Financial Results Briefing for 2Q FY2024

Revenue and profits increased steadily in the 1H, while investing for future growth

May 10, 2024

GMO Financial Gate, Inc.
(Ticker: 4051, TSE-Growth)

16th IR Presentation

https://gmo-fg.com/

Copyright 2024 GMO Financial Gate, Inc.

Cautionary Note Regarding Presentation Materials

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 10, 2024

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

Copyright 2024 GMO Financial Gate, Inc.

Meeting Agenda

Main Agenda

1. **Summary of Financial Results for 2Q FY2024**
2. **KPI**
3. **Business Highlights**
4. **Growth Strategy and Progress**

Supplemental Agenda

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

Copyright 2024 GMO Financial Gate, Inc.

Summary of Financial Results for 2Q FY2024

1

Copyright 2024 GMO Financial Gate, Inc.

1.1 2Q FY2024 Summary

Progress on track for the 1st half for revenue and operating profit.
Active investment for future growth led to recurring revenue, profit growth

Quantitative

1H FY2024 P 7

- Revenue : **¥ 9.24bn(YoY+27.2%)** Progress towards **1H** forecast 100.4%、 Progress towards **full-year** forecast 48.1%
- Operating Profit : **¥ 0.92bn(YoY+45.2%)** Progress towards **1H** forecast 124.7%、 Progress towards **full-year** forecast 65.4%

Revenue by Business Model P 9

- Initial revenue : **¥ 6.05bn(YoY+18.2%)**
- Recurring-Model revenue : **¥ 3.18bn(YoY+48.9%)**

KPI P 12-14

- Transaction Volume (Number of Transactions): **0.17bn(YoY+57.9%)**
- GMV : **¥ 1.50tn(YoY+58.8%)**
- Number of Active Terminals (2Q) : **344K (YoY+111K、YoY+47.3%)**

Qualitative

Business Topics

①Built up multiple pipeline of new projects by utilizing solution assets P 25
②Accelerating terminal-less payment services through expansion of “stera” lineup (stera fasstap/tap) and conclusion of investment agreement with Softspace P 26

Organization Topics

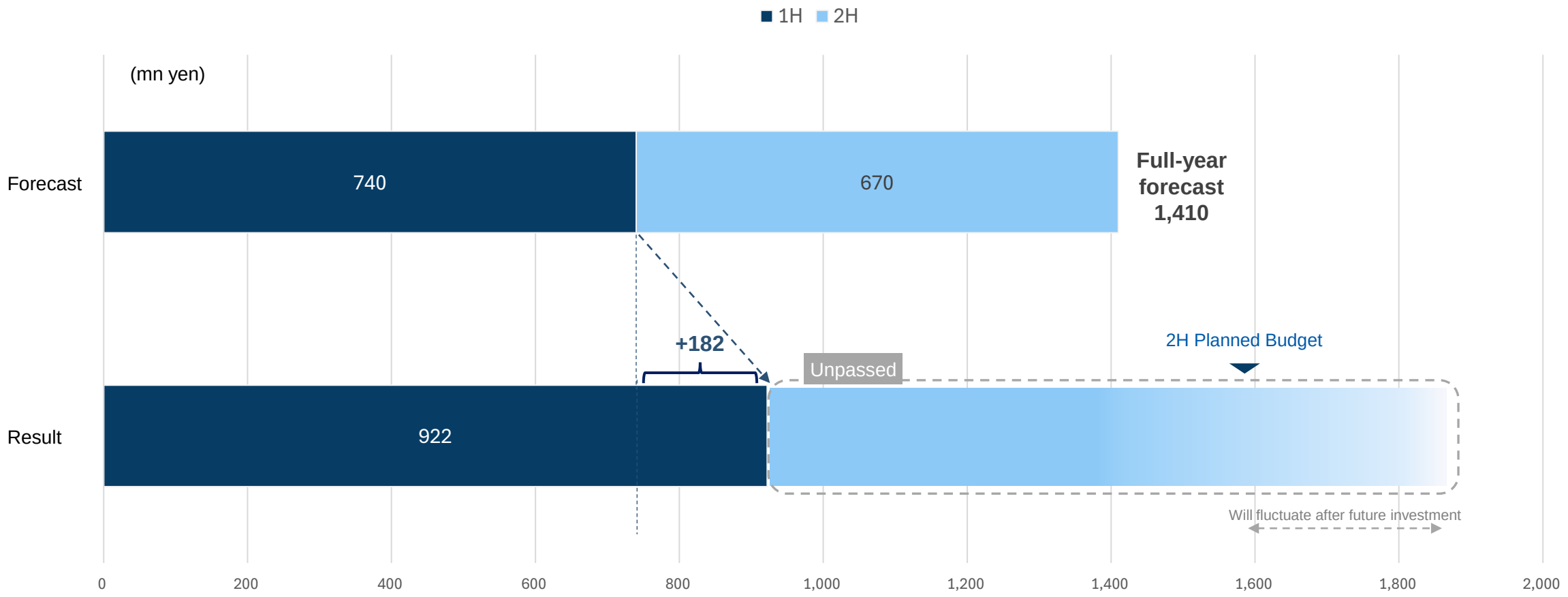
①Obtained guarantee from an external certification body for GHG (greenhouse gas) P 31
②Achieved Scope 1 and 2 carbon neutrality through GHG visualization and acquisition of non-fossil certificates, promoting ESG advancement P 31

Copyright 2024 GMO Financial Gate, Inc.

1.2 Operating Profit Forecast for FY2024

OP progress as of 1H is c.65%. Forecast for full-year remains unchanged as on schedule progress is expected for 2H

FY2024 Forecast vs. Result



Copyright 2024 GMO Financial Gate, Inc.

1.3 Summary of Financial Results

Solid progress in both revenue and profit. KPI numbers continued to grow as expected

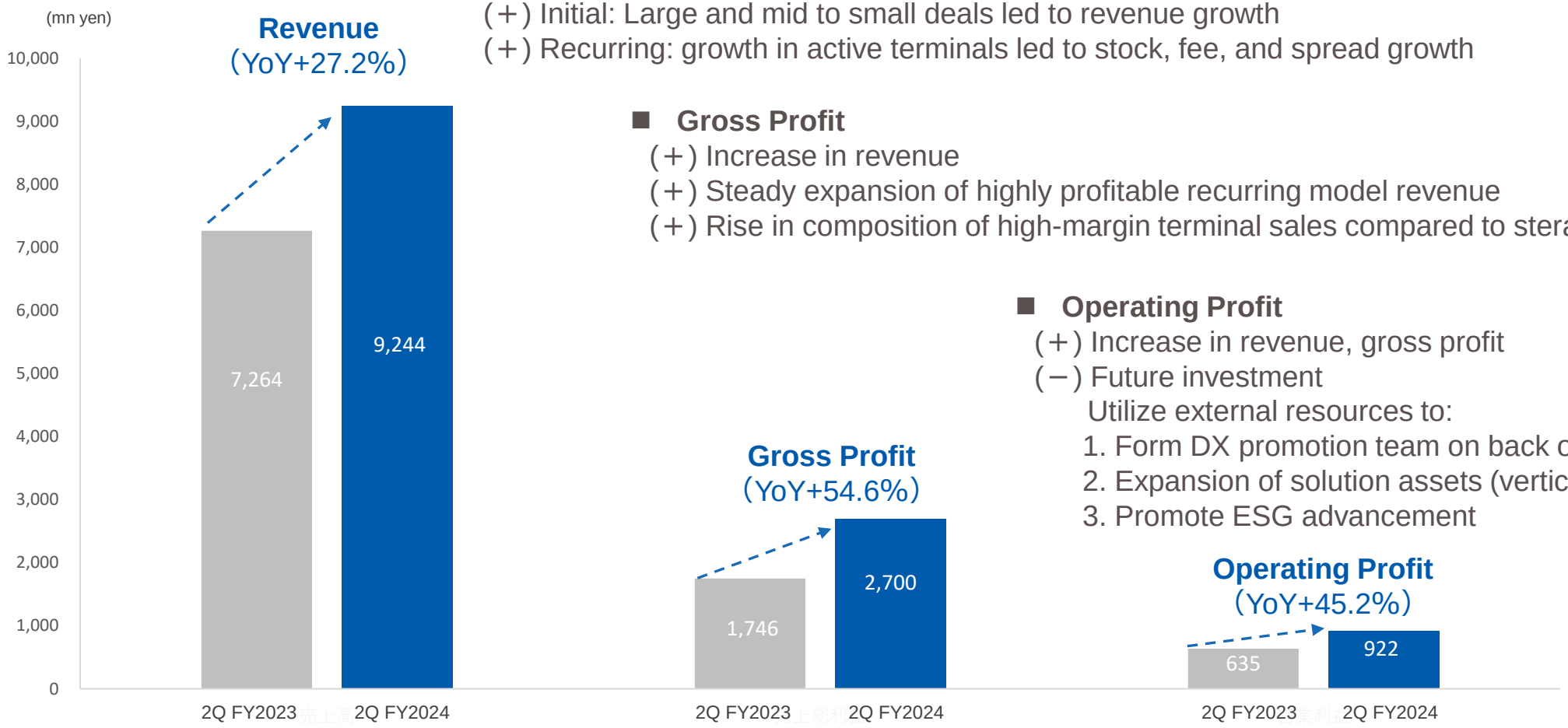
(mn yen)	1H FY2023	1H FY2024	YoY	Forecast 1H FY2024 (Full-year)	Progress towards forecast 1H FY2024 (Full-year)
Revenue	7,264	9,244	＋27.2%	9,208 (19,200)	100.4% (48.1%)
Gross profit	1,746	2,700	＋54.6%	2,421 (5,095)	111.6% (53.0%)
Operating profit	635	922	＋45.2%	740 (1,410)	124.7% (65.4%)
Profit attributable to owners of parent	394	551	＋39.9%	472 (859)	116.9% (64.2%)

	Number of active terminal (2Q FY2024 Only)	Transaction Volume (2Q FY2024 Only)	Transaction Value (GMV) (2Q FY2024 Only)
KPI (YoY)	344,564 (+47.3%)	c. 170.5mn (+57.9%)	c. ¥ 1,502bn (+58.8%)

Copyright 2024 GMO Financial Gate, Inc.

1.4 Breakdown of Financial Results

Steady growth in both initial and recurring revenue. Improvement in margin of initial terminals and growth in recurring revenue led to increase in operating profit



■ **Revenue**

(＋) Initial: Large and mid to small deals led to revenue growth

(＋) Recurring: growth in active terminals led to stock, fee, and spread growth

■ **Gross Profit**

(＋) Increase in revenue

(＋) Steady expansion of highly profitable recurring model revenue

(＋) Rise in composition of high-margin terminal sales compared to stera terminal

■ **Operating Profit**

(＋) Increase in revenue, gross profit

(－) Future investment

Utilize external resources to:

1. Form DX promotion team on back office
2. Expansion of solution assets (vertical expansion)
3. Promote ESG advancement

Copyright 2024 GMO Financial Gate, Inc.

1.5 Revenue by Business Model (YoY)

Each revenue with steady increase. Composition of reccuring revenue rose from 29.4% to 34.5%

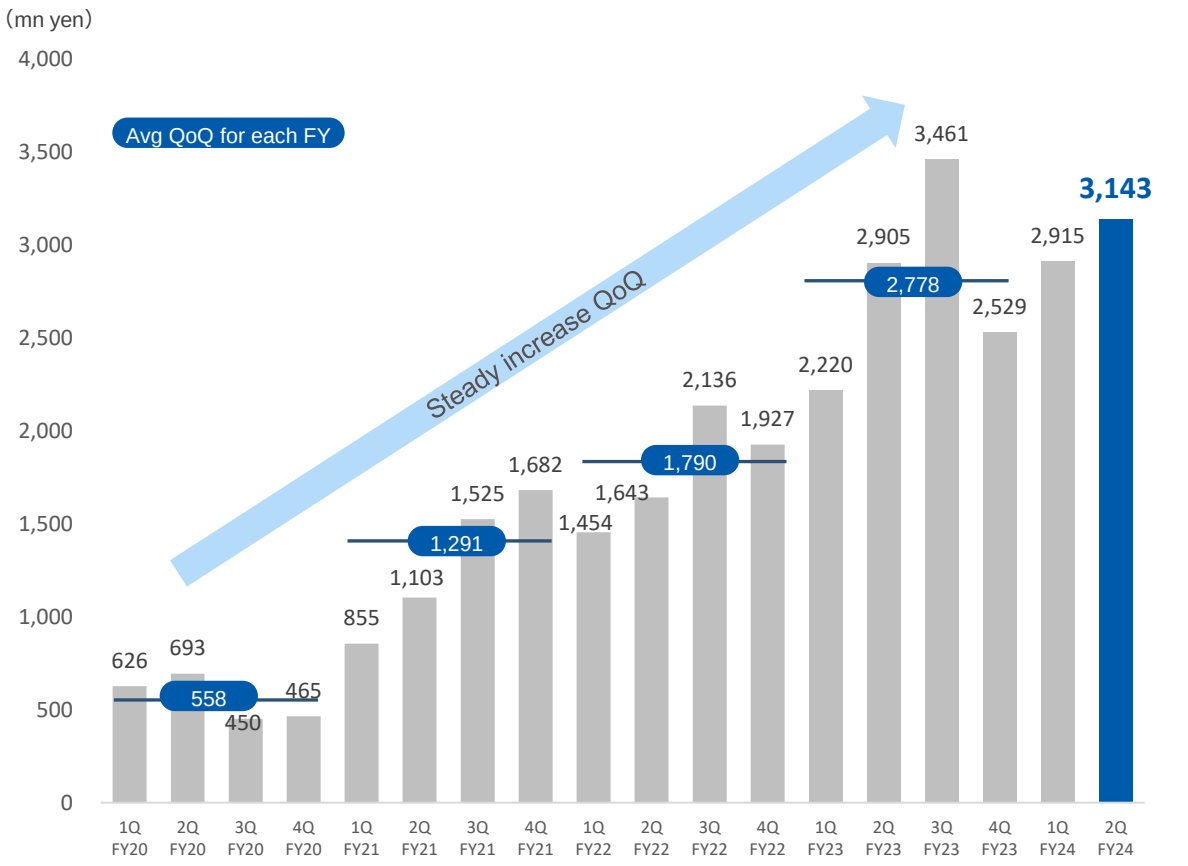
(mn yen)	1H FY2023 (Composition %)	1H FY2024 (Composition %)	YoY
Initial	**5,125** (70.6%)	**6,059** **(65.5%)**	**+18.2%**
Recurring-Model	**2,139** (29.4%)	**3,185** **(34.5%)**	**+48.9%**
Stock	543 (7.5%)	818 (8.9%)	+50.7%
Fee	1,059 (14.6%)	1,695 (18.3%)	+60.1%
Spread	536 (7.3%)	670 (7.3%)	+25.1%
Total Revenue	**7,264**	**9,244**	**+27.2%**

Copyright 2024 GMO Financial Gate, Inc.

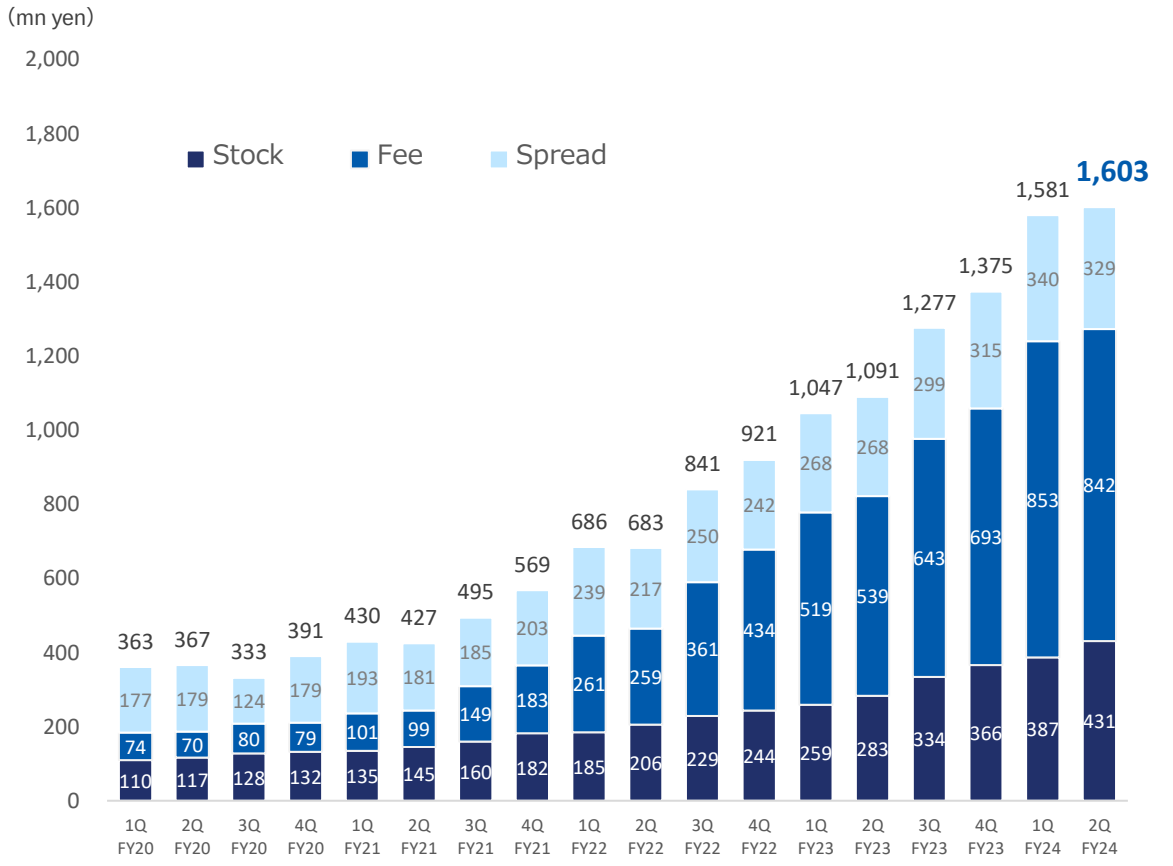
1.6 Revenue by Business Model (Quarterly)

Initial: Steady QoQ growth due to mid-size deals
Recurring: Growth in number of active terminals led to QoQ growth despite seasonality impact

Initial Revenue



Recurring Revenue



Copyright 2024 GMO Financial Gate, Inc.

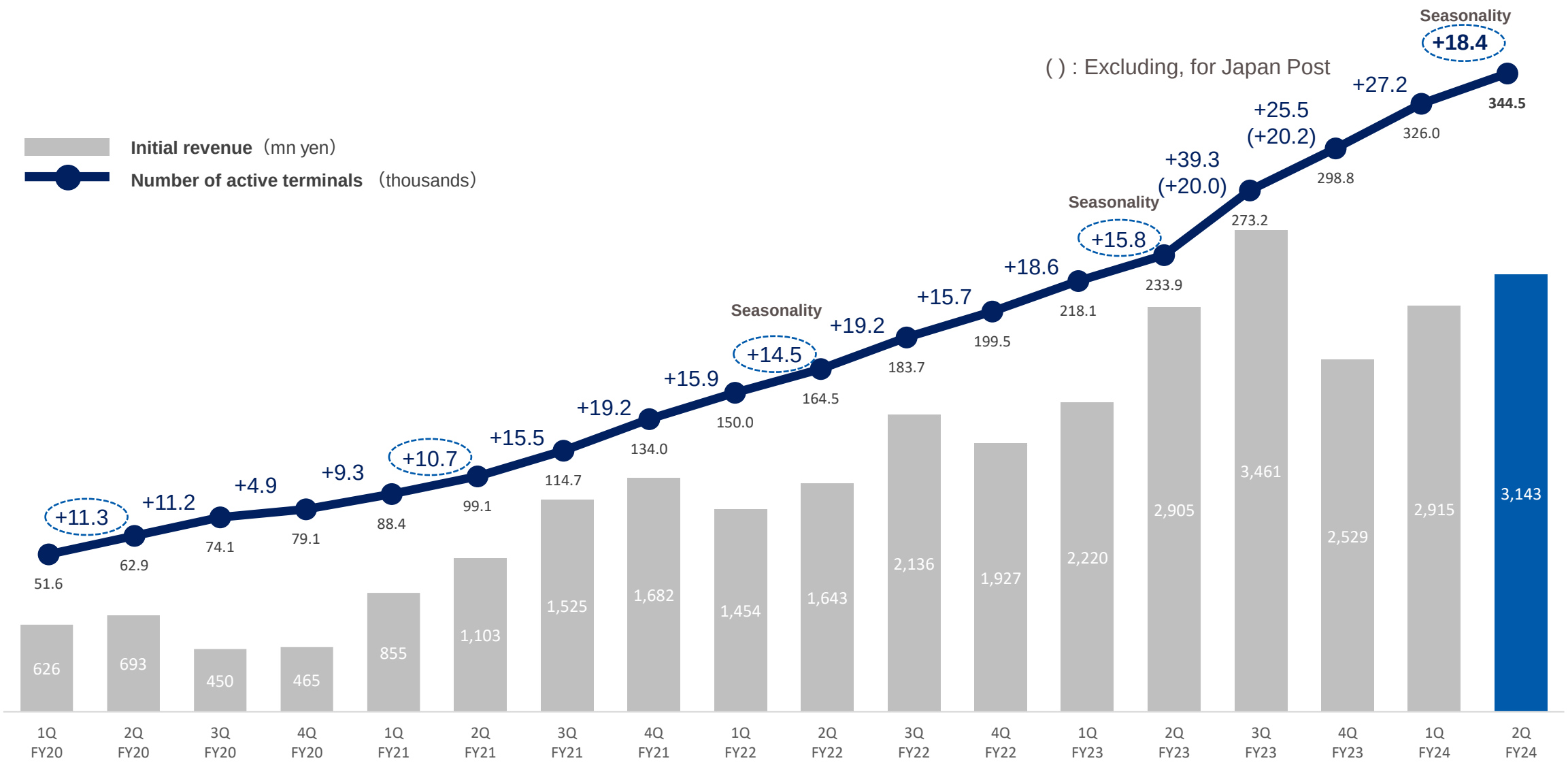
KPI

2

Copyright 2024 GMO Financial Gate, Inc.

2.1 Initial Revenue and Number of Active Terminals

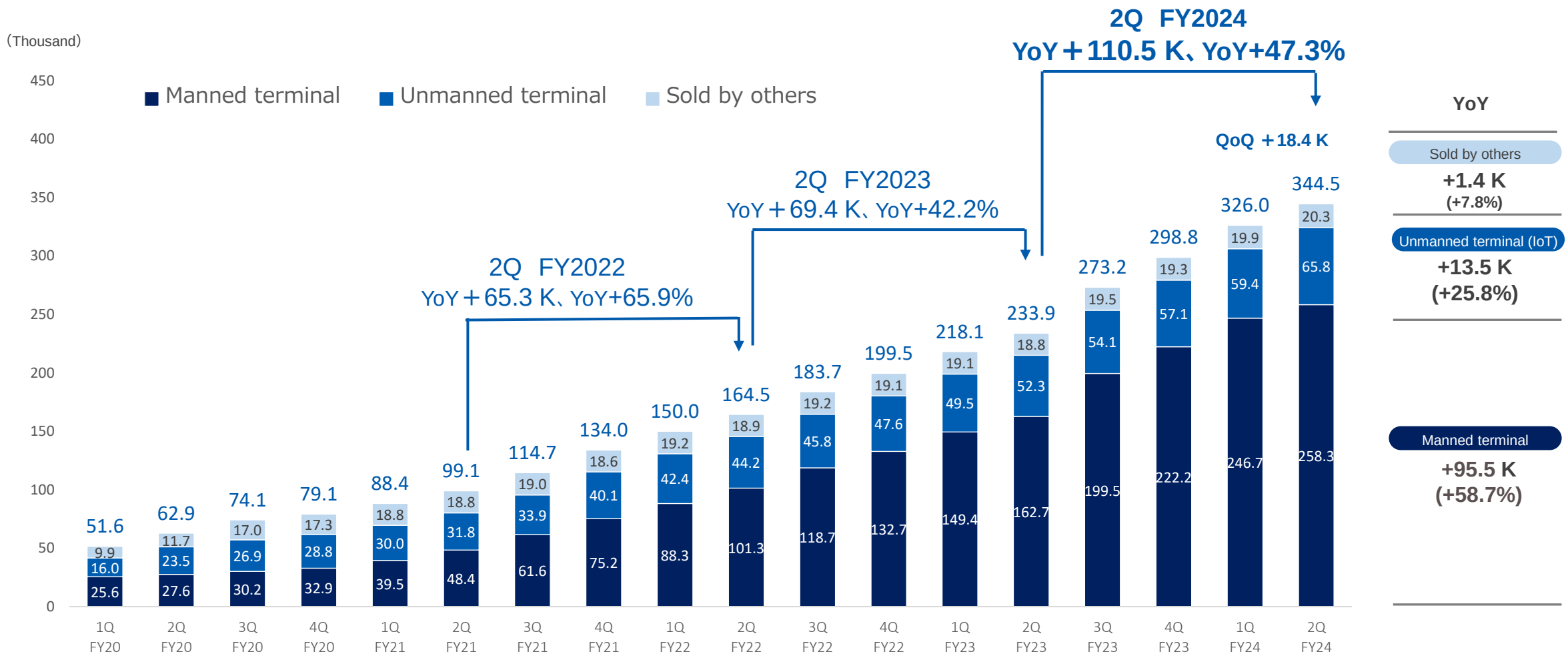
Steady initial revenue, number of active terminals even with seasonality effects



Copyright 2024 GMO Financial Gate, Inc.

2.2 Consolidated KPI（Number of active terminals）

Continued steady progress. The number of IoT terminals is increasing due to implementation in large lot customers

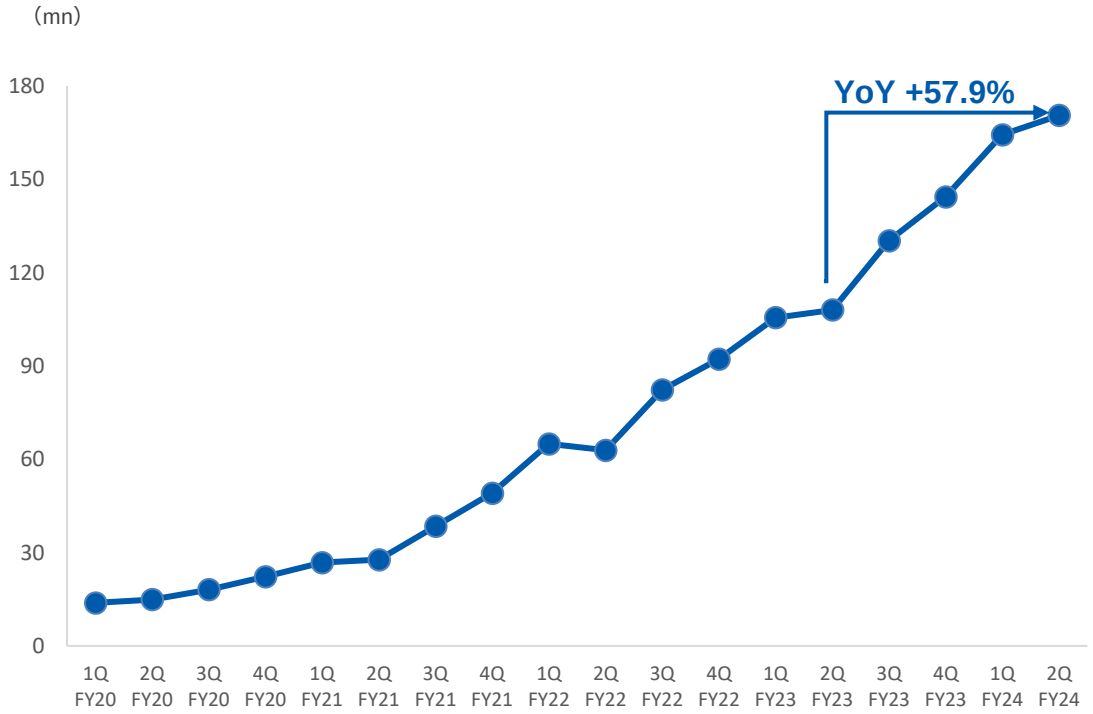


Copyright 2024 GMO Financial Gate, Inc.

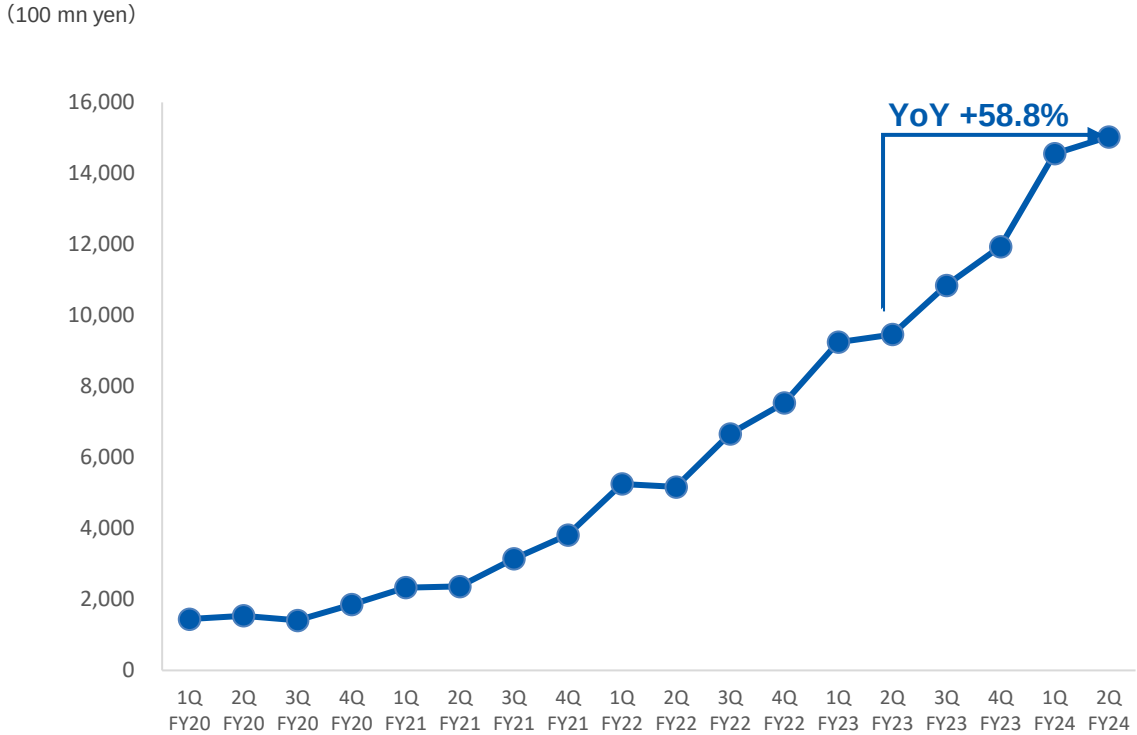
2.3 Consolidated KPI (Quarterly Transaction volume / GMV)

Transaction volume and value increased by more than 50% YoY

Transaction Volume



Transaction Value (GMV)



	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	3Q FY22	3Q FY22	4Q FY22	1Q FY23	2Q FY23	3Q FY23	4Q FY23	1Q FY24	2Q FY24
Transaction volume (10 K)	2,682	2,774	3,848	4,913	6,497	6,292	8,237	9,224	10,553	10,804	13,026	14,438	16,431	17,057
Transaction value (GMV) (¥100 mn)	2,328	2,361	3,141	3,810	5,251	5,161	6,658	7,530	9,242	9,459	10,842	11,930	14,552	15,023
(Reference) Average Settlement Price (¥)	8,680	8,510	8,163	7,755	8,082	8,203	8,084	8,163	8,758	8,756	8,323	8,263	8,856	8,807

Copyright 2024 GMO Financial Gate, Inc.

