



GMO Pepabo, Inc.

Fiscal Year 2022 4th Quarter Results Presentation

February 6, 2023

Event Summary

[Company Name]	GMO Pepabo, Inc.	
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[Fiscal Period]	FY2022 Annual	
[Date]	February 6, 2023	
[Number of Pages]	37	
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[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Kentaro Sato	CEO and President
	Yoshito Igashima	Executive Director and CFO
[Analyst Names]*	Kazuki Tokunaga	Daiwa Securities

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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Presentation

Moderator: Thank you very much for taking time out of your busy schedule today to participate in the online financial results briefing of GMO Pepabo, Inc. for the full year ended December 31, 2022.

I would now like to introduce today's attendees.

This is Kentaro Sato, CEO and President.

Sato: Thank you for your time.

Moderator: This is Yoshito Igashima, Executive Director and CFO.

Igashima: Thank you for joining us.

Moderator: These two members are present.

Today, President Sato will provide an overview of the financial results. Then, please start.

Sato: I am President Sato. Thank you very much for taking time out of your busy schedule to join us today.

I will begin GMO Pepabo's full-year financial results briefing for the fiscal year ended December 31, 2022.

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2022年は消費動向の変化による影響でEC関連サービスが苦戦

2023年は、2022年の傾向が継続するものの
デジタルコンテンツ等の非物販ECへの挑戦や、
FREENANCEの成長が業績を牽引

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This is a summary of the current financial results.

In the fiscal year ended December 31, 2022, non-recurring businesses such as SUZURI and minne experienced sluggish growth due to changes in consumption trends associated with the reopening.

In the fiscal year ending December 31, 2023, we expect last fiscal year's difficult environment to continue, but in non-recurring business, we will take on the challenge of non-physical sales EC, such as digital content, and we believe that FREENANCE will drive our performance and achieve steady growth.

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AGENDA

- 2022年12月期 決算概況 3 ページ
- 2023年12月期 業績予想 25 ページ
- 今後の成長戦略 29 ページ

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This is today's agenda.

The latter half of the document includes reference materials, so you may refer to them when you have time.

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売上高はストック型ビジネスが堅調に推移し過去最高、前期比106.7%
営業利益はテレビCM等のプロモーション費用が増加し前期比83.5%

(百万円)	適用前	新収益 適用後		増減額	前期比
	2021年12月期	2021年12月期※	2022年12月期		
売上高	11,879	9,874	10,531	+657	106.7%
営業利益	888	876	732	△144	83.5%
営業利益率 (%)	7.5	8.9	7.0	—	—
経常利益	968	956	767	△189	80.2%
親会社株主に帰属する 当期純利益	715	703	510	△193	72.5%

※「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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First, I will talk about an overview of the financial results for the fiscal year ended December 31, 2022.

The Company has adopted the new revenue recognition standard effective for the year ended December 31, 2022. Since the impact on sales before and after the application of the new standard is significant, the figures of the previous period have been replaced by the new standard.

For the fiscal year ended December 31, 2022, net sales were JPY10,531 million, 106.7% YoY, and operating profit was JPY732 million, 83.5% YoY.

Ordinary profit and net profit attributable to owners of the parent were as stated.

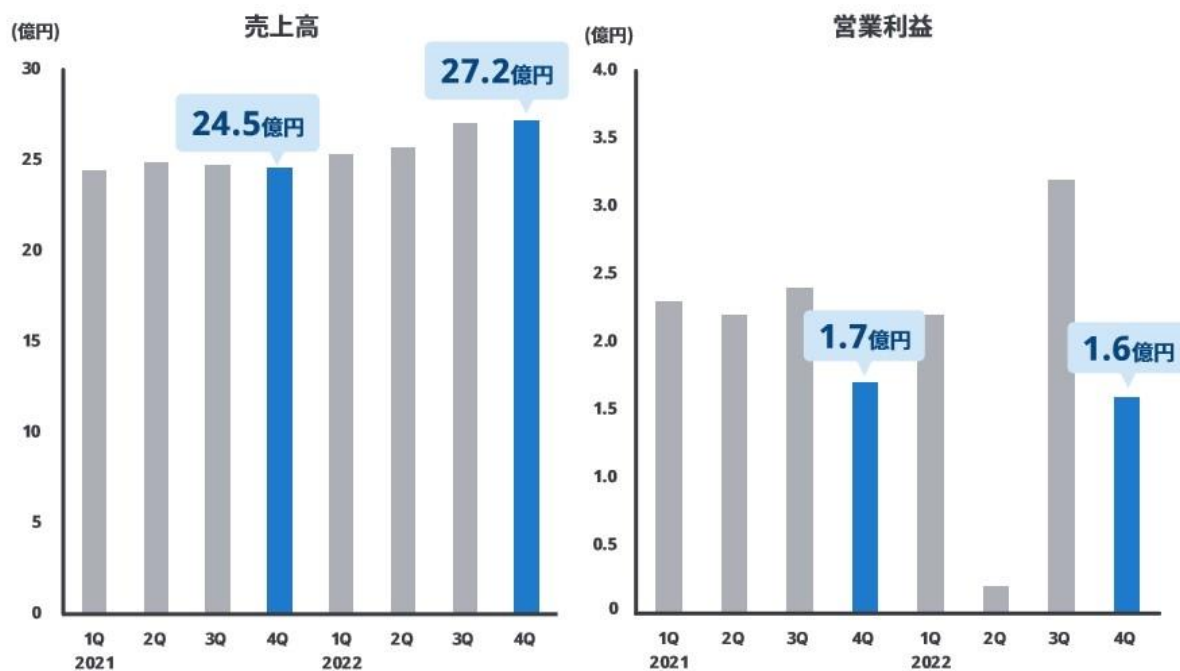
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第4四半期の売上高は過去最高を更新



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Quarterly sales reached a record high of JPY2.72 billion in Q4 of 2022.

Operating profit was JPY160 million, unchanged from the same period last fiscal year.

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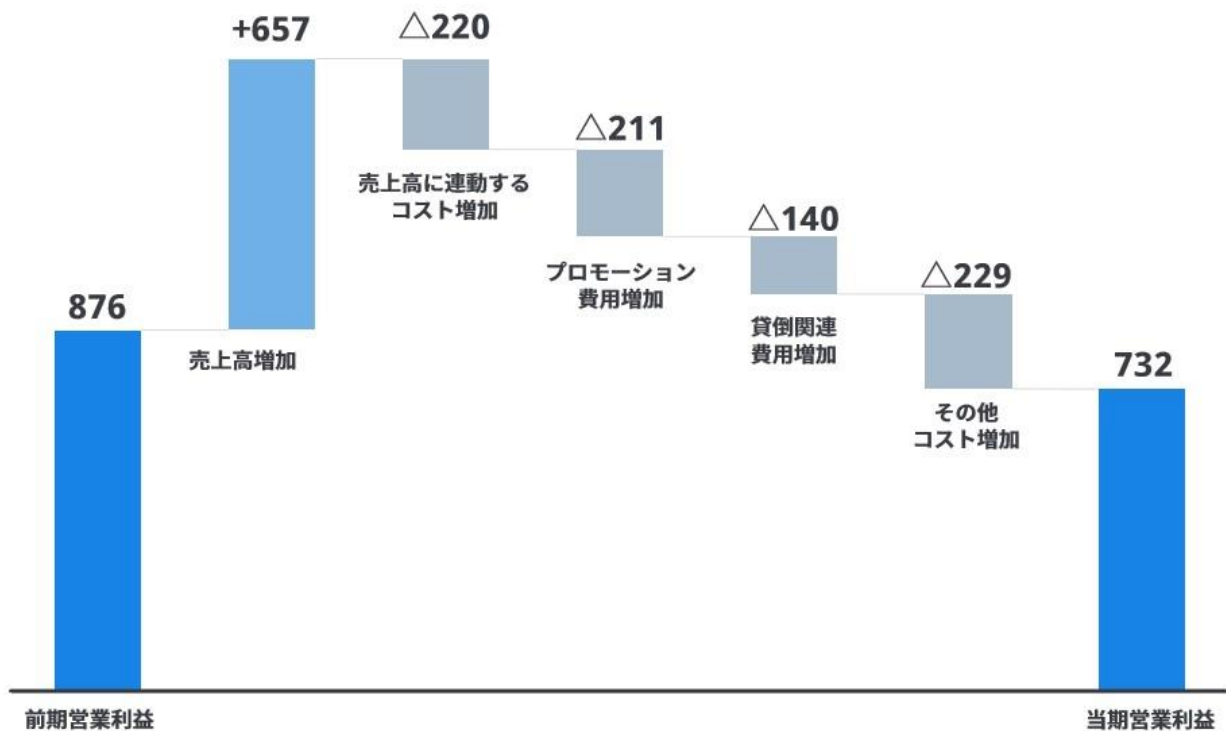
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営業利益増減分析

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(単位：百万円)



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6

Operating profit decreased by JPY144 million to JPY732 million in the current period from JPY876 million in the previous period.

Although net sales increased, profit decreased due to higher promotional expenses, including TV commercials.

