

# Integrated Report

29th Fiscal Year

2021.10.1–2022.9.30



# Payment With Innovation

## Management Philosophy

We pursue both spiritual and material prosperity by contributing to the advancement and progress of society.

We contribute to the progress of our society with a strong intention to create and develop markets, with transparency in expanding businesses.

We define our partners as a group of people whom we can trust. This group includes our employees, clients and business partners.

Our employees possess richness of spirit, advanced problem-solving abilities and a high level of professionalism. They pursue richness of spirit through exchanging values with our clients.

## Global Leadership

A company that leads Japan with its high aspirations and presents new value to the world.

## Business Model

A company with outstanding potential and a 30-year growth trajectory that is highly acclaimed by professional global investors.

## Ownership Model

A company that can achieve phenomenal growth through delegation and instilling a sense of ownership to younger partners who seek new challenges.



“



**Ryu Muramatsu**  
Director, Executive Vice President  
General Manager of Corporate  
Value Creation Strategy Division

## Preface on GMO Payment Gateway 29th Integrated Report

The 29th Integrated Report aims to be the source for our stakeholders to deepen their understanding and as a venue for further dialogue by explaining both financial and non-financial information on the various initiatives to raise the Company's corporate value.

This report contains concrete strategies to achieve the target of ¥25.0 bn by 2025 by expanding our businesses within the enormous addressable market.

In addition, we have strived to clarify the focus areas both qualitatively and quantitatively, as well as to present the voices of our partners, external directors and the management of our value creation as the Company endeavors to achieve its targets. Finally, the Company will continue to provide disclosure of relevant information to our stakeholders.

”

### Editorial Policy

The 29th Integrated Report is edited to coherently present our value creation process, by comprehensively describing both financial information such as financial results, business overview and management strategy, as well as non-financial information related to the “invisible” assets of Environment, Society and Governance (ESG) that are the bedrock of sustainable growth. We hope this report further deepens the understanding of shareholders, investors and stakeholders of how the Company is working to realize a sustainable society by creating long-term corporate value. The compilation of this report references the International Integrated Reporting Framework recommended by the International Integrated Reporting Council (IIRC) and the Ministry of Economy,

Trade and Industry's “Guidance for Collaborative Value Creation”. Lastly, please refer to the Sustainability section of the Company's website for further details on ESG related information.  
<https://www.gmo-pg.com/en/corp/sustainability/>

### Cautionary note on forward-looking statements

Information contained in this report that are not historical facts include views and decisions based on information available at the time of writing and represent future forecasts and plans. Such forward-looking statements contain certain risks and uncertainties that may result in actual performance or results to differ from statements made in the report.

## Disclosure



### Financial Information

Company website: Information for Investors  
<https://www.gmo-pg.com/en/corp/ir/>



### Integrated Report

PDF version

<https://www.gmo-pg.com/en/corp/newsroom/ir/integrated-report/>



### Non-financial Information

Company website: Sustainability  
<https://www.gmo-pg.com/en/corp/sustainability/>



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### Abbreviations used in the report

**Company:** Refers to GMO-PG and its consolidated group of companies, comprising of the three companies listed below and equity-method affiliates.  
**GMO-PG:** GMO Payment Gateway, Inc. **GMO-EP:** GMO Epsilon, Inc. **GMO-PS:** GMO Payment Service, Inc. and **GMO-FG:** GMO Financial Gate, Inc.  
**Partners:** The Company refers to employees as “partners” to express respect towards them.



# Message from the President



## Supporting Social Innovation Beginning with Payment

**Creating value for our stakeholders by resolving  
social challenges while achieving sustainable growth  
by leveraging our organizational strength to  
overcome changes in the business environment**

**Issei Ainoura**

President & Chief Executive Officer

### **Achieved 17 consecutive terms of revenue and profit increase**

We faced significant changes in the external business environment during the fiscal year ending September 2022 (FY2022). As economic activities gradually normalized with the lifting of COVID-19 prevention measures, cashless penetration progressed and online shopping is now an accepted part of everyday life. On the other hand, uncertainty lingers over the economic outlook due to rapid changes in the Japanese yen and inflation affecting private consumption. Despite this difficult business environment, the Payment Processing Business performed strongly bringing the Company's transaction value to over ¥11 trillion, thanks to services that provide payment systems to our focus markets

and to major domestic and overseas companies. In addition, while duly responding to heightened credit risk, we worked to expand lending to overseas companies and the Buy Now Pay Later (BNPL) business. Furthermore, new services were created to accelerate growth rates from FY2023 onwards. As a result, we have achieved 17 consecutive years of higher revenues and profits. Gains from the transfer of shares of around ¥16.0 billion were recorded from the full divestment of shares of 2C2P Pte. Ltd., a former equity-method affiliate providing payment processing services primarily in Thailand. This further strengthened the Company's capital base in view of the uncertain outlook. Due to this, and in recognition of the significant benefits from 10 years of global expansion, a special dividend will be distributed. I would like to express my deepest gratitude to our stakeholders for their continued support.





## Sustainable growth from expansion of business domains

Japan's E-Commerce (EC) market and the cashless payment market continues to expand from the buildout of Internet infrastructure and government policies, providing the tailwind that the Company leverages to expand its businesses. The Company seeks to exceed the market's growth rate and has continuously achieved a 25% operating profit growth by pioneering into new business domains as well as further expanding market share. In particular, the Company has supported the Digital Transformation (DX) of client's business operations by offering applications that resolve their challenges and going

## People determine the Company: fostering talent to strengthen the organization

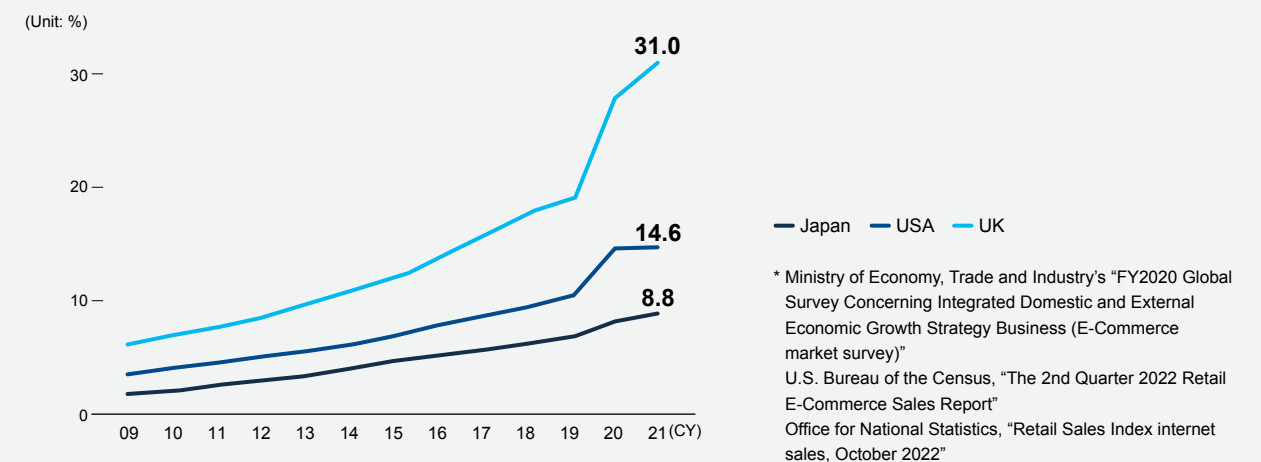
Having welcomed over 100 new colleagues on board, we are steadfastly strengthening the organizational capability. On the other hand, the growth of the younger generation has lagged due to

beyond the payment function by addressing broader areas, including invoices and remittances offered to the diverse client base garnered from the payment service. We intend to expand further by deploying these applications within each sector/industry. In the FinTech field, services that contribute to client's growth will be launched, such as a new BNPL service that offers long-duration installment payment and offline BNPL. Also, looking back on our history, M&A has generated very significant benefits as a means of expanding the business domain. More concretely, entry into small-scale business operator market from 2005 and the offline market from 2010 was the result of acquiring GMO-EP and GMO-FG, respectively. As such, we will aggressively pursue M&A as an effective method for creating new businesses.

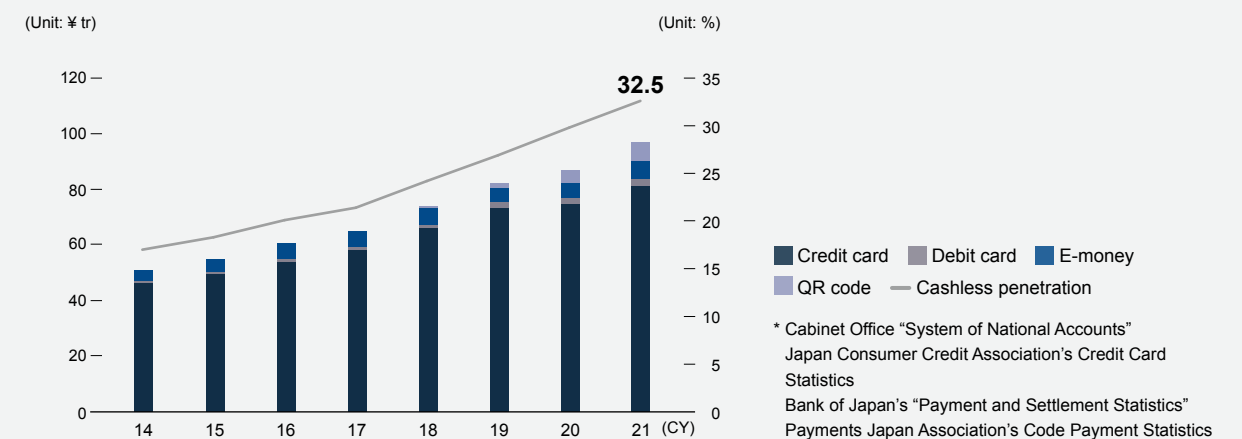
constraints on on-the-job-training (OJT) and in-person training under COVID-19 restrictions. It is crucially important to build a resilient organization that can withstand changes in the business environment. To this end, all partners must foster their new recruits - the source of our sustainable growth. This is a medium-term priority issue to which much of my time is allocated.

## Advances in EC and Cashless Payment

### ▶ EC Penetration Rates in Japan, Europe and US



### ▶ Japan's Cashless Payment Market/Cashless Penetration in Japan (Ratio to Private Final Consumption)



## Promoting sustainability management

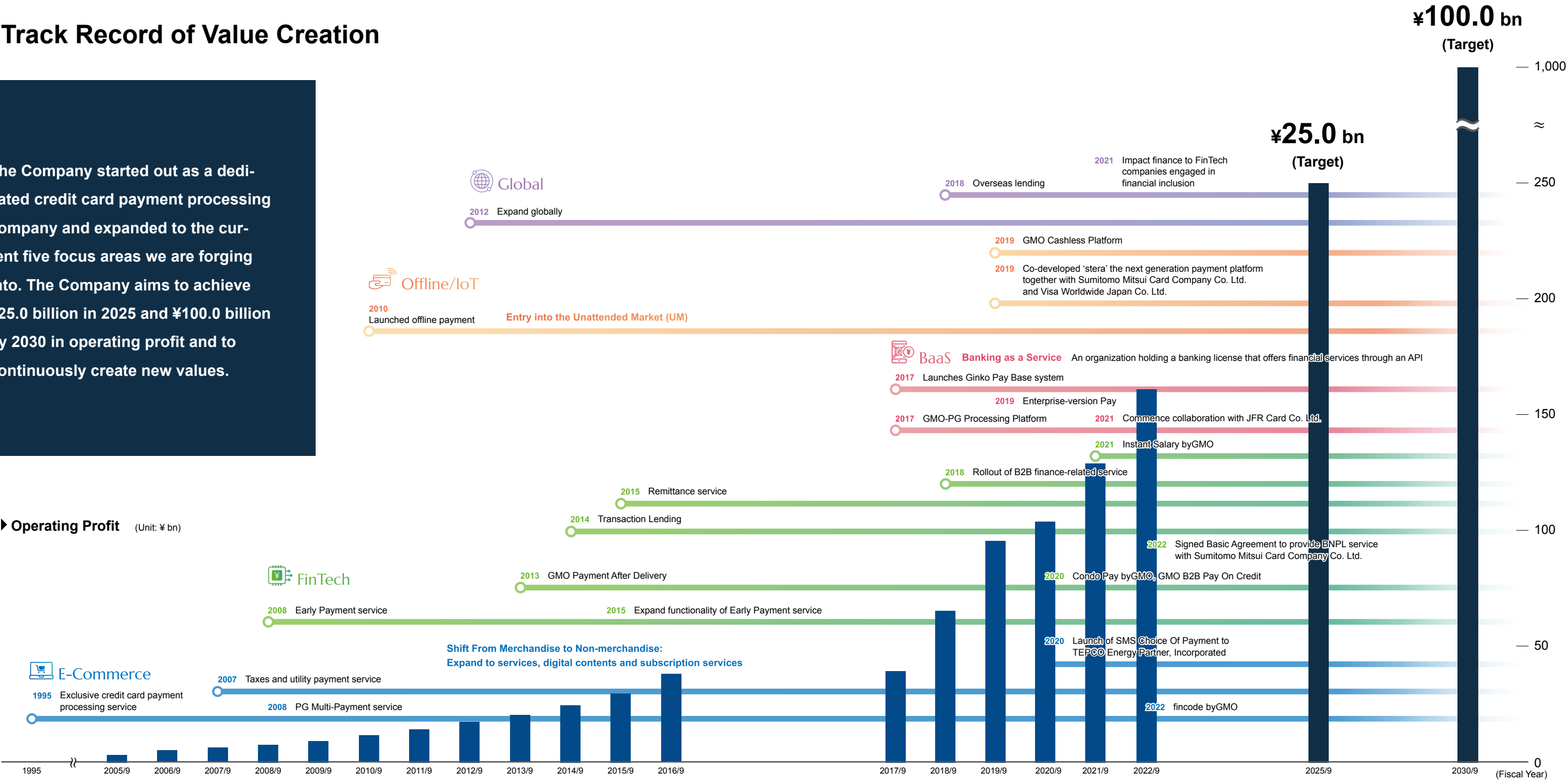
The Company operates businesses that contribute to decarbonization and reduction of environmental burden through DX support of economic activities, such as EC migration and paperless adoption in commercial transactions. In addition, the Company pursues initiatives to realize financial inclusion by offering better financial access and diverse payment methods. By supporting the creation of

innovation in payment and financial technology to resolve societal challenges, the Company can expand its business opportunities as well as contribute to society. Communicating such initiatives is resulting in a gradual improvement in the evaluation by external parties on sustainability management. The Company will continue to strive to improve corporate value by expanding our businesses through supporting the digitalization of our client's services and, at the same time, contributing to the advancement and realization of a sustainable society. We would like to express our sincerest gratitude for the continued support of our stakeholders.

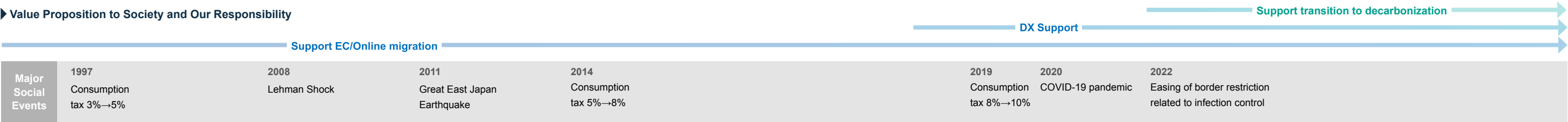


Track Record of Value Creation

The Company started out as a dedicated credit card payment processing company and expanded to the current five focus areas we are forging into. The Company aims to achieve ¥25.0 billion in 2025 and ¥100.0 billion by 2030 in operating profit and to continuously create new values.



Value Proposition to Society and Our Responsibility



History

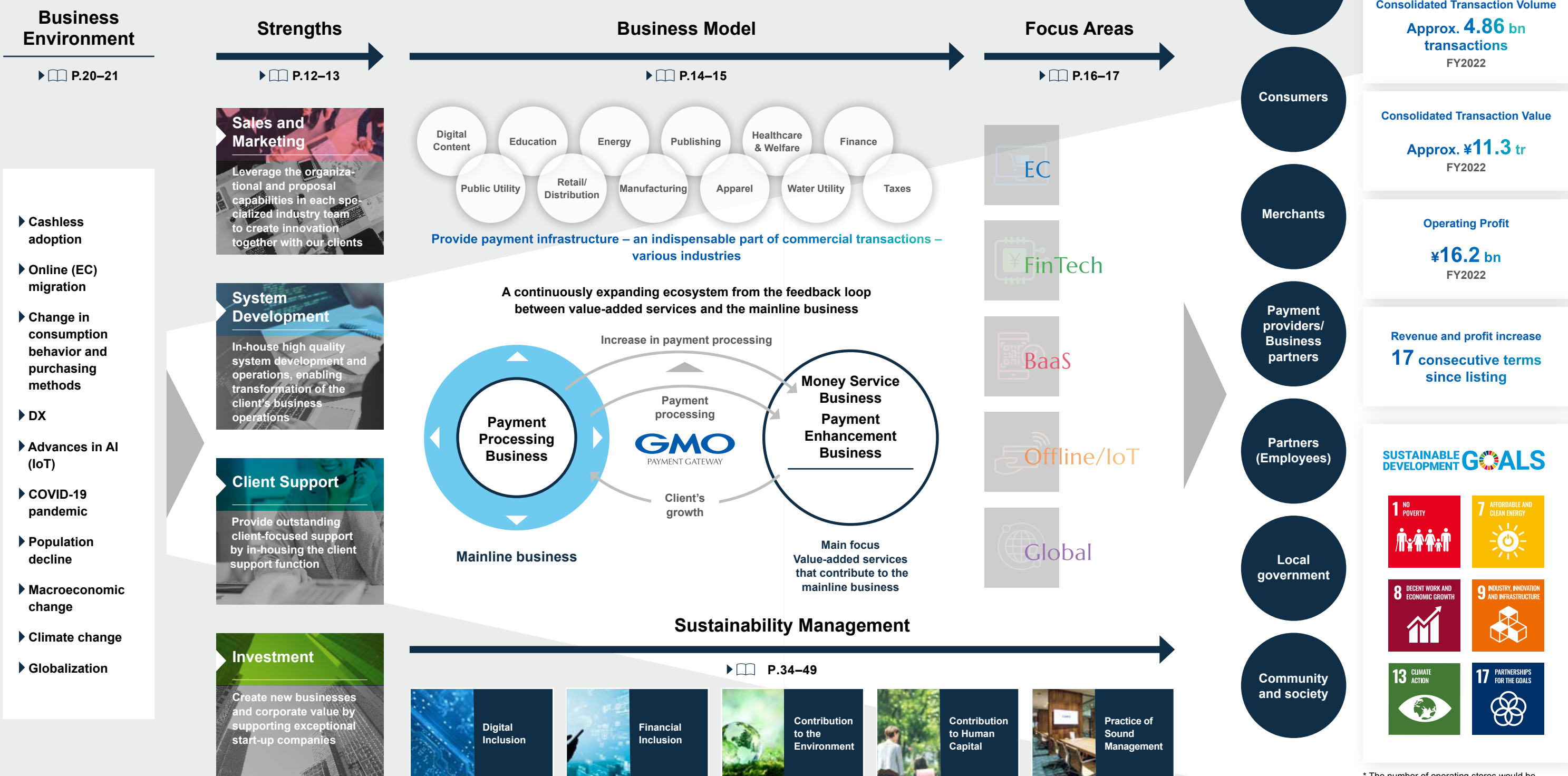
|      |  |      |  |      |   |
|------|--|------|--|------|---|
| 1995 | Established Card Call Service, predecessor of the Company  | 2010 | GMO Financial Gate joins the Group   | 2018 | GMO Medical Reservations Technology joins the Group. Established U.S. office.   |
| 2000 | Mr. Issei Ainoura appointed President  | 2012 | Established Asia regional headquarters in Singapore                                      | 2020 | GMO Financial Gate lists on TSE Mothers market (currently the Growth Market)  |
| 2004 | Joins GMO Internet Group, Inc.; integrated into Payment One  | 2013 | Established GMO Payment Service  | 2021 | BUFFORT Inc. joins the Group  |
| 2005 | Company name changed to GMO Payment Gateway. Listing on TSE Mothers market. GMO Epsilon joins the Group. | 2015 | Established joint venture company SMBC GMO Payment, Inc.                                 | 2022 | Merger by absorption of BUFFORT Inc. Listing reclassified to TSE Prime Market. Transfer of all the shares of 2C2P Pte. Ltd. |
| 2008 | Listing transferred to TSE First Section   | 2016 | Southeast Asia's major payment company 2C2P Pte. Ltd. becomes an equity method affiliate |      |   |



# Value Creation Model

## Management Philosophy

We pursue both spiritual and material prosperity by contributing to the advancement and progress of society



\* The number of operating stores would be 455,958 stores if adjusted for a particular case for the same period.



