

# **Financial Results Briefing for Q2 FY2021**

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Progress on developing DX platforms to sustain above 25% growth

May 13, 2021

65<sup>th</sup> Investor Meeting

**GMO** PAYMENT GATEWAY

# Agenda

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1. Summary of Financial Results for Q2 FY2021
2. Progress of Priority Initiatives
3. Growth Strategies and Initiatives
4. Financial Highlights

# Safe Harbor Statement

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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 May 13, 2021.

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.

# **1. Summary of Financial Results for Q2 FY2021**

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# 1.1.1 Earnings Summary

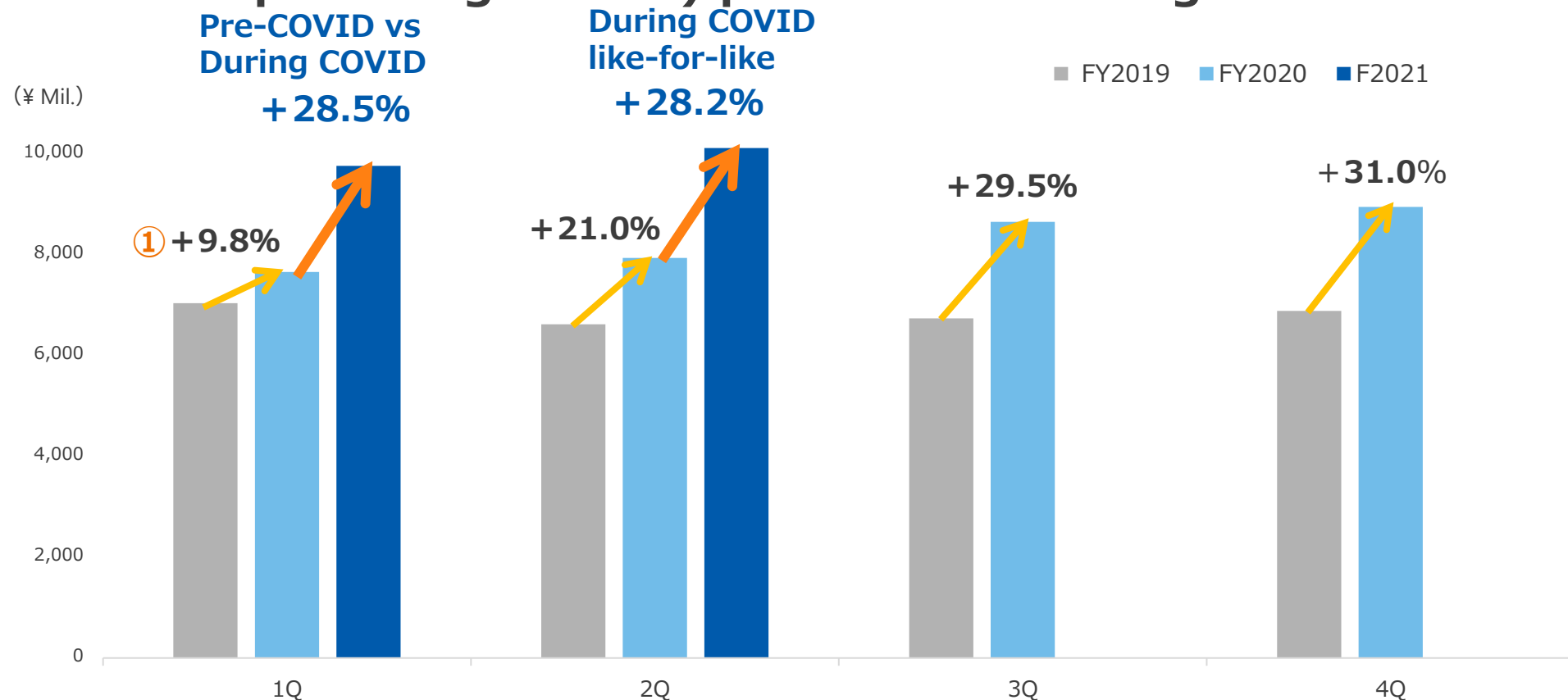
**Sustained over 25% growth in a COVID-19 like-for-like basis; progress ratio of over 50%**

IFRS (¥ Mil.)	FY2020 1H	FY2021 1H	% YoY	Progress on 1H Guidance (vs. Full Yr)	FY2021 Q2 standalone (% YoY)
Revenue	15,494	19,888	+28.4%	+104.0% (+50.0%)	10,121 (+28.2%)
Operating Profit	4,688	6,593	+40.6%	+101.6% (+50.8%)	3,470 (+34.4%)
Pre-tax Profit	5,248	6,638	+26.5%	+106.4% (+53.4%)	3,599 (+44.6%)
Profit Attributable to Owners of Parent	3,408	4,169	+22.3%	+108.1% (+52.6%)	2,464 (+46.8%)
EBITDA	5,398	7,499	+38.9%	-	-
	Operating Stores (End-Q2)	Consol. TRX Volume (Q2 standalone)	Consol. TRX Value (Q2 standalone)		
KPI (% YoY)	184,355 (+50.7%)	Approx. 820 mil. (+38.3%)	Approx. ¥1.8 tr. (+34.0%)		

- o.w., online 790 mil. (+37.0%)      o.w., online ¥1.6 tr. (+31.5%)
- ※ Due to the deconsolidation of MACROKIOSK in FY2020, the above figures for revenues, operating profit and pre-tax profit present the amounts for continued operations only and exclude the discontinued operations. ※ EBITDA=Operating Profit + Depreciation.
- ※ Operating stores figure is for GMO-PG and GMO Epsilon (EP). Consolidated TRX volume and value figures are the sum totals for GMO-PG, GMO-EP, GMO Payment Service (GMO-PS) and GMO Financial Gate (GMO-FG). The online payment figures are the sum totals for GMO-PG, GMO-EP and GMO-PS.
- ※ Operating stores exclude new merchants acquired for a certain project. If included, operating stores would be 244,356 stores (down 13.2% YoY).

# 1.1.2 Quarterly Growth Trend of Revenue

Both Q1 (hard comps against pre-COVID) and Q2 (like-for-like comps during COVID) posted over 28% growth

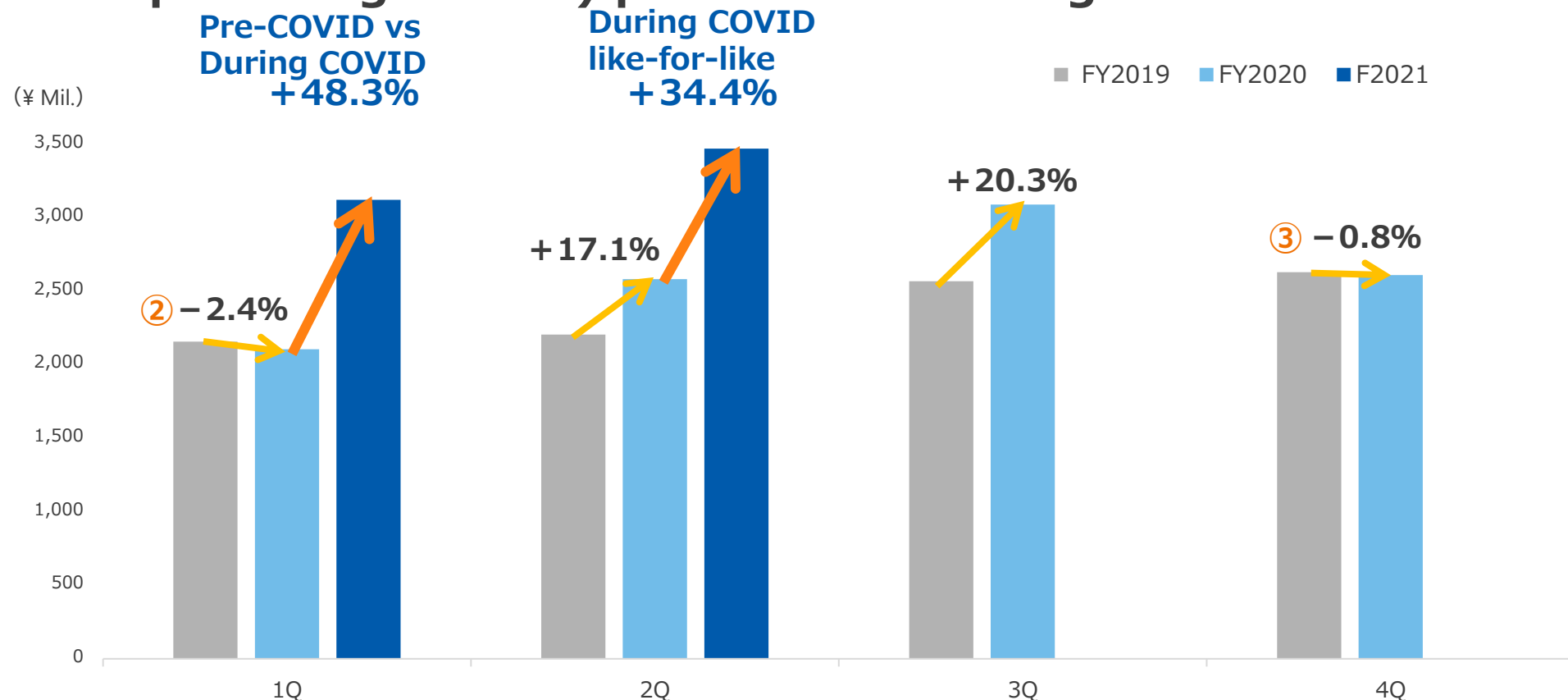


①: Special factors that occurred from Q2 FY2019 onwards

※ Due to the deconsolidation of MACROKIOSK in FY2020, the above figures present the amounts for continued operations only and exclude the discontinued operations.

# 1.1.3 Growth Trend of OP (Q2 standalone)

Both Q1 (hard comps against pre-COVID) and Q2 (similar comps during COVID) posted over 34% growth



②: Increase in provision for doubtful accounts and office relocation expenses, etc.

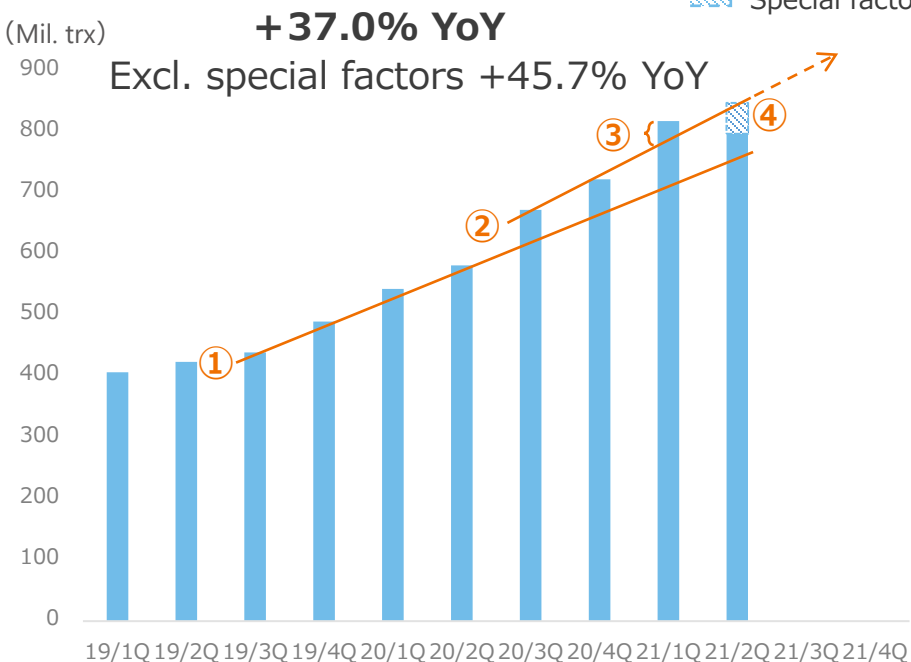
③: Uplift of FY2019 OP from IFRS standards

※ Due to the deconsolidation of MACROKIOSK in FY2020, the above figures present the amounts for continued operations only and exclude the discontinued operations.

# 1.1.4 Growth Drivers of TRX Volume and Value (Q2 Standalone)

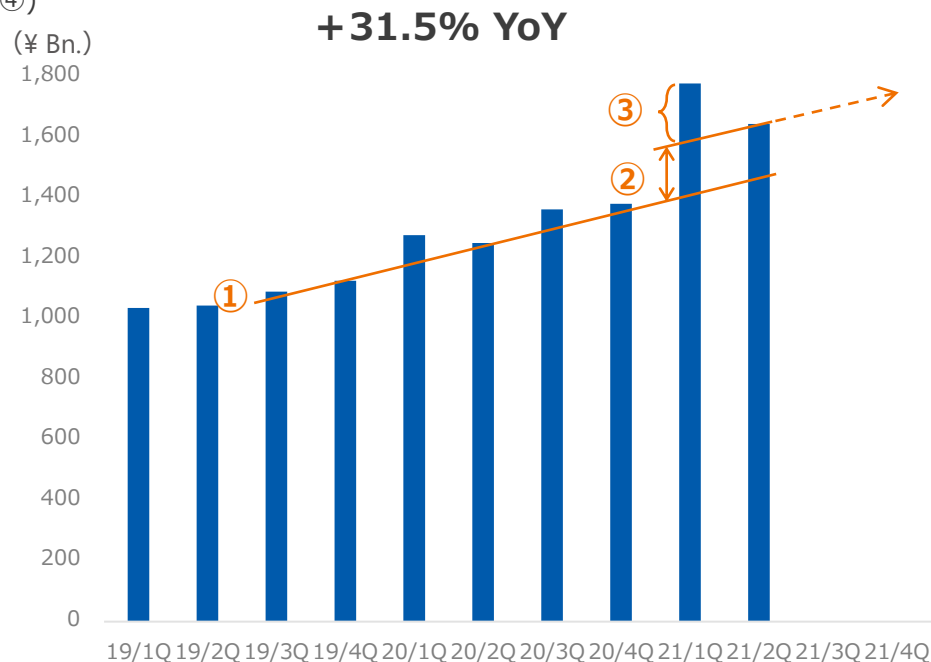
## Separating out the uplift from one-offs and seasonality and organic growth

Quarterly TRX Volume Trend



- ①: Organic growth rate of approx. 30%
- ②: COVID impact: increase in micropayments due to EC acceleration
- ③: Seasonality in Q1 FY2021  
Digital content, hometown tax, etc.
- ④: Special impact from change in payment processing method to some merchants

Quarterly TRX Value Trend



- ①: Organic growth rate of approx. 25%
- ②: Contribution from new Priority Initiatives  
Global Major Player (GMP), Utility
- ③: Seasonality in Q1 FY2021  
Hometown tax, GoTo Travel, Property tax, etc.
- ※ EC acceleration due to COVID was offset against decline in high-ticket travel payments

