

# Financial Results Briefing for Q3 FY2021

## Key Message

【 A s t r a t e g y t o m a x i m i z e f u t u r e S t o c k - M o d e l r e v e n u e 】  
New Normal Initiatives : Expand market share by focusing on sales and activation of payment terminals

August 11, 2021  
GMO Financial Gate, Inc.  
(Ticker:4051, TSE-M)

Fifth IR Presentation

**GMO** FINANCIAL GATE

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

# 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 August 11, 2021

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 Q3 FY2021
2. Growth Strategy and Progress
3. Financial Highlights
4. Appendix

# **1. Summary of Financial Results for Q3 FY2021**

# 1.1 Q3 FY2021 Summary

Overachieved revenue and profit targets even under prolonged COVID-19. All initiatives are making solid progress

P6

- **Progress** (toward FY2021 forecast) : **Revenue : 92.2% OP : 79.1%**
  - Revenue : Q3 cumulative **+70.6% YoY**  
(largely surpassed original FY2021 forecast of +30% YoY)
  - OP : Q3 cumulative **+12.0% YoY**  
(OP increased YoY as planned by absorbing special factor in 1H of FY2020. On a full year basis, we expect growth of +30% YoY in OP as previously disclosed)

P12

- **Payment Terminal**
  - **No. of active terminals increased steadily** with strong terminal sales (**Q2→Q3 : +14.1K**)

P16

- **Upwardly revised revenue forecast for FY2021 : ¥5,249M→¥6,500M (+23.8%)**
- Extended operating domain in IoT by expanding alliances with business partners
- Recruiting is on schedule. Making steady progress to strengthen corporate organizational structure for FY2022 and beyond
- Announced ongoing ESG initiatives. Planning continuous enhancement and announcement

Financials/KPIs

Comments

# 1.2 Summary of Financial Results

Recorded +92.2% progress toward FY2021 forecast, driven by strong terminal sales. Profit and KPIs are also making steady growth

(Millions of Yen)	FY2020 Q3 cumulative actual	FY2021 Q3 cumulative actual	YoY (%) *cumulative basis	(announced on May 12) FY 2021 Forecast	(announced on May 12) Progress toward FY2021 Forecast
Revenue	2,834	4,837	+70.6%	5,249	92.2%
Gross profit	1,297	1,506	+16.1%	1,894	79.5%
Operating profit	416	466	+12.0%	589	79.1%
Profit attributable to owners of parent	238	311	+30.5%	368	84.5%

	No. of Active Terminals (End of Q3)	TRX Volume (Q3 only)	TRX Value (Q3 only)
KPIs (YoY)	107,182 (1.6x)	Approx. 38.5 million (2.1x)	Approx. 314.1 billion (2.2x)

# 1.3 Major Topics Regarding Financial Results

Revenue increased more than forecast due to strong terminal sales while profit increase is on schedule due to an increase in the sales composition of low-margin *stera*, but market share increased steadily

## ■ Revenue

- (+) Initial revenue increased due to sales increase of terminals, mainly *stera*
- (+) Stock-Model revenue increased due to acquisition of new merchants across multiple industries and growing demand for IoT/Self-checkout registers triggered by COVID-19
- (±) Software development related to points payments continued from FY2020

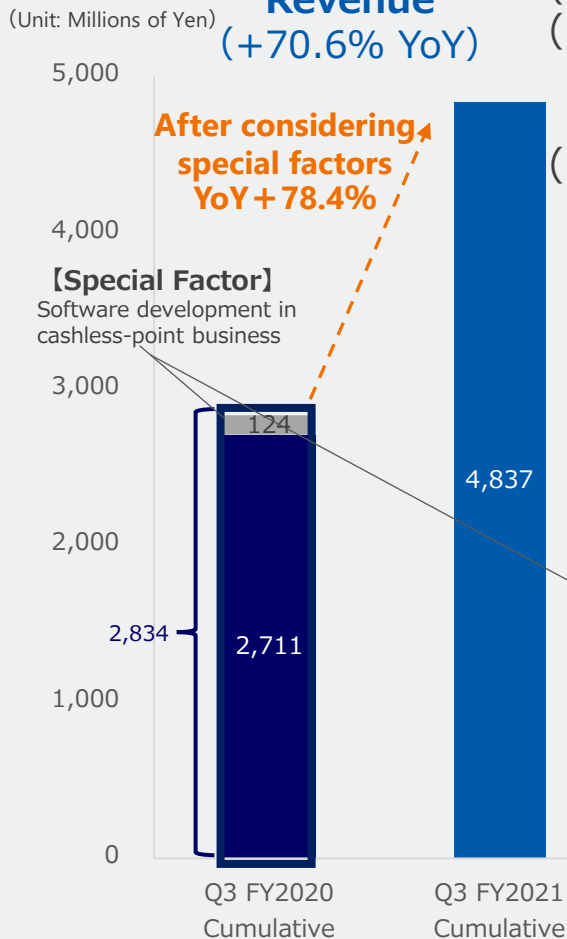
## ■ Gross Profit

- (+) Revenue growth
- (-) Increase in the composition ratio of low-margin *stera* in Initial revenue
- (-) Relatively moderate growth of Spread revenue having high gross margin ratio (because of the prolonged COVID-19 pandemic)

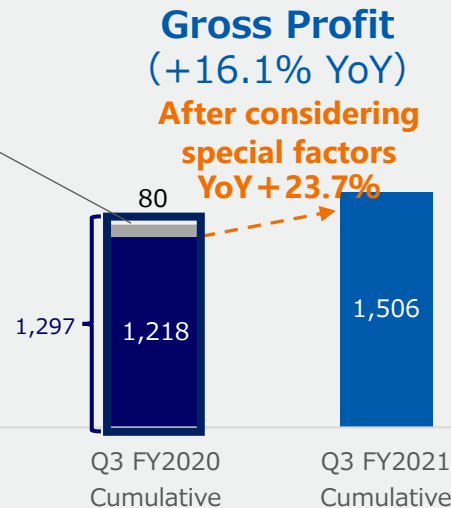
## ■ Operating Profit

- (±) Recruiting to enhance corporate organizational structure  
Q1~Q3: +16 employees (Consolidated basis)
- (+) Continuing proper cost management

### Revenue (+70.6% YoY)



### Gross Profit (+16.1% YoY)



### Operating Profit (+12.0% YoY)



# 1.4 Revenue by business model

Terminal sales, mainly *stera*, contributed to the growth of Initial revenue. Stock-Model revenue also grew mainly in Fee revenue thanks to an increase in the number of active terminals

(Millions of Yen)	FY2020 Q3 cumulative actual	FY2021 Q3 cumulative actual	Composition Ratio	YoY (%) *cumulative basis
Initial	1,770	3,483	72.0%	+96.8%
Stock-Model	1,064	1,352	28.0%	+27.1%
Stock	356	442	9.1%	+23.9%
Fee	225	350	7.2%	+55.4%
Spread	483	560	11.6%	+16.3%
Total	2,834	4,835	100.0%	+70.6%

Amid COVID-19 crisis  
※ Under first SOE

Amid COVID-19 crisis  
※ Under third SOE



# 1.5 Revenue by business model (Quarterly)

Terminal sales accelerated. Despite prolonged COVID-19 pandemic, revenue in all business models made steady growth QoQ through acquisition of new merchants across a variety of industries

			SOE①			②	③
(Millions of Yen)	FY2020 Q1 Alone	FY2020 Q2 Alone	FY2020 Q3 Alone	FY2020 Q4 Alone	FY2021 Q1 Alone	FY2021 Q2 Alone	FY2021 Q3 Alone
Initial	626	693	451	465	855	1,103	1,525
		Recorded advanced terminal sales		Launched stera			
Stock	110	118	128	132	136	146	160
Fee	75	70	80	80	101	99	149
Spread	178	180	125	179	193	182	186
			SOE			SOE	SOE
Total	990	1,061	784	856	1,286	1,531	2,020

# 1.6 Stock-Model (Current conditions / Action plans)

Strengthen each action plan to maximize future Stock-Model revenue

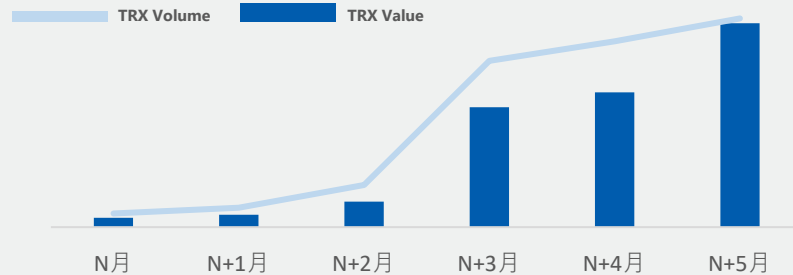
	Apr-Jun 2020 Under first SOE	Apr-Jun 2021 Under third SOE			
(Millions of Yen)	FY2020 Q3 Alone	FY2021 Q3 Alone	YoY (%)	Current conditions	Future action plans
Stock	128	160	+25.0%	<ul style="list-style-type: none"> <li>Monetization opportunities are increasing due to an increase in the No. of active terminals</li> </ul>	<ul style="list-style-type: none"> <li>Further promote WEB Data Sharing service</li> <li>Increase the number of contracts related to Points/QR payment</li> </ul>
Fee	80	149	+85.6%	<ul style="list-style-type: none"> <li>Pay-as-you-go system charge and roll-paper sales are increasing due to an increase in TRX volume</li> </ul>	<ul style="list-style-type: none"> <li>Maintain growth of the No. of active terminals</li> <li>Acquire “small payment” merchants with large transaction volume</li> </ul>
Spread	125	186	+49.4%	<ul style="list-style-type: none"> <li>Recording steady recovery despite prolonged COVID-19 pandemic</li> </ul>	<ul style="list-style-type: none"> <li>Acquire merchants in IoT domain (Payment machines, Ticket machines, Self-checkout registers, etc.)</li> <li>Acquire merchants in clinics/medical industry</li> </ul>

\*Compared to the revenue figures largely affected under the first state of emergency

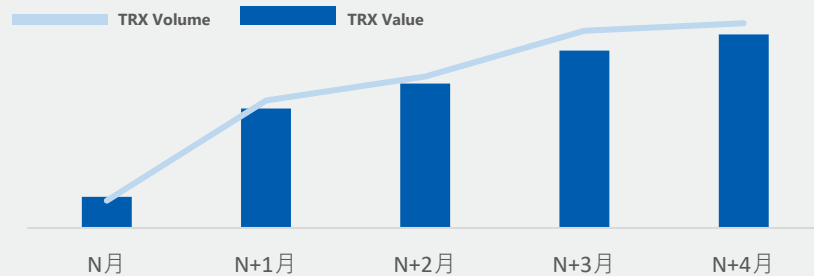
# 1.7 TRX-increase through cashless penetration

