



GMO Pepabo, Inc.

Fiscal Year 2023 2nd Quarter Results Presentation

August 10, 2023

Event Summary

[Company Name]	GMO Pepabo, Inc.	
[Company ID]	3633-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Fiscal Year 2023 2nd Quarter Results Presentation	
[Fiscal Period]	FY2023 Q2	
[Date]	August 10, 2023	
[Number of Pages]	33	
[Time]	11:00 – 11:24 (Total: 24 minutes, Presentation: 15 minutes, Q&A: 9 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Kentaro Sato	CEO and President
	Yoshito Igashima	Executive Director and CFO
[Analyst Names]*	Kazuki Tokunaga	Daiwa Securities

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

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Presentation

Moderator: Thank you very much for taking time out of your busy schedules to participate in today's online financial result briefing of GMO Pepabo, Inc. for Q2 of the fiscal year ending December 2023. Now, I would like to introduce today's attendees from the Company. Kentaro Sato, CEO and President.

Sato: Thank you.

Moderator: Yoshito Igashima, Executive Director.

Igashima: Thank you.

Moderator: These two members are present. Today, CEO Sato will provide an overview of the financial results.

金融支援事業の貸倒関連費用が増加し損失計上

資金回収と再発防止が課題

- 金融支援事業の滞留債権が追加で発生し貸倒関連費用を10.9億円計上
- ストック型ビジネスが業績を牽引し、ペパボ単体は堅調に推移

GMOペパボ

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Sato: I am President Sato. Thank you for taking time out of your busy schedule to attend today's briefing. We will begin the financial results briefing of GMO Pepabo for Q2 of the fiscal year ending December 2023.

This is a summary of the current financial results. Due to an increase in bad debt-related expenses in the financial assistance business, an operating loss was recorded in Q2.

Management takes this situation very seriously, and we sincerely apologize for the concern this has caused our shareholders. GMO Pepabo as a stand-alone company is performing well, especially in the recurring

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revenue-type business, but we believe that there are significant challenges in the financial support business at present. We will work to recover funds and prevent recurrence as a priority.



AGENDA

- 2023年12月期2Q決算トピック 3 ページ
- 2023年12月期2Q決算概況 12 ページ
- 2023年12月期下期施策 30 ページ

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Here is today's agenda.

The second half of the document also includes reference materials, which you are welcome to review when you have time.

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売上高はストック型ビジネスの価格改定効果等により増収
 営業利益はGMOクリエイターズネットワーク(以後「GMO-CN」という)の
 大口債権の滞留による貸倒関連費用を計上したことから営業損失

(百万円)	2022年12月期 (2Q累計)	2023年12月期 (2Q累計)	増減額	前年同期比
売上高	5,106	5,523	+ 417	108.2%
営業利益	248	△ 825	△ 1,074	—
営業利益率 (%)	4.9	—	—	—
経常利益	258	△ 746	△ 1,005	—
親会社株主に帰属する 四半期純利益	182	△ 892	△ 1,075	—

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First, here are the financial result topics for Q2 of the fiscal year ending December 2023.

Net sales for Q2 were JPY5,523 million, 108.2% YoY, and operating income was minus-JPY825 million.

Ordinary income and other items are as shown.

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金融支援事業の提携企業取引が拡大し、大口の債権滞留が増加して発生。
貸倒関連費用が大幅に増加し、第2四半期で10.9億円を計上

背景

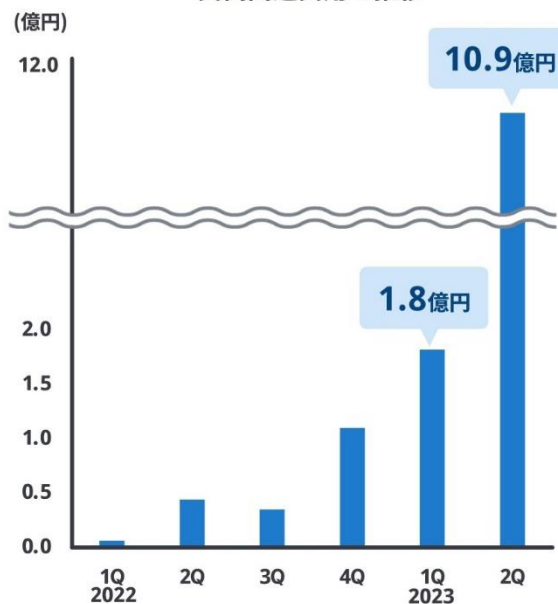
2022年

- 運送業や建設業等の利用が急増
- 提携企業取引*1の買取額が拡大
(2022年請求書買取総額：86億円)

2023年

- 大口債権の滞留が発生したため管理体制を見直し、5月以降は全面的に提携企業取引の請求書買取を停止
- 複数の大口取引先の財政状態が悪化し滞留債権が増加

貸倒関連費用の推移



*1：「提携企業取引」とは、GMO-CNが直接ユーザーとの契約を締結し、請求書の宛先企業(取引先企業)とも契約を締結する取引を指し、支払いは宛先企業(取引先企業)が行う取引。前四半期決算までは3者間取引と呼称

Let us start with the background of the additional bad debt-related expenses recorded.

In the financial assistance business, the number of invoices purchased through affiliated company transactions increased significantly in the fiscal year ending December 2022 due to an increase in the number of users in the transportation and construction industries.

However, since the beginning of 2023, some of the large loans have become stagnant, and the Company recorded a bad debt-related expense of JPY180 million in Q1. In response, since May, we have reviewed our management system and completely stopped purchasing large invoices for affiliated company transactions.

Although fund collection was underway, the financial condition of several large client companies deteriorated in Q2, resulting in an increase in retained receivables.

Against this backdrop, the Company accumulated related expenses such as allowance for bad debts for retained receivables and recorded JPY1.09 billion in Q2.

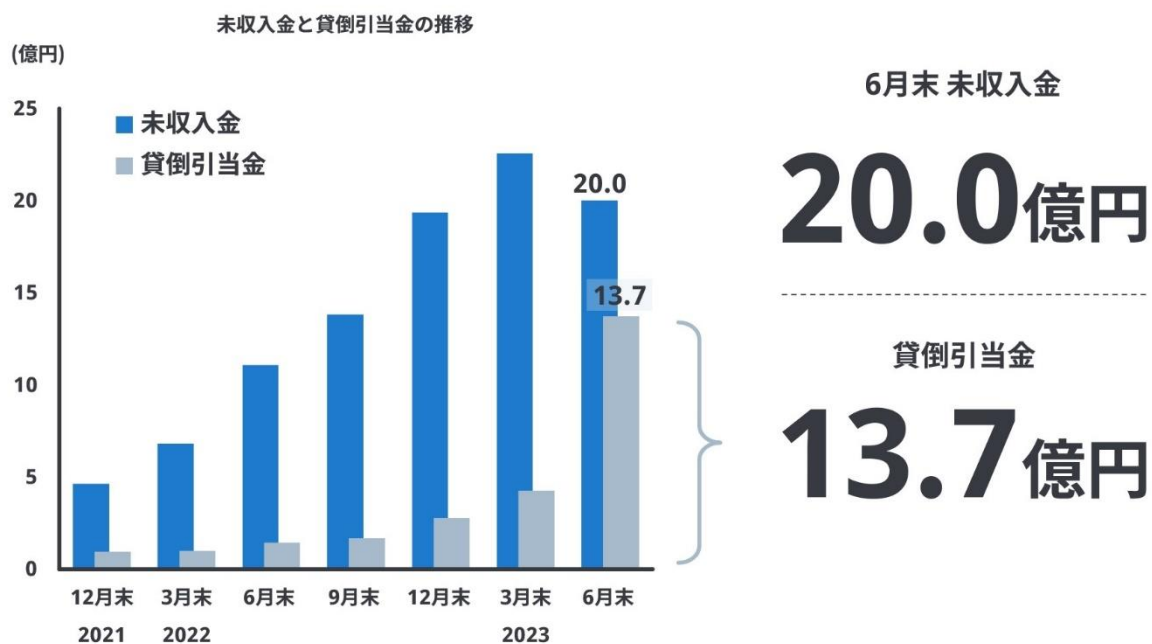
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BS(貸借対照表)の未収入金は20億円。

そのうち、現状のリスク分を引き当てした貸倒引当金の金額は13.7億円



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As for the balance sheet accounts receivable, the amount of accounts receivable as of June 30, 2023 is JPY2 billion, of which JPY1.37 billion is allowance for bad debt.