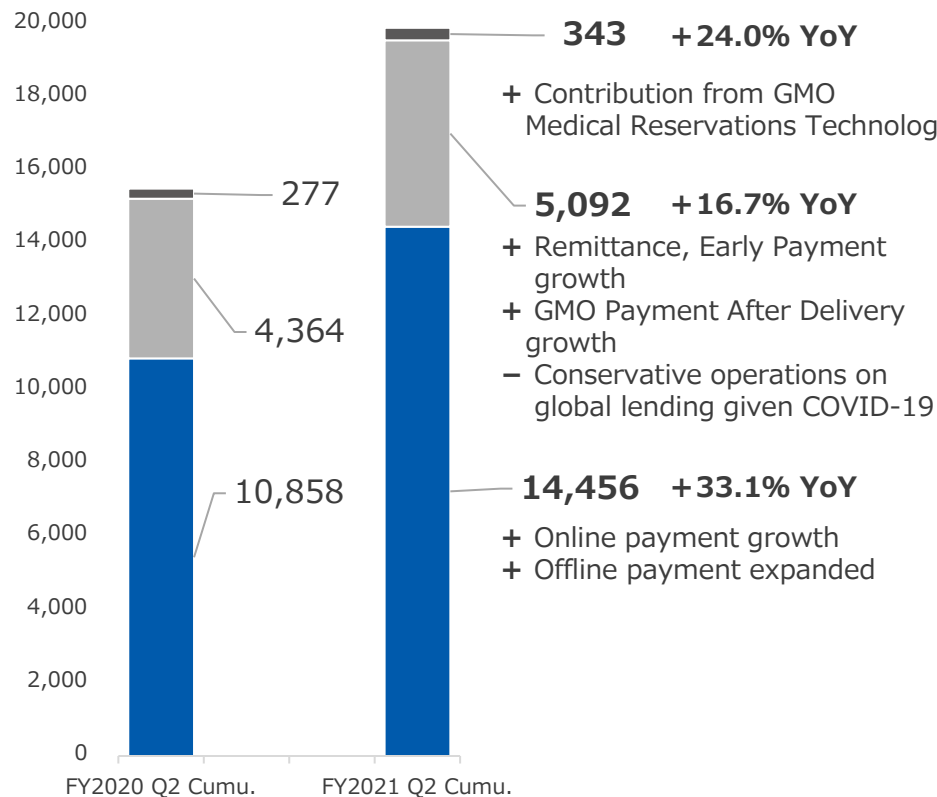


# 1.2 Segment Results (Q2 Cumulative)

## Profit growth significantly outperformed segment revenue growth in all segments

### Segment revenue

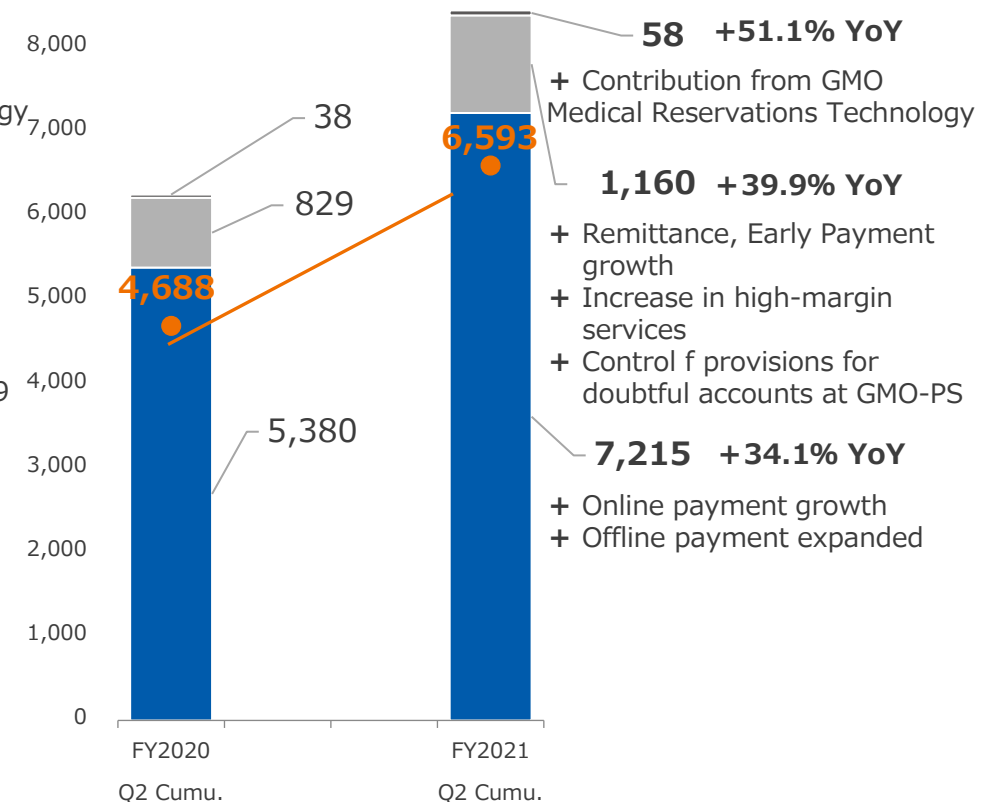
(¥ Mil.) +28.4% YoY (consol.)



### Segment operating profit

(Unit: ¥ Mil.)

(¥ Mil.) After consol. eliminations +40.6% YoY



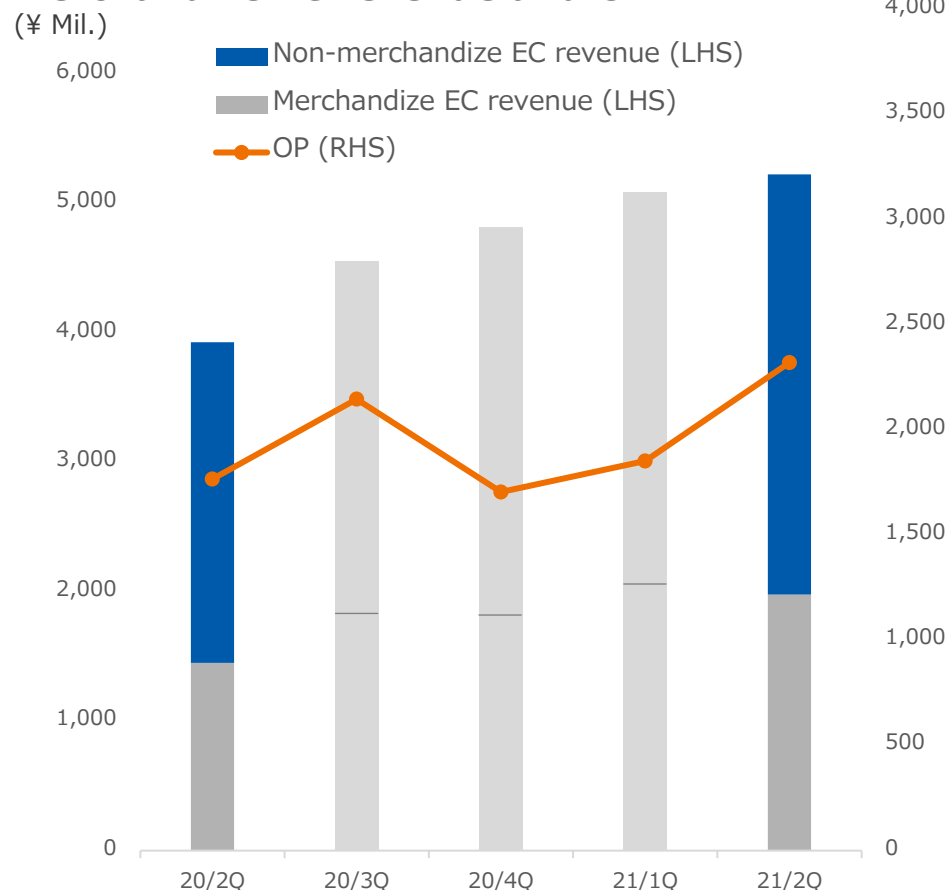
■ Payment Processing Business ■ Money Service Business (MSB) ■ Payment Enhancement Business —●— Operating Profit

※ Due to the deconsolidation of MACROKIOSK in FY2020, the above figures present the amounts for continued operations only and exclude the discontinued operations.

# 1.3.1 GMO-PG Non-consolidated Performance (Q2 Standalone)

## Growth of online payments and MSB from nesting demand taking root, etc.

GMO-PG standalone: merchandize and non-merchandize EC revenue and OP



**Revenue +29.0% YoY**

**OP +31.3% YoY**

Major breakdown of revenue:

**Online payment +33.1%**

**Merchandize EC +35.4%**

Apparel +21.1%

Food & Beverage +53.2%

Cosmetic, Health foods +25.7%

**Non-merchandise EC +27.8%**

Digital content +49.8%

Utility +55.4%

Travel & Ticket -7.7%

**Money Service Business**

Remittance service +38.5%

↳ Remittance revenue from local governments increased

Early Payment service +38.6%

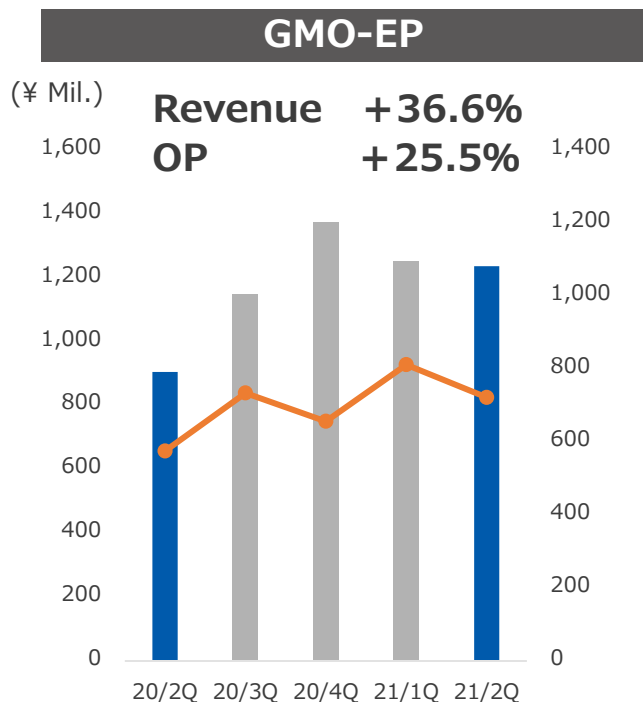
※ GMO-PG stands for GMO Payment Gateway

# 1.3.2 Performance of GMO-EP, GMO-PS and GMO-FG (Q2 Standalone)

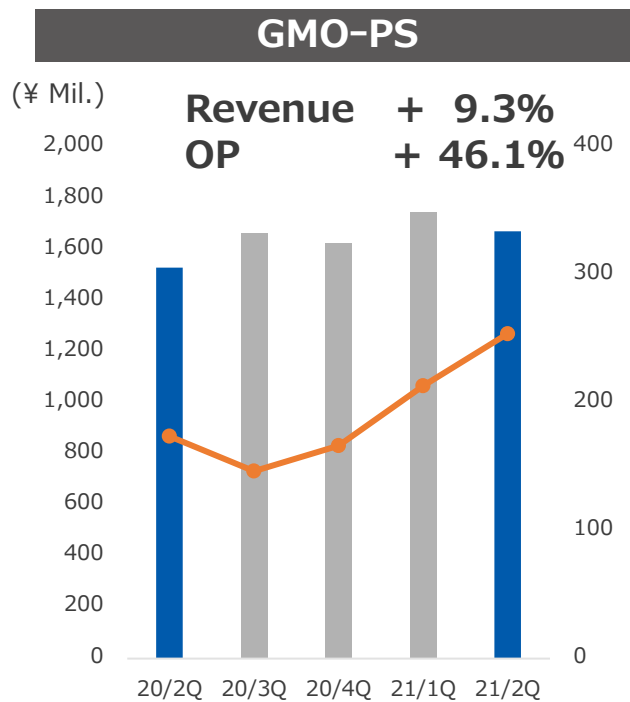
EP and FG exceed plans, PS focusing on future growth initiatives

Revenue and OP by company

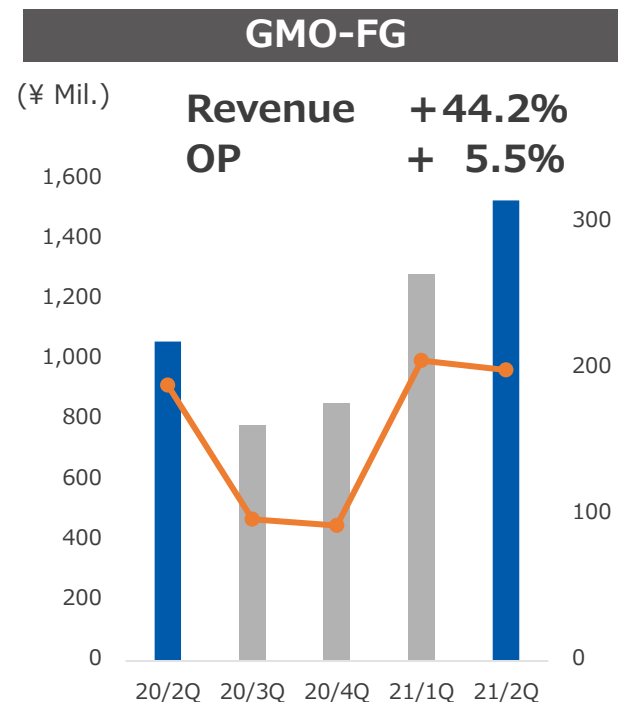
Revenue (LHS) OP (RHS) (%: % YoY)



- New merchant acquisitions Mar-2021 over 1,000
- GMV for new and existing merchants in pharma, food, daily goods sectors grew



- Decline after the year-end sales and COVID impact on Payment After Delivery users
- Focus on existing business, control credit cost, focus on new merchant acquisitions and expanding business
- Control credit costs to a certain amount



- Increase in cashless payment terminals, etc.  
FG initial revenues +62.3%
- Growth of high cost-of-sales stera terminals and SG&A increase caused the OP to grow only +5.5%