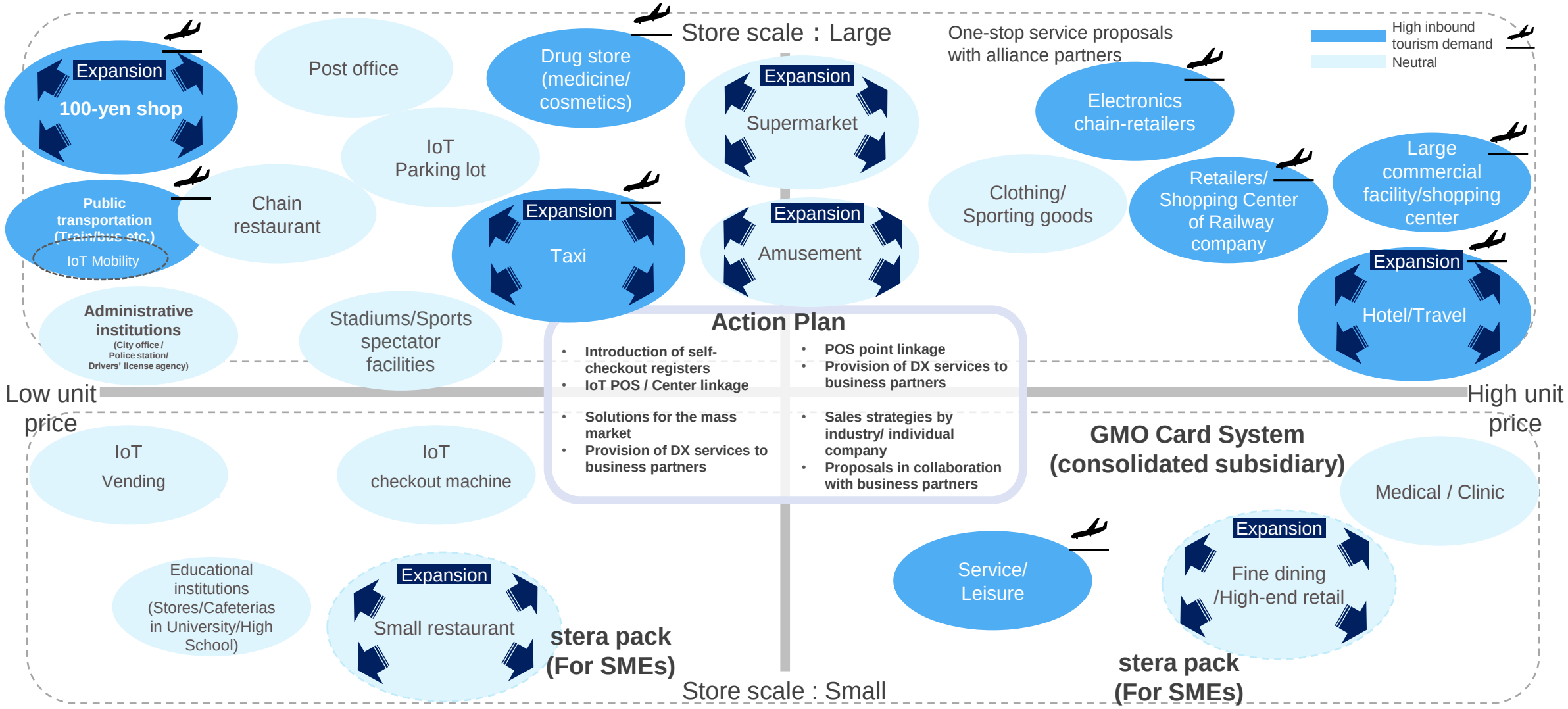
Business Highlights

3

Copyright 2024 GMO Financial Gate, Inc.

3.1 Trends by Merchant Industry

Installation of self-checkout, mobile terminals at 100-yen shops, supermarkets, and taxis are increasing

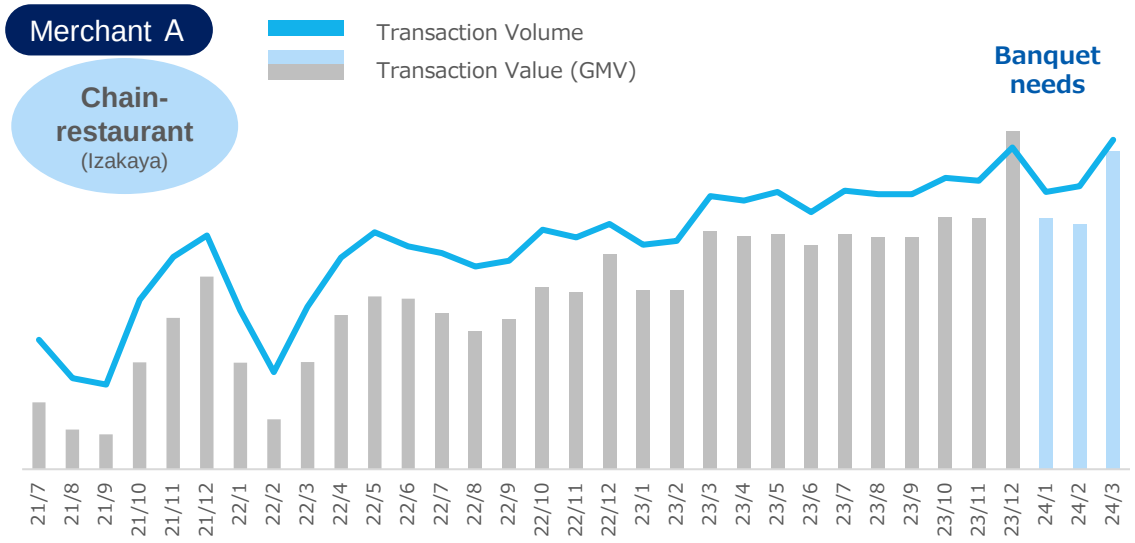


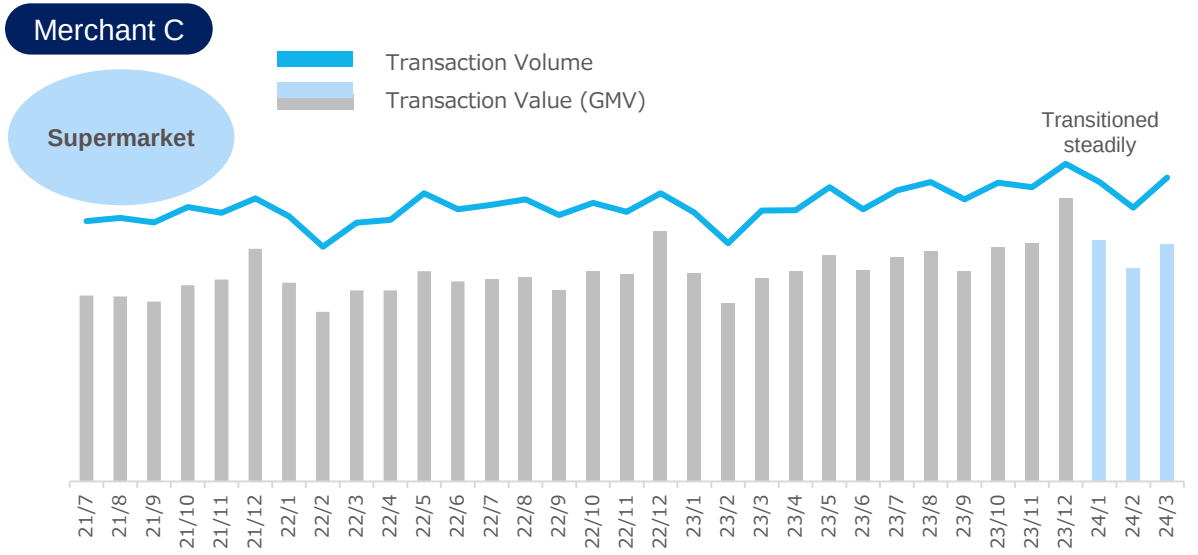
Copyright 2024 GMO Financial Gate, Inc.

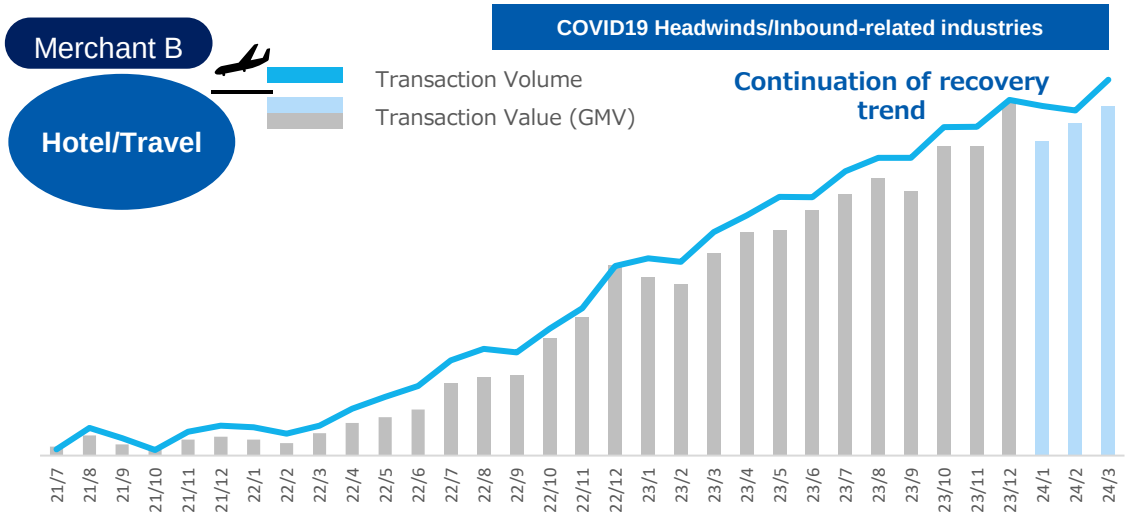
3.2 Transaction Trends by Industry (2Q)

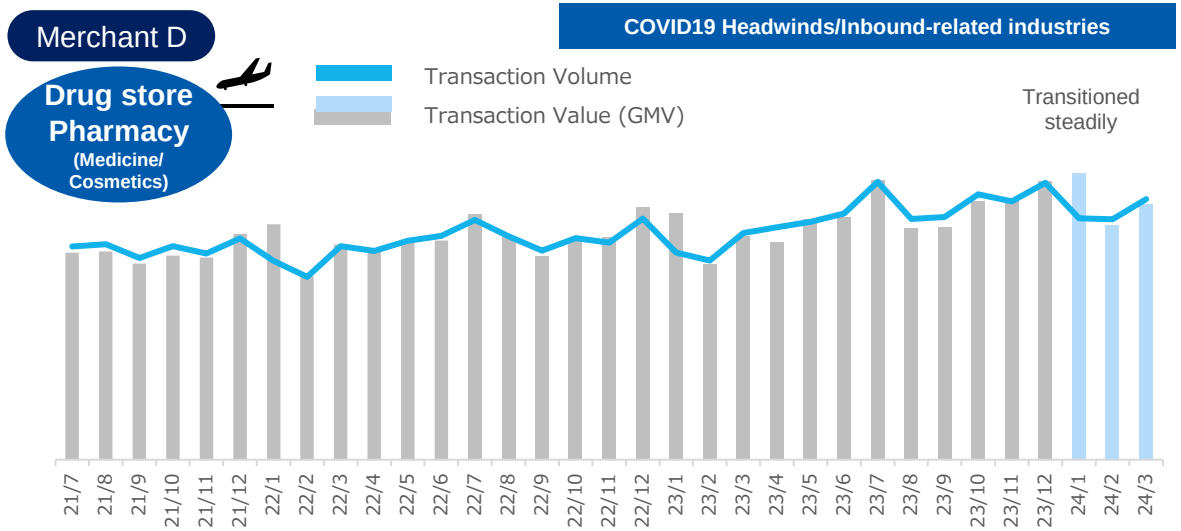
: High inbound tourism demand

Restaurant, hotel/travel industries increased by capturing seasonal demand. Supermarket and drugstores continued on a steady trend









Copyright 2024 GMO Financial Gate, Inc.

3.3 Top 30 Merchants (GMV basis)

Men’s clothing merchant increased due to seasonality
Large merchants increased due to vertical expansion – five large lot merchants increased YoY

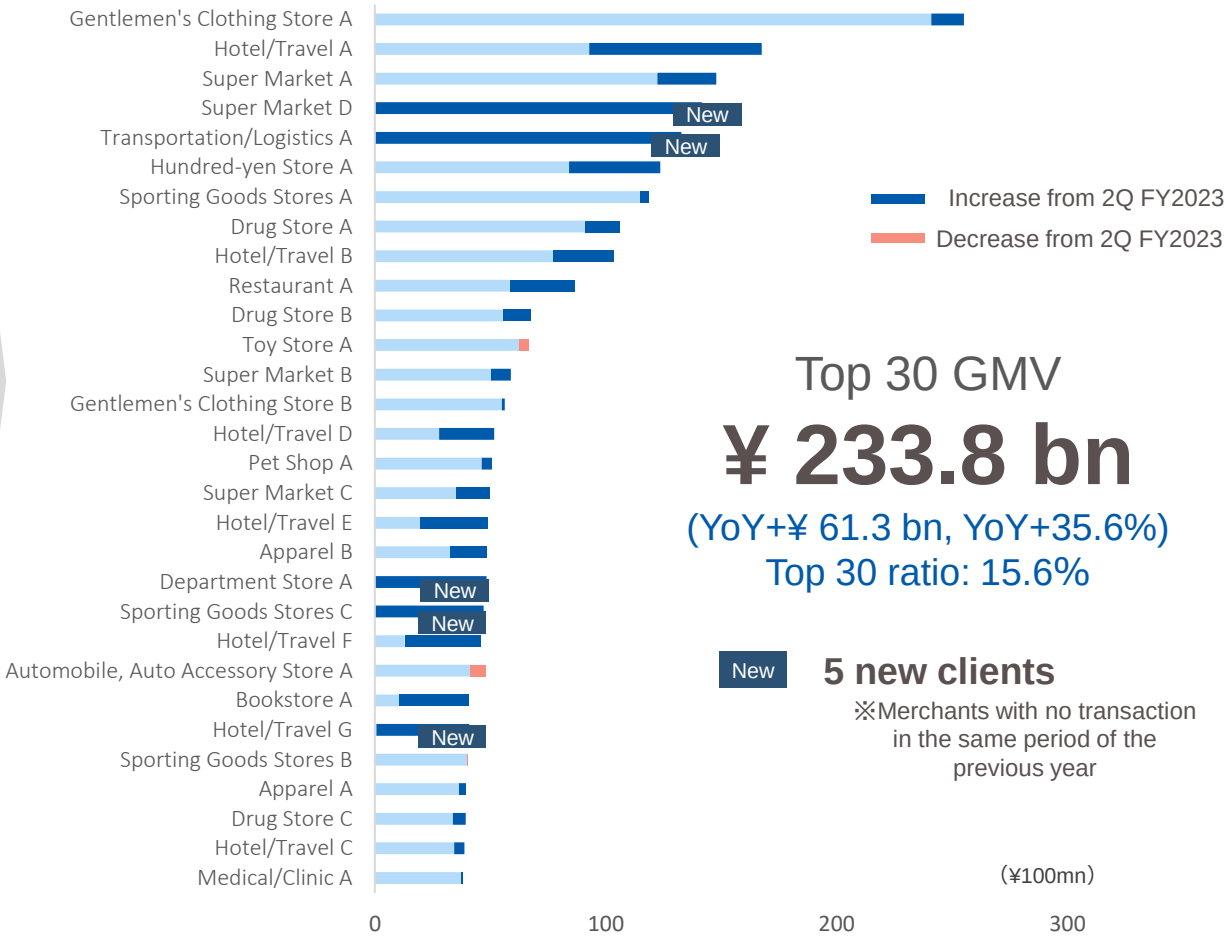
2Q FY2023

Top 30 GMV

¥ 172.4 bn

Top 30 ratio: 18.2%

2Q FY2024



Top 30 GMV

¥ 233.8 bn

(YoY+¥ 61.3 bn, YoY+35.6%)

Top 30 ratio: 15.6%

New **5 new clients**

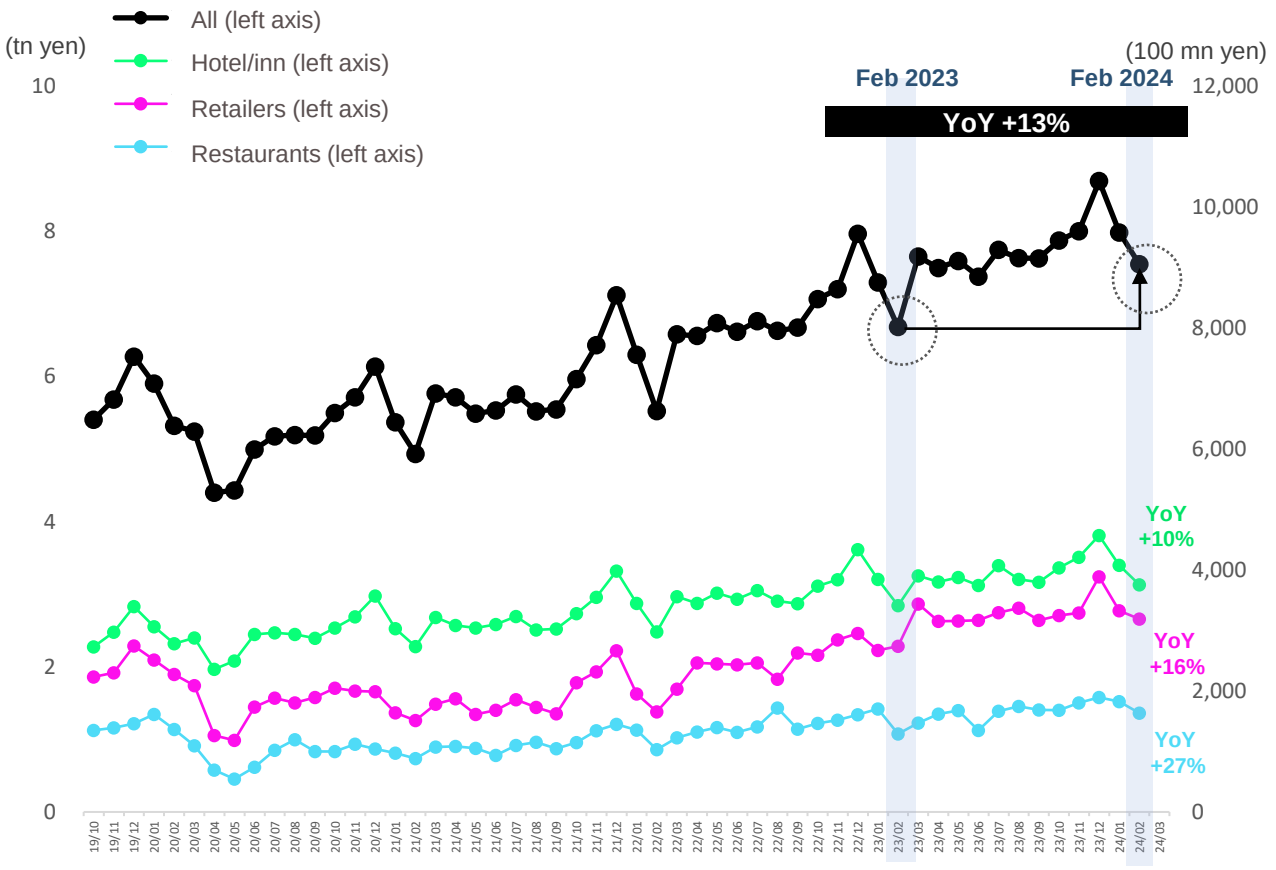
※Merchants with no transaction in the same period of the previous year

Copyright 2024 GMO Financial Gate, Inc.

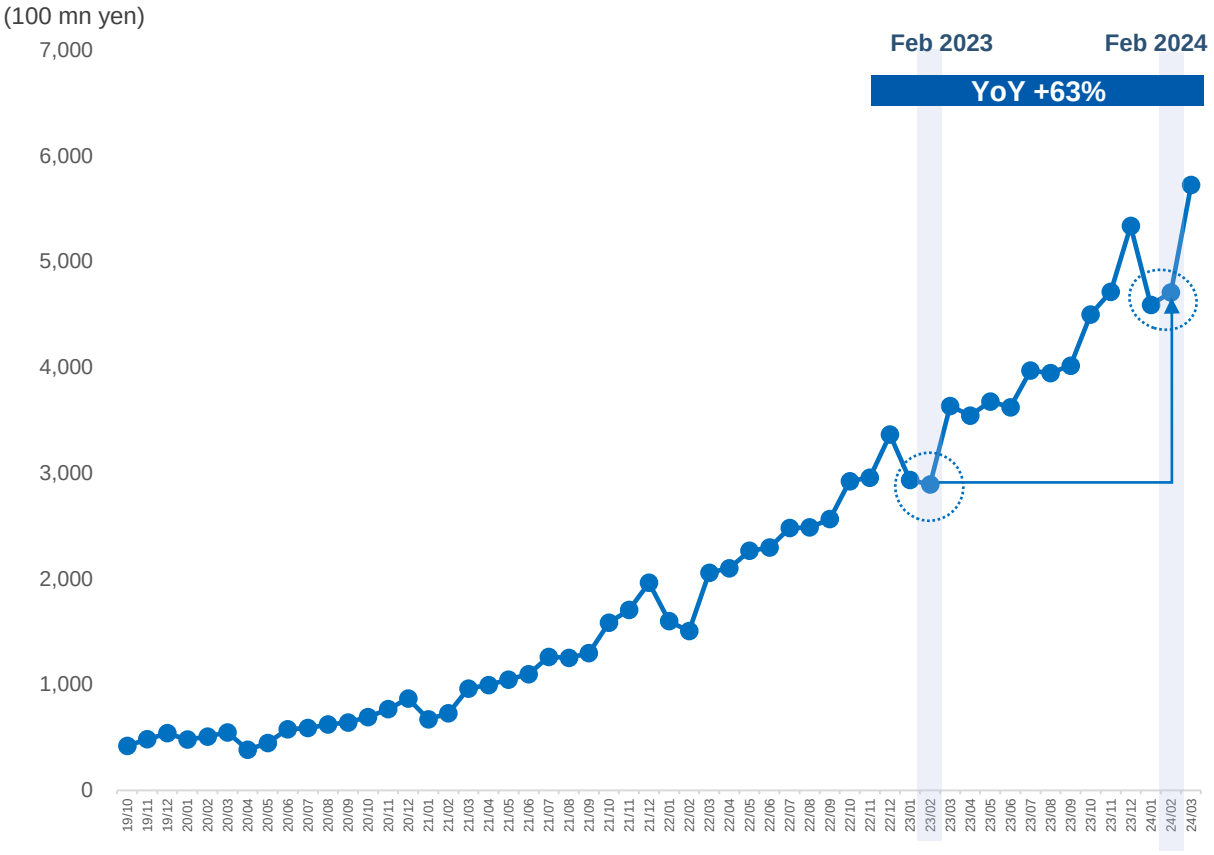
3.4 Comparison to Market Growth (February YoY)

Overall market growth is +13% YoY while GMO-FG grew +63% YoY, significantly exceeding macro trends

Market GMV (Transaction value of credit card payment)



GMO-FG GMV

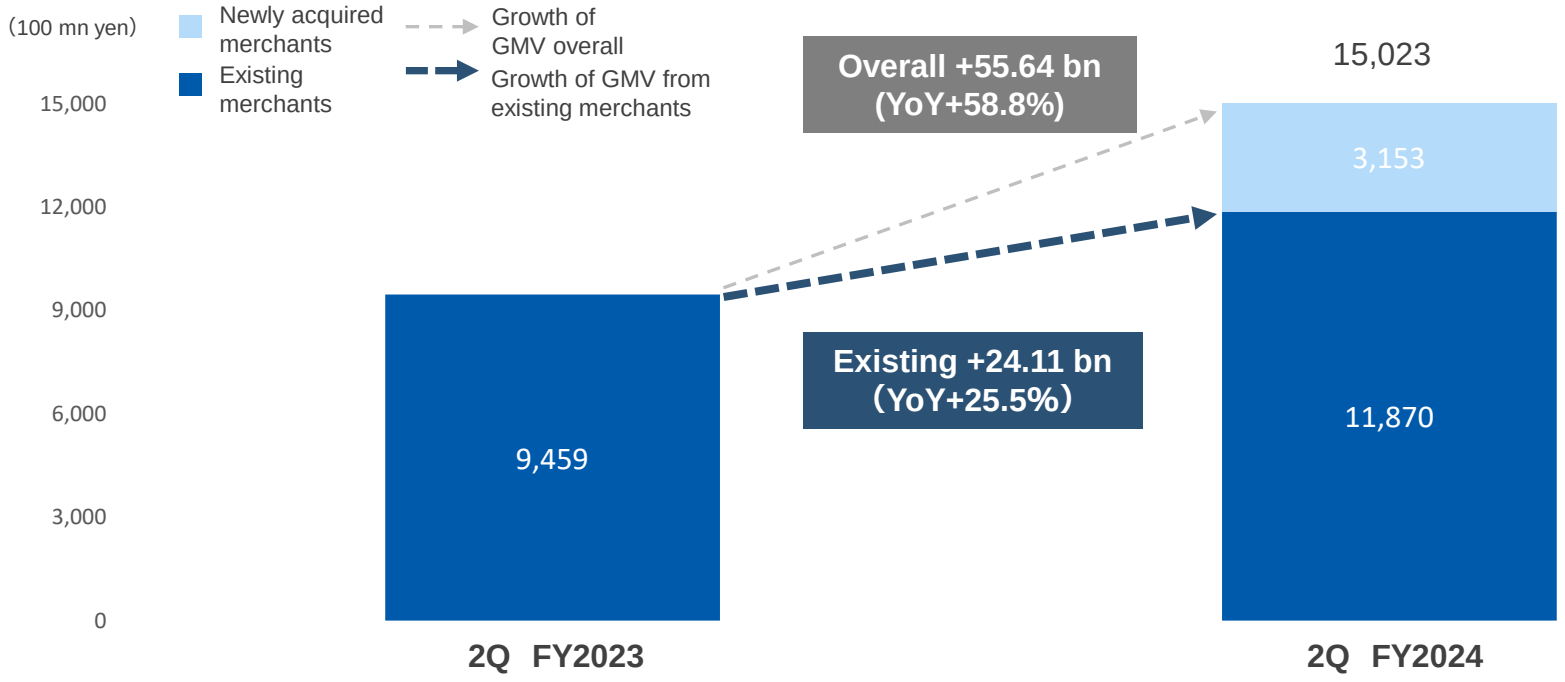


Copyright 2024 GMO Financial Gate, Inc.

3.5 Settlement Platform which Grows with its Merchants

GMO-FG GMV grew at +58.8% YoY for 2Q, +25.5%YoY for existing merchants
Merchants grew with GMO-FG's settlement platform

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.

Copyright 2024 GMO Financial Gate, Inc.

Growth Strategy and Progress

4

Copyright 2024 GMO Financial Gate, Inc.

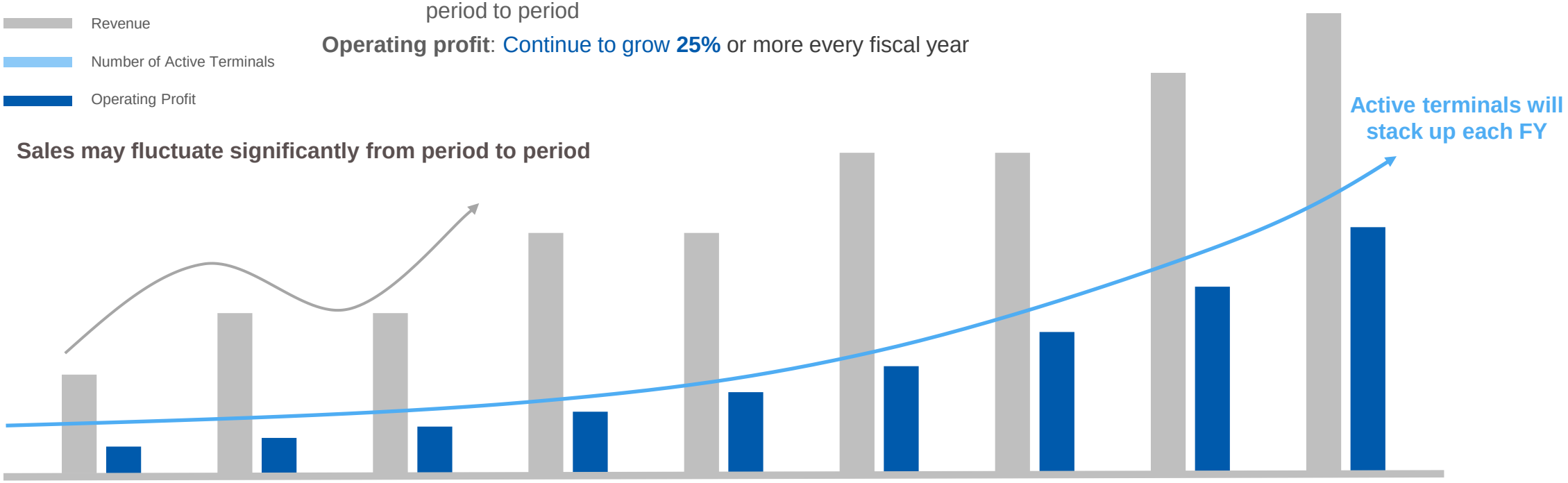
4.1 Image of rise in Revenue & Operating Profit

Market share expansion phase: sales/activation of payment terminals will lead to fluctuation in revenue
Profit margin expansion phase: recurring model revenue will increase due to increase in active terminals which will contribute to operating profit growth

Market Share Expansion Phase ⟷ **Profit Margin Expansion Phase** ⟷

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



Copyright 2024 GMO Financial Gate, Inc.

