



## **GMO Pepabo, Inc.**

Fiscal Year 2023 1st Quarter Results Presentation

May 8, 2023

## Event Summary

---

<b>[Company Name]</b>	GMO Pepabo, Inc.	
<b>[Company ID]</b>	3633-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Fiscal Year 2023 1st Quarter Results Presentation	
<b>[Fiscal Period]</b>	FY2023 Q1	
<b>[Date]</b>	May 8, 2023	
<b>[Number of Pages]</b>	41	
<b>[Time]</b>	16:30 – 17:15 (Total: 45 minutes, Presentation: 20 minutes, Q&A: 25 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	2	
	Kentaro Sato	CEO and President
	Yoshito Igashima	Executive Director and CFO
<b>[Analyst Names]*</b>	Kazuki Tokunaga	Daiwa Securities

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

---

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptsasia.com



## Presentation

---

**Moderator:** Thank you very much for joining the financial results briefing of GMO Pepabo, Inc. for Q1 of the fiscal year ending December 31, 2023.

I would now like to introduce today's speakers.

Kentaro Sato, Representative Director and CEO.

**Sato:** Thank you.

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

**Igashima:** Thank you.

**Moderator:** These are our two speakers.

Today, Sato will provide an overview of our financial results. Let's begin.

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

We will begin the presentation of the financial results of GMO Pepabo for Q1 of the fiscal year ending December 31, 2023.

---

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## 前年同期比で増収、減益

- FREENANCEの請求書買取額が拡大したものの、大口債権の滞留が発生
- ストック型ビジネスは価格改定効果により堅調

## AIを活用した機能の提供開始

- 数年以内に「AIが当たり前」の時代になることを見据え、サービスへのAI適用に注力
- ロリポップ!ではWebサイトのコード生成と1クリックでのアップロード機能を提供
- カラーミーショップ、SUZURI、minneでは商品紹介文やSNS投稿文の自動生成を提供
- GMOレンシュでは習い事・チーム向け集金連絡サービス初の機能を提供

1

This is a summary of the financial results.

In Q1 of the fiscal year ending December 31, 2023, the growth of the financial support business and the solid performance of the recurring-type business resulted in higher revenues, but profits declined due to an increase in the bad debt-related expenses of the financial support business.

In addition, we have long been actively engaged in research into AI and other technologies. We believe that AI technology, including ChatGPT, which has begun to develop rapidly in the world, will offer great opportunities for us in the future. I myself am hopeful that the same sort of momentum that Web 2.0 had will return, and I hope to accelerate the growth of our business by rapidly developing, turning it into services in the future.

I will go into more concrete detail later.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

 **SCRIPTS**  
Asia's Meetings, Globally



## AGENDA

- 2023年12月期1Q 決算概況 3 ページ
- 2023年12月期業績進捗 28 ページ
- AI技術への迅速な対応 33 ページ

GMOペパボ



Here is today's agenda.

The second half of the report also includes reference materials, so please have a look at them when you have time.

---

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support [support@scriptsasia.com](mailto:support@scriptsasia.com)

 **SCRIPTS**  
Asia's Meetings, Globally

売上高は過去最高を更新し前年同期比**107.9%**

営業利益は大口債権の滞留発生により貸倒関連費用を計上し前年同期比**16.0%**

経常利益は投資有価証券評価益を計上したことにより前年同期比**44.0%**

(百万円)	2022年12月期 (1Q)	2023年12月期 (1Q)	増減額	前年同期比
売上高	<b>2,535</b>	<b>2,735</b>	<b>+199</b>	<b>107.9%</b>
営業利益	<b>225</b>	<b>36</b>	<b>△189</b>	<b>16.0%</b>
営業利益率 (%)	<b>8.9</b>	<b>1.3</b>	—	—
経常利益	<b>237</b>	<b>104</b>	<b>△133</b>	<b>44.0%</b>
親会社株主に帰属する 四半期純利益	<b>170</b>	<b>41</b>	<b>△128</b>	<b>24.3%</b>

4

I will begin with an overview of the financial results for Q1 of the fiscal year ending December 31, 2023.

Net sales for Q1 of FY2023 were JPY2,735 million, or 107.9%, YoY.

Operating profit was JPY36 million, or 16%, YoY.

Ordinary profit was JPY104 million, 44%, due to the recording of a gain on valuation of investment securities.

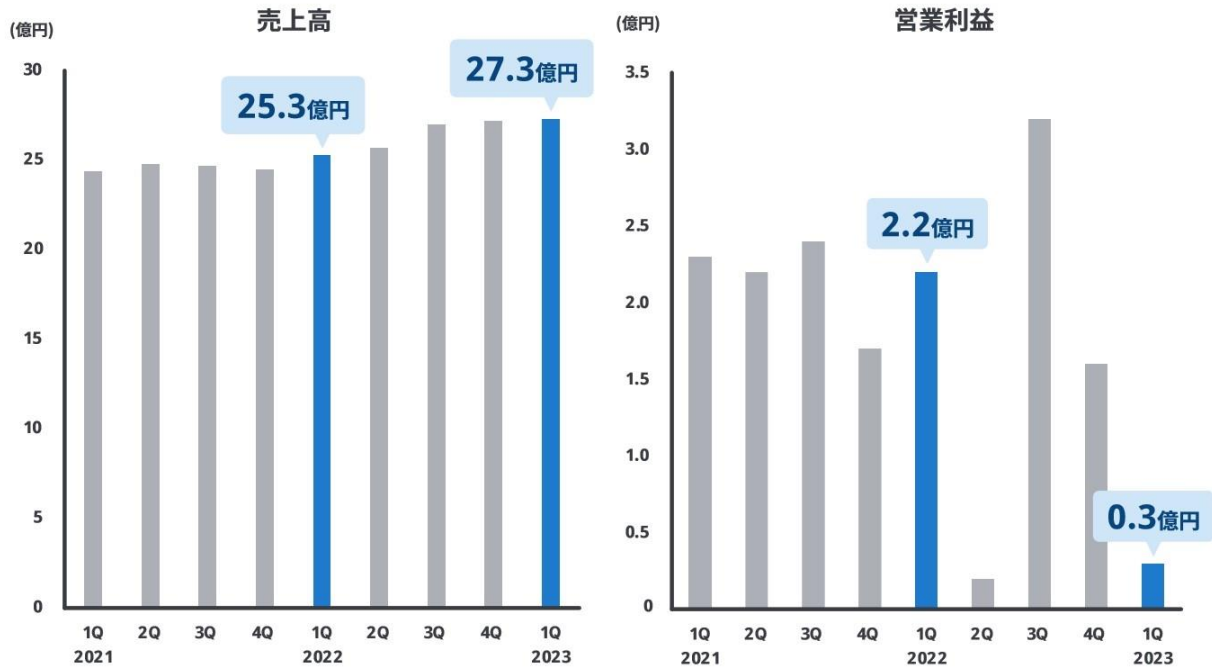
#### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

 **SCRIPTS**  
Asia's Meetings, Globally

売上高は過去最高を更新



※2021年12月期に係る各数値については、「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）等を適用した後の未監査の数値となっております。

Quarterly net sales trends show that Q1 of 2023 reached a record high of JPY2.73 billion.

On the other hand, operating profit declined significantly. The factors behind the decrease are presented starting on the next slide.

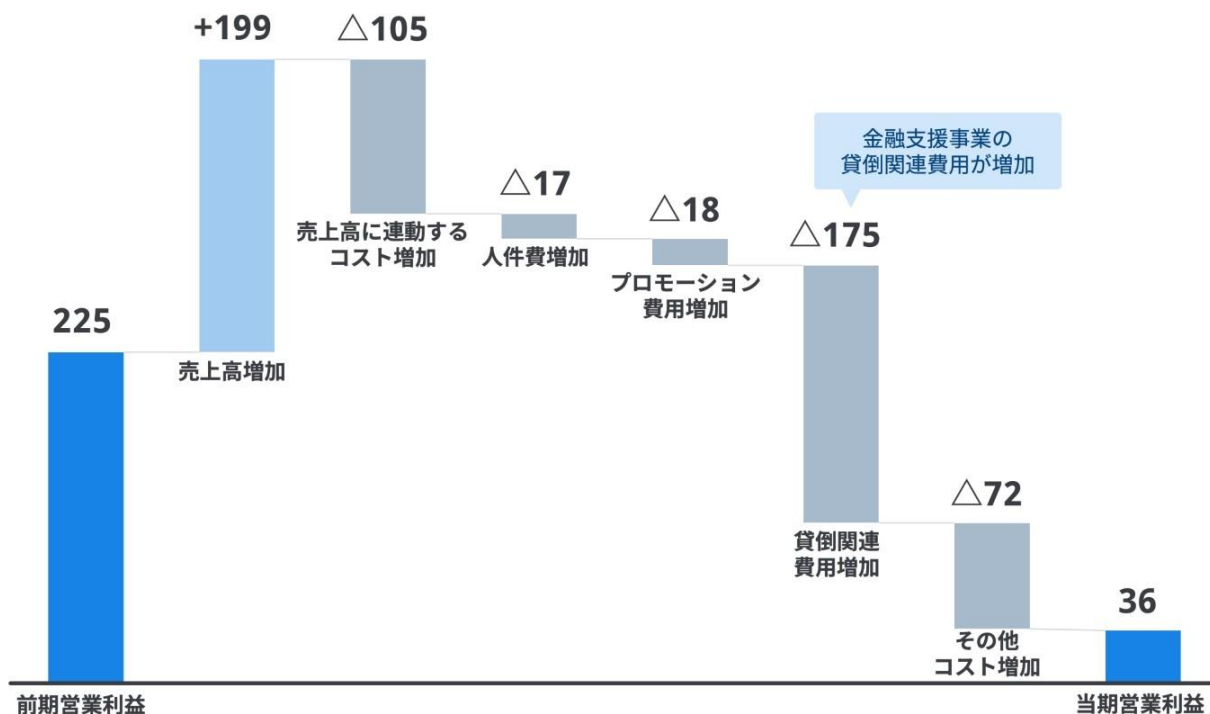
Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

## 営業利益増減分析

(単位：百万円)



6

Operating profit decreased by JPY189 million to JPY36 million in the current period, compared to JPY225 million in the previous period.

Profits decreased due to an increase in bad debt-related expenses as a result of the delinquencies' large receivables in the financial support business.

