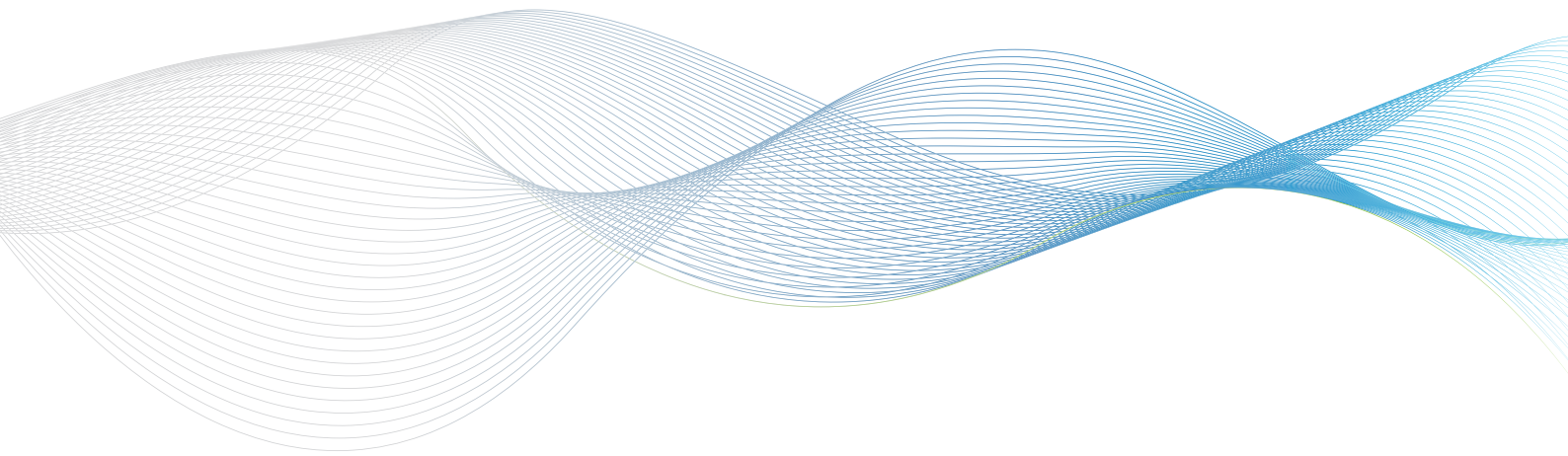


GMO Payment Gateway, Inc.

2023 Integrated Report

30th Fiscal Year (2022.10.1–2023.9.30)





**Management
Philosophy**

We Pursue Both Spiritual and Material Prosperity by Contributing to the Advancement and Progress of Society

We contribute to the progress of society with a strong intention to create and develop markets and 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 skills and a high level of professionalism. They pursue richness of spirit through the exchange of values with our clients.

**Management
Policy**

GLOBAL LEADERSHIP

A company that leads Japan with its high aspirations and presents new values 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



INNOVATION

Social Advancement and Customer's Growth through Creation of Payment Innovations

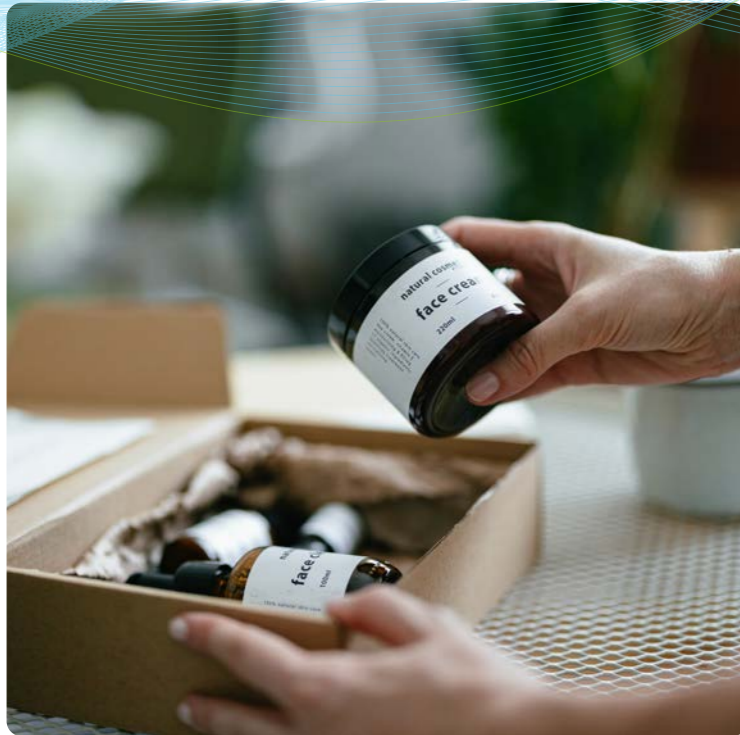
Beginning with payment, one step in the flow of various economic activities, the Company provides a wide array of innovations to corporates that support operational efficiencies such as invoicing, cash management and salary payment to enhance corporate competitiveness. Promoting cashless adoption contributes to the realization of a more convenient and comfortable society.



GMO Payment Gateway in Our Daily Lives

Driving Cashless Migration
in Many Facets of Our Daily Lives
We Support the Convenience and Comfort of Society

Payments made at home



Payments made outside the home



stera terminal



Preface on the 2023 Integrated Report

The 2023 Integrated Report aims to be a source for all stakeholders to foster mutual understanding and to advance management by explaining both financial and non-financial information on various initiatives aimed at raising the Company's corporate value.

We have endeavored to comprehensively convey the value creation that we pursue by explaining the materiality initiatives to achieve sustainable growth and the strategy to achieve the management target of 25% operating profit growth through the voices of the management, external directors and our partners.

We hope this publication will further deepen the understanding of our value creation to all stakeholders including shareholders.

Ryu Muramatsu

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



Editorial Policy

The 2023 Integrated Report is edited to coherently present our value creation model by reporting on financial information such as financial results and management strategy as well as non-financial information such as environment, society and governance (ESG) that form the bedrock of sustainable growth. This report is compiled and edited with the aim of explaining the value propositions the Company is providing to society to realize a sustainable society and how we intend to achieve sustainable growth to raise the 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".

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 the statements made in this report.



For further details on sustainability-related information, please visit the Company's website from the link below:
<https://www.gmo-pg.com/en/corp/sustainability/>

Disclosure



Financial Information

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

Sustainability

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



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Abbreviations used in the report

GMO-PG refers to GMO Payment Gateway, Inc.

GMO-EP refers to GMO Epsilon, Inc.

GMO-PS refers to GMO Payment Service, Inc.

GMO-FG refers to GMO Financial Gate, Inc.

"**Company**" refers to GMO-PG and its consolidated group of companies consisting of domestic and overseas consolidated subsidiaries and equity method affiliates.

"**Partners**" is a phrase the Company uses for its employees to express respect towards them.

CP stands for Card Present transaction and refers to payments made at bricks-and-mortar stores by physically presenting a credit card or other non-cash devices.

The fiscal years presented in the graphs refer to the Company's fiscal year ending in September.

MESSAGE FROM THE PRESIDENT

Further Strengthening the Business Foundation to Sustain a 25% Growth Rate and Enhance Corporate Value by Striving for Sustainable Growth while Resolving Social Challenges through Our Services Centered on Payment



Issei Ainoura
President & Chief Executive Officer



Achieved 18 Consecutive Terms of Revenue and Profit Increase

We faced significant changes in the business environment during the fiscal year ending September 2023 (FY2023) due to the recovery trend in consumption with the normalization of economic activities after the lifting of COVID-19 measures. On the other hand, we faced headwinds from the surge in prices of goods and inflationary pressures from tightening labor supply. As a result, this was a difficult year where we faced various challenges coupled with low visibility on the outlook. Despite this, financial results were resilient with both revenue and operating profit posting over 25% growth year-on-year (YoY) and exceeding initial guidance by 6.8% for revenue and fully achieving the operating profit guidance.

On the business front, various initiatives aimed at achieving sustainable growth made progress. In the online domain of the Payment Processing Business, we worked to expand project sizes by strengthening relationships with representative companies in each industry as well as updated

the mainstay payment product. In the CP domain, given the tailwinds of consumption returning to physical stores, recovery in inbound consumption and the moves to tackle labor shortages, the Company completed the installation of “stera terminals” at post offices nationwide, helping to drive cashless penetration as well as significantly grow revenue. Both online and CP transaction value grew by 31.8% YoY to approximately ¥15 trillion. In the Money Service Business, we worked to expand businesses such as GMO Payment After Delivery while controlling credit costs and lending services to overseas companies.

As a result, we have achieved 18 consecutive years of higher revenues and profits since listing on TSE Mothers market in 2005. These results were achieved thanks to the warm support from our stakeholders including shareholders and I would like to express my deepest gratitude for their continued support.

Growth Strategy and Strengthening the Business Foundation to Achieve Sustainable Growth

We have committed to achieve the management targets for operating profit from FY2024 and onwards at a minimum growth rate of 20% per annum and a CAGR 25% growth over the medium- to long-term.

In recent years, the revenue structure has become more volatile due to the timing of revenue recognition of large-scale projects. This reflects our efforts to develop applications centered on payment that respond to issues faced by large and medium-sized business operators across various industries and drive adoption within these industries, as well as undertake infrastructure projects such as the contactless NFC payments for public

transport services. For small business operators, we worked to raise the pace of revenue growth through services such as “fincode byGMO” that cater to the needs of start-ups, the new Buy Now Pay Later (BNPL) service “atokara” and by strengthening collaboration with business partners, as well as raising our sales efficiency.

As the Group’s services have diversified, we are striving to expand cross-selling of services through mutual collaborations and cooperation, thereby establishing a solid position as the customer’s go-to partner. In addition to achieving the financial targets each year, we will also be sowing the seeds for future growth in order to sustain this momentum.

Building a Strong Team with “Act Like the CEO”



One of the phrases that aptly describes our spirit or our “PG-ism” is “Act Like the CEO,” which means that all partners take ownership and act proactively on their own initiative without waiting for instructions, are cognizant of changes occurring inside and outside the Company, and raise their voices to risks and take countermeasures. In order to make such behaviors take root, I hold direct dialogues with partners on a daily basis. Continuing and emphasizing such efforts will build a strong organization and a corporate group that has no equal, and that can overcome changes in the environment to achieve sustainable growth.

Promoting Sustainable Management

FY2023 was the year in which we took great strides in sustainability management. In addition to operational aspects such as decarbonization initiatives and promotion of health management, the Company improved its evaluation from external bodies for expanding ESG disclosure.

In addition, the materiality issues to be prioritized have been identified and disclosed. The Company is engaged in resolving a wide range of social issues such as depopulation, ensuring

the security of economic activities and reducing the environmental footprint by driving cashless penetration and supporting a diverse range of corporate activities.

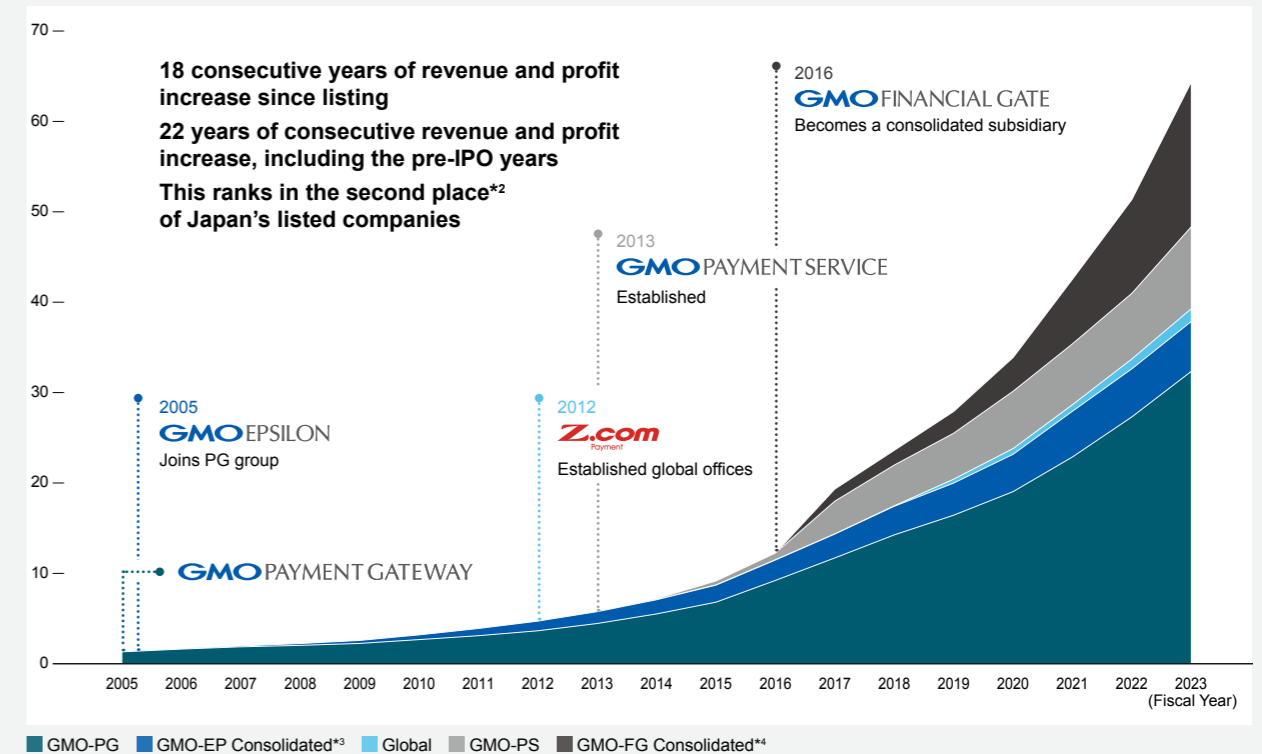
We will continue our endeavors to contribute to the realization of a sustainable society and to further enhance corporate value.

We hope to secure your continued support and wish to express our deepest gratitude to our stakeholders including shareholders.

Our Track Record of Growth through Consolidated Management

Revenue by Company*1

(Unit: ¥ bn)



*1 Revenue figures are before consolidated eliminations. Figures for global is the sum of lending and payment.

*2 Based on GMO-PG’s estimates

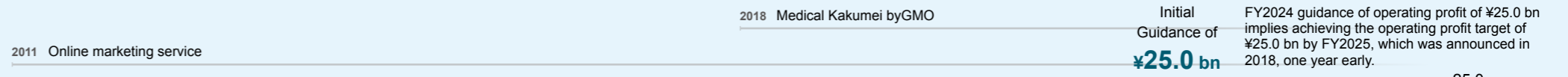
*3 Figures present the sum of GMO-EP and GMO Medical Reservation Technology

*4 Figures present the sum of GMO-FG and GMO Card System

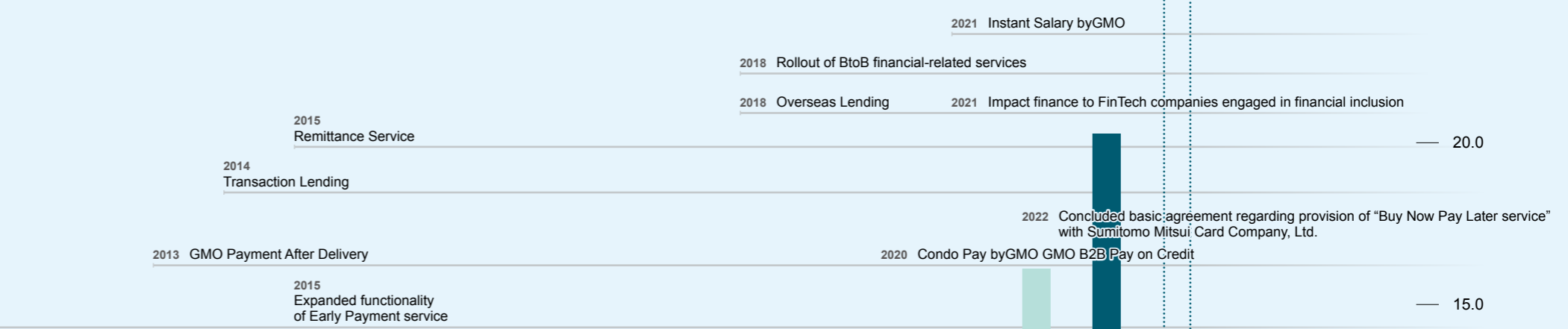
Track Record of Value Creation

After commencing business specializing in credit card payment processing, the Company expanded its scope of business and is currently making inroads into markets through the three reportable segments in order to expand its businesses and create new value.