4.2 Mid-term Financial Plan

OP of 1.5bn yen will be achieved this year ahead of schedule – a new five-year plan has been created to promote operating profit of 5bn yen in 2030

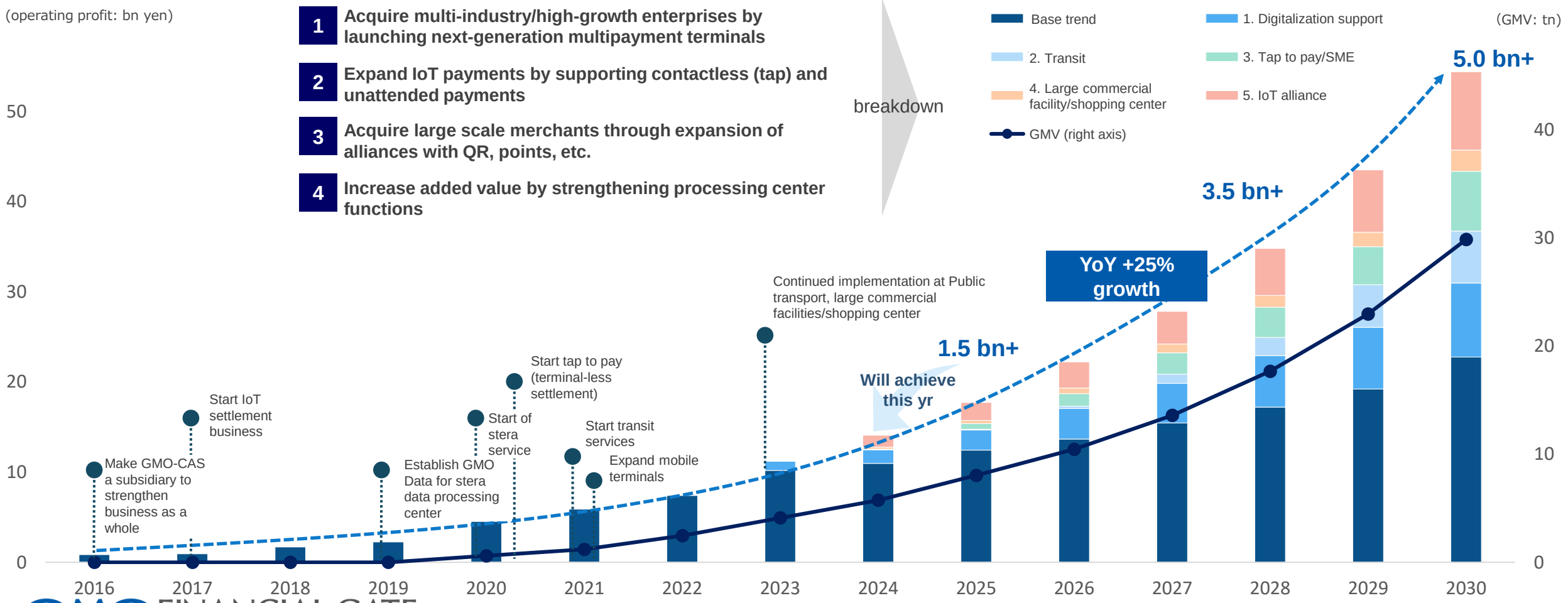
Operating Profit Growth Curve

Action Plans

1. **Acquire multi-industry/high-growth enterprises by launching next-generation multipayment terminals**
2. **Expand IoT payments by supporting contactless (tap) and unattended payments**
3. **Acquire large scale merchants through expansion of alliances with QR, points, etc.**
4. **Increase added value by strengthening processing center functions**

breakdown

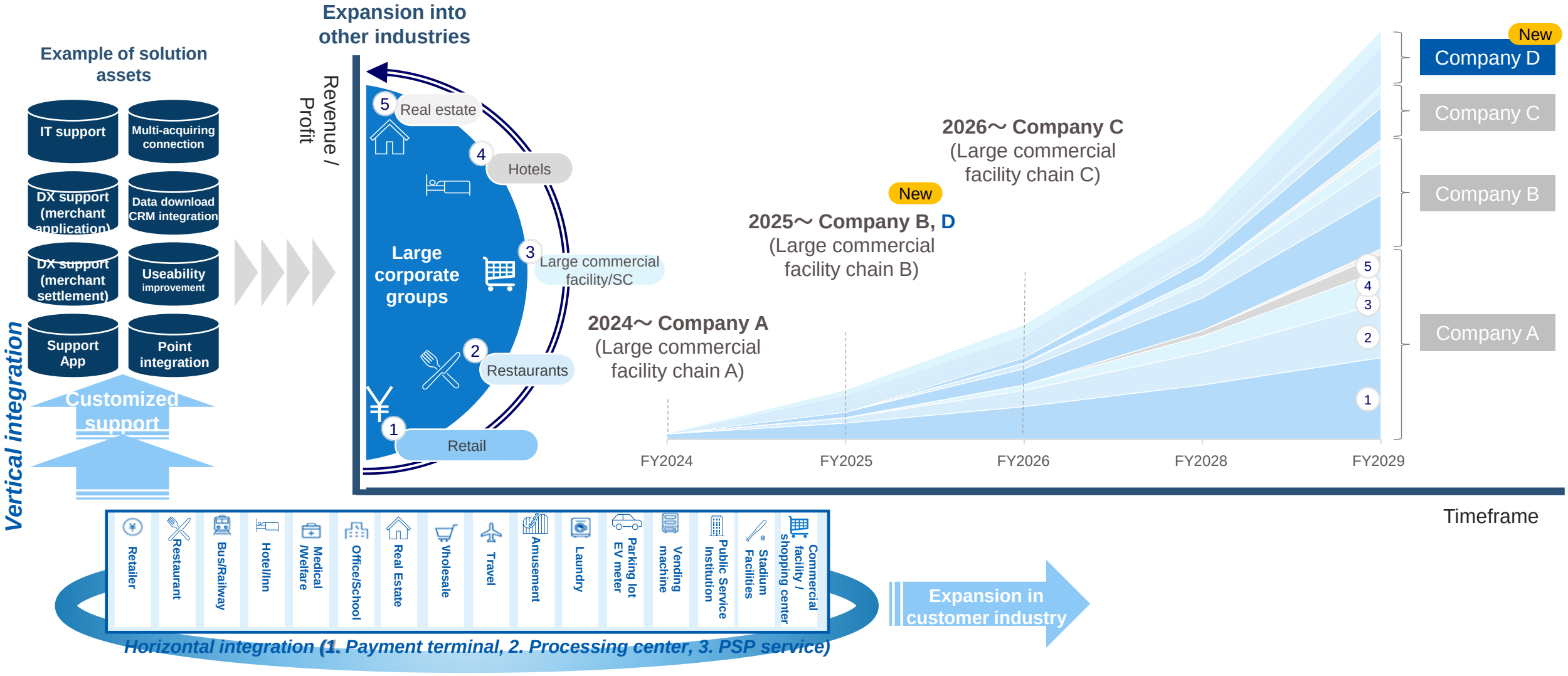
Mid to long term strategy



Copyright 2024 GMO Financial Gate, Inc.

4.3 Vertical Expansion

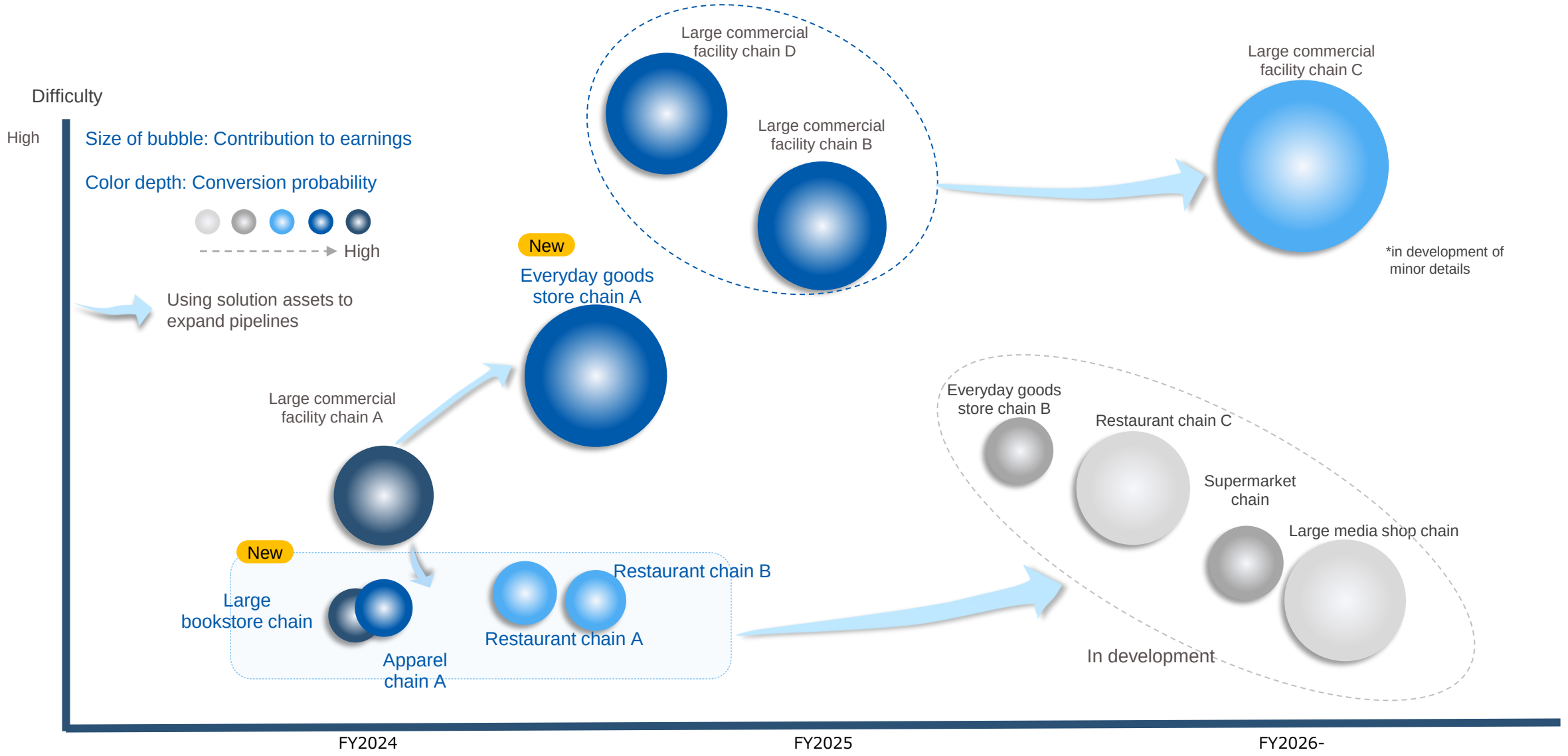
Accelerate business expansion with large corporate groups by providing a variety of tailor-made services - expanding profit opportunities by applying this to other large corporate groups



Copyright 2024 GMO Financial Gate, Inc.

4.4 Expanding Pipelines utilizing our Solution Assets

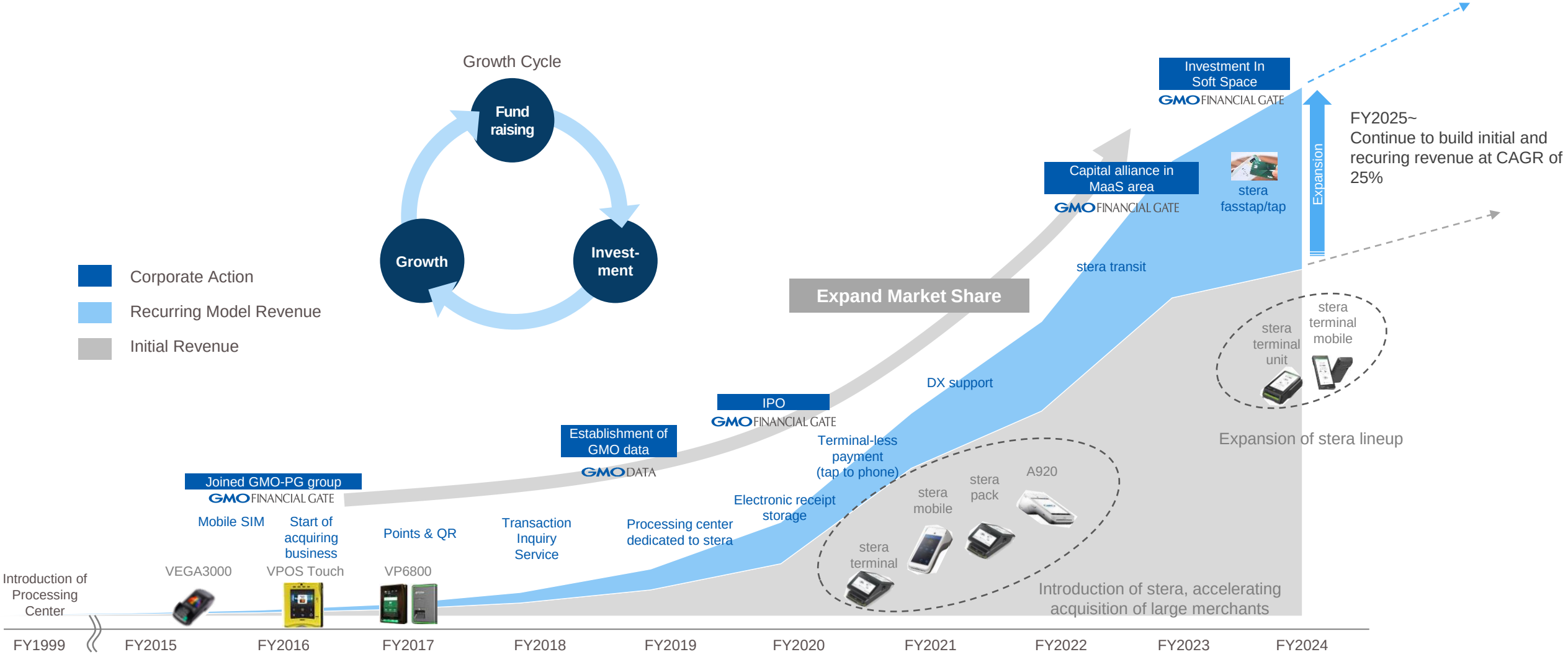
Steadily building new pipelines by utilizing solution assets cultivated through vertical expansion



Copyright 2024 GMO Financial Gate, Inc.

4.5 Progress in Expanding Market Share

Recurring sales steadily increased as we increase market share – will continue to aim for well-balanced growth in both initial and recurring model by expanding our service lineup

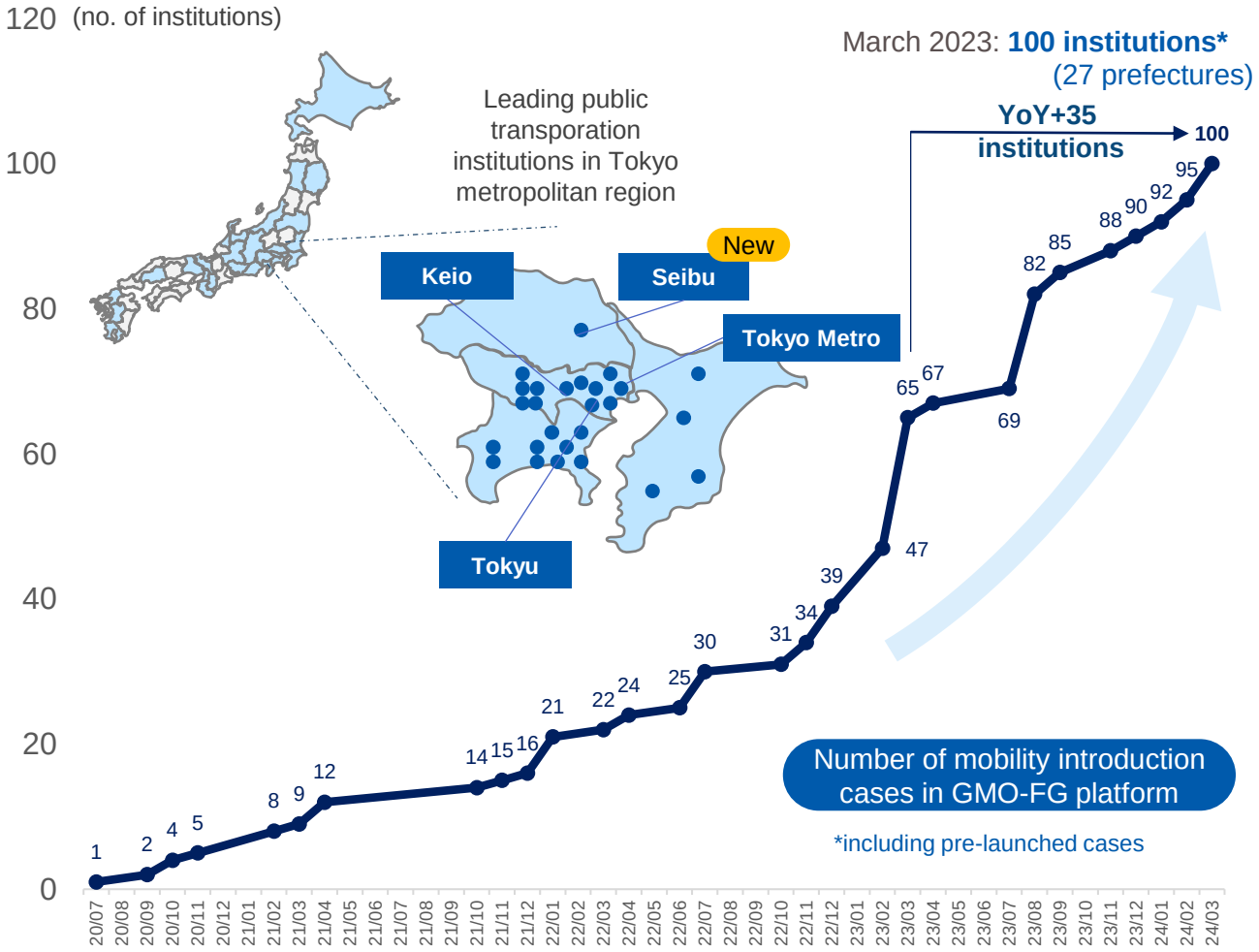


Copyright 2024 GMO Financial Gate, Inc.

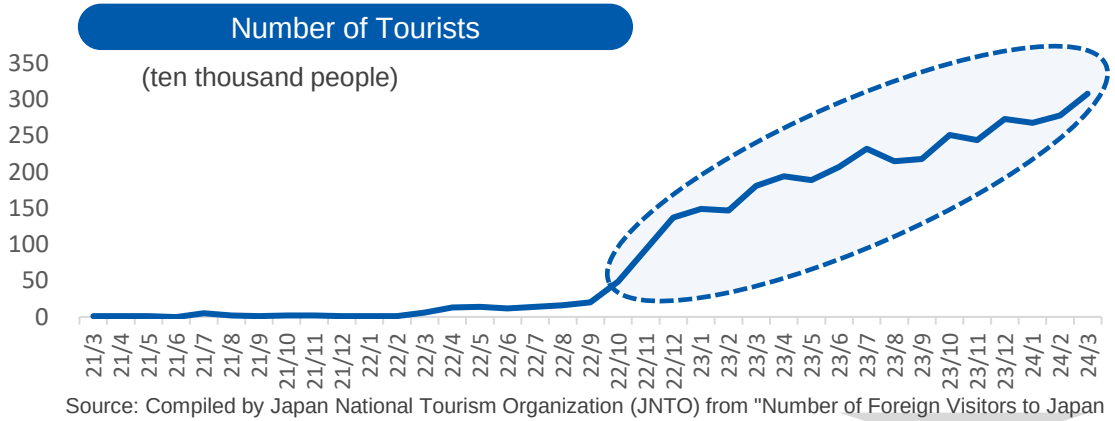
4.6 Expansion of Payment Platforms - Mobility Domain

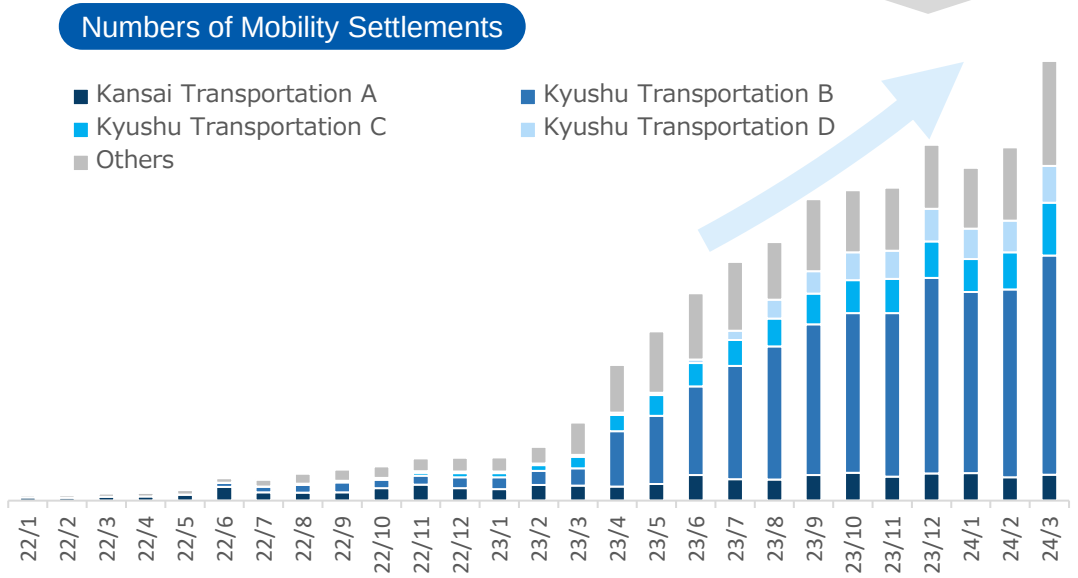
With the recent increase in the number of foreign visitors to Japan, mobility payments in urban areas are on the rise – provided services to 100 enterprises as of Mar. 2024. Experimental implementation is scheduled to start with Seibu in 2024

Implementation at Public Transportation Institutions



Number of Tourists and Mobility Settlements



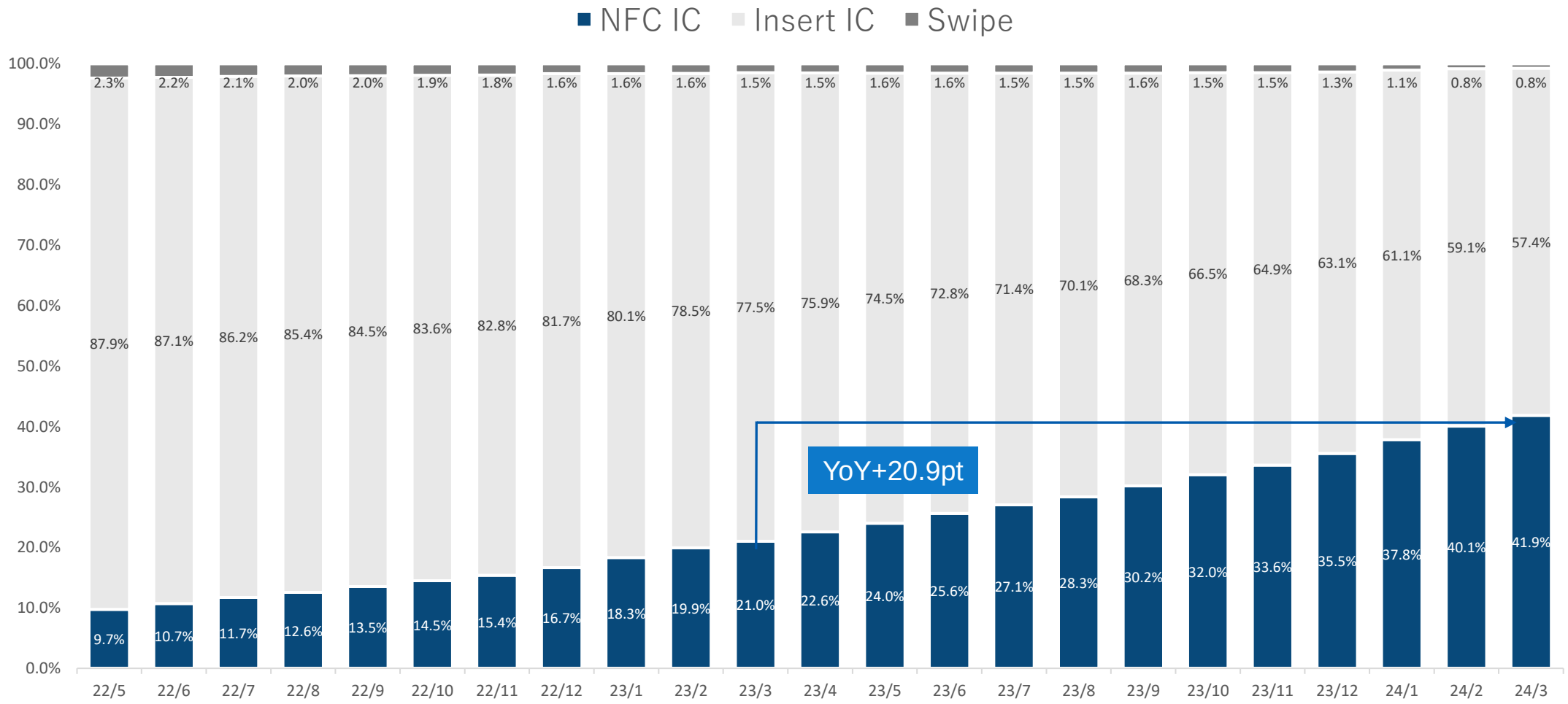


Copyright 2024 GMO Financial Gate, Inc.

4.7 Expanding use of contactless NFC payment

The percentage of credit touch payments at our processing center is on an upward trend. Growing awareness of the convenience of NFC is driving the future spread of credit touch in the mobility field

Credit and debit payments at our centers / Proportion of payment methods



Copyright 2024 GMO Financial Gate, Inc.

4.8 Progress in IoT/Unattended Payment

Supporting the transition from traditional to unmanned terminal (IoT) payments
Expanding business pipelines based on track record with major merchants

IoT terminal incorporation into the market

Merchant needs

- Labor saving
- Cashless payment needs
- Inbound demand
- Retail shops in office buildings
- Installment sales act
- Infectious disease prevention

IoT/unattended payment

1. Self payment machine
2. Parking lot adjustment machine
3. Hotel/Golf on-site payment machine
4. Vending machine (New)
5. Ticket machine (New)

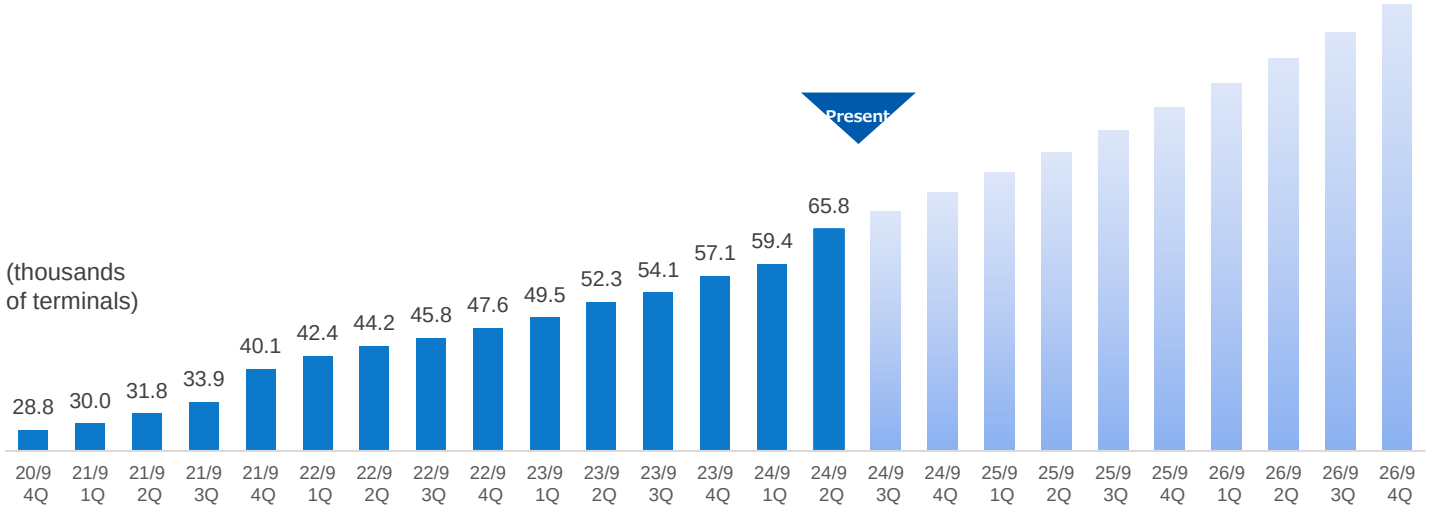
Traditional payment scene

- Parking lot adjustment machine (cash only)
- Face to face payment
- Manned register
- Cash only register

Track record and business pipelines

Track record → Pipeline

1. 100-yen shops
   - 1 Fast food chain
   - 1 Supermarket
   - 1 Drug-store
2. Coin parking
   - 2 Parking system company
3. Automatic payment machine
4. Beverage Company (New)
5. Ticket machine company (New)

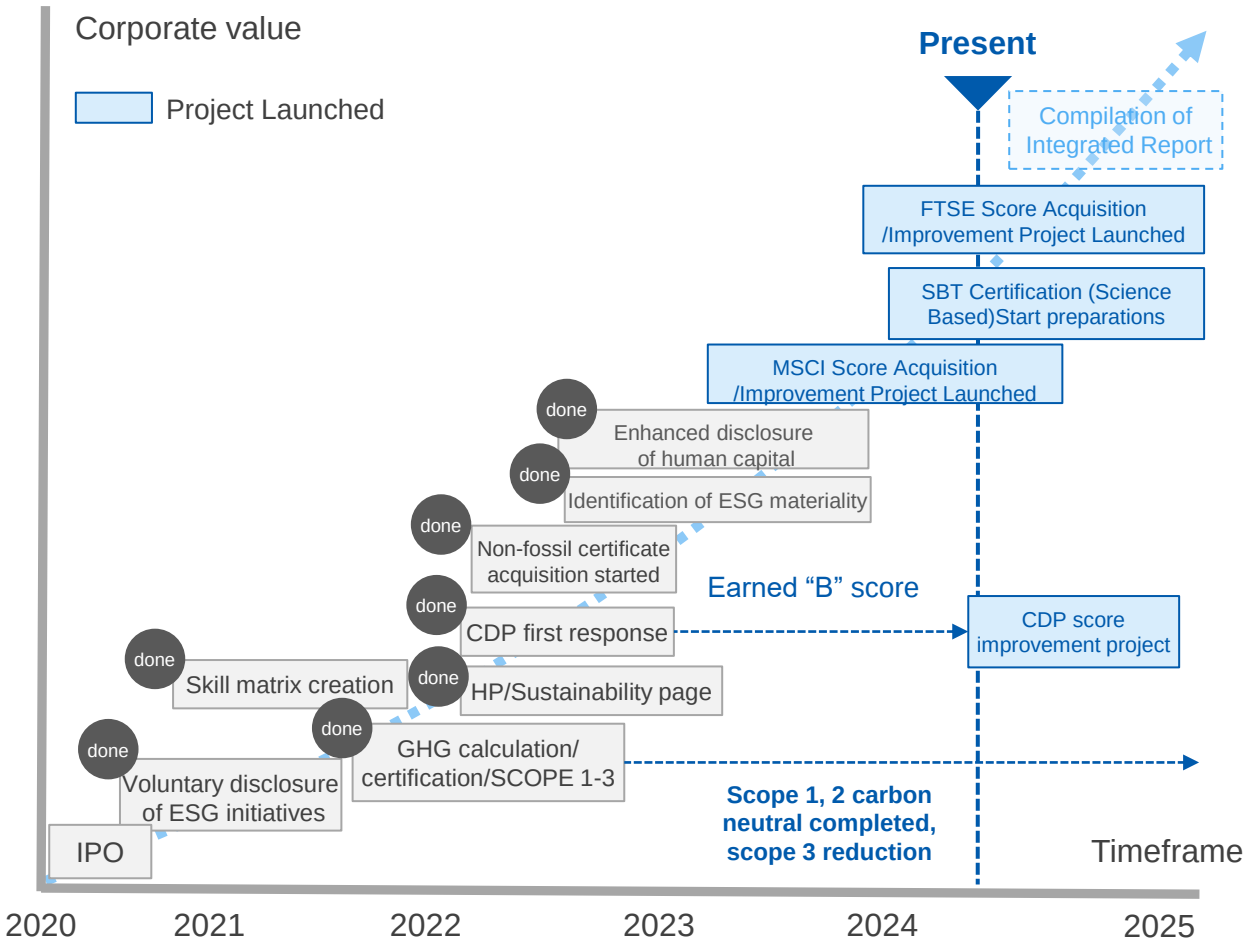


Copyright 2024 GMO Financial Gate, Inc.

4.9 Expanding ESG Initiatives

Continuous promotion of ESG initiatives to improve corporate value and will continue to improve as a payment infrastructure corporation – have completed scope 1 and 2 carbon neutral

ESG Initiative Roadmap



To Do's

Promote MSCI score acquisition/improvement project

- Promote project with external consultants to improve MSCI score
- Since the scoring is a relative evaluation, we aim to improve the level of disclosure with consideration for other companies in the same industry.

Project launched for SBT certification (Science Based Targets)

- The SBT (Science Based Targets) Secretariat carries out certification after comparing the levels required by the Paris Agreement with the greenhouse gas emission reduction targets set by each company.
- Project launched to reduce greenhouse gases and data verification continued by third-party verification organization

CDP score improvement project

- Earned B score in 2023
- Will strive to earn A score by implementing external consultants

FTSE score acquisition/improvement project launched

- Visualize issues with the assumption that they will be subject to scoring in the near future
- Started considering countermeasures

Creation of Integrated Report — **Formed Project Team**

- We plan to create an integrated report from the perspective of enhancing information disclosure in order to promote management that involves more stakeholders.

Copyright 2024 GMO Financial Gate, Inc.

4.10 ESG / External Certification

Obtained a Scope 1~3 guarantee for GHG (greenhouse gas) emissions in September 2023. Achieved carbon neutral for Scope1 and 2. Will continue dialogue with partner companies to reduce Scope 3

External Certification (FY2023)

Independent Assurance Report

SOCOTEC

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 25th fiscal year" (period: 1 October 2022 to 30 September 2023)) 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 25th fiscal year" (period: 1 October 2022 to 30 September 2023)) 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 business activities of the Company and its consolidated subsidiaries (2 subsidiaries) described in "GHG Emissions Calculation Procedure Manual (Ver.3.0)".

The criteria for preparing subject matter information is "GHG Emissions Calculation Procedure Manual (Ver.3.0)".