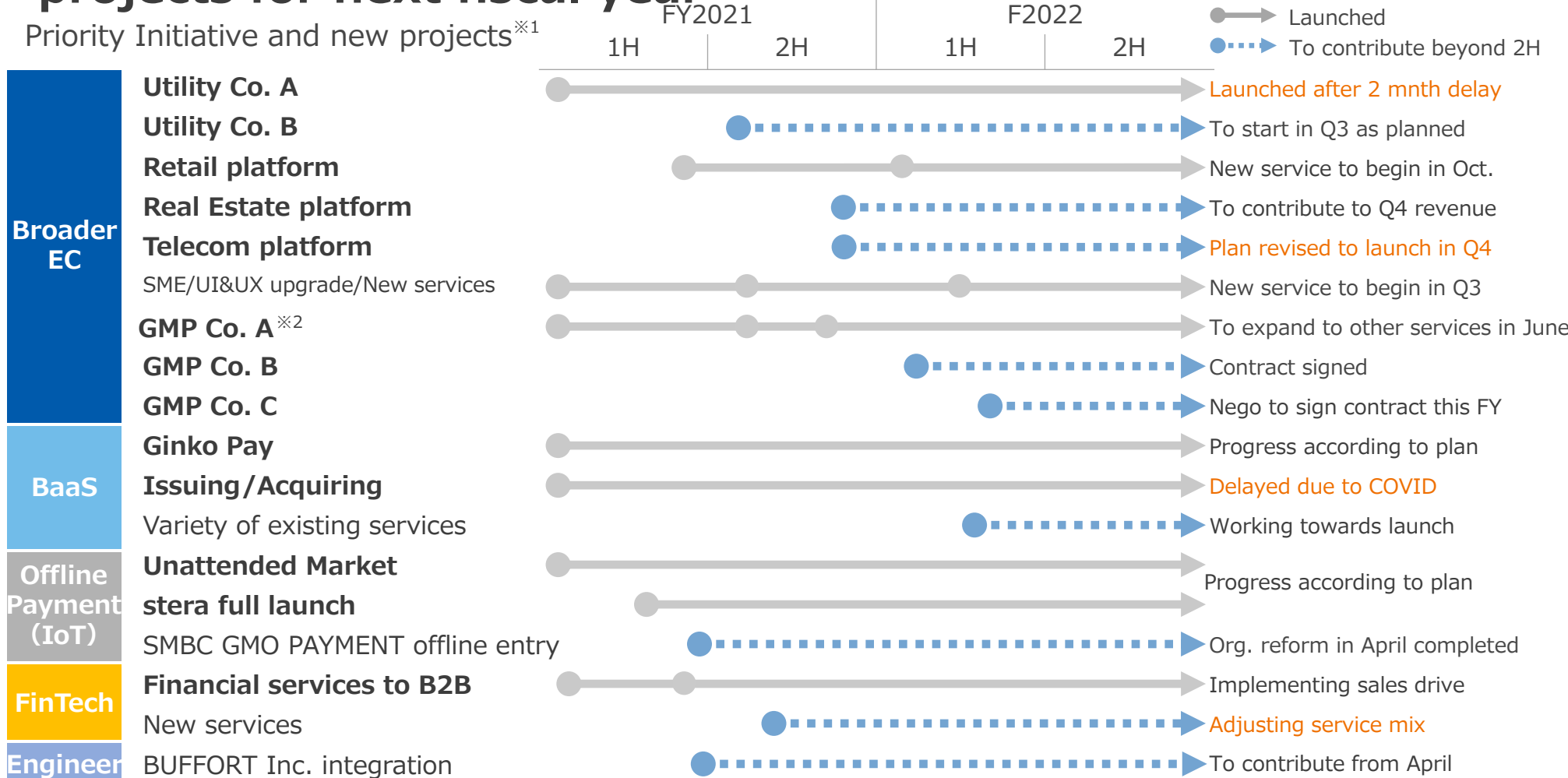
※ GMO-EP: GMO Epsilon and GMO Medical Reservations Technology. GMO-PS: GMO Payment Service, GMO-FG: GMO Financial Gate and GCS.

## 2. Progress of Priority Initiatives

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# 2.1 Progress on Priority Initiatives and New Projects

## Steady progress on existing projects and adding new projects for next fiscal year



※1 Consists of projects with estimated annual revenue over ¥100 mil. based on plans. **Bold letters** denote projects with 5-year sales of over ¥1 bn.

※2 GMP (global major player) denotes large corporates offering IT-related services globally

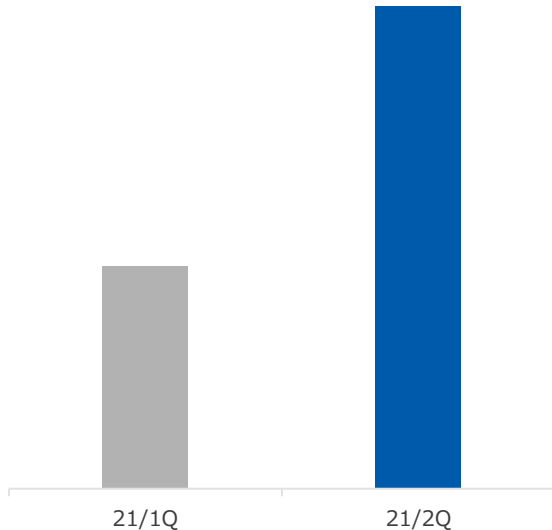
## 2.2 Status of Priority Initiatives

Priority Initiatives begins contributing from this FY, expect further expansion in 2H and next FY

Progress of Priority Initiatives

**Utility revenue**

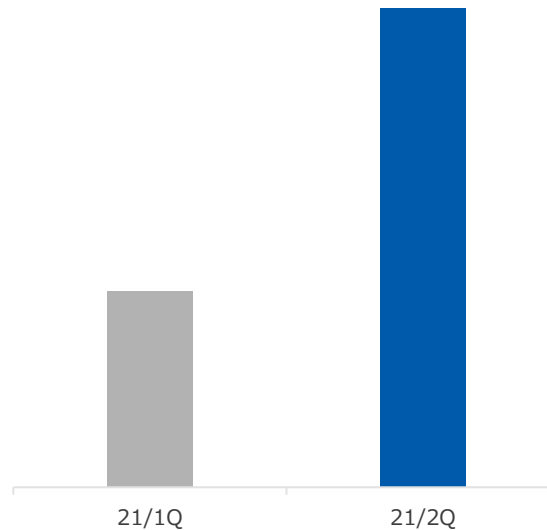
Launched after 2-month delay  
70% progress against  
end-Sep. 2021 estimate  
Up 2.2x QoQ



Service launch from Q1  
Aiming for revenue expansion  
from Q3 through horizontal  
deployment within the sector

**GMP revenue <sup>※1</sup>**

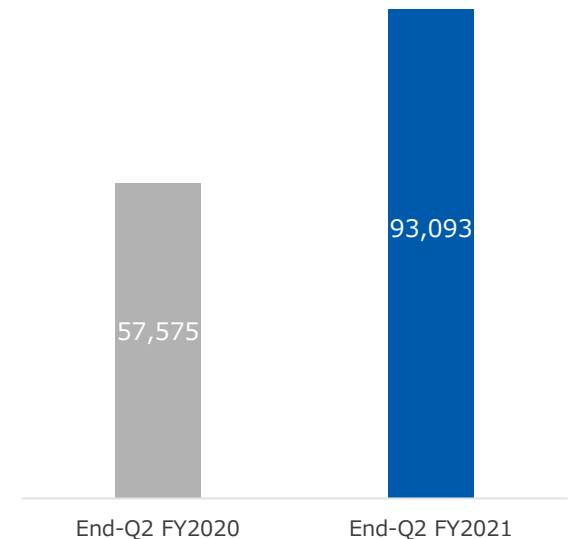
100% progress  
against 1H plans  
Up 2.4x QoQ



Service launch from Q1  
Rollout of second/third phase to  
same client in 2H and next FY

**FG terminals (incl. stera)<sup>※2</sup>**

(‘000 units)  
Progressing in line with plans  
+61.7% YoY



Strong trend of stera terminal  
sales

※1 GMP (global major player) denotes large corporates offering IT-related services globally

※2 FG: GMO Financial Gate and GCS

# 3. Growth Strategies and Initiatives

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# 3.1 Mid-term Management Targets

As of May 13, 2021

## Target OP ¥25bn from expanding business scope within the ¥600+ tr. market

		TAM (¥ Tr.) <sup>※1</sup>		OP(¥ Bn.)			Reason for revision
		2020 (Act.)	2025 (Frcst)	2020 (Act.)	2025 (Plan as of 2019)	2025 (Plan as of 2021)	
BroaderEC	B2C EC	20	45	7.5	16.0	18.0	Support for DX business and nesting demand Reinforcement of system development capability with integration of Buffort
	B2B EC	352	408~		~20.0	~22.0	
BaaS	IT investment by FIs	2	2~	0.5	1.0~	1.0~	
Offline IoT	Offline Cashless	87	118	0.5	2.0~	2.0 <sup>※2</sup> ~	
FinTech	Deferred Payment	1	3	1.8	3.0~	3.0~	
	Early Payment/TL	2.5	8				
Global	Overseas Lending	50	50~	— <sup>※3</sup>	5.0~	3.0~	Delays due to COVID
Total		514	634~	Total 10.3	25.0 ~31.0	25.0 ~31.0	

※1 TAM (Total Addressable Market) figures are GMO-PG forecast.

※3 Global OP in FY2020 is included in FinTech.

※2 Offline/IoT OP target includes GMO Financial Gate consolidated subsidiaries and others.



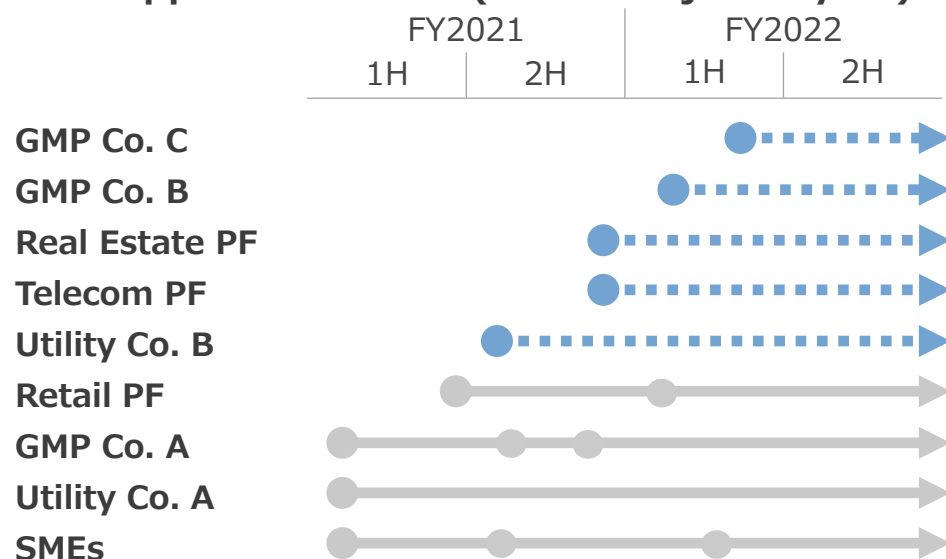
# 3.2.1 Broader EC

## Marketing to merchandize/Non-merchandize EC operators, focus on SME sector

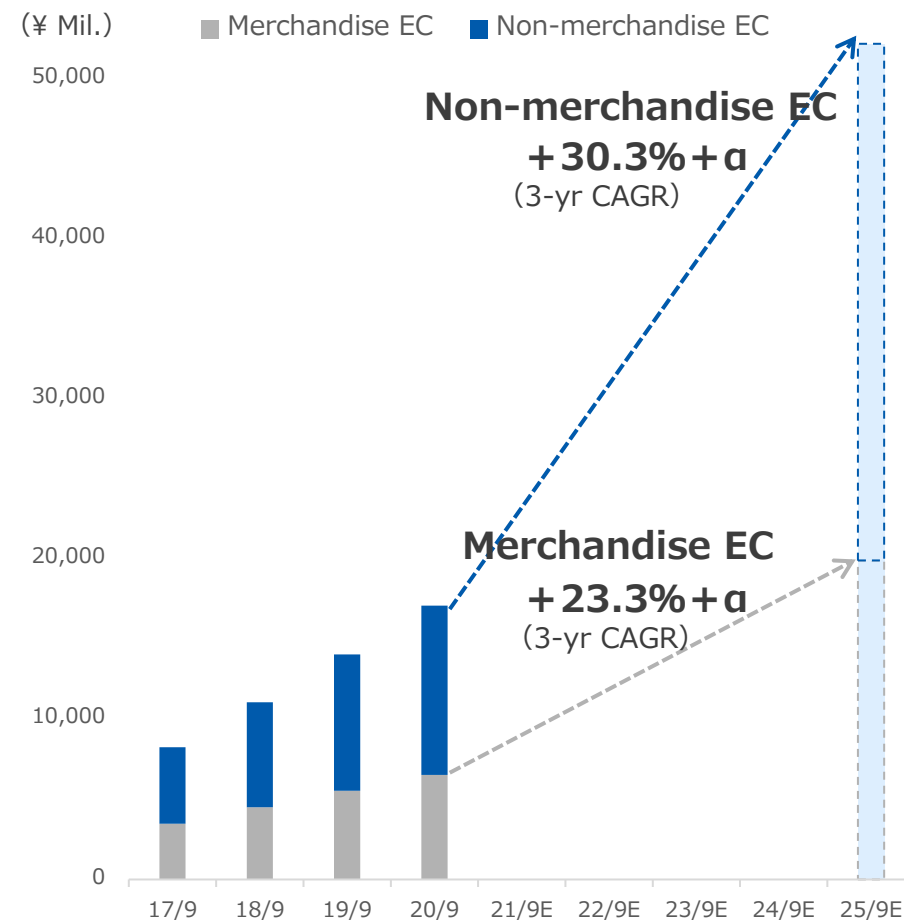
	<b>2020</b> (Act.)	<b>2025</b> (Plan as of 2021)
<b>OP (¥ Bn.)</b>	<b>7.5</b>	<b>18.0~22.0</b>

### Growth scenario

- 1) Inroads to non-merchandise and merchandise EC
- 2) Payment p/f to industry leaders
- 3) Approach to GMP (Global Major Players)



### Merchandize and non-merchandise EC revenues at GMO-PG non-consolidated



## 3.2.2 Initiatives to SMEs

### UI/UX enhancement, focus on new businesses, aim to acquire 1,000 new merchants at EP

Initiatives to achieve 1,000 new acquisitions

#### 1) UI/UX enhancement

Leverage synergy with GMO Internet Group

- Relaunch with an improved UX as official payment service provider on MakeShop
- Launch new services

