

Supplementary Information

Financial results briefing for the Q1 of FY2020

February 13, 2020

GMO Payment Gateway, Inc.

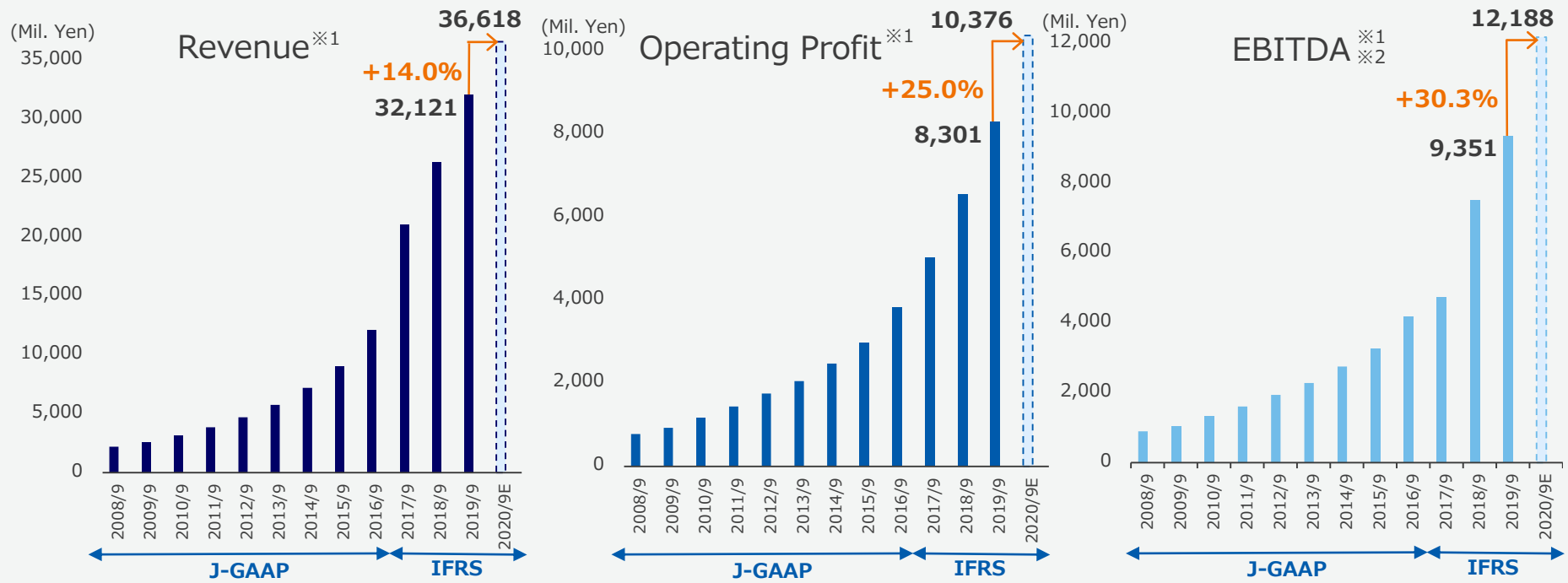
(3769; Tokyo Stock Exchange First Section)

GMO PAYMENT GATEWAY

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

Our Track Record of Growth

FY2020 Revenue guidance of ¥36.6bn, OP guidance of ¥10.3bn



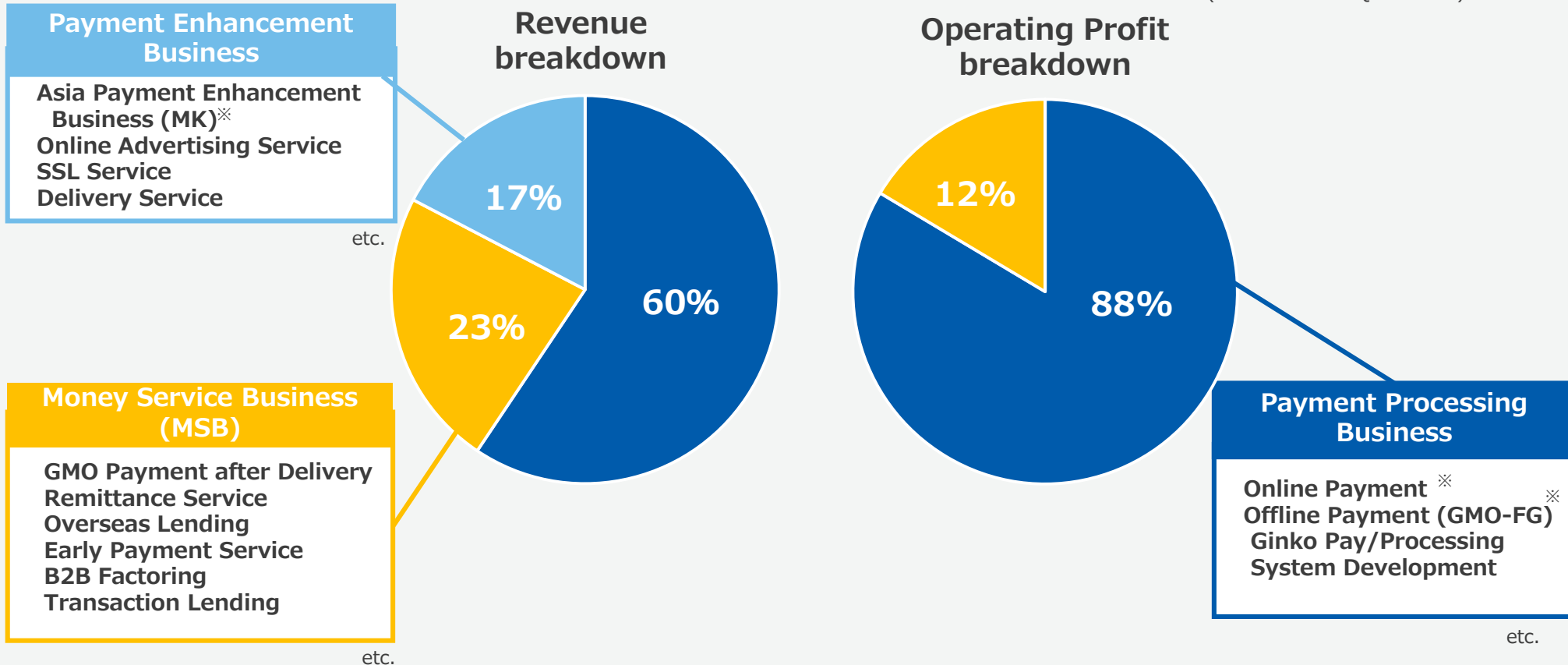
Operating Stores ^{※3,4}	TRX Volume	TRX Value
121,700	1.93bn	¥4.9 trillion

- (※1) Voluntary adoption of IFRS accounting started on FY2018, and figures for FY2017 are restated on the same basis. FY2020 figures are based on GMO-PG consolidated guidance.
- (※2) EBITDA under J-GAAP is calculated as the sum total of operating profit, depreciation and amortization; and EBITDA under IFRS is calculated as sum total of operating profit and depreciation.
- (※3) The number of operating stores is at the end of December 2019. Transaction volume and transaction value are the figures from January 2019 to December 2019; transaction volume and transaction value include the figures of GMO Financial Gate Group.
- (※4) Figures exclude a significant increase in operating stores from a specific merchant. If included, the number of operating stores is 254,261 stores as of end of December 2019.

