

Annual Report

26th Fiscal Year

2018.10.1-2019.9.30



Why GMO-PG?

Enriching the world by creating new value in payment

A company that presents new value to the world and leads Japan with its high aspirations

Global leadership

A company with outstanding potential and a 30-year growth trajectory that is highly acclaimed by global investors

Business model

A company that achieves exceptional growth through delegating and instilling a sense of ownership to our younger partners to seek new challenges

Ownership model

Message from the President

GMO PAYMENT GATEWAY

Issei Ainoura
President &
Chief Executive Officer



We are committed to achieving 25% growth in operating profit through the expansion and evolution of our businesses as we adapt to the changing business environment.

Achieved 14 Consecutive Years of Growth in Revenue and Operating Profit

We achieved 14 consecutive years of growth in revenue and operating profit, with FY2019 revenue of ¥32.1 bn, up 21.6% YoY, and operating profit of ¥8.3 bn, up 26.7% YoY. This was led by the significant growth of our core business of online payment services, profitability improvements in

financial services such as cashless payments for financial institutions, the expansion of offline payment services, GMO Payment After Delivery, and global lending services.

We express our deepest appreciation and gratitude to our shareholders and stakeholders for their continued support that enables these achievements.



▶ Growth Strategy to 2025 and the Transformation of Our Merchants



*1 Capital and business alliance between Sumitomo Mitsui Financial Group, Sumitomo Mitsui Banking Corporation, GMO Internet, and GMO Payment Gateway.
 *2 Figures show the operating profit and transaction value targets to be achieved from 2020 onward.

Creating New Businesses and Adapting to the Changing Business Environment

The business environment in which we operate is continually undergoing major changes brought about by fast-paced technological evolutions.

In order to sustain growth in such an environment, it is of crucial importance to keep evolving our existing businesses as well as foster new ones, with a mindset to preemptively respond and thoroughly adapt the Company to the changes. In 2015, said to be the inaugural year of FinTech in Japan, we commenced our capital and business alliance with Sumitomo Mitsui Financial Group (SMFG) and commenced the Money Service Business. It is a testament to our ability to be forward-thinking that the Ginko Pay service had

already been launched in November 2017 when the Ministry of Economy, Trade and Industry initiated the Study Group on Cashless (formally the Study Group for API-based Collaboration Involving Credit Card Utilization).

Sales Capability Underpinned by Diverse Human Resources

We possess Four Strengths that we have upheld since our inception: Marketing, Development, Support, and Investment. These strengths are the source of our competitiveness and enable our sustainable growth as a company. In particular, we have further strengthened our sales system which is tailored according to the client's industry or scale, and diversified our human resource base to

be more agile in reflecting decisions by management. As a result, we have been able to expand our business with larger corporate clients in recent years in addition to our services targeted to SMEs.

Pursuing Business with a Long-Term Perspective

When I was appointed as President in 2000, I set the Company's long-term targets of achieving consolidated operating profit of ¥10 bn in FY2020, ¥25 bn in FY2025, and ¥100 bn in FY2030. Back then, there were more than a few skeptics given that we were in the red, but I believed that these targets were achievable if we could sustain a 25% operating profit growth rate, and compiled and implemented the managerial and operational requirements to achieve this goal. Thanks to these

efforts, we project that we will exceed ¥10 bn in operating profit for FY2020.

We are working on multiple large projects in our five focus areas to ensure that the FY2025 and FY2030 targets are achieved regardless of uncertainties over the domestic economy after the Tokyo 2020 Olympic and Paralympic Games.

Finally, and very importantly, we thank you, our shareholders, for your continued support and encouragement as we continue to move forward.

December 2019

Issei Ainoura
 President & Chief Executive Officer

Our Services and Focus Areas



Public dues
Payments of automobile taxes and water bills

Utilities
Bills paid on a regular basis such as electricity and gas

Payments of fixed monthly expenses
Regular payments for things such as water delivery, newspapers, magazines, etc.

Internet shopping
Supporting payments for purchases of everyday goods, perishables, etc., and the advertising operations of businesses

Services used in daily life/at home



Content purchases
Payments when purchasing content such as music, video games, and e-books

Usage fees for various services
Payments for travel tickets and car rentals, delivery services, etc.

GMO Payment Gateway creates new value in payments with sights set firmly on the future, adapting to a world where change happens faster than ever before.

Services used outside the home

► Our Business Activities Center on These Five Focus Areas

E-COMMERCE

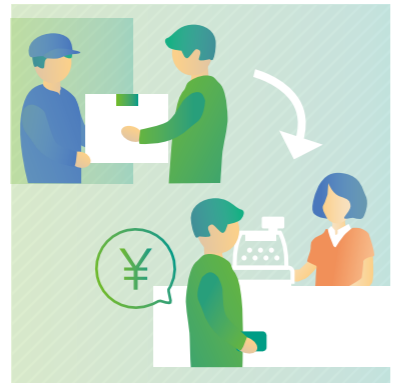
Providing all types of highly convenient, secure payment methods, from internet shopping to online payments of taxes and public dues



Shopping by smartphone
Payment services for purchasing goods and services outside the home

Providing payment services

Payment after receiving products (GMO Payment After Delivery)



FinTech

For merchants, we develop payment methods that utilize financial technology and services that support growth according to their funding needs

CASHLESS

Offering services for financial institutions to facilitate more payments going cashless, which is anticipated to reach the same level in Japan as in other countries



Payments at offline stores
Using smartphone apps to pay for services and purchases

Withdrawals at ticket machines

Accommodating need for cash in the cashless era



Card payments at vending machines
Diverse payment methods handled securely

IoT

Providing highly secure services in the area of offline payments, where further growth is expected, along with the promotion of cashless payments and increased inbound consumption

GLOBAL

Globally exporting our expertise, know-how, and services in payments and finance, while actively promoting partner strategies through investment

