



GMO Pepabo, Inc.

Q2 Financial Results Briefing for the Fiscal Year Ending December 2021

August 6, 2021

Event Summary

[Company Name]	GMO Pepabo, Inc.	
[Company ID]	3633-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending December 2021	
[Fiscal Period]	FY2021 Q2	
[Date]	August 6, 2021	
[Number of Pages]	39	
[Time]	16:45 – 17:35 (Total: 50 minutes, Presentation: 23 minutes, Q&A: 27 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Kentaro Sato	Representative Director and CEO
	Yoshito Igashima	Executive Director and CFO
[Analyst Names]*	Yosuke Tomimatsu	Mizuho Securities Co., Ltd.

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

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



Presentation


Moderator: Thank you very much for taking time out of your busy schedule to join us today for GMO Pepabo Inc.'s online financial results briefing for the 2Q of the fiscal year ending December 2021. I would now like to introduce today's attendees. Kentaro Sato, Representative Director and CEO.

Sato: I'm Sato. I'm looking forward to working with you.

Moderator: Yoshito Igashima, Executive Director and CFO.

Igashima: Thank you very much.

Moderator: The above 2 members are present. Today, our Representative Director Sato, will provide an overview of our financial results, followed by an audio question and answer session via ZOOM. Information on how to ask questions will be provided later. The briefing will take about 45 minutes to finish. Now, I would like to ask you, President, to start the explanation.



前年の巣ごもり需要が一服し
前年同期比で増収、減益

- 四半期売上高は過去最高を更新
- プロモーション等を中心とした費用増加により減益

Sato: This is Sato, the President. Thank you for taking time out of your busy schedule to join us today. I would like to begin the presentation of the financial results for the 2Q of the FY2021.

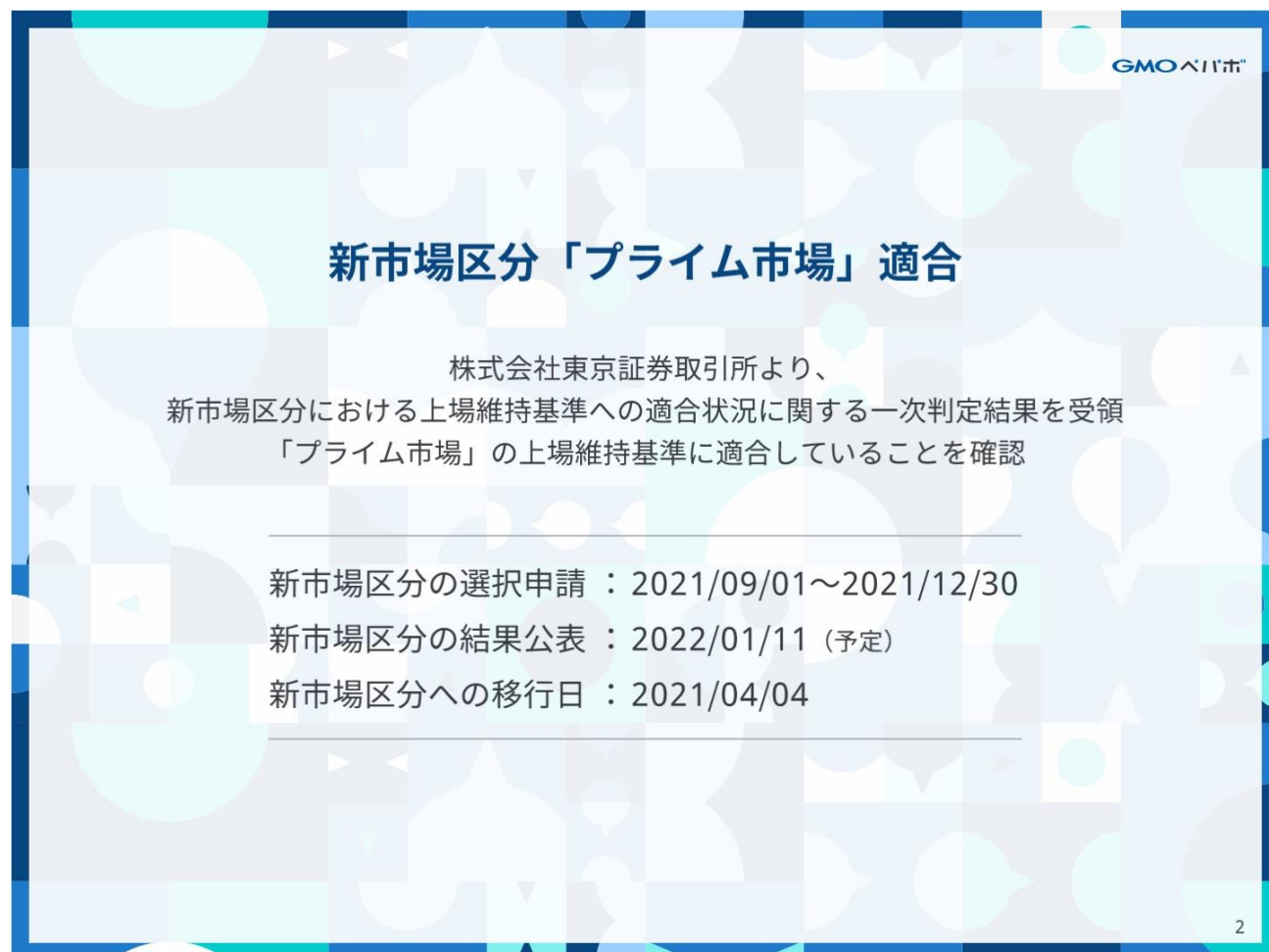
Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

 **SCRIPTS**
Asia's Meetings, Globally

Here are the key points of this financial statement. As the last year's demand in consumption-from-home subsided, sales increased while profits decreased compared YoY. Although quarterly sales reached a record high, profits decreased due to an increase in promotion and other expenses.



GMOペパボ

新市場区分「プライム市場」適合

株式会社東京証券取引所より、
新市場区分における上場維持基準への適合状況に関する一次判定結果を受領
「プライム市場」の上場維持基準に適合していることを確認

新市場区分の選択申請：2021/09/01～2021/12/30
新市場区分の結果公表：2022/01/11（予定）
新市場区分への移行日：2021/04/04

2

Before I get into the main topic, I would like to report that we recently received a notice from the TSE regarding the new market segmentation.

Now that we have received the notice of compliance for the prime market, we would like to proceed with the application in writing. We would be grateful for the continued support of our stakeholders. Now, I will begin to explain today's financial results.

Here is the agenda for this session. I will spare you the explanation, but in the latter half of the document, you will find a company profile including the service outline and shareholder returns as reference material.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

 **SCRIPTS**
Asia's Meetings, Globally

売上高は前年同期比111.2%と売上2ケタ成長を維持したものの、営業利益はプロモーション等の費用増加により73.6%

四半期純利益は事業譲渡益の計上があり91.8%

(百万円)	2020年 (2Q)	2021年 (2Q)	増減額	前年同期比
売上高	5,352	5,950	+ 598	111.2%
営業利益	623	459	△ 164	73.6%
営業利益率 (%)	11.6	7.7	—	—
経常利益	665	470	△ 194	70.7%
親会社株主に帰属する 四半期純利益	394	362	△ 32	91.8%

5

First, I would like to provide an overview of our financial results for the 2Q of the FY2021. In the 2Q, sales maintained double-digit growth at 111.2% YoY, driven by the robust hosting business and EC support business. On the other hand, profits decreased to 73.6% due to the impact of expenses as a result of increased promotions and other activities. Current net income for the quarter was 91.8% compared to the same period last year due to the business transfer of JUGEM, a blogging service, in the 2Q.

Support

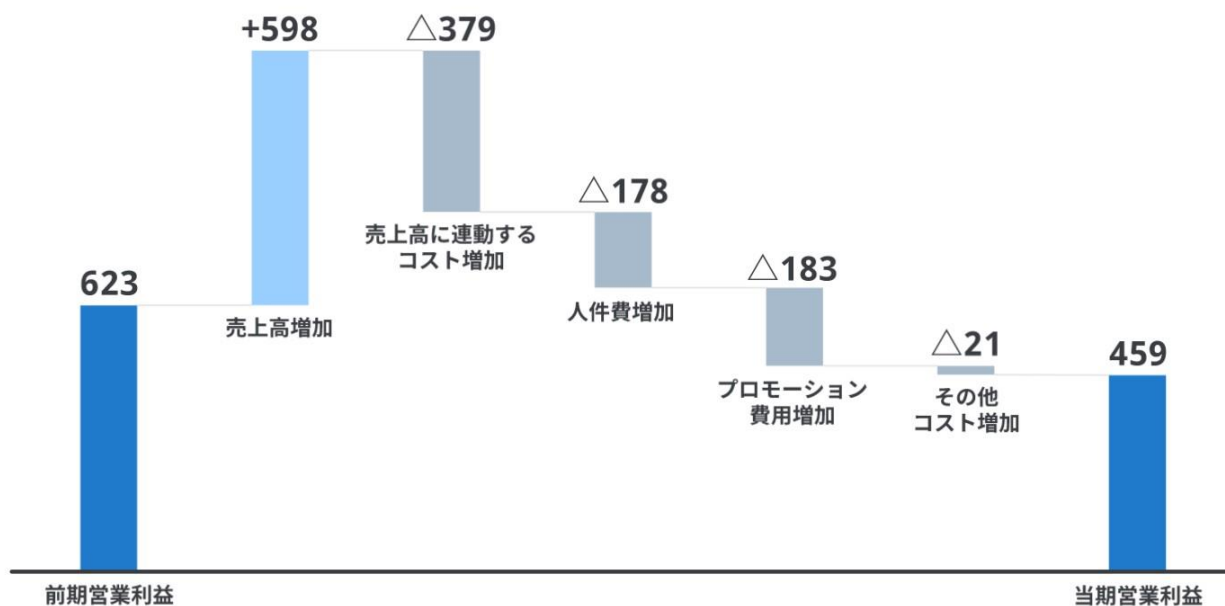
Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

 **SCRIPTS**
Asia's Meetings, Globally

人件費やプロモーション費用等の増加により、前年同期比73.6%の459百万円

(単位：百万円)



6

The figure below shows the analysis of changes in operating income compared to the same period last year. Due to an increase in expenses such as advertising and personnel costs, operating income was JPY459 million, 73.6% of the previous year's level.

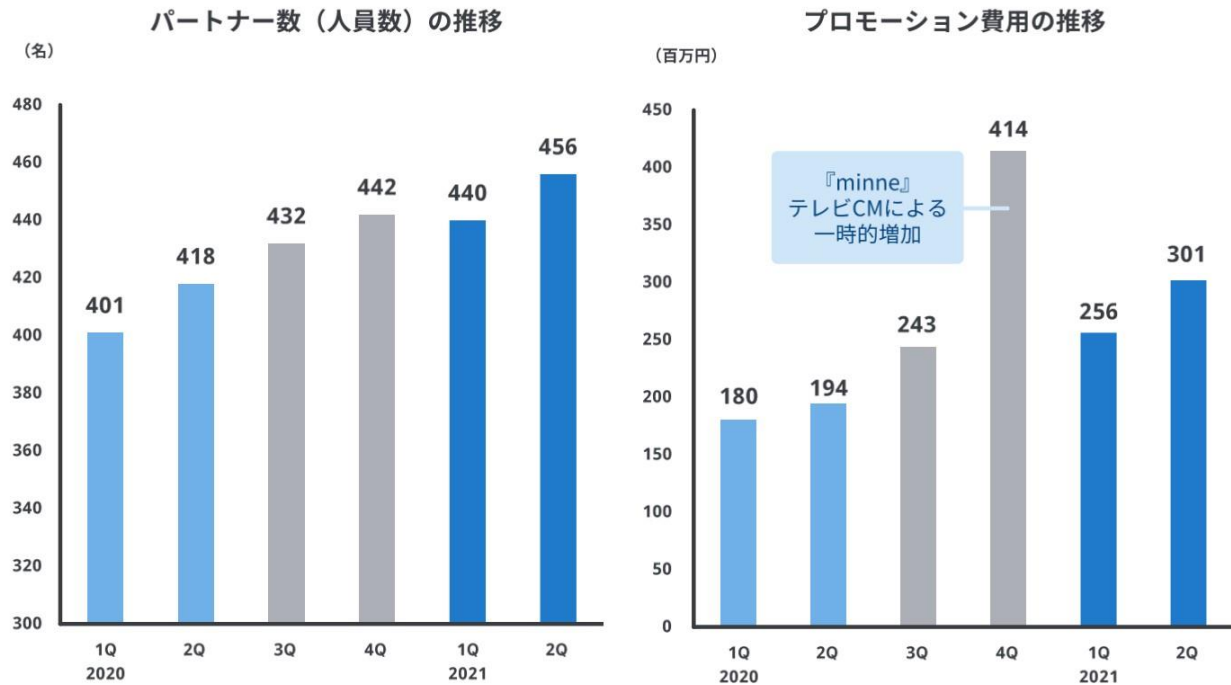
Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

SCRIPTS
Asia's Meetings, Globally

EC関連サービスの業績拡大に伴い、人員数・プロモーション費用が増加



7

Then, here are the details of the cost section. In particular, as the performance of our EC-related services has expanded since last year, we have been strengthening our personnel structure to further improve the quality of our services. Promotion expenses also increased compared to the previous year, as you can see.

