

# Financial results briefing for the 1Q of FY2016 (October 1, 2015-December 31, 2015)

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Themes : Achieve 25% profit growth in the payment business field  
via expansion of Money Service Business

February 5, 2016

GMO Payment Gateway, Inc.

(3769: Tokyo Stock Exchange section-1)

The 44<sup>th</sup> IR Meeting

**GMO** PAYMENT GATEWAY

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

# **A Cautionary Note About the Contents of this Document**

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The contents of this document are based on generally recognized economic and social conditions, as well as premises judged to be reasonable by GMO Payment Gateway as of February 5, 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

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1. Summary of Financial Results for 1Q FY2016
2. Progress of the growth strategy
3. Financial highlights

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# 1. Summary of Financial Results for 1Q FY2016

# 1.1 Summary

## Good performance of payment processing service and MSB

(Million yen)	1Q of FY2016	1Q of FY2015			Progress	
		Results	Growth	Growth rate	1H	Full Year
Sales	<b>2,732</b>	1,958	774	39.5%	52.4%	23.9%
Gross income	<b>2,117</b>	1,576	541	34.3%	52.4%	23.9%
Operating income	<b>870</b>	725	145	20.0%	49.3%	23.3%
Ordinary income	<b>924</b>	758	166	22.0%	52.3%	24.7%
Net income	<b>596</b>	476	120	25.4%	54.6%	25.6%

	Number of operating stores	Amount of processed payments	Number of processed payments
<b>KPI</b>	<b>65,652</b>	<b>450 Billion Yen</b>	<b>208 Million</b>

### ■ Key points

#### 1. Accelerated profit growth, 1Q results rose steadily

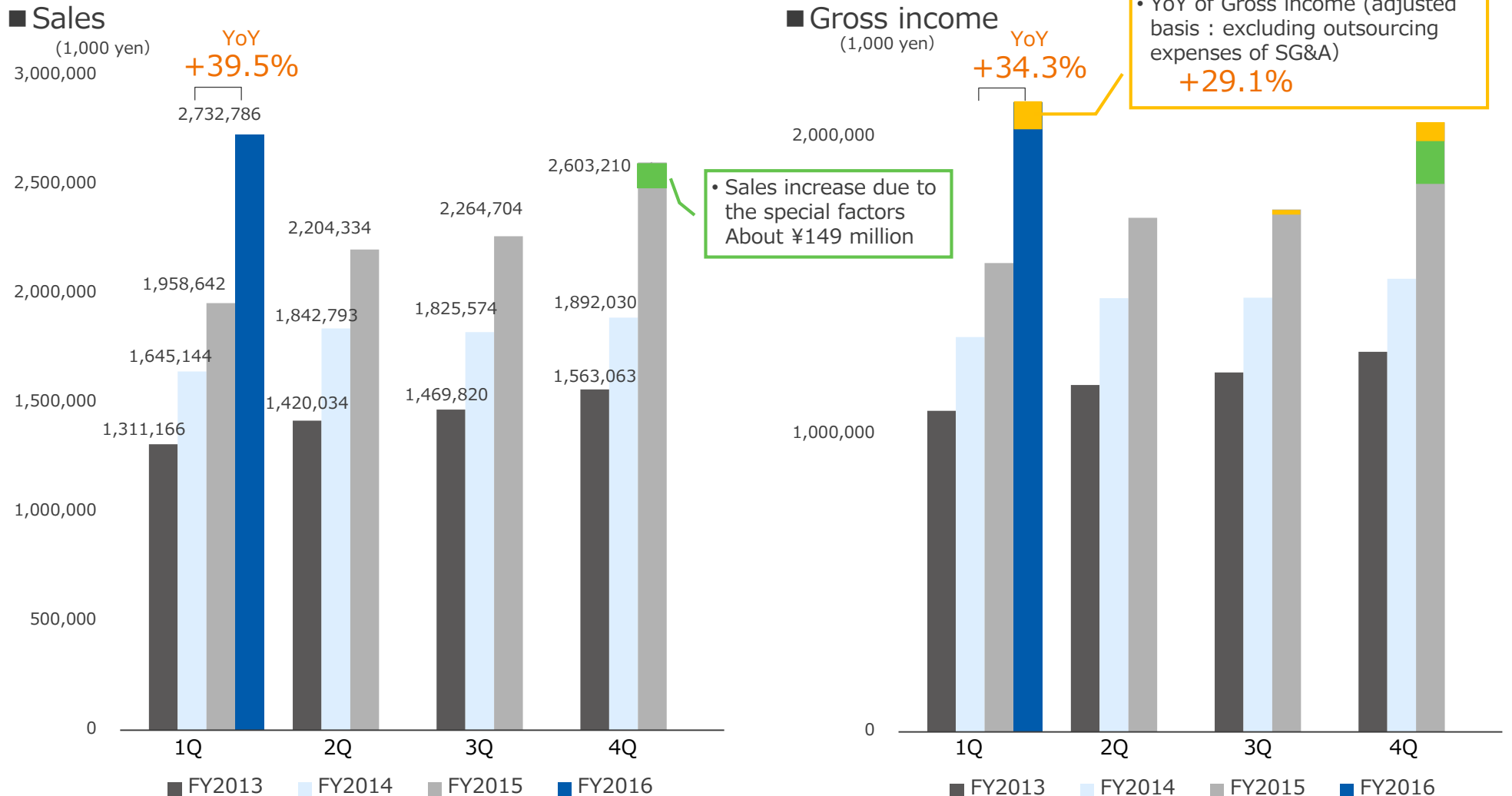
Payment Processing Business : Merchant acquiring service revenue increased

Money Service Business : MSB continued to grow steadily

#### 2. The actions for the future steadily implemented such as strategic investments and overseas businesses

# 1.2 Sales/Gross income

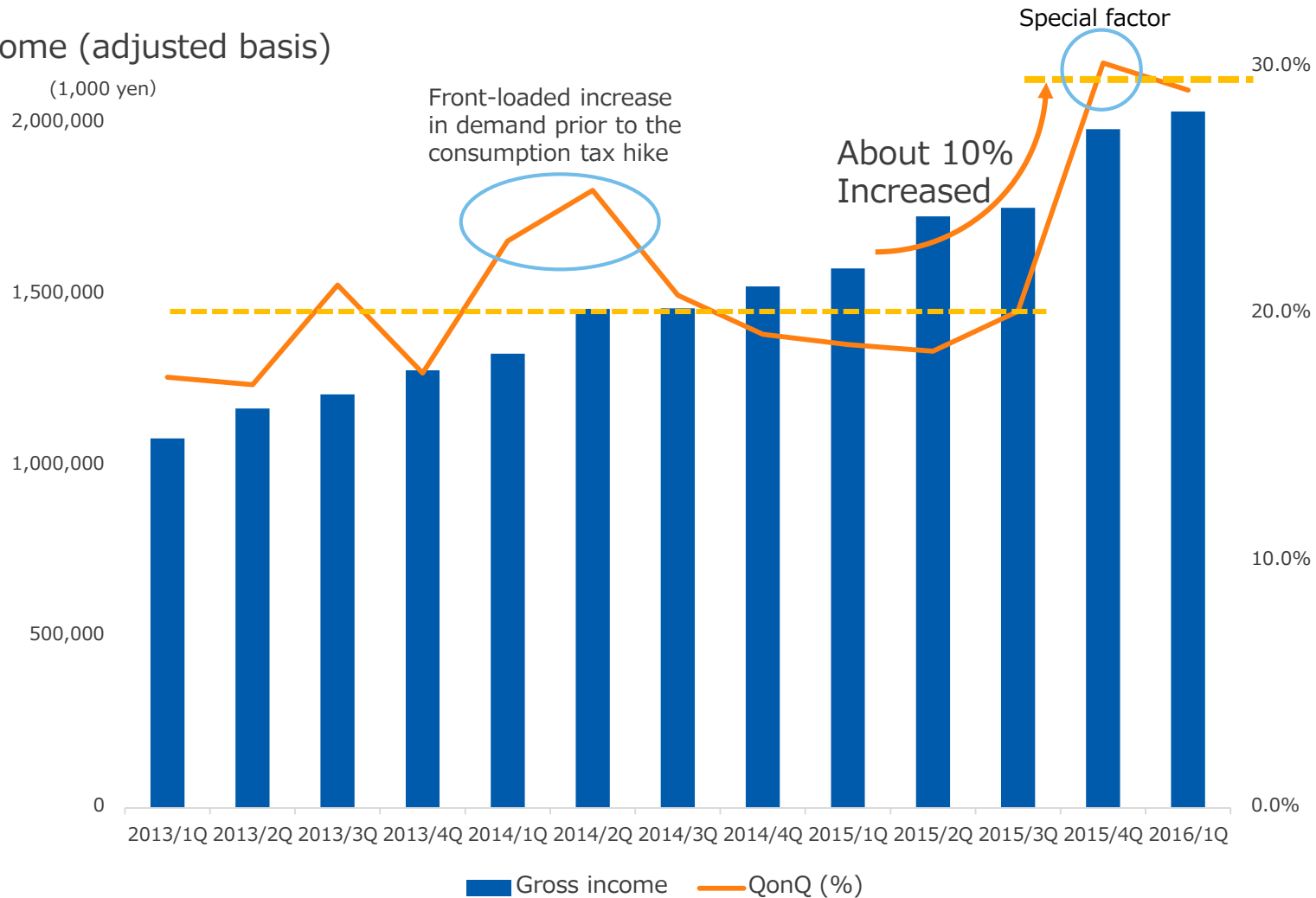
Sales up 39.5%, gross income (adjusted basis) up 29.1%



# 1.3 Gross income (adjusted basis)

## Income growth rate increased from 20% to about 30%

■ Gross income (adjusted basis)