Payment Enhancement Business

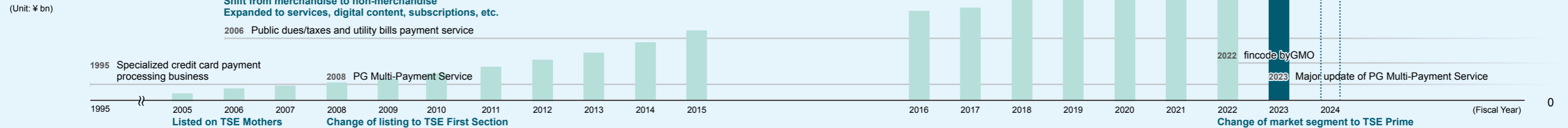


Money Service Business



Payment Processing Business

Operating Profit*2

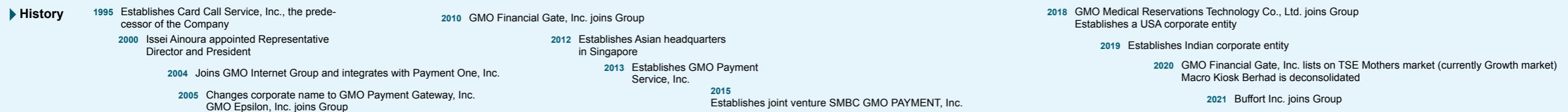
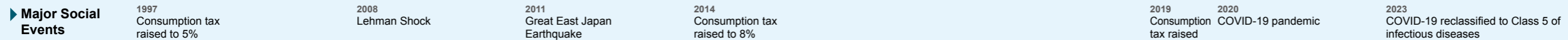


Value Proposition to Society and Our Role in Society

Supporting E-Commerce (EC) and Online migration

DX Support

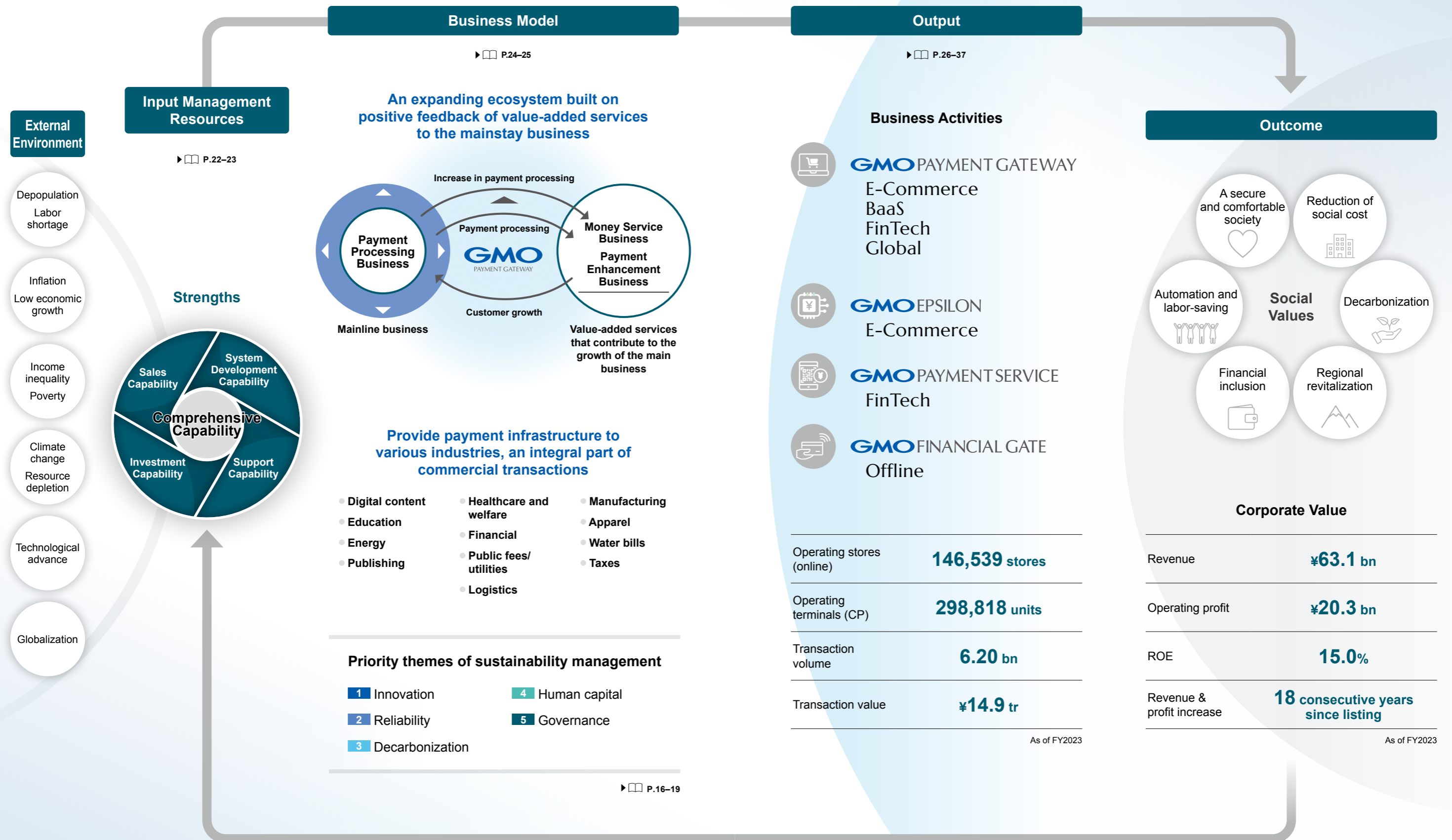
Supporting the transformation to a decarbonized society



*2 Macro Kiosk Berhad is classified as discontinued business due to its deconsolidation on FY2020. Figures for operating profit present the numbers for continuing business only and exclude the numbers for discontinued business. Figures for FY2019 have been restated on the same basis.

2016 2C2P Pte. Ltd., Southeast Asia's major payment operator, becomes an equity method affiliate. Macro Kiosk Berhad joins Group. 2022 Buffort Inc. merged by absorption. Full divestment of 2C2P Pte. Ltd. shares.

Value Creation Model



Sustainability

Basic Approach to Sustainability

As a leading company in the payment industry, the Company promotes business activities that support online and cashless migration, paperless operations, digital transformation (DX) and financial inclusion by building payment infrastructures as well as providing payment and financial-related solutions and platforms. This is based on the “GMO-ism”^{*1} shared with GMO Internet Group, under which the Company upholds the management principle of “contributing to society to pursue both spiritual and material prosperity for our partners.”

The Company is engaged in resolving a wide array of societal issues, such as socioeconomic revitalization and enhancement of corporate competitiveness through the Company’s businesses that leverage innovations centered on payment that support a diverse range of corporate activities.

Together with our stakeholders who support the Company’s business activities, we strive to contribute to the realization of a sustainable society and our customers’ growth that in turn enhances the Company’s corporate value and sustains a high growth rate.

Governance Related to Sustainability

The Executive Vice President, overseeing planning and operations, bears responsibility to promote sustainability management at the Board and to reflect / incorporate all sustainability-related issues into 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 including climate change, evaluates plans, reviews progress and reports to the Board, as well as compiles measures to reflect the feedback received from the Board. In addition, the Board receives periodic reports from the Risk Management Committee on its discussions, verifications and findings to help it monitor the impact of sustainability issues on the overall Company.

Risk Management Related to Sustainability

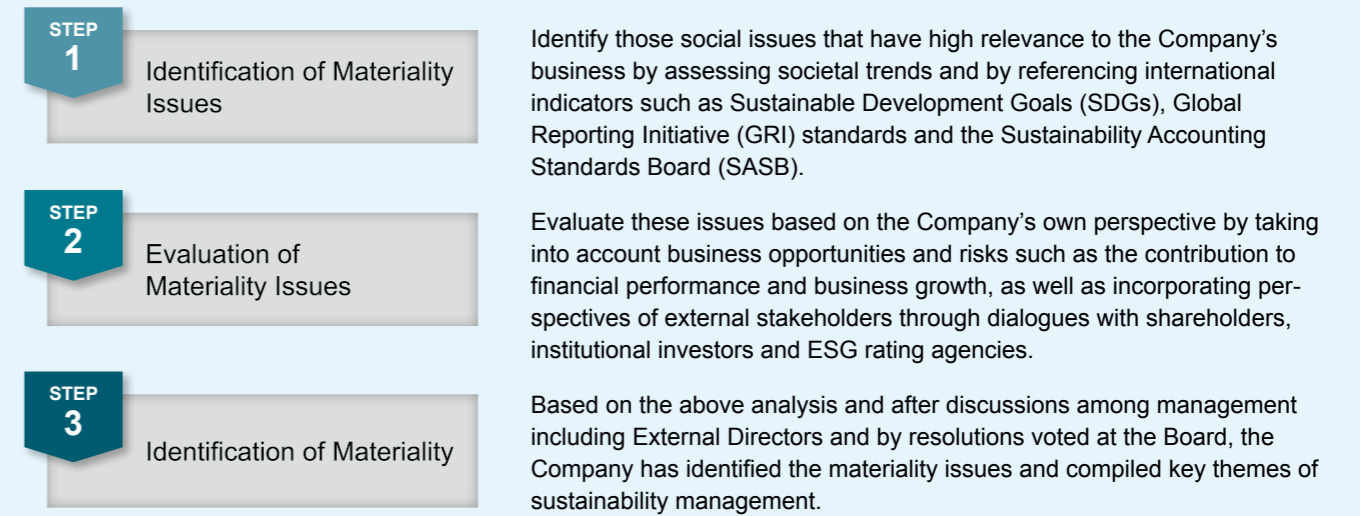
The Company convenes the Risk Management Committee once every quarter to implement measures effectively and efficiently by incorporating sustainability-related risks into the overall risk management. Risk incidents are classified into six categories according to a monetized evaluation based on the two metrics of monetary impact and frequency of occurrence. Forseeable 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 risks, and each Division must consider and implement responses.

Responses to these material risks are further deliberated upon by the relevant Division after incorporating the opinions of external experts. These responses are then examined and debated by the Risk Management Committee and reported to the Board.

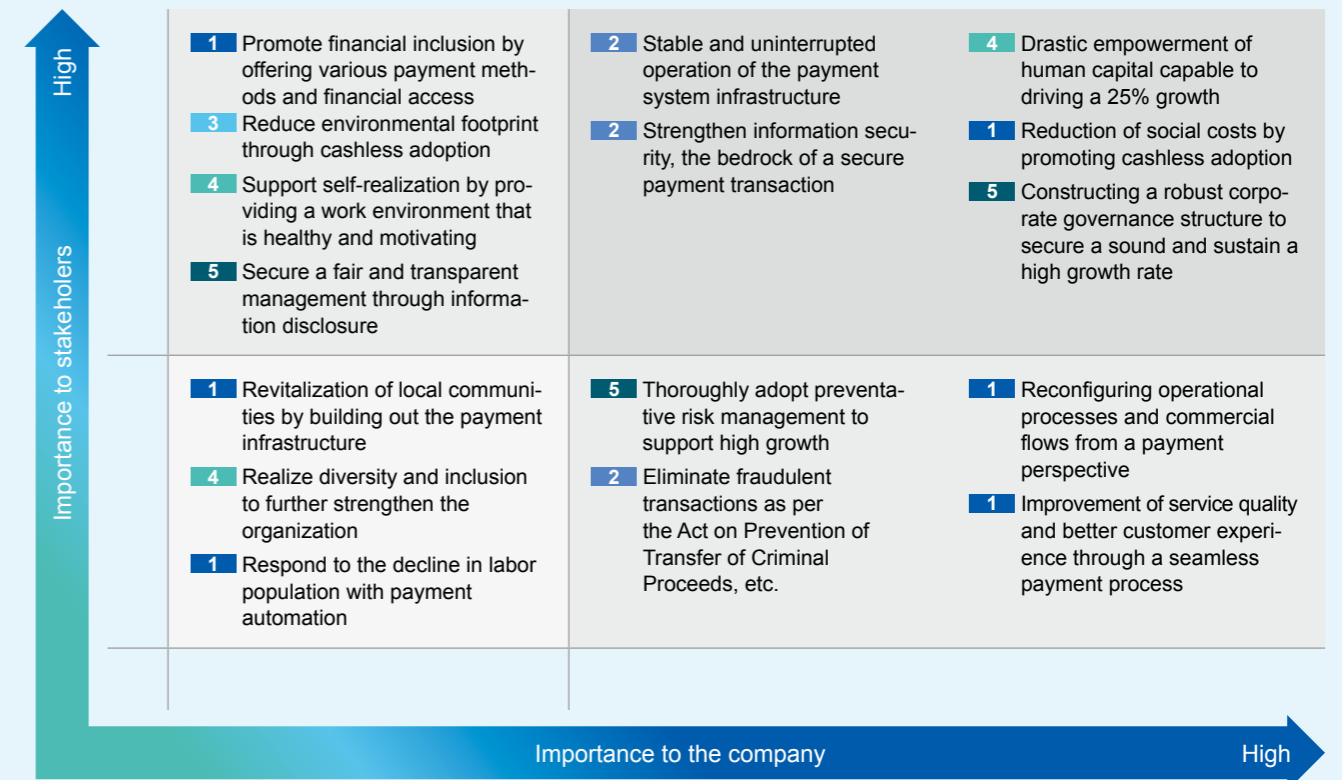
^{*1} GMO-ism is the collective name for GMO Internet Group’s unchanging goals, including “Venture Spirit Declaration.”

Identification Process of Materiality Issues

In order to contribute to the sustainable advancement of society and achieve a sustainable improvement in corporate value by resolving various social issues through our business activities, the Company has identified materiality issues, using the procedure stated below, that need to be prioritized for their medium- to long-term impact to the Company’s business.



Materiality Matrix



Key Themes of Sustainability Management

The materiality issues identified have been grouped into five domains to clarify the key themes of sustainability management. The Company will strive to contribute to a sustainable socioeconomic advancement and a sustainable improvement in corporate value along these five themes.

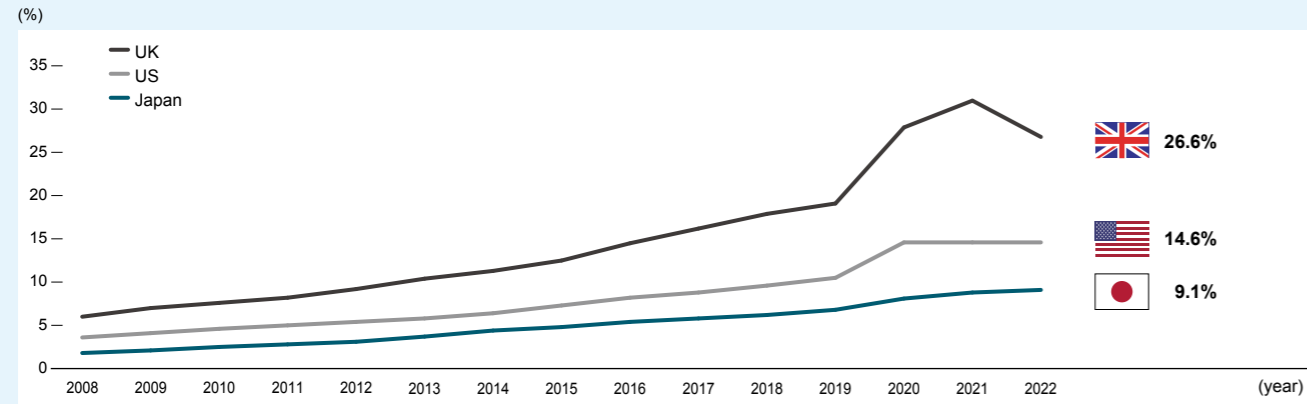
	Key Themes	Materiality Issues	Initiatives	Contribution to SDGs
Social contribution through the sustainable growth of businesses centered on payment	<h2>1. Innovation</h2> <p>—Social advancement and customer’s growth through creation of payment innovations—</p> <p>Beginning with payment, one step in the flow of various economic activities, the Company provides a wide array of innovations to corporates that support operational efficiencies such as invoicing, cash management and salary payment to enhance corporate competitiveness. Promoting cashless adoption contributes to the realization of a more convenient and comfortable society.</p>	<ul style="list-style-type: none"> ▶ Reconfiguring operational processes and commercial flows from a payment perspective ▶ Improvement of service quality and better customer experience through a seamless payment process ▶ Respond to the decline in labor population with payment automation ▶ Reduction of social costs by promoting cashless adoption ▶ Promote financial inclusion by offering various payment methods and financial access ▶ Revitalization of local communities by building out the payment infrastructure 	<ul style="list-style-type: none"> • Provide solutions that respond to issues in each industry through the industry-specific sales team structure • Support the diverse sales channels of merchants, such as E-Commerce (EC) shops and delivery, through payment services • Implement contactless NFC payment at shops and public transport, as well as mobile orders • GMO Medical Reservation Technology, Inc. provides reservation management system exclusively for medical institutions • Promoting unattended payment at self-checkout counters and vending machines • Support recruitment efforts with Instant Salary byGMO • Promote lending operation that are linked to payment, such as transaction lending and BtoB transaction, etc. • Contribute to improving the customer’s cash efficiency by providing lending that shortens the time lag between payment and depositing the sales proceeds • Instant Salary byGMO realizes salary received at the employee’s preferred timing • Support access to EC for non-cardholders with Payment After Delivery service • Investment and lending to FinTech companies promoting financial inclusion in India, Southeast Asia and the United States. • Support cashless migration through BaaS business (“Ginko Pay” and acquiring support in regional areas) 	
	<h2>2. Reliability</h2> <p>—Sustainable operation of payment infrastructure to support society—</p> <p>As a company responsible for the social infrastructure of payment, the Company strives to improve the stability and reliability of operations in order to ensure the safety and security of socioeconomic activities of payment.</p>	<ul style="list-style-type: none"> ▶ Stable and uninterrupted operation of the payment system infrastructure ▶ Strengthen information security, the bedrock of a secure payment transaction ▶ Eliminate fraudulent transactions as per the Act on Prevention of Transfer of Criminal Proceeds, etc. 	<ul style="list-style-type: none"> • A 24/7 system monitoring structure and system configuration that includes redundancy • Realized advanced level of information security measures • Support the strengthening of customer’s EC security • Continue to strengthen merchant management and screening systems 	
	<h2>3. Decarbonization</h2> <p>—Contribute to the Earth’s environment through cashless adoption—</p> <p>Focus on CO₂ emissions reductions through the transformation of paper-based and cash-based processes.</p>	<ul style="list-style-type: none"> ▶ Reduce environmental footprint through cashless adoption. 	<ul style="list-style-type: none"> • Promotion of a cashless society to reduce CO₂ emissions from cash transactions • Support customer’s decarbonization through paperless migration of invoicing and digital transformation (DX) • Promote payment processing using what is effectively renewable energy 	
Management foundation to support sustainable growth	<h2>4. Human Capital</h2> <p>—Pursue organizational capabilities that embrace challenges and the commitment to 25% growth—</p> <p>Focus on expanding the critically important human capital base as the highest priority undertaking of the organization as we seek to achieve sustainable growth that can overcome changes in the environment.</p>	<ul style="list-style-type: none"> ▶ Drastic empowerment of human capital capable of driving a 25% growth ▶ Support self-realization by providing work environment that is healthy and motivating ▶ Realize diversity and inclusion to further strengthen the organization 	<ul style="list-style-type: none"> • Implement talent development strategy and recruitment to secure the quantity and quality of talented personnel to support the 25% growth • Secure diversity of human capital (specialization, gender and nationality, etc.) to respond to diversifying business domains • Promote health management 	
	<h2>5. Governance</h2> <p>—Institute a sound and responsible management—</p> <p>Strengthen the governance structure to enhance the effectiveness of oversight from external bodies and risk-taking, in order to continue on a sound and stable path of high growth</p>	<ul style="list-style-type: none"> ▶ Constructing a robust corporate governance structure to secure a sound and sustain a high growth rate ▶ Thoroughly adopt preventative risk management to support the high growth ▶ Secure a fair and transparent management through information disclosure 	<ul style="list-style-type: none"> • Secure the diversity of Board and implement measures to raise effectiveness • Secure effectiveness of the Special Committee comprised of External Directors for the protection of minority interests • Comprehensive risk management carried out by Risk Management Committee (realize an overall balance of risks and return) • Promote engagement through Investor Relations (IR) activities 	

Business Environment

Expansion of EC Market

The EC market is expected to expand over the medium- to long-term with the development of logistics networks, penetration of subscription services in daily lives and the implementation of Online-Merges-with-Offline (OMO), as Japan's EC penetration rate still remains lower than developed countries such as the United States and Europe.