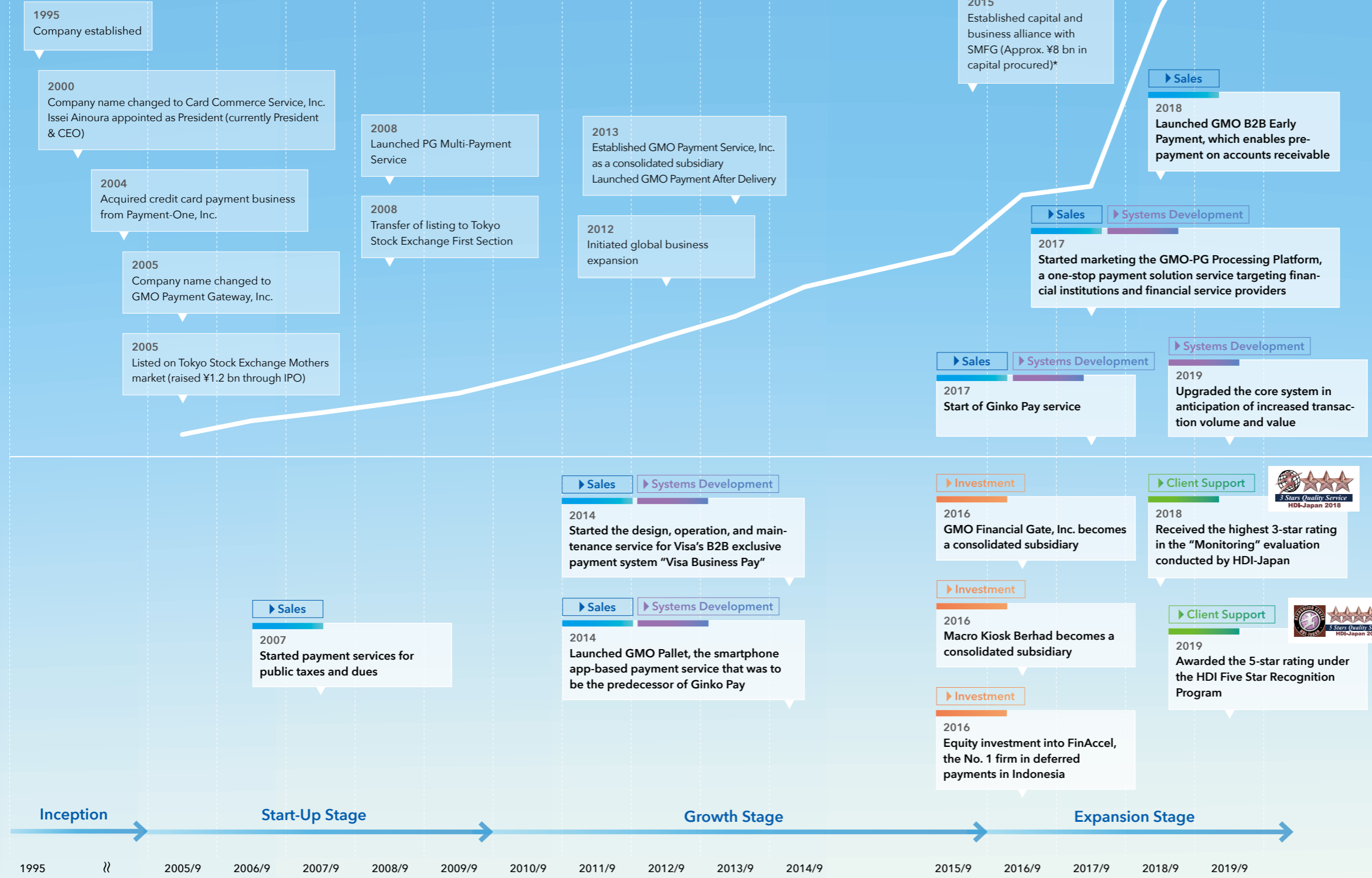


Sustaining global payment infrastructure
Providing safe and convenient payment services around the world

Our Strengths Nurtured over the Years

Based on GMO Payment Gateway's core belief to "enrich the world through payment," we have continuously expanded and captured markets by offering new services. We will continuously endeavor to create new value in payment by deploying our unique strengths fostered during the Company's growth.

▶ Operating Profit



Four Strengths

Sales and Marketing

Continually enhancing our ability to negotiate and make proposals since our early years. Supporting our clients' growth with our unparalleled human resource base.

▶ Number of Employees

2004	40
2019	819 (consolidated)

Systems Development

Building a reliable system to process high-volume concentrated transactions. Systems development capabilities that cater to each customer's needs.

Client Support

Our client-focused support system attempts to solve even the underlying and latent issues.

Investment

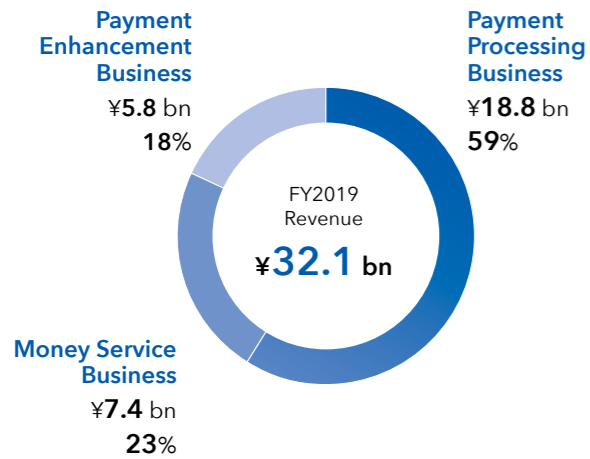
Ability to uncover promising start-ups. Comprehensive support that contributes to the growth of our investees.

* Capital and business alliance between Sumitomo Mitsui Financial Group, Sumitomo Mitsui Banking Corporation, GMO Internet, and GMO Payment Gateway. (Note) IFRS Accounting was adopted from the fiscal year ended September 30, 2018. Figures for the fiscal year ended September 30, 2017 have been restated on this basis.

GMO Payment Gateway at a Glance

Our business is comprised of three reportable segments separated by service type. We identify the following five focus areas to be the growth drivers of our business.

Revenue Breakdown



Focus Areas

E-COMMERCE	<ul style="list-style-type: none"> Online Payment <ul style="list-style-type: none"> Pay-as-you-go/Non-recurring Payments (payment for merchandise/goods, digital content, etc.) Recurring Payments (payment for public taxes and dues, etc.) 		
FinTech		<ul style="list-style-type: none"> GMO Payment After Delivery Remittance Service Early Payment Service Transaction Lending Factoring 	
CASHLESS	<ul style="list-style-type: none"> Ginko Pay GMO-PG Processing Platform 		
IoT	<ul style="list-style-type: none"> Offline Payment 		
GLOBAL	<ul style="list-style-type: none"> Z.com Payment (overseas payment service) 	<ul style="list-style-type: none"> Global Lending 	<ul style="list-style-type: none"> Macro Kiosk Berhad <ul style="list-style-type: none"> SMS Authentication and Notification Mobile Payment



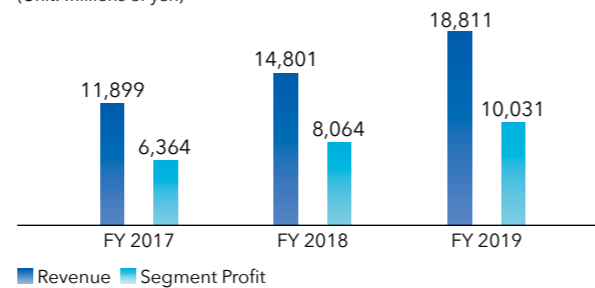
Payment Processing Business

We expanded services to non-EC operators and focused on acquiring large-scale merchants given the steady growth in the online EC market.

In the offline market, sales of payment terminals grew by capturing the terminal replacement demand for IC-chip embedded credit cards as well as steady order intakes of projects related to the Unattended Market. The Ginko Pay system is also seeing wider adoption amongst banks.

Revenue/Segment Profit

(Unit: Millions of yen)

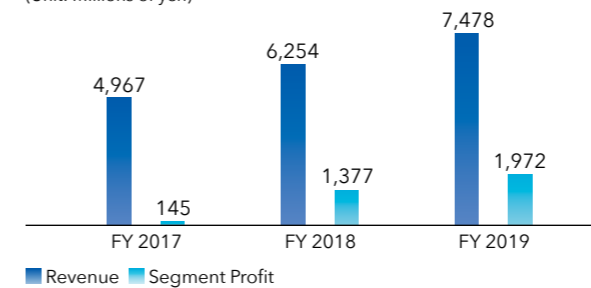


Money Service Business

The GMO Payment After Delivery payment service has expanded its merchant base and improved profitability. In addition, continued robust growth is also seen in other services such as Remittance Service, Early Payment Service, financial services that offer multi-faceted support to B2B EC operators, and global lending.

