

# Financial Results Briefing for Q3 FY2021

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Strategy and current business environment faced with growing uncertainty due to COVID-19 resurgence

August 11, 2021

66<sup>th</sup> Investor Meeting

**GMO** PAYMENT GATEWAY

# Agenda

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1. Summary of Financial Results for Q3 FY2021
2. Growth Strategies and Initiatives
3. 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 August 11, 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 Q3 FY2021**

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# 1.1 Conversion of Euro-yen CB and new issue

Previous bond fully converted to common stock 2 years earlier than planned; new bond issue to secure growth funds

## Changes in BS

(¥ Mil.)

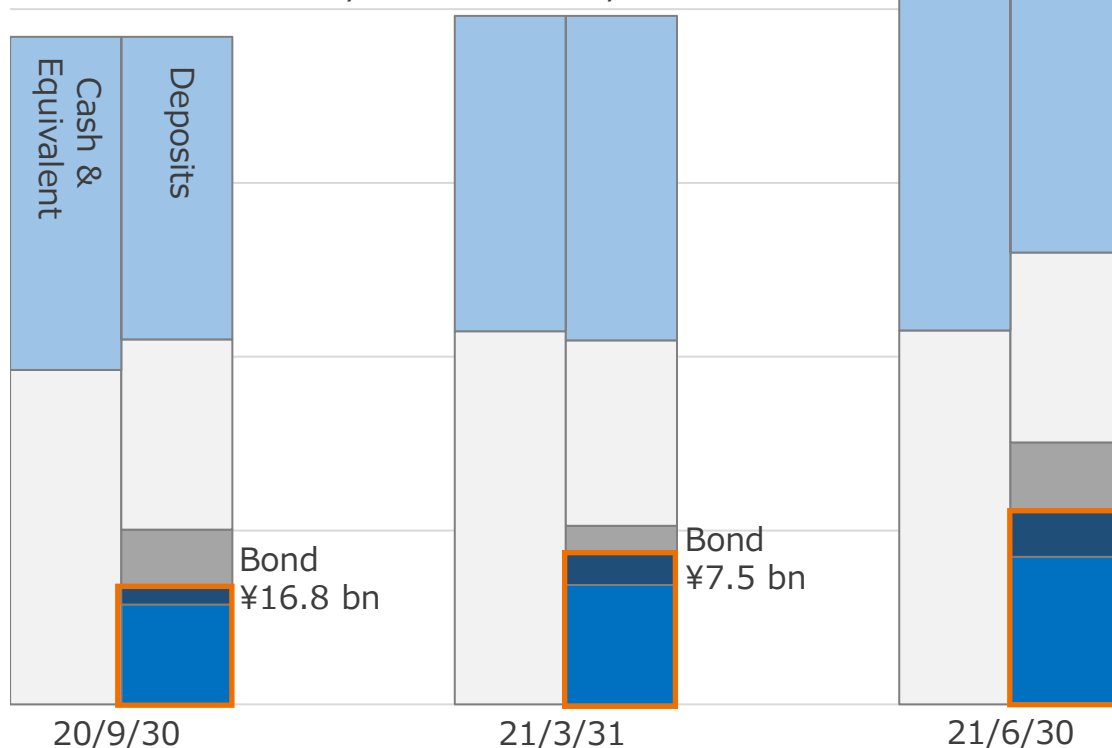
200,000

150,000

100,000

50,000

0



### Euro-yen CB due 2026 (5-yr zero-coupon bond)

#### Payment

date : June 22, 2021

Ttl face value : ¥20.0 bn

Issue price : 105.5% of par value

Amt. raised : ¥21.1 bn

#### Conversion

price : ¥18,298 (40% premium)

130% call option clause

Purpose : Expansion of MSB, M&A, etc.

Bond  
¥19.5bn

Equity total

Capital ¥4,712 mil.

Equity total ¥33,453 mil.

Equity ratio\* 16.5%

¥9,447 mil.

¥43,784 mil.

21.2%

¥13,323 mil.

¥55,783 mil.

25.3%

(※) Dilution is 3.03% from the conversion of Euro-yen CB due 2023.

\* Ratio calculated using total equity attributable to owners of parent.

## 1.2 Earnings Summary

OP grew 31.4% YoY and ahead of plans, despite the hard comps from nesting demand last FY

IFRS (¥ Mil.)	FY2020 Q3 Cumulative Actual	FY2021 Q3 Cumulative Actual	% YoY	Progress ratio (vs. Full Year)	FY2021 Q3 standalone (% YoY)
Revenue	24,118	30,535	+26.6%	76.7%	10,646 (+23.5%) ✓
Operating Profit	7,778	10,222	+31.4%	78.7%	3,629 (+17.4%)
Pre-tax Profit	8,413	10,526	+25.1%	84.7%	3,887 (+22.8%)
Profit Attributable to Owners of Parent	5,750	6,937	+20.6%	87.5%	2,342 (+18.2%)
EBITDA	8,844	11,614	+31.3%	-	-
	Operating Stores (End-Q3 FY2021)	Consol. TRX Volume (Q3 standalone)	Consol. TRX Value (Q3 standalone)		
KPI (% YoY)	119,440(+16.5%)	Approx. 890 mil. (+30.2%)	Approx. ¥2.0 tr. (+35.4%)		
		o.w., online 850 mil. (+27.4%)	o.w., online approx. ¥1.7 tr (+25.7%)		

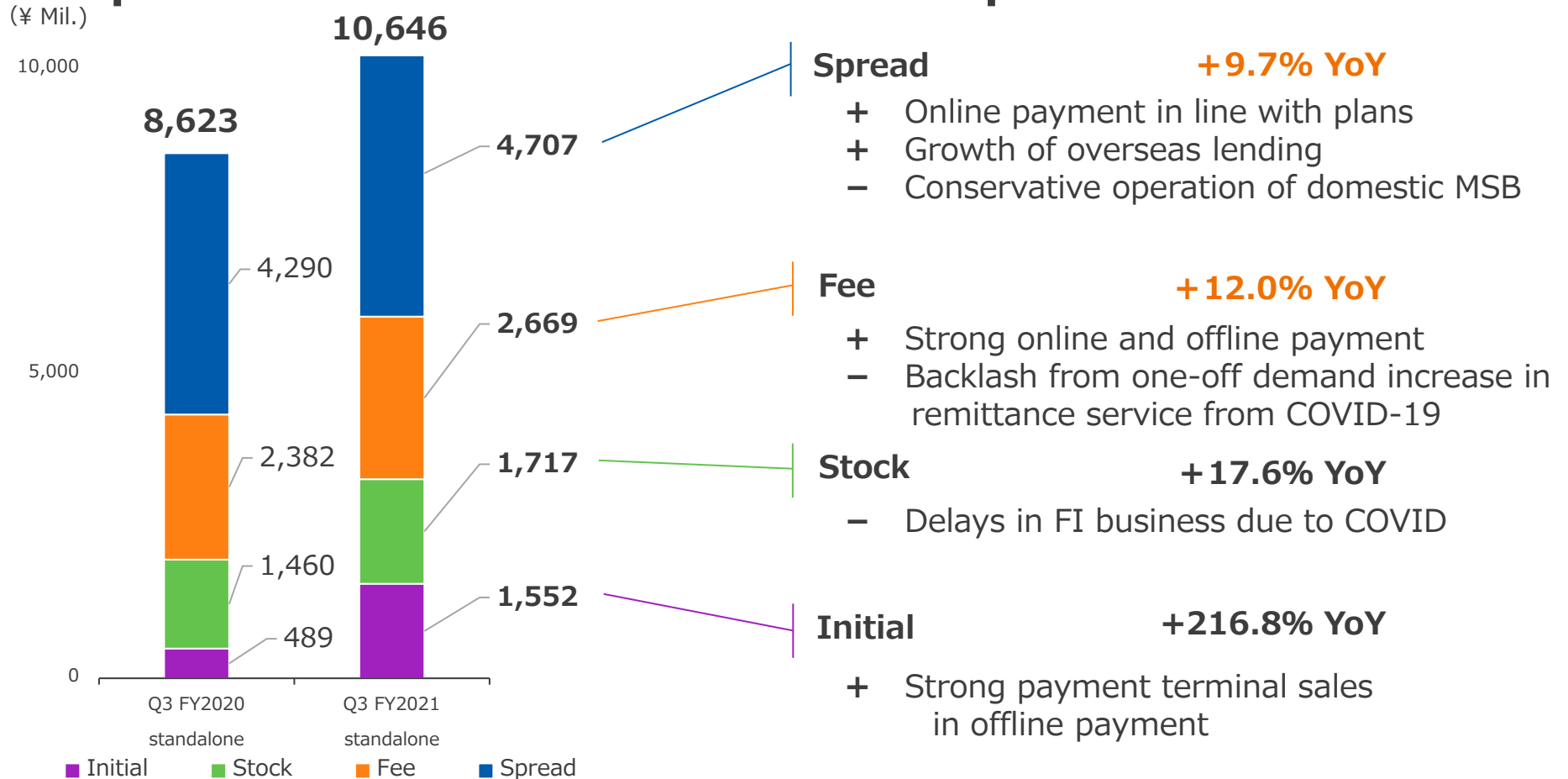
※ Due to the deconsolidation of MACROKIOSK in September 2020, the above figures for revenues, operating profit and pre-tax profit in FY2020 present the amounts for continued operations only and exclude the discontinued operations. ※ EBITDA=Operating Profit + Depreciation.

※ 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 and exclude stores related to a major delivery company. If included, operating stores would be 270,389 stores (down 11.3% YoY).

# 1.3 Current status as seen from revenues by business model

Q3 standalone saw lower growth rates of around 10% for fee and spread due to COVID-19 hard comps



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

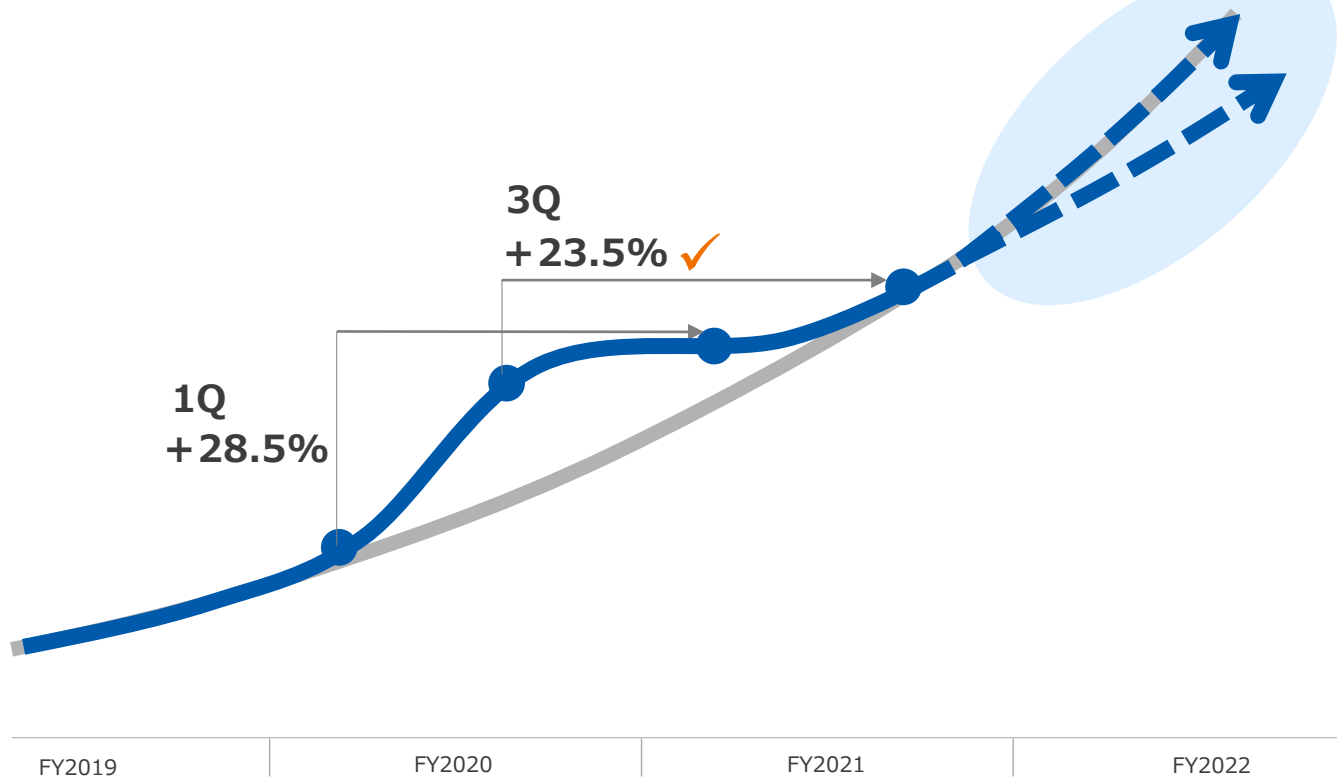
# 1.4 Growth trend of revenue

Recovery continues in Q3 despite low growth rates due to hard comps with previous Q3 that saw a surge from nesting demand

(%: % YoY)

Revenue growth image

Recovery trend towards a 20~25% revenue growth trend





# 1.5 Business environment

## Business environment for online payment show signs to returning to the pre-COVID-19 trendline

Q3 standalone revenue reaches pre-COVID levels, online payment TRX volume & value both exceed pre-COVID-19 growth rate at 30%

	<b>Before</b> <sup>※1</sup> (Q3 FY18 → Q3 FY19)	<b>With</b> (Q3 FY19 → Q3 FY20)	<b>Now</b> (Q3 FY20 → Q3 FY21)
<b>Revenue</b>	<b>+ 23.8%</b>	<b>+ 29.5%</b>	<b>+ 23.5%</b>
<b>TRX Volume</b>	<b>+ 26.4%</b>	<b>+ 54.6%</b>	<b>+ 30.2%</b>
<b>TRX Value</b>	<b>+ 23.5%</b>	<b>+ 28.5%</b>	<b>+ 35.4%</b>

※1 “Before” refers to pre-COVID-19, revenue (excluding the Before figure), TRX volume and value present the consolidated figures including GMO-PG, GMO-EP, GMO-PS and GMO-FG.

※2 Revenue YoY for “Before”: growth rate uses the revenue excluding MACROKIOSK as shown on page 6 of this presentation material.

# 1.6 Change in GMV by sector

**Nesting demand (≡ online consumption) is becoming a normalized part of many sectors**

Nesting demand situation in Q3: TRX value (indexed) (%: % YoY)

		Before Q3 FY2018 standalone	Before Q3 FY2019 standalone	With Q3 FY2020 standalone	Now Q3 FY2021 standalone	
Daily Necessity ↑	Normalized & accelerating	① Food & Beverage	100	110	150	200
		② Daily goods & Office supplies	100	120	150	200
		③ Department store Mail order	100	100	150	200
		④ Home electronics/ PC	100	90	150	200
		⑤ Delivery	100	150	400	500
		⑥ Digital content	100	150	300	500
Cycle through	Recover	⑦ Apparel	100	120	200	200
		⑧ Cosmetics/ Health foods	100	120	150	150
Hobby/ Leisure ↓		⑨ Travel	100	110	20	90

※ The figures above represent the TRX value of major categories for PG Multi-payment service that accounts for approximately 80% of online payments.(estimate)  
The figures are indexed to FY2018 Q3 standalone as 100. Apparel category excludes some merchants.

