

Supplementary Materials

Financial results briefing for the Q2 of FY2020

May 14, 2020

GMO Payment Gateway, Inc.

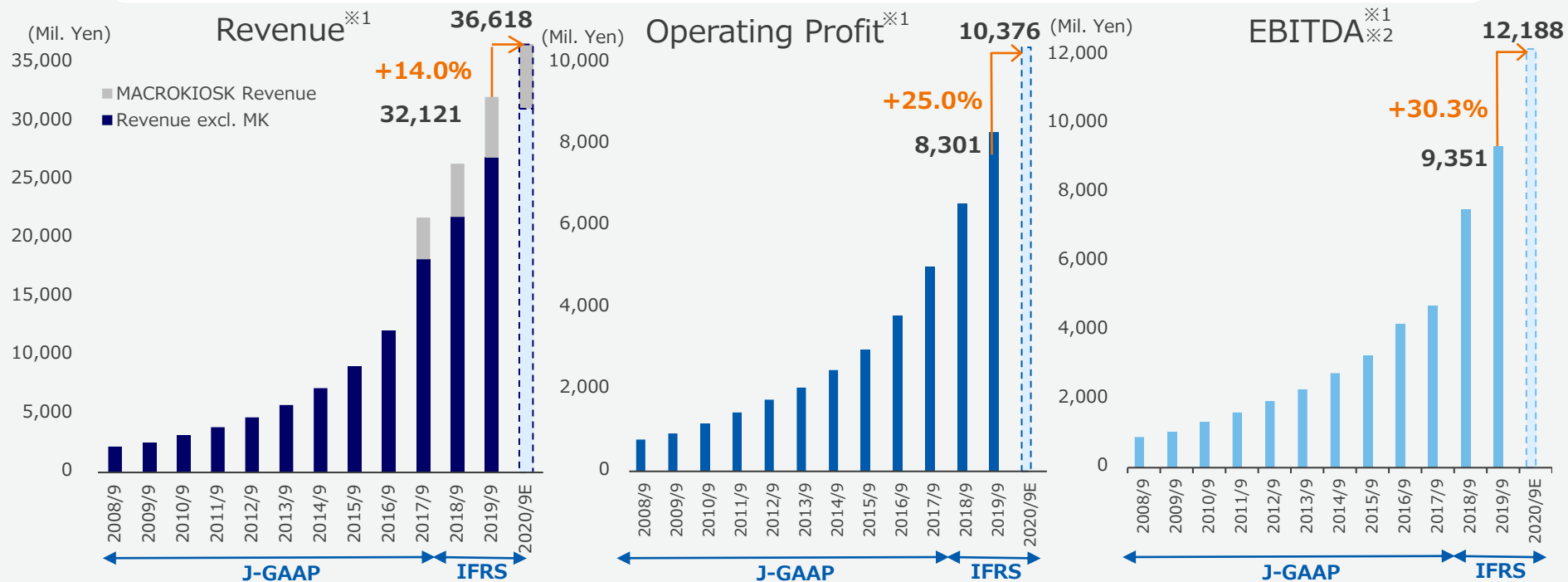
(3769; Tokyo Stock Exchange First Section)

GMO PAYMENT GATEWAY

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

Our Track Record of Growth

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

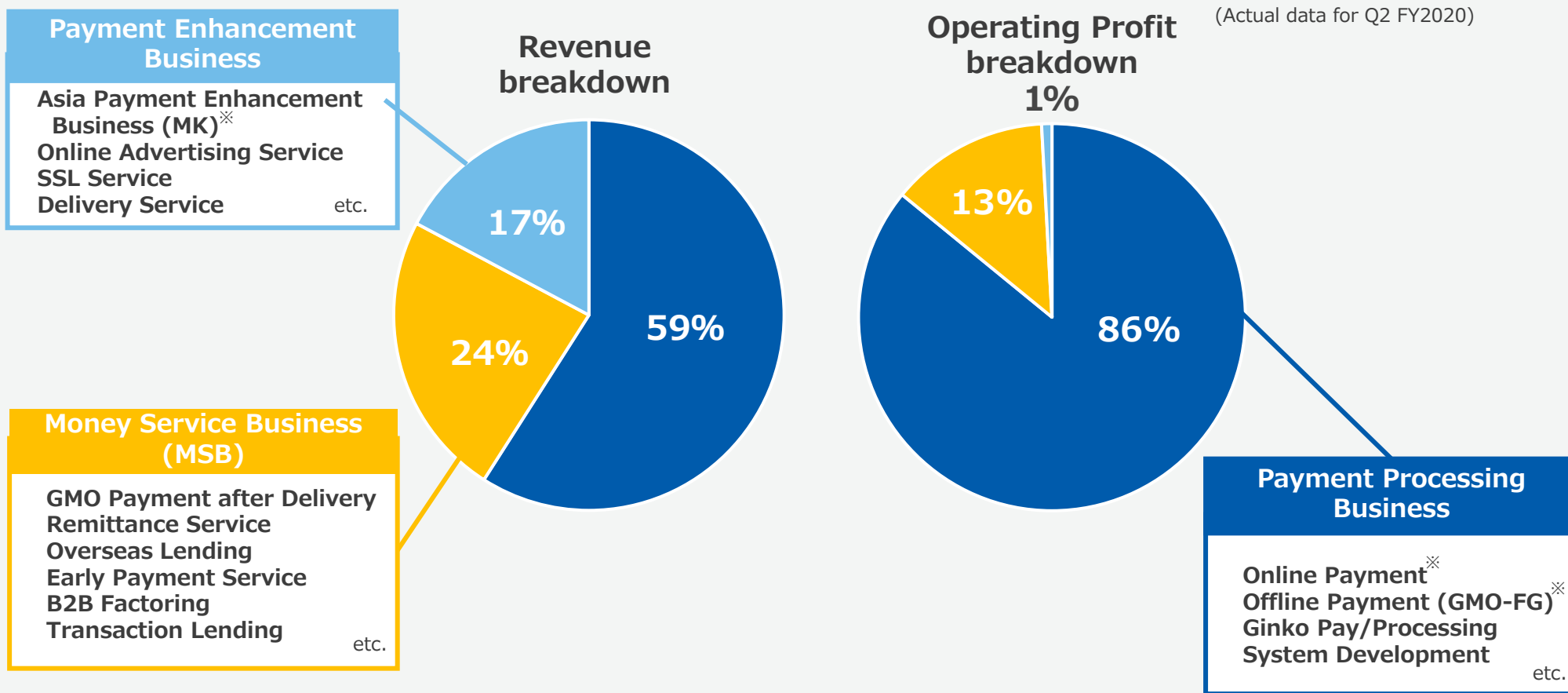


Operating Stores ^{※3,4}	GMV Volume	GMV Value
122,328	2.09 billion	¥5.1 trillion

- (※1) Voluntary adoption of IFRS accounting started on FY2018, and figures for FY2020 is the earnings guidance as of November 12, 2020.
- (※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 March 2020. Transaction volume and transaction value are the figures from April 2019 to March 2020; transaction volume and transaction value include the figures of GMO Financial Gate.
- (※4) Figures exclude a significant increase in operating stores from a specific merchant. If included, the number of operating stores is 281,500 stores.

