



Consolidated Financial Results for the Third Quarter Ended December 31, 2023

February 14, 2024

Name of Listed Company: Bengo4.com, Inc.

Listed Stock Exchange: Tokyo Stock Exchange

Securities Code: 6027

URL <https://www.bengo4.com/corporate/en/>

Representative: Taichiro Motoe, Representative Director, President and CEO

Contact: Masaaki Sawada, Director

TEL: +81-3-5549-2555

Scheduled date to submit quarterly report: February 14, 2024

Scheduled date to commence dividend payments: –

Preparation of supplementary materials on financial results: Yes

Holding of financial results briefing session: Yes (for institutional investors and analysts)

(Million yen with fractional amounts rounded down)

1. Consolidated financial results for the third quarter ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative totals)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---------------------------------------|-------------|---|------------------|---|-----------------|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Third quarter ended December 31, 2023 | 8,020 | – | 887 | – | 931 | – | 571 | – |
| December 31, 2022 | – | – | – | – | – | – | – | – |

(Note) Comprehensive income: Third quarter ended December 31, 2023: 571 million yen (–%)

Third quarter ended December 31, 2022: – million yen (–%)

| | Basic earnings per share | Diluted earnings per share |
|---------------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Third quarter ended December 31, 2023 | 25.66 | 25.08 |
| December 31, 2022 | – | – |

(Note) Figures and changes from the previous corresponding period for nine months ended December 31, 2022 are not available due to the quarterly consolidated statements having started to be published since the first nine months of the fiscal year ending March 31, 2024.

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of December 31, 2023 | 9,068 | 3,875 | 42.2 |
| March 31, 2023 | – | – | – |

Reference: Equity capital As of December 31, 2023: 3,829 million yen

As of March 31, 2023: – million yen

(Note) Figures for the year ended March 31, 2023 are not available, as the Company has been preparing quarterly consolidated financial statements since the third quarter of the year ending March 31, 2024.

2. Cash dividends

| | Dividend per share | | | | |
|--|--------------------|--------------------|-------------------|-----------------|--------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2023 | – | 0.00 | – | 0.00 | 0.00 |
| Fiscal year ending March 31, 2024 | – | 0.00 | – | – | – |
| Fiscal year ending March 31, 2024 (Forecast) | – | – | – | 0.00 | 0.00 |

(Note) Revision to dividend forecasts published most recently: None

3. Consolidated forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | Ordinary profit | Profit attributable to owners of parent | Basic earnings per share |
|-----------------------------------|-------------|---|---------------------|---------------------|---|--------------------------|
| | Million yen | % | million yen or more | million yen or more | million yen or more | yen or more |
| Fiscal year ending March 31, 2024 | 11,400 | – | 1,200 | 1,200 | 740 | 33.28 |

(Note) Revisions to earnings forecasts published most recently: No

In our earnings forecasts for the fiscal year ending March 31, 2024, the Company aims to maintain positive operating profit and has a policy not to disclose concrete forecasts for all profit items from operating profit onwards, from the viewpoint that agile investment judgment responding to rapid changes in the market environment is needed.

* Notes

(1) Changes of important subsidiaries during the period (changes of specific subsidiaries in accordance with changes in the scope of consolidation): Yes

New: 1 company (company name): LIC CO., Ltd, Excluded (company name) : None

(2) Application of particular accounting treatment concerning preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies and changes or restatement of accounting estimates

a. Changes in accounting policies due to revisions to accounting standards and other regulations: None

b. Changes in accounting policies other than a: None

c. Change in accounting estimates: None

d. Restatement: None

(4) Number of shares issued (common stock)

a. Total number of shares issued at the end of the period (including treasury shares)

| | | | |
|-------------------------|-------------------|----------------------|-------------------|
| As of December 31, 2023 | 22,373,100 shares | As of March 31, 2023 | 22,329,500 shares |
|-------------------------|-------------------|----------------------|-------------------|

b. Number of treasury shares at the end of the period

| | | | |
|-------------------------|----------------|----------------------|----------------|
| As of December 31, 2023 | 101,363 shares | As of March 31, 2023 | 101,289 shares |
|-------------------------|----------------|----------------------|----------------|

c. Average number of shares during the period

| | | | |
|-------------------------------------|-------------------|-------------------------------------|-------------------|
| Nine months ended December 31, 2023 | 22,263,748 shares | Nine months ended December 31, 2022 | 22,179,718 shares |
|-------------------------------------|-------------------|-------------------------------------|-------------------|