# 1.7 What the Q3 numbers say...

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## Sustaining a mid-to-long term growth is feasible

### ... about business environment

- EC usage related to daily consumption of new normal lifestyle that was affected by COVID is here to stay

- ①~④ : EC migration to increase and here to stay

- ⑤~⑥ : Significantly expanded due to changed lifestyles and become entrenched

- ⑦~⑧ : Impact has cycled through but remains elevated

- ⑨ : Plunged and still recovering

### ... about earnings

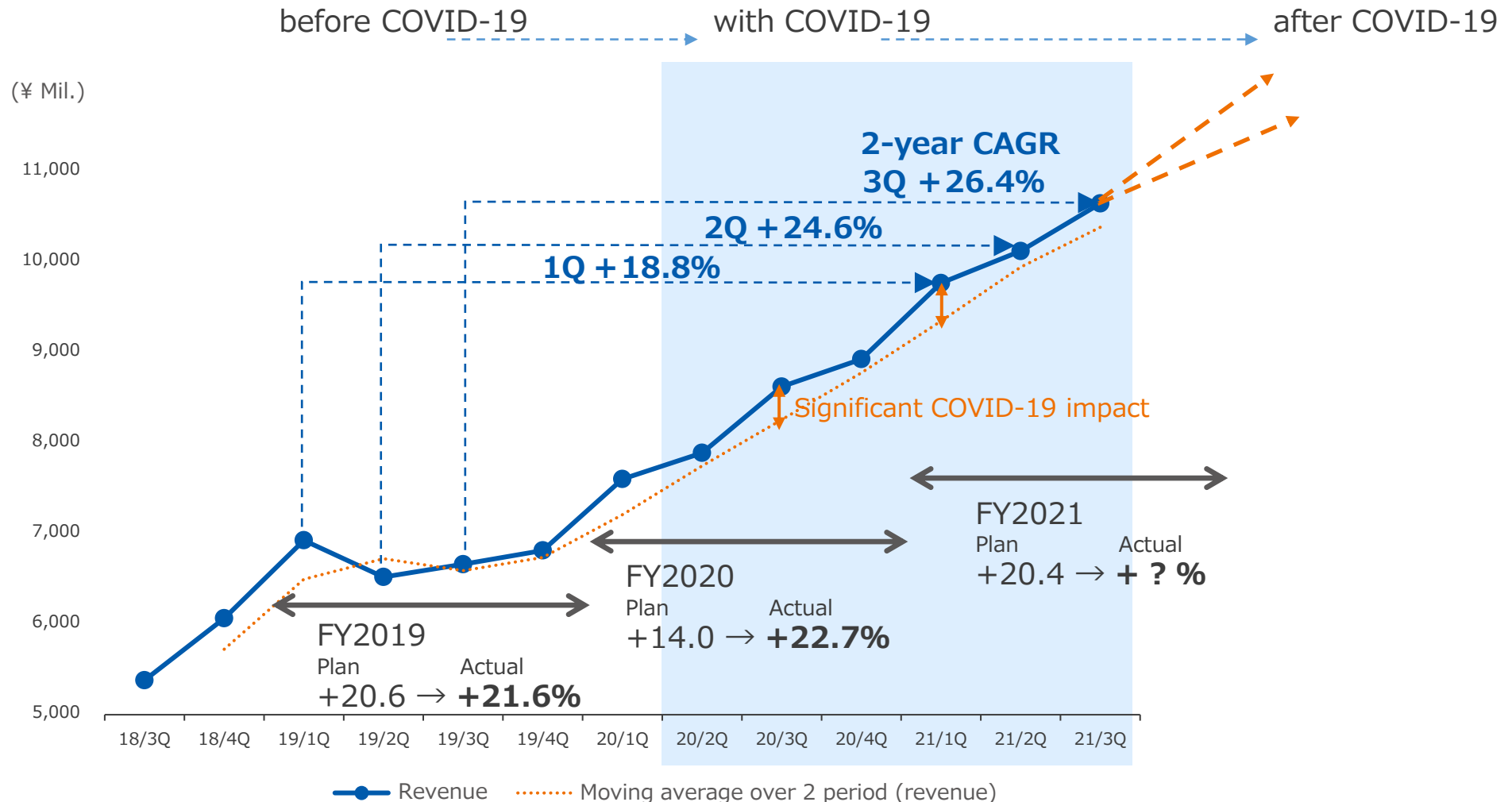
- Revenue growth 20~25% likely to be maintained even after COVID impact dissipates

- TRX volume shifting to stable growth from growth surge

- TRX value returns to over 25% growth trajectory

# 1.8 Growth trend of revenue

Return to 20~25% revenue growth trend as COVID impact recedes



※ Due to the deconsolidation of MACROKIOSK in FY20, the above figures present the amounts for continued operations only and exclude the discontinued operations.

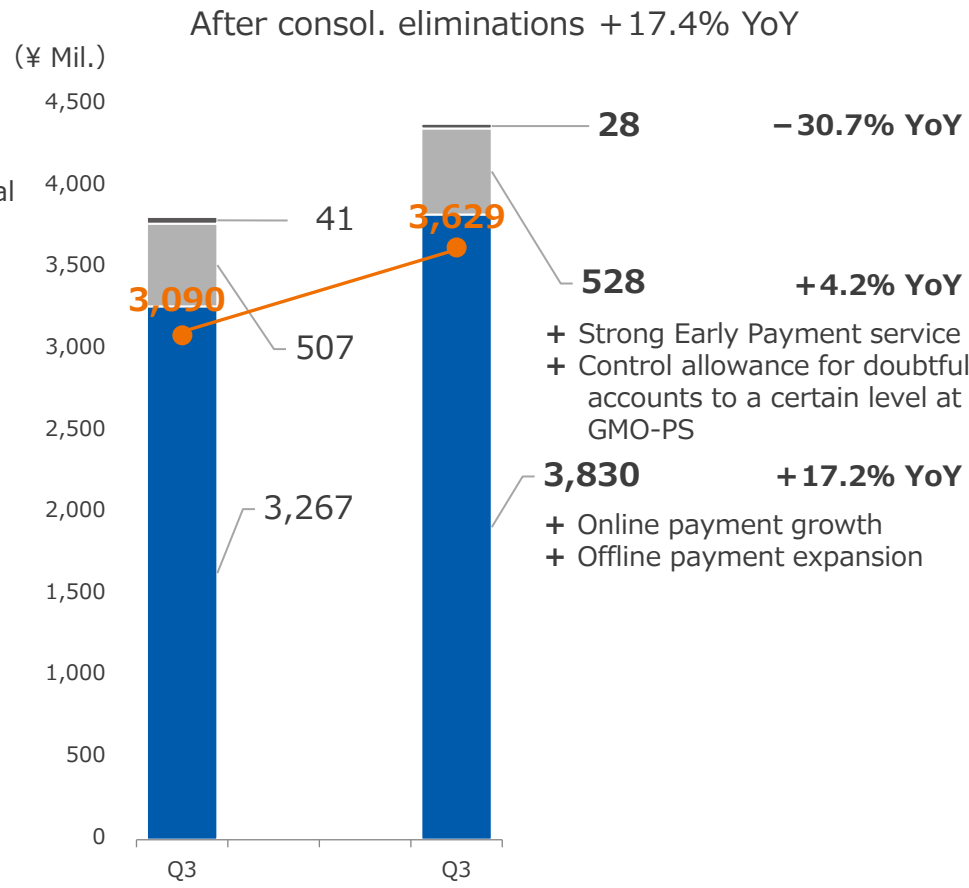
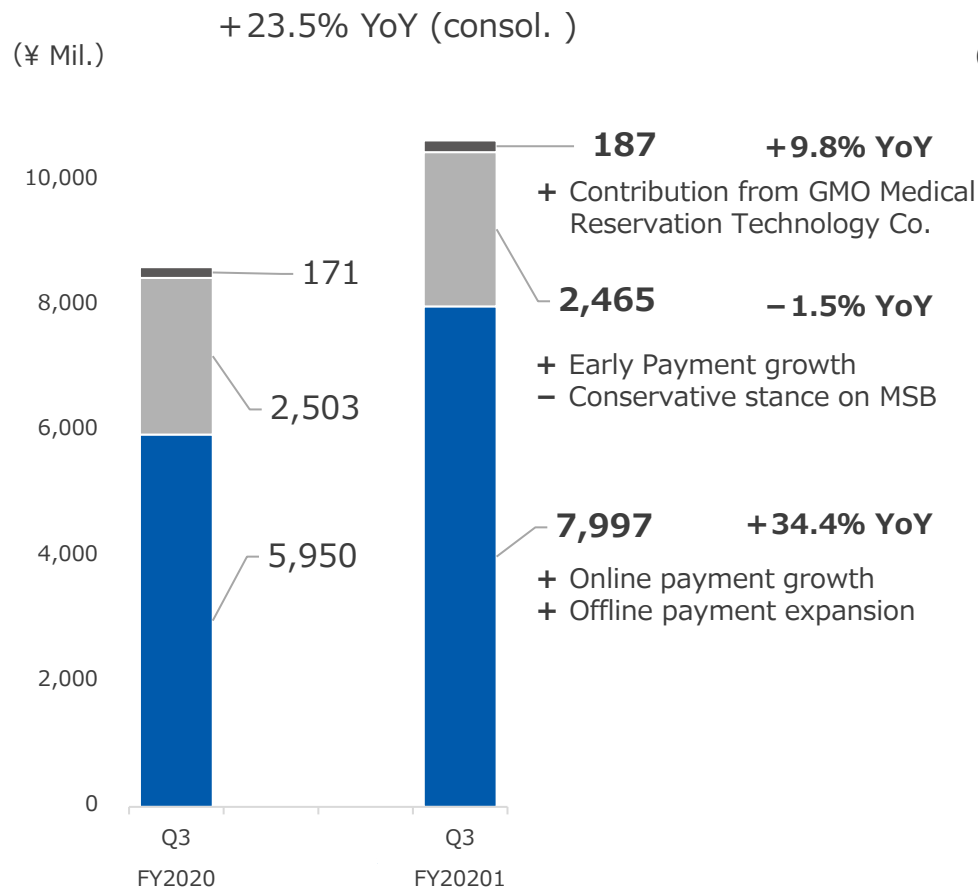
# 1.9 Segment results (Q3 standalone)

## Payment Processing segment revenue grew 34.4% thanks to solid online payment and strong payment terminal sales

Segment revenue

Segment operating profit

(Unit: ¥ Mil.)



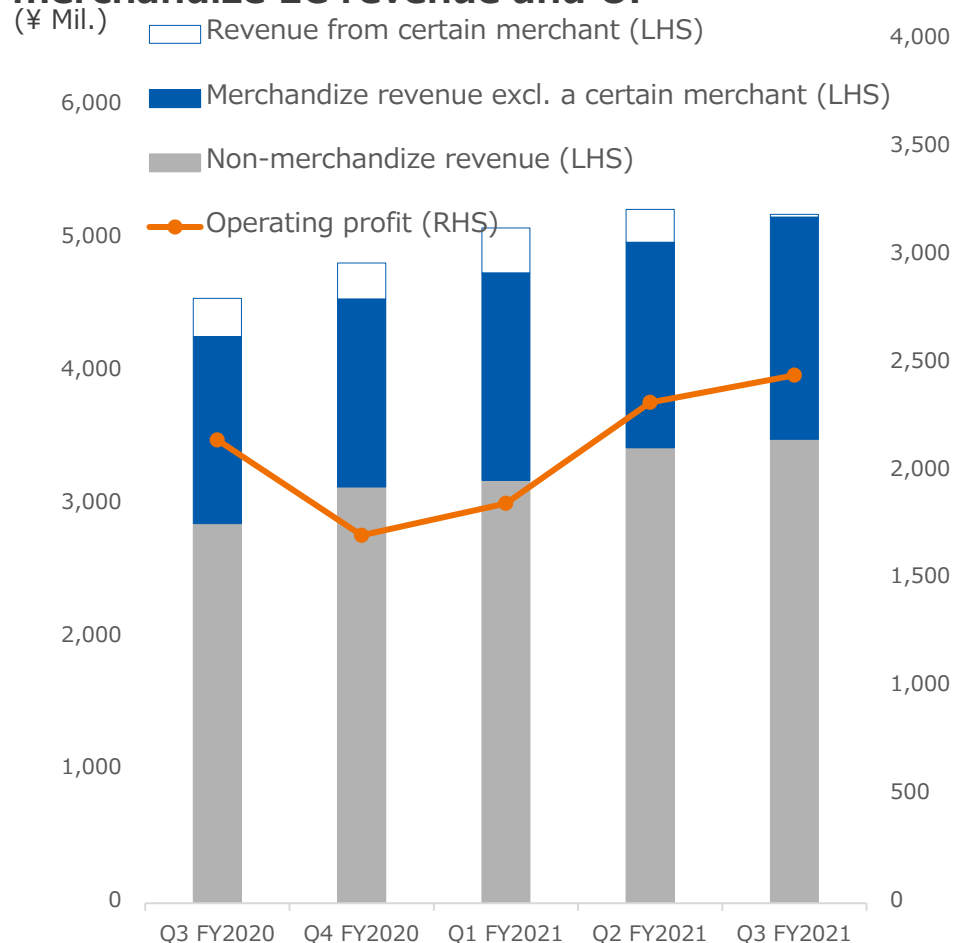
■ Payment Processing Business ■ Money Service Business (MSB) ■ Payment enhancement Business ● Operating Profit

※ Due to the deconsolidation of MACROKIOSK in FY020, the above figures present the amounts for continued operations only and exclude the discontinued operations.

# 1.10.1 GMO-PG non-consolidated performance (quarterly trend)

## GMO-PG non-consolidated returns to normalized growth pattern driven by non-merchandise EC

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



Revenue +13.6% YoY

OP +12.9% YoY

Major breakdown of revenue:

Excl. certain merchant

Online payment +17.4% +26.3%

Merchandize EC -0.1% +18.9%

Apparel -43.3% +9.9%

Food & Beverage +39.4%

Cosmetic, Health foods +9.3%

Non-merchandise EC +29.2%

Digital content +33.8%

Utility +80.4%

Travel & Ticket +46.6%

Money Service Business

Remittance service -16.2%

Early Payment service +58.0%

Overseas Lending +74.8%

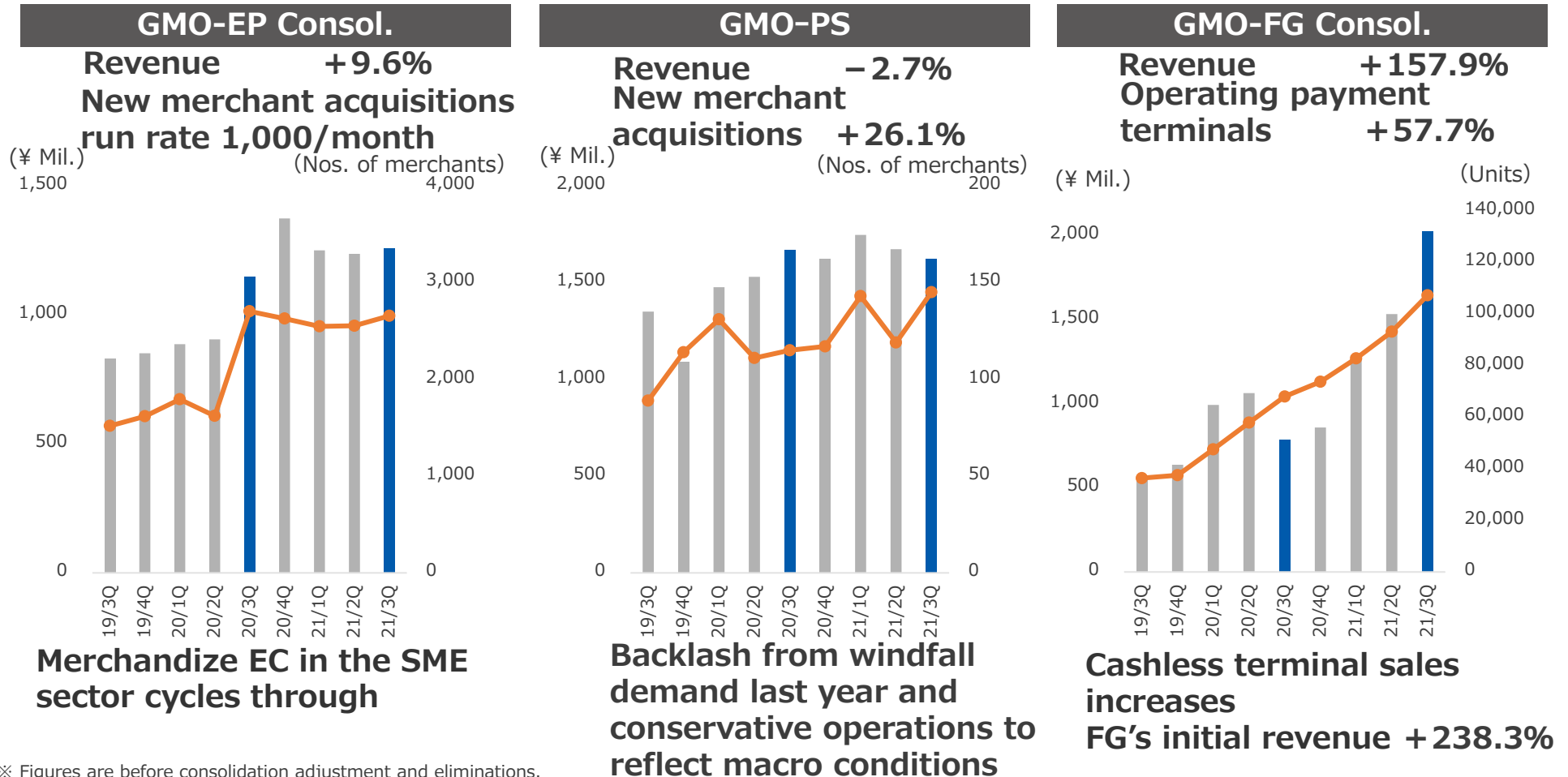
※ GMO-PG stands for GMO Payment Gateway

# 1.10.2 Performance of GMO-EP, GMO-PS and GMO-FG (quarterly trend)

## COVID impact both positive and negative at subsidiaries

Revenue and major KPI's by company

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



※ Figures are before consolidation adjustment and eliminations.

