



## **GMO Pepabo, Inc.**

Fiscal Year 2021 4th Quarter Results Presentation

February 7, 2022

## Event Summary

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[Company Name]	GMO Pepabo, Inc.	
[Company ID]	3633-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Fiscal Year 2021 4th Quarter Results Presentation	
[Fiscal Period]	FY2021 Annual	
[Date]	February 7, 2022	
[Number of Pages]	32	
[Time]	16:45 – 17:16 (Total: 31 minutes, Presentation: 20 minutes, Q&A: 11 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Kentaro Sato	Representative Director and CEO
	Yoshito Igashima	Executive Director and CFO

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## Presentation

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**Moderator:** Thank you very much for participating in the financial results briefing of GMO Pepabo, Inc. for the fiscal year ending December 31, 2021. I would now like to introduce today's attendees.

Kentaro Sato, Representative Director and CEO.


**Sato:** I'm Sato. Thanks.

**Moderator:** Yoshito Igashima, Executive Director and CFO.

**Igashima:** Thank you very much.

**Moderator:** Today, Sato will provide an overview of our financial results. This will be followed by an audio question-and-answer session. How to ask questions will be explained later. It will take about 45 minutes overall.

Sato will now provide an overview of our financial results. Thank you.



巣ごもり需要が一服した影響を受けたものの  
**売上は過去最高となり  
事業成長が継続**

- 売上高は **過去最高**
- 利益面においては人件費やプロモーション費用等の増加により減益
- 2022年は **金融支援事業の黒字化**を計画

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**Sato:** Once again, I am Sato, Representative Director and CEO. Thank you very much for taking time out of your busy schedule to join us today. We will begin our financial results briefing for the fiscal year ending December 31, 2021.

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Here are the key points of this financial statement. In the fiscal year ending December 31, 2021, we did not achieve our initial target due to the impact of a lull in the nesting demand, but sales reached a record high and top-line growth continued.

In the fiscal year ending December 31, 2022, we plan to turn a profit in the financial support business, and we will aim for further growth in each business.



## AGENDA

- 2021年12月期 決算概況 3 ページ
- 2022年12月期 業績予想 20 ページ
- 今後の成長戦略 29 ページ

GMO ペパホ



Here is the agenda for this session. I will spare you the explanations, but you can find the Company profile and other reference materials in the latter half of the document, and I hope you will check them when you have time.

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売上高は過去最高を更新し、前期比107.9%

営業利益は人件費等の増加により前期比95.8%

純利益は事業譲渡益を計上するも、前期の投資有価証券売却益の影響で前期比86.2%

(百万円)	2020年12月期	2021年12月期	増減額	前期比
売上高	11,014	11,879	+ 865	107.9%
営業利益	927	888	△ 38	95.8%
営業利益率 (%)	8.4	7.5	—	—
経常利益	983	968	△ 15	98.4%
親会社株主に帰属する 当期純利益	829	715	△ 114	86.2%

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First, here is a summary of the financial results for the fiscal year ending December 31, 2021. As you can see, sales for FY2021 reached a record high of JPY11,879 million, up 7.9% YoY. Operating income was JPY888 million, 95.8% of the previous year's level, due to business conditions that increased labor costs and other expenses.

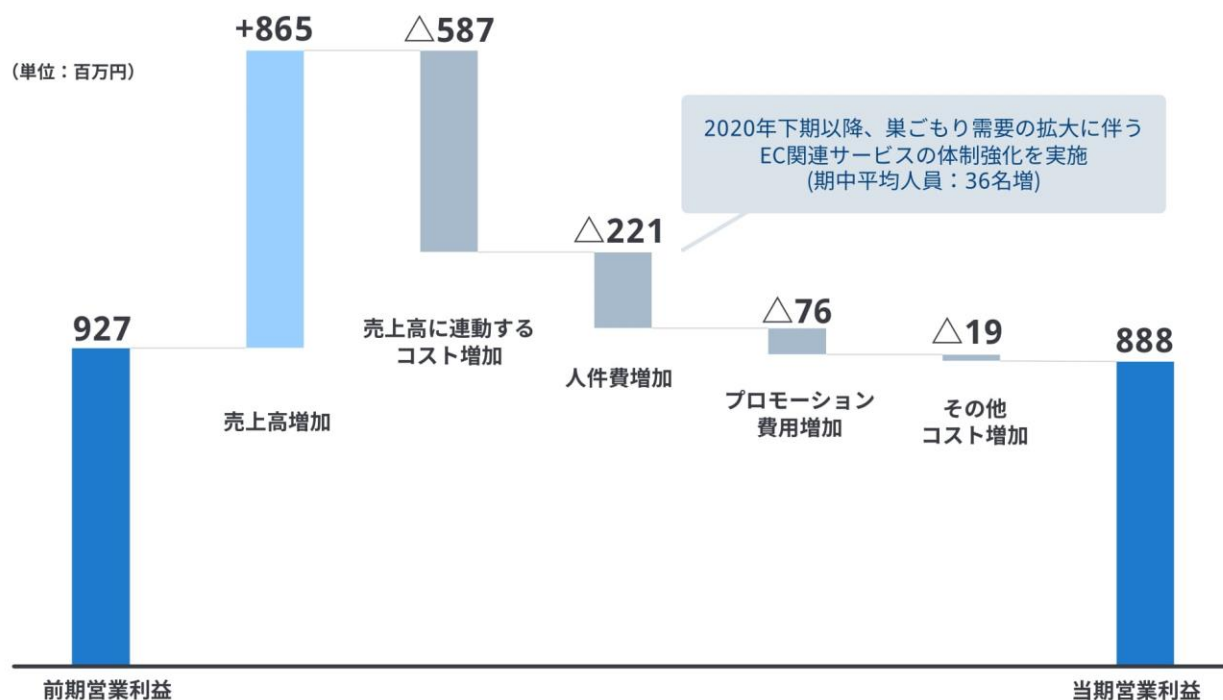
Net income was 86.2% of the prior year at JPY715 million due to the impact of the gain on sales of investment securities that occurred in the previous fiscal year, despite the business transfer of the JUGEM blogging service and web content production business.

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Here is an analysis of the YoY change in operating income.

The average number of employees increased by 36 during the fiscal year due to the strengthening of the system for EC-related services since the second half of the previous fiscal year in response to the increased nesting demand, which resulted in an increase in personnel expenses. Promotion expenses also increased, resulting in an operating income of JPY888 million.

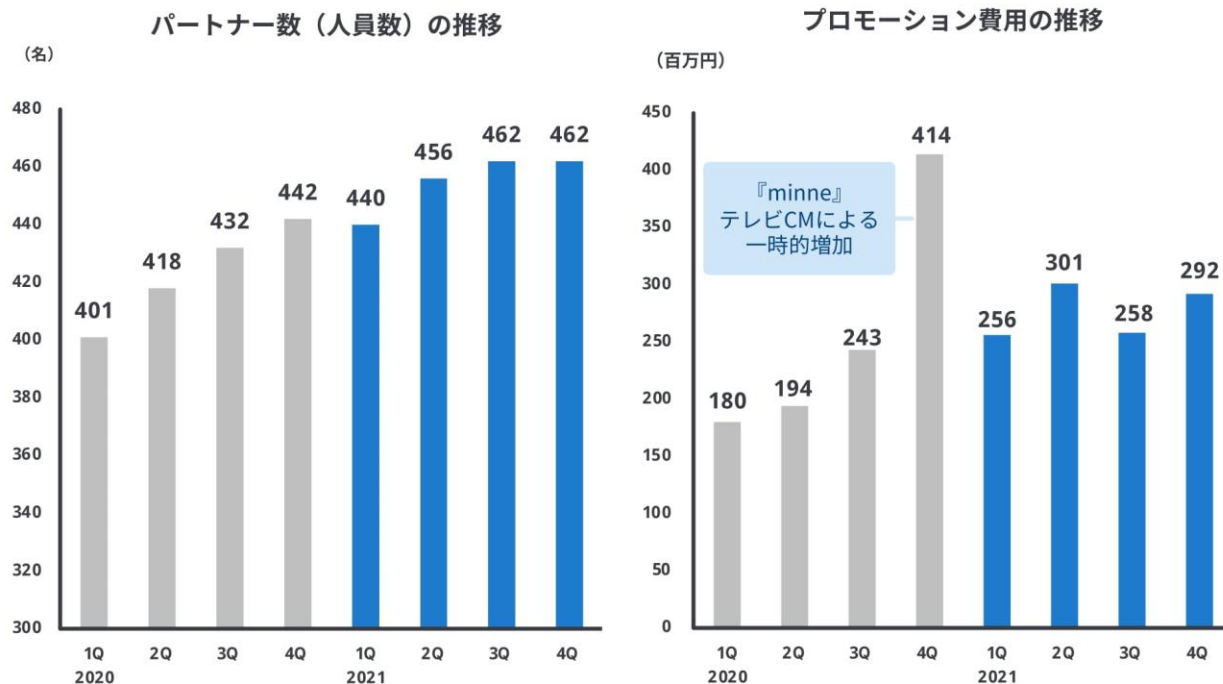
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EC関連サービスの業績拡大に伴い、人員数・プロモーション費用が増加



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Here are the numbers for personnel and promotion costs. The number of employees at the end of the fiscal year totaled 462, an increase due to the strengthening of the organization in the main divisions. Promotional expenses increased by JPY76 million compared to the previous fiscal year due to the strengthening of EC-related services, although there has been a trend of restraint since the second half of the current fiscal year.

