

# Presentation

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**Moderator:** Thank you very much for taking time out of your busy schedule today to participate in the Fiscal Year 2025 2nd Quarter Results Presentation of GMO Pepabo, Inc. I would now like to introduce today's attendees. Mr. Kentaro Sato, CEO and President.

**Sato:** Thank you very much.

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

**Igashima:** Thank you very much.

**Moderator:** They are the two officers present here today.

Mr. Sato, Representative Director, will provide an overview of the financial results. You may now have the floor.

**Sato:** I am Sato, president of the Company. Thank you for taking time out of your busy schedule to attend today's briefing. GMO Pepabo will now begin the presentation of its financial results for Q2 of the fiscal year ending December 31, 2025.

As disclosed on July 22, we have decided to transfer the shares of GMO Creators Network, which operates FREENANCE. The estimated transfer price is JPY1.1 billion. GMO Creators Network offers FREENANCE, a service for freelancers and sole proprietors. The decision to transfer the shares has been made in an effort to rebuild value by concentrating management resources on our recurring revenue-type businesses and new services as part of the ongoing review and optimization of our business portfolio.

With regard to our existing businesses apart from the financial support business, our recurring revenue-type business, which includes Lolipop! and Color Me Shop, is performing well, benefiting from price revisions and plan consolidations.

We are also aggressively developing new services for corporate customers. In addition to expanding the service lineup of MuuMuu Domain, we aim to raise unit prices by acquiring new contracts for the newly launched Lolipop! Fixed IP Access, GMO Sokuresu AI, and other services.

At GMO Internet Group, we refer to M&As as "making friends," and by embarking on a JPY3 billion scale of making friends using our cash reserves, we aim to achieve medium- to long-term business growth.

Here is today's agenda. After an overview of our financial results for Q2, I will explain our medium- to long-term business growth. The second half of the presentation material includes our company profile and explanation of our services, so please take a look at it when you have time.

This is a summary of our financial results for Q2 of the fiscal year ending December 31, 2025. Net sales for Q2 of 2025 stood at JPY5,539 million, 103.2% YoY. Operating profit was JPY597 million, 120.3% YoY. Ordinary profit and below are as shown.

Here are the changes in our quarterly net sales and operating profit. Net sales increased from the same period of the previous year thanks to the steady growth in the recurring revenue-type business. Operating profit was flat on a YoY basis.

These are the quarterly net sales from the recurring revenue-type business that drives our performance. Net sales in the recurring revenue-type business, which is the sum of the main services in our domain and rental server business and Color Me Shop, have been steadily increasing. Net sales of our recurring revenue-type business in Q2 totaled JPY1.84 billion, exceeding the previous year's figure.

This is an analysis of the changes in our operating profit. Operating profit surged as a result of the YoY increase in net sales.

These are the net sales and operating profits by segment. The domain and rental server business saw an increase in revenue due to the accumulation of MuuMuu Server contracts, but a decrease in profit owing to investments in new services for corporate customers. In the e-commerce support business, sales and profits rose thanks to the migration to the higher plans of Color Me Shop. Net sales in the handmade products business dropped owing to a decline in merchandise value, but profit increased due to cost control.

The financial support business posted higher revenue and profit thanks to an increase in the amount of invoices purchased for individual transactions with high commission rates, as well as the steady progress in debt collection.

Next, I will discuss the figures by segment. Net sales in the domain and rental server business totaled JPY3,098 million, 101.9% YoY. Operating profit was JPY971 million, 96% YoY. Revenue went up due to the effect of the price revisions for Lolipop! and the accumulation of MuuMuu Server contracts, but profit decreased owing to investments in products for corporate customers.

This shows the trend in the KPIs of the domain and rental server business. In the domain and rental server business, the Company has been able to generate recurring revenues from Lolipop! and MuuMuu Domain, as well as revenues from new services. In addition to MuuMuu Server and Lolipop! for Gamers, we have recorded a small amount of sales from Lolipop! Fixed IP Access. We will continue to aim for accumulated recurring revenues.

Spending per customer rose YoY for both Lolipop! and MuuMuu Domain.

Net sales in the e-commerce support business stood at JPY1,483 million, 103.5% YoY. Operating profit was JPY458 million, 132.6% YoY. At Color Me Shop, we discontinued the low-priced Economy and Small rate plans, and have been gradually consolidating rate plans into the Regular and above plans. As a result, the migration to higher rate plans increased, leading to a YoY surge in both sales and profits. SUZURI recorded higher revenue due to an improvement in its production system, which shortened the number of days until shipment and eliminated the impact of timing differences, as well as the recording of corporate projects.

This shows the transition in the KPIs of Color Me Shop.

Color Me Shop's merchandise value remained flat YoY at JPY49.9 billion. The quarterly merchandise value per store and per-customer spending per paying store continue to trend upward.

At Color Me Shop, we will continue to acquire new contracts for premium plans and strengthen functions for corporate customers, aiming to increase recurring revenues. SUZURI, an original goods creation and sales service, saw its merchandise value remain flat, but its operating profit moved into the black in Q2 due to improved efficiency in advertising operations and utilization of AI, which reduced costs for fraudulent image detection operations and customer service.