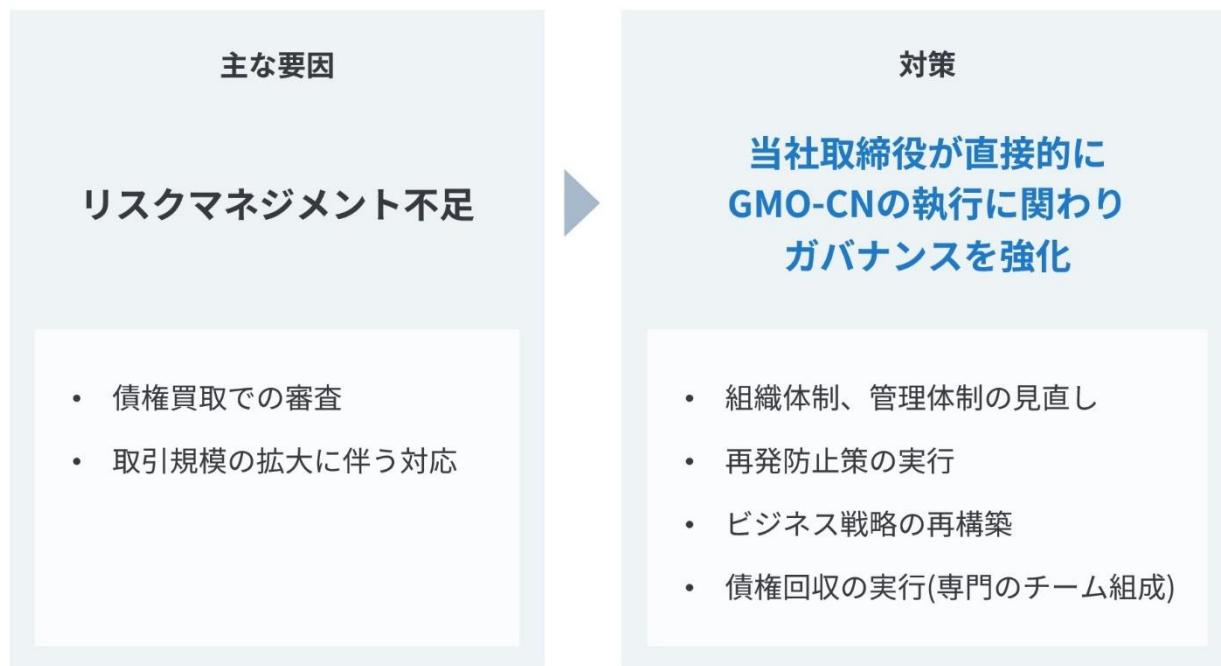
As of the end of June, we have already set aside all possible risks as allowance for bad debt.

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リスクマネジメント不足が課題となっているため、
GMO-CNのガバナンス体制を見直し、滞留債権の回収を実施



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The main reason for the occurrence of retained receivables can be broadly summarized as a lack of risk management.

When large invoice purchases occurred, there were issues with the governance structure, as it was not sufficient to determine the payment capacity of clients, set credit limits in line with the growth in transaction size, and establish an approval flow.

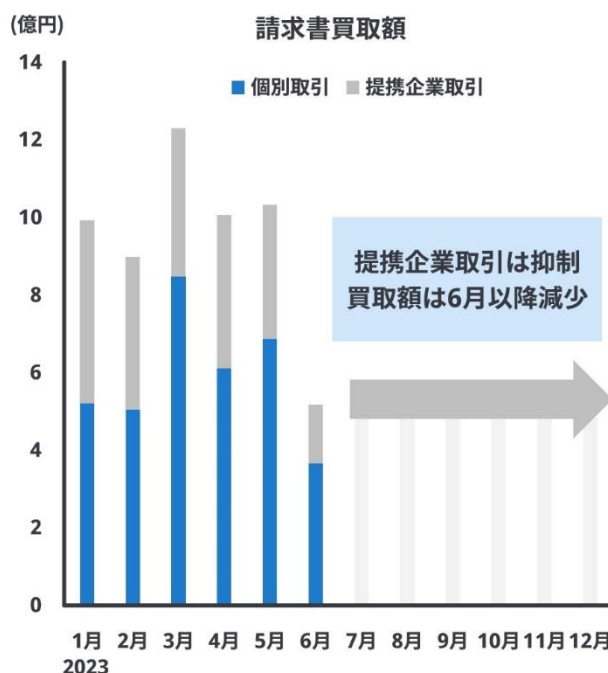
Going forward, our directors will be directly involved in the execution of GMO Creators Network to strengthen its governance. In addition to strengthening the organization and management system and taking measures to prevent recurrence, a dedicated team has been set up to collect past-due receivables.

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下期は個別取引*1を中心に請求書買取を継続、買取額の抑制に伴い、
売上高や営業利益の規模縮小を見込む



*1: 「個別取引」とは、GMO-CNが直接ユーザーとの契約を締結する取引を指し、宛先企業(取引先企業)からの請求額の支払いを受け、ユーザーがGMO-CNへ支払いを行う取引。前四半期決算までは2者間取引と呼称

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As for the financial assistance business in H2 2023, in line with the strengthening of the management system, we will curtail the purchase of invoices in affiliated company transactions and focus on individual transactions.

As a result, we expect sales to decrease to JPY660 million from the initial forecast of JPY1.11 billion, due to an expected decrease in the amount of invoice purchases from June onward.

After factoring in the impact of the increase in allowance for bad debt, full-year operating income is expected to decline from the initial forecast of JPY250 million to minus-JPY1.34 billion.

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金融支援事業の損失計上に伴い、通期連結業績予想を修正
債権回収、コスト抑制に取り組み損失幅縮小を目指す

(百万円)	2022年12月期 (通期実績)	2023年12月期 (期初予想)	2023年12月期 (修正予想)	増減額	増減率
売上高	10,531	11,064	10,894	△170	△1.5%
営業利益	732	857	△642	△1,500	—
経常利益	767	830	△576	△1,407	—
親会社株主に帰属する 当期純利益	510	573	△867	△1,441	—
EPS (円)	96.37	108.64	△164.43	—	—
1株当たり配当額 (円)	50.00	55.00	0.00	—	—
配当性向 (%)	51.9	50.6	—	—	—

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Due to the change in the outlook for the financial support business, we are once again revising our full-year consolidated earnings forecast for the fiscal year ending December 2023.

Net sales are expected to decrease by JPY170 million to JPY10,894 million and operating income by JPY1,500 million to minus-JPY642 million compared to the initial forecast.

Since net income attributable to shareholders of the parent company is also expected to be negative, the year-end dividend forecast has been changed to no dividend.

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金融支援事業の予想を大幅に修正。そのほかのセグメントは想定線で進捗

(百万円)	2022年12月期 (通期実績)	2023年12月期 (期初予想) ①	2023年12月期 (修正予想) ②	増減額 (②-①)	(%) 増減率 (②/①)
【売上高】					
ホスティング	5,439	5,659	5,729	+70	+1.2%
EC支援	2,844	2,654	2,934	+280	+10.5%
ハンドメイド	1,650	1,630	1,560	△70	△4.3%
金融支援	593	1,116	666	△450	△40.3%
【営業利益】					
ホスティング	1,891	1,933	1,943	+10	+0.5%
EC支援	661	709	739	+30	+4.2%
ハンドメイド	82	74	74	+0	—
金融支援	△26	251	△1,348	△1,600	—

※その他売上は除く

※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2022年通期実績も「グーベ」をホスティング事業に含めて表記しています。

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Revised forecasts for the full year by segment are as shown in the table.

As for GMO Pepabo's business as a stand-alone entity, both net sales and operating income were revised upward for the hosting business and the EC support business, due to the solid performance of the recurring revenue-type business.

On the other hand, only net sales were revised downward for the handmade business due to a decrease in circulation value.

As we have already reported, we have significantly lowered our outlook for the financial assistance business, but in order to reduce the amount of losses as much as possible, we will first give priority to debt collection.