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主力サービスを中心に堅調な推移		
ホスティング	売上高：	4,807百万円（105.2%）
	営業利益：	1,474百万円（108.3%）
売上は順調に成長するも、営業利益は想定を下回る		
EC支援	売上高：	4,874百万円（119.8%）
	営業利益：	1,117百万円（92.2%）
巣ごもり需要の一服により前期比で減収、減益		
ハンドメイド	売上高：	1,952百万円（98.1%）
	営業利益：	225百万円（99.4%）
利用者数や請求書買取額が増加、営業利益は大幅に改善		
金融支援	売上高：	212百万円（166.5%）
	営業利益：	△139百万円（159百万円増）

※（ ）内は前期比

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Next is the status by segment. In terms of the hosting business, both sales and profits increased from the previous fiscal year due to the steady growth of Lollipop!

In the EC support business, sales maintained growth, but profits were lower than expected.

In the handmade products business, both sales and profits fell below the previous year's levels due to sluggish growth in the distribution amount and the number of orders.

In the financial support business, the number of users and the number of invoices purchased are on an upward trend, resulting in significant growth in sales and an improvement in operating income.

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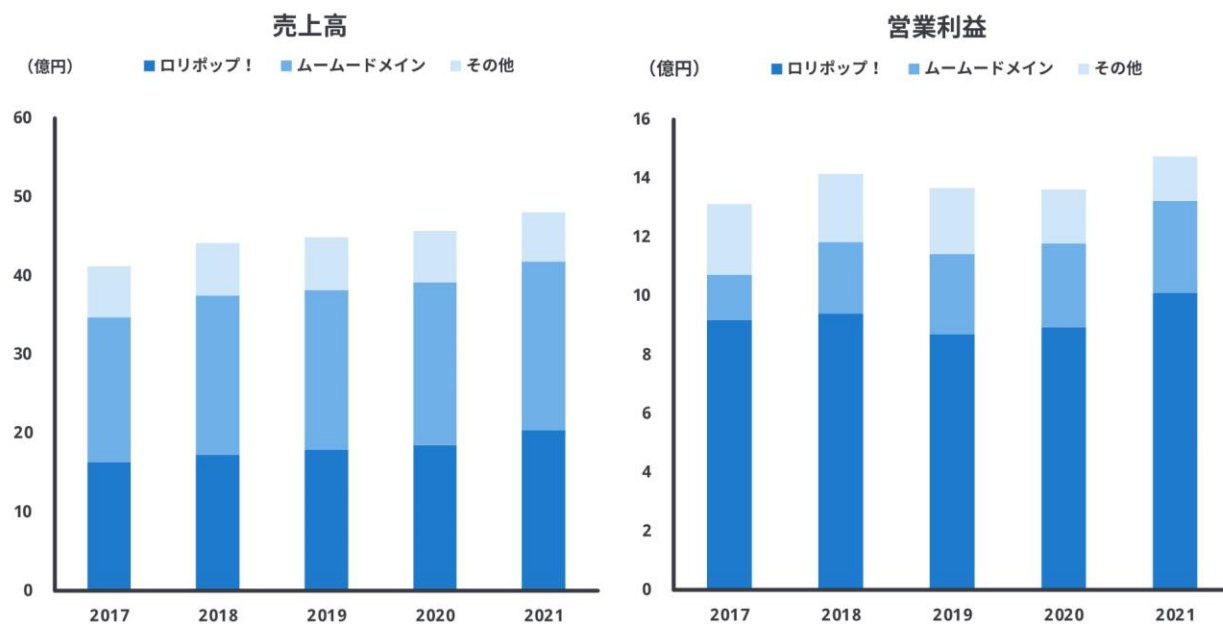
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累計期間	売上高：	4,807百万円	(前期比 105.2%)
	営業利益：	1,474百万円	(前期比 108.3%)



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Now, I would like to explain each segment.

First is the hosting business. In the hosting business, sales increased by 5.2% YoY to JPY4,807 million. Operating income was JPY1,474 million, up 8.3% YoY.

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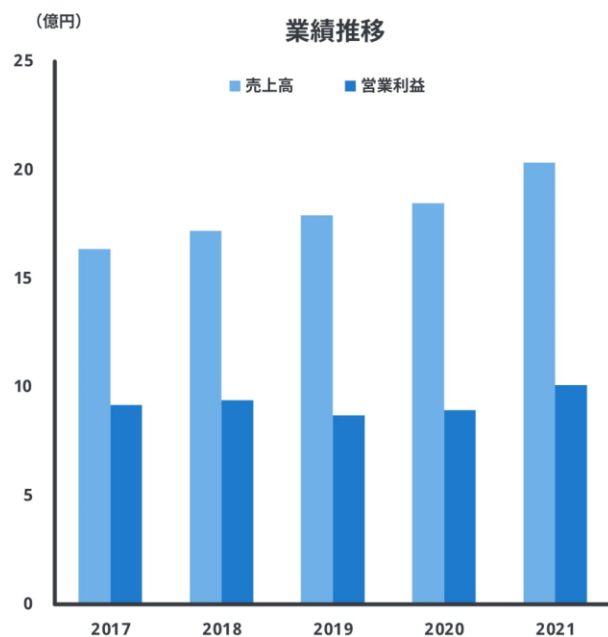
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累計期間

売上高：2,033百万円 (前期比 110.1%)

営業利益：1,010百万円 (前期比 113.0%)



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First is about the rental server service, Lollipop!

Lollipop! saw an increase in the unit price per customer due to a higher percentage of contracts for higher-end plans and stronger inducement to optional functions. In addition, the number of contracts has been increasing due to the strengthening of cooperation with MuuMuu Domain and the increase in new contracts through affiliates. Lollipop! has undergone a two-stage price revision since last year, and we believe that the impact of this revision will contribute to the current fiscal year.

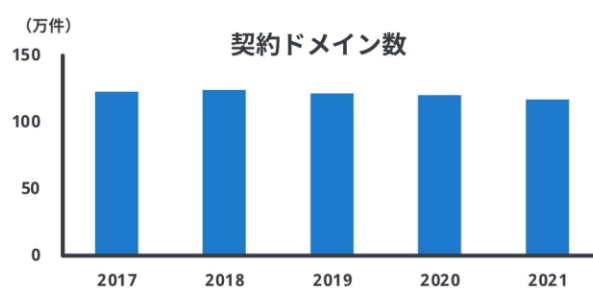
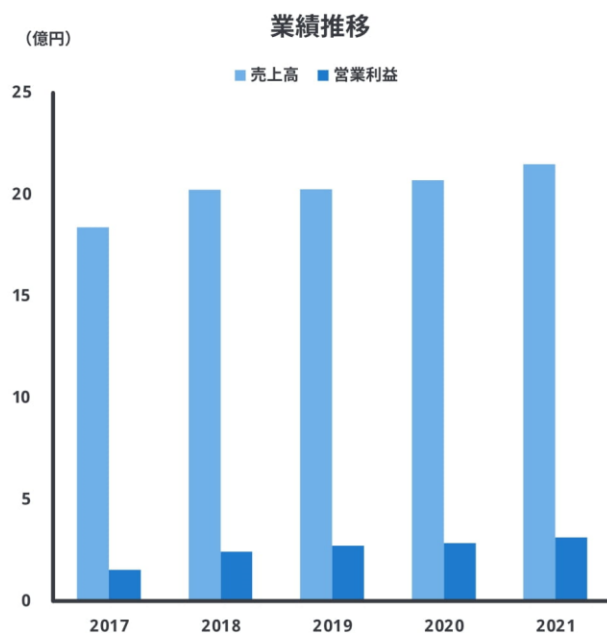
Also, in November 2021, Lollipop! is celebrating its 20th anniversary. We will continue our efforts to make our service one that will be loved and supported by our customers for a long time to come.

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累計期間	売上高：	2,149百万円	(前期比 103.8%)
	営業利益：	312百万円	(前期比 109.9%)



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Next is the domain acquisition service, MuuMuu Domain. The number of contracted domains increased in both revenue and profit due to an increase in the renewal rate and a rise in the unit price of domains, despite a decrease in the number of new contracts.

