

Supplementary Information

Financial results briefing for the Q2 of FY2019

May 10, 2019

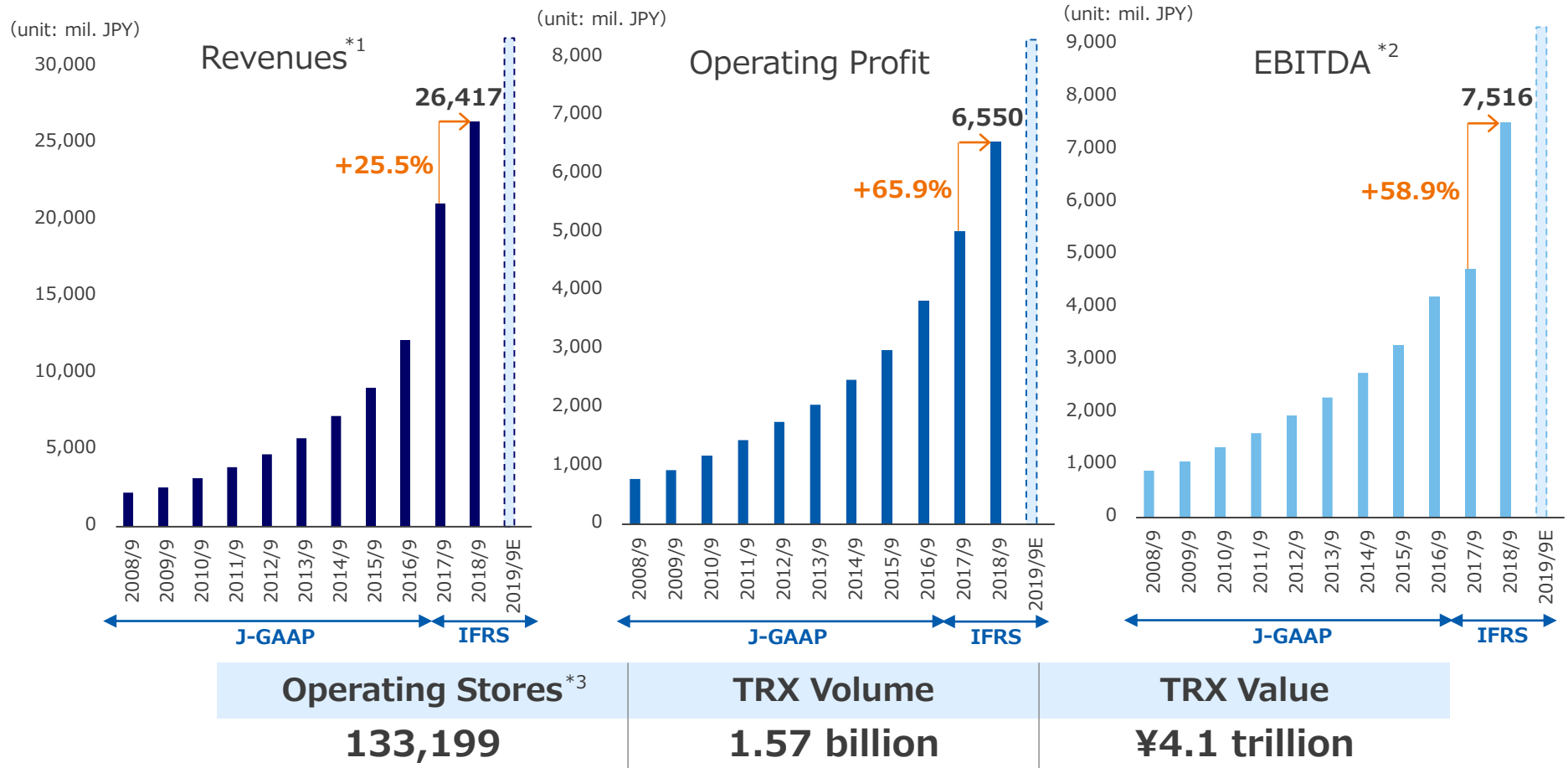
GMO Payment Gateway, Inc.
(Code: 3769, TSE-1st Section)

GMO PAYMENT GATEWAY

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

The Growth track record: KPIs & Business results

FY2018 revenue reached ¥26.4bn and OP ¥6.5bn



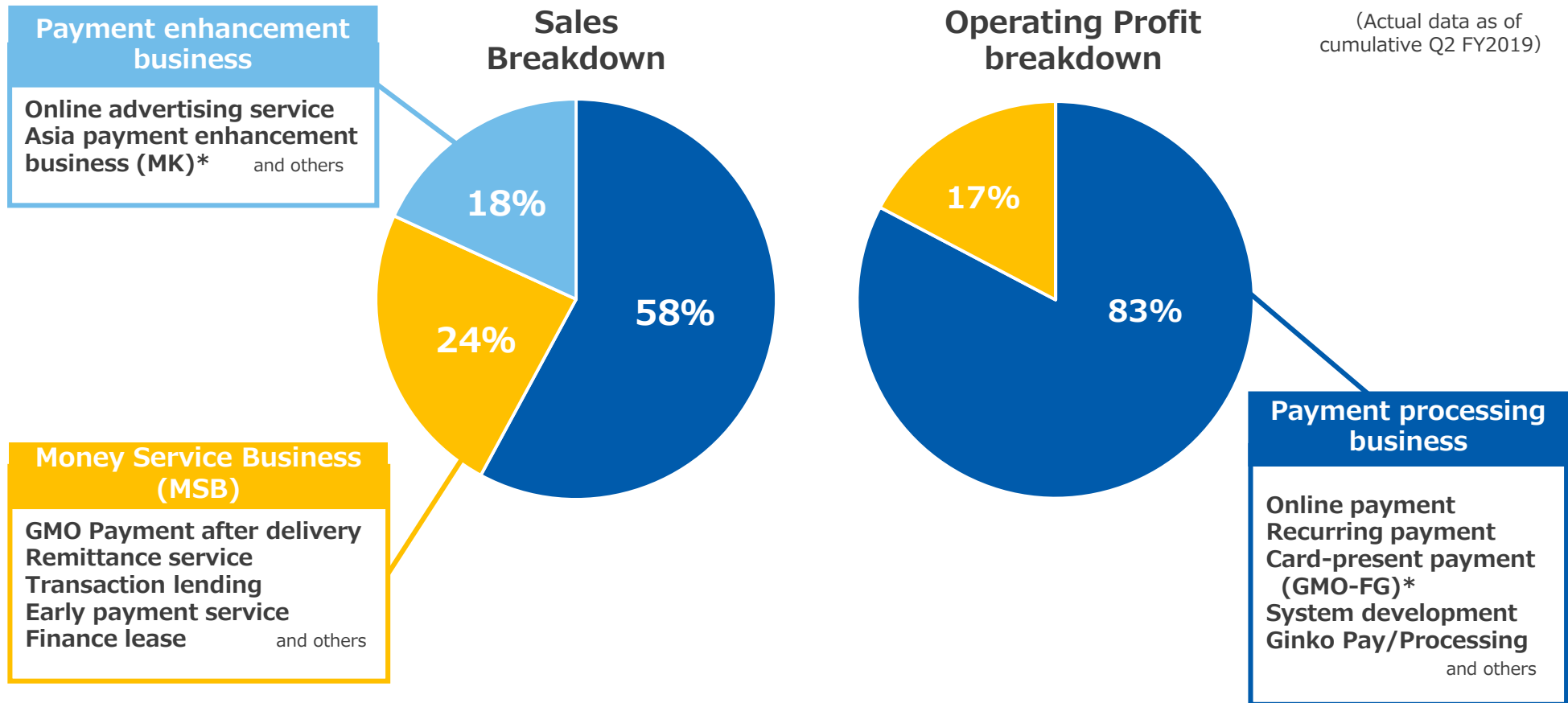
(*1) The group commenced voluntary adoption of IFRS in FY2018. The figures for the FY2017 have been re-calculated on the same basis.

(*2) EBITDA under J-GAAP is calculated as the sum total of operating profit, depreciation and amortization; and under IFRS is calculated as sum total of operating profit and depreciation.

(*3) The number of operating stores is at the end of March 2019. Transaction Volume and transaction value are the figures of April 2018 to March 2019; transaction volume and transaction value include the figures of GMO Financial Gate Group.