Support

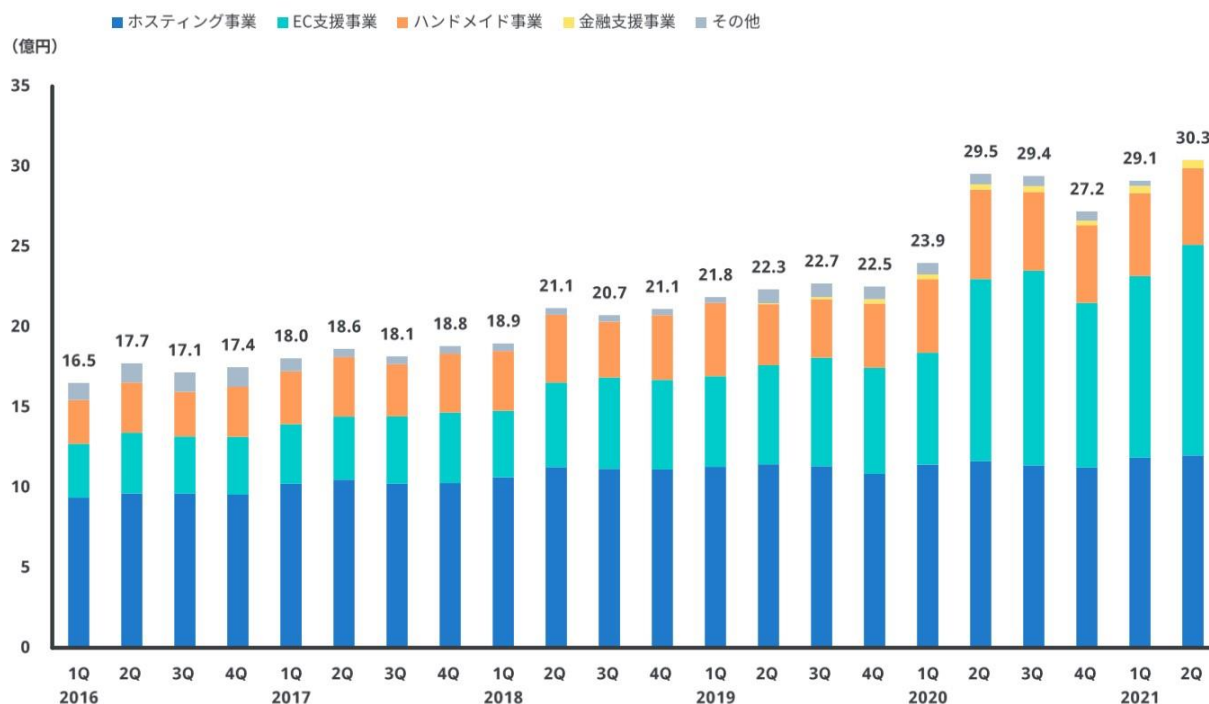
Japan 03.4405.3160
Tollfree 0120.966.744

North America
Email Support

1.800.674.8375
support@scriptasia.com

SCRIPTS
Asia's Meetings, Globally

四半期売上高は30.3億と過去最高を更新



8

Next is the quarterly sales trend. In the 2Q of last year, exactly 1 year ago, sales grew rapidly due to the impact of the demand in consumption-from-home caused by the first emergency declaration, but sales continued to grow, and though growth dropped temporarily, sales in the 2Q reached a record high.

Support

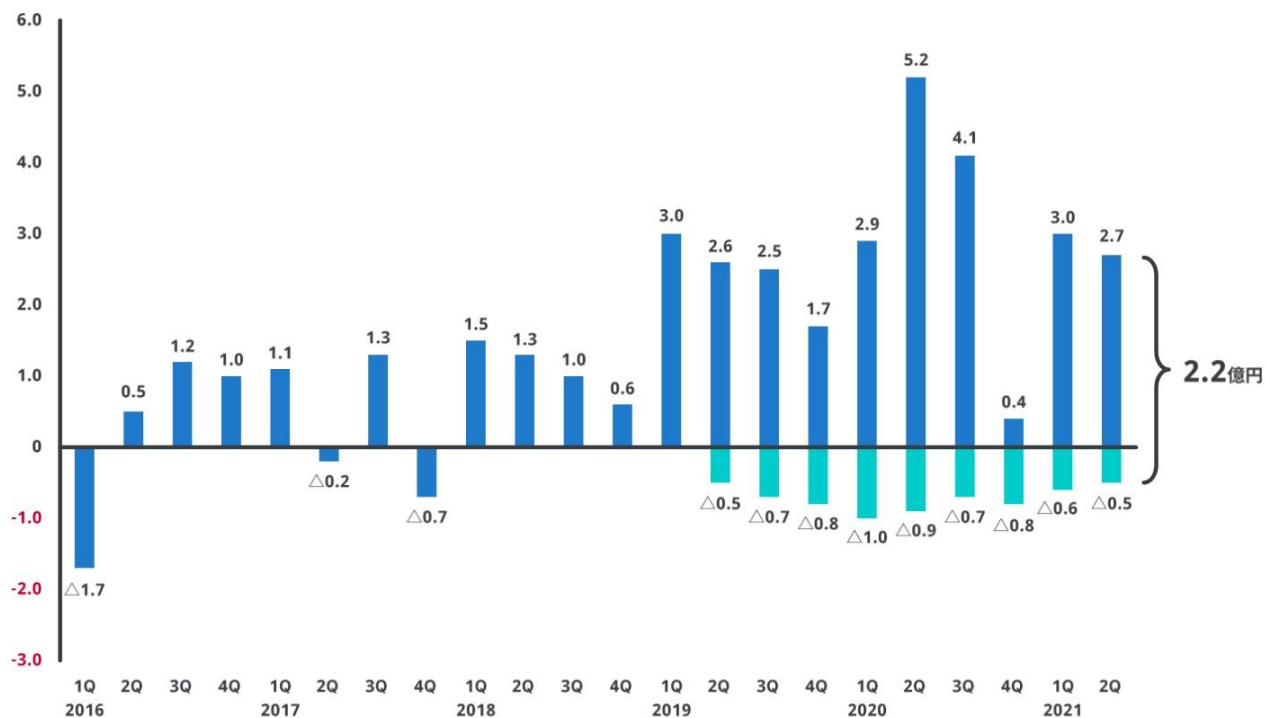
Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

四半期営業利益推移

GMOペパボ

(億円) ■ GMOペパボ ■ GMOクリエイターズネットワーク



9

This is followed by the quarterly operating income trend. In the 4Q of 2020, profits temporarily decreased due to intensified promotions, but from 2021, profits have returned to the previous trend. However, growth has been sluggish in the 2Q of 2021.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

SCRIPTS
Asia's Meetings, Globally

主力サービスは堅調なものの、その他サービスの影響により利益は微減	
ホスティング	売上高： 2,384 百万円 (103.4 %) 営業利益： 693 百万円 (97.5 %)
売上高は2ケタ成長を維持するも「SUZURI」の利益が前年割れ	
EC支援	売上高： 2,443 百万円 (133.5 %) 営業利益： 568 百万円 (93.2 %)
前年の巣ごもり需要が一服し、流通額と注文件数が伸び悩む	
ハンドメイド	売上高： 995 百万円 (98.0 %) 営業利益： 140 百万円 (62.0 %)
「FREENANCE」は利用者数や請求書買取額が増加傾向で好調を維持	
金融支援	売上高： 94 百万円 (151.2 %) 営業利益： △73 百万円 (96 百万円増)

※()内は前年同期比

10

Next, the results by segment. In the hosting business, due to the strengthening collaboration between LOLIPOP! and MuuMuu Domain, as well as the price revision for the former, sales increased. On the other hand, operating income declined YoY due to an increase in expenses for other services.

In the EC support business, although net sales maintained double-digit growth, SUZURI's profit was significantly lower YoY, and the EC support business as a whole was also lower than last year.

In the handmade business, both sales and profits fell below the previous year's levels due to sluggish growth in distribution value and the number of orders, as last year's consumption-from-home demand subsided.

On the other hand, in the financial support business, the number of users and the amount of invoices purchased are both on the rise, resulting in significant growth in sales and a significant improvement in operating loss.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

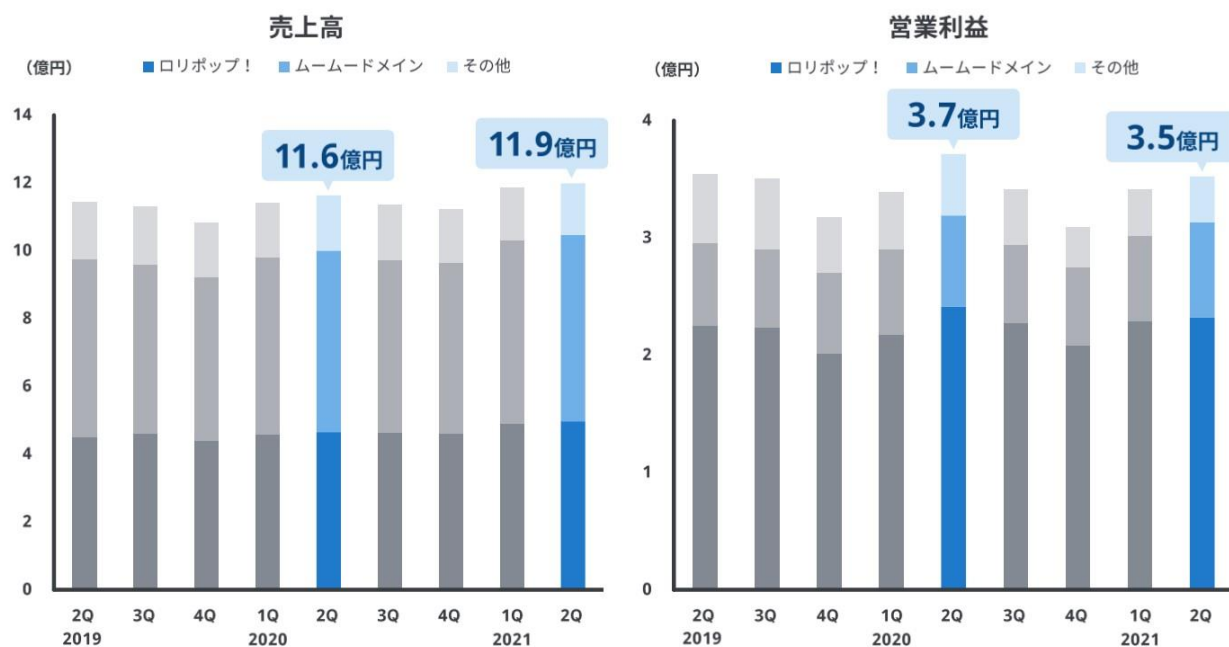
North America 1.800.674.8375
Email Support support@scriptasia.com

 **SCRIPTS**
Asia's Meetings, Globally

累計期間

売上高： 2,384百万円 (前年同期比 103.4%)

営業利益： 693百万円 (前年同期比 97.5%)



12

Now, I will explain each segment separately. First, there is the hosting business. In the hosting business, sales were JPY2.384 billion, up 103.4% from the same period last year. Operating income was JPY693 million, 97.5% of the previous year's level.