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業績予想の修正を真摯に受け止め、経営責任を明確にするため、
常勤取締役の役員報酬を自主返上

代表取締役社長	月額報酬の50%を返上
取締役副社長	月額報酬の40%を返上
管理部門管掌取締役	月額報酬の30%を返上
取締役	月額報酬の15%を返上

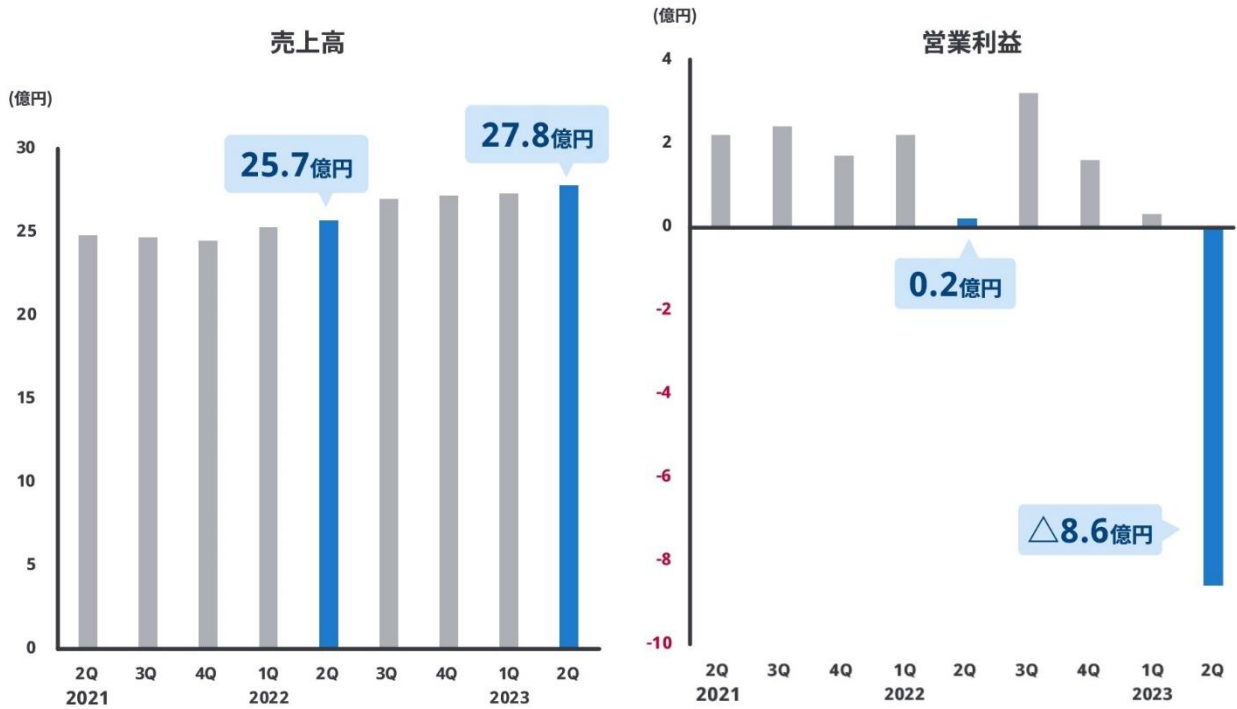
※2023年12月期における3ヶ月分を返上
監査等委員1名を含む

In addition, in order to clarify management responsibility, the Company also announced the return of executive compensation.

Full-time directors, including myself, will return the executive compensation listed here.

These were the financial result topics.

売上高は過去最高となったものの、8.6億円の営業損失を計上



※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。

From here, we will provide an overview of the financial results for Q2.

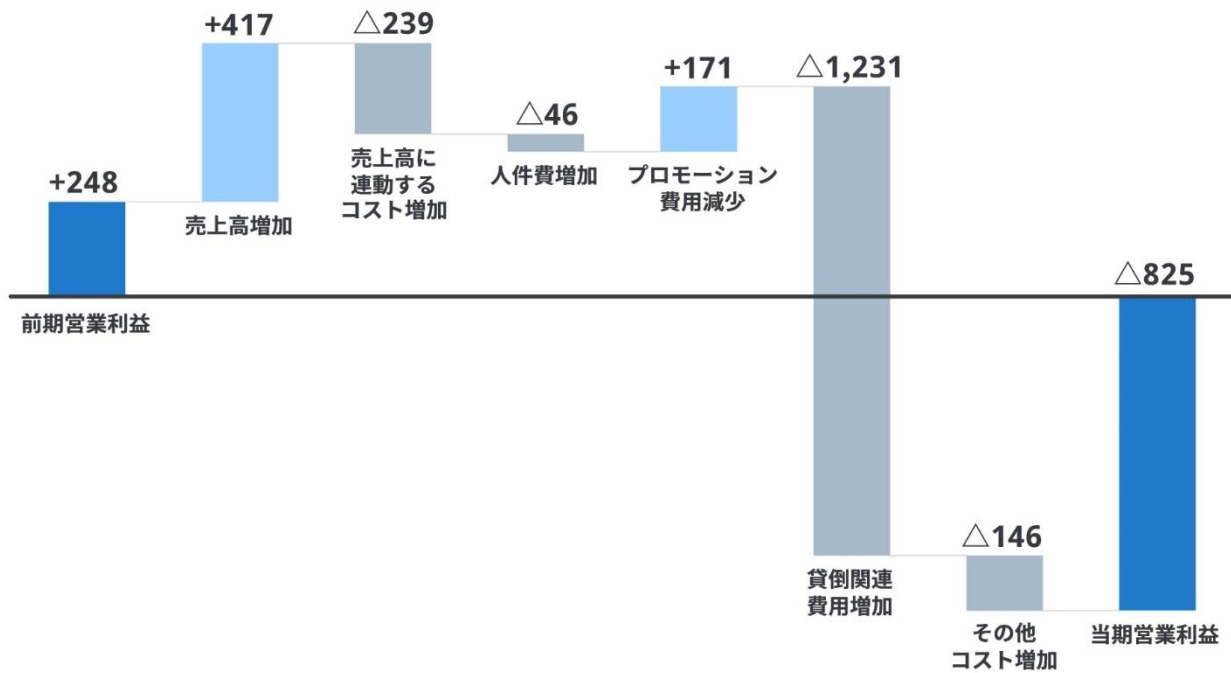
These are the consolidated financial results by quarter.

Sales for Q2 of 2023 totaled JPY2.78 billion.

On the other hand, as we reported earlier, operating income was minus-JPY860 million.

営業利益増減分析(2Q累計)

(単位：百万円)



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This shows the changes in operating income.

Although promotion expenses improved by JPY170 million, due to the absence of TV commercial expenses last year, bad debt-related expenses increased by JPY1.23 billion.

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	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：	2,791 百万円（ 104.8% ）
	営業利益：	902 百万円（ 97.0% ）
	価格改定の効果および、昨年実施したTVCMコストの未発生による改善	
EC支援	売上高：	1,522 百万円（ 111.6% ）
	営業利益：	391 百万円（ 222.1% ）
	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：	761 百万円（ 88.6% ）
	営業利益：	41 百万円（ 62.4% ）
	請求書買取額が拡大、大口の債権滞留が発生し貸倒関連費用が発生	
金融支援	売上高：	448 百万円（ 204.0% ）
	営業利益：	\triangle 1,172 百万円（ \triangle 1,157 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。

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The results by segment are as shown.

The hosting business and the EC support business are performing well, driven by the recurring revenue-type business. In the handmade business, circulation value declined, falling YoY. The financial assistance business recorded a loss due to bad debt-related expenses.

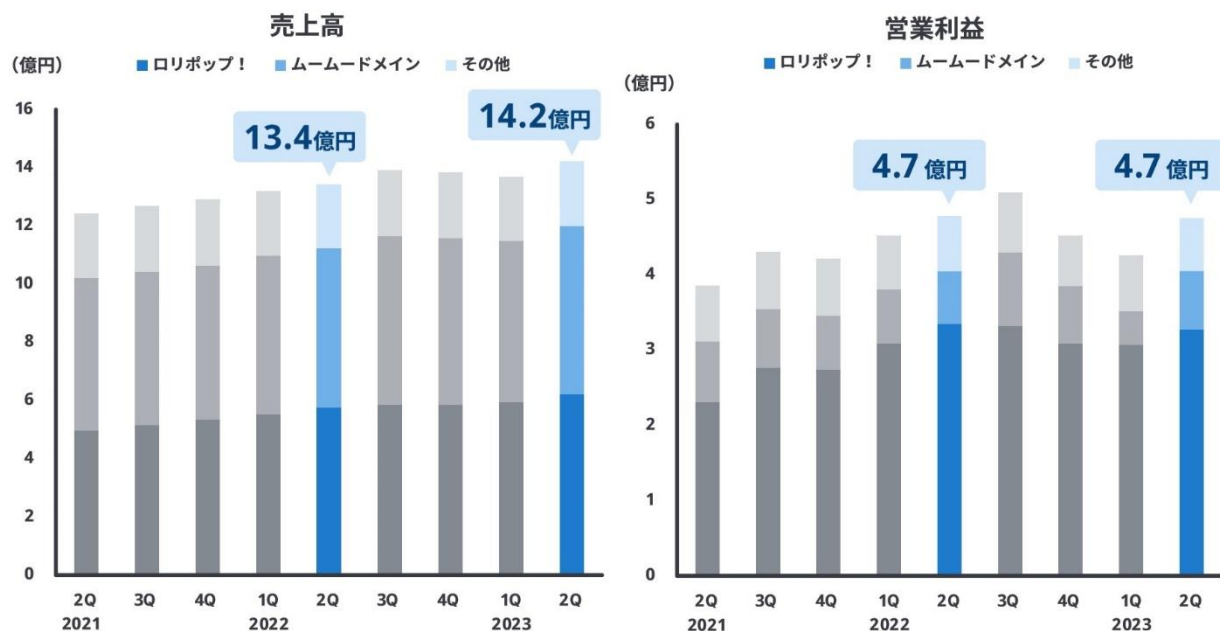
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累計期間 売上高： **2,791**百万円 (前年同期比 **104.8%**)
 営業利益： **902**百万円 (前年同期比 **97.0%**)



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From here, I will go over each segment.