Revenue/Segment Profit

(Unit: Millions of yen)

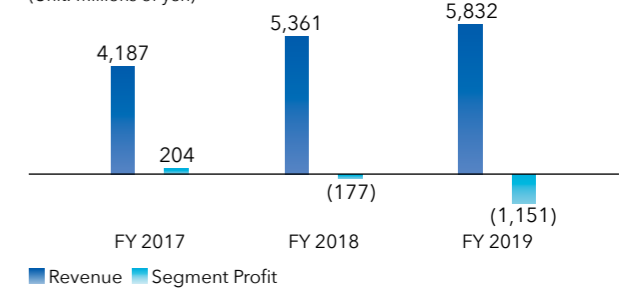


Payment Enhancement Business

Although revenue increased at our consolidated subsidiary Macro Kiosk Berhad, an impairment loss of ¥992 mil was recognized on goodwill to acknowledge the uncertainty over profit generation in the medium term compared to our initial estimates. Online advertising revenue declined as ad placements decreased due to adverse changes in the business environment.

Revenue/Segment Profit

(Unit: Millions of yen)



E-COMMERCE



“Customer First”

Aiming to accurately assess the customer’s needs and build the optimum payment platform.



The very source of our strength is that we are empowered by people—our customers, collaborative partners, and the partners with whom we work together. I am grateful to be able to work together in such an empowering environment in the constantly changing and stimulating business of payment.

This is what drives us to continuously strive to be the partner that provides satisfaction and innovation to all. My mission is to build the most powerful sales force that inherits this spirit and can flexibly adapt to changes in the business environment.

Chikayoshi Katsuki

Manager, Management Department of Sales #3, Innovation Partners Division

Business Environment and Growth Strategy

The B2C EC market continues its strong growth, brought about by the progress in logistics reforms and increased penetration of smartphones. In fact, the scope of EC itself has broadened with the emergence of B2B, C2C, and D2C (direct from manufacturers to consumers). The possibilities in payment services can be said to be infinite, given the outlook of increasing web-based payments in areas such as public dues and taxes and various other services.

Given these favorable trends, we strive to achieve above-market growth by acquiring large-scale merchants for online payments; creating new services for the various types of non-merchandise/service EC operators; making inroads in the offline market, particularly with the high growth potential of the Unattended Market; and expanding services that support the cashless businesses of financial institutions.

Operating Stores



Transaction Volume



Transaction Value

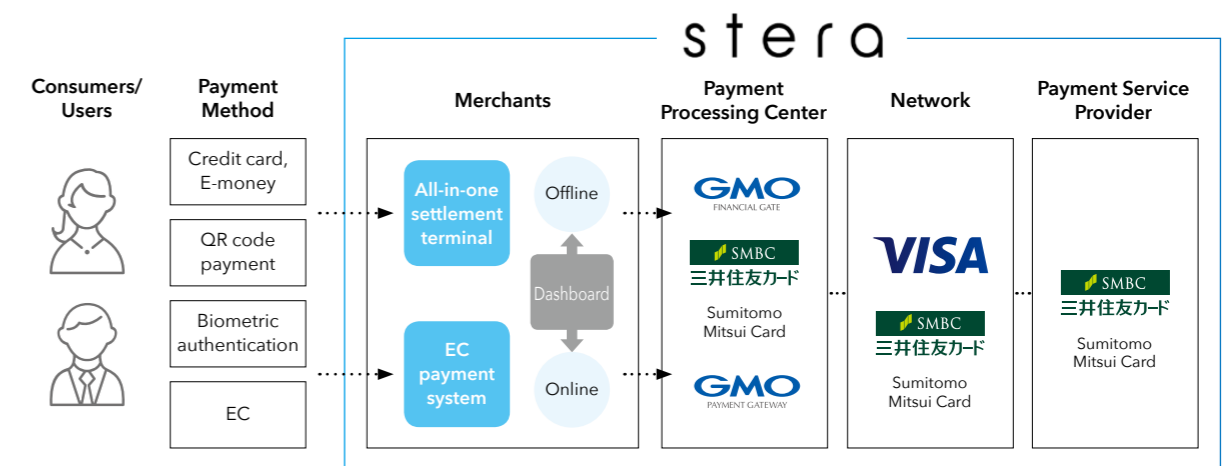


*1 Operating stores as of End of September 30, 2019 exclude the recent impact of a sudden increase in new stores from a particular merchant.
*2 The Transaction Volume and Transaction Value include the payment transactions at GMO Financial Gate, Inc.

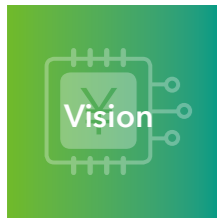
TOPIC

Rollout of Next-Generation Payment Platform “stera”

The growth of Japan’s cashless market is marked by increasing complexity given the proliferation of various payment methods. In order to accelerate cashless adoption given this complexity and to eliminate the inefficiencies of the overall payment system, we have developed a payment platform that meets the advancements in technology and customer needs. Stera is a next-generation payment platform jointly developed by Sumitomo Mitsui Card Co., Ltd., Visa Inc., and GMO Payment Gateway, Inc.



FinTech



Aiming to improve profitability and capital efficiency by further expanding financial services that contribute to our customers' growth.



We provide GMO Payment After Delivery, a highly beneficial payment service for consumers that do not own a credit card or prefer to pay after confirming the delivery of goods. This service also enables EC shop owners to capture a wider customer base by offering payment after delivery to customers who prefer cash payments.

We will strive to expand the EC market and our business performance by further growing the Payment After Delivery service, which benefits both customers and sellers. We will also work to improve credit assessment accuracy and deploy AI for fraud detection.

Katsuyoshi Souta

GMO Payment Service, Inc.
Director

Business Environment and Growth Strategy

By leveraging our core payment services, we provide FinTech services that contribute to the growth of our customers, such as the Early Payment and Remittance services that improve merchant cash flow, global lending, GMO Payment After Delivery, and factoring.

We strive to improve the Company's overall capital efficiency by creating new financial services that align with customer needs and improving the profitability of each service line.

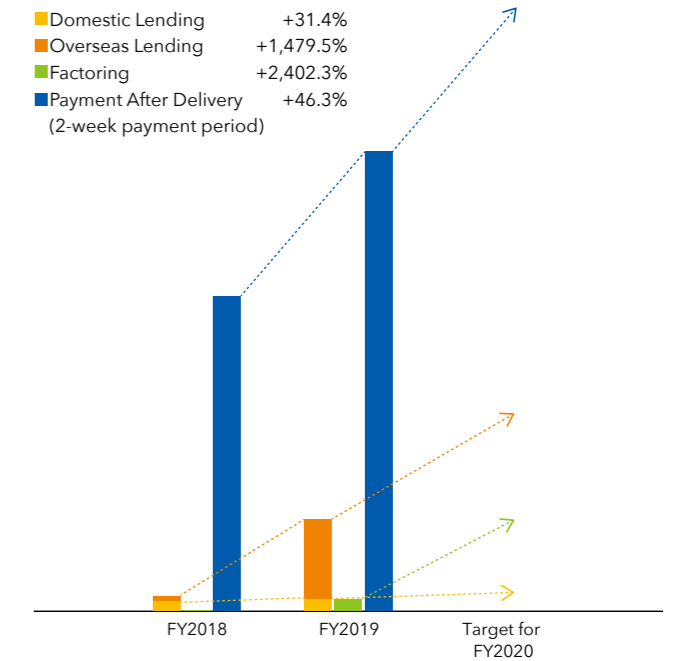
TOPICS

Steady Growth in FinTech by Offering Services that Cater to the Cash Needs of Customers

We are focused on improving the profitability of existing services as well as creating new services which are highly profitable in order to improve the capital efficiency of financial services. GMO Payment After Delivery continues its high growth on the back of the 32% CAGR growth outlook of the Deferred Payment market*, a payment method where payment is made after the goods are delivered. We will continue on our high growth trajectory following the 2018 launch of high-margin services, such as global lending that provides growth capital to our overseas partners and the GMO B2B Early Payment service that targets SMEs.