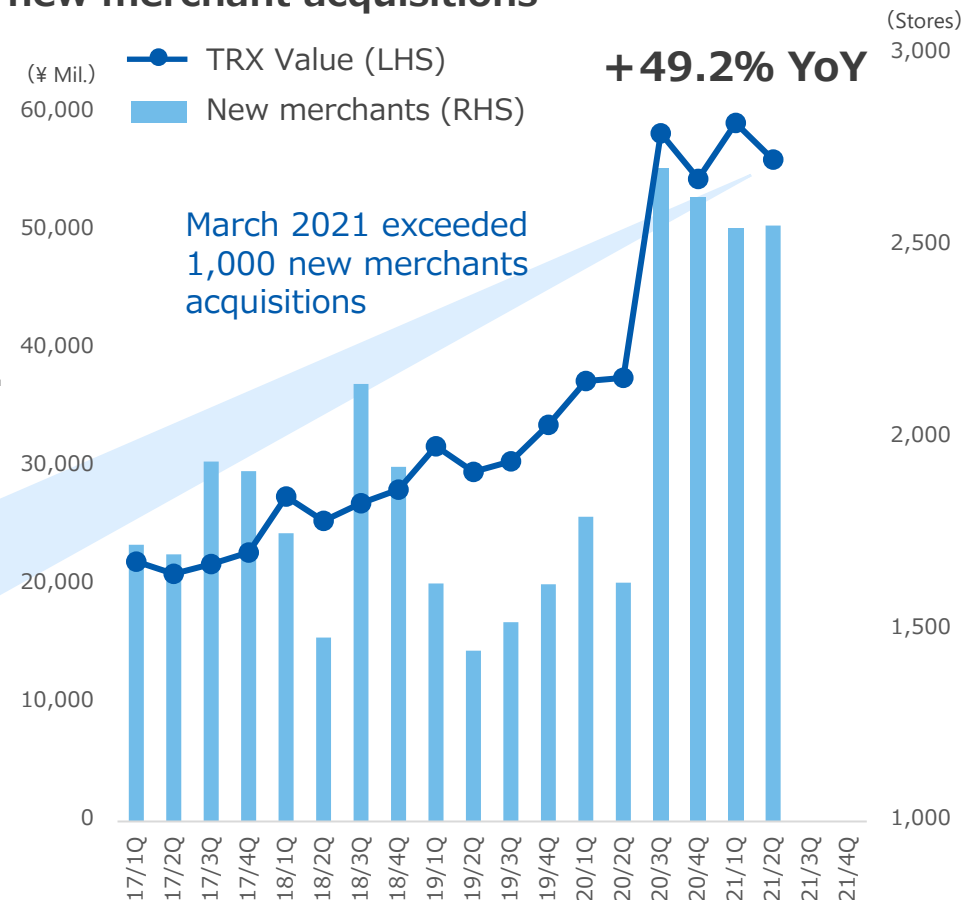
#### 2) New business

Expand Cycle business (business card), etc.

#### Top 5 sectors of high TRX Value growth<sup>※</sup>

Sector	Q2 standalone FY2021
Pharma	+160.3%
Travel/ticket	+135.8%
Beverage	+124.2%
Digital content	+112.3%
Food	+103.6%

GMO-EP: Quarterly trend of TRX Value and new merchant acquisitions



※ This list compiles the top 5 sectors with the highest % YoY growth of TRX value at GMO Epsilon during Q2 (Jan. - Mar. 2021).

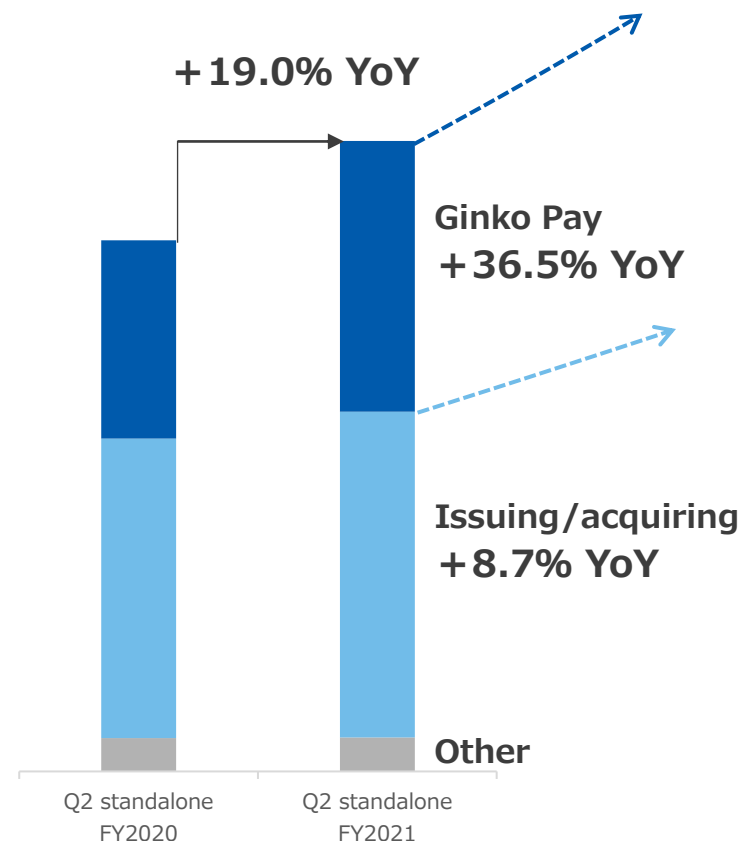
# 3.3 BaaS\*

## Target OP of ¥1 bn from horizontal deployment within the sector and service diversification

	<b>2020</b> (Act.)	<b>2025</b> (Plan as of 2021)
OP (¥ Bn.)	<b>0.5</b>	<b>1.0~</b>

### Q2 standalone stock revenue from services to FIs

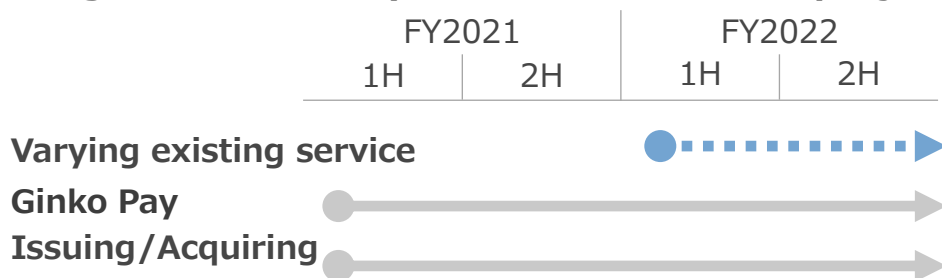
- Ginko Pay
- Issuing/Acquiring
- Other



### Growth scenario

- 1) PF buildout that caters to the needs of a particular client
- 2) Horizontal deployment within the sector
- 3) Expansion to other sectors and service diversification

### Progress on Priority Initiatives and new projects



\* BaaS : Bank as a Service

# 3.4 Offline/IoT

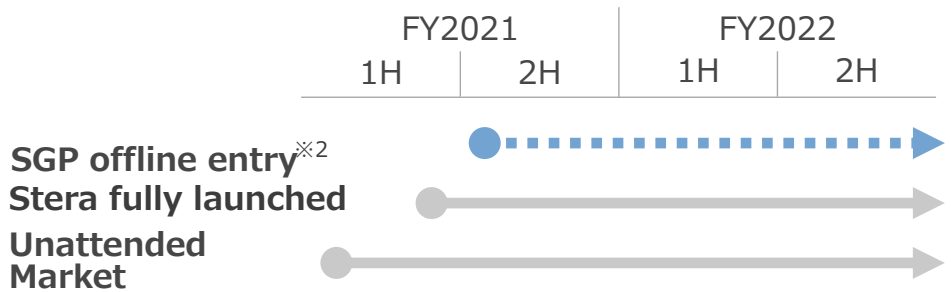
Capture the gigantic offline market by leveraging the synergy between IoT+EC business and stera

	<b>2020</b> (Act.)	<b>2025</b> (Plan as of 2021)
<b>OP (¥ Bn.)</b> <sup>※1</sup>	<b>0.5</b>	<b>2.0~</b>

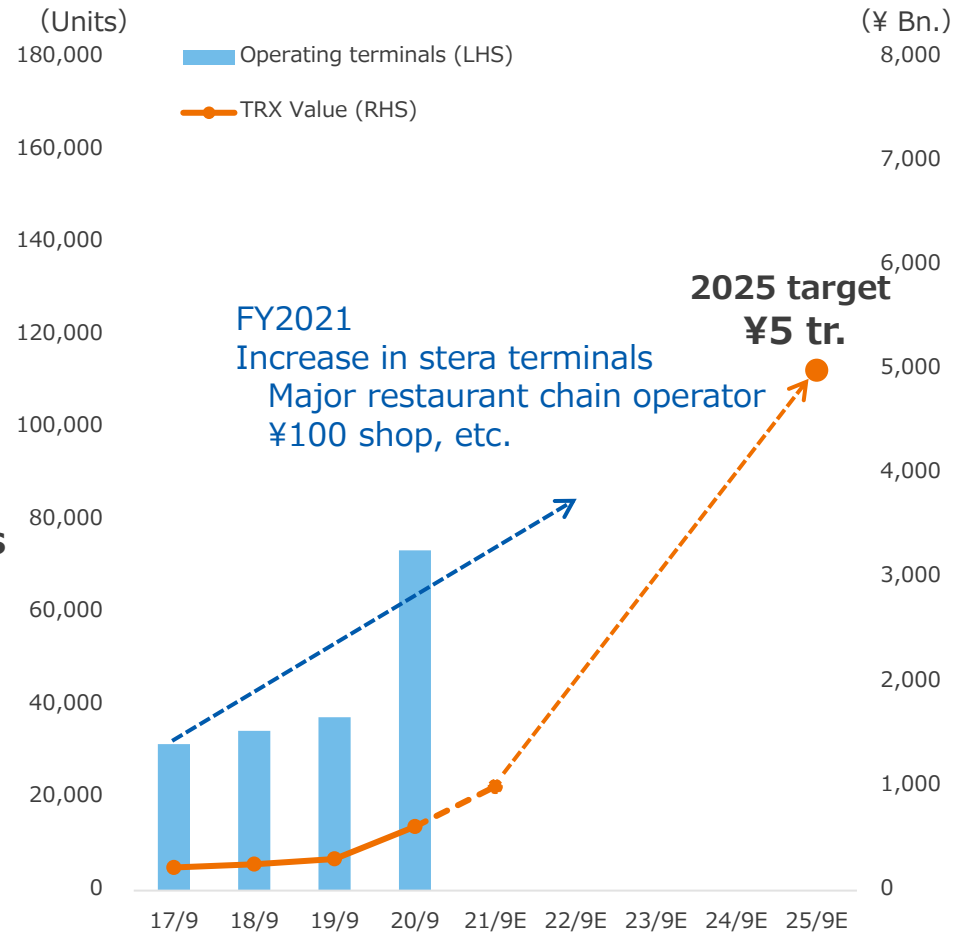
### Growth scenario

- 1) Accelerated acquisition of large merchant thanks to stera
- 2) Business reorganization and enhanced collaboration at SMBC GMO PAYMENT
- 3) Synergy with EC (O2O, Omni-channel)
- 4) Inroads into Unattended Market

### Progress on Priority Initiatives and new projects



### GMO-FG: Annual trend of operating payment terminals and TRX value



※1 The OP target for 2025 includes GMO Financial Gate consolidated subsidiaries and others.

※2 SGP: SMBC GMO PAYMENT

# 3.5 FinTech

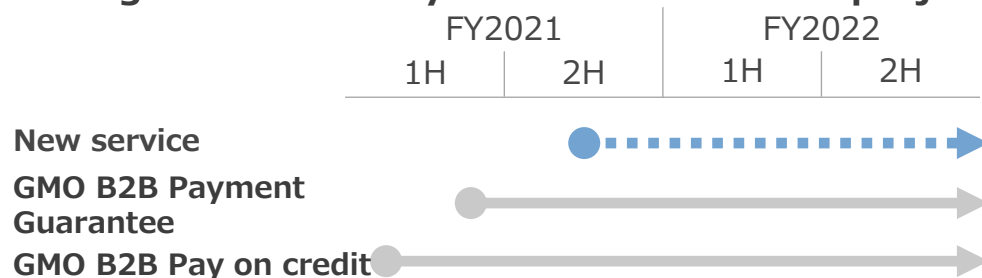
## Aim for profitability improvement through introduction of high-margin service and control of credit related cost

	2020 (Act.)	2025 (Plan as of 2021)
OP (¥ Bn)	1.8	3.0~

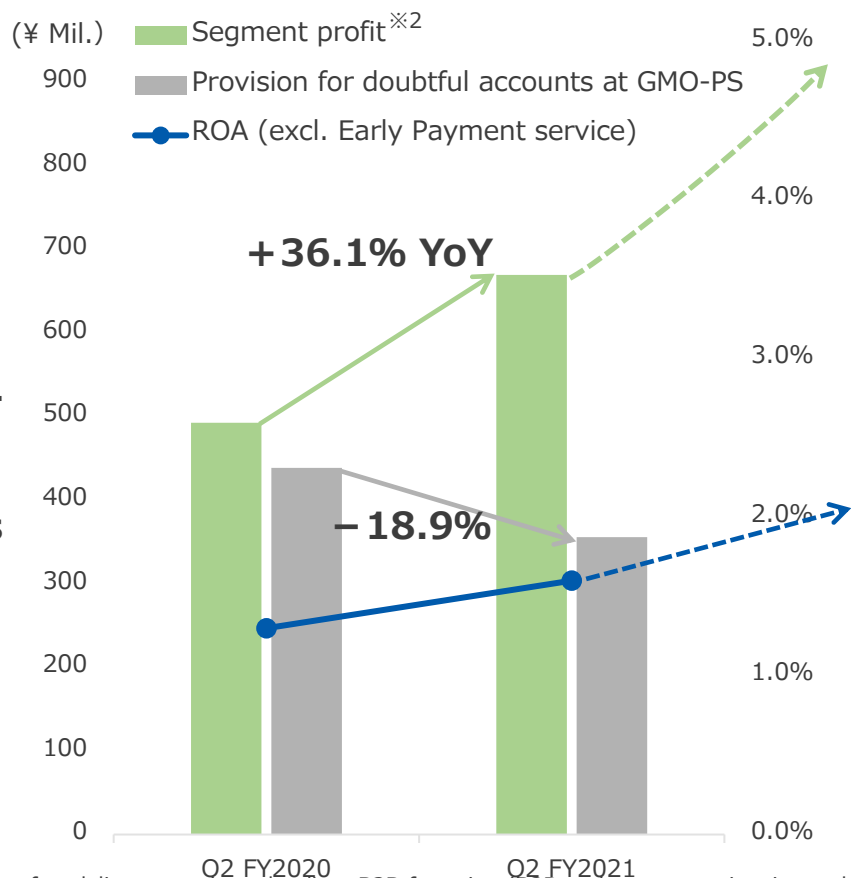
### Growth scenario

- 1) Asset shift to high margin services<sup>※1</sup>
- 2) Expand GMO Payment After Delivery and merchant acquisitions
- 3) Expand sales of B2B financial services  
GMO B2B Pay on credit, B2B Payment Guarantee, etc.
- 4) Expand TAM from new service development

### Progress on Priority Initiatives and new projects



### Q2 standalone: segment profit, provision for doubtful accounts, ROA (profit/total asset)



※1 High margin services is defined as service where the ROIC exceeds the WACC: Payment after delivery, overseas lending, B2B factoring (B2B early payment, invoice early payment), B2B AR guarantee, etc.  
 ※2 Segment profit in Money Service Business includes global lending, early payment service, GMO payment after delivery, remittance service, B2B factoring, B2B AR guarantee, Kondo Barai and finance lease.

