

# Financial Results Briefing for Q2 FY2023

Stock-model revenue expanded as economic activity resumed. Initial revenue also grew due to contributions from large-lot project

~ Entering the phase of achieving "necessary future investment" and "high profit growth" simultaneously ~

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May 12, 2023

**GMO Financial Gate, Inc.**

(Ticker:4051, TSE-Growth)

12<sup>th</sup> IR Presentation

**GMO** FINANCIAL GATE

<https://gmo-fg.com/>

# Cautionary Note Regarding Presentation Materials

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The content of these presentation materials is based on generally recognized economic and social conditions, as well as assumptions judged to reasonable by GMO Financial Gate as of May 12, 2023

Note that presentation material content is subject to change without prior notice in response to changes in the business environment or other unforeseen circumstances

## **Main Agenda**

- 1. Summary of financial Results for Q2 FY2023**
- 2. Business Highlights**
- 3. Revision of FY2023 Forecast**
- 4. Growth Strategy and Progress**

## Supplemental Agenda

5. Financial Information, Investment and Shareholder Return Policies
6. ESG Initiatives (Details)
7. Appendix

1

## Summary of financial Results for Q2 FY2023

# 1.1 Q2 FY2023 Summary

Achieved 1H plan due to steady revenue/profit progress. Upwardly revised full-year revenue/profit forecast taking into account the balance between current business trends and future investment needs

## ● Q2 FY2023 Cumulative P6

- Revenue : **¥7.26billion (+62.6% YoY)** Progress towards 1H forecast **118.8%**, Progress towards full-year forecast **58.3%**
- Operating Profit : **¥0.64billion (+71.4% YoY)** Progress towards 1H forecast **140.3%**, Progress towards full-year forecast **68.3%**

## ● Revenue categories

- Initial revenue : **¥5.13billion (+65.4% YoY)** , Stock-Model revenue : **¥2.14billion (+56.1% YoY)** P8

## ● KPIs P12, P13

- Number of active terminals : **223K(+66 YoY, +42.7% YoY)**
- Transaction Volume (Number of transaction) : **0.11billion(+71.7% YoY)** , GMV : **¥0.94trillion (+83.3% YoY)**

## ● Upward Revision of FY2023 Forecast P21

- Revenue : ¥12.47billion⇒**¥13.62billion** (+9.2%)、 Operating profit : ¥0.93billion⇒**¥1.02billion** (+9.7%)

### Business Topics

- Expanding cases of cashless introduction at stadiums and surrounding commercial facilities P26
- Large-lot project in the public service industry, which we have been working on since the Q1, was also installed in the Q2 and started operation in April(Our Q3) P27

### Organization Topics

- Conducted third-party architecture assessment to upgrade internal back-office related operations P25
- Obtained certification from an external certification organization regarding GHG emissions for ESG-related information. Scheduled to obtain certification every fiscal year going forward P29

## 1.2 Summary of Financial Results

Steady progress in both revenue and profit towards 1H plan. Q2 KPI steadily expanded from Q1 despite the seasonality, which is usually weak during Q2

(Millions of yen)	Q1 FY2022	Q1 FY2023	YoY	Forecast FY2023 1 <sup>st</sup> half (Full-year)	Progress towards forecast FY2023 1 <sup>st</sup> half (Full-year)
Revenue	4,468	7,264	+ 62.6%	6,115 (12,470)	118.8% (58.3%)
Gross profit	1,210	1,746	+ 44.3%	1,492 (3,136)	117.0% (55.7%)
Operating profit	370	635	+ 71.4%	453 (930)	140.3% (68.3%)
Profit attributable to owners of parent	234	394	+ 68.5%	283 (580)	139.2% (68.0%)

Number of active terminal  
(End of Q2 FY2023)

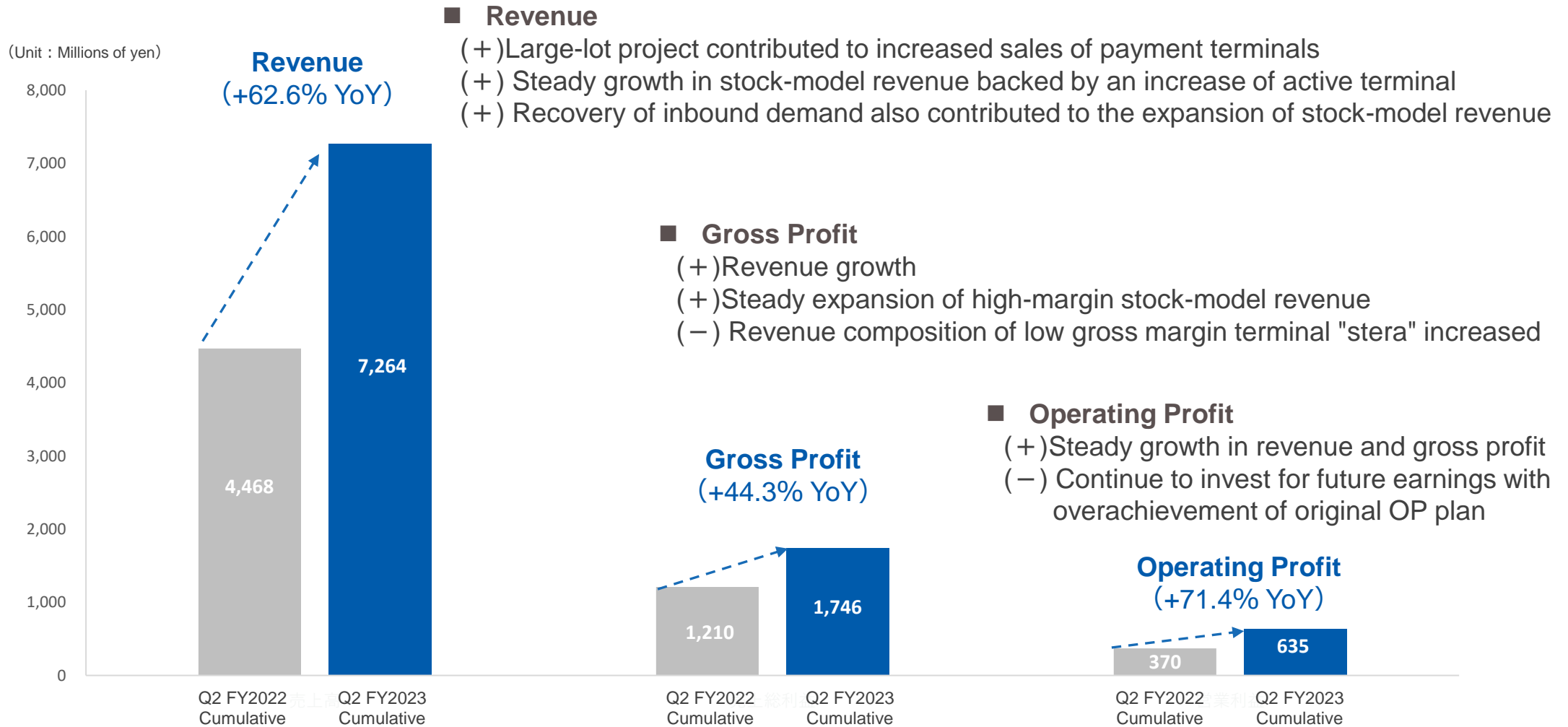
Transaction Volume  
(Q2 FY2023 Only)

Transaction Value (GMV)  
(Q2 FY2023 Only)

KPIs (YoY)	223,041 (+42.7%)	Approx. 108.0 million (+71.7%)	Approx. ¥946 billion (+83.3%)
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# 1.3 Major Topics Regarding Financial Results

Steady growth in revenue due to the contribution from large-lot project and inbound-related merchants.  
 Operating profit grew greater than revenue despite significant future investment



## 1.4 Revenue by Business Model (YoY)

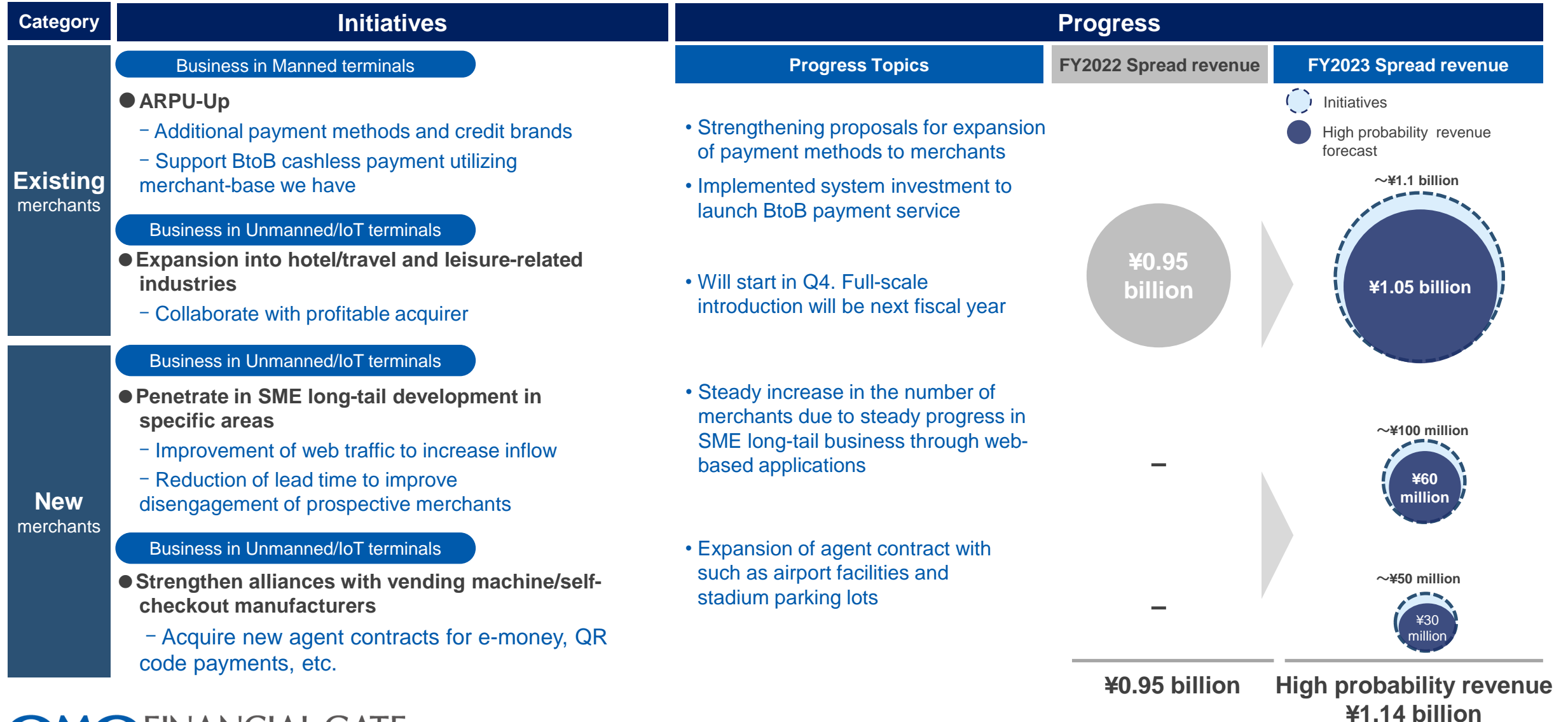
Although the proportion of stock-model revenue declined due to the spike of initial revenue in Q2, Fee revenue shifted strongly. Spread revenue which had been struggling since the beginning of the period, is recovering

(Unit : Millions of Yen)	Q2 FY2022 Cumulative (Proportion %)	Q2 FY2023 Cumulative (Proportion %)	YoY
<b>Initial</b>	<b>3,098</b> (69.3%)	<b>5,125</b> (70.6%)	<b>+65.4%</b>
<b>Stock-Model</b>	<b>1,370</b> (30.7%)	<b>2,139</b> (29.4%)	<b>+56.1%</b>
Stock	392 (8.8%)	543 (7.5%)	+38.5%
Fee	520 (11.7%)	1,059 (14.6%)	+103.4%
Spread	456 (10.2%)	536 (7.3%)	+17.3%
<b>Total Revenue</b>	<b>4,468</b>	<b>7,264</b>	<b>+62.6%</b>



# 1.5 Initiatives for accelerating Spread Revenue

Various measures has led to a recovery of Spread revenue to +17% YoY at Q2 cumulative basis (+12% YoY at Q1). Aiming to return to the level of +20-25% growth by accumulating new projects in Q3 and beyond

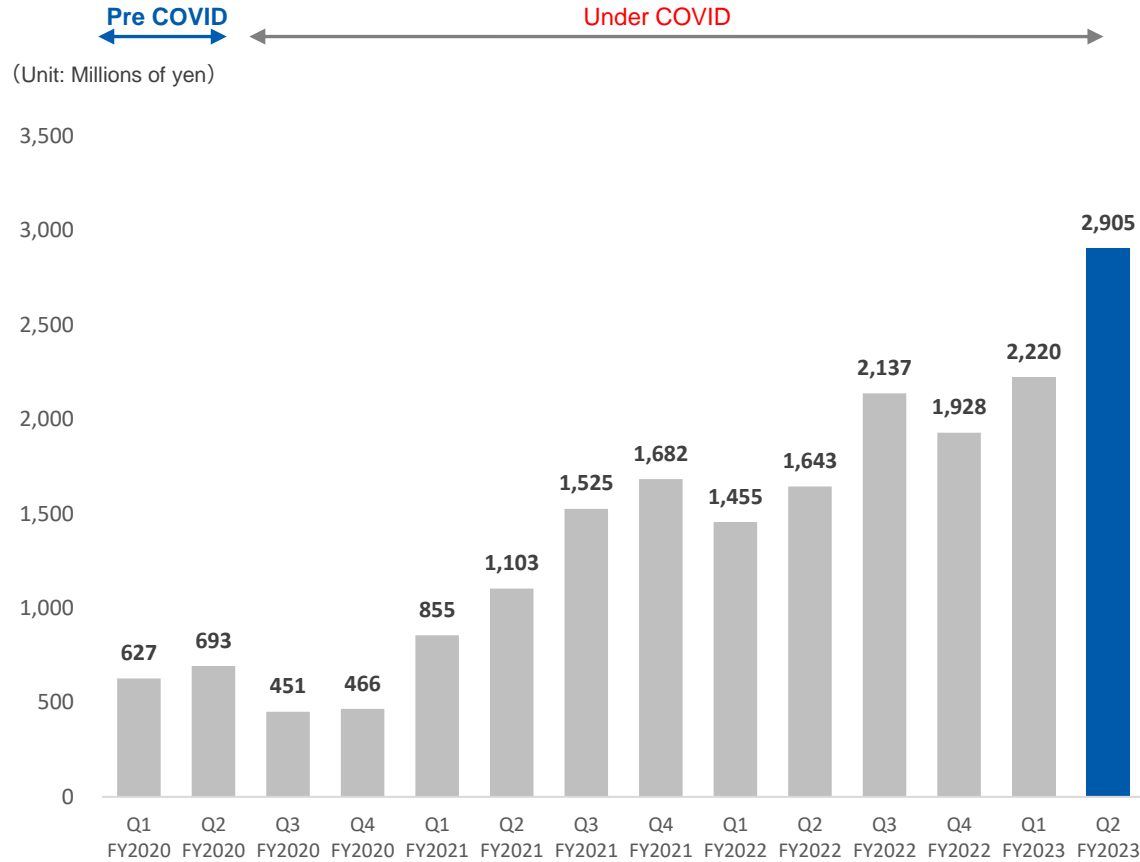


# 1.6 Revenue by business model (Quarterly)

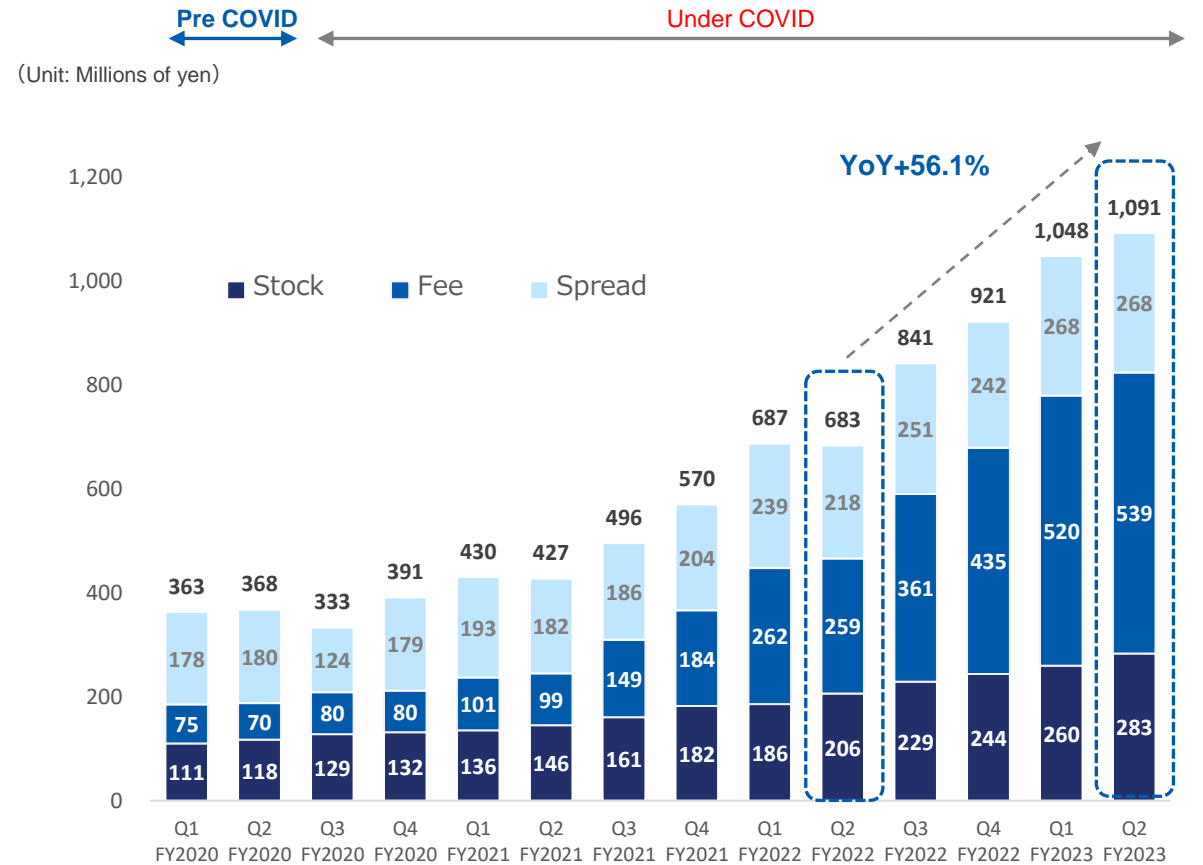
Initial : Significant growth in Q2 comes from large-lot project that have been contributing from Q1

Stock-Model : Despite weak seasonality, Q2 recorded higher revenue than Q1 which has strong seasonality

Initial Revenue



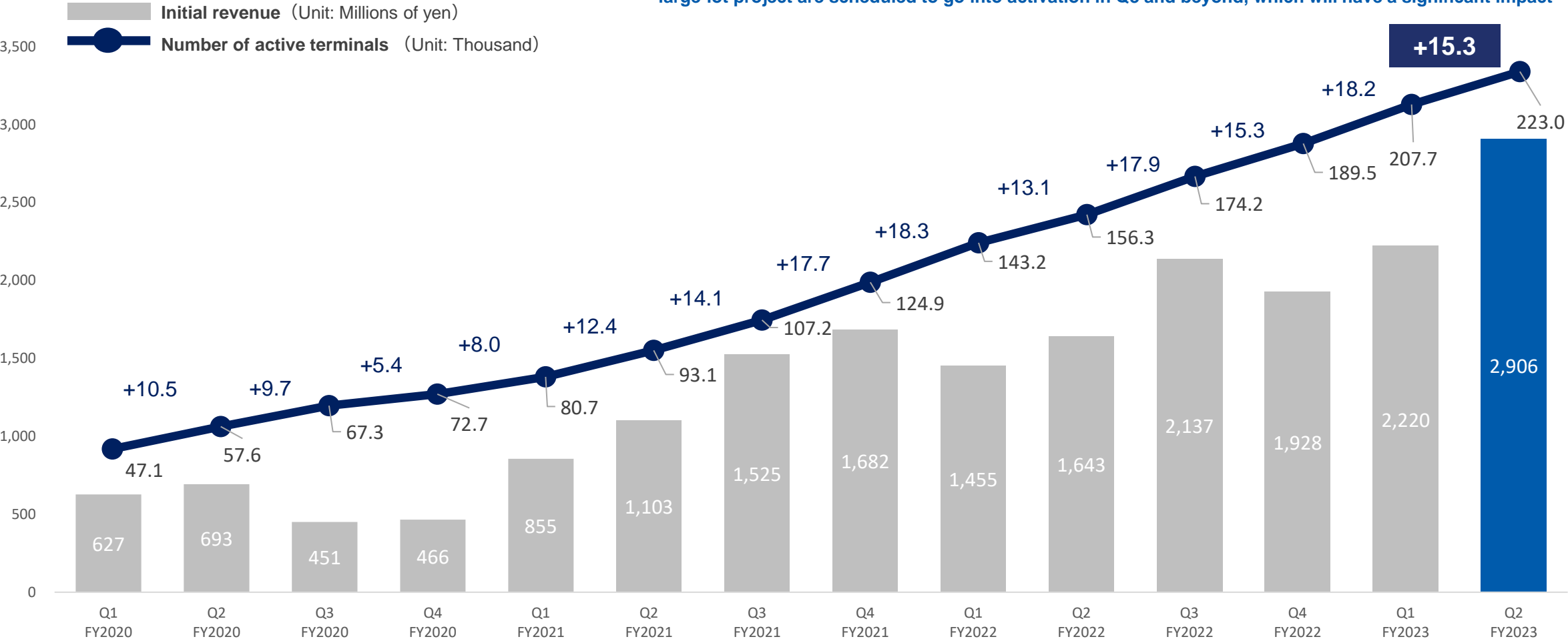
Stock-Model Revenue



# 1.7 Initial Revenue and No. of Active Terminals (Quarterly)

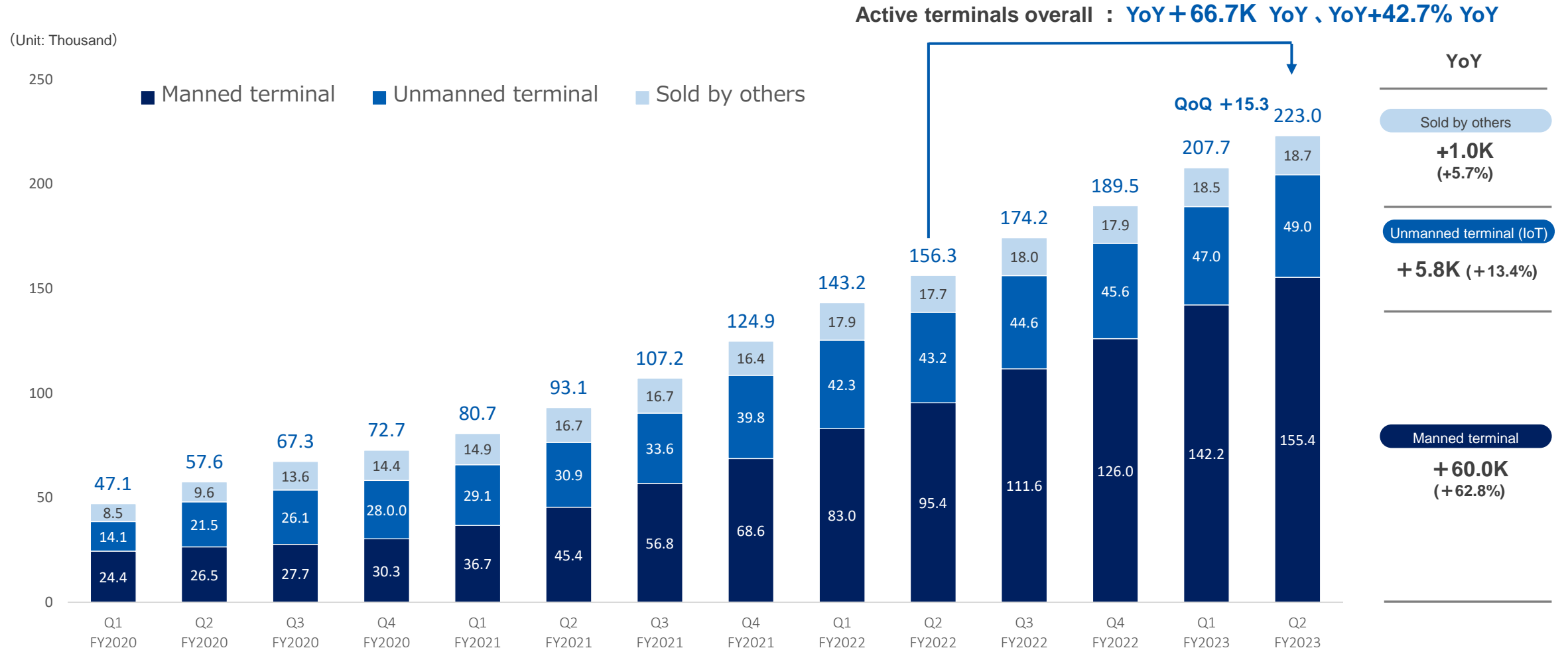
Initial revenue increased sharply due to the contribution of large-lot project following Q1. Terminals sold through this large-lot project are scheduled to go into activation from Q3 and are not reflected in the number of active terminals yet

Q2 has weak seasonality in terms of transaction, and there is a temporary deactivation of terminals that were in operation in Q1. The increase in the number of terminals tends to slow down usually from Q1 to Q2. **For this fiscal year, terminals for large-lot project are scheduled to go into activation in Q3 and beyond, which will have a significant impact**



# 1.8 Consolidated KPIs (Number of active terminals)

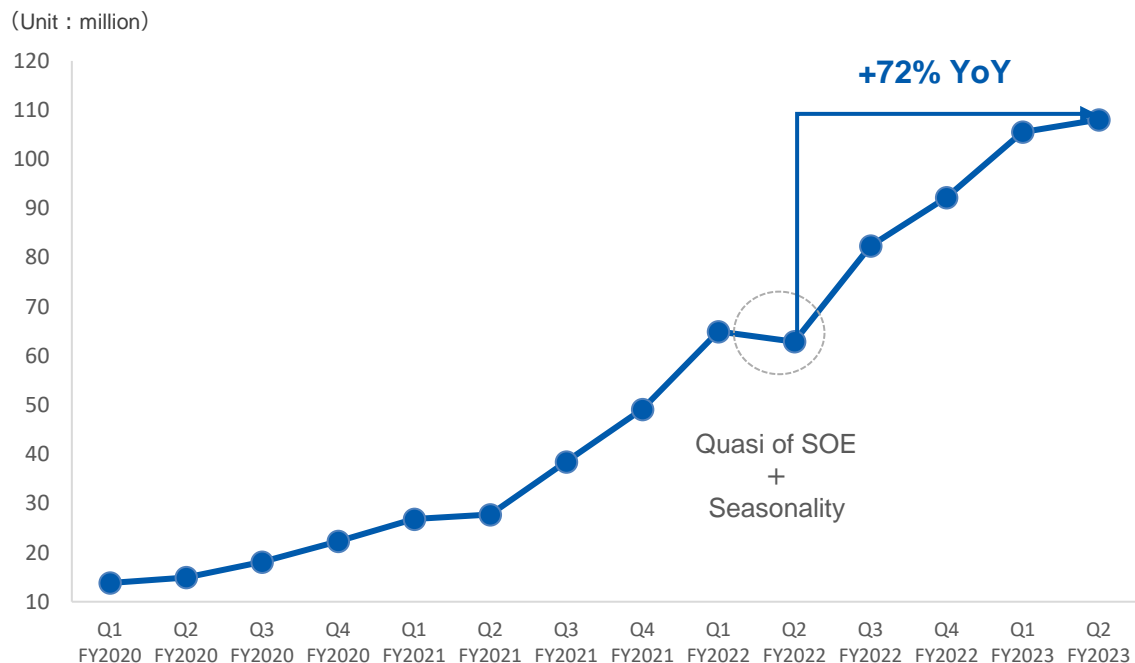
The increase in manned terminals, centered on stera, continues to drive the overall increase. Unattended terminals also continue to expand steadily



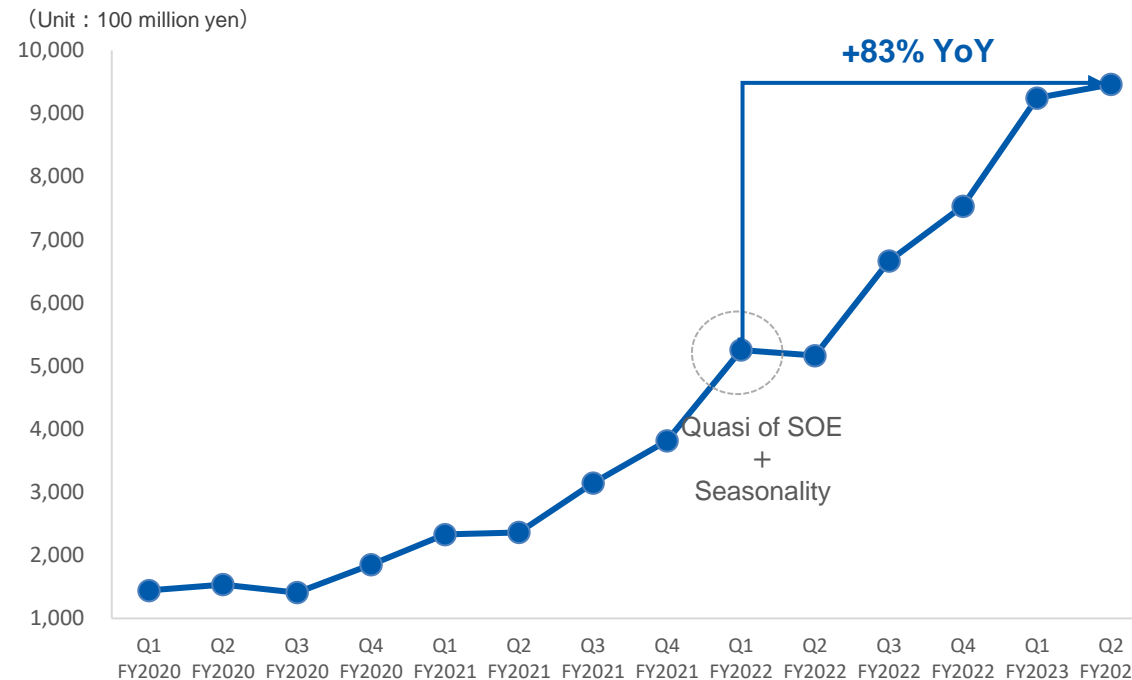
# 1.9 Consolidated KPIs (Quarterly Transaction volume / GMV)

Both the number of transaction volume and GMV exceeded our target of +50% YoY. Also, QoQ basis, both grew steadily with the increase in the number of active terminals, despite Q2 has weak seasonality

### Number of transaction volume



### Transaction value (GMV)



	Q1 FY2020	Q2 FY2020	Q3 FY2020	Q4 FY2020	Q1 FY2021	Q2 FY2021	Q3 FY2021	Q4 FY2021	Q1 FY2022	Q2 FY2022	Q3 FY2022	Q4 FY2022	Q1 FY2023	Q2 FY2023
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Transaction volume (10 K)

1,383    1,494    1,809    2,231    2,683    2,774    3,848    4,914    6,497    6,293    8,237    9,224    10,553    10,804

Transaction value (GMV) (¥100 M)

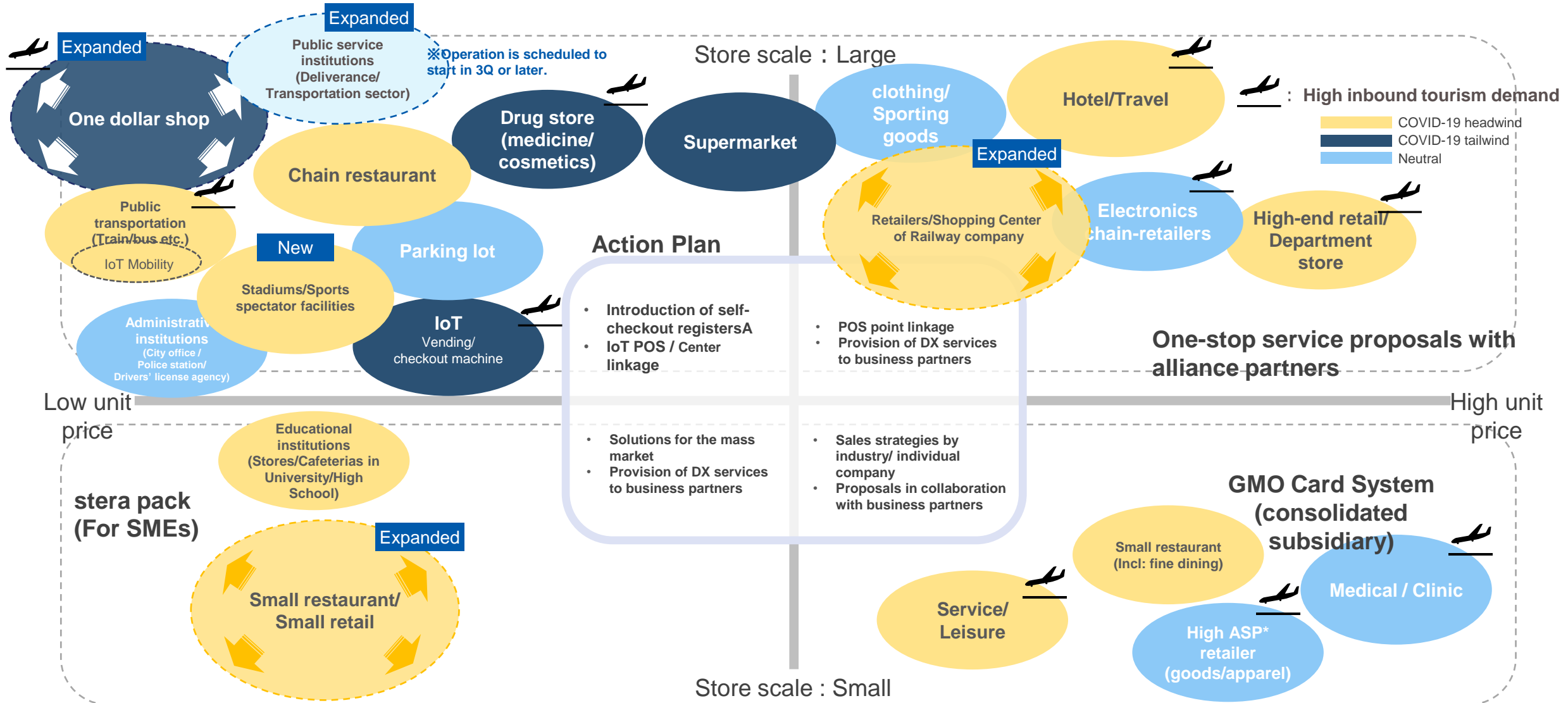
1,442    1,534    1,307    1,833    2,329    2,361    3,141    3,810    5,251    5,162    6,658    7,530    9,242    9,460