Sales of the major services, LOLIPOP! and MuuMuu Domain, were solid, but overall profits declined due to increased promotion costs and personnel costs for other services.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

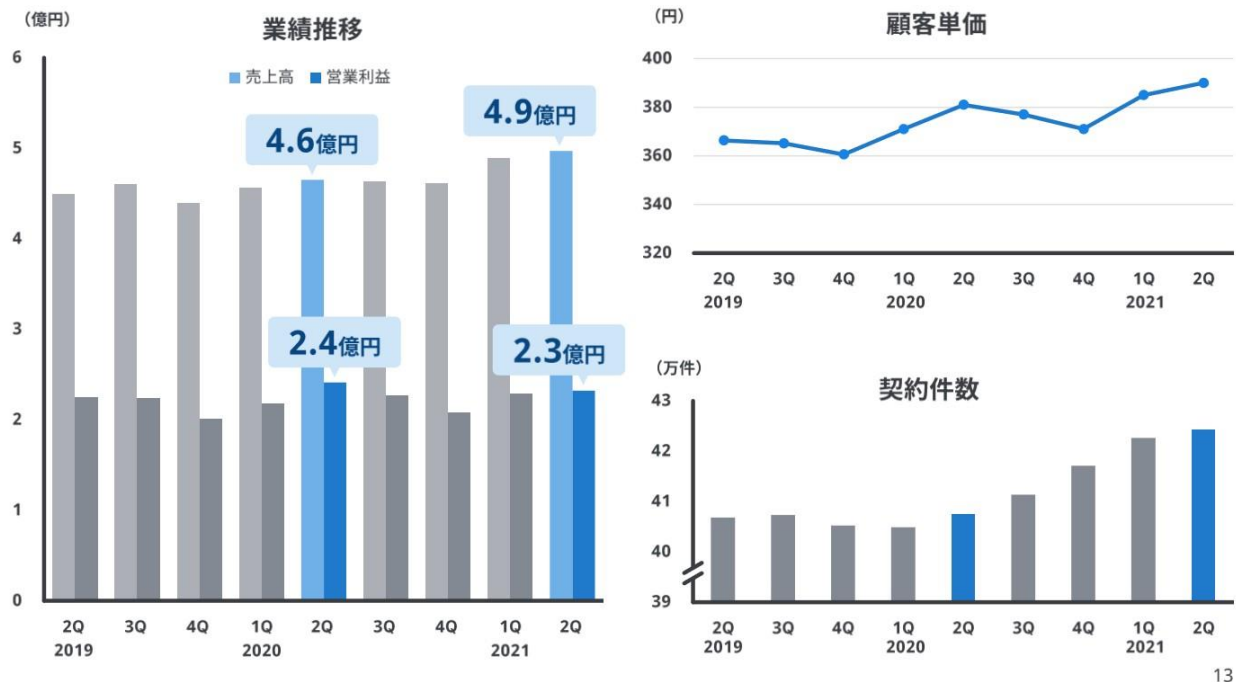
North America 1.800.674.8375
Email Support support@scriptsasia.com

SCRIPTS
Asia's Meetings, Globally

累計期間

売上高：986百万円（前年同期比 107.1%）

営業利益：461百万円（前年同期比 100.5%）



13

It is by service of details. First, the rental server service LOLIPOP!. Sales were JPY986 million, 107.1% compared to the same period last year. Operating income was JPY461 million, 100.5% compared to the same period last year. As the ratio of high-end plans increased, the unit price per customer rose. In addition, the number of contracts is increasing due to the strengthening of cooperation with MuuMuu domain and the increasing number of new contracts acquired through affiliates.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

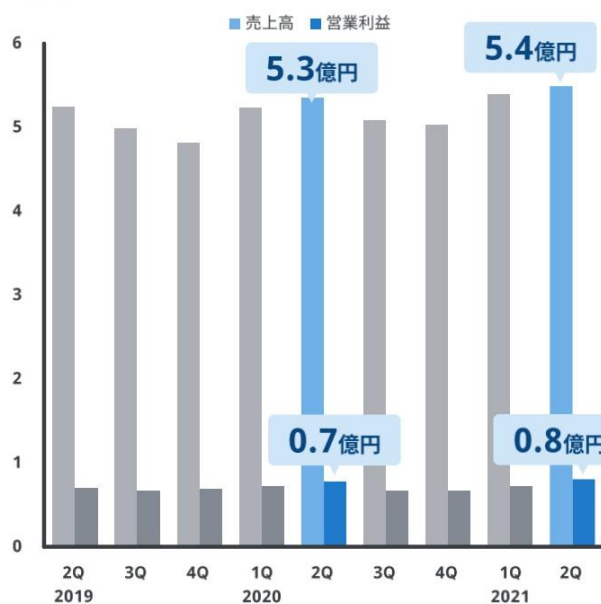
SCRIPTS
Asia's Meetings, Globally

累計期間

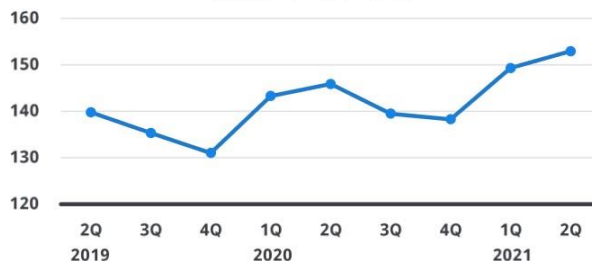
売上高：1,089百万円（前年同期比 102.9%）

営業利益：153百万円（前年同期比 102.2%）

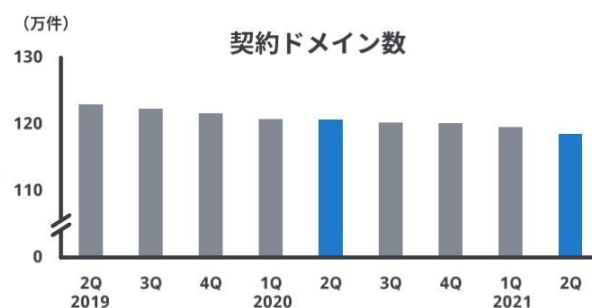
業績推移



契約ドメイン単価



契約ドメイン数



14

This brings us to the domain registration service, MuuMuu domain. Sales were JPY1.089 billion, 102.9% compared to the same period last year. Operating income was JPY153 million, 102.2% of the previous year's level. The number of contracted domains continued to decline as new contracts struggled. On the other hand, the unit price of domains increased, resulting in an overall increase in both sales and profits.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

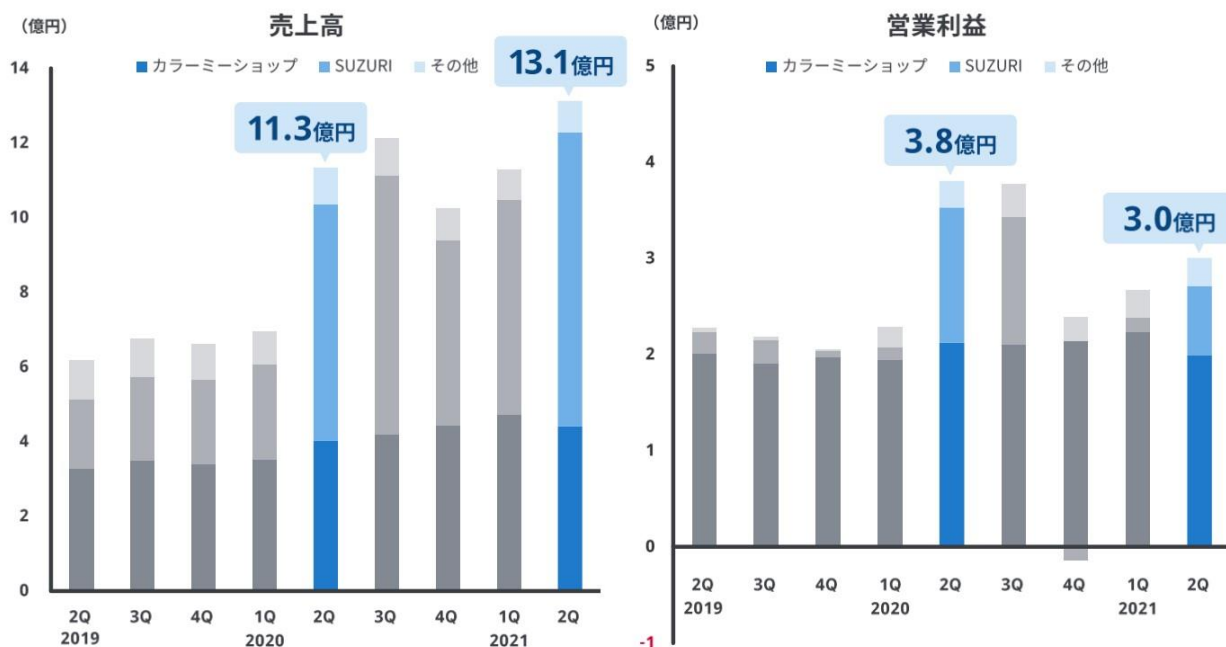
North America
Email Support

1.800.674.8375
support@scriptsasia.com

累計期間

売上高： 2,443百万円 (前年同期比 133.5%)

営業利益： 568百万円 (前年同期比 93.2%)



16

Next is the EC support business. Although sales increased significantly to JPY2.443 billion, which is 133.5% compared to the same period last year, operating income was JPY568 million, 93.2% of the same period last year.

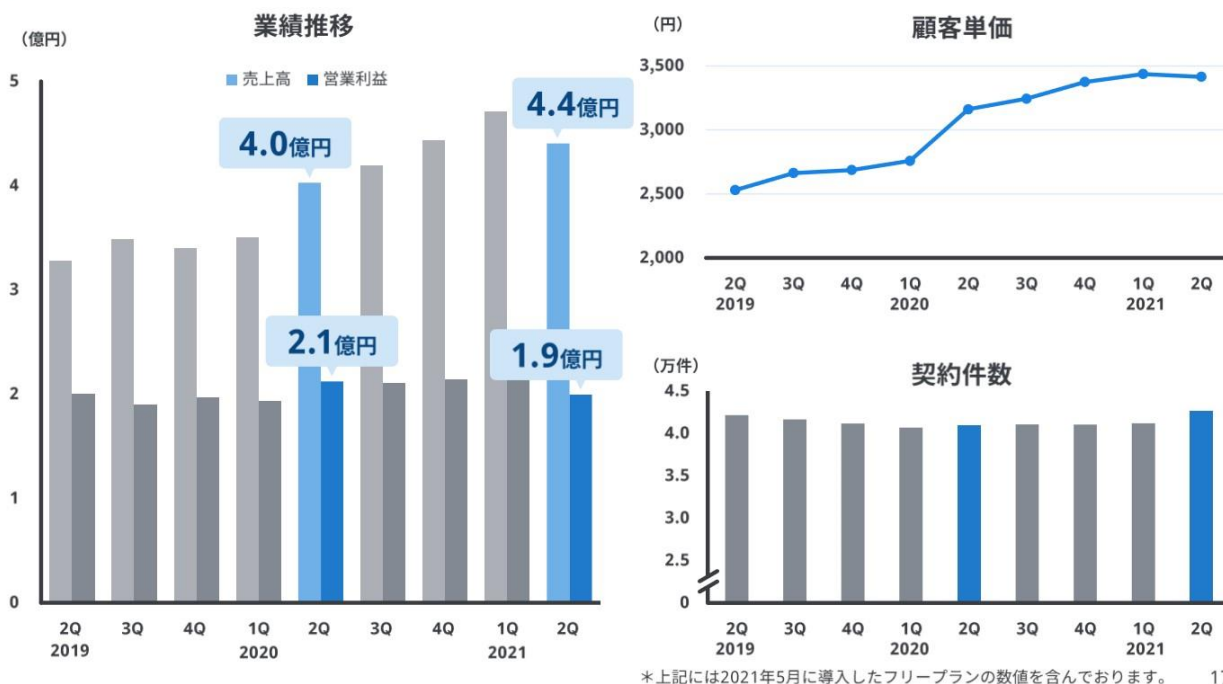
Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

累計期間

売上高： **911百万円（前年同期比 121.0%）**
 営業利益： **423百万円（前年同期比 104.2%）**



17

This is by service category. Color Me Shop is an online store creation service. Sales were 121% YoY and increased to JPY911 million. Operating income was JPY423 million, 104.2% YoY.

As a result of the release on May 13 of the Free Plan, an Internet store creation service with no initial cost and no monthly fee, the average spending per customer decreased slightly, but the number of contracts for the Free Plan increased, resulting in an overall increase in the number of contracts. Both sales and profits increased due to an increase in paid contracts and distribution amount.