First is the hosting business.

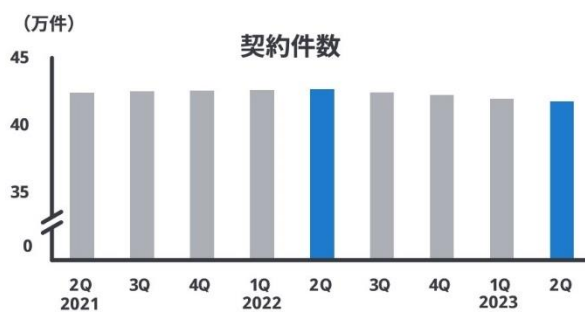
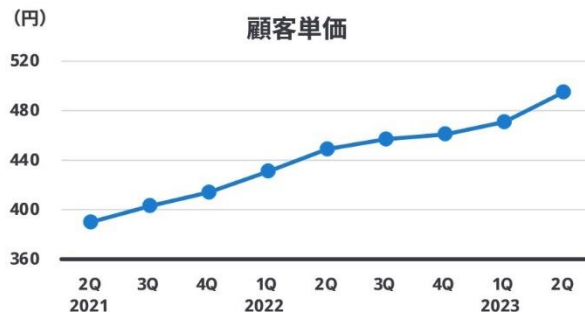
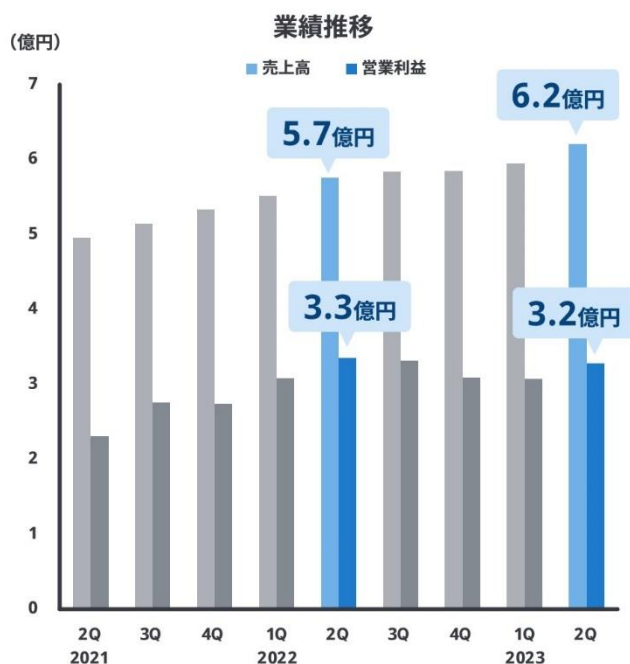
Net sales increased steadily, reaching JPY2,791 million, 104.8% YoY; and operating income reached JPY902 million, 97% YoY.

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累計期間	売上高：	1,216百万円 (前年同期比 107.9%)
	営業利益：	634百万円 (前年同期比 98.7%)



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Rental server service Lollipop! posted sales of JPY1,216 million and operating income of JPY634 million.

The unit price per customer continues to increase due to the effect of price revisions and a higher ratio of contracts for higher-end plans.

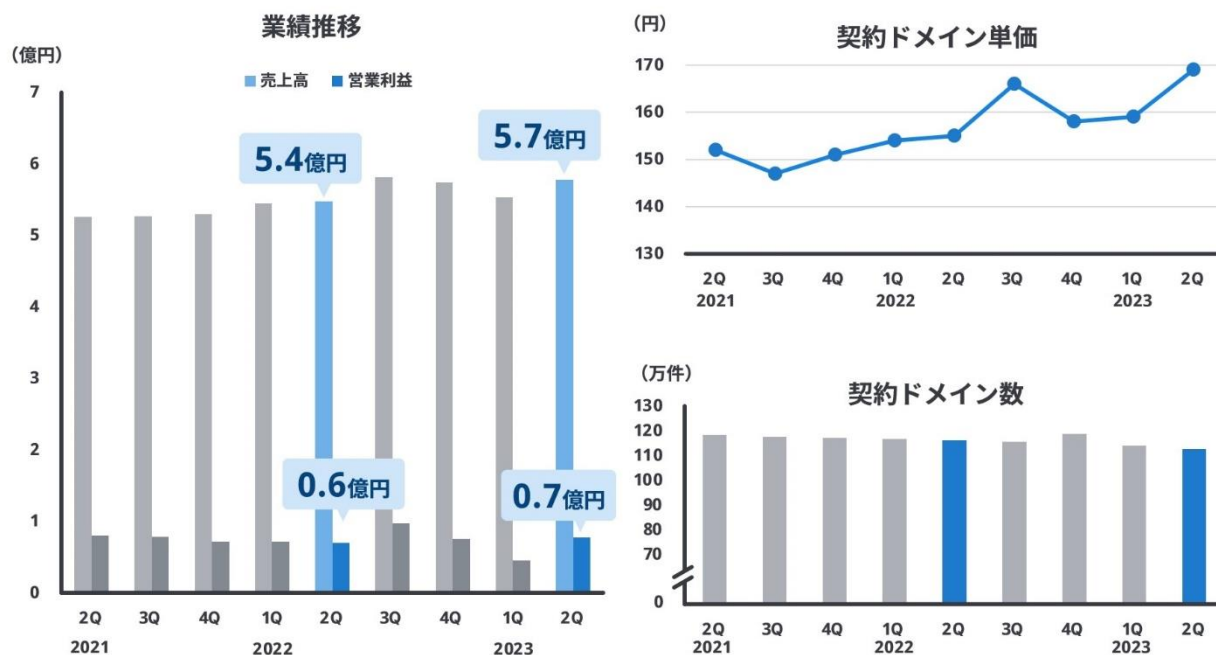
The number of contracts decreased due to cancellations of lower unit price plans.

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累計期間	売上高：	1,130 百万円 (前年同期比 103.5%)
	営業利益：	122 百万円 (前年同期比 86.3%)



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Next, MuuMuu Domain, a domain name acquisition service, posted sales of JPY1,130 million and operating income of JPY122 million.

Unit cost per customer increased due to the effect of the introduction of the service maintenance and adjustment fee. Although the contract renewal rate was high, the number of contracts decreased, due to sluggish growth in new domain name contracts.

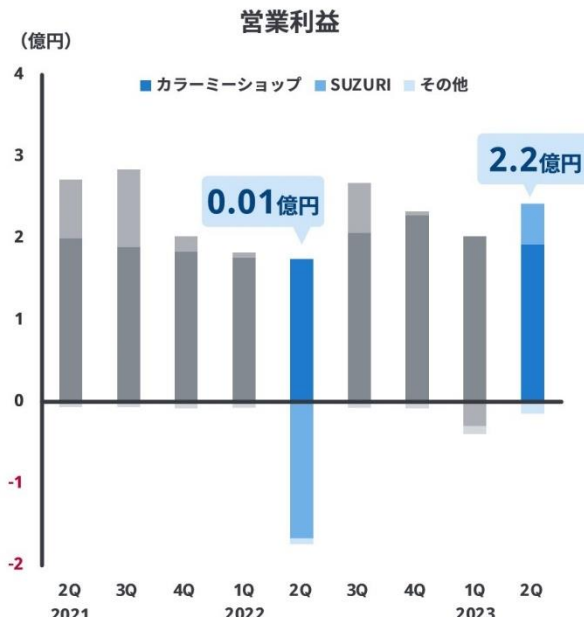
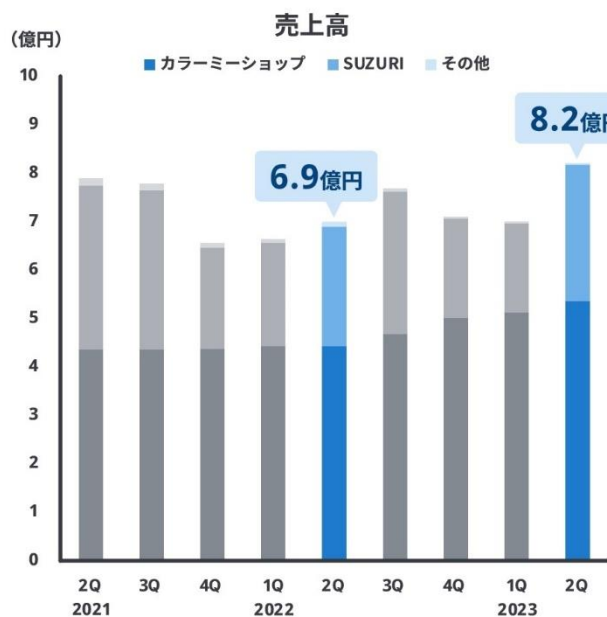
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累計期間	売上高：	1,522百万円 (前年同期比 111.6%)
	営業利益：	391百万円 (前年同期比 222.1%)



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Next is the EC support business.

