

Summary of Consolidated Financial Statements for FY2023 (IFRS)

November 13, 2023

Name of listed company: GMO Payment Gateway, Inc.

Exchange: Tokyo Stock Exchange

Stock code: 3769

URL: <https://www.gmo-pg.com/en/corp/>

Representative: Issei Ainoura

President & Chief Executive Officer

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Director, Executive Vice President

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Scheduled date for convocation
of the ordinary general
shareholders' meeting

December 17, 2023

Scheduled date of commencement
for dividend payment

December 18, 2023

Scheduled submission date of securities report December 18, 2023

Supplemental materials prepared for financial results: Yes

Information meeting arranged related to financial results: Yes (for institutional investors and analysts)

(Amounts rounded down to the nearest million yen)

1. Consolidated Financial Statements for FY2023 (From October 1, 2022 to September 30, 2023)

(1) Consolidated Financial Statements (Cumulative)

(Percentages represent year-on-year change)

	Revenue		Operating profit		Profit before income taxes		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Mil Yen	%	Mil Yen	%	Mil Yen	%	Mil Yen	%	Mil Yen	%	Mil Yen	%
FY2023	63,119	25.5	20,312	25.0	20,636	△40.6	13,822	△43.3	13,475	△44.2	17,662	△50.8
FY2022	50,298	20.7	16,249	25.1	34,756	161.6	24,361	171.2	24,152	173.9	35,891	259.5

	Basic earnings per share	Diluted earnings per share	Return on equity using profit attributable to owners of parent	Return on assets using profit before taxes	Operating profit margin
	Yen	Yen	%	%	%
FY2023	177.68	175.86	15.0	7.3	32.2
FY2022	318.45	314.66	33.8	14.2	32.3

Reference: Equity in earnings of affiliates: FY2023 107 Million yen FY2022 184 Million yen

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of parent	Ratio of total equity attributable to owners of parent to total assets	Total equity attributable to owners of parent per share
	Mil Yen	Mil Yen	Mil Yen	%	Yen
FY2023	292,346	94,804	92,274	31.6	1,216.66
FY2022	273,407	89,260	87,122	31.9	1,148.73

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financial activities	Closing balance of cash and cash equivalents
	Mil Yen	Mil Yen	Mil Yen	Mil Yen
FY2023	6,128	17,762	△6,419	133,658
FY2022	7,656	△2,443	2,635	113,967

2. Dividends

	Annual dividend					Total Dividend Amount	Dividend Payout ratio (consolidated)	Ratio of dividends to equity (consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Mil Yen	%	%
FY2022	0.00	0.00	0.00	160.00	160.00	12,248	50.2	17.0
FY2023	0.00	0.00	0.00	89.00	89.00	6,813	50.1	7.5
FY2024 (forecast)	0.00	0.00	0.00	103.00	103.00		50.3	

(Note) Breakdown of FY2022 year-end dividend; ordinary dividend ¥79.00, special dividend ¥81.00

3. Consolidated Financial Forecast for the Fiscal Year Ending September 2024 (From October 1, 2023 to September 30, 2024)

(% represents year-on-year change)

	Revenue		Operating profit		Profit before income taxes		Profit		Profit attributable to owners of parent		Basic earnings per share
	Mil Yen	%	Mil Yen	%	Mil Yen	%	Mil Yen	%	Mil Yen	%	Yen
Q2 of FY2024 (cumulative)	35,341	16.0	12,470	20.5	11,970	21.5	7,732	22.9	7,495	22.3	98.83
FY2024	73,286	16.1	25,000	23.1	23,904	15.8	15,961	15.5	15,523	15.2	204.68

※ Notices

- (1) Changes of important subsidiaries during the period (change of specific subsidiaries that leads to a change in the scope of consolidation): No
 Number of new subsidiaries: - (Name:); Number of excluded subsidiaries: - (Name:)

- (2) Changes in the accounting policy / changes in the accounting estimation

[1] Changes in accounting policy required by IFRS.: No

[2] Changes in accounting policy other than [1]: No

[3] Changes in accounting estimations: No

- (3) Number of shares issued (common stock)

[1] Number of shares issued at the end of the term (including treasury stock) FY2023: 76,557,545 FY 2022: 76,557,545

[2] Number of treasury shares at the end of the term FY2023: 715,071 FY 2022: 714,996

[3] Average number of shares during the term FY2023: 75,842,482 FY2022: 75,842,549

(Note) Number of treasury shares at the end of the term above include the shares attributed to the directors' remuneration board incentive plan trust and J-ESOP (709,705 shares for FY2022; 709,705 shares for FY2023.)

Reference: Summary of Non-consolidated Financial Statements

1. Non-consolidated Financial Statements for FY2023 (From October 1, 2022 to September 30, 2023)

(1) Non-consolidated Financial Statements (Percentages represent year-on-year change)

	Revenue		Operating profit		Ordinary profit		Net profit	
	Mil Yen	%	Mil Yen	%	Mil Yen	%	Mil Yen	%
FY2023	32,078	18.2	15,215	29.4	18,241	0.2	8,270	△43.3
FY2022	27,131	19.3	11,755	38.3	18,200	87.6	14,587	112.6

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
FY2023	109.05		105.50	
FY2022	192.33		187.62	

(2) Non-consolidated Financial Position

	Total assets	Total net assets	Equity ratio	Net asset per share
	Mil Yen	Mil Yen	%	Yen
FY2023	192,950	51,964	26.9	685.17
FY2022	182,213	55,395	30.4	730.40

Reference: Owner's equity FY2023 51,964 Million yen FY2022 55,395 Million yen

Note: Non-consolidated financial results are based on J-GAAP standards.

※ These financial statements are not subject to the review procedures.

※ Notes regarding the appropriate use of financial forecast and other important notes.

1. The above forecasts are outlooks based on information currently available and include various uncertain factors. Actual performance may differ substantially from the forecasts due to changes in business conditions and other factors. For the assumption on which financial forecasts are based and matters to be considered in using financial forecasts, please refer to "(5) Earnings Forecast" under "1. Qualitative Information on Consolidated Financial Statements for the Fiscal Year" on page 12 of the attachment.

