

Supplementary Information

Financial results briefing for the Q3 of FY2020

August 13, 2020

GMO Payment Gateway, Inc.

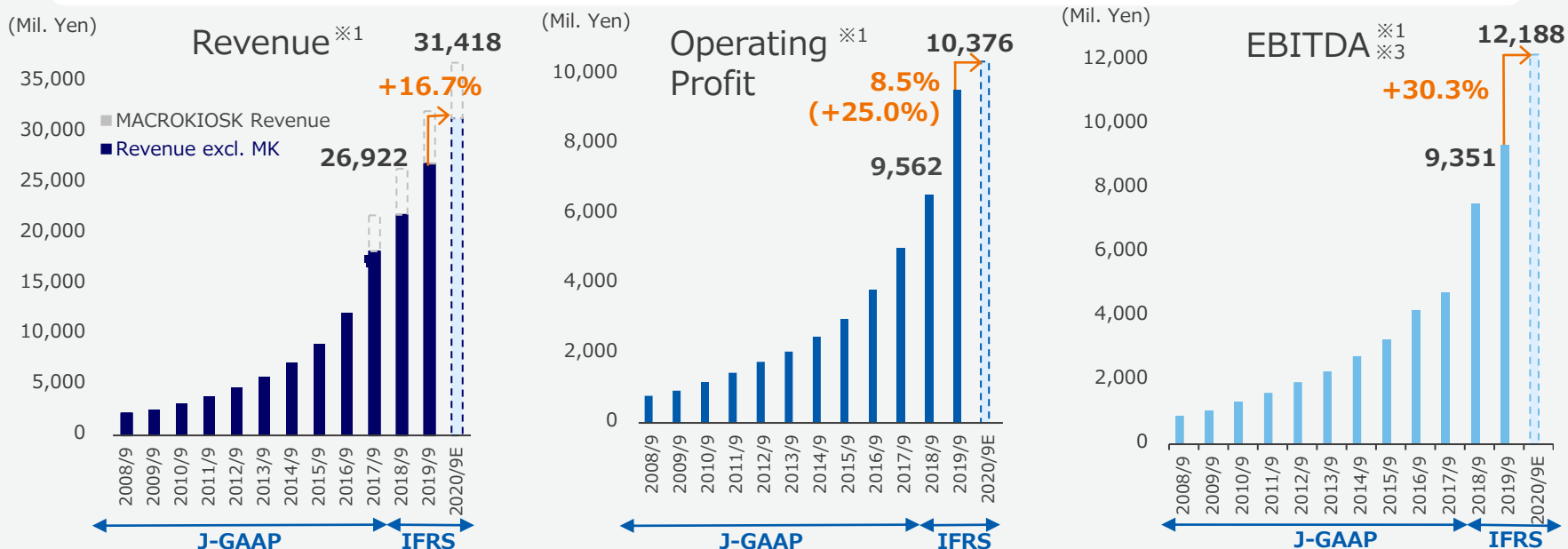
(3769; Tokyo Stock Exchange First Section)

GMO PAYMENT GATEWAY

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

Our Track Record of Growth

FY2020 Revenue guidance of ¥31.4bn, OP guidance of ¥10.3bn



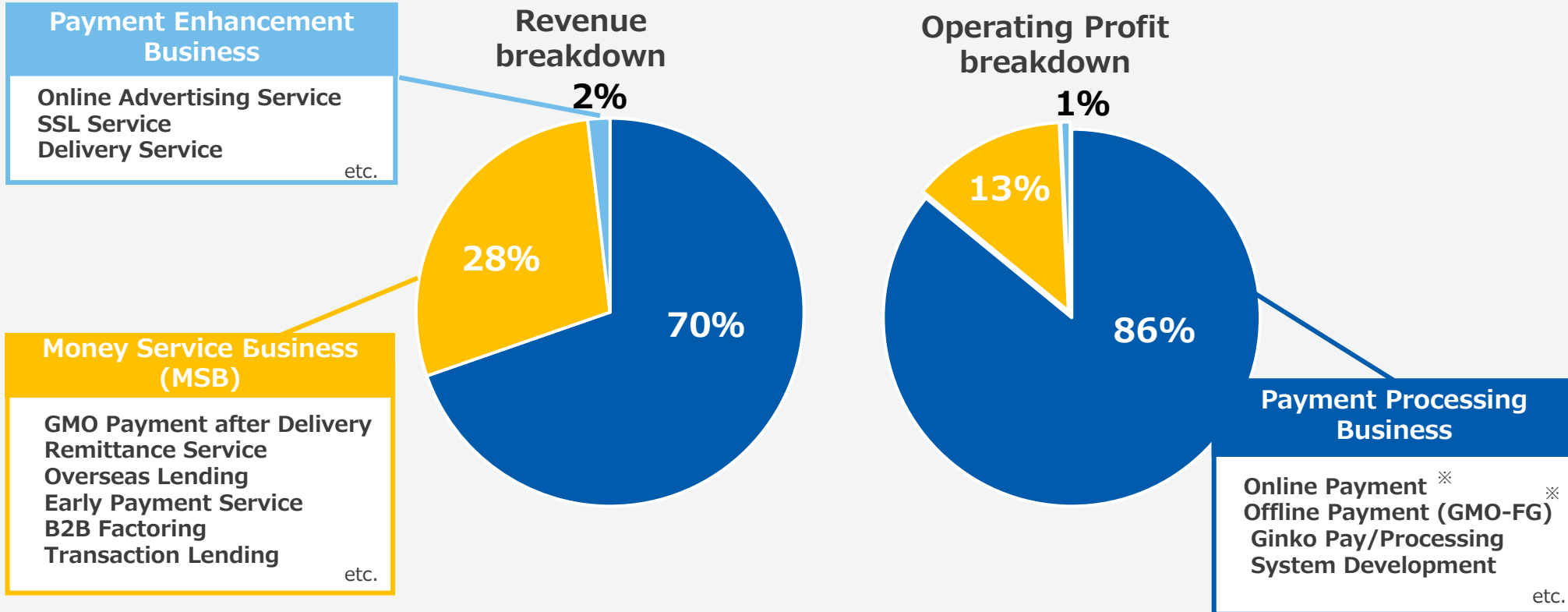
Operating Stores ※4,5	TRX Volume	TRX Value
129,404	23.3bn	¥5.5 trillion

- (※1) The earnings guidance for Fiscal Year Ending September 2020 (initially announced on November 12, 2019) has been revised on August 7, 2020. The revised operating profit growth is 8.5% YoY when compared to the previous term's operating profit, but the growth rate would be 25.0% YoY when compared to the previous term's operating profit including discontinued operations.
- (※2) Macro Kiosk's earnings has been reclassified as discontinued operations with it's deconsolidation in May 2020, and presented separately from the continuing operations as "Profit/Loss from Discontinued Operations", as per IFRS accounting standards. The revenue, operating profit and profit before incomes taxes present the figures for continuing operations only and exclude the discontinued operations.
- (※3) 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.
- (※4) The number of operating stores is at the end of June 2019. Transaction volume and transaction value are the figures from July 2019 to June 2020; transaction volume and transaction value include the figures of GMO Financial Gate Group.
- (※5) Figures exclude a significant increase in operating stores from a specific merchant. If included, the number of operating stores is 305,004 stores as of end of June 2020.

