

FY2023.8 Third Quarter Financial Results

coconala Inc. (TSE Growth Market: 4176)

July 14, 2023

01

Company Overview



Business Overview of coconala

Matching Service



An EC-type service (skills marketplace)



A service focused on purchases for business purposes.



A business outsourcing agent type service for IT freelancers



Matching IT freelancers with companies. Scheduled to link and utilize the evaluation data at both coconala and coconala Agent.



A web service that connects users with lawyers



Users can browse and post legal Q&As at no charge, as well as search and inquire about 4,000 lawyers by field or region. (Advertising revenue model)

Others



Matching platform type venture capital





Vision

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

Mission

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

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

Features of coconala

A matching platform that commercializes knowledge, skills and experience and enables users to sell and buy them similar to "e-commerce".

Point 1

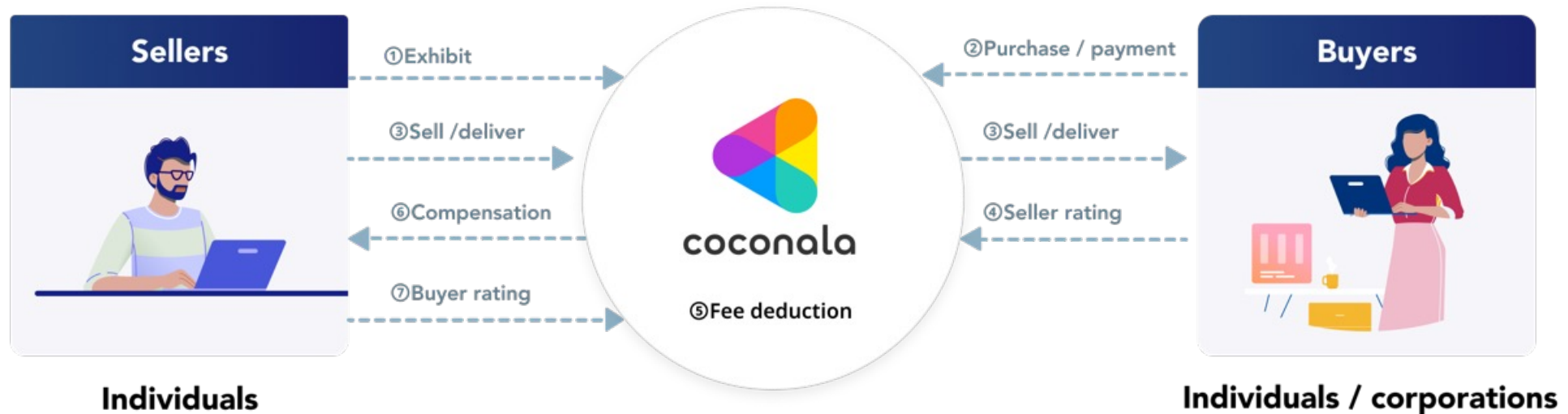
Easy purchase/sale with e-commerce model

Point 2

Complete online

Point 3

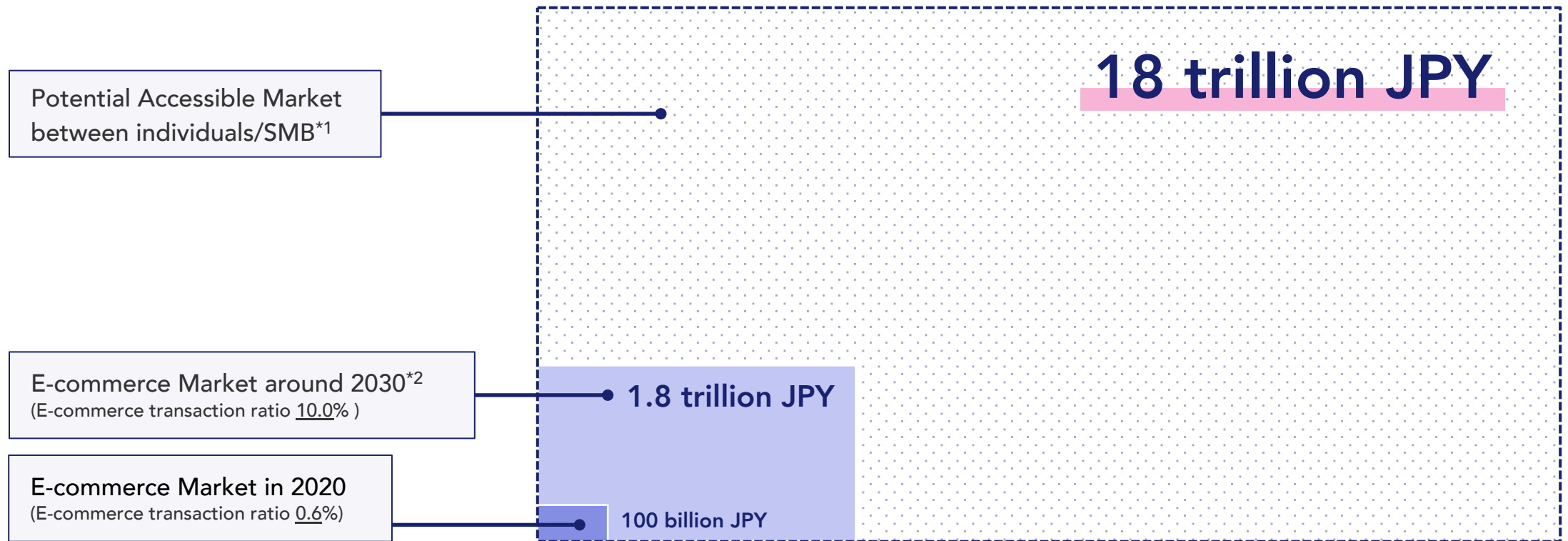
With range of categories



Attractiveness of Skill-Sharing Market

Online skill-sharing is not just an expansion of the market—it is a market with social importance given the arrival of 100-year lifespans and significant changes in lifestyles under work-style reform.

Growth Opportunities in the Skill-sharing Market



^{*1}: Market size of non-face-to-face services transaction between individuals/SMB and individuals/SMB that could be potentially shifted 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, it is assumed 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 aims 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 400,000 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

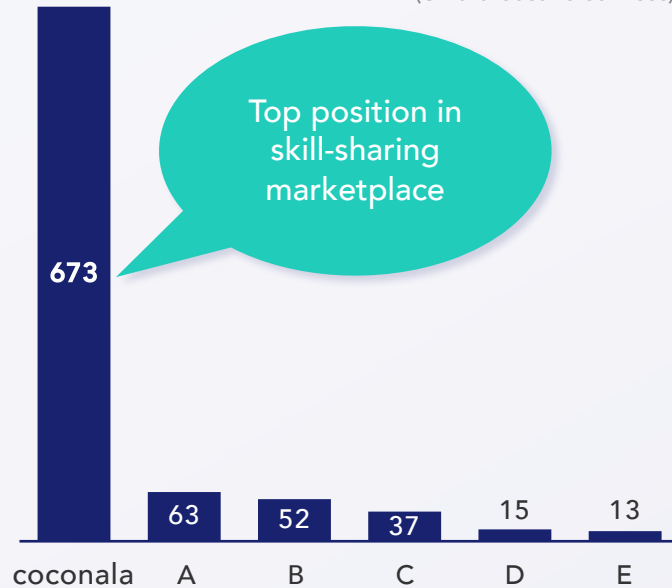
coconala's Strengths

Provision of an attractive platform due to having the most services on offer, a strong capacity to organically attract customers, and UI/UX cultivated by providing online service matching.

No. 1 in number of services on offer

- The overwhelming number of services on offer and reviews*1 forms a high barrier to entry

(Unit: thousand services)



Strong capacity to organically attract customers

- The abundance of highly original seller pages enables us to be prominently displayed by search engines and acquire users in a highly predictable way
- There is also a synergistic effect with brand visibility obtained from TV commercials run in the past; as a result, many new buyers reach us via organic searches



UI/UX cultivated by providing online service matching

- Since we handle services, which are intangible, we have accumulated the know-how to match users with appropriate expectations by the visualization of information
- We are constantly improving our products based on user requests collected at user events and through the opinion box (More than 200 measures were implemented in FY2022)



*1 Data as of September -October 2022. Source: For data related to other companies, we refer to their service pages. Aggregation method (coconala): The number of listing services on the service website. The number of our listing services does not include proposals from sellers to public or private requests from buyers to sellers. (Unlike the listing services on the service sites of each company, this is not a pre-listed EC-type service.) Aggregation method (other companies): The number of services displayed on the service search screen in the service site.



02

Results





FY2023 Third Quarter (Mar. - May) Financial Highlights

Consolidated

- Company-wide operating revenue increased 16% YoY to 1.1 billion yen.
- Operating loss as a result of implementation of TVCM.

coconala

- Both GMV and operating revenue grew 14% YoY.
- Implemented product updates that helped improve usability, such as AI assistant function using ChatGPT

coconala Legal Consultation

- Operating revenue maintained a high growth rate of 39% YoY due to an increase in the number of paid subscribing lawyers.
- The number of paid subscribing lawyers maintained its high growth rate, increasing 31% YoY.

Topics

- Incorporated PORT ENGINEERING INC. (PE) into the group in order to strengthen the matching business for IT engineers.
- Revised the full-year earnings forecast due to the temporary impact of the re-opening effect for online transactions, the impact of the inclusion of PE in the group (in July-August), and strategic cost reductions centered on measures that have limited impact on the top line



FY2023 Third Quarter (Mar. - May) Financial Results

(Unit: MM JPY)	FY2023 Q3 (Mar. - May.)	FY2022 Q3 (Mar. - May.)	YoY
	Consolidated* ³ (including coconala Skill Partners)	Consolidated* ³ (including coconala Skill Partners)	
GMV* ¹	3,762	3,314	+13.5%
Operating revenue	1,161	999	+16.2%
coconala* ²	1,023	900	+13.7%
coconala Legal Consultation	138	99	+39.0%
Operating profit	(72)	55	-
coconala* ²	(75)	49	-
coconala Legal Consultation	12	10	+24.7%
Non-GAAP operating profit* ⁴	(29)	59	-
Ordinary profit	(70)	56	-
Profit attributable to owners of parent	(59)	65	-

*1: Retroactively revised due to a change in the definition of GMV. Including coconala Agent

*2: Including coconala Agent

*3: Consolidated figures do not match the sum of coconala and coconala Legal Consultation's figures, as they include the subsidiary coconala Skill Partners.

*4: Non-GAAP operating profit = operating profit + share-based payment expenses + coconala Skill Partners expenses

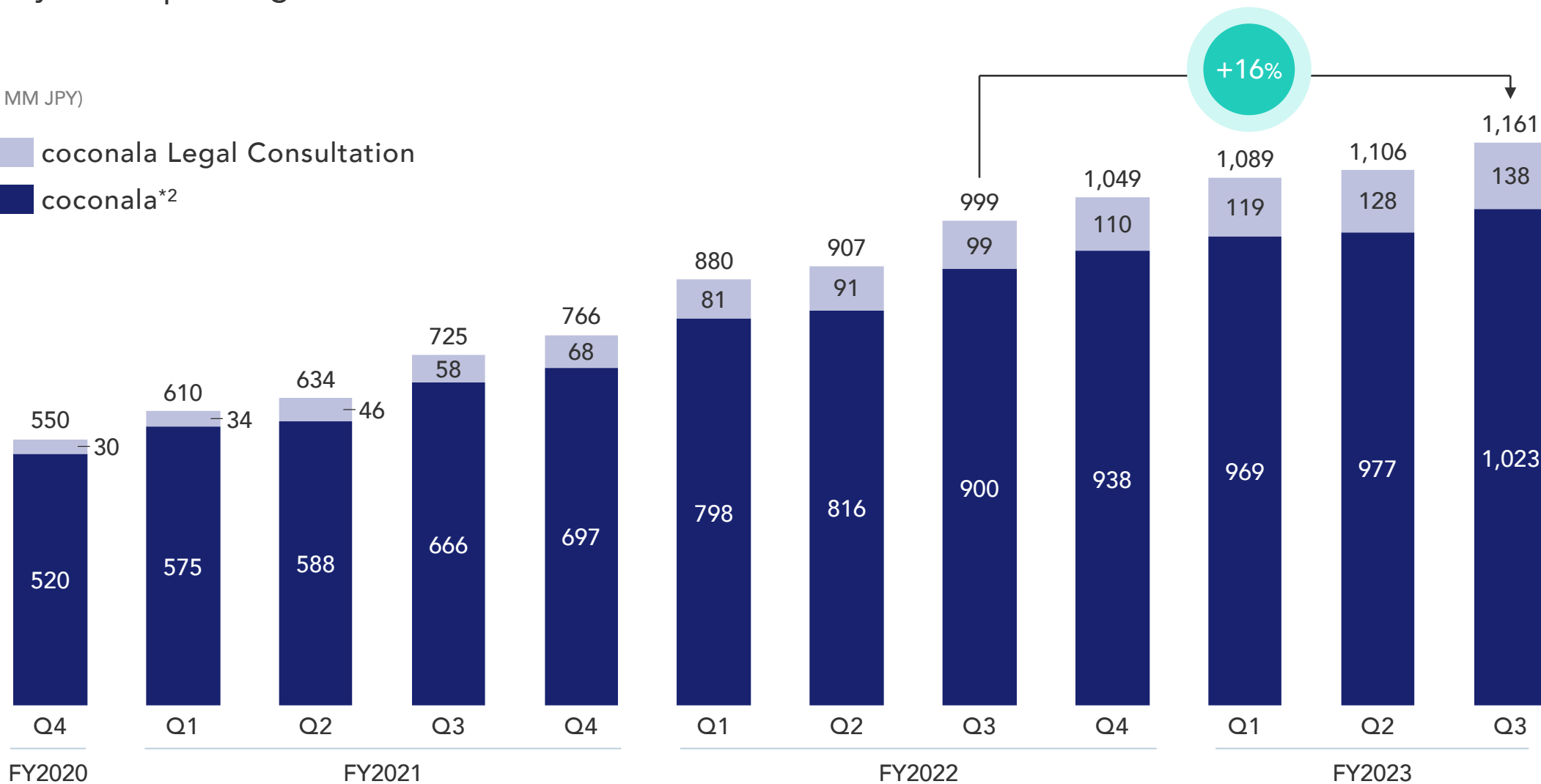
Consolidated: Operating Revenue

Company-wide operating revenue*¹ increased 16% YoY.