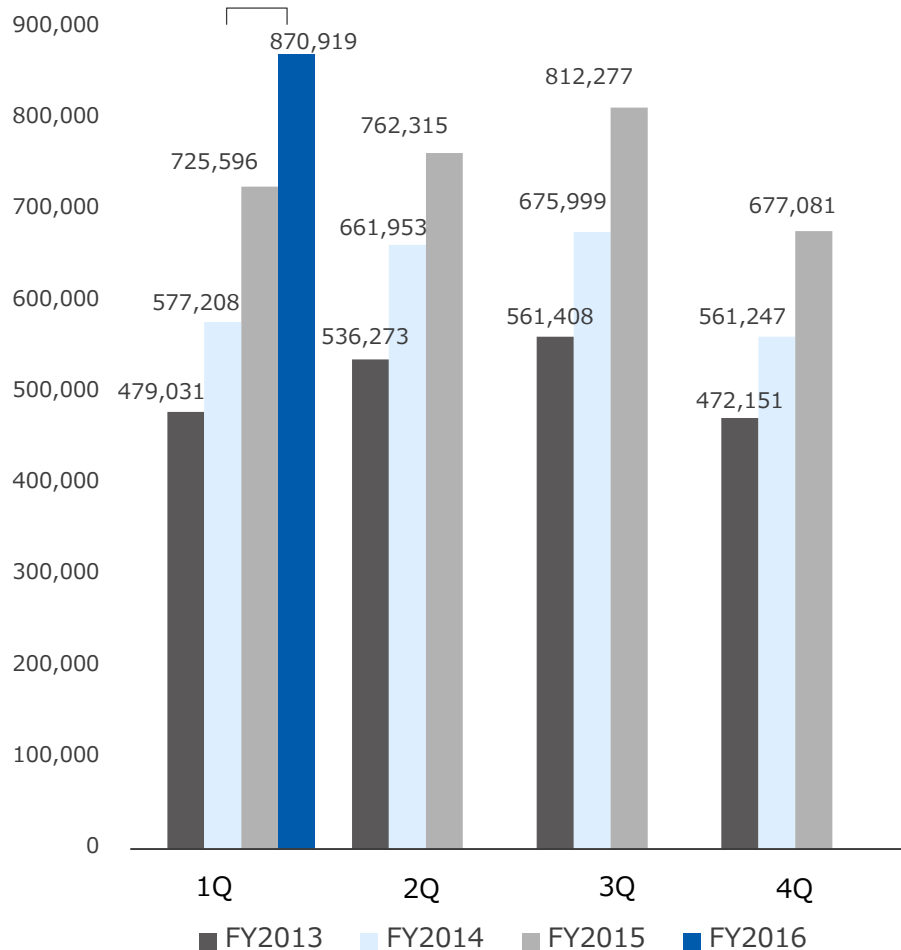
# 1.4 Operating income/Ordinary income

## Operating income up 20.0%, Ordinary income up 22.0%

### ■ Operating income

(1,000yen)

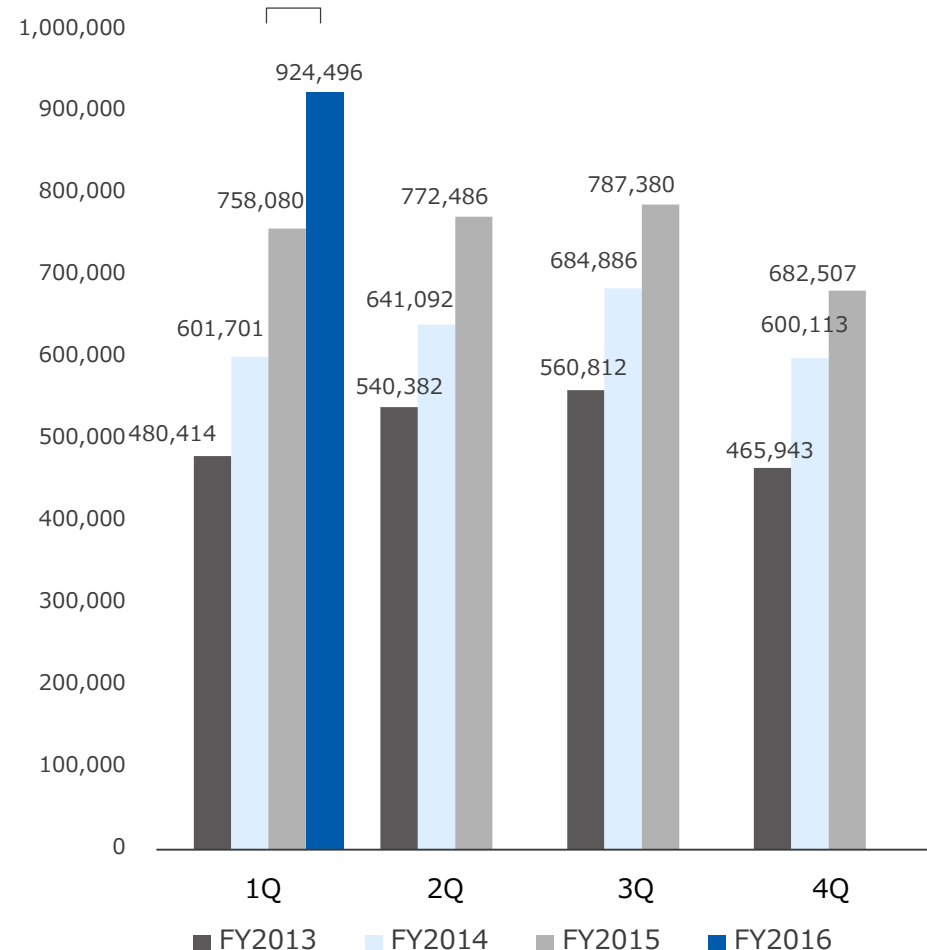
YoY +20.0%



### ■ Ordinary income

(1,000yen)