## Our Four Strengths

### Sales and Marketing Capability

Leverage the organizational and proposal capabilities in each specialized industry team to create innovation together with clients

### System Development Capability

In-house high quality system development and operations, enabling transformations of the client's business operations

### Enhance our Key Four Strengths - the Source of Competitive Differentiation - to Achieve 25% Operating Profit Growth

Significant human resources are deployed into industry-specific sales structures, making it possible to offer proposals that capture the trends and issues in each industry. In addition, by accompanying our client's (merchants) journey from service launch to post-sales support, the Company supports clients' efforts to enhance their growth prospects. Additionally, by leveraging client's accord and trust, the Company strives to build a win-win relationship by developing strategic initiatives such as new payment platforms together with the leading companies of each industry.

#### Clients Across a diverse Range of Industries/Sectors



#### Sales Personnel

Approx. **40** persons  
(As of end-September 2011)

Approx. **350** persons  
(As of end-September 2022)

The Company's sustainable growth is supported by in-housing development and the operation of high-quality systems. The Systems Division, which carries out development, strives to preemptively grasp the latest market and technology trends and respond to market's needs in order to continue to provide a high level of quality, capacity, availability, security and system functionality. In recent years, the Company has undertaken projects from the development stage to help respond to the client's advancing needs to transform their business operations.

#### Number of Engineers

Approx. **30** persons  
(As of end-September 2011)

Approx. **450** persons  
(As of end-September 2022)\*

#### Major system development projects

**2014**  
Commenced buildout, operation and maintenance of the B2B dedicated payment system Visa Business Pay Development of new smartphone-based payment service app

**2017**  
Launch of GMO-PG Processing Platform to financial institutions

**2016**  
Joint development of Ginko Pay together with The Bank of Yokohama, Ltd.

**2020**  
Launch of SMS Choice of Payment to TEPCO Energy Partner, Co. Ltd.

\* The number includes employees of the Company and external collaborators.

### Client Support Capability

Provide outstanding client-focused support by in-housing client support function

### Investment Capability

Create new business and corporate value by supporting exceptional start-up companies

The Company tirelessly works to improve service offerings that help resolve client's issues by in-housing client support. The Company believes that the collaboration between sales, system development and client support is crucial to provide an integrated value proposition that contributes to the client's growth. As a result, the Company's customer support has been awarded the highest evaluation by external organizations. In addition, enhancing our strengths by organically involving other departments such as Accounting/Finance, Legal, HR and General Affairs enables us to secure stability in expanding business.

#### Diagram of Support Structure



Contribute to client's growth from the proposal stage to operational stage

#### Awards

Awarded 5-star certification twice consecutively by the certification body, HDI, the first ever in the payment processing industry



The Company forges strategic equity investment and/or business alliance with excellent global FinTech startups that are introducing new technologies and concepts to transform society. These investments not only support the growth of the investee, but also the evolution and creation of existing and new services at the Company. In addition, the Company is supporting the growth of the No. 1 payment service provider primarily in the ASEAN region by investing and fostering a relationship as a partner, with the eventual aim of establishing our overseas payment business. For example, the Company invested in 2C2P Pte. Ltd., a payment processing company focused on Thailand in January 2013, and made this company an equity method affiliate through additional acquisition of shares. 2C2P Pte. Ltd. has steadily expanded its business and earnings primarily in Southeast Asia. After receiving a proposal from a Chinese company to acquire the shares and, based on the decision that the offer price was reasonable, the Company transferred all the shares of 2C2P Pte. Ltd. in June 2022 and recorded a gain on sale of investments of around ¥16.0 billion.

(Details available here: [https://www.gmo-pg.com/en/corp/newsroom/pdf/20220405\\_gmo\\_pg\\_ir\\_kaiji\\_en.pdf](https://www.gmo-pg.com/en/corp/newsroom/pdf/20220405_gmo_pg_ir_kaiji_en.pdf))

#### Overseas offices and investees



GMO Global Payment Fund  
Investments by GMO Global Payment Fund

Approx. 20 times

Initial investment amount  
Market Value as of end-September 2022

\* Venture capital (VC) funds jointly operated by the Company as a General Partner (GP).



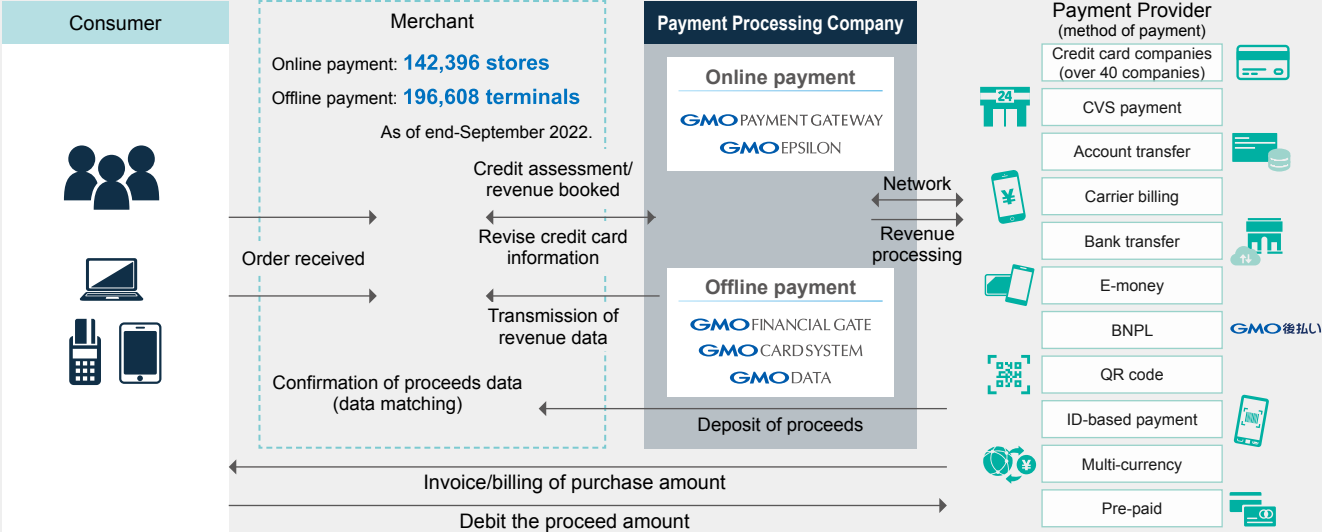
# Major Businesses

The Company provides value added services (Money Service Business and Payment Enhancement Business) to merchants using the payment processing services, all of which contribute to expand the merchant’s revenue. This establishes a feedback loop of increasing transactions at the merchant which complements the Company’s core business.

## Payment Processing Business

Provides a comprehensive payment system to merchants to enable the consumer to select their method of payment such as credit card and BNPL.

### ► Scheme of Payment Processing Service



## Money Service Business and Payment Enhancement Business

Provides payment-enhancing services and financial services that contribute to the merchant’s growth and diversification of payment methods.

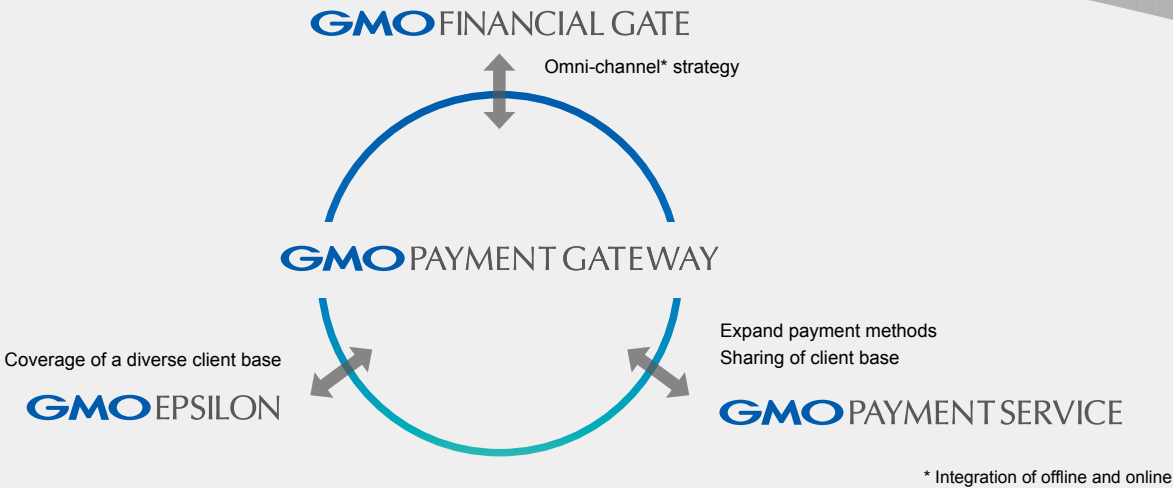
### ► List of Major MSB Services and Payment Enhancement Services

| Name of service | ► GMO Payment After Delivery/GMO B2B Pay on Credit      | ► Remittance service   | ► Overseas lending/Transaction lending | ► Early Payment service                               | ► Marketing Support services  |
|-----------------|---|--|--|---|---|
| Service content | Payment of proceeds before the deposit by the purchaser | Enables efficient and secure remittances and refund processing | Lending of growth funds                | Improve cashflow by bringing forward the deposit date | Online marketing management and analytics to support revenue growth at the merchant |

# Business Portfolio

Diverse businesses across a wide domain centered on payment

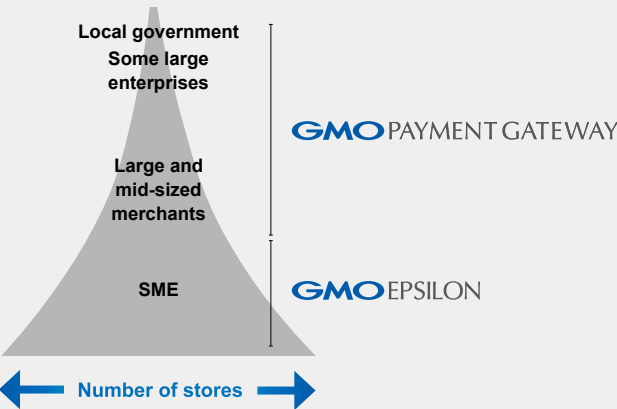
## GMO Payment Gateway consolidated group of subsidiaries



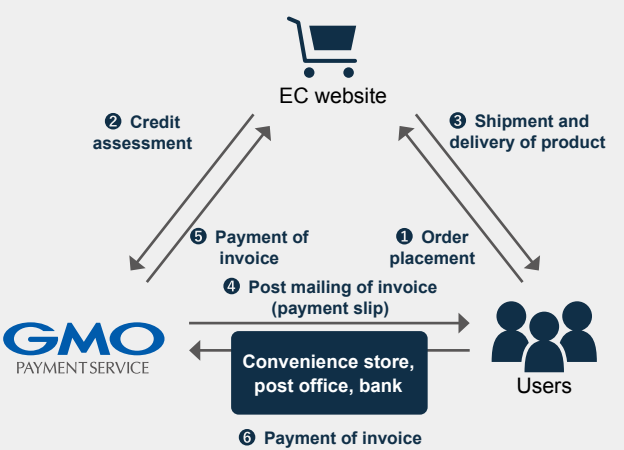
Sharing of corporate culture and management philosophy;  
resource allocation across the entire group of consolidated subsidiaries

| Name of company | GMO PAYMENT GATEWAY   | GMO EPSILON                  | GMO FINANCIAL GATE  | GMO PAYMENT SERVICE                              |
|-----------------|---|------------------------------|---|--|
| Major business  | Payment Processing Business   |                              |   | BNPL business                                    |
|                 | Online  |                              | Offline   | Online   |
| Major clients   | Local government, large to mid-size companies<br>Non-merchandise, merchandise | SME<br>Primarily merchandise | Offline store, unattended equipment providers<br>Non-merchandise, merchandise | EC operators, consumers<br>Primarily merchandise |

### ► Online Payment: Sales Structure by Merchant Size



### ► Scheme of GMO Payment After Delivery





Services and Focus Areas

The Company’s Services are Used Throughout the Consumers’ Daily Life



**Subscription**  
Payment for home delivery of drinking water, fixed charges for web services, etc.

**Delivery**  
Payment for food delivery to residences and offices

**Digital content**  
Payments for content services such as streaming video, e-books, games, etc.

**Usage fees for various services**  
Payment for travel tickets, car rental

**Cashless**  
Non-cash payment at offline stores

**Self-checkout**  
Unmanned payment at offline stores

**Services used during outings**

**Taxes and utility bills**  
Tax payment, regular payment for electricity and water utility bills

**Services embedded in everyday life**

**Focus areas**

- EC
- FinTech
- BaaS
- Offline/IoT
- Global

**EC**

**Broader EC**  
Support DX at companies by providing payment solutions to diverse industries, ranging from non-merchandise sectors such as travel, digital content, taxes and utility bills, to merchandise sectors such as daily goods.

**Shopping on smartphone**  
A convenient and diverse choice of payment methods available anywhere, anytime.

**FinTech**

**FinTech**  
Provide payment services that leverages financial technology to contribute to the merchant’s revenue growth as well as value-added services that support cost reduction efforts and improvement of cashflow.

**Payment using GMO Payment After Delivery**  
Pay after receiving goods without using a credit card

**BaaS\***

**BaaS**  
Provide base systems and expertise at a lower cost and speedy completion to financial institutions and business operators to launch their proprietary financial or payment service.

\* Banking as a Service: An organization holding a banking license that offers financial services through an API.

**Base system of Ginko Pay**  
Payment using smartphone-based apps that enable instant debit from a bank account.

**Offline/IoT**

**Offline/IoT**  
Provide next generation payment platform, embedded solutions and payment center function to respond to the growing needs for labor-saving, unmanned operations and cashless adoption at offline stores.

**Tap ‘n’ pay using an all-in-one payment terminal**  
One payment terminal that covers all types of payment methods

**Global**

**Global**  
Acquire the latest expertise in global markets and benefit from the invest-ee’s growth through investments and lending to leading FinTech companies in India and the Pacific region, regions that are at the confluence of economic growth and DX acceleration.

**Establish offices in North America, Southeast Asia and India**  
Absorb expertise from global FinTech companies through investments and loans



At a Glance

The Company deploys businesses across diverse domains through our four major subsidiaries and targets the following five focus areas to expand our business.



The payment processing service focuses on online billing and recurring billing provided to large and mid-sized companies and local governments, as well as expanding BaaS support to financial institutions and business operators. In FY2022, the easing of COVID-19 travel restriction and advances in preventative measures helped the travel and ticket payments recover from increased travel, while depressing the growth rates at some merchandise sectors from the cycling through of nesting demand. In addition, internet usage during the nesting consumption period increased online payments in such areas as daily goods, digital content, public utilities and taxes. In the BaaS support domain, GMO-PG Processing Platform service expanded and contributed to accelerating growth by capturing DX needs and cashless payments.

EC

PG Multi-Payment Service

Pay-as-you-go (merchandise, digital content, etc.)

Recurring billing (taxes, utility fees, etc.)

Online advertising service

SSL Service

Delivery service

FinTech

Instant Salary byGMO

Remittance service

GMO B2B Early Payment

Early Payment service

Transaction lending

BaaS

Ginko Pay base system

GMO-PG Processing Platform

Offline/IoT

GMO Cashless Platform

Global

Z.com Payment (overseas payment service)

Overseas lending



Focusses mainly on payment processing services for online billing and recurring billing for small and medium-sized enterprises (SMEs). In FY2022, the easing of COVID-19 travel restriction and advances in countermeasures caused nesting demand to pull back and decelerate revenue growth. Initiatives to return to growth are underway by reaccelerating the pace of new merchant acquisitions, by expanding into non-merchandise sectors and deploying partner strategies. In addition, fincode byGMO, an online payment infrastructure for startup firms, was launched in May 2022.

EC

Epsilon payment service

fincode byGMO

Medical Kakumei byGMO

Delivery service

FinTech

Cycle byGMO

GMO B2B Early Payment

Transaction lending

Remittance service

Early Payment service



Focusses on BNPL payment service for B2C EC transactions, and GMO B2B Pay on Credit for B2B transactions. In FY2022, the easing of COVID-19 travel restriction and advances in preventative measures caused nesting demand to pull back. However, a recovery trend is

FinTech

GMO Payment After Delivery

GMO B2B Pay on Credit

underway thanks to initiatives to strengthen alliances with partners. Scheduled to launch a new BNPL service jointly with Sumitomo Mitsui Card Company Co. Ltd., GMO-PG and GMO-PS from Spring 2023.