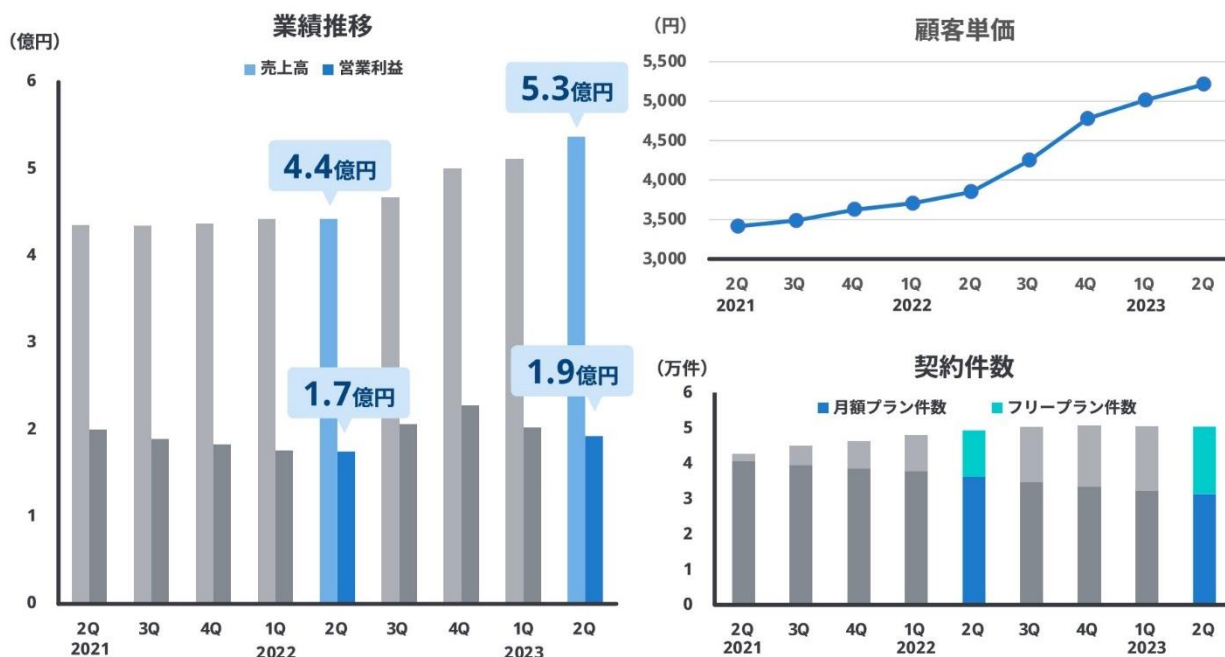
Net sales was JPY11,522 million, 111.6% YoY; and operating income was JPY391 million, 222.1% YoY.

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累計期間	売上高：	1,048 百万円（前年同期比 118.5% ）
	営業利益：	395 百万円（前年同期比 112.6% ）



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The online store creation service, Color Me Shop, posted sales of JPY1,048 million and operating income of JPY395 million.

Due to the effect of the price revision implemented in April 2022, the unit price per customer has increased, but we expect this to settle down in the future.

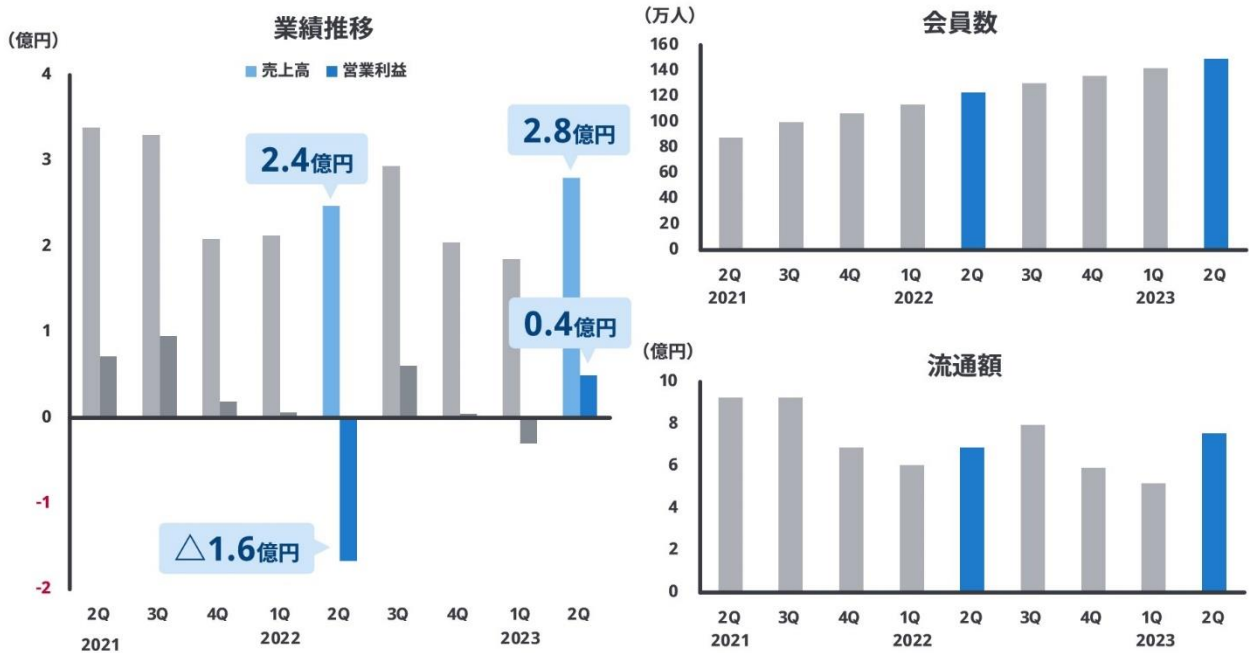
The number of subscriptions continues to decline for monthly plans, but we believe that the price revision has run its course and the decline in the number of subscriptions will slow down in the future.

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累計期間	売上高：	465百万円 (前年同期比 101.1%)
	営業利益：	19百万円 (前年同期比 180百万円増)



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

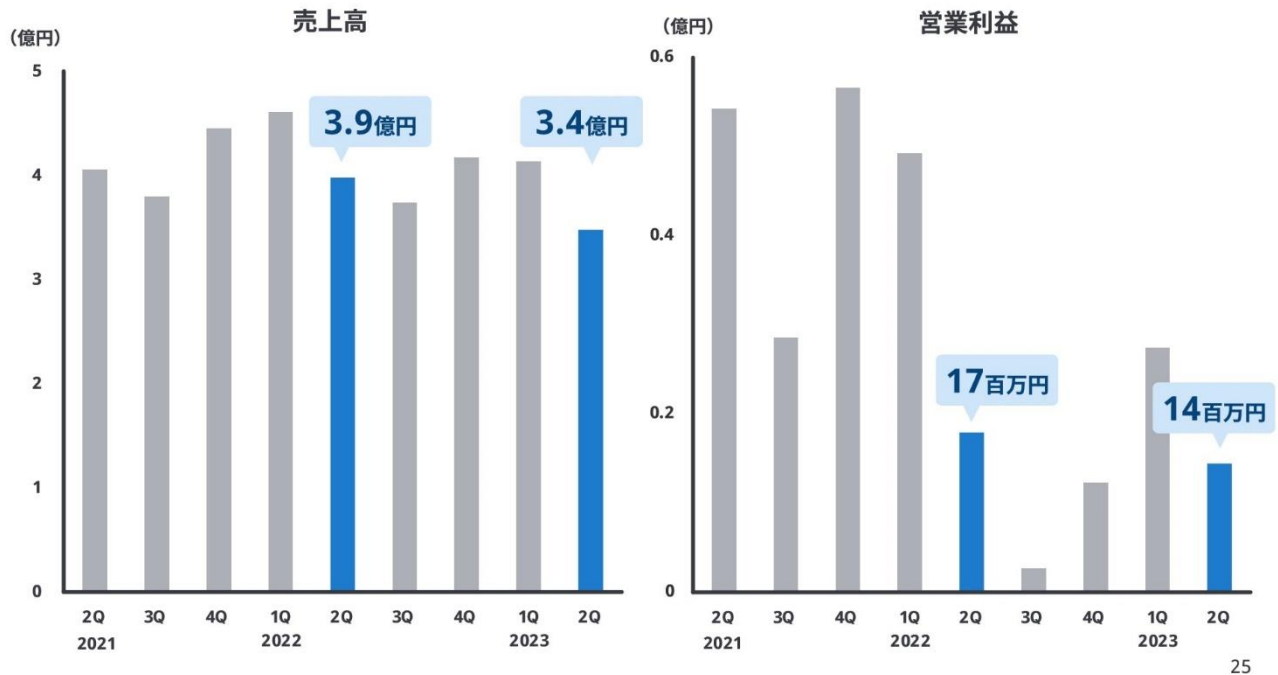
SUZURI's net sales were JPY465 million, about the same YoY, and operating income was JPY19 million, due to the absence of TV commercials and other promotional expenses that were implemented last year.

