

Supplementary Information

Financial results briefing for FY2019

November 14, 2019

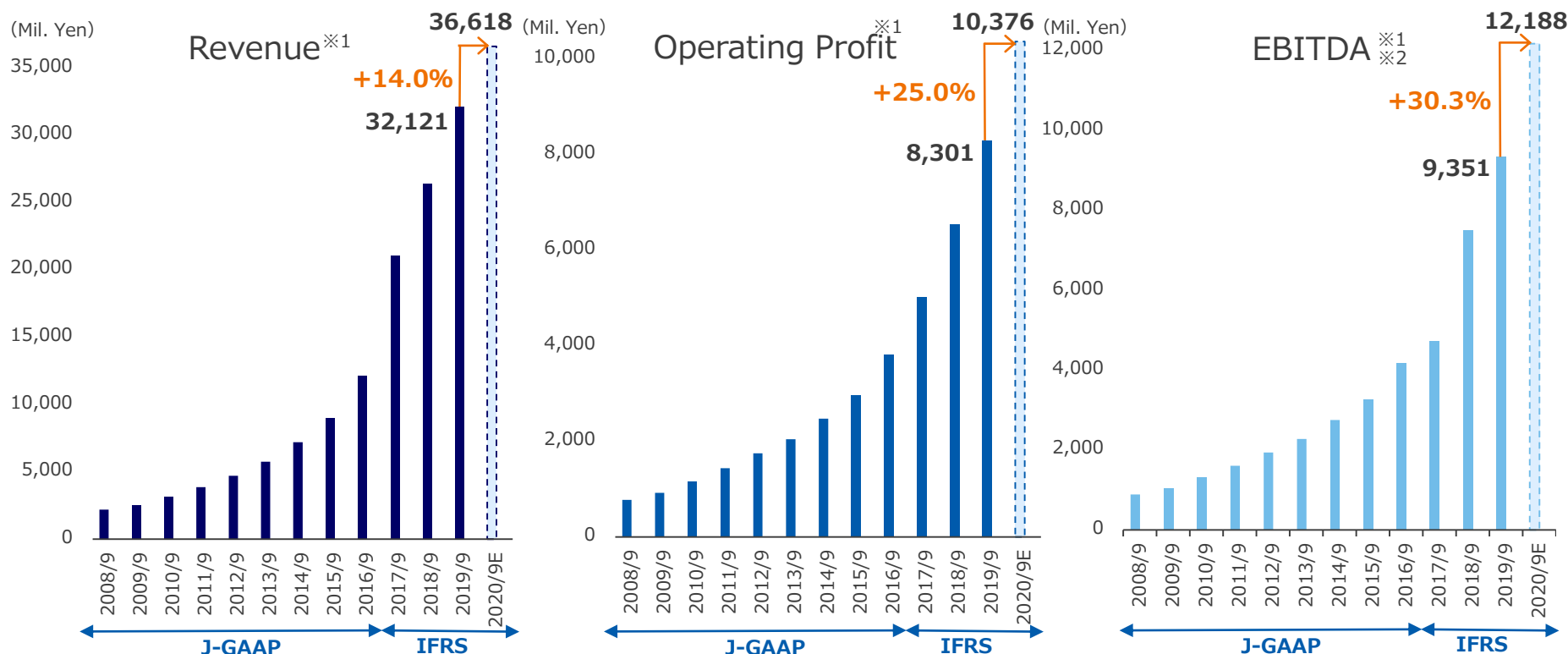
GMO Payment Gateway, Inc.
(Code: 3769, TSE-1st Section)

GMO PAYMENT GATEWAY

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

Track record of growth

FY2020 revenue guidance ¥36.6bn, OP ¥10.3bn



Operating Stores^{※3,4}
111,425

TRX Volume (Annual)
1.78 billion

TRX Value (Annual)
¥4.6 trillion

(※1) The group commenced voluntary adoption of IFRS in FY2018. The figures for the FY2017 have been re-calculated on the same basis. FY2020 figures show the earnings guidance.

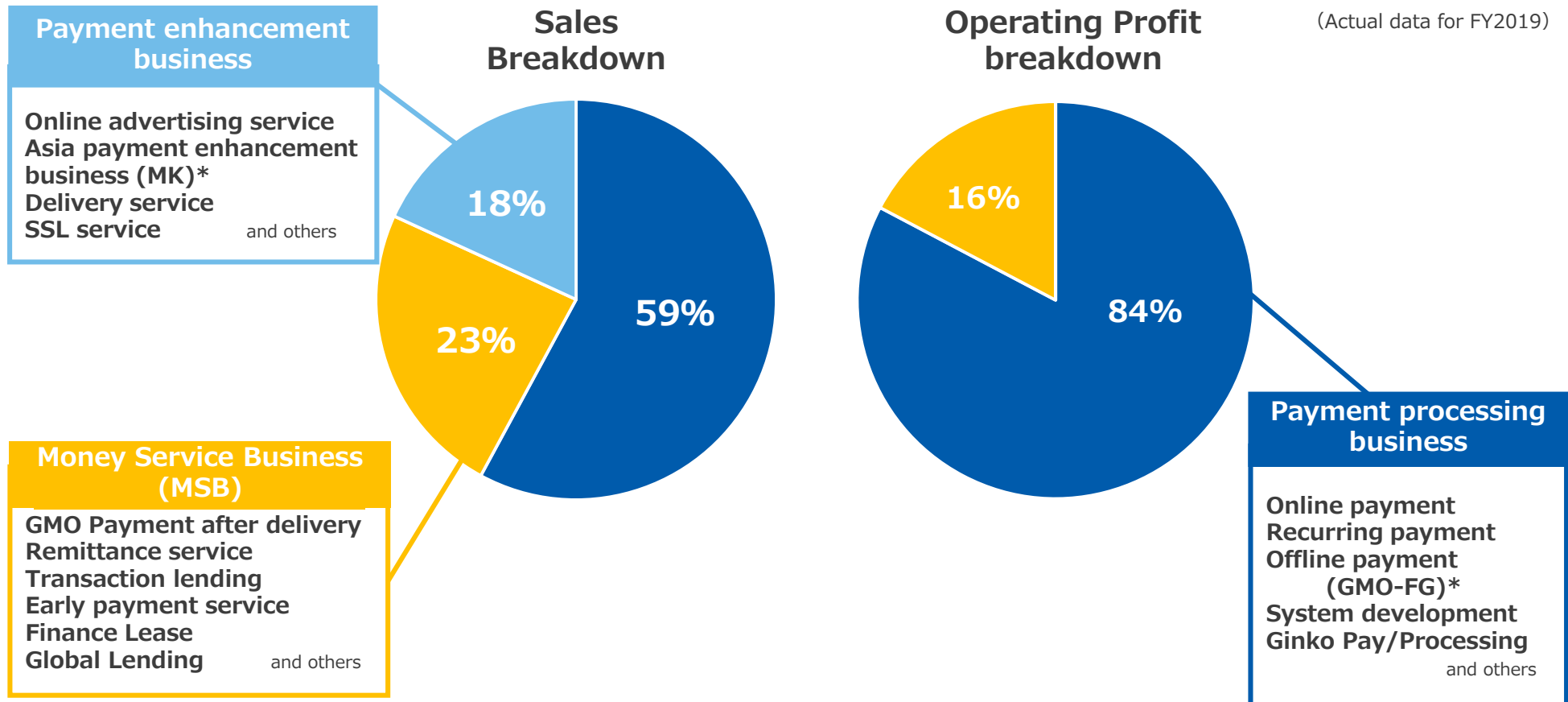
(※2) EBITDA under J-GAAP is calculated as the sum total of operating profit, depreciation and amortization; and under IFRS is calculated as sum total of operating profit and depreciation.

(※3) The number of operating stores is as of end-Sep 2019. Transaction Volume and transaction value are the figures of the period Oct. 2018 to Sep 2019. Transaction volume and transaction value include the figures of GMO Financial Gate Group.

