Supplementary Materials

Financial results briefing for FY2020

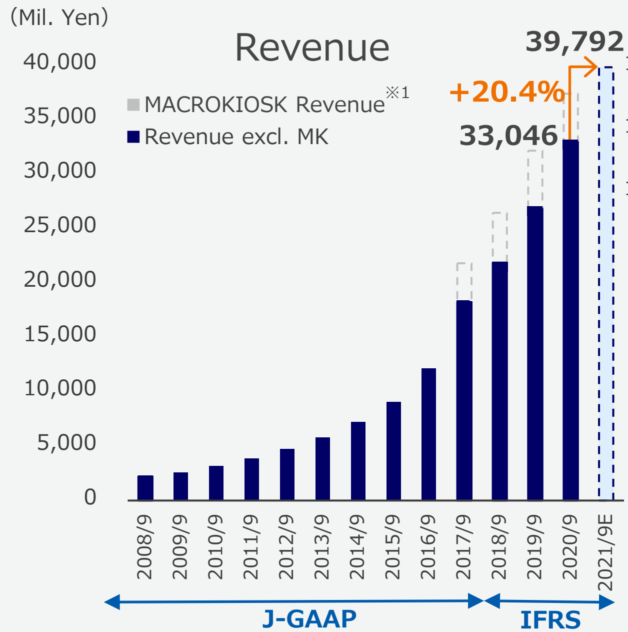
November 12, 2020

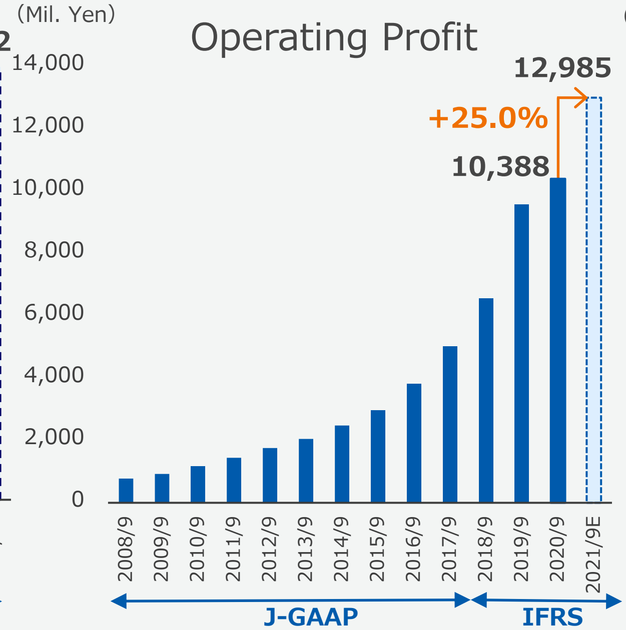
GMO Payment Gateway, Inc.
(3769; Tokyo Stock Exchange First Section)

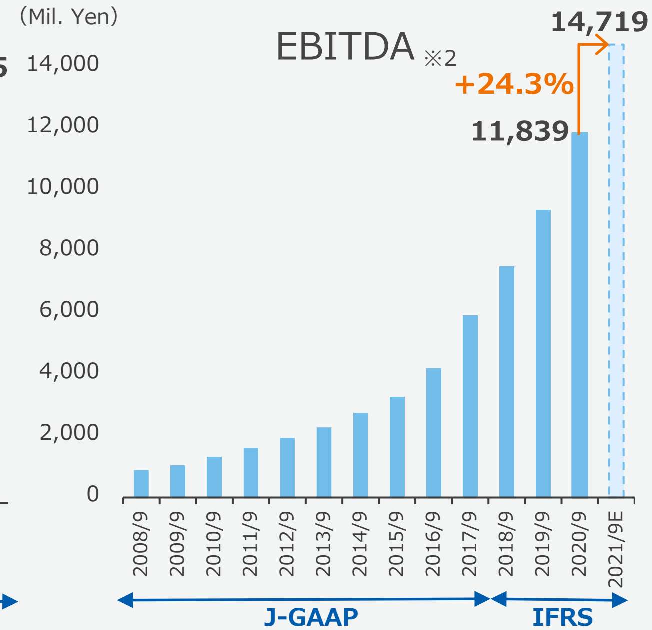
https://www.gmo-pg.com/corp/

Our Track Record of Growth

The product of management policy focused on sustainable growth







Operating stores※3,4	TRX Volume※3	TRX Value※3
141,573	2.57 bn	¥5.8 trillion

(※1) 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.

(※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 September 2020. Transaction volume and transaction value are the figures from October 2019 to September 2020; transaction volume and transaction value include the figures of GMO Financial Gate Group.

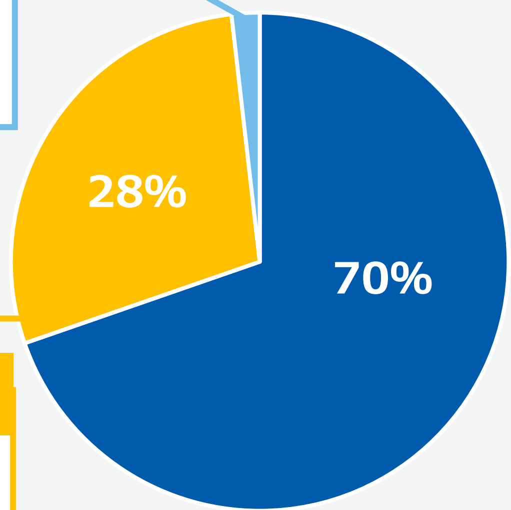
(※4) Figures exclude a significant increase in operating stores from a specific merchant. If included, the number of operating stores is 324,062 stores as of end of September 2020.

Three Business Segments

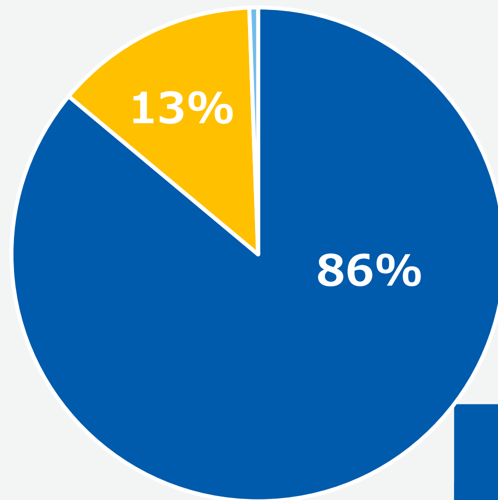
Sustain an over 25% OP growth from the expansion of mainstay payment processing business and its peripheral businesses

(Actual data for FY2020)

Revenue Breakdown



Operating Profit Breakdown



Payment Enhancement Business

- Online Advertising Service
- SSL Service
- Delivery Service

etc.

Money Service Business (MSB)

- GMO Payment after Delivery
- Remittance Service
- Overseas Lending
- Early Payment Service
- B2B Factoring
- Transaction Lending

etc.

