

Financial Results Briefing for Q3 FY2020

Business attributes to assist in sustaining high growth even in times of crises

August 13, 2020

GMO Payment Gateway, Inc.

(3769; Tokyo Stock Exchange First Section)

The 62nd IR Meeting

GMO PAYMENT GATEWAY

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

Safe Harbor Statement

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 13, 2020.

Please note that the contents 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 Q3 FY2020
2. Key Attributes of Our Business and Growth Strategy
3. Financial Highlights

1. Summary of Financial Results for Q3 FY2020

1.1 Financial Results Summary (IFRS)

Results outperforming company plans; MK reclassified as discontinued operation from Q3

(Million yen)	Q3 FY2019 Actual	Q3 FY2020 Actual	% YoY	% achievement vs. Full year guidance	FY2020 Q3 standalone (% YoY)
Revenue	20,108	24,118	+ 19.9%	76.7%	8,623 (+ 29.5%)
Operating Profit	6,932	7,778	+ 12.2%	75.0%	3,090 (+ 20.3%)
Pre-tax Profit	6,749	8,413	+ 24.7%	85.3%	3,165 (+ 25.9%)
Profit Attributable to Owners of Parent	4,252	5,750	+ 35.2%	94.1%	2,342 (+ 39.9%)
EBITDA ※1	7,578	8,844	+ 16.7%	-	3,445 (+ 23.2%)
Operating Stores (end-Q3) ※3				TRX Volume (Q3 standalone)	TRX Value (Q3 standalone)
KPI ※2	129,404 (+ 22.2%)			Approx. 670 mil. (+ 53.1%)	Approx. ¥1.3 tr. (+ 24.9%)

※1 EBITDA = Operating Profit + Depreciation.

※2 Figures in parentheses are % YoY changes. Excludes offline transactions; if offline transactions are included the TRX volume is approx. 680 mil. (up 53.6% YoY) and TRX value is approx. ¥1.4 tr. (up 27.6% YoY).

※3 Figures exclude the recent increase in operating stores from a specific merchant. If included, the number of operating stores is 305,004 stores (up 65.3% YoY) for the same period.

1.2.1 Main points on earnings ①

Initial plan was to return to revenue growth of 25%, and maintain OP growth 25%

■ Return to revenue growth of 25%

Focusing on multiple large development projects to recoup the impact that large merchants had from Q2 of the previous term. Revenues from these projects likely to concentrate in the latter part of this year.

Revenue growth guidance of 14%. Intend to return to 25% growth trajectory in one year's time.

Q3 progress to date: Growth rates improving every quarter, making progress in nearing to the 25% growth trajectory

■ Maintain 25% OP growth

Could not foresee MK's divestiture and COVID-19 when we compiled the guidance back in September 2019. Hence, OP guidance of ¥10.3bn was based on the estimated FY19 OP of ¥8.3bn.

Q3 progress to date: Achievement ratio of 75% of full year guidance; continuing to strive for full achievement.

Currently budgeting to maintain 25% growth next fiscal year and beyond

1.2.2 Main points on earnings ②

Underlying growth[※] excluding MK's reclassification to discontinued operation and PS' allowance for doubtful accounts

【Consol. 3Q】 Adjusting for previous term's OP uplift from PS' allowance for doubtful accounts

Revenue +19.9%

OP +12.2% Excl. above factors: +20.4%

【Consol. Q3 standalone】 Adjusting for previous term's OP uplift from PS' allowance for doubtful accounts

Revenue +29.5%

OP +20.3% Excl. above factors: +29.8%

【Full Year Earnings】 Previous term's OP includes MK's impairment loss and its earnings. Reclassifying MK as discontinued operations causes: Previous term's OP from continuing operation to be uplifted to ¥9,562 mil. versus the reported figure of ¥8,301 mil.

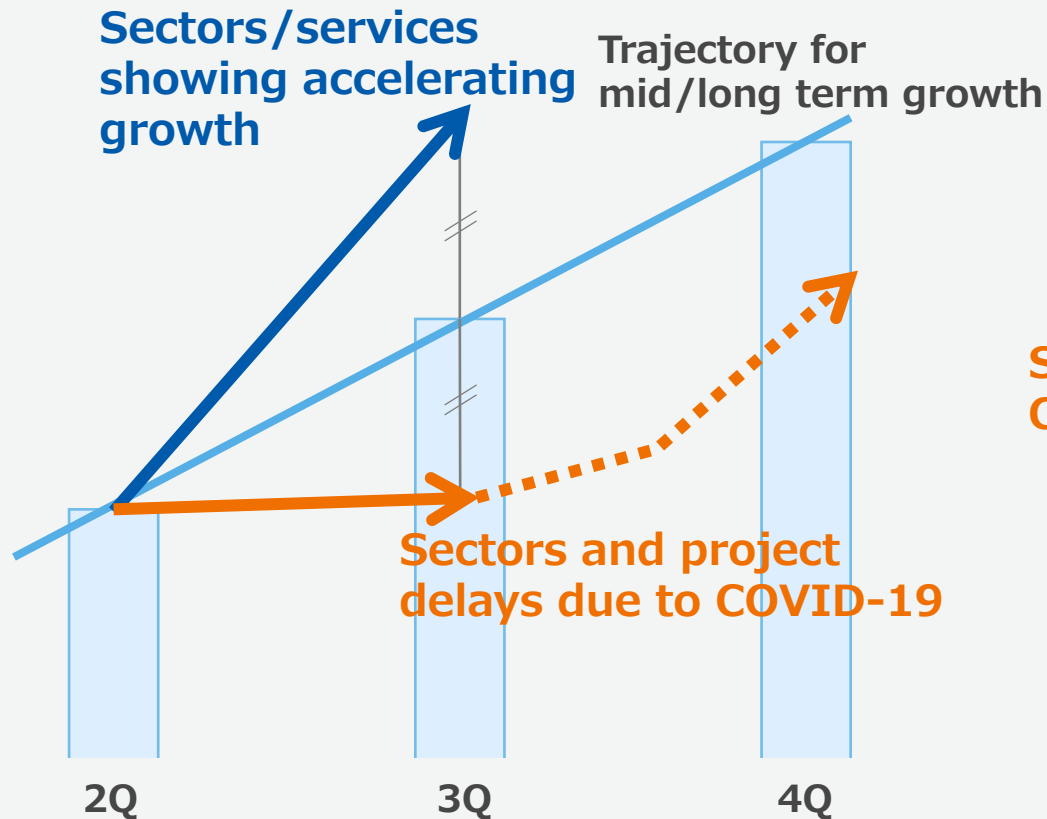
OP guidance: (pre-revision) +25.0% (after revision) +8.5%

[※]Underling growth is defined as the actual growth rate for revenue and operating profit after removing the impact from reclassifying MK as discontinued operation and PS' allowance for doubtful accounts for both FY2020 and FY2019.

1.3 Drilldown of recent revenue growth rates

Progress on track; business attributes worked to offset the negatives with the positives

■ Image of near-term growth



Sectors/services showing accelerating growth

Digital content, apparel, home delivery etc.

Payment terminals sales for offline payment

Payment After Delivery, Remittance, etc.

Merchant acquisitions accelerates at GMO Epsilon (for small-scale online shops)

Etc.

Sectors and project delays due to COVID-19

Travel/ticket sales etc.

stera (online): next generation payment platform with SMCC and Visa

DX platform

Financial institutions, utilities, telecom and distributor/retailer

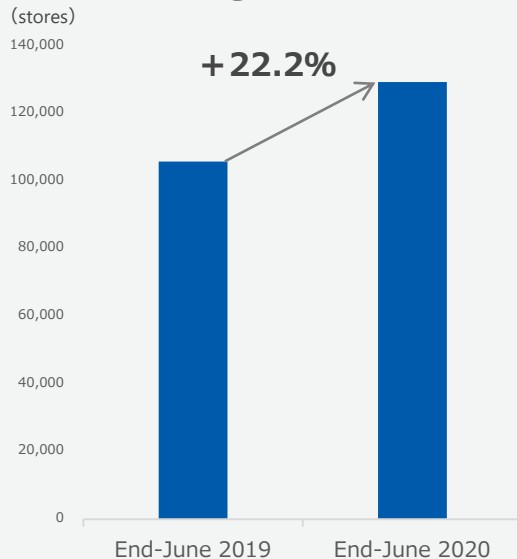
B2B factoring

Etc.

1.4 Analysis of major KPIs (Q3 standalone)

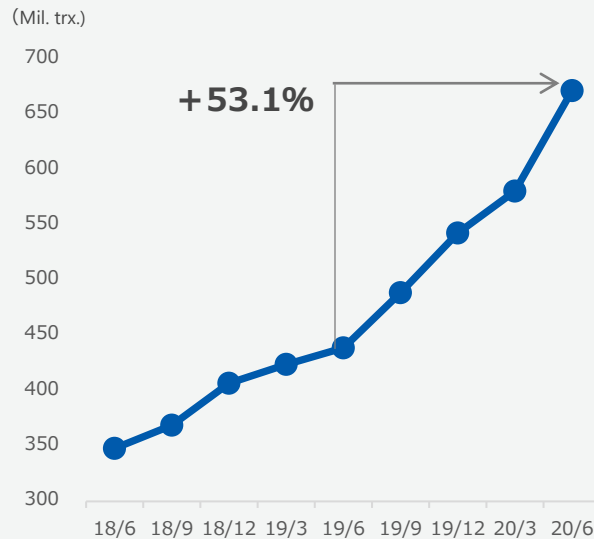
DX acceleration at customers and services: resulting in surging TRX volume and increasing TRX value

**Operating stores +22.2%
Prev. Q3 +16.0%^{※2}**



- Excl. increase in delivery-related stores: +17.1%
- Excl. increases in telecom-related stores: +20.6%

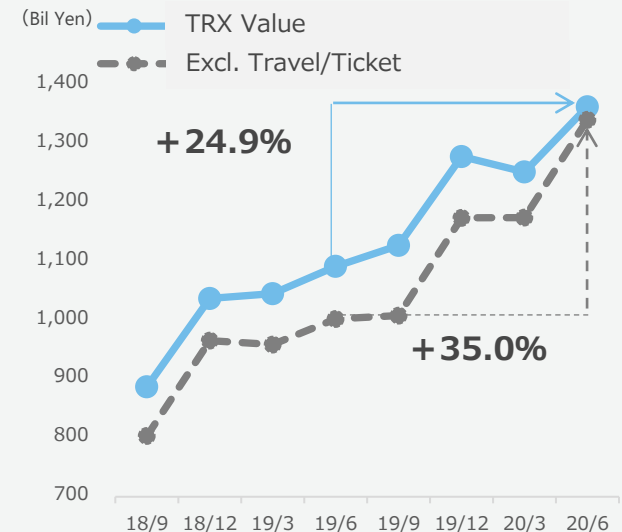
**TRX Volume +53.1%^{※1}
Prev. Q3 +26.1%^{※2}**



- Surge in TRX volume for sectors shown below:^{※3}

Utility	+188.2%
Delivery/Newspaper	+185.1%
Digital content	+131.8%
Apparel	+112.0%

**TRX Value +24.9%^{※1}
Prev. Q3 +24.0%^{※2}**



- Decline in high per-transaction value travel/ticket sectors:^{※3}
Excl. travel/ticket +35.0%
- Accelerating growth of merchandise EC

※1 Excludes offline. If offline is included, Q3 (April to June 2020) TRX volume growth is 53.6% (prev. Q3 is up 26.4%), TRX value is up 27.6% (prev. Q3 is up 23.5%).

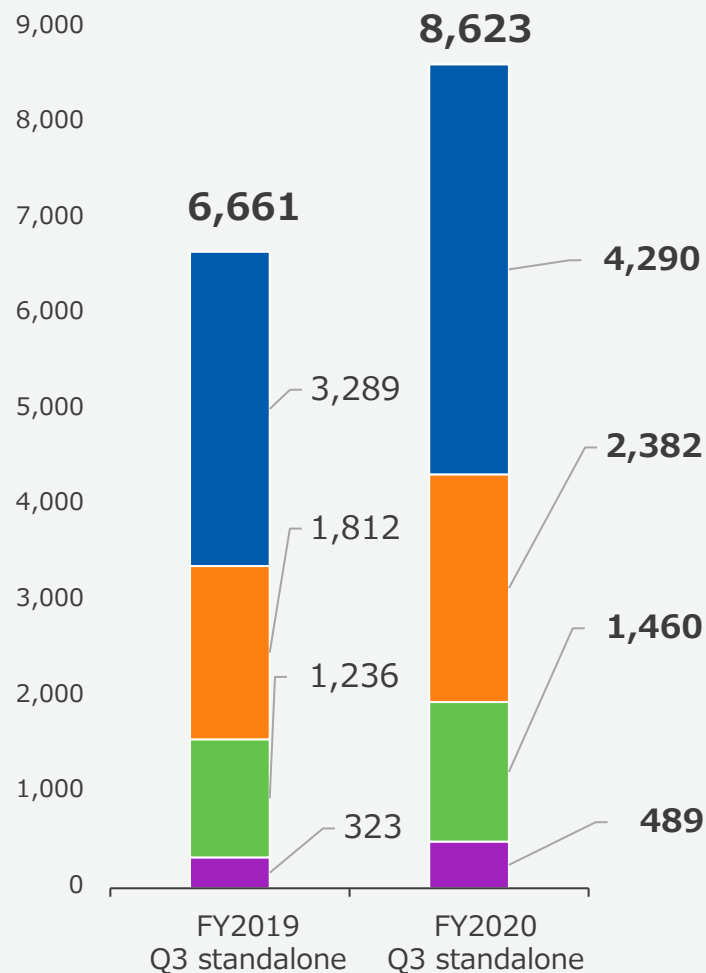
※2 YoY figures for Q3 FY2019 (April to June 2019); operating stores are as of end-June.

※3 YoY figures show TRX value for each sector in Q3 (April to June 2020) for PG Multi-Payment Service. Apparel sector excludes a large merchant.

