

Financial results briefing for the 3Q of FY2016 (April 1, 2016-July 31, 2016)

Themes: Promoting the use of online payments and contributing to the growth of customers' business

August 1, 2016

GMO Payment Gateway, Inc.

(3769: Tokyo Stock Exchange Section-1)

The 46th IR Meeting

GMO PAYMENT GATEWAY

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

A Note About the Contents of this Document

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 August 1, 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

1. Summary of Financial Results for 3Q FY2016
2. Progress of the Growth Strategy
3. Financial Highlights

1. Summary of Financial Results for 3Q FY2016

1.1 Summary

OP up 28.4% (3Q, YoY), reflecting the continued strength of payment services & MSB

(Million yen)	Consolidated results of 3Q, FY2015 (cumulative)	Consolidated results of 3Q, FY2016 (cumulative)					3Q of FY2015	3Q of FY2016	
	Actual	Forecast	Actual	A/F%	Change	Change%	Actual	Actual	Change%
Sales	6,427	11,413	8,820	77.3%	2,392	37.2%	2,264	3,089	36.4%
Gross income	5,061	-	6,822	-	1,760	34.8%	1,756	2,389	36.0%
Operating income	2,300	3,741	2,953	78.9%	653	28.4%	812	1,074	32.2%
Ordinary income	2,317	3,750	2,941	78.4%	623	26.9%	787	1,022	29.8%
Net income	1,454	2,335	1,809	77.5%	354	24.4%	517	657	27.1%
EBITDA	2,451		3,122		670	27.4%	862	1,133	31.4%

	Number of operating stores (end of period)	Amount of processed payments (3Q estimate)	Number of processed payments (3Q estimate)
KPI	72,569	Approx. 540 Billion Yen	Approx. 227 Million

■ Key points of 3Q FY2015

- Growth of earnings has accelerated, and is steadily progressing at the committed 25% OP growth
Existing business (foundation for 20% growth): Monetizing the large-scale projects
New business(to achieve more than 5% or more growth): MSB continued to grow steadily
- Measures for the future such as investment in new business, strategic investment, and overseas business progressed steadily

* EBITDA=Operating income + Depreciation + Amortization of goodwill

1.2 Recent Topics

A list and overview of press releases published since April 2016

Data processing

- **Launching credit card payment of automobile taxes (Oita pref./Fukuoka pref.)**

⇒ Contribution to the government's growth strategy
[Promotion of cashless payments]

- **A new addition to PG Multi-Payment Service: Bank Transfer (Virtual Account)**

⇒ Streamlining of B-to-B payment with frequent transfers and use of cash

- **Hosting the seminar on 「Dealing with Non-retention of Credit Card Information」**

⇒ Offering to enterprises a protection and action plan on keeping credit card transactions secure and safe

- **GMOPG as the first Japanese Payment Partner for Zuora's platform**

⇒ Support for subscription-based businesses in IoT and various other areas, and contribution to management stabilization by shifting to "stock-based" revenue

- **Investment in Valuadesign**

⇒ Aiming to build a new prepaid scheme with Valuedesign, Japan's biggest prepaid card system provider

Finance service

- **Launching "Rakuraku remittance service by GMO Epsilon"**

⇒ Contribution to reduction of merchant account fees (29,501 shops)

Global solutions

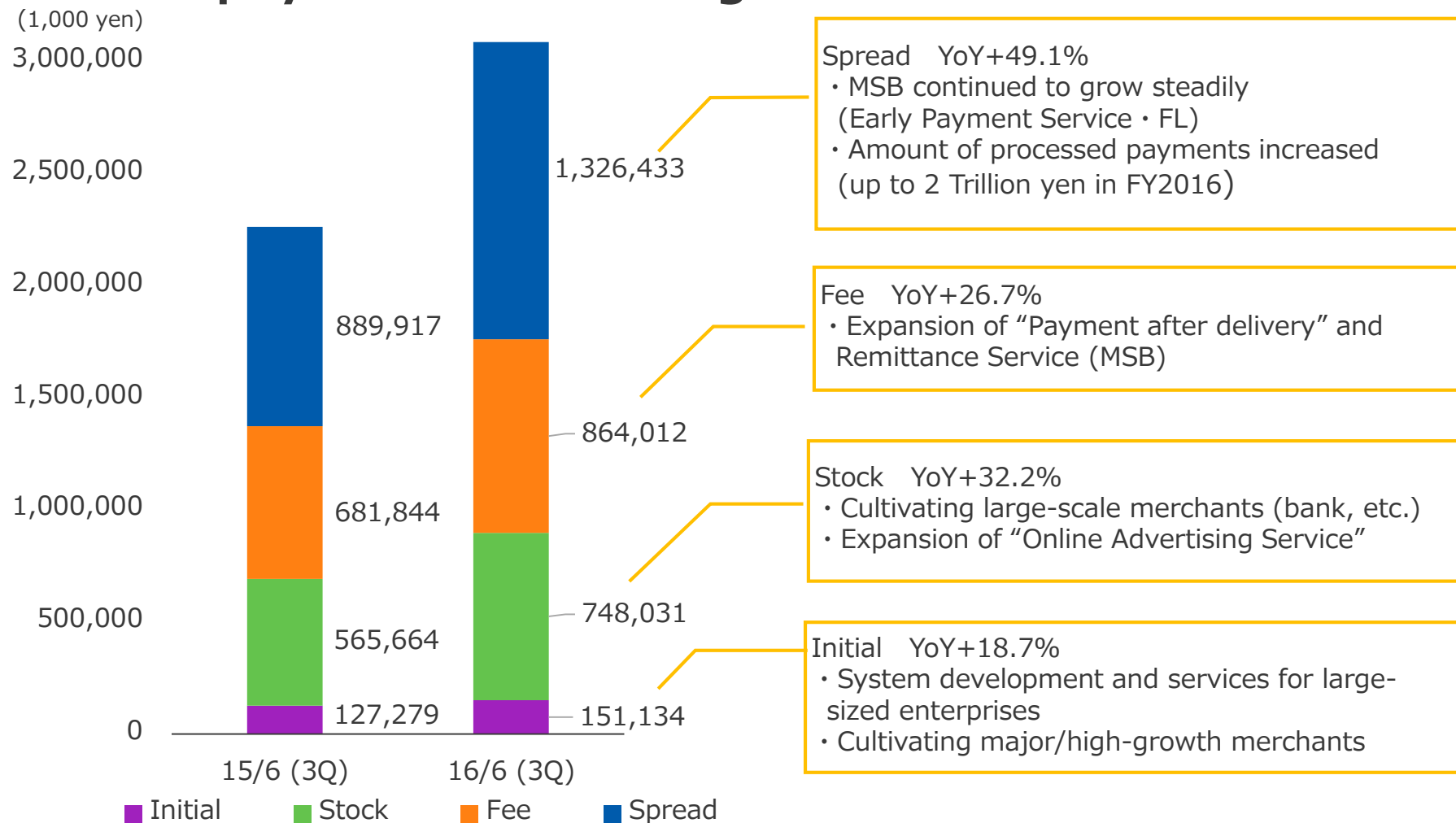
- **Investment in Mobikwik, Indian mobile wallet company**

⇒ Strategic partner in the growing Indian EC market (to become 6.6 Billion USD by 2020)