Payment Processing Business

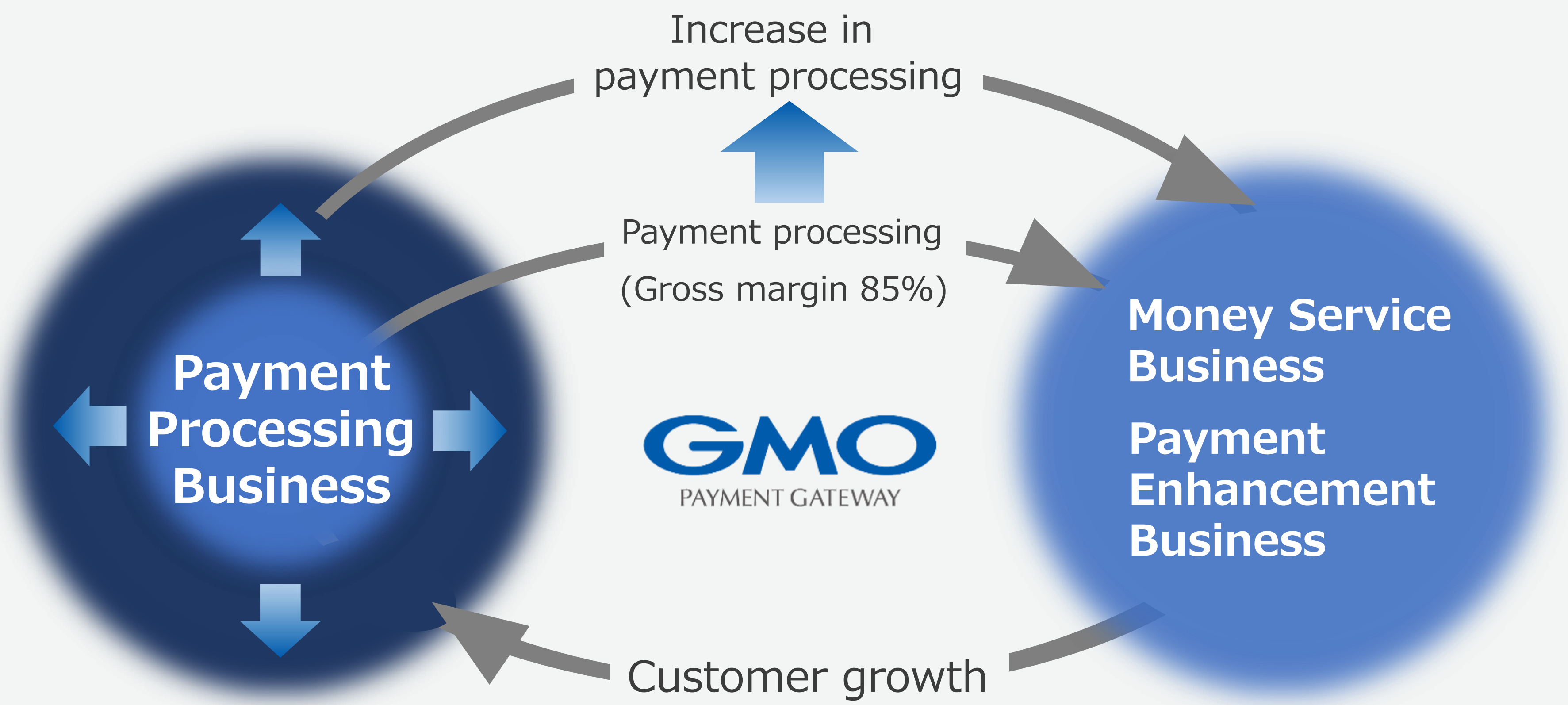
- Online Payment※
- Offline Payment (GMO-FG)※
- Ginko Pay/Processing
- System Development

etc.

※ 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



Main Business

Value-added business that contribute to growth of the main business

Payment Processing Business: Business scope of the major consolidated subsidiaries

Connecting merchants and payment companies through ‘contracts,’ ‘payment information,’ and ‘money flow’.

Consumer

PC

Smartphone

Payment Terminal

Online Payment

Offline Payment

Merchant

141,573 stores※
(End of September 2020)

EC
B2B・B2C・C2C

Taxes, Dues, Utility
NHK, National Tax Agency, Automobile Tax
Municipalities (e.g. Tokyo)

Subscription
Video streaming
Software, Apparel

Service/Commerce
Digital content
Donation, Travel, Insurance

41,317 terminals
(End of September 2020)

GMO-PG consolidated subsidiaries

GMO PAYMENT GATEWAY
GMO EPSILON

GMO FINANCIAL GATE
GCS Global Card System
GMO DATA

Payment Service Providers

- 40+ Credit card companies
- Convenience store
- Account Transfer
- Carrier billing
- Bank transfer
- E-money
- Cash on Delivery
- GMO PAYMENT SERVICE: GMO Payment After Delivery
- QR code
- ID-based payment
- Multi-currency
- Pre-paid

etc.

※ Figures exclude a significant increase in operating stores from a specific merchant. If included, the number of operating stores is 324,062 stores as of end of September 2020.

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

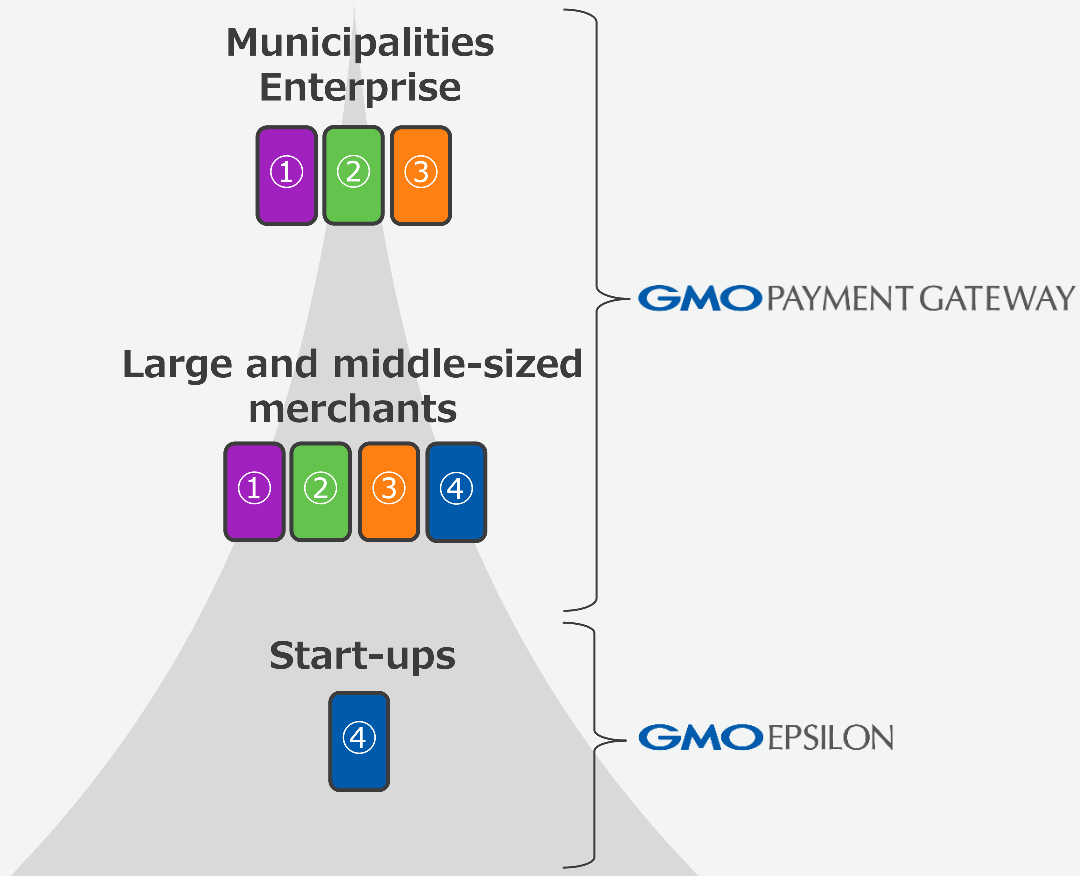
Coefficient: Number of payments processed
Revenue : Number of payments processed × _Yen