Three business segments

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

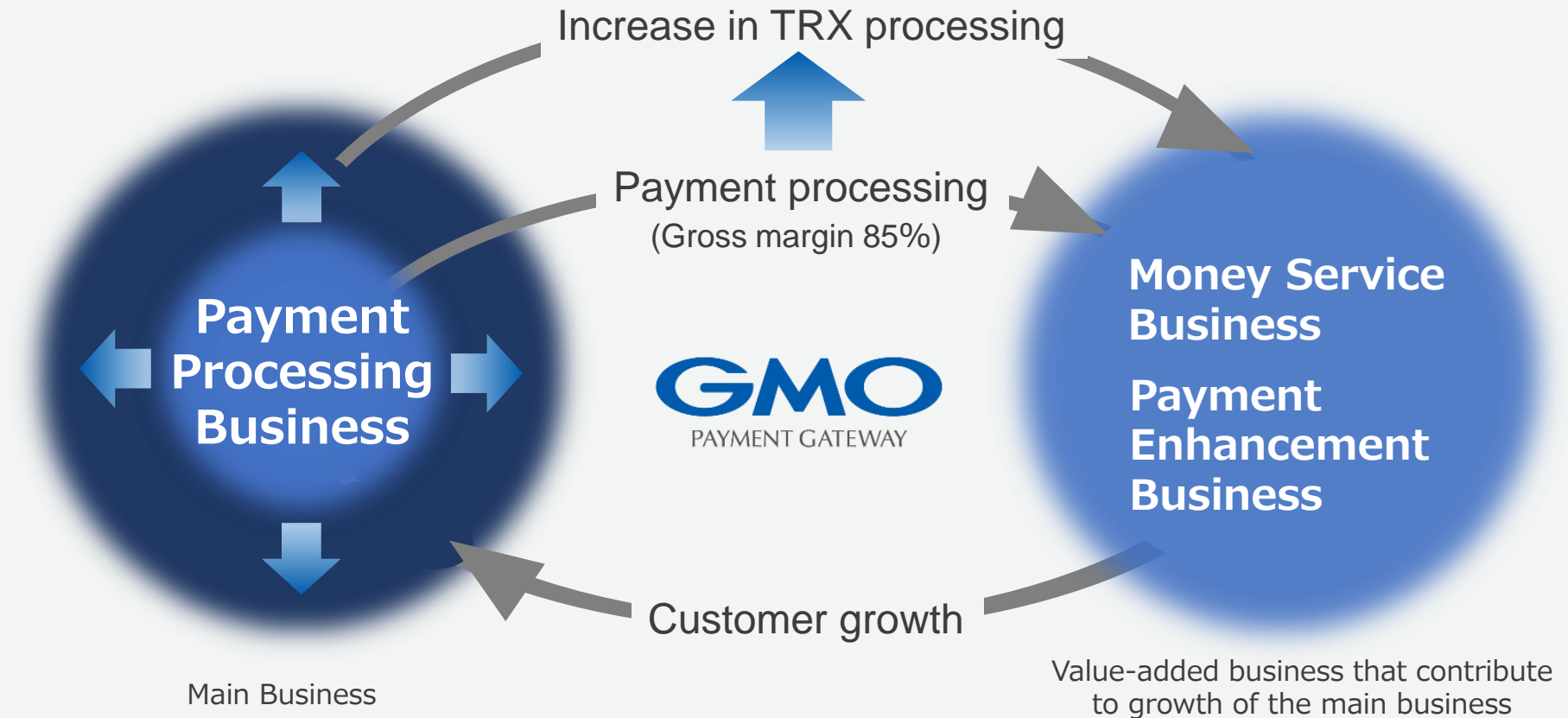
(Actual data for Q1 FY2020)



* Online payment includes pay-as-you-go and recurring payment and, Z.com Payment (overseas payment service)
 GMO-FG stands for GMO Financial Gate consolidated subsidiaries, MK stands for MACRO KIOSK

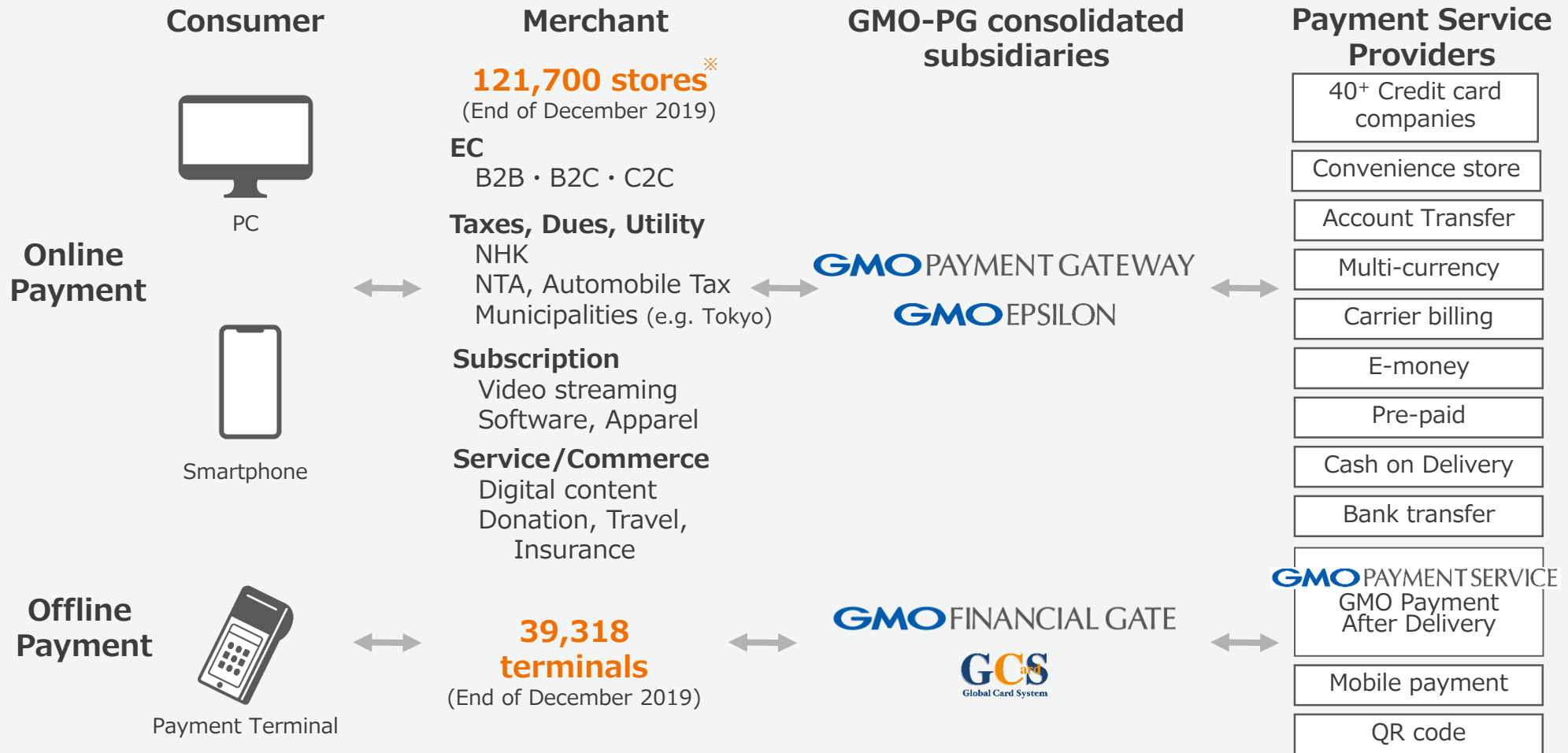
Our Business Eco-system

An eco-system of our value-added services complementing our main business to achieve mutual growth



Payment Processing Business: Business scope of the major consolidated subsidiaries

Connecting merchants and payment companies through 'contracts,' 'payment information,' and 'money flow'.



※ Figures exclude a significant increase in operating stores from a specific merchant. If included, the number of operating stores is 254,261 stores as of end of December 2019.