Three business segments

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

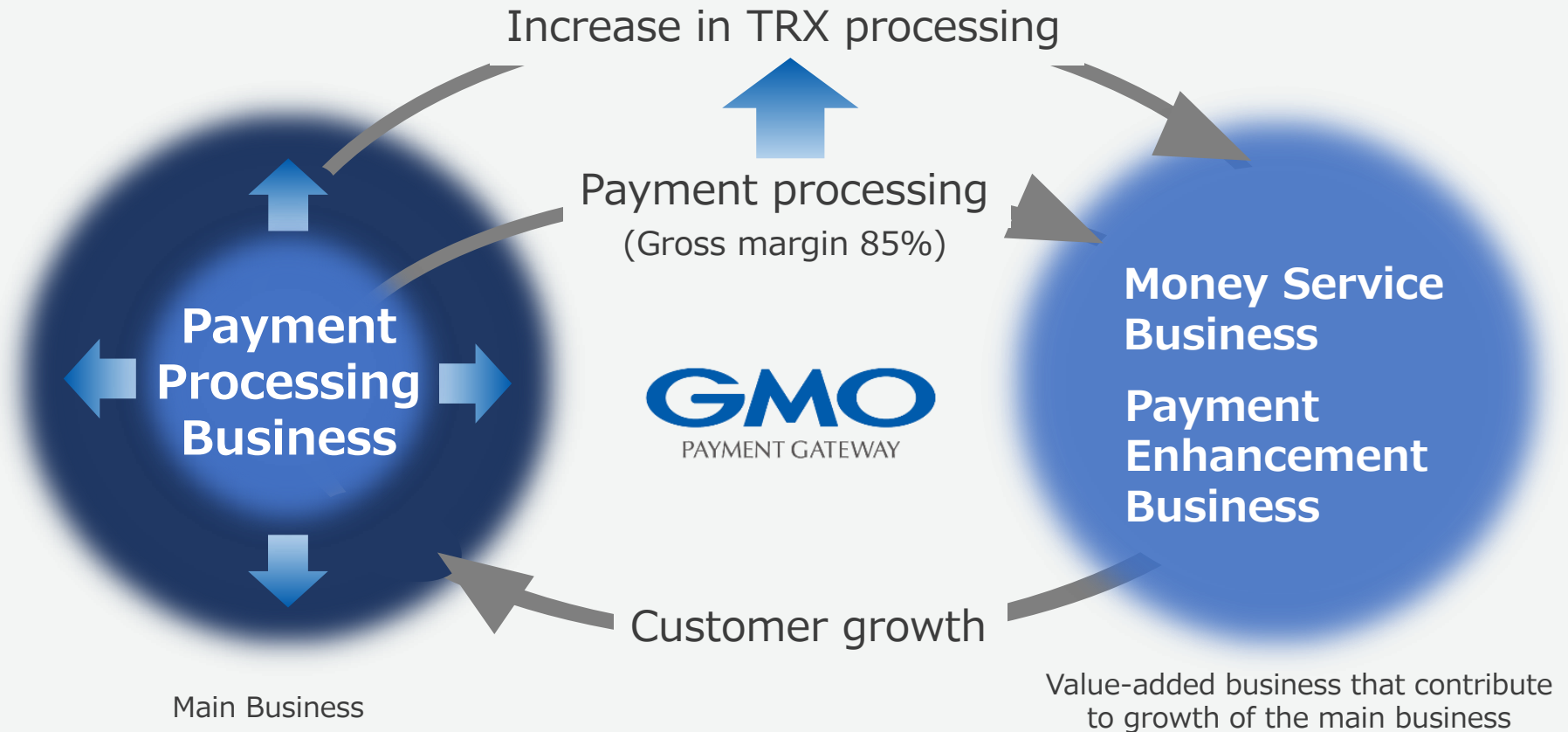
(Actual data for Q3 FY2020)



※ 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

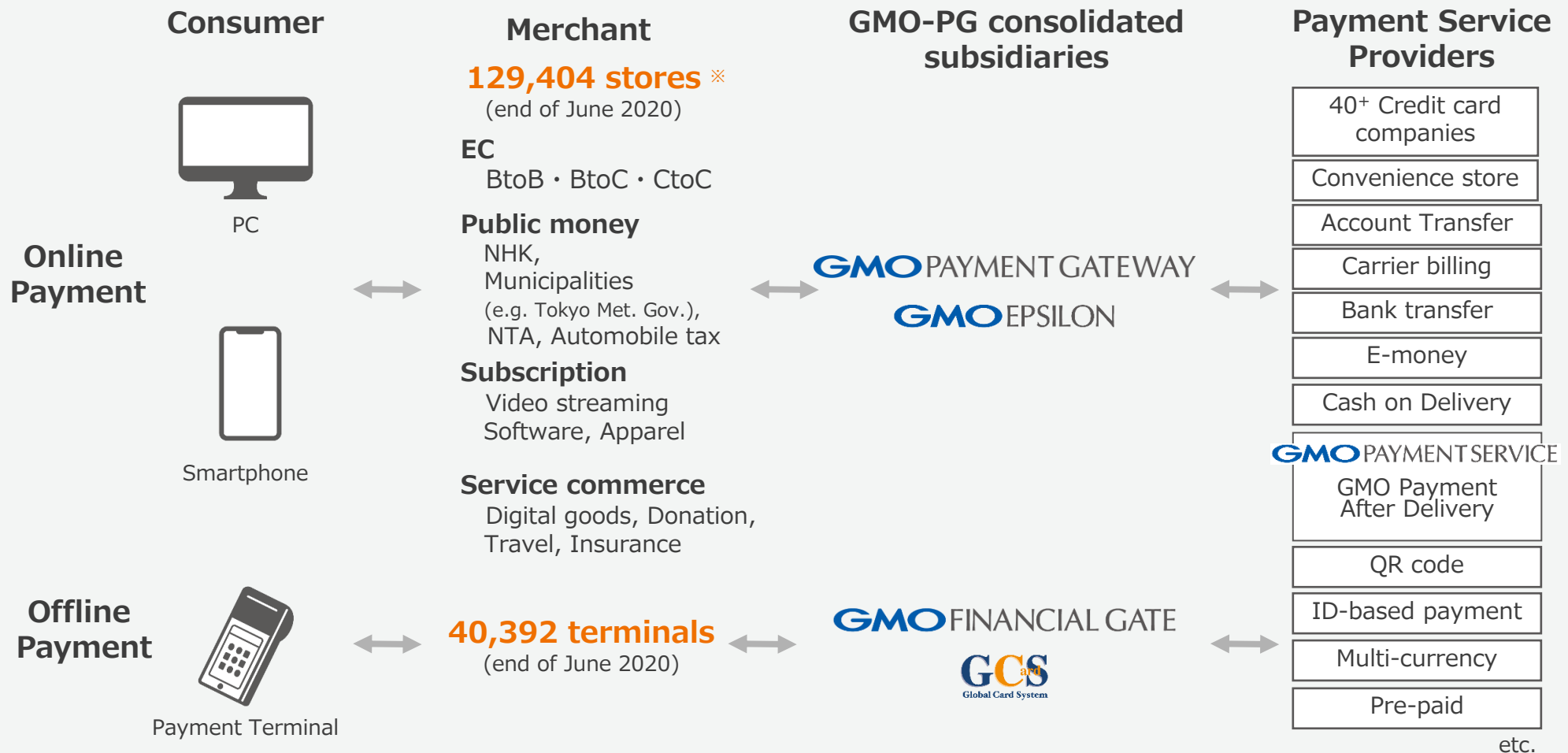
Our Business Eco-system

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 305,004 stores as of end of June 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)

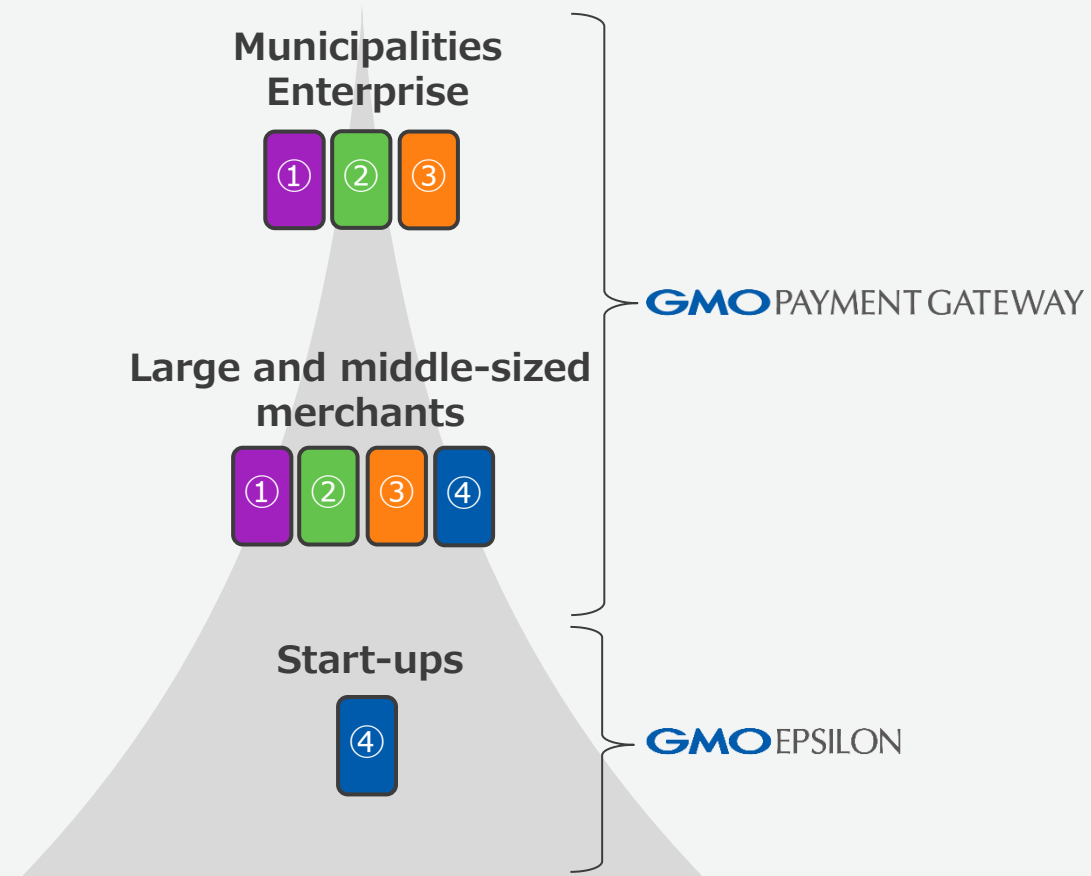
① Initial (Initial revenue)
Initial introduction fees
 Coefficient: Number of new merchants acquired
 Revenue: Number of new merchants acquired
 × _Yen (paid once at acquisition)