EC Penetration Rates of Developed Countries*



* Ministry of Economy, Trade and Industry, "FY2022 Global Survey Project Concerning Integrated Domestic and External Economic Growth Strategy Building (E-Commerce market survey)"
 U.S. Census Bureau, "The 2nd Quarter 2023 Retail E-Commerce Sales Report."
 Office for National Statistics, "Retail Sales Index Internet Sales, October 2023."

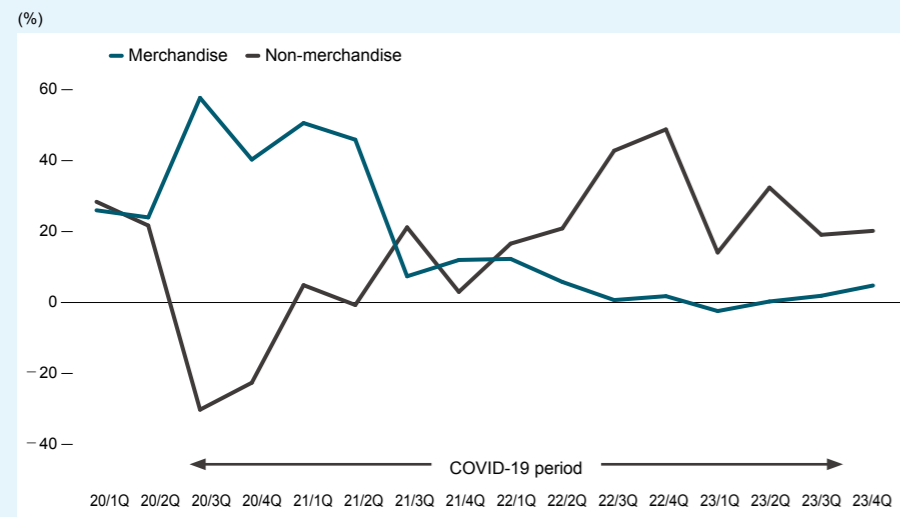


Expansion of Direct-to-Customer (D2C)



Penetration of subscription services for purchasing daily goods

Growth Rates of Merchandise and Non-merchandise EC Market

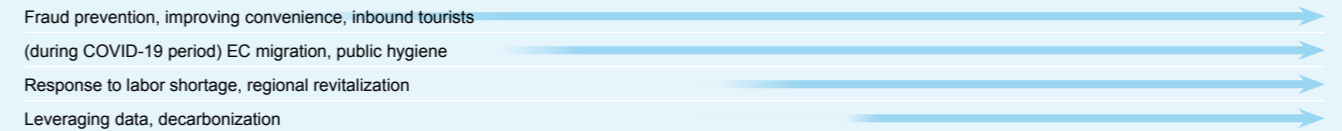
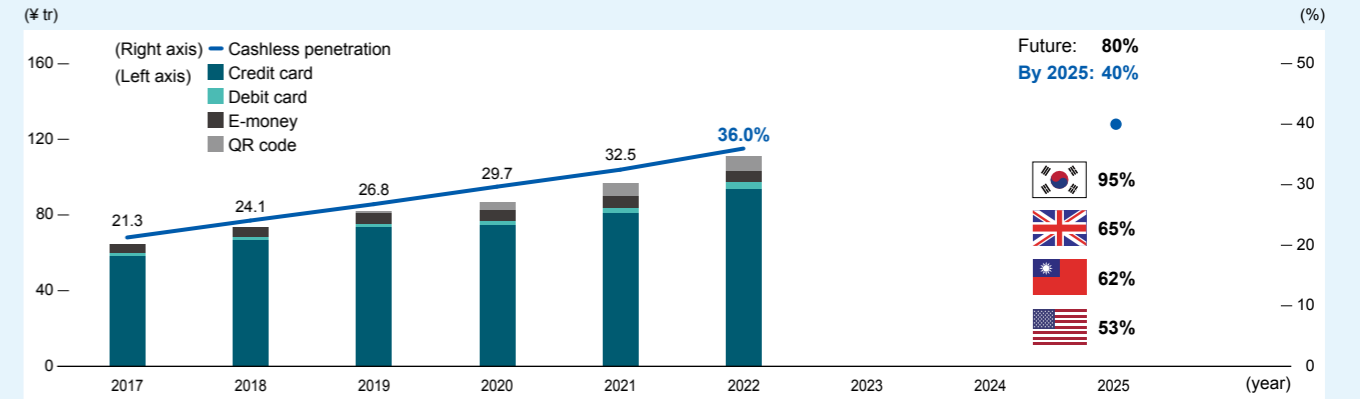


During the pandemic period of COVID-19, the merchandise EC market grew rapidly from nesting consumption while the non-merchandise EC market was depressed from the significant decline in travel / ticket sectors due to travel restrictions. Since the lifting and easing of travel restrictions, the merchandise EC market continues to be sluggish due to the unwinding of nesting consumption. On the other hand, non-merchandise EC market has returned to pre-COVID growth rates thanks to the recovery of consumption in travel / ticket sectors.

Progress of Cashless Migration

Japan's cashless payments market is on an expansionary path, given the need to cater to inbound tourist and the government's policy. Still, current cashless payment penetration remains low compared to developed countries of the United States and Europe, and therefore holds growth potential in the medium- to long-term as the means to resolve the social issues faced by Japan such as depopulation and regional revitalization.

Cashless Penetration (Ratio to Private Final Consumption)*



Responding to labor shortage by implementing self-checkout counters and reducing cash-based operations

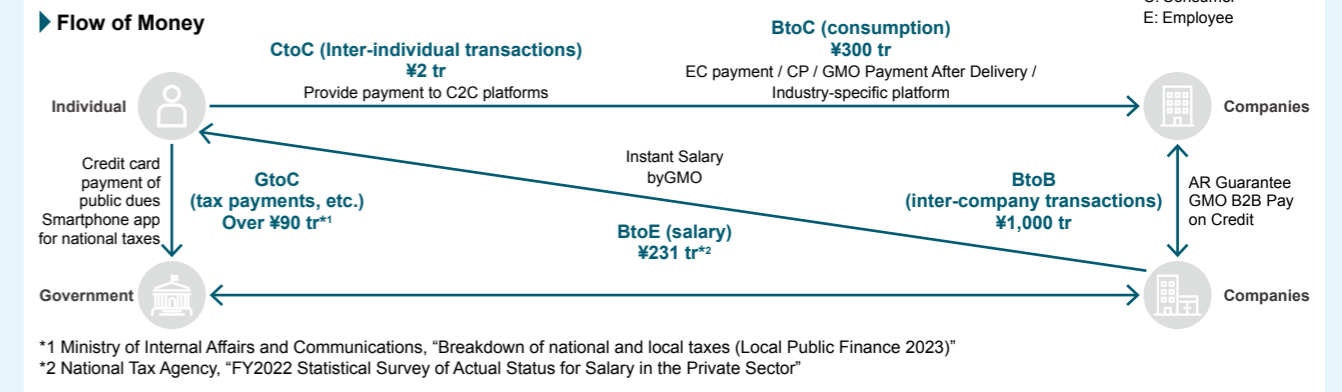


Attract inbound customers to stores, accommodation facilities and public transport

* Cabinet Office, "System of National Accounts"
 Japan Consumer Credit Association's Credit Card Statistics
 Bank of Japan's Payment and Settlement Statistics
 Payments Japan Association's Code Payment Statistics
 Figures for Japan, South Korea, the UK and the United States are excerpts from Payments Japan Association Japan's "Cashless Roadmap 2023."
 Figures for Taiwan are excerpted from National Development Council.
 Figures present actual numbers for Taiwan as of 2019, the UK and the United States as of 2021 and Japan as of 2022.

Expansion of Addressable Markets

Expand the scope of business by addressing cash transactions between individuals, corporates and government entities



*1 Ministry of Internal Affairs and Communications, "Breakdown of national and local taxes (Local Public Finance 2023)"
 *2 National Tax Agency, "FY2022 Statistical Survey of Actual Status for Salary in the Private Sector"

Our Strengths

The Company's advantage and source of growth is **its comprehensive capability of integrating its sales capability, system development capability, support capability and investment capability** to support the growth of our customers.

Sales teams organized by industry work to accumulate knowledge by comprehending the issues and commercial practices of each industry in order to expand the product lineup and create new businesses to cater to a diverse range of customers across various industries.

By combining multiple payment and financial services aligned with the customer's issues and needs, the Company not only enables online migration but also the resolution of a broad range of management issues such as cost reduction, cash flow improvement, revenue increase, labor shortage alleviation, etc.

Arrangement of Industry-specific Sales Teams



*1 GMP stands for global major players
*2 Excludes external collaborators

Sales Personnel*2



Identify the needs based on understanding issues unique to each industry

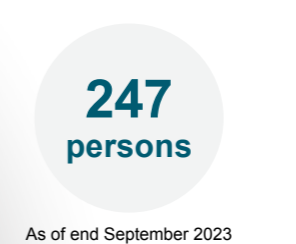
Deploy "payment +α" solutions

The System Division's highly specialized personnel provide a one-stop solution from development to payment processing.

This division has established an overwhelming advantage to provide applications to realize business reforms at a low-cost and short time-to-market, by leveraging their vast track record and know-how.

In addition, the Company is highly acclaimed for the reliability of its payment infrastructure such as the operational stability of its payment processing systems that process ¥15 trillion worth of payments per annum and compliance to stringent international standards for information security, etc.

Number of Engineers*



Major Development Milestones

2014 Exclusive BtoB payment system development, operation and maintenance of "Visa Business Pay"	2017 Start providing the one-stop payment solution "GMO-PG Processing Platform" to financial institutions and business operators
2020 Start providing "SMS Choice of Payment" to TEPCO Energy Partner, Inc.	2023 Implemented new connectivity method "OpenAPI-type" to the online comprehensive payment service "PG Multi-Payment Service"

* Excludes external collaborators

The Company aims to support growth through investment, lending and business alliances with promising start-ups that are leading society's reforms through new technologies and the creation of business models in FinTech-advanced regions of the United States and Asia.

The Company aims to build relationships with an initial minority investment into promising start-ups involved in payments and financial and business operations that have a high affinity to payment, and consider increasing its equity stake after assessing growth and synergy creation.

Offices and Investees



* Refers to the VC fund jointly operated with the Company acting as a General Partner.

Feedback the cutting-edge expertise of investees into the Company's businesses

Support merchants' growth by continuously improving customer support quality

The Company provides the payment function that supports the customer's daily sales proceeds, and strives to advance the support systems to resolve issues and incidents immediately and thoroughly. The Company was awarded the highest evaluation for customer support quality by an international accreditation organization as a result of this plan-do-check-act (PDCA) operation.

The Corporate Support Division comprises of highly experienced personnel from Accounting / Finance, Legal & Compliance and Human Resources, which enables a sound and secure management as a listed company.

The first company in the payment processing industry to be awarded a 7-star rating from HDI Support Center international certification.*



Awarded the highest 3-star for Quality for six consecutive years from HDI*



* HDI refers to a world's largest membership organization for IT support services.

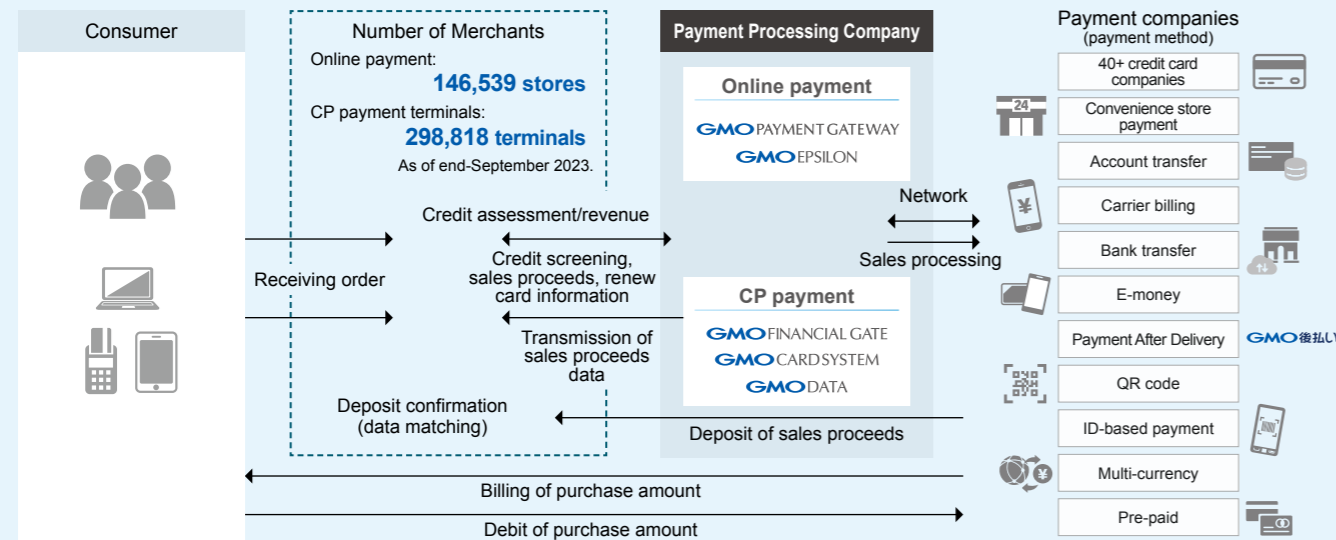
Business Segment

The Company provides value-added services that contribute to the expansion of revenues at merchants that utilize the core payment processing service. This establishes a virtuous feedback cycle, whereby increasing payment transactions lead to the expansion of the core business.

Payment Processing Business

The Company provides a comprehensive payment system for merchants to enable their customers to use various payment methods such as credit cards and Payment After Delivery.

Structure of Payment Processing Service



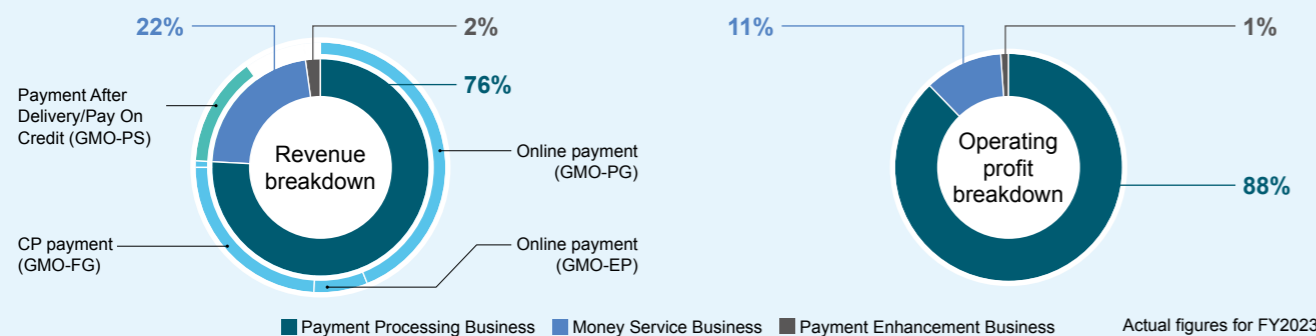
Money Service Business and Payment Enhancement Business

The Company provides services that contribute to the merchant's growth and expansion of payment transactions.