Payment Processing Business: Revenue model of credit card payment processing

Revenue model determined by merchant size and type

■ Four Revenue Streams (i.e. Business Models)

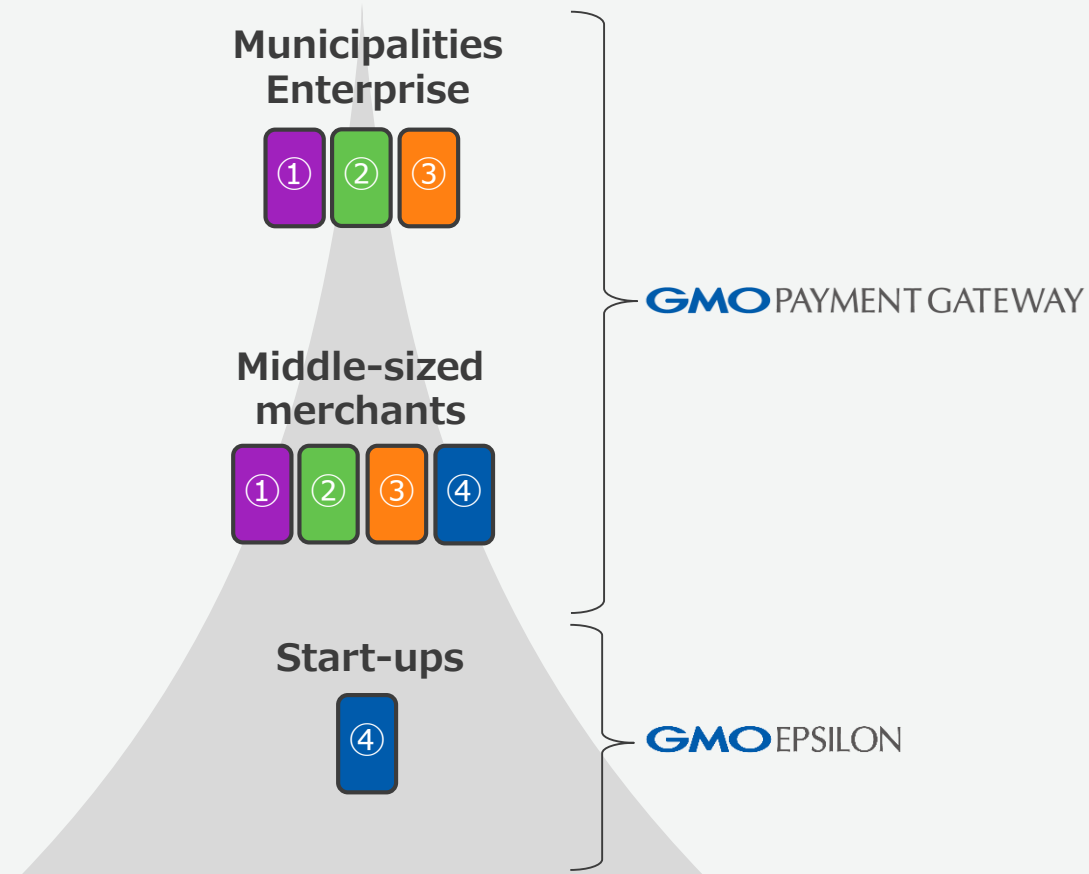
① Initial (Initial revenue)
Initial introduction fees
 Coefficient: Number of new merchants acquired
 Revenue: Number of new merchants acquired
 × _Yen (paid once at acquisition)

② Stock (Fixed revenue)
Fixed Monthly Revenue
 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

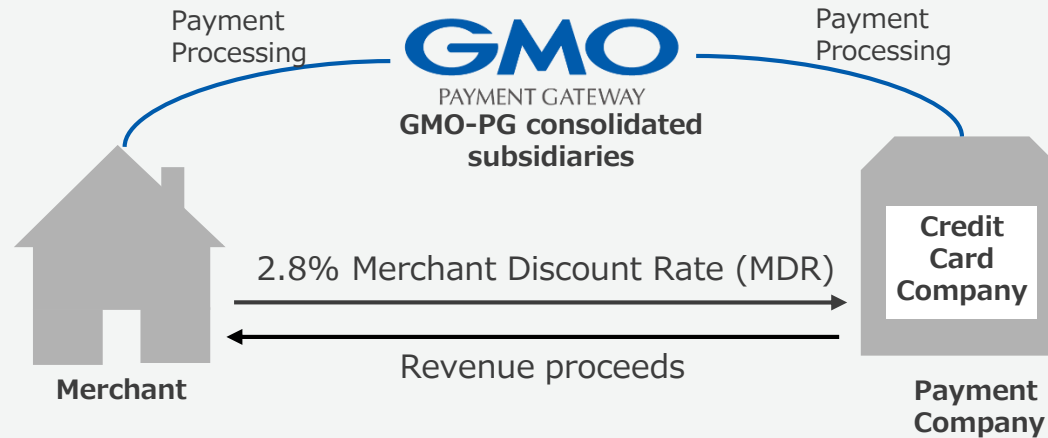


Payment Processing: Two types of merchant contracts

Created the Representative Contract and effectively changed the flow of revenue proceeds

