

# Supplementary information

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Financial results briefing for the Q4 of FY2018

November 13, 2018

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

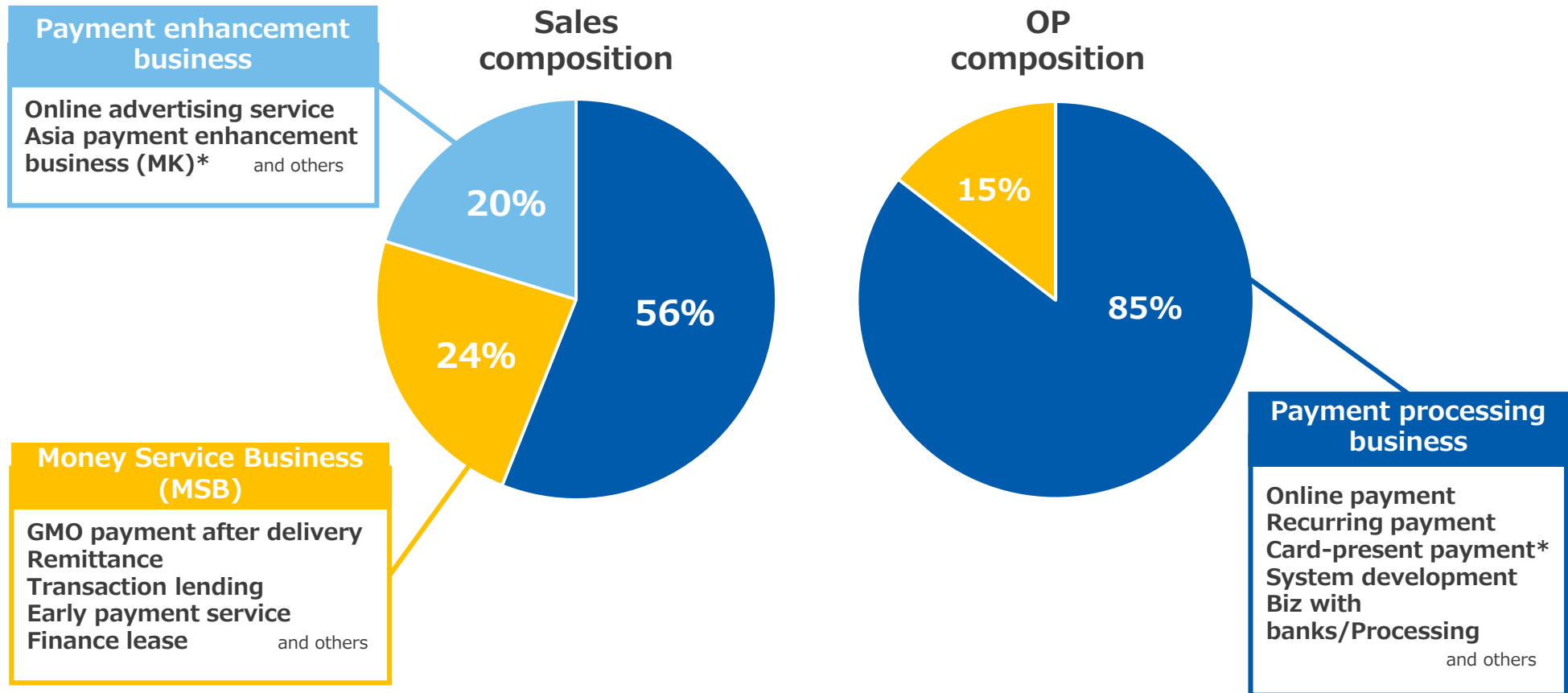
**GMO** PAYMENT GATEWAY

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

# Three business segments

## Continuing 25% OP growth based on payment processing and peripheral businesses

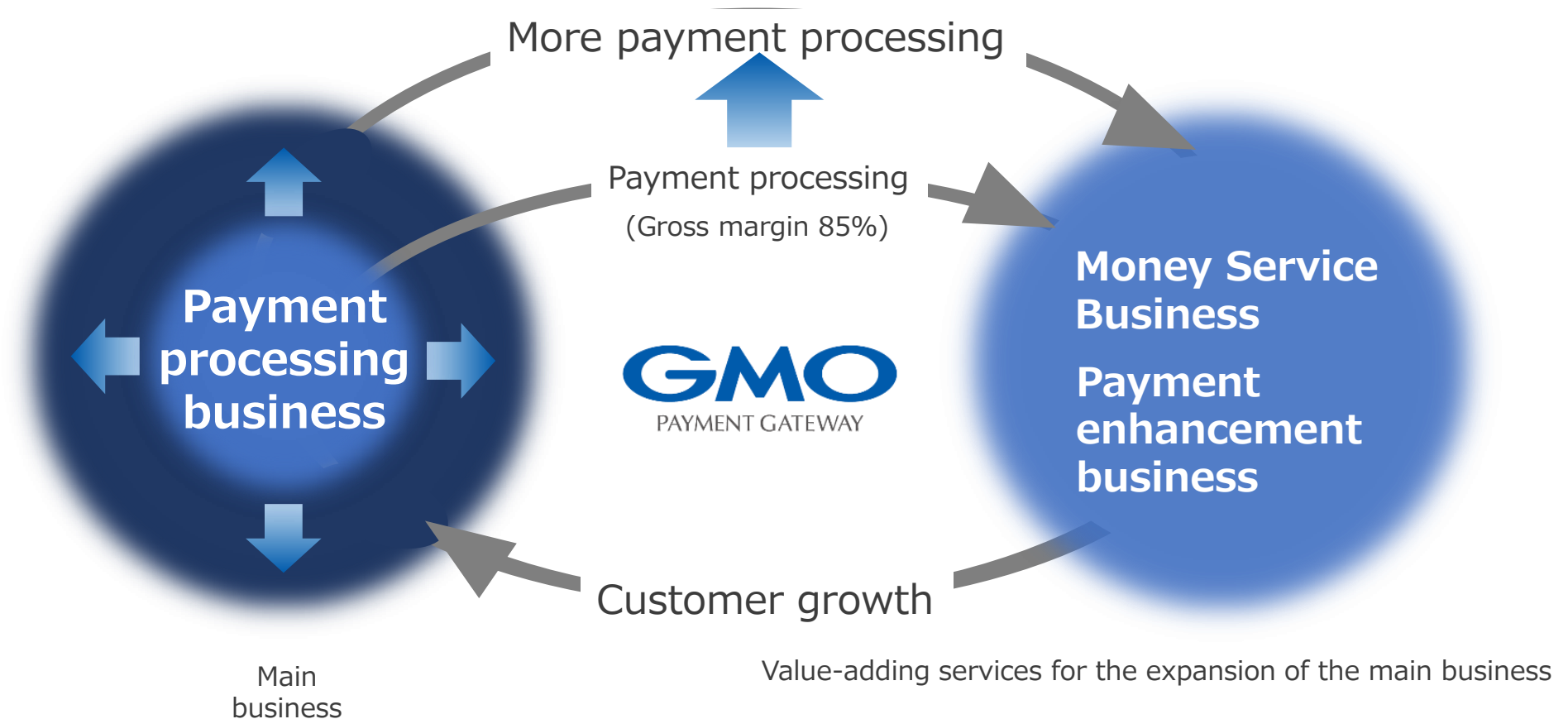
(Q1-4 FY2018 actual)



\*MK : MACROKIOSK  
GMO-FG: GMO Financial Gate, Inc.