Three business segments

Continuing above-25% OP growth from expansion of mainstay payment processing and its peripheral businesses

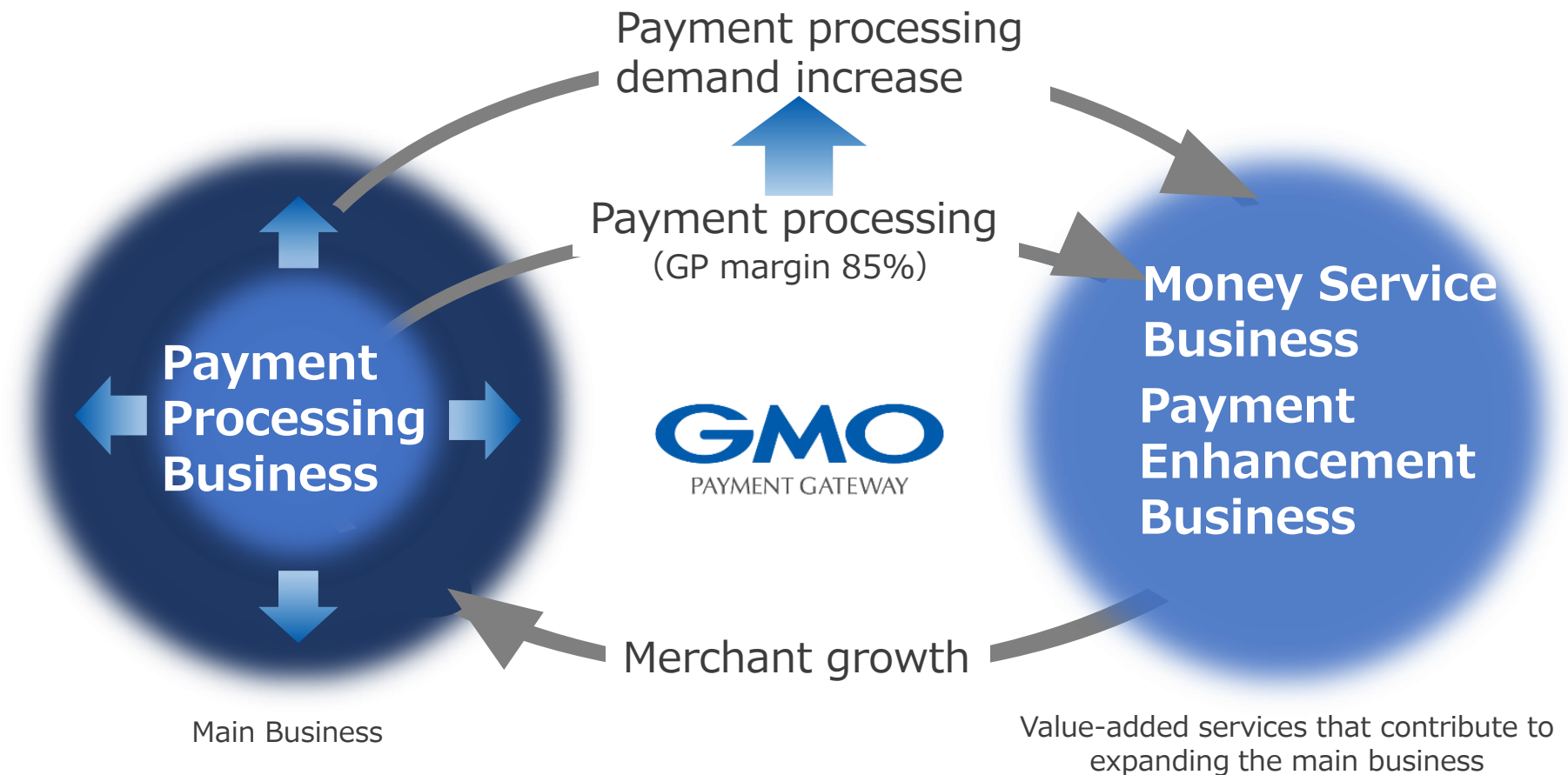


※MK: MACROKIOSK, GMO-FG : GMO Financial Gate Group

We have renamed the "customer support service" to "online advertising services" effective from October 1st 2018.

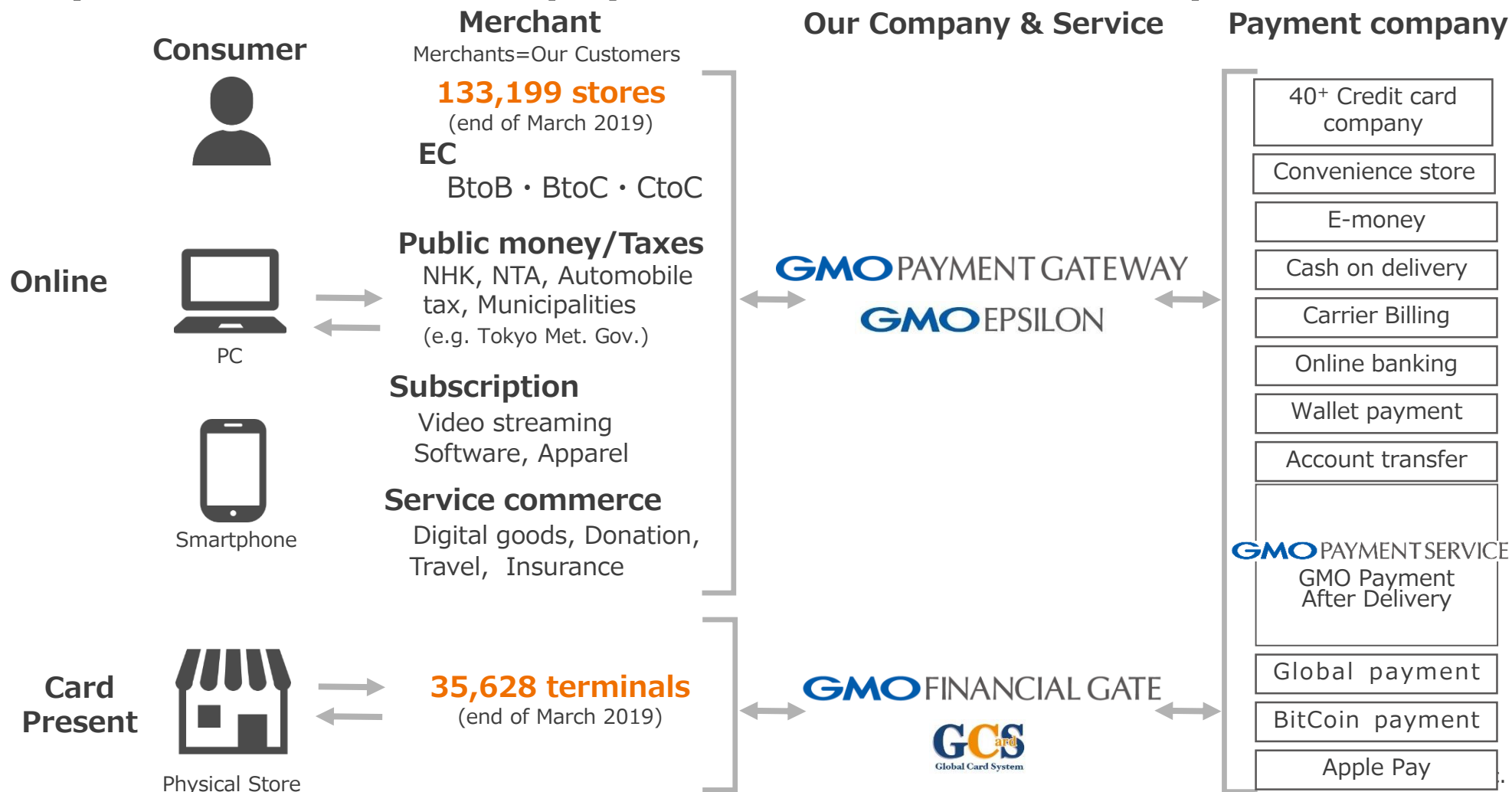
Mutually Enhancing business model

An ecosystem of the main business and the value-added services that leads to a symbiotic growth



Payment Processing Business: Our Role

Connecting merchants and payment companies along the keywords “contract”, “payment data,” and “money flow”



Revenue structure of credit card payment

Revenues determined by merchant type/size

■ The four revenue types

①

Initial (Initial revenue)

Initial introduction fees

Coefficient: Number of new merchants acquired
Revenue: Number of new merchants acquired
× _Yen (at the time of introduction)

