



## **GMO Pepabo, Inc.**

Q1 Financial Results Briefing for the Fiscal Year Ending December 2021

May 6, 2021

## Event Summary

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[Company Name]	GMO Pepabo, Inc.	
[Company ID]	3633-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q1 Financial Results Briefing for the Fiscal Year Ending December 2021	
[Fiscal Period]	FY2021 Q1	
[Date]	May 6, 2021	
[Number of Pages]	34	
[Time]	16:30 - 16:58 (Total: 28 minutes, Presentation: 18 minutes, Q&A: 10 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Kentaro Sato	Representative Director and CEO
	Yoshito Igashima	Executive Director and CFO

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## Presentation

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**Moderator:** Thank you very much for taking time out of your busy schedule to join us today for the GMO Pepabo, Inc. online financial results briefing for Q1 of the fiscal year Ending December 31, 2021.

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

**Sato:** I'm Sato. I'm looking forward to this session today.

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

**Igarashi:** Thank you very much.

**Moderator:** These are the presenters.

Today, Mr. Sato will give an overview of our financial results, followed by an audio Q&A session via Zoom. The briefing will take about 45 minutes to finish.

So, let's get started, CEO Sato.

**Sato:** This is Sato. Thank you very much for taking time out of your busy schedule to join us today. I will now begin to explain the financial results for Q1 of the fiscal year ending December 31, 2021.

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## 今期目標の売上・営業利益 20% 成長に向けて 計画通りの進捗

- ホスティング事業は 堅調に推移
- EC関連サービスのカラーミーショップ、SUZURI、minneの  
流通額合計は 前年同期比142%



Here are the key points of this financial results.

Since the financial results briefing of the previous fiscal year, we have mentioned that we are aiming for 20% growth, and with the further progress of the digital shift, the total distribution of EC-related services such as COLOR ME Shop, SUZURI, and minne grew by 142% YoY in Q1, and sales grew by double digits.

As a result, we are on track to meet our plan of 20% growth in net sales and operating income for the current fiscal year.

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## AGENDA

- 2021年12月期1Q 決算概況 3 ページ
- EC関連サービスの施策（重点施策） 27 ページ

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Nest, the agenda for this session, as you can see.

I will skip the explanation, but in the latter half of the document, you will find an overview of our services, returns to shareholders, and other corporate information as reference materials, which I hope you will read when you have time.

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## ● 決算概要

**売上高、営業利益は前年同期比120%超の伸長**

**前期に計上した投資事業組合運用益の減少を受け経常利益は微減**

**純利益は事業譲渡益の計上により143.8%**

(百万円)	2020年 (1Q)	2021年 (1Q)	増減額	前年同期比
売上高	2,398	2,911	+ 513	121.4%
営業利益	194	234	+ 40	120.8%
営業利益率 (%)	8.1	8.1	—	—
経常利益	240	233	△ 7	97.0%
親会社株主に帰属する 四半期純利益	128	185	+ 56	143.8%

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First of all, I would like to give you an overview of our financial results for Q1 of the fiscal year ending December 31, 2021.

Here is a summary of the financial results. In Q1, sales and operating income were 121.4% and 120.8% YoY, respectively, which have grown significantly due to strong sales of EC-related services.

Ordinary income was 97% YoY for Q1 due to the approximately JPY40 million in investment income from the investment partnership that was posted in the previous year.

Net income for the quarter was 143.8% YoY due to a gain of JPY46 million from the transfer of the web content creation business of GMO Creators Network, a consolidated subsidiary of the Company.

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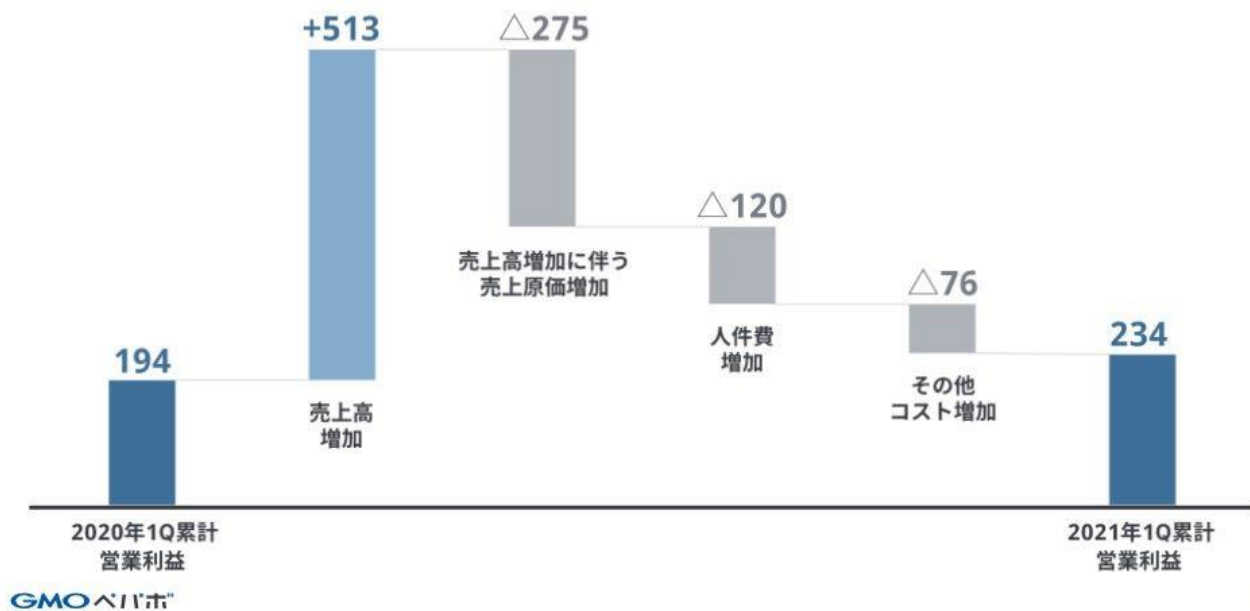
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## ● 営業利益増減分析

EC関連サービスが好調に推移したことにより売上高が増加  
営業利益は前年同期比120.8%の234百万円

(単位：百万円)



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As for operating income, here is a chart showing the analysis of changes from the same period last year.

Despite an increase in expenses such as advertising and personnel costs, net sales increased to JPY513 million, resulting in operating income of JPY234 million, or 120.8% YoY.

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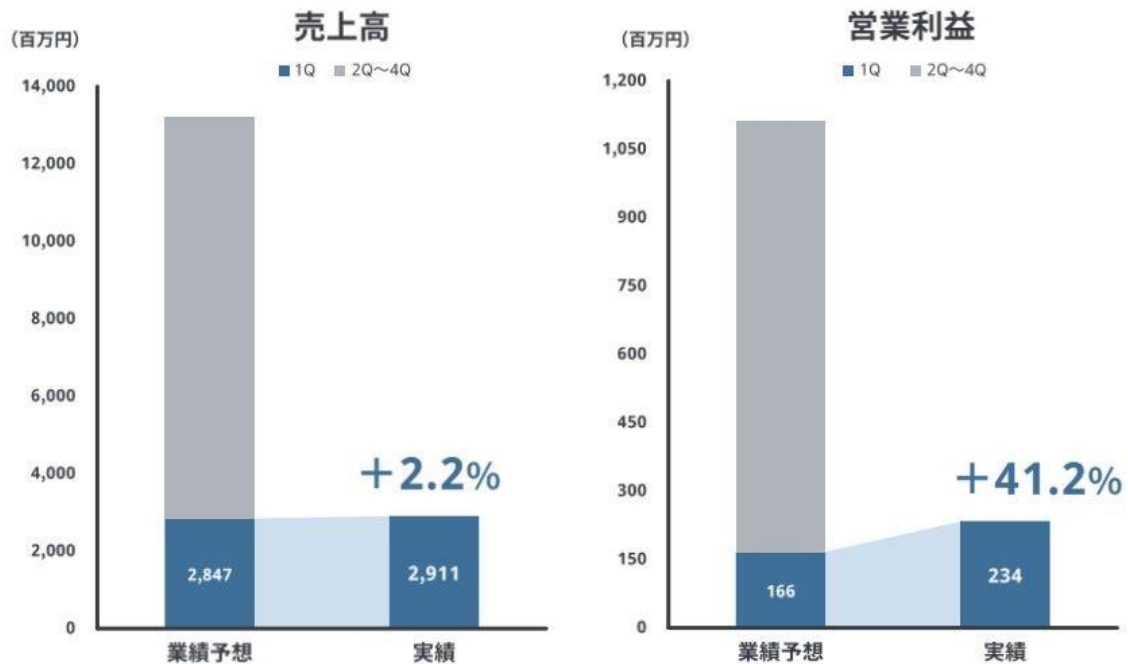
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## 業績予想に対する1Q実績

売上高はEC関連サービスの伸長により計画比+2.2%

営業利益は販売管理費の計画的支出及び月ズレにより計画比+41.2%



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This is followed by the actual results against the forecast for Q1.

In Q1, net sales increased by 2.2% compared to the plan, and operating income increased by 41.2% compared to the plan, due to the planned expenditure of SG&A expenses and some month-to-month delays.