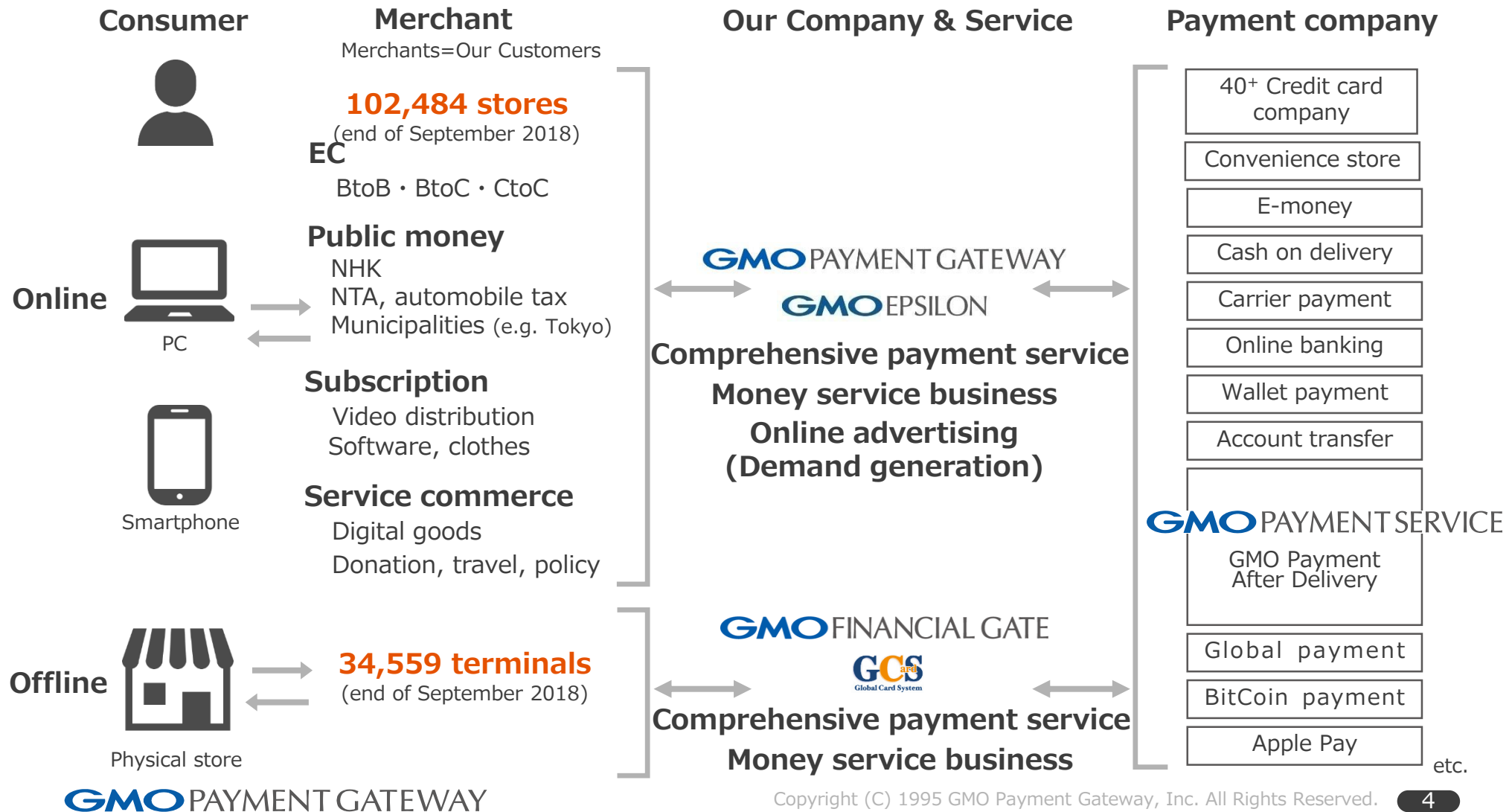
# Our ecosystem

An ecosystem where our value-adding services benefit our main business so both continue to grow



# Business outline - the role of our group

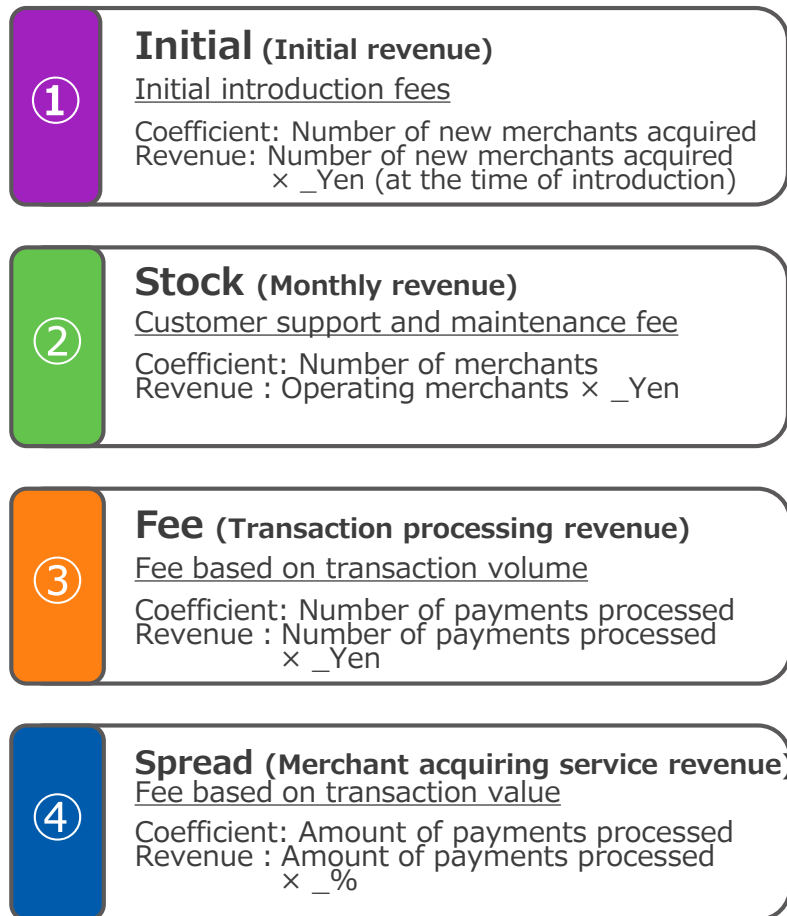
Connecting merchants and payment companies on contract, payment data and money flow



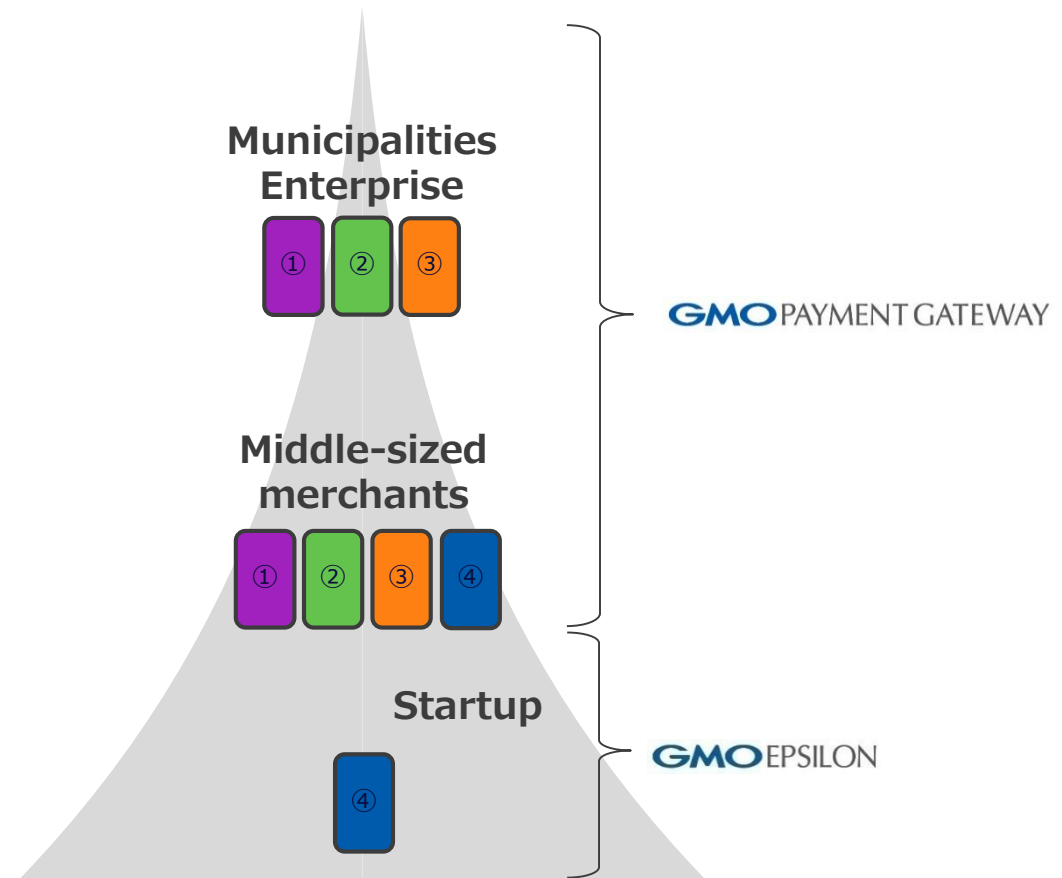
# Revenue structure of credit card payment