②

Stock (fixed monthly revenue)

Customer support and maintenance fee

Coefficient: Number of merchants
Revenue : Operating merchants × _Yen

③

Fee (Transaction processing revenue)

Fee based on transaction volume

Coefficient: Number of payments processed
Revenue : Number of payments processed × _Yen

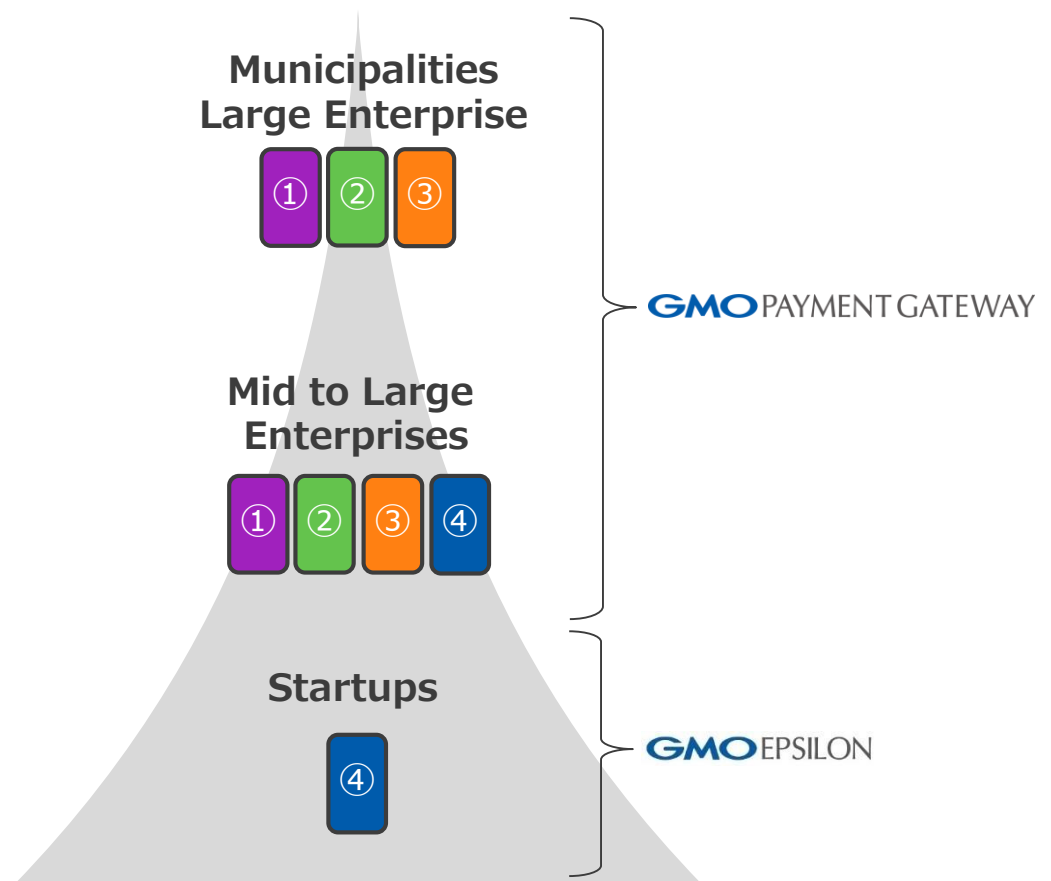
④

Spread (Merchant acquiring service revenue)

Fee based on transaction value

Coefficient: Amount of payments processed
Revenue : Amount of payments processed × _%