Subject matter information period: 1 October 2022 to 30 September 2023	
Energy-derived GHG emissions	All other indirect GHG emissions that occur in a company's value chain
Scope 1: — t-CO2e	Scope 3: 19,501 t-CO2e
Scope 2: location-based 87 t-CO2e	Breakdown (t-CO2e)
market-based 0 t-CO2e	Category 1: 13,982 Category 2: 110 Category3: 0
	Category 4: 1 Category 5: 4 Category 11: 5,405
	*The Scope 3 totals are the aggregate results for each category, including decimals, and do not apparently match the aggregate results that are rounded off for each category.

GHG (greenhouse gas/Scope 1~3) emissions calculation/reduction schedule

FY2022: 3Q, 4Q
FY2023: 1Q, 2Q, 3Q, 4Q
FY2024: 1Q, 2Q, 3Q, 4Q

Schedule

- Done — Non-fossil certificate for Scope 1-2 (FY2023 1H)
- Done — Non-fossil certificate for Scope 1-2 (FY2023 2H)
- Planned — Non-fossil certificate for Scope 1-2 (FY2024 1H)
- Planned — Non-fossil certificate for Scope 1-2 (FY2024 2H)
- Done — Third Party Assurance (FY2022)
- Done New — (1) Obtained third-party certificates (FY2023) (2) Achieved Scope 1 and 2 carbon neutrality through GHG visualization and acquisition of non-fossil certificate*.
- Planned — Third Party Assurance (FY2024)

To-Do's

Continue dialogue with our corporate partners, payment terminal manufacturers and system development companies to reduce Scope 3.
(*)Our Scope 3 (indirect GHG emissions derived from the supply chain related to our activities) is comprised of Category 1 (Purchased products and services, Category 2 (Capital goods), Category 11 (Use of sold products) , and others

Details of Scope 1-3

Upstream		GMO-FG		Downstream`	
Scope 3		**Scope 1**	**Scope 2**	**Scope 3**	
Procurement, manufacturing, distribution		Fuel combustion	Use of electricity	Usage, disposal	
Payment terminals	Roll paper	-	Office, processing center	Usage of terminals	Disposal of terminals

*Non-fossil Certificates: Certificates for electricity generated from non-fossil power sources, such as renewable energy sources like solar and wind power, and nuclear power. By purchasing Non-Fossil Certificates, companies can indirectly reduce CO2 emissions related to the electricity they use.

GMO FINANCIAL GATE

Copyright 2024 GMO Financial Gate, Inc.

Supplemental Information

Financials, Investment / Shareholder Returns

5

GMO FINANCIAL GATE

Copyright 2024 GMO Financial Gate, Inc.

5.1 Profit & Loss

(thousands of yen)	1H FY2023	1H FY2024	YoY
Revenue	7,264,812	9,244,148	+27.2%
Cost of goods sold	5,518,271	6,543,482	+18.6%
Gross profit	1,746,541	2,700,665	+54.6%
SG&A	1,110,898	1,777,934	+60.0%
Operating profit	635,642	922,731	+45.2%
Ordinary profit	633,973	916,784	+44.6%
Profit attributable to owners of parent	394,368	551,697	+39.9%

Copyright 2024 GMO Financial Gate, Inc.

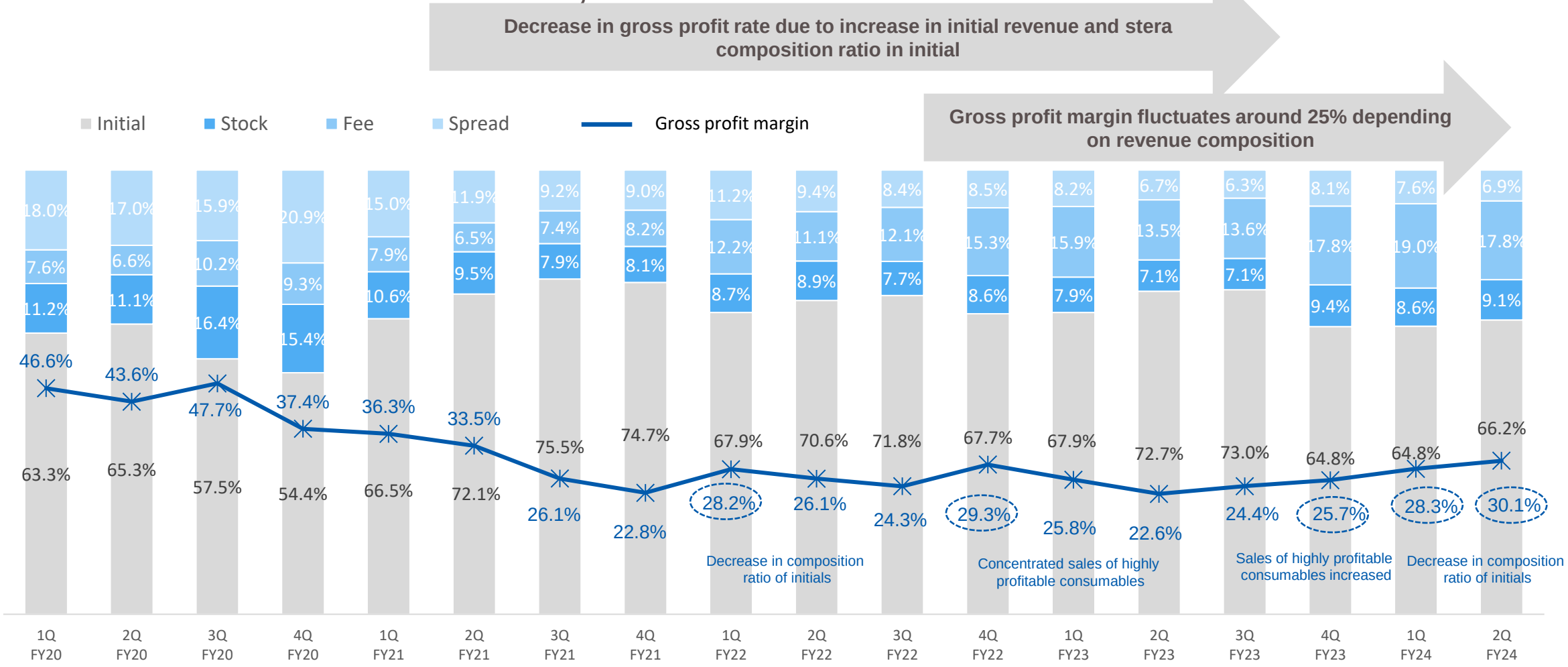
5.2 Revenue by business model (Quarterly)

(mn yen)	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22	4Q FY22	1Q FY23	2Q FY23	3Q FY23	4Q FY23	1Q FY24	2Q FY24
Initial	**855**	**1,103**	**1,525**	**1,682**	**1,454**	**1,643**	**2,136**	**1,927**	**2,220**	**2,905**	**3,461**	**2,529**	**2,915**	**3,143**
Recurring-Model	**430**	**427**	**495**	**569**	**686**	**683**	**841**	**921**	**1,047**	**1,091**	**1,277**	**1,375**	**1,581**	**1,603**
Stock	135	145	160	182	185	206	229	244	259	283	334	366	387	431
Fee	101	99	149	183	261	259	361	434	519	539	643	693	853	Seasonality 842
Spread	193	181	185	203	239	217	250	242	268	268	299	315	340	Seasonality 329
Total	**1,286**	**1,531**	**2,020**	**2,252**	**2,141**	**2,327**	**2,978**	**2,849**	**3,267**	**3,997**	**4,738**	**3,905**	**4,496**	**4,747**

Copyright 2024 GMO Financial Gate, Inc.

5.3 Changes in Revenue Composition and Changes in Gross Profit Margin

Gross profit margin remained in line with sales composition, around the 30% range, rising for four consecutive quarters
Although the recurring ratio has declined due to QoQ, initial gross profit margin has improved due to increased sales of unmanned terminals, etc.

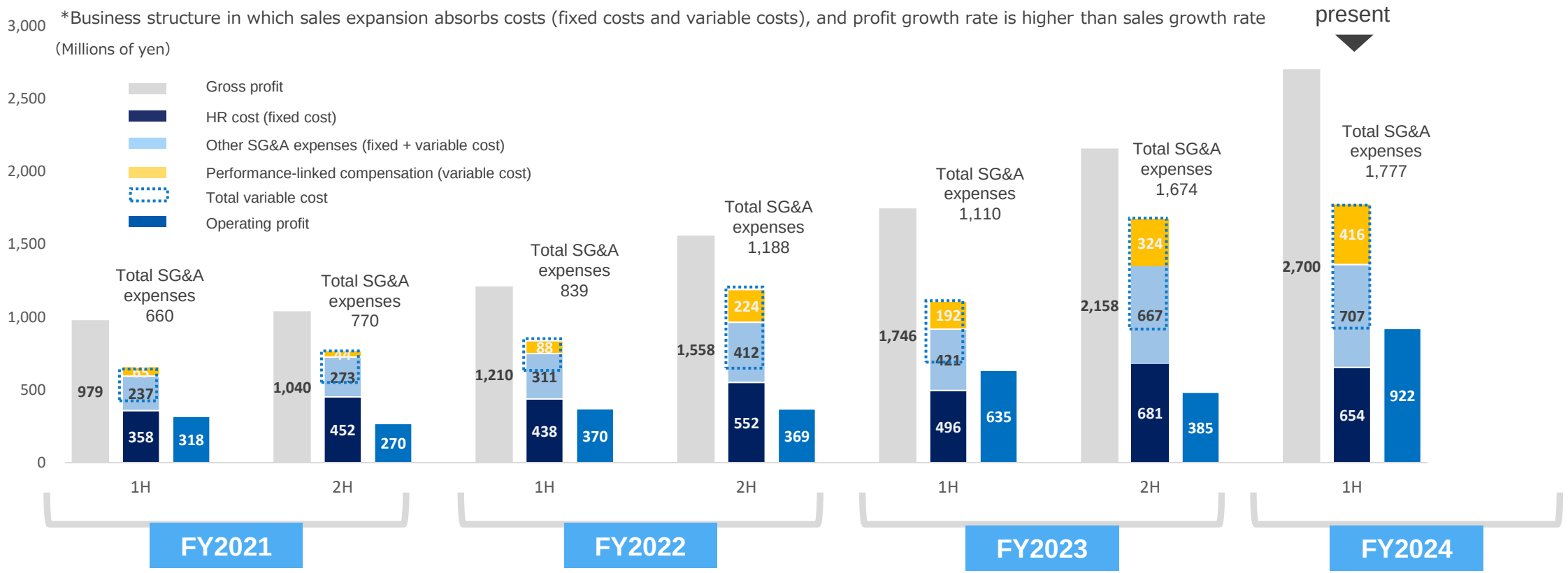


Copyright 2024 GMO Financial Gate, Inc.

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

While actively implementing growth investments that are variable cost elements (1) performance-based compensation, (2) other SG&A, the ability to generate profits has been improved through operating leverage*. Growth investment will be continued in the second half of this year

*Business structure in which sales expansion absorbs costs (fixed costs and variable costs), and profit growth rate is higher than sales growth rate



	FY2021	FY2022	FY2023	FY2024
Number of Employees (End of fiscal year, consolidated basis)	81	96	108	c.125
Operating Profit (Fiscal year, consolidated)	¥ 589 mn	¥ 740 mn	¥ 1,120 mn	¥ 1,410 mn
Operating Profit per employee* (fiscal year, consolidated)	¥ 7.27 mn	¥ 7.71 mn	¥ 10.37 mn	¥ 11.28 mn

*Monitoring operating profit per employee, and pursuing business operations with a small number of high-skilled employees due to an emphasis on productivity and efficiency

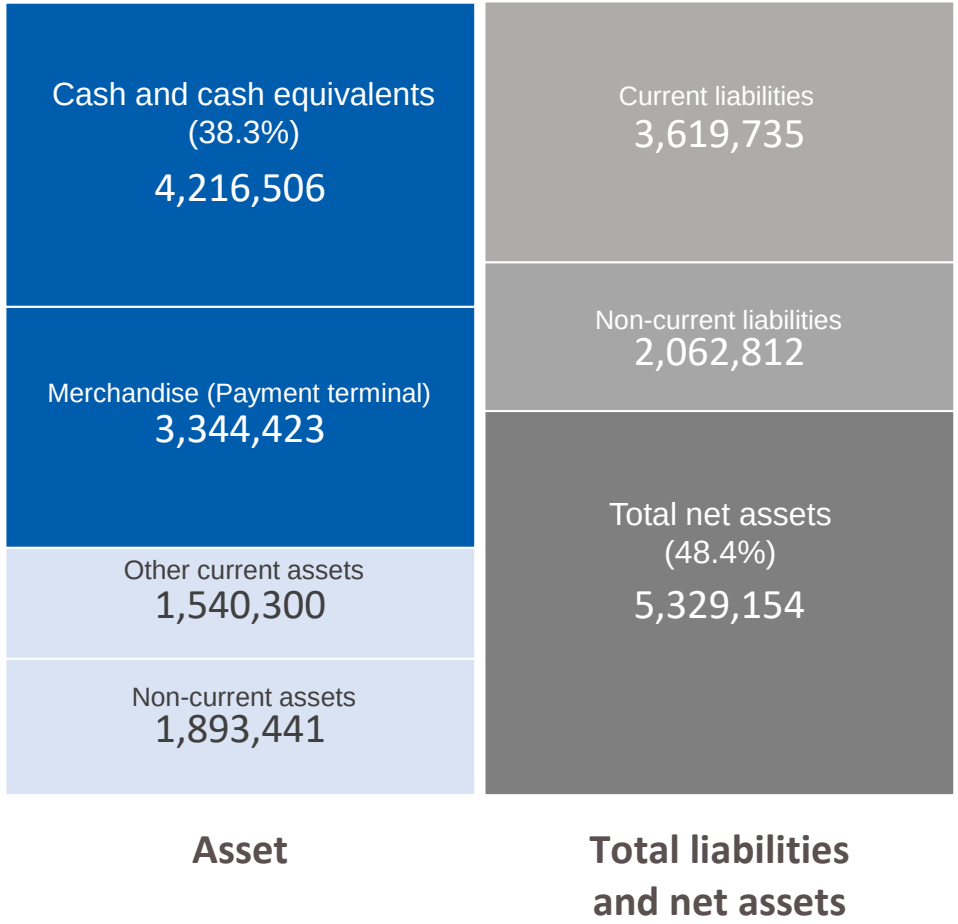
GMO FINANCIAL GATE

Copyright 2024 GMO Financial Gate, Inc.

5.5 Balance sheet

Small increase in cash & cash equivalent, merchandise

End of 2Q FY2024（thousands of yen）



■ **Note**

Merchandise ： ¥ 3.34 bn

Increased by 260mn yen from end of 1Q

Current liabilities ： ¥ 3.61 bn

Increased by 320mn yen from 1Q due to increase in deposits etc.

Non-current liabilities ： ¥ 2.06 bn

Increased by 10mn yen from end of 1Q

Cash and cash equivalents： ¥ 4.21 bn

Increased by 3.1mn yen from end of 1Q

Copyright 2024 GMO Financial Gate, Inc.

5.6 Balance sheet (Quarterly)

(mn yen)			4Q FY21	1Q FY22	2Q FY22	3Q FY22	4Q FY22	1Q FY23	2Q FY23	3Q FY23	4Q FY23	1Q FY24	2Q FY24	QoQ	YoY
Asset	Current assets	Cash and cash equivalents	3,434	1,425	1,618	2,231	2,519	1,720	2,190	2,779	4,015	3,897	4,216	+319	+2,026
		Merchandise	1,615	2,177	2,523	1,545	1,507	2,511	3,131	2,733	2,396	3,077	3,344	+267	+213
		Others	741	868	1,007	884	990	1,527	1,520	1,412	1,093	1,555	1,557	+2	+20
	Non-current assets		1,347	1,409	1,445	1,497	1,622	1,567	1,651	1,692	1,757	1,846	1,893	+30	+242
	Total assets		7,136	5,879	6,593	6,157	6,638	7,326	8,493	8,617	9,262	10,376	11,011	+618	+2,518
Liabilities	Current liabilities		2,720	1,538	2,135	1,575	1,929	2,801	3,220	2,114	2,604	3,298	3,619	+223	+399
	Non-current liabilities		40	37	33	30	39	39	539	1,540	1,541	2,042	2,062	+19	+1,523
Net Asset			4,376	4,304	4,425	4,552	4,671	4,485	4,732	4,962	5,115	5,036	5,329	+374	+597
Total liabilities and net assets			7,136	5,879	6,593	6,157	6,638	7,326	8,493	8,617	9,262	10,376	11,011	+618	+2,518

Copyright 2024 GMO Financial Gate, Inc.

5.7 Consolidated KPIs（Number of Active Terminal）

The number of operating terminals is steadily increasing, driven by manned terminals, while number of unmanned terminals continues to increase due to the trend of self-service and labor saving

（thousand）	4Q FY21	1Q FY22	2Q FY22	3Q FY22	4Q FY22	1Q FY23	2Q FY23	3Q FY23	4Q FY23	1Q FY24	2Q FY24	4Q FY21	1Q FY22	2Q FY22	QoQ (%)	YoY (%)
Manned	39.5	48.4	61.6	75.2	88.3	101.3	118.7	132.7	149.4	162.7	199.5	222.2	246.7	258.3	+11.5 (+4.7%)	+95.5 (+58.7%)
Unmanned (IoT)	30.0	31.8	33.9	40.1	42.4	44.2	45.8	47.6	49.5	52.3	54.1	57.1	59.4	65.8	+6.4 (+10.9%)	+13.5 (+25.8%)
Sold by others	18.8	18.8	19.0	18.6	19.2	18.9	19.2	19.1	19.1	18.8	19.5	19.3	19.9	20.3	+0.4 (+2.1%)	+1.4 (+7.8%)
Total	88.4	99.1	114.7	134.0	150.0	164.5	183.7	199.5	218.1	233.9	273.2	298.8	326.0	344.5	+18.4 (+5.7%)	+110.5 (+47.3%)

Copyright 2024 GMO Financial Gate, Inc.

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

Copyright 2024 GMO Financial Gate, Inc.

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	・Investments in data centers, terminal development, and internal systems ・Investment in human resources (organizational enhancement, hiring, performance-linked compensation, etc.) ・Development investment for IoT (mobility), touch settlement in transportation systems (trains, buses, etc.), and labor-saving/self-support	・Support for cashless transactions in the area of small and medium-sized merchants ・New business related to money services/payment ・Data service/marketing support business ・Building alliances (business alliances, capital tie-ups, etc.)
Basic Investment Policy	・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.	・Careful verification of business profitability and growth potential ・Start lean and small ・Expand investment limits in phases where return on investment is expected

Copyright 2024 GMO Financial Gate, Inc.

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	Stable and continuous dividends
・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 revenue (CAGR 25%) and operating profit (+25% YoY or more) . Increase net income attributable to shareholders through business growth	・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).

Copyright 2024 GMO Financial Gate, Inc.

Supplemental Information

ESG Initiatives (Details)

6

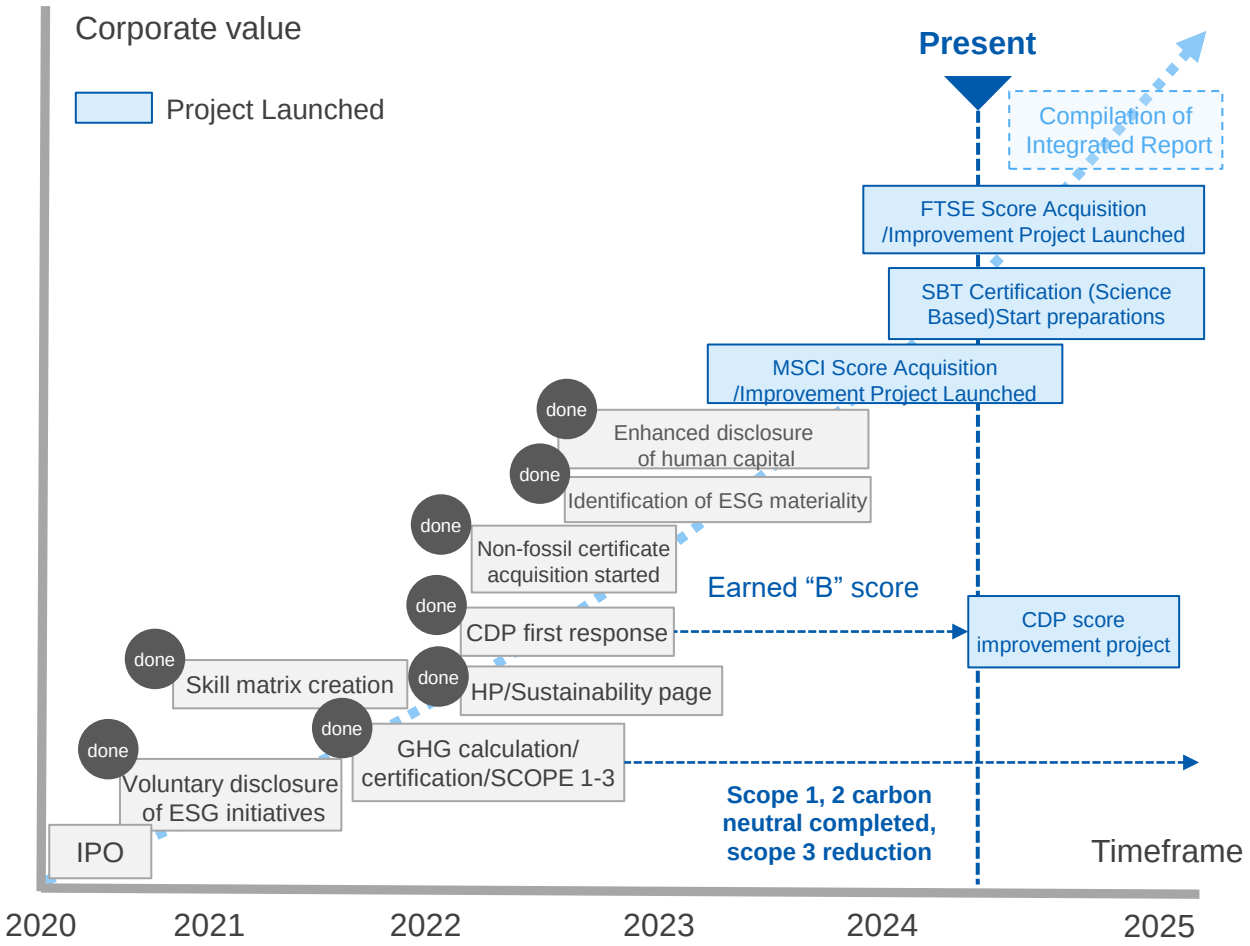
GMO FINANCIAL GATE

Copyright 2024 GMO Financial Gate, Inc.

6.1 (Reposted) Expanding ESG Initiatives

Continuous promotion of ESG initiatives to improve corporate value – will continue to improve as a infrastructure corporation – has completed scope 1, 2 carbon neutral

ESG Initiative Roadmap



To Do's

Promote MSCI score acquisition/improvement project

- Promote project with external consultants to improve MSCI score
- Since the scoring is a relative evaluation, we aim to improve the level of disclosure with consideration for other companies in the same industry.

Project launched for SBT certification (Science Based Targets)

- The SBT (Science Based Targets) Secretariat carries out certification after comparing the levels required by the Paris Agreement with the greenhouse gas emission reduction targets set by each company.
- Project launched to reduce greenhouse gases and data verification continued by third-party verification organization

CDP score improvement project

- Earned B score in 2023
- Will strive to earn A score by implementing external consultants

FTSE score acquisition/improvement project launched

- Visualize issues with the assumption that they will be subject to scoring in the near future
- Started considering countermeasures

Creation of Integrated Report

Formed Project Team

- We plan to create an integrated report from the perspective of enhancing information disclosure in order to promote management that involves more stakeholders.

Copyright 2024 GMO Financial Gate, Inc.

6.2 (Reposted) ESG / External Certification

Obtained a Scope 1~3 guarantee for GHG (greenhouse gas) emissions in September 2023. Achieved carbon neutral for Scope1, 2. Will continue dialogue with partner companies to reduce Scope 3

External Certification (FY2023)

Independent Assurance Report

SOCOTEC

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 25th fiscal year" (period: 1 October 2022 to 30 September 2023)) 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 25th fiscal year" (period: 1 October 2022 to 30 September 2023)) 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 business activities of the Company and its consolidated subsidiaries (2 subsidiaries) described in "GHG Emissions Calculation Procedure Manual (Ver.3.0)".

The criteria for preparing subject matter information is "GHG Emissions Calculation Procedure Manual (Ver.3.0)".

Subject matter information period: 1 October 2022 to 30 September 2023	
Energy-derived GHG emissions	All other indirect GHG emissions that occur in a company's value chain
Scope 1: — t-CO2e	Scope 3: 19,501 t-CO2e
Scope 2: location-based 87 t-CO2e	Breakdown (t-CO2e)
market-based 0 t-CO2e	Category 1: 13,982 Category 2: 110 Category3: 0
	Category 4: 1 Category 5: 4 Category 11: 5,405
	*The Scope 3 totals are the aggregate results for each category, including decimals, and do not apparently match the aggregate results that are rounded off for each category.

GHG (greenhouse gas/Scope 1~3) emissions calculation/reduction schedule

FY2022: 3Q, 4Q
FY2023: 1Q, 2Q, 3Q, 4Q
FY2024: 1Q, 2Q, 3Q, 4Q

Schedule

- Done — Non-fossil certificate for Scope 1-2 (FY2023 1H)
- Done — Non-fossil certificate for Scope 1-2 (FY2023 2H)
- Planned — Non-fossil certificate for Scope 1-2 (FY2024 1H)
- Planned — Non-fossil certificate for Scope 1-2 (FY2024 2H)
- Done — Third Party Assurance (FY2022)
- Done, New — (1) Obtained third-party certificates (FY2023) (2) Achieved Scope 1 and 2 carbon neutrality through GHG visualization and acquisition of non-fossil certificate*.
- Planned — Third Party Assurance (FY2024)

To-Do's

Continue dialogue with our corporate partners, payment terminal manufacturers and system development companies to reduce Scope 3.
(*)Our Scope 3 (indirect GHG emissions derived from the supply chain related to our activities) is comprised of Category 1 (Purchased products and services, Category 2 (Capital goods), Category 11 (Use of sold products) , and others

Details of Scope 1-3

Upstream		GMO-FG		Downstream`	
Scope 3		**Scope 1**	**Scope 2**	**Scope 3**	
Procurement, manufacturing, distribution		Fuel combustion	Use of electricity	Usage, disposal	
Payment terminals	Roll paper	-	Office, processing center	Usage of terminals	Disposal of terminals

*Non-fossil Certificates: Certificates for electricity generated from non-fossil power sources, such as renewable energy sources like solar and wind power, and nuclear power. By purchasing Non-Fossil Certificates, companies can indirectly reduce CO2 emissions related to the electricity they use.

GMO FINANCIAL GATE

Copyright 2024 GMO Financial Gate, Inc.

6.3 ESG-related topics (Materiality Identification/CDP Score B earned)

(1) Identified materiality. (2) Received a "B" in CDP, focusing on prime companies, exceeding the industry average, the Asian average, and the global average. Aiming for "A" in the future, and aiming to improve the score of low evaluation items.

ESG Materiality

			Materiality	Contribution to SDGs
Social Responsibility	1	Infrastructure & Security	Provide safe and secure face-to-face cashless payment infrastructure	11 住み続けられるまちづくりを
Social Responsibility	2	Decarbonization & Environment	Provide environmentally friendly payment terminals	7 エネルギーをみんなに そしてクリーンに; 12 つくる責任 つかう責任; 13 気候変動に具体的な対策を; 17 パートナーシップで目標を達成しよう
Social Responsibility	3	Business Innovation	Incorporate technological advancements	8 働きがいも経済成長も; 9 産業と技術革新の基盤をつくろう
Senior Management	4	Human Resources Human Rights	Secure highly specialized human resources and strengthen investment in their training	3 すべての人に健康と福祉を; 5 ジェンダー平等を実現しよう
Senior Management	5	Governance	Establish a fair and equitable governance structure	16 平和と公正をすべての人に

CDP Score: B earned

What is CDP

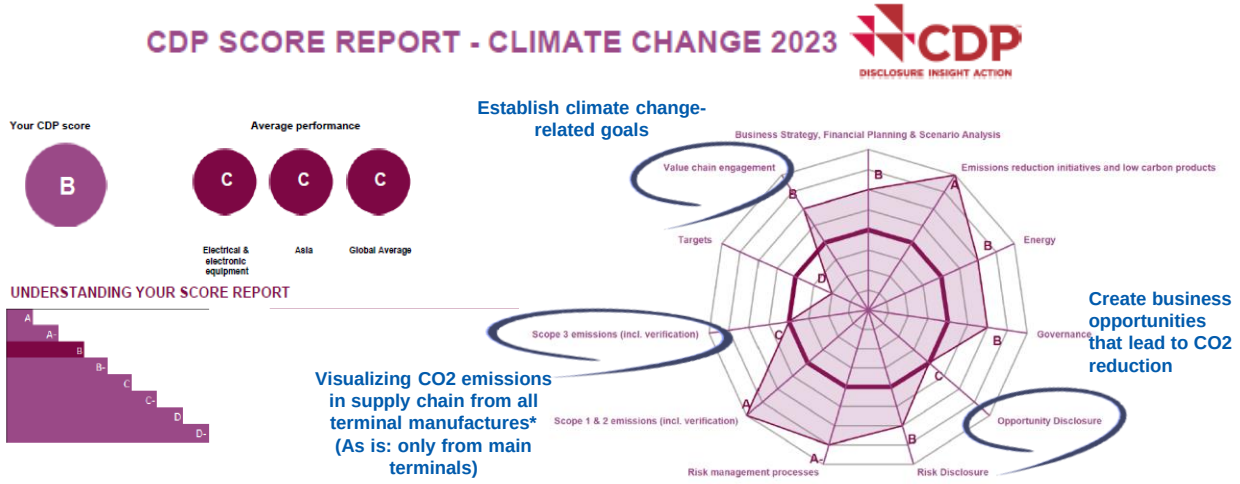
Non-government organization for global warming countermeasures. Sends out a questionnaire to leading companies around the world on topics such as greenhouse gas emissions, business risks and opportunities due to climate change, and evaluates companies' responses to climate change issues based on their responses. Ratings are given in 8 stages: A, A-, B, B-, C, C-, D, D- (B rating is third from the top

B Score

A score of "B" is considered to be at the management level, and indicates that the company has been evaluated as "taking coordinated action on climate issues"

- While our industry average, regional average, and global average are "C", we are a TSE growth market company and has a "B" score that exceeds these standards

- We will continue to strive to enhance disclosed information and aim to obtain an A score



For details, refer to See the release "February 13, 2024 CDP 'Climate Change Report 2023' Receives 'B' Score Rating" URL:https://gmo-fg.com/news/20240213_cdpsucoanintei.pdf

Copyright 2024 GMO Financial Gate, Inc.

6.4 ESG Initiatives / Environment

In the provision of our payment platform, we promote business operations that consider environmental impact. Working to reduce CO_2 emissions related to our business

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_2 emissions	FY2022	FY2023
SCOPE 1 (t-CO2)	0	0
SCOPE 2 (t-CO2)	105	0
SCOPE 3 (t-CO2)	13,927	19,501
Electricity consumption for SCOPE 1 and 2 (kwh)	231,210	200,949

* The subject companies are GMO Financial Gate, GMO Card Systems, and GMO Data, a consolidated group of companies.
* Data for SCOPE 1～3 will be verified by a third-party verification organization in the future.
* Achieved virtually 100% renewable energy by using renewable energy equivalent to SCOPE 1 and 2 electricity consumption.

Copyright 2024 GMO Financial Gate, Inc.

6.5 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

*Employees are referred to as partners

Initiatives

- **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.
- **Employment of the Disabled**
  - Inclusivity of diverse employees, creating a better workplace

Social Related Data

	FY2022	FY2023
Number of Partners*	124	148
(Breakdown) Number of employee partners	96	108
(Breakdown) Number of temporary partners	28	40
Percentage of women among employee partners	22.8	32.4
Percentage of women in management partners	14.3	13.6
Average years of service	3y 7m	3y 10m
Average age	40.9	42.7
Turnover rate	9.5	4.6

*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) .

*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.

* From the fiscal year ending September 2023, contracted and dispatched partners will be excluded from the calculation of the turnover rate.

