



## **GMO Pepabo, Inc.**

Fiscal Year 2022 1st Quarter Results Presentation

May 9, 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 2022 1st Quarter Results Presentation	
[Fiscal Period]	FY2022 Q1	
[Date]	May 9, 2022	
[Number of Pages]	38	
[Time]	16:30 – 17:00 (Total: 30 minutes, Presentation: 18 minutes, Q&A: 12 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 joining the financial results briefing of GMO Pepabo, Inc. for the first quarter of the fiscal year ending December 31, 2022.


I would now like to introduce today's attendees. Kentaro Sato, Representative Director and CEO.

**Sato:** I'm Sato. Thank you for joining us today.

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

**Igashima:** Thanks.

**Moderator:** These two. Today, Sato will provide an overview of our financial results. Please.



**ホスティング事業が業績を牽引し  
前年同期比で増収 減益**

2Q以降のフロー収益と金融支援事業の収益による事業成長を目指す

- ホスティング事業(ロリポップ!)が堅調に推移
- ハンドメイド事業(minne)の四半期流通額が過去最高に
- SUZURIの流通額が想定を下回る
- 金融支援事業(FREENANCE)の請求書買取額が大幅に拡大
- インフラやプロモーション強化に伴う費用が増加

1

**Sato:** Hello, everyone. I am Sato, the President. 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 first quarter of the fiscal year ending December 31, 2022.

In the first quarter of the fiscal year ending December 31, 2022, both sales and profits increased YoY. The hosting and financial support businesses got off to a good start.

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From the second quarter onward, we plan to strengthen promotions such as TV commercials for SUZURI, an e-commerce related service, with the aim of increasing distribution value by attracting visitors to the site.



## AGENDA

- 2022年12月期1Q 決算概況 3 ページ
- 2022年12月期1Qの進捗と今後の施策 25 ページ

GMOペパホ



Here is the agenda for this meeting.

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 look through them when you have time.

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新収益適用後の売上高は前年同期比 103.6%、営業利益は前年同期比 98.0%  
 経常利益では営業外収益(投資益等)が増加し前年同期比103.9%となったものの、  
 純利益は前期の事業譲渡益が剥落し前年同期比 94.1%

(百万円)	適用前	新収益 適用後		増減額	前年同期比
	2021年12月期 (1Q)	2021年12月期 (1Q)※	2022年12月期 (1Q)		
売上高	2,911	2,446	2,535	+ 88	103.6%
営業利益	234	230	225	△4	98.0%
営業利益率 (%)	8.1	9.4	8.9	—	—
経常利益	233	228	237	+ 9	103.9%
親会社株主に帰属する 四半期純利益	185	180	170	△ 10	94.1%

※「収益認識に関する会計基準」(企業会計基準第29号 2020年3月31日)等を第1四半期連結会計期間の期首から適用しており、2021年12月期に係る各数値については、当該会計基準等を選り適用した後の未監査の数値となっております。

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First, here is a summary of the financial results for first quarter of the fiscal year ending December 31, 2022.

Consolidated results for the first quarter are as shown.

The new revenue recognition standard has been applied from this fiscal year. Since the impact on sales is particularly large before and after the application, I will explain the figures for the previous year by replacing them with the new revenue criteria for the current year. The previous year's figures after application of the new revenue are unaudited.

Figures before the application of the new revenue recognition standard are shown on the far left.

As for the first quarter of fiscal 2022, net sales were JPY2,535 million, or 103.6% of previous year's level. Operating income was JPY225 million, or 98% of previous year's level.

Ordinary income was 103.9% of the previous year's level due to an increase in non-operating income such as gain on investment partnership management.

Net income was 94.1% of the previous year's level due to the absence of a gain on the transfer of a business that occurred in the previous year.

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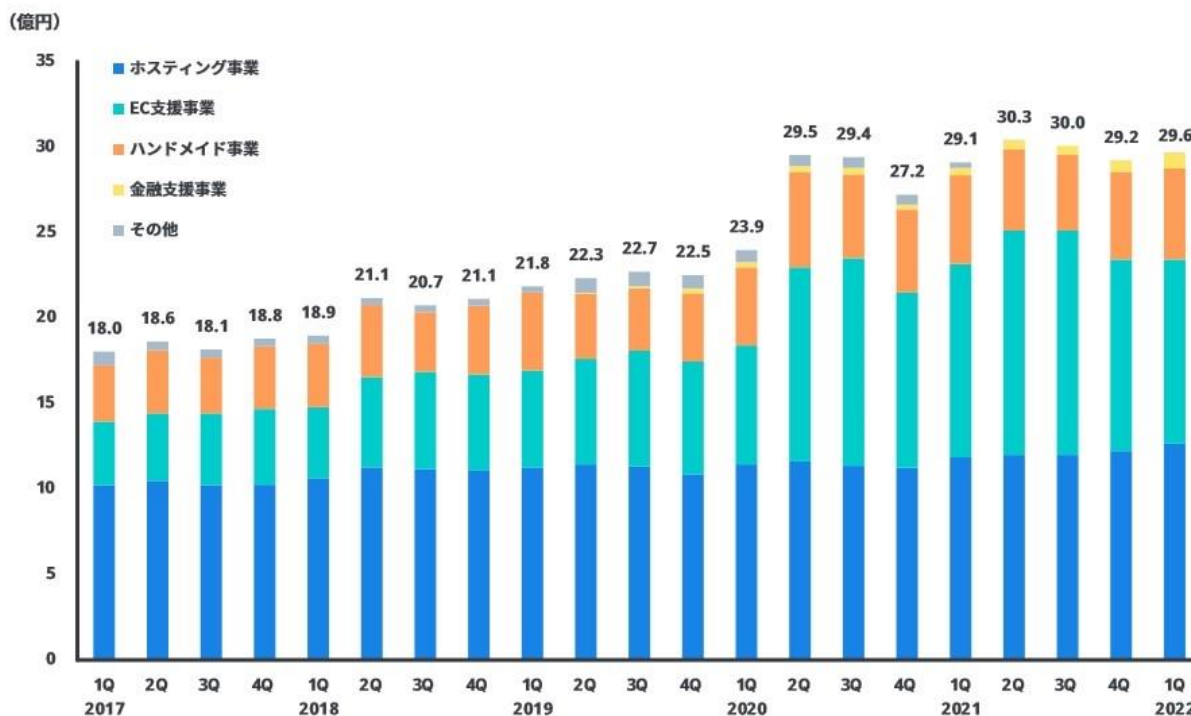
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## 四半期売上高推移 (収益認識基準等の適用前での比較)

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※売上高の長期推移については新収益適用前との比較が困難となることから、収益認識会計基準等の適用前での数値比較となります



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For quarterly sales trends, we have replaced the first quarter of 2022 with pre-application figures to facilitate understanding of long-term trends.

Sales for the first quarter totaled JPY2.96 billion, an increase compared to the fourth quarter of the previous year.

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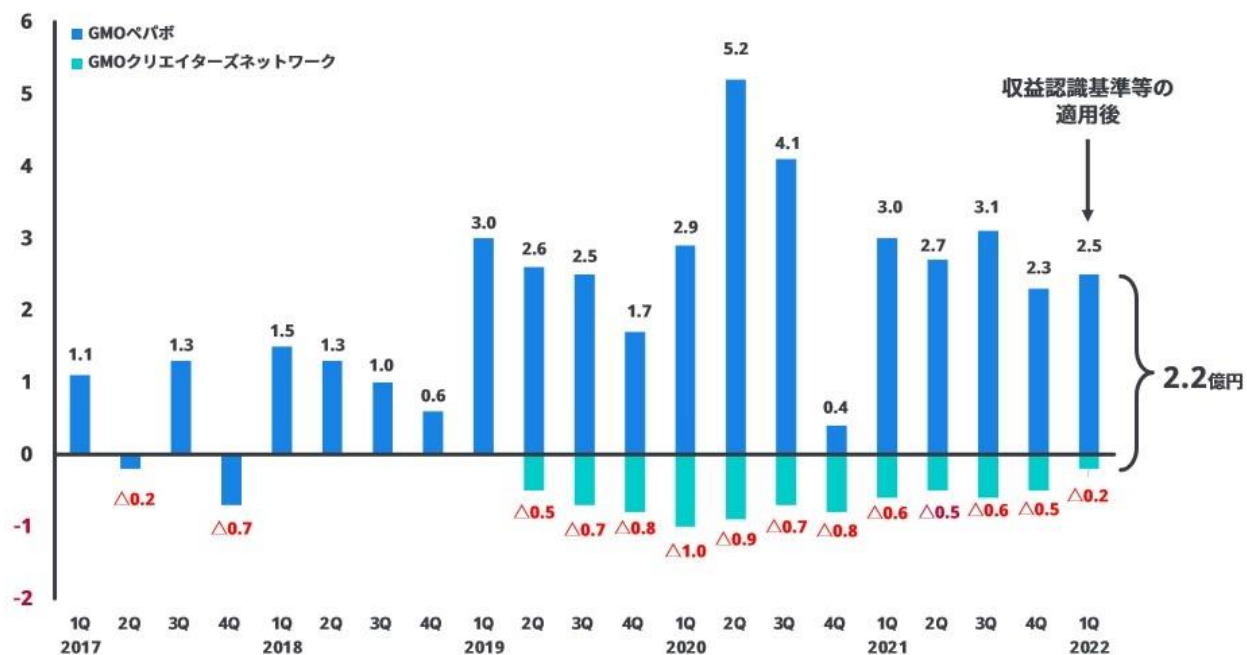
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## 四半期営業利益推移

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※営業利益の長期推移については影響が軽微であることから、2022年1Qより収益認識会計基準等の適用後の数値比較となります

(億円)



6

Quarterly operating income trends are presented under the new revenue standard from the first quarter of the fiscal year ending December 31, 2022, as the impact of the adoption of the new revenue standard is immaterial.