- 2 Results Presentation for Investors and Analysts to be held on November 14, 2023. Supporting materials and a video of the presentation will be made available promptly on the company's website after the event.

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1. Qualitative Information on Consolidated Financial Statements for the Fiscal Year

(1) Consolidated operating results

Forward-looking statements in the document are based on the judgement of GMO Payment Gateway, Inc. (GMO-PG or the Company) and its consolidated subsidiaries at the end of the fiscal year under review.

① Consolidated operating results

GMO-PG and its consolidated subsidiaries announces its earnings results for the consolidated fiscal year 2023 (October 1, 2022 to September 30, 2023) as follows.

(Unit: Thousand Yen)

	FY2022 (From October 1, 2021 to September 30, 2022)	FY2023 (From October 1, 2022 to September 30, 2023)	Rate of change (%)
Revenue	50,298,354	63,119,117	25.5
Operating profit	16,249,114	20,312,237	25.0
Profit before income taxes	34,756,561	20,636,412	△40.6
Profit attributable to owners of parent	24,152,140	13,475,513	△44.2

a. Revenue

Revenue reached ¥63,119 mil, up 25.5% YoY. The transaction volume and value, which is the sum total of online billing, recurring billing, offline payment and GMO Payment After Delivery, increased by 27.6% YoY and by 31.8% YoY, respectively. As a result, the Payment Processing Business revenue reached ¥47,913 mil (up 26.2% YoY), Money Service Business (MSB) revenue was ¥14,088 mil (up 23.6% YoY) and Payment Enhancement Business revenue was ¥1,149 mil (up 21.9% YoY). For details, please refer to page 6 of “② Results by segment” found under “(1) Consolidated operating results” of “1. Qualitative Information on Consolidated Financial Statements for the Fiscal Year”.

Revenue breakdown by business model is as follows.

(Unit: Thousand Yen)

Business model	FY2022 (From October 1, 2021 to September 30, 2022)	FY2023 (From October 1, 2022 to September 30, 2023)	Rate of change (%)
Initial (Initial revenue)	7,335,680	11,403,745	55.5
Stock (Fixed revenue)	7,916,835	9,422,749	19.0
Fee (Transaction processing revenue)	13,663,912	17,772,378	30.1
Spread (Merchant acquiring service revenue)	21,381,925	24,520,244	14.7
Total	50,298,354	63,119,117	25.5

b. Operating profit

Operating profit reached ¥20,312 mil, up by 25.0% YoY, achieving the earnings forecast for the fiscal year under review and the management target of 25% operating profit growth for GMO-PG and its consolidated subsidiaries. By segment, Payment Processing Business segment profit (operating profit) was ¥21,101 mil, up 20.3% YoY; Money Service Business segment profit (operating profit) stood at ¥2,751 mil, up 11.6% YoY; Payment Enhancement Business segment profit (operating profit) of ¥288 mil (up 65.6% YoY).

c. Profit before income taxes

Profit before income taxes reached ¥20,636 mil, down 40.6% YoY. The reason for FY2023 pre-tax profit to decline by 40.6% YoY compared to the operating profit growth rate of 25.0% YoY is due to recording a gain on sale of affiliate accounted for using the equity method of ¥16,932 mil, arising from the transfer of all the shares of the former equity method affiliate 2C2P Pte. Ltd.

② Results by segment

Performance by reportable segment is explained below.

(Unit: Thousand Yen)

Segment	FY2022 (From October 1, 2021 to September 30, 2022)	FY2023 (From October 1, 2022 to September 30, 2023)	Rate of change (%)
Payment Processing Business			
Revenue	37,978,077	47,913,393	26.2
Segment profit (Δ =loss)	17,539,462	21,101,322	20.3
Money Service Business			
Revenue	11,402,183	14,088,682	23.6
Segment profit (Δ =loss)	2,466,696	2,751,650	11.6
Payment Enhancement Business			
Revenue	942,703	1,149,538	21.9
Segment profit (Δ =loss)	174,462	288,842	65.6
Adjustments			
Revenue	Δ 24,609	Δ 32,496	—
Segment profit (Δ =loss)	Δ 3,931,506	Δ 3,829,578	—
Total			
Revenue	50,298,354	63,119,117	25.5
Segment profit (Δ =loss)	16,249,114	20,312,237	25.0

a. Payment Processing Business

The Payment Processing Business focusses on expanding payment processing services for online billing, recurring billing, and offline payments, as well as providing Banking as a Service (BaaS) support to financial institutions and business operators. In the online billing and recurring billing domain, we focused our efforts to acquire large and medium-to-small sized merchants across various industries as well as expand our services to a wide array of non-EC merchants, given the backdrop of the steadily expanding E-Commerce (EC) market.

In the fiscal year under review, the online billing and recurring billing domains showed a continued increase in online payments to purchase daily goods, digital content and public dues/taxes as internet usage becomes habitual since the nesting consumption behavior during the COVID-19 pandemic. In addition, online payments were adopted by new industries given the heightened demand for digital transformation (DX). Furthermore, payments increased in the non-merchandise domain, especially in travel and ticket sectors with the increase in travel and outings from the normalization of economic activities. However, the merchandise domain continues to be adversely affected from the cycling through of nesting demand and the shift towards offline consumption for small-scale operators, despite signs of recovery at some large-scale merchants.

In the offline domain, GMO Financial Gate, Inc.'s initial revenue reached ¥11,116 mil (up 55.2% YoY) mainly driven by sales of 'stera' payment terminals, thanks to (i) market expansion driven by heightened cashless payment needs and recovery in inbound consumption, and (ii) continued high volumes of payment terminal shipments used for large-scale projects from the beginning of the fiscal year, primarily for JAPAN POST Co., Ltd. and, (iii) steady trend in winning orders from the focus market of Unattended Machine (UM) market such as automated payment machines and ticket machines. In addition, recurring-model revenues (the sum total of stock, fee and spread revenues) was ¥4,792 mil (up 53.0% YoY) driven by the increase in initial revenues and steady progress in the number of operating terminals.

Furthermore, the Processing Platform service also expanded from BaaS (Banking as a Service) support services to financial institutions and business operators to capture the growing need for cashless migration of payment and digital transformation (DX).

