

FY2022.8 First Quarter Financial Results

coconala Inc. (TSE Mothers Code: 4176)

01

Company introduction





Vision

Create a world where each person lives their "own story."

Mission

Provide a platform to empower individuals by making their knowledge, skills and experiences visible and connecting them to those who need them

Service Lineup



An EC-type service (skills) marketplace. You can search and purchase from 500,000 listings and complete everything online, from order communication to delivery.



A new service focused on purchases for business purposes (released in August 2021). Offers a curation of carefully selected services, invoice payment, convenient project management features for team and department use, concierge services, and so on.



coconala Legal Consultation
A web service that connects users who are tackling legal problems with lawyers. You can browse and post legal Q&As for free, and search and inquire about 3,000 lawyers by field or region. (Advertising revenue model)

Features of the coconala

Matching platform that commercializes knowledge, skills and experiences then enables users to sell and buy those like “e-commerce”

Point 1

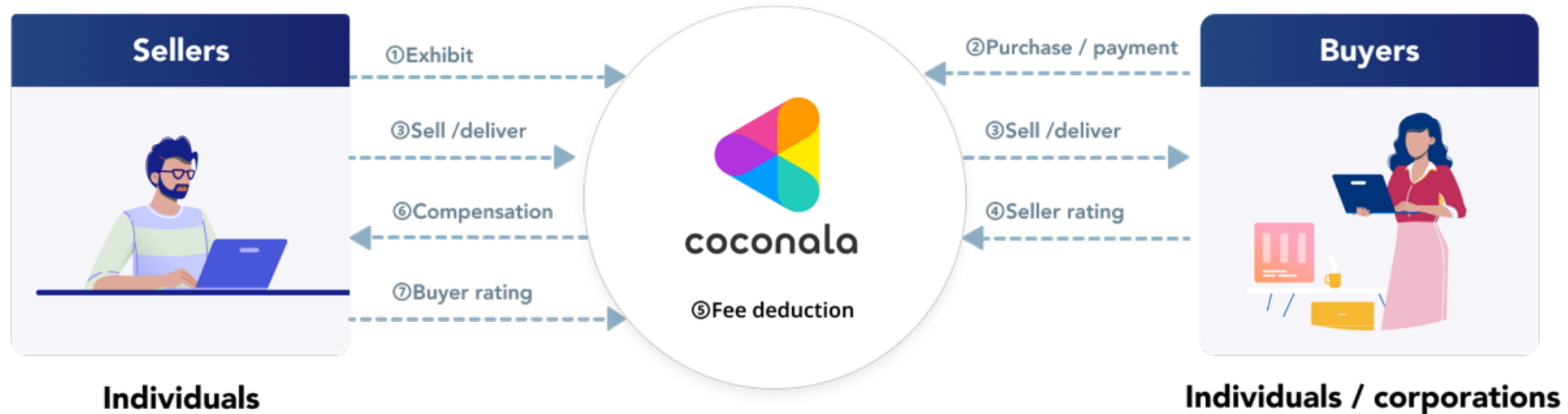
**Easy purchase/selling
with e-commerce model**

Point 2

Complete online


Point 3

Wide range of categories



Category List

coconala can cover all kinds of issues and concerns of users with 15 main categories and more than 450 subcategories

 Creative & Business

 Consultation & Private

Designing

Logo creation, Flyer creation / Designing, Brochure / catalog designing, etc

Movie / Animation / Photography

Movie Editing, Movie shooting, Animation creation, Photo processing / Correction, etc.

Web marketing / Customer acquisition

SNS marketing, SEO measures, EC marketing, Website analysis, etc.

Housing / Beauty / Lifestyle / Entertainment

Housing, lifestyle, beauty and fashion consultation, contents sales, hobbies, game etc.

Illustration / Cartoon

Illustration creation, Portrait creation, Cartoon / Comic production, Character creation, Character modeling, etc.

Business Agency / Consultation / Professional consultation

Creation / Support of documents and proposals, EC consulting / Operation agency, Preparation of contracts / various documents, legal consultation, etc.

Fortune telling

Romance fortune-telling, Marriage fortune-telling, Life / spiritual, Fortune-telling method / advice, etc.

Online Lessons / Advice

Language lessons / advice, music / instrument lessons / advice, exercise lessons, etc.

Website creation / Web designing

Website creation, EC site creation, LP creation, Application designing etc.

IT / Programming / Development

Programming, Excel / VBA creation, Web system development / Site construction, IT support / consultation, etc.

Trouble consultation / Love counseling / Conversation partner

Conversation partner, Listening complaints, Love counseling / advice, family and nursing care counseling, etc.

Money / Side job / Affiliate ad

Consultation on FX, Consultation on stocks / various investments, Method of side job / Earning, etc.

Music / Narration

Composition / Arrangement, Narration / Reading, Demo / Session singing, Mix / Mastering, etc.

Writing / Translation

Article / Web contents creation, Novel creation, Proofreading, Catchphrase creation, Translation, etc.

Career / Job hunting / Qualification / Study

Learning method consultation, Job change / Career / Study abroad consultation, Qualification consultation, etc.

02

Financials and KPIs





FY2022 First Quarter (Sep. – Nov.) Financial Highlights

GMV

2,947 MM JPY / YoY **+36%**

Operating Revenue

880 MM JPY / YoY **+44%**

Operating Profit

-227 MM JPY /

Loss due to TVCM investment

Registered Users

2.62 million



FY2022 First Quarter (Sep. – Nov.) Financial Highlights

1. Continued high growth in both GMV (+36% YoY) and operating revenue (+44% YoY) due to the investment in TVCM from Aug. to Oct. 2021.
2. The impact of TVCM from Aug. to Oct. 2021 was in line with expectations. The direct ROI impact during the TVCM broadcast period was at a record high and off to a good start.
3. Increased business use, particularly among small and medium-sized enterprises, contributing to an increase in number of unique buyers as well as purchase amounts per buyer.
4. Operating loss due to the TVCM investment. (Plan to continue investing)
5. Legal Consultation showed a high growth of +137% YoY in operating revenue.
6. The impact of adopting the new revenue recognition standard was marginal.

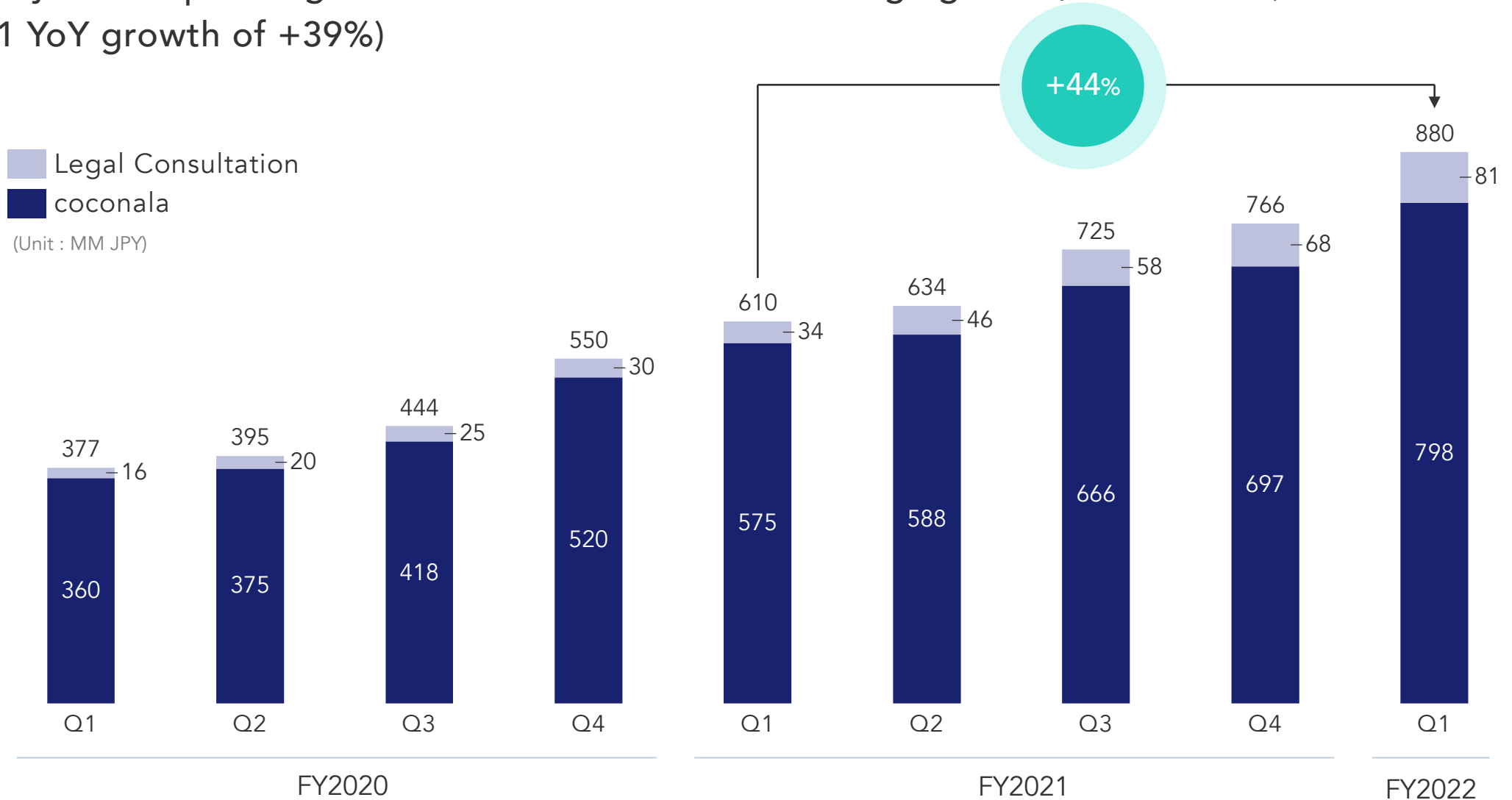


Company-wide



Operating Revenue

Company-wide Operating Revenue*1 showed continuous high growth, +44% YoY. (Exceeded Q4 FY2021 YoY growth of +39%)





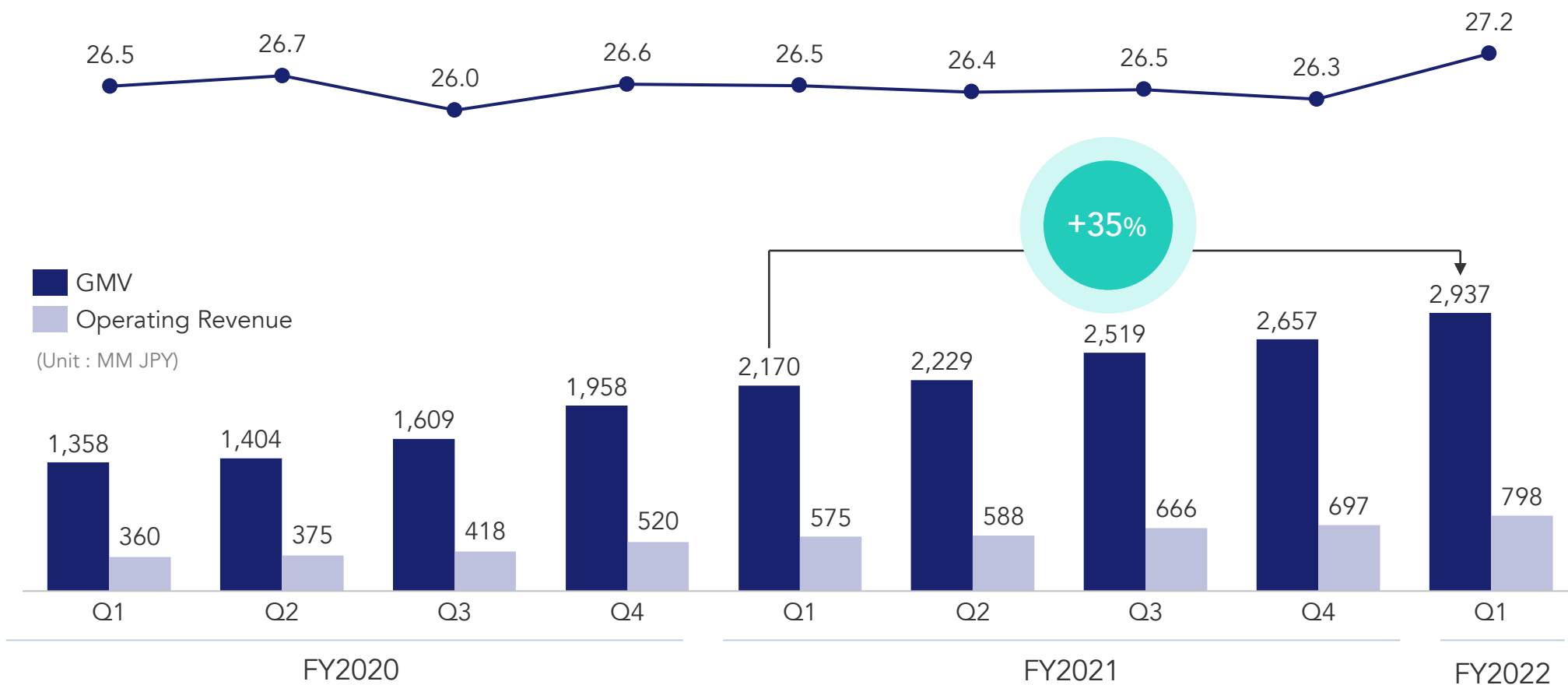
coconala



GMV, Operating Revenue and Take Rate

Take Rate rose to 27.2%. GMV grew +35% YoY, then operating revenues*1 grew +39%

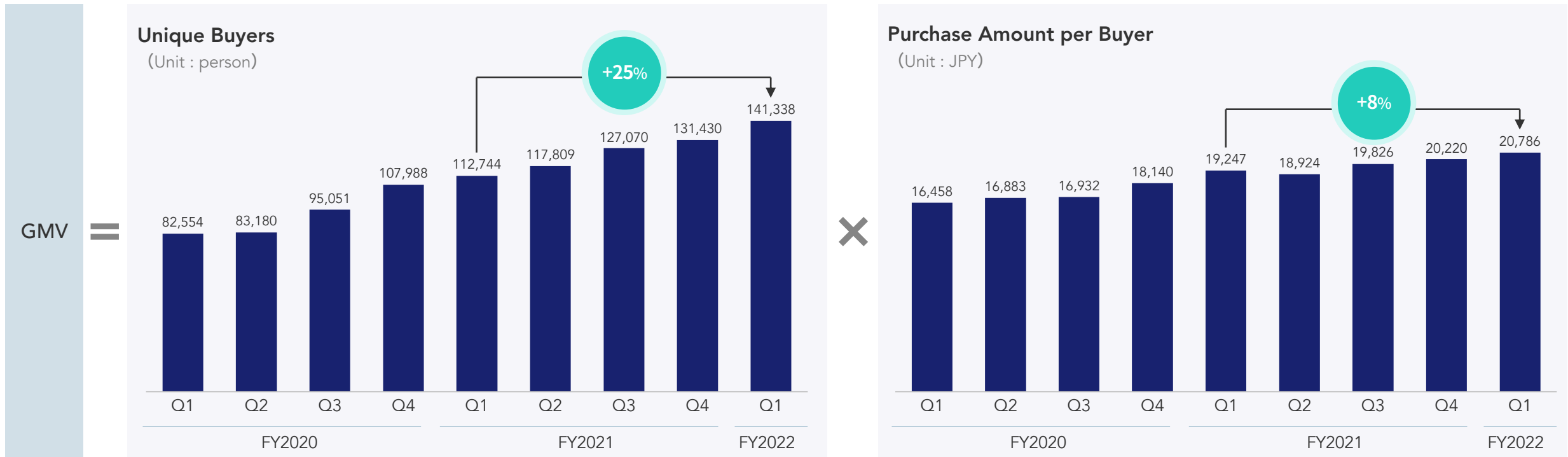
Take Rate (%)