Three business segments

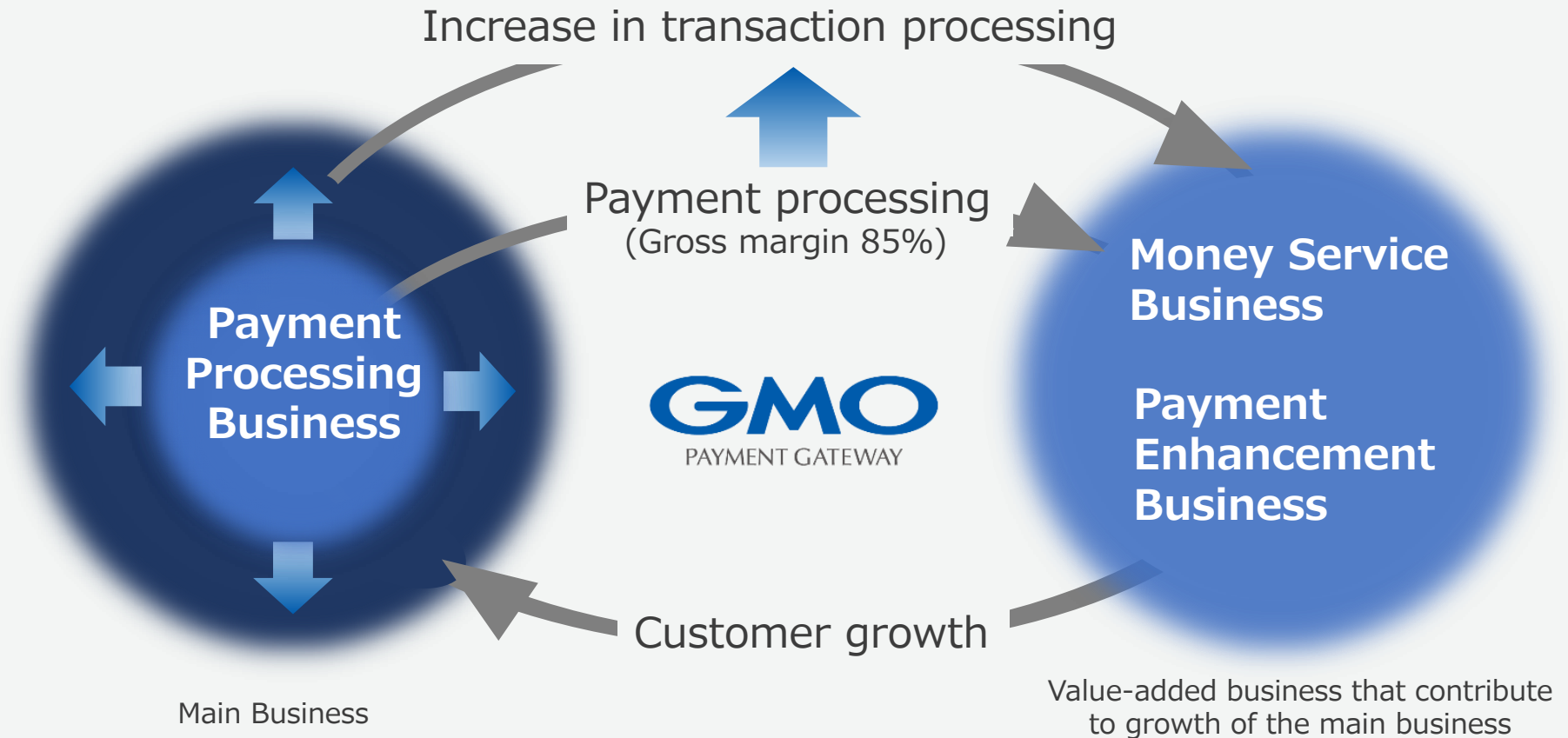
Sustain an over 25% OP growth from the expansion of mainstay payment processing business and its peripheral businesses



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

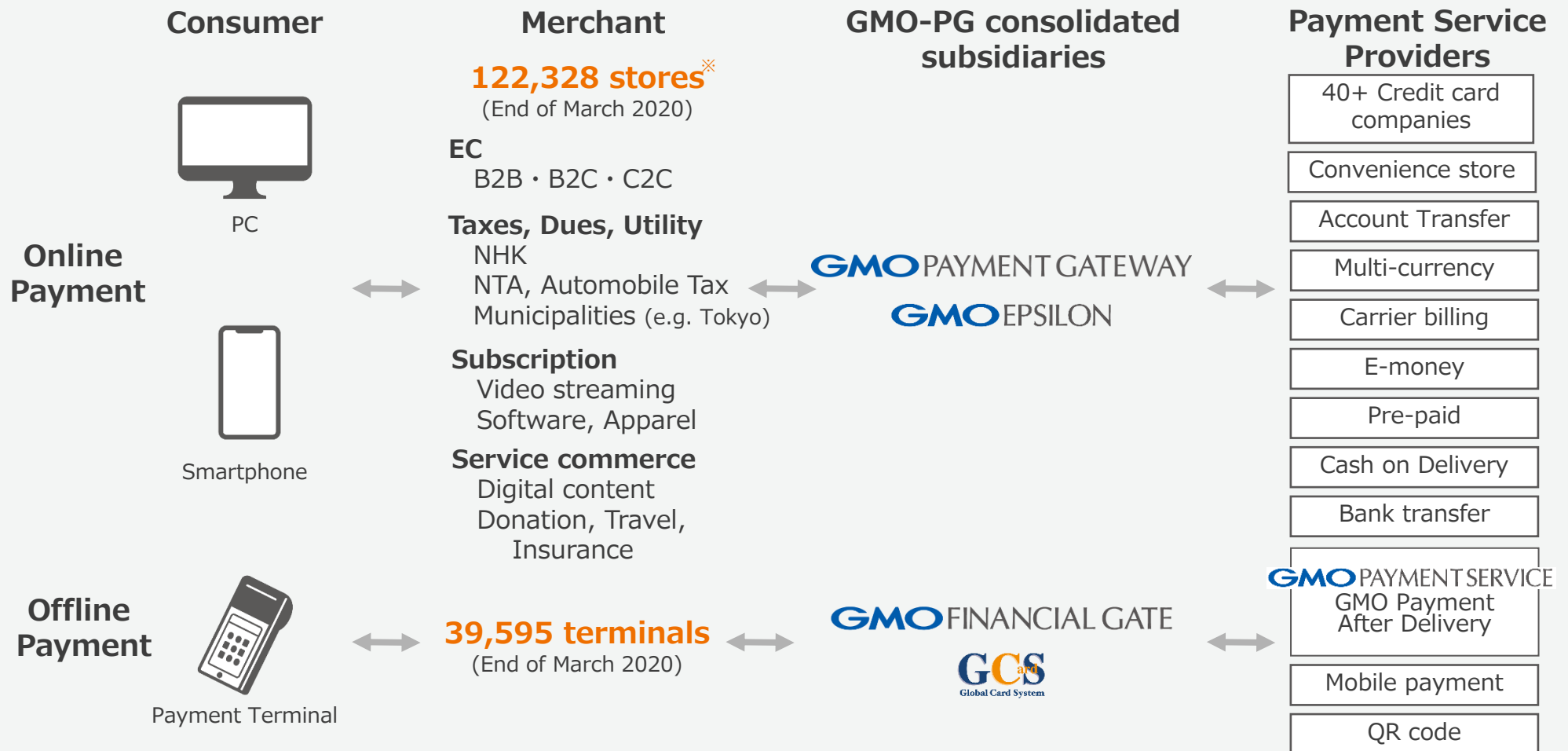
Our Business Eco-system

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



Payment Processing Business: Business scope of GMO-PG and 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 281,500 stores.

etc.