Support

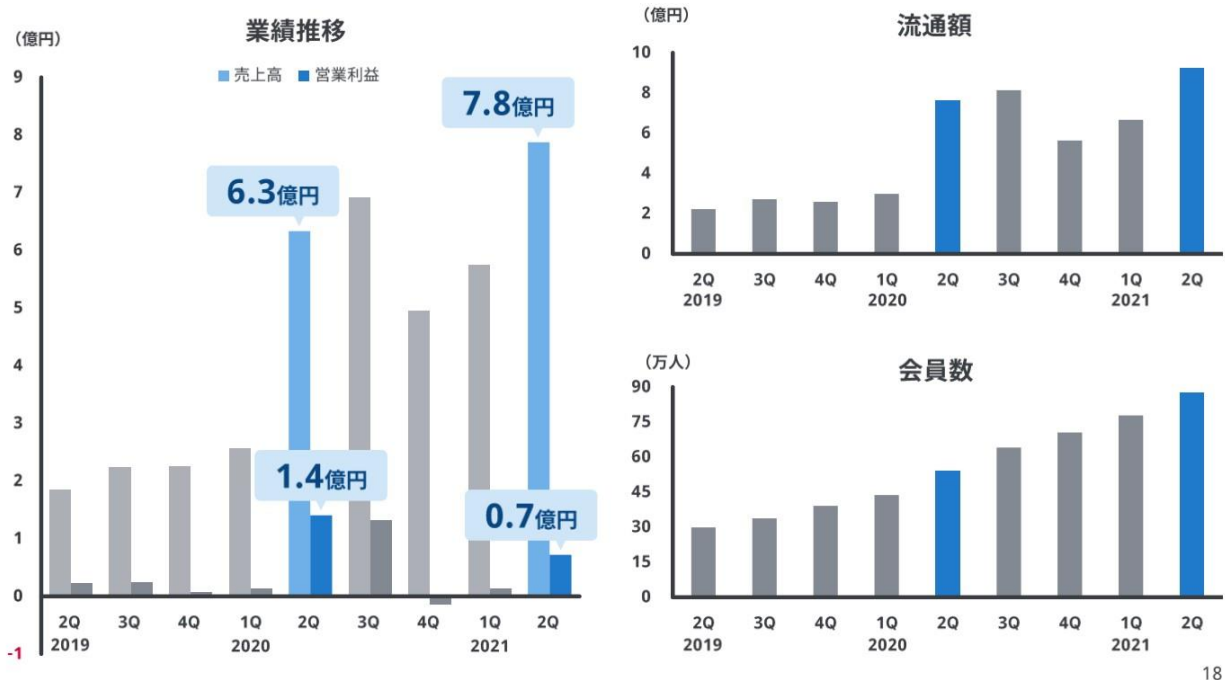
Japan 03.4405.3160
 Tollfree 0120.966.744

North America 1.800.674.8375
 Email Support support@scriptasia.com

累計期間

売上高：1,362百万円 (前年同期比 153.2%)

営業利益：86百万円 (前年同期比 55.9%)



18

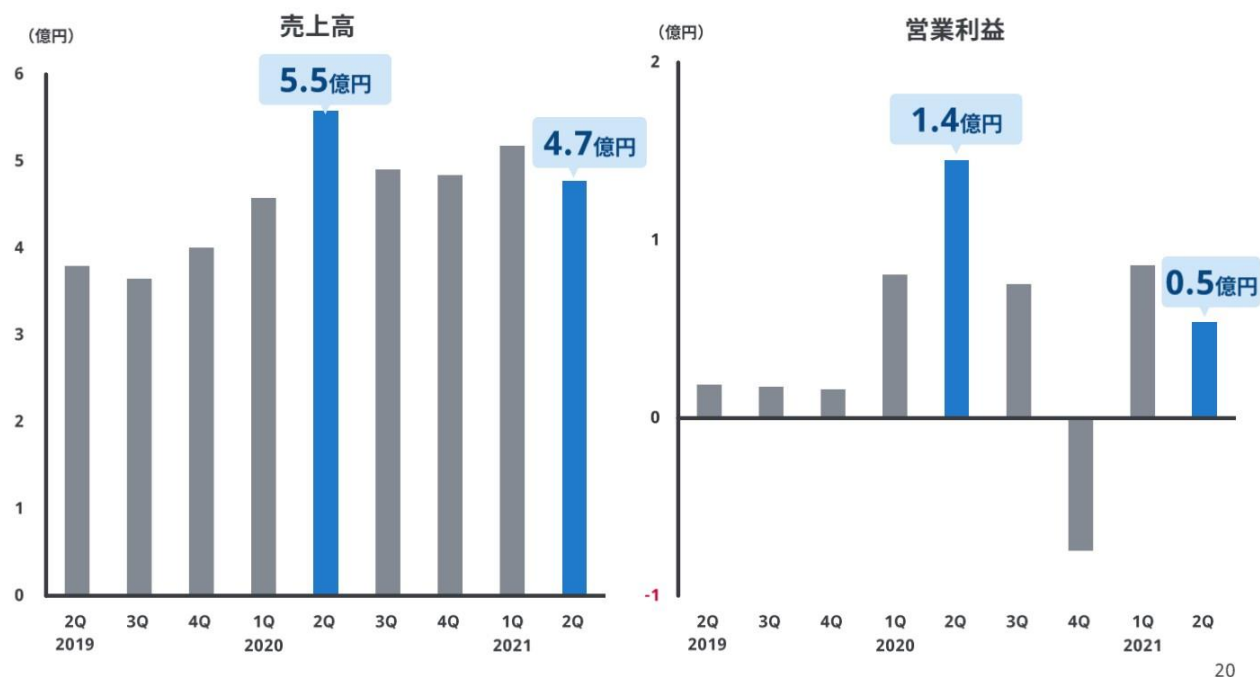
Next is SUZURI, an original goods creation and sales service. Sales were 153.2% YoY and increased to JPY1.362 billion. Operating income was JPY86 million, 55.9% of the previous year's level. Thanks to T-shirt sales during the summer season and the introduction of new items, the sales distribution value reached a record high. However, operating income was lower than in the same period of the previous fiscal year due to an increase in expenses as a result of enhanced promotions and personnel structure.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

累計期間	売上高：	995百万円 (前年同期比 98.0%)
	営業利益：	140百万円 (前年同期比 62.0%)



Next is the handmade business. minne is part of the handmade business. Sales were JPY995 million, 98% of the previous year's level. Operating income was JPY140 million, 62% compared to the same period last year.

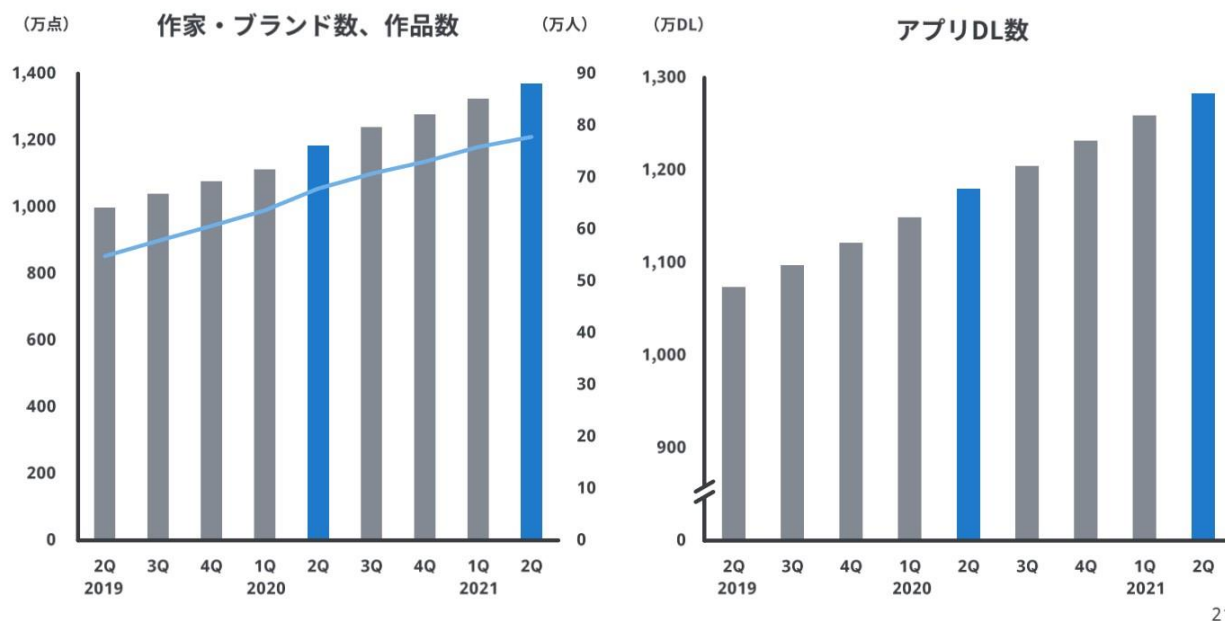
Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



作家・ブランド数 : **77万人** (前年同期比 **114.7%**)
 作品数 : **1,369万点** (前年同期比 **115.7%**)
 アプリDL数 : **1,283万DL** (前年同期比 **108.8%**)



21

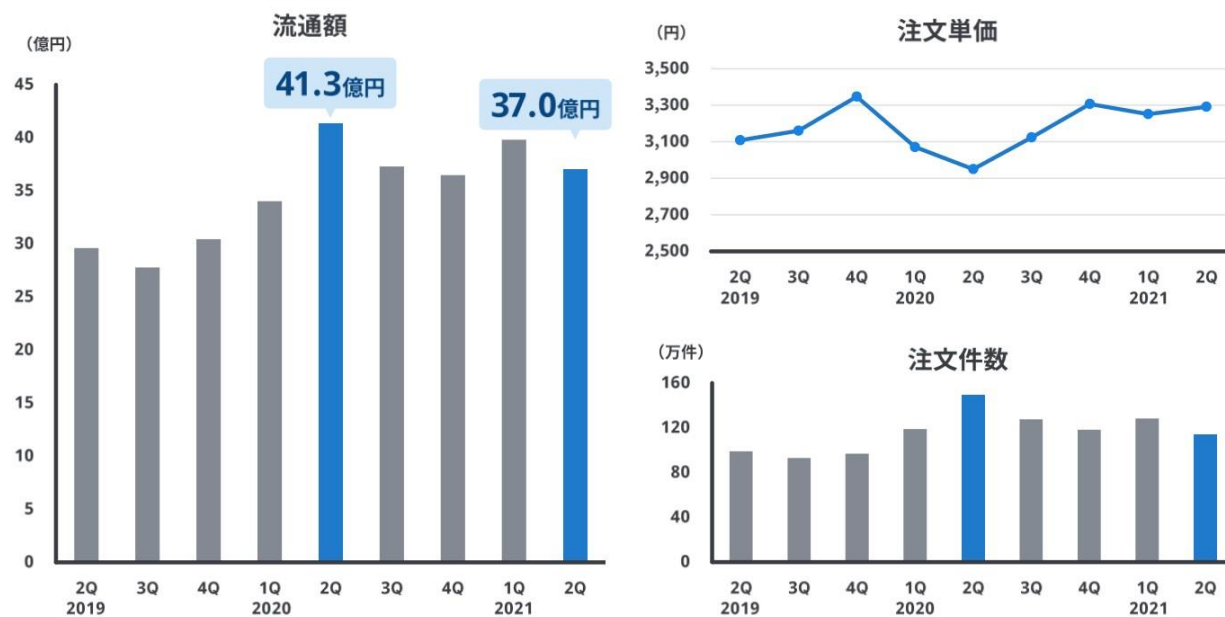
This is a KPI for minne. The number of artists and brands was 770,000, the number of products was 13.69 million, and the number of app downloads was 12.83 million, steadily increasing.

Support

Japan 03.4405.3160
 Tollfree 0120.966.744

North America 1.800.674.8375
 Email Support support@scriptsasia.com

累計期間	流通額：	76.8億円	(前年同期比 101.9%)
	注文単価：	3,292円	(前年同期比 111.6%)
	注文件数：	242.4万件	(前年同期比 90.4%)



22

In terms of distribution value, there was a large increase in distribution value due to the increase in consumption-from-home demand in the 2Q of last year, but the number of orders decreased this year due to a large drop in demand for masks. On the other hand, expenses increased due to efforts to strengthen various promotions, resulting in a decrease in profits.