(Unit: MM JPY)

coconala Legal Consultation

coconala*²



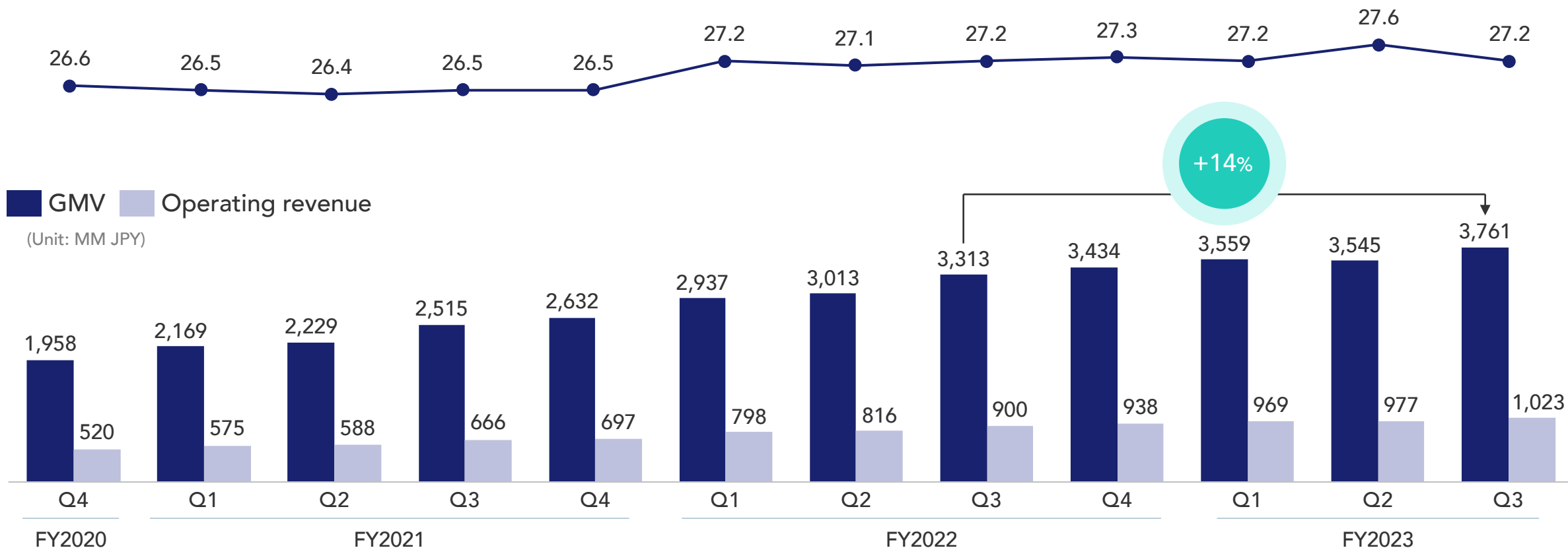
*1: On this page of the financial result presentation, the new revenue recognition standard has been applied retroactively to FY2020 and FY2021 for purposes of comparison, and the figures therefore differ from the disclosure figures in the financial statements.

*2: Including coconala Agent

coconala: GMV, Operating Revenue, and Take Rate

Both GMV^{*1} and operating revenue^{*2} grew 14% YoY.

Take Rate^{*3} (%)



*1: Retroactively revised due to a change in the definition of GMV. Not including coconala Blog. Including coconala Agent.

*2: On this page of the financial result presentation, the new revenue recognition standard has been applied retroactively to FY2020 and FY2021 for purposes of comparison, and the figures therefore differ from the disclosure figures in the financial statements. Including coconala Agent.

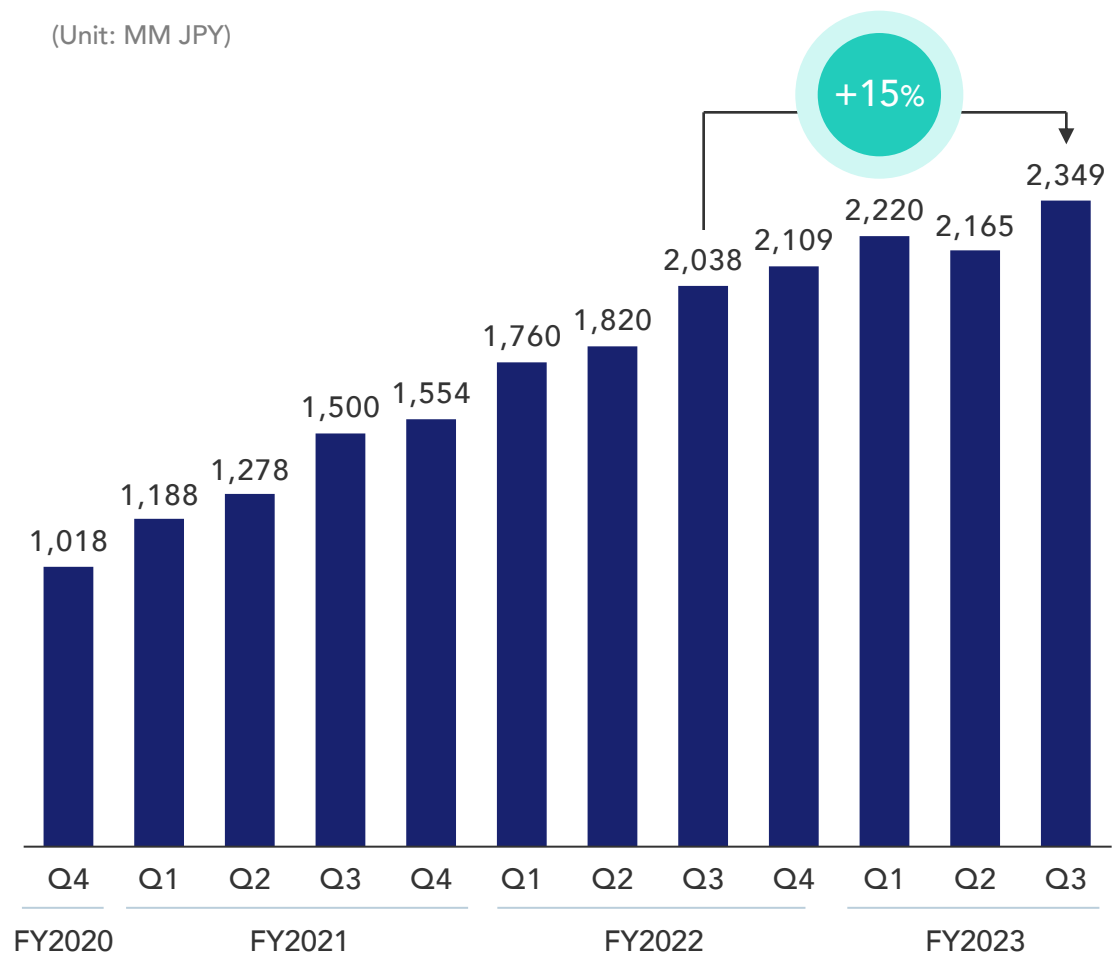
*3: Take rate = operating revenue ÷ GMV

coconala: GMV by Category

The creative/business category*¹ grew by 15% YoY, while the consultation/private category*¹ grew by 10% YoY.

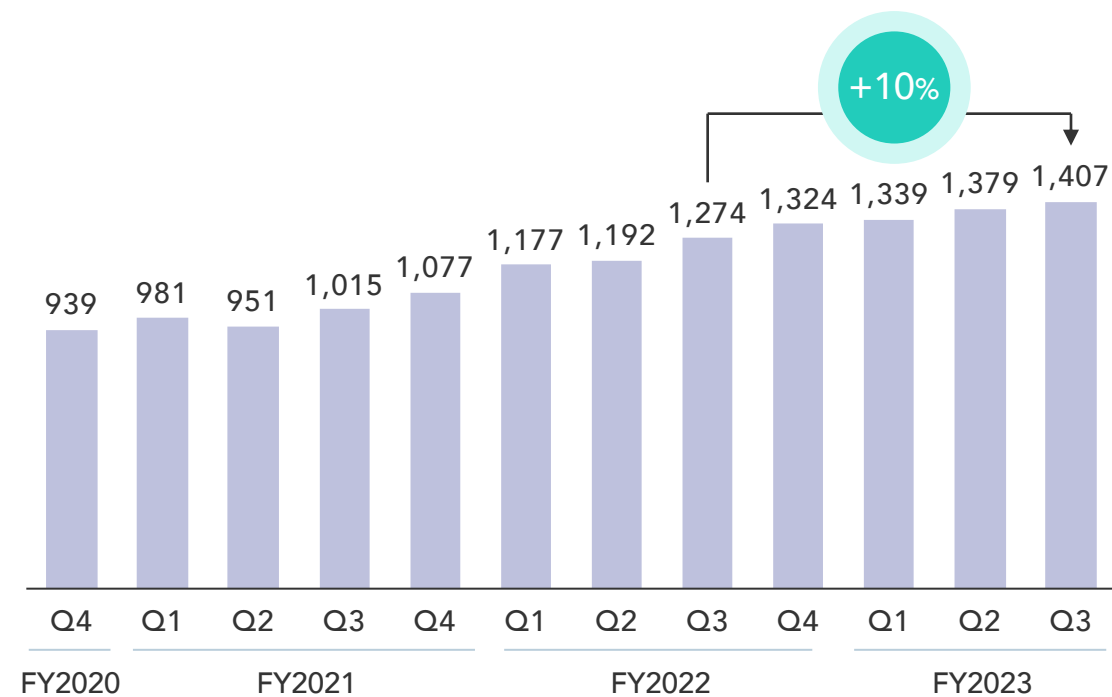
Creative/business

(Unit: MM JPY)



Consultation/private

(Unit: MM JPY)



coconala: Major KPIs (Quarterly Changes in Buyer-Side KPIs)

Unique buyers*1 grew by 6% YoY, while purchase amount per buyer*1 grew by 7% YoY.



coconala: Q3 Product Update Examples

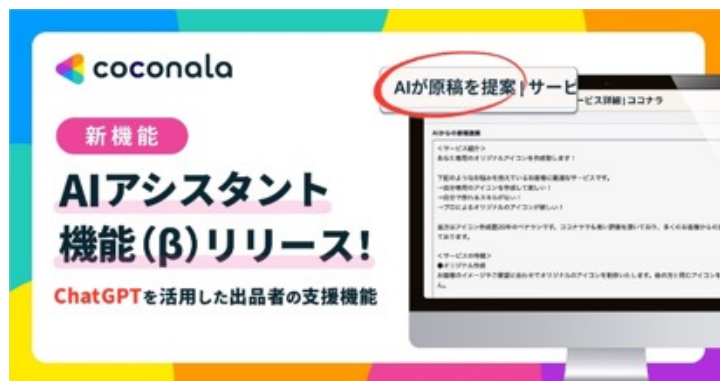
Pursuing ease of use while continuing to gather user feedback

[New function]

Released "AI Assistant Function (β)"

Released a function in which AI proposes a draft of the service content by using the automatic sentence generation function of ChatGPT

Previously, sellers had to create sentences from scratch, but it has now become possible to create service content just by inputting the characteristics of services and a brief background



[New function]

Released a function for selecting suitable categories

Released a function asking users to choose the categories they are interested in when registering as a member

This new function optimizes the website including the homepage and category order, which was uniform regardless of attribute, to suit each user



[Functional Improvement]

Renewed the display of evaluation on service pages

Renewed the display of evaluation on service pages to enable users to see the breakdown of the level of satisfaction (number of ★)

Easily checking the number of cases by the level of satisfaction and evaluation comments will lead to better understanding of the services and the promotion of purchases



coconala Legal Consultation: Operating Revenue and Major KPIs (1/2)

Operating revenue*1 maintained a high growth rate of 39% YoY due to an increase in the number of paid subscribing lawyers (+31% YoY).

Operating Revenue

(Unit: MM JPY)



Number of Registered Lawyers

(Unit: People)

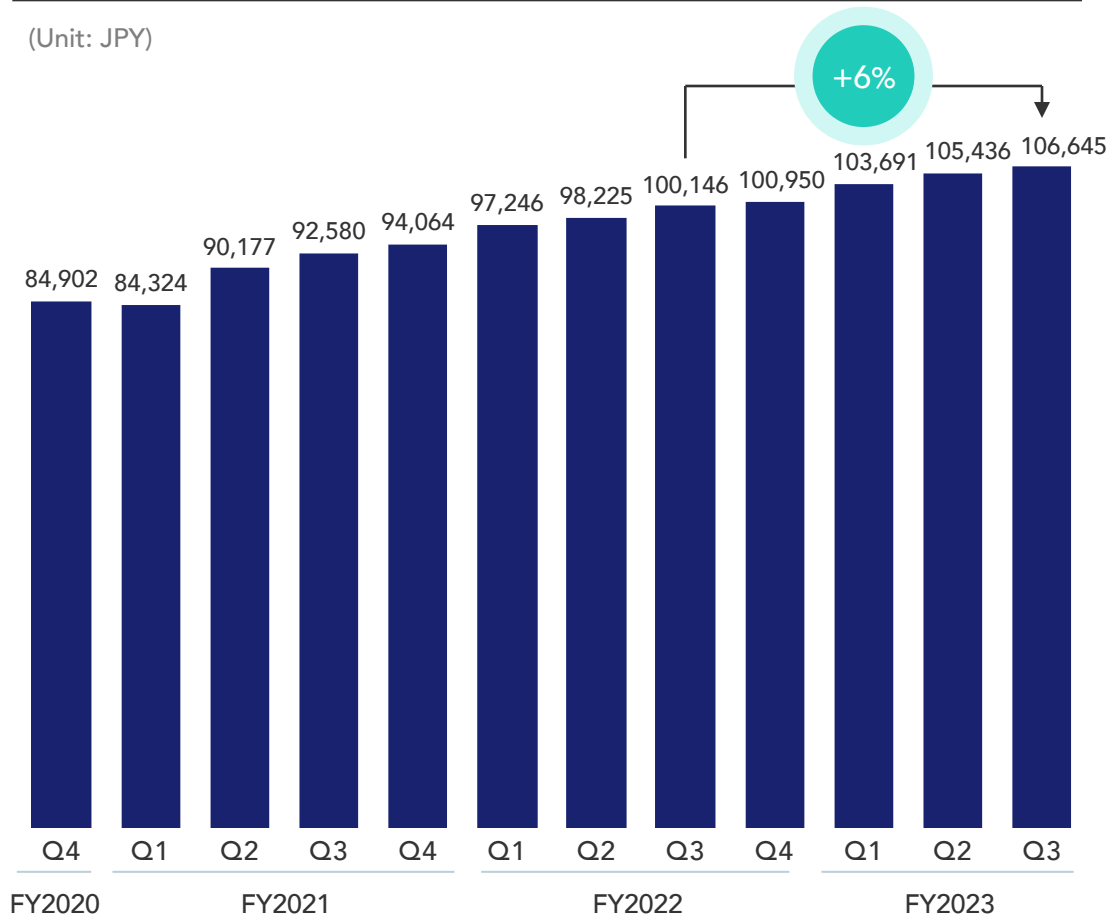


coconala Legal Consultation: Major KPIs (2/2)