## Revenues determined by merchant type/size

### ■ Our four revenue types



### ■ Revenues by merchant type/size

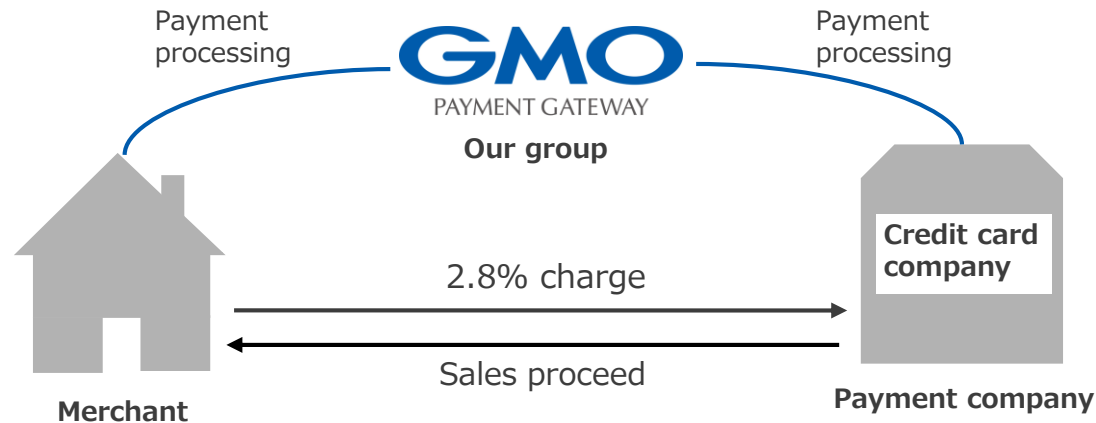


# Two types of contracts

We introduced a new contract system and changed the flow of sales proceed

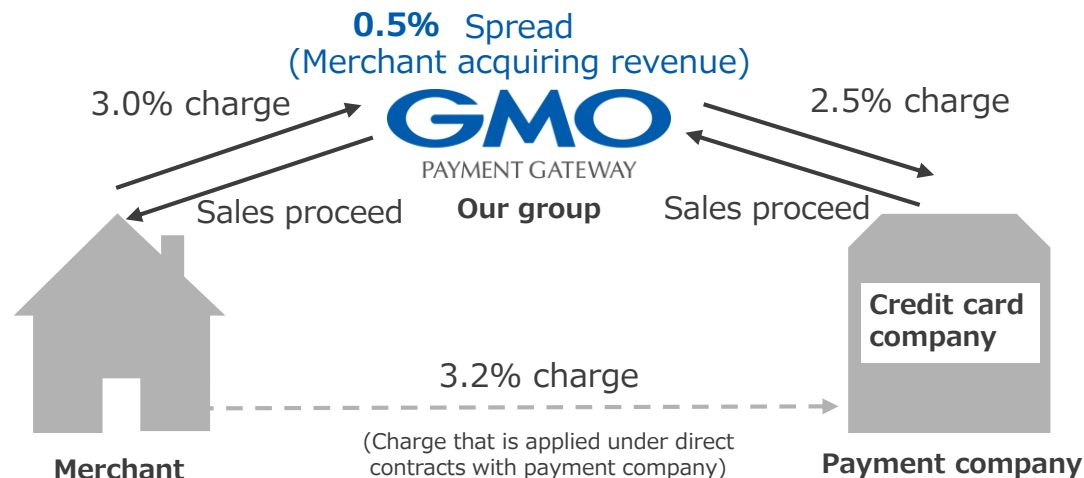
## Direct contract

mainly for large companies and municipalities



## Representative contract

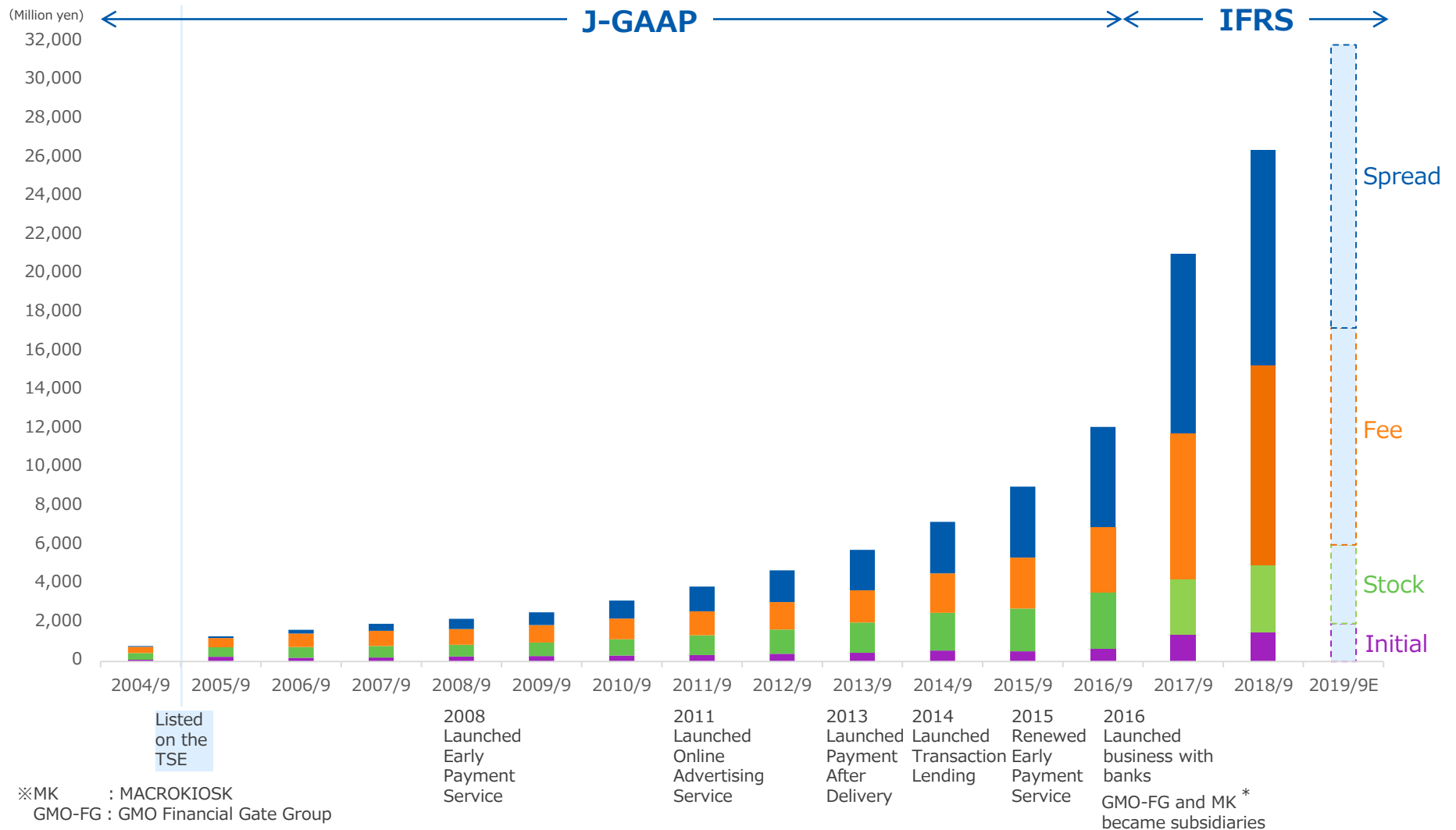
mainly for SME's but covers some large companies



\*Numbers are provided for illustration purposes only.