Focusses on payment processing service in the offline domain. FY2022 saw a recovery in transaction volume and value at merchants adversely affected during the COVID-19 pandemic. Given the backdrop of expanding offline cashless market, transaction volume and value

Offline/IoT

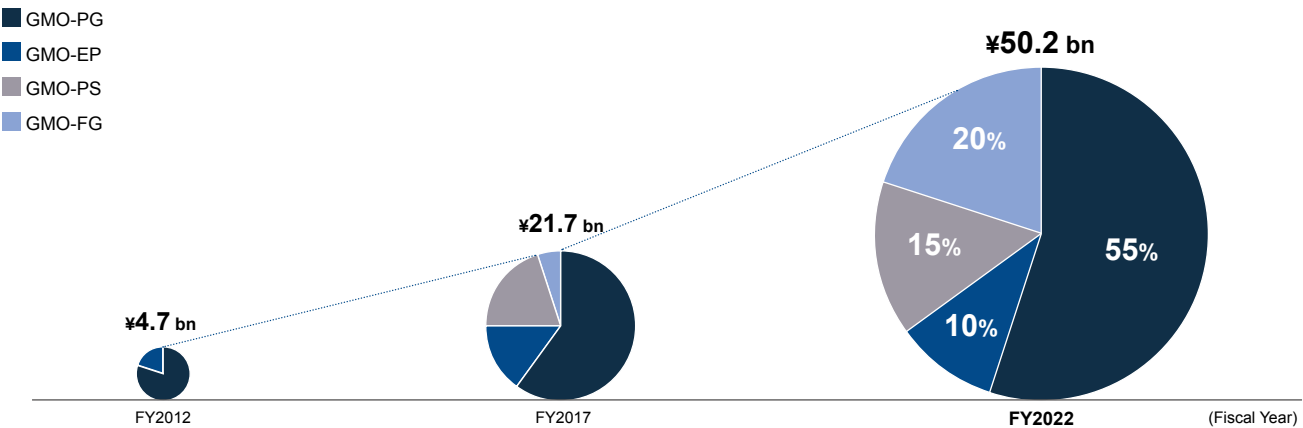
Offline payment

Manned payment

Unmanned (IoT) payment

increased thanks to the strong sales of stera terminals, the next generation payment platform. In addition, steady progress was made in winning projects in the focus areas of the Unattended Market (UM), such as automatic payment machines and ticket machines.

Major Subsidiaries: Revenue Trend\*



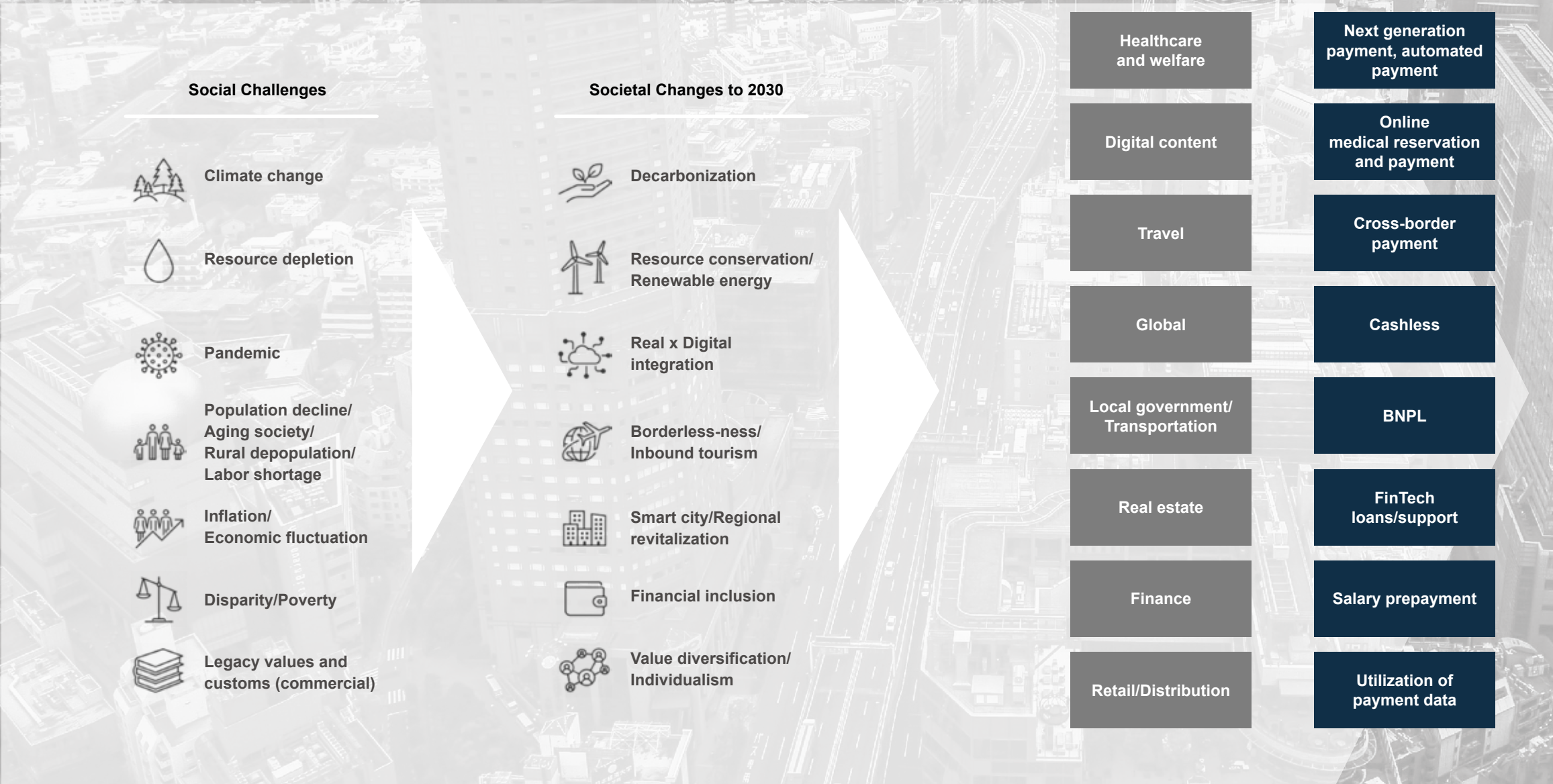
\*1 Presents the consolidated revenue figures for each account term  
\*2 GMO Financial Gate, Inc. became a consolidated subsidiary in September 2016 from an equity method affiliate (current a consolidated subsidiary).



Business Environment

Support the Transformation of Clients as They Tackle Societal Changes and Challenges

The Company aims for sustainable growth by converting challenges into opportunities given the dynamic changes in the business environment and the diverse challenges facing society. The Company provides application infrastructure to support the necessary reforms at clients tackling challenges and undergoing transformation. Leveraging the diverse client base and solutions will enable the Company to capture the huge medium-to-long term growth opportunities.



Opportunities and Initiatives

- ▶ SMS Choice Of Payment enables paperless adoption for invoicing operations
- ▶ Labor-saving store operations by digitalizing payment and accounting such as self-checkout counter
- ▶ Realize smart cities by implementing biometric authentication
- ▶ Promote telemedicine by migration to online reservation and payment
- ▶ Capture inbound demand by implementing cashless payment at hotels and tourist facilities
- ▶ Support decarbonization by driving DX and cashless
- ▶ Revitalizing communities by promoting cashless payment for public transport and local government
- ▶ Reform commercial transactions to suit the modern society by the digital visualization of legacy commercial practices and transactions
- ▶ Respond to diversifying consumption by digitalizing payment for online EC and delivery services
- ▶ Extend impact finance to FinTech companies that are promoting financial inclusion
- ▶ Enhance recruitment to address labor shortage by offering Instant Salary byGMO
- ▶ Personalized marketing by utilizing payment data



Overall Strategy

Growth Model Based on Expanding Business Domains

The Company achieves sustainable growth by continuously expanding its business domains and forging new business within the vast payment domain. The Company initially started off as pure-play credit card payment processor and later expanded to become a multi-payment processing company by onboarding various payment methods while further expanding into payment processing for taxes and utility charges. In addition, new domains such as BNPL and offline payment were addressed through consolidated subsidiaries. In recent years, the Company is accelerating its global business and DX support for payment by leveraging its expertise in payment and FinTech and aims to continuously achieve 25% operating profit growth by expanding the business domains at the parent company and each of the consolidated subsidiaries.

In the Footsteps of GMO-PG: Subsidiaries are Expanding Their Business Domains

GMO FINANCIAL GATE

P.32-33

Offline payment

GMO EPSILON

P.30

SME sector

MSB

GMO PAYMENT SERVICE

P.31

BNPL

Unmanned (IoT) payment, public institutions, value-added services

DX support, BaaS support, Global

Long duration installment/ Offline, B2B-EC

Multi-payment, non-merchandise EC

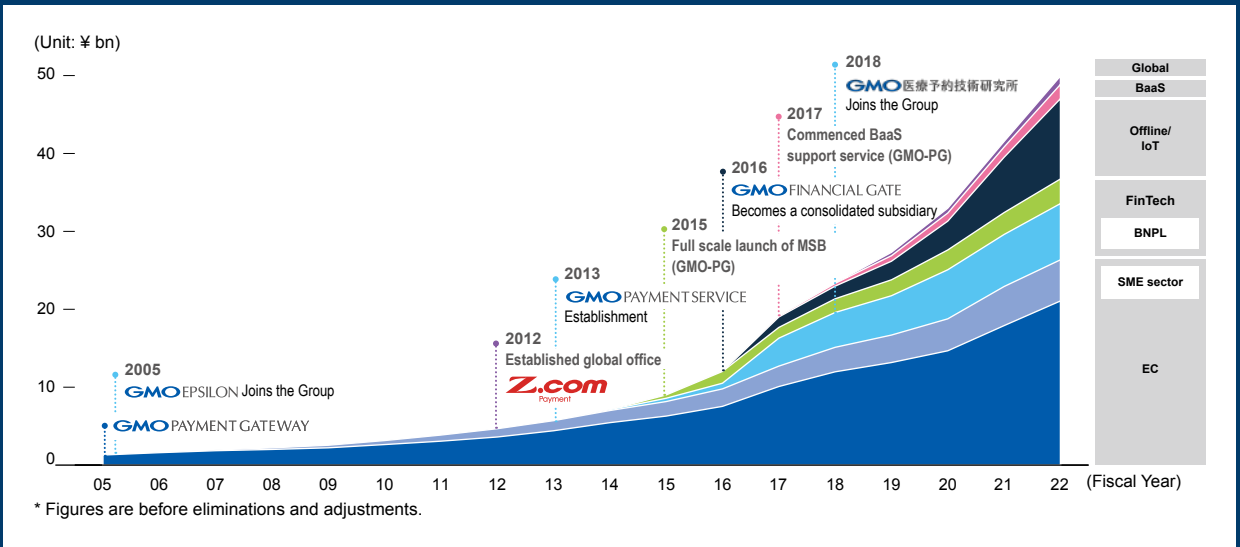
GMO PAYMENT GATEWAY

P.24-29

Growth domains Credit card payment

Sustain high growth by entering into new domains through M&A and other means

Revenue by Business Domain





Vision

Be the innovation partner that contributes to the growth and success of domestic and overseas clients by supporting their DX-centered online payment

Tatsuya Koide

Chief Managing Executive Officer  
General Manager of Innovation Partners Division



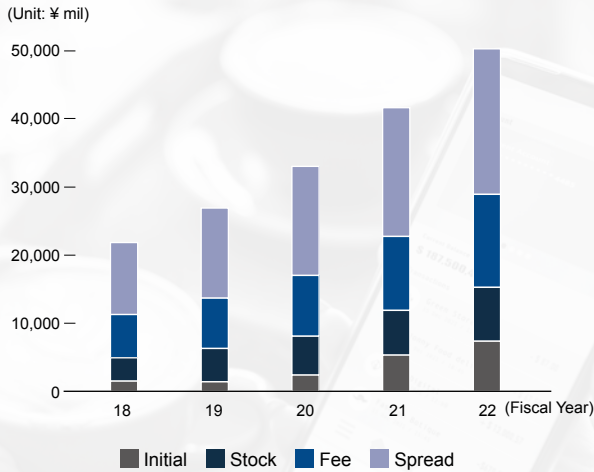
Business Model

The Company's revenues (commissions) consist of:

- One-time revenue received at service installation (initial revenue)
- Periodic and fixed revenue (stock revenue)
- Revenue received according to transaction volume (fee revenue)
- Revenue received as a percentage of transaction value (spread revenue)

These revenue streams form the four business models. In particular, spread revenue is received from merchants under the Representative Contract, where the Company carries out the merchant acquisition. The spread revenue is the growth driver and accounts for 40% of consolidated revenue. The Company has established a 'feedback model', where merchants that use the core payment processing (in the Payment Processing Business) are also offered finance-related and payment enhancement services that contribute to the merchant's revenues, thereby expanding the transaction volume and value of merchants the Company transacts with.

Consolidated Revenue Breakdown by Business Model



Implementing a High Value/High Volume Strategy

As the transaction value exceeded ¥11 trillion by scaling up businesses, the Company formulated sales strategies and KPIs to build a sustainable structure to achieve high growth and efficient sales activities at the Innovation Partners Division, the profit center, in order to pursue both the quantity and quality of profits as we head towards the ¥25.0 billion operating profit target. The sales strategy for large enterprises (the High Value strategy) will pursue proposal-based, problem-solving sales activities under the industry-specific sales structure. By developing payment platforms and applications that act as solutions to each industry's issues, we intend to expand adoption within the industry starting with the industry leader as well as drive adoption in adjacent industries by expanding the line-up of applications. Through this, we aim to achieve 40% of revenue generated from large enterprises by 2025. Under the merchant acquisition strategy (High Volume strategy), we will pursue efficiency in merchant acquisitions by shortening the lead time from inquiries (e.g. requests for sales brochures), order intake and delivery as well as diversify the merchant base by setting internal KPIs. This fiscal year is marked by an uncertain outlook and changes in the socio-economic environment such as the

cycling through of COVID-19 windfall demand in merchandise EC, and inflation and interest rate hikes depressing private consumption. However, it is in such challenging times that we need to stand alongside the client as they tackle challenges as well as strengthen our organization and sales capability in order to continuously be the partner of choice to our clients.

Sales Strategy for Large Enterprises (High Value Strategy)

Promote proposal-based problem-solving sales activities for each industry

- Expand proportion of large enterprises: Achieve **40% revenue proportion** by 2025
- Increase in proposal-based projects: Achieve **50% of total projects**

Merchant Acquisition Strategy (High Volume Strategy)

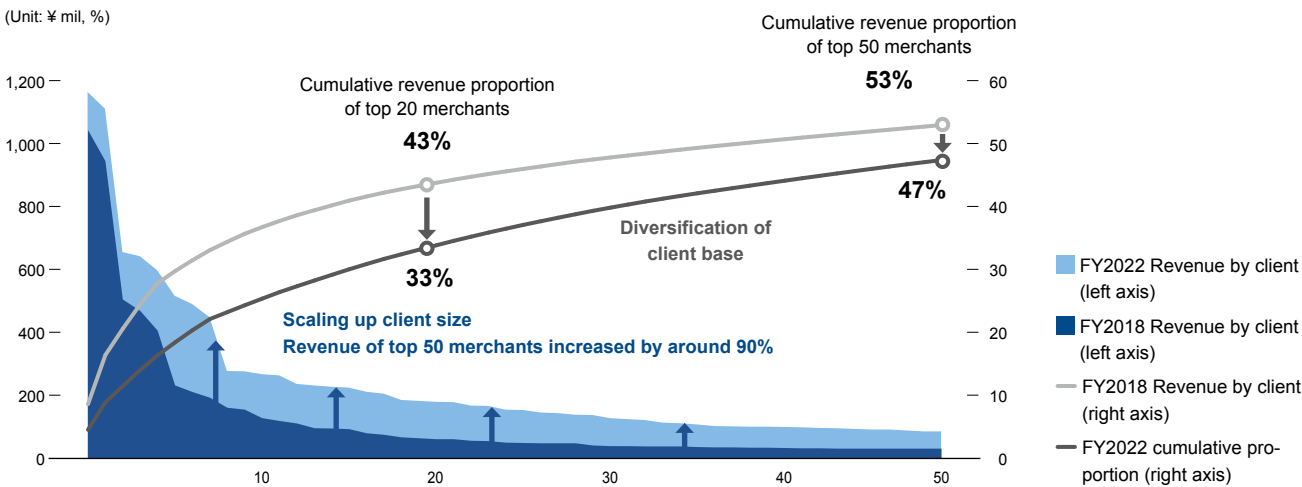
Raise sales productivity by **30%** through specialization and division of work

Scaling Up Merchant Size and Diversifying Merchant Base

The Company has organized its sales structure by industry and company size, in order to pursue client diversification and the scaling up of client size. As a result, the cumulative revenues from the top 50 clients increased by 90% in FY2022 (i.e., shift to large clients) compared to FY2018 while the

proportion of total revenue they account for declined to 47% (i.e., client diversification). Going forward, by pursuing the High Value/High Volume strategy, we intend to achieve business scale expansion and revenue stabilization.

Cumulative Revenue by Client in FY2022 vs. FY2018 (top 50 clients)







Sustain Above-Market Growth Rates by Driving EC Migration of Service Sectors such as Taxes/Utilities

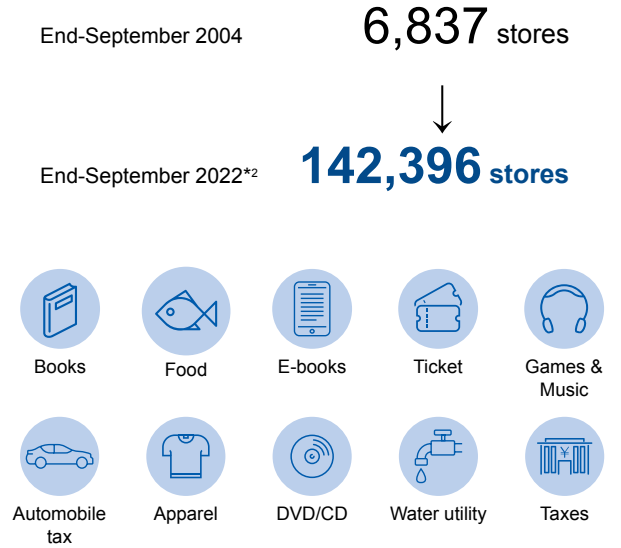
Business Environment and Growth Strategy

The B2B EC market, which is the core of the broader EC domain with a market size of ¥20.7 trillion in 2021, is forecast to continue to grow thanks to the improved convenience of smartphones and advances in logistics reforms. In addition, the online migration of payments in the non-merchandise domain such as services, taxes and public dues/utility bills are progressing steadily, which is not captured in the B2B EC statistics. Furthermore, there is large potential for business expansion in the B2B EC market (market size of ¥372.7 trillion in 2021). Recent years have seen progress in the digitalization of various service sectors driven by the accelerating social trend of DX and cashless adoption. Under this business environment, the Company aims to sustain

above-market growth rates by contributing to the resolution of social challenges through the development of industry-optimized applications and the proposal of solutions that respond to various merchant needs, such as expanding payment methods offered, strengthening security, reducing costs and transforming our business model through DX deployment. In particular, the Company focuses on EC migration and DX support for the insurance, real estate, medical sectors, as well as sectors that have not yet migrated online.

