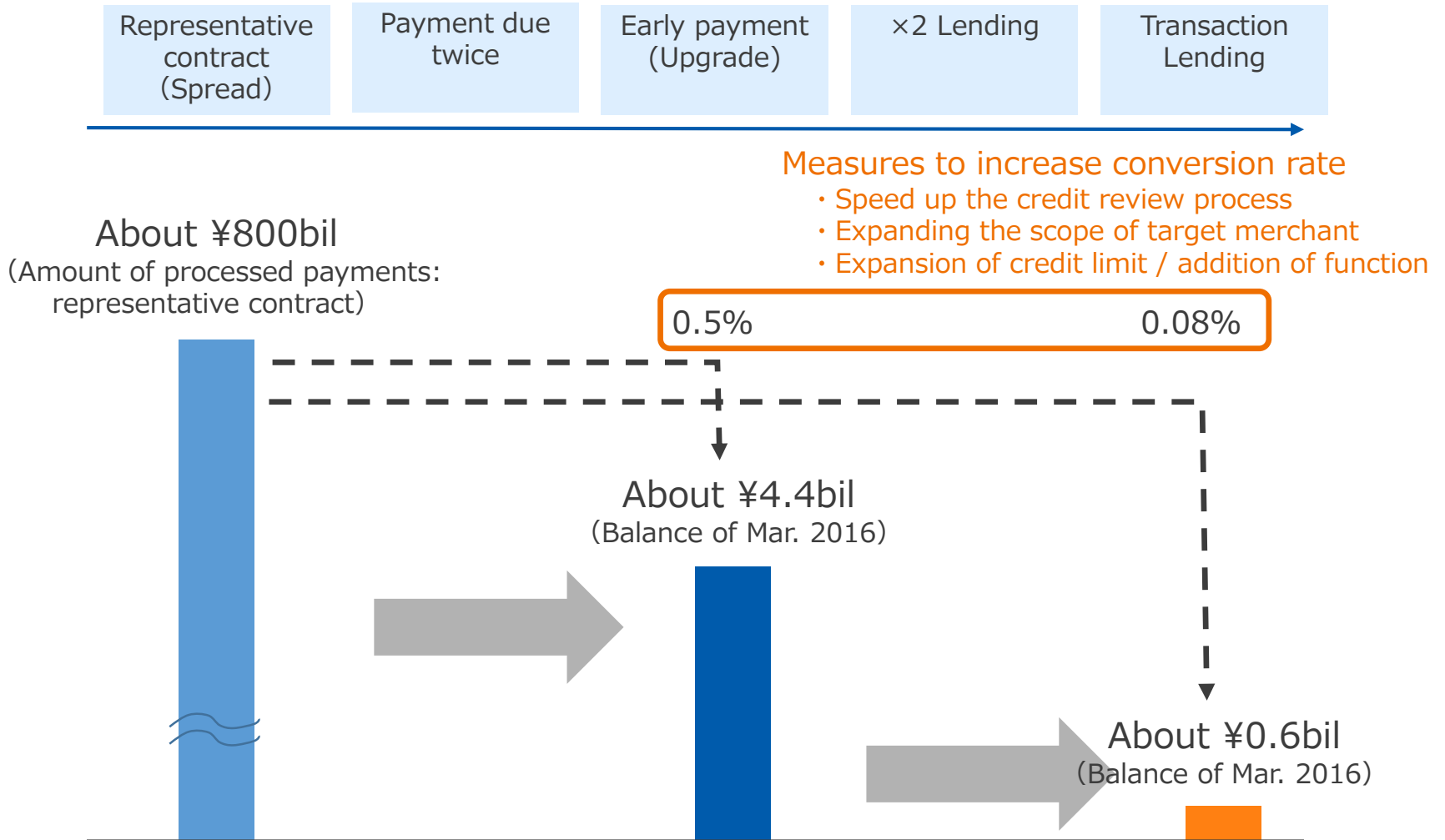
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## 2.4.2 New business : MSB