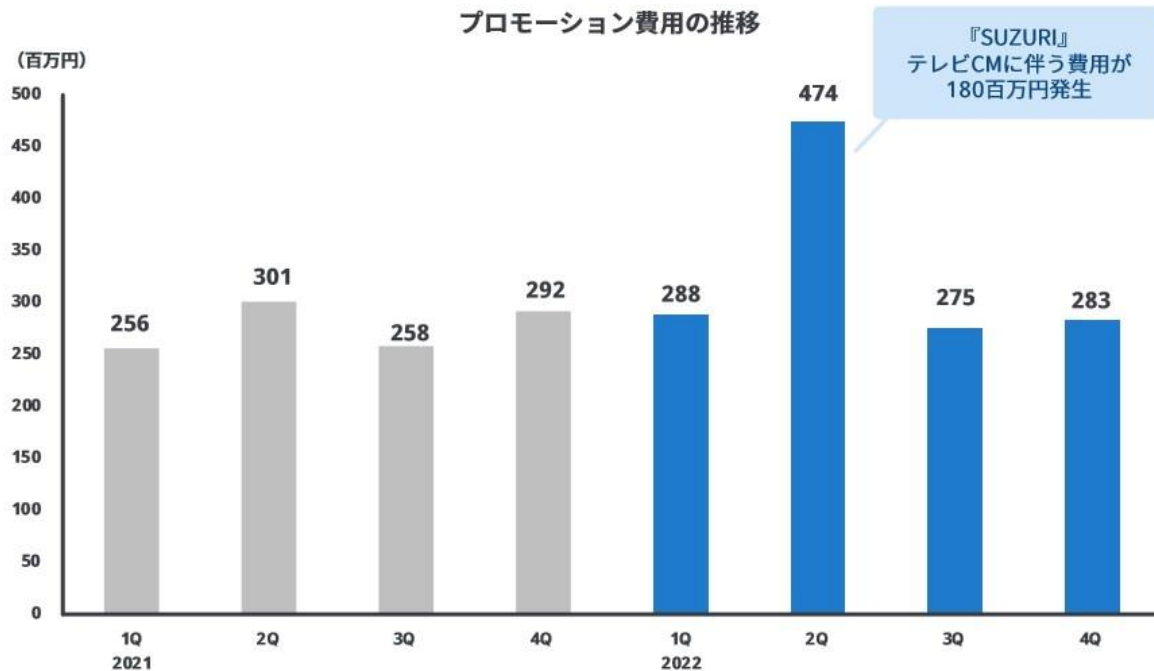
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SUZURI テレビCMの実施に伴いプロモーション費用が前期比で増加



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This table shows the changes in promotional expenses on a quarterly basis.

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価格改定の効果や高単価ドメインの販売により好調に推移	
ホスティング	売上高： 5,153 百万円 （ 108.3 % ） 営業利益： 1,729 百万円 （ 118.5 % ）
カラーミーショップは前年並みで推移、SUZURIが想定を下回る	
EC支援	売上高： 3,130 百万円 （ 97.8 % ） 営業利益： 823 百万円 （ 73.5 % ）
消費動向の変化により流通額が軟調、インフラ等のコストが増加	
ハンドメイド	売上高： 1,650 百万円 （ 98.8 % ） 営業利益： 82 百万円 （ 36.5 % ）
請求書買取額が急拡大し増収、営業利益も大幅に改善	
金融支援	売上高： 593 百万円 （ 280.6 % ） 営業利益： △ 26 百万円 （ 113 百万円増 ）

※()内は前期比

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8

This shows segment performance.

The hosting business performed well, benefiting from price revisions.

On the other hand, distribution of SUZURI fell short of expectations in the EC support business, and in the handmade business, distribution was flat, and infrastructure and other costs were increased.

As for the financial assistance business, the amount of invoice purchase expanded, and operating profit improved significantly.

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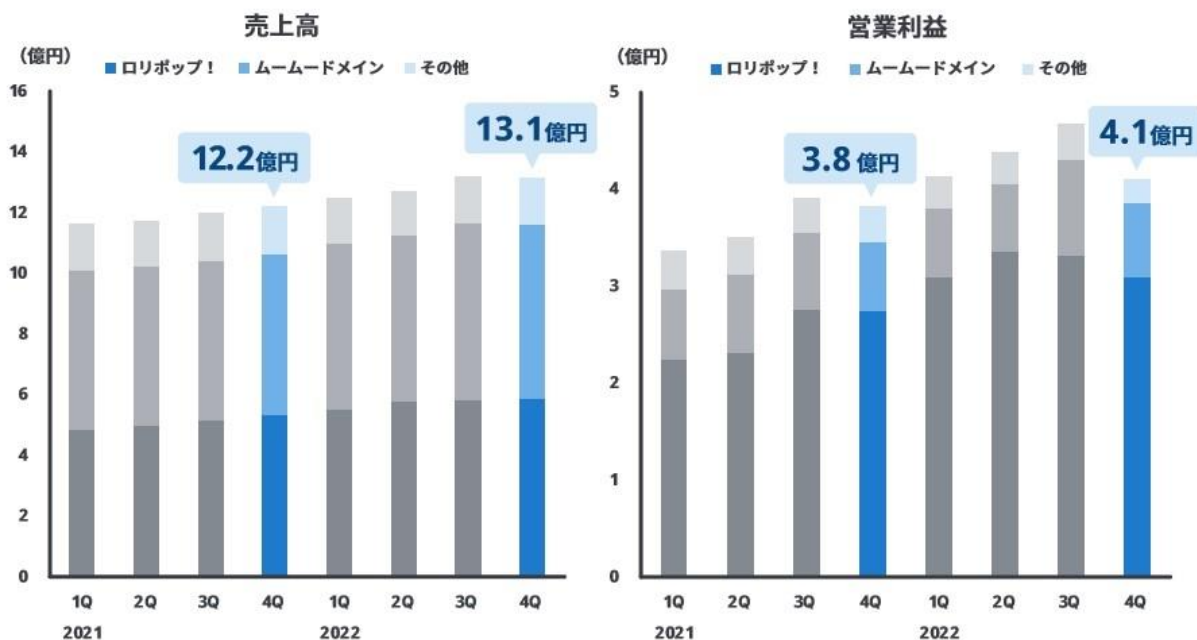
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累計期間

売上高： 5,153百万円 (前期比 108.3%)

営業利益： 1,729百万円 (前期比 118.5%)



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I will now explain each segment separately. We have made the comparison with the previous fiscal year by segment after replacing the previous figures with the new standards.

First is the hosting business.

Net sales were JPY5,153 million, 108.3% YoY, and operating profit was JPY1,729 million, 118.5% YoY.

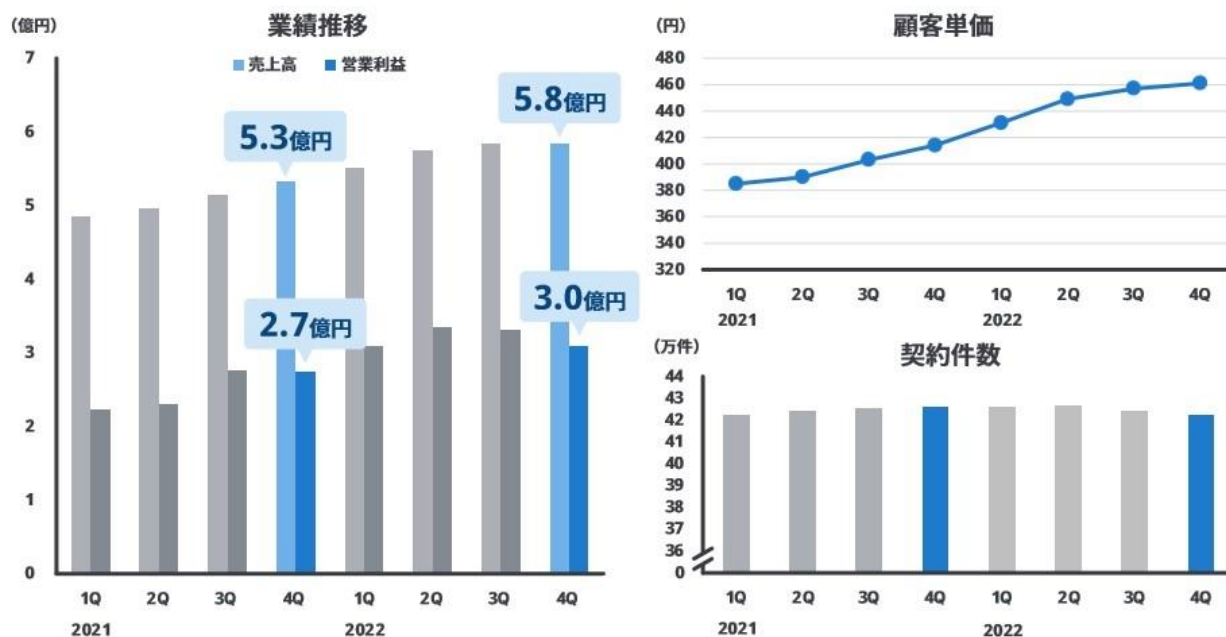
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累計期間	売上高：	2,295百万円	(前期比 113.2%)
	営業利益：	1,284百万円	(前期比 127.3%)



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Rental server service Lolipop! posted net sales of JPY2,295 million and an operating profit of JPY1,284 million.

Unit customer spend increased from the previous fiscal year due to the effect of price revisions implemented in 2021 and the acquisition of contracts for higher plans through simultaneous subscriptions for domains and other services.

While the number of subscriptions increased for the higher-end plans, cancellations occurred for the lower-end plans, resulting in a slight decrease in the overall number of subscriptions.