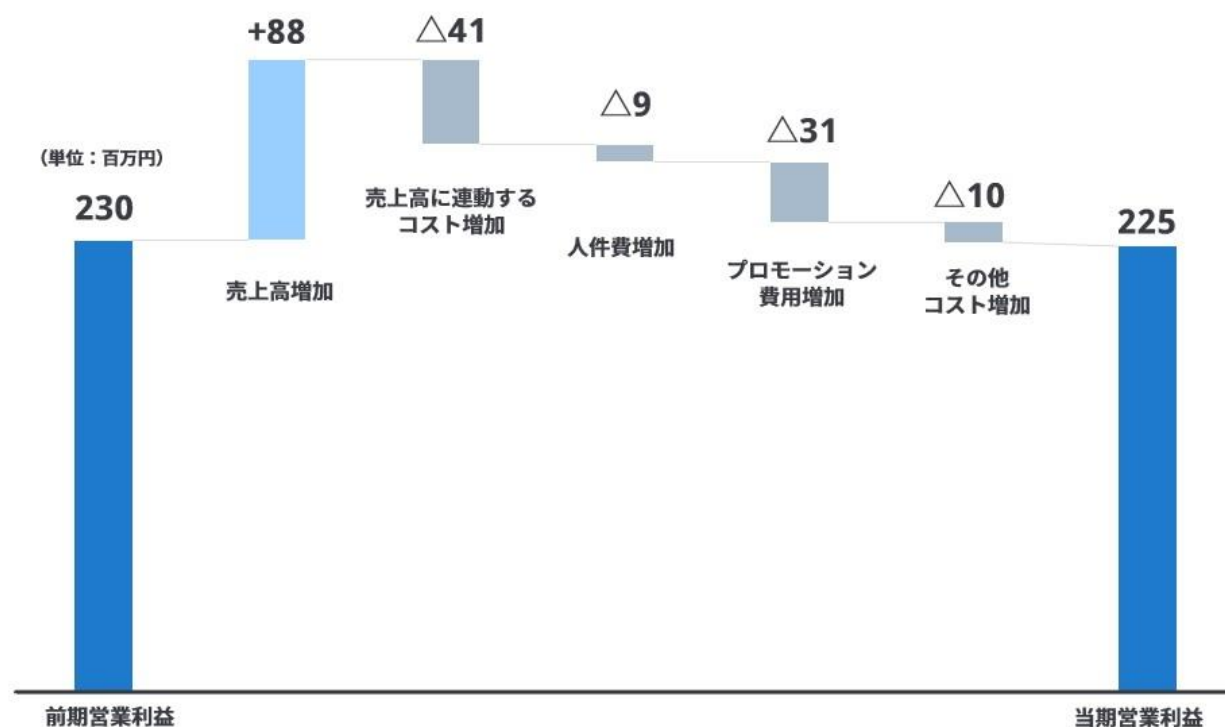
Operating income increased compared to the fourth quarter of the previous fiscal year.

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※「収益認識に関する会計基準」(企業会計基準第29号 2020年3月31日)等を第1四半期連結会計期間の期首から適用しており、2021年12月期に係る各数値については、当該会計基準等を遡って適用した後の未監査の数値となっております。

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This will be followed by an analysis of operating income.

Compared to the first quarter of the previous fiscal year, promotional expenses increased by about JPY30 million. Mainly, there was an increase in promotion expenses to expand distribution on minne.

In addition, costs increased mainly due to the enhancement of Color Me Shop's infrastructure to meet the growing demand for EC services.

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## 上位プランの契約比率増加や価格改定の効果により堅調に推移

ホスティング	売上高：	1,247百万円	（107.2%）
	営業利益：	413百万円	（122.9%）

## SUZURIが想定を下回る。需要拡大に伴う体制強化による費用が増加

EC支援	売上高：	735百万円	（96.1%）
	営業利益：	213百万円	（79.7%）

## 流通額が過去最高を更新。プロモーション等の費用が増加

ハンドメイド	売上高：	460百万円	（104.7%）
	営業利益：	49百万円	（57.3%）

## 請求書買取額が大幅に増加、営業利益が大幅に改善

金融支援	売上高：	90百万円	（204.2%）
	営業利益：	△4百万円	（41百万円増）

※（ ）内は前年同期比

※「収益認識に関する会計基準」（企業会計基準第29号 2020年3月31日）等を第1四半期連結会計期間の期首から適用しており、2021年12月期に係る各数値については、当該会計基準等を遡って適用した後の未監査の数値となっております。

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In the hosting business, the overall business remained strong due to an increase in the ratio of contracts for high-end plans and the price revisions made in the previous fiscal year.

In the EC support business, expenses increased mainly due to lower-than-expected distribution value for SUZURI and the strengthening of the system to cope with increased traffic on Color Me.

As for the handmade products business, quarterly distribution reached a record high, but promotion and other expenses increased.

As for the financial support business, the amount of invoice purchase increased, and operating income improved significantly from the previous year.

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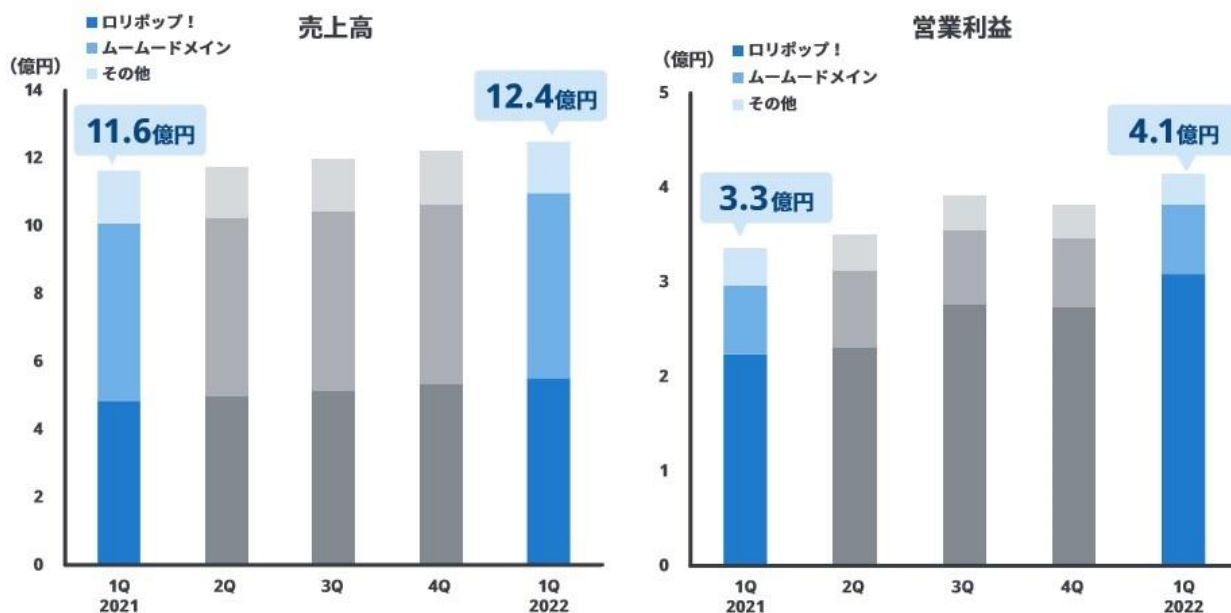
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累計期間

売上高： 1,247百万円 (前年同期比 107.2%)

営業利益： 413百万円 (前年同期比 122.9%)



※「収益認識に関する会計基準」(企業会計基準第29号 2020年3月31日)等を第1四半期連結会計期間の期首から適用しており、2021年12月期に係る各数値については、当該会計基準等を遡って適用した後の未監査の数値となっております。

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Now, I would like to explain each segment.

As for YoY comparisons by segment, we will continue to compare the previous year's figures using the new revenue standard.

First is the hosting business.

Net sales were JPY1,247 million, or 107.2% of previous year's level. Operating income was JPY413 million, 122.9% of previous year's level.