### To develop lending businesses in stages

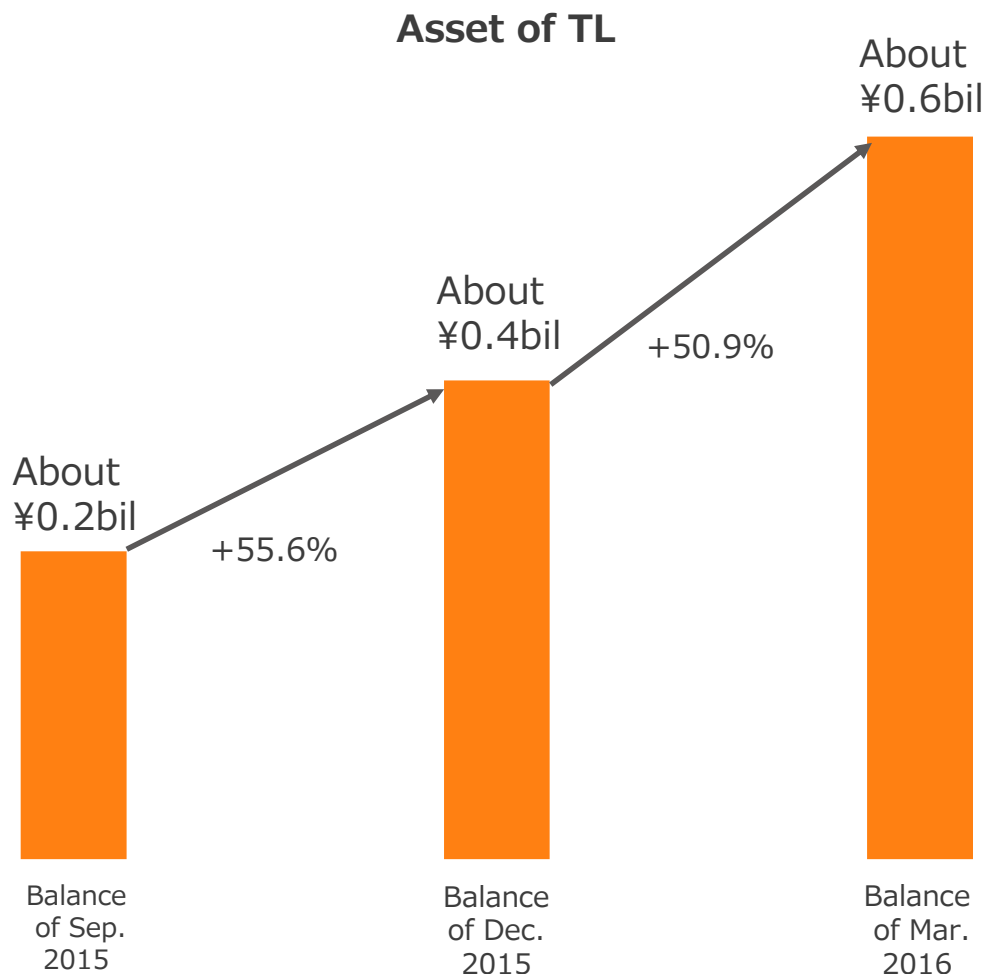
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## 2.4.3 New business : MSB