# Revenue breakdown

## Target a balanced revenue growth by various initiatives



# Summary chart of Segments and Revenue models

## Reporting in 3 Segments and 4 revenue models

### ■ Segments

Payment processing business	Payment processing
	Services for banks/Processing
	System development
	GMO-FG
Money service business	GMO payment after delivery
	Remittance service
	Transaction lending
	Early payment service
Payment enhancement business	Finance lease
	Online advertising service
	SSL
	Shipping service
	MACRO KIOSK

### ■ Business model

Initial (Initial revenue)	Payment processing (MK)
	SSL
	System development
Stock (Monthly revenue)	Payment processing (MK)
	Services for banks/Processing
	Online advertising service
Fee (Transaction processing revenue)	Payment processing (MK)
	GMO payment after delivery (Fee)
	Remittance service
Spread (Merchant acquiring service revenue )	Shipping service
	Payment processing (MK)
	GMO payment after delivery (Spread)
	Transaction lending
	Early payment service
	Finance lease

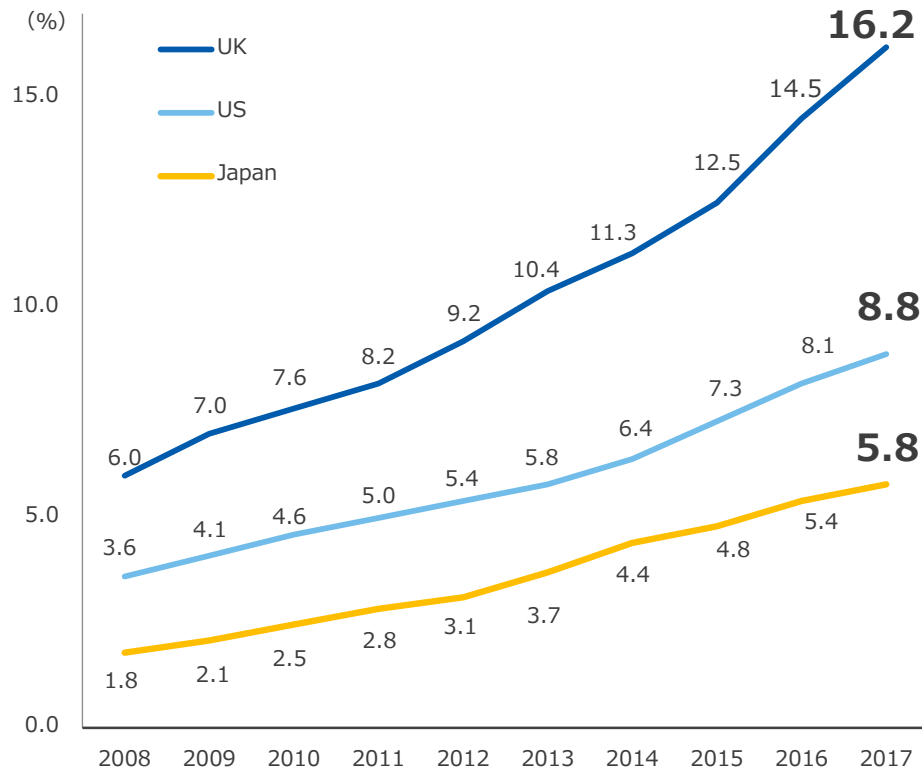
GMO-FG : GMO Financial Gate MK : MACRO KIOSK



# Growth potential of Ecommerce market in Japan

## Lower Ecommerce ratio and higher cash payment ratio than other advanced countries

### ■ Ecommerce ratio



References : METI. "FY2017 Building infrastructure for information- and service-oriented Japanese economy and society (Ecommerce market survey)"  
U.S. Bureau of the Census. "The 1<sup>st</sup> Quarter 2018 Retail E-Commerce Sales Report";  
Office for National Statistics "Retail Sales, May 2018"

### ■ Card usage to private final consumption expenditure

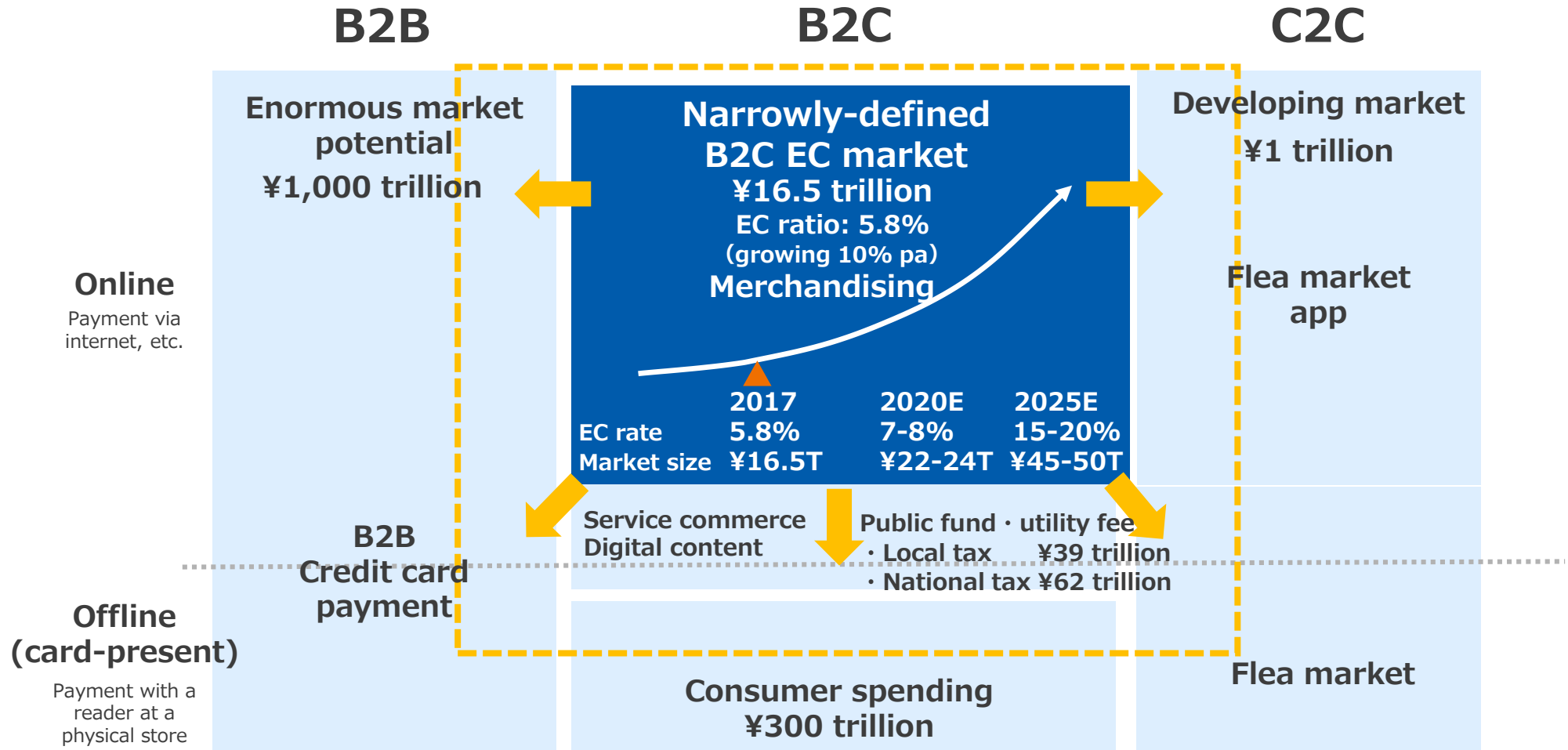
(2017)	Credit card usage rate	Debit card usage rate	Credit+Debit usage to private final consumption expenditure rate
South Korea	74 %	19 %	93 %
UK	12 %	53 %	65 %
US	31 %	25 %	56 %
Australia (2016)	26 %	20 %	46 %
Japan (2016)	17%	-	17 %

\*Rate=(Amount handled by CC or DC) / Private final consumption expenditure

\*Estimated by GMO-PG with reference from CPSS Red Book "Statistics on payment, clearing and settlement systems in the CPMI countries - Figures for 2017"  
THE WORLD BANK "Household final consumption expenditure (current USD)"

# Cashless field expansion

Cashless payment trends in Japan is our growth accelerator



\*References : METI. "FY2017 Building infrastructure for information- and service-oriented Japanese economy and society (Ecommerce market survey)". Figures 2020 and after are our estimates.