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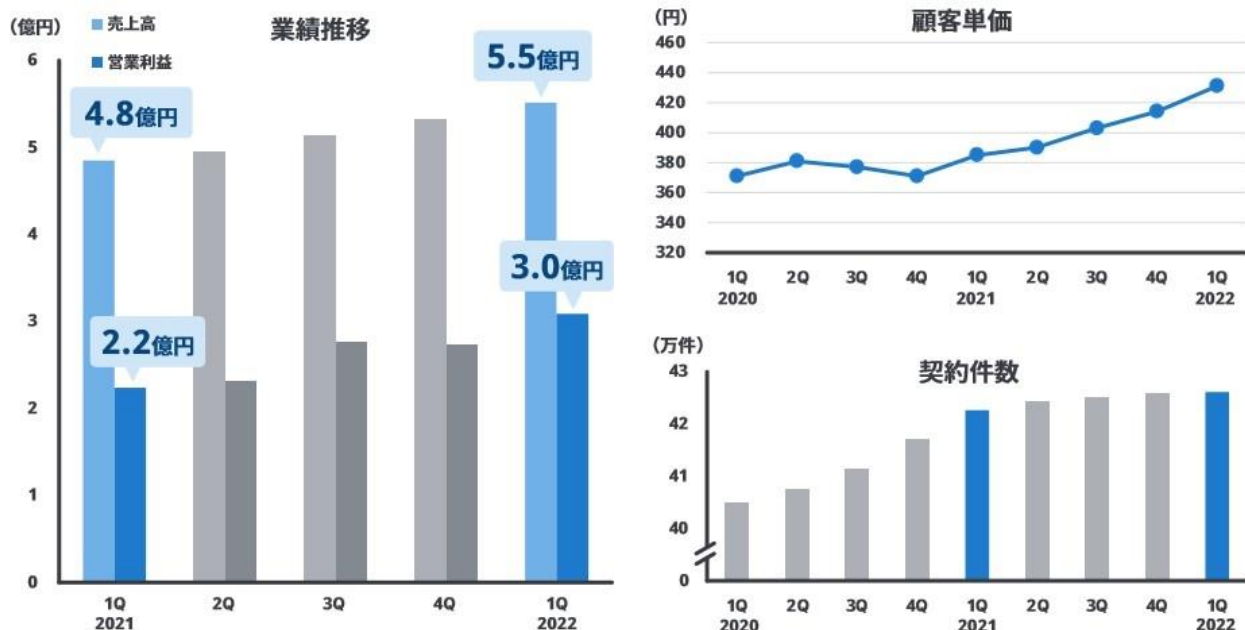
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累計期間

売上高：551百万円（前年同期比 113.8%）

営業利益：308百万円（前年同期比 137.8%）



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First is about the rental server service, Lolipop!.

Lolipop! posted sales of JPY551 million and operating income of JPY308 million.

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.

In addition, unit prices per customer continued to increase due to a higher ratio of higher-end plans and the effect of price revisions implemented in the previous fiscal year.

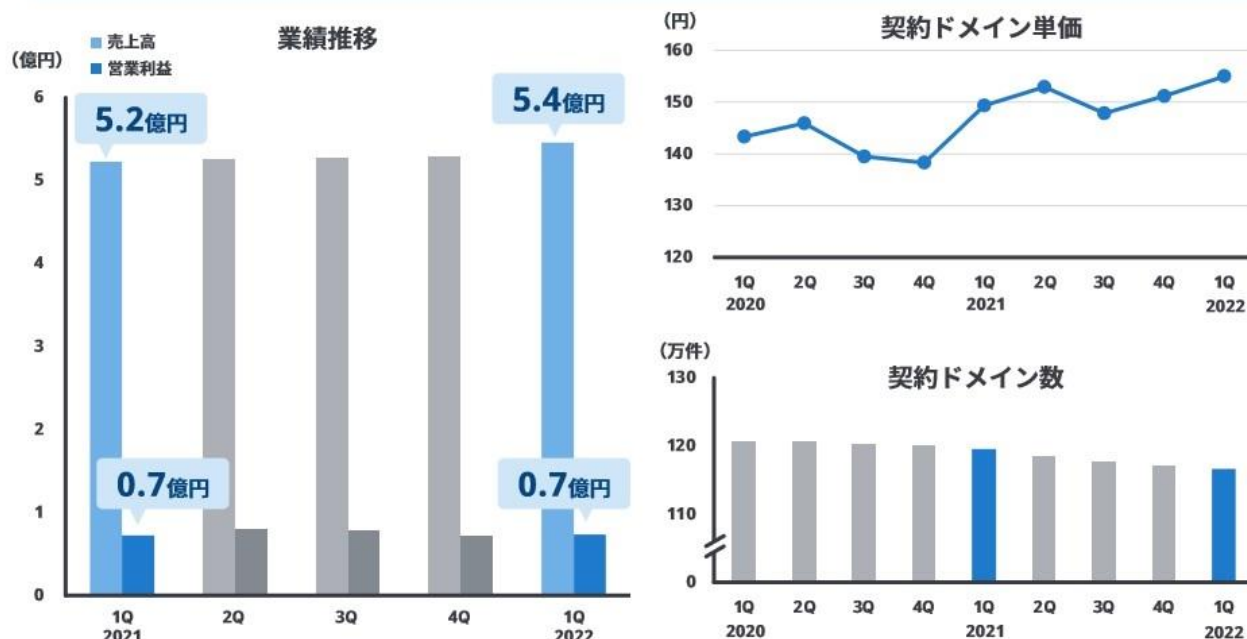
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累計期間 売上高： **544百万円（前年同期比 104.1%）**  
営業利益： **71百万円（前年同期比 99.3%）**



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Next is the domain acquisition service, MuuMuu Domain.

MuuMuu Domain posted sales of JPY544 million and operating income of JPY71 million.

Although the number of subscriptions continued to decline, the renewal rate of domain names remained high, resulting in an increase in the unit cost per customer.

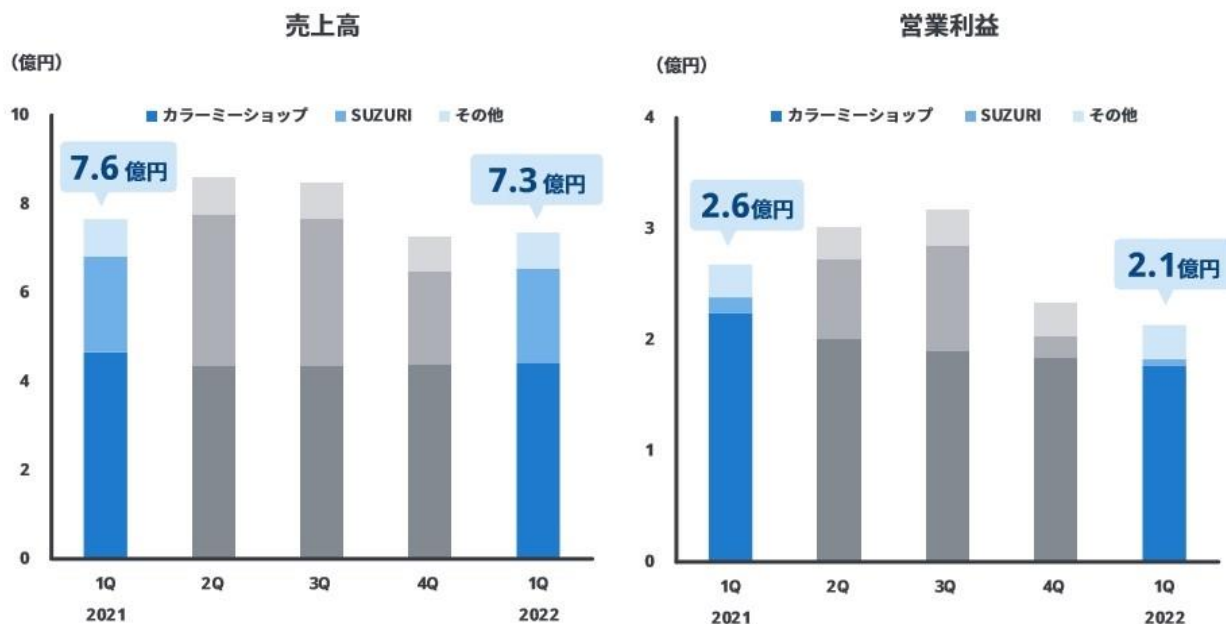
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累計期間	売上高：	735百万円 (前年同期比 96.1%)
	営業利益：	213百万円 (前年同期比 79.7%)



※「収益認識に関する会計基準」(企業会計基準第29号 2020年3月31日)等を第1四半期連結会計期間の期首から適用しており、2021年12月期に係る各数値については、当該会計基準等を遡って適用した後の未監査の数値となっております。

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Next is the EC support business.

Sales were JPY735 million, or 96.1% of previous year's level. Operating income was JPY213 million, or 79.7% of previous year's level.

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累計期間	売上高：	442百万円（前年同期比 94.9%）
	営業利益：	176百万円（前年同期比 78.7%）



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The first one is Color Me Shop, an online store creation service.

Net sales were JPY442 million, and operating income was JPY176 million. With regard to sales, the amount of sales from IT introduction subsidies, which was recorded in the previous fiscal year, decreased.

Operating income was affected by increased expenses due to the reinforcement of systems and infrastructure to meet the growing demand for store distribution.

While the overall number of contracts for Color Me Shop increased with the introduction of the free plan, the number of contracts for paid monthly plans decreased due to an increase in new applications for the free plan.

The unit price per customer, which previously included free plans, has been revised to include only monthly plans. Unit prices are on the rise as store distribution of monthly plans expands.