*1: The figures in this page of the presentation reflect the new revenue recognition standard retroactively from FY2020 to FY2021 for comparison purposes, which differ from the disclosed figures in the financial reports

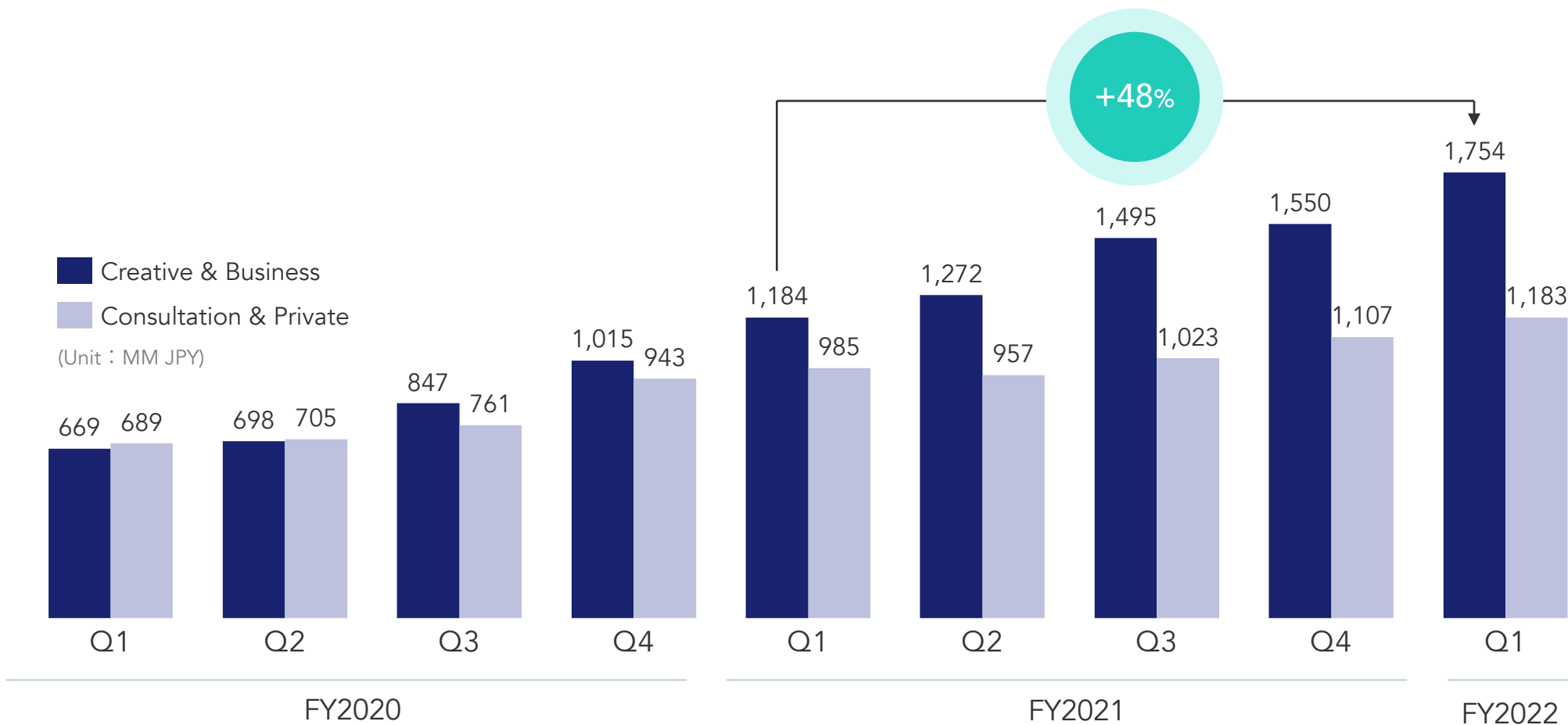
Major KPIs (Quarterly Buyer Side KPI)

Both number of unique buyers and purchase amount per buyer shows steady growth



GMV by Category

Creative & Business category drove GMV*¹ growth with +48% YoY. (Consultation & Private: +20% YoY)



*1: Retrospective correction due to partial category revision

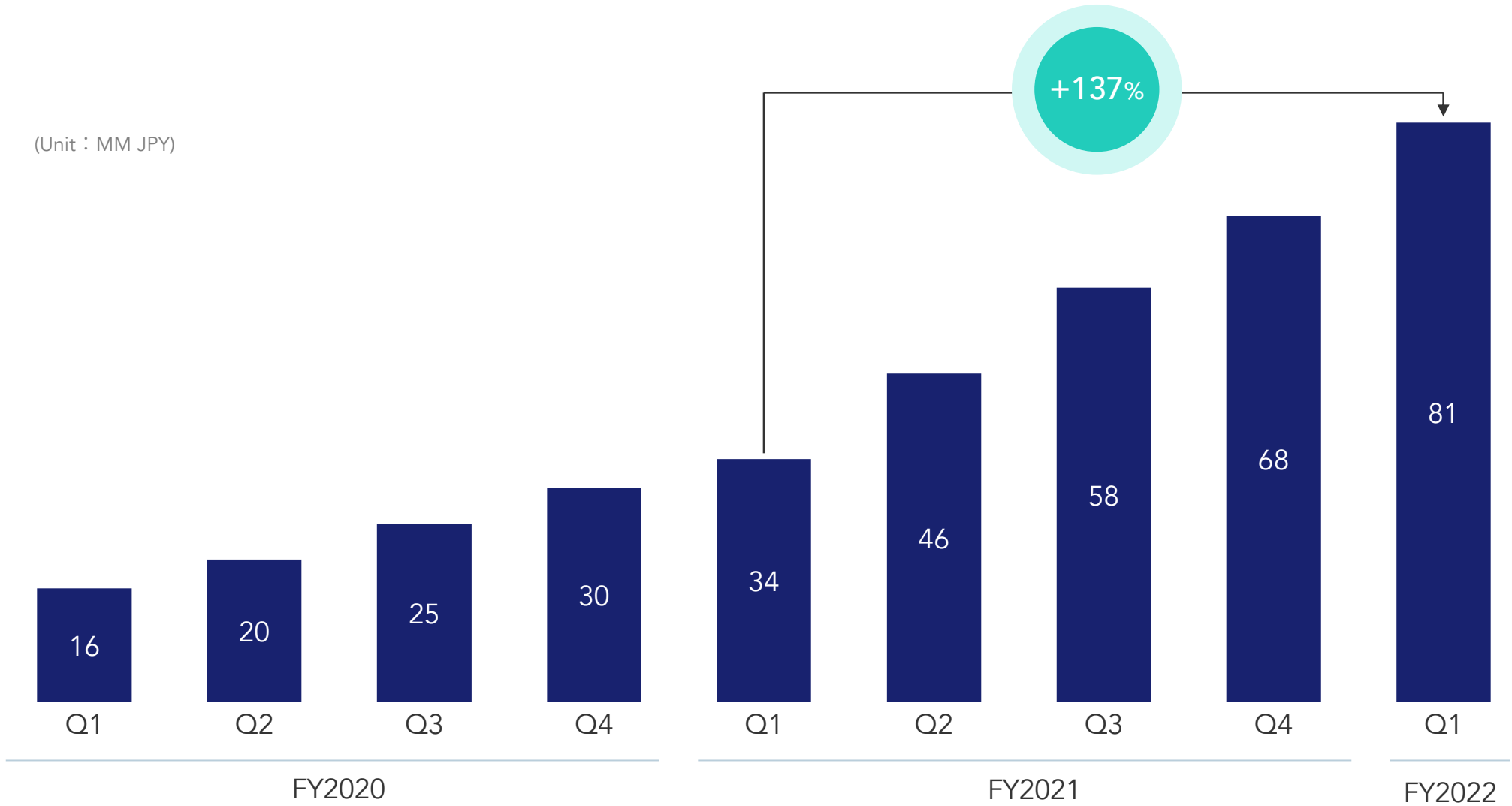


Legal Consultation



Operating Revenue

Legal Consultation's operating revenue substantially grew +137% YoY



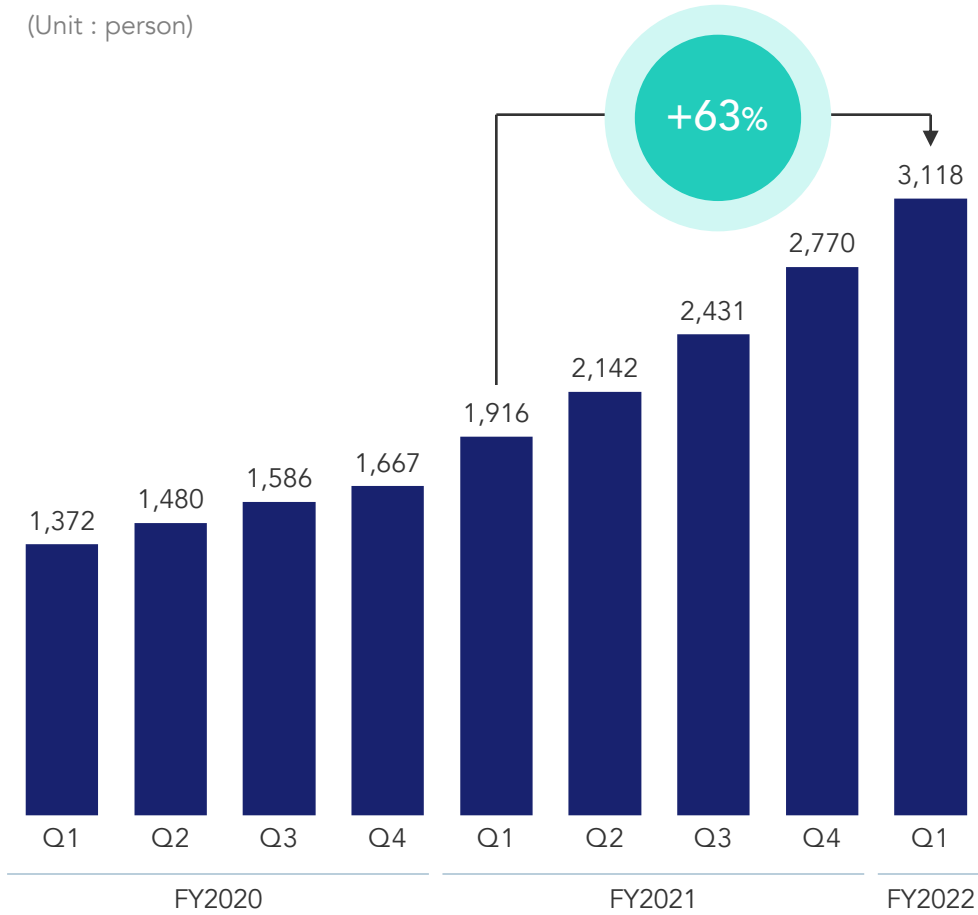
*1: No impact on Legal Consultation by the adoption of the new revenue recognition standard

Major KPIs (1/2)