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## Business Highlights

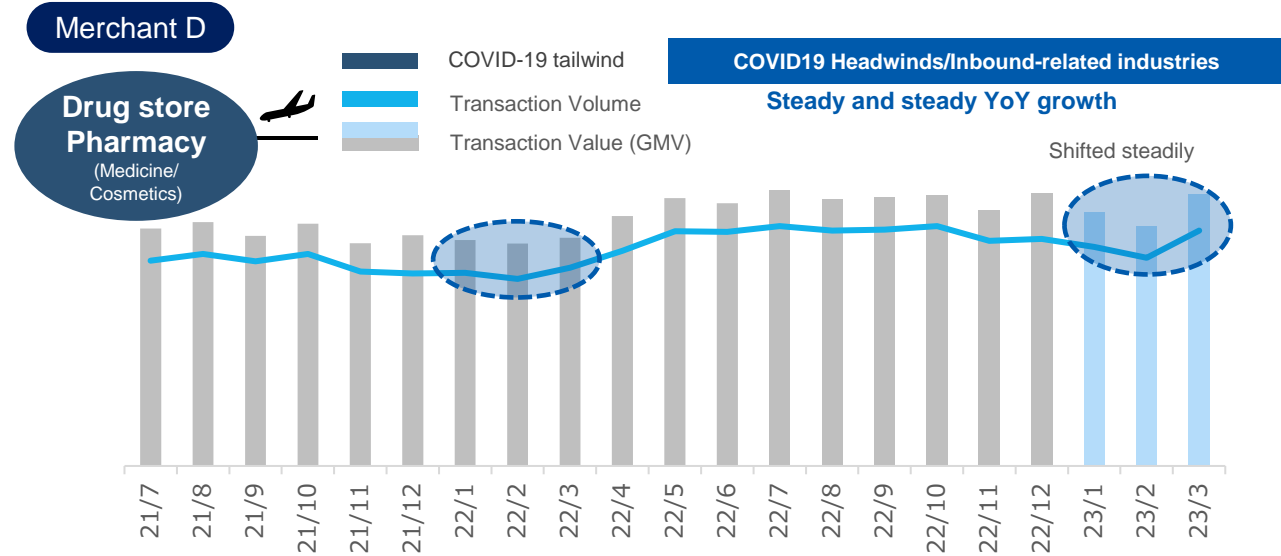
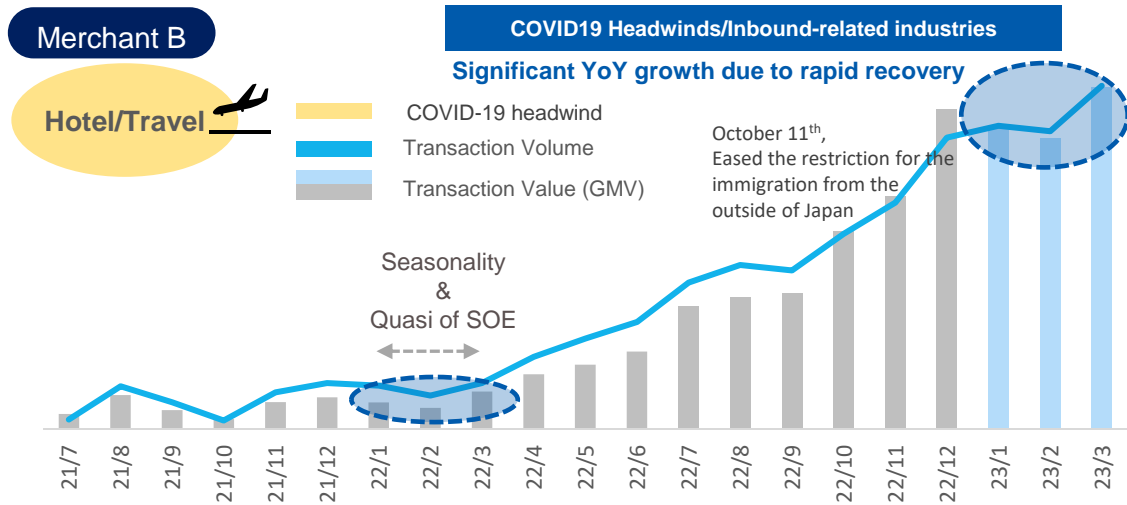
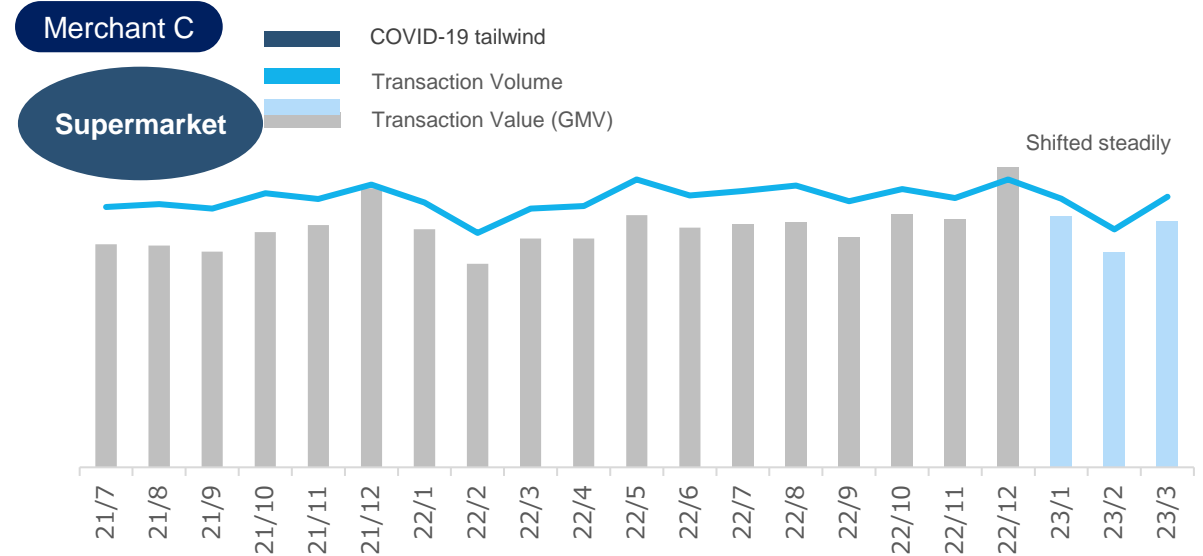
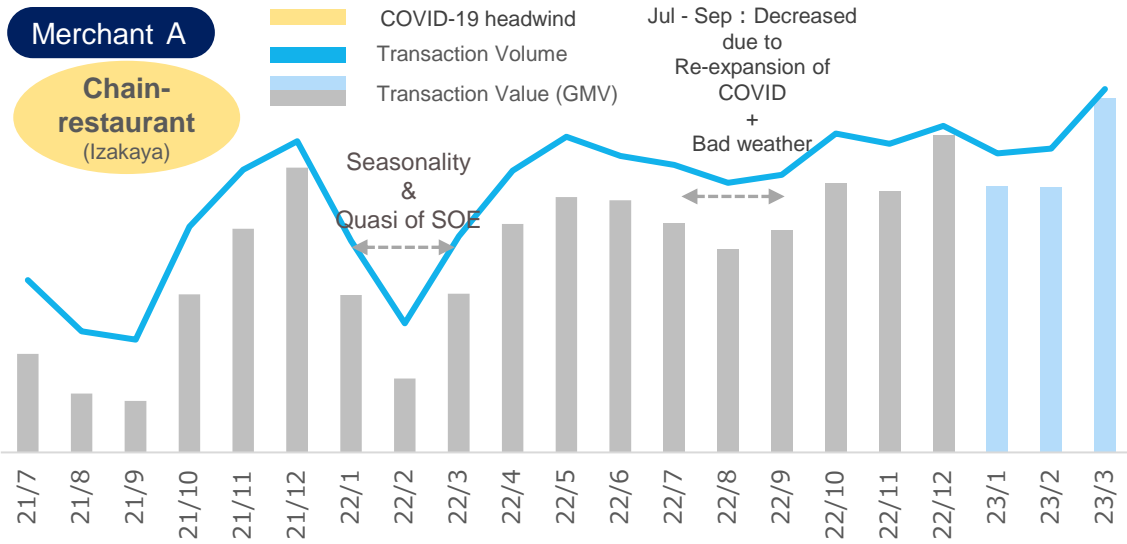
# 2.1 Merchant Industry

Preparation for after COVID is successfully working. In Q2, terminals were installed and activated at SCs and SME type restaurants, etc., which had been an industry affected by COVID-19



# 2.2 Transaction Trends by Industry (Q2)

Re-opening & recovery of inbound demand has led to a recovery in merchants that were negatively impacted by COVID-19

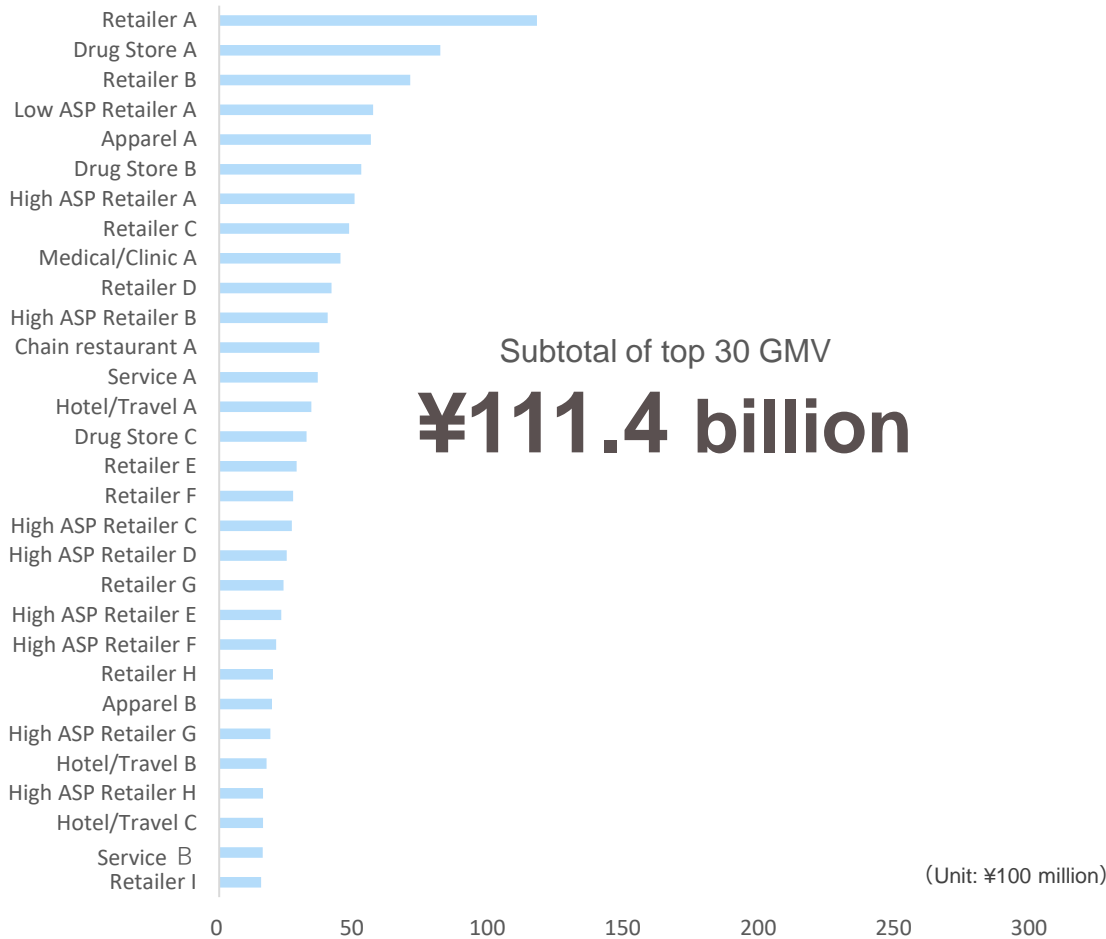




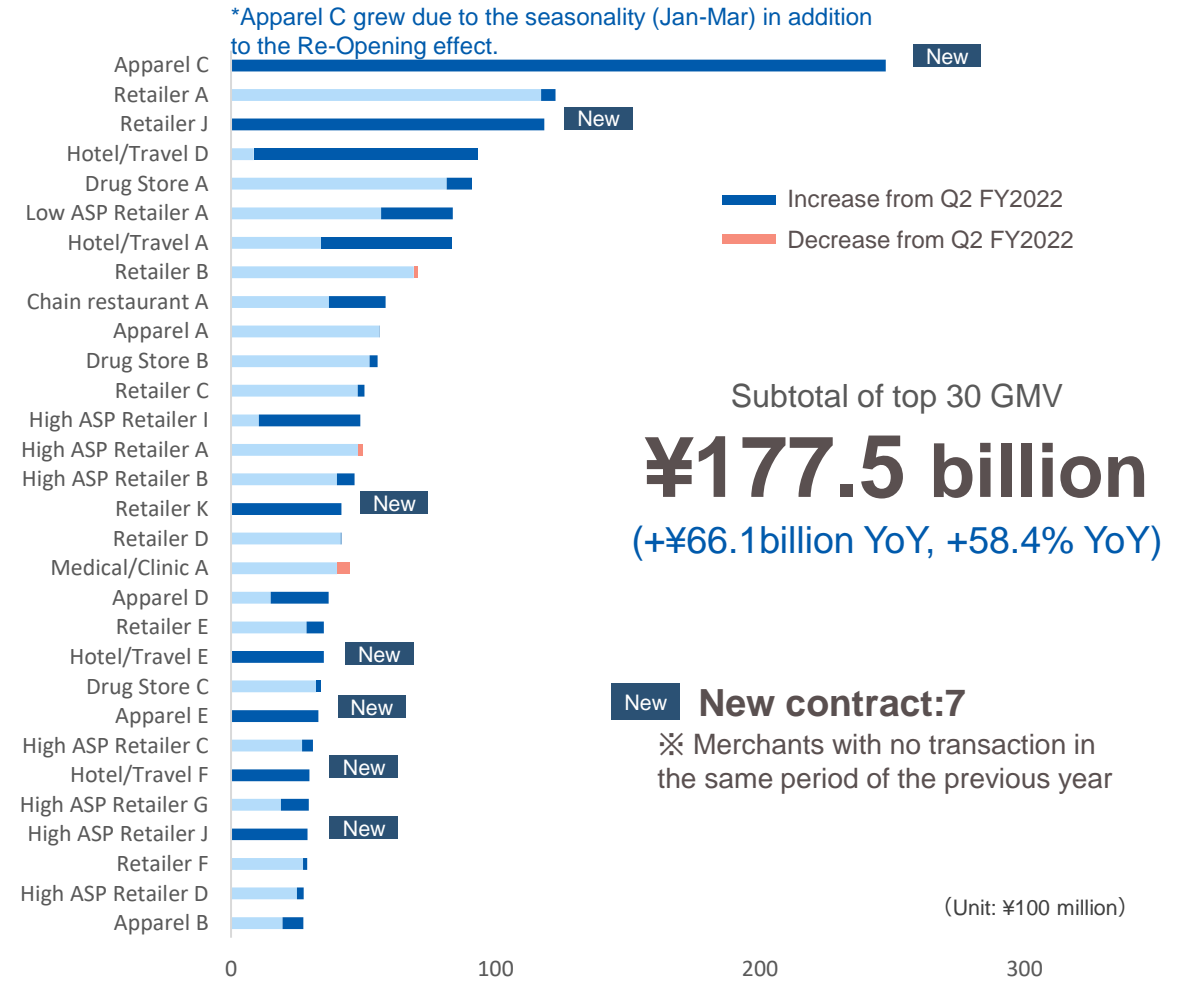
## 2.3 Top 30 ranked merchants (GMV basis)

Vertical expansion of our payment platform has been successful, and we are steadily acquiring new merchants. Existing merchants also grow steadily so our payment platform is expanding nicely

Q2 standalone FY2022



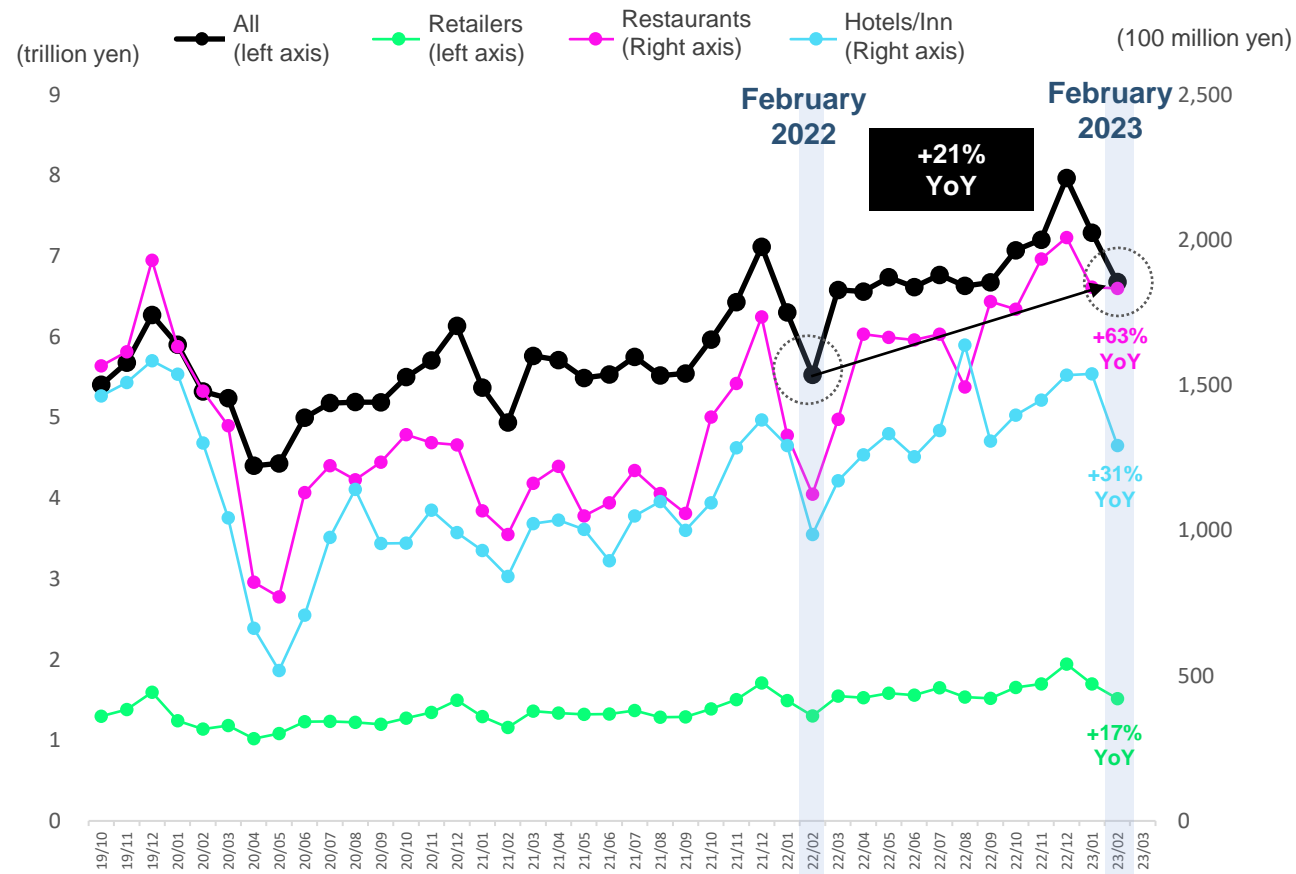
Q2 standalone FY2023



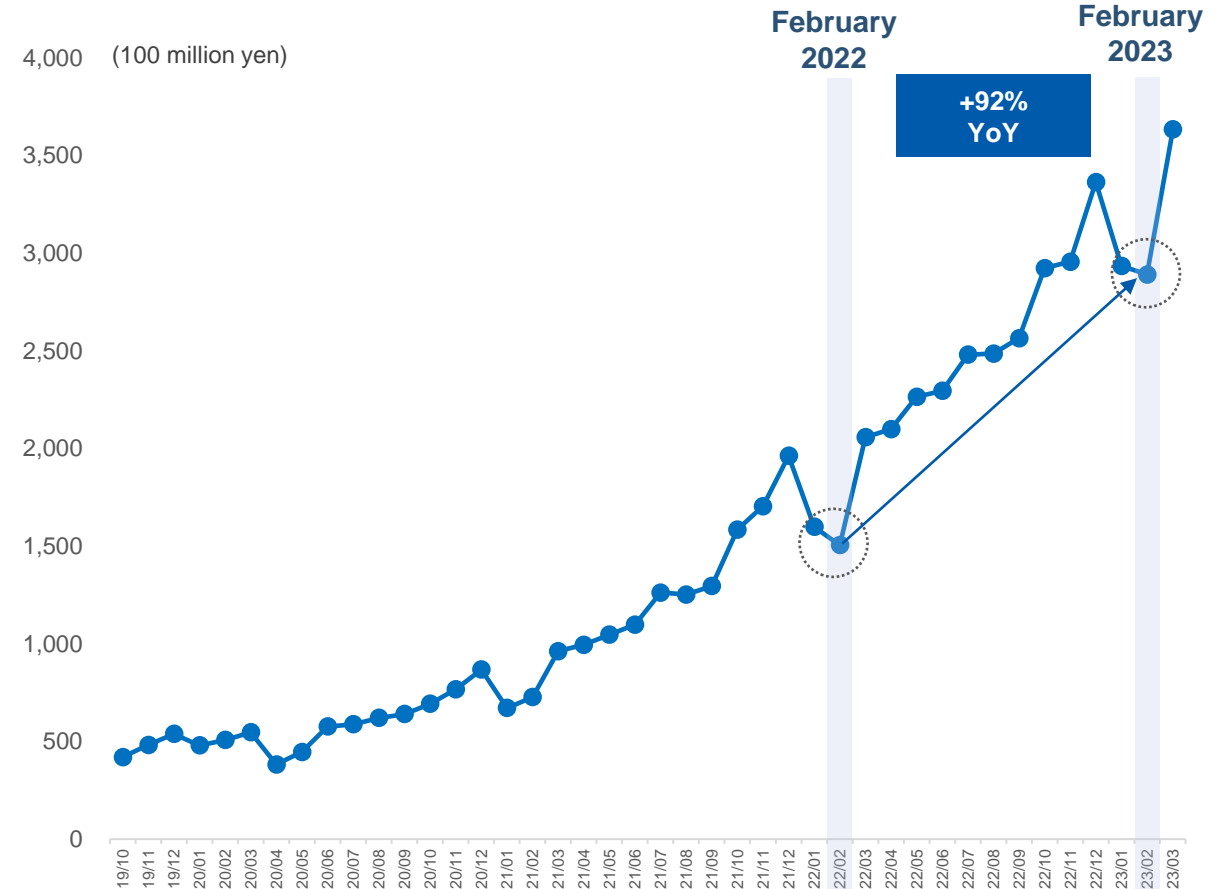
## 2.4 Comparison with Market Growth (February single month comparison)

While the overall market is currently growing +21%, our GMV is growing +92%. Growth of existing merchants and acquisition of new merchants is driving our growth

Market GMV (Transaction value of credit card payment)



GMO-FG GMV

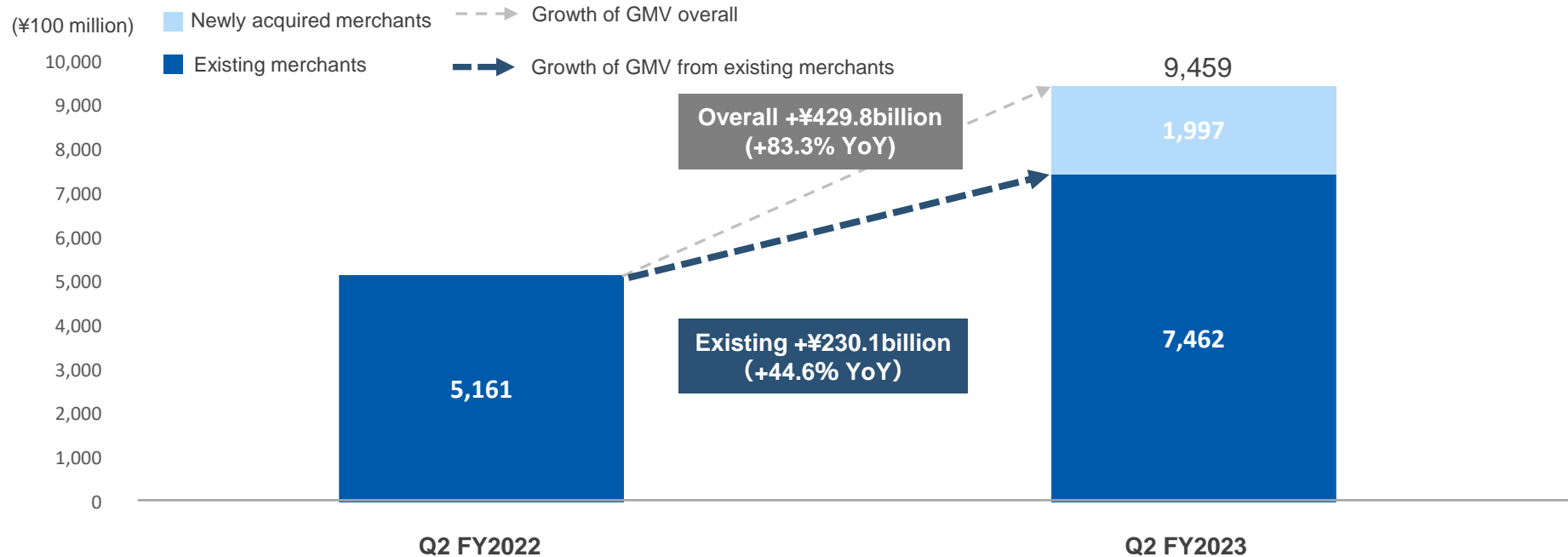


\*Source: "Current Survey of Selected Service Industries" by the Ministry of Economy, Trade and Industry.

## 2.5 Payment platform grows together with merchants

In the Q2 alone, our GMV growth rate was +83% overall and +45% for existing merchants. Existing merchants exceeded the current (February) market growth rate of +21%, with merchants growing together with our payment platform

### GMO-FG GMV growth rate



\*Existing merchants are calculated as the number of merchants in the same period of the previous year. Existing merchants increase in “the number of payment terminals” and “new store openings” are also considered as existing growth.

\*The above figures are considering churn of merchants.

3

## Revision of FY2023 Forecast

### 3.1 Upward Revision of FY2023 Forecast

Upward revision of both revenue / profit based on current progress, while continuing to invest adequate amount of SG&A for future growth

(Unit : millions of yen)	FY2022 Full year actual	FY2023 Full year forecast (Original)	FY2023 Full year forecast (Revision)	YoY	% change (to original forecast)
Revenue	10,295	12,470	13,620	+32.3%	+9.2%
Gross profit	2,768	3,136	3,274	+18.3%	+4.4%
Operating profit	740	930	1,020	+37.7%	+9.7%
Profit attributable to owners of parent	472	580	631	+33.5%	+8.9%
Earnings per share	¥57.32* <small>*Reflected 1:2 stock split</small>	¥70.39	¥76.29	+33.1%	+8.4%
Dividend per share	¥29* <small>*Reflected 1:2 stock split</small>	¥36	¥39	+¥10	—

## 3.2 Approach to Revised Plan

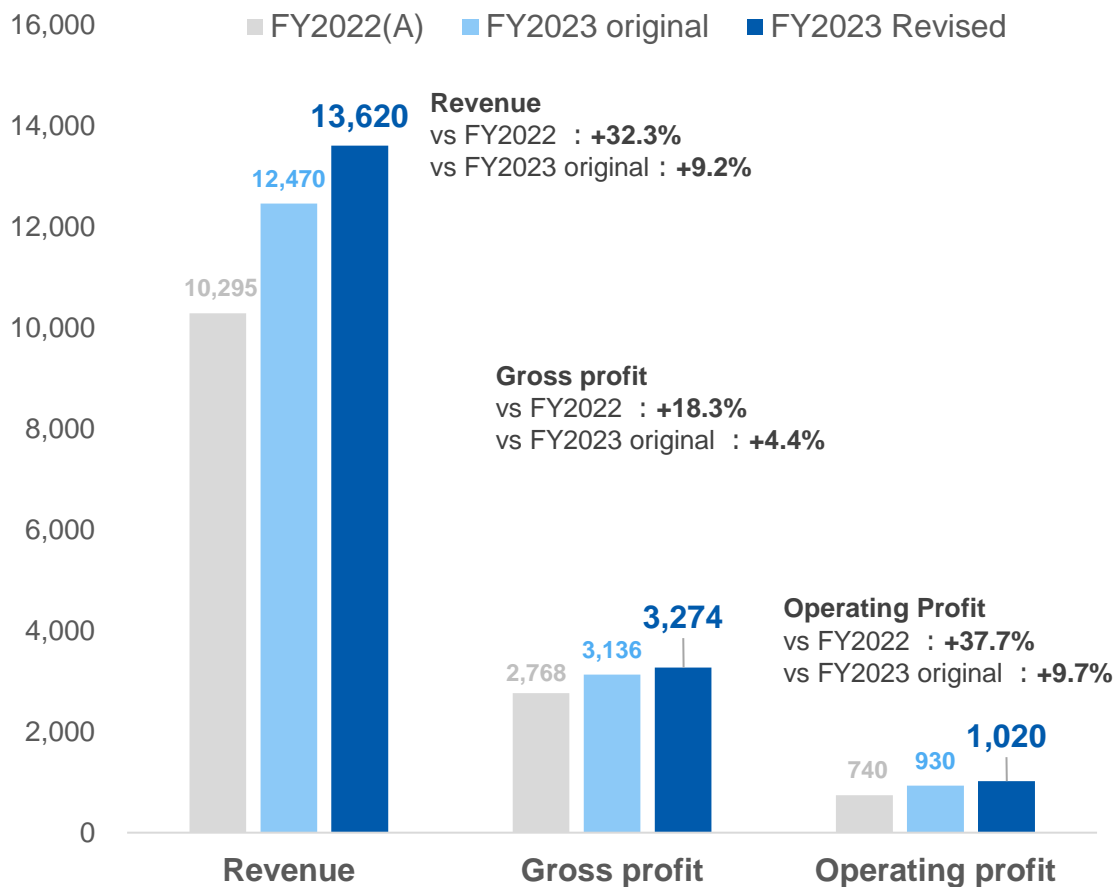
### Background of the Balance between 1<sup>st</sup> half and 2<sup>nd</sup> half :

Revenue : Demand for large-lot project was concentrated in the first half of the year and will reach cruising speed in the second half

OP : Additional investment in SG&A expenses is planned for growth in the next fiscal year and beyond

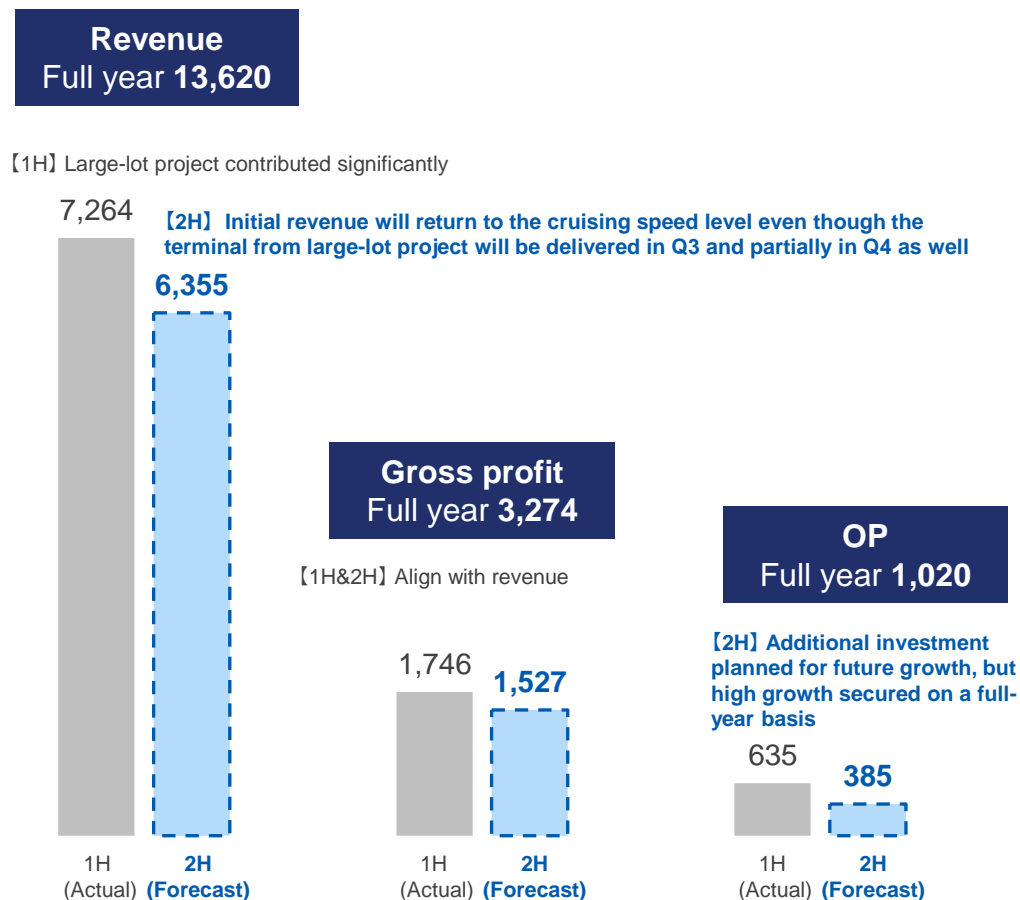
#### FY2023 Full Year Plan

(Millions of yen)



