

Financial results briefing for the 3Q of FY2015

(O c t o b e r 1 , 2 0 1 4 - J u n e 3 0 , 2 0 1 5)

Themes : Strengthen the management foundation to be able to further accelerate developments for the next ten years

July 30, 2015

GMO Payment Gateway, Inc.

(3769: Tokyo Stock Exchange section-1)

The 42nd IR Meeting

GMO PAYMENT GATEWAY

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

A Cautionary Note About the Contents of this Document

The contents of this document are based on generally recognized economic and social conditions, as well as premises judged to be reasonable by GMO Payment Gateway as of July 30, 2015.

However, please note that they are subject to change without prior notice in the event of changes in the business environment or other unforeseen occurrences.

Agenda

1. Summary
2. Growth strategy
3. Financial highlights
4. Results forecast for the term ending September 2015

1. Summary

1.1 Highlight & Lowlight

The positions of our group companies regarding the latest issues

- **Business partnership with Sumitomo Mitsui Baking Corporation and issue of new shares by way of third-party allotment**
 - Establish a joint venture company that will provide credit card payment processing services and to be the overwhelming No. 1 in the industry by providing our company's services to the customer segments we have not been able to reach.
 - Capital reinforcement (procurement of about 8 billion yen) for expanding our company's Money Service Businesses (MSB).
- **GMO Internet and Aozora Bank Consider Internet Banking Partnership**
 - In regard to the efforts in financial services, our company's involvement will be considered.
 - Strategic compartmentalization between the alliance of "GMO-PG and SMBC" and that of "GMO INTERNET GRUOP and Aozora Bank" is clearly distinguishable.
- **FinTech area has attracted various type of company**
 - Behind preceding Europe and the US, many company from large ones to ventures have started their services in Japan.
 - To realize true FinTech by providing services which only our group companies can offer one after another.
- **Payment related corporations have been listed and increased their capitals successively (domestic and foreign corporations from large-scale to small-scale)**
 - Because our company has been making essential responses based on the differences with competitors in terms of size and strategy, the impacts on our performances have been minimal.

1.2 FinTech

Our efforts in FinTech field

Factors of expansion

【External factors】

- Significant improvements of the price-performance ratio of computing resources
- Evolution of technology (AI)
- Entries of new IT corporations
- Regional revitalization
- Explosive increase of data
- Spread of smartphones

【Internal factors】

- Sufficient amounts of data
- Customers vary in size and type of business
- Human resources have been able to be secured



FinTech

Combining innovations
in IT and Finance



<Changes brought by FinTech>

- Credit risk reduction
- Decrease in loan fees
- Lowering in remittance fees
- Improvement of Balance Sheet

<Our services related to FinTech>

- **Payment after delivery**
- Simplified Payment
- The smartphone payment
- **Early payment service**
- **Remittance Service**
- **Transaction Lending**
- Payment using a token
- mPOS
- Bitcoin

※ : MSB (Money service business)

Transaction Lending • Early payment service • Payment after delivery • Remittance Service, etc

1.3 Summary

**Continuing good shape, increased income and revenue over 20%,
net profit progression rate of 80.9%**

Summary of the consolidated results

		YoY* % Increase	Progress
■ Sales :	6,427Million Yen	(+21.0%	/ 74.3%)
■ Operating income :	2,300Million Yen	(+20.1%	/ 77.3%)
■ Ordinary income :	2,317Million Yen	(+20.2%	/ 77.7%)
■ Net income :	1,454Million Yen	(+29.1%	/ 80.9%)

Progress of the business

- Payment processing services in good shape
- Major subsidiaries' strong performances
- Launched new services
 - April 01 "zei.tokyo" (Metropolitan Tax Credit Card Payment Site) started
 - April 15 New credit card payment service using a "token" started
 - April 28 "GMO-PG Remittance Service" started
 - May 01 Multi-currency credit card payment service started
 - May 21 "Inbound Marketing Service " started

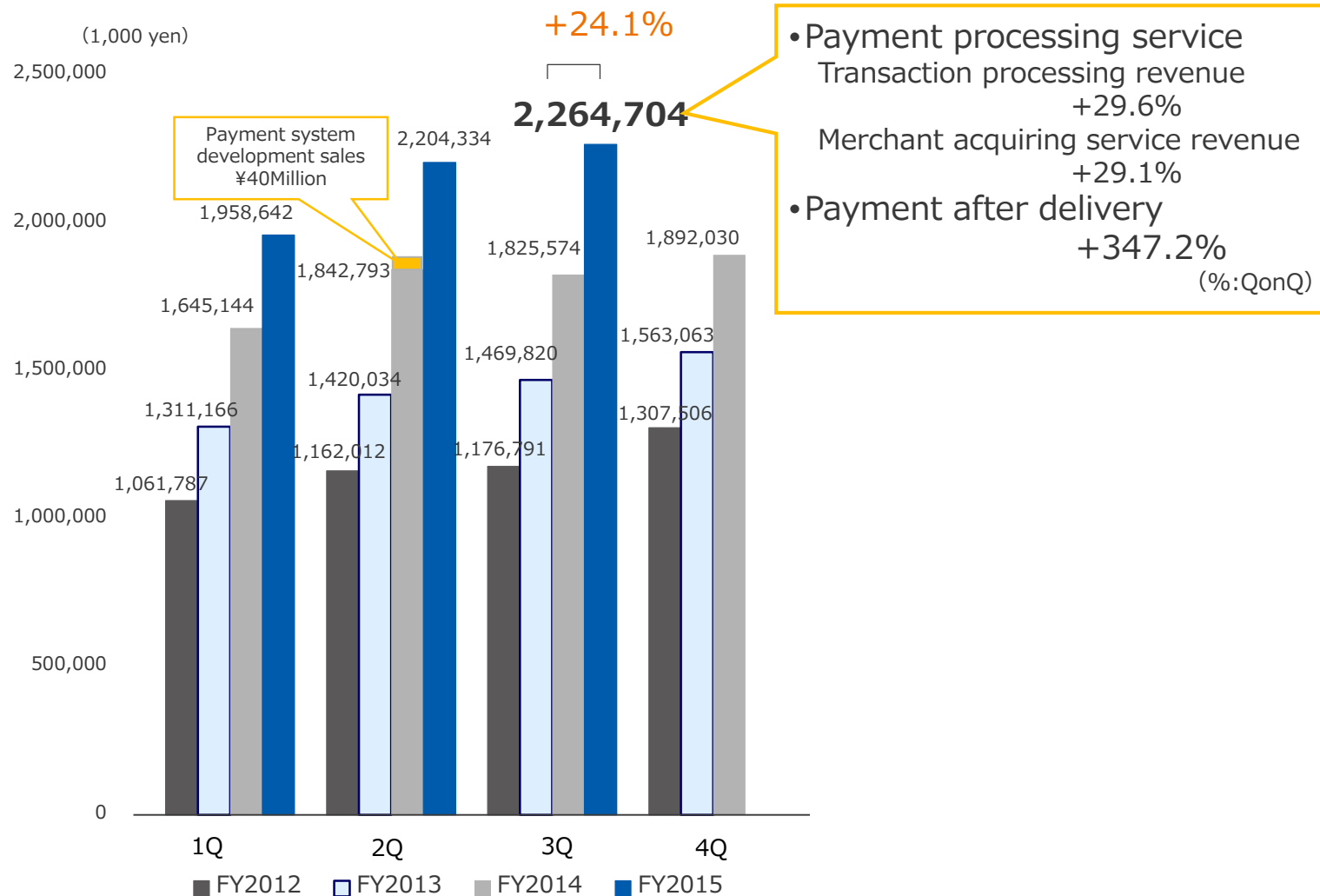
Forecast

- Sales : 8,656Million Yen (YoY +20.1%)
- Operating income : 2,974Million Yen (YoY +20.1%)
 - Although good performances are continued to be expected, because the investment phase will further continue with the increasing business opportunities, either current year's forecast or dividend forecast is not changed.

1.4 Sales

Good shape in payment processing service and subsidiaries', sales up 24.1%

■ Sales

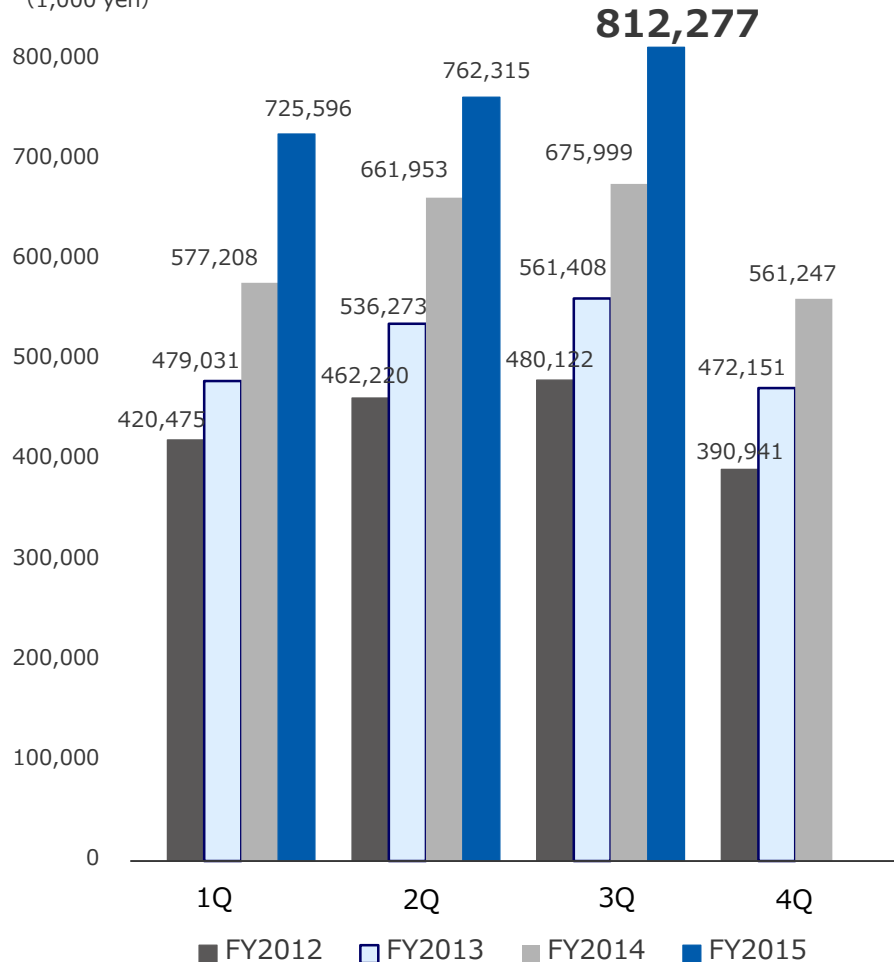


1.5 Operating/Ordinary income

Operating income up 20.2%, ordinary income excluding stock issue expenses up 21.5%