The number of the paid subscribing lawyers grew +105% YoY

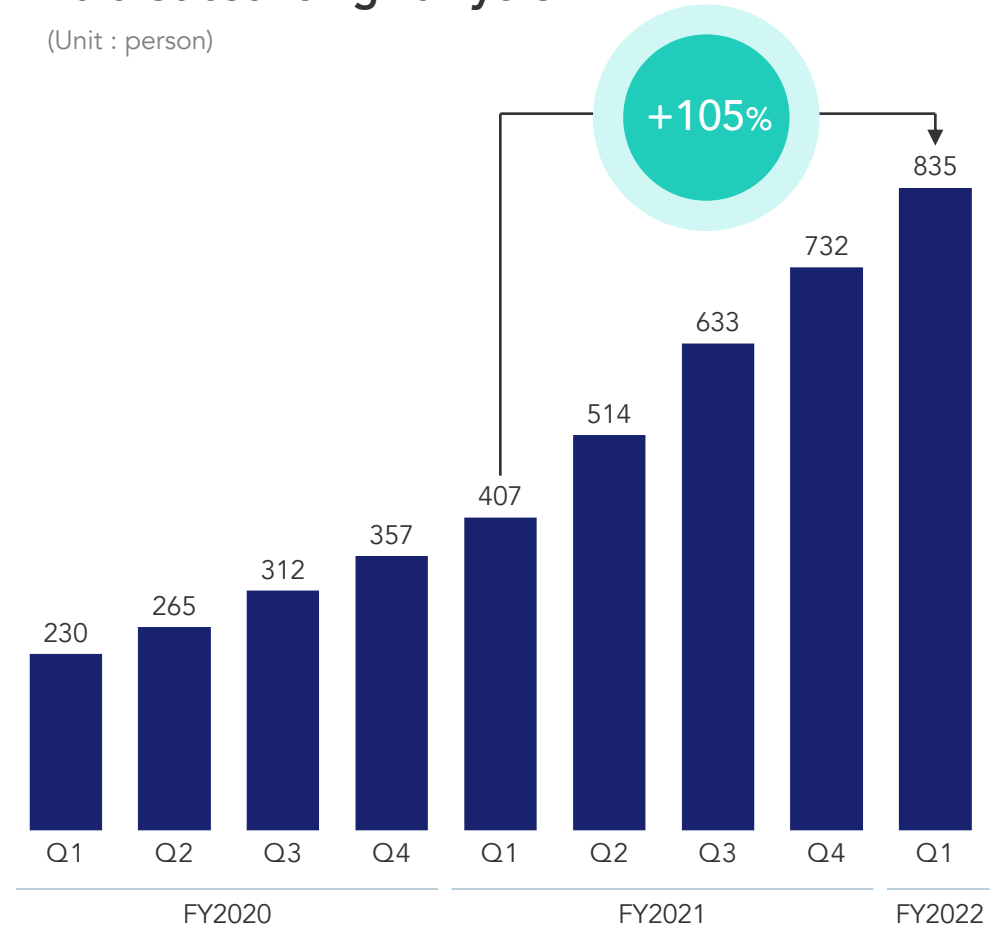
Registered Lawyers

(Unit : person)



Paid Subscribing Lawyers

(Unit : person)

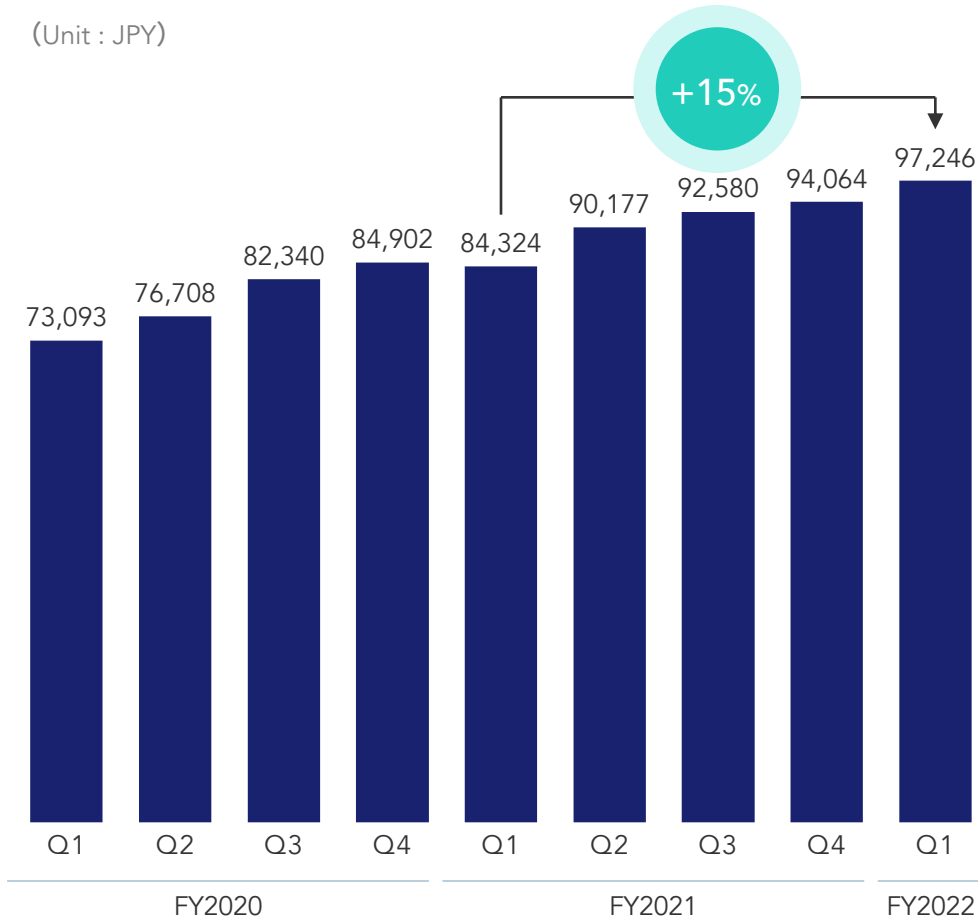


Major KPIs (2/2)

The ARPPU*1 grew +15% YoY. The churn rate*2 was 5.9%, aiming to continue decreasing.

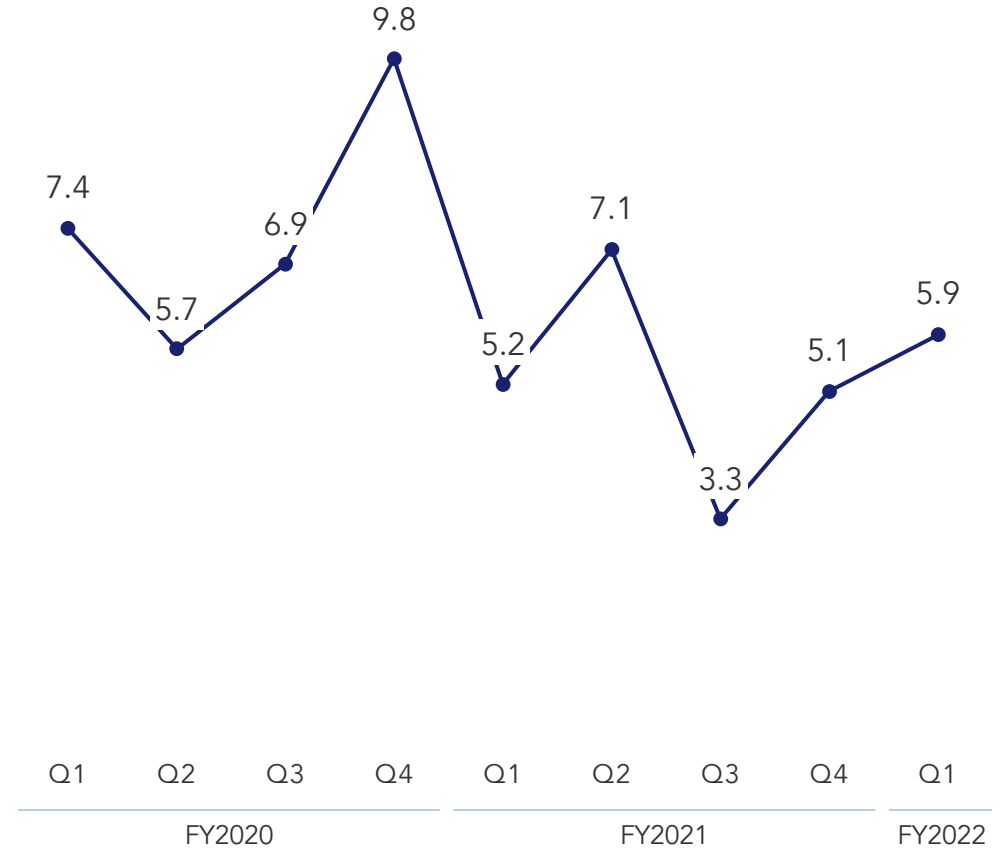
ARPPU

(Unit : JPY)



Churn Rate

(Unit : %)



*1: Average Revenue Per Paid User

*2: Churn Rate = number of churn / number of paid subscribing lawyers who have reached contract renewal timing

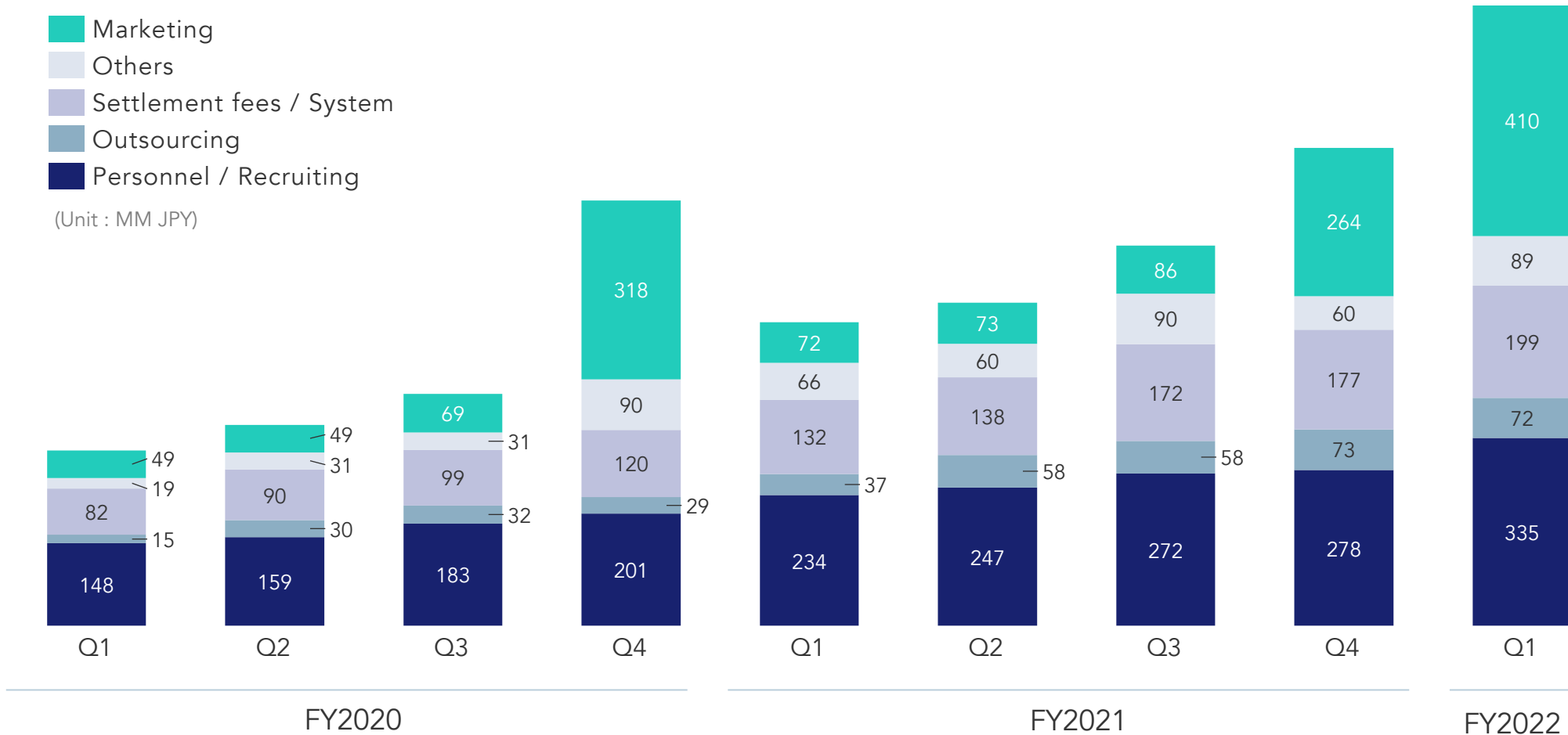


Company-wide



Operating Expenses

Excluding marketing expenses, operating expenses increased gradually. For the time being, we will continue to actively invest in marketing and personnel expenses



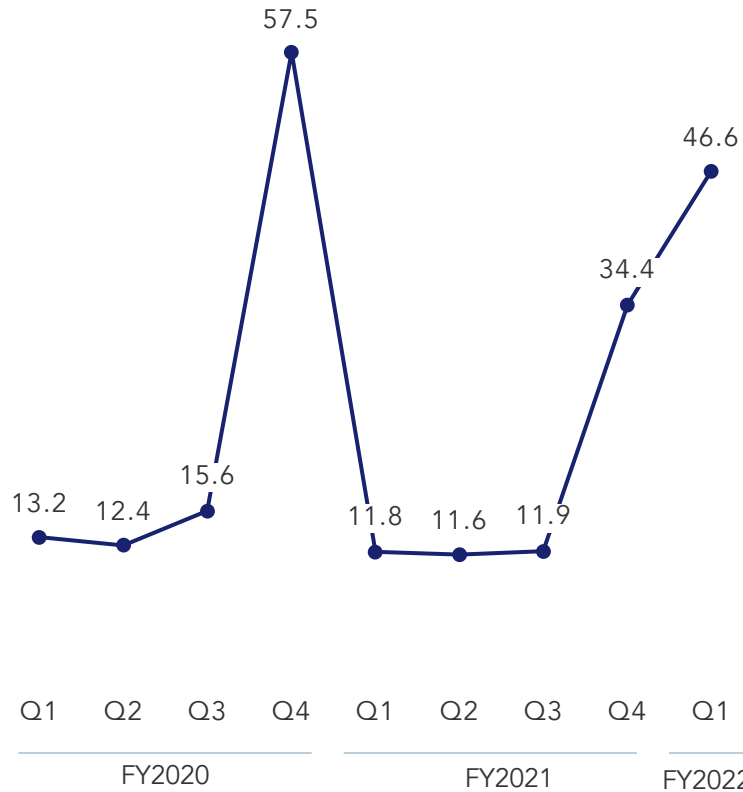
*1: The new revenue recognition standard is not retrospectively adopted to the figures in FY2020-FY2021 (The same as the figures disclosed in the financial reports.)