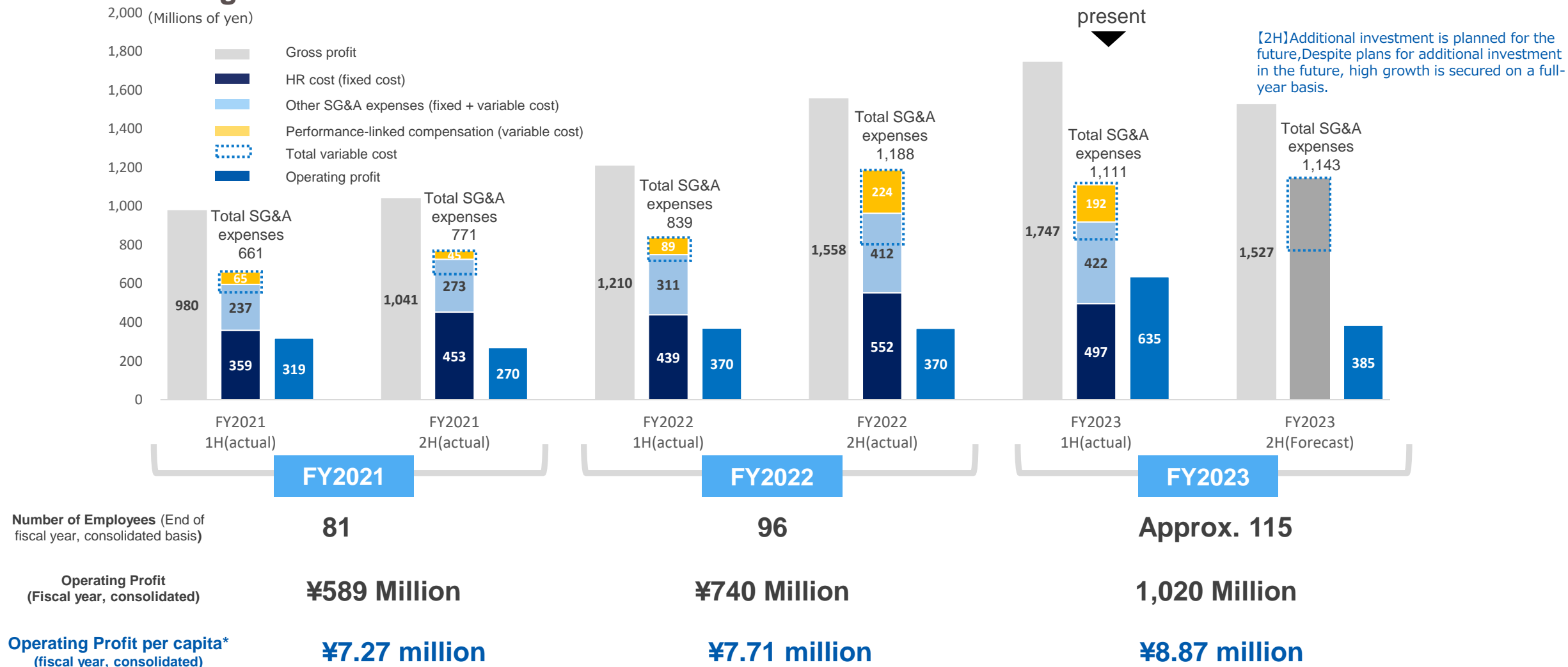
#### FY2023 1H (Actual) vs 2H (Forecast)

(Millions of yen)



### 3.3 SG&A and Profit Trends (half-year transition)

While aggressively investing in (1) business performance-linked compensation, and (2) other SG&A expenses, which are variable costs, operating leverage has improved the power to generate profits. Investment for growth will continue in 2H as well



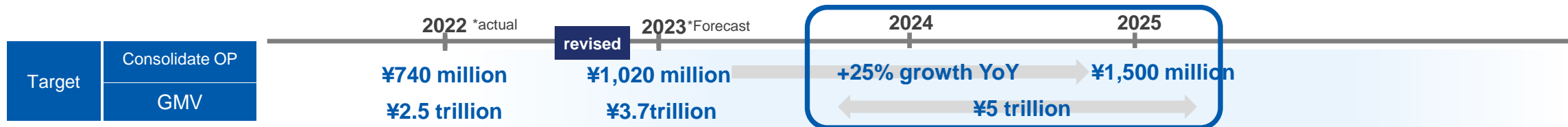
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## Growth Strategy and Progress



# 4.1 Growth strategy on mid-term target

Progress in developing large-lot project with next-generation multi-payment terminal. Steady progress in market share expansion strategy. Upward revision of profit forecast increases the probability of achieving the profit target of ¥1.5 billion for FY2025



## 1. Acquire multi-industry/high-growth enterprises by launching next-generation multipayment terminals

Initial, Stock, Fee, Spread

- Large-lot introduction to public service organizations continued in Q2. Contributed to expansion of initial revenue
- Transactions at inbound-related merchants grew in response to the resumption of economic activity (travel/hotels, electronics/appliances retailers, apparel, restaurants, etc.).

## 2. Expand IoT payments by supporting contactless (tap) and unattended payments

Initial, Stock, Fee

- With the increasing recognition of contactless payment (NFC), we will strengthen the payment solutions focused on convenience. Plans to introduce NFC for table checking, mobile payment, and payment at SME type merchants.
- Increasingly introduced to mobility (buses, trains) and parking lots near stadiums and other leisure facilities.
- Continued strong demand for self-cash registers at 100-yen discount stores, with steady expansion in the number of units installed.

## 3. Acquire large accounts through expansion of alliances with QR, points, etc.

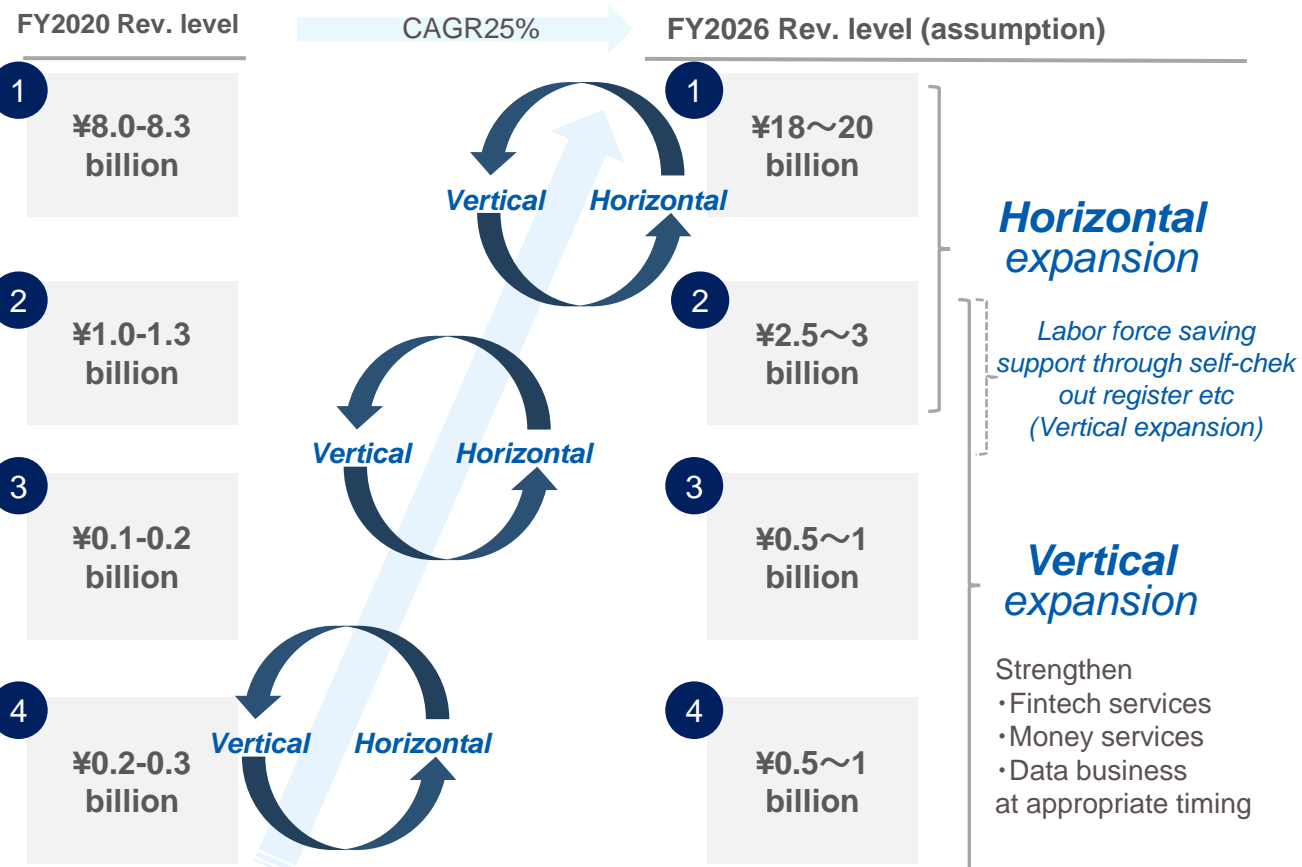
Stock, Spread

- Began work on a new proprietary point development project for two railroad operators in the Kansai region.
- Leveraging solution assets cultivated through past point development projects, strengthened Vertical development

## 4. Increase added value by strengthening processing center functions

Stock, Fee

- Development of payment platform for JTB (C→REX terminals) is in progress for release this summer
- An external organization conducted an architecture evaluation of our internal back-office operations, centered on the billing settlement system (investment for future scale)

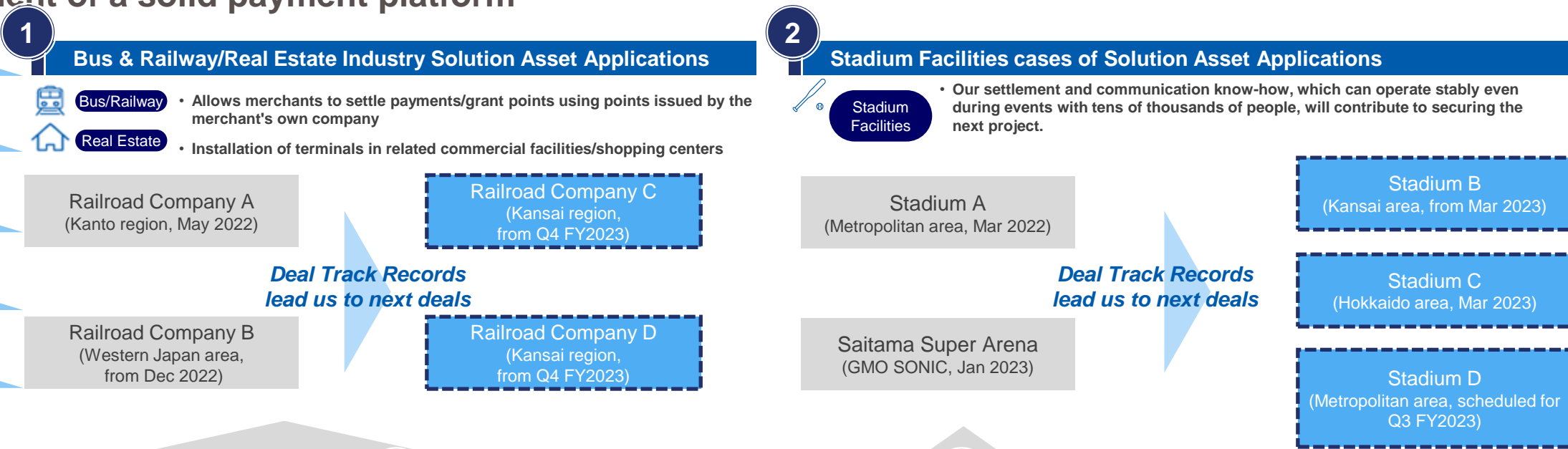


## 4.2 Expansion of GMO-FG cashless platform

By horizontally deploying the solution assets cultivated through the Vertical expansion, the company is acquiring large scale merchants in the same industry. Viral expansion of the merchant base and establishment of a solid payment platform

**Vertical Expansion**

Expansion of services by Industry



Approach to large accounts in each industry

- Acquirer
- Clearing machine manufacturer
- POS operators

# 4.3 Manned Terminal Topics

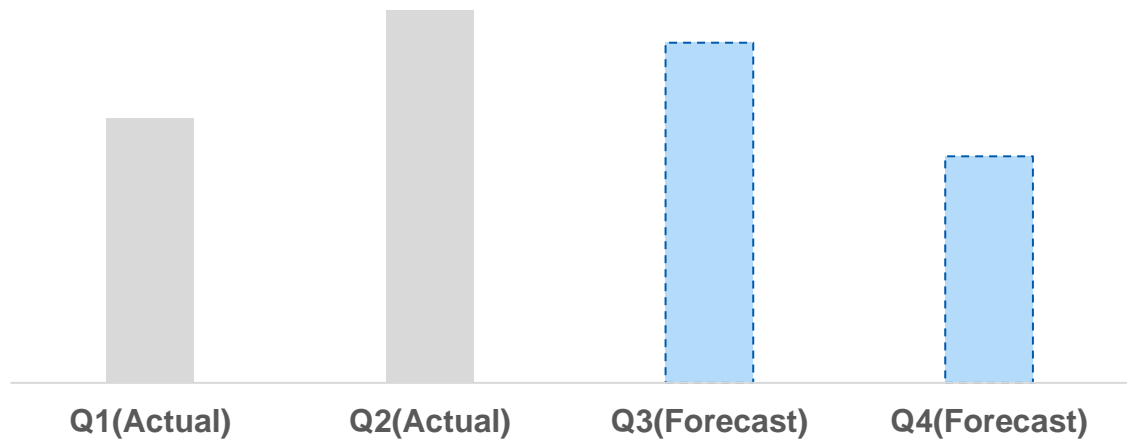
Installation of terminals for large-lot project (public service organization in the deliverance / transportation sector) was concentrated in the 1<sup>st</sup> half. Terminals installed for large-lot project will be activated from April (3Q) and are expected to contribute to KPIs expansion

## Number of manned terminal

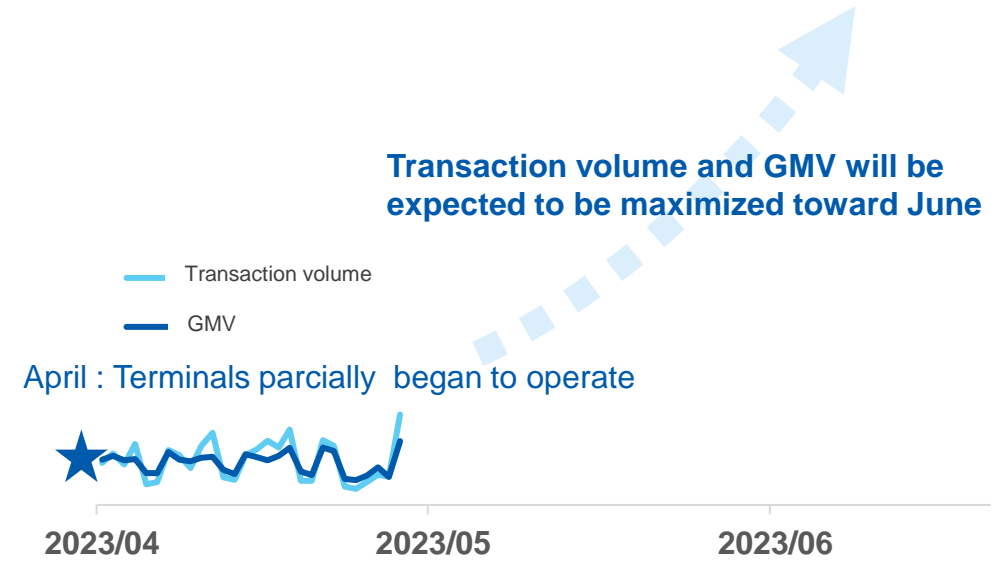
(Unit : thousand)	FY2020 End Q4	FY2021 End Q1	FY2021 End Q2	FY2021 End Q3	FY2021 End Q4	FY2022 End Q1	FY2022 End Q2	FY2022 End Q3	FY2022 End Q4	FY2023 End Q1	FY2023 End Q2	QoQ (%)	YoY (%)
Manned terminal	30.3	36.7	45.4	56.8	68.6	83.0	95.4	111.6	126.0	142.2	155.4	+13.2 (+9.3%)	+60.0 (+62.8%)
		+6.4	+8.7	+11.4	+11.8	+14.4	+12.4	+16.2	+14.4	+16.2	+13.2		

## Terminal sales\* (FY2023)

\*Total terminal sales including manned terminal and unattended terminal (IoT)



## Specific Public and Transportation Sector Large Volume Projects / Terminal Availability



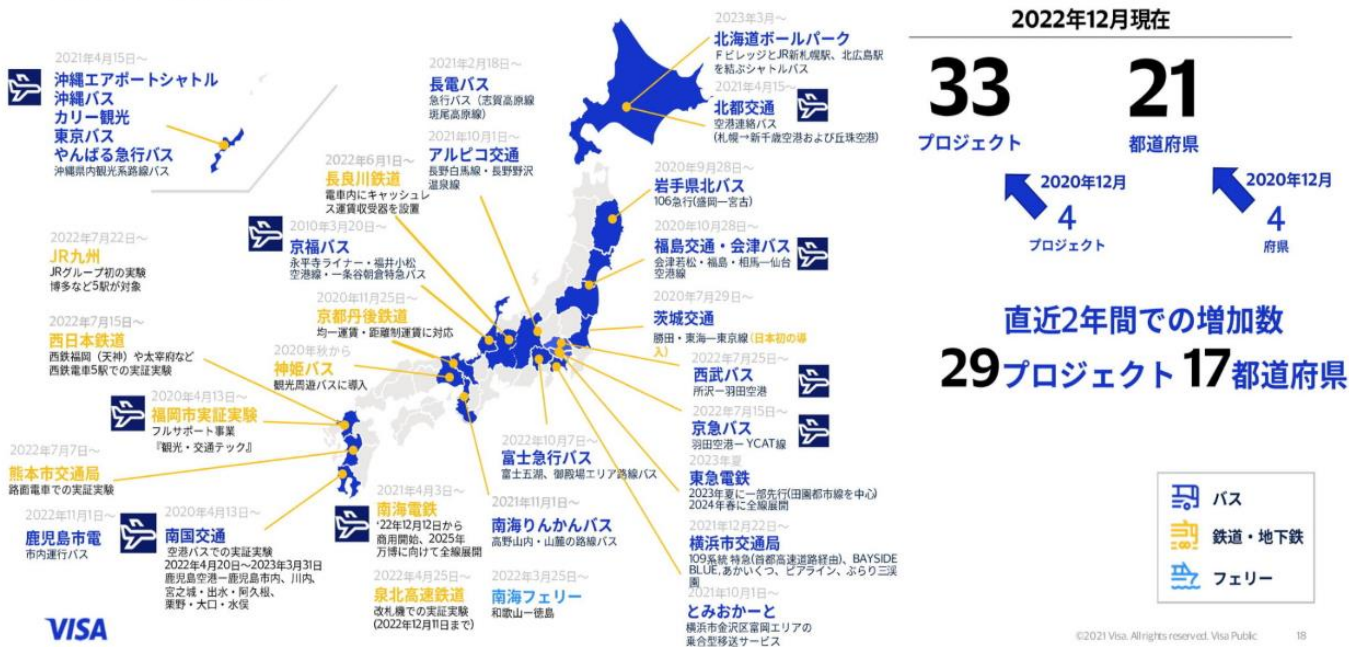
# 4.4 Expansion of Payment Platforms - Mobility

Mobility payments in urban areas are on the rise due to the recent increase in the number of foreign visitors to Japan. Successfully capturing the recovery of inbound demand after COVID era, and more railroads and buses are scheduled to be introduced going forward

## Introduction snapshot in domestic public transportation (Visa Publication)

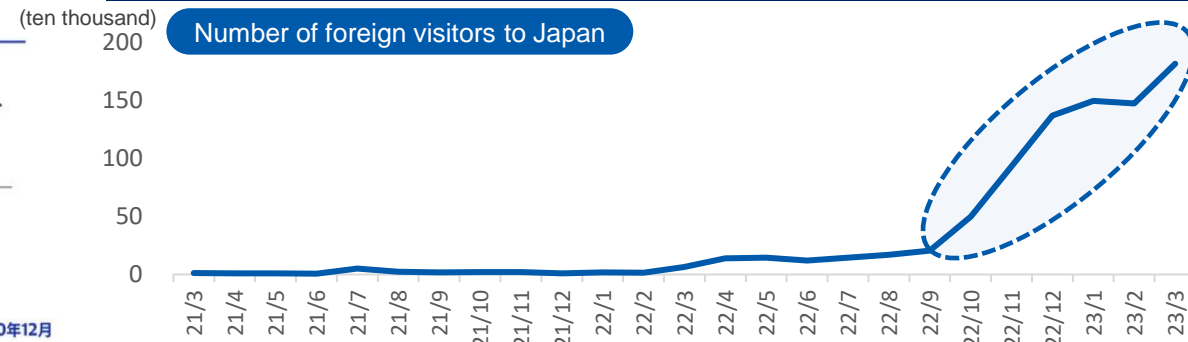
### 国内での公共交通機関での導入状況

全国のバス・地下鉄・鉄道でのVisaタッチ決済の導入が拡大しており、2022年12月現在、21都道府県、33プロジェクトが発表もしくは展開済み



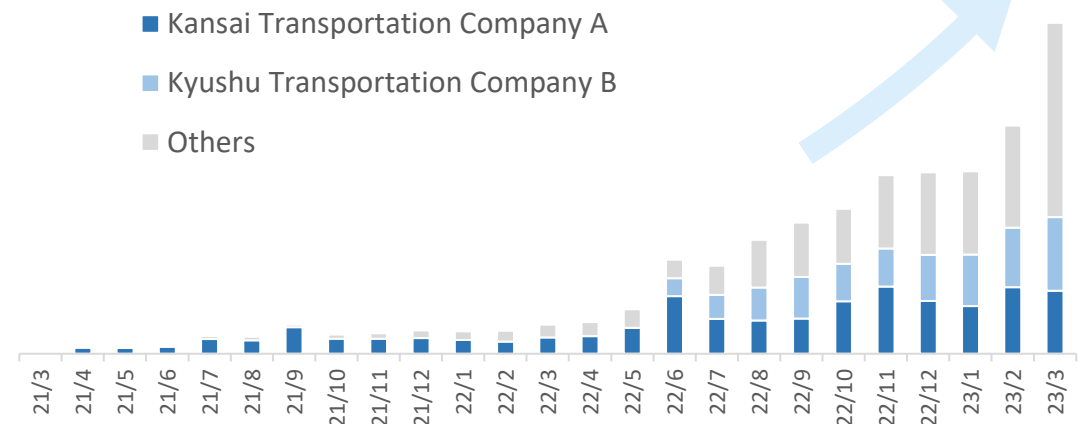
Source: Visa (excerpted from the December 19, 2022 media briefing handout)

## Trends in the number of foreign visitors to Japan & mobility payment trends



Source: Japan National Tourism Organization (JNTO)

## Mobility Settlement Trends (Number of cases)



# 4.5 ESG / Obtained a Certificate of Assurance of GHG

Obtained a certificate of assurance from an external certification institution (Socotec, Inc.) regarding GHG emissions in FY2022. We plan to receive external certification every fiscal year and continue to assess the environmental affect coming from our business

## Certificate of Assurance by External Certification Institution (FY2022)

**Independent Assurance Report**

Mr. Kentaro Sugiyama  
President & Chief Executive Officer  
GMO Financial Gate, Inc.

We, SOCOTEC Certification Japan (hereafter "SOCOTEC"), have performed a limited assurance engagement, in response to the entrustment from GMO Financial Gate, Inc. (hereafter "the Company"), in order to provide an opinion as to whether the subject matter information ("GHG Emissions Calculation Report for the 29th fiscal year" (period: 1 October 2021 to 30 September 2022)) of the Company meets the criteria in all material respects.

**1 Subject Matter Information and Criteria**

The subject matter information ("GHG Emissions Calculation Report for the 29th fiscal year" (period: 1 October 2021 to 30 September 2022)) for our assurance is "a report on energy-derived greenhouse gas emissions (Scope 1 is not applicable, Scope 2 (location-based and market-based)) and all other indirect greenhouse gas emissions that occur in a company's value chain (Scope 3 (Categories: 1,2,3,4,5,11))" covering the Company and its consolidated companies (2 subsidiaries) business activities.

The criteria for preparing subject matter information is "GHG Emissions Calculation Procedure Manual (Ver.2.0)".

Subject matter information	
GHG emission data period: 1 October 2021 to 30 September 2022	All other indirect GHG emissions that occur in a company's value chain Scope 3: 13,927 t-CO2e
<b>Energy-derived GHG emissions</b>	
Scope 1: — t-CO2e	Breakdown (t-CO2e)
Scope 2: location-based 93 t-CO2e	Category 1: 8,089
market-based 97 t-CO2e	Category 2: 1,761
	Category 3: 15
	Category 4: 5
	Category 5: 9
	Category 11: 3,418

**2 Management Responsibility**

"GHG Emissions Calculation Report for the 29th fiscal year" (period: 1 October 2021 to 30 September 2022) was prepared by the management of the Company, who is responsible for the integrity of the assertions, statements, and claims made therein (including the assertions over which we have been engaged to provide limited assurance), the collection, quantification and presentation of all data and information in the report, and applied criteria, analysis and publication.

The management of the Company is responsible for maintaining adequate records and internal controls that are designed to support the reporting process and ensure that "GHG Emissions Calculation Report for the 29th fiscal year" (period: 1 October 2021 to 30 September 2022) is free from material misstatement whether due to fraud or error.

**3 Assurance Practitioner's Responsibility**

The responsibility of SOCOTEC is to express a limited assurance conclusion as to whether the subject matter information has been prepared in compliance with the criteria in all material respects.

SOCOTEC performed limited assurance engagement in accordance with the verification procedures stipulated by SOCOTEC and "ISO 14004-3: Specification with guidance for the verification and validation of greenhouse gas statements".

The procedures implemented in the limited assurance engagement are limited in their type, timing and scope as compared to the procedures implemented in the reasonable assurance engagement. As a result, our limited assurance engagement does not provide as high assurance as reasonable assurance engagement.

Our procedures performed depend on the assurance professional practitioner's judgement, including the risk of material misstatement, whether due to fraud or error. Our conclusion was not designed to provide assurance on internal controls.

We believe that we have obtained the evidence to provide a basis for the conclusion for limited assurance.

SOCOTEC Certification Japan

*S. Futaba*  
Seigo Futaba  
Managing Director  
9 May 2023

**4 Assurance Procedures**

The procedures that SOCOTEC has conducted are based on professional judgment and include, but are not limited to:

- Evaluation of policies and procedures created by the Company in relation to subject matter information
- Questions to the Company personnel to understand the above policies and procedures
- Verification that the target project meets eligibility requirements
- Matching with the basis data by trial calculation and recalculation
- Obtaining and collating material for important assumptions and other data
- We visited Headquarter of the Company in order to confirm the calculation structure and procedures, data collection and implementation status of record control.

**5 Statement of Our Independence, Quality Control and Competence**

SOCOTEC has introduced and maintained a comprehensive management system that conforms to the accreditation requirements of "ISO17021 Conformity assessment – Requirements for bodies providing audit and certification of management systems". In addition, we have also established a management system according to "ISO14065 Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition". These meet the requirements of International Standard on Quality Control 1 by the International Auditing and Assurance Standards Board and Code of Ethics for Professional Accountants by International Ethics Standards Board for Accountants. We maintain a comprehensive quality control system that includes ethical rules, professional standards and documented policies and procedures for compliance with applicable laws and regulations.

The SOCOTEC Group is a comprehensive third-party organisation in inspection, testing and certification operations, and conducts management system certification services and training services related to quality, environment, labour and information security in countries around the world. Engaged in performance data and sustainability report assurance of environmental and social information, SOCOTEC affirms that it is independent of the organisation that has ordered the assurance engagement, its affiliated companies, and stakeholders, and that there is no possibility of impairing impartiality or conflict of interest.

We assure that the team engaged in the assurance is selected based on knowledge, experience in the relevant industry, and the competence requirements for this assurance engagement.

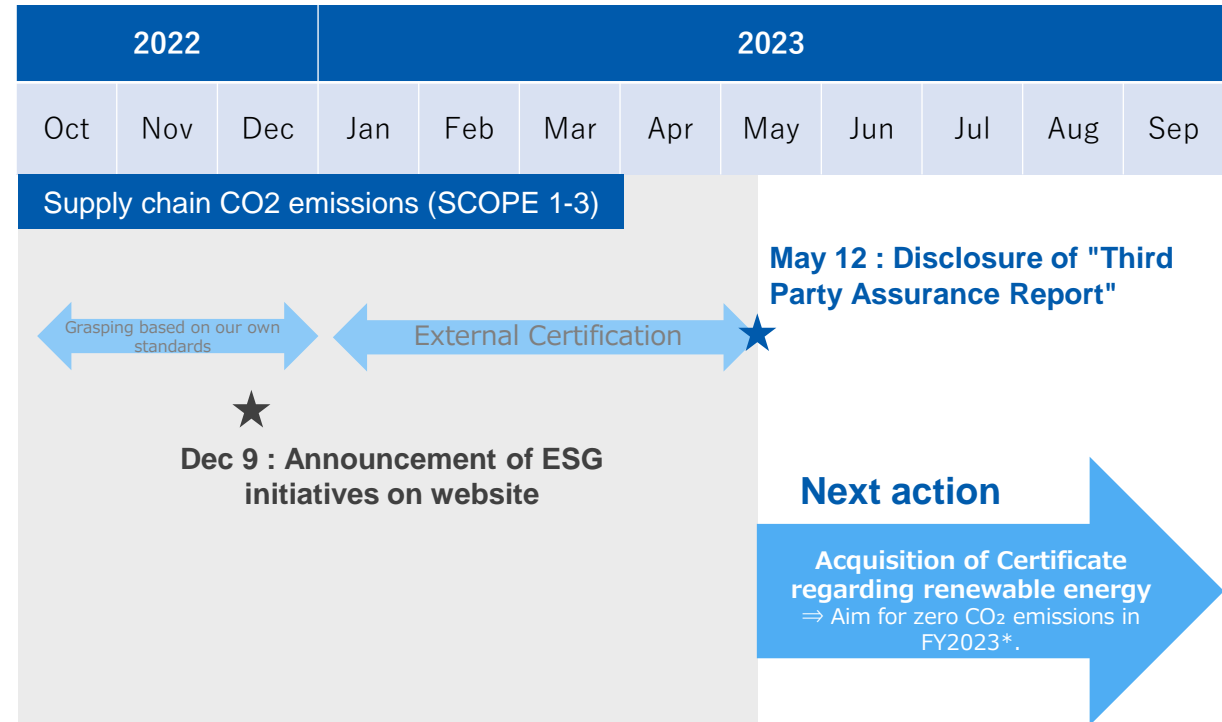
**6 Use of Report**

Our responsibility in performing our limited assurance activities is to the management of the company only in accordance with the terms for this engagement as agreed with the Company. We do not therefore assume any responsibility for any other purpose or to any other person or organisation.

**7 Our Conclusion**

On the basis of our procedures performed and evidence obtained nothing has come to our attention that causes us to believe that the subject matter information is not, in all material respects, prepared and reported in accordance with the stated criteria.

## ESG related plan



\*Considering acquisition of non-fossil certificates to offset power consumption at business locations in FY9/2023.

