Fiscal Year 2022 Second Quarter

Results Presentation

GMO Pepabo, Inc.
Stock code: 3633 (TSE Prime Market)
Sales rose and profit fell from a year ago, with the Hosting business continuing to perform well and revenues from non-recurring business seeing sluggish growth.

Growth in merchandise e-commerce slowed. Our challenge is to take initiatives for non-merchandise e-commerce.

- The Hosting business and the Financial Support business performed steadily.
- Expenses for promotional activities increased, reflecting TV commercials for SUZURI. Shipments of certain items were postponed to the third quarter. We will strive to expand sales.
AGENDA

- Summary of Results in Q2 FY2022  Page 3
- Progress in Q2 FY2022 and Future Measures  Page 27
Summary of Results in Q2 FY2022
Summary of Results (Six Months)

Net sales after the application of the new Accounting Standard for Revenue Recognition rose 3.5% year on year. Operating profit declined 45.2% year on year, reflecting increased promotions for SUZURI.

<table>
<thead>
<tr>
<th></th>
<th>Before application</th>
<th>After application of the new standard</th>
<th>Change</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q2 FY2021 (six months)</td>
<td>Q2 FY2021 (six months)*</td>
<td>Q2 FY2022 (six months)</td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>5,950</td>
<td>4,936</td>
<td>5,106</td>
<td>+170</td>
</tr>
<tr>
<td>Operating profit</td>
<td>459</td>
<td>453</td>
<td>248</td>
<td>-204</td>
</tr>
<tr>
<td>Operating profit margin (%)</td>
<td>7.7</td>
<td>9.2</td>
<td>4.9</td>
<td>—</td>
</tr>
<tr>
<td>Ordinary profit</td>
<td>470</td>
<td>465</td>
<td>258</td>
<td>-206</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>362</td>
<td>356</td>
<td>182</td>
<td>-173</td>
</tr>
</tbody>
</table>

* The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), effective from beginning of the first quarter of the fiscal year and the figures for the year ended December 31, 2021 are unaudited figures after retrospective application of the standard and guidance.
Changes in Quarterly Net Sales (Comparison of figures before application of the Accounting Standard for Revenue Recognition)

*For long-term changes in net sales, the comparisons are before application of the Accounting Standard for Revenue Recognition because it is difficult to compare figures after the application with ones before the application.

(100 million yen)
Changes in Quarterly Operating Profit

*Starting from Q1 2022, figures after the application of the Accounting Standard for Revenue Recognition are used for the comparison because the application has only a minor impact on changes in operating profit over the long term.

(100 million yen)
Analysis of Change in Operating Profit

(Million yen)

**Increase in net sales**

- **+170**

**Rise in cost linked to net sales**

- **-72**

**Increase in personnel expenses**

- **-15**

**Increase in promotion expenses**

- **-204**

**Increase in other costs**

- **-83**

**Operating profit in Q2 FY2021**: 453

**Operating profit in Q2 FY2022**: 248

*The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), effective from beginning of the first quarter of the fiscal year and the figures for the year ended December 31, 2021 are unaudited figures after retrospective application of the standard and guidance.*
Expenses for promotional activities increased from a year ago due to TV commercials for SUZURI.

(Million yen)

1Q 2020: 180
2Q: 194
3Q: 243
4Q: 414
1Q 2021: 256
2Q: 301
3Q: 258
4Q: 292
1Q 2022: 288
2Q: 474

SUZURI Expenses for TV commercials of 180 million yen
Promotions for SUZURI

TV commercials were aired in the Kanto and Kansai regions during the SUZURI T-shirt sale (from June 11 to June 19). The number of mentions in the social media increased.