Service Line-up

Business Category	Service	Description
Money Service Business	GMO Payment After Delivery GMO Pay On Credit	Pays the sales proceeds before collecting from the purchaser
	Remittance service	Realizes an efficient and secure remittance/refund processing
	Overseas lending / Transaction lending	Lending of growth capital
Payment Enhancement Business	Medical Kakumei byGMO	Provides seamless operation from reservation to payment
	Online advertising service	Online advertising operation and analysis to improve revenues for merchants
	Instant Salary byGMO	Realizes salary to be paid at the preferred timing

Breakdown by Segment



Business Portfolio

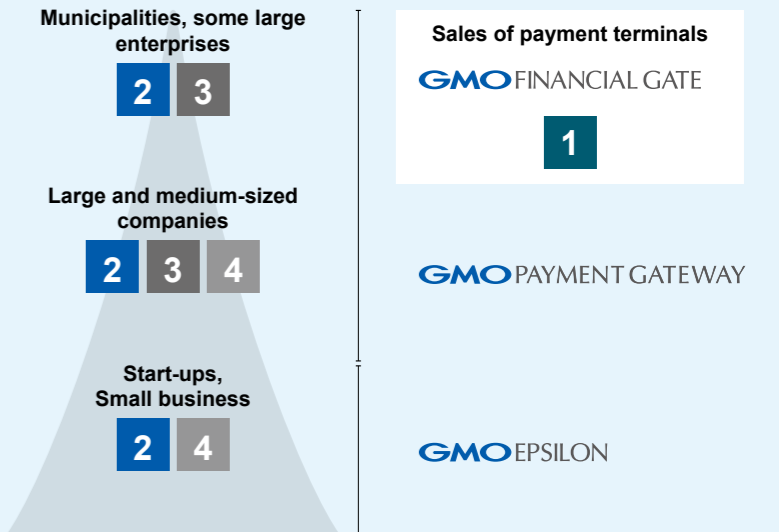
The Company's businesses covers a wide domain centered on payment through its major four companies

Company name	GMO PAYMENT GATEWAY	GMO EPSILON	GMO FINANCIAL GATE
Major business	Payment processing business	Payment After Delivery business	Payment processing business
Main customers	Local governments, large and medium-sized companies	SME	EC operators, consumers
Services	Payment Processing Business <ul style="list-style-type: none"> PG Multi-Payment service Pay-as-you-go (merchandise, digital content, etc.) Recurring payment (public dues, utility bills, etc.) Ginko Pay base system GMO-PG processing platform GMO Cashless Platform Z.com Payment (overseas payment service) Money Service Business <ul style="list-style-type: none"> Remittance service Transaction lending Overseas lending Early Payment service GMO B2B Early Payment Instant Salary byGMO Payment Enhancement Business <ul style="list-style-type: none"> Online advertising service SSL service Delivery service 	Payment Processing Business <ul style="list-style-type: none"> Epsilon payment service fincode byGMO Money Service Business <ul style="list-style-type: none"> Remittance service Transaction lending Early Payment service GMO B2B Early Payment Cycle byGMO Payment Enhancement Business <ul style="list-style-type: none"> Delivery service Medical Kakumei byGMO 	Payment Processing Business <ul style="list-style-type: none"> CP payment Attended payment Unattended payment (IoT) Money Service Business <ul style="list-style-type: none"> GMO Payment After Delivery GMO Pay On Credit atokara



Revenue Model

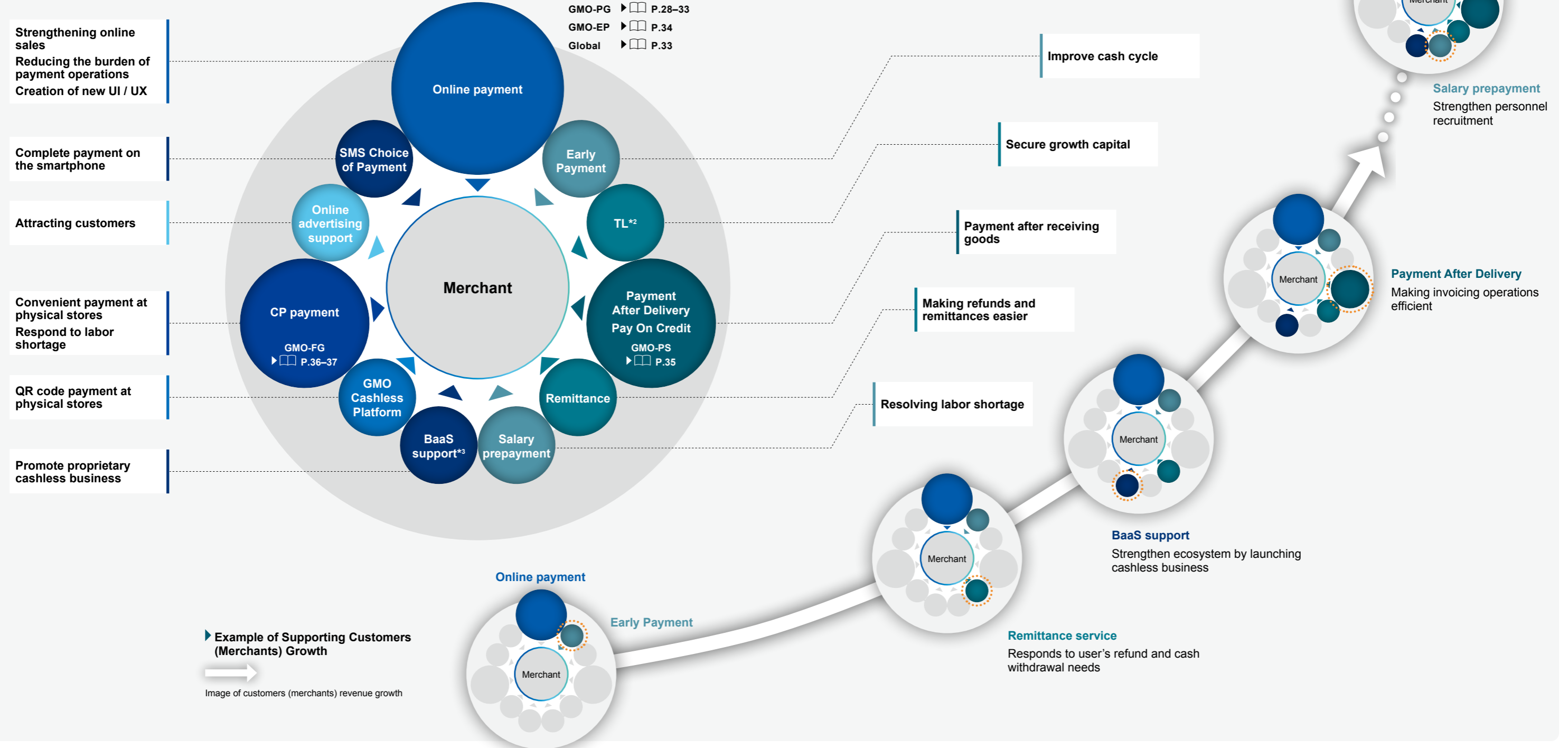
1 Initial (initial revenue)	Payment terminal sales
2 Stock (fixed revenue)	Monthly recurring fixed charge
3 Fee (transaction processing revenue)	Charges based on transaction volume
4 Spread (merchant revenue)	Charges based on transaction value



Rebundling

The Company has been expanding its product lineup to enable the DX and online migration of operations formerly carried out by hand or on paper. Bundling these functionalities into a single package supports the growth of our customers (merchants). A full-fledged effort is underway to enlarge project sizes through the rebundling*¹ of payment and financial functions from the customer's perspective.

Our Value Proposition and Functions Provided



*1 Rebundling: To unbundle financial services into their constituent functions (unbundling) and then rebundle the functions to meet specific customer's needs.
 *2 TL stands for Transaction Lending
 *3 BaaS stands for Banking as a Service

GMO PAYMENT GATEWAY



Supporting Customer Growth through Sales of Industry Specific Solutions Based on Large-Customer and Mass Strategies

Tatsuya Koide
Senior Managing Executive Officer
General Manager of Innovation Partners Division

Support Problem-solving through Industry-Specific Proposals

The Company's business opportunities are expanding with the heightened need at every company to increase revenues, achieve DX in business operations and secure human capital. In order to identify such needs and issues at the customer in a timely fashion and guide them towards a solution, a sales representative from the industry-specific sales team is assigned to each customer to conduct in-person sales activity. Such in-depth customer touchpoints leads to accumulating insight on industry trends and requirements that can be reflected into our proprietary product development. For example, the mainstay PG Multi-Payment Service implemented the new connectivity method "OpenAPI-type" this fiscal year. This is the result of shaping the product to resolve customer's issues such as the "inability to test new payment methods due to development cost constraints and scheduling." This has been well received by customers, with feedback such as, "able to concentrate on main tasks by reducing the development man-hours," and "results in revenue improvement by implementing optimal payment methods." Gathering information and insights through the frequent dialogues with the vast customer base is the driving force behind preemptive product enhancements and the creation of new businesses.

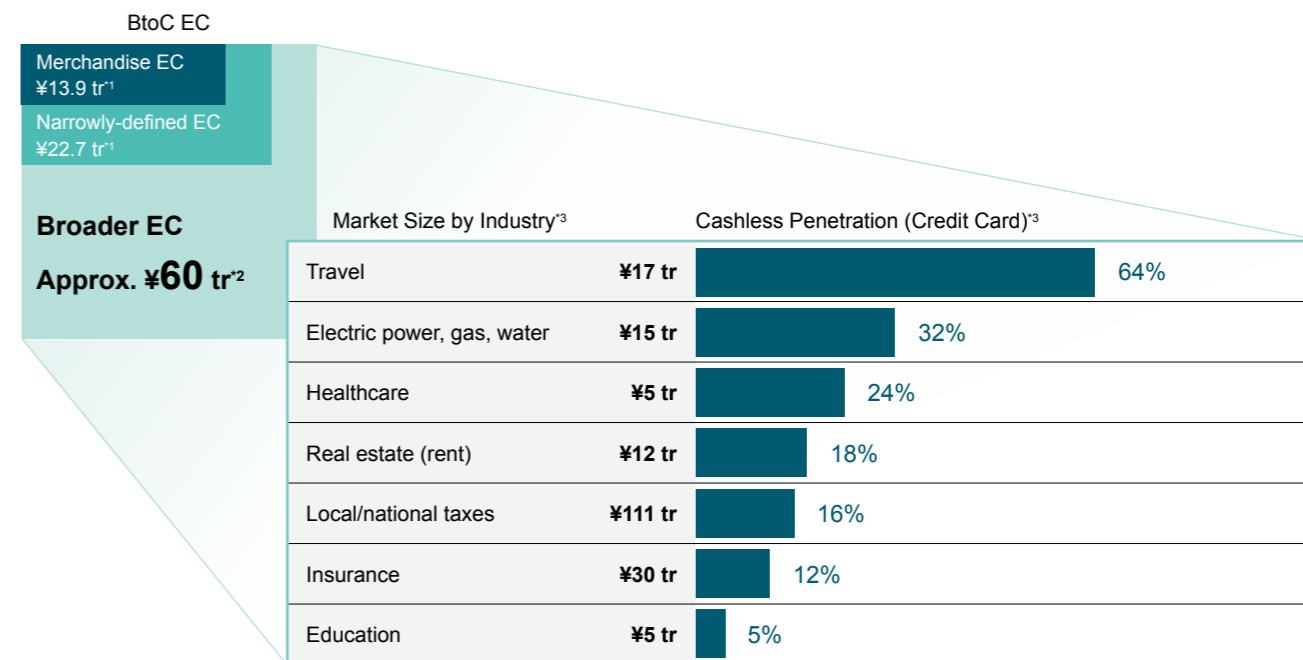
Deploying the Large-Customer and Mass Strategies

As the scale of business expands, enlarging the size of projects is a requisite in order to sustain a 25% operating profit growth. The Large-Customer and Mass strategies are the pillar of driving business by deploying solutions adapted to that customer's attributes. In order to support the growth of a diverse range of customers, it is important

▶ The Crux of Growth Strategy: Large-Customer and Mass Strategies

Large-Customer	
Enterprises Financial institutions Municipalities Global companies	High value added, high unit price
Mass	
Companies / Individuals facing growth issues SMEs Start-ups Consumers Employees / workers	Problem-solving Low unit price

▶ Size of Target Market of Broader EC



¹ Ministry of Economy, Trade and Industry "FY2022 E-Commerce Market Survey." The narrowly-defined EC includes merchandise EC and some services and digital content.
² Figures are estimates of the Company, and presents the sum of the BtoC EC market and the cashless market size of the target markets.
³ Based on the Company's estimates using market statistics.

to bundle various payment and financial-related services tailored to the customer's needs, as providing a single off-the-shelf payment product is insufficient.

The Large-Customer strategy provides high value-added solutions to improve productivity and help companies that drive social reforms to differentiate themselves further. The strategy is to establish the solution as an industry standard together with the industry's top companies and increase its adoption within the industry.

The Mass strategy aims to provide problem-solving solutions that enhance the balance sheet, profit & loss and cashflow of SMEs and start-up customers looking to grow their businesses. This strategy aims to raise the sales efficiency through KPI management and introduce products that are aligned with the customer needs.

A Payment Platformer Armed with a Strong Solution

I believe that the time has arrived where companies in the payment industry are selected based on the ability of their solution to resolve each customer's problems. We intend to contribute to social advancement by supporting not only EC and online migration of payments but also DX and the efficiencies of business operations closely related to payment. A good example is the SMS Choice of Payment provided to electric power companies, which adds value by reducing the cost of billing operations such as printing and

postage as well as CO₂ emissions. We intend to make inroads into non-merchandise domains that are lagging in cashless migration, infrastructure domains such as financials and railways, and the massive BtoB (inter-company transactions) market. I believe we can provide a diverse range of support to enable DX and improve cash flows for inter-company transactions where inefficient payment using paper-based invoices and administrative operations still remain. By training sales partners that can proactively make proposals and have the intelligence to create new value, we intend to grow together with customers as a payment platformer that brings about social innovation.



Major Update of PG Multi-Payment Service

Q: What was the feedback from customers on the value of the new connectivity method “OpenAPI-type”?

Japan has a diverse range of payment methods as well as diverse customer needs. Adding a new payment method required some amount of development man-hours and costs but this update has

reduced that to one-tenth*1 and enabled a quick and flexible implementation. As a frontrunner in this industry, this update has garnered positive feedback from many customers. This has also increased the product’s appeal to global companies by adopting the global standard for connectivity specification.

Q: What hardships were encountered in this project and what personal growth have you achieved?

This was the largest and most challenging project, as I joined as a new grad recruit and was inexperienced and had to built up my experience as an engineer from the ground up. It was a struggle to comprehend specifications I was not accustomed to and to align and liaise with internal and external parties. This has been a huge asset to be able to experience the process of building a product from scratch and I have gained new technological expertise.

*1 Based on the Company’s estimate.



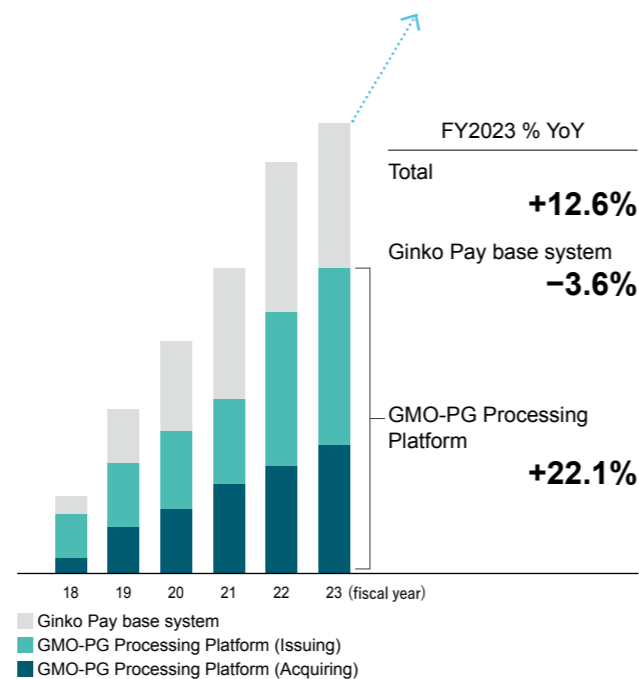
Multi-Payment Service Department Management Department of Payment Service Systems Division

BaaS Support

Support the Rollout of Cashless Business at Low Cost and Speedy Time-to-Market

Financial institutions such as banks and credit card companies are strengthening BaaS (Banking as a Service) initiatives, which provide financial functions as a service. The Company provides the “GMO-PG Processing Platform” to support these BaaS initiatives. However, the requirement for system stability and advanced security can be an impediment or burden to achieving a prompt business deployment for financial institutions and businesses that have a customer base, and that are looking to newly commence or strengthen their cashless business. The service clears these requirements and is low-cost, thereby significantly reducing the burden to the customer. Given the backdrop of rising cashless penetration, the need for this service is rising as companies look to undertake their proprietary cashless business in order to consolidate their ecosystem. This service is expected to return to a high growth phase as multiple large-scale projects are likely to commence operations from FY2024 and beyond, including large-scale projects for credit card issuing support.

▶ BaaS Support Service Revenue



TOPIC: Expansion of the Utility Domain by Capturing Customer Needs and Responding to Changes in the Business Environment



General Manager, Utility & Public Sector Sales Department Management Department of Sales #2 Innovation Partners Division

Key Person Interview: Outlook and Reflections on the Utility Domain, a Key Growth Driver of the Priority Initiatives

Making Inroads into the Public Utility Domain

The Company’s full-fledged entry into the utility domain began in 2006 to provide credit card payment for NHK’s public broadcast charges. In the same year, with the amendment of the Local Autonomy Act that deregulated credit card payments for public taxes and public utility charges, we were consigned to provide credit card payment for water charges for the Bureau of Waterworks Tokyo Metropolitan Government. Following the support provided to NHK and Tokyo Government, the Company began to develop systems that were customized to the customer’s specifications, raising the flexibility of the Company’s development capability. By leveraging the track record built in the public utility domain and the system development capability, the electric power industry was designated as the next target.

Applications that Address the Industry’s Issues

Given the business opportunity presented by the full liberalization of the electric power industry in 2016 and having started to reach out to the large power companies from a few years before, we were able to make leads into them with proposal-based sales activities by forming an integrated team consisting of sales and development members. As a result, one of the strategic initiatives that contributed to accelerate the business expansion was “SMS Choice of Payment” provided to TEPCO Energy Partner, Inc. With the implementation of smart meters in 2020 leading to the abolishment of meter-readers, power companies faced the necessity to post-mail the payslip to the user, which was formerly delivered by the meter readers. In response, the Company developed “SMS Choice of Payment” that will send the invoice information on SMS instead of post-mailing the payslip and settling the bill using cashless payments. This enabled the customer to achieve paperless operation for invoicing and digital transformation in addition to cashless payments.



Penetration within the Industry

Thanks to the high acclaim for the proposal capability and progressiveness, the Company was not only able to expand business within the same company but also steadily raise penetration within the electric power industry. Going forward, we will work to expand the service to gas utilities and other industries that still use paper-based payslips, and continue to create high value-added services by focusing on changes in industry structures and through the dialogues with customers.

FinTech

Enter New Domains by Responding to Diverse Financial Needs to Support the Customer's Growth

The Company addresses the funding demand unmet by conventional financial services and the need for fund transfers by providing services such as Early Payment to improve cash flow, lending service and remittance and deposits to individual accounts. These services are primarily offered to merchants using our payment processing service. In particular, the Company is focusing on the Remittance service to capture the expanding business opportunities arising from online migration of payments and the emergence of new business models. In addition, the Company is strategically expanding financial services related to inter-company transactions and salary payments to make inroads into the vast and new domains of BtoB and BtoE (money flows from companies to employed individuals) markets. The Instant Salary byGMO, a salary

prepayment service, continues its high growth by meeting the companies' needs to bolster recruitment. In Spring 2024, the Company plans to launch a new service through the collaboration with Payroll Inc., whereby the salary equivalent to the work completed can be used in a VISA credit card. Going forward, we aim to enter new domains of HRTech x FinTech through such collaborations.

The proceeds from the Euro-Yen Convertible Bond with Stock Acquisition Rights issued in the past is being effectively deployed to expand FinTech services to support our customer's growth by creating services that meet merchants' needs under a macro environment of inflation and other factors as well as to shift assets towards high-margin services.

Instant Salary byGMO Team Leverages BtoE FinTech to Tackle Social Challenges

Q: What are the team's attractive points and sense of accomplishment in the work?