GMO-EP: GMO Epsilon, GMO-Med: GMO Medical Reservations Technology. GMO-PS: GMO Payment Service, GMO-FG: GMO Financial Gate and GCS: Global Card System.

## 2. Growth Strategies and Initiatives

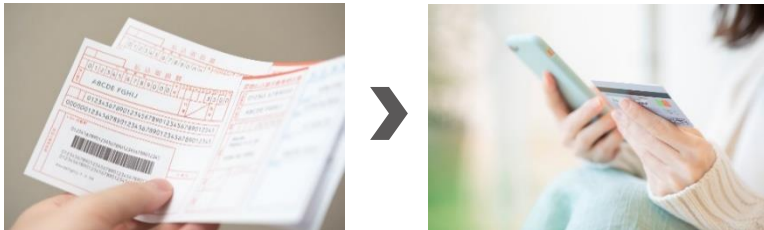
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# 2.1 Our value proposition

## Driving social advancement and progress through DX adoption and decarbonization efforts

Value contribution to society and our role



Digital invoice service

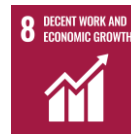
### SUSTAINABLE DEVELOPMENT GOALS



Access to financial services for all men and women  
Investment and loans to microfinance and new technology firms



Plan to begin EC payment processing using de facto renewable energy in 2021



Selected as "Great Place To Work" for 7 years  
Payment Processing delivers the merchant's passion "Sokkyu byGMO" quick access to salary after work



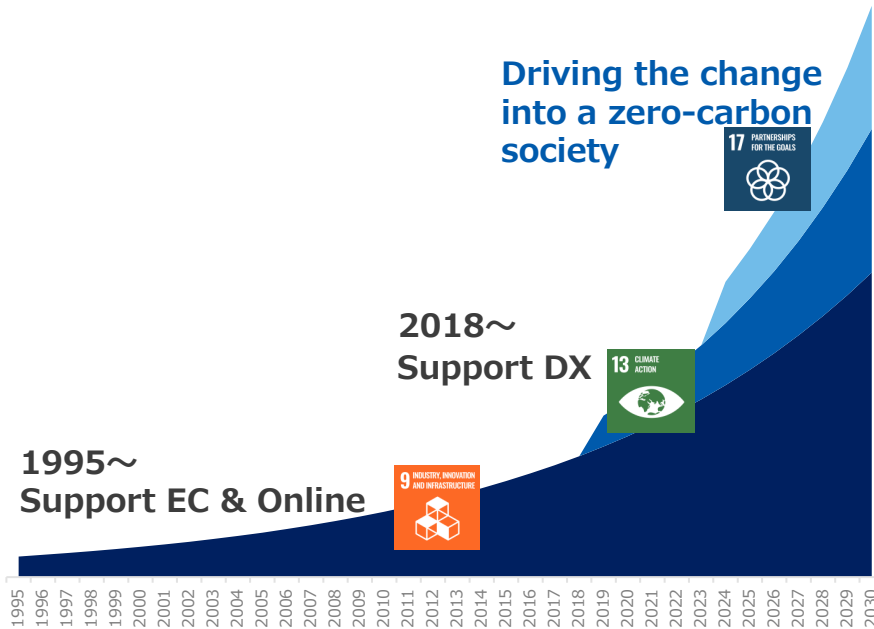
Drive social innovation through payment and financial technology



Various decarbonization activities through DX, such as paperless operations at merchants

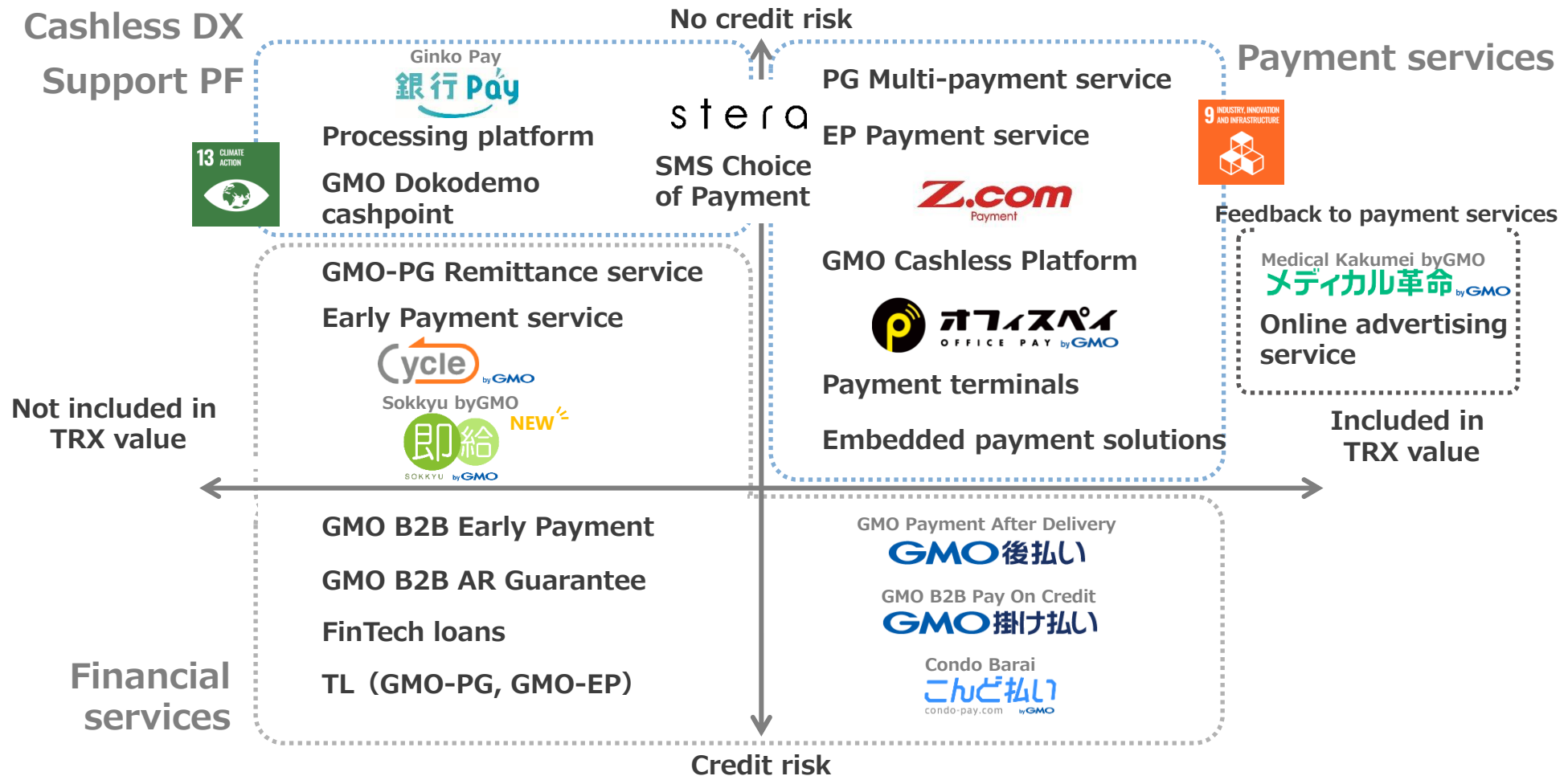


28 years of promoting open innovation of Japan's EC ecosystem with other corporate groups



# 2.2 Our value proposition: product map

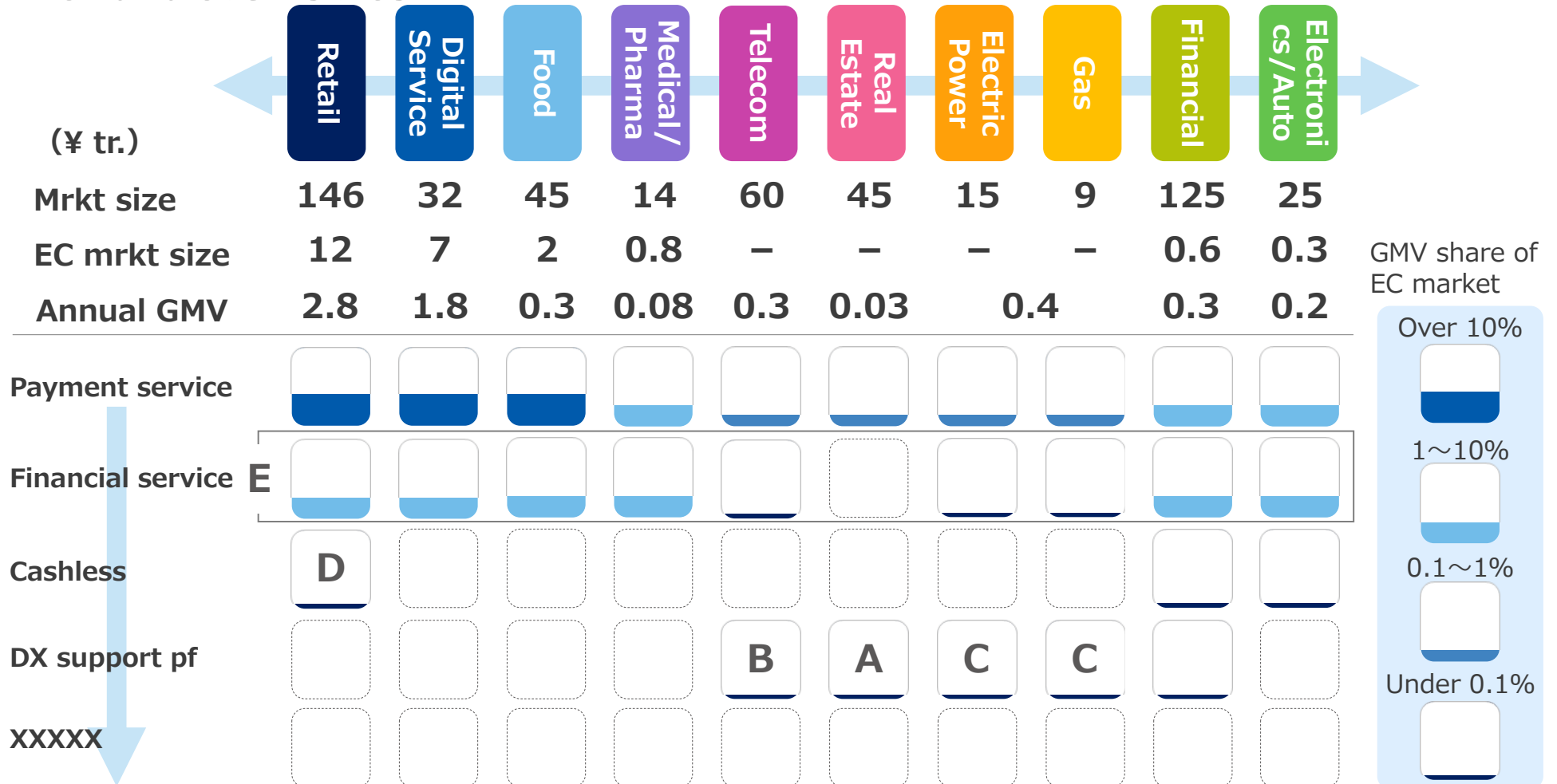
## How we define "payment": digitalizing the flow of money



※ TL: Transaction Lending, PF: platform.

## 2.3 Vector of business expansion

Business expansion by aligning services to the industry's characteristics



※ Market size: based on GMO-PG's estimate. EC market size: figures are based on METI's "FY2019 E-Commerce market survey," and figures for Food through to Electronics is included in Retail, Services and Digital

GMV: refers to TRX value for online payment. Financial service: refers to Remittance, Early Payment, Payment After Delivery and Lending included in our financial-related services.