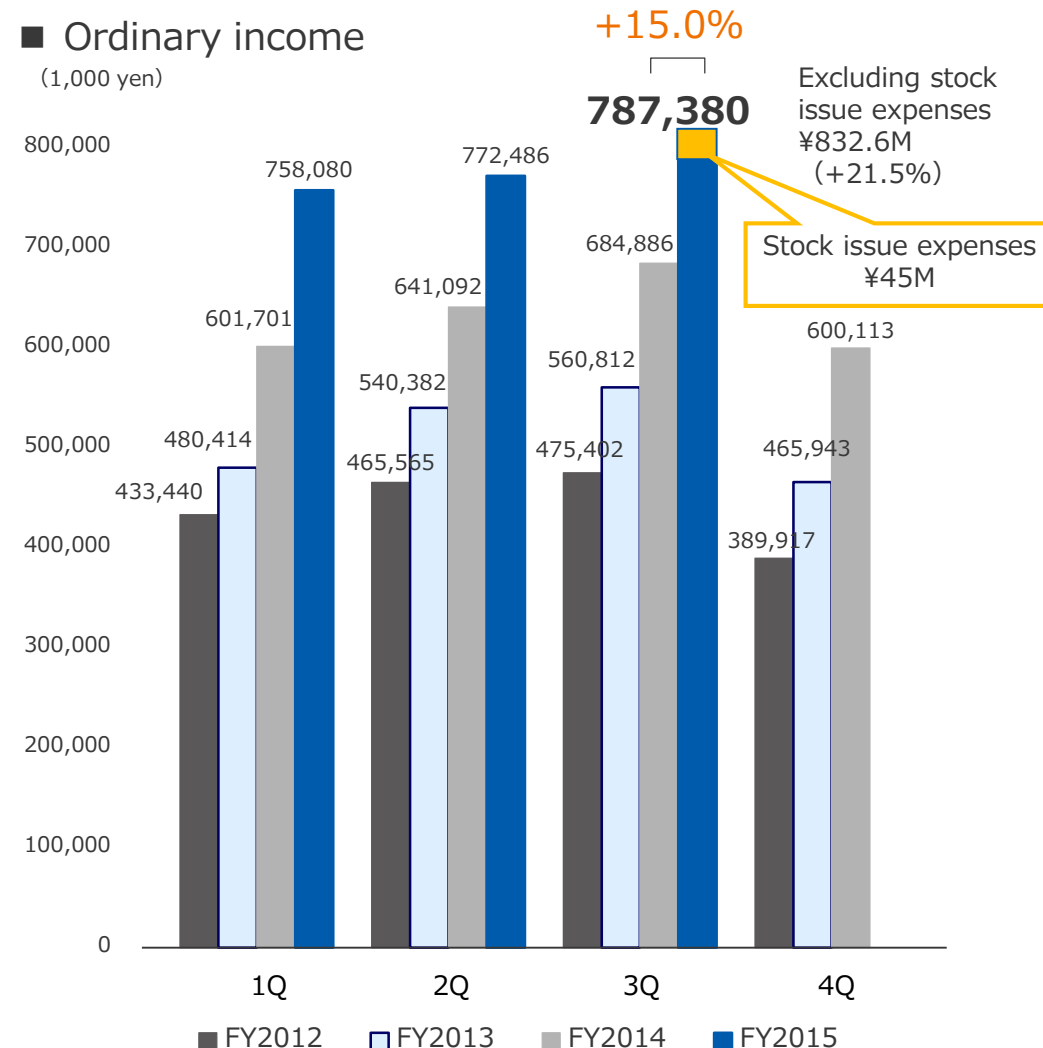
■ Operating income

(1,000 yen)



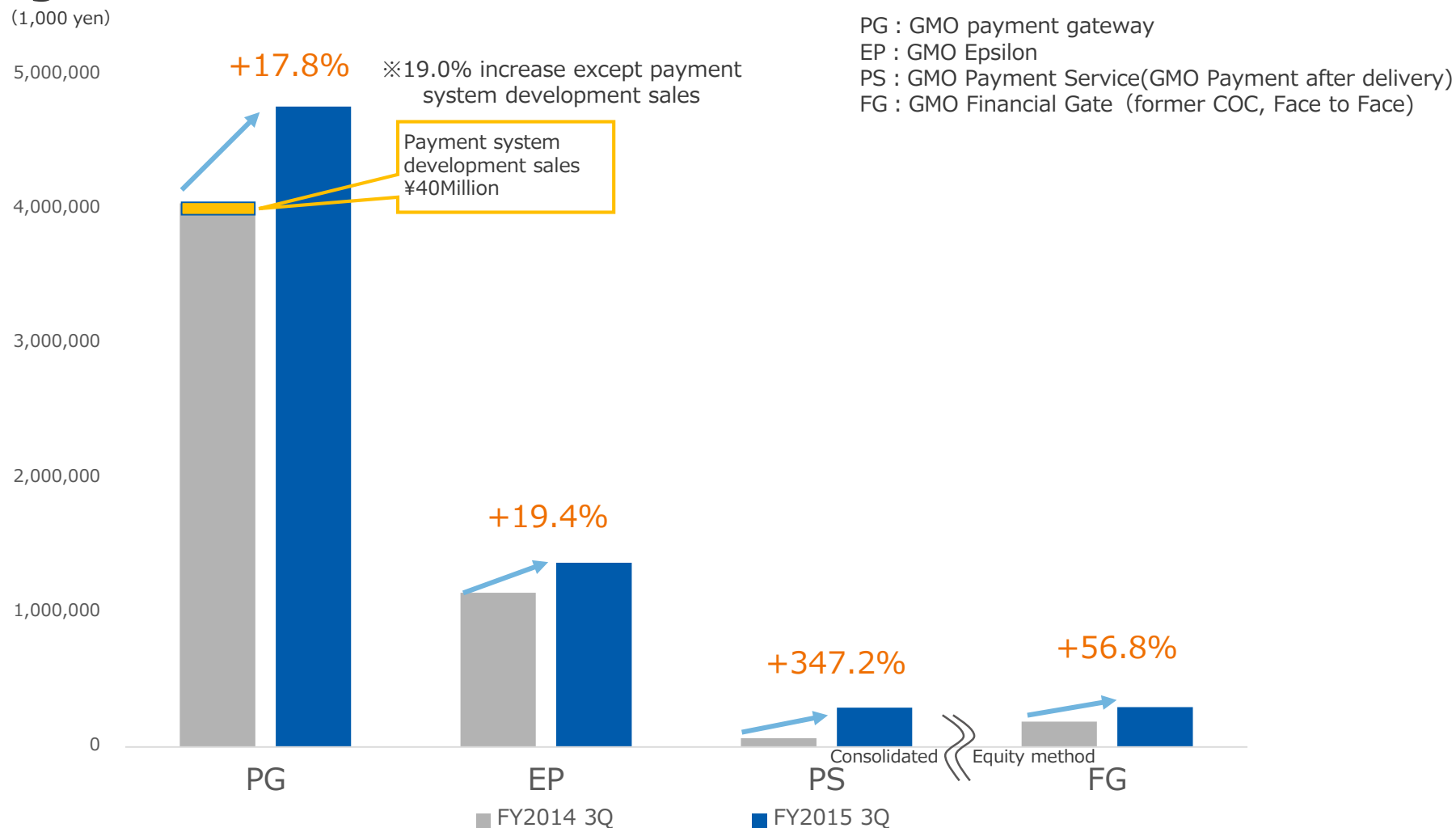
■ Ordinary income

(1,000 yen)



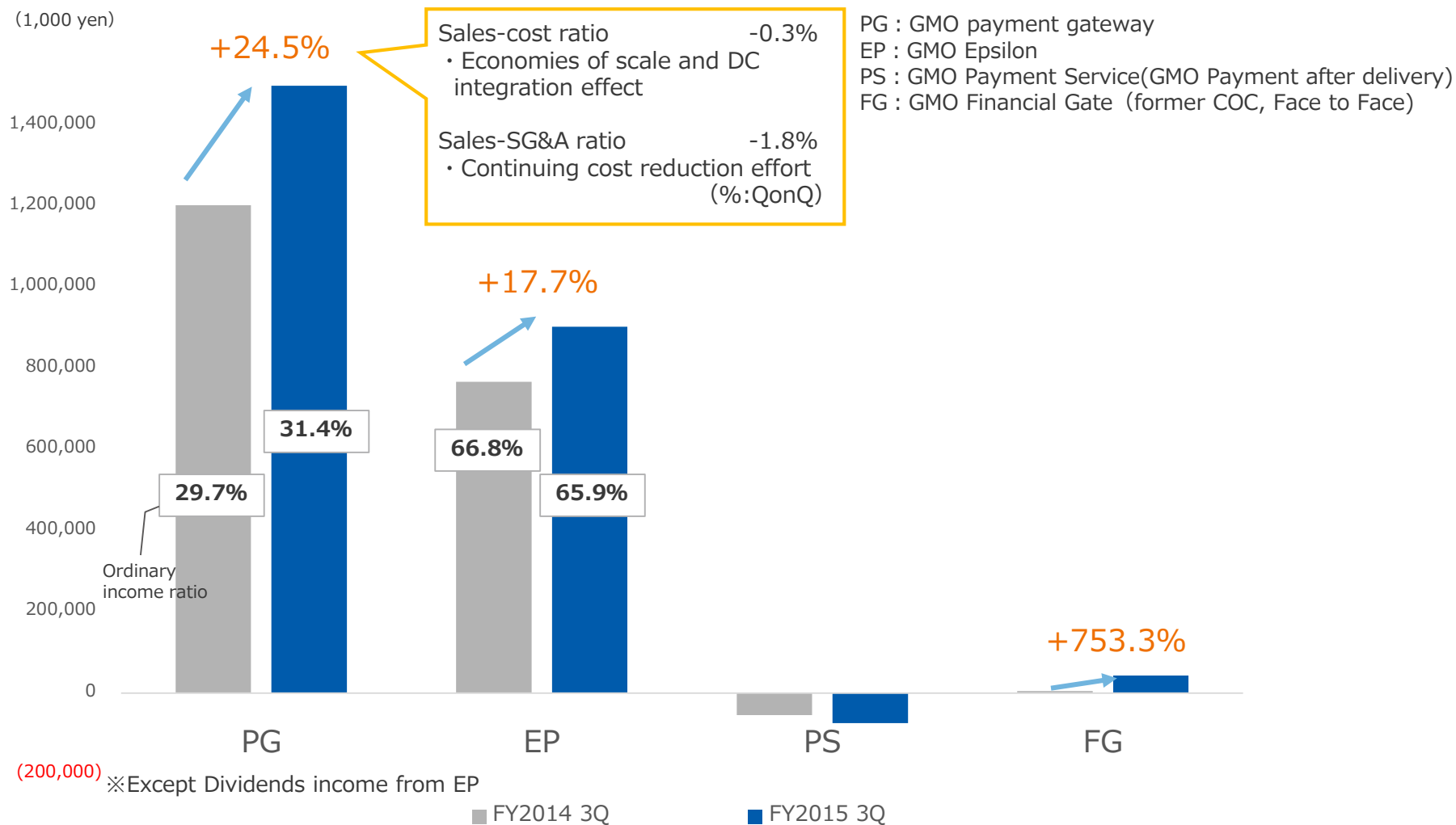
1.6.1 Sales (PG · EP · PS · FG)