As a result, segment revenue reached ¥47,913 mil, up 26.2% YoY, however, segment profit (operating profit) was ¥21,101 mil, up 20.3% YoY due to recording a one-time expense in the second quarter, although this one-time expense was partially reversed in the third quarter.

b. Money Service Business

Money Service Business (MSB) consists of Early Payment service to help merchants improve their cash flow; Transaction Lending service, a loan service for merchants; Lending service to overseas FinTech operators; Remittance service; Instant Salary byGMO, a salary prepayment service, and GMO Payment After Delivery provided by the consolidated subsidiary GMO Payment Service, Inc.

During the fiscal year under review, revenue for GMO Payment After Delivery, a payment method service, increased from the acquisition of large merchants and the impact of rate revisions despite the lingering negative impact from the cycling through of nesting demand in the merchandise domain. Also, loan balance grew 37.1% YoY for the lending service to overseas FinTech operators particularly in North America and India, which also contributed to segment revenue growth.

As a result, segment revenue reached ¥14,088 mil, up 23.6% YoY, however, segment profit (operating profit) was ¥2,751 mil, an increase of 11.6% YoY due to higher credit costs for GMO Payment After Delivery and provisioning expense against some overseas borrowers, despite the steady trend in remittance service and Instant Salary byGMO.

c. Payment Enhancement Business

Payment Enhancement Business comprises of online advertising service to support the revenue growth at merchants the Group transacts with, and “Medical Kakumei byGMO,” a reservation management system exclusively for medical institutions to enable operational efficiency at reception counters, provided by the consolidated subsidiary GMO Medical Reservations Technology Co. Ltd.

In the fiscal year under review, demand increased for services offered by GMO Medical Reservation Technology Co. Ltd., such as smartphone-based app to make reservations, fill out medical questionnaires, complete reception and payment as well as to consolidate multiple patient registration cards from medical institutions on the smartphone, resulting in revenue growth of 47.3% YoY. On the other hand, online advertising revenue decreased from changes in the market environment.

As a result of the above, segment revenue was ¥1,149 mil, up 21.9% YoY and segment profit (operating profit) was ¥288 mil, up 65.6% YoY.

The table below shows the companies providing the various businesses/services by segment.

Segment	Major service	Major companies of the service
Payment Processing Business	Payment processing service (Online billing and recurring billing)	GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary)
	Payment processing service (Offline)	GMO Financial Gate, Inc. (consolidated subsidiary)
Money Service Business	GMO Payment After Delivery	GMO Payment Service, Inc. (consolidated subsidiary)
	Remittance service	GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary)
	Transaction Lending	GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary)
	Overseas Lending	GMO Payment Gateway, Inc.
	Early Payment service	GMO Payment Gateway, Inc. GMO Epsilon, Inc. (consolidated subsidiary)
Payment Enhancement Business	Online Advertising service	GMO Payment Gateway, Inc.
	Medical Kakumei byGMO	GMO Medical Reservations Technology Co., Ltd. (consolidated subsidiary)

(2) Status of consolidated financial position

Assets, liabilities and equity

a. Assets

Total assets at the end of the consolidated fiscal year increased by ¥18,939 mil from the end of the previous fiscal year to reach ¥292,346 mil. This is mainly due to the decline in deposits to subsidiaries and affiliated companies of ¥11,200 mil. and other financial assets of ¥10,747 mil, which was offset by the increase in cash and cash equivalents of ¥19,690 mil, trade and other receivables of ¥5,110 mil, advances paid of ¥8,964 mil, accrued revenues of ¥3,063 mil, and goodwill and intangible assets by ¥2,367 mil.

The balance of cash and cash equivalents at the end of the consolidated fiscal year under review includes ¥6,080 mil in deposits to subsidiaries and affiliated companies, as stated in “④ Cash and cash equivalents” of “(6) Notes regarding consolidated financial statements.” Together with the ¥5,300 mil of deposits to subsidiaries and affiliated companies stated in the consolidated balance sheet, the total balance of deposits to subsidiaries and affiliated companies stands at ¥11,380 mil. These deposits of cash-on-hand utilizes the cash management system (CMS) operated and managed by GMO Internet Group Inc. for the entire Group. This allows GMO-PG and its consolidated subsidiaries to withdraw necessary funds in accordance with their expanding businesses, by registering a withdrawal request after taking into account the number of days required to process the application, without the need to wait until the preset CMS repayment date.

b. Liabilities

Balance of liabilities at the end of the consolidated fiscal year under review stood at ¥197,541 mil, an increase of ¥13,395 mil from the end of the previous consolidated fiscal year. This is mainly due to the increase in accrued expenses of ¥2,090 mil, deposits received of ¥5,821 mil and borrowings of ¥6,350 mil, and income tax payables of ¥2,971 mil, despite the decline in deferred tax liabilities of ¥4,420 mil.

c. Equity

Equity balance at the end of the consolidated fiscal year under review was ¥94,804 mil, an increase of ¥5,544 mil from the end of the previous consolidated fiscal year. This was mainly due to the increase in profit of ¥13,822 mil and other comprehensive income of ¥3,839 mil, despite the decrease in retained earnings for dividend payment of ¥12,134 mil.

(3) Status of cash flow position

Overview of cash flow

Cash and cash equivalents (“funds”) at the end of the consolidated fiscal year under review increased by ¥19,690 mil compared to the balance at the start of the term, to reach ¥133,658 mil. The state of cash flow over the fiscal year under review is discussed below.

a. Cash flow from operating activities

Net funds provided by operating activities during the consolidated fiscal year under review amounted to ¥6,128 mil, which compares to ¥7,656 mil in net funds acquired in the same period of the previous year. This resulted from cash outflows from (i) increase in trade and other receivables of ¥4,624 mil, (ii) an increase in advances paid of ¥8,964 mil, (iii) an increase in accrued revenues of ¥3,167 mil, (iv) income tax payments of ¥9,010 mil, which was offset by cash inflows of (i) profit before income tax of ¥20,636 mil, (ii) depreciation and amortization of ¥2,413 mil, (iii) increase in accrued expenses of ¥2,327 mil, and (iii) increase in deposits received of ¥5,821 mil.