\*MIC "Breakdown of national tax and local tax revenue (FY2018 Budget and Local Government Finance Plan)"

\*THE WORLD BANK "Household final consumption expenditure (current USD)"

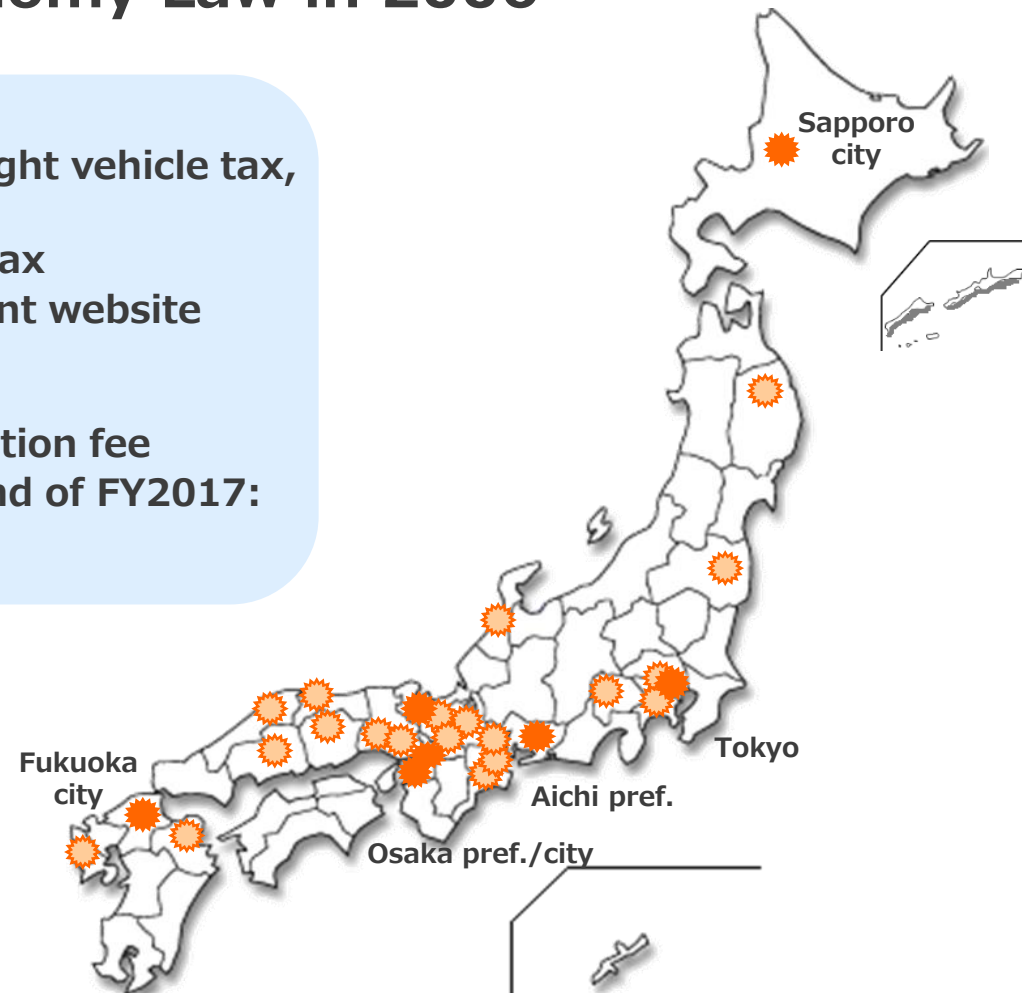
# Payment processing: Public due & utility payments

We have been cultivating card payments in this field since the revision of the Local Autonomy Law in 2006

**Local governments etc.** : Local Taxes (Automobile tax, light vehicle tax, fixed assets tax, etc.)  
Water bill, gas bill, hometown tax  
National tax credit card payment website

**NHK** : National broadcasting subscription fee  
Credit card usage rate at the end of FY2017:  
14.9% (yoy + 1.2%)

Expansion expected to continue  
Maintenance fee, cram school tuition fee  
parking fee, school meal charge, etc.



\*Japan Broadcasting Corporation "Business Report for FY2017"

# Offline (card-present) payment

## IoT services to go full scale to take in cashless & inbound demands

### ■ Offline payment

GMO Financial Gate delivers payment terminals for physical store payments

Revised Installment Sales Act:

Replacement demands for IC chip equipped terminals from the conventional magnetic ones

Tokyo Olympics:

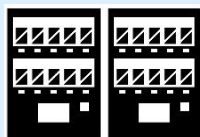
Cashless payment demands to surge as more foreign visitors come to Japan



\*EMV: Unified standard for credit cards with IC chip determined by Visa and MasterCard

### Future target and potential

**Vending machine**  
(Drink/food)



**Ticket vending machine**  
(Railway company)



**Auto payment machine**  
(Parking, hotel, hospital)



**Office coffee machine**



**Self check out, EV charger, goods selling machine, laundromat, touch pad for orders**



\*These illustrations do not necessarily imply plans for future implementations.

# Payment processing: Ginko Pay

Get more banks/companies onboard, connect them and be an infrastructure

## ■ Ginko Pay

A smartphone app system that allows for immediate payments such as direct debit targeting financial institutions



Tokyu Corporation, Bank of Yokohama and GMO-PG to start the development of a cash out service through ticket vending machines at train stations (2019 spring-)



# Definition of Money Service Business (MSB)

Financial service that only payment service providers can deliver

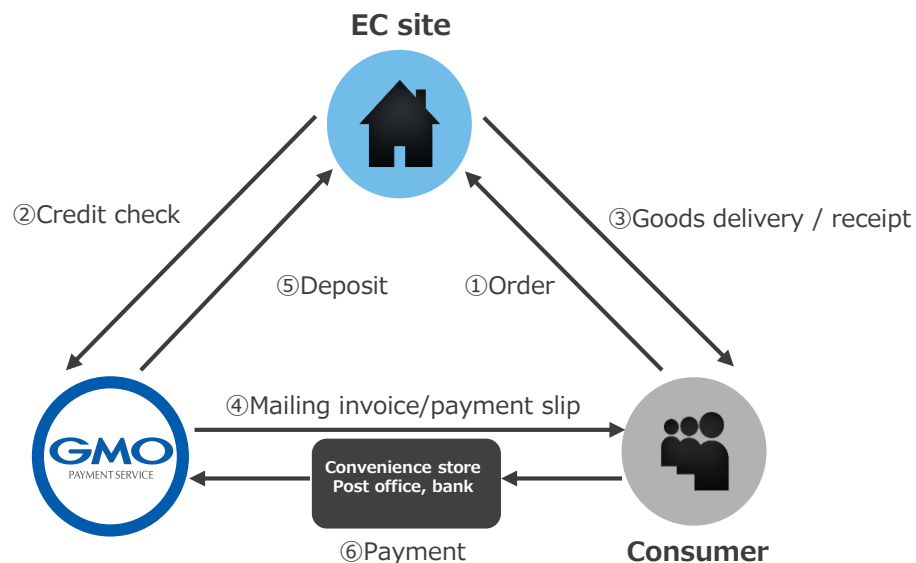
	<u>Services</u>	<u>Revenue types</u>	<u>MSB-related assets</u> (Breakdown of operating and other receivables are as follows)
☑	<b>Remittance service</b> Efficient and secure refund and remittance processing for Ecommerce operator	Fee	—
☑	<b>Transaction lending</b> Handles daily transaction	Spread	Short-term loans receivable
☑	<b>Early payment service</b> Improves cash flows by moving up the date of payment to merchant	Spread	Advance payments-trade
☑	<b>Payment after delivery</b> Pays sales proceed without waiting for deposit from consumer	Spread Fee	Accounts receivable-other