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)

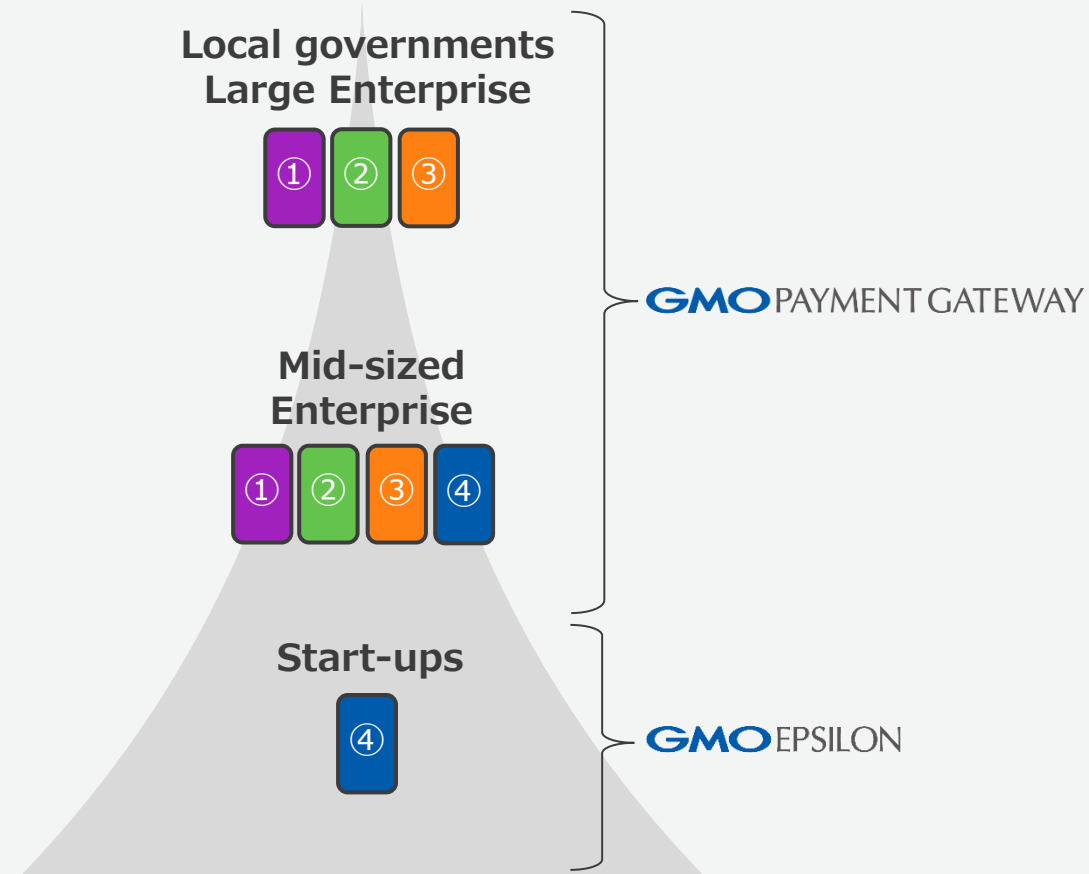
① Initial (Initial revenue)
Initial introduction fees
 Coefficient: Number of new merchants acquired
 Revenue: Number of new merchants acquired
 × _Yen (paid once at acquisition)