Marketing

1.3 Revenue Breakdown by Business Model (April-June)

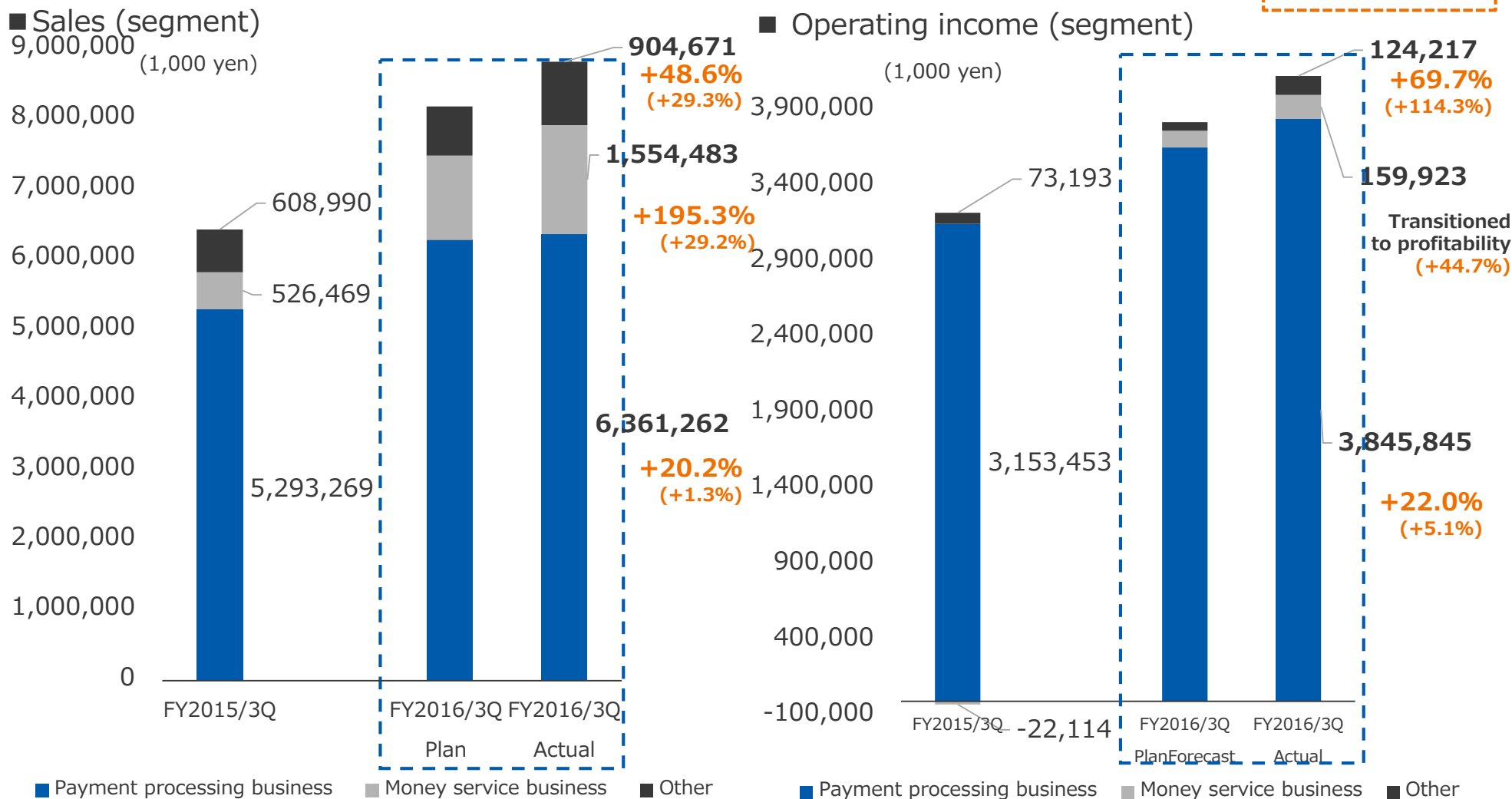
Spread revenue is up over 49% due to the increasing amount of processed payments and MSB growth



1.4 Sales/Operating Income by Segment (Cumulative)

Operating income up 22% (Up 28.4% overall)






%: YoY
(vs. Forecast)



2. Progress of the Growth Strategy

2.1 Industry Topics

Our corresponding to the influence of Payments industry trends

Topics	Anticipated change		Impact on the Company and response
GMO Internet start preparations for the establishment of neobanks	Development of Fintech		Seek partnerships to provide clients of neobanks with necessary services
Successive bank restructuring (management consolidation)	Efforts to strengthen the infrastructure, and pursuing new financial services		Providing major merchants with comprehensive services including system development
Successive large-scale investments in payment-related businesses and international acquisitions	Acceleration of global competition in the EC market		Currently taking action with an eye toward 10 years in the future, strengthening the global business structure
Announcement of partnerships with PayPal and Visa	A fusion of online and offline (face-to-face), expanding and developing the use of cashless payments		Expanding businesses related to smart payments, collaborating with GMO-FG, etc., on face-to-face payment-related business
"Execution plan for strengthening measures for security in credit card transactions" announced by METI	Further suggestions regarding security measures for large-scale businesses		Provide large-scale businesses with support through a full lineup of security services and seminars on security measures

2.2 Future Development of Business

Goals we have set, our management measures to achieve them, and their purposes

Purpose	Measure/service	Our goal	Operating income composition
Aiming to achieve our existing targets, and to fulfil our further business growth			
Business/service global expansion	Global investment strategy /GPF, Z.com Payment	Global solutions	
Utilization of purchase data	Started online advertising service	Marketing	→Advertising ~%
To establish a high scoring model	Started transaction lending service	Finance service	→Financial data service
To acquire knowledge about credit/billing /collection	Collaboration with a megabank		→Remittance ~%
To accumulate lifestyle data, and deep and diverse data	Business alliances with financial institutions		→Finance lease ~%
	Started GMO payment after delivery service		→Factoring
	To develop public funds and taxes area		→BtoB lending
	To create comprehensive payment-related services	Data processing	→BtoB ¥1,000 trillion
To accumulate large quantities of purchase information	To acquire major merchants / To speed up this acquisition		→CtoC ¥1 trillion 90%
			→BtoC EC ratio: 4.8% ¥13.8 trillion *

* Reference: METI "E-commerce market research, 2015"

GPF: GMO Global Payment Fund

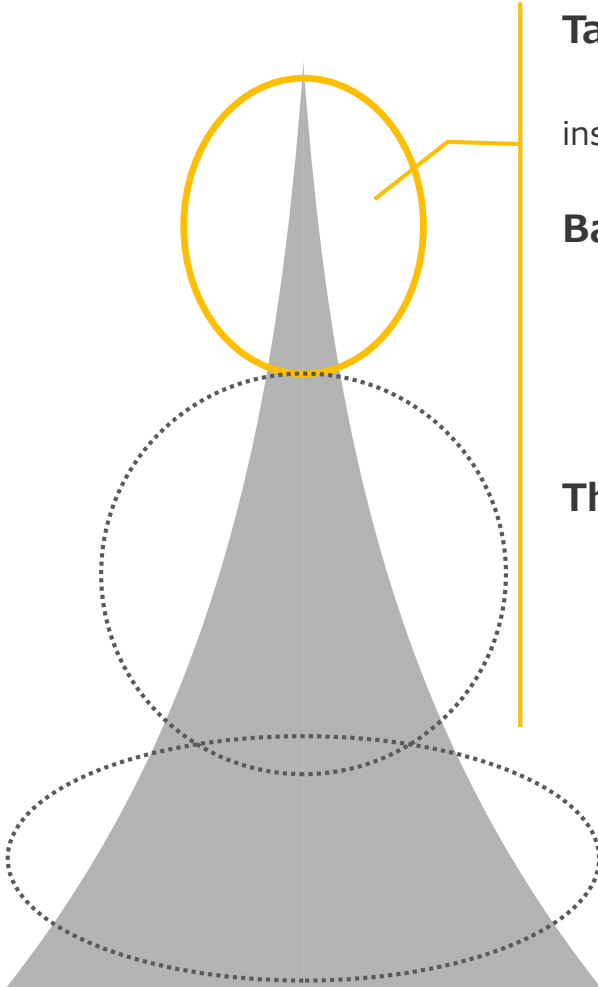
GMO PAYMENT GATEWAY

The source of 3.8 million yen operating profit in FY2016

2.3 Acquisition of Major Merchants

Data processing

Marketing and systems are our main means to acquire major merchants



Target:

- Mail-order enterprises • e-commerce businesses, financial institutions, insurance enterprises, municipalities, gas and electric power businesses, etc.