④ Spread (Merchant acquiring service revenue)

Fee based on transaction value

Coefficient: Amount of payments processed
Revenue : Amount of payments processed × _%

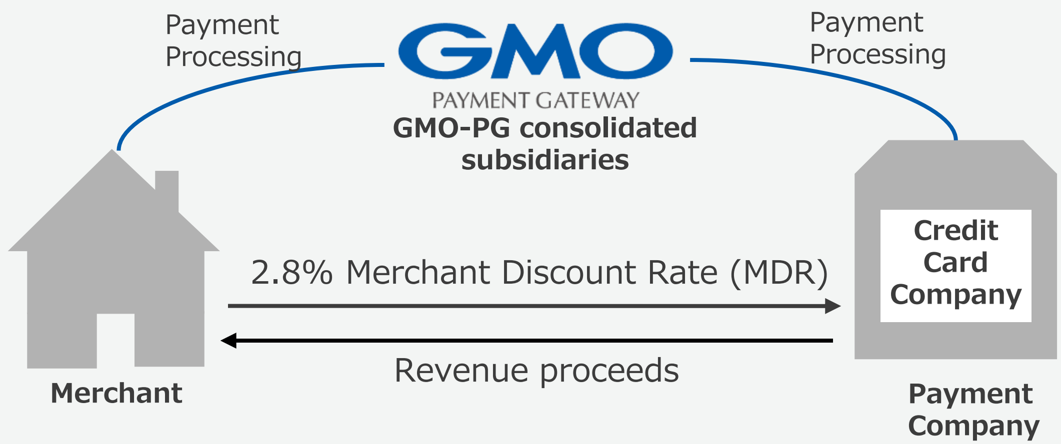
■ Revenues by merchant type/size



Payment Processing: Two types of merchant contracts

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

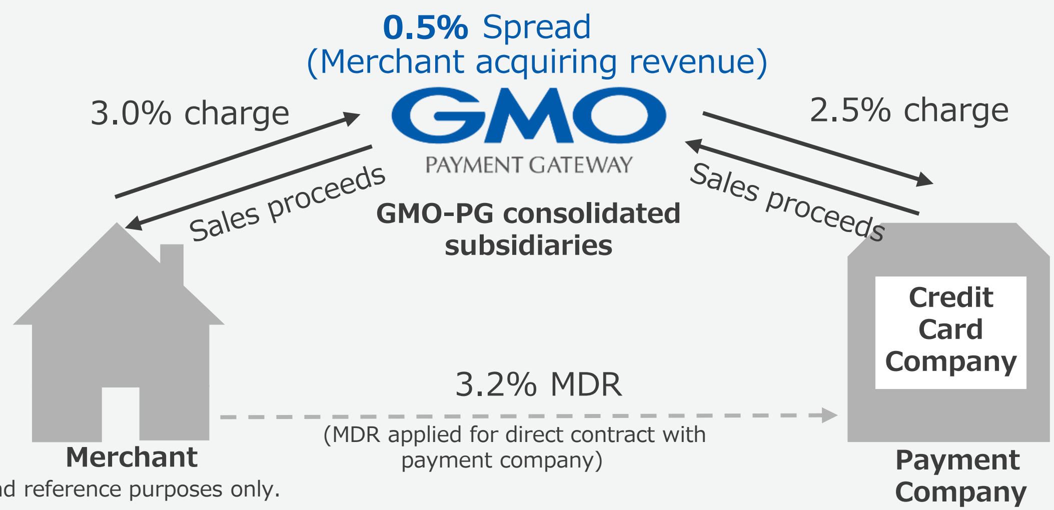
Direct contract
Applies to some large companies and municipalities



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

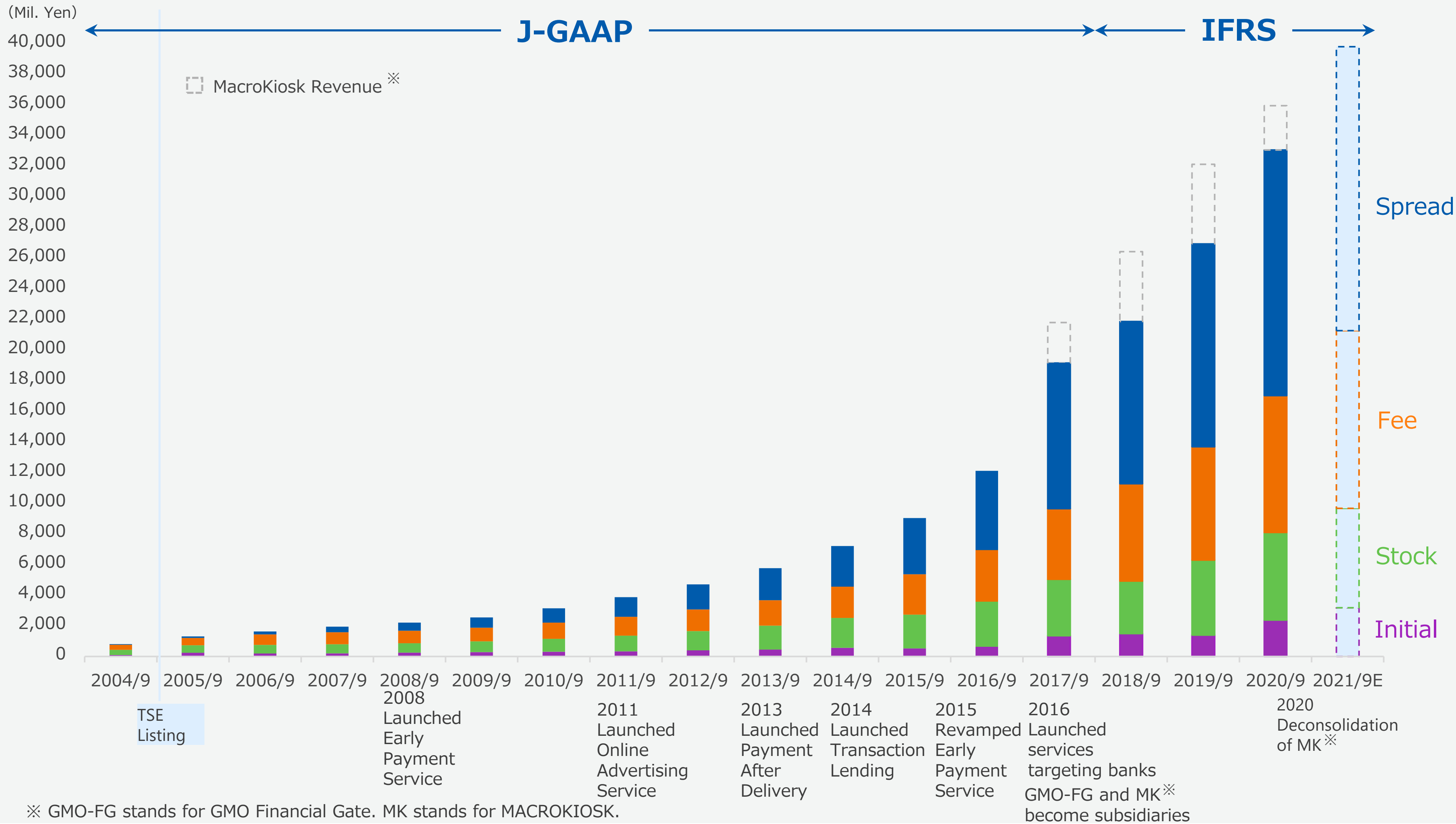
※ Figures included are for illustration and reference purposes only.