Support

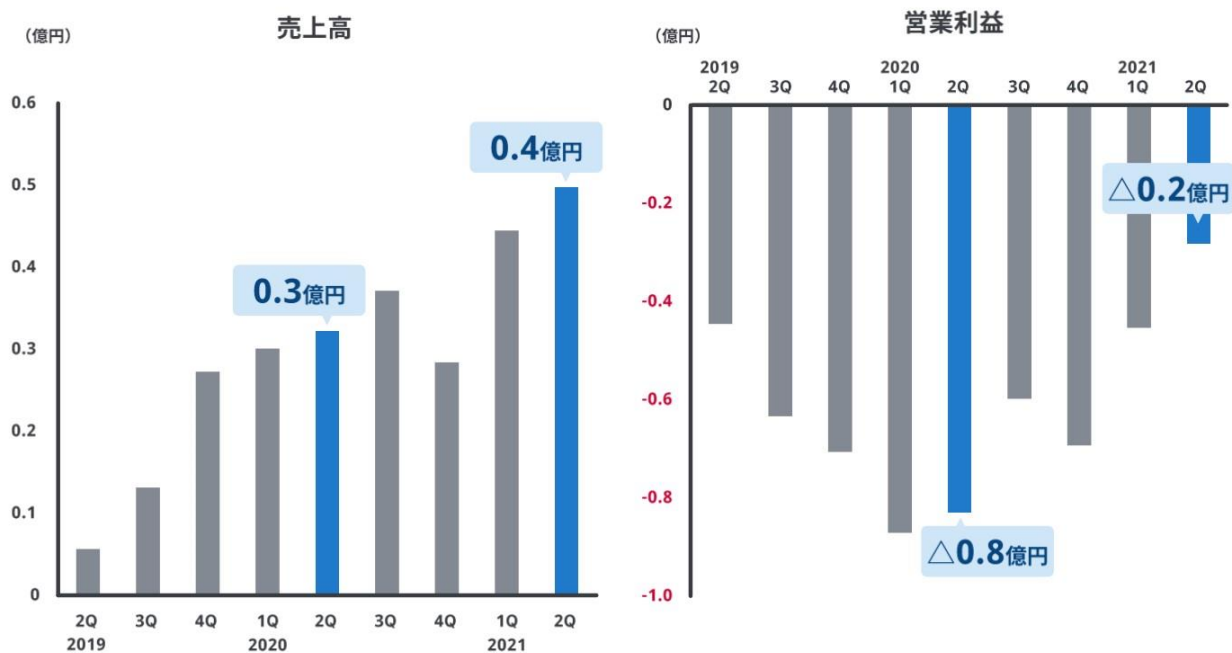
Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

SCRIPTS
Asia's Meetings, Globally

累計期間

売上高： **94百万円** (前年同期比 **151.2%**)
 営業利益： **△73百万円** (前年同期比 **96百万円増**)



24

Lastly, the financial support business. Our financial support business is called FREENANCE. Sales were JPY94 million, 151.2% compared to the same period last year. Operating income was negative JPY73 million. Compared to the same period last year, profits improved by JPY96 million.

Support

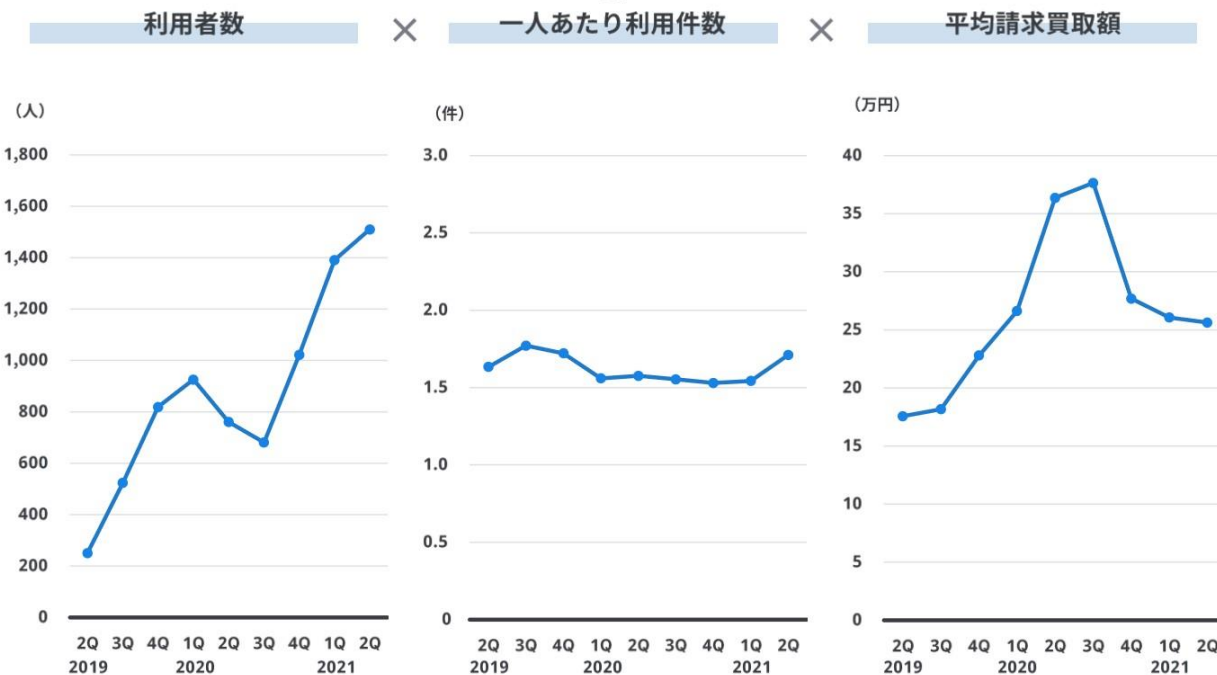
Japan 03.4405.3160
 Tollfree 0120.966.744

North America 1.800.674.8375
 Email Support support@scriptsasia.com

SCRIPTS
 Asia's Meetings, Globally

請求書買取総額

II



25

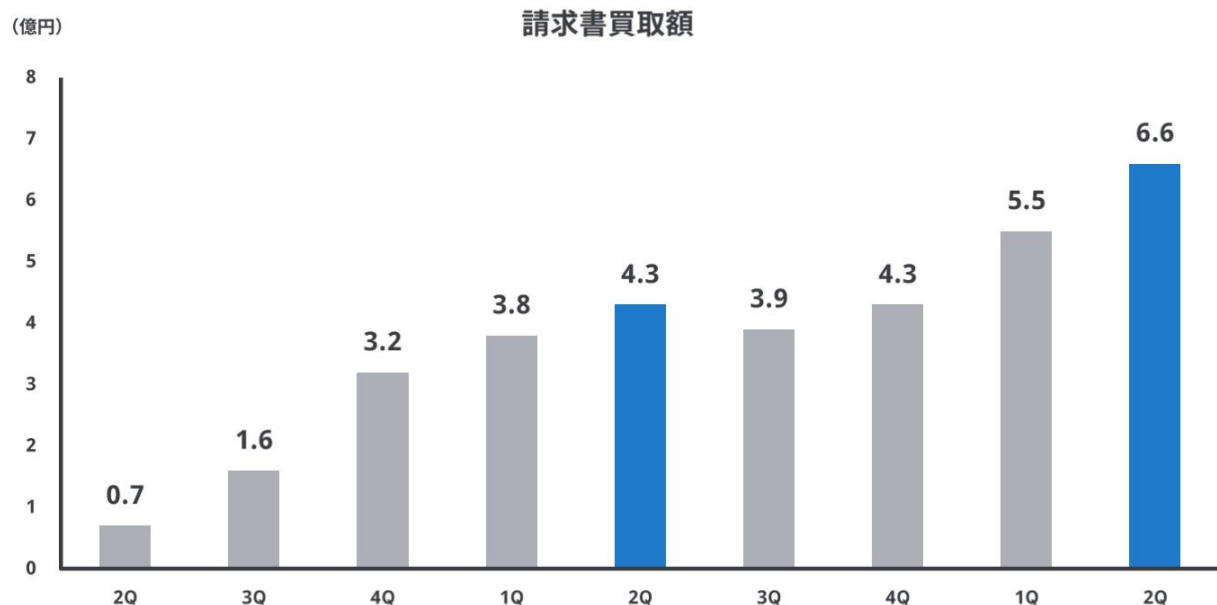
This is the KPI for FREENANCE. Although we are still under the declaration of a state of emergency, the number of users of FREENANCE and the number of use cases per user have been on the rise recently.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

利用者数は増加傾向にあり、請求書買取額も過去最高を更新



26

This is followed by the purchase amount of invoices. Last year, we were greatly affected by government subsidies, and the number of purchases fell significantly. However, the purchase amount of invoices is increasing YoY due to stronger KPI cooperation with companies that have good relationships with FREENANCE, as well as stronger OEM provisions.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

SCRIPTS
Asia's Meetings, Globally

(百万円)		2021年予想	2021年2Q	進捗率
売上／利益ともに概ね想定通りの進捗				
ホスティング	売上高：	4,733	2,384	50.4%
	営業利益：	1,413	693	49.0%
事業全体は順調に成長しているものの、「SUZURI」が想定を下回る				
EC支援	売上高：	5,762	2,443	42.4%
	営業利益：	1,343	568	42.3%
巣ごもり需要が一服、売上/利益ともに想定を下回る				
ハンドメイド	売上高：	2,498	995	39.8%
	営業利益：	428	140	32.7%
請求書買取額は引き続き拡大傾向にあり、損失幅は縮小傾向				
金融支援	売上高：	199	94	47.3%
	営業利益：	△ 200	△ 73	—

28

From here, I would like to explain our measures for the second half of the fiscal year following the progress made in the first half. First of all, here are the business results for the current fiscal year. As you can see from the progress rate, EC support and handmade are lagging behind the full-year plan, at around 40%.

Support

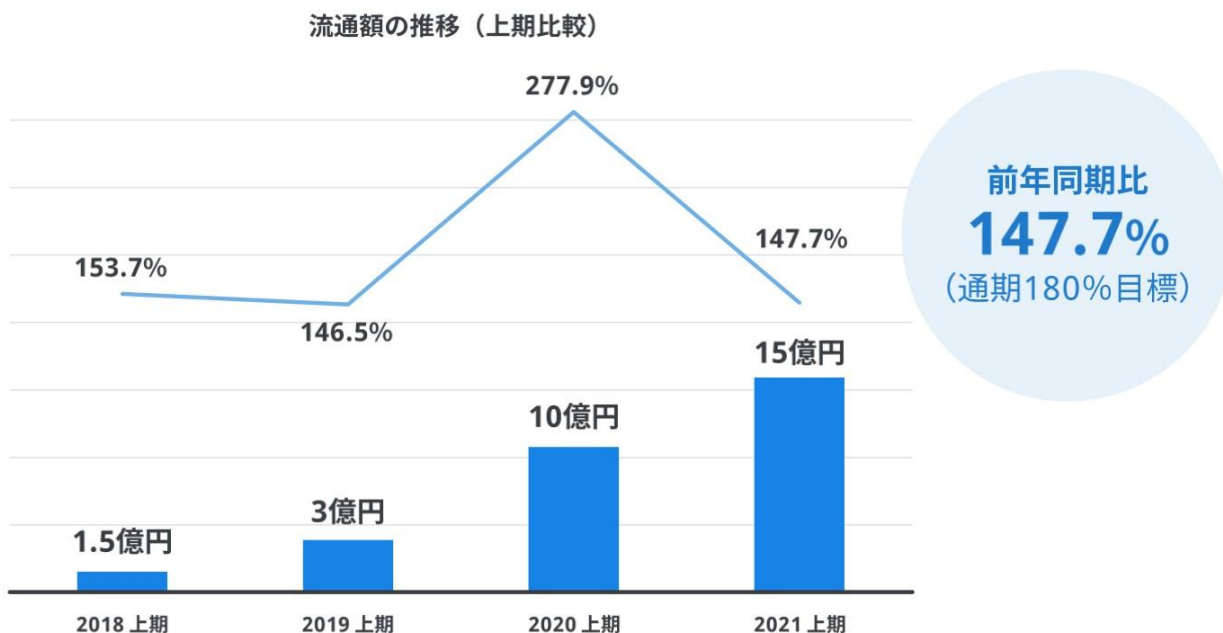
Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

 **SCRIPTS**
Asia's Meetings, Globally

上期の流通額は前年同期比147.7%

広告効果により成長は維持出来たものの目標には届かず



29

From the next page, I would like to talk about the status of SUZURI and minne, the main services for EC support and handmade products.

First, let's talk about SUZURI for EC support. This is a comparison of SUZURI's circulation value in the first half of the year.