### Asset of Transaction Lending steadily increased

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#### ※ About our TL service

Total number : Above 300

Average interest rate : 4~7%

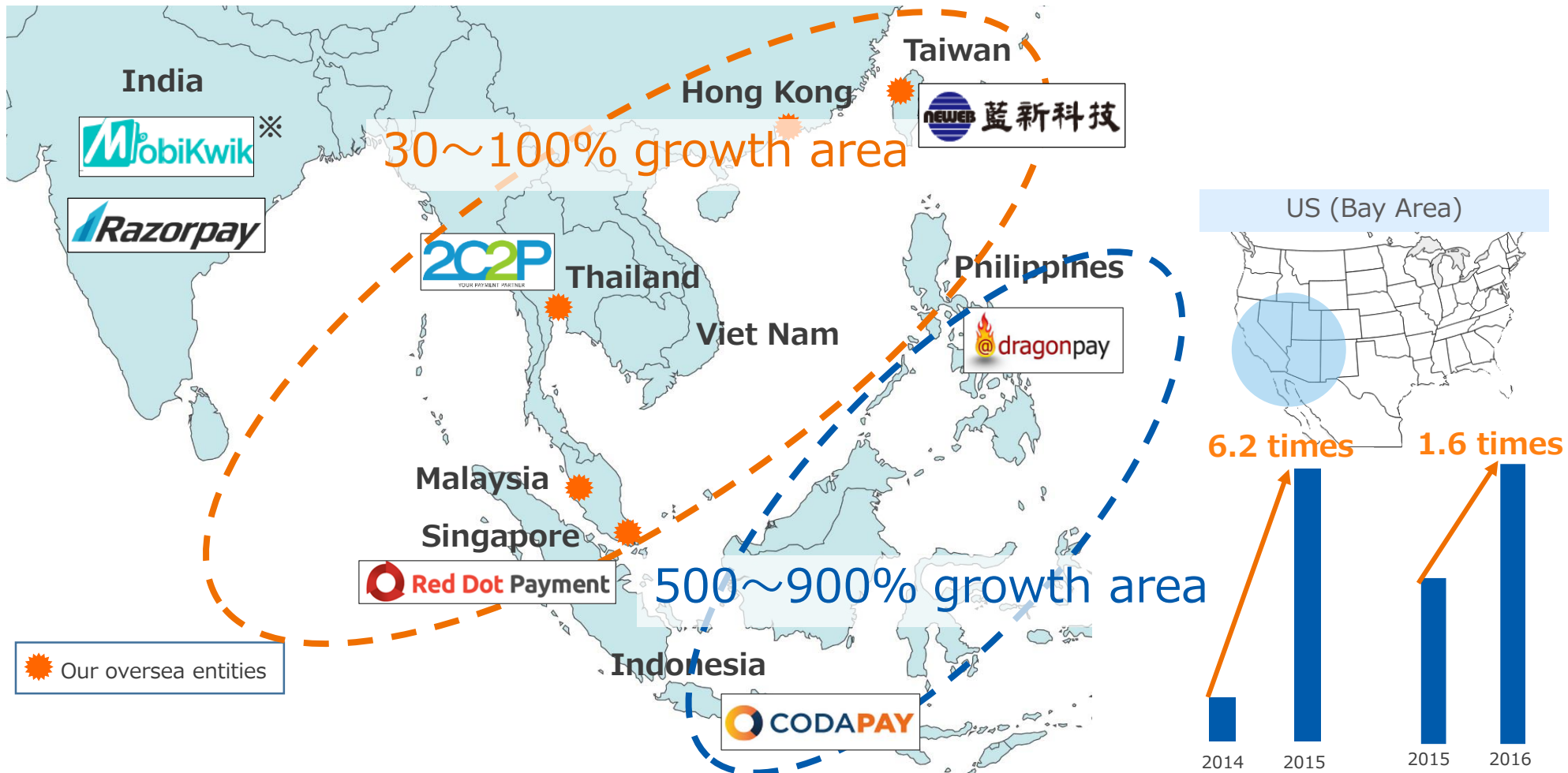
Bad debt ratio : less than 0.5%

※ Track record of GMO-PG and GMO Epsilon  
Total number : cumulative TL transition  
Average interest rate : recent track record  
Bad debt ratio : (bad debt losses)/(average loan balance)

## 2.5.1 New business : Global business

### Expanding geographic coverage in India

4



※2016/4/27 GMO-PG made investment through GMO-GPF in "MobiKwik", which offers mobile wallet services in India.

## 2.5.2 New business : Global business

### Steady progress in overseas business, especially in Taiwan

4

#### ■ Started advertisement in Taiwan

GMO ペイメントゲートウェイ  
台湾EC決済ソリューション

2014年B2C市場規模実績  
台湾のEC市場は東アジア各国の  
**3倍以上**

私たちが、台湾でのEC決済を全面サポートいたします!

“最前線”台湾のECマーケット情報をご提供! ▶【無料】資料請求・お問い合わせ

海外進出する企業様はどのような心配をしている?

53.2 47.0 46.8 45.0 35.6

輸出先の法制度や商習慣の知識がない...  
輸出先の市場動向についての知識がない...  
信頼できるパートナーがない...

他にも「手続きに時間がかかる...」「現地の言語を扱える人がいない...」などお悩みが多いのが海外進出

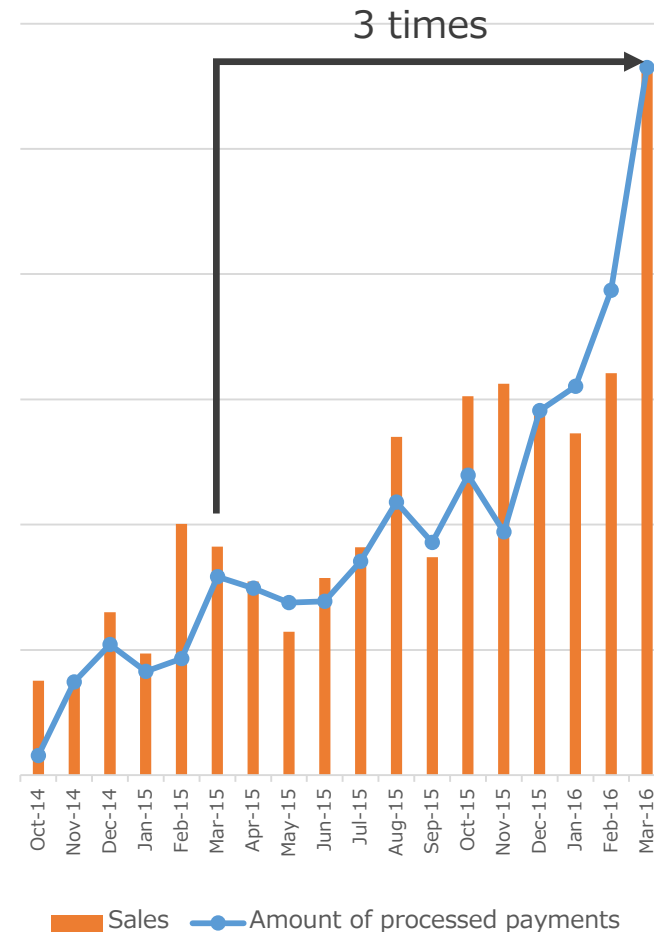
そんな悩みを独自のソリューションで解決いたします!