1.5 Revenue by business model (Q3 standalone, continuing operations)

Q3 standalone (Apr. to Jun.) fee and spread grew over 30%

(Mil. Yen)



Spread Up 30.4% YoY
Prev. Q3 up 29.9%

- (+) Strong online payment
- (+) Growth of GMO Payment After Delivery
- (+) Growth of overseas lending

(See page 3.5.1 for Cumulative Q3)

Fee Up 31.4% YoY
Prev. Q3 up 9.1%

- (+) Strong online payment excl. one-offs
- (+) Strong offline payment
- (+) Increase in remittance service from refunds

Stock Up 18.2% YoY
Prev. Q3 up 39.0%

- (-) Delays in financial institution business due to COVID-19

Initial Up 51.5% YoY
Prev. Q3 up 9.0%

- (+) Strong trend in payment terminal sales for the offline market

■ Initial ■ Stock ■ Fee ■ Spread

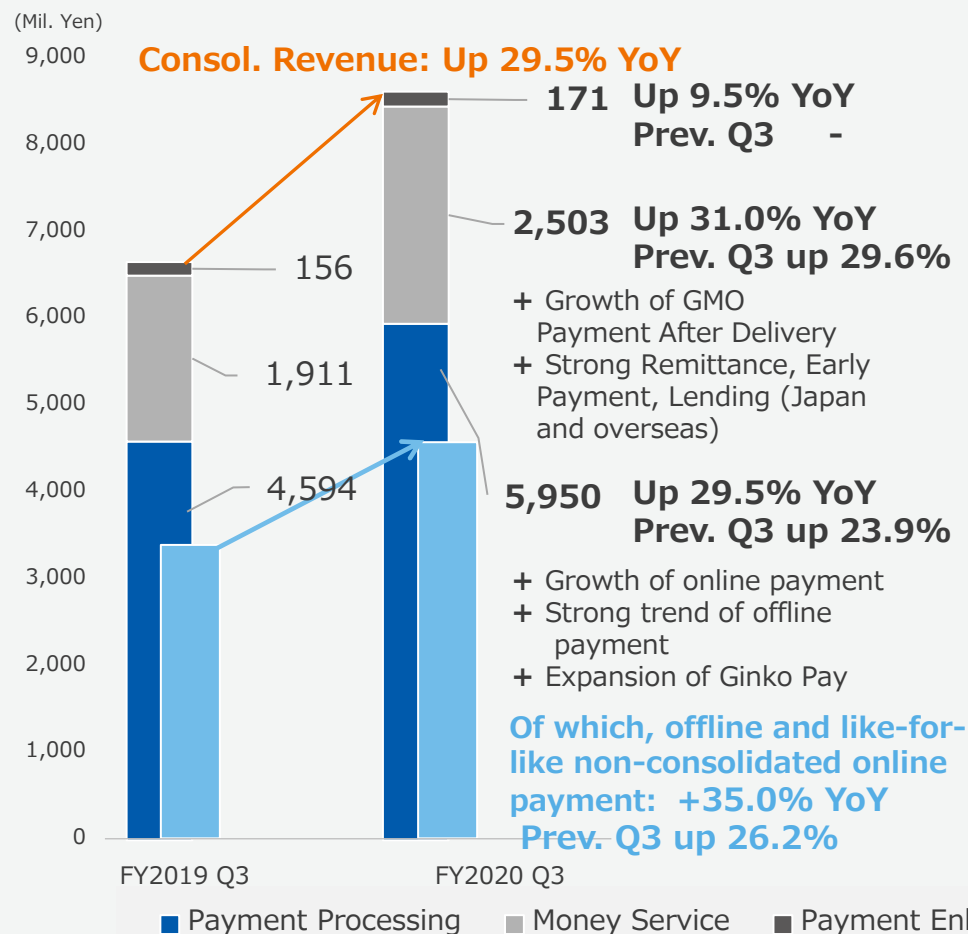
※ Prev Q3: shows the YoY growth for Q3 FY2019 (April to June 2019).

1.6 Segment revenue and OP YoY (Q3 standalone, continuing operations)

All segments outperformed company plans

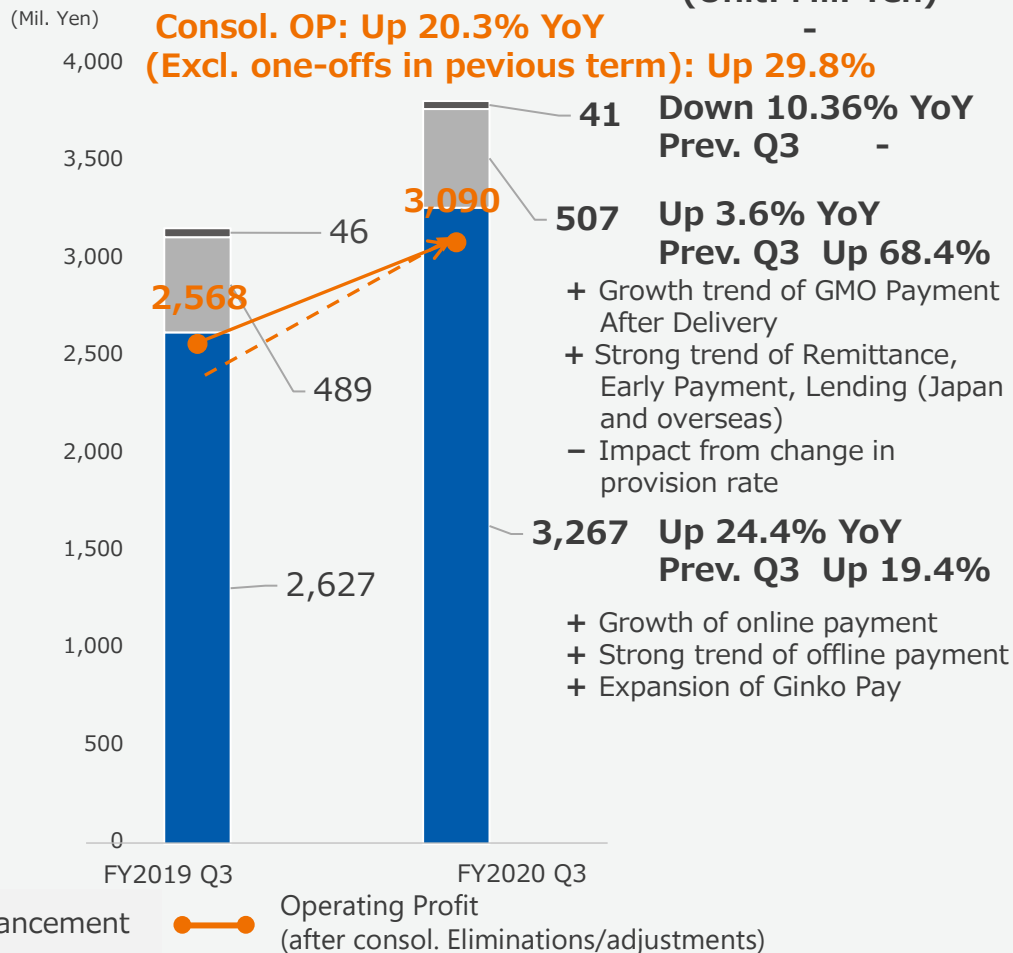
Cumulative comparison on page 3.6

■ Segment revenue



■ Segment operating profit

(Unit: Mil. Yen)



※ Previous Q3: Shows the YoY change for Q3 FY2019 (April to June 2019). Continuing operations in the Payment Enhancement Business before FY ending September 2018 cannot be computed.




※ Like-for-like online payment excludes:

① Contract expiration of a large merchant in the previous Q2, ② contract termination of a certain merchant in the previous Q2, ③ change in contract terms to certain merchants in the current term's Q1.

1.7 Group earnings: Actual, Forecast and Mix

Strong Q3 earnings at each company; progressing towards achieving full-year guidance (revised)

	% of Revenue	% of OP	1Q	2Q	3Q Forecast (As of Q2)	3Q Actual
Consolidated	100%	100%	→	↗	—	↗
PG parent	60%	73%	→	→	—	↗
EP	12%	20%	↘	→	↗	↗
PS	18%	4%	→	↗	→	↗
FG	10%	3%	↗	↗	↗	↗

 Revenue up over 16.7%^{※2}
 Increase of up to 16.7% YoY
  YoY decline

※1 PG parent: Non-consolidated GMO Payment Gateway; EP: GMO Epsilon; PS: GMO Payment Service; FG: GMO Financial Gate

※2 Up 16.7%: This fiscal year's revenue growth rate (revised forecast)

2. Future initiatives and growth strategy

2.1 Business Attributes: Resilient business and revenue structure in times of crisis

Achieved OP growth of over 20% even during past crises (Great Financial Crisis)

■ Business characteristics

Market Factors

Growth markets: EC, DX, Cashless, Fintech

Large market size

High entry barrier

Business Model

Cross industry

Feedback loop of stock & transaction (flow)

Expanding business scope:
credit card→multi-payment→Offline→FinTech→

Profit structure

Client industry-linked revenue

Low cost of sales ratio

Online payment business: approx. 15%

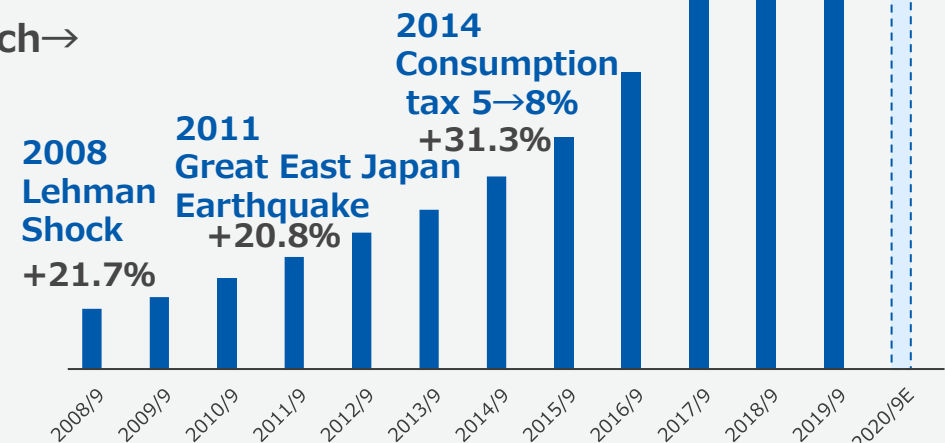
Churn rate 1.3% ^{※1}

Scale merit

Past crises and OP trend (prev. standard) ^{※2}
2020 COVID-19
+25.0%

Crises **»** Enlarges corporate disparity

Growth secured by supporting digital transformation (DX) to achieve sustained growth after overcoming the crisis










^{※1} Churn Rate: the proportion of merchant contract termination (from July 2019 to June 2020) to total operating stores (as of end of June 2020) for non-consolidated GMO-PG.

^{※2} Previous standard: OP before the deconsolidation of MACROKIOSK (i.e. including both continuing and discontinued operation)

2.2.1 Cross-industry ①

Sustain a high and stable growth by acquiring growth companies across diverse sectors and within sectors

■ Services provided to (including to-be provided) representative merchants in the Nikkei industry classification and growth expectation trend

Nikkei industry classification	Foods	Pharmaceutical	Electric Machinery	Real Estate	Electric Power	Gas	Financials
Merchant	Major food delivery	Foreign-owned pharma	Major appliance maker	Major real estate	Major EPCO group	Major Gas utility	Foreign-owned insurance Major regional bank
GMO-PG service	<ul style="list-style-type: none"> Payment for regular delivery of food packs Payment for organic vegetable delivery etc. 	<ul style="list-style-type: none"> Payment for ethical drugs, supplements, cosmetics EC website etc. 	<ul style="list-style-type: none"> Payment on official EC website Payment for employee services 	<ul style="list-style-type: none"> Payment for rental, share office 	<ul style="list-style-type: none"> Payment for electricity and gas bills Payment for support services etc. 	<ul style="list-style-type: none"> Payment for gas bill Payment for EC website for kitchen appliances etc. 	<ul style="list-style-type: none"> Insurance premium payment (medical/auto) Ginko Pay Acquiring etc.
TRX Value growth							
(Q3 standalone YoY)	+80%	+55%	+15%	+30%	+940%	+40%	+60%※3

※1 Excerpt of Nikkei industry classification with which we have commercial relation with.