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累計期間	売上高：	761 百万円 (前年同期比 88.6%)
	営業利益：	41 百万円 (前年同期比 62.4%)



25

Next is minne, a handmade business.

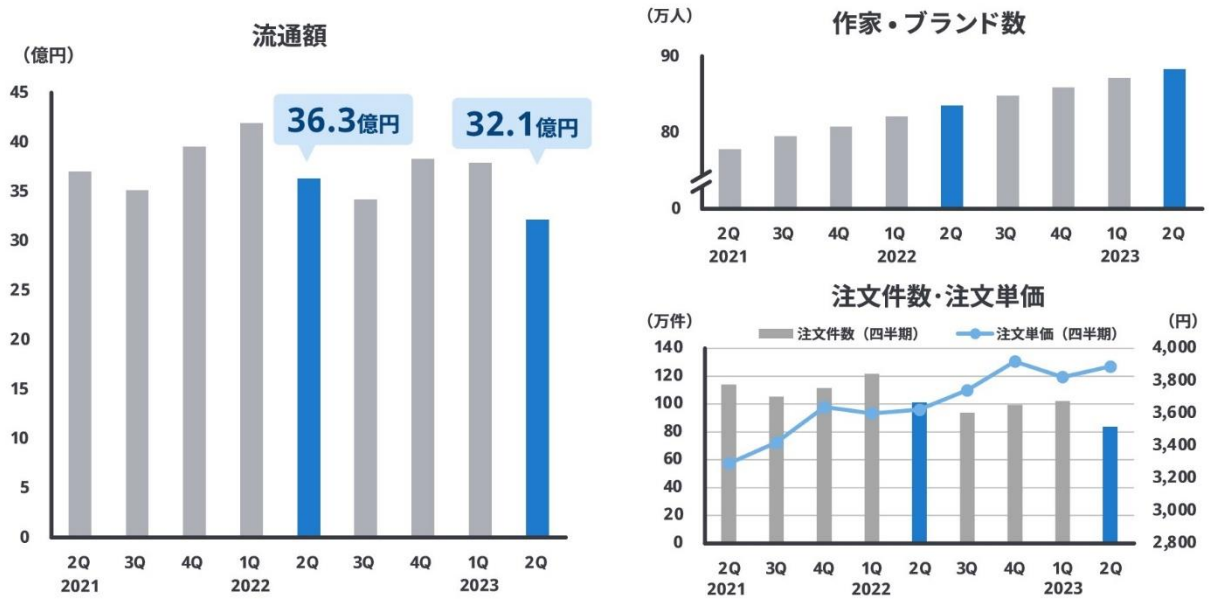
Sales of minne amounted to JPY761 million, 88.6% YoY; and operating income amounted to JPY41 million, 62.4% YoY.

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流通額： **70.0億円** (前年同期比 **89.5%**)
 2Q累計期間 注文単価： **3,888円** (前年同期比 **107.3%**)
 注文件数： **185.8万件** (前年同期比 **83.4%**)



※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）

The circulation value for H1 2023 was JPY7 billion, 89.5% YoY, due to struggling sales of low-priced products.

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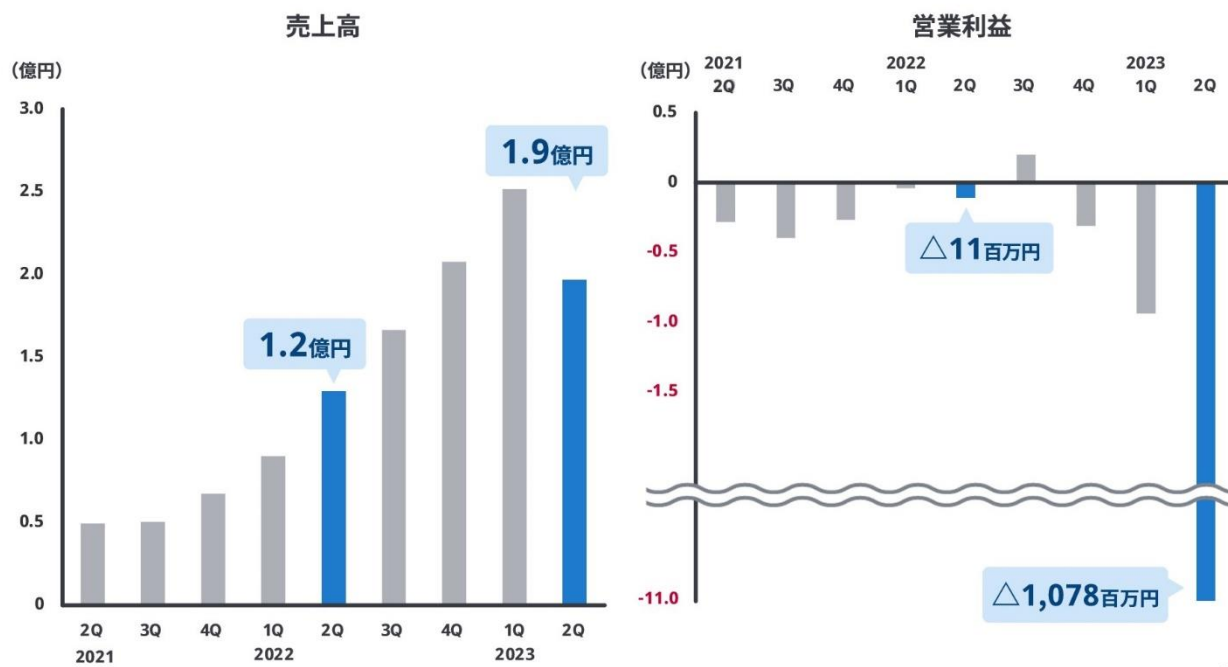
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累計期間

売上高： **448**百万円 (前年同期比 **204.0%**)

営業利益：△**1,172**百万円 (前年同期比 **1,157**百万円減)



28

Next is the financial assistance business.

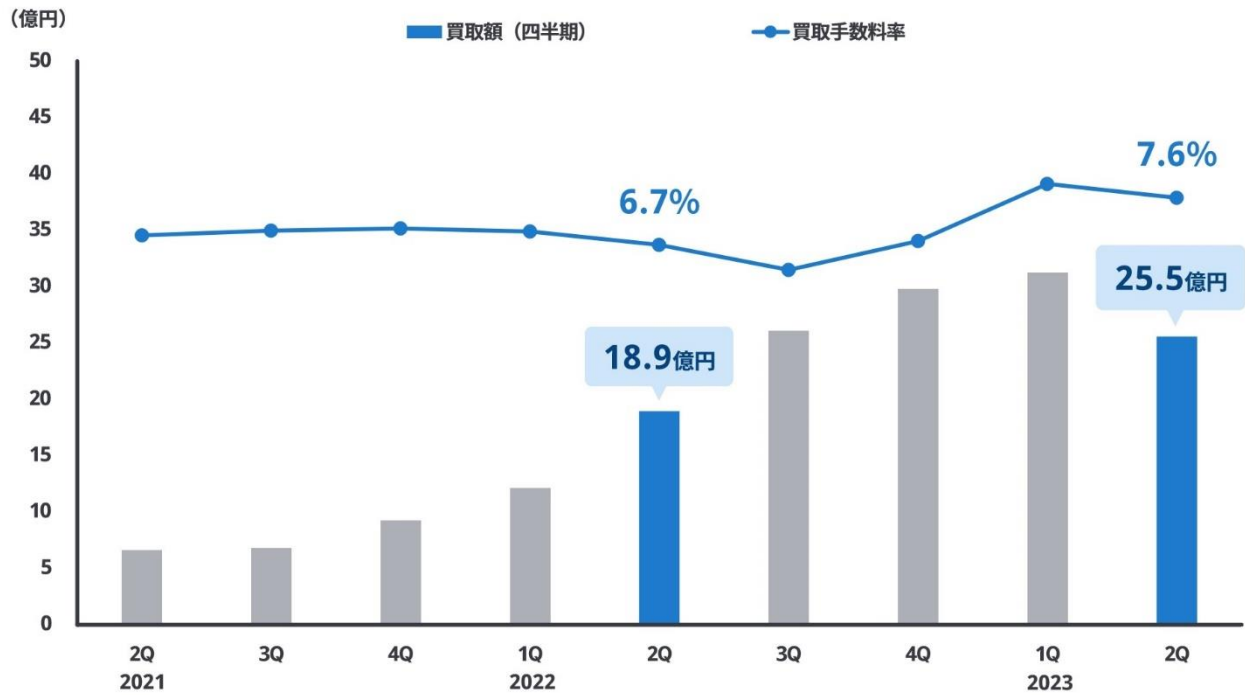
Net sales totaled JPY448 million, up 204% YoY. Operating income was minus JPY1,172 million, due to an increase in bad debt-related expenses, as explained earlier.