Number of new registered members in Q2

- 106,000
- Up 6.0% year on year

From Q3
- Will expand sales by adding items and increasing repeat purchases.
- Shipments of certain items planned during the sale have been postponed to Q3.
# Results by Segment (First Six Months of FY2022)

**Hosting**  
Performed steadily due to an increase in the ratio of new contracts for high-end service plans and the effect of the price revision  
| Net sales: 2,520 million yen (107.8%)  | Operating profit: 851 million yen (124.0%) |

**E-commerce Support**  
Expenses increased due to SUZURI TV commercials. Shipments of certain items were postponed to Q3.  
| Net sales: 1,506 million yen (92.7%)  | Operating profit: 254 million yen (44.7%) |

**Handmade Products**  
Total gross merchandise value is a new record high. Expenses for promotional activities, etc. increased.  
| Net sales: 859 million yen (101.5%)  | Operating profit: 67 million yen (47.9%) |

**Financial Support**  
The number of partners and the amount of purchases of invoices increased significantly.  
| Net sales: 219 million yen (234.5%)  | Operating profit: -15 million yen (an increase of 58 million yen) |

Note: The figures in parentheses are year-on-year changes.  
* The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), effective from beginning of the first quarter of the fiscal year and the figures for the year ended December 31, 2021 are unaudited figures after retrospective application of the standard and guidance.
Hosting business

Six months

Net sales: 2,520 million yen (up 7.8% year on year)
Operating profit: 851 million yen (up 24.0% year on year)

* The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), effective from beginning of the first quarter of the fiscal year and the figures for the year ended December 31, 2021 are unaudited figures after retrospective application of the standard and guidance.
Hosting business (Lolipop!)

Six months
Net sales: 1,126 million yen (up 14.9% year on year)
Operating profit: 643 million yen (up 41.4% year on year)

Trends in results

Spending per customer

Number of contracts

* The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), effective from beginning of the first quarter of the fiscal year and the figures for the year ended December 31, 2021 are unaudited figures after retrospective application of the standard and guidance.
Hosting business (MuuMuu domain)

Six months
Net sales: **1,092 million yen** (up 4.2% year on year)
Operating profit: **141 million yen** (down 7.2% year on year)

**Trends in results**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Net sales (100 million yen)</th>
<th>Operating profit (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q 2021</td>
<td>525 million yen</td>
<td></td>
</tr>
<tr>
<td>2Q 2021</td>
<td>80 million yen</td>
<td></td>
</tr>
<tr>
<td>3Q 2021</td>
<td>69 million yen</td>
<td></td>
</tr>
<tr>
<td>4Q 2021</td>
<td>547 million yen</td>
<td></td>
</tr>
<tr>
<td>1Q 2022</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2Q 2022</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Average price of domains under contract**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Price (Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2Q 2020</td>
<td>130</td>
</tr>
<tr>
<td>3Q 2020</td>
<td>120</td>
</tr>
<tr>
<td>4Q 2020</td>
<td>110</td>
</tr>
<tr>
<td>1Q 2021</td>
<td>100</td>
</tr>
<tr>
<td>2Q 2021</td>
<td>90</td>
</tr>
<tr>
<td>3Q 2021</td>
<td>80</td>
</tr>
<tr>
<td>4Q 2021</td>
<td>70</td>
</tr>
<tr>
<td>1Q 2022</td>
<td>60</td>
</tr>
<tr>
<td>2Q 2022</td>
<td>50</td>
</tr>
<tr>
<td>3Q 2022</td>
<td>40</td>
</tr>
<tr>
<td>4Q 2022</td>
<td>30</td>
</tr>
</tbody>
</table>

**Number of domains under contract**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Number of domains</th>
</tr>
</thead>
<tbody>
<tr>
<td>2Q 2020</td>
<td>120</td>
</tr>
<tr>
<td>3Q 2020</td>
<td>110</td>
</tr>
<tr>
<td>4Q 2020</td>
<td>100</td>
</tr>
<tr>
<td>1Q 2021</td>
<td>90</td>
</tr>
<tr>
<td>2Q 2021</td>
<td>80</td>
</tr>
<tr>
<td>3Q 2021</td>
<td>70</td>
</tr>
<tr>
<td>4Q 2021</td>
<td>60</td>
</tr>
<tr>
<td>1Q 2022</td>
<td>50</td>
</tr>
<tr>
<td>2Q 2022</td>
<td>40</td>
</tr>
<tr>
<td>3Q 2022</td>
<td>30</td>
</tr>
<tr>
<td>4Q 2022</td>
<td>20</td>
</tr>
</tbody>
</table>

