

Financial Results Briefing for Q2 FY2022

Key Message

[Strategic management on payment terminal purchase leads to the increase of the number of active terminals which is our essential growth strategy]

May 13, 2022

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

8th IR Presentation

GMO FINANCIAL GATE

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

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The content of these presentation materials is based on generally recognized economic and social conditions, as well as assumptions judged to reasonable by GMO Financial Gate as of May 13, 2022

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

Meeting agenda

1. Summary of financial Results for Q2 FY2022
2. Growth Strategy and Progress
3. Financial Highlights
4. Appendix

1. Summary of financial Results for Q2 FY2022

1.1 Q2 FY2022 Summary

Even though, we observed negative impact of seasonality and COVID on Q2 standalone, we've been keeping the trend of active terminal expansion as well as keeping solid progress in revenue/profit Q2 cumulative basis towards our forecast

Quantitative comments

- **Q2 FY2022 Cumulative** **P6**
 - Revenue : **¥4.47billion(+ 58.7% YoY)** **52.3%**
 - Operating Profit : **¥0.37billion(+ 16.3% YoY)** **50.3%****Progress towards full year forecast:**
- **Revenue by business model Q2 Cumulative** **P9**
 - Initial revenue : **¥3.09billion(+ 58.2% YoY)**
 - Stock-model revenue : **¥1.37billion(+ 59.8% YoY)** ⇒expanding steadily
- **KPIs** **P16, P17**
 - No. of active terminals : **156.3K(+ 63.2K YoY, 1.7x growth YoY)**
 - TRX volume : **62.93 million(2.3x YoY)**, GMV : **¥516.2 billion (2.2x growth YoY)**
- **Expanding industry variation of merchants and decreasing GMV % of top ranked merchants**
 - GMV of top 30 merchants out of total GMV in Q2 standalone **P15**
⇒Q2 FY2021 : 30.1%→Q2 FY2022 : 22.5%(▲7.6 points)

Qualitative comments

- Stock-model revenue of Q2 standalone remain at the same level as Q1 standalone, despite the seasonality and COVID
⇒In March, transaction volume and value exceeded December 2021, offsetting the slump in January and February
- Expansion of customer base due to progress in introduction to small-amount payments (mobility area, government agencies, etc.)
- Regarding the purchase of payment terminals, we work closely with manufacturers to minimize the impact on FY2022

1.2 Summary of Financial Results

Steady progress toward targets in both sales and profits at each stage. Although Q2 standalone was negatively impacted by COVID, various KPIs steadily expanded YoY

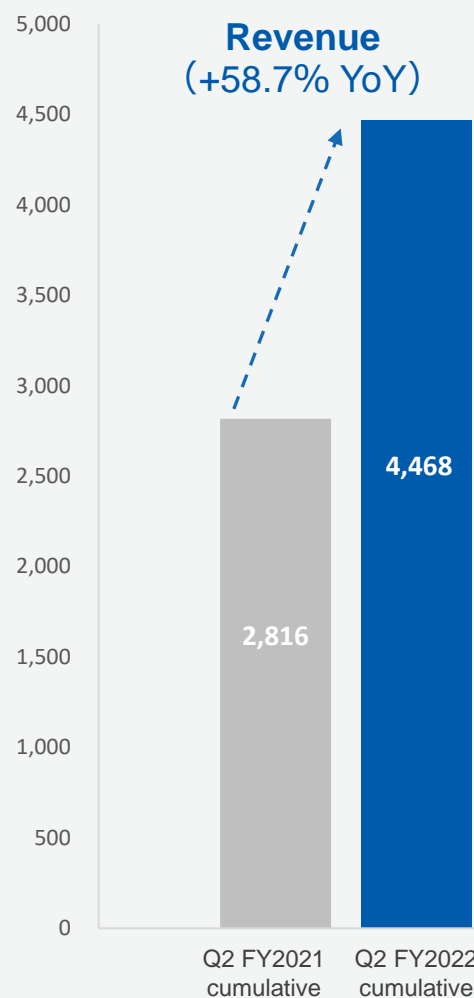
(Millions of yen)	Q2 FY2021 Cumulative	Q2 FY2022 Cumulative	YoY	Guidance FY2020 1 st half (Full-year)	Progress towards guidance
Revenue	2,816	4,468	+ 58.7%	4,052 (8,550)	110.3% (52.3%)
Gross profit	980	1,210	+ 23.5%	1,130 (2,421)	107.1% (50.0%)
Operating profit	319	371	+ 16.3%	359 (737)	103.3% (50.3%)
Profit attributable to owners of parent	212	234	+10.6%	226 (461)	103.6% (50.8%)

	No. of active terminals (end of Q2)	Transaction volume (Q2 standalone)	Transaction value (GMV) (Q2 standalone)
KPI (YoY)	156,303 (1.7x YoY)	Approx. 62.93million (2.3x YoY)	Approx. ¥516.2billion (2.2x YoY)

1.3 Major Topics Regarding Financial Results

In the first half of the previous fiscal year, the number of units sold was low due to the start-up of stera, and sales increased nicely YoY

(millions of yen)



■ Revenue

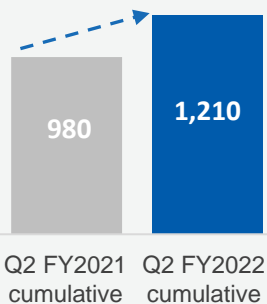
- (+) Steady growth in sales of payment terminals, particularly in stera
- (+) Growth in stock-model revenue on the back of an increase in the number of active terminals
- (-) To shorten the operating hours of merchants by taking priority measures such as preventing spreading COVID due to the Omicron epidemic

■ Gross profit

- (+) Sales expansion
- (-) Increase in the composition ratio of stera (low gross profit margin terminals) in initial revenue
- (+) Increase in the proportion of recurring revenue (relatively high gross profit margin) to total revenue

Gross profit

(+23.5% YoY)

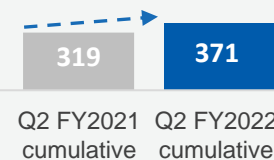


■ Operating profit

- (+) Appropriate cost management
- (±) Steady progress with full-year recruitment plan of around 15 employees
- (-) Investment within the profit plan

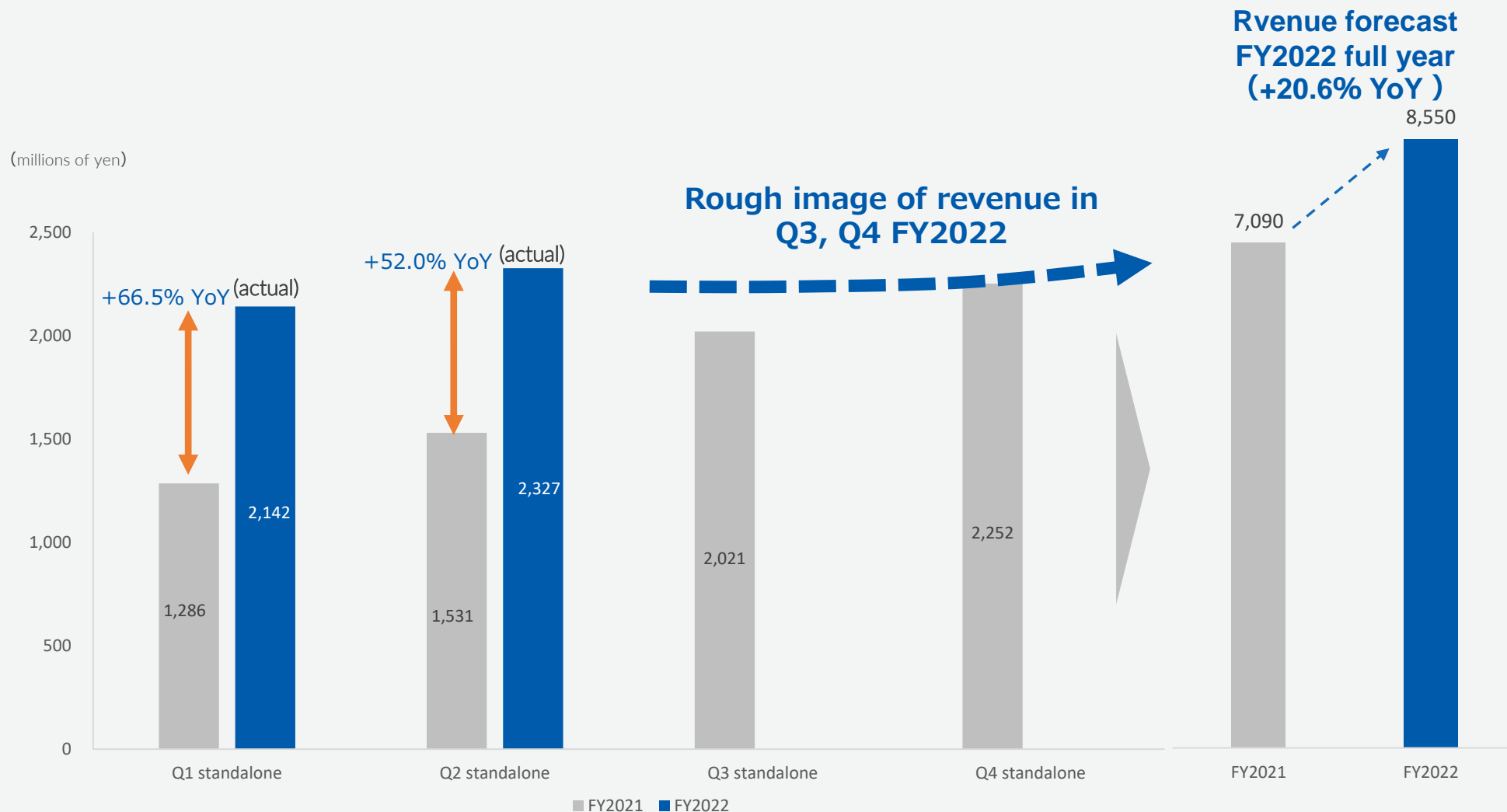
Operating profit

(+16.3% YoY)



1.4 Revenue forecast FY2022 (Quarterly)

Sales of stera began in the first half of the previous fiscal year, and sales increased significantly in the first half of this fiscal year due to contributions from the beginning



1.5 Revenue by Business Model

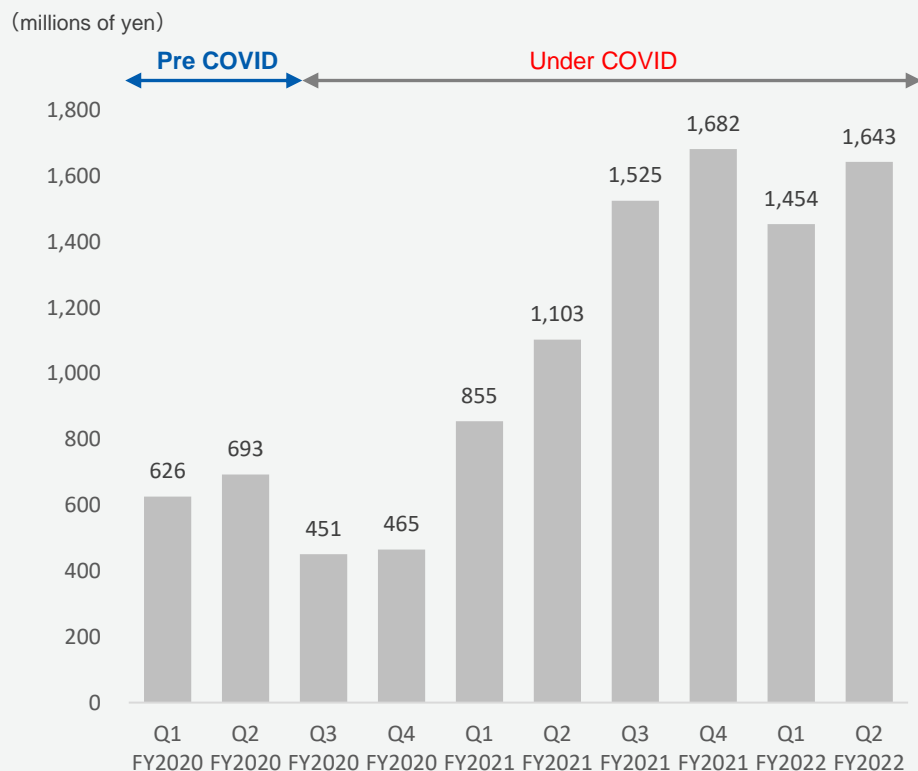
Steady growth in recurring revenue due to accumulation of active terminals.
Significant contribution from increased fee sales

(millions of yen)	Q2 FY2021 Cumulative	%	Q2 FY2021 Cumulative	%	YoY
Initial	1,959	69.6%	3,098	69.3%	+58.2%
Stock-model	858	30.4%	1,370	30.7%	+59.8%
Stock	282	10.0%	392	8.8%	+39.4%
Fee	201	7.1%	521	11.7%	+159.2%
Spread	375	13.3%	457	10.2%	+21.9%
Total	2,816	100.0%	4,468	100.0%	+58.7%

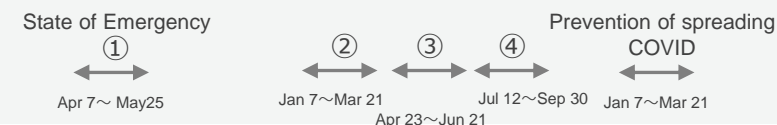
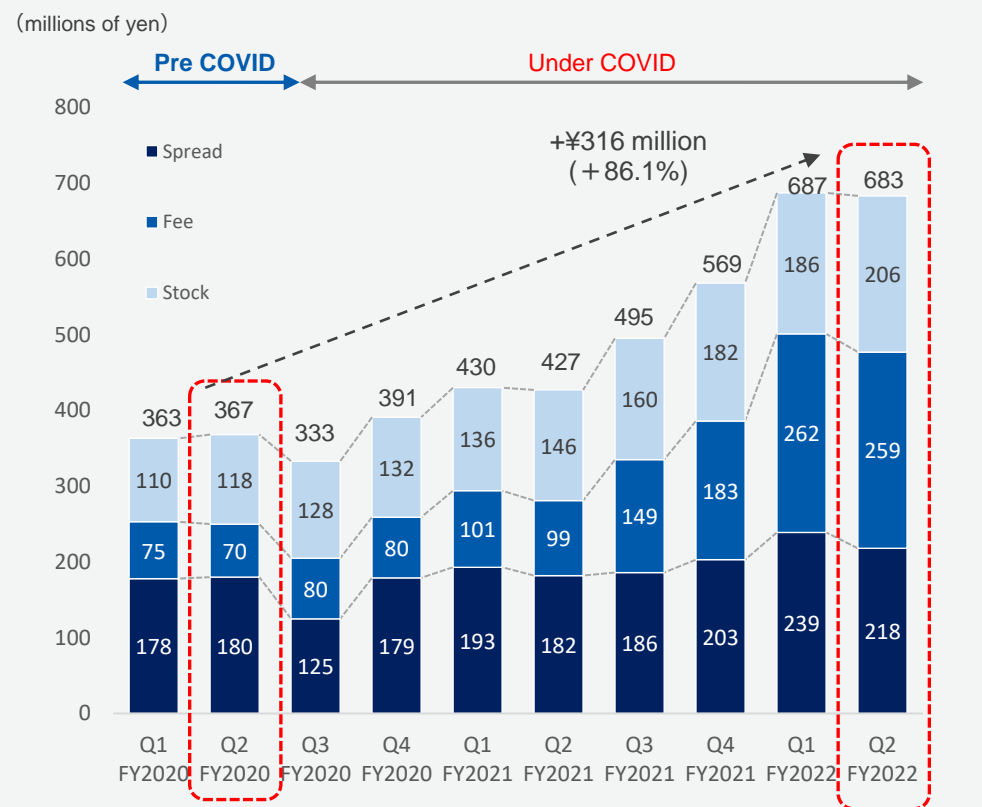
1.6 Revenue by Business Model (Quarterly)

Initial revenue in Q2 standalone were firm. Although stock-model revenue in Q2 standalone was affected by seasonality and COVID, successfully remained at the level as Q1 standalone

Initial revenue

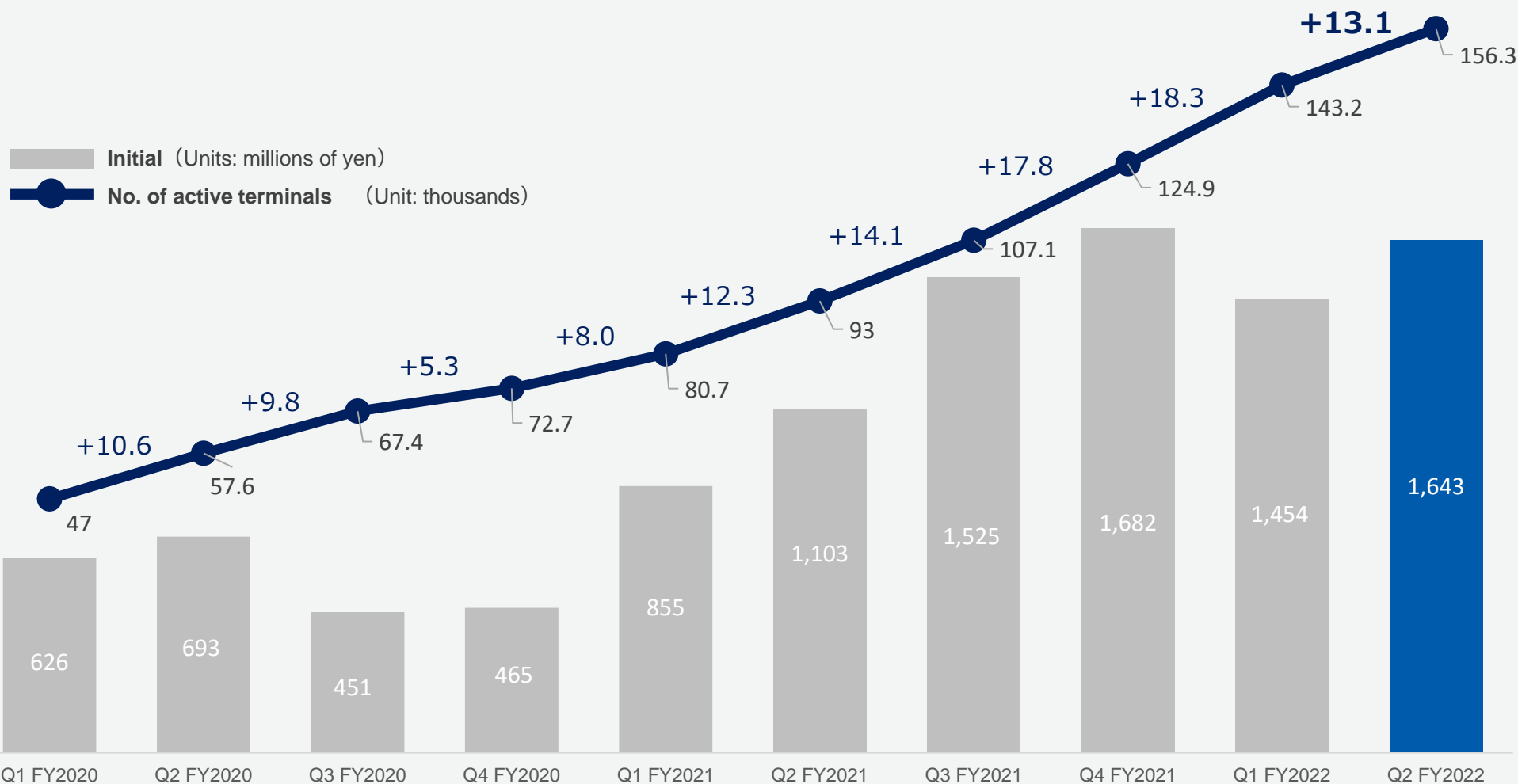


Stock-model revenue



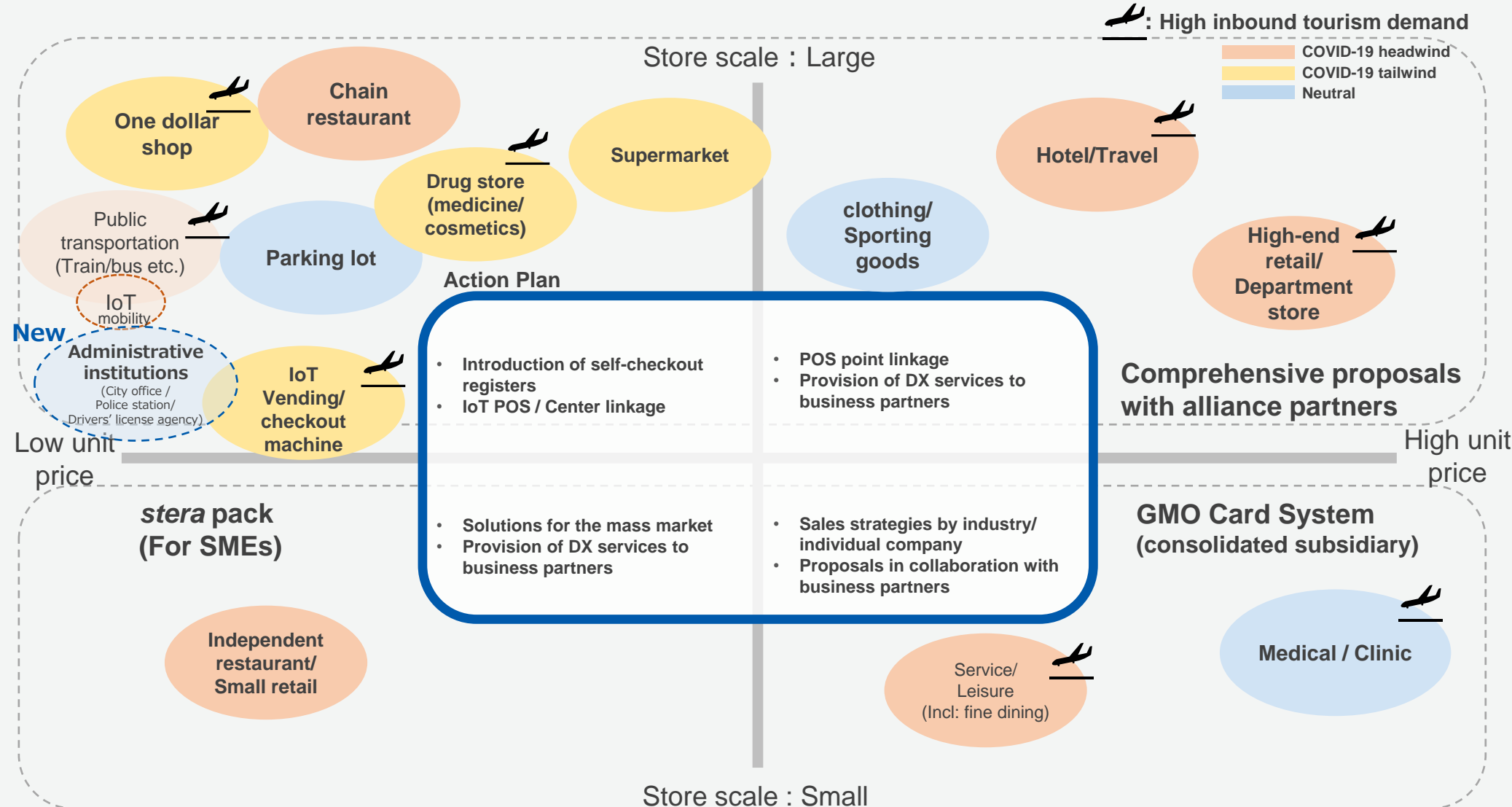
1.7 Initial revenue and No. of active terminals (Quarterly)