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

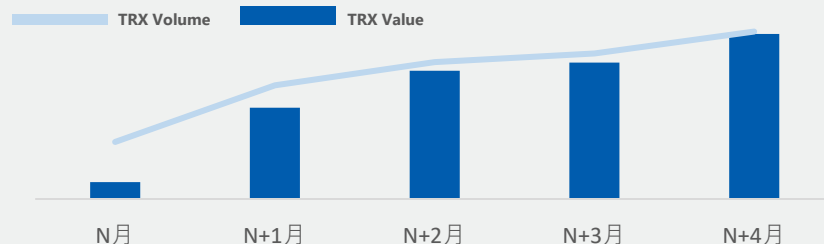
■ Merchant A (Tokyo) Monthly TRX trend



■ 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

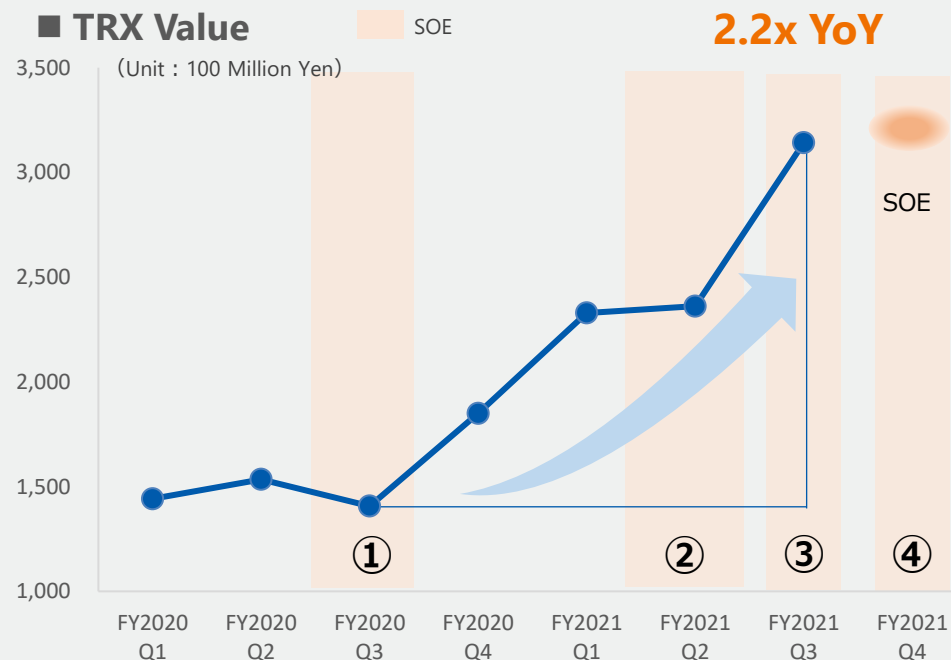
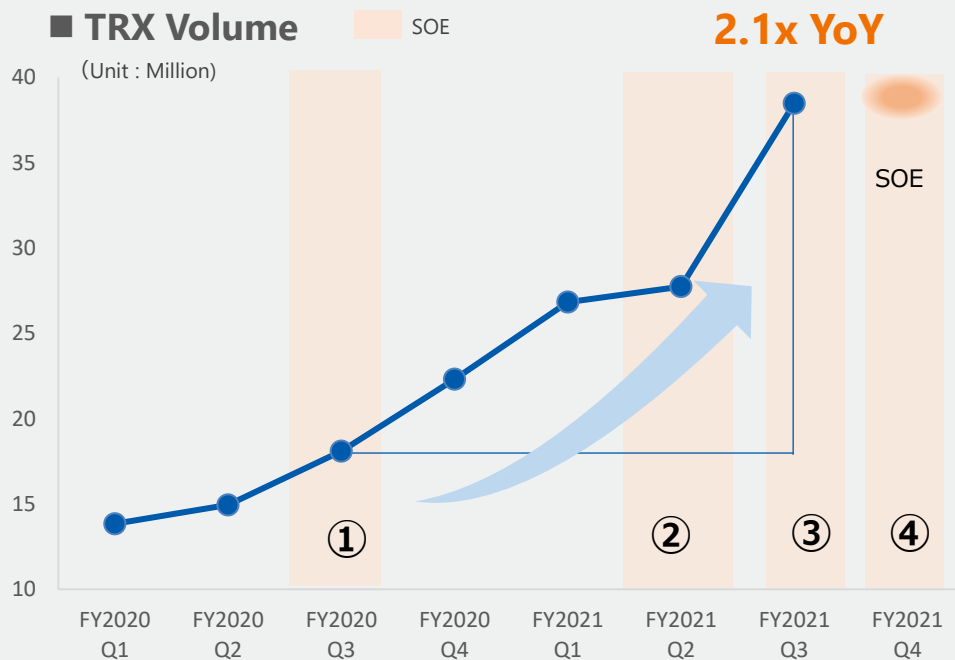
# 1.8 Consolidated KPIs (No. of Active Terminals)

No. of active terminals, mainly *stera*, went up steadily. IoT also accelerated due to the self-service/labor-saving trend. Alliance partner sales remained flat because all order backlog was fulfilled

(Unit: Thousand)	FY2020 Q3	FY2020 Q4	FY2021 Q1	FY2021 Q2	FY2021 Q3	QoQ (%)	YoY (%)
<b>Payment terminal</b> (excluding IoT)	27.7	30.3	36.7	45.4	56.8	+11.4 (+25.1%)	+29.2 (+105.5%)
<b>IoT</b>	26.1	28.0	29.1	30.9	33.6	+2.7 (+8.6%)	+7.5 (+28.9%)
<b>Alliance partner sales</b>	13.6	14.4	14.9	16.7	16.7	+0.0 (+0.0%)	+3.2 (+23.5%)
<b>Total</b>	67.3	72.7	80.7	93.1	107.2	+14.1 (+15.1%)	+39.9 (+59.3%)

# 1.9 Consolidated KPIs (Quarterly TRX volume/value)

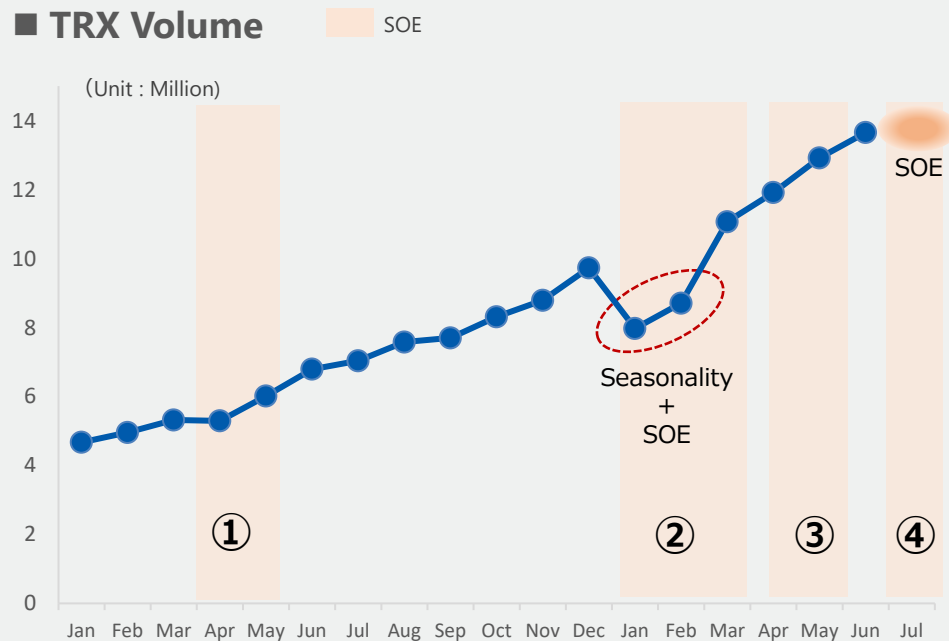
Despite prolonged COVID-19 pandemic, TRX volume and value surpassed our target (+50% YoY) as we acquired merchants in a wide variety of industries and delivered more terminals than Q2



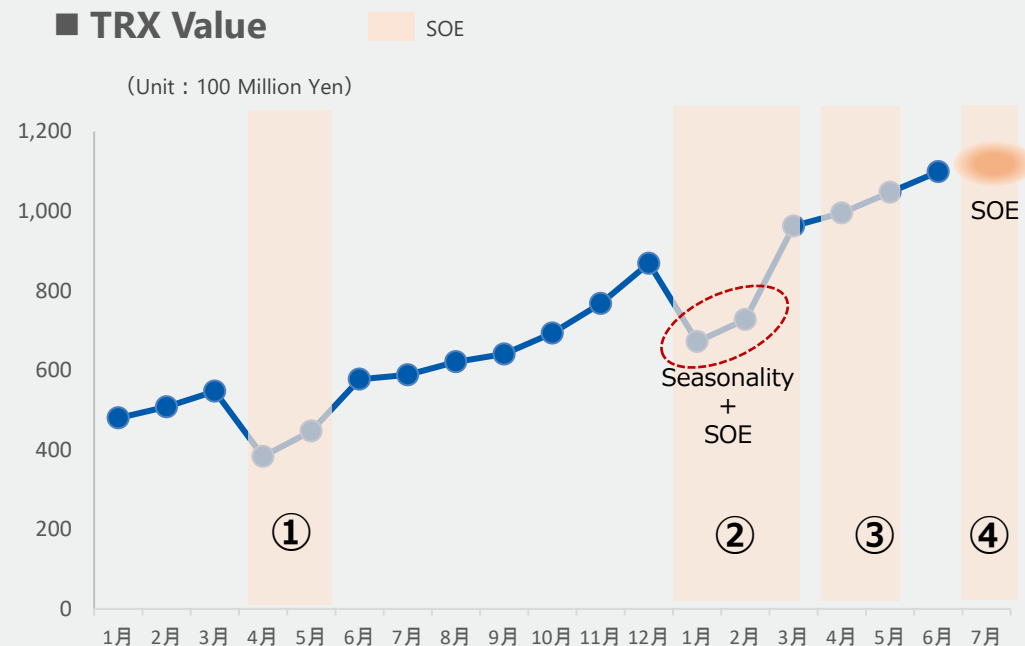
\* The number of merchants installing cashless payment terminals is increasing as cashless payment is considered as a safer payment method than cash amid the COVID-19 crisis. Despite the declaration of the third SOE, we observed steady growth in TRX volume/value as we are successfully acquiring merchants in a wide variety of industries.

# 1.10 Consolidated KPIs (Monthly TRX volume/value)

We experienced seasonality in Q2 but returned to growth trend in Q3. Successfully continued to grow even under continued SOE



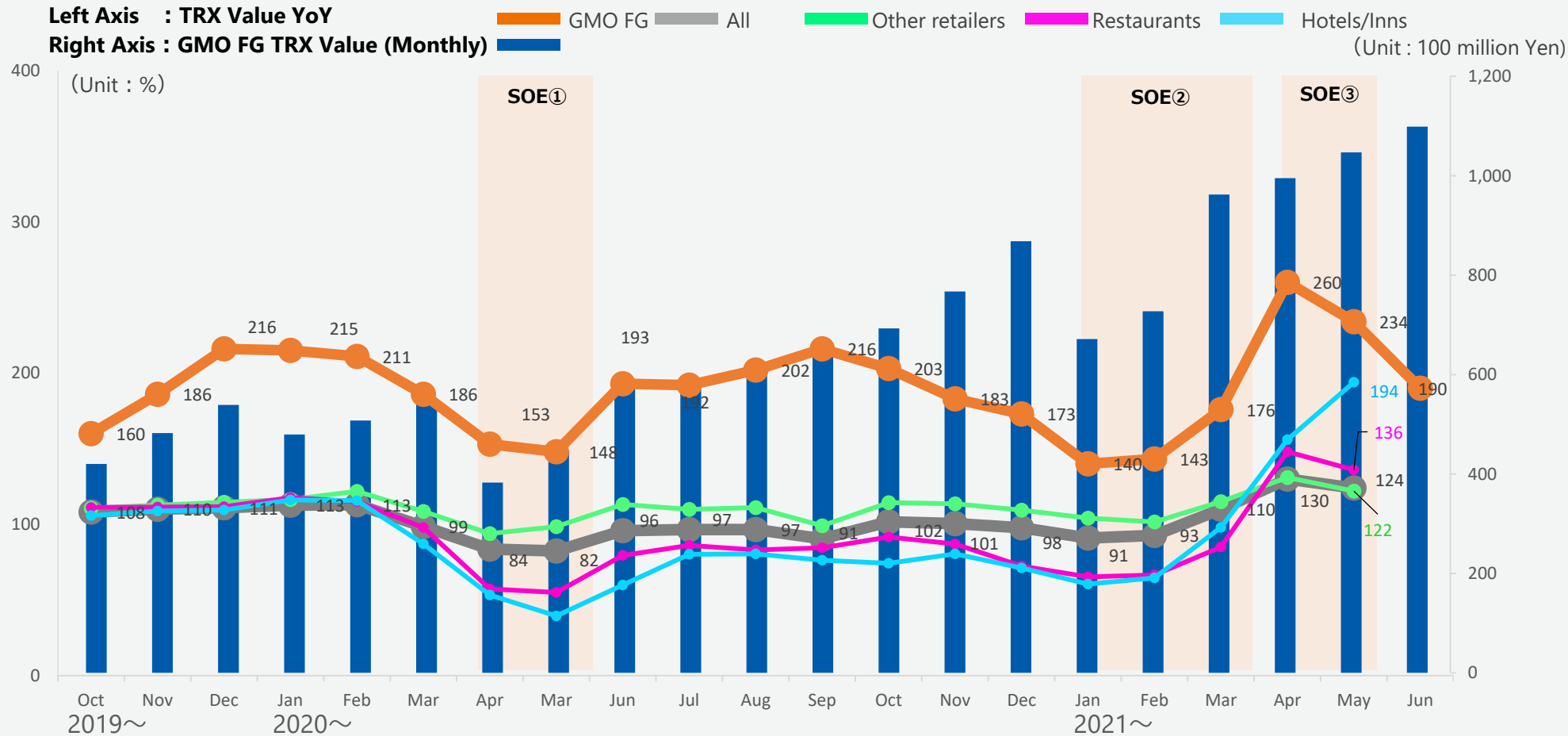
\*TRX volume from Jan 2020 to Jun 2021



\*TRX value from Jan 2020 to Jun 2021

# 1.11 Comparison of growth (Market vs GMO FG)

With overall TRX value in Apr & May of FY2020 being at a low level due to 1<sup>st</sup> SOE, all industries secured high YoY growth (+10~30%) in FY2021. GMO FG maintained higher growth than the industry average



# 1.12 Upward Revision to FY2021 Revenue Forecast

(no revision to profit forecast)

**Revenue : ¥6,500M** (Progress toward previous forecast:92%. Reflected business forecast for 4Q)  
**Profit : No Revision** (Considering ①Increase in ratio of *stera* to total revenue, ②COVID-19 impact, ③Future investment)

(Millions of Yen)	FY2020 Full year actual	FY2020 Full year forecast (Before revision)	FY2020 Full year forecast (After revision)	YoY (After revision)	% Change (Vs. before revision)
Revenue	3,691	5,249	6,500	+ 76.1%	+23.8%
Gross profit	1,617	1,894	1,894	—	Revised
Operating profit	452	589	589	—	—
Profit attributable to owners of parent	291	368	368	—	—
Earnings per share	¥79.84	¥91.27	¥91.22	—	—



## **2. Growth Strategy and Progress**

## 2.1 Assessment of Action Plans for OP Growth

Making steady progress in line with our action plans toward achieving our target (operating profit of over ¥1 billion in FY2024) while maintaining CAGR of over 25%

		*Actual FY2020	*Forecast FY2021	FY2024	FY2025	around FY2035
*J-GAAP						
Target	OP	¥0.45 billion	¥0.59 billion	Over ¥1 billion	¥1.5 billion	¥10 billion
	GMV	¥0.6 trillion	¥1.0 trillion		¥5 trillion	¥30 trillion