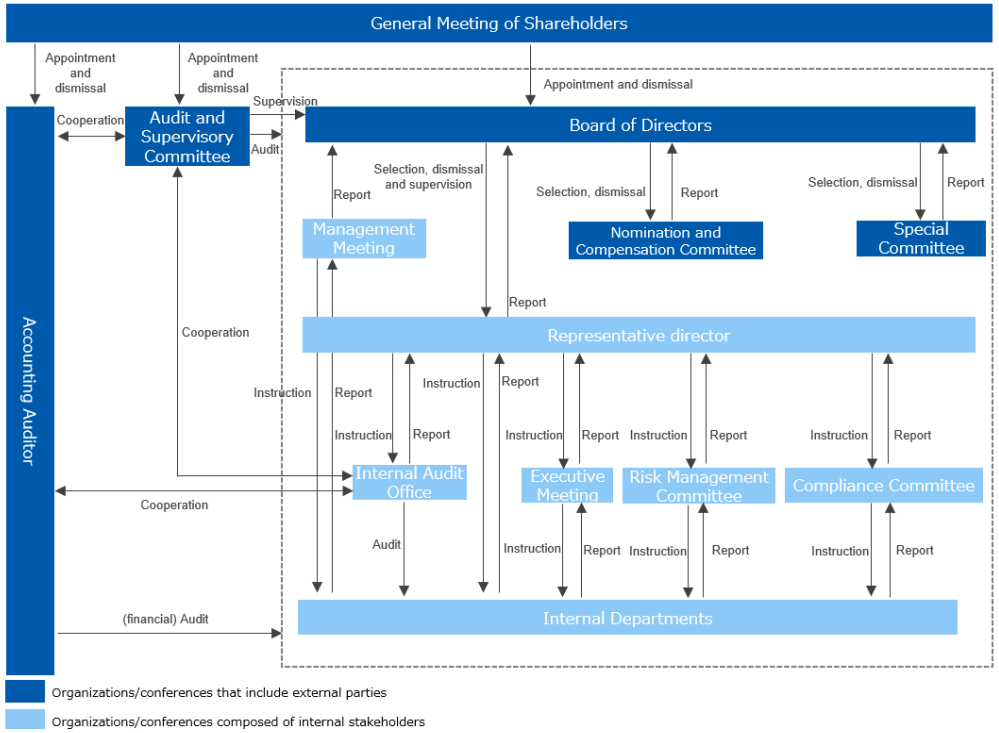
Copyright 2024 GMO Financial Gate, Inc.

6.6 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, a fair, transparent, and efficient business execution structure

Specific Efforts

- **Transition to a company with an audit and supervisory committee**：External directors account for more than 1/3 of the Board of Directors, eliminating decision-making that would create a conflict of interest with shareholders.
- **Establishment of a special committee**： Strengthen the governance of the board of directors and protect the interests of minority shareholders



Governance Related Data

Outside Directors/Female Directors	FY2023
Number of directors	7
Number of independent outside directors (%)	2 (28.6%)
Number of female directors (%)	1 (14.3%)

*Number and percentage of directors expected to be in office as of 12/14/2023

Attendance rate at Board of Directors Meetings (FY2023)

Times Held	Held/ Percentage	Sugiyama	Aoyama	Fukuda	Tamai	Koide	Shimamura	Asayama
		President and Representative Director	Board Member	Board Member	Board Member	Board Member	Independent Outside Director	Independent Outside Director
17 times	Times Attended	17	17	17	14	17	17	17
	attendance rate	100%	100%	100%	100%	100%	100%	100%

*Directors in office as of the date of submission of this document (12/14/2023)
*For directors appointed during the term, indicate the number and rate of attendance since their appointment.

Board of Statutory Auditors FY2023

Number of times implemented	Number of times/percentage	Nagasawa	Ozawa	Iinuma
		Independent Outside Corporate Auditor	Independent Outside Corporate Auditor	Auditor
13	Times Attended	14	14	14
	Attendance Rate	100%	100%	100%

IR Activities	FY2022	FY2023
Financial Results Briefing	4	4
Number of 1-on-1 meetings	267	232
Group meetings sponsored by brokerage firms	3	3

Copyright 2024 GMO Financial Gate, Inc.

6.7 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, Solution Partner 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 Solution Partner Division; President and Representative Director of GMO Data since August 2019

Tomonaga Fukuda ／ Director, General Manager, IT Platform 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 IT Platform Division

Tomoki Tamai ／ Director, General Manager, Corporate Support 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 Corporate Support 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 (Audit and Supervisory Committee Member)

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 (Audit and Supervisory Committee Member)

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 her experience in promoting diversity and as executive vice president of a general business company).

Takayoshi Nagasawa／ External Director (Audit and Supervisory Committee Member)

36 years in the systems industry, working with clients in the financial and distribution industries; appointed as an auditor in December 2016 (appointed as an outside director as a member of the audit committee to strengthen the internal control system and to audit the directors' execution of their duties); concurrently serving as an auditor of GMO Data from August 2019

Satoru Ozawa／ External Director (Audit and Supervisory Committee Member)

46 years in the systems industry, working with clients in the corporate management and banking industries; appointed as an auditor in December 2016 (appointed as an outside director as an audit committee member to strengthen the internal control system and to audit the directors' execution of their duties).

Definition of notation
GMO-FG: GMO Financial Gate, GMO-PG: GMO Payment Gateway
* Describes directors in office as of March 31, 2024.

6.8 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 (outside the company / Independent Director)	Rie Asayama (outside the company / Independent Director)	Takayoshi Nagasawa (outside the company / Independent Director)	Satoru Ozawa (outside the company / Independent Director)
Job title	President and Representative Director	Director, General Manager, Solution Partner Division	Director, General Manager, IT Platform Division	Director, General Manager, Corporate Support Division	Director	Director (Audit and Supervisory Board Member)	Director (Audit and Supervisory Board Member)	Director (Audit and Supervisory Board Member)	Director (Audit and Supervisory Board Member)
Practicing GMO-ism*	●	●	●	●	●	●	●	●	●
Corporate management	●	●					●		●
System Security			●						
Risk managAement			●	●			●	●	●
Legal & Governance				●		●		●	●
Finance, Accounting & Tax				●					
Sales and Marketing		●			●				
Investment (M&A)				●					
Financial Business							●		
Human Resource Development and Recruitment, Diversity					●		●		
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, 2024.

Copyright 2024 GMO Financial Gate, Inc.

Supplemental Agenda

Appendix

GMO FINANCIAL GATE

Copyright 2024 GMO Financial Gate, Inc.

GMO-FG Business Domain

GMO-FG is focusing on offline payment

Company name	GMO FINANCIAL GATE	GMO PAYMENT GATEWAY
Business Domain	GMO Financial Gate (Payment at Brick & Mortar + IoT)	GMO Payment Gateway (EC)
Payment method	**Payment by passing card/QR code over the reader** 	**Payment by entering credit card information in PC / mobile phone**
Medium	**Payment terminal**	**EC (terminal is unnecessary)**

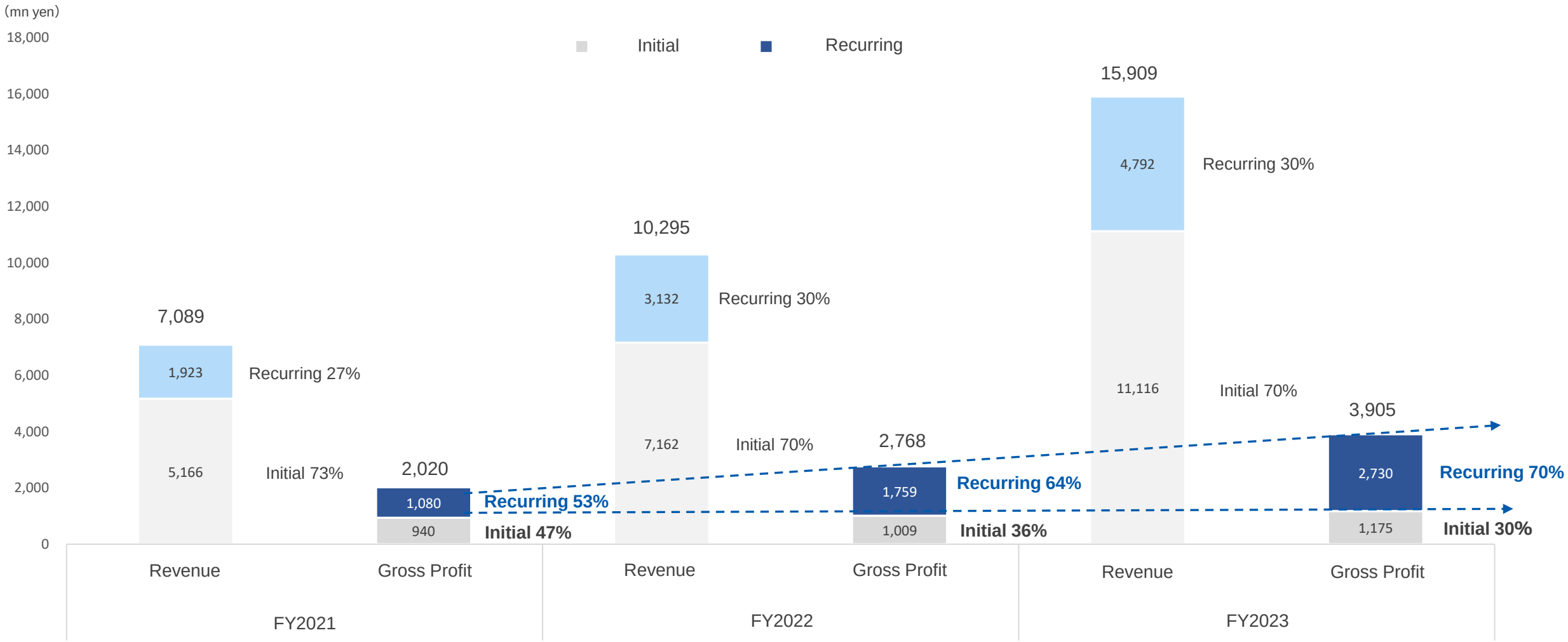
- **Physical hardware network**
- **Proprietary programming code specifications**
- **Regulation**

Copyright 2024 GMO Financial Gate, Inc.

Gross profit composition ratio

Growth in recurring revenue leads to steady profitability base

Composition by Product Category (Revenue and Gross Profit)

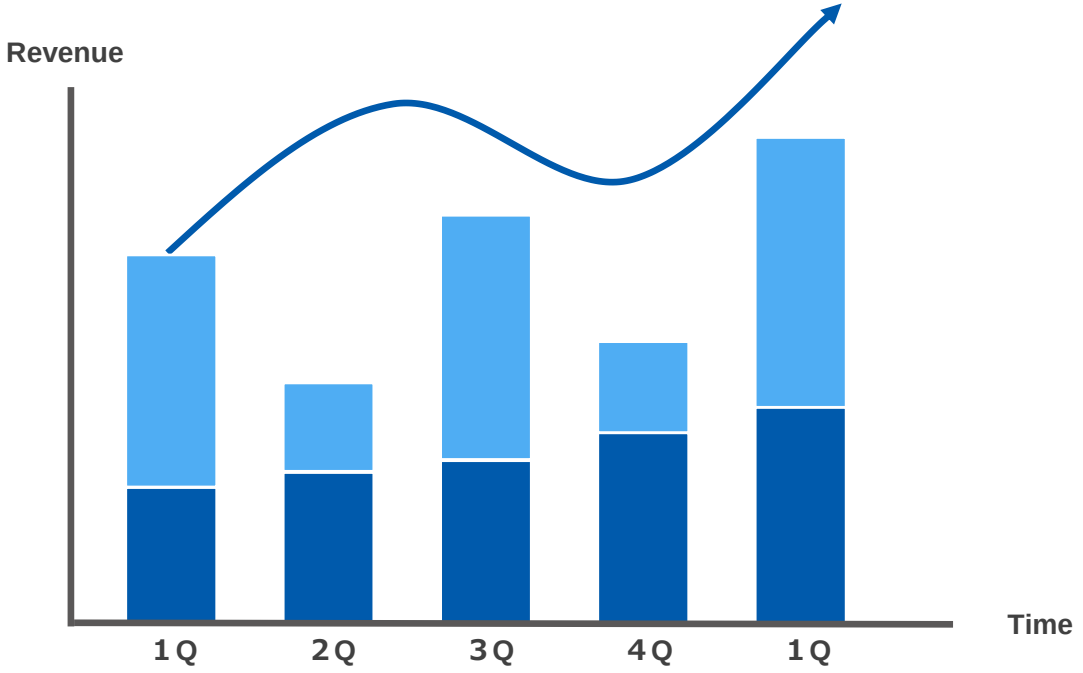


Copyright 2024 GMO Financial Gate, Inc.

Revenue Models: Financial Gate vs. Payment Gateway

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

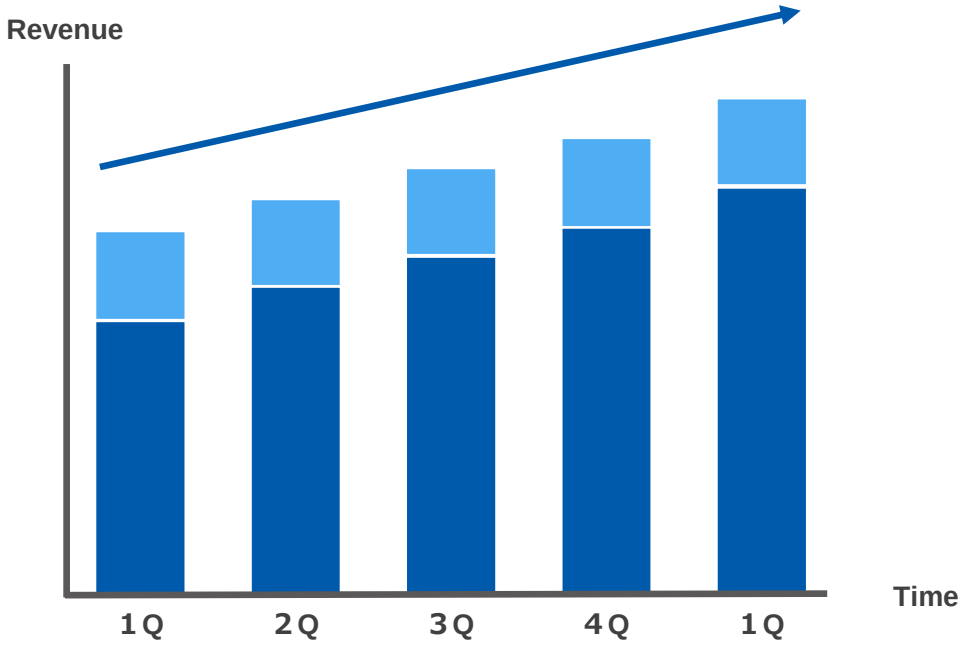
GMO FINANCIAL GATE



Initial Revenue（Terminal Sales・Software Development）

Recurring-Model Revenue（Stock, Fee, Spread）

GMO PAYMENT GATEWAY



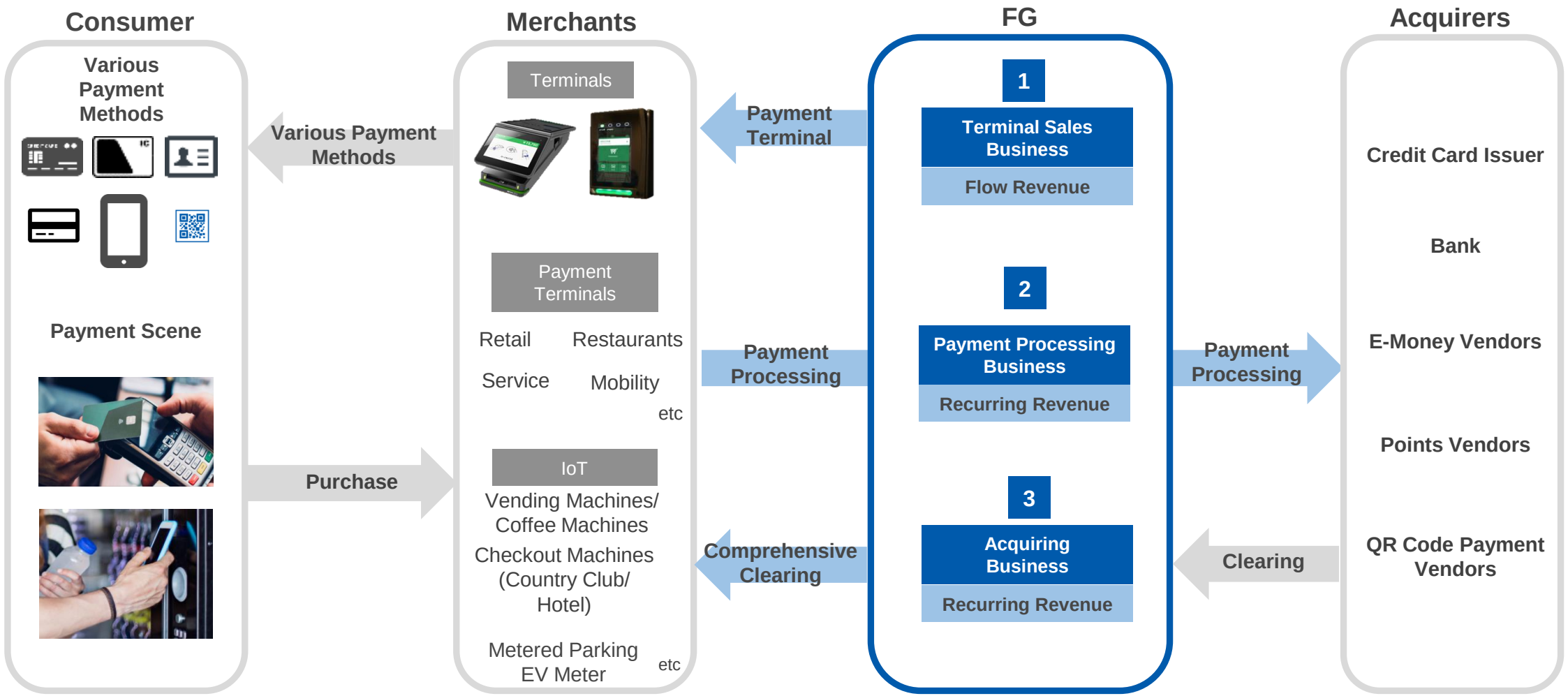
Initial Revenue（Initial Set up Fee, etc…）

Stock, Fee, Spread Revenue

Copyright 2024 GMO Financial Gate, Inc.

Three Biz Models Over a Single, One-Stop Platform

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



Copyright 2024 GMO Financial Gate, Inc.

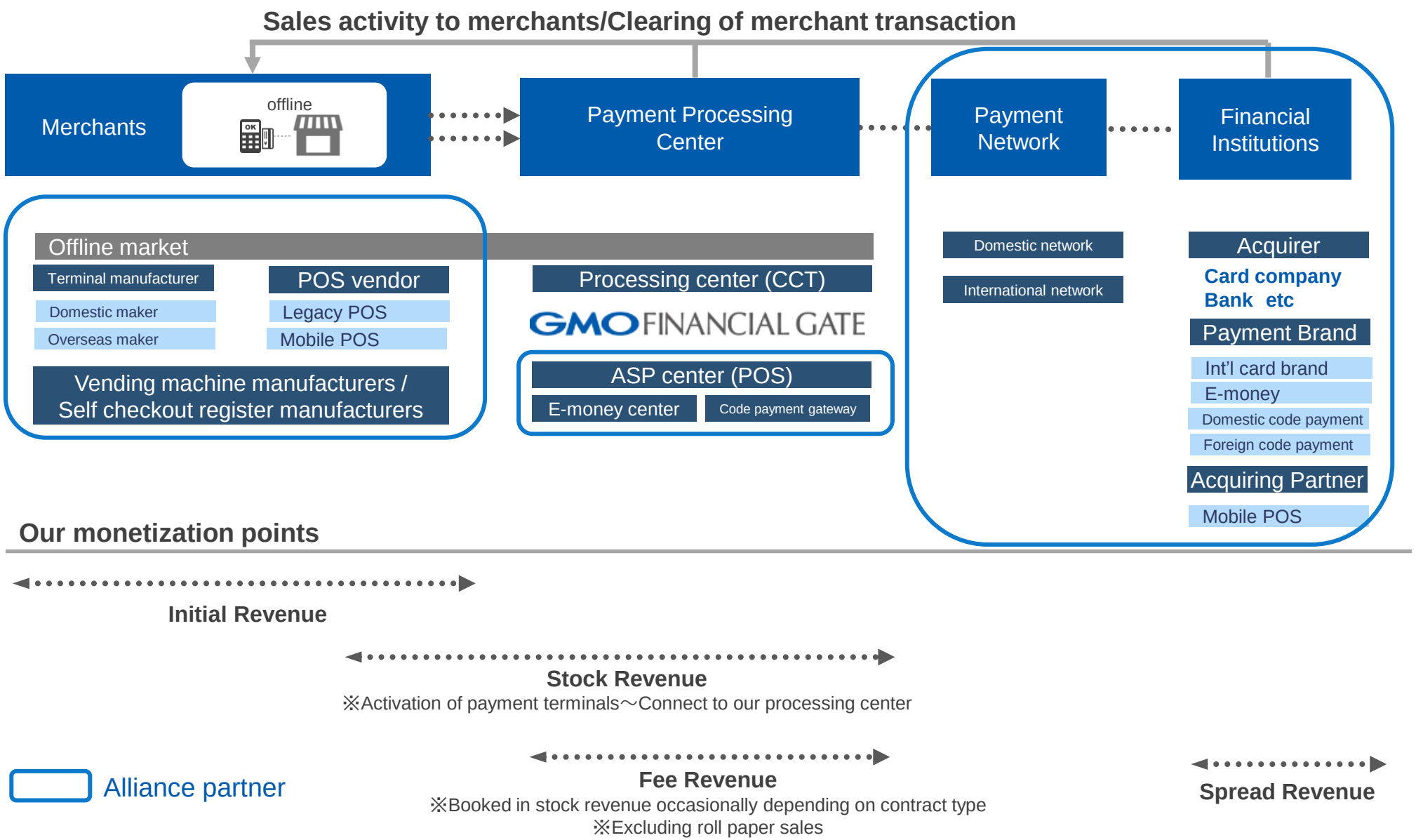
Recurring-Model Revenue Expansion Originating From Terminal Sales

Recurring-model revenue grows with flow model revenue which is mainly coming form the sales of payment terminals

Revenue Model	3 Business	4 Types of Revenue	% (2Q FY2024)
Flow Model Revenue	① Terminal Sales Business	Initial	65.5%
Recurring-Model Revenue	② Payment Processing Business	Stock	8.9%
		Fee	18.3%
	③ Acquiring Business	Spread	7.3%

Copyright 2024 GMO Financial Gate, Inc.

Players in offline cashless payment setting

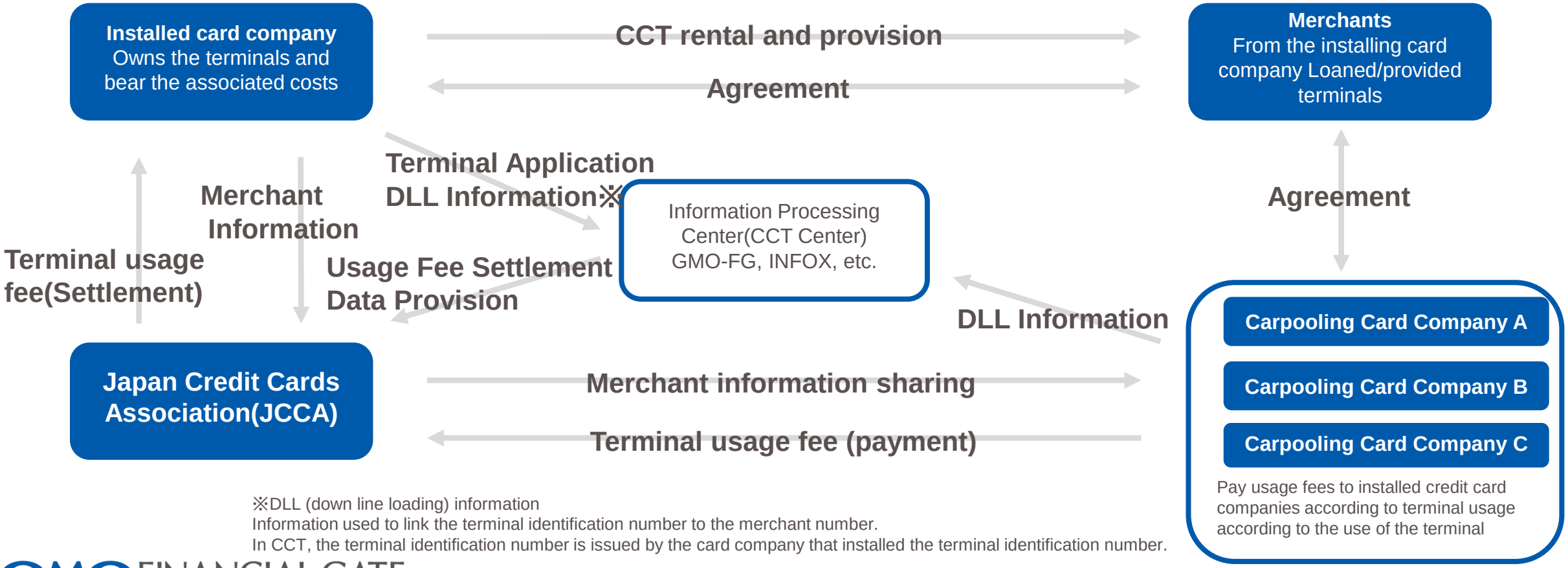


Copyright 2024 GMO Financial Gate, Inc.

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



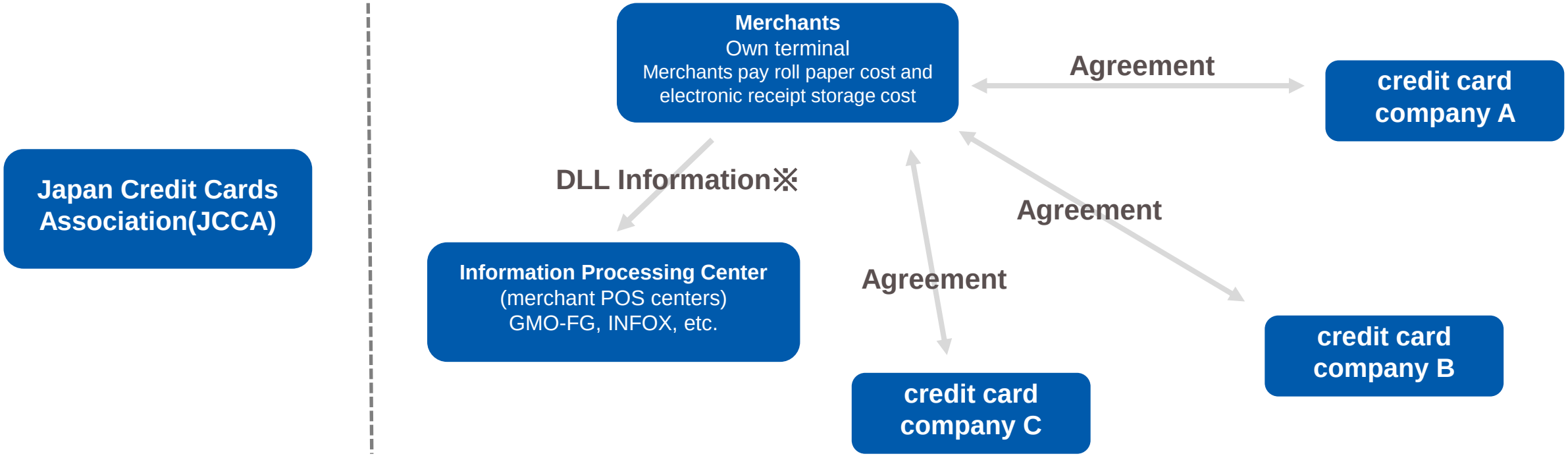
※DLL (down line loading) information
Information used to link the terminal identification number to the merchant number.
In CCT, the terminal identification number is issued by the card company that installed the terminal identification number.

Copyright 2024 GMO Financial Gate, Inc.

Merchant POS (Merchant-owned terminals)

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.

Copyright 2024 GMO Financial Gate, Inc.

Increase in stera lineup

stera unit, mobile has been released in addition to stera terminal
Usage expected to increase in different scenes

New

stera terminal

unit

Self Checkout

KIOSK

stera terminal

standard

Usage Scenes

Increase in Usage Scenes

Counter Checkout

Increase in Usage Scenes

New

stera terminal

mobile

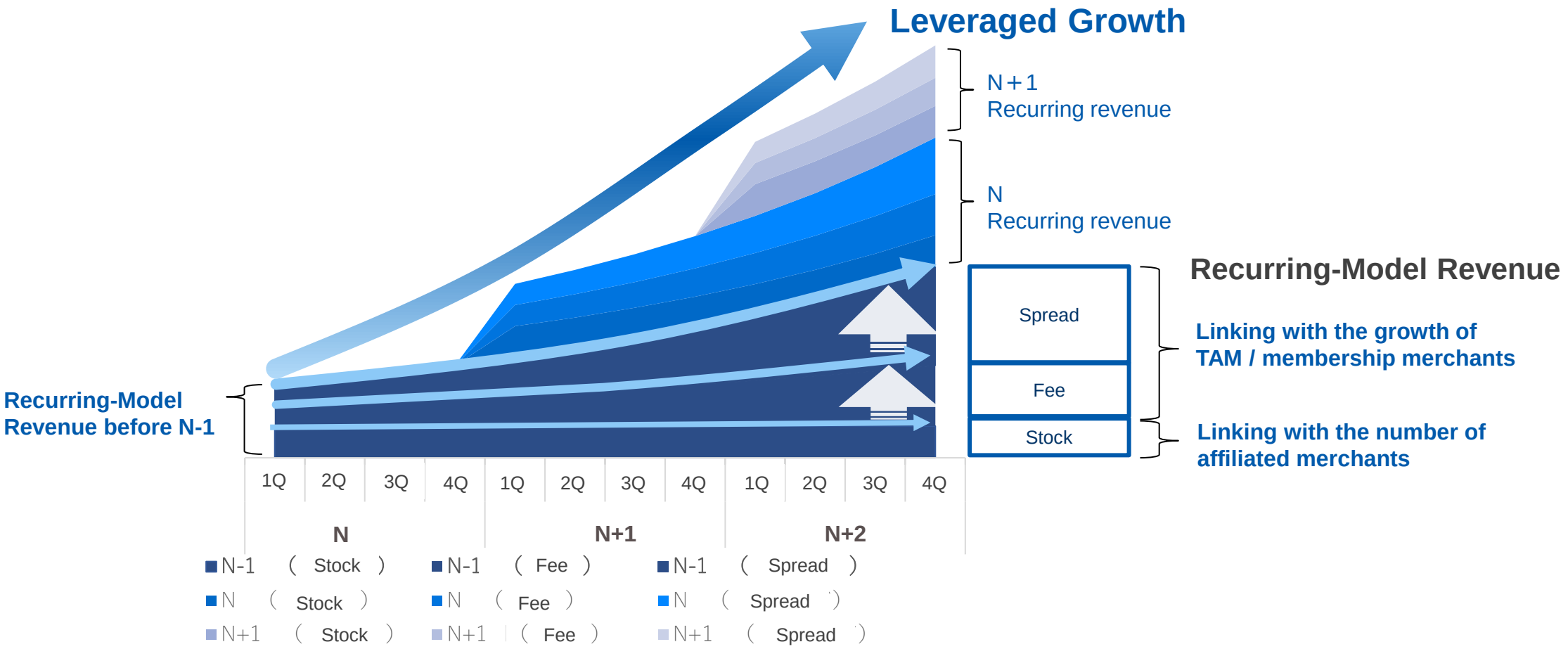
Cart POS

Table Check

Copyright 2024 GMO Financial Gate, Inc.

Leveraged Growth Model

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



Copyright 2024 GMO Financial Gate, Inc.