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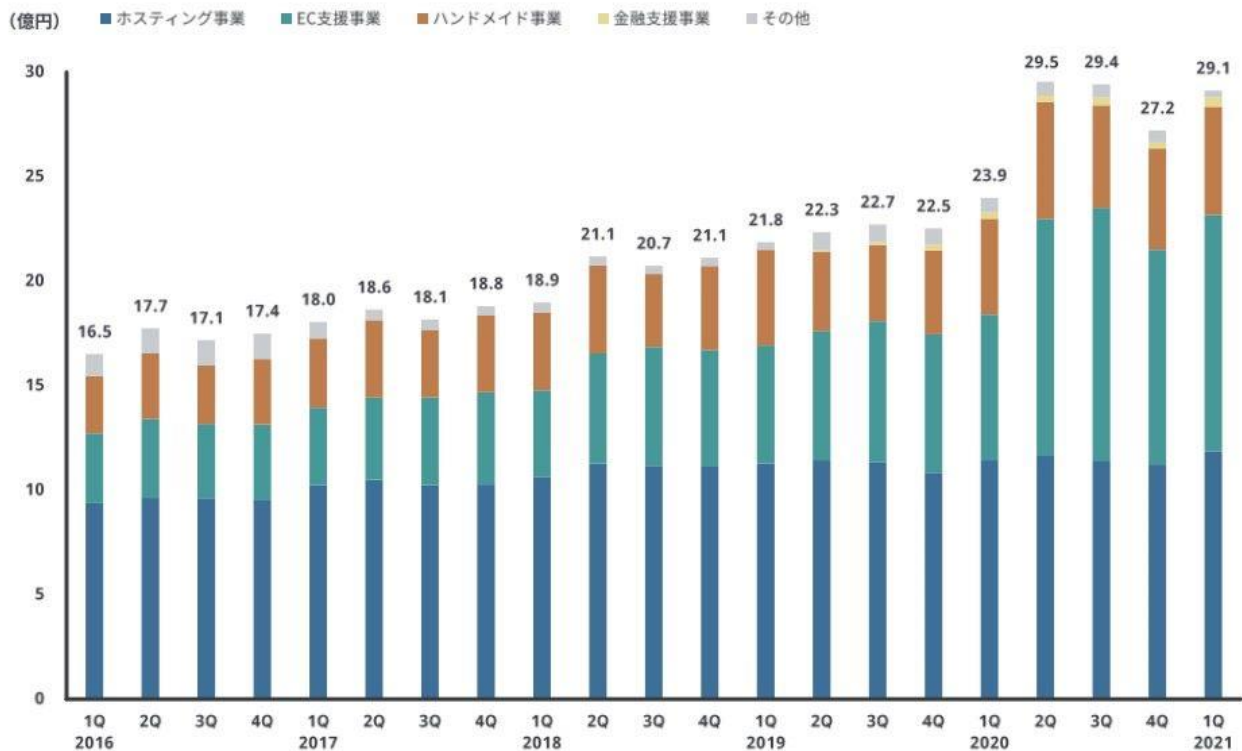
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## ● 四半期売上高推移



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Next is the quarterly sales trend.

In Q2 of last year, the situation rose a notch due to stay-at-home demand following the declaration of a state of emergency. Since then, the stay-at-home demand has leveled off a bit, and the market has remained flat after peaking at that point, but the use of EC has also increased, and we have been able to grow considerably compared to last year.

We believe that the need for EC will continue to grow after this, and we hope to maintain a high level thereafter.

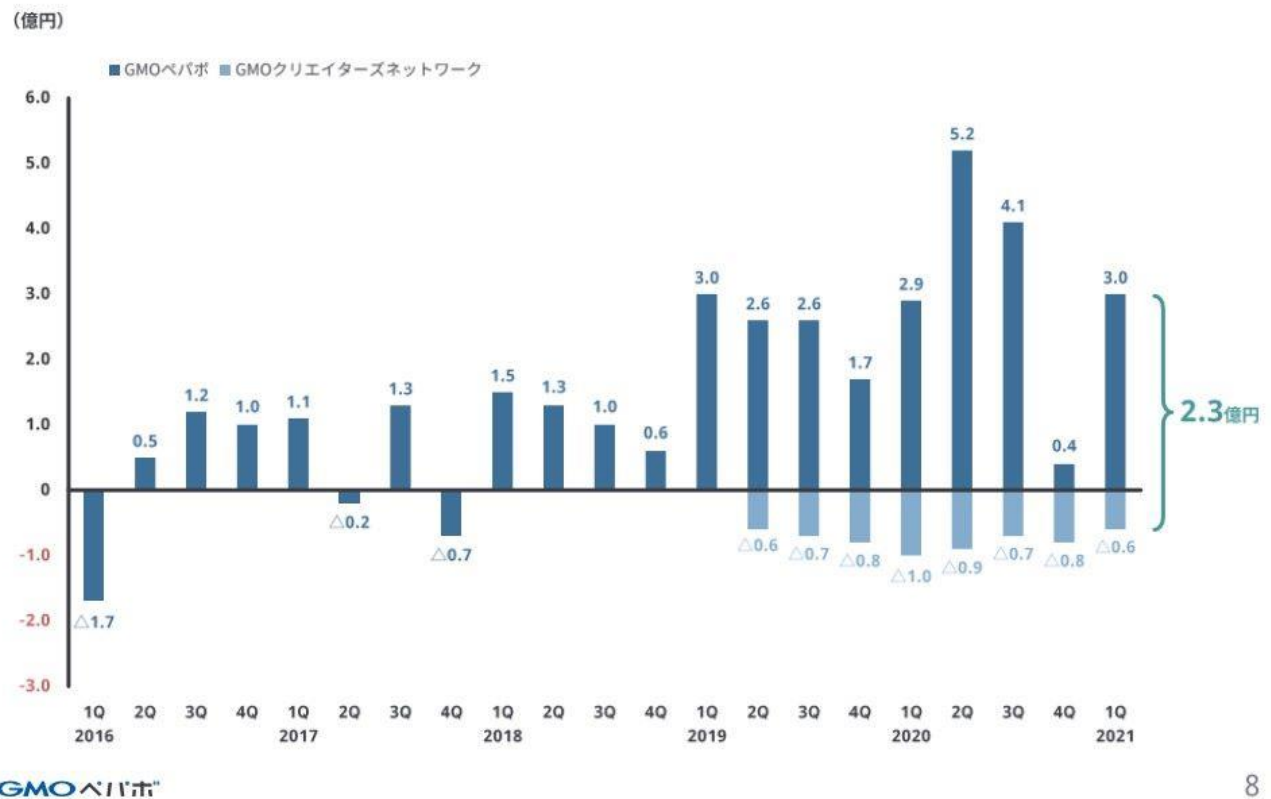
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## ● 四半期営業利益推移



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This is followed by the quarterly operating income trend. The stock-type business such as Lolipop! and COLOR ME Shop performed well. In addition, minne, the Handmade Products business, became profitable from 2019 onward, and the distribution value of EC-related services grew significantly last year due to the increased time at home. Accordingly, operating income has been increasing.

For the previous quarter, Q4 of 2020, there was a temporary decrease due to intensified promotions. However, in Q1 of 2021, the situation has returned to the previous trend. Although it is a little weaker than Q2 of 2020, we are achieving solid growth.

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## ● 事業の選択と集中

EC関連サービスを中心とした成長事業の収益拡大に注力  
Webコンテンツ制作事業・ブログメディアサービスを事業譲渡



Webコンテンツ制作事業の譲渡益46百万円を特別利益として第1四半期に計上しております  
また、ブログメディアサービスの譲渡益は第2四半期に計上を予定しております

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In addition, as I mentioned earlier, we have transferred our existing services in order to select and concentrate our business.

In Q1, we transferred the web content creation business of our consolidated subsidiary GMO Creators Network.

Also, in Q2, we transferred our blog media service business JUGEM of GMO Pepabo, or the Company, on April 1.

Creators Network will focus on the FREENANCE business, while the Company will focus on the EC business, as we aim to achieve further growth.

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## ● セグメント別業績

売上高は堅調に推移。ロリポップ！の契約件数が増加傾向	
ホスティング	売上高： <b>1,185</b> 百万円 ( 103.7 % ) 営業利益： <b>341</b> 百万円 ( 100.5 % )
「SUZURI」の会員数、流通額が大幅増加し、収益も伸長	
EC支援	売上高： <b>1,130</b> 百万円 ( 162.3 % ) 営業利益： <b>267</b> 百万円 ( 116.8 % )
おうち時間増加による流通増により売上高は前年同期比 113.2%	
ハンドメイド	売上高： <b>518</b> 百万円 ( 113.2 % ) 営業利益： <b>85</b> 百万円 ( 106.4 % )
「FREENANCE」においてAPI連携やOEM提供の強化を継続	
金融支援	売上高： <b>44</b> 百万円 ( 147.8 % ) 営業利益： <b>△45</b> 百万円 ( 41 百万円増 )

※( )内は前年同期比

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Next is the business results by segment.