### ■ Action Plans and Progress (assessment of action plans)

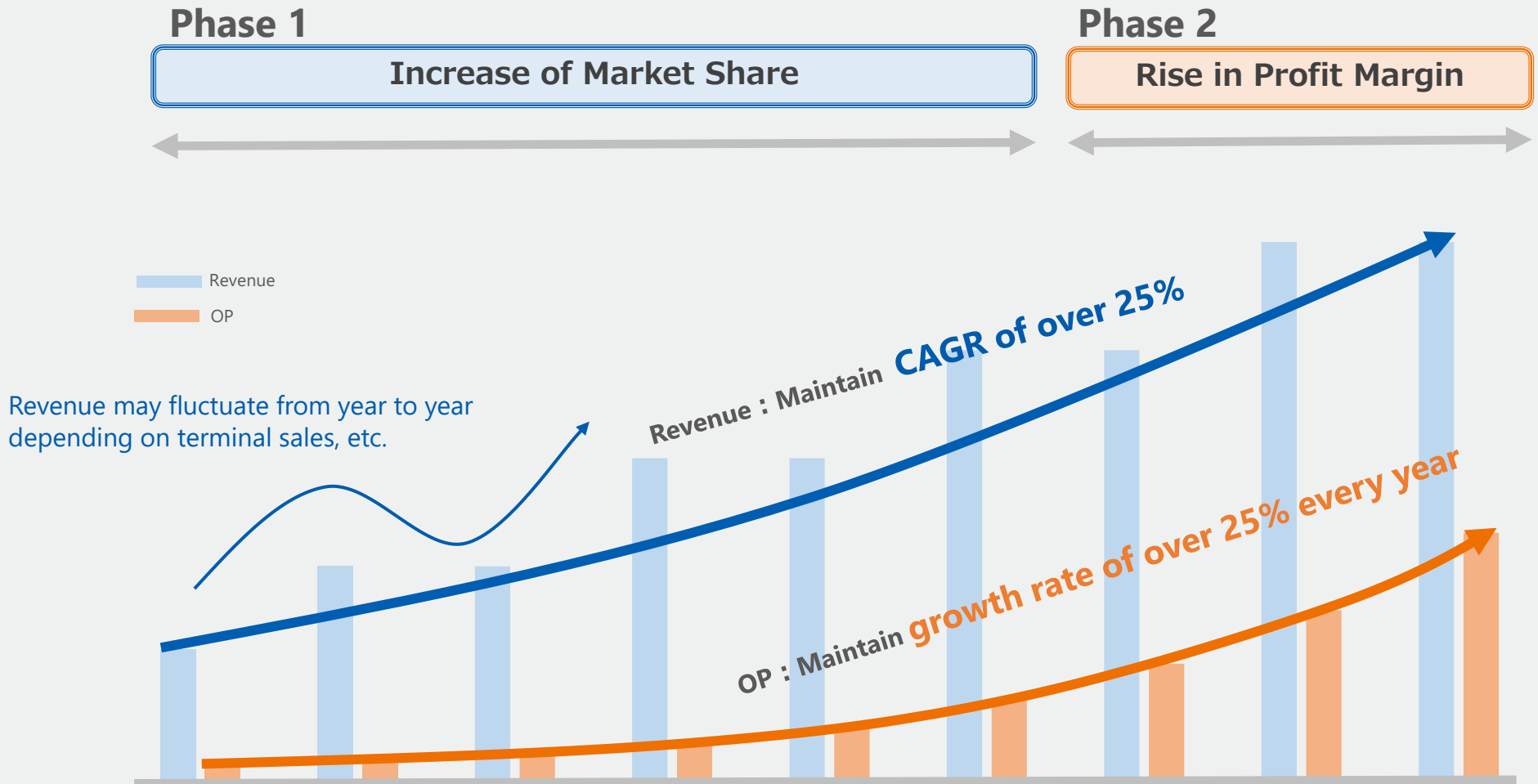
- 1 Acquire high-growth participating merchants across various industries by delivering the next generation models of multi-payment terminals**
  - Steady installations and activations of payment terminals
  - Accumulating orders of terminal sales steadily for FY2022
  - Launched *stera* mobile. Plan to release another new model in near future
- 2 Expand IoT/Unattended business by promoting contactless payment (touch payment) and unattended**
  - Enhancing alliance and development with vendors of parking lot checkout machines
  - Projects with dollar store chains for self-checkout registers and with major vending machine manufacturers are in progress
- 3 Acquire major participating merchants by promoting alliances with QR businesses/e-point issuers**
  - Increasing the number of new alliances related to e-wallet/e-point payments
  - Preparation for the promotion of QR payment services in IoT domain is underway
- 4 Reinforcement of payment processing center functions**
  - Expanding and improving payment data sharing services
  - Upgrading back-office functions (billing and payments, etc.)
  - Providing alliance partners with DX services

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

- ① Maintain YoY growth of over 25% in revenue and operating profit through diversified alliances** (in terms of payment methods, functions, and merchant acquisition channels)
- ② Increase Stock-Model revenue by focusing on finance-related businesses**
- ③ Expand monetization of points by utilizing data from the IoT/Unattended business**
  - Ongoing preparation for continued growth

## 2.2 Image of rise in Rev & OP

Increase of Market Share : Focus on terminal sales/activation  
Rise in Profit Margin : Increase of Stock-Model revenue



## 2.3 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



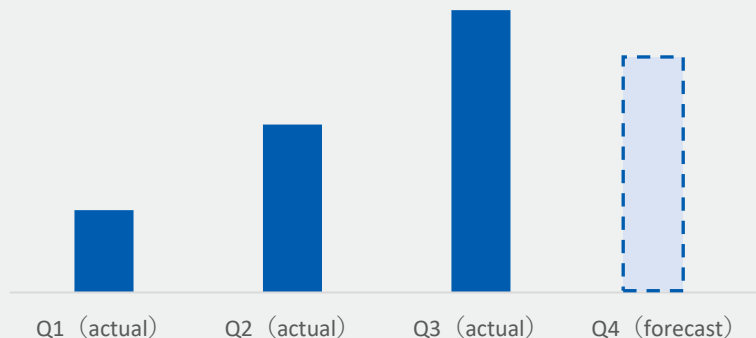
## 2.4 Global Payment Network Progress

Achieved terminal sales target in FY2020. Visible forecast in Q4 is around 10K. Accumulating backlog FY2021 as well

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

(Unit : Thousands)	FY2020 End of Q3	FY2020 End of Q4	FY2021 End of Q1	FY2021 End of Q2	FY2021 End of Q3	QoQ (%)	YoY (%)
Payment terminals (excluding IoT)	27.7	30.3	36.7	45.4	56.8	+11.4 (+25.1%)	+29.2 (+105.5%)
		+2.6	+6.4	+8.7	+11.4		

### ■ Backlog forecast in Q4



**Accumulating backlog beginning in the next fiscal year and onward**

- Accumulating backlog across a variety of industries
- In addition to new type of business in the long tail, released new type of mobile terminal and widen our products lineup

## 2.5 Expansion of *stera* lineup (*stera mobile*)

Launched mobile type of *stera* to enable payments at such wireless settings as on the doorstep of consumers or at tables in stores. This type of mobile terminals are needed nowadays to avoid contact with others especially under the COVID-19 pandemic

### ■ *stera mobile*

*stera mobile* is ALL in ONE payment terminal that allows us to enjoy the functionality of *stera* terminal. This is portal/mobile payment terminal which satisfies the needs of merchants by providing wireless (LTE) function

### ■ Usage scenes

Payment at tables in restaurants, payment at apparel boutiques while attending a customer, payment on the doorstep of customers, etc.



ALL in ONE payment terminal 「stera mobile」

#### PRESS RELEASE

#### GMO FINANCIAL GATE

報道関係各位

2021年6月22日

三井住友カード株式会社  
GMOフィナンシャルゲート株式会社  
株式会社トランザクション・メディア・ネットワークス

#### 三井住友カード、決済プラットフォーム「stera」に オールインワンモバイル決済端末「stera mobile」をラインナップに追加 ～軒先決済やテーブルチャージなど、場所を選ばず決済が可能～

三井住友カード株式会社（本社：東京都江東区、代表取締役社長：大西 幸彦、以下：三井住友カード）と、GMOフィナンシャルゲート株式会社（本社：東京都渋谷区、代表取締役社長：杉山 憲太郎、以下：GMO-FG）、株式会社トランザクション・メディア・ネットワークス（本社：東京都中央区、代表取締役：大高 敦、以下：TMN）は、三井住友カードが提供する決済プラットフォーム「stera」の決済端末ラインナップに、2021年6月よりオールインワンモバイル決済端末「stera mobile」を追加しました。7月より順次設置開始します。

#### <「stera」の概要 及び「stera terminal」について>

「stera」は三井住友カードが、GMO バイメントゲートウェイ株式会社、GMO-FG、ビザ・ワールドワイド・ジャパン株式会社と協働して構築した事業者（加盟店）向け決済プラットフォームです。決済データ処理を行う「センター機能」、決済データを各決済事業者に届ける「ネットワーク機能」まで、キャッシュレス決済に必要な機能を一気通貫でカバーしています。

また、2020年7月から、リアル店舗の事業者向けに、さまざまな機能を持つオールインワン決済端末「stera terminal」の提供を開始しました。この「stera terminal」は、1つのデバイスで、クレジットカード、電子マネー、コード決済などあらゆる決済手段の取扱いが可能となるオールインワン決済端末です。レジまわりの省スペース化、接触機会減少による衛生管理強化など、事業者の皆さまが抱える課題を解決してきました。

#### <「stera mobile」の主な特徴>

各事業者の決済ニーズを満たすため、GMO-FG、TMNと協働で、無線（LTE）対応による持ち運びが可能なモバイル端末「stera mobile」を開発し、2021年7月より提供を開始いたします。

「stera mobile」は、「stera terminal」の決済機能を踏襲したオールインワン決済端末です。操作画面にはタッチパネルを採用し、スマートフォンのような感覚で、クレジットカード、電子マネー、コード決済などあらゆる決済サービスの取扱いが可能です。「stera mobile」により、飲食店でのテーブル会計、アパレル店での接客時会計、訪問先での軒下会計など、様々な業態や決済シーンでの利用が可能となります。

# 2.6 IoT/Unattended Market Growth

The number of machines in the unattended market (e.g., vending machines, service machines) exceeds that of the offline market. The unattended market is expanding rapidly due following factors:

Unattended Market

4.5 million

\*Number of vending machines, ticket machines, etc.

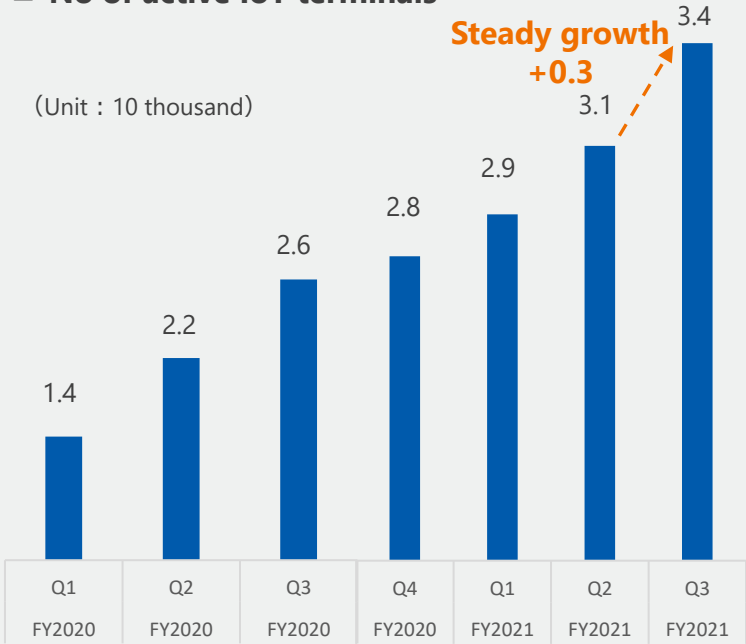


■ Factors that accelerate IoT/Unattended

- Decline in labor force
- Push for unattended systems
- Inbound demand
- In-office vending machines becoming more popular
- Amendments to the Sales Act
- COVID-19

■ No of active IoT terminals

(Unit : 10 thousand)