b. Cash flow from investing activities

Net funds provided by investing activities during the consolidated fiscal year under review totaled ¥17,762 mil, compared to the net funds used of ¥2,443 mil during the same period of the previous year. This resulted from cash outflows from (i) payment into restricted deposits of ¥12,707 mil, (ii) purchase of intangible assets of ¥4,098 mil and (iii) payment into deposits to subsidiaries and affiliated companies of ¥5,300 mil., which was partially offset by cash inflows from (i) withdrawals from restricted deposits of ¥24,650 mil, (ii) withdrawal of deposits to subsidiaries and affiliated companies of ¥16,500 mil.

c. Cash flow from financing activities

Net funds used by financing activities over the consolidated fiscal year under review was ¥6,419 mil which compares to net funds provided of ¥2,635 mil during the same period of the previous year. This is mainly due to cash inflows from (i) net increase in short term borrowings of ¥2,900 mil and (ii) increase in long term borrowings of ¥3,450 mil which was offset by cash outflows from dividend payouts of ¥12,127 mil.

(4) Basic policy on profit distribution and dividends for current and next fiscal year

GMO-PG and its consolidated subsidiaries places management priority on sustainably securing the necessary retained earnings for future business expansion and for strengthening the organization, as well as to sustain a stable level of shareholder returns.

The year-end dividend for the fiscal year ending September 2023 (FY2023) was initially forecast at ¥82 per share, as disclosed in the “Summary of Consolidated Financial Statements for FY2022” released on November 14, 2022. However, as this fiscal year’s financial results is expected to exceed initial forecasts and in light of returning profits to shareholders, the year-end dividend is expected to be revised up by ¥7 per share to ¥89 per share. (Refer to Note below)

Dividend for the next fiscal year (FY2024) is forecast at ¥103 per share based on the strong business plans and continued efforts to enhance shareholder returns through consecutive dividend increase since dividends commenced that will collectively contribute to raise the corporate value in the medium- to long-term.

Retained earnings will continue to be effectively deployed to strengthen the organization as well as for aggressive business expansion.

Details of the revision to dividends is as follows.

	Annual Dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Total
Previous forecast (Nov. 14, 2022)	Yen —	Yen —	Yen —	Yen 82.00	Yen 82.00
Current forecast	—	—	—	89.00	89.00
FY2023	0.00	0.00	0.00		
FY2022 (FY ending Sept. 2022)	0.00	0.00	0.00	160.00 (Ordinary dividend ¥79.00) (Special dividend ¥81.00)	160.00 (Ordinary dividend ¥79.00) (Special dividend ¥81.00)

Note: The above will be deliberated at the Board of Directors meeting scheduled on November 20, 2023.

(5) Earnings forecast

GMO-PG and its consolidated subsidiaries are positioned primarily within the E-Commerce (EC) market, and the current B2C EC market for consumer merchandise continues to trend sluggishly due to the normalization of economic activities. However, this market is expected to continue to grow over the medium-to-long term helped by favorable externalities such as logistics industry reforms leading to increased usage by consumers. In the non-merchandise domain, such as services and sectors closely related to daily life such as public utilities, taxes/public dues and medical expenses, we expect continued high growth from the solid progress in online migration of payments. In addition, the scope of the EC market itself is expanding driven by the online migration of inter-company transactions (B2B) and inter-consumer transactions (C2C).

The offline domain, where the consolidated subsidiary GMO Financial Gate, Inc. is positioned, is undergoing an acceleration in cashless adoption of various payment methods including credit cards. This is leading to new business opportunities as well as to expand the scope of businesses for GMO-PG and its consolidated subsidiaries.

The business environment for the fiscal year ending September 2024 (FY2024) faces continued uncertainty over private consumption caused by uncertainties over the global state of affairs leading to a volatile capital market and the decline in real wages, despite positive effects of the normalization of economic activities, recovery of inbound (foreign tourists) consumption and rising momentum for wage increases. This is expected to have a negative impact on online payment for GMO-PG and its consolidated subsidiaries in the near term. Given this business environment, we will work to strengthen the business foundation to continue to grow operating profit at a compound average growth rate (CAGR) of 25% by pursuing the priority initiatives such as acquiring large-scale, growth-oriented merchants and large-scale projects, industry-specific DX platforms, BaaS support services to financial institutions and business operators and the next generation payment platform of 'stera'.

The consolidated earnings forecast for FY2024 is revenue ¥73,286 mil (up 16.1% YoY), operating profit of ¥25,000 mil (up 23.1% YoY), profit before income taxes of ¥23,904 mil (up 15.8% YoY) and profit of ¥15,961 mil (up 15.5% YoY) and profit attributable to owners of parent of ¥15,523 mil (up 15.2% YoY).

2. Management Policy

(1) Basic policy of the corporate management

The management principle of GMO-PG and its consolidated subsidiaries is to “pursue both spiritual and material prosperity for our partners by contributing to society.”

■ Contribute to the advancement and progress of society by creating and developing markets with strong conviction, and pursuing fairness and transparency in business expansion.

■ Partners are defined as employees and officers, customers and business partners that are trustworthy persons and have high integrity.

■ Employees and officers must demonstrate their richness of spirit, advanced problem-solving abilities, and a high level of professionalism as they interact and exchange values with our customers in the pursuit of both spiritual and material prosperity.

Based on this management principle, GMO-PG and its consolidated subsidiaries’ mission is to become the payment process infrastructure of Japan and to contribute to building a safe and convenient payment for merchants and consumers. We will promote our businesses according to the following basic policies:

- Adapt to the changing times
 - Progressiveness: Strive to secure the technical superiority of our products.
 - Flexibility: Make optimal project proposals that lives up to a fast-changing market.
- Establish our raison d’etre
 - Uniqueness: Strive to maintain the value of our existence through customer-oriented services.
 - Profitability: Surpass competitors by pursuing revenue growth and establish an unwavering position in the industry.
 - Autonomy and Education: Strive for perfection as a businessperson and be a role model in all aspects of performance, attitude and mindset.
- Pursue the right conditions for profit
 - Sociability: Maintain a sound business and aggressively and continually enter new markets to expand the choice of payment methods.
 - Rationality: Make quick and impartial business judgements giving foremost consideration to economic rationality.
- Be responsible to shareholders
 - Strive to maximize shareholder value through capital efficiency. Actively conduct IR activities and provide timely and appropriate information to shareholders.