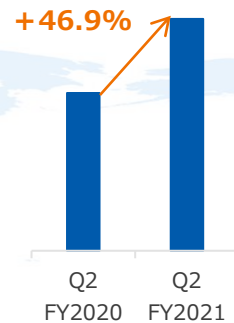
# 3.6 Global

Ascertain differences in economic recovery of each country, buildout a stable foundation for future expansion

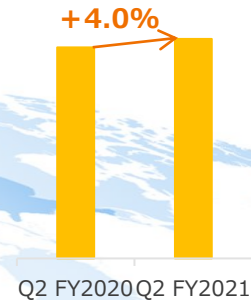
OP (¥ Bn.) <sup>※1</sup>	2020 (Act.)	2025 (Plan as of 2021)
	-	3.0~



Payment processing TRX value (% YoY)



MSB revenue (% YoY)



Rebuilding portfolio

## Strategy going forward

### Indonesia

- Continue to enhance support for prime existing customers

### India

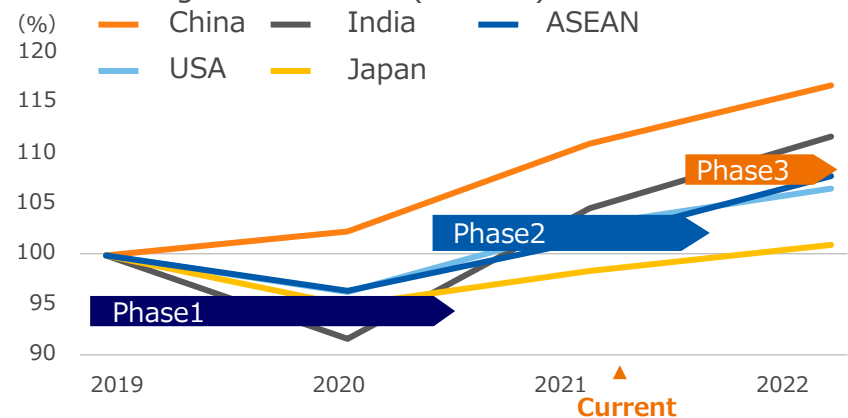
- Secure new lenders, prepare for full ramp-up post-COVID.

### US

- Continue to develop stable business by diversifying loan portfolio

## Market entry strategy by country<sup>※2</sup>

Global GDP growth forecast (indexed)



※1 Global OP in FY2020 is included in FinTech.

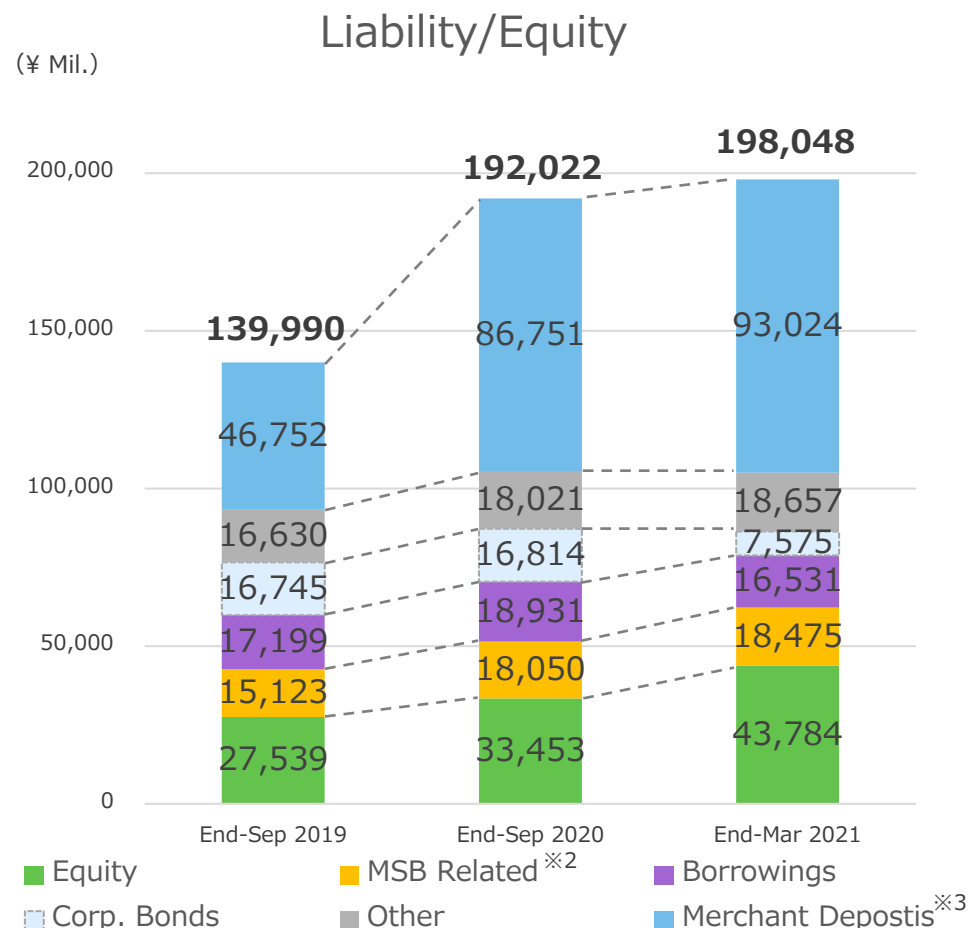
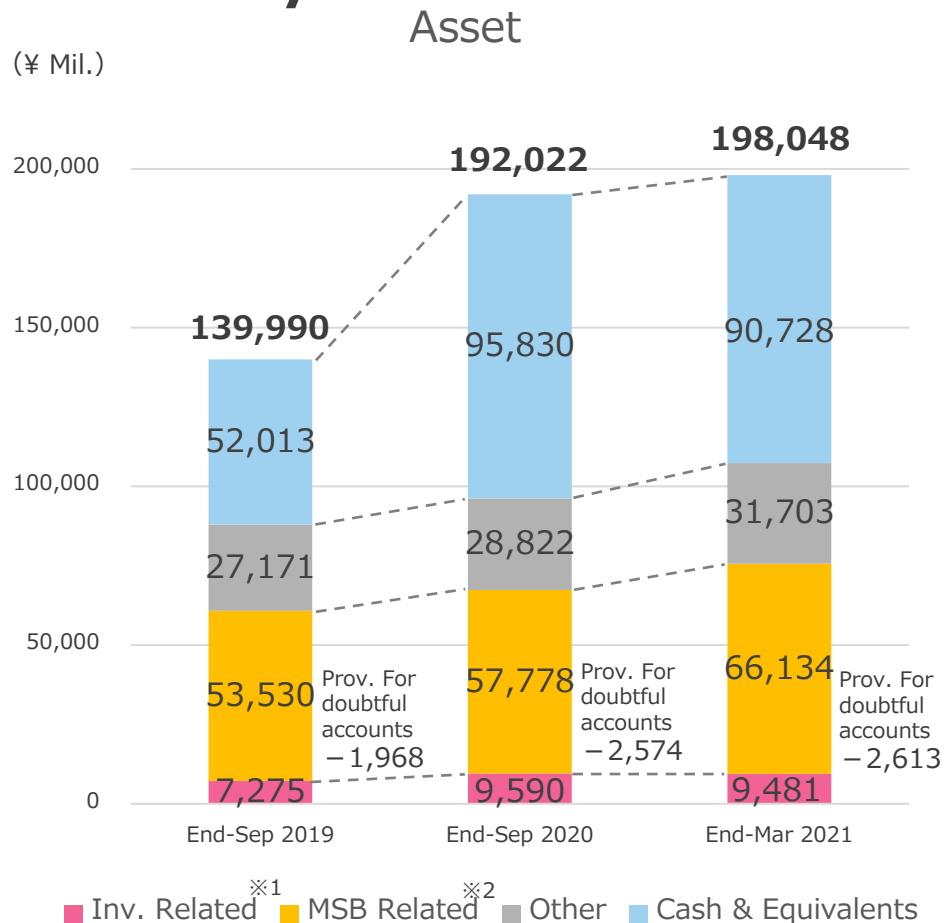
※2 Indexed 2019 to 100 and referenced the IMF "World Economic Outlook, April 2021."

## 4. Financial Highlights

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# 4.1 Balance Sheet Changes

Financial strength improves as equity reaches ¥43.7bn from of Euro-yen CB conversion



※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.

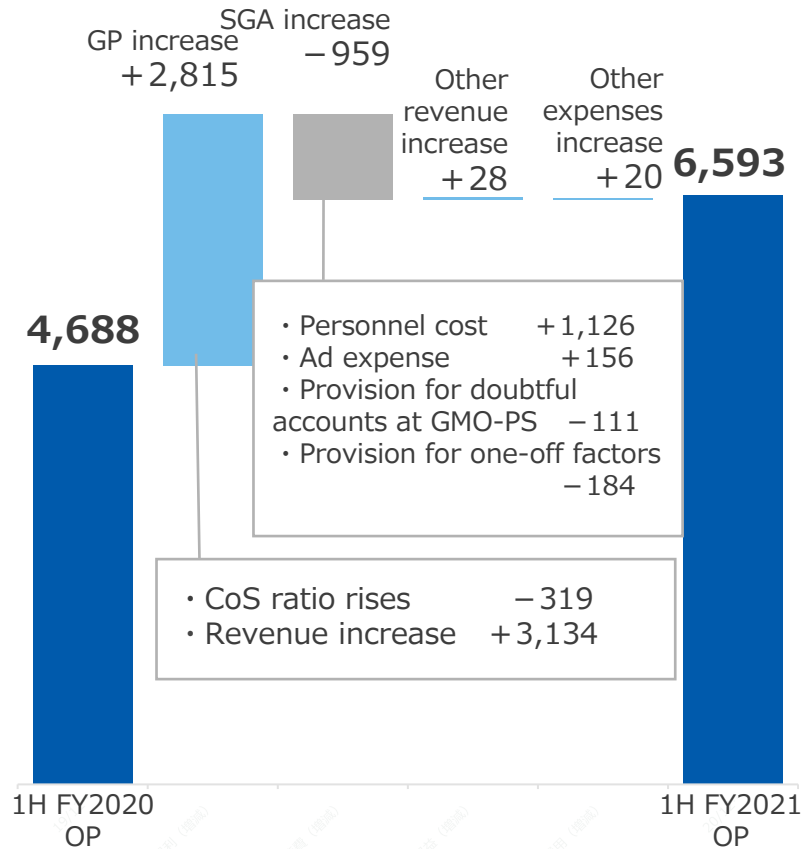


# 4.2 OP and Pre-tax Profit Growth (Q2 Cumulative)

**FG's revenue growth offset the cost-of-sales increase; continuing to control credit related cost**

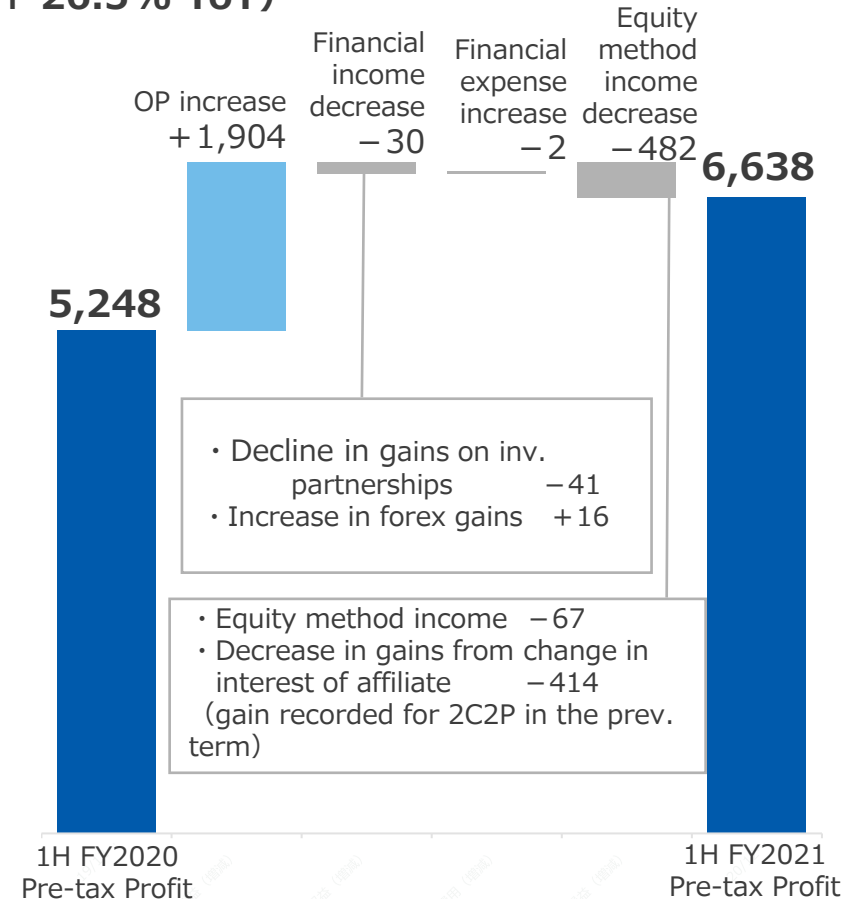
**OP YoY: waterfall chart**  
(+ 40.6% YoY)

(¥ Mil.)



