

# Financial Results Briefing for Q3 FY2022

## Key Message

【Expand Stock-model revenue by offering solutions tailored to multiple industries and business categories】

August 9, 2022

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

9th IR Presentation

**GMO** FINANCIAL GATE

<https://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 9, 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 Q3 FY2022
2. Revision of FY2022 Forecast
3. Growth Strategy and Progress
4. Financial Highlights
5. Appendix

# 1. Summary of financial Results for Q3 FY2022

# 1.1 Q3 FY2022 Summary

In Q3, we recorded steady progress in revenue and profits cumulative basis thanks to an increase in Stock-model revenue mainly brought by the strong sales of payment terminals and the lifting quasi of state of emergency in Q3 standalone. We revised revenue forecast upwardly

Quantitative comments

- **Q3 FY2022 Cumulative** **P6**  
- Revenue : **¥7.45billion(+ 53.9% YoY)** **87.1%**  
- Operating Profit : **¥0.56billion(+ 20.8% YoY)** **76.5%**  
**Progress towards full year forecast:**
- **Revenue by business model Q3 Cumulative** **P8**  
- Initial revenue : **¥5.24billion(+ 50.3% YoY)**  
- Stock-model revenue : **¥2.21billion(+ 63.5% YoY)** ⇒expanding steadily
- **KPIs** **P17, P18**  
- No. of active terminals : **174K(+ 67K YoY, +62.6 YoY)**  
- TRX volume : **82.37 million(2.1x YoY)**, GMV : **¥665.8 billion (2.1x growth YoY)**
- **Upward revision to FY2022 revenue forecast** : **¥8.55billion → ¥9.80billion** (+14.6% to previous forecast) **P21**

Qualitative comments

- In the long-tail business, in addition to the recovery from the effects of Re-Opening, the focus on specific industries has been successful, contributing to the increase in Spread revenue
- Implementing multiple software-development projects for the growth from the next fiscal year onward (strengthen solution capabilities by merchants' industries)
- Strengthen ESG initiatives. Began monitoring supply chain CO2 emissions and formulated a roadmap for disclosing and acquiring certification

## 1.2 Summary of Financial Results

Steady progress toward full-year forecast for both revenue and profits at each stage. Q3 standalone had less-impact on COVID, such as quasi of state of emergency, so various KPIs are steadily have expanded YoY

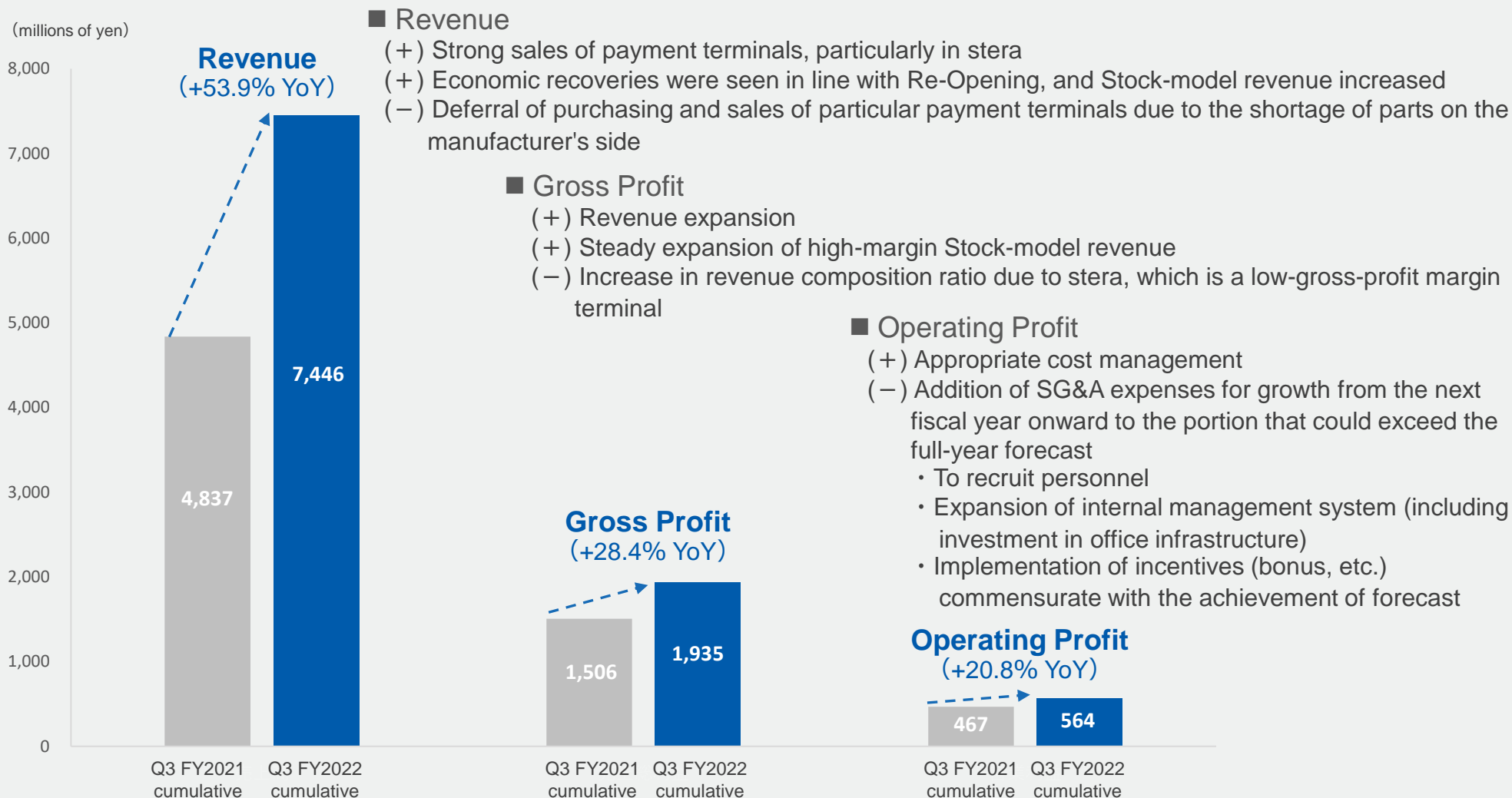
(Millions of yen)	Q3 FY2021 Cumulative	Q3 FY2022 Cumulative	YoY	*released on Nov 11, 2021 Guidance FY2022 full-year	*released on Nov 11, 2021 Progress towards guidance
Revenue	4,837	7,446	+53.9%	8,550	87.1%
Gross profit	1,506	1,935	+28.4%	2,421	79.9%
Operating profit	466	563	+20.8%	737	76.5%
Profit attributable to owners of parent	311	358	+14.9%	461	77.7%

	No. of active terminals (end of Q3)	Transaction volume (Q3 standalone)	Transaction value (GMV) (Q3 standalone)
KPI (YoY)	174,187 (1.6x YoY)	Approx. 82.37million (2.1x YoY)	Approx. ¥665.8billion (2.1x YoY)

## 1.3 Major Topics Regarding Financial Results

Payment terminal sales remained steady. Gross profit exceeded the medium to long-term growth target of 25% thanks to an increase in Stock-model revenue. Operating profit progressed in line with the full-year forecast



## 1.4 Revenue by Business Model

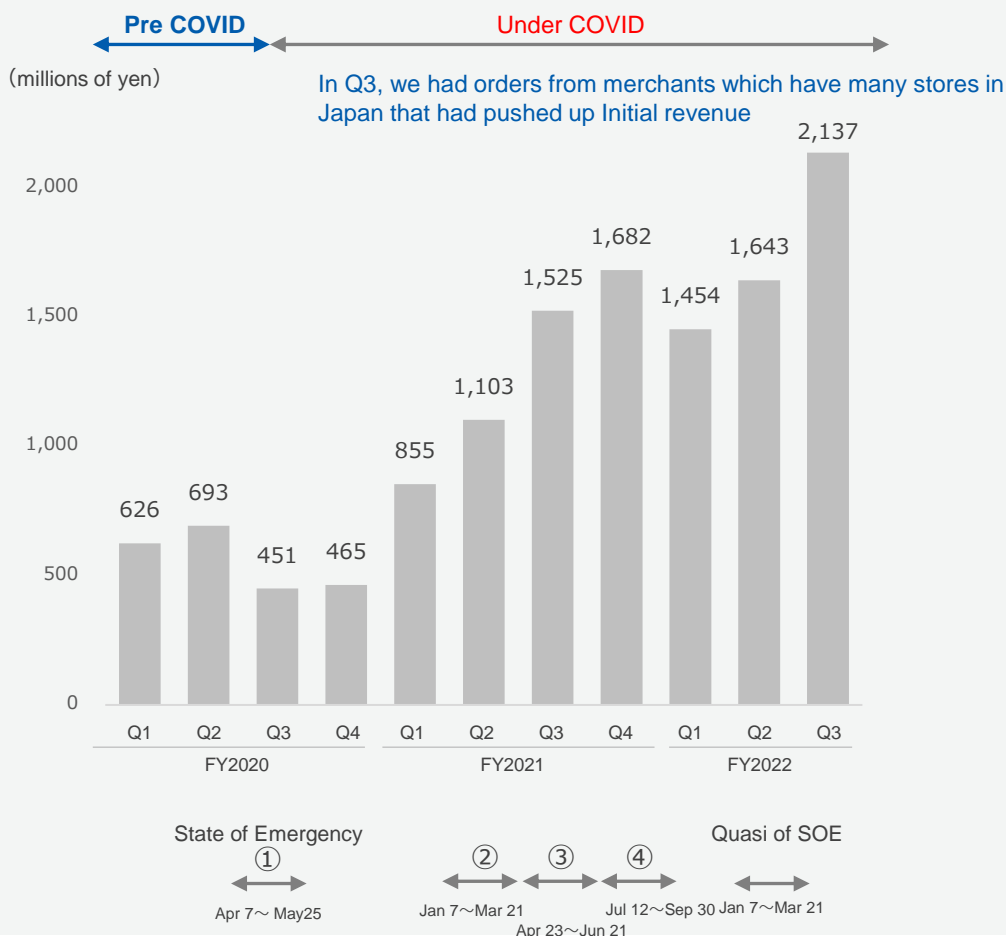
Steady growth in sales of payment terminals, particularly in stera, led to a steady rise in the number of active terminals. Stock-model revenue also grew steadily YoY

(millions of yen)	Q3 FY2021 Cumulative	%	Q3 FY2022 Cumulative	%	YoY
Initial	3,483	72.0%	5,235	70.3%	+50.3%
Stock-model	1,352	28.0%	2,211	29.7%	+63.5%
Stock	442	9.1%	621	8.3%	+40.5%
Fee	350	7.2%	882	11.9%	+152.0%
Spread	560	11.6%	708	9.5%	+26.2%
Total	4,835	100.0%	7,446	100.0%	+53.9%

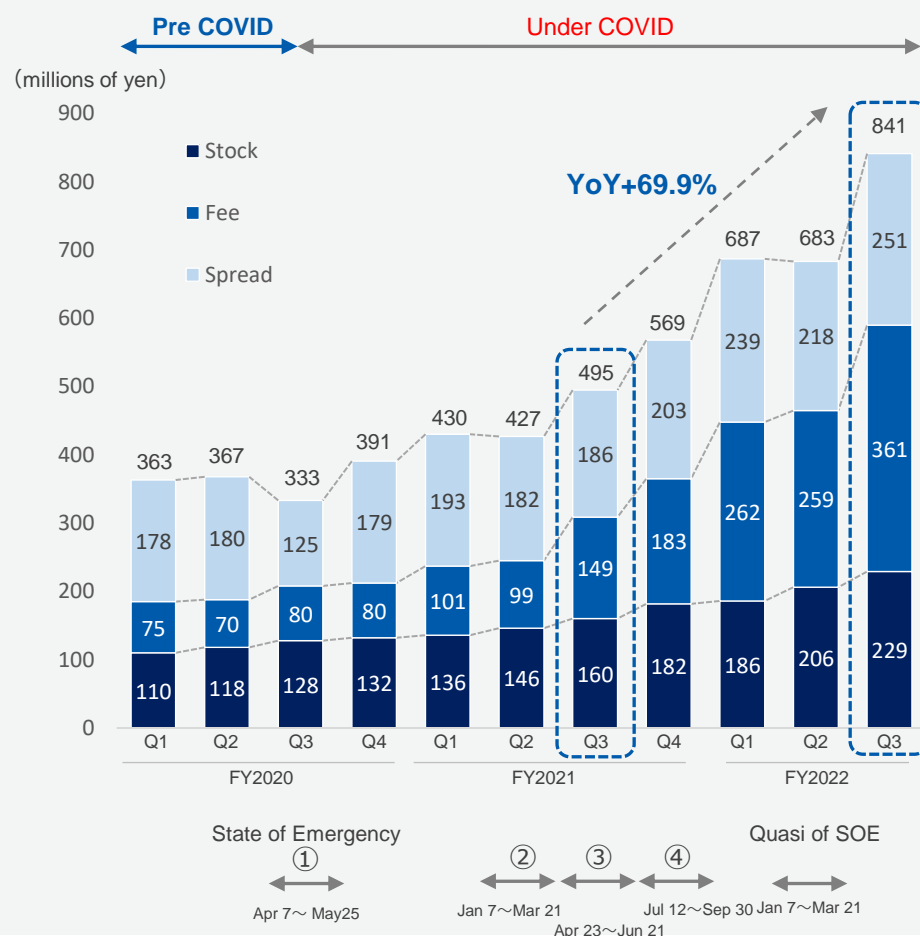
# 1.5 Revenue by Business Model (Quarterly)

Q3 standalone saw strong sales of payment terminals. In addition to the increase in the number of active terminals, the negative impact of COVID was relatively small, and Stock-model revenue had steadily expanded in Q3 standalone as well

## Initial Revenue

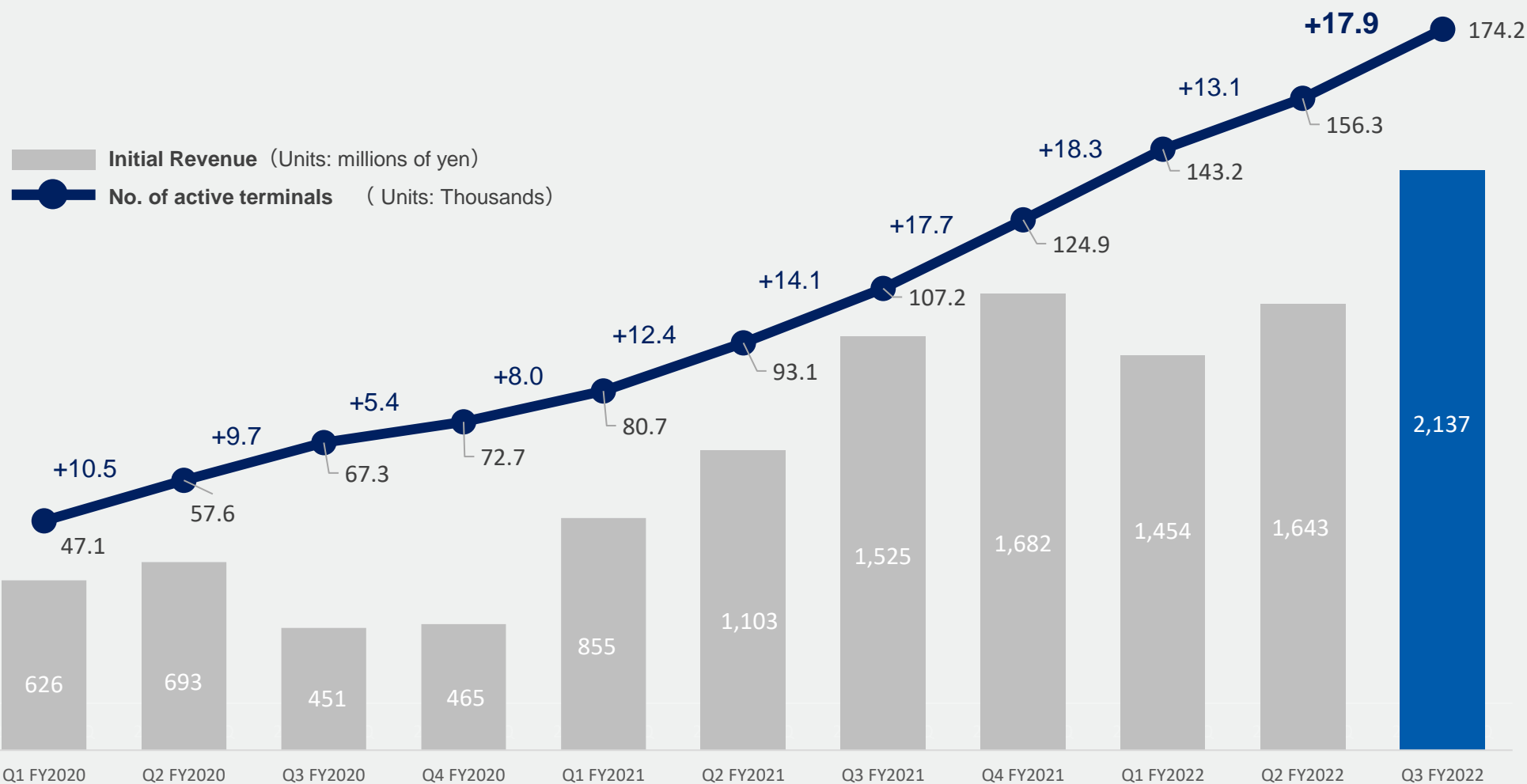


## Stock-model Revenue



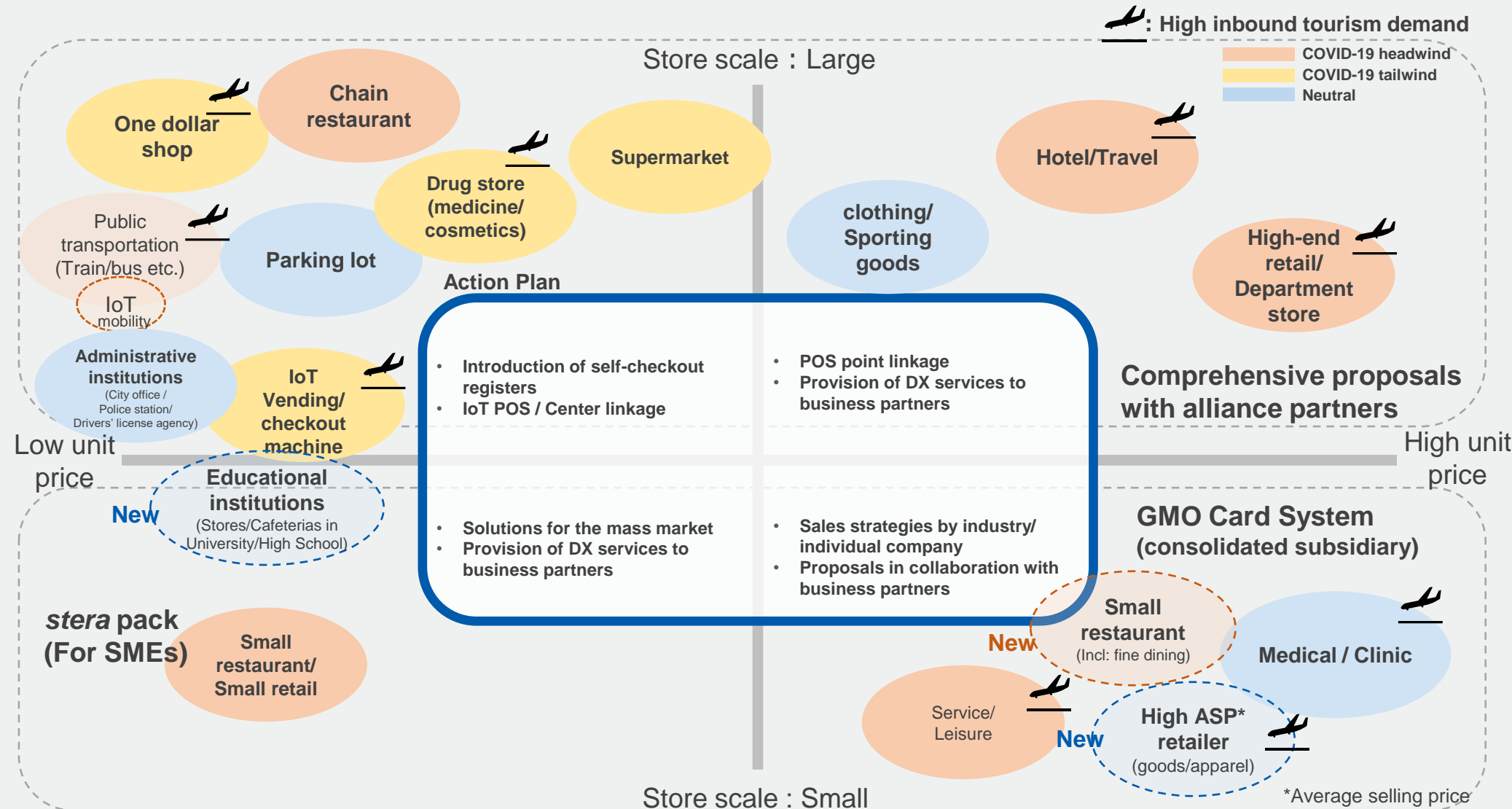
## 1.6 Initial Revenue and No. of Active Terminals (Quarterly)

Although the time lag between sales and activation may be sometimes long and sometimes short depending on the type of payment terminal and the type of merchant, the number of active terminals steadily has been growing, partly thanks to the mix of past sales