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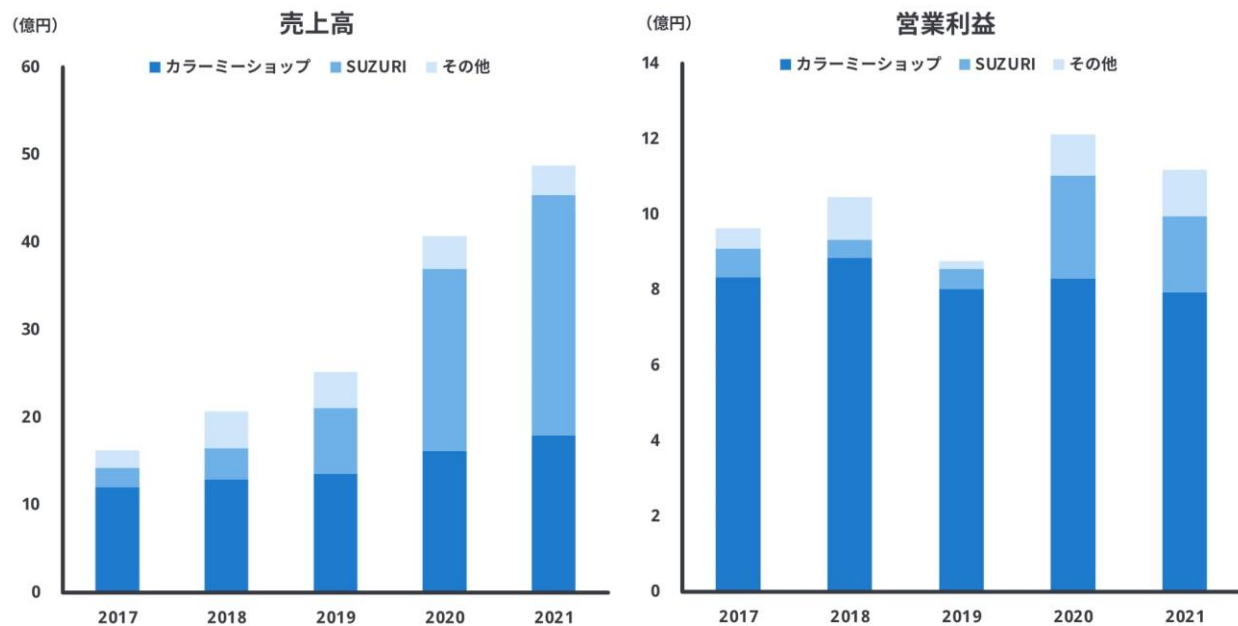
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累計期間	売上高：	4,874百万円	(前期比 119.8%)
	営業利益：	1,117百万円	(前期比 92.2%)



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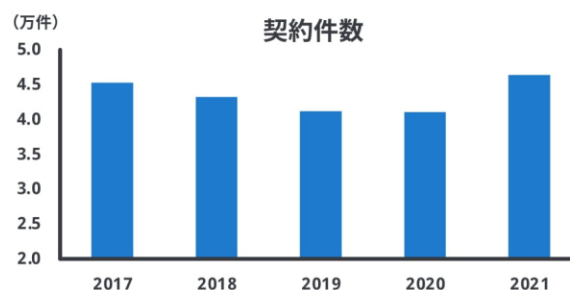
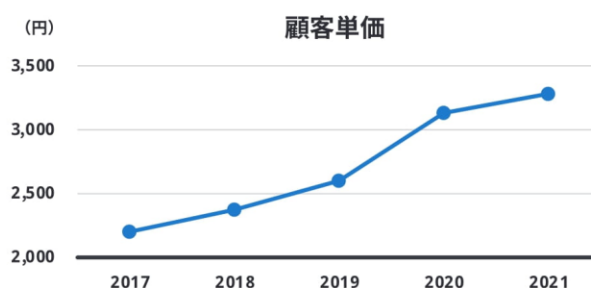
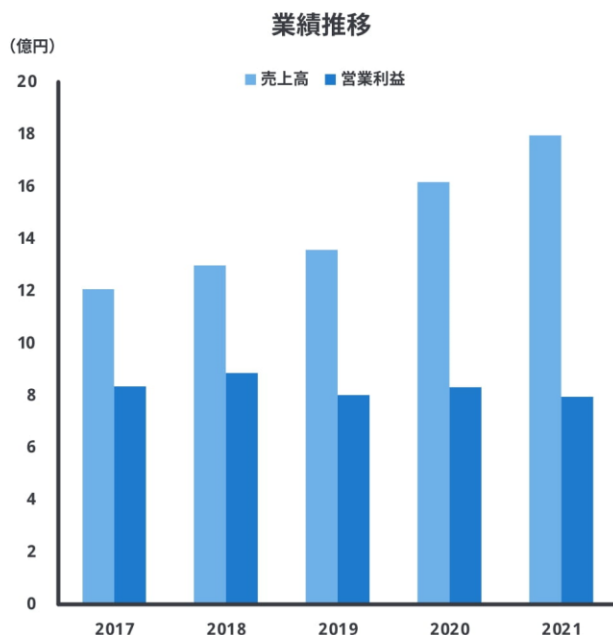
Next is the EC support business. Net sales increased significantly to JPY4,874 million, up 19.8% YoY. Operating income was JPY1,117 million, or 92.2% of the prior year.

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累計期間	売上高：	1,794百万円	(前期比 111.0%)
	営業利益：	794百万円	(前期比 95.6%)



\*上記には2021年5月に導入したフリープランの数値を含んでおります。

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As for the online store creation service, COLOR ME Shop, the latest unit price per customer has been on a downward trend since the release of the free plan in May of last year, but it was up 4.8% YoY to JPY3,281. The number of contracts has also been steadily increasing due to the impact of the free plan. Although revenue increased due to the expansion of distribution value, profit decreased due to the impact of the implementation of server reinforcement and system strengthening to meet the growing nesting demand in the second half of 2020 and beyond.

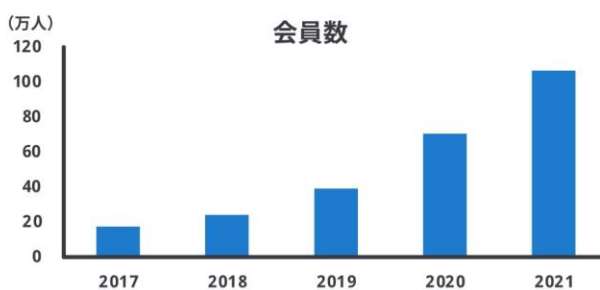
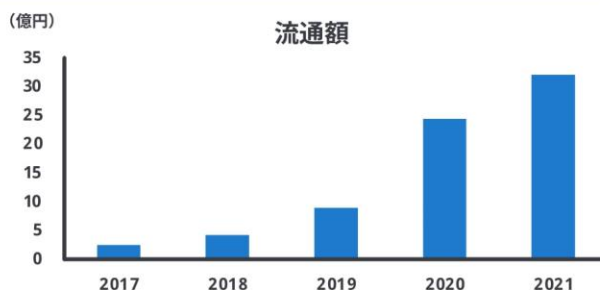
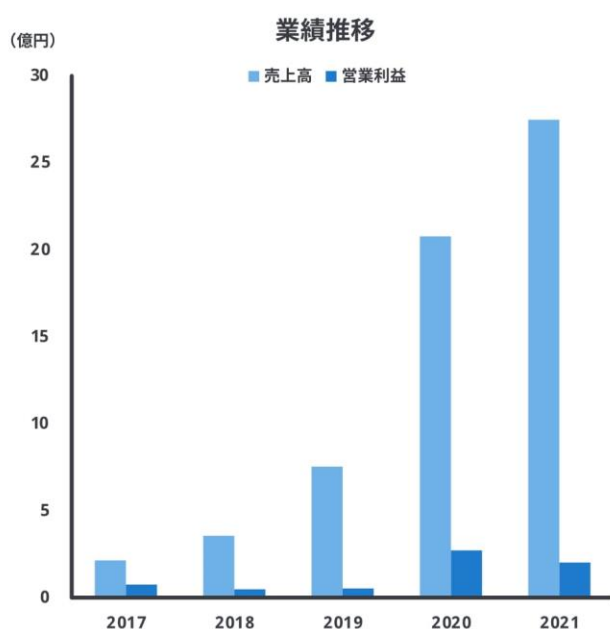
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累計期間	売上高：	2,747百万円	(前期比 132.2%)
	営業利益：	200百万円	(前期比 73.8%)