Background:

- Created new markets (CtoC, BtoB, financial institutions, etc.)
- Deregulation (liberalization of gas and electric power retailers, etc.)
- Tightening of regulations (security measures*)

The necessity of achieving results:

- An overwhelmingly strong system (processing power/cost competitiveness)
- Handling of accounts beginning with system development
- Services anticipating new trends and customers' needs

* "Action plan for keeping credit card transactions secure and safe"
(Announced by METI/Japan Credit Card Association in February 2016)

Launching new projects to increase the amount of processed payments to 1 trillion yen

2.4.1 Face-to-face Market

Data processing

From “stand-alone” to “embedded,” we will bring the Internet to all devices

GMO FINANCIAL GATE

IoT

Internet of Things



Vending machine

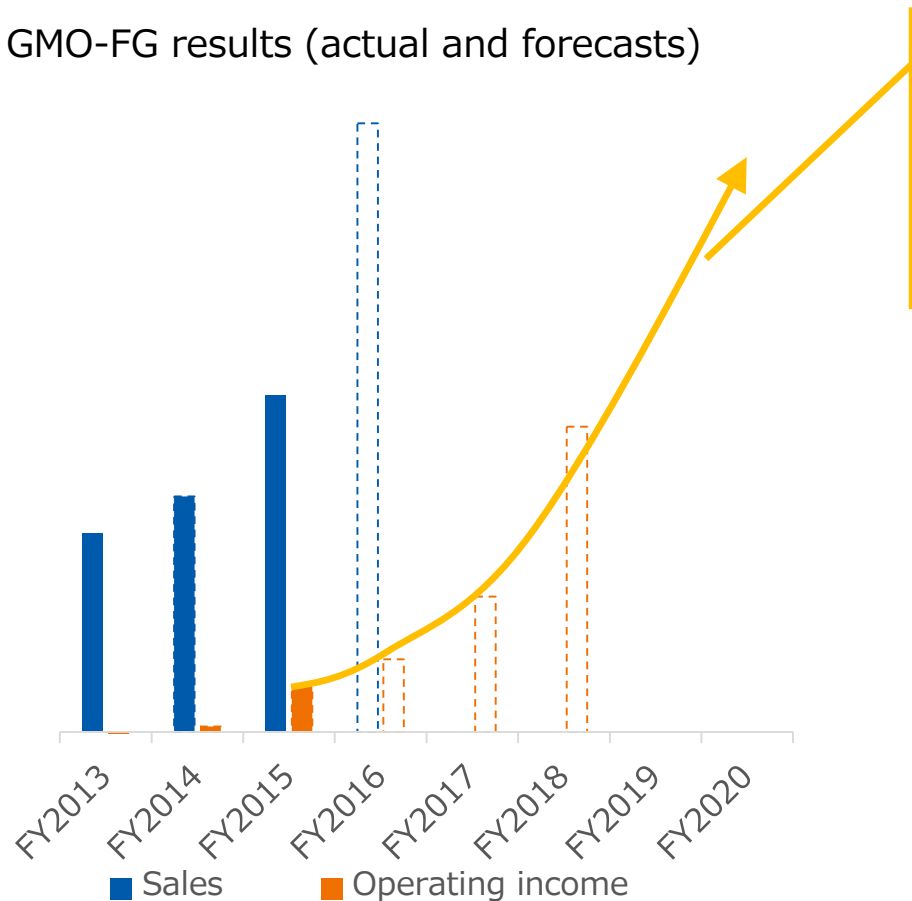
2.4.2 Face-to-face Market

Data processing

As a result of the alliance-based business strategy, acquiring new face-to-face markets and expanding business

GMO FINANCIAL GATE

GMO-FG results (actual and forecasts)



Drivers for further growth

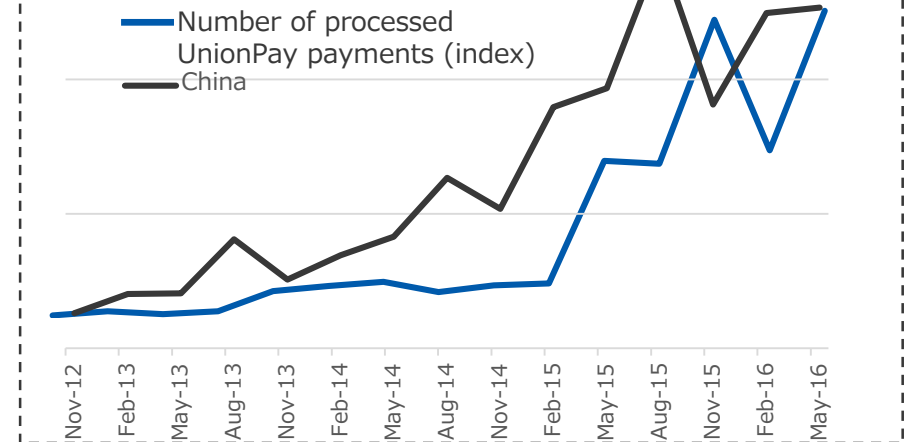
IoT-related business

Smartphones

Inbound etc.

* Capturing inbound demand

Number of international travelers in Japan (from China) and number of processed UnionPay payments (index)



2.5 SMBC GMO PAYMENT (JV)

Data processing

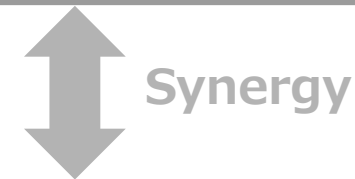
Number of accounts exceeded the business plan, currently strengthening the sales structure and providing prompt response



Achieve the desired synergy between the companies



Strong business platforms for domestic and overseas markets, and creditability



Synergy

GMO PAYMENT GATEWAY

Management resources such as cutting-edge technologies with a competitive advantage

2.6 Money Service Business (MSB) (1) Finance service

MSB-related assets and sales are steadily increasing

MSB-related sales

About ¥0.9bil
(annual)

About ¥0.4bil/1Q

About ¥1bil/2Q

About ¥1.6bil/3Q

About ¥12.6bil

MSB-related sales
(Beginning of period plan)
About ¥1.7bil
(Annual)

MSB-related
asset
About ¥5bil

About
¥6.2 bil

About
¥10bil

About ¥9bil

Balance
of Sep.
2015

Amount of
processed
payment (Sep.)
(Payment after
delivery)

Balance
of Dec.
2015

Balance
of Mar.
2016

Balance
of June
2016

Balance
of Sep.
2016
(plan)

Transaction lending

Early payment

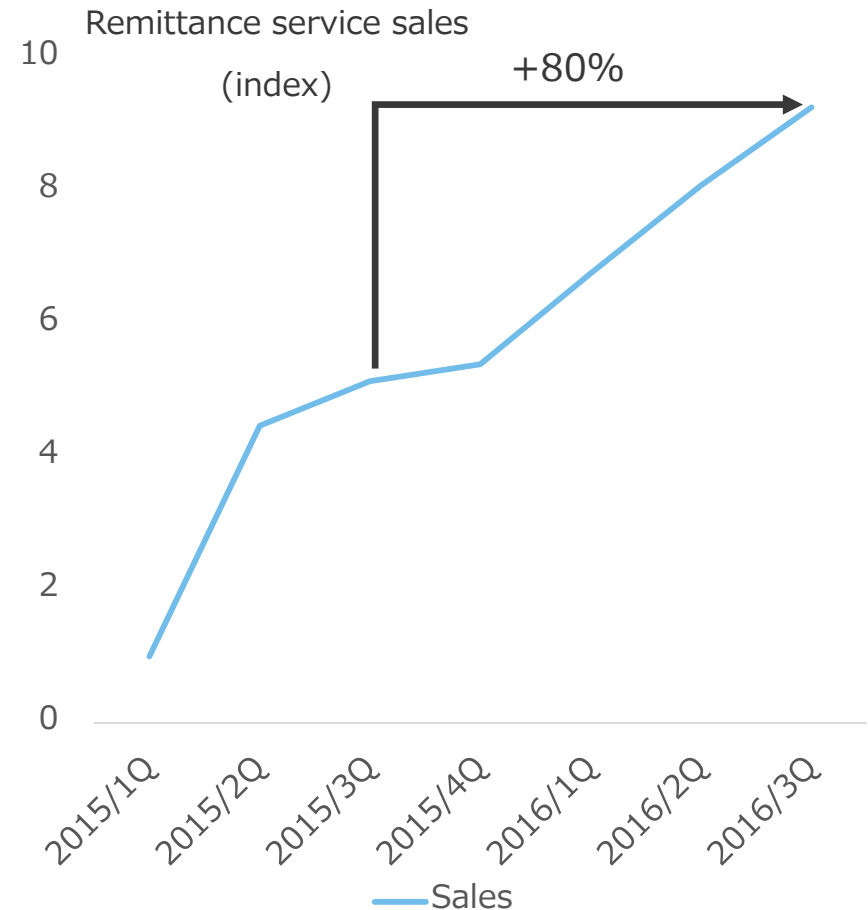
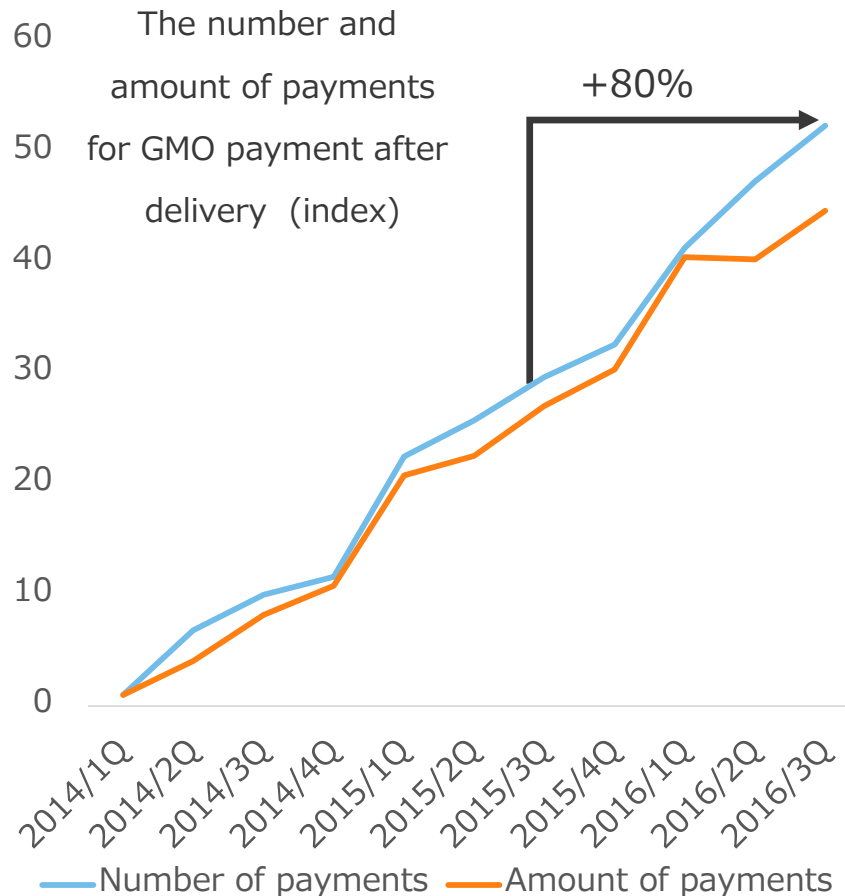
Finance lease