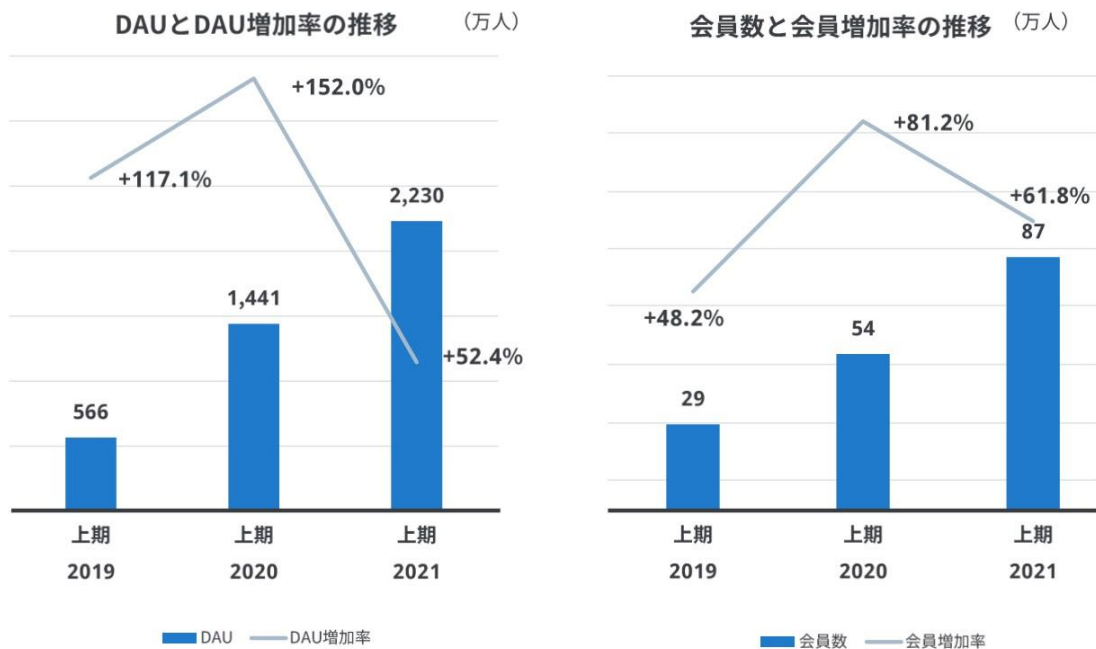
However, as of the first half of the fiscal year, the growth rate was 147.7% compared to the same period of the previous fiscal year, which was not as rapid as the first half of the previous fiscal year. At the beginning of the fiscal year, however, we had planned to achieve 180% growth for the full year, but we have fallen short of that target.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

ユーザー流入の向上や会員化に向けた施策が出来ておらず、
DAUと会員数が伸び悩んだことにより流通額は前年同期比147.7%に留まる



30

Here is a comparison of DAU, active users and membership figures for the first half of the year. As you can see, the first half of 2020 saw a particularly large influx of users to the site and a significant expansion in DAU.

On the other hand, since the beginning of this fiscal year, DAU has remained at 52.4%, and the growth in the number of members has also slowed down. In SUZURI, the data shows that the CVR is higher for members, so we feel the need to increase the number of visits to the site for those people, and to make those customers who are not members become members.

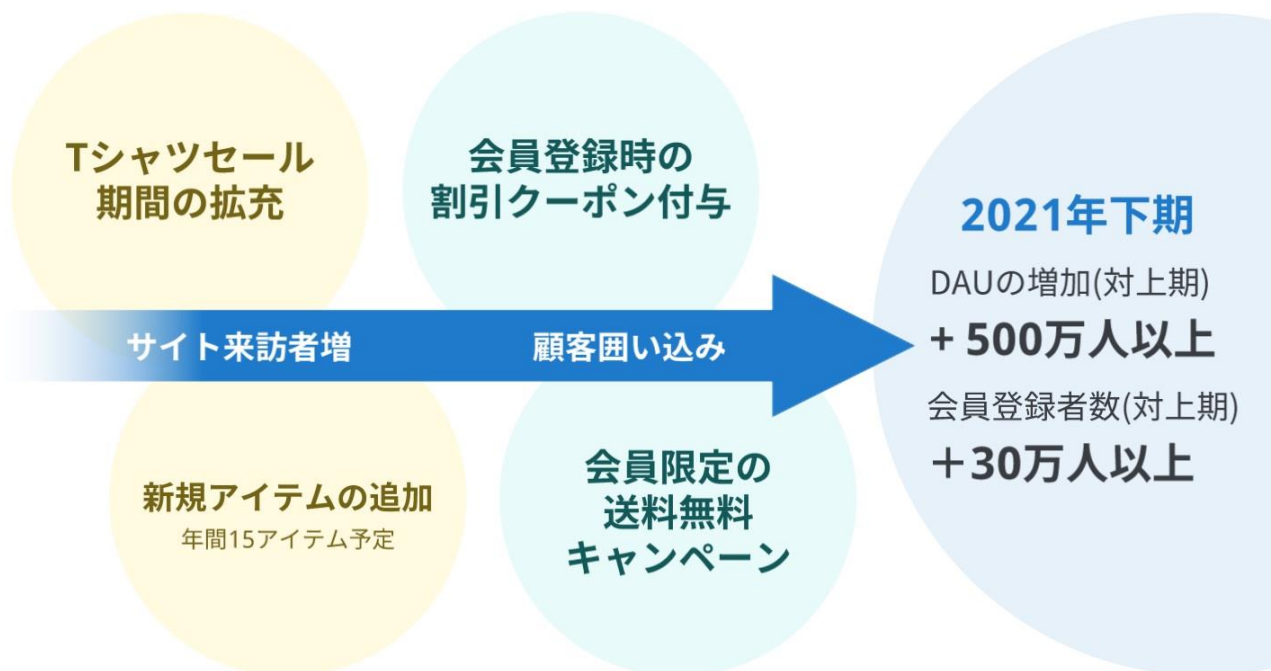
Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

SCRIPTS
Asia's Meetings, Globally

セール期間の延長やアイテム追加によるサイト来訪者の増加と
会員化促進による注文の増加と顧客の獲得を目指す



31

In order to achieve this goal, we will extend the period of the T-shirt sale, continue to add new items, and take other measures to increase DAU by more than 5 million people in the second half of the year. In the second half of the fiscal year, we hope to increase the number of registered members to more than 300,000 by issuing coupons for membership registration and implementing additional measures such as a free shipping campaign for members only.

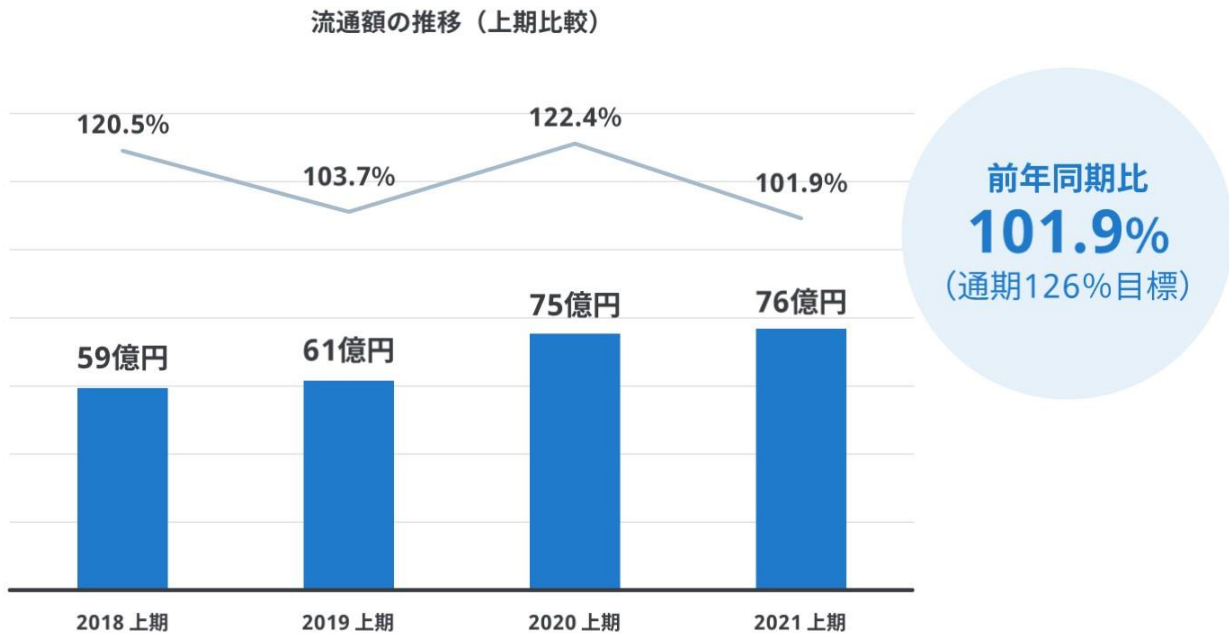
Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

上期の流通額は前年同期比101.9%

前年の巣ごもり需要が一服し目標に届かず



32

Next, I would like to explain the status of minne, our handmade business. As of the first half of the fiscal year, the distribution amount of minne was 101.9% compared to the same period last year, which is significantly lower than the 126% growth we had set at the beginning of the fiscal year.

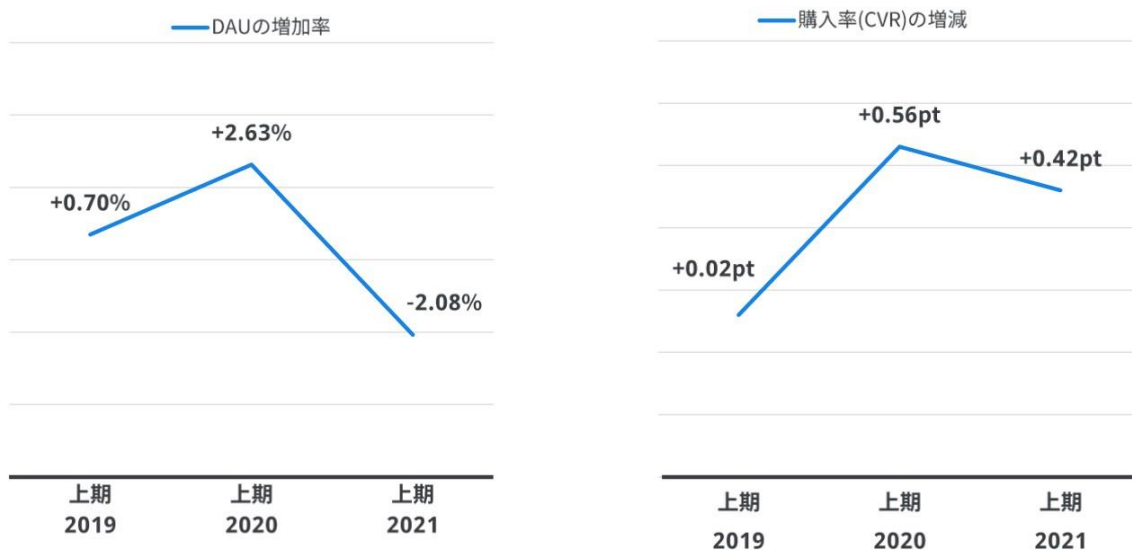
Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

巣ごもり需要一服に加え、検索機能改善などの施策遅延により、DAUと購入率が伸び悩んだことにより流通額は前年同期比101.9%に留まる

2018年上期のDAU、購入率(CVR)との比較



33

This is a comparison of minne, as well as SUZURI. Regarding DAU and CVR, the following is a comparison to the figures from 2018. Please have a look. These are comparisons from 2018 onwards. A comparison of the year 2018 to the following years, to be exact.

minne's DAU expanded significantly in the first half of 2020, but declined in 2021. In addition, due to delays in measures such as the improvement of the search function that was planned at the beginning of the fiscal year, the CVR, which was positive at 0.56 points in the first half of 2020, has declined to positive at 0.42 points this fiscal year, and improving DAU and the CVR are our major challenges.