It was a precious experience to drive the entire process of launching a new business, all the way from drawing up the business plan, sales prospecting and admin flow up to defining the system specifications, with the support of the Company's resources. The sense of accomplishment was in building up the relationship with companies, the employer, and responding to their requirements, while keeping in mind that the end users are individuals. This was also the challenging aspect of this project. Instant Salary byGMO is still in its early stages and is therefore required to have a flexible operation. It is because there are no barriers within the team that enables us to freely express opinions and agilely tackle the issues that results in a high pace of growth. This kind of teamwork is the most attractive point.

Q: What do you think is the differentiated value of the Company's services?

The service's appeal lies in the strength of reliability, including the system and security aspects, which are underpinned by the collaboration between Sumitomo Mitsui Financial Group, Inc., a comprehensive financial group, and the Company, the No. 1 payment company. In addition, as we look ahead to new areas such as salary payments in digital money forms, there is expectation for the Company to expand the scope of the service and create new value.

Q: What is the vision for further business expansion?

Salary prepayment service is an effective solution to strengthen recruitment given the decline in labor population that is causing almost all industries to face labor shortages at work sites. This service has only just started and there is significant headroom to adopt this service at companies, primarily large companies. The entire team will act as one to drive the digitalization of salary-related operations, not only limited to salary prepayment, so that the Company's name is the first to be mentioned in the salary domain, just like it is in payment.



Global

Build a Powerful Team and Support Global Innovation through Investment and Lending to Promising FinTech Start-ups

Ryu Muramatsu

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

Q: What is the aim of the Company's overseas business?

The Company supports the growth of promising and high-growth FinTech start-ups through investment and lending in the United States and Asian countries for the purpose of acquiring cutting-edge business expertise, capturing economic growth overseas and seeking partners for the expansion of overseas payment business. Currently, a funding winter is underway, with the funding environment becoming increasingly challenging for start-ups given the backdrop of rising US interest rates. The Company sees this as an opportunity to accelerate its strategy by leveraging our strengths and reinvesting the funds generated from previous investments.

Q: What are the strengths and key features of the Company's investment and lending strategy?

Given the investment environment, we are strategically selecting between lending, minority or majority equity investment. We attempt to find prospective companies by strengthening the access to various start-ups and ecosystems. The investment policy is to begin with a minority stake and to gradually raise the stake by carefully weighing the investee's ability to achieve goals and their affinity with the Company. For lending, while diversifying new borrowers through small-amount loans, we aim to expand the

portfolio by increasing loan amounts to existing borrowers with favorable performance. This approach has generated a high return of approximately 11%. The Company intends to build a high-quality portfolio by focusing on the high growth market of India and the large market in the United States, based on each country's economic and regulatory conditions. The Company's strength in identifying promising start-ups comes from its own experience in expanding FinTech business and the insights and expertise acquired from the track record of investing and lending to multiple regions with differing levels of progress in business and technology. Additionally, we have built a deep and mutually respectful relationship that goes beyond just providing funds, by being able to have ongoing deep-rooted dialogue with investees and the Company, a FinTech provider.

Q: What are your thoughts and intentions on contributing to society through business?

Currently, FinTech companies in India and the Pacific region are emerging as the new financial infrastructure capable of supporting economic growth. Developing countries are facing a shortage of growth funds and the Company can expand Japan's presence by providing ample funds to such companies. I aim to build a strong team that plays a vital part in building Japan's position and to expand the business ten-fold from current levels.



Embracing Change to Become the Innovator that Drives Digitalization in the SME Domain

Tomoyuki Murakami
President and CEO
GMO Epsilon, Inc.

The Challenge to Change

In the recent few years, the merchandise EC market's SME domain continues to be sluggish due to the backlash from the nesting consumption windfall. As a result, we are also adversely affected. It is necessary to proactively embrace change and challenge ourselves in order to return to a growth trend under these market conditions. Merchandise business operators—our customers—account for around 20% of the entire SME domain and there is another domain that includes a diverse range of sectors such as restaurants, accommodation, services and medical institutions. We will be aggressively expanding into domains where our services are needed by customers and through important measures such as reforming our revenue model.



The online payment infrastructure “fincode byGMO,” which targets start-ups and was launched in May 2022, has received acclaim for its high flexibility and high scalability and is the spearhead for entering into the non-merchandise domain. We are focusing efforts to acquire anchor customers in each sector to lead the growth. Additionally, “Cycle byGMO,” a revenue-linked business-use credit card, is a FinTech service we are expanding that enables cashflow improvements for customers. We intend to continue to challenge ourselves to change without being constrained by precedent.

Return to Growth and Business Opportunities in the SME Market

SME business operators are the bedrock of Japan's economy and comprise the bulk of all business operators, although they face issues in leveraging digitalization and overall sluggish growth. There is a huge business opportunity to drive digitalization, given that SMEs need to raise business efficiency due to the demographics of an aging and low-birth rate population. GMO-EP's payment processing services support customer growth by making their business and cash more efficient and raising turnover cycle. Additionally, GMO Medical Reservation Technology, Inc. provides an online reservation system to medical clinics, thereby supporting the digitalization of medical institutions and contributing to making medical services more convenient. We aim to return to a 25% growth rate by capturing and resolving the issues in the SME market.



Continue to Evolve the Business Model from Payment Processing to Payment Business and Payment After Delivery to BNPL

Katsunari Mukai
President and CEO
GMO Payment Service, Inc.

Accelerate Growth by Unlocking Synergies

GMO Payment After Delivery is a convenient payment method that replaces cash payments and is popular among consumers that prefer not to use a credit card or are non-cardholders. Demand is expanding in Japan given the high ratio of cash payments and is a market with high potential with the Payment After Delivery market continuing to grow at 10% per annum.

The strength of GMO Payment After Delivery is that it is one of the many services of GMO-PG consolidated group of companies, a comprehensive payment player. This makes it possible to propose and support operations related to payment including Payment After Delivery. This one-stop response to various needs makes us the customer's choice. Additionally, we can accelerate growth and expand the customer base steadily by leveraging the credibility, relationships and resources accumulated by the GMO-PG consolidated group of companies.

Advancing the Business Model

We will launch the new BNPL service “atokara” together with Sumitomo Mitsui Card Company, Ltd. This service will expand the addressable domains by bringing together the Payment After Delivery know-how and base system of GMO-PS together with Sumitomo Mitsui Card Company's credit card know-how, to offer long duration installment payment also usable for CP transactions. The use of the existing GMO Payment After Delivery was limited to only

some parts of merchandise products, but the new service can be used as a smartphone app and addresses a wider scope of products including non-merchandise services by screening users. This enables the diversification of the revenue model, too. Expanding the new service will enable GMO-PS to establish a solid position in the Payment After Delivery market. Moreover, Payment After Delivery is a business that directly faces the individual user unlike the payment processing business. We will further accumulate know-how of consumer business by building a membership base through the new BNPL service “atokara.”





Maximize the Value of Cashless to Become the Infrastructure Company that Creates a New Payment Standard

Kento Sugiyama
President and CEO
GMO Financial Gate, Inc.

Realize Above-Market Growth Rate by Capturing Business Opportunities

The Government has set a cashless penetration target of 40% by 2025 and 80% in the future, and we forecast the CP cashless market to reach ¥128 trillion in 2025.* In addition, the need for labor-saving and unmanned operations is likely to increase from changes in the environment such as advances in IoT and depopulation. In this business environment, we have continued to exceed the market growth rate thanks to the strength of our one-stop service from sales of payment terminals all the way to our payment processing center function, and the success of our proprietary alliance to provide the high value-added service of “stera,” the next generation payment platform,



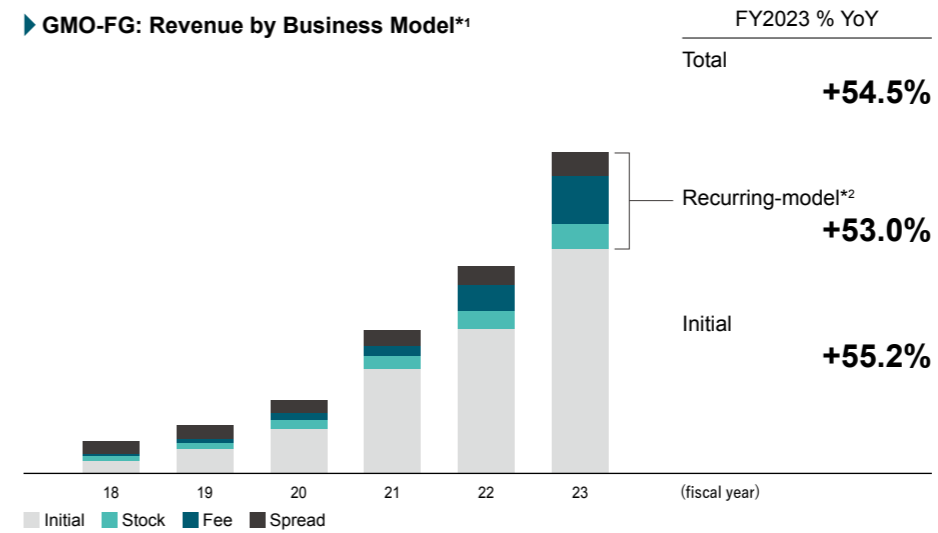
formed by the collaboration between Sumitomo Mitsui Card Company, Ltd. and Visa Worldwide Japan Co., Ltd.

* Based on Company estimates using market statistics.

Lead Society's Innovation by Creating Value from Cashless

The aim is to be the infrastructure provider for cashless transactions throughout Japan, by providing CP cashless payment platform to various industries and by entering new domains such as MaaS (Mobility as a Service) which is expected to grow going forward, biometric authentication, terminal-free payment, etc. There is still much room for leveraging cashless and hence to contribute to the advancement of companies and overall society. For example, self-checkout machines enable the store staff to allocate time for product explanation rather than cashier work, thereby strengthening customer touchpoints. In particular, we are accumulating know-how in improving store operations through cashless operations by responding to the requirements of large business operators with nationwide store coverage. I remember the strong sense of awe when I put my train ticket into the gate at an unmanned train station, although this has become the norm now. We want to be the pioneers to create a new society by bringing forth such dramatic changes.

▶ GMO-FG: Revenue by Business Model*1



*1 Figures show the consolidated financial performance of GMO-FG.
*2 Recurring-model revenue is the sum total of stock, fee and spread revenue, and excludes the initial revenue which mostly consists of payment terminal sales.

Since FY2020, initial revenues have grown even under the travel restrictions imposed by the COVID-19 pandemic that depressed CP transactions. This was due to strategically marketing payment terminals, in particular the “stera terminal” by capturing the market’s cashless needs, demand for business operational efficiency and infection prevention. The lifting of travel restrictions and the reopening has activated CP consumption, causing a significant growth of recurring-model revenue, which is the revenue arising from recurring transactions on the payment terminals sold. Going forward, the proportion of recurring-model revenue to total revenue is expected to increase further.

Focusing on Strengthening Business Foundation as a Social Infrastructure

We are working to strengthen the business foundation and are determined to be the social infrastructure provider. The first step is to strengthen the organization. In addition to talent recruitment, organizational changes have been made, including the names of divisions in order to clarify the human resources and functions necessary for medium-to-long term growth. The highest attention in organizational operation is given to ensure that all

partners engage with the same intensity and passion across all divisions. The aim is to build an organization where all of us act as one and face the client. The second step is to strengthen the payment processing center. With the scale of payment processing expanding yearly, it is necessary to have ample allowance to ensure a stable operation that lives up to the standards of a social infrastructure. We intend to secure the social infrastructure by making regular investments to improve the performance and availability to process large amounts of payment transactions.

Implementation of Approximately 26K Units of “stera terminal” to JAPAN POST Co., Ltd.

Q: What sense of accomplishment comes from supporting the cashless migration for society?

There is great significance in installing stera terminals at post offices that are used by every individual of all ages across Japan especially given that rural areas are lagging behind in cashless penetration. I am looking forward to seeing cashless penetration make progress in rural areas as users experience the convenience of cashless payments through stera terminals. Going forward, we will continue to contribute to cashless penetration.

Q: What did you learn from this project?

It was necessary to be cognizant and ‘think ahead to the next step and act’ as we proceeded with the implementation test while anticipating various circumstances. There was a tangible sense of accomplishment being assigned to a challenging

work from the first year as a new grad recruit and there were many hardships and tense moments as failure was not an option. I hope to grow further in sales and treasure the kind of communication that incorporates the concerns and queries of others.



Alliance Group #1
Solution Partners Division
GMO Financial Gate, Inc.

Roundtable Meeting of External Directors

Sustainability Management Towards Sustainable Growth and Corporate Value Enhancement

Materiality issues were identified this fiscal year in order to contribute to the sustainable advancement of society and enhance corporate value. The External Directors have assembled to discuss the ideal sustainability management to strive for.

Promoting Businesses Centered on Payment Resolves Societal Issues and the Company's Growth

Q. What is the evaluation of the materialities identified?

Okamoto Materiality expressed differently is a company's raison d'être. The Company can take pride that its business aligns with the societal needs to reduce CO₂ emissions and the pursuit of DX and FinTech that the government is promoting.

Hokazono It is often the case that societal issues and the direction the business faces are in opposite directions. But in the discussions during the compilation process, I could tangibly feel that the Company faces the same direction.

Kai Indeed. While the demands to respond to social challenges have been around from before,

there are still companies which see this as a cost burden. In the case of the Company, the mainline business of creating innovation centered on payment is itself a social contribution, and ties into personal development too. This is a very advantageous position. The material issues compiled aptly describes the key features of the Company and broadly consists of two parts. The first is to respond to the demands of efficiency, security and decarbonization. The next part is on human capital and governance that is the bedrock of the high growth and the ability to respond to the needs of the time. I think it succinctly describes the direction and needs to be cherished.

Promoting Efficiency, Convenience, Security, Hygiene and Decarbonization through Cashless Migration

Q. Is there a large expectation for payment companies to contribute to society through cashless migration?

Kai Payment is a requisite activity in every company. Payment takes place after the order intake and placement, contracting and tying into the accounting process. The Company addresses payment and the adjacent operations as well, thus helping to resolve issues at various industries. The Company contributes to society by supporting the efficiencies of the entire corporate management by promoting cashless and data migration of payment.

Yoshida From the individual and stores' perspective, cashless leads to improving efficiency and convenience. It can be said that the Company contributes to society by providing the platform to realize these benefits.

Hokazono The accounting process has become significantly smoother with the introduction of the corporate card. In the past there were fraudulent incidents at rural offices far removed from the headquarter's oversight, but such incidents are becoming rare nowadays.

Okamoto Yes, crime prevention too. This can prevent violent crimes targeting cash as well as spur-of-the-moment crimes as well. It is conceivable that fraudulent acts by employees occur in areas where physical cash is handled resulting in the cost burden of recruitment and

training of new personnel. Cashless can alleviate labor shortages as well as rationalize business processes. In addition, during the COVID-19 years, the contactless NFC payment method was a blessing. How much of the COVID-19 virus could be found on Bank of Japan notes? Cashless is also a plus for maintaining safety and hygiene in daily life.

Yoshida We were reminded often as children to wash our hands after handling physical cash.

Kai Cash is a physical object that requires transport and handling that incurs costs as well as emits CO₂. When we have a positive interest rate, there will be a move to avoid holding cash that does not accrue interest. This may result in increasing social cost as the movement of Bank of Japan notes increases from current levels.

Okamoto Casting of coins also uses considerable energy and consumes metal.

Kai Conveying the broad-based significance of cashless in a comprehensible way is needed. There is much expectation of resolving various social issues that lead to growth opportunities and business opportunities for the Company.

Kazutaka Yoshida

External Director
Head of Audit and Supervisory Committee
Nomination and Remuneration Committee

Previous positions include Executive Officer of IBM Japan, Inc. and Senior Executive Officer and General Manager of Technology Division of JSOL Corporation. Appointed as External Auditor in December 2016 and reappointed as External Director from December 2021.

Kazuhiko Okamoto

External Director
Audit and Supervisory Committee
Head of Nomination and Remuneration Committee

Previously held positions include Vice President in charge of Japan and South Korea of GNEX division of American Express Japan Co., Ltd., Representative Director and other positions at Visa Worldwide Japan Co., Ltd. Appointed as External Auditor in June 2017 and reappointed as External Director from December 2021.



Yumi Hokazono

External Director
Audit and Supervisory Committee
Nomination and Remuneration Committee

Representative of Yumi Hokazono Certified Public Accountant Office since July 2013, after working at Showa Ota & Co. (now Ernst & Young ShinNihon LLC). Appointed as External Auditor in December 2018 and reappointed as External Director in December 2021.

Fumio Kai

External Director
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 the Deposit Insurance Corporation of Japan. Currently the External Director of FIDEA Holdings Co., Ltd. Appointed as External Director in December 2021.



Vested with the Mission to Ensure Society's Safety and Security and to Uphold the Reliability of a Social Infrastructure

Q. What are the points to focus on as a social infrastructure provider?

Kai Payment is required to be safe and certain. The Company strongly emphasizes the security and certainty of transactions which leads to the security of economic activities. I believe the Company has developed a system that properly understands the customer's needs and has realized a stable operation of the system. However, the requirements for securing reliability changes according to the times such as the increased incidents of cyber-attacks. We expect the Company to agilely respond to the changes and be the force that leads society.

Okamoto The Company's payment platform could cause social disruption if there were any mishaps. This is important from an economic security standpoint as well. The primary requirement is to maintain and ensure the structures and systems that underlies security, so that there is no disruption in case of a cyber-attack. There are cases in the real world where major disruptions have occurred. Reliability that is painstakingly built can crumble quickly and it will take a huge amount of cost and

time to recover. It is important to have a stringent framework and educational programs so that such events never take place.

Yoshida Reliability is the axis in considering the response to the social requirements of the times, as the Company bears the heavy responsibility of operating the social foundation of payment systems. System development is moving away from building a system based on the customer's specifications and moving towards an age that combines the existing ERP and SaaS systems appropriately. Having an existing platform and a track record is the strength of the Company. It is important to maintain the reliability in order to expand the customer base that utilizes the system. Given the difficulty in securing engineers due to depopulation and an aging society, it is necessary to effectively utilize systems, by understanding the customer's demands and translating it onto existing systems. Said differently, perhaps reliability can be secured without having to make something new.