The numbers are as you can see. I will explain the details later.

In the Hosting business, we are aiming for business collaboration of Lolipop! and MuuMuu, and the number of Lolipop! subscriptions has increased. As a result, both sales and operating income have increased.

The EC support business and handmade product business maintained their strong performance from the previous year due to various measures such as special sales and events.

In addition, in the financial support business, the purchase amount of invoices is on a recovery trend, resulting in a significant increase in sales and an improvement in operating income.

I will now explain each segment separately.

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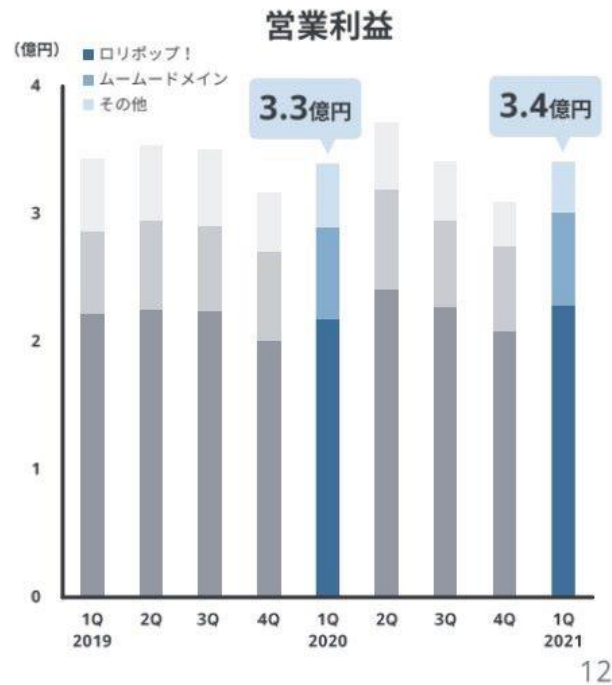
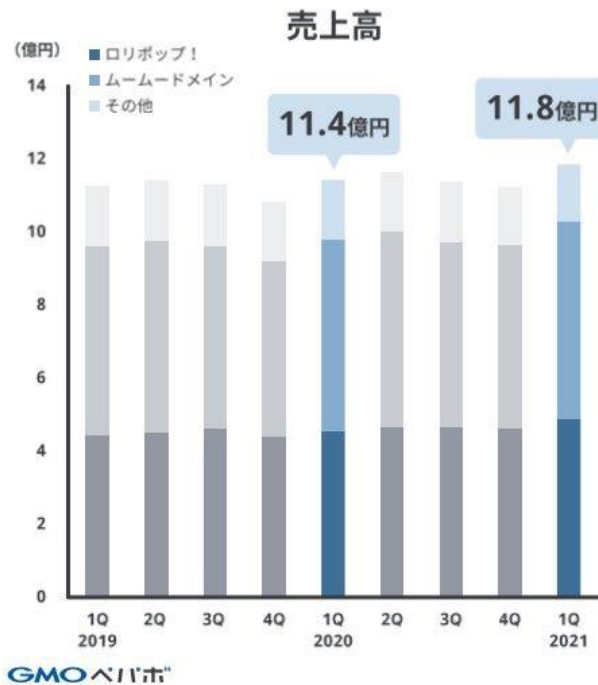
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## ● ホスティング事業

売上高： **1,185百万円** (前年同期比 **103.7%**)

営業利益： **341百万円** (前年同期比 **100.5%**)



First, the hosting business.

Net sales were JPY1,185 million, 103.7% YoY, and operating income was JPY341 million, 100.5% YoY.

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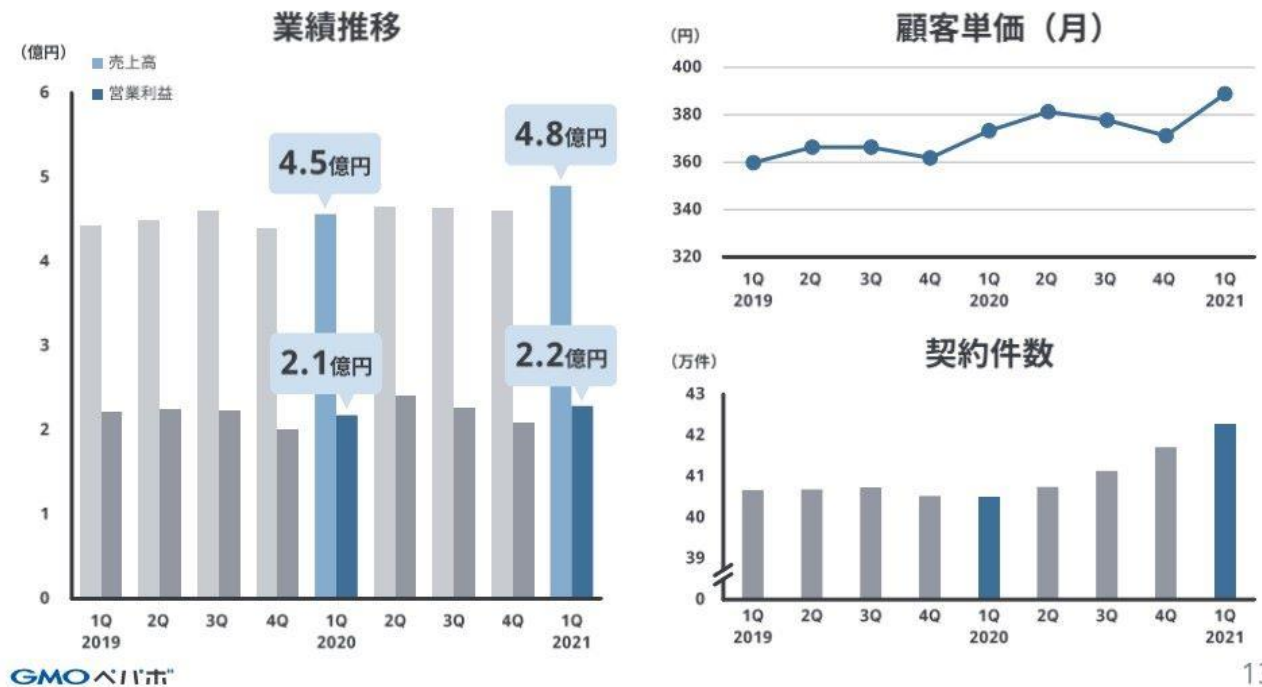
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## ●ホスティング事業（ロリポップ！）

売上高： **489**百万円（前年同期比 **107.3%**）

営業利益： **228**百万円（前年同期比 **105.1%**）



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The following are the details of each major service. This is Lollipop!

Net sales were JPY489 million, or 107.3% YoY. Operating income was JPY228 million, or 105.1% YoY.

As the ratio of high-end plans has increased, the unit price per customer has risen. In addition, the number of subscriptions has been increasing due to the strengthened cooperation with MuuMuu domain and the results of advertising measures.

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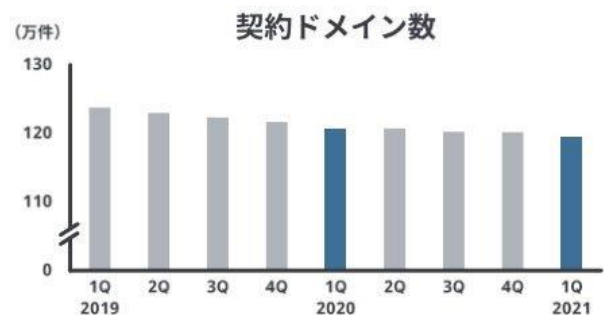
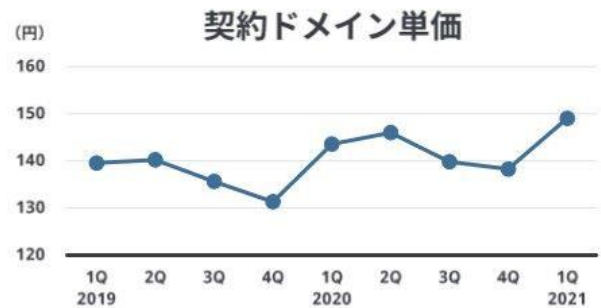
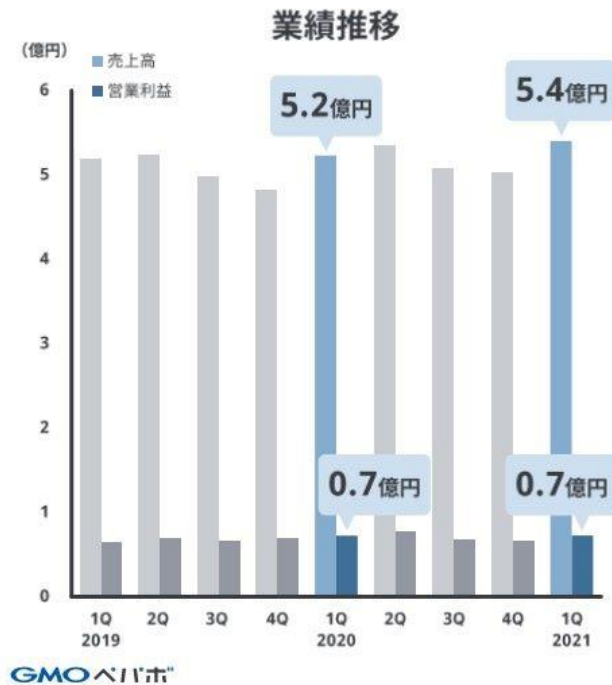
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## ● ホスティング事業（ムームードメイン）

売上高： **540**百万円 (前年同期比 **103.3%**)

営業利益： **72**百万円 (前年同期比 **100.3%**)



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Next is the domain name acquisition service of MuuMuu domain.