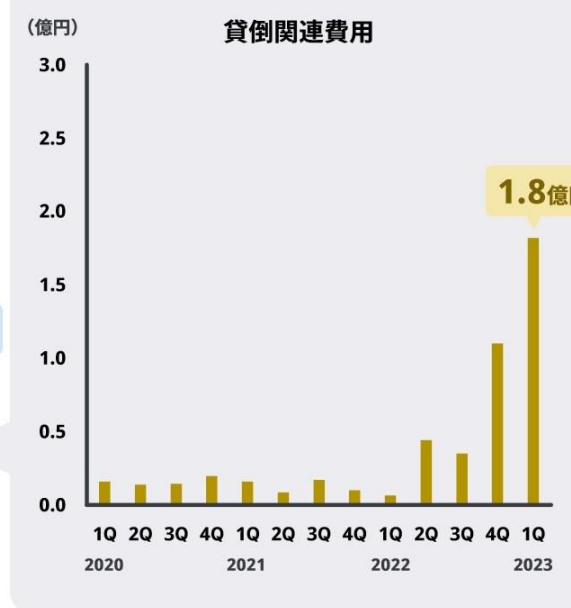
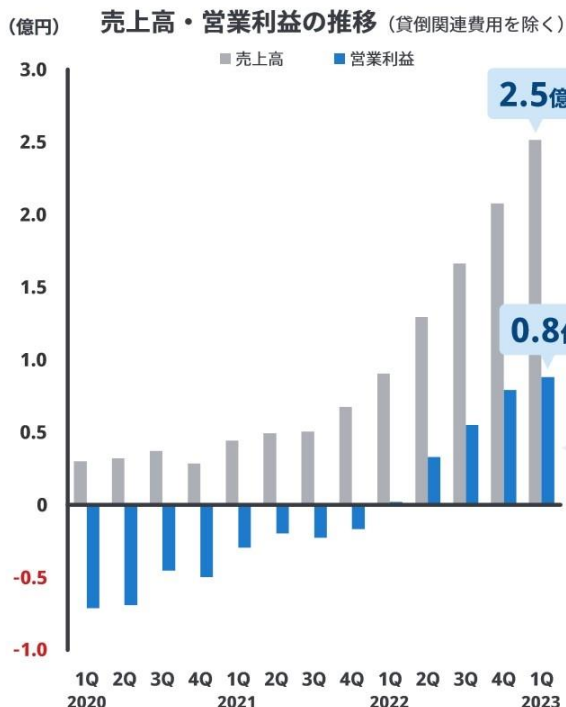
### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



貸倒引当金等の関連費用を除く営業利益は拡大傾向



7

I will now explain the talk about the financial support business, which had a significant impact on profits.

The graph on the left shows the change in net sales and operating profit, excluding bad debt-related expenses, for the financial support business. The graph on the right shows the bad debt-related expenses.

The bad debt-related expenses of the financial support business increased further from Q4 of the previous period to JPY180 million in Q1 of 2023.

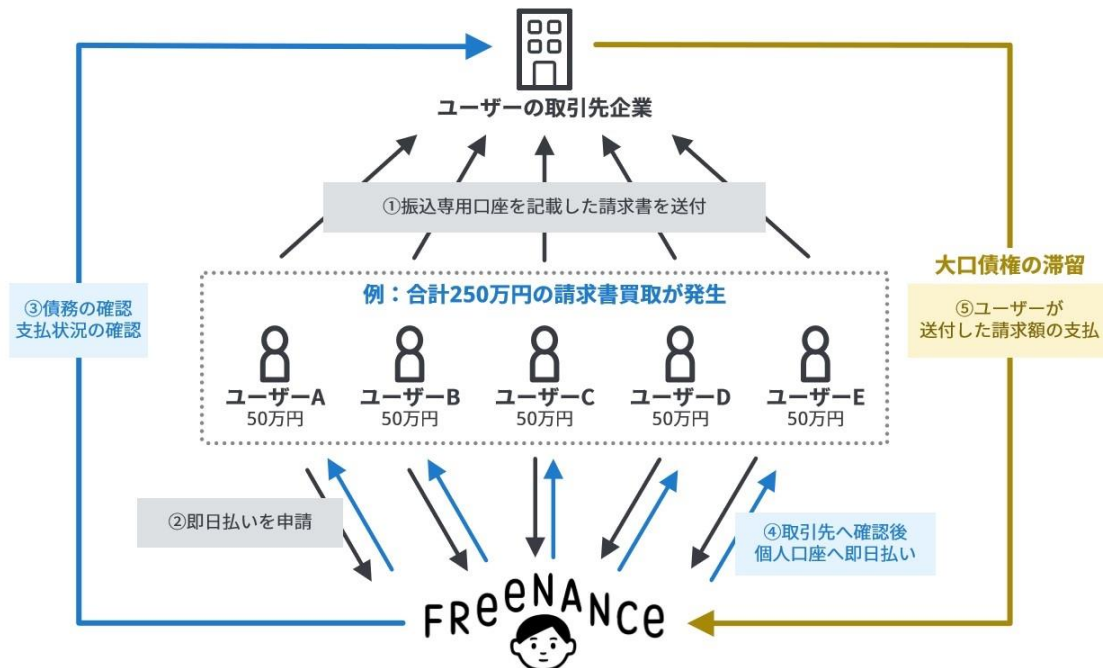
On the other hand, operating profit, excluding bad debt-related expenses, grew steadily, as did net sales, to JPY80 million.

Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

**FREENANCE×ユーザー（※）×取引先企業の3者間で行われる取引において、同一企業が発行した請求書買取額が増加**



※ユーザー：主にフリーランス・個人事業主、小規模事業者

8

We previously reported that the financial support business has been expanding the scale of its tri-party transactions, but I would like to again give an overview of these transactions.

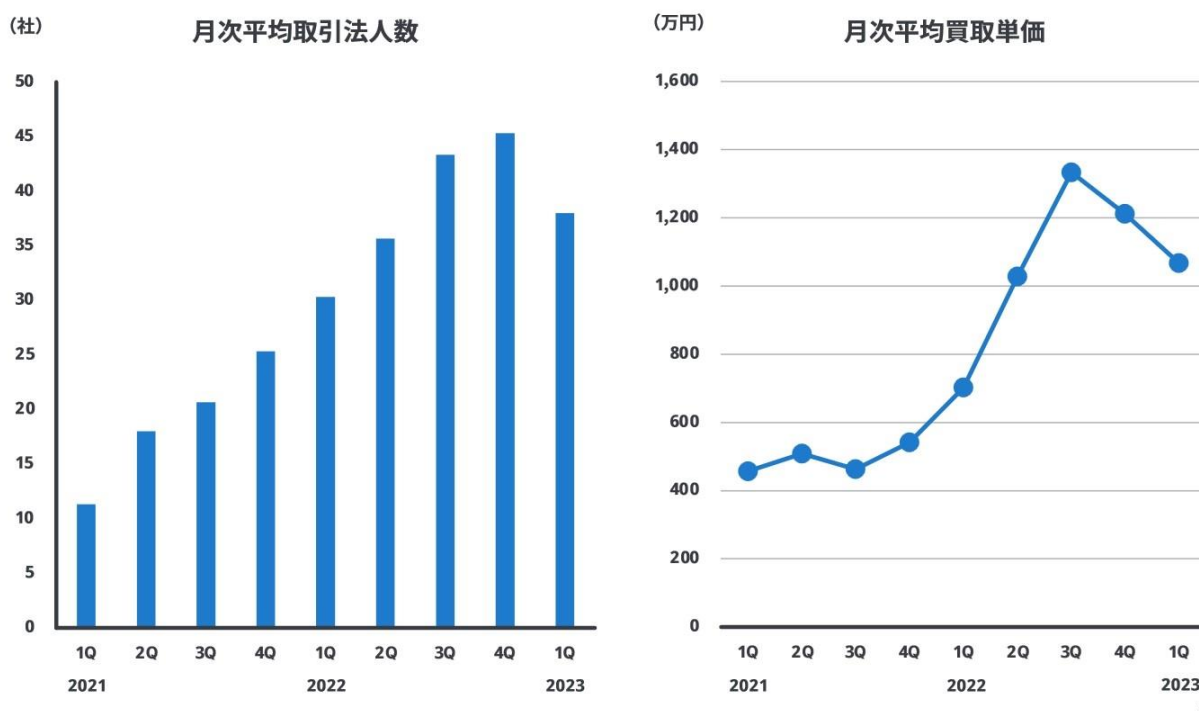
Tri-party transactions refer to transactions conducted by three parties: our users, their client companies, and our company. We purchase invoices for work undertaken by our users for a fixed fee and collect the invoiced amount from their clients at a later date.

**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

取引先企業数と平均請求書買取単価が増加したことから、滞留債権発生時の時の業績インパクトが拡大、今後の管理体制の強化を実施



Most recently, multiple users have been issuing invoices to the same client companies and using our purchasing services. The amounts paid to us by individual client companies have been increasing. As a result, the average monthly amount of purchases per company has increased to about JPY14 million. The number of client companies is also on the rise.

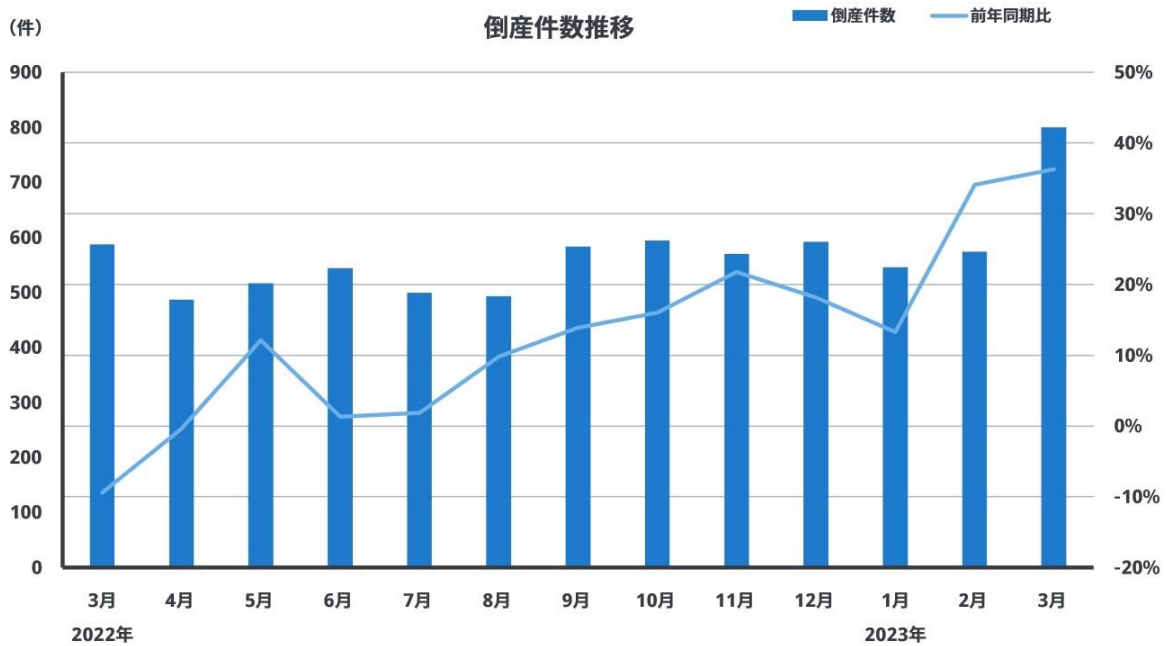
Bad debt-related expenses also increased significantly due to the delinquency of receivables from trading partner companies with large purchase amounts.

#### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

全国倒産件数は増加傾向



※出所：帝国データバンク倒産集計

10

This is for your reference only, but here is the monthly trend of bankruptcies in Japan published by Teikoku Databank.