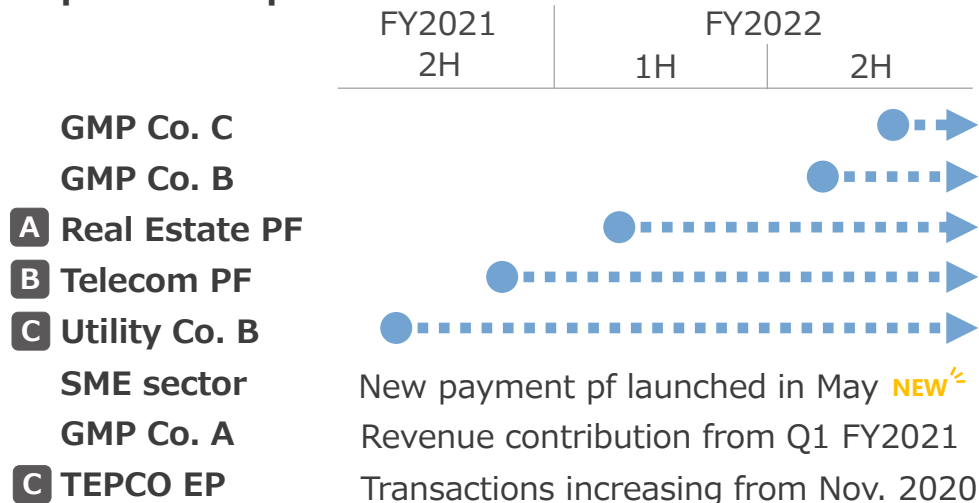
# 2.4 Broader EC

## Targeting large merchandize/non-merchandize EC operators, focus on SME sector

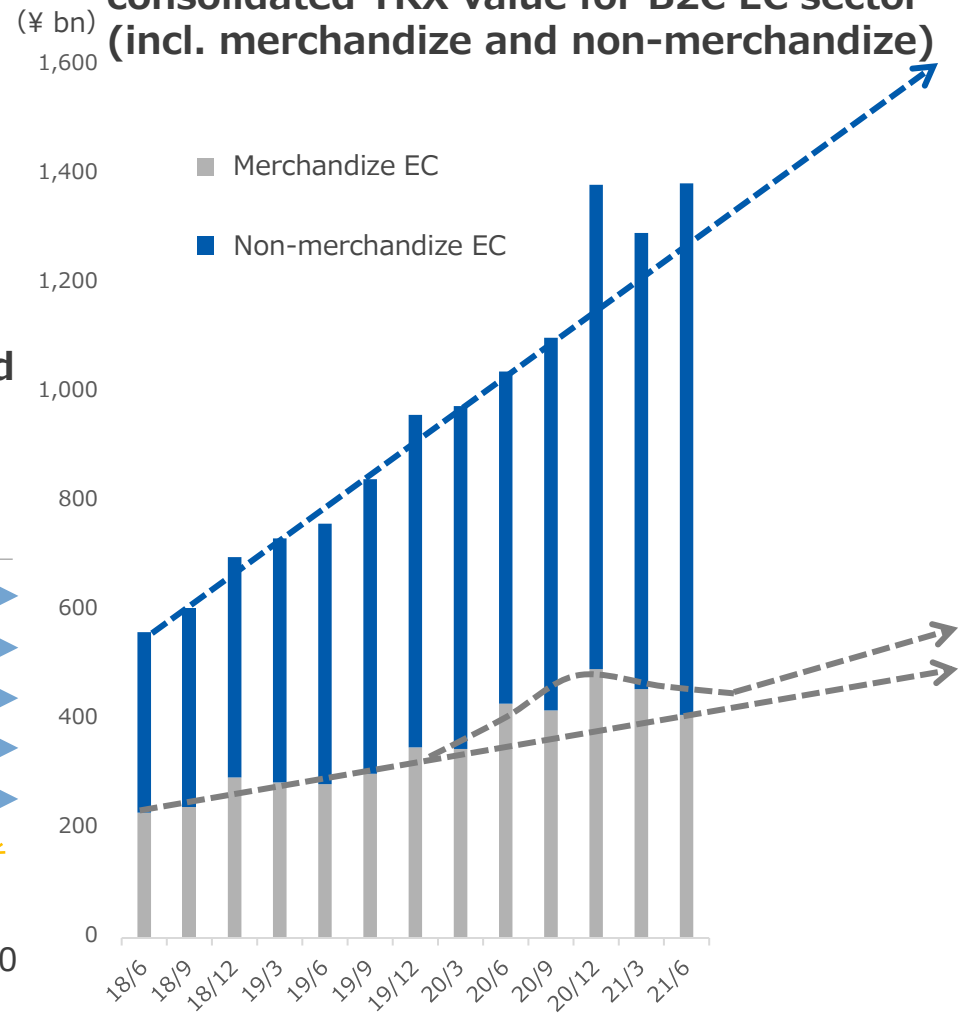
	2020 (Act.)	2025 (Plan as of 2021)
OP (¥ bn.)	7.5	18~22

### Growth scenario

- 1) Inroads to non-merchandise and merchandise EC
- 2) Payment p/f to industry leaders
- 3) Approach GMPs (Global Major Players) and target global large merchants through partnerships with GMPs



Quarterly trend of GMO-PG non-consolidated TRX value for B2C EC sector (incl. merchandize and non-merchandize)



# 2.5 BaaS/Cashless

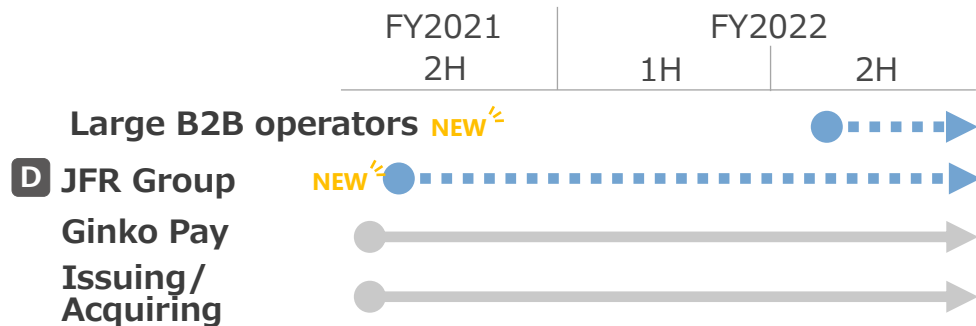
Target OP ¥1.0 bn in 2025 by service diversification and lateral expansion within the sector

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

### Growth scenario

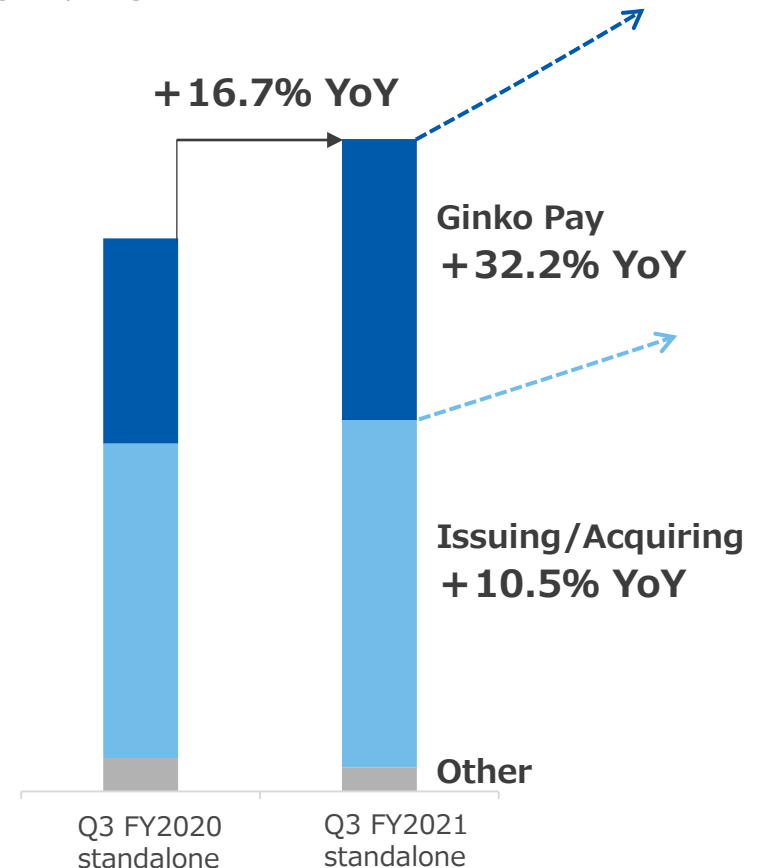
- 1) Platform customized to specific customers
- 2) Lateral expansion within sector incl. large companies
- 3) Service diversification and approach to other operators including retailers

### Progress on Priority Initiatives and new projects



### Stock revenue from services to financial institutions (Q3 standalone)

- Ginko Pay
- Issuing/Acquiring
- Other



※ BaaS : Bank as a Service

# 2.6 Offline/IoT

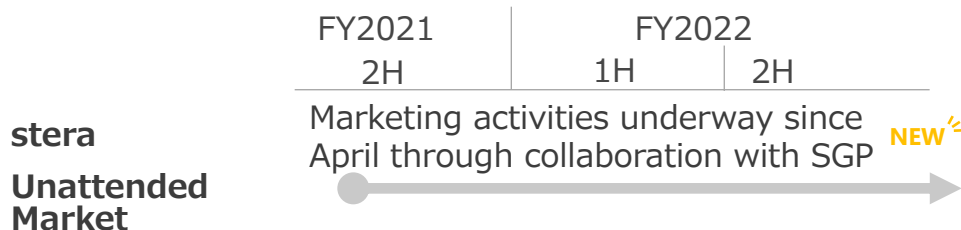
Capture the gigantic offline market by leveraging the synergy between IoT+EC business and stera

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

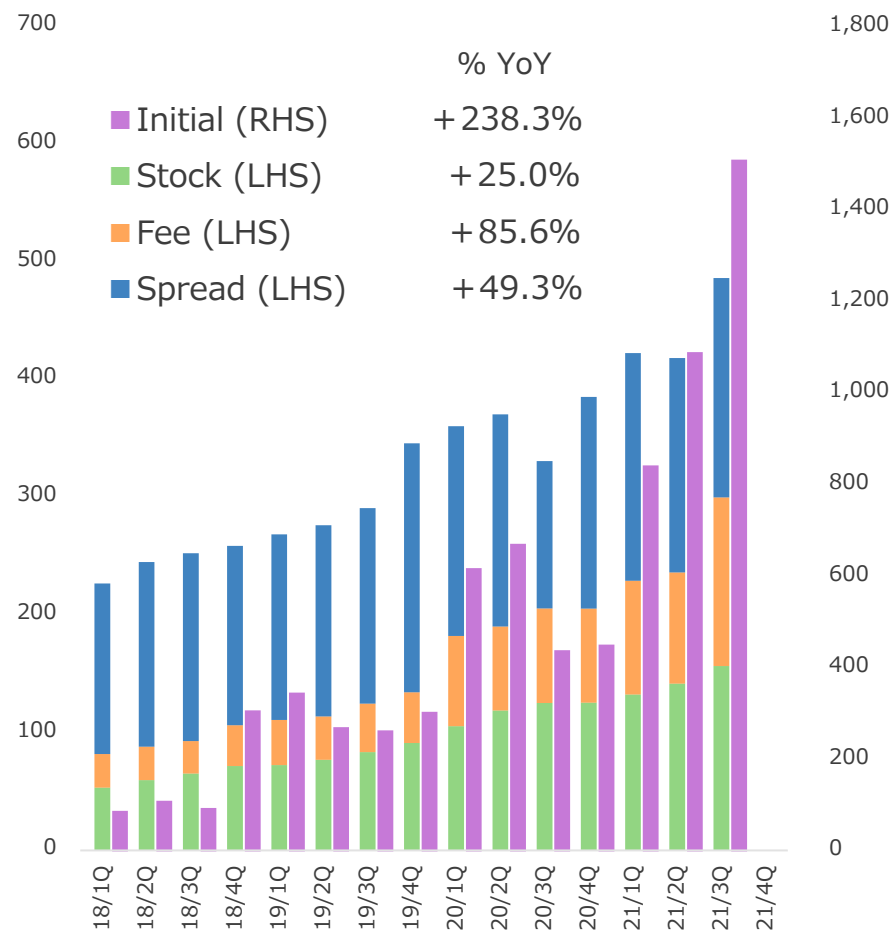
### Growth scenario

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

### Progress on Priority Initiatives and new projects



Quarterly trend GMO-FG & GCS's revenue by business model (¥ mil.)



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

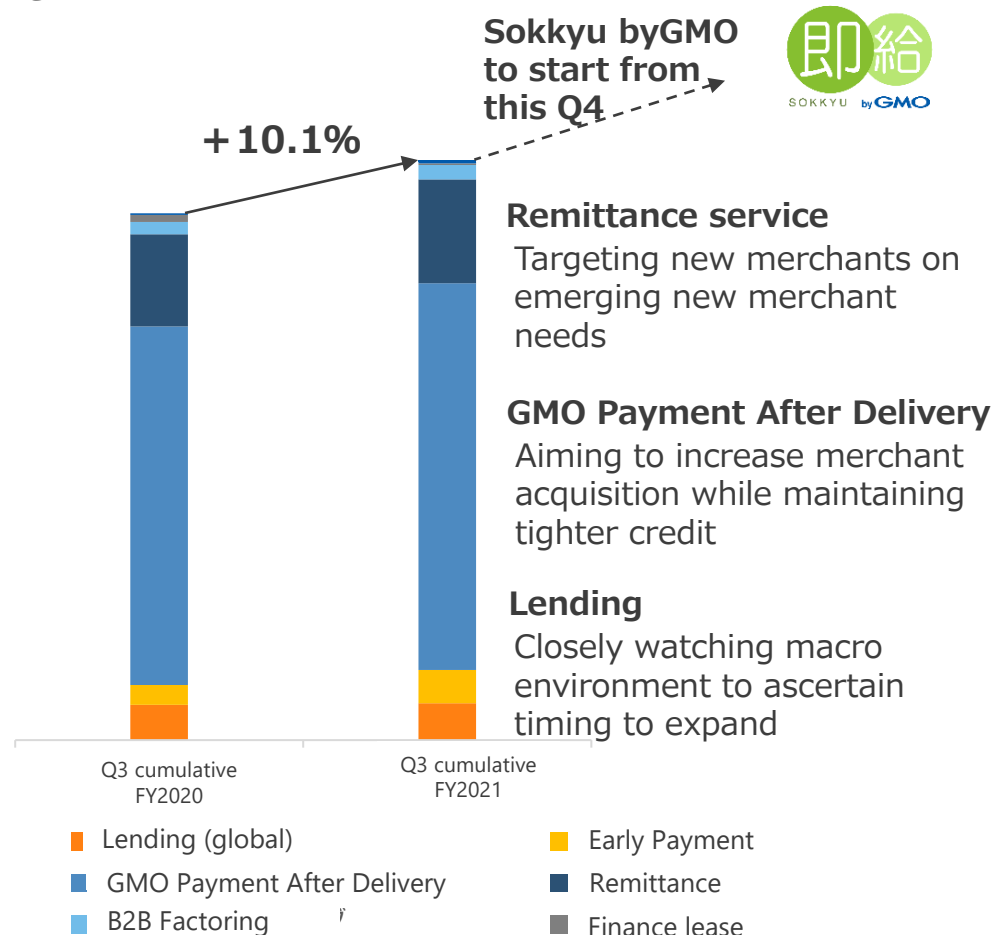
※2 SGP: SMBC GMO PAYMENT ※3 Figures is the sum-total for GMO Financial Gate and GCS.

# 2.7.1 FinTech

## Aim to return to 25% growth through new merchant acquisitions for Payment After Delivery and new services

	<b>2020</b>	<b>2025</b>
	(Act.)	(Plan as of 2021)
OP (¥ bn.)	<b>1.8</b>	<b>3~</b>

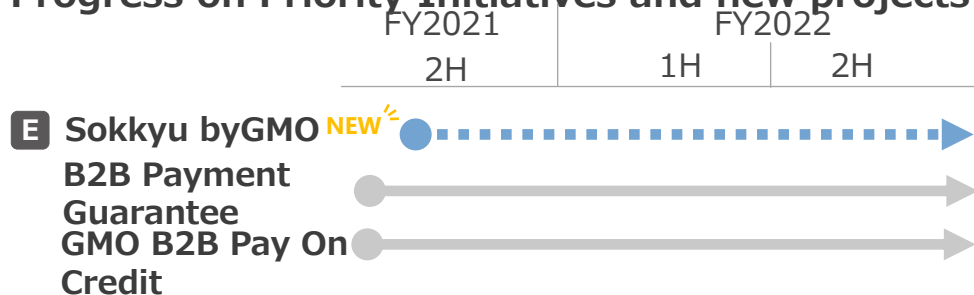
Q3 cumulative revenue for FinTech services



### 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) Financial inclusion  
Sokkyu byGMO, GMO Payment After Delivery

### Progress on Priority Initiatives and new projects



※ 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.