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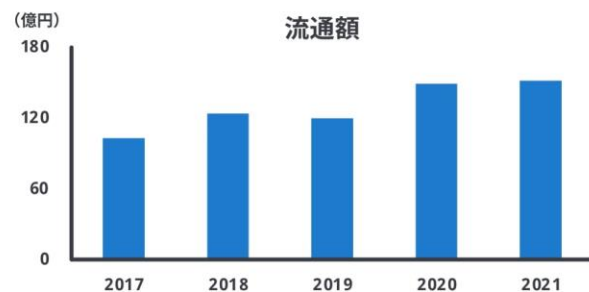
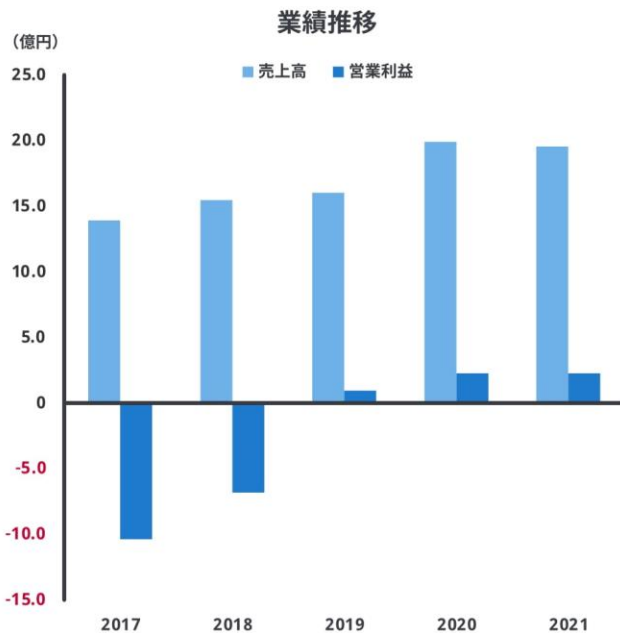
Next, there is SUZURI, a service for creating and selling original goods. Thanks to measures such as the introduction of new items and the extension of the T-shirt sale period, the number of members surpassed one million, and the distribution amount reached JPY3,200 million, up 32.2% YoY. On the other hand, expenses increased due to promotions and the strengthening of our personnel structure, resulting in a decrease in profit compared to the previous fiscal year.

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累計期間	売上高：	1,952百万円	(前期比 98.1%)
	営業利益：	225百万円	(前期比 99.4%)



※商品の配送料、キャンセル分は除く発送済の作品価格  
(オプション価格含む)の合計(税抜)

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Next is the handmade business.

As for the handmade market, minne, net sales were JPY1,952 million, 98.1% of the prior year, and operating income was JPY225 million, 99.4% of the prior year. The unit price per order increased due to an increase in purchase amounts from coupon distribution and other factors, as well as growth in high-unit price categories such as furniture, household goods, aroma candles, and artwork.

In addition, we implemented measures such as strengthening the search function for works and reinforcing the flow of traffic to the Web, which resulted in a YoY increase in the distribution amount. However, the increased use of credit cards for which we do not charge a settlement fee resulted in a decrease in commission sales, and both sales and profits were lower than the previous year.

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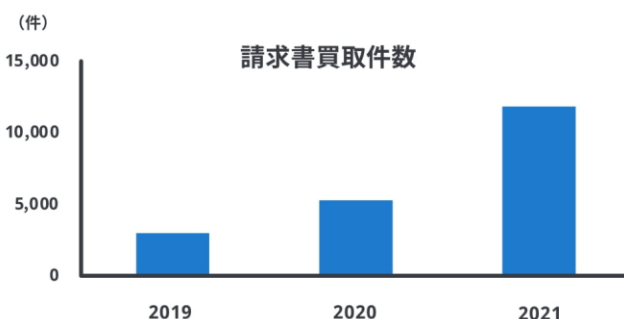
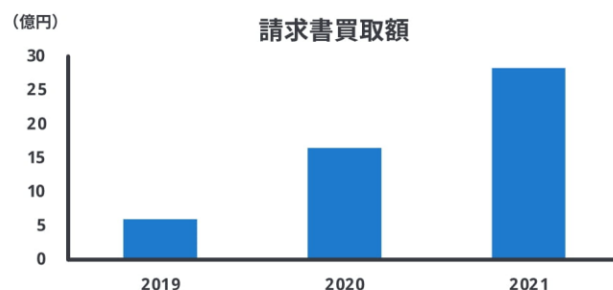
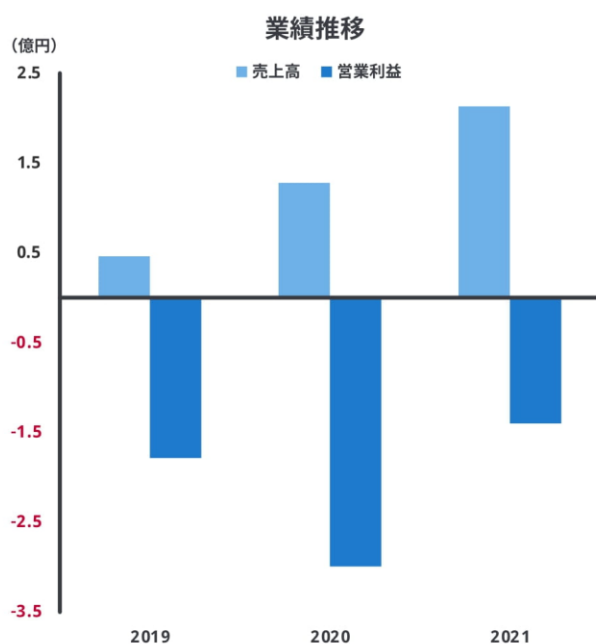
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累計期間

売上高： **212**百万円 (前期比 **166.5%**)  
 営業利益：  $\triangle$  **139**百万円 (前期比 **159**百万円増)



19

Next is the financial support business. FREENANCE is included in the financial support business. Net sales increased to JPY2,120 million, up 66.5% YoY. Operating income was minus JPY139 million, an improvement of JPY159 million YoY. As a result of strengthening API collaboration with companies that have strong relationships with freelancers ~~FREENANCE~~ and OEM provision, invoice purchase amount increased by 71.4% YoY to JPY2,800 million.

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## 通期の業績予想

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(百万円)	収益認識基準適用前				適用後	
	2021年 通期実績 ①	2022年 通期予想 ②	増減額 ②-①	(%) 前期比 ②/①	2022年 通期予想 ③	影響額 ③-②
売上高	11,879	13,674	+1,794	115.1	11,482	△2,192
営業利益	888	1,135	+246	127.7	1,143	+8
経常利益	968	1,148	+179	118.6	1,156	+8
親会社株主に 帰属する 当期純利益	715	779	+63	108.9	785	+5
EPS (円)	135.22	—	—	—	147.92	—
1株当たり 配当額 (円)	68.00	—	—	—	74.00	—
配当性向 (%)	50.3	—	—	—	50.0	—

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I will now explain our full-year earnings forecast for the fiscal year ending December 31, 2022.

First, as an assumption, the new revenue recognition standards will be applied from the fiscal year ending December 31, 2022. For our company, sales will be particularly affected, so we will use the figures before the application to explain the comparison with 2021. For the full year of 2022, sales are expected to be JPY13,674 million, 115.1% of the previous year's level.

Operating income is expected to increase 27.7% YoY to JPY1,135 million. We also plan to increase both ordinary income and net income to JPY1,148 million and JPY779 million, respectively. Regarding dividends, we disclosed the dividend revision at the same time as today's announcement of financial results. In 2022, there will be no change in our dividend policy, and we intend to maintain a dividend payout ratio of 50% or more.