Ratio of Major Operating Expenses to Operating Revenue

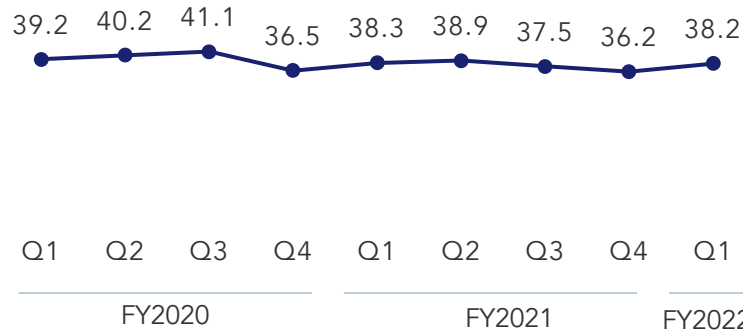
Excluding marketing expenses, we have controlled operating expenses in the almost constant ratio

(Unit : %)

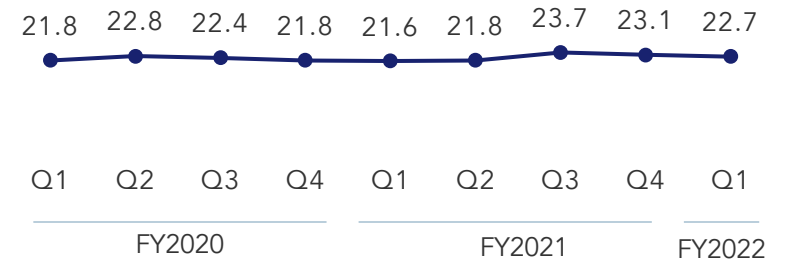
Marketing



Personnel / Recruiting



Settlement fees / System



*1: The new revenue recognition standard is not retrospectively adopted to the figures in FY2020-FY2021 (The same as the figures disclosed in the financial reports.)

Marketing Expenses Excluding TVCM Related Expenses

The ratio of marketing expenses to operation revenue*1 (excluding TVCM related expenses) have been maintained at a constant level in the 10% range

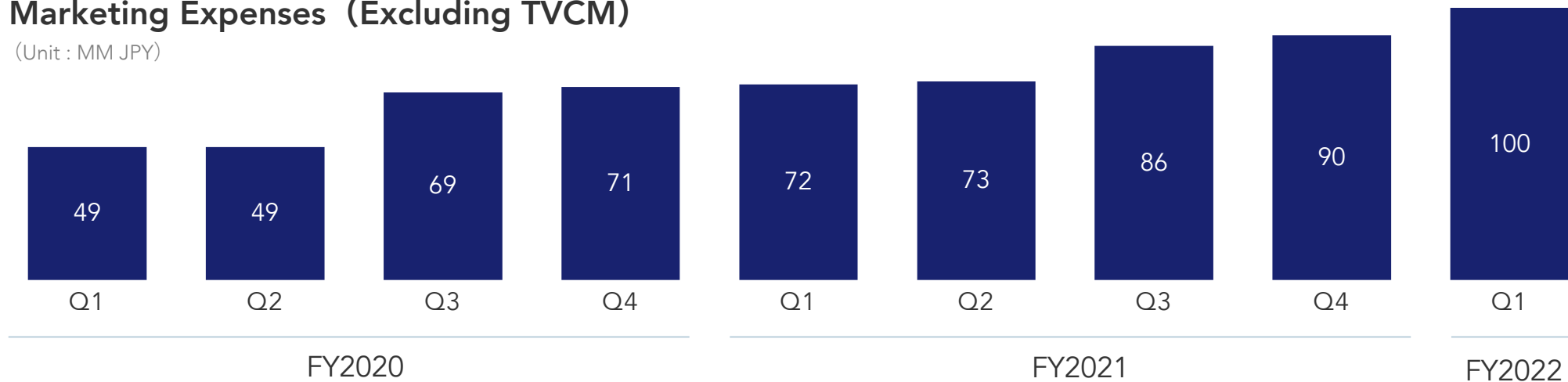
Ratio of Marketing Expenses to Operation Revenue (Excluding TVCM related expenses)

(Unit : %)



Marketing Expenses (Excluding TVCM)

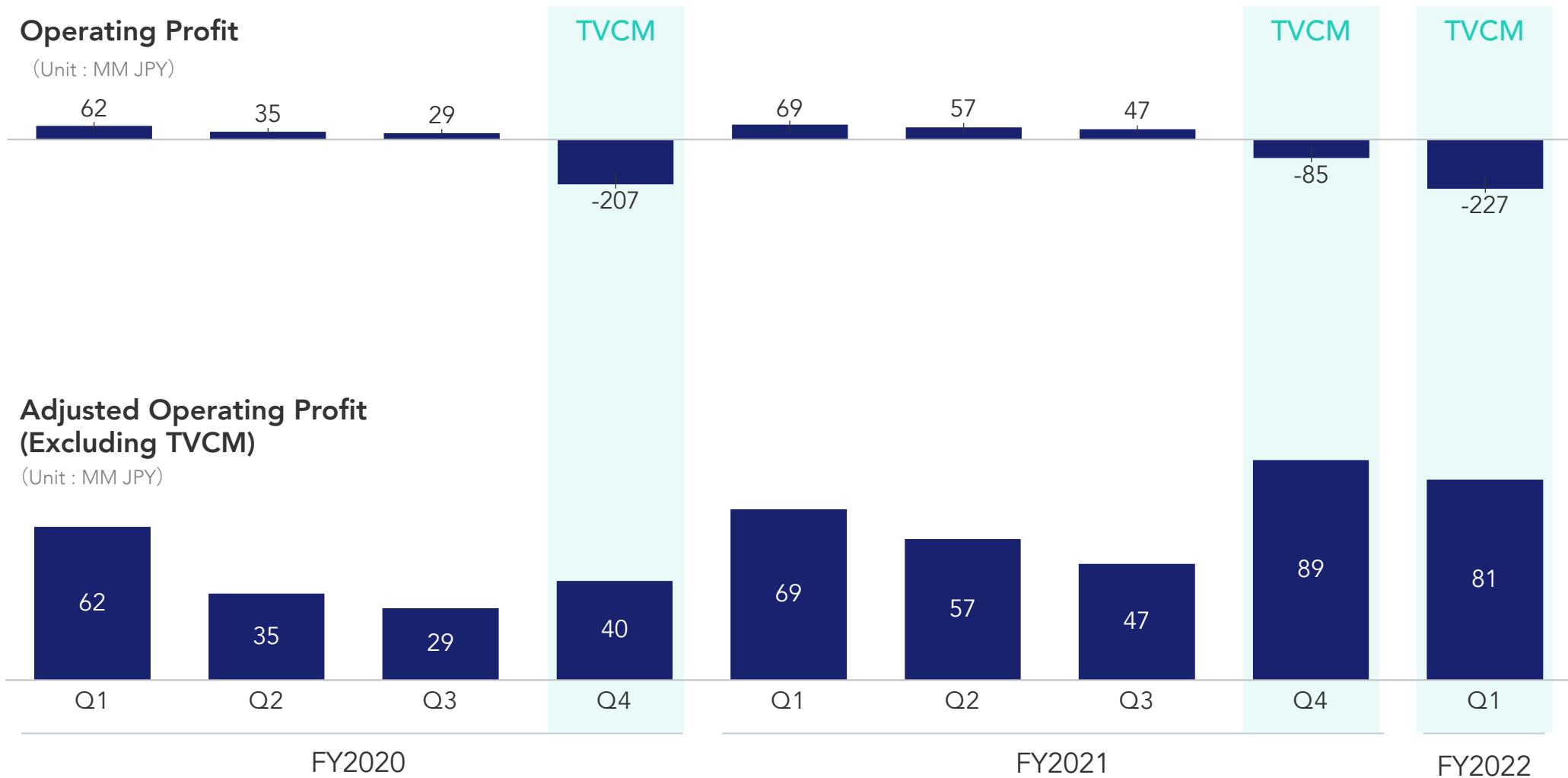
(Unit : MM JPY)



*1: The new revenue recognition standard is not retrospectively adopted to the figures in FY2020-FY2021 (The same as the figures disclosed in the financial reports.)

Adjusted Operating Profit*1 Excluding TVCM Related Expenses

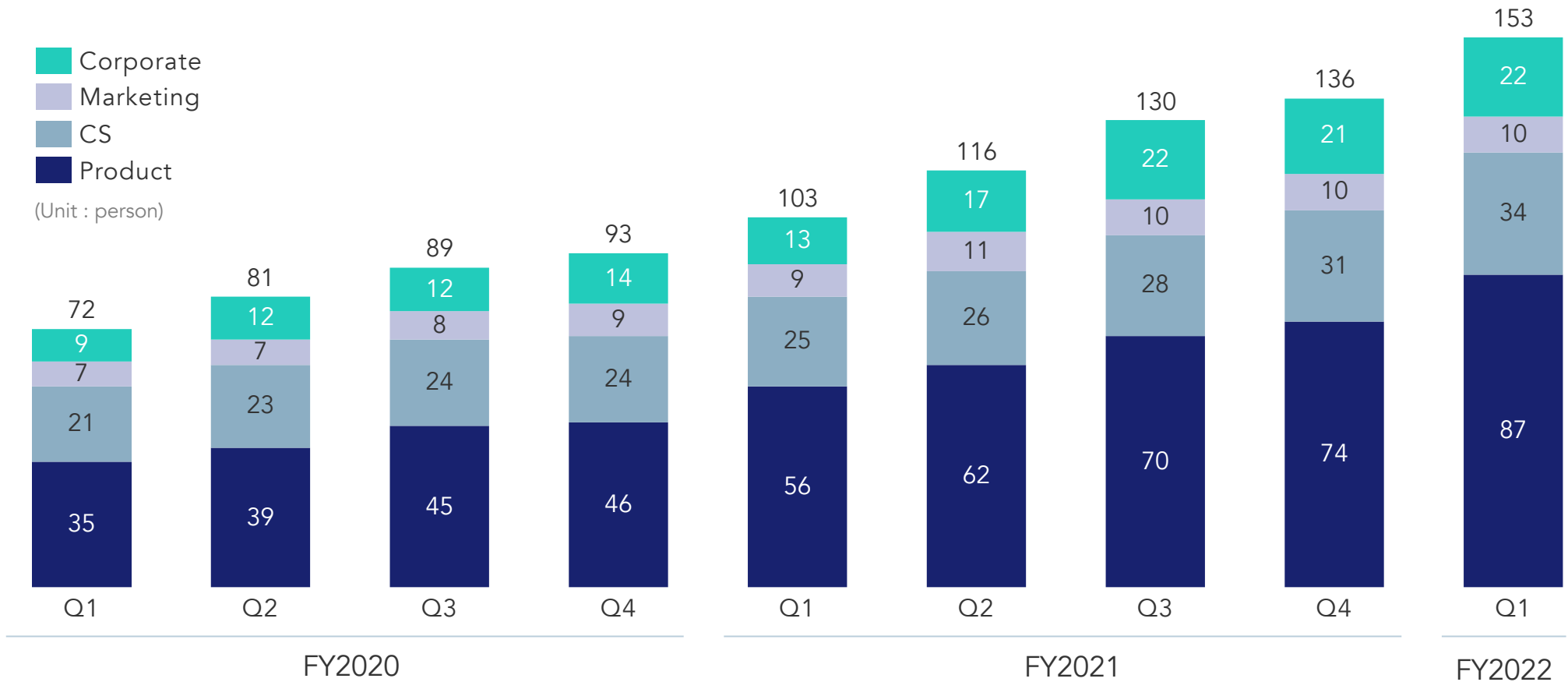
We have maintained positive adjusted operating profit excluding TVCM expenses



*1: The new revenue recognition standard is not retrospectively adopted to the figures in FY2020-FY2021 (The same as the figures disclosed in the financial reports.)