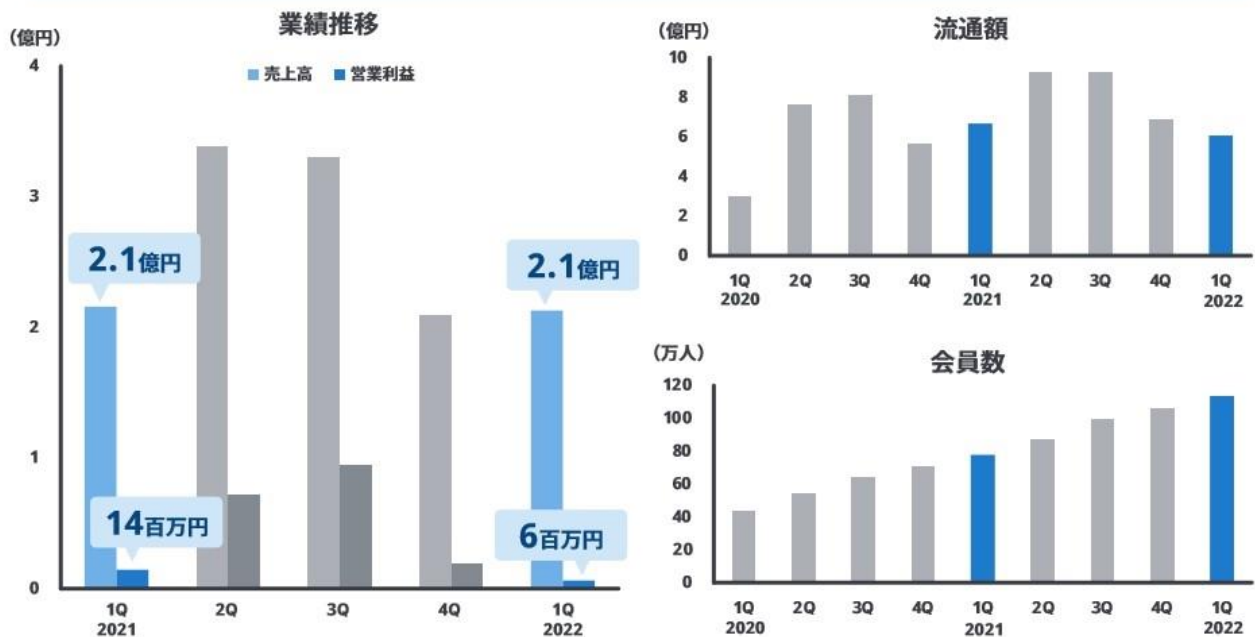
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累計期間	売上高:	212百万円 (前年同期比 98.6%)
	営業利益:	6百万円 (前年同期比 42.5%)



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Next, there is SUZURI, a service for creating and selling original goods.

SUZURI's net sales were JPY212 million, and operating income was JPY6 million.

Although sales were flat YoY, operating income was 42.5% of that of the same period last year due to an increase in expenses resulting from the strengthening of the organization for business expansion.

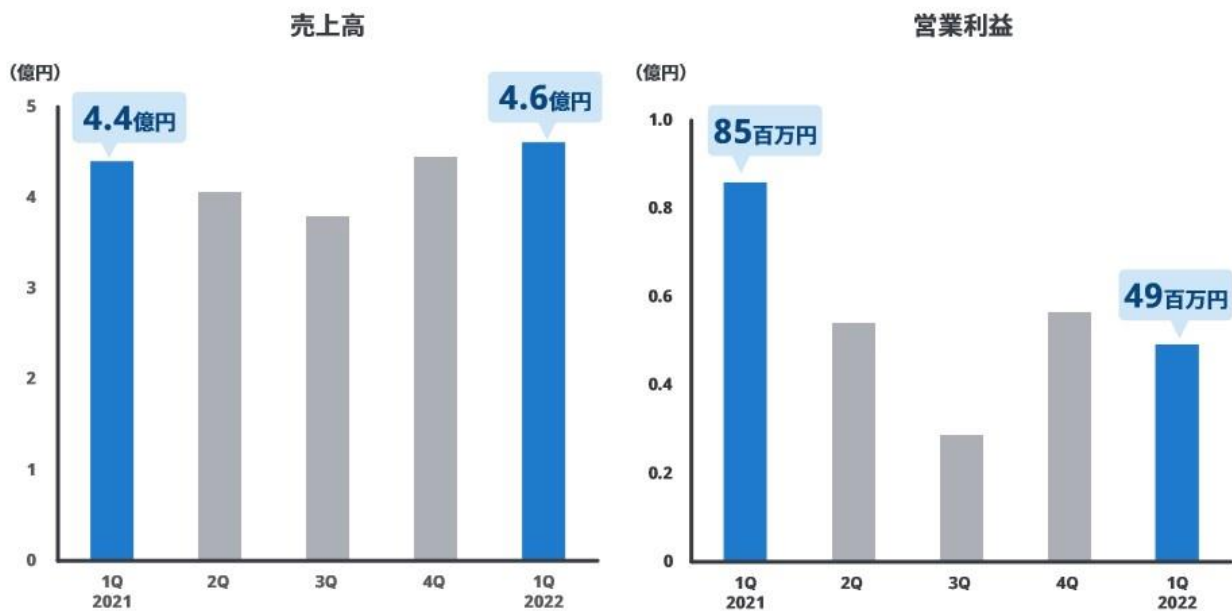
Although the distribution amount was lower than the previous year, we will explain the countermeasures for this later in the report.

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累計期間 売上高: **460百万円 (前年同期比 104.7%)**  
営業利益: **49百万円 (前年同期比 57.3%)**



※「収益認識に関する会計基準」(企業会計基準第29号 2020年3月31日)等を第1四半期連結会計期間の期首から適用しており、2021年12月期に係る各数値については、当該会計基準等を遡って適用した後の未監査の数値となっております。

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Next is minne, a handmade business.

Sales of minne amounted to JPY460 million, or 104.7% of previous year's level, and operating income was JPY49 million, or 57.3% of previous year's level.

While sales increased due to the implementation of measures for the entrance and enrollment season and other measures, operating expenses such as promotions also increased.

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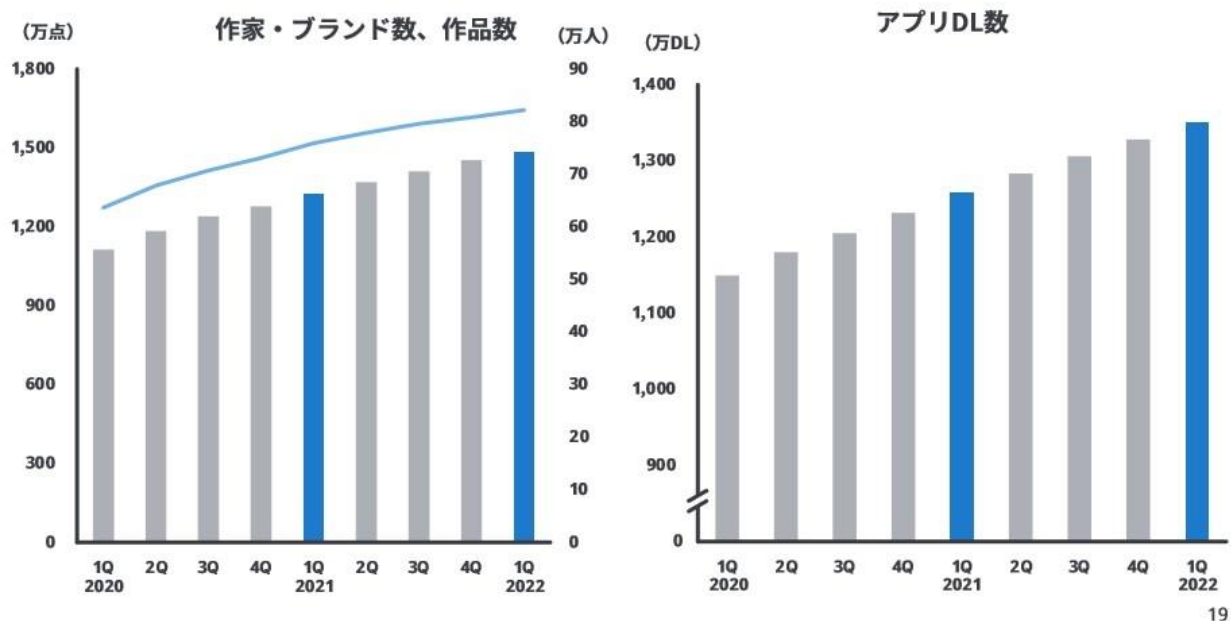
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作家・ブランド数 : **82万人** (前年同期比 **108.3%**)  
 作品数 : **1,484万点** (前年同期比 **112.0%**)  
 アプリDL数 : **1,351万DL** (前年同期比 **107.3%**)



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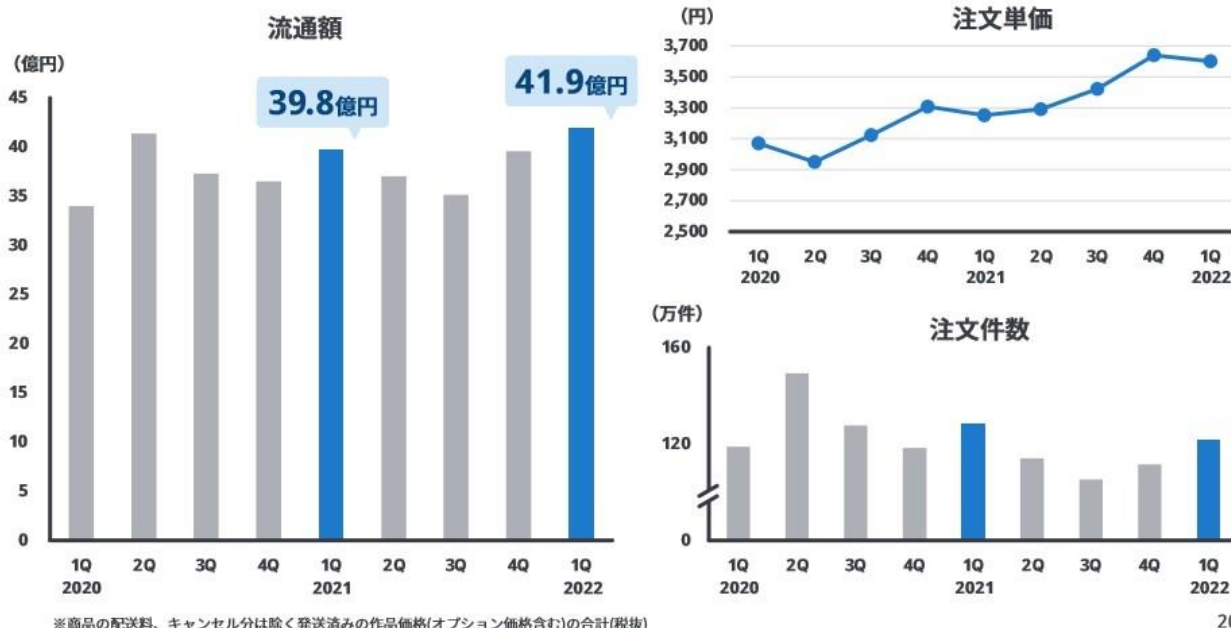
As for minne's KPIs, the number of authors and brands reached 820,000, the number of works reached 14.84 million, and the number of app downloads is now 13.51 million.