※ 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

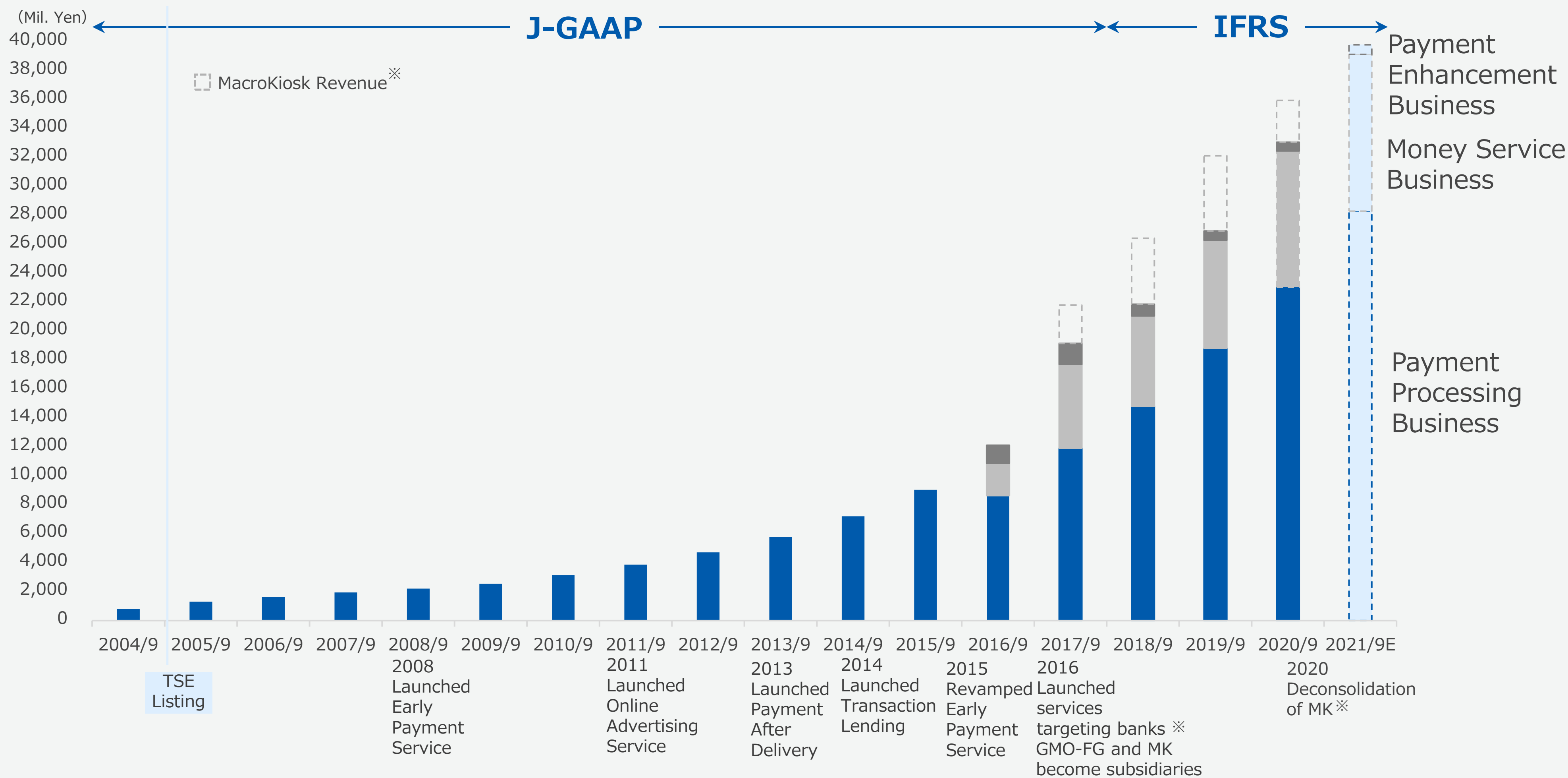
Aiming for a balanced revenue growth by pursuing various initiatives



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

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 Table of Segments, Business Model and Services

Reporting in 3 Segments and 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
	System Development
Money Service Business	GMO Payment After Delivery
	Remittance Service
	Overseas Lending
	Early Payment Service
	B2B Factoring
	Transaction Lending
Payment Enhancement Business	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

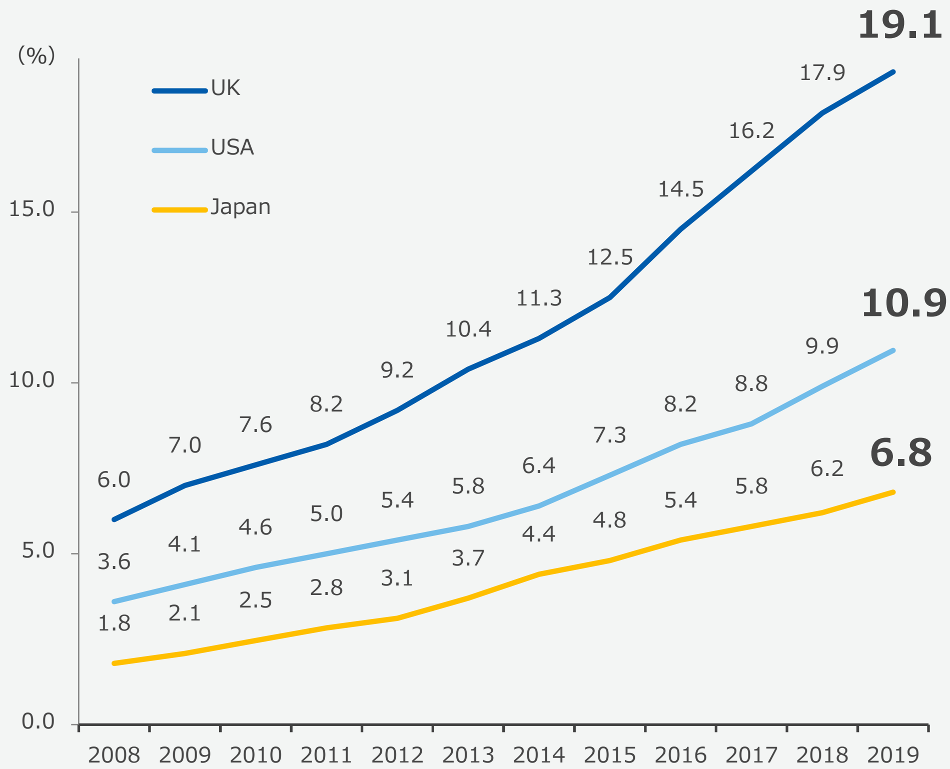
5 Focus Areas	(Page No.)	Payment Processing Business	Money Service Business	Payment Enhancement Business
✔ **Narrowly-defined EC; Broader EC**	(P.12) (P.13～14)	Online Payment (Pay-as-you-go/Recurring)		Online advertising service SSL service Shipping service
✔ **FinTech**	(P.15～16)		GMO Payment After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

※ GMO-FG stands for GMO Financial Gate.