(2) Management KPI targets

GMO-PG and its consolidated subsidiaries emphasizes an operating profit growth rate of 25% as a management performance indicator.

GMO-PG and its consolidated subsidiaries continues to make medium- to long-term investments in order to achieve the 25% operating profit growth rate, with a track record of achieving 25.0% YoY operating profit growth in FY2023.

As a company vested to build the payment infrastructure for the online (mainly EC market) and offline markets, we will endeavor to create a safe and convenient EC and cashless environment that contributes to raise EC penetration, promote Digital Transformation (DX) adoption and raise cashless penetration in Japan. In addition, GMO-PG and its consolidated subsidiaries will continually strive to scale up by launching new businesses, forging business and capital alliances with other business partners, establish subsidiaries and pursue overseas expansion.

(3) Priority issues to be addressed

(1) Strengthening information security

GMO-PG and its consolidated subsidiaries mainly provides payment processing services for credit cards and other forms of payments, as well as manage material credit card information.

As part of the process to strengthen risk management system and prevention of information leaks, the Company obtained certification for ISO/IEC 27001:2013 (Japanese Standards, JIS Q27001: 2014), the global standard for information security management, applicable on all business offices, as the first ever listed payment processing company. Consequently, the information security management system has been objectively assessed and determined to be compliant and secure in accordance with strict international standards. With regards to PCI DSS, the global standard for security jointly compiled by five international credit card companies of JCB; American Express; Discover; MasterCard; and VISA, we have undergone the annual recertification review and have obtained the latest certification in December 2022 after obtaining the first certification in December 2008.

With respect to the handling of personal information, the privacy mark has been obtained that certifies companies with improved systems for taking appropriate protection measures for personal information in compliance with the Japanese Industrial Standards “JIS Q 15001:2017 Personal Information Protection Management System – Requirements.” In addition to regulatory compliance, the Company has established and operates its own advanced level of personal information protection management system.

(2) Strengthening the system development capabilities

Given that the businesses of GMO-PG and its consolidated subsidiaries are deeply related to Internet, we acknowledge the importance to adopt competitive technologies and services in a timely manner in order to provide customers with competitive products.

Currently, employees carry out system design that incorporate changes in the system environment and/or customer requests while outsourcing programming work to external entities to achieve efficiency and high-quality of services. GMO-PG and its consolidated subsidiaries will continue its efforts to recruit highly skilled developers/engineers and further strengthen system development capabilities and services.

(3) Strengthen alliance-type business collaborations

In order ensure stable growth, it is essential to establish business alliances that secure mutually profitable collaborations with corporations covering many merchants, payment companies and/or EC website builders, in order to efficiently acquire new merchants. GMO-PG and its consolidated subsidiaries will continue to seek further alliance-type business collaborations, the hallmark of our sales activities, and management will be responsible for tracking the progress of such activities.

(4) Expansion of business portfolio

As part of its management strategy, GMO-PG and its consolidated subsidiaries have constantly sought to expand the scope of business, with the B2C E-Commerce (EC) domain at its core, to taxes/public dues and utility charges, service commerce, providing online payment in the B2B and C2C EC domains, providing Banking as a Service (BaaS) support to financial institutions and business operators, as well as launching a payment method through the establishment of GMO Payment Service Inc. This management strategy was further deployed for overseas expansion through a consolidated subsidiary established in overseas locations and by expanding into the offline market business through the consolidated subsidiary GMO Financial Gate Inc. We will continue to pursue a diverse business portfolio centered around payment processing service and strive to sustainably expand revenues.

(5) Promotion of sustainability management

Guided by the management principle of GMO-PG and its consolidated subsidiaries to “pursue both spiritual and material prosperity for our partners by contributing to society,” we have identified the material issues during FY2023 that need to be prioritized for their medium-to-long term impact to the business. Initiatives are underway to provide

services centered around payment that support the migration towards online, cashless, paperless and digital transformation (DX) operations, deploying payment and financial services to drive social innovation, in addition to sustainability initiatives such as conversion to what is effectively renewable energy for powering the major data centers. The Company will further advance its sustainability management going forward.

3. **Basic Stance on Accounting Standard Selection**

GMO-PG and its consolidated subsidiaries is focused on globally developing comprehensive payment-related services. As such, and in order to improve financial information comparisons with international peers and disclosure standards as well as to improve usability of information for shareholders and investors in Japan and overseas, GMO-PG has voluntarily adopted IFRS applicable from the first quarter of FY2018 (FY ending September 2018).

4. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheet

(Unit: Thousand Yen)

	Notes	FY2022 (September 30, 2022)	FY2023 (September 30, 2023)
Assets			
Current assets			
Cash and cash equivalents	④	113,967,930	133,658,153
Trade and other receivables	⑤	13,964,116	18,953,746
Advances paid		54,422,846	63,387,197
Accrued revenue		30,331,694	33,395,131
Inventories		1,532,298	2,405,040
Deposits to subsidiaries and affiliates	⑥	16,500,000	5,300,000
Other financial assets		12,917,180	650,307
Other current assets		620,923	717,719
Total current assets		244,256,990	258,467,295
Non-current assets			
Property, plant and equipment		3,542,380	3,353,504
Goodwill and other intangible assets		6,942,428	9,310,325
Investments accounted for using equity method		8,608,123	9,194,822
Trade and other receivables	⑤	3,501,426	3,622,301
Other financial assets		5,095,976	6,615,112
Deferred Tax Assets		1,342,570	1,700,228
Other non-current assets		117,283	83,227
Total non-current assets		29,150,189	33,879,522
Total assets		273,407,179	292,346,818

(Unit: Thousand Yen)