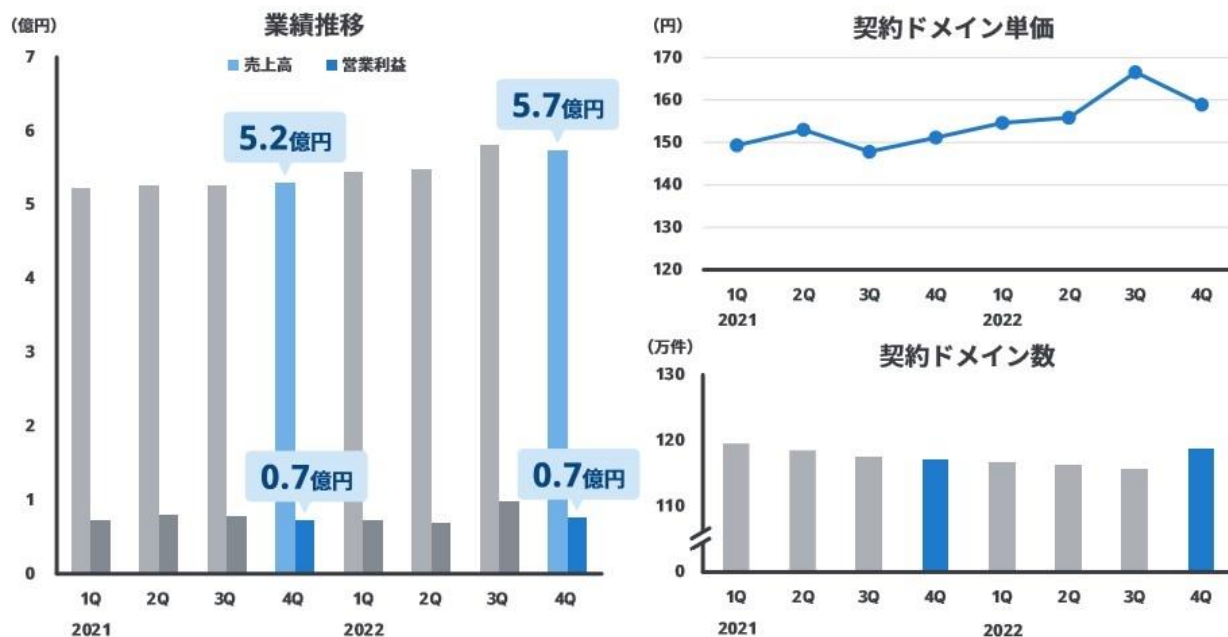
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累計期間 売上高： **2,247百万円** (前期比 **106.8%**)
営業利益： **315百万円** (前期比 **104.1%**)



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Next is MuuMuu Domain, a domain name acquisition service.

MuuMuu Domain posted sales of JPY2,247 million and an operating profit of JPY315 million.

Unit customer spend temporarily increased significantly due to the sales of high-value domains that occurred in Q3 but has since returned to normal levels.

The number of domain name subscriptions increased due to discounts for new acquisitions and various campaigns.

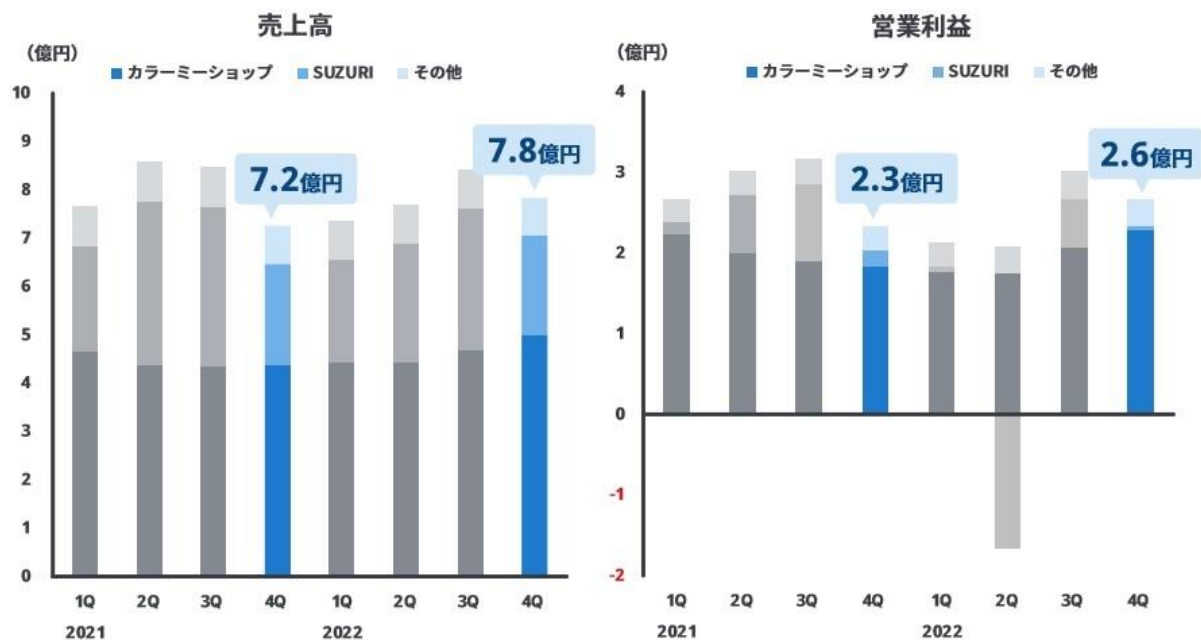
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累計期間	売上高：	3,130百万円	(前期比 97.8%)
	営業利益：	823百万円	(前期比 73.5%)



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Next is the EC support business.

Net sales were JPY3,130 million, 97.8% YoY, and operating profit was JPY823 million, 73.5% YoY.

While Color Me Shop was on par with the previous fiscal year, SUZURI's distribution value was lower than expected, resulting in a YoY decline in both sales and profits.

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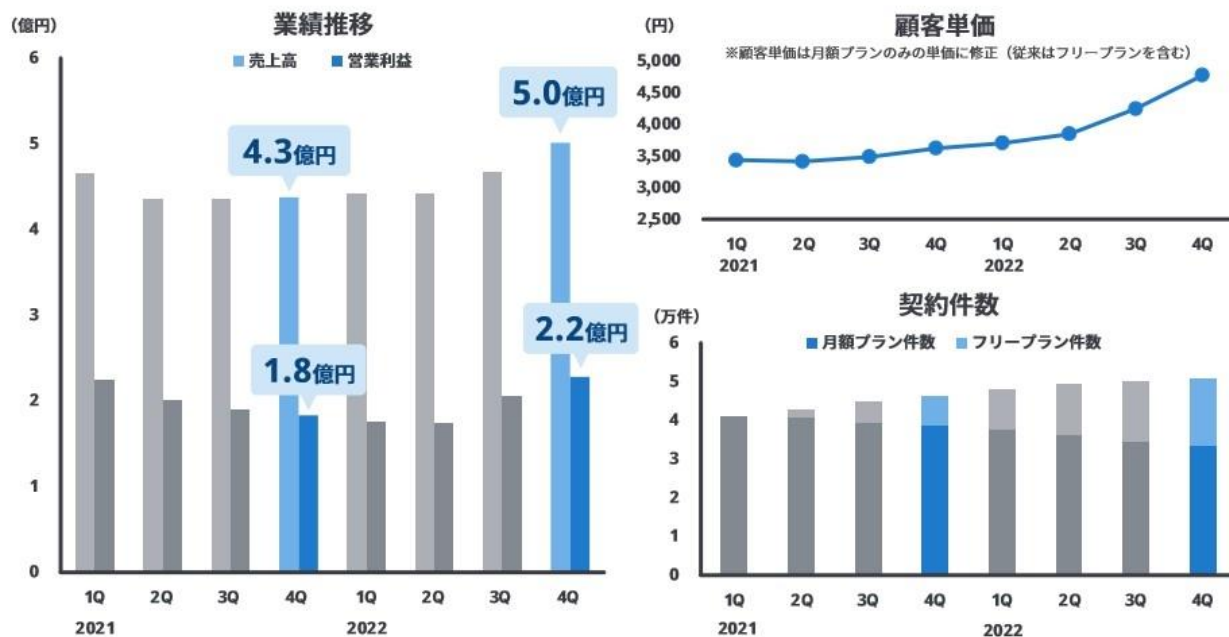
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累計期間

売上高： **1,853百万円** (前期比 **104.4%**)
 営業利益： **786百万円** (前期比 **98.6%**)



15

The online store creation service Color Me Shop posted sales of JPY1,853 million and an operating profit of JPY786 million.

Although net sales increased, operating expenses increased due to the costs of holding the Color Me Shop Awards ceremony and enhancing infrastructure, resulting in a decrease in profit.

While cancellations of plans with low unit sales per customer increased, the number of contracts for plans with higher unit sales per customer is on the rise. In addition, unit prices continue to rise, reflecting the effects of the price revisions implemented in April.

The number of subscriptions continues to increase for free plans, while the number of monthly plans continues to decline.

The decrease in the number of subscriptions to monthly plans has calmed down somewhat, as approximately one year has passed since the price revision and the Company has strategically strengthened the lead-in to monthly plans.

We have also started offering a premium plan for stores with large monthly sales.