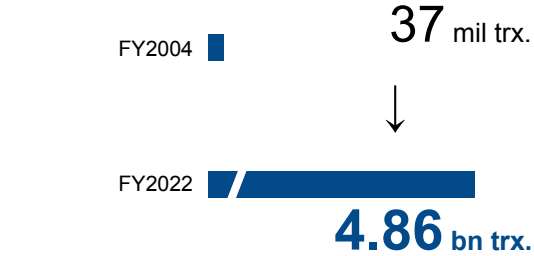
\* Ministry of Economy, Trade and Industry's "FY2021 Global Survey Project Concerning Integrated Domestic and External Economic Growth Strategy Building (E-Commerce market survey)"

▶ Number of Operating Stores\*1

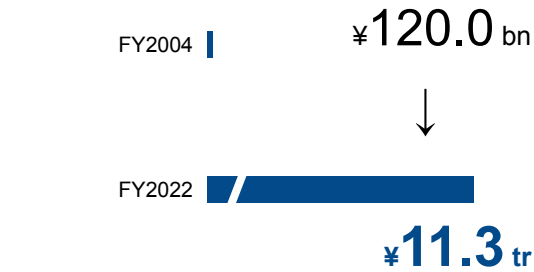


1 The number of operating stores would be 455,958 stores if adjusted for a particular case for the same period.  
2 The number of operating stores refers to GMO-PG and GMO-EP; consolidated transaction volume and value are figures for GMO-PG, GMO-EP, GMO-PS and GMO-FG.

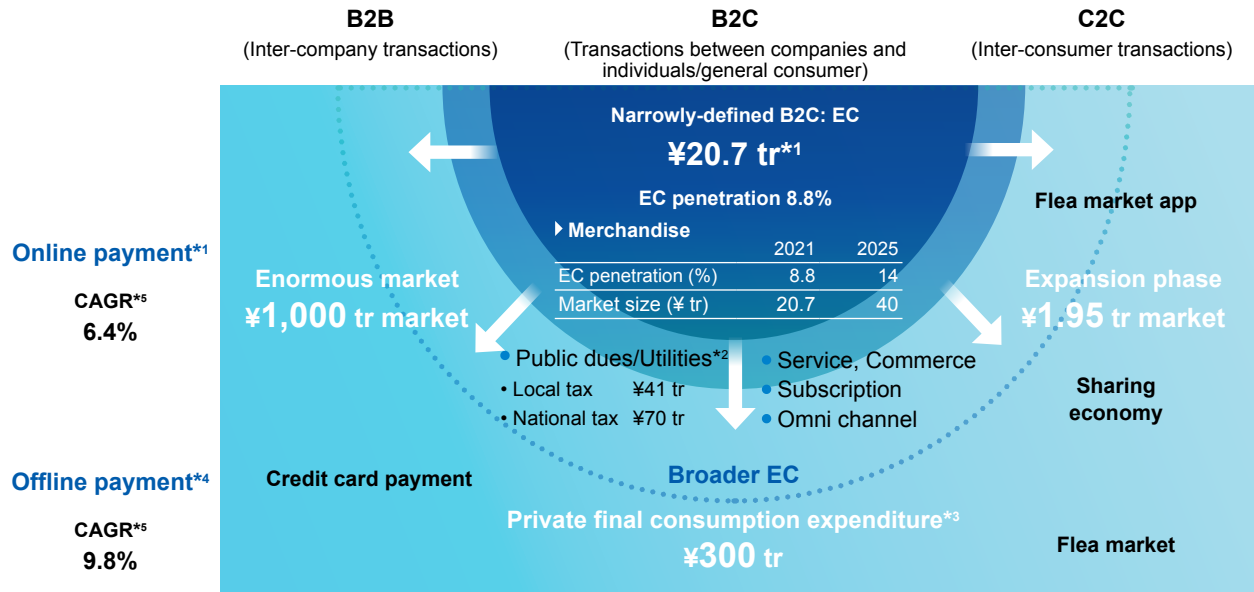
▶ Consolidated Transaction (TRX) Value\*1



▶ Consolidated Transaction (TRX) Volume\*1



▶ Business Expands In Line with the Advancement in Japan's Cashless Penetration



\*1 Ministry of Economy, Trade and Industry's "FY2021 Global Survey Project Concerning Integrated Domestic and External Economic Growth Strategy Building (E-Commerce market survey)". Figures for 2025 are our estimates.  
\*2 Ministry of Internal Affairs and Communications' "Breakdown of national tax and local tax revenue (FY2022 Budget and Local Government Finance Plan)"  
\*3 THE WORLD BANK "Household final consumption expenditure (current USD)"  
\*4 Payments Japan Association's "Cashless Roadmap 2019"; Yano Research Institute's "Domestic Cashless Settlement Market 2022"  
\*5 CAGR refers to the 5-year compound average growth rate from 2017 to 2021

TOPIC

**Provide a new smartphone payment service for the tax, public dues and utility sectors**

From October 2022, four new payment methods of PayPay, au PAY, LINE Pay and FamiPay were launched for the Bureau of Waterworks and Tokyo Metropolitan Government. Initiatives to expand smartphone services in the tax, public dues and utility sectors are progressing, such as the smartphone-based payment website that includes six payment methods for the National Tax Agency which was launched in December 2022.

**Onboard au PAY (online payment version) to PG Multi-Payment service**

PG Multi-Payment service is a comprehensive payment service that provides a diverse range of payment methods including credit card. This service not only enables an integrated dashboard to manage multiple payment methods and functions on a single screen, but also to integrate the settlement and deposit dates which can differ by payment method, thereby reducing the workload of confirming deposit and debit management. From February 2022, au PAY (online payment version) was onboarded enabling EC operators using the PG Multi-Payment service a greater variety of payment methods to be offered on their websites.



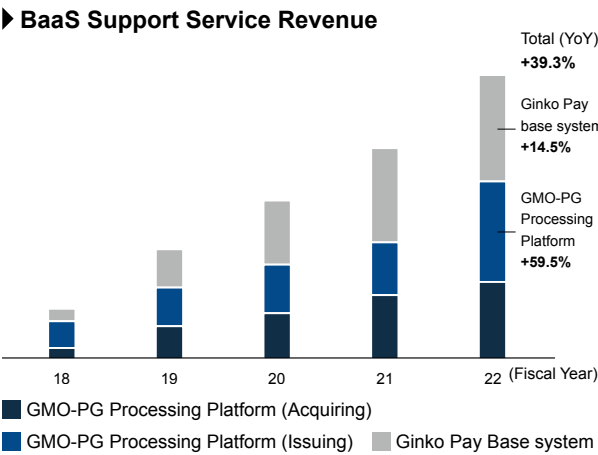
# BaaS

## Expand Lineup of Infrastructure that Support Financial Institutions' Services

### Business Environment and Growth Strategy

Financial institutions such as banks and credit card companies are enhancing their BaaS initiatives to rollout financial services. In response, the Company provides the GMO-PG Processing Platform as part of the BaaS support since 2017. In addition, business operators trying to enhance, or are newly launching, their cashless service to their customer base face significant investment burden, system development requirement for security features, and be quick to rollout the service. Given these needs, the Company improved the functionalities of GMO-PG Processing Platform from April 2022, which has reduced the cost to clients of launching their financial service. In addition, through the collaboration of four companies, the Company plans to revolutionize the current credit card issuing system from October 2023 with a low-cost and speedy card issuing ASP (Application Service Provider) service.

The Company will contribute further to the advancement of cashless society by supporting the BaaS initiatives of financial institutions and business operators going forward.



# FinTech

## Supporting Client Growth by Responding to Diverse Needs for Funds and Fund Transfers

### Business Environment and Growth Strategy

The Company offers a variety of FinTech services that address funding and fund transfer needs largely unaddressed by conventional financial services, primarily for merchants of our payment processing services. This includes services such as Early Payment and Lending that improves cashflow; Remittance Service, which executes bank transfers to individual accounts and refunds; and Instant Salary byGMO, which is a salary prepayment service. In particular, Early Payment is becoming a required function and having the fund capacity to fulfill the funding requirement is becoming a precondition to be selected by many merchants. In addition, in order to establish a foothold for the payment business within the enormous B2B market, the Company has strategically expanded financial services for inter-company transactions, such as GMO B2B Early Payment, GMO B2B AR Guarantee for the seller and GMO B2B Payment Guarantee for the

buyer, who faced heightened risk of non-payment during the COVID-19 period. In order to expand our FinTech services, the Company raised ¥8.0 billion from third party allotment in 2015, followed by two new issues of Euro-Yen Convertible Bonds with Stock Acquisition Rights that raised ¥17.5 billion in 2018 and ¥21.0 billion in 2021, respectively. These proceeds will be used to create services that support our client's growth and to respond to merchant's needs under an inflationary macroeconomic environment, as well as drive the Company's asset shift towards high profitability services. In FY2022, revenue growth of Instant Salary byGMO grew 4.5x YoY, marking a strong start, as this service responds to companies needs to strengthen their recruitment amidst the backdrop of labor shortages.



# Global

## Vision Promote financial inclusion by supporting the growth of promising FinTech startups in India, Southeast Asia and North America through investment and lending

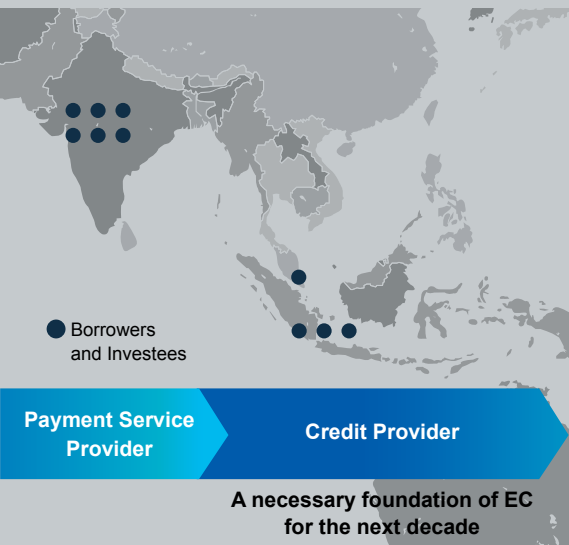
### Business Environment and Growth Strategy

Within the expanding global EC market, growth is accelerating in the Asian region, including Southeast Asia and India, which has an economic size of US\$5.5 trillion. The market has significantly evolved from the initial phase of high growth of B2C-EC players and online payment processing companies that support them. We believe the following decade will see larger B2B-EC operators and credit providers gain importance, leading to the rapid growth in businesses related to credit assessment, lending and supply-chain financing. In other words, the frontline of FinTech service is forecast to accelerate the shift towards credit function and away from the payment function in order to support the foundation of an expanding EC market. The Company has carried out investment and lending to support the growth of leading FinTech startups in USA and Asia countries. Lending business begins by providing small loans to new borrowers after which the loan is increased to medium and larger amounts depending on the performance, yielding a return of over 10% per annum.

In FY2022, financial services in Asia grew 66.3% thanks to new loans executed, which drove overall global business revenue to increase by 51.7% and operating profit by 227.5% YoY. Investment activities are decided on a 10-year outlook of market conditions and recovery. In FY2022, we recorded ¥166.9 billion in gains from the sale of overseas investments from the divestment of the former equity method affiliate 2C2P Pte. Ltd. Given the uncertainty over economic conditions, we will deploy lending, minority or majority investment flexibly by taking into consideration the valuations of target companies. The loan and investment portfolio is likely to increase threefold from current levels given the pipeline visibility for loans and investments into promising new startups, especially in Singapore and India. In the future, we aim to increase the number of Asian FinTech unicorns supported by the Company several fold versus current levels, by leveraging our track record in overseas business over the past decade and improved recognition of the Company.

### TOPIC

The emergence of high-growth FinTech companies is increasing in Southeast Asia and India thanks to the acceleration of economic growth and digitalization. The Company has established an office in India to strengthen local activities and will continue to support micro-finance. The Company also executed new loans in FY2022 to an agricultural sector FinTech company that supports farmers in Indonesia with working capital loans by leveraging technology and agricultural technology as well as to a lending platform company in India that provides fund raising methods based on revenues for small EC operators. We aim to further strengthen our revenue base by expanding loans and investments to high-growth FinTech startups that are addressing the fund supply gap and financial inclusion issues.





Vision

GMO Epsilon aims to evolve into an innovator that astounds SMEs businesses in the web-service sector through ‘payment’

**Kazunari Taguchi**

GMO Epsilon, Inc.  
President and CEO



Vision

From payment processing to payment business; from conventional deferred payment to BNPL. Expand BNPL to a wider domain beyond merchandise EC.

**Katsunari Mukai**

GMO Payment Service, Inc.  
President and CEO



Business Environment and Growth Strategy

GMO-EP provides a simple and quick implementation of online payment services, free of any upfront charges, exclusively to SMEs that want to start EC business given the widespread use of EC. In recent years, the EC market grew significantly from nesting demand but is currently experiencing sluggishness due to the cycling through of nesting demand particularly in the merchandise sector. In order to return to a growth trajectory and to build an earnings structure that is resilient to market volatility, GMO-EP is focusing on

diversifying new merchant acquisition to platform services and subscription service providers. To this end, GMO-EP is pursuing new businesses that respond to the various needs of merchants and to strengthen its partner strategy. GMO-EP launched fancode byGMO in May 2022, an online payment infrastructure with high flexibility and scalability targeting startups and will continue to support the innovations by clients in the payment domain.

TOPIC

A new online payment infrastructure ‘fancode byGMO’ was launched in May 2022, targeting startups. This service responds to issues faced by startups and enables a shorter lead time for implementing a payment function with its engineer-focused design, a wide array of development supporting content and backup provided by teams well versed in the client’s business and development. Going forward, we will carry out frequent updates to the development assets to reflect prevailing trends while aggressively incorporating user’s feedback.



Business Environment and Growth Strategy

Since its service launch in 2013, GMO Payment After Delivery has been used by many merchants and consumers. BNPL payment is a popular payment method among consumers that are non-cardholders or prefer not to use credit cards, enabling operators to expand their reach to consumers undressed by conventional payment methods. BNPL is positioned as a highly convenient, cash alternative method of payment with considerable growth potential. Given this backdrop, a new BNPL service will be launched in Spring 2023 to further strengthen our lineup. By expanding the functionality

of GMO Payment After Delivery to evolve into a full-fledged BNPL payment service much like the US/Europe version, this new service will enable merchants to improve UI/UX and thereby maximize their revenue potential. GMO-PS aims to expand its revenue base by addressing the non-merchandise EC domains such as digital content and services, compared with the conventional merchandise EC merchants. GMO-PS will continue to contribute to client’s growth by providing payment services that respond to the merchant’s needs.

TOPIC

A new BNPL service is scheduled to be launched in Spring 2023, in collaboration with Sumitomo Mitsui Card Company Co. Ltd., GMO-PG and GMO-PS. This new service will provide a novel BNPL service by leveraging the expertise garnered from Payment After Delivery and its base system as well as Sumitomo Mitsui Card Company Co. Ltd.’s know-how in credit assessment and installment payment. More concretely, the new service plans to offer long duration installment

payments and offline BNPL by utilizing stera’s payment platform with an aim to be the No.1 BNPL service provider in Japan.





Vision

Lateral and vertical expansion to acquire merchants and avoid concentration in any single industry/sector

Building a positive feedback loop where establishing a solid track record enhances the ability to acquire new merchants

Kentaro Sugiyama

GMO Financial Gate, Inc.  
President and CEO



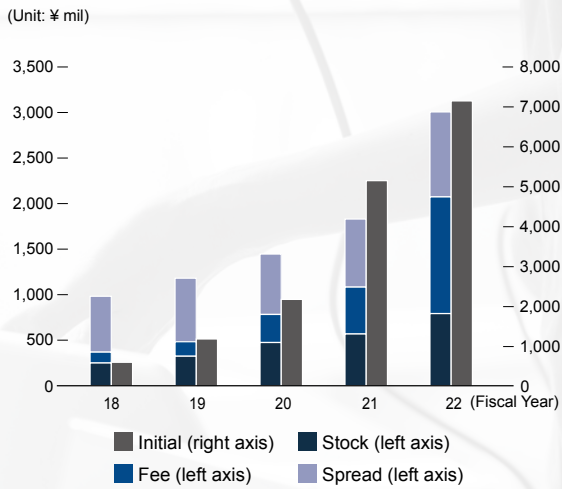
Business Model

GMO-FG addresses the offline market and conducts business in the Offline/loT domain, one of the five focus areas. The revenue generation from this domain (i.e., revenue from payment terminal sales and commissions) are as follows:

- Revenue from sale of payment terminal (initial)
- Periodic and fixed rate revenue (stock)
- Revenue based on a fixed charge on the number of transaction (fee)
- Revenue based on a percentage of transaction value (spread)

The above revenues are classified as the four business models. The current revenue mix consists of 70% initial revenue and 30% stock-type revenue (the sum total of stock, fee and spread). However, in FY2022, the growth rate of transaction-based revenue is increasing due to the reopening effect, with stock-type revenue growing 62.9% YoY and initial revenue growing 38.6% YoY.