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E-commerce Support business
E-commerce Support business

**Six months**

Net sales: **1,506 million yen** (down 7.3% year on year)
Operating profit: **254 million yen** (down 55.3% year on year)

**Net sales**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Color Me Shop</th>
<th>SUZURI</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q 2021</td>
<td>770 million yen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2Q 2021</td>
<td>301 million yen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3Q 2021</td>
<td>858 million yen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4Q 2021</td>
<td>770 million yen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1Q 2022</td>
<td>301 million yen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2Q 2022</td>
<td>41 million yen</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Operating profit**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Color Me Shop</th>
<th>SUZURI</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q 2021</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2Q 2021</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3Q 2021</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4Q 2021</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1Q 2022</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2Q 2022</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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E-commerce Support business (Color Me Shop)

Six months
Net sales: **884** million yen (down 1.9% year on year)
Operating profit: **351** million yen (down 17.2% year on year)

Trends in results
(100 million yen)
- Net sales: 435 million yen
- Operating profit: 442 million yen
- 200 million yen
- 174 million yen

Spending per customer
(Yen)
* Figures for spending per customer were corrected to ones for the monthly plan only. (They included the free plan before.)

Number of contracts
(10,000)
- Number of contracts for the free plan
- Number of contracts for the monthly plan

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E-commerce Support business (SUZURI)

**Six months**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>460 million yen</td>
<td>(down 17.0% year on year)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>-161 million yen</td>
<td>(down 239 million yen year on year)</td>
</tr>
</tbody>
</table>

**Trends in results**

- Net sales: **337 million yen**
- Operating profit: **247 million yen**
- 1Q 2021: **71 million yen**
- 2Q 2021: **-167 million yen**

**Gross merchandise value**

- 2Q 2020: 2Q 2021: 1Q 2021: 2Q 2022: 3Q 2022: 4Q 2022:

**Number of members**


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Handmade Products business
Handmade Products business (minne)

Six months
Net sales: 859 million yen (up 1.5% year on year)
Operating profit: 67 million yen (down 52.1% year on year)

(100 million yen)

Net sales

Operating profit

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The Numbers of minne Creators, Works and App Downloads

Number of creators and brands: 0.83 million people (up 7.4% year on year)
Number of works: 15.31 million (up 11.8% year on year)
Number of app downloads: 13.71 million (up 6.9% year on year)
Gross Merchandise Value, Average Price of Orders, and Number of Orders (minne)

<table>
<thead>
<tr>
<th>Six months</th>
<th>Gross merchandise value:</th>
<th>7,820 million yen</th>
<th>(up 1.9% year on year)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average price of orders:</td>
<td>3,622 yen</td>
<td>(up 10.1% year on year)</td>
</tr>
<tr>
<td></td>
<td>Number of orders:</td>
<td>2.229 million</td>
<td>(down 8.0% year on year)</td>
</tr>
</tbody>
</table>

Note: Total prices (excluding taxes) (including the prices of options) of works delivered excluding merchandise delivery charges and cancellations.
Financial Support business
Financial Support business

Six months

Net sales: 219 million yen (up 134.5% year on year)
Operating profit: -15 million yen (up 58 million yen year on year)

Net sales

Operating profit

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Trends in FREENANCE KPIs

Total amount of purchases of invoices

Number of users \times Number of invoices per user \times Average amount of purchases of invoices

(Persons)

(Invoices)

(10,000 yen)
Trends in the Amount of Purchases of Invoices by FREENANCE

The number of users is on an upward trend. The amount of purchases of invoices hit a record high.

(100 million yen)

Amount of Purchases of Invoices

4.3  3.9  4.3  5.5  6.6  6.8  9.2  12.1  18.9

2Q 2020  3Q 2020  4Q 2020  1Q 2021  2Q 2021  3Q 2021  4Q 2021  1Q 2022  2Q 2022
Progress in Q2 FY2022 and Future Measures
Trends in KPIs in Hosting Business (Lolipop!)

The number of contracts increased slightly due to domain linkage and initiatives to improve the renewal rate. Spending per customer continued to rise due to the price revision in the previous year.