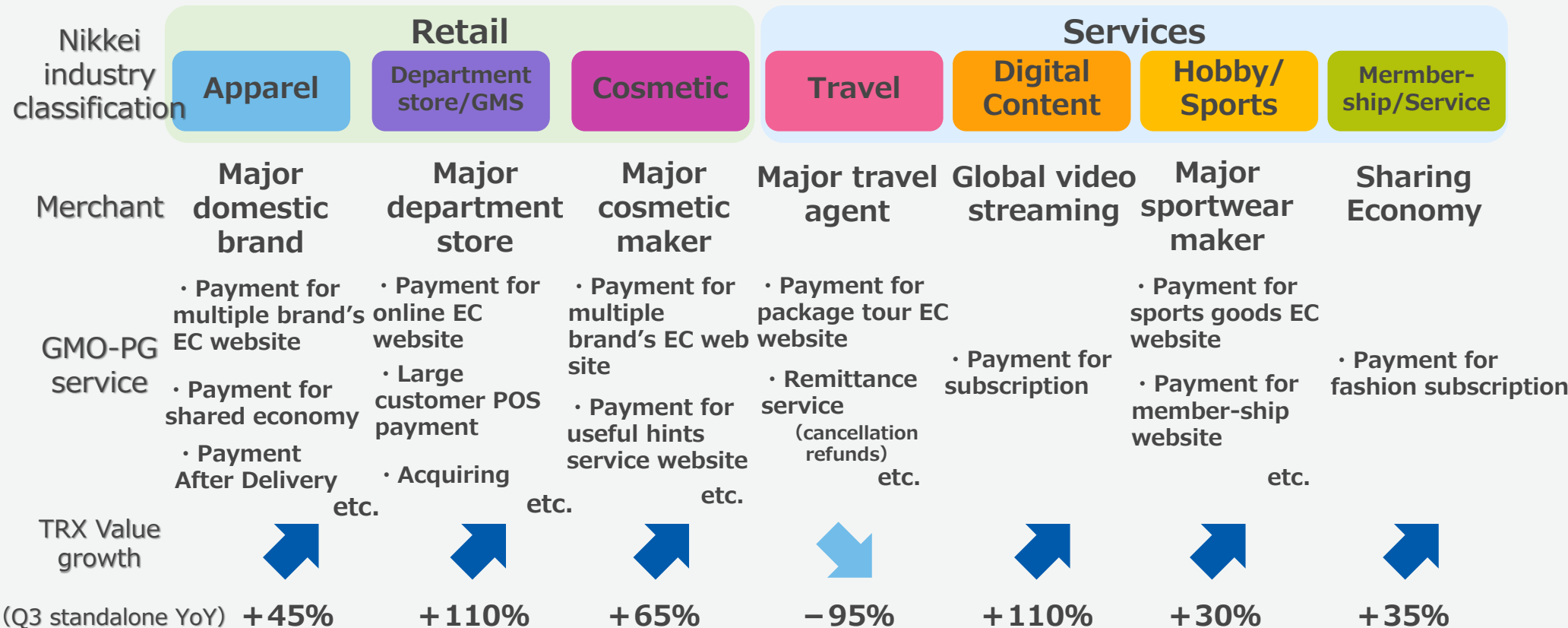
※2 Shows approximate YoY figures of TRX value of a representative merchant in each of the industry classification that use PG Multi-Payment service during Q3 FY2020 (April to June 2020).

※3 The figure shows the growth rate of TRX value of the service we provide to the foreign-owned insurance company

2.2.2 Cross-industry ②

Sustain a high and stable growth by acquiring growth companies across diverse sectors and within sectors

■ Services provided to (including to-be provided) representative merchant in the Nikkei industry classification and growth expectation trend



※1 Excerpt of Nikkei industry classification with which we have commercial relation with.

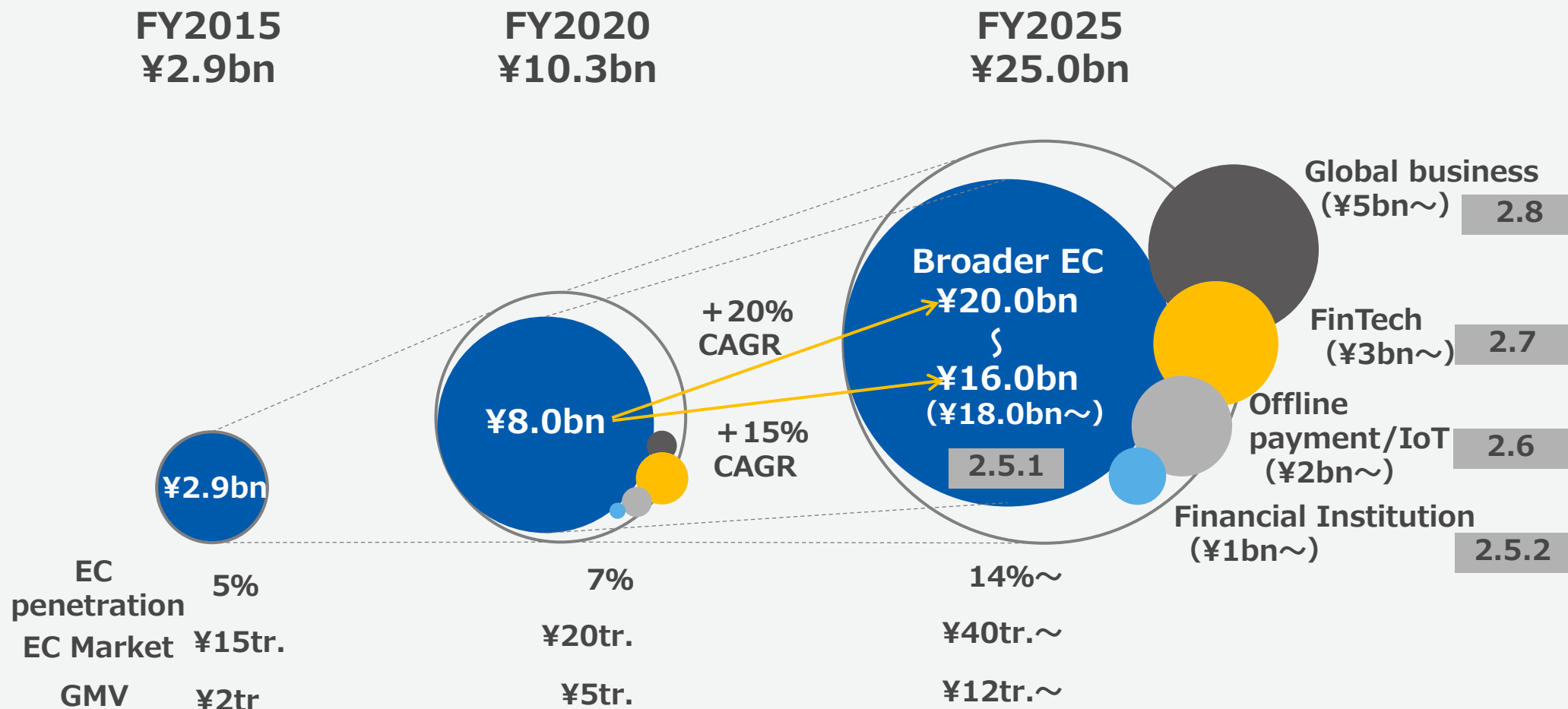
※2 Shows approximate YoY figures of TRX value of a representative merchant in each of the industry classification that use PG Multi-Payment service during Q3 FY2020 (April to June 2020).

2.3 2025 Management Target

Promote commercialization of large projects to achieve OP of ¥25.0bn by 2025

■ OP target by focus areas

() OP potential amount (Unit: ¥ billion)



※ References : METI's "FY2019 Global Survey Project Concerning Integrated Domestic and External Economic Growth Strategy Building (E-Commerce market survey)".
Figures in 2025 are forecasts, and figures are approximations.

2.4 Progress of Priority Initiatives

Delays occurred in certain projects; impact to earnings estimated to be minimal

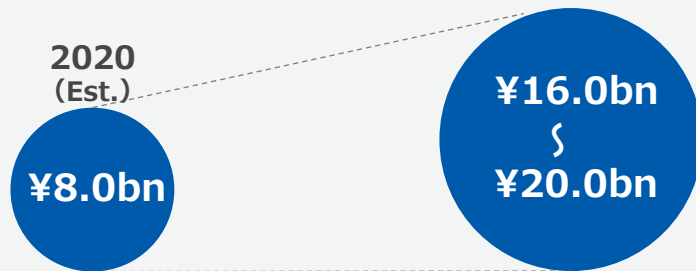


※Orange text: delayed projects

2.5.1 DX Platform: The Broader EC

Growth acceleration of merchandise EC from progress in DX; also aiming at new business opportunities

■ OP Potential of broader EC 2025



■ Growth strategy and progress

Creating industry specific DX platforms

Acquire large and high-growth merchants (enterprise)

NEW Omni-channel enabled for offline sectors

NEW Global major players

Strengthening measures at GMO Epsilon (SME domain)

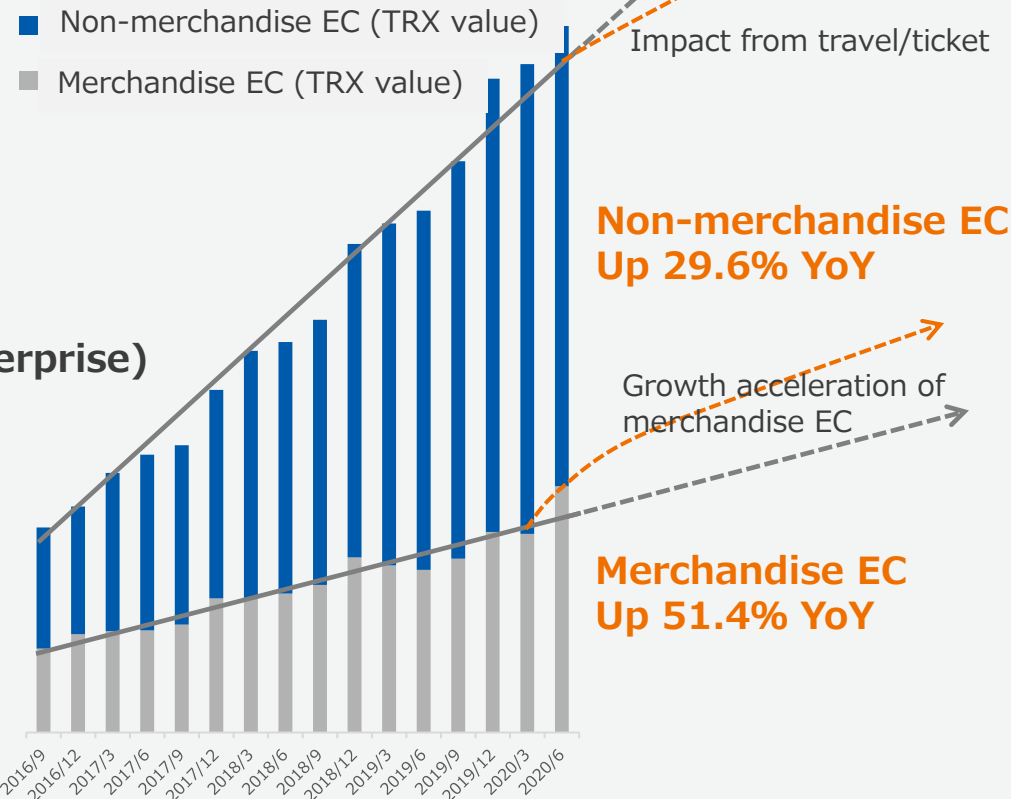
<Delayed projects>

stera (Online): Delay in certain functions

Utility: September launch, full scale start in 1H 2021

Telecom: 9-mnth delay

■ Quarterly trend of merchandise and non-merchandise GMV value

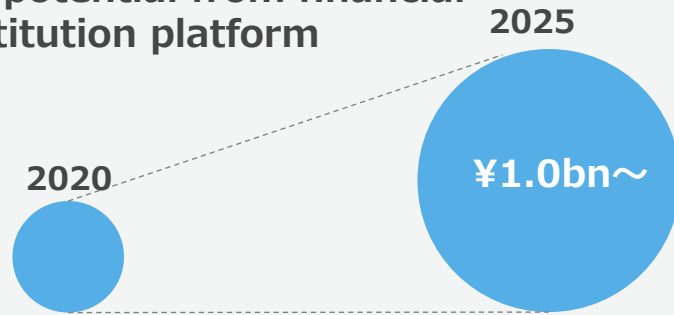


※ TRX value of Multi-Payment Service provided by GMO Payment Gateway.

2.5.2 DX Platform: Financial Institution

Expand stock revenue by expanding the number of services provided per financial institution

- OP potential from financial institution platform



- Growth strategy and progress

Expand Platform for financial institution

Ginko Pay

Issuing/Acquiring

Recovery signs in GCP demand led by

NEW My Number point program, etc.

<Project delays>

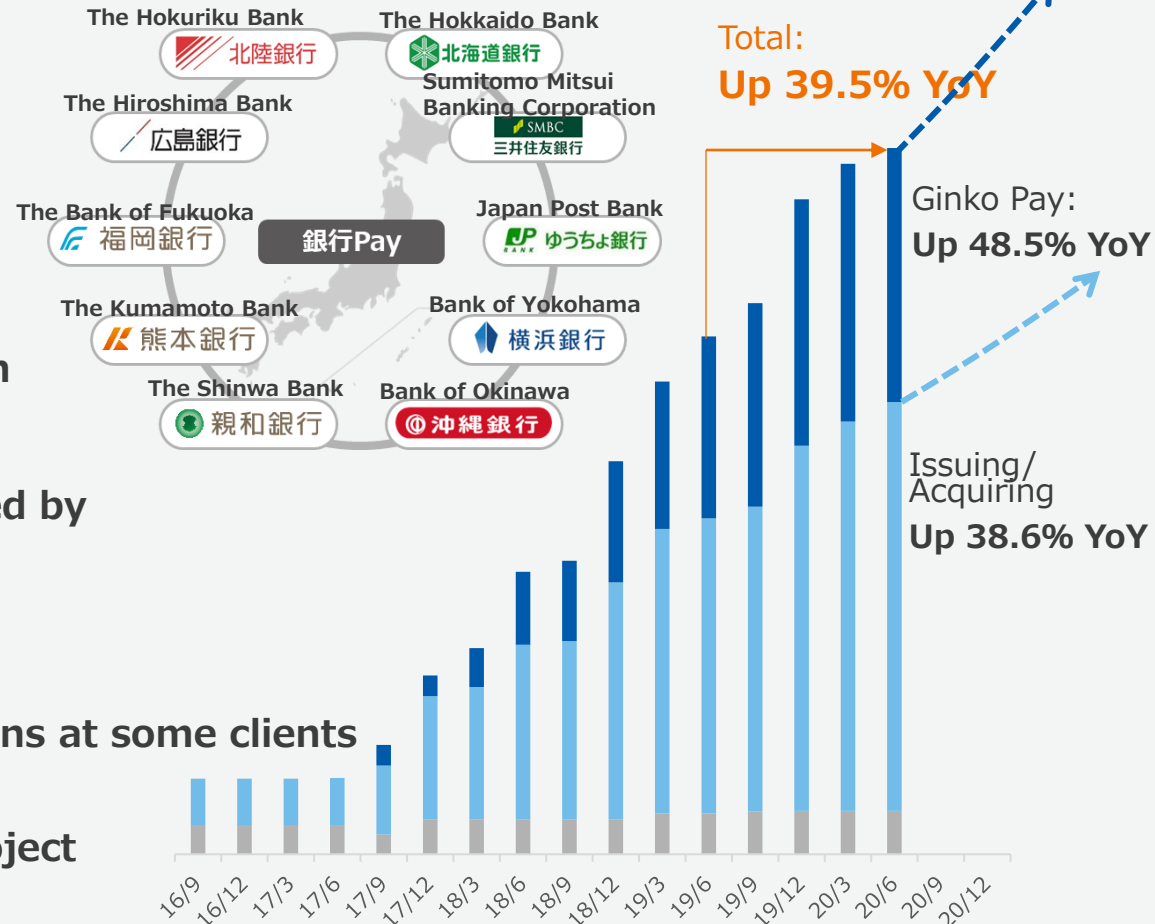
Issuing/Acquiring:

Slowdown in future project discussions at some clients

Revenue decline at offline stores,

Slowdown in discussions on next project

- Quarterly trend of stock revenue for financial institution businesses

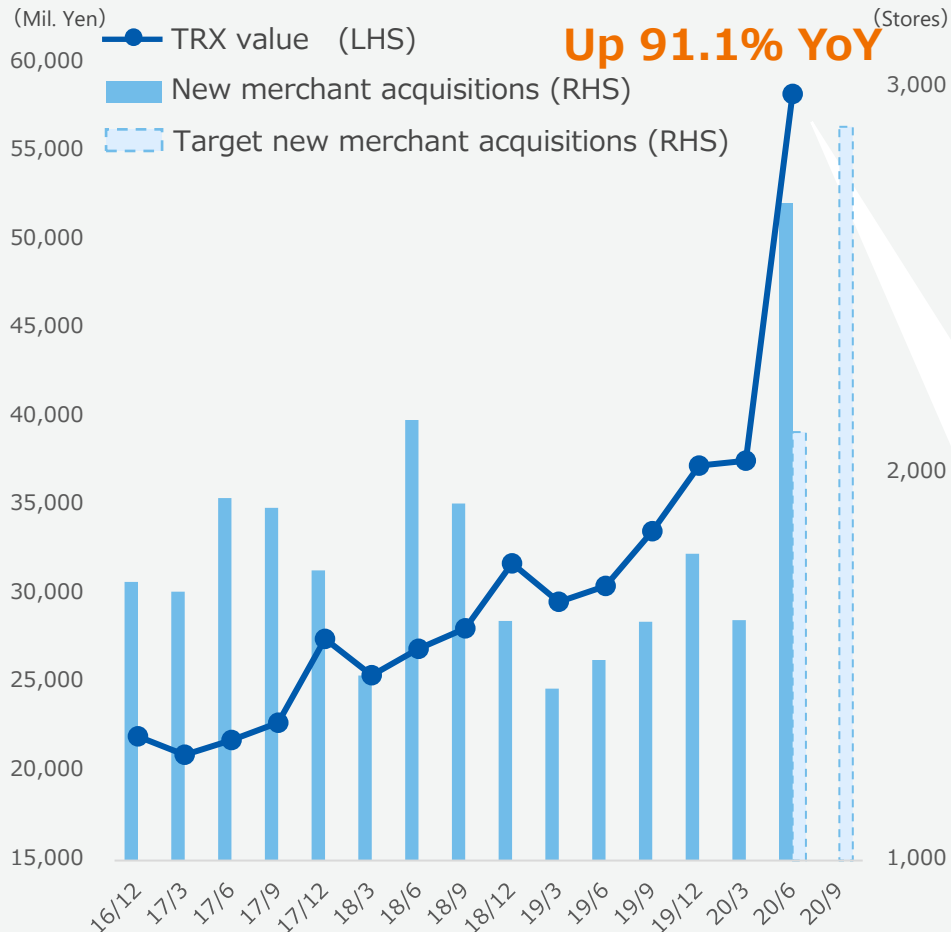


※GCP : GMO Cashless Platform

2.5.3 Initiative in the SME domain and progress

TRX value surging, focusing on new merchant acquisitions to return to 25% growth trajectory

■ GMO-EP: TRX value and new merchant acquisitions



■ Growth strategy and progress

Acceleration of new merchant acquisition measures and creation of new businesses

Strengthen business to financial institution through collaboration with partners

NEW Financial Institution service, new measures such as business cards etc.

Rollout of "Cycle by GMO" in early Fall of 2020

NEW Expand merchant acquisition by strengthening inter-partner measures

7/9 Service launch of online sales support portal

<TRX value growth of top-ranking sectors>

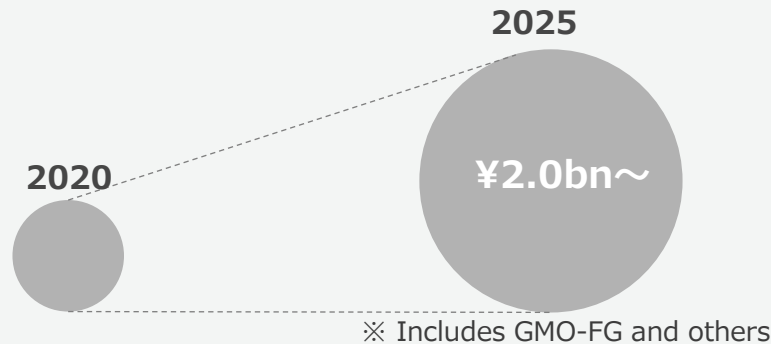
	March	Apr-Jun
Alcohol	+115%	+250%
Bags, trinkets, brand goods	+70%	+105%
Beauty, cosmetic, perfume	+60%	+105%
Men's: fashion, shoes	+55%	+100%
Food, sweets	+50%	+175%
Books, Magazine, Comics	+40%	+115%
Flower, Gardening, DIY	+35%	+80%

※ Approximations. Average of the monthly figures for April to June.

2.6 Offline payment and IoT

Accelerate cashless by promoting omni-channel adoption and unmanned payment technology

■ Offline Payment/IoT OP potential



■ Growth strategy and progress

Expand GMO-FG's TRX value

2020 ¥0.5tr. → 2025 ¥5tr.

Unattended Market (UM)

Market size of 4.5 mil. units compared to payment terminals of 4 mil. units

stera (offline)

Expanding next generation multi payment terminal

Target 300K terminal sales in 5 years

O2O, omni-channel strategy (group synergy)

Completed catch up for delayed projects

■ IPO of GMO-FG to TSE Mothers market; core company in the IoT domain

OP growth of 25%; Procured necessary funds of ¥732 mil. to promote business with the aim of expanding TRX value (graph: OP target for GMO-FG)

IPO after 10 years from becoming an equity-method affiliate

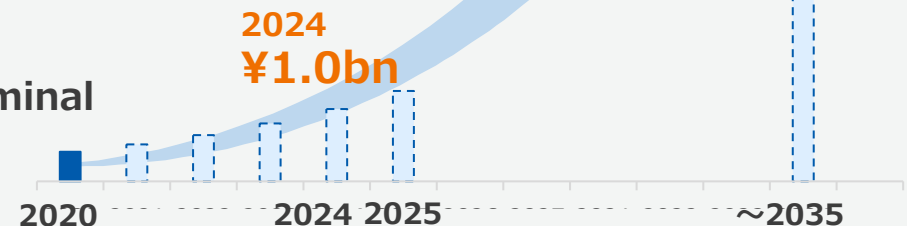
BV of equity stake

Approx. ¥1.8bn

Approx.10x

PV of equity stake

Approx. ¥18.9bn※



OP ¥450mil.

¥1.5bn

¥10.0bn

TRX value ¥0.5 tr.

¥5 tr.

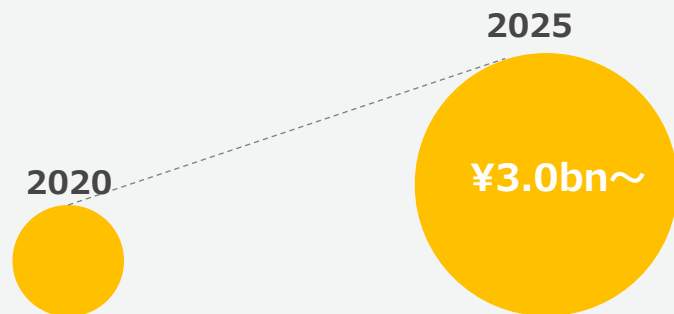
¥30 tr.

※ Converted using the closing price of August 7, 2020 and our equity stake of 60.8%.

2.7 FinTech

Improve capital efficiency and expand earnings through high-margin services and Payment After Delivery

■ OP potential of FinTech



■ Growth strategy and progress

Asset shift into high margin services^{※1}

➡ Expanding Payment After Delivery due to growing merchandise EC market

➡ Expanding overseas lending

➡ Increase in credit risk

Tightening credit screening to reflect change in risk profile

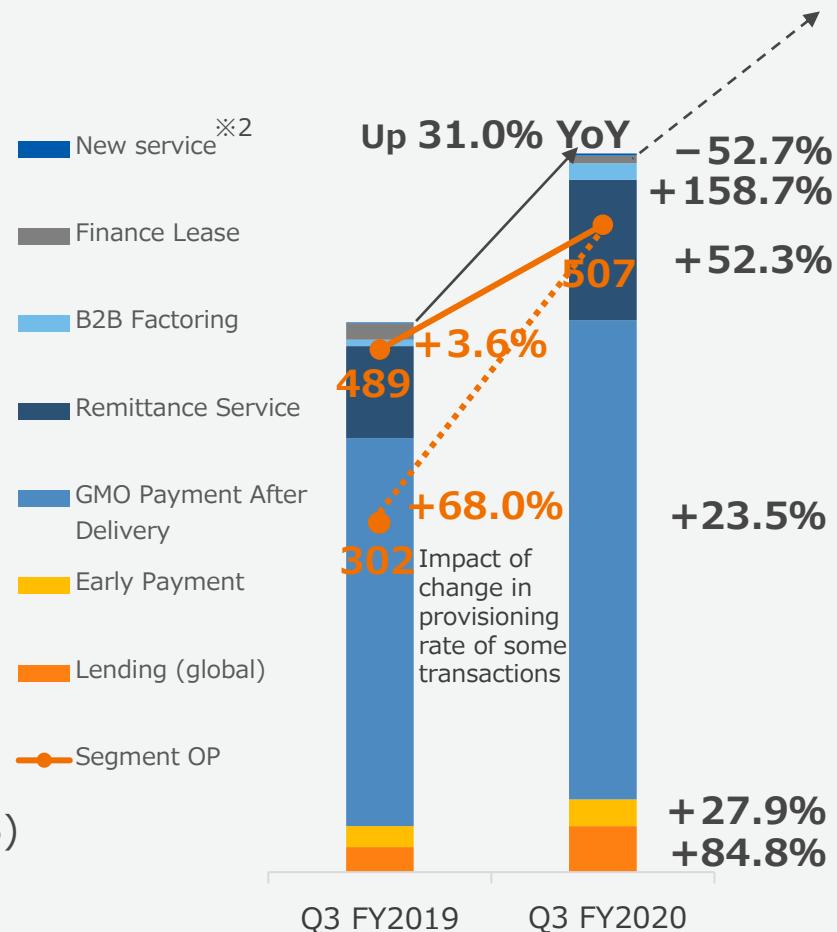
NEW New scheme in remittance service

Increased usage for cancellation refunds (Q2/Q3)

<Project delays>

B2B factoring: decrease in inflows

■ Segment revenues and OP (Q3 standalone)



※1 Services where ROIC > WACC: Payment After Delivery, Overseas Lending, B2B Factoring (Invoice Early Payment, B2B Early Payment), B2B AR Guarantee.
(ROIC = Est annual NOPAT ÷ Monthly avg. BS balance)

※2 B2B AR Guarantee (launched May 2018), "Kondo Barai" (launched June 2020). YoY figures are not displayed.