■ Revenues by merchant type/size

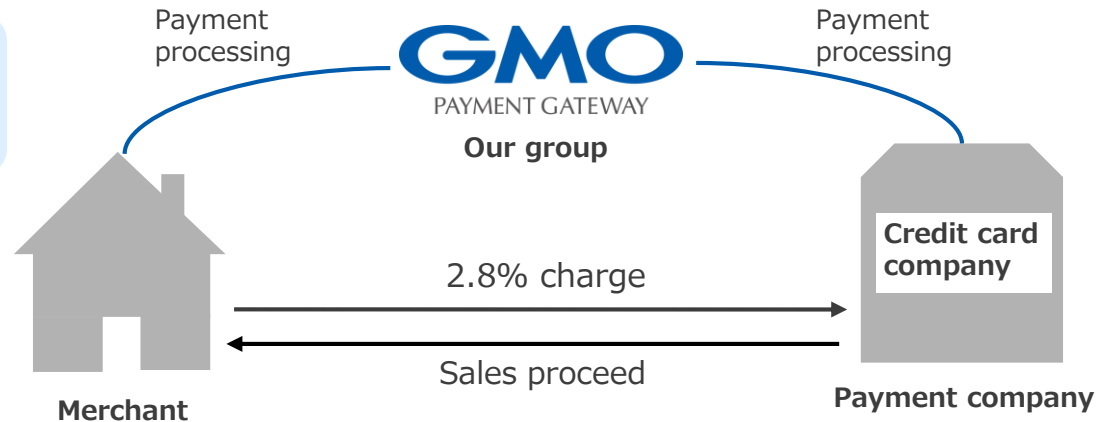


Two types of contracts

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

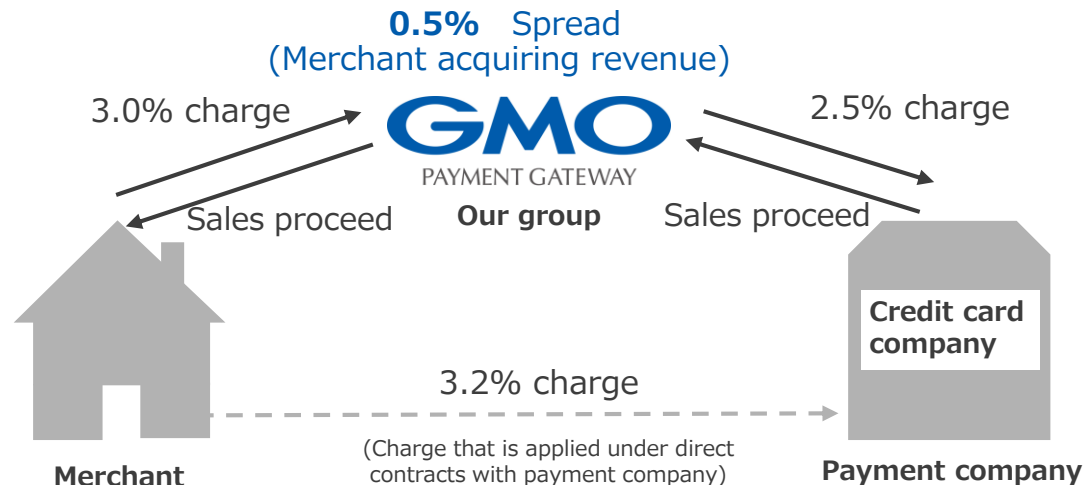
Direct contract

mainly for large companies and municipalities



Representative contract

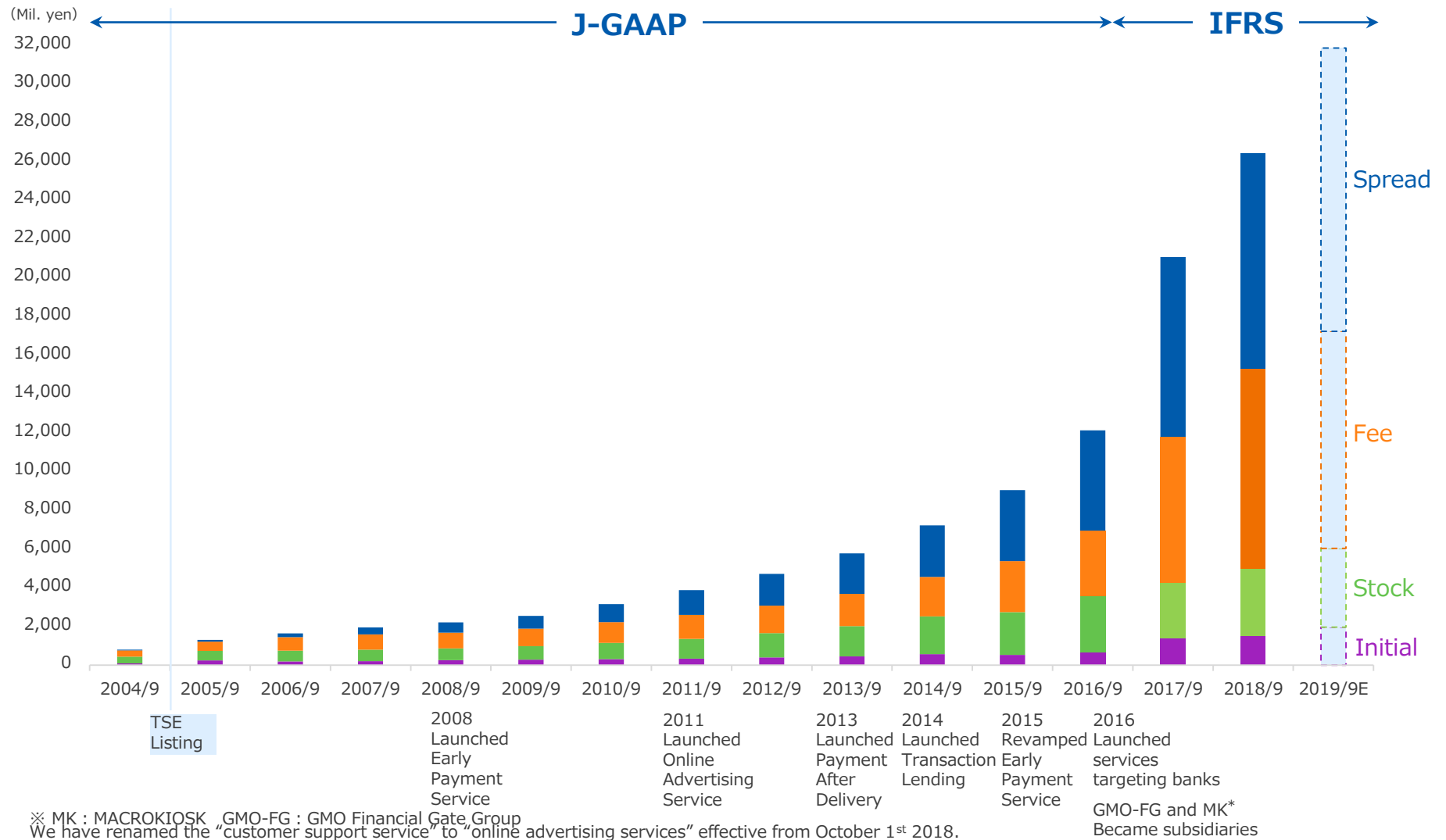
mainly for SME's but covers some large companies



*Numbers are provided for illustration purposes only.

Revenue breakdown by business model

Aim for a balanced revenue growth



Summary of Segments and Business models

We disclose in 3 reporting segments and disclose 4 business 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

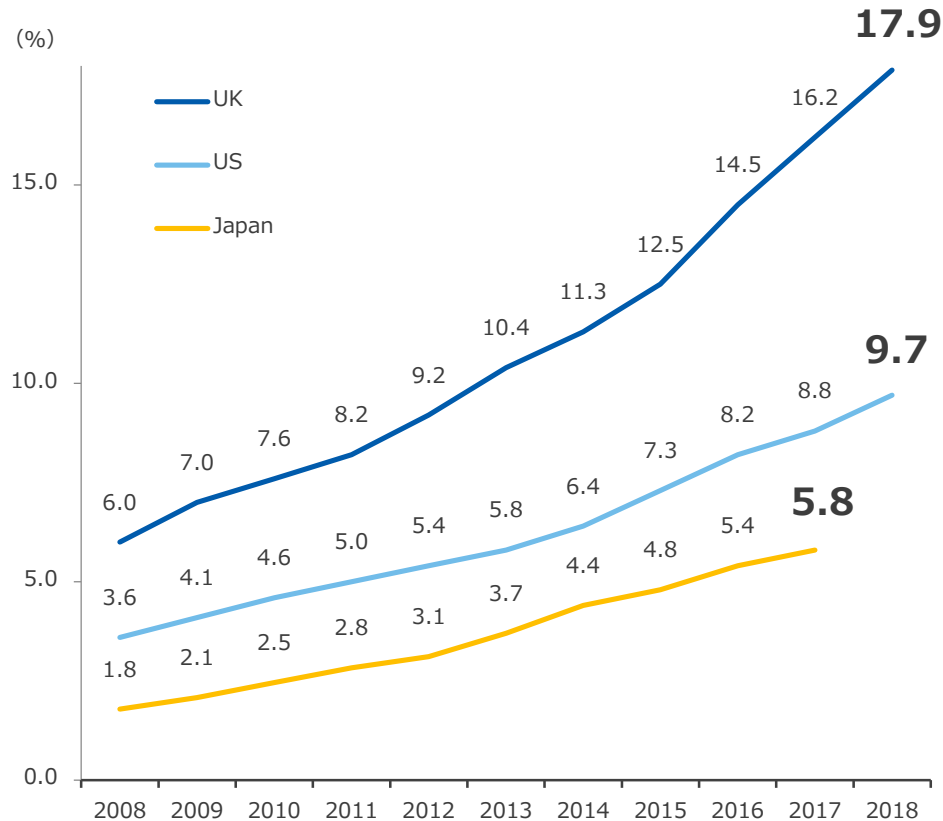
Initial (Initial revenue)	Payment processing (MK)
	SSL
	System development
Stock (Monthly revenue)	Payment processing (MK)
	Services for banks/Processing
	Online advertising service
Fee (Transaction processing revenue)	Payment processing (MK)
	GMO payment after delivery (Fee)
	Remittance service
Spread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

※MK : MACROKIOSK GMO-FG : GMO Financial Gate Group

Growth potential of Ecommerce market in Japan

Low 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 4th Quarter 2018 Retail E-Commerce Sales Report";
Office for National Statistics "Retail Sales Index internet sales, March 2019"

■ Card usage to private final consumption expenditure

(2017)	Credit Card usage rate	Debit card	Credit+Debit * usage to private final consumption expenditure rate
South Korea	76 %	19 %	95 %
UK	12 %	55 %	67 %
Australia	30 %	25 %	55 %
US (2016)	26 %	20 %	46 %
Japan (2016年)	18%	-	18 %

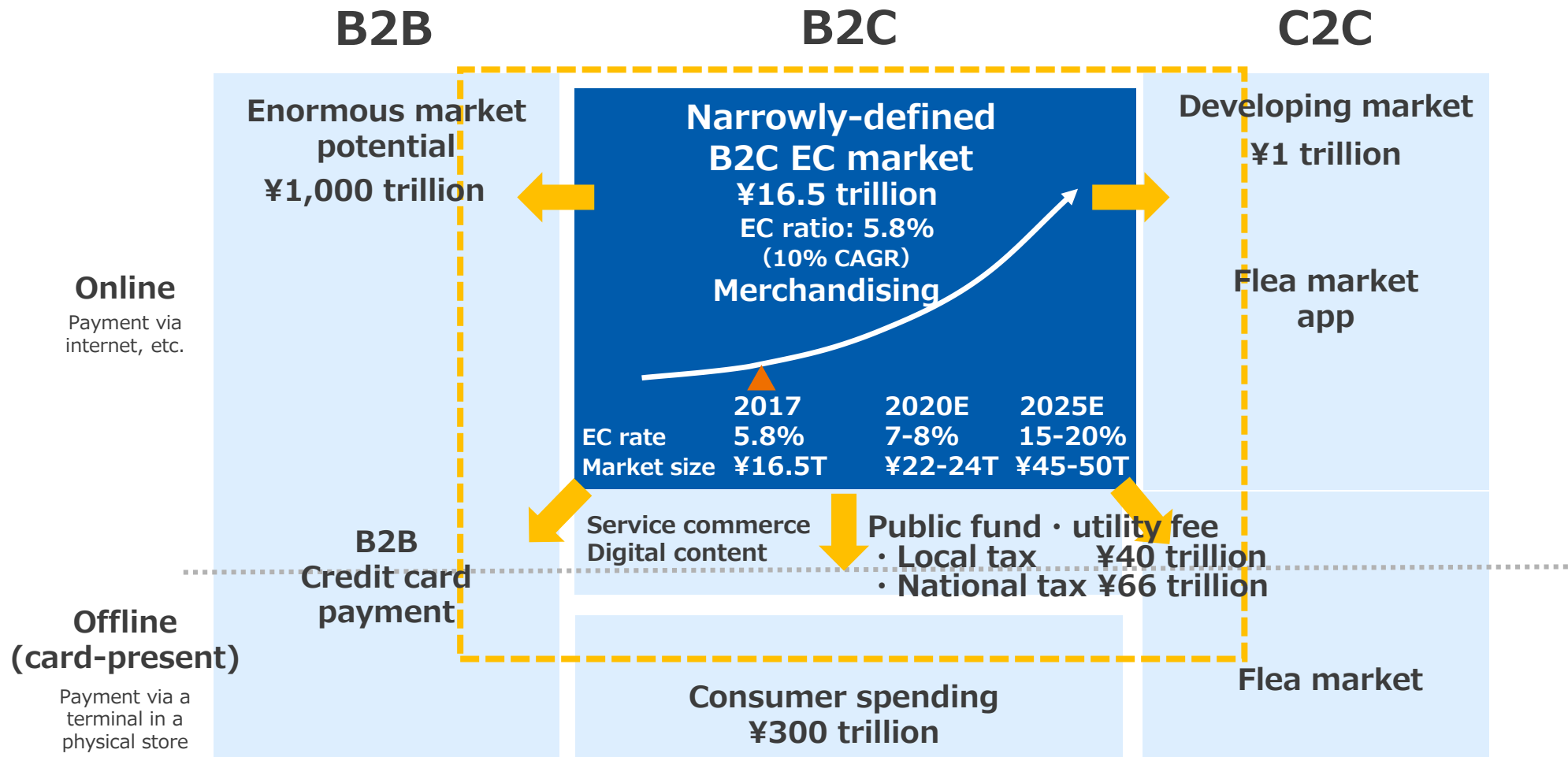
*Rate = (Amount handled by CC or DC) / Private final consumption expenditure