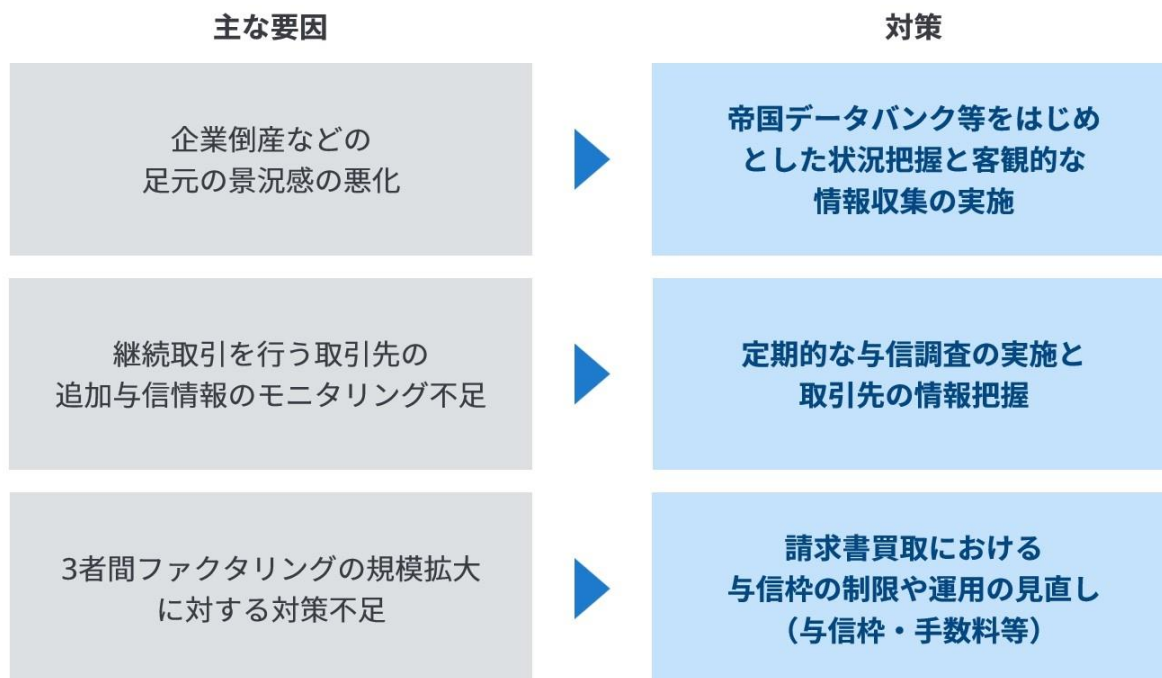
Since May 2022, the number has been trending upwards on a YoY basis, and the number of corporate bankruptcies increased significantly in March 2023, so the macro environment is changing gradually.

Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

請求書買取額が拡大し、一部の大口債権で滞留が発生したため貸倒関連費用が増加  
リスク対策を講じるため、管理・審査体制の強化を実施



11

I will explain the factors of the delinquencies of large receivables of the financial support business and the countermeasures taken.

First, the macro environment is beginning to change, as evidenced by the number of bankruptcies I just mentioned. Although these factors are not within our control, we are constantly gathering objective information to understand the actual situation so that we can respond to changes.

The second factor is the lack of monitoring of continuing clients. FREENANCE has a growing number of clients who continue to use the service. We verify their credit information when we start trading with them, but there was a lack of regular credit information for ongoing clients. Going forward, we will conduct regular credit checks on clients to ensure that we can verify their solvency, thereby curbing the occurrence of delinquent receivables.

The third factor is the lack of measures to address the growing scale of invoice purchases. Our checking function for high value receivables was weak and could not cope with the increase in the scale of transactions. Going forward, credit limits will be lowered, and conditions of use will be made more stringent to ensure thorough risk management.

Although bad debt-related expenses are increasing, we will continue to aim to return the financial support business to profitability by working to recover funds while also thoroughly managing risks.

**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

	価格改定の効果を受け、売上高は堅調に推移	
ホスティング	売上高：	1,369百万円（103.8%）
	営業利益：	426百万円（94.4%）
	カラーミーショップが115%成長も、SUZURIが想定を下回る	
EC支援	売上高：	700百万円（105.5%）
	営業利益：	163百万円（93.2%）
	前年同期比で流通額が減少、インフラ等のコストが増加	
ハンドメイド	売上高：	413百万円（89.7%）
	営業利益：	27百万円（55.8%）
	請求書買取額が急拡大し増収、貸倒関連費用が発生	
金融支援	売上高：	251百万円（278.5%）
	営業利益：	△93百万円（△89百万円減）

※( )内は前年同期比

※2023年1月よりホームページ制作サービス「グーベ」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2021年2022年の実績は「グーベ」をホスティング事業に含めて集計しております。

12

Here are our financial results by segment.

The hosting business remained firm, benefiting from price revisions. In the e-commerce support business, Color Me Shop performed well, but SUZURI's gross merchandise value fell short of expectations.

In the handmade market business, gross merchandise value was lower than the previous year, and infrastructure and other costs increased.

With regard to the financial support business, although the amount of invoice purchases expanded as I mentioned earlier, bad debt-related expenses increased, resulting in the recording of a loss.

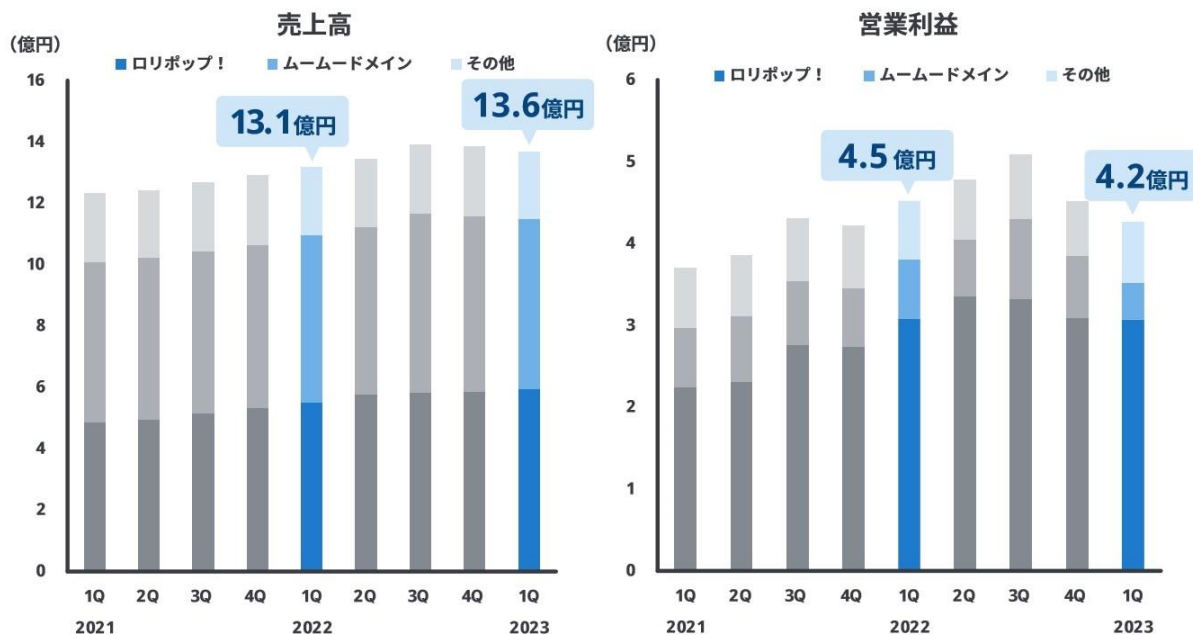
#### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

 **SCRIPTS**  
Asia's Meetings, Globally

累計期間 売上高： **1,369**百万円 (前年同期比 **103.8%**)  
 営業利益： **426**百万円 (前年同期比 **94.4%**)



※2023年1月よりホームページ制作サービス「グーベ」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2021年2022年の実績は「グーベ」をホスティング事業に含めて集計しております。

I will now focus on each segment. Let's start with the hosting business.

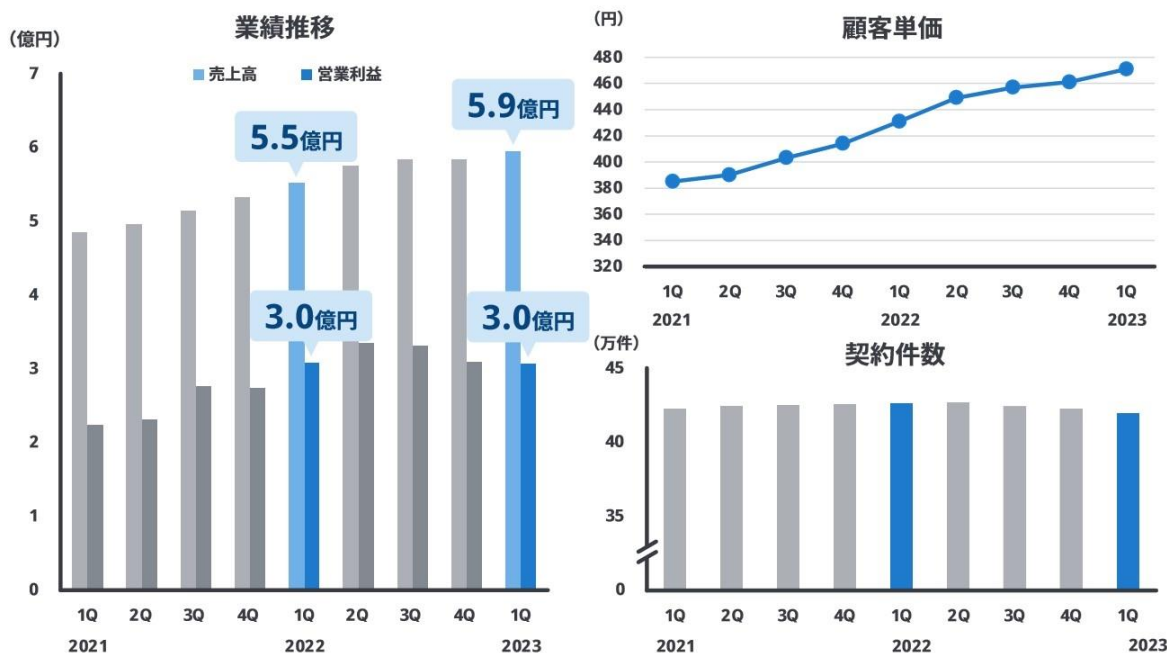
Net sales were JPY1,369 million, or 103.8%, YoY, and operating profit was JPY426 million, or 94.4%, YoY.

Support

Japan 050.5212.7790  
 Tollfree 0120.966.744

North America 1.800.674.8375  
 Email Support support@scriptasia.com

累計期間	売上高：	<b>594</b> 百万円 (前年同期比 <b>107.8%</b> )
	営業利益：	<b>307</b> 百万円 (前年同期比 <b>99.5%</b> )



Our rental server service Lolipop! posted net sales of JPY594 million and an operating profit of JPY370 million.

The unit price per customer is on an increasing trend due to the effect of price revisions and an increase in the percentage of contracts for higher-end plans.

Although we released a fixed price website production plan that covers website production, operation, maintenance, and management, the total number of contracts decreased due to cancellations of low-unit-price plans.