Number of Employees by Job Category (Regular and Contract Employees)

Since we do not have sales staff, only CS personnel will increase in proportion to sales. However, we will continue to invest in personnel for product development and to strengthen the company's foundation



Progress Against the Full-Year Forecast

The progress rate in operating revenue for the full year was 24%, exceeding our expectations. We will continue investing as planned based on our investment discipline. (Growth of Operating Revenue in Q1 was +44% YoY, exceeding the disclosed forecast range of +33% ~ +40%)

Operating Revenue

Q1



Steady performance compared to plan as further growth is expected in Q2 and beyond

Operating Profit

Not available because of loss forecast

Will continue investment as planned based on investment discipline

econolo

03

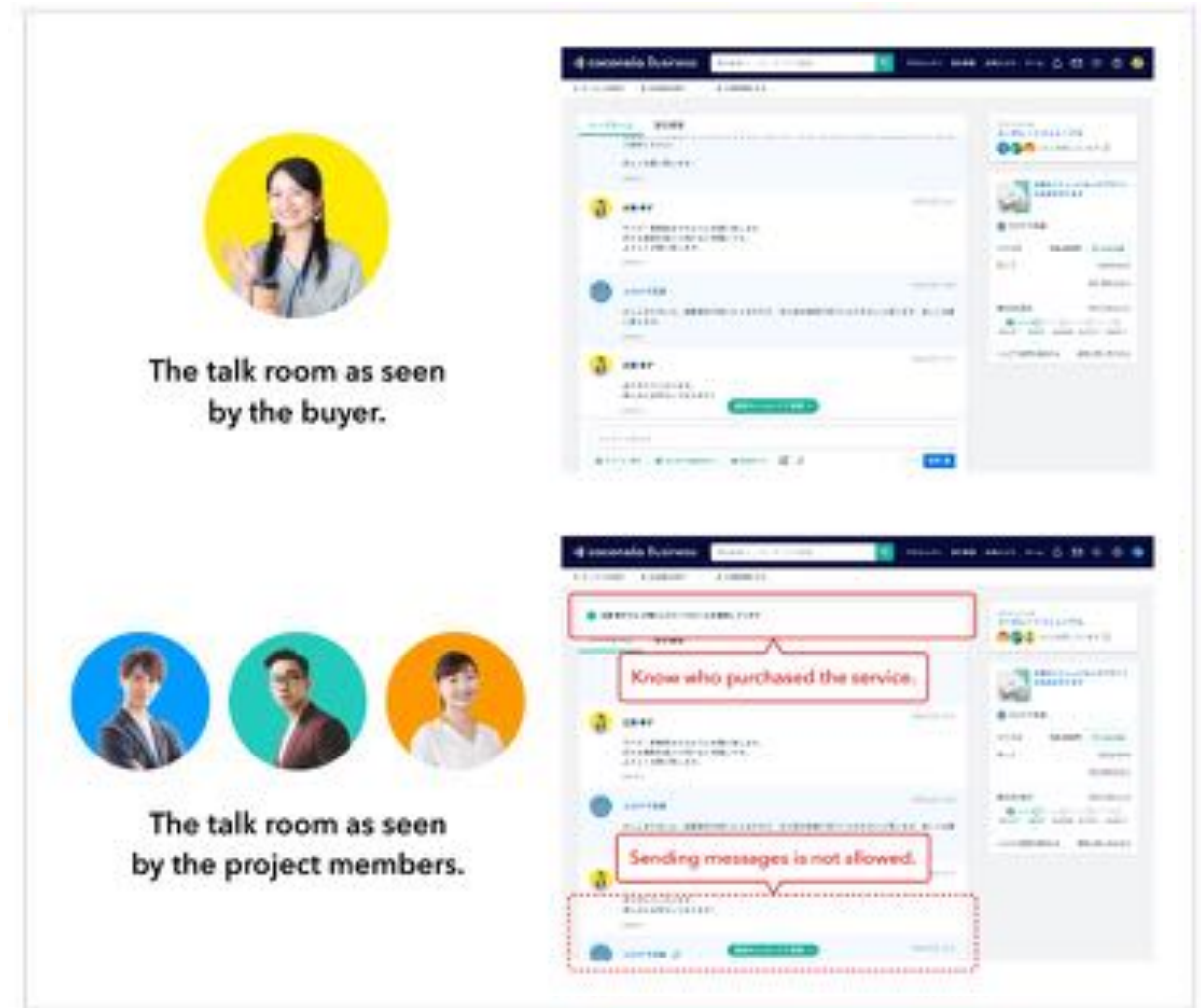
Business Highlights



【coconala Business】 Release of Team Viewing Function (Oct. 2021)

Released a function that allows project members to share and view transaction details

- Information sharing is completed within coconala Business, making it easier to promote transactions while collaborating within teams and departments
- Purchase users can share the transaction details with other project members
- Will continue to implement measures to improve usability for business purpose users



【coconala】 Example of the Product Updates

We have been continuously improving user experiences while listening to user feedback

【New Function】 Search Suggestion

Display search suggestion to help users find the information they need more accurately when using keywords-search.



【New Function】 Document Issuing

User can easily issue Forms required for business transactions such as quotation, purchase orders, delivery slips, invoices and receipts on the coconala Business site.



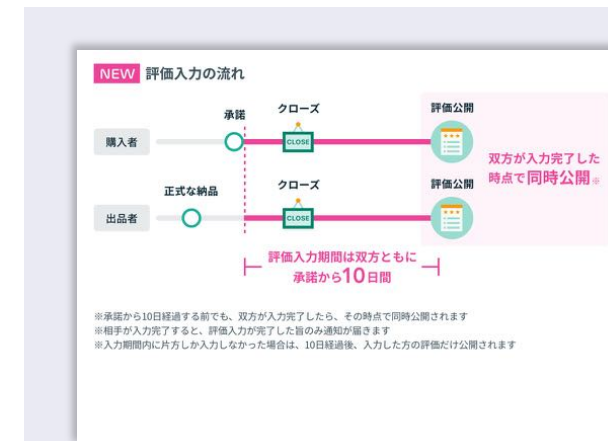
【Renewal】 Real-Time Talk Room

Messages in talk rooms are updated on all devices without the need to reload.



【Renewal】 New rule for publication of service evaluation

Evaluation system is going to be more fair, by making the ratings of both buyers and sellers public at the same time.



04

Growth Strategy



Potential for Expansion of the Skill-Sharing Market (in 2030)

Potential Accessible Market*1

18 T JPY

Current serviceable market size is about

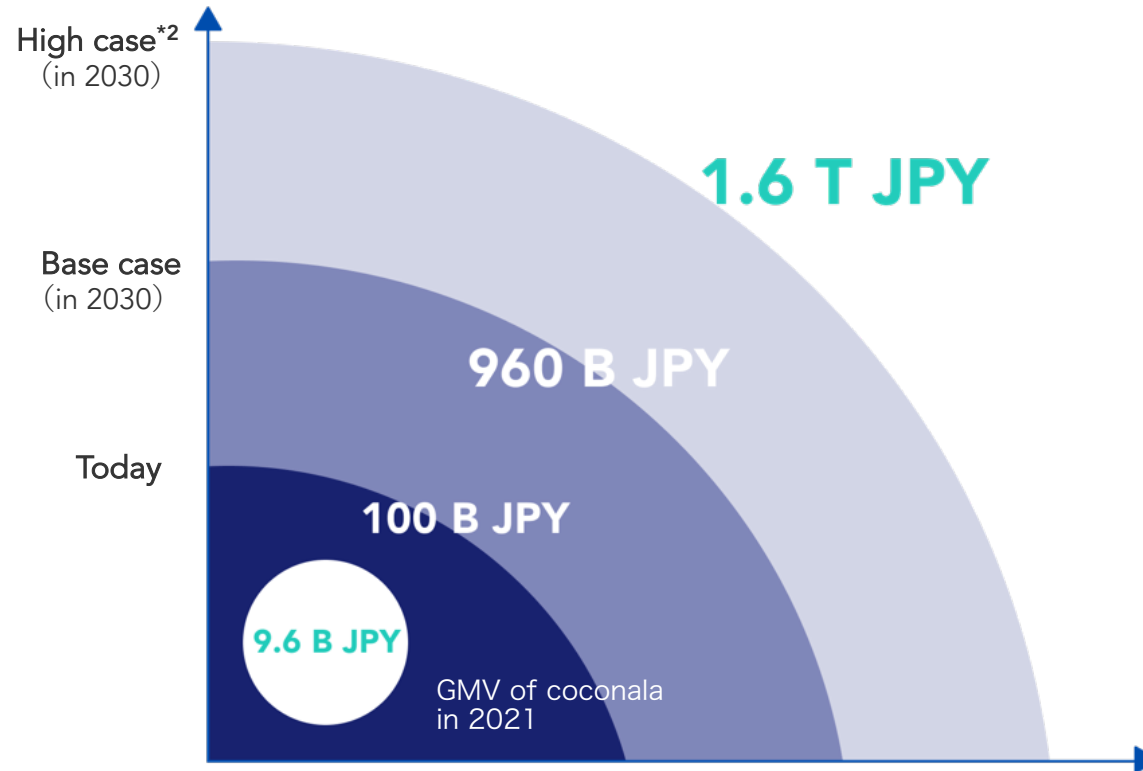
100 B JPY

Potential serviceable market size in 2030 is about

960 B ~ 1.6 T JPY

Potential Serviceable Market (Service e-commerce Market)

E-commerce shift



*1: Market size of non-face-to-face services transaction between individuals/SMB and individuals/SMB that could be potentially shift to e-commerce

Forecast of e-commerce market size for non-face-to-face skill-sharing services surveyed and created by InfoCom Research Inc. in Sep. 2021

*2: Regardless of who the skill-provider is, such as a company, sole proprietor, or individual, assume that the content and quality of the service can now be determined by looking at reviews on a single website or smartphone application, or that issues such as lack of recognition and concerns about safety regarding services provided by individuals have been resolved

Added Value of E-commerce Shift of the Skill-Sharing Market

coconala aim to become a one-of-a-kind service e-commerce platform by replacing daily offline transactions on the web and make them more convenient

	Until Now (legacy transactions)	Coconala's Added Value	What Can Be Achieved
Matching scope	Only reaches people in the know, or a handful of people online	A database of 300,000 experts	Easily reach sellers who can solve a variety of problems
Time & Place	Need to coordinate schedule with seller Only active in large trading areas	Comprehensive communication methods allow you to complete the entire flow online	Speedy communication regardless of time/place
Information	No way to know the quality of the seller beforehand	Visual representation of seller's skills (track record, reviews, portfolio, response speed)	Able to compare different sellers so it's more reassuring than face-to-face transactions
Price	Cost includes store rent, organization maintenance fees and subcontractor margins etc	Directly matches you with experts online	Cheaper than the market rate, with the same quality

01 Opportunity for Everyone

- For Business / For Private
- Individual / Corporation
- Buyers / Sellers
- Amateurs / Professionals



02 Free from Constraints

- Time
- Place
- Environment
- Age



03 Fair Trade

- Visualization of information
- Optimization of matching



Akiyuki Design

★★★★★ 5.0(120)

Designer for 10 years

Medium- to Long-Term Vision

Create a world where it is as natural to trade services (skills) online as it is to trade goods.

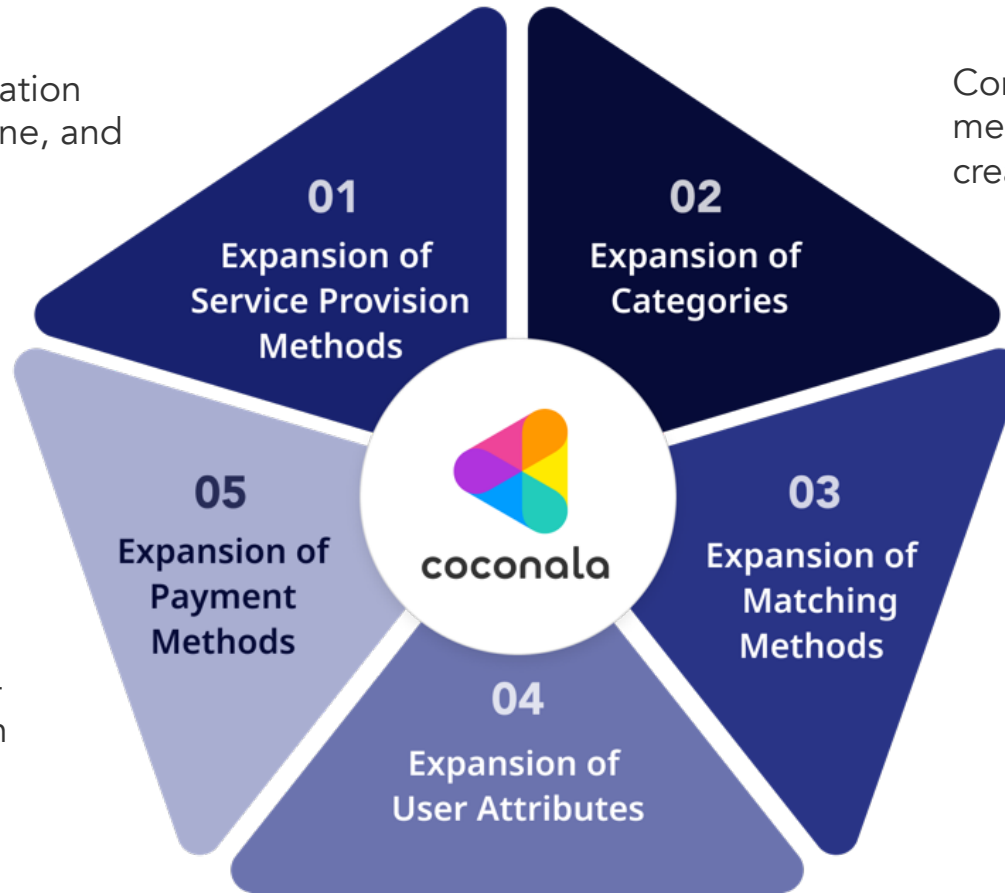


Expansion of the Product

Further update the user experience by expanding product in five directions to encourage usage

Refine a variety of communication methods, including text, phone, and videos

Constantly expanding categories to meet all user needs including creation/consultation, business/private



Expansion of convenient payment methods for high-unit price or long-term projects as well as subscription purchases.

In addition to direct purchase of services, enhance "customized proposal", "public offering", and "blog & contents"

Expand and strengthen new functions and support systems suitable for creative & business use



Investment Policies and Marketing Investment in FY2022

Although we plan to implement aggressive marketing investment in FY2022, the adjusted operating profit will be maintained profitable

Investment Policies

Maintaining Positive Adjusted Operating Profit

- Since investment on TVCM can be stopped at any time and profits controlled, we will operate on a policy of **maintaining positive adjusted operating profit** after deduction of specific expenses for TVCM and other expenses (without deducting routine marketing expenses).
- since we will actively invest in human resources for product development, we will **not pursue growth in adjusted operating profit** for the short term, and our policy will be to maintain a constant surplus.

Marketing investment in FY2022

- In FY2022, we plan to implement marketing investment (TVCM + related promotions) on the same scale as in FY2019 (over 1 billion yen).
- As a result, a full-year loss will be recorded for FY2022, but adjusted operating profit will remain in the black
- Operate both web ads and TV commercials within the specified payback period, taking into account unit economics (visualization of effectiveness and high-speed PDCA).