* Source: "Domestic Cashless Payment Market 2019" by Yano Research Institute Ltd.

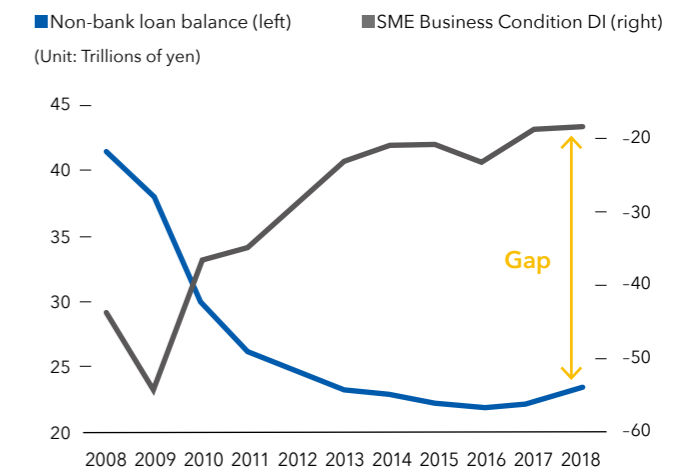
Revenue Trend of Major Services (% shows the year-on-year change)



Launch of GMO B2B Early Payment to Infomart Corporation from January 2020

Despite the increasing cash needs of SMEs, the total loan balance has been steadily declining, leading to the problem of worsening cash flow for B2B transactions. We plan to launch the Electronic Invoice Early Payment service from January 2020 which enables a quick upfront payment of invoices with a single click. This service will be offered on Infomart's B2B platform for electronic invoicing, called B2B Platform Invoicing. By resolving the growth-impeding cash liquidity issues at B2B operators, we will work to enhance the usage and awareness of upfront payment of accounts receivable.

Trend in Loans to SMEs*



* Source: Small and Medium Enterprise Agency "SME Business Condition Survey," Financial Services Agency "Statistics on Money-Lending Business"



CASHLESS

Vision

Aggressively promoting new business creation and expansion of stock revenue by supporting the cashless businesses at financial institutions.



Japan's predominantly cash-based society is now beginning to shift towards cashless payment. To preempt this change, we launched Ginko Pay from 2017, an application that financial institutions can use to promote their cashless businesses. The number of banks that have adopted this system has steadily grown, and Ginko Pay is now available to non-financial businesses as well. Ginko Pay is not the end goal in and of itself, but one of the tools to achieve the blueprint of our future. Our aspiration is to grow together with our customers by using Ginko Pay as a launchpad.

Yasunori Hatada

Head of SmartPay Business
Management Department of Strategic Business
Innovation Partners Division

Business Environment and Growth Strategy

The Japanese government aims to raise cashless penetration to 40% by 2025, from 20% in 2016, a low cashless penetration compared to other countries.

We provide services that support the cashless businesses of financial institutions and financial service providers, thereby contributing to the realization of a cashless society.

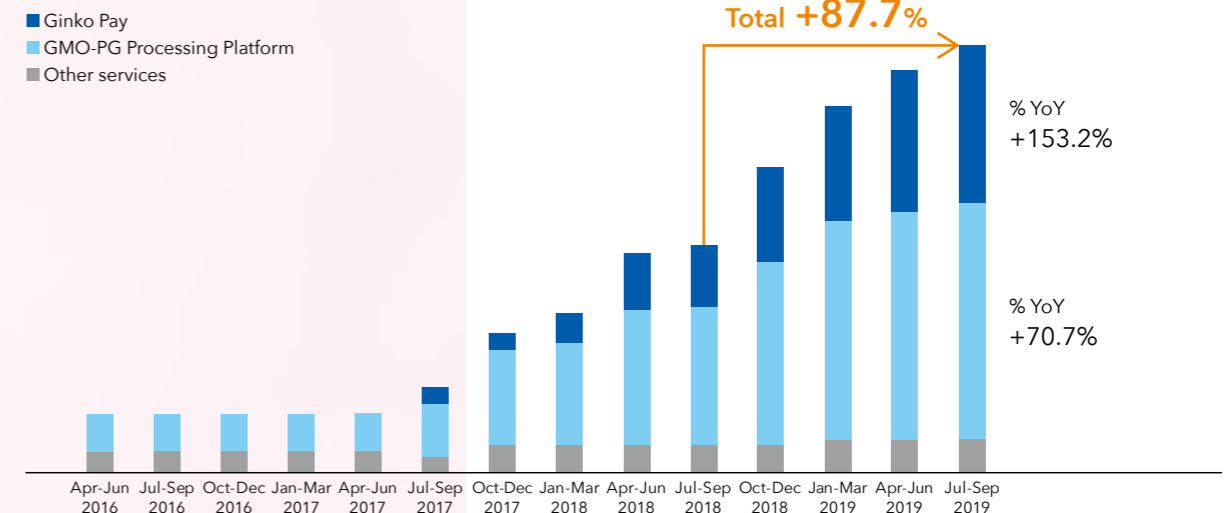
Ginko Pay, which was co-developed with The Bank of Yokohama, Ltd., has seen a steady rate of adoption among financial institutions since its launch. More recently, it has also been newly launched as the base system for "Enterprise-Version Pay" by Sumitomo Mitsui Banking Corporation, expanding its adoption among enterprises.

TOPICS

Growth of Services for Financial Institutions

We provide services to support the cashless businesses of financial institutions such as Ginko Pay, a smartphone app linked to the user's bank account that enables instant debit, and the GMO-PG Processing Platform, which provides the system and functions required for the payment business such as transaction processing, merchant management, and credit card/debit card issuance.

Stock Revenues from Services for Financial Institutions



Rising Ginko Pay Adoption to Promote Cashless in Japan

As of the end of November 2019, 10 financial institutions have adopted Ginko Pay, thanks to our efforts to increase the number of banks implementing the service. Not only can financial institutions launch their proprietary smartphone payment apps by utilizing Ginko Pay's base system, but it is also possible to interlink the adopting banks through the Multi-Bank Payment function. Furthermore, Sumitomo Mitsui Banking Corporation has launched the "Enterprise-Version Pay" that utilizes Ginko Pay, and as a result of this, Ginko Pay has been adopted as a payment method on Toyota Wallet. We will continue to provide multi-faceted support for the cashless needs of financial institutions and business operators.

Banks that have Adopted Ginko Pay



IoT

Vision

Contributing to cashless payment and achieving co-prosperity with our customers by promoting solution-based marketing and by establishing strong relationships with partner companies.



Kentaro Sugiyama
President and CEO,
GMO Financial Gate, Inc.

The cashless payment market is expected to expand ahead of the Tokyo 2020 Olympic and Paralympic Games. Given the substantial reliance on cash payment in Japan, we believe that promoting cashless payment should contribute to labor-saving and be an antidote to the decline in labor population.

We aim to contribute in raising our corporate value by prospering together with our customers through payment services and to be a contributing member in enriching the economy through payment services.

Business Environment and Growth Strategy

Our business opportunities are expanding thanks to Japan's cashless transformation backed by the government's promotion of cashless payment in the offline market.