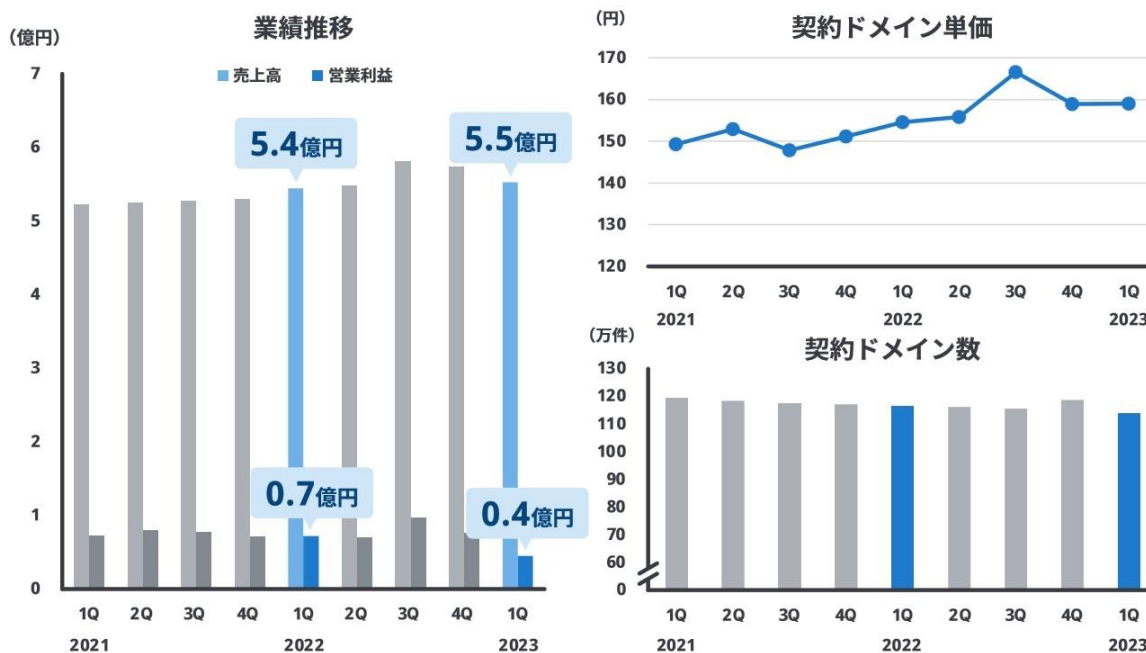
**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



累計期間	売上高：	<b>553百万円 (前年同期比 101.6%)</b>
	営業利益：	<b>45百万円 (前年同期比 62.8%)</b>



Next is the domain acquisition service, MuuMuu Domain.

MuuMuu Domain posted net sales of JPY553 million and an operating profit of JPY45 million.

Customer spend increased significantly in Q3 due to the sale of high-value domains but has since returned to normal levels.

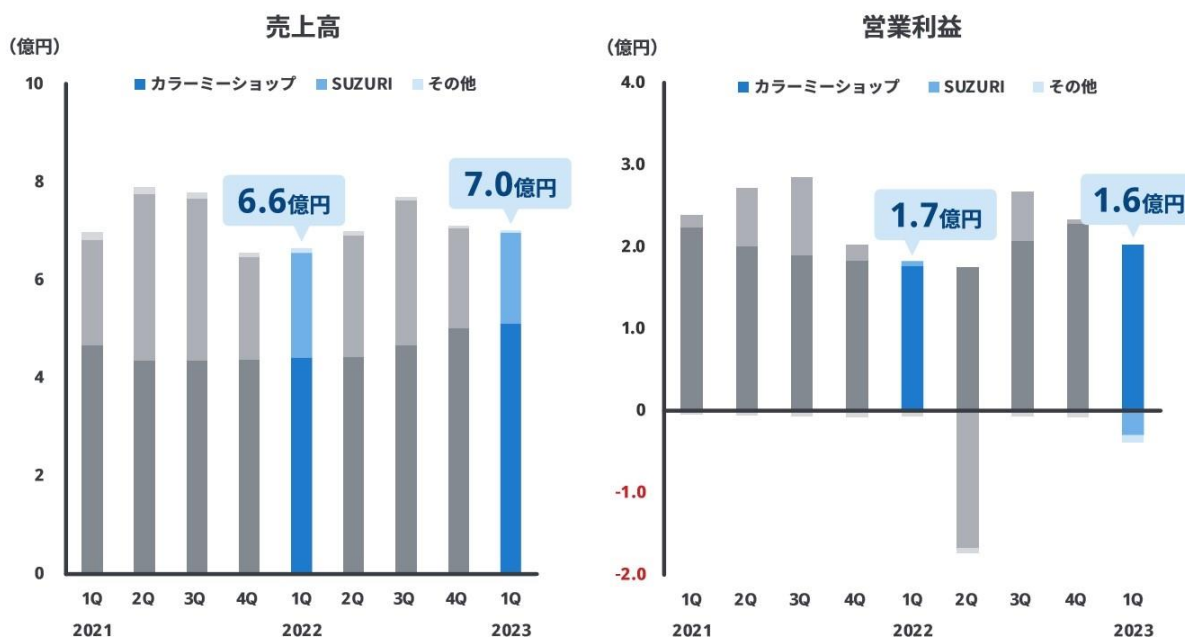
In addition, the number of domains under contract increased temporarily due to discounts on new domain acquisitions in Q4 of the previous period but has now returned to normal levels.

**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

累計期間	売上高：	<b>700</b> 百万円 (前年同期比 <b>105.5%</b> )
	営業利益：	<b>163</b> 百万円 (前年同期比 <b>93.2%</b> )



※2023年1月よりホームページ制作サービス「グーベ」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2021年2022年の実績は「グーベ」をホスティング事業に含めて集計しております。

Next is the e-commerce support business.

Net sales were JPY700 million, or 105.5%, YoY, and operating profit was JPY163 million, or 93.2%, YoY.

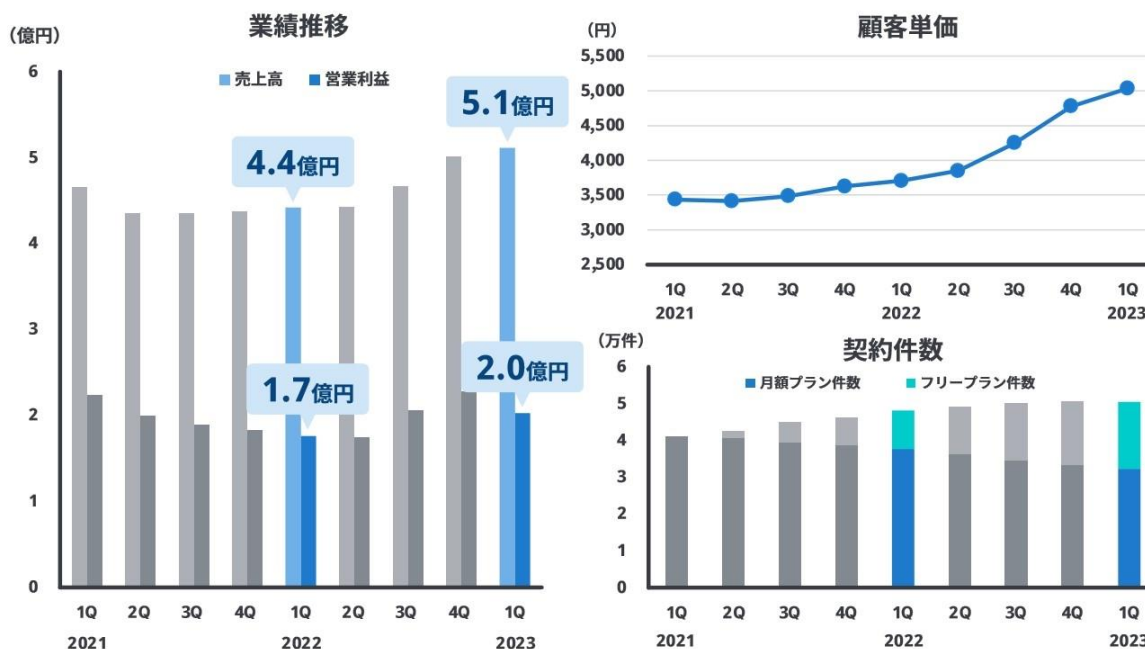
Color Me Shop performed well due to the effect of price revisions, but SUZURI's gross merchandise value fell short of expectations, resulting in higher revenue but lower profits YoY.

Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

累計期間	売上高：	511百万円（前年同期比 115.7%）
	営業利益：	202百万円（前年同期比 115.0%）



19

The online store creation service, Color Me Shop, posted net sales of JPY511 million and an operating profit of JPY202 million. Both net sales and operating profit were strong, up 115% YoY.

Unit prices have continued to rise due to the effect of the price revision implemented in April 2022, but this will run its course in late April of this year, so we expect them to settle down in the future. The number of subscriptions continues to increase for free plans, while the number of monthly plans continues to decline.

Approximately one year has passed since the price revision, and the decline in the number of subscriptions to monthly plans has subsided somewhat. However, since the downward trend in monthly plans continues, we will work to curb the churn rate and focus on acquiring more of the premium plan subscriptions we have developed for top-tier stores.

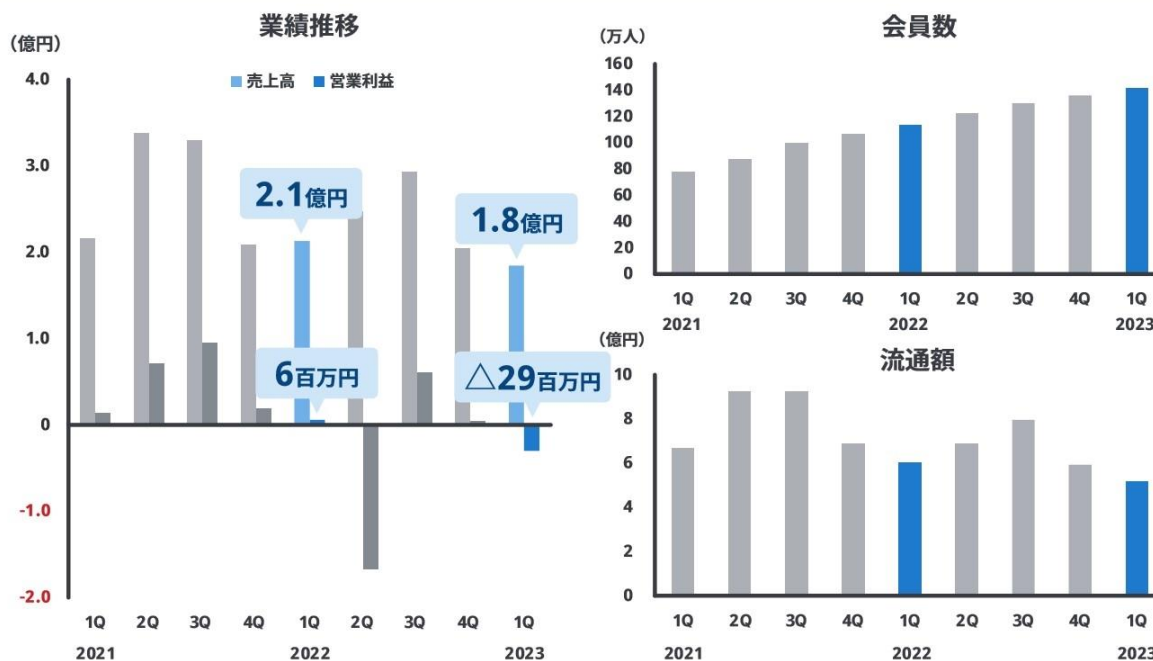
**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



累計期間	売上高：	<b>184百万円 (前年同期比 86.8%)</b>
	営業利益：	<b>△29百万円 (前年同期比 36百万円減)</b>



20

Next is SUZURI, a service to create and sell original goods.