Net sales were JPY540 million, or 103.3% YoY, and operating income was JPY72 million, or 100.3% YoY.

Although new contracts have been struggling and the number of contracted domains has decreased, the domain renewal rate has increased and the unit price of domains has also risen, resulting in increased sales and profits.

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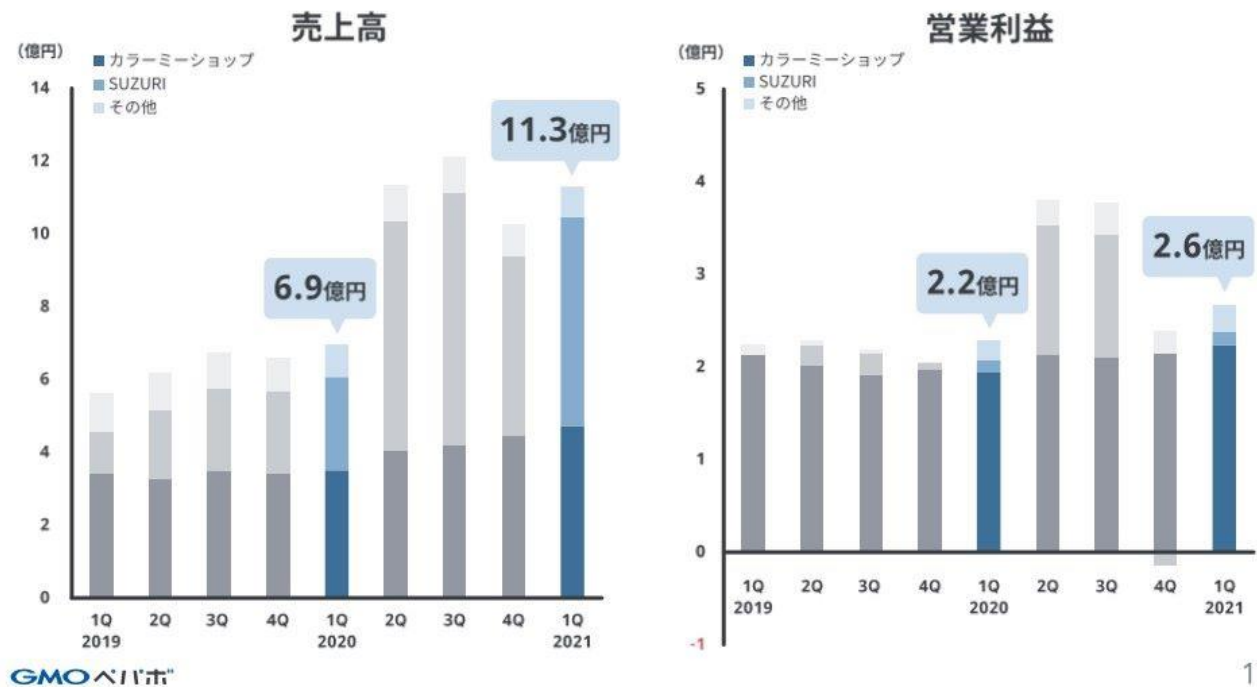
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## EC支援事業

売上高： **1,130**百万円 (前年同期比 **162.3%**)

営業利益： **267**百万円 (前年同期比 **116.8%**)



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Next is the EC support business.

Net sales increased significantly to JPY1,130 million, or 162.3% YoY, and operating income was JPY267 million, or 116.8% YoY.

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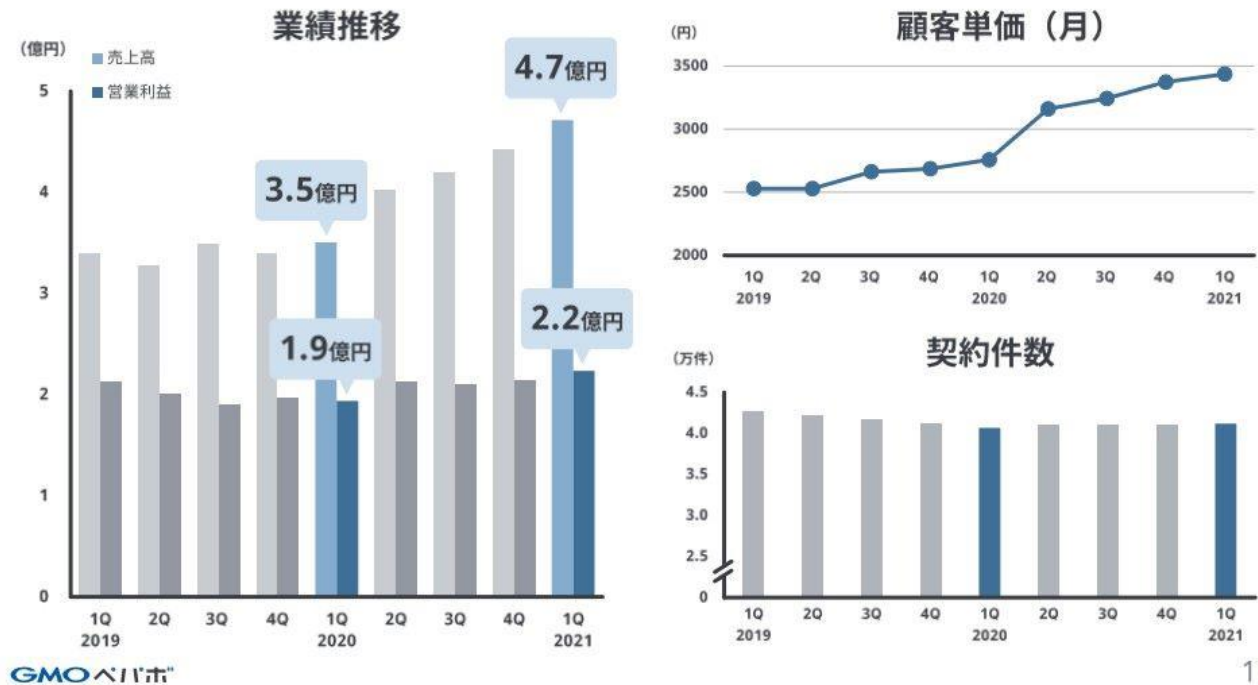
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## ● EC支援事業（カラーミーショップ）

売上高： **471百万円** (前年同期比 **134.4%**)

営業利益： **223百万円** (前年同期比 **115.4%**)



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Next, COLOR ME Shop, an online store creation service.

Net sales were JPY471 million, or 134.4%YoY, and operating income was JPY223 million, or 115.4% YoY.

Although the number of subscriptions remained almost unchanged, sales and profits increased due to up-selling and cross-selling measures, as well as an increase in distribution value, which led to a rise in the unit price per customer.

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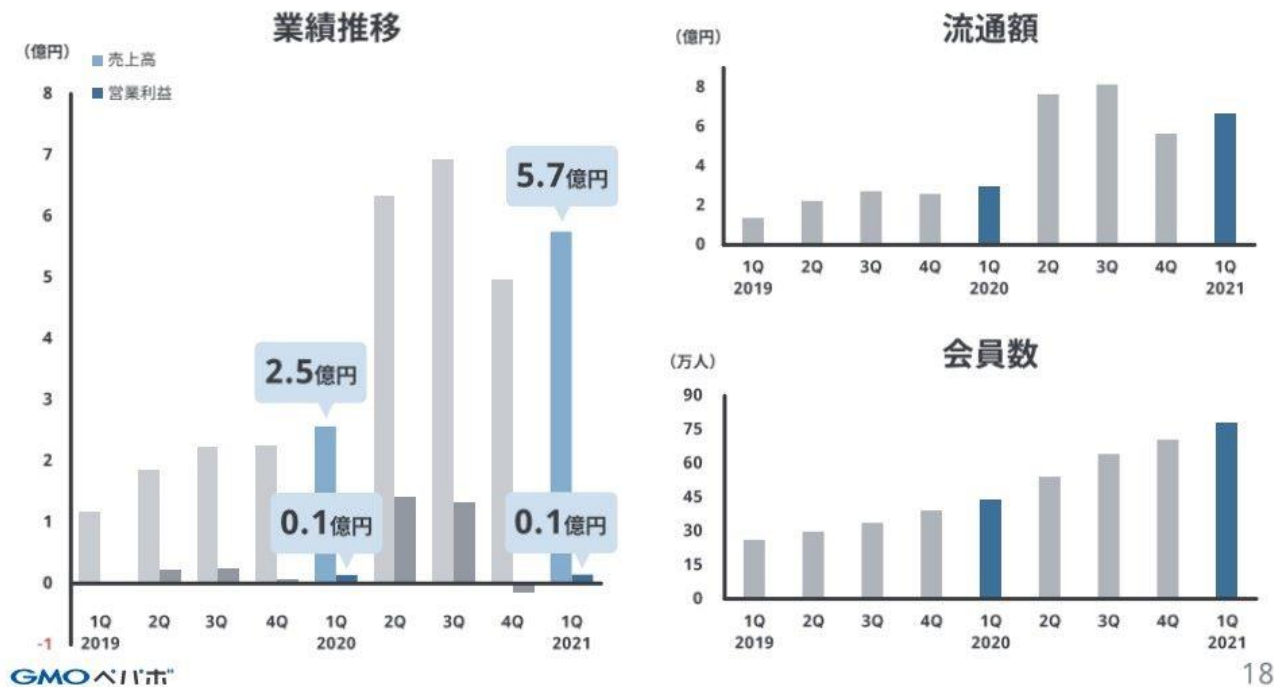
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## ● EC支援事業 (SUZURI)