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

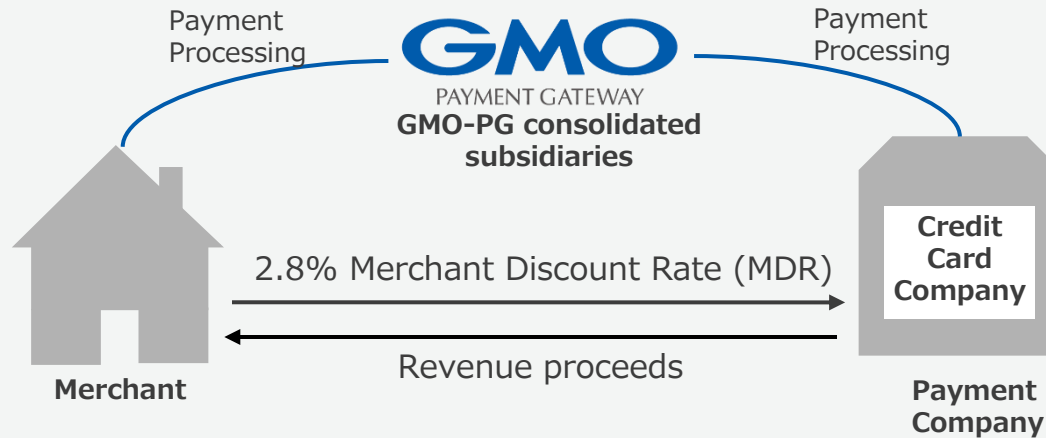


Payment Processing: Two types of merchant contracts

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

Direct contract

Applies to some large companies and municipalities

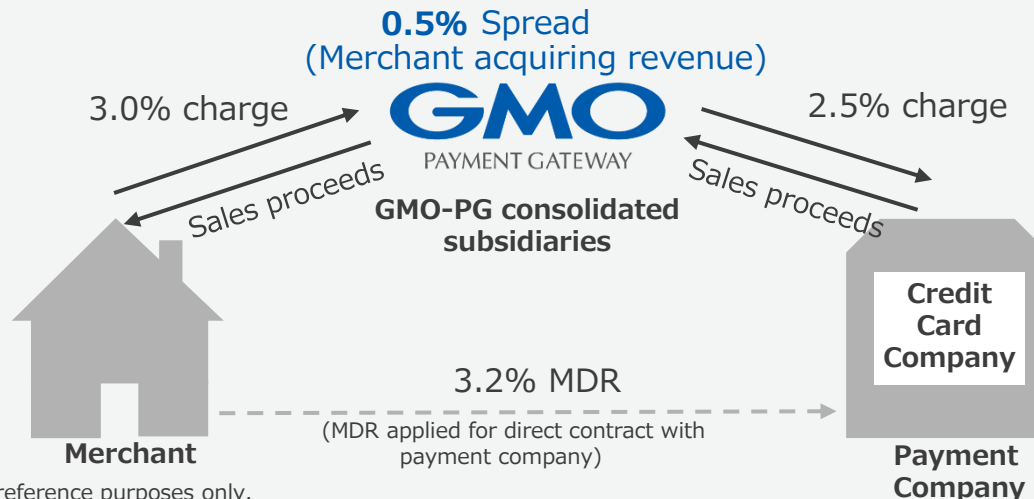


Revenue type

- ① Initial
- ② Stock
- ③ Fee

Representative contract

Mainly for SME's but also covers some large companies



- ① Initial
- ② Stock
- ③ Fee
- ④ Spread

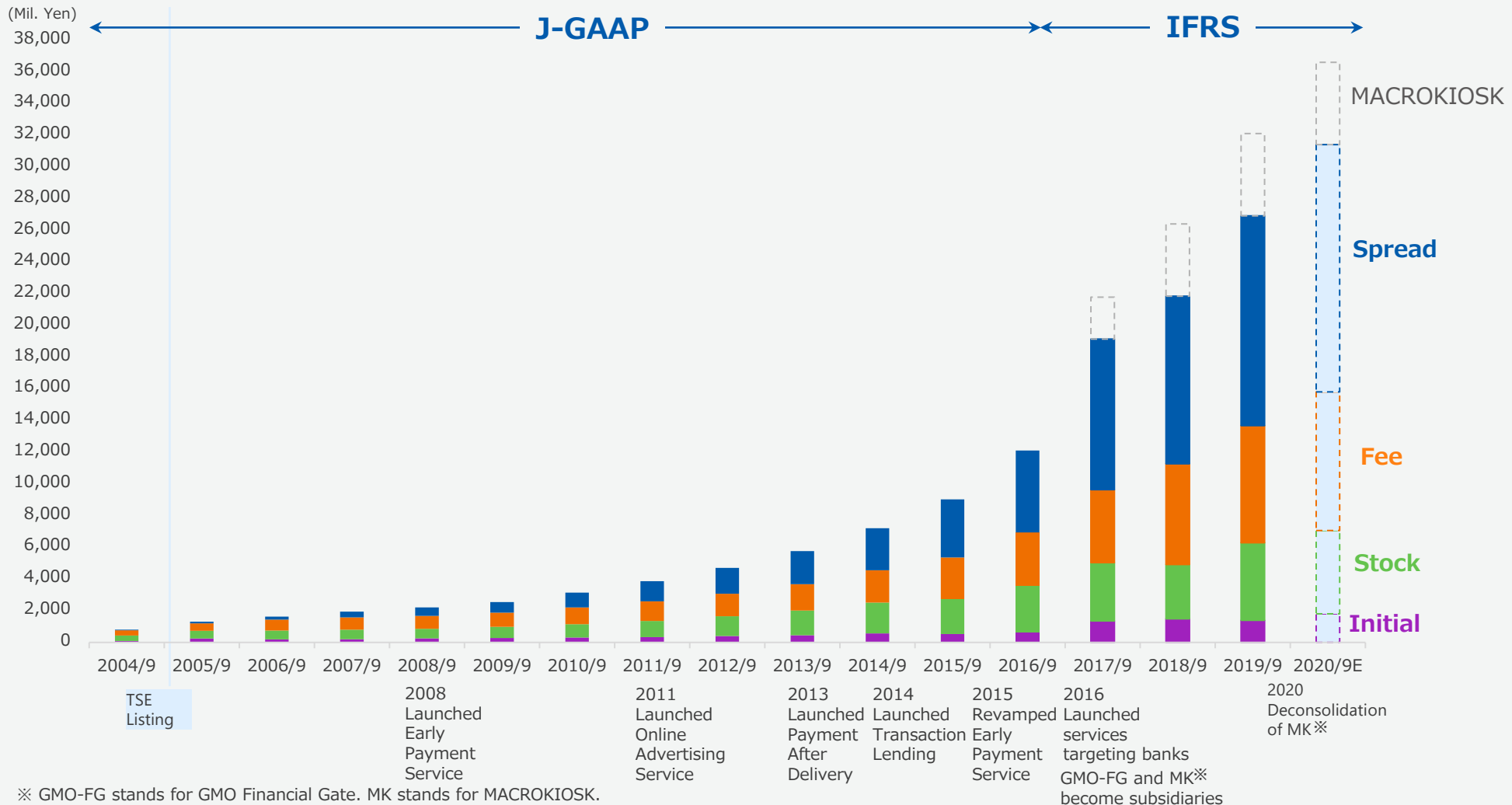
※ Figures included are for illustration and reference purposes only.