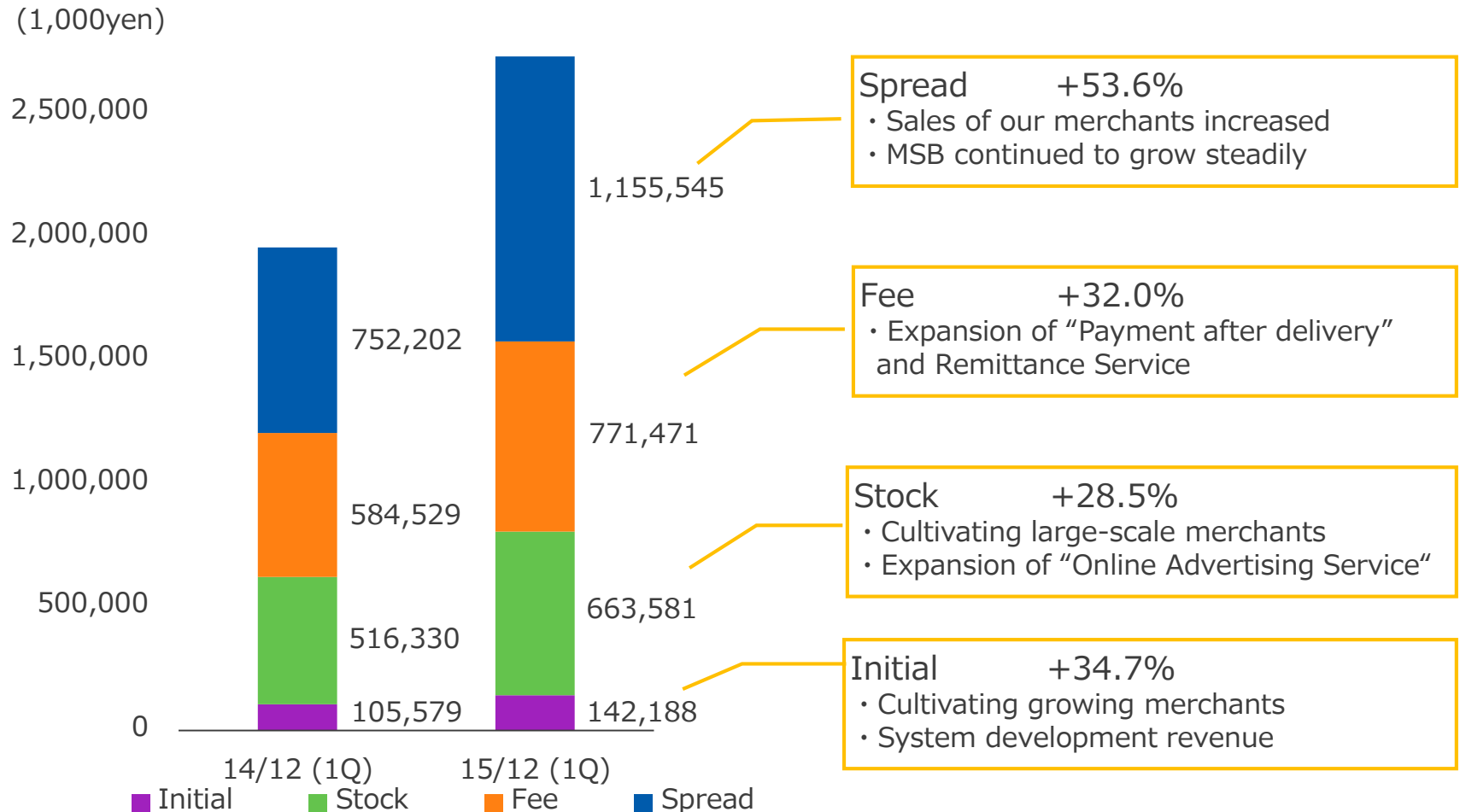
YoY +22.0%





# 1.5 Revenue breakdown

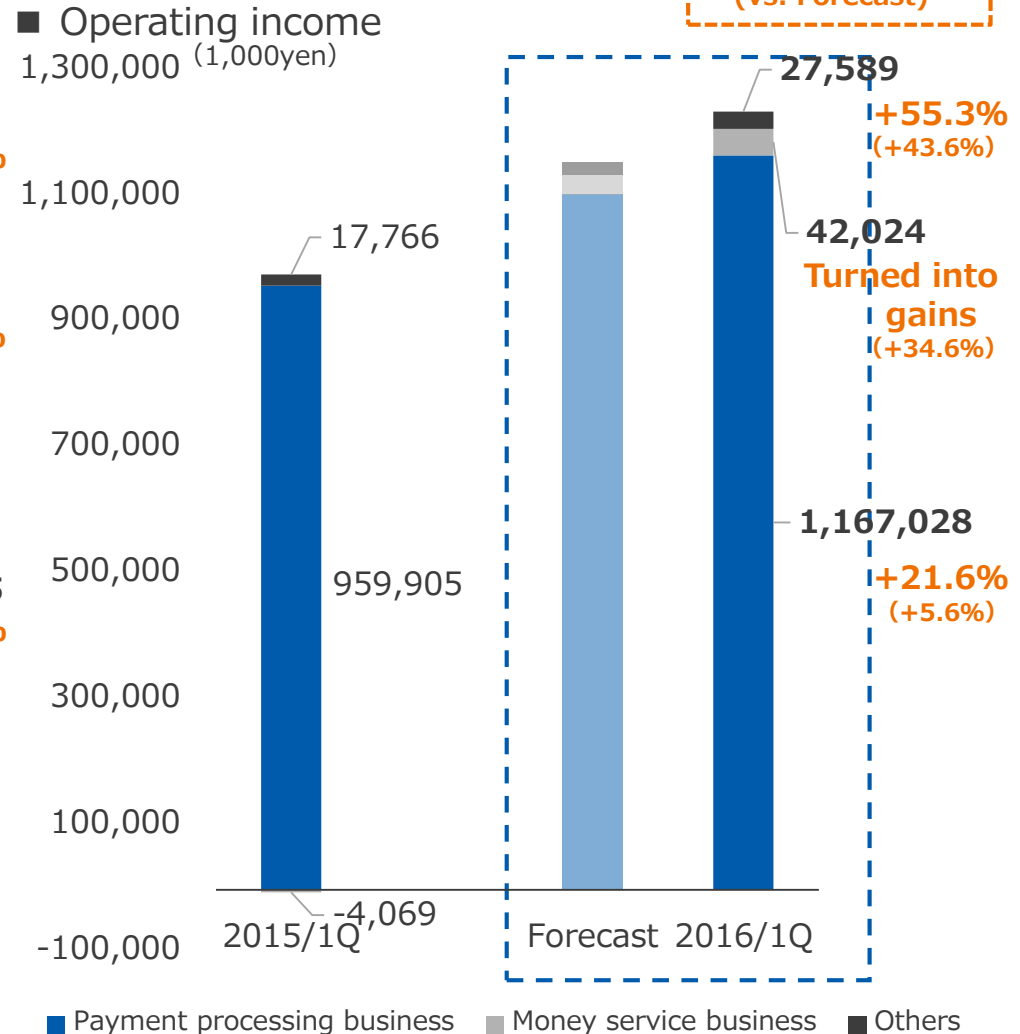
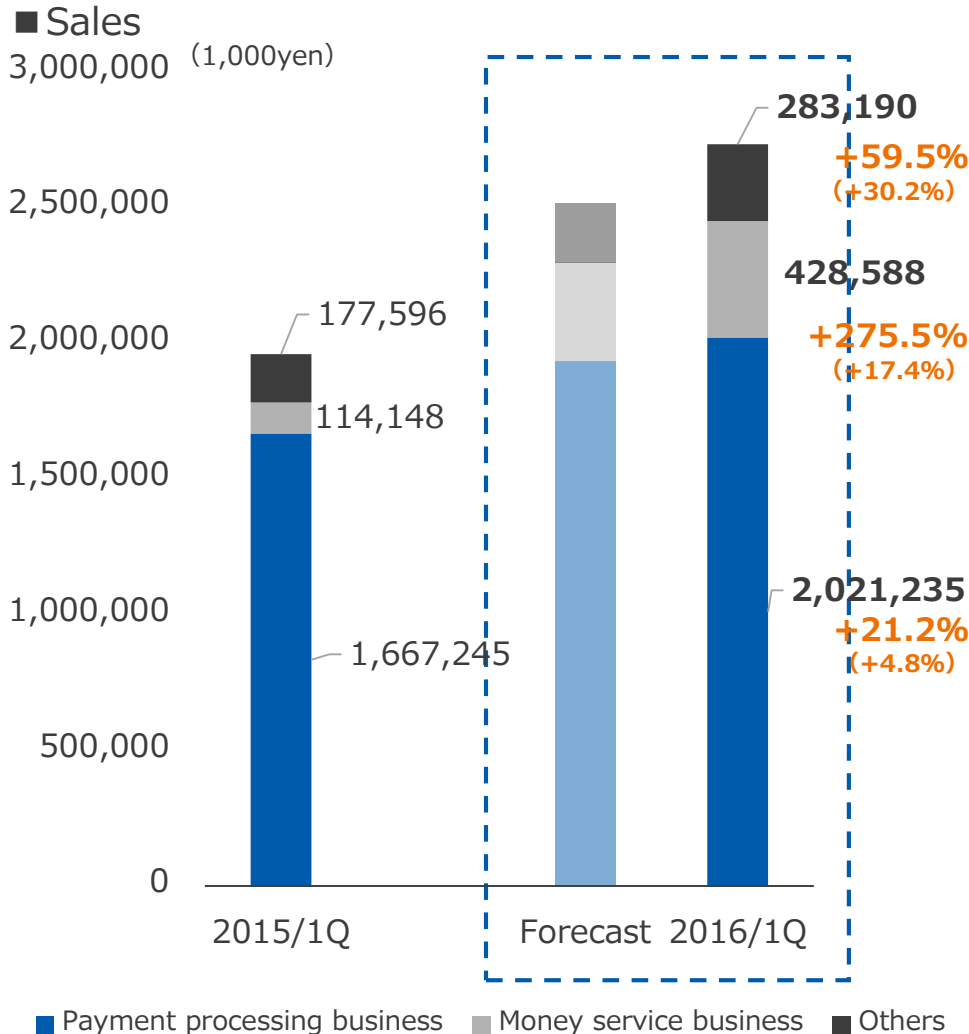
## Up over 25% in all revenue model



# 1.6 Sales/Operating income by Segment

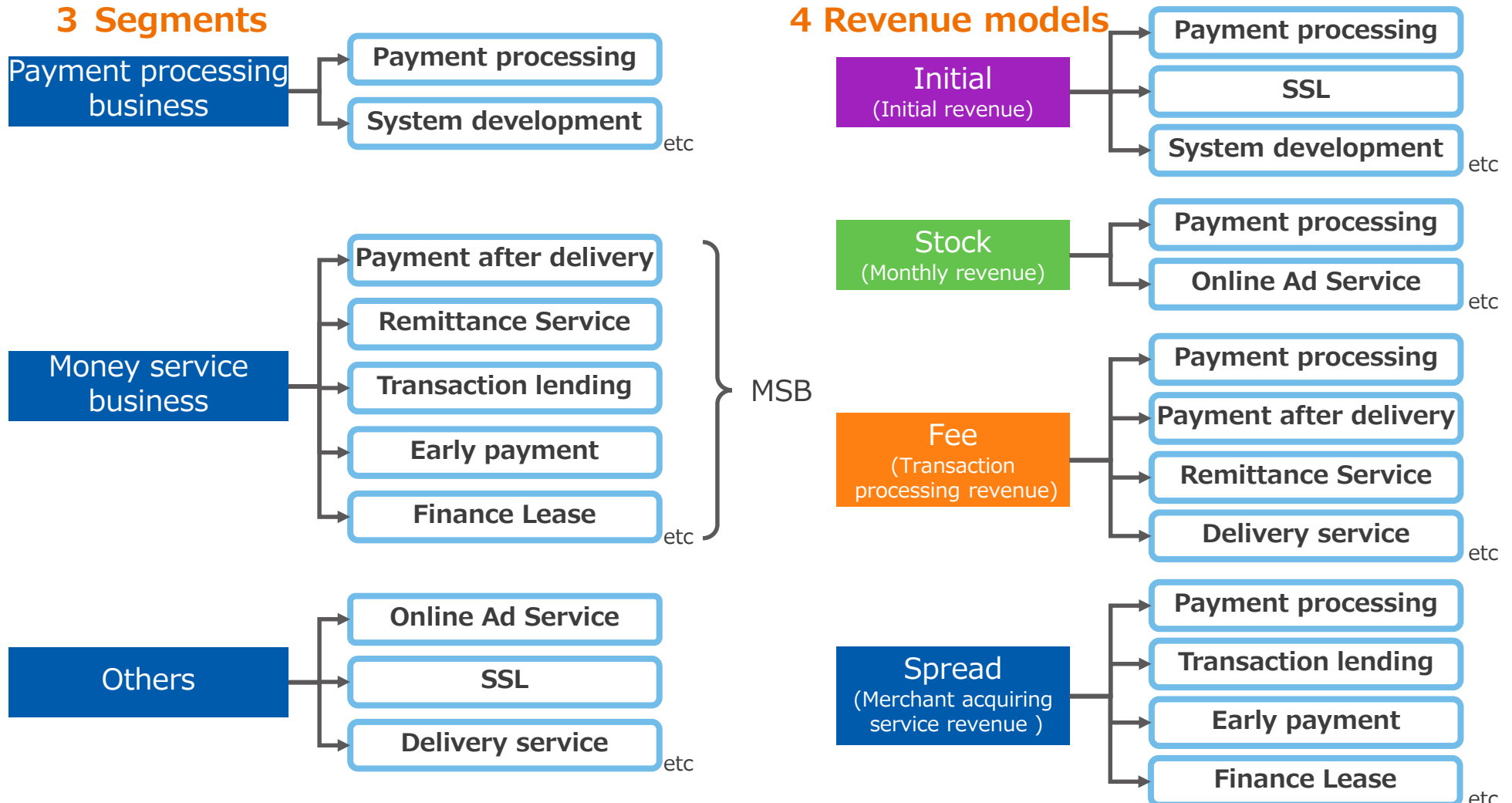
## Sales/operating income exceeded the forecast(1Q)

※ % YoY (vs. Forecast)