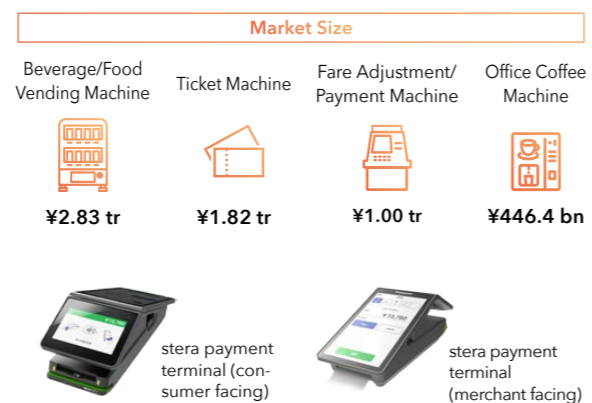
We are witnessing the progress of IoT, which connects various household devices, and rapid expansion of payment and recurring payment in various settings, including parking fee machines, vending machines, and ticket machines. By positioning the Unattended Market as a focus area, we will make inroads in this market to contribute to our transaction volume and value going forward.

TOPIC

Promoting Businesses that Capture the Transformations Occurring in the Gigantic Offline Market

GMO Financial Gate, Inc. increased new customer acquisitions by 475.9% in FY2019 with its strategic focus on the Unattended Market, and due to the tailwinds of a transforming offline market driven by expanding inbound consumption and IC-chip embedded credit cards.

In addition, the new all-in-one payment terminal for the next-generation payment platform stera, jointly made with Sumitomo Mitsui Card Corporation and Visa, is scheduled to commence sales from March 2020.



GLOBAL

Vision

Focusing on "AI x New Payment Domains," expanding payment and lending services through alliances, and opening joint offices with top North American and Asian FinTech companies.



Ryu Muramatsu
Executive Vice President,
Head of Corporate Value Creation Strategy
Division
President of GMO-Z.com Payment
Gateway Pte. Ltd.

Our global business has achieved outstanding results this year.

We were able to achieve a profit thanks to the high growth of the lending services commenced in the US and Indonesia, as well as the payment business offered by Z.com Payment, despite the lackluster performance by Macro Kiosk Berhad in the latter half of the year.

In addition to business performance, we are focused on making inroads in the global trend of "AI x New Payment Domains," and are making progress in forging alliances with financial institutions and establishing dedicated departments and a corporate entity in the US and other countries.

Business Environment and Growth Strategy

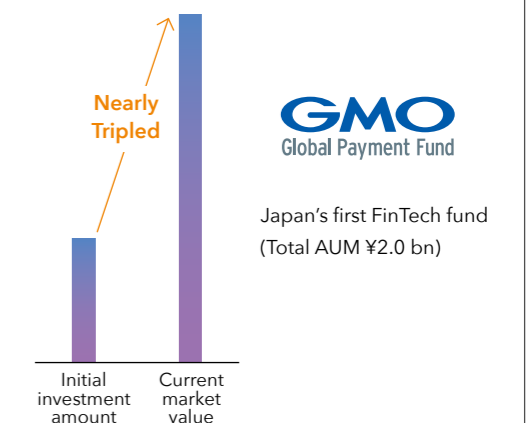
Steady progress is being made in investment activities of the GMO Global Payment Fund, and we are strengthening our systems and organization in preparation of further expanding the lending business to support our investees' phenomenal growth in the key markets of the US, Indonesia, and India. Additionally, the number of merchants adopting Z.com Payment services in the ASEAN region is steadily expanding.

Macro Kiosk Berhad, which offers authentication services to banks, is leveraging its customer base of several thousand banks and businesses to shift toward CPaaS services and pursue measures to re-accelerate growth in Malaysia's neighboring countries.

▶ GMO Payment Gateway Overseas Locations and Investments



▶ GMO Global Payment Fund Investment Amount



Corporate Governance

Fundamental Approach

Under the management principle of “Seeking both material and spiritual wealth by contributing to the progress and development of society,” we implement governance systems that can effectively and efficiently turn these principles into reality. The fundamental approach to corporate governance in our Group is to devise and implement governance systems for healthy business development, while simultaneously ensuring both the efficiency and compliance of management. We consider governance to be one of the most important issues in management.

On December 16, 2018 we responded to changes in the

surrounding environment by establishing a Management Committee to handle the decision-making function for the execution of important operations, in order to strengthen the management oversight function through the separation of supervision and execution. We are working to accelerate the decision making of management and improve governance, while also reinforcing the oversight function of the Board of Directors.

To achieve our corporate governance objectives, we are also committed to conducting more transparent management by providing timely disclosures for shareholders and investors, and investor relations activities.

Partial Changes to Corporate Governance

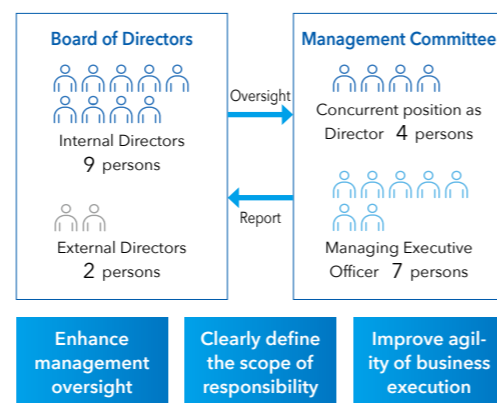
In order to sustainably develop, we established the Management Committee in December 2018 as the decision-making body on business execution. This will further strengthen management oversight while clearly separating the management functions of supervision and execution.

Board of Directors

The Board of Directors is comprised of 11 Directors, including 2 External Directors, which fulfills the supervisory function of the Board of Directors and ensures fair and efficient management and risk management.

Management Committee

The Management Committee is comprised of a few Directors including the Representative Director and certain Executive Officers, and deliberates and reaches decisions on important matters in business execution in order to expedite the decision-making process and improve the efficiency of business execution.



Board of Auditors

Our Board of Auditors is comprised of four members (of whom three are external auditors). Auditors oversee the execution of duties of Directors by conducting audits according to the audit plan formulated by the Board of Auditors, and by attending important Board of Directors meetings, etc.



Kazutaka Yoshida
Standing Auditor



Takashi Iinuma
Auditor



Kazuhiko Okamoto
External Auditor



Yumi Hokazono
External Auditor

Compliance

Fundamental Approach

In our group of companies, we consider the scope of compliance to include a) ordinances, b) ethics and social norms, c) rules, regulations, and procedures, and d) management vision. With an awareness of “adapting to the demands of society” (known as full-set compliance) which includes observance of ordinances, we are actively boosting the compliance mindset of all our employees. In its yearly audit plan, our internal audit office also reviews our state of

compliance with ordinances, articles of incorporation, company rules, and other such regulations. When the circumstances are found to require improvements, we take corrective measures, and follow up to ensure the corrections are enforced. In addition to the normal reporting systems based on chains of command, we are building and operating an internal notification system for incidents where compliance violations are suspected within our company.

Information Security (as of September 30, 2019)

Certified ISO 27001 Compliant

With a scope that encompasses all of our business locations, we have been certified as compliant with the ISO/IEC 27001:2013 global information security standard (within Japan, the JIS Q 27001:2014 standard).



Privacy Mark Certified

As recognition that we are taking the appropriate measures to safeguard personal information, we have received Privacy Mark certification which signifies compliance with the Japanese Industrial Standard “JIS Q 15001:2006 personal information protection



management systems requirements” for the handling of personal information.

Fully PCI DSS Compliant

The services we provide are in full compliance with version 3.2 of the PCI DSS global security standard for the credit card industry, which was jointly formulated by the five global credit card brands JCB, American Express, Discover, MasterCard, and Visa. As such, we are delivering peace of mind to all of our customers, in addition to secure credit card payments.