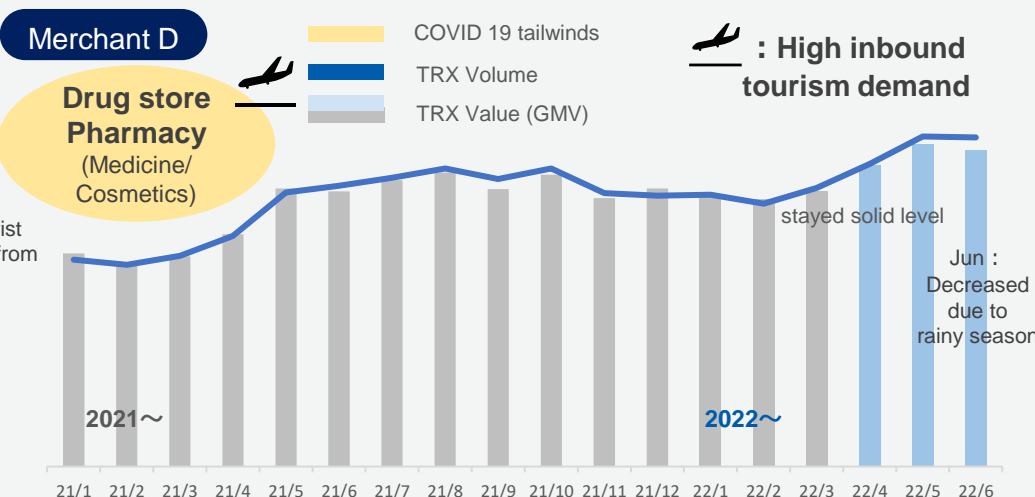
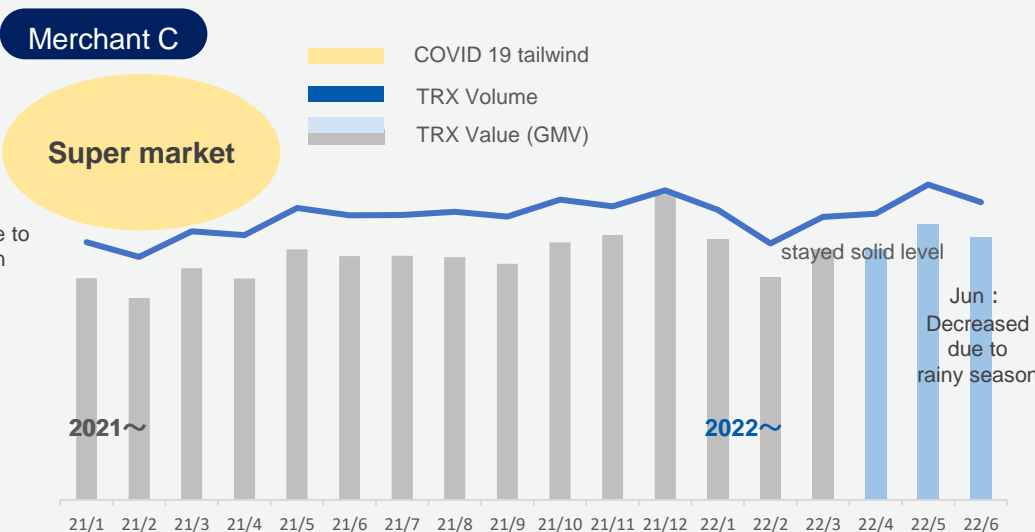
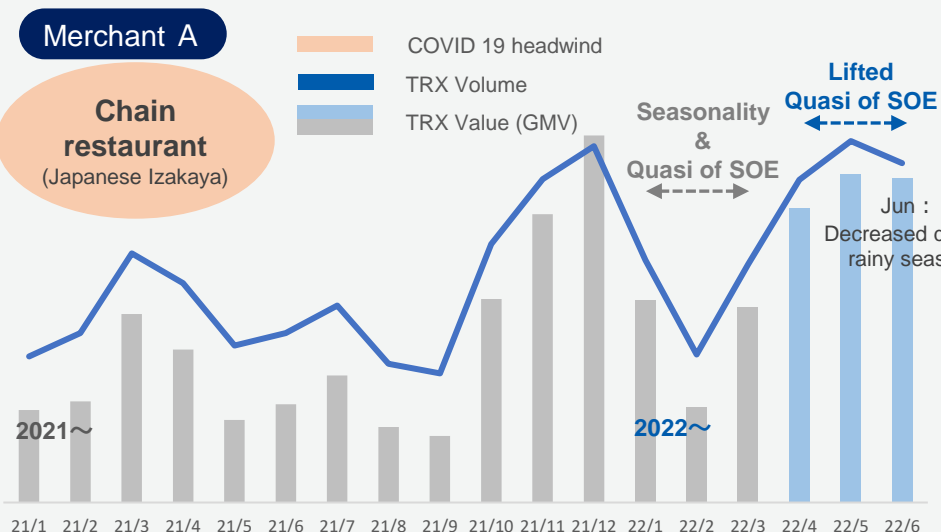
# 1.7 Merchant Industry

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



# 1.8 Transaction Trends by Industry (Q3 standalone)

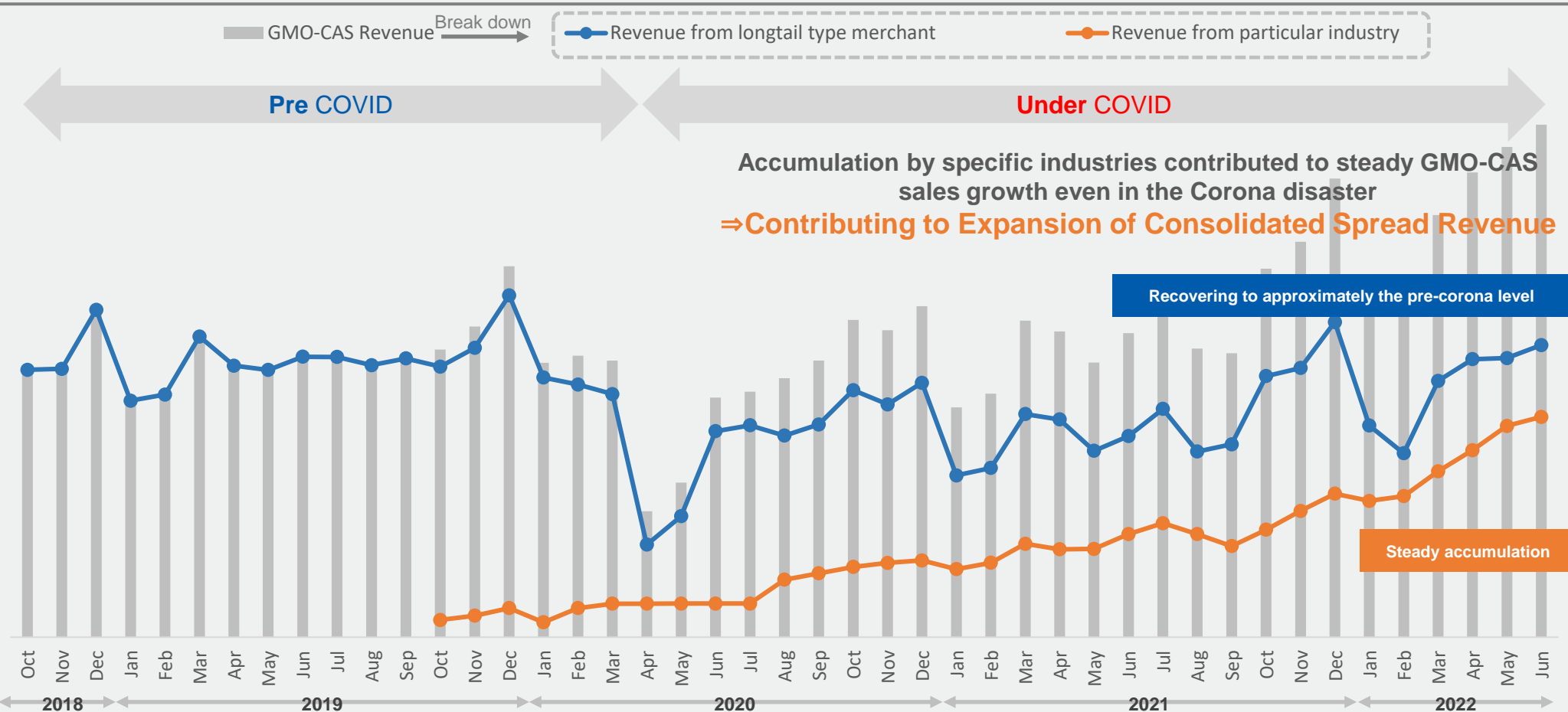
Q3 standalone was in the middle of recovering toward the pre COVID level in terms of the cashless payment value and volume



# 1.9 Subsidiary's contribution to an increase of Spread Revenue

Significant contribution from consolidated subsidiaries, steadily expanding consolidated spread revenue. Successful recovery in the long-tail area and accumulation of new business in specific industries

Historical Revenue of Subsidiary (GMO CARD SYSTEM aka GMO-CAS)

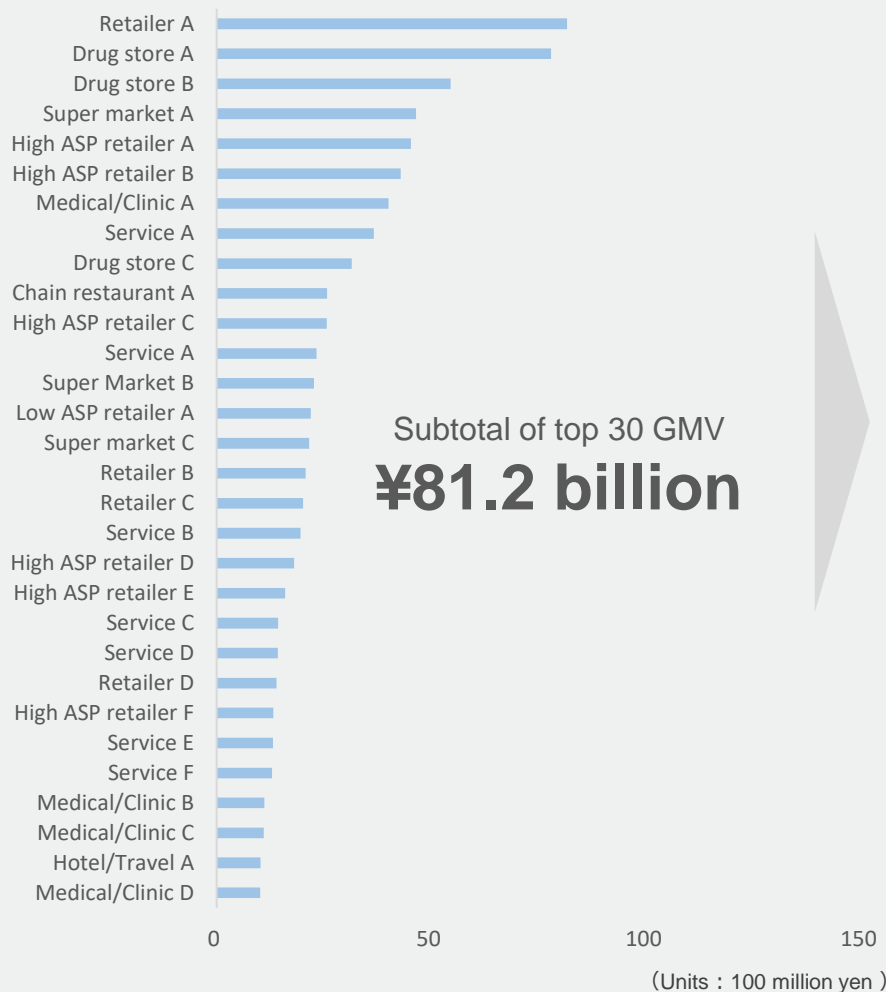


# 1.10 Top ranked merchants (GMV basis)

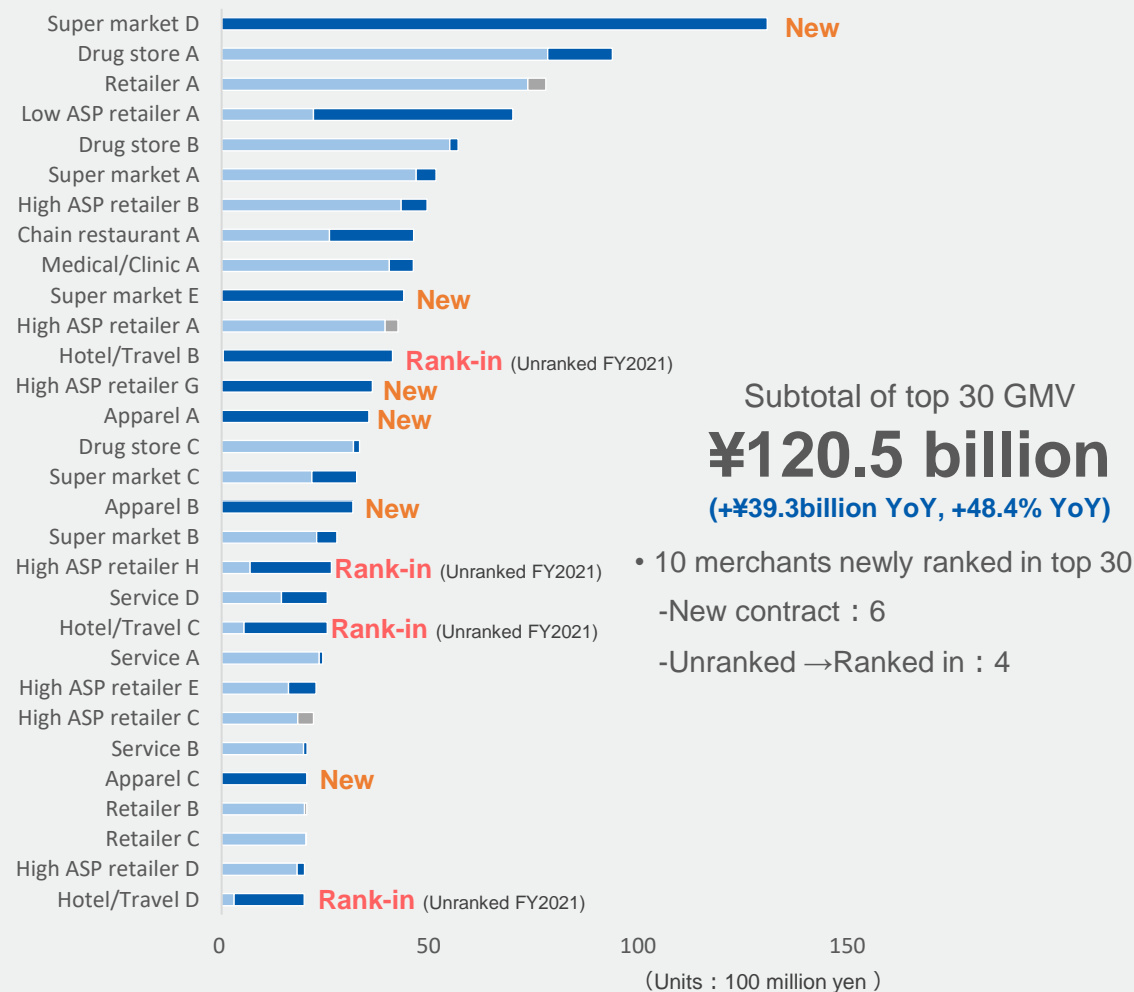
Stable expansion of hotels and other leisure-related merchants in addition to daily necessities

## ■ Top 30 TRX Value (GMV)

Q3 standalone FY2021



Q3 standalone FY2022



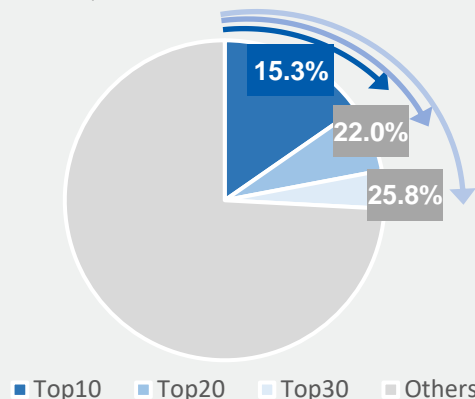
# 1.11 Percentage of top 30 merchants out of total GMV (Q3 standalone)

Continued decline in dependence on top franchisees. Diversification of industry composition also progresses

## ■ Q3 standalone (Apr-Jun) FY2021

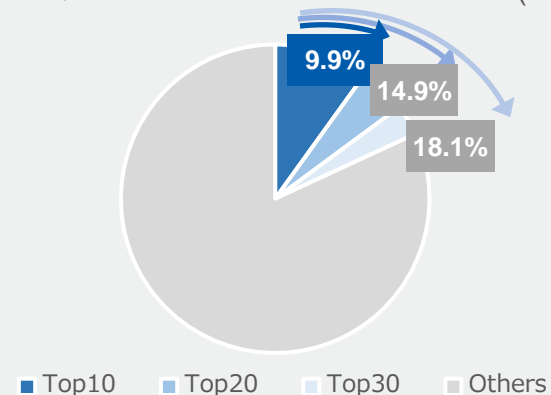
Percentage of top 30 merchants out of total GMV

Total GMV in Q3 standalone : ¥314.1 billion  
Top 30 GMV in Q3 standalone : ¥81.2 billion

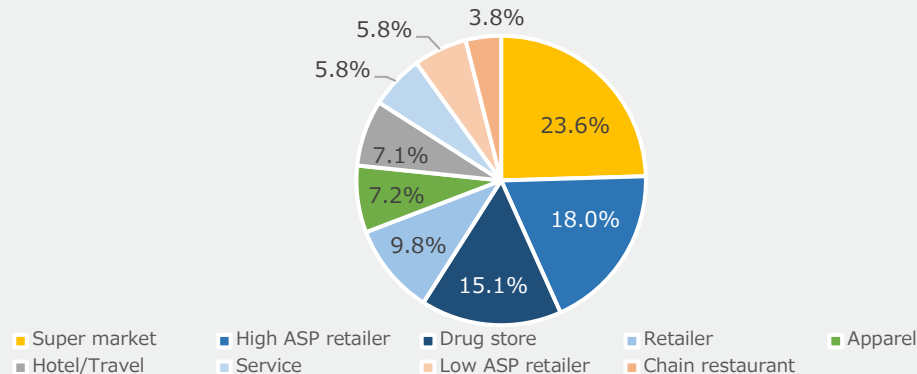
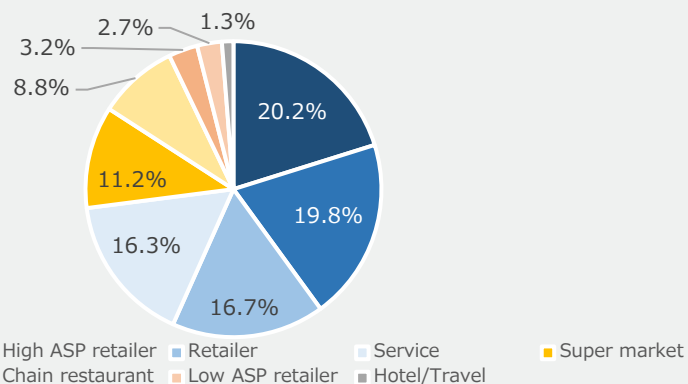


## ■ Q3 standalone (Apr-Jun) FY2022

Total GMV in Q3 standalone : ¥665.8 billion (+112.0% YoY)  
Top 30 GMV in Q3 standalone : ¥12.05 billion (+48.4% YoY)