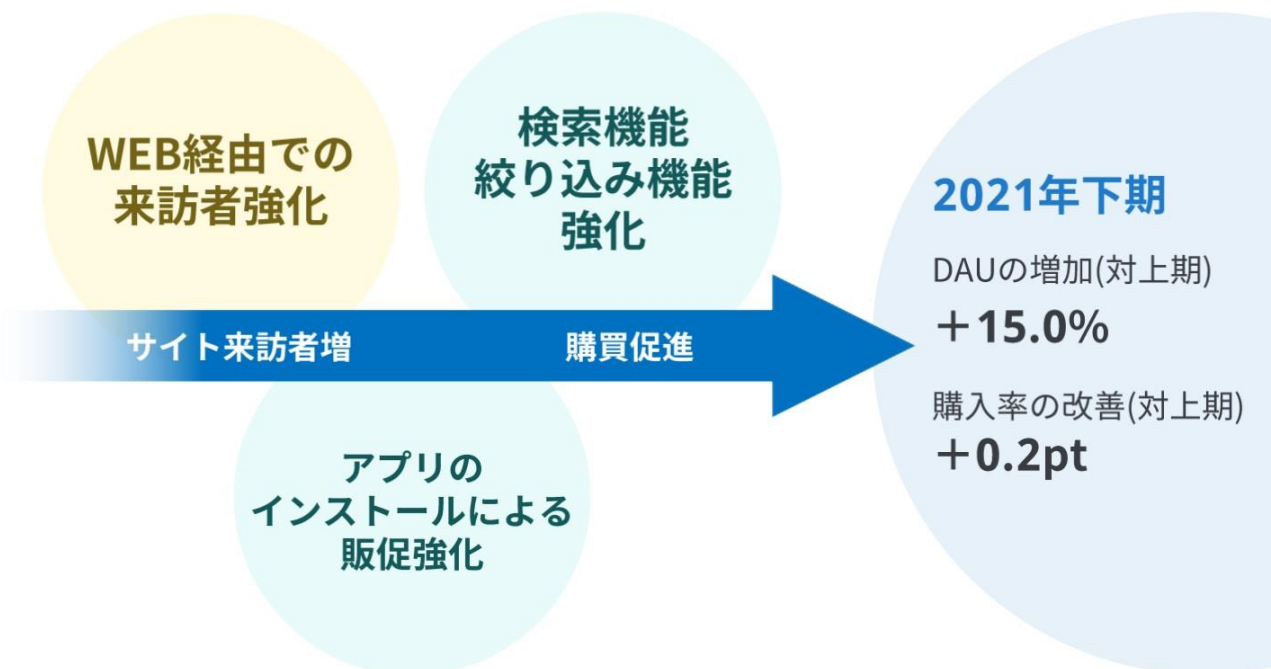
Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

SCRIPTS
Asia's Meetings, Globally

WEB経由でのサイト来訪者の強化と検索機能、絞り込みの改善やアプリインストール後の販促活動強化による購入率の改善



34

In the second half of the fiscal year, we are aiming to increase DAU by 15% by strengthening the number of visitors via the website, as well as strengthening the CVR through encouraging installations of the app.

In addition, given the situation where the CVR of users who utilize the search and refine functions is actually increasing, we will further improve these functions and aim to increase the CVR by 0.2 percentage points in the second half of the fiscal year. We are still far short of our target for minne, but we will continue to work on improving DAU and CVR, although we will of course need to implement other measures as well.

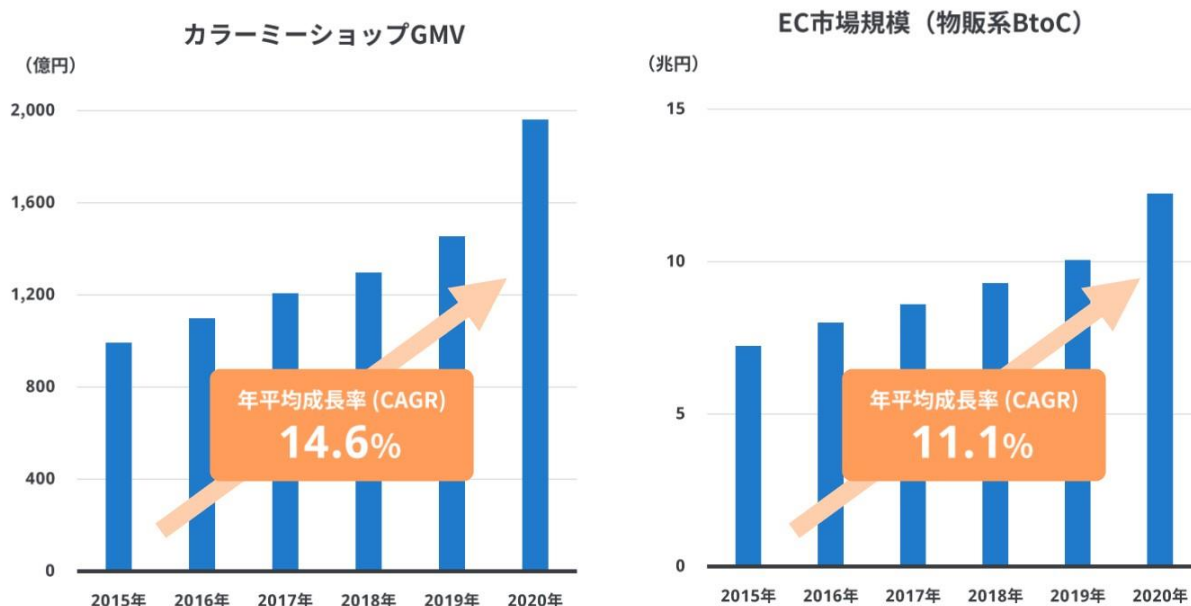
Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

SCRIPTS
Asia's Meetings, Globally

**2014年以降のカラーミーショップ流通額における年平均成長率は
EC市場の成長率を上回るペースで拡大**



出典：経済産業省「令和2年度 産業経済研究委託事業（電子商取引に関する市場調査）」

36

Lastly, I would like to explain about the Free Plan of Color Me Shop, which was launched on May 13, and our vision for the future.

First of all, here is a comparison between the overall distribution GMV of Color Me Shop since 2014 and, on the other hand, the GMV of the overall domestic EC market, especially the GMV of BtoC related to product sales.

Looking at the average growth rate over the same period, the growth rate of GMV for Color Me Shop was 14.6%, which is higher than the growth rate of the entire EC market. To date, Color Me Shop has been expanding with a focus on small and medium-sized stores. In order to achieve further growth, we are trying to grow our business in line with the growth of GMV here.

In May, we started offering a Free Plan that allows you to open a store with no initial cost and free monthly usage, due to the increasing interest to participate in EC which was triggered through the consumption-from-home demand.

This will make it easier for sole proprietors and people with side jobs to start an EC store. As a result, we will be able to grow our business through the growth of GMV, which will be an addition to our existing stock-based business.

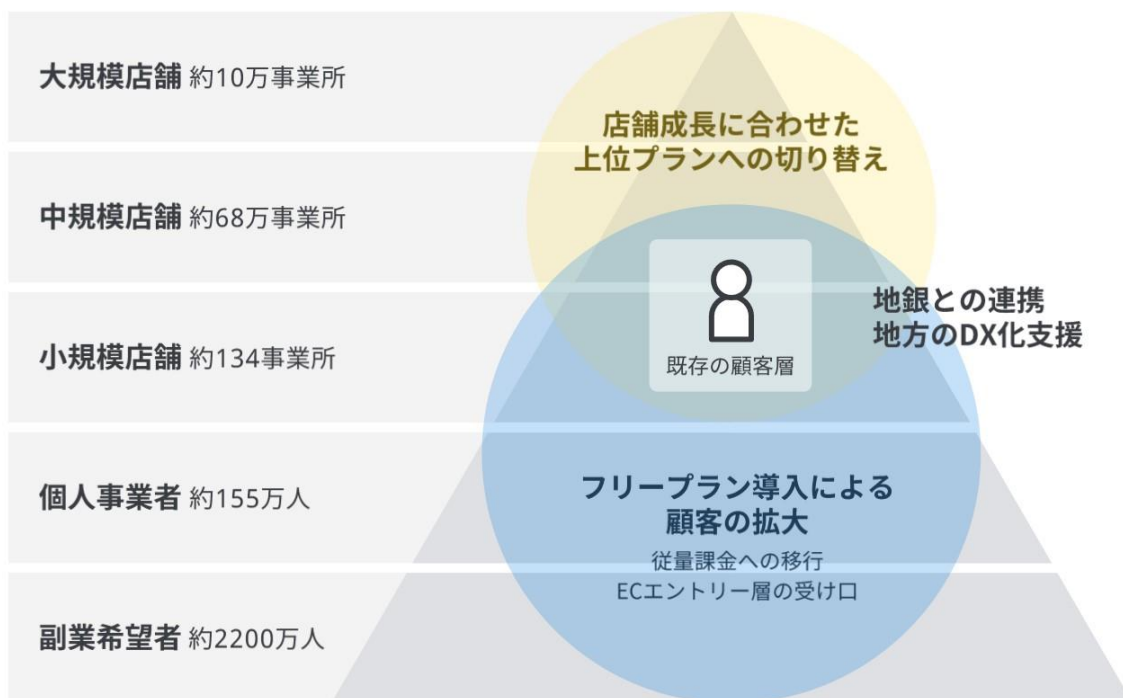
Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

SCRIPTS
Asia's Meetings, Globally

フリープランを起点とした顧客層の拡大により流通額の最大化を目指す



37

And here is our medium- to long-term vision. First of all, by introducing the Free Plan, we are lowering the hurdle to enter into the EC market and to greatly expand the range of EC sites and businesses that can use our Color Me Shop. We will also aim to maximize the overall distribution value of the Color Me Shop. We will also collaborate with regional banks and local governments to acquire small and medium-sized stores. We also hope to revitalize the local area and support DX.

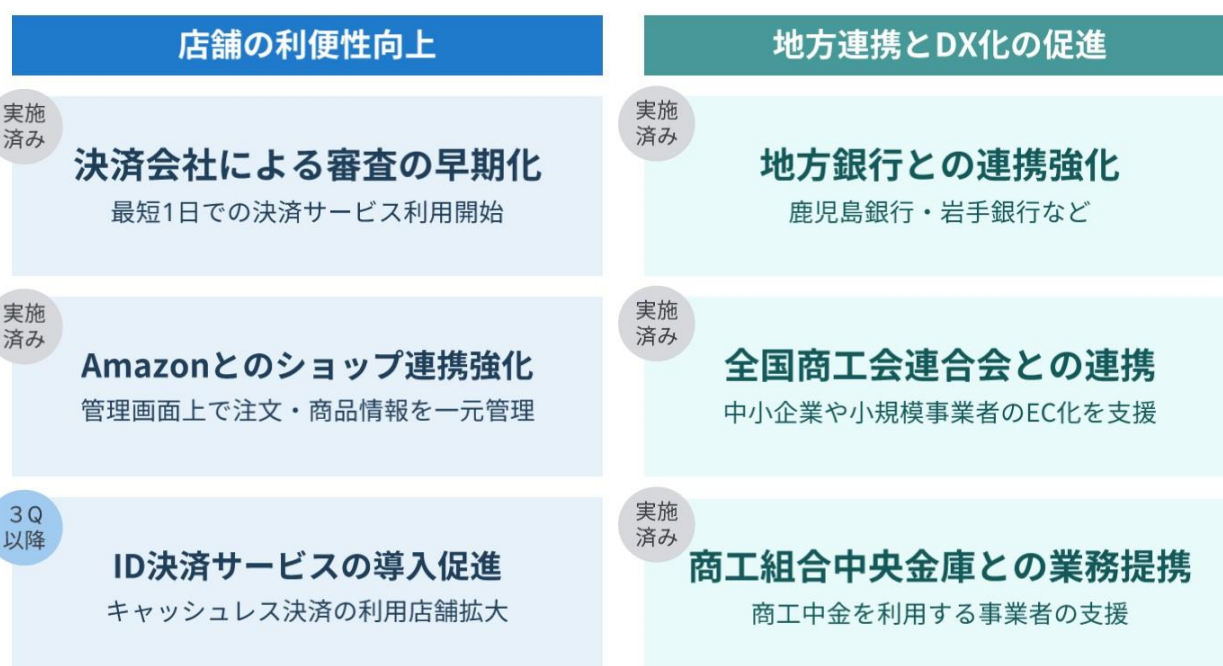
Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

SCRIPTS
Asia's Meetings, Globally

登録店舗の売上拡大に向けた施策のほか、
地方創生や中小企業のEC支援やDX化に向けた取り組みを強化



38

This page is a measure to increase sales of Color Me Shop. As an effort to improve convenience for stores, we also accelerated the screening process of settlement companies at the same time of releasing the Free Plan. While the screening process often took 1 week or 2 weeks, sometimes even a month, we are now able to provide payment services in 1 day.

In addition, we will continue to work with Amazon.co.jp to increase the number of contracted stores and expand production by promoting the introduction of store tie-ups and ID payment services.

In addition, through cooperation with local banks, we will create an environment in which local business owners can use the Color Me Shop service. We will also support small and medium-sized businesses in rural areas in their EC activities through online seminars and workshops in cooperation with the Central Federation of Societies of Commerce and Industry.