Plans to continue disclosing the acquisition of a guarantee and implementing the PDCA cycle to reduce emissions in the next fiscal year and beyond

# Supplemental Agenda

Financial Information, Investment and Shareholder Return Policies

5

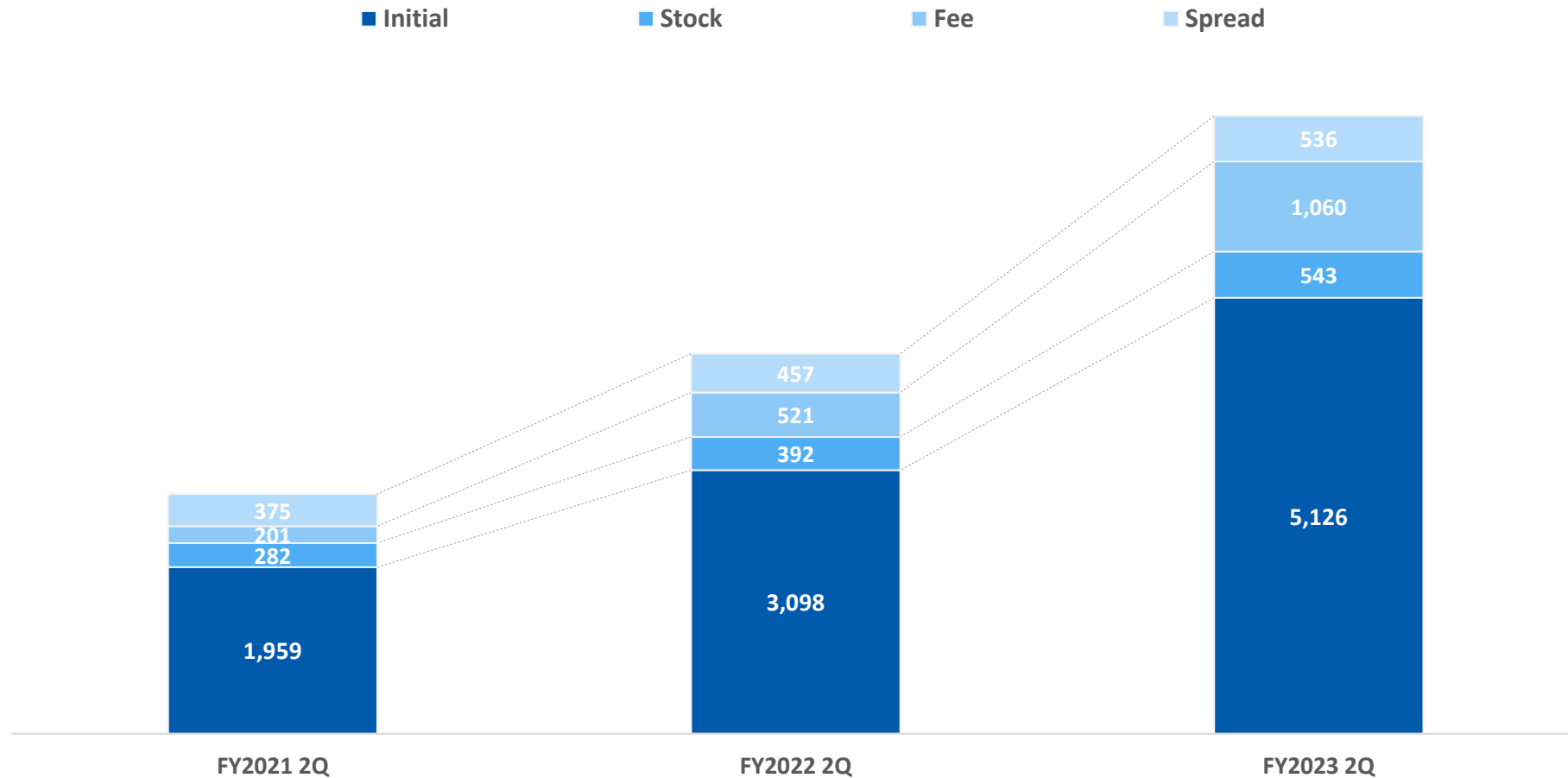
## 5.1 Profit & Loss

Gross profit margin increased despite lower gross profit margin due mainly to higher proportion of initial revenue. Operating profit margin improved, handling the increase in SG&A expenses

(Unit : Thousands)	Q2 FY2022 Cumulative (actual)	Q2 FY2023 Cumulative (actual)	YoY
Revenue	4,468,335	7,264,813	+62.6%
COGS	3,258,241	5,518,272	+69.4%
Gross profit	1,210,093	1,746,541	+44.3%
SG&A	839,141	1,110,898	+32.4%
Operating profit	370,952	635,643	+71.4%
Ordinary profit	370,591	633,973	+71.1%
Profit attributable to owners of parent	234,115	394,368	+68.5%

## 5.2 Revenue by business model (YoY)

Initial revenue proportion increased more than expected due to rapid terminal sales growth in Q2  
OP margin improved, handling the SG&A expenses of the stock-model business





## 5.3 Revenue by business model (Quarterly)

Initial revenue reached a new record quarterly high thanks to the acquisition of a large merchant. Fee and Stock continued to increase despite the weak season, and Spread was maintained at the same level as during the strong season (Q1)

Preventing the spread of disease  
Priority measures

(Unit : millions of yen)	Q1 FY2021	Q2 FY2021	Q3 FY2021	Q4 FY2021	Q1 FY2022	Q2 FY2022	Q3 FY2022	Q4 FY2022	Q1 FY2023	Q2 FY2023
<b>Initial</b>	855	1,103	1,525	1,682	1,454	1,643	2,136	1,927	2,220	2,905
										Record high for the quarter
<b>Stock-model</b>	430	427	495	569	687	683	841	921	1,047	1,091
<b>Stock</b>	135	145	160	182	185	206	229	244	259	283
<b>Fee</b>	101	99	149	183	261	259	361	434	519	539
<b>Spread</b>	193	181	185	203	239	217	250	242	268	268
										Sales have been on a downward trend every year due to seasonality, Secured the same level as 1Q in this fiscal year
<b>Total</b>	1,286	1,531	2,020	2,252	2,141	2,327	2,978	2,849	3,267	3,997

## 5.4 Balance sheet

Achieved accumulation of merchandise inventories following Q1 on the back of strong demand  
Borrowed an additional ¥1 billion in both long and short-term loans to secure working capital

End of Q2 FY2023 (Thousands of yen)

Cash & Cash equivalents (19.4%) 2,190,347	Current liabilities 3,220,711
Merchandise (Payment terminal) 3,131,357	Non-current liabilities 539,974
Other current assets 1,520,248	Total net assets (55.7%) 4,732,654
Non-current assets 1,651,387	
<b>Asset</b>	<b>Total liabilities and net assets</b>

### ■ Points

#### Merchandise:

Increased by ¥620 Millions from the end of Q1. Inventory buildup based on future sales forecast

#### Current Liabilities:

¥500 Millions in short-term debt

#### Non-current liabilities:

¥500 Millions in long-term debt

#### Cash and Cash Equivalents:

Increased by ¥470 Millions from the end of Q1 due to borrowing, despite an increase in merchandise

## 5.4 Balance sheet (Quarterly)

**B/S expanded following 1Q due to borrowing for aggressive purchasing**  
**Increase in other current assets was mainly due to an increase in accounts receivable**

(Unit : millions of yen)			Q4 FY2021	Q1 FY2022	Q2 FY2022	Q3 FY2022	Q4 FY2022	Q1 FY2023	Q2 FY2023	QoQ	YoY
Asset	Current assets	Cash and cash equivalents	3,434	1,425	1,618	2,231	2,519	1,720	2,190	+470	+572
		Merchandise	1,615	2,177	2,523	1,545	1,507	2,511	3,131	+620	+608
		Others	741	868	1,007	884	990	1,527	1,520	▲7	+513
	Non-current assets		1,347	1,409	1,445	1,497	1,622	1,567	1,651	+84	+207
	Total assets		7,136	5,879	6,593	6,157	6,638	7,326	8,493	+1,168	+1,900
Liabilities	Current liabilities		2,720	1,538	2,135	1,575	1,929	2,801	3,221	+419	+1,085
	Non-current liabilities		40	37	33	30	39	39	540	+501	+507
Net Asset			4,376	4,304	4,425	4,552	4,671	4,485	4,733	+248	+308
Total liabilities and net assets			7,136	5,879	6,593	6,157	6,638	7,326	8,493	+1,168	+1,900

## 5.6 Consolidated KPIs (No. of Active Terminal)

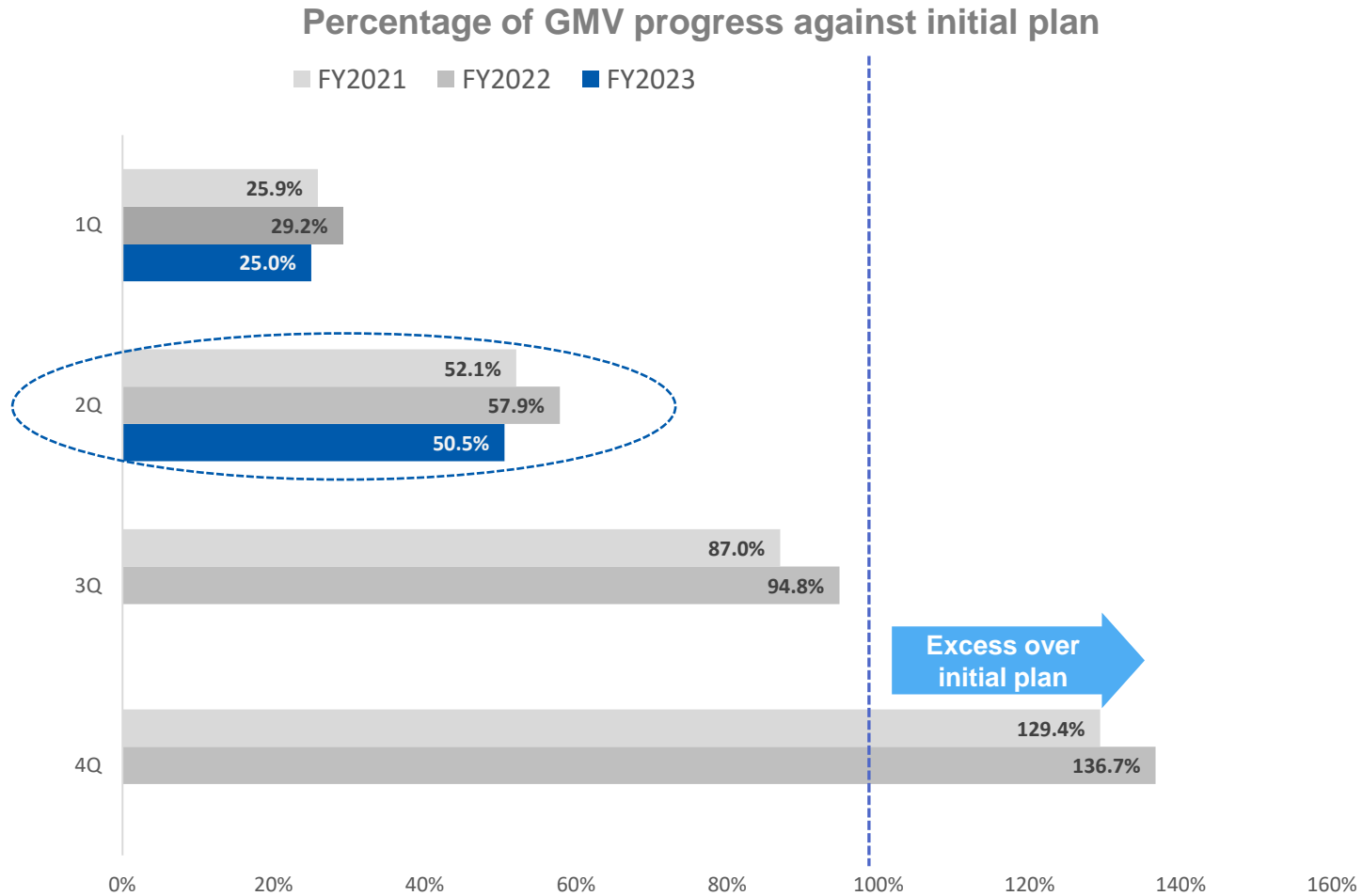
Steady growth in the number of active terminal driven by manned type terminals

Steady expansion of unmanned terminals in response to the trend of self-checkout penetration and manpower saving at merchants

(Unit: thousand)	FY2021 Q1	FY2021 Q2	FY2021 Q3	FY2021 Q4	FY2022 Q1	FY2022 Q2	FY2022 Q3	FY2022 Q4	FY2023 Q1	FY2023 Q2	QoQ (%)	YoY (%)
<b>Manned</b>	36.7	45.4	56.8	68.7	83.0	95.4	111.6	126.0	142.2	155.4	+13.2 (+9.3%)	+60.0 (+62.8%)
<b>Unmanned (IoT)</b>	29.1	30.9	33.6	39.8	42.3	43.2	44.6	45.6	47.0	49.0	+2.0 (+4.2%)	+5.8 (+13.4%)
<b>Sold by others</b>	14.9	16.7	16.7	16.4	17.9	17.7	18.0	17.9	18.5	18.7	+0.2 (+0.9%)	+1.0 (+5.7%)
<b>Total</b>	80.7	93.1	107.2	124.9	143.2	156.3	174.2	189.5	207.7	223.0	+15.3 (+7.4%)	+66.7 (+42.7%)

# 5.7 Progress of GMV by quarter (vs. original plan)

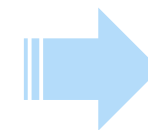
Steady progress toward the mid-term target of ¥5 trillion in GMV  
 Continued expansion of scale and progress rate on par with past results in this fiscal year



FY2021 (Actual)	
Plan	0.9trillion yen
Result	1.1trillion yen

FY2022 (Actual)	
Plan	1.8trillion yen
Result	2.5trillion yen

FY2023 (In process)	
Plan	3.7trillion yen
Result	1.9trillion yen(1H)



**FY2024~FY2025 : ¥5 trillion**

## 5.8 Capital Allocation Policy

Aim to achieve continuous business growth in accordance with the investment funding policy and capital allocation policy

### Investment Source Funding Policy

- Priority of investment resources (1) Operating cash flow, (2) Interest-bearing debt, (3) Equity

#### (1) Operating Cash Flow

Leverage operating CF from continuous profit growth

#### (2) Favorable sub liabilities, etc.

Flexibly consider the use of interest-bearing debt in accordance with our investment policy based on our financial condition, market environment, and interest rate levels

#### (3) Equity

We will make a comprehensive evaluation of the stock price level, market environment, financial condition, and other factors. and financial conditions, etc., and consider capital procurement to realize continuous business growth through investment. Consider capital procurement to achieve sustainable business growth through investment based on a comprehensive assessment of stock price levels, market environment, financial conditions, etc.

### Capital Allocation Policy

- Priority will be given to business investment and growth investment in accordance with our business strategy, while at the same time, we will continue to provide a certain level of shareholder returns.

#### Business Investment

Business investment to implement market share expansion strategy

#### Growth Investments

Strategic investments in preparation for profit margin increase strategy

#### Shareholder Returns

Stable and continuous dividend payments while securing internal reserves for business and growth investments to support continuous business growth

# 5.9 Investment Policy

Proactive business investment to execute "market share expansion strategy" necessary for medium to long-term operating profit growth of +25% YoY

	Business investment	Growth investment
Main Investment Target	<ul style="list-style-type: none"> <li>• Investments in data centers, terminal development, and internal systems</li> <li>• Investment in human resources (organizational enhancement, hiring, performance-linked compensation, etc.)</li> <li>• Development investment for IoT (mobility), touch settlement in transportation systems (trains, buses, etc.), and labor-saving/self-support</li> </ul>	<ul style="list-style-type: none"> <li>• Support for cashless transactions in the area of small and medium-sized merchants</li> <li>• New business related to money services/payment</li> <li>• Data service/marketing support business</li> <li>• Building alliances (business alliances, capital tie-ups, etc.)</li> </ul>
Basic Investment Policy	<ul style="list-style-type: none"> <li>• In principle, business investments are made within the budgeted framework based on the assumption that the profit plan will be achieved, and additional investments are made according to the progress of actual performance.</li> </ul>	<ul style="list-style-type: none"> <li>• Careful verification of business profitability and growth potential</li> <li>• Start lean and small</li> <li>• Expand investment limits in phases where return on investment is expected</li> </ul>

# 5.10 Shareholder Return Policy

**Aiming to increase corporate value through business growth while providing stable and continuous dividends simultaneously**

## Basic Policy on Shareholder Returns

### Increase in corporate value

- Aim to increase market capitalization over the medium to long term through continuous business growth

To increase net income attributable to shareholders through business growth in sales (CAGR 25%) and operating profit (+25% YoY or more) . Increase net income attributable to shareholders through business growth

### Stable and continuous dividends

- Stable and continuous dividend payments

Aim for shareholder returns of 50% or more while ensuring capital needs and internal reserves to support business growth (currently in place).



# Supplemental Agenda

ESG Initiatives (Details)

6

# 6.1 Status of ESG Initiatives

Disclosed "Minebea Group's ESG-related Initiatives" on its website last December. Currently conducting third-party data review to obtain external certification of supply chain CO2 emissions, including SCOPE3



\*Considering acquisition of non-fossil certificates to offset power consumption at business locations in FY2023

## Our Specific Efforts for Environmental Consideration

- Recycled paper is used for receipts (paper rolls) used at each payment terminal.
- Provide electronic storage services for sales slips to reduce the number of receipts (sales of rollpaper)
- Use of environmentally friendly materials for payment terminal components
- Reuse of payment terminals returned by merchants as replacement terminals (refurbished terminals) in the event of malfunctions, etc.

## Our supply chain CO2 emissions

### Our Supply Chain

upstream		GMO-FG		downstream	
SCOPE 3		SCOPE 1	SCOPE 2	SCOPE 3	
Procurement, Manufacturing and Distribution		Fuel Combustion	Electricity use	Use and disposal	
payment terminal	Sales of roll paper	-	Office, Settlement Centers	Payment Terminal Use	Payment terminal Disposal

	FY 9/2022
SCOPE 1 (t-CO2)	0
SCOPE 2 (t-CO2)	105
Electricity consumption for SCOPE 1 and 2 (kwh)	231,210

(Reference) SCOPE 3 is being coordinated with a third-party certification organization, and data is being collected with the aim of identifying and disclosing SCOPE 3 in the first half of this fiscal year and disclosing it in the second half of the fiscal year.

\*The subject companies are GMO Financial Gate, GMO Card Systems, and GMO Data, a consolidated group of companies.

\*Data for SCOPE 1 and 2 will be verified by a third-party verification organization in the future.

# 6.2 ESG Initiatives / Environment

In the provision of our payment platform, we promote business operations that consider environmental impact

## Specific Efforts

- Recycled paper is used for receipts (paper rolls) used at each payment terminal.
- Provide electronic storage services for sales slips to reduce the number of receipts (paper rolls)
- Use of environmentally friendly materials for payment terminal components
- Reuse of payment terminals returned by merchants as replacement terminals (refurbished terminals) in the event of malfunctions, etc.

## Environment Related Data

### Our Supply Chain

upstream		GMO-FG		downstream	
SCOPE 3		SCOPE 1	SCOPE 2	SCOPE 3	
Procurement, Manufacturing and Distribution		Fuel Combustion	Electricity use	Use and disposal	
payment terminal	Sales of roll paper	-	Office, Settlement Centers	Payment Terminal Use	Payment terminal Disposal

### Supply chain CO<sub>2</sub> emissions

FY 9/2022

SCOPE 1 (t-CO <sub>2</sub> )	0
SCOPE 2 (t-CO <sub>2</sub> )	105
Electricity consumption for SCOPE 1 and 2 (kwh)	231,210

**(Reference) Data on SCOPE 3 is being collected for future disclosure in cooperation with payment terminal manufacturers, etc.**

\* The subject companies are GMO Financial Gate, GMO Card Systems, and GMO Data, a consolidated group of companies.

\* Data for SCOPE 1 and 2 will be verified by a third-party verification organization in the future.

# 6.3 ESG Initiatives / Social

Aiming for sustainable growth by hiring excellent human resources and enhancing various systems that contribute to improving the capabilities of all partners\* in order to create corporate value and solve social issues

\* We refer to our employees and other officers and employees as "partners."

## Specific Efforts

### ● Human Resource Development and Welfare System

- **career design system** : System to provide advice and support on career development
- **360-degree multidimensional evaluation system** : A system that allows partners to evaluate their supervisors without a name.
- **countermeasures to the falling birthrate** : Financial benefits and special exceptions for work at various stages of marriage, childcare, etc.

### ● work-style reform

- Promote a telework work system that takes into consideration the safety of executives and employees
- Promotion of maternity and paternity leave
- Encouraging shorter working hours for childcare
- Providing post-retirement reemployment opportunities
- Providing an hourly annual leave system, etc.

## Social Related Data

	FY 9/2022
Number of Partners	124 persons
(Breakdown) Number of employee partners	96 people
(Breakdown) Number of temporary partners	28 people
Percentage of women among employee partners	22.8%
Percentage of women in management partners	14.3%
Average years of service	3 years and 7 months
average age	40 years old
job turnover	9.5%

\*Number of partners" covers the consolidated corporate group GMO Financial Gate, GMO Card Systems, and GMO Data.

\*Number of partners" is the total number of regular employees, rehired employees, contract employees, and seconded employees (excluding employees seconded from our group to outside the group, but including employees seconded from outside the group to our group) as of the end of FY9/2022.

\*Number of temporary partners" is the average total number of part-timers and temporary employees during the past year.

\* Figures for "Ratio of women among employee partners" and "Ratio of women among management partners" are for "employee partners."

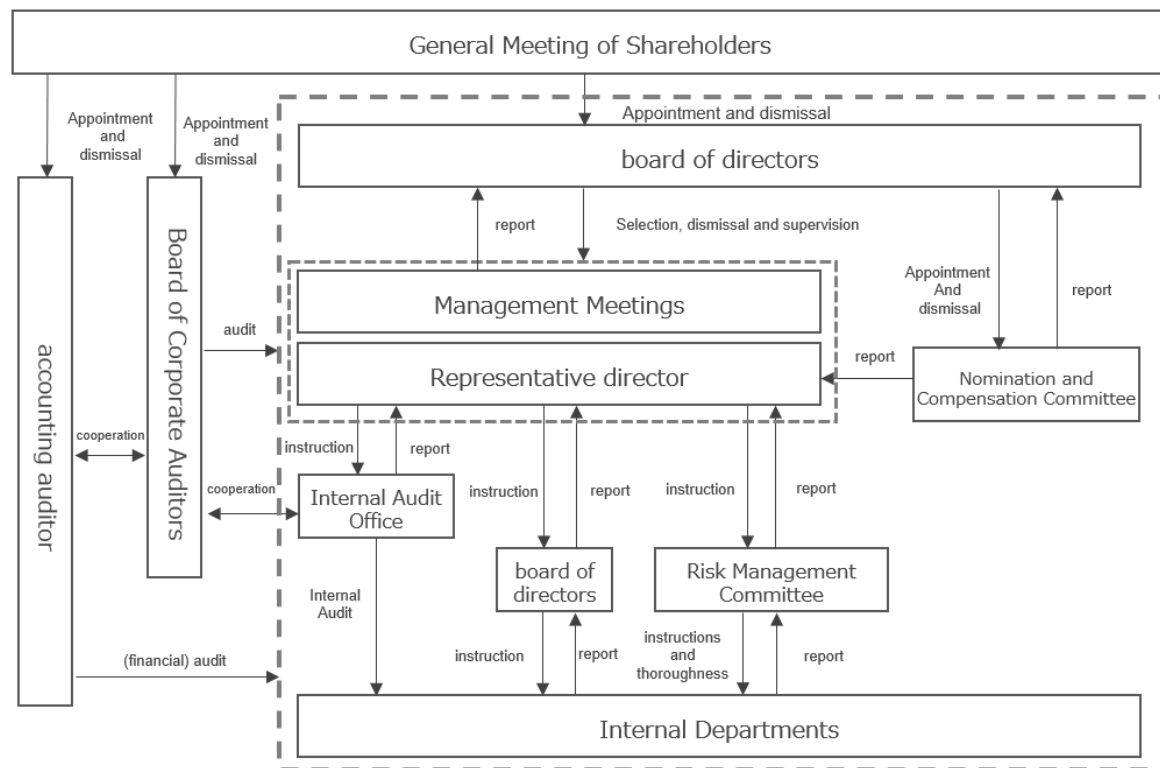
\* Average years of service, average age, and turnover rate are non-consolidated figures for GMO Financial Gate.

# 6.4 ESG Initiatives / Governance

Focus on enhancing corporate governance by establishing a decision-making structure that responds quickly and appropriately to changes in the business environment and a fair, transparent, and efficient business execution structure

## Specific Efforts

- Establishment of a new management committee for agile management decision making



## Governance Related Data

### Percentage of Independent Outside Directors and Percentage of Female Directors

	FY 9/2022
Number of directors	seven people
Number of independent outside directors (%)	two people (28.6%)
Number of female directors (%)	one people (14.3%)

\*Number and percentage of directors expected to be in office as of December 31, 2022

### Attendance rate at Board of Directors meetings (FY9/2022)

Number of times implemented	Number of times/percentage	Sugiyama	Takano	Aoyama	Fukuda	Koide	Shimamura	Asayama
		President and Representative Director	chairman of board of directors	board member	board member	board member	Independent Outside Director	Independent Outside Director
17 times	Number of Attendances	17 times	17 times	17 times	17 times	14 times	17 times	14 times
	attendance rate	100%	100%	100%	100%	100%	100%	100%

\* Directors in office as of the date of submission of this document (12/9/2022)

\*For directors appointed during the term, indicate the number and rate of attendance since their appointment.

### Board of Statutory Auditors (FY2022/9)

Number of times implemented	Number of times/percentage	Nagasawa	Ozawa	Iinuma
		Independent Outside Corporate Auditor	Independent Outside Corporate Auditor	auditor
14 times	Number of Attendances	14 times	14 times	14 times
	attendance rate	100%	100%	100%

### IR Activities

	FY 9/2022
Financial Results Briefing	4 times
1-on-1 meeting	267 cases
Group meetings sponsored by brokerage firms	3 times

\* 1-on-1 meetings include brokerage-sponsored conferences (1-on-1 format)

# 6.5 ESG Initiatives / Board of Directors

## Governance structure built around technology and financial background

### Internal Director (Managing Director)

#### Kentaro Sugiyama / President and Representative Director

Worked in the systems industry for 14 years with clients in the financial industry; joined GMO-FG in May 2017 after having worked for GMO-PG since 2014; became President and Representative Director in December



#### Akio Aoyama / Director, General Manager of Sales Division

Worked in the systems industry for 21 years with clients in the financial industry; joined GMO-FG in April 2018; became Director in December 2018, responsible for Sales Division; also President and Representative Director of GMO Data since August 2019



#### Tomonaga Fukuda / Director, General Manager, System Division

18 years in the systems industry, working with clients in the financial industry; joined GMO-FG in September 2019, appointed as Director in December 2020, in charge of the Systems Division



#### Tomoki Tamai / Director, General Manager, Administration Division

Engaged in sales and corporate affairs at major banks and operating companies; joined GMO-FG in August 2021; appointed Director in December 2022; in charge of Administration Division



### Director concurrently serving as GMO-PG

#### Tatsuya Koide / Director

35 years in the systems industry, working with clients in the public and manufacturing industries. Joined GMO-PG in September 2021, also serving as Director of GMO-FG. Appointed Senior Executive Officer of GMO-PG in December 2021



### Independent External Director

#### Nao Shimamura / External Director

Engaged in legal practice in the legal industry for 15 years; appointed as an outside director in September 2019 (appointed as an outside director because he has the knowledge and experience to make decisions on important management matters of the Company and to supervise the execution of business operations in an accurate and fair manner).



#### Rie Asayama / External Director

Engaged in finance-related business for 36 years at a major banking group; appointed outside director in December 2021 (appointed as outside director because of his experience in promoting diversity and as executive vice president of a general business company).



Definition of notation

GMO-FG: GMO Financial Gate, GMO-PG: GMO Payment Gateway

# 6.6 ESG Initiatives / Executive Skills Matrix

Appointment of human resources that contribute to the enhancement of corporate value as directors, with a view to building a system that enables the Board of Directors to function effectively

Identity	Kentaro Sugiyama	Akio Aoyama	Tomonaga Fukuda	Tomoki Tamai	Tatsuya Koide	Nao Shimamura	Rie Asayama	Nagasawa Takayoshi	Ozawa Satoru	Linuma takashi
						outside the company Independent Directors and Corporate Auditors	outside the company Independent Directors and Corporate Auditors	outside the company Independent Directors and Corporate Auditors	outside the company Independent Directors and Corporate Auditors	
Job title	President and Representative Director	Director and General Manager of Sales Headquarters	Director and General Manager, System Headquarters	Director and General Manager, Administration Division	board member	board member	board member	Managing Auditor	auditor	auditor
Practicing GMO-ism	●	●	●	●	●	●	●	●	●	●
Corporate management	●	●					●		●	
System Security			●							
Risk management			●	●			●	●	●	
Legal & Governance				●		●		●	●	●
Finance, Accounting & Tax				●						●
Sales and Marketing		●			●					
Investment (M&A)				●						
Financial Business							●			
Human Resource Development and Recruitment, Tie Varsity					●		●			
ESG & Sustainability				●		●	●			

\* GMO-ism is the collective name for the company motto and company precepts that express the "Spirit Venture Declaration" and "55-Year Plan," the unchanging goals of the GMO Internet Group, as well as "Executive Principles" and "Laws of Victory."

\* Describes directors in office as of March 31, 2023.







# Supplemental Agenda

Appendix

7



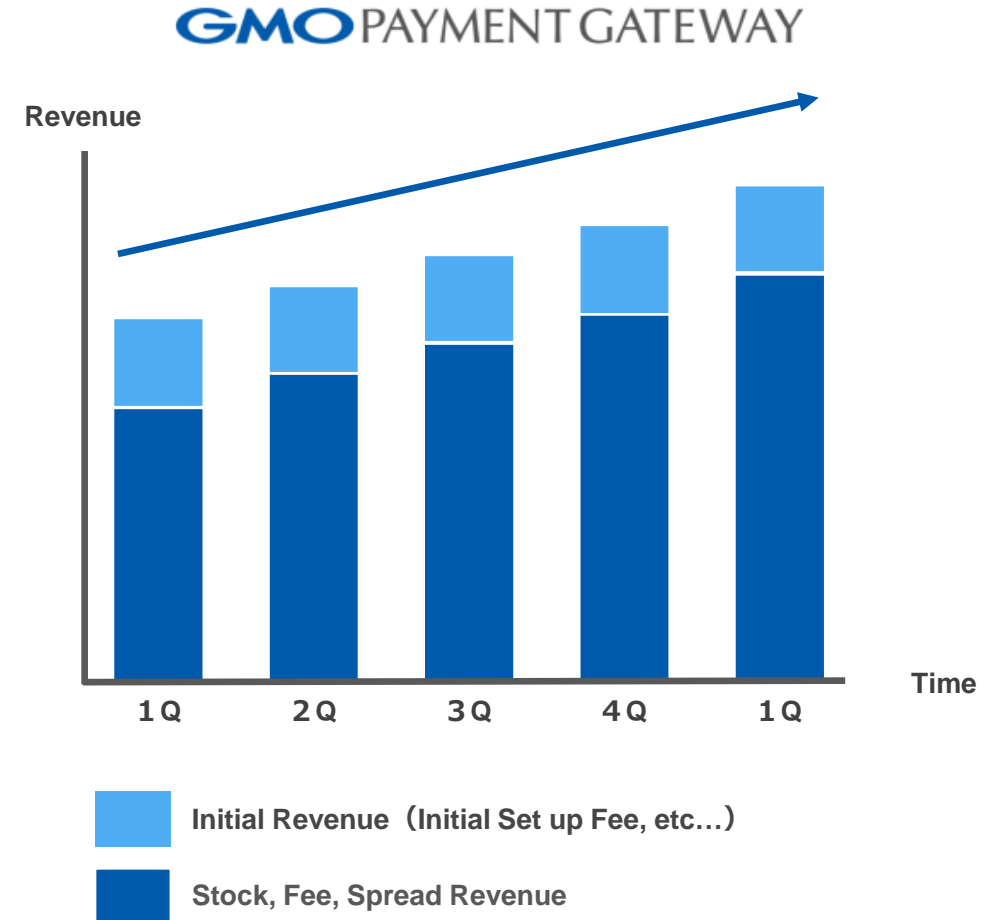
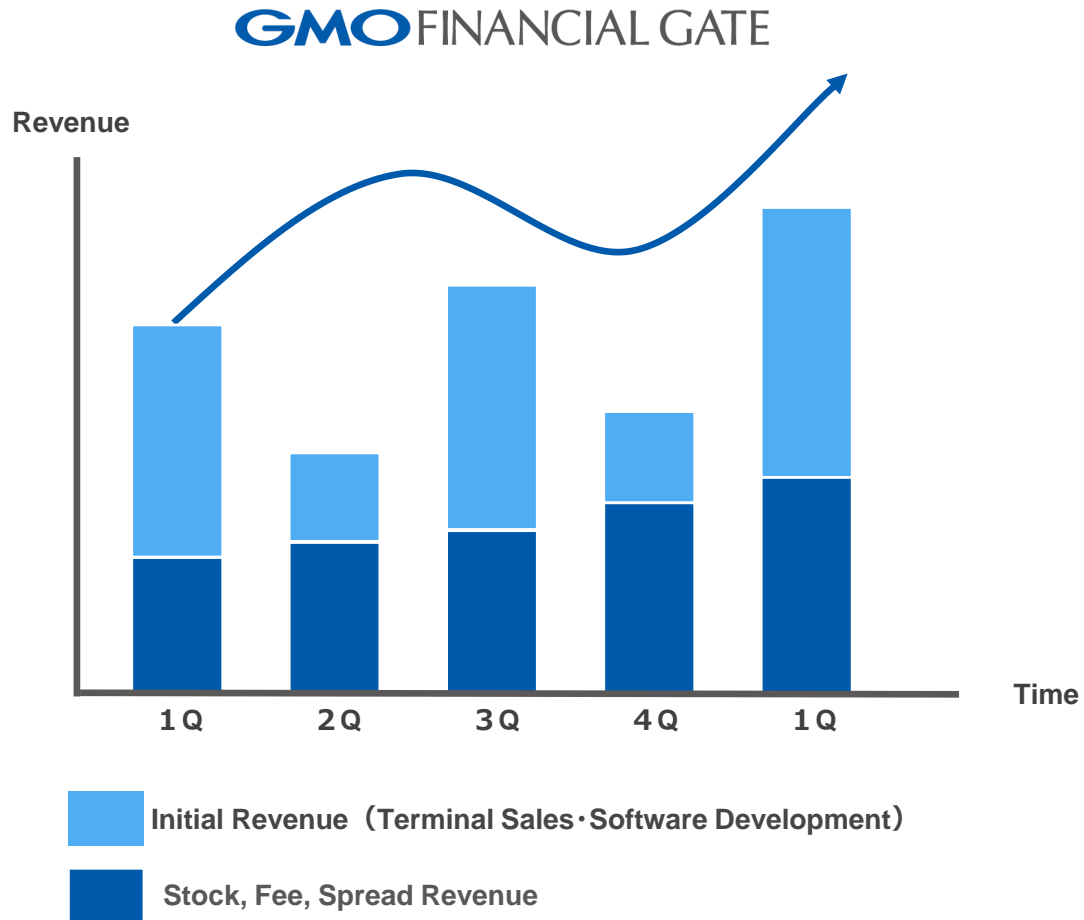
GMO-FG is focusing on offline payment

Company name		
Business Domain	<p>GMO Financial Gate (Payment at Brick &amp; Mortar + IoT)</p>	<p>GMO Payment Gateway (EC)</p>
Payment method	<p>Payment by passing card/QR code over the reader</p> <div style="display: flex; justify-content: space-around;">   </div>	<p>Payment by entering credit card information in PC / mobile phone</p> <div style="display: flex; justify-content: space-around;">   </div>
Medium	<p>Payment terminal</p>	<p>EC (terminal is unnecessary)</p>