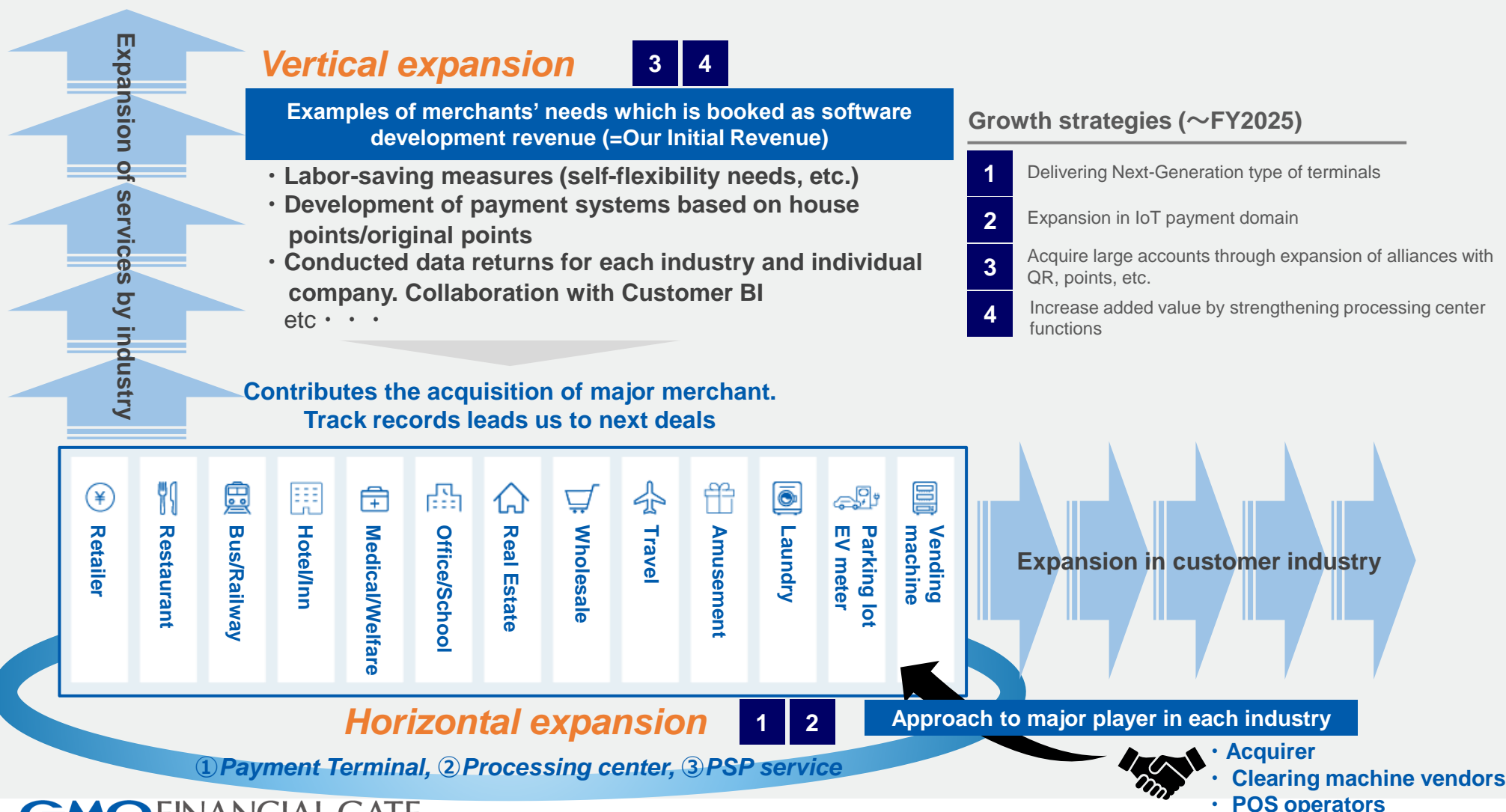


## Percentage of top 30 merchants by industrial composition (GMV basis)



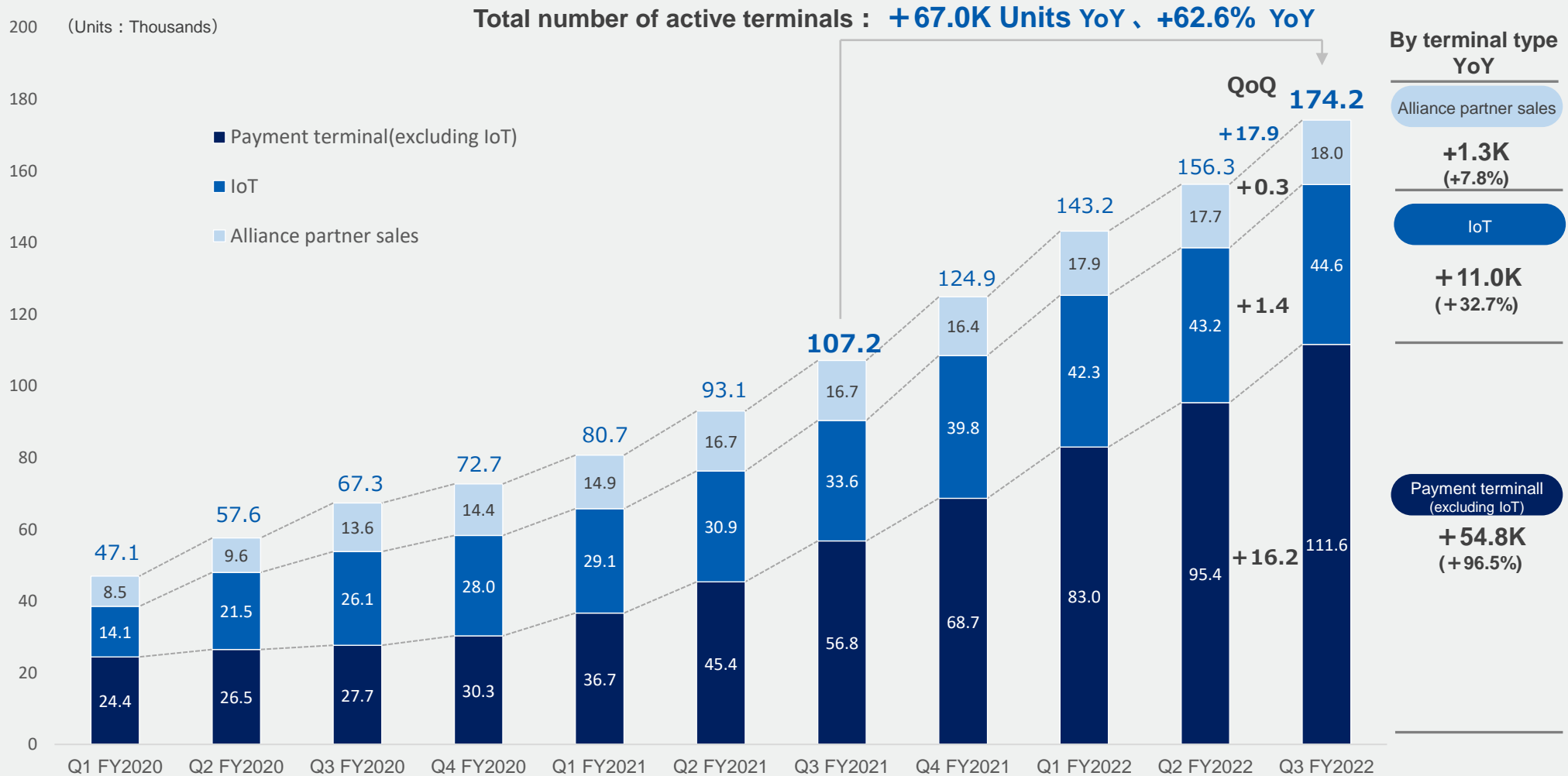
# 1.12 Expandability of GMO-FG cashless platform

Horizontal × Vertical expansion to cultivate large-scale merchants. Forming a virtuous cycle in which results will have a positive effect on the acquisition of the next deal



## 1.13 Consolidated KPIs (No. of Active Terminals)

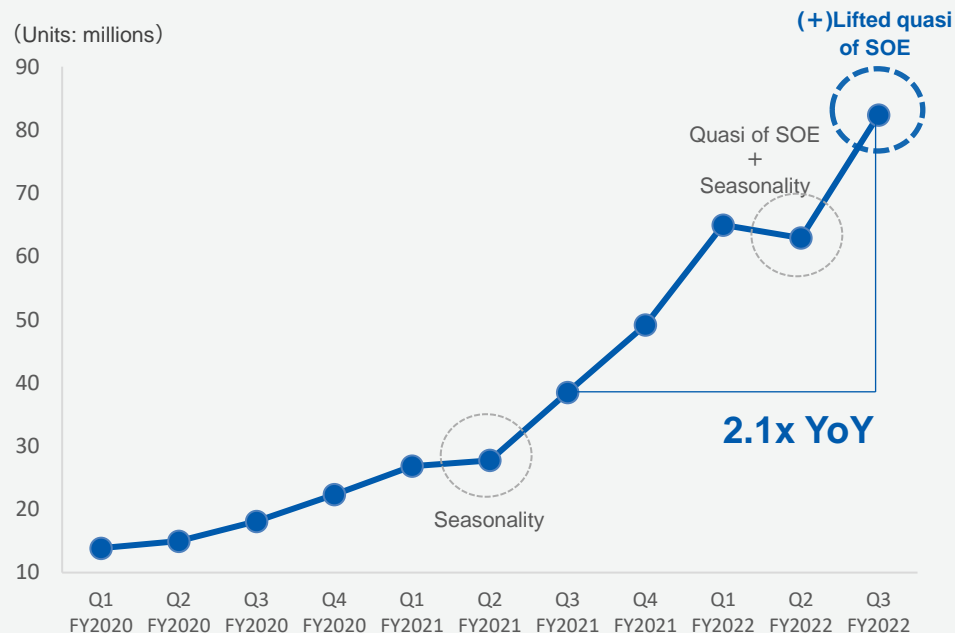
Steadily expanding payment terminals (excluding IoT), mainly in stera. Variation in the time until the launch of sales → for each type of payment terminal contributes to the increase in the number of units in operation through the mix



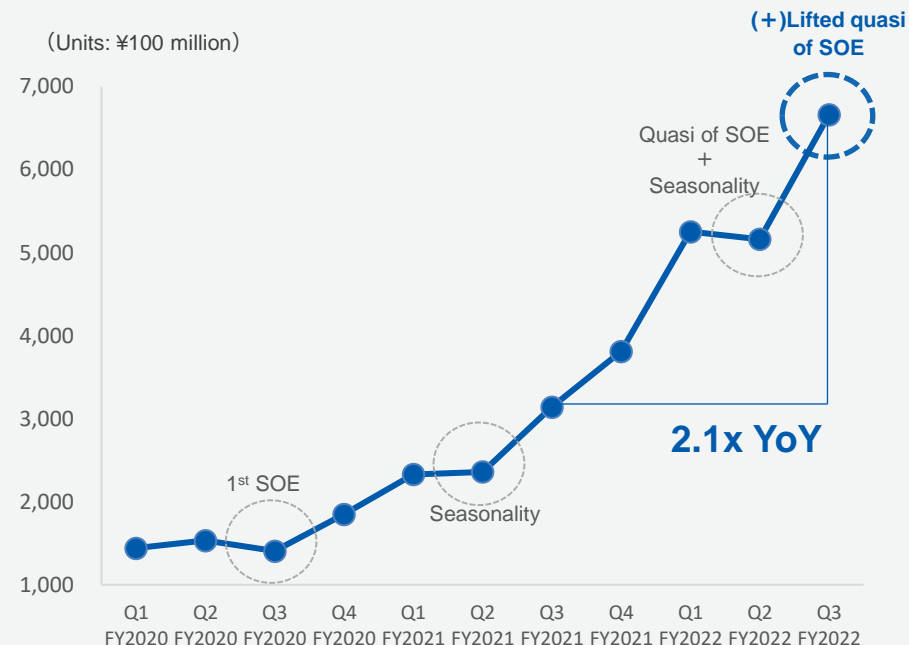
# 1.14 Consolidated KPIs (Quarterly TRX volume/GMV)

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

## Transaction Volume



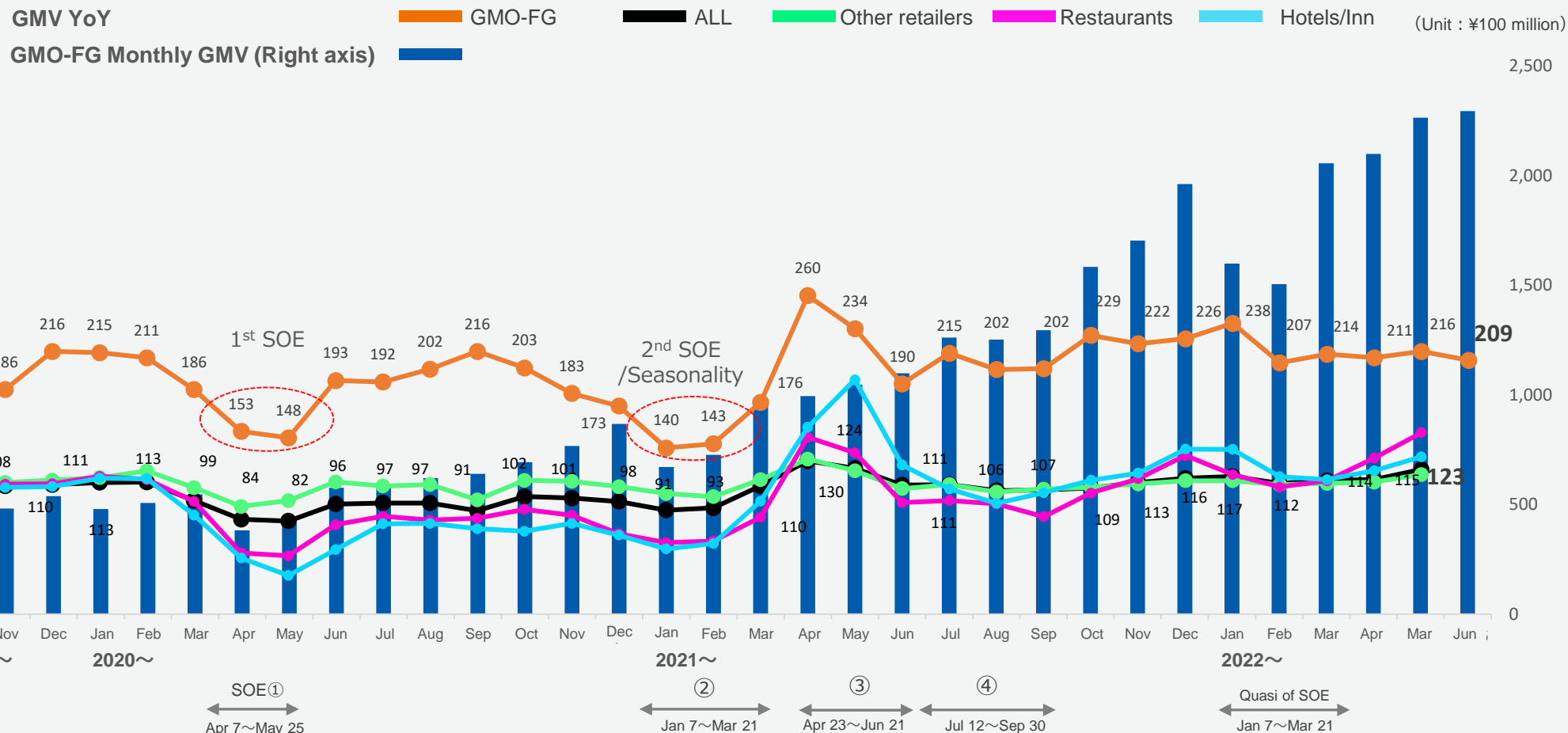
## Transaction Value (GMV)



	Q1 FY2020	Q2 FY2020	Q3 FY2020	Q4 FY2020	Q1 FY2021	Q2 FY2021	Q3 FY2021	Q4 FY2021	Q1 FY2022	Q2 FY2022	Q3 FY2022
TRX volume (Unit: 10 K)	1,383	1,494	1,809	2,231	2,683	2,774	3,848	4,914	6,497	6,293	8,237
GMV (Unit: ¥100 million)	1,442	1,534	1,307	1,833	2,329	2,361	3,141	3,810	5,251	5,162	6,658

# 1.15 Comparison with Market Growth

The market grew in April-May, when launches were low due to the impact of Corona last year. We maintain a stable trend due to the ongoing GMV growth from the operation of new handsets even in the Corona disaster



Source: Ministry of Economy, Trade and Industry

## 2. Revision of FY2022 Forecast

## 2.1 Upward Revision to FY2022 Revenue Forecast

(no revision to profit forecast)

**Revenue : ¥9.8 billion** (+14.6% to previous one. Reflected Q4 business forecast)

**Profit : No revision** (Considering ①Low profit margin of terminal sales②COVID impact ③Future investment)

(Millions of yen)	FY2021 Full year actual	FY2022 Full year forecast (Original)	FY2022 Full year forecast (Revision)	YoY	% change (to original)
Revenue	7,089	8,550	9,800	+ 38.2%	+14.6%
Gross profit	2,020	2,421	2,421 * <sup>1</sup>	—	Revised —
Operating profit	589	737	737 * <sup>2</sup>	—	—
Profit attributable to owners of parent	411	461	461	—	—
ESP	101.98	111.90	111.90	—	—

\*<sup>1</sup> : Gross profit may also exceed the forecast due to an increase in net sales.

※No revision in ordinary profit as well

① A large percentage of sales come from sales of payment terminals with low profit margins, and even if they exceed them, they are considered to be an increase on a limited basis.

② Re-expansion of Corona may have a negative impact on high-margin recurring revenue in 4Q  
Based on the above two points, we have not corrected them.

\*<sup>2</sup> : We have not revised the operating income forecast because we plan to accumulate personnel recruitment costs, internal infrastructure development costs, bonus returns, etc. for future growth from the next fiscal year onwards in SG&A expenses in excess of the full-year forecast (¥737 million)

### 3. Growth Strategy and Progress

# 3.1 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



## ■ Growth strategies and progress (~2025)

- 1 Acquire multi-industry/high-growth enterprises by launching next-generation multi-payment terminals
  - Introduction of handsets to multiple industries progresses, building a business foundation that does not depend on specific franchisees.
  - Steady progress in acquiring large-scale member stores and introducing handsets, steadily expanding recurring revenue.
  - Established a virtuous-cycle growth model with business expansion supporting the acquisition of new major franchisees.
- 2 Expand IoT payments by supporting contactless (tap) and unattended payments
  - Beverage vending machine at Expressway SA started full-scale operation. Contributing to our stock sales.
  - Steadily expanding examples of the introduction of the mobility field (our center connection) such as bus and railway.
- 3 Acquire large accounts through expansion of alliances with QR, points, etc.
  - Promote the development of house points at railway-related commercial facilities (department stores, shopping centers, etc.) ⇒ Gradual expansion to railway companies nationwide.
  - Supporting web-based application operations from franchised stores to credit card companies.
- 4 Increase added value by strengthening processing center functions
  - In addition to our internal DX, contributes to improving operational efficiency between merchants and credit card companies.
  - Major retailers subscribe to the transaction inquiry web.

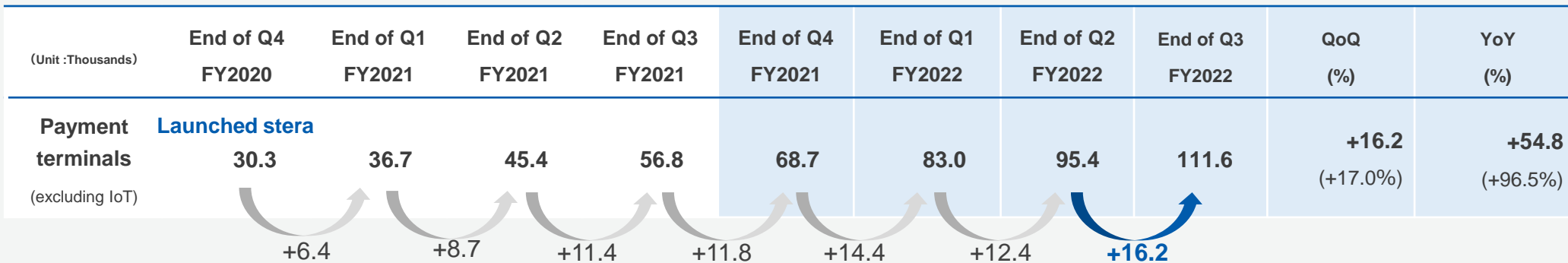
## ■ Mid- to long-term growth strategy (2026~)

- 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

## 3.2 Payment terminals(excluding IoT)-Progress status

Steady progress in cultivating affiliated stores regardless of industry or size.  
Steady Accumulation of Forecasts for the Next Fiscal Year

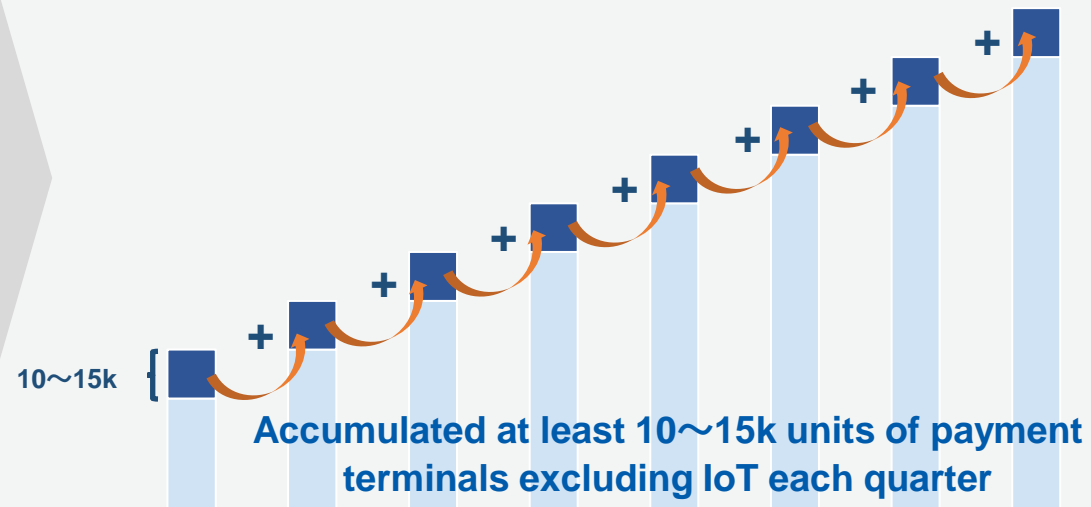
### ■ No. of active terminals \* Payment terminals (excluding IoT)