※ This illustration represents the contracts for credit card. GMO Epsilon revenues are only derived from spreads (See page 6)

← Flow of Revenue and charges

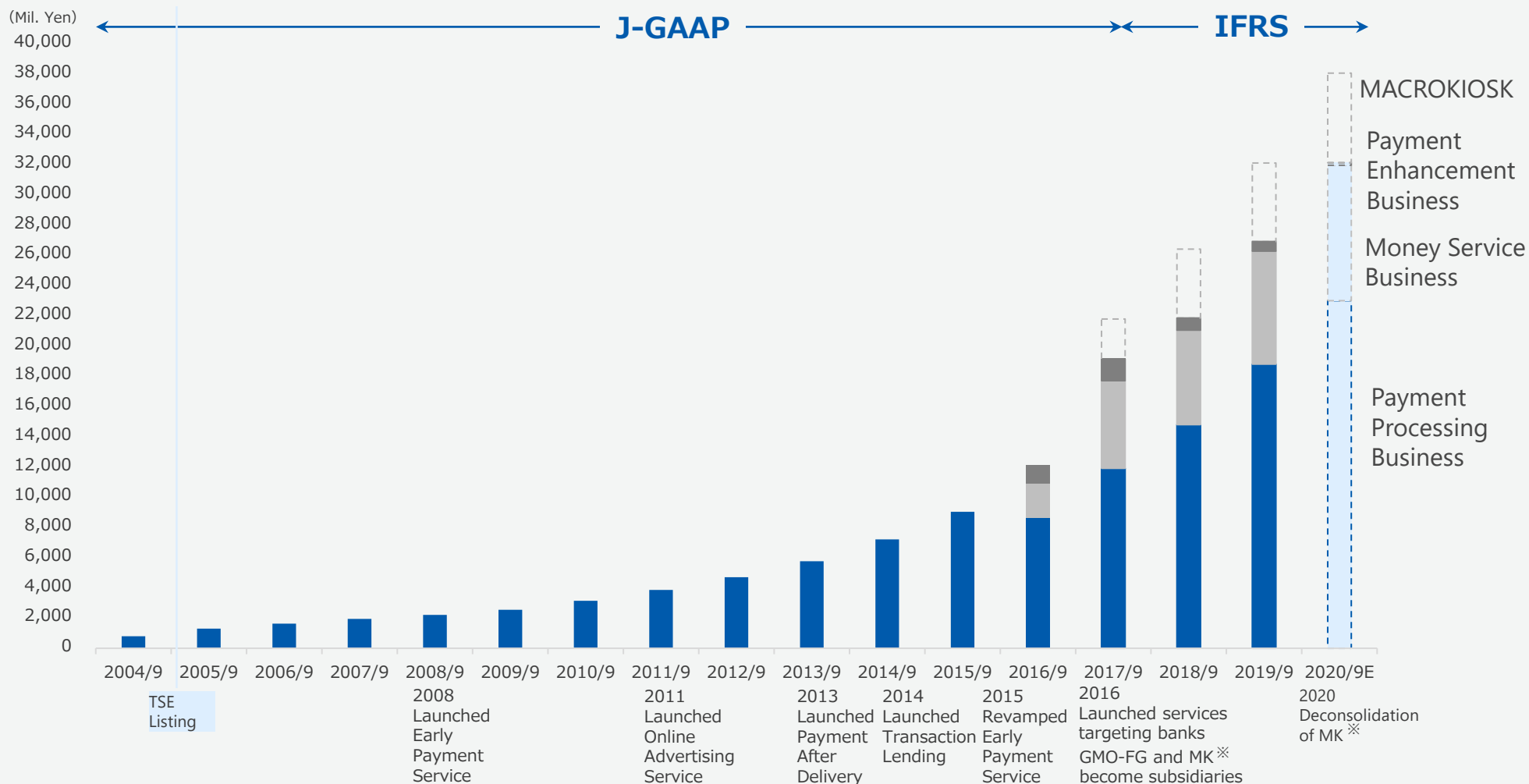
Revenue breakdown by business model

Aiming for a balanced revenue growth



Revenue trend by segment

3 segments of Payment Processing Business, Money Service Business and, Payment Enhancement Business



* There was only one segment of Payment Processing Business until September 2015; segment information disclosure began from FY ending September 2016.

* GMO-FG stands for GMO Financial Gate. MK stands for MACROKIOSK.

Summary chart of Segments, Business Model and Services

Reporting in 3 Segments and in 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
	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	

■ 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
	Early Payment Service
Payment Enhancement Business	B2B Factoring
	Transaction Lending
	Online advertising service
	SSL service
	Delivery service

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

The 5 Focus Areas

Expanding business in the 5 focus areas to achieve sustainable growth

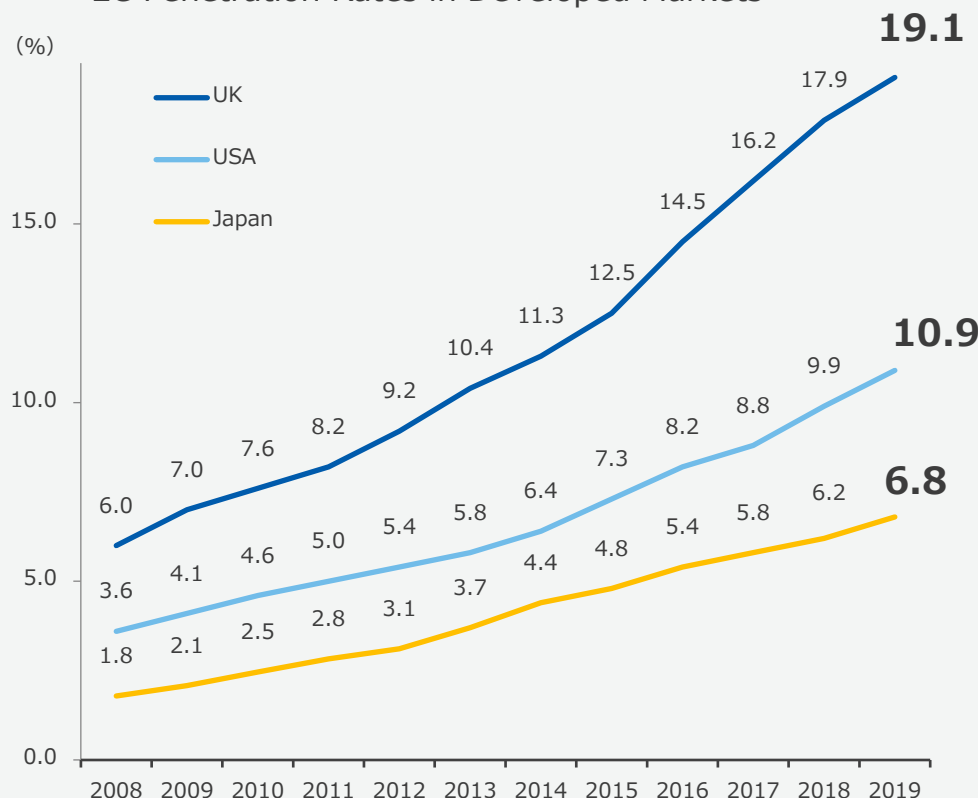
<u>5 Focus Areas</u>	<u>(Page No.)</u>	<u>Payment Processing Business</u>	<u>Money Service Business</u>	<u>Payment Enhancement Business</u>
✓ Narrowly-defined EC; Broader EC	(P.12) (P.13~14)	Online Payment (Pay-as-you-go/Recurring)		Online advertising service SSL service Shipping service
✓ FinTech	(P.15~16)		GMO Payment After Delivery Remittance Service Early Payment Service	B2B Factoring Transaction Lending
✓ Cashless	(P.17)	Ginko Pay Processing Platform		
✓ IoT	(P.18)	Offline Payment (GMO-FG)		
✓ Global	(P.19~20)	Z.com Payment (Overseas payment service)	Overseas Lending	

※ GMO-FG stands for GMO Financial Gate.

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. "FY2019 Global Survey Project Concerning Integrated Domestic and External Economic Growth Strategy Building (E-Commerce market survey)"

U.S. Bureau of the Census "The 1st Quarter 2020 Retail E-Commerce Sales Report"; Office for National Statistics "Retail Sales Index internet sales, July 2020"