05

Appendix



(Unit : MM JPY)	FY2022 Q1 (Sep. – Nov.)			FY2021 Q1 (Sep. – Nov.)	
	Result	coconala* ¹	coconala Legal Consultation	Result	YoY
GMV	2,947	2,947	-	2,172	+35.7%
Operating Revenue	880	798	81	612	+43.6%
Revenue / GMV	29.9%	27.1%	-	28.2%	+1.6pt
Operating Expenses	1,107	1,018	89	543	+103.9%
Operating Profit	-227	-219	-7	69	-
Profit / Revenue	-25.9%	-27.5%	-9.6%	11.4%	-
Ordinary Profit	-227	-	-	65	-
Net Profit	-227	-	-	65	-
(Marketing Expenses)	410	-	-	72	+466.8%



BS (as of Nov. 30th, 2021)

(Unit : MM JPY)

Assets	Amount	Liabilities & Net assets	Amount
Cash and Deposits	2,897	Account payable	211
Accounts receivable	243	Advances received	435
Others	197	Deposit received	795
		Others	45
Total current assets	3,337	Total current liabilities	1,487
		Total liabilities	1,487
		Capital stock and Capital surplus	3,495
		Retained earnings	-1,334
Total fixed assets		Others	4
Total assets	315	Total net assets	2,165
Total current assets	3,653	Total liabilities and Net assets	3,653



FY2022 Financial Forecast

(Unit : MM JPY)	FY2021 Results	FY2022 Forecast	Growth (upper)
Operating Revenue	2,746	3,650 ~	+33% (~+40%)
Operating Profit	89	-1,290	-
Ordinary Profit	59	-1,290	-
Net Profit	41	-1,292	-

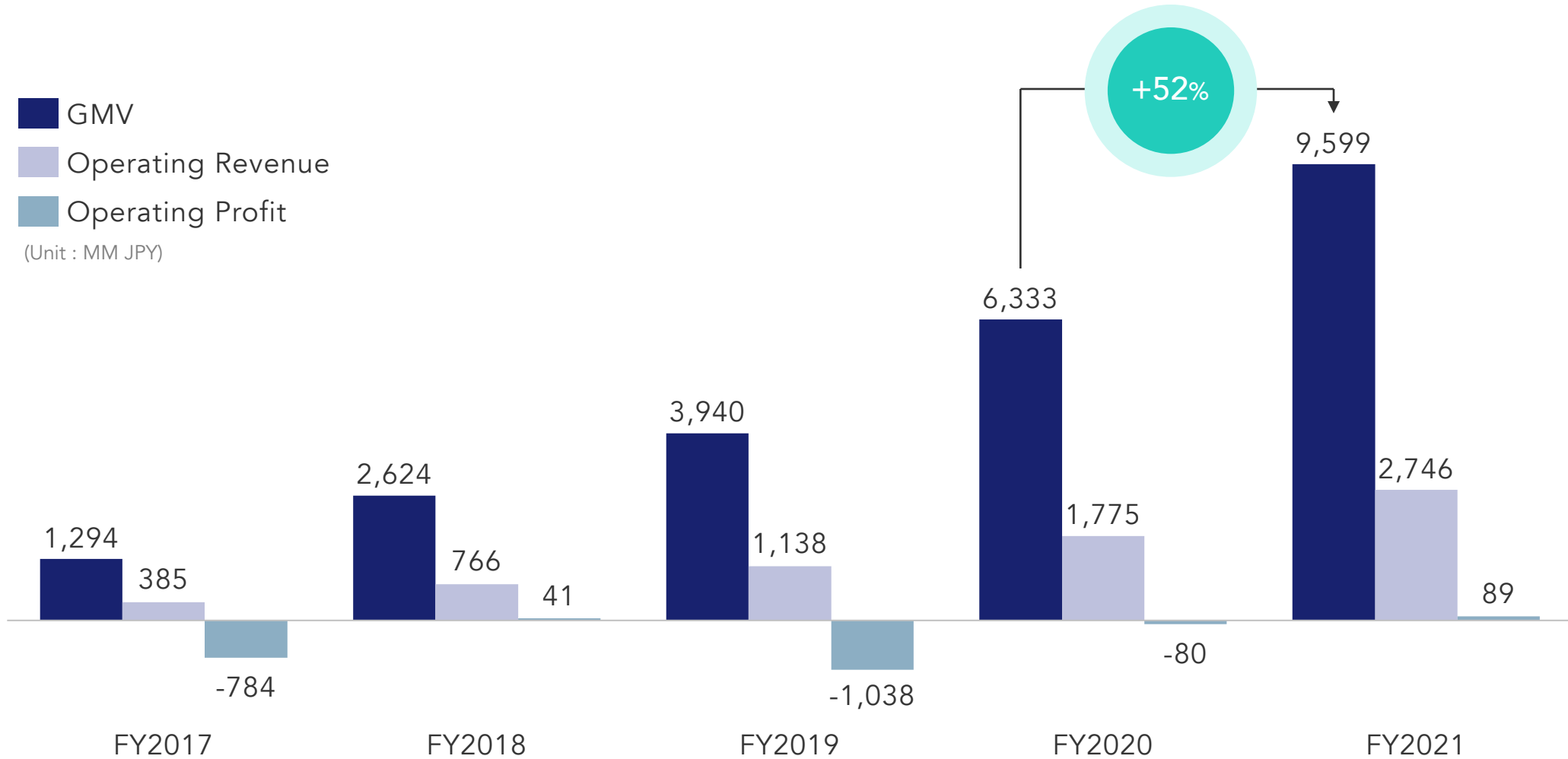


New Revenue Recognition Standard

(Unit : MM JPY)	FY2020				FY2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating Revenue 【Old Standard】	378	397	446	553	612	637	727	769
Operating Revenue 【New Standard】	377	395	444	550	610	634	725	766
Gap (New Standard – Old Standard)	-1	-1	-1	-2	-2	-2	-2	-2

FY2021 Full Year (Sep. – Aug.) Financial Highlights

GMV grew +52% YoY, operating revenue grew +55% YoY, then became profitable for the first time in the three fiscal years



Management Team

From Nov. 2021, co-founder Shimmyo will become a fellow and retire from the board. Sato was newly appointed as an Outside Director to strengthen governance.



Akiyuki Minami / Chairperson

Graduated from Keio University and Saïd Business School (MBA) at Oxford University. Worked as an analyst at Sumitomo Banking Corporation (current Sumitomo Mitsui Banking Corporation), then oversaw corporate buyout at Advantage Partners Inc. Founded WelSelf Inc.(current coconala Inc.) in January 2012.



Kentaro Yadomi / Full time Auditor

Certified Public Accountant. After joining KPMG AZSA (now KPMG AZSA LLC), he was engaged in accounting audits based on Japanese GAAP, U.S. GAAP, and IFRS, as well as financial due diligence work related to domestic and international M&A and business restructuring support. Auditor of our company since March 2017.



Ayumu Suzuki / CEO

Graduated from Waseda University. Gained experience in product planning and sales as well as new business development in Ad-technology at Recruit Co., Ltd. Later worked in the overseas business planning division at Recruit Holdings Co., Ltd. and joined coconala Inc. in May 2016.



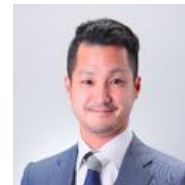
Yuka Hattori / Auditor

After working at Recruit Co., Ltd. in human resources and business development, established Inclusion Japan Inc. which provides incubation services and became its representative director. Auditor of our company since August 2015.



Atsushi Akaike / Outside Director

A partner of CVC, one of the world's largest private equity investment firms with 26 offices around the world, and CEO of CVC Asia Pacific Japan K.K. Director of our company since August 2018.



Kazuki Ishihara / Auditor

Lawyer/Patent Attorney. Engaged in all aspects of corporate legal affairs at Yahoo Japan Corporation. After working at a law firm, he established Seven Rich Law Office, which specializes in the field of IT ventures, and became its representative attorney. Auditor of our company since June 2017.



Yuki Sato / Outside Director

A partner of So & Sato Law Offices from Jan. 2019, after working at the Tokyo office of a global law firm as a partner. Experienced various support in finance, fund and Artificial Intelligence industries. Director of our company since November 2021.



Thoughts Behind Preventing Disintermediation

Product

- All communication is designed to be carried out on coconala (text-based chats, video chats, phone calls)
- Users will try to avoid the risk of their account being halted and no longer being able to generate sales
- Users will try to avoid the risk of payment/delivery issues that might occur with external transactions
- Users expect to be able to accumulate a track record, such as number of transactions and reviews.

Operation

- Using machine learning and other tools, having created a system to detect communications that show an intention to cut out the intermediary
- If detected, send a warning to the relevant individuals. Have organized a special team who will suspend the accounts of repeat offenders.



Thoughts Behind Barrier to Entry

Japanese Major Companies

- With a track record of over 9 years, we have an overwhelming number of services and reviews compared to competitors.
- Buyers tend to buy from businesses offering more services, so even if competitors run offers like “no service charge,” it will probably do little to attract buyers.
- Since sellers cannot transfer their own reviews to other platforms, it’s likely that they have little reason to move to a new platform.

Overseas Competitors

- Since only a few Japanese can use services in a full English environment, it’s possible that they’ll find that using overseas services will be cumbersome unless competitors are localized properly.
- Different cultures have different expectations towards service quality, so it’s possible that Japanese users will not want to buy overseas services in the same way.



Thoughts Behind the Take Rate

Thoughts behind the Take Rate

- The take rate is unlikely to be impacted as there are no major competitors.
- Competitors exist for phone-based consultations, but coconala's fee (approx. 50%) is lower than theirs.
- Until now, we've never carried out any marketing to attract sellers, and seller retention rate is high, meaning that the take rate is probably not an issue.

Potential Measures to raise the Take Rate further

- Increase revenue from ways other than service charge by offering fee-based services to sellers, such as an in-site ad.
- We will continue to develop the product to provide more value to both sellers and buyers.



Our Marketing Operation

Our Marketing Operation

- Marketing considering unit economics
- Strictly control the payback period by considering the ROI from the CAC at the time of acquisition based on the historical LTV.
- For web ads, we have organized an in-house marketing team for meticulous ad management.
- For TVCM, we visualize the effects and implement a weekly PDCA cycle to reduce CAC

Payback Period of Our Marketing Investment

- Because we acquire the vast majority of users organically (unpaid), the payback period*¹ for new user acquisition is one month; the payback period for web ad alone (excl. organic) is about one year.
- TVCM can also be paid back in a few years (incl. indirect effects*²)

*1: A period needed to achieve a positive ROI.

*2: "Direct effect" refers to the revenue earned from users acquired during the TV ads period that exceed the user acquisition level immediately prior to the TV ads period, and "indirect effect" refers to the revenue earned from users acquired after the TV ads period that exceed the user acquisition level that takes into account the growth trend prior to the TV ads period (the estimated value after disregarding the effect of TV ads, the effect of advertisements other than TV ads, such as web advertising, and other factors in FY2019 and FY2020).

FY2022 Target

Aim to maximize Operating Revenue by increasing purchase UU, purchase amount per buyer and maintaining a high take rate

Our Goal	Measures	Recent Performance		FY2022 Target
		FY2020	FY2021	FY2022
Maximization of Operating Revenue	<u>Increase of Purchase UU (buyer)</u>	243,077	320,036	GMV 12,256 MM JPY
	×			
	<u>Increase of Purchase Amount per Buyer</u>	26,047 JPY	29,922 JPY	
	×			
	Maintain a High Operating Revenue Ratio ^{*1}	28.0%	28.6%	29~30%

The operating revenue ratio is expected to maintain a balance between the effects of a gradual decline over the long term due to a decrease in the share of telephone transactions, and the effects of a gradual increase due to growth in the coconala Legal Consultation business.

*1: Operating Revenue Ratio: Operating revenue as a ratio of GMV.

Major KPIs (Buyer Side KPI, Seller Side KPI)