Group companies showed good shape, GMO Payment Service is driving forces behind the increased consolidated sales



1.6.2 Ordinary income (PG · EP · PS · FG)

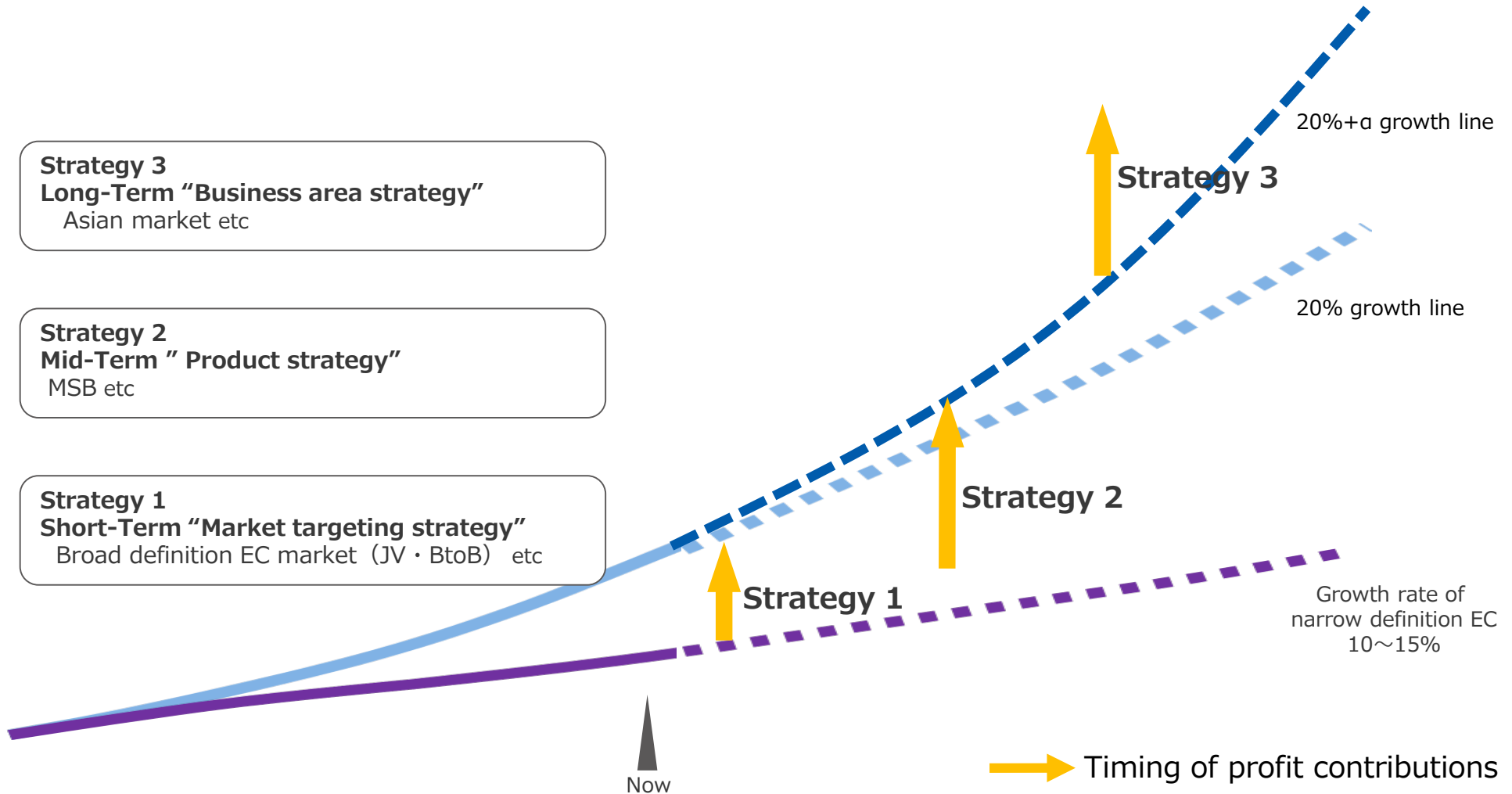
The effects of investment, generating profits little by little



2. Growth strategy

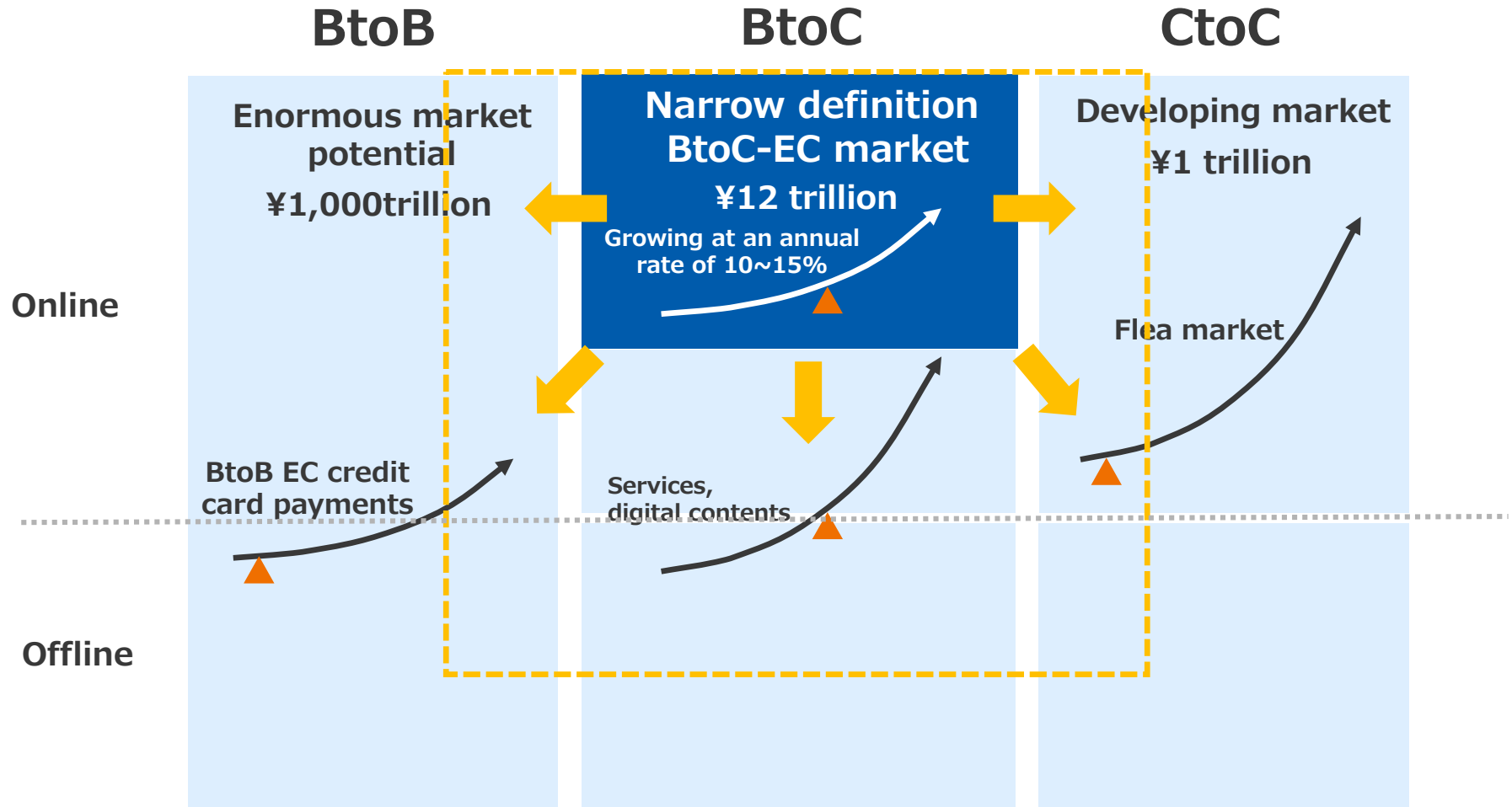
2.1 Targeted growth line and strategies

To aim at profit growth of “20%+α” by accelerating growth with recapitalization



2.2.1 Strategy 1 “Market targeting strategy” Broad definition EC market

Spreading e-commerce is our growth opportunity

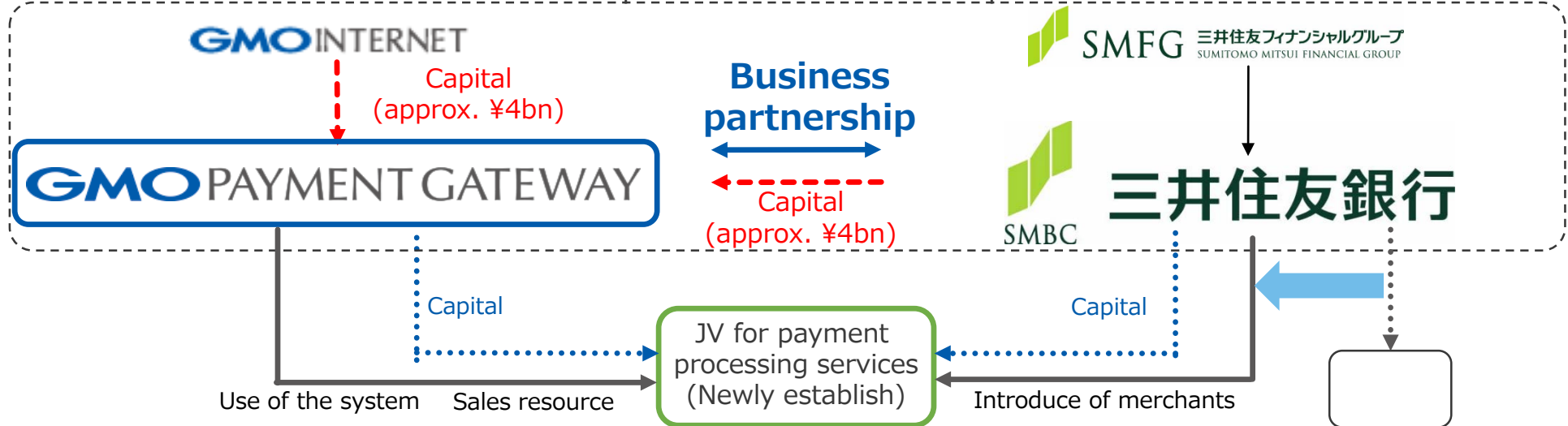


※経済産業省「平成26年度電子商取引に関する市場調査」

2.2.2 Strategy 1 “Market targeting strategy” Establish a Joint Venture company

To provide our services to merchants of the joint venture which will be established jointly with SMBC