(※4) Operating stores excludes a significant increase from a specific merchant. If included, the total number of operating stores is 228,765 by end-Sep 2019.

Three business segments

Sustain an over-25% OP growth from the expansion of the mainstay payment processing and its peripheral businesses

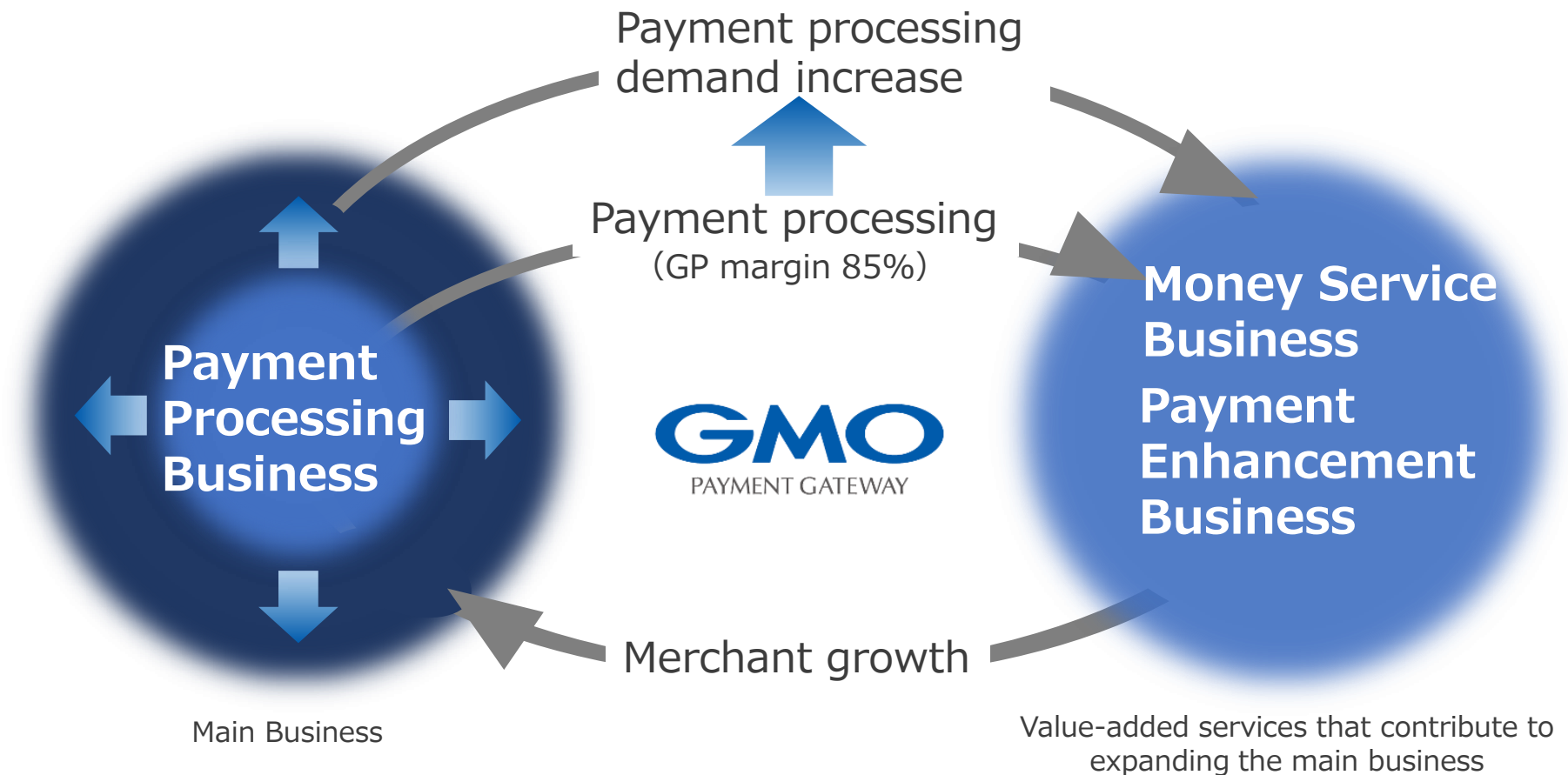


※MK: MACROKIOSK, GMO-FG : GMO Financial Gate Group

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

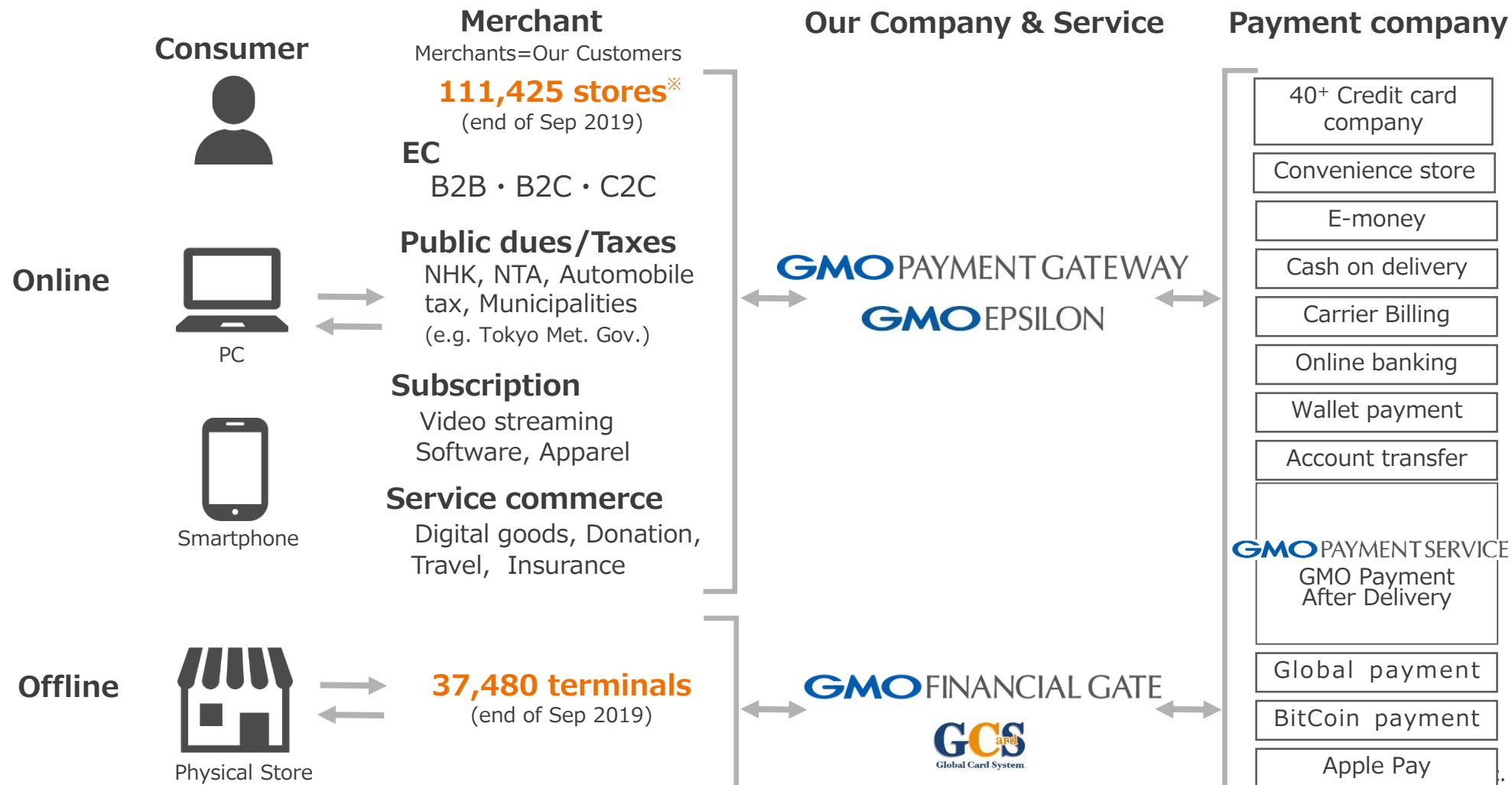
Mutually Enhancing business model

A mutually enhancing ecosystem between the main business and the value-added services that enables a symbiotic growth



Payment Processing Business: Our Role

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



※ Excludes a significant one-off increase in operating stores from a specific merchant. If included, the total number of operating stores is 228,765 by end-Sep 2019.