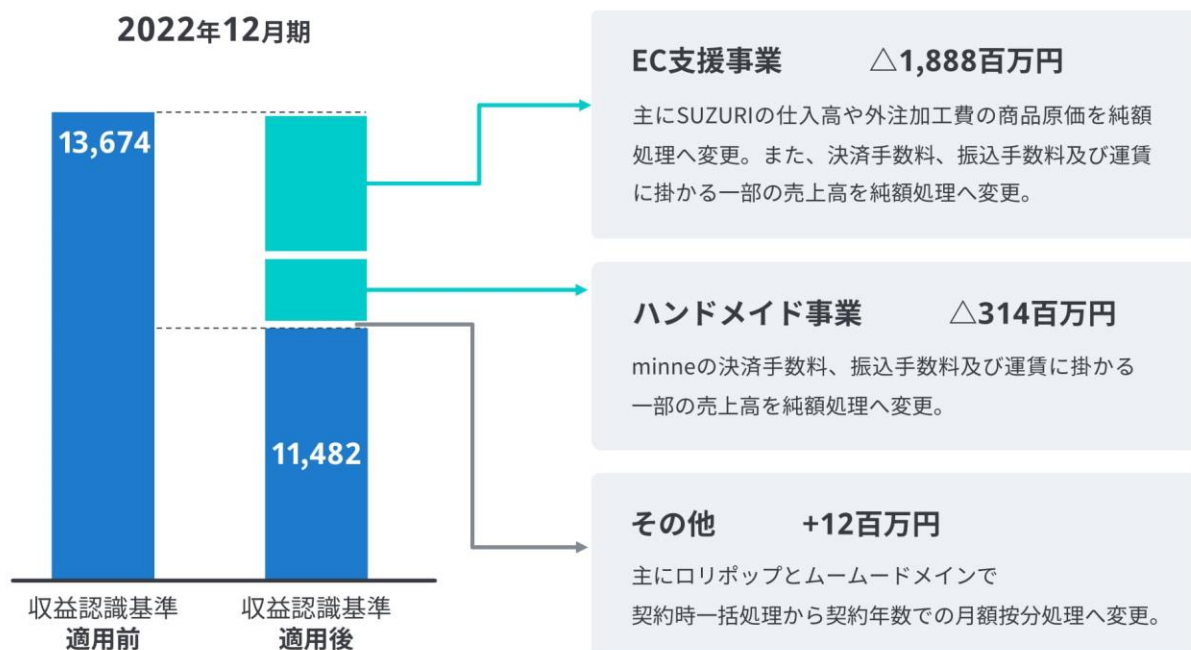
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収益認識基準の適用により、EC支援事業 約18億円、ハンドメイド事業 約3億円の売上高に対するインパクトが発生



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Next, I will explain the figures after the application of the new revenue recognition standards. Here is a diagram showing the effect before and after the application. For our company, the largest impact of the new revenue recognition standard will be on net sales, which will have an overall negative impact of JPY2,192 million after the adoption.

The largest impact will be on the EC support business, which will be negatively impacted by JPY1,888 million. This is mainly due to the net treatment of subcontract processing costs and cost of goods purchased at SUZURI. As for the handmade business, the net effect of JPY314 million is due to the netting of a portion of sales related to minne settlement fees, transfer fees, and freight charges.

In addition, Lollipop! and MuuMuu Domain have changed from lump-sum processing at the time of contract to monthly prorated processing based on the number of years of contract, but there are no major changes here.

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## 通期の業績予想(セグメント別)

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(百万円)	収益認識基準適用前				適用後	
	2021年 通期実績 ①	2022年 通期予想 ②	増減額 ②-①	(%) 前期比 ②/①	2022年 通期予想 ③	影響額 ③-②
<b>【売上高】</b>						
ホスティング	4,807	5,045	+237	104.9	5,059	+14
EC支援	4,874	5,715	+841	117.3	3,826	△1,888
ハンドメイド	1,952	2,356	+403	120.7	2,041	△314
金融支援	212	552	+339	259.4	549	△2
<b>【営業利益】</b>						
ホスティング	1,474	1,553	+78	105.3	1,561	+8
EC支援	1,117	1,390	+272	124.4	1,390	0
ハンドメイド	225	262	+37	116.5	262	0
金融支援	△139	4	+144	—	4	0

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The next is the plan by segment. As you can see, both sales and profits are expected to increase in each segment compared to the previous fiscal year.

In the financial support business, as I will explain later, we plan to return to profitability in FY2022.

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## 2022年12月期の主な施策(セグメント別)

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目標KPI

ホスティング	ロリポップ	<ul style="list-style-type: none"> <li>ドメイン&amp;サーバー同時利用促進による契約件数の拡大</li> <li>上位プランの契約獲得拡大による顧客単価の上昇</li> <li>サーバー機能の拡充(WordPressパッケージ提供、オプション強化)</li> </ul>	契約件数 43万件以上
	ムームー ドメイン	<ul style="list-style-type: none"> <li>販売キャンペーン実施による新規契約の獲得</li> <li>セカンダリ(中古ドメイン)の販売強化</li> </ul>	契約ドメイン数 117万件以上
EC支援	カラーミー ショップ	<ul style="list-style-type: none"> <li>地方連携や食品等のカテゴリ強化による流通額拡大</li> <li>高負荷時の稼働を維持するためのシステム改修と価格改定(1/20公表)</li> <li>GMOインターネットグループのシナジー活用や決済プランの変更提案</li> </ul>	GMV前年比 +11%以上増
	SUZURI	<ul style="list-style-type: none"> <li>ID決済の導入やYouTube連携による購入率の向上</li> <li>年間6アイテムの追加提供によるクリエイター誘致</li> <li>海外展開のスタートとプロモーション等の実施</li> </ul>	GMV前年比 +27%以上増
ハンドメイド	minne	<ul style="list-style-type: none"> <li>成長カテゴリの販促強化や動画コンテンツ等の拡充</li> <li>既存カテゴリ以外の新領域の開拓</li> <li>検索機能やレコメンド機能の改善</li> </ul>	GMV前年比 +14%以上増

※金融支援事業は次ページ以降に記載

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Here are the main measures for each segment. In 2022, we will continue to implement each of these measures to increase the number of contracts and expand the distribution amount.

In the hosting business, we will promote the simultaneous contracting of servers and domains in order to strengthen earnings.

For COLOR ME Shop, we will continue to strengthen the food category, where we currently have a strong presence, as well as develop infrastructure and enhance functions in order to capture the top-tier customers with large monthly sales. In addition, as service maintenance costs are rising due to overall GMV and traffic growth, we will revise prices to optimize pricing and service quality.

To get many creators and increase the purchase rate of visitors to the site, SUZURI will add new items and strengthen cooperation with 17LIVE and YouTube.

In the handmade business, minne will not only strengthen its current strong categories, but also expand its scope into new areas by improving functions and strengthening sales promotion activities, as well as developing areas with high affinity, such as antiques and vintage, for example.

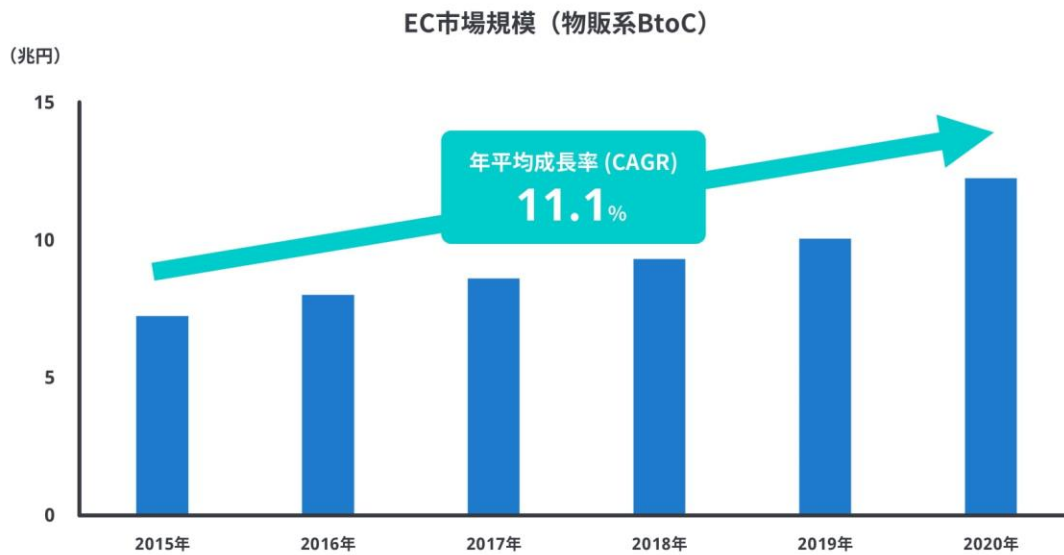
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物販系BtoC向けEC市場は2015年～2020年の年平均成長率（CAGR）11.1%で推移  
巣ごもり需要の一服の影響はあったものの、成長は継続