SUZURI posted net sales of JPY184 million and an operating profit of minus JPY29 million.

In SUZURI, the situation continues to be difficult, with gross merchandise value falling below the previous year's level due to changes in consumption trends. We started the sale of digital content in February 2023 and plan to have a sales campaign in Q2, so we will focus on expanding gross merchandise value while controlling costs.

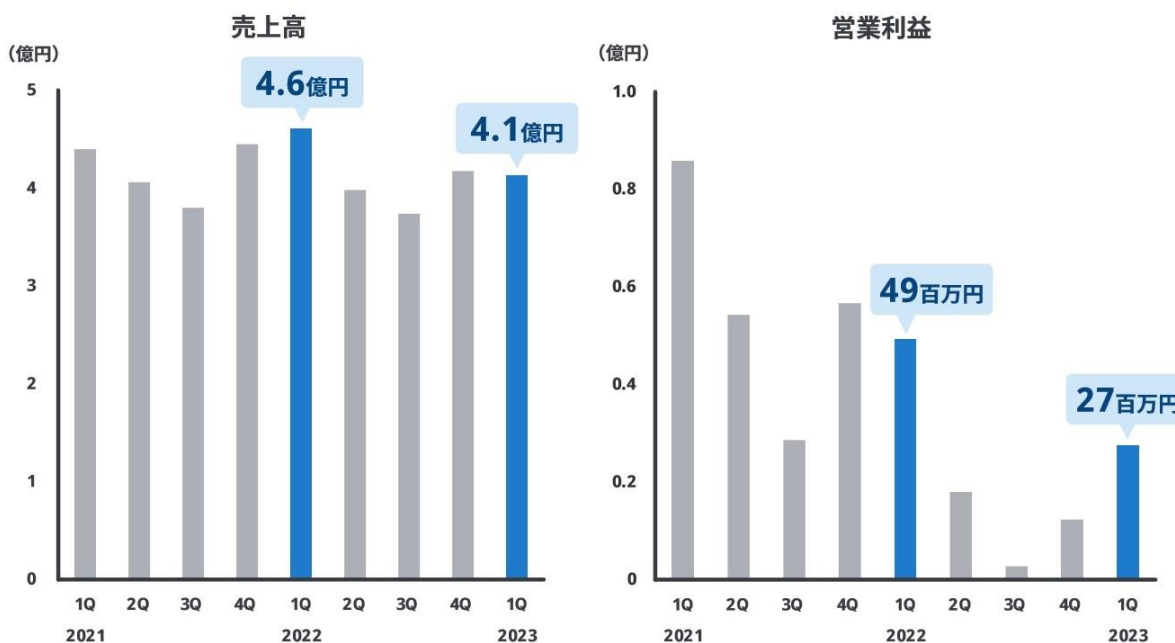
**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



累計期間	売上高：	<b>413</b> 百万円 (前年同期比 <b>89.7%</b> )
	営業利益：	<b>27</b> 百万円 (前年同期比 <b>55.8%</b> )



Let's move on to the handmade products business, minne.

Net sales of minne amounted to JPY413 million, or 89.7%, YoY, and operating profit was JPY27 million, or 55.8%, YoY.

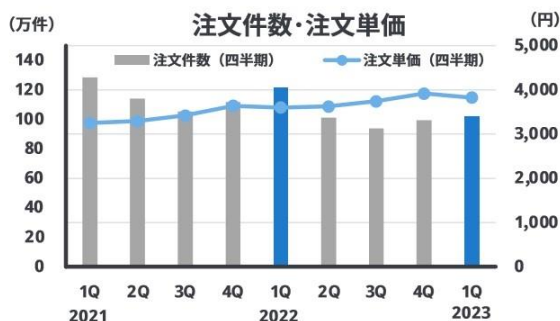
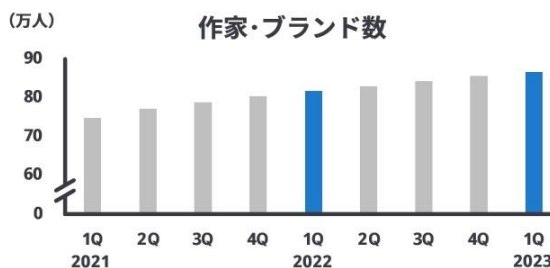
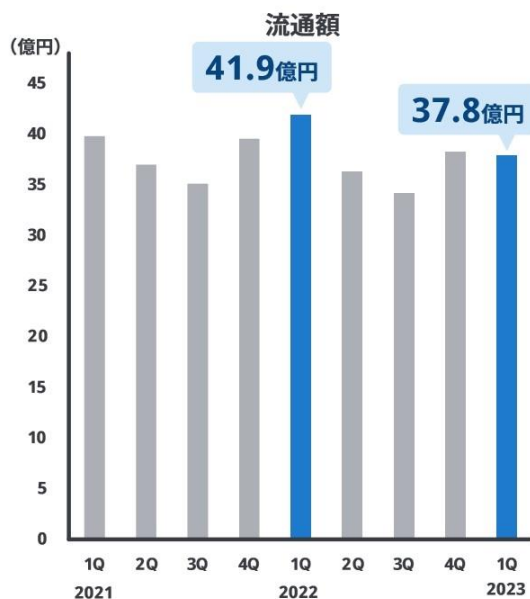
The decrease in revenue was caused by sluggish growth in gross merchandise value due to changes in consumption trends. The decrease in profit was caused in part by increased infrastructure costs.

**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

累計期間	流通額：	<b>37.8億円</b>	(前年同期比 <b>90.3%</b> )
	注文単価：	<b>3,823円</b>	(前年同期比 <b>106.2%</b> )
	注文件数：	<b>102.2万件</b>	(前年同期比 <b>84.0%</b> )



※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）

23

In Q1 of 2023, gross merchandise value was JPY3.78 billion, or 90.3%, YoY, reflecting changes in consumption trends. Although unit customer spend increased YoY, gross merchandise value continued to struggle.

In Q1, we started recruiting the second class of students for minne college as well as the sale of digital content. We will continue to develop the area of non-physical sales.

Support

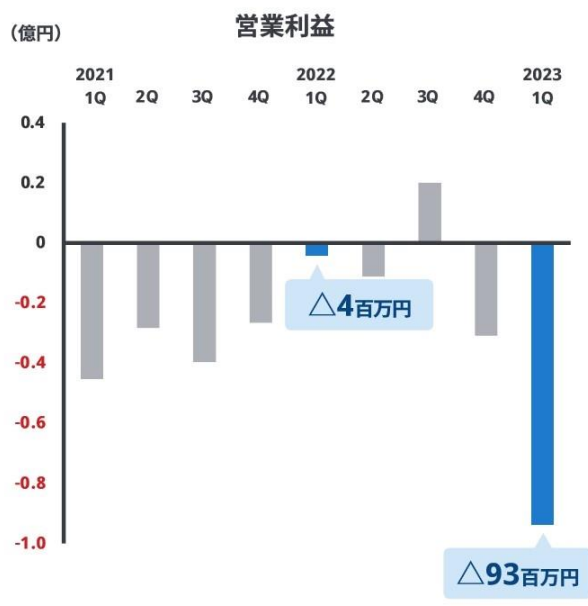
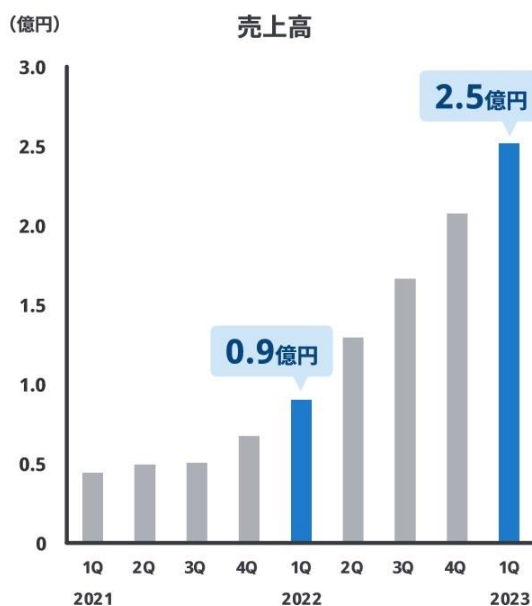
Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

累計期間

売上高： **251**百万円 (前年同期比 **278.5%**)

営業利益：  $\Delta$ **93**百万円 (前年同期比 **89**百万円減)



25

Next is the financial support business.

Net sales were JPY251 million, a significant YoY growth of 278.5%. Operating profit was a loss of JPY93 million due to an increase in bad debt-related expenses, as explained earlier.

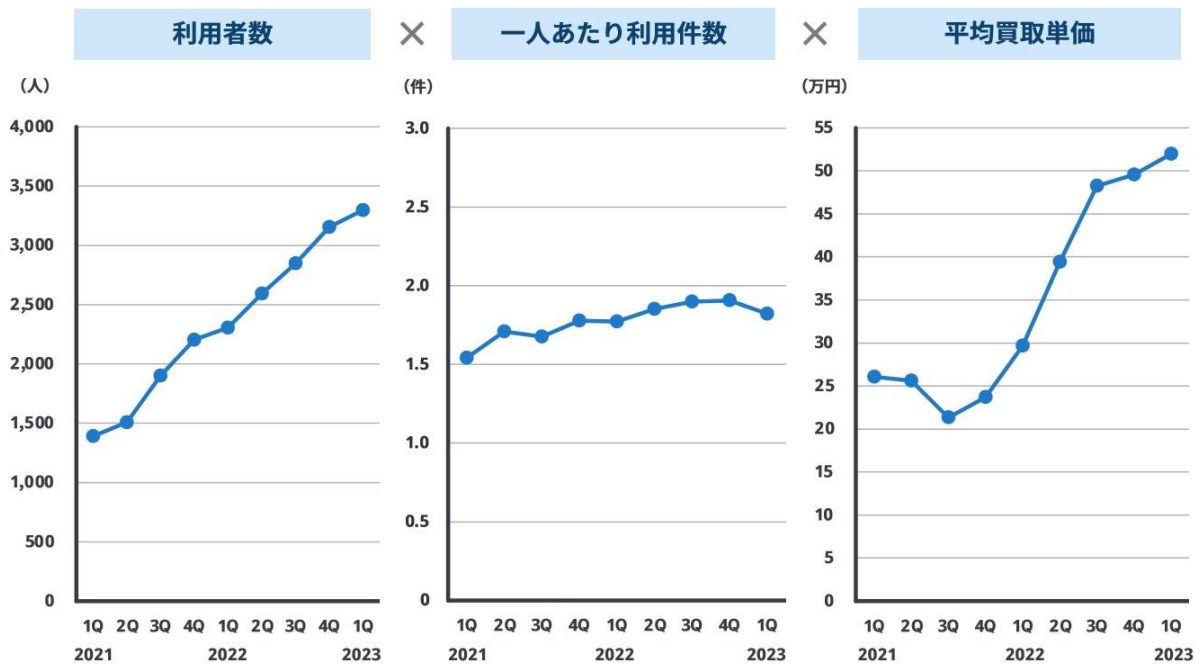
**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

請求書買取総額

||



26

Here are FREENANCE's KPIs.