Offline Market

4 million

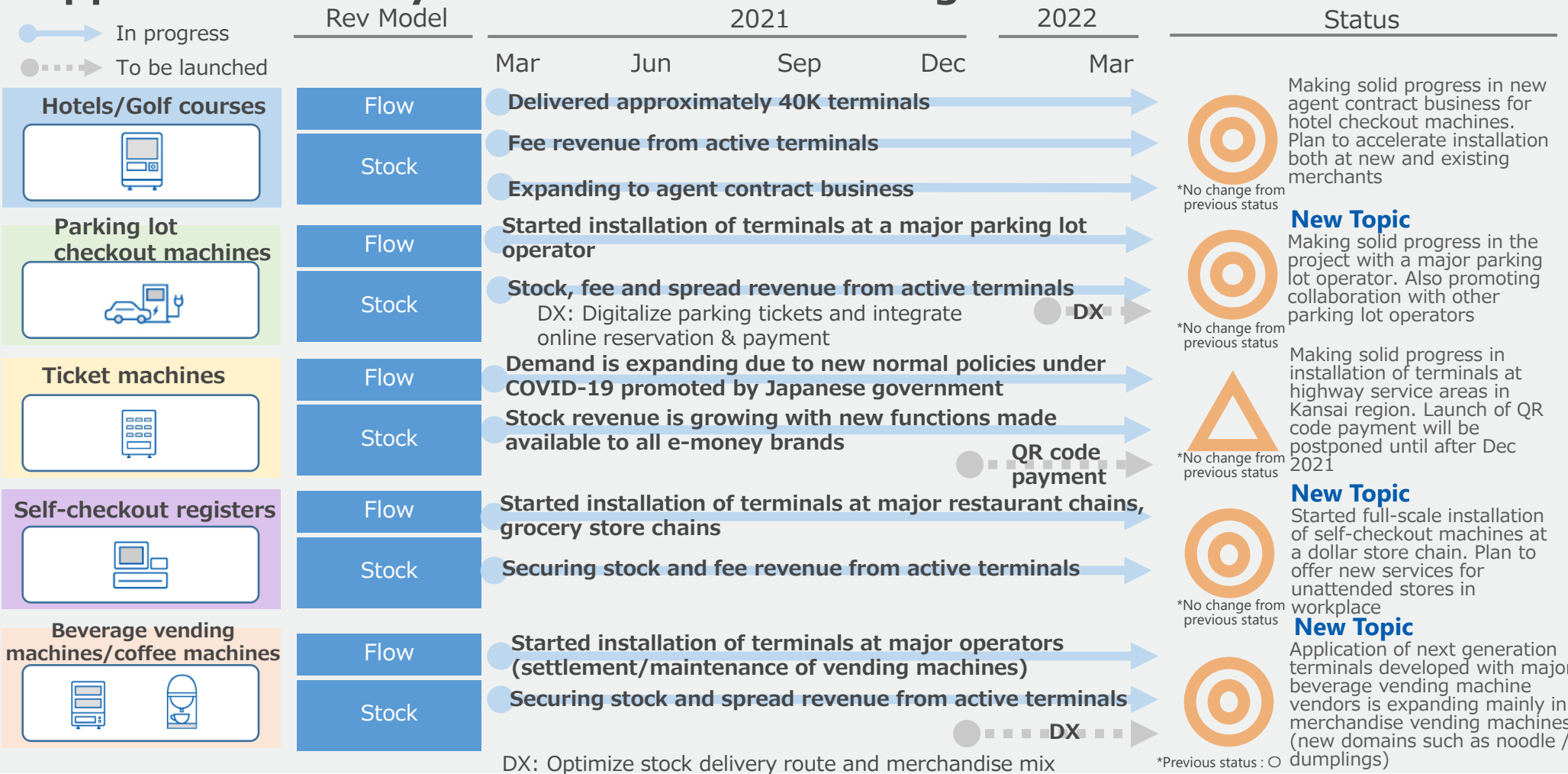
\*Number of registers, terminals, etc.



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

## 2.7 Progress of IoT/Unattended

Launched projects with several parking lot checkout machine vendors. The project with major beverage vending machine vendors for the next generation terminal is expanding in application mainly in merchandise vending machines





### 3. Financial Highlights

## 3.1 Profit & Loss

The sales of stera terminal increased steadily in Q3. Q3 COGS ratio increased due to revenue increase and higher stera terminal sales. SG&A growth was lower in comparison to sales growth due to cost management measures

### ■ Q3(stand-alone)

(Thousands of Yen)	Q3 FY2020 (Stand-alone)	Q3 FY2021 (Stand-alone)	% change
Revenue	784,131	2,020,904	+157.7%
COGS	410,027	1,494,086	+264.4%
Gross profit	374,104	526,819	+40.8%
SG&A	303,107	379,095	+25.1%
Operating profit	70,997	147,724	+108.1%
Ordinary profit	64,734	148,233	+129.0%
Profit attributable to owners of parent	41,221	100,001	+142.6%

### ■ Q3(cumulative)

(Thousands of Yen)	Q3 FY2020 (cumulative)	Q3 FY2021 (cumulative)	% change
Revenue	2,834,885	4,837,219	+70.6%
COGS	1,537,238	3,330,792	+116.7%
Gross profit	1,297,646	1,506,427	+16.1%
SG&A	881,176	1,039,790	+18.0%
Operating profit	416,469	466,636	+12.0%
Ordinary profit	400,084	467,782	+16.9%
Profit attributable to owners of parent	238,834	311,637	+30.5%

## 3.2 Balance sheet

Holding adequate cash by stable cash flow.

Total equity is over 60% out of total assets. Financial status is stable

Q3 FY2021 (Thousands of Yen)

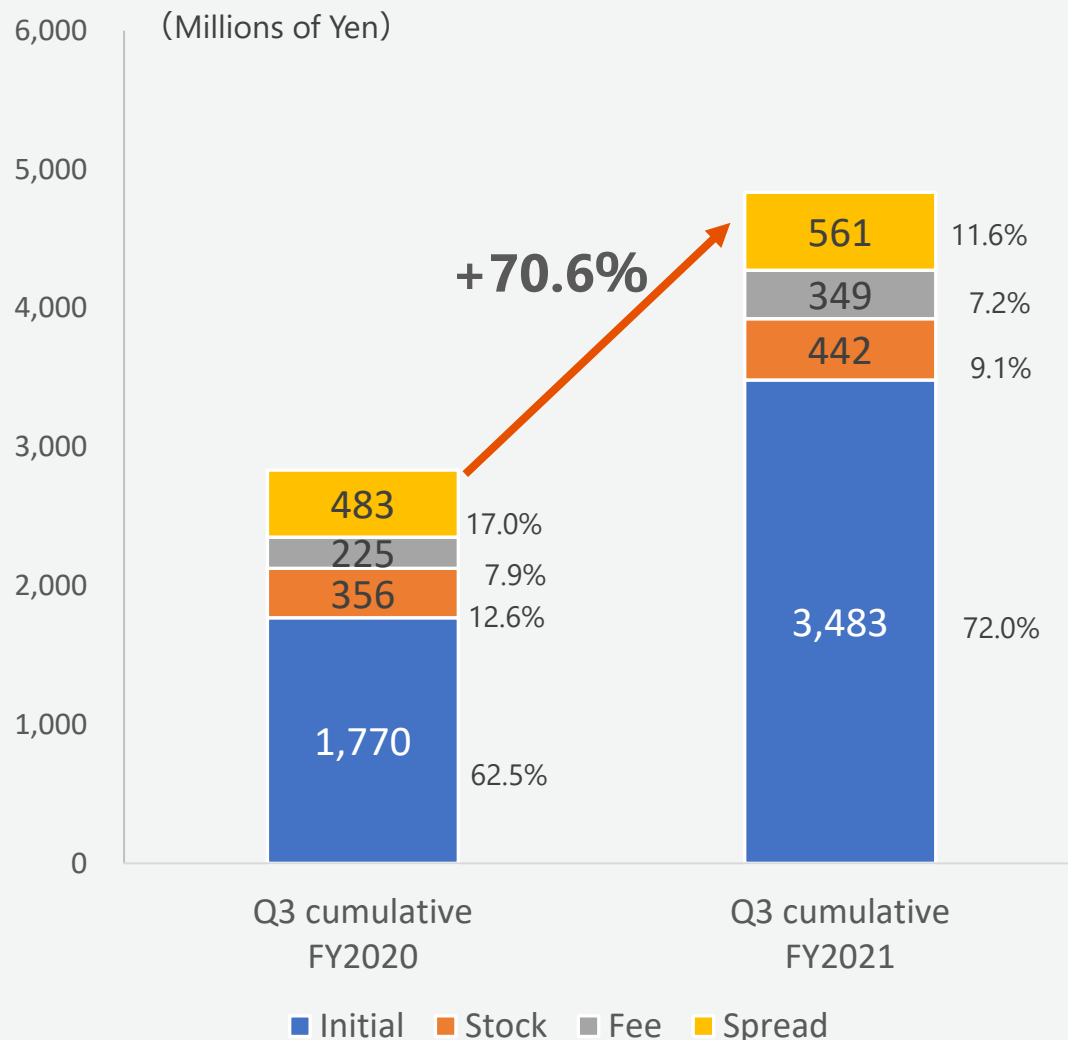
<b>Cash &amp; Cash equivalents (54%) 3,594,441</b>	Current liabilities 2,368,388
Other current assets 1,853,948	Non-current liabilities 43,423
Non-current assets 1,225,558	<b>Total equity (64%) 4,262,134</b>
<b>Asset</b>	<b>Debt</b>

### ■ Highlighted Points

- Holding approximately ¥3.6 billion of Cash & Cash equivalents even though there is 1.2 Deposits Payable in Current liabilities
- Securing adequate stock of stera terminal towards its sales forecast (Terminal Stock: ¥1.1 billion out of Other current assets)

### 3.3 Revenue by Business Model (YoY)

Revenue grew YoY +70.6%. Terminal sales mainly stera led initial revenue Q3. Stock-Model revenue well-balanced grew tied with the increase of the number of active terminals



#### ■ Highlighted Points

- The component % of Initial went up to 9.5%. Initial revenue was drove up by terminal sales mainly stera
- Though the component % of Stock-Model revenue (Stock, Fee, Spread) dropped down, absolute value itself grew steadily due to the increase of the number of active terminals as well as transactions
- As for Spread revenue, continuing *New Normal Initiatives* and now successfully recovering to the level as it was before

## 4. Appendix

# GMO-FG Business Domain

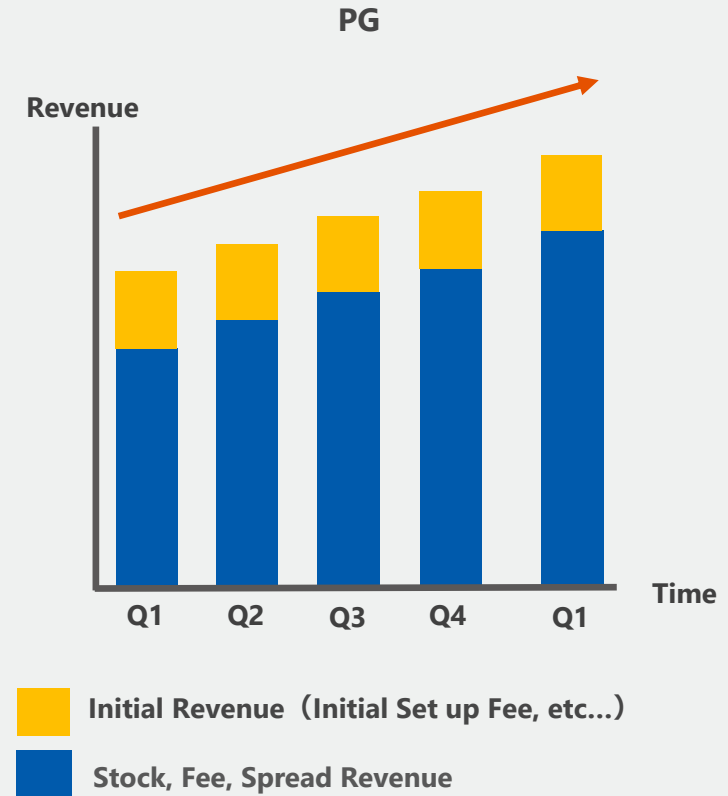
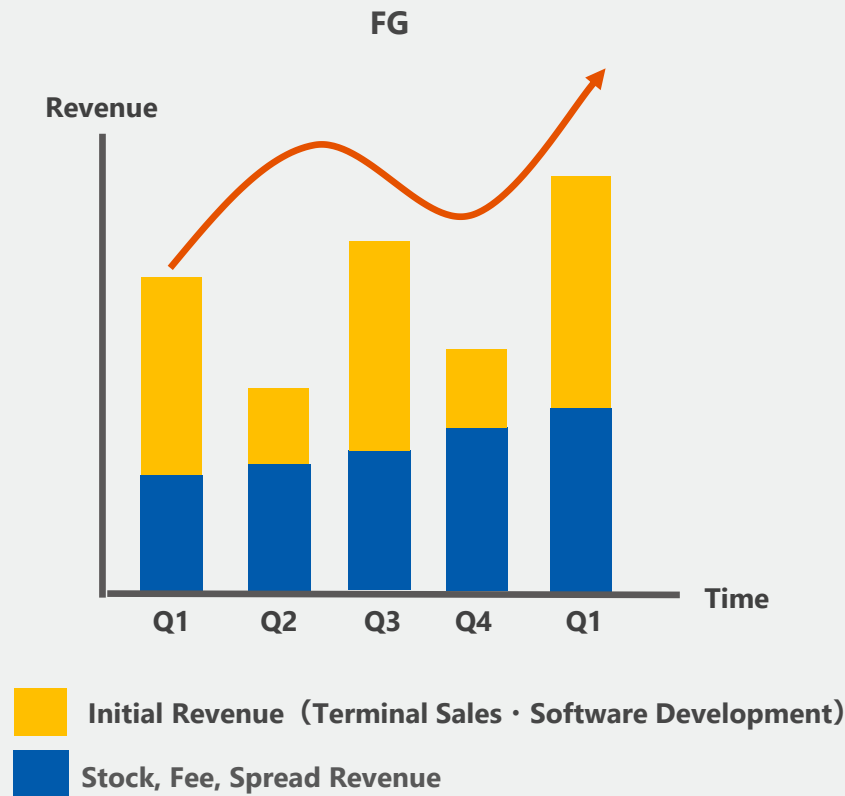
GMO-FG is focusing on offline payment

Company name	GMO FINANCIAL GATE		GMO PAYMENT GATEWAY	
Business Domain	GMO Financial Gate (Payment at Brick & Mortar + IoT)		GMO Payment Gateway (EC)	
Payment method	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