Initial revenue remained firmly QoQ. The number of active terminals accumulated QoQ steadily, despite the impact of the time lag between the terminals sales and its activation especially in IoT domain



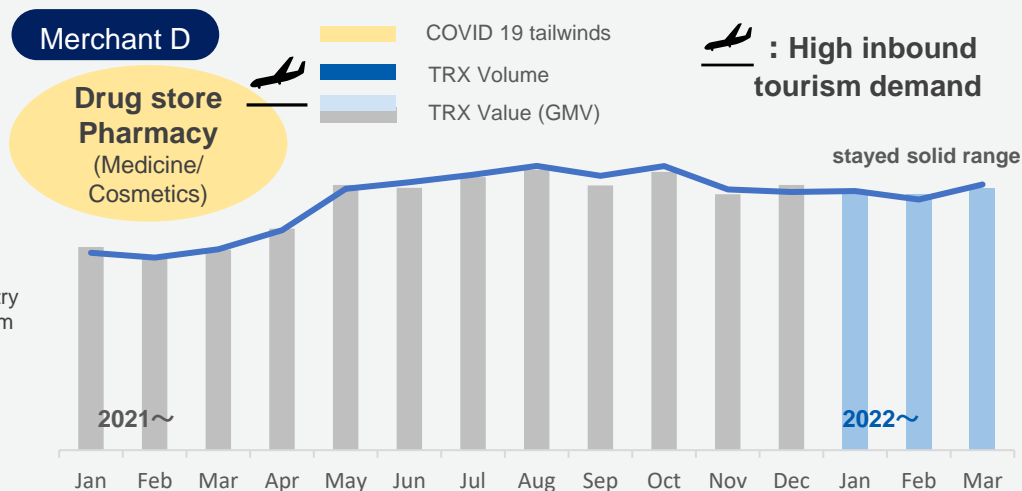
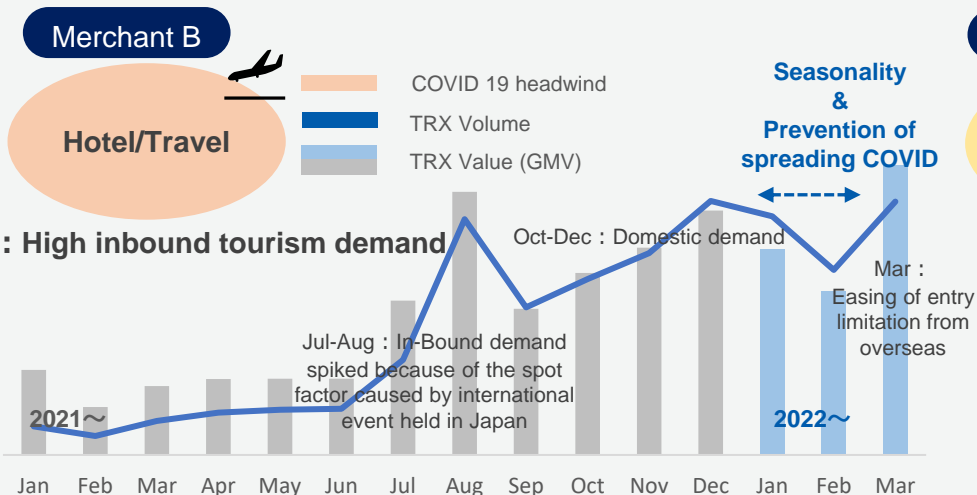
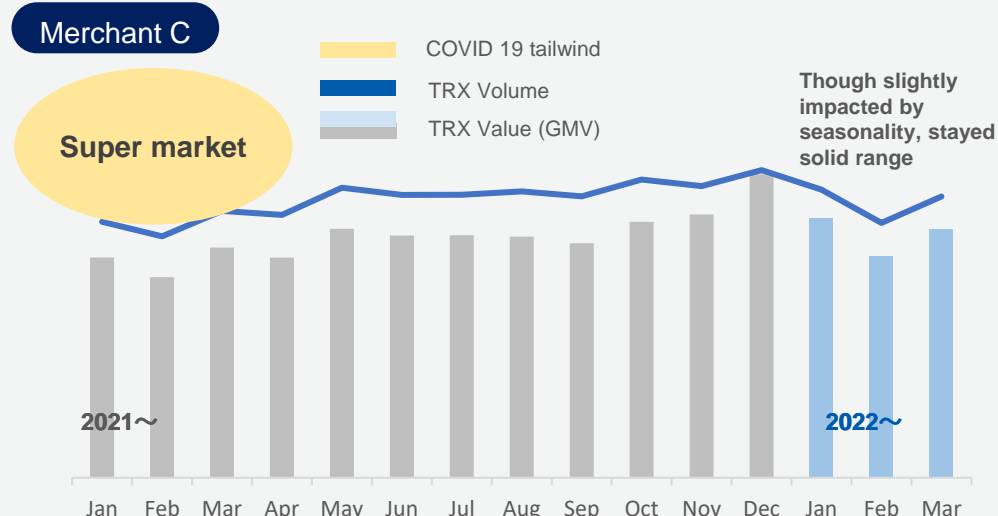
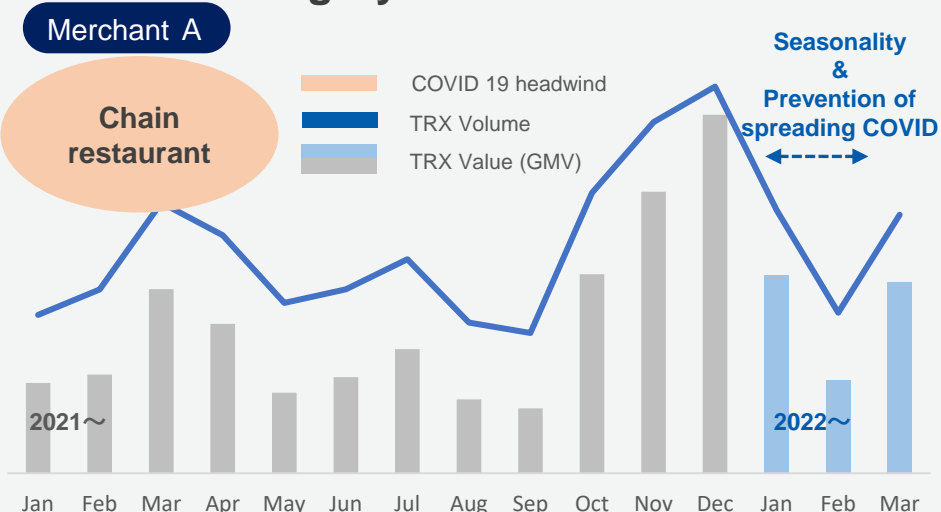
1.8 Merchant Industry

Preparing steadily for the recovery in domestic consumption and inbound demand in the post-COVID-19 economy. Acquire a well-balanced member merchant base across industries



1.9 Transaction Trends by Industry (Q2 standalone)

In Q2, some merchants were affected by seasonality and COVID. After the lifting of the prevention system at the end of March, there has been a recovery trend toward the pre-COVID level by industrial category

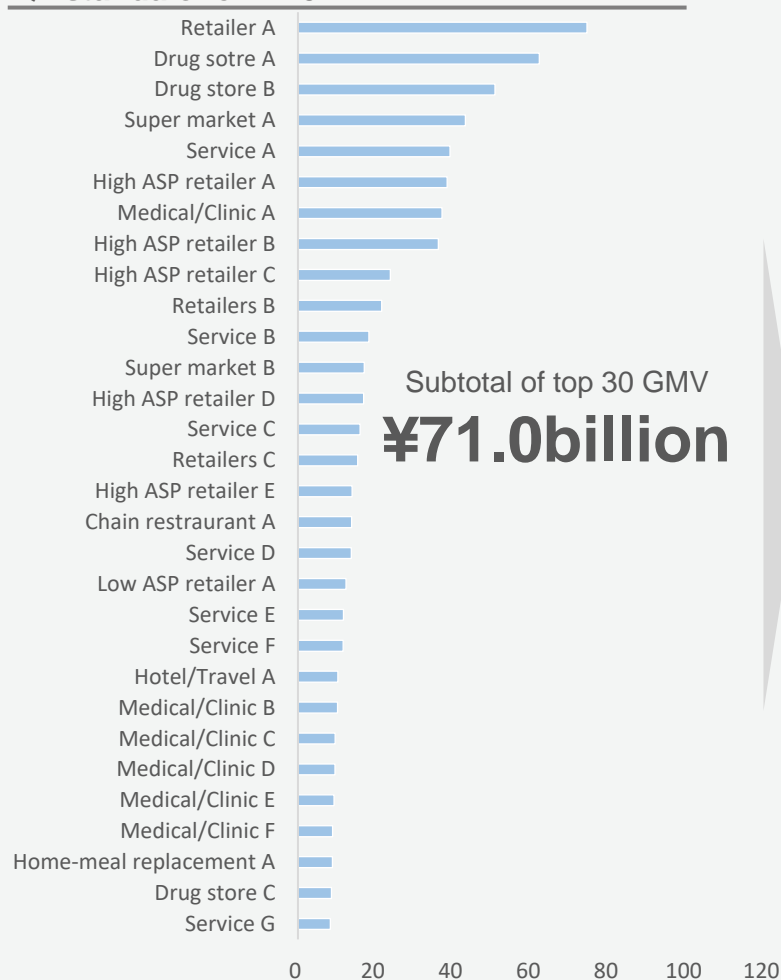


1.10 Top ranked merchants (GMV basis)

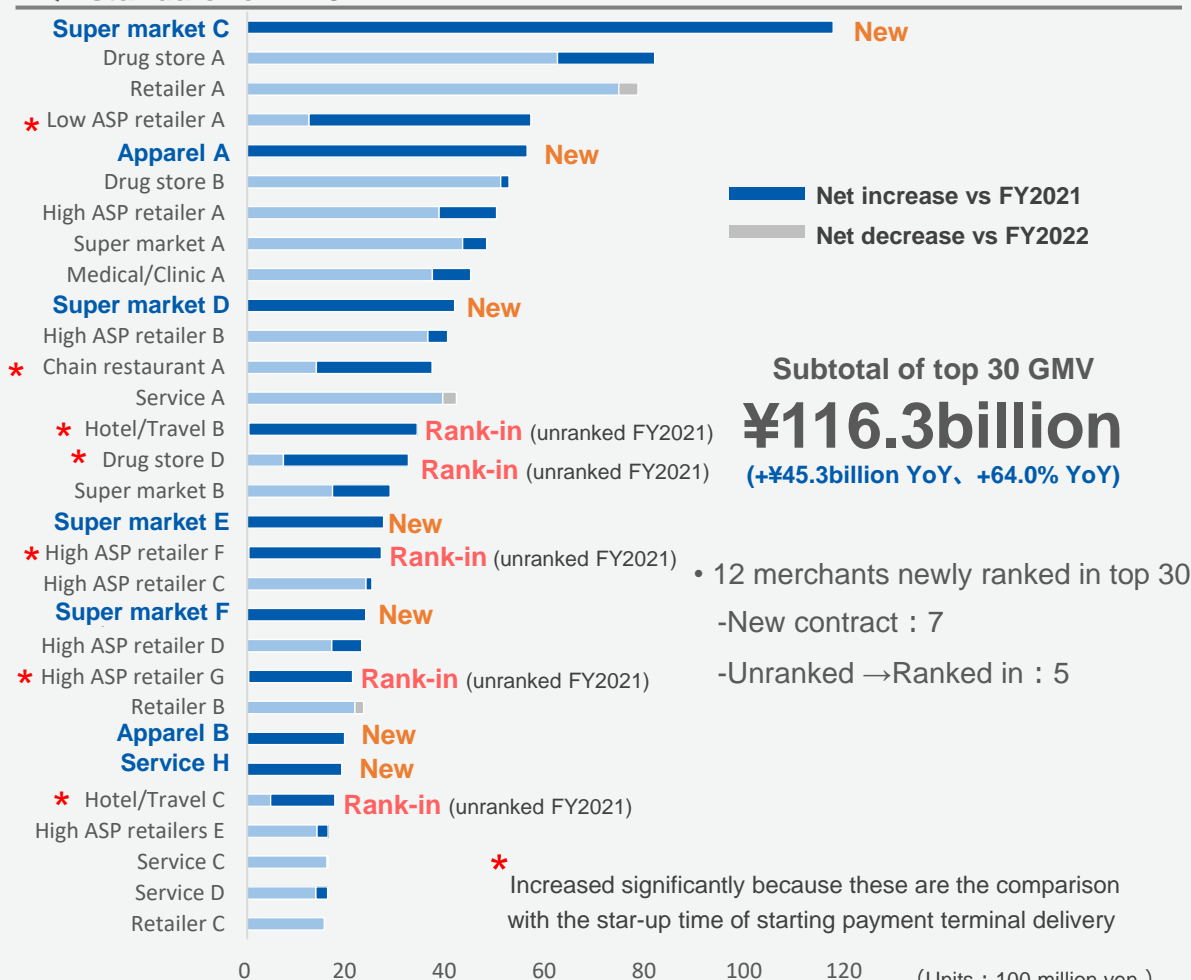
In addition to acquiring new merchants, thanks to the GMV coming from existing merchants also increased, our cashless platform expanded nicely

■ Top 30 TRX Value (GMV)

Q2 standalone FY2021



Q2 standalone FY2022



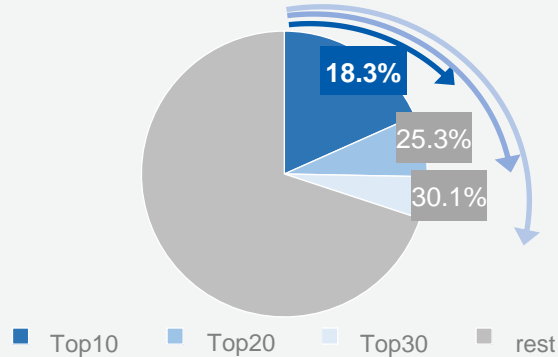
1.11 Percentage of top 30 merchants out of total GMV_(Q2 standalone)

As the base of merchants expands, the GMV composition ratio of the top 30 merchants declines and industry diversification progresses. Observed strong growth at supermarkets and achieved well-balanced portfolio even under COVID situation

■ Q2 standalone (Jan-Mar) FY2021

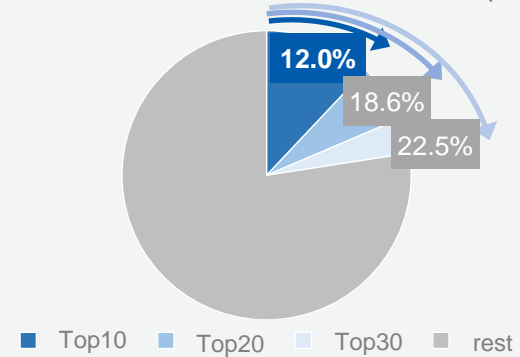
Percentage of top 30 merchants out of total GMV

Total GMV in Q2 standalone : ¥23.61 billion
Top 30 GMV in Q2 standalone : ¥71.0 billion

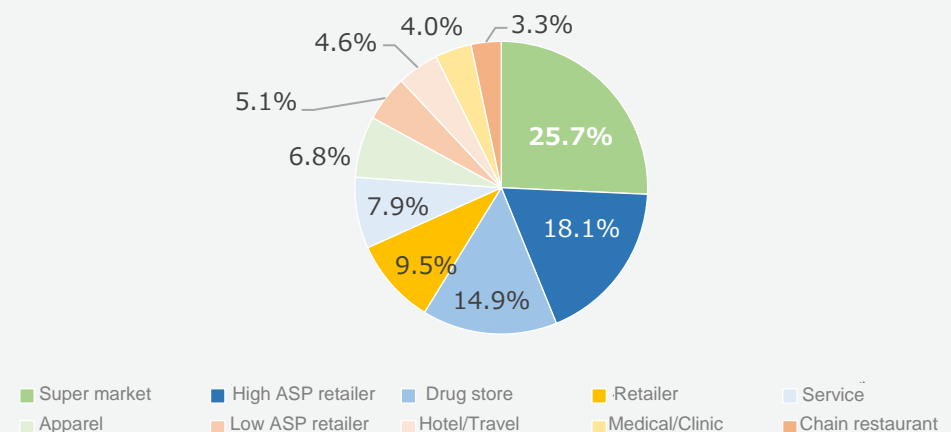
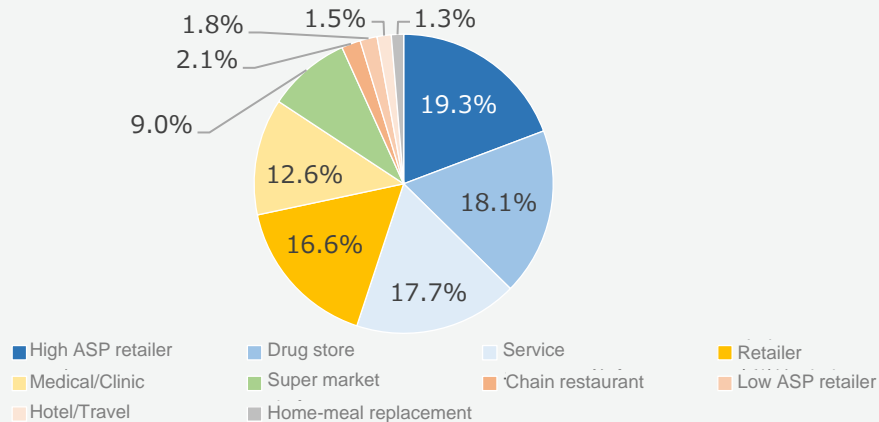


■ Q2 standalone (Jan-Mar) FY2022

Total GMV in Q2 standalone : ¥51.62 billion (+118.6% YoY)
Top 30 GMV in Q2 standalone : ¥11.63 billion (+64.0% YoY)