Payment after delivery

2.7 Money Service Business (MSB) (2) Finance service

GMO payment after delivery and remittance services are in good shape

GMO PAYMENT SERVICE

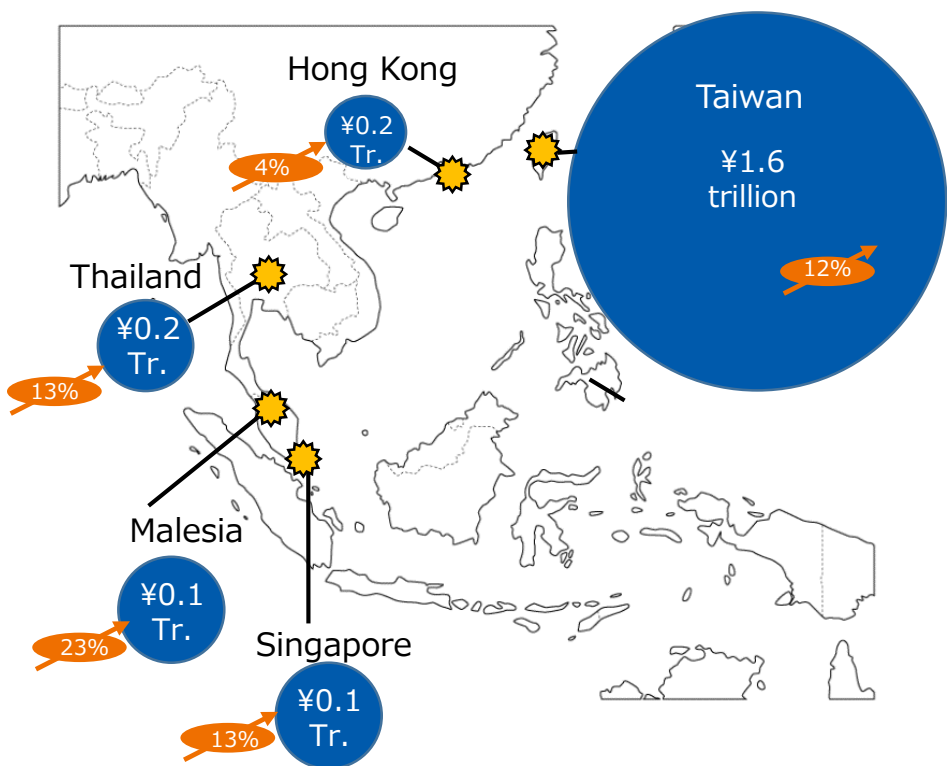


2.8 Global Business

Global solutions

Support for entry into Taiwan, progress in settlement agent services, overseas business, circulating amount quadrupled

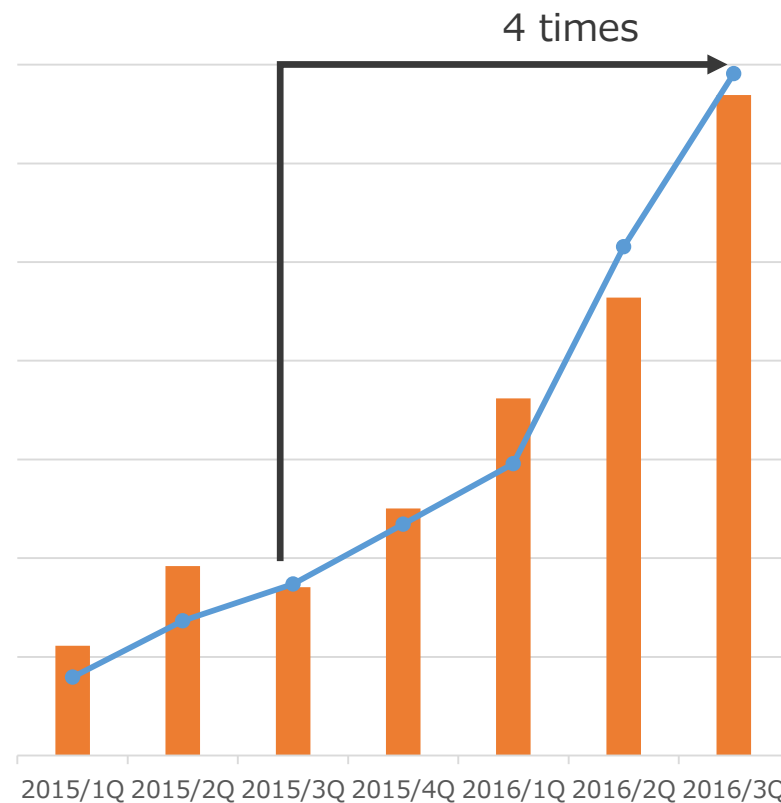
■ Scale of EC (B2C) market,
Yearly average growth rate



● Scale of B2C market in 2016 (forecast)
★ Our overseas entities

○ % Yearly average growth rate 2016 to 2019 (forecast)

■ Amount of processed payments,
settlement sales in upward trend



■ Sales from settlement only
—●— Amount of processed payments

3. Financial Highlights

3.1 Consolidated Balance Sheets

MSB growth reflected in current assets

(Million yen)	Results for 3Q, FY2016	Results for 3Q, FY2015	Change		(Million yen)	Results for 3Q, FY2016	Results for 2Q, 2015	Change
Current assets	47,680	39,868	7,812		Current liabilities	35,459	26,895	8,564
Cash and deposits	30,493	34,934	△4,440		Deposits received	29,940	24,243	5,697
Lease receivables	6,004	1,045	4,958	Related to Finance Lease				
Advance payments	6,280	1,567	4,712	Increase of Early Payment Service	Accounts payable	2,820	1,763	1,057
Accounts receivable	1,677	998	678	Increase of Payment after delivery	Other current liabilities	2,698	888	1,809
Allowance for doubtful accounts	△289	△159	△129		Noncurrent liabilities	224	179	44
Other current assets	3,514	1,481	2,032		Shareholders' equity	17,206	15,668	1,538
Noncurrent assets	5,085	3,030	2,054		Capital stock	4,712	4,710	2
Tangible assets	206	218	△11		Total cumulative other comprehensive income	△124	153	△277
Intangible assets	1,178	861	317					
Software	930	664	266		Total net assets	17,082	15,823	1,258
Investments and other assets	3,699	1,951	1,748	Increase in investment securities and investments in other securities of subsidiaries and affiliates	Total liabilities and net assets	52,766	42,898	9,867
Total assets	52,766	42,898	9,867					