出典：経済産業省「令和元年度内外一体の経済成長戦略構築にかかる国際経済調査事業（電子商取引に関する市場調査）」

25

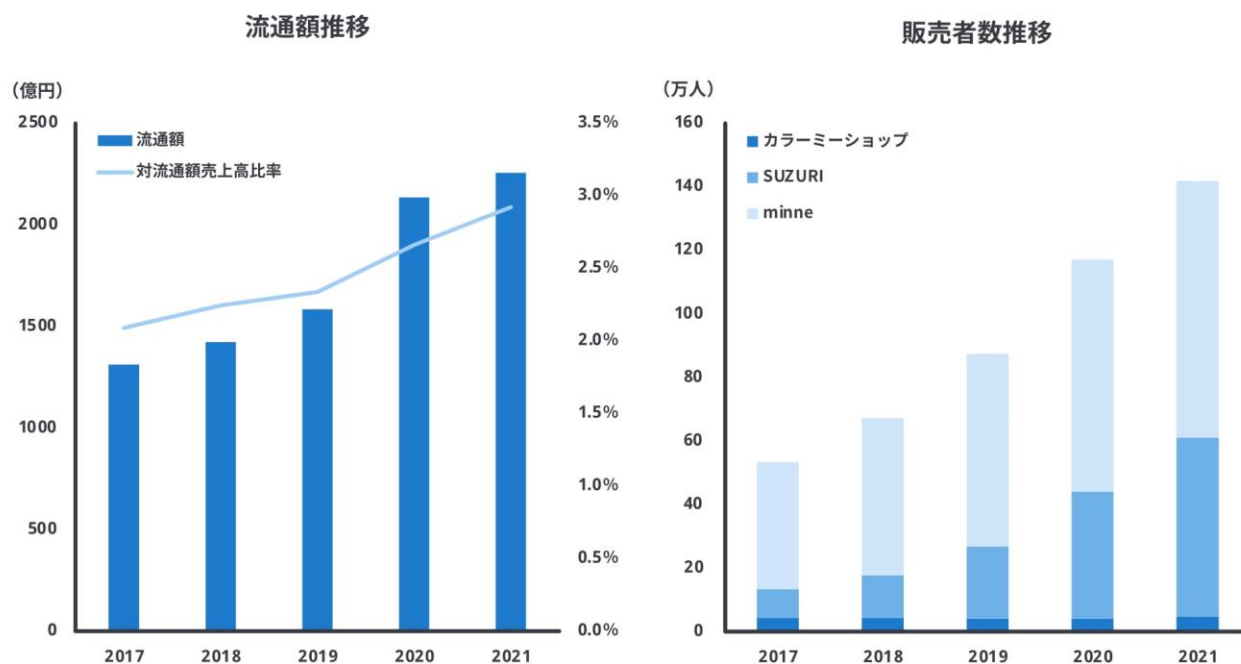
Here is a graph showing the average annual growth rate of the BtoC EC market for product sales. From 2015 to 2020, the market has been continuing to grow at a double-digit rate of 11.1%, and in 2021, although there has been a lull in nesting demand, the market will probably be slightly lower than in 2019 to 2020, but we expect the market to continue to grow.

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EC関連サービス（カラーミーショップ、SUZURI、minne）における年間の流通額（GMV）は前期比+5.6%と成長を維持、販売者数も140万人を突破



26

This is the trend of the distribution amount and the number of sellers of EC-related services, which is the total of our three services, COLOR ME Shop, SUZURI, and minne. Although the distribution value grew significantly in 2020 due to the impact of nesting demand, we will continue to grow in 2022 with a plan of a 5.6% increase compared to the previous year.

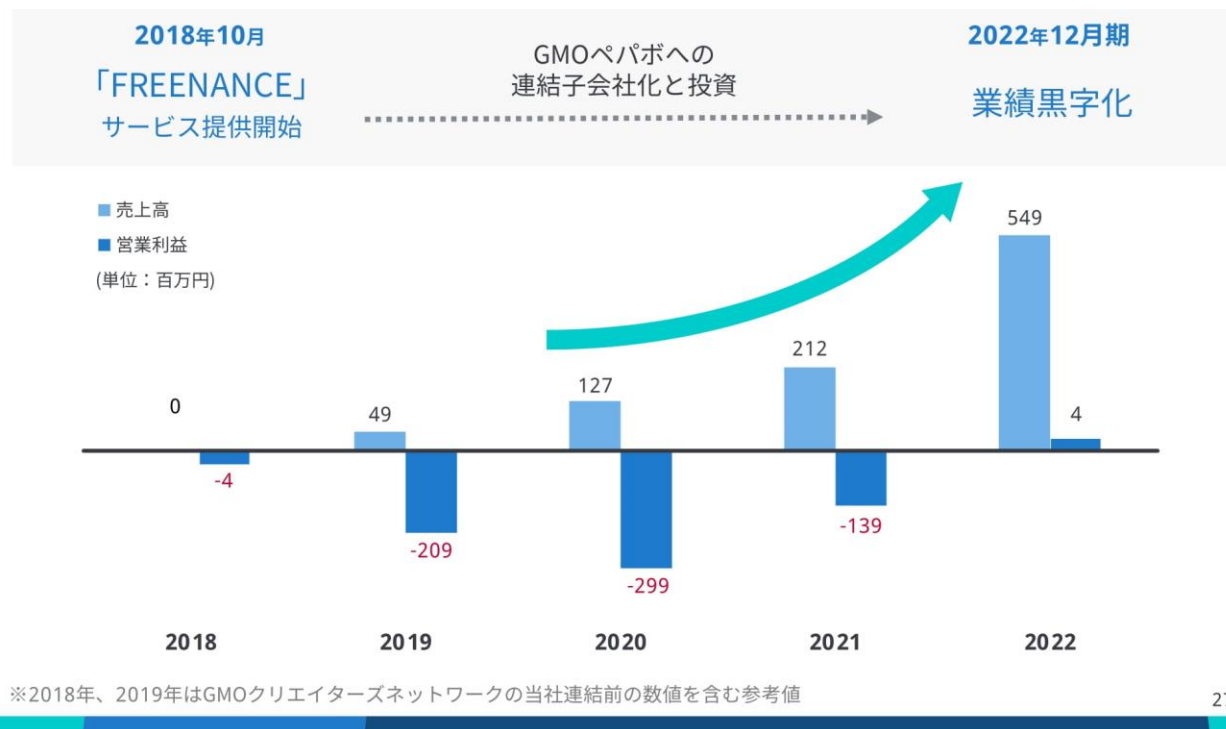
As for EC-related services, we will continue to focus on each service in 2022 as the market is expected to grow in the next fiscal year and beyond.

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2022年12月期は金融支援事業のセグメントで黒字化を計画  
中長期でのさらなる収益力強化に取り組む



27

These are the topics for 2022. FREENANCE from the financial support business which has been providing services since 2018, aims to become profitable as a standalone business in 2022.

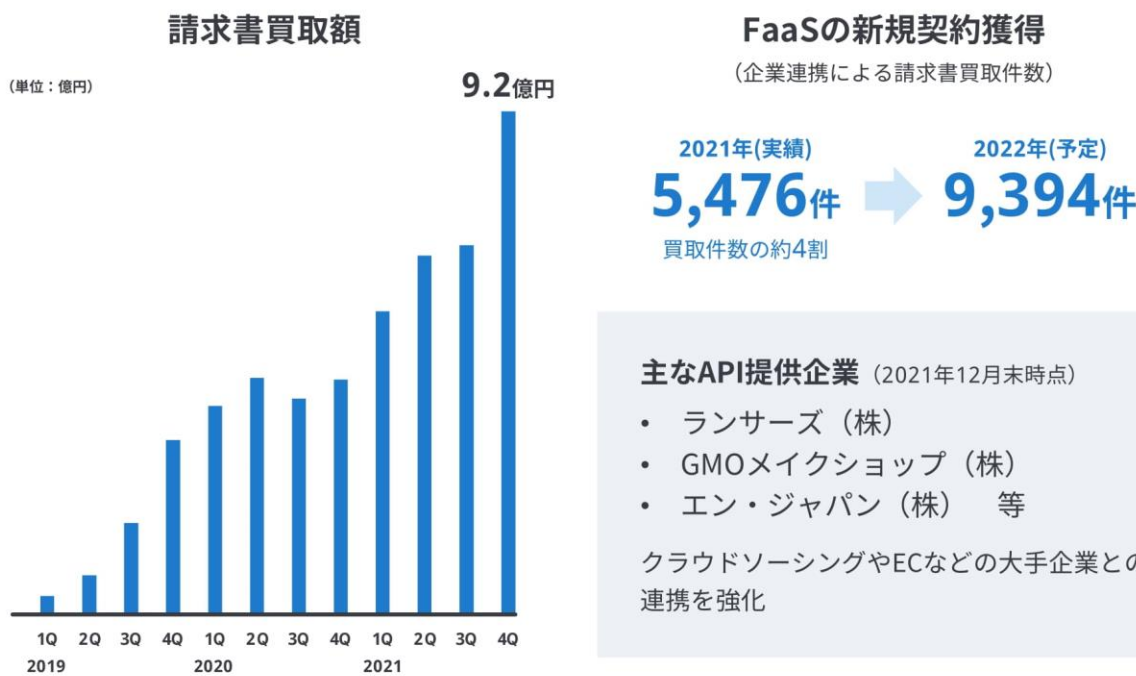
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## 2022年12月期はFaaSの新規契約獲得等の施策実施による請求書買取金額の拡大を目指す



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Net sales are planned to be JPY549 million, exceeding 250% of the previous year's level, by further increasing the amount of invoice purchases. In addition, we will aim to return to profitability in operating income by keeping the bad debt ratio at a low level. As for moves to expand the amount of invoice purchases, we will continue to acquire new contracts through FaaS.