Trends in number of contracts and spending per customer
Trends in Churn Rate in Recurring Revenue Business

The churn rate has been improving in the Lolipop! and Color Me Shop businesses, where revenues are primarily recurring revenues, in the medium to long term, reflecting continuing initiatives to improve service quality and customer service.

Trends in the number of cancellations and churn rate in Lolipop!

- June 2012: 1.5%
- June 2022: 1.1%

Trends in the number of cancellations and churn rate in Color Me Shop

- June 2012: 2.5%
- June 2022: 1.8%
Trends in KPI (GMV) of EC-related services

Total GMV of three services (Color Me Shop, SUZURI, and minne) remained flat.

(100 million yen)

Trends in GMV of EC-related services
(Color Me Shop/SUZURI/minne)

Approx. 55,000 million yen
Approx. 53,000 million yen
Trends in EC Market

The merchandise EC market is growing. Growth is expected to be moderate.

E-commerce market size (Product sales-oriented BtoC)

- 2015: 7.2 trillion yen
- 2016: 8.0 trillion yen
- 2017: 8.6 trillion yen
- 2018: 9.2 trillion yen
- 2019: 10.0 trillion yen
- 2020: 12.2 trillion yen

Merchandise EC is expected to grow moderately.

Source: An industrial economy research project commissioned by the Ministry of Economy, Trade and Industry in 2021 (market research on e-commerce)
Challenge: Developing Non-merchandise EC

Our challenge is to develop non-merchandise EC, in addition to merchandise EC, according to changes in the market environment.
Initiatives in Non-merchandise EC

Developing Web3 and digital content, increasing efforts to develop non-merchandise EC

**minne**

Increasing efforts to sell information to provide more fun to those who create things

(Teaching materials, digital materials)

**SUZURI**

Increasing efforts to use digital content that has a high level of affinity with the website

Easily creating and selling NFT items

(Started on May 23)

Services will be launched and registration and use will start in the second half of the fiscal year.
SUZURI: Starting the creation and sales functions for NFT creators

On May 23, SUZURI launched a function that allows NFT content creators and those who are permitted to own the NFT content to create and sell original goods. Fans of NFT content can freely create and sell goods using the content on SUZURI.

Process of the sale of NFT original goods

1. Logging on to SUZURI
2. Creating goods (Getting connected to MetaMask)
   - Using NFT images
3. Choosing images
4. Starting sales
Trends in KPIs in Financial Support Business (FREENANCE)

『FREENANCE 即日払い』などのサービスを多様な業界に提供

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aimfactory  Lancers  MiraiWorks  pasture

LANCER UNIT  crevo  SOB Innovation Partners Co., Ltd.  MakeShop®

おけいこラウン  助太刀  GMOペパボ
Trends in KPIs in Financial Support Business (FREENANCE)

Given the expansion of corporate collaborations, the amount of purchases of invoices through tripartite transactions increased sharply. Funds were raised to meet credit demand.

(100 million yen)

- The number of partner companies exceeded 100.
- New borrowing facilities provided by external financial institutions have been added.