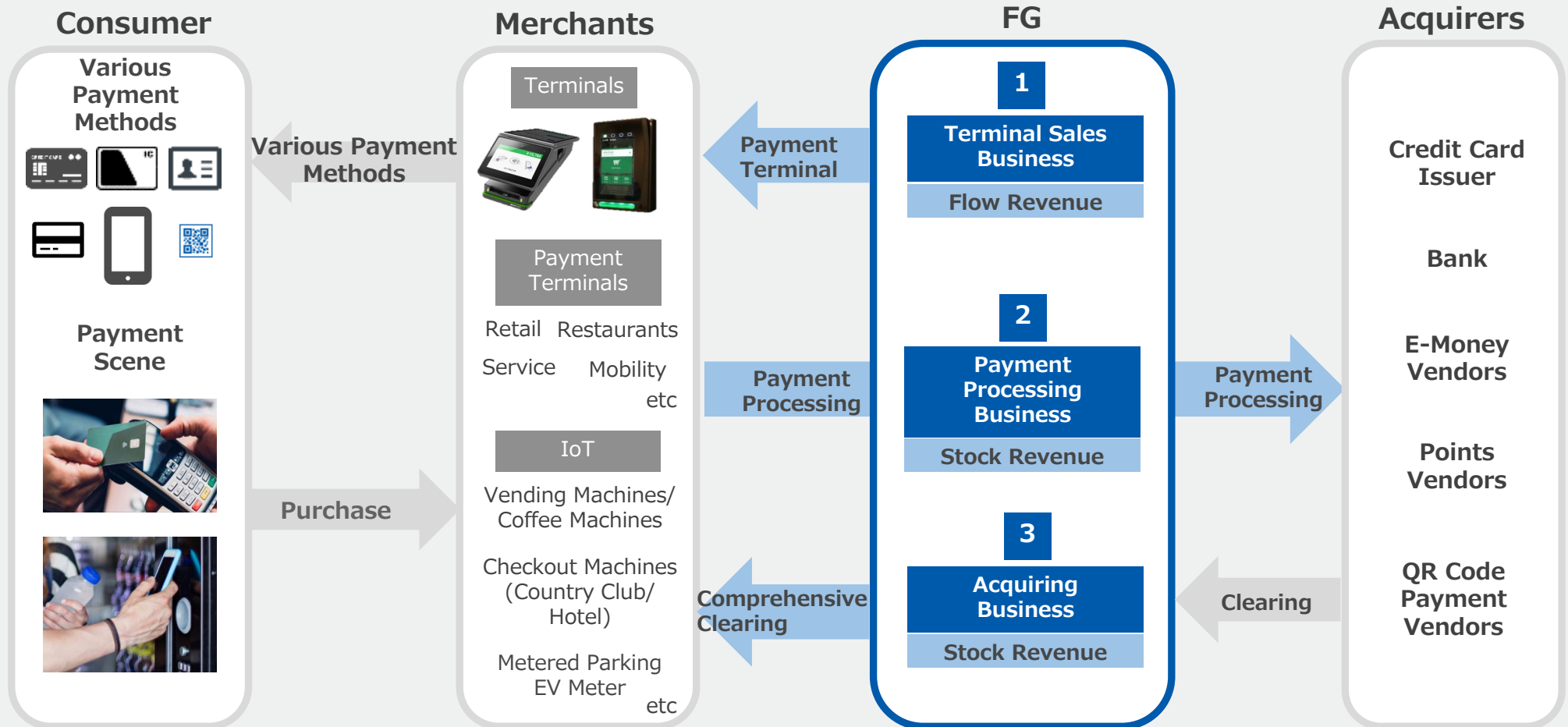
# Rev Models: Financial Gate vs. Payment Gateway

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





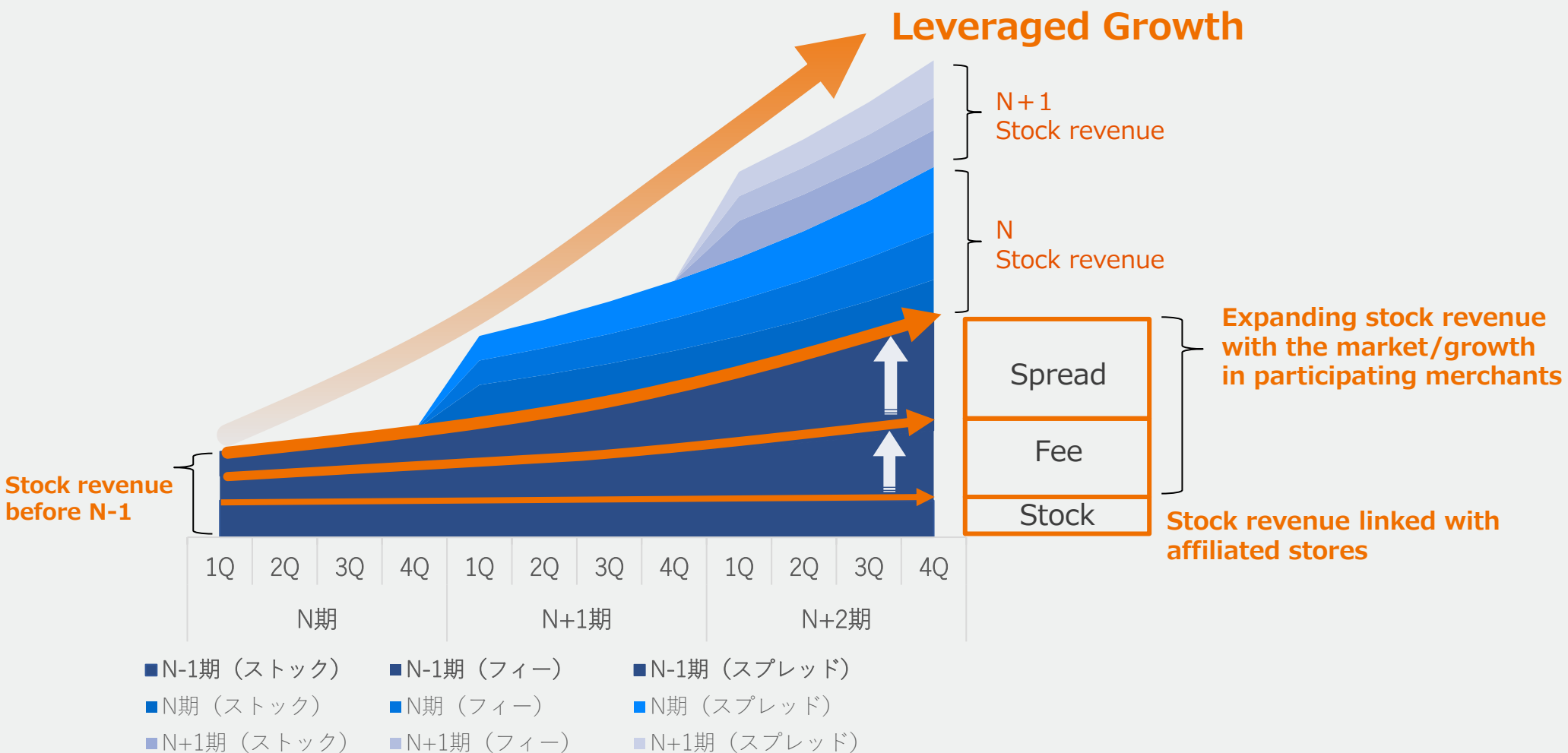
# Stock Revenue Expansion Originating From Terminal Sales

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

Model	3 Businesses	4 Types of Revenue	
Flow Model Rev	① Terminal Sales Business	Initial	One-time revenue via <b>terminal sales</b>
Stock Model Rev	② Payment Processing Business	Stock	Monthly recurring revenue via <b>active terminals</b>
		Fee	Processing revenue via <b>transaction volume</b>
	③ Acquiring Business	Spread	Spread revenue via <b>transaction value</b>

# Leveraged Growth Model

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



# Details on each revenue ①

Initial	Content
<b>Payment terminal sales</b>	<p>This is a sales revenue of payment terminals from merchants or credit card companies.</p> <p>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)</p>
<b>Software development</b>	<p>It is a type of development that meets customers needs such as widening acceptable payment measures and adding point-payment functionality</p>
Stock	Content
<b>Data sharing</b>	<p>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</p>
<b>Points&amp;QR</b>	<p>It is a service to add point/QR payment app to the terminals merchants have. We charge it as monthly fixed fee</p>
<b>Rental (Mobile terminal)</b>	<p>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</p>
<b>Mobile SIM</b>	<p>It is a SIM card fee to use mobile type terminals. We charge it as monthly fixed fee</p>
<b>Processing (Monthly fixed fee model)</b>	<p>It is a processing fee based on monthly fixed rate</p> <p><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></p>

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

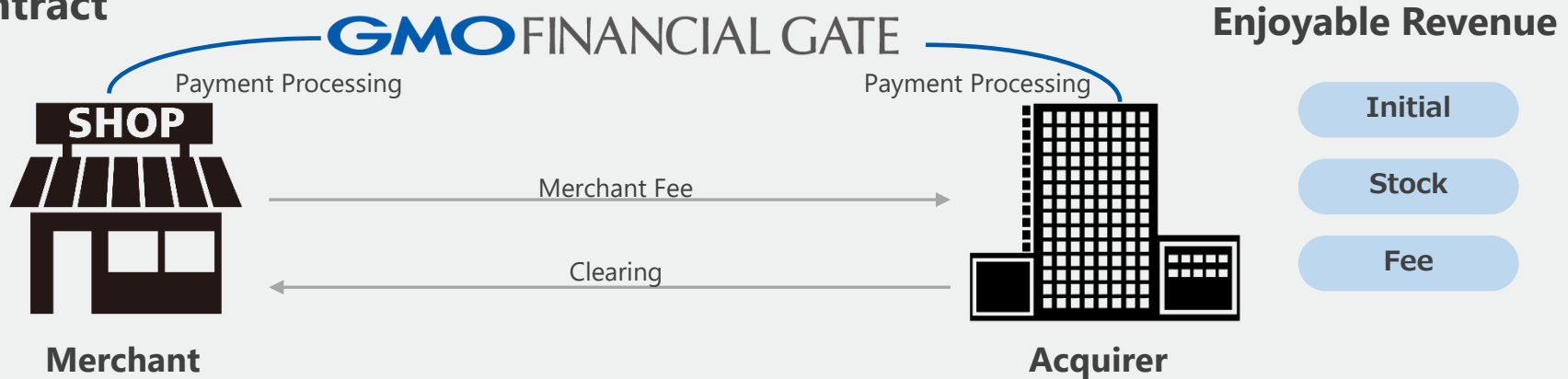
Fee	Content
Processing	It is a fee we charge toward monthly transaction volume based on the rate per transaction
Sales of roll paper	This is a sales of roll paper that is used with payment terminals at stores

Spread	content
Acquiring (Settlement agent)	<p>We charge spread fee (<math>\alpha</math>) towards clearing amount to merchants</p> <p>We received indicator rate (<math>N</math>) from acquirers, then we acquire merchants instead of acquirers with the new rate (<math>N + \alpha = \text{merchant fee}</math>)</p>

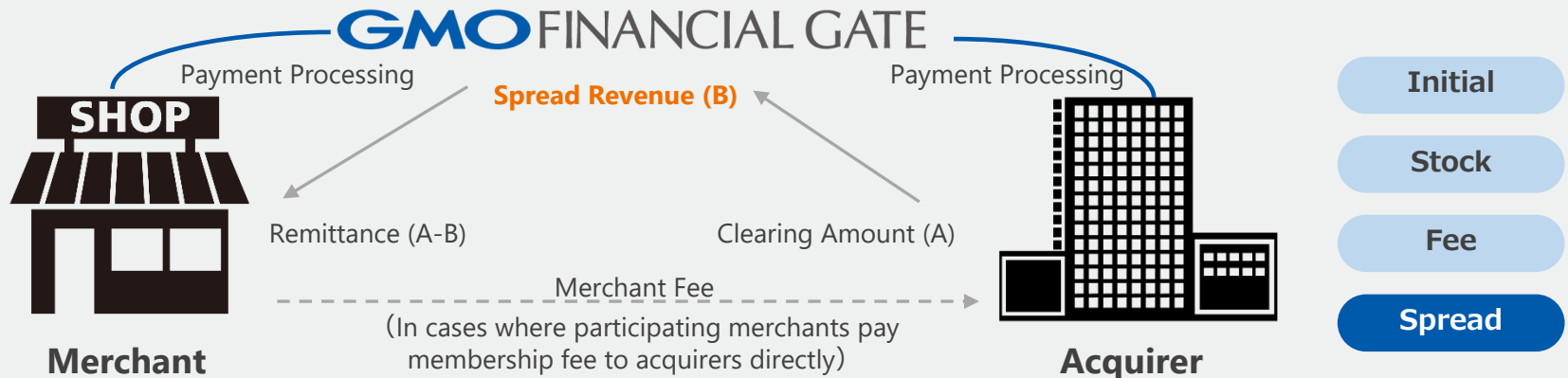
# Relationship Between Spread Revenue and GMV

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  $\text{GMV} \times \text{Take Rate} \times \text{Contribution Ratio}$