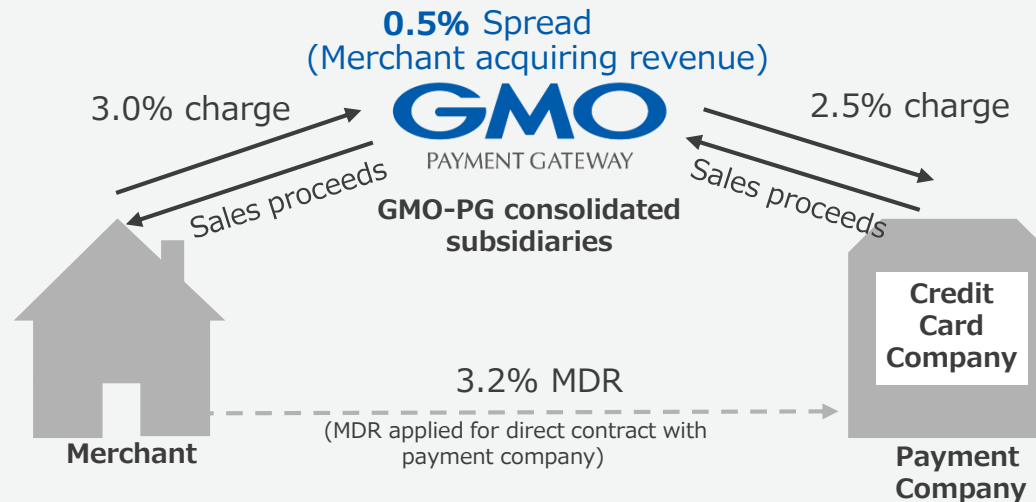
Direct contract

Applies to some large companies and municipalities



Representative contract

Mainly for SME's but also covers some large companies

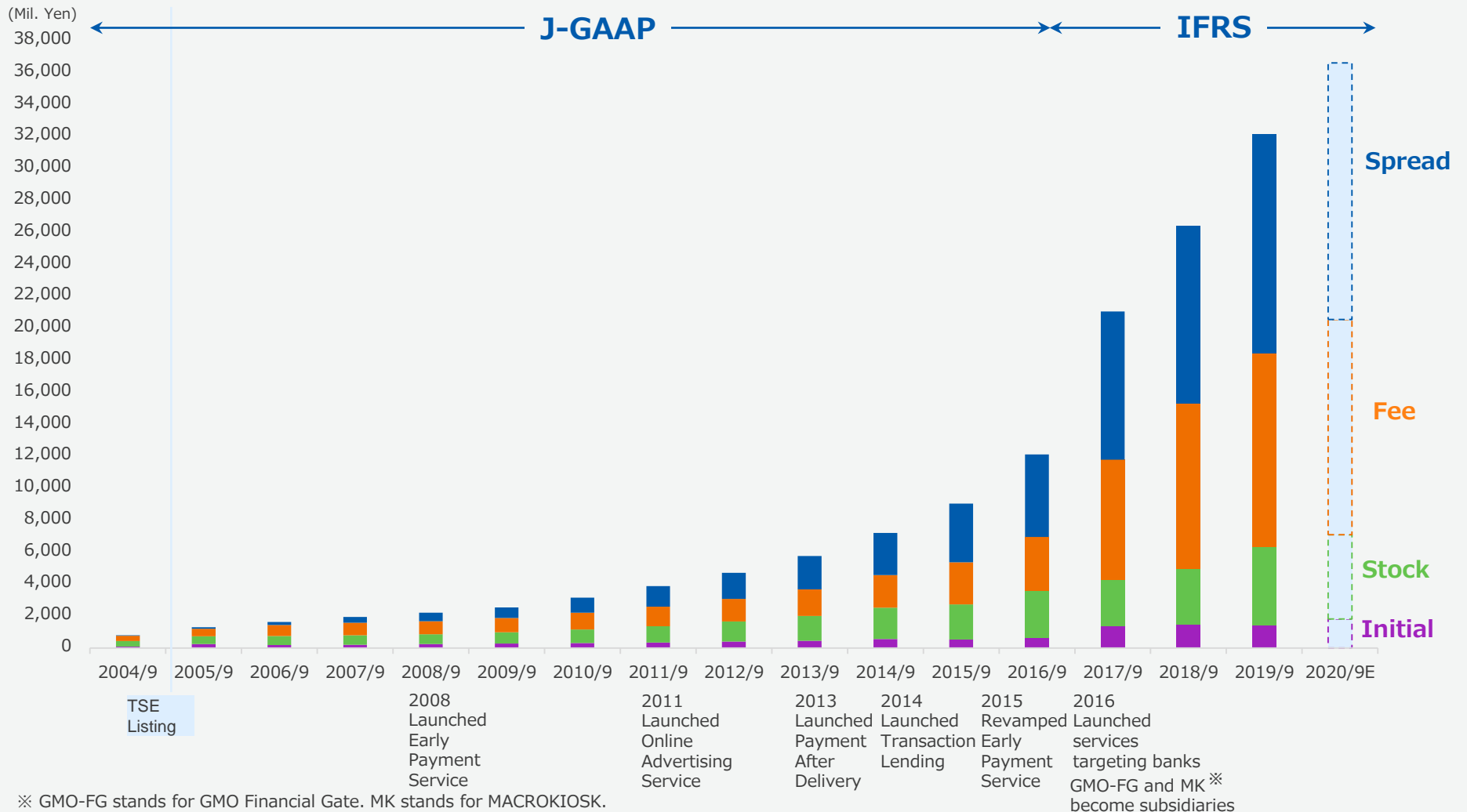


※ Figures included are for illustration purposes only.

← Flow of Revenue and charges

Revenue breakdown by business model

Aiming for a balanced revenue growth



Summary chart of Segments, Business Model and Services

Reporting in 3 Segments and in 4 business models

■ Segment

Payment Processing Business	Payment Processing ※
	Offline Payment (GMO-FG) ※
	Ginko Pay/Processing
	System Development
Money Service Business	GMO Payment After Delivery
	Remittance Service
	Overseas Lending
	Early Payment Service
	B2B Factoring
	Transaction Lending
Payment Enhancement Business	Asia Payment Enhancement Business (MK) ※
	Online advertising service
	SSL service
	Delivery service

■ Business Model

Initial (Initial revenue)	Online Payment
	Offline Payment (GMO-FG)
	System Development
	SSL Service
Stock (Fixed revenue)	Online Payment
	Offline Payment (GMO-FG)
	Ginko Pay/Processing
	Online advertising service
Fee (Transaction processing revenue)	Online Payment
	Offline Payment (GMO-FG)
	GMO Payment After Delivery
	Remittance Service
	Asia Payment Enhancement Business (MK)
	Delivery service
Spread (Merchant acquiring service revenue)	Online Payment
	Offline Payment (GMO-FG)
	GMO Payment After Delivery
	Overseas Lending
	Early Payment Service
	B2B Factoring
	Transaction Lending
	Asia Payment Enhancement Business (MK)

※ Online Payment includes pay-as-you-go payment, recurring payment, Z.com Payment (overseas payment service).
GMO-FG stands for GMO Financial Gate. MK stands for MACROKIOSK.

The 5 Focus Areas

Expanding business in the 5 focus areas to achieve sustainable growth

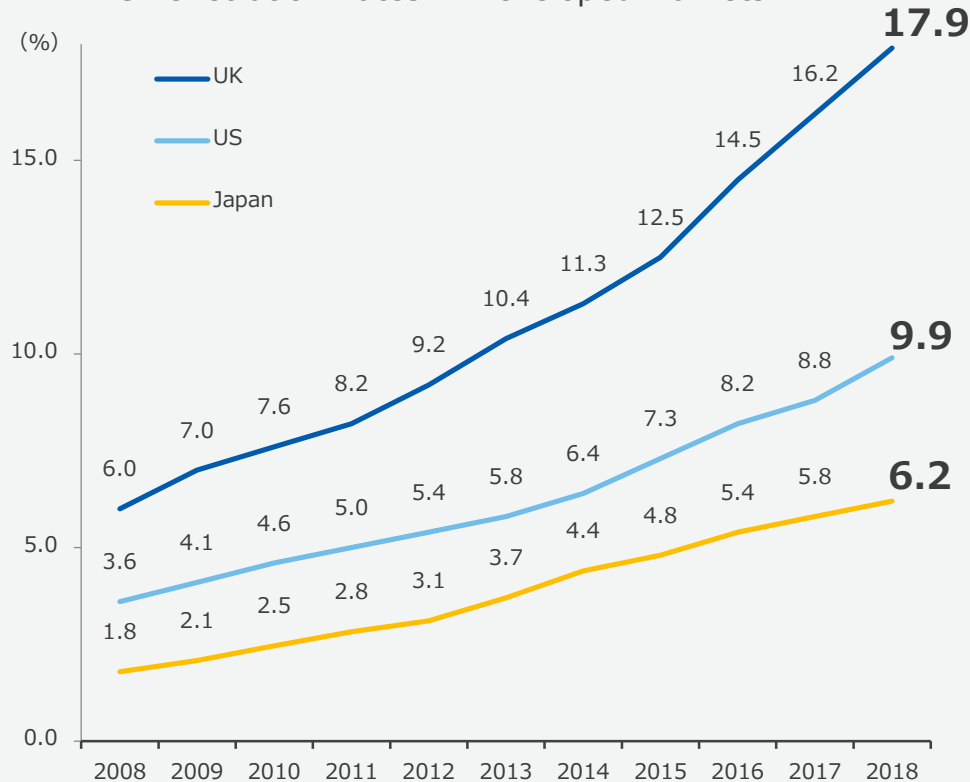
<u>5 Focus Areas</u>	<u>(Page No.)</u>	<u>Payment Processing Business</u>	<u>Money Service Business</u>	<u>Payment Enhancement Business</u>
✓ Narrowly-defined EC; Broader EC	(P.11) (P.12~13)	Online Payment (Pay-as-you-go/Recurring)		Online advertising service SSL service Shipping service
✓ FinTech	(P.14~15)		GMO Payment After Delivery Remittance Service Early Payment Service	B2B Factoring Transaction Lending
✓ Cashless	(P.16)	Ginko Pay Processing Platform		
✓ IoT	(P.17)	Offline Payment (GMO-FG)		
✓ Global	(P.18~19)	Z.com Payment (Overseas payment service)	Overseas Lending	Asia Payment Enhancement Business (MK)

※ GMO-FG stands for GMO Financial Gate, MK stands for MACROKIOSK.