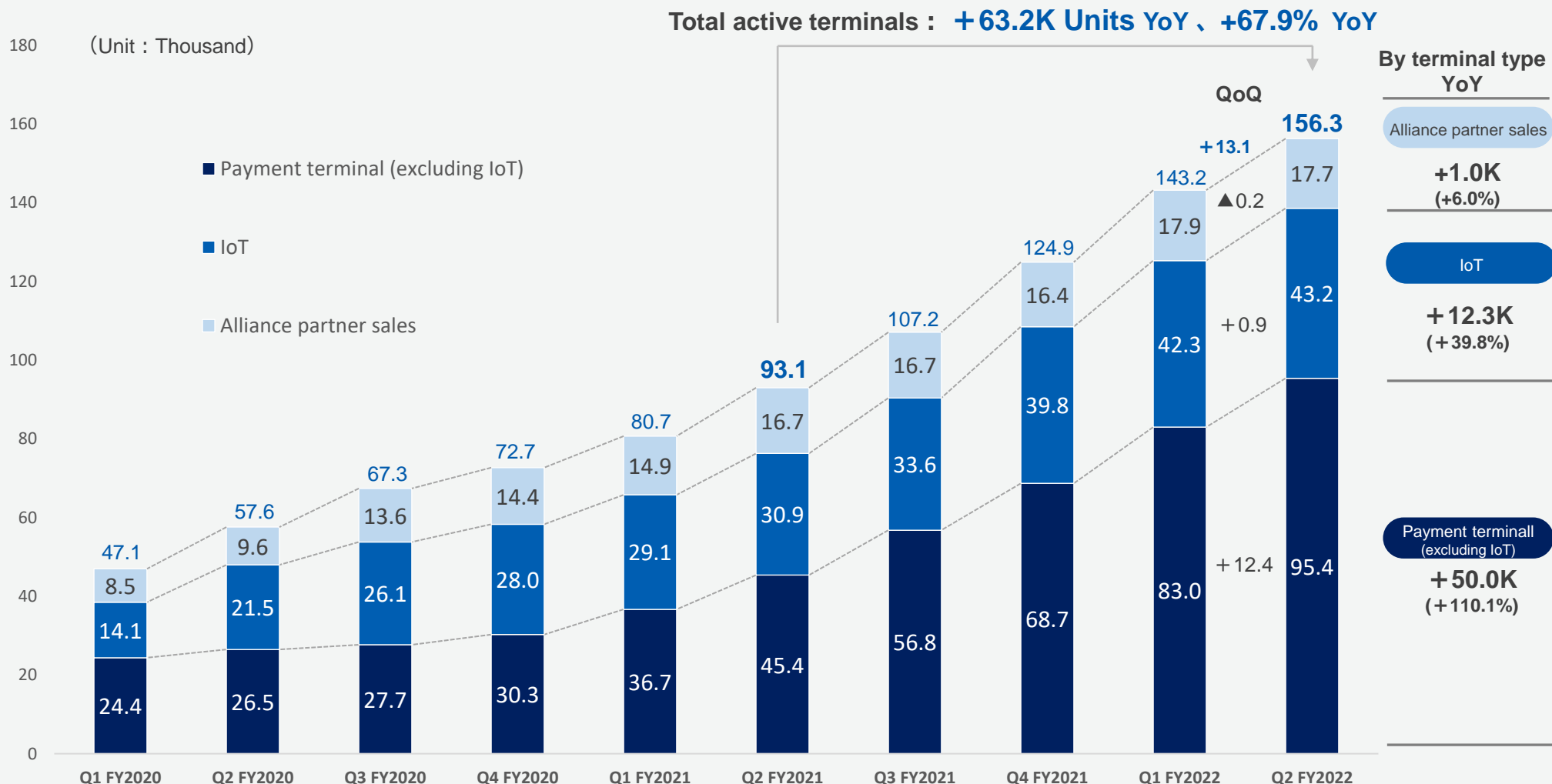


Percentage of top 30 merchants by industrial composition (GMV basis)



1.12 Consolidated KPIs (No. of Active Terminals)

Growth in payment terminals (excluding IoT) is driving growth. IoT tends to fluctuate QoQ due to the time lag of sales → activation. Decreased share of alliance partner sales

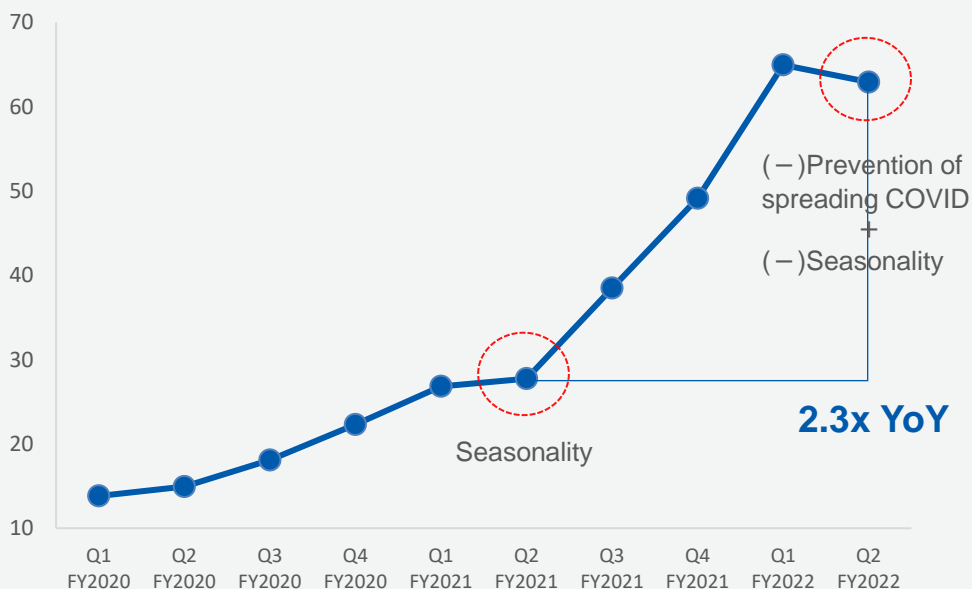


1.13 Consolidated KPIs (Quarterly TRX volume/GMV)

Developing merchants and active terminals without bias in any industry, significantly exceeding our target of YoY+50%

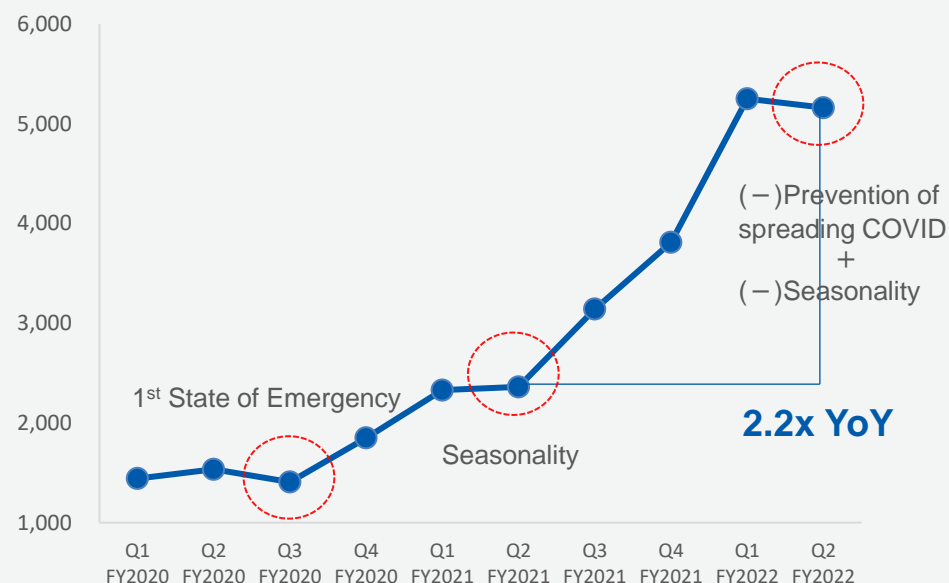
■ Transaction Volume

(Units: millions)



■ Transaction Value (GMV)

(Units : ¥100 million)

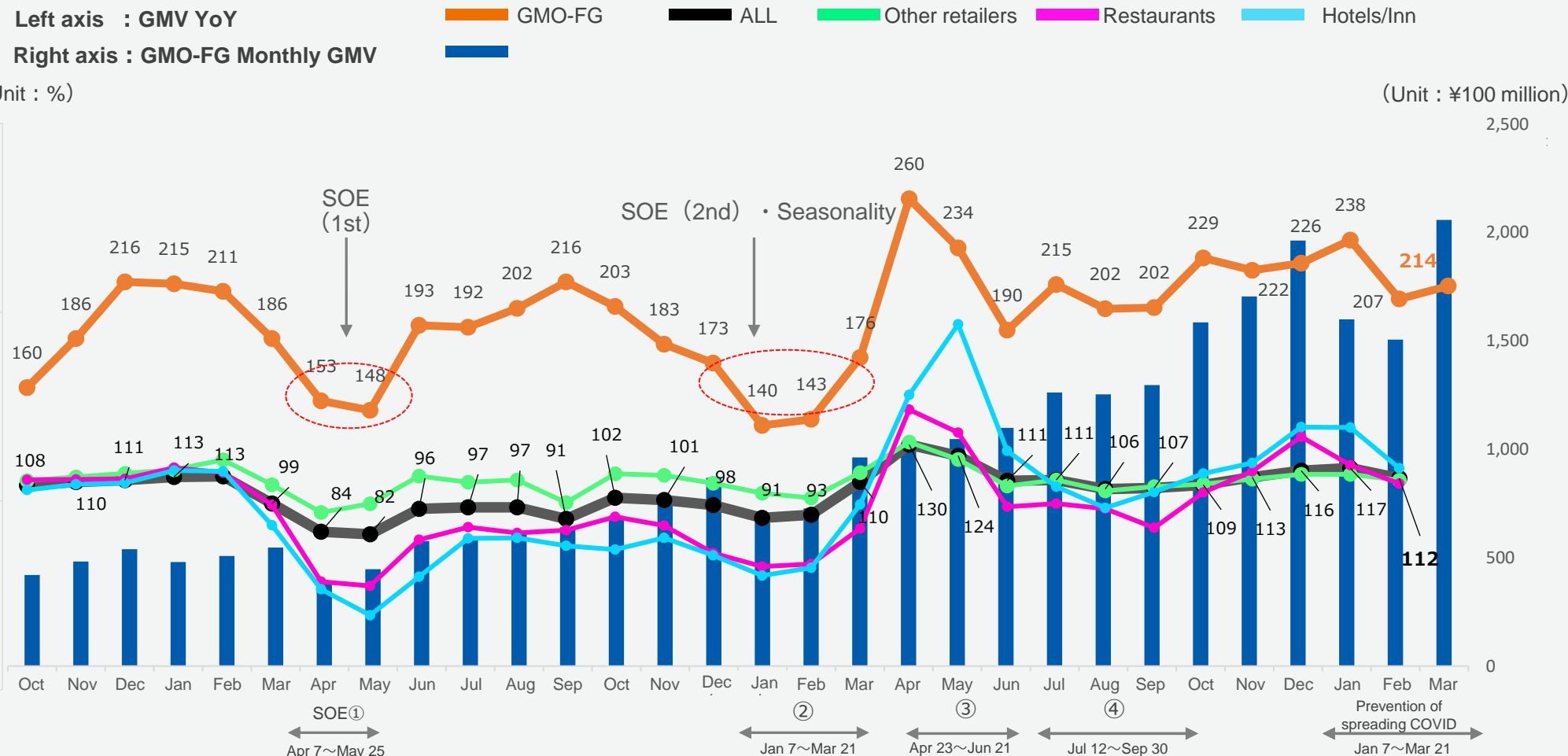


	Q1 FY2020	Q2 FY2020	Q3 FY2020	Q4 FY2020	Q1 FY2021	Q2 FY2021	Q3 FY2021	Q4 FY2021	Q1 FY2022	Q2 FY2022
Transaction volume (Unit: 10 K)	1,383	1,494	1,809	2,231	2,683	2,774	3,848	4,914	6,497	6,293
GMV (Unit: ¥100 million)	1,442	1,534	1,307	1,833	2,329	2,361	3,141	3,810	5,251	5,162

※Although active terminals increased steadily by selling payment terminals, KPIs above slightly decreased due to seasonality and Prevention of spreading COVID

1.14 Comparison with Market Growth

In response to the trend of YoY+10% in each industry, we maintain a level of doubling. Decline in GMV in January and February was also within expectations



Source: Ministry of Economy, Trade and Industry

2. Growth Strategy and Progress

2.1 Progress of action plans for OP growth

Strategy to increase market share, starting with sales of payment terminals, is making steady progress towards the target. Various measures are making steady progress, and several mid- to long-term growth strategies are under consideration

Target		FY2021 *Actual	FY2021 *Forecast	2024	2025	2035頃
	OP	¥0.59 billion	¥0.74 billion	Over ¥1 billion	¥1.5 billion	¥10 billion
	GMV	¥1.2 trillion	¥1.8 trillion		¥5 trillion	¥30 trillion

■ Growth strategies and progress (~2025)

- 1 Acquire multi-industry/high-growth enterprises by launching next-generation multi-payment terminals
 - A920, which is next generation model, started to be activated.
 - Started to operate in administrative agencies to expand our platform beyond private sector.
 - Other new type of next generation payment terminals are under consideration.
- 2 Expand IoT payments by supporting contactless (tap) and unattended payments
 - Terminal sales made good result even though affected by seasonality and COVID at a certain level
 - Started cashless payment support at several smart stores (began “Proof of Content” tests) where no-man is attended at register.
 - Delivering terminals to a major parking clearing machine vendor and our terminals are going to operate in shopping centers.
 - Mobility business domain is expanding steadily.
 - In addition to “Tap to phone”, we are also planning to deliver new type of terminals such as A35.
- 3 Acquire large accounts through expansion of alliances with QR, points, etc.
 - Planning to support point payment development of railway company
 - Steady Expansion of QR Settlement for Comprehensive Contracts in the IoT Domain (Vending Machines for Goods area).
- 4 Increase added value by strengthening processing center functions
 - Started providing an improved version of the transaction data sharing service as planned.
 - Functional sophistication of back office (bill settlement operations, etc.) completed.
⇒ Started providing DX services to merchants (making billing operations web-based).
 - Supporting merchants' finances by starting to provide early payment services.

■ Mid- to long-term growth strategy (2025~)

- ① Maintain a growth curve of 25% or more by diversifying alliance strategies (payment methods, additional functions, customer acquisition routes)
- ② Expand stock-model revenue by providing FinTech/money services
- ③ Expand profit points through the use of IoT data
 - Ongoing preparation for continued growth

2.2 Payment terminals(excluding IoT)-Progress status

The sales momentum of payment terminals continues, and the number of active terminals continues to expand. Accumulate forecasts without bias toward merchants' industry and size

■ No. of active terminals * Payment terminals (excluding IoT)

(Unit:Thousand)	End of Q4 FY2020	End of Q1 FY2021	End of Q2 FY2021	End of Q3 FY2021	End of Q4 FY2021	End of Q1 FY2022	End of Q2 FY2022	QoQ (%)	YoY (%)
<div> <div>Payment terminals</div> <div>(excluding IoT)</div> </div> <div> <div>Launched stera</div> <div> <div>30.3</div> <div>36.7</div> <div>45.4</div> <div>56.8</div> <div>68.7</div> <div>83.0</div> <div>95.4</div> </div> <div> <div>+6.4</div> <div>+8.7</div> <div>+11.4</div> <div>+11.8</div> <div>+14.4</div> <div>+12.4</div> </div> </div>								<div>+12.4</div> <div>(+15.0%)</div>	<div>+50.0</div> <div>(+110.0%)</div>

■ Major sales forecast in FY2022

Acquiring major merchants in each industries, and accumulating 1K to several thousands of sales forecast in each major merchant



Shopping center



Home appliances



Drug store/ Pharmacy



DIY Home center



Fast food



Apparel



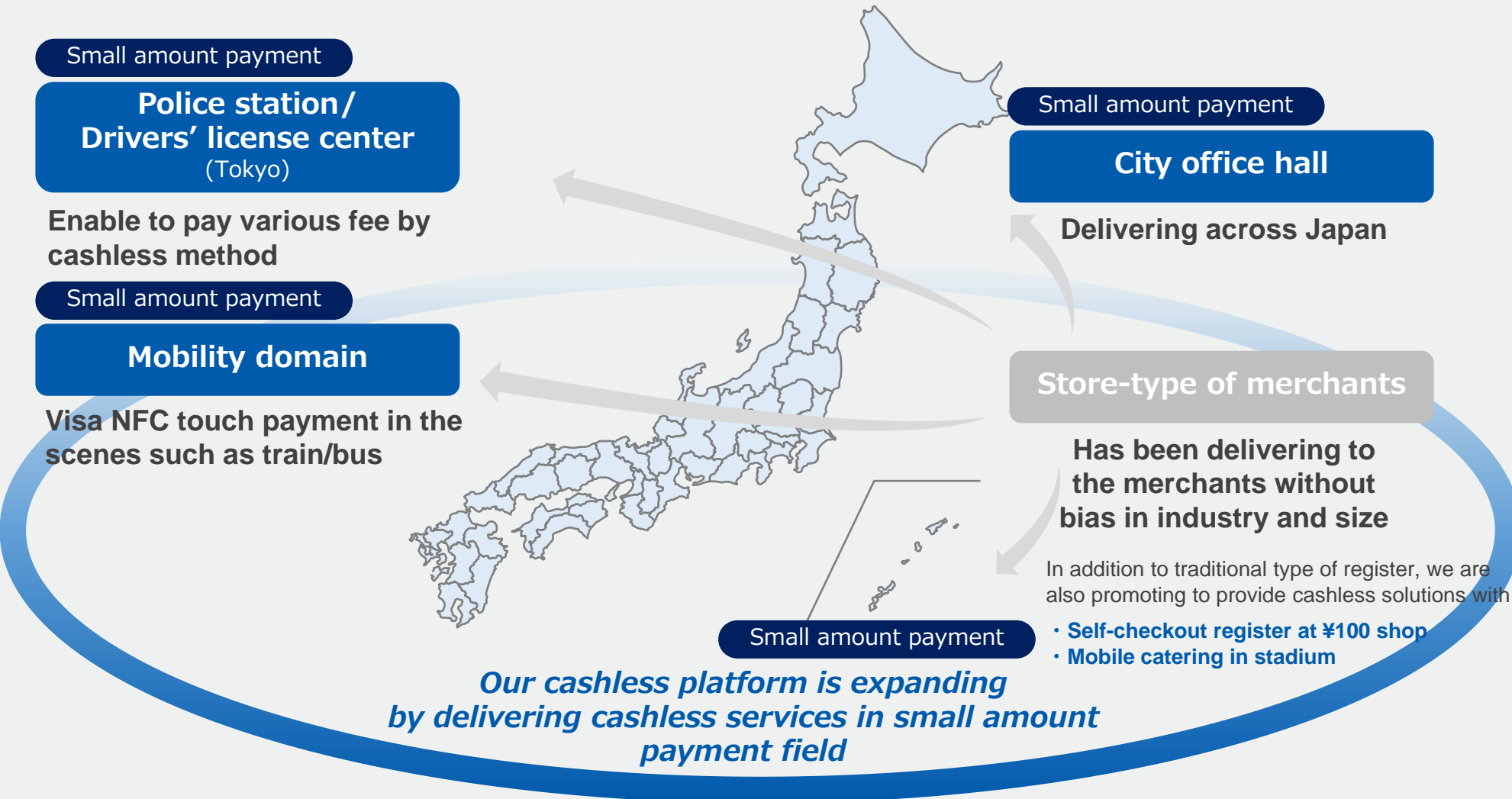
Book store



Rental car

2.3 Expansion to small-amount payment merchants

The cashless payment system in small-amount payment field in public institutions has also progressed, and the scene of our platform provide has expanded



2.4 IoT-Progress status

Sales of IoT devices remained steady. Steadily accumulated the number of active terminals QoQ, despite the impact of the time lag between the terminal sales and activation

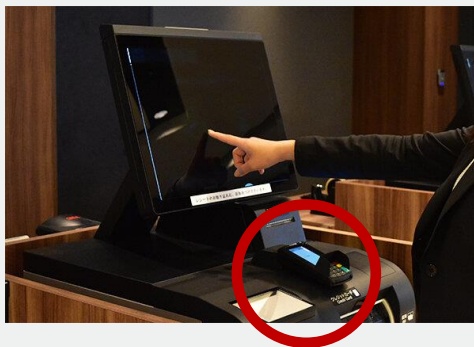
■ No. of active terminals * Payment terminals (IoT)

(Unit:Thousand)	End of Q4 FY2020	End of Q1 FY2021	End of Q2 FY2021	End of Q3 FY2021	End of Q4 FY2021	End of Q1 FY2022	End of Q2 FY2022	QoQ (%)
IoT	29.1	30.9	33.6	39.8	42.3	43.2	+0.9 (+2.1%)	+12.3 (+39.8%)

+1.8 +2.7 +6.2 +2.5 +0.9

■ IoT use-case

Self-checkout registers
at hotels/retailers



Metered parking
clearing machines



Vending machines
(Frozen•Chilled food)



Japanese ramen noodle, dumpling, chilled meat, Seafood, Japanese/Foreign sweets, beef rice bowl, various meal dishes etc...

2.5 Progress of IoT Payment Business

Started introduction to new vending machine vendors and parking lot settlement machine vendors. Steady expansion of the scene offered, contributing to initial and recurring revenue in the future

●→ In Progress
●---→ To be launched

2021

2022

Status

Hotel/Golf courses



Flow

Stock

Delivered approximately 40,000 payment terminals

Fee revenue from active terminals

Expanding to comprehensive business

● Replace existing terminal ●→



*No change from previous status

New Topic

Gradual launch of comprehensive business in the hotel area and steady accumulation of new projects. Contribution to spread revenue with hotel operation

Parking lot Checkout machines



Flow

Stock

Began installing terminals at major parking lot operators

Stock, fee, and spread revenue from active terminals

Started delivering to new major parking check out machine manufacture

DX

DX: Digitalize parking tickets, plan to integrate online reservation and payment



New Topic

Completion of development of QR code settlement. Can horizontally deploy in-house assets and know-how to multiple payment machine manufacturers

Ticket Machines



Flow

Stock

Demand increases due to new lifestyles under COVID

Completed certification process of all e-money brands, increasing stock-model revenue

Expand of stock-model revenue

Expand to QR code payment



*No change from previous status

QR-Code payments, which were scheduled to be rolled out in the FY9/22 1Q, will be rolled out in 2Q and beyond. Strive for early catch-up.