■ Card usage rate to private final consumption expenditure

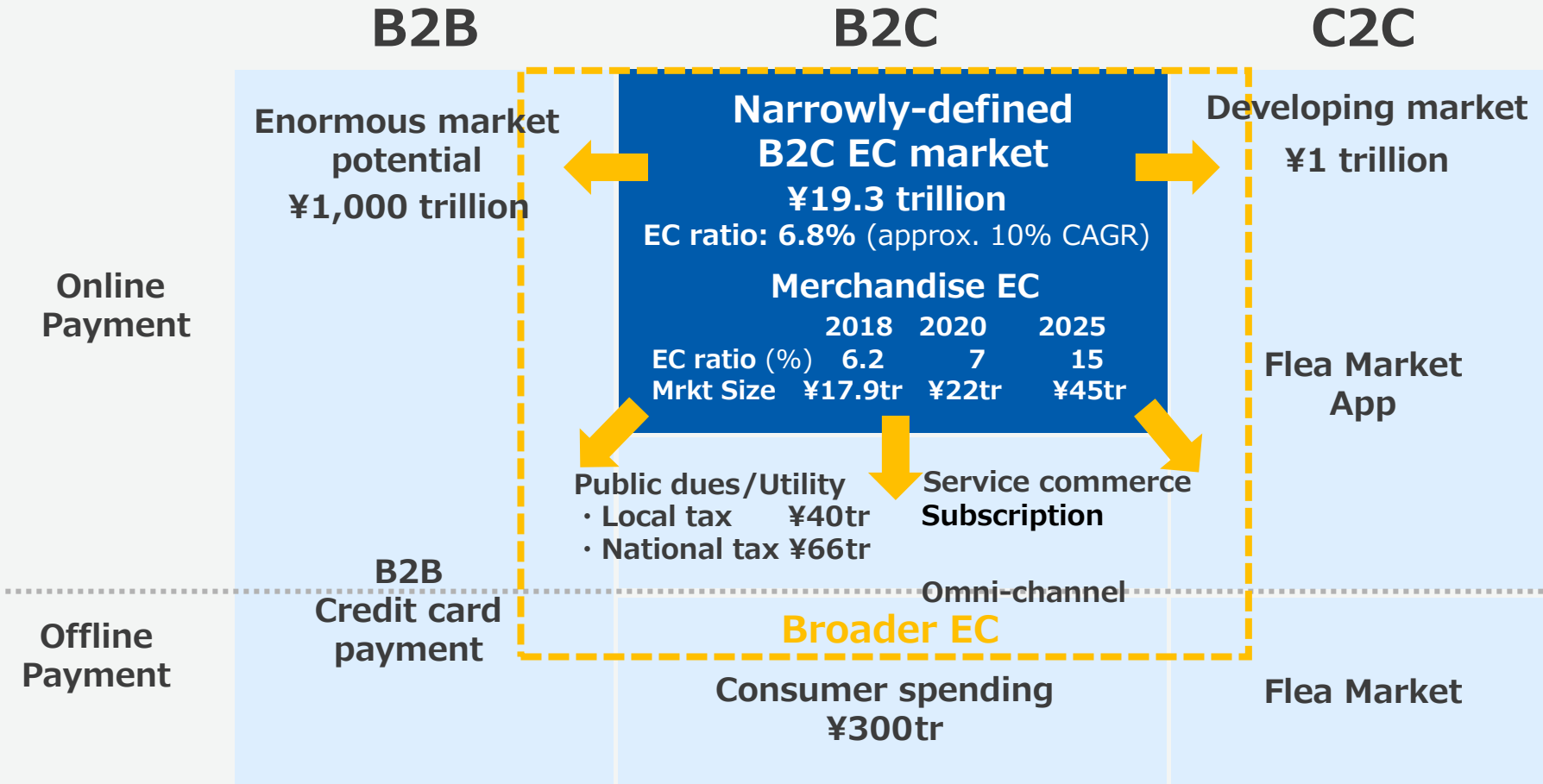
(2016)	Credit Card usage rate	Debit card	Credit+Debit usage to private final consumption expenditure [※]
South Korea	76 %	19 %	95 %
UK	12 %	55 %	67 %
Australia	30 %	25 %	55 %
US	25 %	19 %	44 %
Japan	18%	-	18 %

※ 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 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's "FY2019 Global Survey Project Concerning Integrated Domestic and External Economic Growth Strategy Building (E-Commerce market survey)". Figures 2020 and after are our estimates.

*MIAC "Breakdown of national tax and local tax revenue (FY2019 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 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

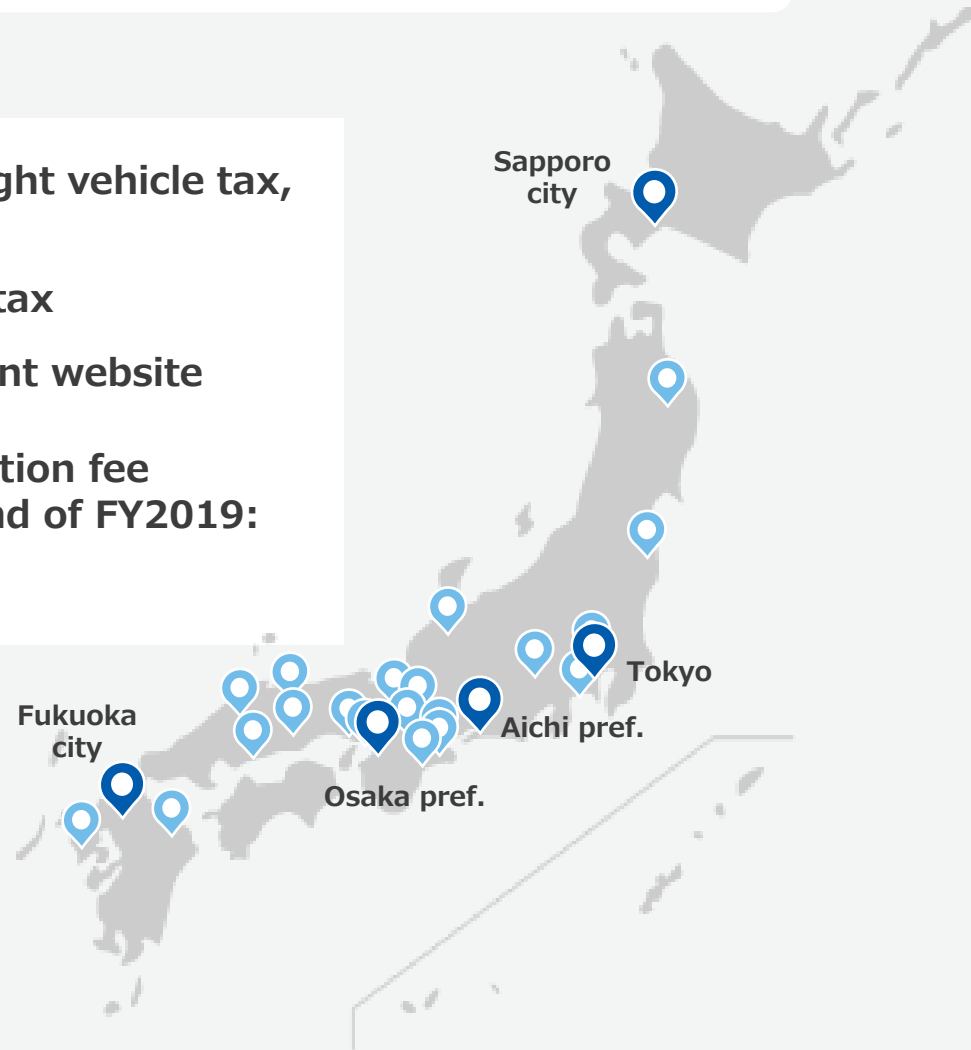
National tax credit card payment website

NHK

National broadcasting subscription fee

Credit card usage rate at the end of FY2019: 16.9% (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 FY2019"

FinTech: Money Service Business (MSB)

Financial services that only a payment processing company can offer

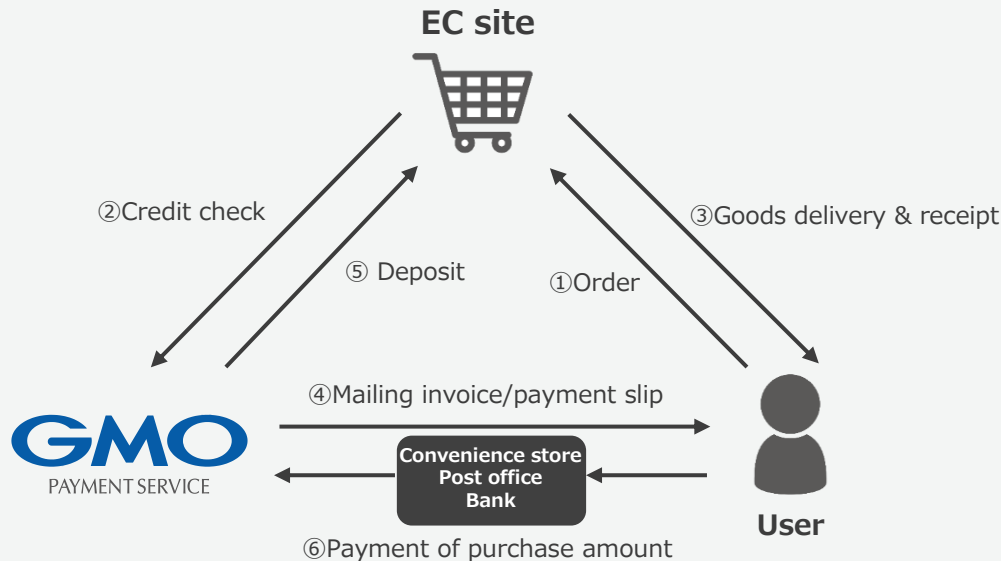
	<u>Services</u>	<u>MSB-related assets</u>	<u>Business Model</u>
✓	GMO Payment After Delivery Pays sales proceed without waiting for deposit from consumer	Accrued revenues	<div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">③ Fee</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">④ Spread</div>
✓	Remittance service Efficient and secure refund and remittance processing	—	<div style="border: 1px solid black; padding: 2px; display: inline-block;">③ Fee</div>
✓	Overseas Lending/ Transaction Lending Lending of growth capital	Accounts receivable-trade (short term loans)	<div style="border: 1px solid black; padding: 2px; display: inline-block;">④ Spread</div>
✓	Early Payment service Improves cash flows by bringing forward the payment date	Accounts receivable - trade (advances paid)	<div style="border: 1px solid black; padding: 2px; display: inline-block;">④ Spread</div>
✓	B2B Factoring Early cash conversion of accounts receivable	Accrued revenues	<div style="border: 1px solid black; padding: 2px; display: inline-block;">④ Spread</div>

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.