- Physical hardware network
- Proprietary programming code specifications
- Regulation

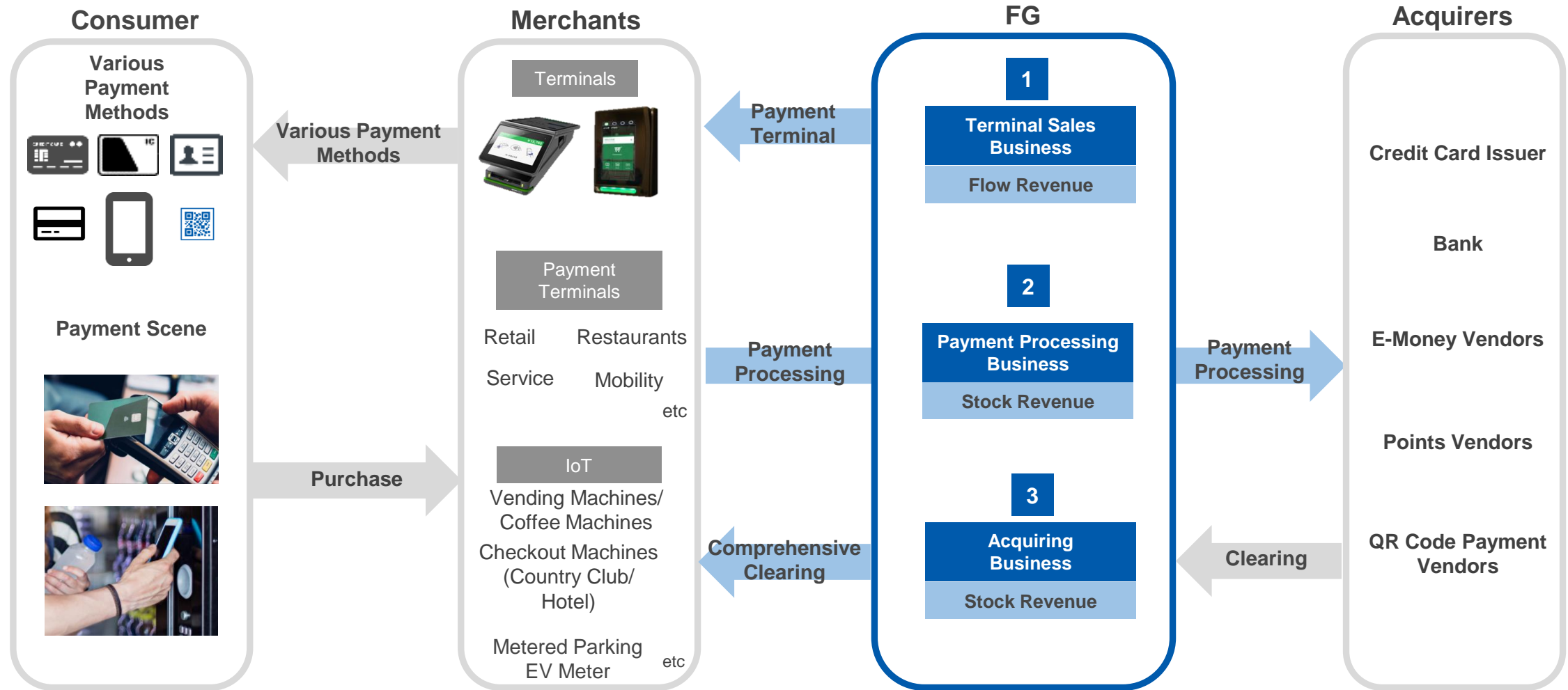
# Rev Models: Financial Gate vs. Payment Gateway

Initial revenue in offline payment is tend to be fluctuate because of its seasonality of terminal delivery



# Three Biz Models Over a Single, One-Stop Platform

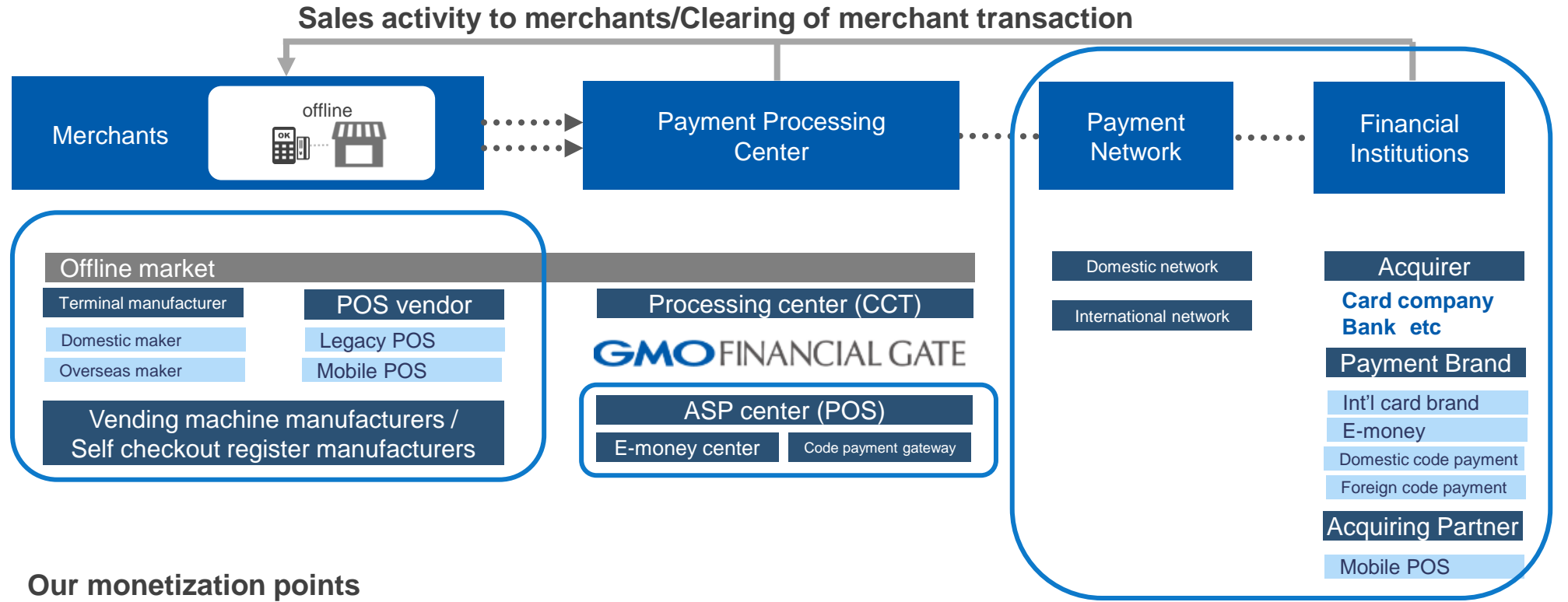
One-stop platform covering all settlement processes between merchants and acquirers



# Stock Revenue Expansion Originating From Terminal Sales

Stock revenue grows with flow model revenue which is mainly coming from the sales of payment terminals

Revenue Model	3 Business	4 Types of Revenue	% (FY2023 Q2 cumulative)
<b>Flow Model Rev</b>	① Terminal Sales Business	Initial	70.6%
<b>Stock Model Rev</b>	② Payment Processing Business	Stock	7.5%
		Fee	14.6%
	③ Acquiring Business	Spread	7.3%



## Our monetization points



Initial Revenue



Stock Revenue

※Activation of payment terminals~Connect to our processing center



Fee Revenue

※Booked in stock revenue occasionally depending on contract type  
 ※Excluding roll paper sales



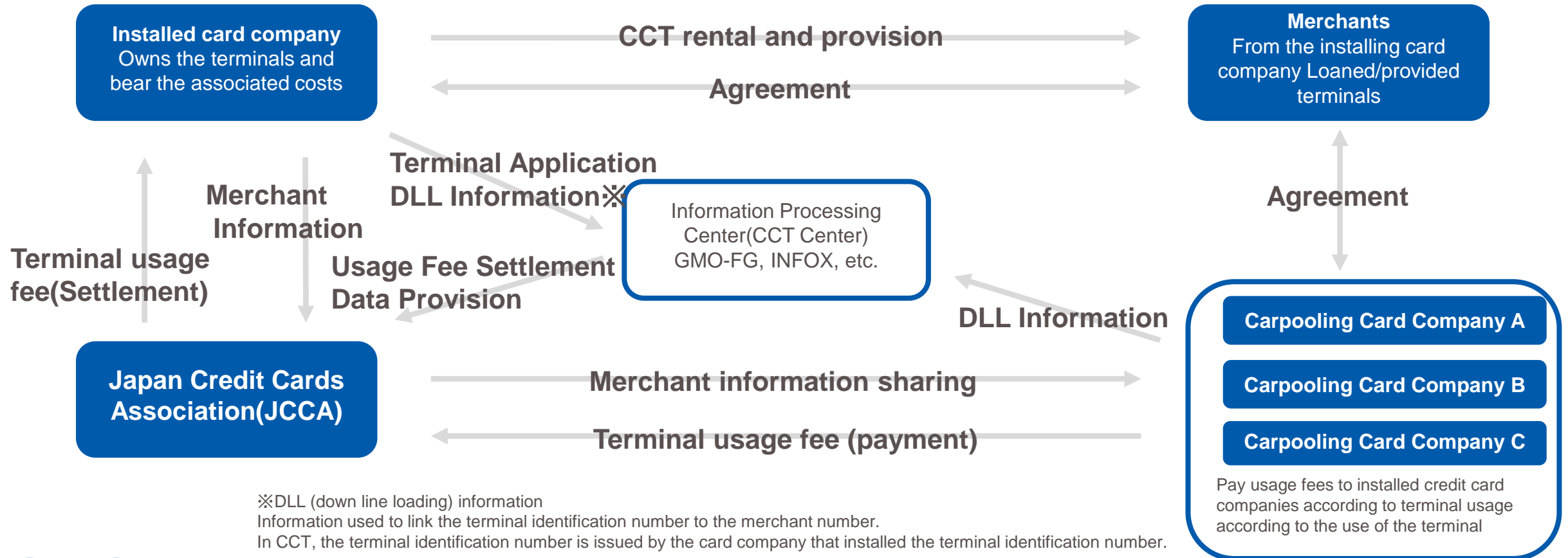
Spread Revenue

Alliance partner

# CCT (Credit Center Terminal, ⇒ Card company-owned terminal)

## CCT(Credit Center Terminal)

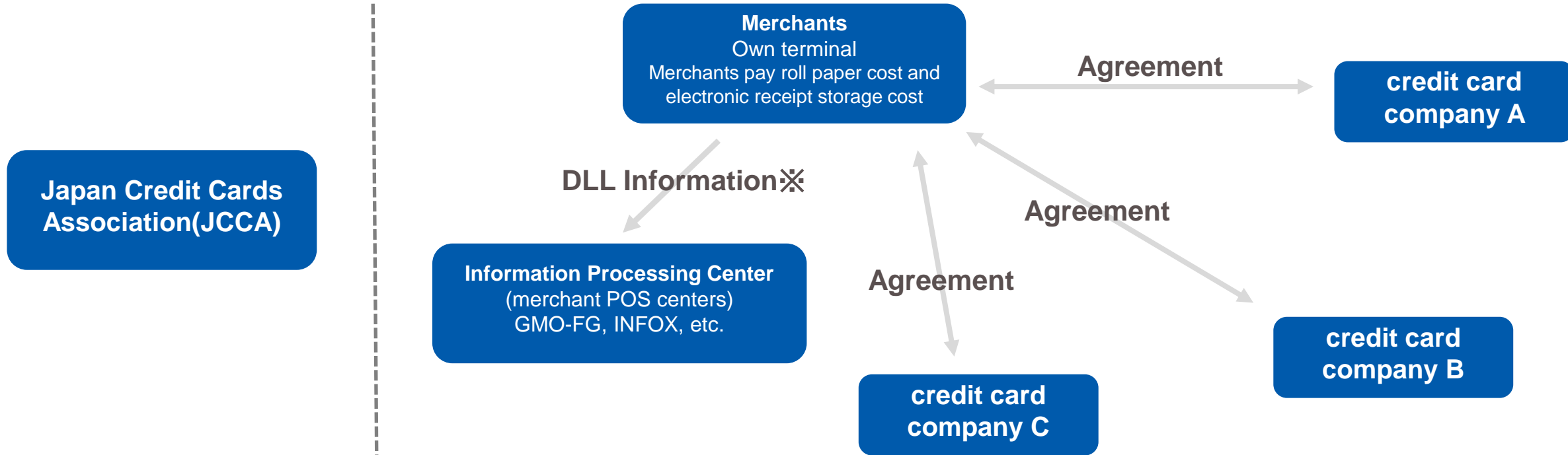
It is a terminal name authorized by the information processing center (CCT Center) designated by the Japan Credit Card Association (JCCA) and operated in accordance with the guidelines, etc., established by the JCCA. A single card company owns the terminal on behalf of another card company and lends it to a merchant for installation. Multiple card companies jointly use the terminals and pay usage fees to the card companies that installed them



※DLL (down line loading) information  
 Information used to link the terminal identification number to the merchant number.  
 In CCT, the terminal identification number is issued by the card company that installed the terminal identification number.

## Merchant POS

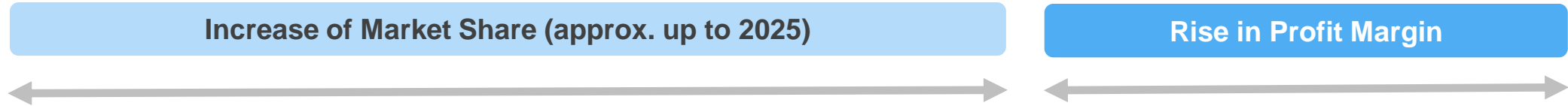
In general, POS (Point of Sales) is a generic term for a service that provides information on sales performance trends such as the date, time, quantity, and price of products sold, but in the credit industry, the term merchant POS is customarily used to refer to all terminals capable of processing credit card transactions that are not CCT terminals. In a merchant POS, the merchant itself owns the terminal, prepares the card payment environment, and makes a separate contract with the credit card company. While this requires more time and effort on the part of the merchant, it also allows for a more flexible design that is not bound by the JCCA (Japan Credit Card Association) guidelines



※ DLL (down line loading) information  
Information used to link the terminal identification number to the merchant number.  
In merchant POS, the terminal identification number is issued by the merchant.

# Image of rise in Rev & OP

Phase1: Focus on sales/activation of payment terminals and revenue will be fluctuated.  
Phase2: Expansion of Stock-Model revenue

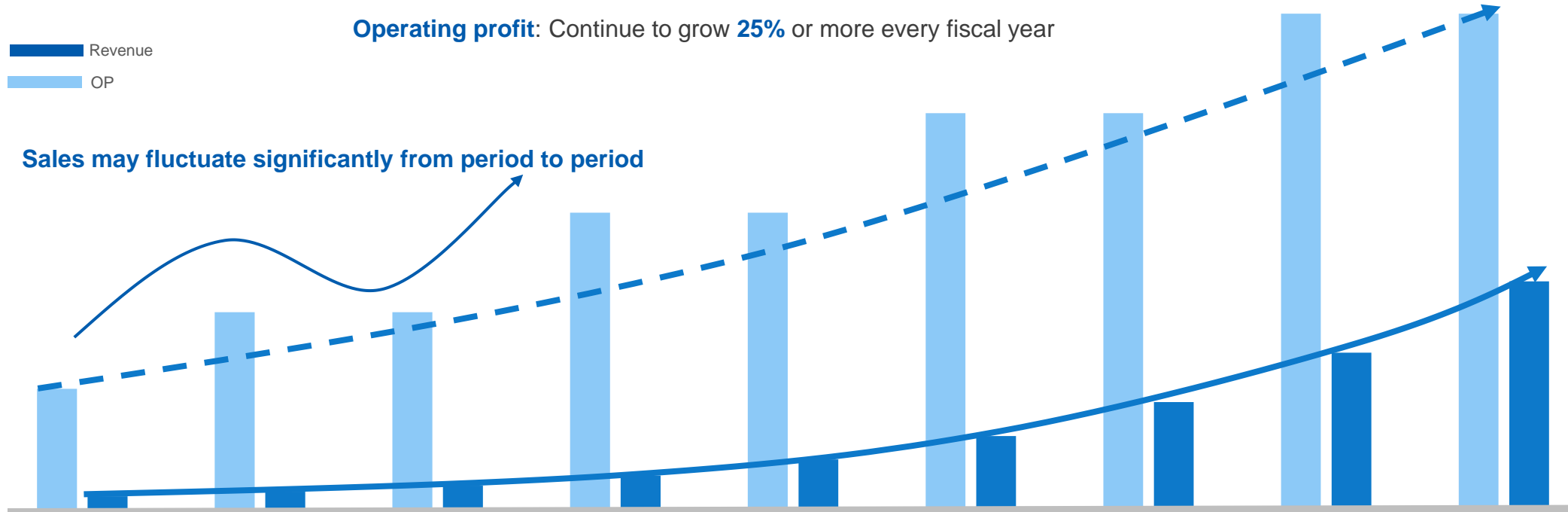


**Revenue:** Increase at a **CAGR of 25%** or more, although the extent of increase will vary from period to period

**Operating profit:** Continue to grow **25%** or more every fiscal year

■ Revenue  
■ OP

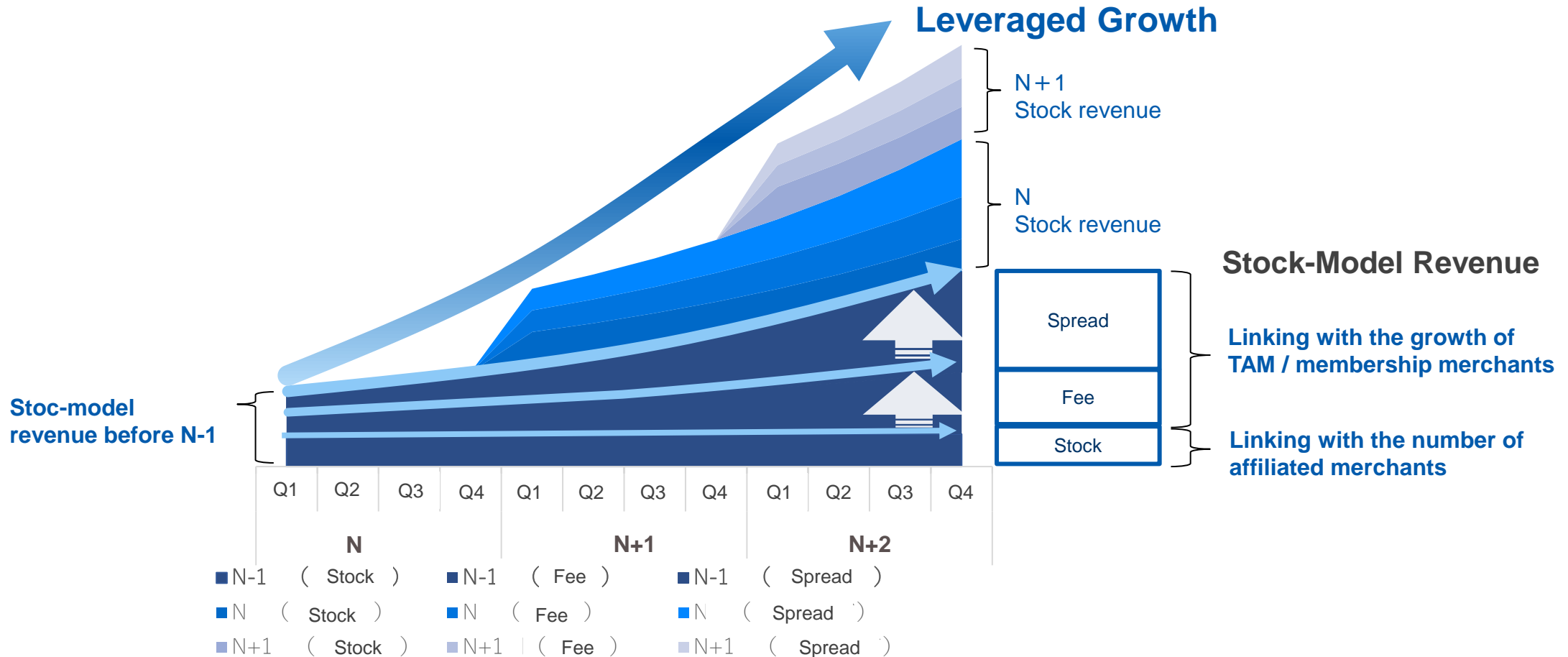
Sales may fluctuate significantly from period to period





# Leveraged Growth Model

Fee and spread revenue are expanding with the market /growth in membership merchants



# Details on each revenue ①

Initial	Content	Rev Model
<b>Payment terminal sales</b>	This is a sales revenue of payment terminals from merchants or credit card companies. All of first, we purchase hardware from manufactures. And confirm certain measures of payment methods that each merchant needs to accept. Then make these methods to connect to our processing center (Occasionally, we put some customization to these terminals)	<ul style="list-style-type: none"> <li>• <b>Terminal Selling Price × Units Sold</b> <ul style="list-style-type: none"> <li>✓ There're around 10 types of terminals</li> <li>✓ Price range is from about ¥20K up to ¥100K</li> </ul> </li> </ul>
<b>Software development</b>	It is a type of development that meets customers needs such as widening acceptable payment measures and adding point-payment functionality	<ul style="list-style-type: none"> <li>• <b>No. of Deals × Ordered value</b> <ul style="list-style-type: none"> <li>✓ Since software development is tailor made type revenue, deal size and margin vary from time to time</li> </ul> </li> </ul>
Stock	Content	Rev Model
<b>Data sharing</b>	It is a service that provides merchants with their daily sales data that go through our processing center. We charge it as monthly fixed fee	<ul style="list-style-type: none"> <li>• <b>No. of contracts × Service Price</b> <ul style="list-style-type: none"> <li>✓ Service price is around ¥500 to ¥1K per terminal per month</li> </ul> </li> </ul>
<b>Points&amp;QR</b>	It is a service to add point/QR payment app to the terminals merchants have. We charge it as monthly fixed fee	
<b>Rental (Mobile terminal)</b>	It is a service to rent mobile type terminals that enable merchants to use them in wireless setting. We charge it as monthly fixed fee	
<b>Mobile SIM</b>	It is a SIM card fee to use mobile type terminals. We charge it as monthly fixed fee	
<b>Processing (Monthly fixed fee model)</b>	It is a processing fee based on monthly fixed rate <small>*Basically, it is defined as "Fee" revenue when it comes to the case we charge as Pay As You Go billing, not fixed rate</small>	
		<ul style="list-style-type: none"> <li>• <b>No. of contracts × Monthly Fixed Fee</b> <ul style="list-style-type: none"> <li>✓ Monthly fixed fee will vary depending on the size of contract etc..</li> </ul> </li> </ul>

Generally, the economics of services above vary depend on merchants. And there are services that some merchants do not apply

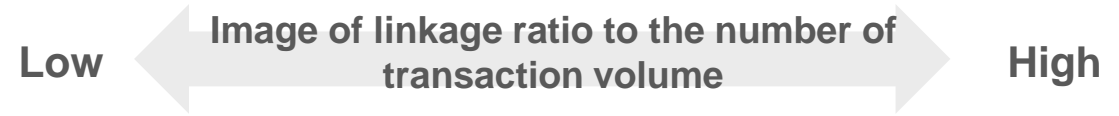
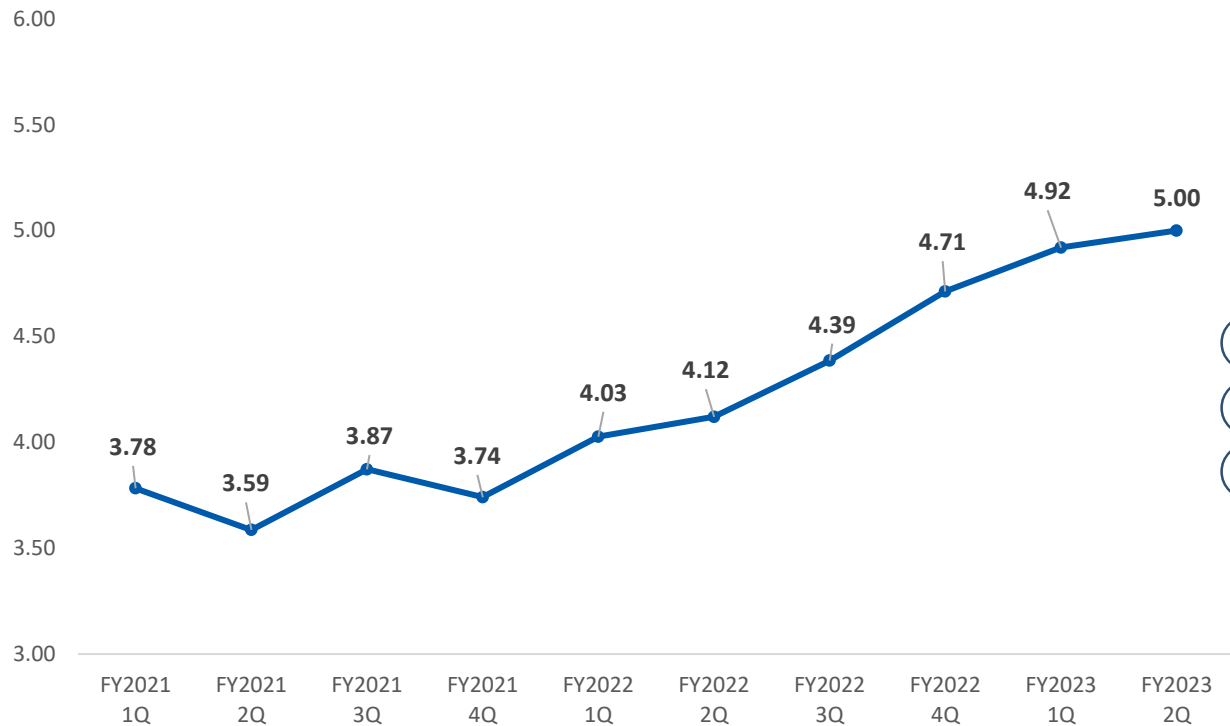
Fee	Content	Rev Model
<b>Processing</b>	It is a fee we charge toward monthly transaction volume based on the rate per transaction	<ul style="list-style-type: none"> <li>• <b>TRX Volume × Processing Fee</b></li> <li>✓ Processing fee is about ¥2 to ¥3 per transaction</li> </ul>
<b>Sales of roll paper</b>	This is a sales of roll paper that is used with payment terminals at stores	<ul style="list-style-type: none"> <li>• <b>No. of Order × Price of Roll Paper</b></li> <li>✓ The price range of roll paper is about ¥130 to ¥200.</li> </ul>
<b>Electronic storage of sales receipts</b>	Optional service to store vouchers electronically, sales to be billed based on the number of payment transactions subject to the contract	<ul style="list-style-type: none"> <li>• <b>Number of settlement processes subject to contract x unit processing fee</b></li> <li>✓ Unit processing fee is about ¥1 per transaction</li> </ul>

Spread	content	Rev Model
<b>Acquiring (Settlement agent)</b>	<p>We charge spread fee (<math>\alpha</math>) towards clearing amount to merchants</p> <p>We received indicator rate (N) from acquirers, then we acquire merchants instead of acquirers with the new rate (<math>N + \alpha =</math> merchant fee)</p>	<p><b>GMV of Agent Contract</b></p> <p>×</p> <p><b>Spread fee we charge (about 0.3~0.4%)</b></p>

# Fee ARPU (Fee revenue divided by Transaction volume)

Strengthening electronic slip storage services in anticipation of a paperless society in the future. Although there is a possibility of offsetting paper roll sales in the future, currently it is a factor that increases the unit price of fee

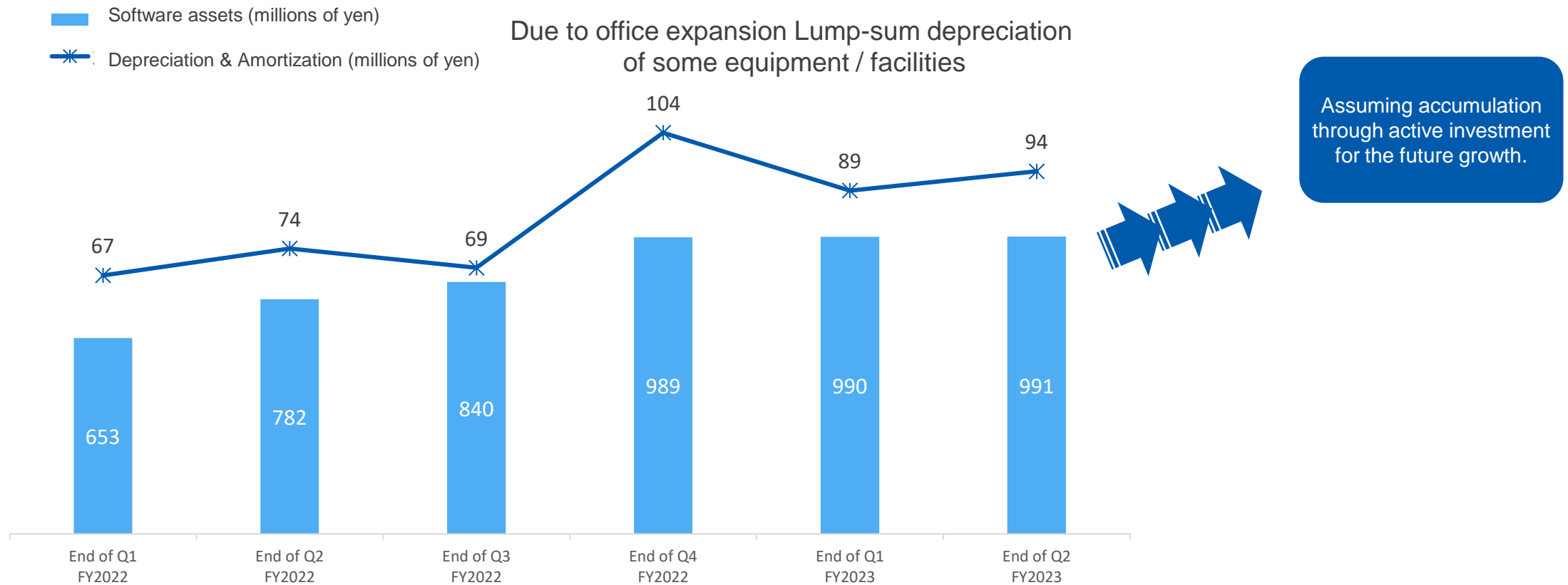
■ Fee ARPU (Fee revenue divided by Transaction volume)



\*Length is an image and does not reflect actual numbers or scale

# Software assets and depreciation

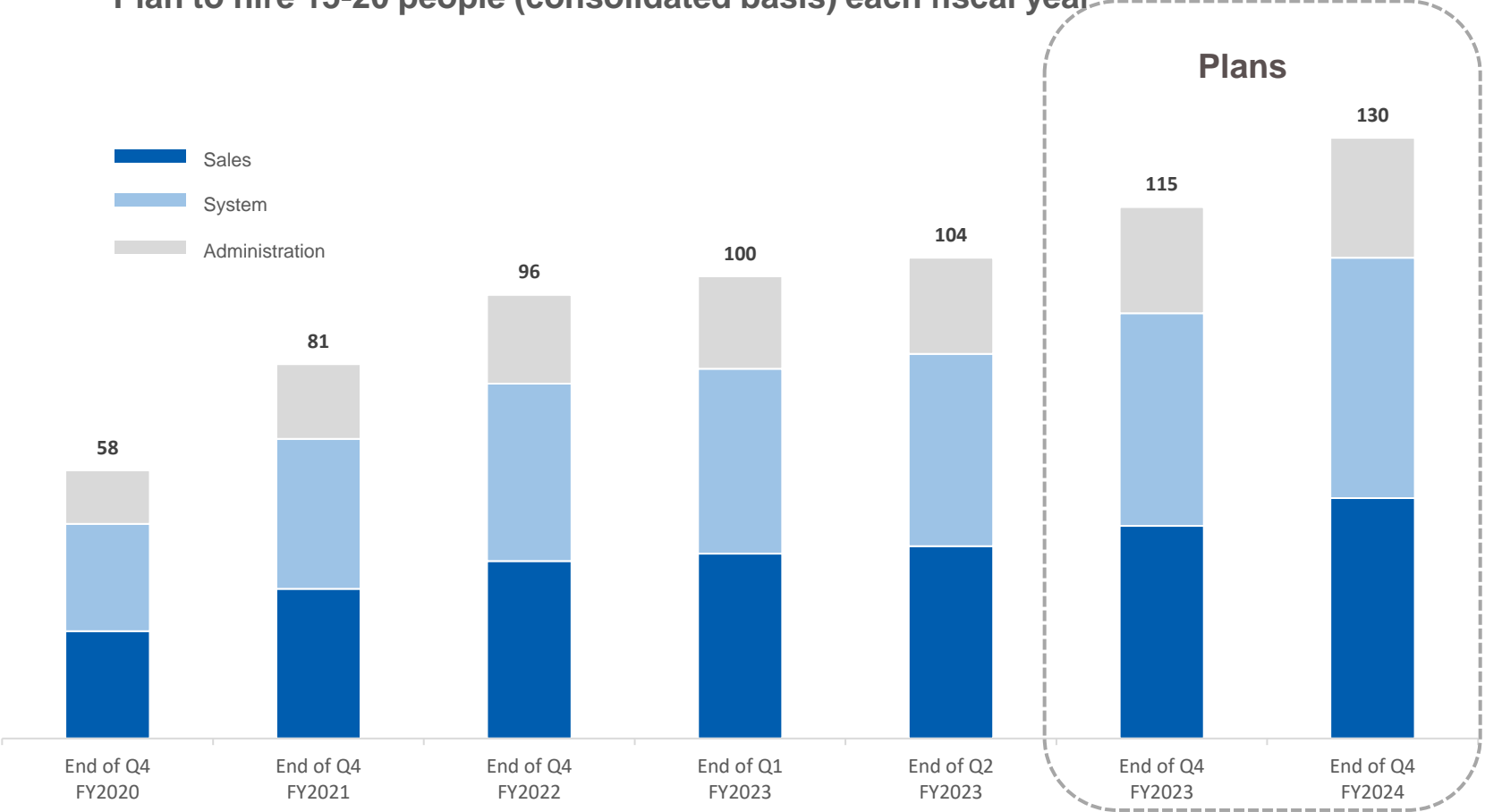
Assets, mainly software assets, increased due to the development investments for large merchants. Depreciation and amortization expenses are also on the rise, but will contribute to the expansion of stock-type revenues in the future



# Number of Employees(Consolidated basis)

Plans a net increase of 15 to 20 employees per fiscal year to achieve the management benchmarks. Assumed composition of work force is approximately 40% sales, 40% systems, and 20% administration

Plan to hire 15-20 people (consolidated basis) each fiscal year



**Sales :**  
Talents who can build alliances and promote solutions to merchants' issues.

**System :**  
Talents who can promote strategies to leverage digital technologies.

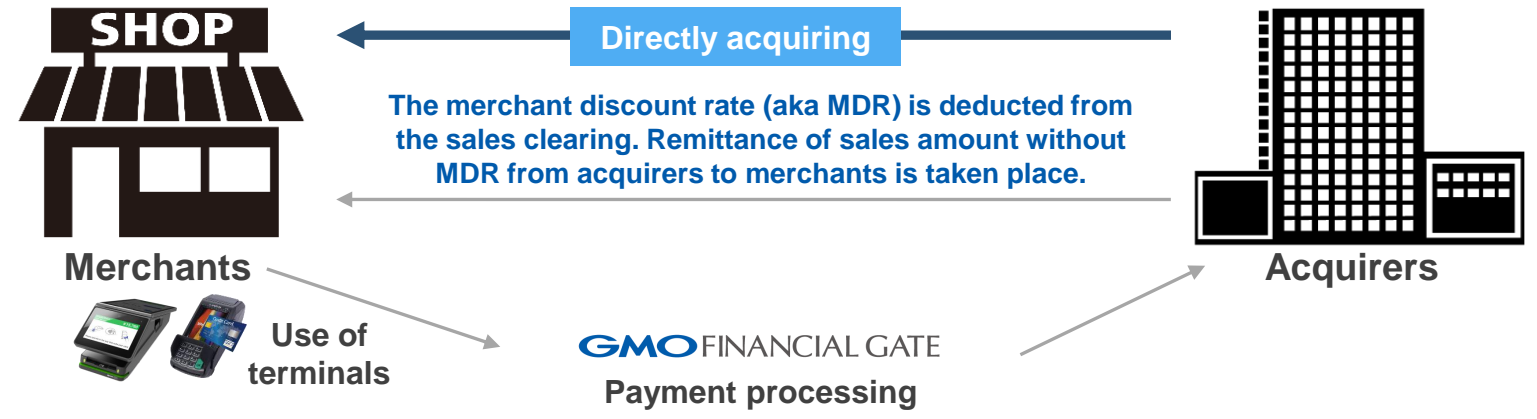
**Administration :**  
Talents who can promote the establishment of an advanced management system in line with business expansion.