* GMO-PG Estimates by referencing 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)"

Expanding Scope of Cashless Payment

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)"

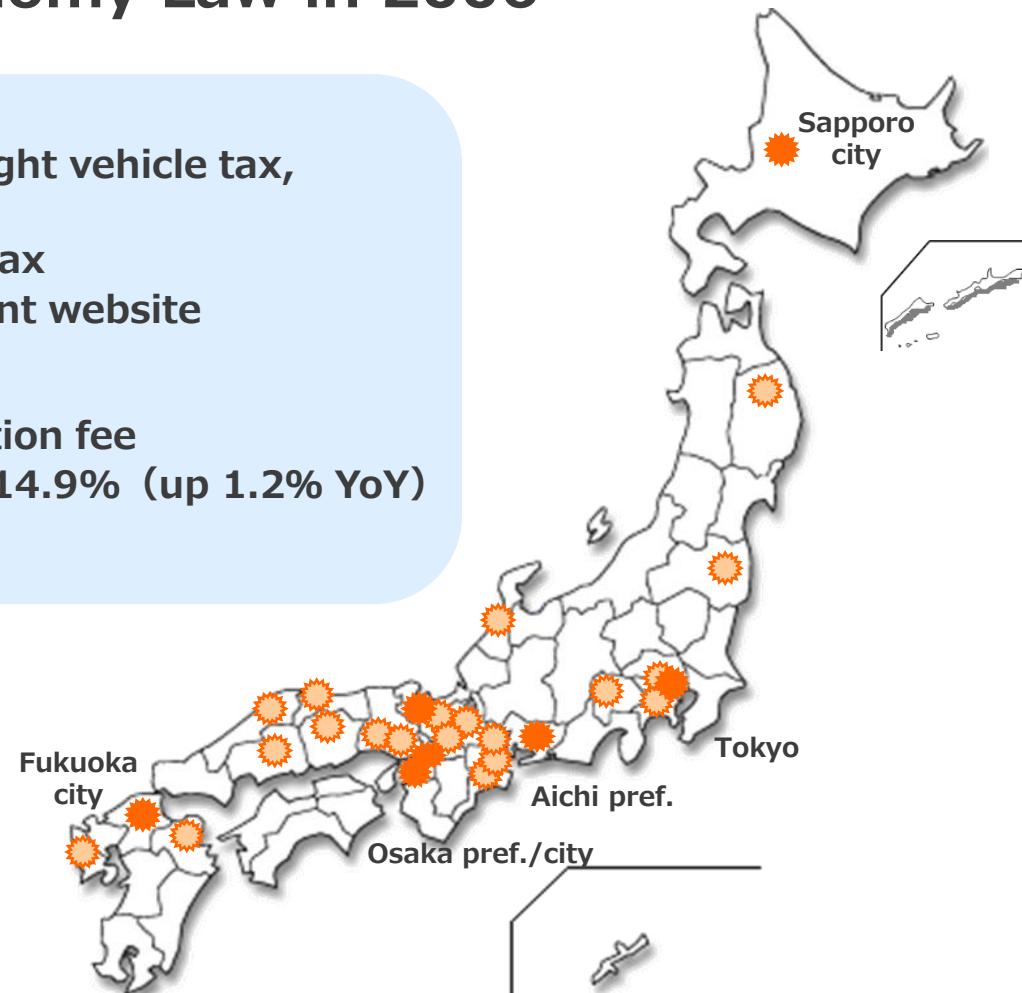
*THE WORLD BANK "Household final consumption expenditure (current USD)"

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 End-FY2017 credit card usage: 14.9% (up 1.2% YoY)

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



*Japan Broadcasting Corporation "Business Report for FY2017"

Payment processing business: card-present payment market

Rollout of IoT services by incorporating cashless & inbound demand

■ Card Present payment

GMO Financial Gate delivers payment terminals for physical store payments

Amendment of Installment Sales Act:

Replacement demand for IC chip equipped terminals from the conventional magnetic strips

Tokyo 2020 Olympics:

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

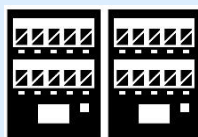
Embedded EMV terminals*



*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



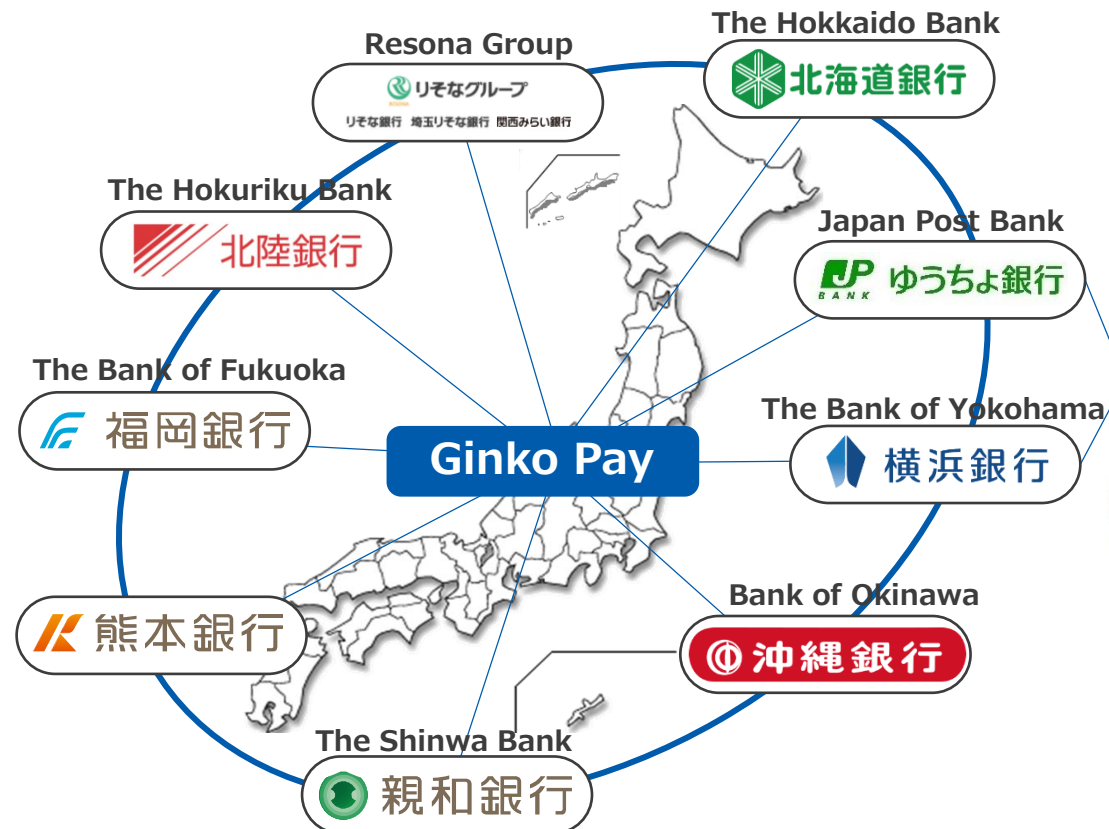
*These illustrations do not necessarily imply plans for future implementations.