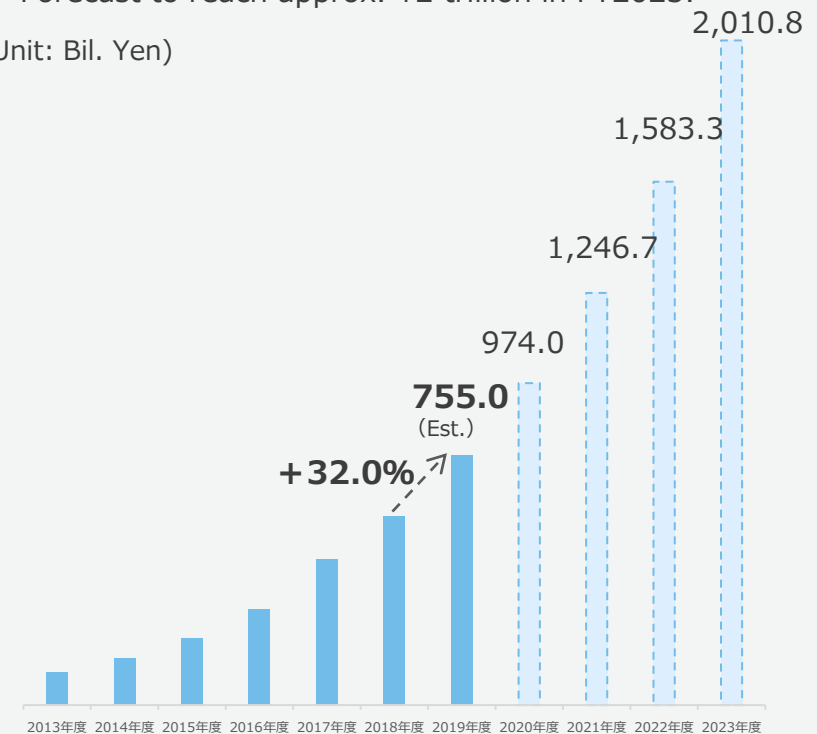


**Payment services with over 2 weeks
payment terms are also available**

■ Market size of deferred payment

Robust growth of the Deferred Payment market.
Market size in FY2019 estimated at ¥755 billion.
Forecast to reach approx. ¥2 trillion in FY2023.

(Unit: Bil. Yen)



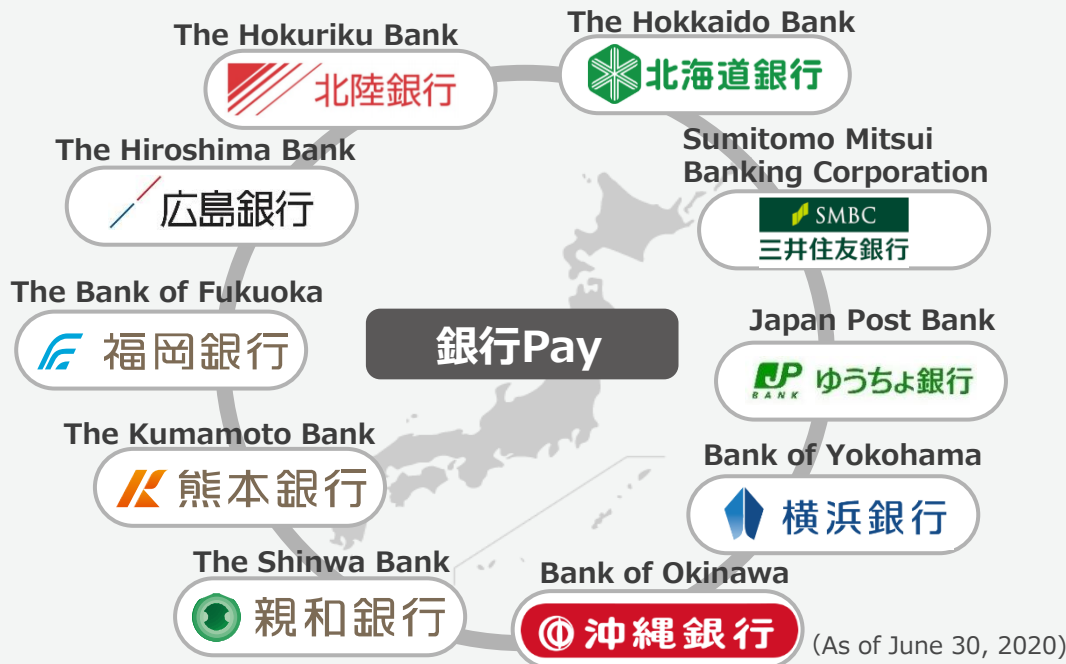
※ Source: "Online Payment/Settlement Service Providers 2020" and "Domestic Cashless Payment Market 2019" issued by Yano Research Institute Ltd.
Figures for FY2019 are estimates and figures for 2020~2023 are forecasts.

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



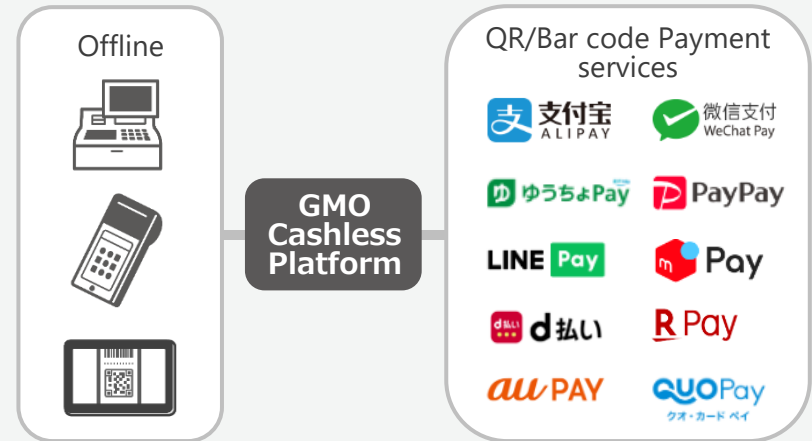
■ Cash-out (withdrawal) service

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



■ Processing Platform

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

■ Cash-In Service ※ **NEW**

※ not available at certain stations of Tokyu Line.

Rollout of IoT services; capture cashless & inbound demand

Offline payment

GMO Financial Gate offers payment terminals for payments at offline stores.

Growth factors of the offline market

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[※]



with PIN



with PIN



with PIN



without PIN

stera

Rollout of a new one-stop terminal compatible to a variety of payment methods.



Customer facing



Merchant facing

Target: Unattended Market

Vending (Goods)



Ticket



Coffee Machine



Fare Adjustment (Golf, hotel)



Vending (Beverage/Food)