▶ GMO-FG and CAS Revenue by Business Model



Business Environment and Growth Strategy

GMO-FG's business opportunity is expanding thanks to the high growth of offline payment market and the government's promotion of cashless adoption. In addition, the progress of IoT, which connects various appliances to the internet, and the expansion of the Unattended Market (e.g. vending machines and automatic service machines) is expanding the addressable offline cashless market size to an estimated ¥128 trillion in 2025.\*

The offline cashless payment platform consists of a payment terminal, payment processing center and payment processing service, offered to a diverse range of merchants across industries. Large merchants in particular have various needs such as data linkage between the merchant's in-house system and GMO-FG's payment processing center, reducing labor cost, realizing unmanned operations, and achieving

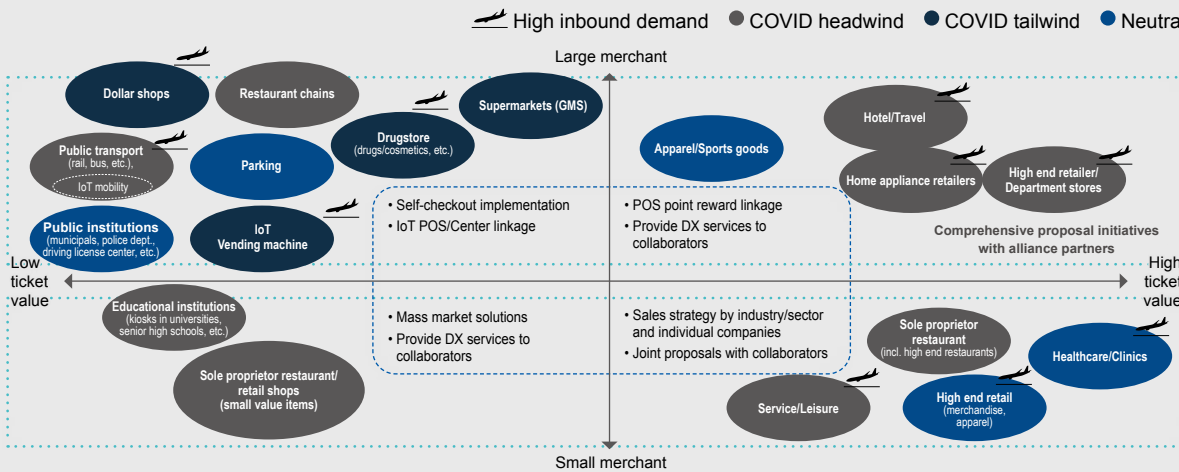
payment compatibility with house reward schemes. In order to respond to and realize these needs, GMO-FG has developed a high-retention platform that leverages our engineering capability. We intend to drive offline cashless market expansion by leveraging these solution assets and expanding laterally to other industries and merchants. Furthermore, the payment platform stera, which was developed in collaboration between Sumitomo Mitsui Card Company Co. Ltd., Visa Worldwide Japan Co. Ltd. and the Company, is steadily expanding from the reopening effect and contributing to cashless adoption in the offline market.

\* Figures are the Company's estimates based on Payments Japan Association's "Cashless Roadmap 2019"; Yano Research Institute's "Domestic Cashless Settlement Market 2022."

TOPIC

Despite the number of new cases of COVID-19 hovering at an elevated level in Japan, sectors that were adversely affected from COVID-19, such as travel and accommodation, are gradually recovering. GMO-FG's merchant portfolio is not concentrated in any particular sector and provides the cashless payment platform to

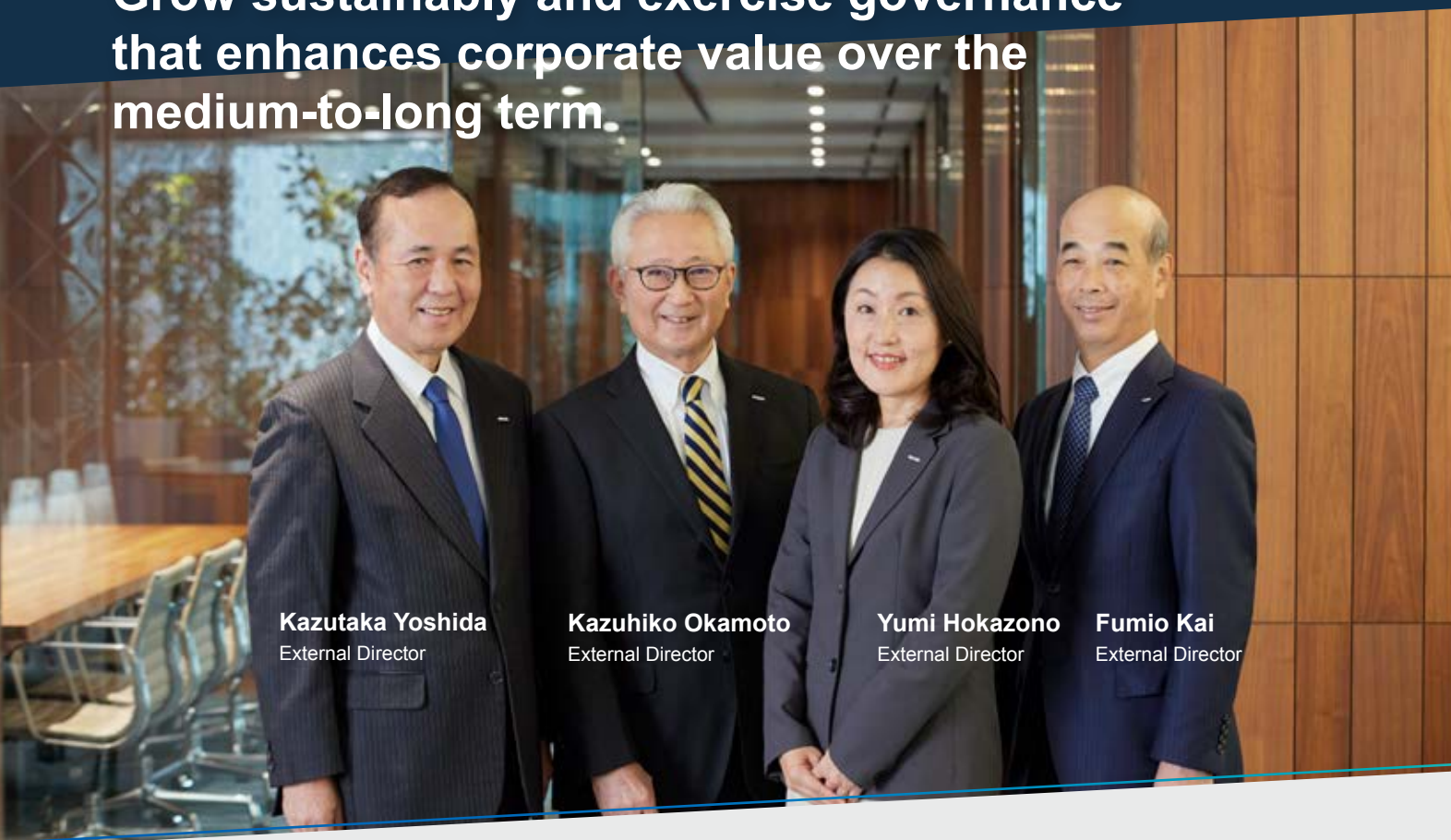
various travel and hotel related merchants. Although the current expectation is centered on recovery in domestic demand to drive transaction growth, the weak yen and alleviating COVID-19 situation is expected to lead to a recovery in inbound demand to further drive transaction growth.





## Roundtable Meeting of External Directors

Grow sustainably and exercise governance that enhances corporate value over the medium-to-long term.



**Kazutaka Yoshida**  
External Director

**Kazuhiko Okamoto**  
External Director

**Yumi Hokazono**  
External Director

**Fumio Kai**  
External Director

It has been one year since the new governance structure was put in place. The External Directors and Audit and Supervisory Committee members have assembled to discuss governance and the Company's strong points.

**Firstly, please elaborate on how you perceive your role as External Director and your perspective in carrying out management oversight.**

**Okamoto** The phrase I use when introducing myself at the General Shareholder's Meeting is "to take the position of a non-controlling shareholder." It is important for an External Director, especially as a member of the Audit and Supervisory Committee, to ensure the executive branch is not adopting policies that might impair the interest of non-controlling shareholders. The Company undertakes payment business, which is a critical infrastructure of the economy. Disruption of this platform would have serious consequences for consumer and corporate activities. My stance is to thoroughly supervise these points. On the

other hand, the difficulty in securing good talent given the rapid growth of the FinTech industry is an issue for sustainable growth. These are the points I raise based on my experience of managing payment services companies.

**Hokazono** As a certified public account, I convey the importance of risk management such as the J-SOX Act, the Three Lines of Defense (a structure where business executing divisions, managerial divisions and internal audit divisions each play their respective role in risk management) and the management of affiliates. Transitioning from a Board of Audit to an Audit and Supervisory Committee implies that verifying the structures in place to strengthen statutory disclosures, such as the Annual Securities Report, is a primary focus from a CPA perspective.

**Yoshida** I have worked at hardware/software manufacturers, system integrators (Slers) and now I oversee an application and service platformer, which is what the Company is - a platformer. Based on this career, I think a platformer's strength is in its business model and talent development. On the other hand, there are some areas that require attention. First is the operation and buildout of IT management. In addition to proprietary on-premise platforms and systems, additional governance perspectives need to be addressed for cloud-based systems. The second point is strengthening cyber security measures. It is necessary to closely verify the management's perspectives on these issues. The third point is maintaining system quality/integrity and reducing the number of material incidents. While the number of incidents is declining yearly, we must still remain vigilant. In recent years, project management is a new area of focus. Further business expansion will require new and customized systems which will make project management skills increasingly important. It will be crucial to maintain QCD (quality, cost and delivery), talent and skill development.

**Kai** During my Bank of Japan tenure, I was involved in economic analysis, financial market operations and monetary policy related positions. In addition, I was involved in revising the organization, remuneration and human resources with the amendment to the Bank of Japan Act and oversaw the payment clearing network Zengin system. In addition, from a position of examining financial institutions, I have become familiar with the management of a wide array of 'personalities' in financial institutions ranging from credit associations to mega banks. After that, I experienced being an External Director and Auditor when corporate governance initiatives were progressing in society. I would like to contribute my expertise in financial operations given that the Company undertakes financial functions such as credit facility and overseas lending, especially given the fact that the size of funds managed and raised is increasing. In addition, I intend to deepen discussions with the executive branch to ensure that the internal control structure is commensurate with the rapid growth in the business scale and domains.

**Please elaborate your views on the Company's strength and your expectations going forward.**

**Okamoto** The difference between a platformer and an Sler, is that an Sler is a hunter-gatherer, to use an analogy, based on their style of generating large profits from winning large projects. Compared to this, a platformer is a sedentary agricultural tribe. The major strength of an agricultural tribe lies in continuously cultivating services, supporting the client's efficiencies and enhancing value in order to reap the harvest every year, in other words, to build a sustainable revenue base. The hunter-gatherer aims to capture the biggest prey that makes it difficult to have an agricultural mindset.

**Yoshida** Indeed. Sler's business is based on project units which carries the risk of losing a bid or booking losses on a project. A platformer can generate revenues over the medium-to-long term by offering services from development all the way to operation. Conversely, an Sler will therefore foster a heightened sense of vigilance over project management. I see the need to foster a similar mentality and a sense of vigilance in managing projects.

**Kai** I think the Company has very high aspirations to expand further, going from its origin as a dedicated credit card payment processing company to a platformer, and not resting on its laurels by still vying to advance to the next stage. Of special note is the achievement of continuously growing operating profit by 25% amidst the heavy social responsibility placed on the Company in terms of compliance and providing uninterrupted payment services, which form an important part of the social infrastructure. While a number of companies delegate decisions to the executive officers for individual projects, the Company deliberates on them not only at the Management Committee but with each director, including the president, making pertinent arguments from their respective areas of expertise both from a defensive and offensive perspective for each and every important project. Achieving 25% growth while fortifying its defenses and fulfilling the





**Kazutaka Yoshida**  
External Director, Chairman of Audit and Supervisory Committee  
Chairman of Nomination and Remuneration Committee  
Appointed as External Director in December 2021, previously External Auditor from December 2016. Previous positions included Executive Officer of IBM Japan, Inc. and Senior Executive Office and General Manager of Technology Division of JSOL Corporation.

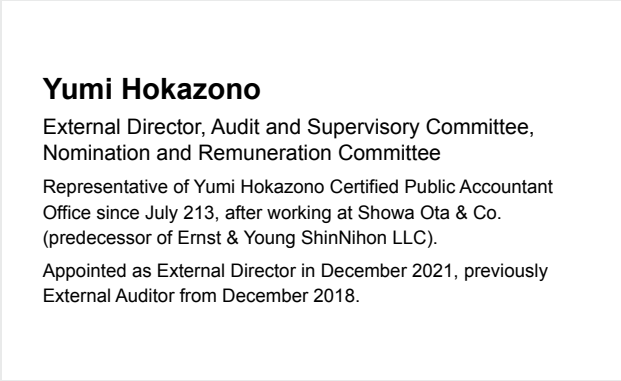
commitment to shareholders is a testament to the organization’s overall controls and it is the Company’s notable strength to have high aspiration towards growth that should be treasured.

**Hokazono** The organization has made steady progress in developing its organizational strength with the increase in the number of professionals such as accountants and attorneys assigned to the Accounting Division and Legal Department. This is possible thanks to the new human capital as well as the accumulated expertise from the past.

**Okamoto** From a macro perspective, the business domains addressed by the Company have significant growth potential. Japan’s cashless penetration is just around 30% compared to South Korea 90%. Japan’s cashless penetration is rising but most of the market is still a blue ocean if one assumes that penetration rates will increase to 80%~90%. If the Company can continue to pioneer into this blue ocean and maintain its position in business development, I am optimistic on the outlook.

**Lastly, please elaborate on areas that need to be strengthened to achieve sustainable growth.**

**Yoshida** The important point is how the internal control structure is developed and operated. The development and operation of internal control systems is based on three concepts. First, is the overall management by internal control. Second, is the overall company risk management as represented by the Risk Management Committee. Third, is the Three Lines of Defense. The important challenge is to raise the effectiveness of such an internal control structure. For example, from a risk coverage perspective, close attention must be paid to how the specific risks of each division are captured in the overall Company’s risk assessment and how internal control is incorporated into decision-making bodies. For the System Division, it is important to have proactive management that preemptively takes measures to constantly verify responses when/if an incident occurs and how to examine the possibility of incidents that occur at other companies happening at the Company.



**Yumi Hokazono**  
External Director, Audit and Supervisory Committee, Nomination and Remuneration Committee  
Representative of Yumi Hokazono Certified Public Accountant Office since July 213, after working at Showa Ota & Co. (predecessor of Ernst & Young ShinNihon LLC).  
Appointed as External Director in December 2021, previously External Auditor from December 2018.



**Kazuhiko Okamoto**  
External Director, Audit and Supervisory Committee, Nomination and Remuneration Committee  
Previously held positions include Vice President in charge of Japan and South Korea of GNES division of American Express Japan Co. Ltd., Deputy Representative Director and Representative Director of Visa Worldwide Japan Ltd. Appointed as External Auditor in June 2017 and became External Director from December 2021.

**Okamoto** I agree. Especially for security measures, it is important for a platformer to respond preemptively to demands from government. It is necessary to assess what needs to be done, as the best precaution is to be preemptive.

**Hokazono** From an internal control standpoint, the scale of the Company allows the management to oversee the details and exercise governance. However, continuing to grow 25% will further scale up the organization. Therefore, I would like to further discuss how to have a more layered and stratified organizational structure in order to increase the checks and balances between the frontline and management.

**Kai** I feel the Company is at an important juncture to consider the optimal organization, given the speed of growth and changes underway. There are cases elsewhere where suboptimal decisions are made to tackle issues based only the company’s values, which goes

against the societal trend to utilize external directors. The Company has transitioned to the Audit and Supervisory Committee structure and increased the number of external directors, making it possible for Audit and Supervisory Committee members that are external directors to participate in the decision-making process of the Board. The required work is to effectively match the Company’s internal values with those of the external directors’ views. With the help of explanatory meetings held prior to Board meetings and discussions with executive officers, external directors are able to deepen their understanding of the Company and industry and contribute to fruitful discussions from their respective area of expertise. I believe that the Company is in this stage of deepening communications and is making steady progress to strengthen its governance function. I look forward to the Company challenging itself to even loftier goals through activities to further refine the organizational operations.



**Fumio Kai**  
External Director, Audit and Supervisory Committee  
Previously held positions include Associate Director-General of Institute for Monetary and Economic Studies of Bank of Japan; General Manager of Akita Branch of Bank of Japan, General Manager of Deposit Insurance Department of Deposit Insurance Corporation of Japan. Currently the Outside Director of FIDEA Holdings Co. Ltd. Appointed as External Director in December 2021.

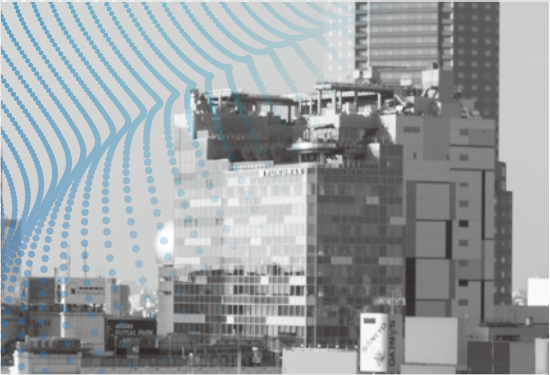


# Sustainability Management

## Driving the Progress and Advancement of Society by Supporting DX and Decarbonization.

### Promote Social Inclusion through "Credit x Digital."\*

Based on the management principle to “pursue both material and spiritual prosperity through our contributions to the progress and development of society,” the Company engages in SDG (Sustainable Development Goals) initiatives by driving social innovations in payment and financial technology, as well as providing services centered on payment that support DX, paperless, cashless and online migration. In addition, the Company will contribute to social inclusion where everybody participates and embraces diversity.