The number of users is steadily increasing, and the average purchase price per user is also on the rise. The total invoice purchases are as shown here.

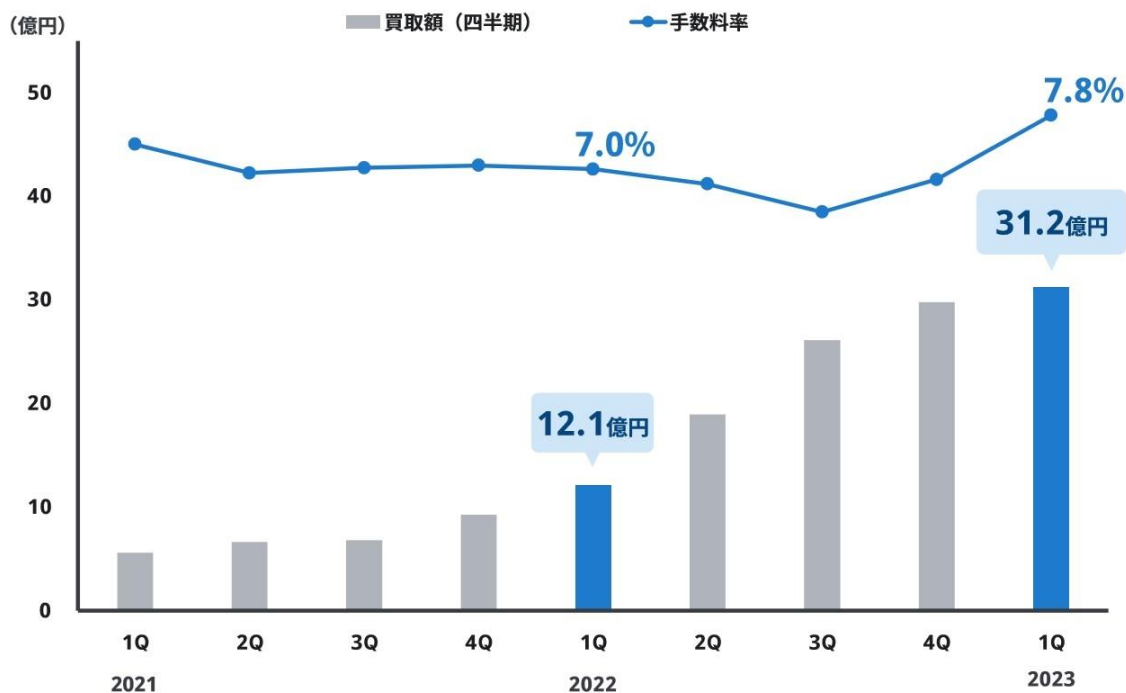
Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## 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



27

While tri-party transactions began to be curbed, the number of users of two-way transactions expanded, resulting in JPY3.12 billion in invoice purchases in Q1.

As a result of the revision of our commission rate in line with our risk burden, our commission rate increased to 7.8%, contributing to net sales growth.

**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

## 2023年12月期業績進捗(セグメント別)

GMOペパボ

(百万円)	2023年 通期予想	2023年 1Q進捗	進捗率 (%)
<b>【売上高】</b>			
ホスティング	5,659	1,369	24.2
EC支援	2,654	700	26.4
ハンドメイド	1,630	413	25.3
金融支援	1,116	251	22.5
<b>【営業利益】</b>			
ホスティング	1,933	426	22.1
EC支援	709	163	23.0
ハンドメイド	74	27	36.7
金融支援	251	△93	—

※本社費等は除く

29

Next, I will explain the progress of our business performance for the fiscal year ending December 31, 2023. This is the progress as of Q1 against the forecast by segment.

For each service, the top line is generally in line with expectations.

Progress in the hosting business has been modest, but the effects of the price revision implemented in February are to emerge in the future.

Profits are progressing as expected, except for the financial support business, but as I mentioned at the beginning, we expect some fluctuations depending on bad debt-related expenses in the financial support business.

We will continue to work on the collection of delinquent receivables and strengthening of the management system.

### Support

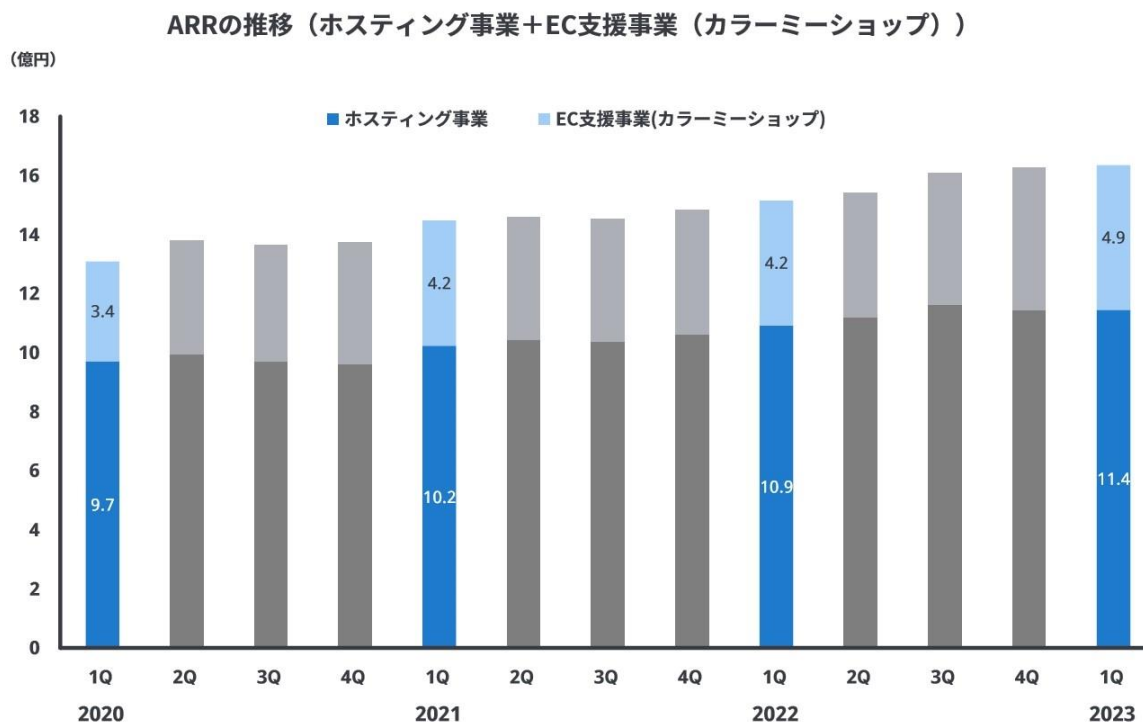
Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

 **SCRIPTS**  
Asia's Meetings, Globally

25

価格改定に加え、各種定額オプション等の提供により、順調にARRは成長



30

This is the ARR trend based on aggregate net sales, excluding transient revenue for Lolipop! and Color Me Shop, which are recurring-type businesses.

The hosting business has grown from about JPY900 million in 2020 to JPY1.1 billion in Q1 of 2023. Color Me Shop has grown from approximately JPY300 million to JPY500 million. Both businesses continue to grow steadily compared to 2022.

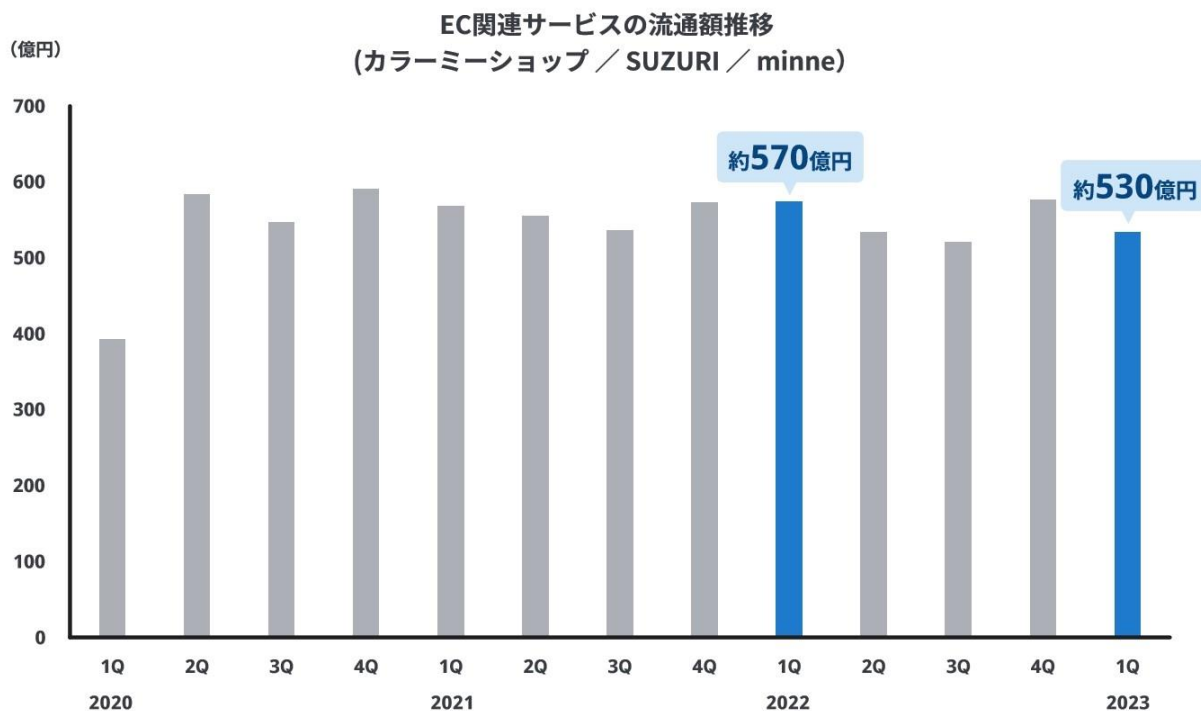
In addition to the expected benefits of price revisions, we will continue to work on acquiring new contracts and curbing cancellations, aiming to expand recurring revenue.

Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

カラーミーショップ、SUZURI、minne 3サービスの合計流通額が前年同期比で減少



31

Gross merchandise value of e-commerce-related services Color Me Shop, SUZURI, and minne decreased YoY.

Q1 has a slight weakening trend each year due to seasonality. The figures have also been also affected by changes in consumption trends.

Since some stores with large merchandise value are also leaving, we will introduce a premium plan in Color Me Shop that can support top-tier stores. This will prevent stores from leaving and help users expand the scale of their merchandise value.