Narrowly-defined EC: B2C EC Market

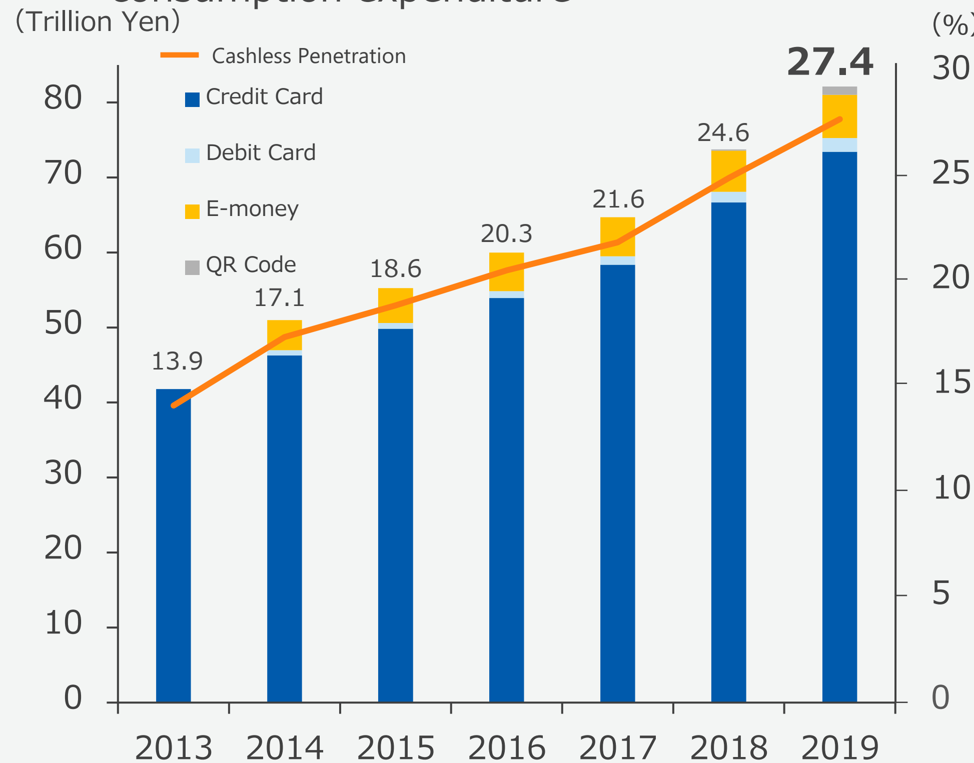
Low penetration rate of cashless relative to US/European countries and high proportion of cash payment

■ 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 2nd Quarter 2020 Retail E-Commerce Sales Report";
Office for National Statistics "Retail Sales Index internet sales, September 2020"

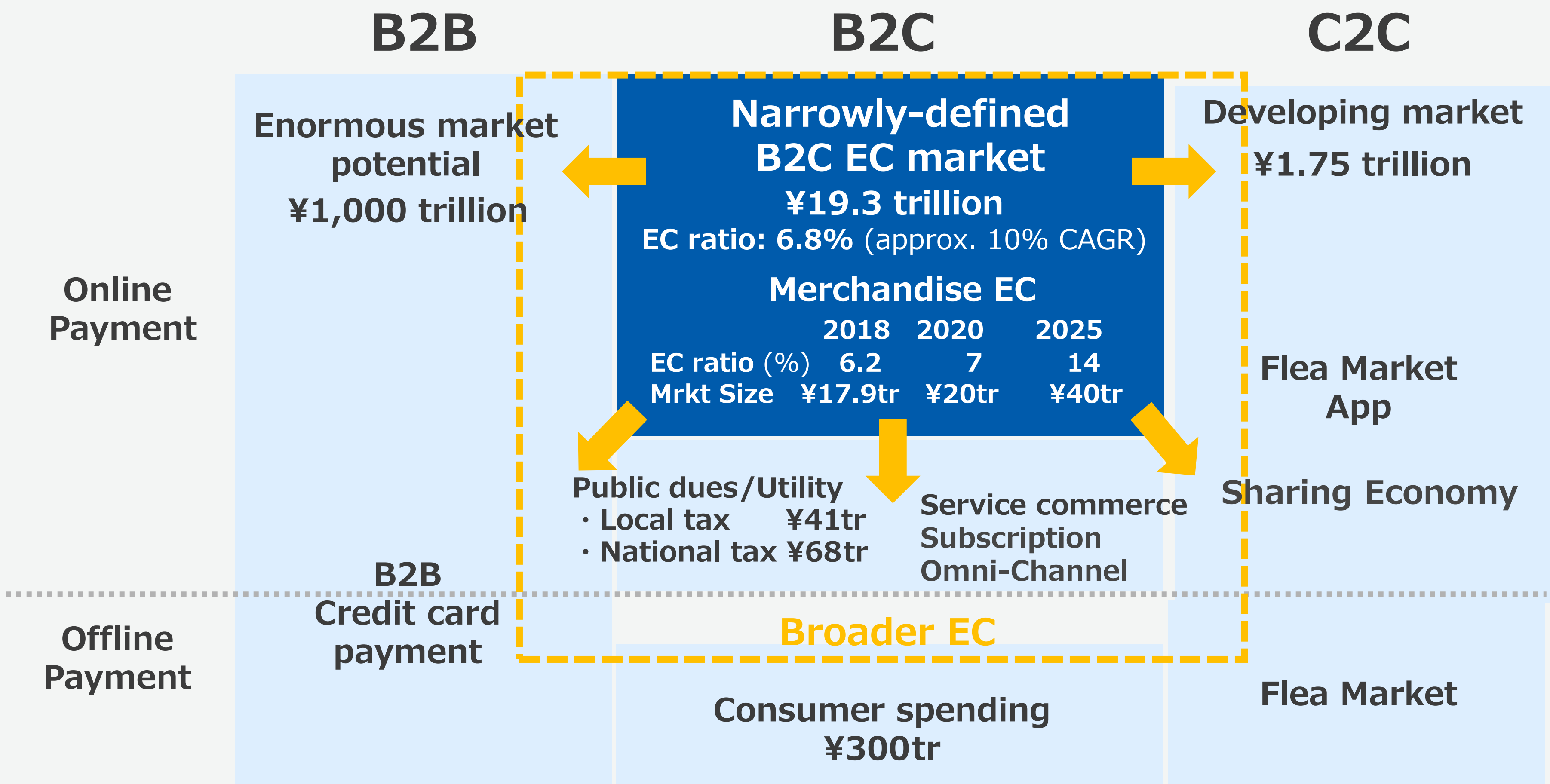
■ Japan's cashless penetration to private final consumption expenditure



※ Cashless Penetration = Sum of credit card usage amount, debit card usage amount, e-money usage amount, QR-code usage amounted divided by private final consumption expenditure
※GMO-PG estimates: Cabinet Office "System of National Accounts"
Japan Consumer Credit Association's Credit Card Statistics
Bank Of Japan's Payment and Settlement Statistics
Payments Japan Association's Code Payment Statistics