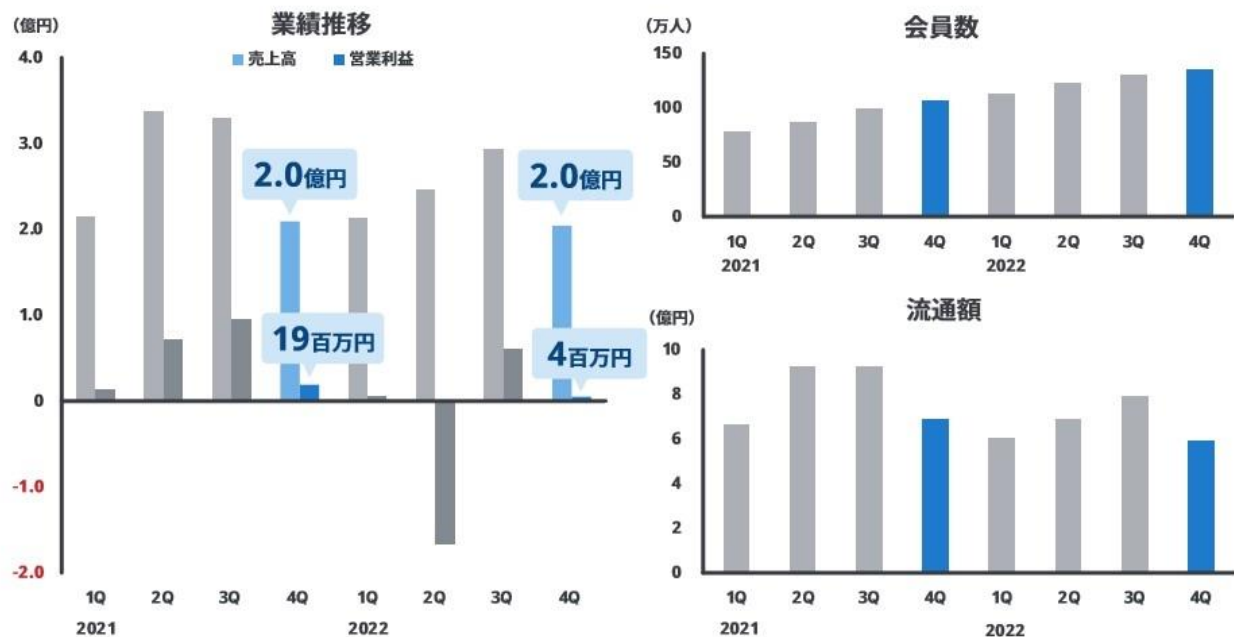
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累計期間

売上高： **958百万円** (前期比 **87.6%**)
 営業利益： **△95百万円** (前期比 **295百万円減**)



16

Next is SUZURI, an original goods creation and sales service.

SUZURI posted sales of JPY958 million and an operating profit of minus JPY95 million.

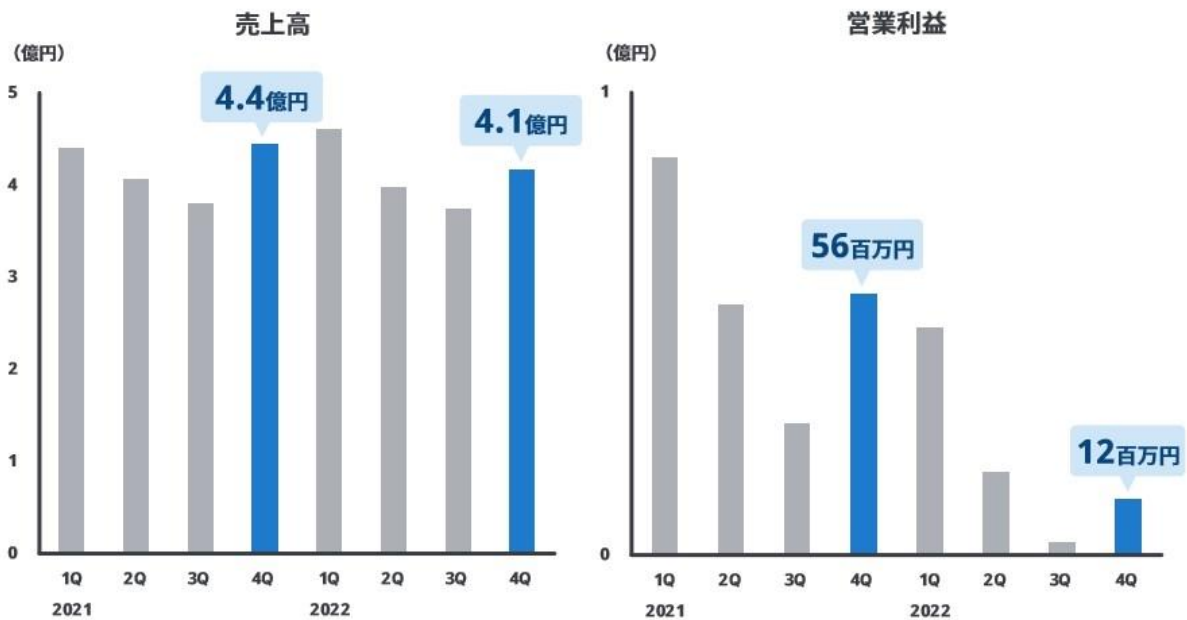
SUZURI implemented a TV commercial in Q2 with the aim of expanding its distribution value, but it did not attract as many visitors as expected, and the loss was recorded because the promotional costs were not fully compensated.

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累計期間	売上高：	1,650百万円	(前期比 98.8%)
	営業利益：	82百万円	(前期比 36.5%)



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Next is minne, a handmade business.

minne's sales were JPY1,650 million, 98.8% YoY, and operating profit was JPY82 million, 36.5% YoY.

Furniture, including antique vintage, which we newly started handling this fiscal year, and the fashion category, which has a large transaction volume, outperformed the previous fiscal year.

However, in response to changes in consumption trends, distribution declined in H2 of 2022, particularly in the tableware and accessories categories, and the overall distribution value of minne fell below the previous fiscal year's level.

In addition, we also aggressively launched discount campaigns to make up for those delays, and promotional expenses increased as a result.

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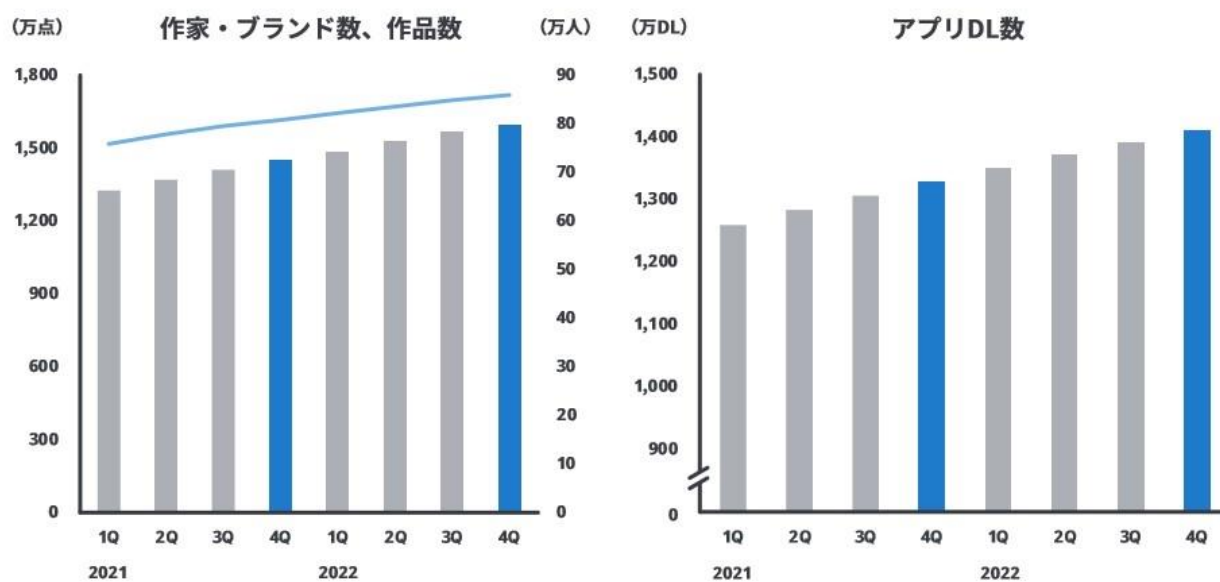
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作家・ブランド数：	85万人	(前期末比 106.4%)
作品数：	1,596万点	(前期末比 109.8%)
アプリDL数：	1,411万DL	(前期末比 106.2%)



19

This is the KPI for minne.

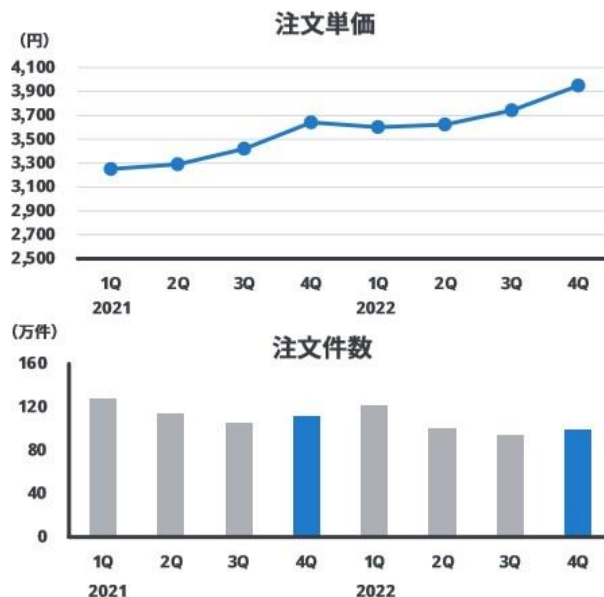
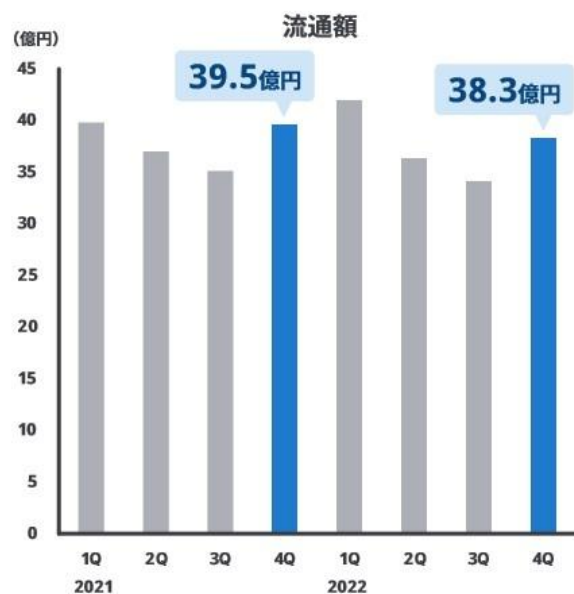
The number of authors and brands reached 850,000, the number of works 15.96 million, and the number of app DLs 14.11 million.