	Notes	FY2022 (September 30, 2022)	FY2023 (September 30, 2023)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables		5,595,583	6,555,211
Accrued expenses		23,280,877	25,371,033
Deposits received		91,410,677	97,231,797
Borrowings		17,000,000	20,395,000
Other financial liabilities		1,014,590	388,765
Income taxes payable, etc.		4,916,655	7,888,647
Provisions		320,229	320,963
Other current liabilities		4,281,866	5,138,950
Total current liabilities		147,820,480	163,290,369
Non-current liabilities			
Corporate bonds		19,678,403	19,763,730
Borrowings		6,000,000	8,955,000
Other financial liabilities		2,342,950	2,128,594
Provisions		130,576	130,854
Deferred tax liabilities		5,642,475	1,221,695
Other non-current liabilities		2,531,640	2,051,729
Total non-current liabilities		36,326,046	34,251,605
Total liabilities		184,146,527	197,541,975
Equity			
Capital stock		13,323,135	13,323,135
Capital surplus		15,272,474	15,247,534
Retained earnings		49,424,496	50,768,961
Treasury stock		△ 1,152,444	△ 1,153,329
Other items of equity		10,255,198	14,088,034
Total equity attributable to owners of parent		87,122,860	92,274,336
Non-controlling interests		2,137,790	2,530,506
Total equity		89,260,651	94,804,843
Total liabilities and equity		273,407,179	292,346,818

(2) Condensed consolidated statement of income and consolidated statement of comprehensive income

Condensed consolidated statement of income

(Unit: Thousand Yen)

	Notes	FY2022 (From October 1, 2021 to September 30, 2022)	FY2023 (From October 1, 2022 to September 30, 2023)
Revenue		50,298,354	63,119,117
(of which, interest income※)		9,171,529	11,449,719
Cost of revenue		△16,662,790	△23,133,579
Gross profit		33,635,563	39,985,538
Other income		278,819	303,126
Selling, general and administrative expenses		△17,604,584	△19,892,578
Other expense		△60,685	△83,847
Operating profit		16,249,114	20,312,237
Financial income		1,621,118	1,021,157
Financial expense		△230,509	△804,773
Equity method investment gains or loss		184,697	107,790
Gain on sale of equity method affiliate		16,932,140	—
Profit before income taxes		34,756,561	20,636,412
Income tax expenses		△10,395,424	△6,813,457
Profit		24,361,137	13,822,955
Profit attributable to:			
Owners of parent		24,152,140	13,475,513
Non-controlling interests		208,996	347,441
Profit		24,361,137	13,822,955
Earnings per share (Yen/share)			
Basic earnings per share	⑧	318.45	177.68
Diluted earnings per share	⑧	314.66	175.86

(※) The figure presents the interest income calculated using the effective interest method as per IFRS 9 Financial Instruments.

Consolidated statement of comprehensive income

(Unit: Thousand Yen)

	Notes	FY2022 (From October 1, 2021 to September 30, 2022)	FY2023 (From October 1, 2022 to September 30, 2023)
Profit		24,361,137	13,822,955
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Fair value of financial assets measured through other comprehensive income		669,573	332,743
Shares of other comprehensive income of equity method affiliates		5,986,425	459,973
Total of Items that will not be reclassified to profit or loss		6,655,998	792,717
Items that will be reclassified to profit or loss			
Exchange differences on translation of foreign operations		5,060,086	3,047,227
Shares of other comprehensive income of equity method affiliates		△186,034	—
Total of items that will be reclassified to profit or loss		4,874,051	3,047,227
Other comprehensive income after income taxes		11,530,050	3,839,945
Comprehensive income		35,891,188	17,662,900
Comprehensive income attributable to			
Owners of parent		35,671,476	17,316,479
Non-controlling interests		219,711	346,421
Total		35,891,188	17,662,900

(3) Consolidated statement of changes in equity

Previous consolidated fiscal year (From October 1, 2021 to September 30, 2022)

(Unit: Thousand Yen)

Notes	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other items of equity	Total equity attributable to owners of parent	Non-controlling interests	Total Equity
Balance as of October 1, 2021	13,323,135	15,191,927	26,546,151	△1,152,444	1,937,175	55,845,946	1,974,433	57,820,379
Profit	—	—	24,152,140	—	—	24,152,140	208,996	24,361,137
Other comprehensive income	—	—	—	—	11,519,336	11,519,336	10,714	11,530,050
Comprehensive income	—	—	24,152,140	—	11,519,336	35,671,476	219,711	35,891,188
Dividends	—	—	△4,474,710	—	—	△4,474,710	—	△4,474,710
Dividends paid to non-controlling interests	—	—	—	—	—	—	△89,232	△89,232
Transfer from other items of equity to retained earnings	—	—	3,200,915	—	△3,200,915	—	—	—
Share-based payment transaction	—	125,688	—	—	△399	125,289	—	125,289
Changes in the interest in controlled subsidiary	—	△45,141	—	—	—	△45,141	32,879	△12,262
Total transactions with owners	—	80,546	△1,273,795	—	△3,201,314	△4,394,562	△56,353	△4,450,916
Balance as of September 30, 2022	13,323,135	15,272,474	49,424,496	△1,152,444	10,255,198	87,122,860	2,137,790	89,260,651

Current consolidated fiscal year (From October 1, 2022 to September 30, 2023)

(Unit: Thousand Yen)

Notes	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other items of equity	Total equity attributable to owners of parent	Non-controlling interests	Total Equity
Balance as of October 1, 2022	13,323,135	15,272,474	49,424,496	△1,152,444	10,255,198	87,122,860	2,137,790	89,260,651
Profit	—	—	13,475,513	—	—	13,475,513	347,441	13,822,955
Other comprehensive income	—	—	—	—	3,840,965	3,840,965	△1,020	3,839,945
Comprehensive income	—	—	13,475,513	—	3,840,965	17,316,479	346,421	17,662,900
Purchase of treasury shares	—	—	—	△884	—	△884	—	△884
Dividends	—	—	△12,134,807	—	—	△12,134,807	—	△12,134,807
Dividends paid to non-controlling interests	—	—	—	—	—	—	△102,856	△102,856
Transfer from other items of equity to retained earnings	—	—	8,128	—	△8,128	—	—	—
Share-based payment transaction	—	37,811	—	—	—	37,811	—	37,811
Changes in the interest in controlled subsidiary	—	△62,751	—	—	—	△62,751	149,150	86,399
Other Increase or Decrease	—	—	△4,369	—	—	△4,369	—	△4,369
Total transactions with owners	—	△24,940	△12,131,048	△884	△8,128	△12,165,003	46,294	△12,118,709
Balance as of September 30, 2023	13,323,135	15,247,534	50,768,961	△1,153,329	14,088,034	92,274,336	2,530,506	94,804,843