ARPPU*1 increased by 6% YoY. The churn rate*2 improved to 1.1%

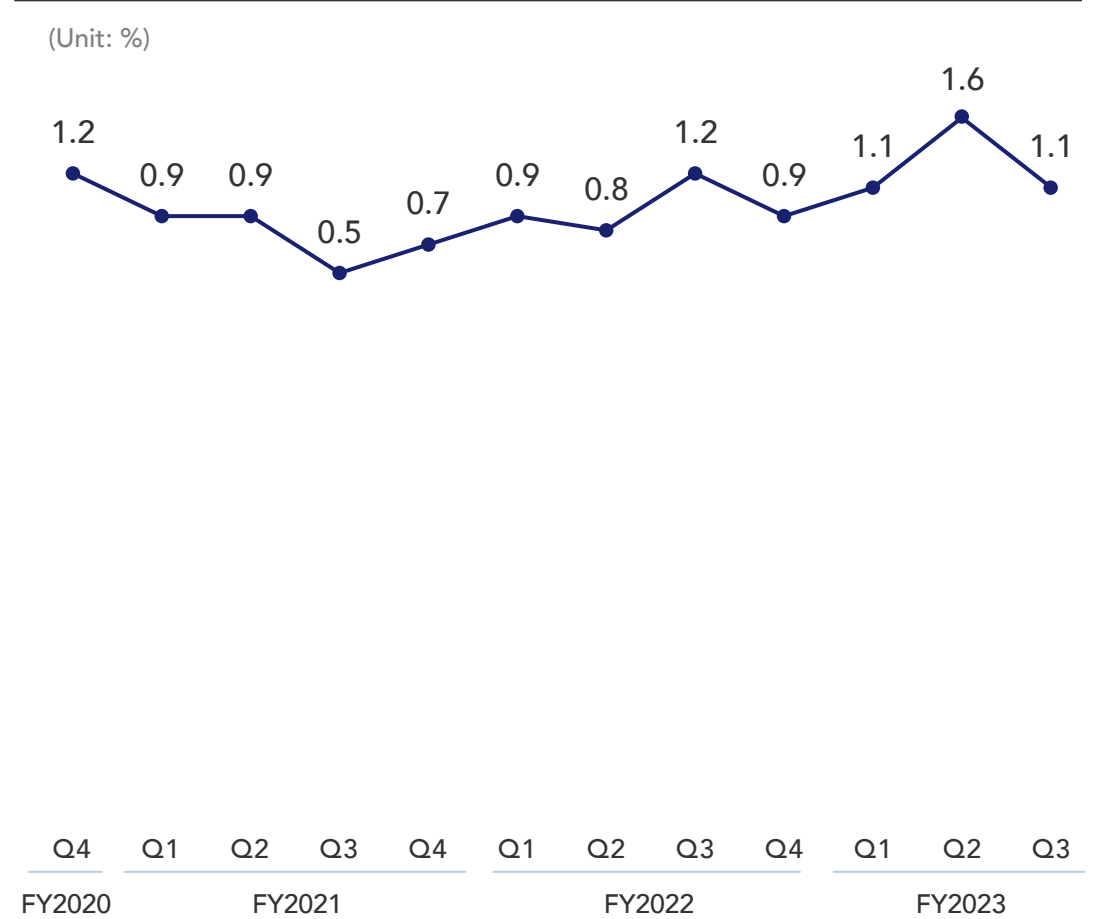
ARPPU

(Unit: JPY)



Churn Rate

(Unit: %)



*1: ARPPU = average revenue per paid user.

*2: Churn rate = quarterly average of monthly churn rate (number of cancellations in a given month ÷ number of paid subscribing lawyers at the end of the previous month).

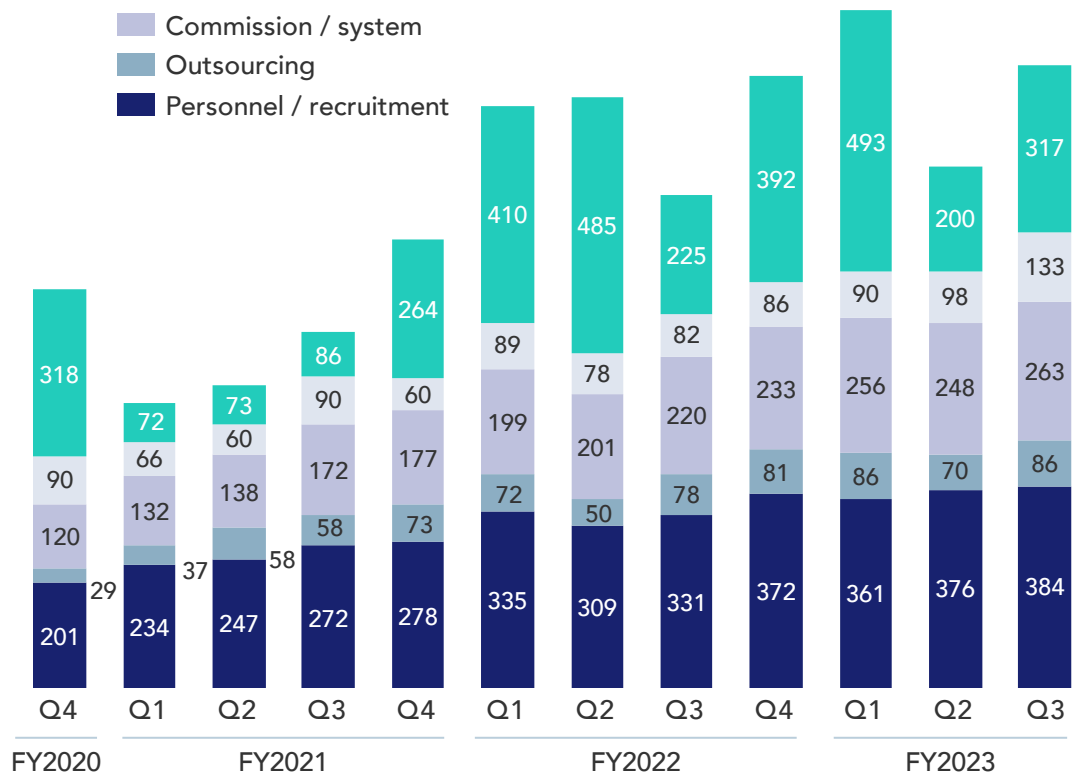
Operating Expenses

Advertising expenses increased due to implementation of TVCM. Going forward, we will maintain our policy of implementing appropriate cost control.

Operating Expenses*1

(Unit: MM JPY)

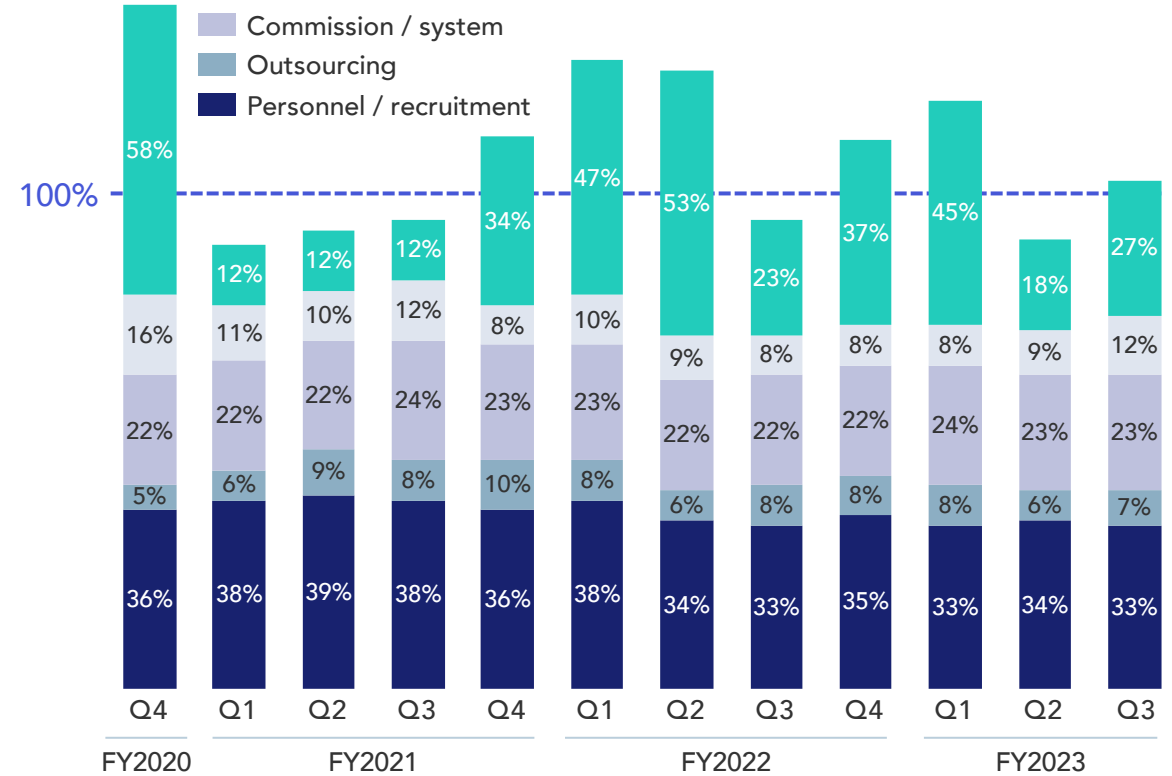
- Advertising
- Others
- Commission / system
- Outsourcing
- Personnel / recruitment



Operating Expenses*1 Relative to Operating Revenue

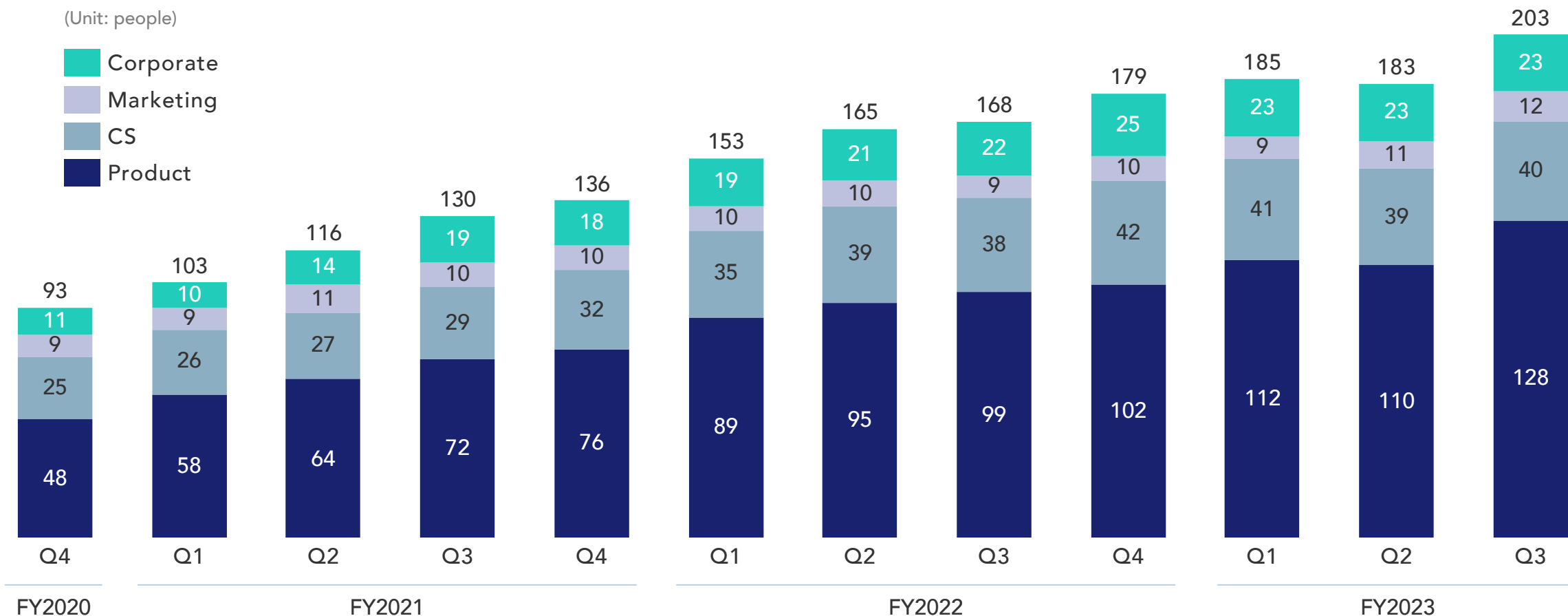
(Unit: %)

- Advertising
- Others
- Commission / system
- Outsourcing
- Personnel / recruitment



Number of Employees by Job Category

Continue investing in new businesses, while investing in appropriate personnel based on the market environment.





We are maintaining a sound financial base with sufficient cash and capital levels.