Capital and Business Partnership



【Objective】

Establish a joint venture company (being overwhelming position of No. 1 in Japan)

【Impact on BS・PL】

(FY2015)

BS Increase in capital stock

Approx. ¥4bn (Capital stock ¥4.7bn)

PL Stock issue expense

¥45million (Non-operating expenses)

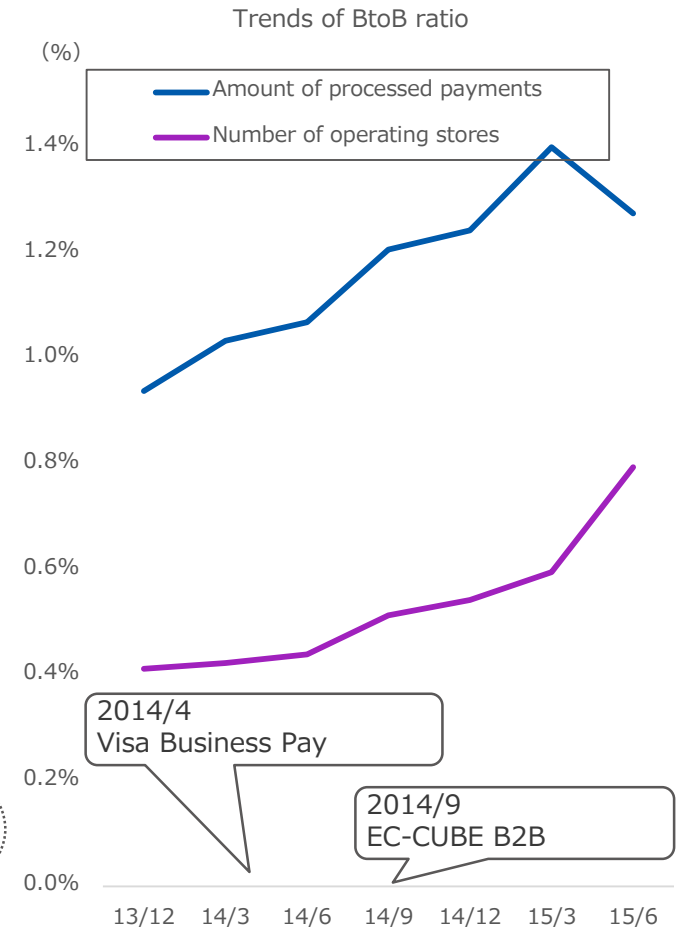
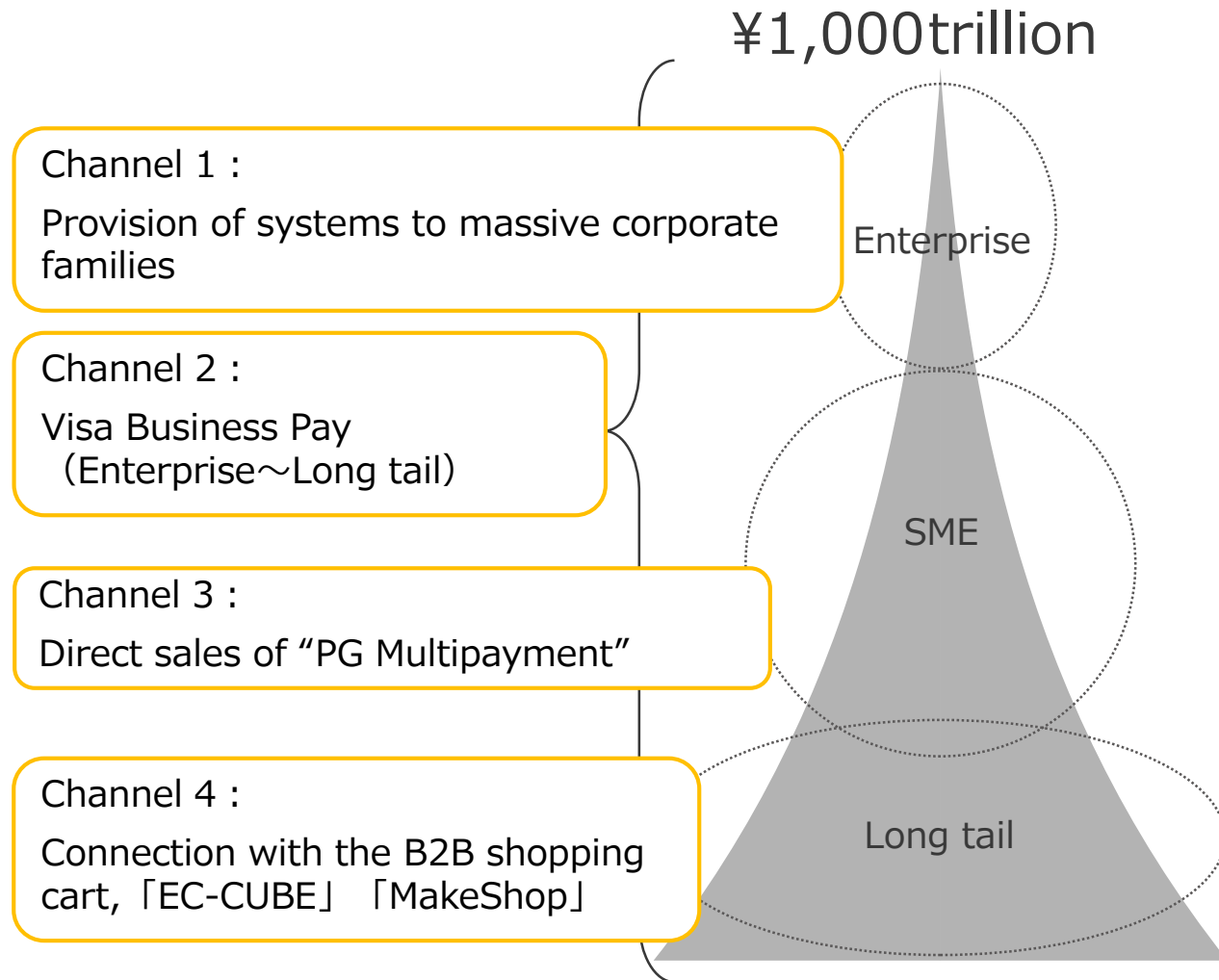
(FY2016~)

BS Investment in establishment of joint venture

PL Inclusion of JV's profit and loss

2.2.3 Strategy 1 “Market targeting strategy” BtoB Market

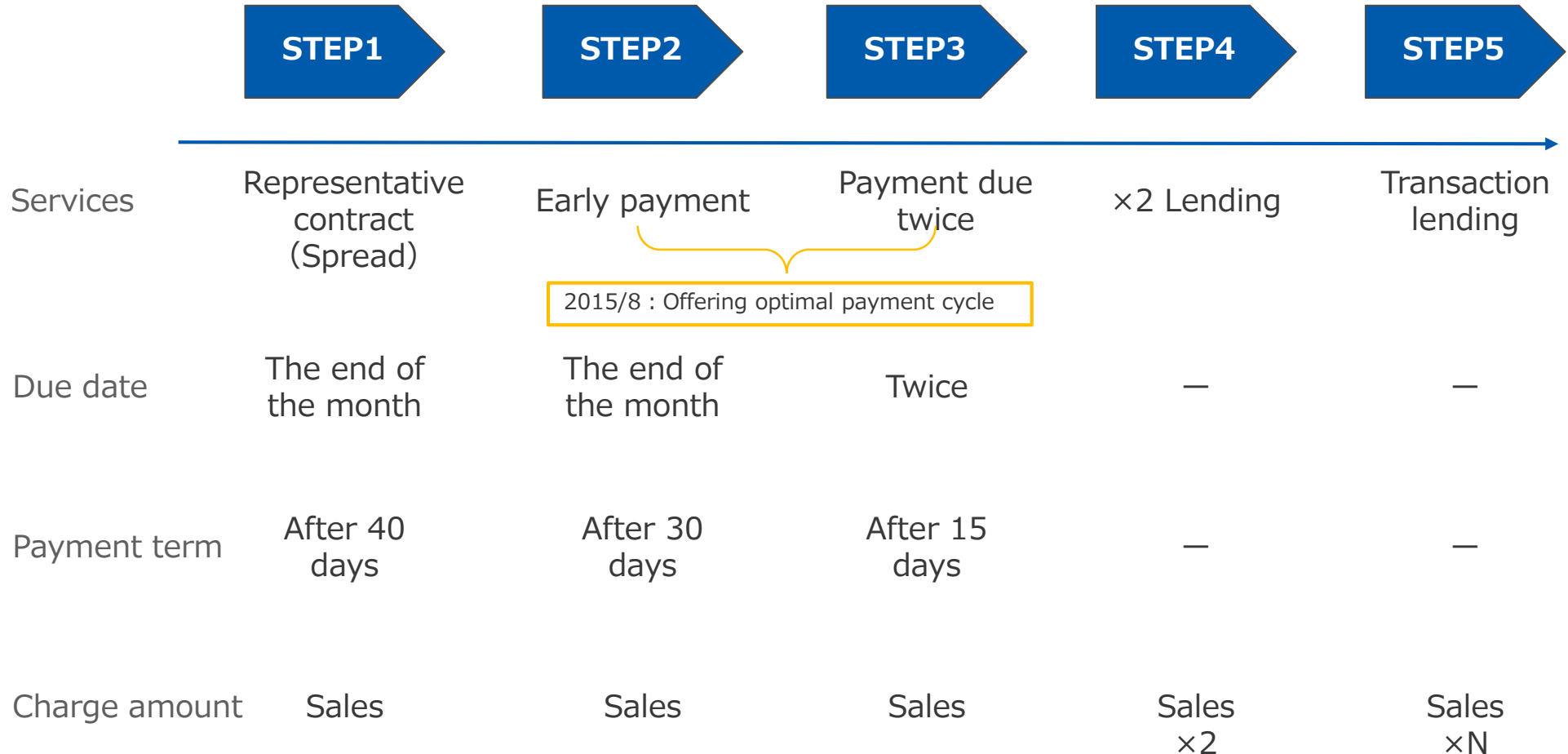
To promote the use of credit cards for BtoB transactions
with four channels strategy