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累計期間	流通額：	150.7億円	(前期比 99.5%)
	注文単価：	3,721円	(前期比 109.4%)
	注文件数：	416.2万件	(前期比 90.6%)



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

20

In 2022, the distribution value was JPY15 billion, unchanged from the previous fiscal year due to changes in consumption trends.

Although the number of orders decreased, the unit price per order increased.

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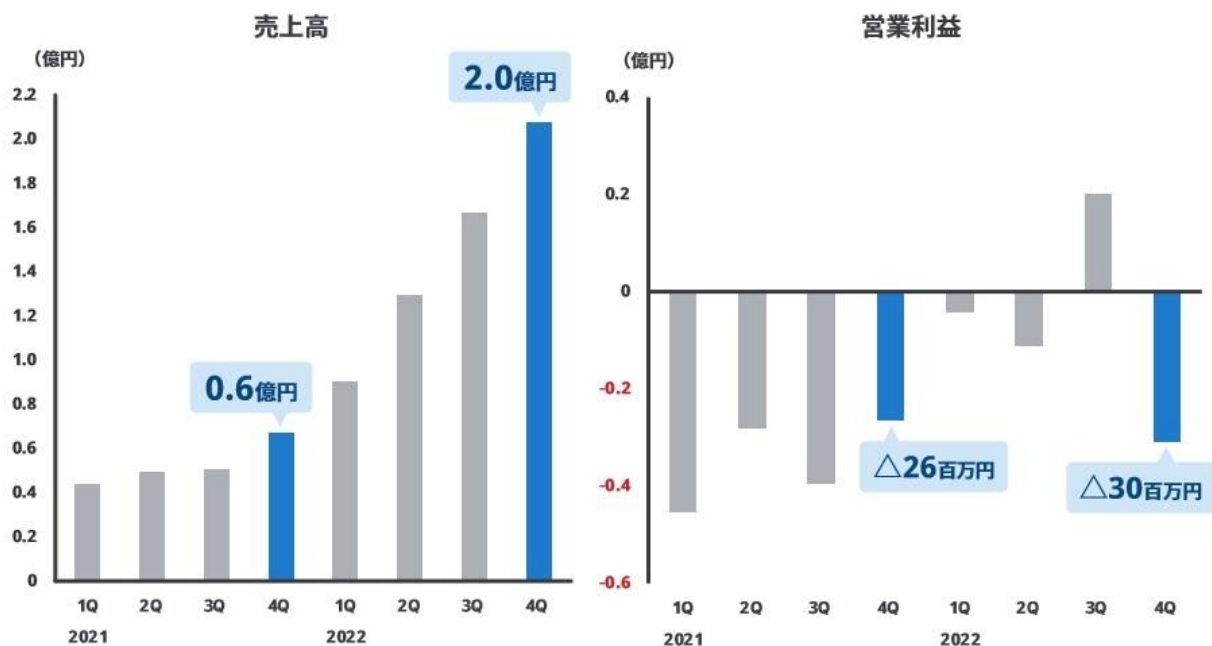
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累計期間

売上高： **593百万円** (前期比 **280.6%**)
 営業利益： **△26百万円** (前期比 **113百万円増**)



22

Next is the financial assistance business.

Net sales totaled JPY593 million, a significant growth of 280.6% YoY.

Operating profit showed a significant improvement in loss compared to the previous fiscal year, despite an increase in the allowance for doubtful accounts due to the occurrence of more delinquent receivables than expected in Q4.

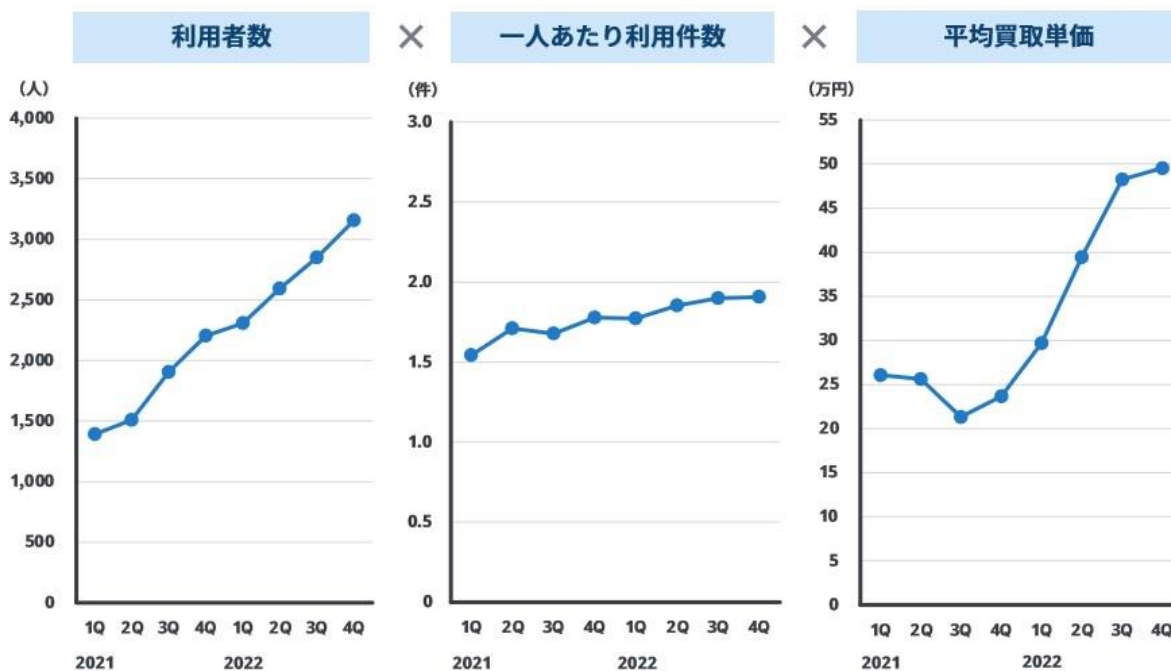
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II



23

As for FREENANCE's KPIs, the number of users is steadily increasing.

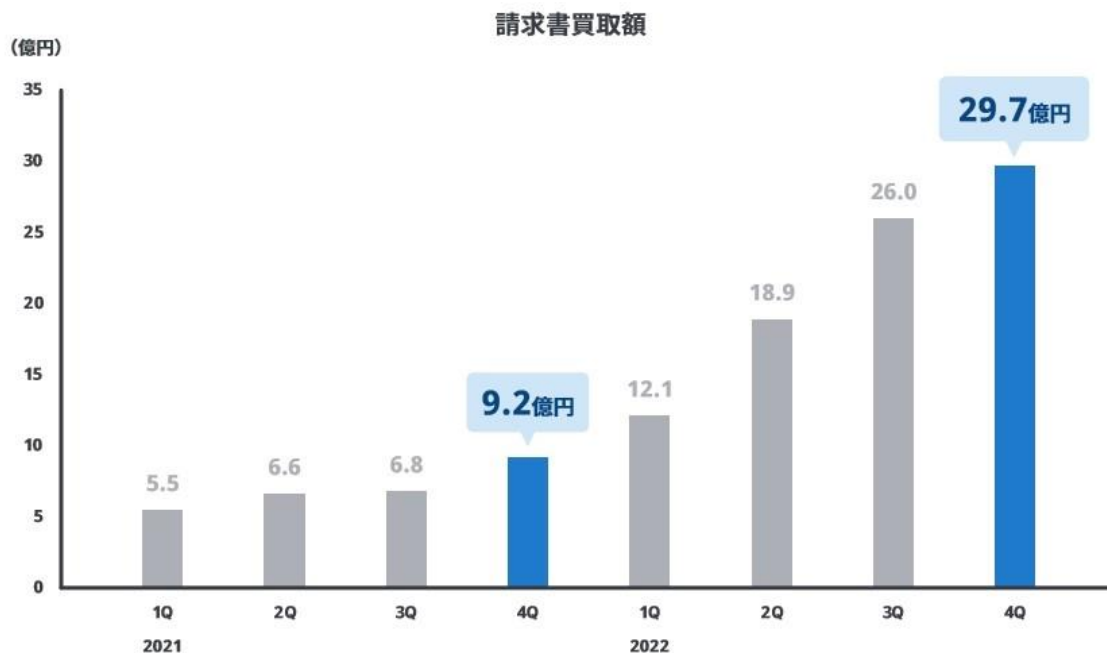
The number of transactions with existing partners has increased, and their credibility has grown, leading to an upward trend in the number of transactions and unit prices used in three-way transactions.

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利用者数が継続的に増加し、請求書買取額は過去最高を更新



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The amount of invoice purchases continues to rise steadily as the number of users increases, especially transporters.

In 2022, the invoice purchase amount was JPY2.97 billion, a significant increase YoY.

That's all for the explanation by segment.

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通期の業績予想

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売上高は前期比105.1%の110.6億円、営業利益は前期比117.1%の8.5億円
1株当たり配当額は55円を計画

(百万円)	2022年 通期実績 ①	2023年 通期予想 ③	増減額 ②-①	(%) 前期比 ②/①
売上高	10,531	11,064	+533	105.1
営業利益	732	857	+124	117.1
経常利益	767	830	+63	108.3
親会社株主に帰属する 当期純利益	510	573	+63	112.4
EPS (円)	96.37	108.64	—	—
1株当たり 配当額 (円)	50.00	55.00	—	—
配当性向 (%)	51.9	50.6	—	—

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Next, I will explain our forecast for the fiscal year ending December 31, 2023.

For the fiscal year ending December 31, 2023, we plan net sales of JPY11,064 million, 105.1% YoY, and an operating profit of JPY857 million, 117.1% YoY.

Both ordinary profit and net profit are projected to increase to JPY830 million and JPY573 million, respectively.