# Reference: Segment/Revenue model/Service

## 3 Segments and 4 Revenue models

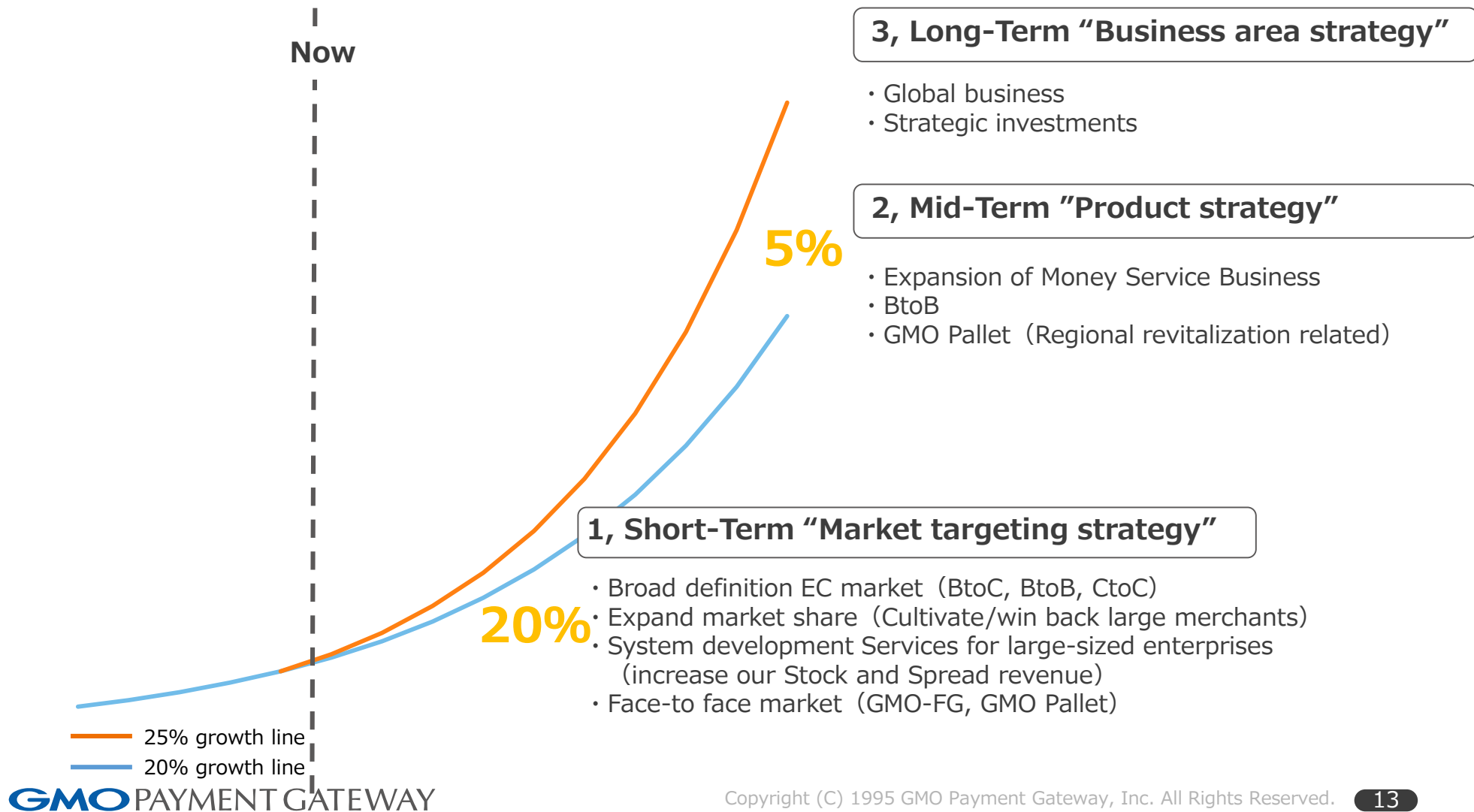


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## 2. Progress of the growth strategy

# 2.1 Three growth strategies

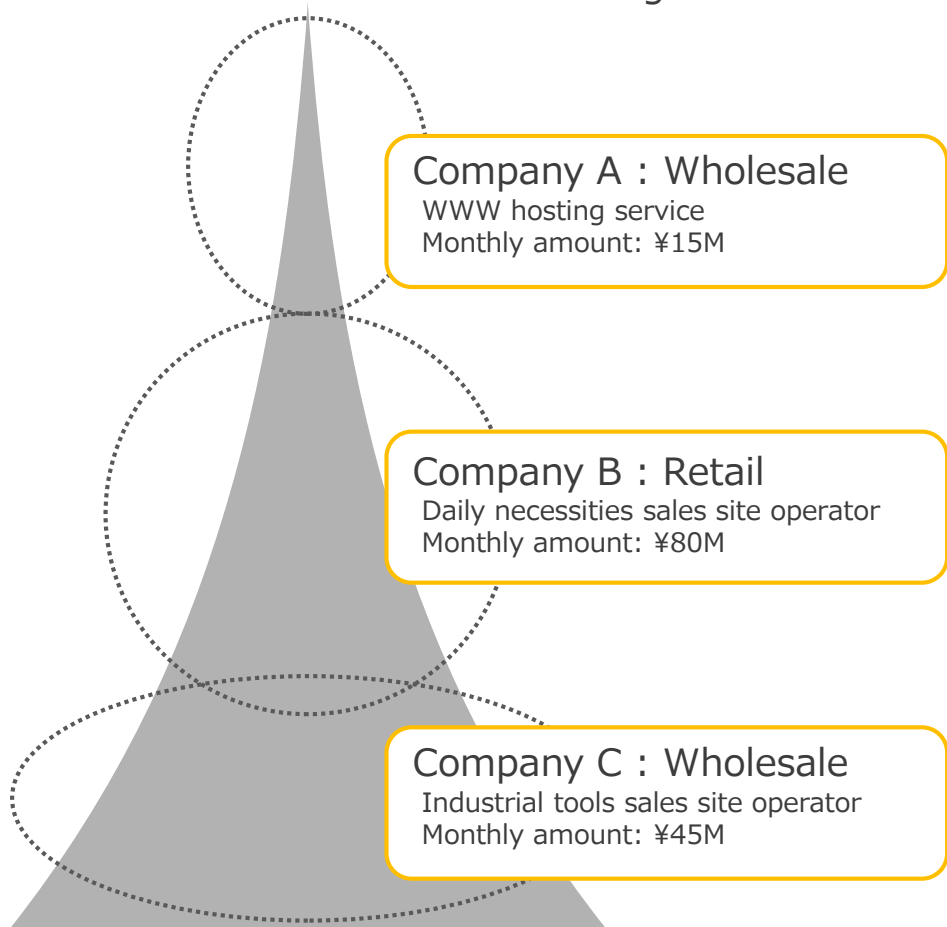
Strategies progressed to achieve more than 25% profit growth



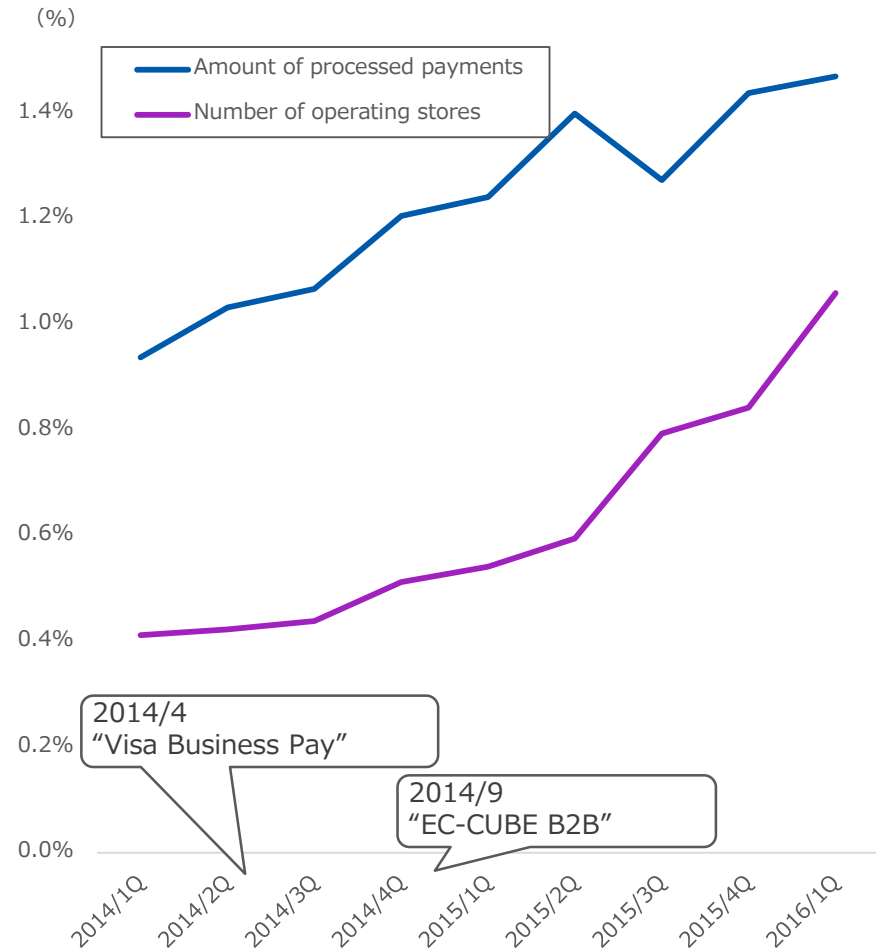
# 2.2.1 Market targeting strategy: BtoB

## Promoting the use of credit cards for BtoB transactions

Introducing case studies



Trends of BtoB ratio



(The number of operating stores is calculated at the end of the quarter, the amount of processed payments are the results for each quarter)

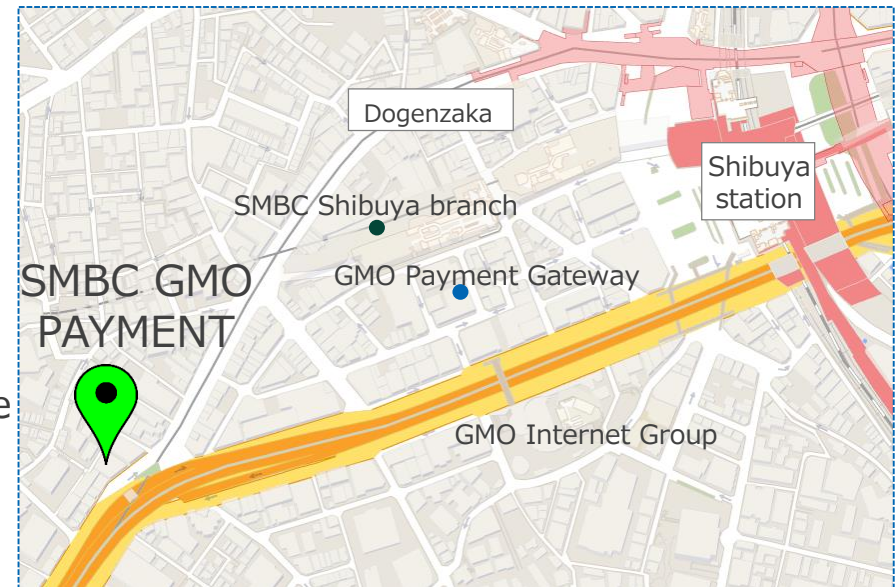
## 2.2.2 Market targeting strategy: Business and capital partnership

### Joint Venture Company started business



# SMBC **GMO** PAYMENT

- Establishment November 2015
- Capital stock 312 million yen
- Representative Masamitsu Ikezawa (CEO)  
Tomoyuki Murakami (COO)
- Business Online payment processing service
- Shareholders SMBC (80%)  
GMO-PG (20%)
- HP <https://www.smbc-gp.co.jp/>