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

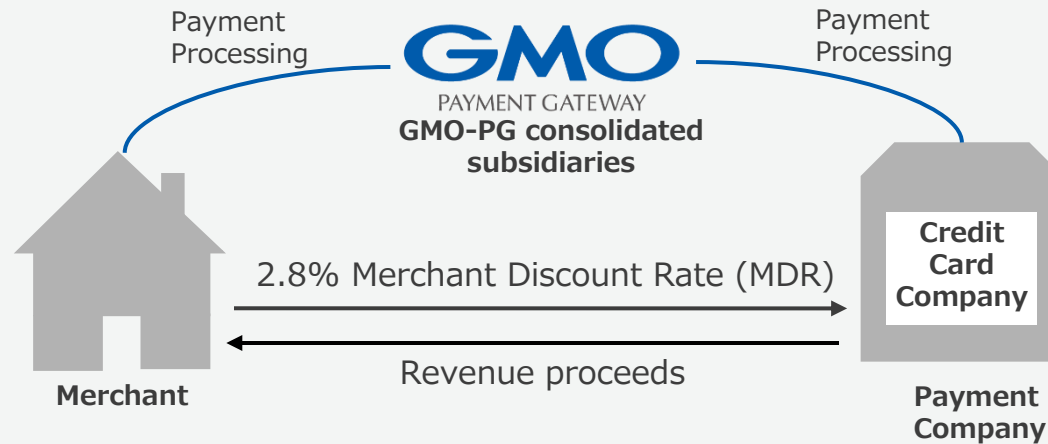


Payment Processing: Two types of merchant contracts

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

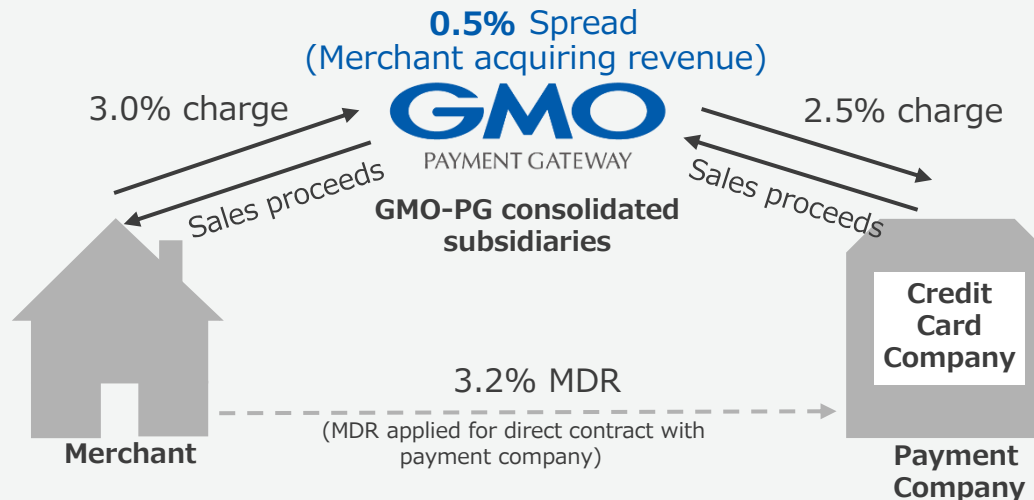
Direct contract

Applies to some large companies and municipalities



Representative contract

Mainly for SME's but also covers some large companies

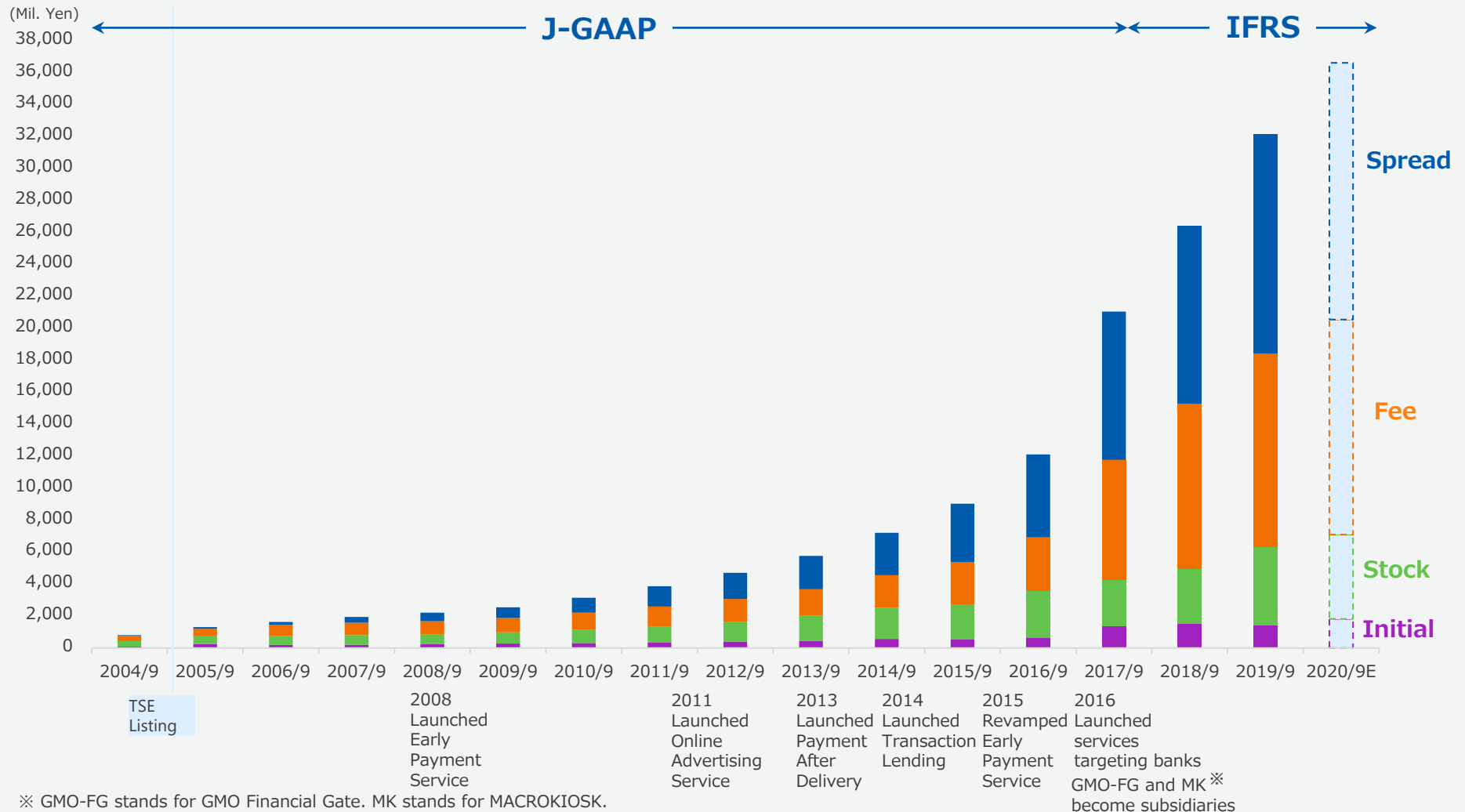


※ Figures included are for illustration purposes only.

← Flow of Revenue and charges

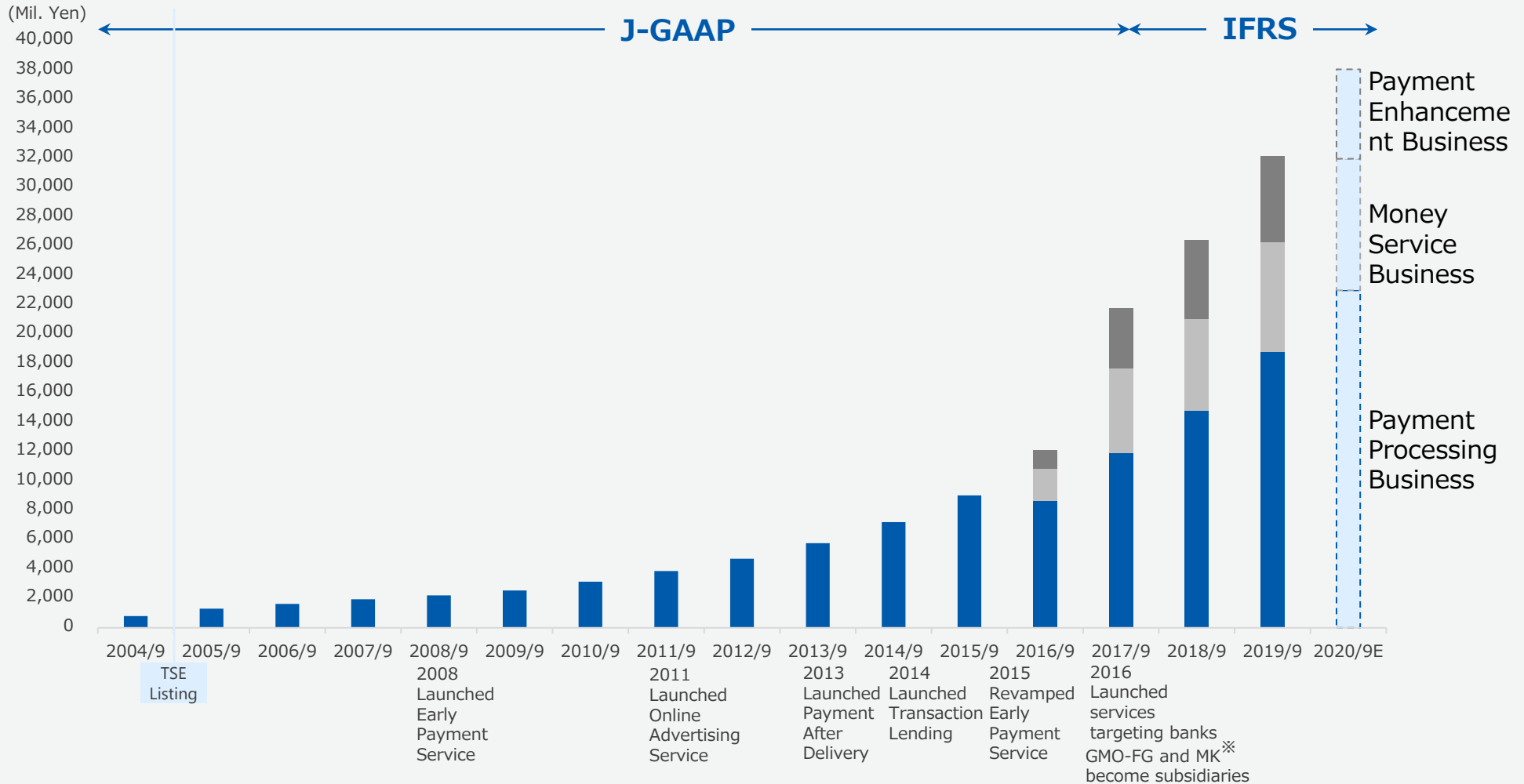
Revenue breakdown by business model

Aiming for a balanced revenue growth



Segment revenue trend

Comprised of 3 businesses of Payment Processing, Money Service and, Payment Enhancement



※ Reported only the single segment of payment processing until FY2015, commenced segment disclosure from FY2016. GMO-FG stands for GMO Financial Gate; MS stands for MACROKIOSK.