There will be no change in our dividend policy of a payout ratio of 50% or more in 2023.

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通期の業績予想(セグメント別)

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(百万円)	2022年 通期実績 ①	2023年 通期予想 ②	増減額 ②-①	(%) 前期比 ②/①
【売上高】				
ホスティング	5,439	5,659	+220	104.0
EC支援	2,844	2,654	△189	93.3
ハンドメイド	1,650	1,630	△19	98.8
金融支援	593	1,116	+522	187.9
【営業利益】				
ホスティング	1,891	1,933	+42	102.2
EC支援	661	709	+47	107.2
ハンドメイド	82	74	△7	91.0
金融支援	△26	251	+277	—

※本社費等は除く

※2023年1月よりホームページ制作サービスGoopeをEC支援事業からホスティング事業へ移管しました。期間比較を容易にするため2022年通期実績もGoopeをホスティング事業に含めて表記しています。

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As for plans by segment, Goope, a website production service, was transferred from the EC support business to the hosting business in January 2023. Therefore, the figures for 2022 have been revised, and we have compared the revised ones to the plans for 2023.

As you can see, both sales and profits are planned to be driven by FREENANCE, the financial assistance business, in 2023. We believe that the e-commerce support business and the handmade business will continue to be affected by changes in consumption trends in 2023. Therefore, we are planning for lower sales than in the previous fiscal year.

The hosting business, for which we announced price revisions, will also exceed the previous fiscal year, but we are cautious about the impact of price increases due to soaring energy prices. Having failed to achieve the plan for two fiscal years, we are conscious of steadily meeting the plan we have established for this fiscal year.

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エネルギー価格の高騰による電気料金の値上げや製造工程における原価等のコスト上昇に加え、コロナ禍以降の消費動向の変化や外出抑制の解除によるEC物販への影響を想定

ホスティング	ロリポップ	<ul style="list-style-type: none"> 電気料金やサーバー調達費用の高騰を吸収するための価格改定 有力アフィリエイトサイトを活用した契約件数の獲得 ホームページ制作プランやWP有料テーマ販売など法人/アフィリエイト向け販促強化
	ムームードメイン	<ul style="list-style-type: none"> ドメイン各種契約におけるサービス維持調整費の導入 複数ドメインのバンドル販売やドメインAPI提供拡大による大口・法人需要の獲得強化 価値の高い中古ドメイン販売によるドメイン二次流通の強化
EC支援	カラーミーショップ	<ul style="list-style-type: none"> プレミアムプランの提供開始と契約獲得 Amazon Payや決済プラン変更による店舗の利便性向上 食品ECを始めとした成長カテゴリへの注力
	SUZURI	<ul style="list-style-type: none"> Amazon PayなどID決済導入による購入率の向上 定期的なアイテム追加による登録会員数の獲得 デジタルコンテンツの取り扱い開始(2月下旬)、越境販売の強化
ハンドメイド	minne	<ul style="list-style-type: none"> minneカレッジ創立によるクリエイターの販売支援 デジタルコンテンツの取り扱い開始 内部広告の運用開始
金融支援	FREENANCE	<ul style="list-style-type: none"> 有料会員プランの契約獲得 API連携の業種拡大 月額プラン3者間取引拡大による請求書買取額の増加

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These are the main measures for each segment service.

First, as an assumption for our 2023 forecast, we expect that the impact of changes in consumption trends will continue to affect EC-related services, as it did in 2022.

In addition, with the sharp rise in prices of resources and energy, we expect costs to increase due to higher electricity rates, server procurement costs, and other price hikes.

Next, I'll talk about the measures for each service.

Hosting businesses Lolipop! and MuuMuu Domain have announced price revisions to cope with cost increases, which have been implemented from February.

In our EC support business Color Me Shop, we have started offering a premium plan for stores with monthly sales of JPY2 million or more, and we will work to acquire new contracts.

In the handmade business, we expect to continue to be affected by changes in consumption trends, so we will work to expand our field by handling digital content for non-physical sales EC and operating minne college, as well as by introducing internal advertisement.

In the financial support business, we aim to increase the amount of invoices purchased through the full-scale operation of fee-based plans and expansion of API linkage to more industries.

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創業20周年を機に、2013年に定めた
「インターネットで可能性をつなげる、ひろげる」
という企業ミッションを変更いたします。

新ミッション

「人類のアウトプットを増やす」

私たちが提供するプロダクトによって、表現や情報発信のハードルを下げ、文学や芸術などの表現、あらゆる情報発信、商品や作品の売買、といったアウトプットを世界中に増やします。

私たち自身がアウトプットの総量を上げ、環境整備・しかけ作りに、意欲的に取り組み、ユーザーのみなさまと共に進化し拡大していきます。

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Next, I will discuss our medium- to long-term growth strategy.

This year marks the 20th anniversary of our company. On the occasion of our 20th anniversary, we changed our corporate mission, which was established in 2013. The new mission is to "Increase the output of humanity."

The services and products we have provided have lowered the bar for expressers, connecting and expanding their possibilities through the Internet. We will continue to increase the output of humanity with the desire to remove barriers in expressive activities and to work ambitiously to generate more output.

We will continue to challenge ourselves to expand the total volume of our output by providing the best products to our users.

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定常収益が主要なサービスをストック型ビジネス、取引規模に応じた収益が主要なサービスをフロー型ビジネスとし、各サービスでの事業成長を目指す。

主要ビジネス	サービス名	セグメント
フロー型 ビジネス	minne	ハンドメイド事業
	FREENANCE	金融支援事業
	SUZURI	EC支援事業
ストック型 ビジネス	カラーミーショップ	
	ロリポップ	ホスティング事業
	ムームードメイン	



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This is based on the image of medium- to long-term business growth.

First, "Lollipop," "MuuMuu Domain," and "Color Me Shop," which are expected to generate stable and continuous revenue, are positioned as recurring revenue businesses.

We have also positioned "minne," "SUZURI," and "FREENCE," whose revenues fluctuate according to the volume of transactions, as non-recurring businesses.

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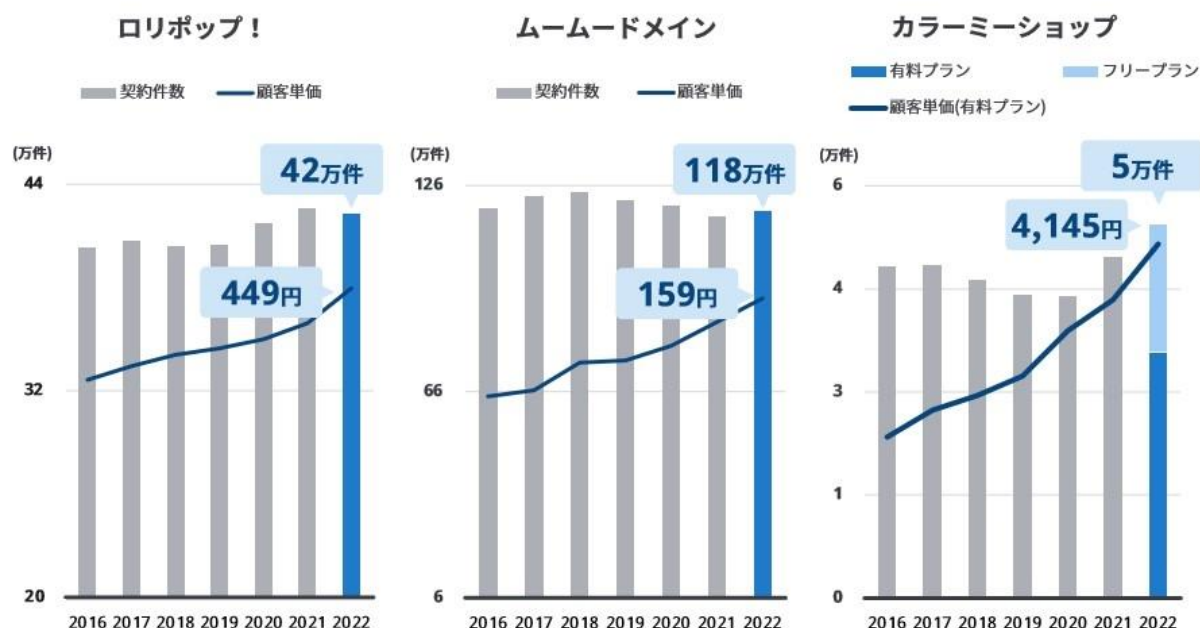
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We aim to achieve business growth in each of these businesses.

ストック型ビジネス

GMOペパボ

ロリポップ、ムームードメイン、カラーミーショップが中心となるストック型ビジネスでは、契約件数と顧客単価が順調に拡大し、安定した収益基盤に成長



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Looking at KPI trends in the recurring revenue business, the number of contracts has fluctuated slightly, but the unit price per customer has grown steadily for all three services.

In order to build a stronger revenue base, we believe that the key will continue to be acquiring more contracts and increasing the unit price per customer.