売上高： **575百万円 (前年同期比 224.2%)**

営業利益： **14百万円 (前年同期比 105.1%)**



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

Net sales were JPY575 million, or 224.2% YoY, and operating income was JPY14 million, or 105.1% YoY.

Due to the introduction of additional new items and the success of the New Year's sales, the distribution value remained strong, and the number of members reached a record high.

As a result, sales more than doubled from the same period last year, but on the other hand, operating income was only 105.1% YoY due to an increase in advertising and personnel costs.

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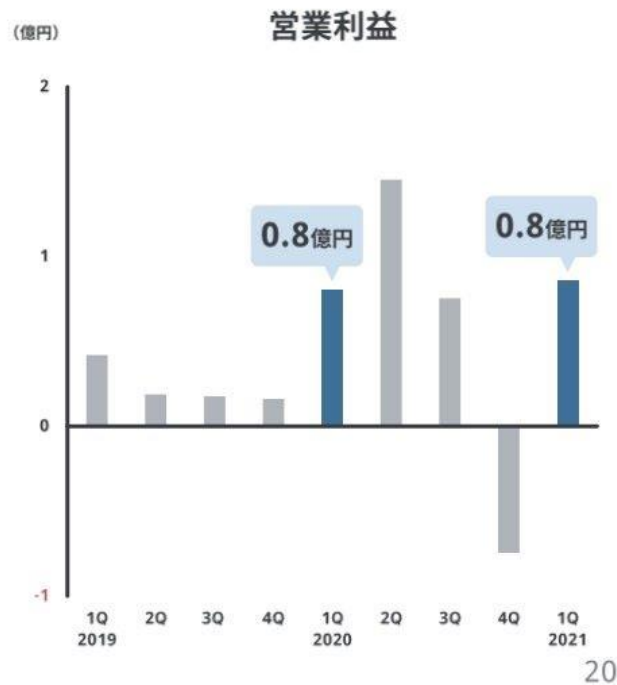
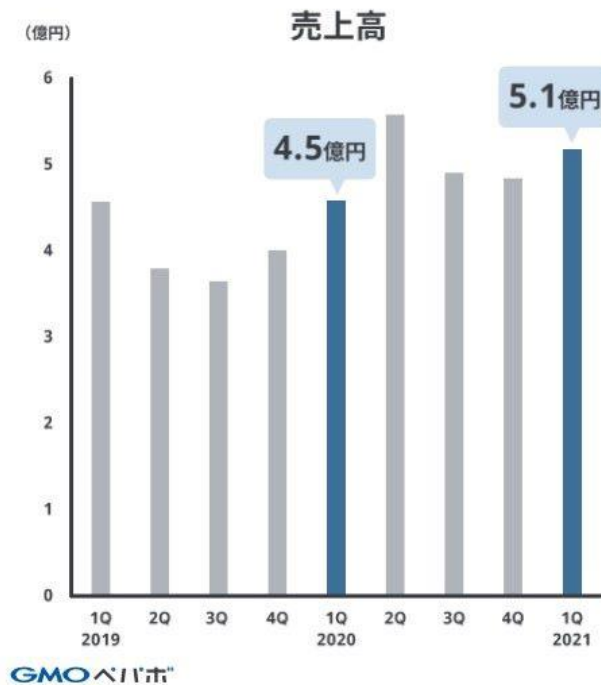
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## ● ハンドメイド事業

売上高： **518百万円 (前年同期比 113.2%)**

営業利益： **85百万円 (前年同期比 106.4%)**



Next is the handmade products business.

The handmade products business, to which minne belongs, recorded sales of JPY518 million, or 113.2% YoY, and operating income of JPY85 million, or 106.4% YoY. Just like last year, we decided not to hold large-scale events. However, we still maintained a high level of distribution value due to the implementation of plans to support new lifestyles such as entering kindergarten and school, resulting in increased sales and profits.

In Q4 of the previous fiscal year, operating income was negative due to a temporary increase in expenses from enhanced promotions. This has recovered already.

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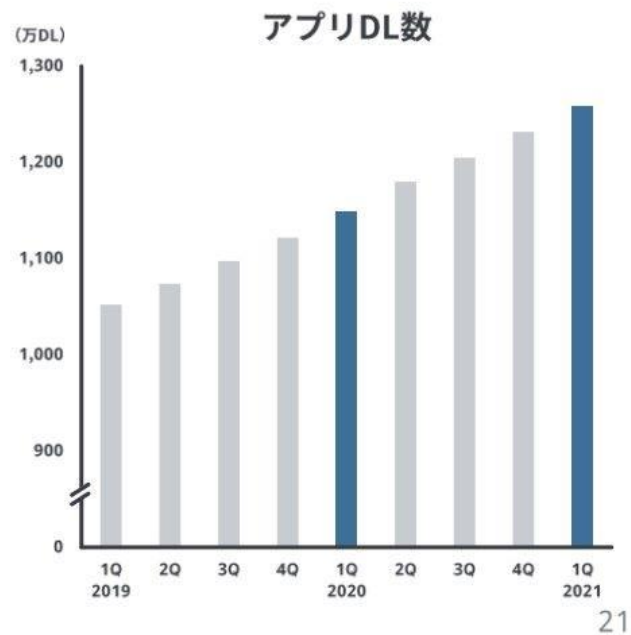
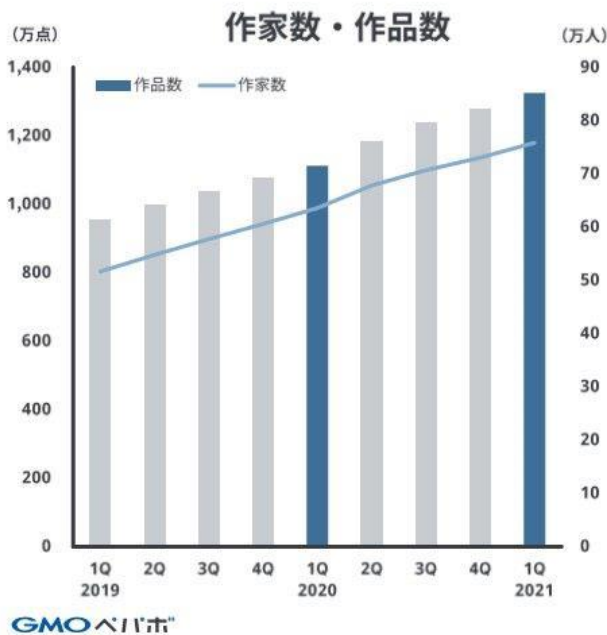
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## ● minne 作家数・作品数・アプリDL数



作家数：**75万人** (前年同期比 **119.2%**)  
 作品数：**1,325万点** (前年同期比 **119.1%**)  
 アプリDL数：**1,259万DL** (前年同期比 **109.6%**)



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Various KPIs for minne are as shown here.