We are also considering the release of a new plan that will allow for a wider range of usage, which will be announced soon. So far, we have been working with companies such as Lancers, GMO MakeShop, and en Japan on API integration, and we will continue to increase the number of contracts and expand the number of invoices purchased by working with companies that have strong relationships with [freelancersFREENANCE](#).

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ホスティング事業・EC支援事業の事業成長

事業成長・収益化

ハンドメイド事業：minneへの継続的な投資

投資

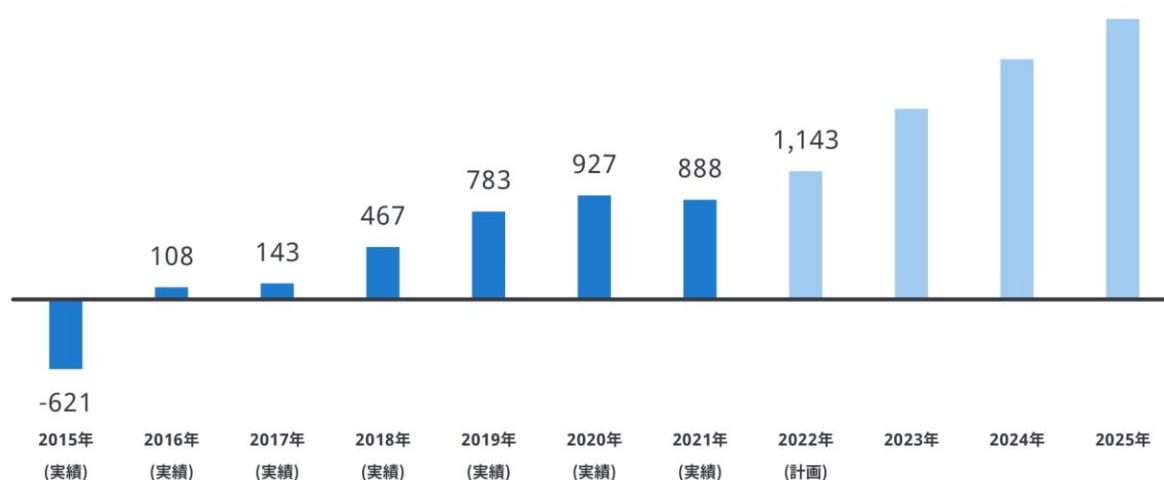
事業成長・収益化

金融支援事業: FREENANCEへの継続的な投資

投資

事業成長・収益化

2025年  
営業利益目標  
**25億円**



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I would now like to explain our medium- to long-term goals and direction, which was reported in last year's main financial results. As for medium- to long-term goals, there is no change in the operating income target of JPY2,500 million for 2025 that we set last year. So far, we have continuously invested in the handmade marketplace minne since 2016 and achieved profitability in 2019.

Regarding FREENANCE, which I mentioned earlier, we were in the investment phase from the consolidation of the Company in 2019 until last year, but we are planning to turn it profitable this fiscal year, and we hope to achieve further profitability.

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ホスティング事業

ロリポップ

ムームードメイン

EC支援事業

カラーミーショップ

SUZURI

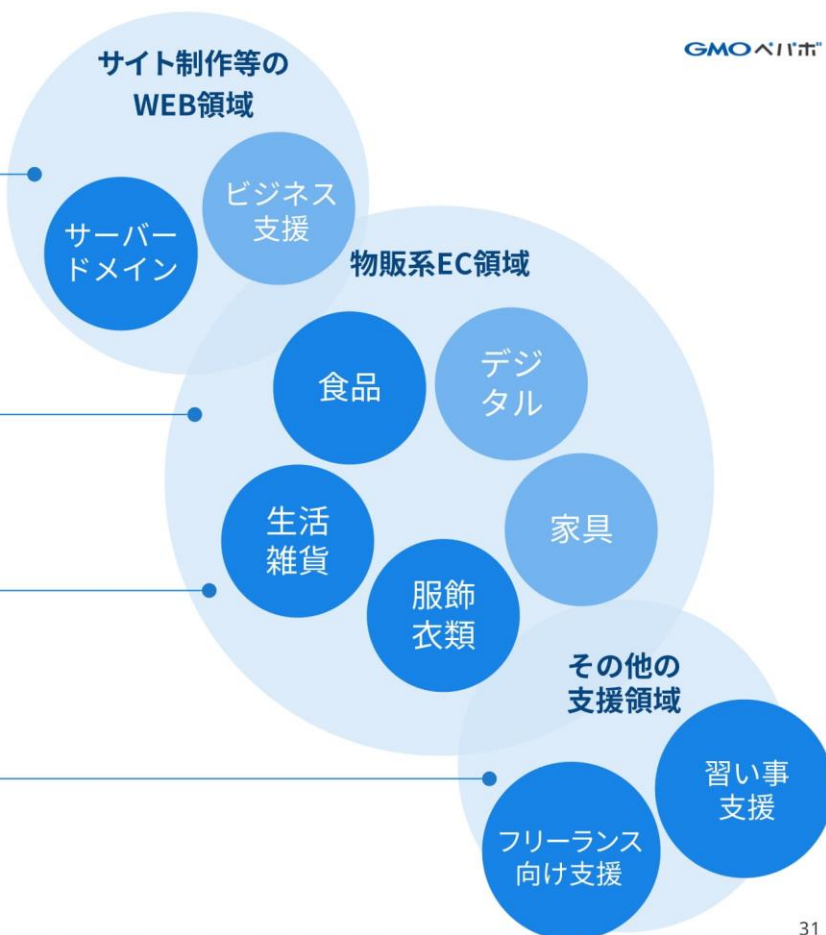
ハンドメイド事業

minne

金融支援事業／新規事業

FREENANCE

その他新規事業



31

As you can see, this chart shows our business segments and market recognition. In the hosting business above, we would like to expand our economic domain to include Web-related targets such as servers and domains, and in the EC support business and handmade business in the middle, we would like to broaden our scope to include new categories and digital domains in addition to the EC domain of product sales that I mentioned earlier.

We will also take on the challenge of developing new areas of support, such as FREENANCE, which provides support for freelancers, and Renshu, which is a new business that we are currently releasing a test version of.

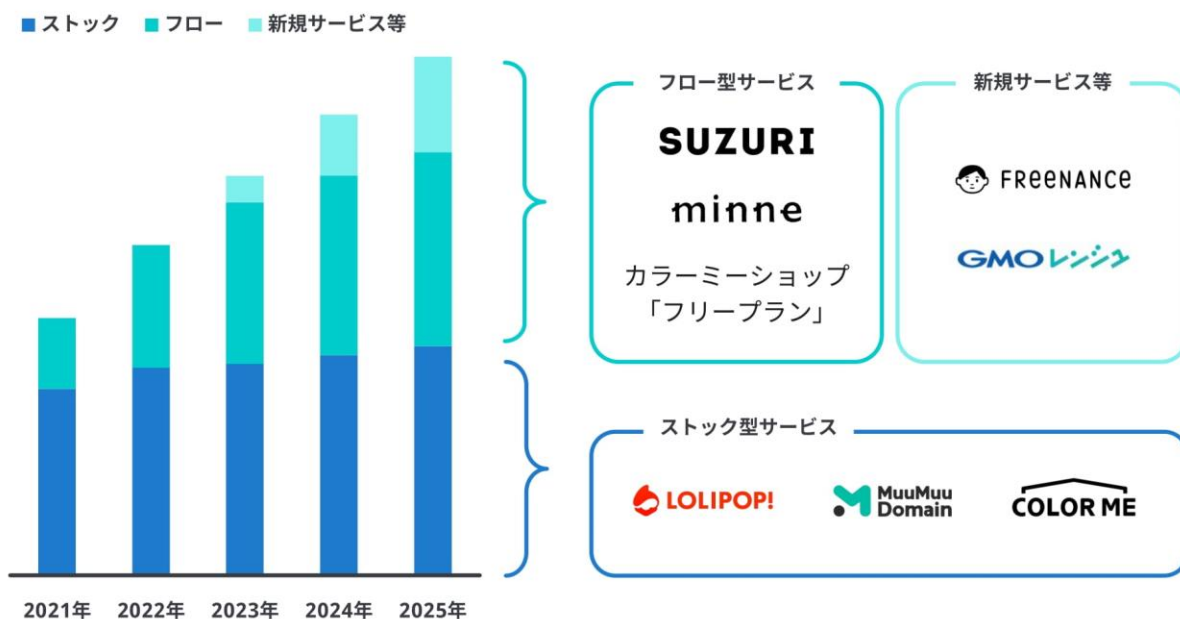
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ストック型サービスの安定的かつ順調な成長に加え、新規サービスを含むフロー型サービス等の成長事業の収益力拡大を図る



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Here is the image of achieving profit in the medium- to long-term. In addition to stable earnings from stock-type services, we aim to further expand GMB through flow-type services such as SUZURI and minne. In addition, from 2023, we aim to expand earnings through further growth of FREENANCE, which is scheduled to turn profitable this fiscal year, and development of new businesses, etc.