Revenue structure of credit card payment

Business model is determined by merchant type/size

■ The four business models

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

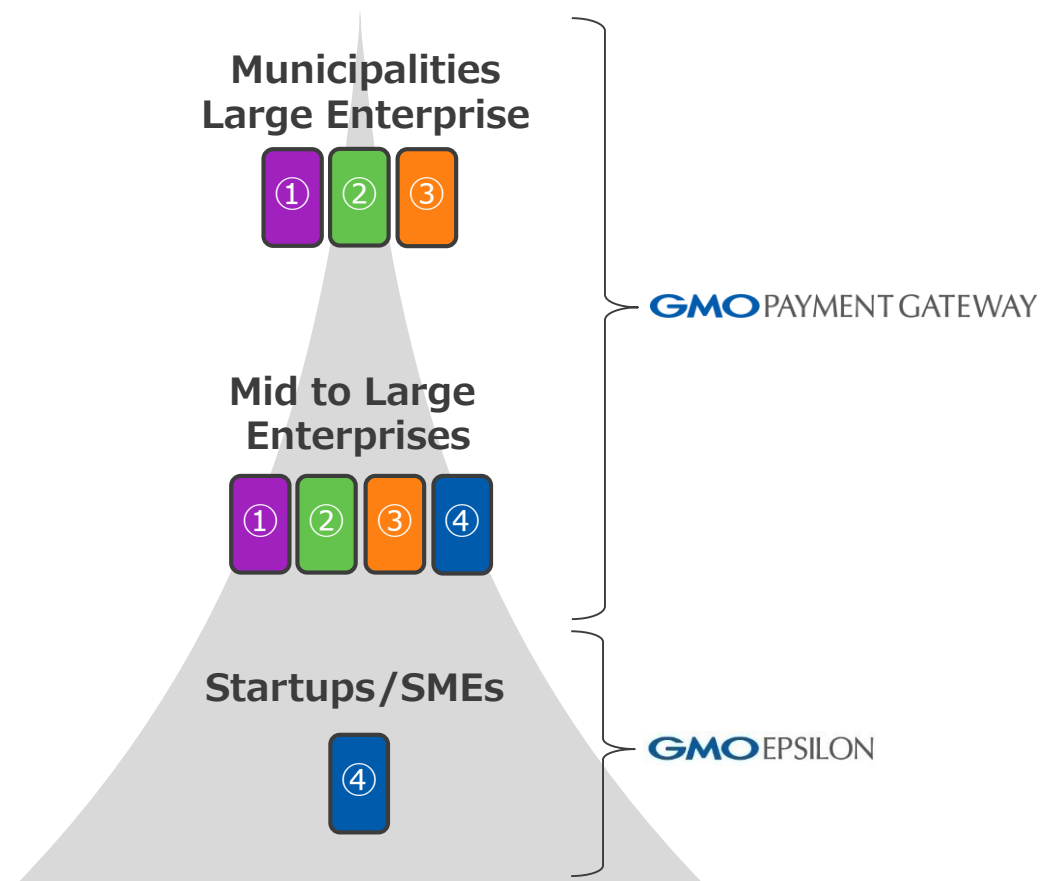
④

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

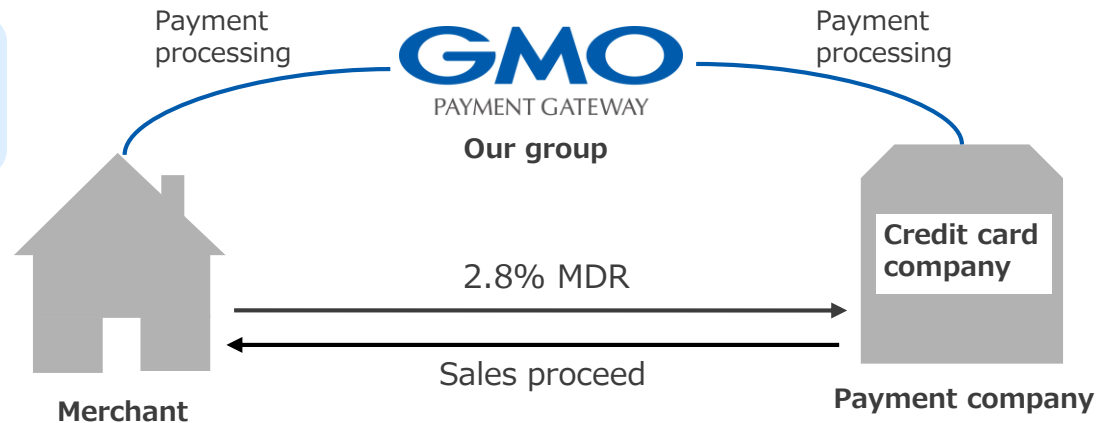


Payment Processing Biz: Two types of contracts

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

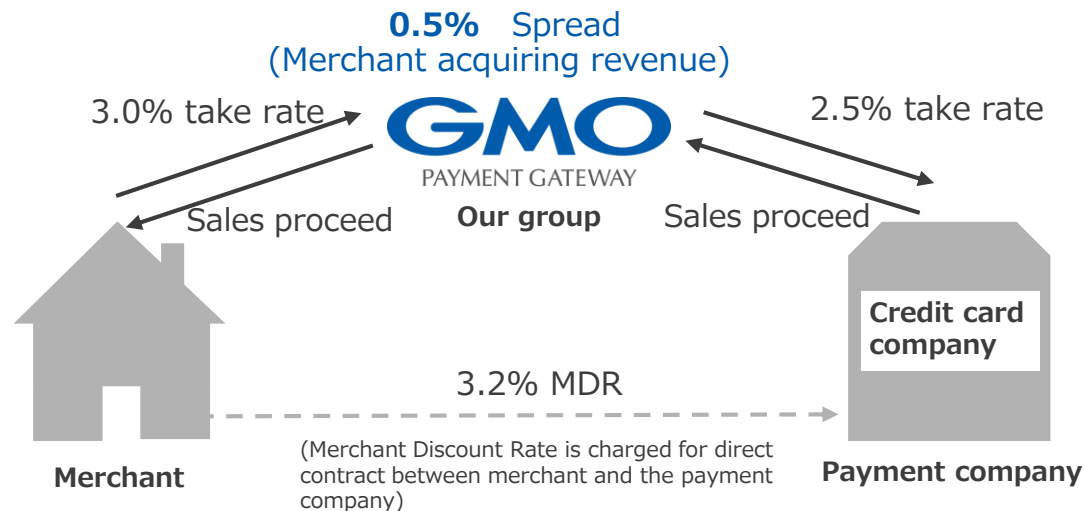
Direct contract

mainly for large companies and municipalities



Representative contract

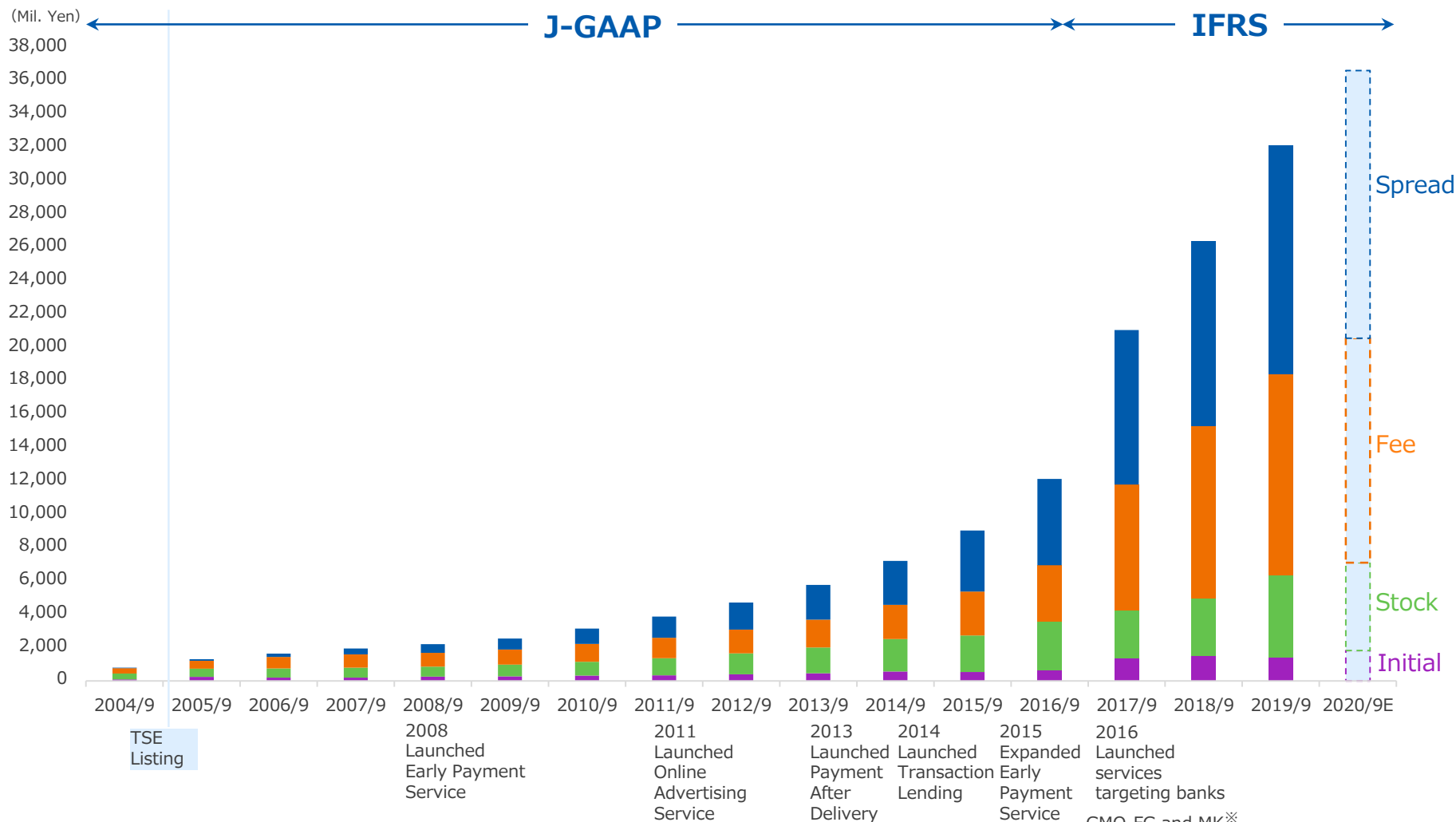
mainly for SME's but covers some large companies



*Numbers are provided for illustration purposes only.

Revenue trend by business model

Aim for an all-round balanced revenue growth



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

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

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

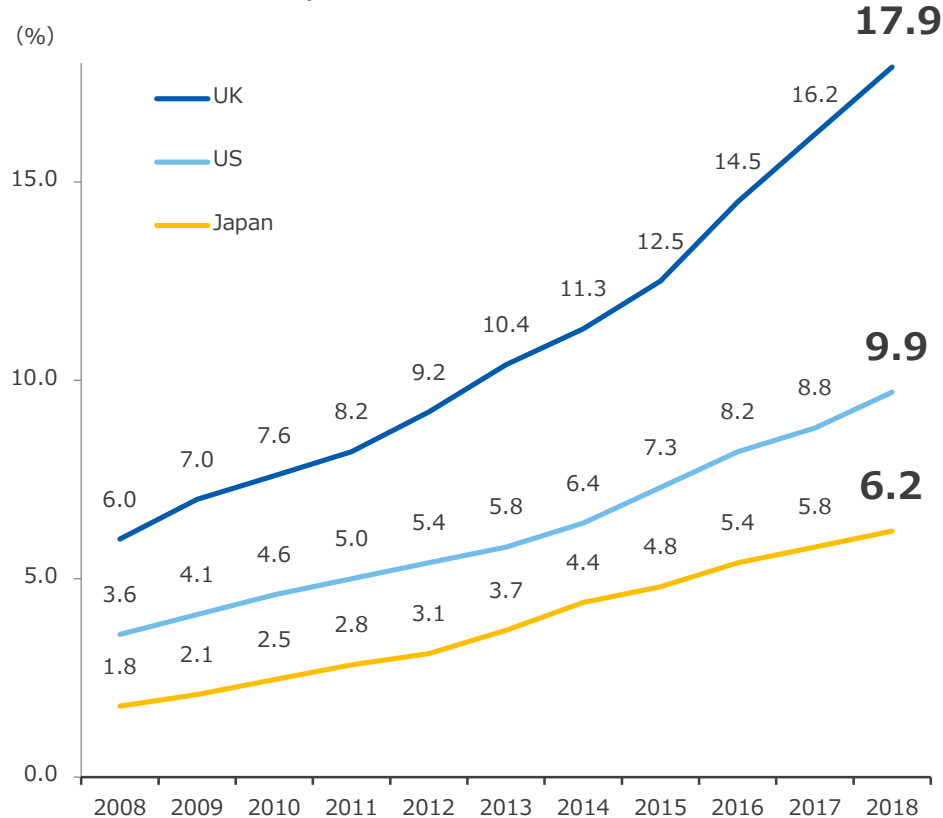
Initial (Initial revenue)	Payment processing (MK)
	SSL
	System development
Stock (Monthly revenue)	Payment processing (MK)
	Services for banks/Processing
	Online advertising service
Fee (Transaction processing revenue)	Payment processing (MK)
	GMO payment after delivery (Fee)
	Remittance service
Spread (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 EC market in Japan

Japan: Low E-Commerce penetration and high cash-use versus other developed countries

■ E-Commerce penetration rates



Figures are GMO-PG estimates.

Sources : METI. "FY2018 Survey of Infrastructure Development Status for Data-driven Society in Japan (E-Commerce market survey)"

U.S. Bureau of the Census "The 2nd Quarter 2019 Retail E-Commerce Sales Report";
Office for National Statistics "Retail Sales Index internet sales, September 2019"

■ Card usage in private final consumption expenditure

(2017)	Credit Card penetration (A)	Debit card penetration (B)	Usage rate* (A) + (B)
South Korea	76 %	19 %	95 %
UK	12 %	55 %	67 %
Australia	30 %	25 %	55 %
US	25 %	19%	44 %
Japan	18%	-	18 %

* Usage Rate = (Total Transaction amount of CCs and DCs) / Private Final Consumption Expenditure