Payment processing business: Ginko Pay

We aim to increase sign-ups by banks/companies, inter-connect and create an infrastructure

■ Ginko Pay

A service targeting financial institutions; Ginko Pay is a smartphone app system that allows for immediate & direct debit from the bank account.



Tokyu Corporation, The Bank of Yokohama and GMO-PG to develop a cash out service at ticket vending machines available at train stations (Started May 8th 2019)



Definition of Money Service Business (MSB)

Financial service that only payment service providers can deliver

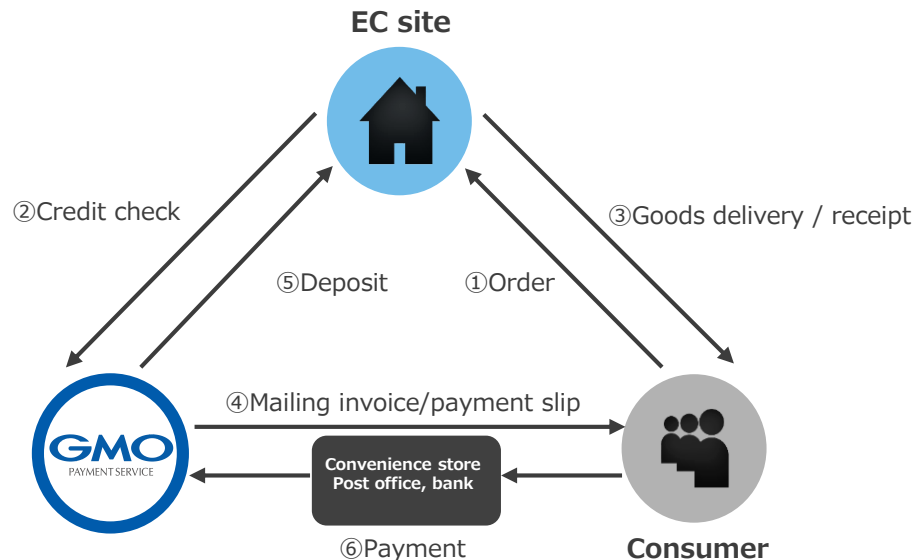
	<u>Services</u>	<u>Revenue types</u>	<u>MSB-related assets</u> <u>(Breakdown of operating and</u> <u>other receivables are as follows)</u>
☑	Remittance service Efficient and secure refund and remittance processing for Ecommerce operator	Fee	—
☑	Transaction lending Handles daily transaction	Spread	Short-term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

MSB: GMO Payment after delivery

Provided by subsidiary GMO Payment Service

■ GMO Payment After Delivery

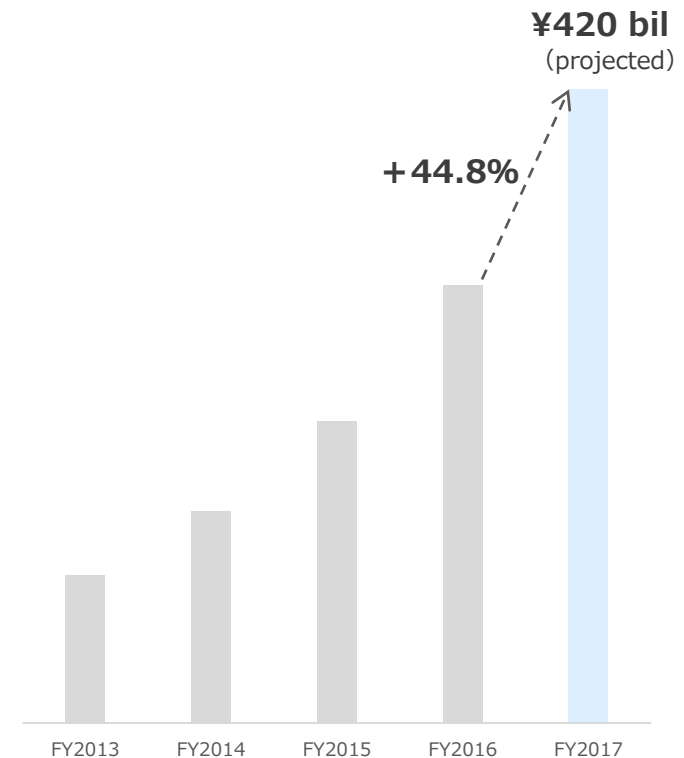
Buyer can pay at the post office or CVS after receiving the goods. Payment term is 2 weeks.



**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.

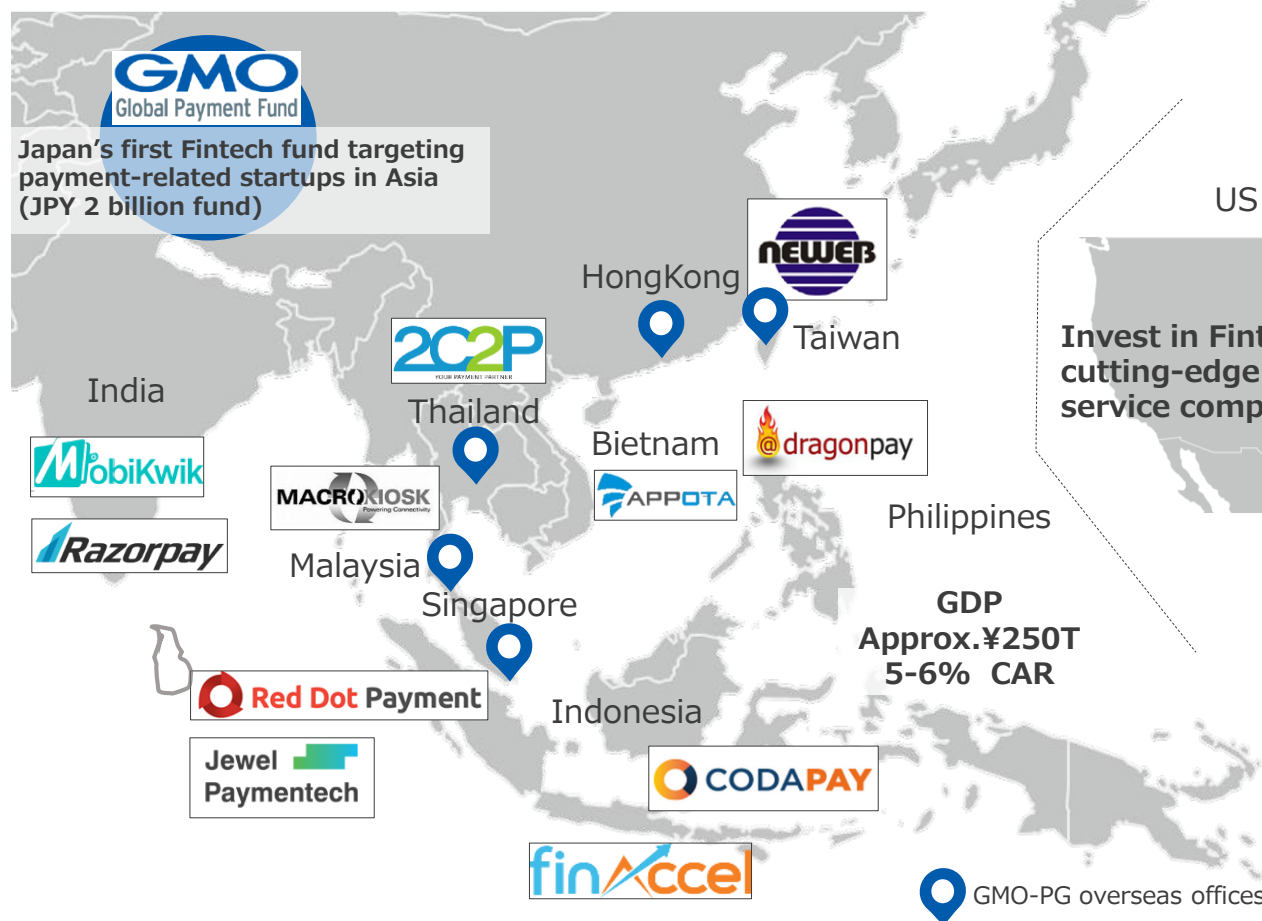
Payment Enhancement: Overseas strategy

Expand customer footprint through strategic investments and assisting JPN companies foray into the Asian market