Summary chart of Business Model, Segments and Services

Reporting in 3 Segments, consisting of 4 business models

■ 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)

■ Segment

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

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

The 5 Focus Areas

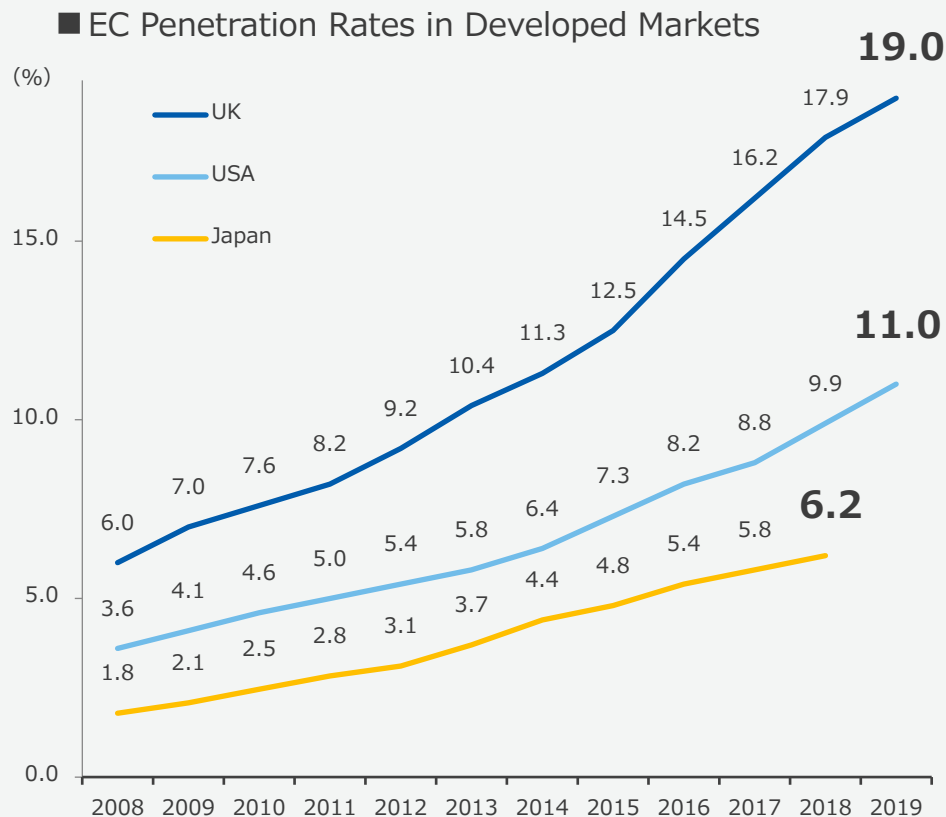
Expanding business in the 5 focus areas to achieve sustainable growth

<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 Delivery 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



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. Census Bureau "The 4th Quarter 2019 Retail E-Commerce Sales Report"; Office for National Statistics "Retail Sales Index internet sales, March 2020"

■ Card usage rate to private final consumption expenditure

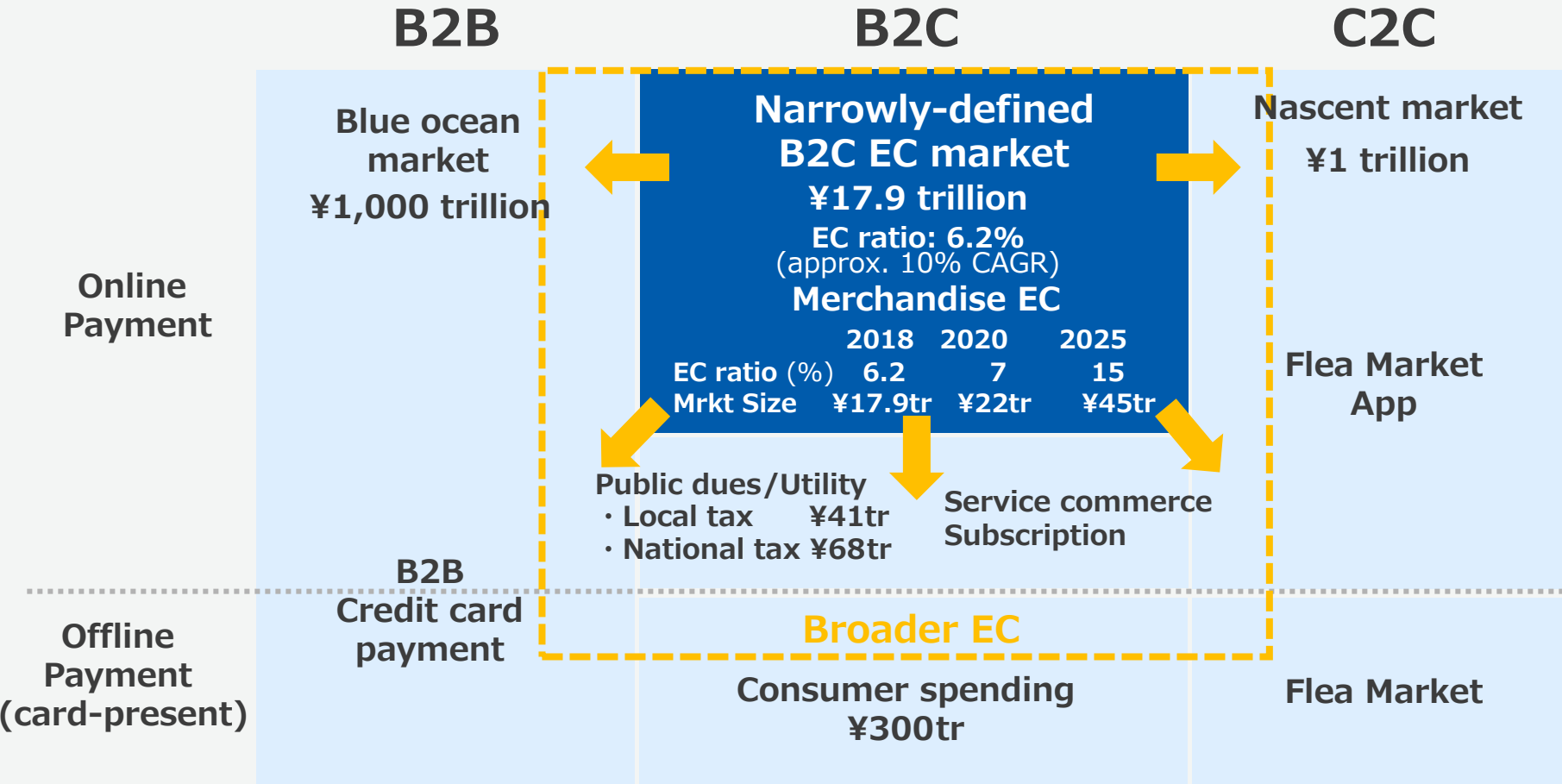
(2016)	Credit Card usage rate	Debit card	Credit+Debit usage to private final consumption expenditure rate [※]
South Korea	76 %	19 %	95 %
UK	12 %	55 %	67 %
Australia	30 %	25 %	55 %
US	25 %	19 %	44 %
Japan	18%	-	18 %

※ 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 CPMI countries - Figures for 2016," 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. "FY2018 Building infrastructure for information- and service-oriented Japanese economy and society (Ecommerce market survey)". Figures for 2020 and after are our estimates.

*MIC "Breakdown of national tax and local tax revenue (FY2020 Budget and Local Government Finance Plan)"