Human Resource Strategy is the Highest Priority in the Pursuit of Growth; Enhancing the Organization's Attractiveness as the Platform for Individual Growth

Q. What are your views on the HR initiatives that plays an important role in supporting sustainable growth?

Kai Going forward, securing human capital will be critically important. It is necessary to firmly secure talent looking 5 or even 10 years out, given that the

higher age groups are exiting the workforce. Investors are also focusing on this issue, and it is necessary to concretely explain the strategy.

Yoshida This is a fundamental point, and it is important to communicate the appeal of the Company in order to encourage people to want to join and work here. The next important point is to retain those who join. Recently, it has become easier to freely change jobs and therefore I stress the importance of further developing the structure to ensure that talented personnel are retained and are fully contributing.

Hokazono Another important point is to provide a conducive work environment for working mothers. Supporting those with the will to work is important.

Okamoto I agree. People would not leave a company if they can share in the growth and find the work exciting. Structures and wages are important but so are psychological aspects such as the sense of accomplishment and providing an opportunity for personal growth.

Pursue the Optimal Structure Aligned with Growth and Continue to Enhance Risk Management and Internal Controls

Q. What progress and challenges are there regarding strengthening governance to support growth?

Okamoto I am keenly aware of taking the viewpoint of non-controlling interests as an External Director. The Company has a triple-listing structure, which is unusual from a shareholder's perspective, and the Company needs to maintain and secure a governance structure that responds to these concerns and expectations. It is necessary to convey this to each company.

Kai There has been progress during this fiscal year. In risk management, risk incidents were deeply analyzed to draw up countermeasures, including preventing similar incidents occurring at other divisions. It is important to proactively respond, and preemptive considerations have commenced on scenario analysis for prevention and identification of preventable accidents. Reporting to Board meetings has also improved. There was progress made in internal controls as well. The framework for the Board to inspect issues together with the perspectives of the External Directors, following the comprehensive evaluation by the executives, is functioning well. I think the required standards are in place, but the high pace of growth means that such systems will need constant updating.

Yoshida The basic policy of internal control systems has not changed much, and one lesson learned is to regularly revise the system through a PDCA cycle to

incorporate changes in the environment, business conditions and human capital. This fiscal year, rules and detailed regulations have been developed for reporting material incidents to management level by each division and group company. Going forward, we are focusing on how this is put into practice.

Hokazono The efficacy of organizational auditing has improved by making a dual reporting line for the Internal Control Office.

Kai It is even more important to focus on changes in conditions because of the high growth. Improving engagement and the problems with reporting stem from communication issues between all partners and the management. The Company's rapid growth has resulted in a diverse range of personnel and the scale has reached close to 1,000 people. This suggests that the logic and methodology of organizational operation may change. We will work to seek the optimal structure based on the growth phase through trial-and-error of regulations and organizational changes.

Okamoto Investors expect the Company to balance the twin aspects of a start-up spirit and the responsibility that comes with being in a position to operate an infrastructure. We focus on how to balance the level of governance required by capital markets while pursuing growth.

Environment



Response to Climate Change

The Company promotes online, cashless and paperless migration which has a lower environmental footprint compared to conventional payment services. In financial-related services, the Company provides lending service to support the growth of business operators that provide online business and FinTech services in Japan and overseas, which have a low environmental impact. The Company will work to reduce the environmental impact of society and customers, support the transition to a sustainable society and aim to realize a sustainable society through its businesses.

In addition, the Company has endorsed TCFD recommendations on January 2023 and will work to expand its information disclosure regarding climate change based on TCFD recommendations.

For information disclosures based on TCFD recommendation, please refer to the website below.
<https://www.gmo-pg.com/en/corp/sustainability/environment/>

Contributing to Society's Decarbonization

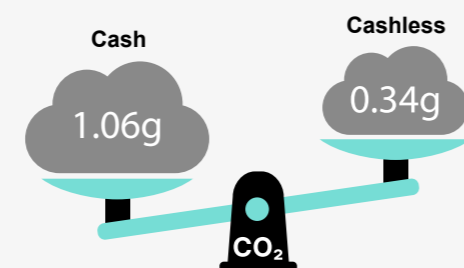
The Company will contribute not only to reducing GHG emissions from its businesses but also to reduce GHG emissions for overall society by promoting cashless migration. Cash-based payments emit CO₂ at each step of the process, from the printing / minting of paper bills and coins, manufacture of ATMs, etc., to the payment, usage and disposal of cash. The analysis disclosed by Payments Japan Association in August 2023 showed a calculation result that CO₂ emissions for cashless payments is one-third that of cash payments, confirming that cashless usage has a smaller environmental impact. Similarly, research done in the UK and Netherlands also showed that promoting cashless migration can reduce CO₂ emissions.

Cashless Roadmap 2023 released by Payments Japan Association CO₂ Emission for Cashless for a ¥1,000 Payment is 0.34 Grams

The latest Cashless Roadmap 2023 presented an estimation of CO₂ emission for cash and cashless payments by utilizing various publicly available data.

Although these values may not be accurate given that the estimates were calculated without all data being available, it was possible to estimate that the CO₂ emissions for a ¥1,000 payment is 1.06 grams for cash use compared to 0.34 grams in the case of cashless use. This estimation confirms that using cashless in daily life has a lower environmental impact. As a result, this confirms that cashless usage is a more environmentally friendly behavior.

Comparison of CO₂ emission for cash and cashless (for ¥1,000 use)



(Source) Payments Japan Association, "Cashless Roadmap 2023."

Processing Payments of ¥15 trillion*¹ Annually Using Effectively Renewable Energy to Realize the Company's Carbon Neutrality*² and to Contribute*³ in Reducing the Customer's CO₂ Emissions

Lead Japan's CO₂ Emissions Reductions by Promoting Cashless Payments*⁴ with Low Environmental Impact

*¹ Figures are for FY2023 and on a consolidated basis.
 *² Zero emissions for the Company's own business activities (Scope 1 and 2). Market standards are applied for Scope 2.
 *³ This refers to Scope 3 emissions by merchants that use the Company's payment service.
 *⁴ According to the analysis results by Payments Japan Association and released on August 2023, CO₂ emissions using cashless payments is one-third that of cash payments.

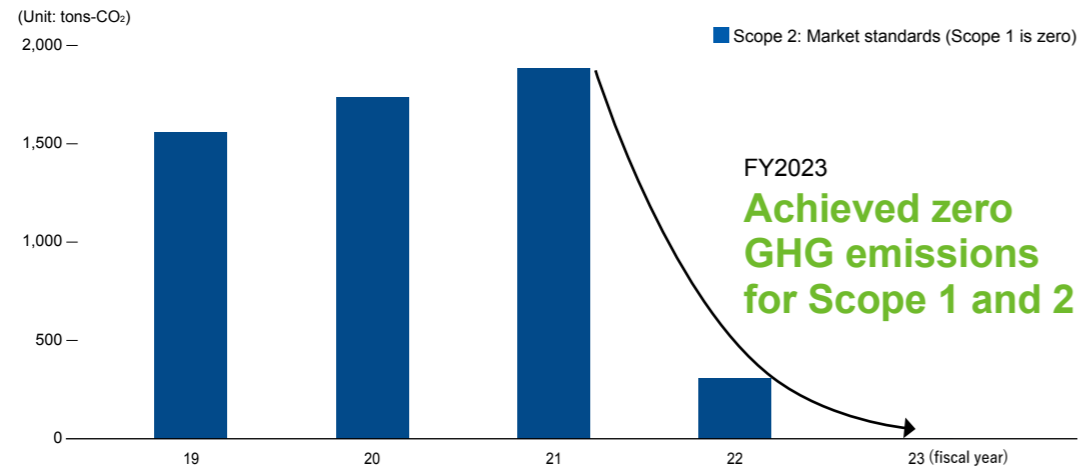
Initiatives to Reduce the Company's Own GHG Emissions

The Company is promoting initiatives to reduce GHG emissions to contribute to realizing a sustainable society. In FY2022, the Company implemented what is effectively renewable energy for its major data centers that consume the bulk of electricity in the business. As a result, the Company achieved what is effectively zero GHG emissions from its own operations, including offices and all other data centers (Scope 1 and 2) in FY2023. The Company intends to maintain its effective zero GHG emission up to FY2030.

Note that, we have received third-party certification by a verification organization in order to secure the credibility of reported information on GHG emissions (for Scope 1 and 2 in FY2022 and FY2023; Scope 3 in FY2022).



▶ GHG Emissions (Scope 1 and 2)



Initiatives to Reduce Supply Chain GHG Emissions

In order to tackle GHG emissions from the supply chain, the Company has established a target to reduce Scope 3 (Category 1 and 11) emissions for newly operating payment terminals by 55% per terminal by FY2030 against the baseline of FY2021. This target aligns with the Paris Agreement.

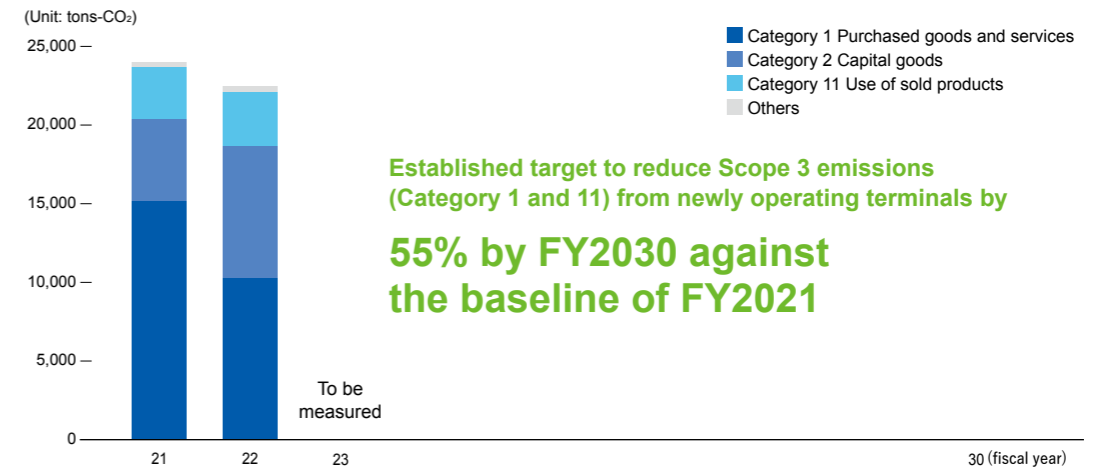
The Company is undertaking engagement with the supply chain to reduce GHG emissions related to the purchase and usage of payment terminals (Scope 1 and 11), which are essential to provide CP payments and account for the bulk of Scope 3 emissions, as well as GHG emissions related to software development (Category 2).

More concretely, the Company is engaging with payment terminal manufacturers to implement appropriate measurement and reduction of GHG emissions during manufacturing and electric power consumption during the usage of the terminals.

Similarly, the Company is engaging with system development companies to appropriately measure and reduce GHG emissions (Category 2) related to software development.



▶ GHG Emissions (Scope 3)



Human Capital Strategy

The Source of Growth = Company is People



Satoru Isozaki

Executive Vice President
General Manager of Corporate Support Division
Chief Well-being Officer



Kiyonobu Inayama

Executive Officer
Executive Manager of Human Resource Management Department
Corporate Support Division

The Company is promoting investment into human capital based on the view that the source of growth is people for a service-oriented business such as cashless payments.

The aim is to exceed the stakeholder's expectations by encouraging the growth of each partner by **"respecting the diversity of our human resources," "supporting a self-designed career," and "improving well-being,"** so that each partner can take pride in their work, feel a sense of accomplishment and be able to exercise their full potential.

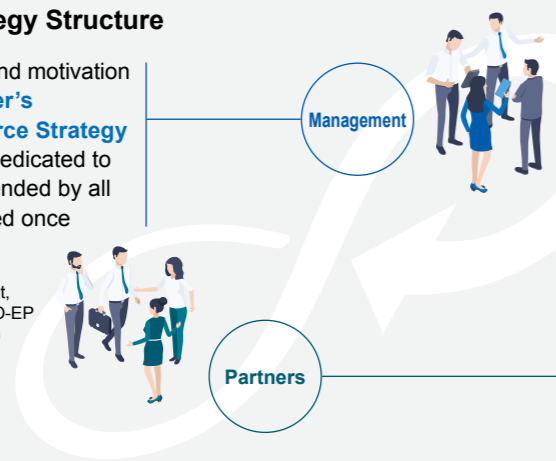
Behind sustainable growth lies not only the strength of the business model but also the corporate culture of **"Company is People."**

The capability to grow can be raised if all partners move in the same direction, and this can be achieved by sharing key phrases such as **"Act Like the CEO"** and **"Responsibility of others is also yours"** which are summarized in the **Business Principles** that describes the attitudes and behaviors we seek in partners.

Human Capital Strategy Structure

A high degree of effectiveness and motivation is secured by sharing **the partner's opinions** at the **Human Resource Strategy Meeting**,* a strategic meeting dedicated to human resource issues and attended by all management members convened once a week.

* Participants are Executive Vice President, Senior Managing Executive Officer, GMO-EP President, GMO-PS President, GMO-FG President and Human Resources.



Given the basic stance of **"design your own career,"** the Company supports an individual's growth such as a company-wide survey on employee satisfaction and career design system (career survey), creating dialogue opportunities with partners, leverages **the partner's opinions** to carry out workstyle reforms, improves the work environment and, facilitates new job assignments and divisional transfers.

Human Resource Strategy and KPIs to Realize Sustainable Growth

The Company quantitatively measures the level of utilization of human capital and the development status of programs and work environment. The KPIs* are dynamic KPIs that can be revised to reflect changes in the external environment and penetration of human resource strategy. The progress of KPIs is monitored based on discussions at the Human Resource Strategy Meeting and improvements in concrete initiatives, etc.

* KPIs apply to GMO-PG non-consolidated and are actual figures for FY2023.

Respecting Diversity of Our Human Resources

"To hire people and train them as a whole company"
Recruitment of human resources with the highest potential is conducted by the entire Company acting as one, which fosters an organizational culture that respects diversity.

Initiative Strengthening development capability	
KPI Number of Engineers	
FY2023 actual 212 persons	FY2024 target 230 persons
→	
Initiative Supporting work and childcare	
KPI Ratio of childcare leave by male employees	
FY2023 actual 70.3%	FY2024 target 100%
→	

"The Company is a place to foster personal growth"
The Company has developed a proprietary human resource development program for all partners to be business leaders that can drive a sustainable business growth.

Support for Self-designing Careers

Initiative Employee satisfaction survey (GPTW)	
KPI Number of Great Place to Work Certification	
FY2023 actual 9 consecutive times	FY2024 target 10 consecutive times
→	
Initiative Support for talent development	
KPI Hours of training received	
FY2023 actual 31.2 hours per person	FY2024 target 35.0 hours per person
→	

Improving Well-being

"Well Being with Partners"
A wide-array of programs based on "diet," "healing," "movement" and "medicine" is available to support the healthy and active lifestyle of partners.

Initiative Prevention of excessive work	
KPI Average overtime hours	
FY2023 actual 22.9 hours per month	FY2024 target Below 20.0 hours per month
→	
Initiative Maintenance and improvement of health	
KPI Ratio of annual health check-up and stress test recipients	
FY2023 actual 100%	FY2024 target 100%
→	

Voices of Our Partners

What is the in-company short-term study program?

This is an inter-divisional transfer program to provide career change experience and growth opportunities to partners as well as vitalize the cross-divisional collaboration.



From Sales to HR
 Talent Development Department
 Human Resources Management Department
 Corporate Support Division

From Sales to Corporate Planning
 Corporate Planning / New Business Creation Department
 Corporate Planning Management Department
 Corporate Value Creation Strategy Division

Q. Through this program, were you able to gain career experience, grow professionally and realize cross-divisional collaboration?

I had been interested in recruitment and training through the many interactions in these areas, and decided to apply after considering my long-term career at the launch of this program that embodies the “PG-ism” of “be proactive and grab the opportunity.” I learned from the many interactions on management organization and people’s thoughts at Human Resources. It is very gratifying to see the younger generation evolve and I hope to contribute to propagating “PG-ism” and talent development when I return to Sales. (LEFT)

I applied for this program to work in the division that creates new businesses in order to supplement my sales capabilities and grow rapidly. Just as the slogan “all-hands-on-deck approach to recruiting and mentoring” says, the guidance I received was very hands-on on a daily basis, and the proximity with management enabled me to learn from a company-wide and management perspective. I aim to use what I learned to quickly develop in new domains and become an asset that can resolve issues just as the Directors do. (RIGHT)



Manager
 Group #2 Utility & Public Sector Sales Department
 Innovation Partners Division

Executive Officer
 Accounting / Finance Management Department
 Corporate Support Division

Support to balance work and childcare

The Company is expanding various support measures to create long-term career development such as staggered working hours, shortened working-hour system and work from home schemes, as well as a full-time kid’s room “GMO Bears” (nursery), a specialized consultation desk and subsidies for babysitter use.

Q. Do you see a change in the awareness and work environment with regard to childcare leave for men?

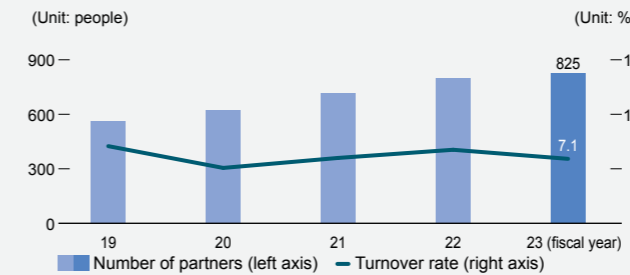
As a Manager, I had concerns for customers and the team. However, thanks to the warm encouragement, I was able to delegate work and this became the trigger for the team to take the initiative in handling work. Being able to spend precious time with my family when my first child was born, which was a learning experience, raised my awareness towards child-raising. I hope to balance my work with the help of this system. The work environment is also encouraging as three men have taken childcare leave during the past six months. (LEFT)

Q. Are you able to continue working in a management position and have a child using this system?

Taking childcare leave and returning to work went smoothly thanks to the understanding and support of my managers and team members. I am grateful for this and feel the organization’s reliability. There are many members in the division who are raising children, and by having my own child I realized that I had not fully appreciated the difficulty of balancing work and childcare. Being in the same position, I want to consciously build a work environment that allows people to work to their full potential while raising children. (RIGHT)

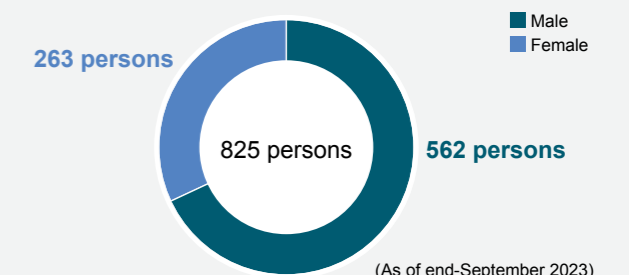
Track Record of Human Resource Strategy

Number of Partners (Consolidated) and Turnover Rate



* Figures for FY2019 are calculated by excluding MACROKIOSK, which was deconsolidated in FY2020.