Narrowly-defined EC: B2C EC Market

Low penetration rate of cashless relative to US/European countries and high proportion of cash payment

■ EC Penetration Rates in Developed Markets



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, November 2019"

■ Card usage rate to private final consumption expenditure

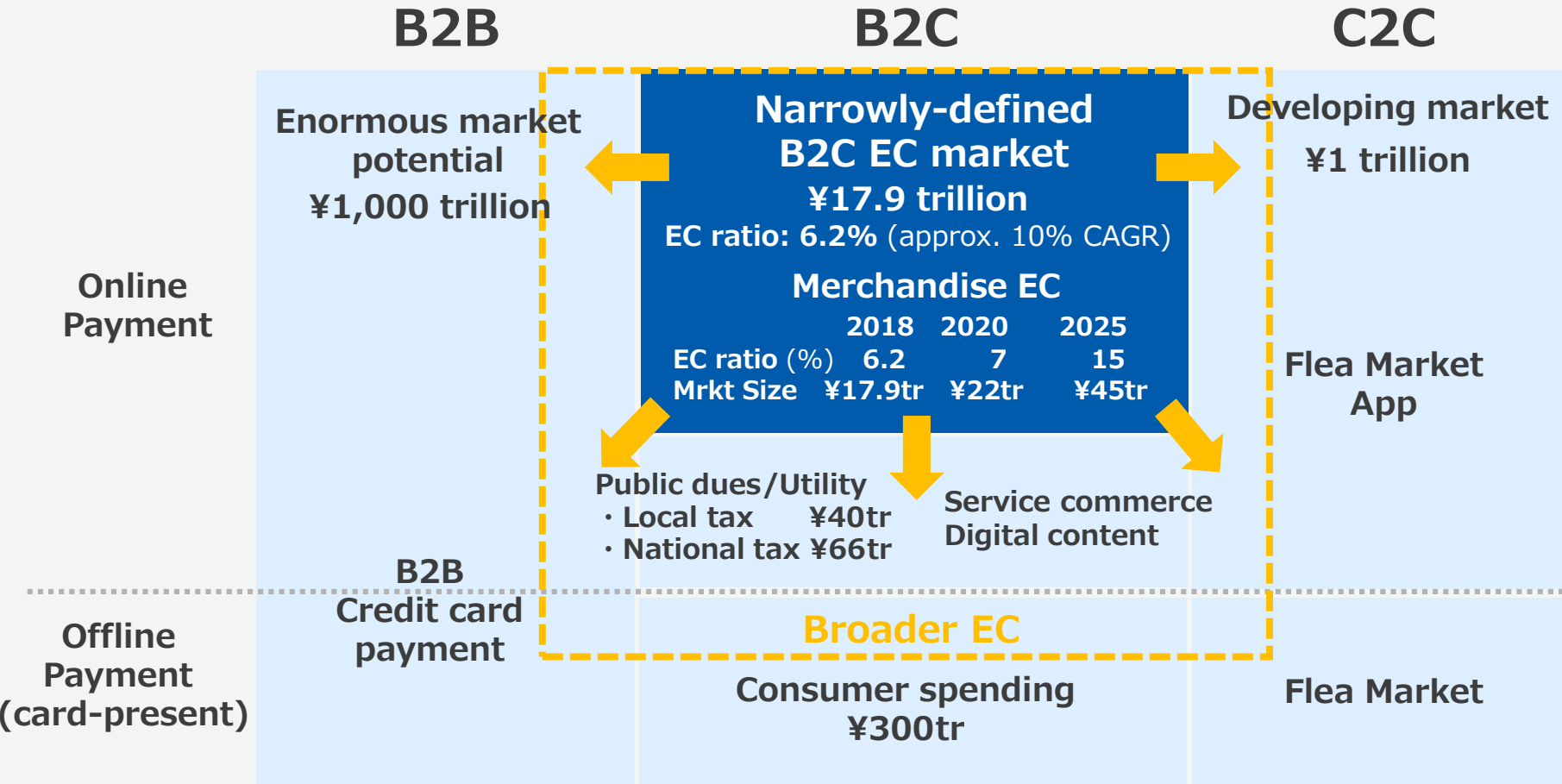
(2017)	Credit Card usage rate	Debit card	Credit+Debit usage to private final consumption expenditure [※]
South Korea	76 %	19 %	95 %
UK	12 %	55 %	67 %
Australia	30 %	25 %	55 %
US	25 %	19 %	44 %
Japan	18%	-	18 %

※ Card usage 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 CPI countries - Figures for 2017" THE WORLD BANK "Household final consumption expenditure (current USD)"

Broader EC: Expanding Scope of Cashless Business

The migration towards cashless payment 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)"

Broader EC: Public Dues and Utility Payments

Introducing card payments for public dues and taxes 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

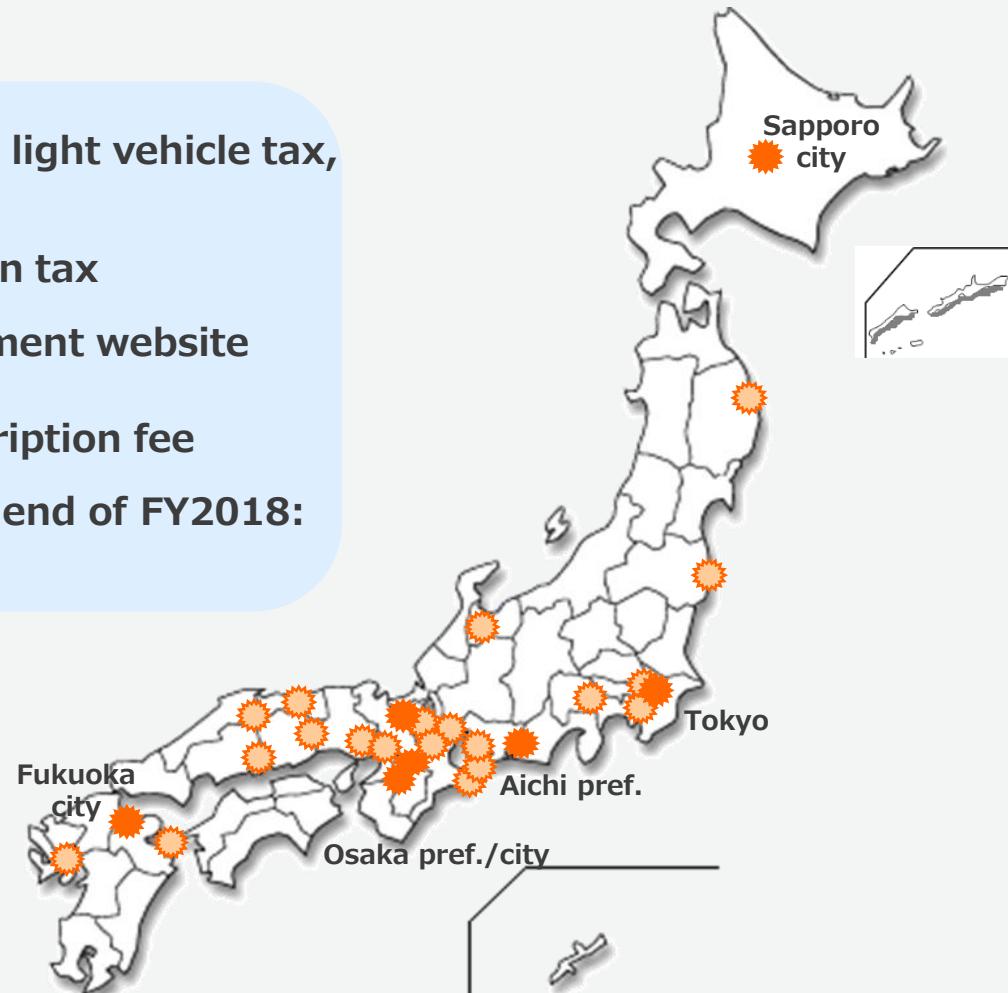
National tax credit card payment website

NHK

National broadcasting subscription fee

**Credit card usage rate at the end of FY2018:
15.9% (Up + 1.0% YoY)**

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



*Japan Broadcasting Corporation "Business Report for FY2018"

FinTech: Money Service Business (MSB)