► Focus areas for the realization of sustainability

The Company focusses on the following areas stated below for the realization of a sustainable society, reflecting the opinions of stakeholders and business considerations. Going forward, the Company will identify the relevant materiality issues that should be prioritized from a medium-to-long term perspective in order to advance its sustainability management.

| Focus Areas   | Related ESGs  | Contribution to SDGs   | Concrete initiatives  | External evaluation  |
|---|---|--|---|--|
|    | <b>Digital inclusion*1</b><br><div><div>E<br/>Environment</div><div>S<br/>Society</div></div>   |     | <ul style="list-style-type: none"><li>► Realize a convenient and comfortable society by promoting cashless adoption and raising EC penetration</li><li>► Support merchants with varied forms of digital sales such as EC websites and delivery through payment services</li><li>► Open innovation with numerous business partners</li></ul>   | <div><br/>FTSE Blossom Japan Sector Relative Index</div> <div><br/>MSCI ESG RATINGS BBB</div> <div><br/>S&amp;P/JPX Carbon Efficient Index</div> <div><br/>Great Place To Work Certified</div> <div><br/>2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)</div> |
|   | <b>Financial inclusion*2</b><br><div><div>E<br/>Environment</div><div>S<br/>Society</div></div> |    | <ul style="list-style-type: none"><li>► Provide impact finance to FinTech companies that promote financial inclusion</li><li>► Instant Salary byGMO service enables salary paid at the preferred timing</li><li>► Access to EC for non-credit card holders by offering BNPL</li><li>► Lending service provides loans to operators for working capital needs</li></ul>   |  |
|  | <b>Environmental contribution</b><br><div><div>E<br/>Environment</div></div>                    |     | <ul style="list-style-type: none"><li>► Support merchants' decarbonization by supporting DX initiatives such as paperless operation</li><li>► Commence payment processing using what is effectively renewable energy</li></ul>  |  |
|  | <b>Human capital contribution</b><br><div><div>S<br/>Society</div></div>                        |    | <ul style="list-style-type: none"><li>► Utilize diverse human resources (promotion of diversity)</li><li>► Based on the corporate culture that “people determine the company,” support personal growth through proprietary human resource development programs and share in the corporate vision</li><li>► Based on the idea that “a company is a place to foster personal growth,” provide a workplace to fully unlock the potential and capability of the workforce</li></ul> |  |
|  | <b>Practice of sound management</b><br><div><div>G<br/>Governance</div></div>                   |    | <ul style="list-style-type: none"><li>► Develop systems for an effective corporate government</li><li>► Develop a comprehensive risk management structure</li><li>► Strengthen information security as the highest priority issue</li></ul>   |  |

\*1 Initiatives to realize a society where everyone enjoys the benefits of digital technology, where no one is left behind and the disparity in access to digital technology is eliminated

\*2 Initiatives to realize a society where everyone enjoys the benefits of financial service, where no one is left behind and the disparity in access to financial service is eliminated





Environment

Governance

The executive vice president bears responsibility for climate change issues at the Board and to reflect/incorporate all environment related issues to the Company’s management strategy and management targets. The management team including the president and executive vice president carries out deliberations on policies related to sustainability activities, reviews the progress, evaluates plans, reports the progress to the Board and compiles measures to reflect the feedback received. In addition, the Board receives periodic reports from the Risk Management Committee on its discussions, verifications and findings to help the Board monitor the responses and impact of climate related issues on the overall Company.

Strategy

Based on scenario analysis methods recommended by the Task Force on Climate Related Financial Disclosures (TCFD), the Company identifies those potential risks and opportunities arising from future climate change. By referring scenarios presented by the Intergovernmental Panel on Climate Change (IPCC) and International Energy Agency (IEA), we have identified the climate change related risks and opportunities based on scenarios related to changes in natural and social environments.

► Estimated scenario (1.5°C scenario)

- Rapid progress in the reduction of CO<sub>2</sub> emissions arising from the transition to a decarbonized society
- Regulatory tightening from carbon pricing, etc.
- Changes in needs from heightened environmental awareness by stakeholders

► Risks and Opportunities Associated with Climate Change

| Classification  |                          | Risks and opportunities   | Timeline             | Initiatives   |
|-----------------|--------------------------|---|----------------------|---|
| Transition risk | Policy, laws/regulations | • Increase in cost of business from implementation of carbon tax  | Medium-to-long term  | • Implementation of what is effectively renewable energy at major data centers  |
|                 | Market, services         | • Loss of business opportunity from inability to fulfill the client's needs for reducing environmental burden   | Medium-to-long term  |   |
|                 | Evaluation               | • Increase in fund procurement cost, recruitment cost and negative evaluation from stakeholders from being regarded as insufficiently responding to climate change issues           | Short-to-medium term | • Promote ESG-related information disclosure  |
| Physical risk   | Chronic                  | • Increase in electricity cost from higher burden on air-conditioning caused by the rise in average temperatures  | Medium-to-long term  | • Improve efficiency at data centers  |
|                 |                          | • Impact to operations from spread of infectious diseases and wind/water disasters due to rise in average temperatures  | Medium-to-long term  |   |
|                 | Acute                    | • Suspension of operations and services due to personnel loss, data loss and/or damage to data centers caused by abnormal weather and natural disasters                             | Short-to-medium term | • Select data center locations less impacted by natural disasters<br>• Redundancy configuration of systems, dispersion and multiplexing of data centers<br>• Compilation of business continuity plans (BCP) |
| Opportunity     | Market, services         | • Increase in demand for the Company's services that enables online, cashless and paperless migration due to the increase in social demand for environmentally conscious management | Medium-to-long term  | • Pursue current strategy of DX support   |
|                 | Evaluation               | • Rise in corporate value and improved evaluation from stakeholders from aggressive involvement to tackle climate change problems   | Short-to-medium term | • Promote ESG-related information disclosure  |

► Response to climate change (information disclosure based on TCFD recommendations)

The Company promotes online, cashless and paperless migration, which has a low environmental footprint compared to conventional payment services. In addition, financial-related services such as lending, is offered to domestic and overseas operators involved in online and FinTech services that have a similarly low environmental

footprint as the Company. Through such services, we aim to achieve the decarbonization of society and our customers and the transition to a carbon-free sustainable society. In addition, the Company is working to expand climate change-related information disclosure as per TCFD recommendations.

Risk Management

Recent years have seen a worsening of climate change issues, and services offered by the Company may also be impacting the climate and natural resources through CO<sub>2</sub> emissions from electric power consumption. To combat this issue, the Risk Management Committee comprehensively undertakes an assessment of and response to natural disaster risks, including climate change. The Company convenes the Risk Management Committee once every quarter to implement measures effectively and efficiently by incorporating climate related risks into the overall risk management. Risk incidents are classified into six categories according to the quantitative evaluation based on two metrics of monetary impact and frequency of occurrence. The foreseeable risks and general risks are evaluated and selected across the Company by employees above a certain position. Of those, risk incidents that exceed a certain threshold are designated as material risk, and each Division must consider and implement responses. Consideration and response to the material risk is further deliberated by the relevant Division after incorporating the opinions of external experts. This is examined and debated at the Risk Management Committee and reported to the Board.

► GHG Emissions

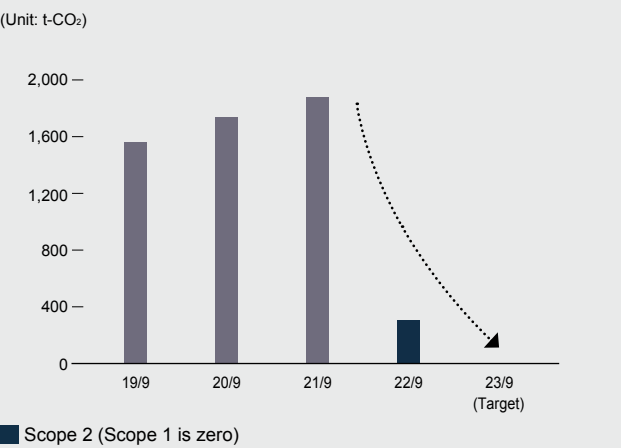
| (Unit: t-CO <sub>2</sub> )                    | FY2019 | FY2020 | FY2021 | FY2022            |
|---|--------|--------|--------|-------------------|
| Scope 1* <sup>1</sup>                         | 0      | 0      | 0      | 0                 |
| Scope 2* <sup>2</sup>                         | 1,559  | 1,736  | 1,883  | 308               |
| Scope 3* <sup>3</sup>                         | —      | —      | 24,015 | Under measurement |
| Category I (product procurement and services) | —      | —      | 15,178 | —                 |
| Category II (use of products sold)            | —      | —      | 3,344  | —                 |
| Other   | —      | —      | 5,493  | —                 |

\* Note: Compiled from electric power usage at offices and data centers of major GMO-PG consolidated companies  
\*1 Scope 1: Direct emissions from owned or controlled sources  
\*2 Scope 2: Indirect emissions from the generation of purchased electricity, heating and cooling, etc.  
\*3 Scope 3: All other indirect emissions that occur related to the Company's activities

Indicators and Targets

In order to contribute to realizing a sustainable society, the Company is undertaking initiatives to reduce greenhouse gas (GHG) emissions related to business activities. In FY2022, the Company implemented what is effectively renewable energy for electric power consumptions at major data centers, which consume the bulk of business-use electricity. The Company will achieve zero GHG emissions (under Scope 1+2) in its operations, including offices and all other data centers, by FY2023. In addition, in order to carry out supply chain engagements, the Company has commenced discussions with payment terminal manufacturers to assess GHG emissions during the manufacturing process and the appropriate measurement of electric power consumption at the time of offline payment, in order to accurately measure GHG emissions of payment terminals which constitute the bulk of Scope 3 emissions. The Scope 1 and 2 GHG emissions data for FY2022 is being verified by a third-party organization.

► Trend of GHG Emissions





# Human Resource Strategy



In order to realize sustainable growth and based on the corporate culture that “people determine the company,” all employees are involved in recruiting and fostering talented individuals, as well as in improving the working environment.

**Kiyonobu Inayama**  
Executive Director, Executive Manager of Human Resources Management Department

## HR Strategy Meeting

A strategic meeting held once a week exclusively on human resources is the venue for all management to seriously think and face issues for human resources.

**Participants** Executive Vice President, Chief Managing Executive Officer, President of GMO-EP, President of GMO-PS, Human Resources

**Frequency** Once weekly

**Agenda** Recruitment, talent development, health management strategy, utilization, development of structures and environment for human resources

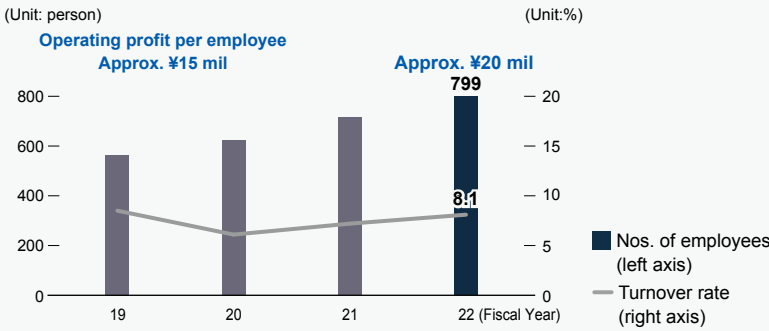
## A diverse human resource base is the source of a company's comprehensive capability and competitiveness

### Candidate requirement

The Company's basic view is that recruits must have high levels of capability and humanity in order to realize the Company's philosophy of “pursuing both spiritual and material prosperity by contributing to the advancement and progress of society.” Based on this view, in addition to business execution ability and skills, a candidate must also have high aspirations under the Company's practices of “Everyone is the President,” “Responsibility of others is also yours” and “Integrity.”

### Human resources

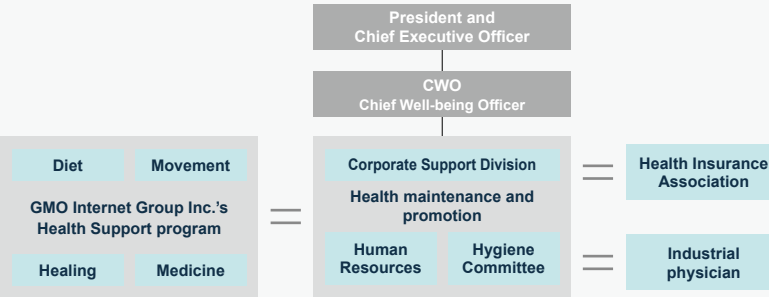
Corporate growth is supported by balancing both higher productivity and scaling up the organization, by constantly being aware of the management KPI of operating profit per employee.



## Initiatives for health maintenance and improvement and enhancement of job satisfaction

### GMO-PG health declaration “Well-being with Partners”

It is indispensable for partners to be healthy and active in order to realize the management philosophy and corporate growth. A CWO (Chief Well-being Officer) has been appointed to develop the organizational structure to achieve this and a wide array of employee benefits and welfare based on “healing,” “diet,” “movement” and “medicine” are available to partners.



## All-hands-on-deck approach to recruiting and mentoring

### Views on recruitment

Based on the slogan, “everyone participates in recruitment and talent development,” the management team and each and every partner comes together on recruitment and talent development. The Company adopts a scheme for referrals from partners of potential recruits they want to work together with, based on the view that a partner's personality and appeal attracts new talent much like a ‘company with magnetism’.

### No.1 & STEAM Talent recruitment ~ New grad recruit annual wage ¥7.1 million program ~

The GMO Internet Group, Inc. promotes remote work and business operational efficiency to improve productivity. The profit generated from such activities are fed back to the Group's partners (employees) under the project called “No. 1 in Wages Project from Future Rent Reduction & RPA/ AI/robotic implementation.”\* As part of this project, the Company has launched “No.1 & STEAM Talent Recruit ~ New grad recruit's annual wage of ¥7.1 mil Program” to attract talent with the highest potential among the new graduate generation.



\* An initiative to raise the consolidated operating profit margin through profit growth and productivity gains. The funds generated when margins exceed a certain threshold are returned to partners in the form of wages.

## Design your own career

### Career design system and in-company short-term study program

The Company adopts a Career Design System whereby all partners can apply for reassignment and job rotation based on their preference of their own medium-term career design, once a year. In addition, an in-company short-term study program is available to provide alternative career experience and growth potential to partners as well as vitalize the organizational collaboration and personnel interaction amongst teams.

### Person-to-person training (OJT model)

This is a system whereby new grad recruit can select the division and colleague they prefer to work with, by undergoing an OJT period to provide an overview of all the operations at the Company.

### Fostering the next generation leaders and management training

The Company has an aggressive HR practice to assign members of the younger generation to key positions and aggressively appoint women to managerial positions. The Company has a culture where opportunities are available based on ability and performance regardless of age. In fact, a new grad recruit in their 6th year was appointed as General Manager. In addition, there are periodic training programs of various themes conducted for all managers to support leadership development.

Please refer to the Company website for details on human resources, employee benefits and welfare and talent development schemes.

<https://www.gmo-pg.com/corp/sustainability/social/>



Voices of Our Partners

Emerging next generation leaders



Innovation Partners Division **Yutaro Takahashi**

Innovation Partners Division **Masako Manabe**

**Q As the next generation of leadership, how do you perceive the Company’s growth potential?**

**Yutaro Takahashi:**  
I think the work environment allows for full immersion into work regardless of age or position while receiving assistance. There is room for personal growth as we can discuss ways to achieve “25% growth” thoroughly and receive advice and constructive criticism. This is because the understanding that “people determine the Company” permeates the entire Company, although this implies a certain burden. I strive to be an ideal leader which is a hybrid of living up to the expectation placed on a general manager and the leadership role models of the management that I respect.

**Masako Manabe:**  
There is satisfaction and the opportunity for growth in being involved in a growing sector and when your efforts to make headway with a client or in an industry finally reap results. The Company’s unique strength is the culture where opportunity is available to those with ambition and a pioneering spirit, even if that person is young, and a culture where we support each other when the going gets tough. Although only recently appointed as general manager, I aim to be a leader that can raise the morale of the team by sharing the successes and with the power to infuse the vision and convey emotions in the same way the president does.

**Q Why did you chose to join the Company despite the choices available globally?**

**James Eccles:**  
After graduating from Graduate School, I chose this Company from the other Japanese and foreign companies I approached, because of the ability to succeed even at a young age as well as be able to launch new businesses originating from Japan. The attitude to ‘truly understand another person by showing interest’ was another deciding factor. Being able to frankly state your opinion and refute what is entrenched in Japan is one of my strengths since I come from outside Japan. The Company’s attractive point is that no effort is spared in promoting interaction with due consideration about the other person’s growth.

Global talent recruitment



Innovation Partners Division **James Eccles**

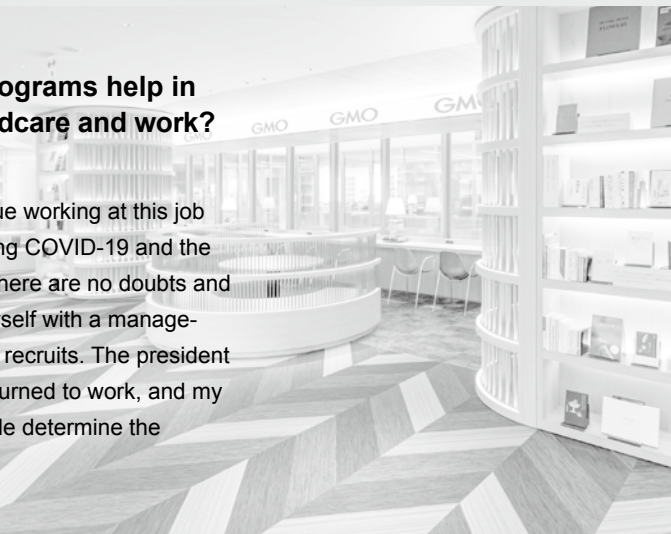
Childcare leave



Systems Division **Kasumi Tsuchida**

**Q Did the Company’s work environment and systems/programs help in your long-term career planning and with balancing childcare and work?**

**Kasumi Tsuchida:**  
It was quite natural to apply for childcare leave because I wanted to continue working at this job and with the many seniors in the division. I had concerns about health during COVID-19 and the handover work of a manager, but colleagues around me came to my aid. There are no doubts and concerns on balancing work and childcare now, and I want to challenge myself with a management position in the future and aspire to become a role model for new grad recruits. The president himself asked me what aspects of the childcare leave are lacking after I returned to work, and my colleagues have been very accommodating. I can viscerally feel that “people determine the Company” is within our hearts.