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

Broader EC: Public Dues and Utility Payments

Pioneered 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

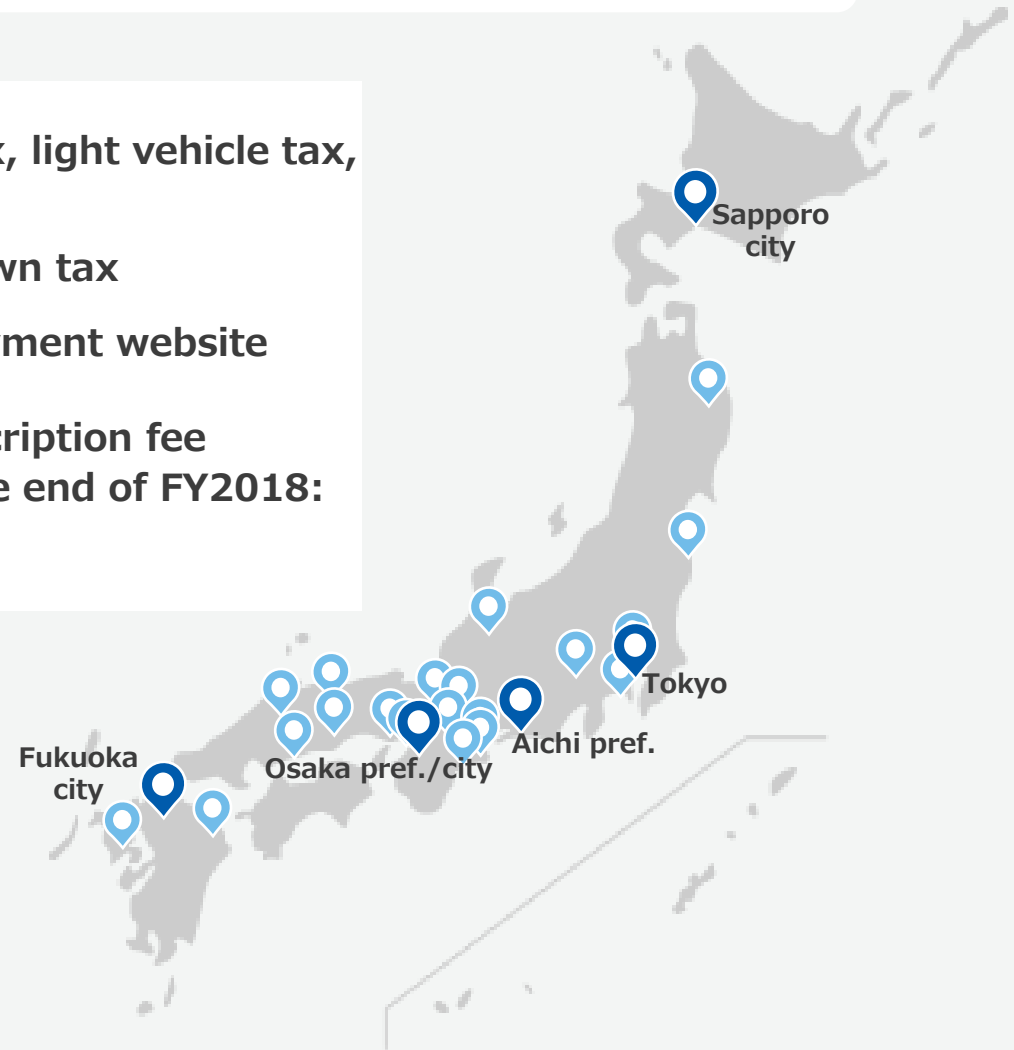
NHK

National broadcasting subscription fee

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

Expansion 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

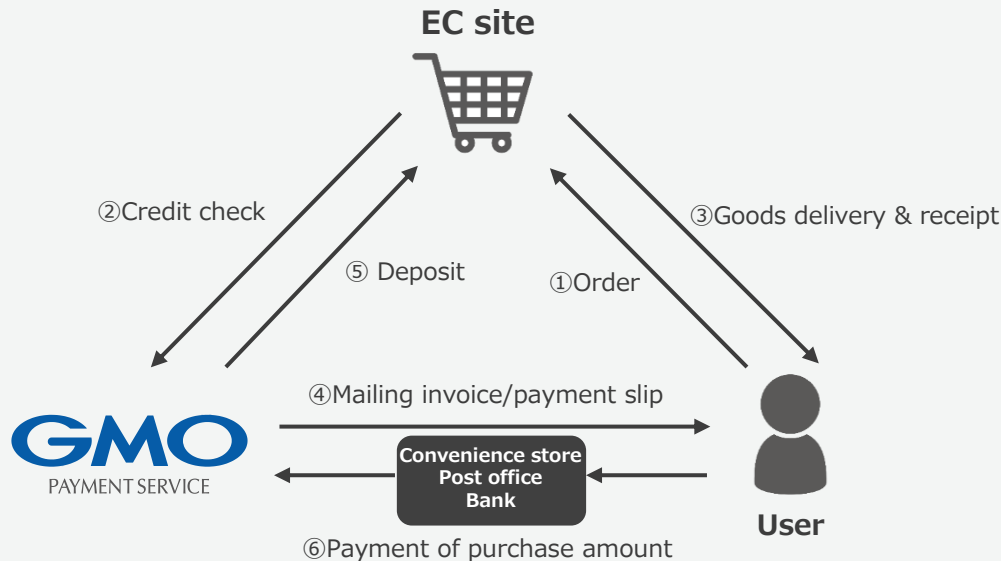
	<u>Services</u>	<u>MSB-related assets</u>	<u>Business Model</u>	
✓	GMO Payment After Delivery	Pays sales proceed without waiting for deposit from consumer	Accrued revenues	Fee Spread
✓	Remittance service	Efficient and secure refund and remittance processing for Ecommerce operators	—	Fee
✓	Overseas Lending/ 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.

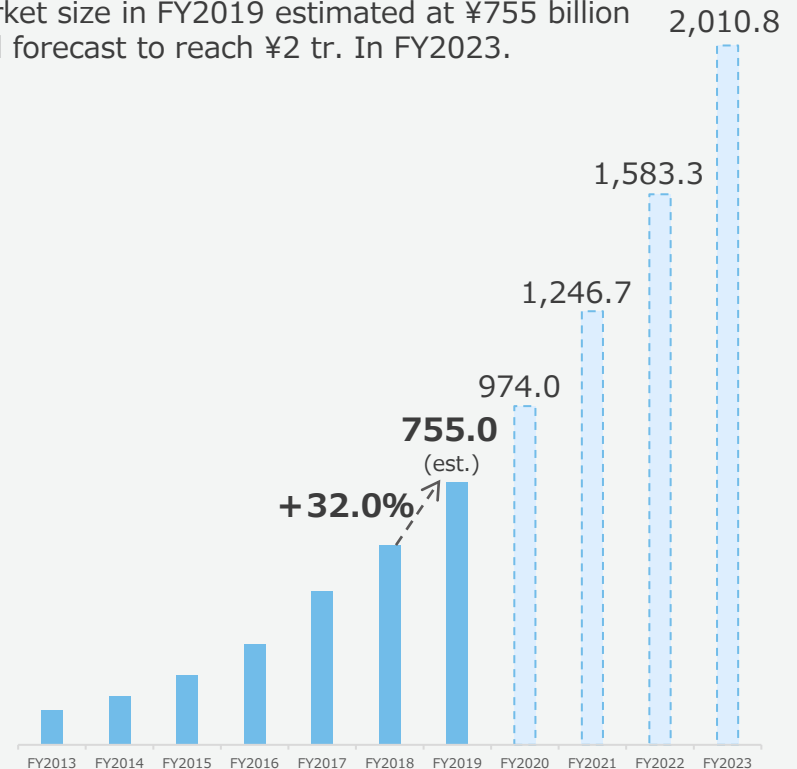


Payment services with over 2 weeks payment terms are also available

■ Market size of deferred payment

(Unit: bn Yen)

Robust growth of the Deferred Payment market.
Market size in FY2019 estimated at ¥755 billion and forecast to reach ¥2 tr. In FY2023.



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

Figures for FY2019 are estimates, and figures for FY2020 to FY2023 are forecasts.