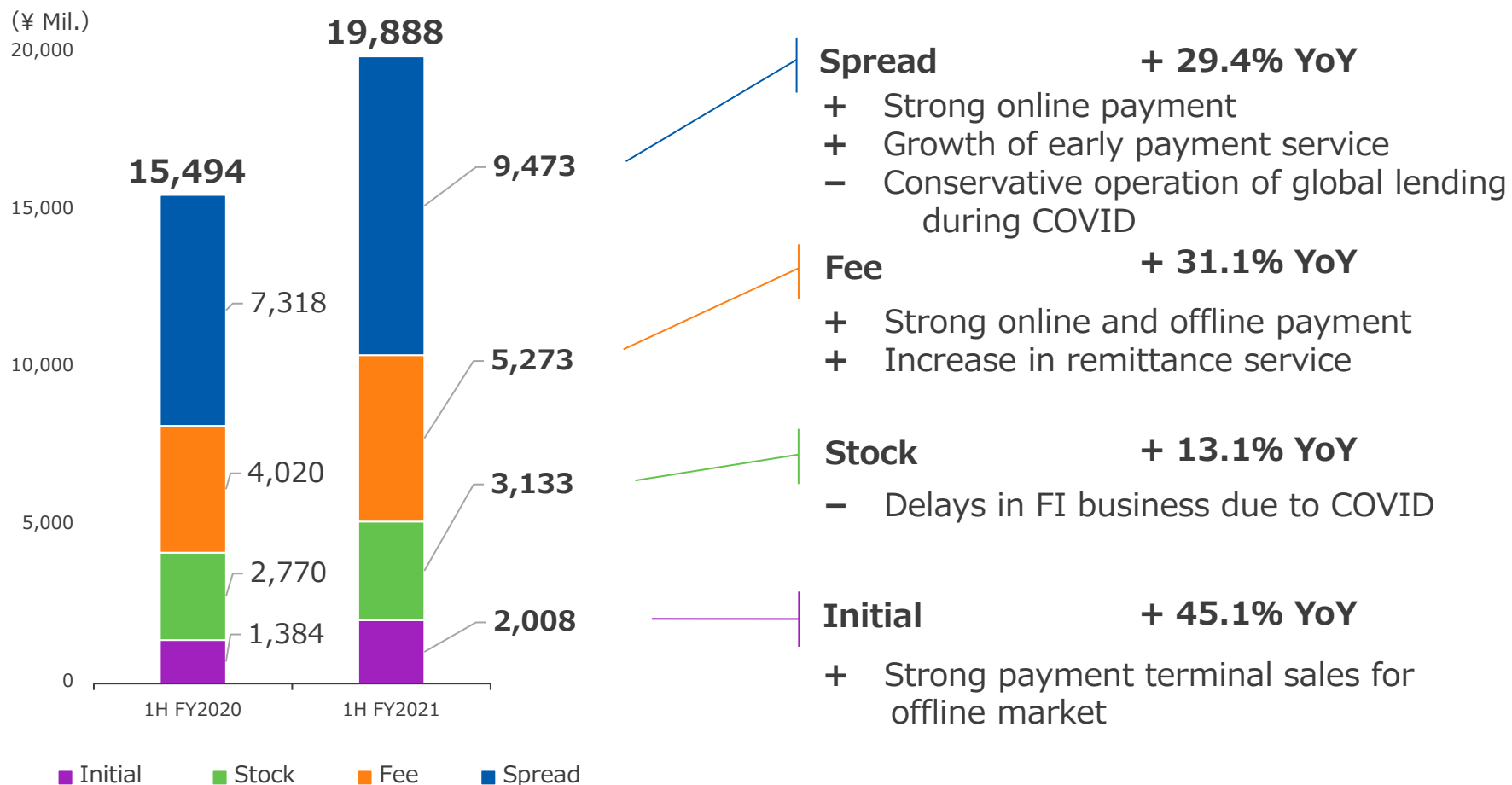
**Pre-tax profit YoY: waterfall chart**  
(+ 26.5% YoY)

(¥ Mil.)



# 4.3.1 Revenue by Business Model (Q2 Cumulative)

Fee and spread revenues grew from strong online payment at PG and EP

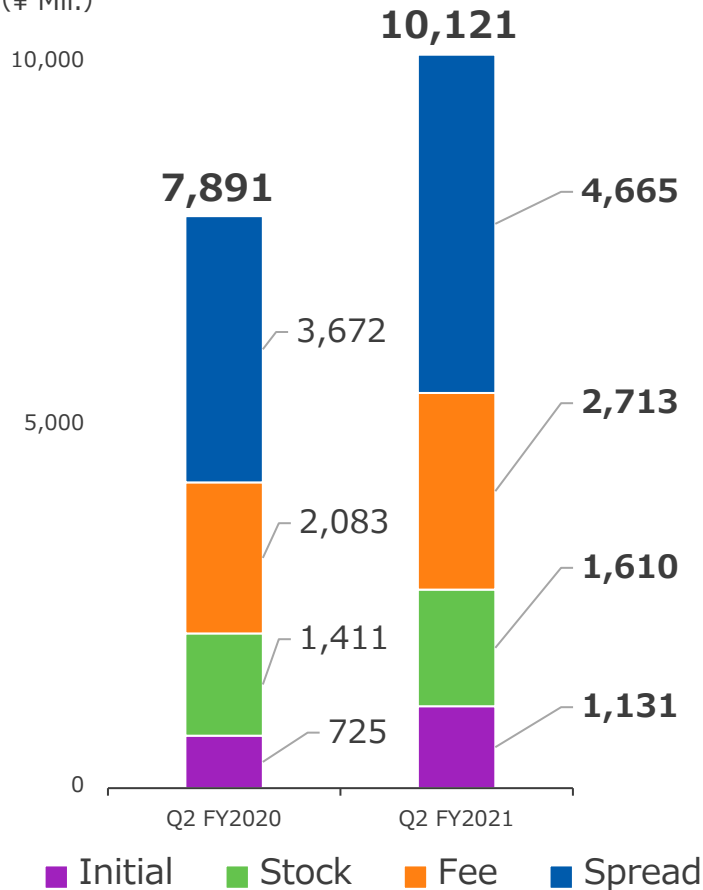


Due to the deconsolidation of MACROKIOSK in FY2020, the above figures present the amounts for continued operations only and exclude the discontinued operations.

## 4.3.2 Revenue by Business Model (Q2 Standalone)

**Strong online payment (fee, spread), high levels of payment terminal sales**

(¥ Mil.)



**Spread + 27.1% YoY**

- + Strong online payment
- + Growth of early payment service
- Conservative operation of global lending during COVID

**Fee + 30.3% YoY**

- + Strong online and offline payment
- + Increase in remittance service

**Stock + 14.1% YoY**

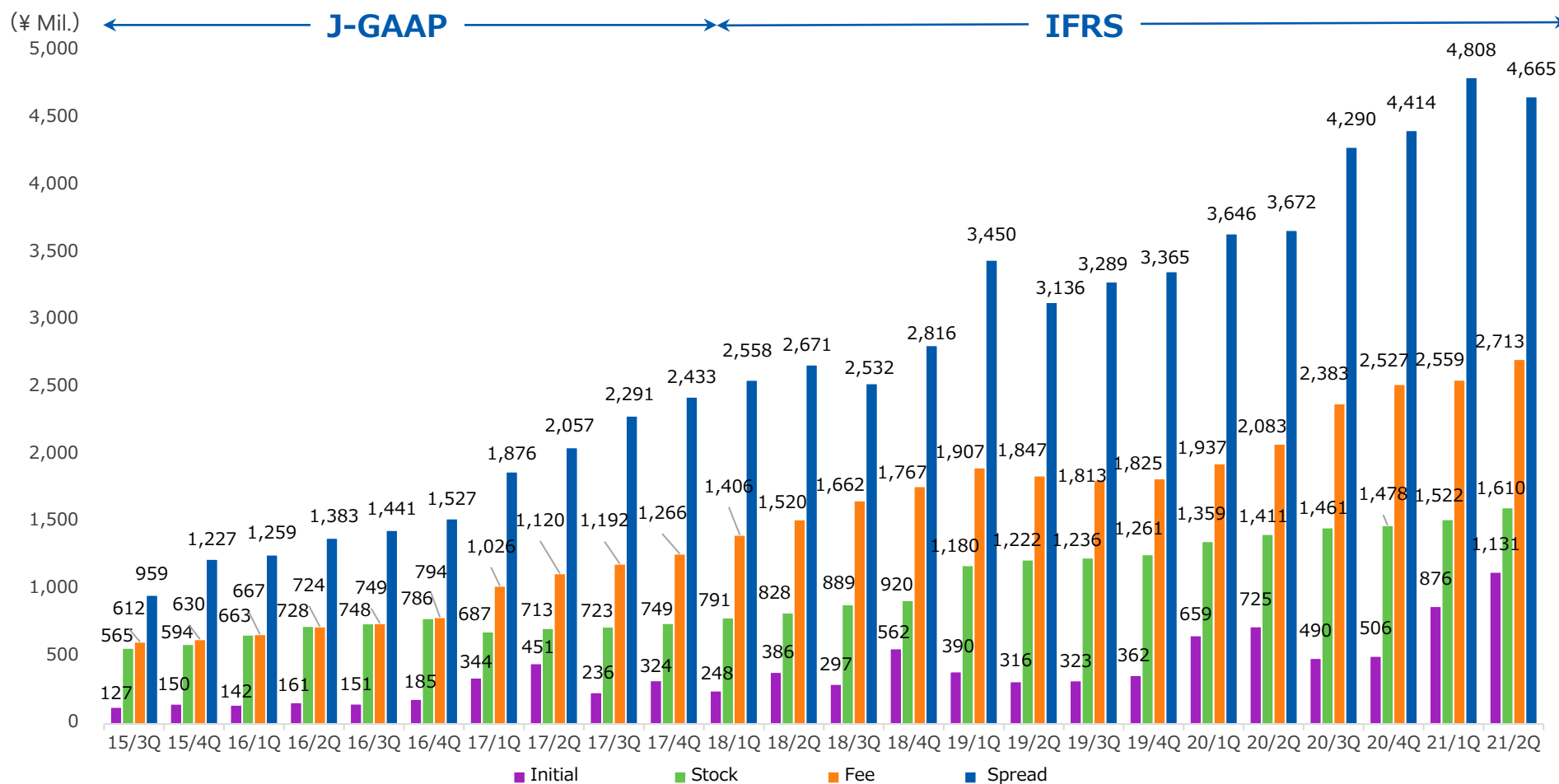
- Delays in FI business due to COVID

**Initial + 56.1% YoY**

- + Strong payment terminal sales for the offline market

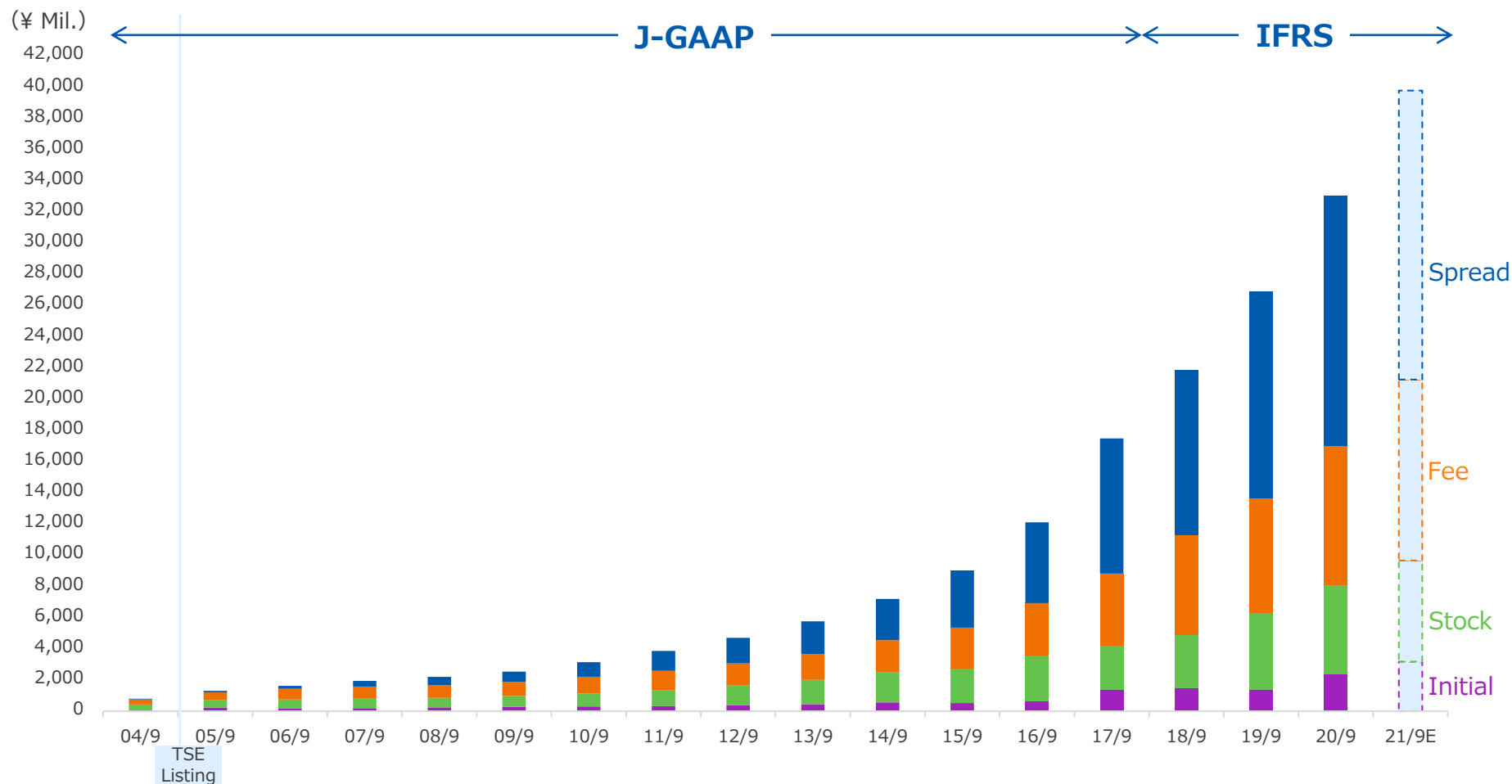
Due to the deconsolidation of MACROKIOSK in FY2020, the above figures present the amounts for continued operations only and exclude the discontinued operations.