First Payment Processing Company to Receive the Highest 5-Star Certification from HDI



Client Support

We were awarded the highest 3-star ranking for the two years of 2018 and 2019 in the “Monitoring” evaluation conducted by HDI-Japan. Moreover, we were the first ever payment processing company to receive the highest 5-star rating in the HDI Five Star Recognition Program, a certification system for companies that have received three stars

from HDI-Japan's rating benchmark. We will strive to continue to improve and strengthen our customer support, not only through responses to inquiries but also through offering optimal solutions, services, and operations that accurately match the customer's needs.

First-Time Recipient of Award for Excellence in Corporate Disclosure Presented by the Securities Analysts Association of Japan



We received the top award in the Tele-communication/Internet industry in the 2019 (25th) Awards for Excellence in Corporate Disclosure, organized by the Securities Analysts Association of Japan's Corporate Disclosure Study Group. The award aims to promote corporate disclosure and emphasizes voluntary and proactive information disclosure

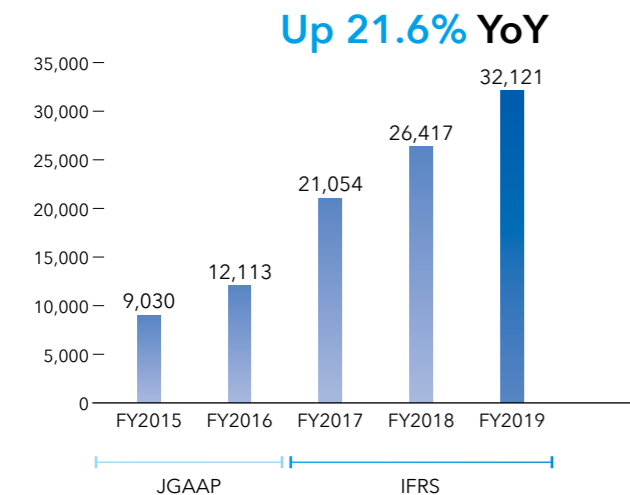
over mandatory disclosure. The result is based on the strict selection by over 500 experienced analysts based on the five criteria of (a) management stance on investor relations, (b) investor meetings, (c) fair disclosure, (d) matters related to corporate governance, and (e) voluntary information disclosure.

Financial Highlights (consolidated)

Achieved 14 consecutive years of revenue and operating profit growth since 2005; achieved over 25% growth in operating profit even after making strategic investments and the recording of goodwill impairment for Macro Kiosk Berhad

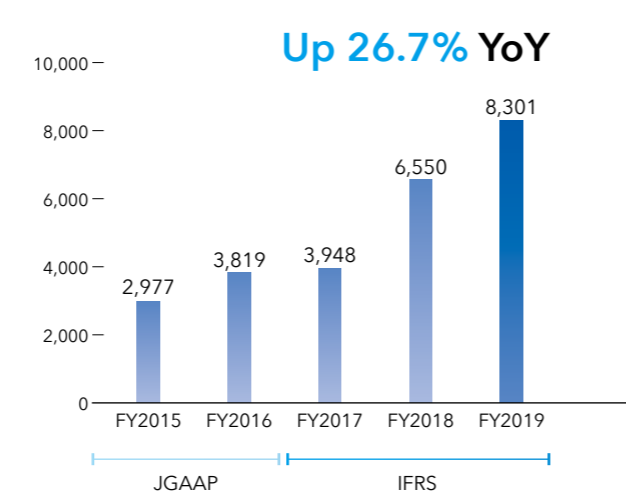
Revenue

(Millions of yen)



Operating profit

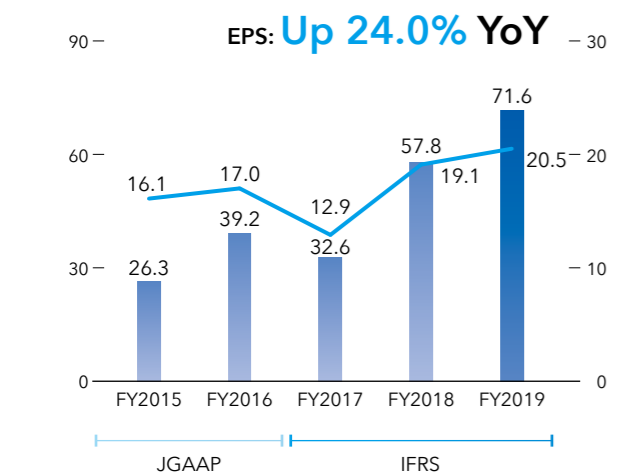
(Millions of yen)



EPS (Basic earnings per share)* ROE (Return on equity)

(Yen)

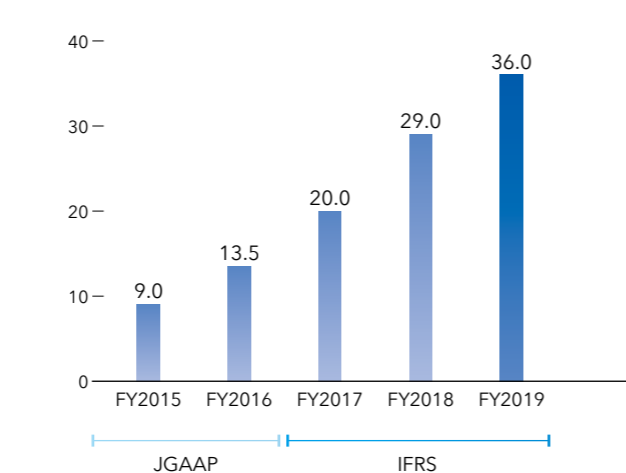
(%)



■ EPS (left) ■ ROE (right)

Dividends*

(Yen)



Our management priority is to continue a stable shareholder return as well as to sustain a retained earnings level necessary for future business expansion and strengthening our corporate structure.

In light of our earnings performance and to fulfill our shareholders' expectations, the dividend for FY2019 was ¥36, an increase of ¥1 compared to the year-end dividend plan announced in the FY2018 Summary of Consolidated Financial Statements.

* On October 1, 2018, the Company carried out a 2-for-1 stock split. The values shown have been retroactively adjusted to reflect the stock split. (Note) IFRS Accounting was adopted from the fiscal year ended September 30, 2018. Figures for the fiscal year ended September 30, 2017 have been restated on this basis.

Consolidated Financial Statements

Consolidated Statement of Profit and Loss

	FY2018 (Oct. 1, 2017 to Sept. 30, 2018)	FY2019 (Oct. 1, 2018 to Sept. 30, 2019)
Revenue ¹	26,417	32,121
Cost of sales	(9,080)	(11,617)
Gross profit	17,337	20,504
Other income	165	153
Selling, general and administrative expenses	(10,470)	(11,202)
Other expenses	(480)	(1,154)
Operating profit ²	6,550	8,301
Financial income	415	48
Financial expenses	(63)	(291)
Equity method investment gains or losses	(203)	(19)
Profit before income tax ³	6,700	8,039
Income tax expenses	(2,453)	(2,986)
Profit	4,246	5,052

Profit attributable to:

Owners of parent	4,255	5,267
Non-controlling interests	(8)	(215)
Profit	4,246	5,052

Key Points of Consolidated Statement of Profit and Loss

1 Revenue

The Payment Processing Business segment revenue increased 27.1% YoY driven by the steady growth in the EC market as well as the expansion of services targeting non-EC operators. The Money Service Business (MSB) segment revenue grew 19.6% YoY with the growth of the Remittance service and the transaction value of GMO Payment After Delivery, a deferred payment service. The Payment Enhancement Business segment revenue grew 8.8% YoY thanks to revenue growth at consolidated subsidiary Macro Kiosk Berhad, which provides SMS-based authentication and notification and mobile payment services. As a result, consolidated revenue reached ¥32.1 bn, up 21.6% YoY.