Cashless

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

■ Ginko Pay

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



(As of March 31, 2020)

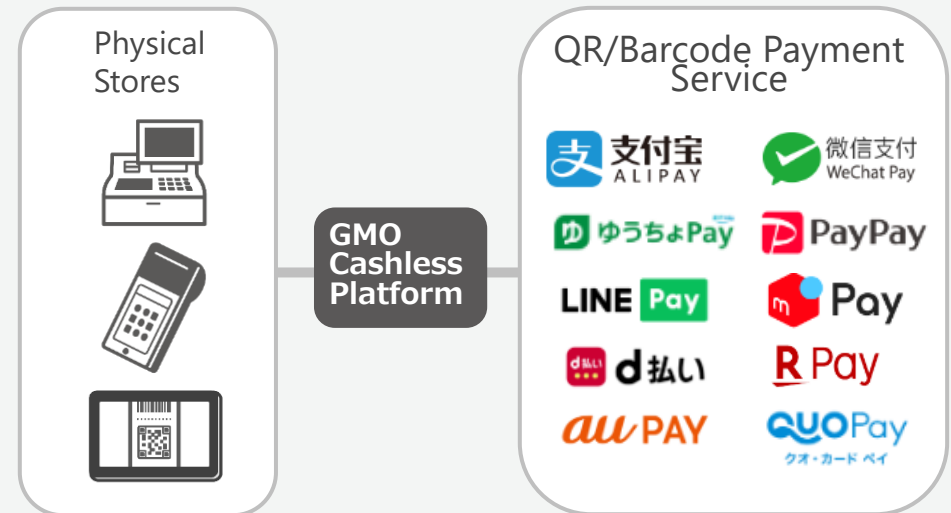
■ Cash-out (withdrawal) service

Cash withdrawal can be made from ticket vending machines at Tokyu Line train stations using 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



■ Processing Platform

A one-stop package of various payment solutions for issuing and acquiring businesses, offered to banks, credit card companies and general businesses.

Rollout of IoT services; capture 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 Olympics and Paralympics:

Cashless payment demand to surge with the increase of inbound tourists.

Embedded-type EMV terminal[※]



Future target and potential: Unattended Market

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
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※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

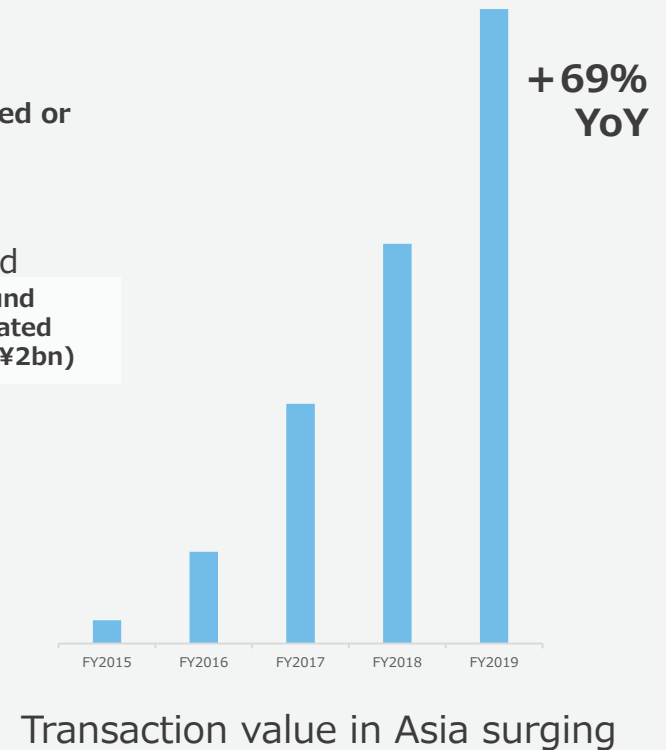
■ Payment processing business

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

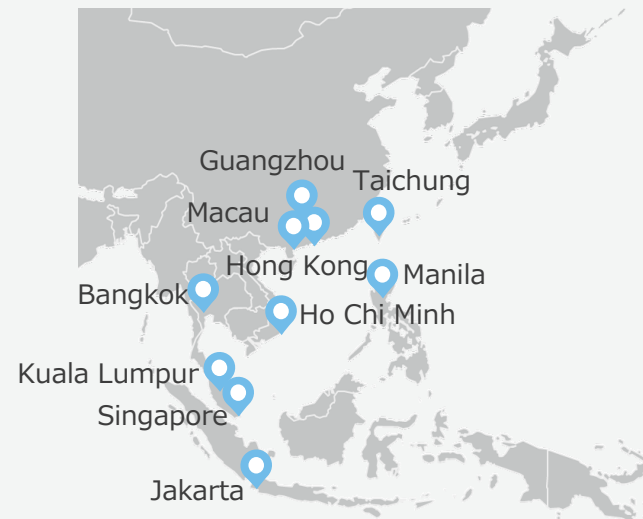
Company name Macro Kiosk Berhad
Location Malaysia and 11 Asian countries
Headcount 258
Financial results Revenue: 5,199 million yen (FY2019 Actual)
GMO-PG's stake 70%
Acquisition cost Approx. 1,121 million yen

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 (scale first, then profit)

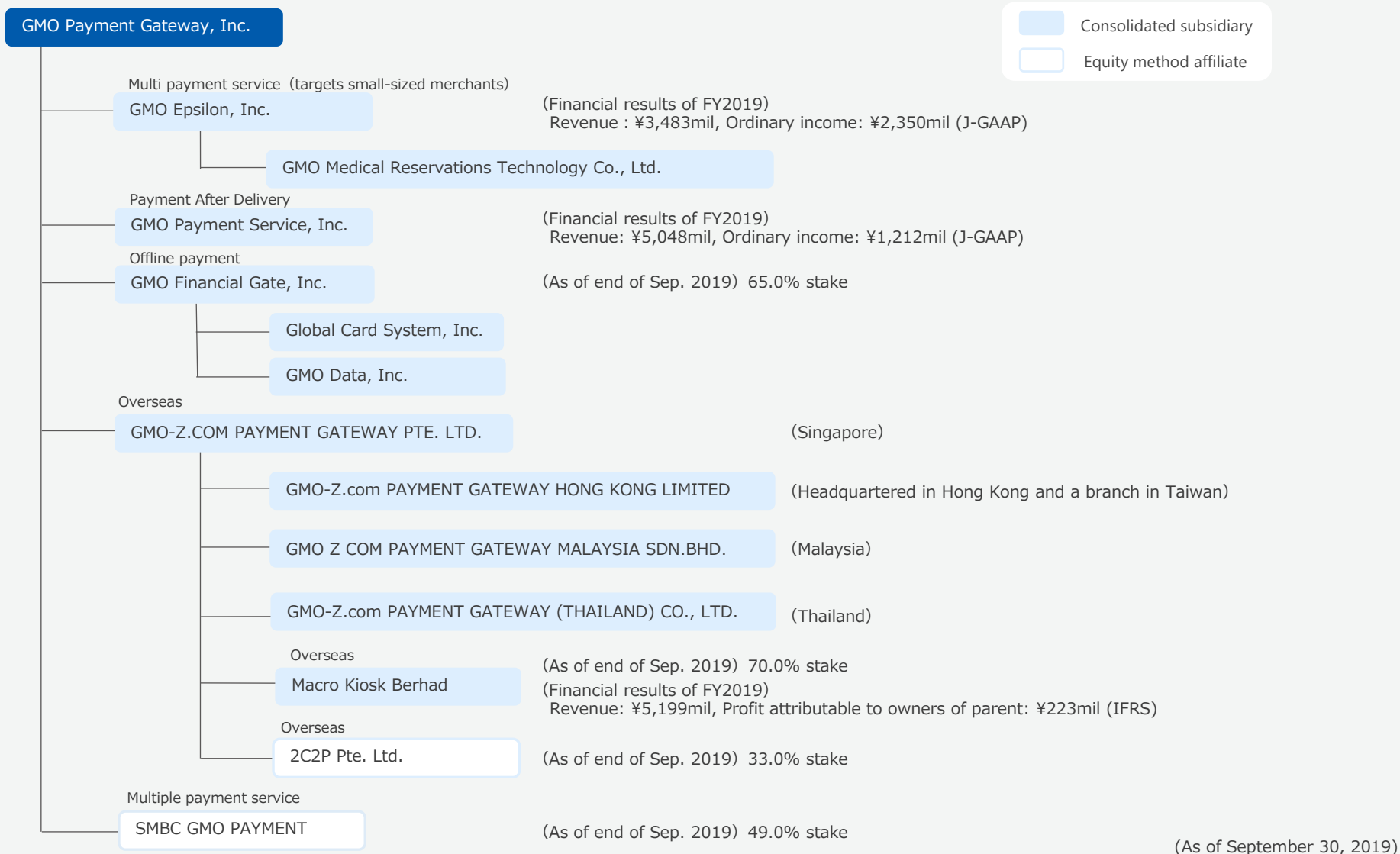
<Specific actions>

- 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



(end of September, 2019)