Broader EC: Expanding Scope of Cashless Business

The migration towards cashless payment is our growth accelerator



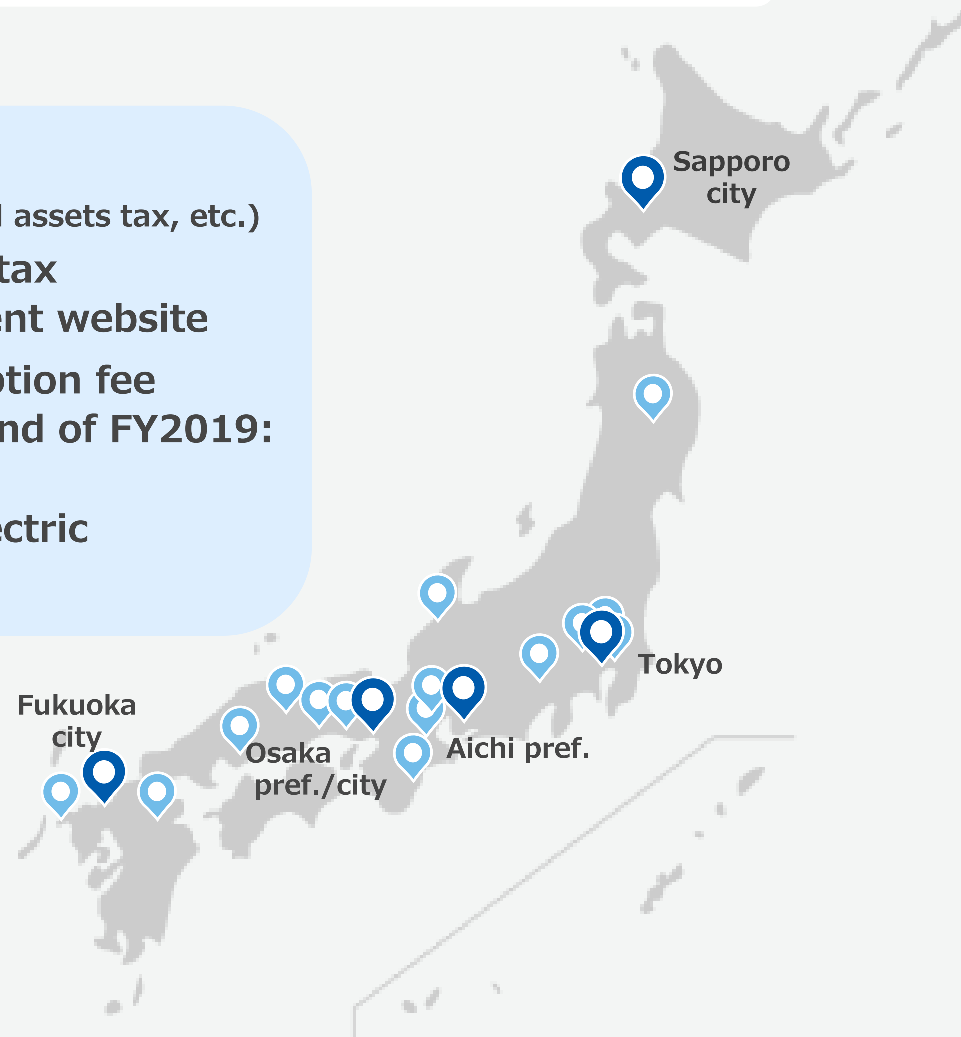
*References : METI's "FY2019 Global Survey Project Concerning Integrated Domestic and External Economic Growth Strategy Building (E-Commerce market survey)". Figures 2020 and after are our estimates.
*MIAC "Breakdown of national tax and local tax revenue (FY2020 Budget and Local Government Finance Plan)"
*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)**
TEPCO Energy Partner	**Supporting digitalization of electric billpayment**

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

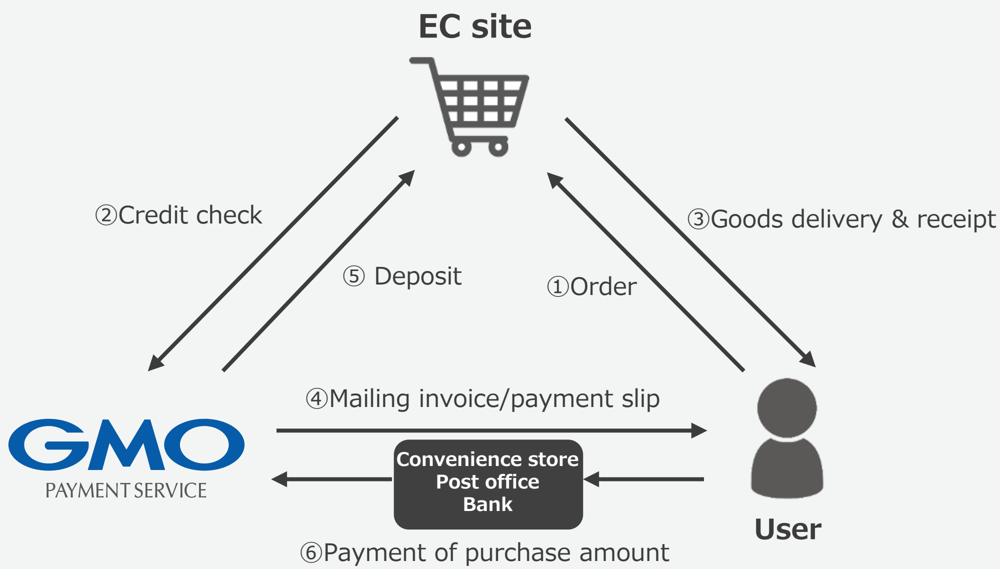
	Services	MSB-related assets	Business Model
GMO Payment After Delivery	Pays sales proceed without waiting for deposit from consumer	Accrued revenues	③ Fee ④ Spread
Remittance service	Efficient and secure refund and remittance processing	–	③ Fee
Overseas Lending/ Transaction Lending	Lending of growth capital	Accounts receivable-trade (short term loans)	④ Spread
Early Payment service	Improves cash flows by bringing forward the payment date	Accounts receivable-trade (advances paid)	④ Spread
B2B Factoring	Early cash conversion of accounts receivable	Accrued revenues	④ 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.