Continuous increase in both buyer side and seller side KPIs

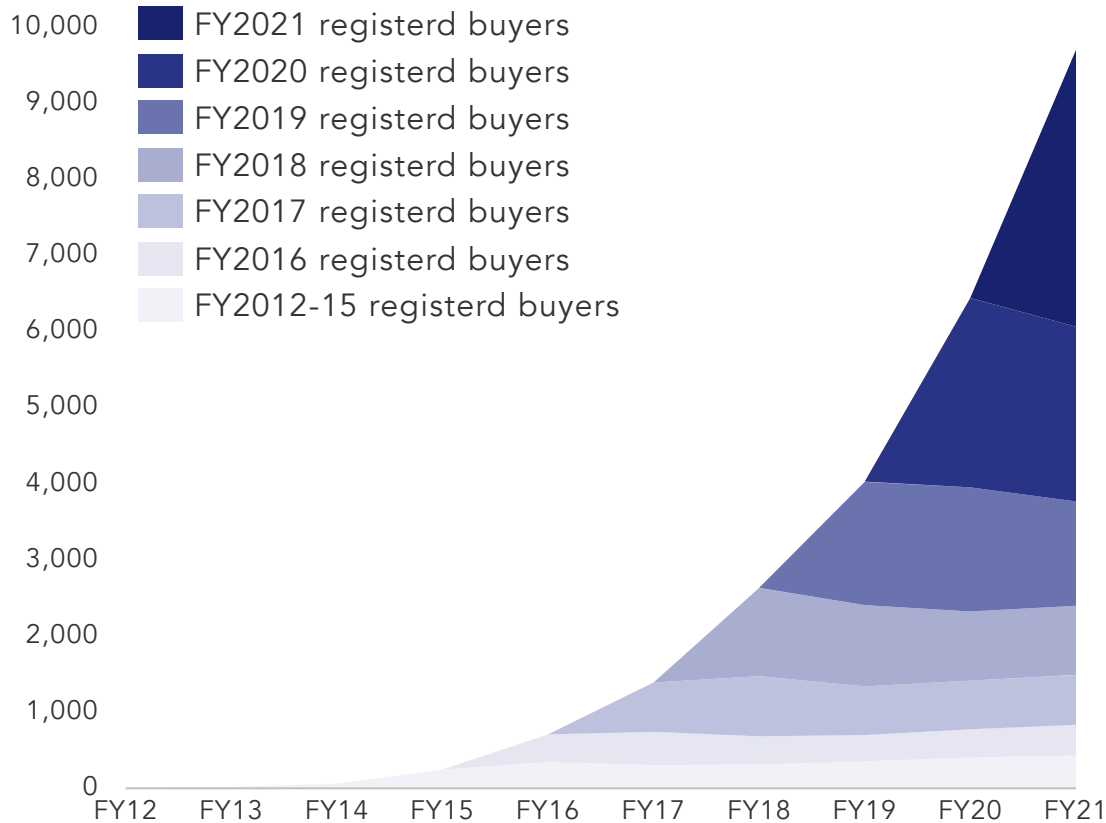


Recurring Business Model

Recurring business model where GMV grows along with increase in registered users

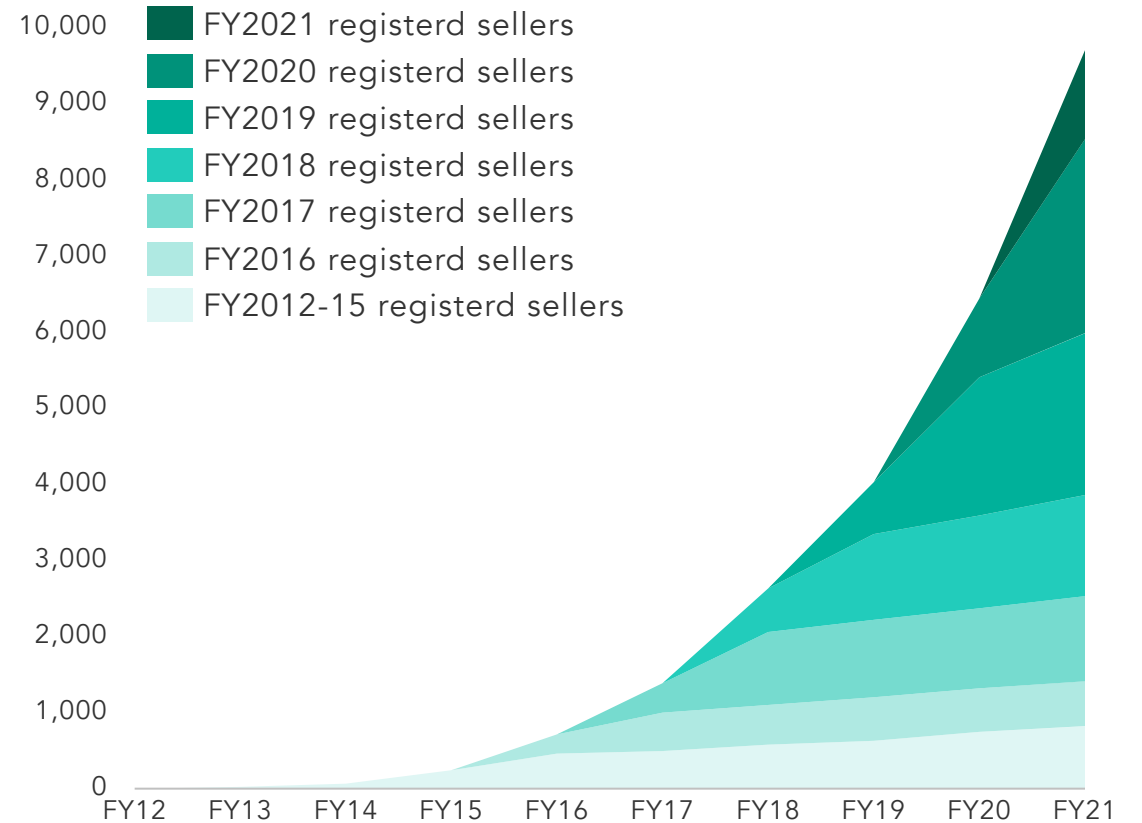
GMV by Buyers FY Cohort*1

(Unit : MM JPY)



GMV by Sellers FY Cohort*1

(Unit : MM JPY)



*1: Contract-basis GMV: To be booked when service purchase contracts are made, which is different from the company's accounting basis, which is delivery basis

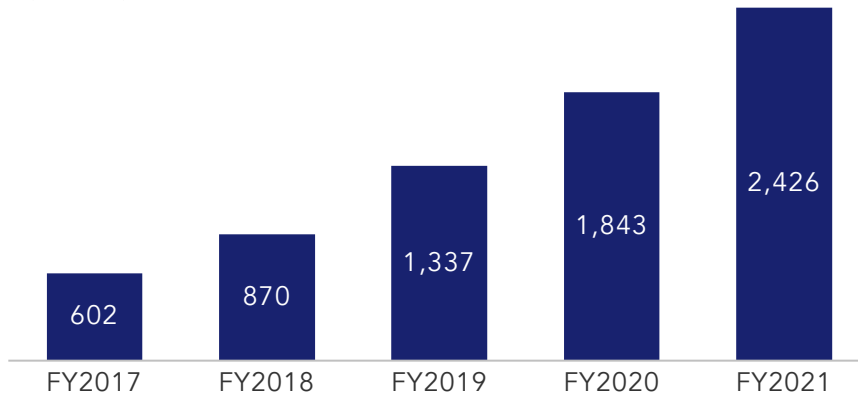


Major KPIs (Registered Users, Number of Sellers and Buyers, Services on Sale)

All KPIs show steady growth

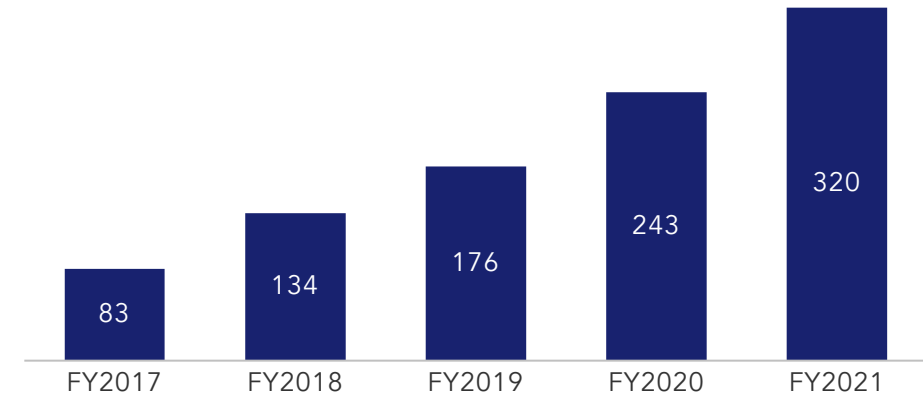
Registered Users (as of end of each FY)

(Unit : K)



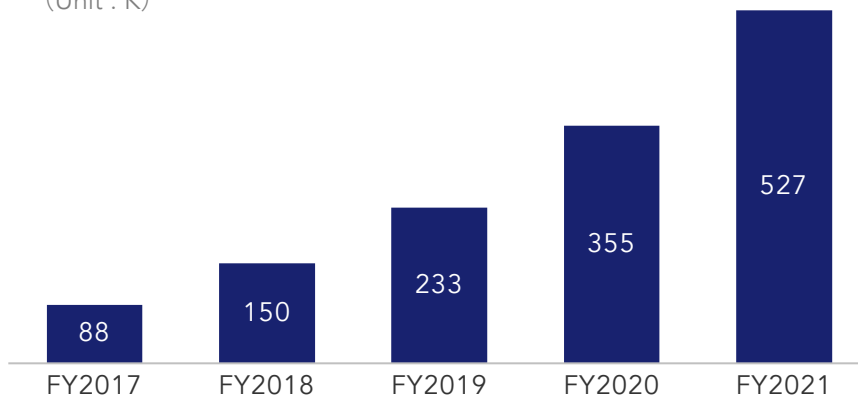
Annual Unique Buyers

(Unit : K)



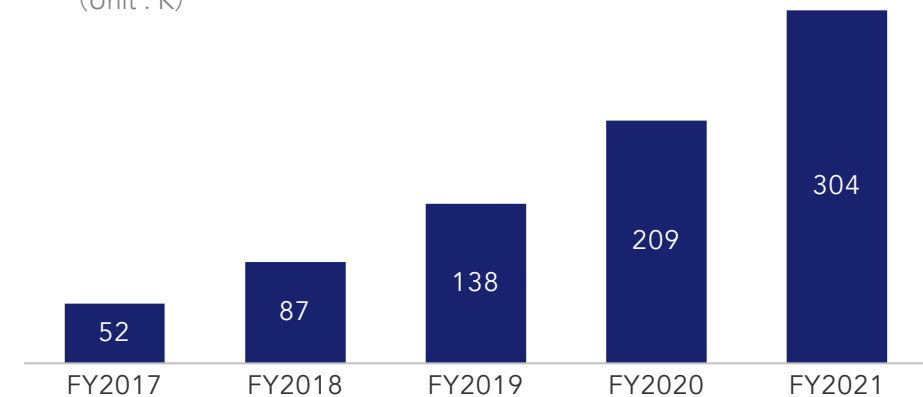
Number of Services on Sale (as of end of each FY)

(Unit : K)



Number of Sellers (as of end of each FY)

(Unit : K)

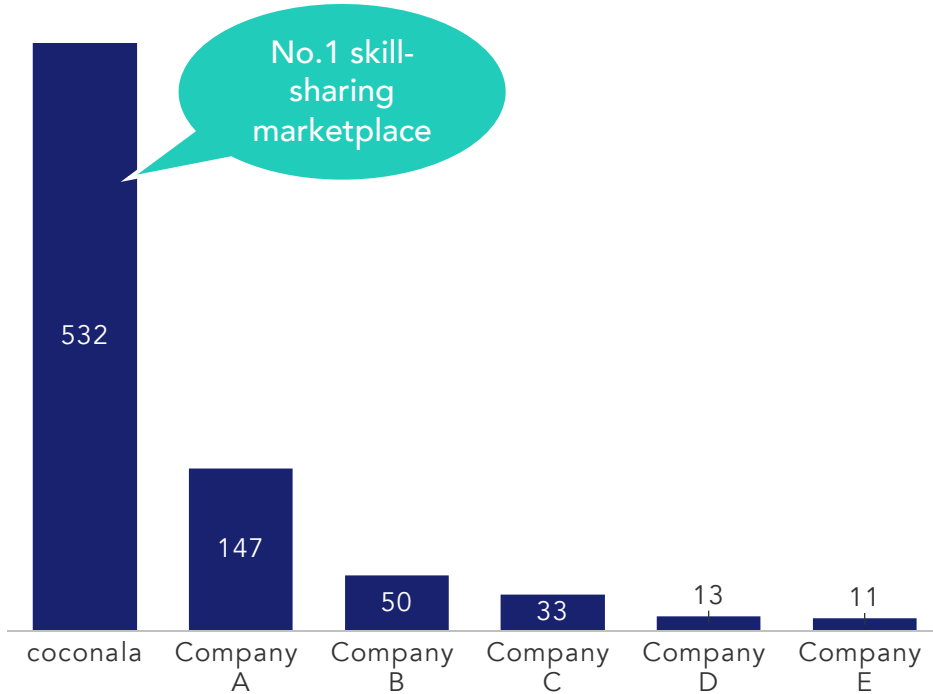


Large Number of Services on Sale and Reviews

Market-leading platform providing an abundance of inventories and reviews

Number of Services on Sale*1

(Unit : K)



*1: Data as of Sep. 2021

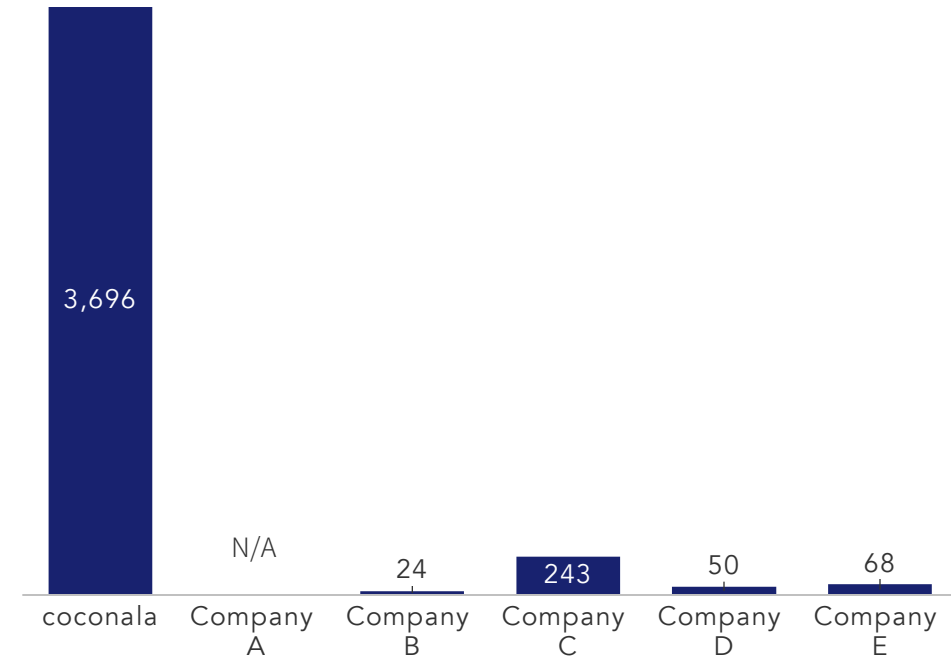
Source: For data related to other companies, we refer to their service pages.

Counting method (our company): Count the number of services on sale that are publicly available on the service website. Our company's number of services on sale does not include public requests from buyers to sellers or seller's proposal to private requests (because it is not an e-commerce-like service that lists items on sale in advance, unlike the services offered by other companies.)

Counting method (other companies): Count the number of services that are shown on the service search in their respective service websites.