**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

ホスティング	ロリポップ	<ul style="list-style-type: none"> <li>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（1Q実施済）</li> <li>ホームページ制作プランやWP有料テーマ販売などの販促強化（1Q実施済）</li> <li>AI活用によるHP作成やユーザーニーズ拡大に向けた機能提供（2Q予定）</li> </ul>
	ムームードメイン	<ul style="list-style-type: none"> <li>ドメイン各種契約におけるサービス維持調整費の導入（1Q実施済）</li> <li>複数ドメインのバンドル販売やドメインAPI提供の拡大（2Q予定）</li> <li>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（2Q予定）</li> </ul>
EC支援	カラーミーショップ	<ul style="list-style-type: none"> <li>プレミアムプランの提供開始と契約獲得（1Q実施済）</li> <li>Amazon Payや決済プラン変更による店舗の利便性向上（2Q予定）</li> <li>各プラン利用者へのサポート体制強化による解約率の抑制（2Q予定）</li> </ul>
	SUZURI	<ul style="list-style-type: none"> <li>Amazon PayなどID決済導入、デジタルコンテンツの取り扱いと販売開始（1Q実施済）</li> <li>夏のTシャツセール開催（2Q予定）</li> <li>企業アライアンスやIP起用による物販分野の販売促進（3Q予定）</li> </ul>
ハンドメイド	minne	<ul style="list-style-type: none"> <li>minneカレッジ創立、デジタルコンテンツの販売、匿名配送の開始（1Q実施済）</li> <li>東京ビッグサイトにて「minneハンドメイドマーケット」の開催（3Q予定）</li> <li>内部広告の運用開始（4Q予定）</li> </ul>
金融支援	FREENANCE	<ul style="list-style-type: none"> <li>有料会員プランの開始と契約獲得（1Q実施済）</li> <li>API連携企業の拡大、3者間取引拡大による請求書買取額の増加（1Q実施済）</li> <li>リスク管理体制の強化に伴う、与信・審査の厳格化（2Q予定）</li> </ul>

Next are the measures for each service.

Hosting businesses Lolipop! and MuuMuu Domain have implemented price revisions since February to cope with cost increases. We recently launched an AI-based website creation function. We will continue to identify user needs and improve functionality in order to win contracts.

For the e-commerce support business Color Me Shop, we will implement measures to continue the sales of premium plans and curb churn.

Since we have started the sale of digital content with SUZURI, we will focus on the sales of 3D models, as well as on strengthening sales through corporate alliances and IP utilization.

The handmade products business will sell digital content, a non-physical sales area. There are also plans to hold a handmade market at Tokyo Big Sight. We will also continue to introduce in-site advertising.

The financial support business aims to secure profits by acquiring contracts for monthly fee plans, ensuring management systems, and reliably collecting receivables.

#### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

AI技術が将来的に日常的な存在となることを想定し、サービスへの迅速かつ効果的な展開を実施

- ECなど購買行動予測
- SaaSの全面的AI化
- 無意識の運用と日常化
- クリエイティブ作成支援
- AIコンシェルジュとの対話
- より精緻なレコメンド
- ChatGPT等のAI技術の流行
- AI活用による業務効率化
- APIによるサービス適用

## AIの急速な普及が進行

AI技術の一般層への浸透速度は、ガラケーからスマホへの移行よりも早いと想定

34

Finally, I would like to talk about our response to AI technology.

We expect that AI-based web services will become commonplace in two to three years as a result of the evolution of AI. Such rapid change is different from previous technology advancement, and the technology could be more pervasive and revolutionary than we assume.

We believe that our services will also be required to keep up with this trend at a fast pace.

In the field of e-commerce, it is expected that users will choose products recommended by AI. Furthermore, it may be possible for AI to read users' requests and recommend products to them.

Our strengths will be the diverse user base that has supported and engaged with our many creatives and our development capability to quickly respond to their needs.

Our original business, Lolipop!, which we started 20 years ago, has rapidly spread amongst the general public and has become an industry game changer by making it easy for anyone to build a website on our servers for only a few hundred yen.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

AI生成機能を活用し、効率化や効果的なプロモーションを行い、SNS投稿の品質向上に役立てることで、ユーザーのアウトプットを支援

EC関連サービス「カラーミーショップ・SUZURI・minne」において、商品情報やキーワードを元に、SNS投稿用の宣伝文章をAIが自動生成する機能を導入



35

In the area of AI technology as well, we hope to quickly identify the trends of the times and turn them into services, thereby providing the best user experience.

AI generation functions are already provided by our e-commerce-related services Color Me Shop, SUZURI, and minne.

Color Me Shop and minne can automatically create promotional text for social media posts based on information on the product or work. SUZURI can also generate item descriptions from keywords entered by users.

For our users, not only does this lead to greater efficiency by drastically reducing the time spent thinking of text for social media posts, but it also allows them to leverage analysis of data and the latest trends to, among other things, select the optimal keywords, hashtags, and emojis. In this way, they can use expressions and approaches they had not thought of themselves, thereby increasing their output.

Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptsasias.com

「ロリポップ!」では、Webサイトの制作におけるコーディング工数を削減  
 「GMOレンシュ」では、教室運営者の負担を軽減

**ロリポップ! AIアシスタント**

テキスト情報を入力するだけで、WebサイトのHTMLとCSSを生成する新機能を導入

**GMOレンシュ AIアシスタント**

お知らせ機能で簡単な箇条書きや条件を指定するだけで、文章作成する機能を提供



Meanwhile, Lollipop! has introduced a feature that generates website code by simply entering text outlining the website you want to create.

Not only does this reduce coding man-hours, but it also makes it easier than ever to create a website, since the auto-generated code can be dropped into a website and the user can immediately contract a server and domain contract.

With GMO Renshu, we have introduced a function that automatically generates the language used by school operators to inform students by simply writing simple bullet points or specifying conditions. This reduces operators' workload and allows more time to be devoted to output.

**Support**

Japan 050.5212.7790  
 Tollfree 0120.966.744

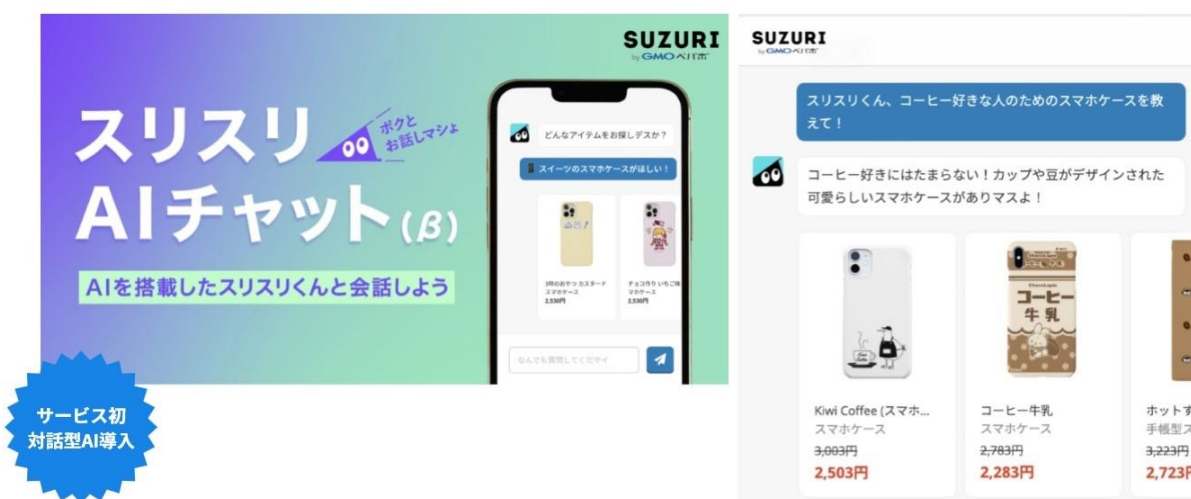
North America 1.800.674.8375  
 Email Support support@scriptspedia.com



「SUZURI」にてスリスリAIチャットを開始。今後も流通額の規模が大きい「カラーミーショップ」「minne」においてAIを活用したユーザー体験を提供

サービスにおける対話型AIの活用

- ・ユーザーの問題解決と要望に応えることで表現活動を支援
- ・利用者へ最高の購入体験を提供
- ・EC関連サービス（カラーミーショップ、minne、SUZURI）の体験の質を向上



37

Here are some future AI initiatives.

SUZURI is now offering a feature called SURISURI AI Chat. In addition to our search-focused AI activities to date, efforts are underway to incorporate interactive AI into our services. By simply enjoying a chat conversation with a character, you can get recommendations for the right product for you.

We believe that by utilizing interactive AI to provide comprehensive assistance to all users, we can create a better buying experience. We plan to introduce this service to Color Me Shop and minne, which have large gross merchandise value, to provide users with a more comfortable shopping environment.

Efforts related to AI are still in their infancy, but they are evolving rapidly. We would like to speed up the development of these efforts and keep up with trends.

This is the end of my presentation. Thank you very much.

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

Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptsasias.com

## Question & Answer

---

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

If your name is called, please ask your question after you have mentioned your company name and your name.

First of all, Mr. Tokunaga of Daiwa Securities, please ask your questions.

**Tokunaga [Q]:** This is Tokunaga from Daiwa Securities. Thank you for the opportunity to ask questions. I have three questions.

The first and second points are both related to bad debts. Since bad debt-related expenses have increased QoQ, is it correct to assume that the same level of bad debt-related expenses is expected to be recorded in the future?

What are your current delinquent receivables? Please tell me if this is one large case or a series of cases. Also, what is the outlook for bad debt-related expenses? Also, I'd like to hear any details of the delinquent receivables.

That is my first question.

**Moderator [M]:** Thank you. Mr. Sato, go ahead.

**Sato [A]:** Thank you for your question.

First of all, you asked whether there will be an increase in the future. Currently, the largest allowances are for tri-party transactions.

Many small tri-party transactions accumulated into big numbers, so things can be greatly affected by the business situation of a single company. It is difficult to say exactly that it will decrease because the economic environment will have an impact as will the environment of the industry and the individual companies involved.

We are currently working within the Company to avoid scaling up too much in regard to our tri-party efforts, so I do not see a trend toward more transactions requiring large allowances.

As for the details of the allowance, regarding whether it is one large case or multiple cases, there are multiple companies, each of which is being allocated an allowance after analyzing the size, industry, payment status, etc., of the company.

That's all from me.

**Tokunaga [Q]:** Thank you very much. Just to follow up, regarding the current accounts receivable, how much of this tri-party transaction receivable is on the balance sheet, and how much of it should be considered maximal risk?

**Sato [M]:** Thank you. I think Mr. Igashima can answer this.

**Igashima [A]:** Thank you for your question. I am Igashima.

---

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



Though some of this information is not currently disclosed, we have JPY2.2 billion in accounts receivable. In terms of the percentages of three- and two-party transactions, more than half of the cases are two-party and less than half are tri-party.

As for what will happen to the delinquent receivables in the future, I would like to refrain from answering this question, as this is also undisclosed.

Note that we use the phrase bad debt-related expenses, so let me add a bit of context. The allowance for bad debts includes not only bad debts, but also delinquent payments by customers who fail to meet the specified deadlines for paying us for the debts we purchase from them.

Therefore, as for the future outlook, since we are dealing with small- and medium-size enterprises, the allowance for bad debts will increase or decrease depending on their situations.

I apologize for not being able to answer a bit more clearly, but that is all from me.

**Tokunaga [Q]:** Thank you very much. My second question is on the dividend for the current period.

I am wondering if the allocation ratio was smaller when you prepared the full-year plan than it is now. On the other hand, the fact that the company plan was left unchanged probably means that there are some non-operating profits. Please tell us again your thoughts on this year's dividend and the impact of the bad debts on the Company's plan for the current period.

That is my second question.

**Sato [A]:** Regarding the dividend payout ratio, our policy of issuing a dividend remains the same.

In the current fiscal year, as for the earnings figures that have not been corrected yet, we expect to see the effects of the price revision in February, and our existing businesses are generally doing well.