## ■ Direct Contract



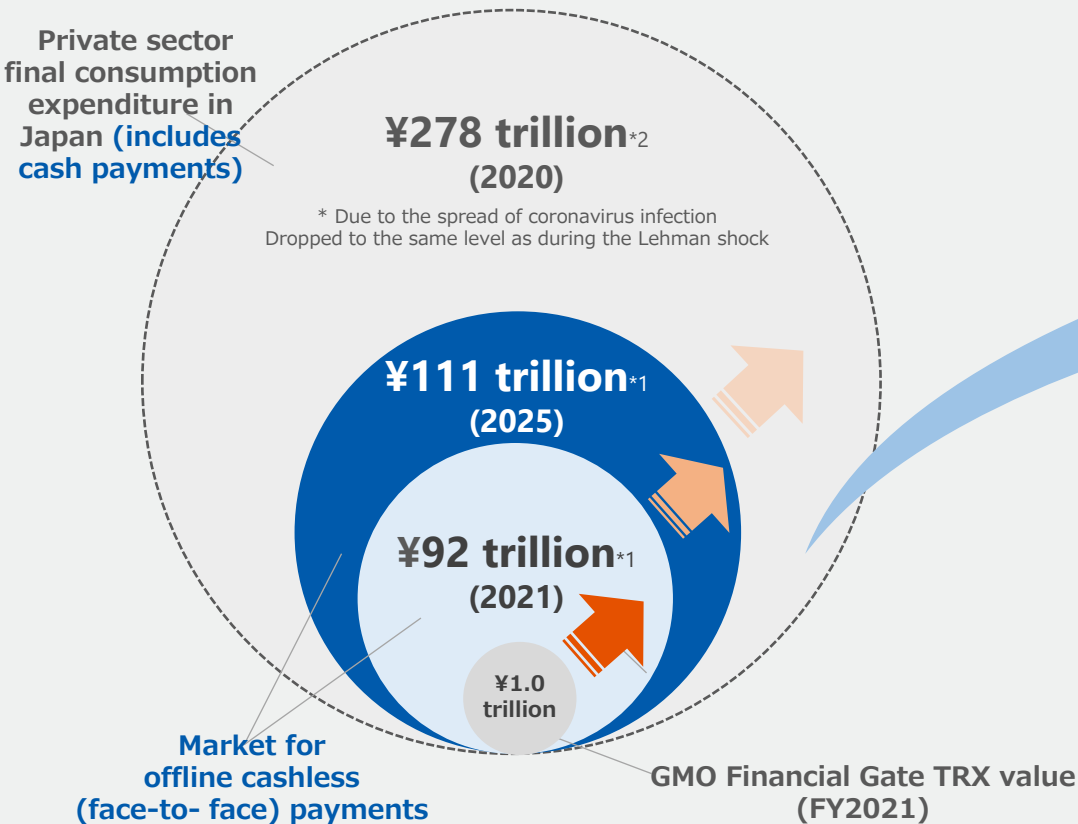
## ■ Agent Contract (\*Clearing amount for Agent Contract ÷ GMV = Contribution Ratio)



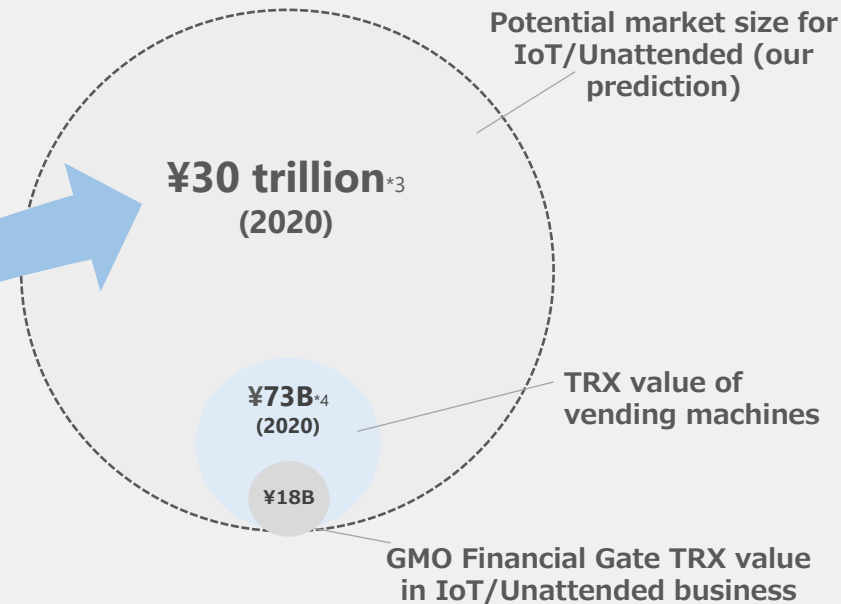
# TAM (Total Addressable Market)

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

## ■ Offline TRX value in Japan



## ■ Potential market value of IoT/Unattended



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

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

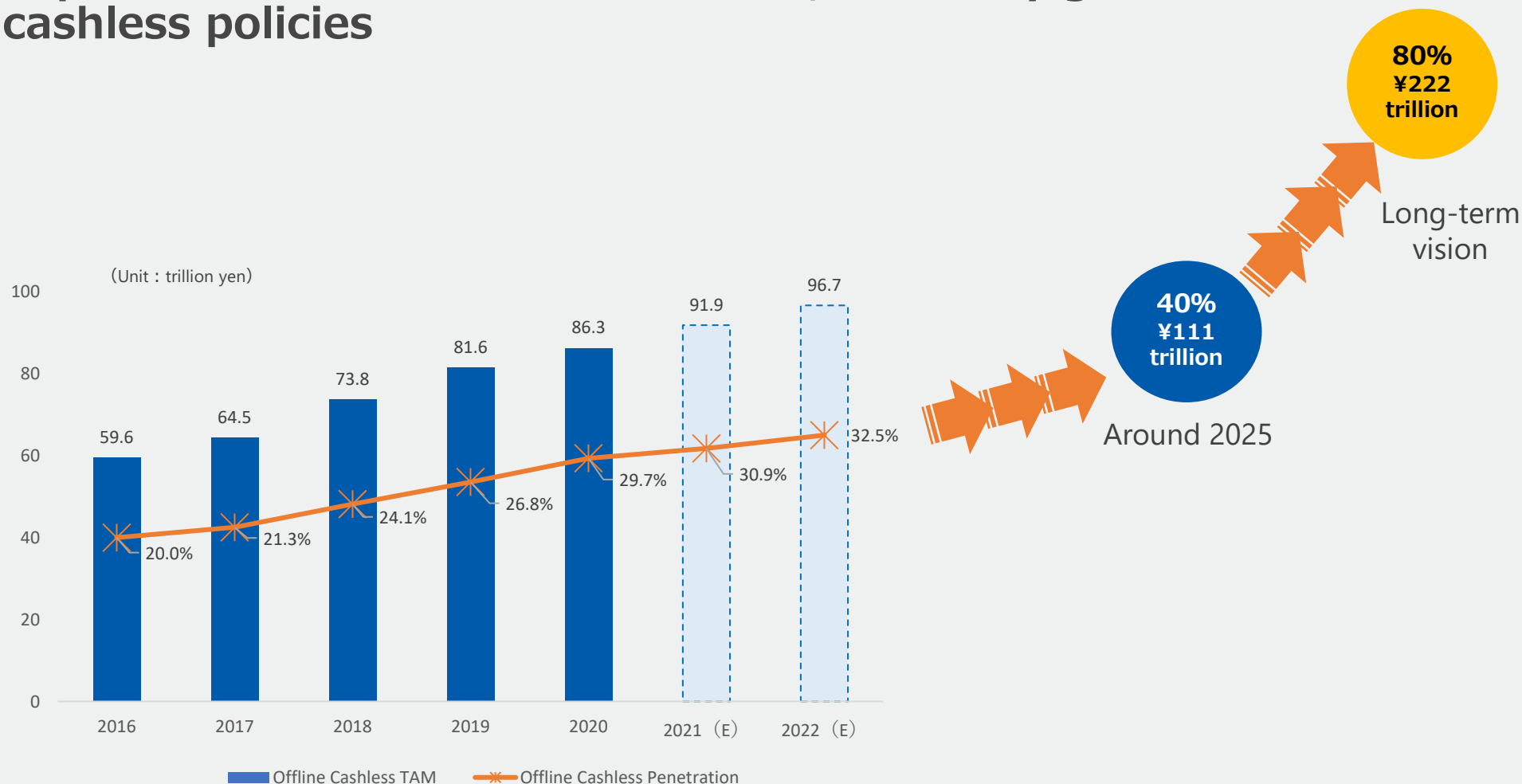
(<sup>\*2</sup>) Source: Cabinet Office, Government of Japan

(<sup>\*3</sup>) 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

(<sup>\*4</sup>) 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



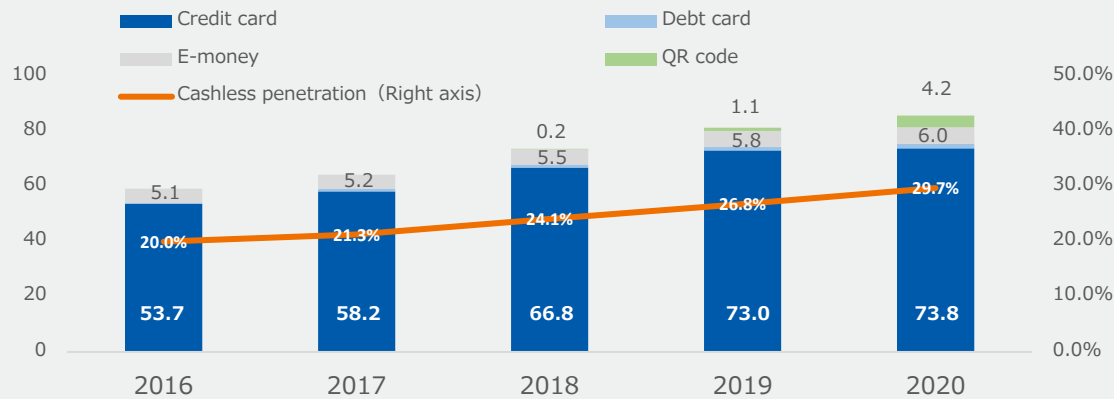
Source: Cashless Roadmap 2019, PAYMENTS JAPAN; Yano Research Institute Ltd.

# Composition of Cashless Payment Methods

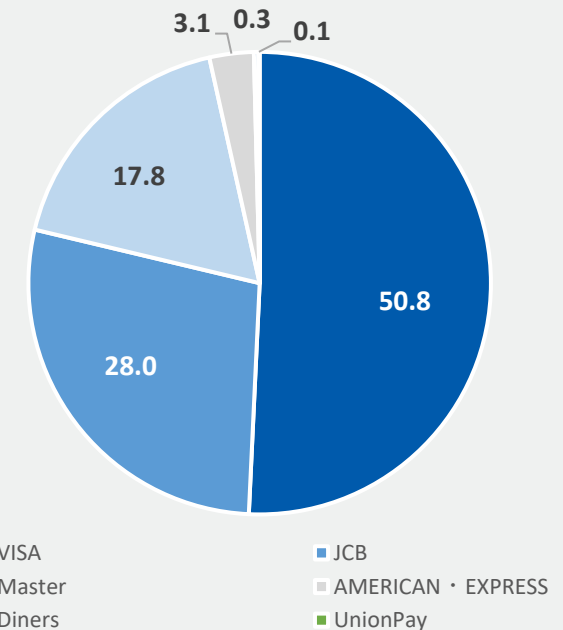
While cashless payments have become more diversified, credit card use is still high E-commerce composition ratio declined, QR code increased

## ■ TRX value of cashless payment

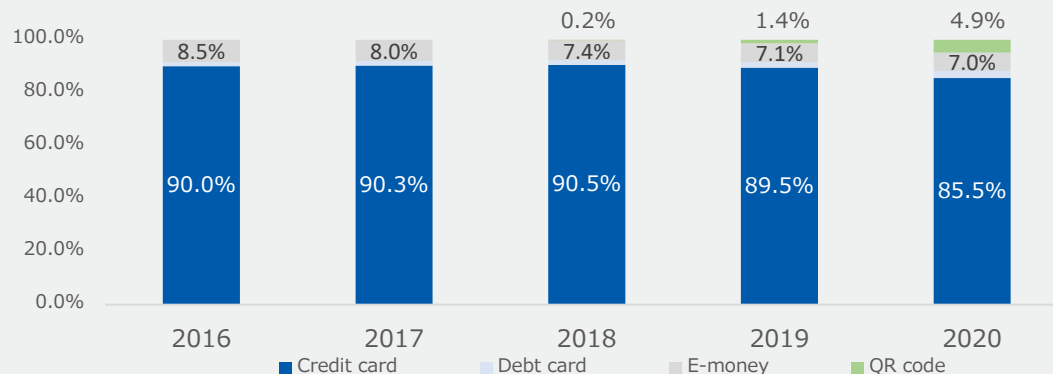
(Unit : trillion yen)