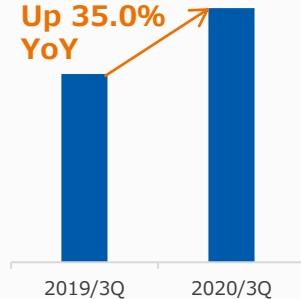
2.8.1 Global: The 5 payment domains

Create Payment ↻ FinTech feedback loop in the mid/long term

■ Q3 FY2020 progress

Payment processing revenue
(Twn only) **Z.com**
Payment

Up 35.0%
YoY

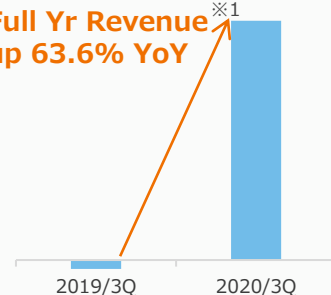


Equity-method affiliate
Inv. income from 2C2P

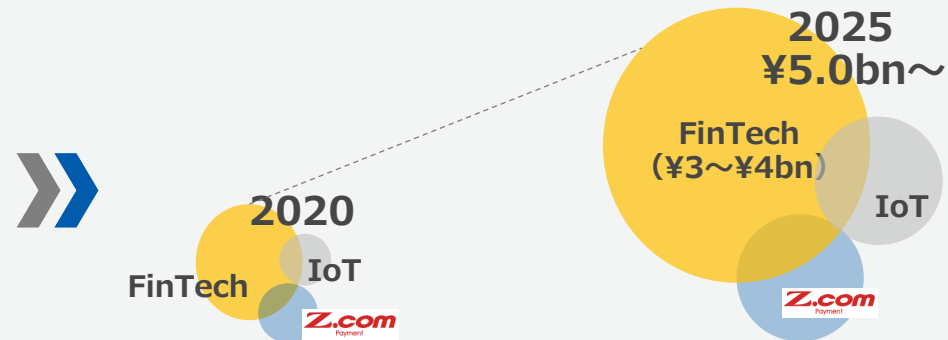
<Reference>

Full Yr Revenue
up 63.6% YoY

Positive Profit
※1



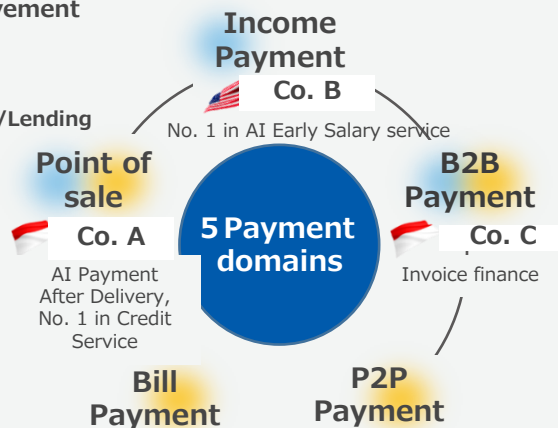
■ Growth potential of Global



■ 5 focus areas in overseas market

Domains of involvement

- Japan
- Overseas
※Investment/Lending initiatives



■ Growth strategy to 2025

➤ Method: Own business, investment, lending and M&A

➤ Flexible combination depending on macro conditions and timing

➤ Own business: Z.com Payment

↳ Focus on Taiwan, expand to local and Japanese companies

➤ Partner with top VC/Financial institutions in Indonesia and USA

↳ Approx. target list of 100 companies including minority investments

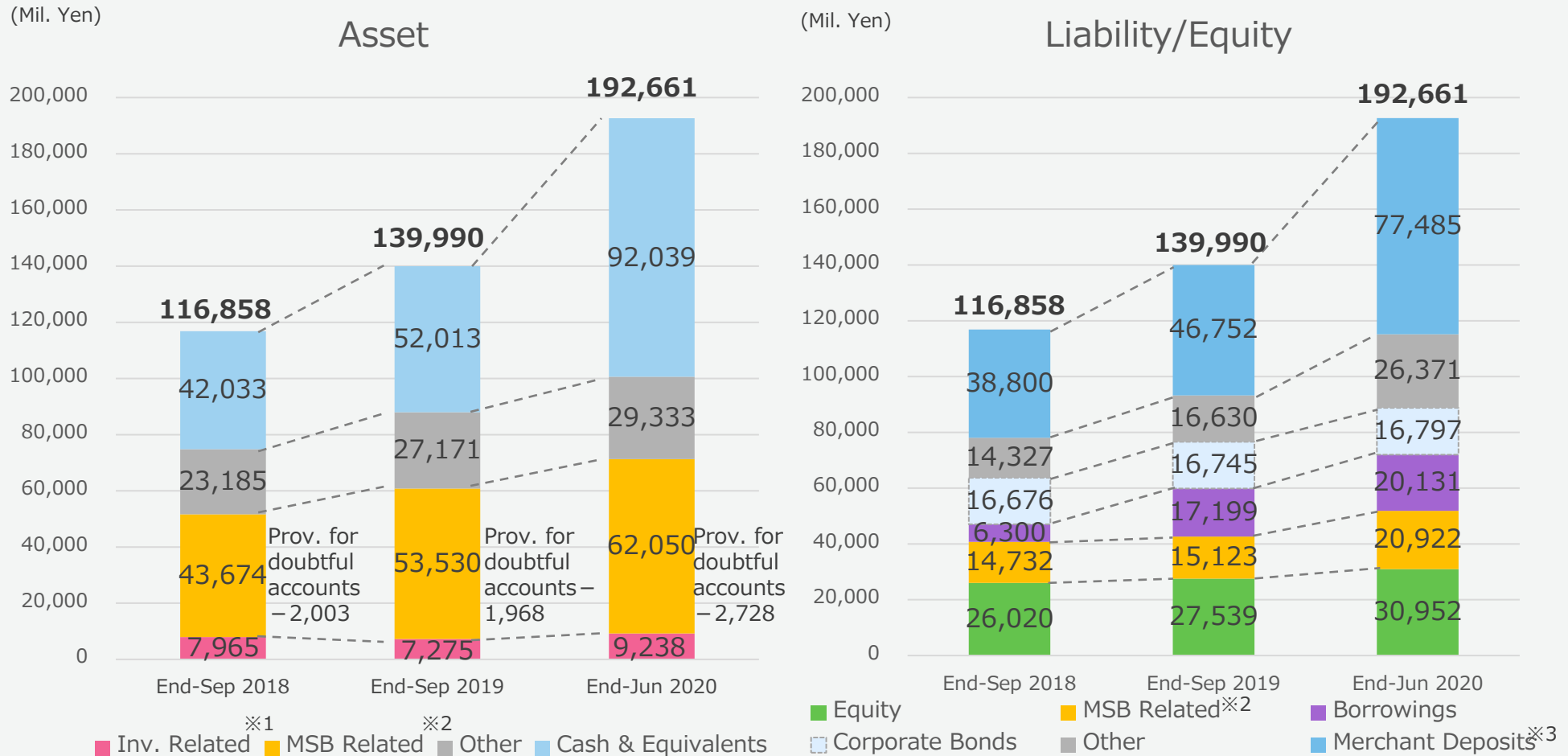
※1 Shows the YoY change in 2C2P's annual revenue from July 2019 to June 2020.

※2 Source: CB INSIGHTS "Payments Trends to Watch in 2019"

3. Financial Highlights

3.1 Balance Sheet Changes

Increase in deposits received and MSB-related assets



※1 Securities classified under Investment Securities and Equity-Method Affiliates

※2 MSB Related Asset = Lease assets, Short term loans, Advance payment, Accrued revenue (net of provision for doubtful accounts)

MSB Related Liabilities = Accrued expenses

※3 Deposits received from merchants under the Representative Contract. ※4 Some figures are shown in net amounts of financial assets and liabilities.

3.2 Revision to Full Year Guidance

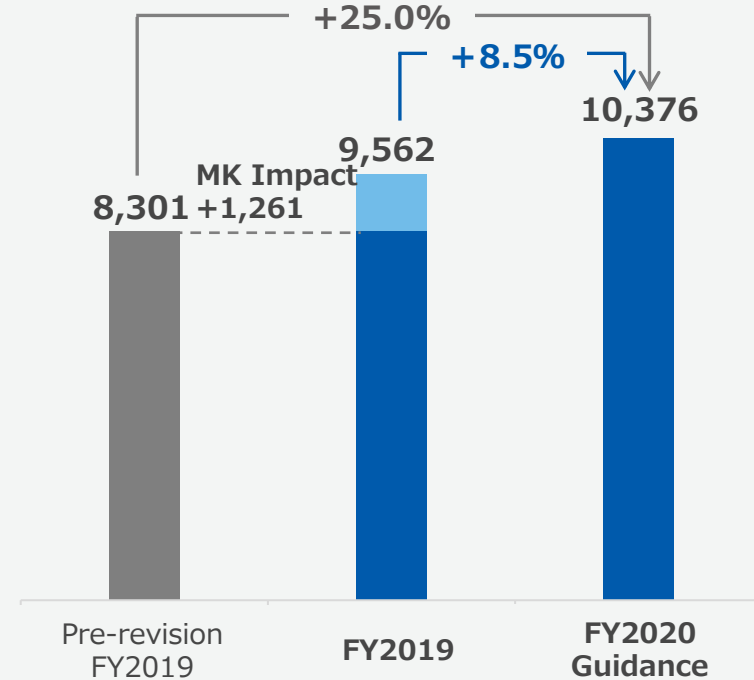
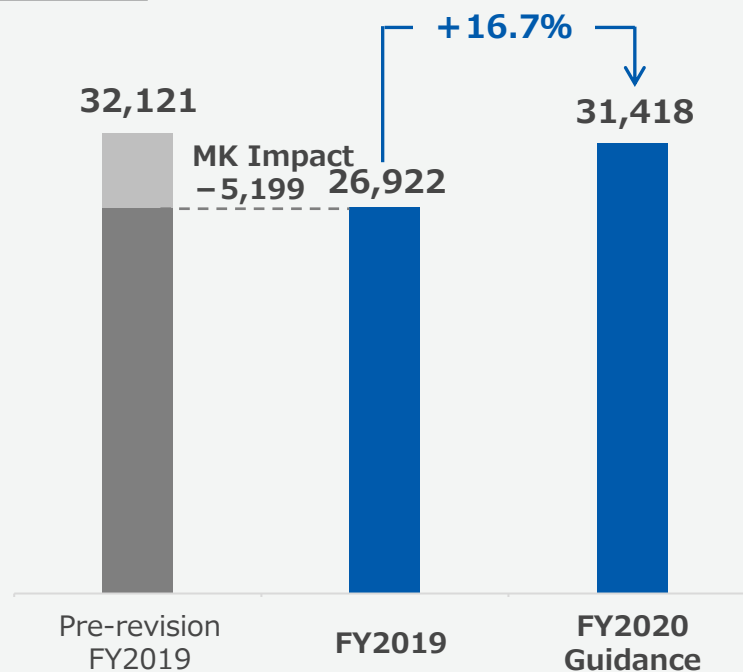
Reclassified MS as discontinued operations as per IFRS standards; OP guidance unchanged

■ FY2020 Full Year Guidance Revision (Mil. Yen)

(%: % YoY)

Revenue

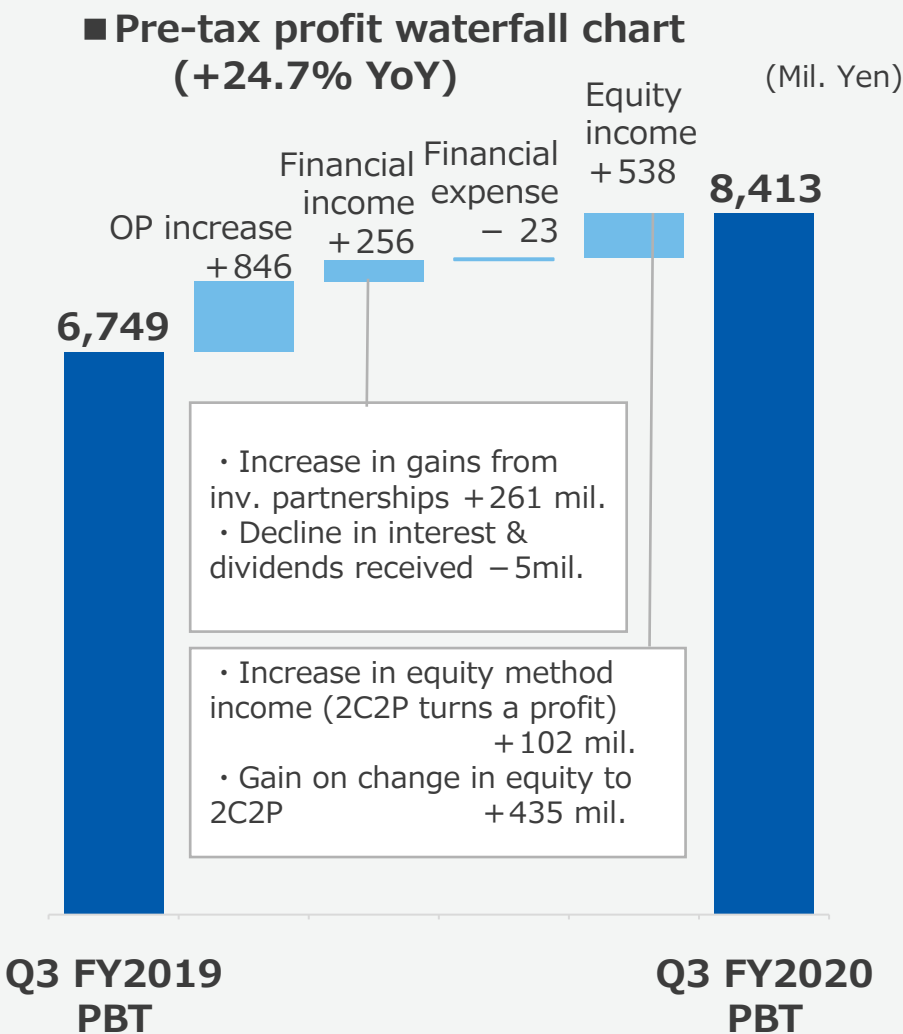
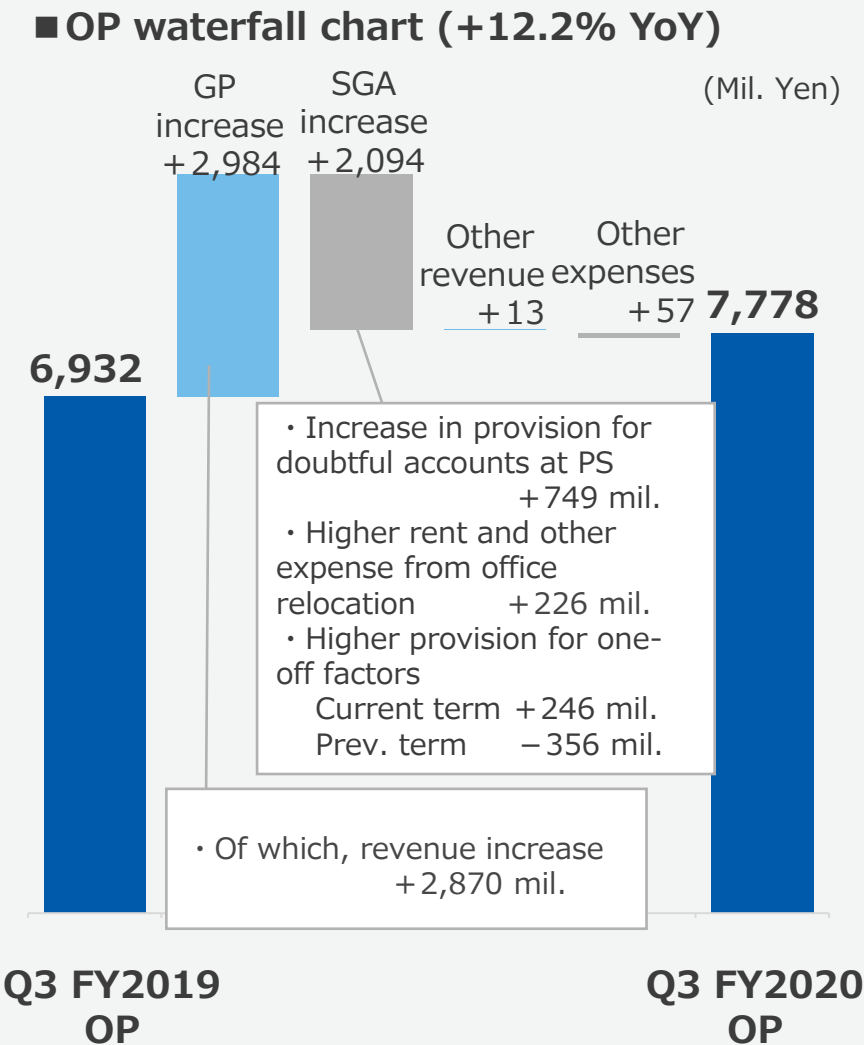
OP



MACROKIOSK's earnings is presented as profit/loss from discontinued operation and excluded from continuing operations, due to its deconsolidation on May 2020 as per IFRS accounting standards. As a result, earnings guidance for FY2020 and the revenue, operating profit and profit before income taxes in the previous term have been restated to present continuing operations only and exclude the discontinued operation.