# 4.3.3 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 in May 2020.

## 4.3.4 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 in May 2020.

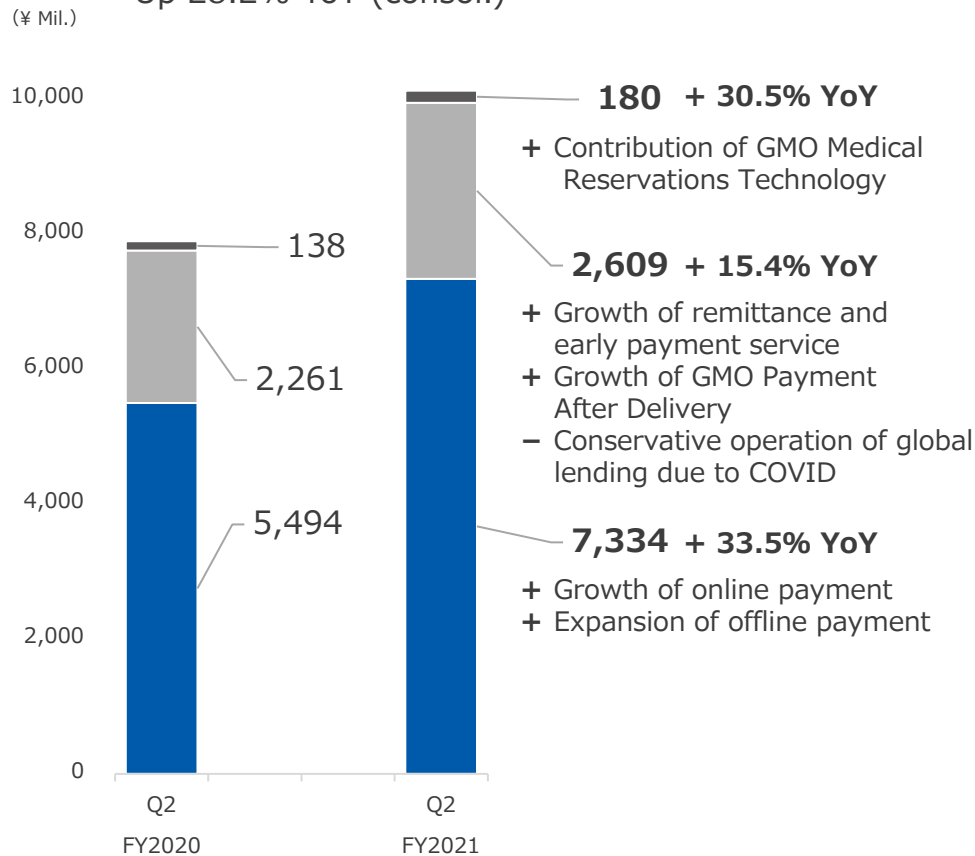
# 4.4 Segment Results (Q2 Standalone)

## Payment processing remains favorable, MSB profit significantly increased from controlling credit related costs

(Unit: ¥ Mil.)

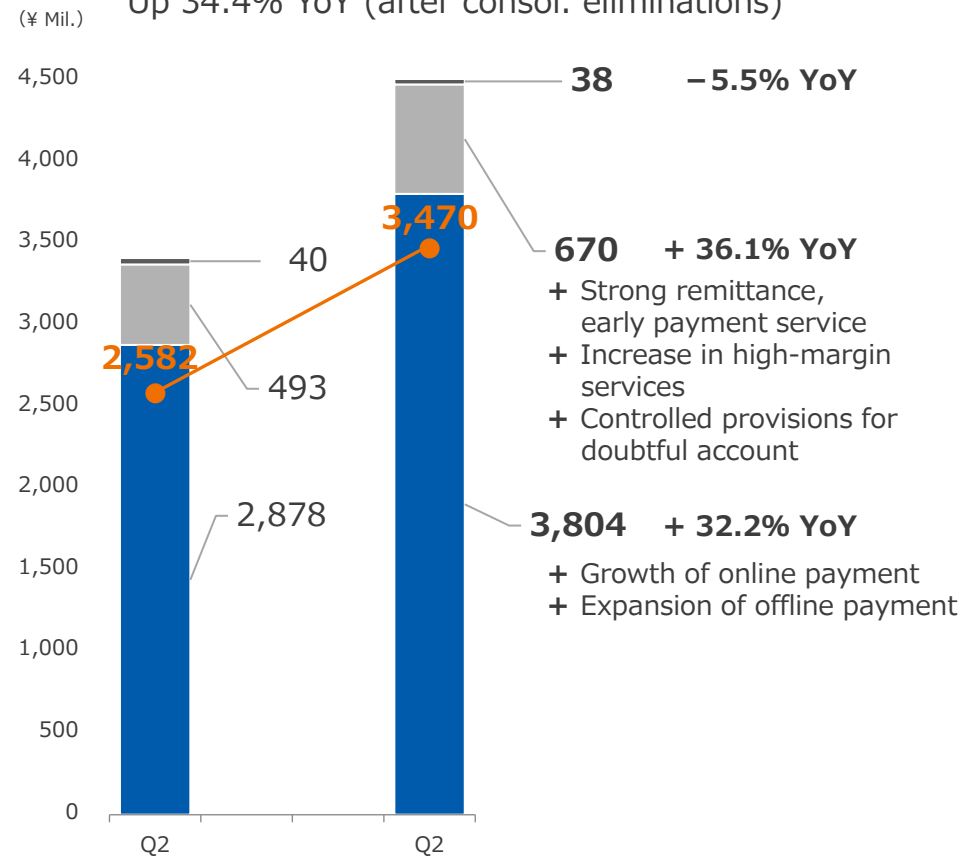
### Segment revenue

Up 28.2% YoY (consol.)



### Segment operating profit

Up 34.4% YoY (after consol. eliminations)

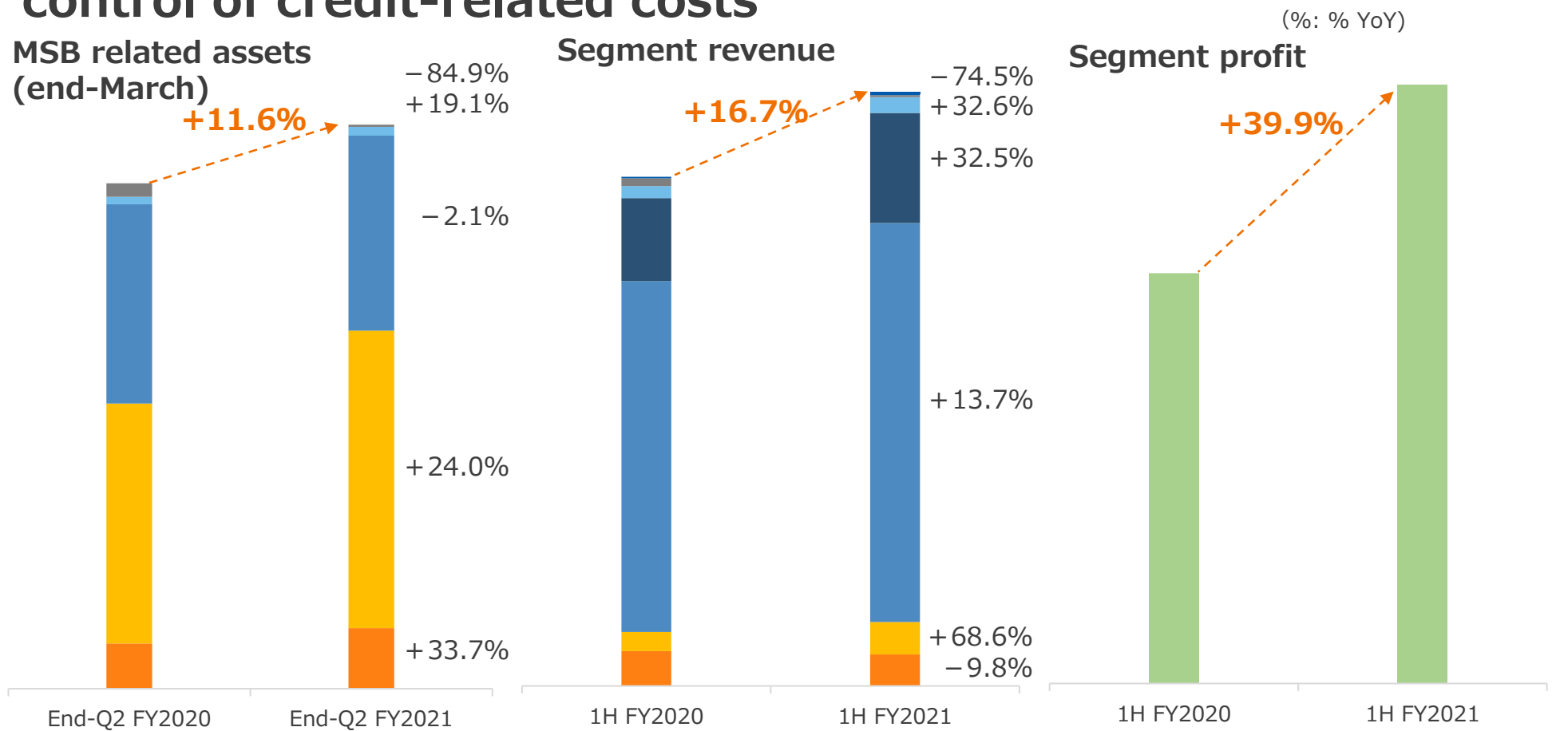


■ Payment Processing Business 
 ■ Money Service Business (MSB) 
 ■ Payment Enhancement Business 
 —●— Operating Profit

Due to the deconsolidation of MACROKIOSK in FY2020, the above figures present the amounts for continued operations only and exclude the discontinued operations.

# 4.5.1 FinTech: Assets & Profit Growth (Q2 Cumulative)

Profit increased from expansion of high-margin services and control of credit-related costs



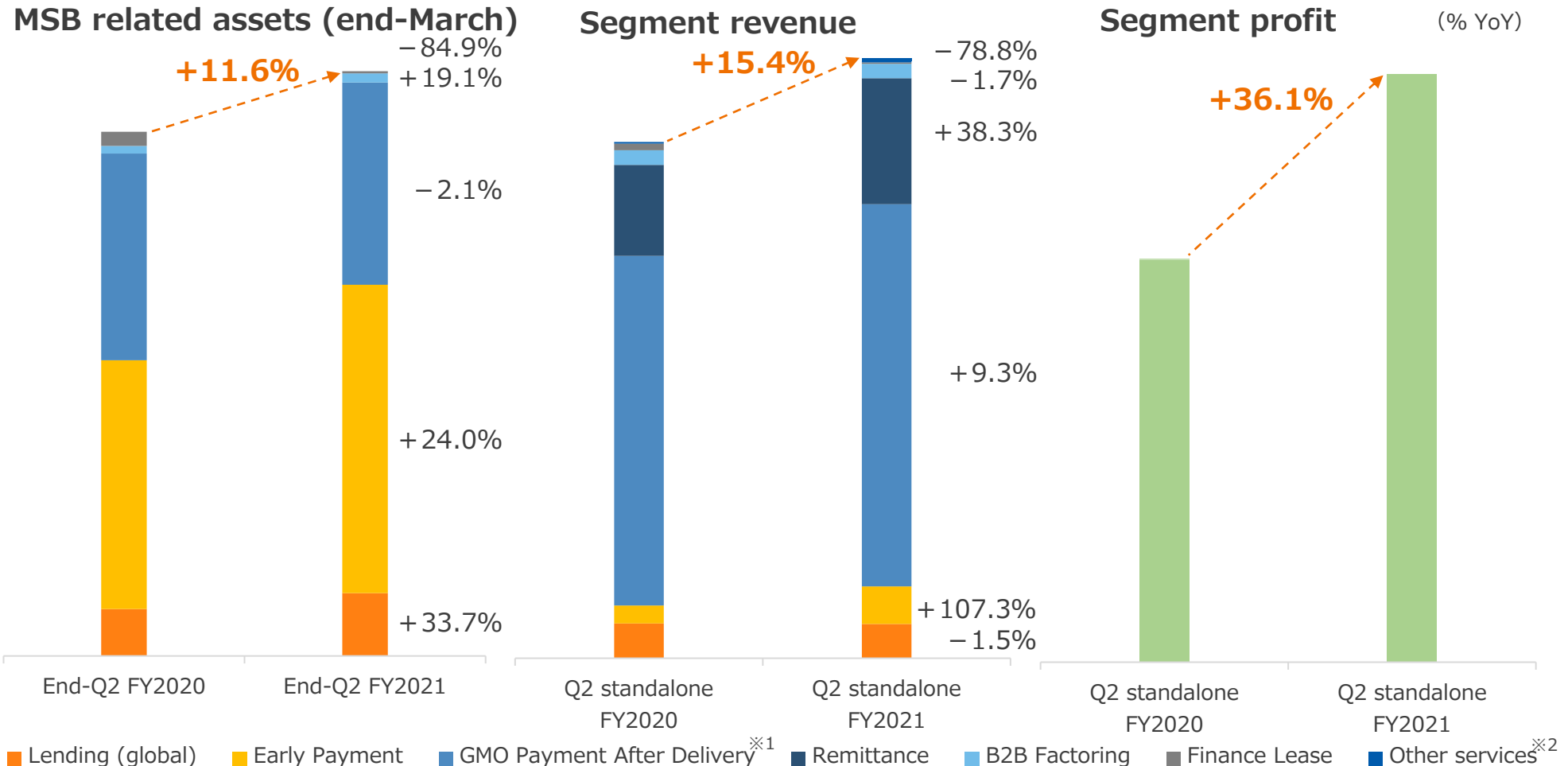
■ Lending (global) 
 ■ Early Payment 
 ■ GMO Payment After Delivery<sup>※1</sup>
■ Remittance 
 ■ B2B Factoring 
 ■ Finance Lease 
 ■ Other services<sup>※2</sup>

※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.