## ■ Credit card brand share in Japan (2020)



## ■ Composition of cashless payment methods



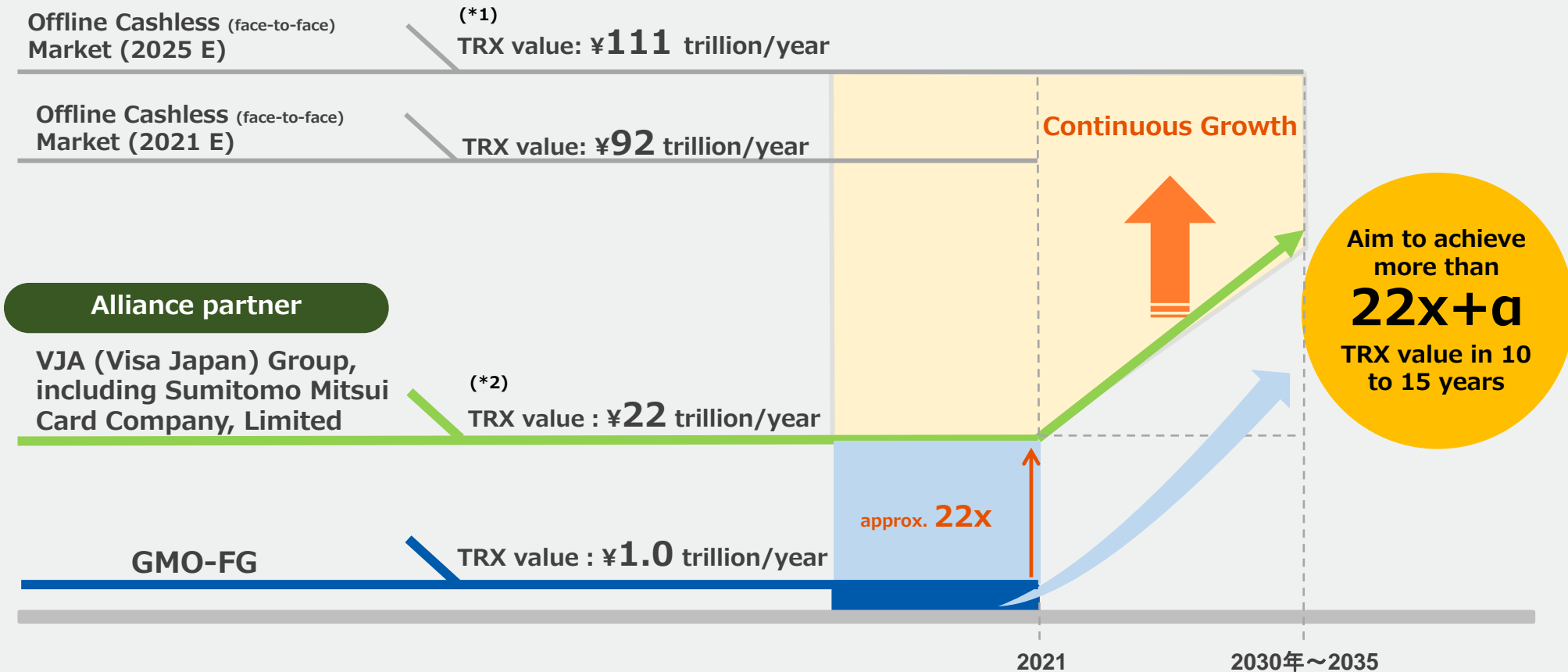
\*Source: Ipsos Financial Service

\*Source: Ministry of Economy, Trade and industry



# 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

# Government Promotion of Cashless Payments

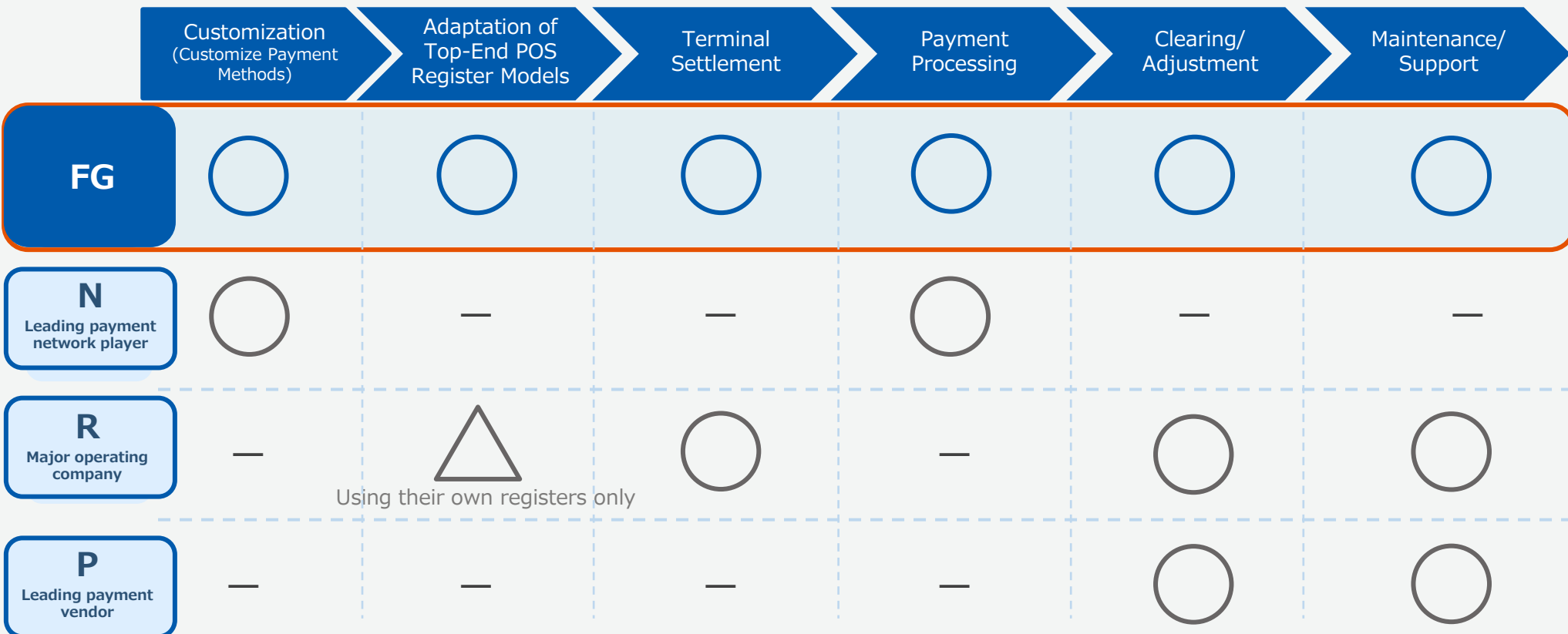
**METI\*** announced its *Cashless Vision* policy to encourage cashless payments. We expect the Japanese cashless market to expand rapidly in response



# Unique Positioning

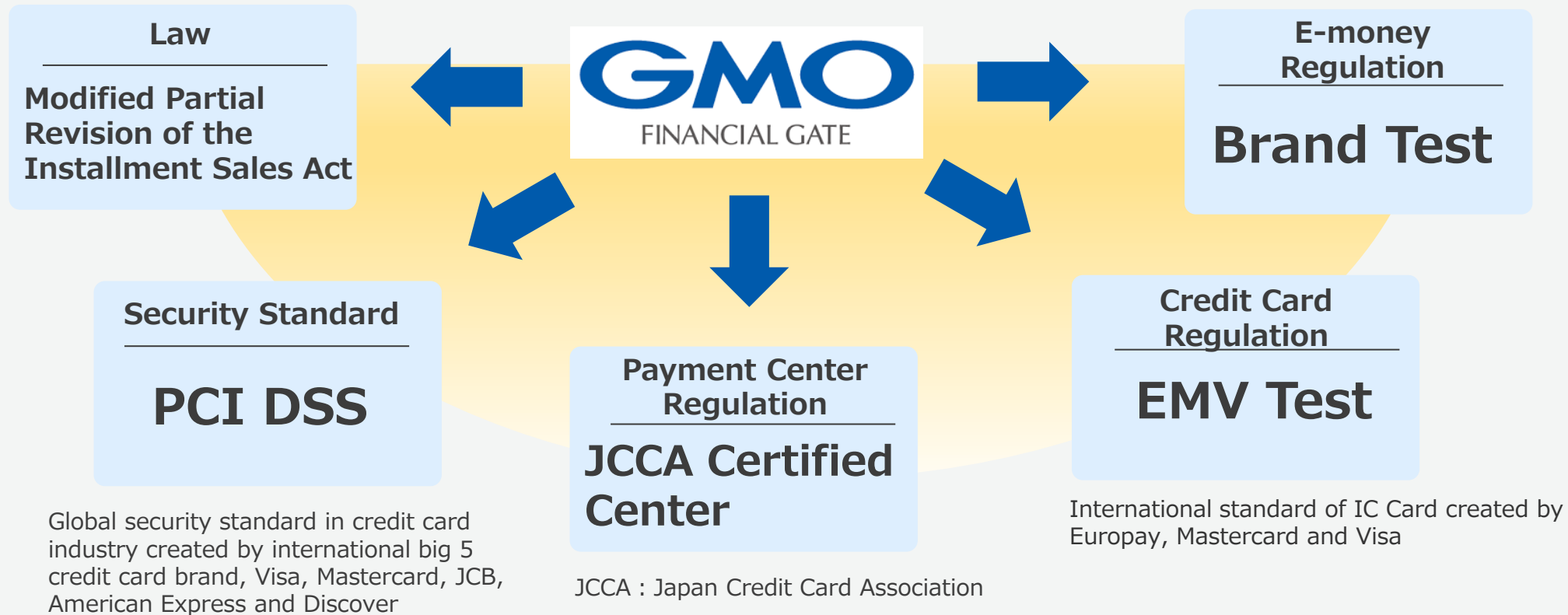
End-to-end solutions via one-stop platform allows us to create alliances with many players in the market

## ■ 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



# 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	➔	○	○	—	—

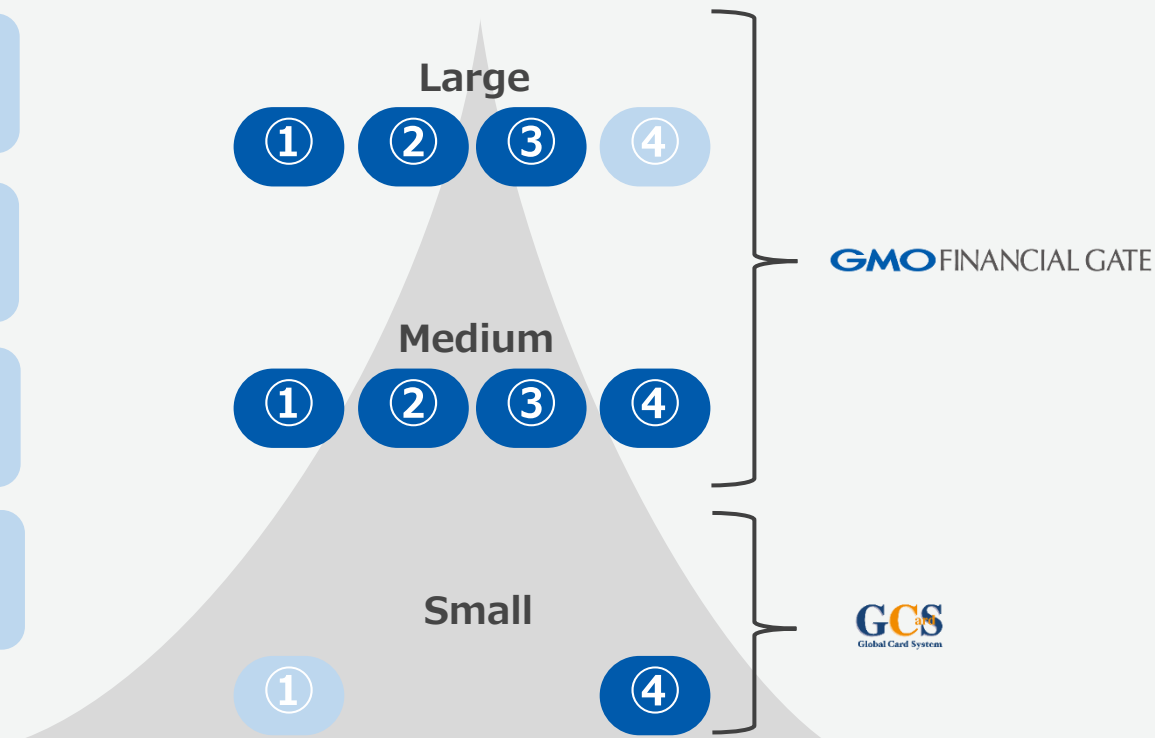
# Revenue Model by Merchant Size

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 participating 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

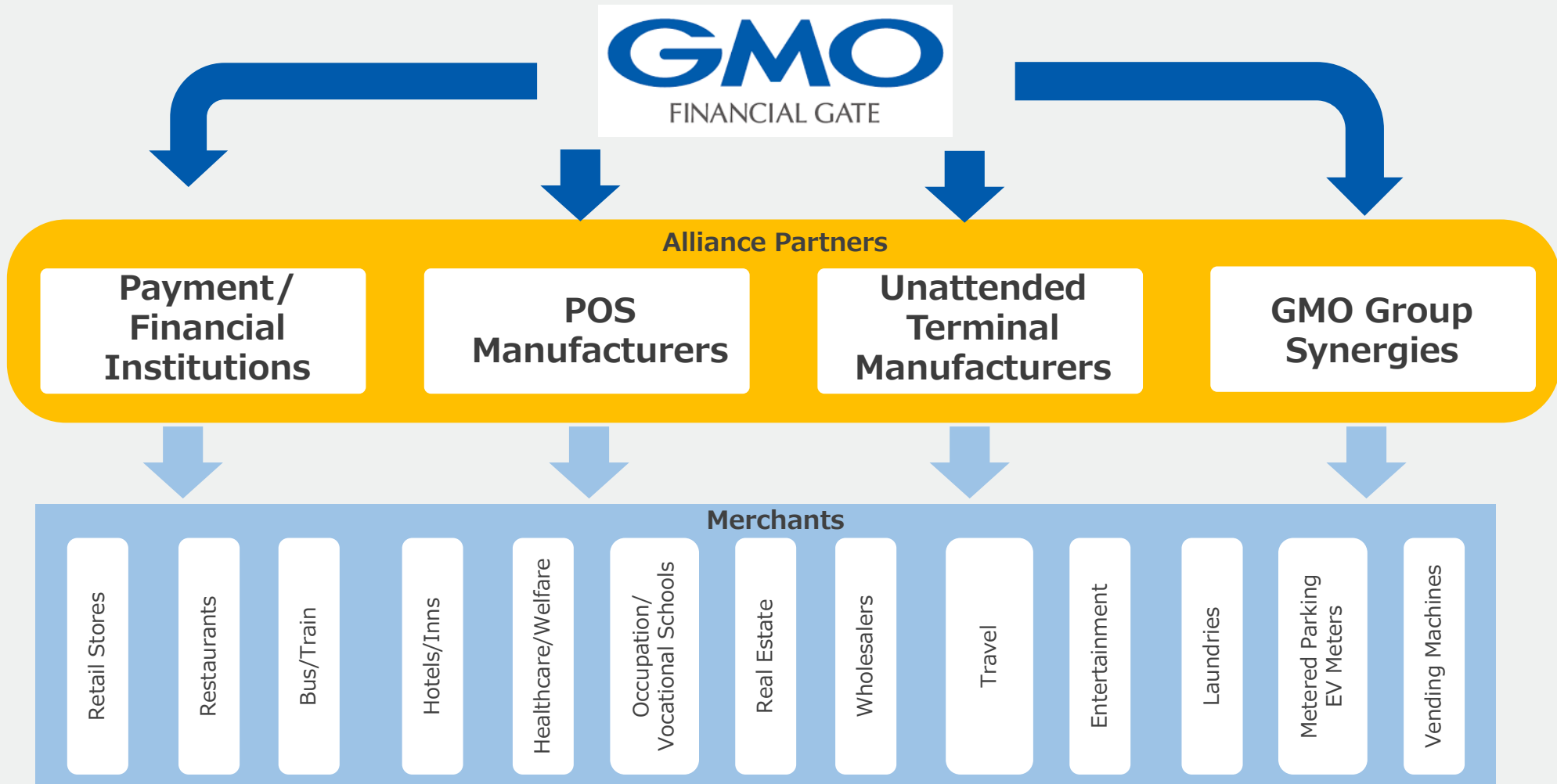


\*Alliance partner terminals

*Cashless Platform*

# Alliance Overview

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



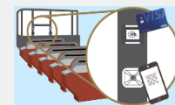


# Accelerating business in mobility

We are entering into the mobility domain (smaller payments than other types of consumption), offering Cashless Platform x Touch Payments