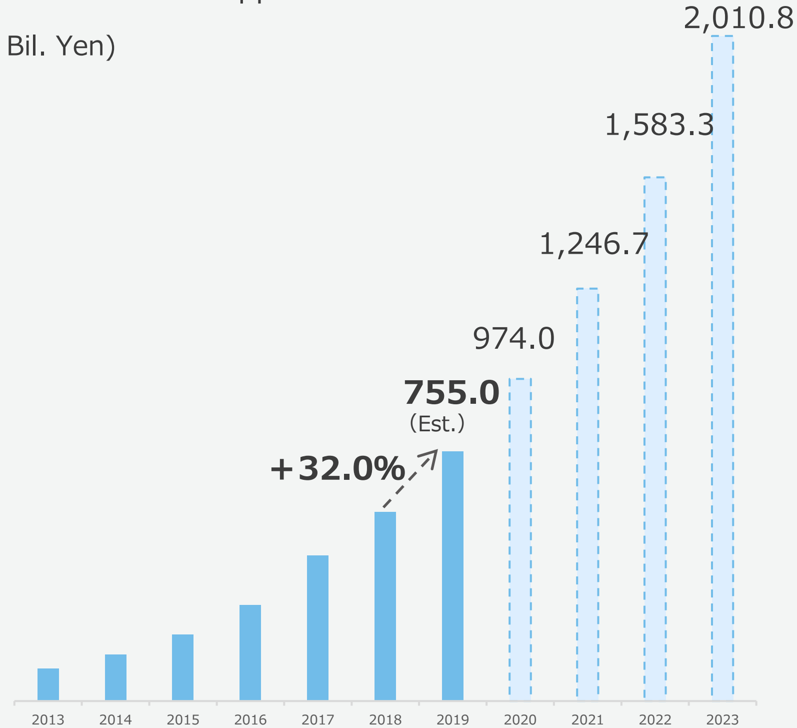


Payment services with over 2 weeks payment terms are also available

■ Market size of deferred payment

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

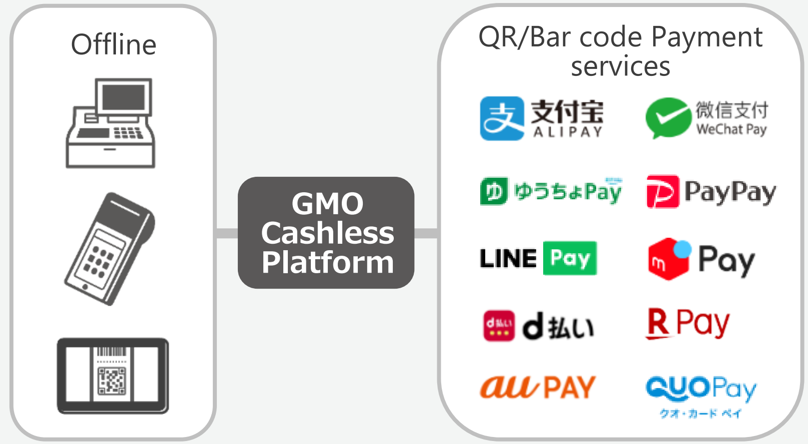
(As of October, 1 2020)

■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)

■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※

※ not available at certain stations of Tokyu Line.

IoT: Offline Payment Market

GMO FINANCIAL GATE

GCard Global Card System

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.
Cashless demand from new lifestyle in the New Normal

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 Stn. Parking Fee
Self Check-out	Coin Laundry	Capsule toy machine

※EMV: uniform standards for IC-chip enabled credit cards created by Visa and MasterCard.

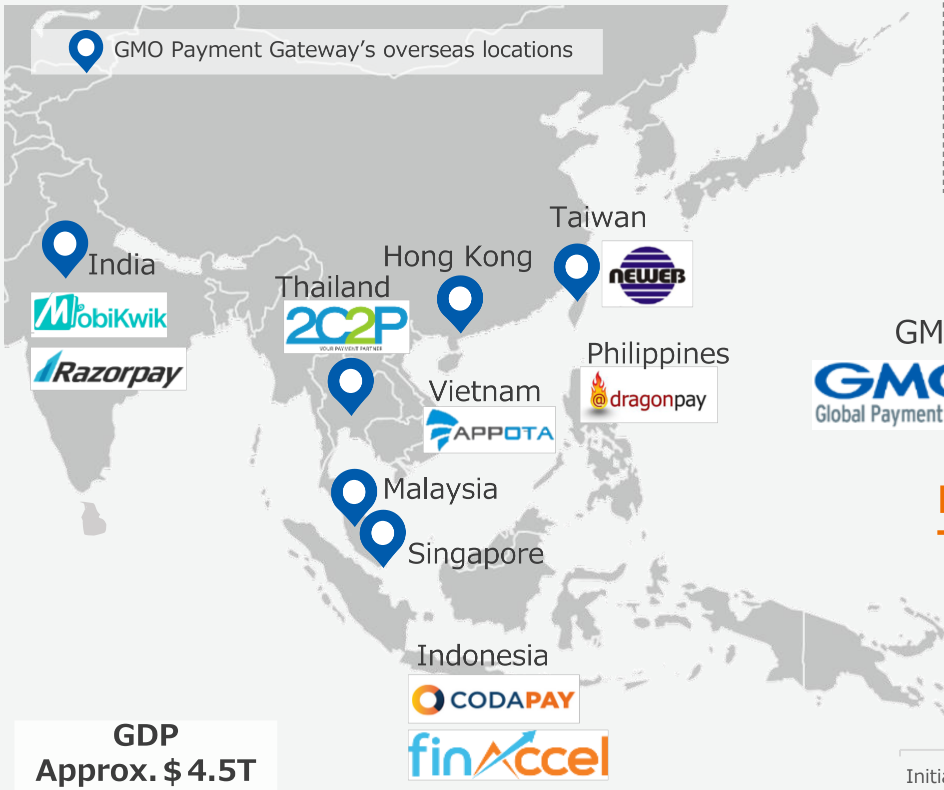
Global: Overseas Strategy

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

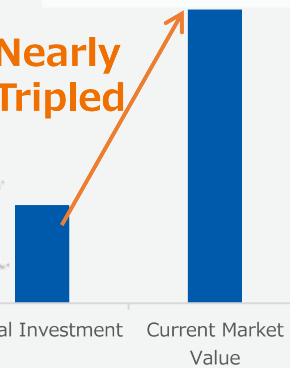
Portfolios of Investments by GMO-PG and GMO Global Payment Fund



GDP
Approx. $4.5T
5-6% Growth

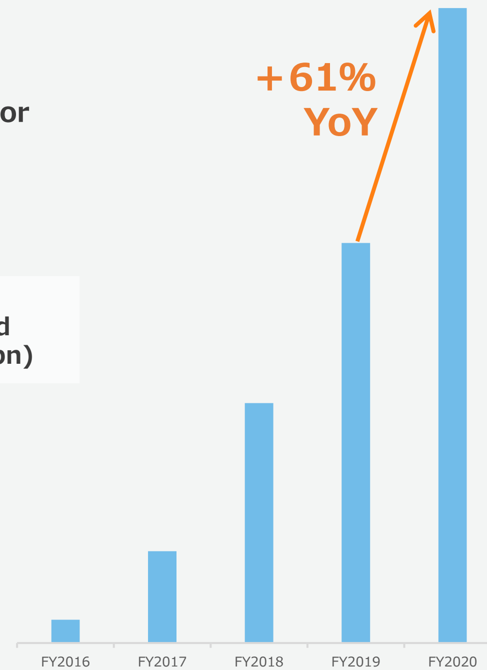
GMO Global Payment Fund

Japan's first Fintech fund targeting payment-related startups in Asia (AUM ¥2bn)



■ Payment processing business

Providing payment services to Japanese companies expanding into the Asian market (Z.com Payment)



Transaction value in Asia surging

Major subsidiaries and equity-method affiliates（IFRS）

- Consolidated subsidiary
- Equity method affiliate

GMO Payment Gateway, Inc.

- Multi payment service（targets small-sized merchants）
  - GMO Epsilon, Inc. （Financial results of FY2019） Revenue : ¥3,483mil, Ordinary income: ¥2,350mil (J-GAAP)
    - GMO Medical Reservations Technology Co., Ltd.
- Payment After Delivery
  - GMO Payment Service, Inc. （Financial results of FY2019） Revenue: ¥5,048mil, Ordinary income: ¥1,212mil (J-GAAP)
- Offline payment (TSE Mothers: Security code 4051)
  - GMO Financial Gate, Inc. （As of July 15, 2020） 60.8% stake
    - Global Card System, Inc.
    - GMO Data — GMO Financial Gate, Inc. equity stake 51.0%, Sumitomo Mitsui Card Company, Limited equity stake 49.0% （As pf July 15, 2020）
- Overseas
  - GMO-Z.COM PAYMENT GATEWAY PTE. LTD. （Singapore）
    - GMO-Z.com PAYMENT GATEWAY HONG KONG LIMITED （Headquartered in Hong Kong and a branch in Taiwan）
    - GMO Z COM PAYMENT GATEWAY MALAYSIA SDN.BHD. （Malaysia）
    - GMO-Z.com PAYMENT GATEWAY (THAILAND) CO., LTD. （Thailand）
    - Overseas: 2C2P Pte. Ltd. （As of end of Sep. 2019） equity stake 33.0%
- Multiple payment service
  - SMBC GMO PAYMENT （As of end of Sep. 2019） 49.0% stake

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	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., GMO Data, Inc., 2C2P Pte. Ltd., etc.