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管理体制の強化に伴い、5月より請求書買取額を抑制



29

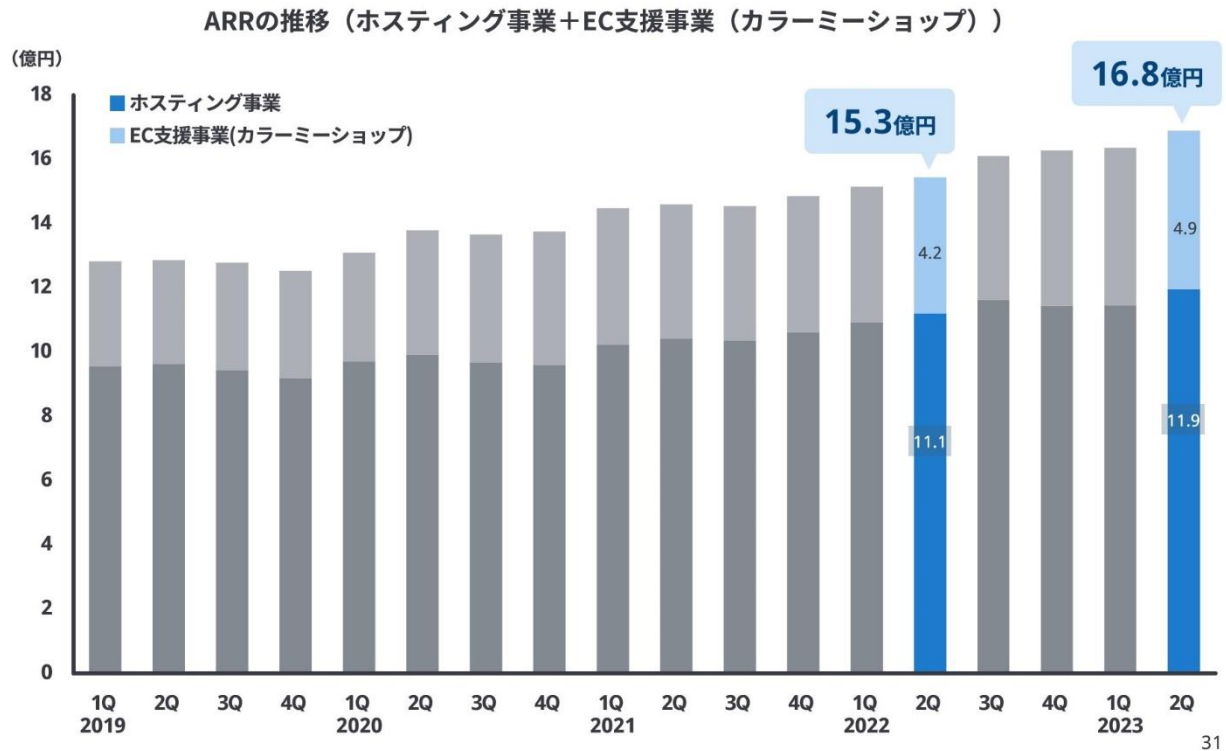
The purchase amount was JPY2.55 billion in Q2 due to the suppression trend in the purchase amount of invoices as a result of tighter management of the financial assistance business.

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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



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Next, I will explain the measures for H2 of the fiscal year ending December 2023.

The ARR trend of aggregated sales excluding transient revenues of Lollipop!, a recurring revenue-type business, and Color Me Shop.

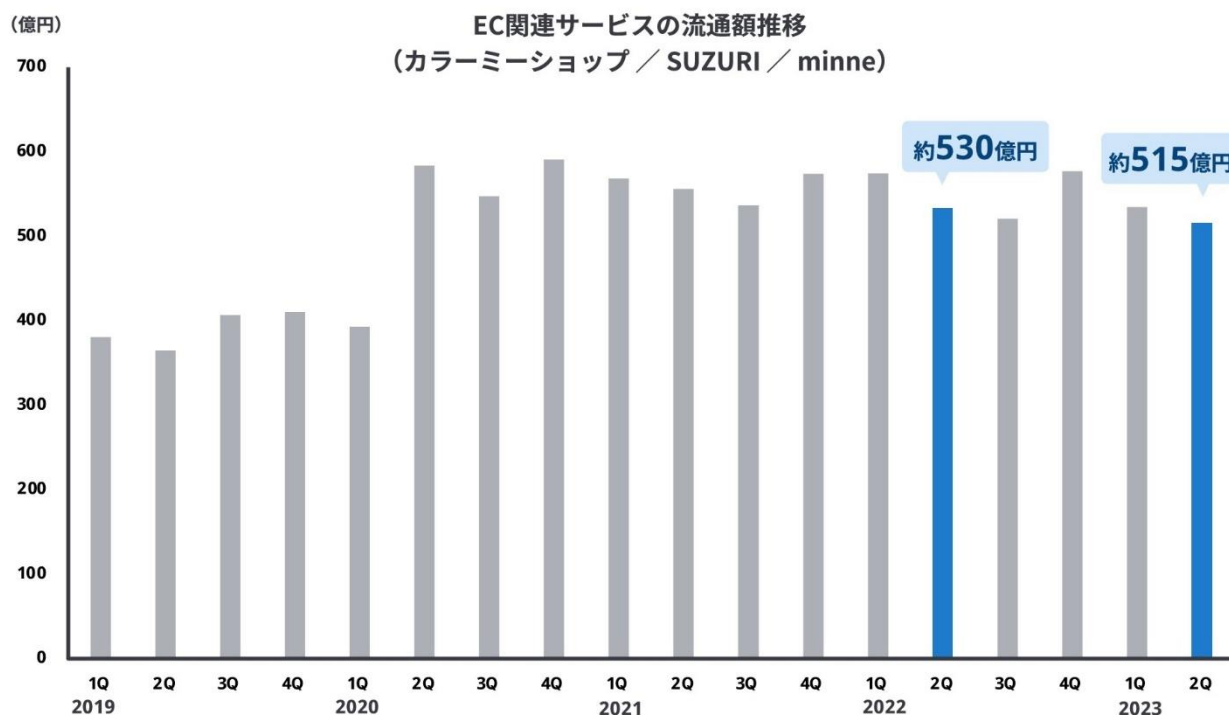
ARR is growing steadily with revenues from recurring revenue-based business totaling JPY1.68 billion in Q2 2023.

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



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The total circulation value of EC-related services, including Color Me Shop, SUZURI, and minne, declined YoY.

We will continue to expand our domain through the development of premium plans for Color Me Shop, implementation of shop-closing prevention, and digital content of minne and SUZURI.

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カラーミーショップ



カラーミーショップ大賞2023を開催

- 年間を通して総合的に最も優れたネットショップを表彰するカラーミーショップ大賞2023を9月13日(水)に開催
- ジャンルも運営年数もさまざまなショップが全国各地から選抜、最終審査にて42ショップを選出

*1：SNS、ブログ、商品販売ページなどを、写真や動画を使ってビジュアルリッチにまとめられる無料のプロフィール作成ツール。アプリをインストールせず、LINEアプリ上で編集から公開までを行うことができ、タレントやインフルエンサーだけでなく、アーティストやクリエイターなど幅広い層に支持を獲得。ユーザー数は2023年7月27日現在190万人、月間アクセス数は7,000万PVを突破、ユーザー構成としては6割Z世代（11～25歳）であることが特徴

SUZURI



企業連携/IP活用を通じ、流通額拡大を図る

- タレントやインフルエンサーなど幅広い層に支持されるプロフィール作成ツール「lit.link」(リットリンク)*1との連携を行い購入機会を増やす
- 影響力のあるコンテンツやIPを起用し、サイト訪問者の増加と購入につなげる

33

On September 13, Color Me Shop, an e-commerce support business, plans to hold the Color Me Shop Awards 2023, an event to honor online stores nationwide.