Q2 FY2022
Year-on-year growth in tripartite transactions of 304.0% achieved
### Progress in Results in FY2022 by Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>Forecast for FY2022</th>
<th>Results in Q2 FY2022 (six months)</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hosting</strong></td>
<td>Spending per customer continued to rise due to the price revision in the previous year.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales:</td>
<td>5,059 million yen</td>
<td>2,520 million yen</td>
<td>49.8%</td>
</tr>
<tr>
<td>Operating profit:</td>
<td>1,561 million yen</td>
<td>851 million yen</td>
<td>54.5%</td>
</tr>
<tr>
<td><strong>E-commerce Support</strong></td>
<td>Shipments of certain items on SUZURI will be recorded on the third quarter. We will focus on expanding sales.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales:</td>
<td>3,826 million yen</td>
<td>1,506 million yen</td>
<td>39.4%</td>
</tr>
<tr>
<td>Operating profit:</td>
<td>1,390 million yen</td>
<td>254 million yen</td>
<td>18.3%</td>
</tr>
<tr>
<td><strong>Handmade Products</strong></td>
<td>Gross merchandise value in the first half hit a new record high. Efforts are made to attract creators and increase buyers.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales:</td>
<td>2,041 million yen</td>
<td>859 million yen</td>
<td>42.1%</td>
</tr>
<tr>
<td>Operating profit:</td>
<td>262 million yen</td>
<td>67 million yen</td>
<td>25.6%</td>
</tr>
<tr>
<td><strong>Financial Support</strong></td>
<td>The amount of purchases of invoices increased significantly, reflecting the expansion of partner companies.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales:</td>
<td>549 million yen</td>
<td>219 million yen</td>
<td>40.0%</td>
</tr>
<tr>
<td>Operating profit:</td>
<td>4 million yen</td>
<td>-15 million yen</td>
<td>—</td>
</tr>
<tr>
<td><strong>Other (Head office cost, etc.)</strong></td>
<td>Efforts are being made to cut head office cost, including a review of the recruitment plan.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales:</td>
<td>4 million yen</td>
<td>0 million yen</td>
<td>—</td>
</tr>
<tr>
<td>Operating profit:</td>
<td>-2,075 million yen</td>
<td>-909 million yen</td>
<td>—</td>
</tr>
</tbody>
</table>
Initiatives in Second Half by Segment

**Hosting business**

Spending per customer will continue to rise due to the price revision. Will increase the number of contracts and expand revenue.

**Actions**
- Strengthen cross-selling with options.
- Strengthen the link with domains and run simultaneous registration campaigns.

**E-commerce Support business**

Will continue to strengthen the food category and promote sales of options in the Color Me Shop business. Will focus on taking steps to drive repeat purchases on SUZURI by new members that we have attained by adding items and airing commercials and expanding sales.

**Actions**
- Bolster the food category and promote changes in settlement agencies.
- Strengthen options, including sales promotion of apps and templates.
- Add items and take steps to drive repeat purchases.

**Handmade Products business**

Gross merchandise value hit a record high in the first half. Will continue to increase the number of creators and buyers to expand gross merchandise value.

**Actions**
- Expand sales channels overseas in cooperation with Neokyo, a cross-border e-commerce purchase agency.
- Conduct sales promotional activities in summer.
- Start to take initiatives to promote non-merchandise e-commerce.

**Financial Support business**

Tripartite transactions increased sharply through corporate collaborations. Will focus on strengthening partner companies.

**Actions**
- Strengthen partner companies to expand the amount of purchases of invoices.
- Strengthen the promotion of guest factoring.
- Strengthen operations in the insurance industry, among other business areas.
Questions and answers

(1) Click the **Raise Hand** button below the Zoom screen.
   Note: You can cancel your questions by clicking the Lower Hand button.

(2) The moderator will allow people to ask questions.
   If you are allowed to ask a question, **unmute** yourself.

(3) Please ask your question.
Reference Materials
## Consolidated Statement of Income (Q2)

<table>
<thead>
<tr>
<th>(Million yen)</th>
<th>FY2021 Q2</th>
<th>FY2022 Q2</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>4,936</td>
<td>5,106</td>
<td>103.5%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>1,861</td>
<td>2,167</td>
<td>116.4%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>3,074</td>
<td>2,939</td>
<td>95.6%</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>2,620</td>
<td>2,691</td>
<td>102.7%</td>
</tr>
<tr>
<td>Of SG&amp;A expenses, promotion cost*</td>
<td>558</td>
<td>762</td>
<td>136.6%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>453</td>
<td>248</td>
<td>54.8%</td>
</tr>
<tr>
<td>(Operating profit margin)</td>
<td>9.2%</td>
<td>4.9%</td>
<td>—</td>
</tr>
<tr>
<td>Ordinary profit</td>
<td>465</td>
<td>258</td>
<td>55.6%</td>
</tr>
<tr>
<td>Profit before income taxes</td>
<td>562</td>
<td>268</td>
<td>47.8%</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>356</td>
<td>182</td>
<td>51.3%</td>
</tr>
</tbody>
</table>

* Promotion cost is the sum of advertising expenses, promotion expenses, and provision for point card certificates.