### ■ Major forecast

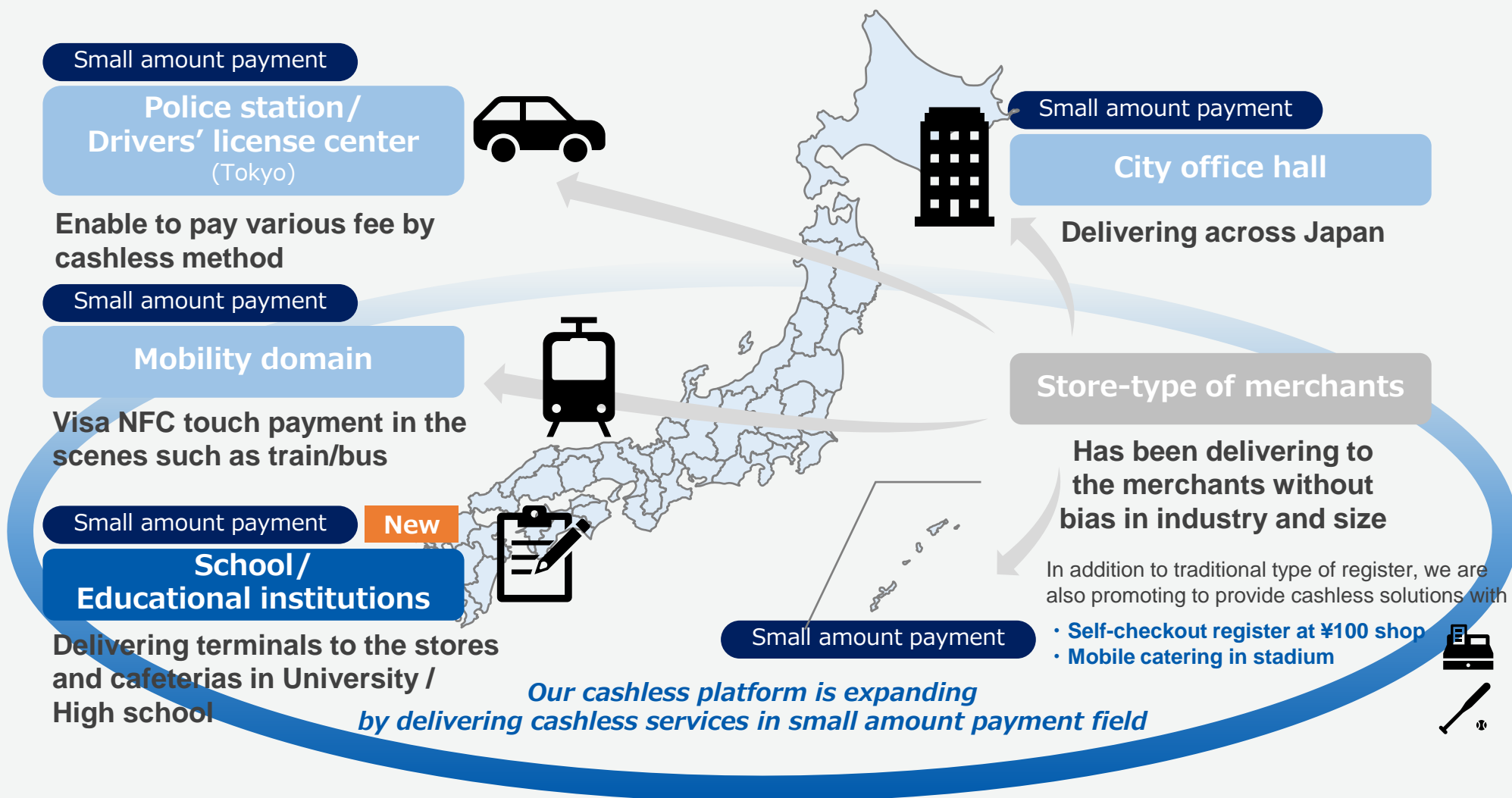


### ■ Rough image of incremental active terminals of “Payment terminals (excluding IoT)”



### 3.3 Expansion of GMO-FG Platform ~penetrating into small amount payment domain~

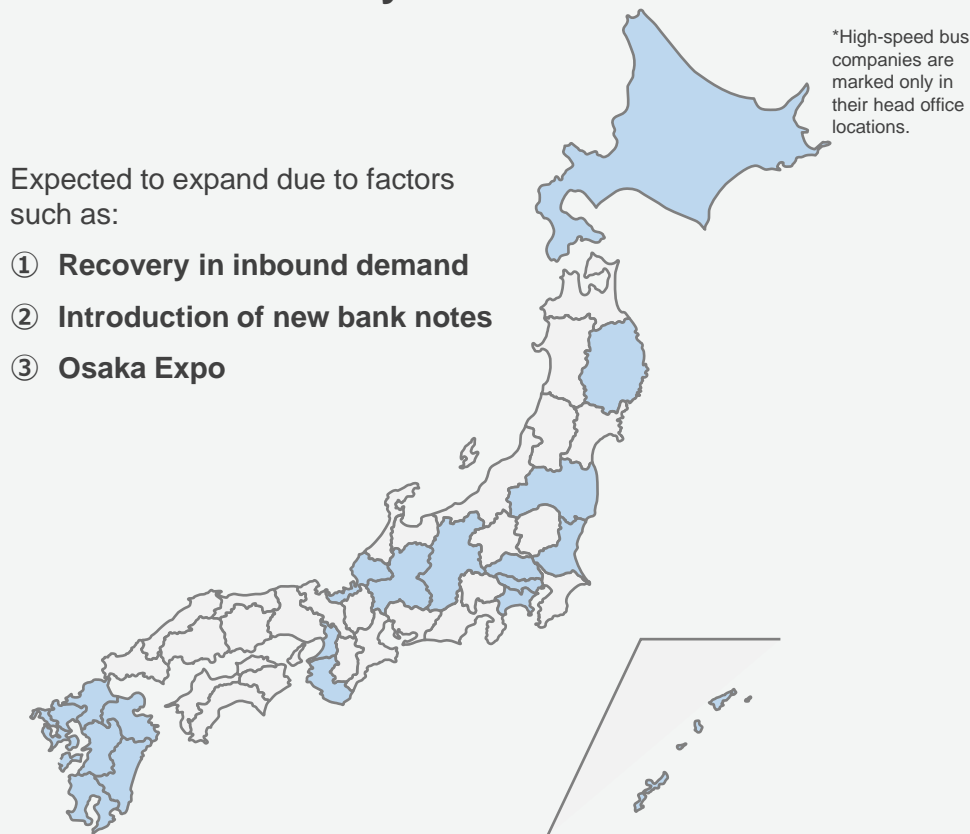
Progress in cashless operations at educational institutions such as universities and high schools. Steady Expansion of Our Platform Offering Scenarios



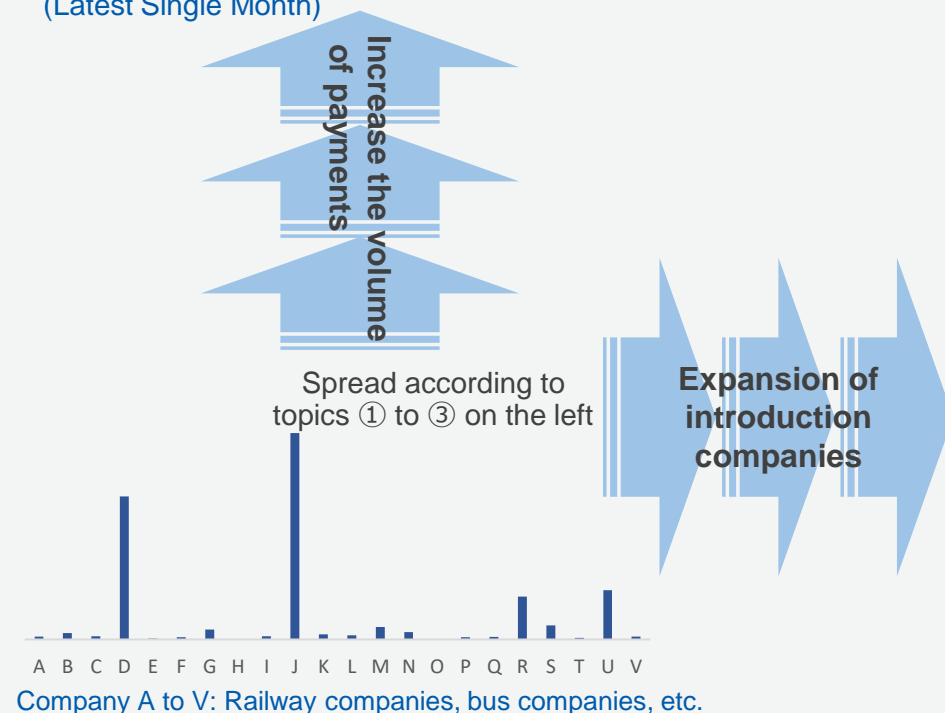
## 3.4 Expansion of GMO-FG Platform ~Progress of mobility domain business~

In addition to a recovery in inbound demand in the future, the introduction of new bills and the holding of the Osaka Expo are expected to lead to the development of cashless operations in the mobility field

### ■ Current Mobility Area Trial Areas



### ■ Settlement Volume in the Mobility Business (Latest Single Month)



Although penetration status varies, it is expected to expand in the future

# 3.5 Status of ESG Initiatives as a Cashless Platform Company

Started considering the determination and disclosure of supply chain CO2 emissions. Aiming to contribute to the realization of a sustainable society through the promotion of cashless payments

## ■ Supply Chain CO2 Emissions

### Summary

- Framework categorized in SCOPE1 to three set out in the GHG (Greenhouse Gas) Protocol, an international standard for accounting and reporting CO2 emissions
- Emissions that are the sum of emissions (SCOPE3) related to business activities, as well as CO2 emissions (SCOPE1 and 2) from the company's own operations as a result of electricity and fuel use

## ■ GMO-FG Supply Chain

Upstream		GMO-FG		Downstream	
Scope3		Scope1	Scope2	Scope3	
Procurement, Manufacturing, Distribution		Fuel combustion	Electricity consumption	Use, Disposal	
Payment terminal	Roll paper	Not applicable	Office Processing center	Use of payment terminals	Disposal of payment terminals

 **Scheduled to be disclosed in stages from those identified**  
**Aiming to identify CO2 emissions in the terminal manufacturing and disposal processes in cooperation with payment terminal manufacturers, etc.**

## ■ Schedule for Measuring Supply Chain CO2 Emissions

2022						2023					
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Measuring CO2 emissions based on our own standards						Acquisition of external certification					

## 4. Financial Highlights

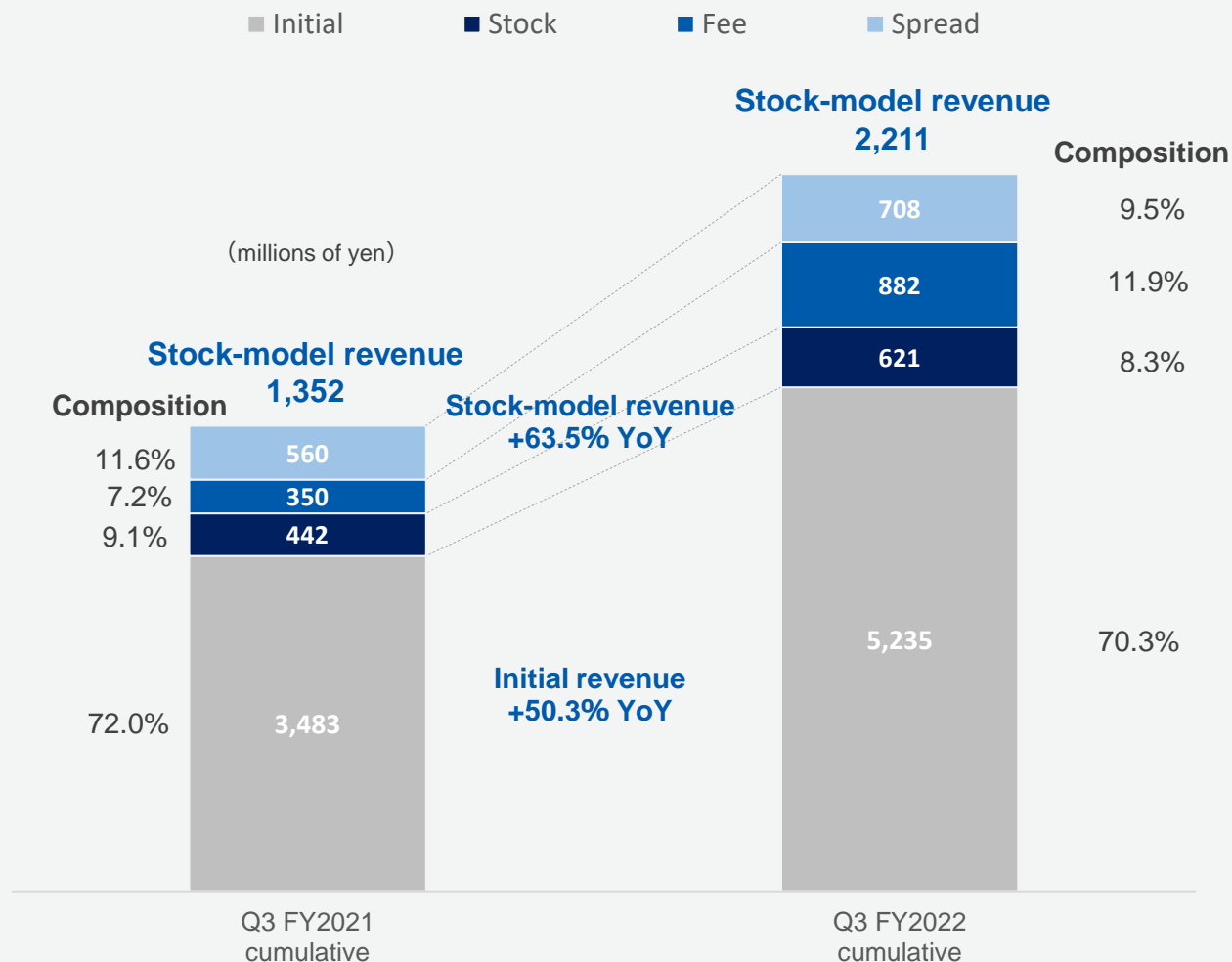
## 4.1 Profit & Loss

Gross profit grew at a low level compared to sales due to a higher percentage of sales from stera handsets, which have a higher cost of sales ratio, compared to the previous 3Q. SG&A-to-sales ratio declined due to cost management

(Unit: Thousand)	Q3 FY2021 Cumulative (actual)	Q3 FY2022 Cumulative (actual)	YoY
Revenue	4,837,219	7,446,363	+53.9%
COGS	3,330,792	5,511,729	+65.5%
Gross profit	1,506,427	1,934,633	+28.4%
SG&A	1,039,790	1,370,897	+31.8%
Operating profit	466,636	563,736	+20.8%
Ordinary profit	467,782	562,966	+20.3%
Profit attributable to owners of parent	311,637	358,129	+14.9%

## 4.2 Revenue by business model (YoY)

In the face-to-face settlement market following the lifting of the ban-prevention system, in addition to the steady accumulation of the number of active handsets. Steady expansion of recurring revenue contributed by recovery



## 4.3 Revenue by business model (Quarterly)

Successful build-up of demand led to expansion of initial sales. In addition, unlocking the protection is a tailwind, and stock sales are also growing

			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	Q3 FY2022 standalone
Initial	626	693	451	465	855	1,103	1,525	1,682	1,455	1,643	2,137
Stock-model	363	367	333	391	430	427	495	569	687	683	841
Stock	110	118	128	132	136	146	160	182	186	206	229
Fee	75	70	80	80	101	99	149	183	262	259	361
Spread	178	180	125	179	193	182	186	203	239	218	251
Total	990	1,061	784	856	1,286	1,531	2,020	2,252	2,141	2,327	2,978

Recorded advances  
terminal sales

Launched stera

1<sup>st</sup> State of Emergency

Seasonality &  
COVID

## 4.4 Balance sheet

Secure product inventory based on forecasts of settlement terminals. Merchandise inventory is expected to remain at the same level in the future

### End of Q3 FY2022 (Thousands of yen)

Cash & Cash equivalents (36.2%) 2,231,184	Current liabilities 1,575,252
Merchandise (Payment terminal) 1,545,066	Non-current liabilities 29,829
Other current assets 884,270	Total equity(73.9%) 4,552,136
Non-current assets 1,496,696	

Asset

Debt

### ■ Comments

- Merchandise: Decreased by about 1 billion yen from the end of 2Q. Continue to implement appropriate inventory management while keeping an eye on sales forecasts and procurement market conditions
- Cash and deposits: Increased by about 600 million yen from the end of 2Q due to steady handset sales

## 4.5 Consolidated KPIs (No. of Active Terminals)




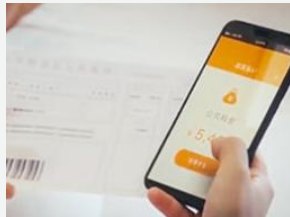
Settlement terminals (excluding IoT) drove growth. Steady expansion of affiliates by cancelling Man Prevention

(Unit: Thousand)	FY2020 Q3	FY2020 Q4	FY2021 Q1	FY2021 Q2	FY2021 Q3	FY2021 Q4	FY2022 Q1	FY2022 Q2	FY2022 Q3	QoQ (%)	YoY (%)
Payment terminal (excluding IoT)	27.7	30.3	36.7	45.4	56.8	68.7	83.0	95.4	111.6	+16.2 (+17.0%)	+54.8 (+96.5%)
IoT	26.1	28.0	29.1	30.9	33.6	39.8	42.3	43.2	44.6	+1.4 (+3.2%)	+11.0 (+32.7%)
Alliance partner sales	13.6	14.4	14.9	16.7	16.7	16.4	17.9	17.7	18.0	+0.3 (+1.7%)	+1.3 (+7.8%)
Total	67.3	72.7	80.7	93.1	107.2	124.9	143.2	156.3	174.2	+17.9 (+11.5%)	+67.0 (+62.6%)

## 5. Appendix

# GMO-FG Business Domain

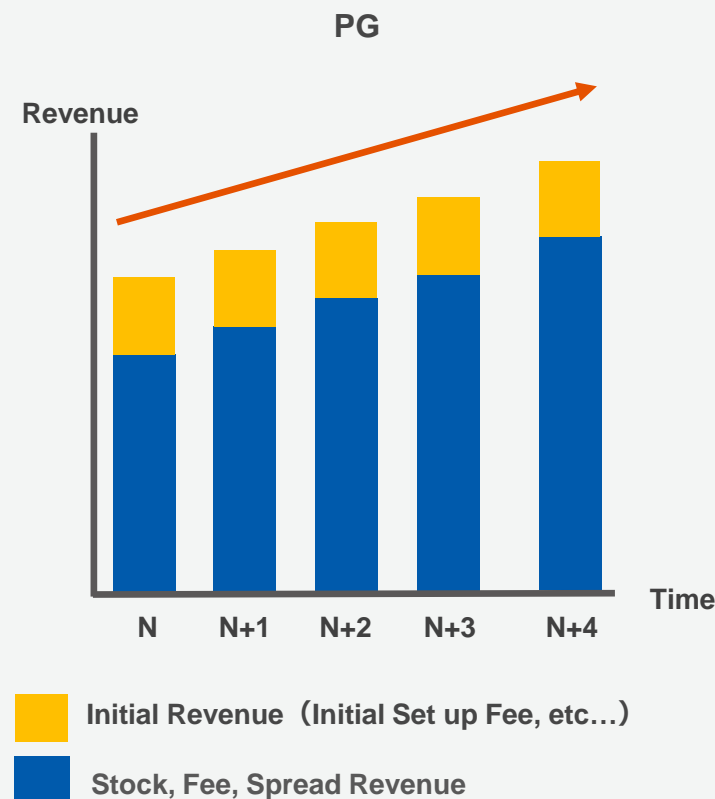
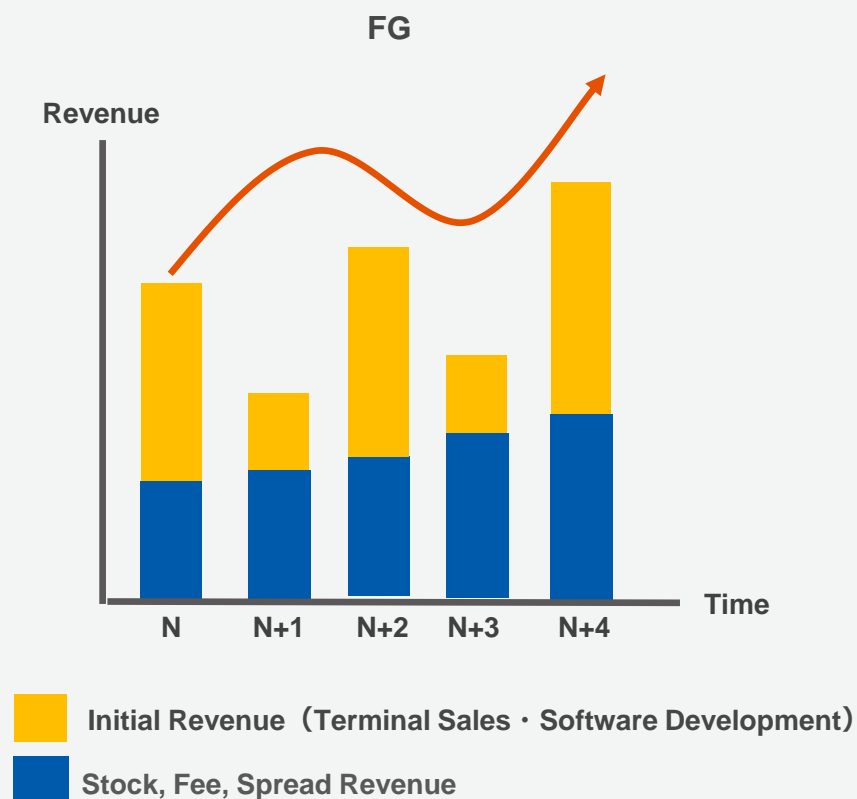
GMO-FG is focusing on offline payment

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> <div>   </div>		<p>Payment by entering credit card information in PC / mobile phone</p> <div>   </div>	
Medium	Payment terminal		EC (terminal is unnecessary)	

- Physical hardware network
- Proprietary programming code specifications
- Regulation