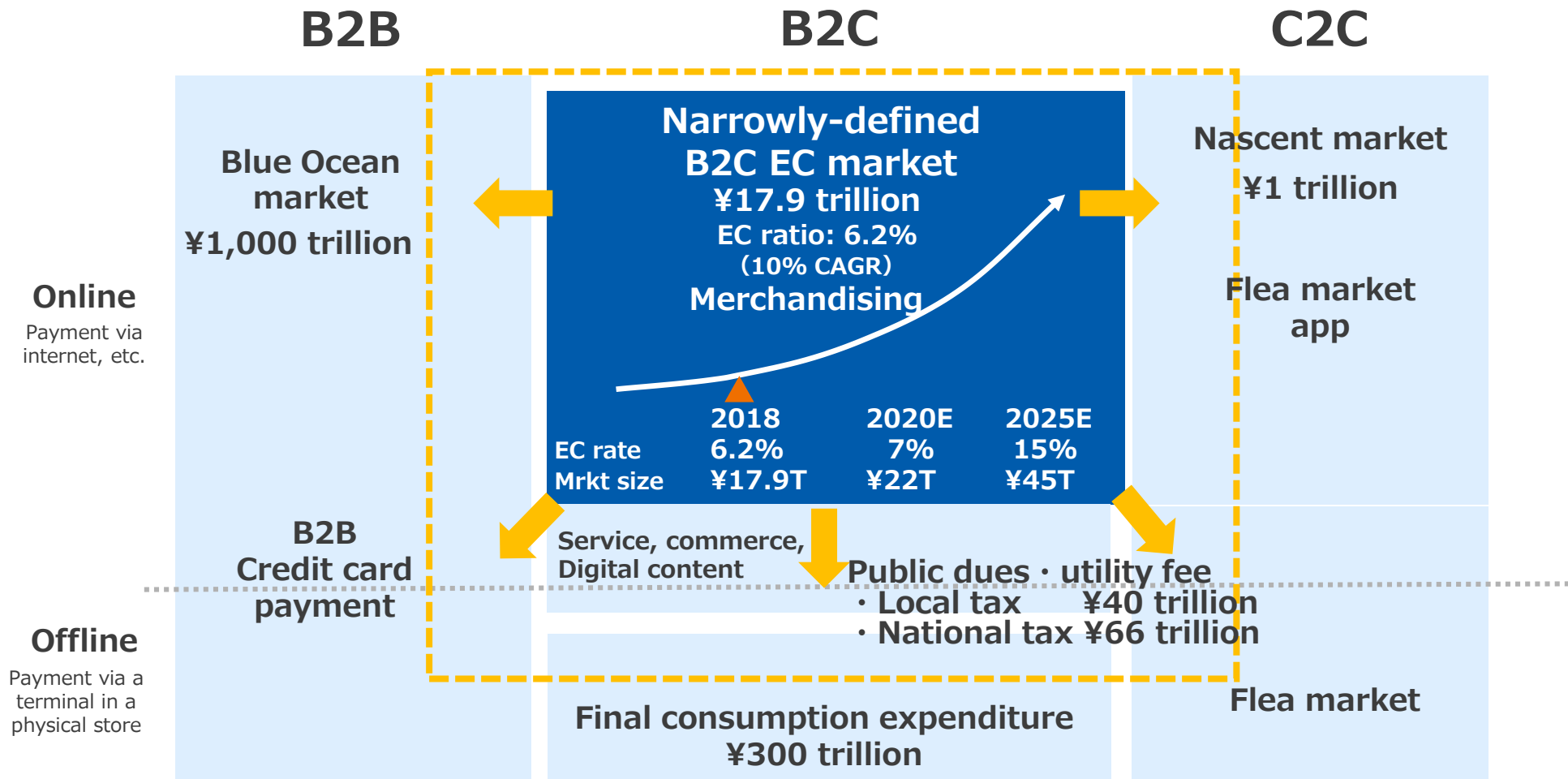
* Figures are GMO-PG Estimates.

Sources: 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

Group-wide growth driven by cashless penetration in Japan



* References : METI. "FY2018 Survey of Infrastructure Development Status for Data-driven Society in Japan (E-Commerce Market Survey)". Figures for 2020 and after are our estimates.

* Ministry of Internal Affairs and Communication, "Breakdown of national tax and local tax revenue (FY2019 Budget and Local Government Finance Plan)"

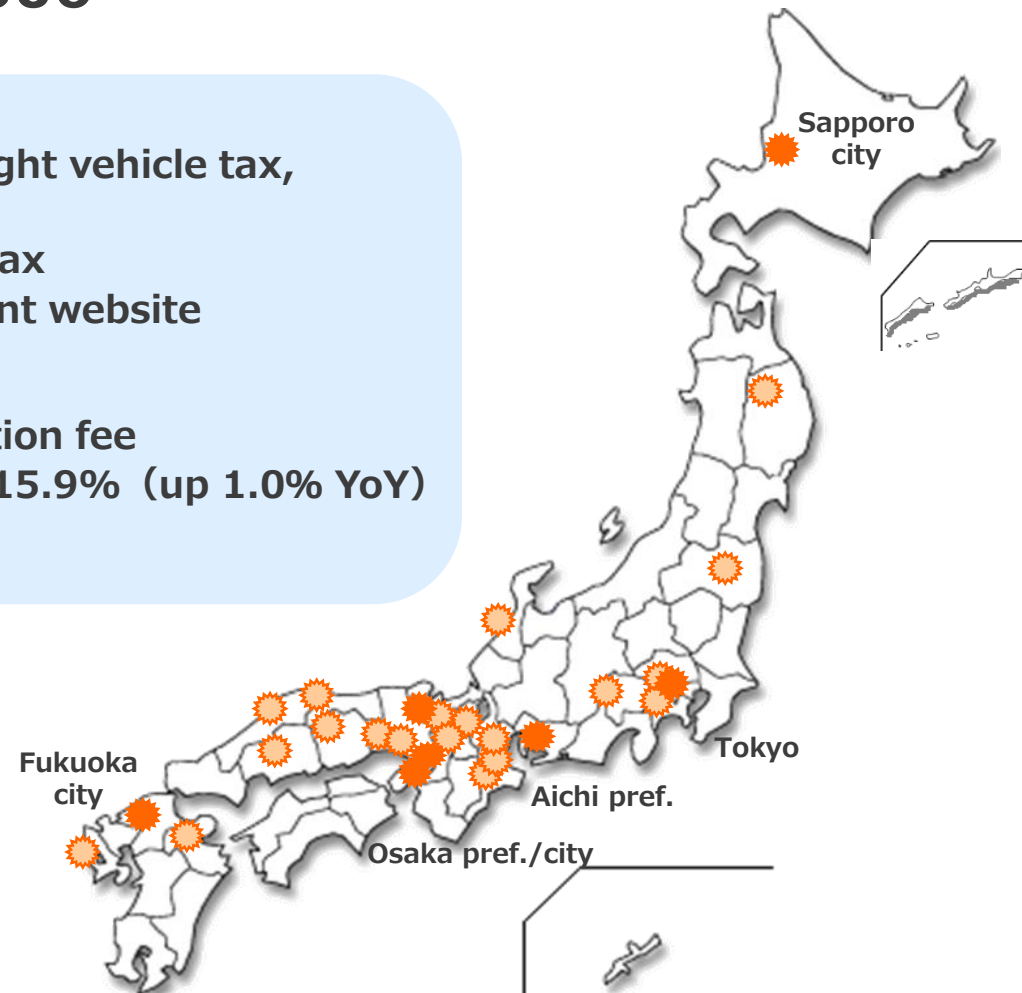
* THE WORLD BANK "Household final consumption expenditure (current USD)"

Payment processing: Public dues & utility payments

Pioneering the use of card payments since the amendment 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-FY2018 credit card usage: 15.9% (up 1.0% YoY)

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



*Japan Broadcasting Corporation "Business Report for FY2018"

Payment processing business: Offline payment market

Rollout of IoT services by leveraging cashless & inbound demand

■ Offline payment

GMO Financial Gate delivers payment terminals for offline payments

Installment Sales Act amendment:

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

Tokyo 2020 Olympics & Paralympics Games:

Cashless payment demand to surge from huge influx of foreign visitors to Japan

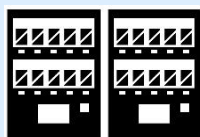
Embedded EMV terminals*



*EMV: Unified standard for IC-embedded credit cards determined by Visa and MasterCard

Future target

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

Expand Ginko Pay adopters, inter-connect the respective services to build-out a payment 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.

The Hokkaido Bank



The Hokuriku Bank



NEW The Hiroshima Bank



The Bank of Fukuoka



The Kumamoto Bank



The Shinwa Bank



Sumitomo Mitsui Banking Corporation

NEW



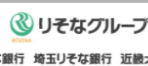
Japan Post Bank



The Bank of Yokohama



Resona Group



The Bank of Okinawa



Ginko Pay

■ Cash Out Service

A service to withdraw cash from the bank account but using a ticket machine at a train station. Co-developed with Tokyo Corporation, The Bank of Yokohama and Japan Post Bank, utilizes Ginko Pay framework.