* The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), effective from beginning of the first quarter of the fiscal year and the figures for the year ended December 31, 2021 are unaudited figures after retrospective application of the standard and guidance.
## Consolidated Balance Sheet

(Million yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2021</th>
<th>FY2022 Q2</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>6,943</td>
<td>8,100</td>
<td>+1,156</td>
</tr>
<tr>
<td>Cash and deposits*</td>
<td>3,620</td>
<td>3,145</td>
<td>-474</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>2,685</td>
<td>2,493</td>
<td>-191</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>1,926</td>
<td>2,051</td>
<td>+125</td>
</tr>
<tr>
<td>Total assets</td>
<td>8,870</td>
<td>10,152</td>
<td>+1,281</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>5,694</td>
<td>7,424</td>
<td>+1,730</td>
</tr>
<tr>
<td>Accounts payable – other</td>
<td>2,142</td>
<td>2,125</td>
<td>-17</td>
</tr>
<tr>
<td>Advances received</td>
<td>2,219</td>
<td>3,870</td>
<td>+1,650</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>222</td>
<td>253</td>
<td>+31</td>
</tr>
<tr>
<td>Net assets</td>
<td>2,953</td>
<td>2,473</td>
<td>-479</td>
</tr>
<tr>
<td>Liabilities and net assets</td>
<td>8,870</td>
<td>10,152</td>
<td>+1,281</td>
</tr>
</tbody>
</table>

*Cash and deposits include deposits paid to subsidiaries and associates.*
## Statement of Cash Flows

(Million yen) | FY2021 Q2 | FY2022 Q2 |
---|---|---|
Operating cash flow | 156 | 9 |
Investing cash flow | -81 | -237 |
Financing cash flow | -405 | -246 |
Increase (decrease) in cash and cash equivalents | -330 | -474 |
Balance of cash and cash equivalents | 3,291 | 3,145 |
Company Profile
## Company Information

<table>
<thead>
<tr>
<th><strong>Corporate Philosophy</strong></th>
<th>Make it more playful</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mission</strong></td>
<td>Using the Internet to deliver new possibilities</td>
</tr>
<tr>
<td><strong>Established</strong></td>
<td>January 10, 2003</td>
</tr>
<tr>
<td><strong>Share capital</strong></td>
<td>262.22 million yen</td>
</tr>
<tr>
<td><strong>Representative Director and CEO</strong></td>
<td>Kentaro Sato</td>
</tr>
<tr>
<td><strong>Head office</strong></td>
<td>Cerulean Tower, 26-1 Sakuragaoka-cho, Shibuya-ku, Tokyo</td>
</tr>
<tr>
<td><strong>Branch</strong></td>
<td>Tenjin Prime, 2-7-21 Tenjin, Chuo-ku, Fukuoka, Fukuoka Prefecture</td>
</tr>
<tr>
<td><strong>Office</strong></td>
<td>Dai-2 NT Building 3-1 Uearatacho, Kagoshima, Kagoshima Prefecture</td>
</tr>
</tbody>
</table>
| **Subsidiaries**         | GMO Creators Network, Inc.  
                          | GMO Pepabo Guardian, Inc. |
| **Number of employees**  | 468 (379 full-time employees, 89 temporary employees) |
| **(consolidated)**       | (As of June 30, 2022) |
Make it more playful

Creative activities on the Internet are changing and the range of them is expanding. In this environment, we want to continue to take on challenges to create more interesting things. That passion is implied in our corporate philosophy.

We can make innumerable things more interesting. We can create interesting services and plans. We can enable users to have interesting experiences. We can work out ways to enjoy our jobs.

We will create more interesting things and make our jobs more interesting. We will continue to evolve ourselves.
Using the Internet to deliver new possibilities

In less than 20 years since we were established in 2003, Internet technologies have seen innovative advances. The ways people express themselves online have also changed, and uses of the Internet have expanded.

One of our missions is to always explore the possibilities of the Internet and continue to provide services that stimulate the creativity of people who express themselves.