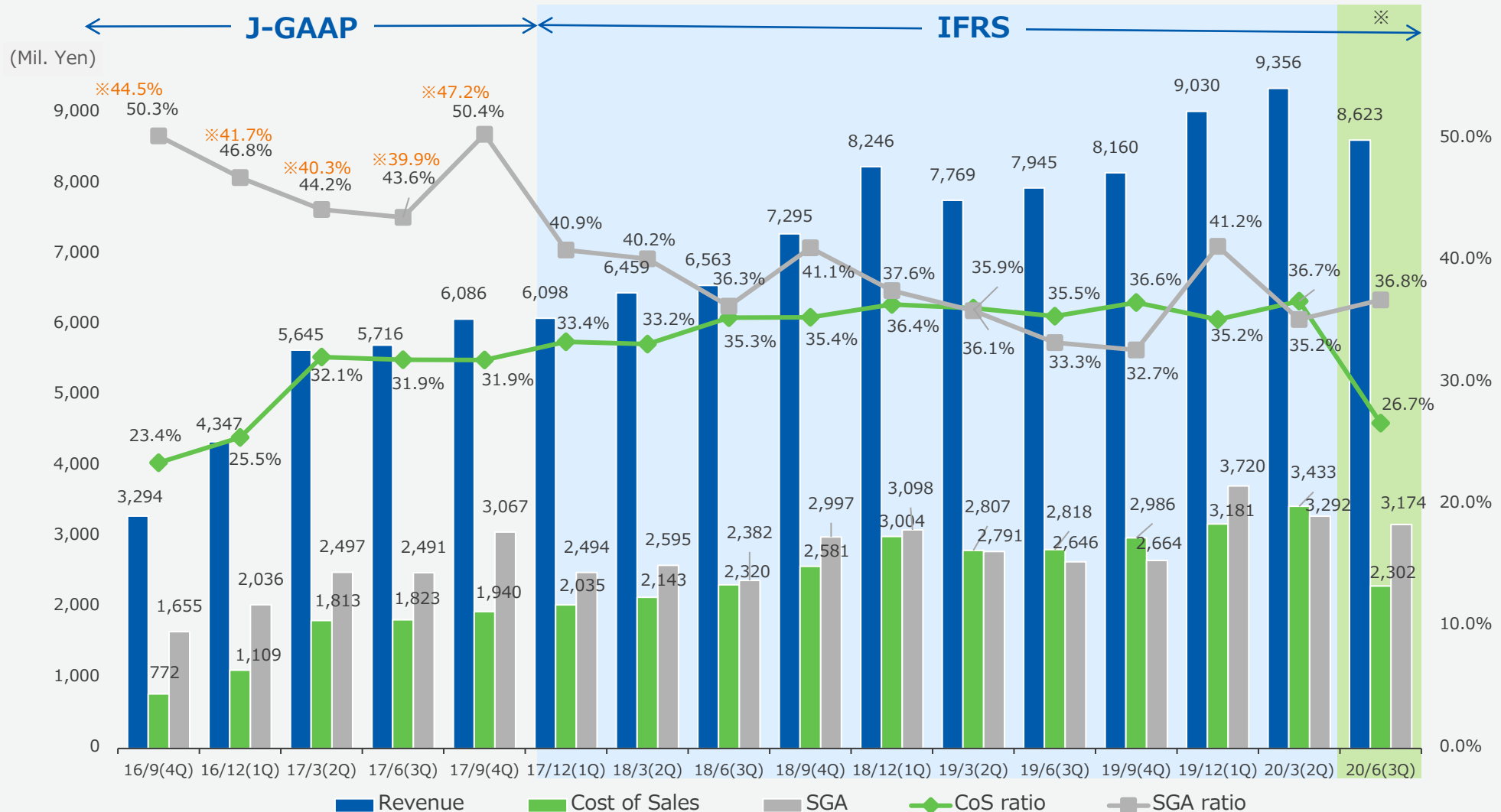
3.3 Factors affecting OP & Pretax Profit (Cumulative Q3 basis)

SG&A increase due to higher provisions; Pre-tax profit uplifted from increase in equity method income



3.4.1 Quarterly trend of CoS and SGA ratio

CoS ratio fluctuates with changes in revenue mix



※ Figures with asterisk exclude outsourcing expense related to MSB. These outsourcing expenses are not recorded in SG&A from December 2017 (Q1) due to IFRS adoption.

※ Figures only present the continuing operation from Q3 FY2020 and onwards and exclude MACROKIOSK (reclassified as discontinued operation) due to its deconsolidation on May 2020.

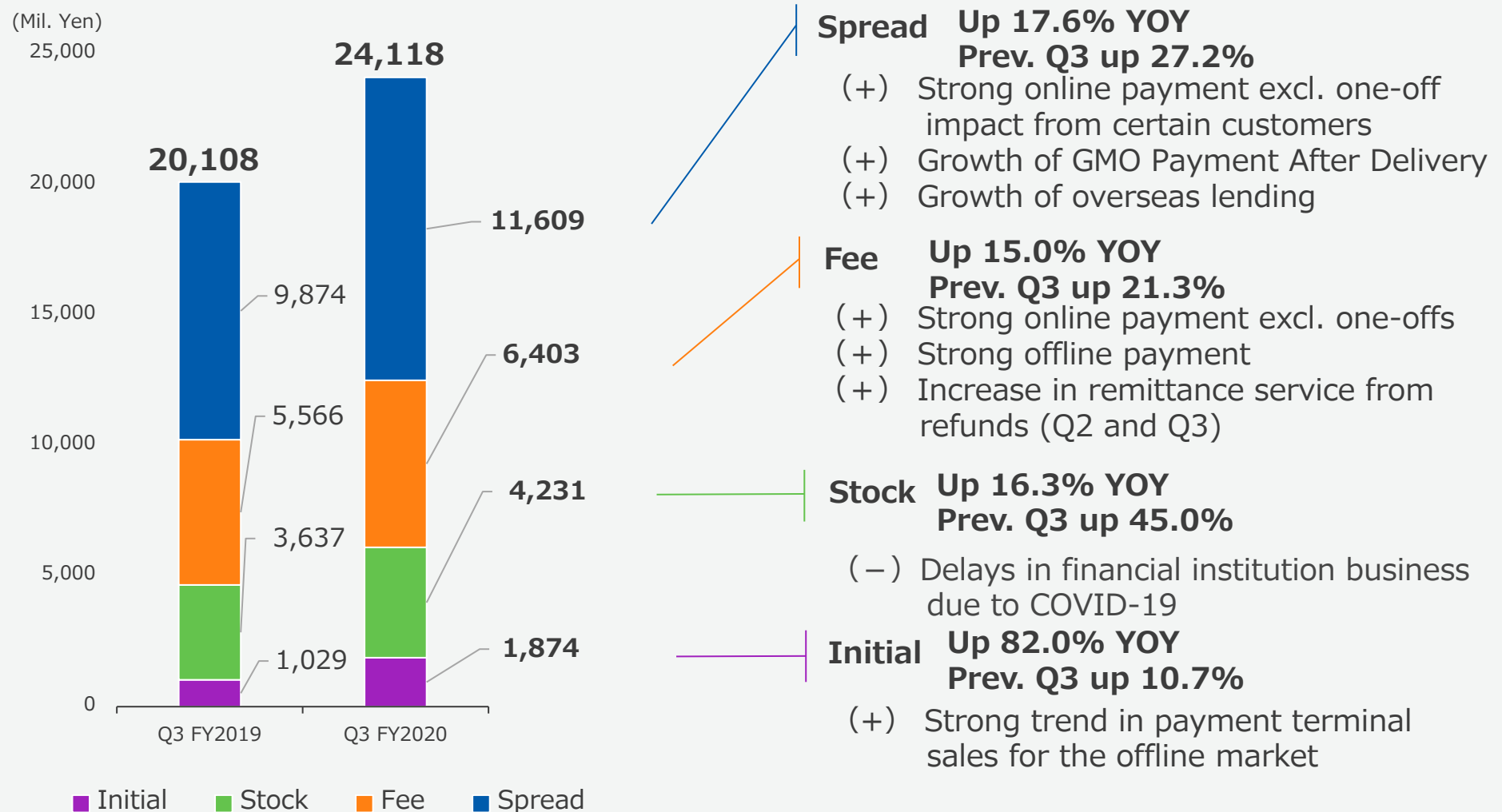
3.4.2 Quarterly trend of PG and EP's CoS and SGA ratio