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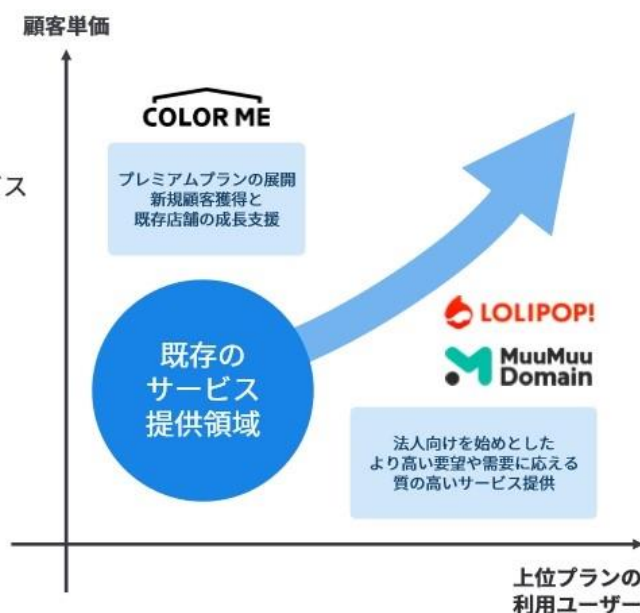
ストック型ビジネスでは、より安定的で高い収益の獲得を目指すため
優良な顧客となる上位層の獲得や、法人向けの施策展開による契約増加を目指す。

ロリポップ/ムームードメイン

- アフィリエイトを活用した契約獲得
- 高品質かつビジネス利用を目的としたサービス
- 手軽にかつ、汎用性の高いサービス提供

カラーミーショップ

- 既存店舗の規模拡大に合わせたプラン提供
- 月商200万円以上の店舗向け機能の提供
- ECアドバイザーによる店舗サポート



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In Lolipop! and MuuMuu Domain's service area, we recognize that the server domain market is in a difficult environment, not only because of cost increases due to soaring resource and energy prices, but also because of the flat growth rate of the server domain market.

On the other hand, we see the 2B market for small- and medium-size businesses and large accounts as still having room for growth. We hope to attract new customers by providing high quality services that can support customer attraction and business efficiency in the digital area, starting with servers and domains.

As for Color Me Shop, we believe that it is necessary to create a stable and high distribution amid the sluggish growth of the overall e-commerce market. Therefore, we have started offering a premium plan to strengthen support for upper-tier stores with multiple stores and to generate stable revenue.

In addition to expanding functions to meet the needs of larger stores, we will support the further growth of larger stores by providing support by EC advisors.

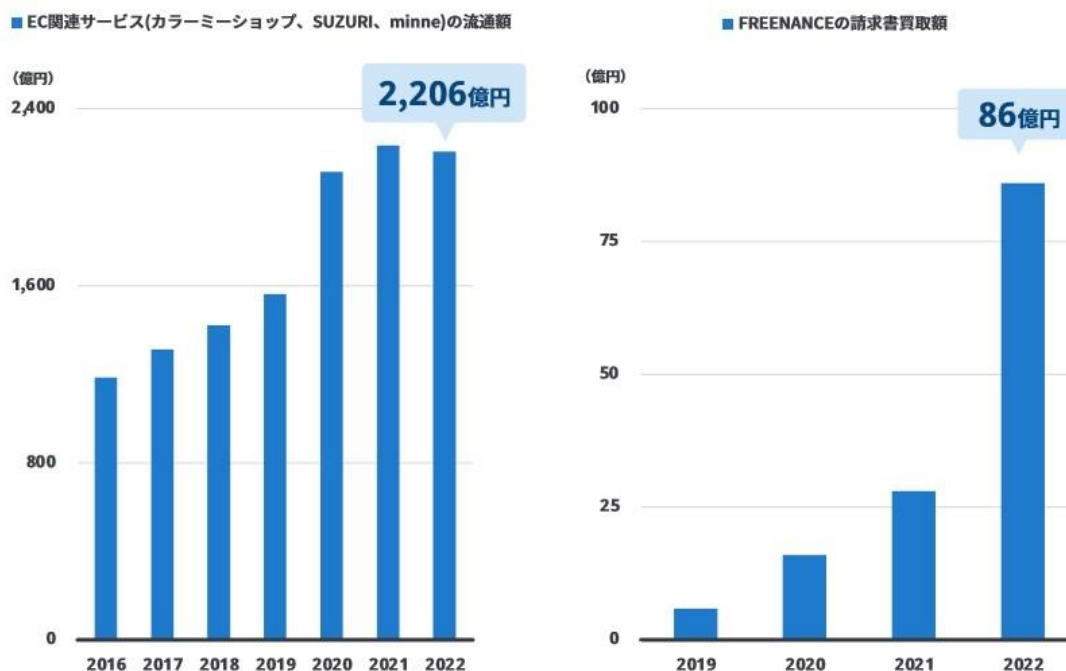
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EC関連サービス(カラーミーショップ、SUZURI、minne)のGMVはコロナ禍で2,000億円以上に成長、FREENANCEの請求書買取額が2022年は急拡大



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The combined distribution value of Color Me Shop, SUZURI, and minne EC-related services has been growing to over JPY200 billion since 2020 due to the rapid expansion of the COVID-19.

Since the situation has changed from 2019 or earlier in terms of the growth and size of the market, we see the acquisition of customers that generate new areas and larger distribution as becoming more important for flow-based businesses.

FREENANCE has an annual invoice purchase volume of JPY8.6 billion in 2022, 307% YoY.

We have received many requests for API integration not only from the transportation industry, but also from other industries and companies, and we expect to grow at a rate of over JPY10 billion in annual invoice purchases as we continue to expand our service offerings.

We have also begun introducing monthly plans that will generate recurring revenue, and we aim to further expand sales.

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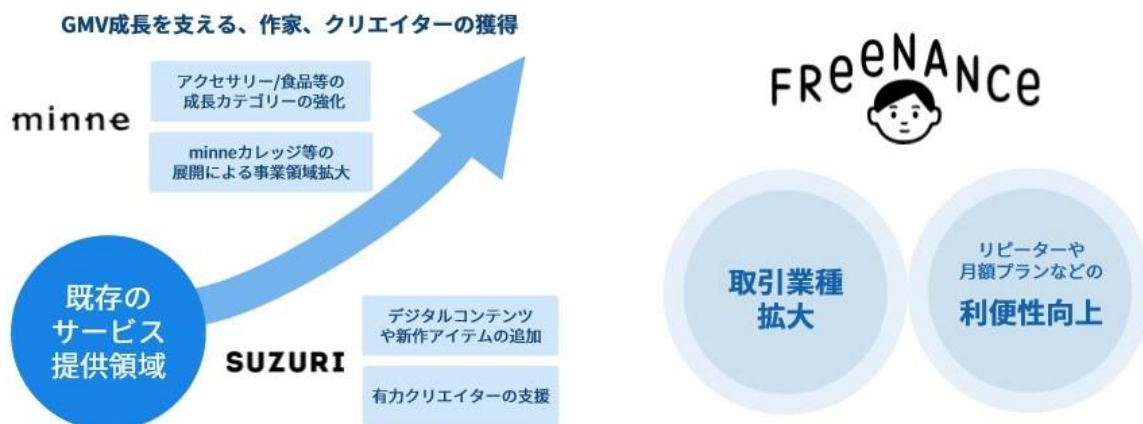
フロー型ビジネスの新領域展開やカテゴリ強化による作家、クリエイターの獲得とGMVや請求書買取規模の拡大による事業成長

SUZURI、minneのGMV成長の拡大

- ・アクセサリや食品など好調カテゴリの強化
- ・minneカレッジ、デジタルコンテンツの展開
- ・越境対応の促進

FREENANCE請求書買取金額の拡大

- ・利用率の高い業種のユーザー獲得に注力
- ・ともだち企業の新規契約強化
- ・月額プランや保険プランの強化による顧客獲得



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In the non-recurring business, minne, in addition to strengthening growth categories centered on food, we will handle digital content and develop minne college.

minne college is a business school that provides handmade-related online lesson videos and curriculum for artists who want to make their craftsmanship into a career. We have also accepted the participation of tester students, which has also been very well received.

SUZURI will start selling digital content, such as illustrations, music, and videos, in late February.

minne and SUZURI will continue to take on the challenge of expanding into new areas, including digital content, in addition to EC for product sales, with the aim of attracting creators who will generate greater distribution.

FREENANCE has seen steady growth in the amount of invoices purchased, and in addition to working to expand the types of businesses and strengthen repeat business, we are also looking to create new pillars of growth, including the development of monthly plans.

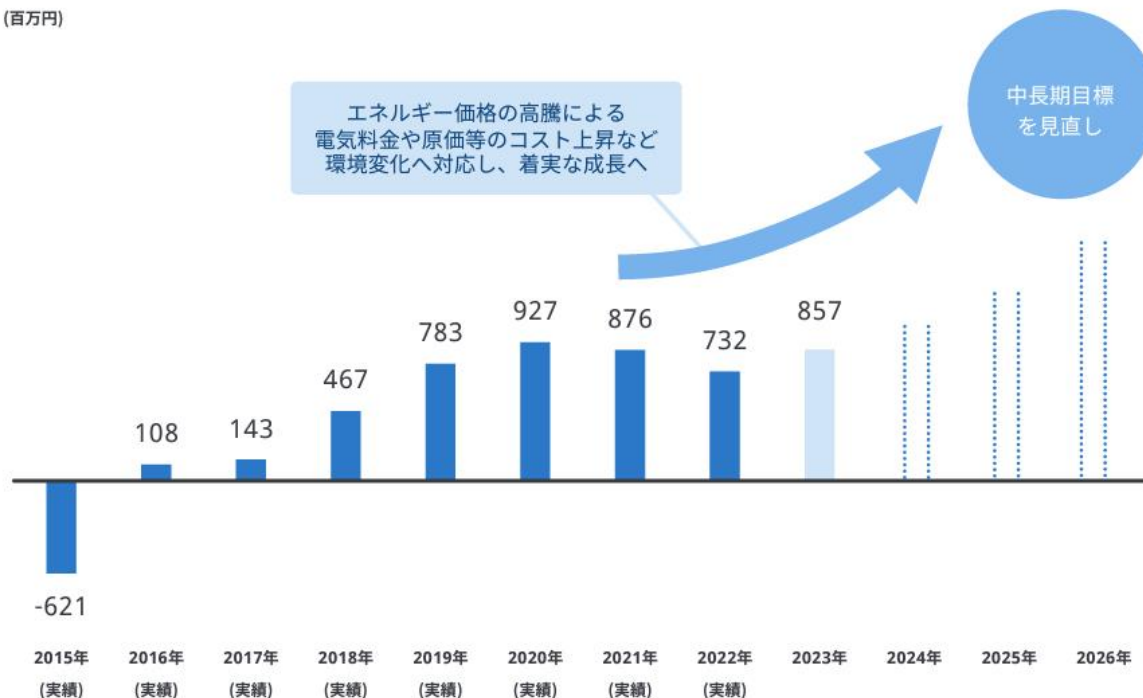
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2015年のminne積極投資以降は、業績が順調に成長し収益拡大を実現
今後のエネルギー価格の高騰など環境変化への対応を鑑み、中長期目標を見直し

(百万円)



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Next is medium- to long-term profit targets.