# Concept of Spread revenue ratio to GMV

Our total GMV is the sum of ① and ② below. Spread revenue is generated only in the case of ② Agent contract. Since ① also contributes significantly to GMV, the linkage between total GMV and Spread revenue tends to decline

## ① Direct contract

Mainly large merchants

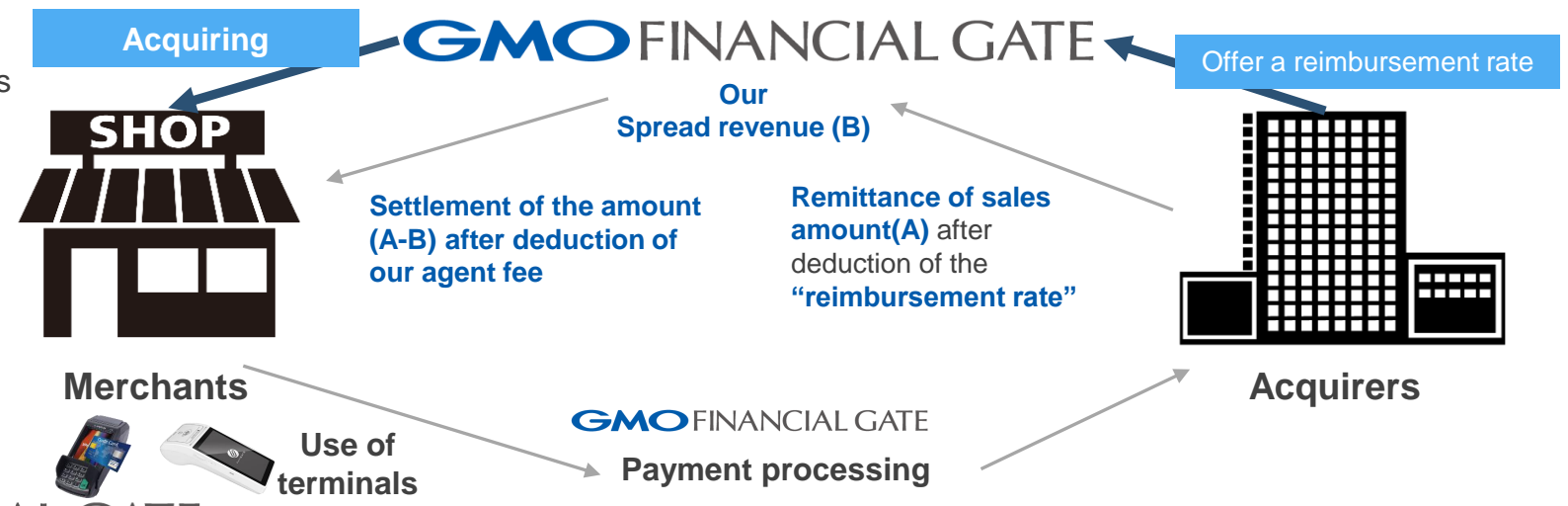


Enjoyable revenue

- Initial
- Stock
- Fee

## ② Agent contract

Mainly small medium merchants



- Initial
- Stock
- Fee
- Spread**

# Relationship between number of active terminals & stock rev

In addition to the increase in the number of active terminals, revenue opportunities for Stock revenue will increase, but the status of subscriptions to paid services will differ depending on the needs/demand of merchants

## Terminals we are offering

Floor-Standing Model



Mobile Model



Embedded Model



POS Model



## Merchants (Acquisition opportunity image of Stock revenue)

- Stock Revenue
- ✕ Non-Stock Revenue



merchant A



merchant B



merchant C

The status of subscriptions to paid services that contribute to Stock revenue varies depending on the type of merchants and terminals



merchant F



merchant E

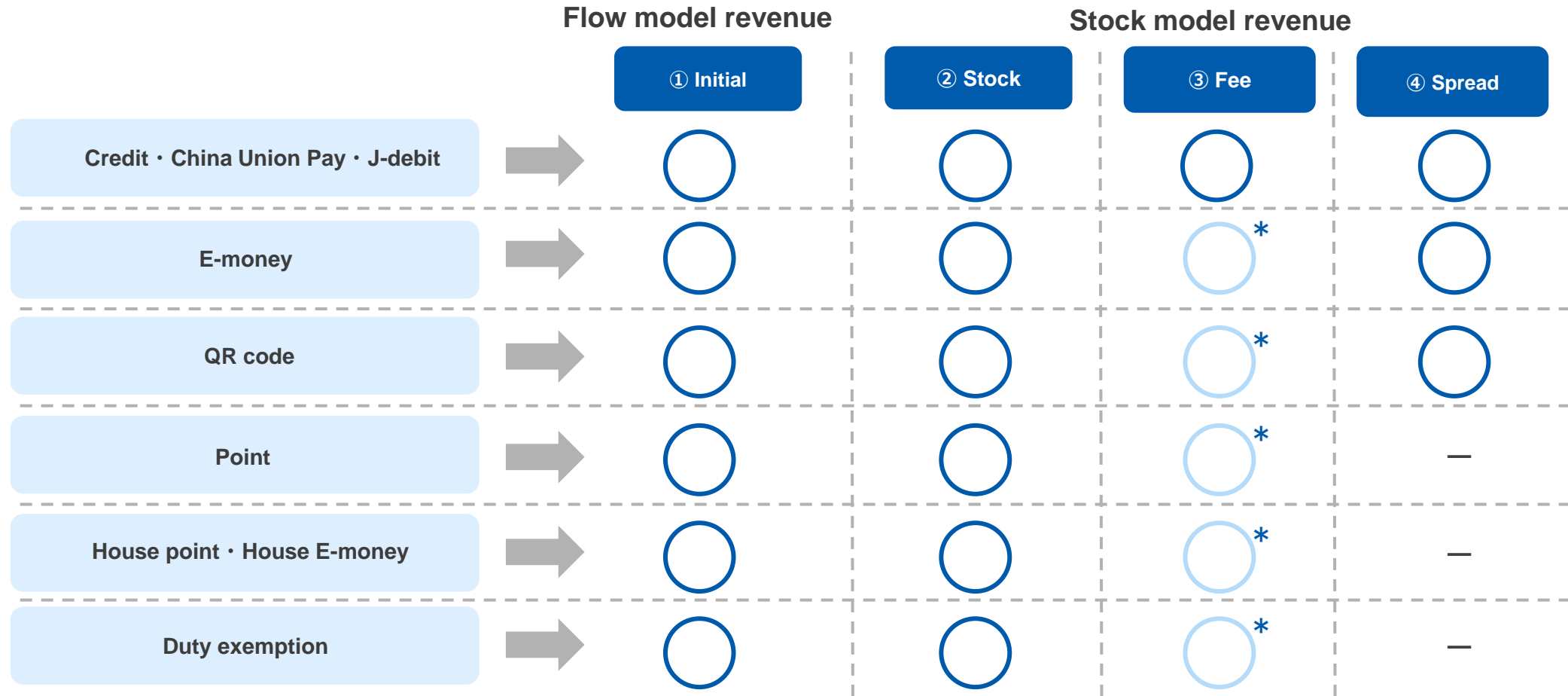


merchant D



# Monetization by Payment Method

We operate different business models according to payment method as a cashless platformer. Growth in each payment method contributes to our growth as well



\*There is no "processing fee" that constitutes Fee revenue because the transaction is not processed at our processing center, but the paper rolls consumed in conjunction with the transaction contribute to the increase of Fee revenue.

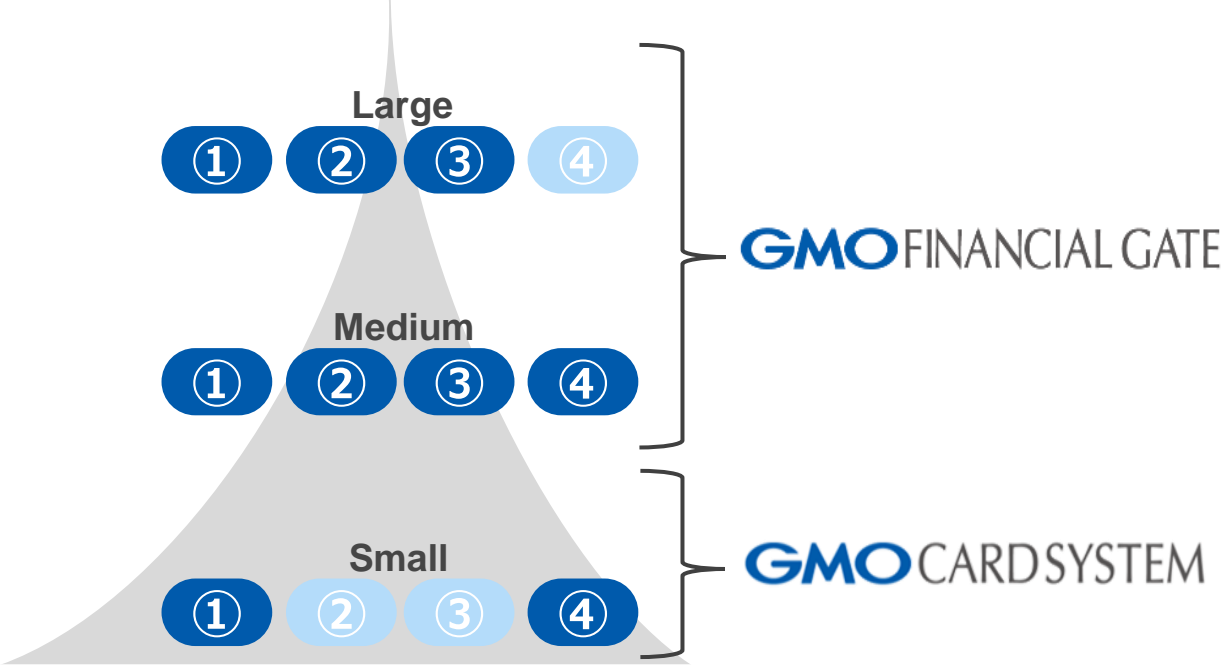
# Revenue Model by Merchant Size

We mainly acquire medium- to large-sized merchants through alliances with major financial institutions. We mainly acquire small merchants (=long tail segment) through our subsidiaries

### Four types of revenue model

① Initial	Terminal sales, Software development, Initial registration fee, etc...
② Stock	Monthly recurring revenue, communication fee of terminals, etc...
③ Fee	Processing revenue related to TRX volume, Receipt paper sales, etc...
④ Spread	Commission fee based on TRX value

### Revenue model related to the size of merchant



①-③ : Main revenue stream  
④ : Realization of the revenue varies from contract to contract

# Medium-Term Strategy Acquiring major merchants by focusing on alliances

Meeting customer needs through enhanced credit payment functions and alliances with QR / points vendors



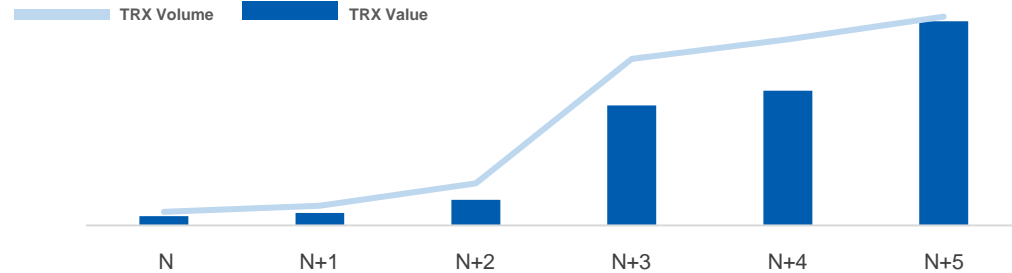
Terminals we offer



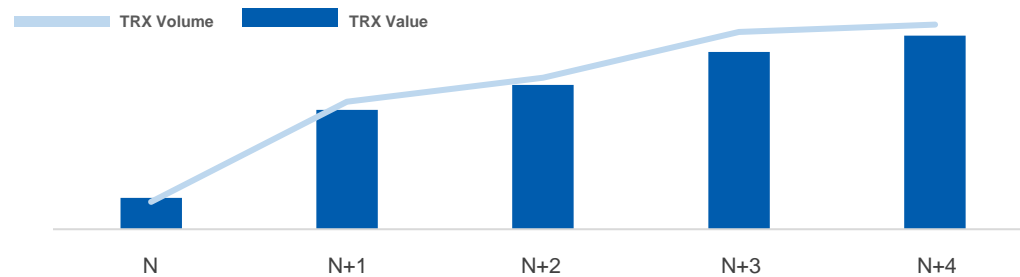
# TRX-increase through cashless penetration

TRX volume & value tend to go up in a few months to six months after the merchants introduced cashless payment for the first time

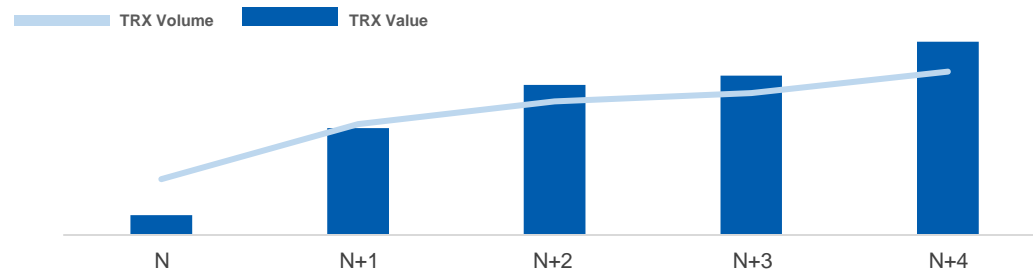
■ Merchant A (Tokyo) Monthly TRX trend



■ Merchant B (Miyagi) Monthly TRX trend



■ Merchant C (Wakayama) Monthly TRX trend



Merchant

Cash only ⇒ Introduce cashless payments

Consumer

Recognize convenience  
(Successful experience  
⇒ change in payment method)

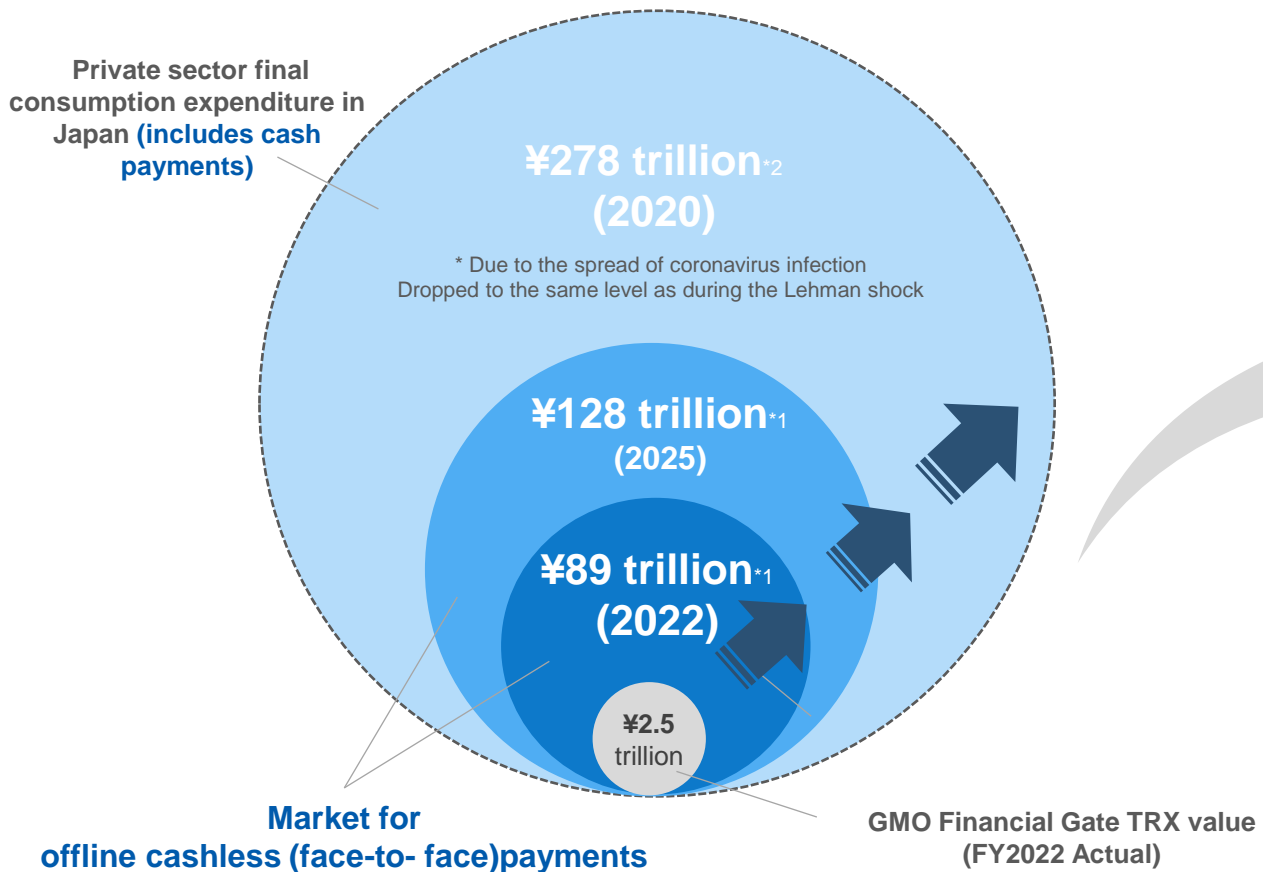
Merchant

TRX volume/value  
per terminal will increase

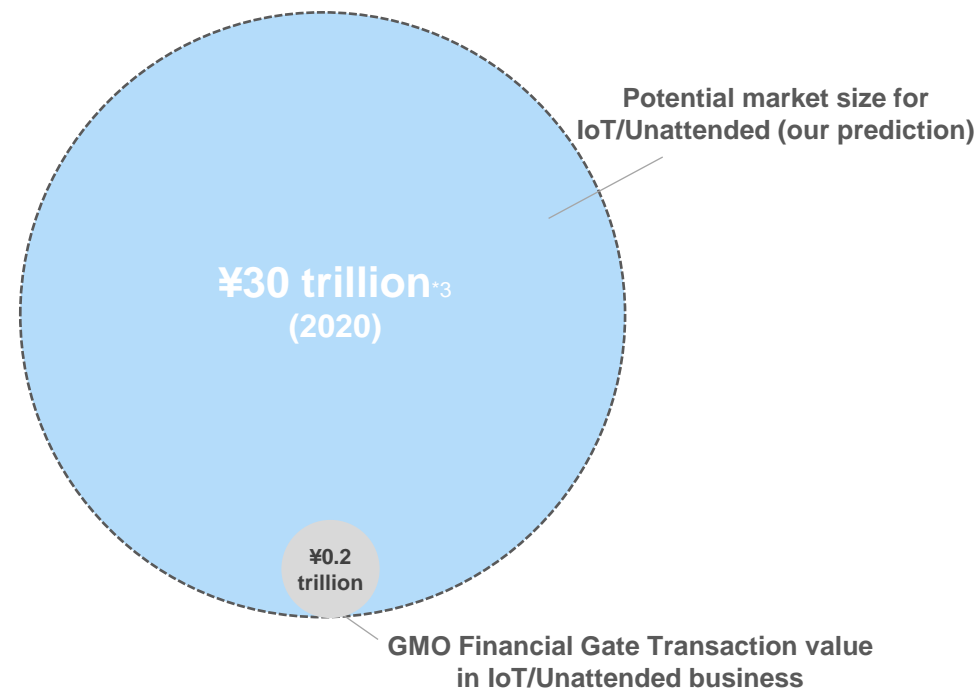
Stock-Model revenue will increase

Transaction Value of cashless (face-to-face) payment is expanding rapidly, as the value of IoT / Unattended

## Offline Transaction value in Japan



## Potential market value of IoT/Unattended



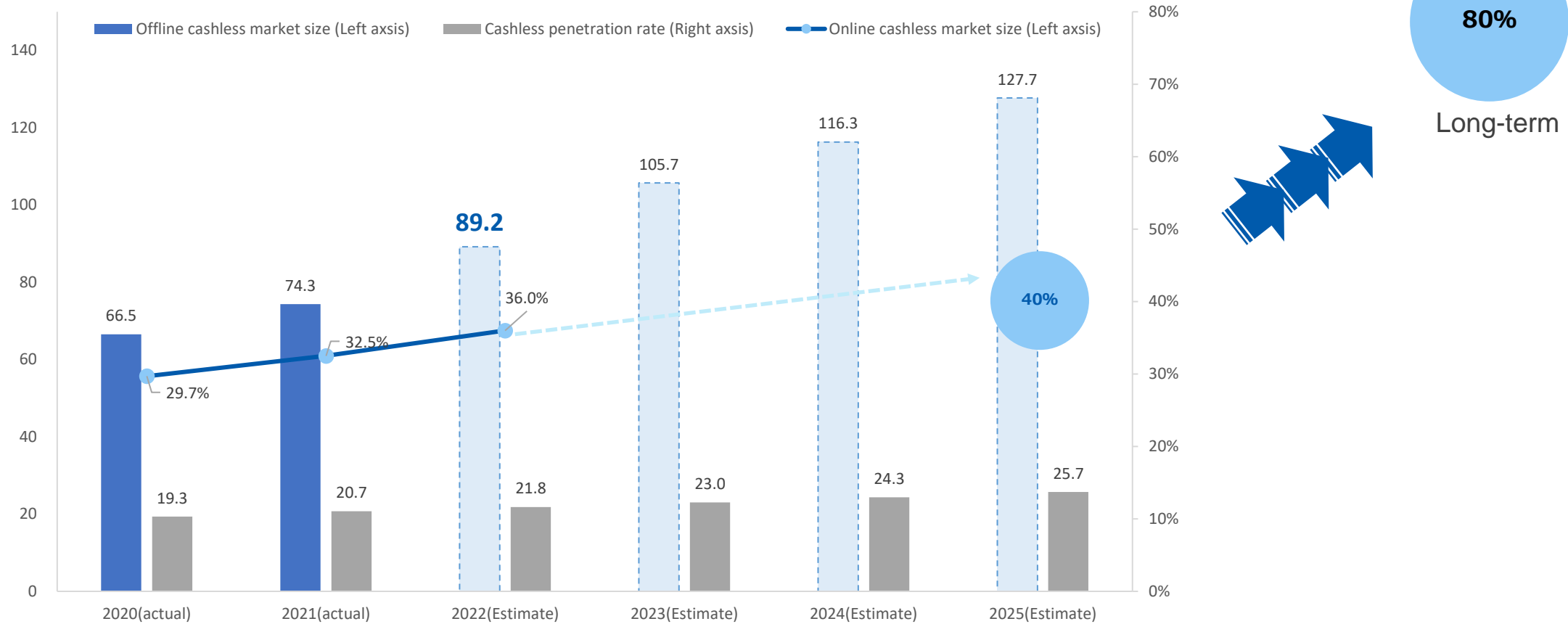
One of the measures to achieve a leap in operating income: Expand IoT/Unattended business driven by contactless payment (touch payment) and unattended registers

(\*1) Based on "Trends in the Breakdown of Cashless Payment Amounts and Ratios (2010-2022)" by the Ministry of Economy, Trade and Industry and "Actual Conditions and Future Forecasts of the Domestic Cashless Payment Market in 2022" by Yano Research Institute Ltd.  
 (\*2) Excerpted from "Composition of Final Consumption Expenditures by Household Type" in "FY2020 National Accounts" by the Cabinet Office.  
 (\*3) Based on the "Breakdown of Domestic Household Final Consumption Expenditure" by the Cabinet Office, Japan Vending Machine Manufacturers Association, and Japan Parking Business Association's "Survey on the Coin-operated (pay-by-the-hour) Automobile Parking Market," etc. The potential market size of unattended parking facilities is calculated based on the market size of buses/railways, hotels/inns, amusement, vending machines, and parking lots/EVs, which are the areas where IoT/Unattended is expected to grow in the future.

# Growth trend of domestic offline cashless market

The market for offline cashless payments is currently ¥89 trillion, six times larger than the online market. Cashless penetration is expected to rise to as much as 80%, driven by government-led cashless policies

(Unit : trillion yen)



Source: Cashless Roadmap 2022, PAYMENTS JAPAN; Yano Research Institute Ltd.

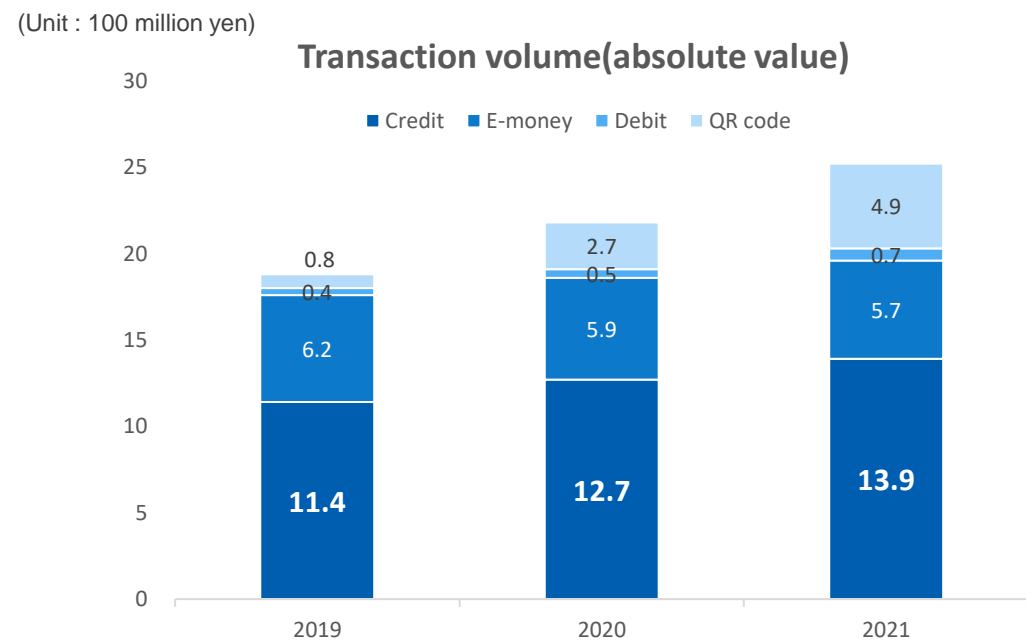
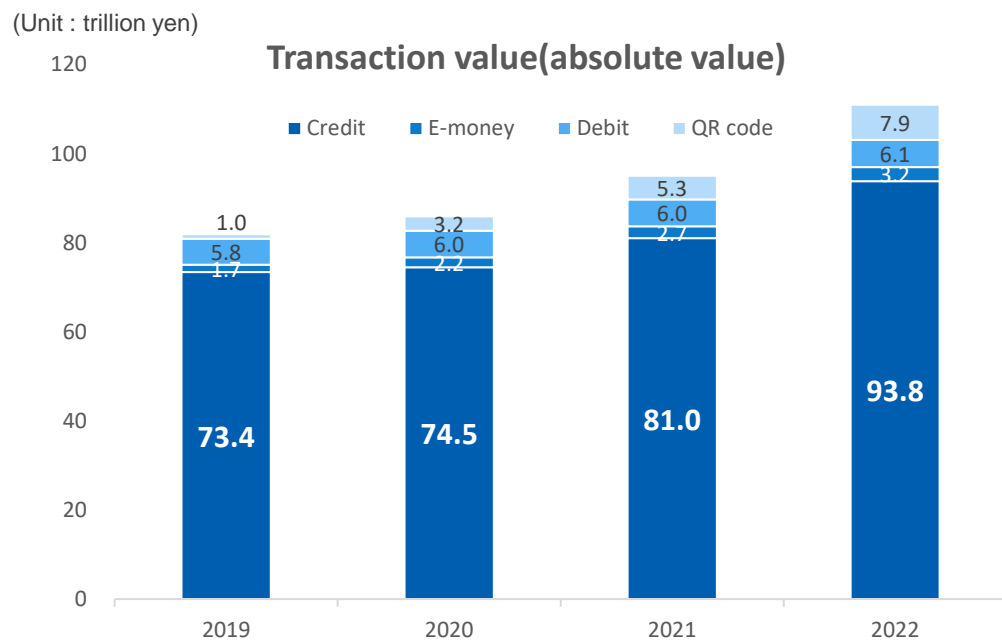
# Composition Ratio of Domestic Cashless Payment Methods

Even in an environment of significant growth in the proportion of QR codes, transaction value and volume of credit continue to grow

Transaction Value				New
Composition	2019	2020	2021	2022
Credit	89.7%	86.8%	85.3%	84.5%
Debit	2.1%	2.5%	2.8%	2.9%
E-money	7.0%	7.0%	6.3%	5.5%
QR code	1.2%	3.7%	5.6%	7.1%

Transaction Volume				
Composition	2019	2020	2021	2022
Credit	60.7%	58.2%	55.3%	
Debit	1.8%	2.3%	2.5%	
E-money	33.1%	27.1%	22.8%	
QR code	4.3%	12.4%	19.4%	

Data not updated yet





Source: Cashless Roadmap 2022, Cabinet Office of Japan


The number of terminals is expected to be equal to or greater than the market for payment terminals in real stores. Unattended market (= general term for vending/service machine market) is expected to expand further due to changes in the external environment such as a decrease in the working population


Unattended Market


## 4.5 million


  
Goods/  
commodities


  
Tickets


  
Beverages/  
sweet treats


  
Self-checkout  
machine  
(Golf/Hotel)

  
Coffee

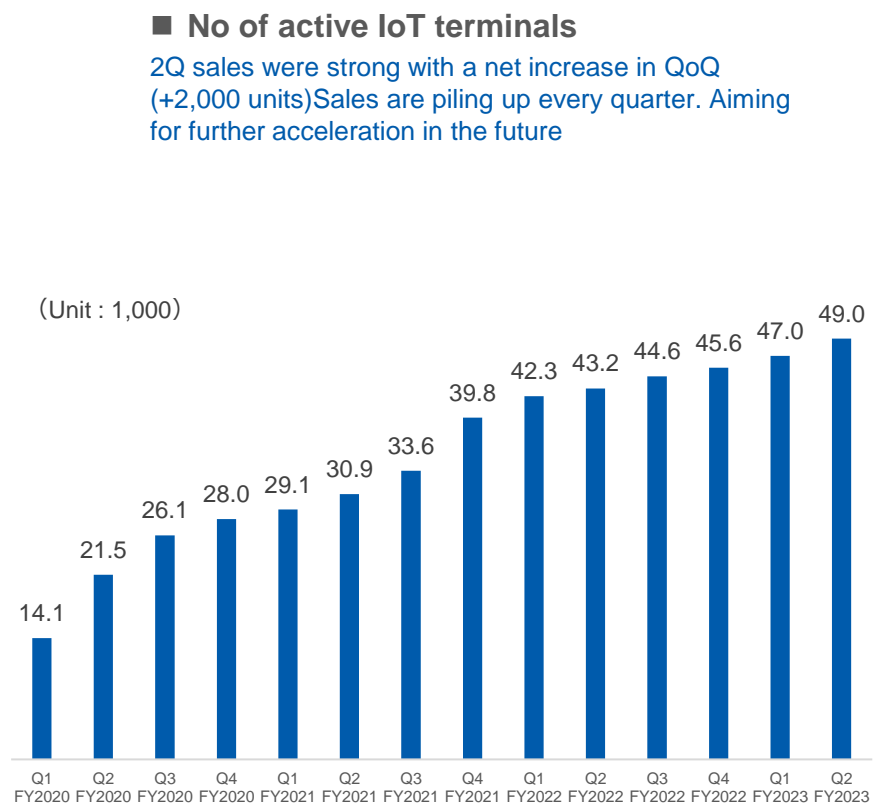
  
Metered parking/  
EV chargers

  
Self-checkout  
register

  
Coin-operated  
washing  
machines



- Push factors associated with changes in the external environment
- Declining workforce
- Labor-saving support
- Obtaining inbound demand
- Retailers moving into offices
- Revision of the Pro-Sales Act
- **COVID-19**



Offline Market

## 4 million



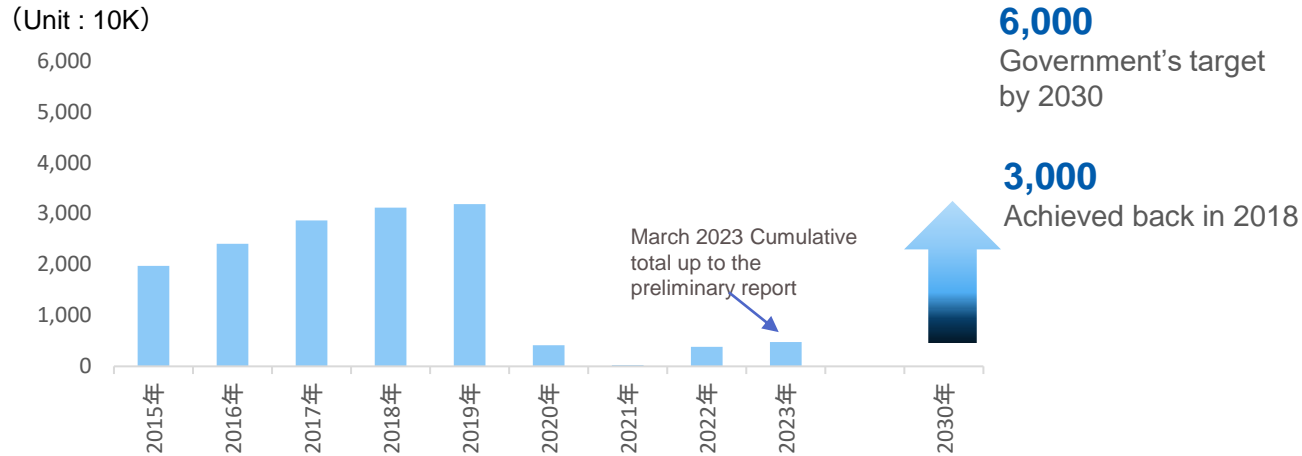
Source: The Japan Vending System Manufacturers Association, Japan Ministry of Health Labor and Welfare, Yano Research Institute Ltd.