# 2.7.2 FinTech: product additions

Providing financial access broadly by digitalizing the flow of money

Salary bank transfer market

**TAM ¥200 tr.**

Instant access to salary for the amount of work completed



Final private consumption

**TAM ¥300 tr.**

Rent payment

SMS payment for electric power bill

Take the train

Buy apparel online

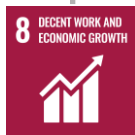
Order meal delivery

Make a hospital appointment

Enjoy video content

Attend prep school

Listen to music



GMO Payment After Delivery



Condo Barai



Payment processing service



stera



Ginko Pay

決済端末

Payment terminal

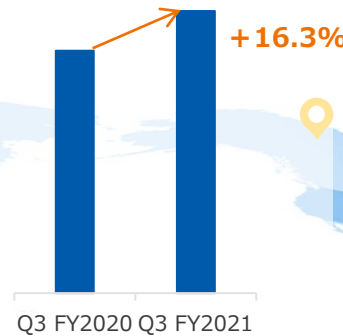


# 2.8 Global

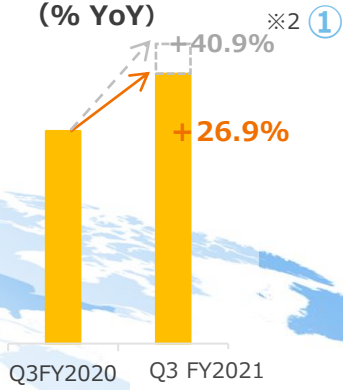
Ascertain differences in economic recovery of each country, buildout a stable foundation for future expansion

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

Payment processing TRX value (% YoY)



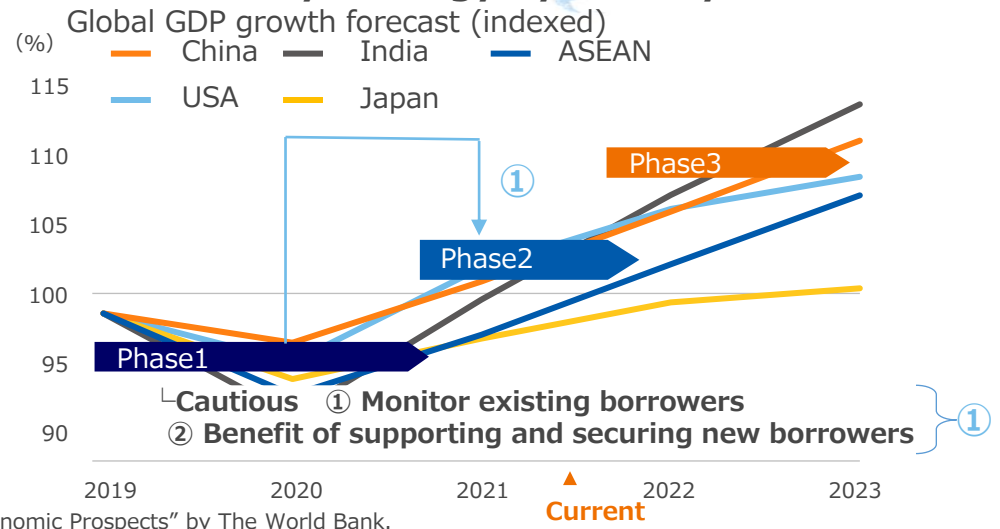
MSB revenue (% YoY)



## Strategy going forward

- Indonesia** Phase2
  - Continue to enhance support for prime existing customers, secure new borrowers
- India** Phase2
  - Secure new customers, nearing full launch
- US** Phase2
  - Develop stable foundation while controlling risks

## Market entry strategy by country<sup>※3</sup>



※1 Global OP in FY2020 is included in FinTech.

※2 Includes a one-time revenue recorded in Q3 F2021

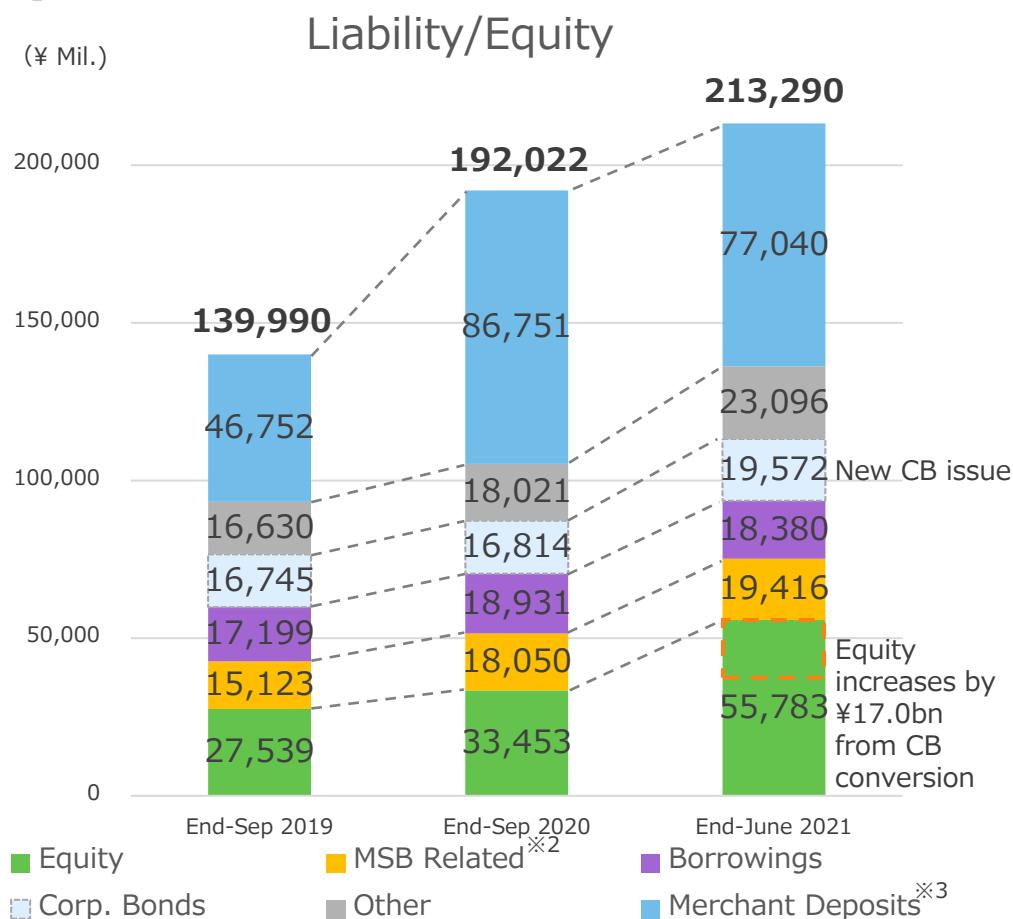
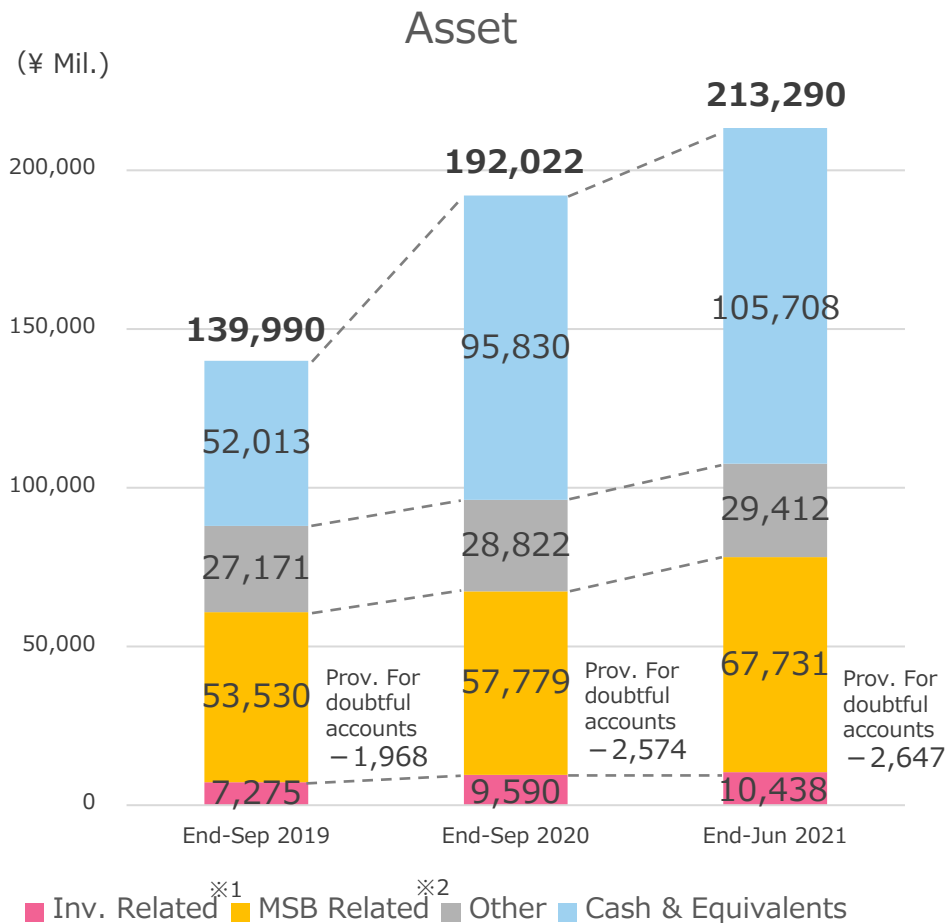
※3 Shows the relative position indexed to 2019 with reference "June 2021, Global Economic Prospects" by The World Bank.

## 3. Financial Highlights

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# 3.1 Balance Sheet Changes

Financial strength improves as equity reaches ¥55.7bn, an increase of ¥17.0bn from 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

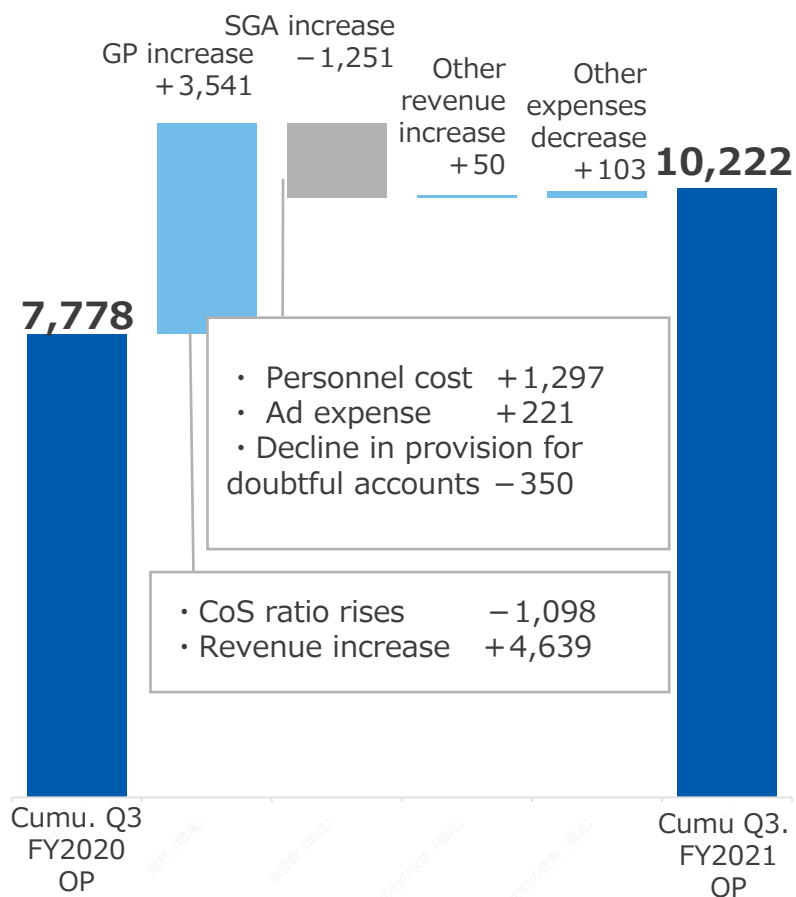
※3 Deposits received from merchants under the Representative Contract. ※4 Some figures are shown in net amounts of financial assets and liabilities.

## 3.2 OP and Pre-tax Profit Growth (Q3 Cumulative)

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

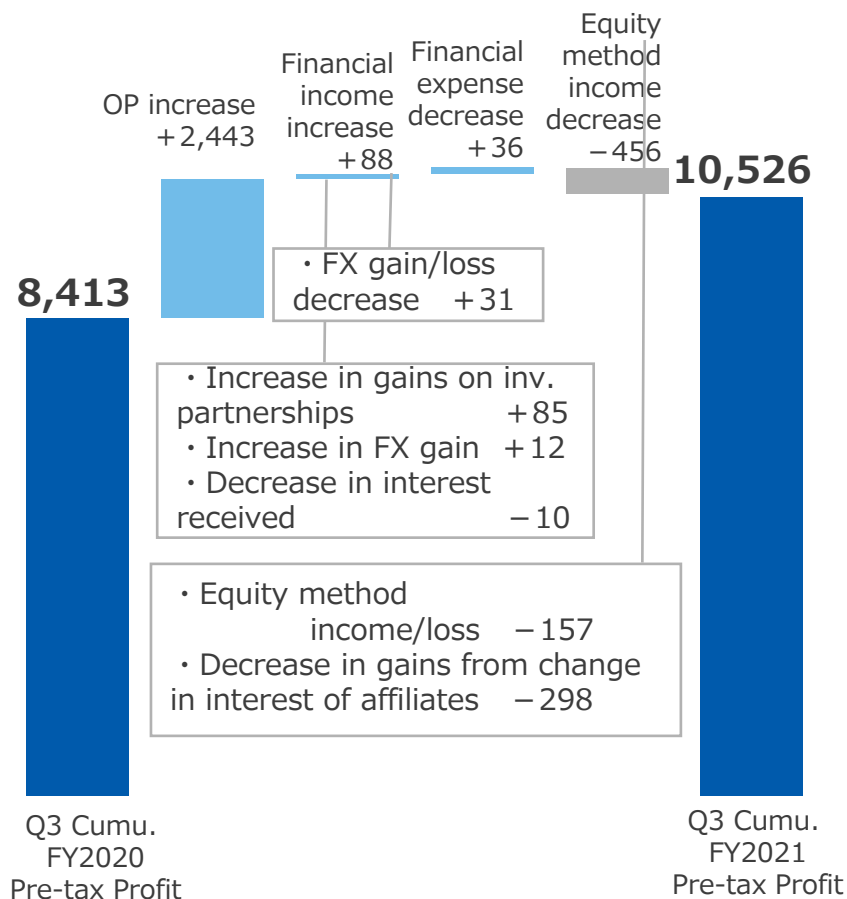
OP YoY: waterfall chart  
(+31.4% YoY)

(¥ Mil.)



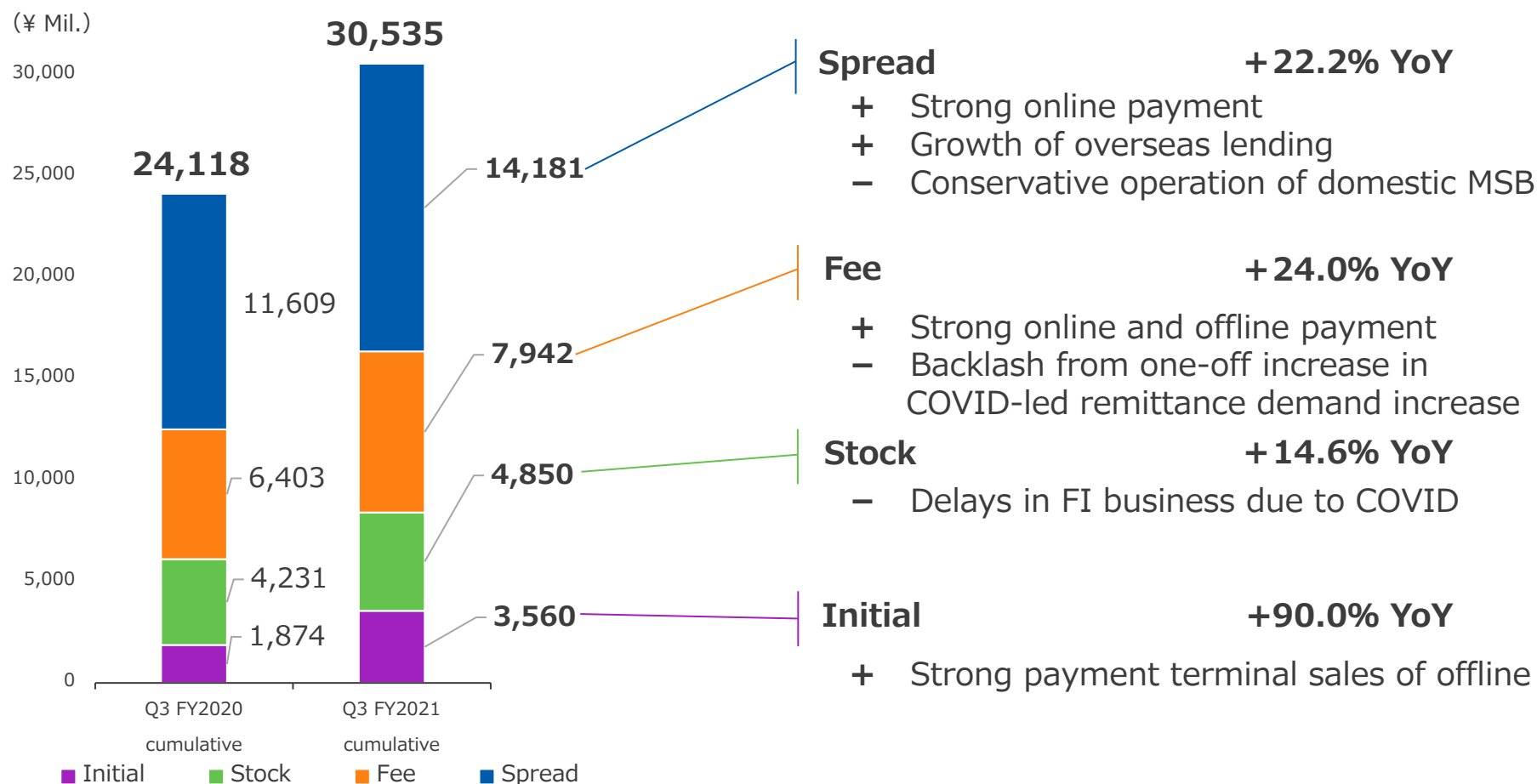
Pre-tax profit YoY: waterfall chart  
(+25.1% YoY)

(¥ Mil.)