On the other hand, with regard to the financial support business, for which we made an allowance for bad debt, our assumption is that we will be able to collect to some extent. We made a large Q1 allowance due to this increase of tri-party transactions, but we are assuming that these receivables will actually be collected in Q2 and Q3, so we are not revising our earnings forecast at this time.

In other words, the dividend remains unchanged from the plan at the beginning of the fiscal year.

**Tokunaga [Q]:** Thank you very much. One follow-up point. I think you also recorded a little over JPY100 million in bad debt expenses in Q4 of the previous period, but how much of that was recovered in Q1?

**Igashima [A]:** Thank you for your question. As for the receivables that were of concern in Q4, as I mentioned earlier, there were some that fell behind the deadlines, so we recorded an allowance for bad debt accounts, but these have been collected.

FREENANCE's client companies include many small- and medium-size enterprises, so there is a slight delay in payment schedules, which is why we recorded an allowance for bad debts in Q4.

Again, this was resolved in Q1, but there were some new slightly delayed payments in Q1, for which we again recorded new allowances for bad debts.

**Tokunaga [Q]:** Thank you very much. Optimistically, does this mean that there is a non-zero possibility that bad debt-related expenses will decrease or recover, assuming that collections are made sometime in or after

---

#### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



the next quarter and that the allowance for bad debt, or rather, the tri-party transactions do not increase any more than they are now?

**Igashima [A]:** We will do our best to make sure that happens.

**Tokunaga [Q]:** Thank you very much. My third and final question is about the use of AI.

I think that the use of AI in services like Color Me Shop and SUZURI is something that competitors don't have. Please let me know if there are any positive KPI impacts at this time, both after the introduction of this service and after the introduction of such technologies.

That's all from me.

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

There has not yet been any significant contribution to gross merchandise value.

There were some small changes in KPIs, such as a temporary increase in sign-ups by people who wanted to use new things, as well as an increase in item creation, but it has not significantly contributed to the performance of the services yet.

We believe that this will become the norm in the future, so we are thinking that we can gain an advantage by taking action first and responding as early as possible.

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

**Moderator [M]:** Thank you very much. Are there any other questions? All right, thank you.

Mr. Yamada, please go ahead.

**Yamada [Q]:** My name is Yamada from Toyo Keizai. Thank you for your explanation today.

Regarding the e-commerce support and handmade products businesses, first of all, the materials say that Color Me Shop has grown but SUZURI has fallen short of expectations. I would appreciate it if you could tell me if the overall situations of the e-commerce support and handmade products businesses are progressing as expected or not.

**Sato [A]:** Thank you for your question.

For example, in the case of the handmade products businesses, or in the case of CtoC or BtoCtoC businesses like SUZURI, where the people using the service to sell products are individuals, the demand driven by people staying at home due to the COVID-19 pandemic has run its course, so I feel that demand is decreasing.

For example, in the industry as a whole, what used to be online is now switching to offline, and what used to be offline is now switching to online. I think that the e-commerce demand for items that are purchased on a daily basis, such as products from large manufacturers and apparel, will continue to grow.

The demand that emerged during the pandemic, such as the desire to support creators, or the desire to use free time to create products, is now on the decline with the end of the pandemic. In particular, the situation is pretty difficult right now for individual creators and sellers like those who use minne and SUZURI.

We had anticipated a certain degree of difficulty in the current fiscal year because of this environment, but as expected, growth has been slow.

---

#### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



**Yamada [Q]:** Thank you very much. So, you are saying that Color Me Shop is not doing badly.

**Sato [A]:** Yes, regarding Color Me, it is more of a recurring business model rather than a business model linked to GMV. We are assuming that the number of major users will increase, so we do not think that the impact has been so great.

**Yamada [Q]:** I see. So, SUZURI and minne are still in a bit of a tough spot, or perhaps a bit more difficult than expected.

**Sato[A]:** Yes.

**Yamada [M]:** I understand. Thank you.

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

**Moderator [M]:** Thank you. Are there any other questions? All right, thank you.

Mr. Kobayashi, please go ahead.

**Kobayashi [Q]:** Thank you for this opportunity to ask questions. I am Kobayashi from Mizuho Securities. I would like to ask two questions about Color Me.

First, I would like to know if you have any opinions or prospects regarding when the number of monthly subscriptions will stop decreasing. Also, where have those who have dropped out gone? Also, I would like to hear an analysis of the current business environment.

That is my first question.

**Sato [A]:** Thank you.

First of all, in terms of the monthly plans, there was the impact of a major price revision last year. Many users left during this period because they were not satisfied with the new price, but I think this is about to run its course.

It is still too early to say how much it will change, but it is likely that some number of customers whose contracts end will choose to cancel, and that the actual number of cancellations will decrease slightly. As I mentioned earlier, there is a pattern of users who are close to consumers themselves leaving because they can no longer sell, so I expect the downward trend to continue for a while.

The situations of those who have left can be divided roughly evenly into two categories: those who no longer have a need for an e-commerce site and those who have decided to leave because their products are not selling.

Next, about 1/3 of them either want other services or need to create their own e-commerce sites from scratch. In this case, since the scale of their stores have grown, we expect that many of them will graduate from our services to using a cart service with higher-level functions, or hiring a system integrator company to create their own e-commerce site.

Does this answer your question?

**Kobayashi [Q]:** Thank you very much.

---

#### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



My second question is on your premium plans. I believe you launched a new sales campaign around February, and I would like to know the response to the launch of the premium plan. How many sales are actually coming in compared to what you had expected?

That's all from me.

**Sato [A]:** Right. In terms of premium plans and sales to new customers, there is still a lack of awareness and insufficient sales efforts, so the situation is a little slower than expected.

On the other hand, regarding upgrades by stores that have already been using our Color Me Shop service, this is making a certain contribution. We have had some stores that were considering graduating from our services instead considering upgrading to the premium plan. We also had some stores that were on a lower plan upgrade to the premium plan. So, our efforts have had some measurable effect.

**Kobayashi [M]:** Thank you very much for your detailed explanation.

**Moderator [M]:** Thank you very much. Are there any other questions?

All right, Mr. Tokunaga, please ask your new questions.

**Tokunaga [Q]:** Sorry for going a second round. I'm Tokunaga from Daiwa Securities.

I'd like to receive a confirmation on one point. I think MuuMuu Domain had a tough going in terms of profits, but if the current number of sign-ups is organic, I wonder if this level will continue.

**Sato [A]:** Thank you for your question.

As for MuuMuu, we were not able to raise prices yet, and the weak yen also had an impact. Secondly, there were discounts and rebates from suppliers based on a certain volume of transactions, but their timing did not fall into Q1. So, the negative trend was slightly larger than in the previous quarters.

We expect this area to flatten out from Q2, and we expect it to recover.

**Tokunaga [M]:** That is a relief. Thank you very much.

**Moderator [M]:** Thank you very much. Are there any other questions? All right, thank you. Let's begin.

**Ou [Q]:** I am Ou from Nomura Securities.

My first question is regarding FREENANCE. If credit is tightened a bit, in a sense, the rate of increase in revenue may decrease. Also, I believe you have increased the commission rate, but may I ask how much more room there is to increase it?

**Sato [A]:** Thank you for your question.

Yes, the number of tri-party transactions has been growing, especially last year, and this was the driving force behind this, but we feel that the risk of tri-parties is also significant this quarter. We consider more stringent screening and downsizing the transactions with each company to be a prerequisite.

We are thinking of greatly strengthening two-party transactions rather than tri-parties. In order to increase the number of two-parties in the future, we are considering, for example, slightly increasing the number of promotions than before, since this is a service for individuals.

---

#### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



We think slowing down the pace might have the effect of toning things down compared to the plan at the beginning of the fiscal year. We are not yet able to give you more details on this, as we have not gotten a good read on the situation yet.

The commission rate is based on a number of factors, such as the status of past transactions for each case, the type of business or business model of users, the size of the companies, and the creditworthiness of the individual. We do not intend to suddenly raise the rate abruptly. Rather, we will control it, with an upper limit of 10%, so we expect the figure to change within that range. Does this answer your question?

**Ou [Q]:** Thank you very much.

One last question. The overall GMV for e-commerce support is, at the moment, in a difficult situation. You mentioned that in the background of this situation was the stay-at-home demand and the difficulties in the area of creatives who are close to consumers. What is the internal consensus in your company as to when this trend will bottom out?

**Sato [A]:** Right. If the service were to continue as it is now, for example, I believe that there is little likelihood that the trend would stop here.

We believe that it is more important to create user needs by expanding new categories, starting to sell digital content, and otherwise making these sorts of improvements. I still think it will take some time for the temporary increase due to the pandemic to return back down to the baseline.

The trend has been about 10% growth in e-commerce per year, so I think after it settles down at some lower level, I don't think the situation will change from there for a while.

In order to achieve a quick recovery, we will also take on the challenge of entering new areas with both SUZURI and minne. As for Color Me, we believe it is more important to nurture large e-commerce sites with room for growth rather than acquire many small sites. We are now in a situation where we are trying to find large e-commerce sites first rather than the small e-commerce sites we have worked on so far.

Does this answer your question?

**Ou [M]:** Thank you for your explanation.

**Moderator [M]:** Thank you very much. Do we have any other questions?

All right, now that our time is nearly up, we will conclude the question-and-answer session.

This concludes the online financial results briefing for GMO Pepabo for Q1 of the fiscal year ending December 31, 2023.

Thank you very much for joining us today.

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

[END]

---

### **Document Notes**

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

---

### **Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



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.*
4. *This document has been translated by SCRIPTS Asia.*

---

**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support [support@scriptsasia.com](mailto:support@scriptsasia.com)





## Disclaimer

SCRIPTS Asia reserves the right to edit or modify, at its sole discretion and at any time, the contents of this document and any related materials, and in such case SCRIPTS Asia shall have no obligation to provide notification of such edits or modifications to any party. This event transcript is based on sources SCRIPTS Asia believes to be reliable, but the accuracy of this transcript is not guaranteed by us and this transcript does not purport to be a complete or error-free statement or summary of the available data. Accordingly, SCRIPTS Asia does not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information contained in this event transcript. This event transcript is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal.

In the public meetings and conference calls upon which SCRIPTS Asia's event transcripts are based, companies may make projections or other forward-looking statements regarding a variety of matters. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the applicable company's most recent public securities filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are accurate and reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the anticipated outcome described in any forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE PUBLIC MEETING OR CONFERENCE CALL. ALTHOUGH SCRIPTS ASIA ENDEAVORS TO PROVIDE ACCURATE TRANSCRIPTIONS, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE TRANSCRIPTIONS. IN NO WAY DOES SCRIPTS ASIA OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BY ANY PARTY BASED UPON ANY EVENT TRANSCRIPT OR OTHER CONTENT PROVIDED BY SCRIPTS ASIA. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S PUBLIC SECURITIES FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS. THIS EVENT TRANSCRIPT IS PROVIDED ON AN "AS IS" BASIS. SCRIPTS ASIA DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, AND ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT.

None of SCRIPTS Asia's content (including event transcript content) or any part thereof may be modified, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of SCRIPTS Asia. SCRIPTS Asia's content may not be used for any unlawful or unauthorized purposes.

The content of this document may be edited or revised by SCRIPTS Asia at any time without notice.

Copyright © 2023 SCRIPTS Asia Inc. ("SCRIPTS Asia"), except where explicitly indicated otherwise. All rights reserved.

---

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