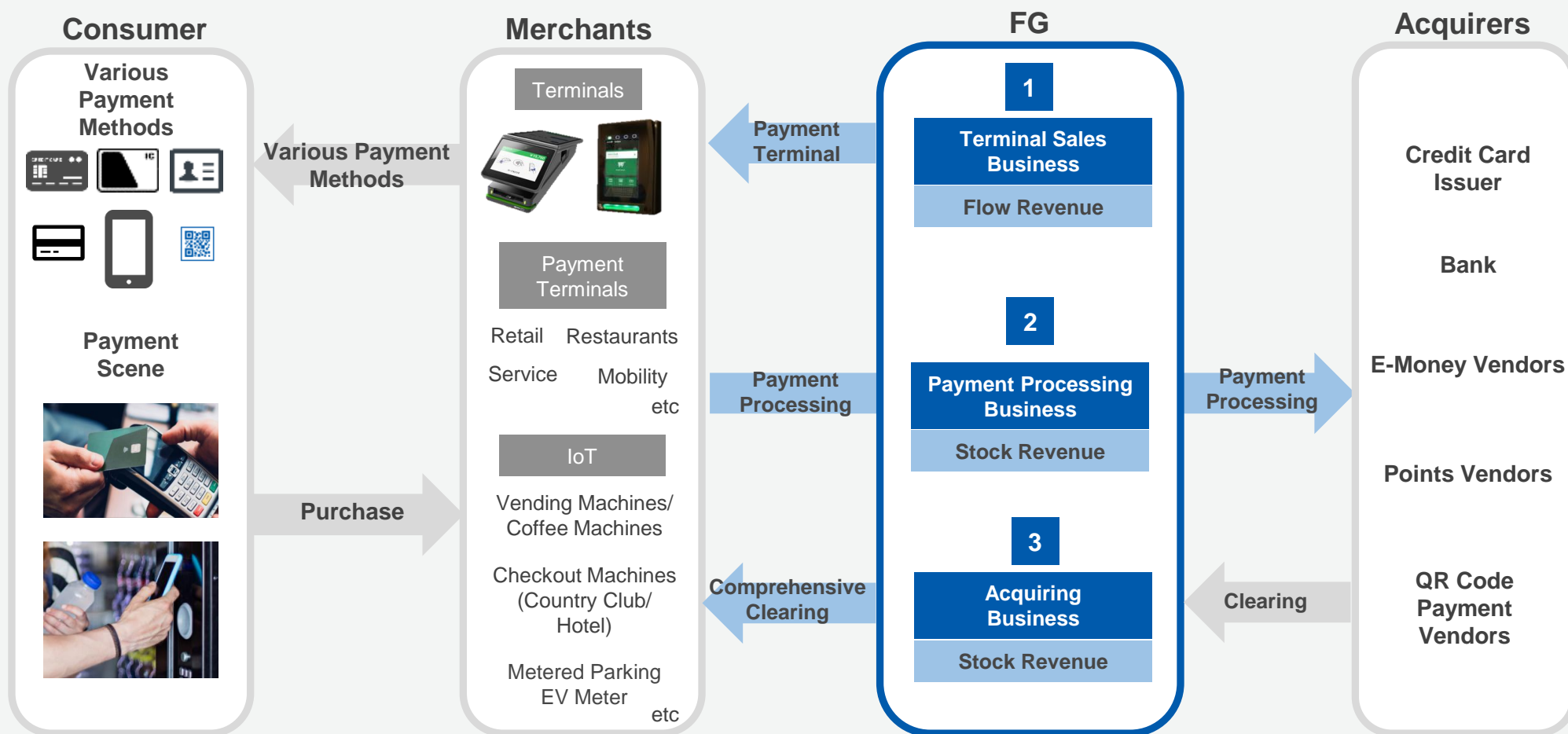
# Rev Models: Financial Gate vs. Payment Gateway

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

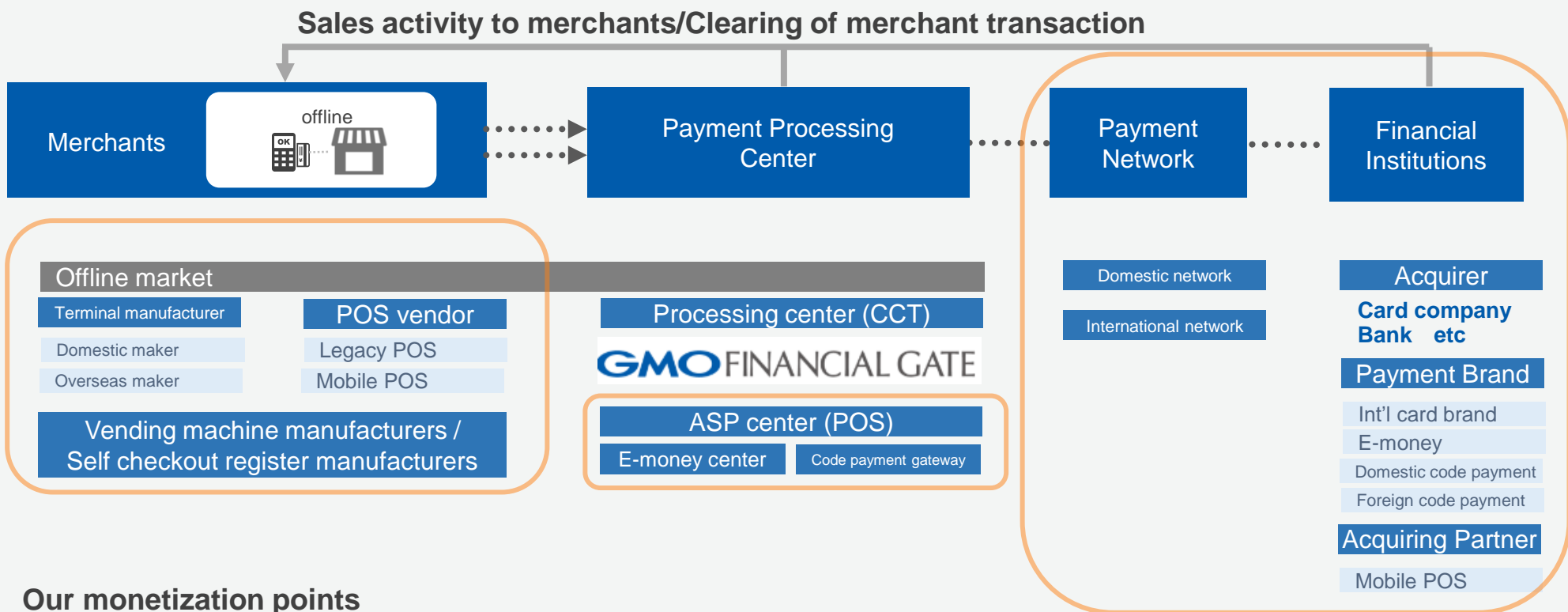


# Stock Revenue Expansion Originating From Terminal Sales

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	% (Q3 FY2022 cumulative)
Flow Model Rev	① Terminal Sales Business	Initial	70.3%
 Stock Model Rev	② Payment Processing Business	Stock	8.3%
		Fee	11.9%
	③ Acquiring Business	Spread	9.5%

# 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

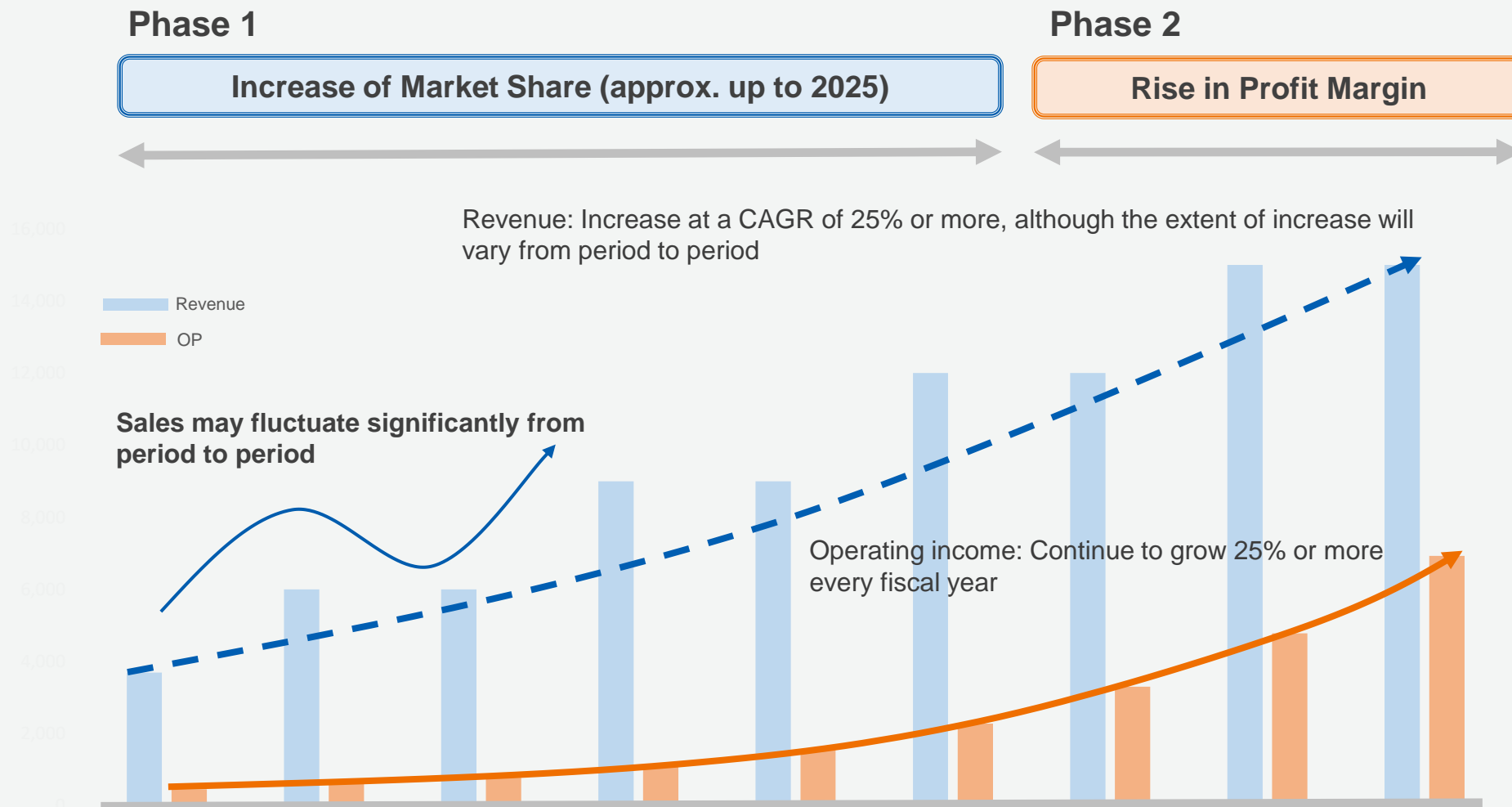
Spread Revenue

Alliance partner

# Image of rise in Rev & OP

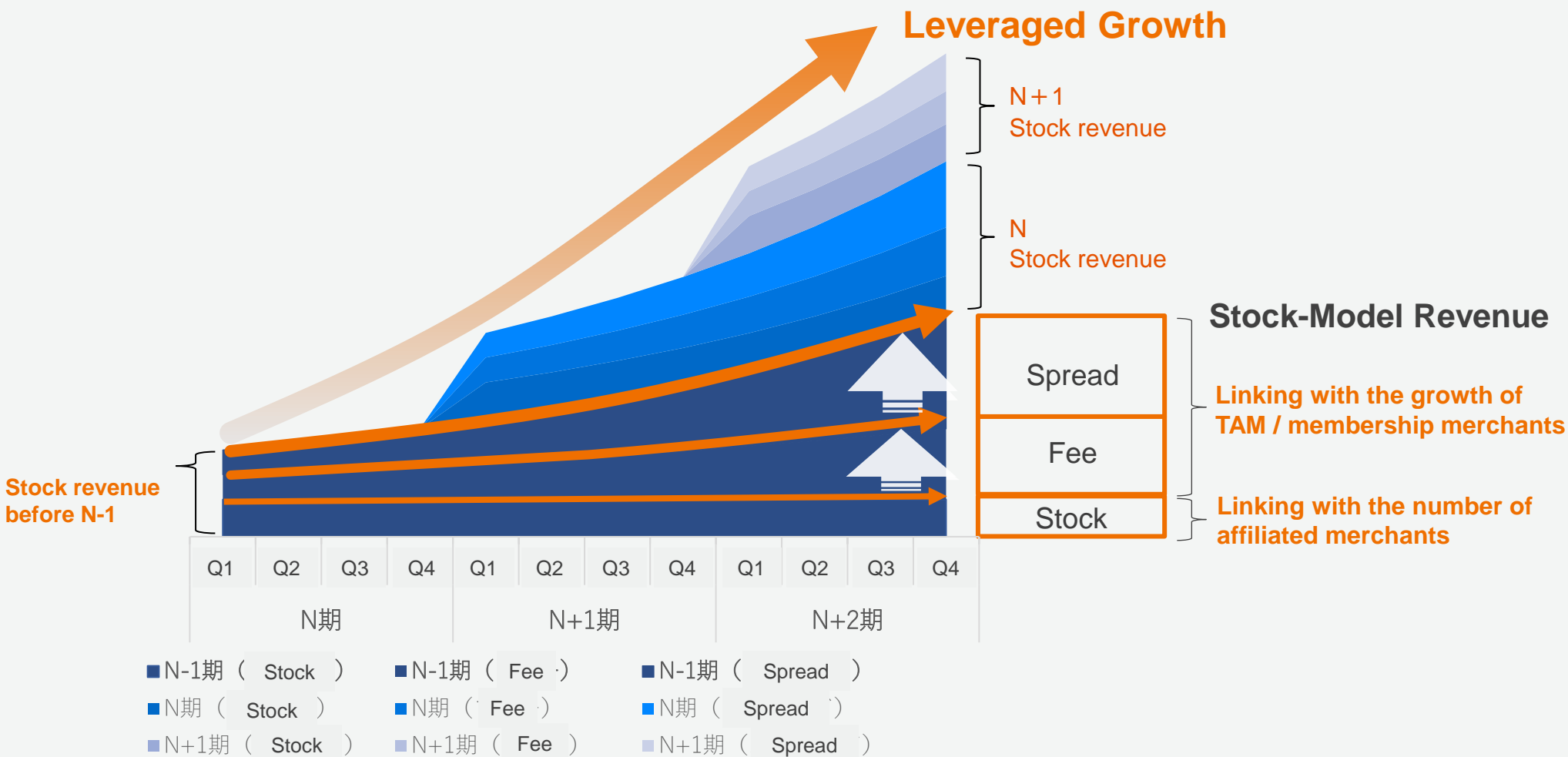
Phase1: Focus on sales/activation of payment terminals and revenue will be fluctuated.

Phase2: Expansion of Stock-Model revenue



# Leveraged Growth Model

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



# Details on each revenue ①

Initial	Content	Rev Model
<b>Payment terminal sales</b>	<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>	<ul style="list-style-type: none"> <li>• <b>Terminal Selling Price × Units Sold</b> <ul style="list-style-type: none"> <li>✓ There're around 10 types of terminals</li> <li>✓ Price range is from about ¥20K up to ¥100K</li> </ul> </li> </ul>
<b>Software development</b>	<p>It is a type of development that meets customers needs such as widening acceptable payment measures and adding point-payment functionality</p>	<ul style="list-style-type: none"> <li>• <b>No. of Deals × Ordered value</b> <ul style="list-style-type: none"> <li>✓ Since software development is tailor made type revenue, deal size and margin vary from time to time</li> </ul> </li> </ul>
Stock	Content	Rev Model
<b>Data sharing</b>	It is a service that provides merchants with their daily sales data that go through our processing center. We charge it as monthly fixed fee	<ul style="list-style-type: none"> <li>• <b>No. of contracts × Service Price</b> <ul style="list-style-type: none"> <li>✓ Service price is around ¥500 to ¥1K per terminal per month</li> </ul> </li> </ul>
<b>Points &amp; QR</b>	It is a service to add point/QR payment app to the terminals merchants have. We charge it as monthly fixed fee	
<b>Rental (Mobile terminal)</b>	It is a service to rent mobile type terminals that enable merchants to use them in wireless setting. We charge it as monthly fixed fee	
<b>Mobile SIM</b>	It is a SIM card fee to use mobile type terminals. We charge it as monthly fixed fee	
<b>Processing (Monthly fixed fee model)</b>	<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>	<ul style="list-style-type: none"> <li>• <b>No. of contracts × Monthly Fixed Fee</b> <ul style="list-style-type: none"> <li>✓ Monthly fixed fee will vary depending on the size of contract etc..</li> </ul> </li> </ul>

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

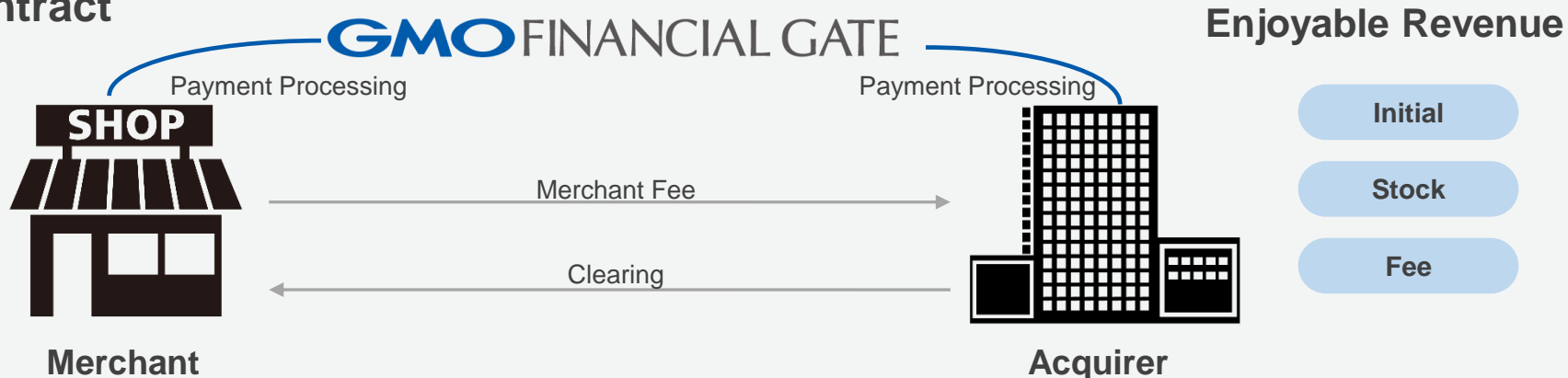
# Details on each revenue ②

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"> <li>• <b>TRX Volume × Processing Fee</b> <ul style="list-style-type: none"> <li>✓ Processing fee is about ¥2 to ¥3 per transaction</li> </ul> </li> </ul>
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"> <li>• <b>No. of Order × Price of Roll Paper</b> <ul style="list-style-type: none"> <li>✓ The price range of roll paper is about ¥130 to ¥200.</li> </ul> </li> </ul>
Spread	content	Rev Model
Acquiring (Settlement agent)	<p>We charge spread fee (<math>\alpha</math>) towards clearing amount to merchants</p> <p>We received indicator rate (N) from acquirers, then we acquire merchants instead of acquirers with the new rate (<math>N + \alpha =</math> merchant fee)</p>	<p><b>GMV of Agent Contract</b></p> <p>×</p> <p><b>Spread fee we charge (about 0.3~0.4%)</b></p>

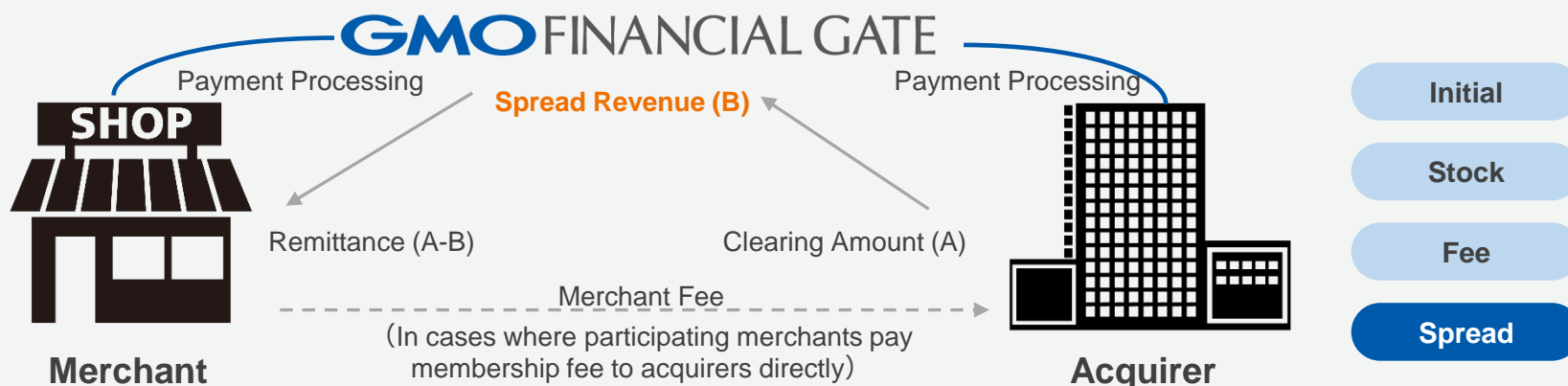
# Relationship Between Spread Revenue and GMV

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 ÷ 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