CoS ratio fluctuates with changes in revenue mix



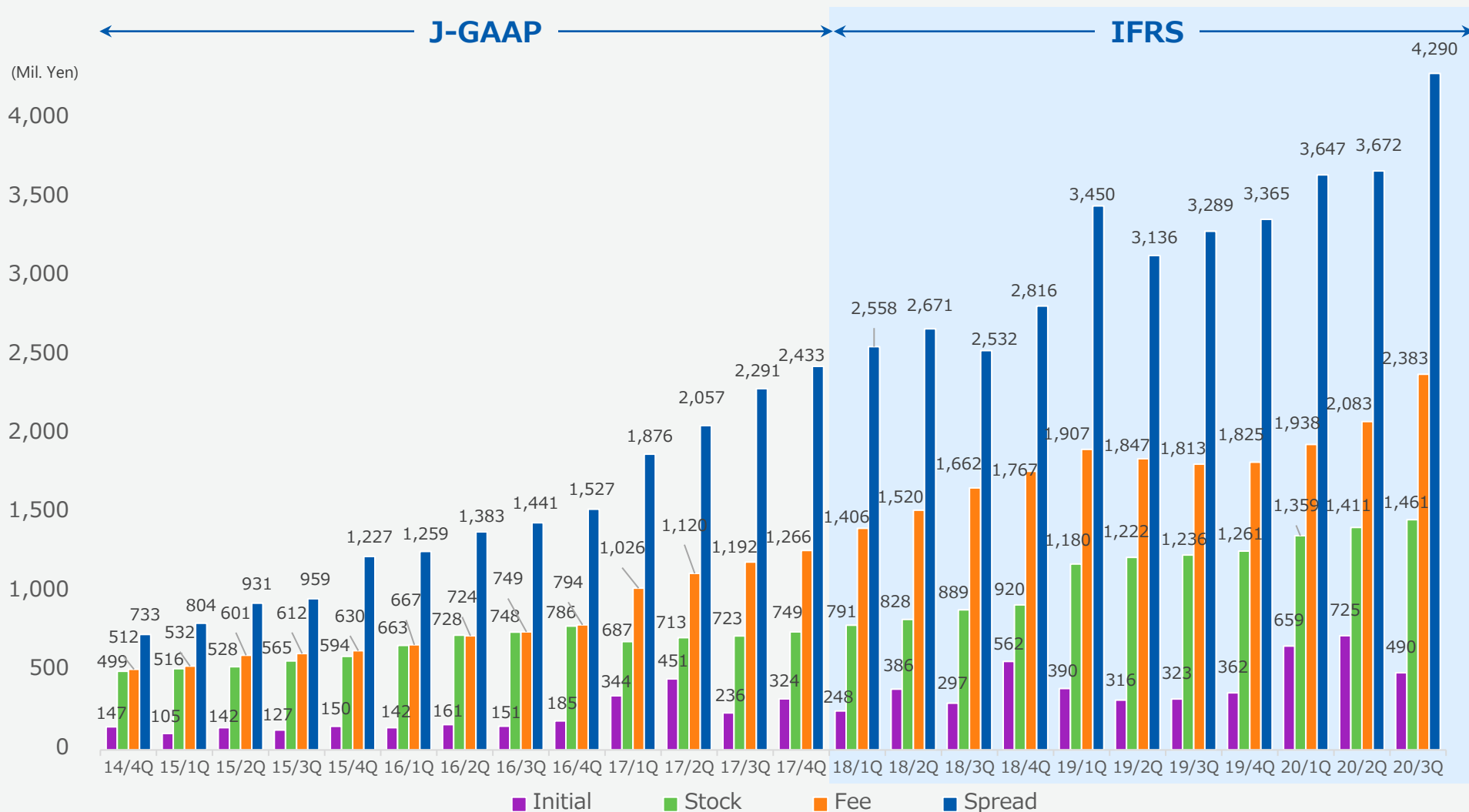
※ Based on J-GAAP

3.5.1 Revenue by business model (cumulative Q3, continuing operations)



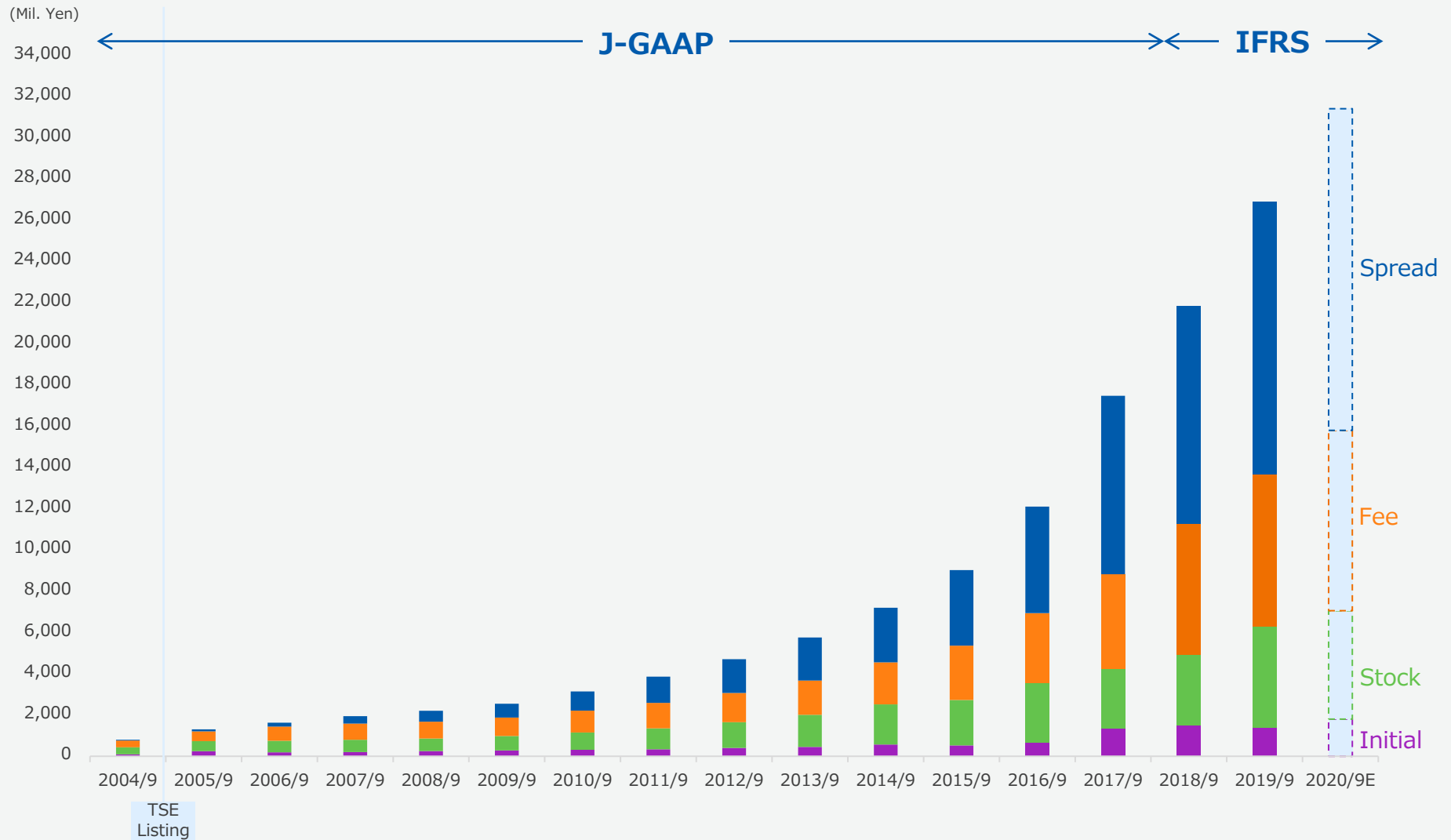
※ Previous Q3: Shows the YoY change for Q3 FY2019 (October 2019 to June 2019).

3.5.2 Quarterly trend of revenue by business model



※ Online advertising service (stock) and finance lease (spread) revenues are recognized as a net amount with the IFRS adoption rather than the gross method from FY Ending September 2018. The figures for revenues by business model present the continuing operations only and exclude MACROKIOSK, due to its deconsolidation on May 2020.

3.5.3 Revenue trend by business model (annual)



※ Online advertising service (stock) and finance lease (spread) revenues are recognized as a net amount with the IFRS adoption rather than the gross method from FY Ending September 2018
The figures for revenues by business model present the continuing operations only and exclude MACROKIOSK, due to its deconsolidation on May 2020.

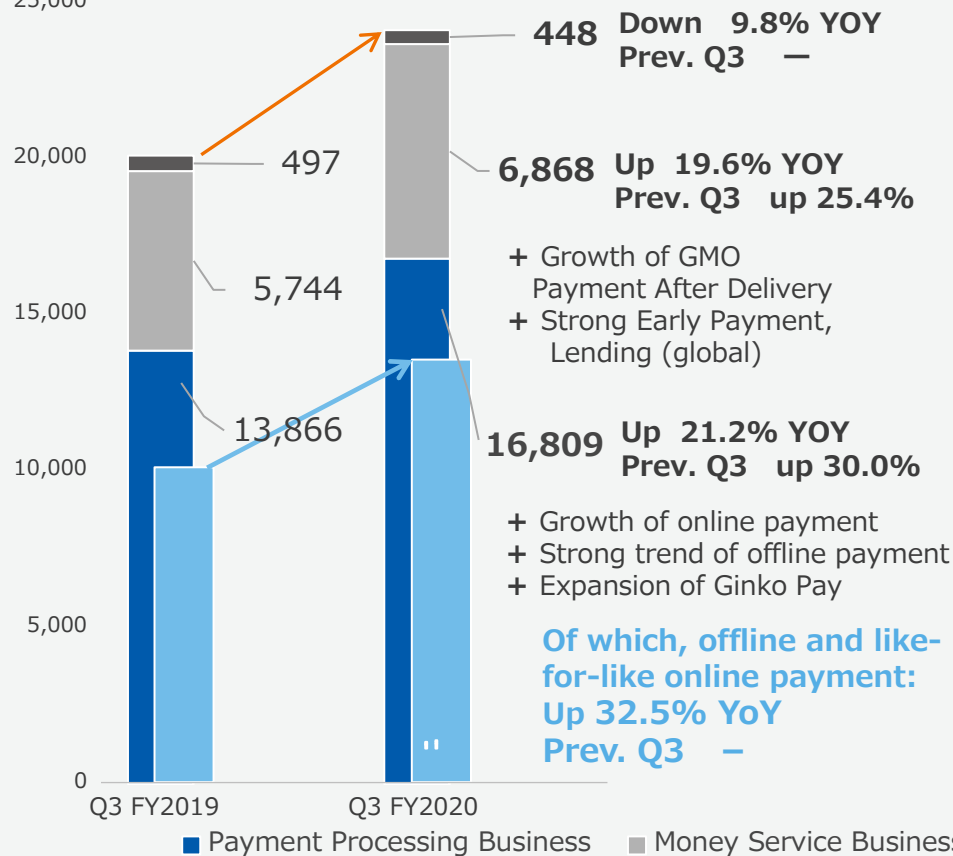
3.6 Segment revenue and OP YoY (cumulative Q3, continuing operations)

■ Segment revenue

(Mil. Yen)

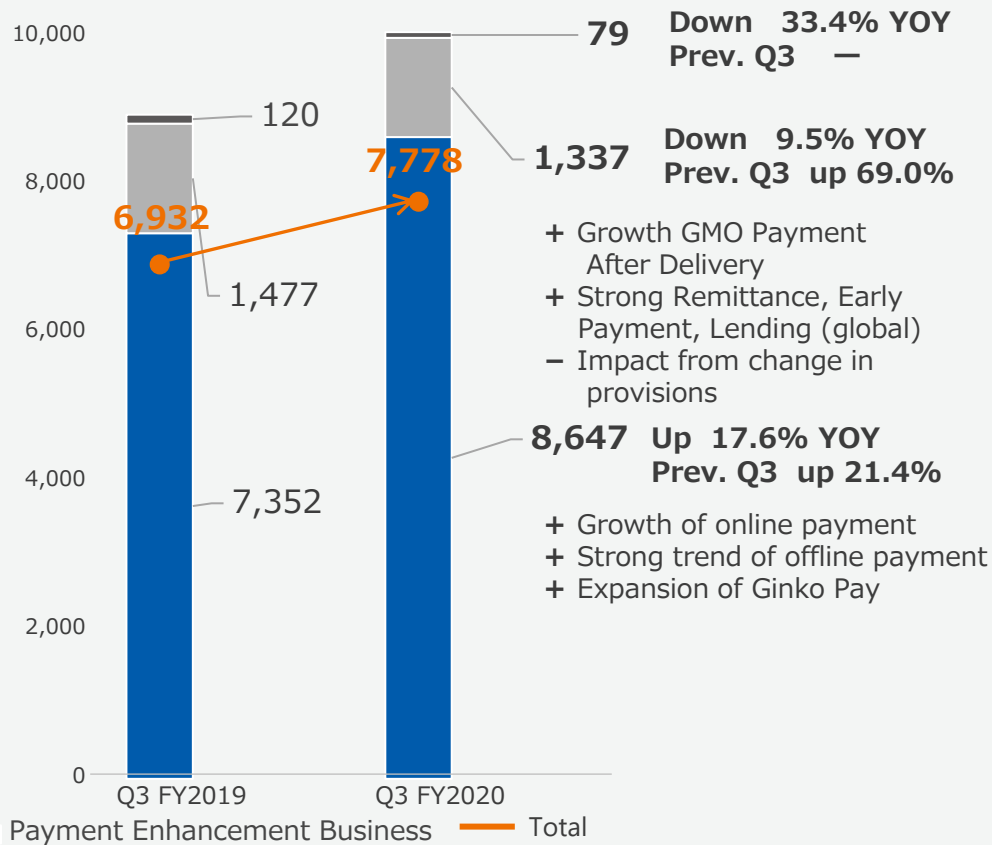
25,000

Up 19.9% YoY



■ Segment operating profit (Unit: Mil. Yen)

Up 12.2% YoY

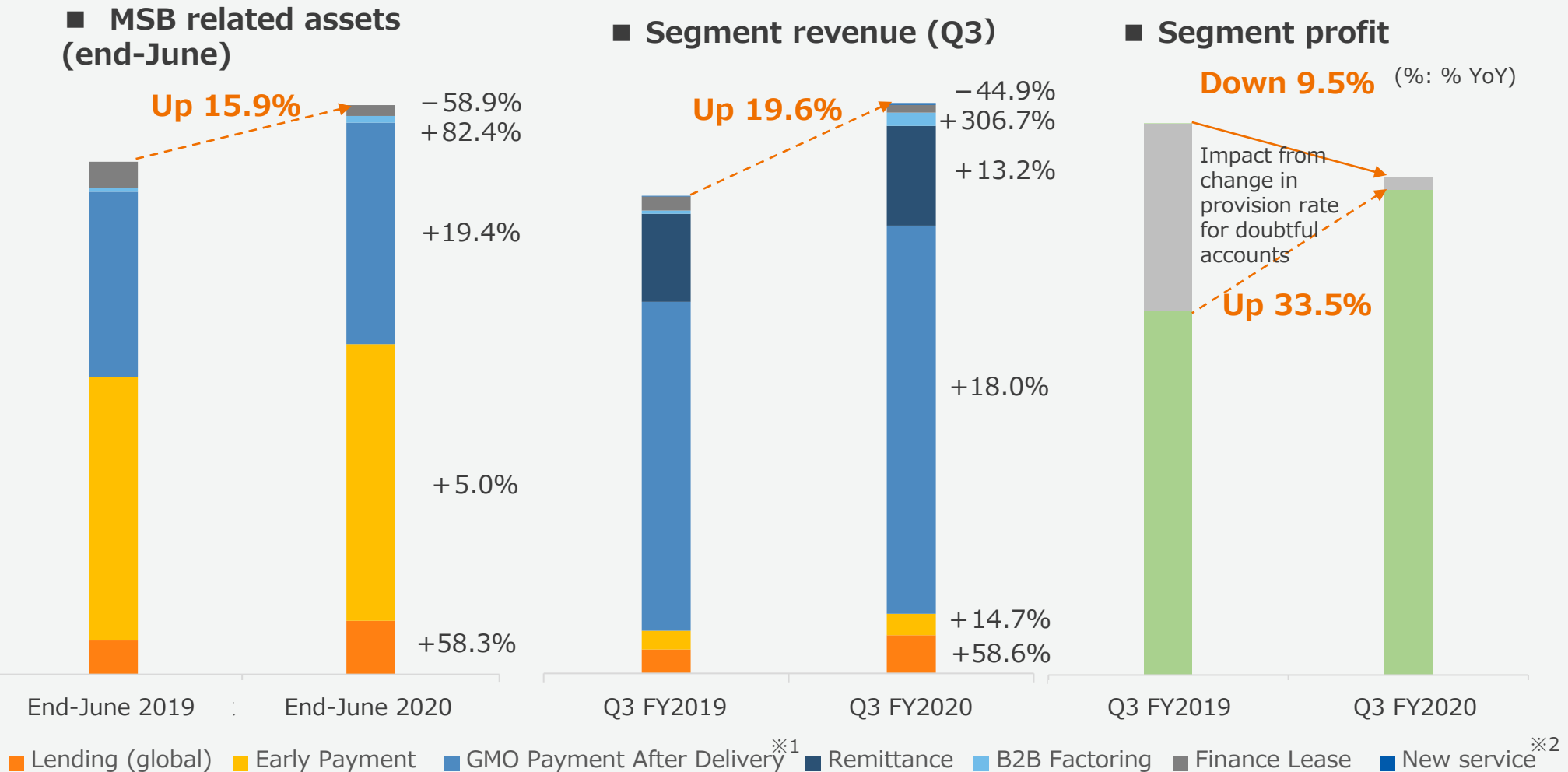


※ Previous Q3: Shows the YoY change for Q3 FY2019 (October 2018 to June 2019). Continuing operations in the Payment Enhancement Business before FY ending September 2018 cannot be computed.
Like-for-like online payment excludes:

① Contract expiration of a large merchant in the previous Q2, ② contract termination of a certain merchant in the previous Q2, ③ change in contract terms to certain merchants in the current term's Q1.
Cumulative figures before FY ending September 2018 cannot be computed.