※Excl. some stations on Tokyu Line

NEW

■ GMO Cashless Platform

Cashless solution for physical stores. Package offering of all QR/Bar code payments, can expand to other cashless payment methods



(As of November 14, 2019)

※ Service provided from November 11, 2019

Outline of Money Service Business (MSB)

Financial services that only payment service providers can deliver

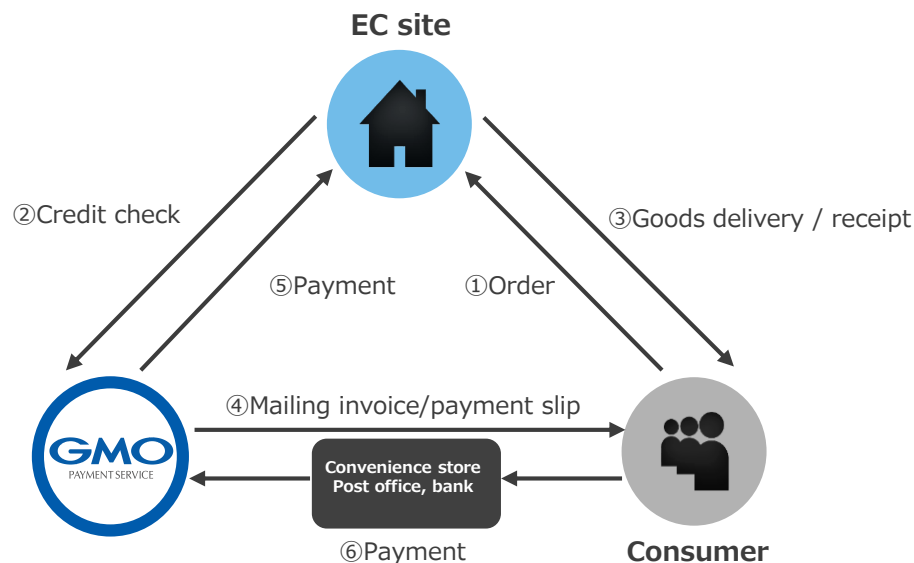
	<u>Services</u>	<u>Revenue types</u>	<u>MSB-related assets</u> <u>(Breakdown of operating and</u> <u>other receivables are as follows)</u>
☑	Remittance service Efficient and secure refund and remittance processing for Ecommerce operator	Fee	—
☑	Transaction lending Handles daily transaction	Spread	Short-term 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

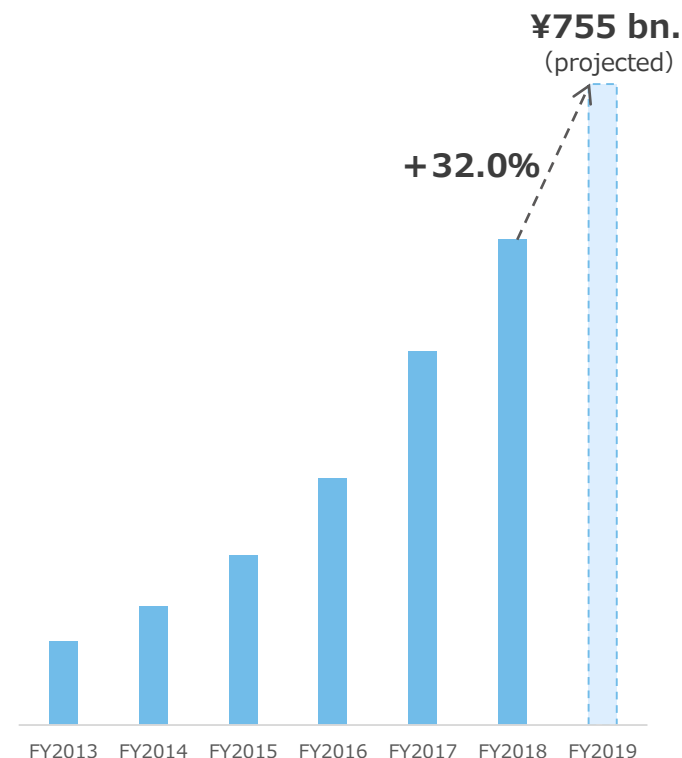
Buyer pays at a post office or CVS after receiving the goods.
Payment term is 2 weeks.



**Payment services of over 2 week
payment terms also launched.**

■ Deferred Payment market size

Strong Deferred Payment market momentum
FY2019 market size: ¥755 billion (projected)



※ Source: "Current situation and future forecast of online payment service providers 2018," and, "Domestic Cashless Payment Market 2019" by Yano Research Institute Ltd.

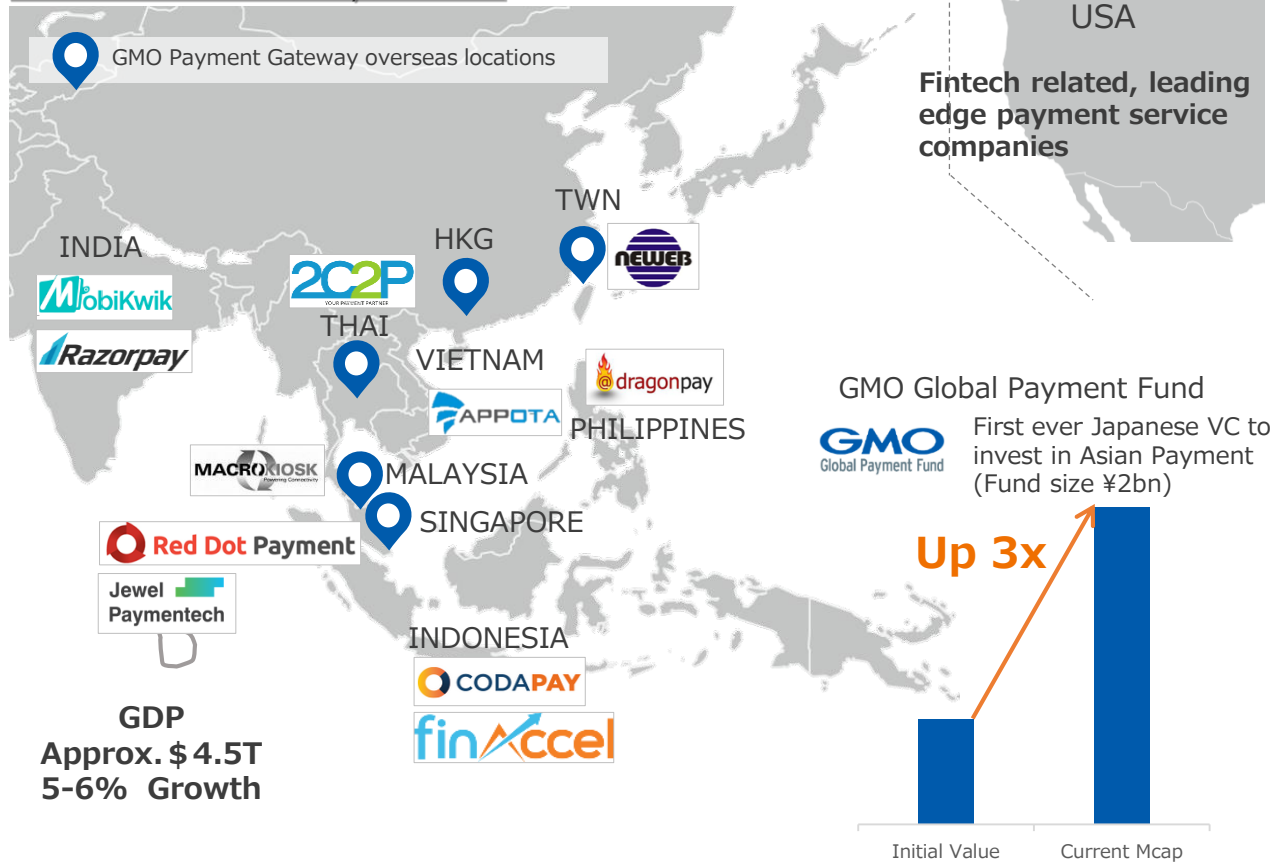
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Overseas Strategy