Aug. 2022 (Consolidated)

(Unit: MM JPY)

Cash and deposits 3,050	Advances received 487
	Deposits received 922
	Other liabilities 479
	Other net assets 450
Other assets 1,276	Shareholders' equity 1,987

May. 2023 (Consolidated)

(Unit: MM JPY)

Cash and deposits 3,235	Advances received 500
	Deposits received 959
	Other liabilities 431
	Other net assets 1,153
Other assets 1,658	Shareholders' equity 1,847



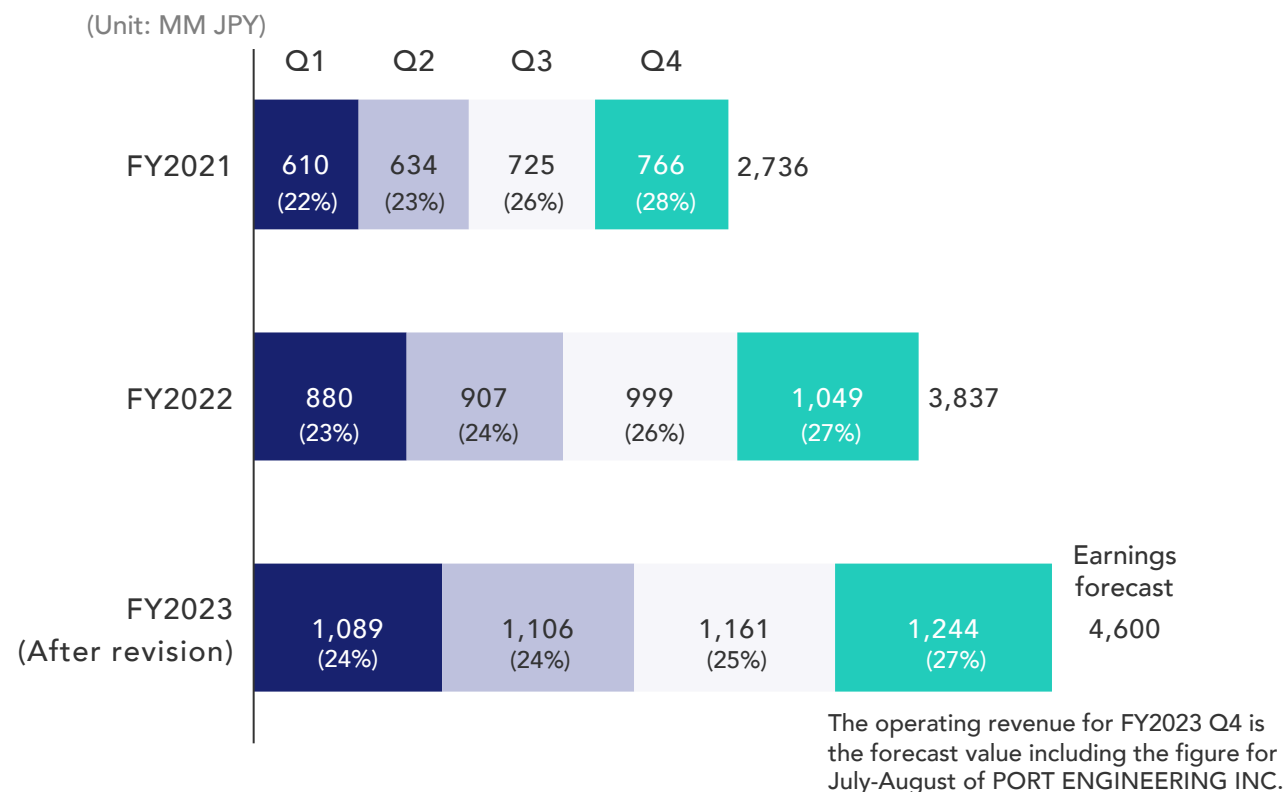
Progress Rate Against the Full-Year Earnings Forecast and Revision of Full-Year Earnings Forecast

Revised the full-year earnings forecast due to the temporary impact of the re-opening effect for online transactions, the impact of the inclusion of PORT ENGINEERING INC. in the group (in July-August), and strategic cost reductions centered on measures that have limited impact on the top line

Revision of Full-Year Earnings Forecast

(Unit: MM JPY)	FY2022 Results	FY2023 Initial forecast	FY2023 Revised forecast	Revision rate	Revised amount
GMV	12,718	15,900	14,700	(7.5%)	(1,200)
Operating revenue	3,837	4,800	4,600	(4.2%)	(200)
Operating profit	(522)	(700)	(220)		480
Non-GAAP Operating profit*1	(501)	(570)	(70)		500
Ordinary profit	(518)	(700)	(260)		440
Profit attributable to owners of parent	(501)	(645)	(150)		495

Status of Progress of Operating Revenue*2



*1: Non-GAAP operating profit = operating income + stock-based compensation expenses + coconala Skill Partners expenses

*2: The new revenue recognition standard has been applied retroactively to FY2021 for purposes of comparison, and the figures therefore differ from the disclosure figures in the financial statements. The figures in parenthesis indicate the progress rate against the earnings forecast or the estimated value of the earnings forecast

03

Topic



Acquisition of Port Engineering, Inc

Company Overview

Company Name	Port Engineering, Inc
Establishment	April 2023 (Port split off this business)
Business	Freelance engineer agent business (Brand Name: Futurizm)
Financials	Revenues: Approx. 650 million yen (Fiscal year ending March 31, 2023)
Number of registrants	3,500 IT freelance engineers

Deal Summary

- Closing date: July 3, 2023
- Acquisition cost: 254 million yen
- Finance: Cash on hand
- To be incorporated into the consolidated financial statement from July 2023



The screenshot shows the Futurizm website homepage. At the top, there is a navigation bar with the Futurizm logo and links for '案件検索' (Job Search), 'キャリア相談Q&A' (Career Consultation Q&A), 'お役立ちコラム' (Helpful Column), and a '無料登録' (Free Registration) button. Below the navigation bar, there are search filters: 'フリーランス案件検索' (Freelance Job Search), '言語から探す' (Search by Language), '職種から探す' (Search by Job Type), '単価から探す' (Search by Rate), and 'エリアから探す' (Search by Area). The main content area features a large blue banner with the text 'ITエンジニア案件を最適マッチング' (Optimal matching of IT engineer jobs) and 'フリーランスの安定的な稼働を実現。' (Achieving stable freelance work). Below this, a large blue headline reads 'ご希望条件にマッチした案件をご提案します。' (We propose cases that match your desired conditions). At the bottom, there is a search input field with the placeholder text '言語 勤務地などで検索' (Search by language, location, etc.) and a blue '検索' (Search) button. Below the search field, there is a small text line: 'おすすめキーワード: 渋谷 Ruby Java リモート' (Recommended keywords: Shibuya Ruby Java Remote).

04

Future Policy





Change in Management Policy Based on the Current Environment

~ FY2023

FY2024 ~

Medium-term goal
of top line

- Rapidly achieve GMV of 100 billion yen

- No change

Priorities in terms
of management

- Place top priority on the growth of top line

- Change to management style that is also conscious of profitability in addition to the growth of top line

Gain/loss

- Ensure that Non-GAAP Operating profit excluding TVCM-related expenses remain in the black

- Aim to make Non-GAAP operating profit profitable in FY2024 Q4 and achieve profitability for the full year in FY2025

Investment
discipline

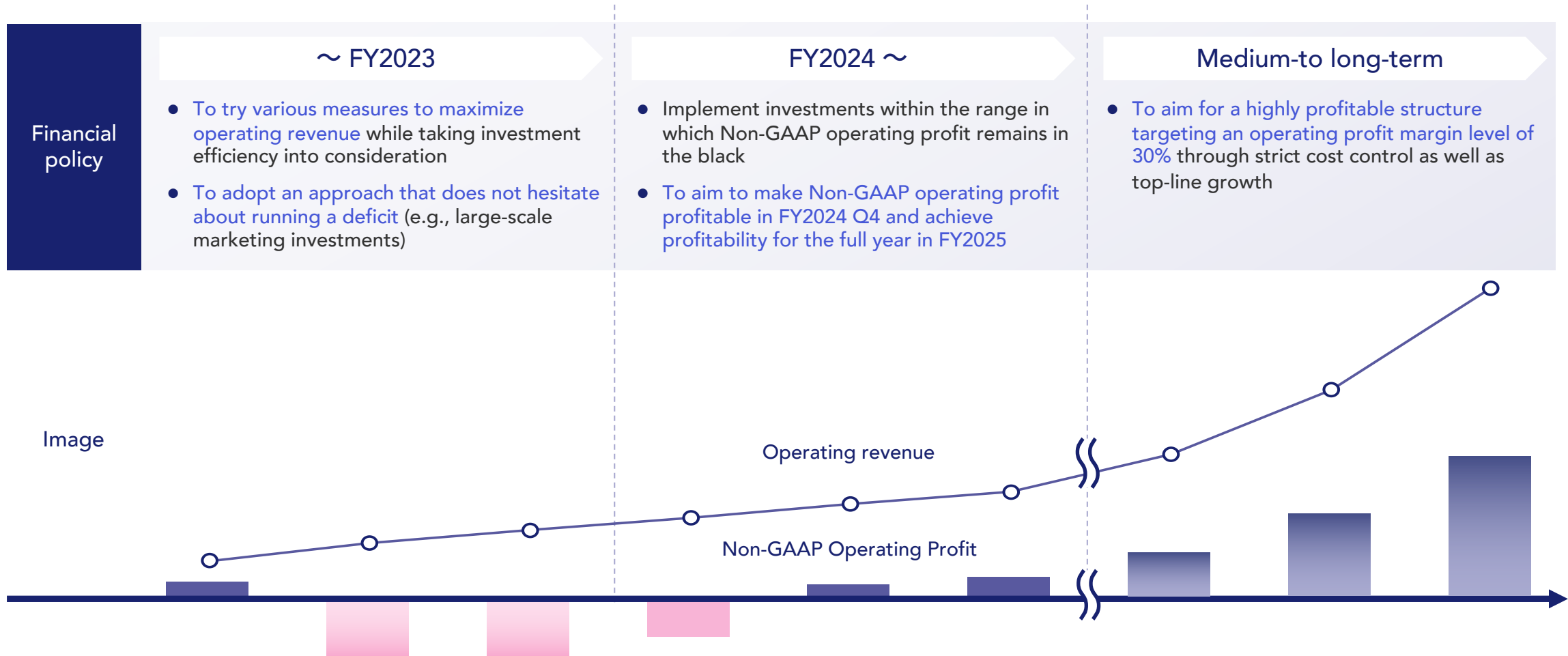
- Implement large-scale investments without hesitating about running a deficit while taking investment efficiency into consideration
- The payback period for TVCM shall be three years and that for web marketing within a year

- Implement investments within the range in which Non-GAAP operating profit remains in the black from FY2024 Q4 by being conscious of gain/loss
- Payback period will remain unchanged



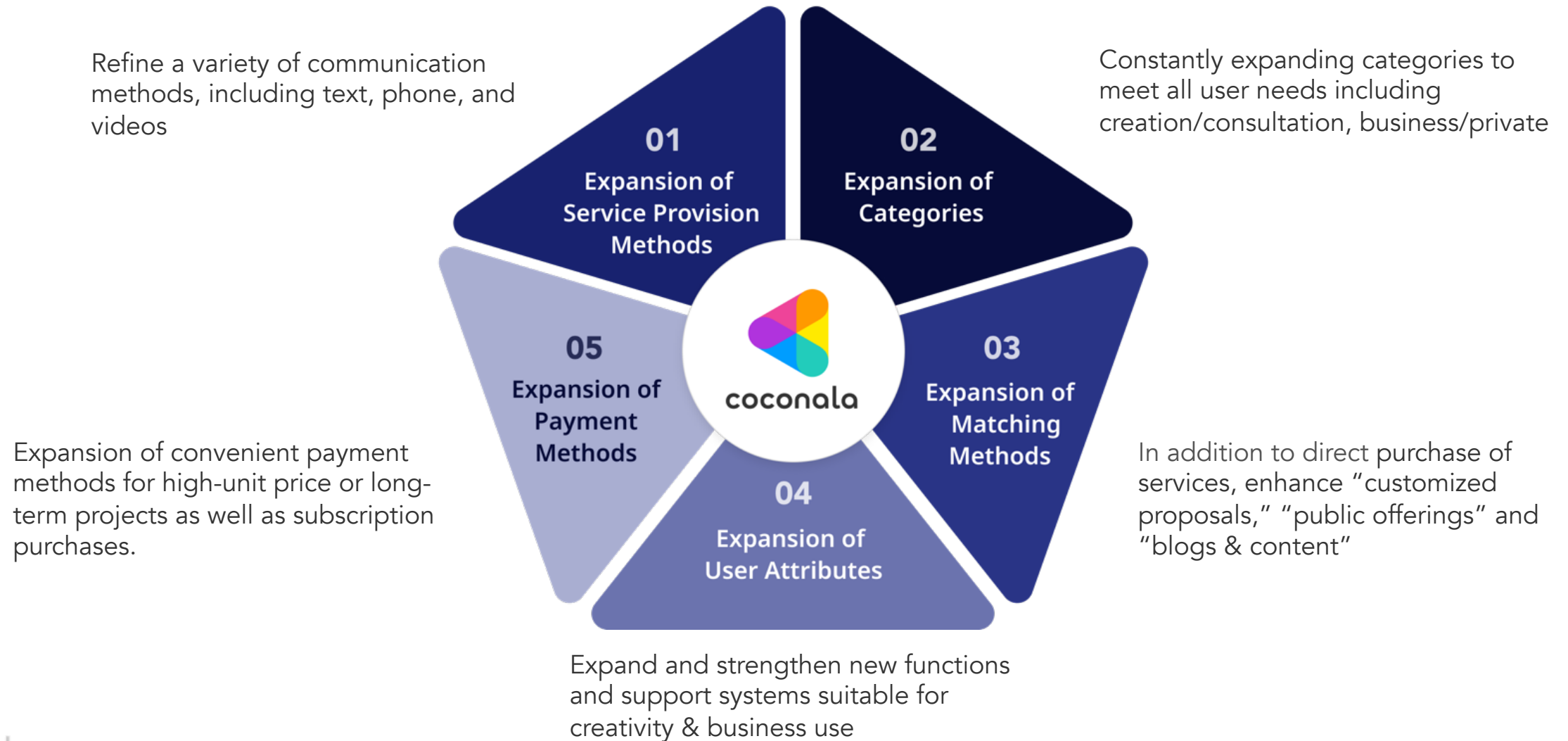
Future Image of Profitability

With large-scale up-front investment, we remained in the red until FY2023, but will shift to management conscious of profitability. To aim to make Non-GAAP operating profit profitable in FY2024 Q4 and achieve profitability for the full year from FY2025 onward.



Expansion of the Product

Further updating the user experience by expanding products in five directions to encourage use.



coconala's Business Policies for FY2023 and Their Progress

We are verifying and preparing for the launch of multiple businesses for the expansion of coconala's Ecosystem while implementing product updates and marketing measures.