Financial services that only a payment processing company can offer

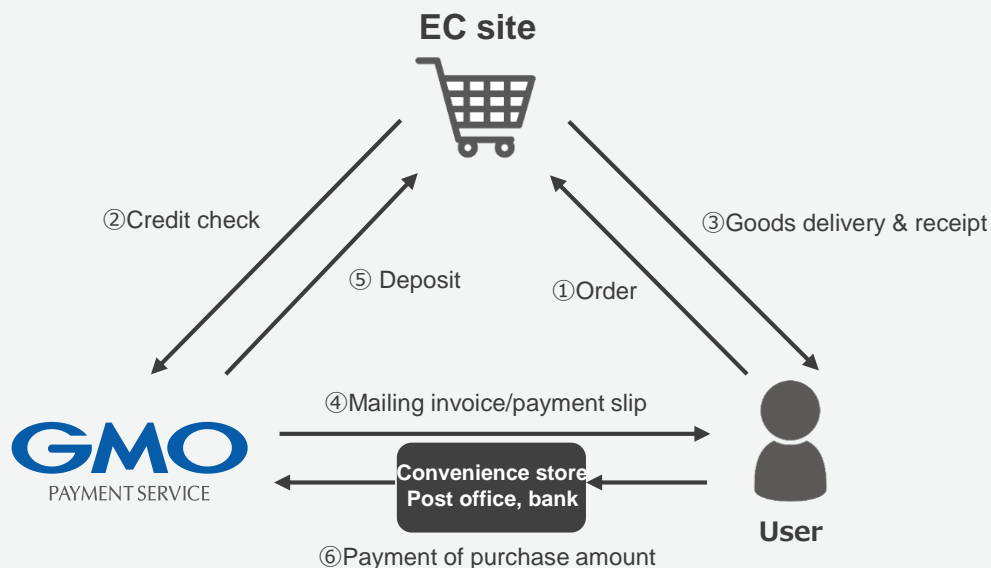
	<u>Services</u>	<u>MSB-related assets</u>	<u>Business Model</u>
✓	GMO Payment After Delivery Pays sales proceed without waiting for deposit from consumer	Accrued revenues	Fee Spread
✓	Remittance service Efficient and secure refund and remittance processing for Ecommerce operators	—	Fee
✓	Overseas Lending/ Transaction Lending Lending of growth capital	Accounts receivable-trade (short term loans)	Spread
✓	Early Payment service Improves cash flows by bringing forward the payment date	Accounts receivable - trade (advances paid)	Spread
✓	B2B Factoring Early cash conversion of accounts receivable	Accrued revenues	Spread

FinTech: GMO Payment After Delivery

Deferred payment provided by subsidiary GMO Payment Service

■ GMO Payment After Delivery

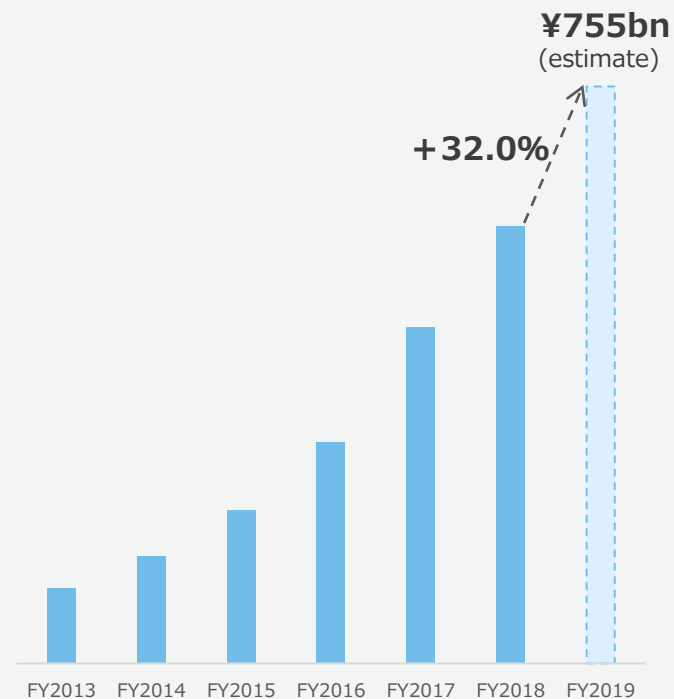
Buyer can pay at a post office or CVS store after receiving goods
Payment term (deadline) is 2 weeks.



**Payment services with over 2 weeks
payment terms are also available**

■ Market size of deferred payment

Robust growth of the Deferred Payment market.
Market size in FY2019 estimated at ¥755 billion.



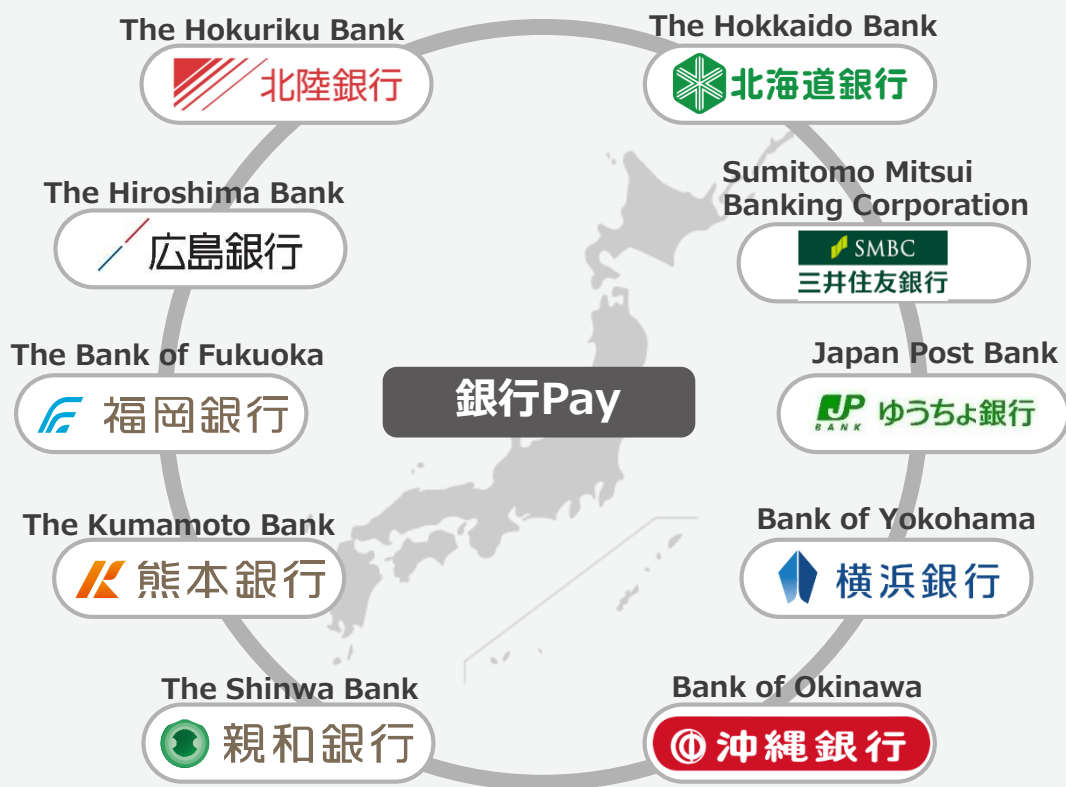
※ Source: "Current situation and future forecast of online payment service providers 2018" issued by Yano Research Institute Ltd.

Cashless: QR Code Payment

Increase Ginko Pay adopters, interlink each service to create a infrastructure-like service

■ Ginko Pay

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



(As of February 13, 2020)

■ Cash-out (withdrawal) service

Cash withdrawal made from ticket vending machines at Tokyu Line train stations that is based on the Ginko Pay framework (jointly developed with Tokyu Corporation, Bank of Yokohama and Japan Post Bank)
 ※ not available at certain stations of Tokyu Line

■ GMO Cashless Platform

Cashless solution for offline stores which offers a package of payments methods including QR/Bar code and is scalable to include new payment methods



※ Offered from November 11, 2019

Rollout of IoT services by incorporating cashless & inbound demand

Offline payment

GMO Financial Gate offers payment terminals for payments at offline stores

Amendment of Installment Sales Act:

Replacement demand for IC chip equipped terminals from conventional magnetic strips

Tokyo 2020 Olympics:

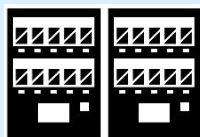
Cashless payment demand to surge as more foreign visitors come to Japan

Embedded-type EMV terminal ※



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,
Self-order kiosks/touch pad



※EMV: uniform standards for IC-chip enabled credit cards created by Visa and MasterCard.