We will continue to update information on our medium- and long-term initiatives toward 2025 at future financial results briefings.

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継続的なブランド力の維持と企業価値向上を図るため  
事業成長だけでなく、経営課題解決に向けた各種取り組みを実施

優秀な人財の確保



「給与No.1プログラム」  
の推進

リモートワークの推進や業務効率化で生産性の向上を図り、そこから生まれた利益を、より専門性の高い人財や大手・官僚水準の人財確保に投資することで、事業戦略のレベルを上げるための環境構築を進める

事業成長や将来に向けた  
技術研究開発



研究開発組織  
「ペパボ研究所」

minne、SUZURI等のEC系サービスへの機械学習・自然言語処理技術の導入を本格化し、購買率の向上による流通額の増加を狙う

ESG/SDGsへの  
取り組み強化



サステナビリティ  
「重要課題」への対応

ガバナンスコード改定の対応、ESG開示の充実、投資家向けのデータ集、ホームページ改定、英語版資料の充実によるエンゲージメント強化を実施する

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事業成長だけでなく、経営課題解決に向けた各種取り組みを実施

優秀な人財の確保	事業成長や将来に向けた 技術研究開発	ESG/SDGsへの 取り組み強化
 <p><b>「給与No.1プロジェクト」 の推進</b></p> <p>リモートワークの推進や業務効率化で生産性の向上を図り、そこから生まれた利益を、より専門性の高い人財や大手・官僚水準の人財確保に投資することで、事業戦略のレベルを上げるための環境構築を進める</p>	 <p><b>研究開発組織 「ペパボ研究所」</b></p> <p>minne、SUZURI等のEC系サービスへの機械学習・自然言語処理技術の導入を本格化し、購買率の向上による流通額の増加を狙う</p>	 <p><b>サステナビリティ 「重要課題」への対応</b></p> <p>ガバナンスコード改定の対応、ESG開示の充実、投資家向けのデータ集、ホームページ改定、英語版資料の充実によるエンゲージメント強化を実施する</p>

33

Lastly, I would like to introduce our company-wide initiatives for this fiscal year.

The first is to secure excellent human resources. This is also connected to our efforts in the GMO Internet Group, where we launched the number one salary project program in December 2021. We will build an environment to raise the level of our business strategy by improving productivity through the promotion of remote work and business efficiency, and investing the profits generated from these efforts in securing more specialized human resources and those at the level of major companies and bureaucrats.

The second is Pepabo R&D Institute. Pepabo R&D Institute is conducting technological research and development for business growth and the future. In the next fiscal year, we hope to further scale our flow-type business by utilizing machine learning and natural language processing technologies to improve purchase rates and other aspects of our business.

The third is to strengthen ESG initiatives. We have recently disclosed our key sustainability issues and prime market announcements. In order to further increase engagement with our stakeholders, we will continue to strengthen our data disclosure and support English versions.

Last but not least, we will continue to aim for continuous business growth by expanding earnings from stock businesses and investing in EC-related services, FREENANCE, and new businesses that will continue to grow in the market.

Thank you.

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## Question & Answer

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**Moderator [M]:** We will now move on to the question-and-answer session.

We now have a question from Mr. Tokunaga of Daiwa Securities Co. Ltd. Please begin.

**Tokunaga [Q]:** This is Tokunaga from Daiwa Securities. I have two questions. First, I think there was some good news this quarter, as minne's QoQ and YoY increased for the first time in a while.

Since your competitors are also trending in this way, perhaps this is a market factor. Please tell us about this factor and the quarter forecast for this fiscal year for minne.

**Moderator [M]:** Thank you for your question. President, please.

**Sato [A]:** Thank you for your question. In terms of minne, although the business had been on an upward trend in 2020, the special demand from nesting has settled down, and although we were struggling quite a bit in the previous fiscal year, we were able to grow as a result of several measures that were well tuned. Also, since the EC market itself is probably growing in general, I think there are parts that are growing organically, so in those areas, the organic part of the environment and the results of some of our measures have worked well. As a result, our distribution has been increasing.

In the current fiscal year, we have started new initiatives such as the addition of new categories and the development of new genres, and we are also continuing to see the effects of the measures we have been taking on. I think that we have developed the soil to be able to meet the plan for this fiscal year.

**Tokunaga [Q]:** Thank you very much. This is a follow-up, but on the other hand, looking at the current fourth quarter alone, it appears from the outside that the organic growth rate of the EC market of 11% has not been reached for EC-related services as a whole. If that's the case, I think you're aiming for the timing to gradually recover to 11% YoY somewhere between the first and fourth quarter of this fiscal year. I don't know if it's the EC market or your EC-related services, but where should we expect to see a significant 11% growth in the next quarter?

**Sato [A]:** Based on the growth of the EC market up to now, the growth from 2019 to 2020 was assumed to be quite large, as the growth from the previous 10% to more than 20%, but looking at the YoY growth for 2021, the growth has been sluggish. I think this is true not only for us, but also for BtoC and EC in general.

When we look at 2021 versus 2022, we see that although growth is overall, it will be solid compared to 2020 versus 2021. For the most recent period, if you look at the first quarter of 2020 versus the first quarter of 2020, and if the trend here is for solid growth, we believe that this trend will continue in the future. I hope I gave you a satisfying answer.

**Tokunaga [Q]:** Thank you very much. I understand very well.

As for the second question, although it is something small, as you said, the impact of the accounting will mainly be felt in SUZURI of the EC support business, SUZURI, but I think the EC support business has quite a large impact. Is it correct to assume that there is almost no impact on COLOR ME, and that the impact is almost exclusively on SUZURI?

Also, if there is anything in particular that will emerge in this quarter, or any other quarter regarding accounting impact, please let us know.

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**Sato[A]:** Thank you for the question. If you go back a little bit, the graph shows the impact of the accounting standards, and the biggest impact is on SUZURI. For SUZURI, each time we make an item, we go through the purchasing process once, so the biggest impact is the loss of the part of sales that we used to put on top of it.

As for COLOR ME, there is no significant impact on it. The other part that will be affected is the SUZURI and minne part of the EC. If Mr. Igashima has anything to add, please go on.

**Igashima [A]:** As President Sato just mentioned, SUZURI has been greatly affected. As for COLOR ME, there was no impact. If we compare our sales to the previous year, there was a sale in June for SUZURI, which generated quite a bit of volume, but sales in this area probably look a little smaller when compared to the previous year. That is all.

**Tokunaga [Q]:** Thank you very much. I understand very well.

The third and final point is the focus of this fiscal year's plan, or rather, the most important KPIs. Is it to turn around the financial related business, to increase the top line, or to make a solid profit? As for the mid-term target of JPY2,500 million, I think you are still in the investment phase this fiscal year, so I think the focus is more on sales, but what are your current management's thoughts on KPIs? That's all.

**Sato [A]:** Thank you. The first major KPI is GMV for minne and SUZURI. This will have a major impact on the top line, so the first major point is whether we can achieve this goal as planned.

The other part, regarding the stock business model, the number of contracts is multiplied by the number of customers per contract, so the major KPIs we will be looking at are whether the number of contracts will grow and whether the number of contracts will not decline while maintaining service quality.

**Tokunaga [Q]:** Thank you very much. If the target KPIs are difficult to achieve in the first half of the fiscal year, or if the growth rate is unexpectedly low, is it correct to say that you will consider strategic investments, such as advertising and human resource enhancement, even if operating income is slightly reduced? Or, since profits were down in the previous fiscal year, are you in a phase where you want to make a solid profit this fiscal year? Which of these would it be?

**Sato [A]:** In the previous fiscal year, on the assumption that GMV would grow, we didn't have time to raise the quality of our services significantly in 2020, so the quality of our services, support, and technical support were affected in 2021, which resulted in a slight decrease in profit. However, these effects have now run their course, so rather than increasing costs and increasing investment, our policy for this fiscal year is to continue as planned and achieve our profit plan.

**Tokunaga [M]:** I understand. Thank you very much. That's all.

**Sato [M]:** Thank you very much.

**Moderator [M]:** Thank you. Are there any other questions? There are still a few minutes left, but since there are no other questions, we will conclude the question-and-answer session.

This concludes the online financial results briefing for GMO Pepabo for the fiscal year ending December 31, 2021. Thank you very much for joining us today.

**Sato [M]:** Thank you very much.

**Igashima [M]:** Thank you.

[END]

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