Expansion of business use

- Strengthen user acquisition through sales
- Strengthen user acquisition through alliances
(currently negotiating with multiple partner candidates)
- Expansion of functions for medium and large companies
- Mass marketing verification
(TVCM, taxi ads)

Usability Improvements

- Schedule appointment booking function
(launched as reservation management function in Q2)
- Subscription function
- Payment function for high-value transactions
- AI assistant function(β)

User-driven purchaser expansion

- Refer-a-Friend campaign
(Point increase campaign, etc.)
- Promotional functions by sellers
(launch of coupon distribution function in Q2)

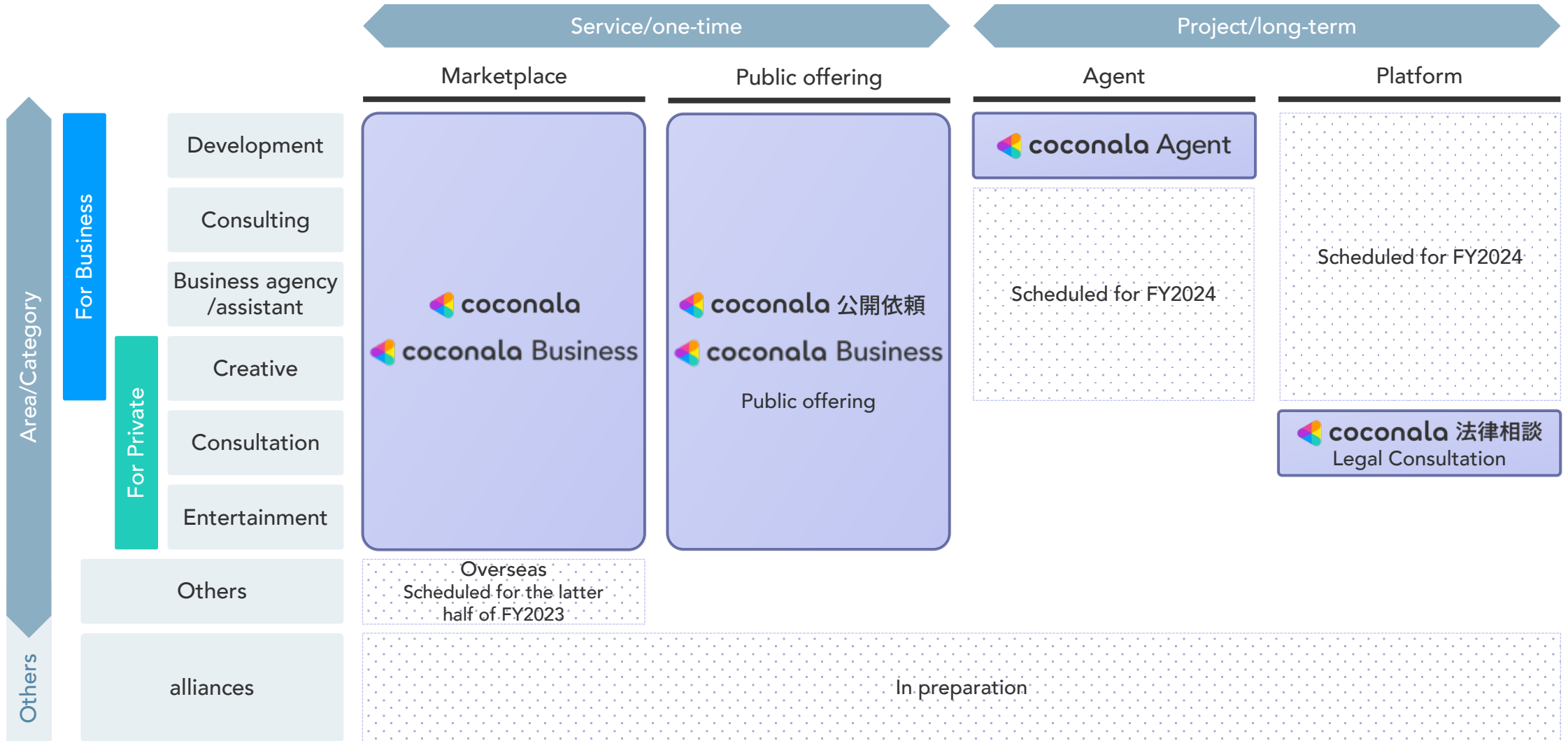


Launch of new business

- Launch of coconala Agent in Q1
- Incorporated PORT ENGINEERING INC. into the group
- Verifying and preparing for the launch of multiple businesses for the expansion of coconala's Ecosystem

coconala's Ecosystem

Existing In preparation



05

Appendix





Recognition of Recent Changes in the Environment

Impact of resumption of activities

- We recognize that the overall growth rate of online service transactions has slowed due to resumption of activities in October 2021.
- However, a certain period has passed since resumption of activities, and the impact on GMV is expected to subside.

Impact of economic downturn

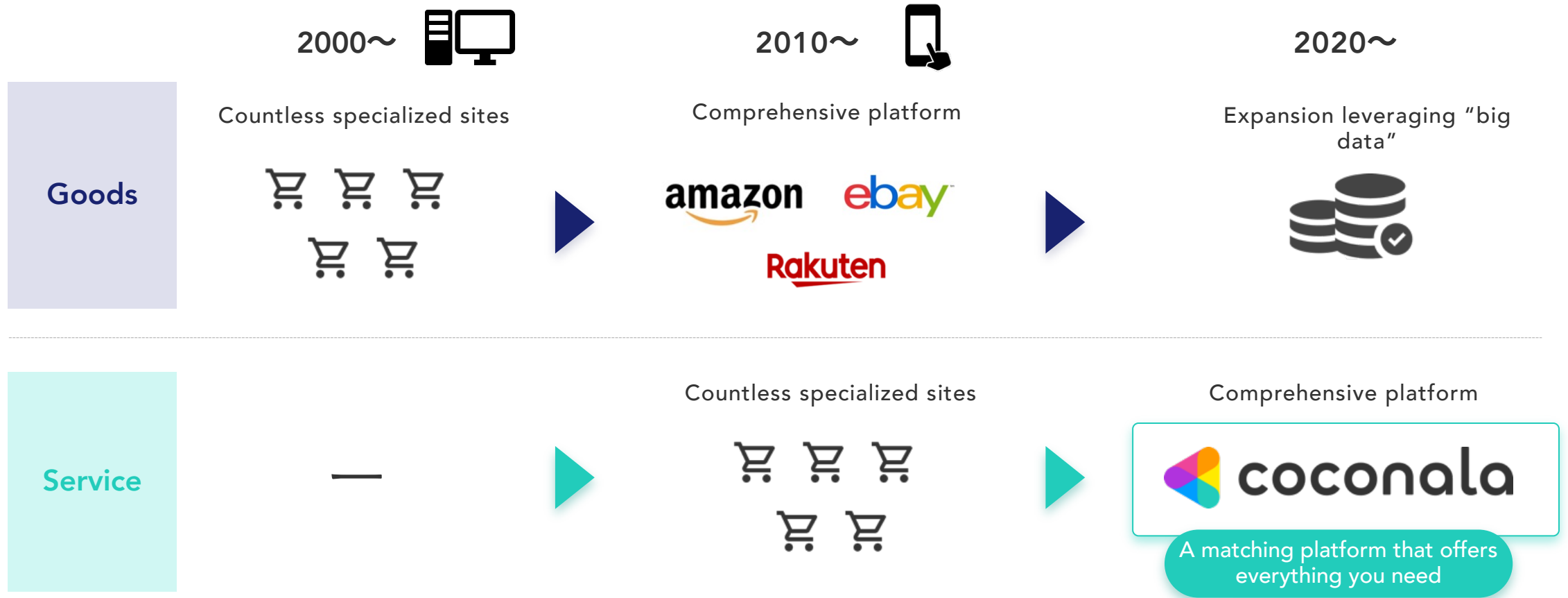
- We understand that there is growing concern over monetary tightening in response to inflation, primarily overseas, and the accompanying economic downturn, but coconala's services are resilient to recession.
- Pressure to reduce costs increases during an economic downturn, but there is a high probability that coconala, which provides services at a reasonable price compared to offline transactions, will be selected more frequently as companies review their suppliers.

Impact of generative AI

- We recognize that AI will not replace sellers but is a technology that will assist sellers' activities in the future.
- coconala will work to improve productivity by providing AI tools to sellers, expand service provision opportunities by creating new categories, and improve matching accuracy through data analysis using AI.

Our Strategic Concept: A Matching Platform That Offers Everything You Need

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

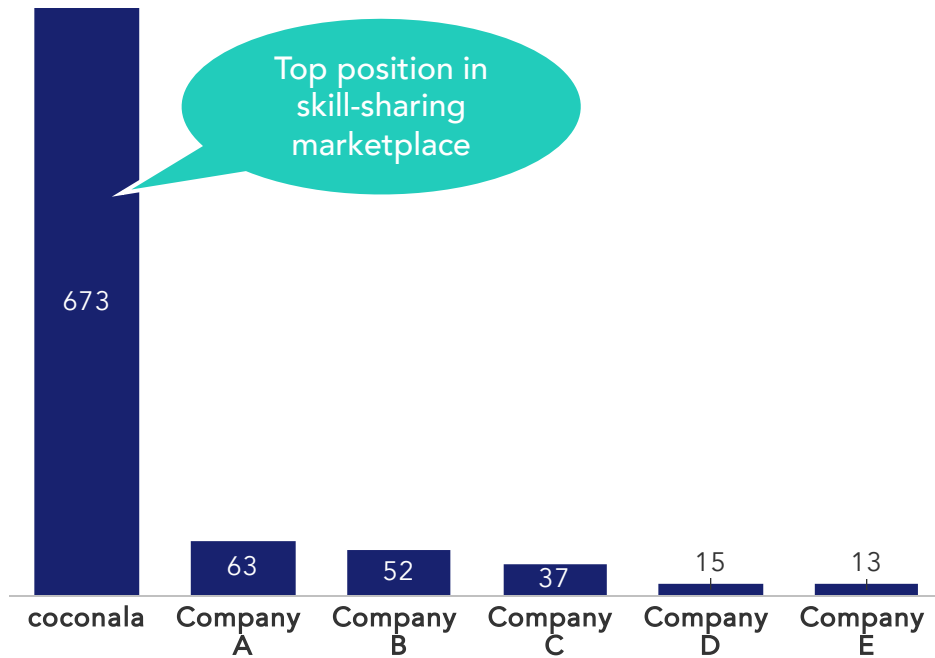


Large Number of Services on Offer and Reviews

A market-leading platform providing an abundance of inventories and reviews

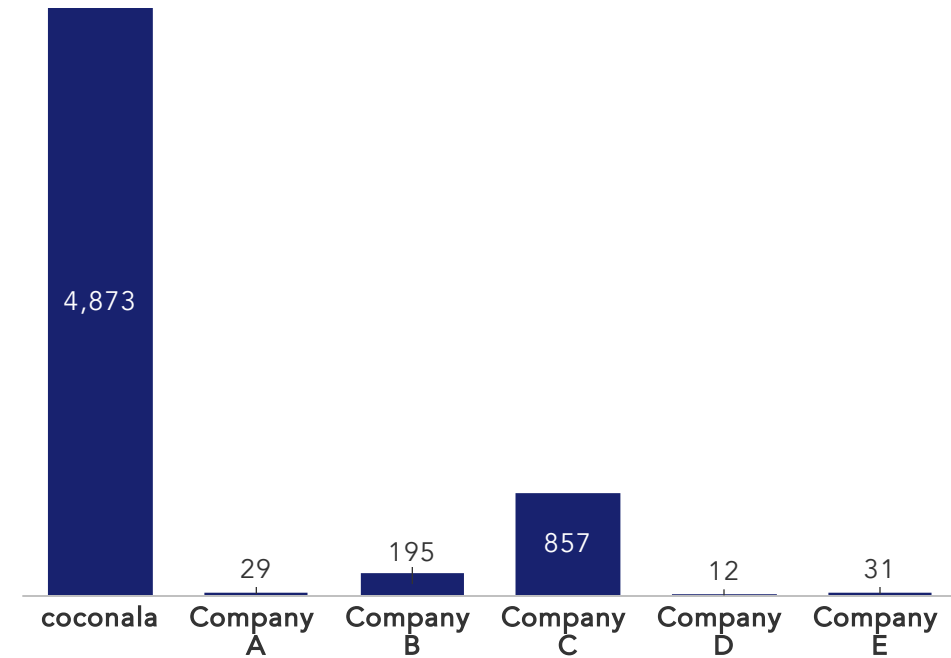
Number of Services on Offer*1

(Unit: thousand services)



Number of Reviews*2

(Unit: thousand reviews)



*1 Data as of September -October 2022.

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

Aggregation method (coconala): The number of listing services on the service website. The number of our listing services does not include proposals from sellers to public or private requests from buyers to sellers. (Unlike the listing services on the service sites of each company, this is not a pre-listed EC-type service.)

Aggregation method (other companies): The number of services displayed on the service search screen in the service site.

*2 Data as of September -October 2022.

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

Aggregation method (coconala): The number of on-offer service reviews on the service website.

Aggregation method (other companies): The number of on-offer service reviews from buyers and sellers displayed on the service/seller search page on the service website. As each company has its own review system, review systems of buyers may be different.

Category List

coconala can handle various issues and concerns of users with 15 main categories and more than 450 subcategories.

 Creative & Business

 Consultation & Private



Design

Logo creation, flyer creation/design, brochure/catalogue design, etc.



Film / Animation / Photography

Film editing, film shooting, animation, photo processing/correction, etc.



Web Marketing / Customer Acquisition

SNS marketing, SEO measures, EC marketing, website analytics, etc.



Housing / Beauty / Lifestyle / Entertainment

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



Illustration / Cartoon

Illustration, portrait creation, cartoon/comic production, character creation, character modeling, etc.



Business Agency / Consultation / Professional Consultation

Creation/support for documents and proposals, EC consulting/operation agency, preparation of contracts/various documents, legal consultation, etc.



Fortune-telling

Romance fortune-telling, marriage fortune-telling, life/spirituality, fortune-telling method/advice, etc.



Online Lessons / Advice

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



Website Creation / Website Design

Website creation, EC site creation, LP creation, application design, etc.



IT / Programming / Development

Programming, Excel/VBA creation, web system development/site construction, IT support/consultation, etc.



Consultation / Love Counseling / Conversation

Conversation partner, air one's grievances, love counseling/advice, family and nursing care counseling, etc.



Money / Side Job / Affiliate Ad

Consultations on FX, consultations on stocks/various investments, methods of side jobs/earning, etc.



Music / Narration

Composition/arrangement, narration/reading, demo/session singing, mix/mastering, etc.



Writing / Translation

Articles/web content creation, novels, proofreading, catchphrases, translation, etc.



Career / Job Hunting / Qualifications / Studying

Learning method consultation, job change/career/study abroad consultation, qualification consultation, etc.