Self-checkout registers



Flow

Stock

● Implemented PoC test at several smart stores

● To be operated fully ●→



*No change from previous status

New Topic

Started demonstration tests of cashless solutions in smart stores

Goods & Beverage vending machines/coffee machines



Flow

Stock

● Started delivering to new vending machine manufacture

● Started operation of terminals for beverage vending machines on expressway SA

● Began installation of QR settlement for beverage vending machines



New Topic

Began introduction of payment terminals to beverage vending machines on expressway SA. Introduction of QR settlement also started.

3. Financial Highlights

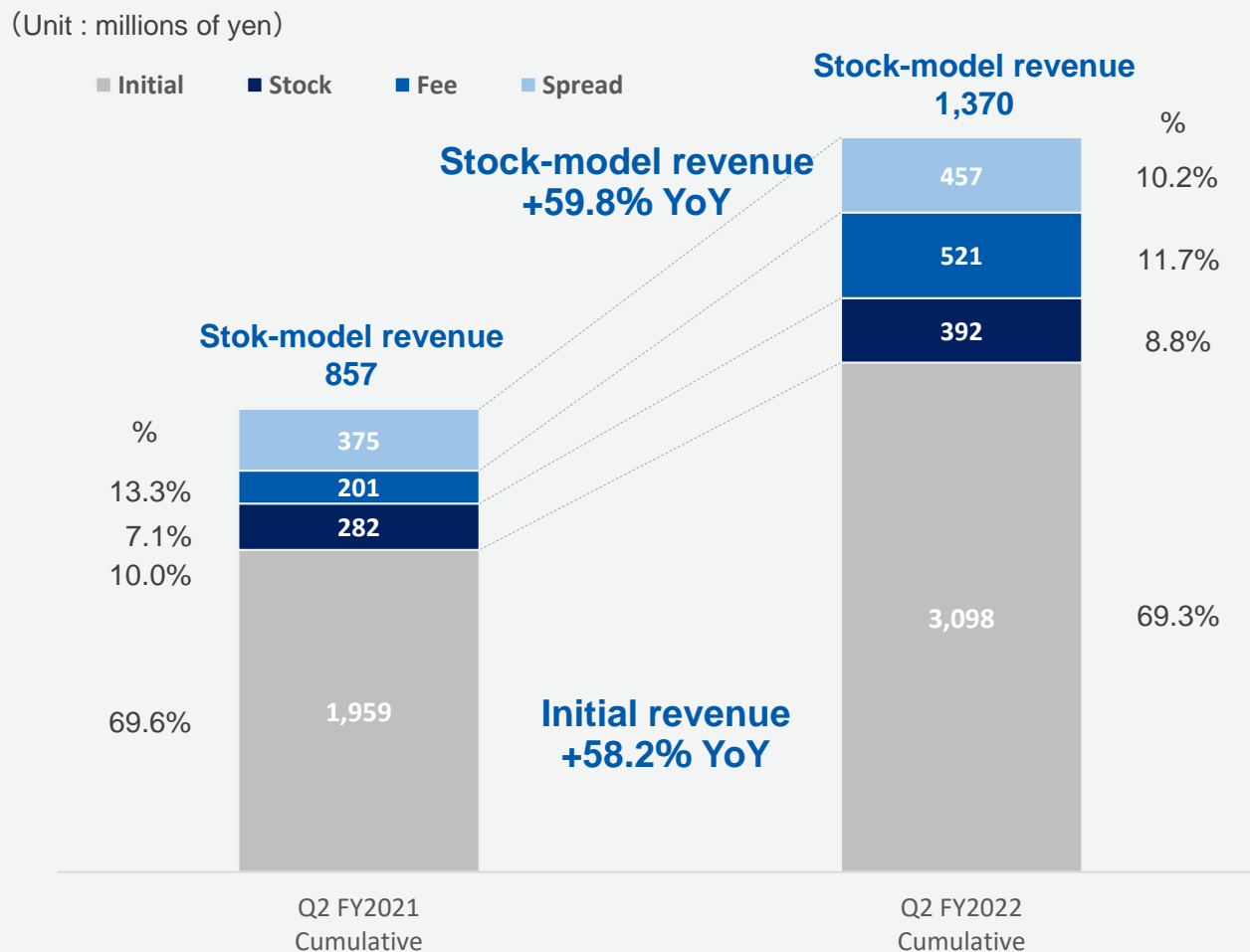
3.1 Profit & Loss

Gross profit grew at a low level compared to revenue due to a higher percentage of sales from stera terminal, which have a higher cost, compared to Q2 previous fiscal year. SG&A-to-sales ratio declined due to cost management

(Unit: Thousand)	Q2 FY2021 Cumulative (actual)	Q2 FY2022 Cumulative (actual)	YoY
Revenue	2,816,315	4,468,335	+58.7%
COGS	1,836,706	3,258,241	+77.4%
Gross profit	979,608	1,210,093	+23.5%
SG&A	660,695	839,141	+27.0%
Operating profit	318,912	370,952	+16.3%
Ordinary profit	319,549	370,591	+16.0%
Profit attributable to owners of parent	211,636	234,115	+10.6%

3.2 Revenue by business model (YoY)

Steady increase in the number of active terminals and steady expansion of recurring revenue due to the progress in developing merchants with stable payment volumes even under pandemics such as COVID



3.3 Revenue by business model (Quarterly)

Although Q2 standalone was negatively affected by seasonality and the prevention of spreading COVID, recurring revenue remains at the same level as Q1 FY2022 standalone

			SOE① 4/7~5/25		② 1/7~3/21	③ 4/23~6/21	④ 7/12~9/30			
(millions of yen)	Q1 FY2020 standalone	Q2 FY2020 standalone	Q3 FY2020 standalone	Q4 FY2020 standalone	Q1 FY2021 standalone	Q2 FY2021 standalone	Q3 FY2021 standalone	Q4 FY2021 standalone	Q1 FY2022 standalone	Q2 FY2022 standalone
Initial	626	693	451	465	855	1,103	1,525	1,682	1,455	1,643
		Recorded advances terminal sales		Launched stera						
Stock-model	363	367	333	391	430	427	495	569	687	683
Stock	110	118	128	132	136	146	160	182	186	206
Fee	75	70	80	80	101	99	149	183	262	259
Spread	178	180	125	179	193	182	186	203	239	218
			1 st State of Emergency							
Total	990	1,061	784	856	1,286	1,531	2,020	2,252	2,141	2,327
									Seasonality & COVID	

3.4 Balance Sheet

Continuing from the end of 1Q, the inventory of payment terminals is secured at a safe level in light of the status of supplies

End of Q2 FY2022 (Thousands of yen)

Cash & Cash equivalents (24.5%) 1,618,341	Current liabilities 2,135,303
Commodities (Payment terminal) 2,523,448	Non-current liabilities 33,229
Other current assets 1,006,813	Total equity(73.2%) 4,424,624
Non-current assets 1,444,554	
Asset	Liabilities

■ Comments

- Increased commodities (+ ¥350 million) from the end of Q1 FY2022
- the inventory of payment terminals is secured at a safe level in light of the status of supplies

3.5 Consolidated KPIs (No. of Active Terminals)


Payment terminals (excluding IoT) drove growth. Steadily accumulated IoT in QoQ despite the impact of the time-lag between the sales and activations

(Unit: Thousand)	FY2020 Q3	FY2020 Q4	FY2021 Q1	FY2021 Q2	FY2021 Q3	FY2021 Q4	FY2022 Q1	FY2022 Q2	QoQ (%)	YoY (%)
Payment terminal (excluding IoT)	27.7	30.3	36.7	45.4	56.8	68.7	83.0	95.4	+12.4 (+15.0%)	+50.0 (+110.0%)
IoT	26.1	28.0	29.1	30.9	33.6	39.8	42.3	43.2	+0.9 (+2.0%)	+12.3 (+39.7%)
Alliance partner sales	13.6	14.4	14.9	16.7	16.7	16.4	17.9	17.7	- 0.2 (- 0.9%)	+1.0 (+5.7%)
Total	67.3	72.7	80.7	93.1	107.2	124.9	143.2	156.3	+13.1 (+9.2%)	+63.2 (+67.9%)

4. Appendix

GMO-FG Business Domain

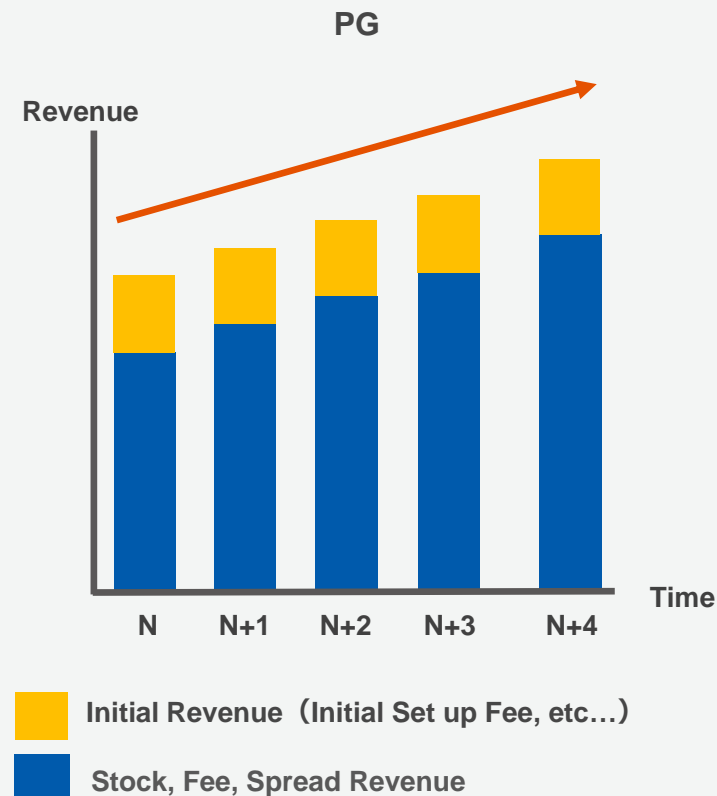
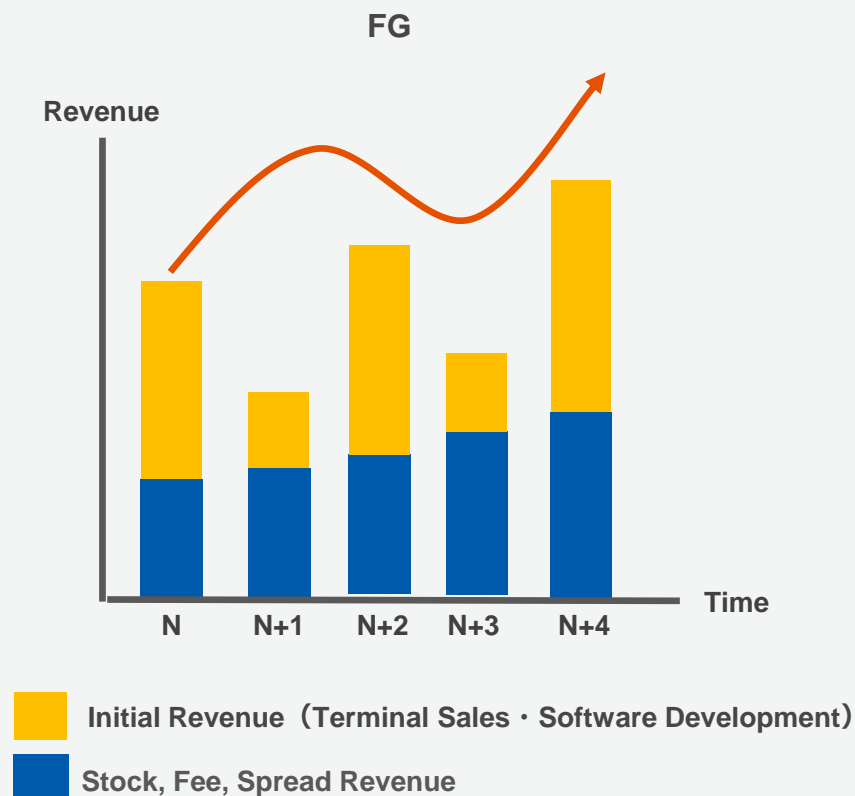
GMO-FG is focusing on offline payment

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

- Physical hardware network
- Proprietary programming code specifications
- Regulation

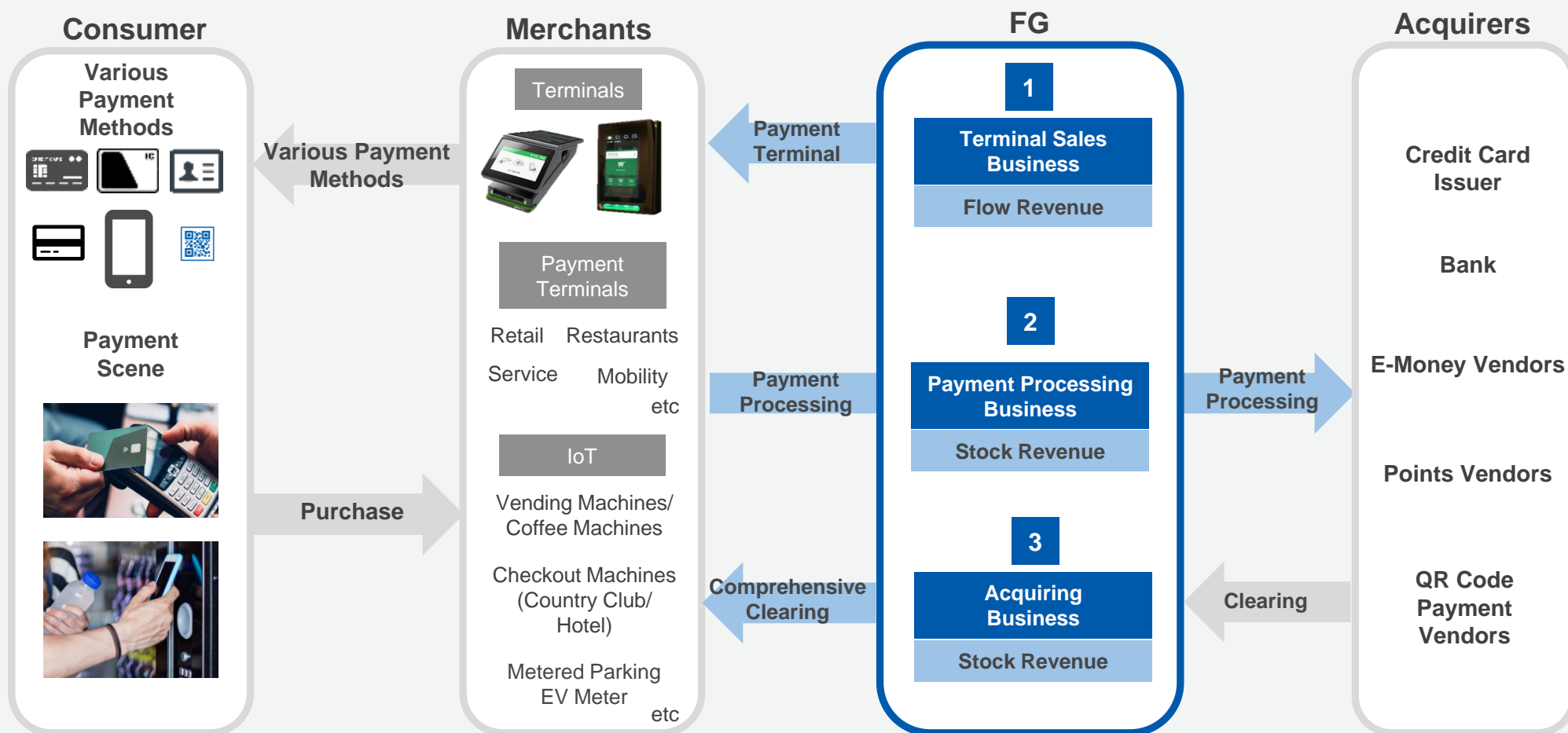
Rev Models: Financial Gate vs. Payment Gateway

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



Three Biz Models Over a Single, One-Stop Platform

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

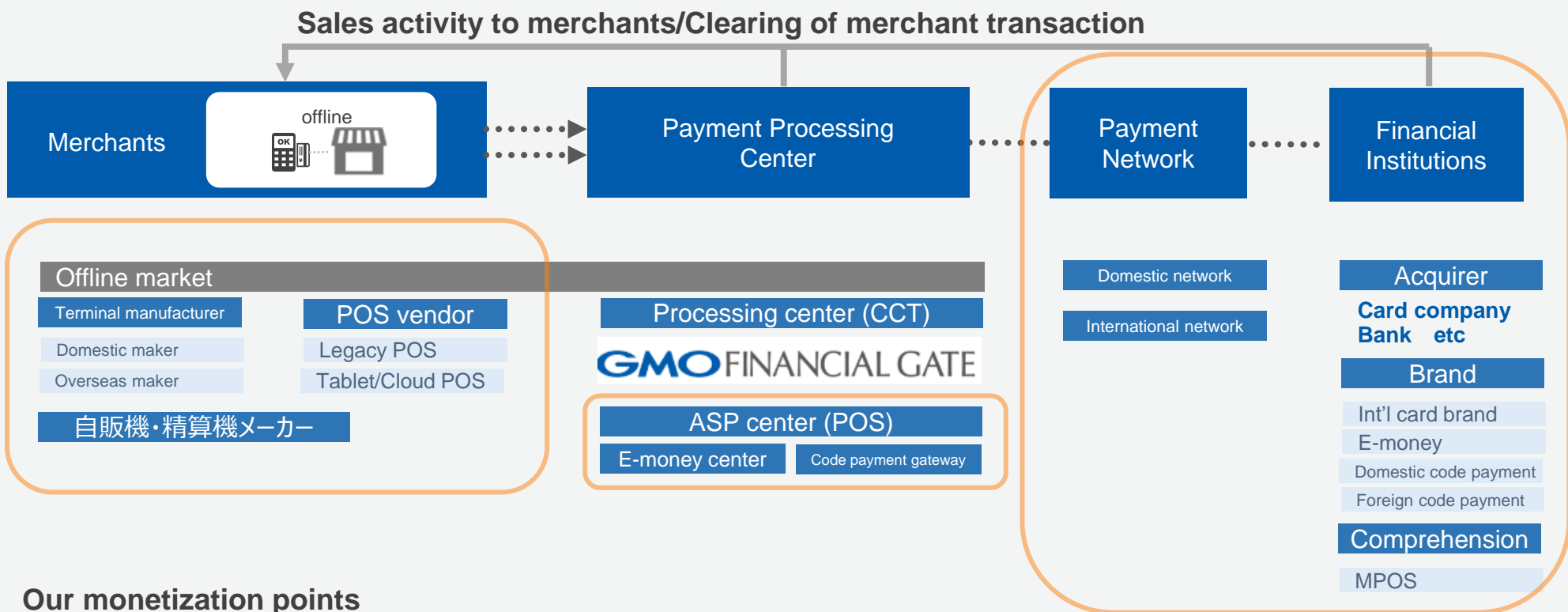


Stock Revenue Expansion Originating From Terminal Sales

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

Revenue Model	3 Business	4 Types of Revenue	% (Q2 FY2022 cumulative)
Flow Model Rev	① Terminal Sales Business	Initial	69.3%
 Stock Model Rev	② Payment Processing Business	Stock	8.8%
		Fee	11.7%
	③ Acquiring Business	Spread	10.2%

Players in offline cashless payment setting



Our monetization points

Initial Revenue

Stock Revenue

※Activation of payment terminals~Connect to our processing center

Fee Revenue

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

Spread Revenue

Alliance partner

Image of rise in Rev & OP

Phase1: Focus on sales/activation of payment terminals and revenue will be fluctuated.