Number of Reviews*2

(Unit : K)



*2: Data as of Sep. 2021

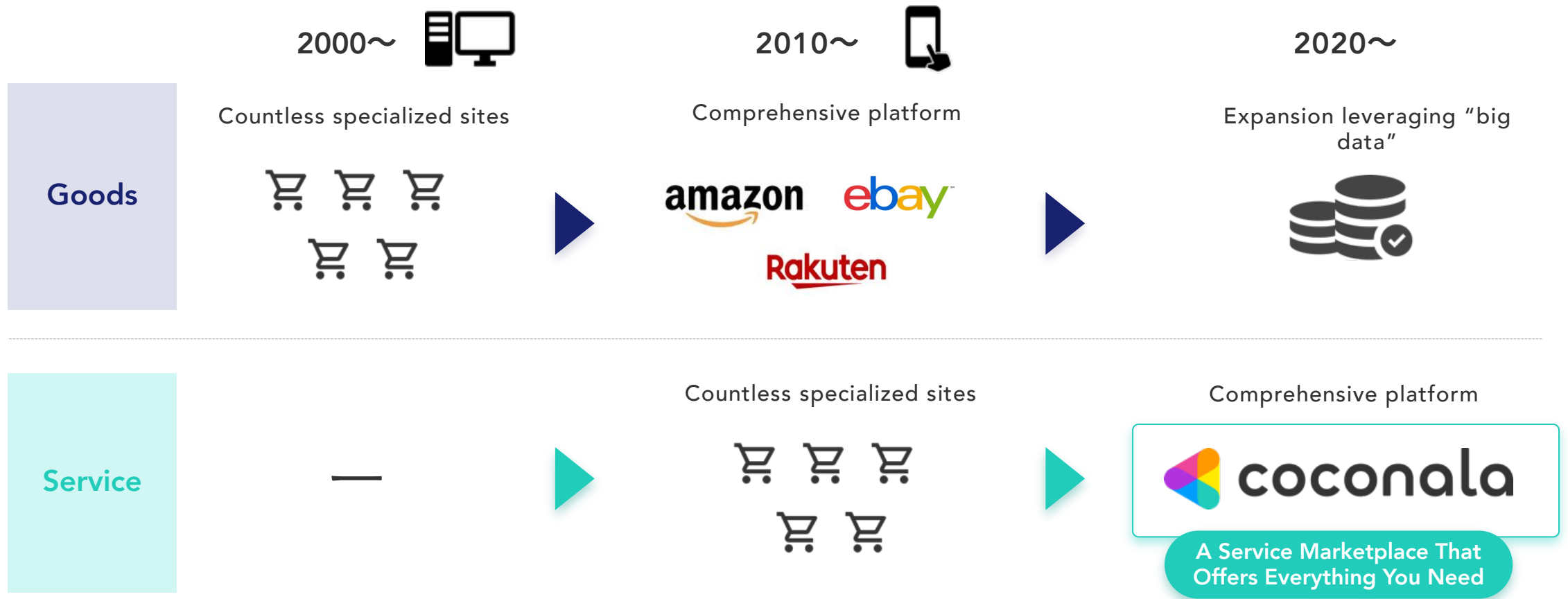
Source: For data related to other companies, we refer to their service pages.

Counting method (our company): Count the number of reviews of the services on sale that are publicly available on the service website.

Counting method (other companies): Count the number of reviews of services/sellers that are shown on the service/seller search in their respective service websites. The company A does not show the number of reviews since it is not part of the website designing. Buyers' review systems differ by companies as each company has its own review system.

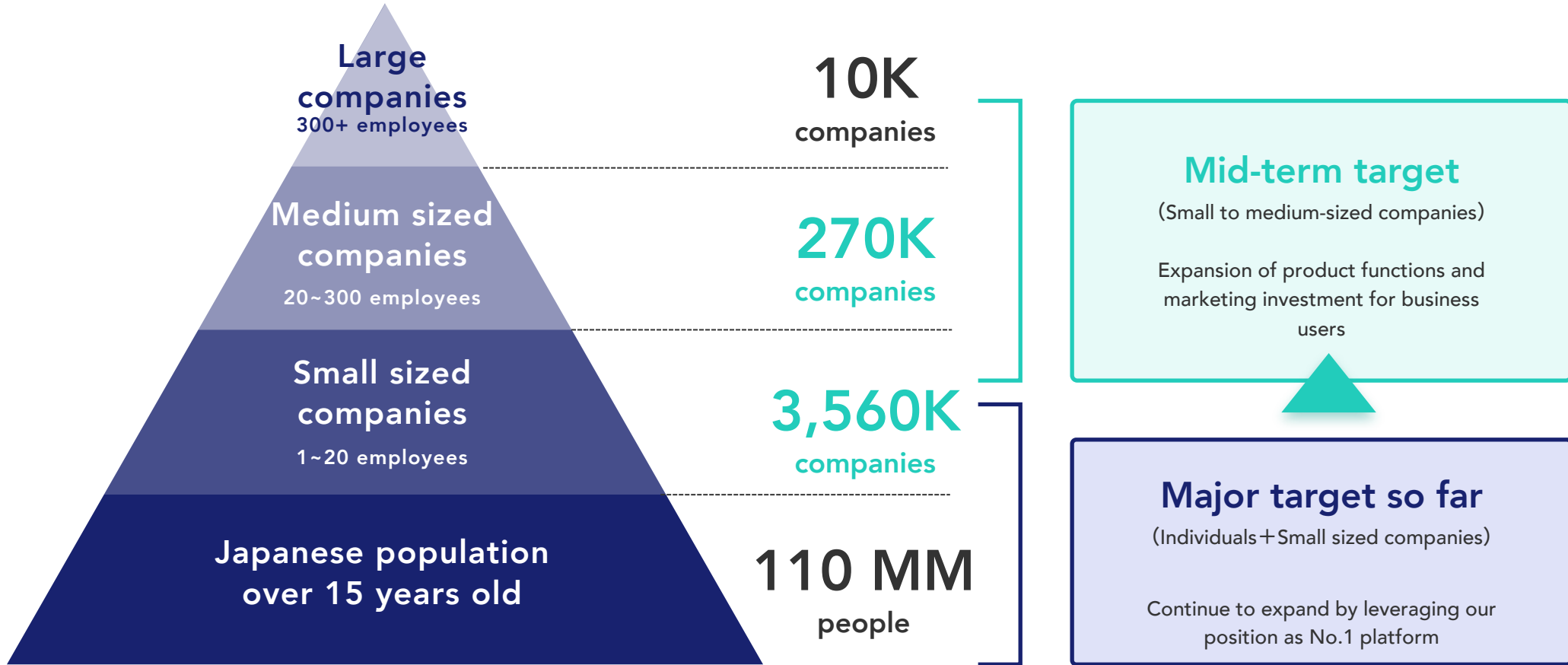
Our Strategic Concept : A Service Marketplace That Offers Everything You Need

Service e-commerce industry is 10-20 years behind the goods e-commerce industry. coconala aims to be a comprehensive "service e-commerce" platform



Business User Expansion Strategy

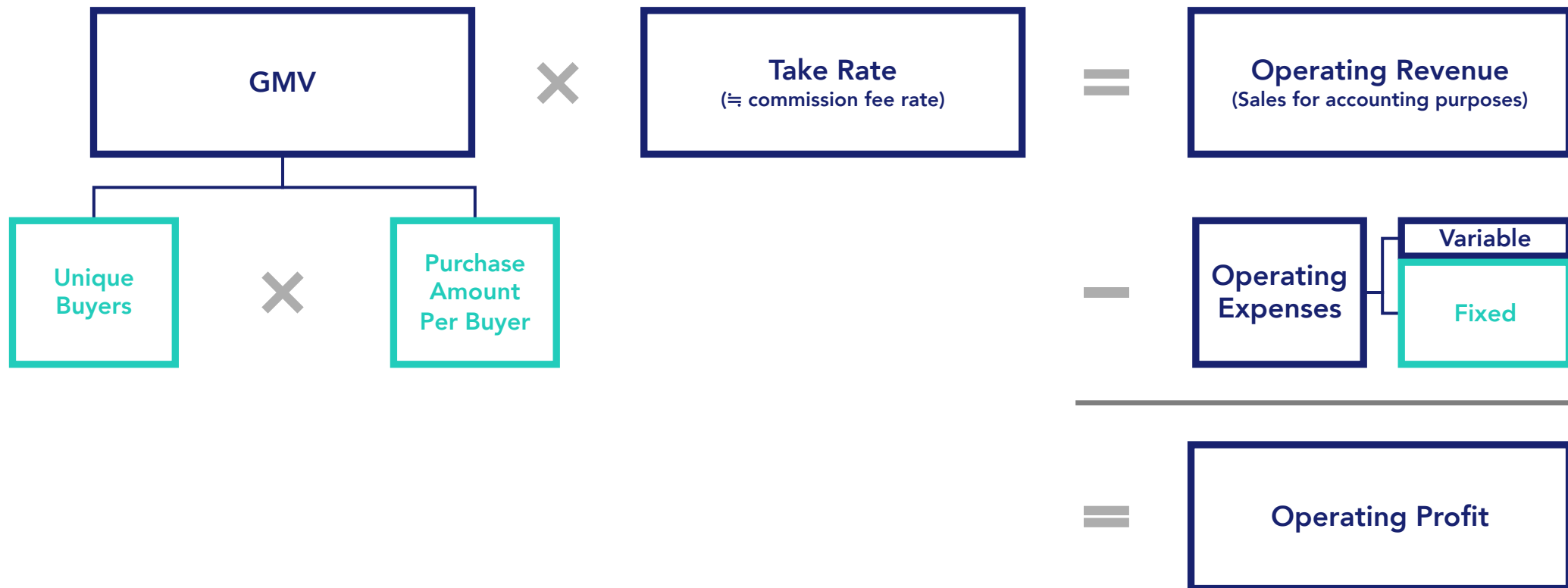
We are aiming to capture market share of small and medium-sized companies by “coconala business”



Source: Ministry of Economy, Trade and Industry “2016 Economic Census”, Statistic Bureau, Ministry of Internal Affairs and Communications “Population Estimates – October 2020”

coconala's Revenue Structure

The most important KPIs are "number of unique buyers"*1 and "purchase amount per buyer"*2 which make up the GMV. Based on high gross profit output due to low variable costs, aim to achieve future profitability through maximizing operating revenues

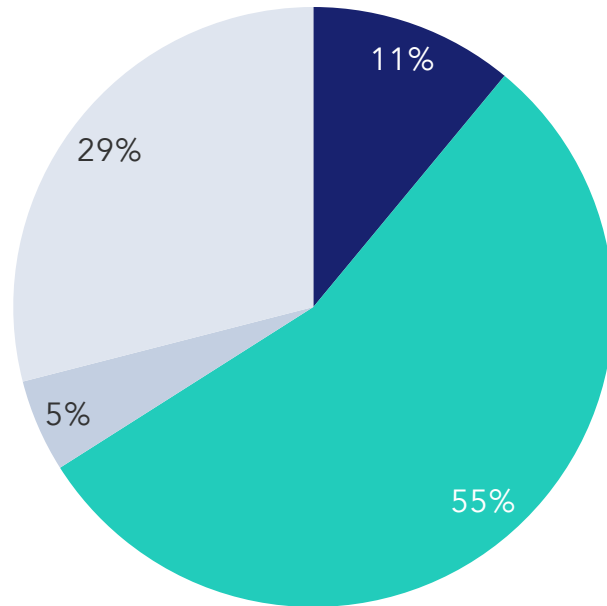


*1 Unique Buyers : Number of unique users who purchased services within each period
 *2 Purchase amount per person: Purchase amount per paid UU within each period

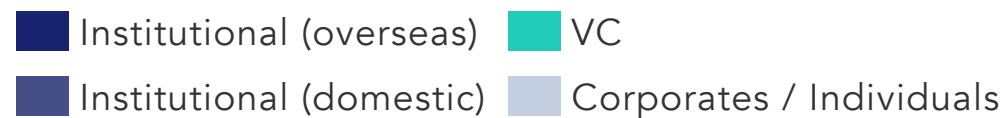
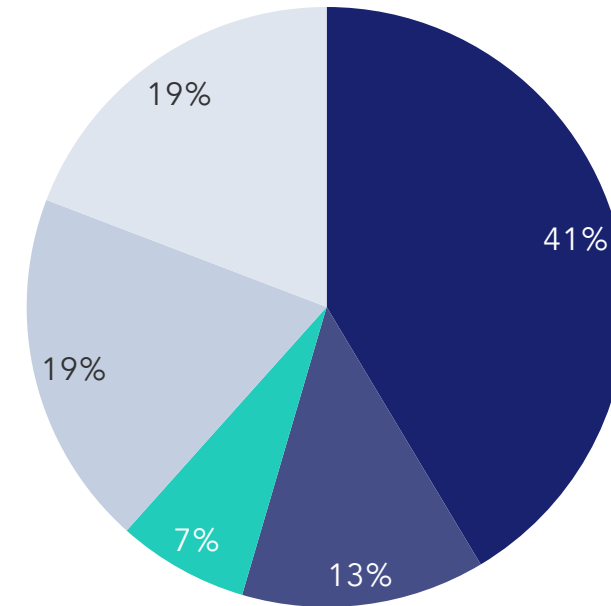
Changes in Shareholder Composition

Due to the IPO, the composition of VC dropped from 55% to 7%, on the other hand the composition of institutional investor increased from 11% to 54%

Before the IPO (Mar. 18th, 2021)



After the IPO (Aug. 31st, 2021)



Measures Taken for Safety and Reliability of Marketplace

KYC of Sellers



Identification of sellers to increase credibility by buyers

Monitoring System



Monitoring all services and corresponding inquiries 365 days by full-time staff

Publicizing prohibited services and conducts defined in the guideline

Escrow Settlement



Purchase payments to be escrowed until deliveries of services

User Mutual Review System



Mutual review systems of sellers and buyers, which is reviewed and scored by each other and opened to public

Sharing Economy Trust Mark



Obtained certified mark by fulfilling compliance standard defined by Cabinet Secretariat IT General Strategy Office

Enhanced IT System



Investment in and daily monitoring of IT system for stable and robust operation



Create a world where each person lives their "own story."