EV Charging Str. Parking Fee



Self Check-out



Coin Laundry



Capsule toy machine



[※]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

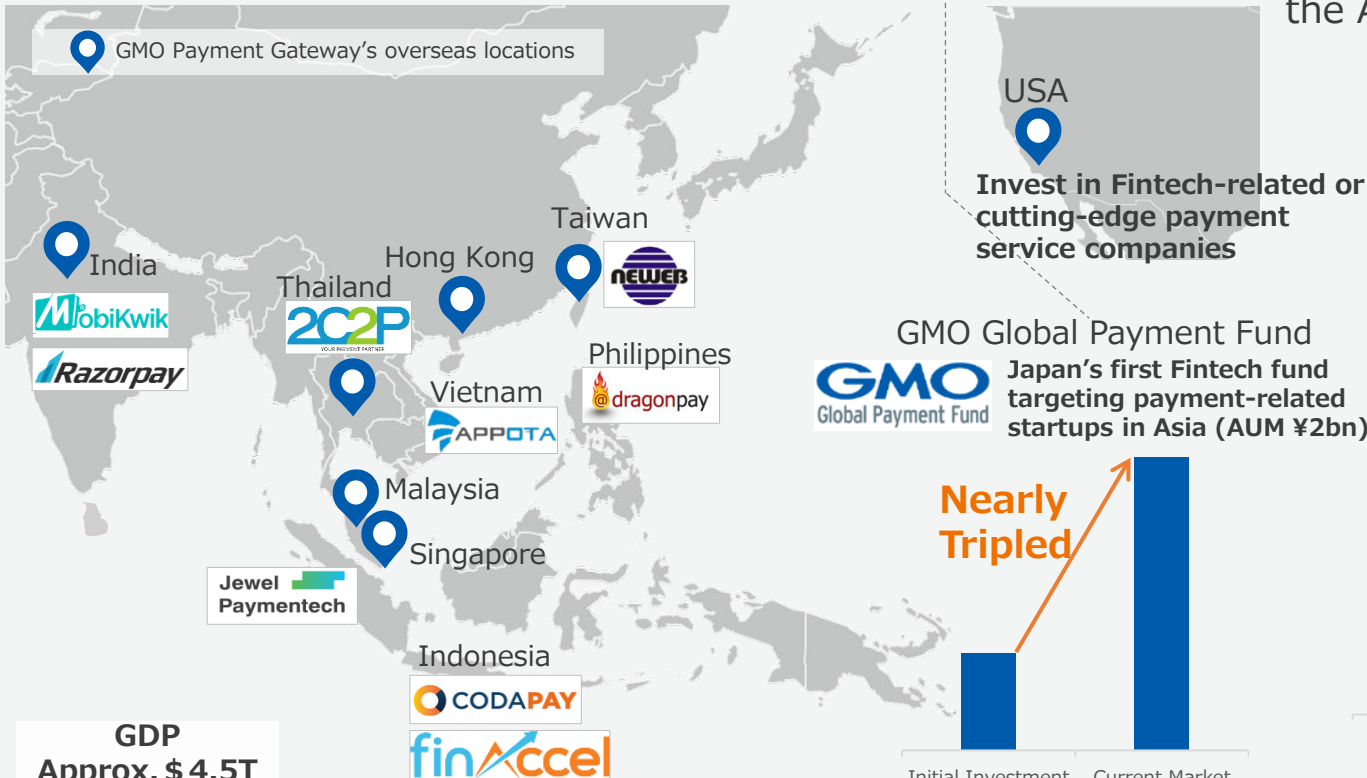
■ Investment target

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

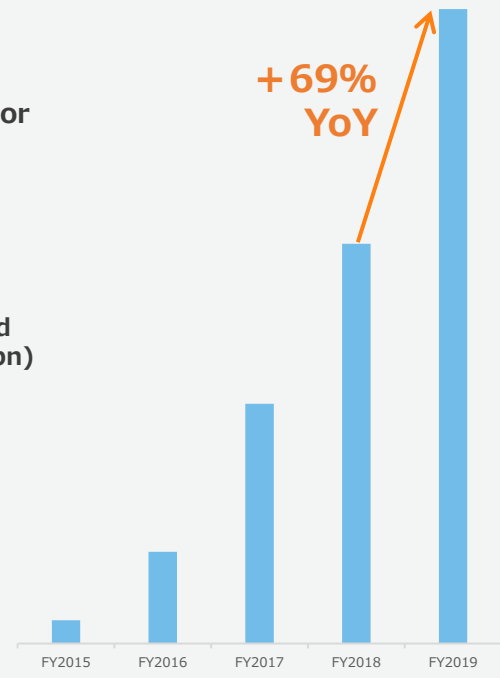
■ Payment processing business

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



Transaction value in Asia surging

3.5.1 Global: Business portfolio after MK divestiture

Business promotion with a healthy asset base; prudently expand high-margin business

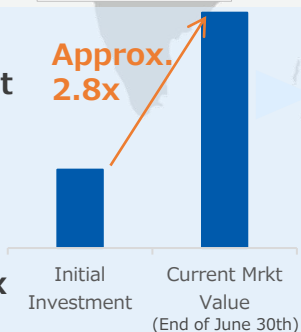
Global business footprint

- 📍 Payment Processing Business
- 📍 Money Service Business



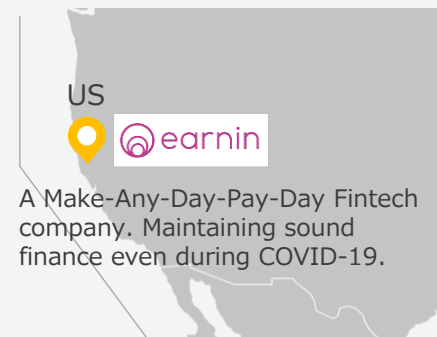
2C2P

- Positive profit
- Revenue up 63.6% YoY
- Equity value and market value up 2.8x



Deferred Payment Fintech company. Loan balance increased 3x YoY.

※ Company names and logos shown are for major investees and borrowers.



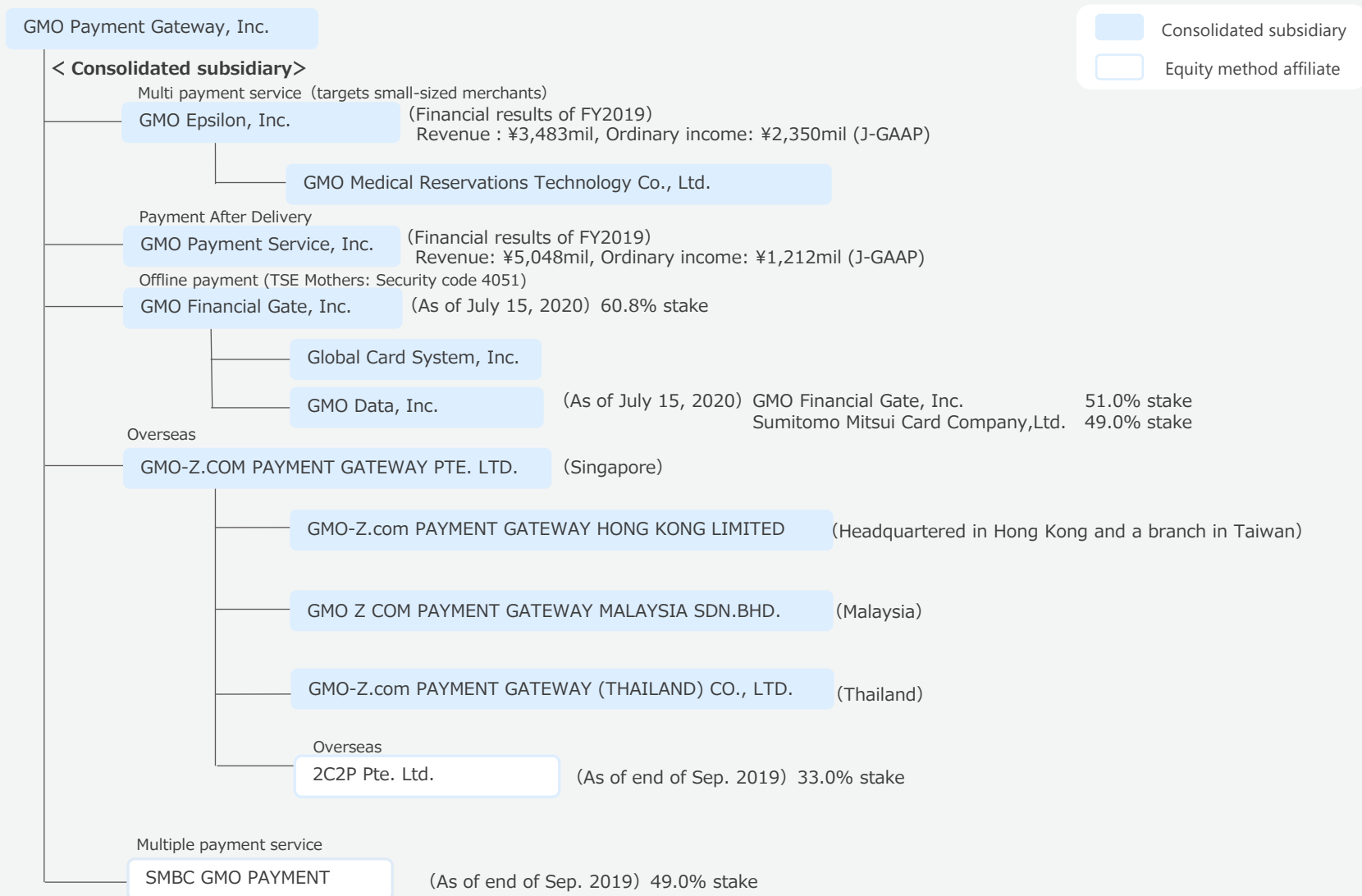
※ Current term % growth rates are estimates. (End of May 14th)

Global business: Previous term and outlook; BS exposure (excl. Payment Enhancement Business)

(Unit: Mil. Yen)	Payment Processing 📍			Money Service Business 📍			Total			
	FY2019	FY2020 Est.	% YoY	FY2019	FY2020 Est.	% YoY	FY2019	FY2020 Est.	% YoY	
Revenue	40	50	+25%	387	533	+38%	427	583	+37%	
OP	-117	-111	-	194	304	+31%	77	143	+86%	
2C2P equity method income	-19	419	-							
Profit adj. for equity method income	-	308	-							
Asset	136	Cumulative equity investment into 2C2P			2,900	4,300	+48%	2,900	4,300	+48%
Equity	2,198	2,198	2C2P adj. equity return 14%	Avg. loan balance			2,198	2,198	-	
				MSB adj. asset return 7%						

※ Excludes MK and other companies included in Payment Enhancement Business. No occurrence of NPL and delinquencies in interest and repayment since launch of global lending business. 2C2P adjusted equity return related to 2C2P = OP adj. for equity income ÷ Equity investment. MSB adjusted asset return = OP of global MSB ÷ Est. avg. loan balance

Major subsidiaries and equity-method affiliates






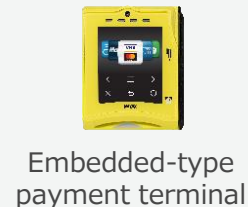
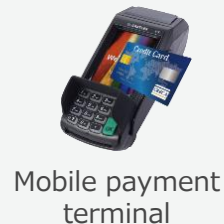
Company Outline

■ 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), etc.	
■ Equity affiliates	SMBC GMO Payment, Inc., 2C2P Pte. Ltd., etc.	