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

Short-term loan receivables (=TL-related asset) is included in "Other current assets"

3.2 Summary of Consolidated Results

Sales and income exceed the forecast

(Million yen)	3Q of FY2016		YoY		3Q of FY2015	
	Actual	Sales composition	Change	YoY change %	Actual	Sales composition
Sales	8,820	100%	2,392	+37.2%	6,427	100%
Cost of sales	1,997	22.6%	631	+46.2%	1,366	21.3%
Growth income	6,822	77.4%	1,760	+34.8%	5,061	78.7%
SG&A	3,869	43.9%	1,107	+40.1%	2,761	43.0%
Operating income	2,953	33.5%	653	28.4%	2,300	35.8%
Ordinary income	2,941	33.3%	623	26.9%	2,317	36.1%
Net income	1,809	20.5%	354	24.4%	1,454	22.6%
Net income per share (yen)	48.70	-	-	-	42.04	-
EBITDA	3,122		670	27.4%	2,451	

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

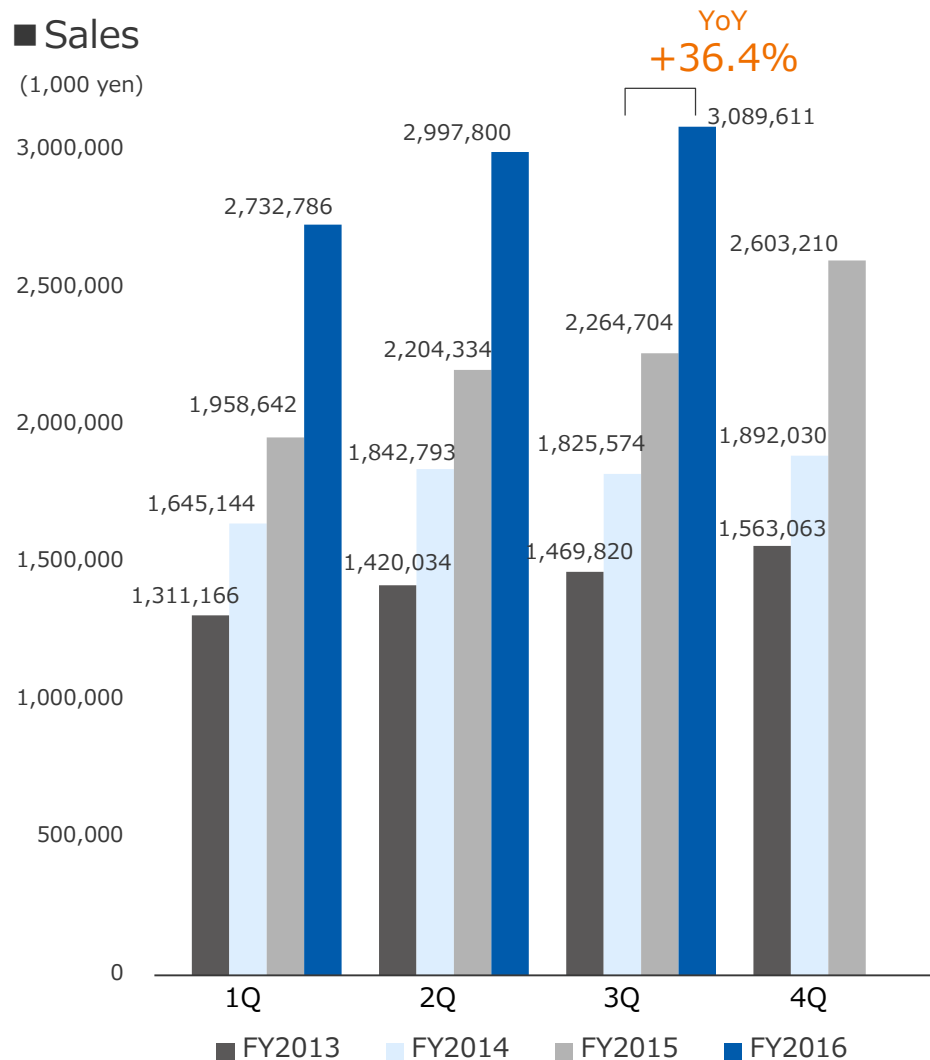
* EBITDA = Operating income + Depreciation + Amortization of goodwill

3.3 Sales/Gross Income, Quarterly Change

Sales up 36.4% over previous 3Q, gross income (real) up 27.1%

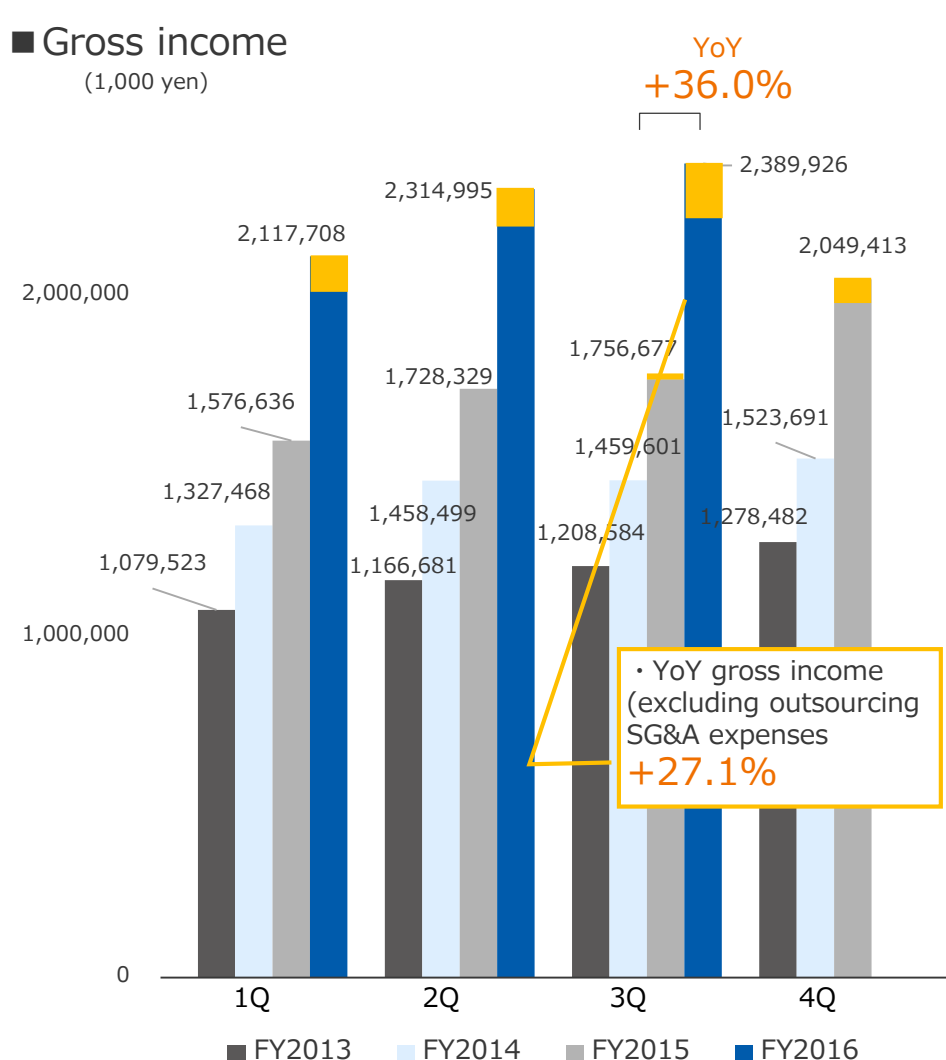
■ Sales

(1,000 yen)