# Trends in the number of foreign visitors to Japan

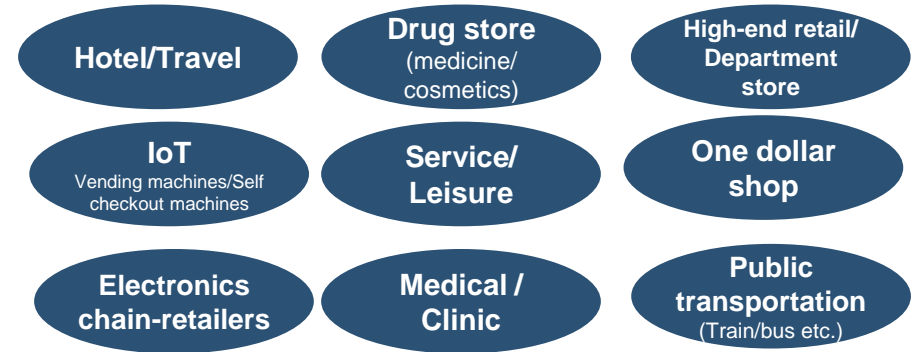
The number of foreign visitors to Japan decreased sharply due to the COVID, but we are also focusing on preparations for a recovery in demand

## Number of visiting foreigners (annually)

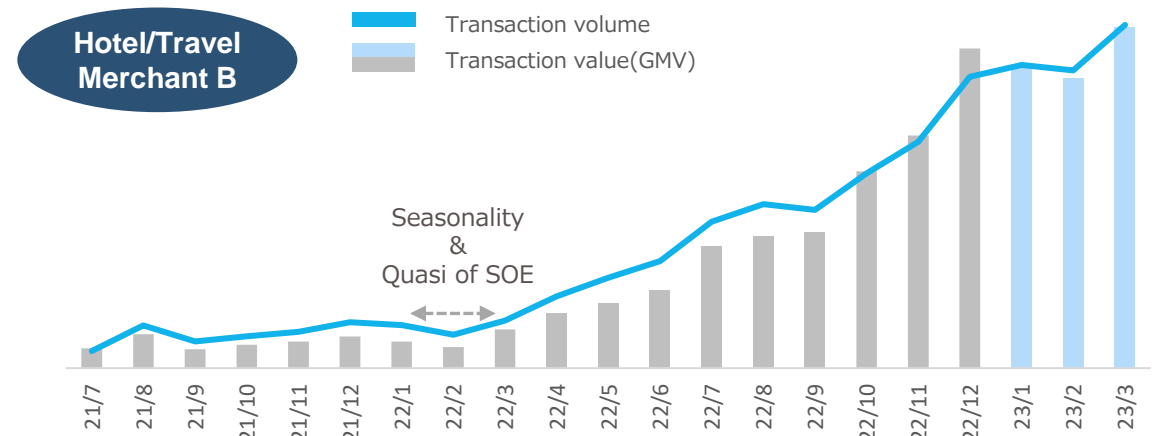
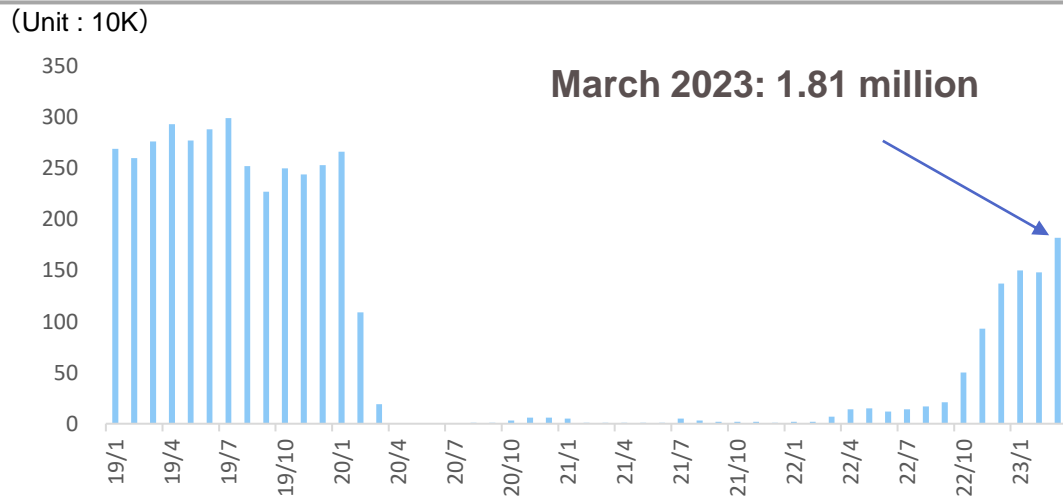


## Our inbound-related industry merchants

Aggressively cultivate merchants in related industries in preparation for recovery of inbound demand

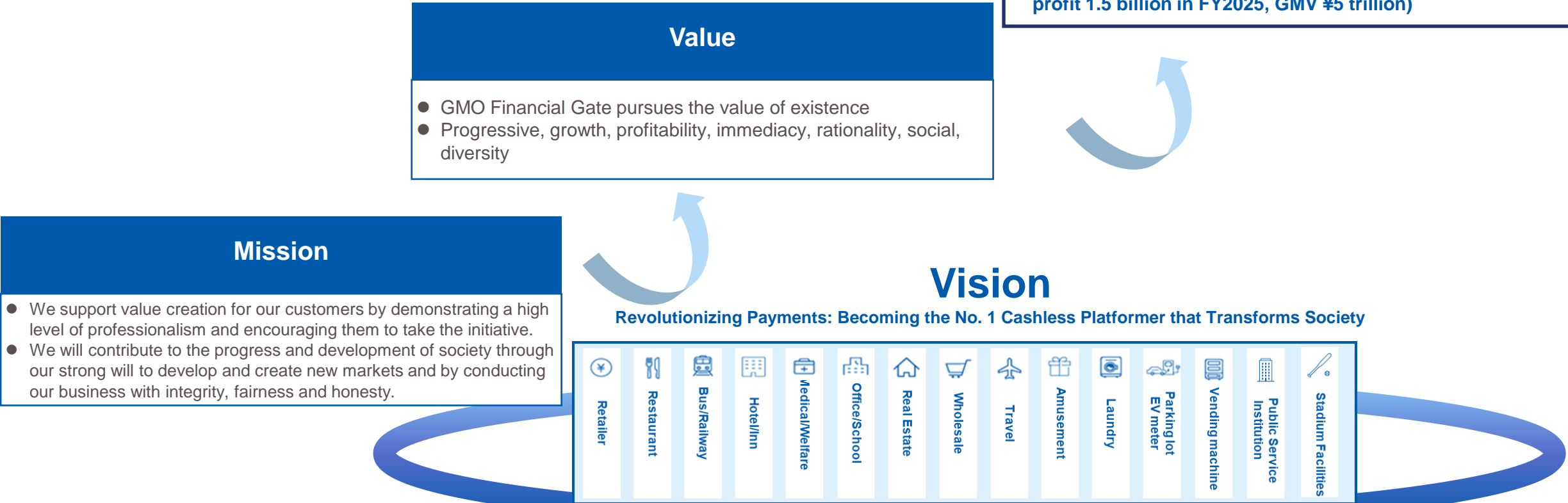


## Number of visiting foreigners (Monthly)



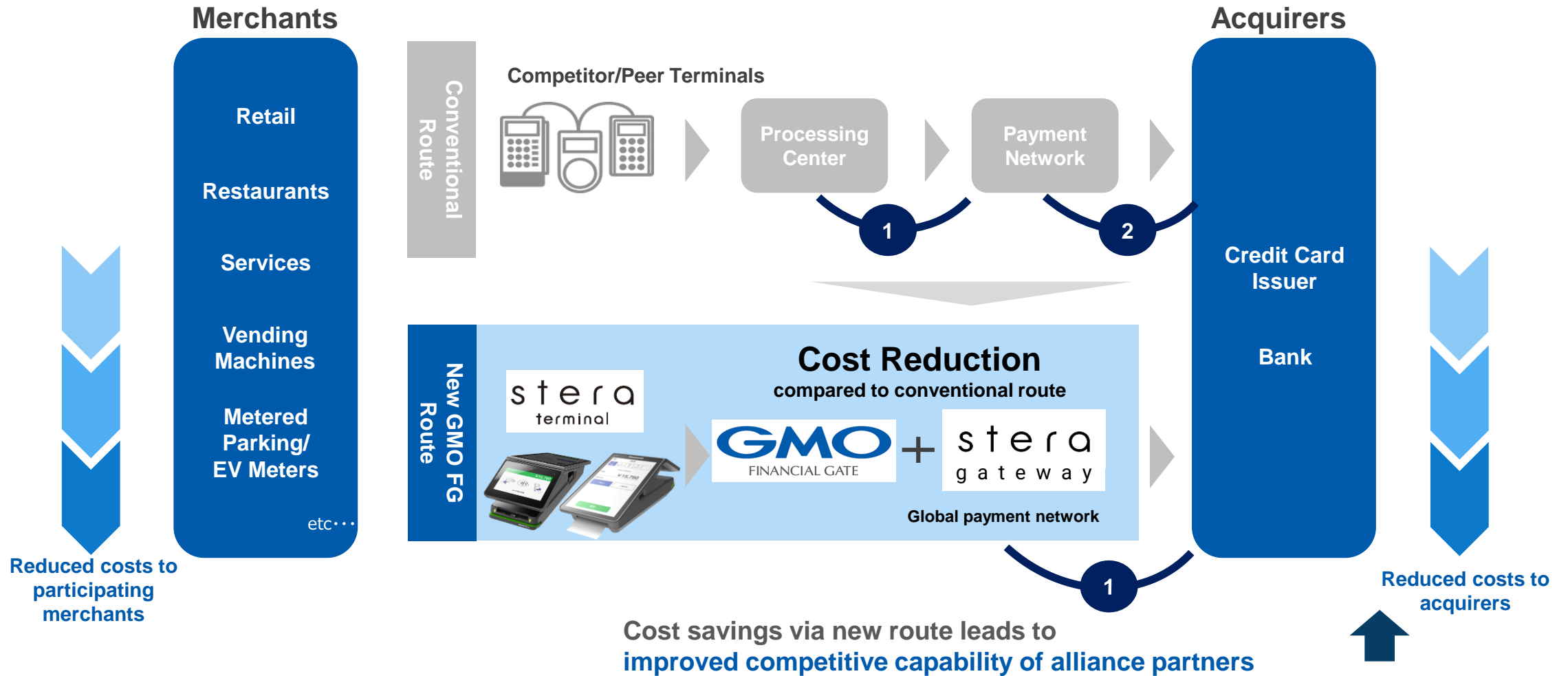
# Our philosophy on growth strategies

Our growth strategy is based on the perspective of "a payment platform that provides value to society as an infrastructure company supporting a cashless society". We develop growth strategies focusing on "value creation"



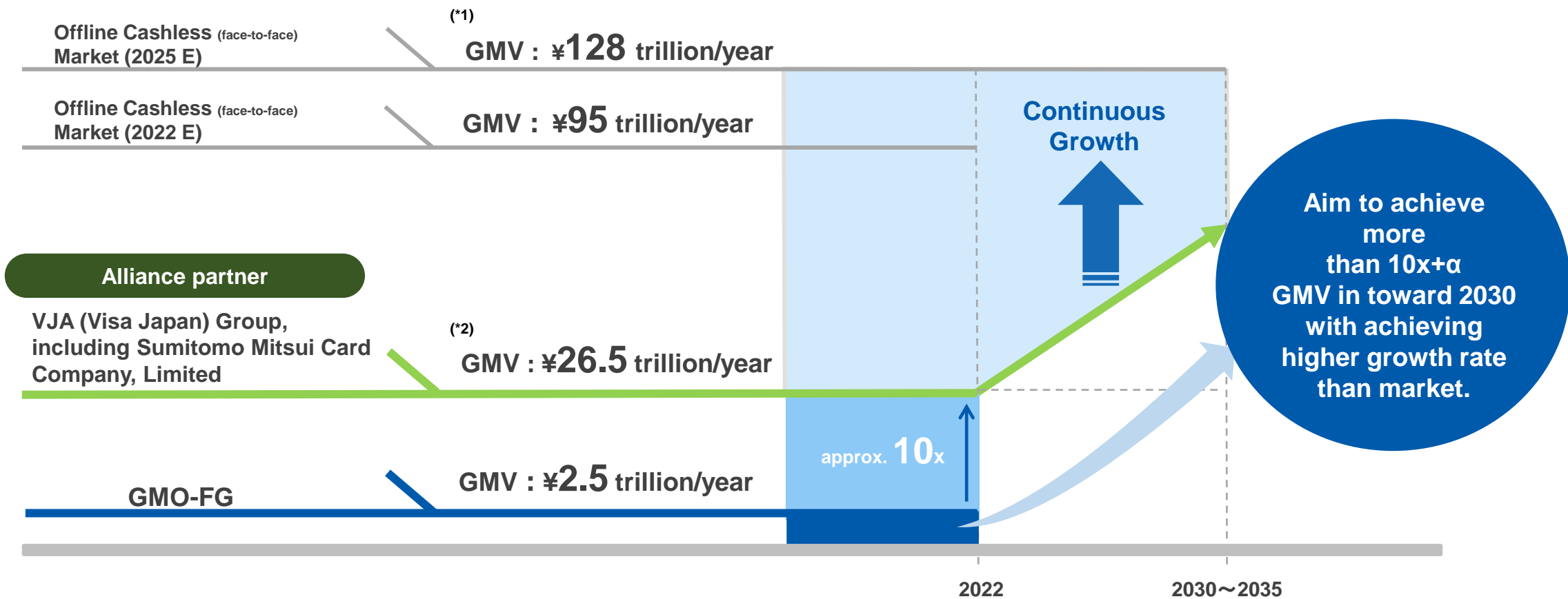
# Strategy to Maximize Transaction Value

We created a new payment processing route with alliance partners. This route increases GMV, as the route reduces costs to participating merchants and acquirers



# Strategy to Maximize Transaction Value

Maximize GMV through a new processing network and by pursuing B-to-B alliances



(\*1) Source: Cashless Roadmap 2019, PAYMENTS JAPAN; Current Status and Future Forecasts for Online Payment Service Providers, 2018, Yano Research Institute Ltd.

(\*2) Source: VJA

# Expansion of stadium installation cases

Catching the wave of resumed economic activity, mobile vending at stadiums, which used to be cash-only, is steadily increasing

## GMO SONIC 2023 (2023/1)

- Establish a completely cashless payment environment



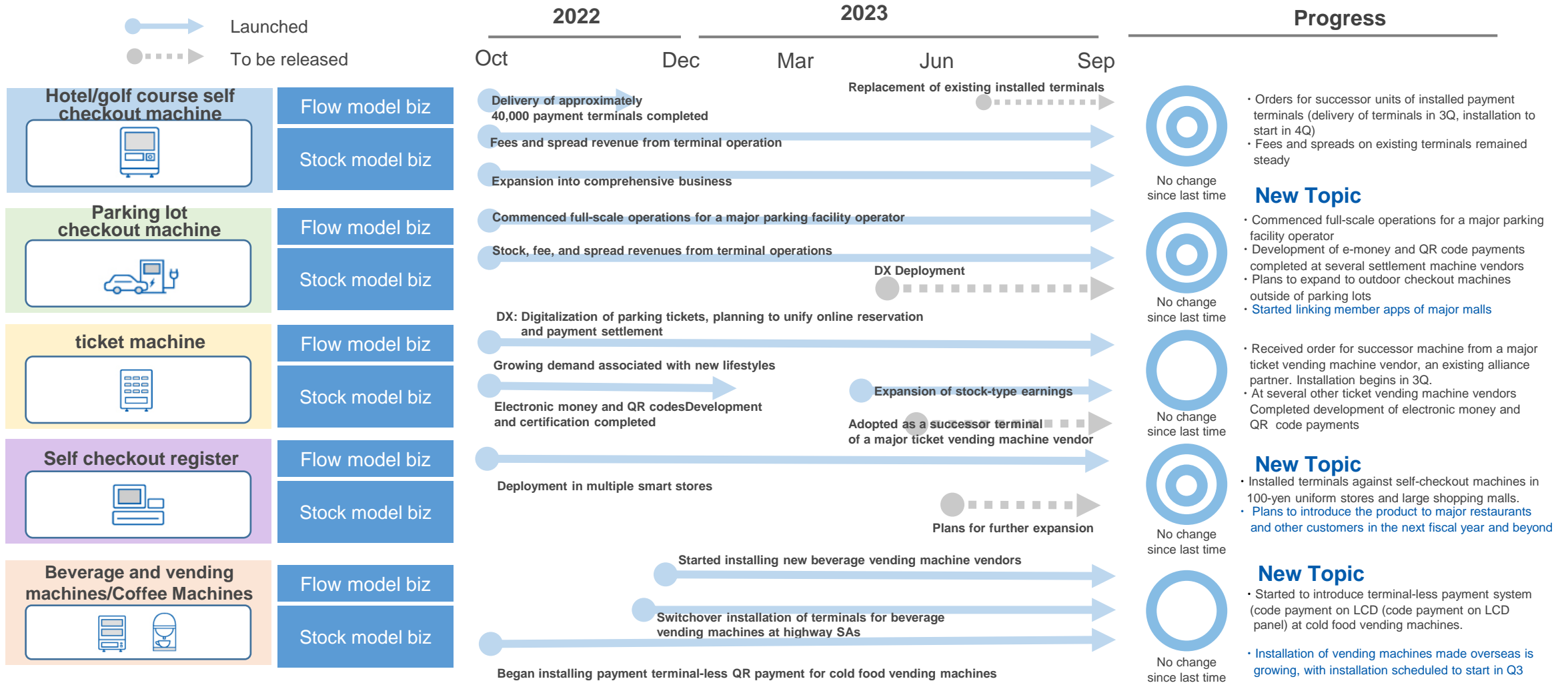
## Sports spectator facilities, etc.

- Promoting cashless facilities at professional sports spectator facilities, etc.
- **More and more facilities are going completely cashless to reduce cash management costs, etc.**
- For spectators, the convenience of cashless payment, such as "contactless" and "reduced waiting time," is high and contributes to a successful experience.




# Progress in Unmanned Terminal (IoT) Business

Strengthening alliances in the unmanned terminal (IoT) field in response to the trend toward manpower saving. Promoting various projects with an eye on future IoT-related data monetization



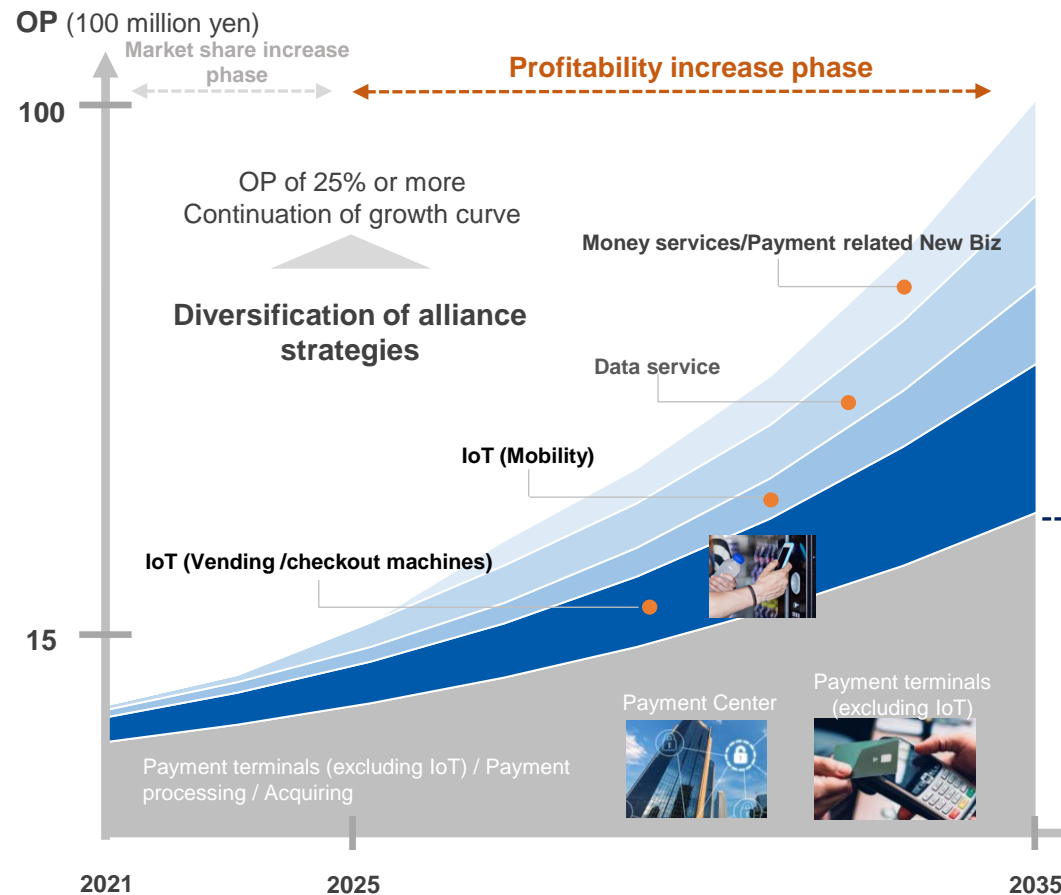
# Growth Strategies for 2025 and Beyond

For 2025 and beyond, we aim to grow stock-model revenue in the payment-related field. Aim at a continuous 25% growth in OP through business diversification

: High inbound tourism demand

## Image of service expansion

## Area of focus



### Money services / Payment related New Biz

- Fintech (Lending / Factoring / BNPL etc.)

### Data service

- DX/marketing support using payment data

### IoT (Mobility)

- Contactless payment processing for transportation systems (trains, buses, etc.)

### IoT (Vending / checkout machines)

- With & post COVID-19 / labor-saving / self-service support

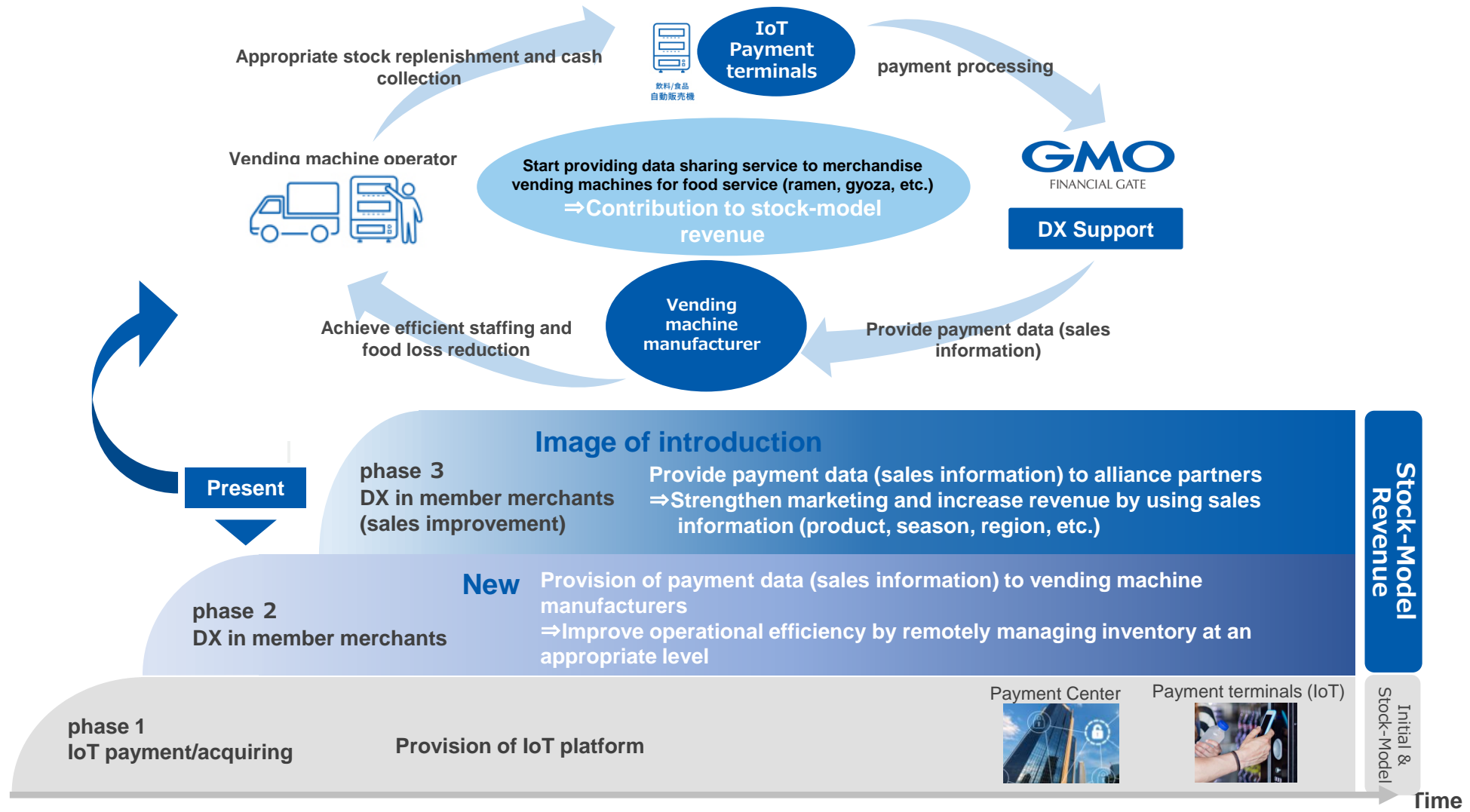
### Payment terminals (excluding IoT) / Payment processing / Acquiring

- Continue to acquire a balanced member merchant base, regardless of size or industry, as our business foundation

Stock-Model Revenue

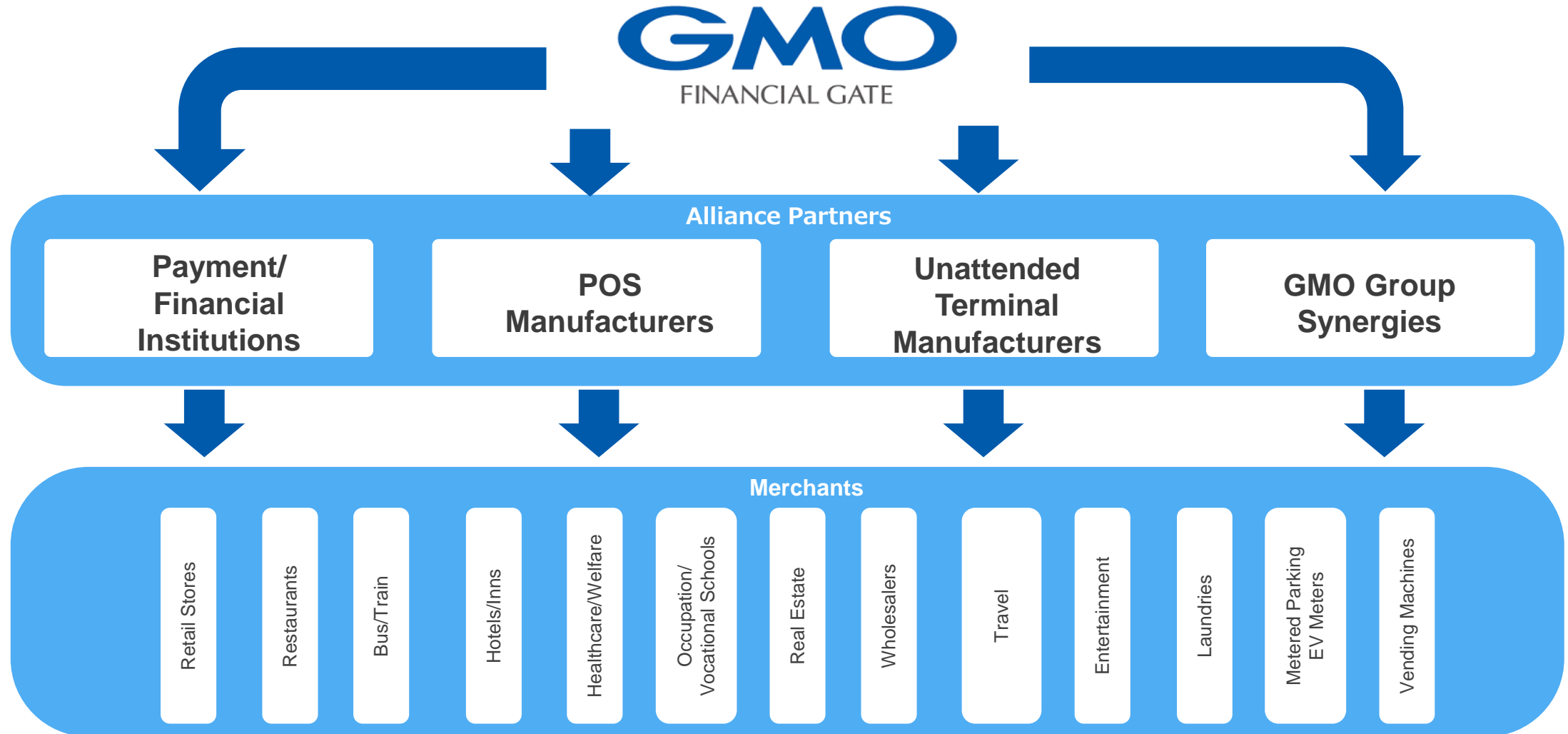
Initial & Stock-Model

Started providing payment data service for merchandise vending machines, contributing to stock-model revenue. Supporting merchants' operational efficiency improvement and sophistication (DX) using data



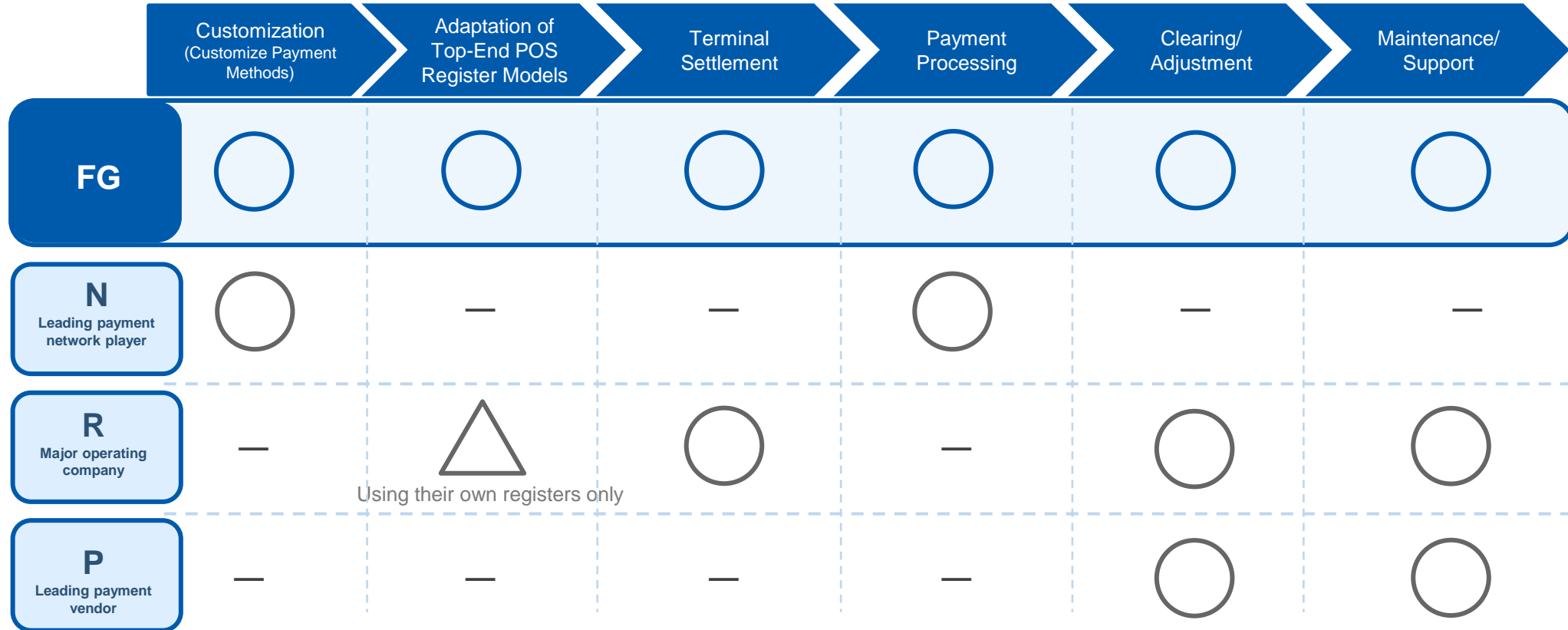


Working with alliance partners allows us to secure participating merchants consistently and steadily