(4) Condensed consolidated statement of cash flows

(Unit: Thousand Yen)

	Notes	FY2022 (From October 1, 2021 to September 30, 2022)	FY2023 (From October 1, 2022 to September 30, 2023)
Net cash provided by (used in) operating activities			
Profit before income taxes		34,756,561	20,636,412
Depreciation & amortization		2,148,382	2,413,187
Financial income and expense (△=gain)		△1,390,608	△216,383
Equity method investment gain/loss (△=increase)		△184,697	△107,790
Gain on sale of equity method affiliate		△16,932,140	—
Increase/decrease in inventories (△=increase)		132,249	△872,742
In/Decrease in trade and other receivables (△=increase)		△1,617,930	△4,624,083
In/Decrease in advances paid (△=increase)		△9,101,802	△8,964,351
In/Decrease in accrued revenues (△=increase)		△6,018,307	△3,167,838
In/Decrease in trade payables (△=decrease)		361,659	934,882
In/Decrease in accrued expenses (△=decrease)		2,402,899	2,327,042
In/Decrease in deposits received (△=decrease)		6,810,392	5,821,150
In/Decrease in other current liabilities (△=decrease)		734,518	843,804
In/Decrease in other non-current liabilities (△=decrease)		459,685	△463,694
Other		307,573	△320,520
Subtotal		12,868,435	14,239,075
Interest and dividends received		118,306	1,049,980
Interest paid		△98,562	△149,768
Income taxes paid		△5,231,849	△9,010,688
Net cash provided by (used in) operating activities		7,656,330	6,128,597
Net cash provided by (used in) investing activities			
Payments into restricted deposits		△11,499,066	△12,707,360
Withdrawals from restricted deposits		—	24,650,549
Purchase of property, plant and equipment		△321,711	△529,601
Purchase of intangible assets		△2,649,120	△4,098,162
Purchase of investment securities		△466,540	△1,082,255
Proceeds from sale of investment securities		24,487,557	118,842
Proceeds from distributions of investments partnerships		2,314,246	375,785
Purchase of investments accounted for using equity method		△500,000	—
Payments into deposits to subsidiaries and affiliates		△16,500,000	△5,300,000
Proceeds from withdrawal of deposits to subsidiaries and affiliates		2,000,000	16,500,000
Purchase of other financial assets		△78,114	△163,407
Proceeds from sales of other financial assets		7,586	795
Others		761,320	△3,081
Net cash provided by (used in) investing activities		△2,443,843	17,762,101

(Unit: Thousand Yen)			
	Notes	FY2022 (From October 1, 2021 to September 30, 2022)	FY2023 (From October 1, 2022 to September 30, 2023)
Net cash provided by (used in) financing activities			
Net in/decrease in short-term borrowings (△=decrease)		2,000,000	2,900,000
Increase in long-term borrowings		6,000,000	3,450,000
Repayment of long-term borrowings		△158,515	—
Dividends paid		△4,471,570	△12,127,699
Dividends paid to non-controlling interests		△89,232	△102,856
Capital contributions from non-controlling interests		23,705	23,890
Other		△668,924	△562,667
Net cash provided by (used in) financing activities		2,635,462	△6,419,333
Effect of exchange rate changes on cash and cash equivalents		1,596,015	2,218,857
Increase or decrease in cash and cash equivalents (△=decrease)		9,443,965	19,690,222
Balance of cash and cash equivalents at the beginning of the period	④	104,523,965	113,967,930
Cash and cash equivalents at the end of period	④	113,967,930	133,658,153

(5) Notes regarding the going concern assumptions

Not applicable.

(6) Notes regarding condensed consolidated financial statements

① Reporting entity

GMO Payment Gateway, Inc. ("the Company") is a corporation (kabushiki kaisha) domiciled in Japan and listed on the Tokyo Stock Exchange. The registered address of its head office is 2-3 Dogenzaka 1-chome, Shibuya-ku, Tokyo, Japan. The consolidated financial statements for the fiscal year ending September 30, 2023, are comprised of the Company and its subsidiaries and equity interest in affiliates. The ultimate parent of the Group is GMO Internet Group, Inc. GMO-PG and its consolidated subsidiaries are engaged in the businesses of Payment Processing Business for payments methods such as credit cards, Money Service Business and Payment Enhancement Business. (see ⑦ Segment Information).

② Basis of preparation

a. Compliance of consolidated financial statements to IFRS

The consolidated financial statements of GMO-PG consolidated subsidiaries satisfy all the criteria of a "Designated International Accounting Standards Specified Company" under Article 1-2 of the Regulation On Terminology, Forms, and Preparation Methods of Consolidated Financial Statements. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to the provision of Article 93 of the Regulation for Consolidated Financial Statements.

b. Basis of measurement

The consolidated financial statements of GMO-PG consolidated subsidiaries is presented based on the accounting principles stated under "③ Significant Accounting Principles". The balance of assets and liabilities, unless otherwise stated, have been prepared on a historical cost basis.

c. Functional and presentation currency

The consolidated financial statements of GMO-PG consolidated subsidiaries are presented in Japanese Yen ("JPY"; all figures are rounded down to the nearest thousand), which is the functional currency.

③ Significant accounting policies

Significant accounting policies adopted for the consolidated financial statements for the fiscal year ended September 2023 for GMO-PG and its consolidated subsidiaries are the same as those adopted for the previous year's consolidated financial statements.

④ Cash and cash equivalents

Breakdown of cash and cash equivalents are as follows.

(Unit: Thousand Yen)

	FY2022 (September 30, 2022)	FY2023 (September 30, 2023)
Cash and cash equivalents	109,337,930	127,578,153
Deposits to subsidiaries and affiliates	4,630,000	6,080,000
Total	113,967,930	133,658,153

⑤ Trade and other receivables

Breakdown of trade and other receivables are as follows.