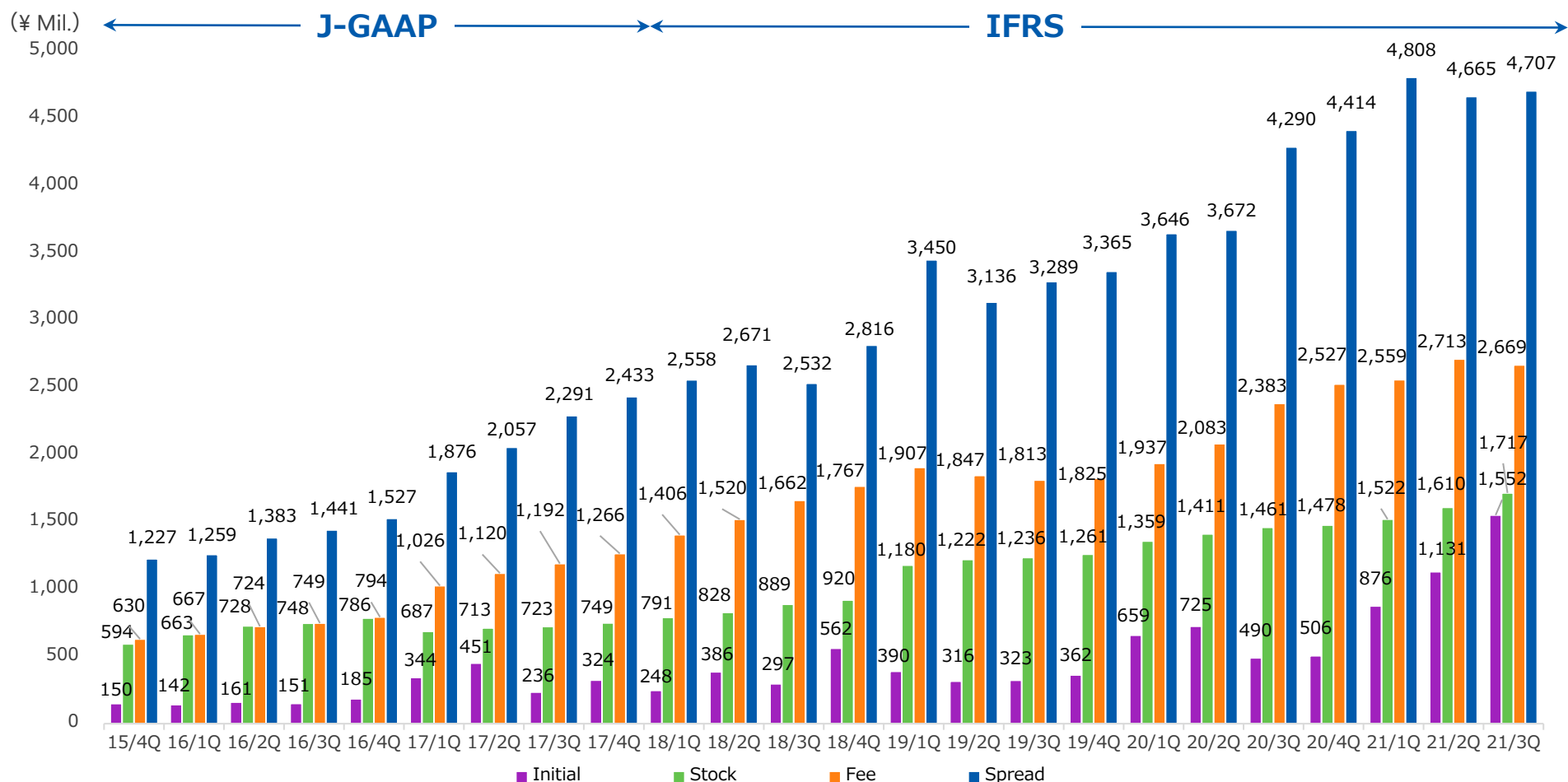
## 3.3.1 Revenue by Business Model (Q3 Cumulative)

Fee and spread increased despite the hard comps against last year's nesting demand



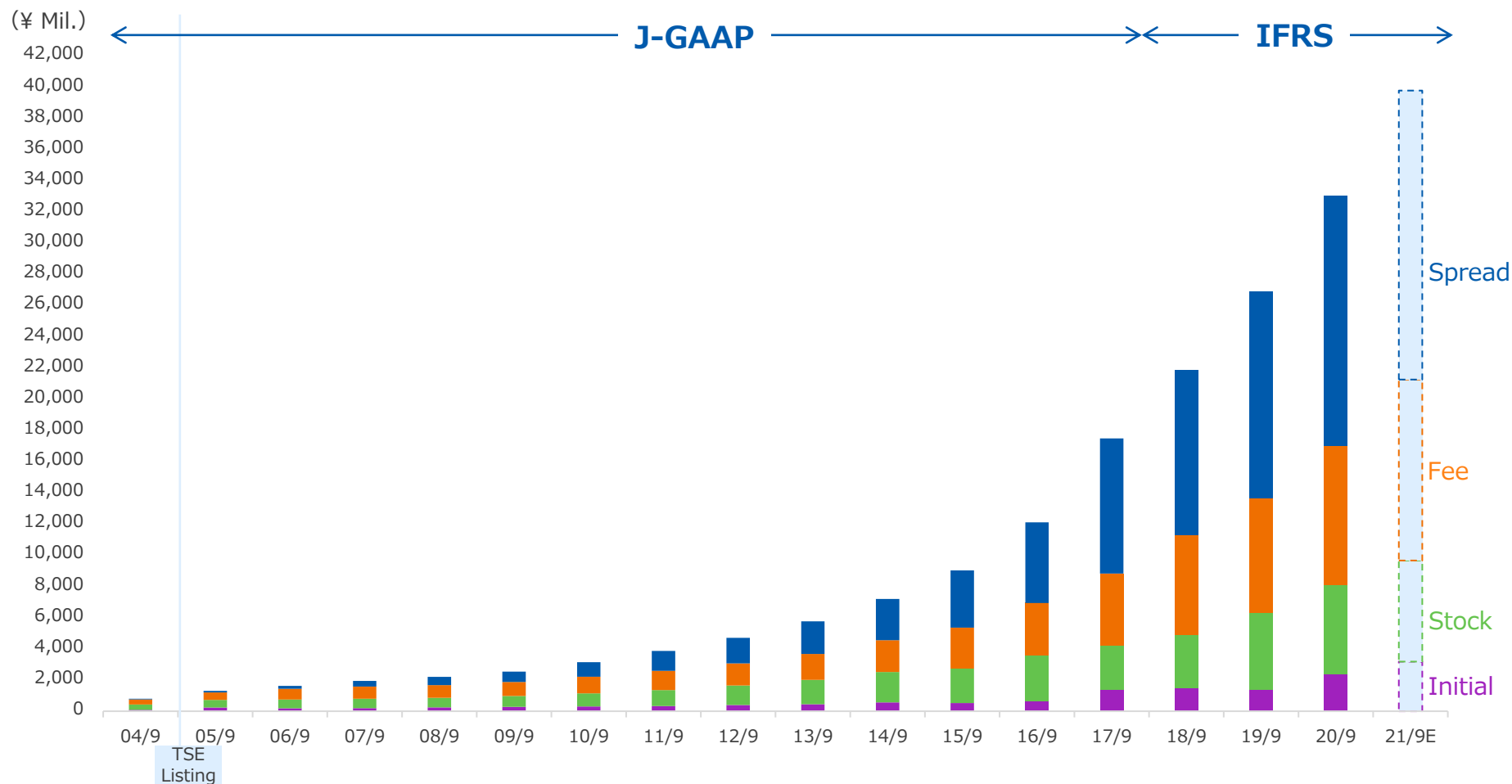
Due to the deconsolidation of MACROKIOSK in FY2020, the above figures present the amounts for continued operations only and exclude the discontinued operations.

## 3.3.2 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.

### 3.3.3 Revenue Trend by Business Model (Annual)



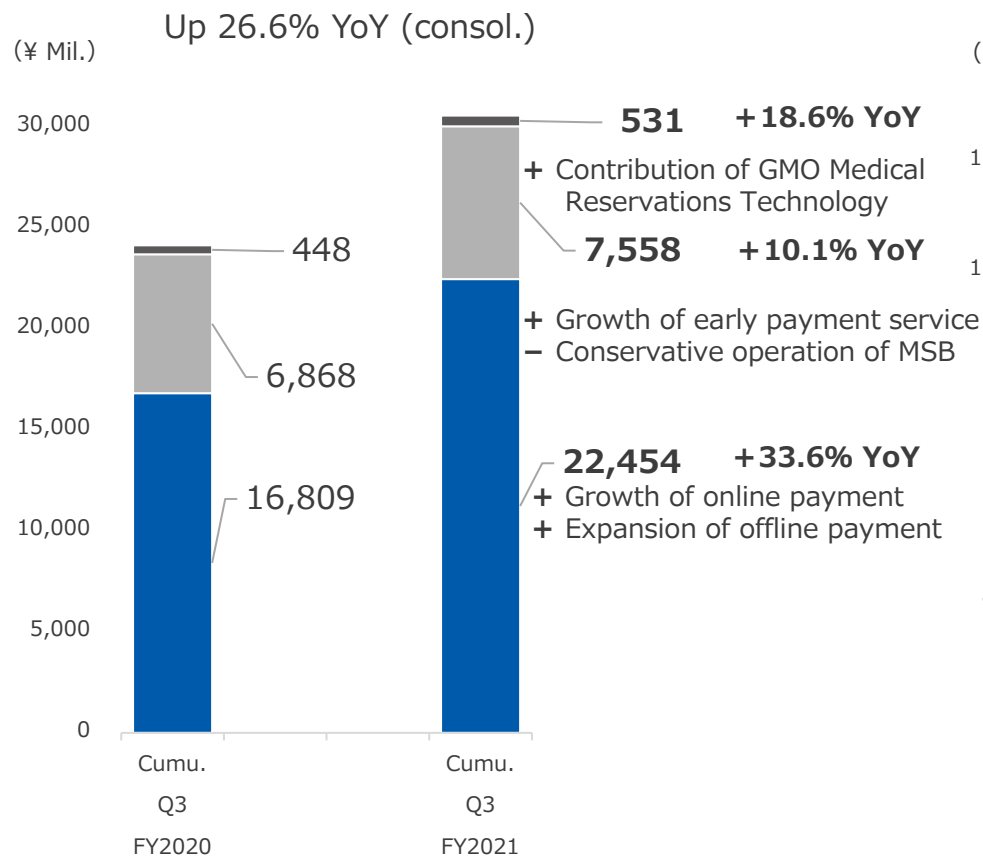
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# 3.4 Segment Results (Q3 cumulative)

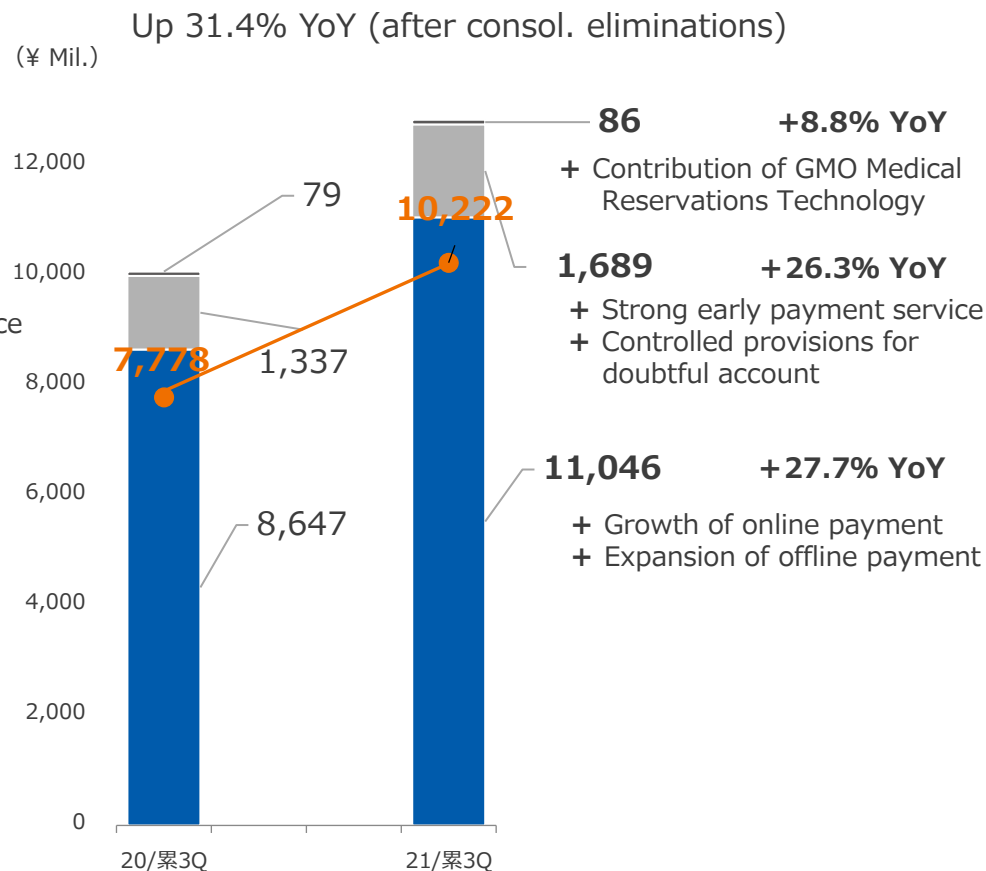
## Payment Processing Business and Money Service Business segment OP increased by over 25%

(Unit: ¥ Mil.)