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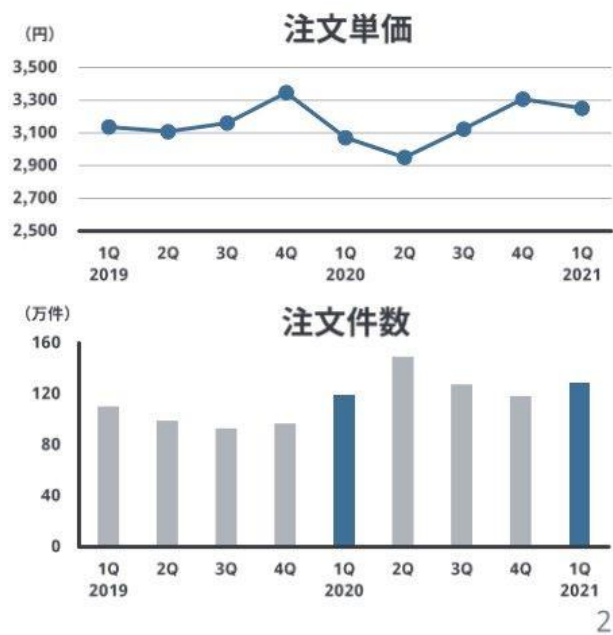
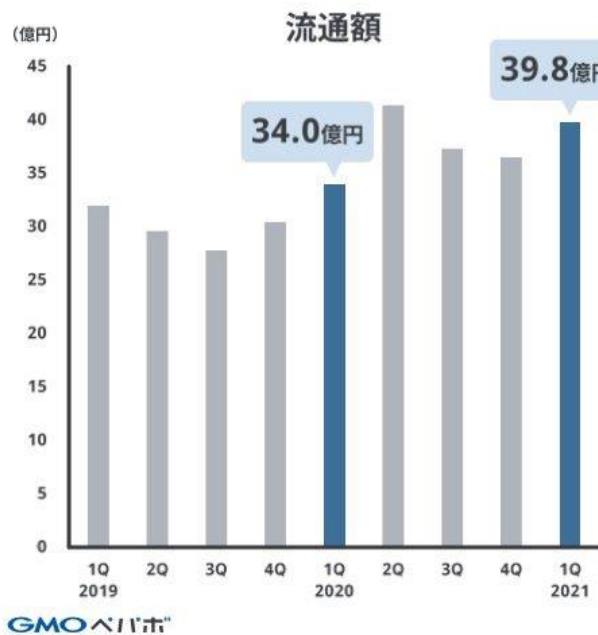
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## minne 流通額・注文単価・注文件数

流通額：	<b>39.8億円</b>	(前年同期比 <b>117.1%</b> )
注文単価：	<b>3,251円</b>	(前年同期比 <b>105.9%</b> )
注文件数：	<b>128.3万件</b>	(前年同期比 <b>108.0%</b> )



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Next is the distribution value, the unit price per order and the number of orders.

When the state of emergency was declared in April last year, the distribution value increased sharply due to the stay-at-home demand, and has been able to maintain a high level since then due to the increased time at home. Distribution value was JPY3.98 billion, or 117.1% YoY.

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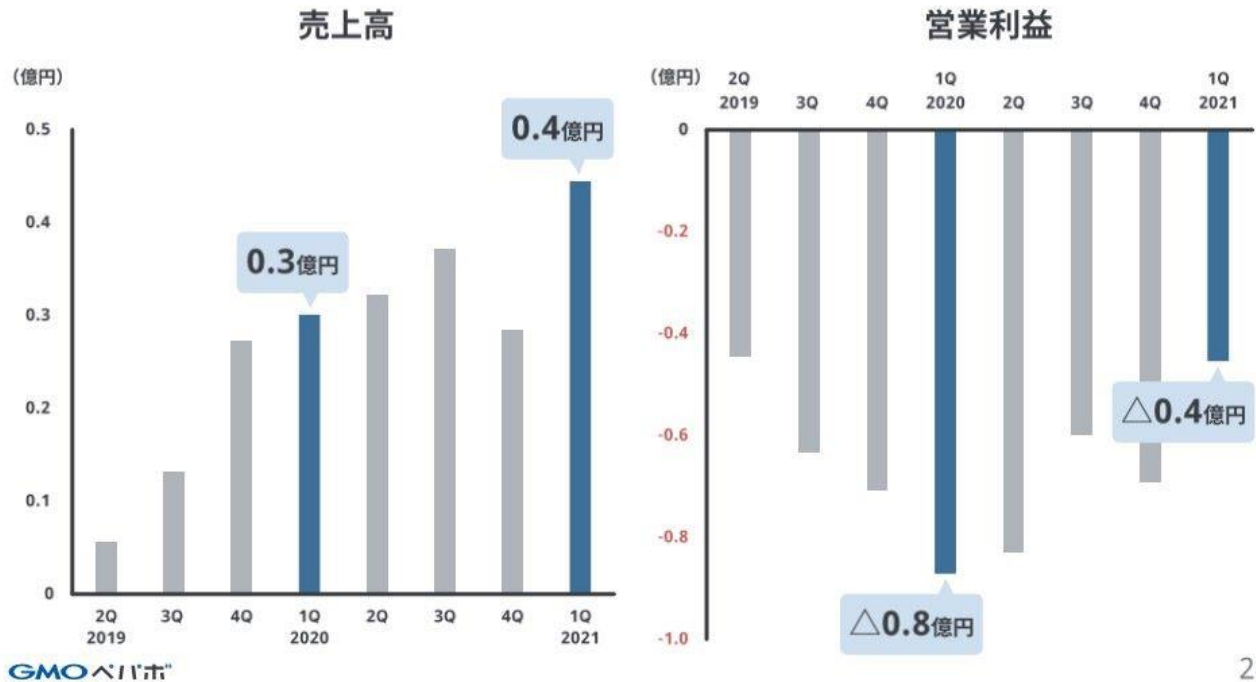
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## 金融支援事業

売上高： **44百万円** (前年同期比 **147.8%**)  
 営業利益：  $\triangle$  **45百万円** (前年同期比 **41百万円増**)



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The last one is the financial support business.

The financial support business includes FREENANCE, which has been consolidated since Q2 of 2019, so the graph starts from that point on.

Net sales were JPY44 million, or 147.8% YoY, and operating income was negative JPY45 million. Compared to the same period last year, profit improved by JPY41 million.

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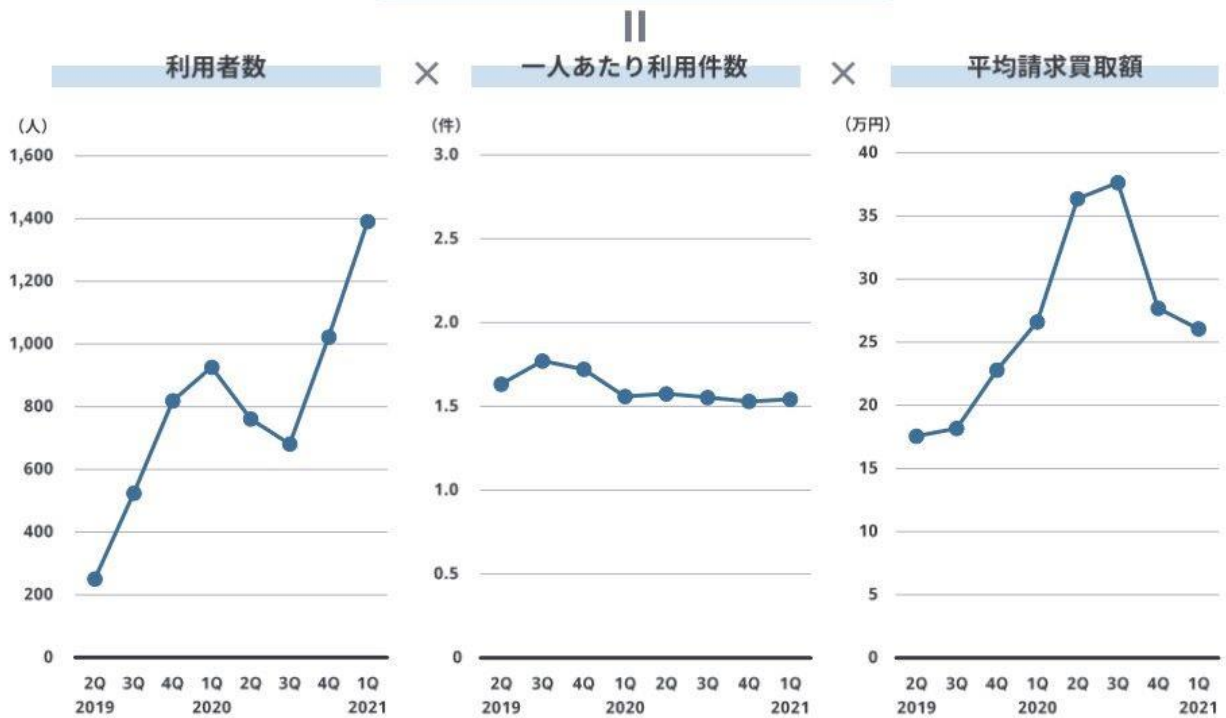
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## FREENANCE KPI推移

### 請求書買取総額



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And here are various KPIs.

After the declaration of the state of emergency last year, orders to FREENANCE and work orders to freelancers decreased, and the use of public benefits increased. As a result, the number of users decreased considerably in Q2 and Q3 of the previous fiscal year. The situation has bottomed and is now on a recovery track.