Global: Overseas Strategy

Expand customer coverage through strategic investments and assisting Japanese companies' foray into the Asian market

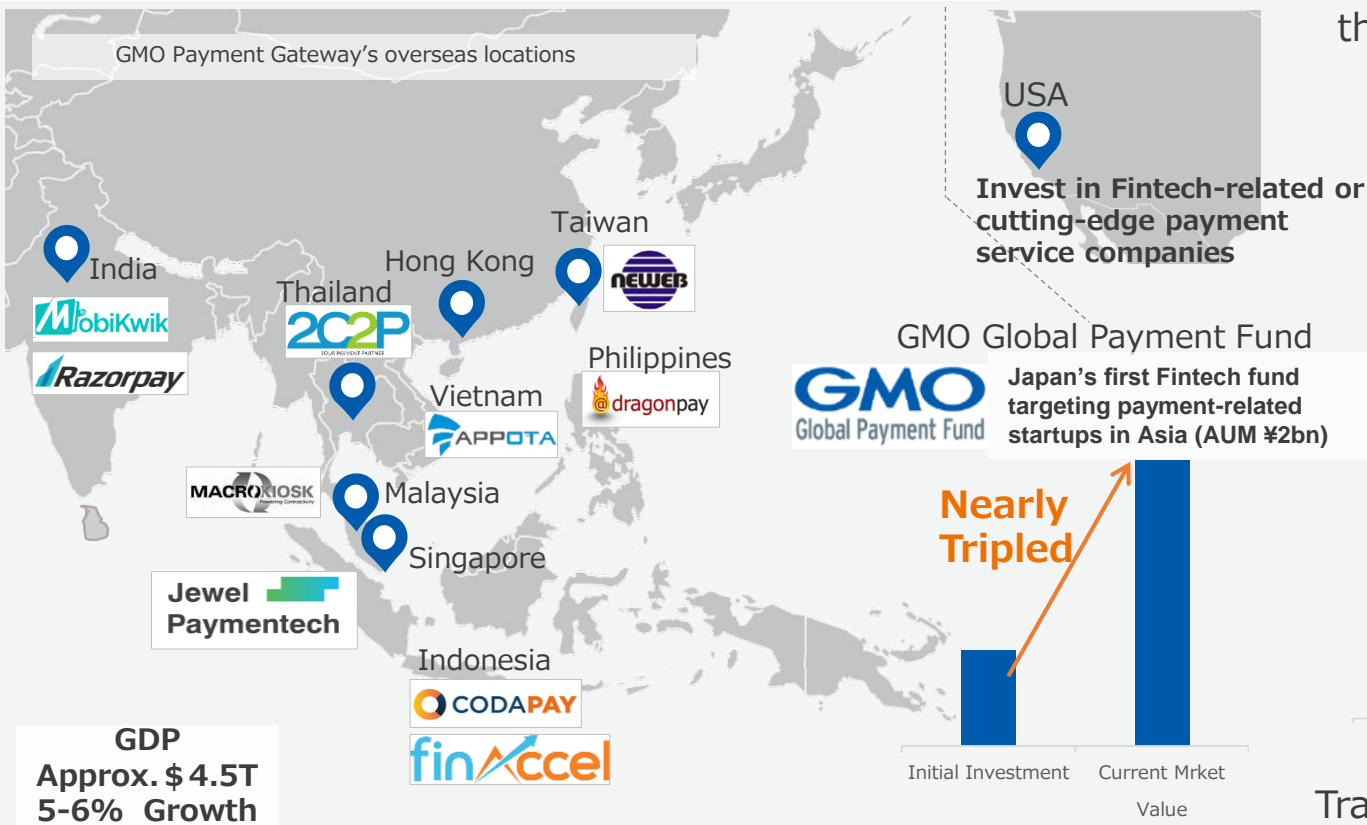
■ Investment target

Asia: Top payment-related company US: Innovation equity stakes

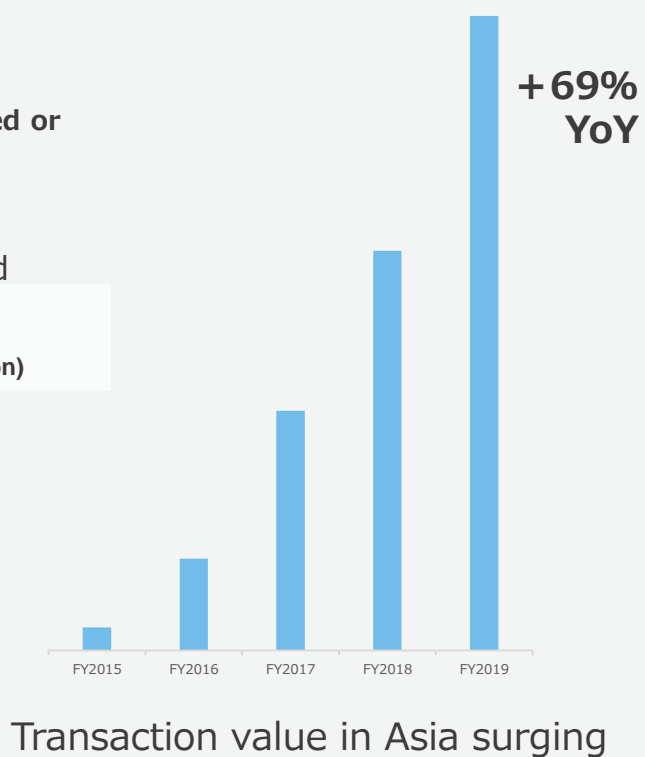
■ Payment processing business

Providing payment services to Japanese companies expanding into the Asian market (Z.com Payment)

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



GDP
Approx. \$ 4.5T
5-6% Growth



Global: Payment Enhancement Business (MACROKIOSK)

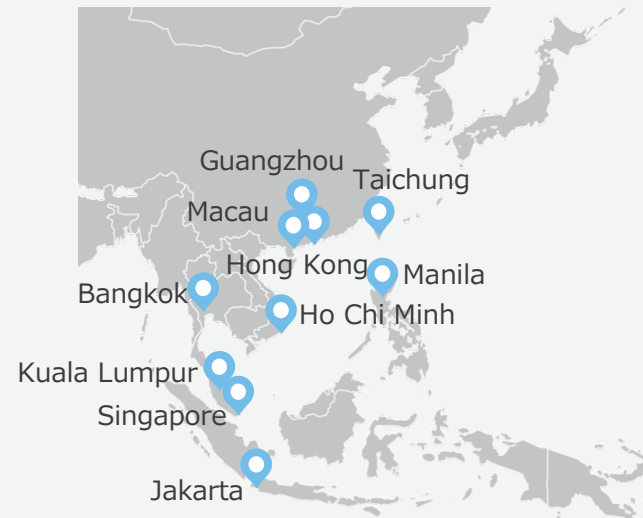
Focus on investment in MACROKIOSK and acquiring of Asian banks and big companies

Company name	Macro Kiosk Berhad
Location	Malaysia and 11 Asian countries
Headcount	258
Financial results	Revenue: 5,199 million yen (FY2019 Actual)
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: Scale First (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, an equity method affiliate
- ③ Development of new products
- ④ Entry into new markets through M&A



Major subsidiaries and equity-method affiliates

GMO Payment Gateway, Inc.

< Consolidated subsidiary >

Multi payment (targets small-sized merchant)

GMO Epsilon, Inc. (Financial results of FY2019)
Revenue : ¥3,483mil, Ordinary income: ¥2,350mil (J-GAAP)

GMO Medical Reservations Technology Co., Ltd.