In July, SUZURI started a partnership with lit.links, a profile creation tool developed by TieUps, Inc., with which SUZURI announced a business alliance last year. In order to increase the number of visitors to the site, we will also promote measures using content and IPs with the ability to attract visitors.

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「minne」では、4年ぶりとなるリアルイベントの開催や、
サイト内広告機能の提供を開始



minne広告の運用開始

- 8月2日より、作品をminne内で広告として表示することができるクリック課金型の広告機能が運用開始
- 作品に興味のある購入者にピンポイントで作品を表示することで、ハンドメイド作家さんの販売促進やショップ認知拡大などマーケティング活動を支援



ハンドメイドマーケットの開催

- 9月16日(土)~18日(月)
東京ビッグサイトにて4年ぶりとなるリアルイベント「minneハンドメイドマーケット」を開催

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In the handmade business, we began running advertisements on the minne website on August 2. We hope that [vendors] will use it as a tool to support their marketing activities.

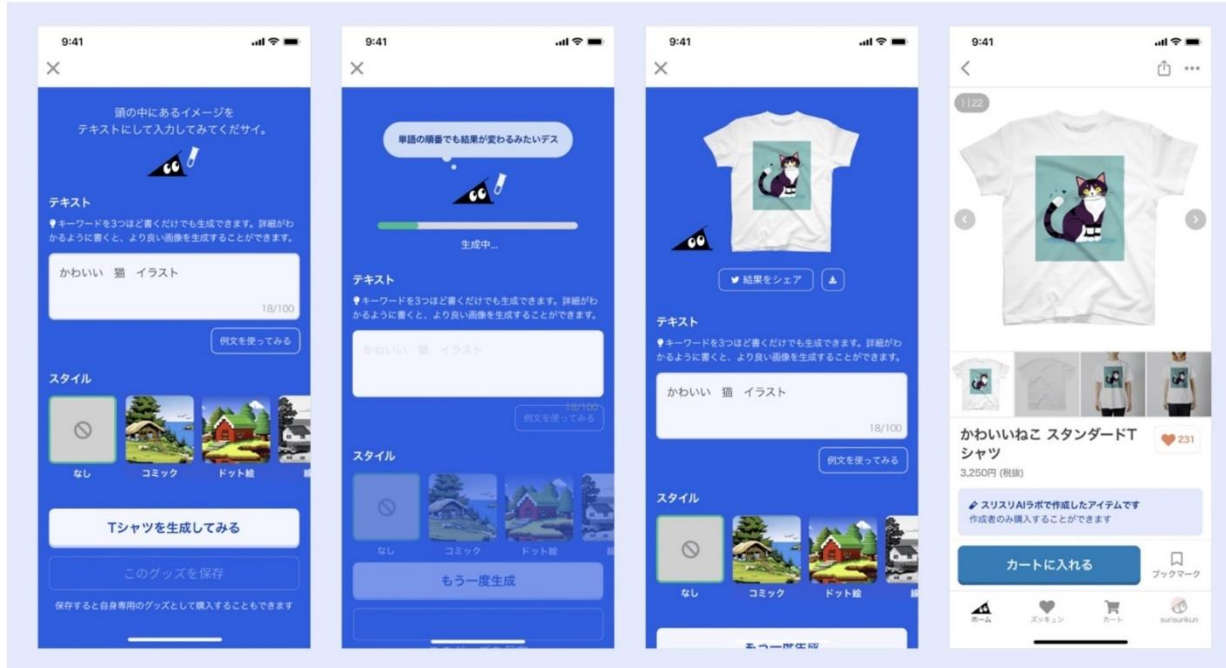
In September, we will hold our first in-person event in four years -- the minne handmade market -- and we will work to expand circulation value by promoting sales and attracting artists.

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「SUZURI」のiOSアプリ内で創りたい画像のイメージをテキスト入力すると自動で画像が生成され、そのままグッズ化ができる機能を提供



画像生成AI「Stable Diffusion」と連携

35

As we introduced in Q1, we continue to make progress in the use of AI within our services.

SUZURI worked with Stable Diffusion, an image generation AI provided by Stability AI. Simply input the text of the image you want to create, and the AI will generate the image and produce the goods on the spot.

This was an explanation of the financial results for Q2.

As mentioned in this briefing, in addition to the earnings revision, dividend revision, and return of executive compensation, the Company also announced its application to the Standard Market.

As we reported in our revised full-year forecast, we expect to post a loss for the current fiscal year for the first time since 2015. We are also facing a very difficult situation in terms of performance. First, we will take immediate measures to address the financial support business and once again work to achieve medium- to long-term growth. We would like to ask our shareholders for their continued support and guidance.

That concludes my explanation. Thank you.

Moderator: This concludes the explanation of the financial summary for this fiscal year. Thank you.

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Question & Answer

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

Thank you. First of all, Tokunaga of Daiwa Securities, please ask your question.

Tokunaga [Q]: Thank you for your support. Tokunaga, Daiwa Securities. Please answer three questions regarding the current financial results.

The first is the concept of allowance for bad debt. I understand that as of the end of June, the possible bad debts have accumulated. When was this new corporate forecast prepared, and how much of the additional allowance was factored in? It would also be helpful if you could add the status of collections after June.

Moderator [M]: Thank you. CEO Sato will now answer your questions.

Sato [M]: Thank you for your question. First of all, this is the revised forecast, but the details will be answered by Igashima.

Igashima [A]: I will answer the question. First of all, the forecast for the current fiscal year was prepared in July, and then again in early August. Since we are audited, we have determined the amount of the repayment, including adjustments with the auditing firm, and have made calculations based on the future outlook.

The collection of the loans was progressing in June, July, and early August, and although it is still far short of the actual expected amount, we are making solid progress in collection. That is all.

Tokunaga [Q]: Thank you. If so, on a monthly basis, would it be correct to say that the peak of bad debts ended in May or June, and that there has been a gradual improvement trend since then?

Igashima [A]: First of all, in May, some receivables in arrears became quite noticeable, and we stopped new purchases from May. Because we have not purchased any large loans since then, we do not expect any further losses to be recorded.

Tokunaga [Q]: I understand very well. I think the accumulation situation was greatest in May, and I think there was some in June, but from then on, relatively speaking, was that the peak of the accumulation?

Igashima [A]: Yes. We have no problem with such an idea.

Tokunaga [Q]: Thank you. The second question is about shareholder returns. This time, you are forecasting a net loss, so you are not paying a dividend, but I wonder if your strategy on the capital side, etc. could change due to this trouble and other factors.

Looking to the future, how do you see the balance between shareholder returns and investment in growth? Is it correct to assume that we will receive a certain dividend payout ratio when profits are generated as before? What are your thoughts on this area at this time?

Sato [A]: In the past, when we invested in minne, for example, we had a loss, and at that time we did not pay a dividend. When growth returns there, it will be in the form of a proper return. Since it is our basic policy to maintain a dividend payout ratio of 50% or more, there is no change in the current situation here. We are sorry for the inconvenience to our shareholders as we will be in the red this time as well.

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Although we will be quite in the red this fiscal year due to bad debts, there is a strong possibility that we will be able to make a full recovery next fiscal year. So, we would like to pay dividends in the original form while maintaining a dividend payout ratio of 50%.

Tokunaga [Q]: I understand very well. Thank you. The third and final point is that the financial support business was a segment that your company was focusing on. It is a little difficult to see from the outside where your company's investment should be directed, as a kind of growth driver, in the event of future downsizing.

Therefore, please share with us any ideas you currently have for your company's image after the financial support is reduced, such as where you see your company as a growth driver and where you see it as a stable revenue source.

Sato [A]: Currently, the financial support business was the driver of future growth, but that assumption has been destroyed, and we are currently in the process of formulating a plan to determine where we will grow.

I can say, however, that our strength is the accumulation of recurring revenue, which has been our strength up to now. Also, our strength is in providing services to creators and individuals, so I believe that returning here and developing our business will be a point where we can demonstrate our strength.

As of now, we are working on new initiatives in several services, and we are considering finding growth drivers from these and refining them in the future.

As for the financial support business, we had originally planned to work with individual creators in the financial business, but things went wrong along the way, and we ended up with a large amount. Although there is a possibility that our growth will slow down a little in the future as we provide small-quantity services to creators, we would like to go back to the basics in providing services to individuals and creators as a whole.

In addition, I do not believe that we are in a position to present a major growth strategy in the future under the current circumstances, so I would like to present a solid plan for this area.

Tokunaga [M]: Thank you. That's all.

Moderator [M]: Thank you. There is still some time left, but since there seem to be no other questions, we will conclude the question-and-answer session.

This concludes the online presentation of the financial results of GMO Pepabo for Q2 of the fiscal year ending December 2023. Thank you very much for joining us today.

[END]

Document Notes

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