(As of March 31, 2020)

GMO Financial Gate, Inc.: Overview

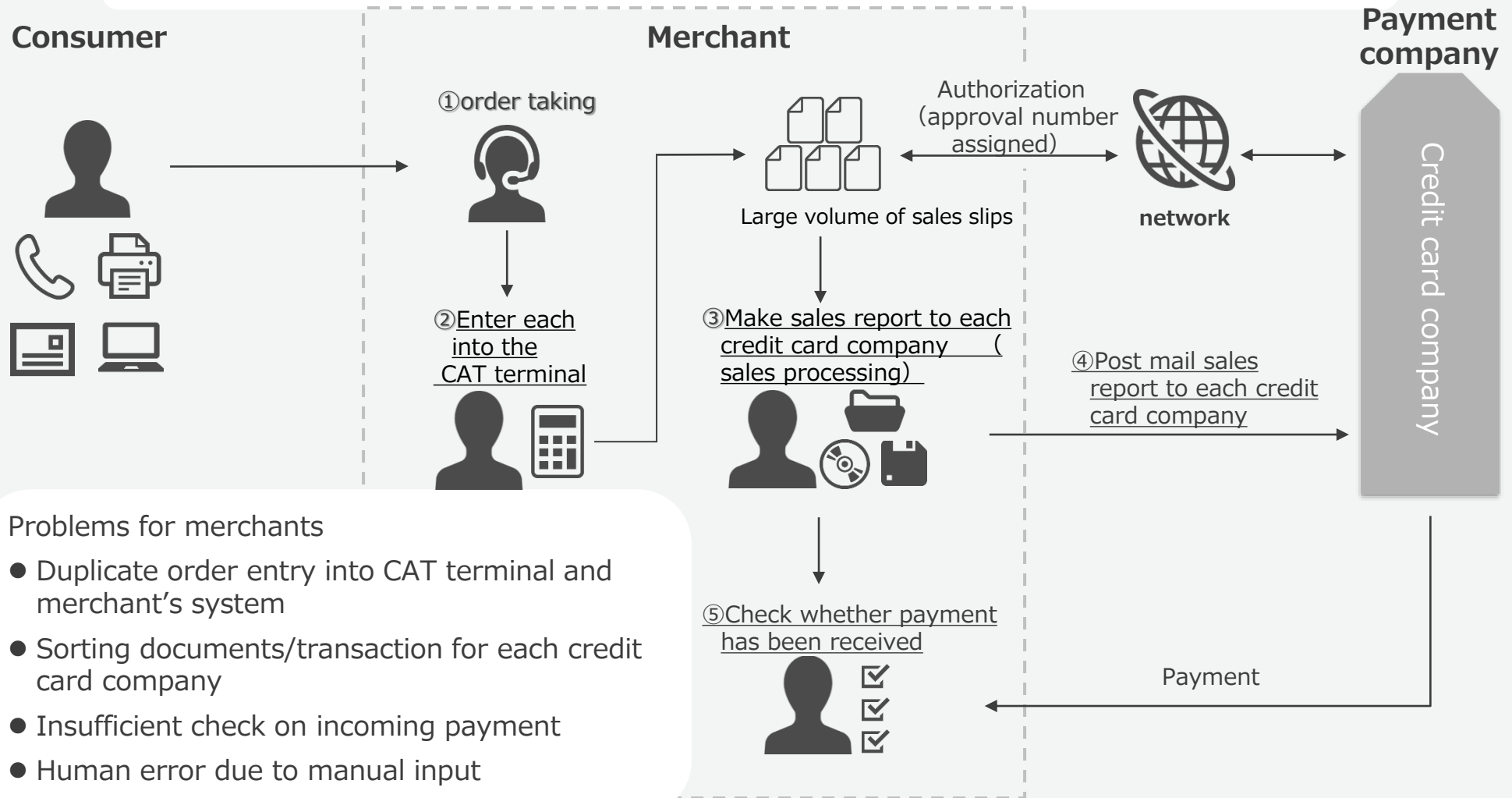
■ Name	GMO Financial Gate, Inc. (TSE Mothers, security code 4051)	
■ Date of Establishment	September	
■ Location	Humax Shibuya Building 7F, 1-14-6 Dogenzaka, Shibuya-ku, Tokyo	
■ Capital Stock	¥1,453 Mil.	
■ Major Shareholders	GMO Payment Gateway, Inc. and others	
■ Management	President and CEO Kentaro Sugiyama Chairman Akira Takano Managing Director Yasuhiko Kimura (General Manager of Administration Department) Director Junya Tokuyama (GM of System Department) Director Akio Aoyama (GM of Sales Department) Director Masaru Yoshioka (Managing Executive Officer of GMO Payment Gateway Inc.) External Director Nao Shimamura External Auditor Takayoshi Nagasawa External Auditor Satoru Ozawa Auditor Takashi Iinuma (CPA; Representative of Iinuma General Accounting Firm)	
■ Auditor	Deloitte Touche Tohmatsu LLC	
■ Consolidated Subsidiaries	Global Card System, Inc. (100% stake as of July 15, 2020) 	
	GMO Data, Inc. (51.0% stake as of July 15, 2020) 	
■ Business Description	Provides cashless payment infrastructure for credit card, debit card, e-money, etc.	



(As of July 15, 2020)

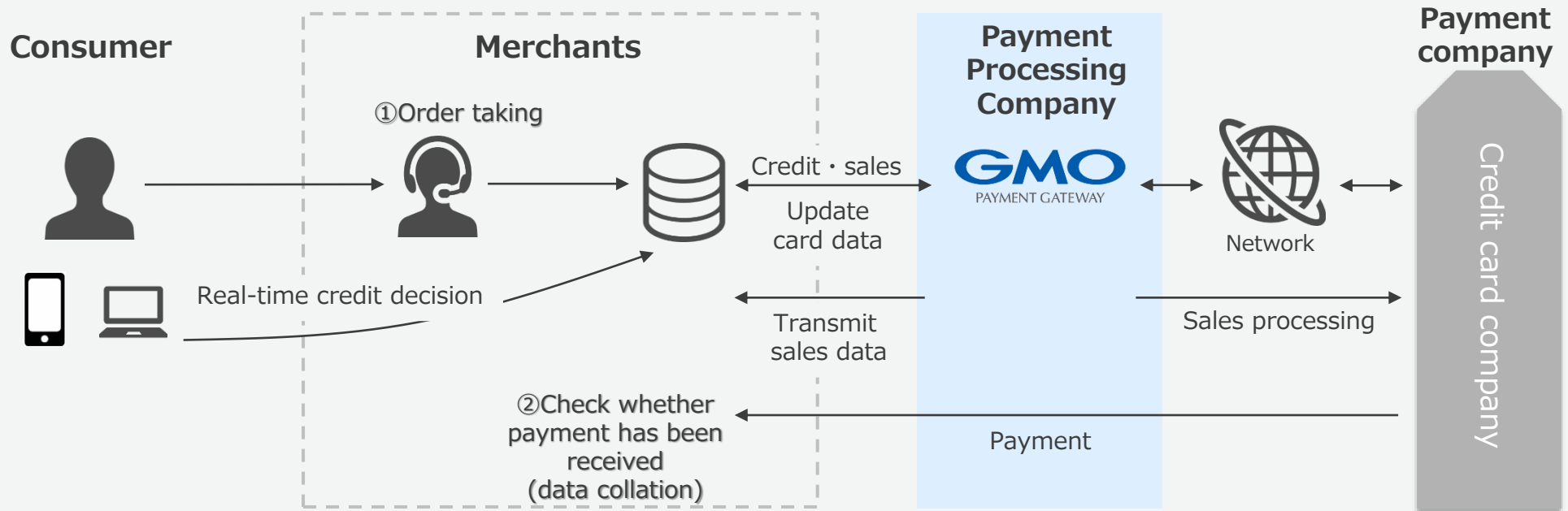
Business outline of payment processing company (1)

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.