Examples of Major Services by User

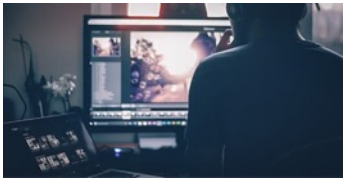
For Business

Creative

Logo Creation



Movie Editing



Business Agency

Presentation Materials



Data Analysis



Consulting /Consultation

SNS Marketing



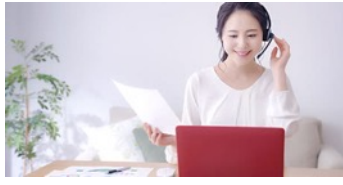
SEO Measures



For Private

Learning /Know-how

Foreign Language Lessons



Career Consultation

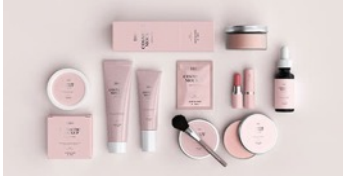


Fortune-Telling /Entertainment

Fortune-Telling



Beauty Consultation





Management Team



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.



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.



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.



Kentaro Yadomi / Outside Director (Audit and Supervisory Committee Member)

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.



Yuki Sato / Outside Director (Audit and Supervisory Committee Member)

A partner of So & Sato Law Offices from January 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.

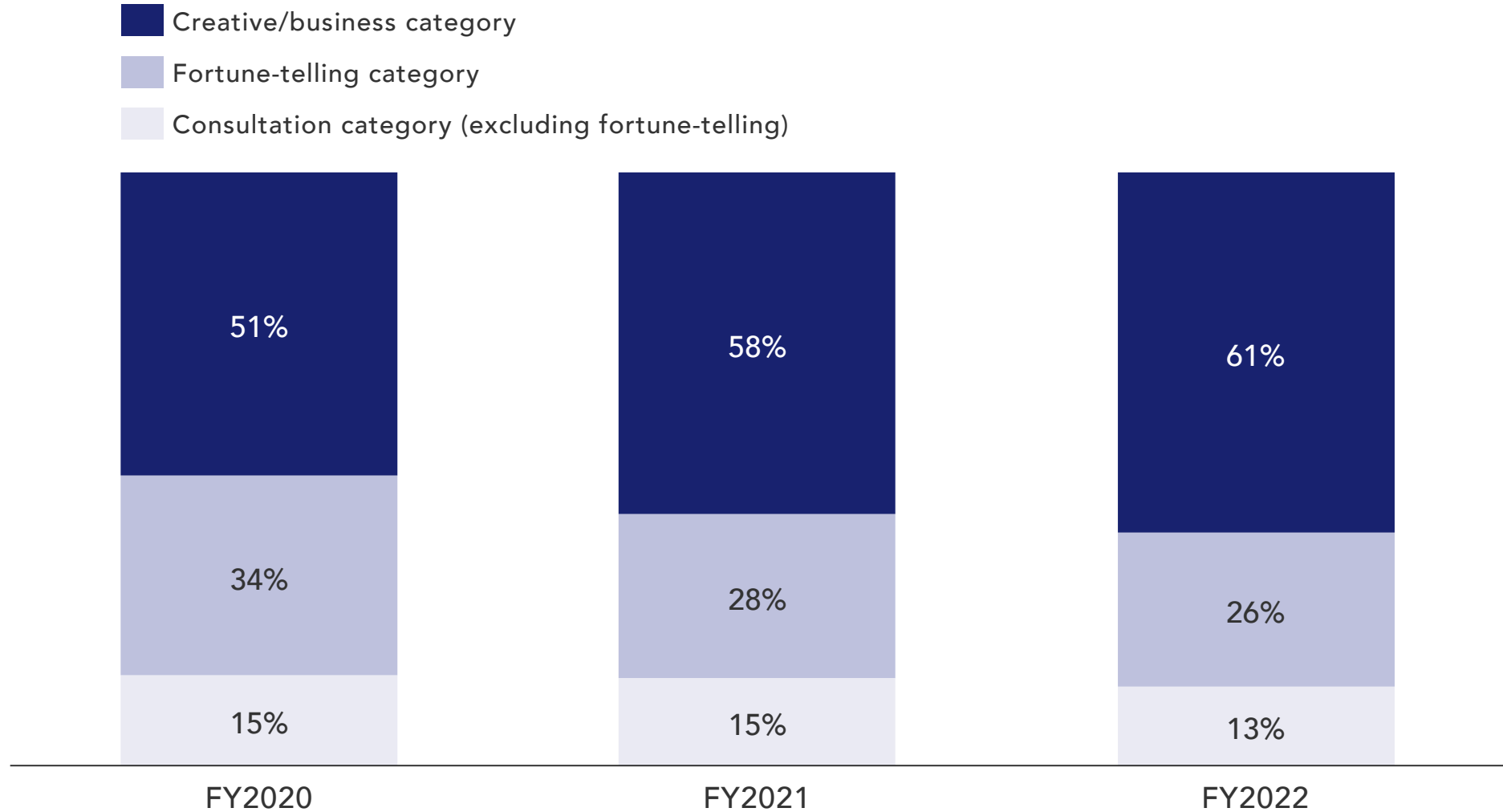


Yuka Hattori / Outside Director (Audit and Supervisory Committee Member)

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.

coconala: Changes in GMV Composition

GMV grew in the creative/business category, resulting in a decrease in the composition ratio of the fortune-telling category.





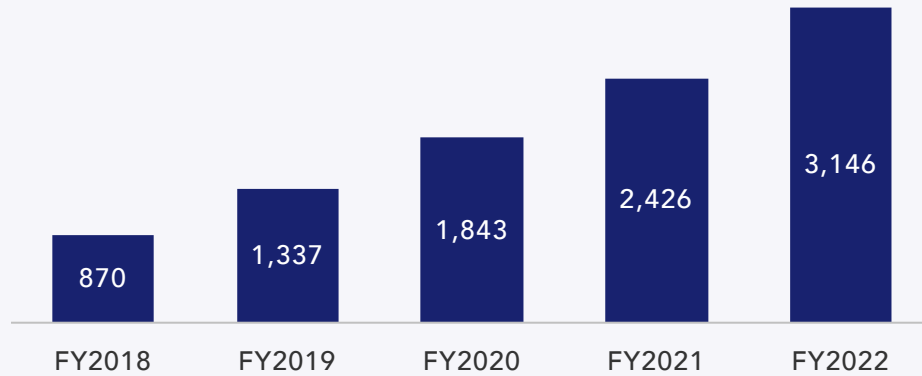
coconala: Major KPIs

(Registered Users, Annual Unique Buyers, Number of Services on Sale, Number of Sellers)

There was steady growth in each KPI.

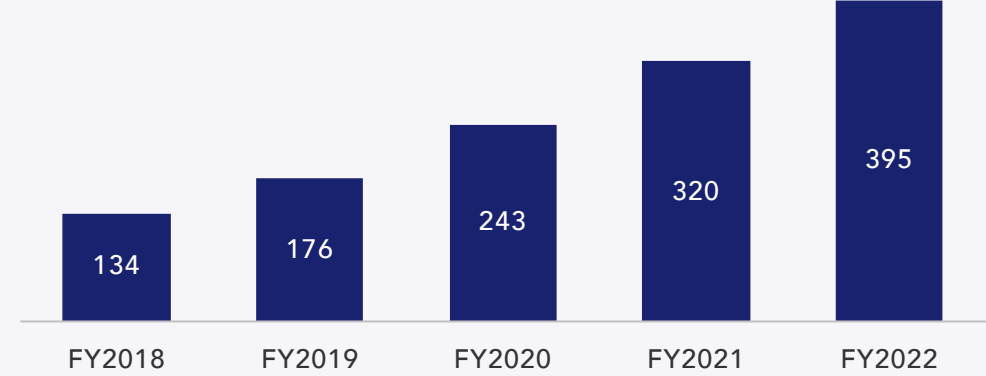
Registered Users (End of Each Fiscal Year)

(Unit: Thousand people)



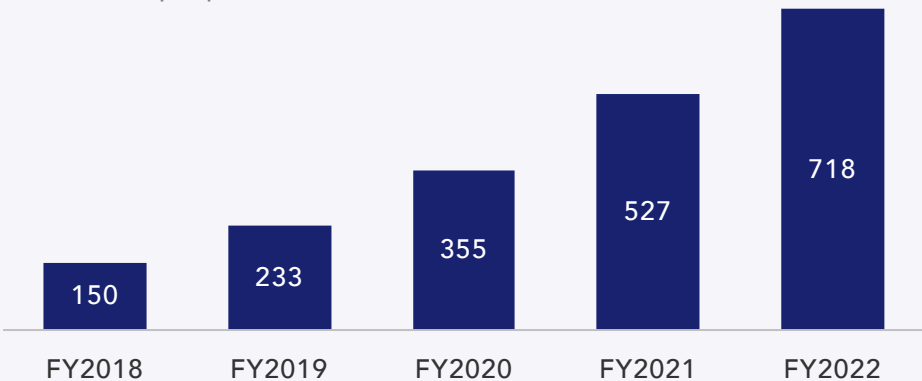
Annual Unique Buyers

(Unit: Thousand people)



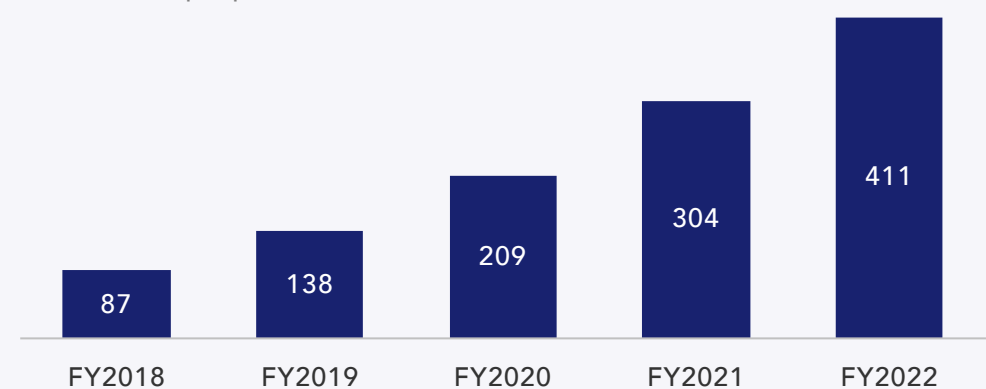
Number of Services on Sale (End of Each Fiscal Year)

(Unit: Thousand people)



Number of Sellers (End of Each Fiscal Year)

(Unit: Thousand people)



coconala: Major KPIs (Buyer-side and Seller-side KPIs)

On both the buyer and seller sides, all major KPIs grew steadily.

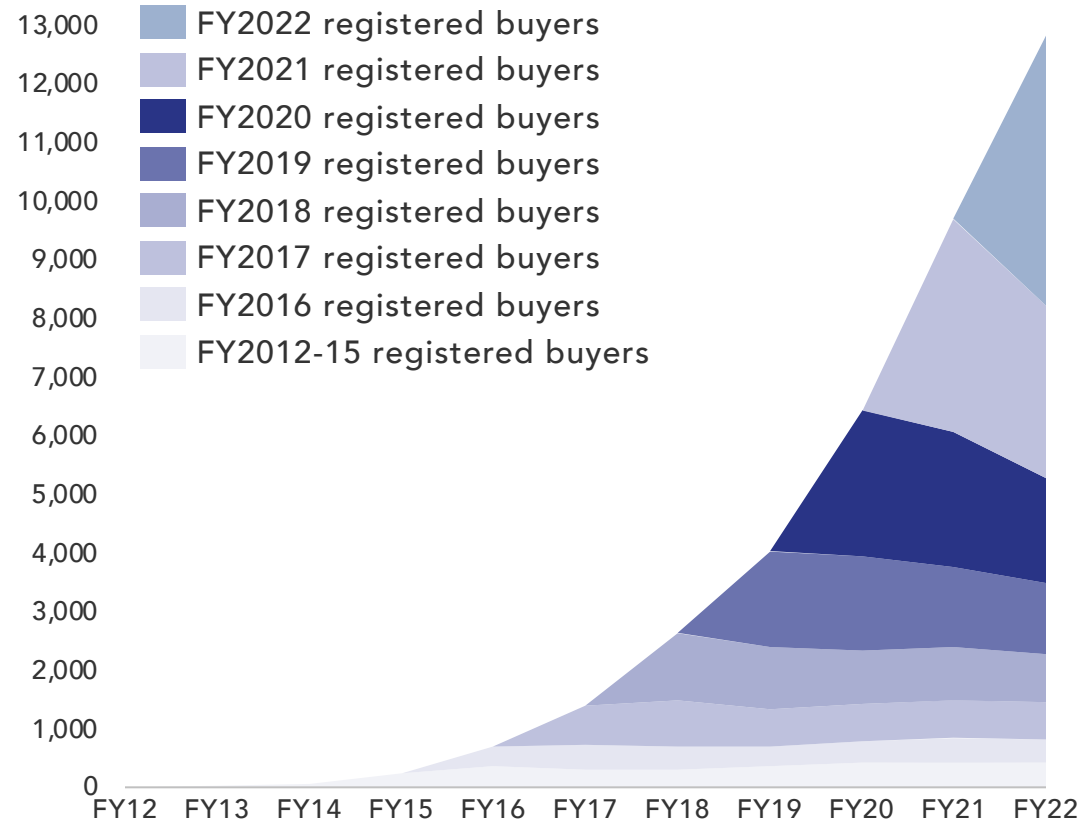


Recurring Revenue Model

A cumulative revenue structure in which GMV grows as the number of registered users grows.