# MSB: GMO Payment after delivery

## Provided by GMO Payment Service, our subsidiary

### ■ GMO Payment After Delivery

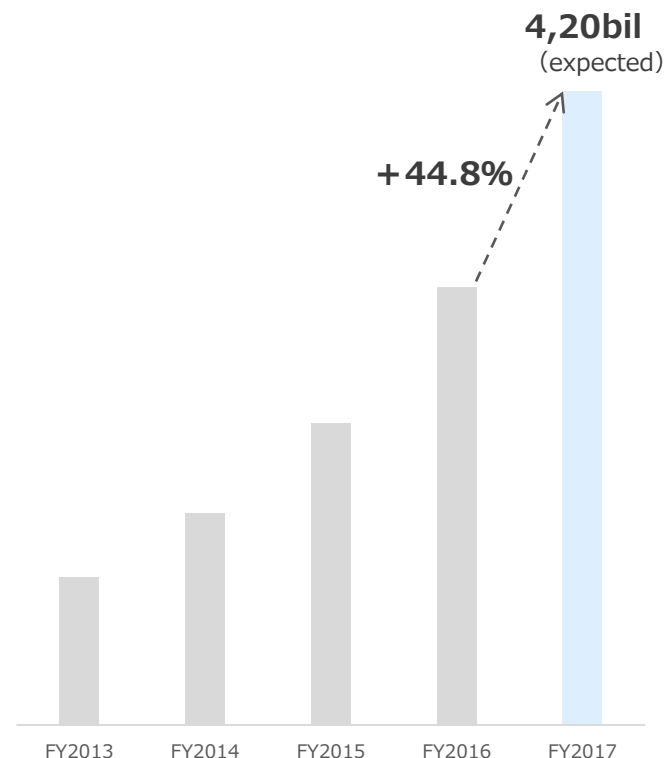
Buyer can pay at post office or CVS after receiving goods  
Payment terms is 2 weeks.



**Payment services with 2weeks+  
payment terms are also delivered.**

### ■ Market size of deferred payment

Annual growth rate of 40% or more  
Market size for 2017: ¥420 billion (expected)



※ (source) "Current situation and future forecast of online payment service providers 2018" issued by Yano Research Institute Ltd.

# Overseas strategies

## Target 50% overseas sales ratio by assisting JPN companies foray into Asian market and our investment strategies

### ■ Investment target

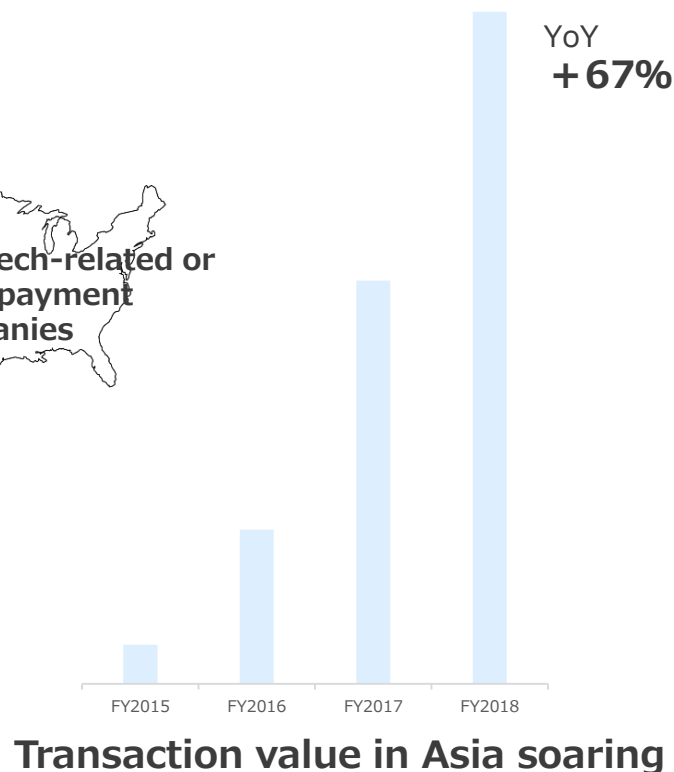
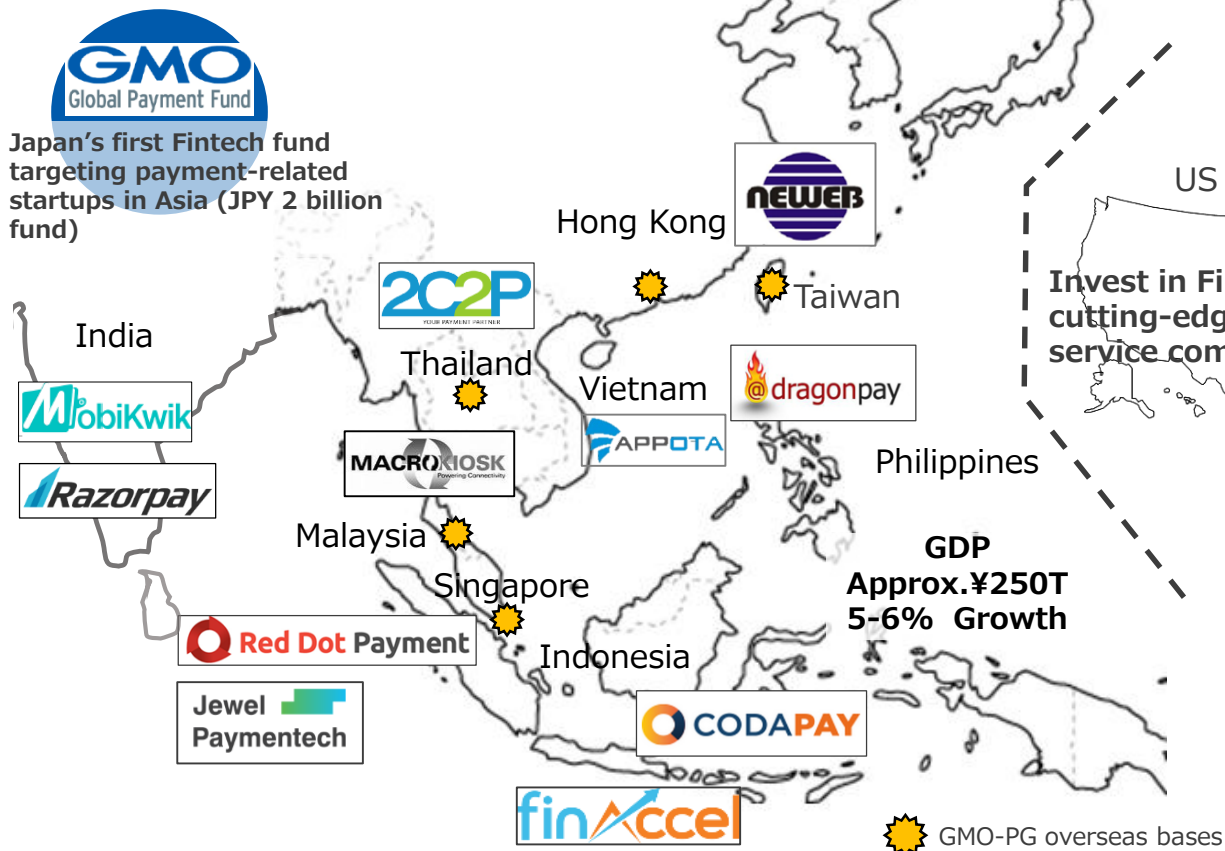
Asia: Top payment-related company