2 Operating Profit

The Payment Processing Business segment operating profit grew 24.4% YoY and the MSB segment operating profit grew 43.2% YoY. This was thanks to the steady expansion of high-margin online payments and profitability improvements in financial services and a one-time profit impact. On the other hand, the Payment Enhancement Business segment operating loss reached ¥1.1 bn due to the ¥992 mil impairment loss of Macro Kiosk Berhad.

As a result, consolidated operating profit reached ¥8.3 bn, up 26.7% YoY, and an operating profit margin of 25.8% thanks to the 21.6% YoY growth in revenue.

3 Profit Before Income Tax

Financial income reached ¥48 mil, a decline of ¥367 mil YoY, due to the gains on investment partnerships recorded in the previous fiscal year. Financial expenses reached ¥291 mil, an increase of ¥228 mil YoY, primarily due to foreign exchange losses. Additionally, equity method investment losses shrunk by ¥184 mil YoY, reaching ¥19 mil.

Consolidated Statement of Comprehensive Income

	FY2018 (Oct. 1, 2017 to Sept. 30, 2018)	FY2019 (Oct. 1, 2018 to Sept. 30, 2019)
Profit	4,246	5,052
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Fair value of financial assets measured through other comprehensive income	1,650	(522)
Share of other comprehensive income of equity method affiliates	117	(4)
Total of items that will not be reclassified to profit or loss	1,768	(527)
Items that will be reclassified to profit or loss		
Exchange differences on translation of foreign operations	88	(11)
Share of other comprehensive income of equity method affiliates	(17)	(87)
Total of items that will be reclassified to profit or loss	70	(99)
Other comprehensive income after income taxes	1,838	(626)
Comprehensive income	6,085	4,426
Comprehensive income attributable to:		
Owners of parent	6,069	4,630
Non-controlling interests	15	(204)
Total	6,085	4,426

Consolidated Balance Sheet

	(Millions of yen)		(Millions of yen)	
	FY2018 As of Sept. 30, 2018	FY2019 As of Sept. 30, 2019	FY2018 As of Sept. 30, 2018	FY2019 As of Sept. 30, 2019
Assets				
Current assets				
Cash and cash equivalents ⁴	42,033	52,013		
Operating receivables and other receivables	13,236	13,663		
Advance payments-trade ⁴	22,267	32,496		
Accounts receivable-other ⁴	15,717	21,566		
Inventories	64	207		
Deposits to affiliates and subsidiaries ⁴	7,000	-		
Other financial assets	706	165		
Other current assets	1,205	956		
Total current assets	102,232	121,069		
Non-current assets				
Tangible assets	450	517		
Goodwill and intangible assets	4,934	4,359		
Investments accounted for using equity method	2,938	3,001		
Deposits to subsidiaries and affiliates	-	5,000		
Other financial assets	5,444	4,803		
Deferred tax assets	833	1,124		
Other non-current assets	24	116		
Total non-current assets	14,626	18,921		
Total assets	116,858	139,990		
Liabilities and equity				
Liabilities				
Current liabilities				
Accounts payable-trade ⁵	4,663	4,688		
Accounts payable-other ⁵	15,740	16,118		
Deposits received ⁵	41,228	50,834		
Borrowings ⁵	4,101	15,800		
Other financial liabilities	98	108		
Income taxes payable, etc	1,530	1,569		
Provisions	7	396		
Other current liabilities	2,030	2,229		
Total current liabilities	69,400	91,746		
Non-current liabilities				
Corporate bonds	16,676	16,745		
Borrowings	2,199	1,398		
Other financial liabilities	185	223		
Provisions	64	35		
Deferred tax liabilities	205	85		
Other non-current liabilities	2,107	2,215		
Total non-current liabilities	21,438	20,704		
Total liabilities	90,838	112,451		
Equity				
Capital stock	4,712	4,712		
Capital surplus	5,758	5,847		
Retained earnings	12,875	15,884		
Treasury stock	(491)	(1,181)		
Other items of equity	1,941	1,231		
Total equity attributable to owners of parent	24,796	26,494		
Minority interests	1,223	1,044		
Total equity	26,020	27,539		
Total liabilities and equity	116,858	139,990		

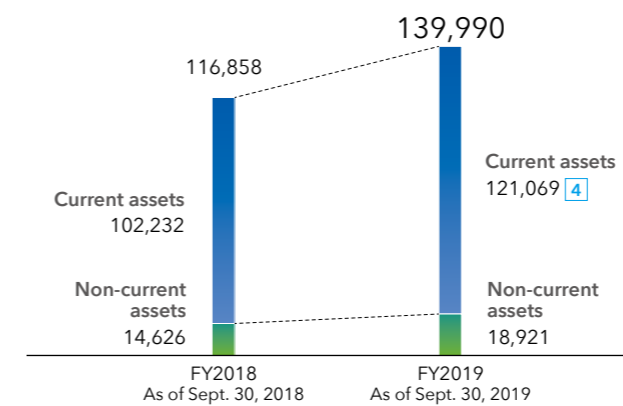
Key Points of Consolidated Balance Sheet

▶ Total Assets ⁴: Increase of Current Assets

Total assets increased by ¥23.1 bn compared with the end of the previous fiscal year to reach ¥139.9 bn. This was mainly due to an increase in cash and cash equivalents, an increase in advances paid thanks to growth in the MSB segment, and an increase in accrued revenue.

▶ Assets

(Millions of yen)

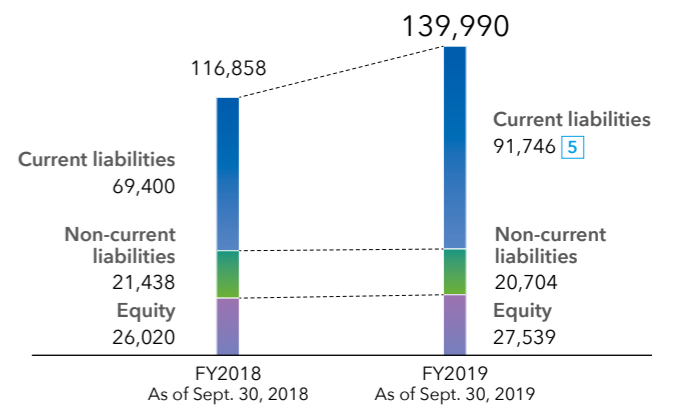


▶ Total Liabilities ⁵: Increase of Current Liabilities

Total liabilities increased by ¥21.6 bn compared with the end of the previous fiscal year to reach ¥112.4 bn. This was mainly due to an increase in short-term borrowings and an increase in advances thanks to growth in the Payment Processing Business segment.

▶ Liabilities and net assets

(Millions of yen)



Consolidated Statement of Cash Flows

Operating cash flow resulted in ¥1.3 bn in net cash provided by operating activities. This was a result of cash inflows from profit before tax and an increase in deposits received from the growth of the Payment Processing Business, which offset the cash outflows of an increase in advances paid from the expansion of the MSB segment and an increase in accrued revenues.

Investment cash flow recorded ¥0.8 bn in net cash provided by investing activities. This was mainly a result of cash

inflows from the repayments from deposits to subsidiaries and affiliated companies, which offset the cash outflows from the acquisition of intangible assets and deposits made to subsidiaries and affiliated companies.

Financing cash flow recorded ¥7.9 bn in net cash provided by financing activities. This was mainly a result of cash inflows from the net increase in short-term borrowings, which offset the cash outflows from dividend payouts.