Difference between the number of terminals sold and the number of active terminals

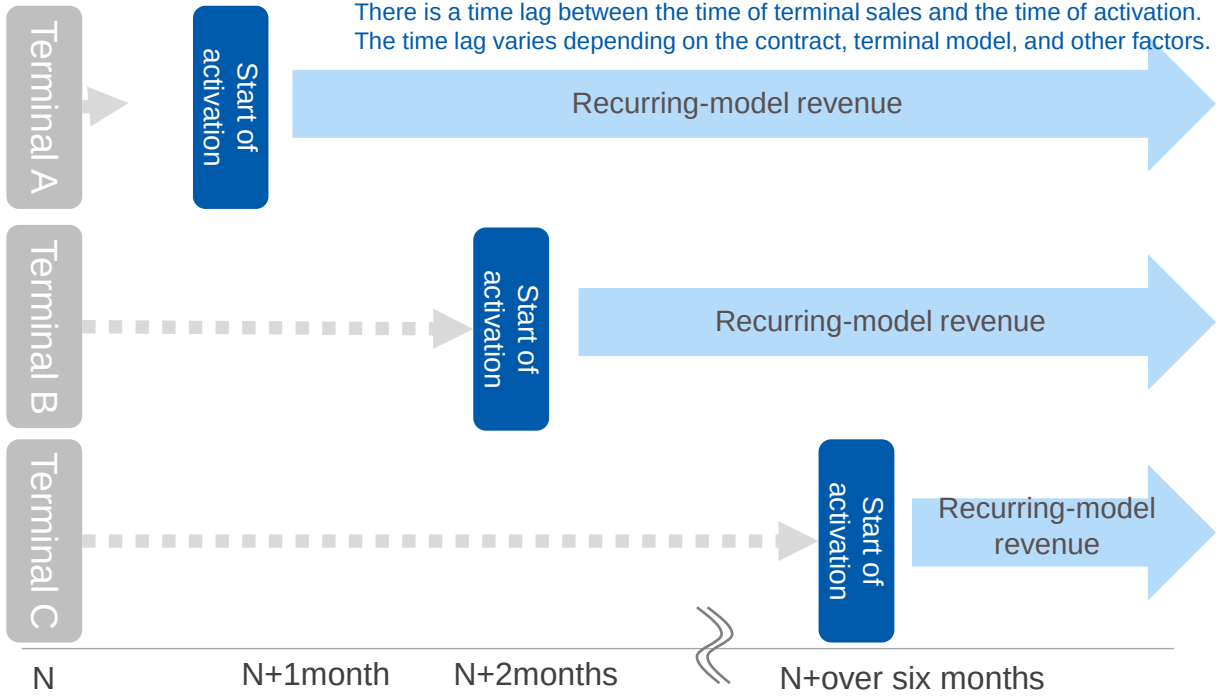
Initial revenue = Number of terminals sold × Average selling price per terminal + Accessory sales + Development sales
Number of active terminals = Number of terminals that have processed payment at least once in the quarter

Time lag between terminal sales and activation

Terminal sales
(Initial Revenue)

Start of activation
(Recognition of recurring-model revenue begins)

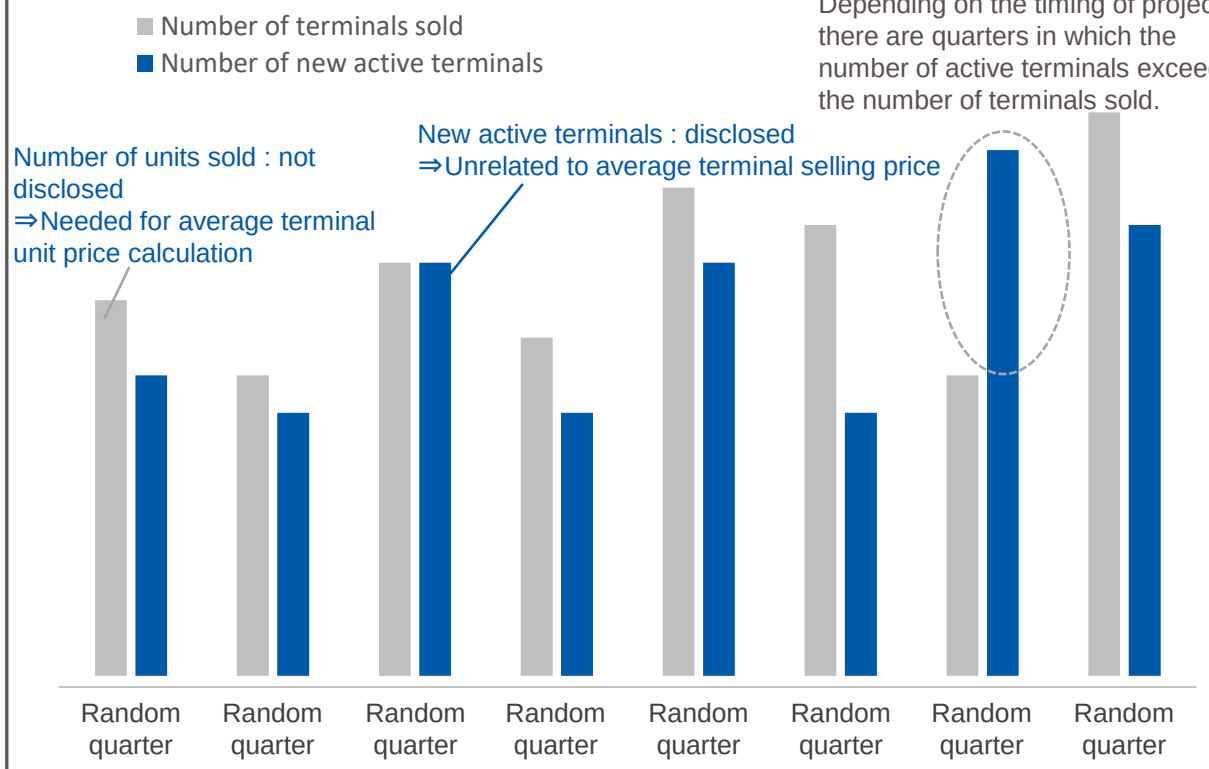
There is a time lag between the time of terminal sales and the time of activation.
The time lag varies depending on the contract, terminal model, and other factors.



・Even if a company sells terminals, it will not generate recurring revenue unless the terminals are in operation. We place importance on the number of active terminals, which is the source of recurring revenue, and disclose it as a KPI.
・Initial sales ÷ increase in the number of active terminals" ≠ average unit price per terminal

Image of quarterly balance in "Terminals sold" and "new active terminals"

Depending on the timing of projects, there are quarters in which the number of active terminals exceeds the number of terminals sold.



・Sales and capacity utilization both rise and fall each quarter, depending on the project, and are not completely linked.
・However, there are also quarters in which "utilization > sales" due to simultaneous utilization of large projects, etc.
・However, there are also quarters when "utilization exceeds sales" due to large projects going into operation simultaneously, etc.

Copyright 2024 GMO Financial Gate, Inc.

Details on each revenue ①

Initial	Content	Revenue Model
Payment terminal sales	Revenue from Payment terminals purchased from terminal manufacturers, and then confirm certain measures of payment methods that each merchant needs to accept.	• **Terminal Selling Price × Units Sold** ✓ More than 10 types of terminals ✓ Price range is from about ¥30K up to ¥100K
Software development	Software development that meets customers needs such as widening acceptable payment measures and adding point-payment functionality	• **Number of Deals × Ordered value** ✓ Since software development is tailor made type revenue, deal size and margin vary from time to time
Stock	**Content**	**Revenue Model**
Transaction Inquiry Service	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	• **Number of contracts × Service Price** ✓ Service price is around ¥500 to ¥1K per terminal per month
Points & QR	It is a service to add point/QR payment app to the terminals merchants have. We charge it as monthly fixed fee	
Rental (Mobile terminal)	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	
Mobile SIM	It is a SIM card fee to use mobile type terminals. We charge it as monthly fixed fee	
Digitalization Assistance	Revenue from settlement data transferred to merchants, registration changes, assistance which leads to back office support for clients	• **Number of contracts × Monthly Fixed Fee** ✓ Monthly fixed fee will vary depending on the size of contract etc..
Processing (Monthly fixed fee model)	It is a processing fee based on monthly fixed rate *Basically, it is defined as "Fee" revenue when it comes to the case we charge as Pay As You Go billing, not fixed rate	

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

Copyright 2024 GMO Financial Gate, Inc.

Details on each revenue ②

Fee	Content	Revenue Model
Processing	It is a fee we charge toward monthly transaction volume based on the rate per transaction	• **TRX Volume× Processing Fee** ✓ Processing fee is about ¥2 to ¥3 per transaction
Roll paper	This is a sales of roll paper that is used with payment terminals at stores	• **Number of Order × Price of Roll Paper** ✓ The price range of roll paper is about ¥130 to ¥200.
Electronic receipt storage	Optional service to store vouchers electronically, sales to be billed based on the number of payment transactions subject to the contract	• **Number of settlement processes subject to contract x unit processing fee** ✓ Unit processing fee is about ¥1 per transaction

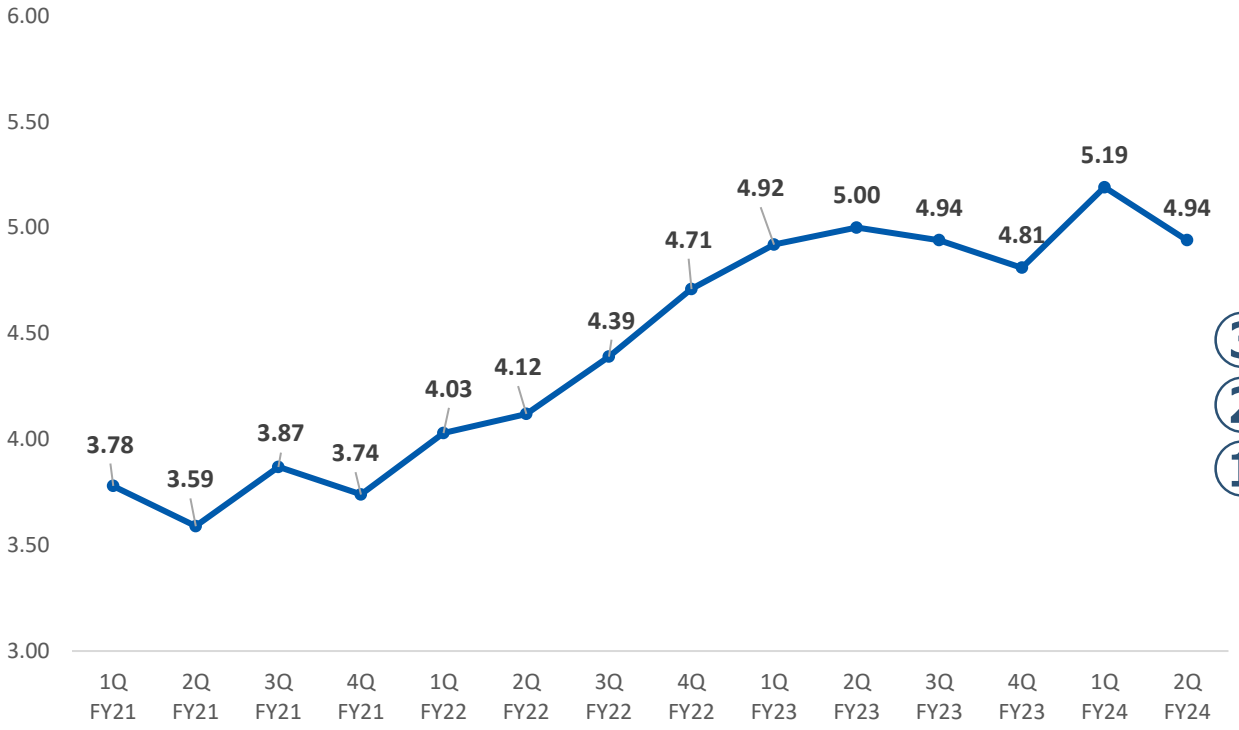
Spread	content	Revenue Model
Acquiring **（Settlement agent）**	We charge spread fee (α) towards clearing amount to merchants We received indicator rate (N) from acquirers, then we acquire merchants instead of acquirers with the new rate (N+α＝merchant fee)	**GMV of Agent Contract** **×** **Spread fee we charge (about 0.3～0.4%)**

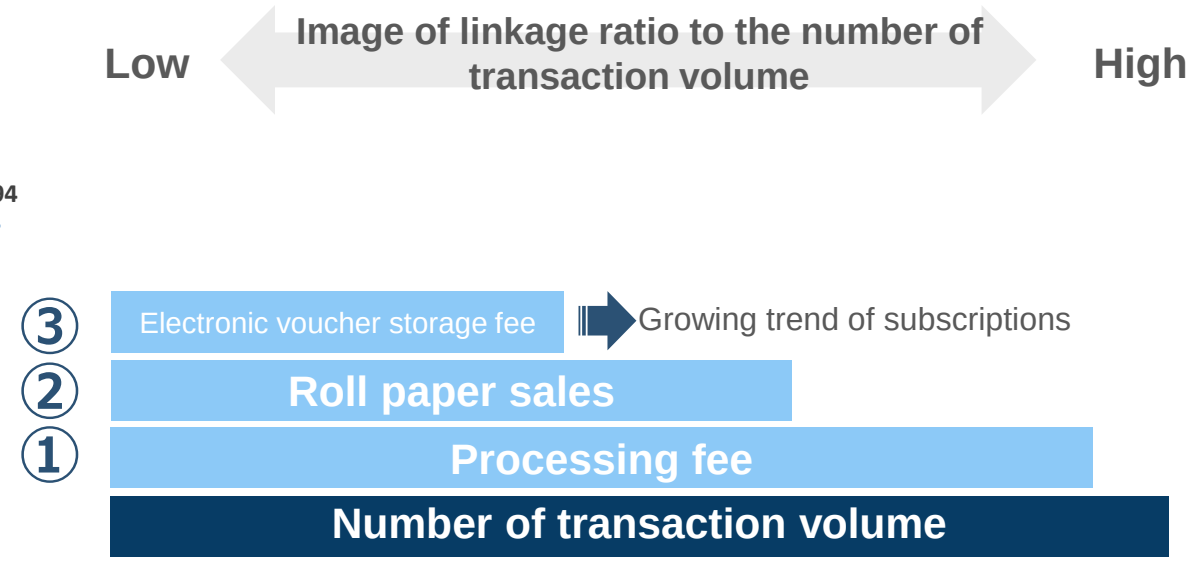
Copyright 2024 GMO Financial Gate, Inc.

Fee ARPU (Fee revenue divided by Transaction volume)

Fee revenue fell in 2Q due to fluctuations in roll paper cost.

■ Fee ARPU（Fee revenue divided by Transaction volume）





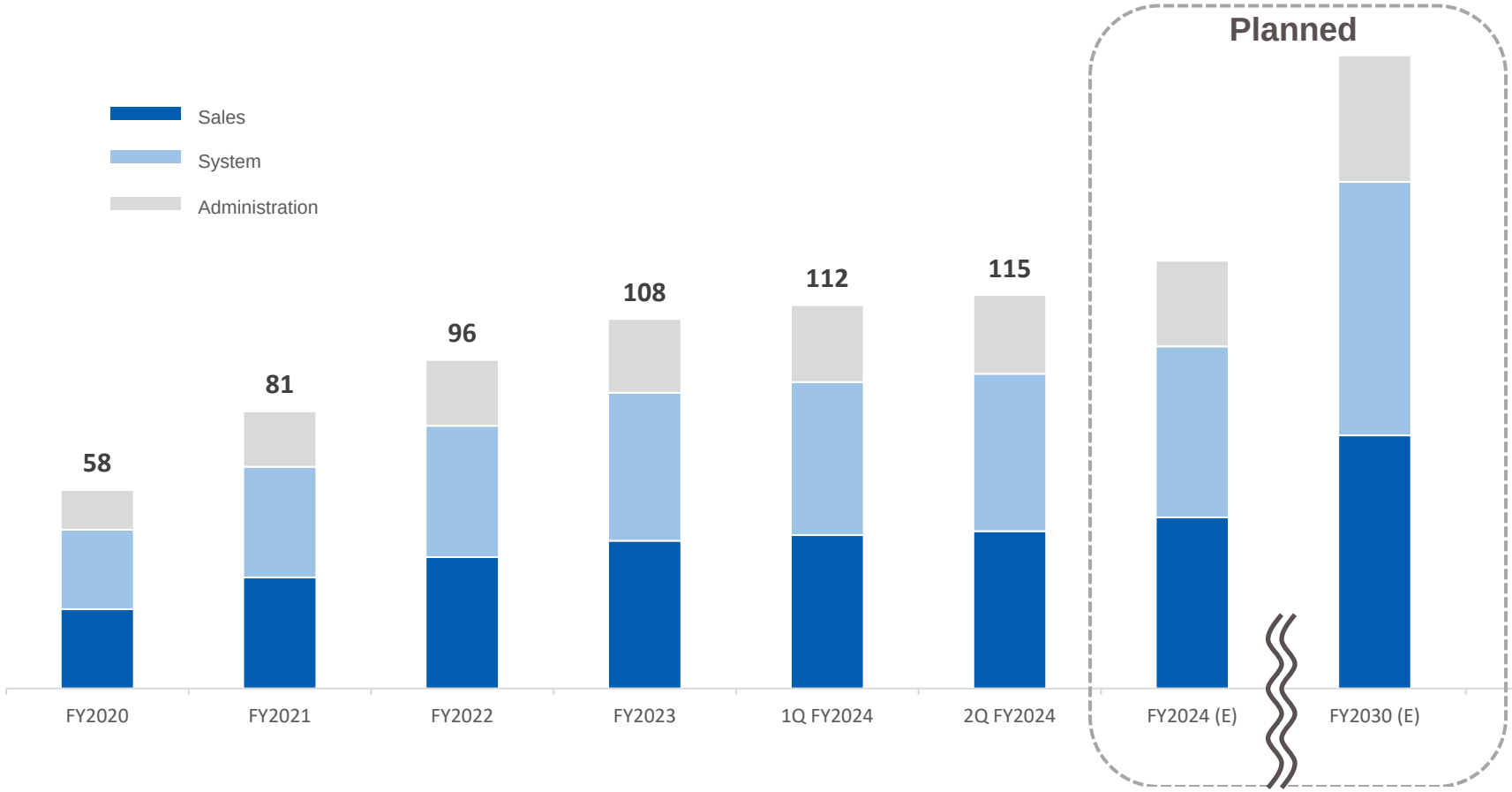
*Length is an image and does not reflect actual numbers or scale

Copyright 2024 GMO Financial Gate, Inc.

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 : can build alliances and promote
Talents who 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.

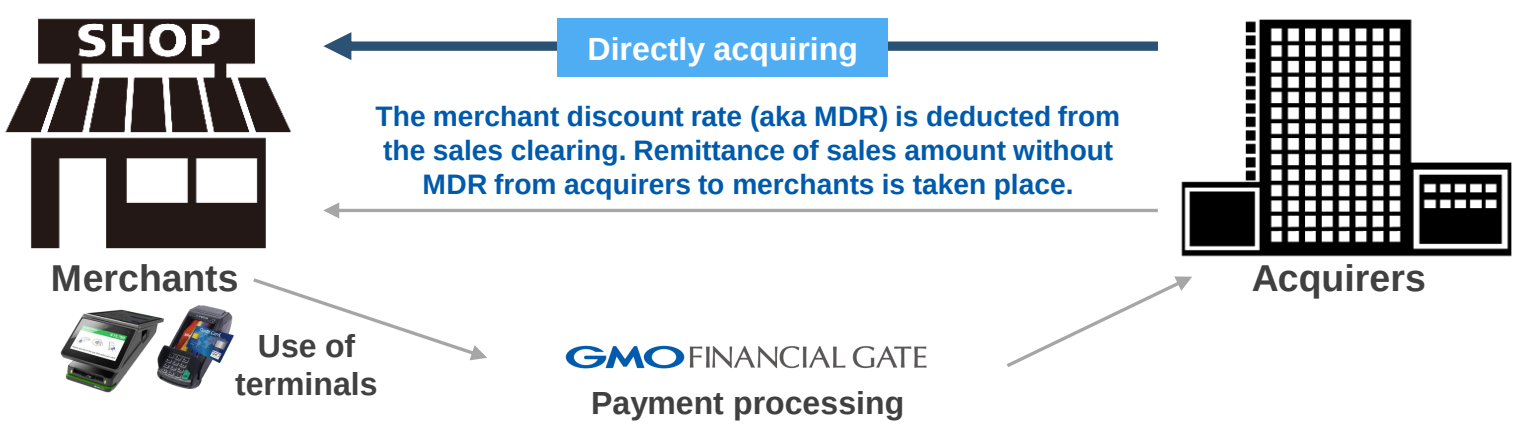
Copyright 2024 GMO Financial Gate, Inc.

Concept of Spread revenue ratio to GMV

Our total GMV is the sum of ①and ②below. Spread revenue is generated only in the case of ②Agent 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

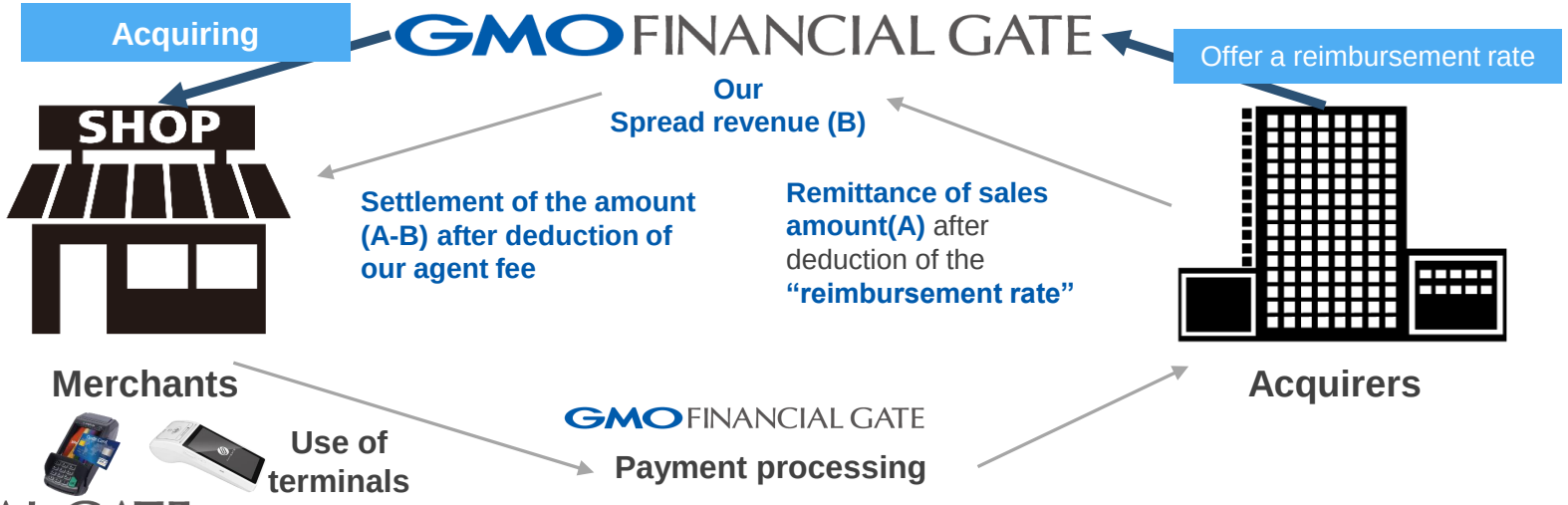


Enjoyable revenue

- Initial
- Stock
- Fee

2 Agent contract

Mainly small medium merchants



- Initial
- Stock
- Fee
- **Spread**

Copyright 2024 GMO Financial Gate, Inc.

Relationship between number of active terminals & stock revenue

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

Payment Terminal Offering

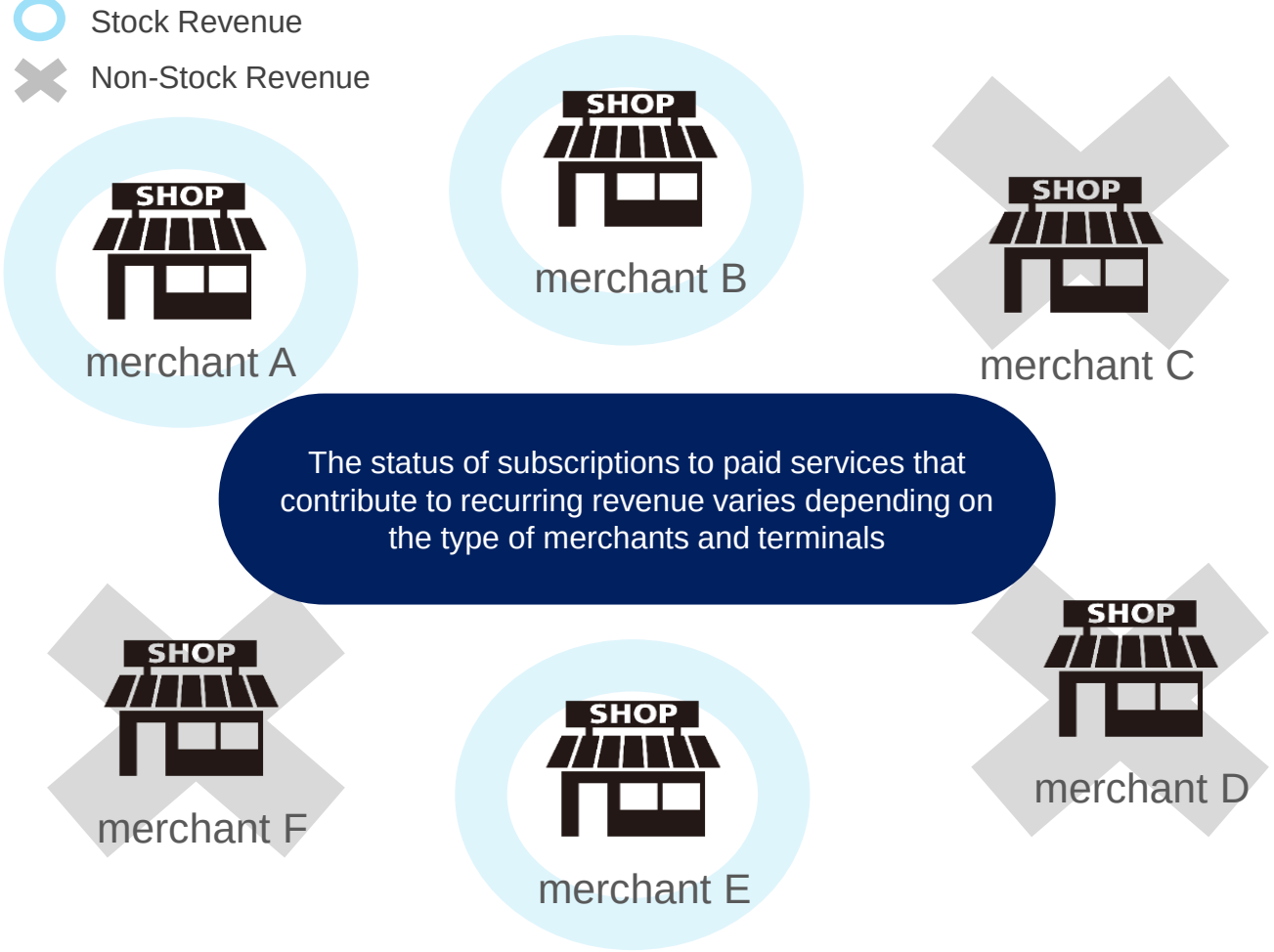
Floor-Standing Model

Mobile Model

Embedded Model

POS Model

Merchants（Acquisition opportunity image of Stock revenue）



Copyright 2024 GMO Financial Gate, Inc.

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

	Flow model revenue	Recurring model revenue		
	① Initial	② Stock	③ Fee	④ Spread
Credit・China Union Pay・J-debit	○	○	○	○
E-money	○	○	○*	○
QR code	○	○	○*	○
Point	○	○	○*	—
House point・House E-money	○	○	○*	—
Duty exemption	○	○	○*	—

*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.

Copyright 2024 GMO Financial Gate, Inc.

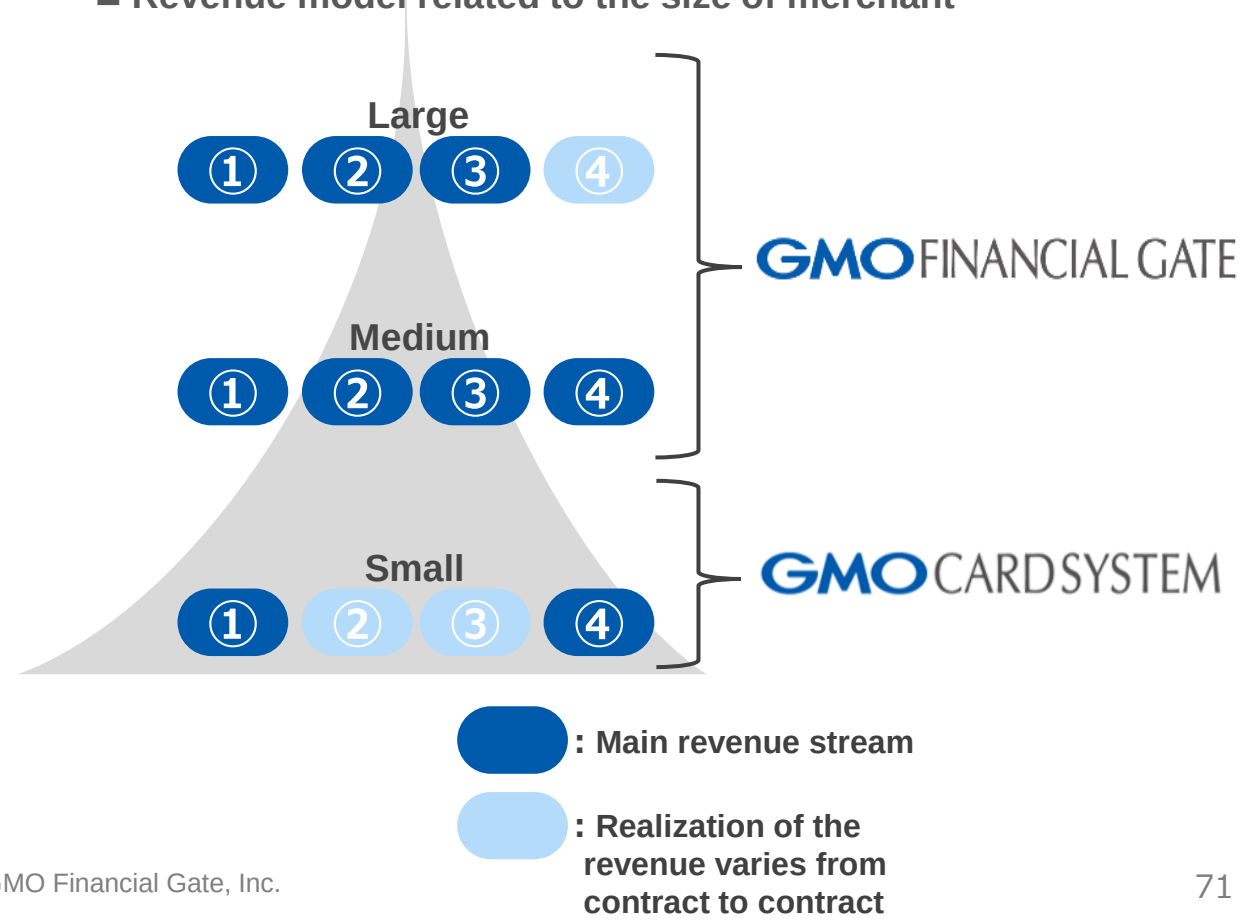
Revenue Model by Merchant Size

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**



Copyright 2024 GMO Financial Gate, Inc.