US: Innovator

### ■ Payment processing business

Providing payment services to Japanese companies that entered Asian market (Z.com Payment)

### Portfolios





# Payment enhancement: Mobile payment and authentication



## Focus on investment in MACROKIOSK, acquiring of Asian banks and big companies

**Company name** Macro Kiosk Berhad

**Location** Malaysia and 11 other countries in Asia

**Headcount** 253

**Financial results** Revenue :4,563 million yen

**GMO-PG's stake** 70%

**Acquisition cost** Approx. 1,121 million yen

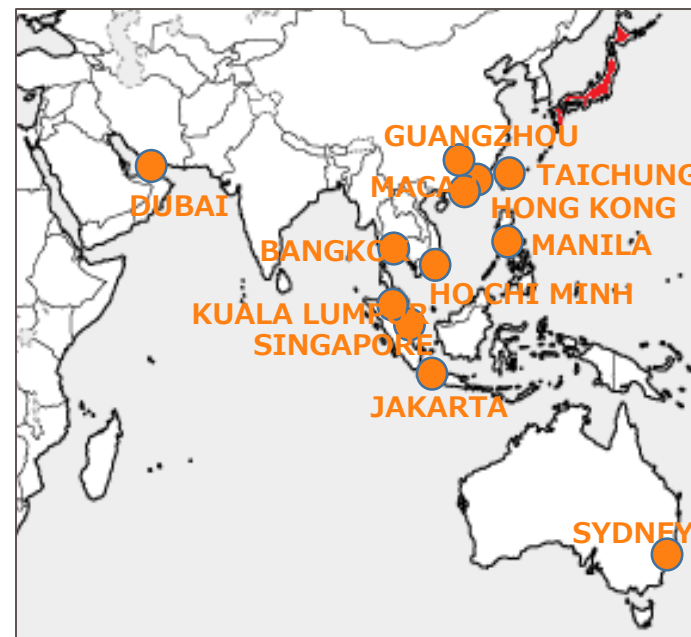
**Business model**

- SMS mobile solution (about 90%)**  
delivered to 95% of Malaysian banks
- Carrier billing gateway (about 10%)**  
delivered to 50+ major carriers in 12 countries

### Strategy: Going after scale, then profit

#### <Specific actions>

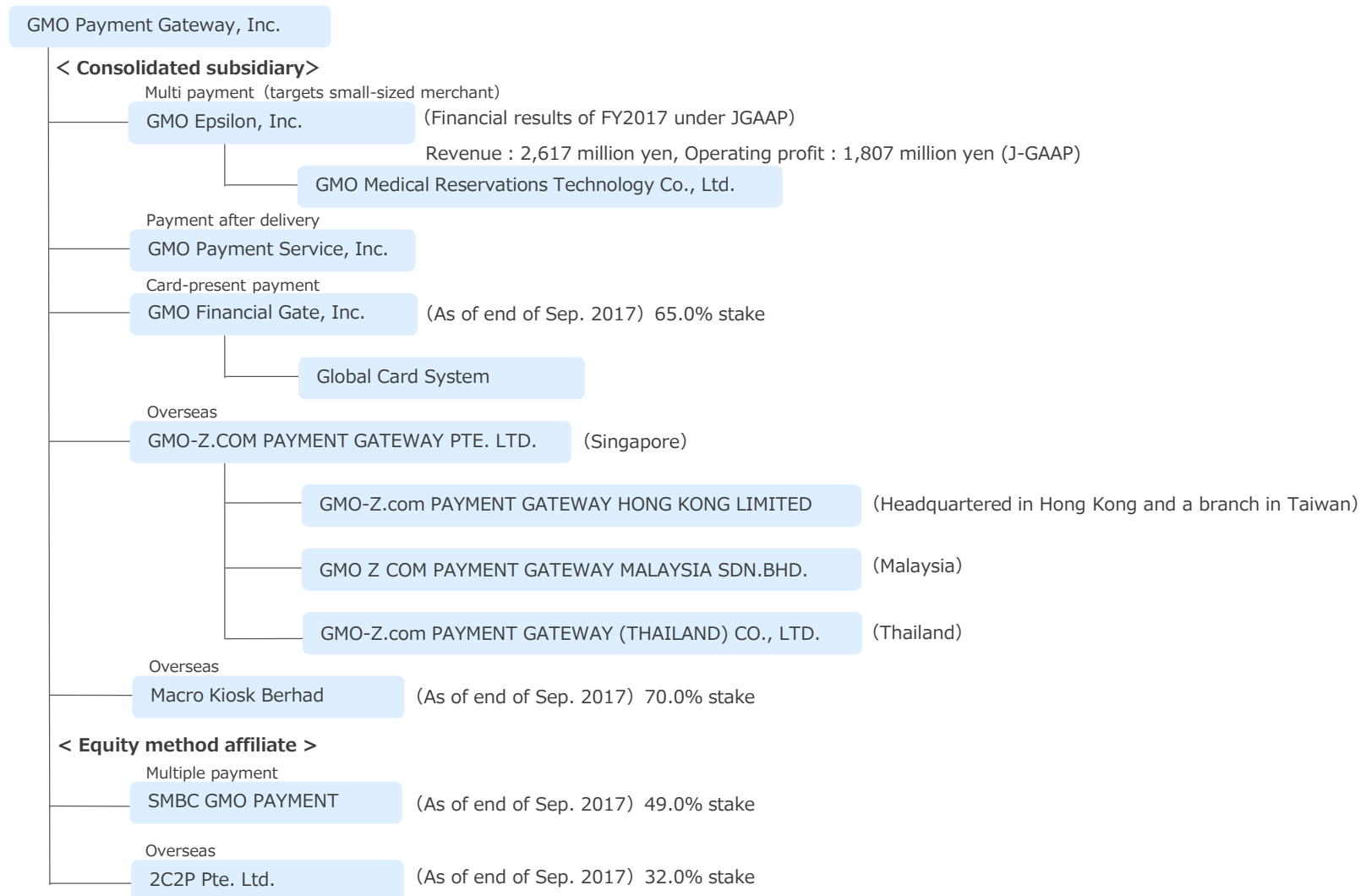
- ① Payment-related business  
Set up sales teams in India and Europe
- ② Business expansion in new countries  
Provide payment service, collaborating with 2C2P, our equity method affiliate
- ③ Development of new products
- ④ Entry into new areas by M&A



(as of the end of September 2018)

# GMO-PG Group

## GMO Payment Gateway's subsidiaries and equity affiliates



# Company outline

■ Name	GMO Payment Gateway, Inc. (3769; Tokyo Stock Exchange 1 <sup>st</sup> section)	
■ Date of establishment	March 1995	
■ Location	Humax Shibuya Building 7F, 1-14-6, Dogenzaka, Shibuya-ku, Tokyo Japan	
■ Capital stock	4,712 million yen	
■ Major shareholders	GMO Internet, Inc., Sumitomo Mitsui Banking Corporation, Issei Ainoura ,etc	
■ Management team	Chairman & Director	Masatoshi Kumagai
	President & Chief Executive Officer	Issei Ainoura
	Director, Executive Vice President	Ryu Muramatsu
	Director, Executive Vice President	Satoru Isozaki
	Senior Managing Director	Yuichi Hisada
	Director	Tomoyuki Murakami
	Director	Shinichi Sugiyama
	Director	Yusuke Arai
	Director	Masashi Yasuda
	Director	Masaru Yoshioka
	Director	Takehito Kaneko
	Senior executive officer	Takeshi Yoshii
	Senior executive officer	Takashi Mitani
	Executive officer	Katsunari Mukai
	Executive officer	Yoshikazu Yanagishima
	Executive officer	Kazunari Taguchi
	Executive officer	Tatsuhito Muramatsu
	Executive officer	Kiyonobu Inayama
	Executive officer	Shingo Ito
	Executive officer	Yoshinori Inoguchi
	Executive officer	Hirofumi Tozawa
	Executive officer	Yasunori Hatada
	External Director	Masaya Onagi
	External Director	Akio Sato
	Full-time auditor	Yasuhiro Kanda
	Auditor	Takashi Iinuma
	External Auditor	Kazutaka Yoshida
	External Auditor	Kazuhiko Okamoto
■ Auditor	Deloitte Touche Tohmatsu LLC	
■ Consolidated subsidiaries	GMO Epsilon, Inc., GMO Payment Service, Inc., GMO Financial Gate, Inc., GMO-Z.com Payment Gateway Pte. Ltd. (Singapore), Macro Kiosk Berhad, etc.	
■ Equity affiliates	SMBC GMO Payment, Inc., 2C2P Pte. Ltd., etc.	