(The number of operating stores is calculated at the end of the quarter, the amount of processed payments are the results for each quarter)

2.3.1 Strategy 2" Product strategy" MSB

To develop businesses in stages



2.3.2 Strategy 2" Product strategy"

MSB (Representative contract model)

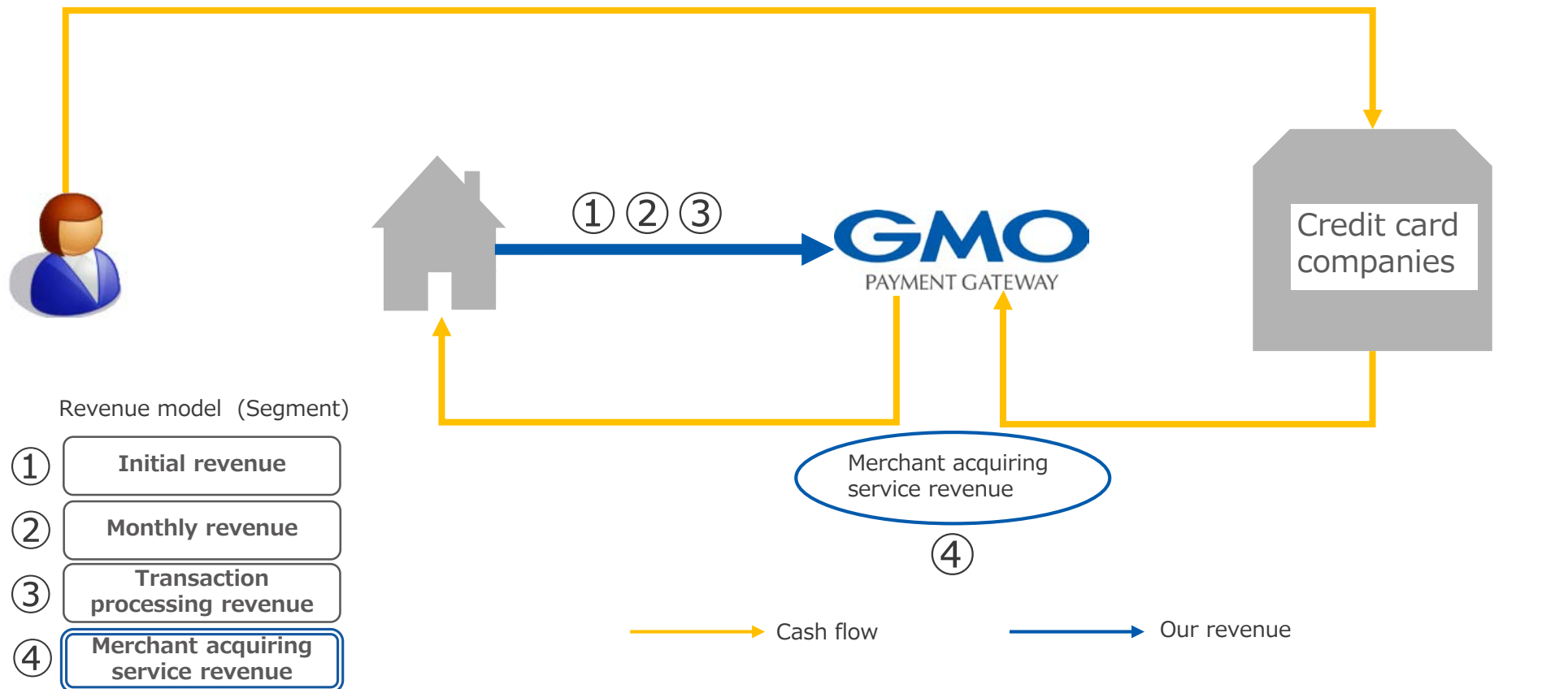
To realize the expansion into financial businesses with money flow derived from the representative contract model

Consumer

Merchant

GMO-PG group

Business related



2.3.3 Strategy 2" Product strategy" MSB (Definition)

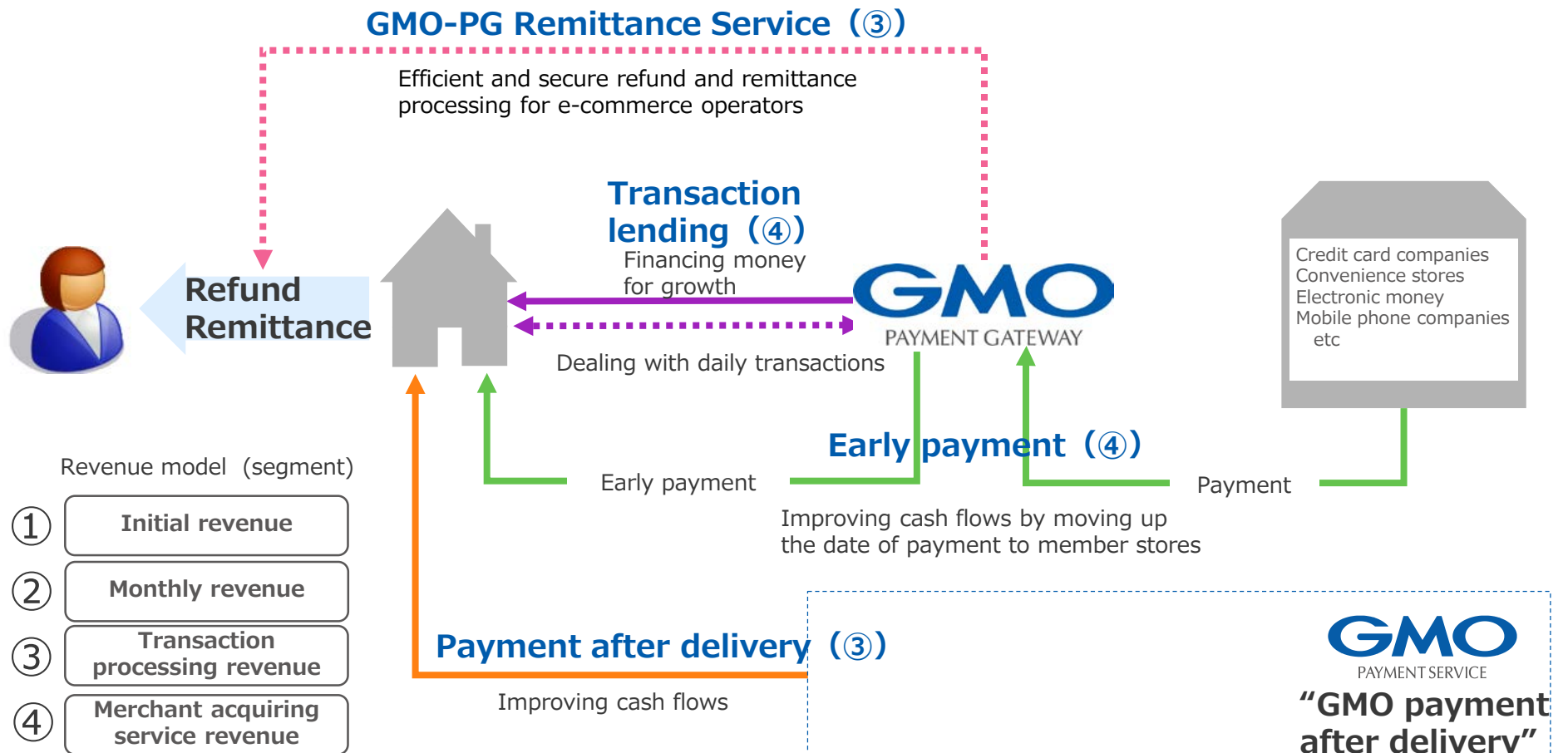
Services only payment processing agencies can provide

Consumer

Merchant

GMO-PG group

Business related



2.3.4 Strategy 2" Product strategy" MSB (Early payment service)

Improving cash flows by moving up the date of payment

Credit card payment Convenience store payment Pay-easy payment Electronic money payment etc...

Applicable to various means of settlement

Customizable payment cycle

Number of payment due ☐ once ☒ twice ☐ three times ☐ six times ☐ daily

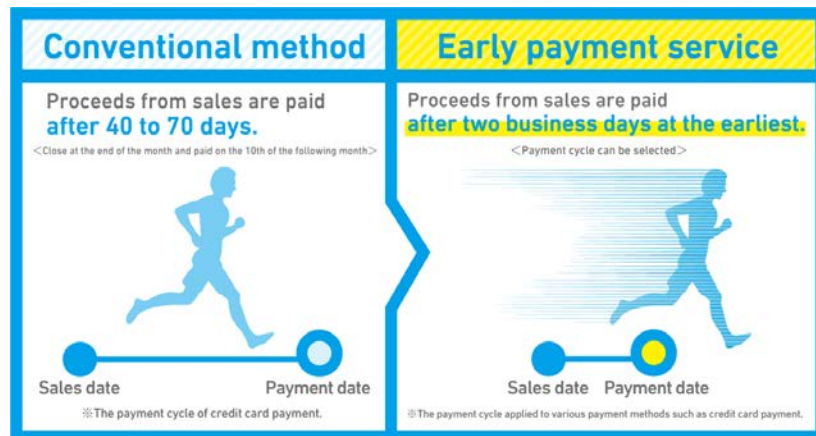
Due date ☐ 5th ☒ 10th ☐ 15th ☐ 20th ☒ 25th ☐ the end of month

Payment term ☒ Two business days ☐ 15 business days after due date ☐ 30 business days after due date

Marchants can select the number of payment due, due date and payment term from predefined number of times and date for each payment methods