### Segment revenue



### Segment operating profit



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

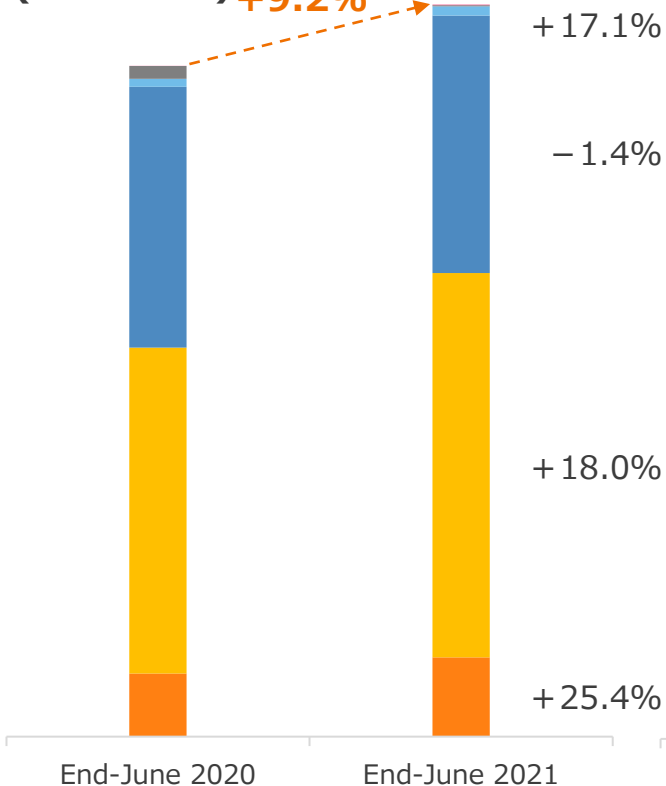
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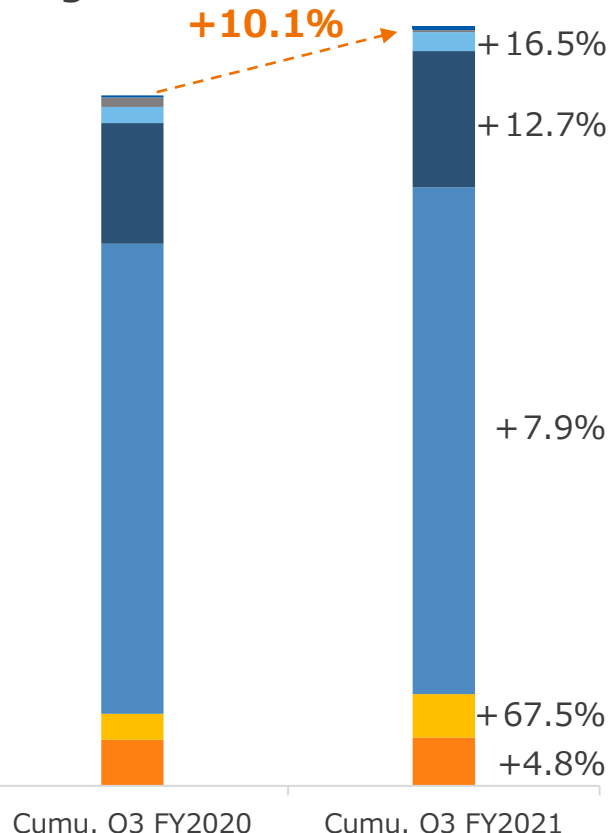
# 3.5.1 FinTech: Assets & Profit Growth (Q3 Cumulative)

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

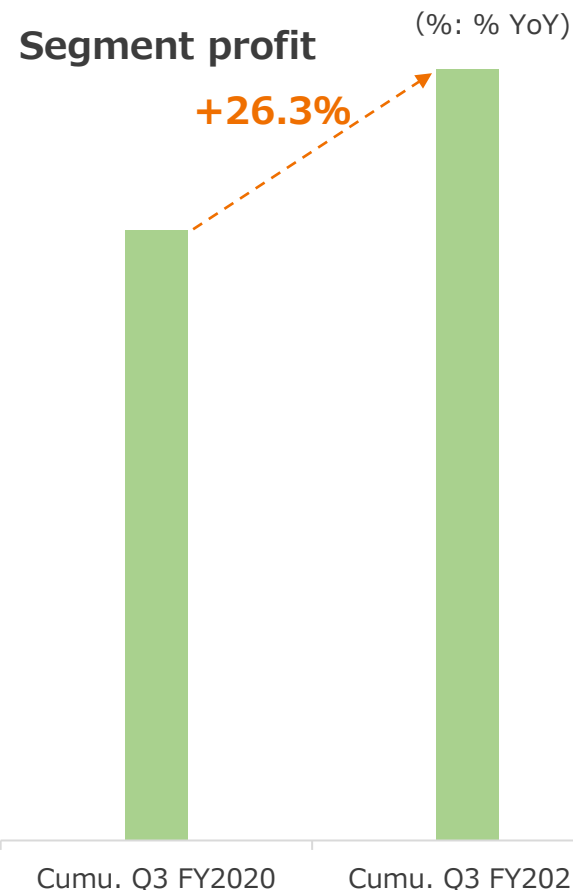
MSB related assets (end-June)



Segment revenue



Segment profit



■ Lending (global) 
 ■ Early Payment 
 ■ GMO Payment After Delivery<sup>※1</sup>
■ Remittance 
 ■ B2B Factoring 
 ■ Finance Lease<sup>※2</sup>
■ B2B AR Guarantee<sup>※2</sup>
■ Condo Barai<sup>※2</sup>

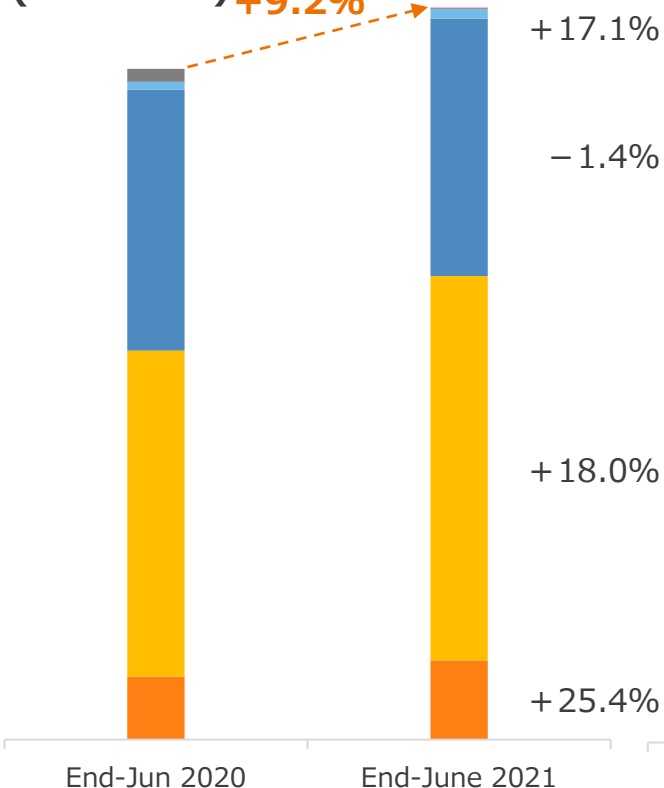
※1 Figures for GMO Payment After Delivery assets (accrued revenue) are net of provision for doubtful accounts.

※2 YoY figures are not displayed for Finance lease, B2B AR Guarantee, "Condo Barai".

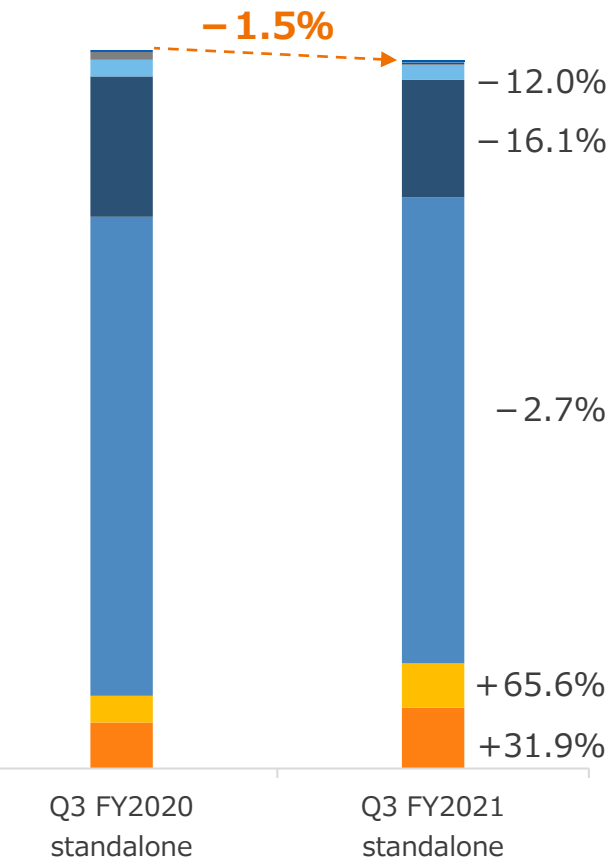
# 3.5.2 FinTech: Assets & Profit Growth (Q3 Standalone)

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

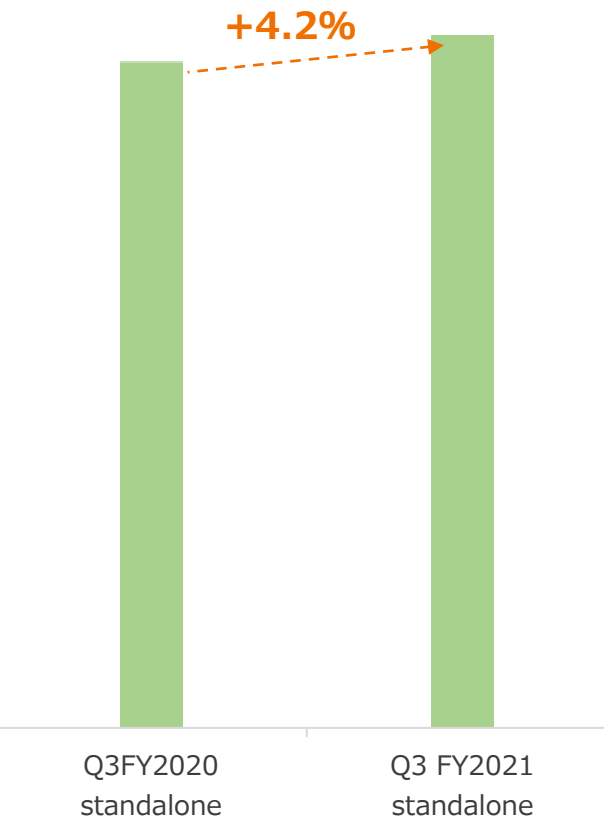
MSB related assets (end-June)



Segment revenue



Segment profit (%: % YoY)



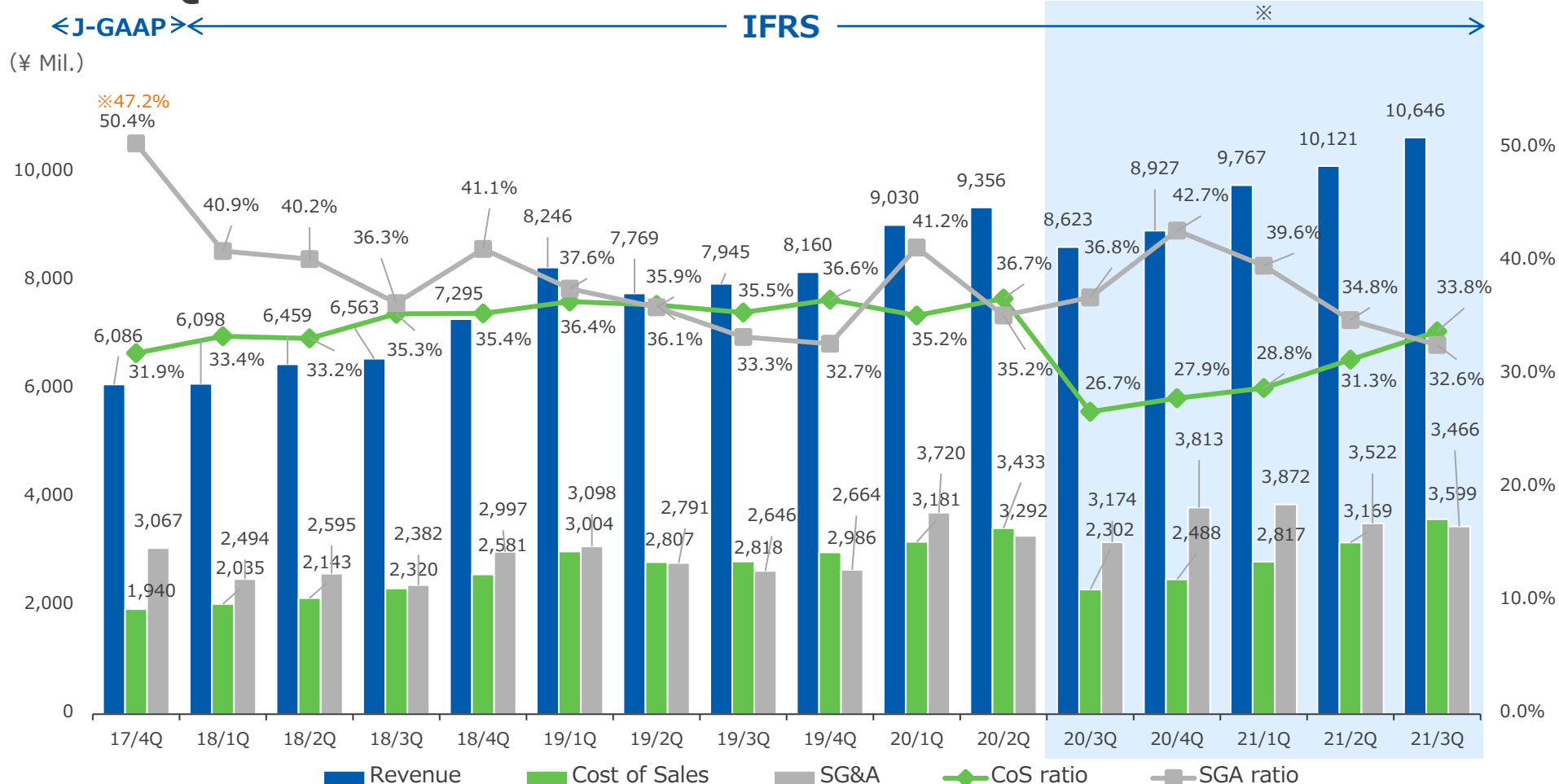
■ Lending (global) 
 ■ Early Payment 
 ■ GMO Payment After Delivery<sup>※1</sup>
■ Remittance 
 ■ B2B Factoring 
 ■ Finance Lease<sup>※2</sup>
■ B2B AR Guarantee<sup>※2</sup>
■ Condo Barai<sup>※2</sup>

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

※2 YoY figures are not displayed for Finance lease, B2B AR Guarantee, "Condo Barai".