Medium-Term Strategy Acquiring major merchants by focusing on alliances

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

Credit

VISA, mastercard, JCB, AMERICAN EXPRESS, Diners Club INTERNATIONAL, DISCOVER, UnionPay 銀聯

E-money

交通系IC, iD, QUICPay, WAON, PiTaPa, nanaco, Edy, SAPICA

QR code

LINE Pay, Pay メルペイ, au PAY, PayPay, R Pay, ゆうちょPay, d払い, Smart Code, UnionPay 銀聯, Jcoin, FamiPay, 支付宝 ALIPAY, 微信支付 WeChat Pay

J-debit

J-Debit

House points

TOPPAN GIFTCARD, FeliCa ポケット, repica point+plus

Common Points

WAON POINT, d POINT, R POINT

Duty exemption

Smart Detax

Terminals we offer

Floor-Standing Model

Mobile Model

Embedded Model

POS Model

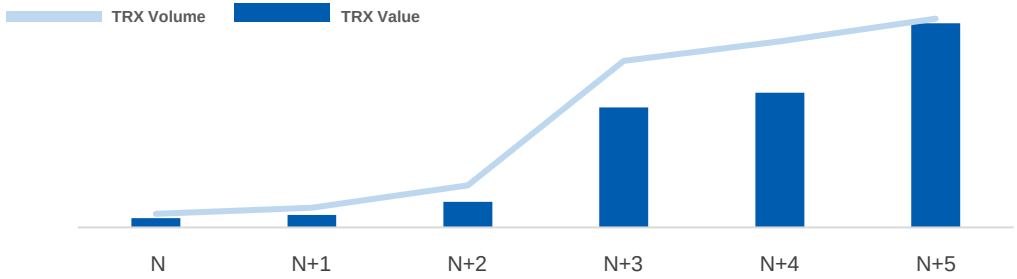
Cashless Platform

Copyright 2024 GMO Financial Gate, Inc.

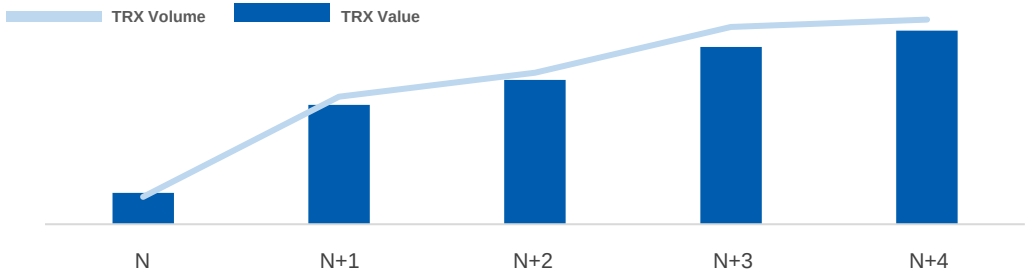
TRX-increase through cashless penetration

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

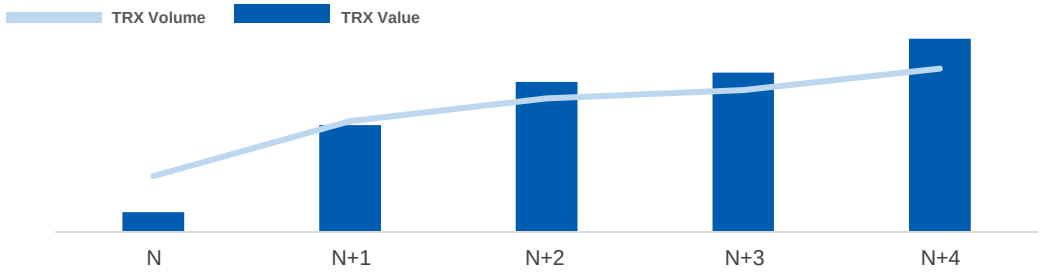
■ Merchant A（Tokyo） Monthly TRX trend



■ 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

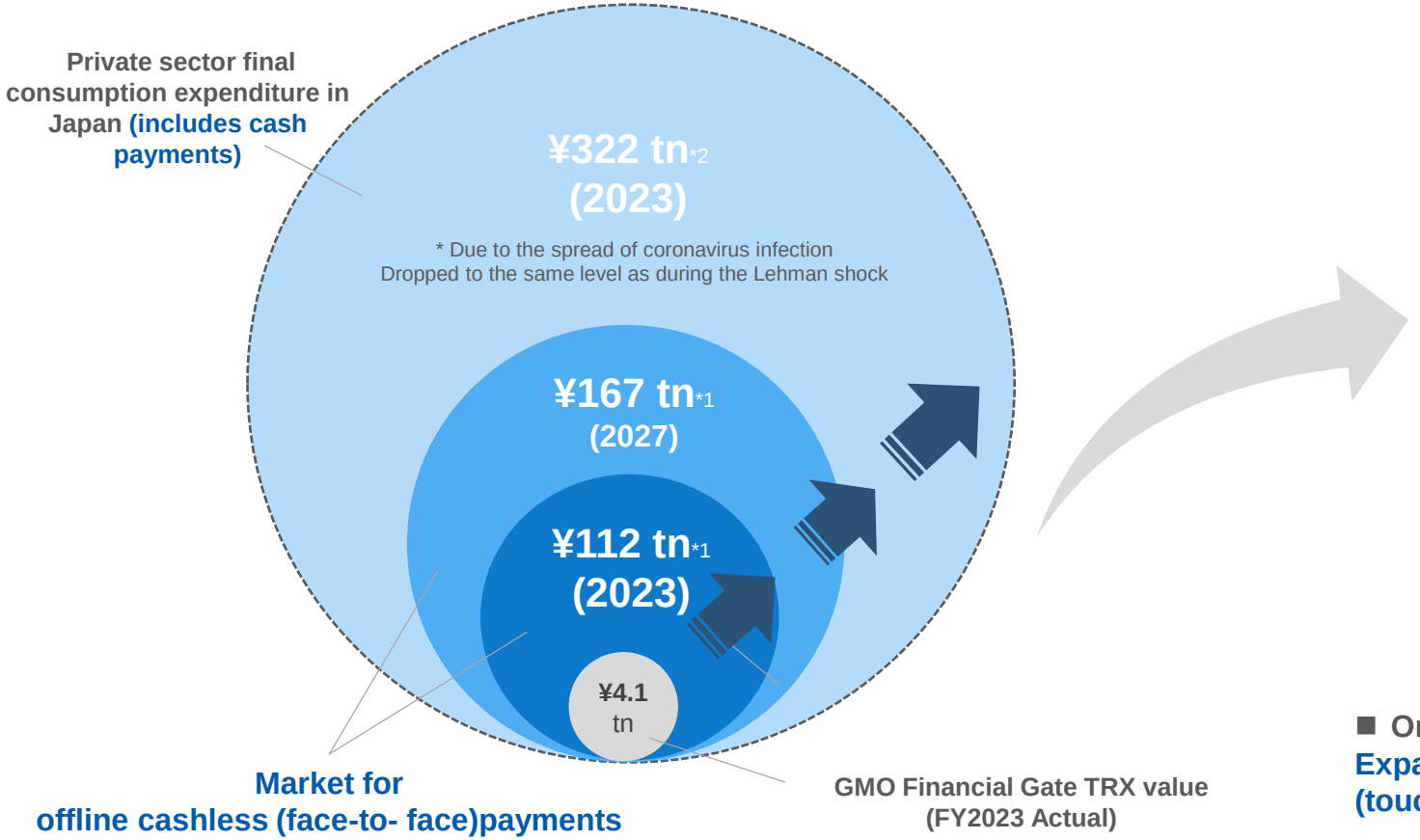
Recurring-Model revenue will increase

Copyright 2024 GMO Financial Gate, Inc.

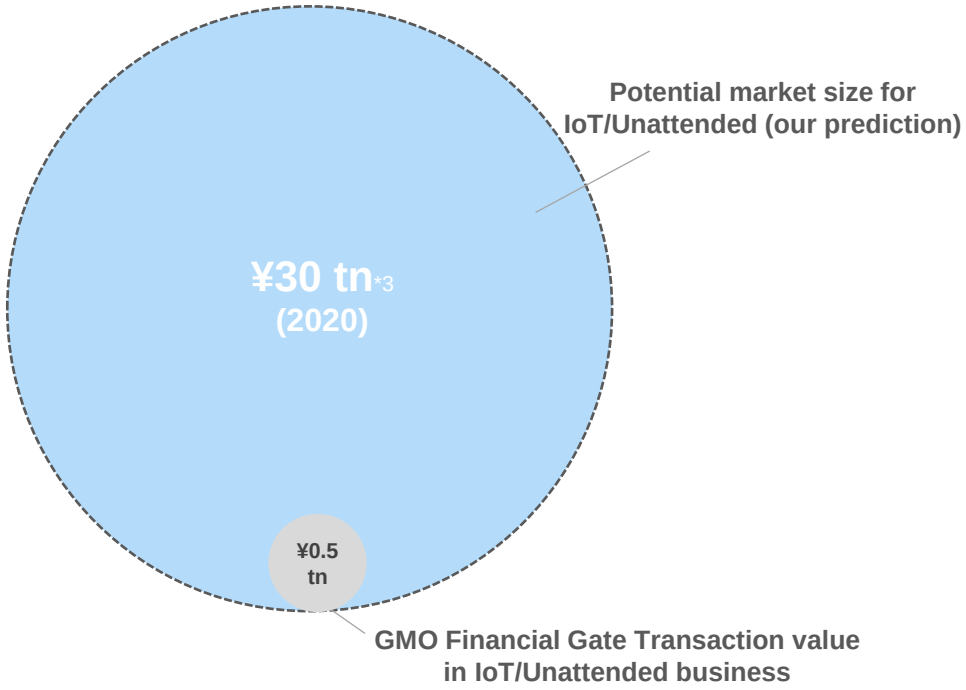
TAM(Total Addressable Market)

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



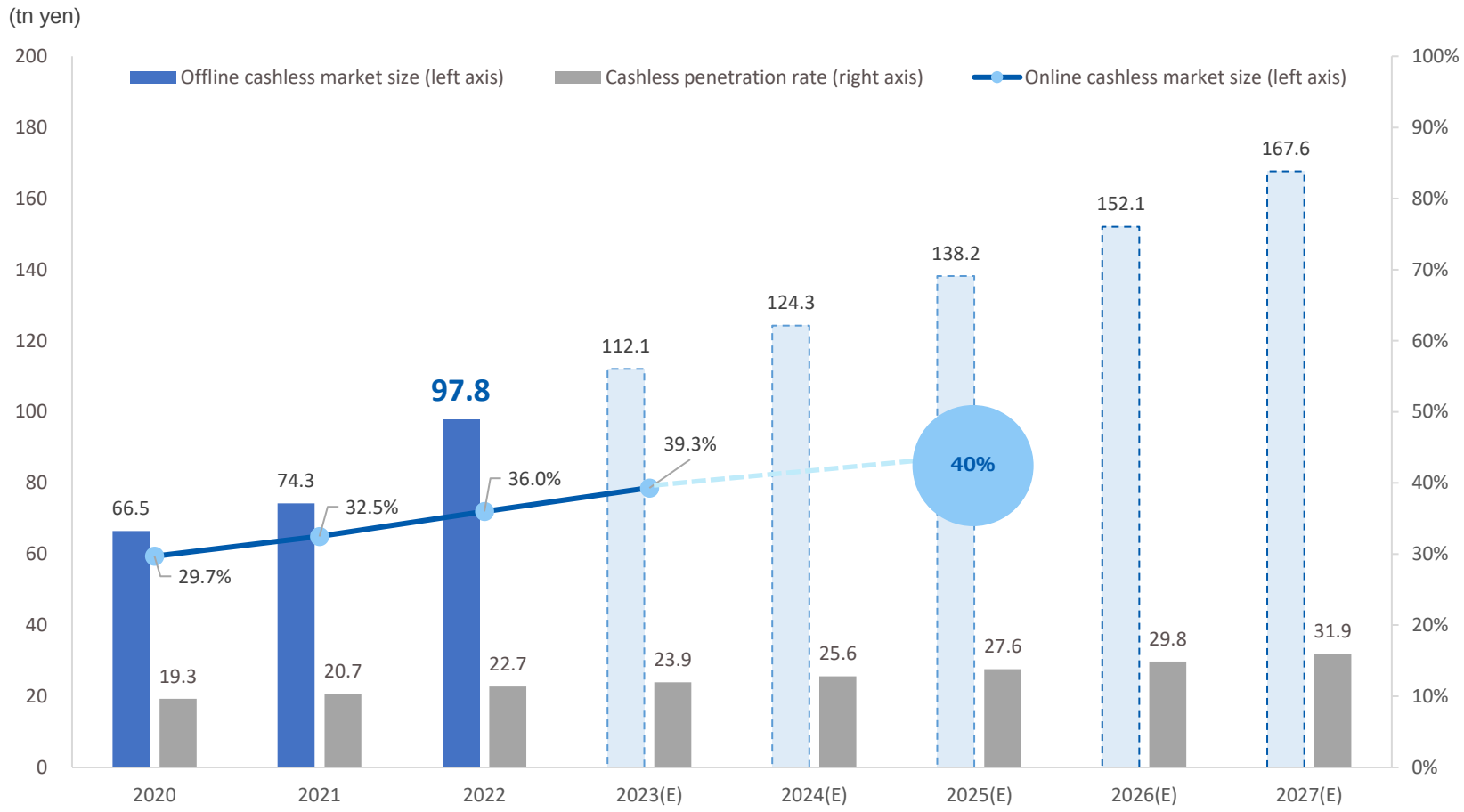
■ One of the measures to achieve a leap in operating income:
Expand IoT/Unattended business driven by contactless payment (touch payment) and unattended registers

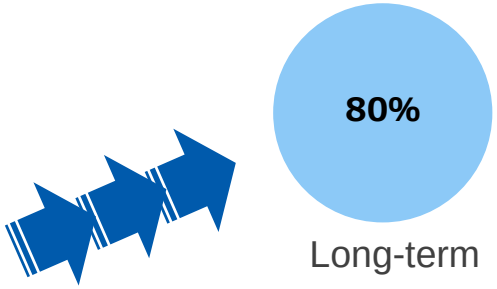
(*1) "2024 Edition: Actual Status and Future Forecast of the Cashless Payment Market in Japan" and "2024 Edition: Current Status and Future Forecast of Online Payment Service Providers" Yano Research Institute Ltd.
(*2) "Composition of Final Consumption Expenditures by Household Type" the Cabinet Office.
(*3) "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.

Copyright 2024 GMO Financial Gate, Inc.

Growth trend of domestic offline cashless market

The market for offline cashless payments is currently ¥98 tn, four times larger than the online market. Cashless penetration is expected to rise driven by government-led cashless policies





Source: Cashless payment ratio in 2023,METI
"2024 Edition: Actual Status and Future Forecast of the Cashless Payment Market in Japan " Yano Research Institute Ltd
"2024 Edition: Current Status and Future Forecast of Online Payment Service Providers" Yano Research Institute Ltd.

Copyright 2024 GMO Financial Gate, Inc.

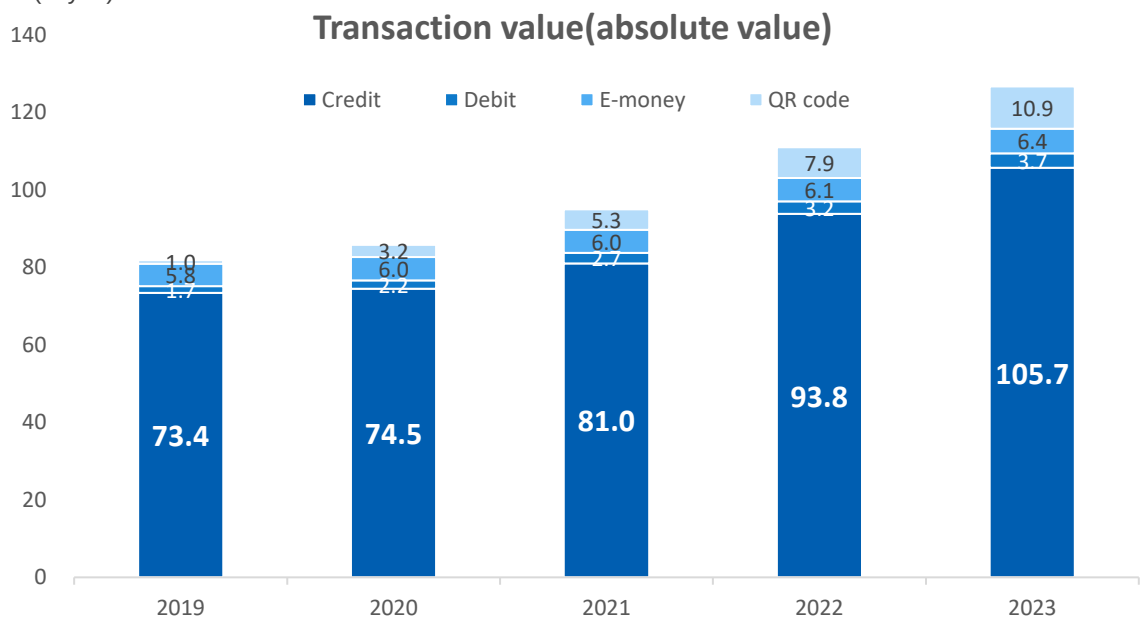
Composition Ratio of Domestic Cashless Payment Methods

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

Transaction Value

Composition	2019	2020	2021	2022	2023
Credit	89.7%	86.8%	85.3%	84.5%	83.5%
Debit	2.1%	2.5%	2.8%	2.9%	2.9%
E-money	7.0%	7.0%	6.3%	5.5%	5.1%
QR code	1.2%	3.7%	5.6%	7.1%	8.6%

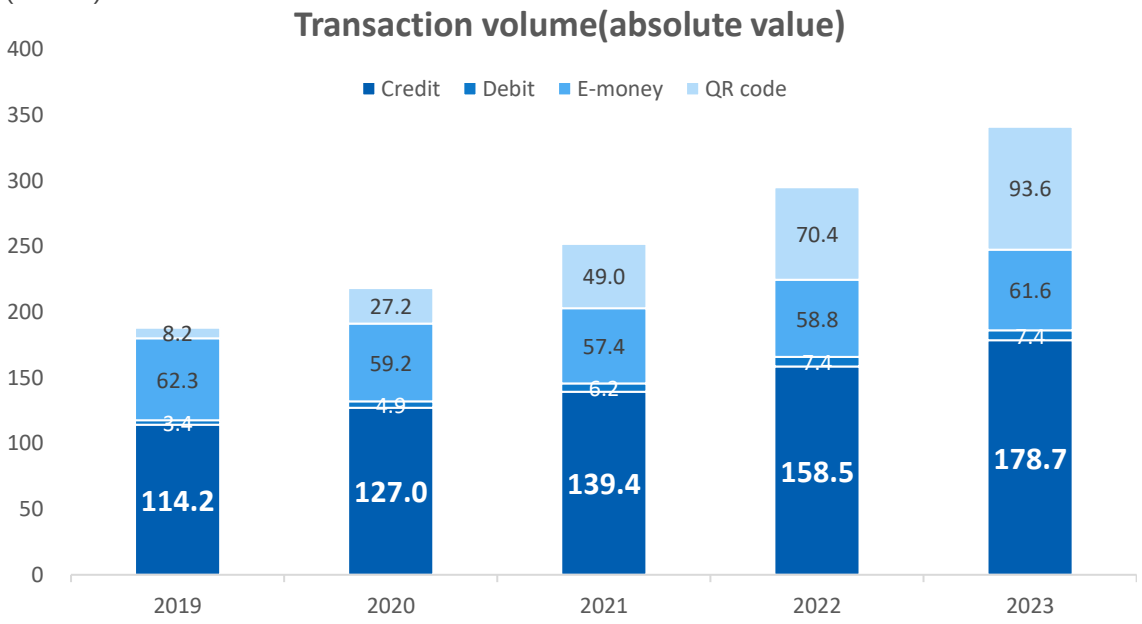
(tn yen)



Transaction Volume

Composition	2019	2020	2021	2022	2023
Credit	60.7%	58.2%	55.3%	53.7%	52.4%
Debit	1.8%	2.2%	2.5%	2.5%	2.2%
E-money	33.1%	27.1%	22.8%	19.9%	18.0%
QR code	4.3%	12.4%	19.4%	23.9%	27.4%

(100 mn)



Source: Cashless payment ratio in 2023,METI

Copyright 2024 GMO Financial Gate, Inc.

IoT/Unattended Market Growth

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 mn

Goods/ commodities | Tickets | Beverages/ sweet treats | Self-checkout machine (Golf/Hotel)

Coffee | Metered parking/ EV chargers | Self-checkout register | Coin-operated washing machines

Offline Market

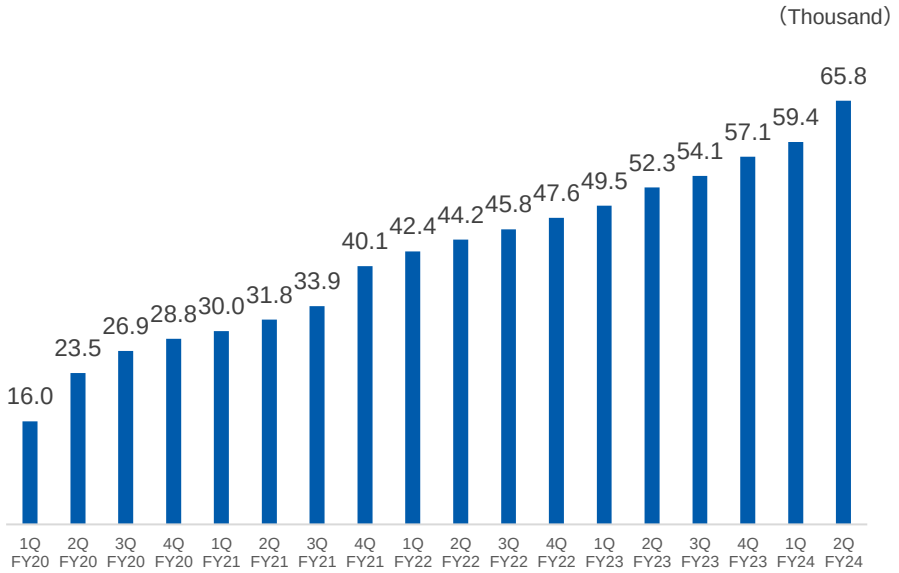
4 mn

■ **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**

■ **No of active IoT terminals**

Net increase in 2Q was (+6,400 units) in QoQ, and large-lot deals also contributed to the increase.The number of large-lot transactions also contributed to the quarterly increase. Aiming for further acceleration in the future



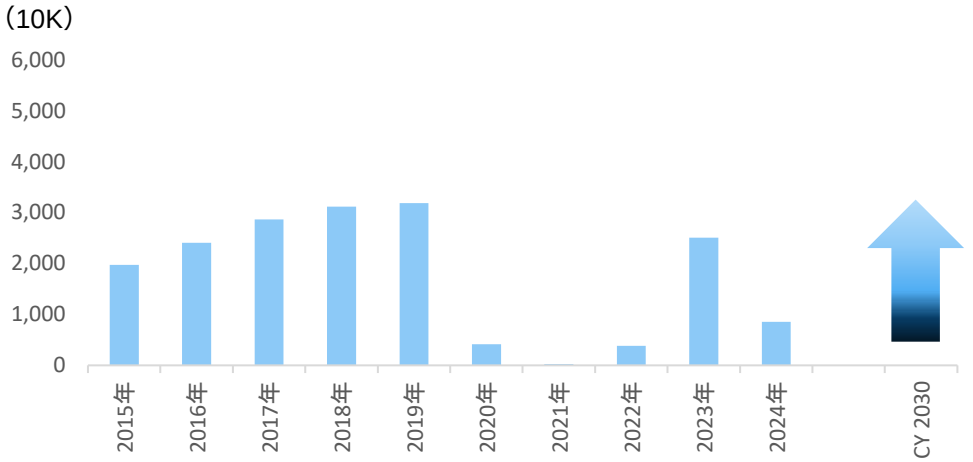
Source: The Japan Vending System Manufacturers Association, Japan Ministry of Health Labor and Welfare, Yano Research Institute Ltd.

Copyright 2024 GMO Financial Gate, Inc.

Trends in the number of foreign visitors to Japan

After a rapid recovery from the post covid, number of visitors has gradually stabilized

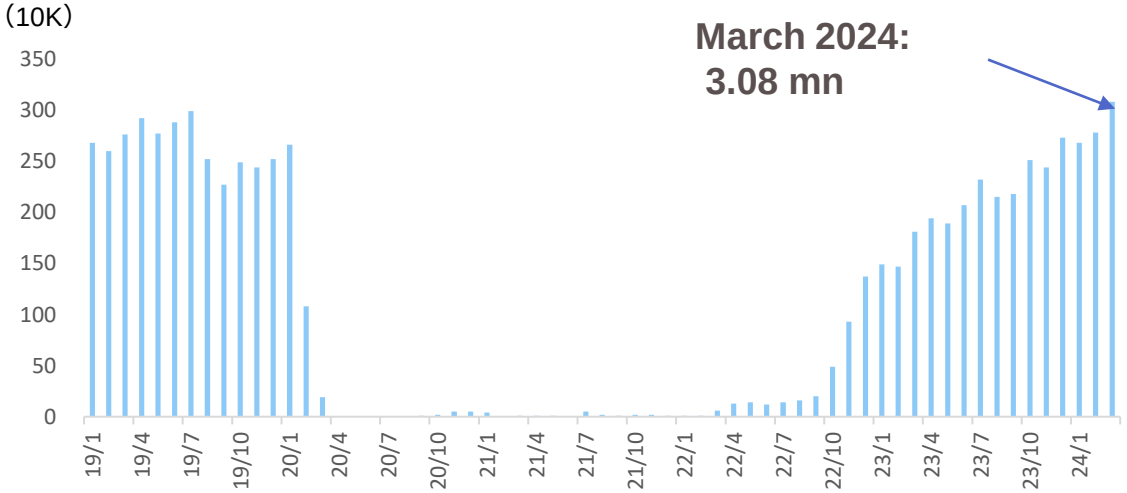
Number of visiting foreigners (annually)



6,000
Government's target by 2030

3,000
Achieved in 2018

Number of visiting foreigners (Monthly)

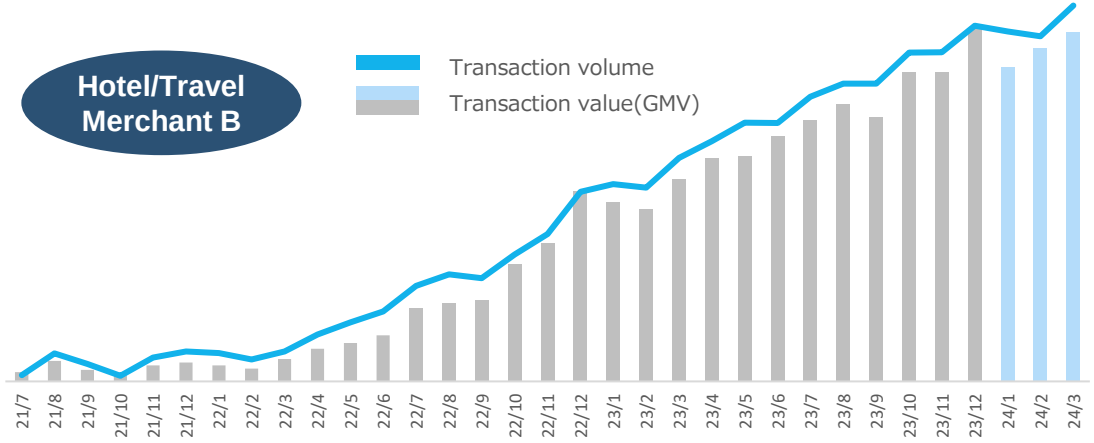


March 2024: 3.08 mn

Our inbound-related industry merchants

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

- Hotel/Travel
- Drug store (medicine/ cosmetics)
- High-end retail/ Department store
- IoT Vending machines/Self checkout machines
- Service/ Leisure
- One dollar shop
- Electronics chain-retailers
- Medical / Clinic
- Public transportation (Train/bus etc.)



*Source "Number of Foreign Visitors to Japan," Japan National Tourism Organization (JNTO)

Copyright 2024 GMO Financial Gate, Inc.

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"

growth strategy

- **Market Share Expansion Strategy**
  ⇒Provision of multiple payment terminals, accumulation of solution assets through Vertical deployment
- **Operating profit growth of +25% every fiscal year (Operating profit 1.5 billion in FY2025, GMV ¥5 tn)**

Value

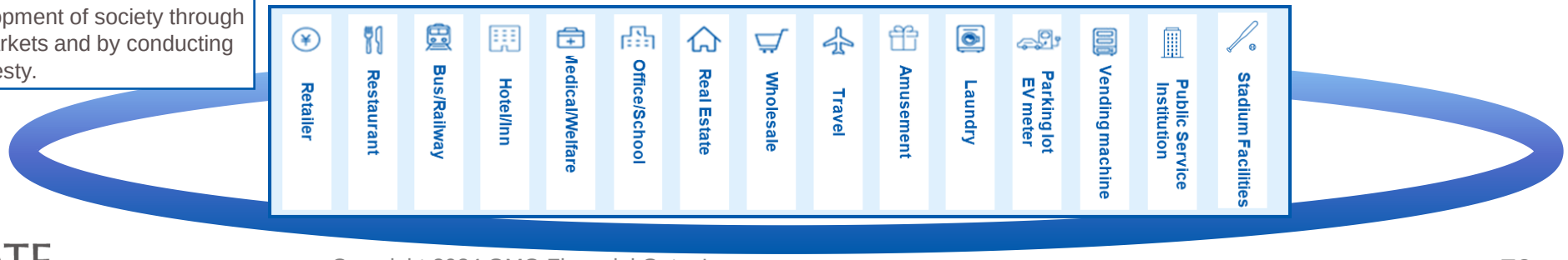
- GMO Financial Gate pursues the value of existence
- Progressive, growth, profitability, immediacy, rationality, social, diversity

Mission

- We support value creation for our customers by demonstrating a high level of professionalism and encouraging them to take the initiative.
- We will contribute to the progress and development of society through our strong will to develop and create new markets and by conducting our business with integrity, fairness and honesty.

Vision

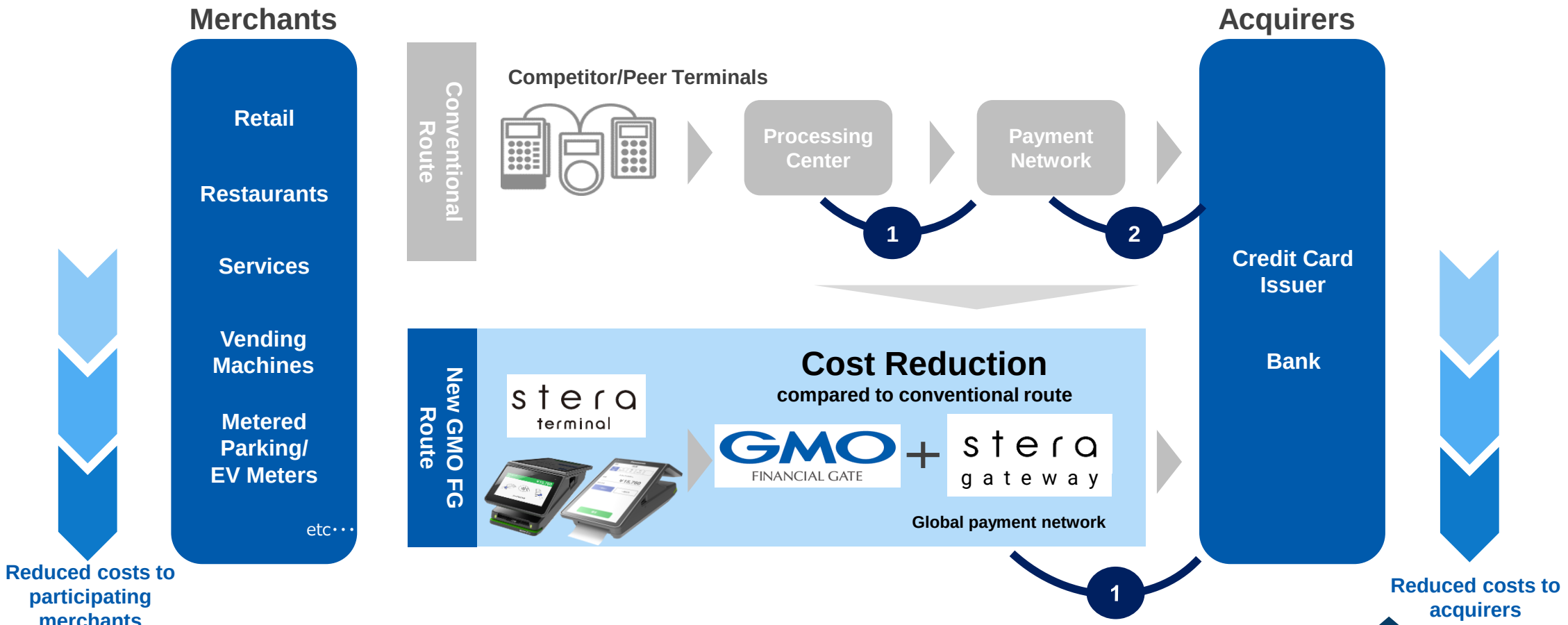
Revolutionizing Payments: Becoming the No. 1 Cashless Platformer that Transforms Society



Copyright 2024 GMO Financial Gate, Inc.