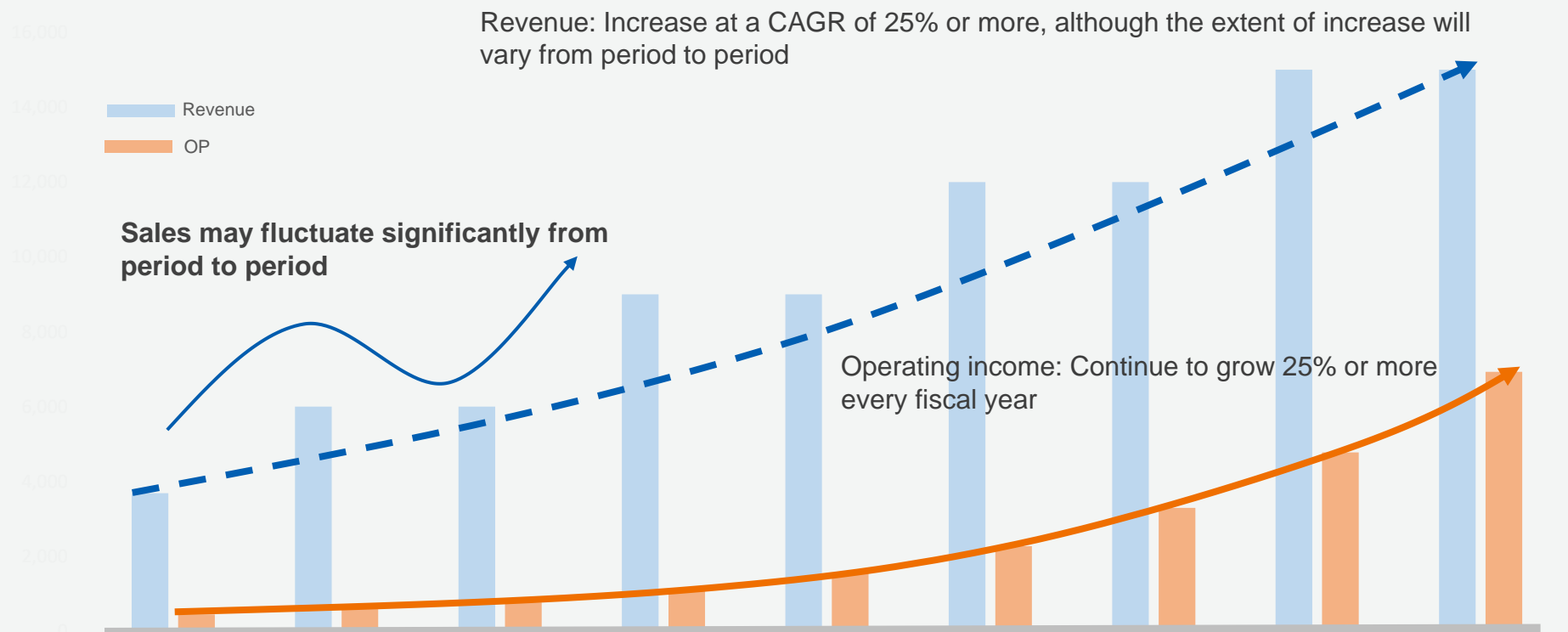
Phase2: Expansion of Stock-Model revenue

Phase 1

Increase of Market Share (approx. up to 2025)

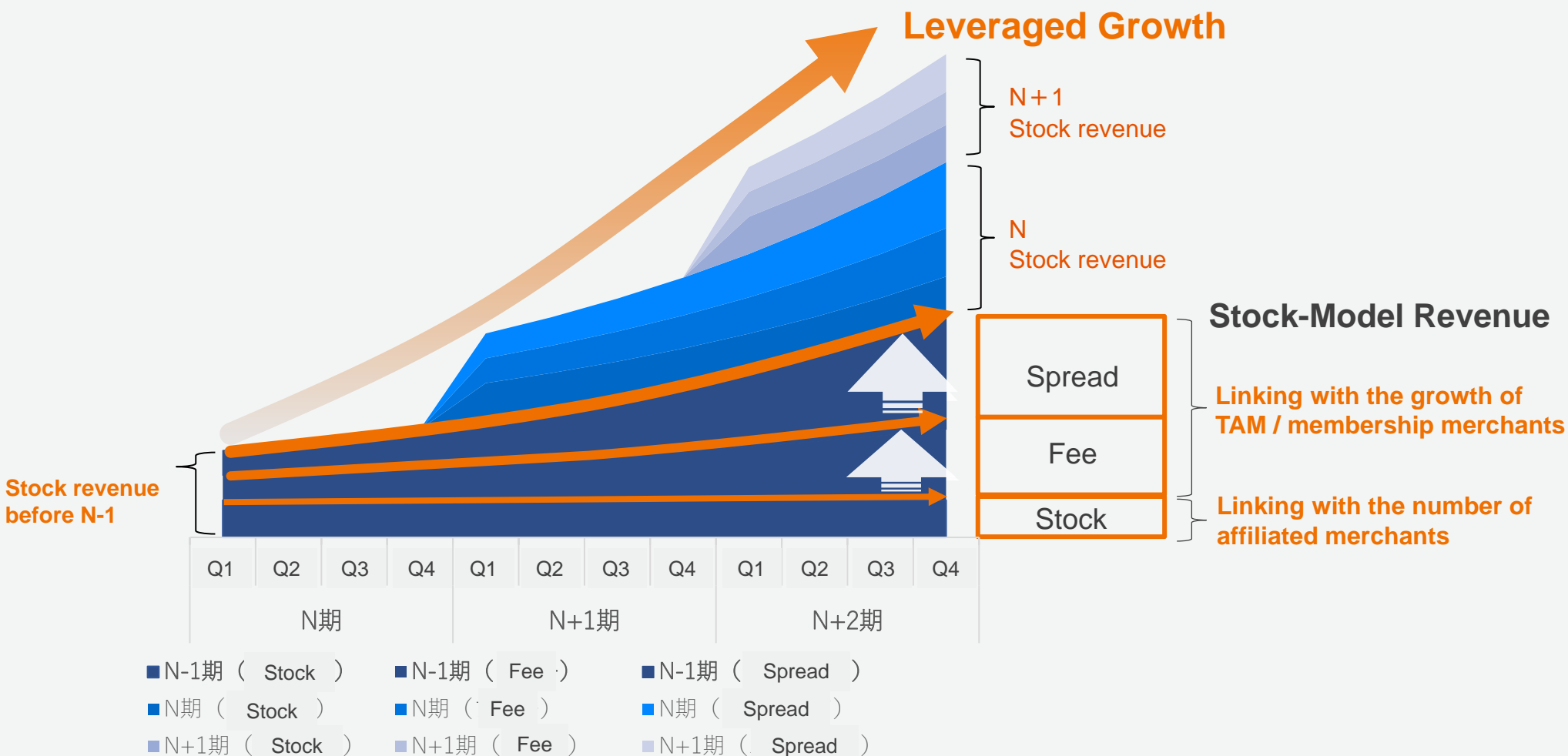
Phase 2

Rise in Profit Margin



Leveraged Growth Model

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



Details on each revenue ①

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

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

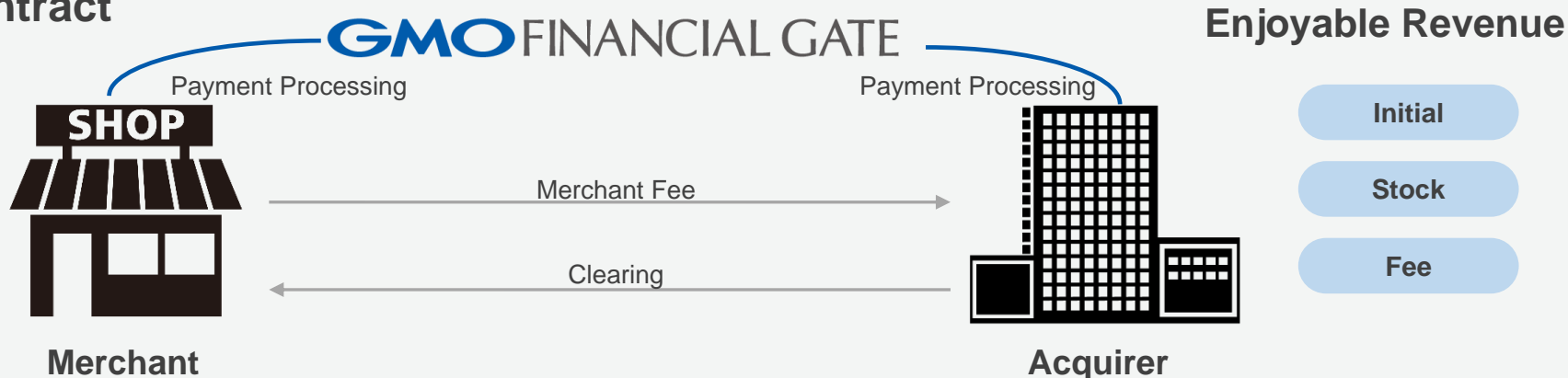
Details on each revenue ②

Fee	Content	Rev Model
Processing	It is a fee we charge toward monthly transaction volume based on the rate per transaction	<ul style="list-style-type: none"> • TRX Volume × Processing Fee <ul style="list-style-type: none"> ✓ Processing fee is about ¥2 to ¥3 per transaction
Sales of roll paper	This is a sales of roll paper that is used with payment terminals at stores	<ul style="list-style-type: none"> • No. of Order × Price of Roll Paper <ul style="list-style-type: none"> ✓ The price range of roll paper is about ¥130 to ¥200.
Spread	content	Rev Model
Acquiring (Settlement agent)	<p>We charge spread fee (α) towards clearing amount to merchants</p> <p>We received indicator rate (N) from acquirers, then we acquire merchants instead of acquirers with the new rate ($N + \alpha =$ merchant fee)</p>	<p>GMV of Agent Contract</p> <p>×</p> <p>Spread fee we charge (about 0.3~0.4%)</p>

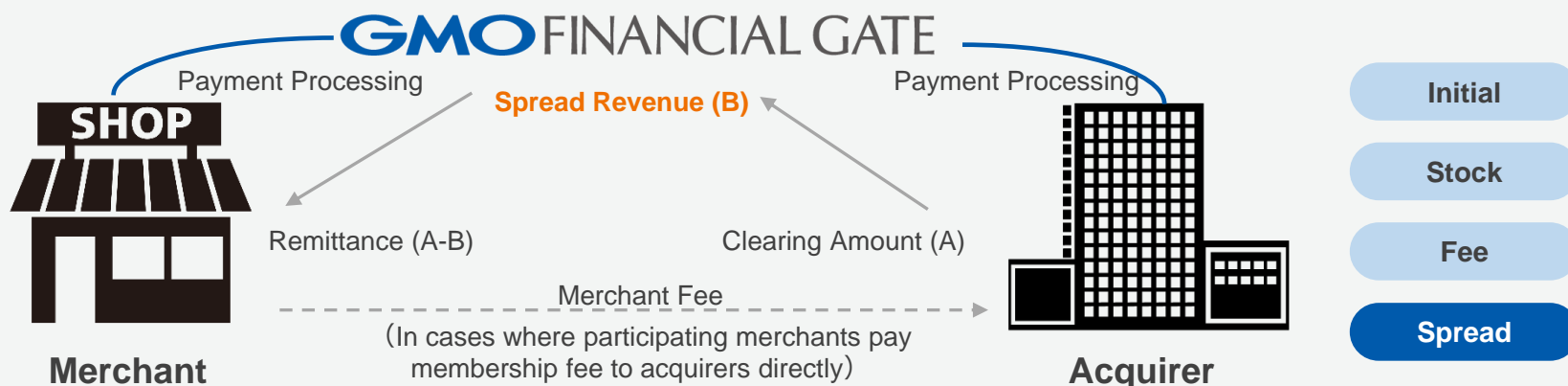
Relationship Between Spread Revenue and GMV

We do not necessarily generate spread revenue for every transaction. This is due to the fact that credit card companies have historically acquired major participating merchants on their own. Therefore, we calculate spread revenue as $GMV \times \text{Take Rate} \times \text{Contribution Ratio}$

■ Direct Contract



■ Agent Contract (*Clearing amount for Agent Contract \div GMV = Contribution Ratio)



Relationship between number of active terminals & stock rev.

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

Terminals we offer

Floor-Standing Model



Mobile Model





Embedded Model

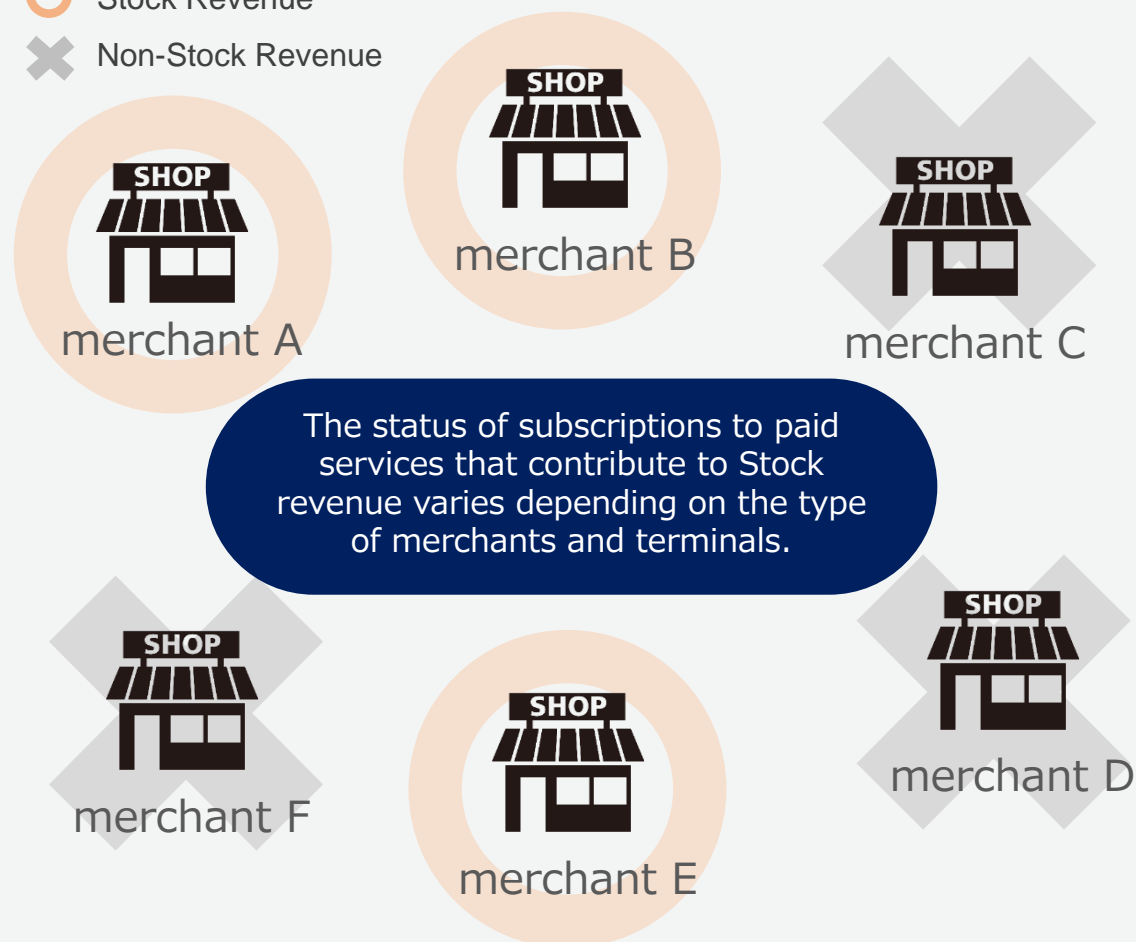


POS Model



Merchants (Acquisition opportunity image of Stock revenue)

-  Stock Revenue
-  Non-Stock Revenue



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		Stock 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	➡	○	○	—	—	

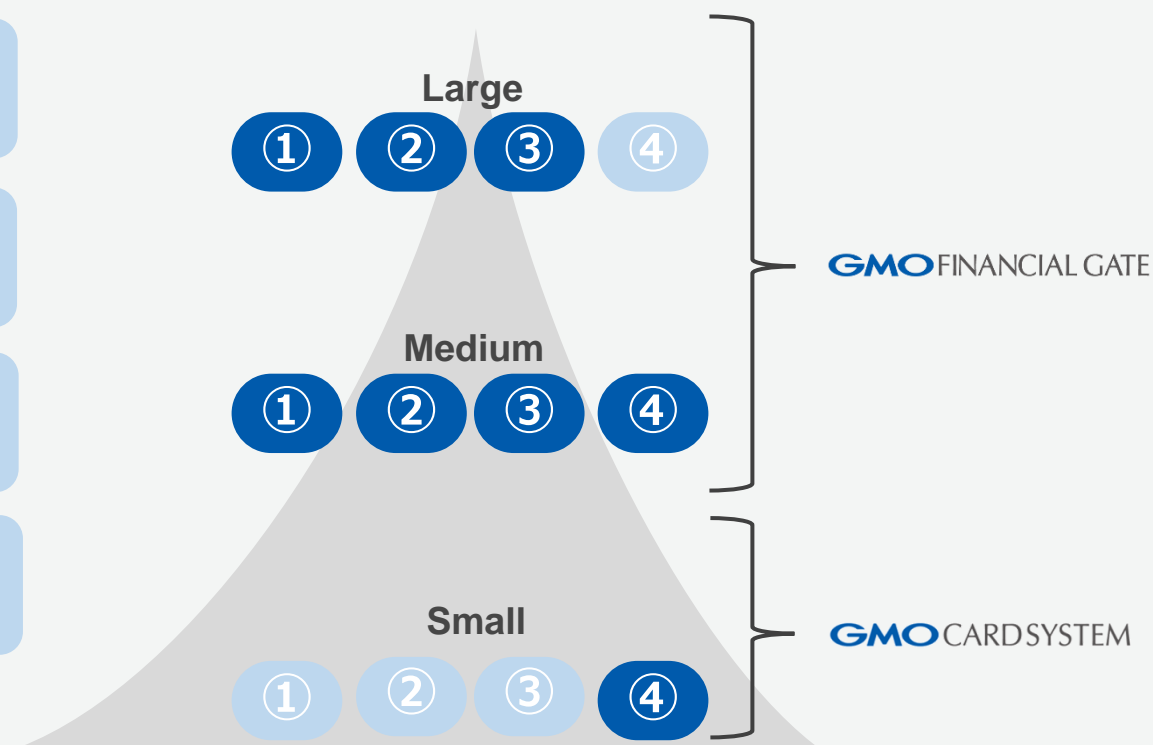
Revenue Model by Merchant Size

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



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



E-money



Point



QR



J-debit



House point/House E-money



Duty exemption



Terminals we offer

Floor-Standing Model



Mobile Model



Embedded Model



POS Model



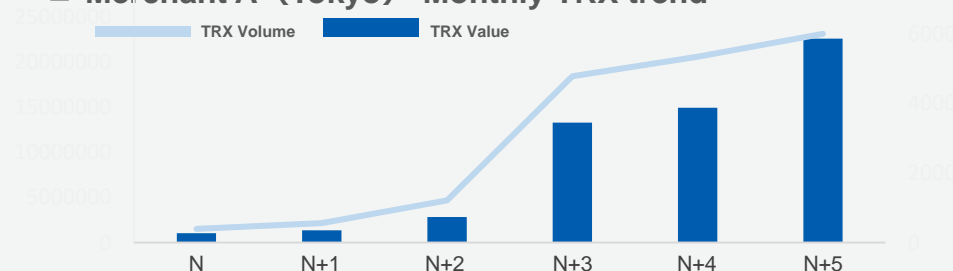
*Alliance partner terminals

Cashless Platform

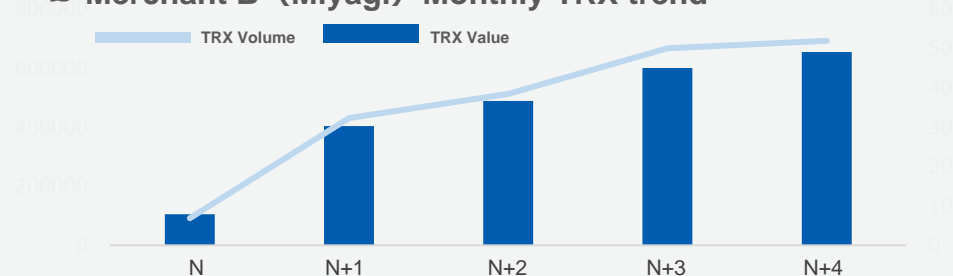
TRX-increase through cashless penetration

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

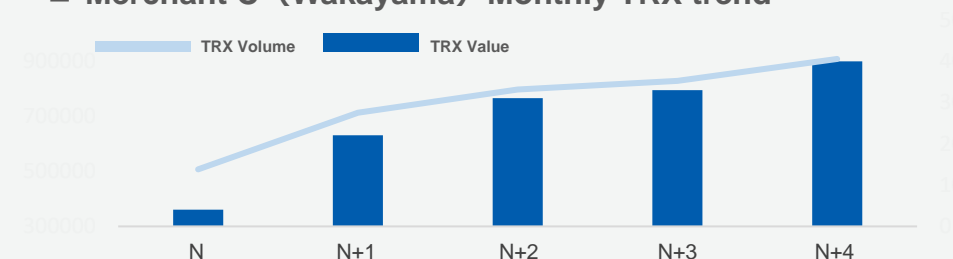
■ Merchant A (Tokyo) Monthly TRX trend



■ Merchant B (Miyagi) Monthly TRX trend



■ Merchant C (Wakayama) Monthly TRX trend



Merchant

Cash only ⇒ Introduce cashless payments

Consumer

Recognize convenience
(Successful experience
⇒ change in payment method)

Merchant

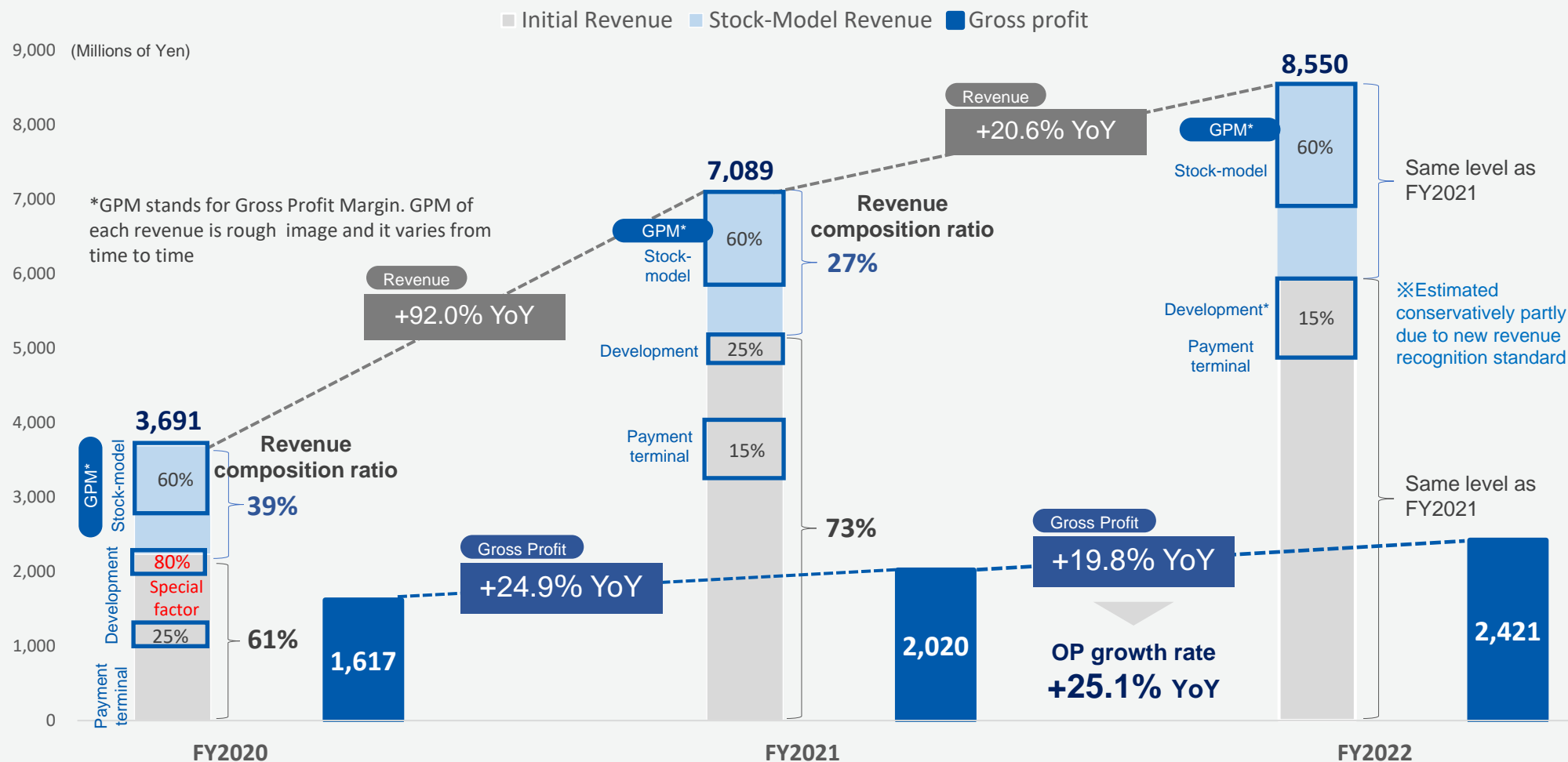
TRX volume/value
per terminal will increase

Stock-Model revenue will increase

Guidance of FY2022

In FY2021, gross profit growth was low compared to sales increase (as expected) due to special factors in FY2020 and a change in the composition ratio of payment terminal sales.