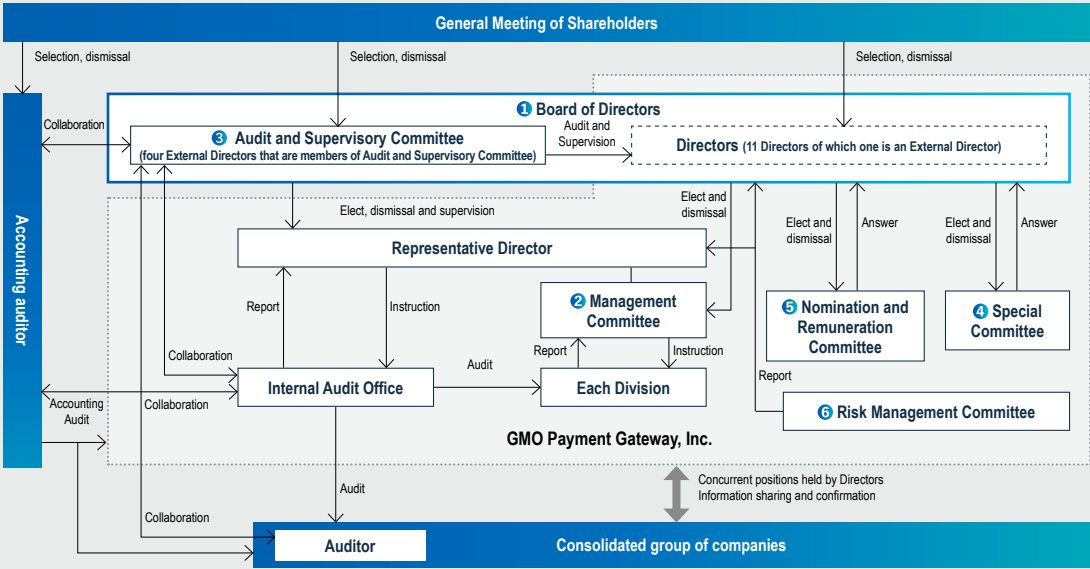
# Governance

## Corporate governance

### Basic Views

Based on its management principle, the Company implements governance systems that can effectively and efficiently realize this principle. The Company’s basic view on corporate governance is to implement measures and develop necessary management oversight systems for sound progress while simultaneously securing the legal compliance and efficiency of management. Corporate governance is positioned as one of the highest priority management issues.

#### Structure of Corporate Governance



#### Board of Directors and Management Committee

In order to appropriately respond to changes in the business environment and to strengthen the management’s supervisory function, the Company separates the supervision and execution functions. The following initiatives have been implemented:

- The Board of Directors makes decisions on important management matters and legal issues, supervises the execution of duties by Directors, and works to ensure the fairness, efficiency and transparency of the decision-making process. [Organizational structure 1](#)
- In order to strengthen management oversight through the separation of supervision and execution, the Management Committee is charged with the decision-making function for the execution and deliberation of/on important operational matters based on the basic policies stipulated at the Board of Directors meeting. [Organizational structure 2](#)

#### Audit and Supervisory Committee

The Audit and Supervisory Committee consists of four external directors. Based on the Rules of the Audit and Supervisory Committee, each member must share and conduct the task of attending the Board of Directors meetings and important meetings and operations, investigations of financial condition, etc. The Committee receives necessary reports from the Internal Audit Office and supervises the execution of duties by the Board (excluding members of the Audit and Supervisory Committee). [Organizational structure 3](#)

#### Special Committee

The Special Committee acts as an advisory body to the Board of Directors and consists of five external directors vested with the responsibility to deliberate on important transactions and actions with conflict of interest between controlling and non-controlling shareholders. [Organizational structure 4](#)

### Continual Improvement of Governance

#### Methods and Procedures for the Selection of Directors

The process for the selection of directors will take due consideration of directors who are equipped with the knowledge, experience and skills to effectively carry out their role and responsibilities while being mindful of achieving the appropriate size and diversity of the Board. Candidates for directors will be selected based on these policies and following the deliberations of the Nomination and Remuneration Committee and be formally proposed to the Board for decision. [Organizational structure 5](#)

#### Independence Standards for External Directors

In making the decision for designating external directors as independent directors, the Company selects those who fulfill the proprietary standards set forth in the Independence Standards and Rules for External Directors for External Auditors.

#### Evaluating the Effectiveness of the Board

The Company strives to improve the effectiveness of the Board by incorporating evaluation and analysis once a year at the Board meeting, carried out primarily by the Audit and Supervisory Committee.

The Company works to ensure the Board’s effectiveness based on a broad perspective of its organizational design, nomination and remuneration, and the Board’s composition and operation by incorporating objective and quantifiable methods, such as questionnaires completed by all directors. Concurrently, the issues and problems revealed in the evaluation process are continuously addressed through improvement measures and its implementation in order to further enhance the Board’s functioning.

#### Remuneration of Directors, Nomination and Remuneration Committee

The fixed remuneration amount (including bonus payments) for directors (excluding members of the Audit and Supervisory Committee) is determined by the Board after due deliberation conducted by the Nomination and Remuneration Committee. The remuneration amount for each individual director is decided by the Board, which basically aligns with the Nomination and Remuneration Committee’s report following the Committee’s multifaceted considerations to ensure consistency with the policies in determining the remuneration. [Organizational structure 6](#)

## Engagement through IR Activities

### IR Activities

In order to achieve the purpose of corporate governance, the Company strives to increase the management’s transparency through timely disclosure of management information and investor relations to shareholders and investors.

#### FY 2022 IR activities (October 1, 2021–September 30, 2022)

| Activity  | Nos. of events       |
|---|----------------------|
| Earnings announcement and Financial Results Briefing meetings | 4 times              |
| 1-on-1 meetings   | Approx. 370 meetings |
| Participation in broker conferences                           | 16 times             |

## Risk Management

### Status of Risk Management Structure

In order to tackle the various risks associated with business operations, the Company has developed a risk management structure to secure stable growth and business continuity by optimizing and deploying costs required to carry out preemptive measures on a permanent basis. Specifically, the Risk Management Committee has been established, comprising the heads of divisions at GMO-PG and its consolidated companies to carry out risk assessment, formulation and execution of countermeasures and monitoring. This committee comprehensively evaluates and manages various risks including compliance risks, such as anti-corruption, natural disaster-related risks including climate change and risks associated with system security and others. The Board of Directors supervise the effectiveness and appropriateness of corporate-wide risk management based on periodic reports on the discussions and evaluations of the Committee.

Note that, due to the above initiatives, there have been no scandals nor material wrongdoing during FY2022. [Organizational structure 6](#)

## Information Security

### Basic View

Specifically, yearly educational and awareness raising activities are scheduled to ensure that these measures take root. Thorough education is periodically conducted at the start of employment through compliance training programs to ensure a deeper understanding of procedures, purpose of security rules, basic policies and rules stipulated under the information security management system (ISO 27001) together with awareness raising videos on information security measures. Additionally, improvement of the effectiveness of risk assessment is also carried out by inviting external experts to participate in the Risk Management Committee and by assigning employees with specialized knowledge to the Internal Audit Office.



Board of Directors and Management Committee Members

(As of Annual Shareholder's Meeting held on December 18, 2022)

Members of Board of Directors

Members of Management Committee

Issei Ainoura

President and Chief Executive Officer

Masatoshi Kumagai

Chairman and Director

Ryu Muramatsu

Director, Executive Vice President

Shinichi Sugiyama

Senior Managing Executive Officer

Tatsuya Koide

Senior Managing Executive Officer

Yuichi Hisada

Senior Managing Director

Satoru Isozaki

Director, Executive Vice President

Masashi Yasuda

Director

Hirofumi Yamashita

Director

Takashi Mitani

Senior Managing Director

Tomoyuki Murakami

Managing Executive Officer

Masaru Yoshioka

Managing Executive Officer

Teruhiro Arai

Director

Noriko Inagaki

Director

Yuki Kawasaki

Director

Takeshi Yoshii

Managing Executive Officer

Katsunari Mukai

Managing Executive Officer

Kazunari Taguchi

Managing Executive Officer

Takashi Shimahara

Director

Akio Sato

External Director

Kazutaka Yoshida

External Director

Kazuhiko Okamoto

External Director

Yumi Hokazono

External Director

Fumio Kai

External Director

Directors' Skill Matrix

|                    | Position  | Practice of GMO-ism <sup>*1</sup> | Corporate Management | IT and Security | Risk Management | Legal Affairs | Treasury and Accounting | Payment Processing Business | Finance | Global | Investment (M&A) | ESG and Sustainability | Attendance rate of Board meeting <sup>*2</sup> | Attendance rate of Audit and Supervisory Committee <sup>*2</sup> | Attendance rate of Nomination and Remuneration Committee <sup>*2</sup> |
|--------------------|---|-----------------------------------|----------------------|-----------------|-----------------|---------------|-------------------------|-----------------------------|---------|--------|------------------|------------------------|--|--|--|
| Issei Ainoura      | President and Chief Executive Officer             | ●                                 | ●                    |                 |                 |               |                         |                             |         |        |                  |                        | 100%   | —  | —  |
| Masatoshi Kumagai  | Chairman and Director                             | ●                                 | ●                    |                 |                 |               |                         |                             |         |        |                  |                        | 88%  | —  | —  |
| Ryu Muramatsu      | Director, Executive Vice President                | ●                                 |                      |                 |                 |               |                         | ●                           |         | ●      | ●                |                        | 100%   | —  | —  |
| Satoru Isozaki     | Director, Executive Vice President                | ●                                 |                      | ●               | ●               |               |                         | ●                           |         |        |                  | ●                      | 100%   | —  | 100%   |
| Masashi Yasuda     | Director  | ●                                 |                      |                 |                 |               | ●                       |                             |         |        |                  | ●                      | 100%   | —  | 100%   |
| Hirofumi Yamashita | Director  | ●                                 |                      | ●               |                 |               |                         |                             |         |        |                  |                        | 94%  | —  | —  |
| Teruhiro Arai      | Director  | ●                                 |                      |                 |                 |               | ●                       |                             |         |        | ●                |                        | 92%  | —  | —  |
| Noriko Inagaki     | Director  | ●                                 |                      |                 |                 |               | ●                       |                             |         |        |                  |                        | 100%   | —  | —  |
| Yuki Kawasaki      | Director  | ●                                 |                      |                 |                 | ●             |                         |                             |         |        |                  |                        | 100%   | —  | —  |
| Takashi Shimahara  | Director  | ●                                 |                      |                 | ●               |               |                         |                             | ●       | ●      |                  |                        | 100%   | —  | —  |
| Akio Sato          | External Director                                 | ●                                 |                      |                 |                 | ●             |                         |                             | ●       |        |                  |                        | 88%  | —  | —  |
| Kazutaka Yoshida   | External Director Audit and Supervisory Committee | ●                                 |                      | ●               | ●               |               |                         |                             |         |        |                  |                        | 100%   | 100%   | 100%   |
| Kazuhiko Okamoto   | External Director Audit and Supervisory Committee | ●                                 | ●                    |                 |                 |               |                         | ●                           |         | ●      |                  |                        | 100%   | 100%   | 100%   |
| Yumi Hokazono      | External Director Audit and Supervisory Committee | ●                                 |                      |                 |                 |               | ●                       |                             |         |        |                  |                        | 100%   | 100%   | 100%   |
| Fumio Kai          | External Director Audit and Supervisory Committee | ●                                 |                      |                 | ●               |               |                         |                             | ●       |        |                  | ●                      | 92%  | 100%   | —  |

<sup>\*1</sup> GMO-ism refers to GMO Internet Group, Inc.'s collective corporate motto consisting of "Venture Spirit Declaration," "55-Year Plan," in addition to the "Rules for Senior Manager" and "Laws of Winning."  
<sup>\*2</sup> Number of Board meetings convened: 17; Number of Audit and Supervisory Committee meetings convened: 11; Number of Nomination and Remuneration Committee meetings convened: 2

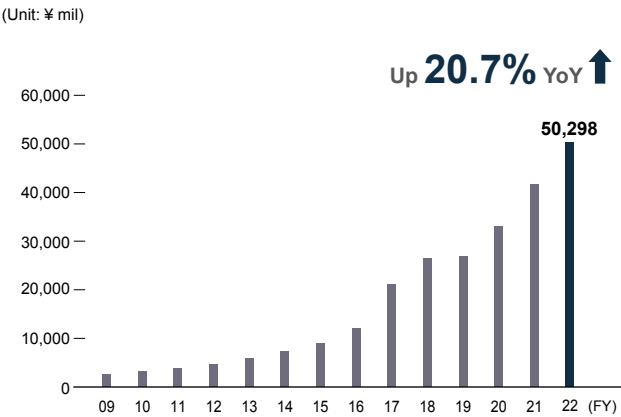


Consolidated Financial Highlights

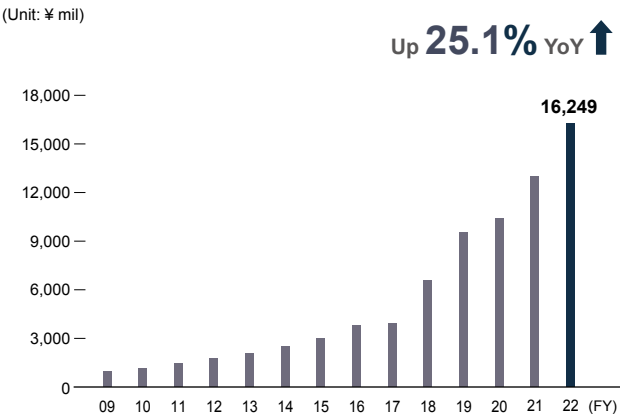
Achieved 17 consecutive terms of revenue and profit increase since listing in 2005 driven by growth of non-merchandise EC and offline domain

Conducted a special dividend in addition to ordinary dividend by distributing the profits from gains from overseas investment

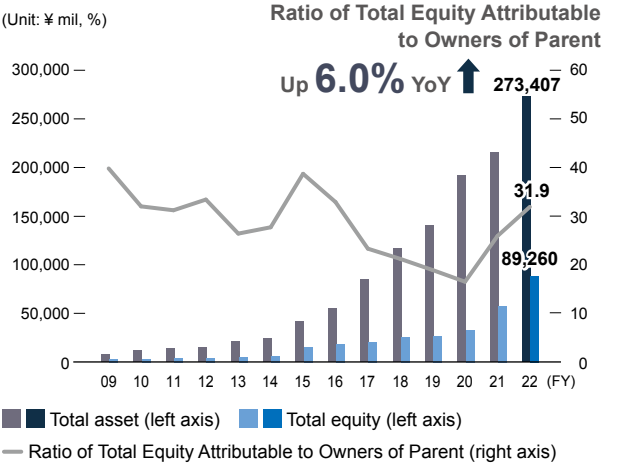
Revenue\*



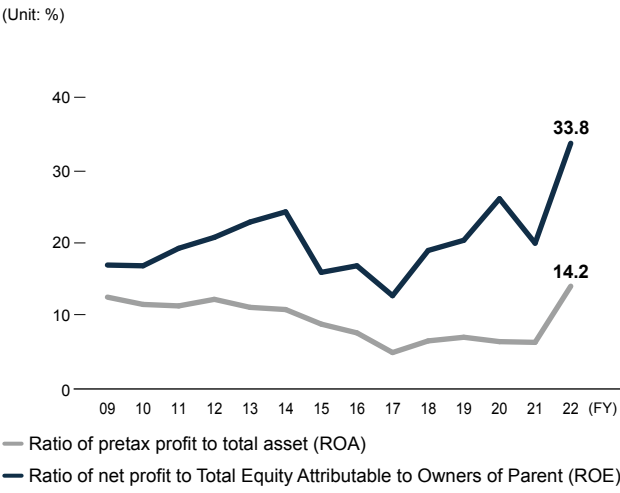
Operating Profit\*



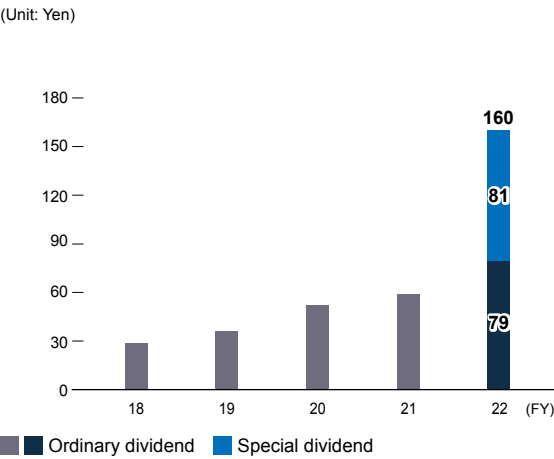
Total Assets, Total Equity, Ratio of Total Equity Attributable to Owners of Parent



ROA and ROE



Dividend



The Company places management priority on sustainably securing the necessary retained earnings for future business expansion and for strengthening the organization, as well as sustaining a stable level of shareholder return. The annual ordinary dividend for the fiscal year ending September 2022 (FY2022) is ¥79 per share, which is ¥13 per share higher than the initial guidance as the fiscal year's financial results exceeded initial forecast. In addition, the Company will also pay a special dividend of ¥81 per share to reflect the divestment of all the shares of the former equity-method affiliate 2C2P Pte. Ltd. and to recognize the 10 years of overseas business expansion as well as to express our gratitude to the support from our shareholders that contributed to the overall earnings growth since GMO-PG's listing. This brings the total annual dividend to ¥160 per share.

\* Titles of charts are based on IFRS standards. Figures before FY2017 are based on J-GAAP, and assets refers to total assets, shareholders' equity refers to net assets, total equity attributable to owners of parent to total assets refers to equity ratio, return on assets using profit before income taxes (ROA) refers to ratio of ordinary income to total assets, and return on equity using profit attributable to owners of parent (ROE) refers to return on equity.

\* IFRS standards have been adopted from FY2018, and the figures for FY2017 are restated on the same basis.

Consolidated Financial Statements

Consolidated Statement of Profit and Loss

|  | FY2021<br>From October 1, 2020<br>To September 30, 2021 | FY2022<br>From October 1, 2021<br>To September 30, 2022 |
|--|---|---|
| Revenue <sup>1</sup>                         | 41,667  | 50,298  |
| Cost of sales                                | (13,568)  | (16,662)  |
| Gross profit                                 | 28,098  | 33,635  |
| Other income                                 | 263   | 278   |
| Selling, general and administrative expenses | (15,031)  | (17,604)  |
| Other expenses                               | (343)   | (60)  |
| Operating profit <sup>2</sup>                | 12,987  | 16,249  |
| Financial income                             | 484   | 1,621   |
| Financial expense                            | (202)   | (230)   |
| Equity method investment gains               | 17  | 184   |
| Gain from sale of equity method investment   | —   | 16,932  |
| Profit before income taxes <sup>3</sup>      | 13,285  | 34,756  |
| Income tax expenses                          | (4,302)   | (10,395)  |
| Profit                                       | 8,982   | 24,361  |
| Profit attributable to:                      |   |   |
| Owners of parent                             | 8,818   | 24,152  |
| Non-controlling interests                    | 164   | 208   |
| Profit                                       | 8,982   | 24,361  |

Key Points of Consolidated Statement of Profit and Loss

**1 Revenue**

Payment Processing Business revenue increased 23.3% YoY from offline growth coming from expansion of services and the growth of non-merchandise online despite the deceleration seen in B2C EC for some merchandise sectors. Money Service Business revenue only grew 12.3% YoY due to the cycling through of nesting demand, despite the growth in transaction for GMO Payment After Delivery and expansion of lending to overseas FinTech operators. Payment Enhancement Business revenue grew 31.3% YoY from heightened demand for the Medical Kakumei byGMO service, a reservation management system exclusively for medical institutions, spurred by COVID-19. As a result of the above, total revenue reached ¥50,298 million an increase of 20.7% YoY.