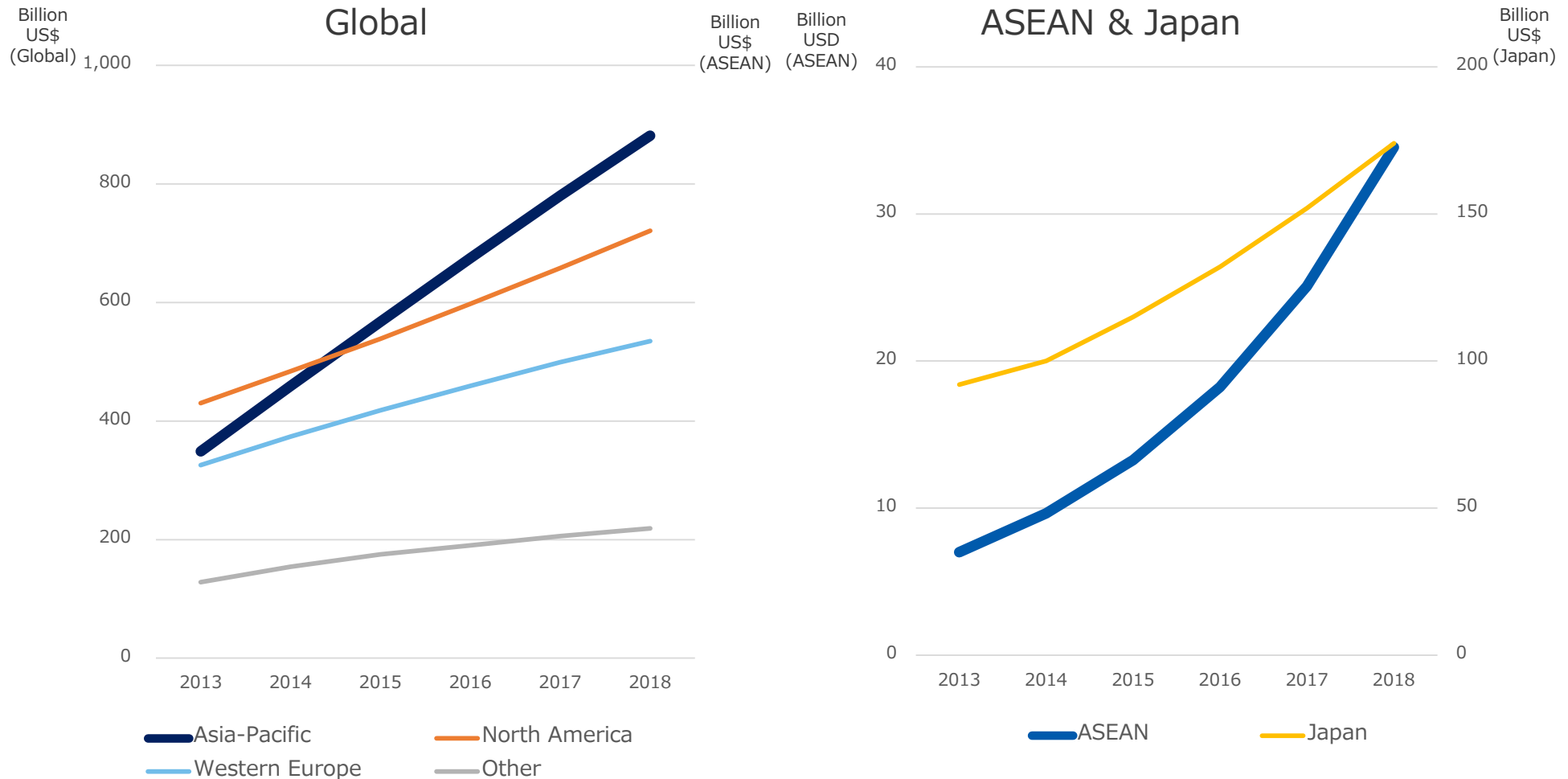
Offering optimal payment cycle to meet the cash-flow needs of EC merchants



The shortest payment term of two business days among all payment services offered to EC merchants

2.4.1 Strategy 3 “Business area strategy” Asian market①

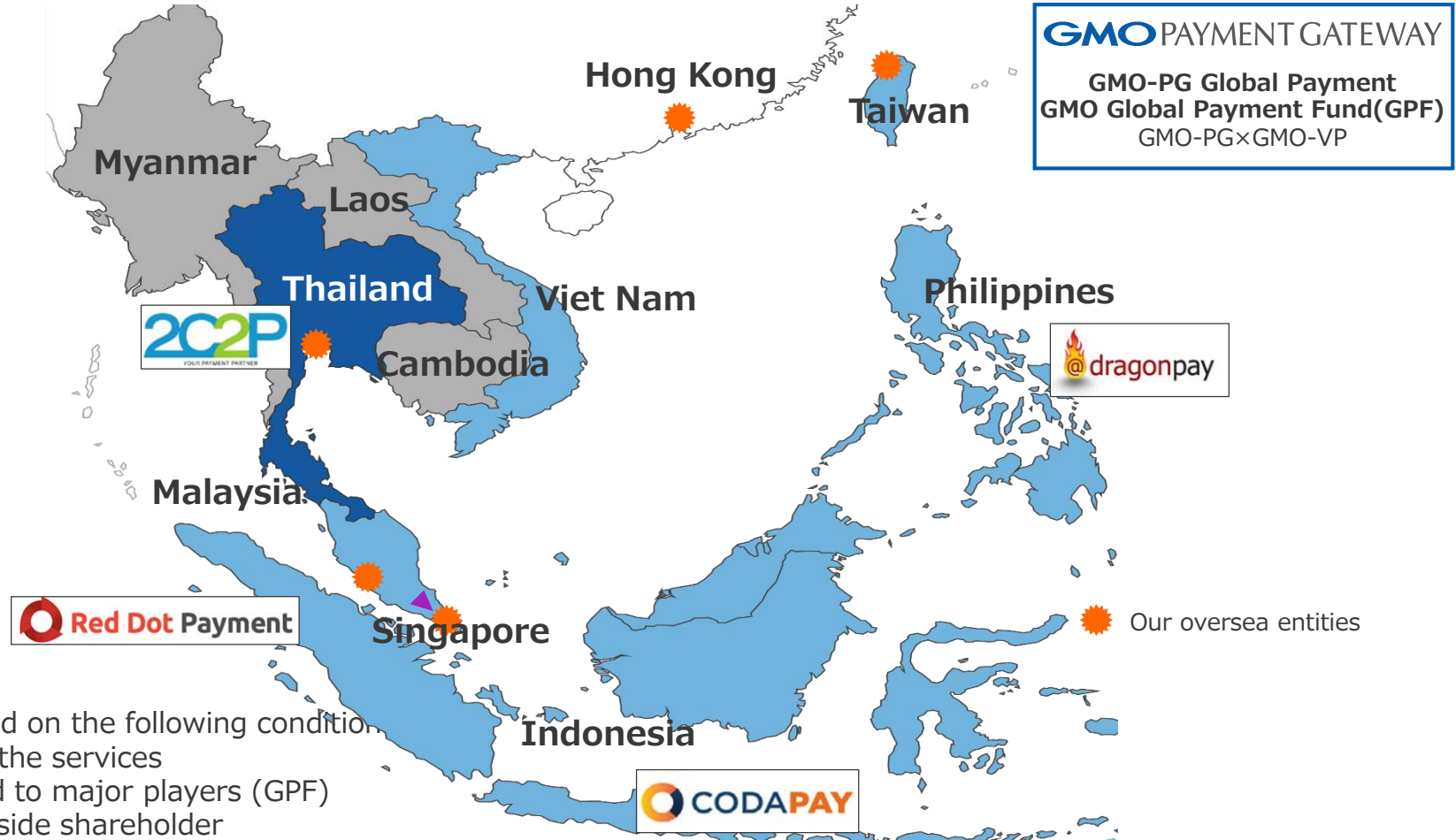
EC market in Asia is larger than North America, ASEAN grows fast



Reference :eMarketer (2014) , An analysis on e-commerce market in south-east Asia released by Frost & Sullivan (July 4th, 2014)

2.4.2 Strategy 3 “Business area strategy” Asian market②

The progress of our global strategy



Classification based on the following condition

- ① Already started the services
- ② Already invested to major players (GPF)
- ③ (PG) Largest outside shareholder

■ Already implemented all of ①, ② and ③

■ Already implemented one out of ①, ② and ③

■ Already implemented two out of ①, ② and ③

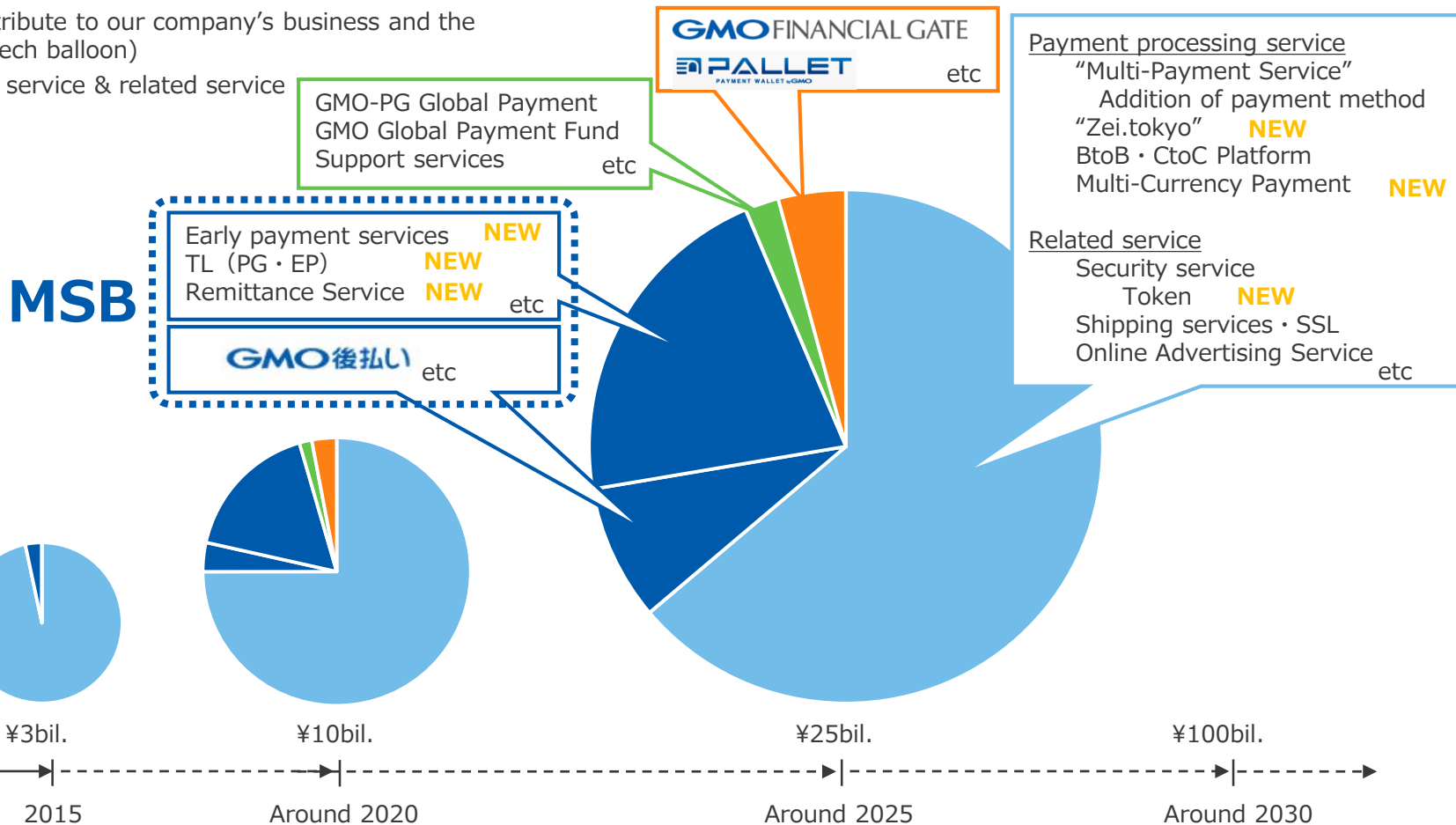
■ Covered by the partner companies we invested to