FY2022 forecast aims to achieve OP target with the same sales composition as FY2021



TAM (Total Addressable Market)

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

■ Offline TRX value in Japan

Private sector final
consumption
expenditure in
Japan (includes
cash payments)

¥278 trillion^{*2}
(2020)

^{*} Due to the spread of coronavirus infection
Dropped to the same level as during the Lehman shock

¥111 trillion^{*1}
(2025)

¥92 trillion^{*1}
(2021)

¥1.2
trillion

Market for
offline cashless
(face-to-face) payments

GMO Financial Gate TRX value
(FY2021 Actual)

■ Potential market value of IoT/Unattended

Potential market size for
IoT/Unattended (our
prediction)

¥30 trillion^{*3}
(2020)

¥0.1
trillion

GMO Financial Gate TRX value
in IoT/Unattended business

- To achieve ¥1.5 billion in operating profit for FY2024 :
**Expand IoT/Unattended business driven by
contactless payment (touch payment) and unattended
registers**

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

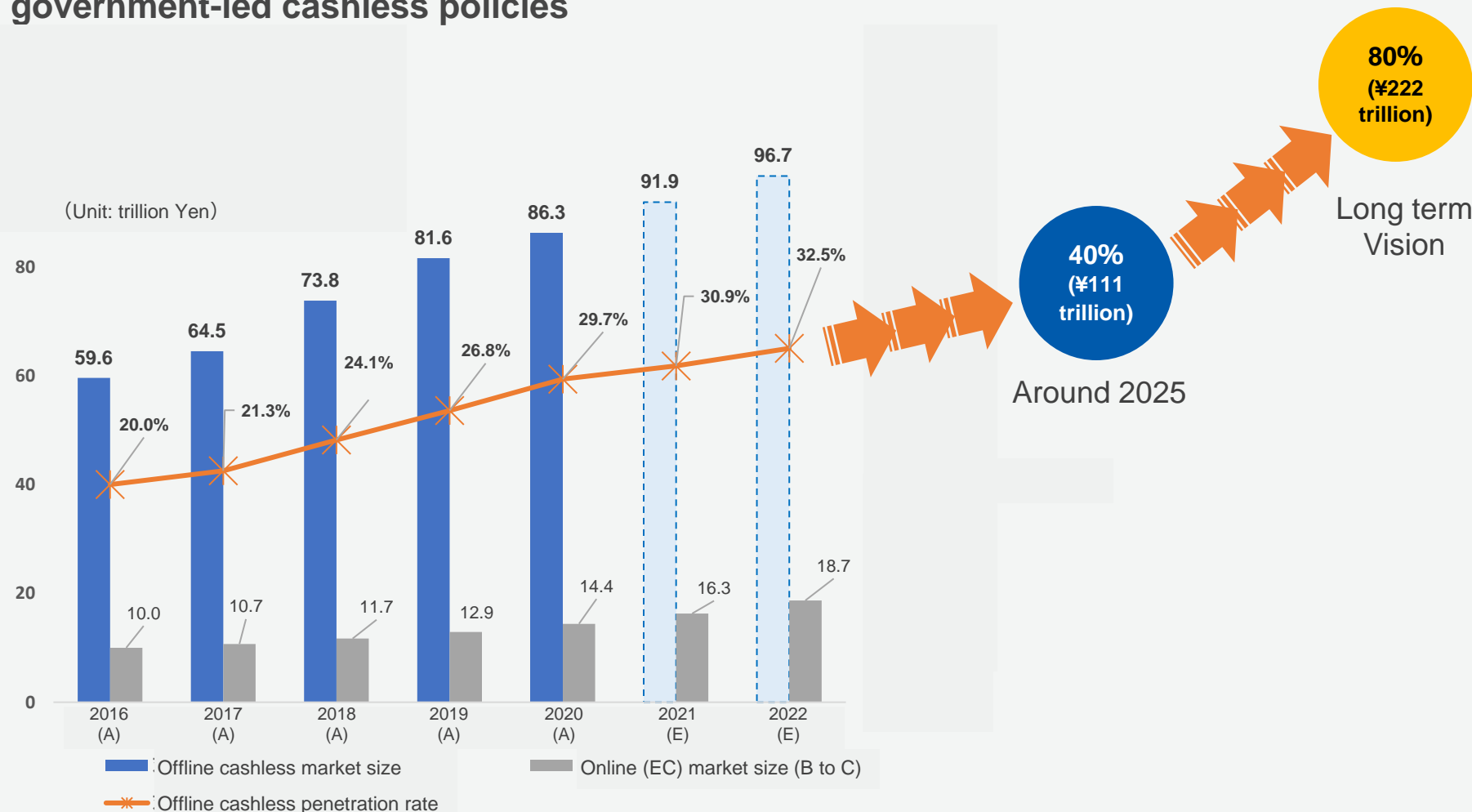
(^{*2}) Source: Cabinet Office, Government of Japan

(^{*3}) GMO Financial Gate internal forecast based on statistical data published by the Cabinet Office, Government of Japan, the Japan Vending System Manufacturers Association, and the Japan Parking Business Association

(^{*4}) Source: Japan Ministry of Economy, Trade and Industry

Market Growth of Offline Cashless (face-to-face payments)

The market for offline cashless payments is currently ¥92 trillion, six times larger than the online market. Cashless penetration is expected to rise to as much as 80%, driven by government-led cashless policies



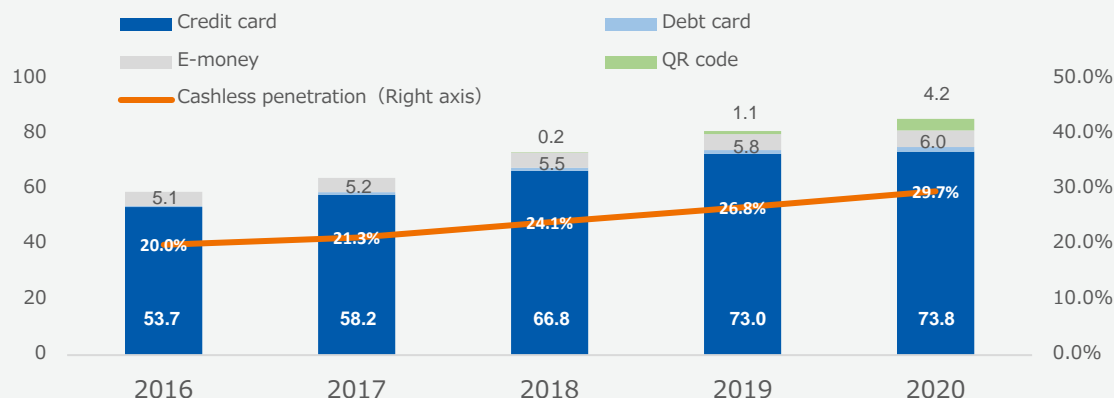
Source: Cashless Roadmap 2019, PAYMENTS JAPAN; Yano Research Institute Ltd.

Composition of Cashless Payment Methods

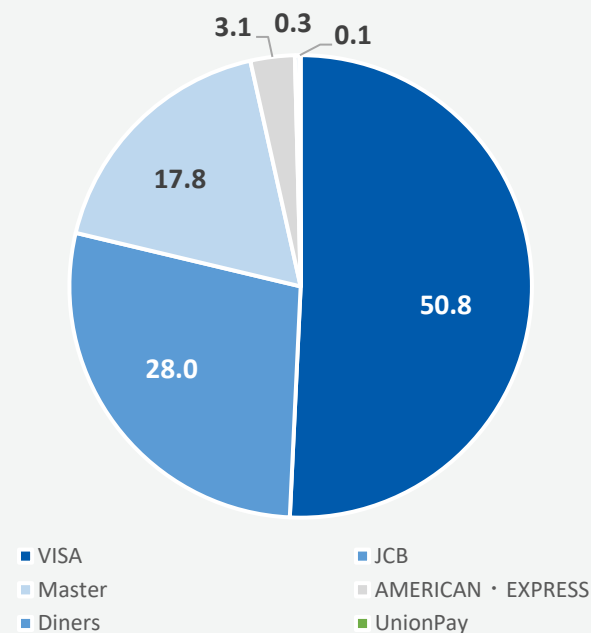
While cashless payments have become more diversified, credit card use is still high E-commerce composition ratio declined, QR code increased

TRX value of cashless payment

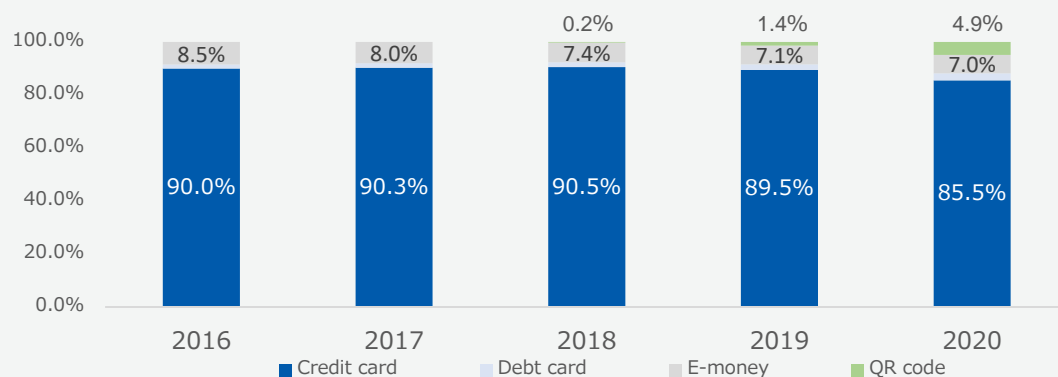
(Unit : trillion yen)



Credit card brand share in Japan (2020)



Composition of cashless payment methods



*Source: Ipsos Financial Service

*Source: Ministry of Economy, Trade and industry

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

4.5 million



Goods/
commodities



Tickets



Beverages/
sweet treats



Self-checkout
machine
(Golf/Hotel)



Coffee



Metered parking/
EV chargers



Self-checkout
register



Coin-operated
washing
machines

■ Push factors associated with changes in the external environment

- Declining workforce
- Labor-saving support
- Obtaining inbound demand
- Retailers moving into offices
- Revision of the Pro-Sales Act
- COVID-19

■ No of active IoT terminals

(Unit: 10 Thousands)



Unattended
Market

Offline
Market

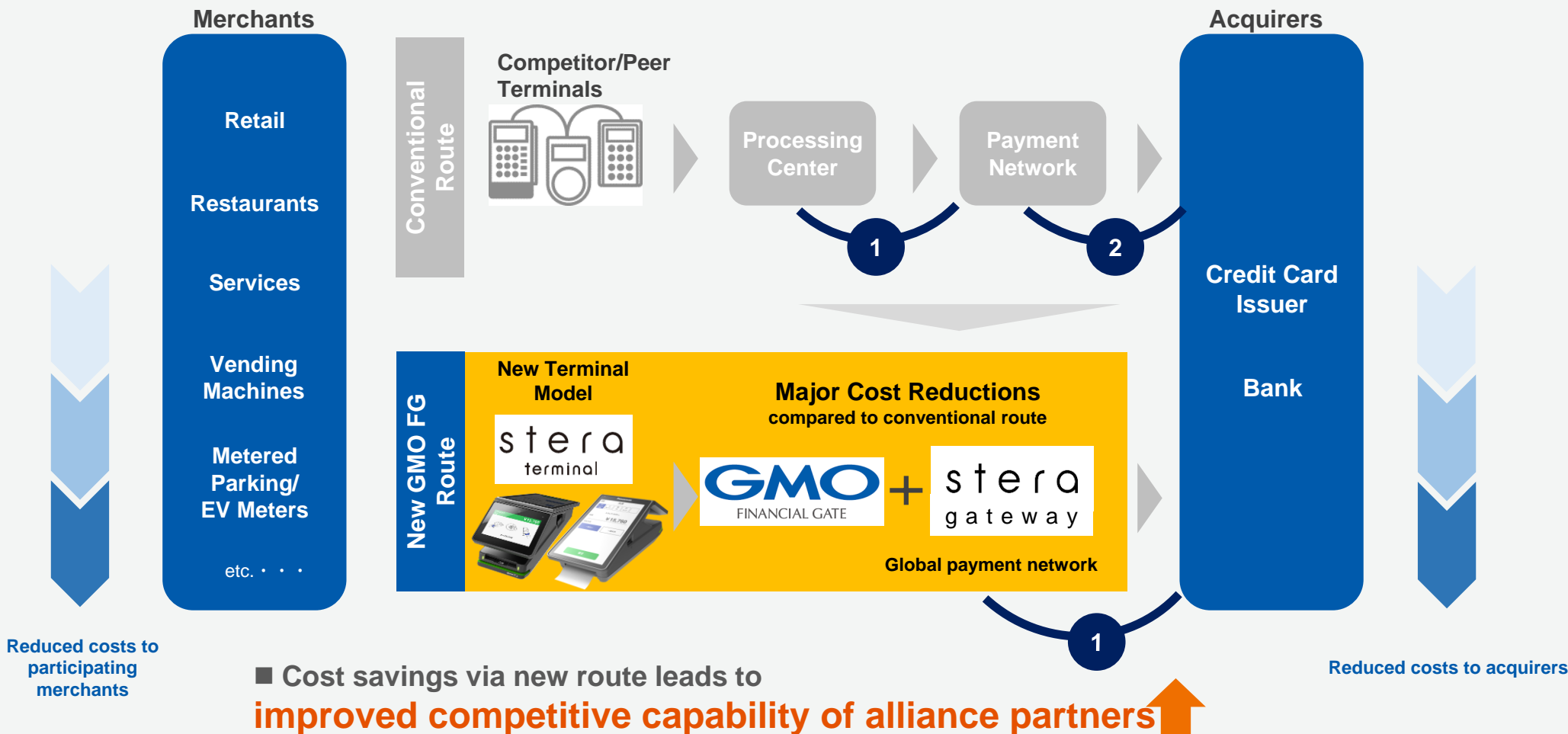
4 million



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

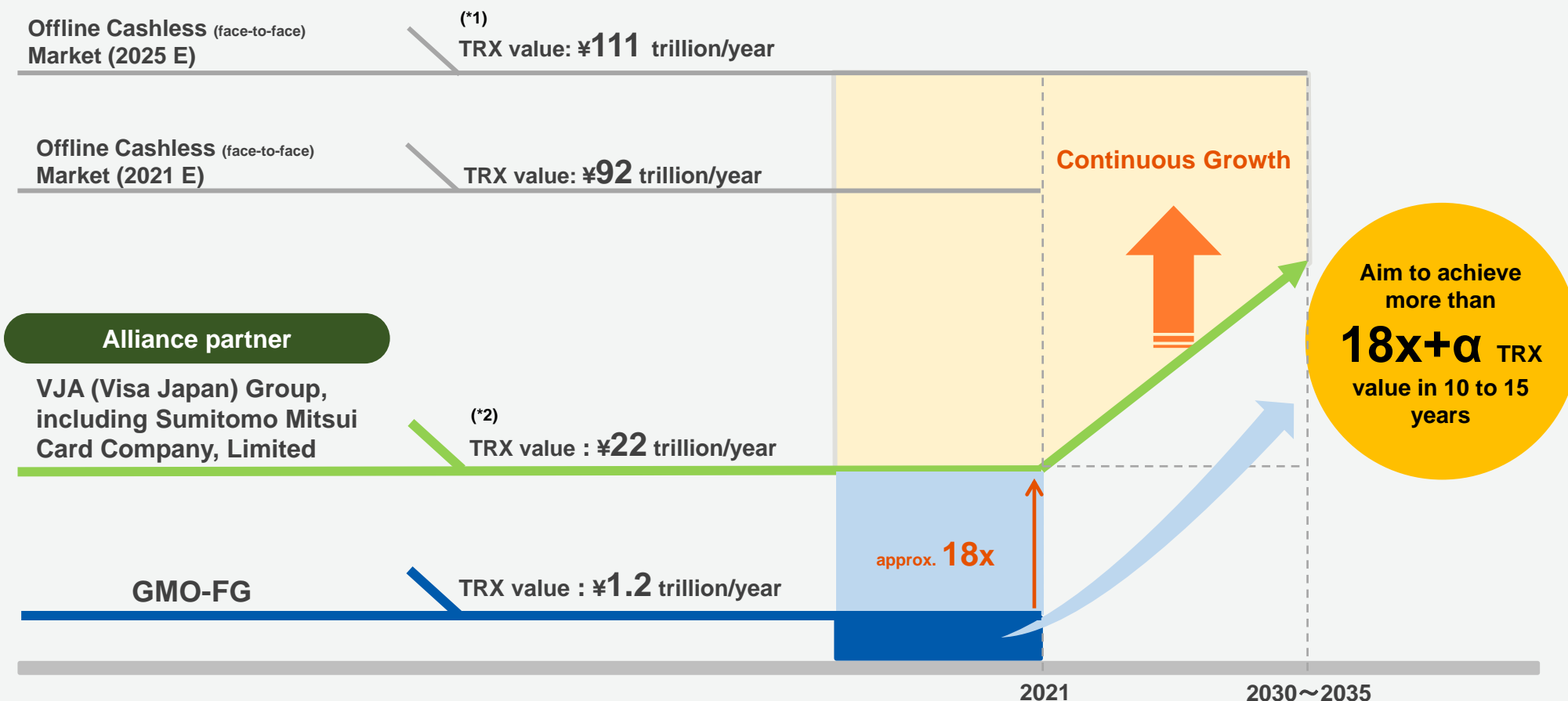
Strategy to Maximize TRX Value

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



Strategy to Maximize TRX Value

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



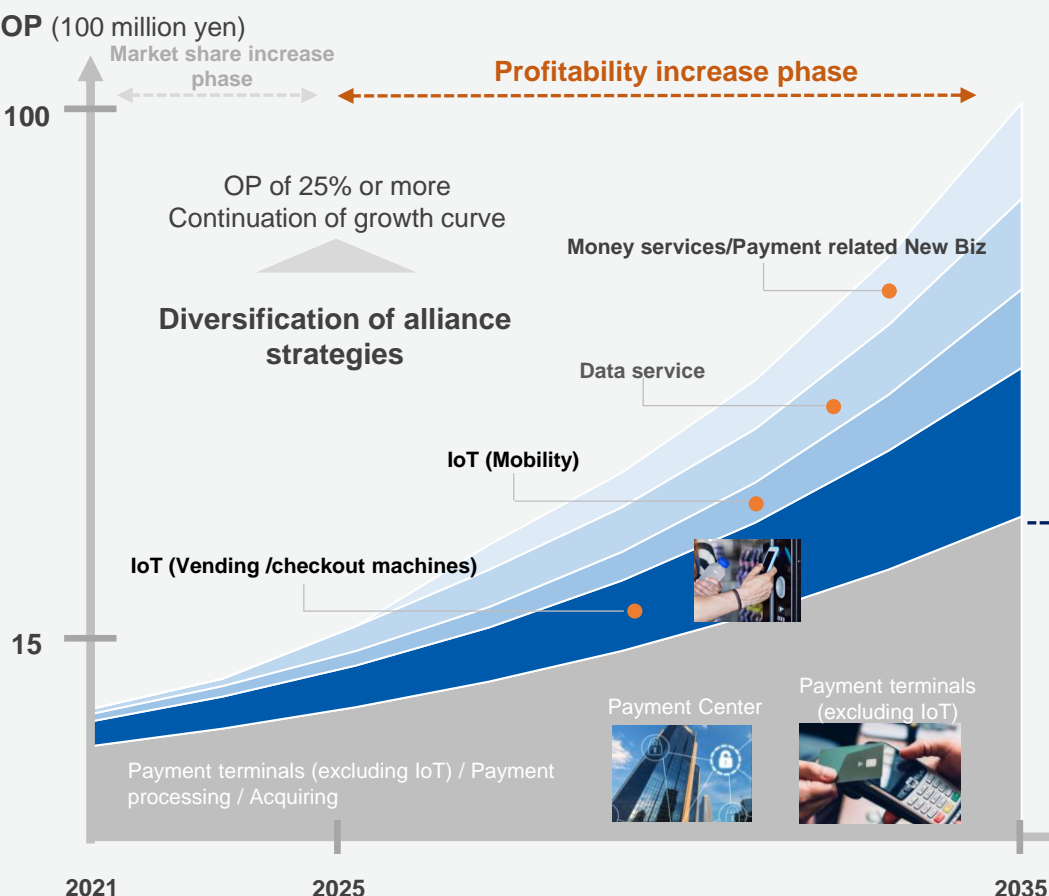
(*1) Source: Cashless Roadmap 2019, PAYMENTS JAPAN; Current Status and Future Forecasts for Online Payment Service Providers, 2018, Yano Research Institute Ltd.