As we confirmed the effects, strengthening the activity to cultivate new merchants

The number of inquiries has increased

**10 times**  
Compare to last year

#### ■ Amount of processed payments, Sales in upward trend



<https://www.gmo-pg.com/lpc/taiwan/>

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## 3. Financial highlights

# 3.1 Summary of the consolidated results

## Sales and income exceed the forecast

(Million yen)	1H of FY2016		YoY		1H of FY2015	
	Actual	Sales composition	Growth	Growth rate	Actual	Sales composition
Sales	5,730	100.0	1,567	37.7%	4,162	100.0
Cost of sales	1,297	22.6	439	51.3%	858	20.6
Gross income	4,432	77.4	1,127	34.1%	3,304	79.4
SG&A	2,553	44.6	736	40.5%	1,817	43.6
Operating income	1,879	32.8	391	26.3%	1,487	35.7
Ordinary income	1,918	33.5	388	25.4%	1,530	36.8
Net income	1,151	20.1	214	22.9%	937	22.5
Net income per share(Yen)	31.01	-	-	-	27.14	-

※Our company issued 2,587,300 shares of common stock through a third-party allotment with a payment date of June 25, 2015

## 3.2 Summary of the consolidated balance sheets

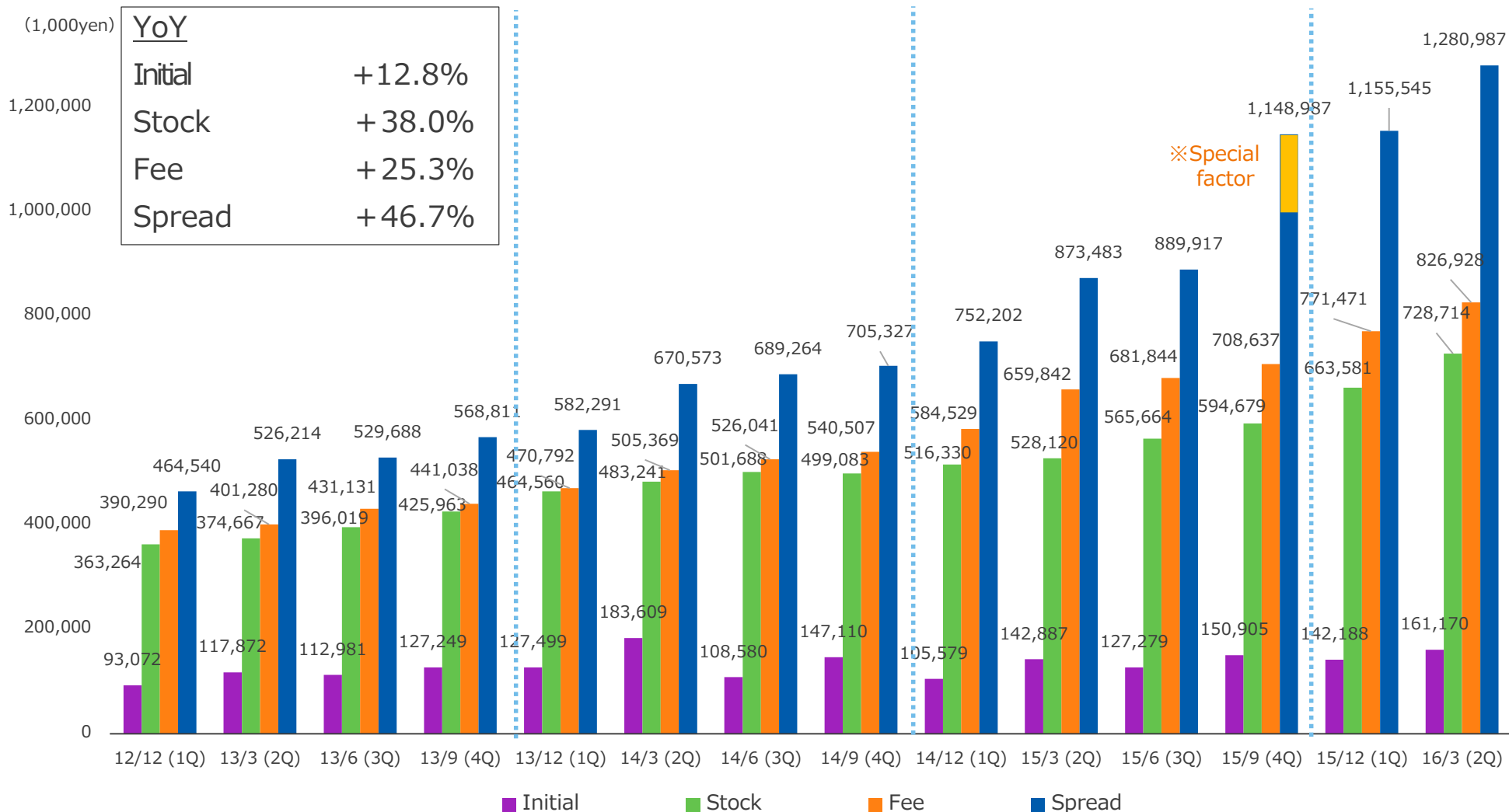
### MSB linked to current assets

(Million yen)	Results for 2Q, FY2016	Results for 2Q, FY2015	Change		(Million yen)	Results for 2Q, FY2016	Results for 2Q, FY2015	Change
Current assets	<b>43,788</b>	29,178	14,609		Current liabilities	<b>32,355</b>	24,470	7,884
Cash and deposits	<b>31,171</b>	26,068	5,103		Deposits	<b>26,923</b>	22,166	4,756
						Deposits by merchants through representative merchant service		
Lease receivables	<b>4,713</b>	143	4,570	Related to Finance Lease		*Discrepancy occurs with the pace of merchants' sales growth due to change in merchants' cutoff date and payment cycle		
Advance payments	<b>3,191</b>	943	2,248	Increase of Early Payment Service	Accounts payable	<b>2,574</b>	1,119	1,455
Accounts receivable	<b>1,354</b>	776	578	Increase of Payment after delivery	Other current liabilities	<b>2,858</b>	1,185	1,673
Allowance for doubtful accounts	<b>△258</b>	△123	△134		Non-current liabilities	<b>217</b>	177	39
Other current assets	<b>3,617</b>	1,371	2,246		Short-term loan receivables (=TL-related asset) is included in "Other current assets"			
Fixed assets	<b>5,414</b>	2,734	2,680		Shareholders' equity	<b>16,548</b>	7,150	9,398
Tangible fixed assets	<b>204</b>	209	△4		Capital stock	<b>4,712</b>	710	4,002
Intangible fixed assets	<b>1,153</b>	819	333		Total Accumulated other comprehensive income	<b>80</b>	110	△30
Software	<b>810</b>	673	136					Third-party allotment
Investments and other assets	<b>4,056</b>	1,705	2,351	Increase in investment securities and investments in other securities of subsidiaries and affiliates	Total net assets	<b>16,630</b>	7,264	9,365
Total assets	<b>49,203</b>	31,912	17,290		Total of liabilities and net assets	<b>49,203</b>	31,912	17,290