Major subsidiaries and equity-method affiliates



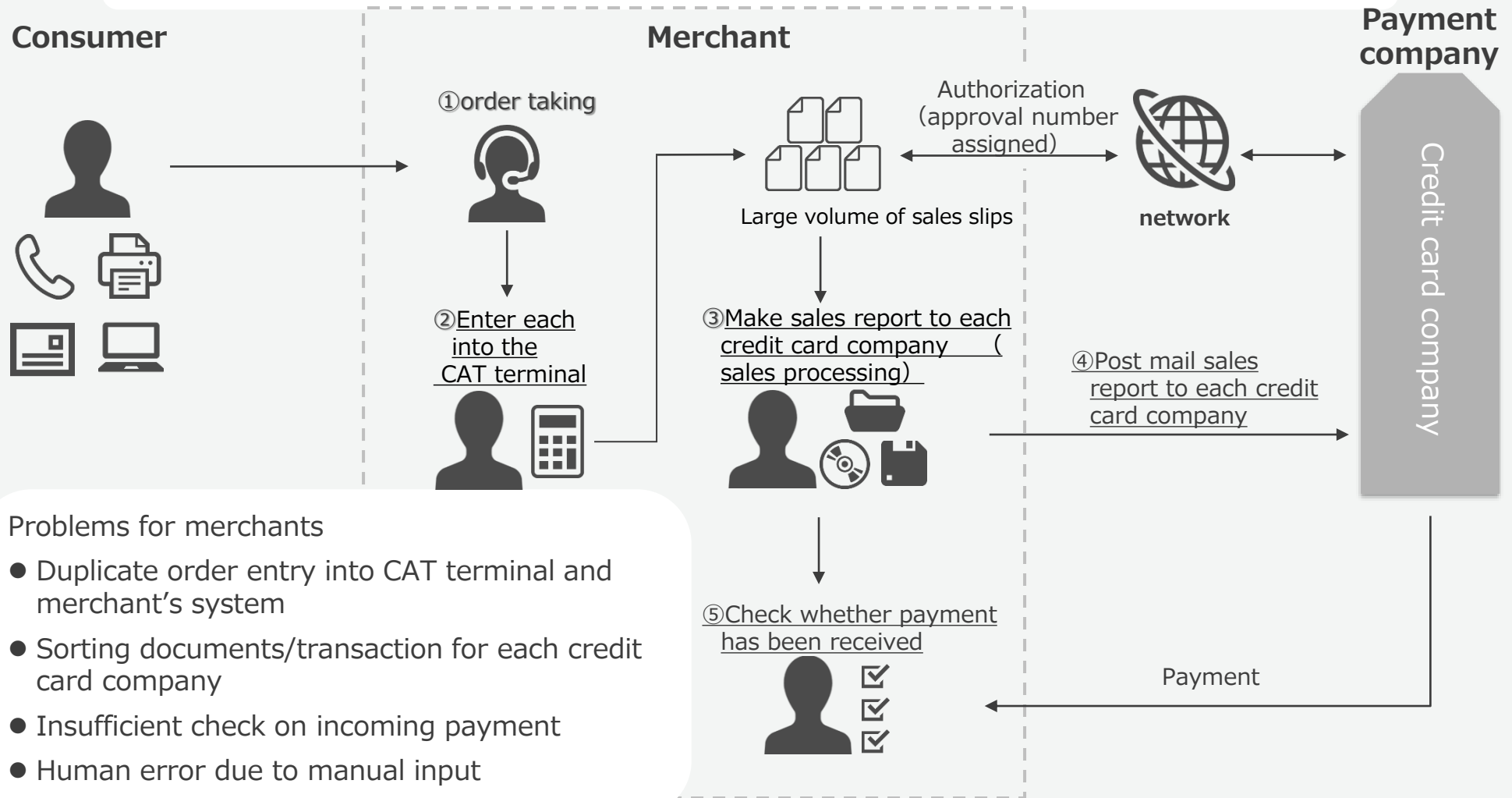
Company Outline

■ Name	GMO Payment Gateway, Inc. (3769; Tokyo Stock Exchange First 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	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 March 31, 2020)

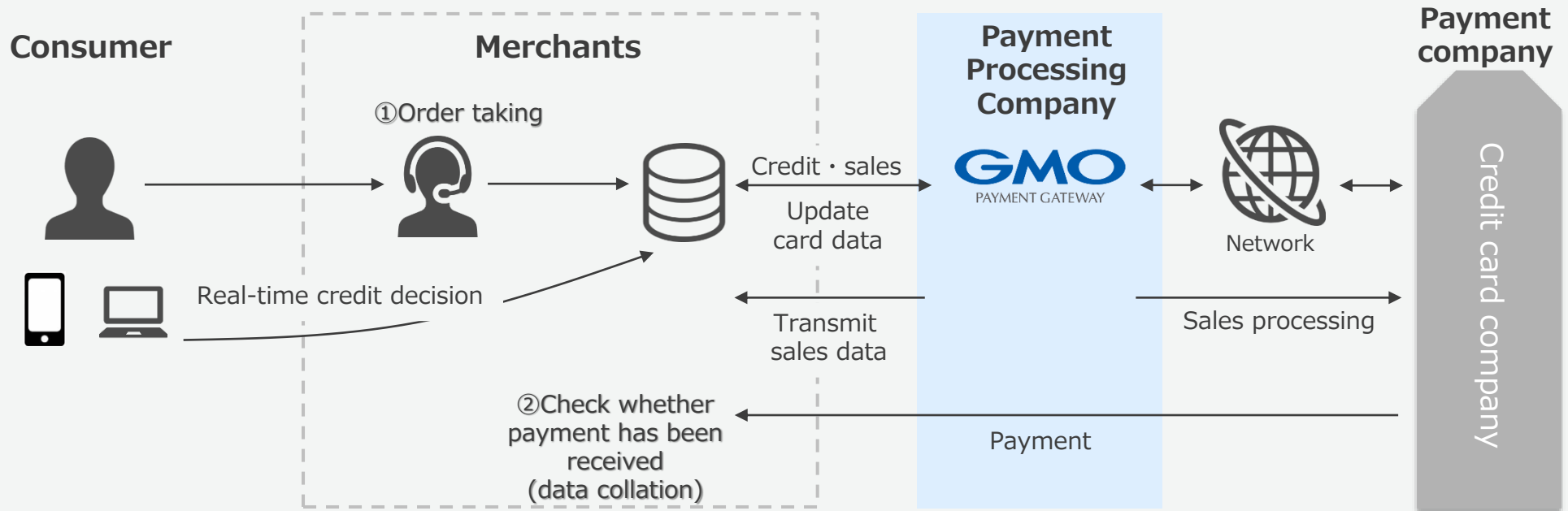
Business outline of payment processing company (1)

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 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.