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累計期間	流通額：	41.9億円	(前年同期比 105.3%)
	注文単価：	3,600 円	(前年同期比 110.7%)
	注文件数：	121.7万件	(前年同期比 94.8%)



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First-quarter circulation was JPY4.19 billion, the highest quarterly figure ever.

The distribution amount increased as a result of the sales promotion plans for the entrance season I mentioned earlier and strengthened inflow centered on SNS, as well as measures to increase the number of artists and users.

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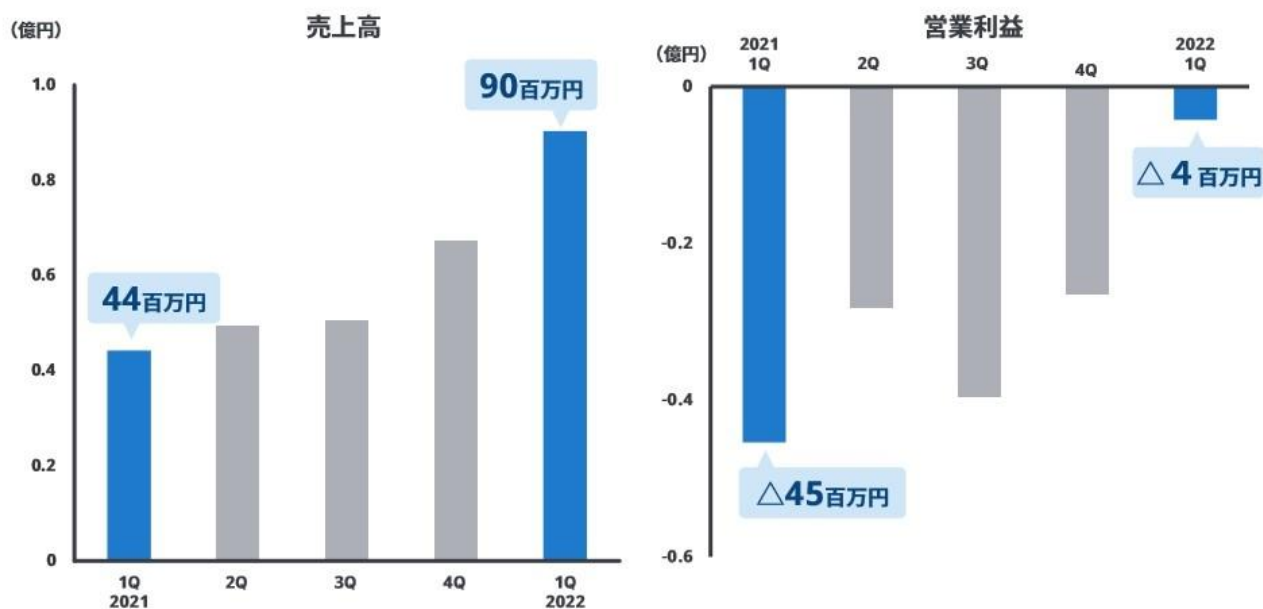
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累計期間

売上高： **90百万円** (前年同期比 **204.2%**)  
 営業利益： **△4百万円** (前年同期比 **41百万円増**)



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22

Next is the EC support business.

Net sales were JPY90 million, or 204.2% of previous year's level. Operating income was minus JPY4 million, an improvement of JPY41 million YoY.

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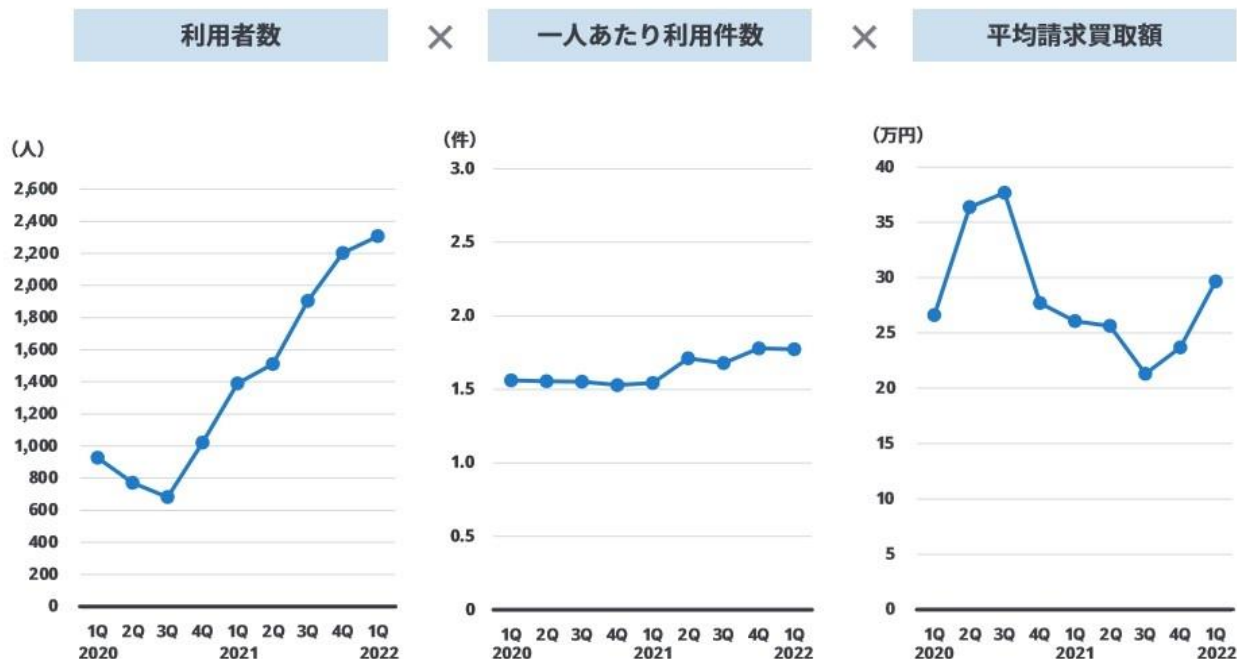
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## 請求書買取総額

II



23

This is about FREENANCE's KPIs.

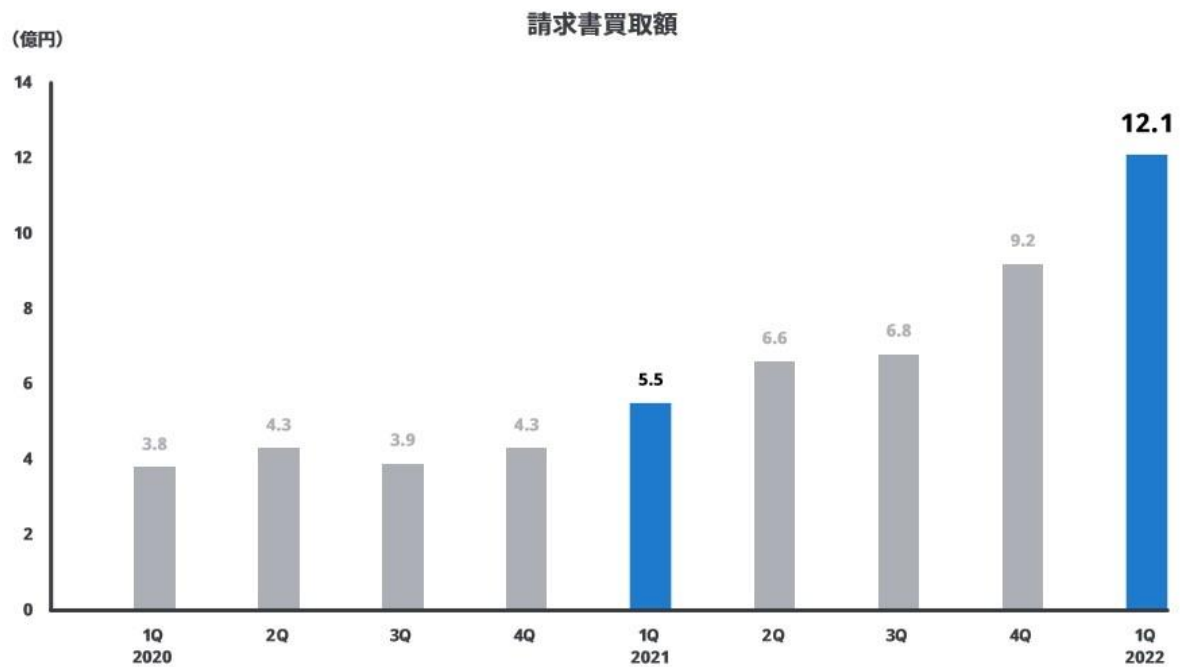
In addition to strengthening ties with companies, the number of users has increased since the Company began handling GMO freelance factoring, which offers convenience and immediacy without the need for membership registration.

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利用者数は増加傾向にあり、請求書買取額も過去最高を更新



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The amount of invoice purchases has been increasing in line with the increase in the number of users, and the number of purchases for the first quarter of 2022 was JPY1.21 billion.

This concludes the description of each segment.