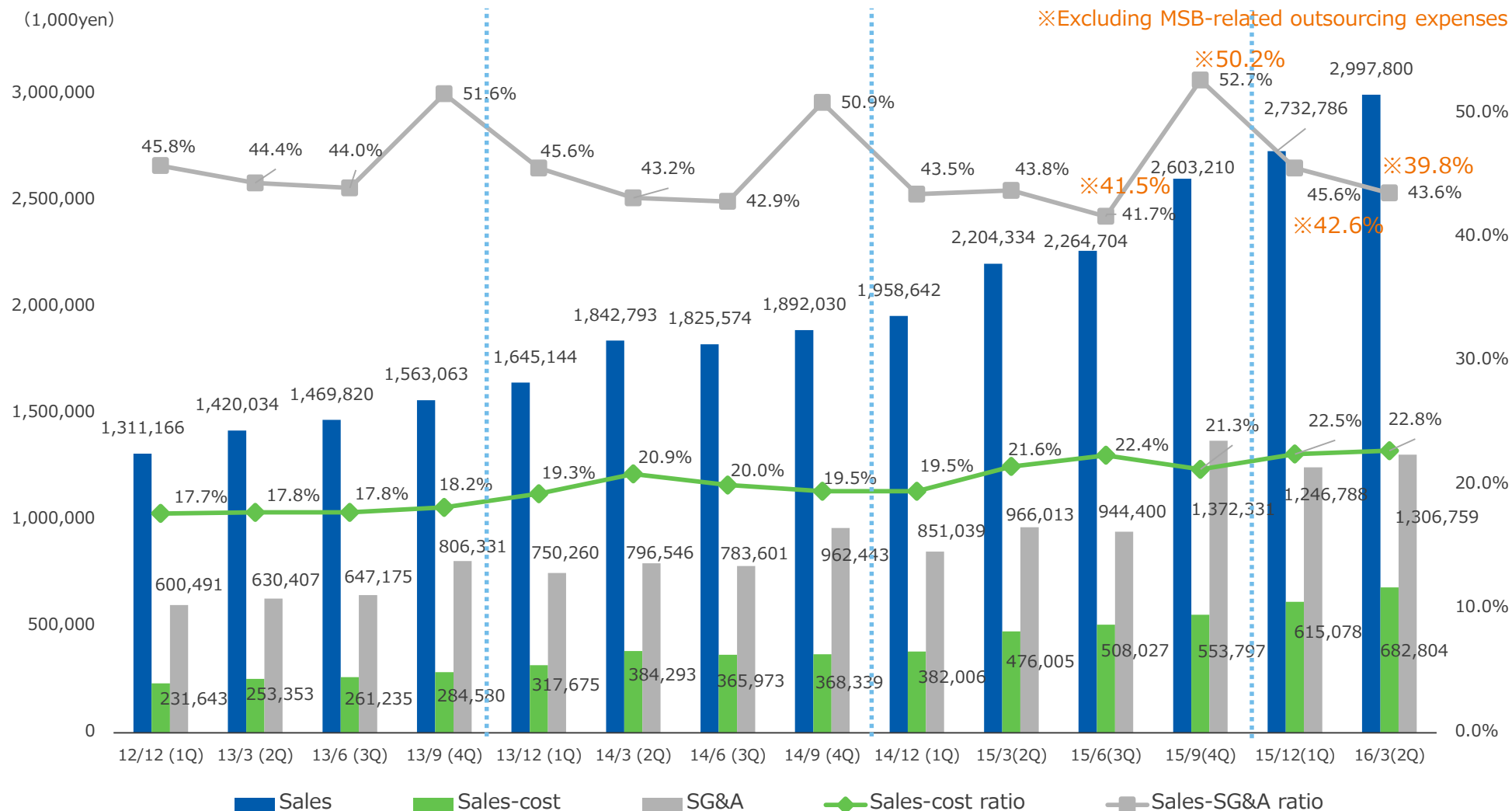
# 3.3 Revenue Breakdown

## Spread revenue up 46.7%



## 3.4 Cost of sales