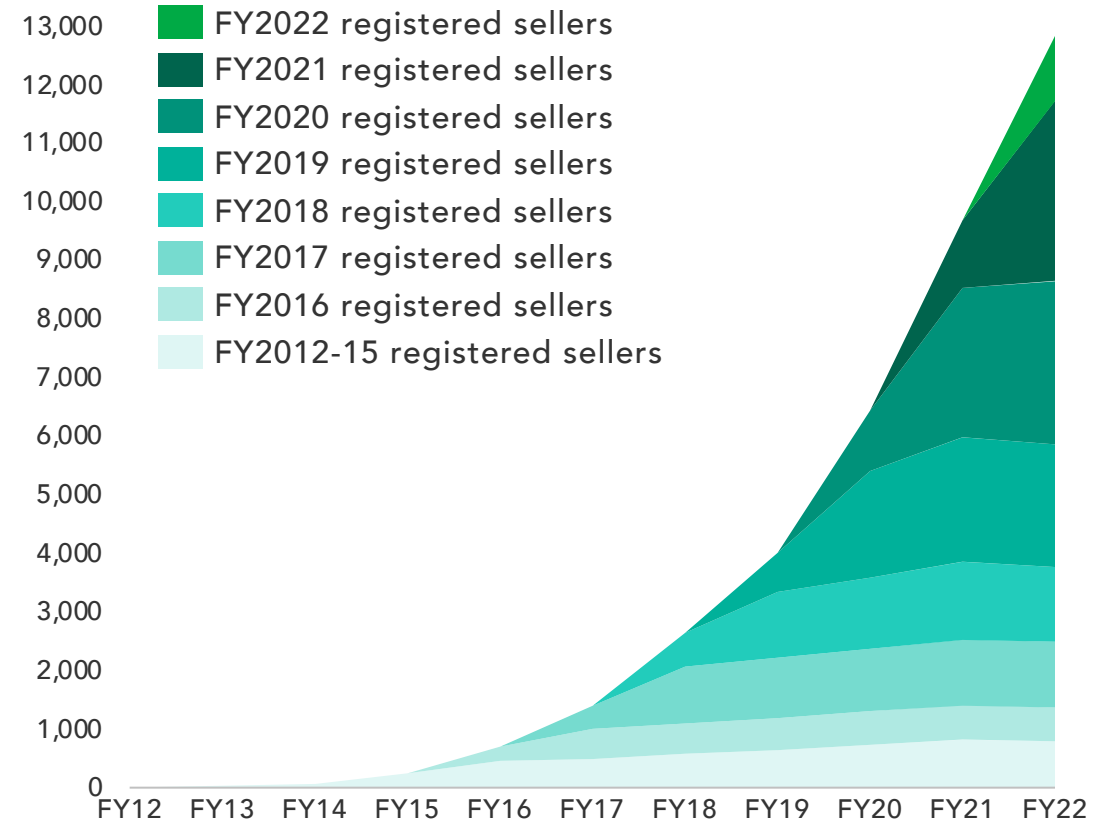
Buyer GMV (by Registration Year)*1

(Unit: MM JPY)



Seller GMV (by Registration Year)*1

(Unit: MM JPY)



*1: Contract-basis GMV: The total contract amount based on service purchase contracts signed during the fiscal year. This differs from the amount recognized as revenue for accounting purposes, which is recorded once service delivery is complete.



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 have created a system to detect communications that show an intention to cut out the intermediary.
- If detected, send a warning to the relevant individuals. We have a dedicated team for suspending the accounts of repeat offenders.



Thoughts Behind Barrier to Entry

Japanese Major Companies

- With a track record of over 10 years, we have an overwhelming number of services and reviews compared with 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 few Japanese users 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 in 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 ROI from 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

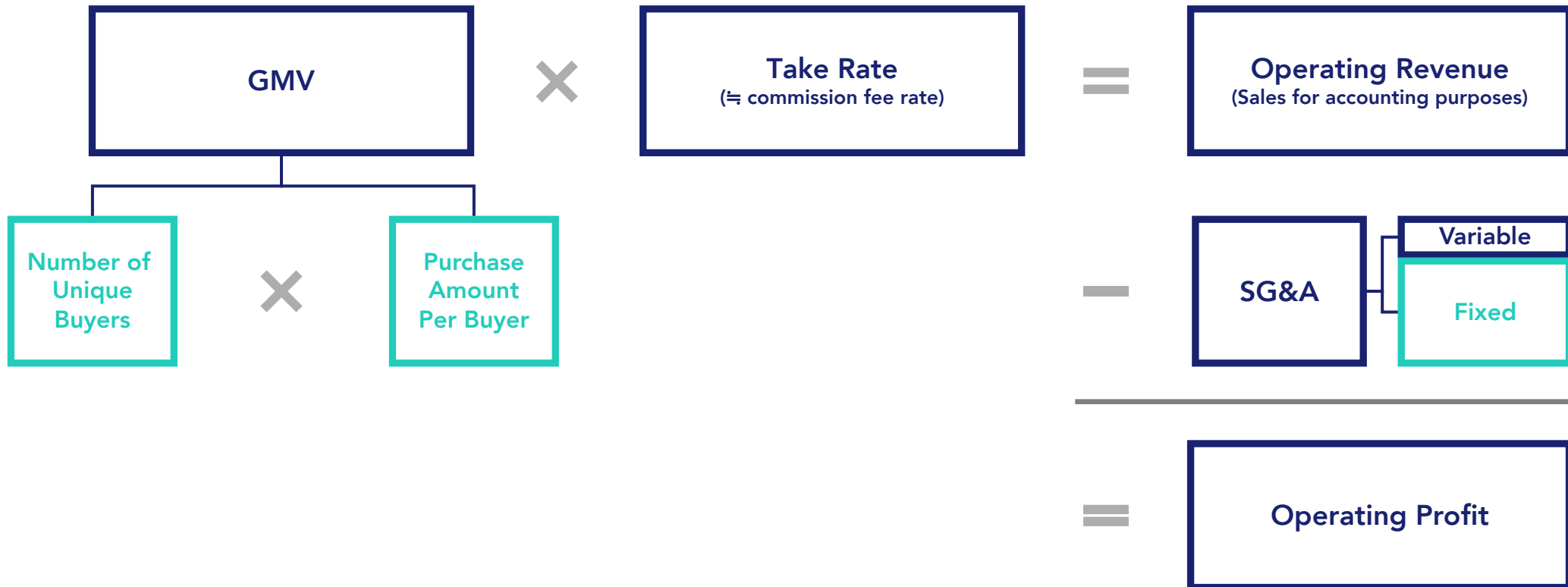
- Because we acquire the vast majority of users organically (unpaid), the payback period ^{*1} for new user acquisition is one month; the payback period ^{*1} for web ad alone (excl. organic) is about one year.
- TVCM can also be paid back in a few years^{*1} (incl. indirect effects^{*2}).

*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).

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, we aim to achieve future profitability by maximizing operating revenues.



*1 Number of unique buyers : Number of unique users who purchased services within each period.

*2 Purchase amount per buyer: Purchase amount per unique buyer within each period.

Measures Taken for Safety and Reliability of Marketplace

KYC of Sellers



Identification of sellers to increase credibility by buyers

Monitoring System



Round-the-clock monitoring of services and corresponding inquiries carried out by full-time staff

Publicizing prohibited services and conduct defined in the guideline

Escrow Settlement



Purchase payments to be escrowed until delivery of services

User Mutual Review System



Mutual review system for sellers and buyers that is open to the public

Sharing Economy Trust Mark



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

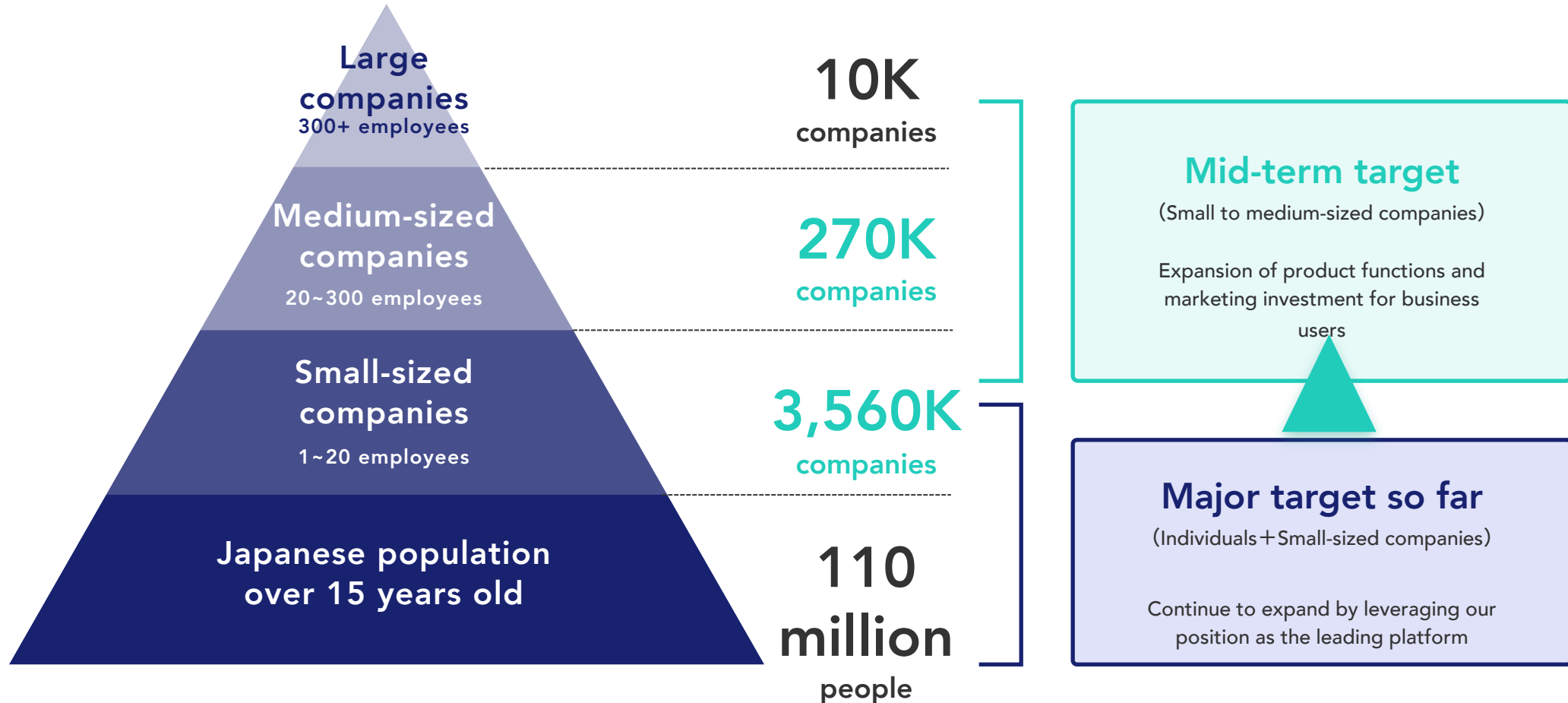
Enhanced IT System



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

coconala Business: Focusing on Small and Medium-sized Companies

We are aiming to capture market share of small and medium-sized companies with “coconala Business”.



coconala Business: Service Overview

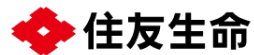
Overview of coconala Business

Site focused on business purchases



- Displays only selected services and exhibitor lineups
- Project management functions that make it easy for teams and departments to collaborate
- Dedicated team support (chat, call, etc.)
- Invoice payment, withholding, etc.

Used by companies of various sizes and across multiple industries*1



Use Case by Business Users

New business

Diversification in new business development and new measures, quick delivery and verification with limited budget

Resource shortage Support for / operational efficiency

Utilizing the skills of external human resources to respond to resource shortages / absences and improve the efficiency of internal operations

Purchasing cost reduction

Reduce service purchasing costs by diversifying and switching suppliers

CSP: Establishment of coconala Skill Partners (CSP)

CSP is a new matching-platform-type venture capital enabling startups in the early stages to utilize leading experts in each business area.



Characteristics and Novelty of CSP

- **Seed / early-stage investment**
 - Target fund size of 1 billion to 1.5 billion JPY
 - Estimated Investment amount of 10 million to 50 million JPY per case
- **Mentoring by coconala Skill Partners**
 - A design with highly skilled professionals in various areas as skill partners and allowing invested companies to add skill partners to fix investment challenges
- **Funds dedicated to collaborative investment (follow-up investment)**
 - Aim to be a platform VC that does not compete with other VC but rather co-invests alongside all VC
 - **coconala does not invest in LPs and assumes all LPs are external parties**





CSP: Why coconala Is Engaged in the VC Business

Matching coconala's mission

- CSP is a platform to **connect and empower the knowledge, skills, and experience of top-level skilled professionals with entrepreneurs** who are taking on new businesses.

Social significance of expanding the entire economy

- CSP can help **expand the economy** by providing the support of the best skill holders to entrepreneurs who will create new industries and jobs.

Promoting the use of coconala for startups

- As we listen to the voices of our investment partners, we will **propose solutions using coconala**.

Presenting new ways of working

- Skill holders are not satisfied with being no more than salaried workers.
- This reward mechanism, which provides **upside, is a dream for the careers of skill holders, introducing them to new possibilities**.

Branding on coconala itself

- coconala started out as a "housewife's side business for 500 yen," and now it is becoming a platform that matches high-skilled sellers with large companies.
- Through CSP, top-level skill holders are working under the "coconala" name and **contributing to strengthening the impression that coconala has high-level human resources**.

Tips for M&A and new businesses

- Grasping startup trends helps us to field information valuable for M&A and new businesses.
- **coconala considers active investment through M&A in the future**.

CSP: Matching "Highly Skilled Professionals"

Leveraging our concept to the matching of "highly skilled professionals" and "start-up companies facing a shortage of specialized skills".

Conventional Problem

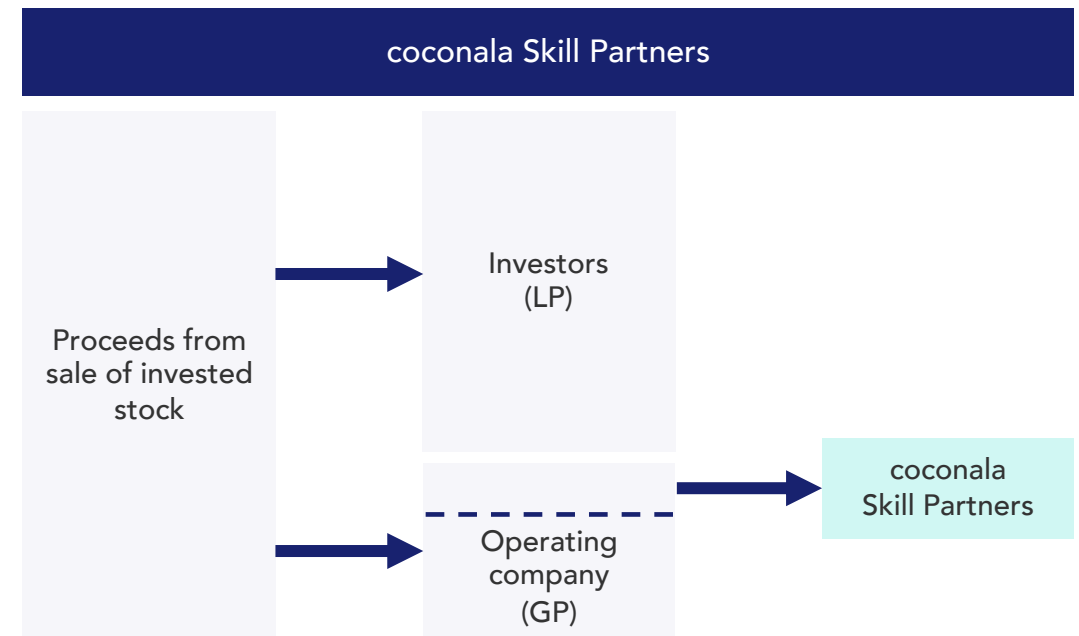
Start-up companies facing a shortage of specialized skills for their growth had difficulty in hiring highly skilled professionals due to the lack of appropriate compensation schemes.