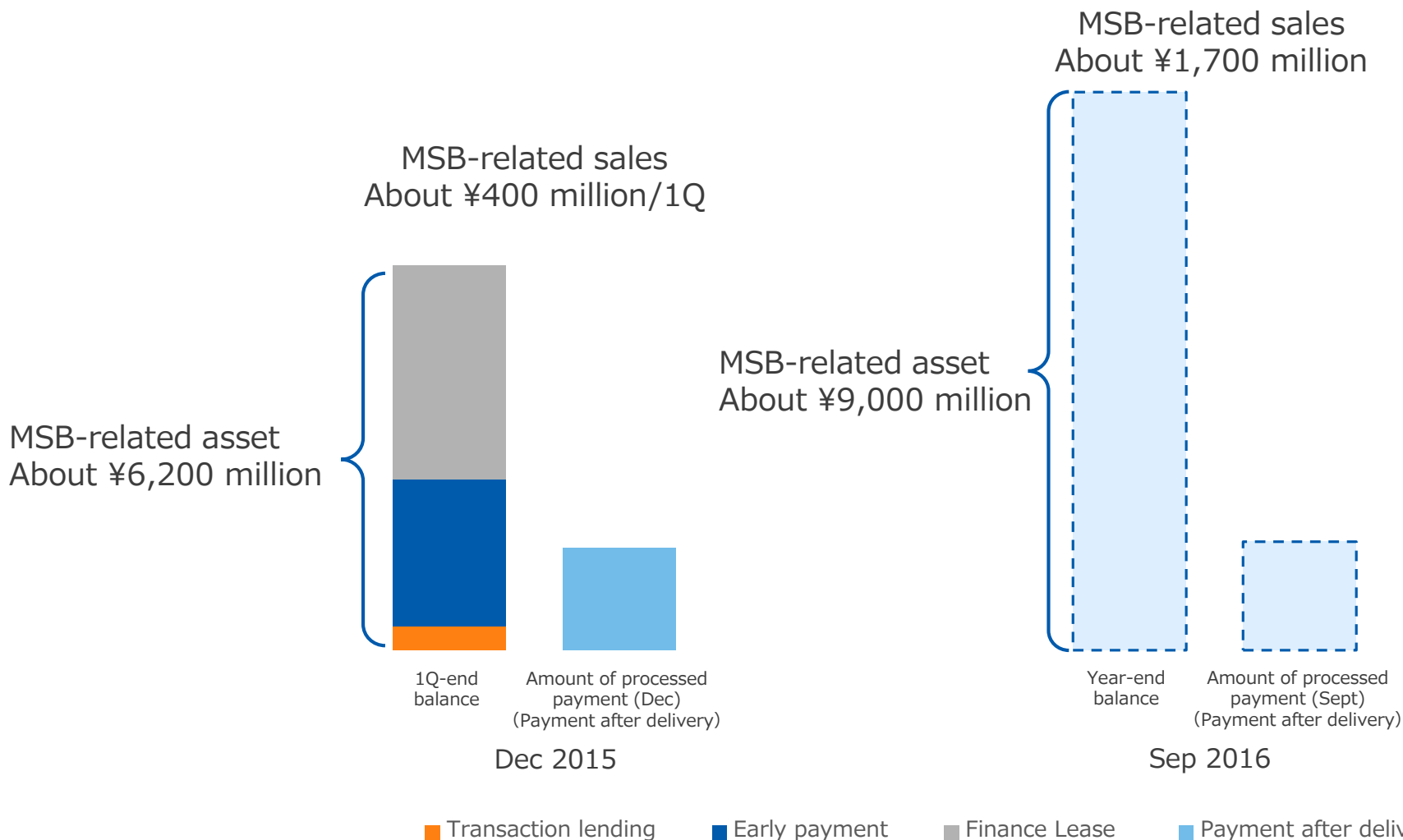


28-3 Maruyamacho, Shibuya-ku, Tokyo, Japan

- **Business started in February 2, 2016**
- **GMO-PG will increase the share to 49% after November, 2016**

## 2.3.1 Product strategy: Money Service Business

### MSB-related asset and amount of processed payment





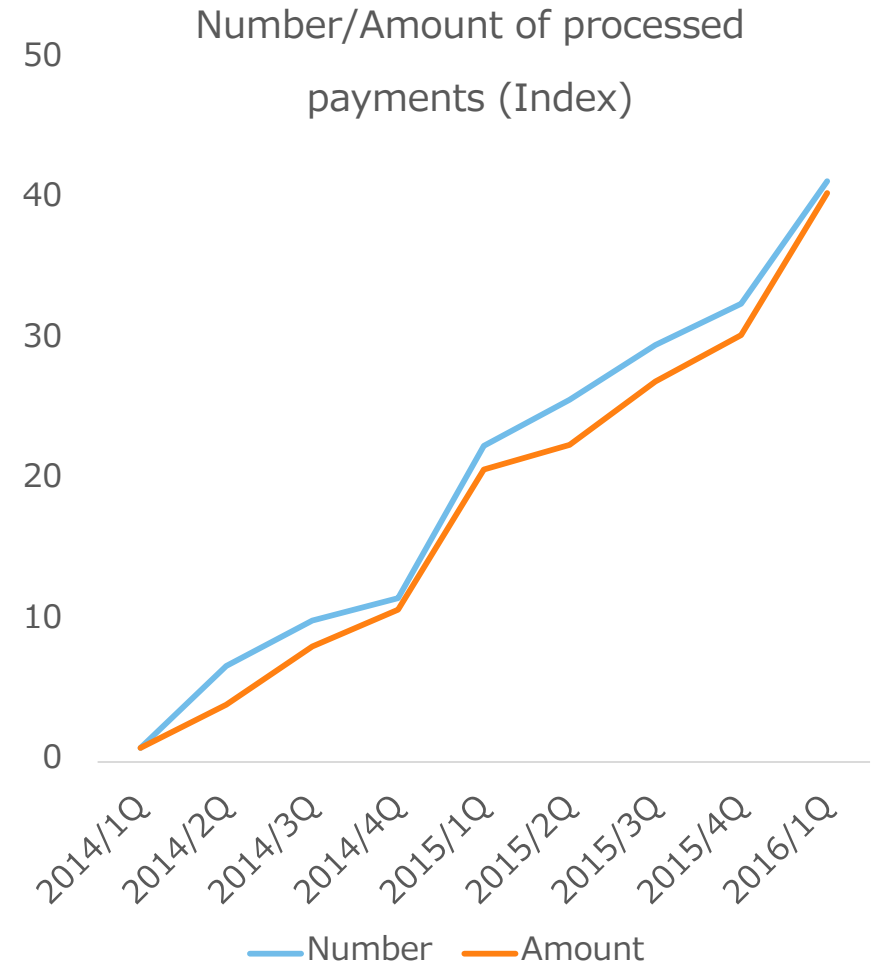
## 2.3.2 Product strategy: GMO Payment after delivery

### Expanding "Purchase Finance"

- Most noteworthy payment service
  - Competing firms growing in Europe and the US
  - Payment method other than credit card
  - Unique knowhow to avoid the risks arising bad debts
  
- Expanding revenue by creating synergistic effects with GMO-PG

## GMO PAYMENT SERVICE

- GMO Payment Service, Inc.
- Establishment January 23, 2013
- Capital stock 100 million yen
- Representative Katsunari Mukai (CEO)



※Index: 2014/1Q=1

## 2.3.3 Product strategy: Online Advertising Service

### Unique value-adding service only GMO-PG can produce

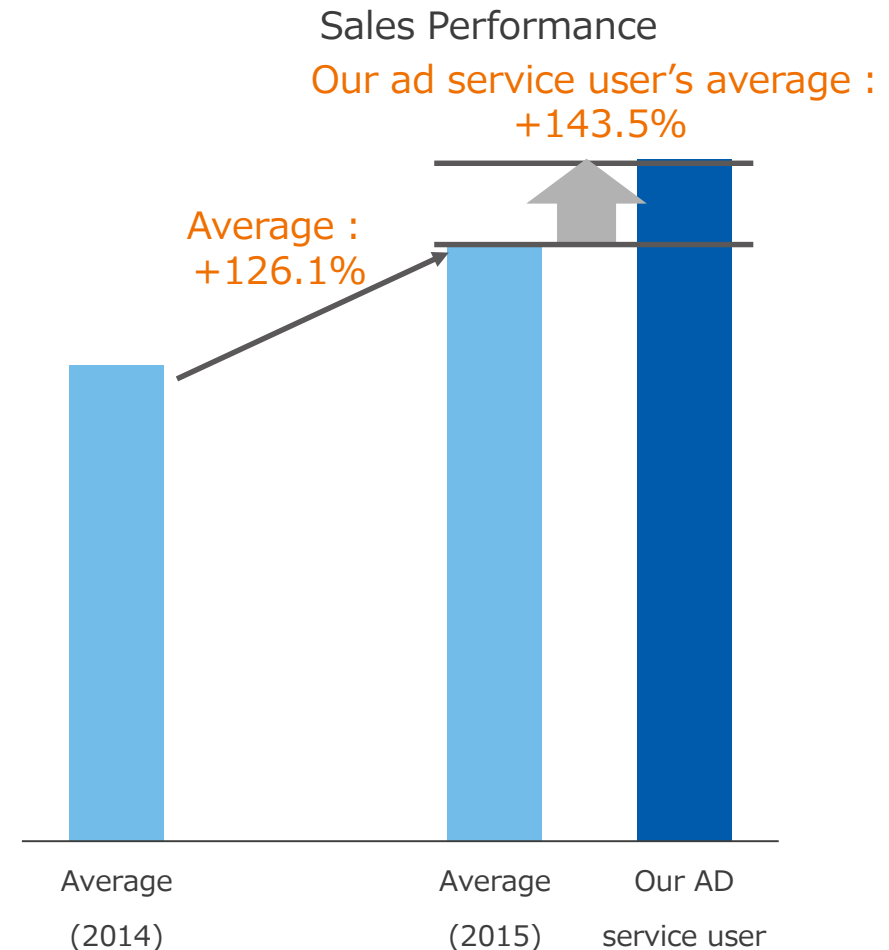
- Online advertising service based upon transaction data
- Contribute to boost sales of our merchants



Facebook広告  
運用代行サービス



December 1, 2016, Full-fledged  
deployments for "Twitter Ads"