Number of Partners (Consolidated) and Gender Breakdown



(As of end-September 2023)

External Evaluation

- Great Place To Work Certified** (2019-2023): Certification: 9 consecutive times
- Kurumin Certification** (2022): Ratio of men receiving childcare leave: 70.3%, Ratio of women receiving childcare leave: 100%
- Ratio of women in management positions**: 15.6%
- Average overtime hours**: 22.9 hrs / month
- Ratio of annual health check-up and stress test recipients**: 100%

* Figures for women in management position are stated on a consolidated basis, all other figures are stated on a non-consolidated basis. Above figures are actual figures for FY2023.

Established the Health Declaration “Well-being with Partners” and opened in-company fitness gym “GMO OLYMPIA”

Compiled “Business Principles”

This summarizes the norms on attitudes and behaviors expected from partners. It includes the most important 11 items by using key words/phrases such as “respond to trouble-shooting until appreciated by the customer,” which may seem unique but is a sensible keyword and others phrases such as “Act Like the CEO” and “Responsibility of others is also yours,” etc.

Implemented special leave and allowance for family support (infertility treatment)

Implemented to support partners that need to visit hospitals regularly for infertility treatment.

2023

- Launched No.1 & STEAM Talent Recruitment – New Grad Recruit Annual Wage ¥7.1 Million Program
- Implemented Work From Home Program
- Implemented In-Company Short-Term Study Program

A cross-divisional transfer to provide partners with a career change experience and growth opportunity as well as realize greater collaboration within the organization.

2022

- Implemented hourly-increments for annual paid leave

2021

- Implemented staggered commuting system

2020

- Implemented staggered commuting system

2019

- Implemented staggered commuting system

2018

- Implemented staggered commuting system

2017

- Implemented staggered commuting system

2016

- Implemented staggered commuting system

2015

- Commenced employee satisfaction survey (GPTW)
- Implemented workstyle reforms and improving work environment based on employee feedback.

2014

- Implemented special leave and allowance for family support (infertility treatment)

2013

- Implemented PG Award

2012

- Implemented defined contribution pension plan

2011

- Kid’s room “GMO Bears”
- Opened synergy café “GMO Yours”

2010

- Implemented parental care allowance

2009

- Implemented on President Ainoura’s strong belief that partners should cherish a sense of gratefulness, based on the thought that “those who cannot take care of their parents (or people who have cared for them) would not be able to have compassion for the customer.”

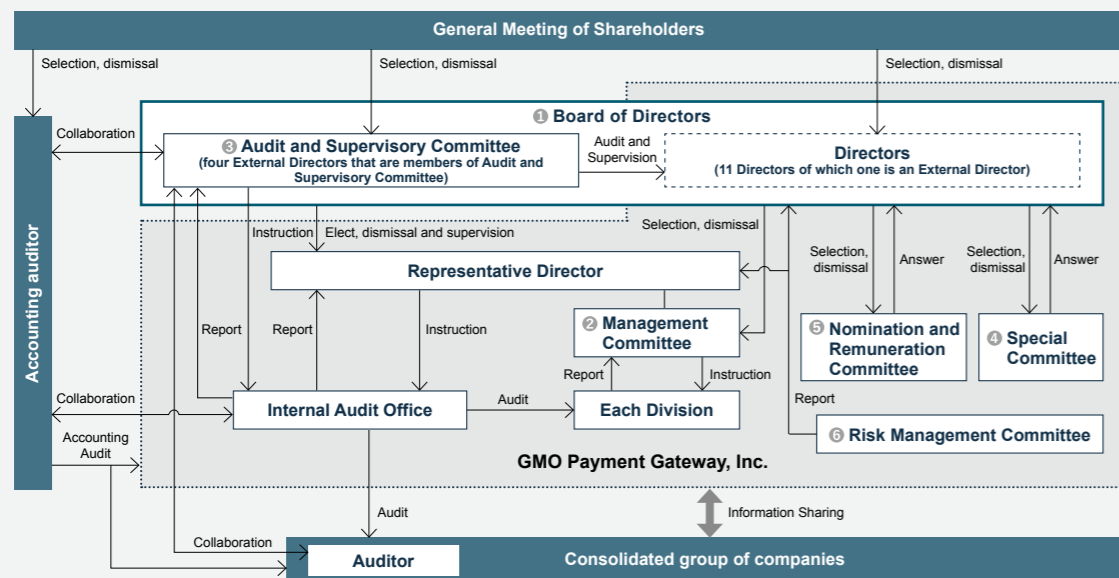
Governance

Corporate Governance

Basic Views (Implemented)

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 chart 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 deliberation on and execution of important operational matters based on the basic policies stipulated at the Board of Directors meeting. [Organizational chart 2](#)

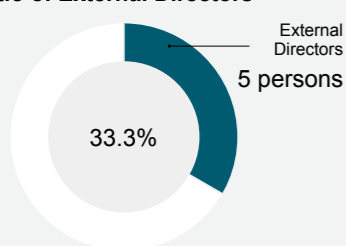
Audit and Supervisory Committee

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 other important meetings and operations, investigations of financial conditions, 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 chart 3](#)

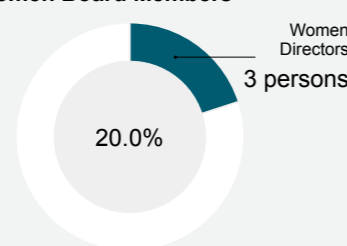
Special Committee

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 that have a conflict of interest between controlling and non-controlling shareholders. [Organizational chart 4](#)

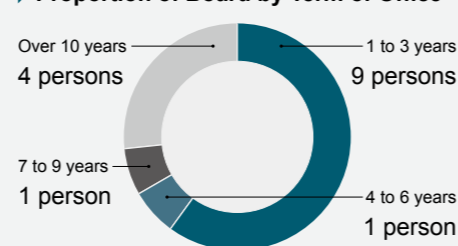
Ratio of External Directors



Women Board Members



Proportion of Board by Term of Office



Continual Improvement of Governance

Methods and Procedures for the Selection of Directors and the Nomination and Remuneration Committee

The process of selecting Directors is based on a comprehensive decision that takes into consideration a candidate's knowledge, experience and skills to effectively carry out the role and responsibilities, as well as incorporating the results of a 360-degree evaluation by management and other Directors and being mindful of diversity (nationality, gender and age) and the appropriate size of the Board. Candidates for Directors will be selected based on these policies and following the deliberations of the Nomination and Remuneration Committee, will be formally proposed to the Board for decision. [Organizational chart 5](#)

Independence Standard 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 Independent Standards and Rules for External Directors.

Evaluation of 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. More concretely, the Company works to ensure the Board's effectiveness based on a broad perspective that is not limited to the composition and operations, but also includes the organizational design, nomination and remuneration by incorporating objective and quantifiable methods, such as questionnaires completed by all Directors.

Concurrently, the issues revealed in the evaluation process are continuously addressed through formulating and executing on improvement measures, in order to further enhance the Board's functioning.

Director's Remuneration and the Nomination and Remuneration Committee

The Director's remuneration is designed with the purpose of heightening the incentive to contribute not only in the short term but also to the medium- to long-term financial performance improvements so as to enable a sustainable enhancement of corporate value. The remuneration is comprised of a fixed remuneration amount that is paid monthly for carrying out duties and the Director's bonus that is linked to that fiscal year's financial performance and an equity remuneration which is linked to medium- to long-term financial performance. Additionally, remuneration for Directors of the Audit and Supervisory Committee is solely comprised of a fixed remuneration amount from the perspective of emphasizing the Committee's independence from management.

In order to secure the transparency of the remuneration determination process and the appropriateness of the remuneration amount, the Company has instituted the Nomination and Remuneration Committee that is chaired by an External Director, to act as the advisory body to the Board etc. The remuneration amount (including the bonus payments) for Directors (excluding members of the Audit and Supervisory Committee) is determined by the Board after due deliberations conducted at the Nomination and Remuneration Committee.

It is determined that the remuneration amount for each individual Director decided by the Board basically aligns with the Nomination and Remuneration Committee's report following the Committee's multi-faceted considerations to ensure consistency with the policies in determining remuneration.

Note that the remuneration policy of the Company stipulates that the remuneration of Director's holding concurrent positions at other companies within the Company's group will be paid by the main corporate entity. [Organizational chart 5](#)

Engagement through IR Activities

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

FY2023 IR Activities

(October 1, 2022–September 30, 2023)

Activity	No. of events
Earnings announcement and Financial Results Briefing meetings	4 times
1-on-1 meetings	Approx. 400 meetings
Participation in broker conferences	15 times
Number of meetings companies including group meetings	Approx. 590 meetings

Inclusion in ESG Indexes



* FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that GMO Payment Gateway, Inc. has been independently assessed by third-party research, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series, FTSE Blossom Japan Index and FTSE Blossom Japan Sector Relative Index.

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, comprised of the heads of divisions at GMO-PG and its consolidated companies, to carry out risk assessment, the formulation and execution of countermeasures, as well as 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, among others.

The Board of Directors supervises 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 FY2023. [Organizational chart 6](#)

Information Security

Basic View

The Company's mission is the realization of a secure and convenient cashless payment for consumers and business operators by aiming to become the infrastructure of Japan's payment process. In conducting corporate activities aligned with this mission, the Company is engaged in information security measures based on the awareness that protection of information assets from external threats is the highest management issue as well as in utilizing the proprietary information assets.

Specifically, necessary measures are in place such as internal rules, 24-hour system surveillance and security measures against malicious infiltration both from within and outside the Company to prevent cyber-attacks and computer viruses and other malicious infiltration of computers.

Additionally, 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 using compliance training programs to ensure a deeper understanding of procedures, the purpose of security rules, basic policies and rules stipulated under the information security management system (ISO27001). These are combined with awareness raising videos on information security measures. Additionally, improving 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.

The following accreditations on information security have been received as part of the efforts to enhance risk assessment structure.



Acquired accreditation for compliance for ISO27001

Acquired accreditation for compliance for ISO/IEC 27001:2013 (JIS Q27001:2014), the global standard for information security management applicable to all of the Company's business locations.



Acquired PrivacyMark certification

In recognition of the appropriate measures to safeguard personal information, the Company received the PrivacyMark certification that signifies compliance with the Japanese Industrial Standard for personal information protection, JIS Q15001:2017.



Fully PCI DSS Compliant

The Company's services are in full compliance with version 3.2.1 of the PCI DSS global security standard for the credit card industry, which was jointly formulated by the five global credit card brands: JCB, American Express, Discover, MasterCard and Visa. As such, we are delivering peace of mind to all of our customers, in addition to securing credit card payments.


Business and Other Risks and Responses

Category	Risk	Responses
Business Environment	Changes in trend in the payment processing industry	Early response to changes, further improvements in simplifying implementation and the safety and security of transactions
	Stagnation of the EC market	Promote the sound expansion of the EC market through responding to laws and regulations and strengthening information security measures
	Changes in competitive environment	Continuously improve competitiveness through the development and launch of products and services that meet the merchant's needs, provide value-added services, customer support system and the configuration and operation of a stable core system, etc.
	Obsolescence of services due to technological innovation	Respond to technological innovation through pursuing even more resilient services, strengthening marketing activities for developing new services, obtaining information regarding the latest technology and services by opening an office in Silicon Valley and other means; investing activities into start-ups, etc.
	Changes in laws and regulations	Strengthen information-gathering ability through attorneys and external organizations, expand Compliance Division, buildout management structure to oversee anti-money laundering, etc.
	Depressed consumption due to surge in prices	Strengthen the Company's business model to be resilient against macro-economic impacts, establish a diverse merchant-customer foundation and business operations based on stable revenues
Business Activities	Decline in the number of merchants	Strengthen alliance-model businesses, thorough customer response, and leverage characteristics of systems and services that are sticky
	Disruption of information processing center network	Connection to multiple networks
	Changes and termination of payment processing contracts	Build a stronger relationship through enhancing functionality and closer collaboration with credit card companies
	Chargeback risk from fraudulent billing of revenues, bankruptcies of merchants, etc.	Screening by credit card companies at the time of contract with merchants, post-contract screening and confirming lists on website for Specified Commercial Transactions Act and monthly management of credit delinquencies
	Injunction request and damage compensation due to infringement of intellectual property	Build out the dispute resolution system and strengthen internal management structure and awareness-raising
	Deterioration of investee's business management	Detailed due diligence at the time of selecting prospective investees and regular monitoring
	Deterioration of financial performance and occurrence of misconduct at subsidiary	Establish rules for affiliated companies, management guidance by dispatching Directors, strengthen monitoring of financial conditions, changes in external environment and business performance on a monthly and quarterly basis
	Credit risk	Prudent screening according to stipulated rules, diversification of debtors
	Sudden changes in business environment in countries of overseas businesses	Strengthen monitoring of local offices, diversification of investment and loans
	Business suspension from natural disaster and terrorist activities	Build out BCP structure, respond with redundancies in system configuration
	Increase in employee turnover and delays in recruitment and talent development	Continue to carry out stable new grad and mid-career recruitment of specialized talent, expand in-company training programs, evaluation system and welfare benefits
	Operational and business risk	Document and standardize administrative procedures and internal rules, systematize administrative work and operations
Information Security	Inability or delays in procuring payment terminals	Diversify procurement sources from multiple manufacturers
	System failure and information security	Compile information security policy and establish an information security committee. Adopt security measures against unauthorized access, a 24-hour system surveillance structure, redundancy measures of system configuration, insurance policy enrollment and develop internal rules on operations
	Possibility of personal information leakage and its impact	Acquire PrivacyMark and relevant certifications on information security
	Information leakage of credit card information at the merchant	Promote services that store credit card information at the Company and not at the merchant, strengthen management of merchant's that store information

Board of Directors and Management Committee Members


(As of Annual Shareholder's Meeting held on December 17, 2023) — Members of the Board of Directors — Members of the Management Committee

Issei Ainoura
President and Chief Executive Officer




— —

Masatoshi Kumagai
Chairman and Director




—

Ryu Muramatsu
Director, Executive Vice President




— —

Satoru Isozaki
Director, Executive Vice President




— —

Masashi Yasuda
Director




—

Hirofumi Yamashita
Director




—

Teruhiro Arai
Director




—

Noriko Inagaki
Director




—

Yuki Kawasaki
Director




—

Takashi Shimahara
Director




—

Fumio Kai
External Director




—

Kazutaka Yoshida
External Director




—

Kazuhiko Okamoto
External Director




—

Yumi Hokazono
External Director



—

Osamu Ohkawa
External Director



—

Shinichi Sugiyama
Senior Managing Executive Officer




—

Tatsuya Koide
Senior Managing Executive Officer




—

Yuichi Hisada
Senior Managing Director



—

Takashi Mitani
Senior Managing Director



—

Tomoyuki Murakami
Managing Executive Officer



—

Takeshi Yoshii
Managing Executive Officer



—

Katsunari Mukai
Managing Executive Officer



—

Directors' Skill Matrix

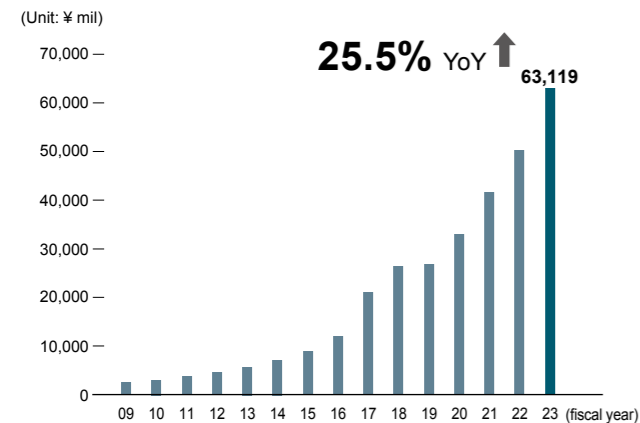
	Position	Practice of GMO-ism**	Corporate Management	IT and Security	Risk Management	Legal Affairs	Treasury and Accounting	Payment Processing Business	Finance	Global	Investment (M&A)	ESG and Sustainability	Attendance rate of Board meeting*2	Attendance rate of Audit and Supervisory Committee**	Attendance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

*1 GMO-ism is the collective name for GMO Internet Group's unchanging goals, including "Venture Spirit Declaration."
 *2 Number of Board meetings convened is 17; Number of Audit and Supervisory Committee meetings convened is 19; Number of Nomination and Remuneration Committee meetings convened is 2.