(Unit: Thousand Yen)

	FY2022 (September 30, 2022)	FY2023 (September 30, 2023)
Trade and other receivables	6,454,035	7,414,365
Operating loans	10,677,593	14,760,925
Other	457,134	661,867
Allowance for doubtful accounts	△ 123,220	△ 261,110
Total	17,465,542	22,576,047
Current assets	13,964,116	18,953,746
Non-current assets	3,501,426	3,622,301
Total	17,465,542	22,576,047

⑥ Deposits to subsidiaries and affiliates

The deposits to subsidiaries and affiliates are deposits made under the CMS (cash management system) of GMO Internet Group.

⑦ Segment information

(1) Overview of reportable segments

The reporting segments of GMO-PG and its consolidated subsidiaries are based on operational segments for which separate financial information is available and which the Board of Directors regularly reviews to determine the allocation of management resources and evaluate its performance.

GMO-PG and its consolidated subsidiaries have businesses and subsidiaries according to the product and/or service, and each product/service carries out the business activities and formulates comprehensive strategies covering Japan and overseas.

Therefore, GMO-PG and its consolidated subsidiaries is comprised of various products and services grouped according to the explanation above and multiple businesses are grouped and classified under the three reportable segments of Payment Processing Business, Money Service Business and Payment Enhancement Business.

The main products and services included in the reportable segments are as shown below:

Reportable Segment	Main products and services
Payment Processing Business	Mainly payment processing for online billing, recurring billing as well as payment processing service for offline payments.
Money Service Business	Mainly consists of GMO Payment After Delivery, money services such as Remittance, Transaction Lending to provide growth funds, overseas Lending, Early Payment service to improve merchant's cash flow.
Payment Enhancement Business	Mainly consists of online advertising service aimed at increasing revenues at merchants and the reservation management system exclusively for medical institution, "Medical Kakumei byGMO."

(2) Segment information

Accounting principles applied to the reportable segments are the same as that of consolidated financial statements.

Performance of segments is as shown below. Profit for the reportable segments is reconciled as operating profit or loss. Intersegment transactions are based on equivalent prices of arm's length transactions.

Previous consolidated fiscal year (From October 1, 2021 to September 30, 2022)

(Unit: Thousand Yen)

	Payment Processing Business	Money Service Business	Payment Enhancement Business	Total	Adjustments (Note)	Consolidated
Revenues						
Sales to external customers	37,954,521	11,402,183	941,650	50,298,354	—	50,298,354
Intersegment revenue	23,555	—	1,053	24,609	△24,609	—
Total	37,978,077	11,402,183	942,703	50,322,964	△24,609	50,298,354
Segment profit (△=loss)	17,539,462	2,466,696	174,462	20,180,620	△3,931,506	16,249,114
Financial income	—	—	—	—	—	1,621,118
Financial expense	—	—	—	—	—	△230,509
Equity method investment gains (△=loss)	—	—	—	—	—	184,697
Gain on sale of equity method investment	—	—	—	—	—	16,932,140
Profit before income taxes	—	—	—	—	—	34,756,561
Other items						
Depreciation & amortization	1,713,155	155,107	63,086	1,931,348	217,033	2,148,382
Impairment Loss	—	—	—	—	—	—

(Note) Adjustment of segment profit of △¥3,931 mil consist of general corporate expenses not allocated to any reportable segment of △¥4,082 mil and elimination of intersegment transactions of ¥151 mil. General corporate expenses mainly consist of selling, general and administrative expenses not allocated to any reportable segment.

Current consolidated fiscal year (From October 1, 2022 to September 30, 2023)

(Unit: Thousand Yen)

	Payment Processing Business	Money Service Business	Payment Enhancement Business	Total	Adjustments (Note)	Consolidated
Revenues						
Sales to external customers	47,881,802	14,088,563	1,148,751	63,119,117	—	63,119,117
Intersegment revenue	31,590	118	786	32,496	△32,496	—
Total	47,913,393	14,088,682	1,149,538	63,151,614	△32,496	63,119,117
Segment profit (△=loss)	21,101,322	2,751,650	288,842	24,141,815	△3,829,578	20,312,237
Financial income	—	—	—	—	—	1,021,157
Financial expense	—	—	—	—	—	△804,773
Equity method investment gains (△=loss)	—	—	—	—	—	107,790
Profit before income taxes	—	—	—	—	—	20,636,412
Other items						
Depreciation & amortization	1,924,127	212,623	75,858	2,212,609	200,577	2,413,187
Impairment Loss	—	—	—	—	—	—

(Note) Adjustment of segment profit of △¥3,829 mil consist of general corporate expenses not allocated to any reportable segment of △¥4,005 mil and elimination of intersegment transactions of ¥176 mil. General corporate expenses mainly consist of selling, general and administrative expenses not allocated to any reportable segment.

⑧ Per share information

(1) Basic earnings per share and the basis for calculation

Basic earnings per share and the basis for calculation basic earnings per shares is as follows.

(Unit: Thousand Yen)

	FY2022 (From October 1, 2021 to September 30, 2022)	FY2023 (From October 1, 2022 to September 30, 2023)
Profit attributable to ordinary shareholders of parent		
Profit attributable to owners of parent	24,152,140	13,475,513
Profit not attributable to ordinary shareholders of parent	—	—
Profit used to calculate basic earnings per share	24,152,140	13,475,513
Average number of shares	75,842,549 shares	75,842,482 shares
Basic earnings per share	¥318.45 per share	¥177.68 per share

(2) Diluted earnings per share and the basis for calculation

Diluted earnings per share and the basis for calculation diluted earnings per shares is as follows.

(Unit: Thousand Yen)

	FY2022 (From October 1, 2021 to September 30, 2022)	FY2023 (From October 1, 2022 to September 30, 2023)
Profit attributable to ordinary shareholders after dilution		
Profit used to calculate basic earnings per share	24,152,140	13,475,513
Adjustment to profit	56,690	56,121
Profit used to calculate diluted earnings per share	24,208,830	13,531,634
Average number of shares	75,842,549 shares	75,842,482 shares
Effect of dilutive securities		
Convertible bond-type bonds with subscription rights	1,093,410 shares	1,102,608 shares
Number of shares after effect of dilutive shares	76,935,959 shares	76,945,090 shares
Diluted earnings per share	¥314.66 per share	¥175.86 per share

⑨ Significant subsequent events

Not applicable.