## 2.3.4 Product strategy: GMO Pallet

### Infrastructure of cashless payment, new services in relation to the Regional revitalization

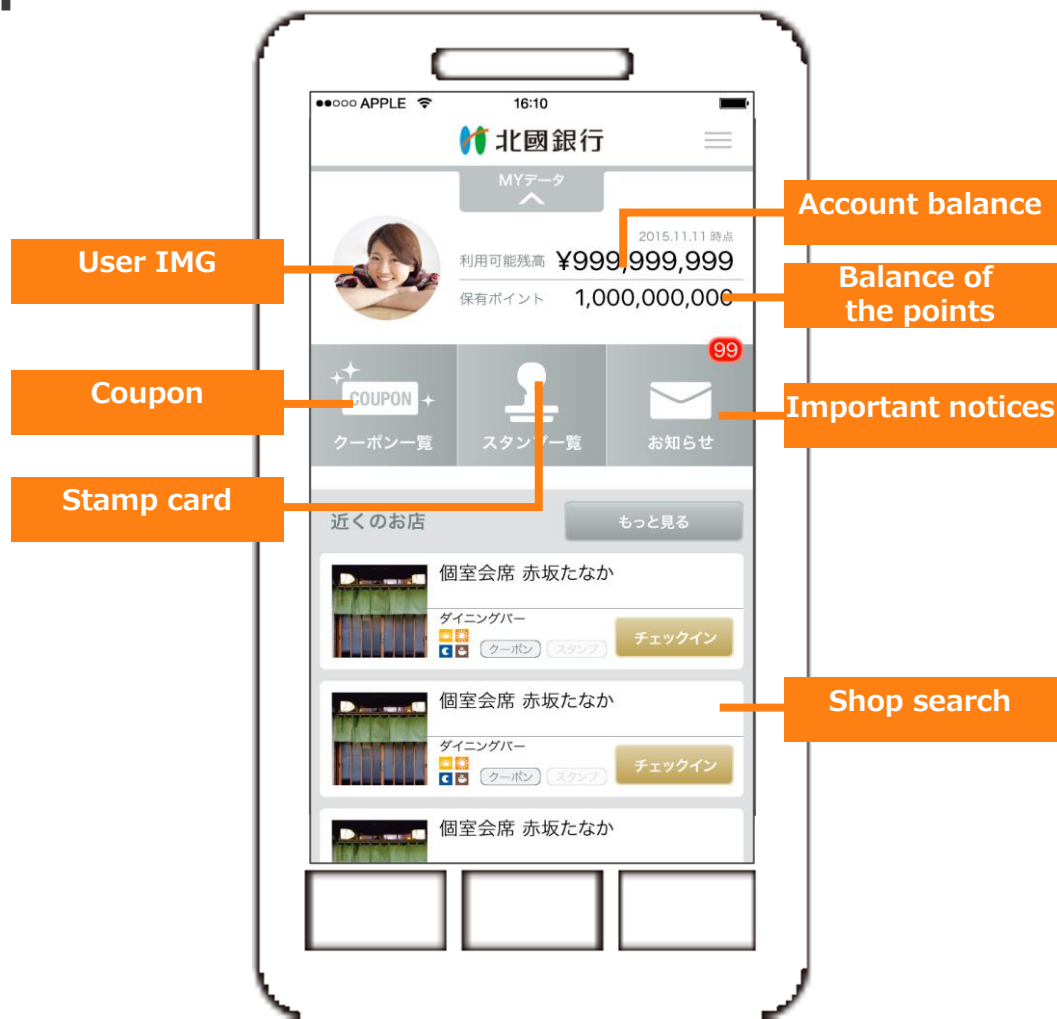
**February 5, 2016**

As part of its FinTech (combined finance and IT) services, GMO-PG will start offering OEM(\*1) services for GMO Pallet, its smart phone payment service for Hokkoku Bank, Ltd. "Hokkoku Osaifu-Appli" a smart phone application aimed at strengthening the relationship between local stores and the residents of the community.

※GMO Pallet :

The new type of smart phone payment service which provides speedy payment without a wallet.  
Useful FinTech service.

GMO-PG will continue to expand its provision of OEM services for GMO Pallet to financial institutions, the real estate sector, insurance, and other industries.



Image

# 2.4.1 Business area strategy: Global business

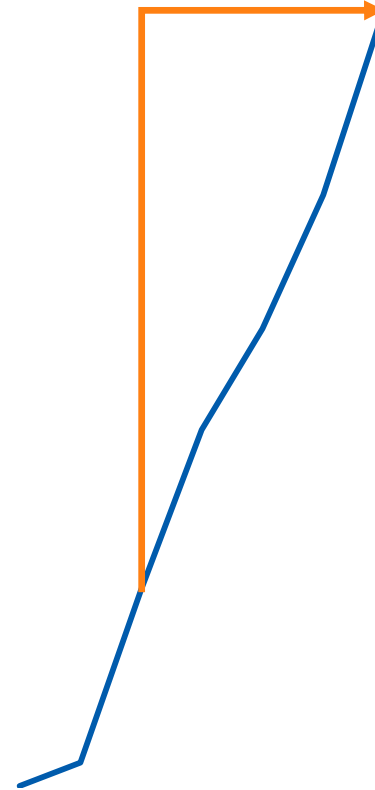
## Steady progress in oversea business

- Measures :
  - Support our merchants to enter the Taiwanese market
  - Cultivate large merchants
  - Priority products  
Apparel (clothing)/Accessory/Cosmetics/  
Health foods



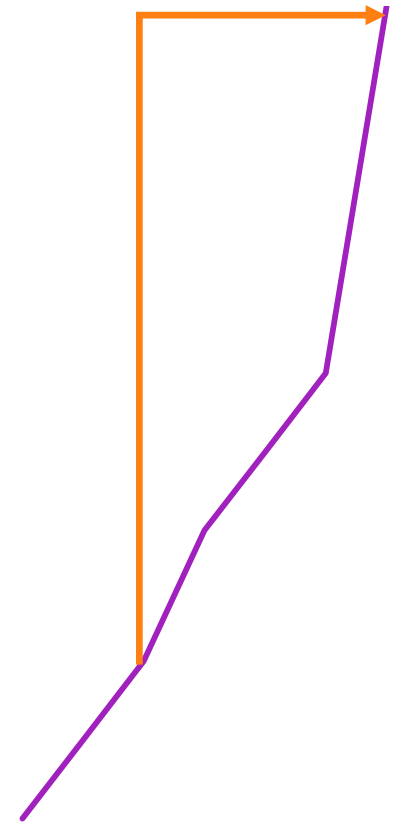
Amount of processed payment

YoY  
4.0 times



Number of merchants

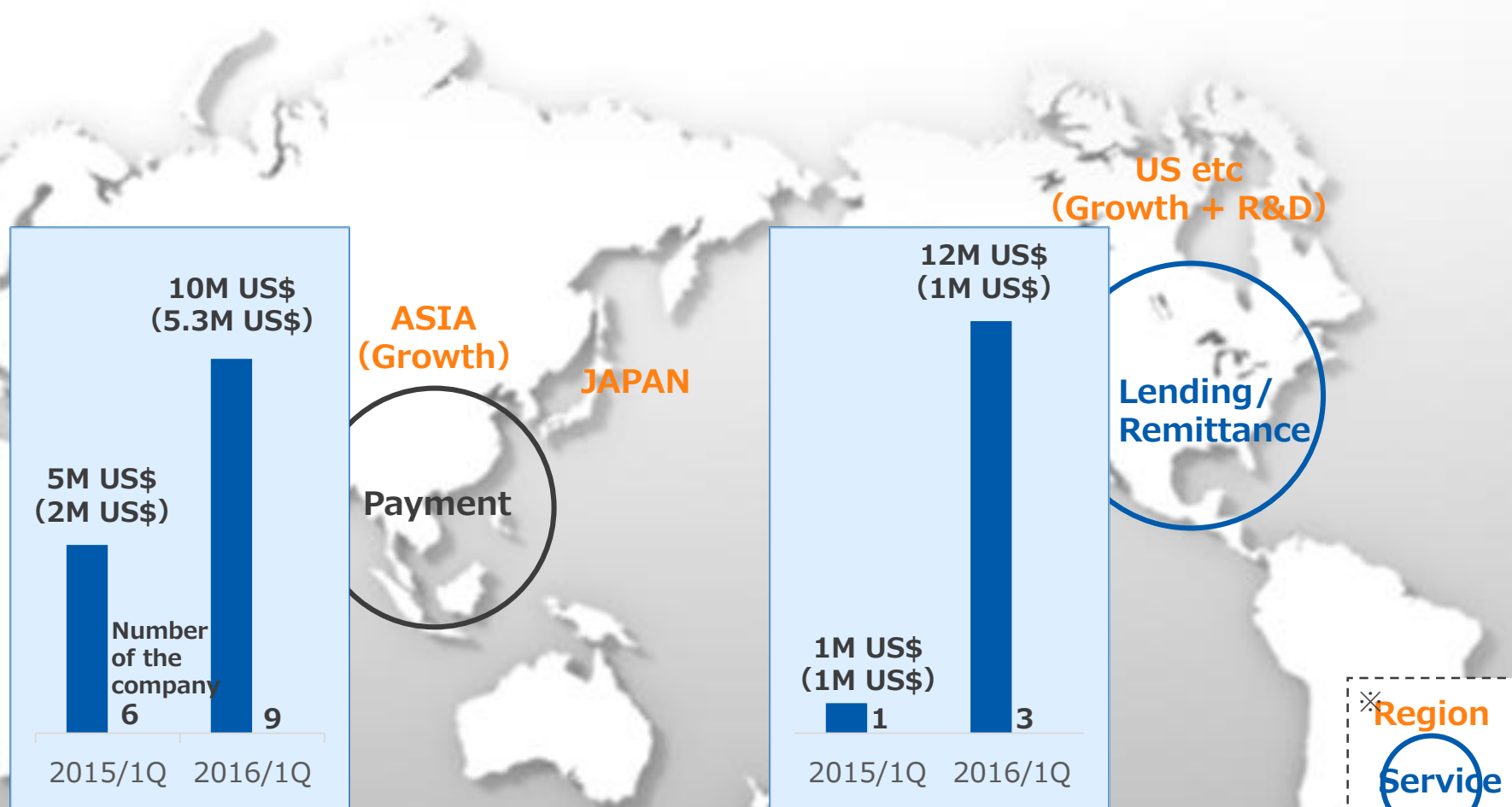
YoY  
4.6 times



※From June 2014

## 2.4.2 Business area strategy: Global business

### Investment strategy and portfolios (region/service)



※ ( ) Numbers in parentheses is invested amount from "GMO Global Payment Fund"

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## 3. Financial highlights

# 3.1 Summary of the consolidated results

## Sales and income exceed the forecast

(Million yen)	1Q of FY2016		Growth	Growth rate	1Q of FY2015	
	Results	Sales composition			Results	Sales composition
Sales	<b>2,732</b>	<b>100.0</b>	774	39.5%	1,958	100.0
Cost of sales	<b>615</b>	<b>22.5</b>	233	61.0%	382	19.5
Gross income	<b>2,117</b>	<b>77.5</b>	541	34.3%	1,576	80.5
SG&A	<b>1,246</b>	<b>45.6</b>	395	46.5%	851	43.5
Operating income	<b>870</b>	<b>31.9</b>	145	20.0%	725	37.0
Ordinary income	<b>924</b>	<b>33.8</b>	166	22.0%	758	38.7
Net income	<b>596</b>	<b>21.8</b>	120	25.4%	476	24.3
Net income per share(Yen)	<b>16.07</b>	-	-	-	13.78	-