(*2) Source: VJA

Growth Strategies for 2025 and Beyond

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

Image of service expansion



Area of focus

: High inbound tourism demand

Money services / Payment related New Biz

- Fintech (Lending / Factoring / BNPL etc.)

Data service

- DX/marketing support using payment data

IoT (Mobility)

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

IoT (Vending / checkout machines)

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

Payment terminals (excluding IoT) / Payment processing / Acquiring

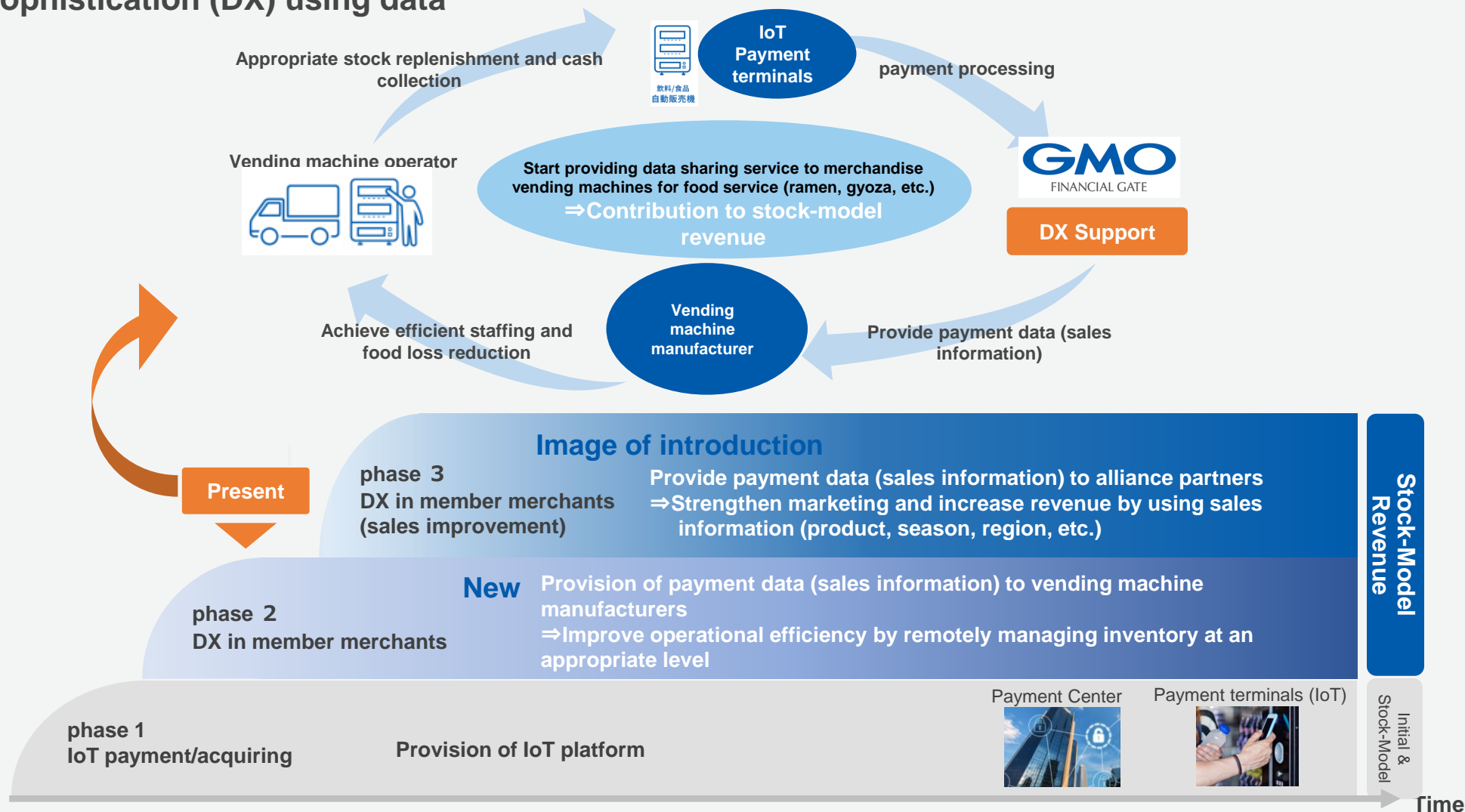
- Continue to acquire a balanced member merchant base, regardless of size or industry, as our business foundation

Time

Stock-Model Revenue

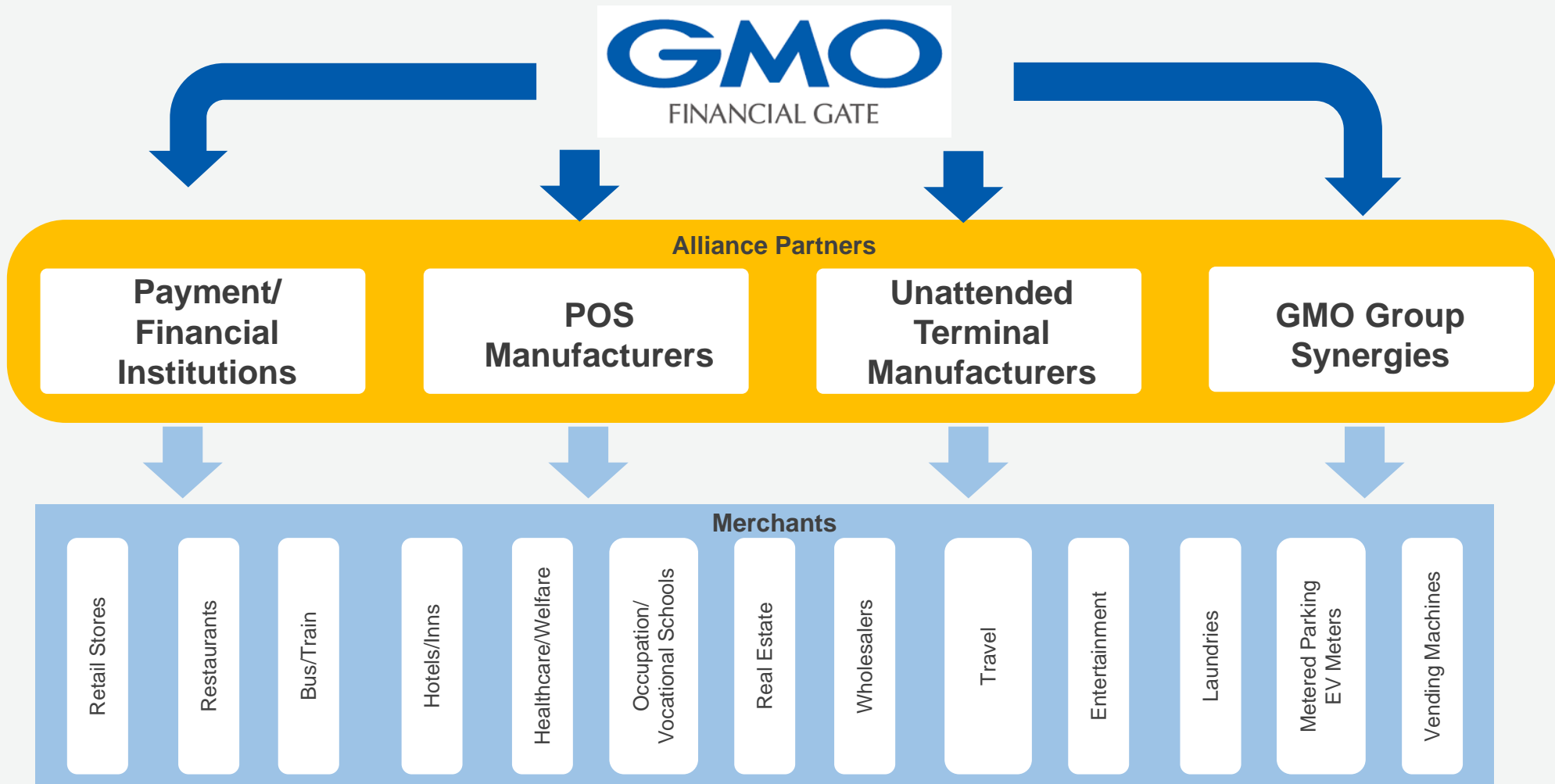
Initial & Stock-Model

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



Alliance Overview

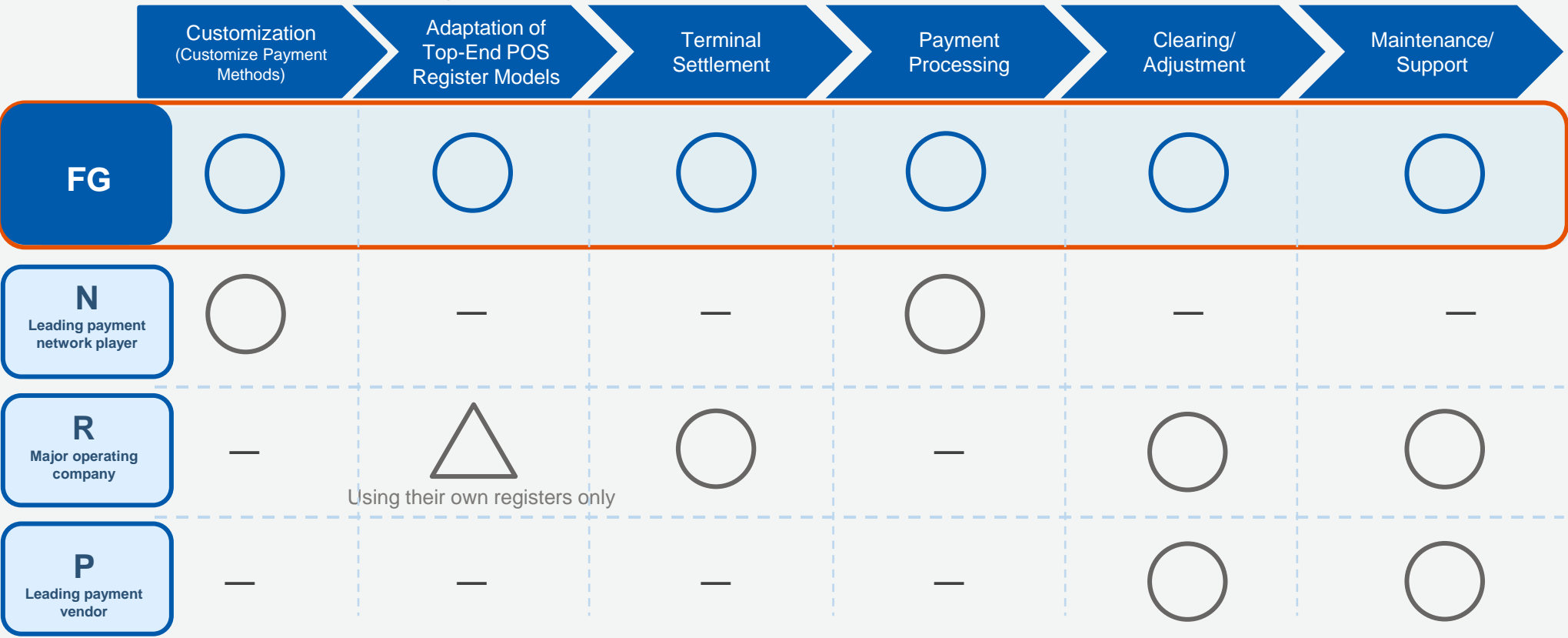
Working with alliance partners allows us to secure participating merchants consistently and steadily



Unique Positioning

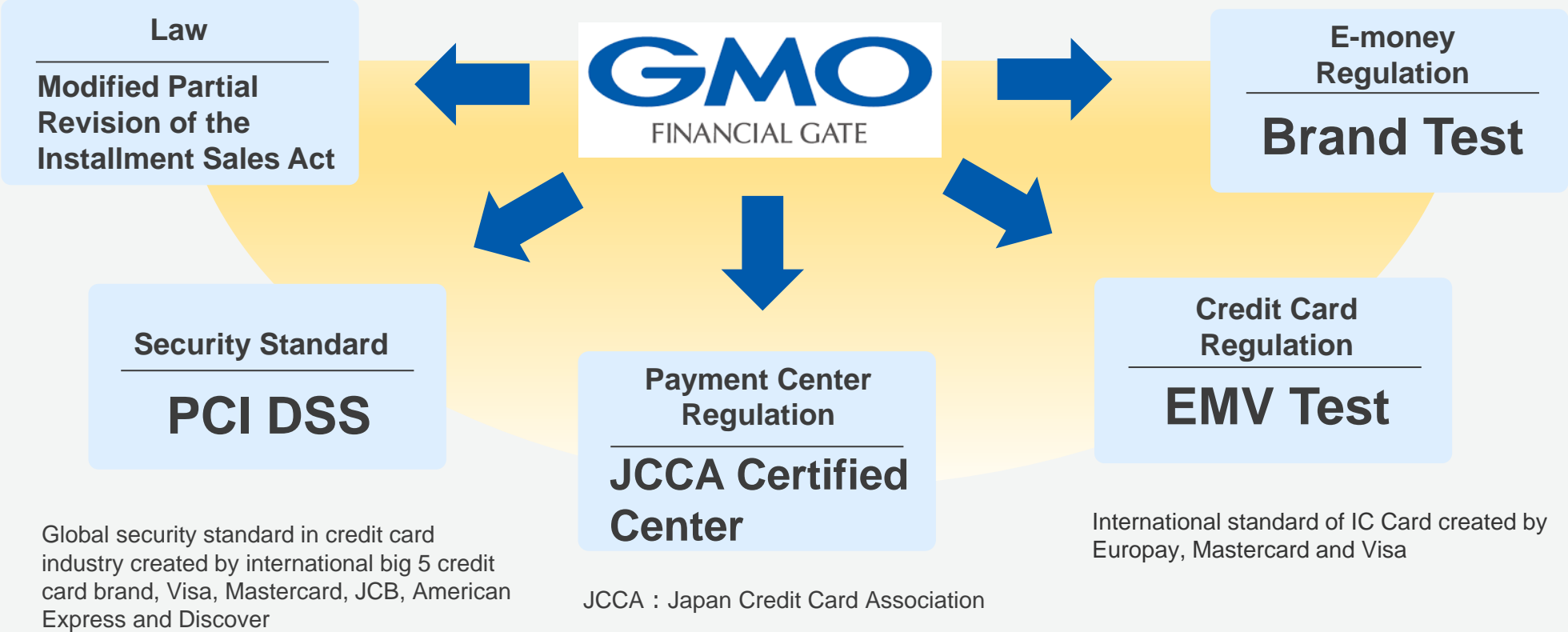
End-to-end solutions via one-stop platform allows us to create alliances with many players in the market

■ Solutions in Offline Payment Market



Barriers to Entry (Regulations to be Followed)

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



Government Promotion of Cashless Payments

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

Events

4/2018	Announcement of Cashless Vision (by METI)
6/2018	Enforcement of Revised Installment Sales Act
3/2019	Implementation plan announced for the security of credit transactions (by the Council for credit Transaction Security)
10/2019	Cashless Consumer Returns Policy
7/2020	Go To Campaign
9/2020	My Number Point
7~9/2021	Tokyo Olympic/Paralympic
1/2022	My number point, Go To Campaign
Present	
9/2024	Issuance of new bank notes
4/2025	Osaka Expo

Impact on our business

Demand for cashless terminals increases as business owners are forced to adopt cashless payment systems

Payment processing expands in response to Cashless Consumer Returns Policy

Demand for cashless terminals increases due to expanding inbound consumption growth

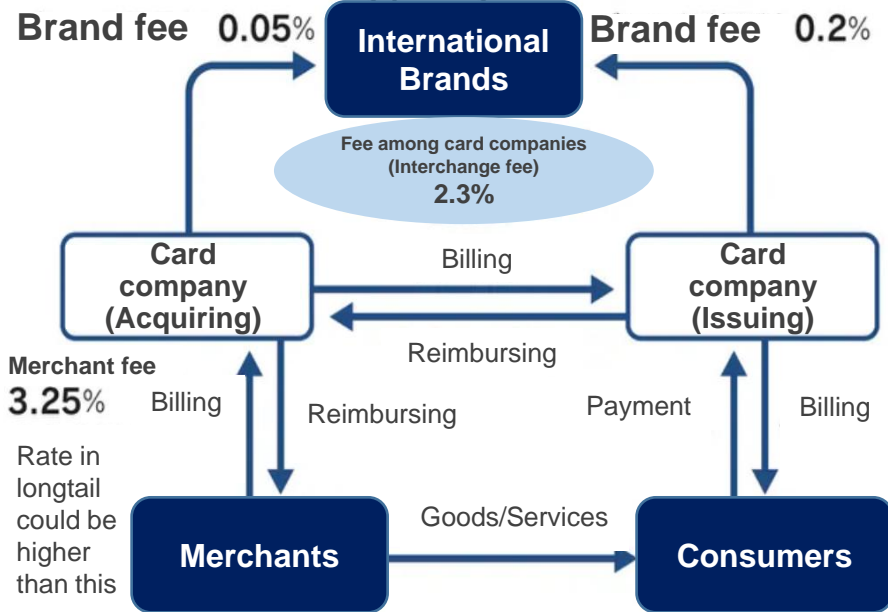
Demand for cashless terminals to increase due to the cost of new bank note issuance

New topic of credit card industry

METI requires fee among credit card companies. Though merchant fee would be lower going forward, the impact towards our business would be immaterial

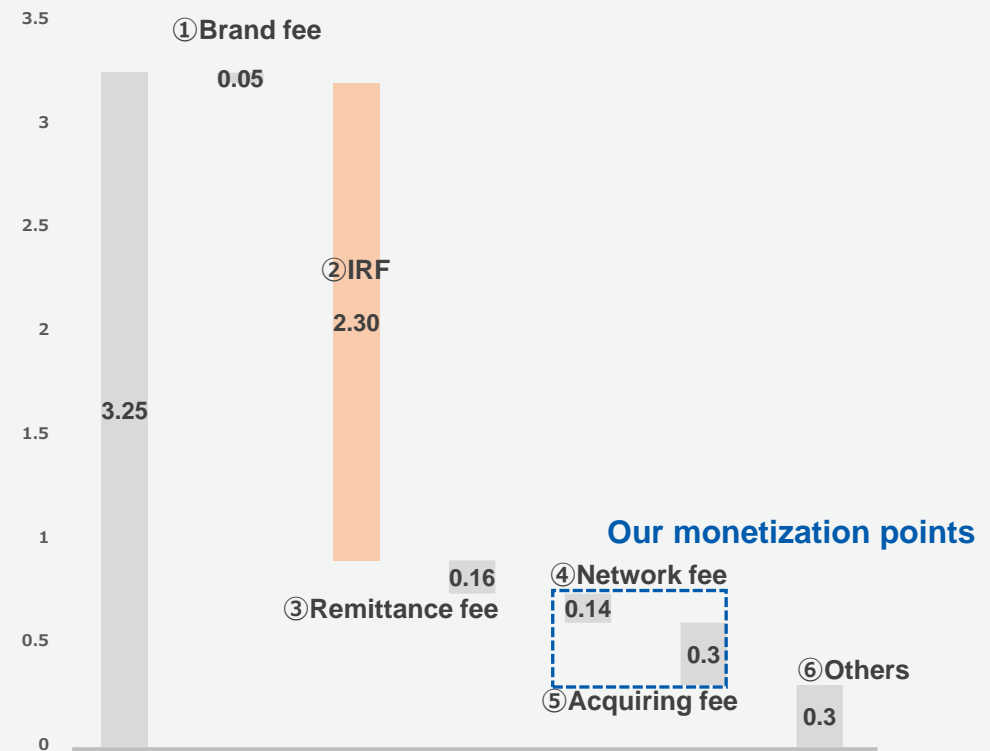
METI requires fee among credit card companies