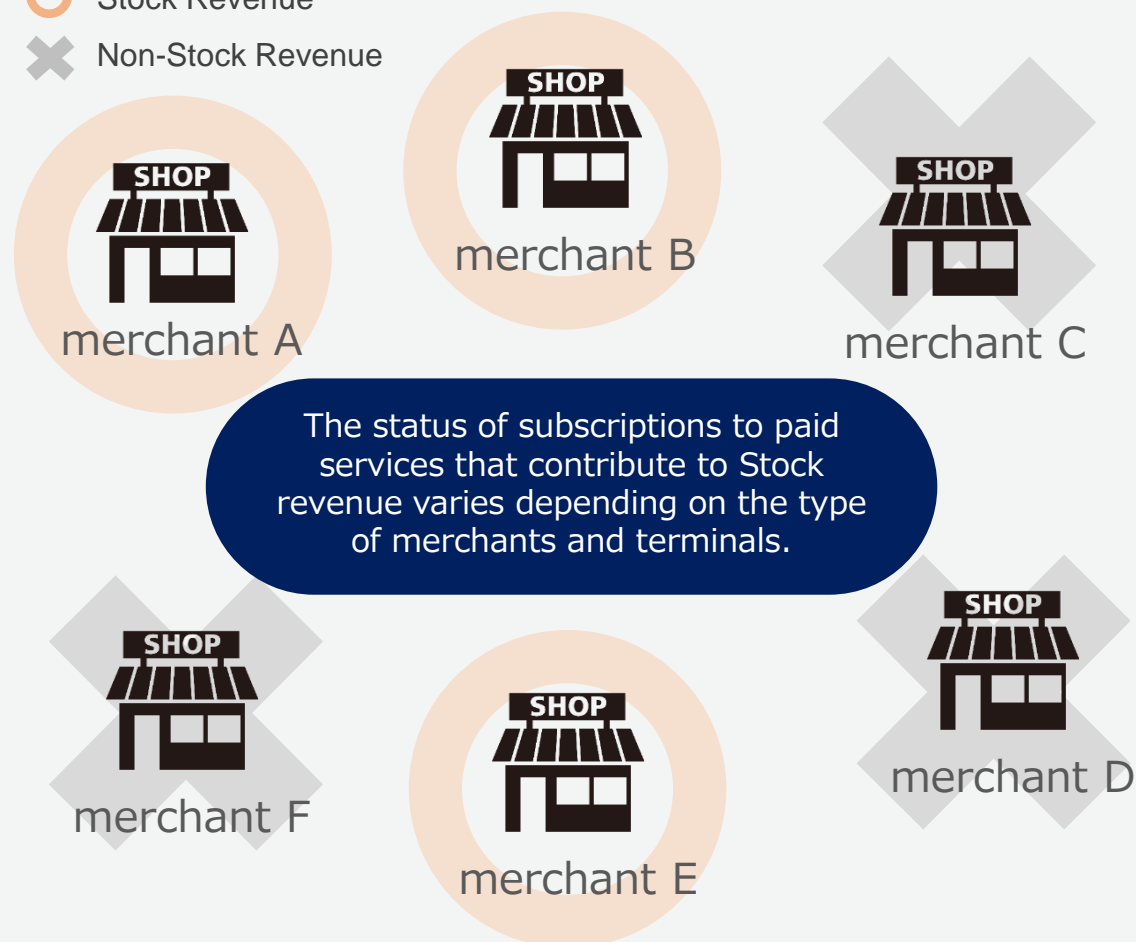


### POS Model



## 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	➡	○		○	—	—

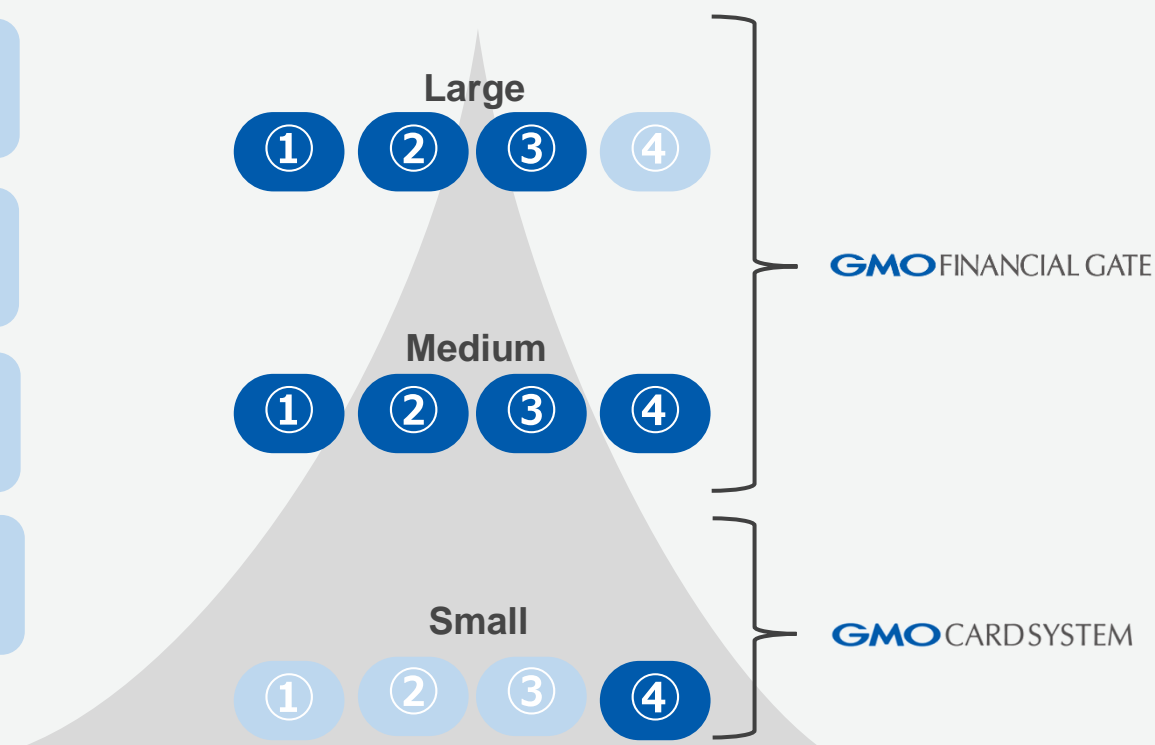
# Revenue Model by Merchant Size

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



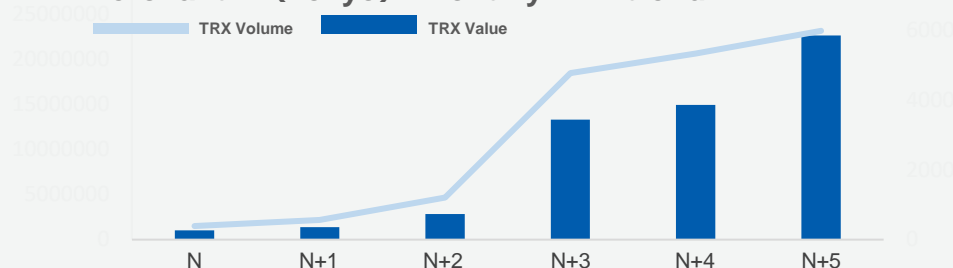
\*Alliance partner terminals

**Cashless Platform**

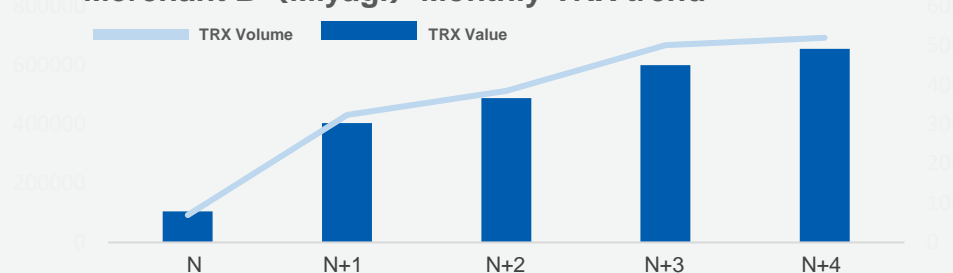
# TRX-increase through cashless penetration

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

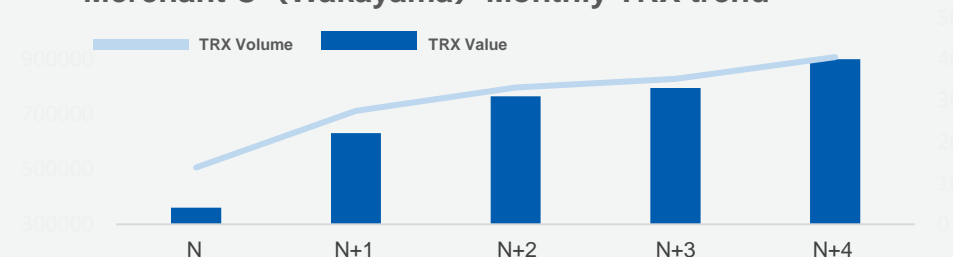
■ Merchant A (Tokyo) Monthly TRX trend



■ 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

# TAM (Total Addressable Market)

Transaction 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\*<sub>2</sub>  
(2020)

\* Due to the spread of coronavirus infection  
Dropped to the same level as during the Lehman shock

¥128 trillion\*<sub>1</sub>  
(2025)

¥95 trillion\*<sub>1</sub>  
(2022)

¥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\*<sub>3</sub>  
(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

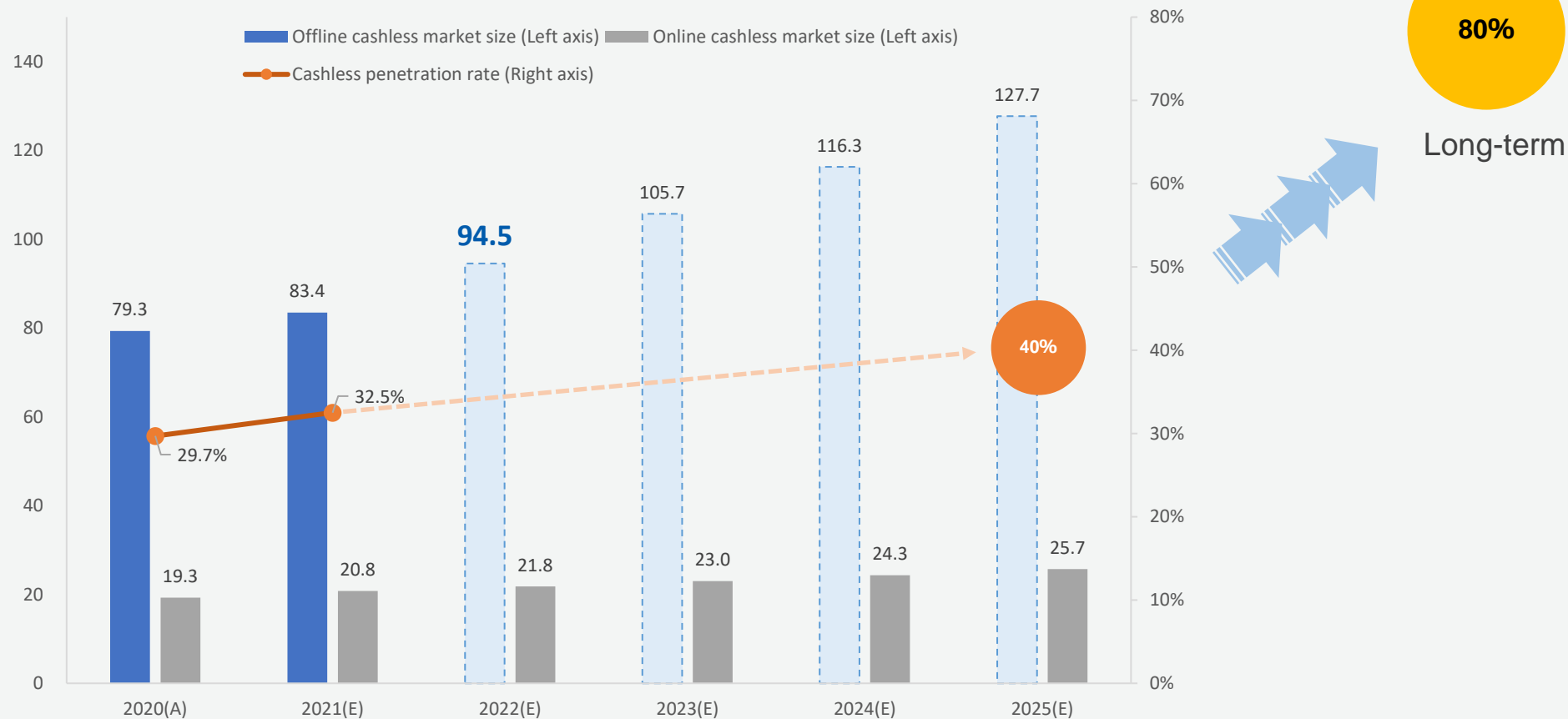
(\*3) GMO Financial Gate internal forecast based on statistical data published by the Cabinet Office, Government of Japan, the Japan Vending System Manufacturers Association, and the Japan Parking Business Association

(\*4) Source: Japan Ministry of Economy, Trade and Industry

# Growth trend of domestic offline cashless market

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

(Unit : trillion yen)



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

# Composition Ratio of Domestic Cashless Payment Methods

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

## Transaction Value

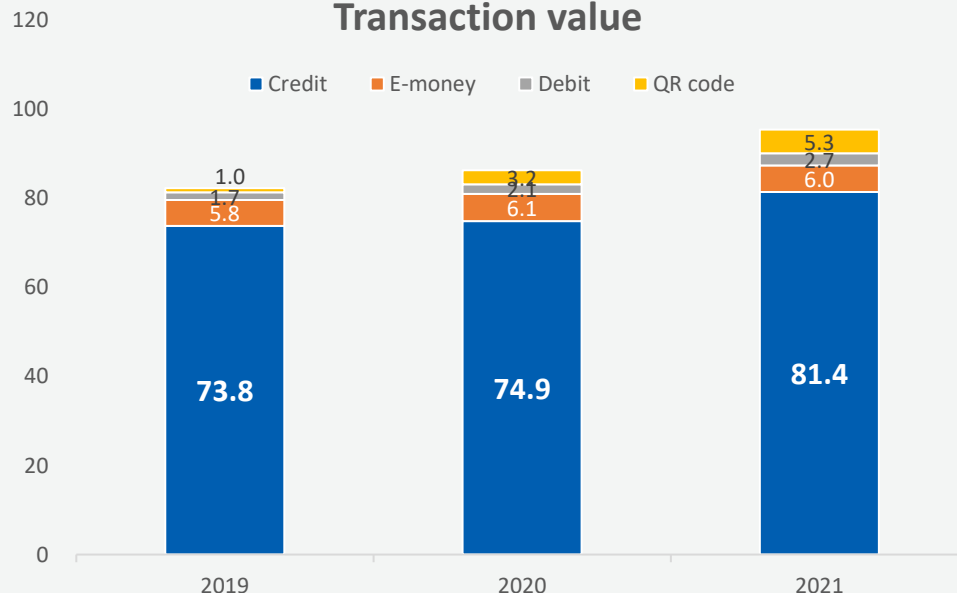
Composition	2019	2020	2021
Credit	89.7%	86.8%	85.3%
Debit	2.1%	2.5%	2.8%
E-money	7.0%	7.0%	6.3%
QR code	1.2%	3.7%	5.6%

## Transaction Volume

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

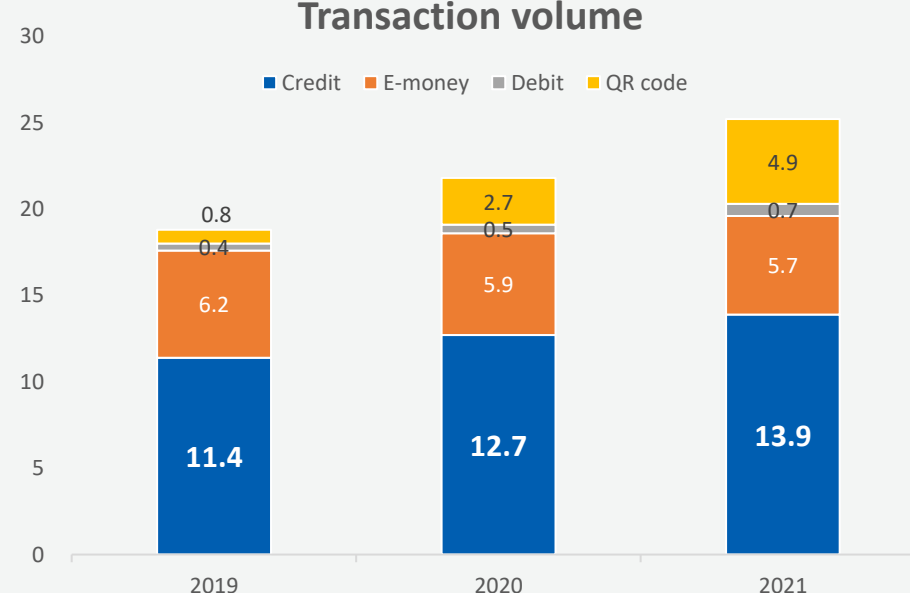
(trillions of yen)

## Transaction value



(100 million)

## Transaction volume



Source: Cashless Roadmap 2022, Cabinet Office of Japan

# 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 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

Grew slightly due to the time-lag between terminal sales and activation even though the terminal sales stays solid



Offline Market

4 million

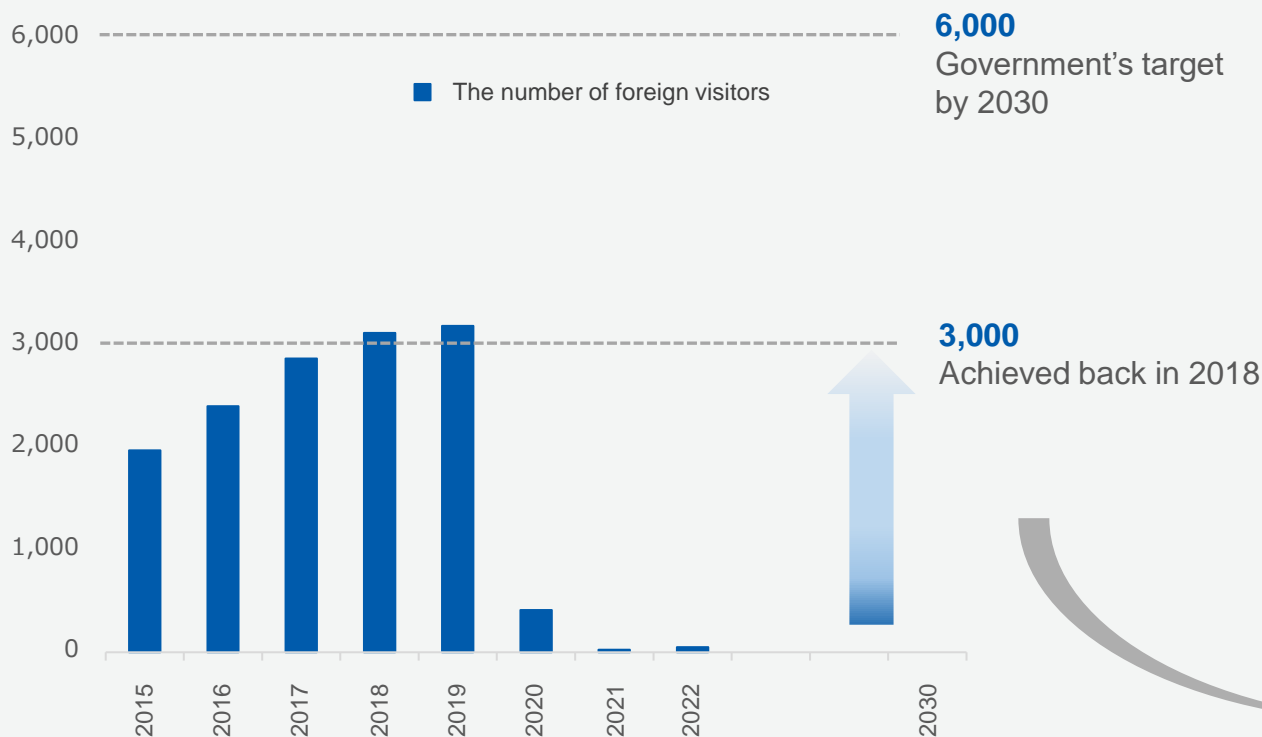


Source: The Japan Vending System Manufacturers Association, Japan Ministry of Health Labor and Welfare, Yano Research Institute Ltd.

# Trends in the number of foreign visitors to Japan

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

(10 thousand)



Hotel/Travel

Drug store  
(medicine/  
cosmetics)

High-end  
retail/  
Department  
store

One dollar  
shop

Service/  
Leisure

Public  
transportation  
(Train/bus etc.)