# 3.6.1 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

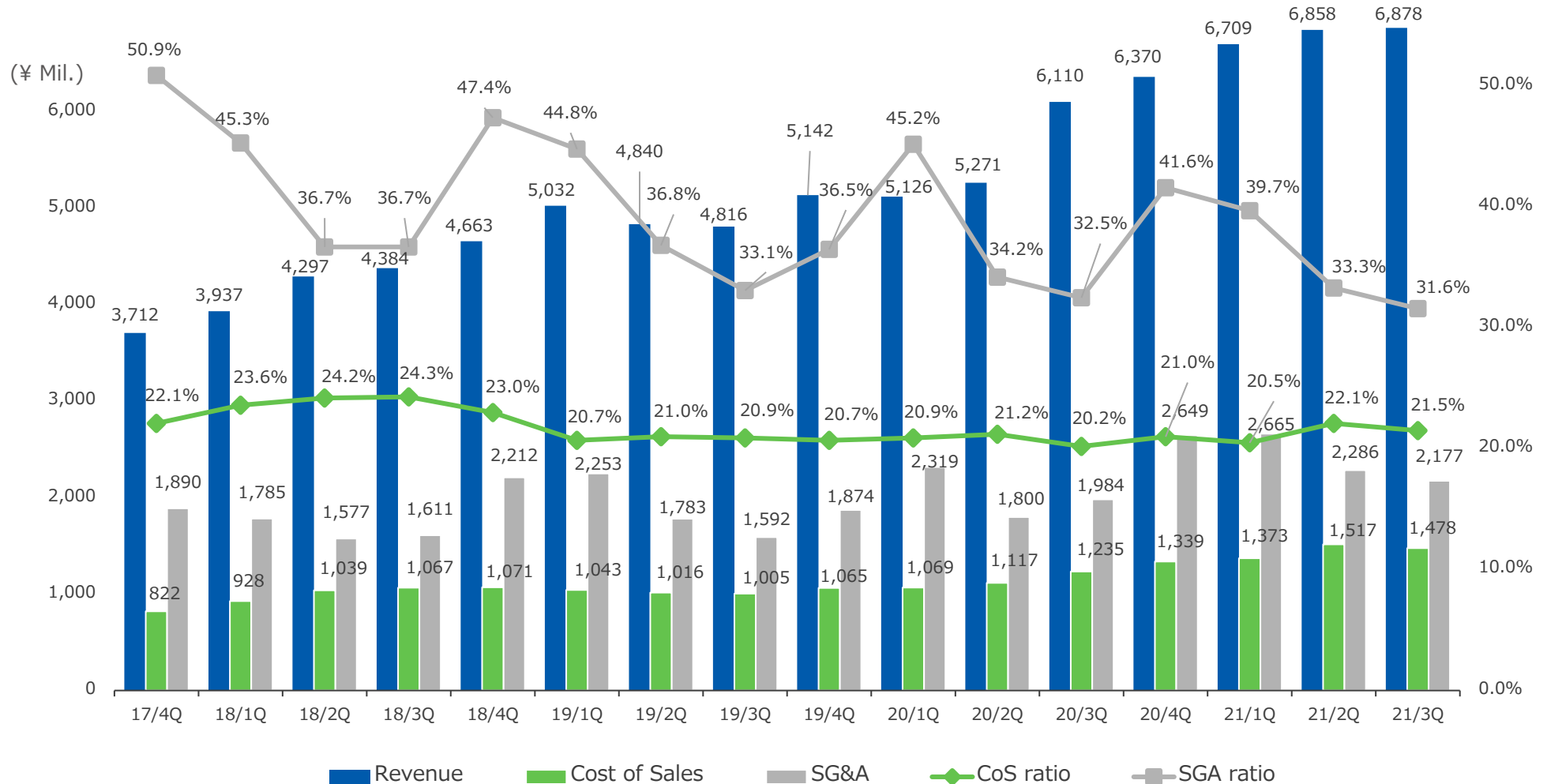


※Figures with asterisk exclude outsourcing expense related to MSB. These outsourcing expenses are not recorded in SG&A from December 2017 (Q1) due to change in accounting standards.

※ 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.

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

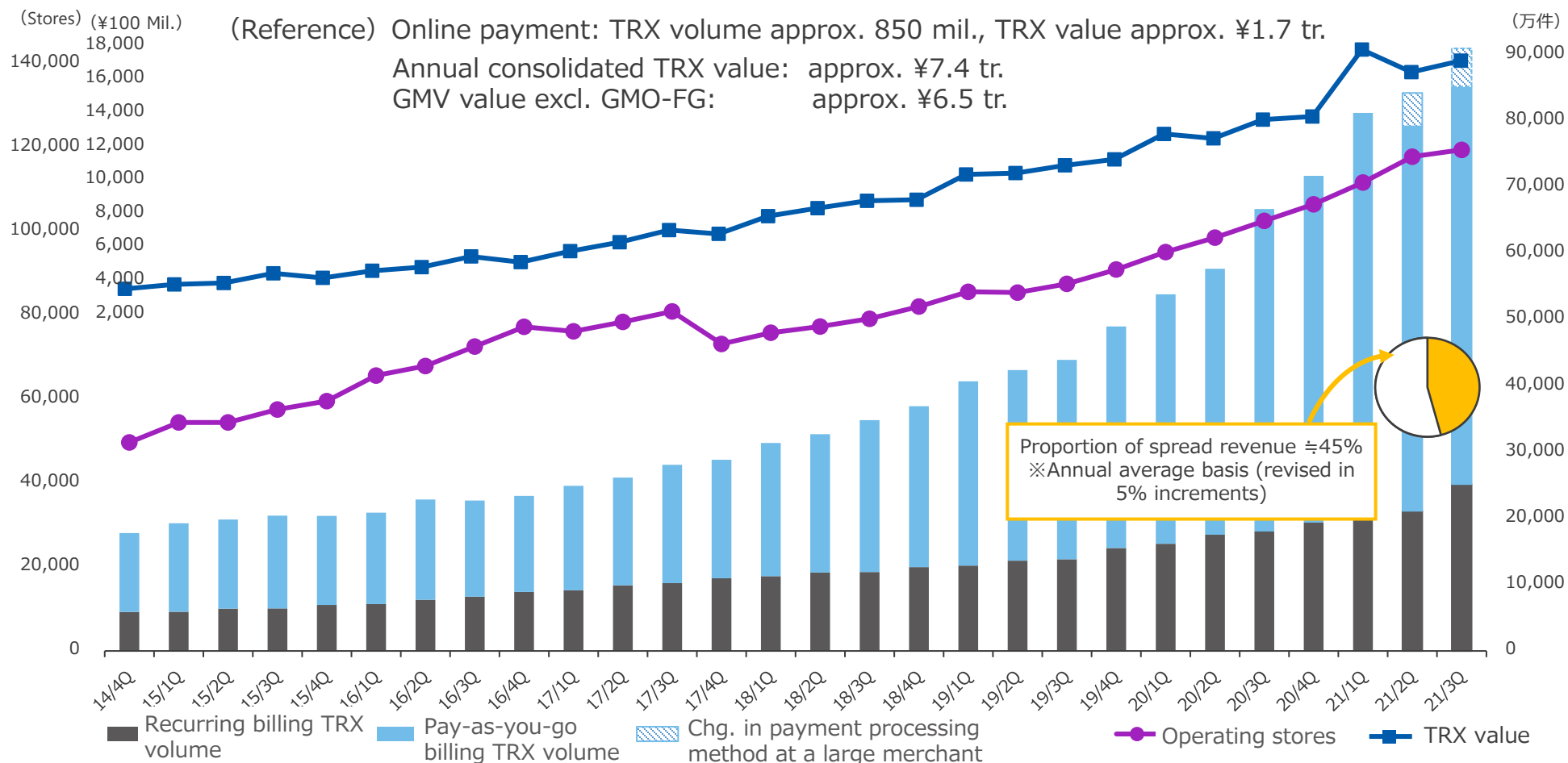
## Cost of sales ratio for online payment business trending stably



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

## Group-wide annual TRX value reaches ¥7.4 trillion

Operating stores: 119,440 stores<sup>※1</sup>, TRX volume approx. 890 mil., TRX value approx. ¥2.0 trillion.<sup>※2</sup>

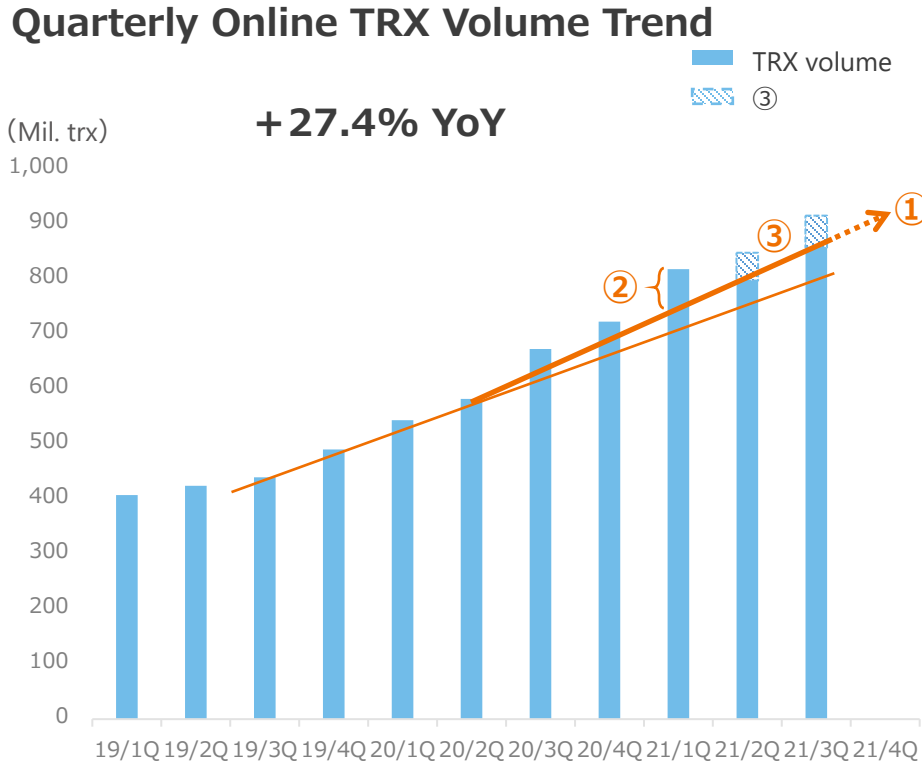


※1 Figure excludes a significant increase in operating stores from a specific merchant. Figures exclude the stores related to a large delivery company from Q1 FY2017. If included, operating stores would be 270,389 (down 11.3% YoY).

※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.

# 3.7.2 Growth trend of KPIs

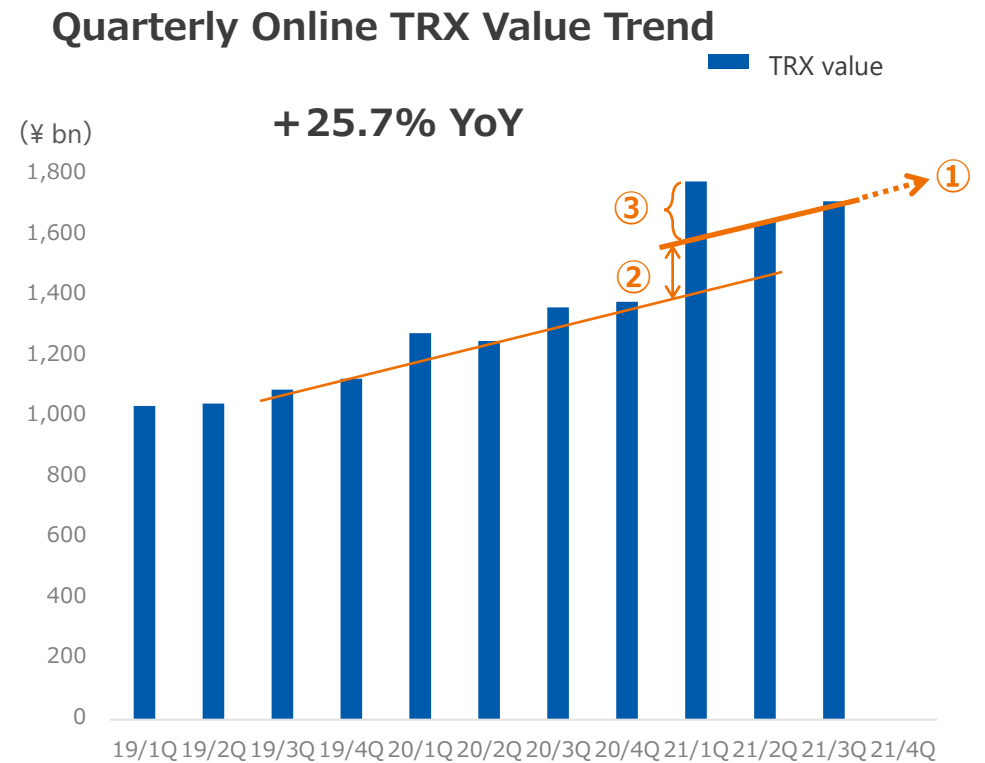
Organic growth rate for TRX volume is +30%, TRX value is +25%



①: Organic growth rate of approx. 30%

②: Seasonality in Q1 FY2021  
Digital content, hometown tax, etc.

③: Special impact from change in payment processing method to some merchants

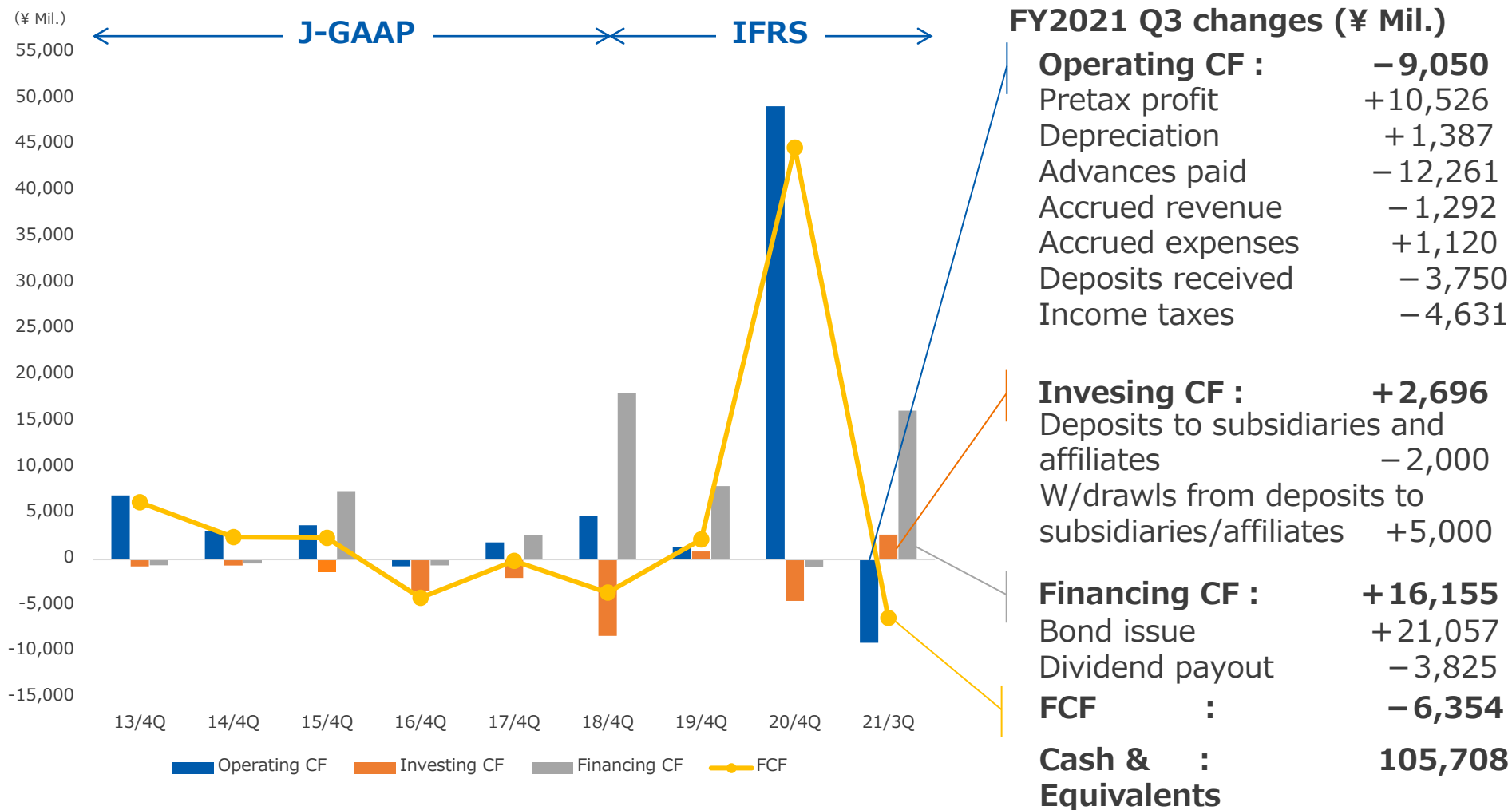


①: Organic growth rate of approx. 25%

②: Contribution from new Priority Initiatives,  
recovery of travel sector

③: Seasonality in Q1 FY2021  
Hometown tax, GoTo Travel, Property tax, etc.

# 3.8 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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GMO Payment Gateway, Inc.  
(3769; Tokyo Stock Exchange, Section 1)

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