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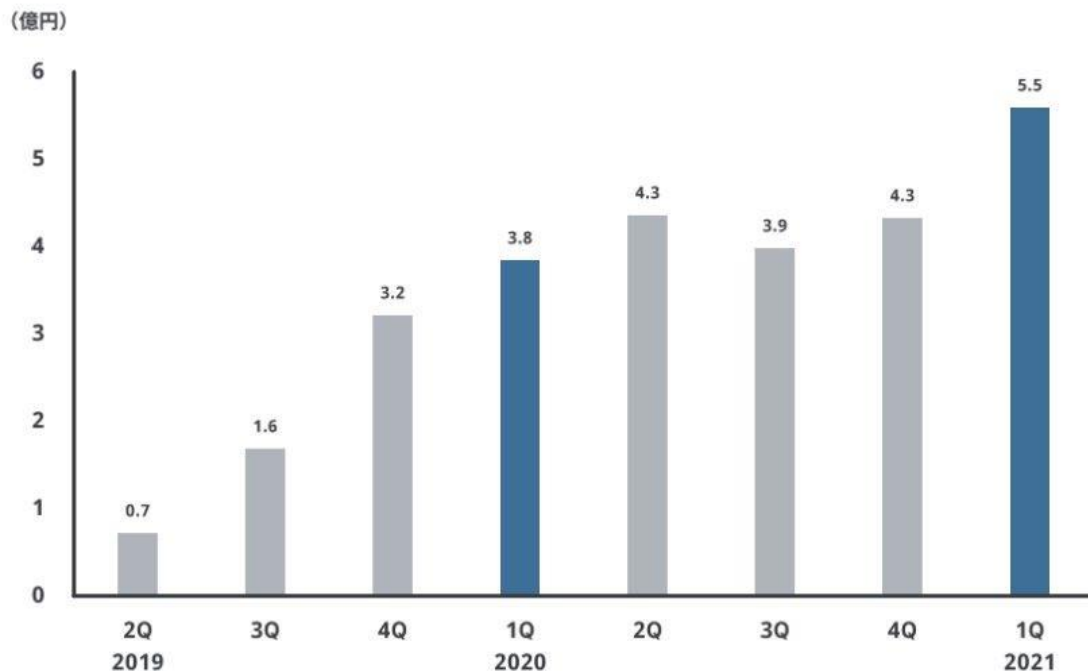
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## FREENANCE 請求書買取額推移

外部環境は引き続き厳しい状況下にあるものの、  
請求書買取額は回復基調にあり前年同期比で145.5%と伸長



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This is the purchase amount of invoices.

By strengthening API collaboration, OEM offerings, etc., with companies that have a strong relationship with FREENANCE, which have been started since 2020, the purchase amount of invoices was 145.5% YoY.

On the other hand, we are aware that the external environment surrounding freelancers is still very challenging, so we are keeping a close eye on where we need to step on the gas pedal in order to scale our business in the long run.

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## ● 当社EC関連サービス概要

	カラーミーショップ	SUZURI	minne
セグメント	EC支援事業	EC支援事業	ハンドメイド事業
サービス	ネットショップ作成	オリジナルグッズ作成・販売	ハンドメイドマーケット
ビジネスモデル	ストック型	フロー型	フロー型
料金体系	月額 917円～	無料	販売額×9.6%
ターゲット	個人事業 から 中規模店舗 まで	個人(趣味・副業) から 個人事業 まで	個人(趣味・副業) から 個人事業・法人 まで
ユーザー (売る人)	ショップオーナー	クリエイター デザイナー	ハンドメイド作家
取り扱い商品	オールジャンル	アパレル・雑貨	ハンドメイド作品
主な特長	<ul style="list-style-type: none"> <li>・ デザインの自由度</li> <li>・ 豊富な決済手段</li> <li>・ 手厚いサポート体制</li> </ul>	<ul style="list-style-type: none"> <li>・ 販売開始まで2分</li> <li>・ 在庫リスクなし</li> <li>・ 発送の手間なし</li> <li>・ 1点から作成可能</li> </ul>	<ul style="list-style-type: none"> <li>・ バラエティに飛んだ作品群</li> <li>・ ものづくりに関心の高いコミュニティ</li> <li>・ 豊富な決済手段</li> </ul>

Next, I would like to talk about our focus areas for this fiscal year.

I will explain the measures for EC-related services.

Among our EC support business and handmade products business, the 3 services of COLOR ME Shop, SUZURI, and minne are what we call EC-related services. The business model of each service is as shown here.

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## BtoC EC市場環境

近年、10%程度で成長し、2019年には19兆円規模に拡大  
2020年以降、巣ごもりやデジタルシフトによる成長の加速を想定



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

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As you all know, this is the distribution value of the entire EC market.

I will skip the details, but we are aware that the overall distribution value of the EC market is continuing to expand, and we will see an increase in approaches that can incorporate the needs of EC, as well as offline areas and domains even when using EC, including areas that connect online and offline, as opposed to the past where there was only EC.

In such an environment, the distribution value of our business is also on the rise, with a 42% increase in distribution value YoY.

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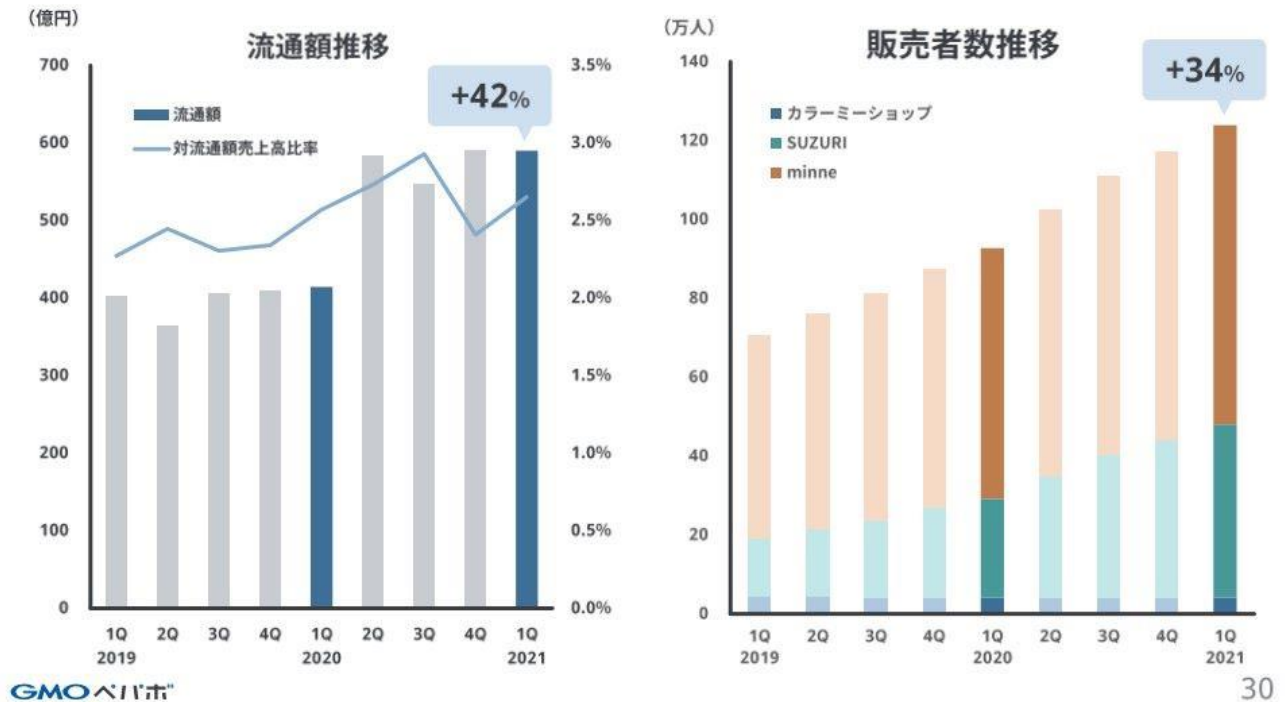
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## EC関連サービスKPI推移

デジタルシフトが進み流通額は前年同期比+42%と大きく伸長  
販売者数も+34%となり120万人を突破



Even after Q2, when the COVID-19 was affected, the overall distribution value was still high. For example, for minne and SUZURI, there was a seasonality and a trend of temporary increase in stay-at-home demand, but if you look at the overall situation including COLOR ME Shop, there is no particular decrease. After all, you can see that the needs of the entire EC site are steadily increasing.

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## ● EC関連サービスにおける2021年施策

**各事業の施策を継続、2021年のEC関連サービス流通額+14%  
対流通額売上高比率+0.5ptを目指す**

### 2021年12月期の主な施策

#### カラーミー ショップ

- 2021年2Qに販促支援アプリを提供し、年内820店舗の利用を見込む
- 4月よりクレジットカード等の決済利用開始が即日可能とし、利用開始まで平均13日の現状から大幅短縮
- 管理画面改善によりアプリストアへの誘導を強化し、年内で5,000インストール増を図る

#### SUZURI

- データ分析によるプロモーションの効率化及び広告費の増額により、オーガニック成長に加え8億円以上の流通額増加を見込む
- マスクやエコバッグなど15アイテム追加予定

#### minne

- 検索システムの刷新及び作品データの充実により購入率を0.2pt 向上させ、オーガニック成長に加え5億円以上の流通額増加を見込む
- 2020年12月に開始したカジュアルギフトサービス「giftee」連携ギフト需要などによりホーム関連カテゴリー等訴求を図る

Next is the progress of the measures planned in 2021 for EC-related services.