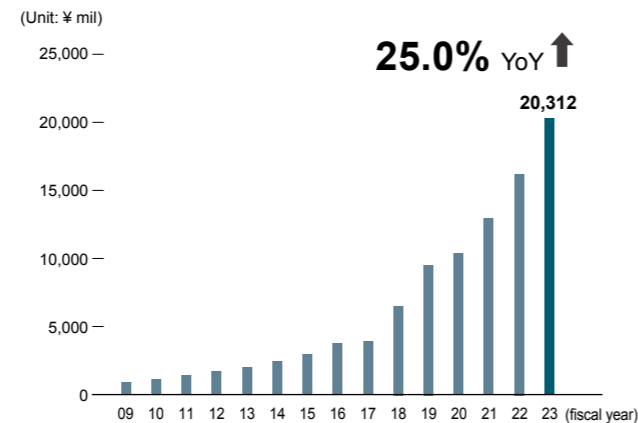
Consolidated Financial Highlights

Achieved 18 consecutive terms of revenue and profit increase since listing in 2005
 Achieved operating profit of ¥20.3 billion from large-scale projects, entering new domains and creation of new services

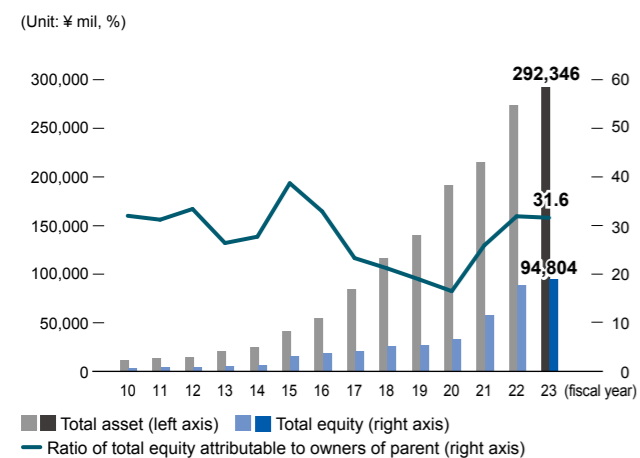
Revenue



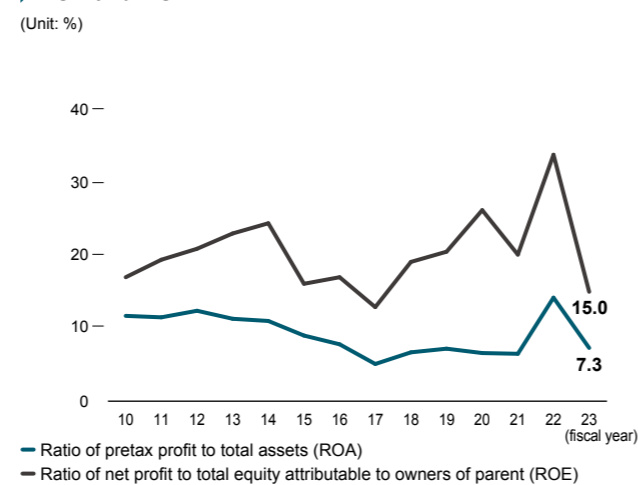
Operating Profit



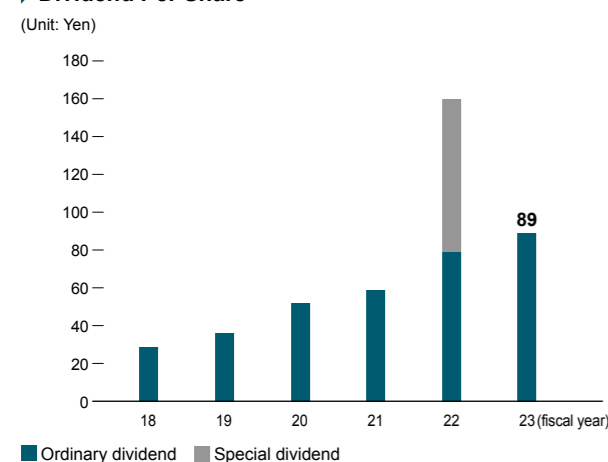
Total Assets, Total Equity, Ratio of Total Equity Attributable to Owners of Parent



ROA and ROE



Dividend Per Share



Towards achieving a high ROE

1. Establish a high margin and high capital efficiency payment business
2. Pursue ROIC (Return on Invested Capital) that exceeds capital cost in each business
3. Continue with stable shareholder returns together with capital efficiency and securing necessary internal reserves
4. Continuously achieve high growth by effective deployment of capital

Consolidated Financial Statements

Consolidated Statement of Profit and Loss

	FY2022 From October 1, 2021 to September 30, 2022	FY2023 From October 1, 2022 to September 30, 2023
Revenue ¹	50,298	63,119
Cost of sales	(16,662)	(23,133)
Gross profit	33,635	39,985
Other income	278	303
Selling, general and administrative expenses	(17,604)	(19,892)
Other expenses	(60)	(83)
Operating profit ²	16,249	20,312
Financial income	1,621	1,021
Financial expense	(230)	(804)
Equity method investment gains	184	107
Gain from sales of equity method investment	16,932	—
Profit before income taxes ³	34,756	20,636
Income tax expenses	(10,395)	(6,813)
Profit	24,361	13,822
Profit attributable to:		
Owners of parent	24,152	13,475
Non-controlling interests	208	347
Profit	24,361	13,822

Key Points of Consolidated Statement of Profit and Loss

¹ Revenue

In the Payment Processing Business, online payment showed an increase in payments in the ticket / travel sector within the non-merchandise domain due to the normalization of economic activity, despite the adverse effect on small-scale merchants in the merchandise domain due to the unwinding of demand from nesting consumption. In addition, the CP domain benefited from the expansion of the cashless payments market and the high level of payment terminal shipments driven by a large-scale project. As a result, the Payment Processing Business segment grew 26.2% YoY.

The Money Service Business segment grew 23.6% YoY from the expansion of lending service to overseas FinTech operators and the growth of GMO Payment After Delivery from acquiring large merchants and the impact of changes in the commission rate.

The Payment Enhancement Business segment grew 21.9% YoY from the heightening demand for Medical Kakumei byGMO, a reservation management system exclusively for medical institutions.

As a result of the above, revenue reached ¥63,119 million, and increase of 25.5% YoY.

² Operating Profit

Payment Processing Business segment profit increased by 20.3% YoY from the growth of the high-margin online payments and the expansion of CP transactions, despite the one-time expenses in Q2 that was partially reversed in Q3.

Money Service Business segment profit increased by 11.6% YoY from the favorable trends in remittance service and Instant Salary byGMO, despite the increase in credit-related costs for GMO Payment After Delivery and provisioning for some overseas borrowers.

Payment Enhancement Business segment profit increased by 65.6% YoY thanks to the growth of Medical Kakumei byGMO provided by GMO Medical Reservation Technology, Inc.

As a result of the above, operating profit reached ¥20,312 million, an increase of 25.0% YoY and operating profit margin was 32.2%.

³ Profit Before Income Taxes

Profit before income taxes reached ¥20,626 million, a decrease of 40.6% YoY due to recording gains on sales of equity method investment of ¥16,932 million from the transfer of all the shares of former equity method affiliate 2C2P Pte. Ltd. and other factors.

Consolidated Statement of Comprehensive Income

	FY2022 From October 1, 2021 to September 30, 2022	FY2023 From October 1, 2022 to September 30, 2023
Profit	24,361	13,822
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Fair value of financial assets measured through other comprehensive income	669	332
Share of other comprehensive income of equity method affiliates	5,986	459
Total of items that will not be reclassified to profit or loss	6,655	792
Items that will be reclassified to profit or loss		
Exchange differences on translation of foreign operations	5,060	3,047
Share of other comprehensive income of equity method affiliates	(186)	—
Total of items that will not be reclassified to profit or loss	4,874	3,047
Other comprehensive income after income taxes	11,530	3,839
Comprehensive income	35,891	17,662
Comprehensive income attributable to:		
Owners of parent	35,671	17,316
Non-controlling interests	219	346
Total	35,891	17,662

Consolidated Balance Sheet

	(Unit: ¥ mil)			(Unit: ¥ mil)	
	FY2022 (As of September 30, 2022)	FY2023 (As of September 30, 2023)		FY2022 (As of September 30, 2022)	FY2023 (As of September 30, 2023)
Assets			Liabilities		
Current assets			Current liabilities		
Cash and cash equivalents	113,967	133,658	Accounts payable – trade	5,595	6,555
Trade and other receivables	13,964	18,953	Accrued expenses	23,280	25,371
Advance payments	54,422	63,387	Deposits received	91,410	97,231
Accrued revenues	30,331	33,395	Borrowings	17,000	20,395
Inventories	1,532	2,405	Other financial liabilities	1,014	388
Deposits to affiliates and subsidiaries	16,500	5,300	Income taxes payable, etc.	4,916	7,888
Other financial assets	12,917	650	Provisions	320	320
Other current assets	620	717	Other current liabilities	4,281	5,138
Total current assets	244,256	258,467	Total current liabilities	147,820	163,290
Non-current assets			Non-current liabilities		
Property, plant and equipment	3,542	3,353	Corporate bonds	19,678	19,763
Goodwill and intangible assets	6,942	9,310	Borrowings	6,000	8,955
Investments accounted for using equity method	8,608	9,194	Other financial liabilities	2,342	2,128
Trade and other receivables	3,501	3,622	Provisions	130	130
Other financial assets	5,095	6,615	Deferred tax liabilities	5,642	1,221
Deferred tax assets	1,342	1,700	Other non-current liabilities	2,531	2,051
Other non-current assets	117	83	Total non-current liabilities	36,326	34,251
Total non-current assets	29,150	33,879	Total liabilities	184,146	197,541
			Equity		
			Capital stock	13,323	13,323
			Capital surplus	15,272	15,247
			Retained earnings	49,424	50,768
			Treasury stock	(1,152)	(1,153)
			Other items of equity	10,255	14,088
			Total equity attributable to owners of parent	87,122	92,274
			Non-controlling interests	2,137	2,530
			Total equity	89,260	94,804
Total assets	273,407	292,346	Total liabilities and equity	273,407	292,346

Key Points of Consolidated Balance Sheet

Assets

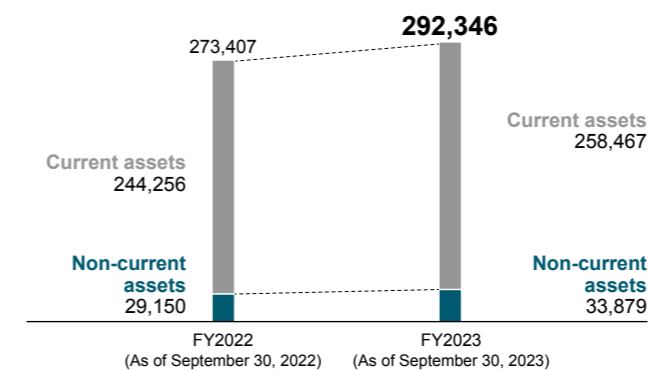
Total assets increased by ¥18,939 million compared to end of previous term to reach ¥292,346 million. This was attributable to the increase in cash and cash equivalents due to the expanding Payment Processing Business, increase in advances paid related to Money Service Business and the increase in trade and other receivables.

Liabilities

Total liabilities increased by ¥13,395 million compared to end of previous term to reach ¥197,541 million. This was due to

▶ **Assets**

(Unit: ¥ mil)



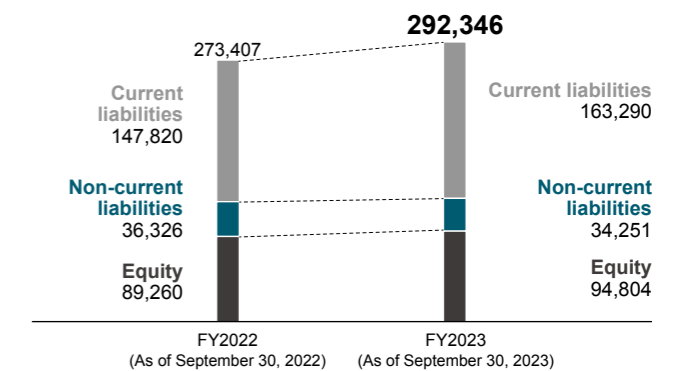
the increase in accrued expenses from the increased transactions of GMO Payment After Delivery and increases in deposits received and borrowings.

Equity

Total equity increased by ¥5,544 million compared to end of previous term to reach ¥94,804 million. This was due to recording of profits of ¥13,822 million and other comprehensive income of ¥3,839 million and the decline in retained earnings of ¥12,134 million from dividends.

▶ **Liabilities and Equity**

(Unit: ¥ mil)



Consolidated Statement of Cash Flows

Operating cash flow amounted to ¥6,128 million. This was mainly due to cash outflows from an increase in trade and other receivables, increase in accrued revenues and income tax payments, which were offset by cash inflow from profit before tax, depreciation and amortization, an increase in accrued expenses and the increase in deposits received.

Investing cash flow amounted to ¥17,762 million. This was mainly due to cash outflows from deposits into restricted accounts, the acquisition of intangible assets and deposits into

deposits to subsidiaries and affiliated companies, which were partially offset by cash inflows from withdrawals from restricted deposits and the withdrawal of deposits to subsidiaries and affiliated companies.

Financing cash flow amounted to –¥6,419 million. This was mainly due to cash inflows from a net increase in short-term and long-term borrowings, which were offset by cash outflows from dividends paid.

	(Unit: ¥ mil)	
	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	7,656	6,128
Net cash provided by (used in) investing activities	(2,443)	17,762
Net cash provided by (used in) financing activities	2,635	(6,419)
Translation differences of cash and cash equivalents	1,596	2,218
Increase or decrease in cash and cash equivalents	9,443	19,690
Balance of cash and cash equivalents at the beginning of the period	104,523	113,967
Balance of cash and cash equivalents at the end of the period	113,967	133,658

Company Information

Company Overview (As of September 30, 2023)

Name	GMO Payment Gateway, Inc. Listed exchange: Tokyo Stock Exchange Prime Market (Securities code: 3769)	Business outline	Comprehensive payment-related services and financial services
Establishment	March 1995	Memberships	Japan Consumer Credit Association (JCA) Japan Multi-Payment Network Promotion Association (JAMPA) EC Payment Forum Japan E-Commerce Consultant Association (JECCICA)
Head office	SHIBUYA FUKURAS 15F 1-2-3 Dogenzaka, Shibuya-ku Tokyo 150-0043, Japan	Major subsidiaries	GMO Epsilon, Inc. GMO Payment Service, Inc. GMO Financial Gate, Inc. GMO-Z.COM PAYMENT GATEWAY PTE. LTD.
Consolidated paid-in capital	¥13,323 million	Number of affiliates	14 consolidated subsidiaries 3 affiliates accounted for using equity method
Consolidated capital surplus	¥15,247 million		
Number of employees	825		

Notes for Shareholder

Business year	October 1st to 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 Notices published at https://corp.gmo-pg.com/en/ir/ (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, Stock Transfer Agency Business Planning Department 8-4, Izumi 2-chome, Suginami-ku, Tokyo 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)

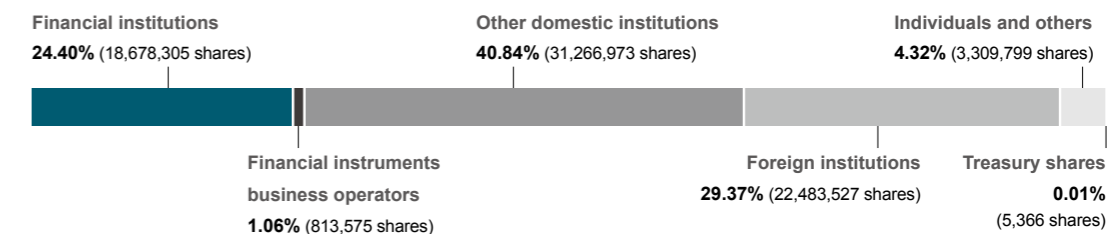
* At the annual meeting of shareholders held on December 20, 2015, it was decided that the Board of Directors would be the decision-making body for dividends of surplus, and that the record dates for these dividends would be December 31, March 31, June 30, and September 30. As a result, we are able to 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, 2023)

Total number of authorized shares	102,400,000 shares	Total number of shares issued	76,557,545 shares
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Numbers of Shares by Shareholder Category

No. of shareholders 7,348

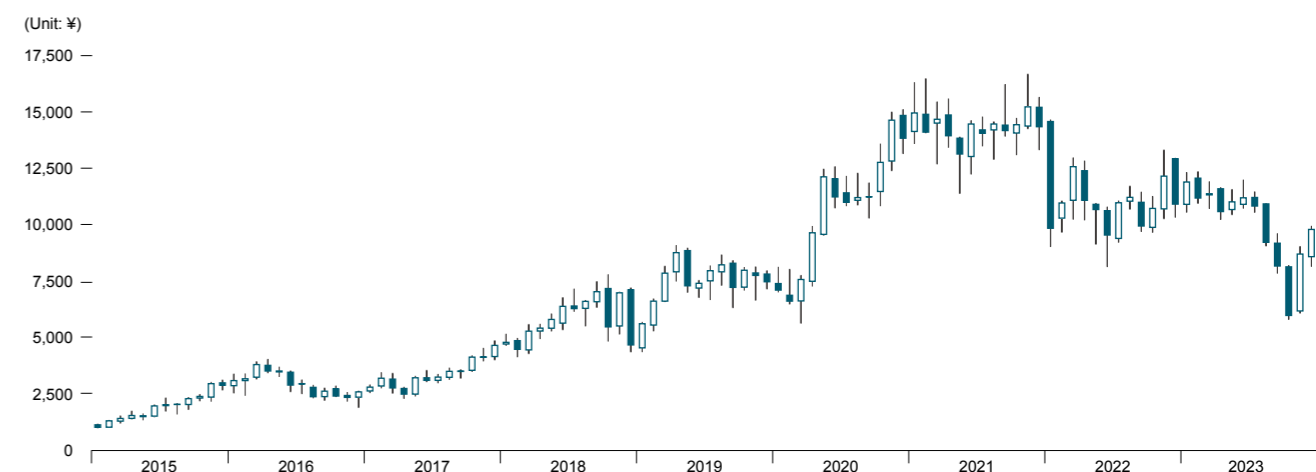


Major Shareholders (As of September 30, 2023)

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)	7,237,200	9.45
Custody Bank of Japan, Ltd. (Trust account)	6,303,900	8.23
Sumitomo Mitsui Banking Corporation	2,501,600	3.26
STATE STREET BANK WEST CLIENT - TREATY 505234	969,848	1.26
SSBTC CLIENT OMNIBUS ACCOUNT	957,822	1.25
STATE STREET BANK AND TRUST COMPANY 505001	878,798	1.14
GOVERNMENT OF NORWAY	816,224	1.06
Issei Ainoura	800,000	1.04
THE BANK OF NEW YORK 134088	767,400	1.00

* The stock ownership ratio is calculated using total shares outstanding less treasury shares (5,366 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.

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Information for Investors

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



Corporate Movie | Creating the future through payment

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