Another important mission is, we think, to enable people, companies, and other things to develop their potential and to create environments where everyone can actively participate in a wide range of fields.
History

November 2001  Starts to provide Lolipop!
January 2003   Established paperboy&co. Y.G. in Fukuoka.
March 2004     Becomes a consolidated subsidiary of GMO Internet, Inc.
May 2004       The head office moves to Tokyo.
February 2005  Starts Color Me Shop, which provides an online shop opening/creation service.
December 2008  Listed on JASDAQ (stock code: 3633)
January 2012   Starts minne, a handmade products market.
April 2014     Renamed GMO Pepabo, Inc.
April 2014     Starts SUZURI, which provides an original goods creation and sale service.
February 2019  Makes GMO Creators Network, Inc. a consolidated subsidiary.
December 2019  Listed on the Second Section of the Tokyo Stock Exchange
December 2020  Assigned to the First Section of the Tokyo Stock Exchange
April 2022     Assigned to the Section of the Tokyo Prime Market
Trends in the number of partners (employees)

Number of partners

<table>
<thead>
<tr>
<th>Year</th>
<th>Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>13</td>
</tr>
<tr>
<td>2004</td>
<td>42</td>
</tr>
<tr>
<td>2005</td>
<td>68</td>
</tr>
<tr>
<td>2006</td>
<td>86</td>
</tr>
<tr>
<td>2007</td>
<td>104</td>
</tr>
<tr>
<td>2008</td>
<td>120</td>
</tr>
<tr>
<td>2009</td>
<td>129</td>
</tr>
<tr>
<td>2010</td>
<td>152</td>
</tr>
<tr>
<td>2011</td>
<td>181</td>
</tr>
<tr>
<td>2012</td>
<td>225</td>
</tr>
<tr>
<td>2013</td>
<td>233</td>
</tr>
<tr>
<td>2014</td>
<td>240</td>
</tr>
<tr>
<td>2015</td>
<td>278</td>
</tr>
<tr>
<td>2016</td>
<td>311</td>
</tr>
<tr>
<td>2017</td>
<td>328</td>
</tr>
<tr>
<td>2018</td>
<td>350</td>
</tr>
<tr>
<td>2019</td>
<td>402</td>
</tr>
<tr>
<td>2020</td>
<td>442</td>
</tr>
<tr>
<td>2021</td>
<td>462</td>
</tr>
</tbody>
</table>

As of Dec. 31
Main Service in Hosting Business (i)

Lolipop!

One of Japan's largest rental server services

Usage fee: A monthly fee of 99 yen or more
Number of contracts: 0.42 million
Main users: Individuals and small and medium-sized corporations
(As of June 30, 2022)

Business model

Data center operator → Providing a data center → LOLIPOP! → Providing a server → User

Usage fee → ¥ → Usage fee → ¥
Main Service in Hosting Business (ii)

MuuMuu Domain

Domain name acquisition agency

Usage fee: An annual fee of 53 yen or more
Number of contracts: 1.16 million
Main users: Individuals and small and medium-sized corporations

(As of June 30, 2022)

Business model

Registrar, registry

Register a domain name

Provide a domain name

User

Commission fee

Domain fee
Main Service in E-commerce Support Business (i)

Color Me Shop

Creation of online shops

Usage fee: A monthly fee of 0 yen or more
Number of contracts: 49,277
Main users: Private stores, small and medium-sized stores
(As of June 30, 2022)

Business model

**Sale (the Company)**
- Providing a system
- System usage fee

**Sale (shop owner)**
- Product
- Paying the price

User (Shop owner)

End user
SUZURI

Creation and sale of original goods

Annual gross merchandise value: **3.2 billion yen** (2021 result)
Number of creators: **0.62 million**
Number of members: **1.22 million**

(As of June 30, 2022)

Business model

1. Registering data (Creating an item)
2. Buying a work, paying the price
3. Placing an order
4. Sending the item
5. Payment of the creator's revenue

* Revenue that the creator sets = Sales price of the work minus sales at the Company
Main Service in Handmade Products Business

**minne**
One of Japan's largest handmade products markets

- Annual gross merchandise value: **15.15 billion yen (2021 result)**
- Number of creators and brands: **0.83 million**
- Number of works: **15.31 million**
- Number of app downloads: **13.71 million**
(As of June 30, 2022)

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**Business model**

1. **Buying a work**
2. **Sending the work**
3. **Payment**

Commission fee (revenue)

Buyer ————> **minne** ————> Creator

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55
FREENANCE

Support sole proprietors' business activities by providing immediate payment (factoring) and liability insurance.