■ Gross income

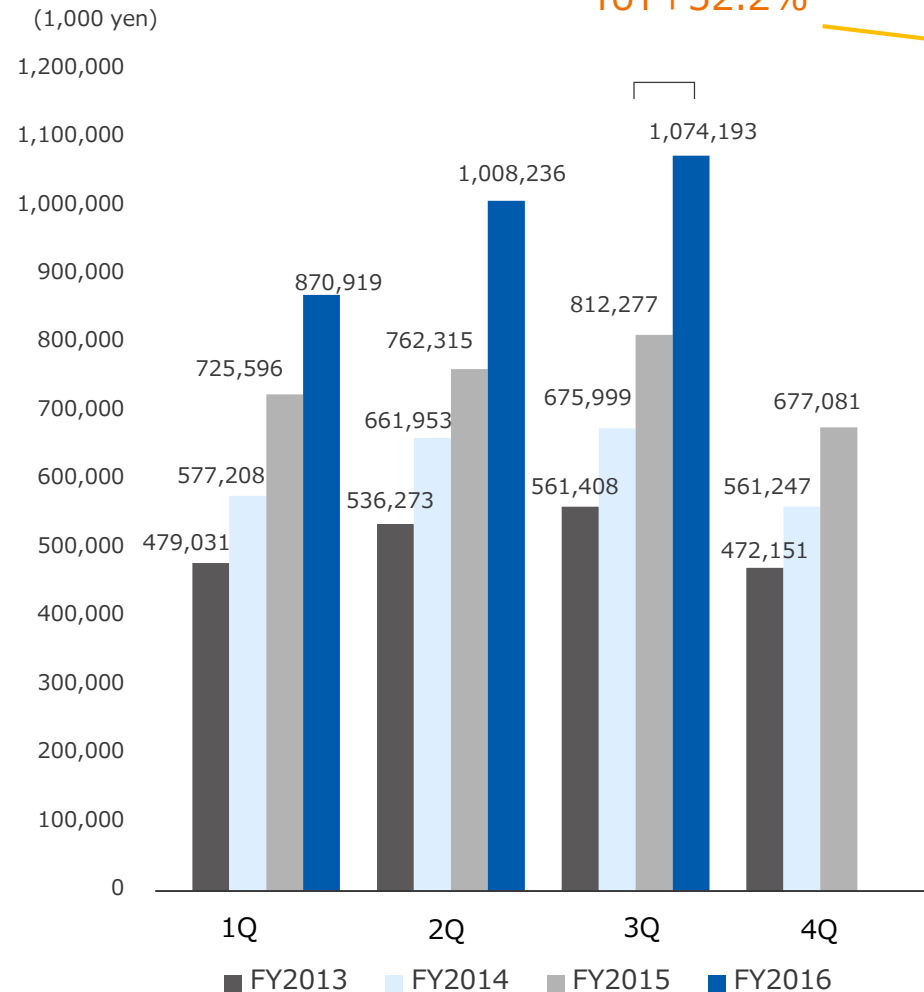
(1,000 yen)



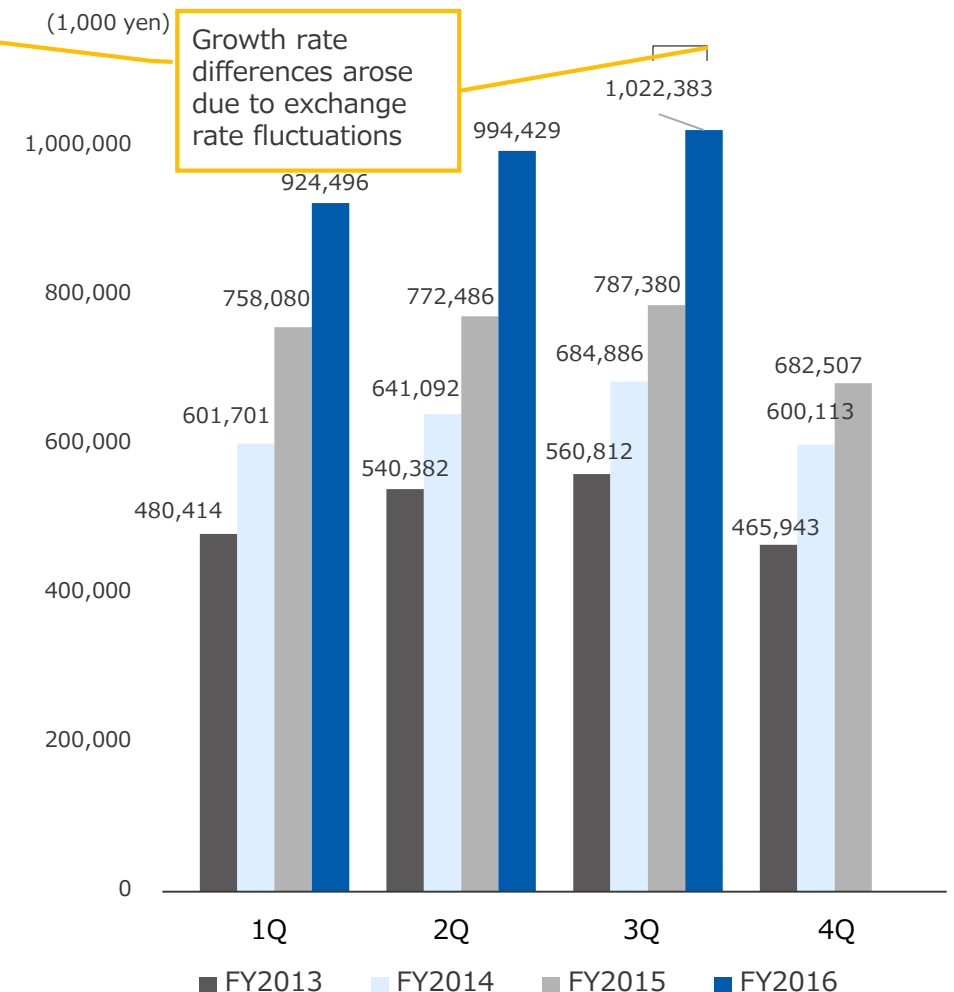
3.4 Consolidated Operating Income/Ordinary Income , Quarterly Change