■ Investment target

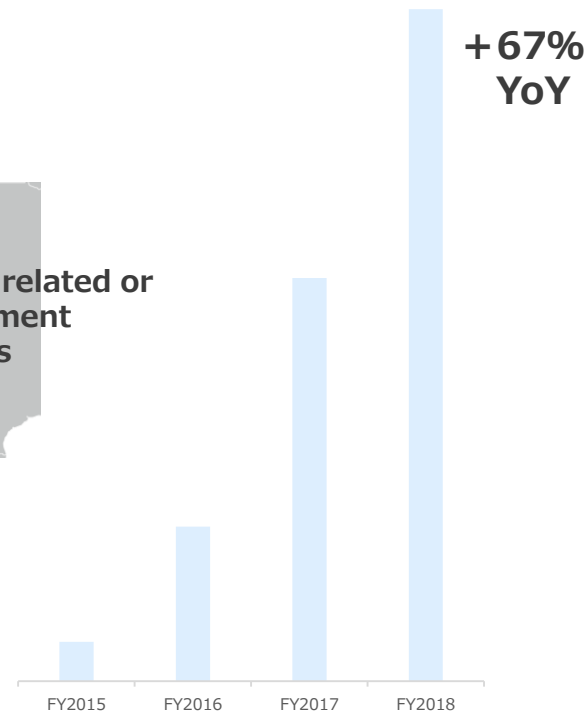
Asia: Top payment-related company US: Innovation capital

Portfolios of Investments by GMO-PG and GMO Global Payment Fund



■ Payment processing business

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



Transaction value in Asia surging

Payment enhancement: Mobile payment and authentication



Focus on investment in MACROKIOSK, Asian banks and large enterprises

Company name Macro Kiosk Berhad

Location Malaysia and 11 other countries in Asia

Headcount 253

Financial results Revenue ¥4,563 million

GMO-PG's stake 70%

Acquisition cost Approx. 1,121 million yen

Business Overview **SMS mobile solution (composition≒90%)**
delivered to 95% of Malaysian banks

Carrier billing gateway (composition≒10%)
delivered to 50+ major carriers in 12 countries

Strategy: Build Scale First, Then Profit

<Specific actions>

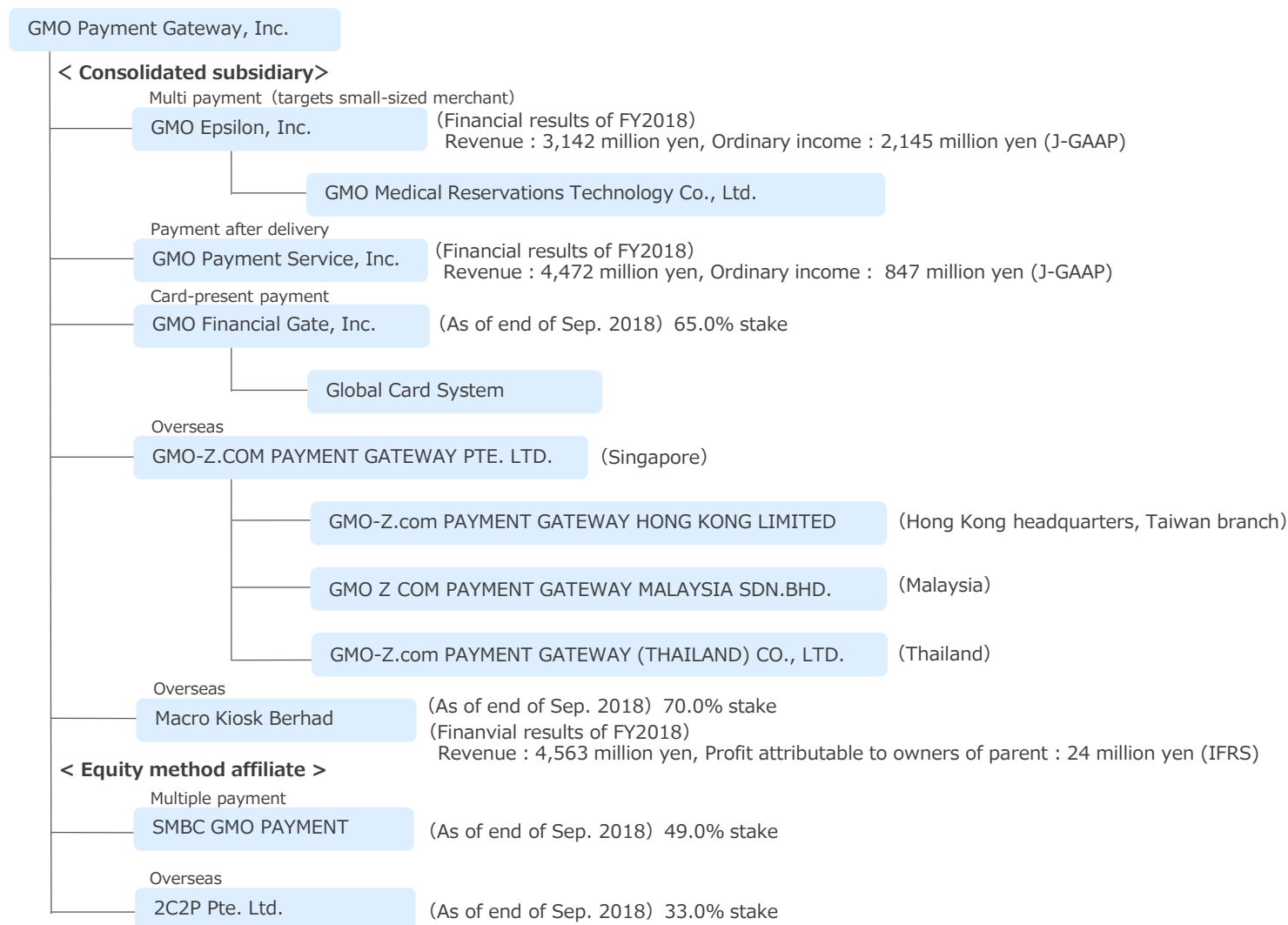
- ①Payment-related business
Set up sales teams in India and Europe
- ②Business expansion in new countries
Provide payment service, collaborating with 2C2P, our equity method affiliate
- ③Development of new products
- ④Entry into new areas by M&A



(as of the end of September 2018)