## 4.5.2 FinTech: Assets & Profit Growth (Q2 Standalone)

Profit increased from expansion of high-margin services and control of credit-related costs



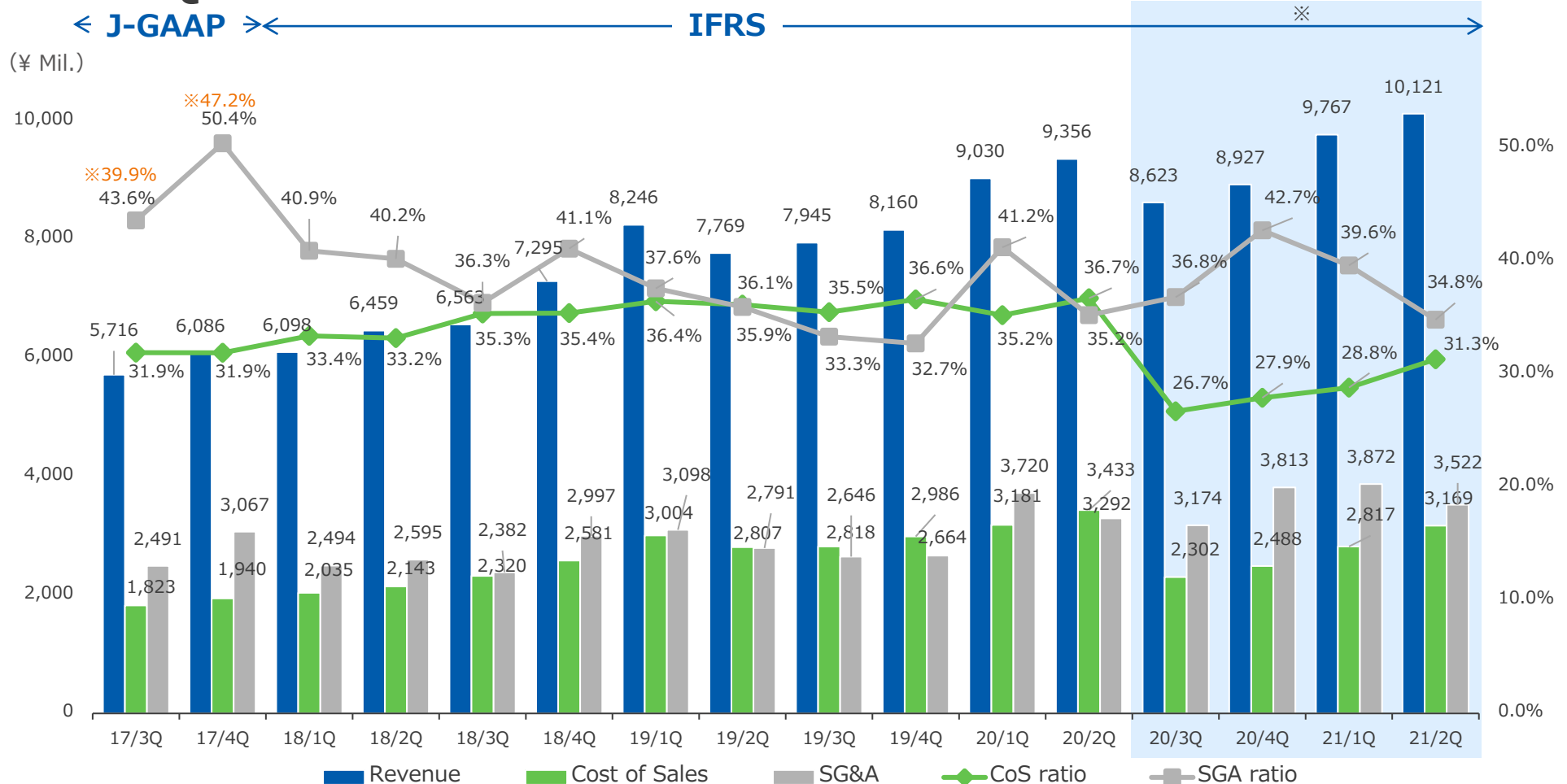
※1 Figures for GMO Payment After Delivery assets (accrued revenue) are net of provision for doubtful accounts.

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



# 4.6.1 Quarterly Trend of CoS and SGA Ratio

CoS ratio fluctuates with changes in revenue mix; decline from Q3 FY2020 is due to deconsolidation of MK

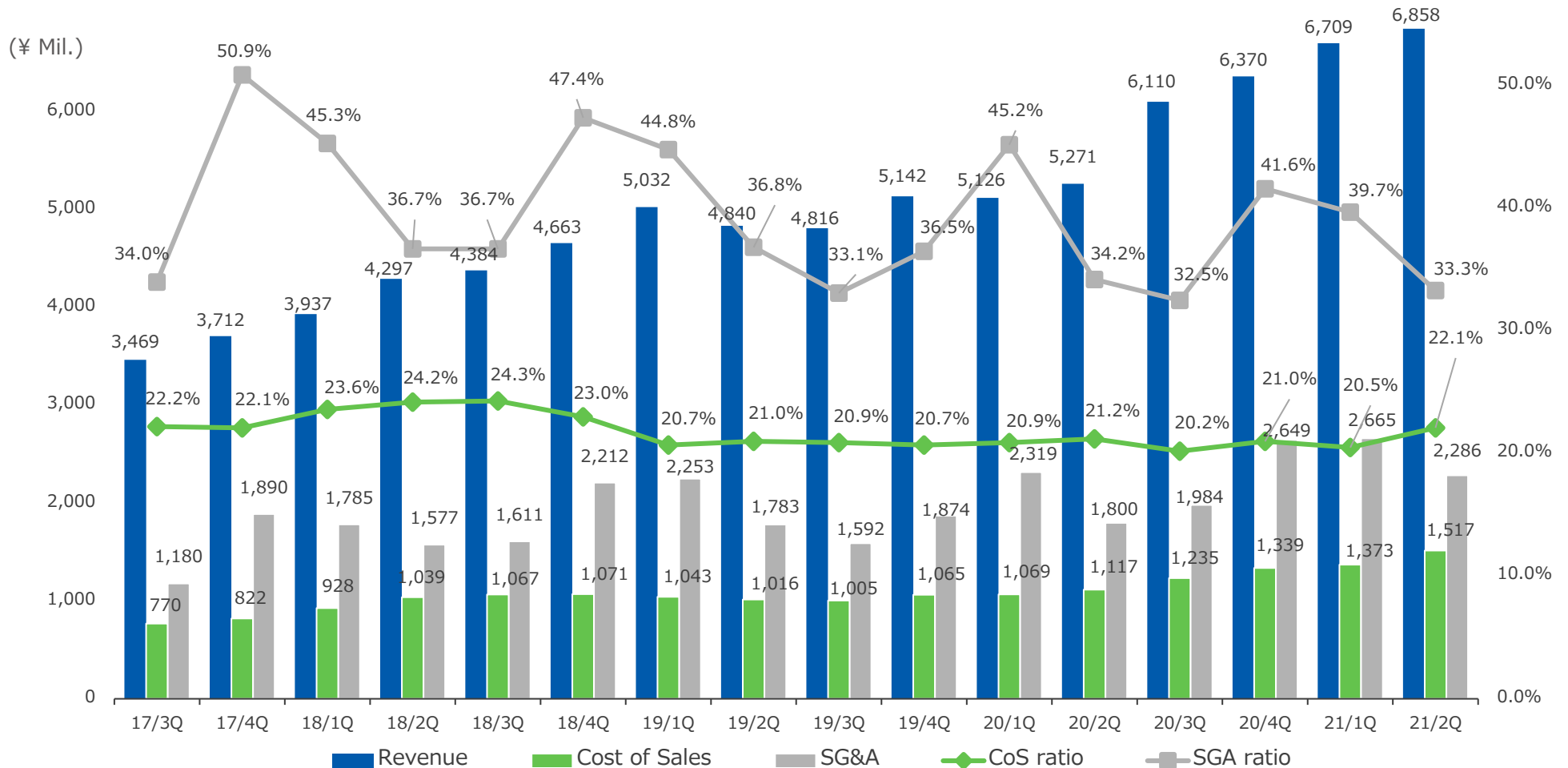


※ Figures with asterisk exclude outsourcing expense related to MSB. These outsourcing expenses are not recorded in SG&A from December 2017 (Q1) due to IFRS adoption.

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

## 4.6.2 Quarterly Trend of PG and EP's CoS and SGA ratio

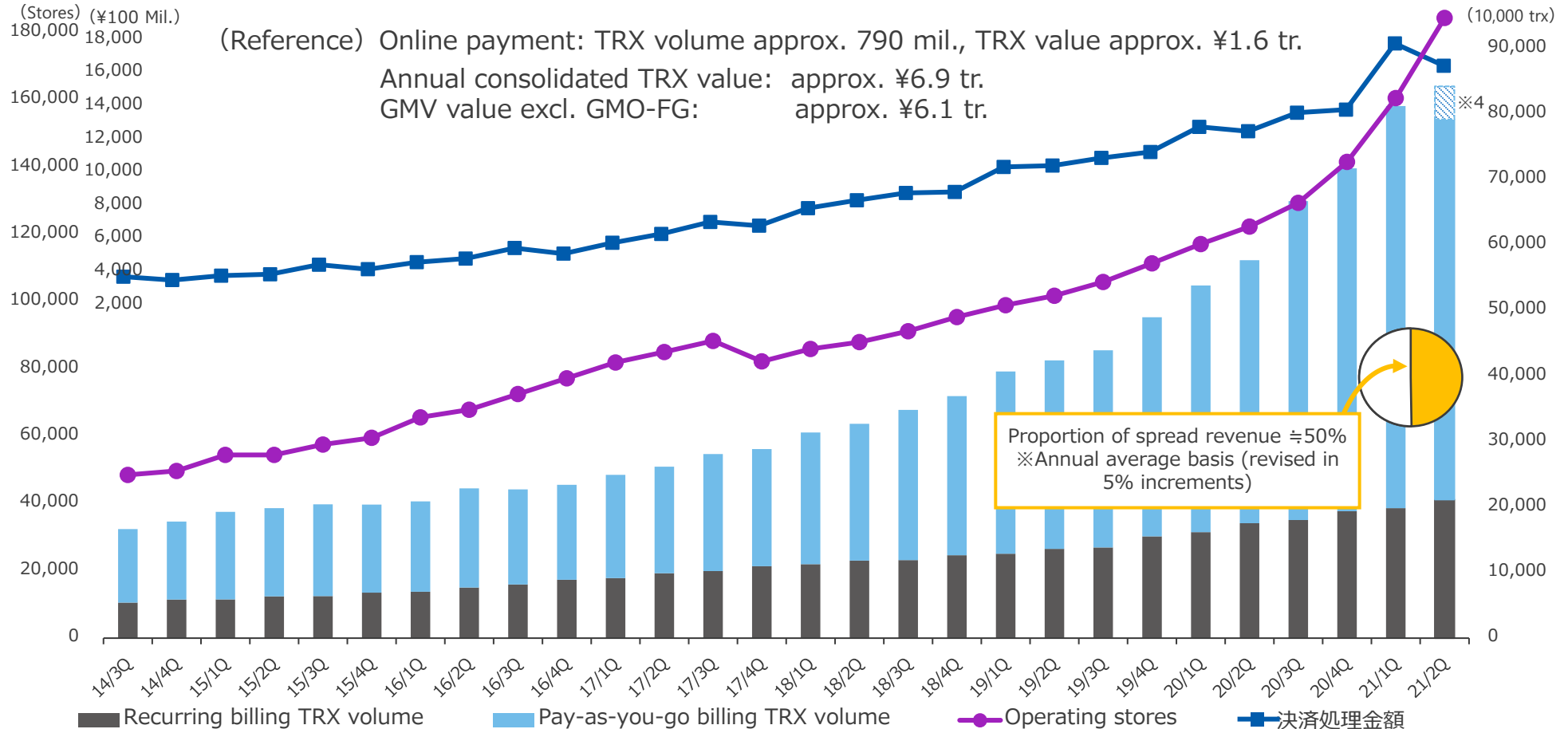
### Cost of sales ratio for online payment business trending stably



# 4.7 Quarterly Trend of Operating Stores, TRX Volume and Value

## Group-wide annual TRX value reaches ¥6.9 trillion

Operating stores: 184,355 stores<sup>※1</sup>, TRX volume approx. 820 mil., TRX value approx. ¥1.8 trillion<sup>※2</sup>



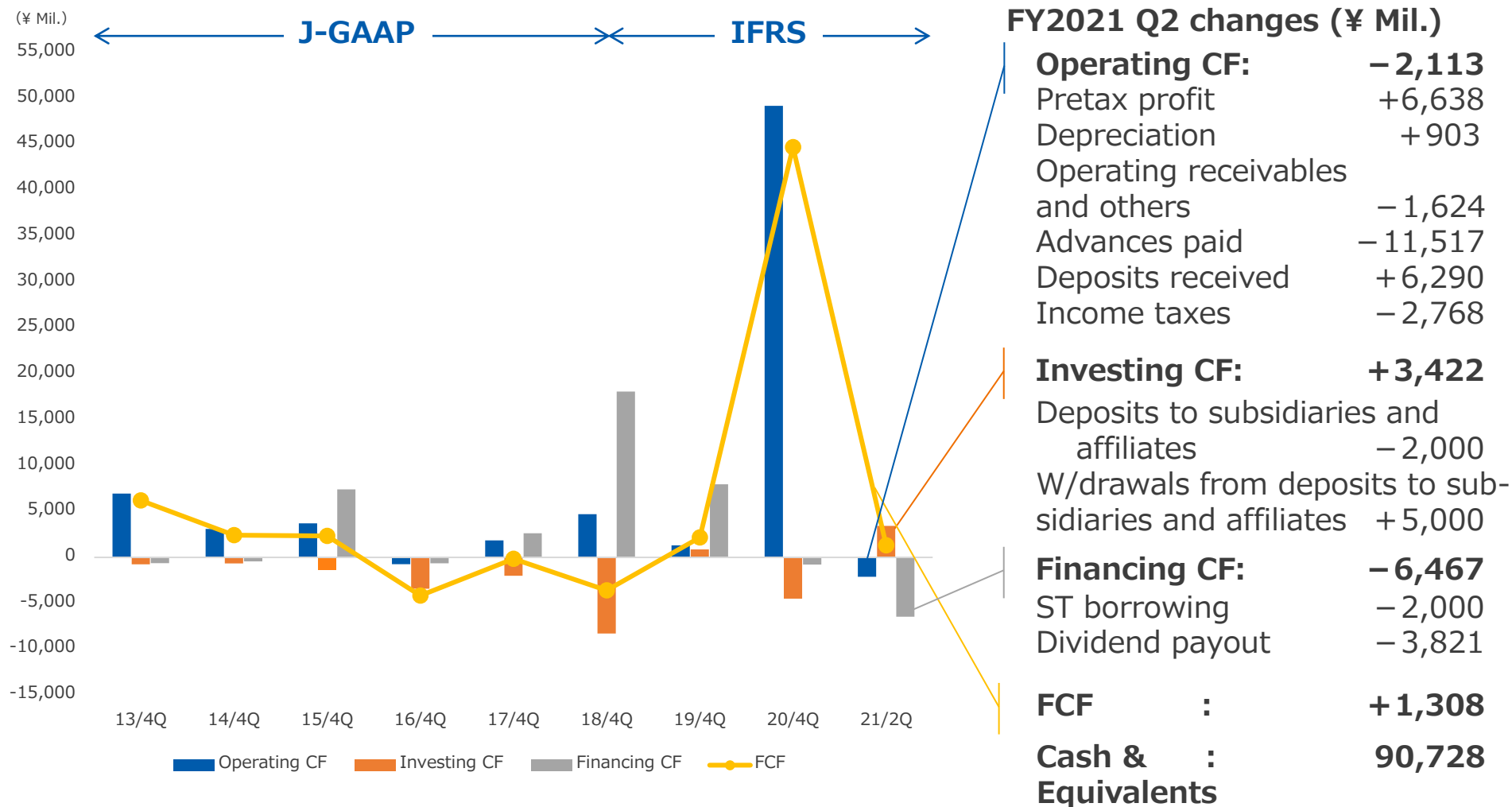
※1 Figure excludes a significant increase in operating stores from a specific merchant. If included, operating stores would be 244,356 (down 13.2% YoY).

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

※3 The graph is based using only online payment figures.

※4 Special factor caused by change in recognition of TRX volume for some merchants.

# 4.8 Consolidated Cashflow Statement



※ FCF is calculated as the sum total of Operating CF and Investing CF. Only major items of the cash flow statement are shown on this page.

# Thank You Very Much

## **GMO** PAYMENT GATEWAY

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