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## ホスティング事業（ロリポップ！）

**1Qは上位プランの契約件数増加と前年に実施した価格改定の効果により、顧客単価が上昇**

引き続きキャンペーンやオプションの販売を行うほか、サーバーとドメインの連携を強化し同時申し込みを増やすことで契約件数の増加による収益拡大を図る

## 今後のアクション

- アフィリエイト向けの「ブログ収益化・副業スタートパック（ベータ版）」リリースやサーバー＆ドメインの乗り換えキャンペーン実施による契約件数増加
- オプションとのクロスセル強化や上位プランの割引キャンペーンなどの実施による継続的な誘導強化

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Next, I will explain the progress of our business performance for the first quarter of the fiscal year ending December 31, 2022, and our future plans.

First is the hosting business.

In the first quarter, performance was solid thanks to an increase in the ratio of top plans and the effect of price revisions implemented in the previous fiscal year.

As for the future, in order to support the monetization of blogging and side business users and to encourage more users to use our Lolipop!, on April 18, we launched a beta version of our blog monetization and side business start pack.

In the second quarter and beyond, we will continue to increase the number of subscriptions through campaigns and domain linkages.

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## EC支援事業（カラーミーショップ、SUZURI）

カラーミーショップは前年のIT導入補助金の売上額減少やフリープラン導入に伴う月額プランの新規契約件数減少がみられたものの、想定内の範囲で推移。

一方で需要増に対応するための体制強化やインフラ強化のコストが増加しているため、4月以降の価格改定や食品カテゴリー強化による収益力の強化に注力する。

SUZURIは、来訪者数の減少を受け流通額が前年を下回る。

SNSやインフルエンサーを活用したマーケティング活動を通じ来訪者数の獲得を図る。

## 今後のアクション

- カラーミー：アプリ販促やテンプレ提供などの販売強化のほか、キックバック率の改善などによる収益強化
- SUZURI：SNSやインフルエンサー活用による来訪者の増加、夏のTシャツセール実施による販促強化を実施

## ハンドメイド事業（minne）

四半期流通額は過去最高を更新したものの、プロモーション等のコストが増加。

販促企画、コンテストの開催を行い、作家誘致と購入者の増加を図る。

## 今後のアクション

- 母の日のPR強化など販促企画を実施、サイト強化やコンテスト開催による作家誘致を拡大
- レコメンドや作品検索機能の強化による流通額の拡大

27

Next, EC related services.

The first is Color Me Shop, an e-commerce support business.

With the introduction of the free plan last year, the overall number of contracts has increased. It takes about two to three years to develop free plan customers, so we do not currently see a significant contribution to earnings, but we believe it is within our expectations.

In addition, we have strengthened our infrastructure to handle the increase in traffic from each store, and costs have increased. However, with the infrastructure now somewhat in place, we have revised our monthly plan pricing starting in April. Going forward, the Company intends to expand earnings by continuing to strengthen the food category while observing the effects of price revisions.

As for SUZURI, the number of visitors to the site is decreasing and the distribution amount is also lower than the previous year. We will work to increase the number of visitors by strengthening marketing activities and promotions using SNS and influencers.

As for minne, our handmade business, quarterly distribution value has reached a record high, and we will continue to attract more artists and increase the number of buyers to expand the distribution value.

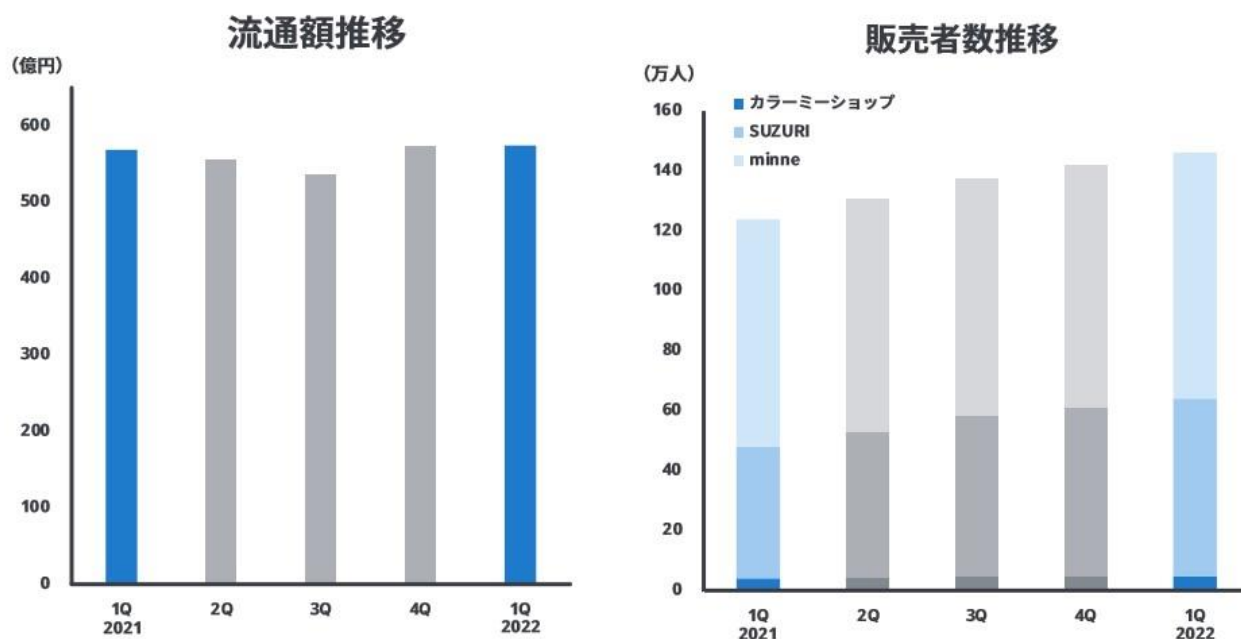
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カラーミーショップ、SUZURI、minne 3サービスの合計流通額は  
前年同期比で101.1%の成長



28

The total distribution value of the three services, Color Me Shop, SUZURI, and minne, remained flat YoY. The number of sellers is increasing.

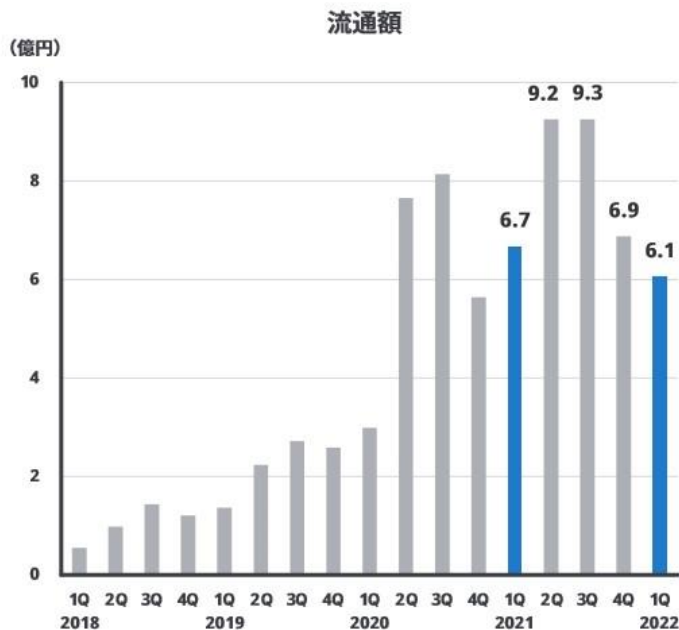
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競合の増加やSNS経由での流入減によりユニークユーザーが前年同期比で減少  
SNS等での情報発信やサービス間連携、プロモーション等による来訪者獲得を目指す



## 平均ユニークユーザー数

2021年1Q 11.4 万人/日

2022年1Q 10.2 万人/日

## 今後の施策

現状の想定を下回っているサイトへの来訪者を増やすためTVCM等の施策を実施

- SNS等での情報発信
- サービス間連携
- 夏のTシャツセールに合わせたテレビCM等のプロモーション展開を予定

29

As reported earlier, SUZURI has seen an increase in competitors and a decrease in the number of visitors to the site via SNS, resulting in a decrease in the number of customers visiting the site and in the amount of distribution.

In the future, we aim to increase the number of visitors by encouraging creators who use SUZURI to send out more information via SNS, as well as by encouraging visitors to come in from our other services.

In addition, due to an increase in competition, we are considering TV commercials and other measures to coincide with the T-shirt sale to address the current lower-than-expected inflow to the site.