* Quarterly financial results are outside the scope of the quarterly review by certified public accountants or audit corporations.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements such as earnings forecasts stated in this document are based on the information currently available to the Company and certain assumptions that the Company judges as rational. These statements are not guarantees of future performance. Actual results may differ substantially from the forecasts due to various factors. For the assumptions underlying the forecasts and precautions when using the forecasts, please refer to “1. Qualitative Information on Financial Results for the Third Quarter Ended December 31, 2023, (3) Explanation regarding consolidated earnings forecasts and other forward-looking statements” on page 3 of the supplementary materials.

○ Supplementary Materials – Contents

| | |
|--|----|
| 1. Qualitative Information on Financial Results for the Third Quarter Ended December 31, 2023 | 2 |
| (1) Summary of operating results | 2 |
| (2) Summary of financial position | 3 |
| (3) Explanation regarding consolidated earnings forecasts and other forward-looking statements | 3 |
| 2. Quarterly Consolidated Financial Statements and Key Notes..... | 4 |
| (1) Quarterly consolidated balance sheet | 4 |
| (2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income | 6 |
| Quarterly consolidated statement of income | 6 |
| First nine-month period..... | 6 |
| Quarterly consolidated statement of comprehensive income..... | 7 |
| First nine-month period..... | 7 |
| (3) Notes to quarterly consolidated financial statements | 8 |
| (Notes on going concern assumptions) | 8 |
| (Notes in the case of significant changes in shareholders' equity)..... | 8 |
| (Additional information) | 8 |
| (Segment information) | 9 |
| (Business combination, etc.) | 10 |

1. Qualitative Information on Financial Results for the Third Quarter Ended December 31, 2023

The Company prepared quarterly consolidated financial statements for the first time for the first nine months of the fiscal year under review, and therefore does not conduct a comparative analysis with the same period of the previous fiscal year or with the end of the previous fiscal year.

(1) Summary of operating results

During the first nine months under review, the Japanese economy was dampened by a slowdown in the pace of recovery of overseas economies. Nonetheless, it continued to recover modestly and grow at a pace above its potential growth rate, buoyed by the effects of loose monetary conditions and the government's economic policies, in addition to a rebound in consumer demand with the normalization of economic activity after the reclassification of COVID-19 to Class 5 disease under the Infectious Disease Act. However, the outlook remains uncertain given overseas economic and price trends, resource price trends, and corporate wages and pricing behavior.

Under the mission "Be the Professional-Tech Company," the Company has been operating the Internet media business through portal sites such as Bengoshi.com for legal consultation and zeirishi.com for tax consultation, while also providing IT and solution services including CloudSign, a contract management platform.

On October 2, 2023, the Company acquired the shares of LIC CO., Ltd., which provides Hanreihisho, a legal precedent database, and has an overwhelming market share. The business results of LIC CO., Ltd. and its subsidiary EOC.com Co., Ltd. are reflected starting from the first nine months of the fiscal year under review.

Since the Company also began preparing quarterly consolidated financial statements starting from the first nine months of the fiscal year under review, the Company also recorded equity method investment gains in relation to the investment securities it holds in relation to SMBC CLOUDSIGN, Inc.

As a result, net sales totaled 8,020 million yen, operating profit stood at 887 million yen, ordinary profit was 931 million yen, and profit attributable to owners of parent came to 571 million yen in the first nine months of the fiscal year under review.

Operating results by business segment are as follows.

(Media business)

In the Media business, the Company engages in the Internet media business through the legal consultation portal site Bengoshi.com and the tax consultation portal site zeirishi.com.