Compensation scheme	Problem
Cash compensation	<ul style="list-style-type: none"> Shortage of funds of startups in the early stages
Stock options	<ul style="list-style-type: none"> Difficulty in making appropriate valuation Significant burden for startups
Advisory contracts with VCs	<ul style="list-style-type: none"> Difficulty in adjusting the appropriate percentage of involvement Rewards without upward revision



coconala's Unique Solution

coconala Skill Partners acquires "pseudo investment interests" based on the period of activity, support content, evaluation from investment corporations, etc. In addition, the investment profit will be distributed according to the investment performance of the fund.



coconala Agent: A business outsourcing agent type service for IT freelancers

Overview

A business outsourcing agent type service that matches IT freelancers with companies

November 2022 :Started advance registration
January 2023 :Started business



- Specializing in jobs with high demand for freelance work centering on IT engineers and designers



IT engineer



Designer



Date scientist



Product manager

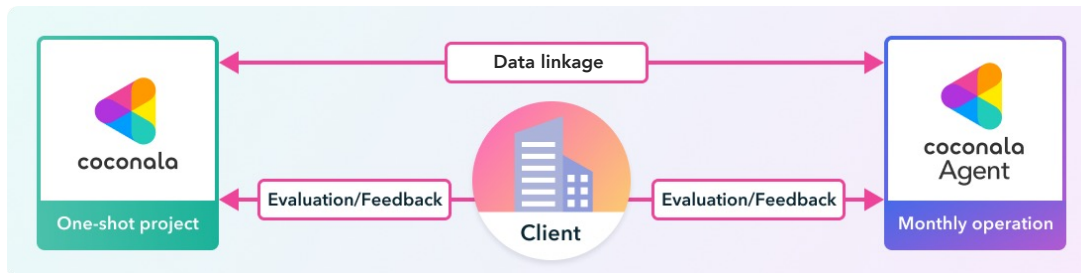


Marketer



HR personnel

- Scheduled to link and utilize the evaluation from the companies in coconala Agent



Features

	coconala	coconala Agent
Matching form	Services/one-time (spot type)	People/projects (monthly operation type)
Targeted businesses	A wide range of services related to production and consultation that are in demand by companies and individuals	Centering on IT-related jobs with high needs for continuous operation within companies
Form of provision of skills	Completed online	Remote operation and operation within offices
Attributes and needs of purchasers	A wide range of individuals and corporations	Growing companies and large companies mainly in the IT industry



coconala Agent: Why coconala is Engaged in the Agent Business

Expansion of coconala's ecosystem

- Capable of responding to various needs of users through people/projects type matching
- Accelerate the attraction of business users that has been difficult with coconala's existing services through matching in the form of business outsourcing which is often seen in Japan

High growth potential of the market

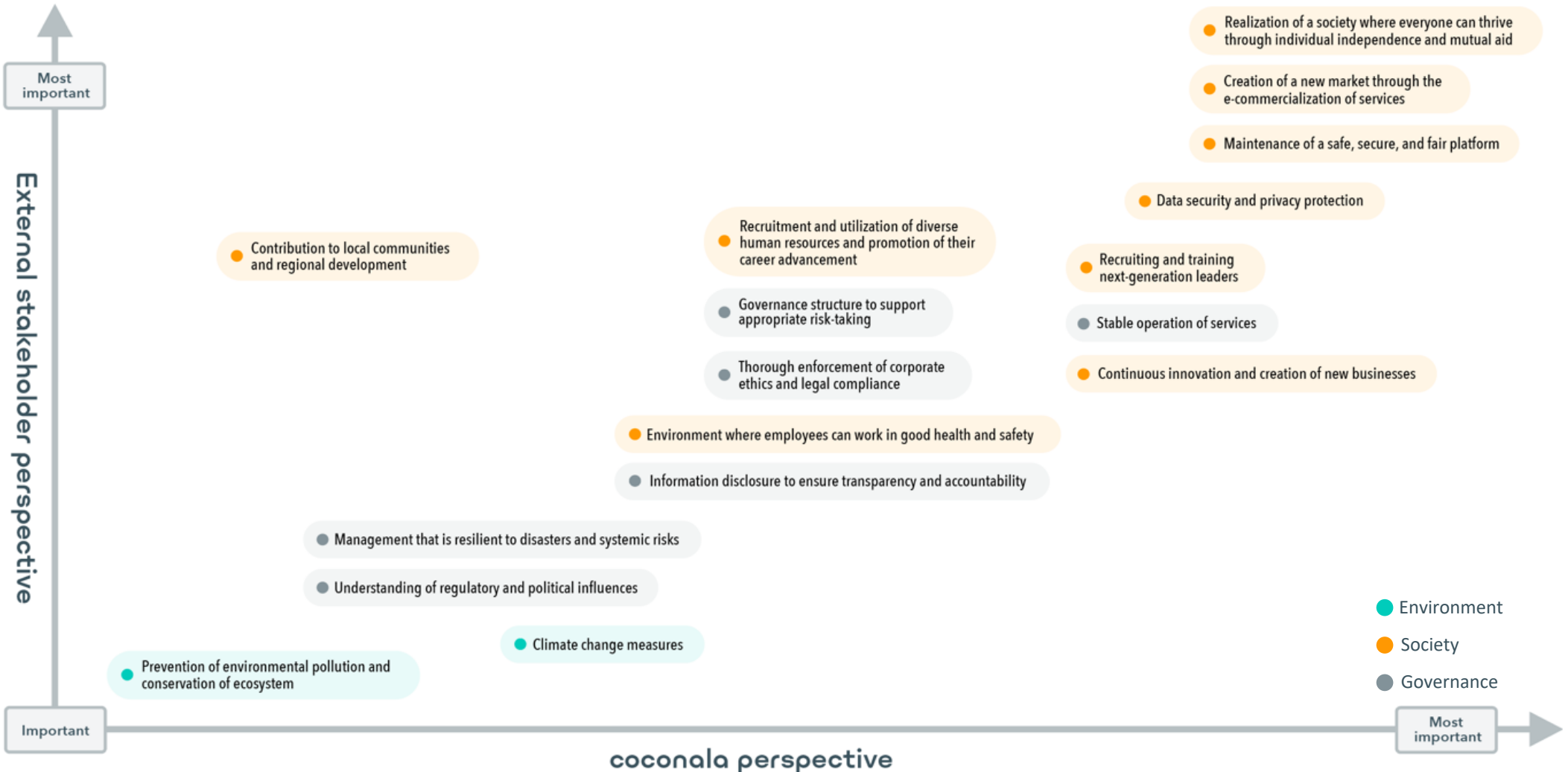
- While it is difficult to secure full-time IT personnel, the securement of engineers and designers in the form of business outsourcing is becoming common mainly at IT startups
- While various and new lifestyles are spreading also among IT personnel amid the COVID-19 pandemic, more workers, especially engineers, choose to work as freelancers

Acquisition of freelancers by using position as top skill-sharing marketplace

- Currently, more than 400,000 sellers are registered with coconala, and coconala has the potential as a place to match these personnel with the business outsourcing projects of companies
- By linking the evaluation at "coconala Agent" to "coconala," the evaluation of the performance for projects of companies will be accumulated at coconala, and the promotion of sales at coconala can be expected

ESG Materiality Map

Formulated materiality map based on discussions with internal and external stakeholders. coconala places particular importance on social issues.



Created the Sustainability Page

Created the sustainability page on our website in November 2022.

<https://coconala.co.jp/en/sustainability>

ENVIRONMENT

Environmental Policy

As a skill-sharing platform that matches people online, we help preserve the global environment by reducing unnecessary paper use and transportation. In addition, regarding climate change as the most important, imminent issue that everyone needs to address, we strive to reduce the environmental impact of our business activities by promoting energy conservation efforts and renewable energy use.

Climate Change Initiatives

Product/Service Characteristics and Environmental Contribution

Our business centers on coconala, a skills marketplace for buying and selling services based on individuals' knowledge, skills and experience. Since coconala is a completely online sales platform, we are contributing to climate change measures and waste reduction efforts by reducing the paper exchange and greenhouse gas emissions associated with physical movement for conventional face-to-face services. Furthermore, because our business is the operation and development of cloud services, our greenhouse gas emissions are primarily limited to the use of electricity in the office. In light of these factors, we believe that replacing existing services with our services will not only enhance our corporate value but also help to reduce environmental impact.

Greenhouse Gas Initiatives

We are introducing renewable energy use to reduce

SOCIETY

Product/Service Characteristics and Social Contribution

We aim to create the kind of world where anyone can draw on their skills to help others while learning from these people and passionately living their "own story". Our core business, coconala, is a skill-matching platform that empowers every user, including skill providers from professionals to amateurs as well as private users and business users. In addition, by harnessing the power of technology to eliminate constraints such as time, place, environment and age, we empower unutilized and underutilized human resources and provide society with flexibility in work and lifestyle. Furthermore, through information visualization and support, we are striving to maintain a safe, secure and fair platform where anyone can easily obtain necessary information and exchange on an equal footing.

Initiatives for Customers

Quality Assurance System

We are implementing the following initiatives to improve the quality and safety of our services.

- Establishment of a customer service point (Customer Success Department)
- Continuous monitoring of satisfaction with customer service point
- Development of guidelines to ensure appropriateness of labeling
- Company-wide disclosure of information on customer requests, complaints, service defects, etc.
- Establishment of a specialized team to monitor user listings daily, both visually and with AI (Soundness Team)
- Disclosure and warning about user violations on the coconala website (coconala News)
- "Pro selection" of high-quality sellers

GOVERNANCE

Governance Structure

For our organizational structure, we have selected a company with a board of company auditors. Our corporate governance structure is as follows.

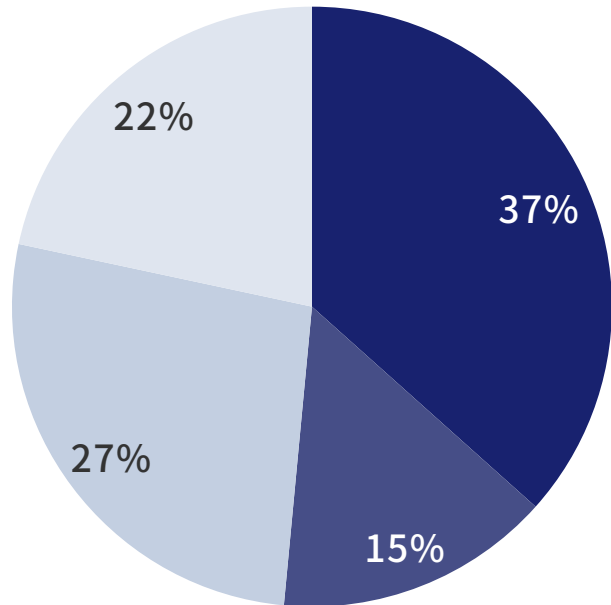
Organization Chart

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    graph TD
      GMS[General Meeting of Shareholders] -- Appointment/Dismissal --> Board[Board of Directors]
      GMS -- Appointment/Dismissal --> IA[Independent Auditor]
      Board -- Auditing/Reporting --> ASC[Audit and Supervisory Committee]
      Board -- Collaboration --> IA
      IA -- Independent Audit --> Board
      Board -- Appointment --> NRC[Nominating and Remuneration Committee]
      NRC -- Proposal --> Board
      Board -- Instruction/Appointment --> IAO[Internal Audit Office]
      IAO -- Collaboration --> IA
      IA -- Collaboration --> IAO
      Board -- Reporting --> RD[Representative Director]
      RD -- Selection/Supervision/Dismissal --> Board
      RD -- Reporting --> IAO
      RD -- Reporting --> RCC[Risk & Compliance Committee]
      RCC -- Auditing --> IAO
      RD -- Instruction/Reporting --> RCC
      RD -- Instruction/Supervision --> BD[Business Departments]
      BD -- Reporting --> RD
      BD -- Instruction/Reporting --> RCC
      RCC -- Reporting --> IAO
      RCC -- Guidance/Advice --> ACE[Attorney Certified public tax accountant Other experts]
      ACE -- Guidance/Advice --> IAO
  
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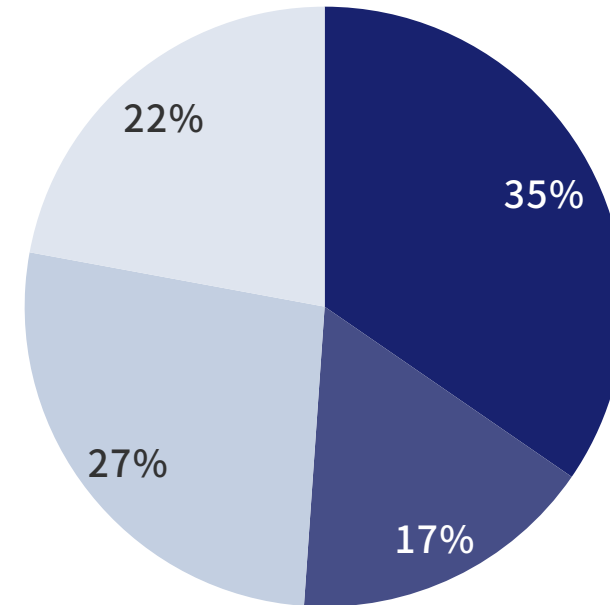
Changes in Shareholder Composition

End of August 2022



■ Institutional investors (overseas)
■ Individuals and others (including VCs)

End of February 2023



■ Institutional investors (Japan)*1
■ coconala executives and founders



Disclaimer

This material includes forward-looking statements.

Such statements do not guarantee the realization of such outlook and includes risks and uncertainties.

Please note that the actual performance may differ from the future outlook due to environmental changes, etc.

In addition, the information on companies other than coconala in this material are cited from the disclosed information, etc., and coconala does not verify nor guarantee the accuracy and adequacy of such information.



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