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

# 3.2 Summary of the consolidated balance sheets

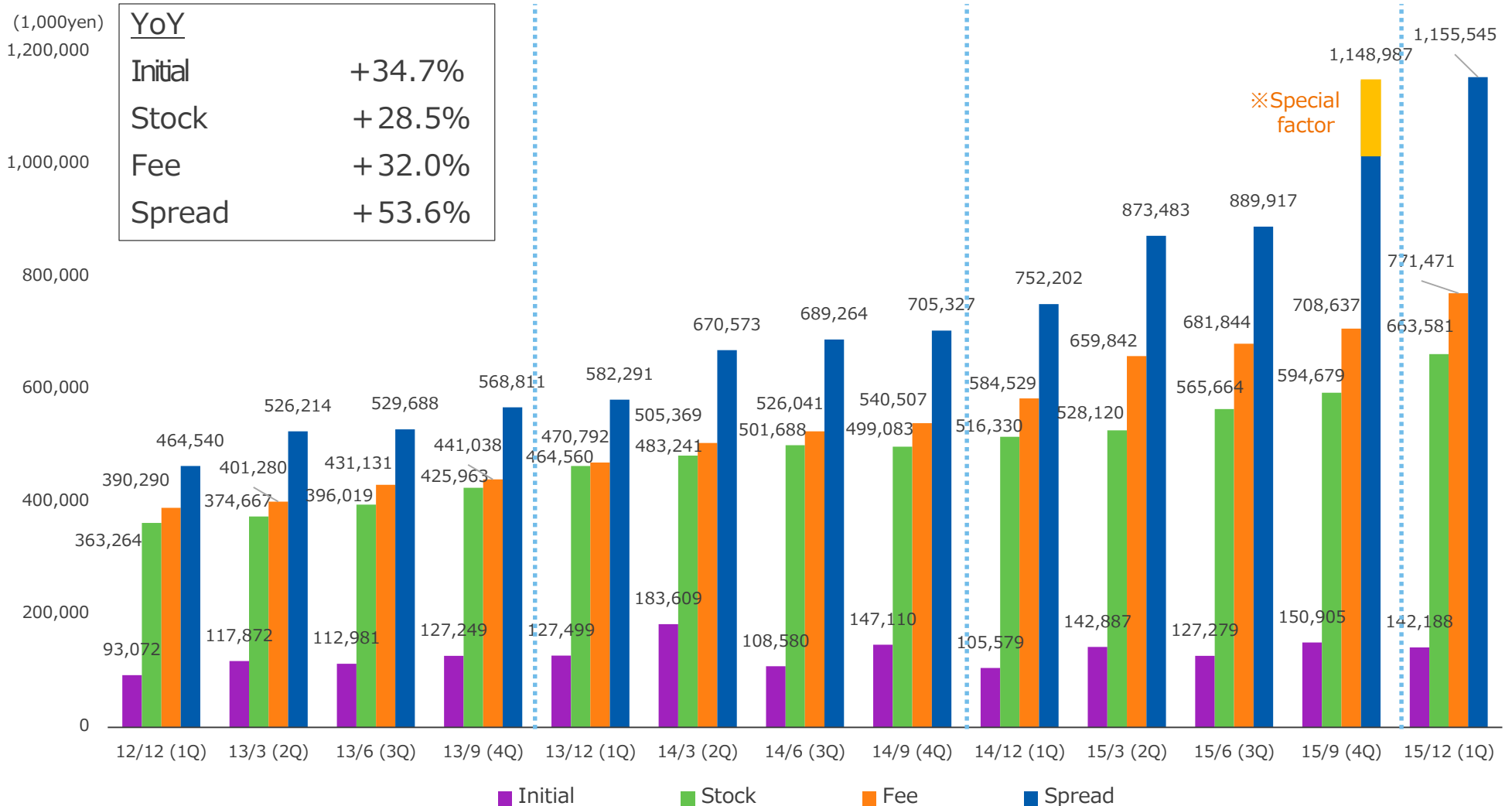
## MSB linked to current assets

(Million yen)	Results for 1Q, FY2016	Results for 1Q, FY2015	Change	(Million yen)	Results for 1Q, FY2016	Results for 1Q, FY2015	Change	
Current assets	<b>44,807</b>	27,092	17,714	Current liabilities	<b>33,764</b>	22,775	10,989	
Cash and deposits	<b>33,772</b>	23,849	9,923	Deposits	<b>29,278</b>	20,822	<b>8,455</b>	
Lease receivables	<b>3,440</b>	0	<b>3,440</b>	Related to Finance Lease	Deposits by merchants through representative merchant service			
Advance payments	<b>2,373</b>	969	<b>1,404</b>	Increase of Early Payment Service	*Discrepancy occurs with the pace of merchants' sales growth due to change in merchants' cutoff date and payment cycle			
Accounts receivable	<b>1,590</b>	982	<b>607</b>	Accounts payable	<b>2,671</b>	1,189	<b>1,482</b>	
Allowance for doubtful accounts	<b>△223</b>	△86	△136	Increase of Payment after delivery	Other current liabilities	<b>1,815</b>	764	1,051
Other current assets	<b>3,855</b>	1,378	<b>3,097</b>	Short-term loan receivables (=TL-related asset) is included in "Other current assets"	Non-current liabilities	<b>211</b>	167	43
Fixed assets	<b>5,306</b>	2,662	2,643	Shareholders' equity	<b>15,995</b>	6,684	<b>9,311</b>	
Tangible fixed assets	<b>214</b>	215	△1	Capital stock	<b>4,712</b>	708	<b>4,004</b>	
Intangible fixed assets	<b>1,009</b>	785	223	Total Accumulated other comprehensive income	<b>140</b>	120	19	
Software	<b>737</b>	669	67	Total net assets	<b>16,137</b>	6,811	9,325	
Investments and other assets	<b>4,082</b>	1,660	<b>2,421</b>	Total of liabilities and net assets	<b>50,113</b>	29,754	20,358	
Total assets	<b>50,113</b>	29,754	20,358	Increase in investment securities and investments in other securities of subsidiaries and affiliates				