In the Bengo4.com business, the Company focused on providing content that is helpful for users and improving usability. It also sought to increase recognition through the distribution of articles of Bengoshi.com news, an owned media channel which lawyers use to explain familiar topics from a legal perspective. Consequently, monthly site visitors amounted to 10.91 million in December 2023. The number of registered lawyers as of the end of the third quarter under review stood at 23,274, of which the number of lawyers with paid member subscriptions to the lawyer support service stood at 5,387. Meanwhile, the number of paid subscribers to Bengoshi.com paid services was 185,573.

As a result, net sales for the first nine months under review came to 3,290 million yen and segment profit was 1,095 million yen.

(IT/Solutions business)

In the IT/Solutions business, the Company provides IT and solution services including CloudSign, a contract management platform. On October 2, 2023, the Company acquired the shares of LIC CO., Ltd., which provides Hanreihisho, a legal precedent database, and which has an overwhelming market share. The business results of LIC CO., Ltd. and its subsidiary EOC.com Co., Ltd. are reflected from the first nine months of the fiscal year under review.

In the CloudSign service, the Company sought to reinforce its development and sales systems by actively recruiting human resources, while simultaneously improving usability, increasing recognition and expanding its customer base through the placement of advertisements in a range of media, among other efforts. As a result, the number of contracts transmitted amounted to 2,094,572 in the third quarter under review.

As a result, net sales for the first nine months under review came to 4,729 million yen and segment profit was 983 million yen.

(2) Summary of financial position

Total assets at the end of the third quarter of the fiscal year under review amounted to 9,068 million yen. The main components were cash and deposits of 3,189 million yen, accounts receivable - trade of 1,511 million yen, goodwill of 1,860 million yen, and software of 863 million yen.

(Current assets)

Current assets at the end of the third quarter under review stood at 5,184 million yen. The main components were cash and deposits of 3,189 million yen and accounts receivable - trade of 1,511 million yen.

(Non-current assets)

Non-current assets at the end of the first nine months of the fiscal year under review stood at 3,920 million yen. Major components include 1,860 million yen in goodwill and 863 million yen in software.

(Current liabilities)

Current liabilities at the end of the first nine months of the fiscal year under review stood at 2,508 million yen. Major components include 803 million yen in advances received and 691 million yen in accounts payable - other.

(Non-current liabilities)

Non-current liabilities at the end of the first nine months of the fiscal year under review stood at 2,684 million yen. This mainly included long-term borrowings of 2,382 million yen.

(Net assets)

Net assets at the end of the first nine months of the fiscal year under review stood at 3,875 million yen. Main components include 3,436 million yen in retained earnings.

(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements

There is no change to the earnings forecasts for the fiscal year ending March 31, 2024 announced on December 13, 2023.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

| | (Thousand yen) |
|-------------------------------------|---|
| | Third quarter under review (As of December 31, 2023) |
| Assets | |
| Current assets | |
| Cash and deposits | 3,189,008 |
| Accounts receivable | 1,511,911 |
| Supplies | 2,863 |
| Prepaid expenses | 433,744 |
| Other | 53,630 |
| Allowance for doubtful accounts | -42,830 |
| Total current assets | 5,148,327 |
| Non-current assets | |
| Property, plant and equipment | |
| Buildings, net | 113,044 |
| Vehicles, net | 2,762 |
| Tools, furniture and fixtures, net | 75,368 |
| Land | 1,055 |
| Total property, plant and equipment | 192,230 |
| Intangible assets | |
| Goodwill | 1,860,336 |
| Software | 863,506 |
| Software in progress | 101,937 |
| Patent right | 7,496 |
| Trademark right | 4,735 |
| Other | 335 |
| Total intangible assets | 2,838,347 |
| Investments and other assets | |
| Investment securities | 394,636 |
| Distressed receivables | 29,405 |
| Leasehold and guarantee deposits | 195,588 |
| Long-term prepaid expenses | 30,639 |
| Deferred tax assets | 238,669 |
| Other | 30,437 |
| Allowance for doubtful accounts | -29,404 |
| Total investments and other assets | 889,972 |
| Total non-current assets | 3,920,549 |
| Total assets | 9,068,877 |