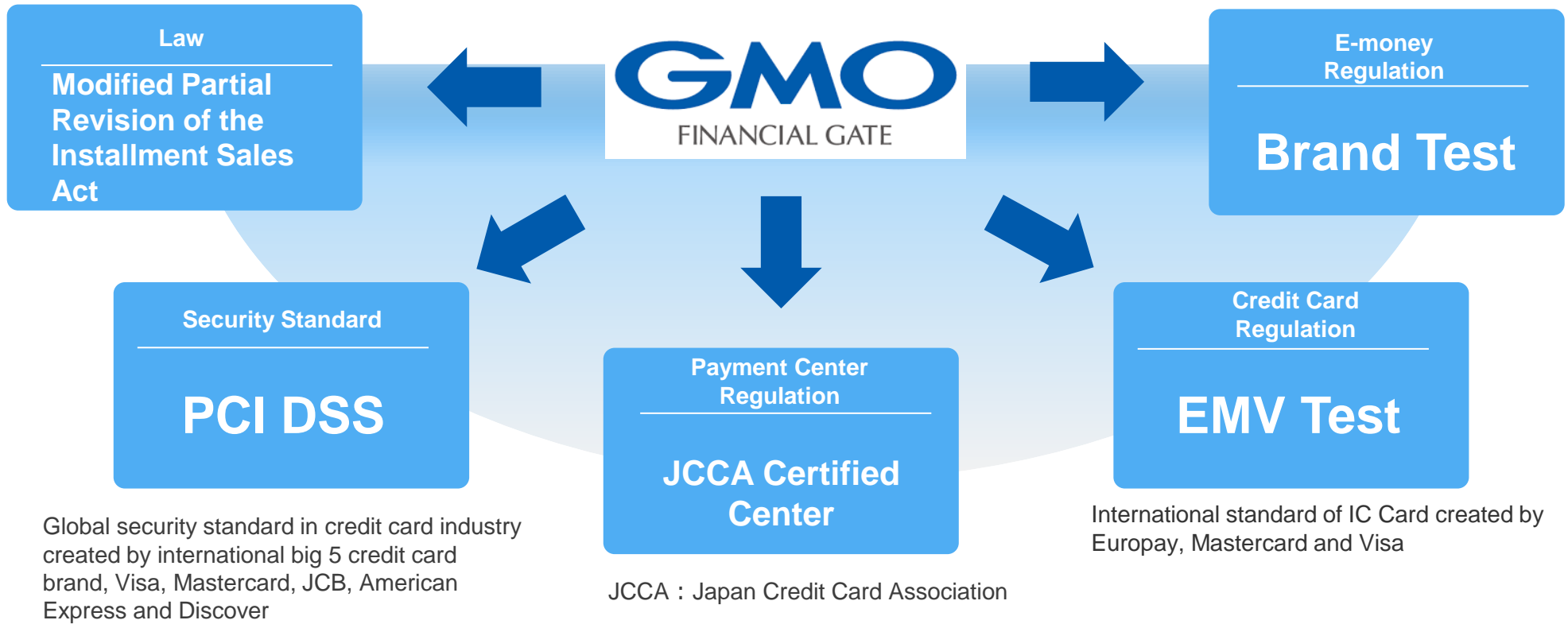
End-to-end solutions via one-stop platform allows us to create alliances with many players in the market

## ■ Solutions in Offline Payment Market

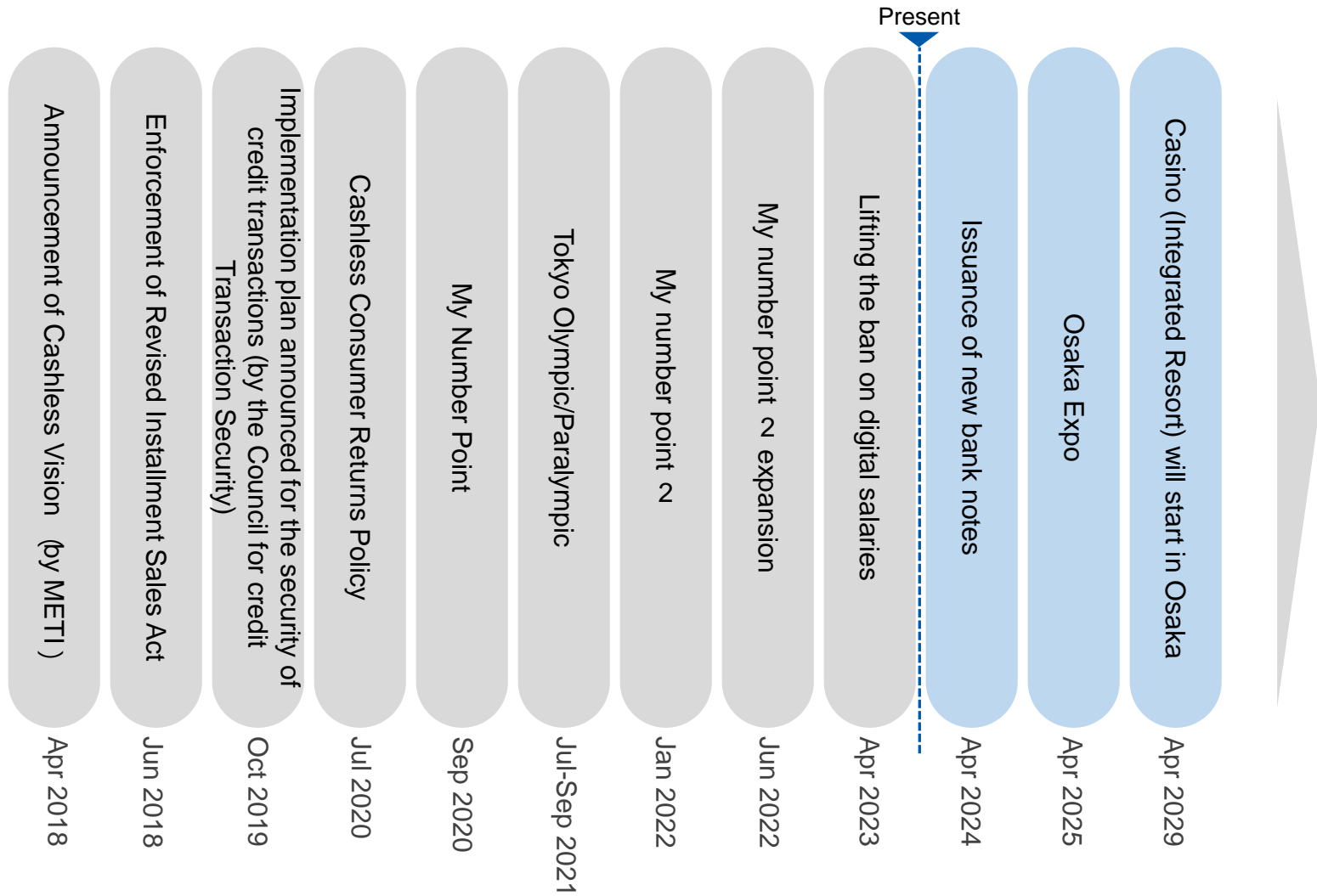


# Barriers to Entry (Regulations to be Followed)

Many kinds of regulations exist in the face-to-face payment market depending on the payment method, and the number of regulations are increasing. As payment methods become more diversified, the barriers to entry become more challenging



METI announced its Cashless Vision policy to encourage cashless payments. We expect the Japanese cashless market to expand rapidly in response



## Impact on our business

Increasing demand for cashless terminals as merchants are obligated to use credit card IC Expanding demand for cashless terminals as merchants become obligated to use credit card IC

Consumer redemption projects have resulted in Increase in the amount of payments processed

With/after COVID, the Expanding Contactless and IoT Payment Needs

Inbound Demand Leads to Expanding need for cashless payment terminalsExpansion of mobility payment needs

In line with the cost of adapting to the new banknotes Stimulus to introduce cashless payment terminals

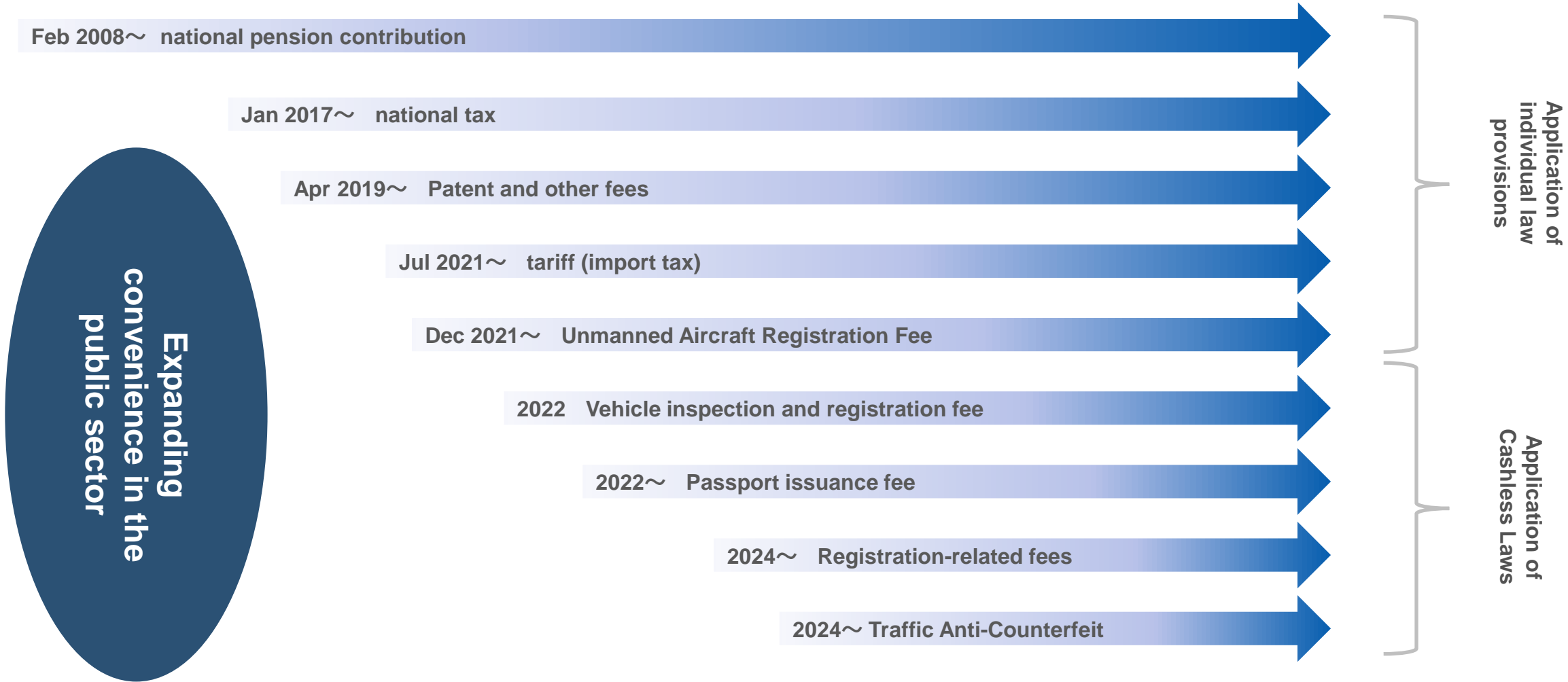
Expanding needs for small payments due to the spread of terminal-less payment taps to pay/phones

**New** Government Announces Policy of Going Completely Cashless for Osaka Expo; Demand for Cashless Terminals Growing

**New** Osaka IR to be Approved by Government, Targeting Opening in Latter Half of 2029Expanding demand for cashless terminals

# Expansion of credit card payment eligibility

The "Cashless Law" will go into effect in November 2022. Expansion of areas where payment can be made by credit card

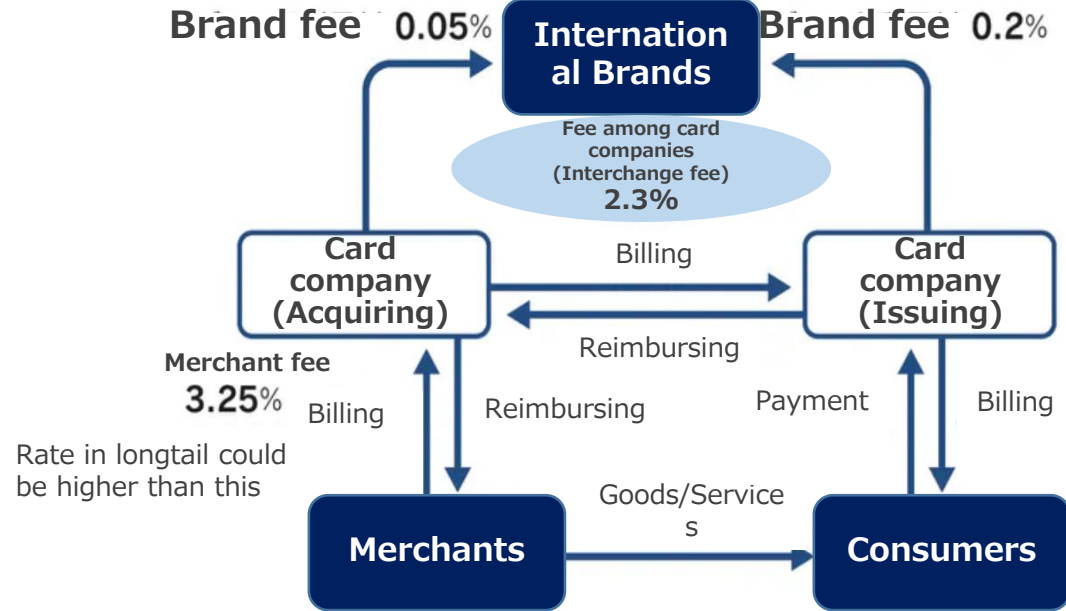


# New topic of credit card industry

In response to a request from the Japan Fair Trade Commission, Visa, Mastercard, and UnionPay announced their intention to disclose their interchange fee rates by the end of November

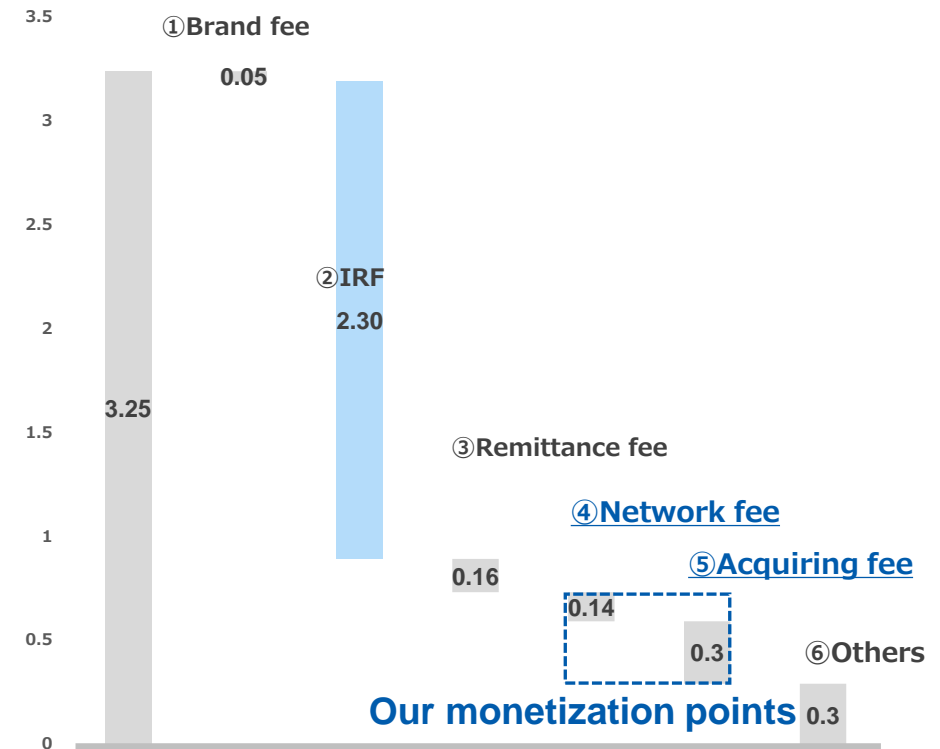
METI requires fee among credit card companies

Fee among credit card companies is actually paid by merchants



## Breakdown of MDR

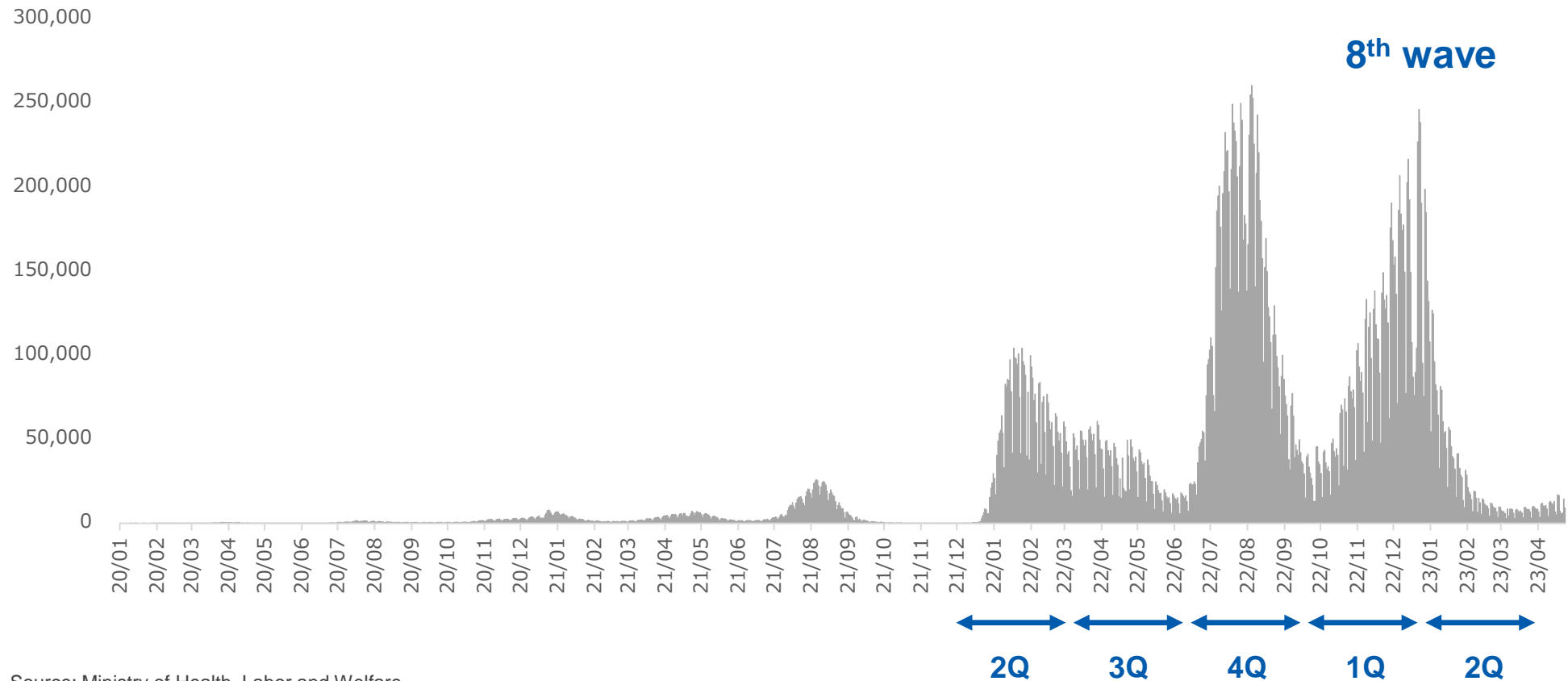
(model case : AOV ¥5K SME merchant)



High level of infected cases observed in the 8th Wave, but movement toward normalization of economic activity continues

### Number of new cases of COVID-19 infection

(Unit: persons)



From "Category N" to "Category 1" Government policy to change the designation from "Class 2"

Source: Ministry of Health, Labor and Welfare

# Initiatives for terminal-less payments

Implemented various measures to prepare for future handset-less payments. Strengthening Initiatives in the Mobility Domain and Beverage Vending Machines

## Status of Our Efforts

### Tap to Phone

Dec 2021~

Started handling touch settlement of JCB at Nagaden-bus



Dec 2020~

Launched handset-less NFC-touch payment service with Soft Space

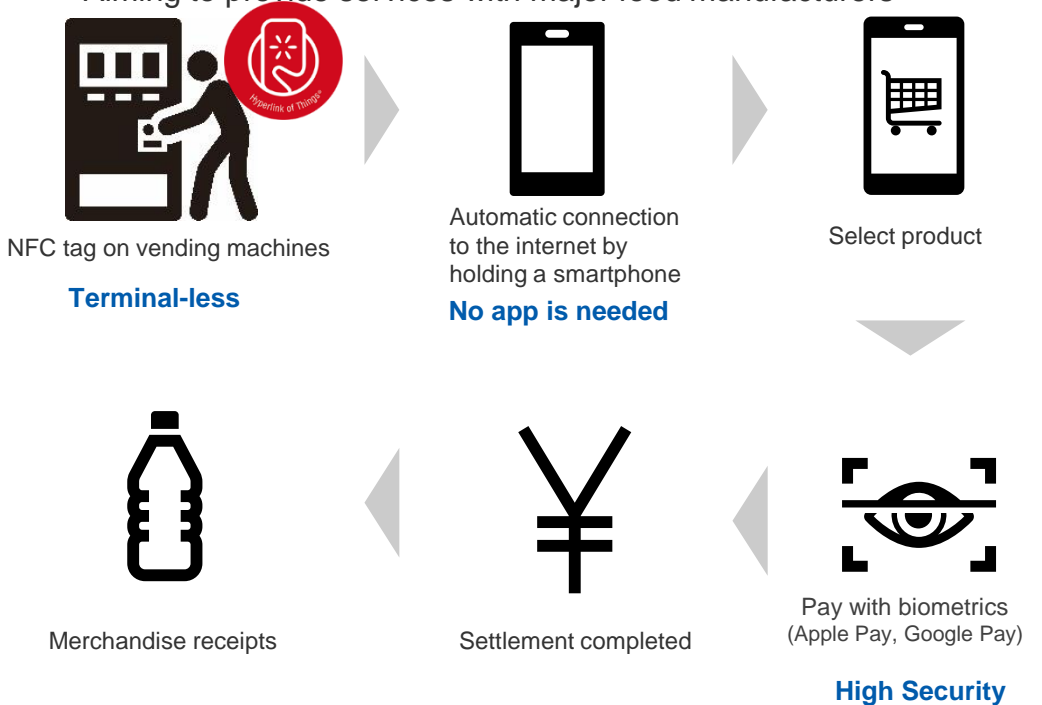
Soft Space社の「FasTap(ファスタップ)」が利用されている様子



### NFC tagging touch payment

Launched in FY2023

Aiming to provide services with major food manufacturers



Tap to Phone: Mobile payment service where merchants do not need to prepare cash registers and terminals for payments, and NFC-enabled devices can be used as payment reception terminals.

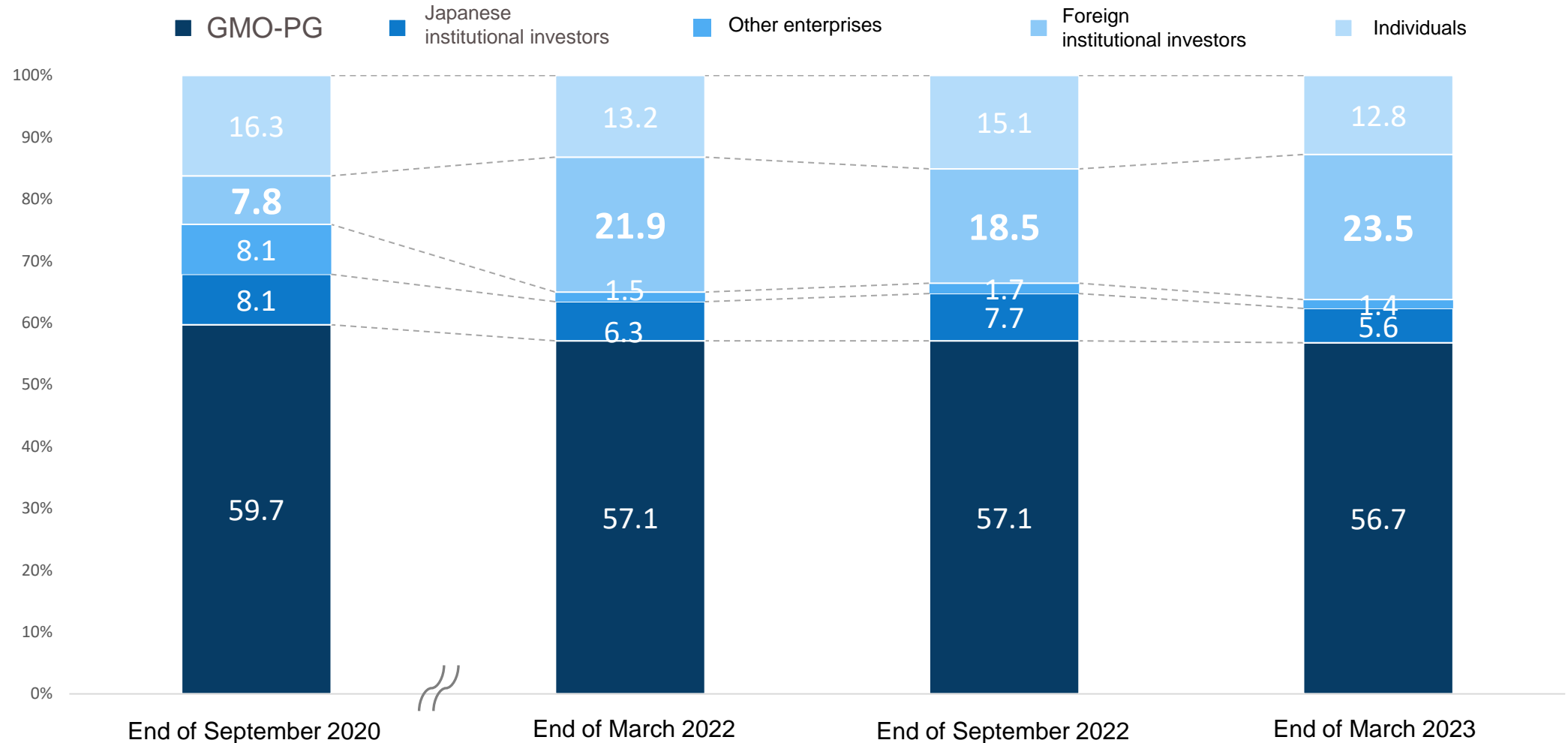
NFC: An abbreviation for Near Field Communication, a communication standard that can be communicated using contactless IC chips and simply by holding them over.

NFC tag: Tags that allow NFC-enabled devices and devices to perform various operations simply by holding up an NFC-enabled smartphone.



# Share holder structure

The ratio of foreign institutional investors increased again as a result of aggressive IR activities for domestic and foreign institutional investors through 1-on-1 meetings and conference appearances



Department in charge	Content
Whole	VDI (virtual desktop) implementation for enhanced security
Whole	Integrated operation of scheduling, internal portal, workflow, attendance system, and expense reimbursement
Whole	Paperless by promoting the introduction of electronic signatures
Legal	Automated credit management operations by introducing RPA. Reduction of workload by up to 4 days per month
Accounting	Systematization of payment operations, electronic storage of receipts and other evidence
HR	Centralized management of human resource systems through the introduction of a new system

**GMO-FG**  
**Cashless Platform**

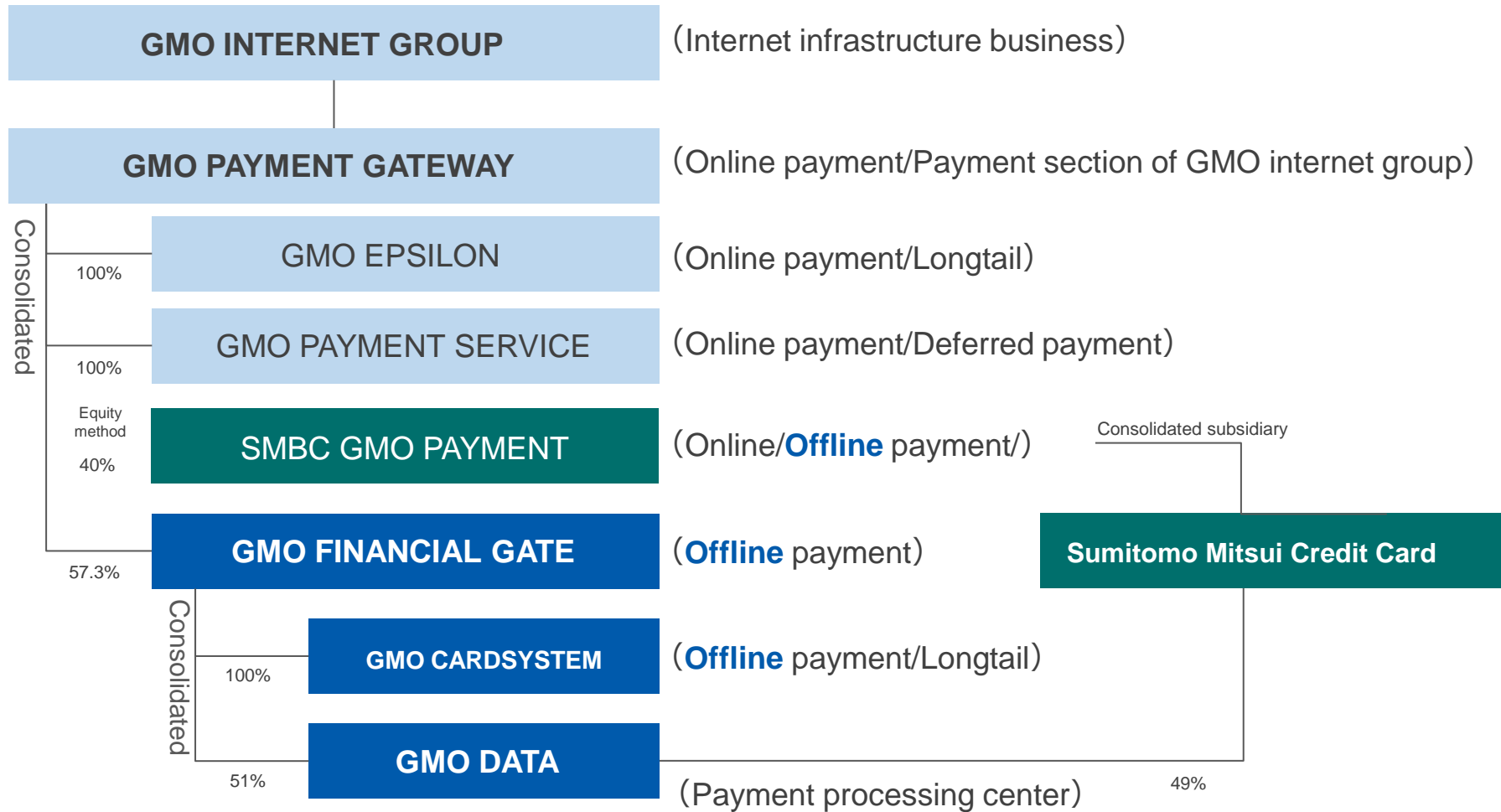


**Full compliance with PCI DSS for services providing**



**Continued to obtain Privacy Mark certification**

## GMO-FG serves in offline face to face payment market as a consolidated subsidiary of GMO-PG



- Company                    GMO Financial Gate, Inc. (TSE Growth Ticker:4051)
  
- Foundation                September 1999
- Address                    Humax Shibuya Building 7F, Shibuya Dogenzaka 1-14-6, Tokyo
- Stock Capital             ¥1,618 Million(end of December 2022)
- Major Shareholder       GMO Payment Gateway, Inc.
- Board Member            Representative Director, President       Kentarō Sugiyama  
                                   Director   Akio Aoyama (Sales Division Executive Manager)  
                                   Director   Tomonaga Fukuda (System Division Executive Manager)  
                                   Director   Tomoki Tamai (Administrative Division Executive Manager)  
                                   Director   Tatsuya Koide (GMO Payment Gateway, Inc. Chief Managing Executive Officer)  
                                   External Director                             Nao Shimamura  
                                   External Director                             Rie Asayama  
                                   External Auditor                             Takayoshi Nagasawa  
                                   External Auditor                             Satoru Ozawa  
                                   Auditor   Takashi Iinuma (CPA)
  
- Auditing Firm            Ernst & Young ShinNihon LLC
- Subsidiary                GMO CARD SYSTEM, Inc. shareholding ratio:100% 
  
- GMO DATA, Inc.                             shareholding ratio: 51.0% (Mitsui Card Company, Limited:49.0%) 
  
- Business                 Cashless payment infrastructure service (credit card, debit card, e-money etc.)



Floor-Standing Model



Mobile Model



Embedded Model



POS Model

( As of May 12, 2023 )

**Thank you**

**GMO** FINANCIAL GATE

GMO Financial Gate, Inc.  
(TSE Growth 4051)

IR web site URL <https://www.gmo-fg.com/ir/>