**2 Operating Profit**

Segment profit for Payment Processing Business increased by 21.6% YoY as a result of steady growth in high-margin online payment as well as the expansion of offline payments. Segment profit for the Money Service Business increased by 17.8% YoY from Early Payment service that increased in line with the growth of Payment Processing Business despite the increase in credit cost from increased transactions for GMO Payment After Delivery. The Payment Enhancement Business recorded a positive profit thanks to the shrinking losses of GMO Medical Reservations Technology Co. Ltd. that provides Medical Kakumei byGMO and the growth of online advertising service. As a result of the above, total operating profit reached ¥16,249 million, up 25.1% YoY, and operating profit margin was 32.3%.

**3 Profit before Income Taxes**

Profit before income taxes reached ¥34,756 million an increase of ¥21,470 million, or 161.6% YoY, from the sale of all the shares owned in former equity method affiliate 2C2P Pte. Ltd.

Consolidated Statement of Comprehensive Income

|  | FY2021<br>From October 1, 2020 to<br>September 30, 2021 | FY2022<br>From October 1, 2021 to<br>September 30, 2022 |
|--|---|---|
| Profit   | 8,982   | 24,361  |
| Other comprehensive income   |   |   |
| Items that will not be reclassified to profit or loss                      |   |   |
| Fair value of financial assets measured through other comprehensive income | 102   | 669   |
| Share of other comprehensive income of equity method affiliates            | 546   | 5,986   |
| Total of items that will not be reclassified to profit or loss             | 648   | 6,655   |
| Items that will be reclassified to profit or loss                          |   |   |
| Exchange differences on translation of foreign operations                  | 271   | 5,060   |
| Share of other comprehensive income of equity method affiliates            | 79  | (186)   |
| Total of items that will be reclassified to profit or loss                 | 350   | 4,874   |
| Other comprehensive income after income taxes                              | 999   | 11,530  |
| Comprehensive income   | 9,982   | 35,891  |
| Comprehensive income attributable to:                                      |   |   |
| Owners of parent   | 9,814   | 35,671  |
| Non-controlling interests  | 167   | 219   |
| Total  | 9,982   | 35,891  |



Consolidated Balance Sheet

| (Unit: ¥ mil)                                 |                                      |                                      |
|---|--------------------------------------|--------------------------------------|
|   | FY2021<br>(AS of September 30, 2021) | FY2022<br>(As of September 30, 2022) |
| <b>Assets</b>                                 |                                      |                                      |
| <b>Current assets</b>                         |                                      |                                      |
| Cash and cash equivalents                     | 104,523                              | 113,967                              |
| Trade receivables and other receivables       | 10,308                               | 13,964                               |
| Advance payments                              | 45,321                               | 54,422                               |
| Accrued revenues                              | 24,893                               | 30,331                               |
| Inventories                                   | 1,664                                | 1,532                                |
| Deposits to affiliates and subsidiaries       | 2,000                                | 16,500                               |
| Other financial assets                        | 455                                  | 12,917                               |
| Other current assets                          | 335                                  | 620                                  |
| Total current assets                          | 189,503                              | 244,256                              |
| <b>Non-current assets</b>                     |                                      |                                      |
| Property, plant and equipment                 | 3,948                                | 3,542                                |
| Goodwill and intangible assets                | 5,521                                | 6,942                                |
| Investments accounted for using equity method | 4,593                                | 8,608                                |
| Trade and other receivables                   | 4,231                                | 3,501                                |
| Other financial assets                        | 6,005                                | 5,095                                |
| Deferred tax assets                           | 1,529                                | 1,342                                |
| Other non-current assets                      | 122                                  | 117                                  |
| Total non-current assets                      | 25,952                               | 29,150                               |
| <b>Total assets</b>                           |                                      |                                      |
|   | 215,455                              | 273,407                              |

| (Unit: ¥ mil)                                 |                                      |                                      |
|---|--------------------------------------|--------------------------------------|
|   | FY2021<br>(AS of September 30, 2021) | FY2022<br>(As of September 30, 2022) |
| <b>Liabilities</b>                            |                                      |                                      |
| <b>Current liabilities</b>                    |                                      |                                      |
| Accounts payable–trade                        | 5,230                                | 5,595                                |
| Accrued expenses                              | 20,537                               | 23,280                               |
| Deposits received                             | 84,593                               | 91,410                               |
| Borrowings                                    | 15,138                               | 17,000                               |
| Other financial liabilities                   | 621                                  | 1,014                                |
| Income taxes payable, etc.                    | 2,602                                | 4,916                                |
| Provisions                                    | 327                                  | 320                                  |
| Other current liabilities                     | 3,662                                | 4,281                                |
| Non-current liabilities                       | 132,714                              | 147,820                              |
| <b>Total current liabilities</b>              |                                      |                                      |
| Corporate bonds                               | 19,593                               | 19,678                               |
| Borrowings                                    | 20                                   | 6,000                                |
| Other financial liabilities                   | 2,889                                | 2,342                                |
| Provisions                                    | 130                                  | 130                                  |
| Deferred tax liabilities                      | 78                                   | 5,642                                |
| Other non-current liabilities                 | 2,209                                | 2,531                                |
| Total non-current liabilities                 | 24,920                               | 36,326                               |
| <b>Total liabilities</b>                      |                                      |                                      |
|   | 157,635                              | 184,146                              |
| <b>Equity</b>                                 |                                      |                                      |
| Capital stock                                 | 13,323                               | 13,323                               |
| Capital surplus                               | 15,191                               | 15,272                               |
| Retained earnings                             | 26,546                               | 49,424                               |
| Treasury stock                                | (1,152)                              | (1,152)                              |
| Other items of equity                         | 1,937                                | 10,255                               |
| Total equity attributable to owners of parent | 55,845                               | 87,122                               |
| Non-controlling interests                     | 1,974                                | 2,137                                |
| <b>Total equity</b>                           |                                      |                                      |
|   | 57,820                               | 89,260                               |
| <b>Total liabilities and equity</b>           |                                      |                                      |
|   | 215,455                              | 273,407                              |

Key Points of Consolidated Balance Sheet

Assets

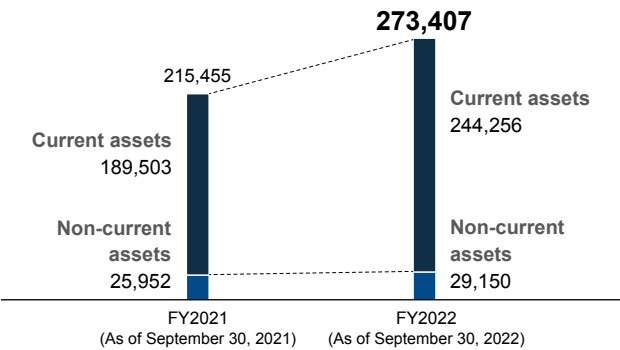
Total assets increased by ¥57,951 million from the end of the previous consolidated fiscal year to reach ¥273,407 million from the increase in cash and cash equivalents, increase in advances paid in MSB due to the expansion of Payment Processing Business and the increase in other financial assets.

Liabilities

Total liabilities increased by ¥26,511 million from the end of the previous consolidated fiscal year to reach ¥184,146 million from the increase in accrued expenses caused by increased transactions of GMO Payment After Delivery and the increase in borrowings of ¥7,841 million.

Assets

(Unit: ¥ mil)

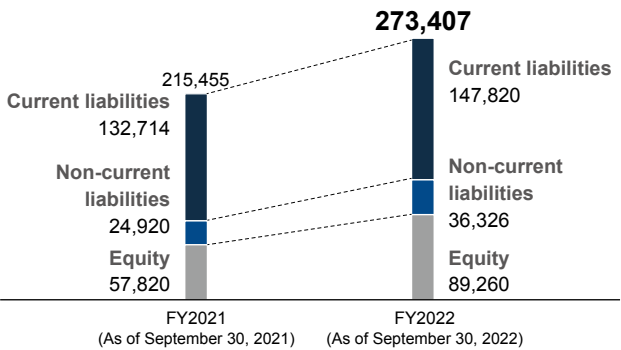


Equity

Equity increased by ¥31,440 million from the end of the previous consolidated fiscal year balance to reach ¥89,260 million. This was mainly due to the increase from recording a profit of ¥24,361 million and the recognition of other comprehensive income of ¥11,530 million arising mainly from fair value measurements of financial instruments held by associates accounted for using the equity method and foreign currency translation difference of overseas business activities, which was partially offset by the decline in retained earnings of ¥4,474 million from dividend payouts.

Liabilities and Equity

(Unit: ¥ mil)



Consolidated Statement of Cash Flows

Operating cashflow amounted to ¥7,656 million. This was mainly due to cash outflow from the increase in advances paid and income tax payments that was offset by the cash inflow from profit before tax. Investing cash flow amounted to –¥2,443 million. This was mainly due to cash outflow of payments into deposits to subsidiaries and affiliates and payments into restricted deposits

that was partially offset by cash inflows from proceeds from sale of investment securities. Financing cash flow amounted to ¥2,635 million. This was mainly due to cash inflow from net increase in short-term borrowings and increase in long-term borrowings that was partially offset by cash outflow from dividend payouts.

| (Unit: ¥ mil)   |  |  |
|---|--|--|
|   | FY2021<br>From October 1, 2020 to September 30, 2021 | FY2022<br>From October 1, 2021 to September 30, 2022 |
| Net cash provided by (used in) operating activities                 | (6,343)  | 7,656  |
| Net cash provided by (used in) investing activities                 | 2,230  | (2,443)  |
| Net cash provided by (used in) financing activities                 | 12,781   | 2,635  |
| Translation differences of cash and cash equivalents                | 23   | 1,596  |
| Increase (decrease) in cash and cash equivalents                    | 8,693  | 9,443  |
| Balance of cash and cash equivalents at the beginning of the period | 95,830   | 104,523  |
| Balance of cash and cash equivalents at the end of the period       | 104,523  | 113,967  |



Company Information

Company Overview (As of September 30, 2022)

|                              |   |                      |   |
|------------------------------|---|----------------------|---|
| Name                         | GMO Payment Gateway, Inc<br>Listed exchange<br>Tokyo Stock Exchange Prime Market<br>(Securities code: 3769) | Memberships          | Japan Consumer Credit Association (JCA)<br>Japan Multi-Payment Network Promotion Association (JAMPA)<br>EC Payment Forum<br>Japan E-Commerce Consultant Association (JECCICA) |
| Establishment                | March 1995  |                      |   |
| Head office                  | SHIBUYA FUKURAS 15F 1-2-3<br>Dogenzaka, Shibuya-ku,<br>Tokyo 150-0043, Japan                                | Major subsidiaries   | GMO Epsilon, Inc.<br>GMO Payment Service, Inc.<br>GMO Financial Gate, Inc.<br>GMO-Z.com Payment Gateway Pte. Ltd.   |
| Consolidated paid-in capital | ¥13,323 million   |                      |   |
| Consolidated capital surplus | ¥15,272 million   | Number of affiliates | 13 consolidated subsidiaries<br>4 affiliates accounted for by equity method   |
| Number of employees          | 799 (Consolidated)  |                      |   |
| Business outline             | Comprehensive payment-related services and financial services   |                      |   |

Notes for Shareholder

|                                     |   |                          |   |
|-------------------------------------|---|--------------------------|---|
| Business year                       | October 1st~September 30th of the following year  | Listed exchange          | Tokyo Stock Exchange  |
| Record date of dividends of surplus | December 31, March 31, June 30 and September 30   | Method of public notices | Through electronic public notices<br>Notices published at <a href="https://corp.gmo-pg.com/en/ir/">https://corp.gmo-pg.com/en/ir/</a><br><br>(However, when electronic public notices cannot be published due to an accident or any other inevitable circumstances, we will publish them in the Nihon Keizai Shimbun newspaper) |
| Annual meeting of shareholders      | Annually in December  |                          |   |
| Shareholder registry administrator  | Sumitomo Mitsui Trust Bank, Limited   |                          |   |
| Administrator’s contact information | Sumitomo Mitsui Trust Bank, Limited,<br>Stock Transfer Agency Business<br>Planning Department<br>8-4, Izumi 2-chome, Suginami-ku, Tokyo<br>0120-782-031 (toll free) |                          |   |

Announcements

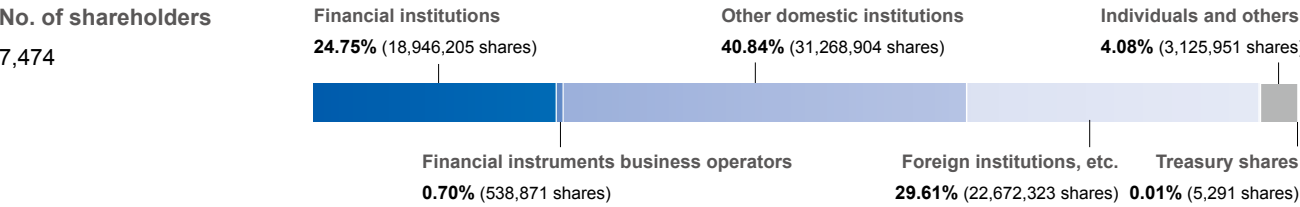
1. Points of note  
(1) In principle, procedures such as change of shareholder address, bank remittance specifications for dividends and purchase requests are handled by the account management institution (securities company, etc.) where the account was opened. Please contact the securities company or other such institution at which you opened your account. Please note that the shareholder registry administrator (Sumitomo Mitsui Trust Bank, Limited) does not handle such matters. (2) Unpaid dividends can be received at the main branch of Sumitomo Mitsui Trust Bank.
2. Dividend calculation statements  
The “Dividend Calculation Statement” also serves as the “Notice of Payment” compiled as per regulations specified in the Act on Special Measures Concerning Taxation. After receiving payment of the dividend, the Notice can serve as confirmation of the dividend amount and as information used when filing income taxes. Shareholders who receive dividends through their securities accounts (pro-rated method for number of shares) should contact the securities company that performs the transactions for details.
3. For procedures pertaining to shares registered in special accounts, please contact the institution that administers special accounts, Tokyo Securities Transfer Agent Co., Ltd.  
Mailing address and phone number  
Securities Transfer Agent Co., Ltd. Business Center 2-8-4 Izumi, Suginami-ku, Tokyo 168-8522 Tokyo  
0120-49-7009 (toll-free)

\* At the annual meeting of shareholders held on December 20, 2015, it was decided that the Board of Directors would be the decision-making body for dividends of surplus, and that the record dates for these dividends would be December 31, March 31, June 30 and September 30. As a result, we are able to distribute dividends of surplus on four occasions throughout the year. However, in order to ensure the retained earnings that our business structure requires, our plan calls for the year-end dividend to be the single dividend of surplus distributed during the year.

Stock Status (As of September 30, 2022)

Total number of authorized shares 102,400,000 shares      Total number of shares issued 76,557,545 shares

Numbers of Shares by Shareholder category

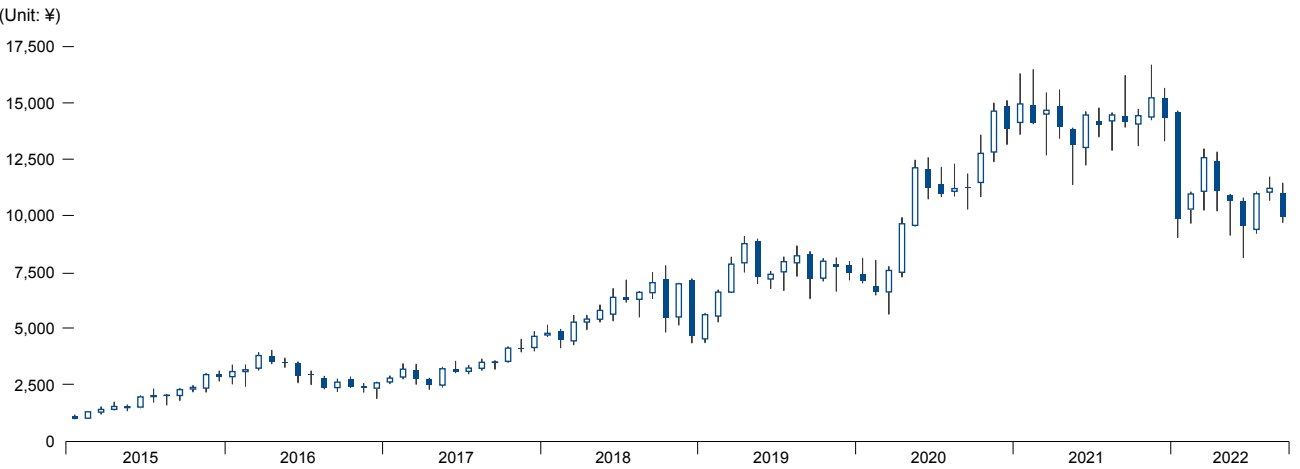


Major Shareholders (As of September 30, 2022)

| Name of shareholder  | Shares owned (shares) | Stock ownership ratio (%) |
|--|-----------------------|---------------------------|
| GMO Internet Group, Inc  | 31,172,200            | 40.72                     |
| The Master Trust Bank of Japan, Ltd. (Trust account)   | 7,802,200             | 10.19                     |
| Custody Bank of Japan, Ltd. (Trust account)  | 5,821,300             | 7.60                      |
| Sumitomo Mitsui Banking Corporation  | 2,501,600             | 3.26                      |
| SSBTC CLIENT OMNIBUS ACCOUNT   | 947,178               | 1.23                      |
| STATE STREET BANK WEST CLIENT - TREATY 505234  | 893,648               | 1.16                      |
| The Dai-ichi Life Insurance Company, Limited   | 855,100               | 1.11                      |
| BNYM AS AGT/CLTS 10 PERCENT  | 853,451               | 1.11                      |
| Issei Ainoura  | 800,000               | 1.04                      |
| The Master Trust Bank of Japan, Ltd. (BIP trust accounts for Director’s remuneration: 75,574 accounts) | 674,305               | 0.88                      |

\* The stock ownership ratio is calculated using total shares outstanding less treasury shares (5,291 shares)

Share Price Trend



\* A 1:2 stock split of ordinary shares was carried out effective October 1, 2018. The share price prior to this date is adjusted on the same basis.



# GMO Payment Gateway, Inc.

URL: [https://www.gmo-pg.com/en\\_w/](https://www.gmo-pg.com/en_w/)

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**Corporate Movie** | Creating the future through payment

URL: <https://www.gmo-pg.com/corporate-movie/youtube>