(Thousand yen)

| | Third quarter under review (As of December 31, 2023) |
|--|---|
| Liabilities | |
| Current liabilities | |
| Accounts payable - other | 691,043 |
| Current portion of long-term borrowings | 485,004 |
| Income taxes payable | 187,532 |
| Accrued consumption taxes | 134,472 |
| Accrued expenses | 153,914 |
| Advances received | 803,019 |
| Provision for bonuses | 6,350 |
| Deposits received | 47,037 |
| Other | 3 |
| Total current liabilities | 2,508,377 |
| Non-current liabilities | |
| Long-term borrowings | 2,382,497 |
| Provision for retirement benefits for directors (and other officers) | 269,100 |
| Retirement benefit liability | 27,100 |
| Asset retirement obligations | 2,050 |
| Long-term accounts payable - other | 3,900 |
| Total non-current liabilities | 2,684,647 |
| Total liabilities | 5,193,024 |
| Net assets | |
| Shareholders' equity | |
| Share capital | 463,877 |
| Capital surplus | 429,571 |
| Retained earnings | 3,436,908 |
| Treasury shares | -500,777 |
| Total shareholders' equity | 3,829,579 |
| Share acquisition rights | 46,273 |
| Total net assets | 3,875,852 |
| Total liabilities and net assets | 9,068,877 |

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

Quarterly consolidated statement of income

First nine-month period

(Thousand yen)

| | Third quarter under review (from April 1, 2023 to December 31, 2023) |
|---|--|
| Net sales | 8,020,763 |
| Cost of sales | 1,590,171 |
| Gross profit | 6,430,591 |
| Selling, general and administrative expenses | 5,543,272 |
| Operating profit | 887,318 |
| Non-operating income | |
| Interest income | 39 |
| Share of profit of entities accounted for using equity method | 40,536 |
| Commission income | 5,837 |
| Proceeds from miscellaneous income | 1,672 |
| Total non-operating income | 48,086 |
| Non-operating expenses | |
| Interest expenses | 1,516 |
| Loss on investments in investment partnerships | 1,468 |
| Miscellaneous losses | 1,379 |
| Total non-operating expenses | 4,364 |
| Ordinary profit | 931,039 |
| Extraordinary losses | |
| Loss on retirement of non-current assets | 0 |
| Total extraordinary losses | 0 |
| Profit before income taxes | 931,039 |
| Income taxes - current | 347,219 |
| Income taxes - deferred | 12,596 |
| Total income taxes | 359,815 |
| Profit | 571,224 |
| Profit attributable to non-controlling interests | — |
| Profit attributable to owners of parent | 571,224 |

Quarterly consolidated statement of comprehensive income

First nine-month period

(Thousand yen)

| | Third quarter under review (from April 1, 2023 to December 31, 2023) |
|--|--|
| Profit | 571,224 |
| Other comprehensive income | |
| Total other comprehensive income | — |
| Comprehensive income | 571,224 |
| Comprehensive income attributable to | |
| Comprehensive income attributable to owners of parent | 571,224 |
| Comprehensive income attributable to non-controlling interests | — |

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumptions)

Not applicable.

(Notes in the case of significant changes in shareholders' equity)

Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)

1. Dividends paid

Not applicable.

2. Dividends whose record date falls in the nine months of the fiscal year and whose effective date falls after the last day of the first nine months under review

Not applicable.

3. Significant changes in shareholders' equity

Not applicable.

(Additional information)

(Significant matters that serve as the basis for the preparation of quarterly consolidated financial statements)

The Company began preparing quarterly consolidated financial statements from the third quarter of the fiscal year under review. Significant matters that serve as the basis for the preparation of quarterly consolidated financial statements are as follows.

1. Matters regarding scope of consolidation

Number of consolidated subsidiaries: 2 companies

Names of consolidated subsidiaries

LIC CO., Ltd

EOC.com Co., Ltd.

2. Matters regarding application of equity method

Number of affiliates accounted for using equity method: 1

Name of affiliates:

SMBC CLOUDSIGN, Inc.