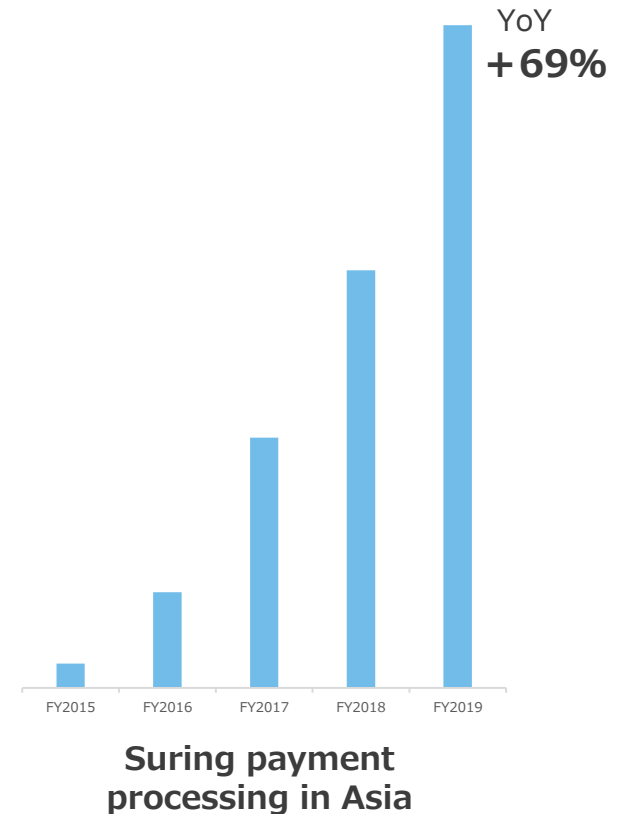
Expand customer base through support services to J-companies entering Asia and investment strategy

- Investment strategy:
Asia: No.1 in Payment and Payment periphery,
US: Innovation

Stakes held by GMO Payment Gateway and Investees of the Global Payment Fund



- Payment Processing Business
Provide payment services to Japanese companies entering Asian market (through Z.com Payment)



Payment Enhancement: Mobile payment and authentication



Focus on Asian banks and large enterprises through the equity stake in MACROKIOSK

Company name Macro Kiosk Berhad

Location Malaysia and 11 other countries in Asia

Headcount 258

Financial results Revenue ¥5,199 million (FY2019 Actual)

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>

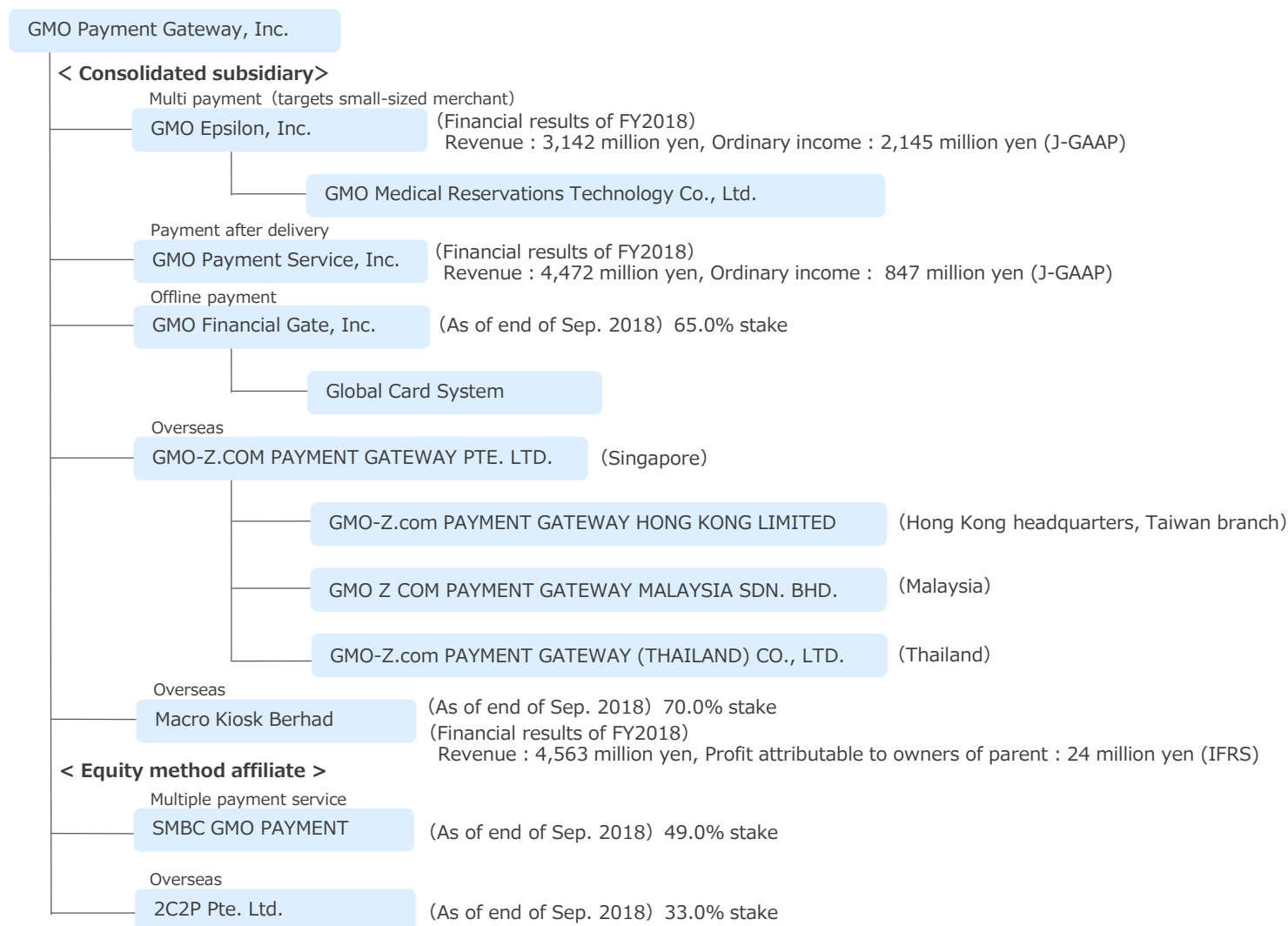
- ①Payment-related business
Set up sales teams in India and Europe
- ②Business expansion in new countries
Provide payment service, collaborate with 2C2P, an equity method affiliate
- ③Development of new products
- ④Entry into new markets by M&A



(as of the end of September 2019)