April 2021~

- **Fukuoka City Transportation Bureau** Launched trial of ticket buying service via VISA touch payment (Partners: SMCC, Aquabit Spirals, QUADRAC, Toppan Printing, VISA, THE BANK OF FUKUOKA, GMO-PG) Source: GMO-FG HP



April 2021~

- **Nankai Electric Railway** Began accepting VISA touch payment. Trial started in limited area! (Partners: Nankai Electric Railway, SMCC, QUADRAC, VISA) Source: Nankai Electric Railway HP



April 2021~

- **HOKUTO KOTSU** First adoption of Visa touch-payment in public transportation in Hokkaido (Partners: SMCC, QUADRAC, ODAWARA AUTO-MACHINE MFG, Hokkaido Atlas, Visa Worldwide Japan) Source: HOKUTO KOTSU HP



December 2020~

- **Fasstap (allied with Soft Space)** Started providing NFC payment without terminals Source: GMO-FG HP



November 2020~

- **Kyoto Tango Railway (managed by WILLER)** First time in Japan! Adoption of Visa touch-payment in railway ~Ride with a simple touch! More convenient fare payments (Partners: SMCC, QUADRAC, Visa Worldwide Japan, SMBC) source: WILLER HP



July 2020~

- **Ibaraki Kotsu (managed by Michinori HD)** Cashless payments on highway buses for the first time in Japan! Adoption of Visa touch-payment in buses (Partners: SMCC, Visa Worldwide Japan, ODAWARA AUTO-MACHINE MFG) Source: Michinori HD HP



**GMO FINANCIAL GATE**  
*Cashless Platform*

# stera Network Real-World Implementations

(July 21, 2020)

## First adoption of Visa Touch for public transportation in Japan (highway bus operated by Ibaraki Kotsu)

- First-ever adoption of Visa Touch payment for public transportation in Japan (Katsuta Tokai-Tokyo Line highway bus operated by Ibaraki Kotsu).
- Pay bus fare by simply touching eligible credit cards or smartphones on readers. New system provided by SMCC and Visa Worldwide Japan utilizing the stera platform offered by SMCC
- Visa Touch payment expected to be used in more than 500 cities worldwide in the future. Already implemented in New York, London, Singapore, and Sydney. More recently, public transportation in Brussels, Bratislava, Bucharest, Hong Kong, Sant Domingo, and Torino have started to accept Visa Touch



(November 20, 2020)

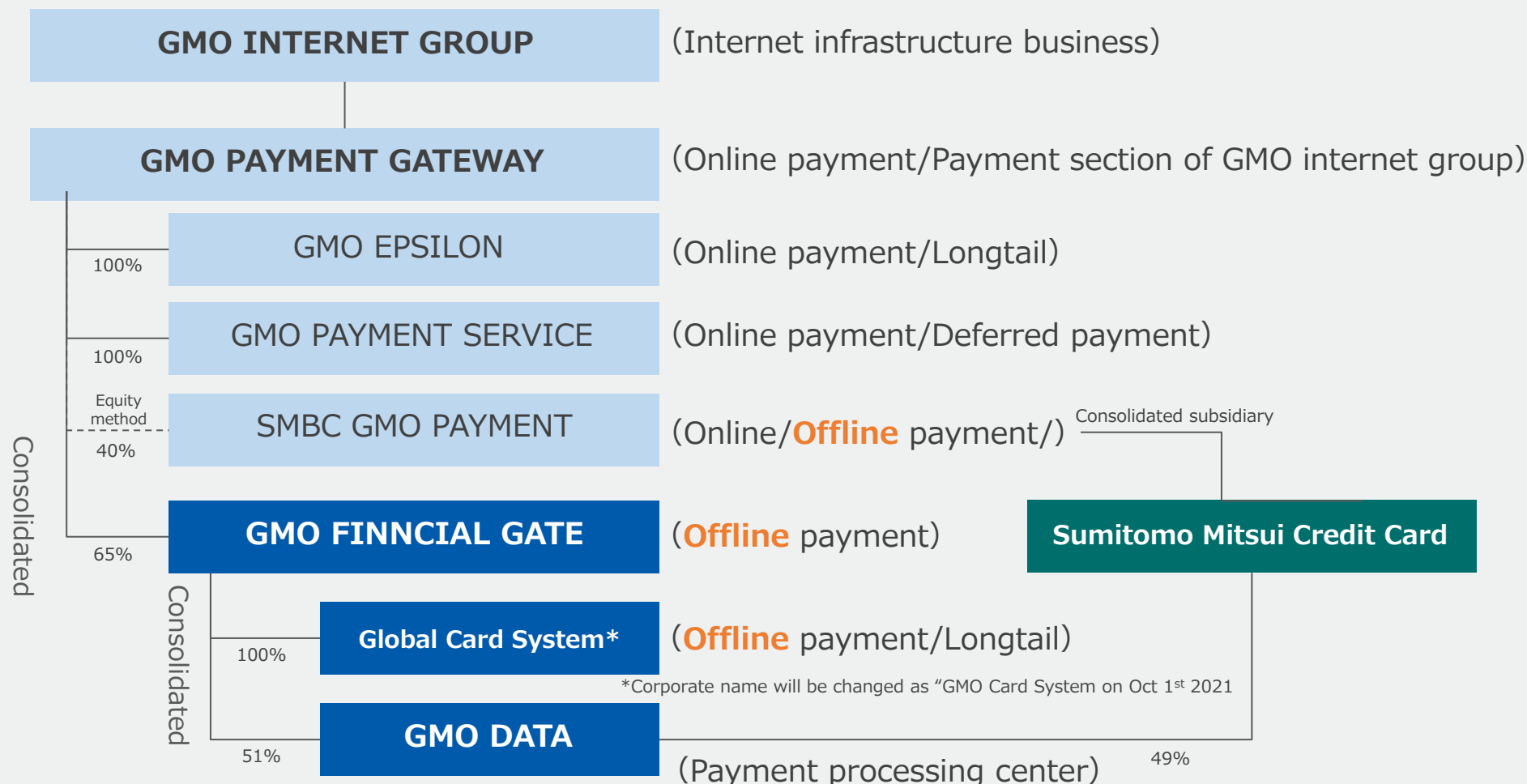
## First adoption of Visa Touch in railways. Ride with a simple touch! Kyoto Tango Railway is Earliest Adopter

- WILLER, SMCC, QUADRAC, Visa Worldwide Japan and SMBC launched a cashless payment service offering Visa Touch readers for use in railways for the first time in Japan. Kyoto Tango Railway became the first company to adopt this service
- This Visa Touch system, commonly used overseas, is now available for Japanese railways, offering rapid payment processing of the type in high demand for speedy payments in Japan
- The service allows daily commuters and visitors from other countries to pay with credit cards, eliminating the need to buy train tickets. With wider adoption, public transportation will become much more convenient for all



# Affiliated Companies

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



# ESG Initiatives

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

ESG  
Initiatives

## Disclosure contents

### 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



- Use of recycled paper as receipts
- Use of recycled paper as receipts
- Promoting paperless etc...



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

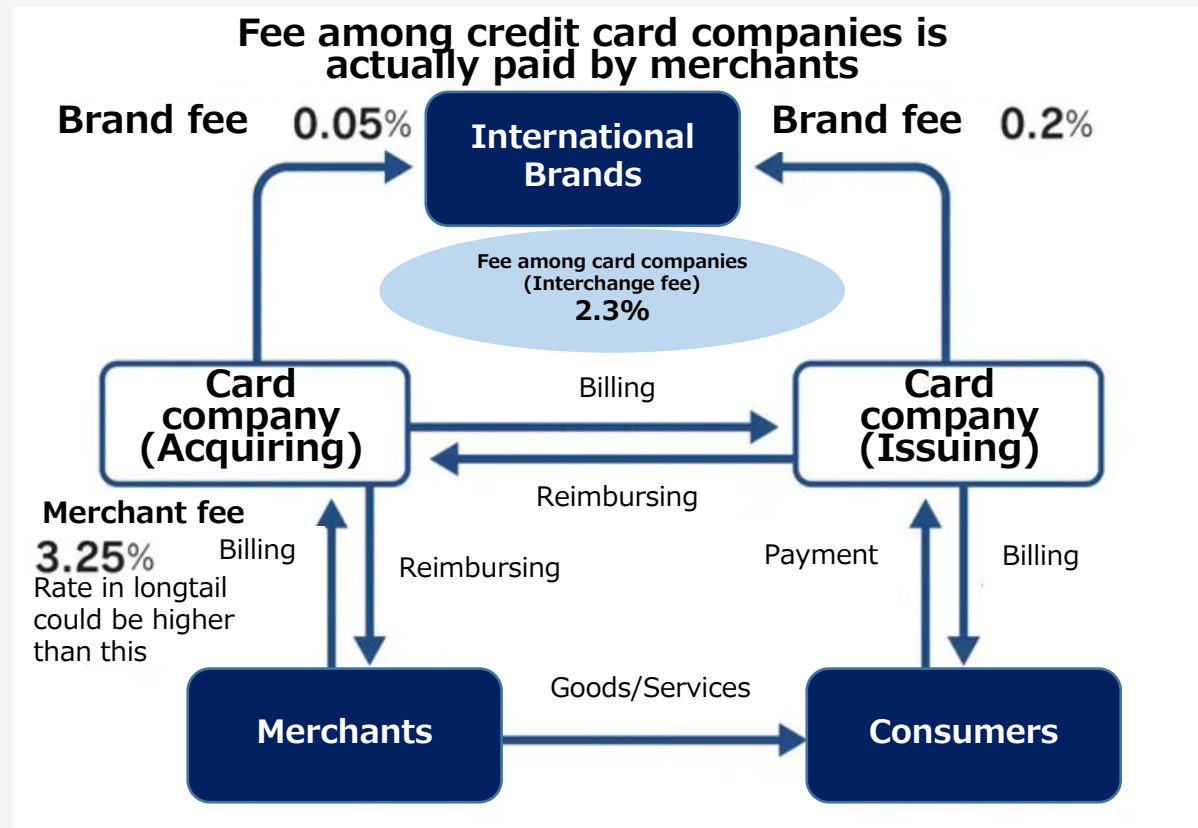
Planning to enforce  
corporate governance onward

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



# 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



# Company Profile

■ Company	GMO Financial Gate, Inc. (TSE Mothers Ticker:4051)		
■ Foundation	September 1999		
■ Address	Humax Shibuya Building 7F, Shibuya Dogenzaka 1-14-6, Tokyo		
■ Stock Capital	¥1,594 Million		
■ Major Shareholder	GMO Payment Gateway, Inc.		
■ Board Member	Representative Director, President	Kentaro Sugiyama	
	Director, Chairman	Akira Takano	
	Director	Akio Aoyama (Sales Division Executive Manager)	
	Director	Masamitsu Ikezawa (Administrative Division Executive Manager)	
	Director	Tomonaga Fukunaga (System Division Executive Manager)	
	Director	Masaru Yoshioka (GMO Payment Gateway, Inc. Executive Officer)	
	External Director	Nao Shimamura	
	External Auditor	Takayoshi Nagasawa	
	External Auditor	Satoru Ozawa	
	Auditor	Takashi Iinuma (CPA)	
■ Auditing Firm	Deloitte Touche Tohmatsu LLC		
■ Subsidiary	Global Card System, Inc.	shareholding ratio:100%	Scheduled to change trade name to GMO Card System Co., Ltd. on October 1, 2021
			
			
	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 August 11, 2021)

**T h a n k      Y o u**

**GMO** FINANCIAL GATE

GMO Financial Gate, Inc

(Tokyo Stock Exchange Mothers 4051)

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