In addition, through collaboration with the Shoko Chukin Bank, we are helping businesses that use the Shoko Chukin Bank to open online stores, and through Color Me Shop, we are working to revitalize local areas and support DX, as I mentioned earlier.

Last but not least, in the 2Q of the FY2021, as I mentioned at the beginning of this report, the consumption-from-home demand subsided, resulting in increased sales and decreased profits compared to the same period of the previous year. Actually, we already recognized that the consumption-from-home demand would run its course, and we took various measures to achieve growth of more than 20% for the current fiscal year, but there were several points where we were not able to do so well.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

SCRIPTS
Asia's Meetings, Globally

On the other hand, we have started Free Plan and our hosting business is steadily growing, so despite the impact of the coronavirus, the areas that we have been building up since last year are gradually taking shape.

Although the growth rate of SUZURI and minne has been declining, we believe that there is still room for expansion in this EC trend. In the second half of the year, we will continue to expand the EC market and grow our business as well.

We would like to catch up with the failures of the first half of the fiscal year and make improvements to achieve further growth in the second half. That's all the explanation I have for you. Thank you very much for your kind attention.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



Question & Answer

Moderator: We will now move on to the question-and answer-session.

Now, the first questioner, I would like to nominate you. Thank you for your cooperation, participant from Daiwa Securities.

Participant: I'm participant from Daiwa Securities. Thank you very much for your explanation.

Sato: Thank you.

Participant: I would like to make 3 points, 1 point at a time. The first question. It's about the GMV for minne and Color Me Shop. Perhaps, but I am guessing that this quarter, even in QoQ, was a downward trend.

Is it correct to assume that the QoQ trend from April to June has stopped in July? In addition, considering the measures for the second half of the fiscal year, I think you will need to implement quite a few measures, but how much money do you plan to invest in these measures? This is the first point, please.

Sato: Are you asking about GMV in relation to minne and Color Me Shop?

Participant: Exactly.

Sato: Very well. There are a few things that I will try to answer in a moment, but if there is anything that is not true, I would like to be able to add a few things. First of all, in terms of QoQ for minne, as you mentioned, there has been a downward trend, particularly in the 1Q. We started promotions in the 4Q, and some of the effects of those promotions are still lingering. Also, it was the season for entering schools, and we are aware that there were sales of goods for that purpose. I think the effect of this was lost in the 2Q. Yes.

Participant: Is it correct to assume that minne is seasonal, and usually recovers in the 4Q due to strategic policies, including this year?

Sato: Well, in previous years, we have invested a lot in 4Q. Last year was a little bit of a special factor, or rather, we wanted to maintain the growth in the 2Q, so we didn't include anything in the original plan.

For example, large-scale promotions in the 4Q, as in previous years. As a result of the impact of the 2Q, we took measures in the 4Q in order to maintain the level of sales, so we do not plan to spend that much on promotions in the second half of this fiscal year.

As I mentioned earlier, our measures include measures to increase the number of repeat customers, and also internal improvements to prevent the distribution value from falling. This is the premise of our current measures.

Participant: So how is the current trend for the months of July and August compared to the period of April to June?

Sato: Well, I don't feel that figures will explode after summer.

Participant: Thank you very much. Sorry, please let me ask about Color Me Shop as well.

Sato: Yes, let me just confirm something. Please give me a second.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com



Participant: Please go ahead. Actually, if you are not disclosing information about Color Me Shop, I want to ask about the QoQ declines of the overall EC distribution value. I'm guessing that Color Me Shop is a main cause for this, but could tell me more about this trend?

Sato: Thank you for the question. I am not able to answer right now, so I will let Igashima give you an answer.

Igashima: I would like to give an answer. Yes, from January to March, there are events such as entrance ceremonies and other events in March, so distribution was higher in this period.

In April through June, due to the declaration of a state of emergency and other factors, there has been relatively little growth in distribution overall. This is a bit of a qualitative answer, but I hope you can understand it in this way.

Participant: How about the current period?

Igashima: As Sato mentioned earlier, the current situation is a little difficult, with the Olympics and other events, so the growth has been sluggish. The current trend is that we are not recovering rapidly.

Participant: I understand very well. Thank you. I'm sorry, let me ask my second question. In the first half of the fiscal year, the rate of progress was a little sluggish, and I understand that you are aiming to achieve the full-year plan through various measures in the second half.

In this case, if we use sales and profit, which is the higher priority in the Company at the moment? In addition, which businesses in which segments are expected to lead the recovery and high progress in the second half? I'm looking forward to hearing from you.

Sato: Let me think. This may change depending on the situation, but for the current situation, we are still focusing on profit. In this area, although we were able to achieve sales growth this fiscal year, we were not able to achieve profit growth, so we will first try to expand the top line and achieve solid growth.

As a premise, we had to increase the number of employees because of staff shortage due to SUZURI's significant growth last year, as well as advertising expenses. This is where, in comparison to the planned growth of SUZURI, the timing for incurring costs has been a little off.

Particularly with SUZURI and minne, we did not anticipate that the growth of the consumption-from-home would recede so quickly, and we are struggling for profits due to the increase in costs compared to our original plan.

On the other hand, given the current situation, while we will of course continue to expand the top line, our first priority for the second half of the fiscal year is to make solid improvements in this area. However, we do not want to suddenly reduce costs here, but rather continue to take measures to increase sales without incurring costs.

As for the main factors for growth, we are making good progress about the stock-based business like Color Me Store against the original plan. On the other hand, the areas that are lagging behind the plan are the businesses that are related to transactions, such as SUZURI and minne, so we believe that the key for the second half of the year will be to firmly expand these businesses. That is all.

Participant: I understand very well. Thank you. Lastly, I would like to make a third point. I'd like to ask you about the Free Plan of Color Me Shop. I'm quite pleased to see that Color Me Shop's large increase in contracts in this quarter is due to the contribution of the Free Plan.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com



How much is this Free Plan contributing to your earnings at the moment, and how much should we expect in terms of growth in the number of contracts for this quarter? I think the environment and competition surrounding EC is intensifying, but is it safe to assume that this trend of increasing contracts will continue for a while? That's all.

Sato: I understand. First of all, as for the contribution to earnings, we do not expect it to have much of an impact on our business performance this fiscal year. With regard to Color Me Shop, since we started the Free Plan, a large portion of the potential customers who would have originally signed up for a paid contract have drifted to the Free Plan. Of course, we were expecting this to happen.

Due to the impact of these factors, we are aware that there will be a negative impact on sales in some areas. Therefore, for the time being, as we acquire new contracts, the stock sales will decrease, and the transactional revenue and the pay-as-you-go portion of the Free Plan will not generate revenue until the stores grow. It will take some time to monetize this area.

As for the growth in the number of contracts, we have not seen an explosive increase in the number of new contracts, but we have seen a significant increase in the number of existing users to the Free Plan. We believe that this will have a positive impact on the number of contracts.

We don't think there will be users cancelling their accounts, so we think it will be a good way to build up the number of contracts for now. However, Free Plans themselves require time to be monetized, so even if we see a large increase in this area, we recognize that it will still take some time for them to contribute to sales and profits. I hope this has been answered.

Participant: I want to ask 1 more thing. I think the competitive environment is changing, but what level of growth can we see in the number of contracts in this quarter? Or should we think that, since this quarter was the starting quarter, the net increase was larger than usual?

Sato: Things are going exactly as we expected, so we've made a good start. I don't think that Free Plans will suddenly disappear or be taken over by the competition in the future, so I think we can continue to build on this.

Participant: Thank you very much. That's all.

Sato: Thank you very much.

Moderator: Thank you very much. If you have any further questions, please press the button. I would like to nominate the next questioner. Please, Mr. Tomimatsu.

Tomimatsu: This is Tomimatsu from Mizuho Securities. I'm looking forward to hearing from you.

Sato: Thank you very much.

Tomimatsu: First of all, I think the purpose of the introduction of the Free Plan is to increase the transaction income, but the positive effects of this are still too early to be felt for this quarter, correct?

I think that the accumulation of transaction scenes is a system that has a greater benefit for you in terms of commission rates than before. Therefore, can we expect an increase in commission income for the future?

So I would like to ask you to explain again the purpose of the introduction of the Free Plan, as well as the extent to which shops shift to this Free Plan and what can be expected in the medium term as a result of this shift.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



Sato: Yes, I understand. First of all, let's talk about the structure of Color Me Shop itself as a business. Basically, there are several plans ranging from a few JPY100 to several JPY1,000 per month, and we make stock-based revenue.

Last year, Color Me Shop as a whole generated roughly JPY200 billion in GMV. Looking at the growth of our business, we recognized that our revenue and profit growth was not quite in line with the growth of GMV, which was an issue for us as a business.

For example, if you are a service provider that captures transaction fees for distribution, it is possible for your earnings to grow in line with the growth of GMV. However, we lost this opportunity as we had a stock-type business model. Therefore, our first policy is to increase the take rate of the JPY200 billion.

The current take rate is still less than 1%, so in order to increase this rate, we will of course take some measures for existing users. In addition, through our partnership with GMO Payment Gateway, Inc., we have been able to monetize the kickback fees for the payments made through this partnership, so there is a certain percentage of that as well.

After all, we wanted to increase the effect of raising the take rate a little more. That's what we're aiming for when we introduce the Free Plan. First of all, we want to make sure that the growth of GMV is linked to the growth of our business.

On the other hand, there are still many people who start for free, and most of them start with zero in monthly sales, so the first step is for each store to grow and we need to support their growth.

The profit opportunities for us will come at a time when the stores are growing, so we still have a long way to go. As for the current and next fiscal year, we do not believe that profits will be significant yet.

Therefore, 1 of our policies is to increase the GMV and increase the take rate in order to achieve business growth. As a result, we have expanded the scope of our business and started a Free Plan for customers who can raise take rates. That's all I have to say.

Tomimatsu: Thank you very much. Just to confirm, until now the number of stores was the most important data, right? However, if it becomes a Free Plan in the future, there will be no point in cancelling your account from the store's point of view, even if you no longer use it. If that is the case, is it correct to say that this indicator itself will no longer be of much use?

Sato: Of course, you are right. In terms of the scale of our overall sales for Color Me Shop, the impact of the Free Plan does not yet exist, so for the time being it would be better to look at the number of contracts times unit price.

Of course, as you said, there is a part of distribution that rises in conjunction with GMV, so we are still in the process of considering whether or not we should separate this part at some point of time. We are still in the process of discussing whether this will be separated or not, but I think we can provide some kind of indicator.

Tomimatsu: Let me continue with the second question. I think that shortening the screening period is very beneficial to the stores. In other words, if this was not possible before, could you explain why it is possible now?

Sato: Well, in the past, the way we have provided Color Me Shop is that after you apply for a service, you apply to each payment service provider and enter your store's information and what kind of products you handle. Then we start the screening process. There were a few steps that had to be taken.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com



In particular, we have been working very closely with GMO Epsilon, Inc., a subsidiary of GMO Payment Gateway, Inc. The first thing we need to do is to improve the input flow of various things after the application is made. Also, the Free Plan model is based on the assumption that payments will be introduced for all contracts, so we need to speed up the input process and immediately request all contracts to Epsilon. Epsilon was able to negotiate with the credit card companies to shorten the time required for the process, so we are now able to offer the service in a different way.

Tomimatsu: I understand. Last but not least, I would like to talk about the competitive environment. Mercari has announced Mercari Shops and is planning to strengthen it in the future. They have stated that they want to strengthen their category for handmade products in particular. From the seller's point of view, there is a possibility of a quicker sale when they use Mercari's platform.

There is a concern that Mercari Shops could become a strong competitor for minne. Since you didn't mention anything about this, is it correct to say that you are not very concerned about it?

Sato: We don't think it will have much of an impact. I think that Mercari Shops targets mostly handmade, vegetable, and food-related customers. There may be differences in users, but we will continue to monitor the trend of Mercari.

Tomimatsu: Thank you very much. That's all.

Sato: Thank you very much.

Moderator: Thank you very much. It's getting close to time, so if you have any questions, please press the button. Alright, we would like to conclude the question-and-answer session, because it is time to end.

This concludes the GMO Pepabo's financial results briefing for the 2Q of the FY2021. There will be a questionnaire after the briefing, if you would like to fill it out. Thank you very much for joining us today.

Sato: Thank you very much.

Igashima: 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. *This document has been translated by SCRIPTS Asia.*

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support 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 © 2021 SCRIPTS Asia Inc. ("SCRIPTS Asia"), except where explicitly indicated otherwise. All rights reserved.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