	(Millions of yen)	
	FY2018 (Oct. 1, 2017 to Sept. 30, 2018)	FY2019 (Oct. 1, 2018 to Sept. 30, 2019)
Net cash provided by (used in) operating activities	4,701	1,311
Net cash provided by (used in) investing activities	(8,296)	858
Net cash provided by (used in) financing activities	18,067	7,959
Translation differences of cash and cash equivalents	26	(148)
Increase (decrease) in cash and cash equivalents	14,499	9,980
Balance of cash and cash equivalents at the beginning of the period	27,533	42,033
Balance of cash and cash equivalents at the end of the period	42,033	52,013

Board of Directors and Management Committee Members

(As of December 15, 2019)

Member of the Board Management Committee Member

 <p>Masatoshi Kumagai Chairman and Director</p>	 <p>Issei Ainoura President and Chief Executive Officer</p>	 <p>Ryu Muramatsu Director, Executive Vice President, Head of Corporate Value Creation Strategy Division and President of GMO-Z.com Payment Gateway Pte. Ltd.</p>	 <p>Satoru Isozaki Director, Executive Vice President, Head of Corporate Support Division</p>
 <p>Yuichi Hisada Senior Managing Director, Head of Innovation Partners Division</p>	 <p>Masashi Yasuda Director</p>	 <p>Takehito Kaneko Director</p>	 <p>Hiroyuki Nishiyama Director</p>
 <p>Hirofumi Yamashita Director</p>	 <p>Masaya Onagi External Director</p>	 <p>Akio Sato External Director</p>	
 <p>Tomoyuki Murakami Managing Executive Officer, President and COO of SMBC GMO Payment</p>	 <p>Shinichi Sugiyama Managing Executive Officer, Head of Systems Division</p>	 <p>Masaru Yoshioka Managing Executive Officer, Executive Manager of Management Department of Strategic Business, Innovation Partners Division</p>	 <p>Takeshi Yoshii Managing Executive Officer, Executive Manager of Management Department of Sales #2, Innovation Partners Division</p>
 <p>Takashi Mitani Managing Executive Officer, CTO, and General Manager of IT Service Department, Systems Division</p>	 <p>Katsunari Mukai Managing Executive Officer, President and Chief Executive Officer of GMO Payment Service, Inc.</p>	 <p>Kazunari Taguchi Managing Executive Officer, President of GMO Epsilon, Inc.</p>	

Company Information

Company Overview (as of September 30, 2019)

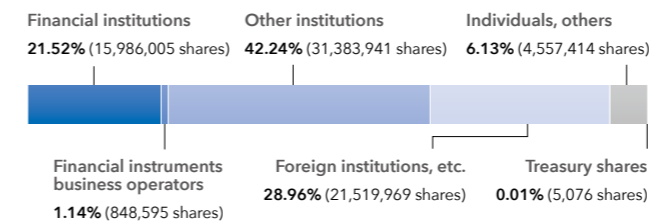
Name	GMO Payment Gateway, Inc. Stock listing First section of the Tokyo Stock Exchange (Securities code: 3769)
Establishment	March 1995
Head office	SHIBUYA FUKURAS 15F 1-2-3 Dogenzaka, Shibuya-ku, Tokyo, 150-0043, Japan (Offices relocated to the above address on November 25, 2019)
Capital stock	¥4,712 million
Capital surplus	¥5,847 million
Number of employees	819 (consolidated)
Business outline	Integrated payment related services and financial services

Memberships	Japan Consumer Credit Association Japan Multi-Payment Network Protection Association (JAMPA) EC Payment Forum Japan E-Commerce Consultant Association (JECCICA)
Major subsidiaries	GMO Epsilon, Inc. GMO Payment Service, Inc. GMO Financial Gate, Inc. GMO-Z.com Payment Gateway Pte. Ltd. Macro Kiosk Berhad
Number of Group companies	27 (+ 4 by equity method)

Stock Status (as of September 30, 2019)

Total number of authorized shares:	102,400,000
Total number of issued shares:	74,301,000
Number of shareholders:	10,195

Shareholders and Numbers of Shares



(Note) The figures reflect the 2-for-1 stock split carried out on October 1, 2018.

Major Shareholders (as of September 30, 2019)

Name of shareholder	Shares owned	Stock ownership ratio (%)
GMO Internet, Inc.	31,172,200	41.95
Japan Trustee Services Bank, Ltd. (Trust account)	5,013,500	6.74
The Master Trust Bank of Japan, Ltd. (Trust account)	3,118,900	4.19
Sumitomo Mitsui Banking Corporation	2,501,600	3.36
J.P. MORGAN BANK LUXEMBOURG S.A. 385576	1,255,500	1.68
Issei Ainoura	1,000,200	1.34
SSBTC CLIENT OMNIBUS ACCOUNT	992,801	1.33
STATE STREET BANK WEST CLIENT - TREATY 505234	976,248	1.31
STATE STREET BANK AND TRUST COMPANY 505103	894,008	1.20
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS - UNITED KINGDOM	816,947	1.09

(Note) The stock ownership ratio is calculated using total shares outstanding less the treasury shares (5,076 shares).
 (Note) The stock split carried out on October 1, 2018 increased the total shares outstanding by 37,150,500 shares.
 (Note) The ratio of 41.95% reflects the stock ownership ratio after GMO Internet, Inc. partially divested GMO-PG shares on December 18, 2018.

Notes for Shareholders

Business year	October 1 through September 30 of the following year
Base dates for dividends of surplus	December 31, March 31, June 30, September 30
Annual meeting of shareholders	Annually in December
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corp.
Administrator contact information	Mitsubishi UFJ Trust and Banking Corp. Stock Transfer Agency Department 1-1 Nikkocho, Fuchu-shi, Tokyo 0120-232-711 (toll-free) Tokyo Stock Exchange
Stock listing	Tokyo Stock Exchange
Method of public notices	Through electronic public notices
Notices published at	https://corp.gmo-pg.com/en/ir/ (However, when electronic public notices cannot be published due to an accident or any other inevitable circumstances, we will publish them in the Nihon Keizai Shimbun newspaper)

Announcements

- Points of note
 - In principle, procedures such as change of shareholder address, bank remittance specifications for dividends, and purchase requests, are handled by the account management institution (securities company, etc.) where the account was opened. Please contact the securities company or other such institution at which you opened your account. Please note that the shareholder registry administrator (Mitsubishi UFJ Trust and Banking Corp.) does not handle such matters.
 - Unpaid dividends can be received at the main branch, or other branch offices of Mitsubishi UFJ Trust and Banking Corp.
 - Dividend calculation statements

The enclosed "Dividend Calculation Statement" also serves as the "Notice of Payment" created based on regulations specified in the Act on Special Measures Concerning Taxation. After receiving payment of the dividend, it can serve as confirmation of the dividend amount and as information used when filing income taxes. Shareholders who receive dividends through their securities accounts (pro-rated method for number of shares) should contact the securities company that performs the transactions for details.
 - For procedures pertaining to shares registered in special accounts, please contact the institution that administers special accounts, Tokyo Securities Transfer Agent Co., Ltd.
 Mailing address and phone number
 2-8-4 Izumi, Suginami-ku, Tokyo 168-8522 Tokyo Securities Transfer Agent Co., Ltd. Business Center 0120-49-7009 (toll-free)
- * At the annual meeting of shareholders held on December 20, 2015, it was decided that the Board of Directors would be the decision-making body for dividends of surplus, and that the record dates for these dividends would be December 31, March 31, June 30, and September 30. As a result, we are able to distribute dividends of surplus on four occasions throughout the year. However, in order to ensure the retained earnings that our business structure requires, our plan calls for the year-end dividend to be the single dividend of surplus distributed during the year.

GMO Payment Gateway, Inc.

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



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