Since the investment in minne in 2015, we have achieved steady profit growth, but in the past two years, the slowdown in the EC market and other factors have made it difficult to generate profits.

We would like to revise our mid- to long-term goals for 2025, which we announced last year, in accordance with the current business environment. We will review our medium- and long-term plans to get back on a growth trajectory and will make another announcement at a later date.

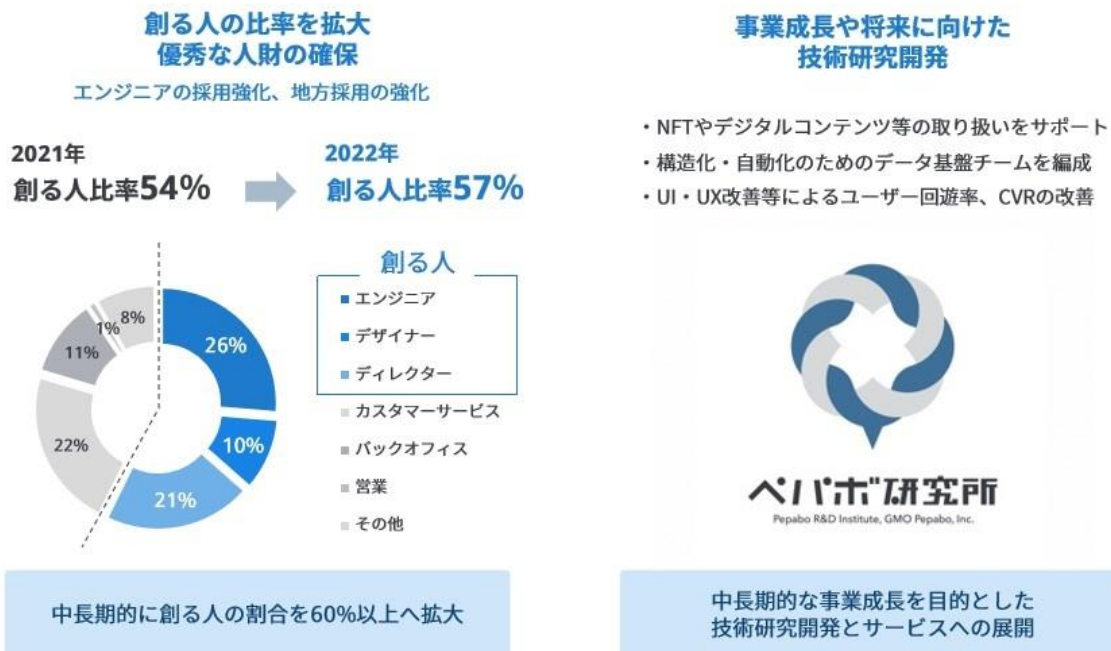
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人類のアウトプットを増やし、持続的な成長をするため
創る人(エンジニア等)の比率を拡大し、事業成長に向けた技術研究、開発を実施



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Finally, I would like to explain human capital and technological activities that are key to increasing corporate value.

In terms of human capital, the ratio of creators, including engineers, designers, and directors, reached 57% of the workforce between 2021 and 2022, an increase of 3 percentage points. In the mid to long term, we will raise the ratio of creators to more than 60% and strengthen our development capabilities.

In addition, Pepabo R&D Institute, which conducts technological research and development, is committed to creating technologies that can differentiate our business to support medium- and long-term business growth.

Last year, we focused on machine learning and natural language processing to improve the efficiency of matching sellers and buyers in the e-commerce field and to improve CVR by improving UI/UX. We will continue to increase the output of humankind through these efforts and aim to sustainably enhance our corporate value.

That is all for my explanation. Thank you very much.

Moderator: This concludes our presentation on the summary of financial results for the current fiscal year. Thank you very much.

Question & Answer

Moderator [M]: We will now move on to the question-and-answer session. Please ask your question after you mention your name and your company name.

First, Mr. Tokunaga from Daiwa Securities, please ask your questions.

Tokunaga [Q]: I am Tokunaga from Daiwa Securities. Thank you for your presentation. I have three questions.

The first question is about the hosting business. You mentioned the price revisions in February and the adjustment fee in domains. How have these revisions been incorporated into the plan of the current fiscal year?

You also talked about the impact of inflation and other factors, and I would like to know about the impact of these factors.

Thank you.

Moderator [M]: Thank you, Mr. Tokunaga from Daiwa Securities, for your question.

Now, President, please answer.

Sato [A]: Yes, thank you for your question.

In terms of the price revisions this fiscal year, I would first like to explain the impact of inflation. As for domains, of course, there is the effect of inflation, but there is also the effect of the weak yen on purchase prices.

Also, as far as the server business is concerned, energy prices have skyrocketed. For example, there has been an increase in the price of electricity at the data center, and the data center itself has been affected by price increases, which has had a significant impact on costs.

We have received a request for a price increase of approximately 10% to 20% above the normal level. We have revised our domain and server business prices to reflect the cost increase and pass on the impact on to our customers.

As for the impact on the current fiscal year, we expect that the price revision itself will not yet lead to an increase in profit, so we expect that we will have gradually equal gain and loss.

For your first question, I think that is all I have to say.

Tokunaga [Q]: Thank you.

I wonder if the reason why hosting profits were weak a little over Q4 is because this was already a straightforward effect of the cost increase, and this will gradually recover over the course of this fiscal year.

Sato [A]: Regarding hosting, there was a large impact from a temporary increase in sales in Q3 due to the presence of expensive domains, and I think that has disappeared and things have settled down in Q4.

Tokunaga [Q]: Thank you. I will move on to the second question.

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I believe that the EC support business is planning a decrease in revenue for the current fiscal year. On the other hand, the Q4 results for Color Me show that the top line has grown significantly, and I think that the premium plans, such as the high-end plan, have been successful.

Based on this, I would like to ask you to explain why you are planning a decrease in sales for the EC market for this fiscal year.

This is my second question.

Sato [A]: First of all, in the EC business, Color Me and SUZURI are the two major businesses.

As you mentioned, Color Me has been affected by price revisions and the impact of higher-end plans, so we are considering an increase in revenue.

With regard to SUZURI, I am still very conservative about this market environment, or rather, the decline in trading in this general C2C-like area.

I can't confirm this right now, but is there a possibility that Goope has been affected? That's not in there. If so, then yes, it is the influence of SUZURI. A large part of the factor is attributable to SUZURI.

Tokunaga [Q]: So, is it correct to say that Color Me Shop will continue to benefit from this strong trend line and price revisions this fiscal year and that sales will continue to increase?

Sato [A]: Well, we have not yet formulated a plan that is as strong as it could be, since we are also factoring in sales and marketing costs for the new premium plan that we are launching.

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

As for the third question, please tell me about the financial support business this fiscal year. First, you mentioned there was an allowance in Q4. Do you mean that the increase in losses in Q4 is also attributable to that allowance?

I think you will see a very strong increase in profits this fiscal year and beyond. How will FREENANCE turn around from a loss in Q4 and generate substantial profits?

That is all.

Sato [A]: In the past, we spent a lot on promotion costs when we first started FREENANCE, but now, we are seeing an increase not only in factoring between two companies, but also between three companies.

We are working with the platforms of our business partners and other industry leaders, and we expect a large increase in the number of users from these platforms. First of all, that is now the situation that is driving performance.

Our assumption is that the number of acquisitions among the three companies will increase in the current FY2023. We will grow the business without spending so much on costs so that we have a plan to achieve growth that will drive our business performance in the current fiscal year as well.

Do you have something to talk about allowance in Q4, Mr. Igashima?

Igashima [A]: Yes, I am Igashima.

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In Q4, we have conservatively set aside an allowance for doubtful accounts due to the sudden occurrence of bad debts, or rather, loans that are of concern.

However, we were able to collect this amount in January of this year, so we believe that it will not continue.

That is all.

Tokunaga [Q]: Thank you. If so, are you talking about some kind of reversal in Q1 of this year or something like that?

Igashima [A]: Yes. However, since there may be some loans of concern occurring in January, February, and March, at this point, as of January 1, a reversal profit will be generated, but it is still uncertain whether a reversal profit will be generated for the entire Q1.

Tokunaga [Q]: What is the rough scale of this allowance in Q4? This question means if you are profitable in Q4 from an organic viewpoint.

Igashima [A]: Well, at the moment, we are planning to generate operating profit in Q4, but I cannot tell you how much it will be. We are planning to generate an operating surplus in Q1.

Tokunaga [M]: Thank you very much. That is all.

Moderator [M]: Thank you very much, Mr. Tokunaga.

There is still some time left, but since there seem to be no other questions, we will end the question-and-answer session.

This concludes GMO Pepabo's full-year online financial results briefing for the fiscal year ended December 31, 2022. Thank you very much for your participation today.

Sato [M]: Thank you very much.

Igashima [M]: Thank you very much.

[END]

Document Notes

1. Portions of the document where the audio is unclear are marked with [Inaudible].
2. Portions of the document where the audio is obscured by technical difficulty are marked with [TD].
3. Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.
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