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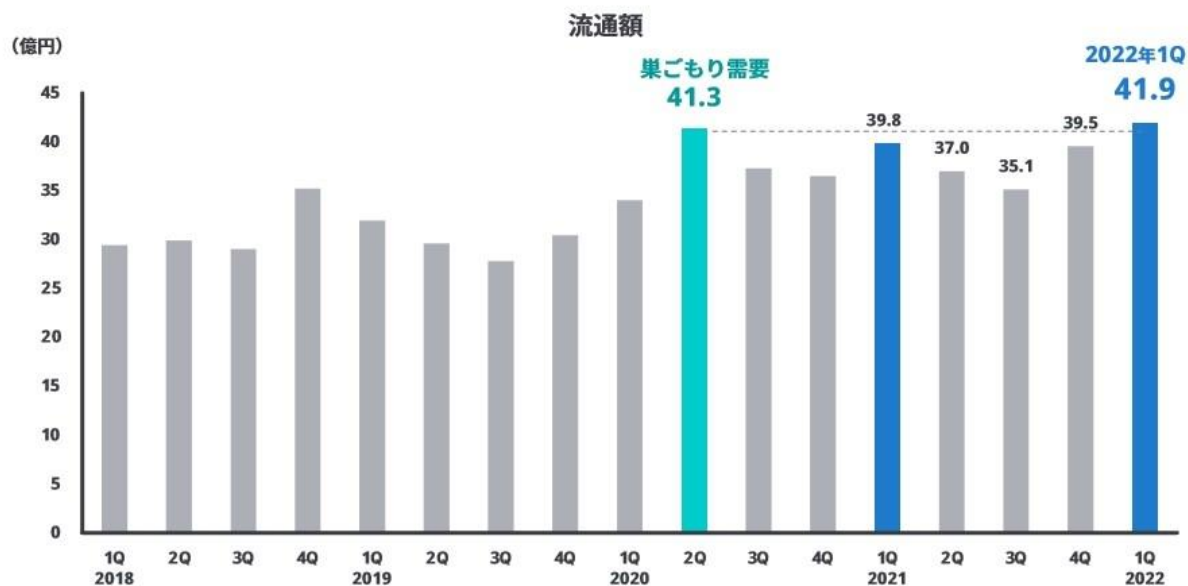
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## 四半期流通額は過去最高の41.9億円

巣ごもり需要の影響を受けた2020年2Qの流通額を上回る



30

As for minne circulation, quarterly circulation reached a record high of JPY4.19 billion, surpassing the JPY4.13 billion in the second quarter of 2020, which was impacted by the nesting demand.

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新規の作家やユーザー獲得のため「アンティーク・ヴィンテージ」をはじめとした新領域への進出や、ファン層を広げるため年齢を問わずファンの多い「シルバニアファミリー」をテーマにした施策を実施



アンティーク家具・雑貨専門店  
「THE GLOBE」のショップがオープン



藤久(株) / (株)エポック社 / GMOペパボ(株) の  
3社共同でのコンテスト開催  
(2022年2月1日～2022年6月中旬)

In the second quarter and beyond, to continuously attract new artists and users, we will continuously strengthen new areas such as antique and vintage, as well as implement measures to expand distribution, such as holding a contest themed on the Sylvanian Families, which have many fans regardless of age.

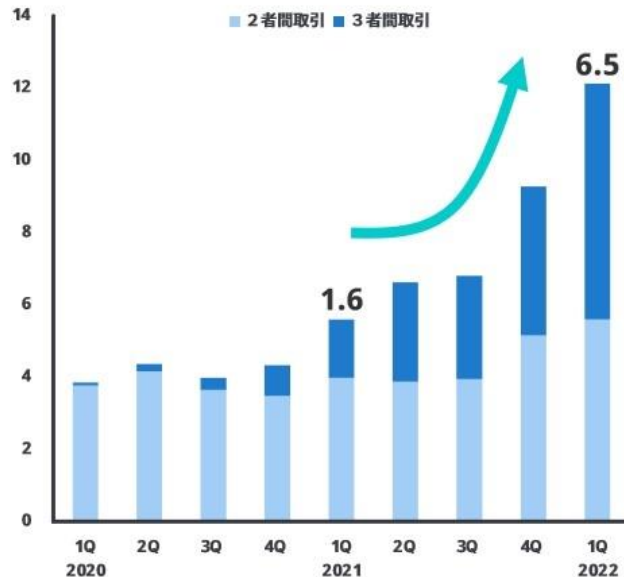
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企業連携による3者間ファクタリングの取引が拡大したことから請求書買取額が大幅に増加し、前年同期から大きく成長

請求書買取額  
(億円)



- 配送、運送業をはじめとした企業連携による取引が拡大
- 引き続きFaaSによる企業とのAPI連携を強化し、収益性の拡大を図る

2022年12月期1Qは  
前年同期比

**406.8%の成長**

32

With respect to FREENANCE, the financial support business, the tripartite factoring transactions through corporate collaboration~~the three-way factoring transactions~~ are growing rapidly.

The amount of invoices purchased for the tripartite factoring transactions through corporate collaboration~~three-way factoring~~ has increased significantly by 406.8% YoY, with users mainly engaged in the shipping and transportation industry expanding their use of this service.

In the future, we would like to expand our business not only to the transportation industry, but also to other industries, and increase the number of companies that collaborate with our API to expand our revenue.

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		2022年通期 業績予想	2022年1Q 実績	進捗率
	<b>アフィリエイト活用やクロスセルによる上位プランの契約件数増加</b>			
ホスティング	売上高：	<b>5,059</b> 百万円	<b>1,247</b> 百万円	<b>24.7 %</b>
	営業利益：	<b>1,561</b> 百万円	<b>413</b> 百万円	<b>26.5 %</b>
	<b>主にSUZURIの流通が想定を下回る。SNS等を活用した来訪者数の獲得</b>			
EC支援	売上高：	<b>3,826</b> 百万円	<b>735</b> 百万円	<b>19.2 %</b>
	営業利益：	<b>1,390</b> 百万円	<b>213</b> 百万円	<b>15.4 %</b>
	<b>流通額は過去最高を更新。作家誘致と購入者の拡大を目指す</b>			
ハンドメイド	売上高：	<b>2,041</b> 百万円	<b>460</b> 百万円	<b>22.6 %</b>
	営業利益：	<b>262</b> 百万円	<b>49</b> 百万円	<b>18.8 %</b>
	<b>企業連携の強化により配送・運送業で請求書買取が大幅に増加</b>			
金融支援	売上高：	<b>549</b> 百万円	<b>90</b> 百万円	<b>16.4 %</b>
	営業利益：	<b>4</b> 百万円	△ <b>4</b> 百万円	—

33

The progress of each segment toward the full-year forecast is shown in the table below.

The progress rate of the financial assistance business is 16.4%, but this is within our expectation. The amount of invoice purchases is also increasing steadily, and we will continue to expand revenues.

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2022年3月7日、部門横断的組織「ペパボ3推進室」を新設  
NFT作品やコンテンツを出品したい方向けのサポートや各サービス内での展開、  
利用促進を支援

**Web3**に関連する技術や知見の獲得

NFTなどの**新たな経済圏**の獲得

社内有志による**サービス連携**の促進

34

From this point on, the Pepabo3 Promotion Office was newly established in March 2022 as a Company-wide initiative.

The Pepabo3 Promotion Office aims to acquire technology and knowledge related to Web3 as well as a new economic sphere using blockchain technology.

It also functions as a department that promotes cooperation with other services, for example, providing support for those who would like to exhibit their NFT works and contents in the future.

#### Support

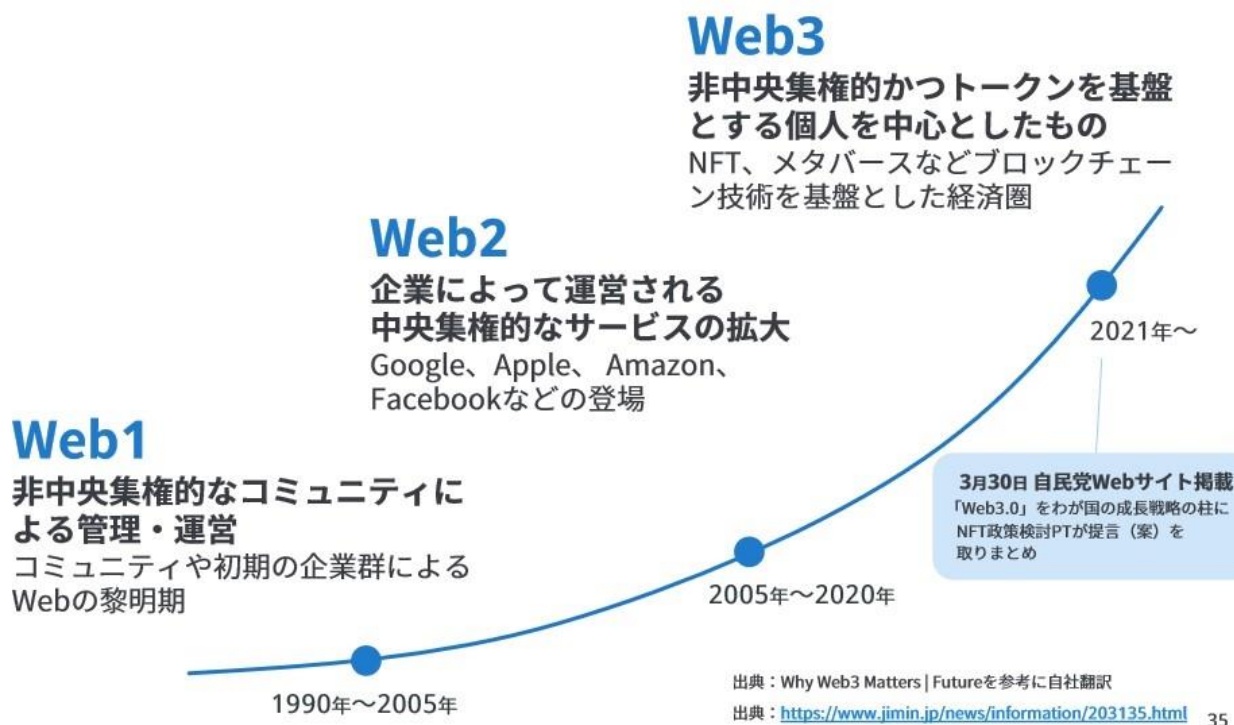
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NFTをはじめとした、個人を中心とした経済圏の広がりが想定され、インターネットサービスを通じてクリエイターの表現活動を支援する当社との親和性が高い



35

As for Web3, it is assumed that NFT and other individual-centered economic spheres will be established in the future.