Operating income up 32.2% over previous 3Q, ordinary income up 29.8%

■ Operating income

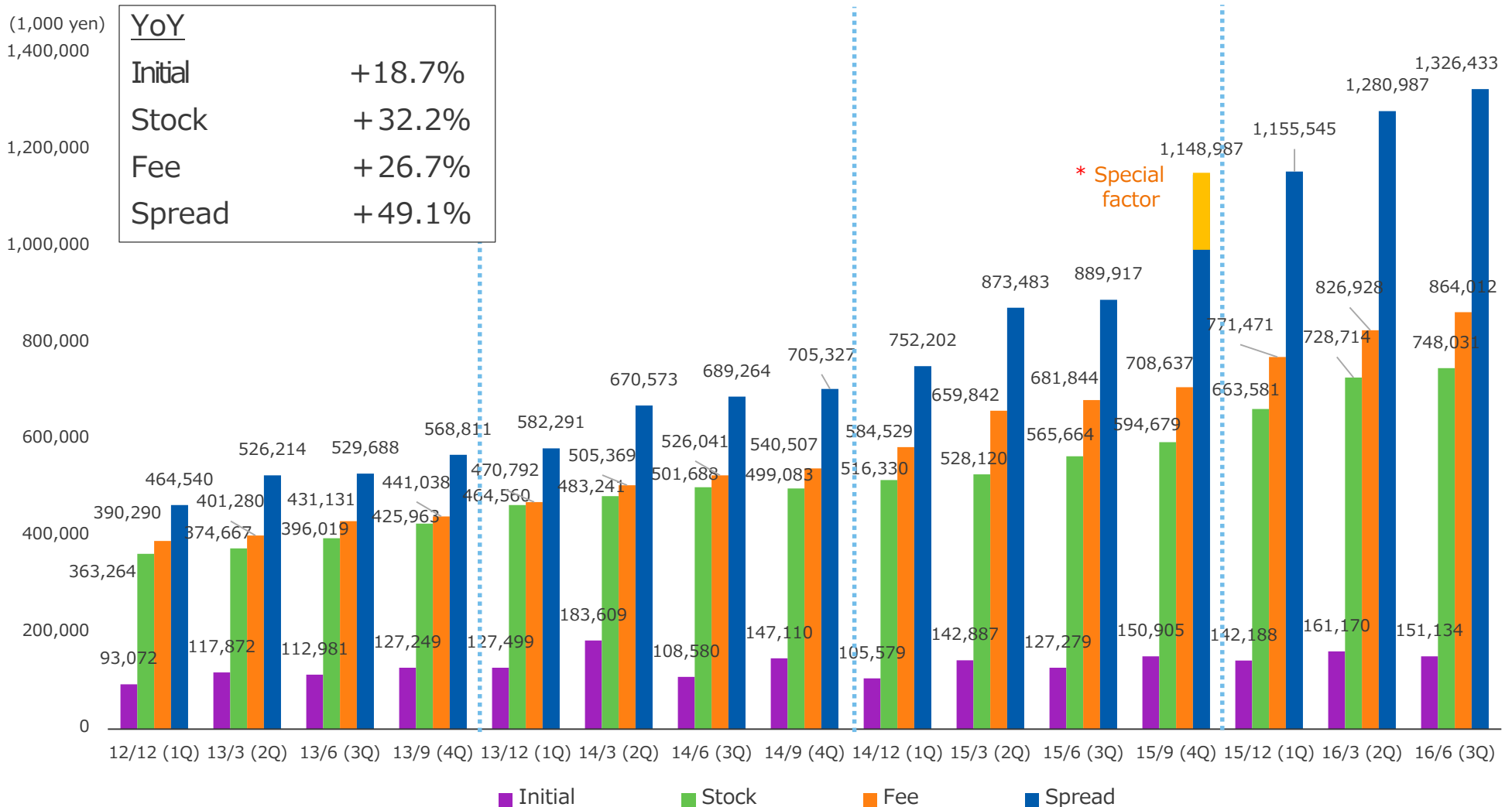


■ Ordinary income



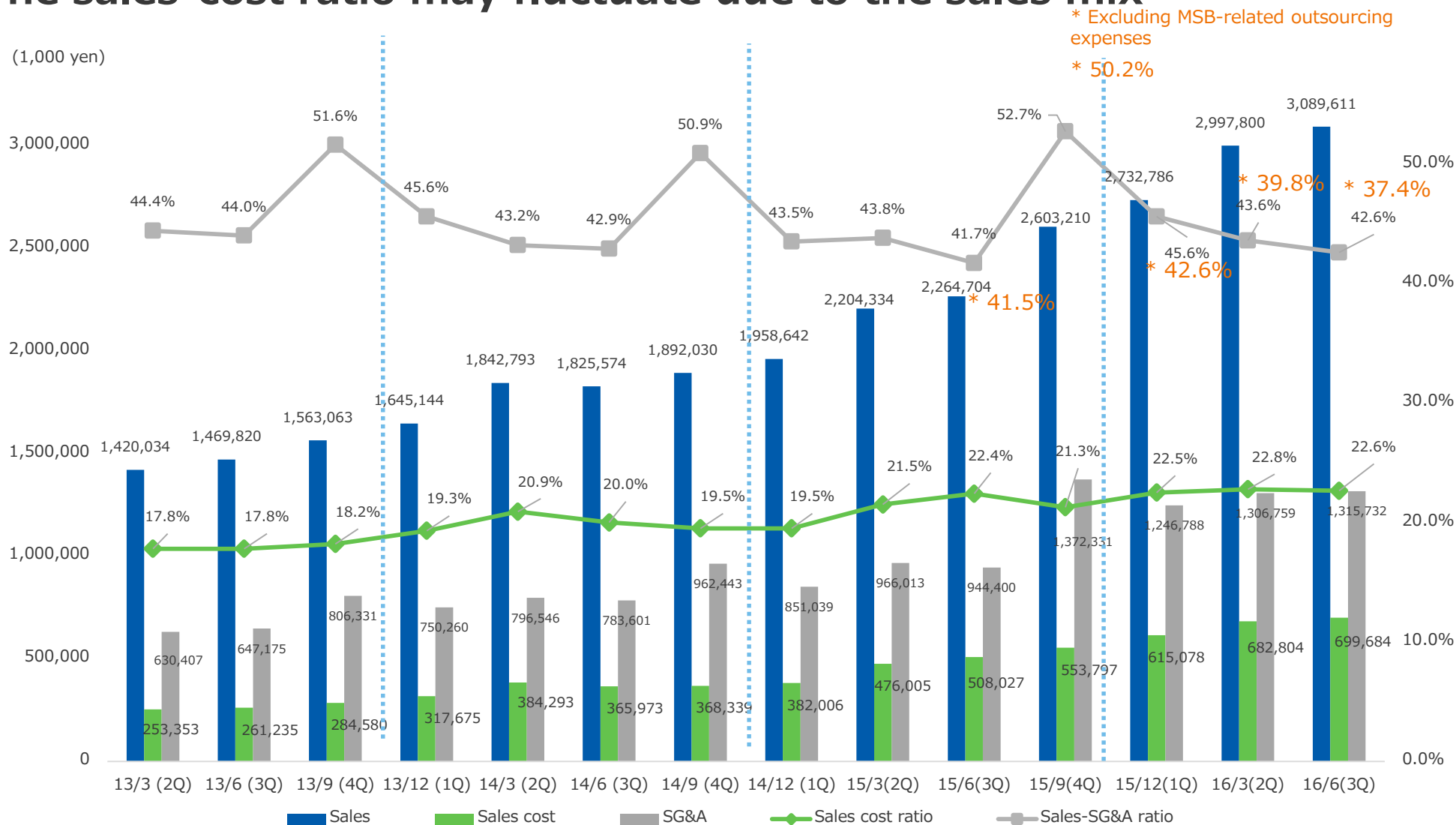
3.5 Revenue Breakdown by Business Model (Quarterly Change)

Spread revenue up 49.1%



3.6 Cost of Sales Ratio/SG&A Ratio (Quarterly Change)

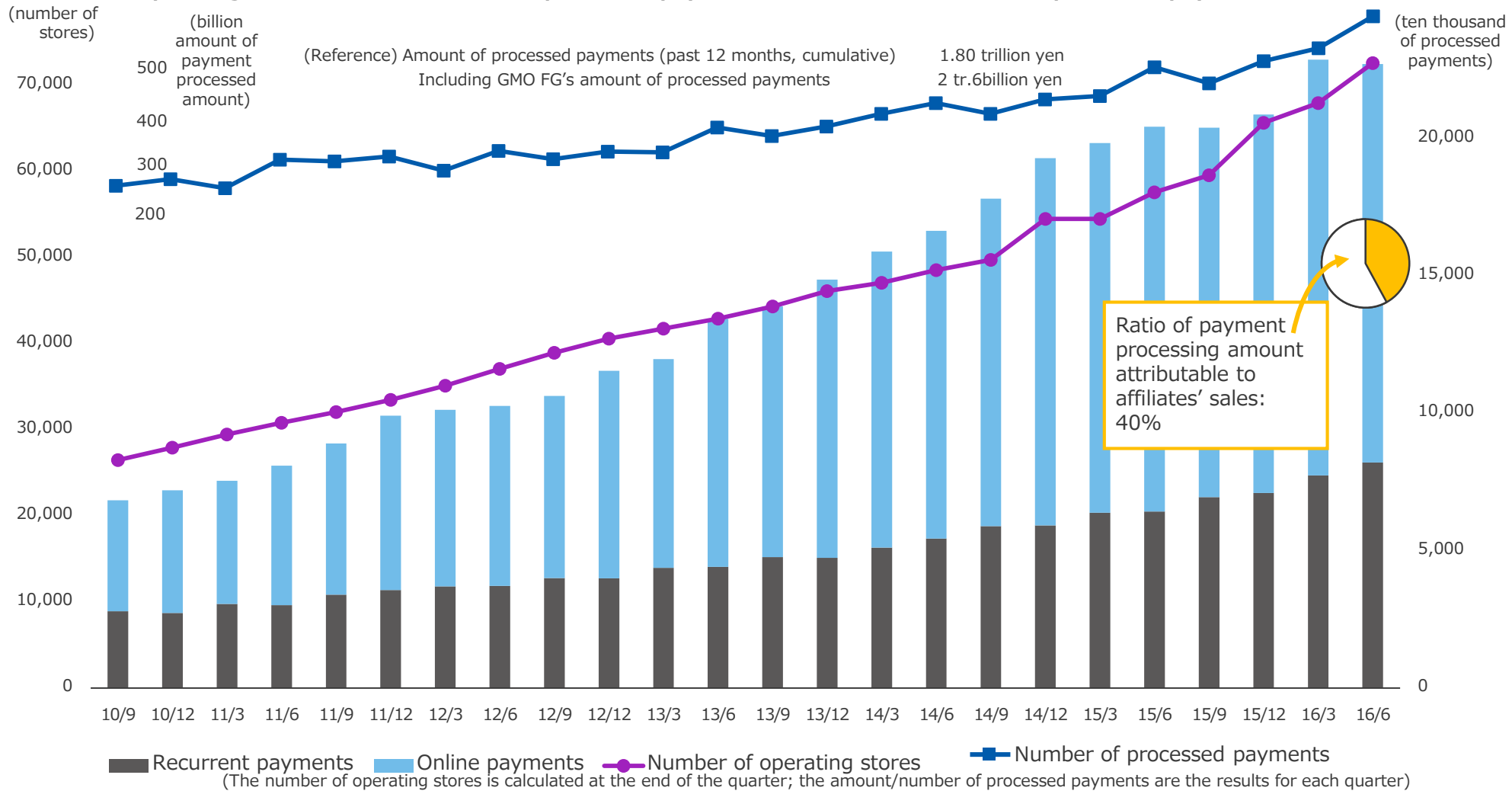
The sales-cost ratio may fluctuate due to the sales mix