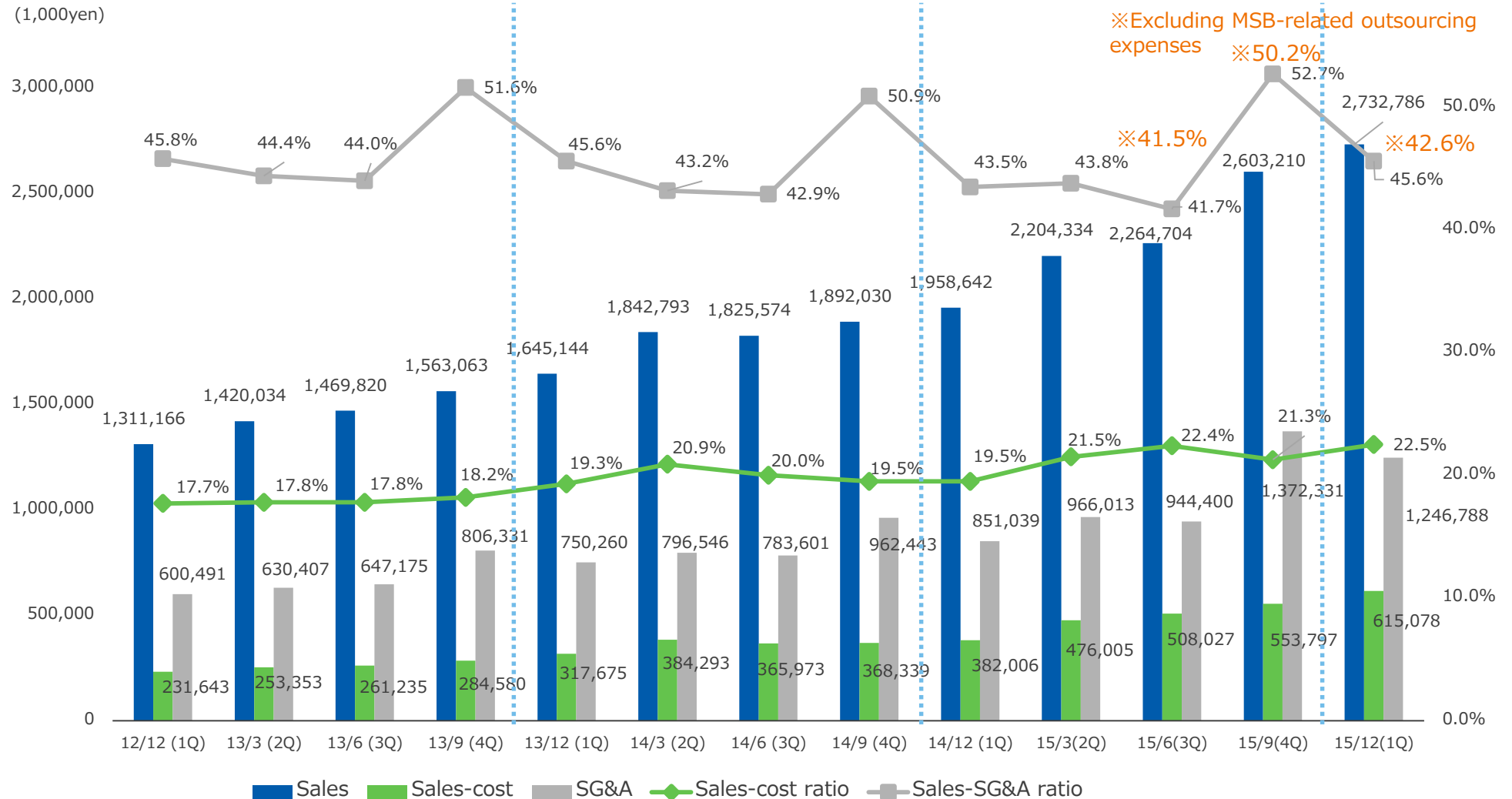
# 3.3 Revenue Breakdown

## Spread revenue up 53.6%



# 3.4 Cost of sales ratio/SG&A ratio

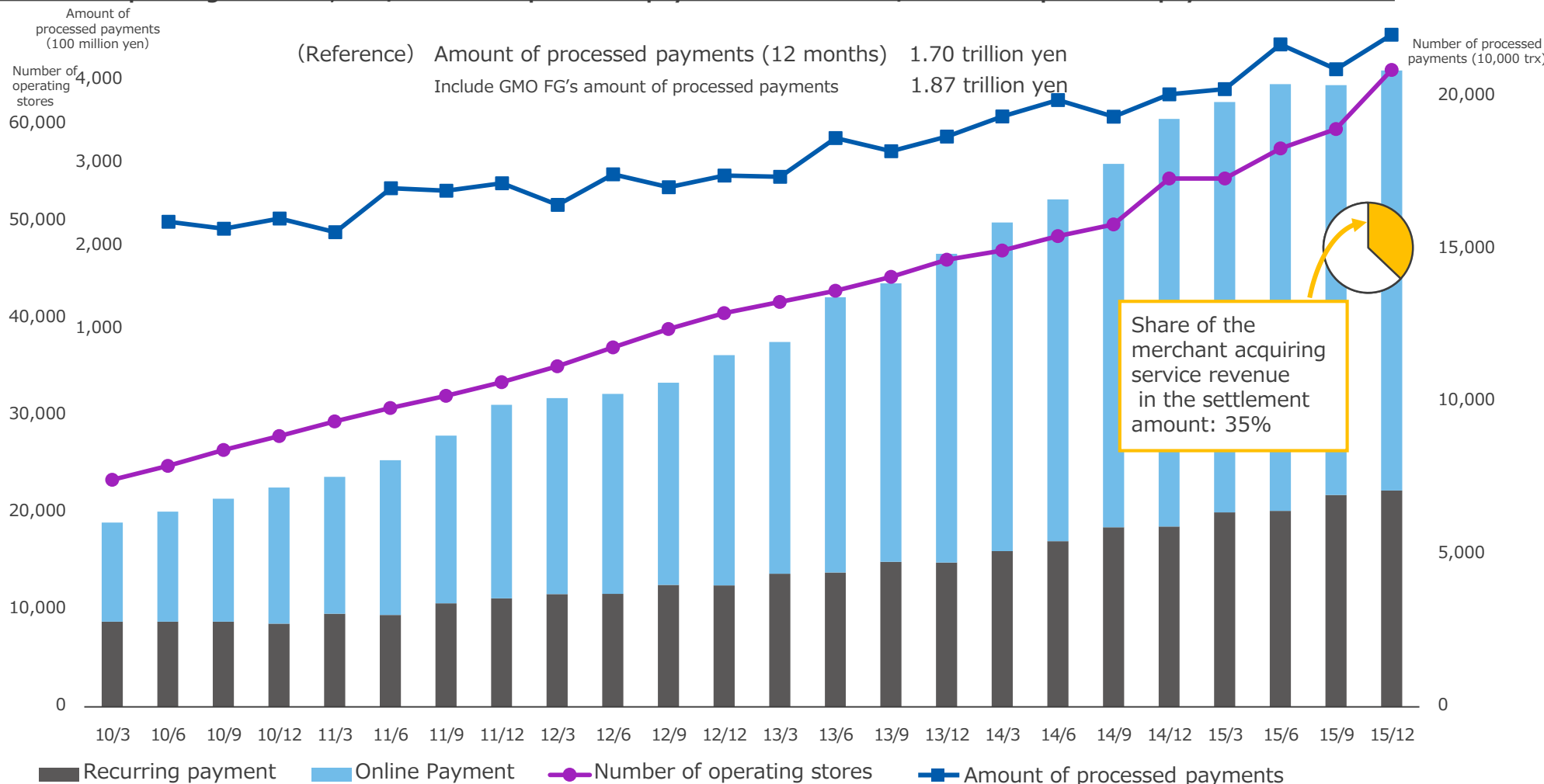
The sales-cost ratio increased due to the sales mix



# 3.5 Transition of the major factors

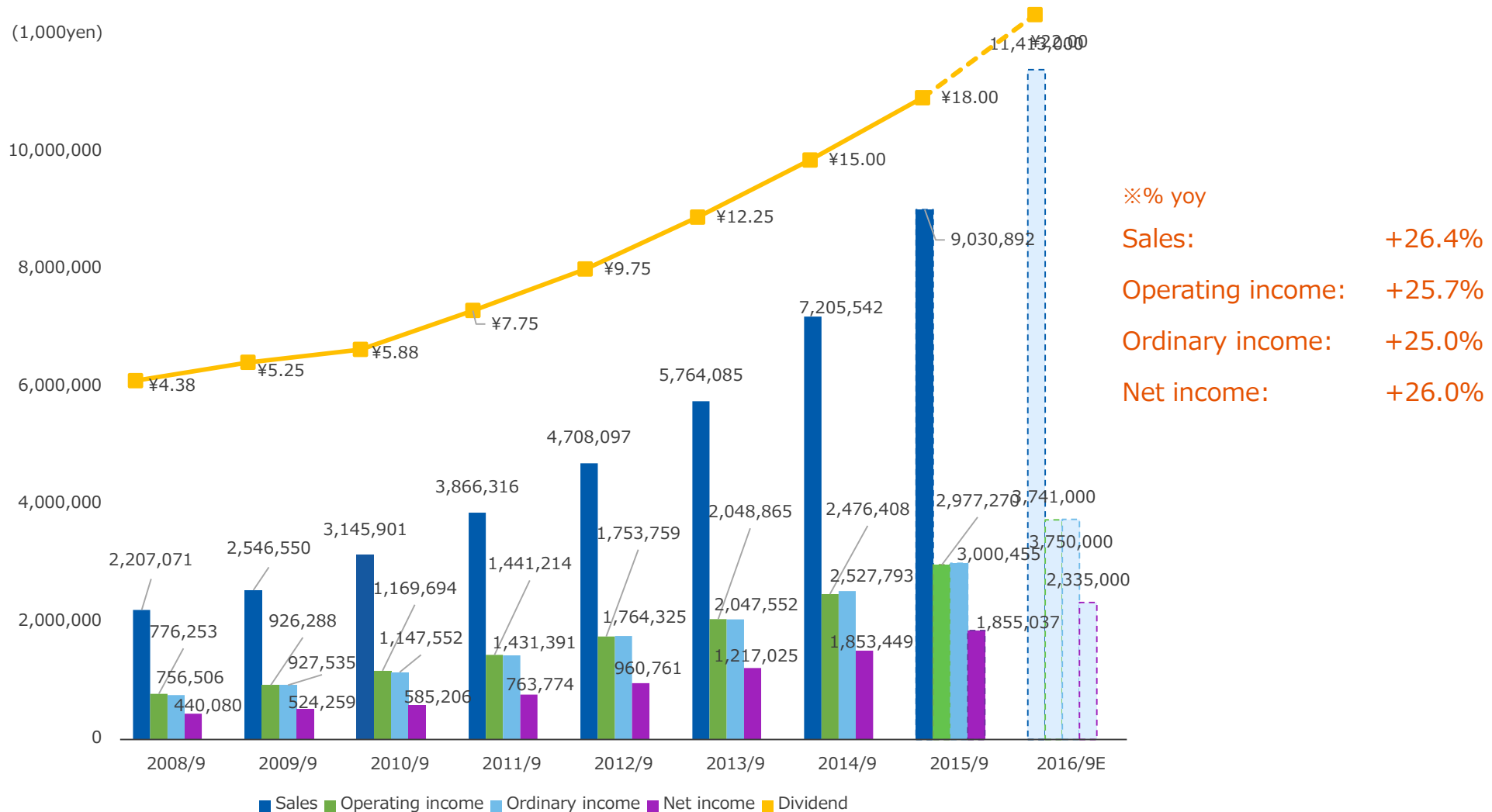
## Amount of processed payment will exceed ¥2 trillion

Number of operating stores 65,652 / Amount of processed payments ¥450 billion / Number of processed payments 280 million



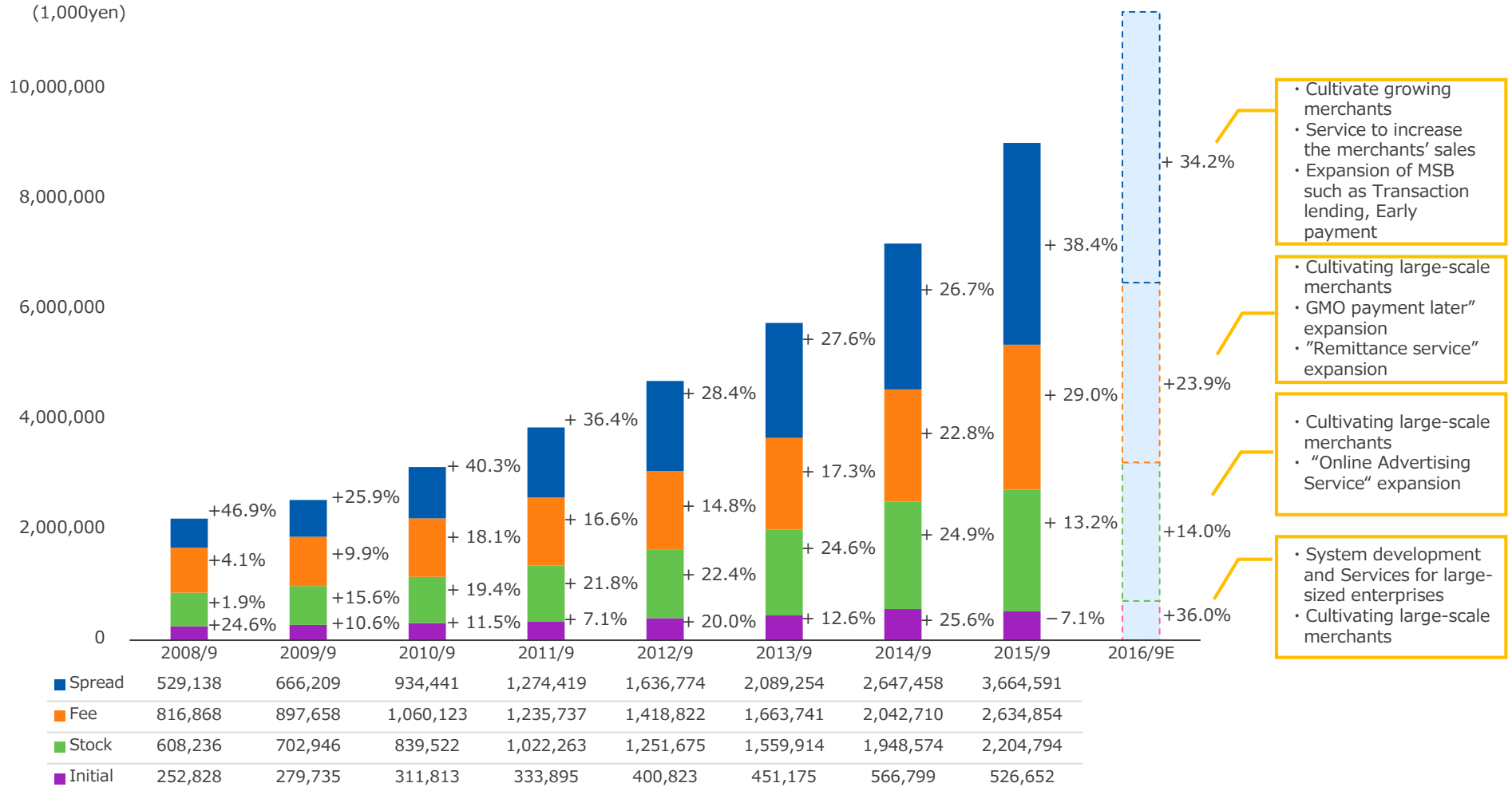
# 3.6 Summary of the consolidated results

Forecast 25% for income growth, Planning ¥22.0 for dividend



# 3.7 Revenue Breakdown

## Action plans to realize the growth



※% yoy

# Thank you very much!

## **GMO** PAYMENT GATEWAY

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GMO Payment Gateway Inc.  
( T S E : 3 7 6 9 )

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

For more information, please contact the Corporate Value Creation Strategy Division

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