GMO-PG Group

GMO Payment Gateway's subsidiaries and equity affiliates



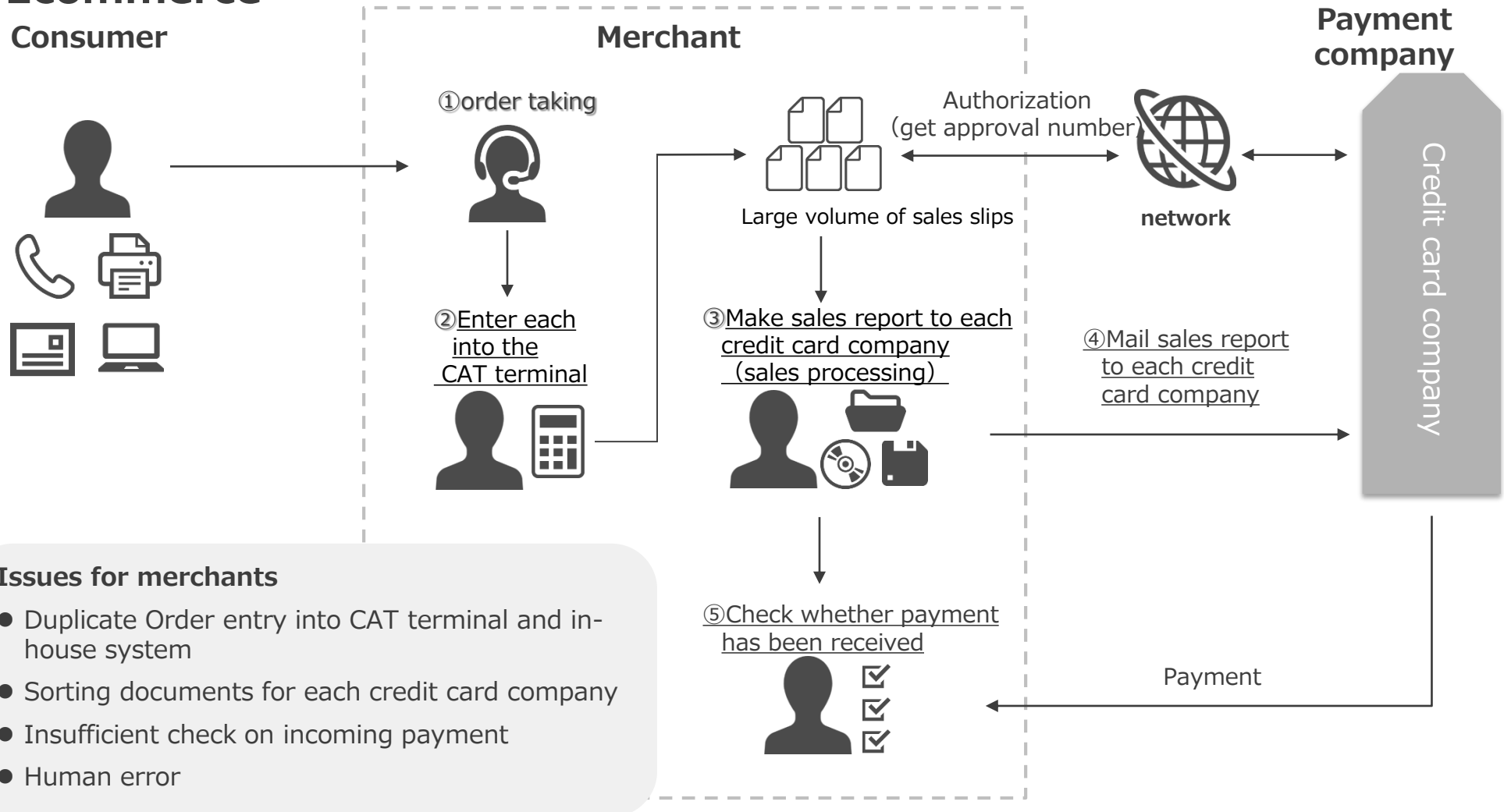
Company outline

■ Name	GMO Payment Gateway, Inc. (3769; Tokyo Stock Exchange 1st 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	<table> <tr> <td>Chairman & Director</td><td>Masatoshi Kumagai</td></tr> <tr> <td>President & Chief Executive Officer</td><td>Issei Ainoura</td></tr> <tr> <td>Director, Executive Vice President</td><td>Ryu Muramatsu</td></tr> <tr> <td>Director, Executive Vice President</td><td>Satoru Isozaki</td></tr> <tr> <td>Senior Managing Director</td><td>Yuichi Hisada</td></tr> <tr> <td>Director</td><td>Masashi Yasuda</td></tr> <tr> <td>Director</td><td>Takehito Kaneko</td></tr> <tr> <td>Director</td><td>Hiroyuki Nishiyama</td></tr> <tr> <td>Director</td><td>Hirofumi Yamashita</td></tr> <tr> <td>External Director</td><td>Masaya Onagi</td></tr> <tr> <td>External Director</td><td>Akio Sato</td></tr> <tr> <td>Managing Executive Officer</td><td>Tomoyuki Murakami</td></tr> <tr> <td>Managing Executive Officer</td><td>Shinichi Sugiyama</td></tr> <tr> <td>Managing Executive Officer</td><td>Yusuke Arai</td></tr> <tr> <td>Managing Executive Officer</td><td>Masaru Yoshioka</td></tr> <tr> <td>Managing Executive Officer</td><td>Takeshi Yoshii</td></tr> <tr> <td>Managing Executive Officer</td><td>Takashi Mitani</td></tr> <tr> <td>Managing Executive Officer</td><td>Katsunari Mukai</td></tr> <tr> <td>Executive officer</td><td>Yoshikazu Yanagishima</td></tr> <tr> <td>Executive officer</td><td>Kazunari Taguchi</td></tr> <tr> <td>Executive officer</td><td>Tatsuhito Muramatsu</td></tr> <tr> <td>Executive officer</td><td>Kiyonobu Inayama</td></tr> <tr> <td>Executive officer</td><td>Shingo Ito</td></tr> <tr> <td>Executive officer</td><td>Yoshinori Inoguchi</td></tr> <tr> <td>Executive officer</td><td>Hirofumi Tozawa</td></tr> <tr> <td>Executive officer</td><td>Yasunori Hatada</td></tr> <tr> <td>Executive officer</td><td>Mariko Takeda</td></tr> <tr> <td>Auditor</td><td>Takashi Iinuma</td></tr> <tr> <td>External Auditor</td><td>Kazutaka Yoshida</td></tr> <tr> <td>External Auditor</td><td>Kazuhiko Okamoto</td></tr> <tr> <td>External Auditor</td><td>Yumi Hokazono</td></tr> </table>	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	Masashi Yasuda	Director	Takehito Kaneko	Director	Hiroyuki Nishiyama	Director	Hirofumi Yamashita	External Director	Masaya Onagi	External Director	Akio Sato	Managing Executive Officer	Tomoyuki Murakami	Managing Executive Officer	Shinichi Sugiyama	Managing Executive Officer	Yusuke Arai	Managing Executive Officer	Masaru Yoshioka	Managing Executive Officer	Takeshi Yoshii	Managing Executive Officer	Takashi Mitani	Managing 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	Executive officer	Mariko Takeda	Auditor	Takashi Iinuma	External Auditor	Kazutaka Yoshida	External Auditor	Kazuhiko Okamoto	External Auditor	Yumi Hokazono
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(As of end of January 2019)

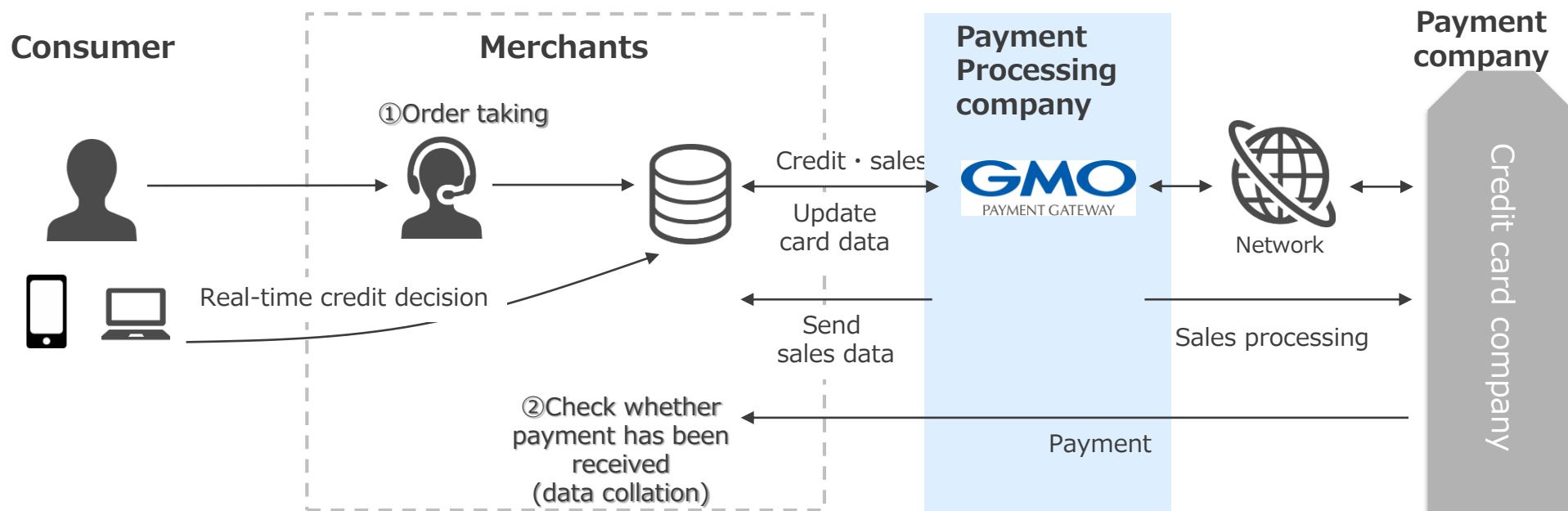
Business outline of payment processing company (1)

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, a burden for both sides.

Payment processing companies were established to eliminate the burden for both the parties.