Medical / Clinic

**Aggressively acquiring inbound-related merchants  
aiming to enjoy the demand after COVID**

Source: JNTO

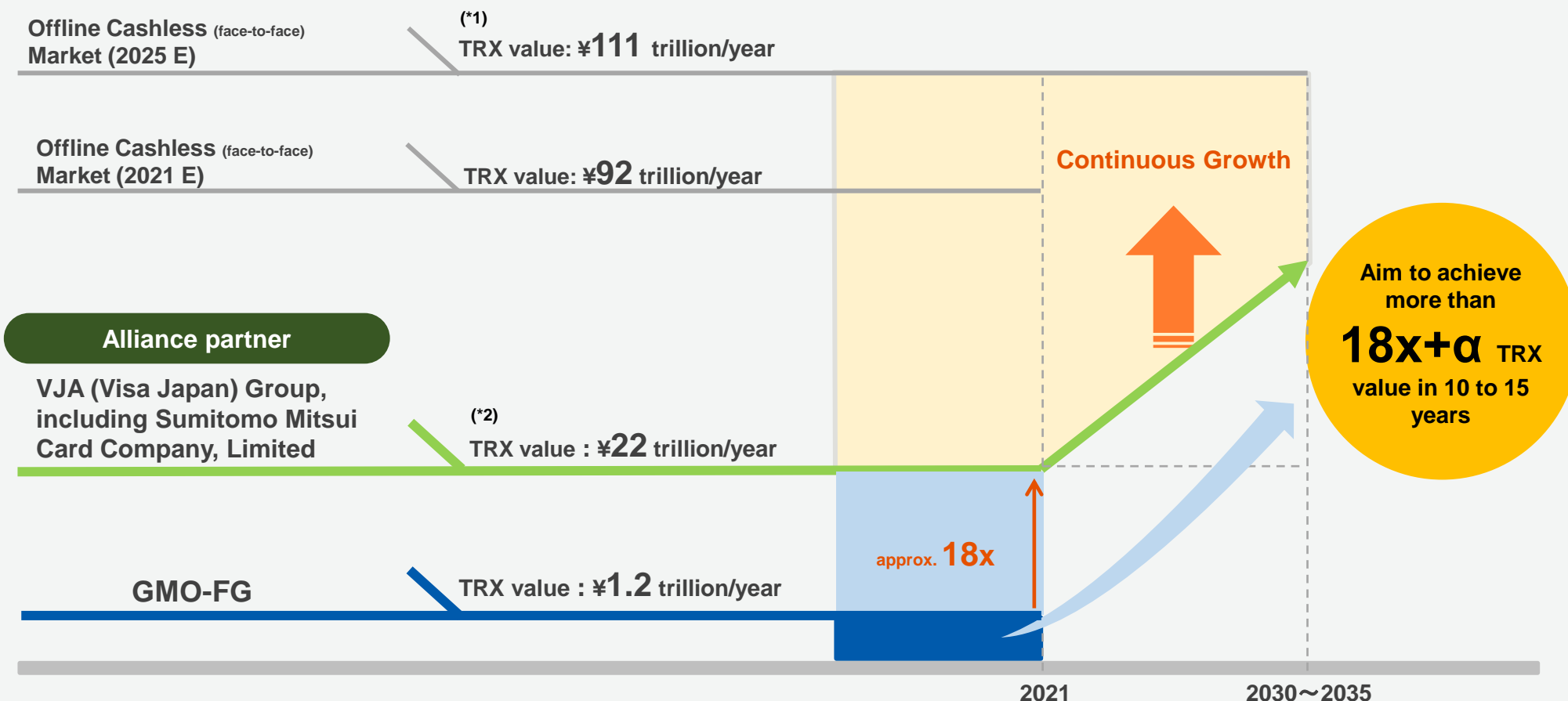
# Strategy to Maximize TRX Value

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



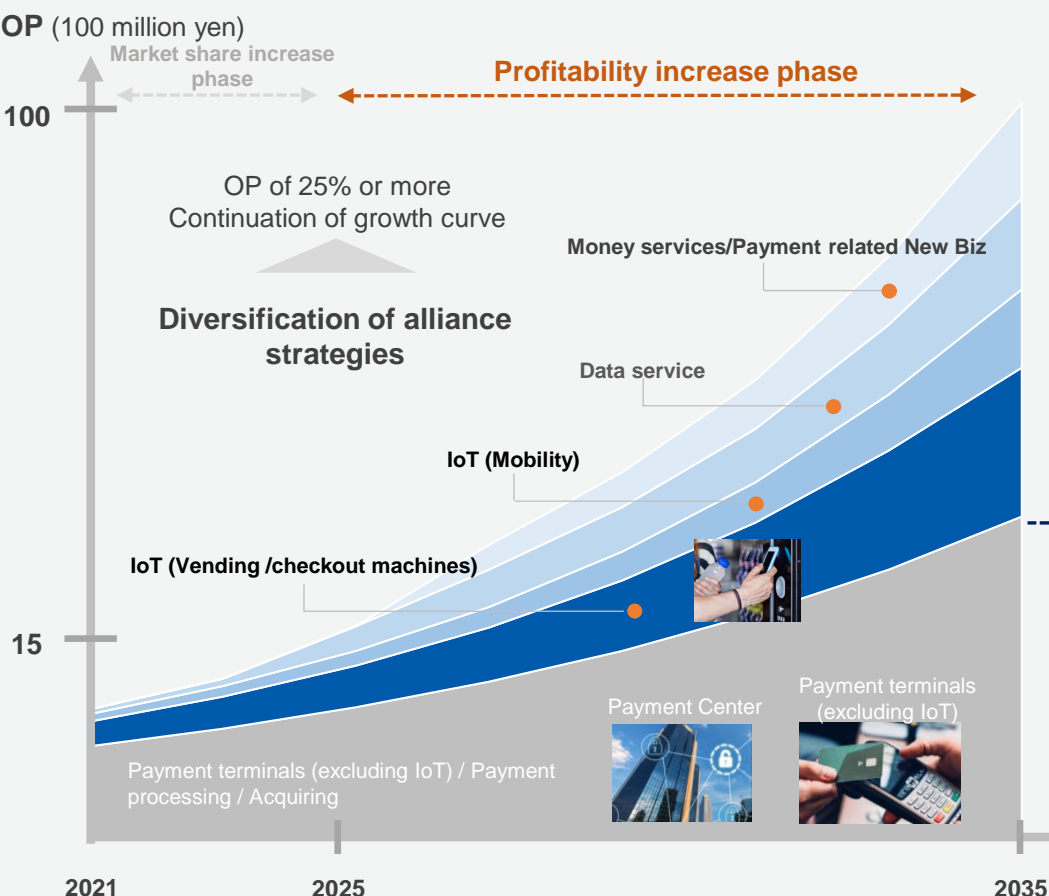
(\*1) Source: Cashless Roadmap 2019, PAYMENTS JAPAN; Current Status and Future Forecasts for Online Payment Service Providers, 2018, Yano Research Institute Ltd.

(\*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

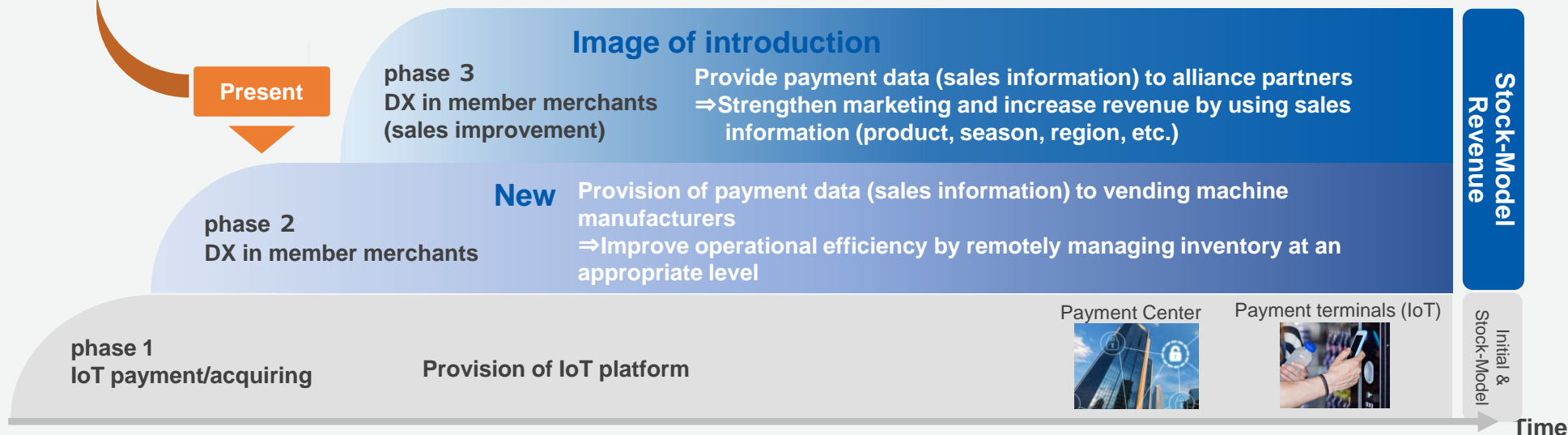
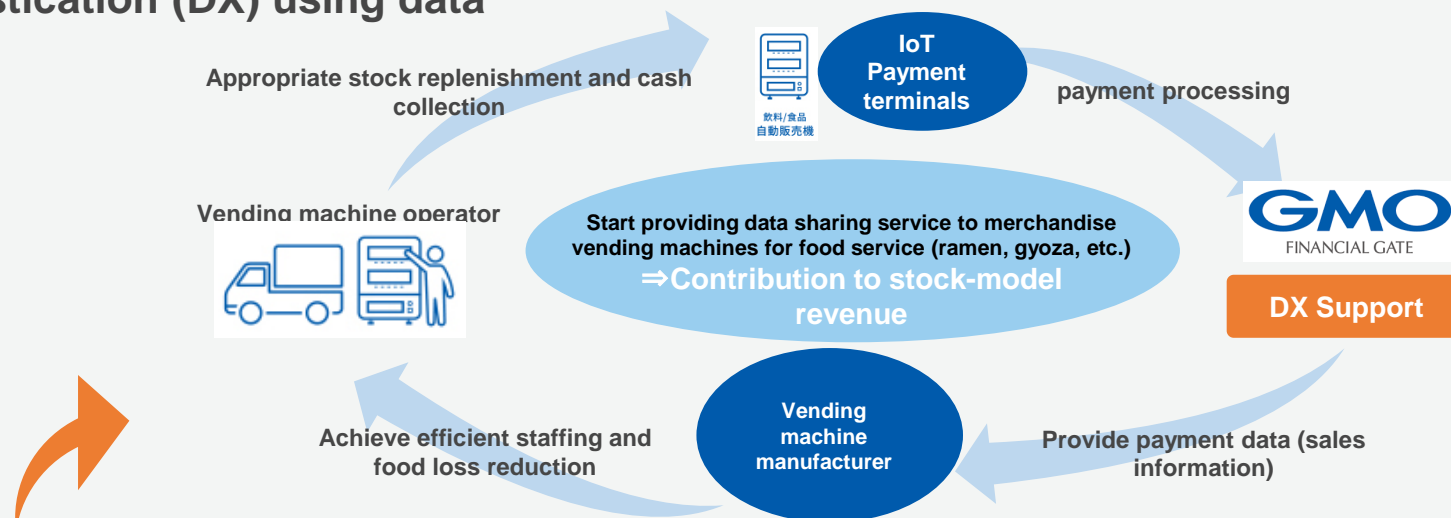
Time

Stock-Model Revenue

Initial & Stock-Model

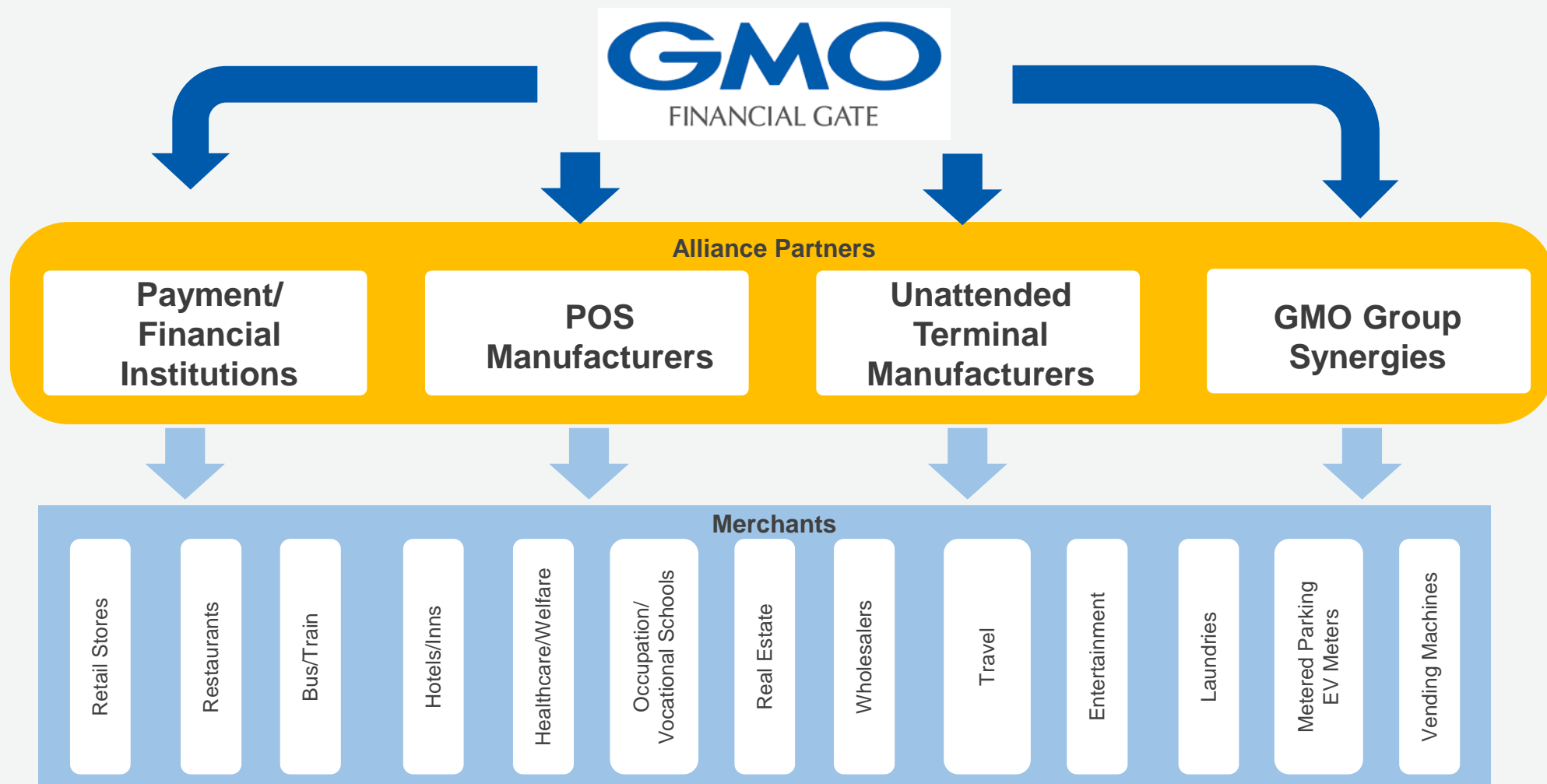
# Data Services in the IoT Domain

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

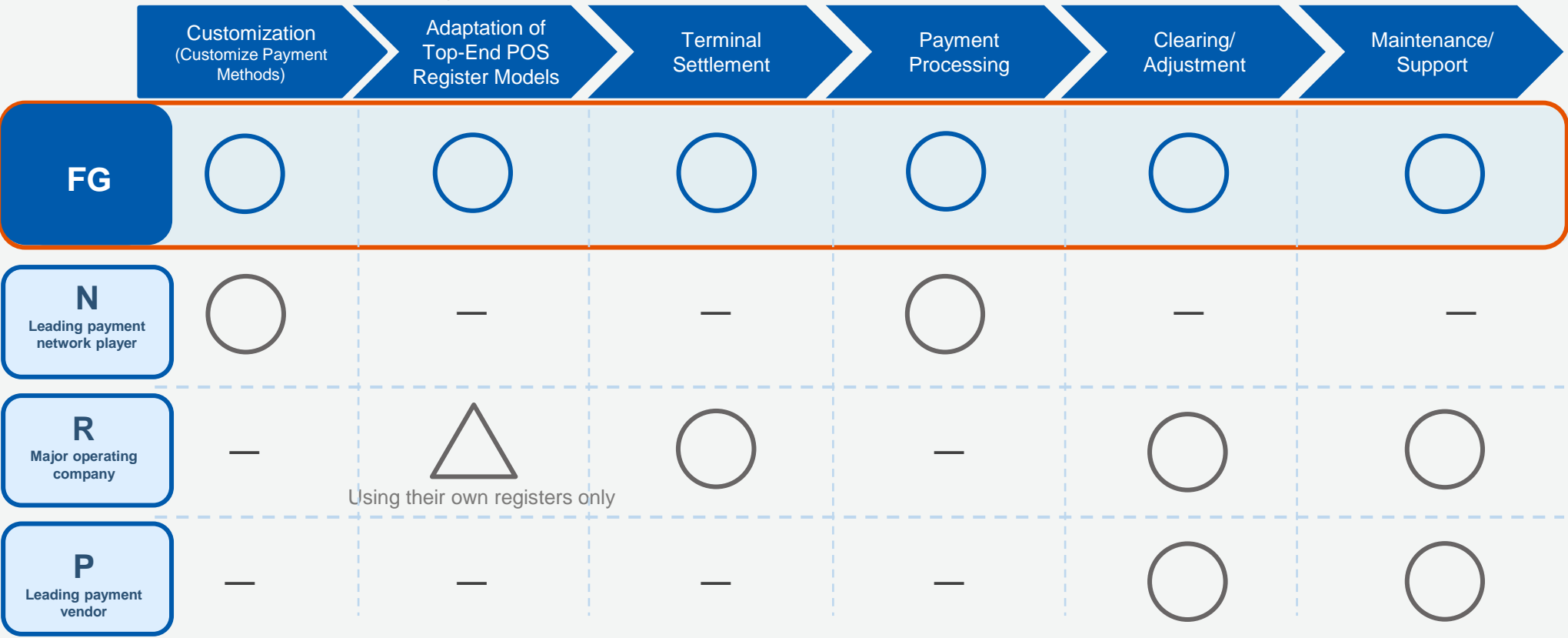
Working with alliance partners allows us to secure participating merchants consistently and steadily



# Unique Positioning

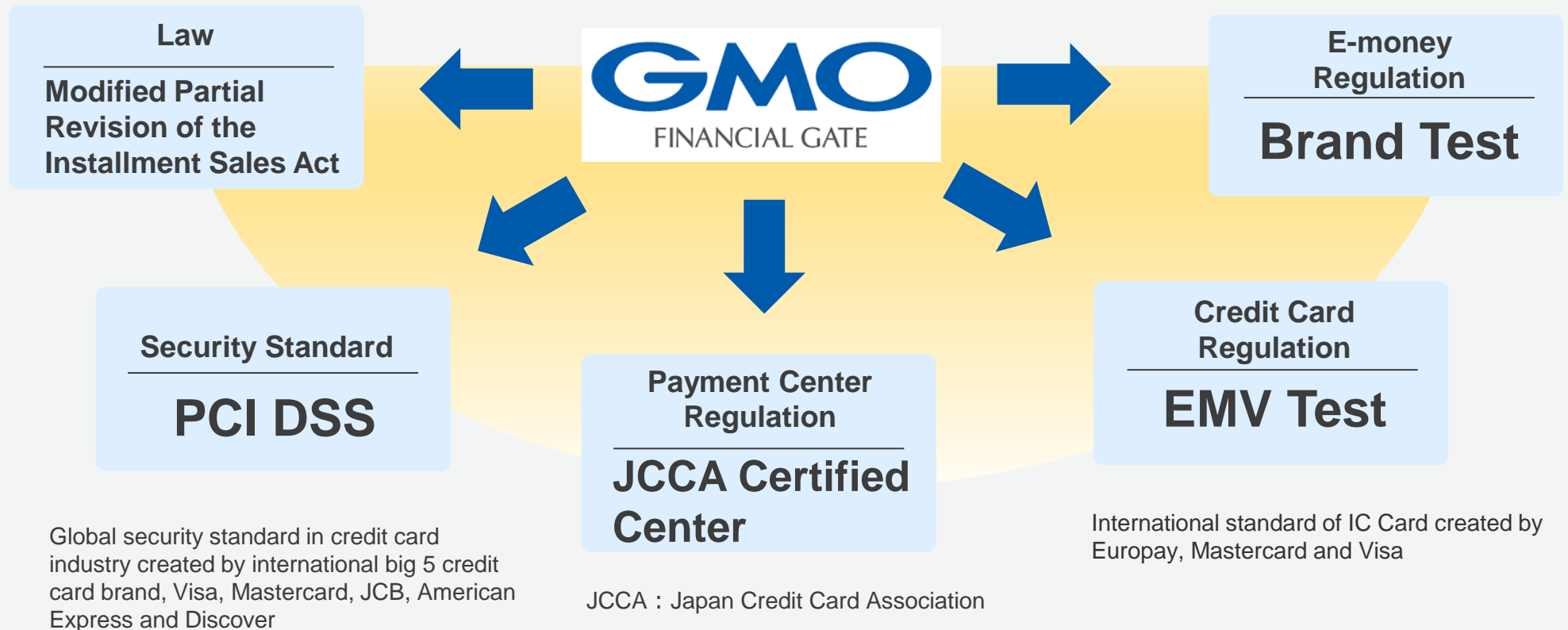
End-to-end solutions via one-stop platform allows us to create alliances with many players in the market