2.5 Portfolio of income (Image)

Growing with the target of the ordinary income of 10 billion yen around the fiscal year 2020 as a passing point

The products that contribute to our company's business and the profitable growth (Speech balloon)

- Payment processing service & related service
- MSB
- Oversea
- Face to face, other



※Ordinary income : 2005:actual, 2015:forecast, Other numbers:targets
 MSB : Money service business
NEW : Results of FY2015

3. Financial highlights

3.1 Summary of the consolidated results

Sales and income up over 20%, OP margin up 0.3 point

(Million yen)	FY2015 3Q		FY2014 3Q		FY2015			
	Results	Sales composition	Growth	Change	Results	Sales Composition	Forecast	Progress
Sales	6,427	100.0 %	1,114	+21.0 %	5,313	100.0 %	8,656	74.3 %
Cost of sales	1,366	21.3	298	+27.9	1,067	20.1	-	-
Gross income	5,061	78.7	816	+19.2	4,245	79.9	-	-
SG&A	2,761	43.0	431	+18.5	2,330	43.9	-	-
Operating income	2,300	35.8	385	+20.1	1,915	36.0	2,974	77.3
Ordinary income	2,317	36.1	390	+20.2	1,927	36.3	2,985	77.7
Net income	1,454	22.6	327	+29.1	1,126	21.2	1,797	80.9
Net income per share(Yen)	42.04	-	9.38	-	32.66	-	51.00	-

※In October 1, 2014, our company executed a 2-1 stock split. The values for the FY2014 are calculated on the same base.

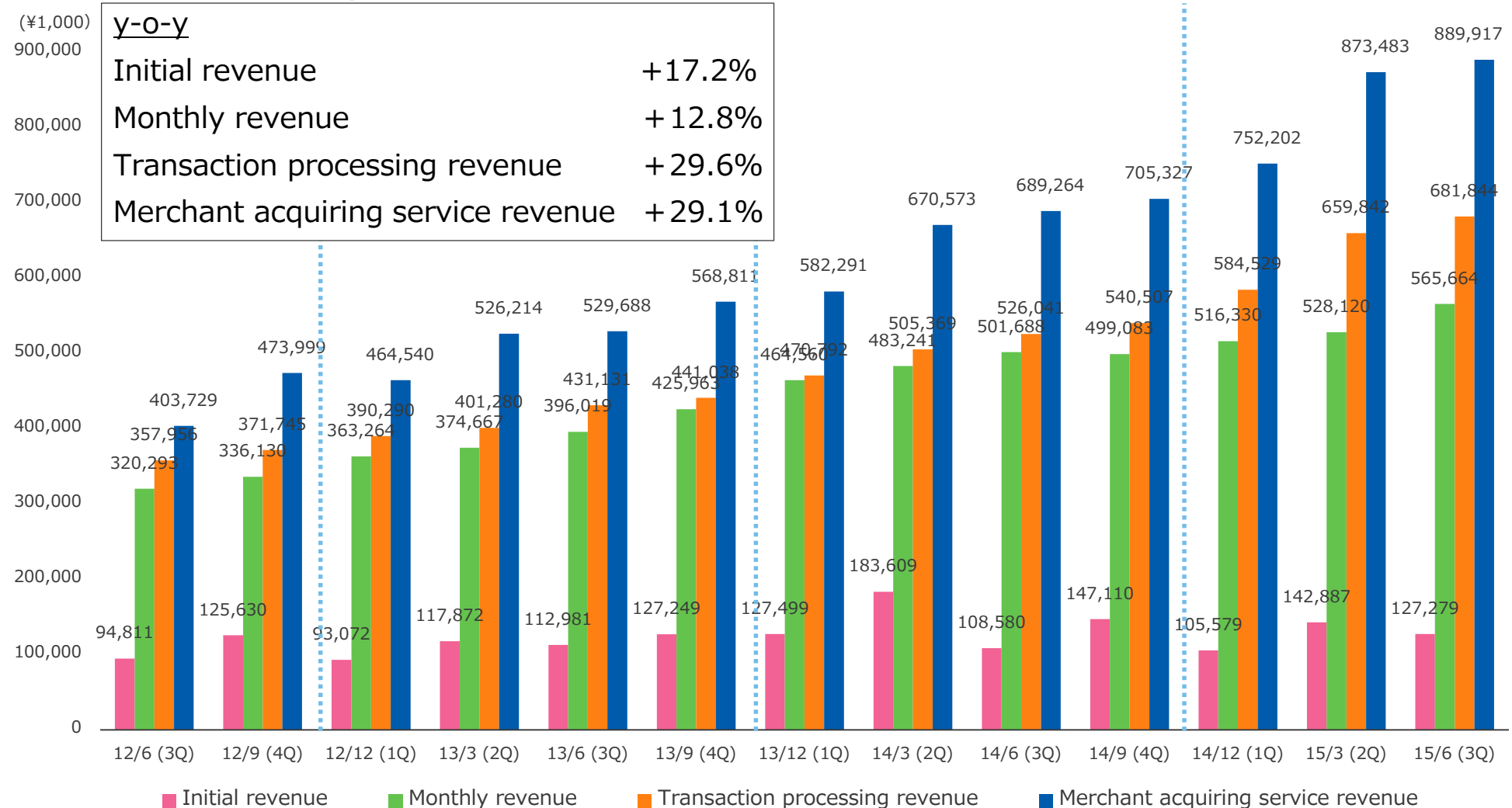
3.2 Summary of the consolidated balance sheets

¥4billion capital increase through third-party allotment

(Million yen)	Results for 3Q, FY2015	Results for 3Q, FY2014	Change		(Million yen)	Results for 3Q, FY2015	Results for 3Q, FY2014	Change
Current assets	39,868	22,967	16,900		Current liabilities	26,895	18,346	8,549
Cash and deposits	34,934	21,029	13,905		Deposits	24,243	16,982	7,260
Advance payments	1,567	619	947	Increase of early payment service	Deposits by merchants through representative merchant service *Discrepancy occurs with the pace of merchants' sales growth due to change in merchants' cutoff date and payment cycle			
Accounts receivable	998	504	494	Increase of payment later				
Allowance for doubtful accounts	Δ 159	Δ 34	Δ 125		Accounts payable	1,763	515	1,248
Other current assets	2,527	1,001	1,525		Other current liabilities	888	849	39
Fixed assets	3,030	1,932	1,098		Non-current liabilities	179	174	5
Tangible fixed assets	218	249	Δ 31		Shareholders' equity	15,668	6,338	9,329
Intangible fixed assets	861	761	99		Valuation and translation adjustments	4,710	708	4,002
Software	664	616	47		Subscription rights to shares	153	33	119
Investments and other assets	1,951	921	1,030		Total net assets	15,823	6,378	9,445
Total assets	42,898	24,899	17,999	Increase in investment securities and investments in other securities of subsidiaries and affiliates	Total of liabilities and net assets	42,898	24,899	17,999