(As of October 1, 2020)

GMO Financial Gate, Inc.: Overview

- **Name**: GMO Financial Gate, Inc. (TSE Mothers, security code 4051)
- **Date of Establishment**: September 1999
- **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.


Stationary-type payment terminal


Mobile payment terminal

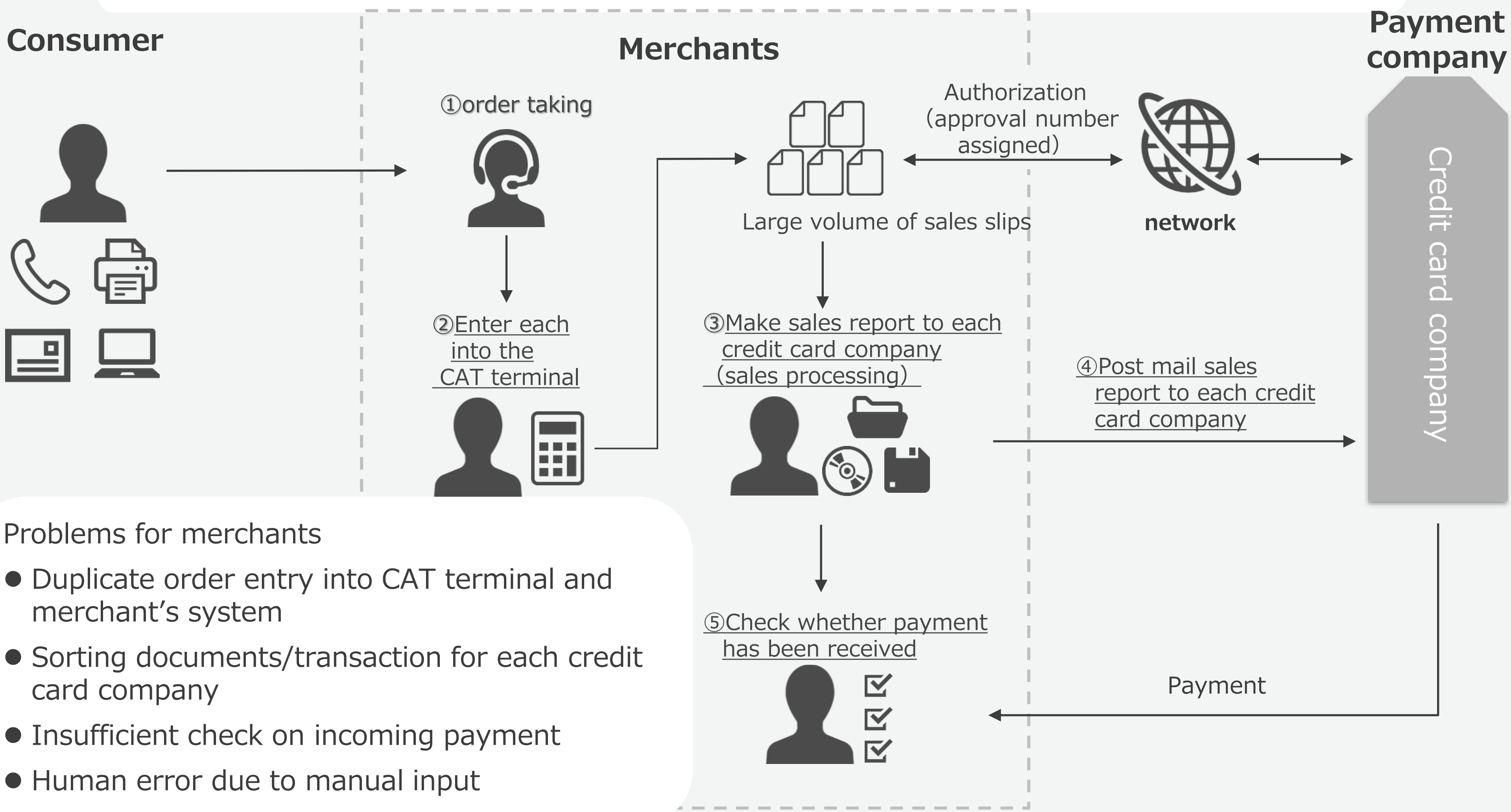

Embedded-type payment terminal


POS terminal for merchants

(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

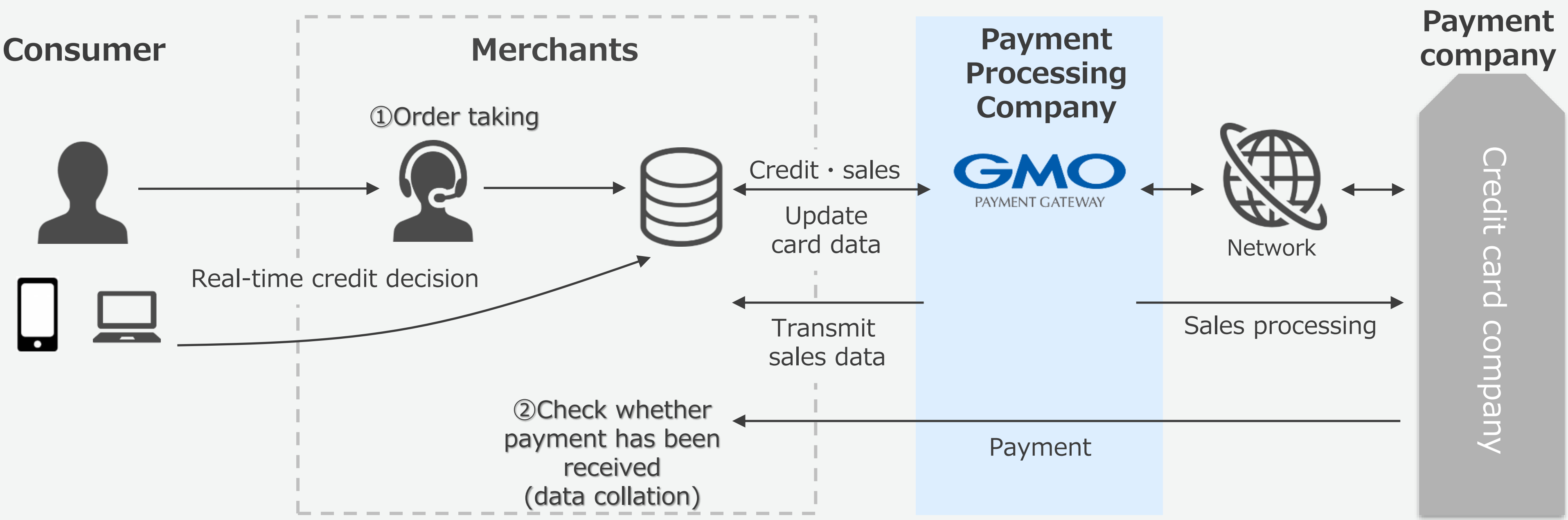


Problems for merchants

- Duplicate order entry into CAT terminal and merchant's system
- Sorting documents/transaction for each credit card company
- Insufficient check on incoming payment
- Human error due to manual input

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.