Payment After Delivery

GMO Payment Service, Inc. (Financial results of FY2019)
Revenue: ¥5,048mil, Ordinary income: ¥1,212mil (J-GAAP)

Offline payment

GMO Financial Gate, Inc. (As of end of Sep. 2019) 65.0% stake

Global Card System

Overseas

GMO-Z.COM PAYMENT GATEWAY PTE. LTD. (Singapore)

GMO-Z.com PAYMENT GATEWAY HONG KONG LIMITED (Headquartered in Hong Kong and a branch in Taiwan)

GMO Z COM PAYMENT GATEWAY MALAYSIA SDN.BHD. (Malaysia)

GMO-Z.com PAYMENT GATEWAY (THAILAND) CO., LTD. (Thailand)

Overseas

Macro Kiosk Berhad (As of end of Sep. 2019) 70.0% stake
(Financial results of FY2019)
Revenue: ¥5,199mil, Profit attributable to owners of parent: ¥223mil (IFRS)

< Equity method affiliate >

Multiple payment

SMBC GMO PAYMENT (As of end of Sep. 2019) 49.0% stake

Overseas

2C2P Pte. Ltd. (As of end of Sep. 2019) 33.0% stake

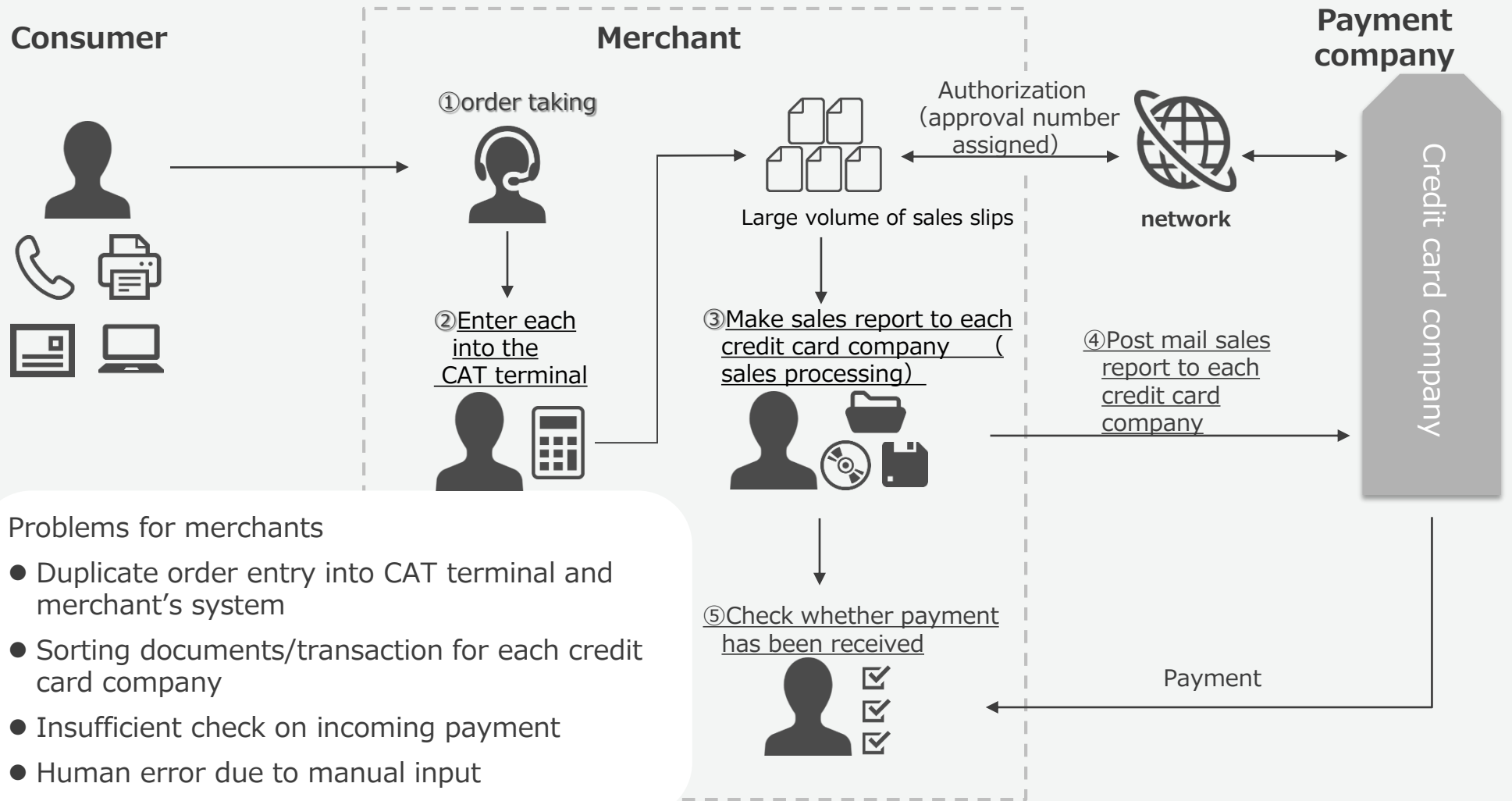
Company Outline

■ Name	GMO Payment Gateway, Inc. (3769; Tokyo Stock Exchange 1st section)	
■ Date of establishment	March 1995	
■ Location	FUKURAS office (Head office) SHIBUYA FUKURAS 15F, 1-2-3 Dogenzaka, Shibuya-ku, Tokyo, 150-0043 Japan 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	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	Masaru Yoshioka
	Managing Executive Officer	Takeshi Yoshii
	Managing Executive Officer	Takashi Mitani
	Managing Executive Officer	Katsunari Mukai
	Managing Executive Officer	Kazunari Taguchi
	Executive officer	Yoshikazu Yanagishima
	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
	Executive officer	Junpei Kendo
	Standing Auditor	Kazutaka Yoshida
	Auditor	Takashi Iinuma
	External Auditor	Kazuhiko 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 January 1, 2020)

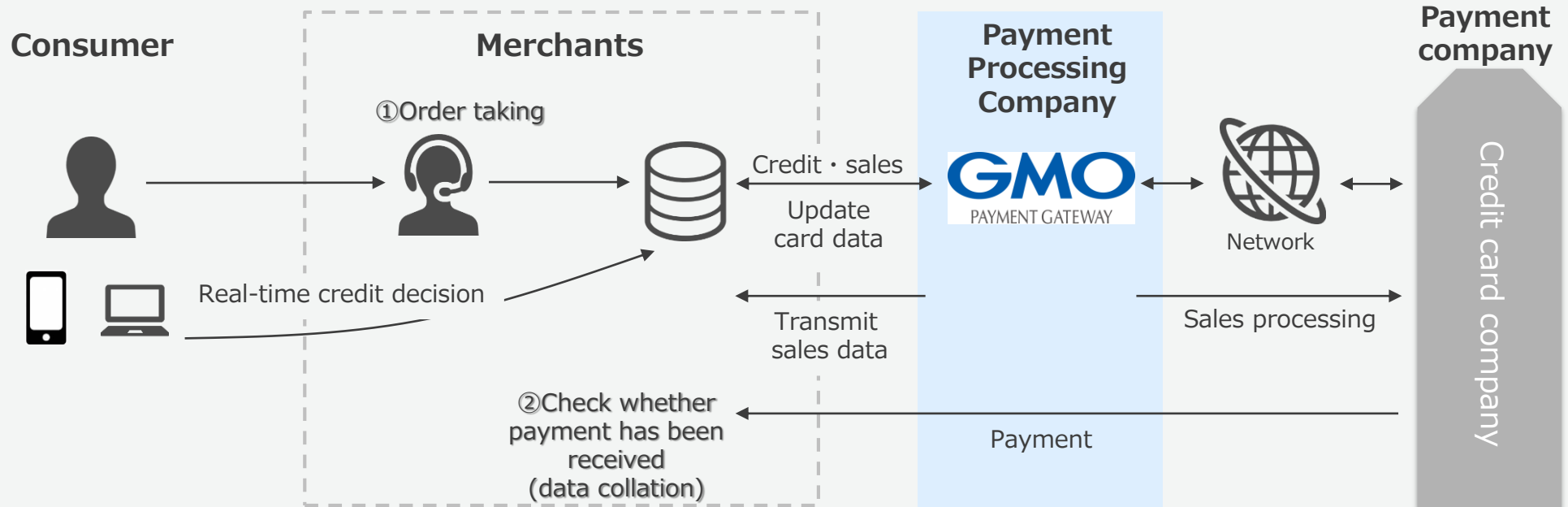
The business of a payment processing company (1)

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 Ecommerce, credit card payment was processed offline between merchant and credit card company, resulting in work burden on both sides.

The establishment of payment processing companies eliminated this burden for both parties.