As I mentioned at the last financial results briefing, by implementing the measures you see here in each of our businesses, we are planning to increase the distribution value of EC-related services by 14% YoY and increase our overall take rate by 0.5% points in the fiscal year ending December 31, 2021.

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## ● EC関連サービスにおける2021年施策の進捗

各事業の施策実施、一部の施策に遅れが発生しているものの、  
2Q以降の各施策に継続して取り組む

	1Qまでの施策	2Q以降の施策
カラーミー ショップ	<ul style="list-style-type: none"> <li>継続的な店舗支援による流通額の増加</li> <li>地方銀行との提携による地方事業者支援</li> <li>orosyなどのアプリ連携強化</li> </ul>	<ul style="list-style-type: none"> <li>クレジットカード等の決済利用開始の早期化により即日利用可能に(遅延)</li> <li>販促支援アプリ等のアプリ強化の実施</li> </ul>
SUZURI	<ul style="list-style-type: none"> <li>4アイテムを追加</li> <li>新春セールの実施</li> <li>芸能人コラボの実施</li> </ul>	<ul style="list-style-type: none"> <li>継続的なクリエイターの誘致</li> <li>マスクやタンブラーなど11アイテムを追加予定</li> </ul>
minne	<ul style="list-style-type: none"> <li>新生活、入学シーズンイベントの実施</li> <li>gifteeコラボの開始</li> <li>SNS等による認知度向上と販売促進</li> </ul>	<ul style="list-style-type: none"> <li>オンラインワークショップ形式による新規イベント企画</li> <li>アプリでの作品並べ替え機能等の機能改善実施</li> <li>gifteeとの連携強化と拡販の実施</li> </ul>

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Each of the measures taken up to Q1 and future plans are as described here.

For COLOR ME Shop, we focused on app linkage and support for local businesses. As EC continues to grow, the existing EC businesses will also grow.

There are also people who will be entering the market in the future, and people who have not been involved in EC so far. People with the issue of IT literacy, information [inaudible], and people in rural areas who are a little closer to production may also participate in EC.

For example, we are working with regional banks to develop new business opportunities. Or, when new customers want to start using services right away, our COLOR ME Shop service itself has been focused on those who operate full-scale EC sites. So, for people other than those, we will improve the convenience of the interface that is simple and easy to start. This is a measure for this fiscal year.

For example, there has been a slight delay in measures such as early start of credit card payment, but we believe that we can launch these measures in Q2.

As for SUZURI, we believe that adding new items will lead to increased distribution and creators, so we recognize that adding new items will be very important this fiscal year.

We had hoped to launch some items such as masks during Q1, but after making various adjustments, we released the masks today, and the launch of other items is progressing smoothly.

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In addition, minne will continue to focus on planning events from Q2 onward, not offline but online events, and improving the functions of the app to increase the purchasing rate.

## セグメント別 通期の業績進捗

(百万円)		2021年予想	2021年1Q	進捗率
売上／利益ともに概ね計画通りの進捗				
ホスティング	売上高	4,733	1,185	25.1%
	営業利益	1,413	341	24.1%
「SUZURI」は売上利益が2Q以降偏重であり1Qは計画通りに推移				
EC支援	売上高	5,762	1,130	19.6%
	営業利益	1,343	267	19.9%
各種企画実施やアプリ機能改善等による業績拡大を目指す				
ハンドメイド	売上高	2,498	518	20.7%
	営業利益	428	85	20.0%
API連携やOEM提供の強化、費用抑制等により損失幅は縮小傾向				
金融支援	売上高	199	44	22.3%
	営業利益	△ 200	△ 45	—

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The progress of business results for each business segment for the fiscal year ending March 31, 2021 is as shown in the table.

As for the hosting business, we are making steady progress as usual, partly because the stock is not seasonal.

The rate of progress in the EC support business appears to be low, but since the plan is for SUZURI sales and profits to increase in Q2 and beyond, the situation for Q1 is as planned.

In the handmade products business, we expect to expand our business performance in Q2 and beyond, and we will continue to aim to expand earnings through various measures as I mentioned earlier.

Next, in the financial support business, the purchase amount of invoices decreased last year due to the impact of COVID-19, but this fiscal year we hope to gradually accelerate the move toward profitability by strengthening collaboration with external companies and other measures.

Finally, with regard to the overall progress of the current fiscal year, Q1 of the fiscal year ending December 31, 2021 has started off on a particularly good footing, with YoY growth exceeding 20%, as originally stated in the plan.

We have several measures in place to further drive the summer sales from Q2 onward, as well as the summer season, so we will continue to focus on EC-related services to expand our earnings.

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That's all I have to say. Thank you very much for your attention.

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## Question & Answer

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**Moderator:** We will now move on to the Q&A session. Now, I would like to call on the first questioner. Daiwa Securities, Mr. Tokunaga.

**Tokunaga:** Thank you very much. I have 3 questions.

First. I think the trend was that a state of emergency was declared, and we had a stay-at-home Golden Week holidays. How should we think about the impact of these various events, such as the declaration of a state of emergency and staying-at-home, and their impact on your company's performance? I think that the impact was very positive at the time of the first wave, but the fourth wave will not be so positive for EC-related companies. Please let us organize the understanding about that.

**Sato:** You're right. Compared to the same period last year, we haven't seen a huge increase. For now, we have not observed any movement in response to the declaration of the state of emergency, such as an increase in the number of active accounts or an increase in EC purchases. That's it, simply put.

**Tokunaga:** I understand now. Thank you. The second point. I think that COLOR ME Shop has seen a significant increase in sales. If we break this down into revenue per transaction, cross-selling and up-selling, what is driving this growth, and will this continue? Please tell us.

**Sato:** With regard to COLOR ME Shop, there are basic stock, transactions, and up-selling, but the stock has been steady and has not changed significantly.

As for transactions, the base has not changed that much since last year's growing demand for EC. Seeing the EC sites as a whole, the distribution of existing stores built with COLOR ME Shop is growing, so the sales are strong.

On the other hand, one of the special factors in Q1 was the occurrence of some one-shot projects. There are IT introduction subsidies, which provide support money when an EC site is created, and there have been some cases of EC site construction involving that in the form of one-shot projects. I think this is a special factor.

Mr. Igashima, if you have anything to add, please.

**Igashima:** No, it is as CEO Sato just explained.

**Tokunaga:** Do you think that the growth in the last 2 to 3 quarters is because transactions are increasing, or because cross-selling and up-selling are progressing smoothly, or due to both of these? I think the revenue increased by about JPY120 million YoY, just for the quarter. How should we break this down?

**Sato:** It's a combination of both factors. In particular, there is an increase in the number of transactions.

**Tokunaga:** Thank you very much. In the presentation materials, there was something about increasing the number of credit card payments, but can we assume that this will also lead to some kind of further growth in transaction revenue?

**Sato:** Yes. You're right. One of the points where COLOR ME Shop is losing out to competitors is the slow speed of introducing credit card payment. Also, even if we look at the overall distribution of COLOR ME Shop, there are still some distributions that are not able to complete the transaction or return the kickback to us, so we need to increase this ratio.

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Our major goal for COLOR ME Shop this fiscal year is to increase the take rate, so one of the measures we are taking to achieve this goal is to speed up the introduction of card payments and increase the ratio of card payments.

**Tokunaga:** Thank you very much. The third point. In this quarter, the profit progress was quite high, and I think you mentioned a month-to-month delay in cost. What exactly is this delayed cost related to, and which quarter does it appear in?

Also, please let us know how much of the EC-related costs you disclosed last time were spent on promotion in this quarter, if you have any figures. That's all.

**Sato:** Okay. Let us give you a breakdown from Mr. Igashima.

**Igashima:** As for the month-to-month delay in costs, the breakdown is as follows: outsourcing costs, commissions paid, et cetera, which were moved to Q2, to April. This is the first point of the question.

**Sato:** And the promotion cost of EC?

**Tokunaga:** That's right. Please give us some kind of outlook on this.

**Sato:** In terms of the overall trend, we invested a lot of promotional costs in EC-related services after the declaration of the state of emergency last year, especially in Q2 onward. In particular, we invested in minne and others from Q3 to Q4, but we did not go that far in Q1.

On the other hand, there has been an increasing trend in services whose top-line are growing, such as SUZURI, but I don't think the overall number has increased that much. The impact of SUZURI is still large in part. I think minne and COLOR ME Shop were not invested that much.

**Tokunaga:** Thank you very much. Also, how much is the cost of the month-to-month delay?

**Igashima:** The amount is not that large. It is not at the level of hundreds of millions of yen at all.

**Tokunaga:** I understand very well. That's all. Thank you very much.

**Sato:** Thank you for your questions.

**Moderator:** Thank you very much. As there are no further questions, this concludes the GMO Pepabo, Inc. online financial results briefing for Q1 of the fiscal year ending December 31, 2021. Thank you very much for joining us today.

**Sato:** Thank you very much.

**Igashima:** Thank you very much.

[END]

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## Document Notes

1. Portions of the document where the audio is unclear are marked with [Inaudible].
2. Portions of the document where the audio is obscured by technical difficulty are marked with [TD].
3. This document has been translated by SCRIPTS Asia.

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