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

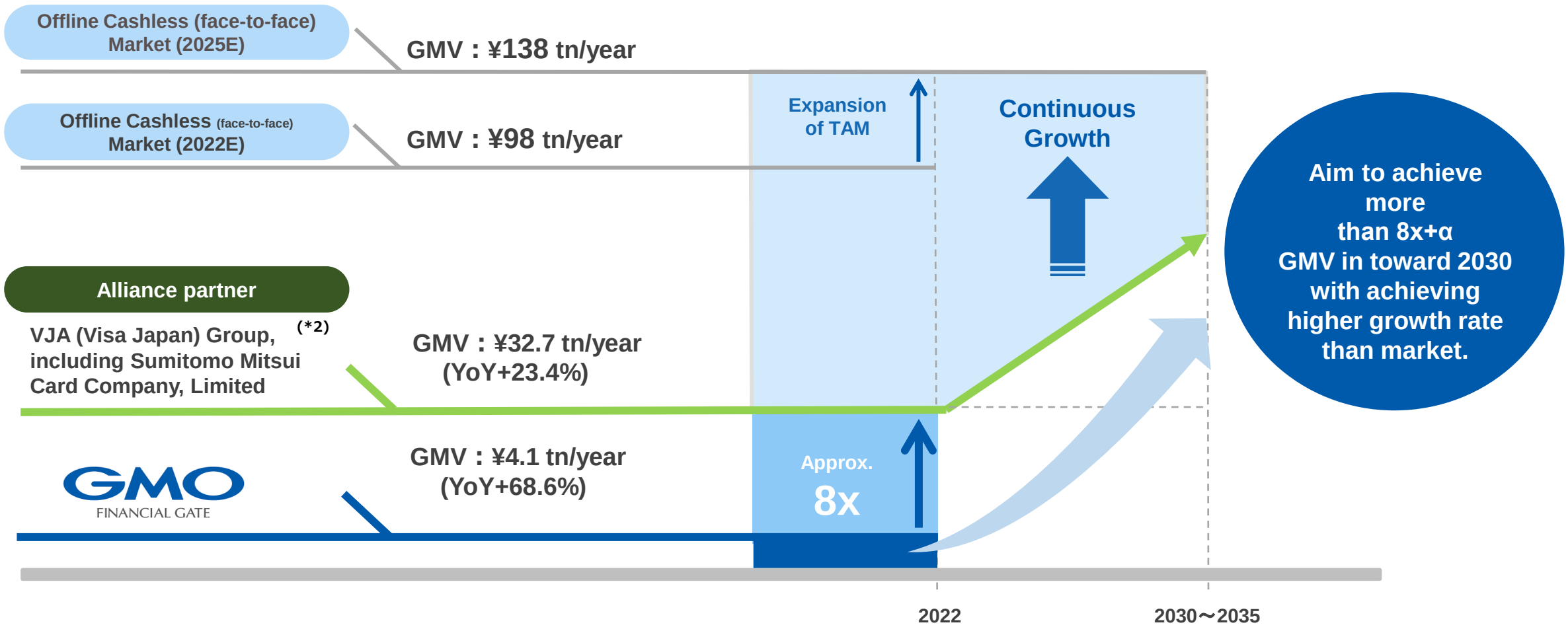


Cost savings via new route leads to
improved competitive capability of alliance partners

Copyright 2024 GMO Financial Gate, Inc.

Strategy to Maximize Transaction Value

Due to cashless settlement penetration, TAM of our service scope has continuously expanded – New process network alliance partner will contribute to GMV increase



(*1) Source: "2024 Edition: Actual Status and Future Forecast of the Cashless Payment Market in Japan" and "2024 Edition: Current Status and Future Forecast of Online Payment Service Providers" Yano Research Institute Ltd.
(*2) Source: VJA

Copyright 2024 GMO Financial Gate, Inc.

Improvements in Unmanned Terminals (IoT)

Unmanned Terminals (IoT) has strengthened alliance initiatives in multiple areas
Initiatives to monetize data is planned to materialize in the near future

Launched
To be released

2023: June, Sep, Dec
2024: Jan, Mar, June, Sep

Hotel/golf course self checkout machine

Flow model business
- Replacement of existing installed terminals
- Introduction of new terminals

Recurring model business
- Fees and spread revenue from terminal operation
- Expansion into comprehensive business

Parking lot checkout machine

Flow model
- Commenced full-scale operations for a major parking facility operator
- Implementation of complete cashless machines

Recurring model
- Commenced addition of QR code settlement
- Digitalization
- DX: Digitalization of parking tickets, planning to unify online reservation and payment settlement

Ticket machine

Flow model
- Implement new types of machine

Recurring model
- Electronic money and QR codes Development and certification completed
- Expansion of recurring earnings
- Expansion into large scale ticket machine vendor

Self checkout register

Flow model
- Deployment in multiple smart stores

Recurring model
- Plans for further expansion

Beverage and vending machines/Coffee machines

Flow model
- Started installing new beverage vending machine vendors

Recurring model
- Switchover installation of terminals for beverage vending machines at highway SAs
- Began installing payment terminal-less QR payment for cold food vending machines
- Settlement with employee ID card

Progress

*No changes
- Orders for successor units of installed payment terminals (delivery of terminals in 3Q, installation to start in 4Q)
- Fees and spreads on existing terminals remained steady
- Introduction of new terminals

Improved
- Commenced full-scale operations for a major parking facility operator
- Development of e-money and QR code payments completed at several settlement machine vendors
- Plans to expand to outdoor checkout machines outside of parking lots
- Increase in the number of deployments to accounting machine manufacturers

Improved
- Received order for successor machine from a major ticket vending machine vendor
- Completed development of electronic money and QR code payments
- Started introduction to outdoor ticket vending machines

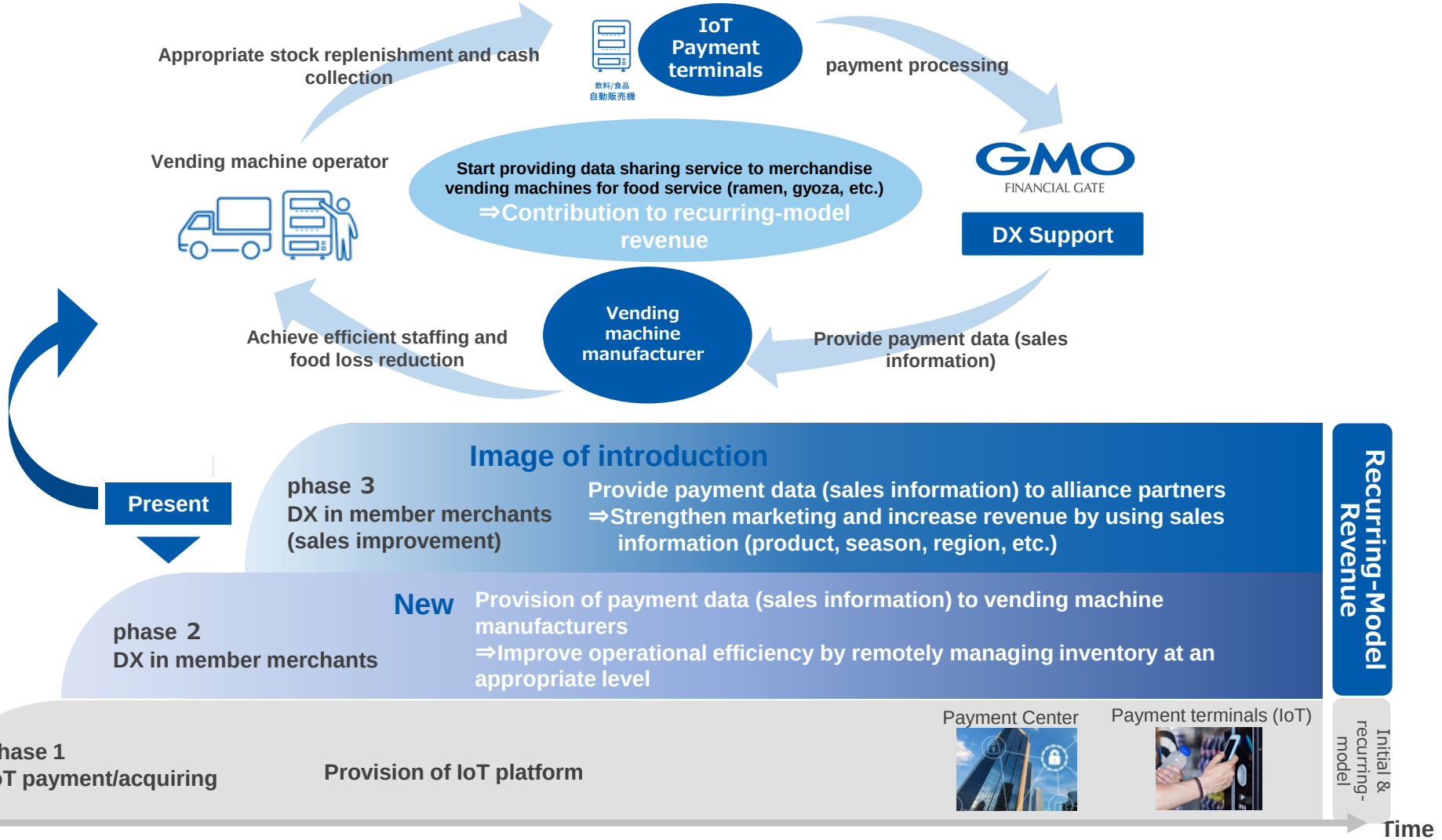
*No changes
- Installed terminals against self-checkout machines in 100-yen uniform stores and large shopping malls.
- Plan to introduce the product to major restaurants and other customers in the next fiscal year and beyond

Improved
- Started to introduce terminal-less payment system (code payment on LCD (code payment on LCD panel) at cold food vending machines.
- Installation of vending machines made overseas is growing
- Payment with employee ID
- Started installation of vending machines in job areas

Copyright 2024 GMO Financial Gate, Inc.

Data Services in the IoT Domain

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



Copyright 2024 GMO Financial Gate, Inc.

Unique Positioning

Competitive Advantage

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

■ **Solutions in Offline Payment Market**

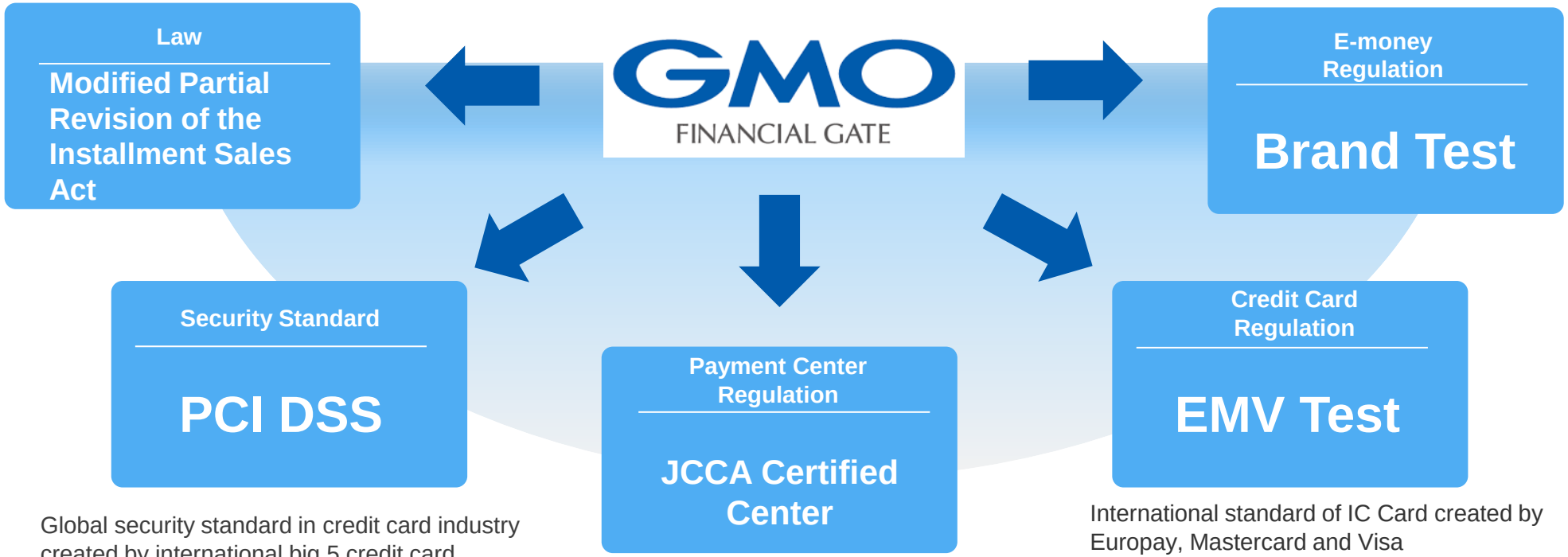
	Customization (Customize Payment Methods)	Adaptation of Top-End POS Register Models	Terminal Settlement	Payment Processing	Clearing/ Adjustment	Maintenance/ Support
FG	○	○	○	○	○	○
N Leading payment network player	○	—	—	○	—	—
R Major operating company	—	△ Using their own registers only	○	—	○	○
P Leading payment vendor	—	—	—	—	○	○

Copyright 2024 GMO Financial Gate, Inc.

Barriers to Entry （Regulations to be Followed）

Competitive Advantage

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



Global security standard in credit card industry created by international big 5 credit card brand, Visa, Mastercard, JCB, American Express and Discover

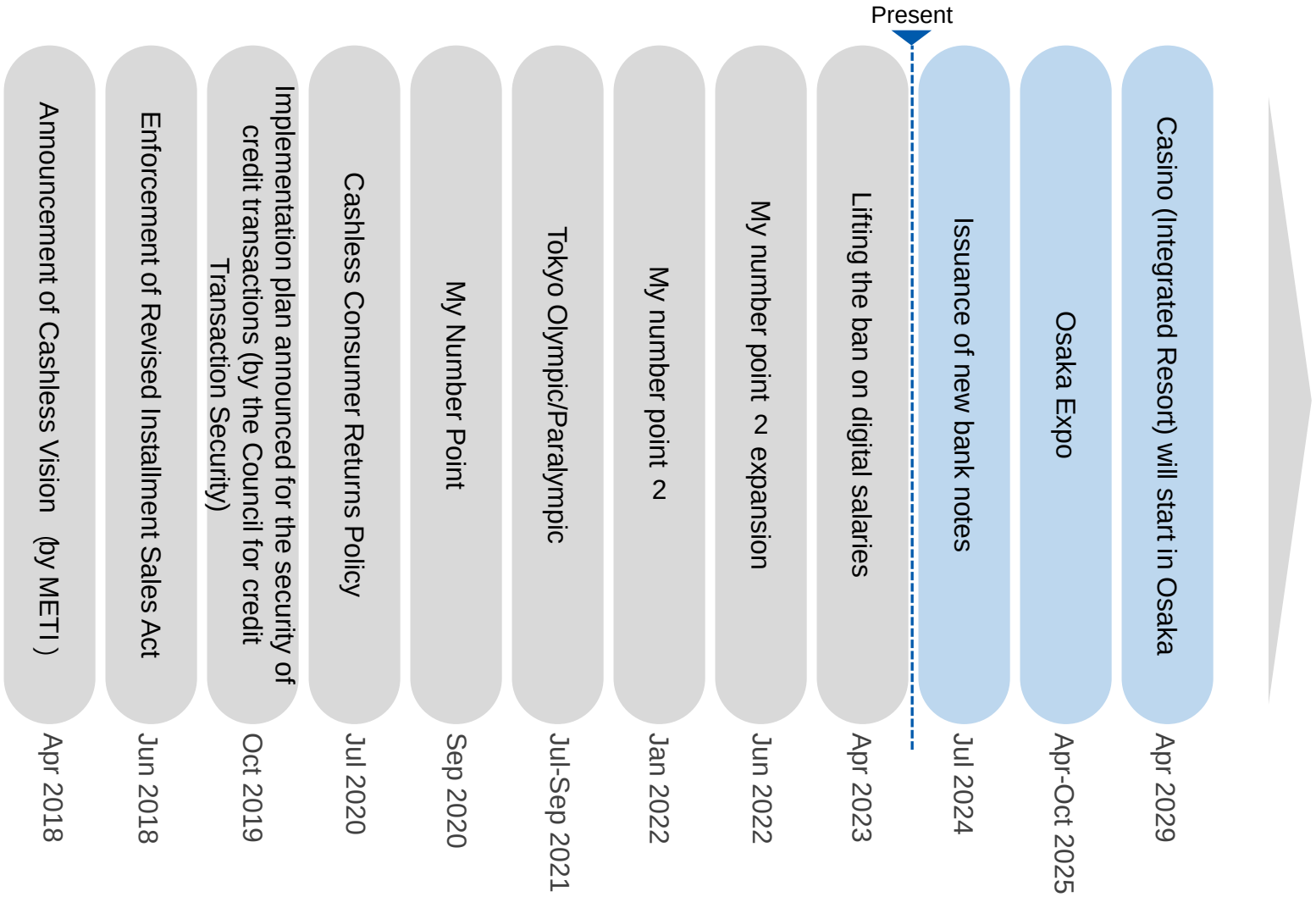
JCCA：Japan Credit Card Association

International standard of IC Card created by Europay, Mastercard and Visa

Copyright 2024 GMO Financial Gate, Inc.

Government Promotion of Cashless Payments

METI announced its Cashless Vision policy in 2018, Japanese cashless market will expand in response



Impact on 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 terminals Expansion 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
- **Government Announces Policy of Going Completely Cashless for Osaka Expo; Plan to install 1,000 terminals**
- **Osaka IR to be Approved by Government, Targeting Opening in Latter Half of 2029 Expanding demand for cashless terminals**

Copyright 2024 GMO Financial Gate, Inc.

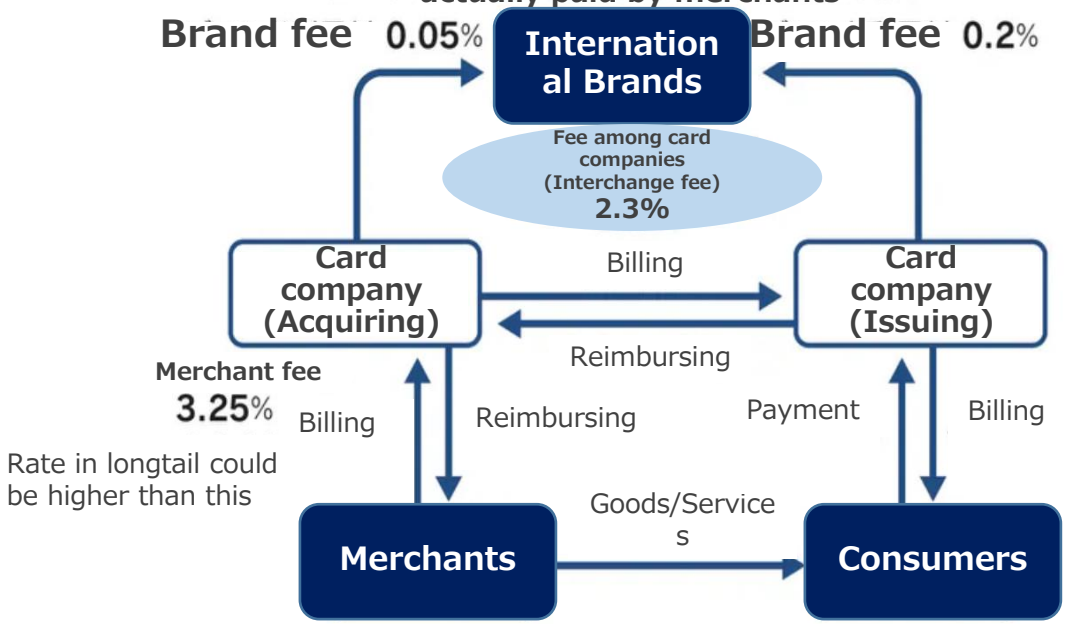
New topic of credit card industry

Industry Topic

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

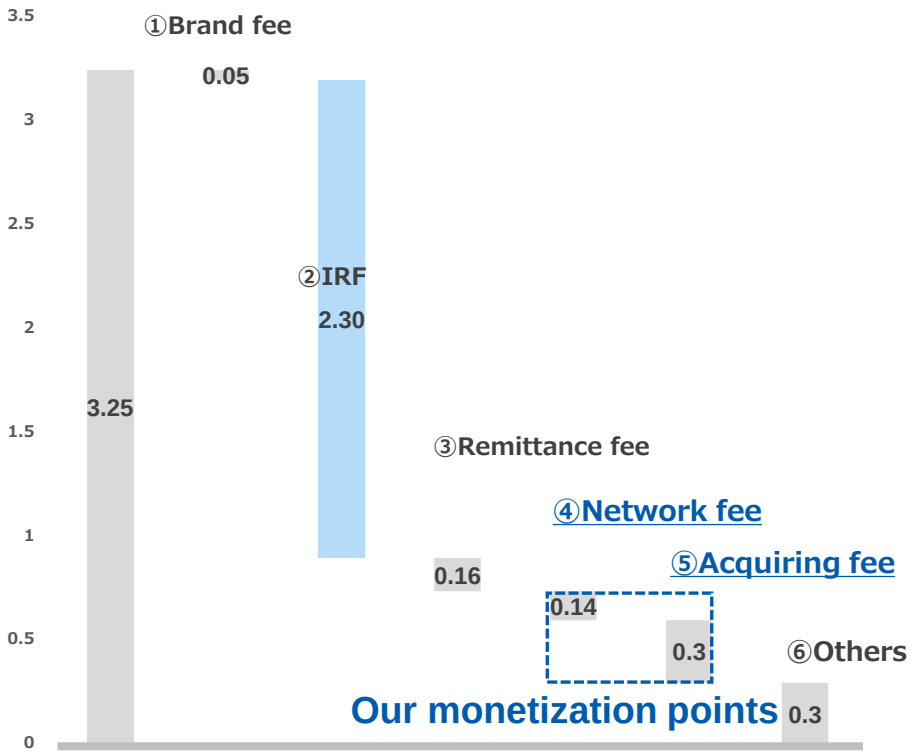
METI requires fee among credit card companies

Fee among credit card companies is actually paid by merchants



Breakdown of MDR

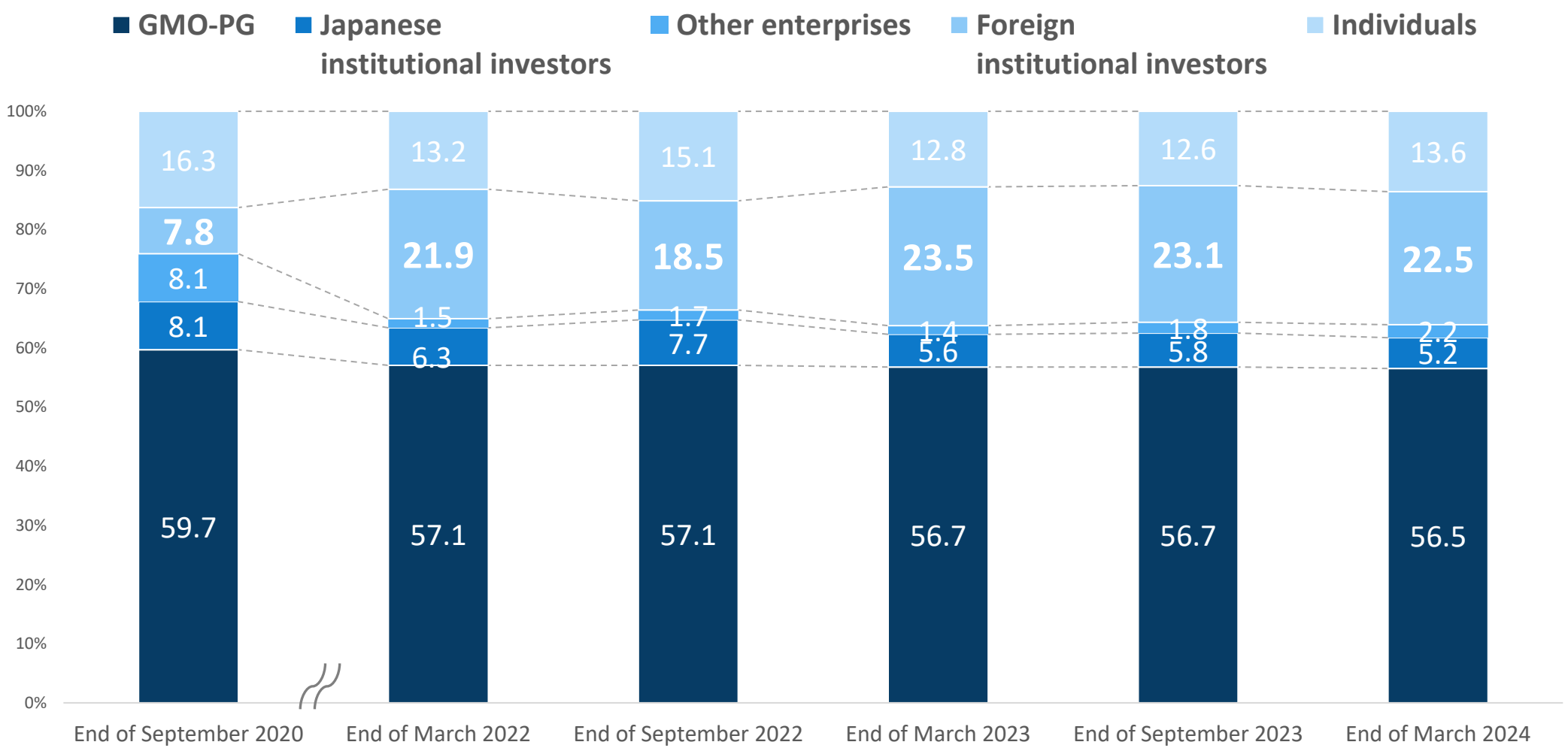
（model case：AOV ¥5K SME merchant）



Copyright 2024 GMO Financial Gate, Inc.

Shareholder Structure

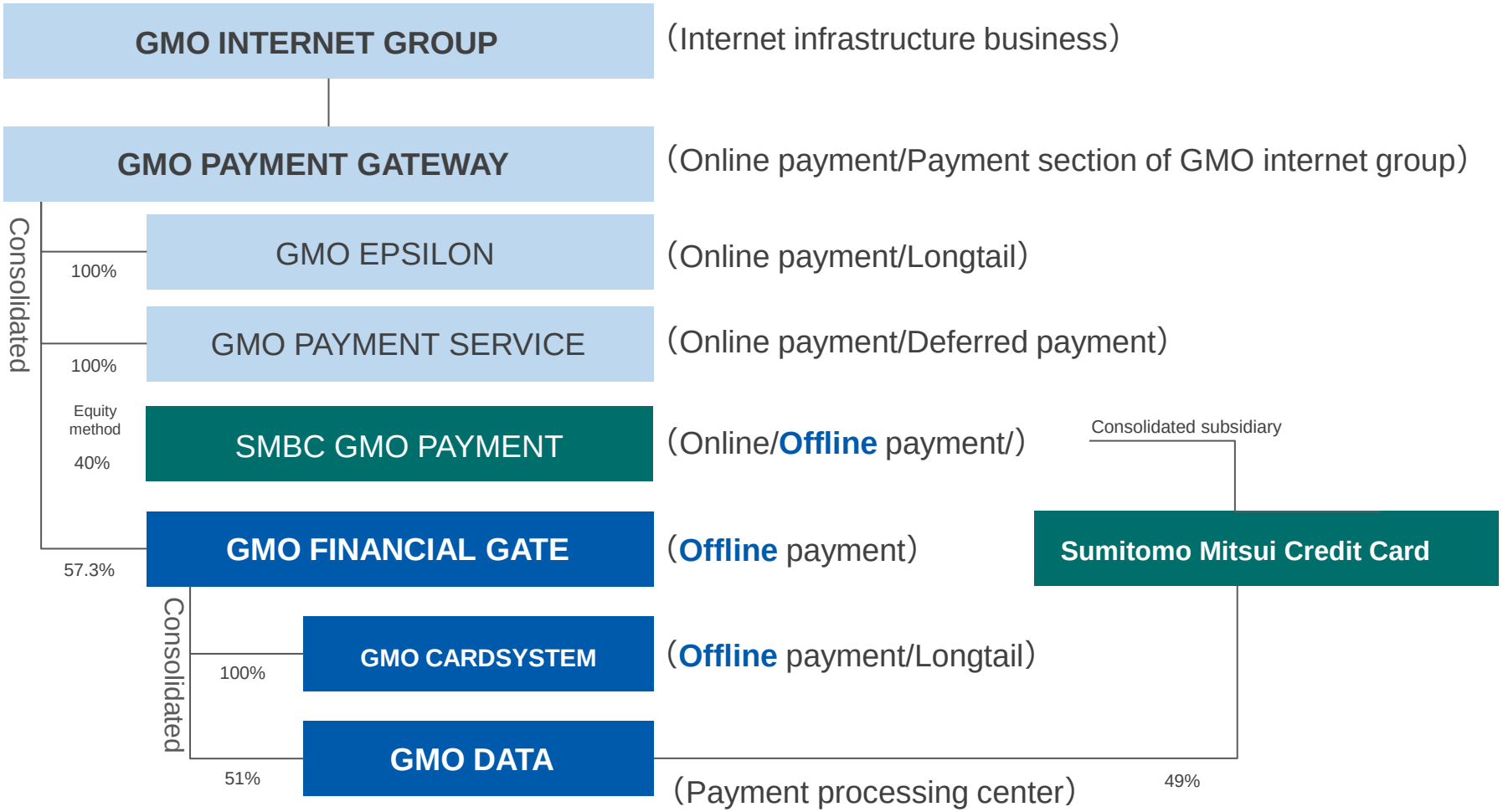
Actively engaged in IR activities for domestic and foreign institutional investors through 1-on-1 meetings and conference appearances, maintaining the ratio of foreign institutional investors at over 20%.



Copyright 2024 GMO Financial Gate, Inc.

Affiliated Companies

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



Copyright 2024 GMO Financial Gate, Inc.

Company Profile

■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	¥1,638 mn(end of March 2023)
■Major Shareholder	GMO Payment Gateway, Inc.
■Board Member	Representative Director, President　Kentaro Sugiyama
	Director　Akio Aoyama（Solution Partner Division Executive Manager）
	Director　Tomonaga Fukuda（IT Platform Division Executive Manager）
	Director　Tomoki Tamai（Corporate Support Division Executive Manager）
	Director　Tatsuya Koide（GMO Payment Gateway, Inc. Chief Managing Executive Officer）
	External Director　Nao Shimamura
	External Director　Rie Asayama
	External Director　Takayoshi Nagasawa
	External Director　Satoru Ozawa
■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 February 14, 2024）

Copyright 2024 GMO Financial Gate, Inc.

Reference

Site name	URL
GMO Financial Gate	https://gmo-fg.com/
IR	https://gmo-fg.com/ir/
Sustainability	https://gmo-fg.com/sustainability/
Recruitment information	https://gmo-fg.com/recruit/
GMO Financial Gate (English)	https://gmo-fg.com/en/
GMO Payment Gateway	https://www.gmo-pg.com/
Cashless Roadmap 2023	https://paymentsjapan.or.jp/publications/20230816_roadmap2023/
Selected Service Industry Current Statistics Survey	https://www.meti.go.jp/statistics/tyo/tokusabido/index.html
Cashless payment ratio in 2023	https://www.meti.go.jp/press/2023/03/20240329006/20240329006.html
Statistics of foreign visitors to Japan	https://www.jnto.go.jp/statistics/data/visitors-statistics/

Copyright 2024 GMO Financial Gate, Inc.

Thank you

GMO Financial Gate, Inc.

(TSE Growth 4051)

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

Copyright 2024 GMO Financial Gate, Inc.