ratio/SG&A ratio

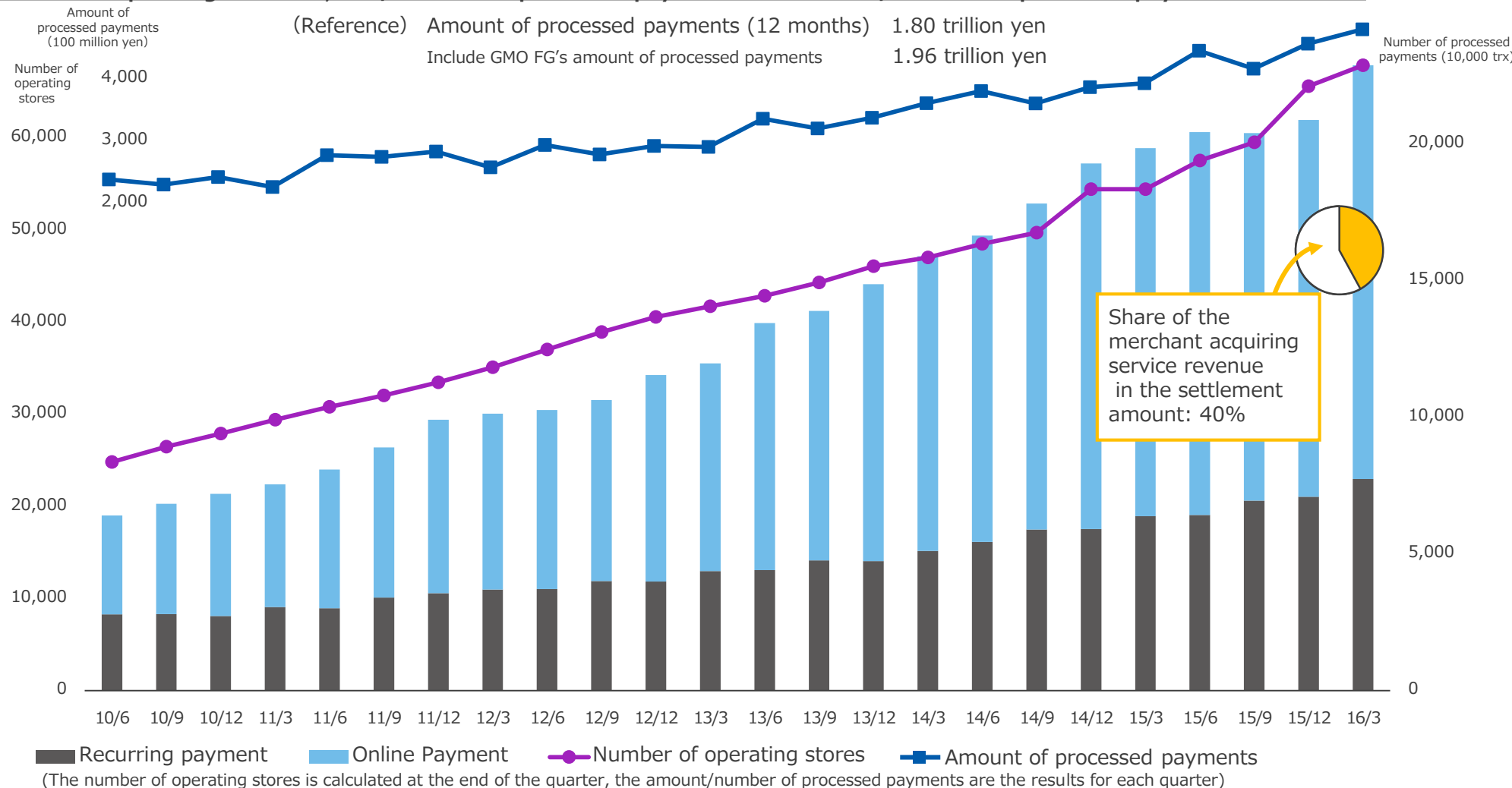
The sales-cost ratio increased due to the sales mix