3. Matters regarding fiscal years, etc., of consolidated subsidiaries

Among the consolidated subsidiaries, LIC CO., Ltd. has the same fiscal year end as the consolidated fiscal year end; however, since EOC.com Co., Ltd. has a fiscal year ending September 30, financial statements based on a provisional settlement of accounts as of the consolidated fiscal year end are used in the preparation of the consolidated financial statements.

(Segment information)

[Segment information]

I. Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)

1. Information on net sales and profit (loss) by reportable segment

(Thousand yen)

| | Reportable segments | | | Adjustment (Note 1) | Amount posted in the quarterly statement of income (Note 2) |
|----------------------------------|---------------------|--------------|-----------|------------------------|---|
| | Media | IT/Solutions | Total | | |
| Net sales | | | | | |
| Net sales to external customers | 3,290,883 | 4,729,880 | 8,020,763 | — | 8,020,763 |
| Inter-segment sales or transfers | — | — | — | — | — |
| Total | 3,290,883 | 4,729,880 | 8,020,763 | — | 8,020,763 |
| Segment profit | 1,095,589 | 983,682 | 2,079,272 | -1,191,954 | 887,318 |

(Notes) 1. The adjustment for segment profit of negative 1,191,954 thousand yen includes corporate expenses in the amount of negative 1,191,954 thousand yen not previously allocated to the reportable segments. Corporate expenses consist primarily of general and administrative expenses that are not attributable to the reporting segments.

2. Segment profit is adjusted to be consistent with the operating profit reported in the quarterly consolidated statement of income.

2. Information on impairment losses on non-current assets and goodwill by reportable segment

(Significant changes in amount of goodwill)

In the IT/Solutions business segment, LIC Co., Ltd. and EOC.com Co., Ltd. are included in the scope of consolidation for the first time. This event resulted in an increase in goodwill of 1,860,336 thousand yen during the nine months under review. The amount of goodwill arising from this event has been determined provisionally as allocation of the purchase price was incomplete as of the end of the third quarter of the consolidated fiscal year under review.

(Business combination, etc.)

(Business combination through acquisition)

1. Outline of the business combination

(1) Name and business of acquired company

Name of acquired company: LIC CO., Ltd

Business: Development and provision of a legal precedent database named Hanreihisho

(2) Main reasons for the business combination

The Company aims to enhance corporate value over the medium to long term under its mission: “creating the next common sense with professional tech.” One of its important strategies is building the Legal Brain, Japan’s first proprietary large language model (LLM) specializing in law and using every piece of legal data as knowledge. Under this strategy, the Company is developing unprecedented legal services. The Company believes that legal precedent data provide one of the most important datasets for the Legal Brain initiative. In this context, the case data held by the Hanreihisho are carefully selected important precedents in Japan from the 1900s to the present, and their value is incalculable. The Company and LIC will work as one team to expand legal precedent database services, while growing each other’s customer base. The fusion of each company’s expertise and technologies in the legal community will enable them to develop services that add value to Hanreihisho and drive the Legal Brain initiative.

(3) Date of the business combination

October 2, 2023 (deemed acquisition date: October 1, 2023)

(4) Legal form of the business combination

Share acquisition in exchange for cash

(5) Name of the combined entity

No change

(6) Percentage share of voting rights acquired

100.00%

(7) Main reason for the decision to acquire the company

Availability to the Company of the method of all share acquisition in exchange for cash.

2. Period of financial results of the acquired company included in the quarterly consolidated statement of income for the nine months under review

From October 1, 2023 to December 31, 2023

3. Costs of the acquisition of acquired company and breakdown by type of consideration

| | | |
|-------------------------------|------|------------------------|
| Consideration for acquisition | Cash | 3,300,000 thousand yen |
| Acquisition cost | | 3,300,000 thousand yen |

4. Goodwill arising from the business combination, reason for the goodwill, and method and period of amortization

(1) Amount of goodwill

1,891,867 thousand yen

The amount of goodwill has been determined provisionally as allocation of the purchase price was incomplete as of the end of the third quarter of the consolidated fiscal year under review.

(2) Reason for the goodwill

It arose from the future excess earnings power expected from future business expansion.

(3) Method and period of amortization

Amortization over a 15 year period on a straight-line basis