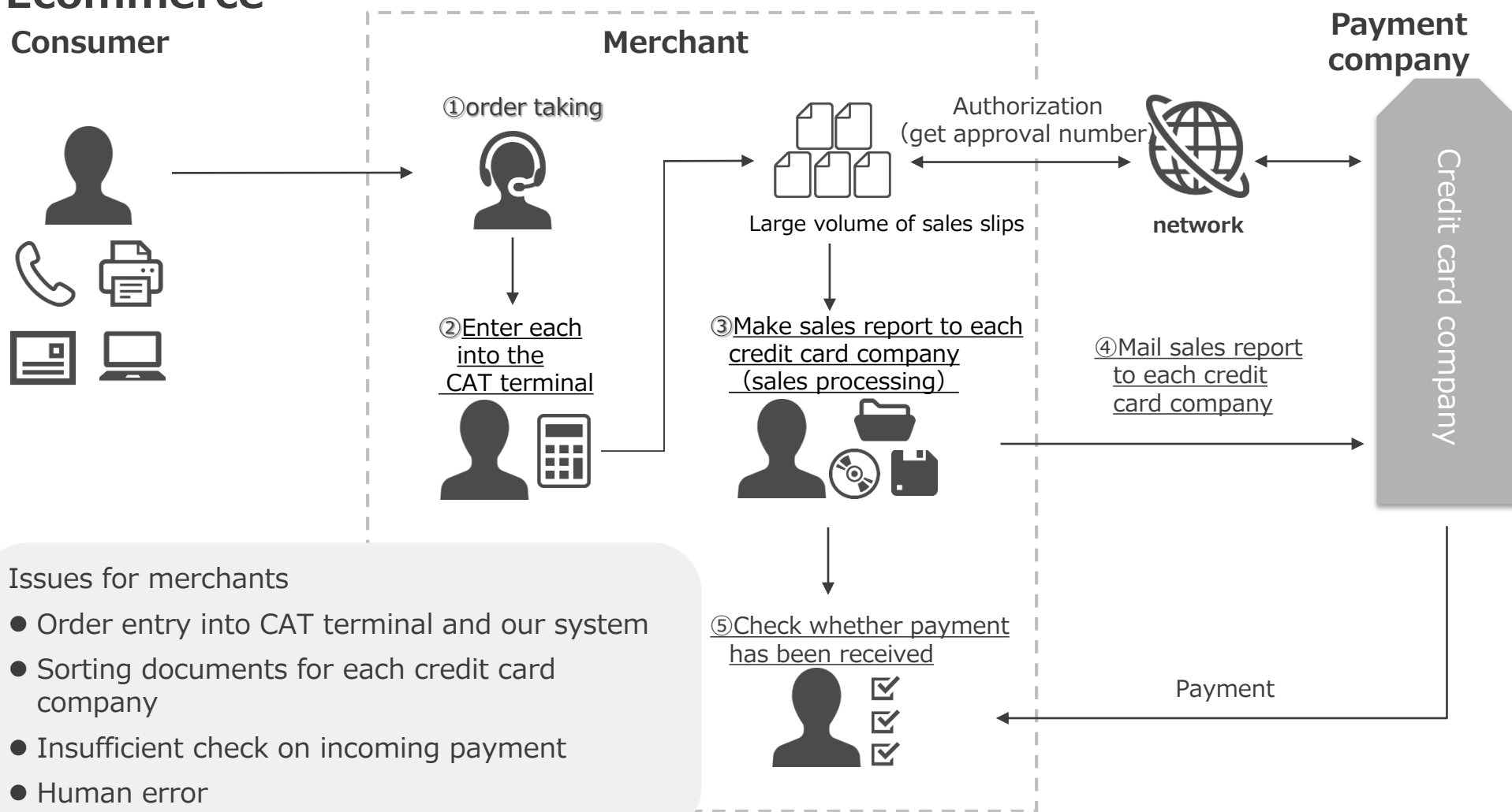
(As of end of September 2018)

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# Appendix

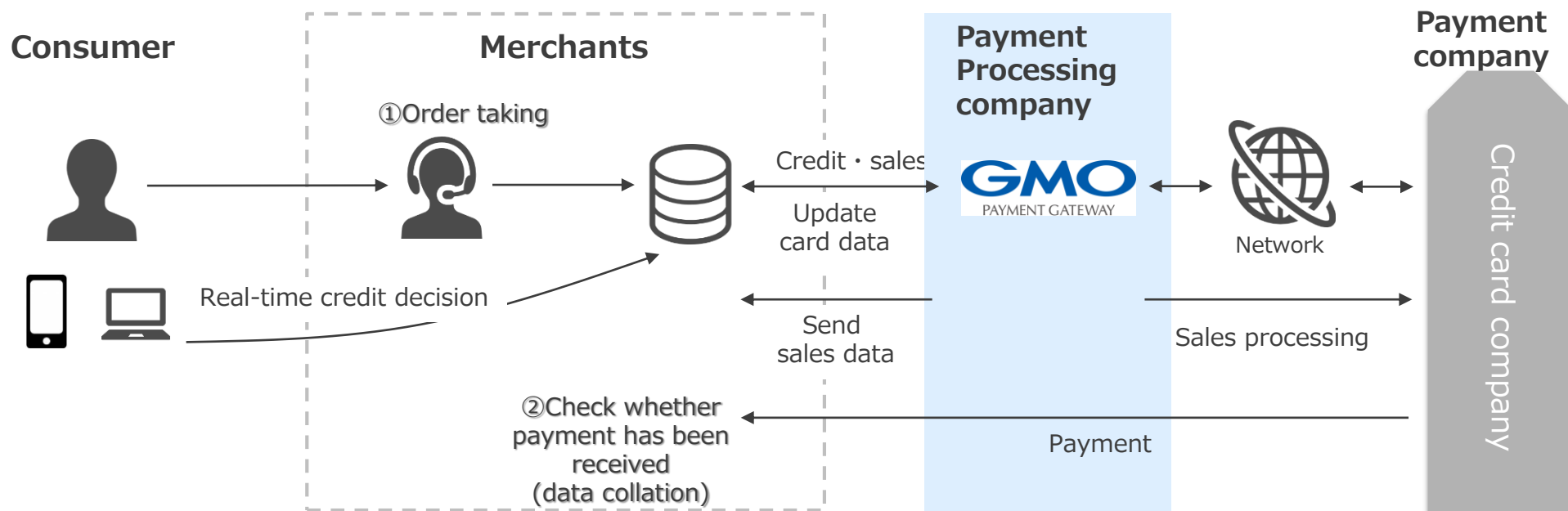
# Business outline of payment processing company (1)

## Problems with online credit card payment in the early days of Ecommerce



# Business outline of payment processing company (2)

## Payment processing service adds operational efficiency to credit card payment



In the early days of Ecommerce, credit card payment was processed offline between merchant and credit card company, causing burden on both sides. Payment processing companies were established to eliminate the burden on both parties.