We believe that Web3 has a very high affinity with our company, which supports the expressive activities of creators through Internet services.

Recently, the Liberal Democratic Party has been discussing making Web3 a pillar of the country's growth strategy, and we will be actively working with a sense of speed in this context.

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## 2022年4月4日、チーム・教室のための連絡集金サービス 「GMOレンシュ」正式版をリリース



36

In addition, a new service, GMO Renshu, was launched on April 4.

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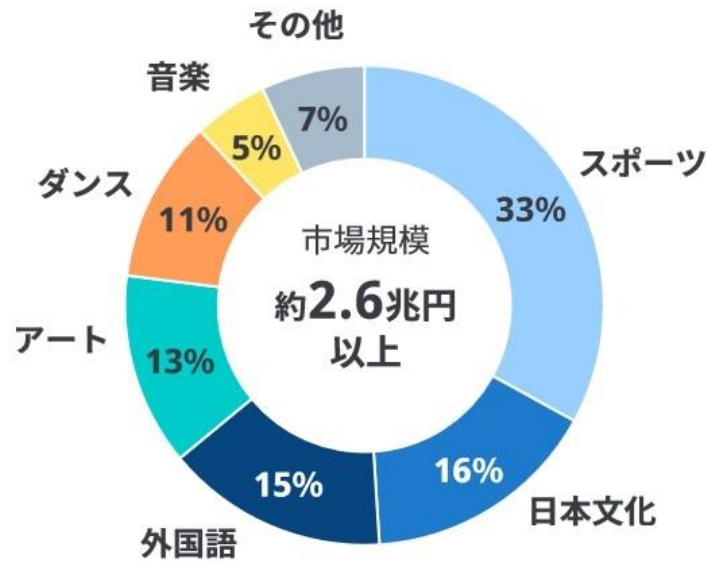
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教育・習い事市場の規模は約2.6兆円以上と想定。

スポーツをはじめとした教室・チーム運営者の連絡や集金による運営負担を減らし、表現者を支援することで教育・習い事市場のDX化を推進



※出典：矢野経済研究所 教育産業市場調査の市場規模(2020年)と習い事市場の比率(2015年)を参考に自社推計 37

This service supports businesses that operate lessons, such as soccer and dance classes. The size of the market for sports and other lessons is assumed to be more than JPY2.6 trillion.

As a percentage, sports classes account for 30% of the total, and we would like to start with users who operate soccer classes and other related users.

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スポーツチームやサークル、塾など、あらゆるチーム・教室運営において煩雑になりがちな連絡・集金に関わる業務をPC・スマホ上で一元管理できる  
会員管理クラウドサービス

オンライン  
決済機能

お知らせ機能

スケジュール機能  
出欠確認

ストック × フロー の収益モデルのビジネスを展開

- ・ 月額料金 3,980円 (税込4,378円)
- ・ 決済手数料 3.5%
- ・ 振込手数料 250円 (税込275円)

※8月31日まで月額・振込手数料無料キャンペーン実施中

38

The service offers three management options: online payment, announcements, and scheduling.

We aim to DX the education and learning market by reducing the burden caused by contacting and collecting money from those who run sports and other classes.

As for Renshu, we are just beginning to develop the service. We are running a free campaign until August, and we intend to be proactive in the future to make this a new revenue pillar.

This is the end of my presentation. Thank you very much for your kind attention.

**Moderator:** This concludes our explanation of the financial results for this fiscal year. Thank you very much.

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## Question & Answer

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**Moderator [M]:** We will now move on to the question-and-answer session. After you have stated your company name and name, please tell us what your question is.

First, Daiwa Securities, Mr. Tokunaga, please.

**Tokunaga [Q]:** Thanks. I'm Tokunaga from Daiwa Securities. I have three questions. The first point is regarding SUZURI. In the first quarter, sales declined YoY, which is a significant deviation from the past growth trend, but is it correct to say that this is due to increased competition?

Also, based on this, you are planning to conduct TV commercials, etc. What are your current prospects for both sales and profits toward the Company's full-year plan for this fiscal year? I would be glad to receive your quantitative explanation. This is my first question. Thanks.

**Moderator [M]:** President, please.

**Sato [A]:** Thank you for your question, Mr. Tokunaga. First, SUZURI has two major points in mind. The first is the impact of the fact that the nesting demand over the past two years has settled down to some extent. Also, I am concerned if the impact of the competition is conceivable.

In terms of the impact of the nesting demand, the growth trend was actually weaker last year in 2021 than in 2020. But in the case of SUZURI, it was still growing.

In the current fiscal year, the number of customers who are selling on the Internet or who want to sell at SUZURI since the event is no longer available is decreasing, and those who are buying on the Internet are shifting to the outside, especially for apparel. This is the image of the overall trend.

As far as competition is concerned, as far as we can see, we were the only one to advertise, but now multiple competitors are advertising, and other competitors are running TV commercials. Moreover, creators themselves have registered with multiple services and are advertising those services through SNS, so many options or competitors are now out in the market. We believe this is the reason for the decline in sales in the first quarter.

As for the TV commercials, we are currently planning to step up promotions in conjunction with the summer sales, especially the T-shirt sales. By combining the period of TV commercials with the period of the sale, the impact on the full-year results will be minimal, and although we do not expect this to have a significant positive effect on profits, we are now making plans for promotions that will allow us to recover the cost of the sale within the year. I hope I gave you a satisfying answer.

**Tokunaga [Q]:** Thank you very much. I just want to follow up on two points. Regarding the first being SUZURI's competition, should we be looking primarily at the T-shirt market? I wonder if it would be better to see more competition in other products, such as hoodies, as well.

Second, can we assume that the promotional costs for the TV commercials will be recovered from SUZURI alone, rather than coming from the costs of other services such as minne? Those are my two questions.

**Sato [A]:** Thanks for your questions. Competitors also sell items other than T-shirts, but their main selling point is their T-shirts.

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On the other hand, in the case of SUZURI, we do not only sell T-shirts, so I think we are competing especially for the T-shirt part. I think we need to do something more to promote T-shirts as a strong point.

As for costs, we are in the process of designing a promotion within SUZURI, not from other services, so that we can recover the costs within this year.

**Tokunaga [Q]:** I understand. Thank you very much. Second, please tell us about Color Me Shop. I believe that you are anticipating a rate revision after April, and I believe that you are currently doing so as well. In addition, your competitors also started fixed cost plans in April, and I believe the competitive environment has changed significantly.

Have there been any changes in the number of subscriptions, unit prices, or GMV trends between April and now due to the price revisions? Am I correct in my impression that you are doing well? What is the status of the Color Me price revisions? This is my second question.

**Moderator [M]:** Thank you very much. President, please.

**Sato [M]:** I think you can answer in more detail, Mr. Igashima, or would you prefer me to answer?

**Igashima [M]:** I'd prefer if you can answer, President.

**Sato [A]:** Okay. First, regarding changes in trends, we do not see any major changes in new applications, with a large percentage of applications for free plans since the launch of the free plans.

The increase in contract cancellations, for example, is within the range of our expectations, and although the number of cancellations is slightly higher than in the past, it is not really a dramatic increase. As a result, the unit price itself has increased.

We do not know what kind of changes are taking place in our competitors' situation. We are not aware of any changes in our competitors that would increase the number of transfers to us, or conversely, the number of customers leaving us.

Therefore, the price revision has led to an increase in the unit price, which we are interpreting positively.

On the other hand, there are still many contracts for the free plan, so we have made some investments in the attractiveness of the fixed-cost plan itself, and there are some positive aspects, so we would like to properly promote these aspects and bring the fixed-cost plan into an upward trend. That's all from me.

**Tokunaga [Q]:** I understand. Thank you very much. Third and final, what are the risk factors and upside to the Company's plan?

The upside is that hosting and financial support are going quite well, but there are also negative factors such as the current economic recession and rising electricity costs. Please tell us whether this current surge in electricity costs and other such factors are having a negative impact on your company at the moment, for example, the increase in the reserve ratio, or whether we can assume that other positive factors will be sufficient to counteract the negative impact of the economic downturn. That's all from me.

**Sato [A]:** The major impact is expected to be from the depreciation of the yen. The major impact on our domain business is that we procure some of our products in dollars, so if the yen continues to depreciate over the long term, or even more so, our cost ratio will rise, and we may have to pass the price on to our customers. This may lead to a negative impact on our business.

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Another factor is the high cost of oil and raw materials, which is beginning to have a slight impact on the rising cost of materials at SUZURI. We have not yet been affected by this, but if it continues for a prolonged period of time, it may affect our customers' willingness to purchase. We imagine these factors to be negative points for our business. Was there anything else?

**Igashima [A]:** Well, we are not sure if the increase in interest rates will have any impact on the financing part of FREENANCE, although this is still unknown at this point. Under such circumstances, we will adjust the selling price, or rather, the interest rate to the customer. That's all from me.

**Tokunaga [Q]:** Thank you very much. Then, is it correct for me to assume that the first quarter has not been particularly affected yet, and there may be some impact from the second quarter onward, but the situation is not that worrisome at this point? Or should I be concerned a little more about this issue?

**Sato [A]:** Yes, the first quarter did not receive that much of an impact, and the application of the new revenue recognition standard does not include to some extent the portion that used to be included in cost, so I don't think the figures will shift that much.

On the other hand, however, there is still a possibility that consumption trends will change, and we are concerned about how this will change from the second quarter and onwards.

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

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

**Moderator [M]:** Thank you very much, Mr. Tokunaga. 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 first quarter of the fiscal year ending December 31, 2022. Thank you very much for joining us.

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

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

[END]

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### **Document Notes**

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
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