# 3.5 Transition of the major factors

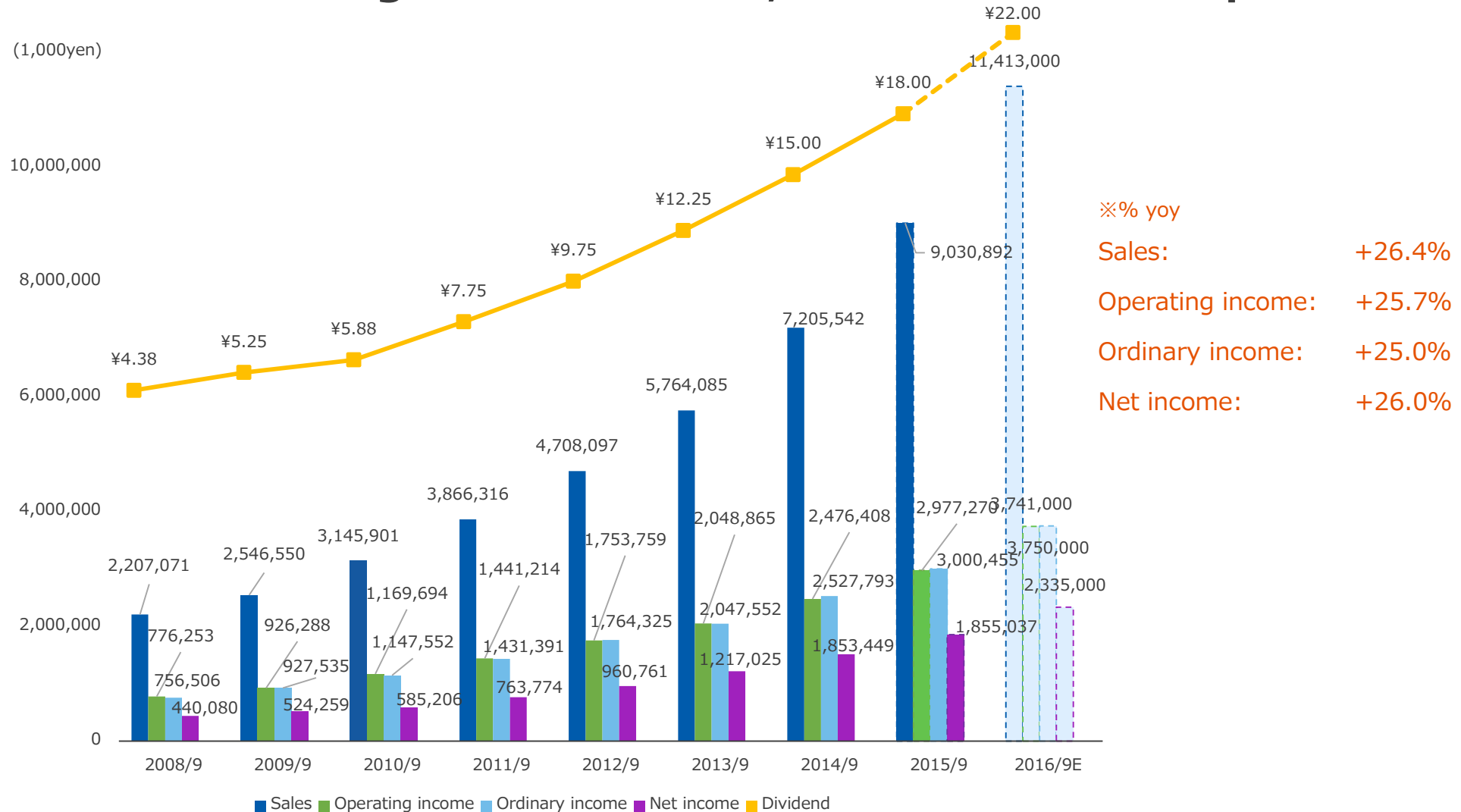
## Amount of processed payment will exceed ¥2 trillion