GMO-PG Group

GMO Payment Gateway's consolidated subsidiaries and affiliates



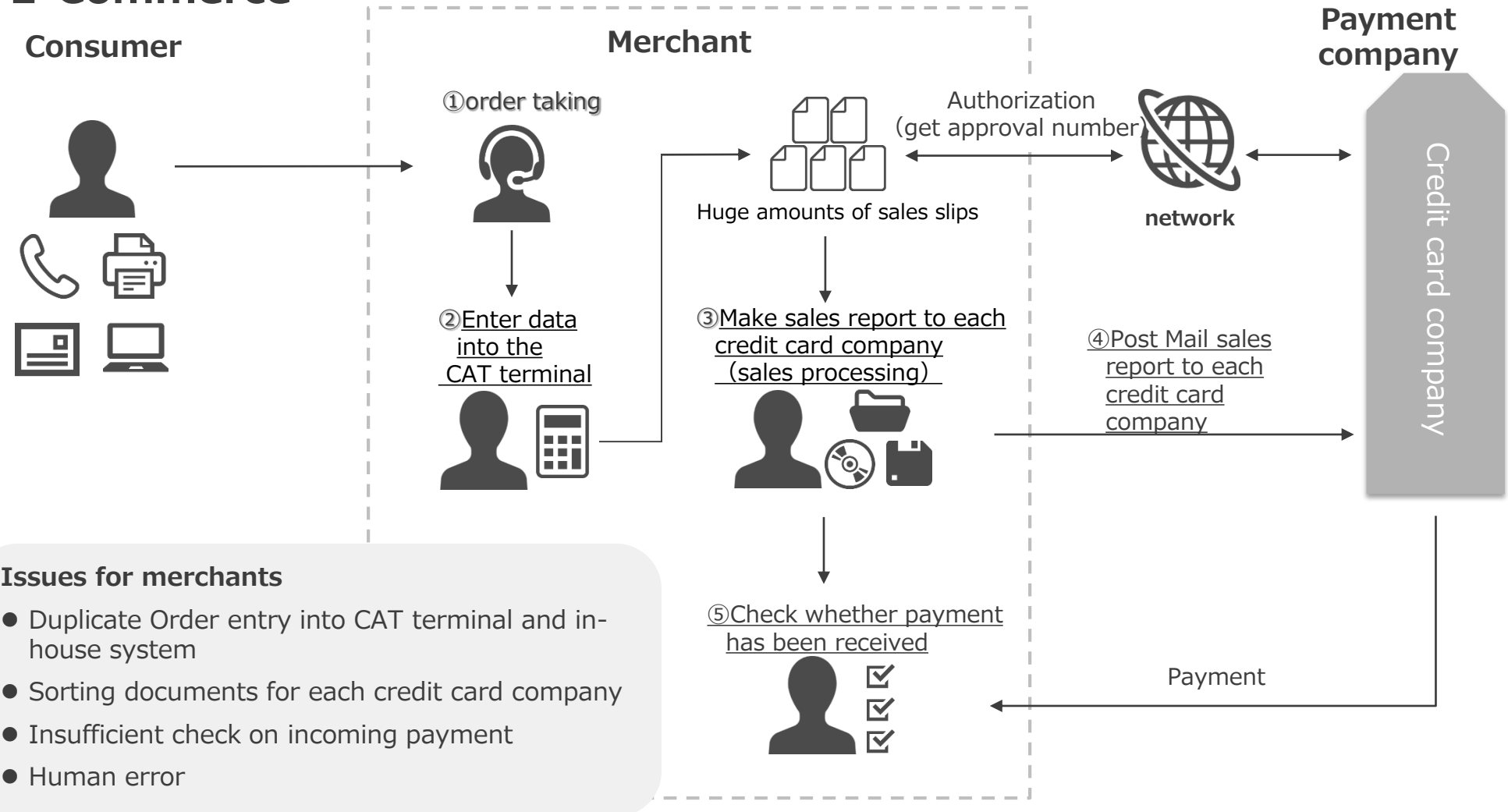
Company outline

■ 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 <Headoffice relocation from November 25, 2019> SHIBUYA FUKURAS 15F, 1-2-3 Dogenzaka, Shibuya-ku, Tokyo, 150-0043, 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	(In charge of Corporate Value Creation Strategy Division)
	Director, Executive Vice President	Satoru Isozaki	(In charge of Corporate Support Division)
	Senior Managing Director	Yuichi Hisada	(In charge of Innovation Partners Division)
	Director	Masashi Yasuda	
	Director	Takehito Kaneko	
	Director	Hiroyuki Nishiyama	
	Director	Hirofumi Yamashita	
	External Director	Masaya Onagi	(former President of JSOL Corporation)
	External Director	Akio Sato	(Sato Sogo Law Office, Attorney)
	Managing Executive Officer	Tomoyuki Murakami	(President and COO of SMBC GMO Payment Inc.)
	Managing Executive Officer	Shinichi Sugiyama	(In charge of Systems Division)
	Managing Executive Officer	Yusuke Arai	(Director, GMO Epsilon Inc.)
	Managing Executive Officer	Masaru Yoshioka	(In charge of Innovation Partners Division)
	Managing Executive Officer	Takeshi Yoshii	(In charge of Innovation Partners Division)
	Managing Executive Officer	Takashi Mitani	(In charge of Systems Division)
	Managing Executive Officer	Katsunari Mukai	(President, GMO Payment Service Inc.)
	Executive officer	Yoshikazu Yanagishima	(In charge of Innovation Partners Division)
	Executive officer	Kazunari Taguchi	(President, GMO Epsilon Inc.)
	Executive officer	Tatsuhito Muramatsu	(In charge of Corporate Value Creation Strategy Division)
	Executive officer	Kiyonobu Inayama	(In charge of Systems Division)
	Executive officer	Shingo Ito	(In charge of Corporate Support Division)
	Executive officer	Yoshinori Inoguchi	(In charge of Corporate Support Division)
	Executive officer	Hirofumi Tozawa	(In charge of Corporate Value Creation Strategy Division)
	Executive officer	Yasunori Hatada	(In charge of Innovation Partners Division)
	Executive officer	Mariko Takeda	(In charge of Corporate Support Division)
	Auditor (full-time)	Kazutaka Yoshida	
	Auditor	Takashi Iinuma	(Iinuma General Accounting Firm, CPA)
	External Auditor	Kazuhiro Okamoto	
	External Auditor	Yumi Hokazono	
■ 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 October 1st, 2019)

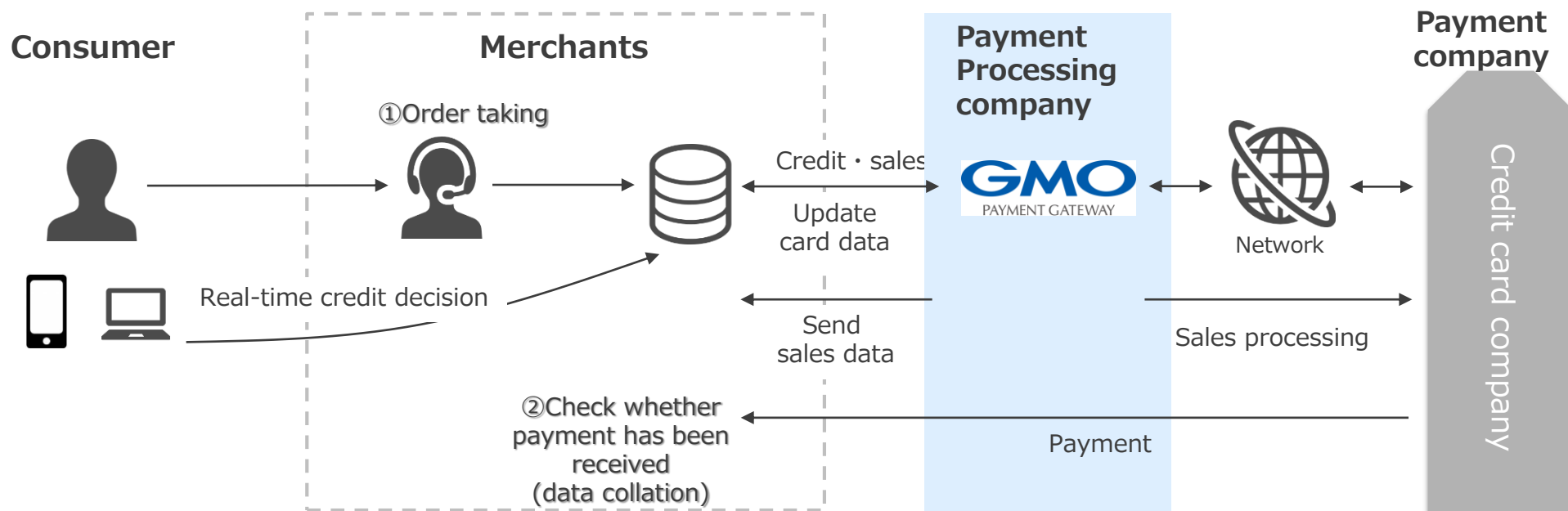
Business outline of payment processing company (1)

Problems with online credit card payment in the early days of E-Commerce



Business outline of payment processing company (2)

Payment processing service adds operational efficiency to credit card payment



In the early days of E-Commerce, 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.