This is about minne, our handmade products business.

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Net sales were JPY676 million, 98.9% YoY, and operating profit was JPY62 million, 198.2% YoY. Growth in pay-per-click advertising and monthly plans on the site led to an increase in revenue and an improvement in profit margin, resulting in a YoY rise in profit. Although minne's merchandise value declined YoY, we will continue to aim to accumulate recurring revenue from monthly plans.

Furthermore, in July, we began offering a support feature to enhance support for minne's artists. When users view ads on our store page, they are charged an advertising fee that can be used to publish the artists' works, thereby supporting the artists.

Net sales in the financial support business were JPY272 million, 133% YoY, while operating profit was positive at JPY75 million. Net sales went up due to an increase in the amount of invoices purchased for individual transactions with high commission rates. Operating profit returned to the black on the back of higher sales and solid collection of receivables.

These are the KPIs for the financial support business. The amount of invoices purchased remained flat, but as reported earlier, the percentage of individual transactions rose. The impact of bad debt-related expenses on operating profit increased due to the steady collection of receivables.

That ends the explanation on the performance of each segment.

Next, I will explain our medium- to long-term business growth and making friends.

At the main financial results briefing in February of this year, we announced our medium- to long-term policy for 2025 to 2027. For the period from 2025 to 2027, we will aim for an average annual growth rate of 5% in net sales and 15% in operating profit, targeting net sales of JPY12.6 billion and operating profit of JPY1.26 billion for the fiscal year ending December 31, 2027. To achieve these medium- to long-term goals, we are promoting business selection and concentration.

In our existing recurring revenue-type business, we aim to further expand profitability and provide services to corporate customers, thereby acquiring contracts for high unit price plans and strengthening the recurring revenue base. Furthermore, in order to acquire new recurring revenue, we will aggressively promote new services, as well as embark on making friends. Under such circumstances, we have decided to transfer shares of our financial support business to a company that has more potential for service growth and business synergies. It is our intention to continue nurturing our recurring revenue-type business over the medium to long term in order to achieve stable and reliable business growth. We will increase the ratio of recurring revenue not only through our existing services, but also through new services and by making friends.

In order to adapt to the business environment in which we operate, we are shifting from our previous model of acquiring a number of contracts with a low unit price to a model of providing value-added services with a high unit price. The demands of users are also changing. What was previously required was general-purpose functionality and affordability, but now there is a need for highly functional services specialized for specific purposes. We intend to adapt to these changes in the environment and provide products to expand our target customers from individuals to corporations.

With the Lolipop! Fixed IP Access, a new corporate product released on March 25, 2025, we are focusing on acquiring contracts targeting corporate customers, aiming to increase the spending amount per customer by having companies sign up for multiple licenses.

The domestic VPN market is also growing, and we believe that there are great opportunities for future business development in this growing area. In addition, since multiple licenses can be provided for an IP address, the service can be used by multiple people and is suitable for corporate use. We have already begun

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to have companies use the service, as we aim to acquire new contracts that will lead to new recurring revenue in the medium to long term.

At MuuMuu Domain, we have been working to expand the service lineup, and in February 2025, we launched a service as a Google Workspace sales partner. Since the acquisition of an original domain will be required at the same time as the rollout of Google Workspace, customers will seek to acquire a new domain by signing up with MuuMuu Domain.

In addition to expanding the range of solution proposals for corporate customers, we believe that offering proposals that also include our own products will lead to an increase in spending amount per customer.

In Q3 and beyond, we plan to launch new initiatives to expand sales. GMO Sokuresu AI, launched last year, has started offering Dify introduction support services and AI agents for corporate customers. In addition to supporting the handling of inquiries from outside the company, AI helps improve operational efficiency and productivity. We will continue to customize our services to meet corporate needs, targeting business growth through the acquisition of new contracts.

As announced on July 22, we have decided to transfer the shares of Creators Network, which operates FREENANCE, to freee K.K. The transfer date is scheduled for September 1.

In addition, we will utilize our current cash reserves to begin a JPY3 billion initiative for making friends. We aim to make friends with companies that run recurring revenue-type businesses and have synergies with our existing businesses, which will enable us to realize future business growth.

Last but not least, I would like to discuss shareholder returns.

The Company's policy on shareholder returns is to maintain a dividend payout ratio of at least 65%. We are currently examining the financial impact on our business of the transfer of GMO Creators Network shares. If any matters that should be announced arise in the future, we will disclose them promptly.

As for shareholder benefits, as announced today, we have decided to grant the bitcoin equivalent to 0.03% of the purchase price of our company's shares in GMO CLICK securities to the cryptocurrency asset account of GMO COIN. We will continue to return profits to shareholders through share buybacks and dividends.

Our business performance in H1 of the fiscal year is progressing well against the initial forecast. We will continue to focus our management resources on recurring revenue-type businesses and new services to achieve a stable revenue base and business growth.

That is all from me. Thank you very much.

**Moderator:** That concludes the explanation of the Company's financial results for this fiscal year. Thank you very much.

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