Minimum amount of invoice purchase: 10,000 yen, no upper limit
Commission rate: 3%-10% of invoice face value
Main services: Immediate payment / GMO Freelance factoring / insurance, etc.

Amount of purchases of invoices: 81.8 billion yen (2019/1Q~2022/2Q) (As of June 30, 2022)

Business model

1. Sending the invoice
2. Request for invoice purchase
3. Immediate payment
4. Payment on due date

Commission fee (revenue)

User (Freelancer) → Business partner of freelancer
Business Development (from Recurring Revenue Business to Non-Recurring Business)

Based on stable, recurring revenue in the recurring revenue business, we are expanding the scale of services by making strategic investments in non-recurring revenue services, which are strongly expected to grow.

Stable revenue base

Investment

Expansion of the scale of services

Recurring revenue business
Monthly subscription model

Non-recurring revenue business
Investment in promotion
Developing new services
Feature (Portfolio Management)

In addition to hosting, we have achieved growth in new core businesses, the E-commerce Support and Handmade Products businesses, and have established a portfolio-based management.

(100 million yen)

- Other 0.3%
- Financial Support 1.8%
- Handmade Products 16.4%
- E-commerce Support 41.0%
- Hosting 40.5%
Sustainable Activities (ESG/SDGs)

We have determined three material sustainability issues and contribute to ESG management and the SDGs through business activities.

Under the corporate philosophy of "Make it more playful," we increase the output of humans through business activities and seek to enhance corporate value and solve social issues with every stakeholder to help achieve a sustainable society.

Consideration for the global environment and conservation of it through reduction of environmental impact

Support for people from all walks of life to increase human output

Strengthening governance for sound and transparent corporate management

Please find our sustainability activities and concrete efforts on the websites below.

- Sustainability at GMO Pepabo: https://pepabo.com/sustainability/
- Sustainability data: https://pepabo.com/sustainability/data/
## Shareholder Return

### Dividends

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual dividends per share (yen)</td>
<td>65.00</td>
<td>81.00</td>
<td>68.00</td>
<td>74.00</td>
</tr>
<tr>
<td>Payout ratio (%)</td>
<td>62.4</td>
<td>50.9</td>
<td>50.3</td>
<td>50.0</td>
</tr>
</tbody>
</table>

Note: The stock split of which the effective date is April 1, 2019 is taken into consideration.

### Shareholder benefits

**Benefit 1**: **Points and coupons** that can be used for services provided by the Company, etc.

- Holding one unit (100 shares) Worth 1,500 yen
- Holding two units (200 shares) or more Worth 3,000 yen

**Benefit 2**: **Cashback** equivalent to a commission fee if a shareholder buys or sells certain securities at GMO CLICK securities

- Cashback on buying commission fees (limited to purchases of shares in the Company)
  - Holding one unit (100 shares) 1,500 yen maximum
  - Holding two units (200 shares) or more 3,000 yen maximum
- Cashback on trading commission fees
  - Holding one unit (100 shares) 1,500 yen maximum
  - Holding two units (200 shares) or more 3,000 yen maximum
Notes on the Use of This Material

• This material is intended to offer insight into our Company and is not for the purpose of soliciting investment.

• We have taken reasonable care to ensure the accuracy of this material. However, there are inherent uncertainties in forward-looking statements, and we do not guarantee them.

• We accept no liability for any effects or losses caused by relying on information in this material.

• We own all rights to this material. We ask you not to fabricate or change it without permission, regardless of method or purpose.

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ir@pepabo.com

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https://pepabo.com/ir/

Pepabo's official Twitter account
@pepabo