3.7 Changes to Major KPI (Quarterly Change)

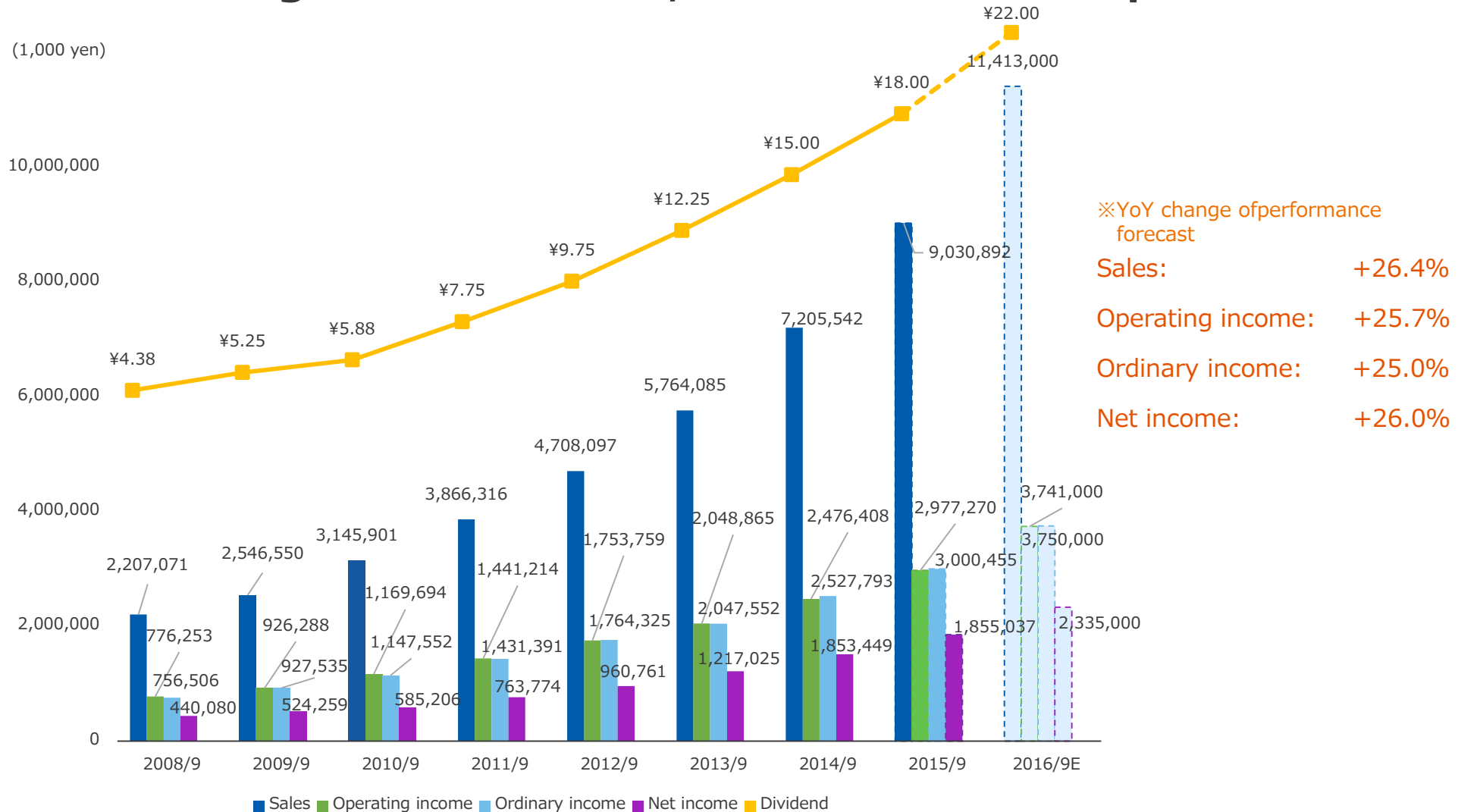
Amount of processed payments on pace to exceed ¥2 trillion this period

Number of operating stores 72,569 / Amount of processed payments ¥540 billion / Number of processed payments 227 million



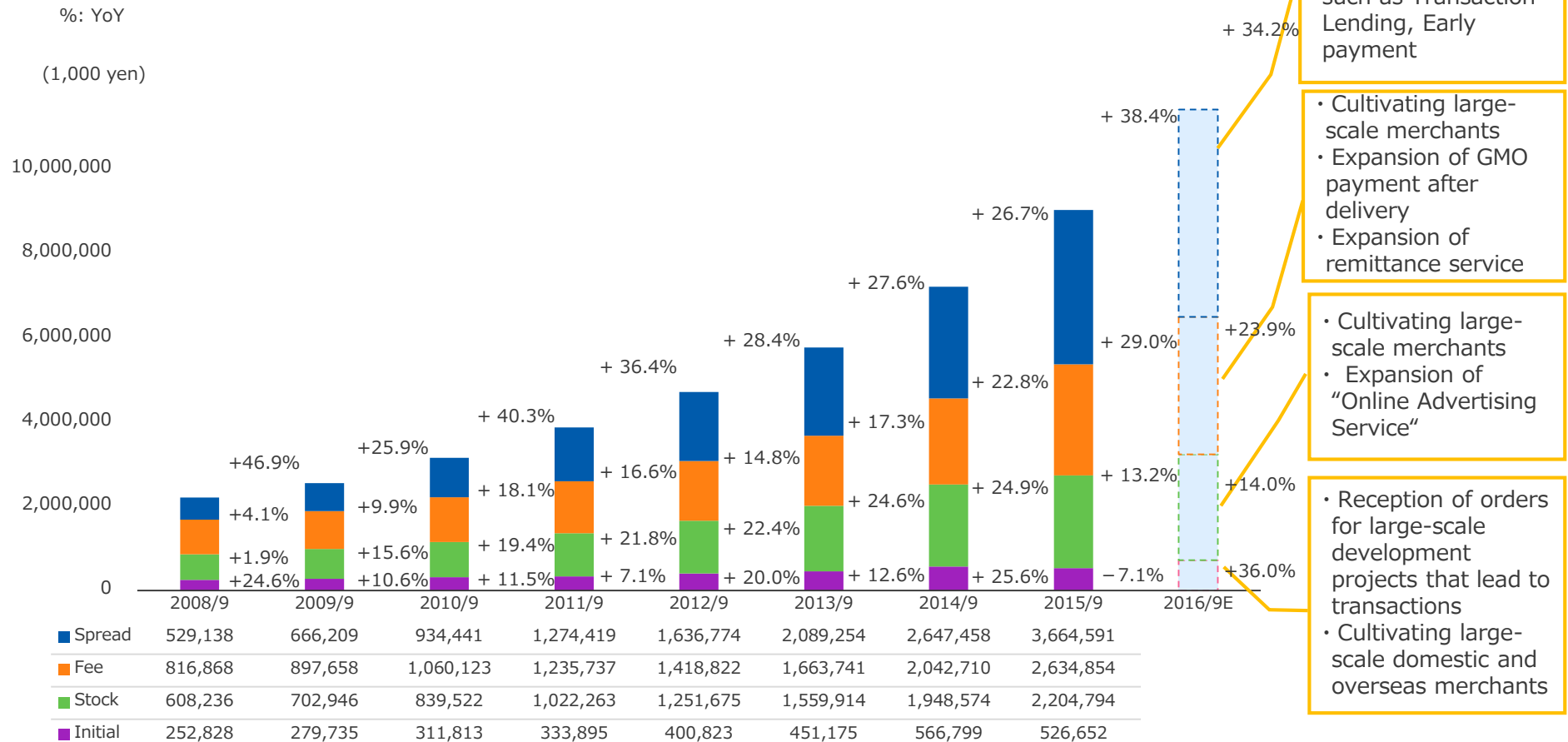
3.8 Summary of Changes in Consolidated Performance (FY2015 Forecast)

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



3.9 Revenue Changes Breakdown by Business Model (FY2015 Forecast)

Utilize each type of measure to achieve sustained growth of each business model



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 Corporate Value Creation Strategy Division

Investor Relations Office Phone: +81-3-3464-0182