## Solutions in Offline Payment Market



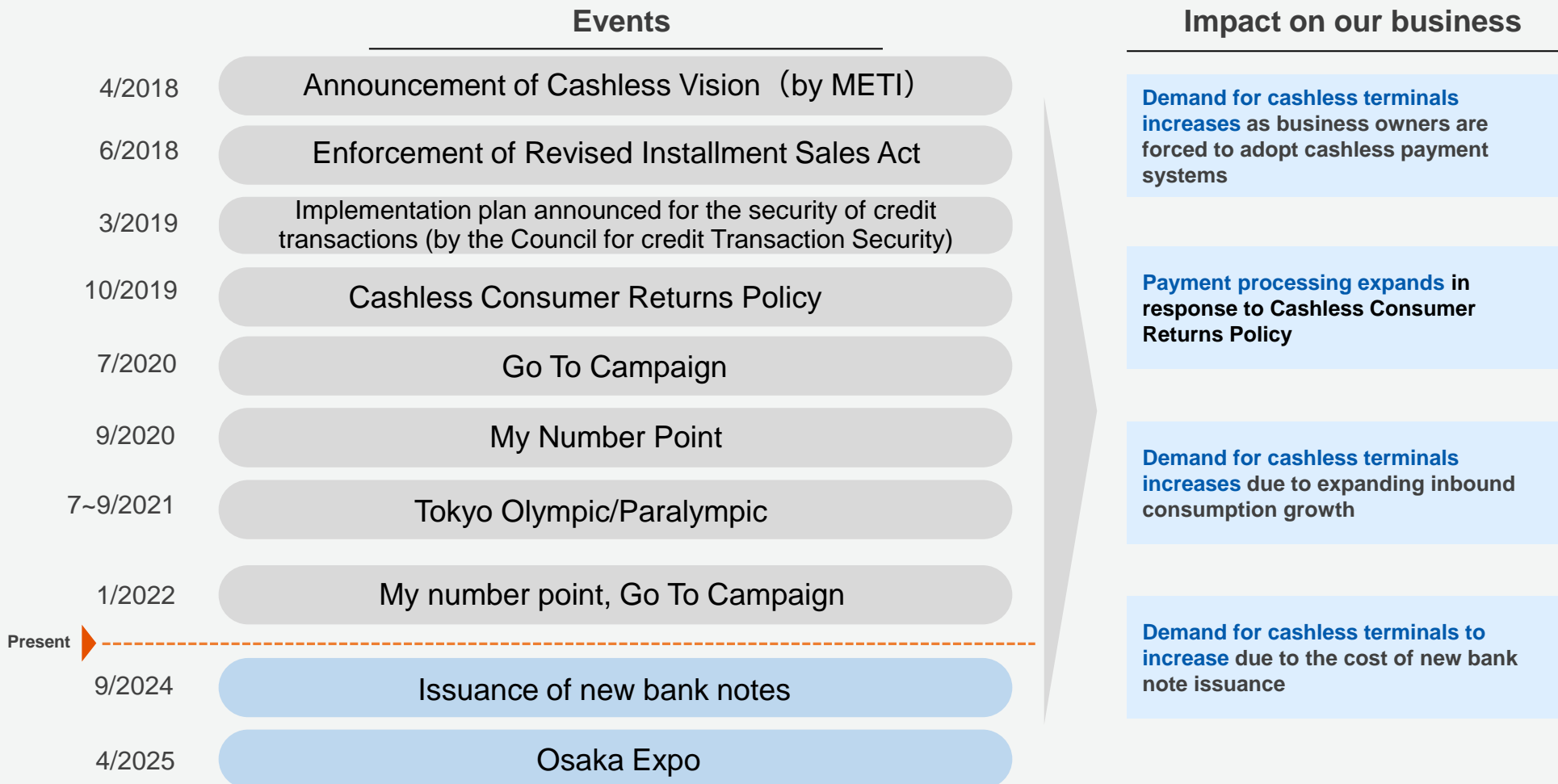
# Barriers to Entry (Regulations to be Followed)

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**

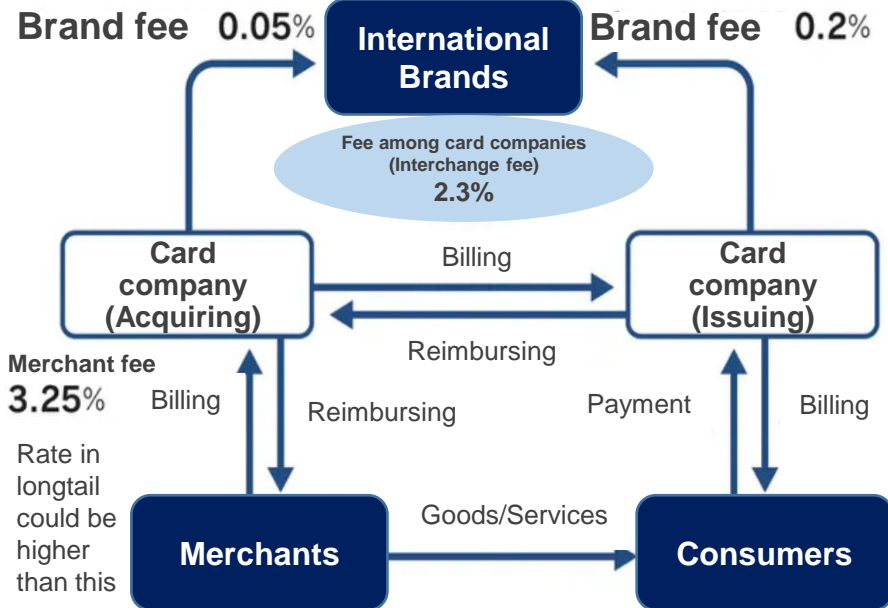


# New topic of credit card industry

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

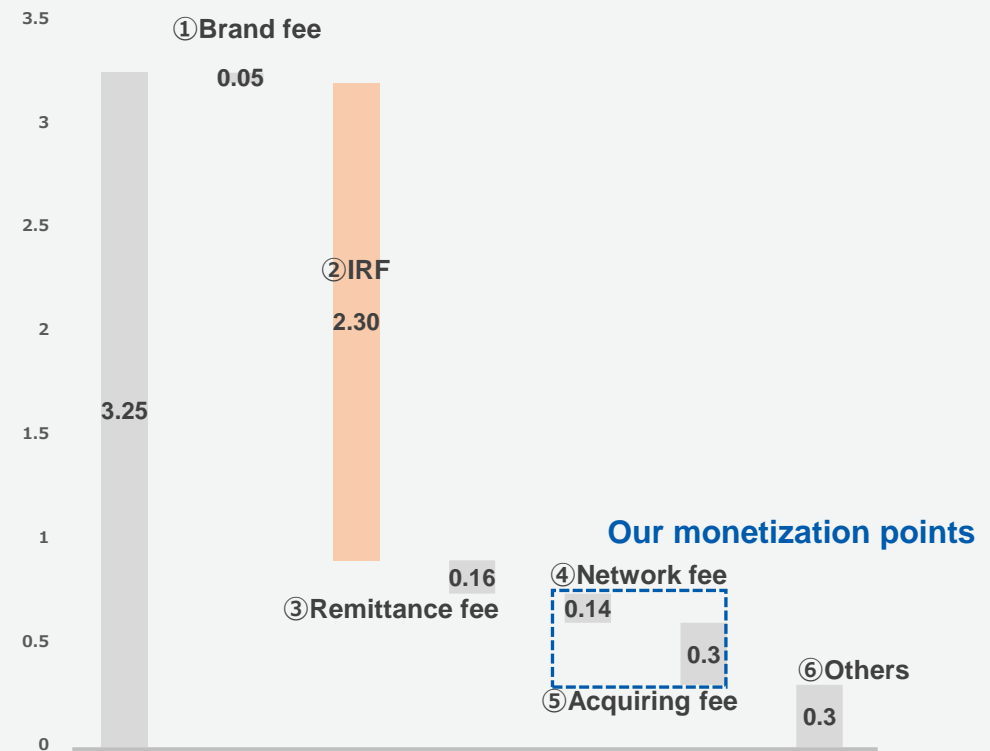
METI requires fee among credit card companies

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)

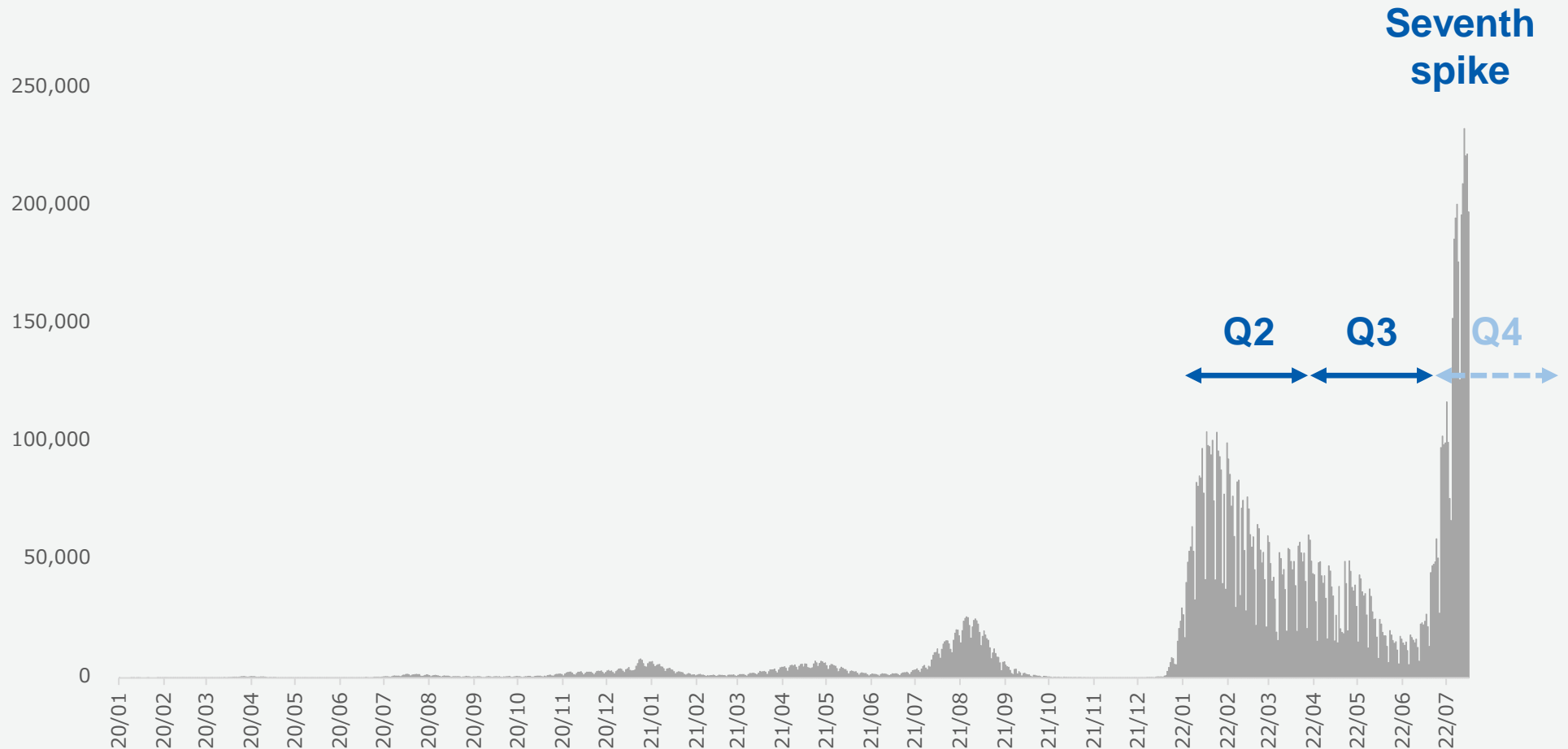
<https://www.sankei.com/article/20220304-ZTSR67LNFFLLTITPJFJL6D3TZQ/>

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

# Situation of the new case of COVID

Q3 is recovering following the lifting of the goodwill prevention order issued in Q3. The current seventh spike of infections is the largest ever, and we will closely monitor the impact.

## The number of daily test positive case of COVID



Source : Ministry of Health, Labor and Welfare

# Initiatives for terminal-less payments

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

## Status of Our Efforts

### Tap to Phone

Dec 2021~ **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



NFC tag on vending machines

**Terminal-less**



Automatic connection  
to the internet by  
holding a smartphone

**No app is needed**



Select product



Merchandise receipts



Settlement completed



Pay with biometrics  
(Apple Pay, Google Pay)

**High Security**

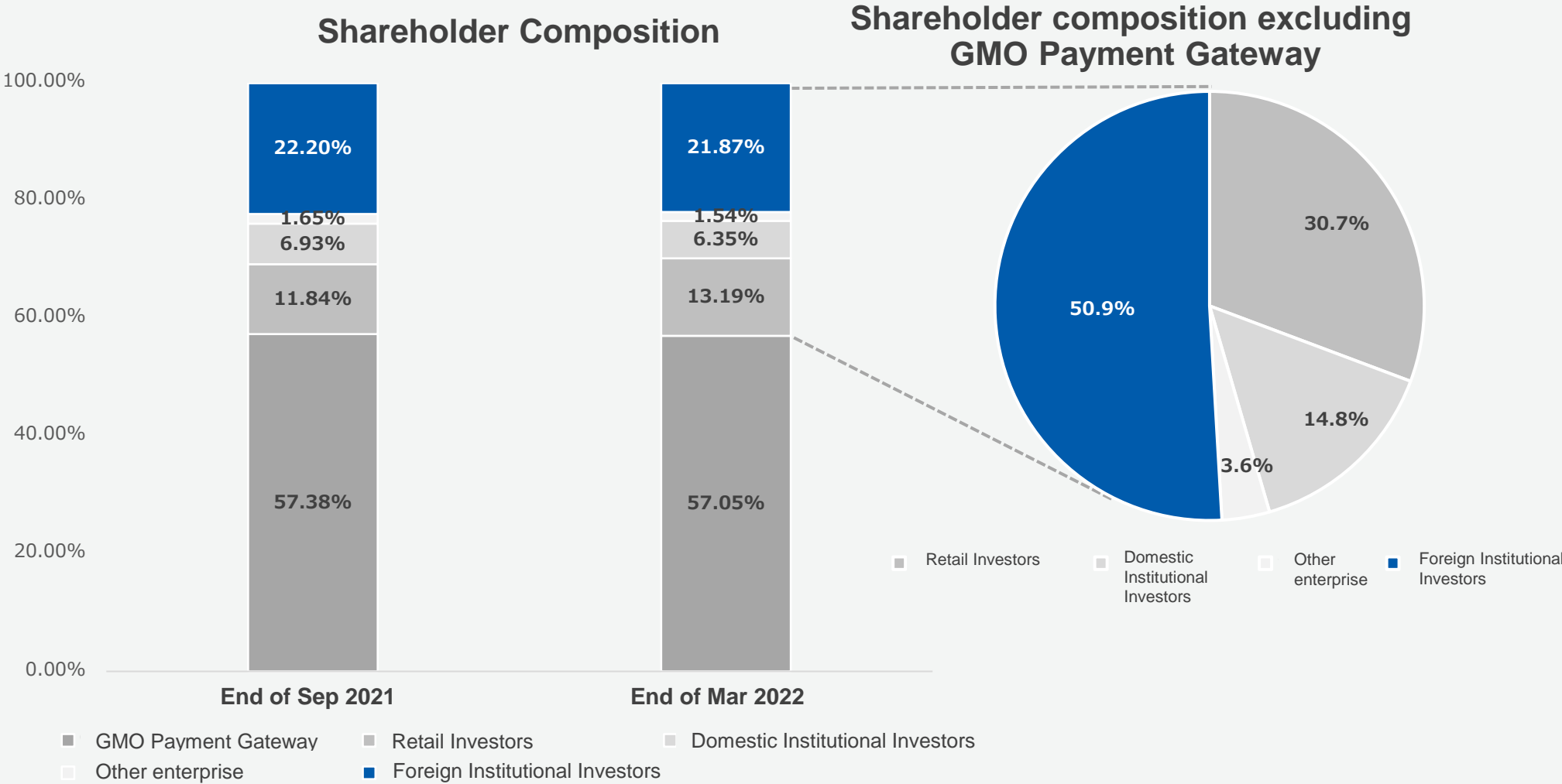
Tap to Phone: Mobile payment service where merchants do not need to prepare cash registers and terminals for payments, and NFC-enabled devices can be used as payment reception terminals.

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



- 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)



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

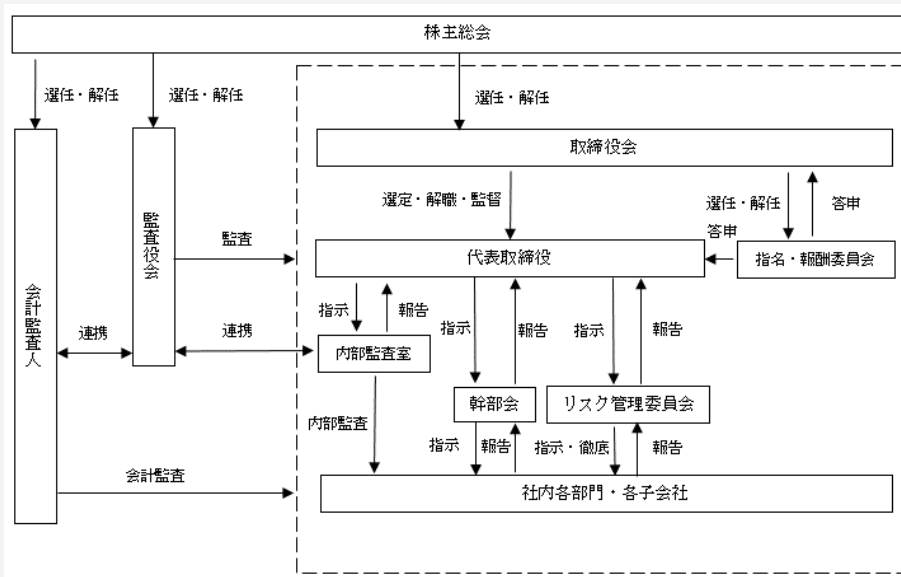
Planning to enforce  
corporate governance onward

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

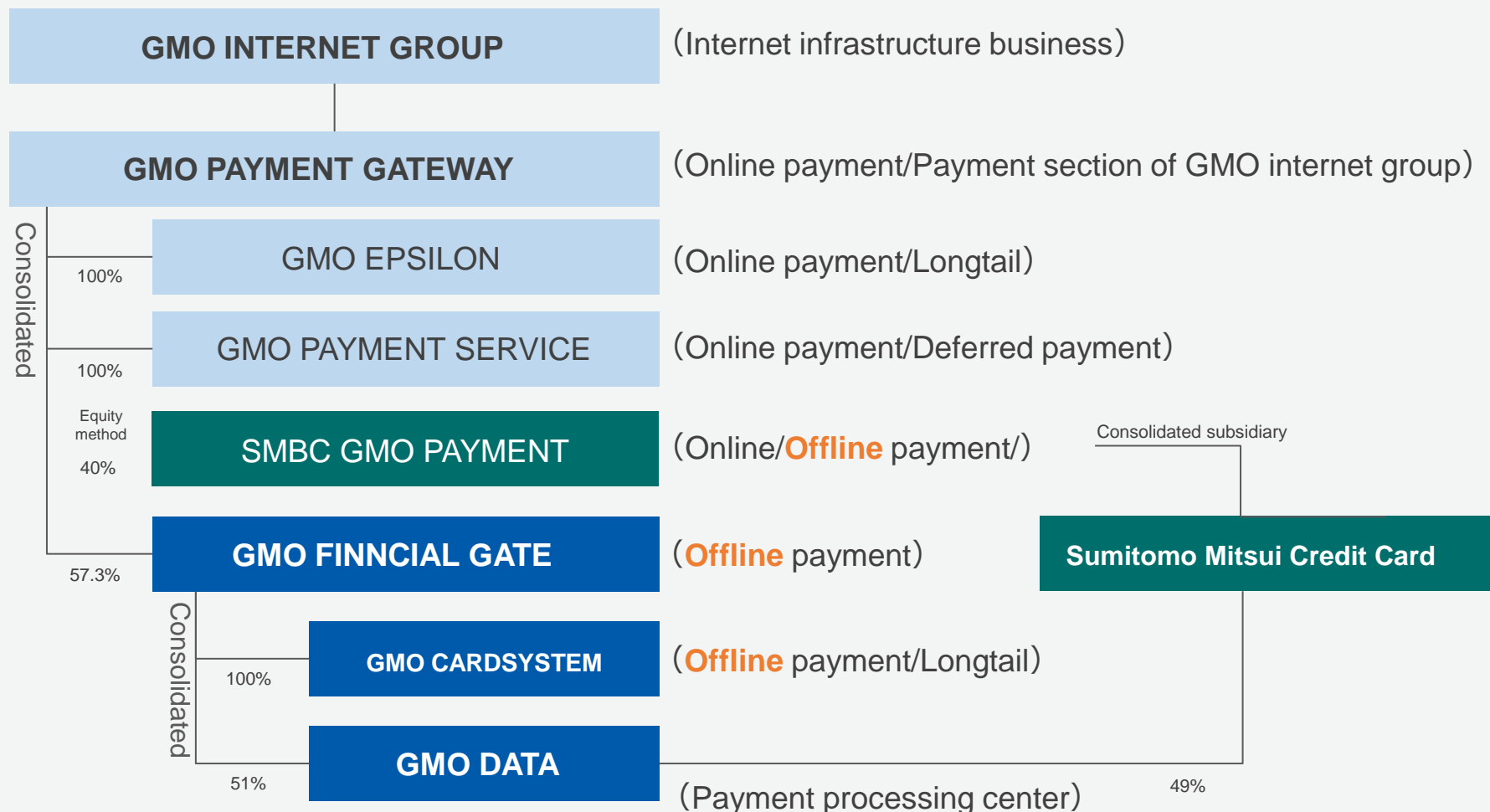
氏名	杉山 憲太郎	高野 明	青山 明生	池澤 正光	福田 知修	小出 達也	嶋村 群生	海山 理恵	長澤 孝吉	小澤 哲	飯沼 孝杜
役職名	代表取締役社長	取締役会長	取締役 営業本部本部長	取締役 管理本部本部長	取締役 システム本部本部長	取締役	取締役	取締役	常務監査役	監査役	監査役
GMOイズムの実践 (※)	●	●	●	●	●	●	●	●	●	●	●
企業経営	●	●	●	●				●		●	
システム・セキュリティ					●						
リスク管理				●	●			●	●	●	
法務・ガバナンス							●				
財務・会計・税務											●
営業・マーケティング			●			●					
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、「幹事の心得」、「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	Kentaro 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 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 9, 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:

TEL : +81-3-6416-3881

E-mail : [irpr@mail.gmo-fg.com](mailto:irpr@mail.gmo-fg.com)