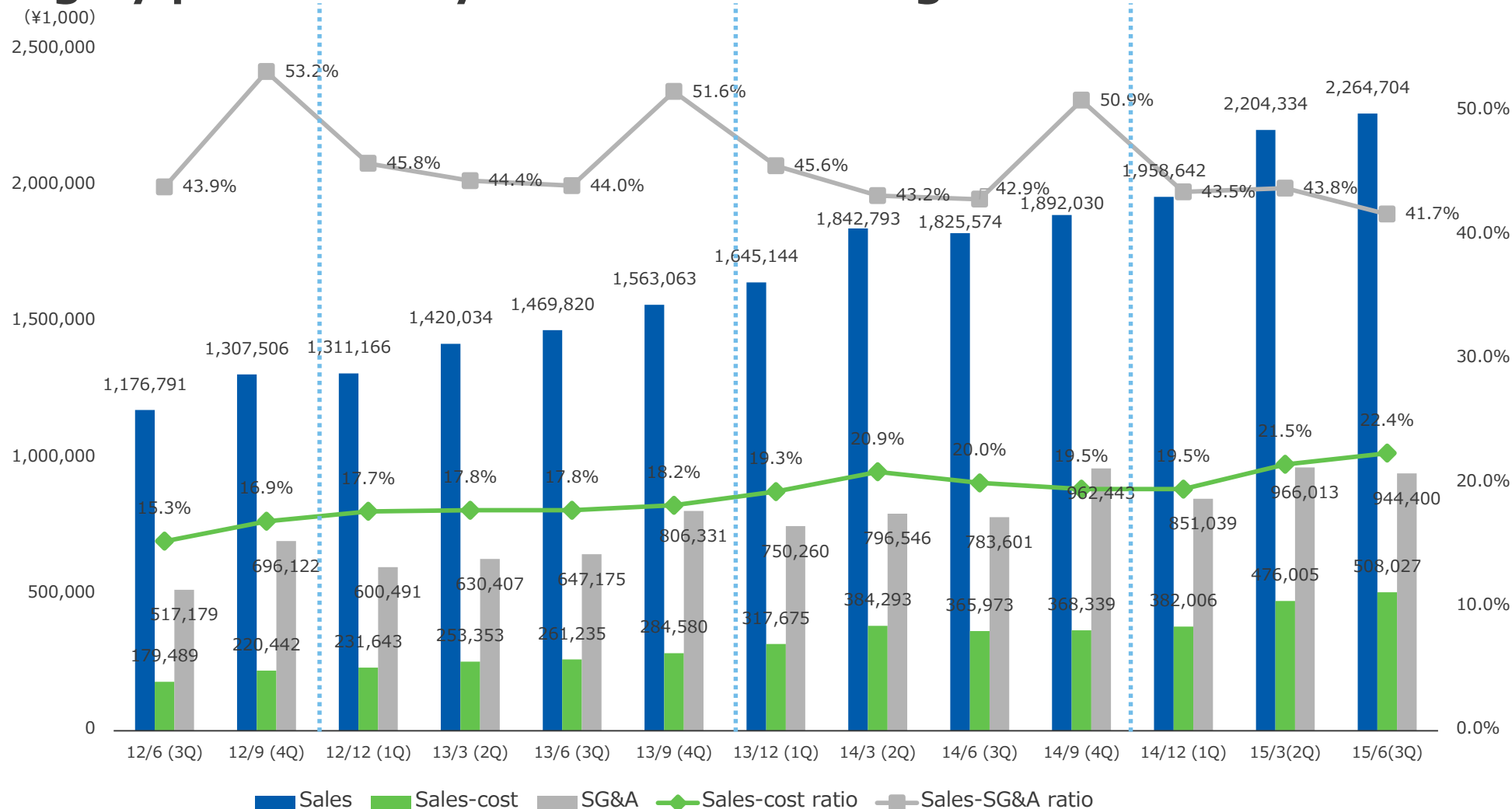
3.3 Sales results for each segment

Transaction processing revenue and merchant acquiring service revenue are in good shape. Initial revenue up 17.2%



3.4 Cost of sales ratio/SG&A ratio

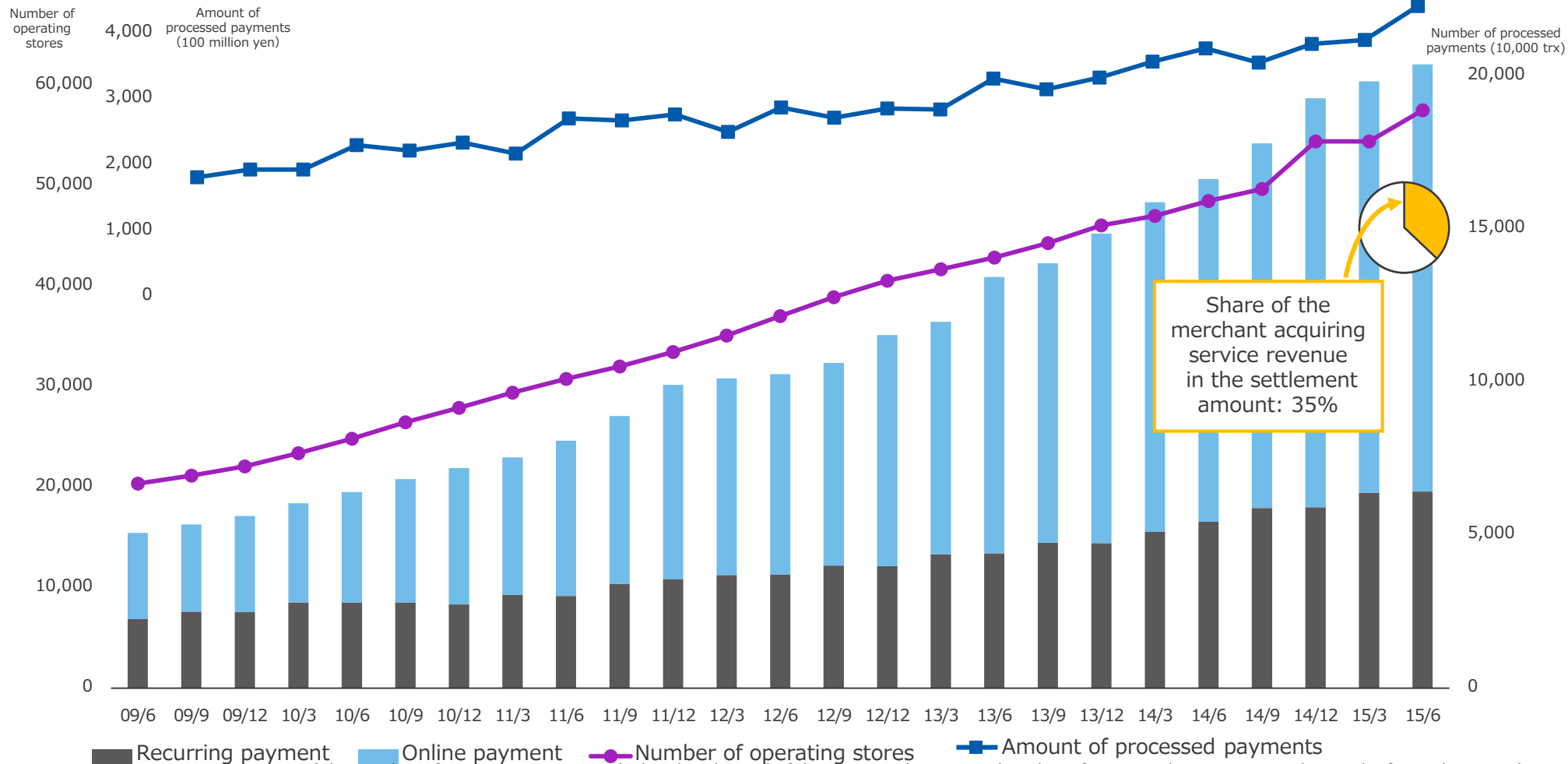
The sales-cost ratio increased due to the sales mix, but remain highly profitable by the various management measures



3.5 Transition of the major factors

Share of the merchant acquiring service revenue in the amount of processed payments became 35%

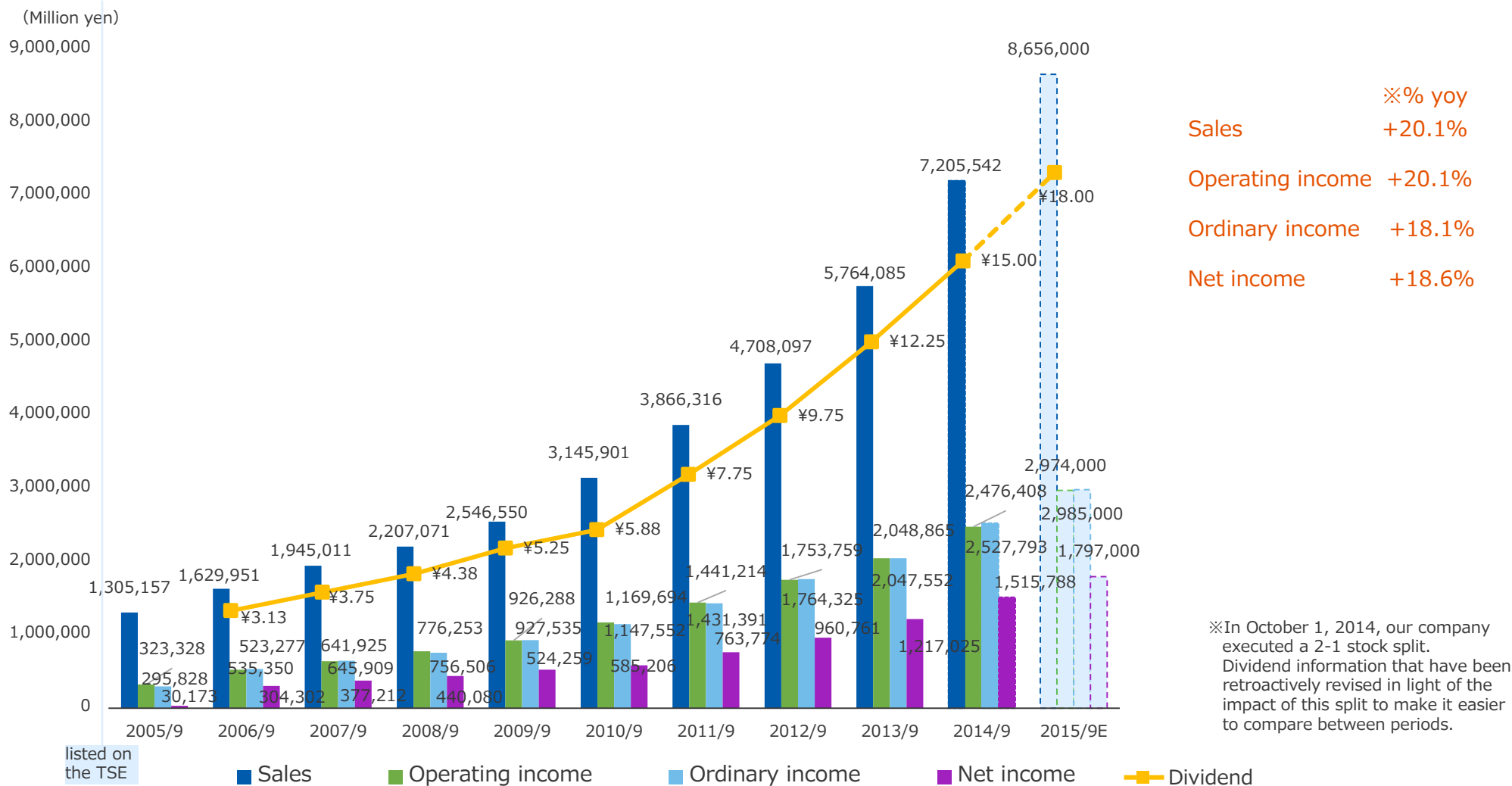
Number of operating stores 57,569, /Amount of processed payments ¥440billion, /Number of processed payments 204million



4. Results forecast for the term ending September 2015

4.1 Summary of the consolidated results (Forecast)

Repeat operating income growth rate forecast of 20% as investment phase will still continue



Action plans to realize the balanced growth in all segments



Thank you very much!

GMO PAYMENT GATEWAY

GMO Payment Gateway Inc.
(T S E : 3 7 6 9)

URL <http://corp.gmo-pg.com/>

For more information, please contact the Company Value Creation Planning Office

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