3.7.1 FinTech: Assets & profit growth (cumulative basis)

Expansion of high-margin services; YoY decline from reversals of provisions booked in the previous year



※1 Figures for GMO Payment After Delivery assets (accrued revenue) are net of provision for doubtful accounts.

※2 B2B AR Guarantee (launched May 2018), "Kondo Barai" (launched June 2020). YoY figures are not displayed.

3.7.2 FinTech: Assets & profit growth (Q3 standalone)

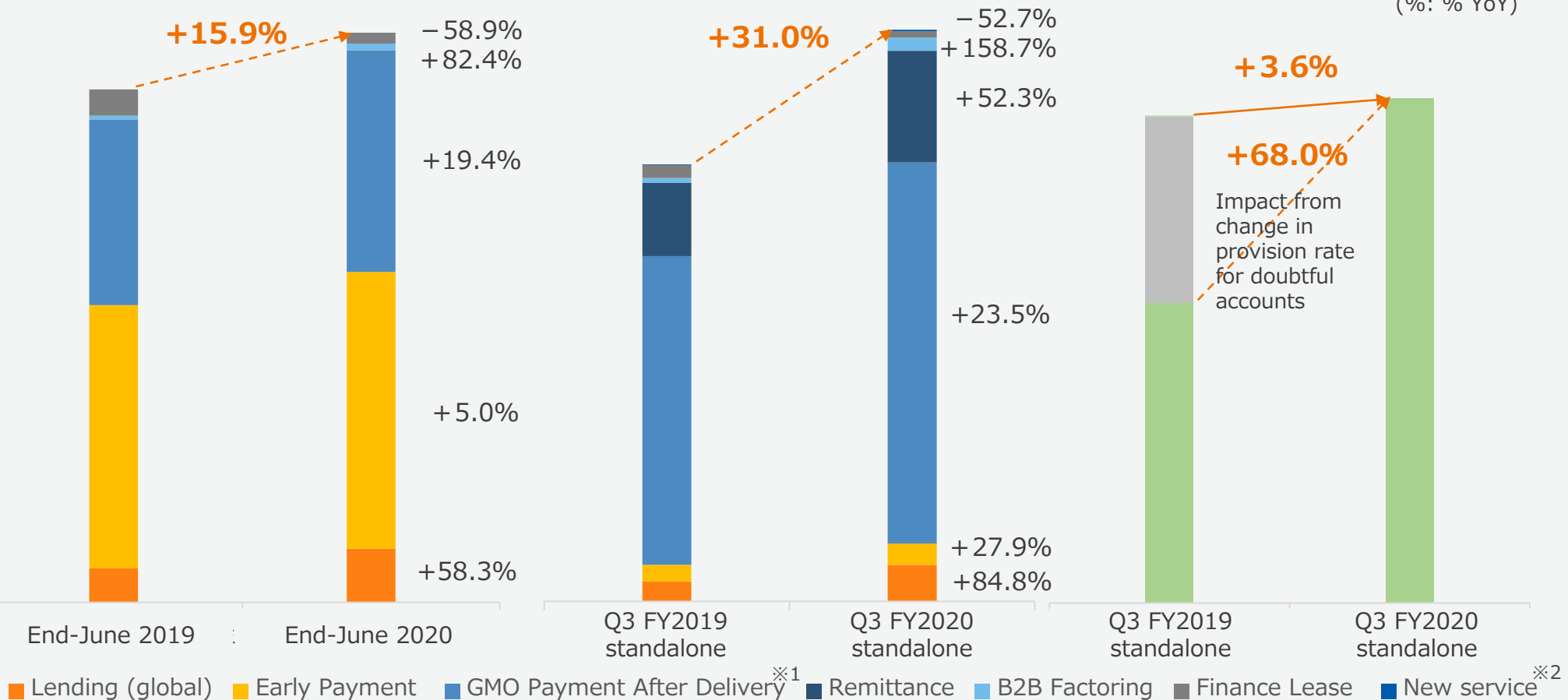
Steady growth of high-margin services leading to higher revenues and profits

■ MSB related assets
(end-June)

■ Segment revenue (Q3
standalone)

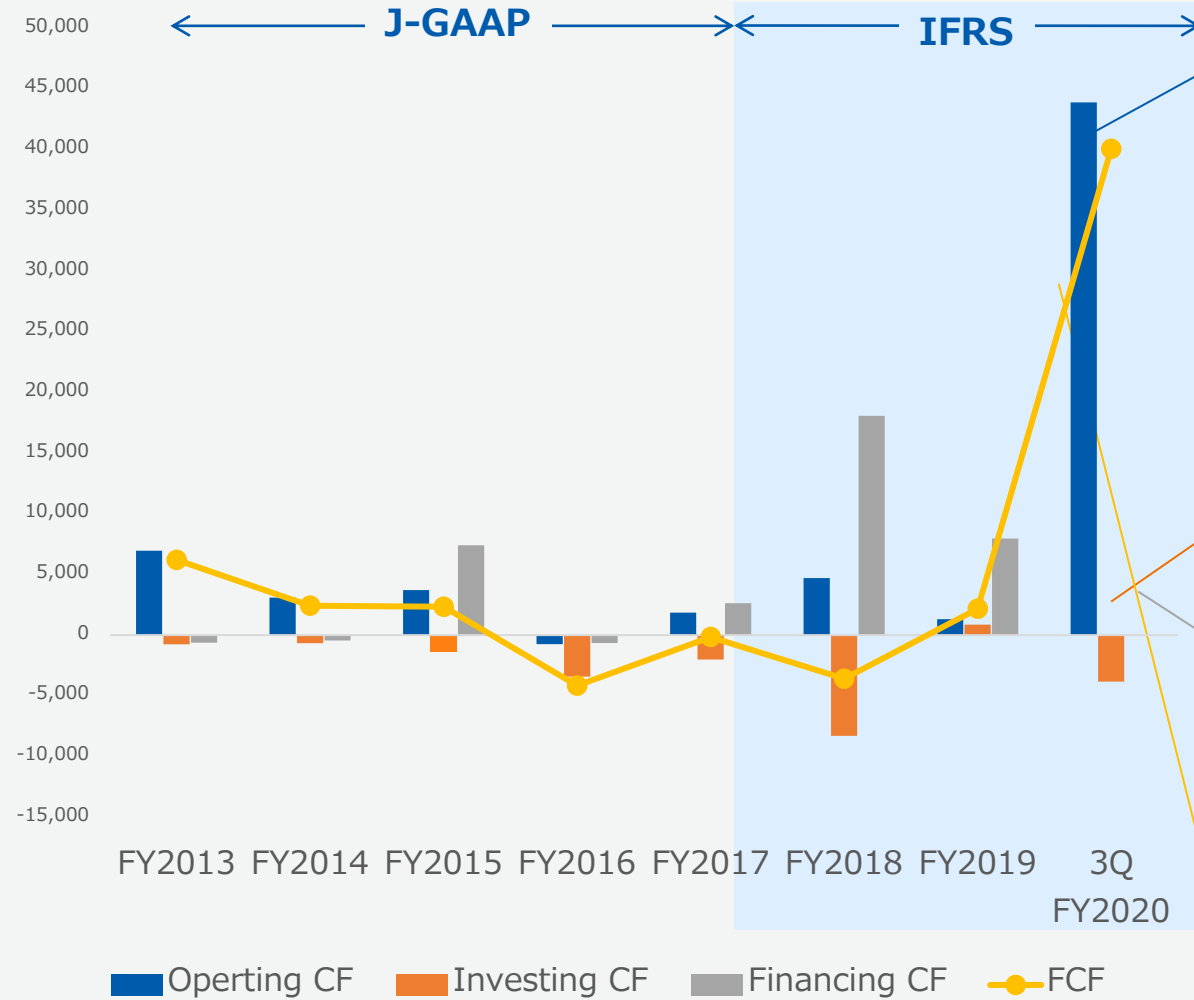
■ Segment profit

(%: % YoY)



3.8 Consolidated Cashflow Statement

(Mil. Yen)



■ FY2020 Q3 changes (Mil. Yen)

Operating CF: +43,889

Pretax profit	+8,413
Depr. & Amort.	+1,117
Advances paid	-3,121
Accrued income	-3,619
Chgs in payables	+1,463
Accrued expenses	+5,789
Deposits received	+38,035
Income tax & refunds	-3,018

Investing CF: -3,827

Acq. of intangibles	-1,176
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Financing CF: +28

ST borrowings	+4,000
LT borrowings	-1,067
Dividend payout	-2,647

FCF: +40,062[※]

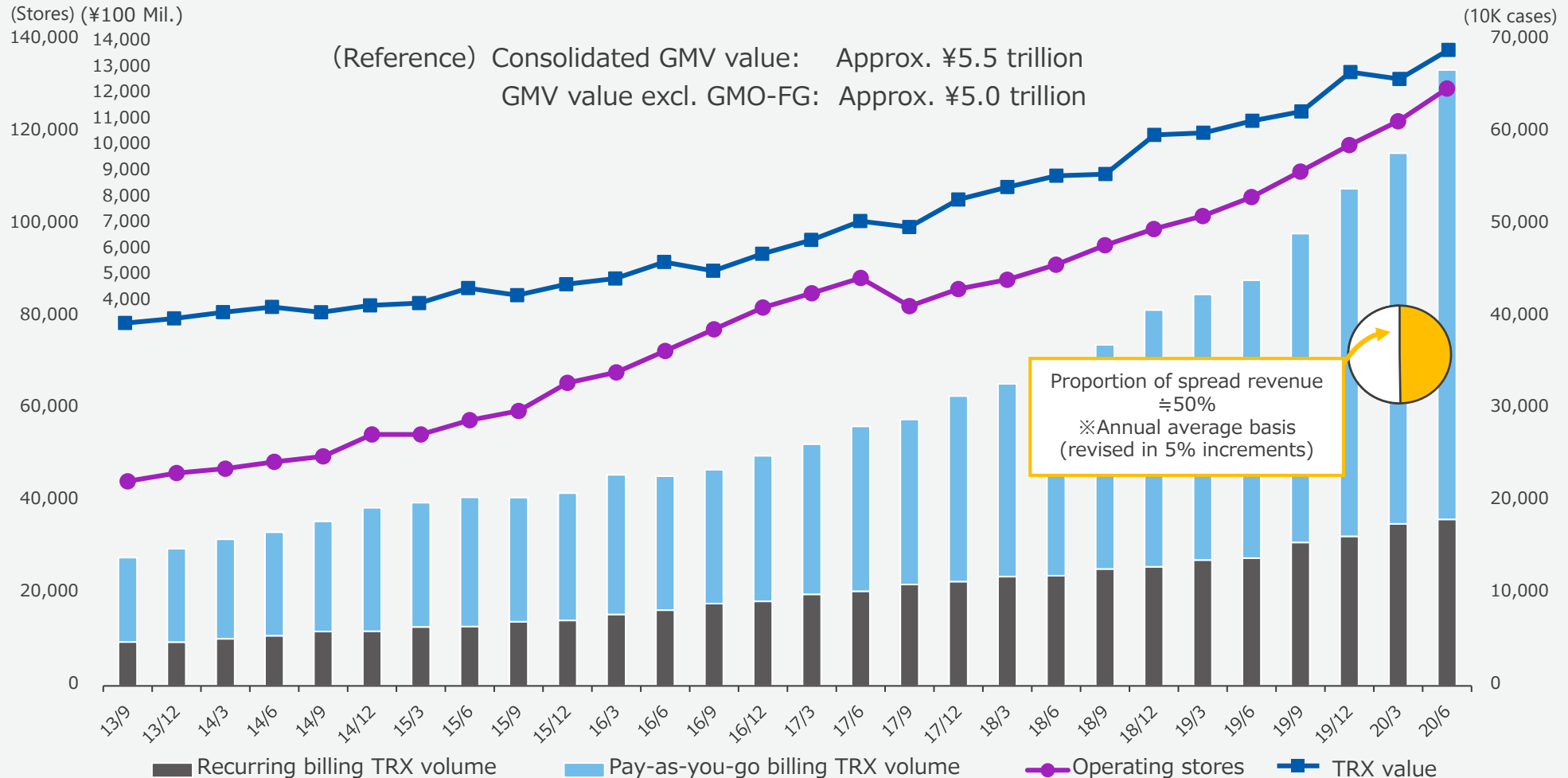
Cash & Equivalent 92,039

※ FCF is calculated as the sum total of Operating CF and Investing CF. Only major items (above ¥1 bn change) of the cash flow statement are shown on this page.

3.9 Major Quarterly KPIs

Group-wide annual GMV value reaches ¥5.5 trillion

Operating stores: 129,404 stores^{※1}, GMV volume 670 mil., GMV value approx. ¥1.3 trillion^{※2}



※1 Figure excludes a significant increase in operating stores from a specific merchant. If included, operating stores would be 305,004 outlets as of end-June 2020 (up 65.3% YoY).

※2 Operating stores are measured on an end-of-quarter basis. GMV value and volume are the total for the respective quarter.

Thank You Very Much

GMO PAYMENT GATEWAY

GMO Payment Gateway, Inc.
(3769; Tokyo Stock Exchange, Section 1)

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

For inquiries please contact our IR team at the telephone number below:
Corporate Value Creation Strategy Division (IR Department)
TEL: +81-3-3464-0182
E-mail : ir-contact@gmo-pg.com