Fee among credit card companies is actually paid by merchants



Breakdown of MDR

(model case : AOV ¥5K SME merchant)



Japan Post Bank started charging on depositing coins

On January 17, 2022, the introduction of a fee-based checkout service for coins began. Advancing the trend toward cashless operations by headwinds for businesses that handle large volumes of coins

Coins may disappear Japan Post Bank 「Charging-shock」

(March 4, 2022 Sankei News paper)

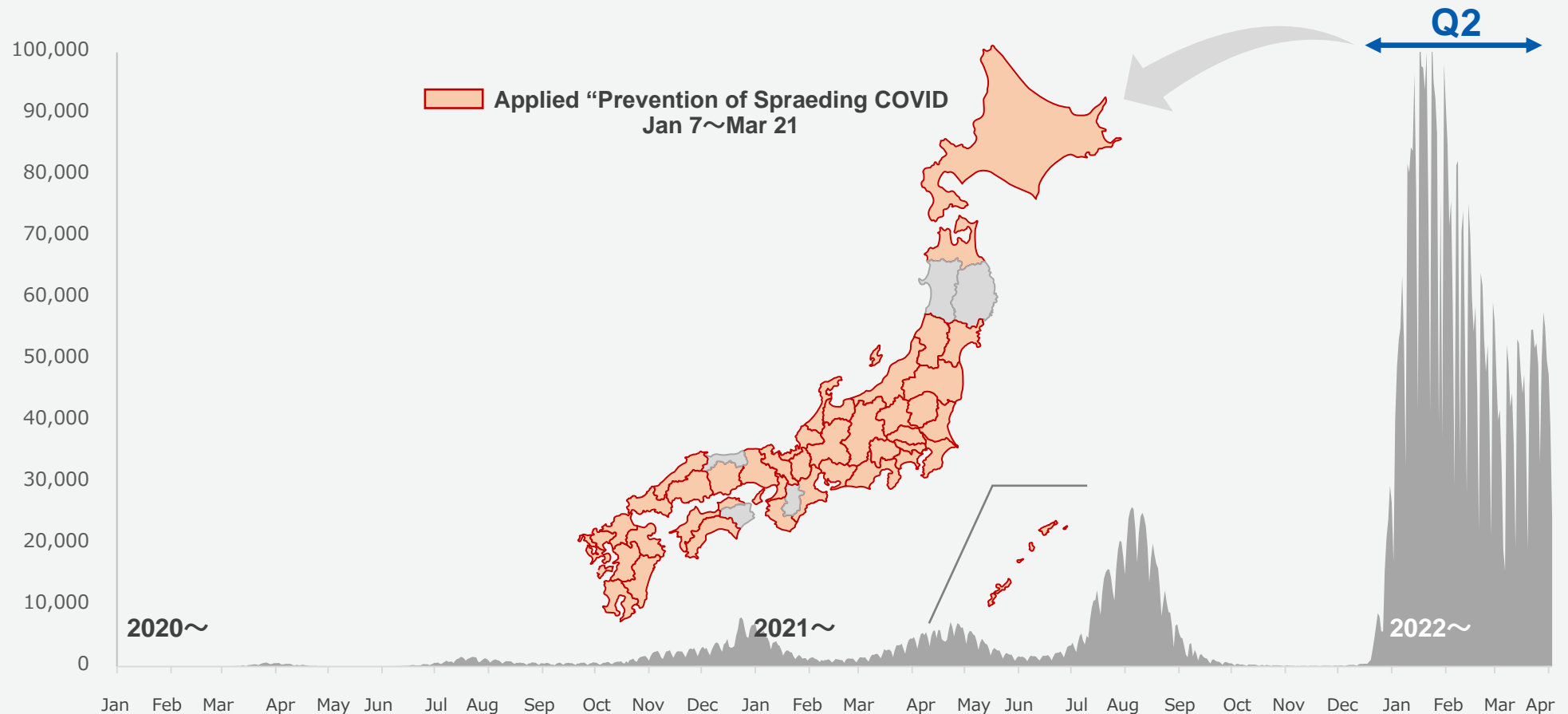
<https://www.sankei.com/article/20220304-ZTSR67LNFFLLTITPJFJL6D3TZQ/>

ATM		Counter	
Number of coin deposit	Cost	Number of coin deposit	Cost
1~25	¥110	1~50	Free
26~50	¥220	51~100	¥550
51~100	^330	101~500	¥825
—	—	501~1,000	¥1,100
Limitation : 100 (in each time)		After above, every 500	¥550

The case of COVID in Japan Jan-Mar 2022

Q2 stock-model revenue was unlikely to grow compared to Q1 standalone due to the rapid increase of new case of COVID during our Q2 FY2022 (Jan-Mar 2022)

The number of daily test positive case of COVID



Source : Ministry of Health, Labour and Welfare

Initiatives for terminal-less payments

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

Status of Our Efforts

Tap to Phone

Dec 2021~ **New**

Started handling touch settlement of JCB at Nagaden-bus



Dec 2020~

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

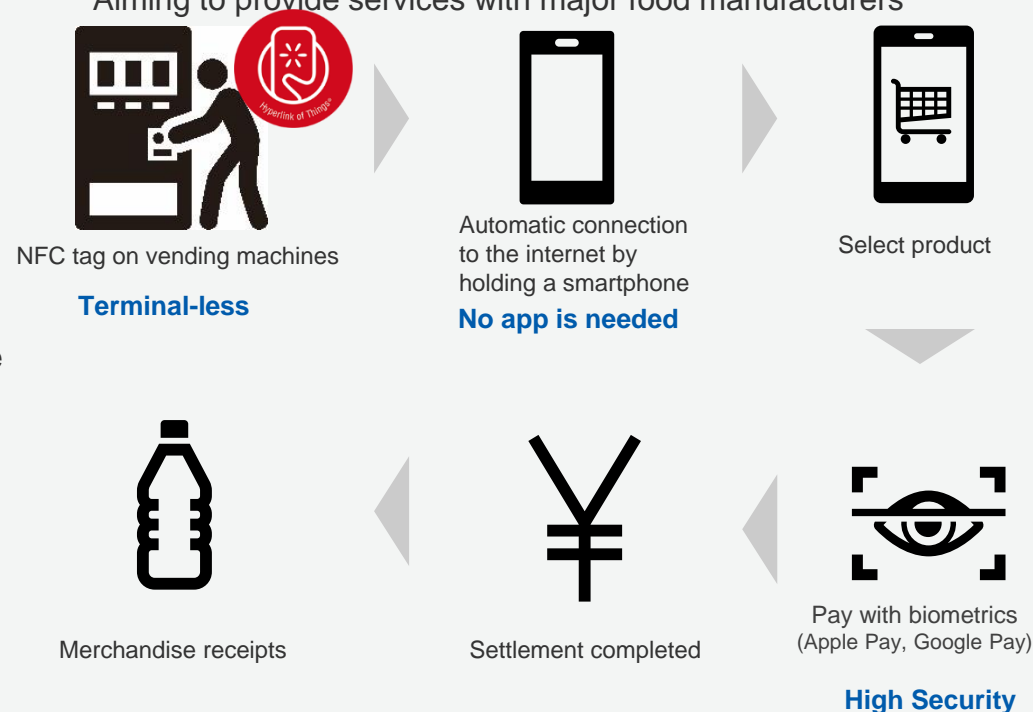
Soft Space社の「Fastapi(ファスタップ)」が利用されている様子



NFC tagging touch payment

Planning to launch in FY2022 **New**

Aiming to provide services with major food manufacturers



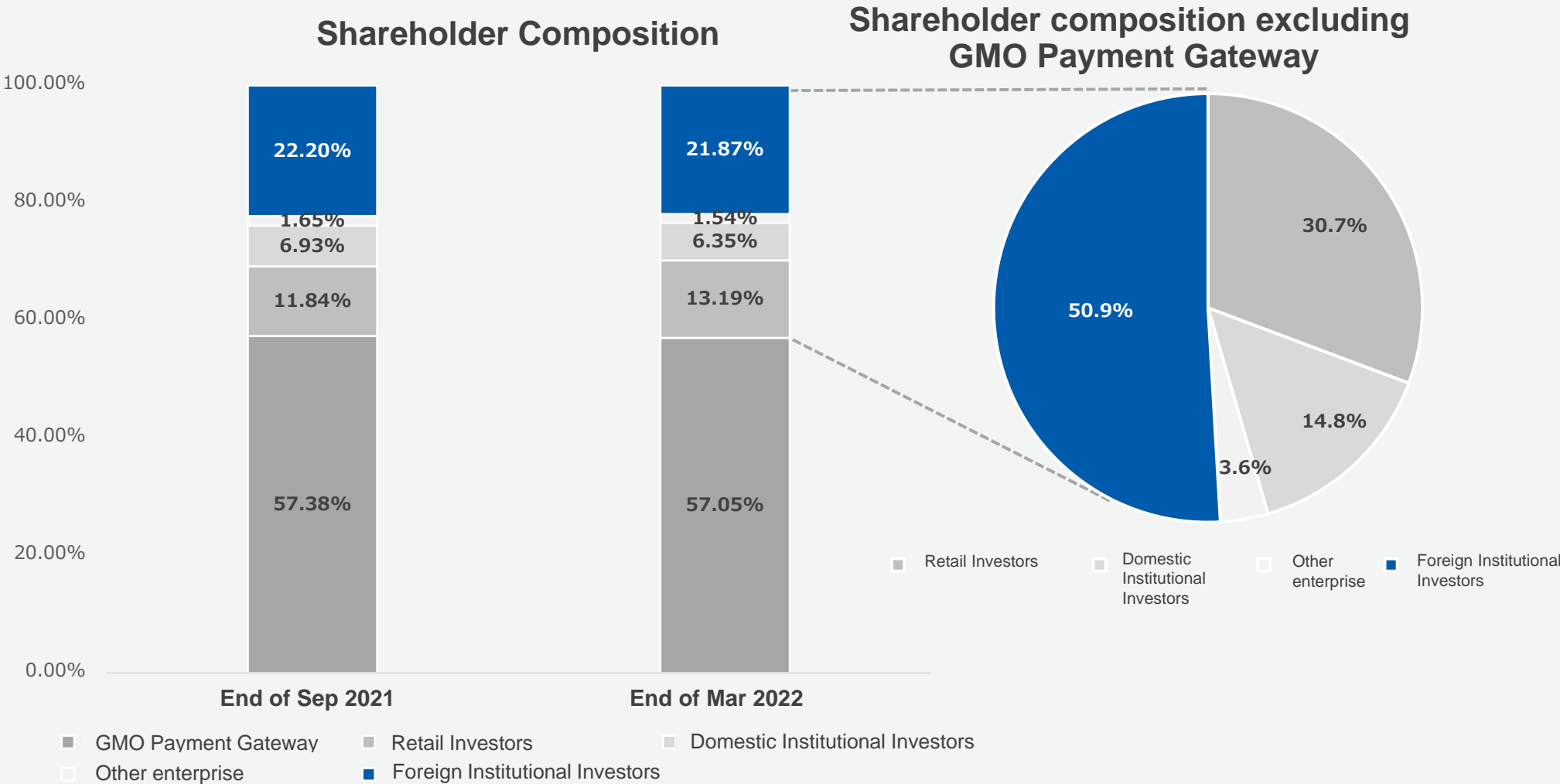
Tap to Phone: Mobile payment service where merchants do not need to prepare cash registers and terminals for payments, and NFC-enabled devices can be used as payment reception terminals.

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

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

Share holder structure

Maintain the ratio of institutional investors both overseas and domestic, even when stock prices adjust from the end of 2021



ESG Initiatives

Announced ESG initiatives to improve our social activities. We are planning to strengthen our initiatives and announcement

Disclosure contents

ESG

Initiatives

Environment

Creating an eco-friendly society

Social

**Human Resources, Vocational Training/
Welfare Program, Work-style Reform**

Governance

**Basic Principles, Board of Directors, Executive
Officer Meeting, Audit and Supervisory Board,
Director Compensation, Investor Relations**

SDGs items

SUSTAINABLE
DEVELOPMENT GOALS



9 産業と技術革新の
基盤をつくろう

13 気候変動に
具体的な対策を

- Use of recycled paper as receipts
- Use of recycled paper as receipts
- Promoting paperless
- Appropriate inventory management through the use of payment data (reduction of food loss)



8 働きがいも
経済成長も

- Providing a variety of vocational training programs
- Preparing sufficient welfare programs
- Promoting work-style reform etc...

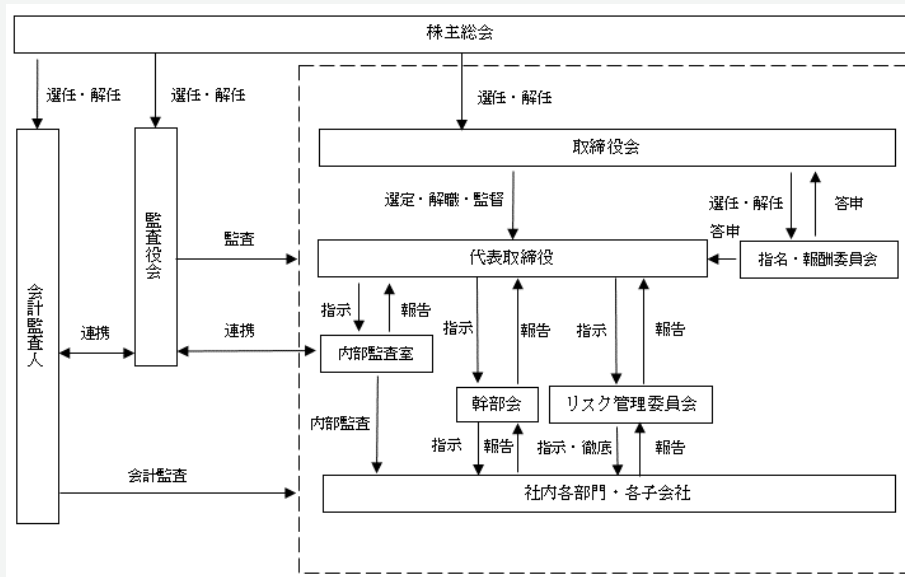
Planning to enforce
corporate governance onward

Reference URL <https://gmo-fg.com/news/8d448cfaba24ece540af1ae2a83d95c2.pdf>

ESG Initiatives

Appointed a new external director and established Nomination and Compensation Committee to provide a skill matrix for our executives. Continuously work to strengthen the governance system

Nomination and Compensation Committee



Skill matrix

当社役員のスキルマトリックス

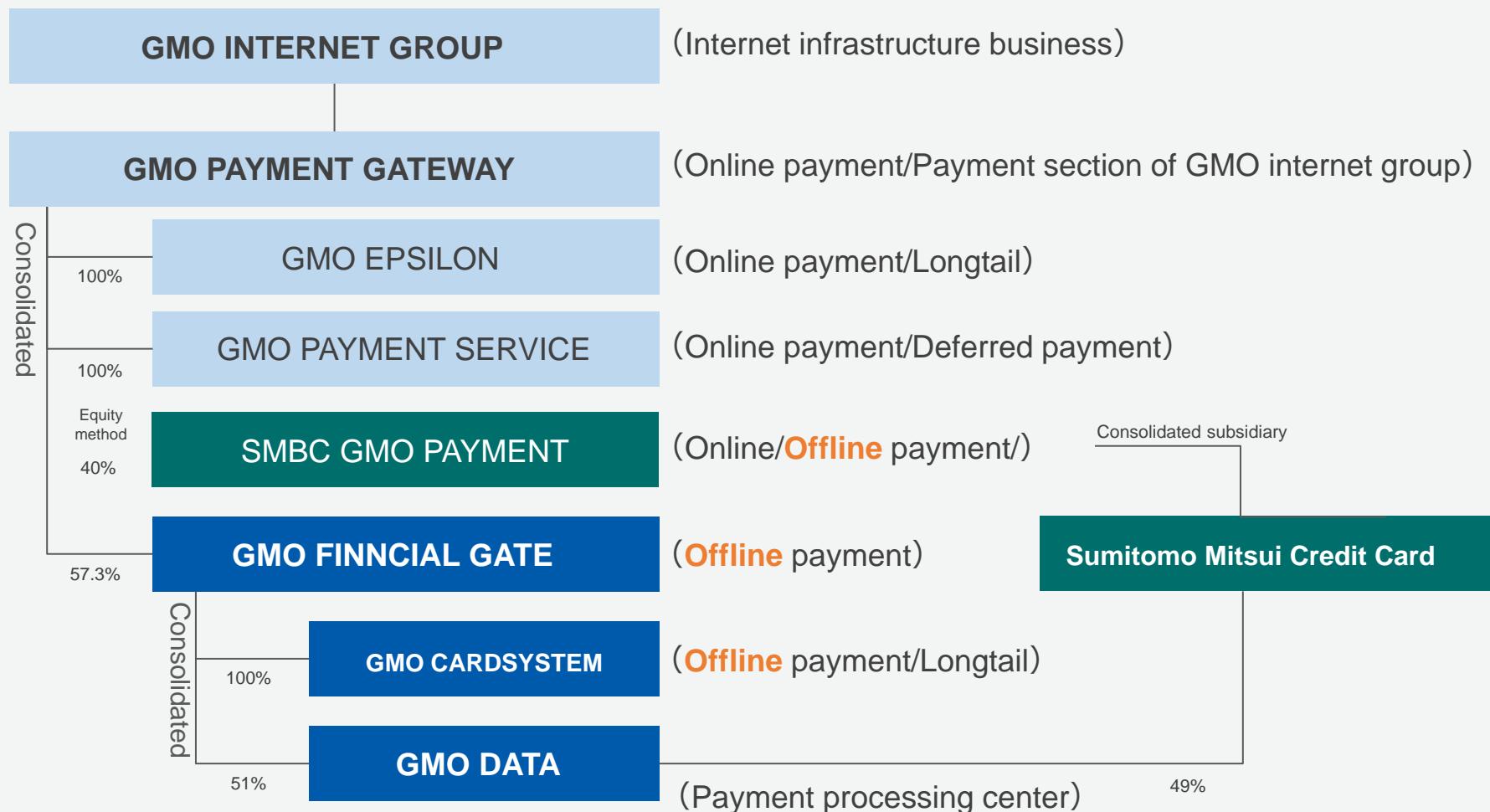
氏名	杉山 憲太郎	高野 明	青山 明生	池澤 正光	福田 知修	小出 達也	嶋村 群生	海山 理恵	長澤 孝吉	小澤 哲	飯沼 孝杜
役職名	代表取締役社長	取締役会長	取締役 営業本部本部長	取締役 管理本部本部長	取締役 システム本部本部長	取締役	取締役	取締役	常務監査役	監査役	監査役
GMOイズムの実践 (※)	●	●	●	●	●	●	●	●	●	●	●
企業経営	●	●	●	●				●		●	
システム・セキュリティ					●						
リスク管理				●	●			●	●	●	
法務・ガバナンス							●				
財務・会計・税務											●
営業・マーケティング			●			●					
投資 (M&A)				●							
金融事業				●				●			
人材育成・採用、タイパシティ						●		●			
ESG・サステナビリティ				●			●	●			

※GMOイズムとは、GMOインターネットグループにおける不変の目標である「スピリットベンチャー宣言」、「55か年計画」のほか、「幹部の心得」、「勝利の法則」を表現した社風・社訓の総称です。

<https://gmo-fg.com/ir/153d49bfef329b9dfa8e005c510a3475.pdf>

Affiliated Companies

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



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	¥1,618 Million		
■ Major Shareholder	GMO Payment Gateway, Inc.		
■ Board Member	Representative Director, President	Kentarō Sugiyama	
	Director, Chairman	Akira Takano	
	Director	Akio Aoyama (Sales Division Executive Manager)	
	Director	Masamitsu Ikezawa (Administrative Division Executive Manager)	
	Director	Tomonaga Fukuda (System Division Executive Manager)	
	Director	Tatsuya Koide (GMO Payment Gateway, Inc. Chief Managing Executive Officer)	
	External Director	Nao Shimamura	
	External Director	Rie Asayama	
	External Auditor	Takayoshi Nagasawa	
	External Auditor	Satoru Ozawa	
	Auditor	Takashi Iinuma (CPA)	
■ Auditing Firm	Ernst & Young ShinNihon LLC		
■ Subsidiary	GMO CARD SYSTEM, Inc.	shareholding ratio:100%	 GMO CARD SYSTEM
	GMO DATA, Inc.	shareholding ratio: 51.0% (Mitsui Card Company, Limited:49.0%)	 GMO DATA
■ Business	Cashless payment infrastructure service (credit card, debit card, e-money etc.)		



Floor-Standing Model



Mobile Model



Embedded Model



POS Model

(As of February 10, 2022)

T h a n k Y o u

GMO FINANCIAL GATE

GMO Financial Gate, Inc

(Tokyo Stock Exchange Growth 4051)

IR website <https://www.gmo-fg.com/ir/>

Contact:

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E-mail : irpr@mail.gmo-fg.com