Number of operating stores 67,921 / Amount of processed payments ¥470 billion / Number of processed payments 228 million



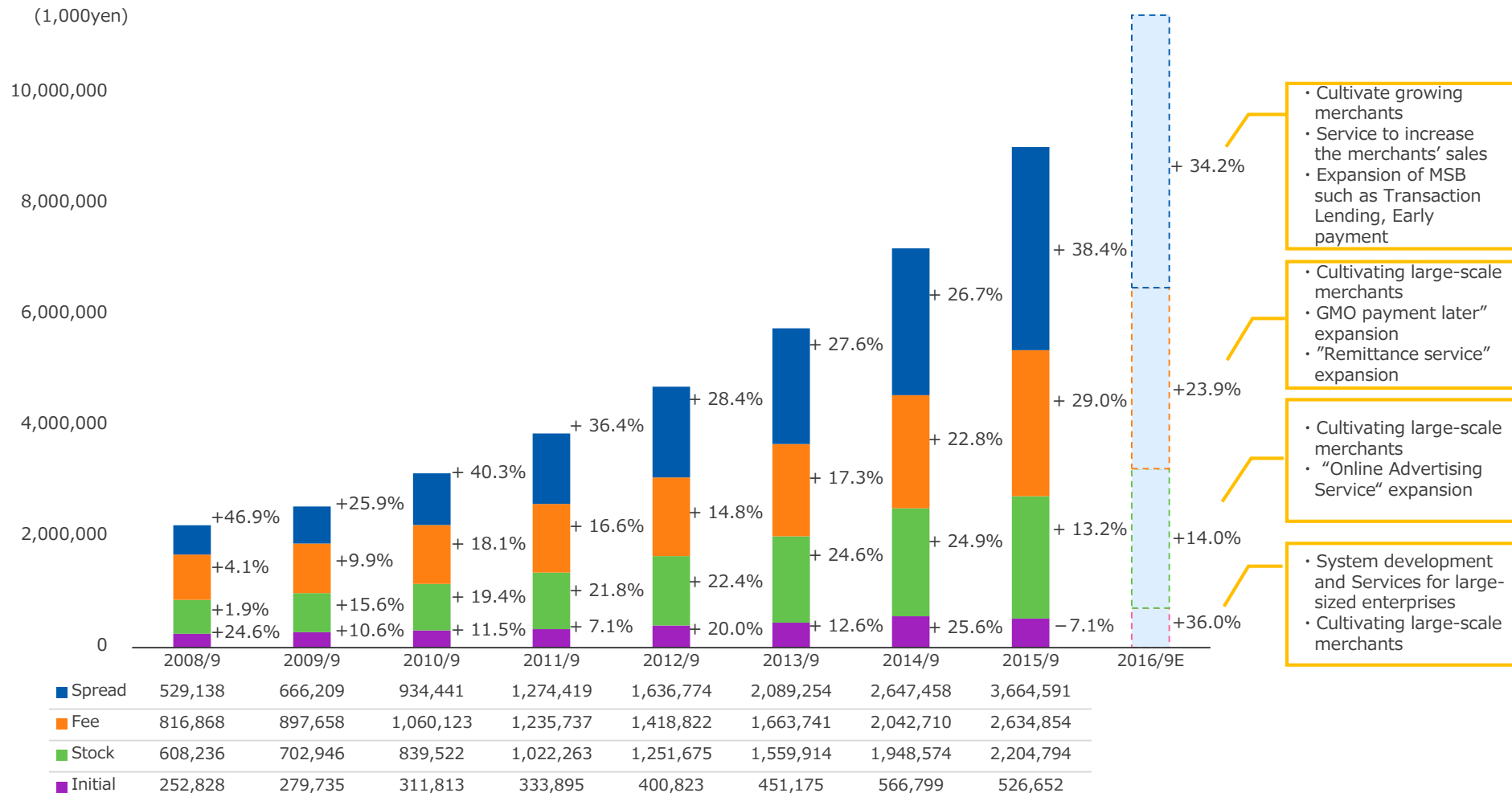
## 3.6 Summary of the consolidated results

Forecast: income growth of +25%, dividend of ¥22.0 per share



## 3.7 Revenue Breakdown

### Action plans to realize the growth



# Thank you very much!

## **GMO** PAYMENT GATEWAY

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

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

For more information, please contact the Corporate Value Creation Strategy Division

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